

Kelso City Council Agenda

Regular Meeting, 6:00 pm
September 16, 2014
City Hall, Council Chambers
203 South Pacific
Kelso, WA 98626



**Special accommodations for the handicapped and hearing impaired are available
by special arrangement through the City Clerk's Office at 360-423-0900**

Invocation:

Pastor Chris Davis, Abundant Life Church of the Nazarene

Roll Call to Council Members:

1. Approve Minutes:

1.1. September 2, 2014 – Regular Meeting

2. Consent Items:

- 2.1. Planning Commission Position No. 6 and Kelso Housing Authority
Appointments
- 2.2. Auditing of Accounts

3. Citizen Business:

4. Council Business:

4.1. FCS Utility Rate Study Adoption

5. Action/Motion Items:

Other Items:

- City Manager Report
- Staff/Dept Head Reports
- Council Reports
- Other Business
- Executive Session

Pastor Jerry Dahlke, North Gate City Church, gave the invocation. Mayor David Futcher led the flag salute. The Regular Meeting of the Kelso City Council was called to order by Mayor David Futcher. Councilmembers in attendance were: Futcher, Archer, McDaniel, Schimmel, and Roberson. Councilmembers Franklin and Myers were absent.

The Regular Session was recessed at 6:03 p.m. to convene into the Transportation Benefit District Meeting. At 6:10 p.m., the Council reconvened into Regular Session.

Minutes: Upon motion by Councilmember Roberson, seconded by Councilmember Schimmel, 'Approve the Minutes of the 8/19/14 Regular Meeting,' motion carried, all voting yes.

CONSENT AGENDA:

1. **Interagency Agreement** – Department of Commerce Energy Efficiency Grant
2. **Interlocal Agreement Amendment** – Cowlitz County Public Rural Facility Funds

City Manager Steve Taylor requested that **Item No. 1 (Interagency Agreement Amendment)** be removed from the Consent Agenda to be discussed separately.

Upon motion by Councilmember McDaniel, seconded by Councilmember Roberson, 'Approve the Consent Agenda with the removal of Item No.1.' Motion carried, all voting yes.

CITIZEN BUSINESS:

Rick Von Rock: 400 North 7th Ave., spoke about the status of the application for a low barrier housing facility at the former women's shelter location. He spoke about expectations of new things that would help the City's tax structure.

COUNCIL BUSINESS:

Contract Award – Chestnut Street Stormwater System Upgrade: Upon motion by Councilmember McDaniel, seconded by Councilmember Schimmel, 'Approve the lowest qualifying bidder, RC Northwest, Inc.,' motion carried, all voting yes.

2015 Lodging Tax Advisory Committee Requests: Upon motion by Councilmember McDaniel, seconded by Councilmember Roberson, 'Approve the 2015 Lodging Tax Request for the distribution of lodging tax funds,' motion carried, all voting yes. In addition to the request was a **2014 Reallocation request of unspent money to be transferred from the Visitor Center Exterior Improvements Project to use for**

purchasing additional City of Kelso brochures. Upon motion by Councilmember Schimmel, seconded by Councilmember McDaniel, 'Approve the 2014 Reallocation of Lodging Tax funds request,' motion carried, all voting yes.

MOTION ITEMS:

Ordinance No. 14-3829 – 2014 Budget Revision No.3: The Deputy Clerk read the proposed ordinance by title only. Upon motion by Councilmember McDaniel, seconded by Councilmember Schimmel, 'Adopt Ordinance No. 14-3829, 'AN ORDINANCE OF THE CITY OF KELSO RELATING TO PUBLIC EXPENDITURES AND DECLARING AN EMERGENCY UNDER THE PROVISIONS OF RCW 35A.34.150, FIXING THE AMOUNT OF MONEY REQUIRED TO MEET SUCH EMERGENCIES AND AUTHORIZING THE EXPENDITURE OF MONEY NOT PROVIDED FOR IN THE 2013-2014 BIENNIAL BUDGET OF THE CITY.' Motion passed, all voting yes.

Ordinance No. 14-3830 – Amend KMC 12.20.120 relating to Liquor Consumption in City Parks: The Deputy Clerk read the proposed ordinance by title only. Upon motion by Councilmember Roberson, seconded by Councilmember McDaniel, 'Adopt Ordinance No. 14-3830, 'AN ORDINANCE OF THE CITY OF KELSO AMENDING KMC 12.20.120 PARK CODE TO TRANSFER THE AUTHORITY OF PARK LIQUOR CONSUMPTION APPROVAL FROM THE COUNCIL TO THE CITY MANAGER OR THEIR DESIGNEE,' motion passed, all voting yes.

PRESENTATION:

Energy Efficiency Grant: Ameresco, Inc. Senior Account Executive Fritz Feiten provided an informational presentation regarding the Department of Commerce Energy Efficiency Grant process and energy performance contracting.

Continuation of the Consent Agenda (item No.1 previously removed):

Interagency Agreement Amendment – Department of Commerce Energy Efficiency Grant: Upon motion by Councilmember Roberson, seconded by Councilmember Schimmel, 'Approve the Interagency Agreement and authorize the grant application,' motion carried, all voting yes.

MANAGER'S REPORT:

Steve Taylor: 1) Provided a brief report on the West Main Realignment Phase 1 Ribbon Cutting Ceremony. 2) Announced that Environmental Protection Agency representatives and the contractors involved in the South Kelso Area Study, through the Smart Growth Implementation Assistance Program, will be here next week attending workshops regarding the South Kelso Area Study, the downtown area, and industrial development. 3) He commented that the 2015-2016 Preliminary Budget will be presented to the

Council by the first Monday in October. A full budget presentation will be provided to the Council at the October 7, 2014 Council Meeting. 4) Announced that the State of the Cities luncheon will be held on September 18, 2014. 5) Provided an update on the Legislative Agenda. 6) Provided an update on the Comprehensive Plan.

STAFF REPORT:

Community Development Director/City Engineer-Mike Kardas: Commented that the North Kelso Avenue Overlay Project and the Small Diameter Waterline Replacement Project were just recently completed.

COUNCIL REPORTS:

Rick Roberson: Provided an update on the graffiti cleanup project held by the South Kelso Neighborhood Association.

Gary Schimmel: No report.

Todd McDaniel: No report.

Gary Archer: No report.

David Futcher: Announced that the Highlander Festival event is next weekend.

EXECUTIVE SESSION:

At 6:55 p.m. Mayor Futcher announced that the Council will convene into Executive Session to discuss the city manager annual performance evaluation. The Executive Session is expected to last approximately 10 minutes and no action will be taken. The city attorney was not present.

The Council reconvened into Regular Session at 7:05 p.m.

There being no further business, Mayor Futcher adjourned the meeting at 7:05 p.m.

MAYOR

CITY CLERK

AGENDA SUMMARY SHEET

Business of the City Council City of Kelso, Washington

SUBJECT TITLE:

Planning Commission Position No. 6
and Kelso Housing Authority Appointments

Agenda Item: _____

Dept. of Origin: Community Development

For Agenda of: September 16, 2014

PRESENTED BY:

Michael Kardas
Community Development Director

Cost of Item: _____

City Manager: Steve Taylor

AGENDA ITEM ATTACHMENTS:

Chuck Hendrickson: Application for Volunteers, Commissions, Boards and Committees
Marion Olmsted: Application for Volunteers, Commissions, Boards and Committees

SUMMARY STATEMENT:

Planning Commission position no. 6 has been vacant since August 11, 2014. Applications were accepted through August 29, 2014. Applicant, Chuck Hendrickson was interviewed by Community Development Director Mike Kardas and Commission Chair, Rick VonRock on September 12, 2014. The Director's and Commission Chair's recommendation is to appoint Chuck Hendrickson to Planning Commission position no. 6 with a term expiration of November 1, 2014.

The Executive Director of the Kelso Housing Authority provided the attached application with the recommendation to appoint Marion Olmsted to the Housing Authority Board.

RECOMMENDED ACTION:

Staff recommends the Mayor appoint Chuck Hendrickson to Planning Commission position no. 6 and Marion Olmsted to the Kelso Housing Authority Board.



Application

City of Kelso

Volunteers, Commissions, Boards and Committees

RECEIVED
CITY OF KELSO
Date Received
MAR 17 2014
CITY MANAGER'S
OFFICE

Personal Information

Last Name Hendrickson		First Name Chuck	Middle Initial D.
Address 121 Olive Street		City/State Kelso	Zip Washington
Home Phone 360.560.3913	Message Phone	Work Phone 360.560.3913	Email chendrickson1313@gmail.com
Are you over the age of 18? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Date of Birth 02.22.1979	Do you have, or can you obtain a valid driver's license? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Driver's License Number: HENDRCD212C2

Availability & Skills

Availability <input checked="" type="checkbox"/> Long Term <input type="checkbox"/> Short Term <input type="checkbox"/> Special Project	Are you currently certified in CPR? First Aid? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Check the dates you can be available for work (check all that apply) <input type="checkbox"/> Sunday <input checked="" type="checkbox"/> Monday <input checked="" type="checkbox"/> Tuesday <input checked="" type="checkbox"/> Wednesday <input checked="" type="checkbox"/> Thursday <input checked="" type="checkbox"/> Friday <input checked="" type="checkbox"/> Saturday	

In what particular areas of volunteer work, commission, board or committee are you interested?

