



City of Sedro-Woolley Sewer Financial Outlook

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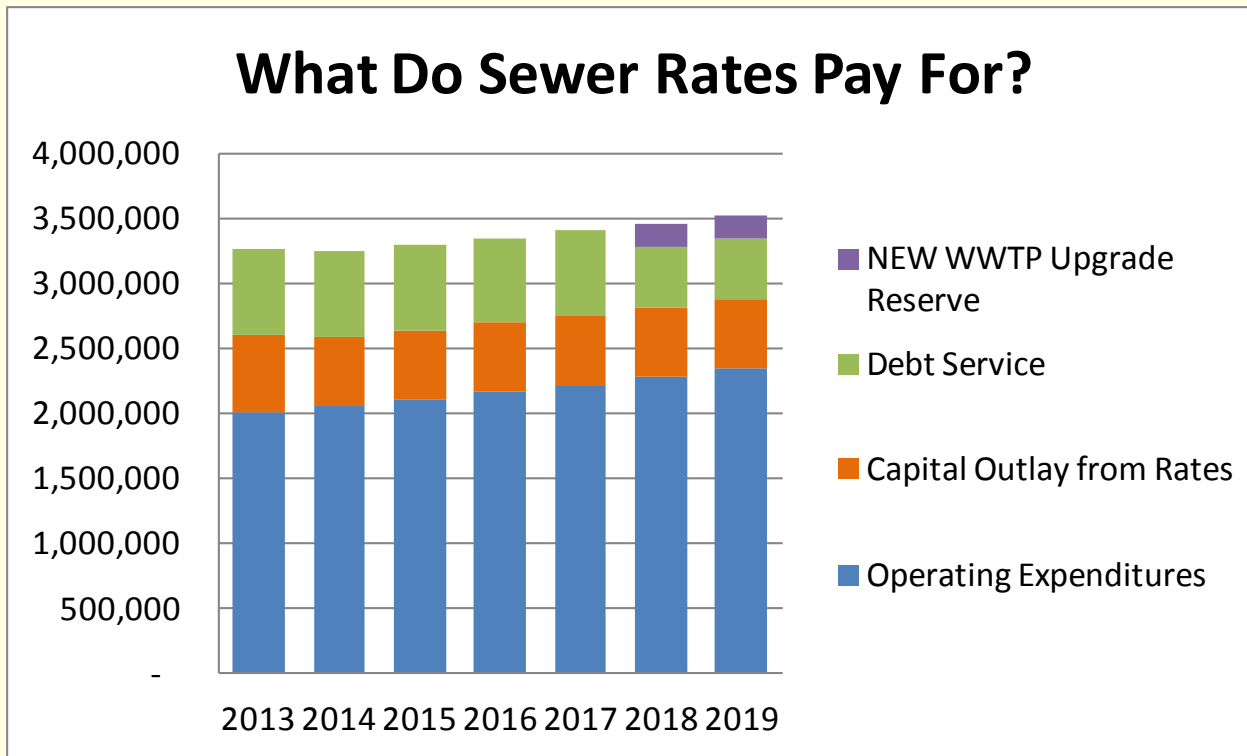


What Was Reviewed?

- Are rates sufficient to meet the basic needs?
- Can the connection charge be reduced?
- What happens when bonds are paid off in 2018?



Sewer Rates – Fund 401



Sewer Fund 401 Outlook

At Existing Rates

SCEN A: NO RATE INCREASES	2013	2014	2015	2016	2017	2018	2019
Monthly Rate Increase - by year	\$1.43	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Single Family Monthly Rate	\$54.68	\$54.68	\$54.68	\$54.68	\$54.68	\$54.68	\$54.68
Subtotal Oper. Revenue	3,233,975	3,133,896	3,140,458	3,147,019	3,155,221	3,163,423	3,171,625
Subtotal Oper. Expen. & Cap. Outlay	2,600,910	2,510,342	2,564,059	2,619,388	2,676,376	2,735,074	2,795,532
Net Available for Debt & Capital	633,065	623,554	576,399	527,632	478,846	428,350	376,093
Debt Service	665,380	660,563	657,611	654,659	648,707	650,755	647,804
Annual Surplus (Deficit)	(32,315)	(37,009)	(81,212)	(127,027)	(169,862)	(222,406)	(271,711)
Cumulative % Impact on Rates	1%	1%	3%	4%	5%	7%	9%

Ending Fund Balance (estimated)	445,140	408,132	326,919	199,892	30,031	(192,375)	(464,086)
Target Ending Balance - Fund 401	290,514	286,323	283,887	277,915	268,409	255,476	238,340
target = 8% x (beg. Cash bal. + Revenue)	ok	ok	ok	warning	warning	warning	warning

SCEN. A is the outlook without rate increases. The results show that moderate rate increases are necessary to meet operating expenses, debt and ongoing capital outlay. The fund balance falls below the target minimum in 2016 and is negative in 2018.



