



MASON COUNTY BOARD OF COMMISSIONERS

General Utility Management Study

PRESENTED BY:

Dawn Findlay Reitan, Inslee Best

Tom Perry, MSA

Ed Cebron, FCS GROUP

July 2007

Presentation Order

- Dawn Findlay Reitan – Legal
- Tom Perry – Operational/Capital Planning
- Ed Cebron – Financial Policy and Impact

Team Members Not Presenting:

Hugh Spitzer, Foster Pepper

John Milne, Inslee Best

Courtney Black, FCS Group

Legal

Dawn Findlay Reitan, Inslee Best

A red canoe is positioned in the lower foreground, partially on a pebbly shore. The water is calm and reflects the soft, warm light of a sunset or sunrise. In the distance, a range of mountains is visible under a hazy, orange-tinted sky. The overall scene is peaceful and scenic.

Utilities Status Report

Engineering/Planning/Operations
Tom Perry, MSA

Mason County Utilities

- Rustlewood Water and Sewer System
- Hartstene Pointe Water and Sewer System
- North Bay/Case Inlet Sewer
- Beard's Cove Water System
- Belfair Sewer (proposed)

Rustlewood Sewer

- Rustlewood Subdivision, 130 connections
- System Operations - Shared Staff, Increased needs with anticipate WWTP project
- Current Planning Documents/Studies
 - Abbreviated Engineering Report WWTP – 2006
 - I&I Study/Engineering Report – 1995
- System Deficiencies
 - Excessive I&I
 - WWTP deficiencies (current project)
 - No CIP, current focus on WWTP
- 10 Year Estimated Capital Needs
 - WWTP Upgrade, I&I program, Pump Station Upgrades
 - \$2,554,000

Rustlewood Water

- Rustlewood Subdivision, 130 connections
- System Operations - Shared Staff
- Current Planning Documents/Studies
 - None
- System Deficiencies
 - No system studies, Plans or CIP
 - No meters
- 10 Year Estimated Capital Needs
 - Distribution Improvements, Pump System Upgraded, Reservoir Upgrades, Water Meters
 - \$524,000

Hartstene Pointe Sewer

- Hartstene Development, 350 connections
- System Operations - Shared Operations Staff
- Current Planning Documents/Studies
 - Amendment to Engineering Report - 2004
- System Deficiencies
 - Excessive I&I
 - No documentation on overall system condition. No CIP. Current focus on WWTP outfall
- 10 year Estimated Capital Needs
 - Outfall Upgrade, I&I Program, Minor Facility Improvements
 - \$1,038,000

Hartstene Pointe Water

- Hartstene Development, 350 connections
- Operations – Shared Operations Staff
- Current Planning Documents/Studies
 - Water Plan Update – in progress
- System Deficiencies
 - No Current Water Plan – in progress
 - Water source exceeds arsenic standard – addressing in Water Plan
 - No meters
- 10 year Estimated Capital Needs
 - Treatment Upgrades, Minor Facility Improvements, Water Meters,
 - \$678,000

North Bay/Case Inlet Sewer

- Lakeland Village, Victor & Allyn, 1,030 connections
- Operations – Largest demand, needs increased by collection system type
- Current Planning Documents/Studies
 - North Bay/Case Inlet Facilities Plan - 1994
- System Deficiencies
 - No planning documents or system evaluation since start-up
 - Pump station overflow deficiencies
- 10 year Estimated Capital Needs
 - Mobile Home Park PS, Pump Station Overflow Improvements, Minor Facility Improvements, WWTP Capacity Upgrade (2017)
 - \$2,514,000

Beard's Cove Water System

- Six subdivisions, 405 connections
- Operations – Shared Operations Staff
- Current Planning Documents/Studies
 - Water System Plan - 2002
- System Deficiencies
 - No meters
- 10 year Estimated Capital Needs
 - Distribution and Facility Improvements, New Reservoir, Water Meters
 - \$841,000

Belfair Sewer

- Proposed System – 2009
- Belfair UGA, 500 ERU's initially
- Operations – Shared Staff/Facilities with NB/CI
- Current Planning Documents/Studies
 - Belfair/Lower Hood Canal Facility Plan - 2003
 - Facility Plan Supplement - 2007
- 10 year Estimated Capital Needs
 - System Development, Minor Facility Improvements
 - \$24,660,000

Staffing

- Shared operations staff
- 5 operators, 1 administration/manager (Tom Moore)
- Operations and responses to emergencies hindered by location of utilities
- Certification, training and continuing education required
- Current staffing levels adequate
- No additional staff availability to accommodate new projects (construction or operations)

Resources

- Shared staff resources to operate utilities
 - Provides system coverage and redundancy
 - Efficient and cost effective for small systems
- Other shared resources
 - Laboratory facilities
 - Equipment/vehicles
 - Management tools