- | | | |
|--|---|---|
| <input type="checkbox"/> Board of Adjustment and Appeals | <input type="checkbox"/> Lodging Tax Advisory Committee | <input type="checkbox"/> 'Big Idea' Tourism Committee |
| <input type="checkbox"/> Stormwater Advisory Committee | <input checked="" type="checkbox"/> Planning Commission | <input checked="" type="checkbox"/> Housing Authority |
| <input type="checkbox"/> Civil Service | <input type="checkbox"/> Library Board | <input type="checkbox"/> Park Board |
| <input type="checkbox"/> Highlander Festival | <input type="checkbox"/> Depot/Library/City Volunteer | <input type="checkbox"/> Other: _____ |

What general skills/experience/education would you like to share in your work for the City of Kelso?
 Proficient computer skills; Data collection and input; community collaboration, outreach and networking; Critical thinking and problem solving; current Chair of the Cowlitz County Housing First Coalition; original steering committee member and current member of the SKNA; founder and Executive Director of Love Overwhelming, a non-profit organization. As a South Kelso resident, someone who grew up in Kelso, and a father raising a child in Kelso, I am invested in Kelso's current and future planning efforts.

Criminal Convictions

Have you ever been convicted of a felony or released from prison within the last ten (10) years, or a misdemeanor other than minor traffic offenses within the past three (3) years? (A conviction will not necessarily bar you from appointment)
 Yes No If yes, please explain:

Medical Considerations

Do you have any medical, physical or emotional conditions that should be taken into consideration in arranging volunteer, commission, board or committee assignments?
 Yes No If yes, please explain:

In case of emergency, please contact Jody Hendrickson	Address/City/State/Zip 121 Olive St. Kelso Wa., 98626	Phone 360.560.9578
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References (do not list relatives)

Name	Address/City/State/Zip	Phone
Shannon McLain	3015 Louisiana St. LV. 98632	360.430.6447
Steve Watters	907 Douglas St. LV 98632	360.423.6741
Larry Russell	2 Willow Pt. loop LV. 98632	360.430.6517

Notice to Volunteers

Persons appointed as volunteers, commission, board and committee members are not considered to be City of Kelso employees. Injury compensation, however, is provided through the Department of Labor & Industries. Services as a volunteer, commission, board or committee member are considered to be creditable work experience.

The data furnished on this form is furnished voluntarily and will be used to contact, interview and place volunteers and/or commission, board or committee members.

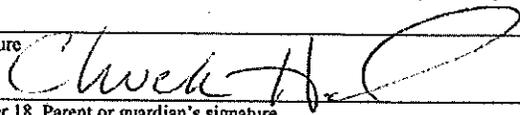
Signature is Required

To the best of my knowledge, the information herein is true and complete. I understand that falsification of this application is grounds for dismissal as a volunteer and/or commission, board, or committee member. Further, I give permission for an authorized representative of the City of Kelso to conduct a state patrol criminal background check in accordance with RCW 43.43.830-839 and to inquire of individuals about my ability to perform all aspects of the volunteer and/or commission, board or committee position for which I am being considered. I release the City of Kelso and those individuals/institutions that provide information from any liability that may arise from the provision of this information

As a volunteer, commission, board or committee member for the City of Kelso, I am fully aware that the work associated with being a volunteer, commission, board or committee member involves certain risks of physical injury or death. Being fully informed as to these risks and in consideration of my being allowed to participate in these City programs, I hereby assume all risk of injury, damage and harm to myself arising from such activities or use of City facilities. I also hereby individually and on behalf of my heirs, executors and assignees, release and hold harmless the City of Kelso, its officials, employees and agents, and waive any right of recovery that I might have to bring a claim or a lawsuit against them for any personal injury, death or other consequences occurring to me arising out of my volunteer, commission, board or committee member activities.

I give permission to have my photo taken and used for publicity purposes by the City. I authorize any necessary emergency medical treatment that might be required for me in the event of a physical injury and/or accident to me while participating in any of these programs/activities.

Signature



Date

3.13.14

If under 18, Parent or guardian's signature

Date

Return completed and signed application to:
City of Kelso, City Manager's Office
203 S. Pacific
PO Box 819
Kelso, WA 98626

Please call 360-577-3301 if you have any questions or need additional information.



Application

City of Kelso

Volunteers, Commissions, Boards and Committees

RECEIVED
CITY OF KELSO
Date Received
SEP 12 2014
CITY MANAGER'S
OFFICE

Personal Information

Last Name Olmsted	First Name MARION	Middle Initial P
Address 2378 Sparrow Ln		City/State Kelso Wa
Zip 98626		Home Phone 360-957-5048
Message Phone Same		Work Phone mpalmsted@rockemail.com
Email mpalmsted@rockemail.com		
Are you over the age of 18? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Date of Birth	Do you have, or can you obtain a valid driver's license? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Driver's License Number:

Availability & Skills

Availability <input checked="" type="checkbox"/> Long Term <input type="checkbox"/> Short Term <input type="checkbox"/> Special Project	Are you currently certified in CPR? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No First Aid? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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Check the dates you can be available for work (check all that apply)

Sunday Monday Tuesday Wednesday Thursday Friday Saturday

In what particular areas of volunteer work, commission, board or committee are you interested?

- | | | |
|--|---|---|
| <input type="checkbox"/> Board of Adjustment and Appeals
<input type="checkbox"/> Stormwater Advisory Committee
<input type="checkbox"/> Civil Service
<input type="checkbox"/> Highlander Festival
<input type="checkbox"/> Library Board | <input type="checkbox"/> Lodging Tax Advisory Committee
<input type="checkbox"/> Planning Commission
<input checked="" type="checkbox"/> Housing Authority
<input type="checkbox"/> Park Board | <input type="checkbox"/> 'Big Idea' Tourism Committee
<input type="checkbox"/> Library
<input type="checkbox"/> Train Depot
<input type="checkbox"/> City Other: _____ |
|--|---|---|

What general skills/experience/education would you like to share in your work for the City of Kelso?

Retired Accounting / Executive Director - Kelso Housing Authority 23 years
Continued Comm Service - 40 years

Criminal Convictions

Have you ever been convicted of a felony or released from prison within the last ten (10) years, or a misdemeanor other than minor traffic offenses within the past three (3) years? (A conviction will not necessarily bar you from appointment)

Yes No If yes, please explain:

Medical Considerations

Do you have any medical, physical or emotional conditions that should be taken into consideration in arranging volunteer, commission, board or committee assignments?

Yes No If yes, please explain:

In case of emergency, please contact Barrell Davis	Address/City/State/Zip 248 20th Longview Wa 98632	Phone
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References (do not list relatives)

Name	Address/City/State/Zip	Phone
Karen Monroe	708N 24th Kelso Wa 98626	360-270-5209
Debbie Shannon	4400 OB Hwy #170 Longview Wa 98650	360-751-4089
Evelyn Keller	PB Box 113 Rainier Or 97048	503-556-9555

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Signature is Required

To the best of my knowledge, the information herein is true and complete. I understand that falsification of this application is grounds for dismissal as a volunteer and/or commission, board, or committee member. Further, I give permission for an authorized representative of the City of Kelso to conduct a state patrol criminal background check in accordance with RCW 43.43.830-839 and to inquire of individuals about my ability to perform all aspects of the volunteer and/or commission, board or committee position for which I am being considered. I release the City of Kelso and those individuals/institutions that provide information from any liability that may arise from the provision of this information

As a volunteer, commission, board or committee member for the City of Kelso, I am fully aware that the work associated with being a volunteer, commission, board or committee member involves certain risks of physical injury or death. Being fully informed as to these risks and in consideration of my being allowed to participate in these City programs, I hereby assume all risk of injury, damage and harm to myself arising from such activities or use of City facilities. I also hereby individually and on behalf of my heirs, executors and assignees, release and hold harmless the City of Kelso, its officials, employees and agents, and waive any right of recovery that I might have to bring a claim or a lawsuit against them for any personal injury, death or other consequences occurring to me arising out of my volunteer, commission, board or committee member activities.

I give permission to have my photo taken and used for publicity purposes by the City. I authorize any necessary emergency medical treatment that might be required for me in the event of a physical injury and/or accident to me while participating in any of these programs/activities.

Signature



Date

9/7/2014

If under 18, Parent or guardian's signature

Date

Return completed and signed application to:
City of Kelso, City Manager's Office
203 S. Pacific
PO Box 819
Kelso, WA 98626

Please call 360-577-3301 if you have any questions or need additional information.

AGENDA SUMMARY SHEET

Business of the City Council City of Kelso, Washington

SUBJECT TITLE: Utility Rate Study
Discussion

Agenda Item: _____

Dept. of Origin: _____ City Council _____

For Agenda of: _____ September 16, 2014 _____

Originator: _____ Steve Taylor _____

PRESENTED BY:

Steve Taylor

City Attorney: Janean Parker

City Manager: Steve Taylor

Agenda Item Attachments:

FCS Utility Rate Presentation

SUMMARY STATEMENT:

The Council, on July 15th, received a presentation from the City's consultant, FCS Group, regarding recommended rate adjustments for the City's water, sewer, and stormwater (drainage) utilities. Additional revenues are required to fund the operations, capital projects, debt service, and reserves for the three utilities, making it necessary to increase rates steadily from 2015-2019 as recommended below...

Utility	2015	2016	2017	2018	2019
Water	8.5%	8.5%	7.5%	7.5%	7.5%
Sewer	3%	3%	3%	3%	3%
Stormwater	18%	3%	3%	3%	3%

The percentages listed above reflect the increase in total revenue needed to cover the costs of services in each utility. Each utility contains separate rate classes (residential, commercial, industrial), and the FCS study broke down the apportionment of adjustments to reflect the best cost recovery by class of ratepayers.

