

**Archived:** Thursday, October 27, 2022 9:53:20 AM

**From:** [Mark Freiberger](#)

**Sent:** Tuesday, October 25, 2022 7:19:06 PM

**To:** [Sarah Diamond](#); [Chuck Owen](#); [Glenn Allen](#)

**Cc:** [Charlie Bush](#); [Julia Johnson](#)

**Subject:** Council Utility Committee Meeting October 26, 2022

**Response requested:** Yes

**Sensitivity:** Normal

**Attachments:**

[KI&A SEDRO Sewer Outlook & Summary DRAFT 10-25-22.pdf](#)  [2022-10-6 412 Rate Study Draft.pdf](#) 

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Good afternoon, Utility Committee,

There is a Utility Committee meeting for 5 pm on October 26, 2022. Here are the topics:

- Fund 401 Sewer. Staff has engaged Katy Isaksen of Isaksen & Associates to prepare an update to the 2023-2029 Sewer Outlook to review revenue projections, growth impacts and capital project impacts on the fund. Katy will be present by Zoom to discuss the Sewer Outlook. A copy is attached for your use, and I will have a printed copies at the meeting.
- Fund 412 Solid Waste. Leo Jacobs is preparing recommendations for rate adjustments and the possible addition of a Solid Waste Operator. Attached is a draft copy of the spreadsheet, and I will have copies at the meeting.
- Fund 425 Stormwater. It is anticipated that the rate adjustments will be based on a more generic review of fund revenues and the impact of inflation on the utility. The 2023 Budget included an update to the 1997 Stormwater Management Plan, which will provide a basis of development of a Capital Improvement Program for the Utility, and possible adoption of impact fees for the utility. I am still working on this, but will have materials at the meeting.

We will follow this up with a Council Work Session on November 2 to discuss these topics with the full council. I will have a full memorandum similar to the one provided in 2021 for the November 2 meeting.

Thank you,

**Mark A. Freiberger, PE**

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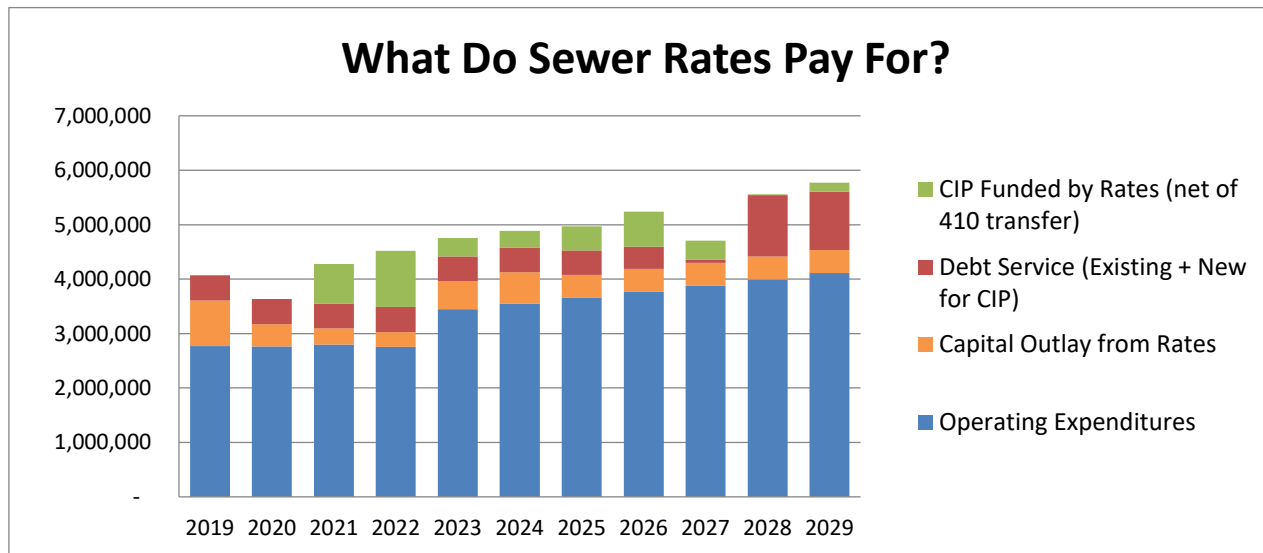


**1. SEWER OUTLOOK CONCLUSION**

After updating the sewer rate model with actual and preliminary 2023 budget revenue, expenditures and capital improvement plan (CIP), it appears that the plan of continued modest increases in rates and connection fees to keep up with inflationary cost escalation meets the plan. Growth was stronger in 2021 with the equivalent of 139 new homes, and is assumed to be back to 70 per year 2022-24 and down to a conservative 50 per year 2025+.

