

City of Woodland

COMPREHENSIVE SEWER UTILITY RATE STUDY

FINAL REPORT
December 2020

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FCS GROUP
Solutions-Oriented Consulting

December 23, 2020

Mr. Peter Boyce, City Administrator
City of Woodland, WA
230 Davidson Avenue
Woodland WA, 98674

Subject: Comprehensive Sewer Utility Rate Study

Dear Mr. Boyce:

FCS GROUP is pleased to submit this report summarizing the results of the Comprehensive Sewer Utility Rate Study. This study includes the following elements: Revenue Requirement, Cost Of Service, Rate Design and Assessment Charge Calculation. The recommendations for the sewer utility are pending council approval. The detailed methodology used to arrive at these results are covered within this report.

It has been a pleasure to work with you and other City of Woodland staff on this effort. Please let me know if you have any questions or need additional information on this report. I can be reached at (425) 274 – 2853.

Yours very truly,



Angie Sanchez-Virnoche, Principal



Martin Chaw, Project Manager



Paul Quinn, Project Consultant



Amanda Levine, Analyst

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Section I. EXECUTIVE SUMMARY

I.A. INTRODUCTION

In 2018, the City of Woodland (“City”) contracted with FCS GROUP to conduct a Comprehensive Sewer Utility Rate Study which includes the following elements: Revenue Requirement, Cost Of Service, Rate Design and Assessment Charge Calculation. The study reviewed the utility’s financial needs over the 11-year planning period, 2020 through 2030 with rates designed for the planning period 2021-2025. The overall objective of the study was to establish a financial plan for the sewer utility (revenue requirements analysis) that will inform future financial decisions and their impacts, maintain equitable rates (cost of service analysis), promote long-term sustainability of the system, and update the city’s assessment charges.

The comprehensive sewer utility rate study was completed and study results were presented to the Woodland City Council on June 15, 2020 and are currently pending approval by City Council (scheduled for November 16, 2020). The Resolutions being considered by Council are as follows: Resolution 731 – Residential Sewer Bill Charges, Resolution 732 –Sewer Assessment Charges, and Resolution 734 –Senior Disabled Discount.

I.B. REVENUE REQUIREMENT

A revenue requirement analysis forms the basis for a long-range operating and capital financial plan and multi-year rate management strategy. The analysis is developed by completing an operating forecast that identifies future annual operating costs and a capital funding plan that defines a strategy for funding the capital improvement needs of the City. The 2020 operating budget was used as the baseline for the operating expense forecast. Rate revenues were projected based on the 2018 detailed monthly customer billing statistics.

Financial Policy Framework

Financial policies form the backbone of the revenue requirement analysis. The City’s fiscal policies are formalized in Ordinance NO.1211, which can be found in the appendix. For topics not addressed in the fiscal policy Ordinance, FCS GROUP made industry standard assumptions with approval from the City. These policies and assumptions are described below.

- **Operating Reserves:** The industry standard is to maintain a minimum balance in the operating reserve between 45 to 60 days of O&M expenses. For this study, a minimum of 60 days of O&M expenses is targeted throughout the 2020-2030 study period.
- **Capital Contingency Reserve:** Industry practice ranges from maintaining a balance equal to 1 to 2 percent of fixed assets, an amount equal to a 5-year rolling average of CIP costs, or an amount determined sufficient to fund equipment failure (other than catastrophic failure). For this study, an annual target of \$1.1 million is used, representing the annual average value of the utility’s CIP over the study period.
- **Debt Reserve:** Typically specified in the related bond or loan agreement, the minimum balance for this reserve is most often linked to either average annual debt service, maximum annual debt service, or the amount issued. This study specified a reserve requirement equal to one year’s debt service payment.

- **Debt Service Coverage:** Bond or loan covenants will identify the required debt service coverage ratio for each issue. Minimum debt service coverage is typically 1.25. Some jurisdictions may target a higher debt service coverage ratio per policy (for example 1.75 – 2.00). This study specified a debt service coverage ratio of 1.25.
- **System Reinvestment Funding:** To manage rate increases, this study does not account for a dedicated system reinvestment funding goal, but the City does fund system reinvestment in a way by allowing the surplus of revenue in the operating fund over the minimum target (60 days) to flow into the capital fund.

We recommend that the City consider adopting the following fiscal policies for the utility:

Exhibit 1: Sewer Utility Financial Planning Policies

Policy	Recommendation
Operating Reserve	60 Days
Capital Reserve	Average of Annual CIP Costs During the Forecast
Debt Service Coverage	1.25x
Capital Funding	Cash and Debt
System Reinvestment	Transfer to CIP operating reserves in excess of 60-day target

Changes to Level of Service

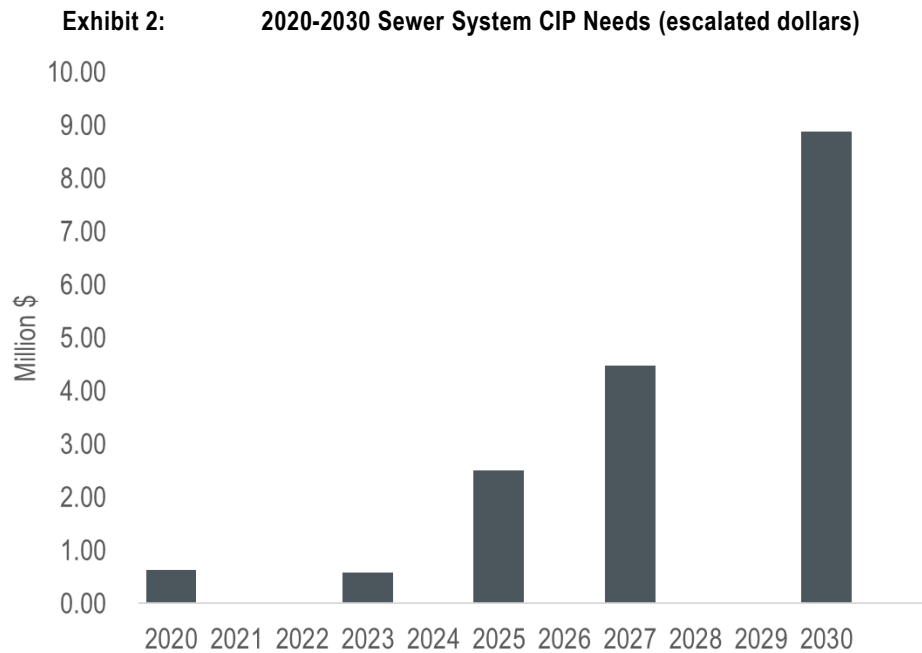
The study assumed no budget reductions. Assumed changes in level of service include:

- Shift to monthly utility billing effective February 2021.
- New 0.50FTE Utility Billing Clerk IV starting January 2021 to support monthly utility billing.
- New 0.50FTE Senior Engineer starting 2025 to support Public Works engineering workload.

Capital Improvement Program Needs

Over the 11-year study period, 2020-2030, the sewer utility CIP program totals \$17.1 million (escalated dollars). The majority of the CIP is anticipated to occur in 2027 and 2030, reflecting replacement of blowers at the wastewater treatment plant in 2027 and biosolids dewatering projects in 2030. The City presently has very little outstanding debt. In 2030, a \$7.5 million debt issuance is forecasted to support funding the utility’s long-term capital improvement needs.

The following chart illustrates the anticipated CIP spending need over the study period. See **Section III.B.2** for additional detail.



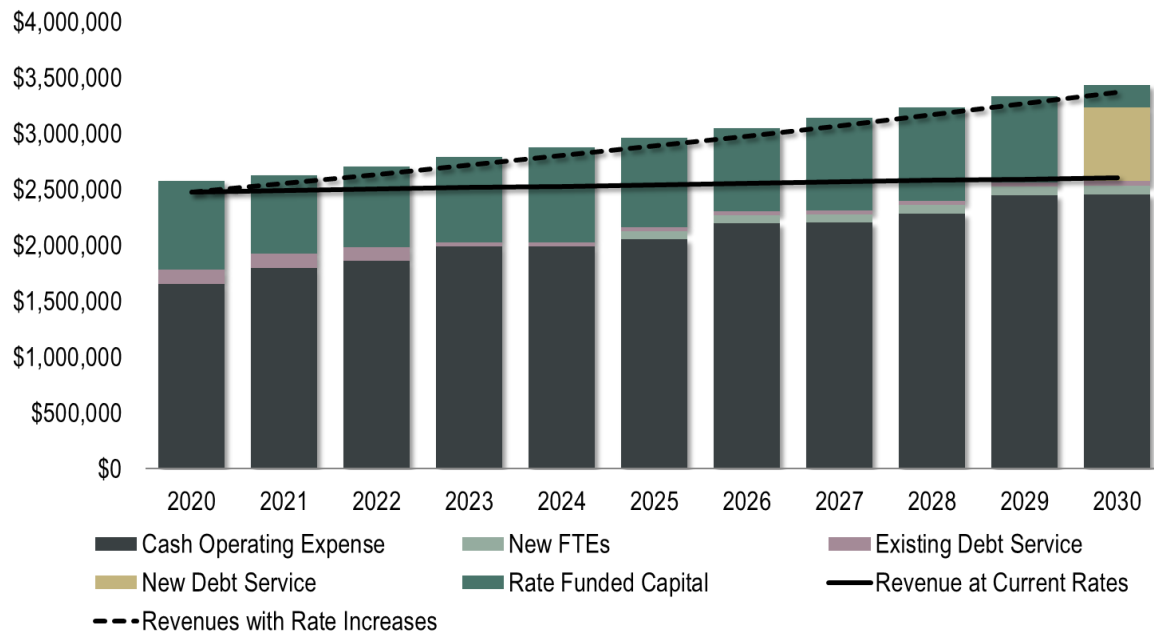
Rate Revenue Requirements

Starting in 2021, annual rate increases of 2.6% are needed to fund the utility’s needs for the 2021-2030 forecast. The following summarizes the major rate increase drivers.

- Funding the capital improvement plan (CIP) needs over the study period, including supporting \$7.5 million in anticipated new debt in 2030.
- Meeting operating reserves of 60 days of O&M expenditures throughout the study period.
- Maintaining debt coverage above the 1.25x minimum target.
- Implementing reserves for the capital program through the study period.

Exhibit 3 provides a summary of the sewer system revenue requirement findings.

Exhibit 3: 2020-2030 Sewer System Revenue Requirements



I.C. COST OF SERVICE & RATE DESIGN

The cost of service for the sewer utility determines equitable cost recovery in proportion to the demands each customer class places on the system based on functions of service and known or assumed cost causation. The functions of service reviewed for the sewer utility include:

- **Customer Costs** – Associated with providing service to customers.
- **Wastewater Flow Costs** – Related to actual and estimated wastewater volume processed within the system in a year.
- **Strength Costs** – Related to the strength of sewage processed.

Exhibit 4 provides a summary of the sewer utility’s revenue distribution based on the cost of service analysis (COSA) conducted as part of this study.

