

SULTAN CITY COUNCIL

AGENDA ITEM COVER SHEET

ITEM NO: D -1

DATE: October 12, 2006

SUBJECT: Public Hearing-Sewer Rate Increase

CONTACT PERSON: Public Works Director Dunn

SUMMARY: As we have reviewed and worked through the process of a Wastewater Treatment Plant Upgrade, the current rates have been discussed, at this time I would like to set a Public Hearing for November 9, 2006 using the Rate Study Katy Isaksen completed in 2002 & 03. We need to revisist the system charges and consider increasing them to Alternative 3 or Scenario D for a proposed General Facilities Charge of \$9,106 per unit.

FISCAL IMPACT: This will increase revenue for the City of Sultan Sewer Fund. Attached are copies from 2002-03 Katy Isaksen Rate Study. I also reckonize that some information is from 2005 and we are currently under contract to complete a NEW Rate Study. This Rate Study will be completed in approximately six months, the Ordinance with the new rates could in affect in December, 2006 with a 30 day period for developers to pre-pay the General Facilities Charge through August, 2007.

RECOMMENDED ACTION: Set the Public Hearing for November 9, 2006 as part of the Budget Public Hearing to discuss increasing the Sewer General Facility Charge.

COUNCIL ACTION:

DATE:

This is a portion of an email addressing Sewer System historic value with/without interest.

From John Wilson to the City of Sultan during the Rate Study conducted by Katy Isaksen during 2002-03 time frame on the General Sewer Plan Financial Chapter discussions.

A new capacity computation was prepared in 2004 for the Sultan sewer system using the flow monitoring data developed during the fall of 2003.

The historic capital costs estimated for sewer main and laterals add up to \$9,400,177. Applicable interest for a maximum of ten years totals \$3,114,592. The total historic cost is therefore \$12,514,769 for the sewer piping system only. The value of the wastewater treatment facility, the pump station, and the outfall is \$3,123,448 plus \$1,056,131 in interest, with an additional improvements added during 2003 for \$122,944. The total historical cost for the sewer system is \$12,646,569, or \$16,817,292 with interest.

The capacity limitation for the sewer system was found to be the hydraulic capability of the treatment facility, which is approved by the State Department of Ecology for an Average Day flow of 720,000 GPD during the Maximum Month. The existing sewer system was determined by the 2003 flow monitoring program to generate about 0.400 MGD during the Maximum Month, which was November. This flow equals about 166 GPD per person.

New extensions to the system are estimated to generate less infiltration and inflow, though the proportion of commercial or industrial flow may be higher, so future capacity needs was conservatively estimated at 163 GPD per person. Accordingly, the total capacity for the sewer system is estimated as about 4,370 people connected to the sewer system, which is about 1,680 ERU.

Therefore, the historic value for the Connection Charge to the sewer system is about \$12,646,569 without interest divided by 1,680 ERU equals about \$7,528 per ERU. This is noticeably more than the \$4,496 per unit stated in the City Ordinance. With interest, the historic value is \$10,010 per ERU.

The City of Sultan Council during this process decided to select Scenario "D-lite" which is the current rate of \$7,983 per unit.

Connie Dunn
October 10, 2006

SULTAN Sewer Debt Fund Hearing 10-20-04

SEWER DEBT SERVICE FUND FUND 413	2004 BUDGET	<u>CURRENT</u> 2005 BUDGET	<u>ALT 1</u> 2005 BUDGET	<u>ALT 2</u> 2005 BUDGET	<u>ALT 3</u> 2005 BUDGET
BEGINNING FUND BALANCE	130,417	185,950	185,950	185,950	185,950
Investment Interest	3,056	2,500	2,500	3,056	2,500
Sewer Connection Fees	60,960	61,600	120,700	139,700	159,350
Interfund Transfer (From Rates)	71,100	71,100	71,100	71,100	71,100
TOTAL REVENUE	265,533	321,150	380,250	399,806	418,900
Rural Development Bond Principal	1,729	1,165	1,165	1,165	1,165
PWTF Principal Payment	107,676	223,457	223,457	223,457	223,457
State Revolving Fund Principal	28,181	33,350	33,350	33,350	33,350
PWTF Interest Payment	13,998	23,484	23,484	23,484	23,484
State Revolving Fund Interest	6,694	5,800	5,800	5,800	5,800
Rural Development Interest	6,918	7,511	7,511	7,511	7,511
TOTAL EXPENSE	165,196	294,766	294,766	294,766	294,766
ESTIMATED ENDING BALANCE	100,337	26,384	85,484	105,040	124,134

