

Sanitary and Storm Financial Analysis

City Council Work Session
October 17, 2017



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Date

City Council
Gov. Body

Work Session
Agenda Item

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Exhibit #

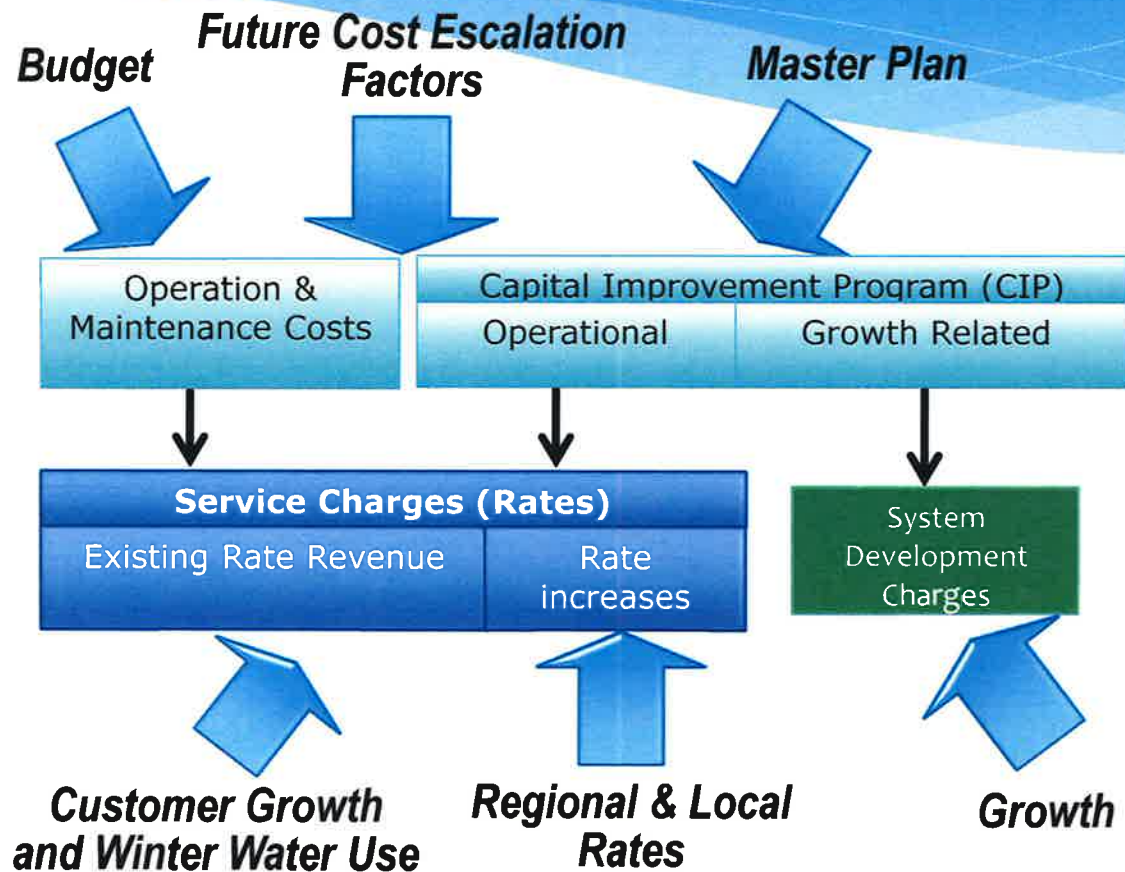
Overview

- * Background
- * Financial Plan Overview
- * Storm System Financial Analysis
- * Sanitary Sewer System Financial Analysis
- * Summary

Background

1. Master Plans updated in 2016
 - * Identify 20-year capital improvement needs for local system
2. System development charges updated
 - * Identified projects/costs related to future growth
 - * Local Sanitary sewer SDCs vary by area (Brookman, Tonquin, Infill)
 - * Regional storm SDC sufficient to cover growth costs
3. New intergovernmental agreement with Clean Water Services in May 2017
 - * Re-established what portion of user fees City vs. Regional

Financial Plan Elements



KEY FINANCIAL ASSUMPTIONS

- Revenue
 - Modest customer growth = 0.5% per year
 - Local charges are now 100% City control
 - Subject to 2% limitation
- Expenses
 - O&M cost escalation 3-5% per year
 - Contingency = 90 days of O&M (about 25%)
 - Capital
 - Master Plan schedule of improvements
 - Capital inflation = 3%

Storm Financial Analysis

Current Rates - Storm

- * Fees effective July 1, 2017 (included 1% rate increase)
- * Financial projections include City costs and revenues only

