

**SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET**

ITEM NO: PH -1
DATE: April 23, 2009
SUBJECT: Public Hearing on increasing the water general facility charge and water rates to fund capital and operating costs
CONTACT PERSON: Deborah Knight, City Administrator 

ISSUE:

The issue before the City Council to hold a public hearing and take comments on:

1. Proposed water rate structure options for single-family, multi-family and commercial customers. New rates would be effective January 1, 2010.
2. An increase in the general facility charge (GFC) from \$5,254 to \$6,209 paid by new development to connect to the City's water system. The new charge would be effective January 1, 2010.

STAFF RECOMMENDATION:

1. Hold a public hearing and take comments on alternative water rate structures and general facility charge (Attachment A).
2. Provide direction to staff on Council's preferred alternative in order to prepare an adopting ordinance for First Reading on May 14, 2009.

SUMMARY:

The Council reviewed the water rate study findings and rate options at the Council retreat on March 21, 2009 and at the Council meeting on April 9, 2009. This will be the City Council's third review of the water rate study that has been underway since 2008.

Attachment A provides an outline of the water rate structure options to meet the City's long-term financial needs in the water utility. City staff recommend the Council adopt an 11.25% increase in 2010/2011 and 4.% increases in 2012-2014. This alternative was developed after adding 20% of the salary for the proposed Field Supervisor position and lower beginning fund balance in the CR Water Fund to the financial model. It provides a way to reach operating and capital targets more quickly.

Attachment B is an overview of water utility rate study.

Attachment C is the water utility budget covering the entire water department operations including utility revenues, expenses, debt service payments, capital investments and reserve funds.

Staff recommended facility charge

Increase the general facility charge on January 1, 2010 from \$5,254 to \$6,209 to capture investment in existing system and future costs from 6-year CIP.

Staff recommended rate structure

Residential - Option 4 reduce "allowance" from 600 cf/month to 300 cf/month

Single Family						
Option 4 - Half Allowance (11.25%-2010)						
Usage	Existing	2010	2011	2012	2013	2014
2	\$25.25	\$23.65	\$26.31	\$29.27	\$30.44	\$31.66
4	\$25.25	\$26.19	\$29.14	\$32.42	\$33.72	\$35.07
6	\$25.25	\$31.27	\$34.80	\$38.72	\$40.28	\$41.89
8	\$29.81	\$36.35	\$40.46	\$45.02	\$46.84	\$48.71
12	\$38.93	\$46.51	\$51.78	\$57.62	\$59.96	\$62.35
18	\$52.61	\$61.75	\$68.76	\$76.52	\$79.64	\$82.81
30	\$79.97	\$92.23	\$102.72	\$114.32	\$119.00	\$123.73

Multi-family - Option 2 No allowance and reduce base charge

Multifamily (Assumes 4 Units)						
Option 2 - No Allowance (11.25%-2010)						
Usage	Existing	2010	2011	2012	2013	2014
3	\$101.00	\$70.74	\$78.73	\$87.61	\$91.12	\$94.75
5	\$101.00	\$75.82	\$84.39	\$93.91	\$97.68	\$101.57
15	\$101.00	\$101.22	\$112.69	\$125.41	\$130.48	\$135.67
20	\$101.00	\$113.92	\$126.84	\$141.16	\$146.88	\$152.72
30	\$114.68	\$139.32	\$155.14	\$172.66	\$179.68	\$186.82
40	\$137.48	\$164.72	\$183.44	\$204.16	\$212.48	\$220.92
50	\$160.28	\$190.12	\$211.74	\$235.66	\$245.28	\$255.02

Commercial – Option 2 No allowance and reduce base charge

Commercial Based on 3/4" pipe						
Option 2 - No Allowance (11.25%-2010)						
Usage	Existing	2010	2011	2012	2013	2014
5	\$27.25	\$29.44	\$32.77	\$36.46	\$37.94	\$39.45
10	\$36.37	\$42.14	\$46.92	\$52.21	\$54.34	\$56.50
15	\$47.77	\$54.84	\$61.07	\$67.96	\$70.74	\$73.55
20	\$59.17	\$67.54	\$75.22	\$83.71	\$87.14	\$90.60
30	\$81.97	\$92.94	\$103.52	\$115.21	\$119.94	\$124.70
40	\$104.77	\$118.34	\$131.82	\$146.71	\$152.74	\$158.80
50	\$127.57	\$143.74	\$160.12	\$178.21	\$185.54	\$192.90

Why is a rate increase needed at this time?

The last water rate study was completed in 2004. Ordinance No. 864-04 was effective December 1, 2004 and set \$2/year increases in the base water rates for five years. The last rate increase took effect December 1, 2008. The current base rate is \$25.25. The base rate includes 600 cubic feet of water per month (6ccf) for all residential (single family and multi-family) and commercial users.

The City Council approved a water rate study in 2008 in part because water revenues were not adequate to cover operating expenses in the 2008 budget. Since the water utility is an enterprise fund, the user fees and revenues collected must cover expenses.

The need to increase water rates is driven by four primary factors:

1. Operation and maintenance costs increase each year. The City anticipates operating and maintenance costs will increase an average of about 3.5 percent per year. Water rates represent about 82 percent of the water system's annual revenues. Non-rate revenues are relatively static and are not expected to increase with increased costs. There is no grant funding for operations and maintenance. A 3.5% increase is necessary to fund on-going operations.
2. Current rates do not support an ongoing repair and replacement program. The water fund does not include funding to repair and/or replace existing infrastructure to serve current users. The water fund does not have an emergency reserve.
3. Current revenues do not support debt service or ongoing capital improvements. Rate increases are needed to fund the debt service and capital improvements to serve current customers.

During high growth years, 70% of the general facility charge paid by new customers was covering debt service payments for plant improvements used to serve current customers.

With the downturn in the economy and few new connections, debt service payments for previous plant improvements must come out of the operating or capital fund. Debt service payments for 2009 are \$50,000 for water revenue bonds and \$152,000 for the Everett water connection and second storage tank (Attachment C).

4. Due to water conservation efforts, water demands are expected to decline each year (assuming normal weather patterns and economic conditions). Increased costs will need to be spread over decreased water sales, necessitating a rate increase just to maintain stable revenues.

In short, it is not realistic to expect that water rate increases can be limited to the general rate of inflation. In order to meet both ongoing operating as well as capital program needs, rate increases ranging from 11.25 to 4.0 percent per year are required during the next five years.

Without the proposed rate increase there is a “net deficiency” in the utility fund. The net deficiency increases to \$419,503 in 2014.

Revenue Requirements	2009	2010	2011	2012	2013	2014
Revenues						
Rate Revenues Under Existing Rates	\$ 759,442	\$ 778,428	\$ 797,888	\$ 817,836	\$ 838,281	\$ 859,238
Non-Rate Revenues	177,795	97,788	95,838	95,275	94,869	95,090
Total Revenues	\$ 937,237	\$ 876,215	\$ 893,726	\$ 913,110	\$ 933,270	\$ 954,328
Expenses						
Cash Operating Expenses	\$ 656,490	\$ 709,105	\$ 747,508	\$ 788,342	\$ 831,786	\$ 878,037
Existing Debt Service	214,529	210,961	207,212	203,301	201,638	197,219
New Debt Service	-	-	73,576	73,576	73,576	73,576
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-
Rate Funded System Reinvestment	100,000	125,000	150,000	175,000	200,000	225,000
Total Expenses	\$ 971,019	\$ 1,045,066	\$ 1,178,295	\$ 1,240,219	\$ 1,307,000	\$ 1,373,832
Net Surplus (Deficiency)	\$ (33,782)	\$ (168,850)	\$ (284,569)	\$ (327,108)	\$ (373,730)	\$ (419,503)
% of Rate Revenue	4.45%	21.69%	35.67%	40.00%	44.58%	48.82%
Additions To Meet Coverage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Surplus (Deficiency)	\$ (33,782)	\$ (168,850)	\$ (284,569)	\$ (327,108)	\$ (373,730)	\$ (419,503)
% of Rate Revenue	4.45%	21.69%	35.67%	40.00%	44.58%	48.82%
Annual Rate Adjustment	11.25%	11.25%	11.25%	4.00%	4.00%	4.00%
Rate Revenues After Rate Increase	\$ 802,166	\$ 963,426	\$ 1,098,607	\$ 1,171,115	\$ 1,248,408	\$ 1,330,803
Additional Taxes from Rate Increase	\$ 2,148	\$ 9,304	\$ 15,123	\$ 17,766	\$ 20,625	\$ 23,715
Net Cash Flow After Rate Increase	6,788	6,844	1,026	8,404	15,772	28,346
Coverage After Rate Increases	2.75	4.25	2.63	2.86	3.05	3.32
Average SF Monthly Bill (using 8 ccf per month)	\$ 33.16	\$ 36.89	\$ 41.05	\$ 42.69	\$ 44.39	\$ 46.17
Monthly increase	\$ 3.35	\$ 3.73	\$ 4.15	\$ 1.64	\$ 1.71	\$ 1.78

As shown below, increasing the rates annually provides a small net cash flow - \$6,788 in 2009 and \$28,346 in 2014. An 11.25% increase translates into a \$3.35 increase in the base rate in 2009 and a 4.0% (\$1.78) increase in 2014.

Generally, the balance in the Water Fund should exceed the target levels for reserves (the amount in excess is available for general water utility purposes). As the balance of the Water Fund declines operating reserves and capital reserves are used.

Why can't the city reduce costs?

As described previously, the City's water utility has a financial deficit. Current rates are not sufficient to cover operating costs and debt service for capital improvements. There are two ways to correct this situation. One is to reduce annual costs and the second is to increase revenues.

Reduce Annual Costs. The City already closely scrutinizes the operating budget. Eliminating a large part of the capital improvement program (e.g. electronic water meters and plant improvements) will not reduce annual costs and eliminate the current deficit in the capital budget. Capital investments are necessary to maintain and extend

the useful life of water system infrastructure and meet the demands brought by new growth.

Deferring capital projects (such as annual pipeline replacements) is at best a temporary stopgap measure. It would not solve the financial situation in the long-term and could have negative consequences.

One way or another, the City will need to increase water system revenues. While connection fees paid by new development and other miscellaneous water system revenues contribute to the financial resources of the utility, total non-rate revenues represent only a small percent of total water system revenue and non-rate revenues are expected to decline over the planning period.

Ultimately, the City will need to increase water rates to address the financial situation and meet ongoing operating and capital program costs. The following pages describe and present four options for increasing water rates over the next five years to meet the financial needs of the water system.