City staff will walk Council through the study's primary recommendations and provide additional analysis for the level and timing of the proposed rate adjustments. Staff is seeking direction on the amounts of the adjustments in order to prepare the multi-year rate ordinances that will come before Council in October.

By way of review, the areas covered by the study included:

- Evaluating financial policies
- Developing a capital financing strategy for all three utilities
- Assessing revenue needs and forecasting needed rate adjustments
- Preparing a five-year rate schedule with across-the-board rate adjustments for water and stormwater
- Performing a cost-of-service analysis for the sewer utility
- Providing alternative rate structures for the sewer utility, including consideration of a tier-based flat rate for single-family sewer customers
- Showing the customer bill impact for each utility and for all three combined
- Providing a multi-jurisdictional rate comparison survey
- Updating the Capital Recovery Fees for all three utilities

RECOMMENDED ACTION:

Provide direction to staff on the levels and timing of rate adjustments for the preparation of multi-year rate adjustment ordinances for the water, sewer, and stormwater utilities.

City of Kelso



2014 Water, Sewer, and Stormwater Rate Study

Agenda

- Purpose and summary of results
- Key Assumptions and Policies
- Water Rate Forecast
- Sewer Rate Forecast
- Sewer Cost of Service Analysis
- Stormwater Rate Forecast
- Combined Rate Impact
- Rate Comparison with Other Utilities
- Capital Recovery Fees
- Summary of Recommendations

Study Scope of Work

- Forecast revenue requirements for water, sewer, and stormwater utilities
 - Recommend capital funding strategy and overall rate increases
 - Develop five-year schedule of rates, with across-the-board increases to water and stormwater
- Perform cost of service analysis for sewer utility
 - Evaluate and update relative rate burden of the different customer classes
 - Consider alternate tiered rate design for single family residential
- Update water and sewer capital recovery fees (CRFs) and develop a new CRF for stormwater

Summary of Results - Rates

- Water needs substantial annual increases over next five years to address major capital liability
- Sewer is in good shape, needs inflation-based increases only
- Stormwater needs a large increase in first year, then inflation-based increases thereafter

Utility	2015	2016	2017	2018	2019
Water	8.5%	8.5%	7.5%	7.5%	7.5%
Sewer	3.0%	3.0%	3.0%	3.0%	3.0%
Stormwater	18.0%	3.0%	3.0%	3.0%	3.0%

Summary of Results - Rates

- Largest part of bill (sewer) has lowest increases
- Looking at all three utilities, over all five years, over all customer classes, average utility rate increase is 5% per year

Combined Utility Rate Increases				
	Est. 2014 Rate Revenue	% of Total	2015 Increase	2015-2019 Cumulative % Δ
Water	\$ 2,873,850	35%	8.5%	46.2%
Sewer	\$ 4,749,891	58%	3.0%	15.9%
Stormwater	\$ 581,223	7%	18.0%	32.8%
Total	\$ 8,204,964	100%	6.0%	27.7%
Total - Average Annual				5.0%

Summary – Capital Recovery Fees

- Recommend phase-in of water CRF increase
- Sewer CRF is reduced
- Stormwater CRF should be per Equivalent Service Unit (ESU), with projected increases each year
- Overall CRFs increasing 6-7% through 2019

	Existing	2015	2016	2017	2018	2019	2020
Water	\$1,969	\$2,644	\$2,930	\$3,217	\$3,504	\$3,791	\$3,791
Sewer	\$2,254	\$1,721	\$1,721	\$1,721	\$1,721	\$1,721	\$1,721
Stormwater	\$0	\$143	\$176	\$217	\$267	\$329	\$404
Combined	\$4,223	\$4,508	\$4,828	\$5,155	\$5,492	\$5,840	\$5,916
% Increase		6.7%	7.1%	6.8%	6.5%	6.3%	1.3%

Assumes 5/8" x 3/4" meter (1 meter-equivalent) or 1 single-family house.

Key Assumptions and Policies

- Key Economic Assumptions
- Financial Policies
- Allocation of Existing Fund Balances
- Utility Capital Improvement Program

Key Economic Assumptions

- Cost Inflation
 - General : 2% increasing to 2.50% by 2018
 - Construction: 3% increasing to 3.5% by 2018
- Customer growth: 0.2% per year
- Water Conservation
 - Foster Farms – 10% reduction in volume over five years
 - Other customers – 0.5% reduction in volume per year
- Revenue Bonds: 20-year, 5% interest, 1.5% issuance cost, 1.25 debt service coverage
- Alternate financing: \$2 million State loan for Water, \$1,160,000 grants for stormwater projects

Financial Policies

- All three utilities are self-supporting, with no planned cross-subsidy
 - We recommend separating water and sewer into separate operating funds, to prevent unintentional cross-subsidies
- Operating Reserves Target
- Capital Contingency Reserve
- Rate-funded Capital Reinvestment
- Debt Management
 - Coverage – Net Operating Income ÷ Bonded Debt Svc
 - Capital Structure – Debt as % of Total Assets

Financial Policy Assumptions

Key Policy Assumptions	2014	2015	2016	2017	2018	2019
Minimum Operating Reserve <i>(days of O&M expense)</i>						
Water	60 days					
Sewer	45 days					
Storm	45 days					
Target System Reinvestment <i>(% of annual depreciation)</i>						
Water	0%	10%	20%	30%	40%	50%
Sewer	0%	100%	100%	100%	100%	100%
Storm	0%	10%	20%	30%	40%	50%
Target Capital Contingency <i>Water and Sewer</i> <i>(% of original asset cost)</i>	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<i>Stormwater (\$)</i>	\$50,000	\$51,395	\$52,829	\$54,303	\$55,818	\$57,375
Debt Service Coverage:						
Target Coverage - Individual Utilities	1.25	1.25	1.25	1.25	1.25	1.25
Target Coverage - Combined Utilities	1.50	1.50	1.50	1.50	1.50	1.50
Outstanding Debt as % of Net Book Value of Capital Asset	60%	60%	60%	60%	60%	60%

Allocation of Existing Fund Balances

- Fund 403: Water/Sewer Operating
 - Allocate 60 days of O&M expense to Sewer, remainder to Water
- Funds 404 (Water Capital) and 408 (Sewer Capital)
 - All to designated utility for capital purposes
- Funds 413 (Revenue Bond) and 414 (Bond Reserve)
 - All to Water, for debt purposes
- Fund 407 (Drainage Fund)
 - Allocate 60 days of O&M expense to operating purposes, remainder to capital purposes

Utility Capital Improvement Program

Utility	2015	2016	2017	2018	2019	5-Yr Total
Water	\$ 773	\$5,655	\$ 519	\$1,059	\$1,032	\$ 9,037
Sewer	\$ 437	\$ 634	\$ 434	\$ 726	\$2,977	\$ 5,207
Stormwater	\$ 745	\$ 475	\$ 489	\$ 502	\$ 545	\$ 2,757

- Water: peak year 2016
 - Major project is replacement of Minor Road Reservoir - (\$5.1 million in 2015 and 2016)
- Sewer: peak year 2019
 - Donation Pump Station - \$2.8 million in 2018-2019
- Stormwater: 2 main projects, each with 3 phases
 - Minor Road Storm Drain - \$1.25 million in 2015, 2017, 2019
 - Chestnut St. Storm Drain - \$1.2 million in 2014, 2016, 2018

Water Rate Forecast

Water Capital Funding Strategy

Capital Funding	2014	2015	2016	2017	2018	2019	Total 2015-2019
Capital Projects (inflated dollars)	\$ 487,000	\$ 772,500	\$ 5,654,597	\$ 519,045	\$ 1,059,164	\$ 1,032,099	\$ 9,037,405
Capital Funding Strategy							
Beginning Balance	\$ 1,790,244	\$ 1,488,242	\$ 1,016,563	\$ 187,866	\$ 209,911	\$ 267,013	\$ 1,488,242
Plus: Interest Earnings	3,580	2,976	2,033	376	420	534	6,339
Plus: Capital Recovery Fees, Net of State Tax	17,730	54,041	54,149	54,257	54,366	54,475	271,288
Plus: Planned Rate-Funded Capital	-	35,691	75,245	155,277	212,227	278,523	756,964
Plus: Transfer of Surplus from Maint Fund	163,687	208,113	56,438	-	-	-	264,551
Plus: Proceeds from State Loans	-	-	2,000,000	-	-	-	2,000,000
Plus: Bonded Debt Proceeds	-	-	2,638,034	331,179	849,253	765,087	4,583,553
Total Capital Resources	1,975,242	1,789,063	5,842,463	728,956	1,326,176	1,365,631	9,370,937
Less: Capital Expenditures	(487,000)	(772,500)	(5,654,597)	(519,045)	(1,059,164)	(1,032,099)	(9,037,405)
Ending Fund Balance	\$ 1,488,242	\$ 1,016,563	\$ 187,866	\$ 209,911	\$ 267,013	\$ 333,532	\$ 333,532

- \$1.02 million from rate funding and \$271,000 CRFs
- Assume \$ 2 million loan from State Public Works Trust Fund in 2016; if loan not received, project can still go ahead
- \$2.6 million bond proceeds needed in 2016, plus \$1.9 million over subsequent three years