Component	\$/EDU
CWS	\$2.16
Sherwood	\$13.45
Total	\$15.61

CWS = Clean Water Services

CURRENT REVENUE CAPACITY

	Budget FY 2017-18
Revenue Requirements	
Operation & Maintenance	\$989,232
Capital	
Transfers for Capital Improvements	400,000
Equip/Vehicle Set-Aside	40,000
Routine Capital Outlay	706,899
Subtotal Capital	\$1,146,899
Total Requirements	\$2,136,131
Less Other Revenue	35,538
Net Requirements	\$2,100,593
Use of Fund Balance	\$259,665
Requirements/Revenues from Rates	\$1,840,928

Capital Improvement Plan

Project	Yr. 1-5	Yr. 6-10	Yr. 11-20
5-Year CIP			
Oregon St. Regional Facility (Pre-Design)	\$36,050		
NW 2nd St. & NW Park St. SW Facility Rehab (design)	\$307,776		
Gleneagle Dr. Stormwater Facility	\$123,600		
Gleneagle Village Stormwater Facility	\$123,600		
Glencoe Stormwater Facility	\$103,000		
Edy Rd. Stormwater Facility	\$302,357		
St. Charles Stormwater Facilities	\$190,962		
West Division Stormwater Facility	\$163,909		
Future Projects		\$974,003	\$4,672,805
Total	\$1,351,254	\$974,003	\$4,672,805
Cumulative Total		\$2,325,257	\$6,998,062

Capital Project Funding

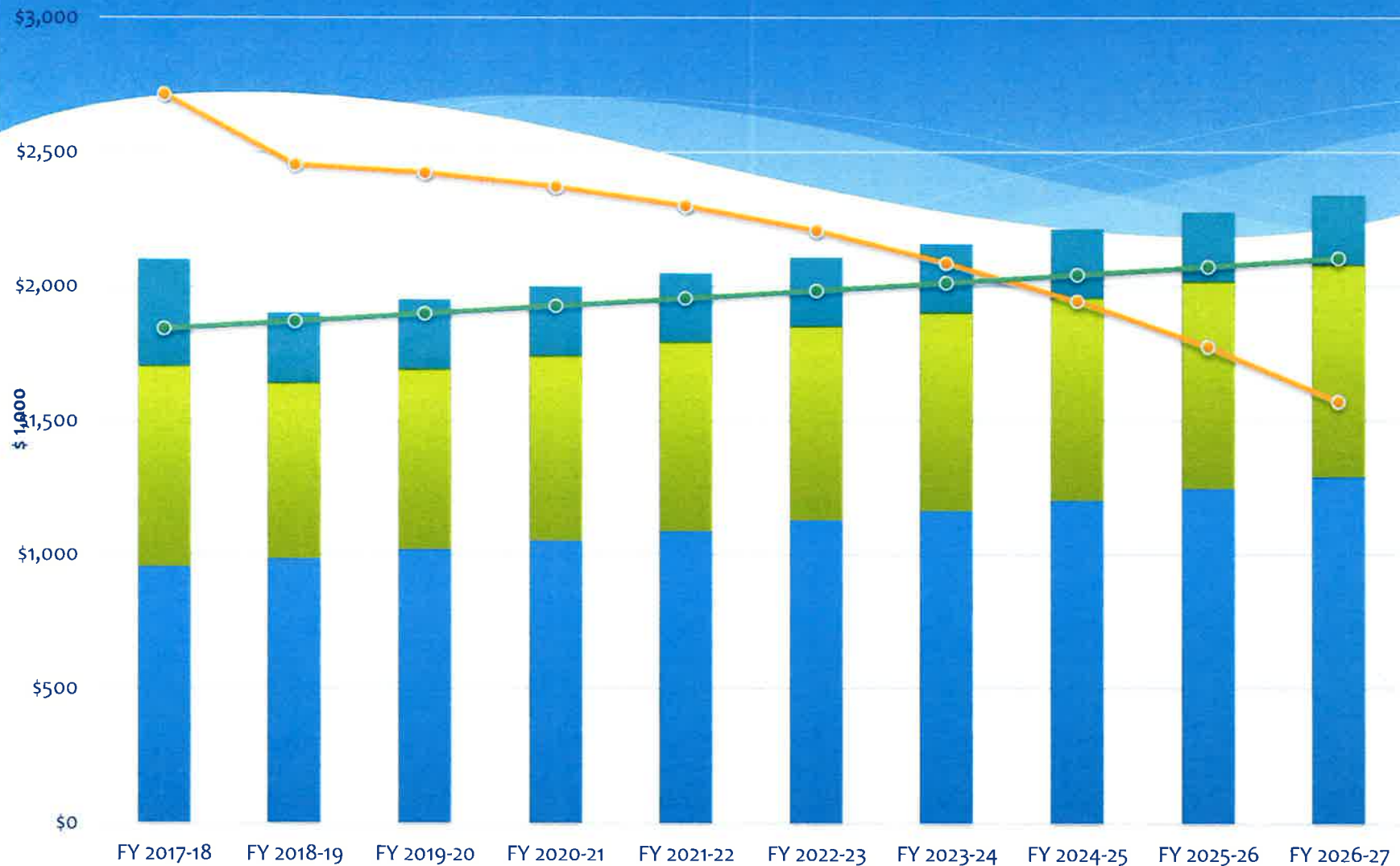
	Total
Capital Fund Sources	
Beginning Fund Balance	\$801,094
SDCs	2,043,540
Debt Proceeds	0
Operating Transfers	5,080,000
Other Revenue	154,850
Total Sources of Funds	\$8,079,484
Capital Fund Uses	
Capital Improvements ¹	6,998,062
Other Costs ²	944,351
Ending Balance	137,071
Total Uses of Funds	\$8,079,484

