SULTAN CITY COUNCIL
AGENDA COVER SHEET

ITEM NO: A - 4

DATE: July 26, 2007

SUBJECT: Set Public Hearing
Sewer Rate Study

CONTACT PERSON: Public Works Director Dunn

ISSUE:
The issue before the City Council is to set the Public Hearing for August 9, 2007 at 6 PM or shortly there after.

Attached is the presentation and update on the Sewer Rate Study from Financial Consulting Solutions (FCS) Group, Inc. to be presented at the Public Hearing to discuss facts and findings with recommended alternatives at this point to meet those financial needs.

BACKGROUND:
On completion of the 2006 Wastewater Treatment Plant Upgrade Engineering Report, the City realized it would be unable to fund the Wastewater Treatment Plant upgrade with the current General Facility Charge (GFC) and the current rate payer user fees. The City of Sultan contracted with Financial Consulting Solution Group (FCS) to complete a Sewer Rate Study.

Through the public process in November, 2006, concluding with the approval of Ordinance 941-06 on December 14, 2006, the City Council approved increasing the GFC to the maximum amount of $9,106.00 recommended by the 2004 Katy Isaksen Associates Rate Study. This was the first step to meet the goals of the City of Sultan Wastewater System.

Public Outreach dates for the Sewer Utility Rate Study are as follows:

April 19, 2007	Sewer Rate Update to Council Sub Committee
May 2007	On the back of the Utility Bills
May 10, 2007	Sewer Rate Study Presentation by FCS Group to the City Council
May 15, 2007	Sewer Rate Study was presented at the Open House
July 17, 2007	Sewer Rate increase to the Council Sub Committee
July 17, 2007	Sewer Rate increase to the Planning Board to set Public Hearing on July 31, 2007

PROPOSAL:

1) Increase the monthly base rate from the current $52.00 per month to $56.70 per month in 2008 and adopt a schedule of future rate increases.
    - Current monthly fee is inadequate to support maintaining the Wastewater System for existing customers
2) Increase the General Facility Charge paid by new development from $9,106 in 2007 to $11,282 in 2008 to pay for plant expansion (upgrade) to accommodate new development.
    - Current GFC is not adequate to pay for capital improvements to the wastewater treatment plant over next six years.

FCS Group has worked with City Staff to gather the information needed to complete a comprehensive study to identify the funding needed to move forward. The two options to fund the improvements needed to meet the goals set in the 2004 City of Sultan Comprehensive Plan.

2004 Comprehensive Plan 2.11 Utilities Goal:

- Maintain and enhance the development and operation of an effective, efficient wastewater treatment plant and collection system that will meet the needs of Sultan's present and future urban service area.
- Sewer Capacity: Increase wastewater treatment plant and collection line capacity allocations to meet the need of the Sultan future urban area. Increase capacity allocations to reflect increased usage trends caused by Sultan's continued urban intensification and economic development.

The Planning Board will conduct a Public Hearing on July 31, 2007 during the regular Planning Board meeting.

RECOMMENDED ACTION:

Set Public Hearing for Sewer Rate Increase on August 9, 2007 at 6 PM or shortly thereafter. This will continue the public process to increase sewer general facility charges and rates to fund the Upgrade of the Wastewater Treatment Plant and to meet the goal of maintaining and enhancing the development and operation of an effective, efficient wastewater treatment plant and collection system that will meet the needs of Sultan's present and future urban service area.

MOTION:

Move to set the Public Hearing on the Wastewater Utility Rates and General Facility Charges for August 9, 2007 at 6 PM or shortly there after.

COUNCIL ACTION:

DATE: July 26, 2007

ATTACHMENTS:

City of Sultan Rate Study prepared by FCS Group, Inc.