Water Annual Forecast

Revenue Requirements	2014	2015	2016	2017	2018	2019
Before Rate Increases:						
Revenues						
Rate Revenues Under Existing Rates	\$ 2,873,850	\$ 2,798,681	\$ 2,778,659	\$ 2,758,782	\$ 2,739,049	\$ 2,719,460
Non-Rate Revenues	146,289	147,189	148,121	149,539	150,753	152,081
Total Revenues	\$ 3,020,139	\$ 2,945,870	\$ 2,926,779	\$ 2,908,321	\$ 2,889,802	\$ 2,871,541
Expenses						
Cash Operating Expenses	\$ 2,249,142	\$ 2,276,670	\$ 2,311,857	\$ 2,347,827	\$ 2,394,387	\$ 2,442,204
Existing Debt Service	607,310	597,070	591,584	585,387	583,835	584,163
New Debt Service	-	-	253,966	388,602	462,869	529,671
Planned Rate-Funded Capital	-	35,691	75,245	155,277	212,227	278,523
Total Expenses	\$ 2,856,452	\$ 2,909,431	\$ 3,232,652	\$ 3,477,093	\$ 3,653,317	\$ 3,834,562
Surplus/(Deficiency) Before Rate Increases	\$ 163,687	\$ 36,439	\$ (305,872)	\$ (568,772)	\$ (763,515)	\$ (963,020)
Annual Rate Adjustment	0.00%	8.50%	8.50%	7.50%	7.50%	7.50%
Cumulative Annual Rate Adjustment	0.00%	8.50%	17.72%	26.55%	36.04%	46.25%
After Rate Increases:						
Rate Revenues After Rate Increase	\$ 2,873,850	\$ 3,036,569	\$ 3,271,106	\$ 3,491,285	\$ 3,726,286	\$ 3,977,109
Net Cash Flow	\$ 163,687	\$ 214,900	\$ 63,557	\$ (19,256)	\$ (22,899)	\$ (19,544)
Coverage After Rate Increases	1.99	2.22	1.60	1.73	1.72	1.73
Outstanding Debt as % of						
Net Book Value of Capital Assets	41%	36%	50%	49%	49%	49%
No. Days Operating Reserves	90	90	90	85	80	76

- Rate increases 8.5% in 2015-2016; 7.5% 2017-2019

Water Bi-Monthly Rates

Overall Rate increase - all classes: 8.50% 8.50% 7.50% 7.50% 7.50%						
Class	2014	2015	2016	2017	2018	2019
Residential / Commercial - Fixed Charge per Bi-month						
3/4" & 5/8"	\$22.20	\$24.09	\$26.13	\$28.09	\$30.20	\$32.47
1"	\$45.86	\$49.76	\$53.99	\$58.04	\$62.39	\$67.07
1.5"	\$85.89	\$93.19	\$101.11	\$108.70	\$116.85	\$125.61
2"	\$133.49	\$144.84	\$157.15	\$168.93	\$181.60	\$195.22
3"	\$260.69	\$282.85	\$306.89	\$329.91	\$354.65	\$381.25
4"	\$404.16	\$438.51	\$475.79	\$511.47	\$549.83	\$591.07
6"	\$1,280.16	\$1,388.97	\$1,507.04	\$1,620.06	\$1,741.57	\$1,872.19
8"	\$1,779.52	\$1,930.78	\$2,094.90	\$2,252.01	\$2,420.91	\$2,602.48
10"	\$2,558.03	\$2,775.46	\$3,011.38	\$3,237.23	\$3,480.02	\$3,741.02
Residential / Commercial - Volume Charge						
Per 100 cubic ft.	\$3.26	\$3.54	\$3.84	\$4.13	\$4.44	\$4.77
Industrial - Fixed Charge per Bi-month						
6"	\$22,719.68	\$24,650.85	\$26,746.18	\$28,752.14	\$30,908.55	\$33,226.69
Industrial - Volume Charge						
Per 100 cubic ft.	\$2.27	\$2.46	\$2.67	\$2.87	\$3.09	\$3.32

- Fixed charge by meter size plus volume rate
- Assumes across-the-board increases

Impact on Sample Water Bills

Sample Customers	2014	2015	% Change	\$ Change
	Existing	Proposed		
Single Family Residential:				
Very Low Usage, 5/8"x3/4" meter, 1 ccf/bi-month	\$ 25.46	\$ 27.62	8.5%	\$ 2.16
Low Usage, 5/8"x3/4" meter, 6 ccf/bi-month	\$ 41.76	\$ 45.31	8.5%	\$ 3.55
Medium Usage, 5/8"x3/4" meter, 12 ccf/bi-month	\$ 61.32	\$ 66.53	8.5%	\$ 5.21
High Usage, 5/8"x3/4" meter, 18 ccf/bi-month	\$ 80.88	\$ 87.75	8.5%	\$ 6.87
Multi-family, 8 units, 1.5" meter, 52 ccf/bi-month	\$ 255.41	\$ 277.12	8.5%	\$ 21.71
Commercial, 1.5" meter, 52 ccf/bi-month	\$ 255.41	\$ 277.12	8.5%	\$ 21.71
Industrial, 6" meter, 64,400 ccf/bi-month	\$ 168,907.68	\$ 183,264.83	8.5%	\$ 14,357.15

- 2014-2015 comparison assuming no usage change
- Sample bills: single family at various levels of usage, MF/commercial at average usage and 1.5" meter, industrial at current usage and 6" meter
- Because water increases are across-the-board, everyone's water bill goes up by 8.5% in 2015

Sewer Results

Sewer Capital Funding Strategy

Capital Funding	2014	2015	2016	2017	2018	2019	Total 2015-2019
Capital Projects (inflated dollars)	\$ 695,000	\$ 436,858	\$ 633,947	\$ 434,423	\$ 725,633	\$ 2,976,626	\$ 5,207,486
Capital Funding Strategy							
Beginning Balance	\$ 1,029,568	\$ 1,017,226	\$ 1,300,714	\$ 1,406,513	\$ 1,726,032	\$ 1,753,577	\$ 1,017,226
Plus: Grants / Developers / Other Outside Sources	-	-	-	-	-	-	-
Plus: Interest Earnings	2,059	2,034	2,601	2,813	3,452	3,507	14,408
Plus: Capital Recovery Fees, Net of State Tax	2,563	32,165	32,229	32,294	32,358	32,423	161,469
Plus: Planned Rate-Funded Capital	-	327,081	332,863	343,429	348,859	361,418	1,713,651
Plus: Transfer of Surplus from Maint Fund	678,035	359,065	372,053	375,406	368,507	245,890	1,720,921
Plus: Proceeds from State Loans	-	-	-	-	-	-	-
Plus: Bonded Debt Proceeds	-	-	-	-	-	1,223,050	1,223,050
Total Capital Resources	\$ 1,712,226	\$ 1,737,571	\$ 2,040,460	\$ 2,160,455	\$ 2,479,209	\$ 3,619,865	5,850,725
Less: Capital Expenditures	\$ (695,000)	\$ (436,858)	\$ (633,947)	\$ (434,423)	\$ (725,633)	\$ (2,976,626)	(5,207,486)
Ending Fund Balance	\$ 1,017,226	\$ 1,300,714	\$ 1,406,513	\$ 1,726,032	\$ 1,753,577	\$ 643,238	\$ 643,238

- Planned rate-funded capital 100% of depreciation, plus excess operating reserves, equals \$3.4 million
- CRFs only \$161,000
- \$1.2 million bond proceeds in 2019

