

# Sanitary and Storm Financial Analysis

City Council Work Session  
October 17, 2017



Oct 17, 2017  
Date

City Council  
Gov. Body

Work Session  
Agenda Item

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Exhibit #

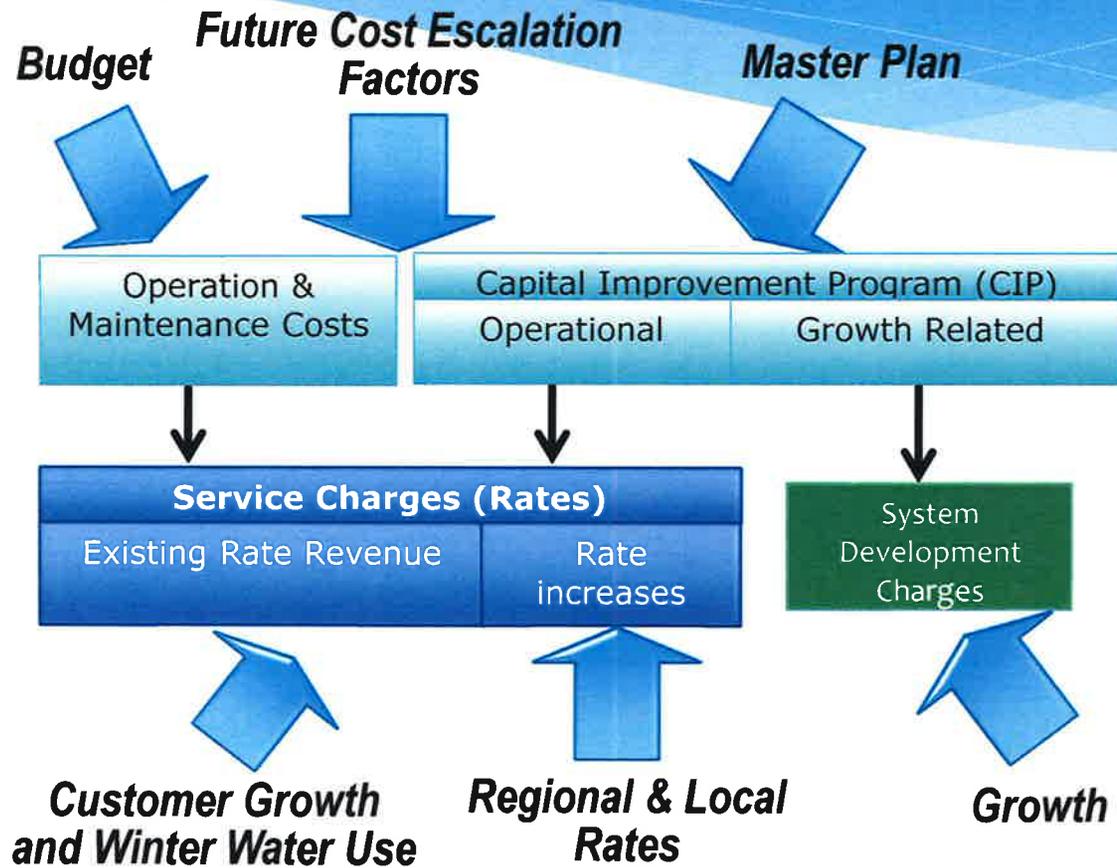
# Overview

- \* 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
<b>Revenue Requirements</b>	
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
<b>Total Requirements</b>	<b>\$2,136,131</b>
Less Other Revenue	35,538
<b>Net Requirements</b>	<b>\$2,100,593</b>
Use of Fund Balance	\$259,665
<b>Requirements/Revenues from Rates</b>	<b>\$1,840,928</b>

# Capital Improvement Plan

<b>Project</b>	<b>Yr. 1-5</b>	<b>Yr. 6-10</b>	<b>Yr. 11-20</b>
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
<b>Total</b>	<b>\$1,351,254</b>	<b>\$974,003</b>	<b>\$4,672,805</b>
<b>Cumulative Total</b>		<b>\$2,325,257</b>	<b>\$6,998,062</b>