City of Sultan, Washington

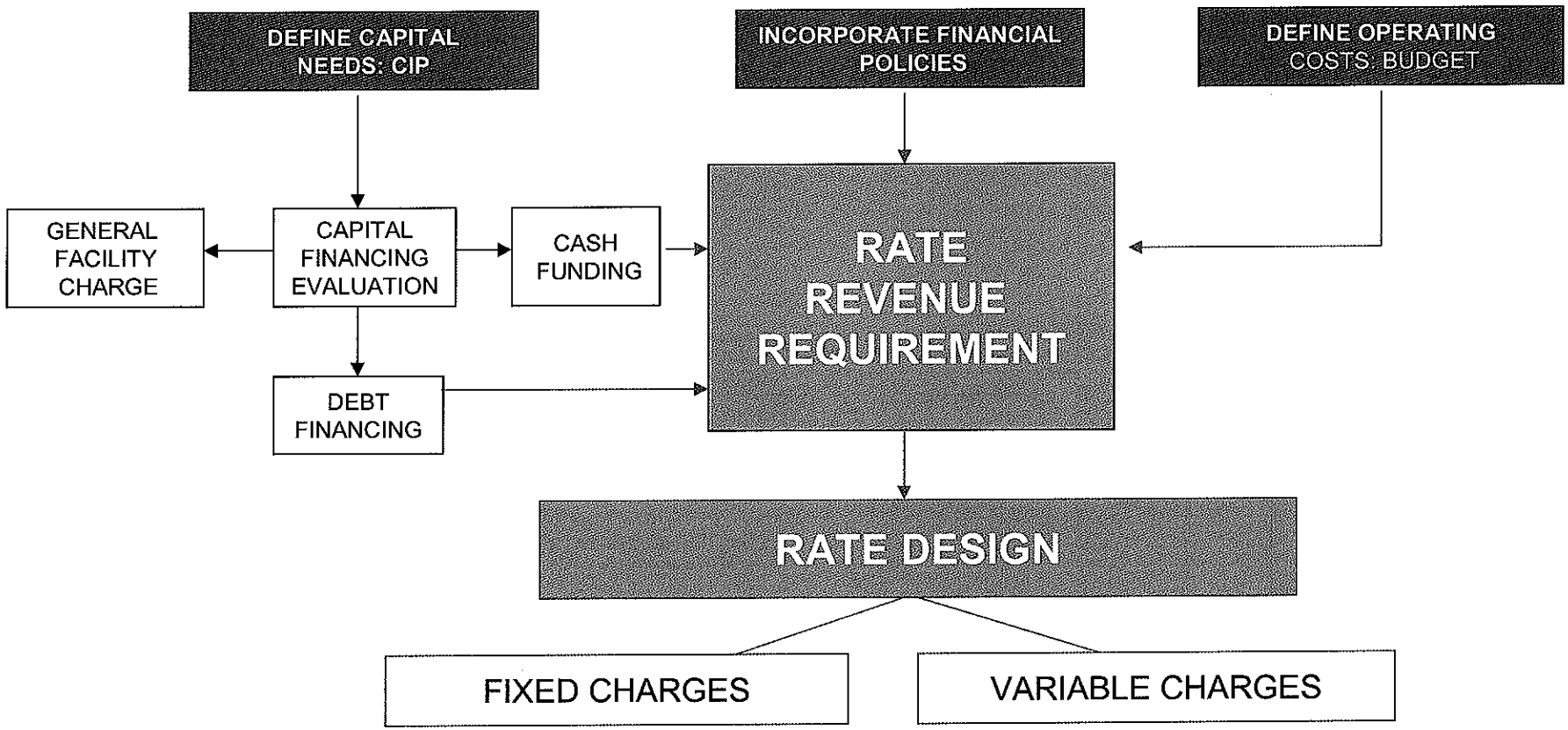
Sultan City Council Presentation

Presentation of the Sewer Utility Rate Study Update

July 26, 2007

FCS GROUP | 8201 – 164th Ave. NE, Suite 300, Redmond, WA 98052 ■ 425-867-1802

Overview of the Rate Study Process



DRAFT

Discussion Topics

- Summary of May 10, 2007 Council Meeting
- Discuss Revised General Facility Charge (GFC)
- Discuss Financial/Rate Impacts of WWTP Short-term Improvements –Capacity to 2,260 ERUs
- Discuss Financial/Rate Impacts of WWTP Phase I Projects –Capacity to 3,537 ERUs

Summary of May 10 Council Meeting

- Presented preliminary rate study and GFC findings to City Council
- Rate Recommendations included the following:
  - ✓ Annual 5% increase in 2008-2011; 4% in 2012 and 2% in 2013
- GFC update based on existing methodology
  - ✓ Indicated new charge of $9,240/ERU. [close to existing charge of $9,106/ERU]
- Feedback and comments:
  - ✓ Concerned with growth assumptions (too high) – GFC offsetting all debt service obligations
  - ✓ Capital cost escalation at 3.5% per year appeared too low
  - ✓ Capital project timing should be phased in, not all in 2010
  - ✓ Staff recommended pursuing alternative GFC methodology

General Facility Charge (GFC) Elements

- One time charge imposed on new development to promote equity between existing and new customers
- Current City Methodology
  - ✓ Includes <u>only existing assets</u> (interceptors, laterals, treatment)
  - ✓ Maximum 10 years of interest to existing assets allowed
  - ✓ Deduct grant contributions
  - ✓ **<u>Does not include future facilities</u>**
- Proposed revised methodology: Update GFC each year to include ***<u>future capital approved within the budget year</u>***
- Short term capital improvements include capacity for 2,260 ERUs, WWTP Phase I includes capacity for 3,537 ERUs