Sewer Annual Forecast

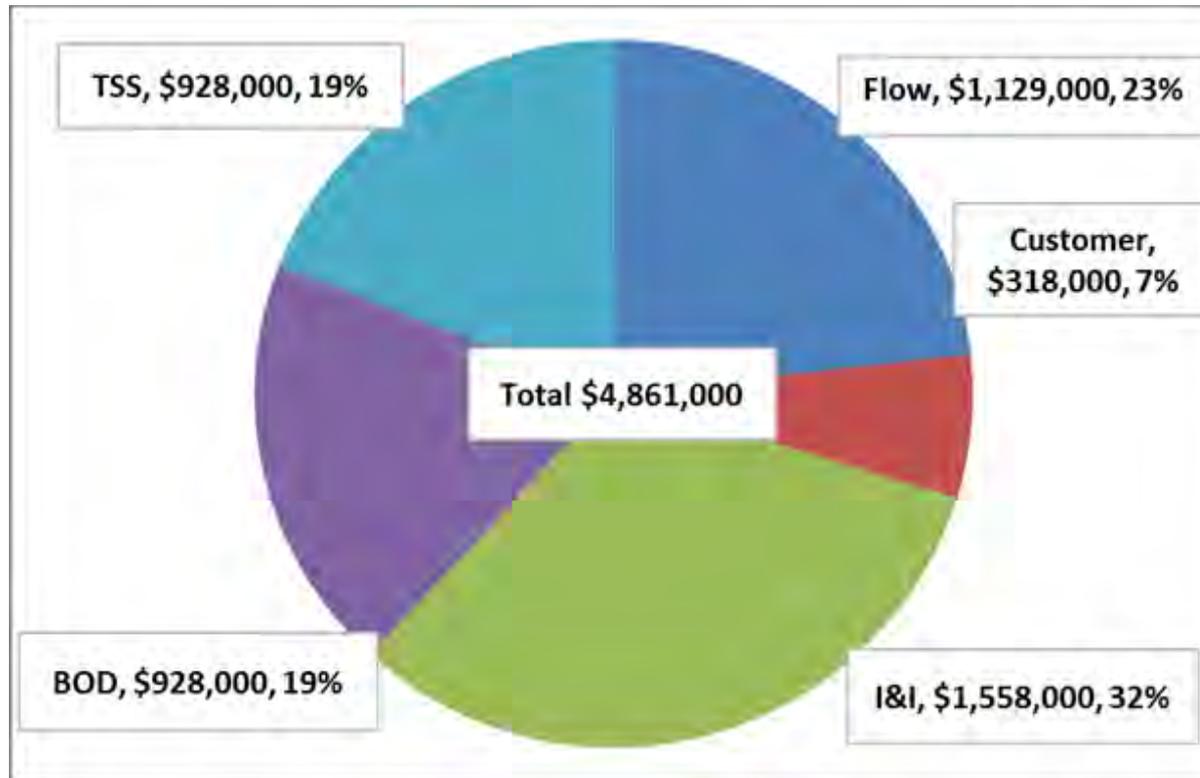
Revenue Requirements	2014	2015	2016	2017	2018	2019
Before Rate Increases:						
Revenues						
Rate Revenues Under Existing Rates	\$ 4,746,116	\$ 4,719,553	\$ 4,693,591	\$ 4,667,770	\$ 4,642,092	\$ 4,616,556
Non-Rate Revenues	2,530	2,537	2,560	2,579	2,606	1,436
Total Revenues	\$ 4,748,646	\$ 4,722,091	\$ 4,696,150	\$ 4,670,349	\$ 4,644,698	\$ 4,617,991
Expenses						
Cash Operating Expenses	\$ 4,067,240	\$ 4,135,213	\$ 4,204,670	\$ 4,275,589	\$ 4,366,804	\$ 4,460,386
New Debt Service	-	-	-	-	-	108,472
Planned Rate-Funded Capital	-	327,081	332,863	343,429	348,859	361,418
Additions to Operating Reserve	-	-	-	-	-	-
Total Expenses	\$ 4,067,240	\$ 4,462,295	\$ 4,537,533	\$ 4,619,018	\$ 4,715,664	\$ 4,930,277
Surplus/(Deficiency) Before Rate Increases	\$ 681,406	\$ 259,796	\$ 158,617	\$ 51,331	\$ (70,966)	\$ (312,285)
Annual Rate Adjustment	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Annual Rate Adjustment	0.00%	3.00%	6.09%	9.27%	12.55%	15.93%
After Rate Increases:						
Rate Revenues	\$ 4,746,116	\$ 4,861,140	\$ 4,979,430	\$ 5,100,599	\$ 5,224,716	\$ 5,351,853
Net Cash Flow	681,406	370,239	381,582	388,953	383,502	261,273
Coverage After Rate Increases	n/a	n/a	n/a	n/a	n/a	6.77
Outstanding Debt as % of						
Net Book Value of Capital Assets	0%	0%	0%	0%	0%	10%
No. Days Operating Reserves	60	60	60	60	60	60

- Inflation-based increases of 3% per year

Sewer Cost of Service Analysis

- Purpose: ensure that appropriate percentage of overall rate burden is paid by each customer class
 - Single Family residential and “standby” (<2 ccf/bi-month)
 - Multi-family and Commercial
 - Industrial
- Overall approach:
 - Allocate revenue requirement to sewer functions
 - Allocate cost of each function to customer classes to determine cost of providing service to each class
 - Compare cost of serving each class with current distribution of rate burden
 - Adjust as needed – some classes can have higher-than-average increases, others lower-than-average increases

Allocating Sewer Costs to Functions



- TSS = Total Suspended Solids, BOD = Biological Oxygen Demand, I&I = flow that comes from outside environment, not indoor use
- Treatment costs are a mix of Flow, I&I, BOD, and TSS
- Pipe and pump costs are mostly Flow and I&I, some Customer
- I&I is 56.6% of total hydraulic flow

Allocating Function Costs to Customers

- Allocation basis:
 - Customer costs: Number of customers
 - Flow costs: Total water usage (ccf)
 - I&I costs: Mixture of land area and water usage
 - Industrial-zoned land: 20 acres
 - Remaining land: 3,150 acres, allocated by water usage, except that Single Family/Standby Residential is assigned a weight of 1.5 to reflect lower density (greater area per ccf)
 - Industrial is 50% of flow but only 0.63% of land area
 - BOD costs: Total water usage (ccf)
 - TSS costs: Total water usage (ccf)
- Results: shift costs away from Single Family and MF/Commercial, toward Standby and Industrial
 - 2013 unit cost of treatment \$3.36/ccf, Industrial volume rate was only \$3.37/ccf—a clue that Industrial class was probably being undercharged

Rate Design – How to Recover Costs

- Current Rate Design
 - Uniform flat rate for Single Family
 - Reduced flat rate for Standby Residential
 - Same flat rate for MF/Commercial as for Single Family, plus volume rate for usage above 13 ccf/bi-month
 - 13 ccf/bi-month meant to represent winter average consumption for Single Family
 - Industrial – small fixed charge, mostly volume charge
- Changes
 - Winter average SF is 11 ccf/bi-month now, should adjust allowance for MF/Commercial
 - Small increase in share of Industrial that is recovered through fixed charge (50% of I&I allocation)

Rate Design – How to Recover Costs

Summary of Cost-of-Service (COS) Adjustments	Current Rate 2014	ATB Rate 2015	COS Rate 2015	COS % Shift	% Change 2014-2015
Residential Uniform Bi-Monthly	\$ 108.96	\$ 112.23	\$ 106.58	-5.0%	-2.2%
Residential Standby Bi-Monthly	16.76	17.26	20.85	20.8%	24.4%
MF/Commercial Fixed Bi-Monthly	108.96	112.23	106.58	-5.0%	-2.2%
MF/Commercial Volume Rate	6.70	6.90	6.17	-10.6%	-7.9%
Industrial Fixed Bi-Monthly	8.62	8.88	832.04	9271.3%	9552.5%
Industrial Volume Rate	3.41	3.51	4.04	15.0%	18.5%
Industrial Annual Revenue	\$ 1,279,943	\$ 1,290,855	\$ 1,489,546	15.4%	16.4%

- Comparing 2015 COS (cost-of-service) rate with ATB (across-the-board increases), we can see shift in rate burden
- With Industrial, volume rate is most important
 - Industrial fixed charge, even after change in rate design, is still less than half percent of total bill

Alternative 1 – Across-the-Board Increases

Overall Rate increase - all classes: **3.00%** **3.00%** **3.00%** **3.00%** **3.00%**

Class	2014	2015	2016	2017	2018	2019
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Single Family	\$108.96	\$112.23	\$115.60	\$119.06	\$122.64	\$126.31
Residential Standby	\$16.76	\$17.26	\$17.78	\$18.31	\$18.86	\$19.43

Commercial & Industrial

Commercial	\$108.96	\$112.23	\$115.60	\$119.06	\$122.64	\$126.31
Commercial Volume	\$6.70	\$6.90	\$7.11	\$7.32	\$7.54	\$7.77
Industrial	\$8.62	\$8.88	\$9.14	\$9.42	\$9.70	\$9.99
Industrial Volume	\$3.41	\$3.51	\$3.62	\$3.73	\$3.84	\$3.95

Year-to-Year % Changes	2014-2019	2015	2016	2017	2018	2019
Single Tier Residential	15.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Residential Standby	15.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Commercial Bi-monthly	15.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Commercial Volume	15.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Industrial Bi-Monthly	15.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Industrial Volume	15.9%	3.0%	3.0%	3.0%	3.0%	3.0%

- Simple—3% for everyone
- However, not equitable—doesn't reflect cost of service

Alternative 2 – Cost-of-Service Rates in 2015

Overall Rate increase - all classes: 3.00% 3.00% 3.00% 3.00% 3.00%						
Class	2014	2015	2016	2017	2018	2019
Single Family						
Single Family	\$108.96	\$ 106.58	\$109.78	\$113.07	\$116.47	\$119.96
Residential Standby	\$16.76	20.85	\$21.47	\$22.12	\$22.78	\$23.47
Commercial & Industrial						
Commercial Bi-monthly	\$108.96	106.58	\$109.78	\$113.07	\$116.46	\$119.96
Commercial Volume	\$6.70	6.17	\$6.35	\$6.55	\$6.74	\$6.94
Industrial Bi-Monthly	\$8.62	832.04	\$857.00	\$882.71	\$909.20	\$936.47
Industrial Volume	\$3.41	4.04	\$4.16	\$4.29	\$4.41	\$4.55
Year-to-Year % Changes						
	2014-2019	2015	2016	2017	2018	2019
Single Tier Residential	-100.0%	-2.2%	3.0%	3.0%	3.0%	3.0%
Residential Standby	-100.0%	24.4%	3.0%	3.0%	3.0%	3.0%
Commercial Bi-monthly	-100.0%	-2.2%	3.0%	3.0%	3.0%	3.0%
Commercial Volume	-100.0%	-7.9%	3.0%	3.0%	3.0%	3.0%
Industrial Bi-Monthly	-100.0%	9552.5%	3.0%	3.0%	3.0%	3.0%
Industrial Volume	-100.0%	18.5%	3.0%	3.0%	3.0%	3.0%

- Equitable—reflects cost of service
- However, rate spike for Industrial and Standby