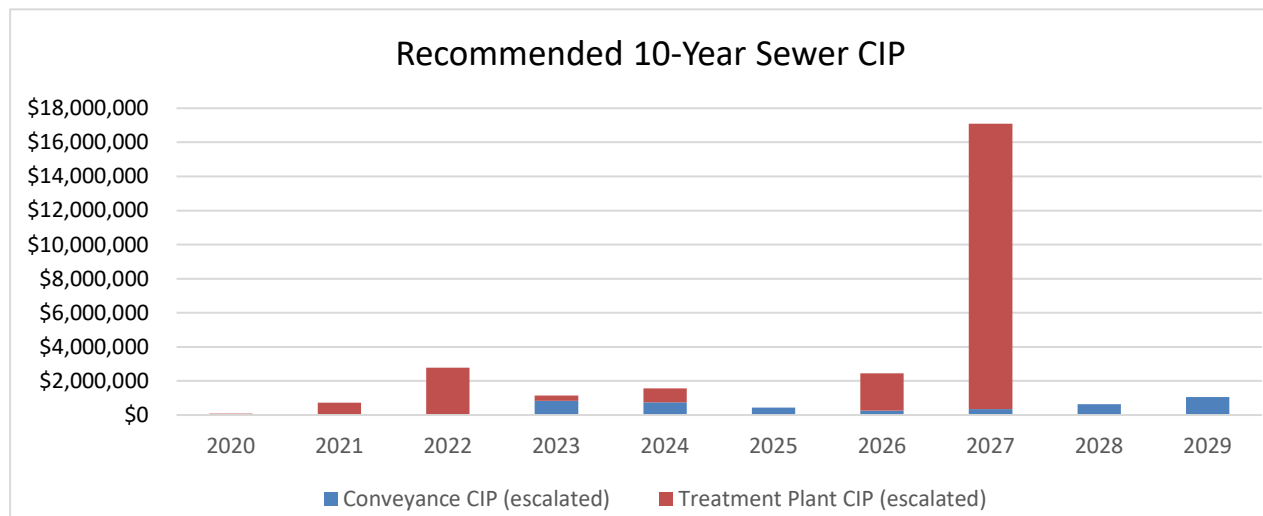
RATES/GFC ADJ. BY ASSUMED CPI	2022	2023	2024	2025	2026	2027	2028	2029
<b>Annual Cost Escalation</b>	<b>2.3%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>
Monthly Rate Increase - by year	\$1.53	\$2.72	\$2.12	\$2.19	\$2.25	\$2.32	\$2.39	\$2.46
<b>Connection Fee (GFC)</b>	<b>\$8,900</b>	<b>\$9,256</b>	<b>\$9,534</b>	<b>\$9,820</b>	<b>\$10,115</b>	<b>\$10,418</b>	<b>\$10,731</b>	<b>\$11,053</b>
<b>Single Family Monthly Rate</b>	<b>\$68.11</b>	<b>\$70.83</b>	<b>\$72.95</b>	<b>\$75.14</b>	<b>\$77.39</b>	<b>\$79.71</b>	<b>\$82.10</b>	<b>\$84.56</b>

*\*2022 Rates & GFC's increased 2.3% (less than anticipated 5.0% cost escalation) due to higher growth*



Existing debt service ends 2028, new debt for CIP 2028+

2023 Operating Expense includes additional engineering position for in-house design





**2. CURRENT DRAFT OUTLOOK**

- the 2019 financial plan was to continue steady annual increases to keep up with cost escalation, to monitor capacity and growth to optimize the schedule, and save for the anticipated WWTP upgrade that will require borrowing and significant new debt payments. The connection fees will be used to reduce the amount of borrowing required.
- Reasonably conservative growth estimates were used in the model and growth has actually come in faster than the 2019 outlook. This means that the capital fund balance is growing faster and the funds are available for capital improvements, however the intent is that they are saved in large part for the WWTP upgrade after near-term improvements are complete.
- The rate revenue must pay for operations, existing debt (after first \$150k from connection fees), new debt for CIP and a contribution to CIP - particularly focused on system replacement. I added a row near bottom "net rate-funded CIP after transfer" to track.
- With continued higher cost escalation (has not yet peaked), it is recommended that monthly rates be increased by cost escalation. The CIP will continue to be adjusted to meet available funding, and the timing for the WWTP upgrade will depend on capacity limitations.

**2022 UPDATED OUTLOOK SUMMARY - Lower ERU's 2022-24, include new employee in 2023+, contract design in 2024  
SCEN 22-1: GFC conn. fee & rate increases equal to inflation on the expense side (4% 2023, 3% 2024+)**



OUTLOOK SUMMARY 10/25/22	2022	2023	2024	2025	2026	2027	2028	2029
<b>ASSUMPTIONS:</b>								
New Connections (ERU's)	70	70	70	50	50	50	50	50
Monthly Rate Increase - by year	\$1.53	\$2.72	\$2.12	\$2.19	\$2.25	\$2.32	\$2.39	\$2.46
Single Family Monthly Rate	\$68.11	\$70.83	\$72.95	\$75.14	\$77.39	\$79.71	\$82.10	\$84.56
Connection Fee (GFC)	\$8,900	\$9,256	\$9,534	\$9,820	\$10,115	\$10,418	\$10,731	\$11,053
Sewer Service Charges	4,100,000	4,281,297	4,431,686	4,579,619	4,732,900	4,892,199	5,057,615	5,229,245
Utility Tax Collected	430,500	449,536	465,327	480,860	496,954	513,681	531,050	549,071
Other Revenue & Charges	36,250	37,700	37,700	37,700	37,700	37,700	37,700	37,700
Transfer from Reserve 410	1,750,000	800,000	1,250,000	-	1,800,000	-	620,000	900,000
<b>Total Operating Revenue - 401</b>	<b>6,316,750</b>	<b>5,568,533</b>	<b>6,184,713</b>	<b>5,098,179</b>	<b>7,067,554</b>	<b>5,443,580</b>	<b>6,246,364</b>	<b>6,716,016</b>
Operating Expenditures	3,026,335	3,958,392	4,123,254	4,079,201	4,188,327	4,300,727	4,416,499	4,535,743
Existing Debt Service	459,900	459,900	451,045	448,093	406,863	54,103	53,092	-
Sewer Capital Improvements (CIP)								
CIP Funded by Rates	2,786,322	1,134,455	1,563,399	442,862	2,446,317	350,000	634,662	1,063,628
New Debt for CIP	-	-	-	-	-	-	1,072,000	1,072,000
<b>Total Expenditures - 401</b>	<b>6,272,557</b>	<b>5,552,747</b>	<b>6,137,698</b>	<b>4,970,156</b>	<b>7,041,507</b>	<b>4,704,830</b>	<b>6,176,253</b>	<b>6,671,371</b>
<b>Annual Surplus (Deficit)</b>	<b>44,193</b>	<b>15,786</b>	<b>47,016</b>	<b>128,023</b>	<b>26,047</b>	<b>738,750</b>	<b>70,112</b>	<b>44,645</b>
<i>Net rate-funded CIP (after 410 transfer)</i>	<i>1,036,322</i>	<i>334,455</i>	<i>313,399</i>	<i>442,862</i>	<i>646,317</i>	<i>350,000</i>	<i>14,662</i>	<i>163,628</i>

**WW Facilities Reserve Activity**

General Facilities Charges from new connections are deposited into the WW Facilities Reserve Fund 410 and will be used as part of the "Transfer from Reserve 410" to fund the CIP and New Debt for CIP. It is anticipated that available funds will be used to reduce the necessary borrowing for the next WWTP upgrade and maintain the target minimum balance of \$1,000,000.