Standards

- No uniform utility standards for design, construction, policies and procedures
- Mason County Code Title 13 Utilities
 - APWA Standards Specifications for Municipal Public Works
- Some standards are codified within Title 13 under specific utility chapters

Planning Documents

- Two current comprehensive planning documents
 - Belfair Facility Plan and Supplement
 - Beard's Cove Water System Plan
- Water Comp Plan for Hartstene Pt. is being developed
- Two engineering reports that focus on specific facility improvements
 - Rustlewood Sewer (WWTP)
 - Harstene Point Sewer (outfall)
- 10 year estimated capital needs significant
 - \$8 million+ (excluding Belfair)

Recommendations

■ Staffing

- Continually review staffing needs
 - Ensure coverage and redundancy
 - Proper training and certification
- Additional staffing may be required to maintain existing projects
 - Service areas expansion
 - Treatment and maintenance requirements increase
- Additional staffing will be required to accommodate new projects

■ Resources

- Continue to share resources between utilities
- Explore other opportunities to share resources
 - Sludge handling
 - Planning and design of new projects

Recommendations *(CONTINUED)*

■ Standards

- Develop uniform standards for design and construction
- Develop uniform policies and procedures
- Reliance on other agency's standards

■ Comprehensive Planning Documents

- County wide approach
- General Sewer Plan to include all sewer utilities
- Water Comprehensive Plan to include all water utilities

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Financial Policy and Impacts

Ed Cebron, FCS GROUP

Policy Document Highlights

- Financial Integrity and Stability
- Capital Program Funding
- Managing Debt
- Rate Setting and Revenue Sufficiency
- Budgeting and Accounting
- Rate Structure and Equity
- Utility Formation and Acquisition

Utilities Evaluated

Wastewater

- North Bay Case Inlet Wastewater
- Rustlewood Wastewater
- Hartstene Pointe Wastewater
- Consolidated Wastewater

Water

- Beards Cove Water
- Rustlewood Water
- Hartstene Pointe Water
- Consolidated Water

Landfill

Consolidation Options

The County is maintaining separate rates and charges for six, potentially seven or more, water and wastewater systems...

- A consolidation of water systems and a consolidation of wastewater systems might
 - allow more efficient management of the County utilities
 - realize economies of scale, lowering future rate levels for all customer
 - simplify incorporation of new service areas into the County's water and wastewater services

- Summary of potential consolidation assumes four-year phasing to the highest current monthly rate

Water and Wastewater Systems

- Budgets may have significantly low 2007 excise tax.
- 0.5% annual projected growth in all utilities – NBCI 2.5% 2008 and ~1.3% annually through 2013
- Combined Water/Wastewater Budgeted 2007 revenue and fund balances allocated by 2006 share of actual water and wastewater revenue.
- 3% assumption for 2007 salary increases.

PLUS

Water and Wastewater Systems

(CONTINUED)

- Revenue bonds are the assumed debt mechanism for the rate forecasts if funding has not already been secured, though grants and low cost loans should be utilized when available.
- Capital costs are escalated to the year of planned spending at 4% annually.
- Annual general operating cost escalation 3%, labor escalation 5%.

Wastewater

North Bay Case Inlet Wastewater

- \$1,135,200 System Rate Revenue
- \$613,000 Annual Operating Expenses
- \$674,000 Existing Annual Debt Service
- \$3 million in CIP projects (through 2016, escalated)
- \$438,000 projected revenue bond borrowing (\$394k proceeds)
- Current Rate \$86 per month
- No 2007 budgeted capital reserve addition

