



City Council Meeting



Presentation of the Preliminary Water, Wastewater and Storm Water Revenue Requirement Results

October 16, 2007

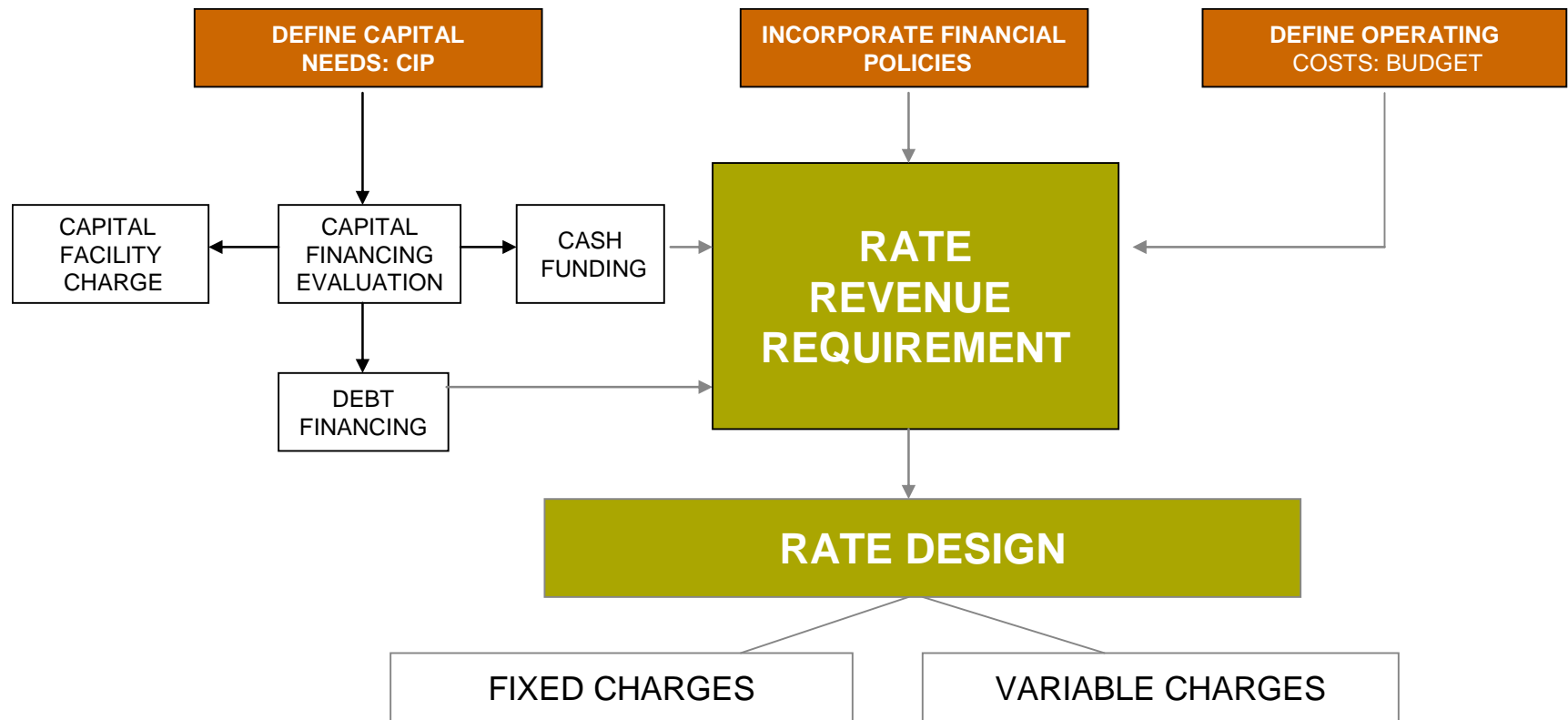


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Discussion Outline

- Overview of Rate Study Process
- Fiscal Policies
- Utility Revenue Requirement Findings
 - ✓ Storm water
 - ✓ Water
 - ✓ Wastewater
- Rate Comparison
- Next Steps

Overview of Rate Study Process



Fiscal Policies

	Purpose	Proposed
Operating	To provide sufficient cash flow to meet daily operating expenses (short-term, annual revenue cycles)	Water – 90 days of O&M Wastewater – 60 days of O&M Storm – 60 days of O&M
Capital	To provide a source of funding for emergency repairs (other than catastrophic events), unanticipated capital, and project cost overruns.	Emergency Repair Ideally set at 1% - 2% of system asset values
Debt	To ensure compliance with existing loan/debt covenants and maintain credit worthiness for future debt issuance.	Current Target 1.5 coverage on existing and future revenue bond debt issues
System Replacement	To ensure ongoing system integrity through reinvestment in the system.	Ideally, set at least equal to annual depreciation expense or average annual R&R capital

Revenue Requirement: Key Factors

- Study period: 2007 – 2013
- Rate revenue calculated using City provided customer statistics (meter size, customer count, ERUs, billed volume)
- Used 2007 budget as base for expenses
- Future year expenses calculated by applying annual escalation factors (reviewed with City)
 - ✓ General Cost Inflation – 3.2%
 - ✓ Construction Cost Inflation – 4.0%
 - ✓ Labor Cost Inflation – 4.0%
 - ✓ Customer Growth – 1.19% (Water/Storm), 1.35% (Sewer)
 - ✓ Medical – 12.0%
- Incorporate fiscal policies
- Develop funding strategy for the 6 year CIP