Summary of 2007-2013 Capital Costs

Project	Cost (2006$)	Year	Upgrade/ Expansion	Renewal/ Replcmt	2007	2008	2009	2010	2011	2012	2013
WWTP 2007 Portion (B&C)	$1,500,000	2007	75.00%	25.00%	$1,552,500						
Annual I&I Rehab	$150,000	2007	0.00%	100.00%	$155,250						
WWTP 2008 Portion (B&C)	$3,471,100	2008	75.00%	25.00%		$3,718,329					
River Crossing	$250,000	2008	50.00%	50.00%		$267,806					
First Ave Extension	$800,000	2008	60.00%	40.00%		$856,980					
Annual I&I Rehab	$150,000	2008	0.00%	100.00%		$160,684					
WWTP - MBR	$3,471,100	2009	75.00%	25.00%			$3,848,471				
Annual I&I Rehab	$150,000	2009	0.00%	100.00%			$166,308				
WWTP 2009 Portion (B&C)	$5,767,800	2010	75.00%	25.00%				$6,618,683			
Annual I&I Rehab	$150,000	2010	0.00%	100.00%				$172,128			
339th Ave SE	$480,000	2010	100.00%	0.00%				$550,811			
SE 132nd St	$864,000	2010	100.00%	0.00%				$991,460			
Trout Farm	$864,000	2011	100.00%	0.00%					$1,026,161		
Trout Farm	$1,100,000	2011	100.00%	0.00%					$1,306,455		
Annual I&I Rehab	$150,000	2011	0.00%	100.00%					$178,153		
4th Street	$615,000	2012	0.00%	100.00%						$755,992	
Annual I&I Rehab	$150,000	2012	0.00%	100.00%						$184,388	
7th Street	$240,000	2013	100.00%	0.00%							$305,347
US 2 East	$1,100,000	2013	50.00%	50.00%							$1,399,507
Annual I&I Rehab	$150,000	2013	0.00%	100.00%							$190,842
Total	$21,573,000				**$1,707,750**	**$5,003,799**	**$4,014,778**	**$8,333,083**	**$2,510,769**	**$940,380**	**$1,895,696**
										Total Escalated Construction Costs	**$24,406,255**

- 71% [$17.3 million] of costs related to upgrade expansion
- 39% [$7.1 million] of costs related to existing system renewal & replacement

Example GFC Calculation for Future Years

Cost Basis	2007	2008	2009	2010	2011	2012	2013
Plant in Service							
Utility Capital Assets (beginning of year)	$ 16,992,177	$ 17,147,427	$ 18,432,897	$ 18,599,205	$ 20,313,604	$ 22,824,373	$ 23,764,753
plus: Annual Additions	155,250	1,285,470	166,308	1,714,399	2,510,769	940,380	1,895,696
plus: Interest on Plant	5,070,008	5,441,216	5,696,054	5,937,148	6,255,101	6,685,616	7,158,290
Total Existing Cost Basis	**$ 22,217,435**	**$ 23,874,113**	**$ 24,295,259**	**$ 26,250,752**	**$ 29,079,474**	**$ 30,450,369**	**$ 32,818,739**
WWTP							
Short Term Improvements							
plus: "Short Term Improvements"	$ 1,552,500	$ -	$ -	$ -	$ -	$ -	$ -
plus: Interest on Short Term Improvements	-	69,601	139,202	208,803	278,405	348,006	417,607
Total Short Term Improvements Cost Basis	**$ 1,552,500**	**$ 1,622,101**	**$ 1,691,702**	**$ 1,761,303**	**$ 1,830,905**	**$ 1,900,506**	**$ 1,970,107**
Phase 1							
plus: Phase 1 Additions	$ -	$ 3,718,329	$ 3,848,471	$ 6,618,683	$ -	$ -	$ -
plus: Interest on Phase 1 Additions	-	-	166,699	505,931	1,141,890	1,777,849	2,413,808
Total WWTP Basis	**$ -**	**$ 3,718,329**	**$ 7,733,499**	**$ 8,072,731**	**$ 8,708,690**	**$ 9,344,649**	**$ 9,980,607**

Customer Base	2007	2008	2009	2010	2011	2012	2013
Existing Equivalent Residential Units	1,485	1,485	1,485	1,485	1,485	1,485	1,485
Future Equivalent Residential Units (Incremental)	775	775	775	775	775	775	775
Total "Existing Cost" Customer Base	2,260	2,260	2,260	2,260	2,260	2,260	2,260
Short Term Improvements Cust Base	2,260	2,260	2,260	2,260	2,260	2,260	2,260
WWTP Customer Base	-	-	3,537	3,537	3,537	3,537	3,537

	2007	2008	2009	2010	2011	2012	2013
Total Charge per ERU, Existing Cost Basis	$ 9,831	$ 10,564	$ 10,750	$ 11,615	$ 12,867	$ 13,474	$ 14,522
Total Charge per ERU, Short Term Imp	687	718	749	779	810	841	872
Total Charge per ERU, WWTP Phase 1	-	-	2,186	4,154	4,333	4,513	4,693
Total Charge per ERU	**$ 10,518**	**$ 11,282**	**$ 13,685**	**$ 16,548**	**$ 18,011**	**$ 18,828**	**$ 20,086**

GFC based on full capital costs. Charge lower if eliminated WWTP Phase I projects

DRAFT

GFC Growth and Revenue Estimates

- City provided growth rates - tie to development assumptions
  - ✓ Total of 764 additional ERUs within time period
  - ✓ Total anticipated revenue $13.9 million