Exhibit 4: Existing Revenue 2021 vs. COSA 2021 Revenue

Class	Existing 2021 Revenue	COSA 2021 Revenue	\$ Difference	%
Residential	\$ 1,080,686	\$ 1,206,942	\$ 126,256	11.68%
Non-Single Family	448,432	402,478	(45,954)	-10.25%
Commercial	661,981	692,045	30,064	4.54%
Columbia River Carbonates	2,539	2,971	433	17.05%
Hamilton Materials	44,360	51,767	7,407	16.70%
Monitored Customers	253,899	200,482	(53,416)	-21.04%
Total	\$ 2,491,896	\$ 2,556,685	\$ 64,789	2.60%

Costs fluctuate each year, meaning the necessary increase by class can also fluctuate each year. Because of this, interclass rate changes are not suggested unless the class's existing revenue is over 5.0 percent above or below the calculated cost of service including the effect of any proposed rate increases. The COSA results indicate that all classes, with the exception of the commercial class, are outside the typical cost of service range. As a result, it is recommended that interclass adjustments be made to begin to correct this inequity. The adjustments will be phased in over a five-year period. Currently, each class is charged for wastewater based on a fixed charge and a usage charge (except for Columbia River Carbonates, who are not charged based on usage). In addition, the single-family, multi-family and RV customer bills are based on each customer's average consumption during winter months during the summer months as a proxy to determine indoor water usage, and billed on their actual water consumption during the winter months. The proposed rates change this approach for the single family residential class, charging them based on last year's winter average during every billing period. This switch was made to help stabilize residential bills. The remaining classes are not based on winter average consumption, but rather their actual water usage, considering the consumption of these customers generally is not outdoor usage, or to a very limited extent.

Exhibit 5 shows the proposed rate structure for the 2021-2025 time period. The rate schedule includes the five-year phase in of cost of service adjustments and a shift from bi-monthly to monthly rates.

Exhibit 5: Proposed Monthly Fixed and Volumetric Sewer Rate Schedule

Customer Class	\$ /Monthly Fixed Charge 2021-2025					
	Existing	2021	2022	2023	2024	2025
Inside						
Single Family	\$ 32.69	\$ 33.83	\$ 35.01	\$ 36.24	\$ 37.51	\$ 38.82
Single Family - Discount	24.52	25.37	26.26	27.18	28.13	29.12
Non-Single Family	32.69	31.34	30.06	28.73	27.36	25.94
Commercial	32.69	33.83	35.01	36.24	37.51	38.82
Industrial						
Columbia River Carbonates	\$ 211.55	\$ 223.71	\$ 236.58	\$ 250.18	\$ 264.57	\$ 279.78
Hamilton Materials	16.35	17.28	18.28	19.33	20.44	21.62
Monitored Customers	32.69	33.83	35.01	36.24	37.51	38.82

Customer Class	\$/cf Variable Charges 2021-2025					
	Existing	2021	2022	2023	2024	2025
Inside						
Single Family	\$ 0.0587	\$ 0.0605	\$ 0.0626	\$ 0.0648	\$ 0.0670	\$ 0.0694
Single Family - Discount	0.0587	0.0453	0.0469	0.0486	0.0503	0.0520
Non-Single Family	0.0587	0.0605	0.0626	0.0648	0.0670	0.0694
Commercial	0.0881	0.0912	0.0944	0.0977	0.1011	0.1046
Industrial						
Columbia River Carbonates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hamilton Materials	0.0441	0.0466	0.0493	0.0522	0.0552	0.0583
Monitored Customers	0.0883	0.0903	0.0903	0.0903	0.0903	0.0903

Note: Outside city customers are charged 1.5X the inside city rate, and discount customers receive a 25% discount.

I.D. SUMMARY

The rate study completed for the sewer utility indicate a need for future rate increases to address forecasted increases in operating costs, new capital improvement projects and to satisfy all financial obligations of the utility. Interclass cost of service adjustments were found to be warranted for the sewer utility, shifting costs away from the non-single family and monitored customer classes.

We recommend that the City revisit the results of this rate study annually and view the study findings as a living document by continuously comparing study outcomes to actual revenues and expenses. Any significant or unexpected changes may require adjustments to the rate strategy proposed.

Section II. RATE SETTING PRINCIPLES AND METHODOLOGY

II.A. OVERVIEW

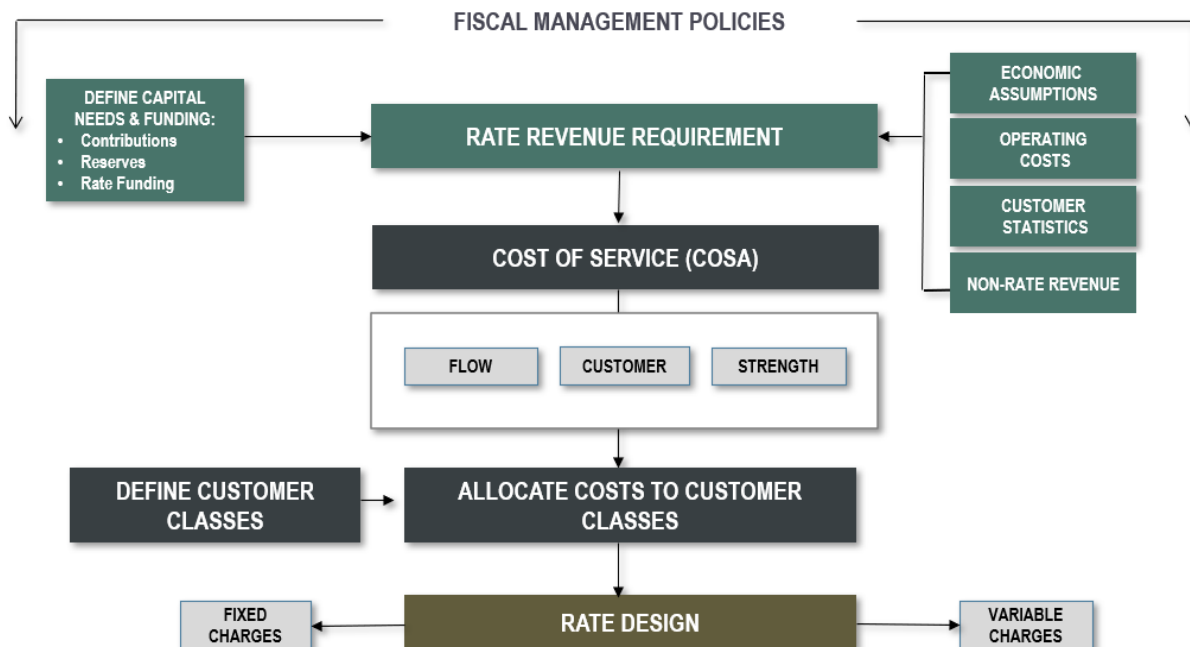
The methods used to establish user rates are based on principles that are generally accepted and widely followed throughout the industry. These principles are designed to produce rates that equitably recover costs from each class of customer by setting the appropriate level of revenue to be collected from ratepayers and establishing a rate structure to collect those revenues.

The three key analyses completed as part of the rate study process are listed below:

- **Revenue Requirement** – This analysis identifies the total revenue requirement to fully fund the sewer utility on a standalone basis, considering operating and maintenance expenditures, capital funding needs, debt requirements and fiscal policy objectives.
- **Cost of Service** – This analysis equitably distributes costs to customer classes based on their proportional demand and use of the system.
- **Rate Design** – This analysis includes the development of rate structures that generate sufficient revenue to meet the sewer system’s revenue requirement forecast and to address the City’s pricing objectives.

Exhibit 6 illustrates the entire rate study process.

Exhibit 6: Overview of the Rate Study Process



II.B. FISCAL POLICIES

The basic framework for evaluating utility revenue needs consists of a set of fiscal policies. These policies, which can address a variety of topics including cash management, capital funding strategy, financial performance, and rate equity, are intended to promote long-term financial viability for the City's utilities. The City's fiscal policies are formalized in Ordinance NO.1211, which can be found in the appendix. For topics not addressed in the fiscal policy Ordinance, FCS GROUP made industry standard assumptions with approval from the City. These policies and assumptions are described below.

II.B.1. Utility Reserves

Reserves are a key component of any utility financial strategy, as they provide the flexibility to manage variations in costs and revenues that could otherwise have an adverse impact on ratepayers. Our financial modeling included the following reserve categories:

- **Operating Reserve** – Operating reserves are designed to provide a liquidity cushion to ensure that adequate cash will be maintained to deal with significant cash balance fluctuations such as seasonal fluctuations in billings and receipts, unanticipated cash expenses, or lower than expected revenue collections. Industry standard is to maintain a minimum balance in the operating reserve equal to 45 to 60 days . These, of course, are guidelines and actual levels should be established based upon each jurisdiction's unique needs and tolerance for risk. It is assumed that any operating funds above the upper range are available for capital purposes and will be transferred to the capital reserve. Based on discussions with the City, the minimum balance of operating reserves is set to 60 days.
- **Capital Reserve** –A capital contingency reserve is an amount of cash set aside in case of an emergency should a piece of equipment or a portion of the utility's infrastructure fail unexpectedly. The reserve also could be used for other unanticipated capital needs including capital project cost overruns, as well as help balance the capital needs of a utility. Industry practices range from maintaining a balance equal to one to two percent of fixed assets, an amount equal to a five-year rolling average of Capital Improvement Program (CIP) costs, or an amount determined sufficient to fund equipment failure (other than catastrophic failure). The final target level should balance industry standards with the risk level of the City. The City does not currently have a capital reserve target. For this study, a target is set to the full forecast annual average of Capital Improvement Program (CIP) costs: \$1.1 million.

Reserves should fluctuate above and below targets, and such experience does not reflect on the quality of budgeting or management. In fact, if a reserve remains static for extended periods of time without use, this may indicate that it is not set appropriately, or is unnecessary. Utility reserves are intended to absorb fluctuation in revenues or expenditures without abrupt rate impacts. As reserve levels vary, a policy structure can define the mechanisms for regulating those levels and returning them to intended targets.

- **Debt Reserve** – Bond covenants often establish reserve requirements as a means of protecting against the risk of nonpayment and are typically specified as a part of these covenants. A common reserve requirement is one year's debt service payment and a debt service coverage ratio of 1.25 to 2.00 times. The balance held in reserve for a particular debt instrument may be used to make the final payment on that debt instrument. The City must continue to fully fund such reserves as required by bond covenant or loan agreement. Since the debt reserve provides a static

reserve against inability to pay, it is unnecessary to maintain operating reserves against debt repayment. This study specified a reserve requirement equal to one year's debt service payment and a debt service coverage ratio of 1.25.

II.B.2. System Reinvestment

System reinvestment funding promotes long-term system integrity. Target system reinvestment funding levels are commonly linked to annual depreciation expense in the absence of a formal asset management plan. Depreciation expense is a measure of the decline in asset value associated with routine use of the system. Particularly for utilities that do not already have an explicit system reinvestment policy in place, implementing a funding level based on full depreciation expense could significantly impact rates.