What happens if the City delays the increase until the economy recovers?

No one is sure when the economy may recover. The city is using the capital budget to pay debt service. The debt service payment is \$152,000 per year, there is approximately \$350,000 in the capital budget. The city's capital reserves needed to pay for improvements to serve future growth will be exhausted in two years. At which point water rates will need to be increased to pay debt service **and** rebuild the capital budget.

The city is currently updating its aging and failing mechanical water meters. Purchase of additional electronic water meters was removed to balance the 2009 budget. Electronic meters ensure the city is accurately recording water used. Electronic meters can be "read" by a single worker in one-day rather than taking several workers several days to manually read mechanical meters.

The city is not setting aside any money to repair and replace existing water service lines or water plant and equipment. There are no funds available for emergency repair and replacement. Last year the city had two sewer line failures costing more than \$40,000.

What is the current rate structure?

Under the existing system, the majority of the City's water revenues come from the base rate rather than from the volume of water used. The base rate should not include the "variable" cost of consumed water.

The base rate is the "fixed" charge and is intended to cover the "fixed" costs of operating the water system:

- 24/7/365 staff coverage of the water system
- Maintaining the watershed that produces the city's water
- Piping water from the watershed to the water plant
- Processing water at the water plant to state standards
- Daily water testing and reporting as required by state law (unfunded mandate)
- Properly storing water for delivery to customers on demand
- Maintenance, repair, replacement, and enhancement to the existing water system.
- Ensuring adequate fire flow and hydrant testing
- Managing the state's back-flow device program (unfunded mandate)
- Meeting state water use efficiency requirements – water conservation program (unfunded mandate)

Over time, the City and its residential customers will be best served by changing this formula so the majority of revenues are based on residential use rather than the base rate.

Approximately 80% of the City's water revenues come from residential users. Residential use changes from season to season. During the dry summer months, water use increases as a result of residential use from an average of 15 million gallons per day to 18.5 million gallons per day a 15% increase.

- The current base rate is \$25.25/month
- The base rate includes 600 cubic feet of water per month (6ccf) for residential and commercial users. This is a "variable" cost and should not be included in the base rate to operate the plant.
- It appears on average residential user are consuming less than the base rate each month.
- The majority of the City's water revenues come from the base rate rather than from the volume of water used.
- The majority of "usage" is not billed because it's in the fixed base rate (\$25.25/month).
- Seniors receive a 50% discount on their monthly base fee
- Multi-family/mobile homes charged per unit at the single family rate

Monthly Base Rate		
Meter	Single Family	Commercial
5/8"	\$ 25.25	
3/4"		27.25
1"		38.15
1.5"		49.05
2"		79.03
Volume Rate per 100 cf		
Over 600 cf	\$2.28	\$2.28

What alternatives does the City have?

When setting rates, the City needs to identify the objectives it wants to achieve. City staff have prepared the following rate setting objectives to guide the Council's discussion:

- Adequately fill all the short and longer-term needs of the water system including operating costs, capital costs, debt service and contingency funds.
- Continue to protect the affordability of basic water use, even as water rates increase
- Treat ratepayers fairly
- Encourage conservation
- Adjust rates annual to keep pace with costs and avoid large rate increases to make up deficiencies.
- Minimize volatility in the fund.

The City Council is considering four options:

1. Fixed annual increase for all customers
 - The base rate would increase by a fixed percentage (10% or 11.25%) each year for the next five years.
 - No change in the 6ccf monthly allowance.
 - Fixed service charges are a disproportionately large portion of bills for low volume users. Low volume users are "underwriting" high volume users
 - No price signal to encourage conservation
2. No allowance (eliminate the 6ccf/month), reduce the fixed charge, annual percentage increase
 - 6ccf per month allowance is eliminated
 - Fixed charge of \$25.25 per month is reduced to \$16.95/month (10%) or \$17.13 (11.25%) because no allowance.
 - In order to collect overall 10% or 11.25% increase, users above 5ccf pay 15.24%-26.86%
 - Lease equitable approach for single family residential because the median usersis between 6ccf-12ccf/month. More equitable for multi-family median user is under 4 ccf. Multi-family is not paying to support single-family household use.
3. Inverted block structure - residential customers only
4. Reduce allowance from 6ccf to 3 ccf.

Option 1 - Fixed Percent Increase

- The base rate would increase by a fixed percentage (10% or 11.25%) each year for the next five years.
- No change in the 6ccf monthly allowance.
- Fixed service charges are a disproportionately large portion of bills for low volume users. Low volume users are "underwriting" high volume users
- No price signal to encourage conservation

OPTION 1 2010			10%		11.25%	
Description	Rate Code	New Class Designation	Monthly Fixed Charges	Variable Charges	Monthly Fixed Charges	Variable Charges
Residential	R	R	27.78	2.51	28.09	2.54
Residential - Read Monthly	CR	R	27.78	2.51	28.09	2.54
Senior Discount	SR	R	13.89	2.51	14.05	2.54
Senior Discount - Elecc (Read Monthl)	SR-E	R	13.89	2.51	14.05	2.54
Residential - County (Out of City)	RC	R	41.67	3.76	42.14	3.80
Senior Discount - County (Out of City)	SRC	R	20.83	3.76	21.07	3.80
Residential	R	MF	27.78	2.51	28.09	2.54
Residential - Read Monthly	CR	MF	27.78	2.51	28.09	2.54
Mixed Use Consumption	MUC	MF	27.78	2.51	28.09	2.54
Commercial 3/4"	C75	Comm	29.98	2.51	30.32	2.54
Commercial 1"	C1	Comm	41.97	2.51	42.44	2.54
Commercial 1.5"	C15	Comm	53.96	2.51	54.57	2.54
Commercial 2"	C2	Comm	86.93	2.51	87.92	2.54

Residential Bill Comparisons				
Class	Usage ccf	Monthly Bills		
		Existing	Proposed 10%	Proposed 11.25%
Residential	2	25.25	27.78	28.09
	4	25.25	27.78	28.09
	6	25.25	27.78	28.09
	8	29.81	32.79	33.16
	12	38.93	42.82	43.31

Option 2 – No allowance, Reduce Fixed Charge, Overall Rate Increase is 10% or 11.25%

- 6ccf per month allowance is eliminated
- Fixed charge of \$25.25 per month is reduced to \$16.95/month (10%) or \$17.13 (11.25%) because no allowance.
- In order to collect overall 10% or 11.25% increase, users above 5ccf pay 15.24%-26.86%
- Lease equitable approach for single family residential because the median users is between 6ccf-12ccf/month. More equitable for multi-family median user is under 4 ccf. Multi-family is not paying to support single-family household use.

Option 2 2010			10.00%		11.25%	
Description	Rate Code	New Class Designation	Monthly Fixed Charges	Variable Charges	Monthly Fixed Charges	Variable Charges
Residential	R	R	16.95	2.51	17.13	2.54
Residential - Read Monthly	CR	R	16.95	2.51	17.13	2.54
Senior Discount	SR	R	8.48	2.51	8.57	2.54
Senior Discount - Electronic (Read Monthly)	SR-E	R	8.48	2.51	8.57	2.54
Residential - County (Out of City)	RC	R	25.43	3.76	25.70	3.81
Senior Discount - County (Out of City)	SRC	R	12.71	3.76	12.85	3.81
Residential	R	MF	15.60	2.51	15.78	2.54
Residential - Read Monthly	CR	MF	15.60	2.51	15.78	2.54
Mixed Use Consumption	MUC	MF	15.60	2.51	15.78	2.54
Commercial 3/4"	C75	Comm	16.60	2.51	16.74	2.54
Commercial 1"	C1	Comm	27.72	2.51	27.96	2.54
Commercial 1.5"	C15	Comm	55.28	2.51	55.74	2.54
Commercial 2"	C2	Comm	88.48	2.51	89.22	2.54

**Option 3 (Residential Only) No Allowance, Reduced Fixed Charge,
Overall 10% or 11.25%
Inverted Block Structure – Residential Customers Only**

One alternative to the existing rate structure is to charge residential customers for actual water used rather than provide for a base rate (currently 600 cubic feet per month). The benefit of a rate structure for residential users based on use (“pure water” or “increasing block rates”) is to benefit those residential customers who use little water or who conserve water.

Multi-family and commercial/industrial customers do not change their water use from season to season. This is the reason increasing block rates are focused on residential users who have some discretion over the amount of water consumed.

An increasing block rate does not necessary result in increased rates for an average household. The City Council can set the block rates to match the existing average household cost or to match the current base rate. Where increasing block rates differ from the current rate structure is that anything below the average use will cost the resident less. Water use above the block rate will cost more.

Option 3 2010			10.00%	11.25%
Description	Rate Code	New Class Designation	Monthly Fixed Charges	Monthly Fixed Charges
Residential	R	R	18.50	18.65
Residential - Read Monthly	CR	R	18.50	18.65
Senior Discount	SR	R	9.25	9.33
Senior Discount - Electronic (Read Monthly)	SR-E	R	9.25	9.33
Residential - County (Out of City)	RC	R	27.75	27.98
Senior Discount - County (Out of City)	SRC	R	13.88	13.99
Inverted Block Structure (block usage per month) - 10.00%		B1 (0-6)ccf	B2 (6.01-12)ccf	B3 (12.01+)ccf
		\$ 2.00	2.70	3.50
Inverted Block Structure (block usage per month) - 11.25%		B1 (0-6)ccf	B2 (6.01-12)ccf	B3 (12.01+)ccf
		\$ 2.03	2.73	3.53

Option 4 – Half Allowance (3ccf) Residential Only, Reduced Fixed Charge, Overall 11.25%

After reviewing the inverted block structure it appears the average residential customer is not exceeding the current allowance. This means there are no price signals sent to the customer.

The consultants suggested reducing the 6ccf allowance to 3ccf. In the current rate structure, the majority of “usage” is not billed because it is in the fixed fee.

The increase for the average user would be around the 11.25% target goal.

