



**CITY OF STANWOOD
FINANCE COMMITTEE
AGENDA STAFF REPORT**

<p>SUBJECT: Water Rates Revisited</p>	<p>FOR AGENDA OF: July 25, 2013 Budget Workshop</p>
<p>ATTACHMENT(S):</p> <p>A – 7 Year Water Fund Summary as prepared by FCS</p> <p>B – Projected Water Cash Flow Through 2019 as prepared by staff (Version 1 – No Rate Increase/No Debt)</p> <p>C – Projected Water Cash Flow Through 2019 as prepared by staff (Version 2 – Rate Increase Only)</p> <p>D – Projected Water Cash Flow Through 2019 as prepared by staff (Version 3 – Debt Only)</p> <p>E – Projected Water Cash Flow Through 2019 as prepared by staff (Version 4 – Rate Increases and New Debt)</p> <p>F - Projected Water Cash Flow Through 2019 as prepared by staff (Version 5 – Rate Increases, \$500k / Yr Capital)</p> <p>G – Projected Water Cash Flow Through 2019 as prepared by staff (Version 6 – 5% Rate Increases, \$7785 / Yr Capital)</p> <p>H – Projected Water Capital Project Expenditures Through 2019 as prepared by staff</p> <p>I – Projected Water Staffing Through 2019 as prepared by staff</p> <p>J – 2013 Residential Monthly Utility Rate Comparison, Snohomish County Cities</p>	<p>DEPARTMENT OF ORIGIN: Finance</p> <p>DATE SUBMITTED: July 12, 2013</p> <p>CLEARANCES: (check box)</p> <p><input type="checkbox"/> City Attorney _____</p> <p><input type="checkbox"/> City Clerk/HR _____</p> <p><input type="checkbox"/> Community Development _____</p> <p><input type="checkbox"/> Fire _____</p> <p><input type="checkbox"/> Finance _____</p> <p><input type="checkbox"/> Police _____</p> <p><input type="checkbox"/> Public Works _____</p> <p>APPROVED FOR SUBMITTAL BY THE CITY ADMINISTRATOR: _____</p>
<p>COST OF PROPOSAL: N/A</p>	<p>AMOUNT BUDGETED: N/A</p>

SUMMARY STATEMENT

The purpose of this agenda cover is to review the assumptions in the 2010 water rate study for capital funding, revenue requirements, staffing and projected fund balances and bring them up to date as of July 25, 2013.

DISCUSSION

The issue in front of the city council is to review the revenues and expenditures in the water operating and reserve funds.

City staff are seeking input from the city council to raise revenues (water rate increase) or reduce expenditures from 2014 through 2019 to maintain adequate reserve balances and cover operating expenses.

Summary

During preparation of the 2013 water operating, capital and debt service budgets, city staff noticed the water operating reserve balance has declined somewhat over the last four years, as follows:

Table 1 – Water Operating Fund Activity (Fund 421)

	2010	2011	2012	2013
Beginning Fund Balance	\$ 696,085	\$ 747,241	\$ 759,288	\$ 667,787
Revenues	\$ 1,549,436	\$ 1,357,808	\$ 1,384,676	\$ 1,503,737
Expenditures	\$ 1,498,281	\$ 1,345,760	\$ 1,476,177	\$ 1,497,937
Ending Fund Balance	\$ 747,241	\$ 759,288	\$ 667,787	\$ 673,587

The water utility fund is not currently collecting enough revenues to fund operations (i.e. operating expenditures and debt service), or generating extra funds for system reinvestment (capital projects).

In December 2010, FCS published its Water/Water Rates and Charges Study. As a result of that study, the City adopted new water rates effective January 1, 2011 as follows:

Table 2 – Water Rates

Year	3/4" Meter		1" Meter		1 1/2" Meter		2" Meter	
	Minimum	Overage	Minimum	Overage	Minimum	Overage	Minimum	Overage
2010	\$ 18.98	\$ 2.49	\$ 31.69	\$ 2.49	\$ 63.19	\$ 2.49	\$ 101.14	\$ 2.49
2011	\$ 19.09	\$ 2.50	\$ 31.87	\$ 2.50	\$ 63.56	\$ 2.50	\$ 101.73	\$ 2.50
2012	\$ 20.04	\$ 2.63	\$ 33.46	\$ 2.63	\$ 66.74	\$ 2.63	\$ 106.82	\$ 2.63
2013	\$ 21.05	\$ 2.76	\$ 35.14	\$ 2.76	\$ 70.07	\$ 2.76	\$ 112.16	\$ 2.76

Since the new rates were adopted on January 1, 2011, there have been 5% increases for 2012 and 2013. While the FCS study assumes 5% increases in 2014, 2015 and 2016, the council-adopted rate increases ended on January 1, 2013. If the council were in favor of adopting the recommended increases, it would need to adopt an ordinance to extend the rate increases.

In summary, the major questions/challenges that will need to be dealt with for the water utility going forward are:

1. How does the city properly fund operations and staffing at a level that ensures that the water utility is run efficiently and effectively?

Staff recommendation: In order to keep pace with inflation and maintain adequate reserve balances, the city should consider the adopting the FCS recommended 5% rate increases each year from 2014 to 2019.

2. What is the proper level of cash reserves in the water utility, and how can the city maintain cash reserves above the desired levels?

Staff recommendation: The current recommended minimum cash reserve for the water utility would be about \$1.7 million as follows:

• 60 days operating reserve	\$ 245,000
• 1% capital contingency reserve	\$ 300,000
• 25% rate stabilization reserve	\$ 375,000
• 1.25 times restricted debt reserve	<u>\$ 800,000</u>
Total	<u>\$1,720,000</u>

3. What is the proper level of system reinvestment (i.e. capital projects and equipment replacement) to maintain the system to operate safely and effectively?

Staff recommendation: In order to maintain affordable rate increases and cash reserve levels approaching minimum levels (as per recommendations 1 and 2, above), the water utility could make annual capital expenditures averaging \$778,000 (plus any developer funds) over the next six (6) years as outlined in Attachment G.

4. How does the city properly fund its future capital needs? Rate increases or issuance of debt?

Staff recommendation: The city should “self-fund” water utility capital projects over the next six (6) years via modest rate increases and spending down capital reserves before additional borrowing is considered.

Original FCS Water Fund Study

The original Water Fund Summary (Attachment A) shows seven years of financial data from 2010 to 2016. The first section, Capital Funding, shows capital funding assumptions during this time period. Over the seven years, the City was projected to spend \$5,358,508 on capital projects, or an average of about \$766,000 per year. Additionally, the assumption was that another revenue bond would be issued in the amount of \$610,000 in 2015 to fund future capital projects.