	2007	2008	2009	2010	2011	2012	2013	Total
Calculated Charge $/ERU [1]	$10,518	$11,282	$13,685	$16,548	$18,011	$18,828	$20,086	
Total ERUs	1,485	1,485	1,560	1,650	1,797	2,040	2,249	
Annual Growth	0	0	75	90	147	243	209	**764**
GFC Revenues [2]	**$50,000**	**$0**	**$1,026,383**	**$1,489,352**	**$2,647,558**	**$4,575,152**	**$4,198,044**	**$13,986,490**

[1] revised methodology used based on full capital (short term + WWTP Phase I projects)

[2] 2007 revenue number City provided based on actual and anticipated revenue received; not calculated

Option 1: Financial/Rate Impacts Short Term Improvements (2,260 ERUs)

- Option includes:
  - ✓ 0.5 FTE added in 2009
  - ✓ $45K - $75K per year in additional power and chemical costs
  - ✓ Existing Debt service
  - ✓ New debt service:
    - $1.0 million PWTF – 5 year term
    - $1.0 million PWTF - 20 year term
    - $650K million revenue bond in 2010 – 20 year term
  - ✓ Supports approximately $6.9 million in capital projects
  - ✓ 45 days operating reserve met
  - ✓ $200K capital contingency met
  - ✓ New customers assumed to begin paying retail sewer rates one (1) year after paying GFC
  - ✓ GFC incorporates new methodology – updated annually/ revenue split 60% debt and 40% capital

Option 1: Short Term Improvements Financial Summary

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates [a]	$ 901,555	$ 966,557	$ 1,023,681	$ 1,073,170	$ 1,134,082	$ 1,234,371	$ 1,405,123
Non-Rate Revenues	30,842	24,122	27,973	21,061	19,490	36,743	33,544
Total Revenues	**$ 932,397**	**$ 990,679**	**$ 1,051,654**	**$ 1,094,231**	**$ 1,153,572**	**$ 1,271,113**	**$ 1,438,668**
Expenses							
Cash O&M Expenses	$ 679,650	$ 709,411	$ 740,812	$ 773,968	$ 809,008	$ 846,069	$ 885,302
Additional WWTP O&M [b]	-	-	40,000	87,669	110,737	114,613	118,625
Rate Funded System Reinvestment	-	-	-	-	-	-	-
Existing Debt Service	290,909	244,294	242,560	240,825	239,091	237,357	123,640
New Debt Service PWTF	834	211,316	301,605	300,553	299,500	298,447	67,895
New Debt Service Revenue Bonds	-	-	-	52,766	52,766	52,766	52,766
Total Debt Service	291,743	455,610	544,165	594,144	591,357	588,570	244,301
less: GFC Revenues for Debt Service	(50,000)	-	(510,617)	(594,144)	(591,357)	(588,570)	(244,301)
Debt Service, Net	241,743	455,610	33,548	-	-	-	-
Total Expenses	**$ 921,393**	**$ 1,165,021**	**$ 814,359**	**$ 861,637**	**$ 919,745**	**$ 960,683**	**$ 1,003,927**
Net Surplus (Deficiency) after Reserves	**11,005**	**(174,342)**	**237,295**	**232,594**	**233,827**	**310,431**	**434,742**
Required Rate Increase	0.00%	18.41%	0.00%	0.00%	0.00%	0.00%	0.00%
Annual Rate Adjustment →	**0.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**	**4.00%**	**2.00%**
Rate Revenues After Rate Increase	$ 901,555	$ 1,014,885	$ 1,128,608	$ 1,242,329	$ 1,378,484	$ 1,560,401	$ 1,811,778
Additional Taxes from Rate Increase	-	986	2,103	3,410	4,941	6,601	6,818
Net Cash Flow After Rate Increase	**$ 11,005**	**$ (127,000)**	**$ 338,241**	**$ 396,275**	**$ 470,994**	**$ 627,264**	**$ 761,996**
Average Residential Monthly Bill	$ 52.00	$ 56.70	$ 61.74	$ 64.83	$ 68.07	$ 70.79	$ 72.21
Monthly Difference		4.70	5.04	3.09	3.24	2.72	1.42

[a] Projected rate revenues include approved rate increases in 12/1/2007 and 12/1/2008
[b] 1/2 FTE added in 2009 plus increased electric and chemical costs

