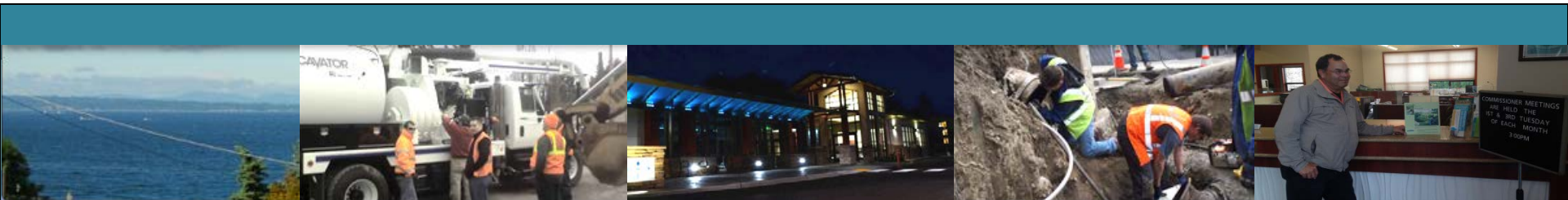


2019-2020
Budget Presentation
Presentation to the Board of Commissioners
December 4, 2018



Agenda

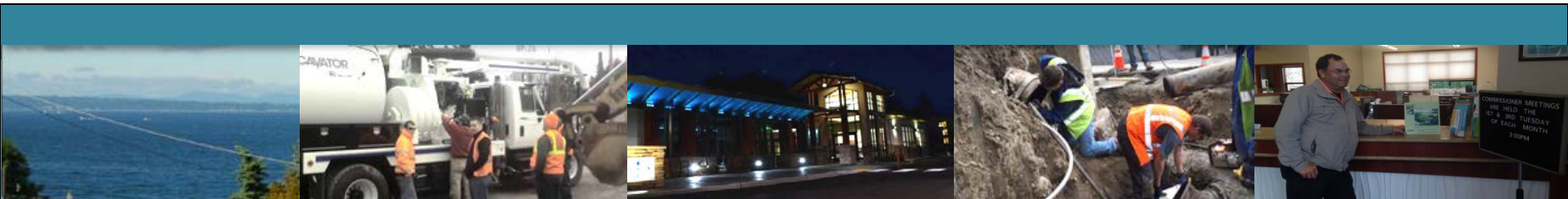
1. Revision to Operating Budget
2. Capital Budget
3. Vehicle Replacement Account
4. Usage and Revenue Forecast
5. 2019-2020 Revenue Requirements
6. Long Term Rate Forecast



Changes to Operating Budget

	2019	2020
Legal Fees	\$ 4,000	\$ 4,000
Dues and Memberships	\$ 1,000	\$ 1,000
Payroll Fees	\$ 2,000	\$ 2,000
Custodial Services	\$ 6,000	\$ 6,000
Sewer	\$ 500	\$ 500
Consumer Confidence Report	\$ 500	\$ 500
Water Purchases	\$ (24,000)	\$ (25,000)
Hydrant O&M	\$ 500	\$ 500
Telemetry	\$ 2,000	\$ 2,000
Repairs and Maintenance	\$ 4,000	\$ 5,000
Family Medical Leave	\$ 4,961	\$ 5,125
Franchise Fee Adjustment	\$ (270)	\$ (287)
Increase in COLA	\$ 3,195	\$ 3,276
Increase in Capital Transfer	\$ 200,000	\$ 100,000
Increase in Use of Reserves	\$ -	\$ 110,173
Total Increases	\$ 204,386	\$ 214,787

SPU water costs were reduced to reflect that the usage first used (2016) was inflated due to a much higher than normal level of flushing. The projected SPU usage was adjusted to remove the flushing usage.