includes 25 ERU connected in 2005

APPLICATION OF FACILITIES CHARGE:					
Total Facilities Charge	\$6,860	\$6,860	\$6,860	\$7,983	\$9,106
Amount to Debt Service Fund	\$2,464	\$2,464	\$4,828	\$5,588	\$6,374
Remainder for Capital	\$4,396	\$4,396	\$2,032	\$2,395	\$2,732

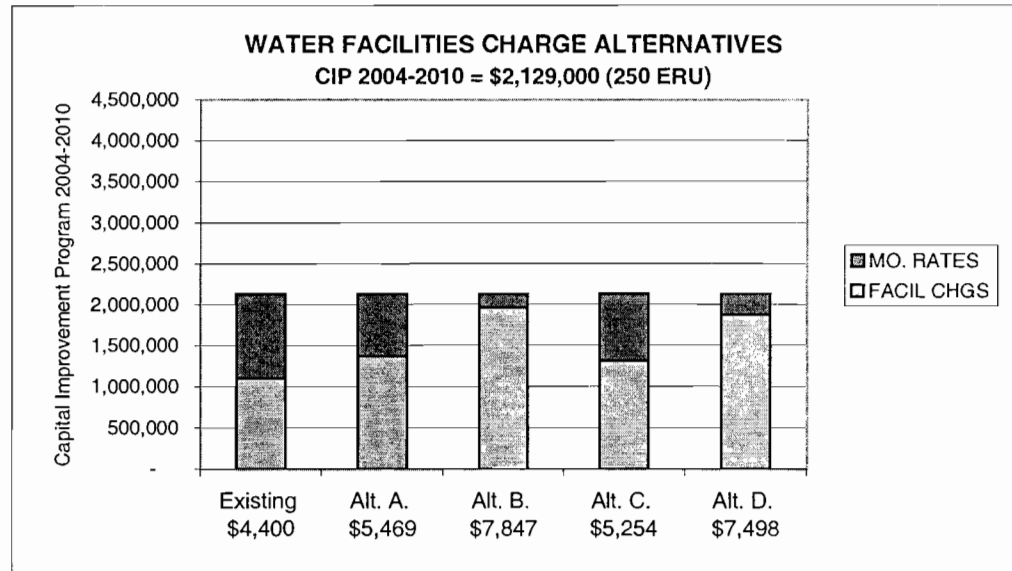
2005 LOAN REPAYMENT SCHEDULE			
Source	Loan #	Principal	Interest
PWTF	PW 596-790-56	107,676	12,921
PWTF	PW 02-691-PRE	50,781	4,063
PWTF	PW 04-691-064	65,000	6,500
SRF	L97000044	27,026	3,754
SRF	L0100034	6,324	2,045
RUAL DEV		1,165	7,511
	TOTALS	257,972	36,794