Option 4 2010			10.00%		11.25%	
Description	Rate Code	New Class Designation	Monthly Fixed Charges	Variable Charges	Monthly Fixed Charges	Variable Charges
Residential	R	R	23.38	2.51	23.65	2.54
Residential - Read Monthly	CR	R	23.38	2.51	23.65	2.54
Senior Discount	SR	R	11.69	2.51	11.83	2.54
Senior Discount - Electronic (Read Monthly)	SR-E	R	11.69	2.51	11.83	2.54
Residential - County (Out of City)	RC	R	35.07	3.77	35.48	3.81
Senior Discount - County (Out of City)	SRC	R	17.54	3.77	17.74	3.81

10% Residential Monthly Bill Comparisons				
Class	Usage	Monthly Bills		Monthly Increase
		Existing	10%	11.25%
Residential	2	\$ 25.25	\$ 23.38	\$23.65
	4	25.25	25.89	\$26.19
	6	25.25	30.91	\$31.27
	8	29.81	35.93	\$36.35
	12	38.93	45.98	\$46.51
	18	52.61	61.04	\$61.75
	30	79.97	91.17	\$92.23

DISCUSSION:

Staff is seeking direction from the City Council on the following policy questions in order to prepare an ordinance for first reading:

- Direction on the General Facility Charge (GFC)
 - Adopt GFC methodology to use capital costs from 6-year CIP
 - Update charge to \$6,209/ERU
 - Increase charge annually by Engineering News Record Construction Cost Index
 - Implement charge according to AWWA flow factor equivalencies
- Direction on the Rate Adjustments:
 - Base Case – 10% for first three years
 - Alternative Scenario – 11.25% first three years
- Direction on Rate Structure:
 - Incorporate water conservation features per state water use efficiency rule
 - Residential: staff recommends option 4 – Half Allowance
 - Split multi-family into its own class since water use is different than single family – no discretionary use.
 - Commercial / Multifamily: staff recommends option 2 – No Allowance, Reduced Base Charge, Meter Charges Follow AWWA
- Direction on Effective Date:
 - July 1, 2009 – begins to raise revenues for repair and replacement of existing assets in water fund and ensures adequate revenues to meet debt service payments. Impacts rate payers and new development immediately.
 - January 1, 2010 – Delays repair and replacement revenues until 2010. Debt service payments out of capital funds reducing ending fund balance and delaying improvements to serve future growth. Delays impacts on rate payers.

RECOMMENDED ACTION:

1. Hold a public hearing and take comments on alternative water rate structures and general facility charge (Attachment A).
2. Provide direction to staff on Council's preferred alternative in order to prepare an adopting ordinance for First Reading on May 14, 2009.

ATTACHMENTS

- A – Sample Rate Scenarios (options)
- B – Summary Water Utility Rate Study
- C- 2009 Water Fund Operating and Capital Budgets
- D – Public Comments

Attachment A
Water Rate Study
Rate Options

Option 1 2010			10.00%			11.25%		
Description	Rate Code	New Class Designation	Monthly Fixed Charges	Variable Charges	Monthly Fixed Charges	Variable Charges		
Residential	R	R	\$ 27.78	2.51	\$ 28.09	2.54		
Residential - Read Monthly	CR	R	27.78	2.51	28.09	2.54		
Senior Discount	SR	R	13.89	2.51	14.05	2.54		
Senior Discount - Electronic (Read Monthly)	SR-E	R	13.89	2.51	14.05	2.54		
Residential - County (Out of City)	RC	R	41.67	3.76	42.14	3.80		
Senior Discount - County (Out of City)	SRC	R	20.83	3.76	21.07	3.80		
Residential	R	MF	27.78	2.51	28.09	2.54		
Residential - Read Monthly	CR	MF	27.78	2.51	28.09	2.54		
Mixed Use Consumption	MUC	MF	27.78	2.51	28.09	2.54		
Commercial 3/4"	C75	Comm	29.98	2.51	30.32	2.54		
Commercial 1"	C1	Comm	41.97	2.51	42.44	2.54		
Commercial 1.5"	C15	Comm	53.96	2.51	54.57	2.54		
Commercial 2"	C2	Comm	86.93	2.51	87.92	2.54		

Option 2 2010			10.00%			11.25%		
Description	Rate Code	New Class Designation	Monthly Fixed Charges	Variable Charges	Monthly Fixed Charges	Variable Charges		
Residential	R	R	\$ 16.95	2.51	\$ 17.13	2.54		
Residential - Read Monthly	CR	R	16.95	2.51	17.13	2.54		
Senior Discount	SR	R	8.48	2.51	8.57	2.54		
Senior Discount - Electronic (Read Monthly)	SR-E	R	8.48	2.51	8.57	2.54		
Residential - County (Out of City)	RC	R	25.43	3.76	25.70	3.81		
Senior Discount - County (Out of City)	SRC	R	12.71	3.76	12.85	3.81		
Residential	R	MF	15.60	2.51	15.78	2.54		
Residential - Read Monthly	CR	MF	15.60	2.51	15.78	2.54		
Mixed Use Consumption	MUC	MF	15.60	2.51	15.78	2.54		
Commercial 3/4"	C75	Comm	16.60	2.51	16.74	2.54		
Commercial 1"	C1	Comm	27.72	2.51	27.96	2.54		
Commercial 1.5"	C15	Comm	55.28	2.51	55.74	2.54		
Commercial 2"	C2	Comm	88.48	2.51	89.22	2.54		

**Attachment A
Water Rate Study**

Option 3 2010			10.00%	11.25%
Description	Rate Code	New Class Designation	Monthly Fixed Charges	Monthly Fixed Charges
Residential	R		18.50	18.65
Residential - Read Monthly	CR		18.50	18.65
Senior Discount	SR		9.25	9.33
Senior Discount - Electronic (Read Monthly)	SR-E		9.25	9.33
Residential - County (Out of City)	RC		27.75	27.98
Senior Discount - County (Out of City)	SRC		13.88	13.99
Fixed Block Structure (block usage per month) - 10.00%				
		B1 (0-6)ccf	B2 (6.01-12)ccf	B3 (12.01+)ccf
		\$ 2.00	2.70	3.50
Fixed Block Structure (block usage per month) - 11.25%				
		B1 (0-6)ccf	B2 (6.01-12)ccf	B3 (12.01+)ccf
		\$ 2.03	2.73	3.53

Option 4 2010			10.00%	11.25%		
Description	Rate Code	New Class Designation	Monthly Fixed Charges	Monthly Fixed Charges	Variable Charges	Variable Charges
Residential	R		23.38	23.65	2.54	2.54
Residential - Read Monthly	CR		23.38	23.65	2.54	2.54
Senior Discount	SR		11.69	11.83	2.54	2.54
Senior Discount - Electronic (Read Monthly)	SR-E		11.69	11.83	2.54	2.54
Residential - County (Out of City)	RC		35.07	35.48	3.81	3.81
Senior Discount - County (Out of City)	SRC		17.54	17.74	3.77	3.81

City of Sultan



Presentation of the
Water Utility Rate Study Update
City Council Meeting

April 23, 2009



Angie Sanchez Virnoche, Study Manager

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Rate Study Process to Date

- Working on Technical Analysis Over Last Several Months
- Met with Council to Present Detailed Study Results on
March 21, 2009 and April 9, 2009
- Feedback Incorporated into Results Presented Today

Discussion Outline

- Policy Direction Required
- General Facility Charge Calculation
- Water System Rate Study Update
- Rate Design Alternatives

Policy Direction Required

- Direction on the General Facility Charge (GFC)
- Direction on the Rate Adjustments:
 - ✓ Base Case - 10% increase 2010/2011
 - ✓ Alternative Scenario (Staff Recommendation) – 11.25% 2010/2011
- Direction on Rate Structure:
 - ✓ Residential: staff recommends option 4 – Half Allowance
 - ✓ Commercial / Multifamily: staff recommends option 2 – No Allowance, Reduced Base Charge, Meter Charges Follow AWWA

General Facility Charge Update

- A one time charge imposed on new development to promote equity between new and existing customers
- Revenue for growth related capital projects or debt service NOT costs for O&M
- Generally accepted methodology used to calculate new charge
 - ✓ Existing cost basis from system asset listing + future costs from 6-year CIP
 - ✓ Maximum 10 years of interest to existing assets allowed
 - ✓ Deduct grants and developer contributions
 - ✓ Deduct debt service not paid for by GFC revenue
- Current GFC \$5,254/ERU
- Calculated Charge = \$6,181 to \$6,209/ERU

	2009	2010	2011	2012	2013	2014
Assumed Annual ERU Growth	10	20	40	72	74	76
Proposed GFC	\$ 6,209	\$ 6,457	\$ 6,716	\$ 6,984	\$ 7,264	\$ 7,554
Proposed GFC Revenue	\$ 62,090	\$ 129,147	\$ 268,626	\$ 506,124	\$ 539,528	\$ 575,137