Debt Service fully funded by new development GFC – no rate impact

DRAFT

Option 1: Capital Funding/Fund Balance

Fund Balances	2007	2008	2009	2010	2011	2012	2013
Operating:							
Beginning Balance	**$ 104,678**	**$ 470,183**	**$ 575,376**	**$ 367,055**	**$ 308,857**	**$ 779,851**	**$ 651,123**
Net Cash Flow after Rate Increase	11,005	(127,000)	338,241	396,275	470,994	627,264	761,996
Ending Balance	$ 115,683	$ 343,183	$ 913,618	$ 763,330	$ 779,851	$ 1,407,115	$ 1,413,119
Less: Min.Operating Target (45 days O&M)	*$ 83,792*	*$ 87,462*	*$ 96,264*	*$ 106,229*	*$ 113,393*	*$ 118,440*	*$ 123,772*
Balance Available for Capital	**$ 31,890**	**$ 255,721**	**$ 817,353**	**$ 657,101**	**$ 666,458**	**$ 1,288,675**	**$ 1,289,347**
Plus: Other Capital Funding Resources							
Beginning Balance	$ 562,250	$ -	$ -	$ -	$ -	$ -	$ -
PWTF Draws	1,500,000	500,000	-	-	-	-	-
General Facilities Charges (GFCs)	-	-	340,412	437,798	-	-	1,005,101
Developer Contributions	-	-	-	-	-	-	-
Revenue Bond Proceeds	-	-	-	650,000	-	-	-
Renewal & Replacement Funding	-	-	-	-	-	-	-
Total Capital Resources	$ 2,094,141	$ 755,721	$ 1,157,765	$ 1,744,899	$ 666,458	$ 1,288,675	$ 2,294,447
Less: Capital Projects							
Growth Related Improvements/Expansions	$ (1,164,375)	$ (133,903)	$ (532,185)	$ (1,542,271)	$ -	$ -	$ (1,005,101)
Renewal and Replacements	(543,375)	(133,903)	(354,790)	-	-	(755,992)	(699,754)
Total Capital Projects	$ (1,707,750)	$ (267,806)	$ (886,974)	$ (1,542,271)	$ -	$ (755,992)	$ (1,704,854)
Ending Balance	**$ 386,391**	**$ 487,915**	**$ 270,790**	**$ 202,628**	**$ 666,458**	**$ 532,683**	**$ 589,593**
Less: Min. Cap. Cont. Target Approx $200K	*$ 200,000*	*$ 200,000*	*$ 200,000*	*$ 201,132*	*$ 201,132*	*$ 208,238*	*$ 238,578*
Balance After Policies Funded	$ 186,391	$ 287,915	$ 70,790	$ 1,496	$ 465,326	$ 324,445	$ 351,015
Debt Fund							
Beginning Balance	$ -	$ -	$ -	$ -	$ 62,553	$ 560,294	$ 1,860,479
Plus: GFC Revenue (plus interest)	50,000	-	510,617	656,697	1,089,099	1,888,755	1,789,550
Less: Transfer for Debt Service	(50,000)	-	(510,617)	(594,144)	(591,357)	(588,570)	(244,301)
Ending GFC Fund Balance	$ -	$ -	$ -	$ 62,553	$ 560,294	$ 1,860,479	$ 3,405,728
GFC Fund							
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ 724,606	$ 1,996,064
Plus: GFC Revenues (plus interest)	50,000	-	851,029	1,094,495	1,811,516	3,140,603	2,943,917
Less: Transfer to Debt Fund	(50,000)	-	(510,617)	(656,697)	(1,086,909)	(1,869,145)	(1,724,433)
Less: Transfer for Capital Funding	-	-	(340,412)	(437,798)	-	-	(1,005,101)
Ending GFC Fund Balance	$ -	$ -	$ -	$ -	$ 724,606	$ 1,996,064	$ 2,210,448

Notes: Beginning balance calculated by taking operating fund minimum plus ending balance
GFC Revenues split 60% Debt, 40% Capital Projects based on historical use and discussion with client staff.

DRAFT

Option 1: Short Term Improvements Conclusions

- Propose moving forward with original rate adjustments
  - ✓ 5% for 2008 [in addition to existing adopted rates],
  - ✓ 5% in 2009 and
  - ✓ 5% in 2010
  - ✓ Revisit rates during 2010 for future period
    - Future assumptions more firm: debt service, capital costs, GFC revenue and growth
  - ✓ Incorporate new GFC methodology
    - 9/1/2007 = $10,518/ERU
    - 1/1/2008 = $11,282/ERU

Option 2: Financial/Rate Impacts WWTP Phase I Expansion (3,537 ERUs)

Option Includes:

- Additional FTEs incorporated in future years
  - ✓ 1 FTE added in 2009, 3 added in 2010, and 1 in 2011
  - ✓ Costs of additional FTEs include labor and benefits of $80,000 per FTE, per year
- Additional O&M cost of $296K to $581K per year
  - ✓ Includes power costs/chemicals/solids disposal/office supplies/insurance/permits/taxes
- Additional $17.5 million in capital projects
- Additional debt service
  - ✓ $9.5 million revenue bond in 2008
  - ✓ $10 million PWTF loan in 2010
  - ✓ $2.5 million revenue bond in 2012
- GFC revenue allocation remains unchanged throughout study period
  - ✓ 60% debt – 40% capital project expense