Objects (Types of Cost)	2017 Actual	2018 Budget	2018 Actual	2019 Budget	Chg 2019 Budget to 2018 Budget	Percent Change	2020 Budget	Chg 2020 Budget to 2019 Budget	Percent Change
BUSINESS ADMINISTRATION	\$ 154,589	\$ 180,200	\$ 175,638	\$ 223,200	\$ 47,562	27.1%	\$ 253,200	\$ 30,000	13.4%
PLANNING AND DEVELOPMENT	\$ 3,646	\$ 23,000	\$ 18,991	\$ 13,000	\$ (5,991)	-31.5%	\$ 11,000	\$ (2,000)	-15.4%
PUBLIC AND REGIONAL OUTREACH	\$ 52,377	\$ 62,100	\$ 46,378	\$ 55,000	\$ 8,622	18.6%	\$ 56,000	\$ 1,000	1.8%
OFFICE AND RECORDS MANAGEMENT	\$ 253,498	\$ 215,200	\$ 247,504	\$ 265,150	\$ 17,646	7.1%	\$ 269,150	\$ 4,000	1.5%
CUSTOMER SERVICE AND BILLING	\$ 73,993	\$ 64,300	\$ 85,428	\$ 87,500	\$ 2,072	2.4%	\$ 89,500	\$ 2,000	2.3%
PURCHASED WATER AND POWER	\$ 1,413,339	\$ 1,650,000	\$ 1,440,231	\$ 1,548,000	\$ 107,769	7.5%	\$ 1,638,000	\$ 90,000	5.8%
OPERATIONS AND MAINTENANCE	\$ 208,473	\$ 203,600	\$ 193,351	\$ 211,000	\$ 17,649	9.1%	\$ 216,500	\$ 5,500	2.6%
TAXES AND FRANCHISE FEES	\$ 736,587	\$ 732,776	\$ 732,764	\$ 760,654	\$ 27,890	3.8%	\$ 791,071	\$ 30,417	4.0%
PASS-THRU COSTS	\$ 9,590	\$ 8,100	\$ -	\$ -	\$ -		\$ -	\$ -	n/a
EMPLOYEE COSTS (Net Capitalization)	\$ 1,653,964	\$ 1,526,963	\$ 1,725,339	\$ 1,766,807	\$ 41,468	2.4%	\$ 1,818,439	\$ 51,632	2.9%
Total Operating Costs	\$ 4,560,058	\$ 4,666,239	\$ 4,665,624	\$ 4,930,311	\$ 264,687	5.7%	\$ 5,142,860	\$ 212,549	4.3%
CAPITAL COSTS	\$ 2,796,018	\$ 2,531,781	\$ 2,478,936	\$ 2,588,500	\$ 109,564	4.4%	\$ 2,500,408	\$ (88,091)	-3.4%
TRANSFER TO PRESERVATION ACCT	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	0.0%	\$ 50,000	\$ -	0.0%
ADDITION TO RESERVES		\$ 21,623					\$ 110,173	\$ 110,173	n/a
Total Revenue Requirement	\$ 7,406,076	\$ 7,269,642	\$ 7,194,561	\$ 7,568,811	\$ 374,251	5.1%	\$ 7,803,442	\$ 234,631	3.1%
Prior Requirement ->	\$ 7,237,239	\$ 7,076,960	\$ 7,194,561	\$ 7,364,425	\$ 169,864	2.4%	\$ 7,588,655	\$ 224,230	3.0%

The changes shown on the previous slide resulted in an overall increase in 2019 over 2018 actual costs of 5.1%. The projected increase in 2020 is 3.1%.