Assumed Annual ERU Growth
 Proposed GFC
 Proposed GFC Revenue

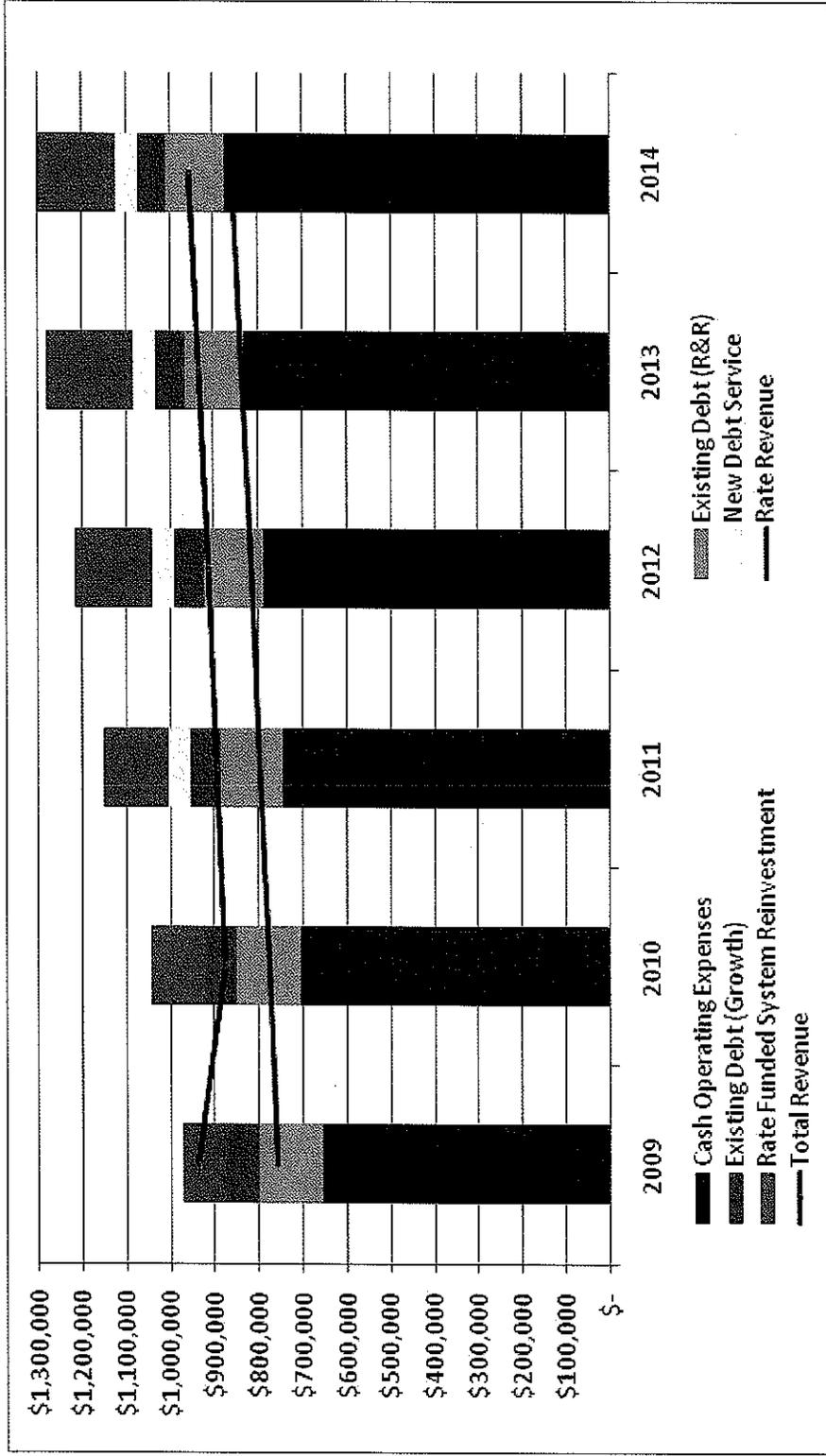
Role of the Financial Plan

- A multi-year forecast that evaluates sufficiency of current rates on a **stand-alone** basis
- Determines the amount of revenue necessary to meet **all** utility system financial obligations
 - ✓ Operating costs
 - ✓ Capital costs
 - ✓ Fund Balances
 - ✓ Financial policies
- Develops rate implementation strategy
- “Living” forecast that should be checked annually during budget process

Revenue Requirement Key Factors

- Study period: 2009 – 2014
- Used 2009 budget as base for revenues and expenses
 - ✓ Includes 1/5th of Public Works Supervisor position
 - ✓ Customer growth 2.5% per year from water comp plan
- Rate Revenue calculated using City provided customer statistics
- Total capital costs 2009 - 2014= \$3.4 million
 - ✓ \$545k in new debt 2011
- Annual existing debt service = \$200k - \$214k
 - ✓ New debt service = \$49k additional
 - ✓ GFC revenue down significantly due to economy
 - ✓ Historically GFC revenue covered 70% of total debt
 - ✓ Analysis indicated that 33% of debt should be funded from GFCs

Summary of Baseline Water Revenue and Expenses



	2009	2010	2011	2012	2013	2014
Cash Flow Suplus/(Deficiency)	\$ (33,782)	\$ (168,963)	\$ (260,225)	\$ (303,202)	\$ (350,010)	\$ (395,485)
Proposed Increase	10.00%	10.00%	10.00%	5.25%	5.25%	5.25%

* 2009 total revenue includes transfer from \$151k transfer from CR fund for debt service

Revenue Requirement Conclusions

- Rate adjustments are required to meet the financial needs of the water system.
- Base Scenario
 - ✓ Phase in over time to minimize impact
 - ✓ 10.00% in 2009, 2010 & 2011
 - ✓ 5.25% per year thereafter
 - ✓ Rates include addition of public works supervisor position = \$72,000 +20% benefits shared over five departments and funding for system reinvestment
- Operating fund
 - ✓ Running deficiency in annual cash flow \$14K and \$9K (2010 & 2011)
 - ✓ Balance sufficient to cover
 - ✓ 90 day target met in 2014
- CR utility fund above \$200K minimum in most years
 - ✓ 2011 at \$5K ending balance – however growth estimates conservative

Alternative Scenario Revenue Requirement

- Alternative scenario considered the following:
 - ✓ No cash flow deficiency in any year
 - ✓ Near 90 day minimum target in Utility Water Fund by 2014
 - ✓ CR utility near or above \$200k minimum target
 - ✓ Additional debt required - \$825k in 2011 (baseline \$525k)
 - ◆ Debt is for the Sultan River Crossing 12” Main project and for the Alder Street Reconstruction and Improvement project
 - ✓ Additional annual debt service = \$73.6k (additional \$25k per year)
- Resulting rate increases:

	Alternative	Baseline
2009	11.25%	10.00%
2010	11.25%	10.00%
2011	11.25%	10.00%
2012	4.00%	5.25%
2013	4.00%	5.25%
2014	4.00%	5.25%

Rate Structure Changes

- Split the Multifamily customers into their own class
- Eliminate or reduce current allowance
 - ✓ Currently each customer receives 600 cubic feet of water per month with the base charge – volume charge kicks in on usage > 600
- Base charge tied to American water works association (AWWA) flow factors
- Incorporate Conservation Features
 - ✓ Inverted (increasing) block rate structure for Single Family Customers only

Rate Design Scenarios

- Option 1: Across-the-board increases – Equal increases to all classes and all rate components
- Option 2: No allowance, reduced monthly base charge, commercial base charge pricing follows AWWA factors
- Option 3: Single Family Only- inverted block structure for single family customers
- Option 4: Single Family Only – Half Allowance, maintain current rate structure

Existing Rates

Monthly Base Rate		
Meter	Single Family	Commercial
5/8"	\$ 25.25	
3/4"		27.25
1"		38.15
1.5"		49.05
2"		79.03
Volume Rate per 100 cf		
Over 600 cf	\$2.28	\$2.28

Notes:

- Assumes 600 cf per unit allowance
- Allowance per month
- Outside city accounts have an additional 1.5 multiplier
- Seniors receive a 50% discount on their monthly base fee
- Multi-family/mobile homes charged per unit at the single family rate

Single Family Rate 10% Options

Single Family				
	Option 1 - Across the Board	Option 2 - No Allowance	Option 3 - Inverted Block	Option 4 - Half Allowance
Mo. Base Rate	\$27.78	\$16.95	\$18.50	\$23.38
Volume Rate/100 cf				
Over 600 cf	\$2.51			
All Use /100 cf		\$2.51		
Block 1: 0-600 cf			\$2.00	
Block 2: 601-1200 cf			\$2.70	
Block 3: 1,201+ cf			\$3.50	
Over 300 cf				\$2.51

Notes:

Outside City accounts have an additional 1.5 multiplier
Seniors receive a 50% discount on their fixed charge

Single Family Bill Comparisons 10% Base Case

Single Family Bill Comparisons					
Usage 100 cf	Existing Rates	Option 1 - Across the Board	Option 2 - No Allowance	Option 3 - Inverted Block	Option 4 - Half Allowance
2	\$ 25.25	\$ 27.78	\$ 21.97	\$ 22.50	\$ 23.38
4	25.25	27.78	26.99	26.50	25.89
6	25.25	27.78	32.00	30.50	30.91
8	29.81	32.79	37.02	35.90	35.93
12	38.93	42.82	47.06	46.70	45.98
18	52.61	57.87	62.11	67.70	61.04
30	79.97	87.97	92.22	109.70	91.17

Notes:

- Average annual single family use is 600 cubic feet per month
- Allowance per dwelling unit
- Approximately 78% of residential customers fall into block 1, 17% fall into block 2 and 5% fall into block 3

Multi-Family Proposed Rates and Bill Comparisons 10% Base Case

Multi-Family		
	Option 1 - Across the Board	Option 2 - No Allowance
Mo. Base Rate/Unit	\$27.78	\$15.60
Volume Rate/100 cf		
Over 600 cf	\$2.51	
All Usage		\$2.51

Multi Family Bill Comparisons 4 Units			
Usage 100 cf	Existing Rates	Option 1 - Across the Board	Option 2 - No Allowance
3	\$ 101.00	\$ 111.10	\$ 69.93
5	101.00	111.10	74.95
15	101.00	111.10	100.06
20	101.00	111.10	112.61
30	114.68	126.15	137.71
40	137.48	151.23	162.81
50	160.28	176.31	187.92

Notes:

- Multi-family charged base rate per unit
- Allowance per unit

Commercial Proposed Rates and Bill Comparisons 10% Base Case

Commercial		
	Option 1 - Across the Board	Option 2 - No Allowance
Mo. Base Rate by Meter		
3/4"	\$29.98	\$16.60
1"	\$41.97	\$27.72
1.5"	\$53.96	\$55.28
2"	\$86.93	\$88.48
Volume Rate/100 cf		
Over 600 cf	\$2.51	
All Usage		\$2.51

Commercial Bill Comparisons 3/4" Meter - 1 Unit			
Usage 100 cf	Existing Rates	Option 1 - Across the Board	Option 2 - No Allowance
5	\$ 27.25	\$ 29.98	\$ 29.14
10	36.37	40.01	41.68
15	47.77	52.55	54.22
20	59.17	65.09	66.76
30	81.97	90.17	91.83
40	104.77	115.25	116.91
50	127.57	140.33	141.99

Notes:

- Commercial charged base rate by meter size – plus each additional unit
- Allowance per unit
- Option 2 includes AWWA meter equivalency factors

Policy Direction

- **Direction on the General Facility Charge (GFC)**
 - ✓ Adopt GFC methodology
 - ✓ Update charge to \$6,209/ERU charge
 - ✓ Increase charge annually by Engineering News Record Construction Cost Index
 - ✓ Implement charge according to AWWA flow factor equivalencies
- **Direction on the Rate Adjustments:**
 - ✓ Base Case – 10% for first three years
 - ✓ Alternative Scenario – 11.25% first three years
- **Direction on Rate Structure:**
 - ✓ Residential: staff recommends option 4 – Half Allowance
 - ✓ Commercial / Multifamily: staff recommends option 2 – No Allowance, Reduced Base Charge, Meter Charges Follow AWWA

10% Rate Structures

Commercial	
Option 2 - No Allowance	
Meter	Mo. Base Rate by Meter
3/4"	\$16.60
1"	\$27.72
1.5"	\$55.28
2"	\$88.48
Volume Rate/	100 cf
All Usage	\$2.51

Multifamily	
Option 2 - No Allowance	
Base Rate	Mo. Base Rate
Per Unit	\$15.60
Volume Rate/	100 cf
All Usage	\$2.51