NBCI Wastewater

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates	\$ 1,135,200	\$ 1,164,061	\$ 1,179,454	\$ 1,194,846	\$ 1,210,239	\$ 1,225,631	\$ 1,241,024
Use of Connection Charges for Debt	77,850	140,461	79,006	49,860	17,439	-	-
Non-Rate Revenues	17,704	16,739	17,419	18,133	18,791	19,066	19,047
Total Revenues	\$ 1,230,754	\$ 1,321,260	\$ 1,275,878	\$ 1,262,839	\$ 1,246,468	\$ 1,244,697	\$ 1,260,071
Expenses							
Cash O&M Expenses	\$ 612,723	\$ 583,855	\$ 603,776	\$ 625,968	\$ 647,993	\$ 670,559	\$ 693,658
Existing Debt Service	673,862	673,861	673,862	673,862	673,862	673,862	673,862
New Debt Service	24,093	47,263	65,431	81,748	95,758	108,242	112,580
Rate Funded System Reinvestment	-	8,417	5,934	1,971	-	-	-
Rate Funded CIP	-	-	-	-	-	-	-
Total Expenses	\$ 1,310,678	\$ 1,313,395	\$ 1,349,003	\$ 1,383,549	\$ 1,417,613	\$ 1,452,663	\$ 1,480,099
Annual Rate Adjustment	0.00%	3.00%	4.00%	4.00%	2.00%	2.00%	2.00%
Cumulative Rate Adjustment	0.00%	3.00%	7.12%	11.40%	13.63%	15.91%	18.22%
Rate Revenues After Rate Increase	\$ 1,135,200	\$ 1,198,983	\$ 1,263,431	\$ 1,331,116	\$ 1,375,229	\$ 1,420,575	\$ 1,467,184
Net Cash Flow After Rate Increase	(79,924)	42,786	10,853	15,559	(6,155)	(13,022)	6,131
Monthly Rate	\$86.00	\$88.58	\$92.12	\$95.81	\$97.72	\$99.68	\$101.67
<i>Policy Realization</i>							
Connection Charges to Capital	50%	50%	50%	70%	90%	100%	100%
System Reinvestment Funding	100%	100%	100%	100%	100%	100%	100%
Coverage 1.25 All Debt	10%	30%	50%	70%	90%	100%	100%
Capital Funding							
Total Capital Projects	\$ 373,152	\$ 388,078	\$ 403,601	\$ 267,664	\$ 278,370	\$ 289,505	\$ 232,657
Use of Capital Fund Balance	103,000	128,277	199,878	100,565	134,901	161,669	188,232
Revenue Bond Proceeds	270,152	259,801	203,723	167,098	143,469	127,836	44,425
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 373,152	\$ 388,078	\$ 403,601	\$ 267,664	\$ 278,370	\$ 289,505	\$ 232,627

Rustlewood Wastewater

- \$108,000 System Rate Revenue
- \$91,000 Annual Operating Expenses
- \$45,000 Existing Annual Debt Service
- \$2.9 million in CIP projects (through 2016, escalated)
- \$1.3 million projected 2007 PWTF borrowing, \$1.5 million projected revenue bond borrowing (\$1.3 million proceeds)
- Current Rate \$70 per month.
- There is no Rustlewood capital reserve

Rustlewood Wastewater

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates	\$ 108,084	\$ 108,624	\$ 109,167	\$ 109,713	\$ 110,262	\$ 110,813	\$ 111,367
Use of Connection Charges for Debt	5,000	1,648	1,656	-	-	-	-
Non-Rate Revenues	1,380	388	1,340	2,999	3,494	3,797	4,238
Total Revenues	\$ 114,464	\$ 110,660	\$ 112,163	\$ 112,712	\$ 113,755	\$ 114,610	\$ 115,605
Expenses							
Cash O&M Expenses	\$ 90,997	\$ 99,252	\$ 104,569	\$ 108,736	\$ 112,692	\$ 116,804	\$ 121,077
Existing Debt Service	45,303	45,090	44,878	44,666	44,453	4,736	4,736
New Debt Service	6,500	101,229	144,095	156,871	169,768	176,531	180,956
Rate Funded System Reinvestment	-	-	-	-	-	-	-
Rate Funded CIP	-	-	-	-	-	-	-
Total Expenses	\$ 142,800	\$ 245,570	\$ 293,542	\$ 310,272	\$ 326,913	\$ 298,071	\$ 306,769
Annual Rate Adjustment	0.00%	125.00%	20.00%	5.00%	2.00%	2.00%	2.00%
Cumulative Rate Adjustment	0.00%	125.00%	170.00%	183.50%	189.17%	194.95%	200.85%
Rate Revenues After Rate Increase	\$ 108,084	\$ 244,404	\$ 294,751	\$ 311,036	\$ 318,844	\$ 326,846	\$ 335,050
Net Cash Flow After Rate Increase	(28,336)	870	4,205	3,763	(4,576)	32,572	32,519
Monthly Rate	\$70.00	\$157.50	\$189.00	\$198.45	\$202.42	\$206.47	\$210.60
<i>Policy Realization</i>							
Connection Charges to Capital	50%	50%	50%	100%	100%	100%	100%
System Reinvestment Funding	100%	100%	100%	100%	100%	100%	100%
Coverage 1.25 All Debt	10%	30%	50%	70%	90%	100%	100%
Capital Funding							
Total Capital Projects	\$ 1,202,739	\$ 473,455	\$ 492,393	\$ 136,265	\$ 141,716	\$ 76,324	\$ 79,377
State Loan Proceeds	1,300,000	-	-	-	-	-	-
Use of Capital Fund Balance	-	178,470	7,894	3,589	4,623	3,507	30,572
Revenue Bond Proceeds	-	294,985	484,499	132,676	137,092	72,817	48,805
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 1,300,000	\$ 473,455	\$ 492,393	\$ 136,265	\$ 141,716	\$ 76,324	\$ 79,377