Option 2: WWTP Phase I Financial Summary

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates [a]	$ 901,555	$ 966,557	$ 1,023,681	$ 1,073,170	$ 1,134,082	$ 1,234,371	$ 1,405,123
Non-Rate Revenues	30,842	24,122	167,722	33,973	87,672	13,429	61,462
Total Revenues	**$ 932,397**	**$ 990,679**	**$ 1,191,402**	**$ 1,107,143**	**$ 1,221,754**	**$ 1,247,799**	**$ 1,466,586**
Expenses							
Cash O&M Expenses	$ 679,650	$ 709,411	$ 740,812	$ 773,968	$ 809,008	$ 846,069	$ 885,302
Additional WWTP O&M [b]	-	-	80,000	619,620	893,758	957,816	1,024,923
Rate Funded System Reinvestment	-	-	-	-	-	-	-
Existing Debt Service	290,909	244,294	242,560	240,825	239,091	237,357	123,640
New Debt Service - PWTF	834	211,316	301,605	500,553	1,025,816	1,014,237	773,158
New Debt Service - Revenue Bond	-	771,197	771,197	771,197	771,197	974,143	974,143
Total Debt Service	291,743	1,226,806	1,315,362	1,512,575	2,036,104	2,225,737	1,870,941
less: GFC Revenues for Debt Service	(50,000)	-	(615,830)	(893,611)	(1,588,535)	(2,225,737)	(1,870,941)
Debt Service, Net	241,743	1,226,806	699,532	618,964	447,569	-	-
Total Expenses	**$ 921,393**	**$ 1,936,218**	**$ 1,520,343**	**$ 2,012,552**	**$ 2,150,335**	**$ 1,803,885**	**$ 1,910,225**
Net Surplus (Deficiency) after Reserves	**11,005**	**(945,538)**	**(328,941)**	**(905,409)**	**(928,581)**	**(556,085)**	**(443,638)**
Annual Rate Adjustment →	**0.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**
Rate Revenues After Rate Increase	$ 901,555	$ 1,014,885	$ 1,128,608	$ 1,242,329	$ 1,378,484	$ 1,575,405	$ 1,882,999
Additional Taxes from Rate Increase	-	986	2,103	3,410	4,941	6,907	7,862
Net Cash Flow After Rate Increase	**$ 11,005**	**$ (898,197)**	**$ (227,994)**	**$ (741,728)**	**$ (691,414)**	**$ (224,579)**	**$ (66,276)**
Average Residential Monthly Bill	$ 52.00	$ 56.70	$ 61.74	$ 64.83	$ 68.07	$ 71.47	$ 75.05
Monthly Difference		4.70	5.04	3.09	3.24	3.40	3.57

[a] Projected rate revenues include approved rate increases in 12/1/2007 and 12/1/2008
[b] 1 FTE added in 2009, 3 added in 2010, 1 additional in 2011 plus increased operations expenses

Significant cash flow deficiency due to new revenue bond

Debt service coverage not met in 2008

2012/2013 Debt Service fully funded by new development GFC – no rate impact

DRAFT

Option 2: Capital Funding/Fund Balance

Fund Balances	2007	2008	2009	2010	2011	2012	2013
Operating:							
Beginning Balance	**$ 104,678**	**$ 470,183**	**$ 4,996,201**	**$ 1,163,982**	**$ 2,684,912**	**$ 541,752**	**$ 1,876,793**
Net Cash Flow after Rate Increase	11,005	(898,197)	(227,994)	(741,728)	(691,414)	(224,579)	(66,276)
Ending Balance	$ 115,683	$ (428,014)	$ 4,768,206	$ 422,254	$ 1,993,498	$ 317,173	$ 1,810,517
Less: Min.Operating Target (45 days O&M)	*$ 83,792*	*$ 87,462*	*$ 101,196*	*$ 171,812*	*$ 209,930*	*$ 222,397*	*$ 235,507*
Balance Available for Capital	**$ 31,890**	**$ -**	**$ 4,667,011**	**$ 250,441**	**$ 1,783,568**	**$ 94,776**	**$ 1,575,010**
Plus: Other Capital Funding Resources							
Beginning Balance	$ 562,250	$ -	$ -	$ -	$ -	$ -	$ -
PWTF Draws	1,500,000	500,000	-	10,000,000	-	-	-
General Facilities Charges (GFCs)	-	-	410,553	595,741	1,059,023	-	1,005,101
Developer Contributions	-	-	-	-	-	-	-
Revenue Bond Proceeds	-	9,500,000	-	-	-	2,500,000	-
Renewal & Replacement Funding	-	-	-	-	-	-	-
Total Capital Resources	$ 2,094,141	$ 10,000,000	$ 5,077,564	$ 10,846,182	$ 2,842,591	$ 2,594,776	$ 2,580,110
Less: Capital Projects							
Growth Related Improvements/Expansions	$ (1,164,375)	$ (3,436,838)	$ (2,886,353)	$ (6,506,283)	$ (2,332,616)	$ -	$ (1,005,101)
Renewal and Replacements	(543,375)	(1,566,961)	(1,128,425)	(1,826,799)	(178,153)	(940,380)	(890,595)
Total Capital Projects	$ (1,707,750)	$ (5,003,799)	$ (4,014,778)	$ (8,333,083)	$ (2,510,769)	$ (940,380)	$ (1,895,696)
Ending Balance	**$ 386,391**	**$ 4,996,201**	**$ 1,062,786**	**$ 2,513,099**	**$ 331,822**	**$ 1,654,396**	**$ 684,414**
Less: Min. Cap. Cont. $500K target	*$ 373,999*	*$ 474,075*	*$ 500,000*	*$ 500,000*	*$ 500,000*	*$ 500,000*	*$ 500,000*
Balance After Policies Funded	$ 12,392	$ 4,522,126	$ 562,786	$ 2,013,099	$ (168,178)	$ 1,154,396	$ 184,414
Sewer Debt Fund							
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ 519,354
Plus: GFC Revenue (plus interest)	50,000	-	615,830	893,611	1,588,535	2,745,091	2,537,004
Less: Transfer for Debt Service	(50,000)	-	(615,830)	(893,611)	(1,588,535)	(2,225,737)	(1,870,941)
Ending GFC Fund Balance	$ -	$ -	$ -	$ -	$ -	$ 519,354	$ 1,185,418
GFC Fund							
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,830,061
Plus: GFC Revenues (plus interest)	50,000	-	1,026,383	1,489,352	2,647,558	4,575,152	4,262,097
Less: Transfer to Debt Fund	(50,000)	-	(615,830)	(893,611)	(1,588,535)	(2,745,091)	(2,518,827)
Less: Transfer for Capital Funding	-	-	(410,553)	(595,741)	(1,059,023)	-	(1,005,101)
Ending GFC Fund Balance	$ -	$ -	$ -	$ -	$ -	$ 1,830,061	$ 2,568,230