Use of Reserves toward WWTP						(1,500,000)		
Est. WW Facilities Reserve 410				2,569,110	1,481,110	1,277,860	1,043,310	
Includes Minimum Target Reserve				1,000,000	1,000,000	1,000,000	1,000,000	
Estimated WWTP Debt Payment 2029*							1,072,000	1,072,000

\*Can also use surplus from 401 to reduce borrowing and lower debt payment

**Key Assumptions:**

- Annual cost escalation: 4% in 2023, 3% 2024+
- Base year in model = Preliminary 2023 Budget for most accurate operating expenses



**3. CAPITAL IMPROVEMENT PLAN & FUNDING SUMMARY**

- the 2019 CIP and financial plan anticipate that the City focus on near-term improvements to the WWTP and monitor capacity to determine the timing of the expected WWTP upgrade. The WWTP upgrade is expected to be very costly and will require significant borrowing - currently planned for \$2 million design in 2026 and \$17 million construction in 2027. No other borrowing is planned. \$1.5 million in available reserves, above a minimum fund balance of \$1,000,000, is planned to reduce the amount of borrowing needed. The model assumes a low-interest loan from Ecology SRF program (20-years, 3.5% interest) to be reasonably conservative.
- work on the conveyance system is also planned on an annual basis.

**SEWER CAPITAL IMPROVEMENT PLAN (CIP) SUMMARY**

Estimated costs have been escalated from 2019 dollars to year scheduled at 4.0% per year.

Recommended 10-Year CIP	2022	2023	2024	2025	2026	2027	2028	2029
Conveyance CIP	\$782,905	\$613,614	\$425,829	\$771,845	\$447,417	\$486,857	\$350,000	\$560,344
Treatment Plant CIP	\$2,585,409	\$789,655	\$0	\$0	\$2,183,131	\$16,737,336	\$0	\$0
<b>Total 10-Year CIP</b>	<b>\$3,368,315</b>	<b>\$1,403,268</b>	<b>\$425,829</b>	<b>\$771,845</b>	<b>\$2,630,548</b>	<b>\$17,224,193</b>	<b>\$350,000</b>	<b>\$560,344</b>

10-Year CIP Funding Sources	2022	2023	2024	2025	2026	2027	2028	2029
Loans (Ecology, PWTF)	\$0	\$0	\$0	\$0	\$0	\$14,737,336	\$0	\$0
Rates/Reserves	\$3,368,315	\$1,403,268	\$425,829	\$771,845	\$2,630,548	\$2,486,857	\$350,000	\$560,344
<b>Total 10-Yr CIP Funding</b>	<b>\$3,368,315</b>	<b>\$1,403,268</b>	<b>\$425,829</b>	<b>\$771,845</b>	<b>\$2,630,548</b>	<b>\$17,224,193</b>	<b>\$350,000</b>	<b>\$560,344</b>

**4. SUMMARY UPDATES TO MODEL**

- SWR HISTORY** - revenue, expenses and year end fund balances have been updated for 2021 actuals and 2022 budget (from KK, Finance), and 2023 prelim budget (from MF, PW). MF adjusted 2022 sewer revenue, utility taxes & GFC revenue based on activity.
- The summary at the top feeds the 10-YR OUTLOOK

- 10-YR OUTLOOK** - this sheet projects future revenue & expenditures, by applying the assumptions to the "base year".
- base year in model is "preliminary 2023 budget" as the most accurate picture of utility plans.
  - new connections adjusted: 139 in 2021, 70 in 2022-2024, 50 in 2025+. Last year version assumed 100 in 2021-24. This was average for 2021-22 but reduced for 2022-24 given current conditions. Year to Date GFC as of 10/25/22 is 64 based on revenue.
  - annual cost escalation: continues at last year's adjusted values of 4% in 2023, 3% 2024-28. Model uses this value to escalate costs from one year to the next.
  - Monthly Rate Increases - the 2019 outlook assumed annual increases of 2.3%, which was equal to "cost escalation". Last year's proposal held the rate increase at 2.3% which was lower than inflation (cost escalation) assumed to be 5%, because of higher growth. With growth figures stepping back (70 ERU vs. original 75 ERU), it is more sustainable to adjust the rates annually to keep up with the cost of operations by using "cost escalation". Model has been changed to increase rates by cost escalation (not flat 2.3%).
  - Connection Fee (GFC) - last year also held this annual increase at the 2.3%. Model now increases GFC by cost escalation.

**CIP** - the CIP has been updated to reflect current plans and schedule. Many of the projects have been delayed another year, however the WWTP plant upgrade remains in 2026-27.