Under the Revenue Requirements section, the 2010 study projected revenues and expenditures from operations, including debt service payments. Over time, the system takes in about \$1.5 million in water rates, and expends roughly the same amount in operating expenditures and annual debt service payments. The difference between revenues and expenditures (deficit) is covered by spending down the operating reserves.

Under the Fund Balance section, the assumption was, with the assumed rate increases of 5% annually through 2016, water fund operating reserves would decrease from \$2,159,836 in 2011 to \$1,156,470 by the end of 2016. Without rate increases, the ending fund balances will continue to decline.

Table 3 – Excerpt from FCS Water Fund Summary

	2010	2011	2012	2013	2014	2015	2016
Total Operating Revenues	\$ 1,583,699	\$ 1,477,803	\$ 1,496,148	\$ 1,436,141	\$ 1,449,078	\$ 1,460,755	\$ 1,470,101
Total Operating Expenditures	\$ 1,628,711	\$ 1,558,415	\$ 1,607,385	\$ 1,726,507	\$ 1,778,262	\$ 1,868,545	\$ 1,900,106
Annual Surplus / (Deficiency)	\$ (45,012)	\$ (80,612)	\$ (111,237)	\$ (290,366)	\$ (329,184)	\$ (407,790)	\$ (430,005)
Net Revenue from Rate Increases	\$ -	\$ 63,673	\$ 131,269	\$ 203,003	\$ 279,104	\$ 359,807	\$ 445,368
Use of Operating Reserves	\$ 45,012	\$ 16,939	\$ (20,032)	\$ 87,363	\$ 50,080	\$ 47,983	\$ (15,363)
Net Surplus / (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Projected Cash Flow Through 2019

In the Projected Cash Flow Through 2019 worksheet (Attachment B) city staff used many of the same assumptions, but updated 2011-2013 with actual amounts. Then the next six (6) years, 2014 through 2019 were projected using staff estimates for capital expenditures and staffing. **Based on these new, revised projections, it appears that unless adjustments are made, the water fund balance will remain positive through 2016 and turn negative sometime in 2017.**

With no adopted rate increase in place after 2013, water operating revenues are projected to grow at a rate of about 0.7% per year due to growth in the customer base, while operating expenditures are expected to grow at the much faster rate of 2.5%. Thus, over time, the projected growth rate of operating expenditures are expected to outpace the growth rate of operating revenues by about 1.8% per year, leading to larger and larger operating deficits over time through compounding.

Water Projected Capital Projects 2014 through 2019

In the updated Water – Projected Capital Projects 2014 Through 2019 (Attachment F) city staff updated FCS's projections with more current estimates of necessary capital expenditures that should occur over the next six (6) years.

Under current projections, the city would spend \$6.6 million capital projects from 2014 through 2019, or an average of \$1.1 million per year.

Water Staffing Projections 2014 through 2019

An estimate of water utility full-time equivalent (FTE) employees is based on assigned tasks and duties and currently is as follows:

Table 4 – Staffing Levels

Task/Duty Assignment	Current Budgeted Full-Time Employees	Proposed 2014
City Administrator	0.25	0.25
PW Director	0.25	0.25
Asst PW Director	-	0.25
Lead	1.00	1.00
Operator I	1.00	1.00
PW Tech III	-	1.00
PW I	1.00	1.00
Admin Assistant	0.25	0.25
Seasonal	0.16	0.50
Total FTE	3.91	5.50
Total Cost	\$ 349,400	\$ 474,685

Projected Staffing 2013 through 2019 (Attachment H) lists the 5.25 FTE staffing necessary to run the water utility. It includes twenty-five percent (25%) of the city administrator, public works director, assistant public works director and administrative assistant so that the water utility picks up its fair share of the administrative function. In addition, the water utility includes one position that has been unfunded and vacant since the retirement of Rod Sundberg, former water utility lead, in September 2011.

Both the Interim Public Works Director and City Administrator recommend upgrading the vacant PW Tech III position (\$72,100) to an Operator I in 2013 to maintain staffing levels in the water division at current levels. The PW Tech III position should be replaced with an Operator I position in 2014.

Reserve Funds

1. Operating Reserve – The study recommends 60 to 90 days of operating and maintenance (O & M) expenditures to be held in reserve to deal with the normal fluctuations in revenues and expenditures that happen throughout the year. Generally, since O & M expenses are about \$1.5 million per year, this reserve should be about \$245,000 ($\$1.5 \text{ million} \times 60 \text{ days} / 365 \text{ days} = \$245,000$, rounded).

The city adopted 90 days of operating & maintenance reserves in its current Financial Policies for the Water and Water Utility (Resolution 2012-06).

2. Capital Contingency Reserve – The study recommends a minimum balance in the capital account equal to 1% to 2% of system fixed assets (at historical cost). Applying the more conservative 2% rate to the historical cost of system assets (about \$30 million) renders a capital contingency reserve of about \$300,000 ($\$30 \text{ million} \times 1\% = \$300,000$).

Resolution 2012-06 adopted maintaining a capital contingency reserve of 1% of original cost of total water system fixed assets.

3. Rate Stabilization Reserve – A rate stabilization reserve provides a resource to manage the level of rates despite variability in water usage from year to year due to weather patterns, conservation efforts and/or economic cycles. For this study, the City requested evaluation of establishing this new reserve for the water utility only. The target balance, per the study “can simply be based on a policy objective, perhaps ranging from 10 to 25% of annual rate revenues.” Applying the more conservative 25% rate to annual revenues of about \$1.7 million yields a water rate stabilization reserve of \$425,000 ($\$1.5 \text{ million} \times 25\% = \$375,000$).

Resolution 2012-06 adopted a policy-based target ranging from 10% to 25% of rate revenues be maintained in the water fund as a rate stabilization reserve.

4. Restricted Debt Reserves – Debt reserve equal to 1.25 times annual debt service payment was established in the total amount of about \$800,000).

Resolution 2012-06 established a reserve benchmark of one year’s debt service payments, with the proviso that the City will set aside any, and all, required funds to meet restricted debt reserves as required by individual bond covenants.