Alternative 3 – Phased Cost-of-Service Rates

Overall Rate increase - all classes:		3.00%	3.00%	3.00%	3.00%	3.00%	
Avg Annual Increase	Class	2014	2015	2016	2017	2018	2019
Uniform Single Family Rate							
1.9%	Single Family	\$108.96	\$111.08	\$113.23	\$115.43	\$117.67	\$119.96
7.0%	Residential Standby	\$16.76	\$17.93	\$19.18	\$20.51	\$21.94	\$23.47
Commercial & Industrial							
1.9%	Commercial Bi-monthly	\$108.96	\$111.08	\$113.23	\$115.43	\$117.67	\$119.96
0.7%	Commercial Volume	\$6.70	\$6.75	\$6.80	\$6.84	\$6.89	\$6.94
Equal \$ Δ	Industrial Bi-Monthly	\$8.62	\$194.19	\$379.76	\$565.33	\$750.90	\$936.47
5.9%	Industrial Volume	\$3.41	\$3.61	\$3.83	\$4.05	\$4.29	\$4.55
Year-to-Year % Changes		2014-2019	2015	2016	2017	2018	2019
Single Tier Residential		10.1%	1.9%	1.9%	1.9%	1.9%	1.9%
Residential Standby		40.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Commercial Bi-monthly		10.1%	1.9%	1.9%	1.9%	1.9%	1.9%
Commercial Volume		3.6%	0.7%	0.7%	0.7%	0.7%	0.7%
Industrial Bi-Monthly		10763.9%	2152.8%	95.6%	48.9%	32.8%	24.7%
Industrial Volume		33.3%	5.9%	5.9%	5.9%	5.9%	5.9%

- Moves toward equitable cost-of-service by 2019
- Not as disruptive for Industrial and Standby
- Recommended approach

Alternative: Volume Tiers for Single Family

Overall Rate increase - all classes: **3.00%** **3.00%** **3.00%** **3.00%** **3.00%**

Avg Annual Increase	Class	2014	2015	2016	2017	2018	2019
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Multi-Tier Single Family Rates

-9.2%	Single Family Low Usage (<9 ccf/bi-month)	\$108.96	\$98.95	\$89.86	\$81.60	\$74.11	\$67.30
2.6%	Single Family Medium Usage (9-13 ccf/bi-month)	\$108.96	\$111.84	\$114.80	\$117.83	\$120.94	\$124.14
11.0%	Single Family High Usage (>13 ccf/bi-month)	\$108.96	\$120.94	\$134.23	\$148.98	\$165.36	\$183.53

Year-to-Year % Changes	2014-2019	2015	2016	2017	2018	2019
Single Family - Low	-38.2%	-9.2%	-9.2%	-9.2%	-9.2%	-9.2%
Single Family - Mid	13.9%	2.6%	2.6%	2.6%	2.6%	2.6%
Single Family - High	68.4%	11.0%	11.0%	11.0%	11.0%	11.0%

- Breaks Single Family into three groups, based on winter average water usage
- Disconnects Single Family from MF/Commercial
- Could have implementation challenges--billing system
- Equitable, but steep increases for some customers

Impact on Sample Sewer Bills

Sample Customers	2014	2015	% Change	\$ Change
	Existing	Proposed		
Residential Standby (<2 ccf/bi-month)	\$ 16.76	\$ 17.93	7.0%	\$ 1.17
Single Family Residential	\$ 108.96	\$ 111.08	1.9%	\$ 2.12
Multi-family, 8 units, 1.5" meter, 52 ccf/bi-month	\$ 370.26	\$ 387.83	4.7%	\$ 17.57
Commercial, 1.5" meter, 52 ccf/bi-month	\$ 370.26	\$ 387.83	4.7%	\$ 17.57
<i>Impact of Reducing MF/Commercial Allowance (included in total)</i>			3.6%	\$ 13.50
Industrial, 64,400 ccf/bi-month	\$ 219,612.62	\$ 232,678.19	5.9%	\$ 13,065.57

- 2014-2015 comparison assuming no usage change
- Same profiles for sample customers as for water: single family at various levels of usage, MF/commercial at average usage and 1.5" meter, industrial at current usage and 6" meter
- Different impact for different sewer customer classes, reflecting cost-of-service shifts
- MF/Commercial 2015 impact includes one-time addition of 2 ccf/bi-month of billed usage, costing \$13.50 per bi-month; future increases <1.9%/year

Impact on Sample Sewer Bills – Tiered SF

Sample Customers	Pct of Res Accounts	2014 Existing	2015 Proposed	% Change	\$ Change
Single Family Residential:					
Residential Standby (<2 ccf/bi-month)	2%	\$ 16.76	\$ 17.93	7.0%	\$ 1.17
Low Usage (2-9 ccf/bi-month)	31%	\$ 108.96	\$ 99.60	-8.6%	\$ (9.36)
Medium Usage (9-13 ccf/bi-month)	27%	\$ 108.96	\$ 112.43	3.2%	\$ 3.47
High Usage (>13 ccf/bi-month)	39%	\$ 108.96	\$ 121.51	11.5%	\$ 12.55
<i>Thresholds based on winter avg.</i>	100%				

- If tiered rates are created for Single Family, then sample bill impact in 2015 ranges from 8.6% reduction to 11.5% increase in sewer bill.

Stormwater Rate Forecast

Stormwater Capital Funding Strategy

Capital Funding	2014	2015	2016	2017	2018	2019	Total 2015-2019
Capital Projects (inflated dollars)	\$ 410,000	\$ 745,228	\$ 475,460	\$ 488,726	\$ 502,361	\$ 545,065	\$ 2,756,839
Capital Funding Strategy							
Beginning Balance	\$ 457,745	\$ 109,261	\$ 58,358	\$ 58,013	\$ 82,946	\$ 72,769	\$ 109,261
Plus: Grants / Developers / Other Outside Sources	-	360,000	-	400,000	-	400,000	1,160,000
Plus: Interest Earnings	915	219	117	116	166	146	763
Plus: Planned Rate-Funded Capital	-	3,750	11,225	20,404	32,092	46,395	113,866
Plus: Transfer of Surplus from Operating Reserves	60,601	54,390	46,671	62,426	40,511	50,052	254,050
Plus: Debt Proceeds	-	275,967	417,102	30,712	419,415	72,295	1,215,492
Total Capital Resources	519,261	803,586	533,473	571,672	575,130	641,657	2,853,431
Less: Capital Expenditures	(410,000)	(745,228)	(475,460)	(488,726)	(502,361)	(545,065)	(2,756,839)
Ending Fund Balance	\$ 109,261	\$ 58,358	\$ 58,013	\$ 82,946	\$ 72,769	\$ 96,592	\$ 96,592

- Assumes \$1.16 million from grants; if grants not received, projects would be delayed
- \$368,000 from rate funding over 5 years; CRFs not assumed
- \$1.2 million in bond proceeds needed over 5 years

Stormwater Annual Forecast

Revenue Requirements	2014	2015	2016	2017	2018	2019
Before Rate Increases:						
Revenues						
Rate Revenues Under Existing Rates	\$ 581,223	\$ 592,848	\$ 604,705	\$ 616,799	\$ 632,219	\$ 648,024
Non-Rate Revenues	162	170	247	324	333	412
Total Revenues	\$ 581,385	\$ 593,018	\$ 604,952	\$ 617,123	\$ 632,552	\$ 648,436
Expenses						
Cash Operating Expenses	\$ 516,621	\$ 601,553	\$ 612,382	\$ 621,367	\$ 636,330	\$ 651,176
New Debt Service	-	24,475	61,468	64,192	101,390	107,801
Depreciation Funding	-	3,750	11,225	20,404	32,092	46,395
Total Expenses	\$ 516,621	\$ 629,778	\$ 685,075	\$ 705,963	\$ 769,812	\$ 805,372
Surplus/(Deficiency) Before Rate Increases	\$ 64,764	\$ (36,760)	\$ (80,124)	\$ (88,840)	\$ (137,260)	\$ (156,936)
Annual Rate Adjustment	0.00%	18.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Annual Rate Adjustment	0.00%	18.00%	21.54%	25.19%	28.94%	32.81%
After Rate Increases						
Rate Revenues	\$ 581,223	\$ 699,561	\$ 734,958	\$ 772,147	\$ 815,194	\$ 860,641
Net Cash Flow	\$ 64,764	\$ 68,352	\$ 48,176	\$ 64,178	\$ 42,971	\$ 52,492
Coverage After Rate Increases	n/a	3.95	1.97	2.32	1.74	1.92
Outstanding Debt as % of						
Net Book Value of Capital Assets	0%	5%	11%	11%	16%	16%
No. Days Operating Reserves	60	60	60	60	60	60
Single Family Bi-Monthly Rate (\$)	15.10	17.82	18.35	18.90	19.47	20.05
Year-to-Year Increase in SF Bi-Monthly Rate (\$)	0.86	2.72	0.53	0.55	0.57	0.58

- 18% rate increase in 2015, 3% per year thereafter
- Includes \$95,000/year increase in O&M starting in 2015

Stormwater Bi-Monthly Rates

Percentage Rate increase:		18.00%	3.00%	3.00%	3.00%	3.00%
Class	2014	2015	2016	2017	2018	2019
Residential						
Single Family (per house)	\$15.10	\$17.82	\$18.35	\$18.90	\$19.47	\$20.05
Multi-family (per unit)	\$15.10	\$17.82	\$18.35	\$18.90	\$19.47	\$20.05
Other Developed Parcels (Per Gross Acre)						
Very light - 0% to 9%	\$7.22	\$8.52	\$8.78	\$9.04	\$9.31	\$9.59
Moderately light - 10% to 24%	\$19.02	\$22.44	\$23.12	\$23.81	\$24.52	\$25.26
Light - 25% to 39%	\$33.10	\$39.06	\$40.23	\$41.44	\$42.68	\$43.96
Moderate - 40% to 54%	\$47.32	\$55.84	\$57.51	\$59.24	\$61.02	\$62.85
Moderately heavy - 55% to 69%	\$61.40	\$72.45	\$74.63	\$76.86	\$79.17	\$81.55
Heavy - 70% to 84%	\$78.02	\$92.06	\$94.83	\$97.67	\$100.60	\$103.62
Very heavy - 85% to 100%	\$99.46	\$117.36	\$120.88	\$124.51	\$128.25	\$132.09
<i>Tiers based on % of impervious area</i>						
<i>Minimum charge for non-residential</i>	\$15.10	\$17.82	\$18.35	\$18.90	\$19.47	\$20.05