Sewer Fund 401

Increase Rates by CPI

SCEN B: INCREASE RATES BY CPI	2013	2014	2015	2016	2017	2018	2019
Monthly Rate Increase - by year	\$1.43	\$1.47	\$1.52	\$1.56	\$1.61	\$1.66	\$1.71
Single Family Monthly Rate	\$54.68	\$56.15	\$57.67	\$59.23	\$60.84	\$62.50	\$64.21
Subtotal Oper. Revenue	3,233,975	3,211,065	3,297,582	3,387,019	3,481,298	3,578,836	3,679,745
Subtotal Oper. Expen. & Cap. Outlay	2,600,910	2,510,342	2,564,059	2,619,388	2,676,376	2,735,074	2,795,532
Net Available for Debt & Capital	633,065	700,722	733,523	767,631	804,922	843,763	884,213
Debt Service	665,380	660,563	657,611	654,659	648,707	650,755	647,804
Annual Surplus (Deficit)	(32,315)	40,160	75,912	112,972	156,215	193,007	236,409
Cumulative % Impact on Rates	1%						

Ending Fund Balance (estimated)	445,140	485,300	561,212	674,184	830,399	1,023,407	1,259,816
Target Ending Balance - Fund 401	290,514	292,496	302,631	315,858	332,439	352,739	376,252
target = 8% x (beg. Cash bal. + Revenue)	ok	ok	ok	ok	ok	ok	ok

SCEN. B includes an annual rate increase equal to the cost escalator, or CPI. With annual increases keeping pace with inflation (range of \$1.50-\$1.70), the utility is able to meet the needs and maintain target minimum fund balances.



Conclusion on Rates

- Continue with tight belt
- Existing rates will not cover cost escalation
- Annual increases to cover CPI would maintain balance
- Must review and monitor annually



Sewer Facility Fund 410

- **Sewer Facility Fund 410** –
 - Deposit connection charges
 - Pay PWTF loans payments
 - Conn chgs pay first \$150,000, remainder from rates
 - Pay 50% of revenue bond (\$215,000-\$180,000)
- **New reserve for next treatment plant upgrade**
 - Begin funding instead of bond payment in 2018



Sewer Connection Fees

- **Goal – attract & encourage growth in Sedro-Woolley**
 - Update GFC with costs of critical sewer interceptors
 - Be competitive with neighbors
 - Help pay for sewer improvements
- **Current General Facilities Charge = \$8,926 per ERU**
 - For commercial, \$498 per fixture unit
- **Recommend reducing GFC = \$7,000 per ERU**
 - For commercial, \$292 per fixture unit



Sewer Facility Fund 410

with Current Connection Fee

SEWER FACILITY FUND 410	2013	2014	2015	2016	2017	2018	2019
New ERU's per year	15	15	20	20	25	25	25
Existing Connection Fee per ERU	\$8,926	\$8,926	\$8,926	\$8,926	\$8,926	\$8,926	\$8,926
Subtotal Revenue	1,316,520	619,353	660,631	657,379	698,757	695,605	692,454
Subtotal Expenditures	1,395,380	810,563	807,611	804,659	798,707	800,755	797,804
Annual Surplus (Deficit)	(78,860)	(191,210)	(146,980)	(147,280)	(99,950)	(105,150)	(105,350)
Ending Fund Balance (estimated)	1,452,125	1,260,915	1,113,935	966,655	866,705	761,555	656,205
Ending Balance NEW Reserve	-	-	-	-	-	364,000	728,700
Target Minimum Fund Balance	1,083,380	1,080,563	1,077,611	1,074,659	1,071,707	1,068,755	1,065,804
target = 1 yr PWTF + \$450,000 emergency	ok	ok	ok	warning	warning	ok	ok