Capital Forecast		2016-2018	2019	2020	2021	2022	2023	2024	2025-2030	2016-2030
TOTAL SOURCES		18,731,385	11,545,892	9,164,349	9,063,992	9,374,712	10,126,931	11,012,491	25,427,499	50,446,412
<u>USES:</u>										
1	Other Projects 2016-2018	450,527								450,527
2	NCPS	4,769,611								4,769,611
3	Vactor Truck	496,370	-	-	-	-	-	597,026		1,093,396
4	Maintenance Building	3,550,152	5,517,927	1,113,882	-	-	-	-		10,181,961
5	Water System Plan Updates	315,634	44,614	-	-	-	-	-		360,248
6	GIS Project	-	200,953	189,393	209,756	146,414	131,252	138,665		1,016,435
7	System Upgrades Water Quality	-	-	-	-	-	223,545	200,622		424,168
8	Booster Stations Rehabilitation/Replace	-	-	-	-	-	-	87,050		87,050
9	System-wide - R&R PRV Stations	-	-	137,014	141,222	10,561	-	-		288,797
10	2.0 MG Reservoir Capital Imp - Const	-	-	212,339	-	-	-	-		212,339
11	Install individual PRVs new 520 zone (CIP 501)	-	-	-	493,889	-	-	-		493,889
12	Install new 8" main and 2 check valves (CIP 502)	-	-	-	62,497	666,248	-	-		728,745
13	Install new 8" main and check valve (CIP 503)	-	-	59,875	460,386	-	-	-		520,261
14	Install new 12" main - N/S 520 zone (CIP 504)	-	-	-	10,927	33,352	-	-		44,279
15	Remove PRV-5 (CIP 505)	-	-	-	-	5,291	-	-		5,291
16	Install 8" water mains for looping (CIP 506)	-	-	-	-	34,137	211,039	-		245,176
17	Relocate PRV-2 (CIP 507)	-	-	-	13,564	73,725	-	-		87,289
18	Install 8" main across Hamlin Park (CIP 608)	-	-	-	-	-	-	42,714	288,629	331,342
19	Install 12" main to create trans line (CIP 609)	-	-	-	-	-	130,661	1,849,908		1,980,569
20	Upgrade Supply Station 1 (CIP 610)	-	-	-	-	22,882	61,317	-		84,199
21	CIP 12 - NE 200th St./25th Ave. NE	-	-	-	-	202,420	-	-		202,420
22	Shake Alert	-	84,278	-	-	-	-	-		84,278
23	Telemetry	-	77,930	28,126	-	-	-	-		106,056
24	Meters/Services		85,993	71,842	66,761	67,229	67,715	68,221		427,760
25	Hydrant Replacement		38,417	39,197	40,000	40,828	41,680	42,558		242,679
26	Valve Replacement		24,337	25,141	25,971	26,830	27,717	28,634		158,630
27	Technology Additions & Replacement		28,690	15,815	11,595	20,250	17,785	26,190		120,325
28	Tools, Equipment & Furniture		57,000	157,360	12,731	13,113	13,506	13,911		267,621
29	Engineering Reports		34,108	32,401	96,899	-	-	128,789		292,198
30	On-going Projects		-	-	-	-	-	-	20,361,665	20,361,665
TOTAL USES		9,582,294	6,194,247	2,082,385	1,646,199	1,363,280	926,218	3,224,290	20,650,293	45,669,206



Capital Plan Summary

2019-2030 - Budget / Forecast

Capital Forecast

	2016-2018	2019	2020	2021	2022	2023	2024	2025-2030	2016-2030
SOURCES:									
Capital Account Beginning Balance	\$ 1,920,865	\$ 9,440,183	\$ 5,643,648	\$ 7,451,808	\$ 7,791,613	\$ 8,190,836	\$ 9,284,464	\$ 7,876,679	\$ 1,920,865
Transfers from the Maintenance Fund	4,689,271	1,374,600	1,485,584	1,498,435	1,411,865	1,525,899	1,640,564	10,170,247	23,796,466
Interest Earnings	238,665	94,402	56,436	111,777	116,874	122,863	139,267	748,501	1,628,785
Bond Proceeds	7,844,610							5,000,000	12,844,610
DWSRF Loan	2,087,042								2,087,042
Transfer Other Funds	1,099,148	194,000	76,920	-	-	-	-	-	1,370,068
Connection Fees	1,142,878	734,710	271,604	375,791	233,764	371,084	36,674	1,778,027	4,944,531
Sale of Old Maintenance Property	-		2,000,000						2,000,000
TOTAL SOURCES	19,022,477	11,837,895	9,534,193	9,437,812	9,554,116	10,210,681	11,100,969	25,573,453	50,592,366
TOTAL USES	9,582,294	6,194,247	2,082,385	1,646,199	1,363,280	926,218	3,224,290	20,650,293	45,669,206
ENDING BALANCE (Net Surplus)	\$9,440,183	\$5,643,648	\$7,451,808	\$7,791,613	\$8,190,836	\$9,284,464	\$7,876,679	\$4,923,160	\$4,923,160

Cost from previous slide

Transfers to capital from rate revenue funds over 50% of the capital programs.