Adding all four components of reserve together, using the theoretical reserve components as described above, the City would maintain a combined water fund balance of \$1,720,000, as follows:

Table 5 – Combined Water Fund Balance (Operating & Capital)

Fund No.	Description	Reserve Target	Current
421	Operating Reserve	\$ 245,000	
421	Rate Stabilization	\$ 375,000	
421	Water Bond Reserve	\$ 535,000	
421	Total	\$ 1,155,000	\$ 810,982
422	Capital Contingency	\$ 300,000	
422	Total (Note 1)	\$ 300,000	\$ 2,189,695
423/424	Plant Investment Fees	\$ -	
423/424	Total	\$ -	\$ 677,743
451	Water Bond Reserve	\$ 265,000	
451	Total	\$ 265,000	\$ 267,951
	Totals	\$ 1,720,000	\$ 3,946,372
<i>Note 1: Fund 422, Water Construction Fund, includes \$2.2 million 2011 Revenue Bond proceeds.</i>			

The current study assumes using reserve balances to fund operations. The policy question is whether to use cash reserves to fund operations, capital or reduce debt. Table 5 (above) demonstrates that the water utility fund currently has about \$3.9 million cash reserves, which is about \$2.2 million above the minimum target level of \$1.7 million. However, according to projections (Attachment F – Water Projected Capital Projects 2014 – 2019) this surplus will be used up in 2014, when the city anticipates spending \$1.9 million on water capital projects. After 2014, the water utility will not be able to maintain the projected level of capital expenditures without additional rate increases or borrowing.

In order to keep pace with inflation and maintain adequate reserve balances, the city should consider the adopting the FCS recommended 5% rate increases each year from 2014 through 2019. In addition, the City would need to ensure that there is sufficient funding, through expenditure decreases, revenue increases or debt, to cover its expected capital costs over the next six (6) years and still ensure that adequate reserves are maintained.

Debt Service

The water fund utility will pay a total of \$637,379 in debt service payments (nearly \$140,000 of which is interest) in 2013. The interest rates on those loans range from 0.5% to 4%. Since the city currently earns less than 1% on its investments, paying off certain loans may make sense in order to save money on interest.

A couple Public Works Trust Fund loans that the council may want to consider for early pay off:

Table 6 – Water Fund Loans for Possible Refunding

Fund	Loan Description	YE 2013 Balance	Maturity	Interest Rate	Annual Payment
Water	Public Works Trust Fund (PW-03-691-ELP-305)	\$224,737	2022	4%	\$32,362
Water	Public Works Trust Fund (PW-5-95-791-046)	\$78,406	2015	2%	\$41,555

The average annual payment on these two loans combined is \$73,917 (\$32,362 + \$41,555). If the City did an early refunding of both loans, this would free up about \$74,000 per year that formerly was used for annual debt service that could be applied toward water operations and/or to maintain adequate cash reserve levels. Of course, an early payoff of debt would come from existing cash reserves, which would decrease by about \$300,000.

The City could save \$49,444 in interest over the final ten (10) years by paying off the first water loan, and \$2,352 over the final two (2) years by paying off the second loan. Currently the City earns well below 1% on its investments, and less than 0.2% in the state investment pool.

Rate Adjustment Alternatives

The following alternatives were developed to demonstrate what it would take over the next six years to do the following:

- Accomplish over \$4,668,000 of water capital projects over the next six years (2014 – 2019) as identified in Attachment H.
- Maintain the proposed level of staffing over the next six years as identified in Attachment I.
- Maintain a \$1.7 million cash reserve as detailed above.

Six scenarios are presented below that would accomplish all three of those objectives:

1. No rate increases and no new debt (Attachment B): Under this model, the city would fund operations and capital at desired levels; however, cash reserves would fall below the \$2.2 million cash reserve requirement in 2014 and then turn negative in 2017.
2. Rate increase only (Attachment C): Under this model, the city would fund operations and capital at the desired levels, and roughly maintain the \$2.2 million cash reserve requirement by increasing rates by 12% for five (5) consecutive years, from 2014 to 2019.
3. Debt Only (Attachment D): Under this model, the city would fund operations and capital at the desired levels, and roughly maintain the \$2.2 million cash reserve

requirement by issuing \$1 million in new debt in each year from 2015 to 2019 (\$5 million total). The annual debt service payment would be:

- 2015 \$73,000
- 2016 \$146,000
- 2017 \$219,000
- 2018 \$292,000
- 2019 and beyond \$365,000

While this option would fund current proposed capital projects, the deficit from water operations would grow, from a net loss of \$70,755 in 2014 to \$440,239 in 2019, due largely from the additional \$365,000 per year required to service the combined \$5.0 million debt just issued.

4. Combination of rate increases and new debt (Attachment E): Under this model, the city would fund operations and capital at the desired levels, and still maintain the \$2.2 million cash reserve requirement by increasing rates 6% each year from 2014 through 2019, and by issuing \$500,000 in new debt each year between 2015 and 2019 (\$2.5 million total).
5. Rate increase of 3.5% each year from 2014 through 2019, holding average annual capital improvements to \$500,000 (Attachment F). Under this model, the city would not have to issue new debt, and would have cash reserves of about \$1.9 million at the end of 2019.
6. Rate increase of 5% each year from 2014 through 2019, holding average annual capital improvements to \$778,000 (Attachment G). Under this model, the city would not have to issue new debt, and would have cash reserves of about \$875,000 at the end of 2019.
7. Maintain current staffing levels and capital project expenditures. Reduce reserves to minimum levels. Postpone a rate increase to a future date.

Residential Utility Rate Comparison

The City of Granite Falls recently concluded a residential utility rate study comparison for Snohomish County cities (Attachment H). Presented below are their findings for monthly water rates based on a single family residence using 600 cubic feet of water per month:

Table 7 – Comparison of Monthly Water Rates

City	Base Water Rate	Excess Consumption	Total Water Charges
Arlington	\$ 32.15	\$ 8.82	\$ 40.97
Lake Stevens	\$ 19.87	\$ 18.30	\$ 38.17
Snohomish	\$ 21.46	\$ 15.84	\$ 37.30
Sultan	\$ 34.77	\$ -	\$ 34.77
Granite Falls	\$ 26.50	\$ 2.67	\$ 29.17
Monroe	\$ 21.11	\$ 5.06	\$ 26.17
Marysville	\$ 10.47	\$ 11.40	\$ 21.87
Stanwood	\$ 21.05	\$ -	\$ 21.05
Average	\$ 23.42	\$ 7.76	\$ 31.18

In this survey of eight Snohomish County cities, the survey found that Stanwood monthly water rates were the lowest at \$21.05, nearly 33% less than the average of \$31.18.

Effective January 1, 2013, the monthly residential water rate was \$21.05 up to 600 cubic feet (CF), with an additional \$2.76 for each additional 100 CF used above 600 CF.