- Flat charge for single family residential; per unit for multi-family; non-residential based on density tiers
- With density tiers, charge should be applied to gross acres, not impervious acres

Impact on Sample Stormwater Bills

Sample Customers	2014		2015		% Change	\$ Change
	Existing		Proposed			
Single Family Residential	\$ 15.10		\$ 17.82		18.0%	\$ 2.72
Multi-family, 8 units	\$ 120.80		\$ 142.56		18.0%	\$ 21.76
Commercial:						
25-39% Density, 4 acres	\$ 132.40		\$ 156.24		18.0%	\$ 23.84
<85% Density, 0.5 acres	\$ 49.73		\$ 58.68		18.0%	\$ 8.95
Industrial	\$ 903.23		\$ 1,065.81		18.0%	\$ 162.58

- 2014-2015 comparison
- Commercial: we assumed two customers, one with 25-39% density and 4-acre parcel, the other with >85% density and a half-acre parcel
- Because stormwater increases are across-the-board, everyone's bill increases by 18% in 2015

Combined Sample Bill Impact

Combined Sample Bill Impact

- Compares 2014 to 2015 total utility bill, assuming same usage
- Assumes same customer profiles for sample bills
 - Single family, with varying usage
 - MF/Commercial, with varying parcel acreage and density of development
 - Industrial
- Assumes cost-of-service adjustments to sewer rates, phased in over five years

Combined Sample Bill Impact

Sample Customers	2014		2015		% Change	\$ Change
	Existing		Proposed			
Single Family Assuming Uniform Sewer Rate:						
Very Low Usage, 5/8"x3/4" meter, 1 ccf/bi-month	\$	57.32	\$	63.37	10.6%	\$ 6.05
Low Usage, 5/8"x3/4", 6 ccf/bi-month	\$	165.82	\$	174.21	5.1%	\$ 8.39
Medium Usage, 5/8"x3/4" meter, 12 ccf/bi-month	\$	185.38	\$	195.43	5.4%	\$ 10.05
High Usage, 5/8"x3/4" meter, 16 ccf/bi-month	\$	204.94	\$	216.65	5.7%	\$ 11.71
Multi-family, Commercial, and Industrial:						
Multi-family, 8 units, 1.5" meter, 52 ccf/bi-month	\$	746.47	\$	807.51	8.2%	\$ 61.04
Commercial, 1.5" meter, 52 ccf/bi-month						
25-39% Density, 4 Impervious Acres	\$	758.07	\$	821.19	8.3%	\$ 63.12
<85% Density, .5 Impervious Acre	\$	675.40	\$	723.63	7.1%	\$ 48.23
Industrial, 6" meter, 64,400 ccf/bi-month	\$	389,423.53	\$	417,008.83	7.1%	\$ 27,585.30

- Other than the very lowest volumes, this assumes uniform single family sewer rate; however, water charges still vary based on usage

Combined Sample Bill Impact

Sample Customers	2014	2015	% Change	\$ Change
	Existing	Proposed		
Single Family Assuming Tiered Sewer Rates:				
Very Low Usage, 5/8"x3/4" meter, 1 ccf/bi-month	\$ 57.32	\$ 63.37	10.6%	\$ 6.05
Low Usage, 5/8"x3/4", 6 ccf/bi-month	\$ 165.82	\$ 162.73	-1.9%	\$ (3.09)
Medium Usage, 5/8"x3/4" meter, 12 ccf/bi-month	\$ 185.38	\$ 196.78	6.1%	\$ 11.40
High Usage, 5/8"x3/4" meter, 16 ccf/bi-month	\$ 204.94	\$ 227.08	10.8%	\$ 22.14

- This assumes that single family sewer customers are differentiated based on winter average usage into three tiers: <9 ccf/bi-month, 9-13 ccf/bi-month, and >13 ccf/bi-month

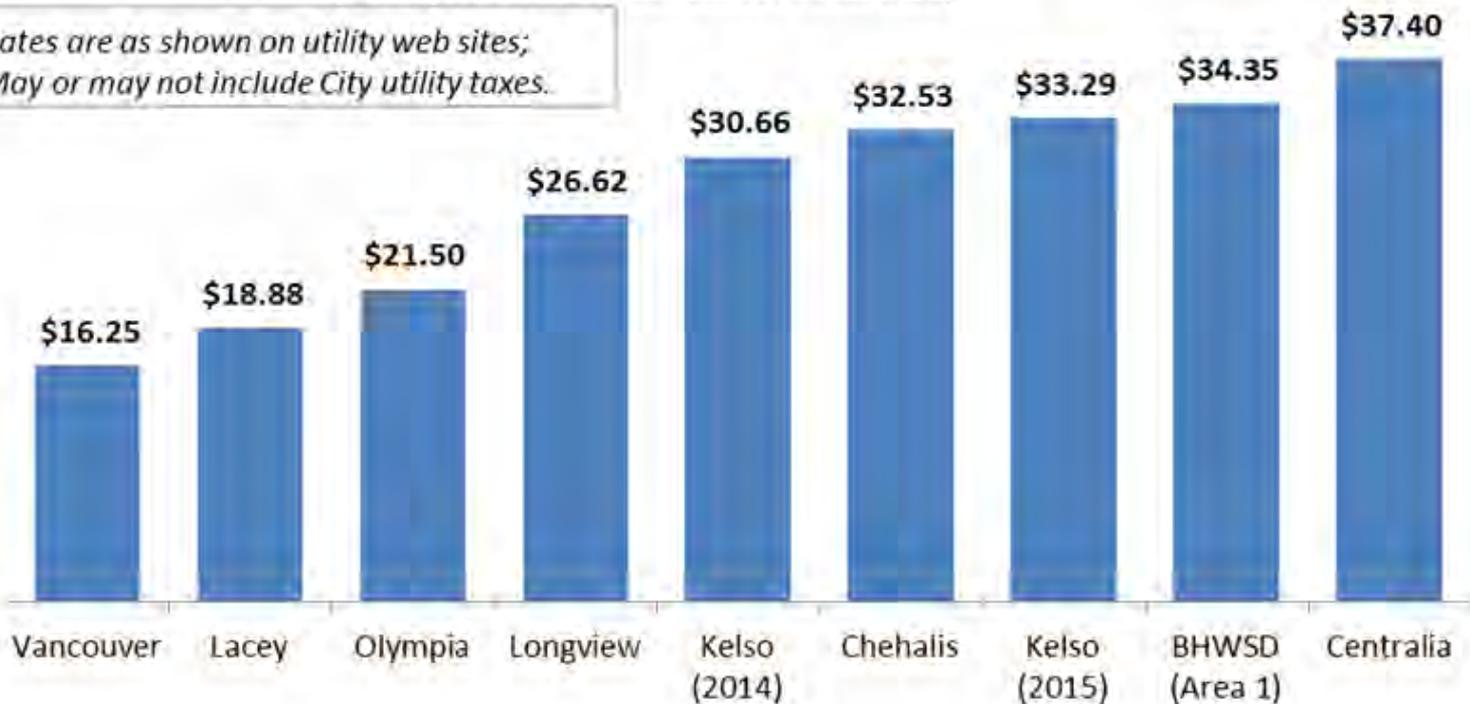
Rate Comparison with Other Utilities

Water Rate Comparison

Water Survey - Monthly Single Family Rates

(6 ccf per Month / Smallest Meter Size)

Rates are as shown on utility web sites;
May or may not include City utility taxes.