	SEWER DEBT FUND	ALT 1	Alt 1	ALT 1	ALT 1
FUND		2005	2006	2007	2008
		BUDGET	BUDGET	BUDGET	BUDGET
413	BEGINNING FUND BALANCE	185950.00	85483.88	154553.76	126507.64
413	Investment Interest	2500.00	3056.00	2500.00	2500.00
413	Sewer Connection Fees	120700.00	289680.00	193120.00	96560.00
413	Interfund Transfer	71100.00	71100.00	71100.00	71100.00
	TOTAL REVENUE	380250.00	449319.88	421273.76	296667.64
413	Rural Development Bond Principal	1165.00	1165.00	1165.00	1165.00
413	PWTF Principal Payment	223456.97	223456.97	223456.97	223456.97
413	State Revolving Fund Principal	33350.04	33350.04	33350.04	33350.04
413	PWTF Interest Payment	23483.59	23483.59	23483.59	23483.59
413	State Revolving Fund Interest	5799.52	5799.52	5799.52	5799.52
413	Rural Development Interest	7511.00	7511.00	7511.00	7511.00
	TOTAL EXPENSE	294766.12	294766.12	294766.12	294766.12
	Estimated Ending Fund Balance	85483.88	154553.76	126507.64	1901.52
	Estimated Cost to Operating Fund				
	Connections Per Year	25	60	40	20
	DISTRIBUTION OF FACILITY CHARGE				
	Current		2464.00	4396.00	6860.00
	Alt 1		4828.00	2032.00	6860.00
	Alt 2		5588.00	2395.00	7983.00
	Alt 3		6374.00	2732.00	9106.00
	IN 2009 IF NO ADDITIONAL DEBT IS INCURRED, PAYMENTS WILL DECREASE BY APPROX \$85600				

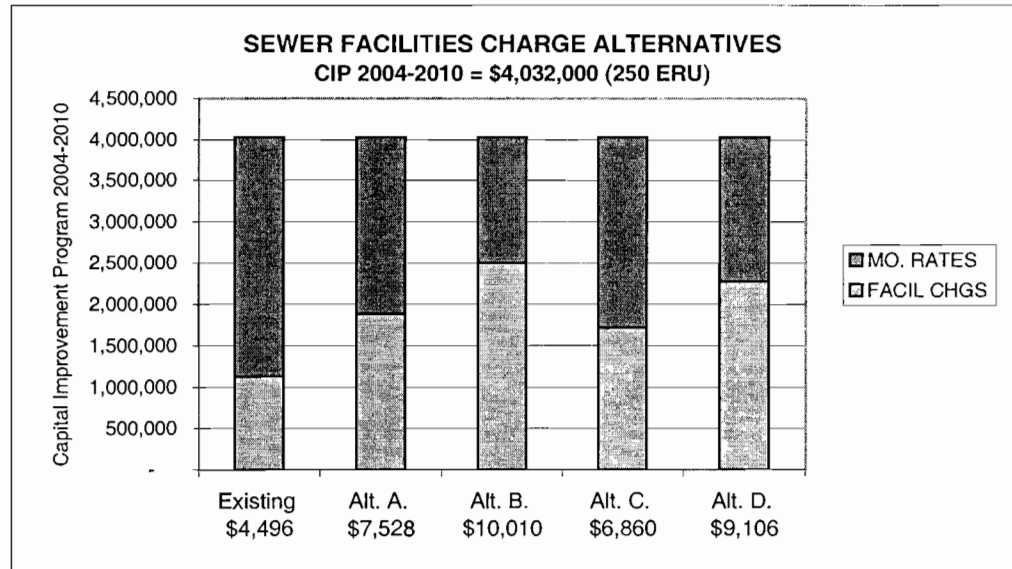
The Capital Improvements (CIP) are funded by Facilities Charges and Monthly Rates. The impact on monthly rates can be illustrated by subtracting the Facilities Charges from the CIP for each alternative.