Bond and debt proceed will fund between 30%-40% of capital costs

Connection fees will provide funding for about 10% of the capital projects

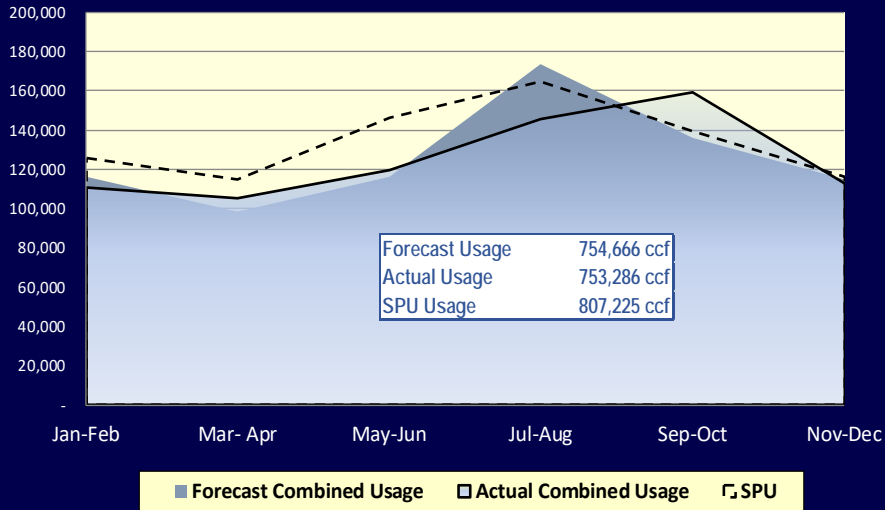
The old maintenance building will be sold after the completion of the new building. It may sell for more or less than this amount but all will used to fund capital projects.

The District can expect to spend around \$45 - \$50 million in a 15 year period. The ending balance in the capital fund will not go much below \$5 million.

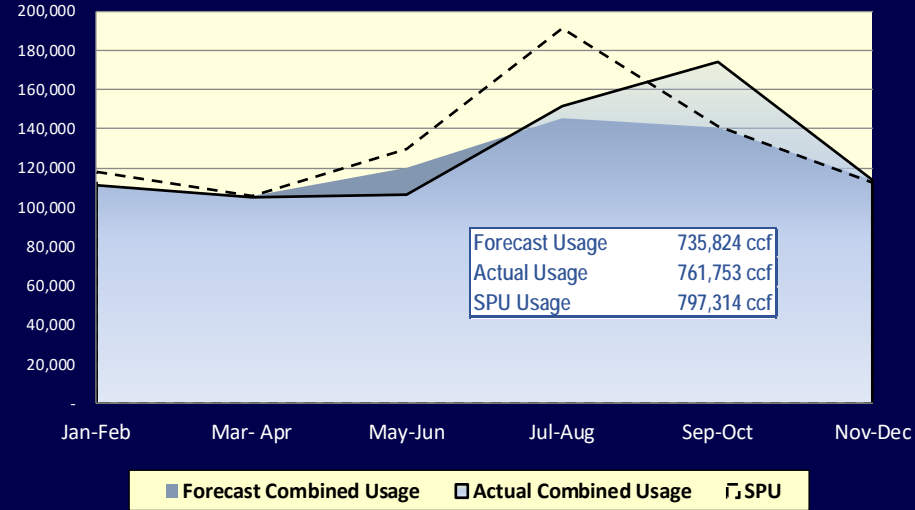
Vehicle Replacement Acct	2019	2020	2021	2022	2023	2024	Total
BEGINNING BALANCE	\$ 309,905	\$ 336,194	\$ 389,964	\$ 264,438	\$ 189,109	\$ 135,535	\$ 309,905
<u>Sources:</u>							
Net Interest Earnings	7,748	8,405	11,699	9,255	6,619	4,744	\$ 48,469
Revenue from Surplus Sales	12,522	4,841	29,917	23,038	20,132	-	\$ 90,450
Transfer from Operating Revenues	79,000	81,000	83,000	85,000	88,000	91,000	\$ 507,000
Total Sources	\$ 409,175	\$ 430,440	\$ 514,580	\$ 381,730	\$ 303,859	\$ 231,279	\$ 955,824
<u>Uses:</u>							
Unit # 25 2018 Forklift	(33,683)	-	-	-	-	-	\$ (33,683)
Unit # 2 2010 F-150 P/U	-	-	-	-	-	-	\$ -
Unit # 3 2010 F-150 P/U	-	-	-	-	-	-	\$ -
Unit # 4 2000 Dodge P/U - Unit 21 2015 F-150 P/U	-	-	-	(36,807)	-	-	\$ (36,807)
Unit # 5 GMC 10 Yard Dump	-	-	(121,498)	-	-	-	\$ (121,498)
Unit # 8 2010 F-150 4x4	(39,297)	-	-	-	-	-	\$ (39,297)
Unit # 15 2001 Chevy P/U - Unit 22 2015 F-150 P/U	-	-	-	(42,941)	-	-	\$ (42,941)
Unit # 17 2007 International 5 Yard Dump	-	-	-	(112,874)	-	-	\$ (112,874)
Unit # 18 2013 F-350 Service Body	-	-	-	-	(70,767)	-	\$ (70,767)
Unit # 19 2013 F-150 P/U	-	(40,476)	-	-	-	-	\$ (40,476)
Unit # 20 F-550 Service Van	-	-	-	-	-	-	\$ -
2000 Durango - Unit 23 2015 Ford Explorer	-	-	-	-	(48,779)	-	\$ (48,779)
District Manager Vehicle - Unit 24 2015 Ford Explorer	-	-	-	-	(48,779)	-	\$ (48,779)
TR-1 Backhoe 1991	-	-	(128,645)	-	-	-	\$ (128,645)
TR-2 Backhoe 2001	-	-	-	-	-	-	\$ -
Total Uses	\$ (72,981)	\$ (40,476)	\$ (250,142)	\$ (192,622)	\$ (168,324)	\$ -	\$ (724,545)
ENDING BALANCE	\$ 336,194	\$ 389,964	\$ 264,438	\$ 189,109	\$ 135,535	\$ 231,279	\$ 231,279