10-YR OUTLOOK C

SEDRO-WOOLLEY SEWER SCEN C: Bump GFC, then by inflation	Actual 2019	Actual 2020	Actual 2021	Budget 2022	Pre.Budget 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Draft 10/25/22 Comments
<b>ASSUMPTIONS:</b>												
	2020 includes one-time increase of \$0.17/mo surcharge for new PW Op Fac											
New Connections (ERU's)	89	51	139	70	70	70	50	50	50	50	50	New ERU 2019-29: 739
Ratepaying ERU's	4,831	4,856	4,995	5,065	5,135	5,205	5,255	5,305	5,355	5,405	5,455	calc: svcs chg/rate
Monthly Rate Increase - by year			\$1.50	\$1.53	\$2.72	\$2.12	\$2.19	\$2.25	\$2.32	\$2.39	\$2.46	At Cost Escalation
Connection Fee (GFC)	\$6,995	\$8,495	\$8,690	\$8,900	\$9,256	\$9,534	\$9,820	\$10,115	\$10,418	\$10,731	\$11,053	At Cost Escalation
Annual Cost Escalation		2.3%	2.3%	2.3%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Investment Interest	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
Single Family Monthly Rate	\$63.45	\$65.08	\$66.58	\$68.11	\$70.83	\$72.95	\$75.14	\$77.39	\$79.71	\$82.10	\$84.56	eff jan1=11 mos rev
<b>SEWER FUND 401</b>												
<b>Operating Revenue</b>												
	Adj for YTD/planned											
Sewer Service Charges	3,678,370	3,792,423	3,945,998	4,100,000	4,281,297	4,431,686	4,579,619	4,732,900	4,892,199	5,057,615	5,229,245	new cust=6 mos next yr.
Utility Tax Collected	345,910	400,420	422,990	430,500	449,536	465,327	480,860	496,954	513,681	531,050	549,071	as % of svcs chgs
Fertilizer Sales	1,151	797	1,293	1,350	1,300	1,300	1,300	1,300	1,300	1,300	1,300	flat
Misc. (collection recoveries, misc)	69,875	24,929	4,241	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	flat
Investment Interest	10,256	6,579	2,742	6,900	7,600	7,600	7,600	7,600	7,600	7,600	7,600	flat
Late Penalties & Interest	-	7,234	11,628	8,000	8,800	8,800	8,800	8,800	8,800	8,800	8,800	flat
Covid-19 Non-grant Assistance	-	2,671	-	-	-	-	-	-	-	-	-	flat
Transfer from Sewer Facilities 410	-	-	-	1,750,000	800,000	1,250,000	-	1,800,000	-	620,000	900,000	from Cum Res. Fund 410
Transfer from Sewer Rev Bond 407	1,554	2,395	-	-	-	-	-	-	-	-	-	closed out 2020
Subtotal Oper. Revenue	4,107,116	4,237,449	4,388,892	6,316,750	5,568,533	6,184,713	5,098,179	7,067,554	5,443,580	6,246,364	6,716,016	
<b>Operating Expenditures</b>												
Maintenance	179,309	225,172	179,261	220,450	243,815	251,129	258,663	266,423	274,416	282,648	291,128	cost escal
General Operations	2,303,756	2,275,859	2,502,429	2,421,215	3,086,107	3,178,690	3,274,051	3,372,272	3,473,441	3,577,644	3,684,973	cost escal
<b>Capital Outlay from Rates</b>												
	add 150k for design cip											
Engineering Services	231,263	152,164	83,840	50,000	302,000	350,000	200,000	200,000	200,000	200,000	200,000	incl. design for cip except ww
Other Improvements	512,970	119,725	see CIP belo	see CIP belo	see CIP below							see CIP funded by Rates
Portable Equipment	17,633	8,978	20,087	20,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	
Machinery & Equipment	78,449	123,383	192,774	200,000	186,000	200,000	200,000	200,000	200,000	200,000	200,000	incl. plant repairs
<b>Transfers</b>												
Parks Fund 101	8,300	-	-	-	-	-	-	-	-	-	-	cost escal
Equip Replacement Fund 501	101,004	95,000	95,000	95,000	98,800	101,764	104,817	107,961	111,200	114,536	117,972	cost escal
Operations Reserve 402	148,992	150,000	merged into 410									merged into 410 & closed
Fleet M&O 501	16,536	-	-	-	-	-	-	-	-	-	-	cost escal
PW Operations Facility Fund 505	9,835	19,670	19,670	19,670	19,670	19,670	19,670	19,670	19,670	19,670	19,670	new ops facility,20-yr,2019+
Subtotal Oper. Expen. & Cap. Outlay	3,608,047	3,169,951	3,093,061	3,026,335	3,958,392	4,123,254	4,079,201	4,188,327	4,300,727	4,416,499	4,535,743	
<b>Net Available for Debt &amp; CIP</b>	<b>499,069</b>	<b>1,067,497</b>	<b>1,295,831</b>	<b>3,290,415</b>	<b>1,610,141</b>	<b>2,061,460</b>	<b>1,018,978</b>	<b>2,879,227</b>	<b>1,142,853</b>	<b>1,829,866</b>	<b>2,180,272</b>	
<b>Existing Debt Service</b>												
PWTF payment - Xfer to Cap Proj 410	464,356	464,360	459,900	459,900	459,900	451,045	448,093	406,863	54,103	53,092	-	pmts less150k fr conn fees
Subtotal Existing Debt Service	464,356	464,360	459,900	459,900	459,900	451,045	448,093	406,863	54,103	53,092	-	
<b>Sewer Capital Improvements (CIP)</b>												
CIP Funded by Rates	-	-	721,886	2,786,322	1,134,455	1,563,399	442,862	2,446,317	350,000	634,662	1,063,628	See CIP Tab
New Debt for CIP	-	-	-	-	-	-	-	-	-	1,072,000	1,072,000	See CIP Tab
Subtotal Capital Improvements	-	-	721,886	2,786,322	1,134,455	1,563,399	442,862	2,446,317	350,000	1,706,662	2,135,628	
Subtotal Oper, Cap Outlay & Debt	4,072,403	3,634,311	4,274,847	6,272,557	5,552,747	6,137,698	4,970,156	7,041,507	4,704,830	6,176,253	6,671,371	
Prior Period Adjustment		(815,128)										
<b>Annual Surplus (Deficit)</b>	<b>34,713</b>	<b>1,418,265</b>	<b>114,045</b>	<b>44,193</b>	<b>15,786</b>	<b>47,016</b>	<b>128,023</b>	<b>26,047</b>	<b>738,750</b>	<b>70,112</b>	<b>44,645</b>	
<b>Cumulative % Impact on Rates</b>				<b>-1%</b>	<b>0%</b>	<b>-1%</b>	<b>-3%</b>	<b>-1%</b>	<b>-16%</b>	<b>-1%</b>	<b>-1%</b>	
Net rate-funded CIP (after 410 transfer)			721,886	1,036,322	334,455	313,399	442,862	646,317	350,000	14,662	163,628	
<b>Beginning Fund Balance - Fund 401</b>	848,088	881,184	2,278,826	2,527,795	2,571,988	2,587,774	2,634,789	2,762,812	2,788,859	3,527,610	3,597,721	2022 = 2021 actual end bal.
Annual Surplus (Deficit)	34,713	1,418,265	114,045	44,193	15,786	47,016	128,023	26,047	738,750	70,112	44,645	
<b>Ending Fund Balance (estimated)</b>	<b>882,801</b>	<b>2,299,449</b>	<b>2,392,871</b>	<b>2,571,988</b>	<b>2,587,774</b>	<b>2,634,789</b>	<b>2,762,812</b>	<b>2,788,859</b>	<b>3,527,610</b>	<b>3,597,721</b>	<b>3,642,366</b>	must meet target minimum
<b>Target Ending Balance - Fund 401</b>	826,032	852,831	1,111,509	1,182,661	1,223,665	1,253,999	1,289,086	1,338,662	1,372,348	1,525,968	1,569,270	16.67% x (Beg.Cash Bal+Re

