

Mason County
North Bay Case Inlet Sewer System
Sewer Utility Financial Analysis

Final Study Results

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Study Goals

- Assess Financial Condition of NBCI Sewer Utility
- Identify Options to Ensure Long-Term Fiscal Health
- Develop a Rate Forecast
- Calculate Capital Facilities Charges

Growth Projections

EXISTING CUSTOMER UNITS (Year-End)	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
1 - Connected ERUs (homes built)	1,090									
2 - Vacant Lots (w/o dwelling, buildable)	173									
3 - Vacant Lots (w/GP)	27									
INCREMENTAL CUSTOMER GROWTH (During Year)										
1 - Connected ERUs (homes built) [a]		50	40	30	16	16	16	16	16	200
2 - Vacant Lots (w/o dwelling, buildable) [b]		38	29	20	8	9	9	9	9	131
3 - Vacant Lots (w/GP) [c]		4	4	4	3	3	3	3	3	27
4 - New Customers [d]		8	7	6	5	4	4	4	4	42
PROJECTED CUSTOMER UNITS (Year-End)										
1 - Connected ERUs (homes built)	1,090	1,140	1,180	1,210	1,226	1,242	1,258	1,274	1,290	200
2 - Vacant Lots (w/o dwelling, buildable)	173	135	106	86	78	69	60	51	42	(131)
3 - Vacant Lots (w/GP)	27	23	19	15	12	9	6	3	-	(27)

[a] Total conversions plus new connections, subject to \$48.50 charge; comprised of customer categories [b] thru [d].

[b] Conversion from \$15 charge to \$48.50 charge.

[c] Conversion from \$32.50 charge to \$48.50 charge. All have previously paid CFC.

[d] New customers from subdivisions within UGA or developer inventory lots. All customers subject to full CFC.