A common alternative benchmark is annual depreciation expense less annual debt service expenses. This approach recognizes that customers are still paying for certain assets through the debt component of their rate and intends to avoid simultaneously charging customers for an asset and its future replacement. The specific benchmark used to set system reinvestment funding targets is a matter of policy that must balance various objectives including managing rate impacts, keeping long-term costs down, and promoting "generational equity" (i.e. not excessively burdening current customers with paying for facilities that will serve a larger group of customers in the future).

To manage rate increases, this rate forecast does not account for a specific system reinvestment funding goal, but the City does fund system reinvestment in a way by allowing the surplus of revenue in the operating fund over the minimum target (60 days) to flow into the capital fund.

II.B.3. Debt Management

Debt issuance is a valuable tool for the City to use to finance certain costs, as it allows the City to spread a relatively large cost over multiple years. Debt repayment structures can be quite flexible (e.g. deferred principal repayment), allowing the City to "shape" its cost structure and facilitate a stable progression of moderate rate adjustments.

When developing its capital funding strategy, the City must weigh the pros and cons of issuing debt to pay for a project. On one hand, debt issuance comes with interest and issuance costs that increase the overall cost borne by the utilities; on the other hand, it may mitigate rate impacts and enhance "generational equity," given that the City would generally issue debt to fund infrastructure that is oversized to serve future growth. Too much debt issuance may limit the City's ability to manage its rates, as the debt service payments and related requirements (such as revenue bond coverage) are "rigid" costs that generally cannot be deferred or scaled back; it may also impact the City's credit rating and ability to secure low-cost debt. Excessive aversion to issuing debt can also create problems, as it shifts the burden of funding capital investment to existing customers and may require maintaining higher reserve levels to manage cash flow needs related to capital investment.

It is prudent to consider policies related to debt management as part of a broader utility financial policy structure. Common debt management policies may include the level of acceptable outstanding debt, debt repayment terms, bond coverage and total debt coverage targets.

II.C. REVENUE REQUIREMENT

A revenue requirement analysis forms the basis for a long-range financial plan and multi-year rate management strategy for the sewer system. It also enables the City to set utility rate structures which

fully recover the total cost of operating the sewer system: capital improvement and replacement, operations, maintenance, general administration, fiscal policy attainment, cash reserve management, and debt repayment. Linking rate levels to a financial plan such as this helps to enable not only sound financial performance for the City's utility funds, but also establishes a clear and reasonable relationship between the costs imposed on utility customers and the costs incurred to provide the service.

A revenue requirement analysis establishes the total annual financial obligations of the utility by bringing together the following core elements:

- **Fiscal Policy Analysis** – Identifies formal and informal fiscal policies of the City to ensure that current policies are maintained, including reserve levels, rate funded capital and debt service coverage.
- **Capital Funding Plan** – Defines a strategy for funding the City's capital improvement program, including an analysis of available resources from rate revenues, debt financing, and any special resources that may be readily available (e.g., grants, outside contributions, etc.).
- **Operating Forecast** – Identifies future annual non-capital costs associated with the operation, maintenance, and administration of the system.
- **Sufficiency Testing** – Evaluates the sufficiency of revenues in meeting all financial obligations, including any coverage requirements associated with long-term debt.
- **Strategy Development**. Designs a forward-looking strategy for adjusting rates to fully fund all financial obligations on a periodic or annual basis over the projection period.

II.D. COST OF SERVICE

The purpose of a cost of service analysis is to provide a rational basis for distributing the full costs of providing sewer utility service to each class of customers in proportion to the demands they place on the system. Detailed cost allocations, along with appropriate customer class designations, help to sharpen the degree of equity that can be achieved in the resulting rate structure design. The key analytical steps of the cost of service analysis are as follows:

- **Functional Cost Allocation** – Apportions the annual revenue requirement to the major functions of the system:
 - » Sewer: flow (collection), strength (treatment) and customer (general customer costs).
- **Customer Class Designation** – Identifies the customer classes that will be evaluated as part of the study. Existing as well as new or revised customer classes or class definitions may be considered. It is appropriate to group customers that exhibit similar usage characteristics and service requirements.
- **Cost Allocation** – Allocates the costs from the functional cost allocation to different customer classes based on their unique demands for service as defined by system planning documents (2017 General Sewer Plan by Gray & Osborne), industry standards, and recorded user history (from billing data). The results identify shifts in cost recovery by customer class from that experienced under the existing rate structure.

II.E. RATE DESIGN

The principal consideration of rate design is for the rate structure to generate sufficient revenues for the system which are reasonably commensurate with the cost of providing service. The pricing

structure is largely dictated by the objectives of the system. Most sewer utility rate designs consist of fixed and variable charges. Fixed costs typically attempt to cover costs of the system that do not vary while variable costs will fluctuate with a change in user demand, in the City's case, water consumption and average winter water consumption from the previous year.

Other considerations include understandability by the rate payer; administrative ease; revenue stability; interclass and intraclass customer equity; and affordability. For additional detail refer to **Section III.D.**

Section III. REVENUE REQUIREMENT

III.A. INTRODUCTION

The City of Woodland operates a sewer utility responsible for collecting, transporting, and treating residential, commercial, and industrial wastewater. The City's wastewater infrastructure includes approximately 121,000 feet of mainline gravity sewer, 75,000 side sewers, 14,000 feet of force main and 14 wastewater lift stations. This flow is then transported to the City's Wastewater Treatment Plant at Sandalwood Road.

III.B. REVENUE REQUIREMENT OVERVIEW

A revenue requirement was completed for the sewer utility and forms the basis for the long-range financial plan and multi-year financial management strategy. The analysis is developed by completing an operating forecast that identifies future annual operating costs and a capital funding plan that defines a strategy for funding the capital improvement needs of the sewer system.

III.B.1. Operating Forecast

The purpose of the operating forecast is to determine whether the existing rates and charges are sufficient to recover the costs the City incurs to operate and maintain the sewer system. The 2020 budget formed the baseline for this forecast. The study reviewed the utility's financial needs over the 11-year planning period, 2020 through 2030. The following list highlights some of the key assumptions used in the development of the sewer utility operating forecast.

III.B.1.a Operating Revenue

- **Rate Revenue** was based on 2018 actual detailed customer accounts and usage statistics from the City's billing system. These detailed statistics were then forecasted to 2019, which supports the forecast from 2020 onward. Rate revenues were forecast for each customer class.
- **Non-Rate Revenue** consists of investment interest, miscellaneous, sewer inspections, utility bill interest/penalties and testing. These revenues, which represent less than four percent of total revenues, were forecast with minimal to no increase due to their unpredictable nature.
- **Customer Growth** was based on discussions with City staff, both customer growth and demand was forecast to be 0.50 percent annually from 2021 to 2030.
- **Interest Earnings** were based on the Investment Pool Nominal interest rate for Washington, and vary in an upward trend from 1.90 percent in 2020 to 2.89 percent in 2030.

III.B.1.b O&M Expenses

- **General Cost Inflation** referenced the King County Office of Economic and Financial Analysis, and ranges from 2.43 percent in 2020 to 2.61 percent in 2030.
- **Construction Cost Inflation (CCI)** was assumed to be 3.0 percent for all years in the study period, based on the feedback from the City.
- **Labor Cost Inflation** was set to be 4.5 percent for all years in the study period, based on feedback from the City.

- **Benefit Cost Inflation** was set to be 6.0 percent for all years in the study period, based on feedback from the City.
- **State Excise Taxes** was set to be 2.615 percent on all sewer rate revenue, based on the prevailing sewer excise tax calculation. Woodland’s collection and transmission taxable percentages are 47.40 percent and 52.60 percent, respectively.
- **State B&O Tax** was set to be 1.5 percent on all non-rate revenue, based on the prevailing tax rate.
- **City Utility Tax** was set to be 12.5 percent, based on the prevailing City tax rate. City utility taxes were treated as a pass through in this study – neither the revenue nor the expense were forecast.
- **Additional O&M Expenses** - while the 2020 budgeted expenses were used as the basis to forecast future expenses, the following incremental expenses were added for the study period, based upon direction from the City:
 - » Additional 0.50 FTEs for a Clerk position with costs of \$46,792 starting in 2021.
 - » Additional 0.50 FTEs for a Senior Engineer with costs of \$65,845 starting in 2025.
 - » Professional Services - \$60,000 every third year for a review of the utility’s financial standing.
 - » Additional costs related to transitioning from bi-monthly to monthly billing – additional tasks for Clerk IV, additional vendor expenses, 20% of supervisory time and additional staff expenses totaling \$43,417 starting in 2021

III.B.1.c Debt Service

- **Existing Debt** – The sewer utility currently has three outstanding debt issues resulting in annual debt service of \$126,767 starting in 2020. The debt issues are broken down as follows:
 - » Two PWTF Loans: 402 PWTF99 040 ending payments in 2019, and 402 PWTF Sewer 073 with \$495,000 of total payments from 2020 to the final payment in 2032.
 - » One Sewer Department of Ecology SRF Loan: \$263,000 of total payments from 2020 to the final payment in 2022.
- **New Debt** – One new debt issue with available proceeds of \$7.5 million is projected in 2030. These issuances have conservatively been assumed to be revenue bonds, with an interest rate of 3.25 percent for years 2020-2022 and 5.00 percent for the years thereafter, an issuance cost of 1.25 percent, term of 20 years, coverage requirement of 1.25, and a debt reserve equal to one year of annual debt service.

III.B.1.d Rate-Funded Capital

- Rate-funded capital is a way to ensure system integrity through reinvestment in the system. Ideally, the minimum funding would be an amount equal to or greater than the annual depreciation expense. A formal rate-funded capital policy was not recommended as a part of this study due to the large impact on rates which would be necessary to fund the policy. The feasibility of a rate-funded capital policy should be re-examined during the city’s next sewer utility rate study.

III.B.2. Capital Funding Plan

The sewer utility is anticipating \$17.2 million in capital costs in years 2020 through 2030 escalated to the date of construction. The most significant capital projects in this period include replacement of

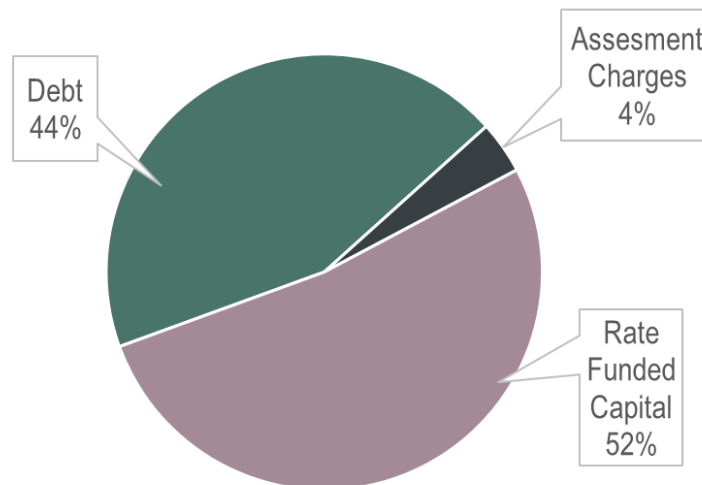
blowers at the wastewater treatment plant and biosolids dewatering equipment in 2027 and 2030, respectively.