10-YR OUTLOOK C

SEDRO-WOOLLEY SEWER SCEN C: Bump GFC, then by inflation	Actual 2019	Actual 2020	Actual 2021	Budget 2022	Pre.Budget 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Draft 10/25/22 Comments
Ending balance meets minimum?	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok	

**WASTEWATER RESERVES FUND 410 (Includes Cum Reserve/Sewer Facilities Fund 410 and Sewer Facilities Reserve 402)**

Revenue				Adj for YTD									
Investment Interest	80,518	30,234	7,431	22,000	45,700	43,400	36,600	40,600	26,700	15,800	13,800	calc on end bal	
Sewer Connection Fee (GFC)	621,620	433,418	1,160,469	564,633	647,920	667,380	491,000	505,750	520,900	536,550	552,650	# ERU's x Conn Fee	
Special Sewer Connections	20,608	41,217	20,892	21,000	included in GFC for projections							In specific areas	
Loan Pmt fr Arterial Streets/Streets	500,000	300,000	-	500,000								Loan for cash flow	
Interfund Loan Repayment	161,161	15,342	5,186	15,400	15,400	15,400	15,400	15,400	15,400	15,400	15,400	Storm ongoing	
Xfer fr 401 for PWTF Loan Pmts	464,356	464,360	459,900	459,900	459,900	451,045	448,093	406,863	54,103	53,092	-	fr 401 for pwtf debt	
Subtotal Revenue	1,848,263	1,284,570	1,653,878	1,582,933	1,168,920	1,177,225	991,093	968,613	617,103	620,842	566,450		
<b>Expenditures</b>													
Loan to Arterial Streets 104	-	300,000										Loan for cash flow	
PWTF Loan Pmts	615,860	612,852	609,990	606,948	603,996	601,045	598,093	556,863	204,103	203,092		from debt tab, ends 2028	
Xfer to Sewer Fund 401 - Capital Proj.	-	-	-	1,750,000	800,000	1,250,000	-	1,800,000	-	620,000	900,000	read by 401	
Subtotal Expenditures	615,860	912,852	609,990	2,356,948	1,403,996	1,851,045	598,093	2,356,863	204,103	823,092	900,000		
<b>Annual Surplus (Deficit)</b>	<b>1,232,403</b>	<b>371,718</b>	<b>1,043,888</b>	<b>(774,015)</b>	<b>(235,076)</b>	<b>(673,820)</b>	<b>393,000</b>	<b>(1,388,250)</b>	<b>413,000</b>	<b>(202,250)</b>	<b>(333,550)</b>		

Beginning Fund Balance - Fund 410/402	2,400,157	3,781,608	4,303,326	5,347,304	4,573,289	4,338,213	3,664,393	4,057,393	2,669,143	1,582,143	1,379,893	2022 = 2021 actual end bal.
Annual Surplus (Deficit)	1,232,403	371,718	1,043,888	(774,015)	(235,076)	(673,820)	393,000	(1,388,250)	413,000	(202,250)	(333,550)	
Use of Reserves toward WWTP									(1,500,000)			can also use surplus in 401
<b>Ending Fund Balance (estimated)</b>	<b>3,632,560</b>	<b>4,153,326</b>	<b>5,347,214</b>	<b>4,573,289</b>	<b>4,338,213</b>	<b>3,664,393</b>	<b>4,057,393</b>	<b>2,669,143</b>	<b>1,582,143</b>	<b>1,379,893</b>	<b>1,046,343</b>	must meet target minimum

<b>Target Minimum Balance - Fund 410</b>	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	minimum of \$1,000,000
Ending balance meets minimum?	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok	ok	



City of Sedro-Woolley Sewer Financial Plan

Prepared by KI&A based on CIP provided by PACE Engineers, Table 8-1

Draft 10/10/22 per MF Edits

KI added notes \* and \*\* to indicate items moved from Other Improvements to Engineering Services or Mach & Equip in the Sewer Fund 401.