Hartstene Pointe Wastewater

- \$169,000 System Rate Revenue
- \$160,000 Annual Operating Expenses
- No Existing Debt
- \$1.1 million in CIP projects (through 2016, escalated)
- \$864,000 projected revenue bond borrowing (\$776k proceeds)
- Current Rate \$34.50 per month
- 2007 budgeted \$10,000 contribution to capital reserve

Hartstene Pointe Wastewater

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates	\$ 168,889	\$ 169,733	\$ 170,582	\$ 171,435	\$ 172,292	\$ 173,153	\$ 174,019
Use of Connection Charges for Debt	1,584	532	535	-	-	-	-
Non-Rate Revenues	1,598	1,675	1,992	2,893	3,105	3,291	3,357
Total Revenues	\$ 172,071	\$ 171,940	\$ 173,108	\$ 174,328	\$ 175,397	\$ 176,444	\$ 177,376
Expenses							
Cash O&M Expenses	\$ 159,880	\$ 169,650	\$ 176,540	\$ 182,877	\$ 189,446	\$ 196,266	\$ 203,347
Existing Debt Service	-	-	-	-	-	-	-
New Debt Service	11,461	36,195	61,236	66,551	72,394	73,561	74,788
Rate Funded System Reinvestment	10,000	-	-	-	-	-	-
Rate Funded CIP	-	-	-	-	-	-	-
Total Expenses	\$ 181,341	\$ 205,846	\$ 237,776	\$ 249,428	\$ 261,840	\$ 269,828	\$ 278,135
Annual Rate Adjustment	0.00%	25.00%	13.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Rate Adjustment	0.00%	25.00%	41.25%	45.49%	49.85%	54.35%	58.98%
Rate Revenues After Rate Increase	\$ 168,889	\$ 212,166	\$ 240,947	\$ 249,416	\$ 258,183	\$ 267,258	\$ 276,652
Net Cash Flow After Rate Increase	(9,269)	8,528	5,697	2,881	(552)	721	1,874
Monthly Rate	\$34.50	\$43.13	\$48.73	\$50.19	\$51.70	\$53.25	\$54.85
<i>Policy Realization</i>							
Connection Charges to Capital	50%	50%	50%	100%	100%	100%	100%
System Reinvestment Funding	100%	100%	100%	100%	100%	100%	100%
Coverage 1.25 All Debt	10%	30%	50%	70%	90%	100%	100%

Capital Funding	2007	2008	2009	2010	2011	2012	2013
Total Capital Projects	\$ 283,019	\$ 294,339	\$ 306,113	\$ 60,833	\$ 63,266	\$ 13,159	\$ 13,686
Use of Fund Balance	154,508	16,992	25,336	16,643	17,837	13,159	13,686
Revenue Bond Proceeds	128,510	277,347	280,777	44,189	45,429	-	-
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 283,019	\$ 294,339	\$ 306,113	\$ 60,833	\$ 63,266	\$ 13,159	\$ 13,686

Consolidated Wastewater Rate Forecast

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Phased Rates	\$ 1,772,442	\$ 2,007,200	\$ 2,231,524	\$ 2,434,182	\$ 2,456,048	\$ 2,477,944	\$ 2,499,870
Use of Connection Charges for Debt	-	-	-	-	-	-	-
Non-Rate Revenues	15,253	19,065	8,714	10,428	11,829	12,334	12,495
Total Revenues	\$ 1,787,695	\$ 2,026,265	\$ 2,240,238	\$ 2,444,611	\$ 2,467,877	\$ 2,490,278	\$ 2,512,364
Expenses							
Cash O&M Expenses	\$ 953,100	\$ 1,034,542	\$ 1,075,790	\$ 1,117,379	\$ 1,153,225	\$ 1,190,339	\$ 1,228,769
Existing Debt Service	719,165	718,951	718,740	718,528	718,315	678,598	678,598
New Debt Service	40,470	196,359	256,509	274,462	284,127	283,785	283,443
Rate Funded System Reinvestment	-	177,244	200,720	223,152	243,418	245,605	247,794
Rate Funded CIP	-	-	-	-	-	-	-
Total Expenses	\$ 1,712,735	\$ 2,127,097	\$ 2,251,760	\$ 2,333,521	\$ 2,399,086	\$ 2,398,327	\$ 2,438,604
Annual Rate Adjustment	0.00%	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%
Cumulative Rate Adjustment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rate Revenues After Rate Increase	\$ 1,772,442	\$ 2,007,200	\$ 2,231,524	\$ 2,434,182	\$ 2,456,048	\$ 2,477,944	\$ 2,499,870
Net Cash Flow After Rate Increase	74,959	(100,832)	(11,521)	111,090	68,791	91,951	73,760
Total Coverage After Rate Increases*	1.11	1.09	1.21	1.35	1.32	1.36	1.35
Target Rate	\$86.00	\$87.72	\$89.47	\$89.47	\$89.47	\$89.47	\$89.47
Annual % Increase		2.00%	2.00%	0.00%	0.00%	0.00%	0.00%
North Bay Case Inlet	\$86.00	\$87.72	\$89.47	\$89.47	\$89.47	\$89.47	\$89.47
Annual % Increase		2.00%	2.00%	0.00%	0.00%	0.00%	0.00%
Rustlewood	\$70.00	\$76.49	\$82.98	\$89.47	\$89.47	\$89.47	\$89.47
Annual % Increase		9.27%	8.49%	7.82%	0.00%	0.00%	0.00%
Hartstene Pt.	\$34.50	\$52.82	\$71.15	\$89.47	\$89.47	\$89.47	\$89.47
Annual % Increase		53.12%	34.69%	25.76%	0.00%	0.00%	0.00%
* 3 year Coverage Policy phasing							