Funding for the capital plan identified comes from a number of different sources:

- **Cash balances and rate-funded capital (including interest)** – cash balances include the beginning capital fund balance available after meeting the capital fund reserve target, any cash flow from the operating fund above what is needed to meet the operating fund reserve target, as well as developer and inspection capital contributions. Of the escalated CIP total of \$17.2 million from 2020-2030, 52 percent of the total capital program is funded with cash balances and rate-funded capital.
- **Revenue bond proceeds** – one revenue bond issuance is forecasted totaling \$7.5 million in 2030.
- **Assessment charge revenue** – assessment charge revenues are forecast at the existing fee levels and are based on the assumed customer growth rate of 0.5 percent resulting in 12 new connections annually. 4 percent of the total capital program is funded with connection charge revenue.

Exhibit 7 Shows the breakdown of funding sources.

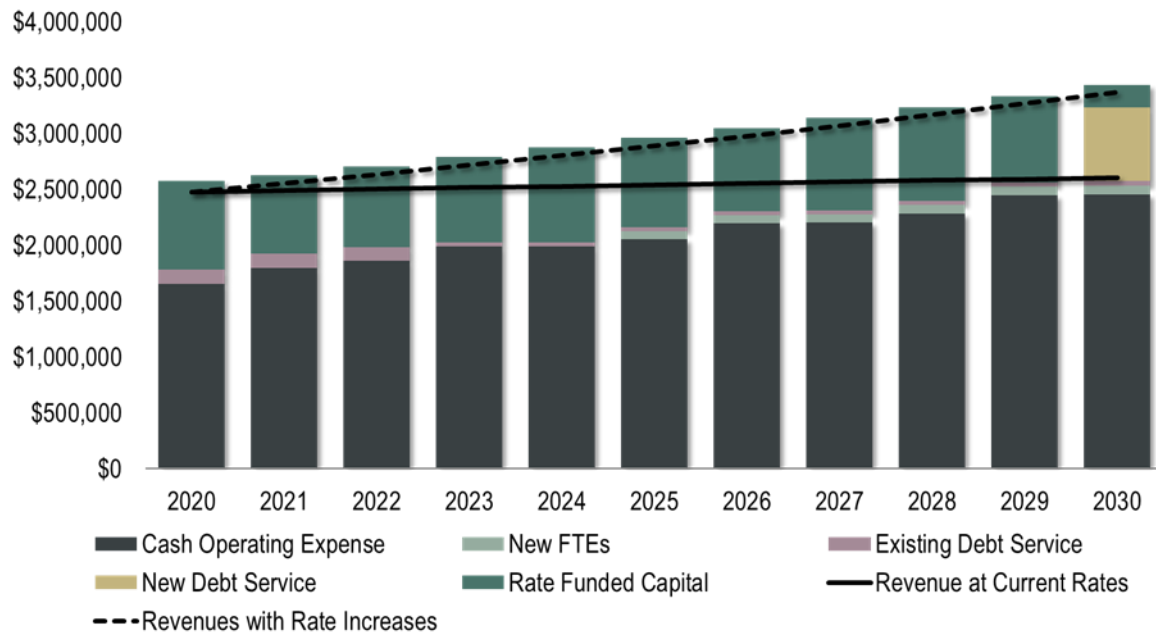
Exhibit 7: Sewer Capital 2020-2030 Funding Strategy by Percentage



III.B.3. Summary of Revenue Requirement

The operating forecast components of O&M expenses, debt service and rate-funded capital come together to form the multi-year revenue requirement. The revenue requirement compares the overall sewer system revenue against forecasted expenses to evaluate the sufficiency of rates on an annual basis. **Exhibit 8** provides a summary of the wastewater system revenue requirement findings.

Exhibit 8: Sewer Utility Revenue Requirement Summary



Summary of the sewer utility revenue requirement:

- To meet the projected financial obligations of the sewer utility, rate increases are proposed of 2.6 percent per year between 2021-2030, enabling the utility to fund its long-term CIP needs. With these annual rate adjustments:
- The operating reserve of 60 days of O&M expenditures is met throughout the study period.
- Debt coverage remains above the 1.25x minimum target.
- The capital reserve is implemented and fluctuates above and below the target level through the study period.
- The City will continue to revisit the proposed rate increases to re-evaluate the financial standing of the utility once rate increases have been implemented and major capital projects have been constructed or are underway.

III.B.4. Reserves

Exhibit 9-10 shows a summary of the projected Operating Reserve and Capital Reserve through 2026 based on the rate forecasts presented above. The Operating Reserve has a minimum balance target of 60 days of operating and maintenance (O&M) expenses (approximately \$303,000 to \$417,000 during the study period). The Capital Reserve has a minimum target of \$1.1 million based on the average capital project costs throughout the study period.

The Operating Reserve maintains its minimum target balance throughout the study period. The Capital Reserves fluctuates above and below the target balance throughout the study period.

Exhibit 9: Operating Reserve vs. Target

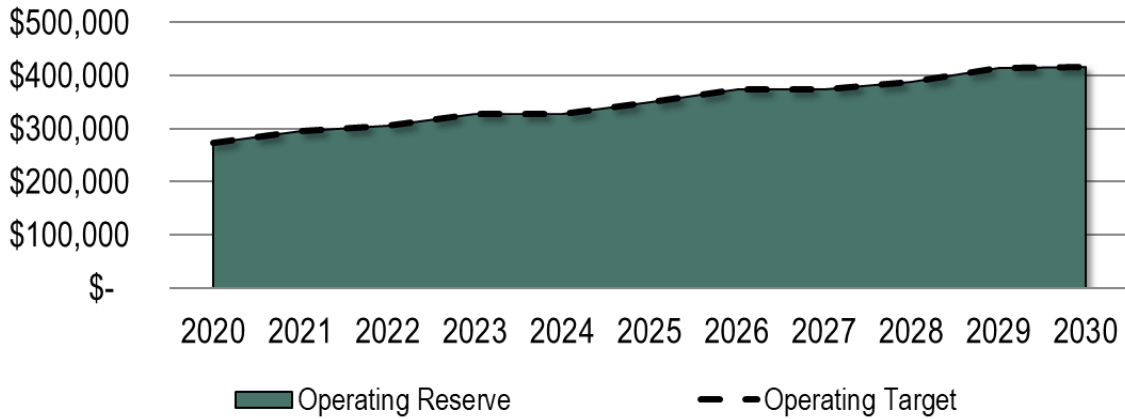
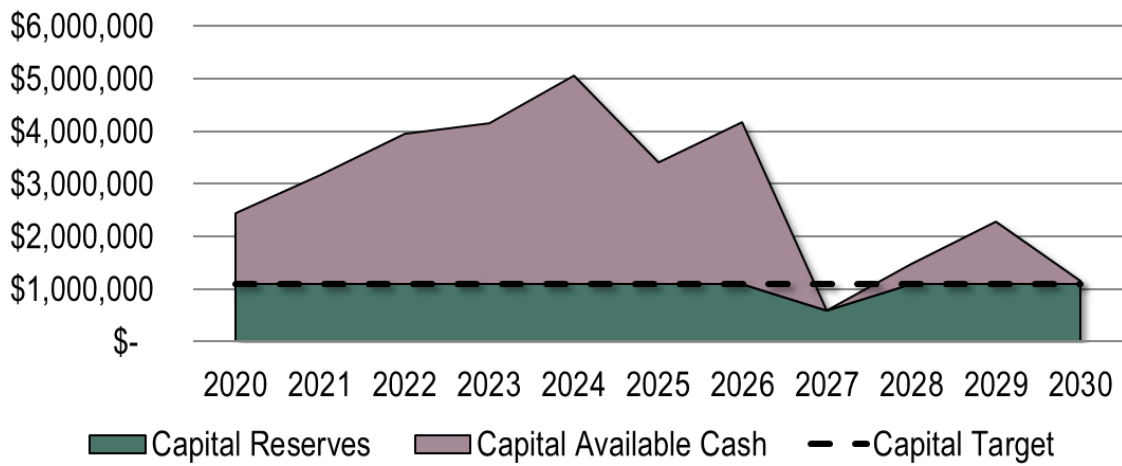


Exhibit 10: Capital Reserve vs. Target



Section IV. COST OF SERVICE ANALYSIS

IV.A. COST OF SERVICE OVERVIEW

A cost of service analysis determines the equitable recovery of costs from customers according to unique demands each customer class places on the system. There are three fundamental steps to allocating the annual revenue requirement to customer classes and developing the final rates:

- 1) allocate utility assets and total utility costs by function,
- 2) develop customer-specific allocation factors and
- 3) allocate costs to customer classes.

IV.B. ALLOCATION OF UTILITY ASSETS BY FUNCTION

The City’s sewer utility assets in service were reviewed to identify the infrastructure assets in use and how they relate to providing sewer service. Because of data constraints, this portion of the analysis is based off insurance documents and correspondence from former Woodland Public Works employees. This allocation assigns value and costs to functional categories based on documented system requirements and industry standard practice based on the relationship of each class of asset and their function in the system. Assets are allocated to the functions of service according to known or assumed cost “causation”. The functions of service to which the City’s sewer assets were allocated are discussed below.

- **Customer Costs:** associated with establishing, maintaining, and serving sewer customers and tend to include administrative, billing, and customer service costs.
- **Wastewater Flow Costs:** related to actual and estimated sewer volume processed within the system in a year.
- **Strength Costs:** reflect strength of sewage processed. Strength is tracked by two measurements – biochemical oxygen demand (BOD) and total suspended solids (TSS). BOD is the parameter used to characterize the organic strength of sewage and TSS is the parameter that measures the amount of particles suspended in water that will not pass through a filter and require treatment.

Exhibit 11: Wastewater Utility Functional Plant (Assets) in Service

Plant in Service	Total Costs	FUNCTIONS OF SEWER SERVICE					TOTAL	ALLOCATION BASIS
		CUSTOMER	FLOW	BOD	TSS	AS ALL OTHERS		
Treatment	\$ 8,062,500	0.00%	28.05%	37.10%	34.84%	0.00%	100.00%	As WWTP
Collection	17,820,029	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%	All Flow
Pumping	681,429	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%	All Flow
General Plant	-	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	All As All Others
Total Utility Plant	\$26,563,959	\$ -	\$20,763,336	\$ 2,991,516	\$ 2,809,106	\$ -	\$26,563,959	
Sewer Service Functions		0.00%	78.16%	11.26%	10.57%	-	100.00%	
Allocation of "As All Others"		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TOTAL	\$26,563,959	\$ 0.00%	\$20,763,336	\$ 2,991,516	\$ 2,809,106	\$ 0.00%	\$26,563,959	
Allocation Percentages			78.16%	11.26%	10.57%		100.00%	

The allocation basis (shown in **Exhibit 11**) used for the major functions of service are as follows:

- **Treatment Assets** are allocated based on the Wastewater Treatment Plant. The original cost of the Wastewater Treatment Plant was broken down into flow, BOD and TSS, and what percentage they each make up of that original cost. These ratios are then used to allocate the treatment assets.