Single Family	
Option 4 - Half Allowance	
Base Rate	Mo. Base Rate
Per Unit	\$23.38
Volume Rate/	100 cf
> 300 cf	\$2.51

Next Steps

- Incorporate feedback and comment into analysis
- Public Hearing April 23
- First Reading May 14
- Second Reading May 28
- Recommend updating rates annually or biannually to confirm assumptions for revenue, growth and capital

Appendix

Revenue Requirement Summary of Key Factors

- **Incorporate Fiscal Policies**
 - ✓ 90 day cash working capital target (\$162K - \$216K)
 - ✓ Capital fund minimum balance \$200K
 - ✓ Debt service coverage ≥ 1.25
- **Revenue**
 - ✓ Approved 12/1/08 rate increase incorporated into rate revenue calculation
 - ✓ Customer growth 2.5% per year from water comp plan
- **Expenses**
 - ✓ Expenses assumed the following annual escalation factors: general operations 3.5%, labor 5%, benefits/medical 10% per year, construction cost 5.0%
 - ✓ Public works supervisor position = \$72,000 +20% benefits shared over five departments

Capital Costs and Funding

- Capital funding associated with program
 - ✓ \$1.2 million from general facility charge revenue (current charge)
 - ✓ \$545K new debt (2011) base case, \$825K alternative scenario
 - ✓ \$975K rate revenue (\$100k - \$225k per year)
 - ✓ \$1.5 million in developer donations
 - ✓ Existing fund balances

Year	Water CIP (2008\$)	Water CIP (inflated)
2009	\$ 125,000	\$ 131,250
2010	103,600	114,219
2011	895,400	1,036,537
2012	289,200	351,524
2013	960,000	1,225,230
2014	365,000	489,135
Total	\$ 2,738,200	\$ 3,347,896

Inflated costs include 5.0%/year
escalation

Revenue Requirements Analysis: Base Case

Revenue Requirements	2009	2010	2011	2012	2013	2014
Revenues						
Rate Revenues Under Existing Rates	\$ 759,442	\$ 778,428	\$ 797,888	\$ 817,836	\$ 838,281	\$ 859,238
Non-Rate Revenues	177,795	97,675	95,211	94,210	93,738	94,137
Total Revenues	\$ 937,237	\$ 876,103	\$ 893,099	\$ 912,045	\$ 932,019	\$ 953,375
Expenses						
Cash Operating Expenses	\$ 656,490	\$ 709,105	\$ 747,508	\$ 788,342	\$ 831,786	\$ 878,037
Existing Debt Service	214,529	210,961	207,212	203,301	201,638	197,219
New Debt Service	-	-	48,604	48,604	48,604	48,604
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-
Rate Funded System Reinvestment	100,000	125,000	150,000	175,000	200,000	225,000
Total Expenses	\$ 971,019	\$ 1,045,066	\$ 1,153,324	\$ 1,215,248	\$ 1,282,029	\$ 1,348,861
Net Surplus (Deficiency)	\$ (33,782)	\$ (168,963)	\$ (260,225)	\$ (303,202)	\$ (350,010)	\$ (395,485)
% of Rate Revenue	4.45%	21.71%	32.61%	37.07%	41.75%	46.03%
Additions To Meet Coverage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Surplus (Deficiency)	\$ (33,782)	\$ (168,963)	\$ (260,225)	\$ (303,202)	\$ (350,010)	\$ (395,485)
% of Rate Revenue	4.45%	21.71%	32.61%	37.07%	41.75%	46.03%
Annual Rate Adjustment	10.00%	10.00%	10.00%	5.25%	5.25%	5.25%
Rate Revenues After Rate Increase	\$ 797,414	\$ 941,897	\$ 1,061,989	\$ 1,145,687	\$ 1,235,982	\$ 1,333,393
Additional Taxes from Rate Increase	\$ 1,910	\$ 8,221	\$ 13,282	\$ 16,488	\$ 20,000	\$ 23,845
Net Cash Flow After Rate Increase	2,281	(13,714)	(9,405)	8,162	27,691	54,824
Coverage After Rate Increases	2.68	3.93	2.90	3.27	3.61	4.07
Average SF Monthly Bill (using 8 ccf per month)	\$ 32.79	\$ 36.07	\$ 39.68	\$ 41.76	\$ 43.95	\$ 46.26
Monthly Increase	\$ 2.98	\$ 3.28	\$ 3.61	\$ 2.08	\$ 2.19	\$ 2.31

Notes:

2009 Rate Increase is assumed to be in effect half of the year.

GFCs partially offset existing debt service

Revenue Requirements Analysis: Alternative Scenario

Revenue Requirements	2009	2010	2011	2012	2013	2014
Revenues						
Rate Revenues Under Existing Rates	\$ 759,442	\$ 778,428	\$ 797,888	\$ 817,836	\$ 838,281	\$ 859,238
Non-Rate Revenues	177,795	97,788	95,838	96,275	94,989	95,090
Total Revenues	\$ 937,237	\$ 876,215	\$ 893,726	\$ 913,110	\$ 933,270	\$ 954,328
Expenses						
Cash Operating Expenses	\$ 656,490	\$ 709,105	\$ 747,508	\$ 788,342	\$ 831,786	\$ 878,037
Existing Debt Service	214,529	210,961	207,212	203,301	201,638	197,219
New Debt Service	-	-	73,576	73,576	73,576	73,576
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-
Rate Funded System Reinvestment	100,000	125,000	150,000	175,000	200,000	225,000
Total Expenses	\$ 971,019	\$ 1,045,066	\$ 1,178,295	\$ 1,240,219	\$ 1,307,000	\$ 1,373,832
Net Surplus (Deficiency)	\$ (33,782)	\$ (168,850)	\$ (284,569)	\$ (327,108)	\$ (373,730)	\$ (419,503)
% of Rate Revenue	4.45%	21.69%	35.67%	40.00%	44.58%	48.82%
Additions To Meet Coverage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Surplus (Deficiency)	\$ (33,782)	\$ (168,850)	\$ (284,569)	\$ (327,108)	\$ (373,730)	\$ (419,503)
% of Rate Revenue	4.45%	21.69%	35.67%	40.00%	44.58%	48.82%
Annual Rate Adjustment	11.25%	11.25%	11.25%	4.00%	4.00%	4.00%
Rate Revenues After Rate Increase	\$ 802,160	\$ 963,426	\$ 1,098,607	\$ 1,171,115	\$ 1,248,408	\$ 1,330,803
Additional Taxes from Rate Increase	2,148	9,304	15,123	17,766	20,625	23,715
Net Cash Flow After Rate Increase	6,788	6,844	1,026	8,404	15,772	28,346
Coverage After Rate Increases	2.75	4.25	2.63	2.86	3.05	3.32
Average SF Monthly Bill (using 8 ccf per month)	\$ 33.16	\$ 36.89	\$ 41.05	\$ 42.69	\$ 44.39	\$ 46.17
Monthly Increase	\$ 3.35	\$ 3.73	\$ 4.15	\$ 1.64	\$ 1.71	\$ 1.78

Notes:

2009 Rate Increase is assumed to be in effect half of the year.

GFCs partially offset existing debt service

General Facility Charge Methodology

- Existing cost basis from system asset listing
- Maximum 10 years of interest to existing assets allowed
- Deduct grants and developer contributions
- Deduct debt service not paid for by GFC revenue
- Divided cost by maximum ERUs (equivalent residential units).
 - ✓ 3,681 ERU capacity (including Highlevel Reservoir)

Debt Service

- Existing Debt Service \$200K - \$214K
- Existing Debt Service
 - ✓ Water/sewer revenue bond (replacement)
 - ✓ PWTF – 2002 Regional waterline study (growth)
 - ✓ PWTF – 1998 water reservoir (growth)
 - ✓ SRF – 1997 water filtration plant (replacement)
- New Debt Service
 - ✓ \$49K/year beginning in 2011 (replacement) – Base Case
 - ✓ \$73K/year beginning in 2011 (replacement) – Alternative Scenario
- Historically GFC revenue covered 70% of total debt
- Existing GFC revenue is estimated to be lower than historical levels due to the current state of the economy
- Evaluation indicated 33% of total debt should be funded from GFCs

Rate & GFC Regional Comparisons

Water GFCs	
Bonney Lake	\$ 8,255
Sultan Proposed	6,209
Duvall	6,153
Fife	5,275
Sultan	5,254
Stanwood	5,200
Monroe	4,335
Snohomish PUD	3,085
Sumner	2,614
Snohomish	2,580
Bothell	2,199
Everett	1,021

Water Rates	
Stanwood	\$ 73.41
Duvall	48.59
Sultan Proposed	35.93
Snohomish	31.65
Sultan	29.75
Snohomish PUD	29.38
Bothell	29.20
Monroe	25.90
Bonney Lake	24.86
Sumner	18.08
Everett	17.60
Fife	17.46

Notes:

Assumes 8ccf monthly usage

Proposed rates assume half allowance scenario

Impacts to Typical Water Bills

Impacts to Typical Water Bills				
Customer	Existing Bill	Proposed Option 1	Proposed Option 2	
Industrial Customer	\$ 195	\$ 214	\$ 231	
Laundry Center	\$ 305	\$ 336	\$ 352	
Small Business	\$ 233	\$ 256	\$ 258	
Large Multifamily Complex	\$ 1,742	\$ 1,916	\$ 2,095	
Medium Multifamily Complex	\$ 657	\$ 722	\$ 572	

Notes:

- Option 1: Across the board increases
- Option 2: No allowance, reduced fixed charge, meter charges follow AWWA flow factors