* Required funding from rates = approximately \$260,000 per year

¹Adjusted for Inflation

²Includes personnel, materials & services costs

1% Annual Rate Forecast



■ O&M
 ■ Capital Outlay
 ■ CIP Transfers
 —●— Fund Balance
 —●— Projected Rates

Rate Increase Options

- * Continued 1% increase not sustainable based on future capacity needs
- * Current projections support increases within 2% upper limit

Scenario	Yrs. 1-3	Yrs. 4-20
Smooth	1.75%	1.75%
Ramp Up	1.0%	2.0%

Sanitary Sewer Financial Analysis

Current Rates – Sanitary Sewer

- * Fees effective July 1, 2017 (included 2% rate increase)
- * Financial projections include City costs and revenues only

Component	\$/ccf	\$/EDU
CWS	\$1.64	\$24.85
Sherwood	\$0.31	\$5.28
Total	\$1.95	\$30.13

CWS = Clean Water Services

CURRENT REVENUE CAPACITY

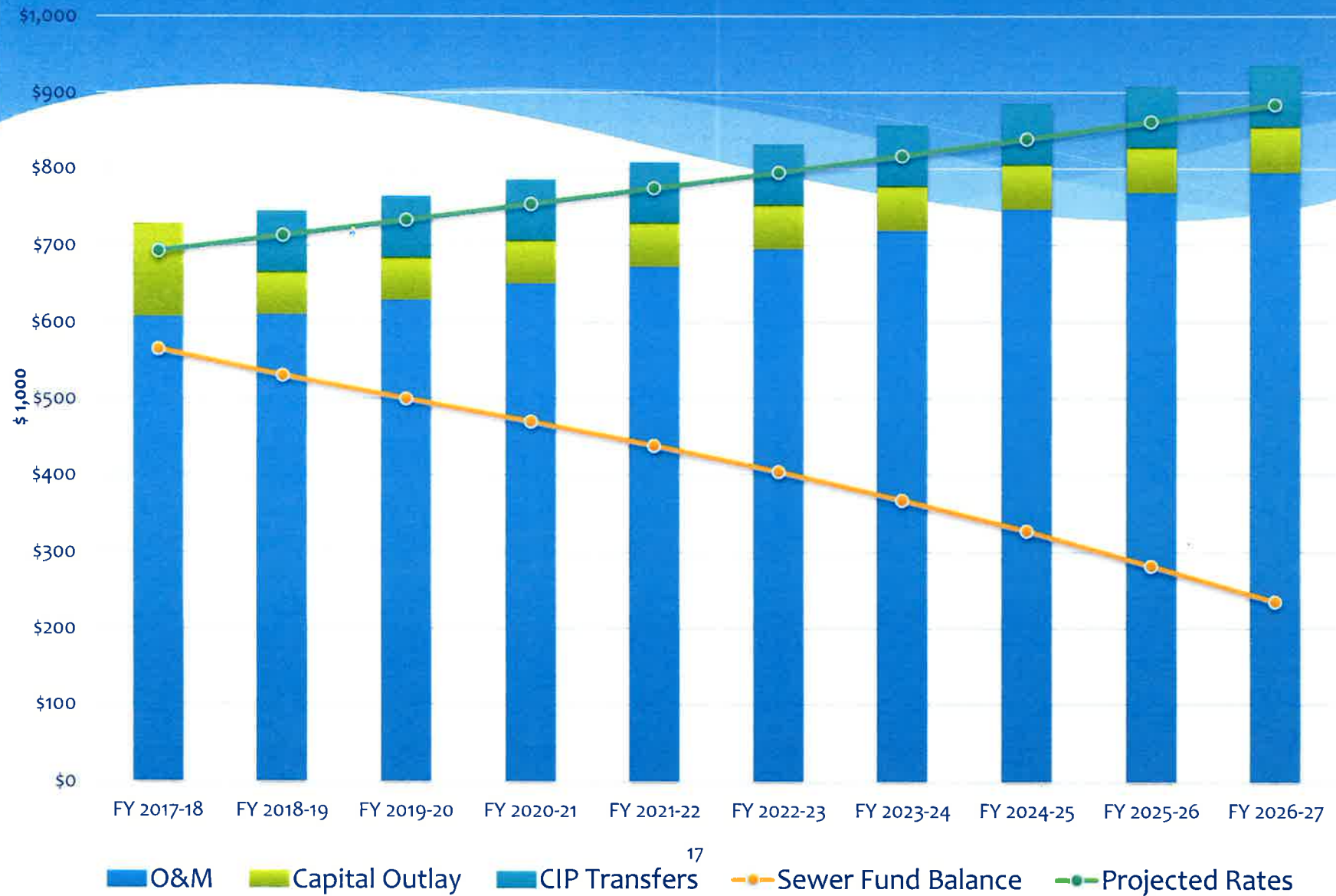
	Budget FY 2017-18
Operation & Maintenance	\$613,771
Capital	
Transfers for CIP Capital	0
Routine Capital Outlay	91,000
Equip/Vehicle Rep. Set-aside	30,000
Subtotal Capital	\$121,000
Total Requirements	\$734,771
Less Nonrate Revenue	6,542
Net Requirements	\$728,229
Use of Fund Balance	\$34,570
Requirements/Revenue from Rates	\$693,659

