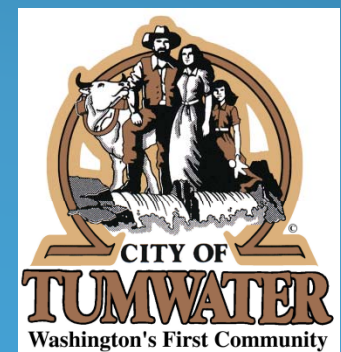


2010 Water System Plan Update

Chapter 7 – Financial Plan
July 23, 2010



Chapter 7 – Financial Plan

- Builds on CIP from Chapter 6
- Historical Review (\$157k balance - 2009)
- Revenue & Expense Forecast
- Funding Sources
- Reserve Funding
- Rate Considerations



Proposed Capitol Improvements

- Address deficiencies
- Recurring / Annual needs
- Operational Improvements
- Growth

- 6 Year CIP: ~\$24.3 M
 - \$11.5 M – Operating Income & Connection Fees
 - \$2.7 M – Developer Funded (extensions)
 - \$10.1 M – Long Term Debt



Revenue Forecast

- Calculated Growth Rate: 3.5%
- Rate Revenues: water sales
 - Other Revenues: penalties, interest income, leases

Projected Revenue (\$000)

Source	2010	2011	2012	2013	2015	2016
Rate Revenue	\$3,320	\$3,436	\$3,557	\$3,681	\$3,810	\$3,944
Other Revenues	\$562	\$575	\$615	\$649	717	\$732
Total Revenues	\$3,882	\$4,011	\$4,172	\$4,330	\$4,527	\$4,676



Fund Expenditures

- Operating Costs
 - Salaries, Wages, Benefits, Supplies, Program Services, Intergovernmental & Interfund payments
 - \$2.7 M 2010 → \$3.2 M 2015
- Taxes/Transfers
 - State Utility Excise Tax (5.029%)
 - City Utility Tax (6.0%)



Fund Expenditures, pg 2

- Debt Service
 - Public Works Trust Fund (PWTF) – 4 loans
 - \$97,000 combined balance (2010)
 - 1st three retire in 2010
 - Remaining, ~\$56,500/year through 2015
 - Revenue Bond (2015 maturity)
 - \$383,000 annual service



Fund Expenditures. Pg 3

- Capital Improvement
 - Improvements / Replacement / Growth / Regulatory
 - Rates fund CIP (imp/repl/reg) @ depreciation
 - Connection fees (growth / hist. development)
 - New Revenue Bonds





	6-yr	2010	2011	2012	2013	2014	2015
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Capital Outlays

Supply	\$13.7 M	3,325	3,564	277	6,110	254	133
Storage	\$1.1 M	0	0	0	61	0	999
Pump Stations	\$0.8 M	0	0	0	0	51	720
Distribution	\$7.4 M	325	418	1,939	1,501	1,283	1,945
O&M	\$1.3 M	115	680	231	18	0	313
Totals	\$24.3 M	3,765	4,662	2,447	7,690	1,638	4,110

Funding Sources

Connection Fees	\$3.2 M	492	509	527	545	564	584
Revenue Bonds	\$12.8 M	800	3,000	1,000	6,000	0	2,000
Reserves	\$2.1 M	1800	300	0	0	0	0
Rates	\$6.2 M	673	853	920	1145	1073	1,526
Totals	\$24.3M	3,765	4,662	2,447	7,690	1,637	4,110

Alternative Funding Sources

- Drinking Water State Revolving Fund
 - SDWA hazards & compliance
 - WSP Projects / 10% match / 20-yr life
- Public Works Trust Fund
 - Water +
 - Replacement/Repair of existing systems
 - 1% / 95% / 20-yr term
 - 0.5% / 15% match
- US Agriculture, Rural Development
 - 40-yr term / awarded post-construction
- Revenue Bonds
 - Most common funding source for construction
 - Interest paid exempt from federal tax
- Infrastructure Assistance Coordinating Council
 - Resource for coordinating funding efforts



Projection Summary

	2010	2011	2012	2013	2014	2015
Revenues	\$3,882	\$4,011	\$4,171	\$4,330	\$4,526	\$4,676
Expenses	\$3,652	\$3,880	\$4,195	\$4,375	\$4,915	\$4,912
CIP (rates)	\$673	\$853	\$920	\$1145	\$1,073	\$1,526
Taxes	\$55	\$89	\$117	\$147	\$181	\$219
Net Balance	(\$498)	(\$811)	(\$1,061)	(\$1,337)	(\$1,642)	(\$1,981)
% of Rates	15.0%	23.6%	29.8%	36.3%	43.1%	50.3%

- Does not include connection fees or bonds (alternative funding) revenue
- % of Rates = cumulative based on 2009/2010 rate structure
- Highly variable situation; growth factors, inflation



Reserves

- Plan recommends Operations & Capital Reserve
 - Current – Assumes all Capital, \$6.1 M
 - \$4.0 M, Capital Reserve for all years
 - Operational Reserve
 - \$0: 2010 → \$372,000: 2015
 - 45-days operational reserve (\$411,000 average)

Current reserve exceeds Capital & Operational Reserve recommendations.



Water Rates

- Base rate + Consumption
 - Typical monthly bill @ 1,000 cf = \$23.35
 - 1,000 cf = 7,480 gallons (~250 gpd)
 - Current structure is consistent; but appropriate?
 - Usage patterns, city goals, conservation efficiencies
 - Contemporary and equitable
 - Increases recommended to fund CIP and future operations

	2010	2011	2012	2013	2014	2015
Adjustment	15%	7.5%	5%	5%	5%	5%



Water Rate (con't)

	Meter Size	2010 Charge	15%	\$+
Residential				
Base Rate (all)	3/4" *	\$5.73	\$6.59	\$0.86
	1"	\$9.72	\$11.18	\$1.46
Consumption	0-600 cf	\$1.69/ccf	\$1.94	\$0.25
	601-1200 cf	\$1.87/ccf	\$2.15	\$0.28
	1201-2400 cf	\$2.23/ccf	\$2.56	\$0.33
	2400+	\$2.92/ccf	\$3.36	\$0.44
Non-Residential				
Consumption	All	\$1.87/ccf	\$2.15	\$0.28
Irrigation				
Consumption	All	\$2.23/ccf	\$2.56	\$0.33

Typical Residential Bill @ 250 gpd: \$26.83 / \$3.48+



Next Steps

- Complete & Submit SEPA
- Provide to local jurisdictions
- Provide to DOH
- Review & Update
- Re-submit for final review
- Pending DOH Approval
 - City Adoption