Notes: Beginning balance calculated by taking operating fund minimum plus ending balance after capital funded
GFC Revenues split 60% Debt, 40% Capital Projects based on historical use and discussion with client staff.

DRAFT

Significant new debt requirements to meet capital funding needs

Option 2: WWTP Phase I Conclusions

- City cannot move forward with WWTP Phase I project without assistance
- Options for consideration
  - ✓ Developer contributions of $9.5 million eliminating need for revenue bond funding and debt service coverage
  - ✓ Developers provide annual cash flow sufficient to make debt service payment during 2008 through 2011 approximately $4.0 million
  - ✓ Developers meet annual cash flow deficiency in debt service payment after general facility charge off-set; approx $3.0 million from 2008-2011
  - ✓ Other?
- Viability of revenue bond options will need to be investigated – must meet debt service coverage requirements

Alternative Option – Developer Contribution

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates [a]	$ 901,555	$ 966,557	$ 1,023,681	$ 1,073,170	$ 1,134,082	$ 1,234,371	$ 1,405,123
Non-Rate Revenues	30,842	24,122	194,714	86,393	163,590	107,669	71,501
Total Revenues	**$ 932,397**	**$ 990,679**	**$ 1,218,394**	**$ 1,159,563**	**$ 1,297,673**	**$ 1,342,040**	**$ 1,476,625**
Expenses							
Cash O&M Expenses	$ 679,650	$ 709,411	$ 740,812	$ 773,968	$ 809,008	$ 846,069	$ 885,302
Additional WWTP O&M [b]	-	-	80,000	619,620	893,758	957,816	1,024,923
Rate Funded System Reinvestment	-	-	-	-	-	-	-
Existing Debt Service	290,909	244,294	242,560	240,825	239,091	237,357	123,640
New Debt Service - PWTF	834	211,316	301,605	500,553	1,025,816	1,014,237	773,158
New Debt Service - Revenue Bond	-	-	-	-	-	-	-
Total Debt Service	291,743	455,610	544,165	741,378	1,264,907	1,251,594	896,798
less: GFC Revenues for Debt Service	(50,000)	-	(544,165)	(741,378)	(1,264,907)	(1,251,594)	(896,798)
Debt Service, Net	241,743	455,610	-	-	-	-	-
Total Expenses	**$ 921,393**	**$ 1,165,021**	**$ 820,812**	**$ 1,393,589**	**$ 1,702,766**	**$ 1,803,885**	**$ 1,910,225**
Net Surplus (Deficiency) after Reserves	**11,005**	**(174,342)**	**397,582**	**(234,026)**	**(405,093)**	**(461,845)**	**(433,599)**
Annual Rate Adjustment	**0.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**	**5.00%**
Rate Revenues After Rate Increase	$ 901,555	$ 1,014,885	$ 1,128,608	$ 1,242,329	$ 1,378,484	$ 1,575,405	$ 1,882,999
Additional Taxes from Rate Increase	-	986	2,103	3,410	4,941	6,907	7,862
Net Cash Flow After Rate Increase	**$ 11,005**	**$ (127,000)**	**$ 498,529**	**$ (70,344)**	**$ (167,926)**	**$ (130,339)**	**$ (56,237)**
Average Residential Monthly Bill	$ 52.00	$ 56.70	$ 61.74	$ 64.83	$ 68.07	$ 71.47	$ 75.05
Monthly Difference		4.70	5.04	3.09	3.24	3.40	3.57