Attachment C

	2006	2007	2008	2008	2008	2009	2009	2009	2009	2009	
	Actual	Actual	Adopted	Estimated	Account	Description	FTE	Requested	Proposed	Approved	Adopted
					400	UTILITY WATER FUND					
					R01	Beginning Fund Balance					
	0.00	0.00	0.00	241,871.73	308-10-000	Beginning Fund Balance	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	241,871.73		Beginning Fund Balance Totals:	0.00	0.00	0.00	0.00	0.00
					R40	Charges for Services					
	8,510.39	26,857.61	40,400.00	272.50	343-20-010	Inspection Fees	0.00	0.00	0.00	0.00	0.00
	0.00	500.00	3,500.00	0.00	343-20-020	Engineering Review Services	0.00	0.00	0.00	0.00	0.00
	594,745.18	670,677.13	738,375.00	669,613.91	343-40-000	Water Sales	0.00	775,000.00	775,000.00	775,000.00	0.00
	972.00	0.00	780.00	0.00	343-40-010	Water Sales - City Properties	0.00	1,000.00	1,000.00	1,000.00	0.00
	7,328.14	22,761.44	17,500.00	18,233.07	343-80-000	Turn On/Off Fees	0.00	17,500.00	21,575.00	21,575.00	0.00
	85.00	0.00	500.00	0.00	343-90-000	Repair Charges	0.00	50.00	50.00	50.00	0.00
	611,640.71	720,796.18	801,055.00	688,119.48		Charges for Services Totals:	0.00	793,550.00	797,625.00	797,625.00	0.00
					R60	Miscellaneous Revenues					
	10,050.00	6,400.00	10,500.00	8,100.00	367-10-000	Water Connection Charges	0.00	1,500.00	1,500.00	1,500.00	0.00
	0.00	0.00	0.00	0.00	369-40-000	Judgements and Settlements	0.00	0.00	0.00	0.00	0.00
	5,438.23	17,701.26	1,000.00	19,016.36	369-90-000	Miscellaneous - EXCESS TAX	0.00	0.00	40,000.00	40,000.00	0.00
	15,488.23	24,101.26	11,500.00	27,116.36		Miscellaneous Revenues Totals:	0.00	1,500.00	41,500.00	41,500.00	0.00
					R90	Other Financing Sources					
	0.00	0.00	0.00	0.00	395-10-000	Sale of Fixed Assets	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	100,000.00	0.00	397-10-000	Operating Transfer In	0.00	0.00	143,000.00	0.00	0.00
	0.00	0.00	100,000.00	0.00		Other Financing Sources Totals:	0.00	0.00	143,000.00	0.00	0.00
	627,128.94	744,897.44	912,555.00	957,107.57		REVENUES TOTALS:	0.00	795,050.00	982,125.00	839,125.00	0.00
					400	Utility Water					
	218,294.79	258,439.06	247,150.00	245,658.69	E10	Salaries and Wages	0.00	296,647.00	296,647.00	299,745.00	0.00
	218,294.79	258,439.06	247,150.00	245,658.69	534-80-100	Salaries and Wages	0.00	296,647.00	296,647.00	299,745.00	0.00
	68,662.86	88,593.87	95,305.00	88,230.25	E20	Employee Benefits	0.00	110,003.00	110,003.00	110,480.00	0.00
	915.38	1,648.78	1,500.00	587.41	534-80-220	Uniforms	0.00	1,500.00	1,500.00	1,500.00	0.00
	69,578.24	90,242.65	96,805.00	88,817.66		Employee Benefits Totals:	0.00	111,503.00	111,503.00	111,980.00	0.00

C-1

	2006	2007	2008	2008	Estimated	Account	Description	FTE	2009	Proposed	Approved	Adopted
	Actual	Actual	Adopted	Adopted				Requested	2009	2009	2009	2009
	31,822.73	38,785.83	40,000.00	52,193.50	E30	Operating and Office Supply	0.00	62,000.00	62,000.00	62,000.00	62,000.00	0.00
	4,237.71	11,336.16	7,000.00	4,030.22	534-80-310	Operating Supplies	0.00	4,200.00	4,200.00	4,200.00	4,200.00	0.00
	3,876.98	4,743.08	2,500.00	2,539.23	534-80-311	Operating Supply - New Connect	0.00	3,600.00	3,600.00	3,600.00	3,600.00	0.00
	4,200.43	13,330.02	18,700.00	3,515.68	534-80-320	Office Supplies	0.00	23,040.00	12,000.00	12,000.00	12,000.00	0.00
	4,913.49	6,260.63	5,000.00	7,320.50	534-80-350	Small Tools/Minor Equipment	0.00	10,000.00	6,000.00	6,000.00	6,000.00	0.00
	960.38	1,240.75	2,000.00	0.00	534-80-360	Vehicle Operation/Maintenance	0.00	2,000.00	2,000.00	2,000.00	2,000.00	0.00
	50,011.72	77,696.47	75,200.00	69,599.13		Operating and Office Supply Totals	0.00	104,840.00	89,800.00	89,800.00	89,800.00	0.00
	1,783.85	4,465.56	32,300.00	63,192.57	E40	Other Services and Charges	0.00	0.00	0.00	0.00	0.00	0.00
	1,163.47	12,976.47	50,000.00	18,353.94	534-80-410	Construction Review Costs	0.00	0.00	0.00	0.00	0.00	0.00
	22,941.95	18,992.88	20,000.00	9,189.99	534-80-411	Professional Service - Engine	0.00	0.00	20,000.00	20,000.00	20,000.00	0.00
	77,862.39	25,509.95	27,255.00	85,564.17	534-80-412	Professional - Legal	0.00	30,000.00	30,000.00	30,000.00	30,000.00	0.00
	7,288.76	8,115.47	10,010.00	7,410.39	534-80-413	Professional Service - General	0.00	10,000.00	10,000.00	10,000.00	10,000.00	0.00
	2,827.93	2,064.54	5,000.00	2,079.12	534-80-420	Communication	0.00	5,000.00	3,000.00	3,000.00	3,000.00	0.00
	68.54	249.03	5,000.00	263.96	534-80-430	Travel and Seminars	0.00	5,000.00	2,000.00	2,000.00	2,000.00	0.00
	16,499.72	19,386.00	16,165.00	19,406.00	534-80-450	Rentals	0.00	17,000.00	17,000.00	17,000.00	17,000.00	0.00
	0.00	500.00	500.00	0.00	534-80-460	Insurance	0.00	500.00	500.00	500.00	500.00	0.00
	18,679.65	24,541.58	25,000.00	18,360.71	534-80-461	Payment of Judgements and Sett	0.00	25,000.00	25,000.00	25,000.00	25,000.00	0.00
	7,929.86	1,291.97	8,000.00	819.29	534-80-470	Utilities	0.00	8,000.00	8,000.00	8,000.00	8,000.00	0.00
	16,378.41	5,729.61	2,000.00	8,968.50	534-80-471	Water Service - Everett	0.00	2,000.00	2,000.00	2,000.00	2,000.00	0.00
	17,418.24	13,757.85	9,000.00	14,243.89	534-80-480	Repair and Maintenance	0.00	16,000.00	16,000.00	16,000.00	16,000.00	0.00
	190,842.77	137,580.91	210,230.00	247,852.53	534-80-490	Miscellaneous	0.00	118,500.00	133,500.00	133,500.00	133,500.00	0.00
	50,002.00	50,004.00	50,000.00	37,503.00	E50	Other Services and Charges Totals:	0.00	50,000.00	50,000.00	50,000.00	50,000.00	0.00
	25,512.37	55,373.12	39,000.00	30,958.42	534-80-500	Intergovernmental Services	0.00	40,000.00	40,000.00	40,000.00	40,000.00	0.00
	75,514.37	105,377.12	89,000.00	68,461.42	534-80-510	Interfund Water/Sewer Bonds	0.00	90,000.00	90,000.00	90,000.00	90,000.00	0.00
	0.00	0.00	8,500.00	1,329.78	E60	Taxes - Excise	0.00	10,000.00	0.00	0.00	0.00	0.00
	33,705.41	11,564.72	115,000.00	12,265.20	534-80-620	Capital Outlays	0.00	15,000.00	6,500.00	8,500.00	8,500.00	0.00
	0.00	0.00	20,000.00	1,072.70	534-80-640	Capital Outlay - Buildings	0.00	0.00	0.00	0.00	0.00	0.00
	33,705.41	11,564.72	143,500.00	14,667.68	534-80-650	Capital Outlay - Equipment	0.00	25,000.00	6,500.00	8,500.00	8,500.00	0.00
	8,595.96	15,000.00	40,000.00	0.00	534-80-650	Capital Outlay - Construction	0.00	192,000.00	192,000.00	192,000.00	192,000.00	0.00
	50,002.00	50,004.00	50,000.00	37,503.00	E90	Capital Outlays Totals:	0.00	25,000.00	6,500.00	8,500.00	8,500.00	0.00
	25,512.37	55,373.12	39,000.00	30,958.42	597-55-000	Interfund Services	0.00	192,000.00	192,000.00	192,000.00	192,000.00	0.00
	75,514.37	105,377.12	89,000.00	68,461.42		Operating Transfer Out - 104	0.00	10,000.00	10,000.00	10,000.00	10,000.00	0.00

207 LID Bond Fund:

The LID Bond payments are made by the benefited property owners who receive annually billing statements in December. The City may call bonds on an annual basis and the payments may be higher or lower than projected based on the amount of principal funds collected. Several properties were sold in 2008 and the LID assessments were paid in full and therefore in 2009 the City will pay two years worth of bonds (\$410,000).

Revenues: \$205,000 principal payments
\$150,000 interest payments
\$ 3,300 penalty and investment interest
\$205,000 fund reserves

Expense: \$560,000 Bond principal and interest

403 Water Revenue Bond Fund:

Water/Sewer Revenue Bonds were issued in 1996 to fund system improvements. The assets of the Water and Sewer Utility Funds were pledged as security for the bonds. There is a coverage factor of 125% which means there must be at least 125% of the annual debt service requirements budgeted annually.

The funding source for the bond payment is transfer from the Water and Sewer Utility Funds. Each fund will contribute \$50,000 towards bond payments.

Revenue: \$100,000 operating transfer in Water (400) and Sewer (401)
\$ 1,500 investment interest
\$ 59,000 fund reserves

Expense: \$127,070 Bond principal and interest

412 Water Debt Service Fund:

The purpose of this fund is to provide for the payment of debt service incurred by the Water Utility System for capital projects. The fund has outstanding debt for the previous the connection to the Everett Waterline and for second reservoir.

The funding for debt service is from has been from new connections. For 2009, there are no new connections anticipated and the debt service payments will need to be made from the operating fund (Water Utility Fund – 400) or from the CR Utility Reserve Fund (405). The PWTF loan documents pledge the assets of the Water Utility for repayment of the loan. Staff has recommended the payments be made from the CR Utility Reserve Fund. The Water Rate Study will be completed in early 2009 and will include a monthly allocation for debt service payments from existing water customers.

Revenues: \$152,000 operating transfer in from CR Utility (405)

Expense: \$\$151,151 Loan principal and interest

C-4

Attachment D

Deborah Knight

From: [REDACTED]
Sent: Friday, April 17, 2009 10:48 AM
To: Deborah Knight
Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Deborah,

I am not uncomfortable with your idea. It will save me saying it again at the Council meeting.