Consolidated Wastewater Capital Funding Forecast

Capital Funding	2007	2008	2009	2010	2011	2012	2013
Total Capital Projects	\$ 1,858,910	\$ 1,155,873	\$ 1,202,108	\$ 464,761	\$ 483,352	\$ 378,988	\$ 325,719
PWTF Loan Proceeds	1,300,000	-	-	-	-	-	-
Use of Capital Fund Balance	178,000	175,099	523,813	277,415	380,871	378,988	325,719
Revenue Bond Proceeds	380,910	980,774	678,295	187,347	102,481	-	-
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 1,858,910	\$ 1,155,873	\$ 1,202,108	\$ 464,761	\$ 483,352	\$ 378,988	\$ 325,719

Potential Belfair Wastewater

- Assumes \$16 million grant funds available
- Requires \$20.4 million in grants to project an \$86 monthly rate in 2010
- Customer base includes the Belfair UGA, excludes the North Shore area
- Based on March 2007 cost update
- *Not yet incorporated into the Consolidation Scenario*

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Expenditures							
Cash O&M Expenses				\$ 360,638	\$ 371,833	\$ 383,384	\$ 398,137
New Debt Service				621,274	617,514	613,754	609,994
Rate Funded System Reinvestment				-	20,000	40,000	60,000
Additions to Fund Balance				44,462	214	-	-
Total Expenditures				\$ 1,026,373	\$ 1,009,561	\$ 1,037,138	\$ 1,068,132
Monthly Rate				\$ 106.78	\$ 106.78	\$ 106.78	\$ 106.78

Capital Funding	2007	2008	2009	2010	2011	2012	2013
Total Capital Projects	\$ 1,872,000	\$ 16,440,320	\$ 8,880,137	\$ -	\$ -	\$ -	\$ -
Grants and Developer Donations	-	13,129,122	2,870,878	-	-	-	-
State Loan Proceeds	2,429,106	3,000,000	4,000,000	-	-	-	-
Revenue Bond Proceeds	-	-	1,746,638	-	-	-	-
Total Funding Sources	\$ 2,429,106	\$ 16,129,122	\$ 8,617,515	\$ -	\$ -	\$ -	\$ -

Water

Beards Cove Water

- \$171,000 System Rate Revenue
- \$137,000 Annual Operating Expenses
- No Existing Debt
- \$1 million in CIP projects (through 2016, escalated)
- \$930,000 projected revenue bond borrowing (\$841k proceeds)
- Current Rate \$27 per month
- 2007 Budgeted capital reserve addition of ~\$9,888

Beards Cove Water

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates	\$ 170,568	\$ 171,421	\$ 172,278	\$ 173,139	\$ 174,005	\$ 174,875	\$ 175,749
Use of Connection Charges for Debt	-	-	-	-	-	-	-
Non-Rate Revenues	396	591	701	837	1,019	1,199	1,682
Total Revenues	\$ 170,964	\$ 172,012	\$ 172,979	\$ 173,977	\$ 175,024	\$ 176,074	\$ 177,431
Expenses							
Cash O&M Expenses	\$ 136,976	\$ 144,531	\$ 149,283	\$ 154,208	\$ 159,576	\$ 165,775	\$ 172,268
Existing Debt Service	-	-	-	-	-	-	-
New Debt Service	-	2,209	5,523	10,096	15,789	27,923	40,728
Rate Funded System Reinvestment	9,888	6,170	6,178	5,996	5,429	3,976	2,175
Rate Funded CIP	-	-	-	-	-	-	-
Total Expenses	\$ 146,864	\$ 152,910	\$ 160,984	\$ 170,301	\$ 180,793	\$ 197,674	\$ 215,171
Annual Rate Adjustment	0.00%	0.00%	0.00%	0.00%	3.00%	10.00%	10.00%
Cumulative Rate Adjustment	0.00%	0.00%	0.00%	0.00%	3.00%	13.30%	24.63%
Rate Revenues After Rate Increase	\$ 170,568	\$ 171,421	\$ 172,278	\$ 173,139	\$ 179,225	\$ 198,133	\$ 219,037
Net Cash Flow After Rate Increase	24,100	19,102	11,995	3,676	(549)	1,659	5,547
Monthly Rate	\$27.00	\$27.00	\$27.00	\$27.00	\$27.81	\$30.59	\$33.65
<i>Policy Realization</i>							
Connection Charges to Capital	100%	100%	100%	100%	100%	100%	100%
System Reinvestment Funding	100%	100%	100%	100%	100%	100%	100%
Coverage 1.25 All Debt	100%	100%	100%	100%	100%	100%	100%