Table 8 – Rate Increase Options

Rate Increase Options	2013	2014	2015	2016	2017	2018	2019
12% Annual Rate Increase	\$ 21.05	\$ 23.58	\$ 26.41	\$ 29.57	\$ 33.12	\$ 37.10	\$ 41.55
6% Annual Rate Increase	\$ 21.05	\$ 22.31	\$ 23.65	\$ 25.07	\$ 26.58	\$ 28.17	\$ 29.86
5% Annual Rate Increase	\$ 21.05	\$ 22.10	\$ 23.21	\$ 24.37	\$ 25.59	\$ 26.87	\$ 28.21
3.5% Annual Rate Increase	\$ 21.05	\$ 21.79	\$ 22.55	\$ 23.34	\$ 24.16	\$ 25.00	\$ 25.88

Summary

We can't answer the question of rate increases until we have direction from council on staffing levels and capital expenditures. Once the capital expenditures have been determined, the next question is how to finance them, either through rate increases or borrowing.

FINANCIAL IMPACT

To be determined. Staff seeks Council guidance as to whether to move forward with a proposed rate increase in the 2014 budget.

STAFF RECOMMENDATIONS

None to date. This concept is being presented to council for review and discussion without prior review by the finance subcommittee.

City of Stanwood Water Fund Summary

Capital Funding	2010	2011	2012	2013	2014	2015	2016	Total
Capital Projects (inflated)	\$ 757,317	\$ 750,096	\$ 1,172,261	\$ 919,351	\$ 512,173	\$ 919,585	\$ 327,725	\$ 5,358,508
Developer Funded Improvements	\$ 61,667	\$ 65,549	\$ 67,581	\$ 69,676	\$ 71,836	\$ 74,063	\$ 76,359	\$ 486,732
Revenue Bond Proceeds	-	1,800,000	-	900,000	-	610,000	-	3,310,000
Use of Capital Fund balance [a]	695,650	(1,115,453)	1,104,680	(50,326)	440,337	235,521	251,366	1,561,776
Total Funding Sources	\$ 757,317	\$ 750,096	\$ 1,172,261	\$ 919,351	\$ 512,173	\$ 919,585	\$ 327,725	\$ 5,358,508

[a] Includes annual Plant Investment Fee revenues and system reinvestment funding

Revenue Requirements	2010	2011	2012	2013	2014	2015	2016
Revenues							
Rate Revenues Under Existing Rates	\$ 1,436,542	\$ 1,284,454	\$ 1,291,732	\$ 1,299,009	\$ 1,306,287	\$ 1,313,564	\$ 1,320,841
Cedarhome PIF Revenue for Debt Service [1]	108,463	94,115	94,485	25,359	25,740	26,126	26,518
General Fund Transfer for Fire	-	56,441	56,761	57,080	57,400	57,720	58,040
Non-Rate Revenues	38,693	42,792	53,171	54,692	59,652	63,345	64,702
Total Revenues	\$ 1,583,698	\$ 1,477,803	\$ 1,496,148	\$ 1,436,141	\$ 1,449,078	\$ 1,460,755	\$ 1,470,101
Expenses							
Cash Operating Expenses	\$ 1,175,555	\$ 924,571	\$ 946,116	\$ 968,670	\$ 991,405	\$ 1,015,135	\$ 1,039,478
Existing Debt Service	453,156	449,625	445,680	441,735	413,041	409,096	365,948
New Debt Service	-	154,665	154,665	231,998	231,998	284,412	284,412
Rate-Funded System Reinvestment	-	29,554	60,924	84,104	141,819	159,902	210,267
Total Expenses	\$ 1,628,711	\$ 1,558,415	\$ 1,607,385	\$ 1,726,507	\$ 1,778,262	\$ 1,868,545	\$ 1,900,106
Annual Surplus / (Deficiency)	\$ (45,012)	\$ (80,612)	\$ (111,237)	\$ (290,367)	\$ (329,184)	\$ (407,790)	\$ (430,005)
Net Revenue from Rate Increases	-	63,673	131,269	203,004	279,104	359,808	445,368
* Use of Operating Reserves	45,012	16,939	(20,032)	87,363	50,080	47,983	(15,363)
Net Surplus / (Deficiency)	\$ (0)	\$ -	\$ (0)	\$ (0)	\$ 0	\$ 0	\$ (0)
Annual Rate Adjustment	5.00%						
Cumulative Annual Rate Adjustment	5.00%	10.25%	15.76%	21.55%	27.63%	34.01%	34.01%

[1] 2010 is the sum of beginning Cedarhome fund balance and projected Cedarhome PIF revenue for 2010. Budgeted at \$161,429. Revised for lower PIF collections. 2011 through 2013 are the sum of current year Cedarhome PIF revenue and \$139,000 owed to Cedarhome Fund from Construction Fund, spread over two years.

Ending Fund Balances	2010	2011	2012	2013	2014	2015	2016
WATER FUND 421	\$ 651,074	\$ 634,135	\$ 654,167	\$ 566,804	\$ 516,724	\$ 468,741	\$ 255,609
RATE STABILIZATION RESERVE	196,915	1,368,477	351,692	561,882	345,757	348,471	613,889
WATER CONSTRUCTION 422-426	2,559	157,224	157,224	234,557	234,557	286,971	286,971
DEBT RESERVE	\$ 850,547	\$ 2,159,836	\$ 1,163,083	\$ 1,363,243	\$ 1,097,038	\$ 1,104,183	\$ 1,156,470
Total	\$ 498,949	\$ 619,857	\$ 634,696	\$ 725,355	\$ 734,214	\$ 799,725	\$ 806,537
Combined Minimum Target Balance							