Thank you,

Al

----- Original Message -----

From: Deborah Knight

To: [REDACTED]

Cc: 'Carolyn Eslick'; 'Dale Doornek'; 'Jim Flower'; 'Kristina Blair'; 'Ron Wiediger'; 'Ron. Wiediger'; sarah.davenport-smith@ci.sultan.wa.us; 'Steve Slawson'; 'Brand Jeffrey'; 'Connie Dunn'; donna.murphy@ci.sultan.wa.us; 'Laura Koenig'; 'Margaret King'; robert.martin@ci.sultan.wa.us; 'Angie Sanchez'; 'Jeffrey Beeler'; 'Bob Knuckey'

Sent: Friday, April 17, 2009 10:11 AM

Subject: RE: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Al,

I would like to redact your name and e-mail address and include your comments as an attachment to the agenda cover for the public hearing on April 23. Please let me know if you are uncomfortable with me including your comments in the agenda packet.

Thanks,

Deborah Knight

City Administrator

360-793-1164 (phone)

360-793-3344 (fax)

deborah.knight@ci.sultan.wa.us

www.ci.sultan.wa.us

From: [REDACTED]

Sent: Thursday, April 16, 2009 4:15 PM

To: Deborah Knight

Cc: 'Carolyn Eslick'; 'Dale Doornek'; 'Jim Flower'; 'Kristina Blair'; 'Ron Wiediger'; 'Ron. Wiediger'; sarah.davenport-smith@ci.sultan.wa.us; 'Steve Slawson'; 'Brand Jeffrey'; 'Connie Dunn'; donna.murphy@ci.sultan.wa.us; 'Laura Koenig'; 'Margaret King'; robert.martin@ci.sultan.wa.us; 'Angie Sanchez'; deborah.knight@ci.sultan.wa.us; 'Jeffrey Beeler'; Bob Knuckey

Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

D-1

4/17/2009

Deborah,

My comments are in your text.

Al

----- Original Message -----

From: Deborah Knight

To: '██████████'

Cc: 'Carolyn Eslick'; 'Dale Doornek'; 'Jim Flower'; 'Kristina. Blair'; 'Ron Wiediger'; 'Ron. Wiediger'; sarah.davenport-smith@ci.sultan.wa.us; 'Steve. Slawson'; 'Brand. Jeffrey'; 'Connie Dunn'; donna.murphy@ci.sultan.wa.us; 'Laura Koenig'; 'Margaret King'; robert.martin@ci.sultan.wa.us; 'Angie Sanchez'; deborah.knight@ci.sultan.wa.us; 'Jeffrey Beeler'; Bob Knuckey

Sent: Thursday, April 16, 2009 3:50 PM

Subject: RE: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Al,

A rate increase is not a tax. By law, water rates must cover water expenses you "can't take money from somewhere else". (I'm suggesting that other taxes in other area are decreased to offset the increase in the Water "fee")

Certainly one option is to reduce expenses. The Council went through the budget last year and reduced expenses turning a \$143,000 deficit in the water fund into a \$95,000 ending fund balance. However, debt service payments for plant improvements to serve current customers were transferred to the capital budget. The city is robbing peter to pay paul. (Sometimes I have to rob Peter to pay Paul in my business and my family budget -- That's life)If this has to continue until the economy recovers, there may be no money left in the capital budget to fund improvements to serve future growth as required. (Then we will deal with it at that time. If you are upside down in your finances, do you get your credit cards and go spent more on them?) In effect, new customers are paying expenses to serve current customers (the current customers are still paying the "fee"). and there is no money to build system improvements to meet future needs when the time comes. I can send you a copy of the 2009 water fund operating and capital budgets to review

The council can choose to further cut expenses and delay improvements but each of these decisions comes with costs. (of course they do, but that is life and I don't complain about it, I figure out how to do with what I have) Either the city makes small annual increases or delays the increases to a point where the system begins to fall apart (that is why priorities are important and you chop the less important items - that's life) and major rate increases are required all at once. (Again, Prioities).

Adopting a rate increase is a choice both the Council and the community have to make. Delaying rate increases does not make the current problems go away --(again prioities, I know these problems don't go away, just like family problems don't go away and they are painful also, but that is life and we deal with it because we have to.) it just delays the pain. Our job as city staff is to identify problems and alternatives. I am always open to alternative suggestions. (I am glad that you are open to alternatives, because we need to find some alternative to raising taxes or "fees" The more people who are involved in the decision making process the better the outcome.

I appreciate the time you are putting into understanding the problem and looking for other options. I look forward to seeing you next Thursday. (Thank you, but increased "fees" and taxes should be the absolute last resort. When times are good, spending goes up and when revenues drop spending must go down. That is why small government is better.)

Thank you,

D. Z

Deborah Knight
 City Administrator
 360-793-1164 (phone)
 360-793-3344 (fax)
deborah.knight@ci.sultan.wa.us
www.ci.sultan.wa.us

From: Al Wiediger [mailto:alwiediger@verizon.net]
Sent: Thursday, April 16, 2009 2:48 PM
To: Deborah Knight
Cc: 'Carolyn Eslick'; 'Dale Doornek'; 'Jim Flower'; 'Kristina. Blair'; 'Ron Wiediger'; 'Ron. Wiediger'; sarah.davenport-smith@ci.sultan.wa.us; 'Steve. Slawson'; 'Brand, Jeffrey'; 'Connie Dunn'; donna.murphy@ci.sultan.wa.us; 'Laura Koenig'; 'Margaret King'; robert.martin@ci.sultan.wa.us; 'Angie Sanchez'
Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Deborah,

Especially in this economy and looking into the future economy, the City of Sultan needs to arrange its priorities in such a fashion as not to raise taxes on the citizens of Sultan. We citizens have been cutting and arranging our priorities and I EXPECT the City to do likewise.

If you can't make it work in the Water Dept, then you need to cut somewhere else to make it work. We can not go to our employers and our customers and get extra money just because we can't make it on what we have now. We cut and do what we have to to survive until things get better. I expect the City to do the same.

----- Original Message -----

From: Deborah Knight
To: [REDACTED]
Cc: 'Carolyn Eslick'; 'Dale Doornek'; 'Jim Flower'; 'Kristina. Blair'; 'Ron Wiediger'; 'Ron. Wiediger'; sarah.davenport-smith@ci.sultan.wa.us; 'Steve. Slawson'; 'Brand, Jeffrey'; 'Connie Dunn'; donna.murphy@ci.sultan.wa.us; 'Laura Koenig'; 'Margaret King'; robert.martin@ci.sultan.wa.us; 'Angie Sanchez'
Sent: Thursday, April 16, 2009 2:01 PM
Subject: RE: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Al,

City staff serve at the pleasure of the Sultan community, Council and Mayor. However, putting the City of Sultan government on unemployment won't change the long-term need to operate the water treatment plan and fund repair and replacement of the City's infrastructure or prepare for the future growth that is planned for this community.

One option would be to move the water and sewer services to a separate taxing district (water/sewer district) with a separate elected board. This would be a way to manage the water and sewer systems separately from the city. The council could also choose to outsource garbage collection and the cemetery. Eliminating these services would significantly reduce staff at city

D-3

hall.

Please feel free to contact me if you want additional information about the proposed rate increase or creating a separate water/sewer district.

Deborah Knight
 City Administrator
 360-793-1164 (phone)
 360-793-3344 (fax)
deborah.knight@ci.sultan.wa.us
www.ci.sultan.wa.us

From: [REDACTED]@net]

Sent: Thursday, April 16, 2009 12:39 PM

To: Deborah Knight

Cc: 'Carolyn Eslick'; 'Dale Doornek'; 'Jim Flower'; 'Kristina. Blair'; 'Ron Wiediger'; 'Ron. Wiediger'; sarah.davenport-smith@ci.sultan.wa.us; 'Steve. Slawson'; 'Brand, Jeffrey'; 'Connie Dunn'; donna.murphy@ci.sultan.wa.us; 'Laura Koenig'; 'Margaret King'; robert.martin@ci.sultan.wa.us

Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

I'm thinking we (citizens of Sultan) need to put the City of Sultan government on unemployment. Maybe you will get it then.

----- Original Message -----

From: Deborah Knight

To: 'Al Wirta'

Cc: 'Carolyn Eslick'; 'Dale Doornek'; 'Jim Flower'; 'Kristina. Blair'; 'Ron Wiediger'; 'Ron. Wiediger'; sarah.davenport-smith@ci.sultan.wa.us; 'Steve. Slawson'; 'Brand, Jeffrey'; 'Connie Dunn'; donna.murphy@ci.sultan.wa.us; 'Laura Koenig'; 'Margaret King'; robert.martin@ci.sultan.wa.us

Sent: Wednesday, April 15, 2009 7:56 AM

Subject: RE: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Al,

Thanks for your comments.

Please review the attached powerpoint for the details regarding the increase. The proposed increase is necessary to ensure that water rates cover water expenses. Without the proposed increase the water fund will have a growing deficit in the operating fund which is not allowed by state law.

I would be happy to meet with you and review the spreadsheets.

You can give me a call if you want to understand the city's proposal in more detail.

Deborah Knight

D-4

City Administrator
360-793-1164 (phone)
360-793-3344 (fax)
deborah.knight@ci.sultan.wa.us
www.ci.sultan.wa.us

From: Al Wirta [mailto:alwirta@verizon.net]
Sent: Wednesday, April 15, 2009 6:16 AM
To: Deborah Knight
Cc: [redacted]; [redacted] calls
Subject: Fw: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

The more I think about it the actual increase is more like 92.5 %

Time for you robbers to go to jail !

[redacted]

----- Original Message -----

From: Al Wirta
To: Deborah Knight
Cc: [redacted] calls
Sent: Wednesday, April 15, 2009 6:04 AM
Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

So, your proposal is to decrease the base amount of water charged for (a 50% decrease) and decreasing the base rate from \$25.25 to 23.38 (about a 7.5% decrease). So this relates to about a 42.5% increase in the rate.

ALL IN THE NAME OF ENCOURAGING WATER USE EFFICIENCY? THIS IS BULLSHIT RIGHT OUT FRONT.

ALONG WITH A PROPOSAL TO CHARGE AN AXTRA \$20 FOR CAR TABS.

WHEN WILL THE GOVERNMENT EVER CUT BACK ITS SPENDING?, WHEN THE TAXPAYER HAS HAD TO CUT BACK ON THEIR SPENDING.