Capital Funding	2007	2008	2009	2010	2011	2012	2013
Total Escalated Capital Projects	\$ 60,029	\$ 62,430	\$ 64,927	\$ 67,524	\$ 70,225	\$ 132,251	\$ 137,541
Use of Fund Balance	60,029	37,659	27,775	20,687	11,927	7,994	6,415
Revenue Bond Proceeds	-	24,771	37,153	46,838	58,298	124,257	131,126
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 60,029	\$ 62,430	\$ 64,927	\$ 67,524	\$ 70,225	\$ 132,251	\$ 137,541

Hartstene Pointe Water

- \$108,648 System Rate Revenue
- \$106,500 Annual Operating Expenses
- No Existing Debt
- \$832,000 in CIP projects (through 2016, escalated)
- \$701,000 projected revenue bond borrowing (\$628k proceeds)
- Current Rate \$21.50 per month
- 2007 budgeted \$5,834 contribution to capital reserve

Hartstene Pointe Water

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates	\$ 108,648	\$ 109,192	\$ 109,738	\$ 110,286	\$ 110,838	\$ 111,392	\$ 111,949
Use of Connection Charges for Debt	-	-	-	-	-	-	-
Non-Rate Revenues	222	102	716	1,310	1,508	1,693	1,883
Total Revenues	\$ 108,870	\$ 109,294	\$ 110,453	\$ 111,596	\$ 112,346	\$ 113,085	\$ 113,832
Expenses							
Cash O&M Expenses	\$ 106,452	\$ 111,039	\$ 115,409	\$ 119,772	\$ 124,241	\$ 128,892	\$ 133,733
Existing Debt Service	-	-	-	-	-	-	-
New Debt Service	495	11,260	23,410	28,601	33,401	38,304	43,302
Rate Funded System Reinvestment	5,834	969	-	-	-	-	-
Rate Funded CIP	-	-	-	-	-	-	-
Total Expenses	\$ 112,781	\$ 123,268	\$ 138,819	\$ 148,373	\$ 157,642	\$ 167,196	\$ 177,035
Annual Rate Adjustment	0.00%	19.00%	10.00%	7.00%	6.00%	6.00%	6.00%
Cumulative Rate Adjustment	0.00%	19.00%	30.90%	40.06%	48.47%	57.37%	66.82%
Rate Revenues After Rate Increase	\$ 108,648	\$ 129,938	\$ 143,646	\$ 154,470	\$ 164,557	\$ 175,303	\$ 186,750
Net Cash Flow After Rate Increase	(3,911)	6,772	5,543	7,407	8,423	9,800	11,598
Monthly Rate	\$21.50	\$25.59	\$28.14	\$30.11	\$31.92	\$33.84	\$35.87
<i>Policy Realization</i>							
Connection Charges to Capital	100%	100%	100%	100%	100%	100%	100%
System Reinvestment Funding	100%	100%	100%	100%	100%	100%	100%
Coverage 1.25 All Debt	10%	30%	50%	70%	90%	100%	100%

Capital Funding	2007	2008	2009	2010	2011	2012	2013
Total Escalated Capital Projects	\$ 127,989	\$ 133,109	\$ 138,433	\$ 54,749	\$ 56,939	\$ 59,217	\$ 61,586
Use of Fund Balance	122,440	12,401	2,193	1,588	7,787	9,006	10,412
Revenue Bond Proceeds	5,550	120,708	136,240	53,161	49,153	50,210	51,174
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 127,989	\$ 133,109	\$ 138,433	\$ 54,749	\$ 56,939	\$ 59,217	\$ 61,586

Rustlewood Water

- \$33,668 System Rate Revenue
- \$44,800 Annual Operating Expenses
- No Existing Debt
- \$718,000 in CIP projects (through 2016, escalated)
- \$731,000 projected revenue bond borrowing (\$653k proceeds)
- Current Rate \$20 per month
- There is no Rustlewood capital reserve