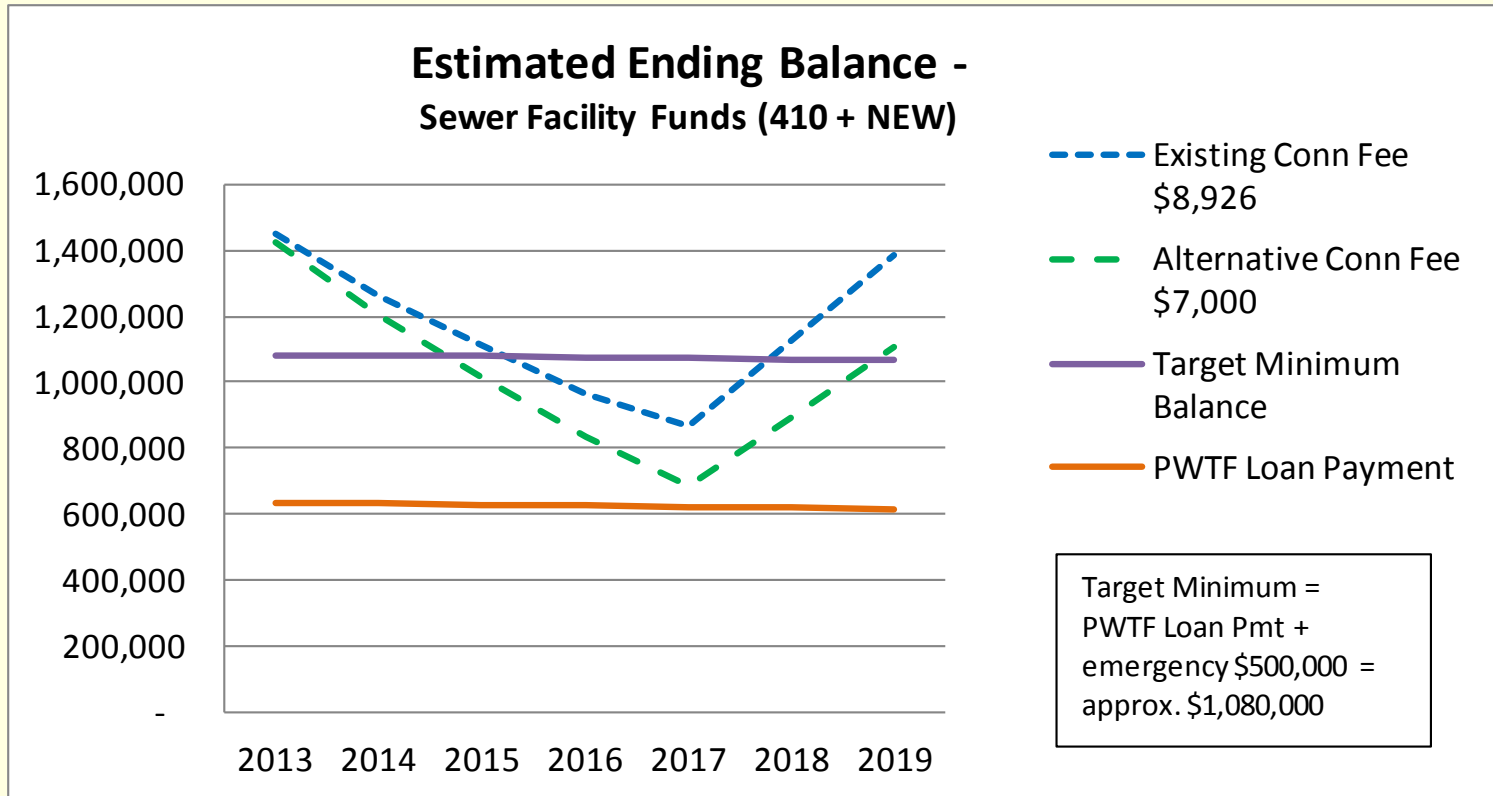


Sewer Facility Fund 410 with Reduced Connection Fee

CONNECTION FEE = \$7,000	2013	2014	2015	2016	2017	2018	2019
New ERU's per year	15	15	20	20	25	25	25
Existing Connection Fee per ERU	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Subtotal Revenue	1,287,630	590,363	622,011	618,659	650,407	647,155	643,904
Subtotal Expenditures	1,395,380	810,563	807,611	804,659	798,707	800,755	797,804
Annual Surplus (Deficit)	(107,750)	(220,200)	(185,600)	(186,000)	(148,300)	(153,600)	(153,900)
Beginning Fund Balance - Fund 410	1,530,985						
Ending Fund Balance (estimated)	1,423,235	1,203,035	1,017,435	831,435	683,135	529,535	375,635
Ending Balance NEW Reserve	-	-	-	-	-	364,000	728,700
Target Minimum Fund Balance	1,083,380	1,080,563	1,077,611	1,074,659	1,071,707	1,068,755	1,065,804
target = 1 yr PWTF + \$450,000 emergency	ok	ok	warning	warning	warning	warning	ok