O&M Summary

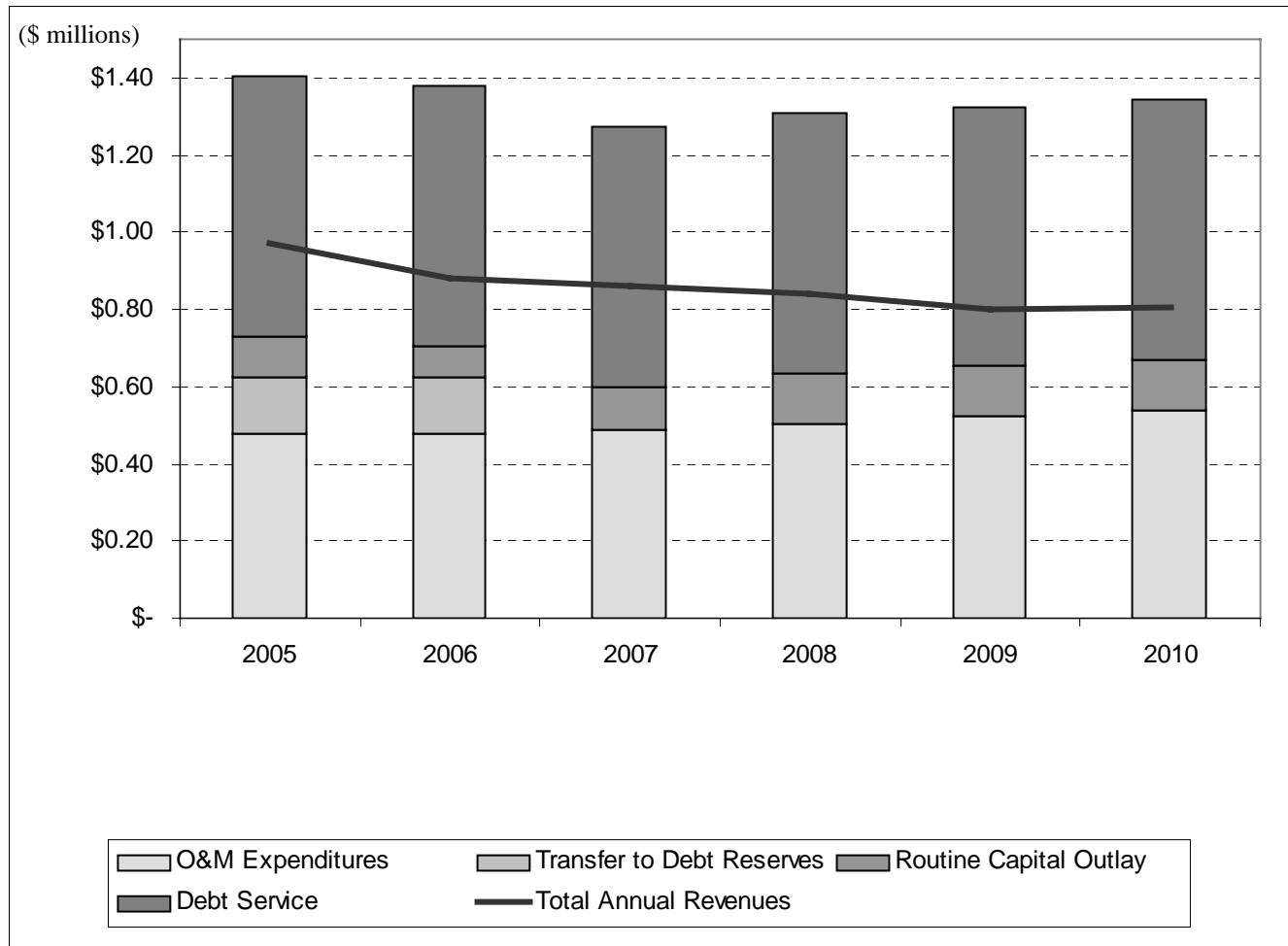
OPERATING EXPENSES	2005	2006	2007	2008	2009	2010
Salaries & Benefits	\$ 124,172	\$ 158,899	\$ 164,460	\$ 172,683	\$ 181,318	\$ 190,384
Supplies	30,200	33,000	33,660	34,670	35,710	36,781
Other Services & Charges	151,464	161,547	164,778	169,721	174,813	180,057
Interfund Payments for Services	151,753	104,717	106,811	110,016	113,316	116,716
Taxes	18,289	19,660	18,979	18,098	16,863	16,991
Transfer to DOE Debt Reserve	150,156	146,937	-	-	-	-
Routine Capital Outlays	<u>105,000</u>	<u>80,000</u>	<u>110,000</u>	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>
Total Operating Expenses	\$ 731,034	\$ 704,760	\$ 598,688	\$ 635,189	\$ 652,020	\$ 670,929

[a] Excludes debt service payments

Existing Debt Obligations

- ❑ Department of Ecology (DOE) loan
 - 20 year term; through 2022
 - Outstanding balance = \$6.9 million
 - Annual debt service payments = \$375,390
 - Coverage requirement: 1.20 times annual debt service
 - Restricted reserve = one year's debt service payment
- ❑ U.S Dept. of Agriculture Rural Development (RD) loan
 - 40 year term; through 2042
 - Outstanding balance = \$5.2 million
 - Annual debt service payments = \$298,472
 - No coverage or restricted reserve requirement