Rustlewood Water

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates	\$ 33,668	\$ 33,837	\$ 34,006	\$ 34,176	\$ 34,347	\$ 34,518	\$ 34,691
Use of Connection Charges for Debt	-	-	-	-	-	-	-
Non-Rate Revenues	500	129	197	298	402	482	867
Total Revenues	\$ 34,168	\$ 33,965	\$ 34,203	\$ 34,474	\$ 34,748	\$ 35,000	\$ 35,558
Expenses							
Cash O&M Expenses	\$ 44,764	\$ 47,033	\$ 48,791	\$ 50,623	\$ 52,518	\$ 55,052	\$ 57,660
Existing Debt Service	-	-	-	-	-	-	-
New Debt Service	-	1,527	3,311	5,374	7,459	18,258	29,248
Rate Funded System Reinvestment	-	219	-	-	-	-	-
Rate Funded CIP	-	-	-	-	-	-	-
Total Expenses	\$ 44,764	\$ 48,779	\$ 52,102	\$ 55,998	\$ 59,977	\$ 73,310	\$ 86,908
Annual Rate Adjustment	0.00%	45.00%	7.50%	7.50%	7.00%	25.00%	20.00%
Cumulative Rate Adjustment	0.00%	45.00%	55.88%	67.57%	79.30%	124.12%	168.94%
Rate Revenues After Rate Increase	\$ 33,668	\$ 49,063	\$ 53,007	\$ 57,267	\$ 61,582	\$ 77,363	\$ 93,299
Net Cash Flow After Rate Increase	(10,596)	413	1,101	1,567	2,006	4,534	7,259
Monthly Rate	\$20.00	\$29.00	\$31.18	\$33.51	\$35.86	\$44.82	\$53.79
<i>Policy Realization</i>							
Connection Charges to Capital	100%	100%	100%	100%	100%	100%	100%
System Reinvestment Funding	100%	100%	100%	100%	100%	100%	100%
Coverage 1.25 All Debt	10%	30%	50%	70%	90%	100%	100%

Capital Funding	2007	2008	2009	2010	2011	2012	2013
Total Capital Projects	\$ 19,469	\$ 20,248	\$ 21,057	\$ 21,900	\$ 22,776	\$ 113,170	\$ 117,697
Use of Capital Fund Balance	19,469	3,125	1,056	768	1,425	2,587	5,151
Revenue Bond Proceeds	-	17,123	20,001	21,131	21,351	110,583	112,546
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 19,469	\$ 20,248	\$ 21,057	\$ 21,900	\$ 22,776	\$ 113,170	\$ 117,697

Consolidated Water Rate Forecast

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues <i>Under Phased Rates</i>	\$ 312,884	\$ 359,366	\$ 377,675	\$ 404,153	\$ 406,174	\$ 408,205	\$ 410,246
Operating Fund & Debt Reserve Fund In	-	-	-	-	-	-	-
Non-Rate Revenues	5,644	6,706	2,357	2,365	2,680	3,070	3,998
Total Revenues	\$ 318,528	\$ 366,072	\$ 380,032	\$ 406,518	\$ 408,854	\$ 411,275	\$ 414,244
Expenses							
Cash O&M Expenses	\$ 288,193	\$ 303,014	\$ 313,884	\$ 325,533	\$ 337,561	\$ 350,617	\$ 364,265
Existing Debt Service	-	-	-	-	-	-	-
New Debt Service	11,816	29,989	34,225	44,092	54,800	80,366	107,093
Rate Funded System Reinvestment	-	31,288	35,937	37,767	40,415	40,617	43,270
Rate Funded CIP	-	-	-	-	-	-	-
Total Expenses	\$ 300,008	\$ 364,291	\$ 384,046	\$ 407,392	\$ 432,776	\$ 471,601	\$ 514,629
Annual Rate Adjustment	0.00%	3.00%	3.00%	6.48%	6.00%	8.50%	8.50%
Cumulative Rate Adjustment	0.00%	0.00%	0.00%	0.00%	6.00%	15.01%	24.79%
Rate Revenues After Rate Increase	\$ 312,884	\$ 359,366	\$ 377,675	\$ 404,153	\$ 430,544	\$ 469,476	\$ 511,929
Net Cash Flow After Rate Increase	18,520	1,781	(4,013)	(874)	448	945	1,298
Total Coverage After Rate Increases	2.79	2.12	2.11	1.87	1.77	1.54	1.43
Target Rate	\$27.00	\$27.81	\$28.64	\$30.50	\$32.33	\$35.08	\$38.06
<i>Annual % Increase</i>		3.00%	3.00%	6.48%	6.00%	8.50%	8.50%
Beards Cove	\$27.00	\$27.81	\$28.64	\$30.50	\$32.33	\$35.08	\$38.06
<i>Annual % Increase</i>		3.00%	3.00%	6.48%	6.00%	8.50%	8.50%
Rustlewood	\$20.00	\$27.00	\$28.64	\$30.50	\$32.33	\$35.08	\$38.06
<i>Annual % Increase</i>		35.00%	6.09%	6.48%	6.00%	8.50%	8.50%
Hartstene Pt.	\$21.50	\$27.00	\$28.64	\$30.50	\$32.33	\$35.08	\$38.06
<i>Annual % Increase</i>		25.58%	6.09%	6.48%	6.00%	8.50%	8.50%