2016-2020 Demand (Usage) Forecasts

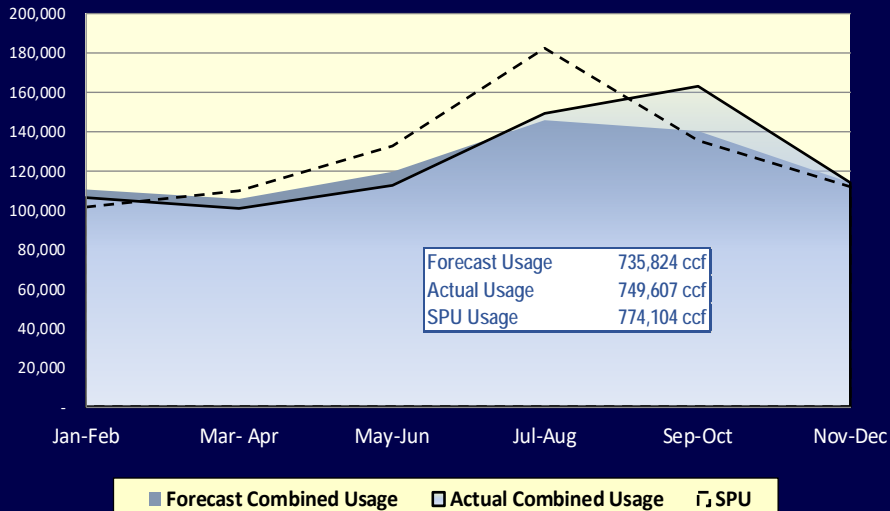
2016 Usage Compared to Forecasted Usage



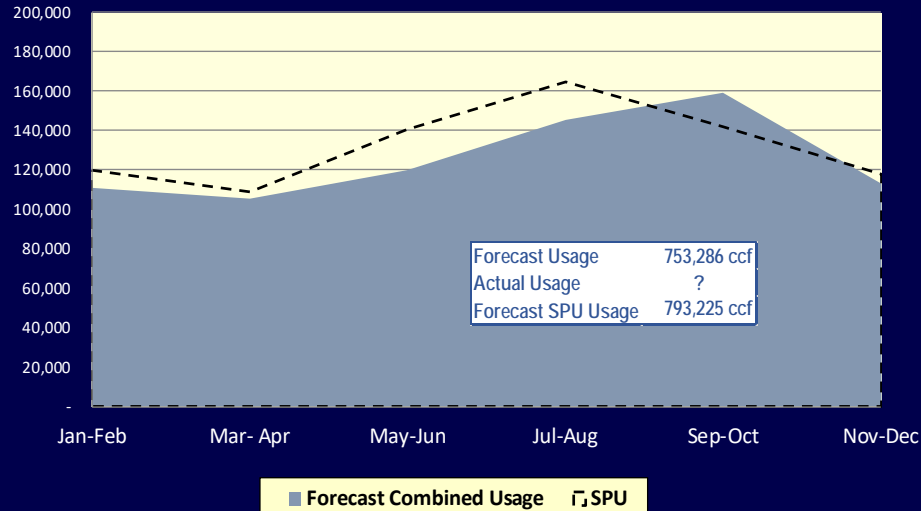
2017 Usage Compared to Forecasted Usage



2018 Projected Usage Compared to Forecasted Usage




2019 Projected Usage Compared to Forecasted Usage



The usage forecast for the 2019 and 2020 revenue forecasts is the actual usage in 2016. Lower usage estimates were used in 2017 and 2018. That plus hot summers in 2017 and 2018 resulted in extra revenues.

Revenue Requirement Increases

	Revenue Requirement Increases		
	2019-2020 - Budget		
Projected Costs (Needs/Uses):	2019	2020	Combined
Purchased Water:	\$ 1,512,000	\$ 1,601,000	\$ 3,113,000
Salaries and Benefits (net capitalization)	1,709,207	1,760,439	3,469,646
Administration and O&M	948,450	990,350	1,938,800
Taxes	365,048	379,627	744,675
Franchise Fees	395,606	411,444	807,051
Debt Service	1,134,900	933,824	2,068,724
Capital Transfer	1,100,000	1,200,000	2,300,000
CIC Transfer	274,600	285,584	560,184
Vehicle Replacement Contribution	79,000	81,000	160,000
Transfer to Perservation Account	50,000	50,000	100,000
Additions to (Use of) Reserves	<u>(60,781)</u>	<u>110,173</u>	<u>49,392</u>
Total Projected Costs (Needs/Uses)	7,508,030	7,803,442	15,311,472
Less Interest Earnings	(32,636)	(31,116)	(63,752)
Less Other Revenue (<i>Late Fees, Rents, Hookups</i>)	(486,350)	(503,477)	(989,827)
Rate Revenues Required (<i>Revenue Requirement</i>)	\$ 6,989,045	\$ 7,268,849	\$ 14,257,894
Less Revenues at Existing Rates	(6,720,235)	(6,989,045)	(13,709,280)
Revenue Short Fall	\$ 268,809	\$ 279,805	\$ 548,614
% Rate Revenue Increase Needed	4.00%	4.00%	8.16%