**City of Stanwood
Projected Cash Flow
Through 2019**

Version 1 - No Rate Increase / No Debt

ATTACHMENT B

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operations										
Revenues										
Rate Revenues - Existing	\$ 1,347,329	\$ 1,210,748	\$ 1,283,066	\$ 1,397,600	\$ 1,407,383	\$ 1,417,235	\$ 1,427,156	\$ 1,437,146	\$ 1,447,206	\$ 1,457,336
Proposed Rate Increase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-rate Revenues	44,131	41,852	39,383	40,800	41,616	42,448	43,297	44,163	45,046	45,947
Operating Transfer (GF)	-	60,000	62,226	65,337	66,644	67,977	69,336	70,723	72,137	73,580
Total Revenues	\$ 1,391,460	\$ 1,312,600	\$ 1,384,675	\$ 1,503,737	\$ 1,515,643	\$ 1,527,660	\$ 1,539,789	\$ 1,552,032	\$ 1,564,389	\$ 1,576,864
Expenditures										
Operating Expenses	1,053,127	848,929	823,422	919,377	954,361	980,424	1,007,204	1,034,722	1,062,997	1,092,052
Existing Debt Service	435,154	432,415	642,754	637,379	632,036	611,672	569,826	567,767	562,309	560,050
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Expenses	1,488,281	1,281,344	1,466,176	1,556,757	1,586,398	1,592,096	1,577,030	1,602,489	1,625,306	1,652,102
Surplus (Deficit) from Operations	(96,821)	31,257	(81,501)	(59,020)	(70,755)	(64,436)	(37,241)	(50,457)	(60,917)	(75,239)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital										
Revenues										
Plant Invest Fees (PIF)	\$ 121,986	\$ 100,402	\$ 336,708	\$ 417,225	\$ 365,987	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000
Connection Fees	\$ 7,900	\$ 9,600	\$ 27,577	\$ 34,171	\$ 29,975	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
Interest	\$ 3,415	\$ (796)	\$ 7,597	\$ 4,800	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Proceeds from Debt Issue	\$ 124,081	\$ 2,981,757	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	257,382	3,090,963	371,882	456,196	400,962	243,000	243,000	243,000	243,000	243,000
Expenditures										
Equipment Replacement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Capital Projects	710,371	517,503	483,980	923,200	1,925,400	967,200	448,200	921,000	558,400	1,787,400
Total Expenditures	720,371	527,503	493,980	933,200	1,935,400	977,200	458,200	931,000	568,400	1,797,400
Surplus (Deficit) from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(1,534,438)	(734,200)	(215,200)	(688,000)	(325,400)	(1,554,400)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fund Balance Summary										
Beginning Fund Balance	1,663,684	1,103,875	3,698,591	3,494,992	2,964,968	1,359,775	561,139	308,698	(429,759)	(816,075)
Net from Operations	(96,821)	31,257	(81,501)	(59,020)	(70,755)	(64,436)	(37,241)	(50,457)	(60,917)	(75,239)
Net from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(1,534,438)	(734,200)	(215,200)	(688,000)	(325,400)	(1,554,400)
Ending Fund Balance	1,103,875	3,698,591	3,494,992	2,964,968	1,359,775	561,139	308,698	(429,759)	(816,075)	(2,445,714)
Minimum Cash Reserves	2,200,000									

City adopted a 5% rate increase for 2011, 2012 and 2013. This projection assumes no further increases, except for a 0.7% increase for growth. Thereafter, assumed a 0.7% annual increase in rate revenues due to growth (same as rate study). Assumes 46 units in 2012, 57 units in 2013, 50 units in 2014, and an average of 30 units/year thereafter. Assumes water operating expenditures will increase 2.5% per year as a result of inflation (same assumption as rate study). Assumes the addition of 1.0 FTE staff and 1 seasonal position added to 2013 and future years.

Conclusion: Under this model, cash reserves would fall below the \$2.2 million minimum in 2014 and turn negative in 2018.

**City of Stanwood
Projected Cash Flow
Through 2019**

**Version 2 - Rate Increase Only
12% Per Year (2014 - 2019)**

ATTACHMENT C

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operations										
Revenues										
Rate Revenues - Existing	\$ 1,347,329	\$ 1,210,748	\$ 1,283,066	\$ 1,397,600	\$ 1,407,383	\$ 1,417,235	\$ 1,427,156	\$ 1,437,146	\$ 1,447,206	\$ 1,457,336
Proposed Rate Increase	\$ -	\$ -	\$ -	\$ -	\$ 168,886	\$ 360,545	\$ 577,895	\$ 824,231	\$ 1,103,265	\$ 1,419,187
Non-Rate Revenues	44,131	41,852	39,383	40,800	41,616	42,448	43,297	44,163	45,046	45,947
Operating Transfer (GF)	-	60,000	62,226	65,337	66,644	67,977	69,336	70,723	72,137	73,580
Total Revenues	\$ 1,391,460	\$ 1,312,600	\$ 1,384,675	\$ 1,503,737	\$ 1,684,529	\$ 1,888,204	\$ 2,117,684	\$ 2,376,265	\$ 2,667,655	\$ 2,996,051
Expenditures										
Operating Expenses	1,053,127	848,929	823,422	919,377	954,361	980,424	1,007,204	1,034,722	1,062,997	1,092,052
Existing Debt Service	435,154	432,415	642,754	637,379	632,036	611,672	569,826	567,767	562,309	560,050
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Expenses	1,488,281	1,281,344	1,466,176	1,556,757	1,586,398	1,592,096	1,577,030	1,602,489	1,625,306	1,652,102
Surplus (Deficit) from Operations	(96,821)	31,257	(81,501)	(53,020)	98,131	296,108	540,654	773,774	1,042,348	1,343,948
Capital										
Revenues										
Plant Invest Fees (PIF)	\$ 121,986	\$ 100,402	\$ 336,708	\$ 417,225	\$ 365,987	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000
Connection Fees	\$ 7,900	\$ 9,600	\$ 27,577	\$ 34,171	\$ 29,975	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
Interest	\$ 3,415	\$ (796)	\$ 7,597	\$ 4,800	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Proceeds from Debt Issue	\$ 124,081	\$ 2,981,757	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	257,382	3,090,963	371,882	456,196	400,962	243,000	243,000	243,000	243,000	243,000
Expenditures										
Equipment Replacement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Capital Projects	710,371	517,503	483,980	923,200	1,925,400	967,200	448,200	921,000	558,400	1,787,400
Total Expenditures	720,371	527,503	493,980	933,200	1,935,400	977,200	458,200	931,000	568,400	1,797,400
Surplus (Deficit) from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(1,534,438)	(734,200)	(215,200)	(688,000)	(325,400)	(1,554,400)
Fund Balance Summary										
Beginning Fund Balance	1,663,684	1,103,875	3,698,591	3,494,992	2,964,968	1,528,661	1,090,570	1,416,024	1,501,798	2,218,746
Net from Operations	(96,821)	31,257	(81,501)	(53,020)	98,131	296,108	540,654	773,774	1,042,348	1,343,948
Net from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(1,534,438)	(734,200)	(215,200)	(688,000)	(325,400)	(1,554,400)
Ending Fund Balance	1,103,875	3,698,591	3,494,992	2,964,968	1,528,661	1,090,570	1,416,024	1,501,798	2,218,746	2,008,295
Minimum Cash Reserves	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000

City adopted a 5% rate increase for 2011, 2012 and 2013. This projection assumes no further increases, except for a 0.7% increase for growth. Thereafter, assumed a 0.7% annual increase in rate revenues due to growth (same as rate study). Assumes 46 units in 2012, 57 units in 2013, 50 units in 2014, and an average of 30 units/year thereafter. Assumes water operating expenditures will increase 2.5% per year as a result of inflation (same assumption as rate study). Assumes the addition of 1.0 FTE staff and 1 seasonal position added to 2013 and future years.

Conclusion: This model assumes a 12% per year rate increase from 2014 through 2019 to maintain cash reserves at or near \$2.2 million minimum.