[redacted]
123 E. [redacted] Dr.
Sultan
[redacted]

----- Original Message -----
From: Deborah Knight
To: public.notices@ci.sultan.wa.us
Sent: Tuesday, April 14, 2009 6:33 PM
Subject: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Date: April 14, 2009

D.5

For Immediate Release**SULTAN HOLDS PUBLIC HEARING ON WATER RATE INCREASE**

The Sultan City Council will hold a public hearing and take comment on a proposed water rate increase and a proposed increase from \$5,254 to \$6,209 in the charge for new development to connect to the City's water system. The public hearing will be held at the City Council meeting on Thursday, April 23, 2009 at approximately 7:00pm in the Sultan Community Center located at 319 Main Street in Sultan. If approved by the City Council the water rates under consideration will be effective on December 1, 2009.

The preferred alternative under consideration revises the water rate structure by lowering the base rate charged for water from \$25.25 to \$23.38. The amount of water included in the base rate would decrease from 600 cubic feet of water (6ccf) per month to 300 cubic feet (3ccf) of water per month. The proposed rate structure meets the state requirements for encouraging water use efficiency.

Under the preferred alternative, residential customers who use less than 2 ccf per month would decrease their water bills by \$1.87 per month from \$25.25 per month to \$23.38 per month. Residential customers who use less than 4 ccf/month would have an increase of \$.64 from \$25.25/month to \$25.89 per month. Residential customers who use 6 ccf per month would pay \$30.91/month for water. Water rates continue to increase as water usage increases. Currently, the average Sultan family pays \$26.06 per month for water use.

D. L

Under the existing water rate structure, the majority of the City's water revenues come from the base rate rather than the volume of water used. The majority of "usage" is not billed because it is in the fixed base rate. Low water users are in effect paying for high water users. The study found that City water rates should be changed to make them more equitable for all customers and provide the necessary revenue for operating expenses, repair and replacement of existing water pipes and water plant facilities.

The last water rate study was completed in 2004 and set a \$2/year increase in the base water rates for five years. The last rate increase took effect December 1, 2008. The proposed water rates are based on a water rate study performed by FCS Group in 2008.

The City Council approved a water rate study in 2008 in part because water revenues were not adequate to cover operating expenses in the 2008 budget after cutting expenses in the operating budget. Since the water utility is an enterprise fund, the user fees and revenues collected must cover expenses. The rate study indicates without the proposed rate increase there will be a net deficiency in the water utility fund of approximately \$151,000 in 2010 growing to an estimated \$350,000 by 2014.

The results of the study were presented to the City Council at the Council retreat in March and at the City Council meeting on April 9, 2009. For more information contact Public Works Director, Connie Dunn at 360-793-2231 or visit the City's website at www.ci.sultan.wa.us.

Deborah Knight
City Administrator
360-793-1164 (phone)
360-793-3344 (fax)
deborah.knight@ci.sultan.wa.us
www.ci.sultan.wa.us

D.7

Deborah Knight

From: Deborah Knight [deborah.knight@ci.sultan.wa.us]
Sent: Wednesday, April 15, 2009 8:52 PM
To: [REDACTED]
Cc: council@ci.sultan.wa.us
Subject: Re: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE - APRIL 23, 2009 AT 7:00PM

Cindy,

Thanks for your thoughtful comments. I appreciate your explanation. I may give you a call tomorrow to follow-up.

I think the preferred alternative does just what you are describing. The less water used the lower the bill. People can "pick" their plan by reducing their water use. This rate structure is only for single family residential homes since these households have control over their discretionary water use. The average household uses approximately 600 cubic feet of water per month.

If a household uses less than 200 cubic feet of water, their rates will decrease by \$1.87 per month. A household using less than 400 cubic feet of water will see a .64 cent increase. Households using less than 600 cubic feet will pay \$30.91 for water per month.

Low income seniors are eligible to pay half the regular rate. I understand your concern about low-income residents and those facing current economic challenges. The proposed rate increases won't go into effect until 2010. The Council could choose to start with a lower increase in 2010, but the difference will need to be "made" up in future years.

Thanks again for your comments. I will pass these along to the city council.

deborah

On Wed, 15 Apr 2009 19:14:28 -0700

[REDACTED] te:

>
> Of Course I would be happy to explain. As I am reading this you would
> actually be lowering the cost of water service (or are considering I
> should
> say) but to do that you would reduce the CF allocated per household. It
> would seem that by doing that (If I am even comprehending that
> correctly) most households would exceed the allocated usage and
> therefore be charged additional fees. As they should be. My only
> concern with that is we seem to have a high percentage of persons in
> our community whom this would negatively affect. By this I mean persons
> on a very fixed income such as Social Security or our residents who are
> currently laid off from their jobs. Our school district has a 73%
> population of students whom qualify for free and reduced lunch.
> Therefore we only have a margin of 27% of families in our community whom
> are not financially challenged to provide for their families. I am
> concerned that citizens who have families are the ones that will have
> overages, and they will not have the means to pay them or be able to adequately budget for
the bill as a result of the adjustment for the change.

>
> I can see why the change needs to be made however maybe something of
> a staggered water usage plan can be created. Say persons who use less
> water can sign up to have plan "A" for "X"\$ and a CF of "?" . I would
> suggest 3 available plans. Basically the same concept as your cell
> phone bill. You can choose the amount of usage of the 3 that best fits
> your family and you will know you will need to pay that every time.
> This can allow families as well as our seniors to pay for what they
> actually use (or the plan that is the closest to it), then base the overage fees above

and beyond that.

>

> Does that make sense ?

>

> It seems to me that the simpler the system ,the easire to track.As
>well as the more consumers comprehend the system the less hassle they
>will give city staff when they are frustrated about a bill they do not understand.

>

> I hope that you see were I am going with that and it makes sence ! I
>am thinking there has to be some kind of compramise as the city has
>financial needs to provide this service,and our families are unemployed
>and need to feed their children.

>

> I realize that personally I do not reside inside city limits and
>therefore really do not have a say in city government but it still
>matters to me.My family has lived in Sky Valley since 1890.I truely
>care about our issues and goings on. So I hope you see it as just that
>and not some babeling ding done who feels the need to aways put in their two cents worth.

>

> Good luck with this project I know you will do well as you always do !
>I so appreciate all you do for our community ! I know you work very hard !

>

> Simple acts of kindness change lives !

>

> Have a great day !

> [REDACTED]

>

>

>

>

>

>

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>From: deborah.knight@ci.sultan.wa.us

> To: [REDACTED]

> Subject: RE: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE
>INCREASE - APRIL 23, 2009 AT 7:00PM

> Date: Wed, 15 Apr 2009 11:28:27 -0700

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>

> Cindy,

>

> Thanks for the feedback. When you say "lower the usage" can you help
>me understand what you mean.

>

> Thanks,

>

>

> Deborah Knight

> City Administrator

> 360-793-1164 (phone)

> 360-793-3344 (fax)

> deborah.knight@ci.sultan.wa.us

> www.ci.sultan.wa.us

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>

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>

>

>From: cindy buoy [mailto:cindybuoy@hotmail.com]

> Sent: Wednesday, April 15, 2009 11:18 AM

> To: deborah.knight@ci.sultan.wa.us
> Subject: RE: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE
> INCREASE - APRIL 23, 2009 AT 7:00PM

>
> Hi Deborah,
> Thanks for the info. Although I do not live in city limits.... I think
> the idea of lowering the cost and lowering the usage seems like it would
> cause a lot of confusion. Personally I would not be too happy at the
> idea of lowering my usage. Just a thought

>
> Simple acts of kindness change lives !

>
> Have a great day !
> Cindy [REDACTED]

>
> From: deborah.knight@ci.sultan.wa.us
> To: public.notices@ci.sultan.wa.us
> Subject: SULTAN HOLDS PUBLIC HEARING ON PROPOSED WATER RATE INCREASE -
> APRIL 23, 2009 AT 7:00PM
> Date: Tue, 14 Apr 2009 18:33:40 -0700

>
> Date: April 14, 2009

>
> For Immediate Release

>
> SULTAN HOLDS PUBLIC HEARING ON WATER RATE INCREASE

>
> The Sultan City Council will hold a public hearing and take comment on
> a proposed water rate increase and a proposed increase from \$5,254 to
> \$6,209 in the charge for new development to connect to the City's water
> system. The public hearing will be held at the City Council meeting on
> Thursday, April 23, 2009 at approximately 7:00pm in the Sultan
> Community Center located at
> 319 Main Street in Sultan. If approved by the City Council the water rates
> under consideration will be effective on December 1, 2009.

>
> The preferred alternative under consideration revises the water rate
> structure by lowering the base rate charged for water from \$25.25 to \$23.38.
> The amount of water included in the base rate would decrease from 600
> cubic feet of water (6ccf) per month to 300 cubic feet (3ccf) of water per month.
> The proposed rate structure meets the state requirements for
> encouraging water use efficiency.

>
> Under the preferred alternative, residential customers who use less
> than 2 ccf per month would decrease their water bills by \$1.87 per
> month from \$25.25 per month to \$23.38 per month. Residential customers
> who use less than 4 ccf/month would have an increase of \$.64 from
> \$25.25/month to \$25.89 per month. Residential customers who use 6 ccf
> per month would pay \$30.91/month for water. Water rates continue to increase as water
> usage increases.
> Currently, the average Sultan family pays \$26.06 per month for water use.

>
> Under the existing water rate structure, the majority of the City's
> water revenues come from the base rate rather than the volume of water
> used. The majority of "usage" is not billed because it is in the fixed base rate. Low
> water users are in effect paying for high water users. The study found that
> City water rates should be changed to make them more equitable for all
> customers and provide the necessary revenue for operating expenses,
> repair and replacement of existing water pipes and water plant facilities.

> The last water rate study was completed in 2004 and set a \$2/year
>increase in the base water rates for five years. The last rate
>increase took effect December 1, 2008. The proposed water rates are
>based on a water rate study performed by FCS Group in 2008.
>
> The City Council approved a water rate study in 2008 in part because
>water revenues were not adequate to cover operating expenses in the
>2008 budget after cutting expenses in the operating budget. Since the
>water utility is an enterprise fund, the user fees and revenues collected must cover
>expenses.
> The rate study indicates without the proposed rate increase there will
>be a net deficiency in the water utility fund of approximately \$151,000 in 2010
>growing to an estimated \$350,000 by 2014.
>
> The results of the study were presented to the City Council at the
>Council retreat in March and at the City Council meeting on April 9,
>2009. For more information contact Public Works Director, Connie Dunn
>at 360-793-2231 or visit the City's website at www.ci.sultan.wa.us.
>
>
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