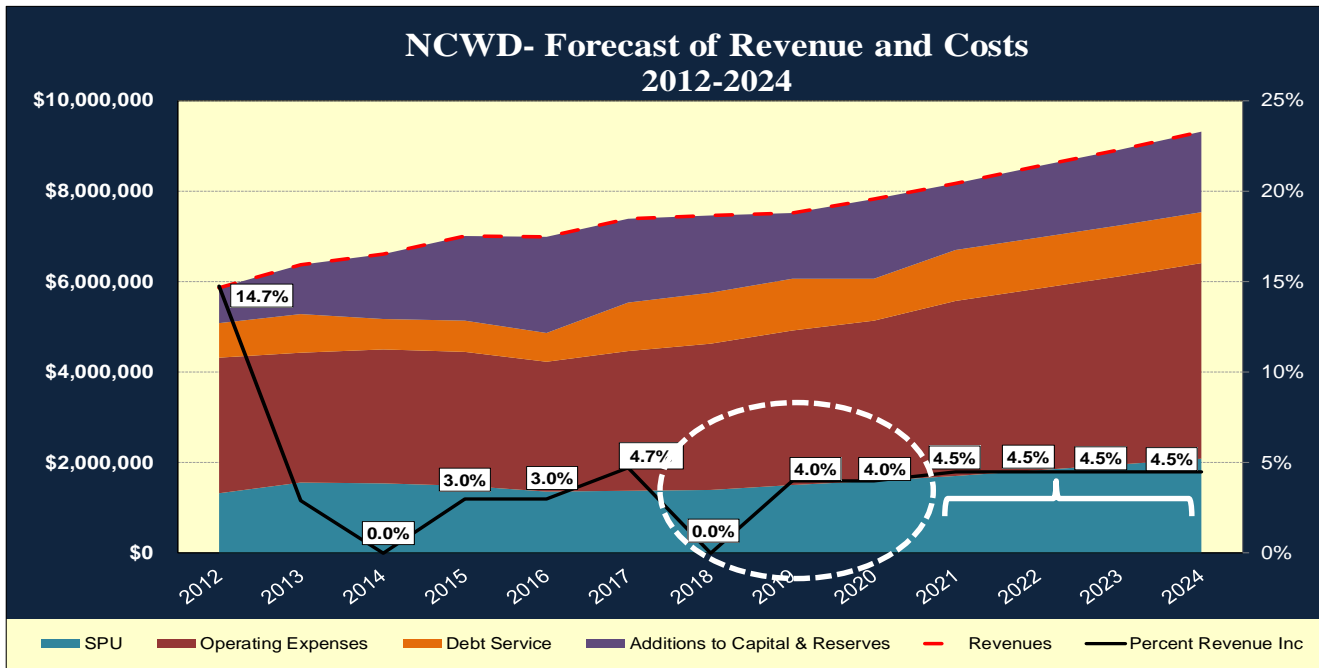
Bi-Monthly Bill Comparisons

2019 - Budget

DISTRICT/CITY	Winter Usage - 11 CCF			Summer Usage - 20 CCF			Annualized
	Base Rate	Usage	Total	Base Rate	Usage	Total	Total
2018							
WD 119	\$ 84.00	\$ 32.98	\$ 116.98	\$ 84.00	\$ 105.51	\$ 189.51	\$ 141.16
Seattle Public Utilities-Shoreline & LFP	\$ 39.10	\$ 69.41	\$ 108.51	\$ 39.10	\$ 164.79	\$ 203.89	\$ 140.30
City of Duvall	\$ 54.36	\$ 54.98	\$ 109.34	\$ 54.36	\$ 133.28	\$ 187.64	\$ 135.44
City of Kirkland	\$ 46.17	\$ 49.80	\$ 95.96	\$ 46.17	\$ 113.56	\$ 159.73	\$ 117.22
Lake Forest Park Water District	\$ 72.08	\$ 34.98	\$ 107.06	\$ 72.08	\$ 63.60	\$ 135.68	\$ 116.60
Seattle Public Utilities-inside Seattle	\$ 32.20	\$ 57.20	\$ 89.40	\$ 32.20	\$ 135.92	\$ 168.12	\$ 115.64
City of Bellevue	\$ 51.21	\$ 44.20	\$ 95.42	\$ 51.21	\$ 94.91	\$ 146.13	\$ 112.32
North City Water District	\$ 60.55	\$ 36.78	\$ 97.33	\$ 60.55	\$ 80.70	\$ 141.25	\$ 111.97
Woodinville Water District	\$ 42.60	\$ 44.37	\$ 86.97	\$ 42.60	\$ 110.70	\$ 153.30	\$ 109.08
Skyway Water & Sewer District	\$ 38.48	\$ 50.39	\$ 88.87	\$ 38.48	\$ 110.36	\$ 148.84	\$ 108.86
Mercer Island	\$ 32.53	\$ 45.13	\$ 77.66	\$ 32.53	\$ 103.90	\$ 136.43	\$ 97.25