Storm Water Revenue Requirement Findings

- Rate adjustments are required to meet revenue needs: annual rate increases of 9.5% 2008 through 2013
 - ✓ Average bi-monthly single family bill impact per year \$1.75 (current bill \$14.50 to \$24.99 by 2013)
- Financial plan supports:
 - ✓ Ongoing O&M Needs
 - ◆ 30% share of operations manager and asst. manager positions in 2008 (\$45,040 + benefits)
 - ✓ \$5.0 million in capital funding obligations
 - ◆ Projects include; overlay program, Blackman's lake outlet control and CSO phase II
 - ◆ Capital funding strategy = existing reserves, annual system replacement funding and the issuance of \$2.0 million in debt in 2013.
 - ◆ Annual debt service of \$172,064 starting in 2013
 - ✓ Annual system replacement funding (average \$205K 2007-2013)
 - ✓ 60 days operating fund (met each year)
 - ✓ Emergency repair target = \$300K (met in early years, depleted over time)

Summary of Storm Water Revenue Requirement

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates	\$ 550,000	\$ 585,000	\$ 591,962	\$ 599,006	\$ 606,134	\$ 613,347	\$ 620,646
Non-Rate Revenues	<u>2,500</u>	<u>1,728</u>	<u>2,294</u>	<u>2,395</u>	<u>2,503</u>	<u>2,617</u>	<u>2,738</u>
Total Revenues	\$ 552,500	\$ 586,728	\$ 594,255	\$ 601,401	\$ 608,637	\$ 615,964	\$ 623,383
Expenses							
Cash O&M Expenses	\$ 247,375	\$ 328,317	\$ 342,883	\$ 358,280	\$ 374,582	\$ 391,861	\$ 410,199
Existing Debt Service	-	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-	172,064
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-	-
Rate Funded System Replacement	<u>350,000</u>	<u>250,000</u>	<u>260,000</u>	<u>270,400</u>	<u>281,216</u>	<u>292,465</u>	<u>304,163</u>
Total Expenses	\$ 597,375	\$ 578,317	\$ 602,883	\$ 628,680	\$ 655,798	\$ 684,326	\$ 886,427
Net Surplus (Deficiency)	\$ (44,875)	\$ 8,411	\$ (8,628)	\$ (27,279)	\$ (47,161)	\$ (68,362)	\$ (263,043)
% of Rate Revenue	8.16%	0.00%	1.76%	5.02%	8.44%	12.01%	43.47%
Annual Rate Adjustment	0.00%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
Rate Revenues After Rate Increase	\$ 550,000	\$ 640,575	\$ 709,777	\$ 786,454	\$ 871,415	\$ 965,555	\$ 1,069,864
Additional Taxes from Rate Increase	\$ -	\$ 834	\$ 1,767	\$ 2,812	\$ 3,979	\$ 5,283	\$ 6,738
Net Cash Flow After Rate Increase	(44,875)	63,152	107,421	157,358	214,141	278,563	179,437
Coverage After Rate Increases	n/a	n/a	n/a	n/a	n/a	n/a	3.88
Average Residential Bi-Monthly Bill	\$ 14.50	\$ 15.88	\$ 17.39	\$ 19.04	\$ 20.85	\$ 22.83	\$ 24.99
Bi-Monthly Difference	-	1.38	1.51	1.65	1.81	1.98	2.17

Summary of Storm Water Fund

Fund Balance	2007	2008	2009	2010	2011	2012	2013
Operating:							
Beginning Balance	\$ 278,000	\$ 40,664	\$ 53,970	\$ 56,364	\$ 58,895	\$ 61,575	\$ 64,416
Net Cash Flow after Rate Increase	(44,875)	63,152	107,421	157,358	214,141	278,563	179,437
Transfer of Surplus to Capital Fund	(192,461)	(49,847)	(105,026)	(154,827)	(211,462)	(275,722)	(176,422)
Ending Balance	\$ 40,664	\$ 53,970	\$ 56,364	\$ 58,895	\$ 61,575	\$ 64,416	\$ 67,430
<i>Min. Operating 60 Day Target</i> → Days	40,664	53,970	56,364	58,895	61,575	64,416	67,430
	60	60	60	60	60	60	60
Capital							
Beginning Balance	\$ -	\$ 192,461	\$ 250,487	\$ 366,159	\$ 267,092	\$ 161,050	\$ 297,114
Transfers from Replacement Fund (473)	261,000	228,800	257,421	405,463	286,956	292,709	304,174
Grants/Developer Donations /Other	-	-	-	-	-	-	-
Net Debt Proceeds Available for Projects	-	-	-	-	-	-	1,929,351
Interest Earnings	-	8,180	10,646	15,562	11,351	6,845	12,627
Transfer of Surplus from Operating Fund	192,461	49,847	105,026	154,827	180,580	275,722	176,422
Capital Expenditures	(261,000)	(228,800)	(257,421)	(674,918)	(584,929)	(439,212)	(2,530,638)
Ending Balance	192,461	250,487	366,159	267,092	161,050	297,114	189,050
REPLACEMENT FUND (473)							
Beginning Balance	\$ 12,054	\$ 101,566	\$ 127,083	\$ 135,063	\$ 5,740	\$ 244	\$ 10
System Replacement →	350,000	250,000	260,000	270,400	281,216	292,465	304,163
Capital Facilities Fee Revenue	-	-	-	-	-	-	-
Interest Earnings	512	4,317	5,401	5,740	244	10	0
Transfers to Capital Fund	(261,000)	(228,800)	(257,421)	(405,463)	(286,956)	(292,709)	(304,174)
Ending Balance	\$ 101,566	\$ 127,083	\$ 135,063	\$ 5,740	\$ 244	\$ 10	\$ 0
Ending Capital Balances →	\$ 294,027	\$ 377,570	\$ 501,222	\$ 272,832	\$ 161,294	\$ 297,124	\$ 189,050
<i>Minimum Capital Contingency Target</i>	\$ -	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000