City of Stanwood
Projected Cash Flow
Through 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operations										
Revenues										
Rate Revenues - Existing	\$ 1,347,329	\$ 1,210,748	\$ 1,283,066	\$ 1,397,600	\$ 1,407,383	\$ 1,417,235	\$ 1,427,156	\$ 1,437,146	\$ 1,447,206	\$ 1,457,336
Proposed Rate Increases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-rate Revenues	44,131	41,852	39,383	40,800	41,616	42,448	43,297	44,163	45,046	45,947
Operating Transfer (GF)	-	60,000	62,226	65,337	66,644	67,977	69,336	70,723	72,137	73,580
Total Revenues	\$ 1,391,460	\$ 1,312,600	\$ 1,384,675	\$ 1,503,737	\$ 1,515,643	\$ 1,527,660	\$ 1,539,789	\$ 1,552,032	\$ 1,564,389	\$ 1,576,864
Expenditures										
Operating Expenses	1,053,127	848,929	823,422	919,377	954,361	980,424	1,007,204	1,034,722	1,062,997	1,092,052
Existing Debt Service	435,154	432,415	642,754	637,379	632,036	611,672	569,826	567,767	562,309	560,050
New Debt Service	-	-	-	-	-	73,000	146,000	219,000	292,000	365,000
Total Expenses	1,488,281	1,281,344	1,466,176	1,556,757	1,586,398	1,665,096	1,723,030	1,821,489	1,917,306	2,017,102
Surplus (Deficit) from Operations	(96,821)	31,257	(81,501)	(53,020)	(70,755)	(137,436)	(183,241)	(269,457)	(352,917)	(440,239)
Capital										
Revenues										
Plant Invest Fees (PIF)	\$ 124,986	\$ 100,402	\$ 336,708	\$ 417,225	\$ 365,987	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000
Connection Fees	\$ 7,900	\$ 9,600	\$ 27,577	\$ 34,171	\$ 29,975	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
Interest	\$ 3,415	\$ (796)	\$ 7,597	\$ 4,800	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Proceeds from Debt Issue	\$ 124,081	\$ 2,981,757	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Total Revenues	257,382	3,090,963	371,882	456,196	400,962	1,243,000	1,243,000	1,243,000	1,243,000	1,243,000
Expenditures										
Equipment Replacement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Capital Projects	710,371	517,503	483,980	923,200	1,925,400	967,200	448,200	921,000	558,400	1,787,400
Total Expenditures	720,371	527,503	493,980	933,200	1,935,400	977,200	458,200	931,000	568,400	1,797,400
Surplus (Deficit) from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(1,534,438)	265,800	784,800	312,000	674,600	(554,400)
Fund Balance Summary										
Beginning Fund Balance	1,663,684	1,103,875	3,698,591	3,494,992	2,964,968	1,359,775	1,488,139	2,089,698	2,132,241	2,453,925
Net from Operations	(96,821)	31,257	(81,501)	(53,020)	(70,755)	(137,436)	(183,241)	(269,457)	(352,917)	(440,239)
Net from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(1,534,438)	265,800	784,800	312,000	674,600	(554,400)
Ending Fund Balance	1,103,875	3,698,591	3,494,992	2,964,968	1,359,775	1,488,139	2,089,698	2,132,241	2,453,925	1,459,286

City adopted a 5% rate increase for 2011, 2012 and 2013. This projection assumes no further increases, except for a 0.7% increase for growth. Thereafter, assumed a 0.7% annual increase in rate revenues due to growth (same as rate study). Assumes 46 units in 2012, 57 units in 2013, 50 units in 2014, and an average of 30 units/year thereafter. Assumes water operating expenditures will increase 2.5% per year as a result of inflation (same assumption as rate study). Assumes the addition of 1.0 FTE staff and 1 seasonal position added to 2013 and future years.

Conclusion: Under this model, the \$2.2 million cash reserves would be maintained by borrowing \$1 million per year from 2015 through 2019 (\$5 million total), assuming average rate of 4% and 20 year maturities.

Version 4 - Rate Increases and New Debt

ATTACHMENT F

City of Stanwood
Projected Cash Flow
Through 2019

Operations	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Rate Revenues - Existing	\$ 1,347,329	\$ 1,210,748	\$ 1,283,066	\$ 1,397,600	\$ 1,407,383	\$ 1,417,235	\$ 1,427,156	\$ 1,437,146	\$ 1,447,206	\$ 1,457,336
Proposed Rate Increases	\$ -	\$ -	\$ -	\$ -	\$ 84,443	\$ 175,170	\$ 272,610	\$ 377,218	\$ 489,482	\$ 609,923
Non-rate Revenues	44,131	41,852	39,383	40,800	41,616	42,448	43,297	44,163	45,046	45,947
Operating Transfer (GF)	-	60,000	62,226	65,337	66,644	67,977	69,336	70,723	72,137	73,580
Total Revenues	\$ 1,391,460	\$ 1,312,600	\$ 1,384,675	\$ 1,503,737	\$ 1,600,086	\$ 1,702,830	\$ 1,812,399	\$ 1,929,249	\$ 2,053,871	\$ 2,186,787
Expenditures										
Operating Expenses	1,053,127	848,929	823,422	919,377	954,361	980,424	1,007,204	1,034,722	1,062,997	1,092,052
Existing Debt Service	435,154	432,415	642,754	637,379	632,036	611,672	569,826	567,767	562,309	560,050
New Debt Service	-	-	-	-	-	36,500	73,000	109,500	146,000	182,500
Total Expenditures	1,488,281	1,281,344	1,466,176	1,556,757	1,586,398	1,628,596	1,650,030	1,711,989	1,771,306	1,834,602
Surplus (Deficit) from Operations	(96,821)	31,257	(81,501)	(53,020)	13,688	74,234	162,369	217,261	282,565	352,184

Capital

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Plant Invest Fees (PIF)	\$ 121,986	\$ 100,402	\$ 336,708	\$ 417,225	\$ 365,987	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000
Connection Fees	\$ 7,900	\$ 9,600	\$ 27,577	\$ 34,171	\$ 29,975	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
Interest	\$ 3,415	\$ (796)	\$ 7,597	\$ 4,800	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Proceeds from Debt Issue	\$ 124,081	\$ 2,981,757	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Total Revenues	257,382	3,090,963	371,882	456,196	400,962	743,000	743,000	743,000	743,000	743,000
Expenditures										
Equipment Replacement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Capital Projects	710,371	517,503	483,980	923,200	1,925,400	967,200	448,200	921,000	558,400	1,787,400
Total Expenditures	720,371	527,503	493,980	933,200	1,935,400	977,200	458,200	931,000	568,400	1,797,400
Surplus (Deficit) from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(1,534,438)	(234,200)	284,800	(188,000)	174,600	(1,054,400)