- **Collection Lines and Pumping Assets** are allocated based on 100 percent flow. The asset infrastructures primary responsibility is handling the peak flow requirements of the system.
- **Pumping Assets** are allocated based on 100 percent flow.
- **General Plant Assets** are allocated as all other plant in service related to the collection, pumping and treatment assets.

The result of the functional asset allocation is 78.16 percent allocated to flow, 11.26 percent to BOD and 10.57 percent to TSS. The resulting asset allocation is referred to as the “plant-in-service” allocation and is used to allocate annual costs if the cost supports the total utility system.

IV.B.1. Allocation of Utility Operating Expenses by Function

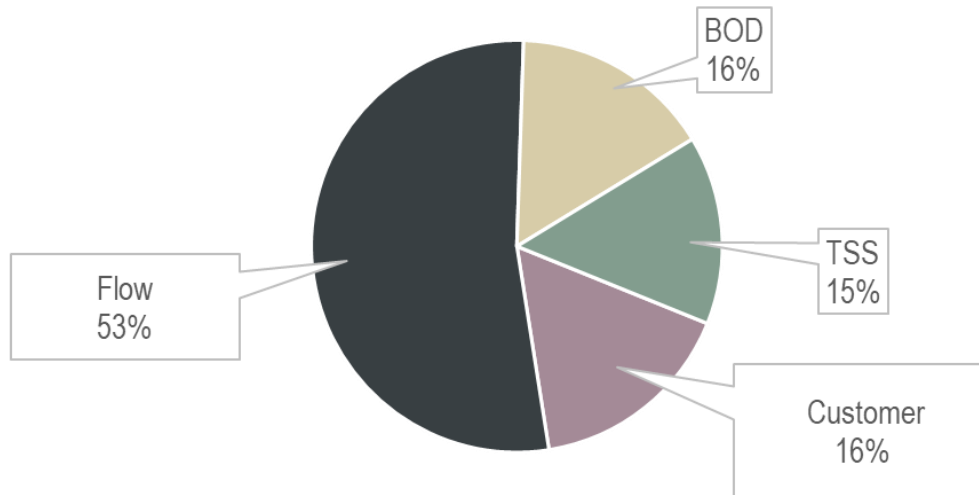
The annual test period costs were also grouped by function as described below. Total rate revenue requirements are calculated by taking the total expenses, deducting non-rate revenue, and adding net cash flow resulting from the proposed annual rate increase. The line by line utility cost allocation results in costs being allocated to the functional cost pools identified in **Exhibit 12**.

Exhibit 12: 2021 Sewer Utility Functional Cost Allocation

REVENUE REQUIREMENT	TOTAL COSTS	FUNCTIONS OF SEWER SERVICE					TOTAL	ALLOCATION BASIS
		CUSTOMER	FLOW	BOD	TSS	AS ALL OTHERS		
OPERATING AND CAPITAL EXPENSES								
Cash Operating Expenses	\$ 1,799,640	26.12%	39.52%	17.66%	16.69%	0.00%	100.00%	As O&M
Existing Debt Service	126,584	0.00%	78.16%	11.26%	10.57%	0.00%	100.00%	As Plant in Service
New Debt Service	-	0.00%	78.16%	11.26%	10.57%	0.00%	100.00%	As Plant in Service
Rate Funded Capital	-	0.00%	78.16%	11.26%	10.57%	0.00%	100.00%	As Plant in Service
Total Expenses	\$ 1,926,224	24.41%	42.06%	17.24%	16.29%	0.00%	100.00%	
OTHER REVENUES AND ADJUSTMENTS								
Less:								
Operating Fund & Debt Reserve Fund Interest Earnings	\$ (4,627)	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	All As All Others
402-000-000-369-91-00-00 Miscellaneous	(500)	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	All As All Others
402-000-000-369-91-10-00 Sewer Inspections	(3,828)	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	All As All Others
402-000-000-343-50-02-00 Utility Bill Interest/Penalty	(50,000)	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%	All Customer
402-000-000-369-91-20-00 Miscellaneous: Testing	(15,157)	0.00%	0.00%	46.54%	53.46%	0.00%	100.00%	As BOD/TSS
[Extra]	-	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	All As All Others
[Extra]	-	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	All As All Others
Plus:								
Additional State and City Taxes Due to Rate Increases	\$ 1,694	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	All As All Others
Net Cash Flow After Rate Increase	702,879	0.00%	78.16%	11.26%	10.57%	0.00%	100.00%	As Plant in Service
Partial Year Adjustment	-	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%	All As All Others
Rate Revenue Requirement	\$ 2,556,685	\$ 420,131	\$ 1,359,619	\$ 404,188	\$ 380,008	\$ (7,261)	\$ 2,556,685	
Wastewater Service Functions		16.39%	53.03%	15.76%	14.82%		100.00%	
Allocation of "As All Others"		\$ (1,190)	\$ (3,850)	\$ (1,145)	\$ (1,076)	\$ 7,261	\$ -	
Rate Revenue Requirement Allocation Percentages	\$ 2,556,685	\$ 418,941	\$ 1,355,769	\$ 403,044	\$ 378,932	\$ -	\$ 2,556,685	
		16.39%	53.03%	15.76%	14.82%	0.00%	100.00%	

The cost allocation indicates that the majority of costs, 53.03 percent, relate to meeting sewer flow requirements, followed by 30.59 percent related to TSS and BOD, and 16.39 percent related to customer costs. The results of the allocation are summarized in **Exhibit 13**.

Exhibit 13: 2021 Sewer Utility Functional Cost Allocation Summary



IV.C. CUSTOMER CLASS DISTINCTIONS

The cost of service initially analyzed ten different customer groupings: single family residential, multi-family, commercial, City of Woodland, motel, RV, church/school, Columbia River Carbonates (a contract customer), Hamilton Materials (a contract customer) and monitored customers (Pacific Seafoods and Walts Meats). Due to customer similarities, these groups were condensed into six classes – Residential, Non-Single Family, Commercial, Columbia River Carbonates, Hamilton Materials and Monitored Customers.

IV.D. ALLOCATION FACTORS

Once the customer classes were defined, functional cost pools were then allocated to these customer classes based on the demand each class places on the system. In order to complete this task, the analysis consisted of first developing allocation factors that identified customer characteristics including number of accounts, overall flow entering the sewer system and strength factors differing by each customer class. The allocation factors are intended to equitably allocate total functional cost pools to those benefitting from the service. For this study, the sewer costs were allocated based on the following:

- **Customer Costs** - based on number of customer accounts.
- **Sewer Flow Costs** - based on annual billed volume contributed to the sewer system. Based on City direction, Hamilton Material’s metered water was adjusted by 50% to account for water that is used as part of their production process.
- **Strength Costs** - based on annual billed volume and adjusted for the different strength factors associated with each customer class. As class specific strength factors were not widely available, strength levels were determined by setting multi-family and RV classes equal to domestic strength, setting City of Woodland, CRC, and Hamilton Materials equal to commercial strength, using a strength survey for motels and church/schools, and based on actual monitored data for the monitored customers. Domestic strength was determined using the 2017 General Sewer Plan. The commercial strength was solved in order to get the system wide totals equal to the eight-year average system strengths found in the 2017 General Sewer plan.

- » Residential strength is 271 mg/l for BOD and 335 mg/l TSS
- » Non-Single Family strength is 271 mg/l for BOD and 335 mg/l TSS
- » Commercial strength is 150-325 mg/l for BOD and 116-360 mg/l TSS
- » Columbia River Carbonates strength is 325 mg/l for BOD and 360 mg/l TSS
- » Hamilton Materials strength is 325 mg/l for BOD and 360 mg/l TSS
- » Monitored Customers strength is 85 mg/l for BOD and 69 mg/l TSS

Exhibit 14 summarizes the allocation factors used for the customer classes evaluated in the cost of service analysis.

Exhibit 14: 2021 Sewer Utility Customer Allocation Factors

Customer Class	Billed Flow (cf)	BOD (lbs)	BOD (mg/l)	TSS(lbs)	TSS(mg/l)
Residential	8,837,225	149,508	271	184,816	335
Multi-Family	3,894,762	65,892	271	81,453	335
Commercial	5,188,750	105,248	325	116,511	360
City of Woodland	7,865	160	325	177	360
Church/School	615,837	5,768	150	4,445	116
RV	72,246	1,222	271	1,511	335
Motel	574,415	10,148	283	5,209	145
Columbia River Carbonates	26,586	539	325	597	360
Hamilton Materials	496,280	10,066	325	11,144	360
Monitored Customers	2,862,082	15,107	85	12,307	69
Total	22,576,048	363,658	258	418,170	297

The cost of service by class was calculated by multiplying the functional cost pools by the allocation factor distribution percentages. Ultimately, this element of the analysis defines the total annual revenue that should be generated from each customer class, in order to achieve cost-based recovery from rates.

IV.E. SEWER COST OF SERVICE ANALYSIS RESULTS

Exhibit 15 provides a comparison of current rate revenue distribution between customer classes and the distribution of revenues resulting from the cost of service analysis.

Exhibit 15: Comparison of Sewer Current Revenue Distribution to Cost of Service Distribution

Class	Existing 2021 Revenue	COSA 2021 Revenue	\$ Difference	%
Residential	\$ 1,080,686	\$ 1,206,942	\$ 126,256	11.68%
Non-Single Family	448,432	402,478	(45,954)	-10.25%
Commercial	661,981	692,045	30,064	4.54%
Columbia River Carbonates	2,539	2,971	433	17.05%
Hamilton Materials	44,360	51,767	7,407	16.70%
Monitored Customers	253,899	200,482	(53,416)	-21.04%
Total	\$ 2,491,896	\$ 2,556,685	\$ 64,789	2.60%

It should be noted, given the need for assumptions to complete a cost of service analysis, the margin of error for class-specific results is typically considered to be plus-or-minus 5.0 percent, relative to

the system average. A cost of service study is a snapshot in time and because costs fluctuate each year, the needed increase by class can also fluctuate and interclass rate changes are not suggested unless the class's revenue difference is consistently outside of the 5.0 percent threshold. Adjustments in the 6.0-10.0 percent range should be considered on the "watch-list" and would benefit from another analysis in the future to determine if the resulting subsidization was an anomaly or indicative of an ongoing trend.

The cost of service results indicate that the commercial class is within its cost of service. Residential, Non-single family, Columbia River Carbonates, Hamilton Materials, and the monitored customers are outside of their cost of service. In the proposed rate design, a rate phase in over 5 years will work to move these classes towards cost of service.