Sewer Facility Fund Balance @ moderate growth

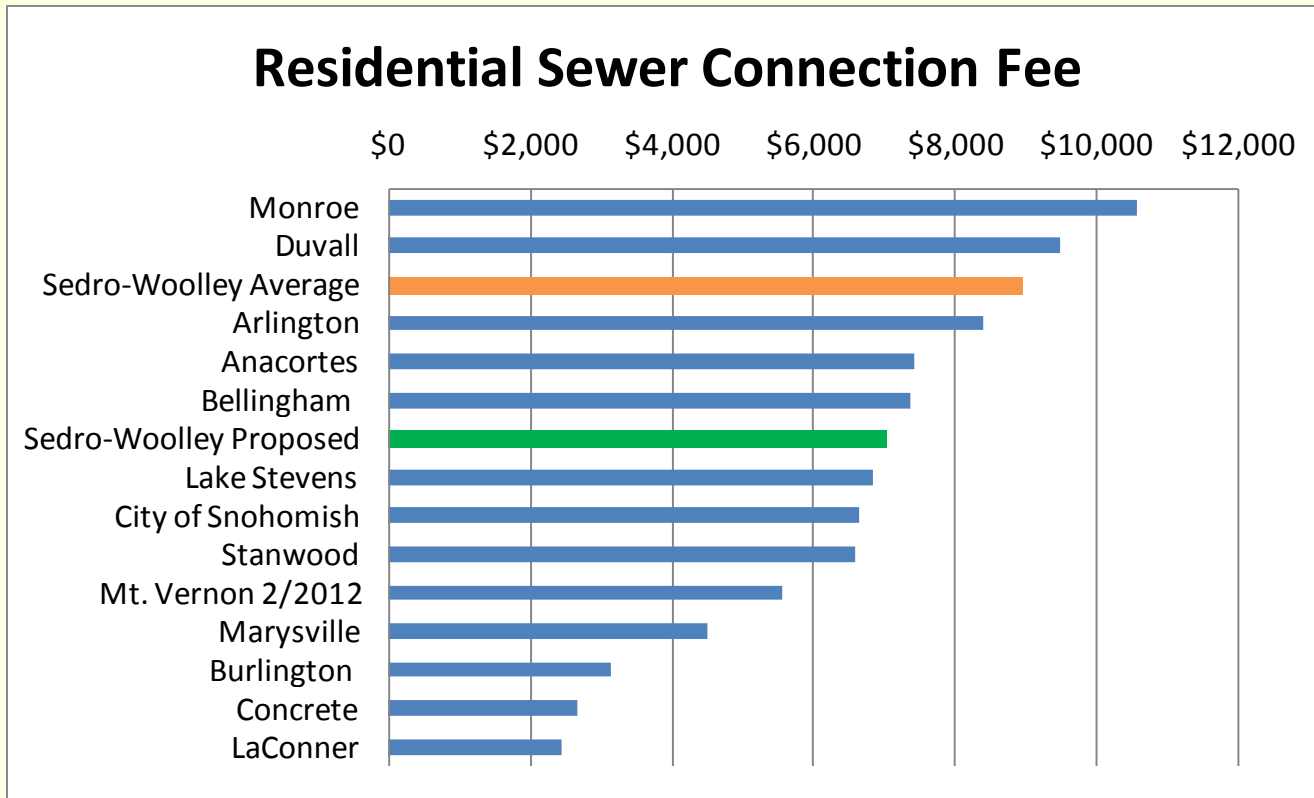


Conclusion on Connection Fee

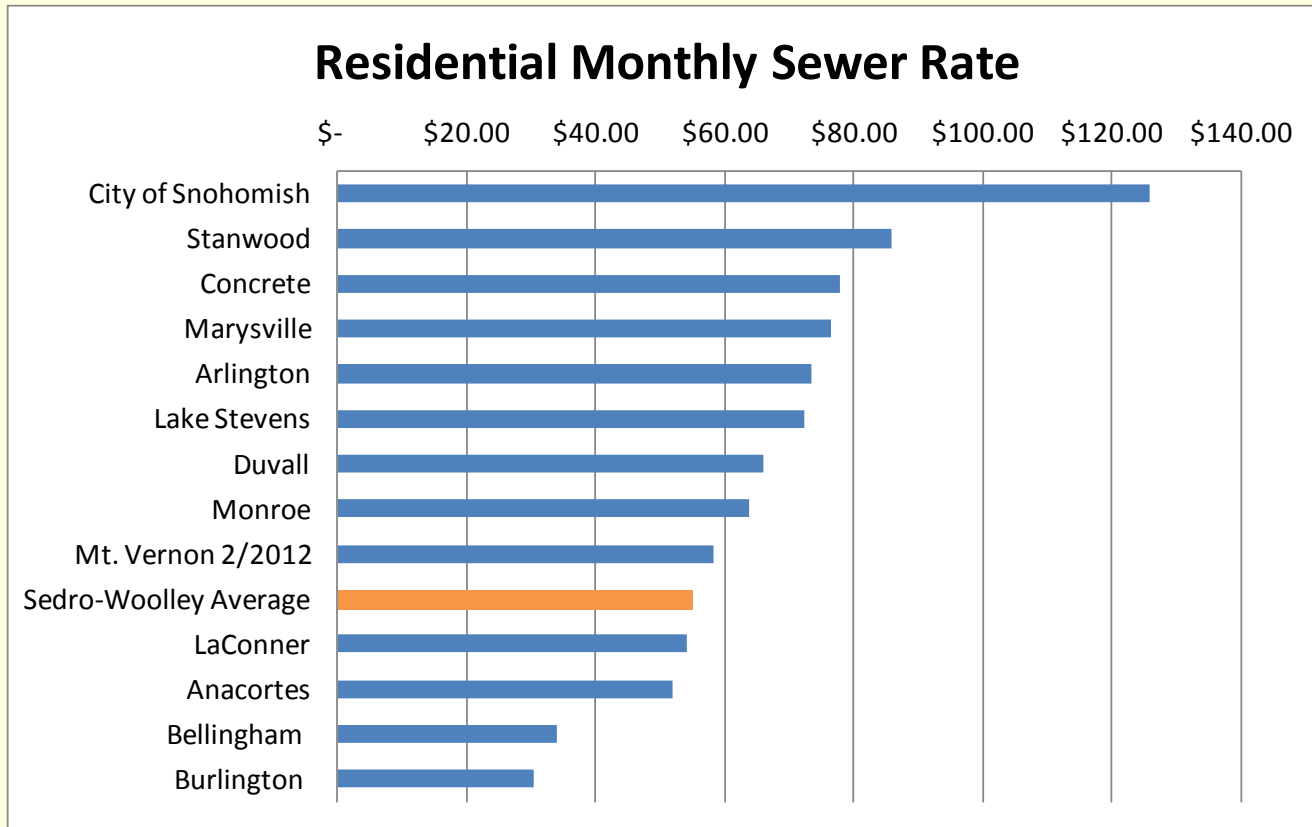
- **Reduce connection fee to reflect cost savings on critical sewer interceptor project**
- **Reduce cost per fixture unit for commercial**
- **Must monitor ERU's and fund balance annually**
 - Higher ERU's: improved outlook
 - Lower ERU's: prompt need for rate & conn fee increases