Coal Creek	\$ 43.05	\$ 40.11	\$ 83.16	\$ 43.05	\$ 81.60	\$ 124.65	\$ 96.99
Northshore Utility District	\$ 32.01	\$ 42.24	\$ 74.25	\$ 32.01	\$ 83.74	\$ 115.75	\$ 88.09
Sammamish Plateau	\$ 59.50	\$ 21.45	\$ 80.95	\$ 59.50	\$ 42.78	\$ 102.28	\$ 88.06
Highline Water District	\$ 30.30	\$ 41.03	\$ 71.33	\$ 30.30	\$ 84.95	\$ 115.25	\$ 85.97
WD 90	\$ 52.30	\$ 18.60	\$ 70.90	\$ 52.30	\$ 60.00	\$ 112.30	\$ 84.70
Renton	\$ 35.20	\$ 34.05	\$ 69.25	\$ 35.20	\$ 72.75	\$ 107.95	\$ 82.15
Bothell	\$ 28.62	\$ 32.23	\$ 60.85	\$ 28.62	\$ 69.40	\$ 98.02	\$ 73.24
Olympic View Water & Sewer District	\$ 39.20	\$ 23.21	\$ 62.41	\$ 39.20	\$ 47.20	\$ 86.40	\$ 70.41
2019							
Seattle Public Utilities-Shoreline & LFP	\$ 41.60	\$ 70.29	\$ 111.89	\$ 41.60	\$ 166.85	\$ 208.45	\$ 144.08
City of Kirkland	\$ 47.55	\$ 51.33	\$ 98.88	\$ 47.55	\$ 116.99	\$ 164.54	\$ 120.76
Seattle Public Utilities-Inside Seattle	\$ 34.30	\$ 57.97	\$ 92.27	\$ 34.30	\$ 137.62	\$ 171.92	\$ 118.82
City of Bellevue	\$ 53.11	\$ 45.84	\$ 98.95	\$ 53.11	\$ 98.42	\$ 151.53	\$ 116.48
North City Water District	\$ 62.96	\$ 38.25	\$ 101.21	\$ 62.96	\$ 83.93	\$ 146.89	\$ 116.44
Woodinville Water District	\$ 43.80	\$ 45.64	\$ 89.44	\$ 43.80	\$ 113.91	\$ 157.71	\$ 112.20