* No policy phasing

Consolidated Water Capital Funding Forecast

Capital Funding	2007	2008	2009	2010	2011	2012	2013
Total Escalated Capital Projects	\$ 207,487	\$ 215,786	\$ 224,418	\$ 144,173	\$ 149,940	\$ 304,638	\$ 316,824
Use of Fund Balance	75,000	12,006	176,918	43,134	40,282	42,830	43,121
Revenue Bond Proceeds	132,487	203,780	47,500	101,040	109,658	261,808	273,702
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 207,487	\$ 215,786	\$ 224,418	\$ 144,173	\$ 149,940	\$ 304,638	\$ 316,824

Landfill

Landfill

- \$3.1 million System Rate Revenue
- \$3.0 million Annual Operating Expenses
- No Existing Debt
- \$4.3 million in CIP projects (through 2011, escalated) – assumed appropriate for 20-year term debt
- \$192,000 in grants assumed to fund projects - \$55,000 budgeted 2007, grants assumed available in future years declining 10% each **PLUS**.

Landfill *(CONTINUED)*

- \$3.8 million in projected revenue bond borrowing (\$3.4 million proceeds)
- Assumed minimum fund balance, 45 days of working capital, phased in over three years. Beginning 2007 fund balance of \$150,000 represents 5% of 2007 operating costs, or 18 days of working capital. 2007 Y-E working capital projection is 28 days.

Landfill

Revenue Requirements	2007	2008	2009	2010	2011	2012	2013
Revenues							
Rate Revenues Under Existing Rates	\$ 3,100,060	\$ 3,193,062	\$ 3,288,854	\$ 3,387,519	\$ 3,489,145	\$ 3,593,819	\$ 3,701,634
Non-Rate Revenues	5,250	8,034	13,182	18,758	23,721	29,758	31,882
Total Revenues	\$ 3,105,310	\$ 3,201,095	\$ 3,302,036	\$ 3,406,277	\$ 3,512,866	\$ 3,623,577	\$ 3,733,516
Expenses							
Cash O&M Expenses	\$ 3,025,776	\$ 3,227,318	\$ 3,336,518	\$ 3,449,670	\$ 3,566,930	\$ 3,688,460	\$ 3,814,431
Existing Debt Service	-	-	-	-	-	-	-
New Debt Service	-	91,187	218,756	306,696	310,154	310,154	310,154
Rate Funded System Reinvestment	-	2,296	-	-	-	-	-
Rate Funded CIP	-	-	-	-	-	-	-
Total Expenses	\$ 3,025,776	\$ 3,320,801	\$ 3,555,274	\$ 3,756,366	\$ 3,877,084	\$ 3,998,614	\$ 4,124,585
Annual Rate Adjustment	0.00%	5.50%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Rate Adjustment	0.00%	5.50%	8.66%	11.92%	15.28%	18.74%	22.30%
Rate Revenues After Rate Increase	\$ 3,100,060	\$ 3,368,680	\$ 3,573,833	\$ 3,791,479	\$ 4,022,380	\$ 4,267,343	\$ 4,527,224
Net Cash Flow After Rate Increase	79,534	55,913	31,741	53,872	169,018	298,487	434,521

Capital Funding	2007	2008	2009	2010	2011	2012	2013
Total Capital Projects	\$ 402,355	\$ 1,430,827	\$ 1,490,400	\$ 941,689	\$ 35,429	\$ -	\$ -
Grants - DOE CPG	55,722	50,150	45,135	40,621	-	-	-
Use of Fund Balance	346,633	358,202	14,833	519	18	-	-
Revenue Bond Proceeds	-	1,022,475	1,430,432	900,549	35,411	-	-
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 402,355	\$ 1,430,827	\$ 1,490,400	\$ 941,689	\$ 35,429	\$ -	\$ -
Revenue Bond Issuances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Financial Conclusions & Recommendations

- Consolidate into comprehensive water and comprehensive sewer utilities
 - Merge rates through phased approach
 - Consolidate funds
 - One operating, capital reserve and debt fund for water and one of each for sewer
- Implement reasonable fiscal policies
 - Phase in over time
- Implement 2008 recommended rate levels for each utility