Compare Connection Fees



Compare Monthly Rates

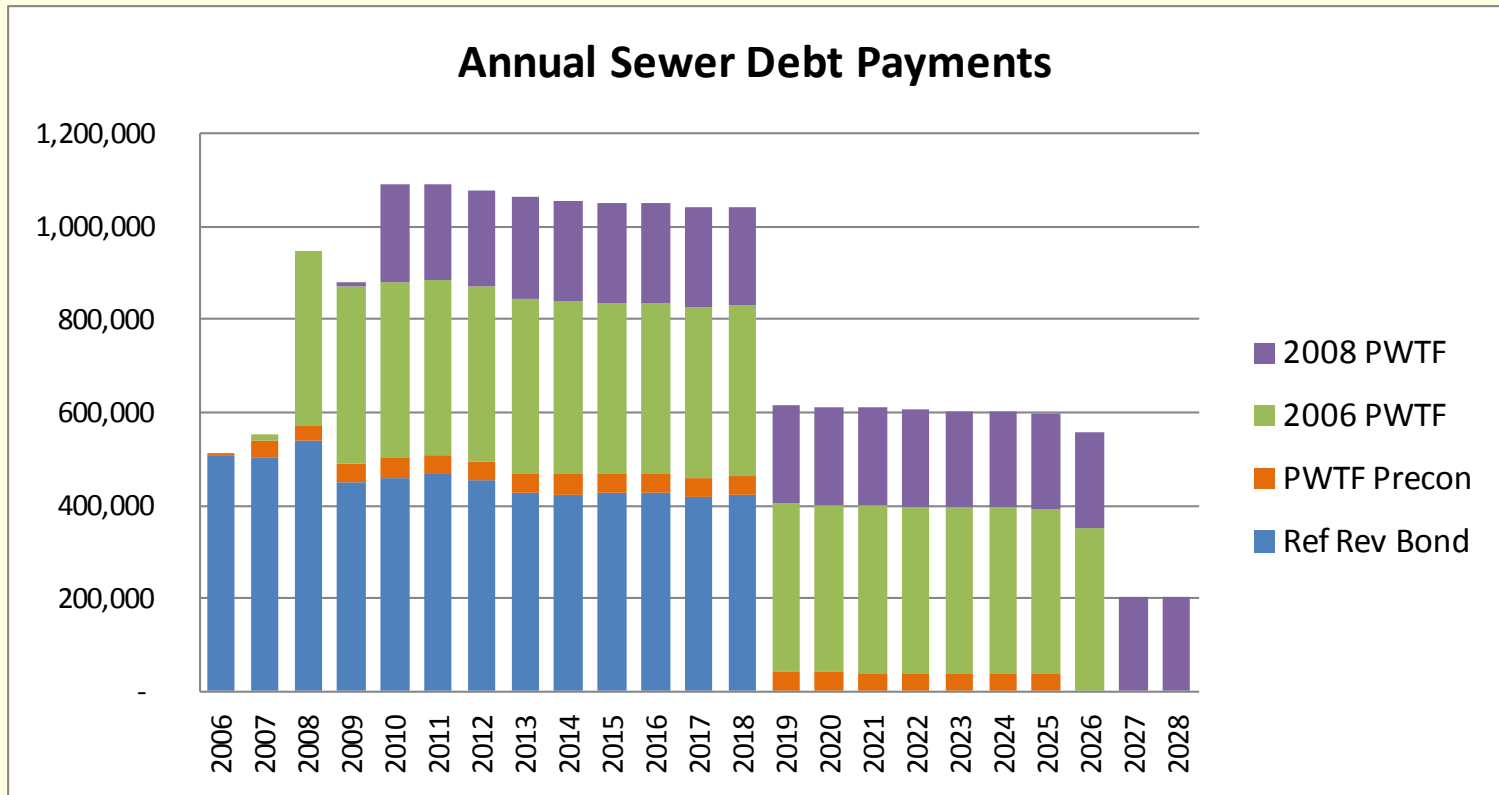


Questions



Sewer Debt

Paid by rates & connection charges



Primary Sewer Funds

- **Sewer Fund 401** –
 - Monthly rates are primary source of revenue
 - Provides annual surplus or (deficit)?
 - Meets target minimum balance – 8% revenue?
- **Sewer Facility Fund 410** –
 - Connection charges are deposited
 - PWTF loans payments made, includes transfer from 401 for debt
- **Sewer Facilities Reserve Fund 402** –
 - Annual transfer from rates
 - Schedule equipment repair/replace to fit



What Was Reviewed?

- **Are rates sufficient to meet the basic needs?**
 - Can sewer utility live within its means?
 - Monthly rates are primary source of revenue
 - Are revenues & expense in balance - annual surplus or (deficit)?
 - Meet target minimum balance?
- **Can the connection charge be reduced?**
 - Review actual costs for critical sewer interceptors
 - Consider adjusting to attract & encourage growth
- **What happens when bonds are paid off in 2018?**
 - Continue collecting and set aside for next upgrade?