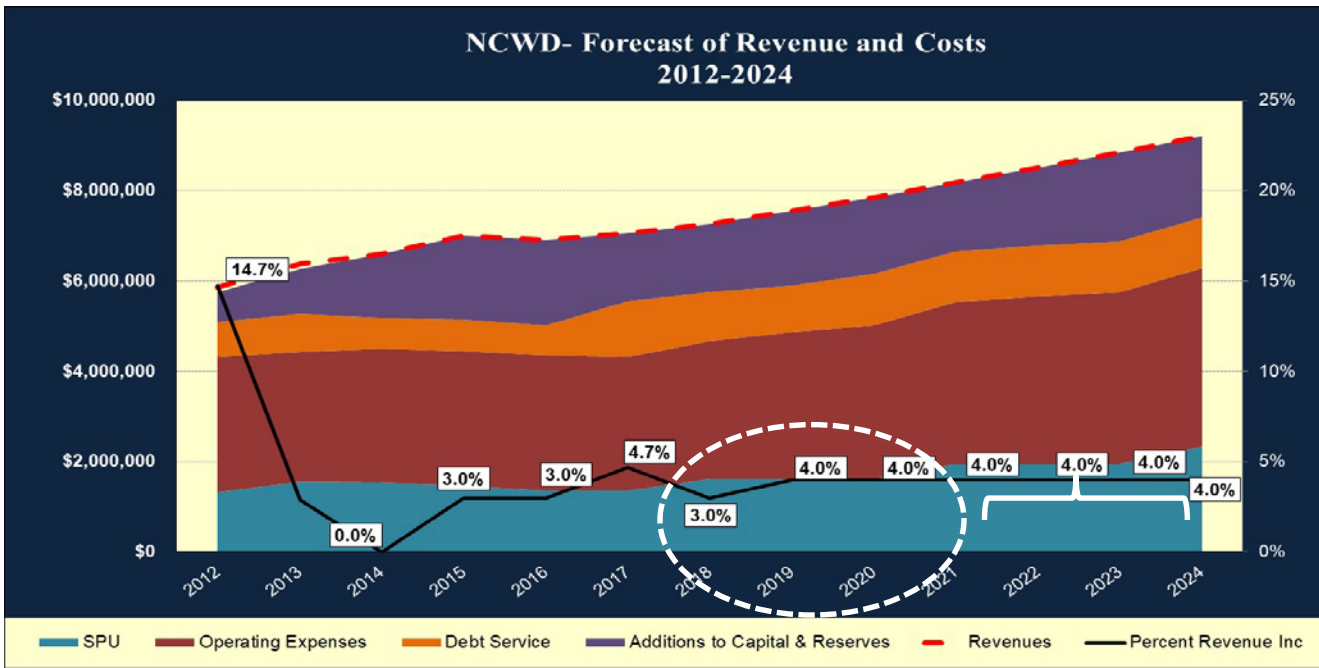
Financial Forecast of Costs, Revenue and Rate Increases

Current Forecast



The forecast for the 2017 and 2018 Budget, included a 3% increase in 2018, However, the District did not implement the increase but is still on track for 4% annual increases in 2019 and 2020.

Prior Forecast



After 2020, higher rate increases were projected for SPU than were implemented between 2018-2020. Therefore, higher District rate increases are projected after 2020 as well.

End