[a] Projected rate revenues include approved rate increases in 12/1/2007 and 12/1/2008
[b] 1 FTE added in 2009, 3 added in 2010, 1 additional in 2011 plus additional O&M costs

Developer contribution of $9.5 million eliminates need for revenue bonds in 2008 and 2012

DRAFT

Alternative: Capital Funding/Fund Balance

Fund Balances	2007	2008	2009	2010	2011	2012	2013
Operating:							
Beginning Balance	**$ 104,678**	**$ 470,183**	**$ 5,339,384**	**$ 2,233,688**	**$ 4,426,002**	**$ 2,806,330**	**$ 1,735,611**
Net Cash Flow after Rate Increase	11,005	(127,000)	498,529	(70,344)	(167,926)	(130,339)	(56,237)
Ending Balance	$ 115,683	$ 343,183	$ 5,837,913	$ 2,163,343	$ 4,258,075	$ 2,675,991	$ 1,679,374
Less: Min.Operating Target (45 days O&M)	*$ 83,792*	*$ 87,462*	*$ 101,196*	*$ 171,812*	*$ 209,930*	*$ 222,397*	*$ 235,507*
Balance Available for Capital	**$ 31,890**	**$ 255,721**	**$ 5,736,717**	**$ 1,991,531**	**$ 4,048,145**	**$ 2,453,594**	**$ 1,443,867**
Plus: Other Capital Funding Resources							
Beginning Balance	$ 562,250	$ -	$ -	$ -	$ -	$ -	$ -
PWTF Draws	1,500,000	500,000	-	10,000,000	-	-	-
General Facilities Charges (GFCs)	-	-	410,553	595,741	1,059,023	-	1,005,101
Developer Contributions ←	-	9,500,000	-	-	-	-	-
Revenue Bond Proceeds	-	-	-	-	-	-	-
Renewal & Replacement Funding	-	-	-	-	-	-	-
Total Capital Resources	$ 2,094,141	$ 10,255,721	$ 6,147,270	$ 12,587,272	$ 5,107,169	$ 2,453,594	$ 2,448,968
Less: Capital Projects							
Growth Related Improvements/Expansions	$ (1,164,375)	$ (3,436,838)	$ (2,886,353)	$ (6,506,283)	$ (2,332,616)	$ -	$ (1,005,101)
Renewal and Replacements	(543,375)	(1,566,961)	(1,128,425)	(1,826,799)	(178,153)	(940,380)	(890,595)
Total Capital Projects	$ (1,707,750)	$ (5,003,799)	$ (4,014,778)	$ (8,333,083)	$ (2,510,769)	$ (940,380)	$ (1,895,696)
Ending Balance	**$ 386,391**	**$ 5,251,922**	**$ 2,132,492**	**$ 4,254,189**	**$ 2,596,400**	**$ 1,513,214**	**$ 553,272**
Less: Min. Cap. Cont. $500K target	*$ 373,999*	*$ 474,075*	*$ 500,000*	*$ 500,000*	*$ 500,000*	*$ 500,000*	*$ 500,000*
Balance After Policies Funded	$ 12,392	$ 4,777,847	$ 1,632,492	$ 3,754,189	$ 2,096,400	$ 1,013,214	$ 53,272
Debt Fund							
Beginning Balance	$ -	$ -	$ -	$ 71,665	$ 226,406	$ 557,958	$ 2,070,984
Plus: GFC Revenue (plus interest)	50,000	-	615,830	896,119	1,596,459	2,764,620	2,591,311
Less: Transfer for Debt Service	(50,000)	-	(544,165)	(741,378)	(1,264,907)	(1,251,594)	(896,798)
Ending GFC Fund Balance	$ -	$ -	$ 71,665	$ 226,406	$ 557,958	$ 2,070,984	$ 3,765,497
GFC Fund							
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,830,061
Plus: GFC Revenues (plus interest)	50,000	-	1,026,383	1,489,352	2,647,558	4,575,152	4,262,097
Less: Transfer to Debt Fund	(50,000)	-	(615,830)	(893,611)	(1,588,535)	(2,745,091)	(2,518,827)
Less: Transfer for Capital Funding	-	-	(410,553)	(595,741)	(1,059,023)	-	(1,005,101)
Ending GFC Fund Balance	$ -	$ -	$ -	$ -	$ -	$ 1,830,061	$ 2,568,230

Notes: Beginning balance calculated by taking operating fund minimum plus ending balance after capital funded
GFC Revenues split 60% Debt, 40% Capital Projects based on historical use and discussion with client staff.

DRAFT

Next Steps

- Obtain feedback and comment regarding options presented
- City Council to conduct public hearing – tentative dates:
  - ✓ July 26 – set public hearing for August 9
  - ✓ July 31 – Public hearing before the Planning Board
  - ✓ August 9 – Public Hearing before City Council
  - ✓ August 23 – First Reading of Ordinance to set Wastewater Utility Rates and GFC's