Escalated at 4% per year for Construction Cost escalation

CIP #	Project	Est. Project Cost (\$2019)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029
<b>10-YEAR COLLECTION SYSTEM PROJECTS</b>													
<b>Rehab/Replacement</b>													
R-1	Alley btwn Fidalgo St & Sterling St, W of Township, E of Fourth	\$610,000			\$0	\$0	\$742,158	moved from 2021 + escalation - MF showed 642,156					\$742,158
R-2	N or Warner St & E of Township	\$350,000					\$0	\$442,862					\$442,862
R-3	N of Railroad Ave & S of Talcott Ave	\$215,000			\$0	\$251,520							\$251,520
R-4	S of Ferry & N of Pacific & W of Ball St	\$65,000			\$0	\$76,041							\$76,041
R-5	N of Ferry & W of Ball St	\$66,000			\$0	\$77,211							\$77,211
R-6	Alley btwn Reed St & Haines St	\$100,000						\$0	\$131,593				\$131,593
R-7	Alley btwn Gibson St & Northern Ave	\$100,000							\$131,593	\$0			\$131,593
R-8	Along E side of Hwy 9 fr Alderwood Ln to Sapp Rd & W side of	\$919,000							*	\$350,000	\$350,000	560,344	\$1,260,344
R-9	Along Northern Ave fr Metcalf to Murdock/Puget Alley. Along M	\$250,000			\$0	\$292,465							\$292,465
<b>Infill Projects - allow 1/3 from Special Connection Fee, 2/3 from Rates</b>													
I-1	North Ball Street Infill	\$380,000											\$0
I-2	Rowland Road Infill	\$300,000											\$0
I-3	Burrows Lane Infill	\$160,000											\$0
I-4	F&S Grade Road Infill	\$270,000											\$0
I-5	Carter Street Infill	\$500,000											\$0
<b>Expansion Projects</b>													
E-1, 2, 3, 4 and 9 not included in the financial section - to be funded by developers as needed - refer to Table 8-1. E-5-8 will be constructed as part of the Jones/John Liner/Trail Road Corridor Projects.													
E-5	Jones Road Sewer Expansion - Corridor Project C1A Scoping	\$340,000							\$0			\$503,283	\$503,283
E-6	Patrick Road Sewer Expansion - Corridor Project C1B. Scoping	\$260,000			\$0								\$0
E-7	Trail Road Sewer Exp F&S Grade to Jones - Corridor Project C	\$225,000	developer funded										\$0
E-8	Trail Road Sewer Exp Cook to F&S - Corridor Project C9A (Sec	\$200,000						\$0			\$284,662		\$284,662
E-9	Olmsted Park Sewer - \$50K in 2019 Budget; deferred to 2021	\$100,000			\$0	\$143,000							\$143,000
<b>Total 10-year Conveyance CIP (\$2019)</b>		<b>\$5,410,000</b>											\$0
<b>10-Year Conveyance CIP (escalated)</b>		<b>\$4,336,732</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$840,236</b>	<b>\$742,158</b>	<b>\$442,862</b>	<b>\$263,186</b>	<b>\$350,000</b>	<b>\$634,662</b>	<b>\$1,063,628</b>	<b>\$4,336,732</b>
<b>10-YEAR TREATMENT PLANT PROJECTS</b>													
<b>Capacity Upgrades</b>													
TP-1	Digester aeration upgrade-diffusers	25,000	\$94,915										\$94,915
TP-2	Digester aeration upgrade-blowers	\$675,000				\$0	\$821,241						\$821,241
TP-3	Lab/Operations building replacement	\$1,359,000	\$0	\$148,000	\$2,752,000								\$2,900,000
TP-4	Replace Street Shop to allow for relocated Lab/Ops Building	\$335,000	\$0	\$0	\$0								\$0
TP-5	Anoxic tank mixer upgrade	\$207,500			\$0	\$242,746							\$242,746
TP-6	Facilities plan	\$250,000					\$0	\$0					\$0
TP-7	WWTP Upgrade to 10 MGD	\$13,375,000							\$2,112,071	16,192,541			\$18,304,611
TP-8	WWTP Upgrade - Relocate Displaced Street Shop Buildings	\$450,000							\$71,060	544,796			\$615,856
<b>Mechanical</b>													
TP-9	Replace diaphragm pumps with rotary lobe pumps	\$30,000	\$0	\$0									\$0
TP-10	Replace the polymer mixers with auto polymer mixing system	\$13,000			\$0								\$0
TP-11	Varcor Biosolids Processor (Total cost \$2.5; local cost \$250,00	\$250,000	\$0	\$0	\$0								\$0
<b>Structural</b>													
TP-12	Inject grouting into concrete	\$10,000	\$0	\$0		\$11,699	moved from 2021 + escalation - MF did not show escal.					\$11,699	
TP-13	Silicone joint sealant to expansion joints	\$10,000	\$0	\$0		\$11,699	moved from 2021 + escalation - MF did not show escal.					\$11,699	
TP-14	Fill the base of the walls with injection grouting	\$20,000	\$0	\$0		\$23,397	moved from 2021 + escalation - MF did not show escal.					\$23,397	
<b>Electrical</b>													
TP-15	Perform an arc flash study for the plant	\$20,000	\$0	\$0	\$6,925				*				\$6,925
TP-16	WWTP electrical system upgrades	\$385,000	\$0	\$573,886	\$27,397								\$601,283
TP-17	Upgrade aerator motors and add variable frequency drives	\$100,000	\$0	\$0									\$0
TP-18	Install bollards to protect plant service cables adjacent to roadw	\$4,000	\$0			\$4,679							\$4,679
<b>Total 10-year Treatment Plant CIP (\$2019)</b>		<b>\$17,518,500</b>											\$0
<b>Total 10-Year Treatment Plant CIP (escalated)</b>		<b>\$23,639,050</b>	<b>\$94,915</b>	<b>\$721,886</b>	<b>\$2,786,322</b>	<b>\$294,219</b>	<b>\$821,241</b>	<b>\$0</b>	<b>\$2,183,131</b>	<b>\$16,737,336</b>	<b>\$0</b>	<b>\$0</b>	<b>\$23,639,050</b>
<b>Total 10-year CIP (\$2019)</b>		<b>\$22,928,500</b>											
<b>Total 10-Year CIP (escalated)</b>		<b>\$27,975,782</b>	<b>\$94,915</b>	<b>\$721,886</b>	<b>\$2,786,322</b>	<b>\$1,134,455</b>	<b>\$1,563,399</b>	<b>\$442,862</b>	<b>\$2,446,317</b>	<b>17,087,336</b>	<b>\$634,662</b>	<b>\$1,063,628</b>	<b>\$27,975,782</b>

CIP MF

Annual construction cost escalation 4.0% 1.0400 1.0816 1.1249 1.1699 1.2167 1.2653 1.3159 1.3686 1.4233 1.4802