Capital Improvement Plan

- * Financial plan excludes specific funding assumptions for major growth projects (Brookman, Tonquin)

Project	Yr. 1-5	Yr. 6-10	Yr. 11-20
City Growth Projects			
South Tonquin Employment Area	\$0	\$775,498	\$0
North Tonquin Employment Area	\$0	\$2,917,348	\$0
Brookman pipeline extension	\$18,540	\$2,301,874	\$0
Rock Creek Trunk	\$289,057	\$0	\$0
Subtotal SDC	\$307,597	\$5,994,720	\$0
City Rate Projects			
Old Town Improvements	\$120,729	\$150,113	\$70,996
Rock Creek Trunk	\$586,873	\$1,816,042	\$0
SW Park St, SW Park Row, SW Columbia	\$0	\$0	\$2,825,474
Other Projects	\$674,238	\$130,347	\$1,363,934
Master Plan	\$0	\$307,737	\$0
Subtotal Other City	\$1,381,840	\$2,404,238	\$4,260,403
Cumulative Total		\$3,786,079	\$8,046,482

2% Annual Rate Forecast



Capital Project Funding (2% Rate Increase)

	10-Yr. Total	20-Yr Total
Capital Fund Sources		
Beginning Fund Balance	\$1,563,346	\$1,563,346
SDCs	2,246,794	4,226,794
Debt Proceeds	0	
Operating Transfers	720,000	720,000
Interest Income	120,856	120,856
Total Sources of Funds	\$4,650,996	\$6,630,996
Capital Fund Uses		
Capital Improvements ¹	\$3,786,079	8,046,482
Other Costs ²	1,148,923	1,713,959
Ending Balance	(\$284,005)	(\$3,129,445)
Total Uses of Funds	\$4,650,996	\$6,630,996

- * Rates funding for CIP ends after first 10 years
- * Insufficient to meet total capital needs in 2nd half of plan

¹Adjusted for Inflation

²Includes personnel, materials & services costs

Forecast Bill Increases per EDU

- * Continued 2% increase not sustainable based on future capital needs
- * Additional increase needed by end of plan (about \$7/month/EDU)

Component	Scenario	Current	By 2027	By 2032	By 2036
Total Monthly Bill	Baseline (2%)	\$6.83	\$8.31	\$9.22	\$10.00
	Required		\$10.22	\$12.74	\$13.74

EDU = Equivalent Dwelling Unit (approx. 5 ccf winter water use per month)

Summary

- * Annual increases of 1-2% sufficient for Storm based on current assumptions
 - * Local monthly bill increase about \$5/EDU in 20 yrs
- * Rate increases above 2% needed to fund sewer capital plan
 - * First supplemental increase should occur by 2022
 - * Local monthly bill increase about \$7/EDU in 20 year
- * Need to monitor and refine for:
 - * Future storm permitting requirements
 - * Funding plan for sanitary growth needs
- * As with water plan, review and refine every 1-2 years

Questions