CITY OF SULTAN Planning Period 2004-2010	CIP Funded by Facil. Chgs.	CIP Funded by Monthly Rates
WATER Facilities Charges Capital Improvement Program-W	2,129,000	
CIP Funding by Facilities Charges & Monthly Rates:		
Existing \$4,400	1,100,000	1,029,000
Alt. A. \$5,469	1,367,250	761,750
Alt. B. \$7,847	1,961,750	167,250
Alt. C. \$5,254	1,313,500	815,500
Alt. D. \$7,498	1,874,500	254,500

New Connections - Water & Sewer	250
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CITY OF SULTAN Planning Period 2004-2010	CIP Funded by Facil. Chgs.	CIP Funded by Monthly Rates
SEWER Facilities Charges Capital Improvement Program-S	4,032,000	
CIP Funding by Facilities Charges & Monthly Rates:		
Existing \$4,496	1,124,000	2,908,000
Alt. A. \$7,528	1,882,000	2,150,000
Alt. B. \$10,010	2,502,500	1,529,500
Alt. C. \$6,860	1,715,000	2,317,000
Alt. D. \$9,106	2,276,500	1,755,500



CITY OF SULTAN
HISTORICAL COST METHOD
CONNECTION CHARGE CALCULATION
Prepared by Katy Isaksen & Assoc.
Costs and ERU's provided by B&H
DRAFT For Discussion Purposes Only
Revised May 10, 2004

	Historial Cost	With Allowable Interest Up To 10 Years	After Grants	After Grants with Interest
<u>WATER INVENTORY</u>				
Water Mains	\$ 9,660,789	\$ 14,830,143		
Add'l Facilities	3,889,621	5,832,316		
Add'l Projects during 2003	2,720,271	2,720,271		
Est. Original Cost	16,270,681	23,382,730	15,639,681	22,342,940
Capacity in ERU's	2,977 ERU's	2,977 ERU's	2,977 ERU's	2,977 ERU's
Historic Cost per ERU	\$ 5,465 / ERU	\$ 7,854 / ERU	\$ 5,254 / ERU	\$ 7,505 / ERU
Ord. No. 755-00 Charge	\$ 4,400	\$ 4,400		
<u>SEWER INVENTORY</u>				
Interceptors	\$ 6,405,706	\$ 8,387,989		
Laterals	2,994,471	4,126,780		
Add'l Facilities	3,123,448	4,179,579		
Add'l Projects during 2003	122,944	122,944		
Est. Original Cost	12,646,569	16,817,292	11,525,329	15,298,717
Capacity in ERU's	1,680 ERU's	1,680 ERU's	1,680 ERU's	1,680 ERU's
Historic Cost per ERU	\$ 7,528 / ERU	\$ 10,010 / ERU	\$ 6,860 / ERU	\$ 9,106 / ERU
Ord. No. 755-00 Charge	\$ 4,496	\$ 4,496		