Section V. RATE DESIGN

V.A. RATE DESIGN OVERVIEW

The principal objective of the rate design stage is to implement sewer rate structures that collect the appropriate level of revenue as outlined by the revenue requirement. Establishing rates is a blend of “Art” and “Science” and especially so when it comes to the rate levels and structures. Several variables must be balanced to arrive at optimal rates. The main objectives in this rate design was to combine the city’s many classes into six distinct classes, achieve equity between the classes, give the city the option to charge their non-single family customers on an account basis, and to move all rates to a monthly rate structure.

V.B. EXISTING SEWER RATES

The existing sewer charges include a fixed rate and a per cubic foot (CF) consumption rate. There are no tiers, but residential and non-single family customers are charged on their usage based on the previous year’s winter average during the summer and actual usage during the winter. All other classes are charged on current water consumptions all year. In addition, non-single family customers are charged based on units for their fixed charge, rather than by account or number of meters. Each class has their own fixed rate and consumption charges. **Exhibit 16** provides a summary of the existing sewer utility rates.

Exhibit 16: Existing Bimonthly Sewer Rates

Customer Class	Existing
Inside Fixed Charges	
Single Family	\$ 65.37
Single Family - Discount	55.37
Non-Single Family	65.37
Commercial	65.37
Industrial Fixed Charges	
Columbia River Carbonates	\$ 423.10
Hamilton Materials	32.69
Monitored Customers	65.37
Inside Variable Charges	
Single Family	\$ 0.0587
Single Family - Discount	0.0587
Non-Single Family	0.0587
Commercial	0.0881
Industrial Variable Charges	
Columbia River Carbonates	\$ -
Hamilton Materials	0.0441
Monitored Customers	0.0883

Currently qualifying low income sewer customers receive a \$10.00 bi-monthly discount on fixed charges only. For customers outside of City limits, rates are 150 percent of the fixed and variable rates.

V.C. PROPOSED SEWER RATES

The proposed rate structure will keep the fixed charges the same for most classes. Non-single family will continue to be billed based on the number of units, but the charge per unit will be less than the base charge for a single-family resident. This helps align the non-single family class with cost of service. In addition, the single-family customer bills will be based on each customer’s previous year’s annual winter average water usage, (as a proxy to determine indoor water usage), remaining at this level for the entire year. The multi-family and commercial classes will not be based on winter average water usage, considering the water usage of these customers generally is not outdoor usage. **Exhibit 17** provides a summary of the proposed 2020-2022 rate schedule.

Exhibit 17: Proposed Sewer Monthly Rates

Customer Class	\$ /Monthly Fixed Charge 2021-2025					
	Existing	2021	2022	2023	2024	2025
Inside						
Single Family	\$ 32.69	\$ 33.83	\$ 35.01	\$ 36.24	\$ 37.51	\$ 38.82
Single Family - Discount	24.52	25.37	26.26	27.18	28.13	29.12
Non-Single Family	32.69	31.34	30.06	28.73	27.36	25.94
Commercial	32.69	33.83	35.01	36.24	37.51	38.82
Industrial						
Columbia River Carbonates	\$ 211.55	\$ 223.71	\$ 236.58	\$ 250.18	\$ 264.57	\$ 279.78
Hamilton Materials	16.35	17.28	18.28	19.33	20.44	21.62
Monitored Customers	32.69	33.83	35.01	36.24	37.51	38.82

Customer Class	\$ /cf Variable Charges 2021-2025					
	Existing	2021	2022	2023	2024	2025
Inside						
Single Family	\$ 0.0587	\$ 0.0605	\$ 0.0626	\$ 0.0648	\$ 0.0670	\$ 0.0694
Single Family - Discount	0.0587	0.0453	0.0469	0.0486	0.0503	0.0520
Non-Single Family	0.0587	0.0605	0.0626	0.0648	0.0670	0.0694
Commercial	0.0881	0.0912	0.0944	0.0977	0.1011	0.1046
Industrial						
Columbia River Carbonates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hamilton Materials	0.0441	0.0466	0.0493	0.0522	0.0552	0.0583
Monitored Customers	0.0883	0.0903	0.0903	0.0903	0.0903	0.0903

Note: Outside city customers are charged 1.5X the inside city rate, and discount customers receive a 25% discount.

Section VI. ASSESSMENT CHARGE

VI.A. ASSESSMENT CHARGE OVERVIEW

In addition to reviewing the necessary rate increases and existing rate structures, the sewer utility’s assessment charges (ACs) were reviewed. ACs are a one-time charge imposed as a condition of service on new customers connecting to the system. The AC is typically based on a blend of historical and planned future capital investments in system infrastructure – its underlying premise is that growth (future customers) will pay for growth-related costs that the utility has incurred (or will incur) to provide system capacity to serve new customers.

The purpose of the Assessment Charge is two-fold: 1) to provide a source for capital financing and 2) to equitably recover a proportionate share of utility plant-in-service costs from new customers. In the absence of Assessment Charges, growth-related costs would be borne in large part by existing customers. The cost of the system to be recovered by Assessment Charges can be defined in two parts:

- Existing cost basis, based on historical investments in existing infrastructure, and
- Future cost basis, which recovers costs related to planned capital projects.

Revenues generated from the Assessment Charges can be used to fund capital projects or debt service incurred to finance capital projects but should not be used to pay for operating and maintenance costs.

Section 35.92.025 of the Revised Code of Washington (RCW) authorizes cities to impose ACs; however, it does not outline a specific methodology for calculating them. The City has considerable latitude in choosing from a variety of legally defensible approaches used in the industry, but it is important that the City’s ACs are based on an equitable allocation of system capacity costs to new connections. Since the calculated charges represent the maximum allowable charge, the City may choose to implement a charge at any level up to the calculated charge. The calculation methodology uses an “average” approach to compute the Assessment Charges, which is summarized in **Exhibit 18**:

Exhibit 18: Assessment Charge Methodology

$$\frac{\text{Existing Cost Basis}}{\text{Allocable Customer Base}} + \frac{\text{Future Cost Basis}}{\text{Allocable Customer Base}} = \text{AC}$$

VI.B. EXISTING COST BASIS

The existing cost basis is intended to recognize the current ratepayers’ net investment in the original cost of the system assets. The existing cost basis includes the following components:

- **Plant in Service:** As the City practices cash-basis accounting, some asset information, such as acquisition date or original cost, has not always been closely tracked. In discussion with City staff, it was determined that the systemwide plant data was located in insurance documents provided by the city. This in addition to discussions with staff and the City’s engineering consultant provided the plant in service basis. Because of these data constraints, instead of using

the original cost as an input, replacement costs were determined and then backtracked to calculate the original cost.

Descriptions of pipe replacement estimates, as well as replacement costs, were provided by the City's engineering consultant. This replacement value is then multiplied by the ENR ratio (the year the asset was put into service) to get back to the original cost of the asset. The total plant in service amounts to \$26.6 million.

- **Less: Contributed Capital** – The total original cost is reduced to recognize known third party contributions. The outside contributions provide a source of capital at no new cost to the City's ratepayers. Since the AC is cost based, the net investment by the City excludes those contributions. From discussions with City staff and pipe donation estimates from the City's engineering consultant, this results in a deduction of \$16.1 million.
- **Less: Outstanding Debt Principal** – Another adjustment to the existing system cost basis is to deduct the net liability of outstanding utility debt, recognizing that new customers will bear a proportionate share of this debt related to existing assets through their utility rates. Therefore, the cost of those assets charged to new development is offset to some degree by the remaining debt liability. Since the utility typically has cash resources that are not included in the system cost basis, the net debt load is defined as total debt minus outstanding cash and investments. The result is no reductions for outstanding debt principal.
- **Less: Provisions for Retirement** – As an asset ages and reaches retirement and its replacement is added to the City's asset schedule, the retired asset is removed from the cost basis to avoid double counting. This is estimated based on the ratio of the Engineering News Record's construction cost index based on when the original asset was placed into service compared to today, and the cost of any capital projects that are scheduled to replace existing assets. The total value of retired assets that are removed from the existing cost basis total \$1.8 million.
- **Plus: Construction Work in Progress** – The costs of construction work in progress is added to the existing cost basis to recognize investments that the City has made in capital projects that are currently underway, despite the fact that these projects have not yet been booked as assets. The utility did not identify any capital projects currently in progress.
- **Plus: Interest on Non-Contributed Plant in Service** – RCW 35.92.025 provides a guideline for ACs which suggests that such charges can include interest on an asset at the rate applicable during the time of construction. Using the historical Bond Buyer Index for 20-year term bonds, interest can accumulate for a maximum of ten years from the date of construction for any particular asset and cannot exceed the original cost of the asset or 10 percent for 10 years. Conceptually, this interest provision attempts to account for opportunity costs that the City's customers incurred by supporting investments in infrastructure rather than having it available for investment or other uses. Calculated interest for the sewer utility results in an addition of \$5.7 million.

After factoring in the above adjustments, the existing cost basis will be spread across the total customer base (existing and incremental future growth), as all existing infrastructure will continue to benefit all customers. The existing cost basis is shown below in **Exhibit 19**.

Exhibit 19: Existing Cost Basis

EXISTING COST BASIS	Total
Plant in Service	\$ 26,563,959
less: CIAC	(16,117,293)
less: Net Debt Principal Outstanding	-
less: Provision for Retirements	(1,793,655)
plus: Interest	5,696,433
EXISTING COST BASIS	\$ 14,349,444

VI.C. FUTURE COST BASIS

The future cost basis portion of the AC is intended to recover a share of the costs associated with planned future capital projects. As provided by RCW 35.92.025, future facilities planned for construction can be included in the AC. Consistent with the legal requirement that the costs be borne by the City, funding by developers or special property assessments are not included in the calculation. There are two main types of capital projects, described below.

- **Plus: Upgrade Projects** - Upgrade projects generally involve upgrading the level of service for all customers to comply with regulatory requirements imposed by state and federal agencies.
- **Plus: Expansion Projects** - This type of project will increase system capacity to serve growth and would generally not be needed in the absence of growth.
- **Less: Repair and Replacement Projects** –These are projects related to the repair or replacement of existing infrastructure and are most often needed because existing facilities have deteriorated due to use by existing customers. The integrated approach removes these projects from the future cost basis on the grounds that: (a) these projects are attributable to existing customers; and (b) new customers will pay for their share of these projects through rates when they connect.

The City’s capital plan through 2030 identifies \$13.2 million in capital project costs under these categories. The Biosolids Dewatering Equipment Phase 2 project was excluded from the future cost basis as it was designated by the City as capacity enhancing and did not align with the future capacity outlined in the 2017 Sewer Master Plan. With the addition of this project, it was understood that the total capacity of the system would expand (increasing the amount of Total Kjeldahl Nitrogen (TKN) the system could manage). In order to rely on the Sewer Master plan data, which was used to understand the future capacity the capital program could serve, this project was excluded. **Exhibit 20** provides a summary of the future cost basis.