Escalated to Year Scheduled at 4.0% per year												
Annual CIP Cost	Average (\$2019)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029
Collection System CIP	\$541,000	\$0	\$0	\$0	\$840,236	\$742,158	\$442,862	\$263,186	\$350,000	\$634,662	\$1,063,628	\$4,336,732
Treatment Plant CIP	\$1,751,850	\$94,915	\$721,886	\$2,786,322	\$294,219	\$821,241	\$0	\$2,183,131	\$16,737,336	\$0	\$0	\$23,639,050
<b>Annual CIP Cost</b>	<b>\$2,292,850</b>	<b>\$94,915</b>	<b>\$721,886</b>	<b>\$2,786,322</b>	<b>\$1,134,455</b>	<b>\$1,563,399</b>	<b>\$442,862</b>	<b>\$2,446,317</b>	<b>\$17,087,336</b>	<b>\$634,662</b>	<b>\$1,063,628</b>	<b>\$27,975,782</b>

CIP Funding Sources (escalated costs)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029
Grants											\$0
Revenue Bonds											\$0
Loans (Ecology, PWTF)		\$0					-	15,237,336			\$15,237,336
Capital Reserves toward WWTP Upgrade								1,500,000			
Reserves-2019 \$445,000 budgeted from Sewer Capital Projects	(\$255,085)										(\$255,085)
Rates-2019 Budget \$664,000, less Capital Projects transfer	\$350,000	\$721,886	\$2,786,322	\$1,134,455	\$1,563,399	\$442,862	\$2,446,317	\$350,000	\$634,662	\$1,063,628	\$11,493,531
<b>Total Funding Sources</b>	<b>\$94,915</b>	<b>\$721,886</b>	<b>\$2,786,322</b>	<b>\$1,134,455</b>	<b>\$1,563,399</b>	<b>\$442,862</b>	<b>\$2,446,317</b>	<b>\$17,087,336</b>	<b>\$634,662</b>	<b>\$1,063,628</b>	<b>\$27,975,782</b>

Notes on amount to be borrowed:

do not borrow design \$2M from reserves

New Debt for CIP - estimated payments	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029
2021 Ecology, 20 year, interest = 2.0%			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2026 Ecology, 20 year, interest = (Do Not Borrow Design) 3.5%								\$0	\$0	\$0	\$0
2027 Ecology, 20 year, interest = 3.5%									\$1,072,000	\$1,072,000	\$2,144,000
OR Total New Debt Payments for CIP			\$0	\$0	\$0	\$0	\$0	\$0	\$1,072,000	\$1,072,000	\$2,144,000

Total Annual Rate Contribution	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029
	\$350,000	\$350,000	\$2,786,322	\$1,134,455	\$1,563,399	\$442,862	\$2,446,317	\$350,000	\$1,706,662	\$2,135,628	\$13,265,645

Equals the budgeted rate contribution toward CIP of \$350,000 + new debt payments planned for CIP

**Notes on Ecology Grant Funding - different for preconstruction and construction**

- Preconstruction: can be used for facility plan, or design of WWTP upgrade. Ecology determines whether community is eligible and publishes in Funding Guidelines each year - SEDRO is NO LONGER ELIGIBLE for up to 50% forgivable principal, per SFY 2023 Funding Guidelines (Aug 2021). Also for Aug 2022

- Construction: requires Ecology approved plans & specs in order to apply. SEDRO is an affordable system & does not qualify for grant/principal forgiveness. Aug 2021, Aug 2022

Residential monthly sewer rate \$63.45 \$65.08 \$66.58 \$68.11  
 "Affordable" monthly sewer rate (Ecology Hardship @ 2% MHI) \$101.44 \$106.40

Sedro-Woolley NO LONGER ELIGIBLE for Pre-Construction Hardship - up to 50% forgivable principal (assuming \$\$ is available).

**SUMMARY**

Recommended 10-Year CIP	Total 2020-29	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2029
Conveyance CIP (escalated)	\$4,336,732	\$0	\$0	\$0	\$840,236	\$742,158	\$442,862	\$263,186	\$350,000	\$634,662	\$1,063,628	\$4,336,732
Treatment Plant CIP (escalated)	\$23,639,050	\$94,915	\$721,886	\$2,786,322	\$294,219	\$821,241	\$0	\$2,183,131	\$16,737,336	\$0	\$0	\$23,639,050
<b>Total 10-Year CIP (escalated)</b>	<b>\$27,975,782</b>	<b>\$94,915</b>	<b>\$721,886</b>	<b>\$2,786,322</b>	<b>\$1,134,455</b>	<b>\$1,563,399</b>	<b>\$442,862</b>	<b>\$2,446,317</b>	<b>\$17,087,336</b>	<b>\$634,662</b>	<b>\$1,063,628</b>	<b>\$27,975,782</b>
10-Year CIP Funding Sources	Total 2020-29	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	\$20,245
Loans (Ecology, PWTF)	\$15,237,336	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,237,336	\$0	\$0	\$15,237,336
Rates/Reserves	\$11,238,446	\$94,915	\$721,886	\$2,786,322	\$1,134,455	\$1,563,399	\$442,862	\$2,446,317	\$350,000	\$634,662	\$1,063,628	\$11,238,446
<b>Total 10-Year CIP Funding Sources</b>	<b>\$26,475,782</b>	<b>\$94,915</b>	<b>\$721,886</b>	<b>\$2,786,322</b>	<b>\$1,134,455</b>	<b>\$1,563,399</b>	<b>\$442,862</b>	<b>\$2,446,317</b>	<b>\$15,587,336</b>	<b>\$634,662</b>	<b>\$1,063,628</b>	<b>\$26,475,782</b>

Sedro is No Longer Eligible for preconstruction hardship (Aug. 2021) so no reason to borrow for design (was planned to bring in potential 50% subsidy/grant)