Water Revenue Requirement Findings

- Rate adjustments are required to meet revenue needs: 15.0% in 2008; 5% in 2009 and 3.5% per year in 2010 through 2013
 - ✓ Average bi-monthly single family bill impacts per year \$3.49 (current bill \$54.30 - \$75.24 in 2013)
- Financial plan supports:
 - ✓ Ongoing O&M needs
 - ◆ 30% share of operations manager and asst. manager positions in 2008 (\$45,040 + benefits)
 - ✓ \$3.3 million in capital funding obligations
 - ◆ Projects include transmission line/bank stabilization and multiple main replacements
 - ◆ Capital funding strategy = existing reserves, annual system replacement funding and new debt issue of \$622K in 2008
 - ◆ Existing debt service of \$276,068 in 2008 dropping to \$131,390 in 2010 (includes new debt service of \$55K)
 - ✓ Annual system replacement funding (average \$170K 2007-2013)
 - ✓ 90 days operating fund (target met in 2010 and beyond)
 - ✓ Emergency repairs target of \$500,000 (met by 2012)

Summary of Water Revenue Requirement

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates	\$ 1,618,000	\$ 1,637,254	\$ 1,656,738	\$ 1,676,453	\$ 1,696,402	\$ 1,716,590	\$ 1,737,017
Non-Rate Revenues	93,919	81,336	84,882	91,906	101,789	104,149	106,593
Total Revenues	\$ 1,711,919	\$ 1,718,590	\$ 1,741,619	\$ 1,768,359	\$ 1,798,192	\$ 1,820,739	\$ 1,843,610
Expenses							
Cash O&M Expenses	\$ 1,420,790	\$ 1,471,686	\$ 1,534,756	\$ 1,601,534	\$ 1,672,295	\$ 1,747,195	\$ 1,826,691
Wholesale Water Purchases	-	-	-	-	-	-	-
Existing Debt Service	218,272	220,628	186,620	75,950	75,950	75,950	75,950
New Debt Service	-	55,440	55,440	55,440	55,440	55,440	55,440
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-	-
Rate Funded System Replacement	150,000	156,000	162,240	168,730	175,479	182,498	189,798
Total Expenses	\$ 1,789,062	\$ 1,903,754	\$ 1,939,057	\$ 1,901,654	\$ 1,979,164	\$ 2,061,083	\$ 2,147,880
Net Surplus (Deficiency)	\$ (77,143)	\$ (185,164)	\$ (197,437)	\$ (133,295)	\$ (180,972)	\$ (240,344)	\$ (304,269)
% of Rate Revenue	4.77%	12.06%	12.96%	9.21%	12.14%	15.70%	19.46%
Annual Rate Adjustment	0.00%	15.00%	5.00%	3.50%	3.50%	3.50%	3.50%
Rate Revenues After Rate Increase	\$ 1,618,000	\$ 1,882,842	\$ 2,000,511	\$ 2,095,168	\$ 2,194,304	\$ 2,298,130	\$ 2,406,870
Additional Taxes from Rate Increase	-	12,351	17,288	21,057	25,039	29,246	33,687
Net Cash Flow After Rate Increase	\$ (77,143)	\$ 48,074	\$ 129,047	\$ 264,363	\$ 291,890	\$ 311,951	\$ 331,896
Coverage After Rate Increases	2.69	2.89	3.21	10.18	10.85	11.55	12.24
	54.84	0.54					
Average Res. 14 ccf Customer Bi-Mo Bill	\$ 54.30	\$ 62.45	\$ 65.57	\$ 67.86	\$ 70.24	\$ 72.70	\$ 75.24
Bi-Monthly Difference	-	\$ 8.15	\$ 3.12	\$ 2.29	\$ 2.38	\$ 2.46	\$ 2.54