Exhibit 20: Future Cost Basis

FUTURE COST BASIS	Total
Capital Improvement Program	\$ 13,185,804
Biosolids Dewatering Equipment Phase 2 Deduction	\$ (5,896,190)
FUTURE COST BASIS	\$ 7,289,614

VI.D. SYSTEM CAPACITY

Given that the sewer utility's customers can impose different demands on the sewer system, the AC calculation uses the concept of Meter Capacity Equivalents (MCEs) to "standardize" the customer base. An MCE compares the total flow capacity of different meter sizes in comparison to the capacity of the smallest meter size. Using the City's customer data, the 2020 customer accounts were converted by meter size to MCEs, resulting in an existing subscribed capacity of 2,457 MCEs.

The 2017 Sewer General Plan identifies the capacity that would be served by the capital program included in the charge. This capacity is expressed in terms of equivalent residential units (ERUs) rather than MCEs. ERUs are similar to MCEs in terms of "standardizing" the customer base. Instead of using total flow capacity, an ERU uses the average demand of a typical residential customer.

In order to calculate the MCE based capacity with the information from the 2017 Sewer Master Plan, ratios were developed using existing and capacity ERUs. According to the 2017 Sewer Master Plan, the results indicate that the utility can currently support approximately 4,252 ERUs and could support up to 7,143 ERUS once the identified capital program is completed. The ratio between future and current ERUs is applied to the current amount of MCEs to determine the total amount of MCEs that could be supported once the capital program is complete, which is an additional 1,671 MCEs.

- **Existing Subscribed Capacity** – Existing system capacity from FCS GROUP's customer forecast and AWWA standard ratios was used to determine the number of MCEs the existing system has capacity for. It was determined the existing system capacity in 2020 currently supports 2,457 MCEs.
- **Available System Capacity** – The future system capacity was developed based on the total system capacity minus the existing system capacity. Based on this information the available system capacity is 1,671 MCEs.
- **Total Capacity** – The total system capacity was determined by multiplying the existing customer base, measure in MCEs, with the ratio of current ERUs and potential ERUs that could be supported once the capital program is completed. This gives us a total capacity of 4,127 MCEs.

VI.E. CALCULATION OF THE ASSESSMENT CHARGE

As described previously, the existing cost basis and the future cost basis are divided by the total existing and future MCEs. The results are added together to determine the maximum allowable AC. **Exhibit 21** provides a summary of the AC calculation for the City's sewer system.

Exhibit 21: Assessment Charge Calculation per MCE

ASSESSMENT CHARGE CALCULATION	Total
Existing Cost Basis	\$ 14,349,444
Allocable Capacity	4,127
Total Existing Cost Basis	\$ 3,477
Future Cost Basis	\$ 7,289,614
Allocable Capacity	4,127
Total Future Cost Basis	\$ 1,766
TOTAL ASSESSMENT CHARGE	\$ 5,243

The resulting maximum allowable AC is \$5,243 per MCE. This represents an increase of \$323 from the existing charge of \$4,920. This fee may be adjusted annually by inflation, preferably inflation as measured by the ENR index for construction costs. The City is currently working to refine its fixed asset schedule, and CIP and once more detail becomes available, the calculated water Assessment Charge should be updated. Revenues generated from the charge will vary depending on whether or not the full charge is implemented. Delaying or otherwise limiting assessment charges will generally reduce the amount of revenue available, which could result in delays in completing the capital improvement program and/or additional existing customer rate increases. Proposed charges use AWWA meter capacity standard ratios. Proposed charges represent the maximum defensible charge. The City can elect to charge equal to or less than, but not more.

Exhibit 22: Sewer Assessment Charge Rate Schedule by Meter Size

Meter Size	Current	Proposed
5/8" or 3/4"	\$4,920	\$5,243
1"	\$6,078	\$13,106
1-1/2"	\$9,261	\$26,213
2"	\$13,603	\$41,941
3"	\$26,336	\$83,883
4"	\$44,858	\$131,068

Section VII. SUMMARY

The analysis described above concludes the sewer utility rate study. Annual rate increases of 2.6 percent for the period 2021 through 2025 are recommended to address an increase in operating costs, and future capital projects. The Assessment Charge was also reviewed, and the calculated maximum charge was determined to be \$5,243 per MCE.

We recommend that the City revisit the rate study with each budget cycle to review if revenue and expense projections are reasonable when compared to actual experience. Any significant or unexpected changes will require adjustments to the rate strategy proposed.

The detailed technical appendix developed as part of the sewer rate study can be found at the end of this report.

Section VIII.APPENDIX

VIII.A. CITY OF WOODLAND FINANCIAL MANAGEMENT
POLICIES ORDINANCE NO 1211

VIII.B. RESOLUTION 731 – SEWER RATES

VIII.C. RESOLUTION 732 – SEWER ASSESSMENT
CHARGES

VIII.D. RESOLUTION 734 – SENIOR DISABLED DISCOUNT

VIII.E. RATES MEMORANDUM

CITY OF WOODLAND, WASHINGTON

ORDINANCE NO. 1211

AN ORDINANCE ADOPTING A FINANCIAL POLICY FOR THE CITY OF WOODLAND

Recitals

WHEREAS, the City Council is responsible for setting financial policy for the City of Woodland;

WHEREAS, the Finance Committee has reviewed current Woodland financial management policies and compared them to the policies of other Washington cities. After examination of the current Woodland policy and the policies of other cities, the Finance Committee recommended that that City of Woodland adopt the policies set forth in this Ordinance;

WHEREAS, the Council, upon the recommendation of the Finance Committee, wishes to rescind prior financial and budgetary policies adopted by the City, including but not limited to Resolution No. 543 and Resolution 445;

WHEREAS, the Council affirms that the purpose and objectives stated in the attached Financial Management Policies are in the best interest of the City of Woodland;

AND, WHEREAS, the Council finds that these policies are in the best interest of the City because the adoption of the policies improves the financial management of the City, provides sufficient guidance to staff and provides a framework for future Council action on decisions which have a financial consequence.

Ordinance

NOW, THEREFORE, the City Council of the City of Woodland hereby ordains as follows:

1. Repeal of Prior Policies. Prior City of Woodland financial policies and Resolutions 543 and 445 are hereby repealed and superseded in their entirety.

2. Adoption of Financial Management Policy. The Financial Management Policy for the City of Woodland, attached hereto and incorporated by reference herein as Attachment "A," is hereby adopted.

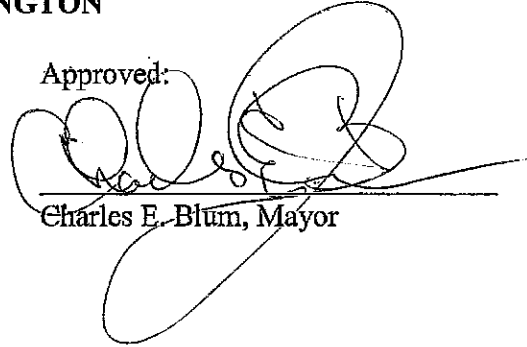
3. Severability. If any one or more sections, subsections, or sentences of this Ordinance are held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portion of this Ordinance and the same shall remain in full force and effect.

4. Effective Date. This Order shall take effect five days after its publication in the City's newspaper of record.

ADOPTED in an Open Public Meeting this 18th day of July, 2011.

**CITY OF WOODLAND,
WASHINGTON**

Approved:



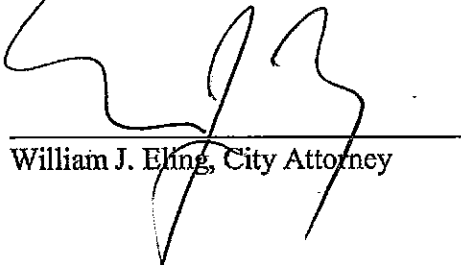
Charles E. Blum, Mayor

Attest:



Mari E. Ripp, Clerk-Treasurer

Approved as to form only:



William J. Eling, City Attorney

CITY OF WOODLAND FINANCIAL MANAGEMENT POLICIES

PURPOSE

To provide the necessary tools to ensure the City is capable of meeting its immediate and long-term financial and service objectives. These policies serve as guidelines for both financial planning and internal financial management of the City.

The City of Woodland is accountable to its citizens for the use of public dollars. Resources must be wisely used to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs.

OBJECTIVES

1. To guide City Council in management policy decisions that have significant fiscal impact.
 2. To set forth operating principles that minimize the cost of government and financial risk.
 3. To implement balanced and fair revenue policies that provide adequate funding for desired programs.
 4. To maintain appropriate financial capacity for present and future needs.
 5. To promote sound financial management by providing accurate and timely information on the City's financial condition.
 6. To protect the City's credit rating and provide for adequate resources to meet the provisions of the City's obligations on all municipal debt.
 7. To ensure the legal use of financial resources through an effective system of internal controls.
-

**CITY OF WOODLAND
FINANCIAL MANAGEMENT POLICIES**

OUTLINE

- I. General Information
 - Funds
- II. Budget Management
 - Adjustments
 - Monitoring
- III. Revenue Policies
- IV. Expenditure Policies
- V. Fixed Assets
- VI. Fund Balance
- VII. Purchasing
- VIII. Capital Improvements
- IX. Local Improvement Districts
- X. Latecomer Agreements
- XI. Short Term Debt
- XII. Long Term Debt
- XIII. Investments
- XIV. Accounting, Auditing and Financial Reporting

**CITY OF WOODLAND
FINANCIAL MANAGEMENT POLICIES**

I. GENERAL INFORMATION

The City of Woodland uses the Washington State Auditor's Office prescribed budgetary, accounting and reporting system (BARS) for local governments.

Funds

Funds are used to account and record designated information. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Types:

General Government:

General Government funds are accounted for on a modified accrual basis of accounting. Following are the General Government funds used by the City.

General Fund: The General fund is used to account for revenues that are not designated for specific activities or programs.

Special Revenue: The City will establish and maintain Special Revenue Funds used to account for the proceeds of specific revenue sources to finance specific activities which are required by statute, ordinance, resolution, or executive order.

Debt Service: The Debt Service fund accounts for the payment of principal and interest on general long-term debt associated with the general government. It does not include the payment of principal and interest on debt created by an enterprise fund.

Capital Projects: This fund is used to account for financial resources and expenditures incurred for the purchase of land, purchasing or constructing buildings and structures used for general purposes, acquisition or construction of street improvements, park development, and cemetery improvements. It also includes the development and updating of capital improvement plans associated with these projects. This fund does not include capital projects associated with an enterprise fund.

Proprietary/Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to private businesses, where the cost for providing services to the general public are recovered primarily through user fees. Enterprise funds are used for Water, Sewer and Storm Water facilities. Debt service is accounted for in the appropriate operating fund and capital projects are accounted for in the Utility Capital Projects Fund. Enterprise funds are maintained on a full accrual basis of accounting.

**CITY OF WOODLAND
FINANCIAL MANAGEMENT POLICIES**

II. BUDGET MANAGEMENT

General

Department directors have primary responsibility for formulating budget proposals in accordance with City Council and Mayor priority direction, and for implementing the budget once they are adopted.

The Clerk-Treasurer Department is responsible for conducting the overall preparation and administration of the City's budget. This includes providing information on revenues and expenditures, updating costs and revenues, organizing data in an understandable fashion, and creating and providing tools for budget development.