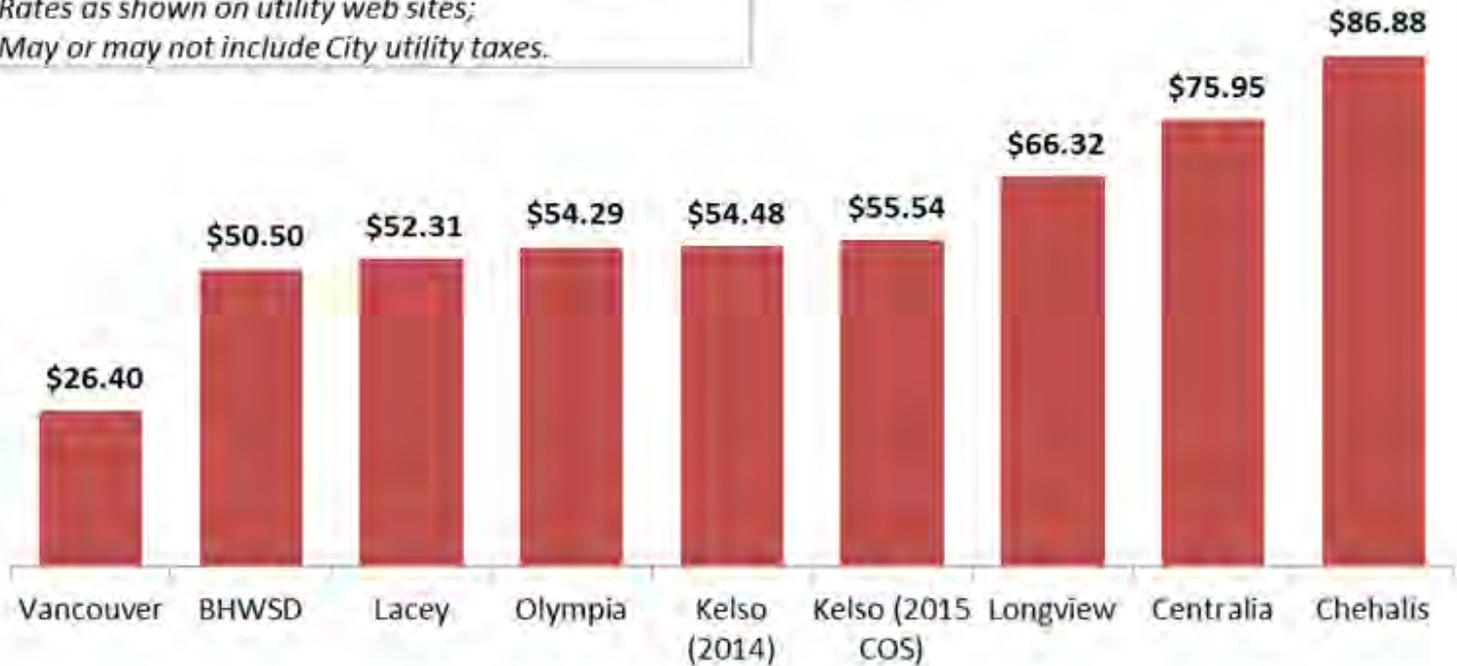
BHWSD = Beacon Hill Water and Sewer District

Sewer Rate Comparison

Sewer Survey - Monthly Single Family Rates

(6 ccf per Month)

*Rates as shown on utility web sites;
May or may not include City utility taxes.*



BHWSD = Beacon Hill Water and Sewer District

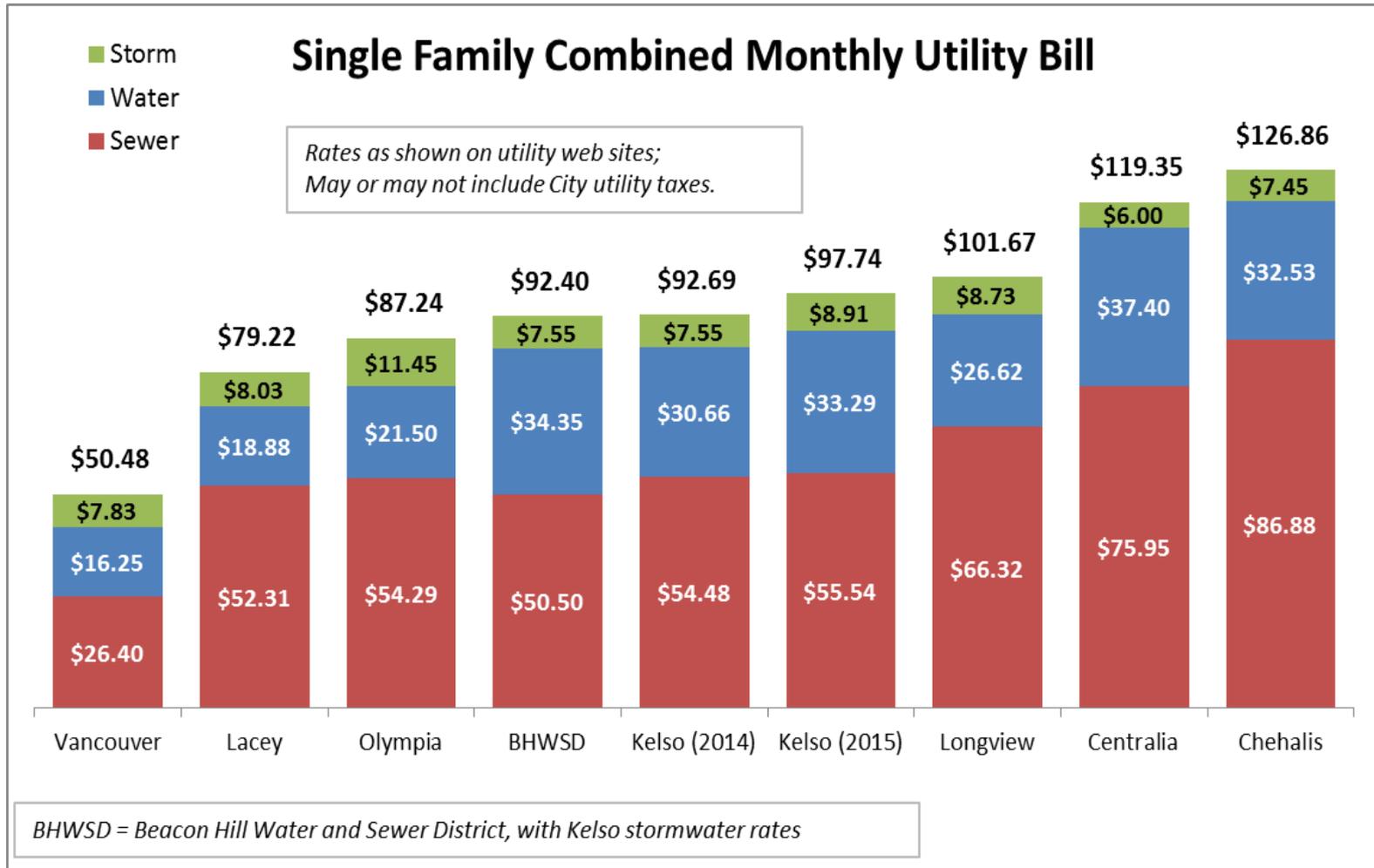
Stormwater Rate Comparison

Stormwater Survey - Monthly Single Family Rates

*Rates as shown on utility web sites;
May or may not include City utility taxes.*



Combined Utility Rate Comparison



Capital Recovery Fees (CRFs)

Capital Recovery Fees

- Type of development charge, recovering capital investment in system assets and a share of growth-related capital costs, if any
- Currently in place for water and sewer, not stormwater
- Cost basis divided by number of units
 - Cost basis includes existing capital assets
 - Plus interest on non-contributed capital
 - Minus contributed capital, net outstanding debt
 - Cost basis also includes future growth-related CIP
 - Number of units can be meter-equivalents (water), Equivalent Residential Units (sewer), or Equivalent Service Units (stormwater)

Water and Sewer CRF

- Water CRF
 - Calculated CRF is \$3,791, large increase over existing CRF \$1,969 (per meter-equivalent)
 - All based on existing capital assets, no growth-related CIP
 - Suggest phase-in of CRF
 - 2015 amount based on calculated level minus interest on existing assets : \$2,644
 - Then increase gradually to \$3,791 in 2019
- Sewer CRF
 - Improved method for estimate ERUs – higher total
 - CRF is reduced from \$2,254 to \$1,721/ERU

Stormwater CRF

- Calculated CRF in 2015 is \$143
 - Very low because there are few booked assets in Drainage Fund—used to be part of Street Fund
 - Recommend annual increases, with 2020 CRF projected based on completion of 2015-2019 CIP, then apply average annual increase each year
 - Projected 2020 CRF: \$404
- Basic unit: Equivalent Service Unit (ESU)
 - Represents average impervious surface area for Single Family parcel
 - Lacking data specific to Kelso, we recommend \$2,500 impervious square feet = 1 ESU
 - CRF can be calculated based on ESU even if monthly rates for non-residential continue to be based on density tiers, using impervious area data from development review process

Recommended Stormwater CRF

Schedule of Stormwater Capital Recovery Fees

Customer Class	2015	2016	2017	2018	2019	2020
Residential						
Single Family (per house)	\$143	\$176	\$217	\$267	\$329	\$404
Multi Family (per unit)	\$143	\$176	\$217	\$267	\$329	\$404
Non-Residential						
Per Equivalent Service Unit (ESU)	\$143	\$176	\$217	\$267	\$329	\$404
where 1 ESU = 2,500 impervious square feet						

Recommended CRF Schedule

	Existing	2015	2016	2017	2018	2019	2020
Water	\$1,969	\$2,644	\$2,930	\$3,217	\$3,504	\$3,791	\$3,791
Sewer	\$2,254	\$1,721	\$1,721	\$1,721	\$1,721	\$1,721	\$1,721
Stormwater	\$0	\$143	\$176	\$217	\$267	\$329	\$404
Combined	\$4,223	\$4,508	\$4,828	\$5,155	\$5,492	\$5,840	\$5,916
% Increase		6.7%	7.1%	6.8%	6.5%	6.3%	1.3%
<i>Assumes 5/8" x 3/4" meter (1 meter-equivalent) or 1 single-family house.</i>							

Summary of Recommendations

Summary of Recommendations

- Adopt System Wide Rate Increases of:

Utility	2015	2016	2017	2018	2019
Water	8.5%	8.5%	7.5%	7.5%	7.5%
Sewer	3.0%	3.0%	3.0%	3.0%	3.0%
Stormwater	18.0%	3.0%	3.0%	3.0%	3.0%

- Separate Water and Sewer into separate funds
- Water and Stormwater across-the-board increases
 - Stormwater: apply density tier rates to gross acres
- Phased Sewer cost-of-service adjustment
 - Reduce MF/Commercial allowance to 11 ccf/bi-month
 - Unless a strong policy preference for tiered rates, suggest leaving uniform Single Family sewer rate
- CRFs – phase in Water increase, create Stormwater CRF per ESU with projected increases