Summary of Water Fund

Fund Balances		2007	2008	2009	2010	2011	2012	2013
Operating:								
Beginning Balance	\$	99,520	\$ 22,377	\$ 70,451	\$ 199,498	\$ 394,899	\$ 412,347	\$ 430,815
Net Cash Flow after Rate Increase		(77,143)	48,074	129,047	264,363	291,890	311,951	331,896
Transfer of Surplus to Capital Fund		-	-	-	(68,962)	(274,442)	(293,482)	(312,295)
Ending Balance	\$	22,377	\$ 70,451	\$ 199,498	\$ 394,899	\$ 412,347	\$ 430,815	\$ 450,417
<i>Min. Operating 60 Day Target</i>	\$	22,377	\$ 241,921	\$ 252,289	\$ 263,266	\$ 274,898	\$ 287,210	\$ 300,278
	Days	6	17	47	90	90	90	90
Capital								
Beginning Balance	\$	-	\$ -	\$ -	\$ -	\$ 68,962	\$ 346,335	\$ 595,234
Grants / Developer Donations / Other Outside Sources		-	-	-	-	-	-	-
Connection Fee (Growth)		-	95,690	13,520	-	-	-	-
Capital Facilities Fee (Existing)		385,000	585,781	224,432	241,846	368,505	323,943	254,541
Net Debt Proceeds Available for Projects		-	621,649	-	-	-	-	-
Interest Earnings		-	-	-	-	2,931	14,719	25,297
Transfer of Surplus from Operating Fund		-	-	-	68,962	274,442	293,482	312,295
Capital Expenditures		(385,000)	(1,303,120)	(237,952)	(241,846)	(368,505)	(383,246)	(398,575)
Ending Balance		-	-	-	68,962	346,335	595,234	788,791
Connection Fee Fund (471 Growth Related)								
Beginning Balance	\$	-	\$ 95,690	\$ 275,067	\$ 336,527	\$ 414,873	\$ 497,310	\$ 584,022
Connection Fee Revenue		95,690	271,000	63,290	64,043	64,805	65,576	66,357
Interest Earnings		-	4,067	11,690	14,302	17,632	21,136	24,821
Transfers to the Capital Fund		-	(95,690)	(13,520)	-	-	-	-
Ending Balance	\$	95,690	\$ 275,067	\$ 336,527	\$ 414,873	\$ 497,310	\$ 584,022	\$ 675,200
Capital Facilities Fee Fund (473 Existing Related)								
Beginning Balance	\$	554,888	\$ 429,781	\$ 263,766	\$ 269,467	\$ 265,162	\$ 141,445	\$ 64,743
System Replacement		150,000	156,000	162,240	168,730	175,479	182,498	189,798
Capital Facilities Fee Revenue		86,310	245,500	56,684	57,358	58,041	58,731	59,430
Interest Earnings		23,583	18,266	11,210	11,452	11,269	6,011	2,752
Transfers to the Capital Fund		(385,000)	(585,781)	(224,432)	(241,846)	(368,505)	(323,943)	(254,541)
Ending Balance	\$	429,781	\$ 263,766	\$ 269,467	\$ 265,162	\$ 141,445	\$ 64,743	\$ 62,182
<i>Ending Capital Fund Balance (excludes fund 471)</i>		429,781	263,766	269,467	334,124	487,780	659,977	850,973
<i>Min Cap Cont. Target</i>	\$	500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000

Water Utility Sensitivity Analysis

- Alternative scenario includes higher level of system replacement funding to \$300K in 2008 plus inflation per year thereafter
- Rate impacts change to:

<u>Year</u>	<u>Base</u>	<u>Alt. Scenario</u>
2008	15.0%	25.0%
2009	5.0%	5.0%
2010	3.5%	3.5%
2011	3.5%	3.5%
2012	3.5%	3.5%
2013	3.5%	3.5%
Total New Debt	\$630k	\$478k

Wastewater Revenue Requirement Findings

- Rate adjustments are required to meet revenue needs: 24.0% 2008 through 2010
 - ✓ Average single family bi-monthly bill impact per year \$14.28 (current bill \$94.50 - \$180.18 in 2013)
- Financial plan supports:
 - ✓ Ongoing O&M Needs
 - ◆ 30% share of operations manager and asst. manager positions in 2008 (\$45,040 + benefits)
 - ◆ Additional WWTP FTE in Sept. 2007 (\$51,000 plus benefits)
 - ✓ \$25.4 million in capital funding obligations
 - ◆ Key projects; Treatment Plant, CSO Phase I, pump station replacement, lagoon
 - ◆ Capital funding strategy = existing reserves, \$4.925 million grant, annual system replacement funding and the issue of \$4.9 million of debt in 2009 and \$8.4 million in 2010
 - ◆ New debt service of \$1.1 million per year, total debt service \$1,742,525 by 2013
 - ✓ Annual System Replacement funding (average \$330K 2007-2013)
 - ✓ 1.50 or greater debt service coverage (driving rate increase)
 - ✓ 60 days operating fund (met by 2009)
 - ✓ Emergency Repair target of \$1.0 million (met by 2011)