Revenue Requirement Summary Before Rate Increases



Base Case Analysis

Full Cost met from Rates

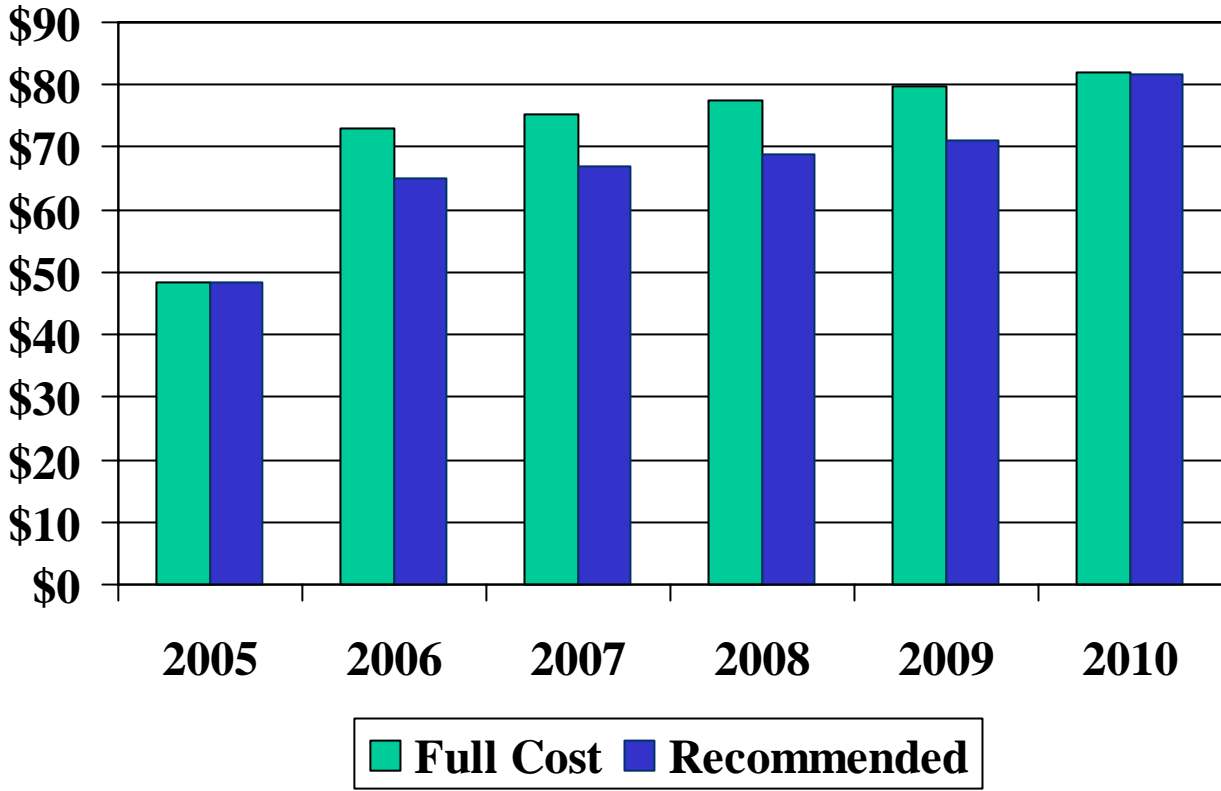
Revenue Requirements	2005	2006	2007	2008	2009	2010
Revenues						
Rate Revenues Under Existing Rates	\$ 653,000	\$ 696,750	\$ 713,250	\$ 725,550	\$ 732,252	\$ 738,774
Non-Rate Revenues	70,263	12,000	9,805	18,529	17,016	14,905
Use of CFC to Pay Debt Service	250,000	170,409	136,203	98,297	52,464	52,181
Total Revenues	\$ 973,263	\$ 879,159	\$ 859,258	\$ 842,376	\$ 801,732	\$ 805,860
Expenses						
Cash O&M Expenses	\$ 475,878	\$ 477,823	\$ 488,688	\$ 505,189	\$ 522,020	\$ 540,929
Transfers Out/Routine Capital	255,156	226,937	110,000	130,000	130,000	130,000
Existing Debt Service	673,862	673,862	673,862	673,861	673,862	673,862
Total Expenses	\$ 1,404,895	\$ 1,378,622	\$ 1,272,550	\$ 1,309,049	\$ 1,325,881	\$ 1,344,790
Annual Surplus/(Deficiency) before Increases	\$ (431,632)	\$ (499,463)	\$ (413,292)	\$ (466,673)	\$ (524,150)	\$ (538,930)
Use of Operating Reserve	431,632	380,503	218,006	179,959	127,438	54,753
Net Revenue from Prior Year Increase	-	-	346,317	383,786	420,072	457,837
Annual Surplus/(Deficiency) after Prior Year Increase	\$ -	\$ (118,960)	\$ 151,030	\$ 97,071	\$ 23,360	\$ (26,340)
Annual Rate Adjustment	0.00%	50.50%	3.00%	3.00%	3.00%	3.00%
Cumulative Rate Adjustment	0.00%	50.50%	55.02%	59.67%	64.46%	69.39%
Proposed Rate - \$/EDU						
Connected Properties (properties built)	\$ 48.50	\$ 72.99	\$ 75.18	\$ 77.44	\$ 79.76	\$ 82.15
Service Availability Charges (without grinder pumps)	\$ 15.00	\$ 22.58	\$ 23.25	\$ 23.95	\$ 24.67	\$ 25.41
Service Availability Chrges (with grinder pumps)	\$ 32.50	\$ 48.91	\$ 50.38	\$ 51.89	\$ 53.45	\$ 55.05
Proposed Connection Charge - \$/EDU						
New Connections Without Prior Contributions	\$ 5,000	\$ 8,150	\$ 8,650	\$ 9,150	\$ 9,650	\$ 10,150
New Connections Participating under Service Availability Charges	\$ 5,000	\$ 6,415	\$ 6,415	\$ 6,415	\$ 6,415	\$ 6,415
Grinder Pump Surcharge	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200