# Capital Project Funding

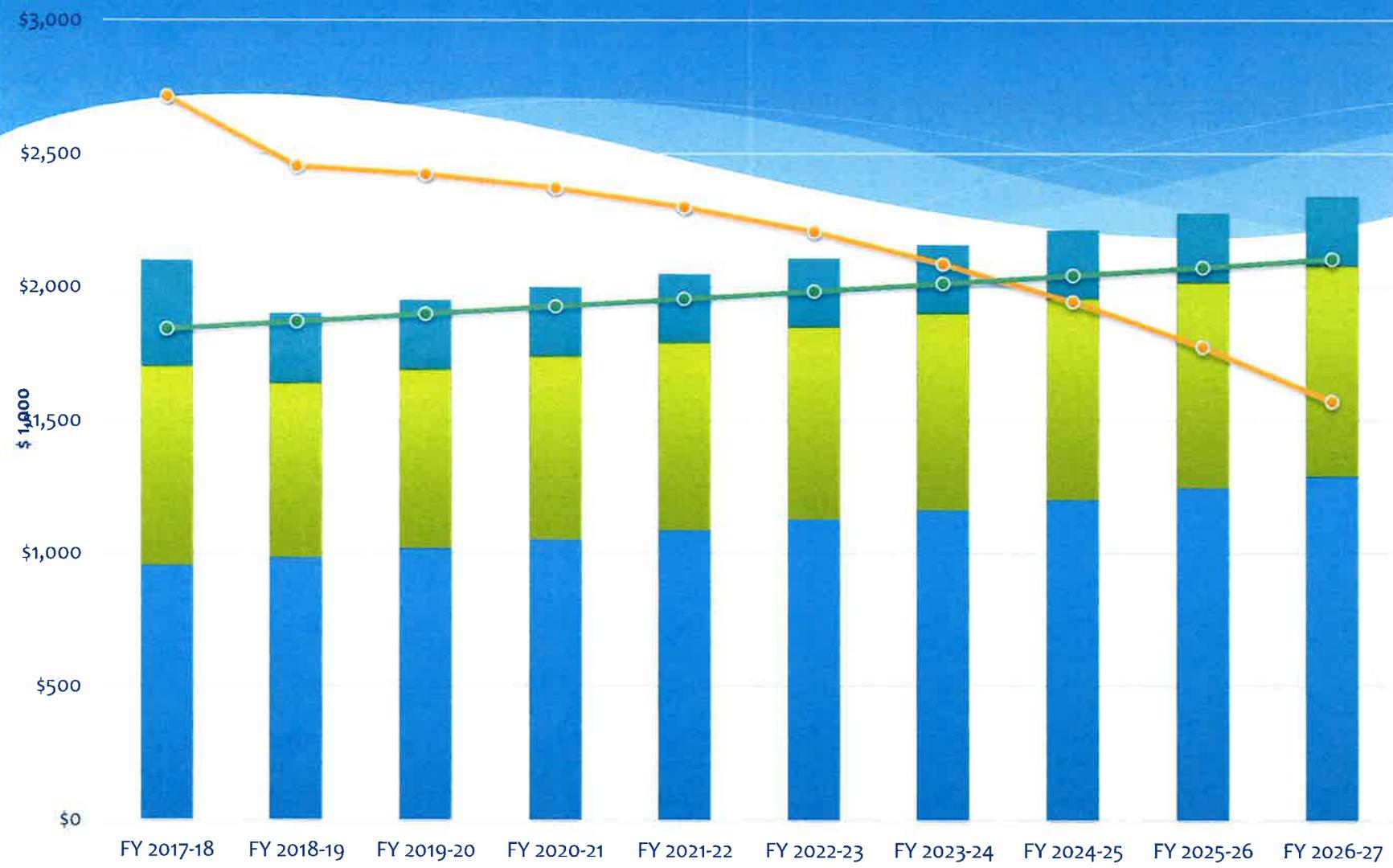
	Total
<b>Capital Fund Sources</b>	
Beginning Fund Balance	\$801,094
SDCs	2,043,540
Debt Proceeds	0
Operating Transfers	5,080,000
Other Revenue	154,850
<b>Total Sources of Funds</b>	<b>\$8,079,484</b>
<b>Capital Fund Uses</b>	
Capital Improvements <sup>1</sup>	6,998,062
Other Costs <sup>2</sup>	944,351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