Summary of Wastewater Revenue Requirement

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates	\$ 2,155,800	\$ 2,184,903	\$ 2,214,399	\$ 2,244,294	\$ 2,274,592	\$ 2,305,299	\$ 2,336,420
Non-Rate Revenues	15,270	6,304	13,676	17,217	17,624	18,048	18,492
Total Revenues	\$ 2,171,070	\$ 2,191,207	\$ 2,228,075	\$ 2,261,511	\$ 2,292,215	\$ 2,323,347	\$ 2,354,913
Expenses							
Cash O&M Expenses	\$ 1,360,958	\$ 1,501,316	\$ 1,552,215	\$ 1,605,411	\$ 1,661,087	\$ 1,719,480	\$ 1,780,798
Existing Debt Service	718,627	721,317	721,017	610,347	610,347	610,347	610,347
Existing Debt Service Trunk Line	-	-	-	-	-	-	-
New Debt Service	-	-	345,699	1,132,178	1,132,178	1,132,178	1,132,178
Rate Funded System Replacement	300,000	309,600	319,507	329,731	340,283	351,172	362,409
Additions to Meet Minimum Operating Fund Balance	-	-	-	-	-	-	-
Total Expenses	\$ 2,379,585	\$ 2,532,233	\$ 2,938,438	\$ 3,677,668	\$ 3,743,895	\$ 3,813,177	\$ 3,885,733
Net Surplus (Deficiency)	\$ (208,515)	\$ (341,026)	\$ (710,363)	\$ (1,416,157)	\$ (1,451,679)	\$ (1,489,830)	\$ (1,530,820)
% of Rate Revenue	9.67%	15.61%	32.08%	63.10%	63.82%	64.63%	65.52%
Revenue From Rate Reserve	\$ 85,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Surplus (Deficiency)	\$ (123,515)	\$ (341,026)	\$ (710,363)	\$ (1,416,157)	\$ (1,451,679)	\$ (1,489,830)	\$ (1,530,820)
% of Rate Revenue Based on Cash Needs	5.73%	15.61%	32.08%	63.10%	63.82%	64.63%	65.52%
Addition Expense to Meet Coverage	\$ (53,772)	\$ (45,282)	\$ (207,828)	\$ (525,410)	\$ (506,142)	\$ (470,428)	\$ (433,792)
Net Coverage Surplus (Deficiency)	\$ (177,287)	\$ (386,307)	\$ (918,191)	\$ (1,941,567)	\$ (1,957,821)	\$ (1,960,257)	\$ (1,964,612)
% of Rate Revenue Based on Coverage Needs	8.22%	18.17%	42.56%	88.36%	88.36%	88.36%	88.36%
Annual Rate Adjustment	0.00%	24.00%	24.00%	24.00%	0.00%	0.00%	0.00%
Rate Revenues After Rate Increase	\$ 2,155,800	\$ 2,709,280	\$ 3,404,861	\$ 4,279,025	\$ 4,336,791	\$ 4,395,338	\$ 4,454,675
Additional Taxes from Rate Increase	-	10,702	24,297	41,528	42,089	42,657	43,233
Net Cash Flow After Rate Increase	\$ (123,515)	\$ 172,649	\$ 455,802	\$ 577,046	\$ 568,431	\$ 557,553	\$ 544,202
Coverage After Rate Increases	1.25	1.68	1.73	1.53	1.54	1.55	1.56
Average Residential 14 ccf Bi-Monthly Bill	\$ 94.50	\$ 117.18	\$ 145.30	\$ 180.18	\$ 180.18	\$ 180.18	\$ 180.18
Bi-monthly Difference	-	22.68	28.12	34.87	-	-	-

Summary of Wastewater Fund

Fund Balances	2007	2008	2009	2010	2011	2012	2013
Operating:							
Beginning Balance	\$ 122,453	\$ -	\$ 172,649	\$ 255,159	\$ 263,903	\$ 273,055	\$ 282,654
Net Cash Flow after Rate Increase	(123,515)	172,649	455,802	577,046	568,431	557,553	544,202
Transfer of Surplus to Capital Fund	-	-	(373,292)	(568,301)	(559,279)	(547,954)	(534,122)
Ending Balance	(1,062)	172,649	255,159	263,903	273,055	282,654	292,734
<i>Min. Operating 60 Day Target</i>	\$ 223,719	\$ 246,792	\$ 255,159	\$ 263,903	\$ 273,055	\$ 282,654	\$ 292,734
days	(0)	42	60	60	60	60	60
Capital							
Beginning Balance	\$ 130,385	\$ 135,926	\$ 141,703	\$ 379,314	\$ 584,422	\$ 1,168,539	\$ 1,766,156
Grants / Developer Donations / Other Outside Sources	-	1,160,000	3,765,000	-	-	-	-
Connection Fee (Growth)	200,000	-	602,000	172,489	-	-	-
Capital Facilities Fee (Existing)	217,000	2,378,080	1,380,148	472,778	409,450	425,829	442,862
Special Capital Facilities Charge (Trunk Line Only)	-	-	-	-	-	-	-
Net Debt Proceeds Available for Projects	-	-	4,862,252	8,424,277	-	-	-
Interest Earnings	5,541	5,777	6,022	16,121	24,838	49,663	75,062
Transfer of Surplus from Operating Fund	-	-	373,292	568,301	559,279	547,954	534,122
Capital Expenditures	(417,000)	(3,538,080)	(10,751,104)	(9,448,858)	(409,450)	(425,829)	(442,862)
Ending Balance	135,926	141,703	379,314	584,422	1,168,539	1,766,156	2,375,340
Connection Fee Fund (471 Growth Related)							
Beginning Balance	\$ 1,028,000	\$ -	\$ 602,000	\$ 172,489	\$ 156,218	\$ 313,754	\$ 480,023
plus: Connection Fee Revenue	228,310	602,000	146,904	148,887	150,897	152,934	154,999
plus: Interest Earnings	43,690	-	25,585	7,331	6,639	13,335	20,401
less: Transfers to the Trunk Line (Fund 433)	(1,100,000)	-	-	-	-	-	-
less: Transfers to the Capital Fund	(200,000)	-	(602,000)	(172,489)	-	-	-
Ending Balance	-	602,000	172,489	156,218	313,754	480,023	655,423
Capital Facilities Fee Fund (473 Existing Related)							
Beginning Balance	\$ 2,367,434	\$ 2,608,462	\$ 1,060,641	\$ 143,047	\$ 105,371	\$ 141,314	\$ 174,654
plus: System Replacement	300,000	309,600	319,507	329,731	340,283	351,172	362,409
plus: Capital Facilities Fee Revenue	57,412	409,800	97,969	99,292	100,632	101,991	103,368
plus: Interest Earnings	100,616	110,860	45,077	6,079	4,478	6,006	7,423
less: Transfers to the Capital Fund	(217,000)	(2,378,080)	(1,380,148)	(472,778)	(409,450)	(425,829)	(442,862)
Ending Balance	2,608,462	1,060,641	143,047	105,371	141,314	174,654	204,993
<i>Ending Capital Fund Balance (excludes fund 471 & 433)</i>	2,744,388	1,202,345	522,361	689,793	1,309,853	1,940,811	2,580,332
<i>Min Cap Cont. Target</i>	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000