2023 FUND 412 PROPOSED RATE ADJUSTMENTS					10/7/2022	MAF 10/25/2022					
RESIDENTIAL RATES	2022 MSW Rates	Leos recommendation for 2023 rates	2024	2025	2026	Notes	2022 Customer Count	Estimated Annual Additional Revenue 2023	Estimated Additional Revenue 2024	2023 vs 2022	2024 vs 2023
20 GAL.TOTER	\$12.54	discontinue 20 gallons we can make a 32 gal. go everyother week for low income or a 32 gal once per month in place of a 20 gal.	N/A	N/A	N/A	20 gallons to phase out, once they change service it will no longer be offered. And alternatively help with our inventory control.	98	-	-		
32 GAL.TOTER	\$23.11	\$24.20	\$25.20	\$26.75	\$27.25		1,439	18,822	17,268	4.7%	4.1%
68 GAL. TOTER	\$33.50	\$34.50	\$35.35	\$35.35	\$35.35	rename to 65 gal cart	1,118	13,416	11,404	3.0%	2.5%
96 GAL.TOTER	\$44.73	\$45.00	\$45.50	\$46.00	\$47.55	rename to 95 gal cart	125	405	750	0.6%	1.1%
LOW INCOME-20 GAL	\$10.04	discontinue 20 gallons /phase out over time.	discontinue 20 gallons /phase out over time.	discontinue 20 gallons /phase out over time.	discontinue 20 gallons /phase out over time.	discontinue 20 gallons /phase out over time.		-	-	0.0%	
LOW INCOME-32 GAL	\$18.49	\$19.36	\$20.16	\$21.40	\$21.80		98	1,023	941	4.7%	4.1%
LOW INCOME-32 GAL (EOW)	N/A	\$14.36	\$15.16	\$16.40	\$16.80	possioie new rate to help with low income. And may take place of 20 gallon, if we discontinue, must get ok by solid waste dept to get low income rates EOW. this was not based on a percentage but \$5.00 for EOW. discount but we can do that.			-		5.6%
LOW INCOME-68 GAL	\$26.80	\$27.60	\$28.28	\$28.28	\$28.28		125	1,200	1,020	3.0%	2.5%
LOW INCOME -96 GAL	\$35.79	no increase	discontinue 95 gallons	discontinue 95 gallons	discontinue 95 gallons	discontinue low income 96 gallons, they could not be producing this much as low income.	4	-	-		
Plus curbside Recycling fee per cart	\$5.02	\$8.00	\$9.00	\$10.00	\$11.00	if we rased the rate from \$5.02 to \$9.00 this will give is 2.98 x 3,872 customers = \$11,538.56 extra per month. X 12 months = \$138,462.72 each extra dollar added in the next years will add a total \$46,464.00 per year.	3,872	138,463	46,464	59.4%	12.5%
OPTIONAL Food and Yard Waste Service	\$12.17	12.25	\$12.50	\$12.75	\$13.00		1,629	1,564	4,887	0.7%	2.0%
COMMERCIAL RATES (PERMANENT) MSW	MSW Is Garbage					We can leave rates in place or decrease costs for most commercial accounts.					
32 GAL. TOTER	\$26.17	\$26.25	\$26.50	\$27.00	\$27.25					0.3%	1.0%
68 GAL. TOTER	\$41.51	decrease to \$35.35	no increase	no increase	\$35.35	rename to 65 gal cart					
96 GAL. TOTER	\$56.56	decrease to \$47.55	no increase	no increase	\$47.55	rename to 95 gal cart					
1 YARD DUMPSTER	\$114.60	no increase	no increase	no increase	\$114.60						
2 YARD DUMPSTER	\$151.50	no increase	no increase	no increase	\$151.50						
3 YARD DUMPSTER	\$225.65	no increase	no increase	no increase	\$225.65						
4 YARD DUMPSTER	\$297.15	no increase	no increase	no increase	\$297.15						
6 YARD DUMPSTER	\$438.43	no increase	no increase	no increase	\$438.43						
8 YARD DUMPSTER	\$586.12	no increase	no increase	no increase	\$586.12						
All roll off 20, 30 & 40 YARD DUMPSTERS	\$230.78	no increase	\$235.00	\$240.00	\$250.00						
Commercial Recycling Optional											
Mixed paper						MP has a cost to drop at recycling centers current is \$95.00 per ton					
95 gallon container	\$20.38	\$60.00	\$70.00	\$80.00	\$90.00						
2 yard container	\$33.95	\$70.00	\$80.00	\$90.00	\$99.00						
3 yard container	\$47.52	\$100.00	\$110.00	\$115.00	\$122.00						
4 yard container	\$88.25	\$120.00	\$130.00	\$140.00	\$154.00						
6 yard container	\$115.40	\$153.00	\$163.00	\$173.00	\$182.00						
8 yard container	\$153.07	\$200.00	\$215.00	\$225.00	\$235.00						
Cardboard											
95 gallon container	Not available-	Not available-	Not available-	Not available-	Not available-	We get some moneis back depending on market conditions					
2 yard container	\$27.17	\$30.00	\$40.00	\$50.00	\$60.00						
3 yard container	\$33.95	\$35.00	\$45.00	\$55.00	\$65.00						
4 yard container	\$47.52	\$40.00	\$50.00	\$60.00	\$70.00						
6 yard container	\$61.10	\$45.00	\$55.00	\$65.00	\$75.00						
8 yard container	\$74.67	\$50.00	\$60.00	\$70.00	\$80.00						
Mixed recycling						Cost for disposal is \$194.98 per ton to drop off					
95 gallon container	\$20.38	\$60.00	\$70.00	\$80.00	\$90.00						
2 yard container	\$61.10	\$70.00	\$80.00	\$90.00	\$99.00						
3 yard container	\$95.05	\$100.00	\$110.00	\$115.00	\$122.00						
4 yard container	\$108.61	\$120.00	\$130.00	\$140.00	\$154.00						
6 yard container	\$142.57	\$153.00	\$163.00	\$173.00	\$182.00						
8 yard container	\$190.08	\$200.00	\$215.00	\$225.00	\$235.00						
TOTALS						TOTAL PROPOSED INCREASE		174,893	82,733		
						% INCR ON RATES INCLUDING RECYCLE		8.1%	3.8%		
						WITHOUT RECYCLE INCREASE		36,430	36,269		
						% INCR ON RATES WITHOUT RECYCLE		1.9%	1.9%		