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

<sup>1</sup>Adjusted for Inflation

<sup>2</sup>Includes 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

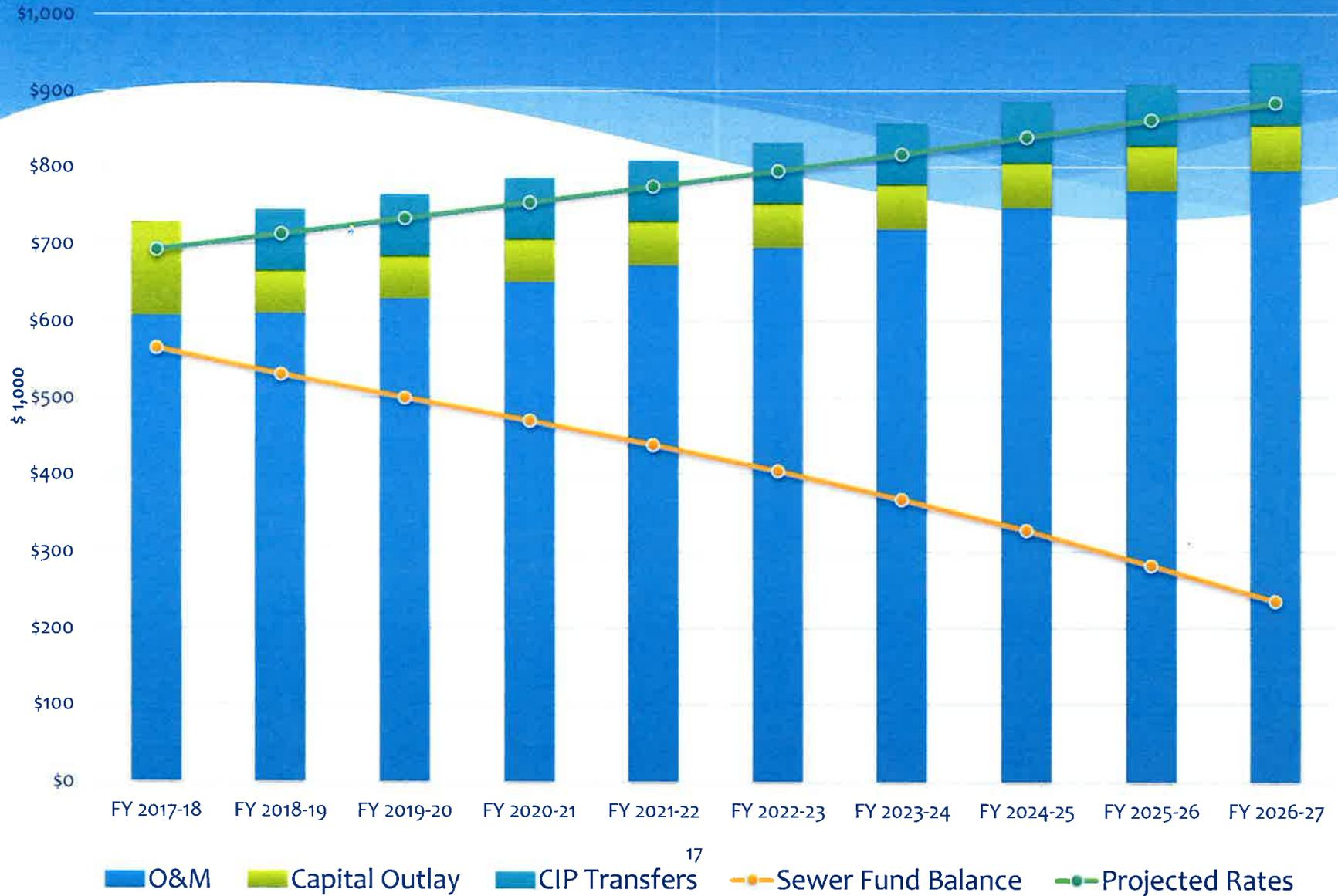
	Budget FY 2017-18
Operation & Maintenance	\$613,771
Capital	
Transfers for CIP Capital	0
Routine Capital Outlay	91,000
Equip/Vehicle Rep. Set-aside	30,000
Subtotal Capital	\$121,000
<b>Total Requirements</b>	<b>\$734,771</b>
Less Nonrate Revenue	6,542
Net Requirements	\$728,229
Use of Fund Balance	\$34,570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

# 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
<b>City Growth Projects</b>			
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
<b>Subtotal SDC</b>	<b>\$307,597</b>	<b>\$5,994,720</b>	<b>\$0</b>
<b>City Rate Projects</b>			
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
<b>Subtotal Other City</b>	<b>\$1,381,840</b>	<b>\$2,404,238</b>	<b>\$4,260,403</b>
<b>Cumulative Total</b>		<b>\$3,786,079</b>	<b>\$8,046,482</b>

# 2% Annual Rate Forecast



# Capital Project Funding (2% Rate Increase)

	10-Yr. Total	20-Yr Total
<b>Capital Fund Sources</b>		
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
<b>Total Sources of Funds</b>	<b>\$4,650,996</b>	<b>\$6,630,996</b>
<b>Capital Fund Uses</b>		
Capital Improvements <sup>1</sup>	\$3,786,079	8,046,482
Other Costs <sup>2</sup>	1,148,923	1,713,959
Ending Balance	(\$284,005)	(\$3,129,445)
<b>Total Uses of Funds</b>	<b>\$4,650,996</b>	<b>\$6,630,996</b>

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

<sup>1</sup>Adjusted for Inflation

<sup>2</sup>Includes 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