Summary of Wastewater Fund

Fund Balances	2007	2008	2009	2010	2011	2012	2013
Trunk Line Only Special Connection Charges Fund (433)							
Beginning Balance	\$ -	\$ 1,160,111	\$ 1,870,499	\$ 1,837,915	\$ 1,806,380	\$ 1,775,940	\$ 1,746,642
plus: Special Connection Charges	500,000	1,600,000	414,400	414,400	414,400	414,400	414,400
plus: Interest Earnings	-	49,305	79,496	78,111	76,771	75,477	74,232
less: Inter fund transfer	1,100,000	-	-	-	-	-	-
less: Inner fund Transfers	-	(410,000)	-	-	-	-	-
less: PWTF Loan 04-691-062 Debt Service	(381,060)	(392,685)	(390,876)	(389,066)	(387,256)	(385,447)	(383,637)
less: PWTF Loan 02-691-pre-105 Debt Service	(58,829)	(59,231)	(58,956)	(58,680)	(58,405)	(58,129)	(57,854)
less: PWTF Loan 07-962-016 Debt Service	-	(77,000)	(76,650)	(76,300)	(75,950)	(75,600)	(75,250)
Subtotal Debt Service	(439,889)	(938,916)	(526,481)	(524,046)	(521,611)	(519,176)	(516,741)
less: transfers to the Capital Fund	-	-	-	-	-	-	-
Ending Balance	\$ 1,160,111	\$ 1,870,499	\$ 1,837,915	\$ 1,806,380	\$ 1,775,940	\$ 1,746,642	\$ 1,718,533
		<i>If trunk line ending balance becomes negative, switches over to become rate funded debt service</i>					

Note: Assumes growth to be 50 additional units a year after 2008

Wastewater Sensitivity Analysis

- Alt. Scenario 1: Change to a 1.30 target debt service coverage
- Alt. Scenario 2: Delay of system replacement while capital projects peaking

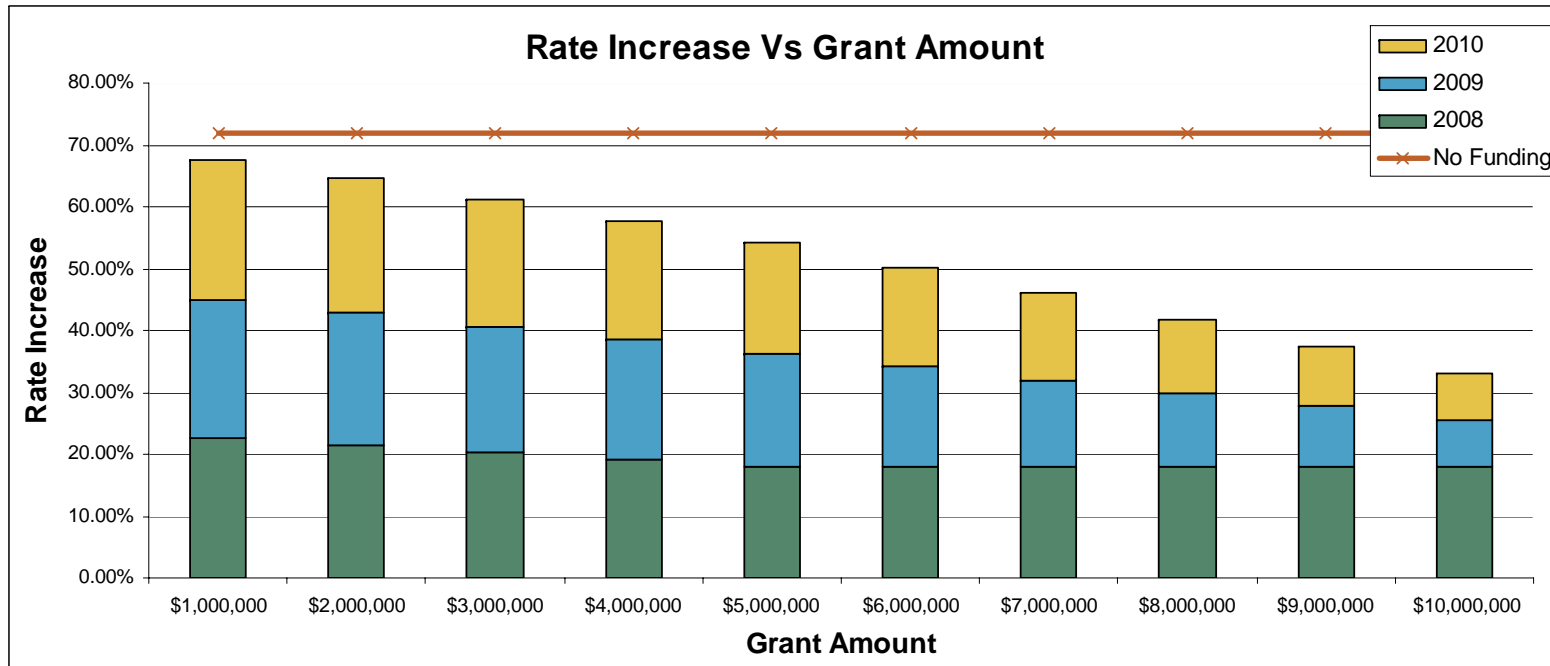
<u>Year</u>	<u>Base</u>	<u>Alt 1</u>	<u>Alt 2</u>
2008	24.0%	20.5%	23.5%
2009	24.0%	20.5%	23.5%
2010	24.0%	20.5%	23.5%
2011	0.0%	4.0%	0.0%
2012	0.0%	0.0%	0.0%
2013	0.0%	0.0%	0.0%