General Ledger

Budget Analysis Report



User: Connie
 Printed: 10/10/06 - 03:37PM
 Fiscal Year: 2007

2004 Actual	2005 Actual	2006 Adopted	2006 Estimated	Account	Description	FTE	2007 Requested	2007 Proposed	2007 Approved	2007 Adopted
				413	SEWER SYSTEM DEBT FUND					
				R01	Beginning Fund Balance					
130,416.54	58,082.05	0.00	0.00	308-10-000	Beginning Fund Balance	0.00	0.00	0.00	0.00	0.00
130,416.54	58,082.05	0.00	0.00		Beginning Fund Balance Totals:	0.00	0.00	0.00	0.00	0.00
				R60	Miscellaneous Revenues					
322,352.00	22,352.00	392,780.00	72,381.33	367-10-000	Sewer Connection Fees	0.00	0.00	0.00	0.00	0.00
2,141.20	1,302.76	1,500.00	510.03	361-11-000	Investment Interest	0.00	0.00	0.00	0.00	0.00
324,493.20	23,654.76	394,280.00	72,891.36		Miscellaneous Revenues Totals:	0.00	0.00	0.00	0.00	0.00
				R90	Other Financing Sources					
71,100.00	120,800.00	135,000.00	86,400.00	397-10-000	Operating Transfer In	0.00	0.00	0.00	0.00	0.00
71,100.00	120,800.00	135,000.00	86,400.00		Other Financing Sources Totals:	0.00	0.00	0.00	0.00	0.00
526,009.74	202,536.81	529,280.00	159,291.36		REVENUES TOTALS:	0.00	0.00	0.00	0.00	0.00
				413	Sewer Debt Service					
				E70	Debt Service - Principal					
154,550.72	154,550.72	200,576.00	297,566.51	582-35-700	PWTF Principal Payment	0.00	0.00	0.00	0.00	0.00
140,067.58	0.00	4,234.00	1,313.31	582-35-710	State Revolving Fund Principal	0.00	0.00	0.00	0.00	0.00
294,618.30	154,550.72	204,810.00	298,879.82		Debt Service - Principal Totals:	0.00	0.00	0.00	0.00	0.00
				E80	Debt Service - Interest					
15,643.67	21,904.95	22,924.00	33,003.08	582-35-800	PWTF Interest Payment	0.00	0.00	0.00	0.00	0.00
4,675.93	0.00	4,397.00	4,440.85	582-35-810	State Revolving Fund Interest	0.00	0.00	0.00	0.00	0.00
147,832.98	0.00	0.00	0.00	535-80-800	Rural Development Bond Princip	0.00	0.00	0.00	0.00	0.00
5,156.81	1,088.29	0.00	0.00	591-80-800	Rural Development Interest	0.00	0.00	0.00	0.00	0.00
173,309.39	22,993.24	27,321.00	37,443.93		Debt Service - Interest Totals:	0.00	0.00	0.00	0.00	0.00

2004 Actual	2005 Actual	2006 Adopted	2006 Estimated	Account	Description	FTE	2007 Requested	2007 Proposed	2007 Approved	2007 Adopted
0.00	24,640.00	0.00	0.00	E90 597-55-000	Interfund Services Operating Transfer Out	0.00	0.00	0.00	0.00	0.00
0.00	24,640.00	0.00	0.00		Interfund Services Totals:	0.00	0.00	0.00	0.00	0.00
467,927.69	202,183.96	232,131.00	336,323.75		EXPENDITURES TOTALS:	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00		DEPT REVENUES	0.00	0.00	0.00	0.00	0.00
467,927.69	0.00	232,131.00	336,323.75		DEPT EXPENSES	0.00	0.00	0.00	0.00	0.00
(467,927.69)	0.00	(232,131.00)	(336,323.75)		Sewer Debt Service Totals:	0.00	0.00	0.00	0.00	0.00
0.00	0.00	297,149.00	0.00	900 E95 508-00-000	Ending Fund Balance Ending Fund Balance Ending Fund Balance	0.00	0.00	0.00	0.00	0.00
0.00	0.00	297,149.00	0.00		Ending Fund Balance Totals:	0.00	0.00	0.00	0.00	0.00
0.00	0.00	297,149.00	0.00		EXPENDITURES TOTALS:	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00		DEPT REVENUES	0.00	0.00	0.00	0.00	0.00
0.00	0.00	297,149.00	0.00		DEPT EXPENSES	0.00	0.00	0.00	0.00	0.00
0.00	0.00	(297,149.00)	0.00		Ending Fund Balance Totals:	0.00	0.00	0.00	0.00	0.00
526,009.74	202,536.81	529,280.00	159,291.36		FUND REVENUES	0.00	0.00	0.00	0.00	0.00
467,927.69	202,183.96	529,280.00	336,323.75		FUND EXPENSES	0.00	0.00	0.00	0.00	0.00
58,082.05	352.85	0.00	(177,032.39)		Ending Fund Balance Totals:	0.00	0.00	0.00	0.00	0.00
526,009.74	202,536.81	529,280.00	159,291.36		REPORT REVENUES	0.00	0.00	0.00	0.00	0.00
467,927.69	202,183.96	529,280.00	336,323.75		REPORT EXPENSES	0.00	0.00	0.00	0.00	0.00
58,082.05	352.85	0.00	(177,032.39)		REPORT TOTALS:	0.00	0.00	0.00	0.00	0.00