Fund Balance Summary

Beginning Fund Balance	1,663,684	1,403,875	3,698,591	3,494,992	2,964,968	1,444,218	1,284,252	1,731,421	1,760,682	2,217,847
Net from Operations	(96,821)	31,257	(81,501)	(53,020)	13,688	74,234	162,369	217,261	282,565	352,184
Net from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(1,534,438)	(234,200)	284,800	(188,000)	174,600	(1,054,400)
Ending Fund Balance	1,103,875	3,698,591	3,494,992	2,964,968	1,444,218	1,284,252	1,731,421	1,760,682	2,217,847	1,515,631
Minimum Cash Reserves	2,200,000									

City adopted a 5% rate increase for 2011, 2012 and 2013. This projection assumes no further increases, except for a 0.7% increase for growth. Thereafter, assumed a 0.7% annual increase in rate revenues due to growth (same as rate study). Assumes 46 units in 2012, 57 units in 2013, 50 units in 2014, and an average of 30 units/year thereafter. Assumes water operating expenditures will increase 2.5% per year as a result of inflation (same assumption as rate study). Assumes the addition of 1.0 FTE staff and 1 seasonal position added to 2013 and future years.

Conclusion: Under this model, the \$2.2 million cash reserves would be maintained by increasing rates by 6% annually from 2014 through 2019, and borrowing \$500,000 per year from 2015 through 2019 (\$2.5 million total), assuming average rate of 4% and 20 year maturities.

Version 5 - 3.5% Rate Increases and No New Debt

ATTACHMENT F

City of Stanwood
Projected Cash Flow
Through 2019

Operations	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Rate Revenues - Existing	\$ 1,347,329	\$ 1,210,748	\$ 1,283,066	\$ 1,397,600	\$ 1,407,383	\$ 1,417,235	\$ 1,427,156	\$ 1,437,146	\$ 1,447,206	\$ 1,457,336
Proposed Rate Increases	\$ -	\$ -	\$ -	\$ -	\$ 49,258	\$ 100,943	\$ 155,157	\$ 212,012	\$ 271,621	\$ 334,102
Non-rate Revenues	44,131	41,852	39,383	40,800	41,616	42,448	43,297	44,163	45,046	45,947
Operating Transfer (GF)	-	60,000	62,226	65,337	66,644	67,977	69,336	70,723	72,137	73,580
Total Revenues	\$ 1,391,460	\$ 1,312,600	\$ 1,384,675	\$ 1,503,737	\$ 1,564,901	\$ 1,628,602	\$ 1,694,946	\$ 1,764,044	\$ 1,836,010	\$ 1,910,966
Expenditures										
Operating Expenses	1,053,127	848,929	823,422	919,377	954,361	980,424	1,007,204	1,034,722	1,062,997	1,092,052
Existing Debt Service	435,154	432,415	642,754	637,379	632,036	611,672	569,826	567,767	562,309	560,050
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Expenses	1,488,281	1,281,344	1,466,176	1,556,757	1,586,398	1,592,096	1,577,030	1,602,489	1,625,306	1,652,102
Surplus (Deficit) from Operations	(96,821)	31,257	(81,501)	(53,020)	(21,496)	36,506	117,916	161,555	210,704	258,864

Capital

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Plant Invest Fees (PIF)	\$ 121,986	\$ 100,402	\$ 336,708	\$ 417,225	\$ 365,987	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000
Connection Fees	\$ 7,900	\$ 9,600	\$ 27,577	\$ 34,171	\$ 29,975	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
Interest	\$ 3,415	\$ (796)	\$ 7,597	\$ 4,800	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Proceeds from Debt Issue	\$ 124,081	\$ 2,981,757	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	257,382	3,090,963	374,882	456,196	400,962	243,000	243,000	243,000	243,000	243,000
Expenditures										
Equipment Replacement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Capital Projects	710,371	517,503	483,980	923,200	500,000	500,000	500,000	500,000	500,000	500,000
Total Expenditures	720,371	527,503	493,980	933,200	510,000	510,000	510,000	510,000	510,000	510,000
Surplus (Deficit) from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(109,038)	(267,000)	(267,000)	(267,000)	(267,000)	(267,000)

Fund Balance Summary

Beginning Fund Balance	1,663,684	1,103,875	3,698,591	3,494,992	2,964,968	2,834,434	2,603,940	2,454,856	2,349,412	2,293,116
Net from Operations	(96,821)	31,257	(81,501)	(53,020)	(21,496)	36,506	117,916	161,555	210,704	258,864
Net from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(109,038)	(267,000)	(267,000)	(267,000)	(267,000)	(267,000)
Ending Fund Balance	1,103,875	3,698,591	3,494,992	2,964,968	2,834,434	2,603,940	2,454,856	2,349,412	2,293,116	2,284,979
Minimum Cash Reserves	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000

City adopted a 5% rate increase for 2011, 2012 and 2013. This projection assumes no further increases, except for a 0.7% increase for growth.

Thereafter, assumed a 0.7% annual increase in rate revenues due to growth (same as rate study).

Assumes 46 units in 2012, 57 units in 2013, 50 units in 2014, and an average of 30 units/year thereafter.

Assumes water operating expenditures will increase 2.5% per year as a result of inflation (same assumption as rate study).

Assumes the addition of 1.0 FTE staff and 1 seasonal position added to 2013 and future years.

Conclusion: Under this model, the \$2.2 million cash reserves would be maintained by increasing rates by 3.5% annually from 2014 through 2019, and spending \$500,000 per year (net of developer funded) on capital projects.