Total New Debt: 13.3 Million

13.6 Million

13.7 Million

Effect of Grant Funding on Rates



Grant Amount	2008	2009	2010
No Funding	24.00%	24.00%	24.00%
\$ 1,000,000	22.50%	22.50%	22.50%
\$ 2,000,000	21.50%	21.50%	21.50%
\$ 3,000,000	20.35%	20.35%	20.35%
\$ 4,000,000	19.25%	19.25%	19.25%
\$ 5,000,000	18.10%	18.10%	18.10%
\$ 6,000,000	18.05%	16.05%	16.05%
\$ 7,000,000	18.05%	13.95%	13.95%
\$ 8,000,000	18.05%	11.85%	11.85%
\$ 9,000,000	18.05%	9.70%	9.70%
\$ 10,000,000	18.05%	7.55%	7.55%

Combined Bi-monthly Utility Bill

City of Snohomish Current - 2013 (Proposed) Rates

	Current	2008	2009	2010	2011	2012	2013
Storm	\$ 14.50	\$ 15.88	\$ 17.39	\$ 19.04	\$ 20.85	\$ 22.83	\$ 24.99
Wastewater	94.50	117.18	145.30	180.18	180.18	180.18	180.18
Water	54.30	62.45	65.57	67.86	70.24	72.70	75.24
Total Bi-Monthly Bill	\$ 163.30	\$ 195.50	\$ 228.26	\$ 267.08	\$ 271.27	\$ 275.71	\$ 280.41

Current Rates for Other Cities

	Duval	Monroe	Marysville	Edmonds	Poulsbo	Lynnwood	Arlington
Storm	\$ 33.84	\$ 18.00	\$ 16.00	\$ 15.56	\$ 15.00	\$ 8.50	\$ 6.90
Wastewater	120.48	84.76	63.80	50.64	98.12	50.50	88.82
Water	79.02	39.24	34.36	39.48	44.66	25.64	74.49
Total Bi-Monthly Bill	\$ 233.34	\$ 142.00	\$ 114.16	\$ 105.68	\$ 157.78	\$ 84.64	\$ 170.21

2007 Rate Comparison

Water	
Lake Stevens	\$ 86.48
Duval	\$ 79.02
Arlington	\$ 74.49
Burlington	\$ 69.47
Bothell	\$ 59.83
Snohomish	\$ 54.30
Poulsbo	\$ 44.66
Edmonds	\$ 39.48
Everett	\$ 39.40
Monroe	\$ 39.24
Marysville	\$ 34.36
Lynnwood	\$ 25.64

Waste Water	
Duval	\$ 120.48
Bothell	\$ 99.12
Poulsbo	\$ 98.12
Snohomish	\$ 94.50
Lake Stevens	\$ 90.00
Arlington	\$ 88.82
Monroe	\$ 84.76
Everett	\$ 76.80
Burlington	\$ 71.20
Marysville	\$ 63.80
Edmonds	\$ 50.64
Lynnwood	\$ 50.50

Single Family (1 ERU)
5/8, 3/4 Meter
14 CCF bi-mo water use

Storm Water	
Duval	\$ 33.84
Monroe	\$ 18.00
Marysville	\$ 16.00
Edmonds	\$ 15.56
Poulsbo	\$ 15.00
Snohomish	\$ 14.50
Lynnwood	\$ 8.50
Arlington	\$ 6.90
Burlington	\$ 6.20

Rate Design

■ Current Rates

- ✓ Water: Bi-Monthly fixed charge of \$37.00, Variable charge of \$2.15/CCF
- ✓ Wastewater: Bi-Monthly fixed charge of \$72.30, Variable charge of \$3.70/CCF
- ✓ Storm: Bi-Monthly fixed charge of \$14.50

■ No change to rate structure

■ Rate design will focus on amount to be collected from fixed and variable charges

- ✓ Current revenue collected from Fixed charges:
 - ◆ Wastewater: 25.41%
 - ◆ Water: 30.75%
- ✓ Current revenue collected from Variable charges:
 - ◆ Wastewater: 74.59%
 - ◆ Water: 69.25%

Next Steps

- Incorporate feedback and comment
- Direction on overall rate adjustment level for each utility
- Next Phase – Rate Design

Appendix

- Appendix A: Storm Water CIP
- Appendix B: Water CIP
- Appendix C: Wastewater CIP