Recommendation

Supplemental Funding from Other County Resources

Revenue Requirements	2005	2006	2007	2008	2009	2010
Revenues						
Rate Revenues Under Existing Rates	\$ 653,000	\$ 696,750	\$ 713,250	\$ 725,550	\$ 732,252	\$ 738,774
Non-Rate Revenues	70,263	12,000	10,022	19,223	17,817	15,672
Use of CFC to Pay Debt Service	250,000	170,409	136,203	98,297	52,464	52,181
Total Revenues	\$ 973,263	\$ 879,159	\$ 859,475	\$ 843,070	\$ 802,533	\$ 806,628
Expenses						
Cash O&M Expenses	\$ 475,878	\$ 477,823	\$ 488,688	\$ 505,189	\$ 522,020	\$ 540,929
Transfers Out/Routine Capital	255,156	226,937	110,000	130,000	130,000	130,000
Existing Debt Service	673,862	673,862	673,862	673,861	673,862	673,862
Total Expenses	\$ 1,404,895	\$ 1,378,622	\$ 1,272,550	\$ 1,309,049	\$ 1,325,881	\$ 1,344,790
Annual Surplus/(Deficiency) before Increases	\$ (431,632)	\$ (499,463)	\$ (413,075)	\$ (465,979)	\$ (523,348)	\$ (538,163)
Use of Operating Reserve	431,632	374,463	232,471	203,093	154,152	80,329
Net Revenue from Prior Year Increase	-	-	233,164	265,228	296,830	329,767
Assistance from Other County Revenue Sources	-	125,000	125,000	125,000	125,000	-
Annual Surplus/(Deficiency) after Prior Year Increase	\$ -	\$ -	\$ 177,559	\$ 127,342	\$ 52,633	\$ (128,067)
Annual Rate Adjustment	0.00%	34.00%	3.00%	3.00%	3.00%	15.00%
Cumulative Rate Adjustment	0.00%	34.00%	38.02%	42.16%	46.43%	68.39%
Proposed Rate - \$/EDU						
Connected Properties (properties built)	\$ 48.50	\$ 64.99	\$ 66.94	\$ 68.95	\$ 71.02	\$ 81.67
Service Availability Charges (without grinder pumps)	\$ 15.00	\$ 20.10	\$ 20.70	\$ 21.32	\$ 21.96	\$ 25.26
Service Availability Chrges (with grinder pumps)	\$ 32.50	\$ 43.55	\$ 44.86	\$ 46.20	\$ 47.59	\$ 54.73
Proposed Connection Charge - \$/EDU						
New Connections Without Prior Contributions	\$ 5,000	\$ 8,150	\$ 8,650	\$ 9,150	\$ 9,650	\$ 10,150
New Connections Participating under Service Availability Charges	\$ 5,000	\$ 6,415	\$ 6,415	\$ 6,415	\$ 6,415	\$ 6,415
Grinder Pump Surcharge	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200

Comparison of Rates



Capital Facilities Charges

- ❑ A one-time charge imposed as a condition of service on new customers connecting to the system, or reserving system capacity for future connection
- ❑ Purpose: to promote equity between new and existing customers and to support capital needs
- ❑ Current charge: \$5,000 per equivalent residential unit
- ❑ Proposed two tiered CFC structure
 - New connections without prior contributions through service availability charges: CFC includes a component for interest on non-contributed plant assets - **\$8,150**
 - New connection with prior contributions through service availability charge: CFC excludes interest component to recognize that interest costs are recovered through the service availability charge - **\$6,415**

Capital Facilities Charges