**City of Stanwood
Water Projected Cash Flow
Through 2019**

Version 6 - 5% Rate Increases and No New Debt

Attachment G

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operations										
Revenues										
Rate Revenues - Existing	\$ 1,347,329	\$ 1,210,748	\$ 1,283,066	\$ 1,397,600	\$ 1,407,383	\$ 1,417,235	\$ 1,427,156	\$ 1,437,146	\$ 1,447,206	\$ 1,457,336
Proposed Rate Increases	\$ -	\$ -	\$ -	\$ -	\$ 70,369	\$ 145,267	\$ 224,955	\$ 309,714	\$ 399,836	\$ 495,634
Non-rate Revenues	44,131	41,852	39,383	40,800	41,616	42,448	43,297	44,163	45,046	45,947
Operating Transfer (GF)	-	60,000	62,226	65,337	66,644	67,977	69,336	70,723	72,137	73,580
Total Revenues	\$ 1,391,460	\$ 1,312,600	\$ 1,384,675	\$ 1,503,737	\$ 1,586,012	\$ 1,672,926	\$ 1,764,744	\$ 1,861,746	\$ 1,964,226	\$ 2,072,497
Expenditures										
Operating Expenses	1,053,127	848,929	823,422	919,377	995,143	1,022,429	1,050,469	1,079,285	1,108,898	1,139,329
Existing Debt Service	435,154	432,415	642,754	637,379	632,036	611,672	569,826	567,767	562,309	560,050
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Expenses	1,488,281	1,281,344	1,466,176	1,556,757	1,627,180	1,634,101	1,620,295	1,647,052	1,671,207	1,699,379
Surplus (Deficit) from Operations	(96,821)	31,257	(81,501)	(53,020)	(41,167)	38,825	144,449	214,694	293,019	373,118
Capital										
Revenues										
Plant Invest Fees (PIF)	\$ 121,986	\$ 100,402	\$ 336,708	\$ 417,225	\$ 365,987	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000
Connection Fees	\$ 7,900	\$ 9,600	\$ 27,577	\$ 34,171	\$ 29,975	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
Interest	\$ 3,415	\$ (796)	\$ 7,597	\$ 4,800	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Proceeds from Debt Issue	\$ 124,081	\$ 2,981,757	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	257,382	3,090,963	371,882	456,196	400,962	243,000	243,000	243,000	243,000	243,000
Expenditures										
Equipment Replacement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Capital Projects	710,371	517,503	483,980	923,200	1,623,600	612,400	798,200	446,800	526,800	660,200
Total Expenditures	720,371	527,503	493,980	933,200	1,633,600	622,400	808,200	456,800	536,800	670,200
Surplus (Deficit) from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(1,232,638)	(379,400)	(565,200)	(213,800)	(293,800)	(427,200)
Fund Balance Summary										
Beginning Fund Balance	1,663,684	1,103,875	3,698,591	3,494,992	2,964,968	1,691,163	1,350,588	929,837	930,731	929,950
Net from Operations	(96,821)	31,257	(81,501)	(53,020)	(41,167)	38,825	144,449	214,694	293,019	373,118
Net from Capital	(462,989)	2,563,460	(122,098)	(477,004)	(1,232,638)	(379,400)	(565,200)	(213,800)	(293,800)	(427,200)
Ending Fund Balance	1,103,875	3,698,591	3,494,992	2,964,968	1,691,163	1,350,588	929,837	930,731	929,950	875,868
Minimum Cash Reserves	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000

City adopted a 5% rate increase for 2011, 2012 and 2013. This projection assumes no further increases, except for a 0.7% increase for growth. Thereafter, assumed a 0.7% annual increase in rate revenues due to growth (same as rate study). Assumes 46 units in 2012, 57 units in 2013, 50 units in 2014, and an average of 30 units/year thereafter. Assumes water operating expenditures will increase 2.5% per year as a result of inflation (same assumption as rate study). Assumes the addition of 1.0 FTE staff and 1 seasonal position added to 2013 and future years.

Conclusion: Under this model, positive cash reserves would not be maintained (less than \$1.7m target) by increasing rates by 5% annually from 2014 through 2019, and spending an average of \$778,000 per year (net of developer funded) on capital projects.

**City of Stanwood
Water - Projected Capital Projects
2014 through 2019**

Attachment H

Description	Total	2014	2015	2016	2017	2018	2019
F5 Bryant Well #2 Replacement	\$ 533,000	\$ 533,000	\$ -	\$ -	\$ -	\$ -	\$ -
PZ-2	\$ 551,000	\$ 551,000	\$ -	\$ -	\$ -	\$ -	\$ -
F11 Hatt Slough Rehab	\$ 540,000	\$ 54,000	\$ 243,000	\$ 243,000	\$ -	\$ -	\$ -
Pioneer Highway	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -
F6 Bryant WTP Facility Sewer	\$ 68,000	\$ 13,600	\$ 54,400	\$ -	\$ -	\$ -	\$ -
WMR 34 103rd Dr 273rd to SR 532	\$ 430,000	\$ -	\$ 86,000	\$ 344,000	\$ -	\$ -	\$ -
WMR 36 101st Ave 274th - 270th	\$ 308,000	\$ -	\$ -	\$ -	\$ 61,000	\$ 247,000	\$ -
WMR 74 Cedarhome Rd Pioneer Hwy - 80th	\$ 291,000	\$ -	\$ -	\$ 58,200	\$ 232,800	\$ -	\$ -
WMR 50 & 51 270th St & Camano Street	\$ 634,000	\$ -	\$ -	\$ -	\$ -	\$ 126,800	\$ 507,200
WMR 52 98th Ave	\$ 95,000	\$ 19,000	\$ 76,000	\$ -	\$ -	\$ -	\$ -
Improvements	\$ 300,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Water Use Efficiency Program	\$ 150,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Cross Connection Control Program	\$ 18,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Wellhead Protection Program	\$ 150,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Meters/Installs	\$ 300,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Totals	\$ 4,668,000	\$ 1,623,600	\$ 612,400	\$ 798,200	\$ 446,800	\$ 526,800	\$ 660,200

**City of Stanwood
Water - Projected Staffing
2013 through 2019**

Attachment I

Description	2013	2014	2015	2016	2017	2018	2019
City Administrator (25%)	\$ 41,109	\$ 42,342	\$ 43,613	\$ 44,921	\$ 46,269	\$ 47,657	\$ 49,086
PW Director (25%)	\$ 31,601	\$ 35,978	\$ 37,057	\$ 38,169	\$ 39,314	\$ 40,493	\$ 41,708
Asst PW Director (25%)	\$ -	\$ 30,581	\$ 31,499	\$ 32,443	\$ 33,417	\$ 34,419	\$ 35,452
Lead (100%)	\$ 97,460	\$ 100,384	\$ 103,395	\$ 106,497	\$ 109,692	\$ 112,983	\$ 116,372
Operator I	\$ 79,405	\$ 81,787	\$ 84,241	\$ 86,768	\$ 89,371	\$ 92,052	\$ 94,814
Operator I	\$ 80,000	\$ 82,400	\$ 84,872	\$ 87,418	\$ 90,041	\$ 92,742	\$ 95,524
PW III	\$ 67,600	\$ 76,400	\$ 78,692	\$ 81,053	\$ 83,484	\$ 85,989	\$ 88,569
Admin (25%)	\$ 15,978	\$ 16,458	\$ 16,951	\$ 17,460	\$ 17,984	\$ 18,523	\$ 19,079
Seasonal (340 hrs 2013/1,000 hrs 2014)	\$ 5,067	\$ 15,128	\$ 15,581	\$ 16,049	\$ 16,530	\$ 17,026	\$ 17,537
Total Budgeted	\$ 418,220	\$ 481,457	\$ 495,901	\$ 510,778	\$ 526,101	\$ 541,884	\$ 558,141