Appendix A: Storm Water CIP

No	Description	Current Cost	Year	TOTAL ESCALATED COSTS
1	Blackman's Lake Outlet Control	\$ 61,000	2007	\$ 61,000
2	"	400,000	2010	449,946
3	Blackman's Lake Outlet Control - legal/permits	140,000	2009	151,424
4	Surface Water Overlay Program	200,000	2007	200,000
5	"	220,000	2008	228,800
6	Bonneville CB & Storm Sewer Line Installation	98,000	2009	105,997
7	Maple/Swifty Creek Storm Rebuild	200,000	2010	224,973
8	Phase II CSO	500,000	2011	584,929
9	Phase II CSO	361,000	2012	439,212
10	Phase II CSO	2,000,000	2013	2,530,638
11	Annual unidentified projects	-	2011	-
12	Annual unidentified projects	-	2012	-
13	Annual unidentified projects	-	2013	-
Total Capital Projects		\$ 4,180,000		\$ 4,976,918
Total Upgrade/Expansion Projects				-
Total R&R Projects				4,976,918
Projects by Grants / Developer Donations				-
Projects by Enterprise Fund				4,976,918

Year	(2007\$)	Escalated \$
2007	261,000	261,000
2008	220,000	228,800
2009	238,000	257,421
2010	600,000	674,918
2011	500,000	584,929
2012	361,000	439,212
2013	2,000,000	2,530,638
Total	\$ 4,180,000	\$ 4,976,918

Appendix B: Water CIP

No	Description	Current Cost	Year	TOTAL ESCALATED COSTS
1	Water Treatment Plant Study	\$ 50,000	2007	\$ 50,000
2	"	150,000	2008	156,000
3	Overlay and Main Replacements	220,000	2008	228,800
4	Water System Comprehensive Plan	175,000	2008	182,000
5	"	25,000	2009	27,040
6	Fire Hydrant Replacement	15,000	2008	15,600
7	"	15,000	2009	16,224
8	"	15,000	2010	16,873
9	"	15,000	2011	17,548
10	"	15,000	2012	18,250
11	"	15,000	2013	18,980
12	Water Plant - Filter to Waste	182,000	2007	182,000
13	Water Plant - SCADA	20,000	2007	20,000
14	Backwash Tank - Interior & Exterior Painting	180,000	2009	194,688
15	Transmission Line/Bank Stabilization	133,000	2007	133,000
16	Transmission Line/Bank Stabilization	693,000	2008	720,720
17	Unidentified Projects	-	2009	-
18	Unidentified Projects	200,000	2010	224,973
19	Unidentified Projects	300,000	2011	350,958
20	Unidentified Projects	300,000	2012	364,996
21	Unidentified Projects	300,000	2013	379,596
Total Capital Projects		\$ 3,018,000		\$ 3,318,244
Total Upgrade/Expansion Projects				611,880
Total R&R Projects				2,706,364
Projects by Grants / Developer Donations				-
Projects by Enterprise Fund				3,318,244

Year	Escalated (\$)	2007 (\$)
2007	\$385,000	\$385,000
2008	1,303,120	1,253,000
2009	237,952	220,000
2010	241,846	215,000
2011	368,505	315,000
2012	383,246	315,000
2013	398,575	315,000
Total	\$ 3,318,244	\$ 3,018,000

Appendix C: Wastewater CIP

No	Description	Current Cost	Year	TOTAL ESCALATED COSTS
1	CSO Phase I Design	\$ 200,000	2007	\$ 200,000
2	"	360,000	2008	374,400
3	"	2,102,500	2009	2,274,064
4	"	3,937,500	2009	4,258,800
5	WWTP Preliminary Design and Design	200,000	2007	200,000
6	"	800,000	2008	832,000
7	"	1,662,500	2009	1,798,160
8	"	2,037,500	2009	2,203,760
9	"	8,400,000	2010	9,448,858
10	Champagne Lane Pump Station Replacement	1,040,000	2008	1,081,600
11	"	200,000	2009	216,320
12	Standby Power	280,000	2008	291,200
13	Segment 4 Cemetery Creek Trunk Sewer Line	-	2008	-
14	Segments 2 & 3 Cemetery Creek Trunk Sewer L	-	2007	-
15	"	-	2008	-
16	Wastewater Overla Program Main Replacement	183,000	2008	190,320
17	Flush Tank Replacement	114,000	2008	118,560
18	10th Street Main & MH Replacement	103,000	2008	107,120
19	Alleyway MH Installation between 4th & 5th & Ced	22,000	2008	22,880
20	Lagoon	500,000	2008	520,000
21	Dynosand Filter	17,000	2007	17,000
22	Unidentified Projects	350,000	2011	409,450
23	Unidentified Projects	350,000	2012	425,829
24	Unidentified Projects	350,000	2013	442,862
				-
Total Capital Projects		\$ 23,209,000		\$ 25,433,182
Total Upgrade/Expansion Projects				14,773,978
Total R&R Projects				10,659,205
Projects by Grants / Developer Donations				5,278,624
Projects by Enterprise Fund				20,154,558

Year	2007 \$	Escalated \$
2007	\$417,000	\$417,000
2008	3,402,000	3,538,080
2009	9,940,000	10,751,104
2010	8,400,000	9,448,858
2011	350,000	409,450
2012	350,000	425,829
2013	350,000	442,862
Total	\$ 23,209,000	\$ 25,433,182