The Clerk-Treasurer Department assists department management in identifying budget problems, formulating solutions and alternatives, and implementing any necessary corrective actions.

The budget is prepared and implemented on an annual basis in accordance with RCW 35A.33.

Budgets are developed and used for the General, Special Revenue and Enterprise funds of the City. Budgets are also used in the Debt Service fund to account for principal and interest payments and in the Capital Project fund to account for capital expenditures and associated capital funding sources.

Adjustments and Amendment Process

Budget adjustments are needed when:

- Total expenditures in a fund will exceed the total budget for that fund, or
- Revenue sources increase or decrease for a fund, and if revenues are projected to be less than budget, the corresponding expenditures for the fund must also be adjusted accordingly, or
- Departments request authorization to allocate funds for an item or activity that was not included in the original budget.

Adjustments or amendments to the budget proceed as follows:

- The Clerk-Treasurer Department receives a request for a budget adjustment from a department or through Council action. Budget changes can also occur based on new information or documentation that the Clerk-Treasurer Department receives.
- The Clerk-Treasurer Department can process changes, with the approval of the Mayor or Clerk-Treasurer, if the requested adjustment does not change the total budget for the fund.
- Council approval is required if the requested adjustment changes the total budget for a fund. The Clerk-Treasurer Department will verify whether

**CITY OF WOODLAND
FINANCIAL MANAGEMENT POLICIES**

there are sufficient resources for the adjustment, and prepare a budget adjustment and ordinance for Council approval.

Monitoring

Budgets are developed and monitored at the line item level, but are managed at the fund level. A manager can overspend on one line item as long as it is balanced out by an under expenditure on another line item. The total expenditures for a fund cannot exceed the total budget for the fund.

Department heads are responsible and accountable for their department budget.

Monthly reports that compare budget to actual will be created by the Clerk-Treasurer Department and provided to the appropriate manager for review and response if large discrepancies are identified.

III. REVENUES

The City will strive to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source.

The City will work to develop and maintain sustainable revenue sources to ensure its viability over the long term.

Revenue estimates adopted by City Council should be made with consideration to the sensitivity of both local and regional economic activities.

The City will establish all user charges at a level associated with the cost of providing the service.

The City will set fees and user charges for each enterprise fund, such as Water, Sewer and Garbage, at a level that fully supports the total direct and indirect cost of the activity.

Grant sources of revenue will be acquired and used whenever possible.

IV. EXPENDITURES

The City will only propose operating expenditures that can be supported by ongoing operating revenues.

The City will maintain a level of expenditures consistent with the level of services that will meet the goals and mission of the City.

Expenditures funded by one-time only sources, such as grants, must be identified and noted as such. Expenditures funded by these sources will be eliminated once the funding source no longer exists.

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The City will maintain expenditure categories according to State statute and administrative regulation.

Expenditures associated with a grant source of revenue will be identified and recorded against the corresponding grant.

V. FIXED ASSETS *(see Resolution No. 543 or any successor resolution)*

It is the policy of the City to maintain accountability over all tangible fixed assets having a life expectancy exceeding one year and costing \$5,000 or more. This policy also includes those assets of a lesser value that may be attractive to theft. The Clerk/Treasurer shall maintain the asset records. The asset records shall be verified by a physical inventory at least once a year.

This policy applies to all land improvements, all buildings and building renovations, equipment purchased and additions to existing equipment that increases its useful value and all donated items.

The City of Woodland reports on a cash basis which is a departure from Generally Accepted Accounting Principles (GAAP) The City is not required to account for depreciation.

A fixed asset system will be maintained to identify all City assets and their condition per city policy.

Fixed assets are maintained for both the General Government and Enterprise funds.

VI. FUND BALANCE

Fund balances are created and maintained to provide capacity to:

- 1) Offset significant downturns in the economy.
- 2) Provide sufficient cash flow to meet daily financial needs at all times.
- 3) Meet all statutorily required reserve funds to guarantee debt service.
- 4) Maintain ability to meet scheduled equipment repair and replacement that sustains city services at an acceptable level and prevents physical deterioration of city assets, as budget allows.
- 5) Provide the capacity to pay large unanticipated expenses, such as the payment of vacation and sick leave balances for employees that retire or leave employment with the City.

Fund Balance is defined as the amount of total resources that exceed total expenditures that results from the activity associated with the operations and functions of a fund. A positive fund balance should be maintained to properly manage a fund.

Reserves are a portion of the fund balance that is restricted or categorized to use for a designated purpose. The following definitions (though the City may not use

**CITY OF WOODLAND
FINANCIAL MANAGEMENT POLICIES**

all of these categories at one time) are published by the Government Accounting Standards Board – Pronouncement No. 54:

- **Non-spendable:**
 - Amounts that cannot be spent due to form; for example, inventories, prepaid amounts, long-term and notes receivables, and other restricted items. Also includes amounts that must be maintained intact legally or contractually.

- **Restricted:**
 - Amounts constrained for a specific purpose by external parties, or constitutional provision, such as a requirement for revenue bonds to set aside funds in a debt service reserve account.

- **Committed:**
 - Amounts constrained or restricted for a specific purpose by a government using its highest level of decision-making authority. Action by the legislative authority is required to remove or change this amount.

- **Assigned:**
 - Used for funds to classify any remaining positive amounts not identified as non-spendable, restricted or committed. These amounts should not result in a deficit in unassigned fund balance.

- **Unassigned (remaining fund balance that is not reserved):**
 - This is the excess or residual amount of resources that exceed the amount expended, less amounts identified as non-spendable, restricted, committed or assigned. If the residual amount is negative, the assigned amount should be reduced accordingly.

The City has determined the need to create the following reserves and fund balances with the priority identified:

Priority #1:

General Unassigned Fund Balance: (001-General fund)

Purpose: This is the fund balance that remains after allocating to a reserve account and is used by any fund that budgets operating expense activities in the fund. The purpose of this account is to create the financial ability to cover operating expenses during short term revenue shortfalls or temporary downturns in the economy. Revenue receipts are cyclical in nature, such as the first major receipt of property taxes comes in April, some utility taxes are paid quarterly, and water usage and consequent receipt of these revenues is higher during the summer, however, expenses are normally more evenly disbursed throughout the year.

Amount: The goal is to maintain an amount equal to [3 months] of the annual operating expenses incurred for a fund.

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The allocation will come from the amount of annual operating revenue that exceeds the annual operating expenses for a fund.

Category: Identified as "Unassigned" fund balance.

Priority #2:

General Assigned Reserve: (Fund 001- General)

Purpose: This reserve sub-account will be used by any fund that budgets operating expense activities in the fund. The purpose of this account is to create the financial ability to pay for large "one-time" expenses, such as the payout of vacation and sick time for employees that leave city service, cover major unexpected police investigations, or to pay for large building repairs. This reserve can also be used to cover operating expenses during temporary, yet more long-term, economic downturns.

Amount: The amount allocated will be based upon the annual financial forecast model and/or during the annual budget process. Efforts will be made to build this fund up to the established amount through the annual budget development process. The amount will come from a portion of the annual operating revenue generated in the fund that pays for these types of expenses.

Category: Identified as "Assigned" reserve portion of fund balance.

Priority #3:

Equipment Repair and Replacement Reserve: (Fund 304-Equipment Acquisition Reserve)

Purpose: This reserve account will be used by any General fund department that budgets equipment repair and replacement as an expense item in its fund, or uses a capital projects fund to budget these expenses or uses a designated equipment, repair and replacement fund. The purpose of this account is to create the financial ability to pay for these types of expenses that include computer systems, vehicles, roads, parks, building maintenance, and general facilities, as they occur and deemed necessary to properly manage city equipment.

Amount: The amount allocated will be 1% of annual sales tax or as determined by the need identified in an updated financial forecast model and/or during the annual budget process.

Category: Identified as a "Committed" reserve portion of fund balance.

Priority #4:

Capital Project Reserve: General: (Fund 301)

Purpose: This reserve account will be used by General fund departments that budget capital and/or large maintenance projects as an expense item in the fund or uses a capital projects fund to budget and pay for these expenses. The purpose of this account is to create the financial ability to pay for these types of projects, identified in the Capital Facilities Plan, as deemed appropriate to meet community needs and properly manage city infrastructure.

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Amount: The amount allocated is 10% of Annual Sales tax and Real Estate Excise tax 1Q% & 2Q% pursuant to RCW 35.43.040, 82.46.010(2), 35.43.040 or will be determined by the need identified in an updated financial forecast model and/or by the department director.

Category: Identified as a "Committed" reserve portion of fund balance.

Priority #5:

Capital Project Reserve: Utilities: (Fund 302)

Purpose: This reserve account will be used by Proprietary/Enterprise Funds that budget capital and/or large maintenance projects as an expense item in the fund or uses a capital projects fund to budget and pay for these expenses. The purpose of this account is to create the financial ability to pay for these types of projects, identified in the Capital Facilities Plan, as deemed appropriate to meet community needs and properly manage city infrastructure.

Amount: The amount allocated is through Water and Sewer Assessments and transfers in from the Water and/or Sewer fund or will be determined by the need identified in an updated financial forecast model and/or by the department director.

Category: Identified as a "Committed" reserve portion of fund balance.

The City will make every effort to create and maintain the fund balances and reserves identified above and based on the priorities established. The City is aware that needs may change over time and fund balance reserve amounts may be redistributed within a fund to meet the needs that occur at a given time. If it is determined that funds need to be redistributed within a fund, the fund balance with the lowest priority will be redistributed first to allow the ability to meet the need of a higher priority fund balance. In all cases, council approval or budget enactment is required before changing or redistributing the amounts allocated to a reserve account.

VII. PURCHASING – *(See Ordinance No. 1178 adopted 7/5/2010 or any ordinance which supersedes this ordinance.)*

The City shall commit to the following guidelines:

- o Comply with all federal, state, and local laws, adopted codes, ordinances, and stated policies in its procurement process.
- o Buy competitively and wisely to obtain maximum value for the community's dollars spent.
- o Afford all bidders an equal opportunity to quote and compete on equal terms.
- o Initiate and promote good, continuous vendor relations, as well as, reliable alternate sources of supply.

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- o Buy from suppliers who maintain adequate financial strength, high ethical standards, a record of adhering to specifications and who will maintain integrity in payment terms, delivery and service.

VIII. CAPITAL IMPROVEMENTS

The City will make capital improvements in accordance with an adopted capital improvement plan.

The capital investment program and the base operating budget will be reviewed at the same time. This will insure that the City's capital and operating needs are balanced with each other.

The City will develop a multi-year plan for capital improvements including operations and maintenance costs and update it every two years or sooner if needed. Future capital expenditures necessitated by changes in population, changes in real estate development, or changes in the economic base will be calculated and included in the capital budget projections.

The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Council for approval. The City will use intergovernmental grants, loans and other outside resources whenever possible.

IX. LOCAL IMPROVEMENT DISTRICTS (LID):

LID's are formed to provide an alternative means of financing for property owners, within a defined geographical area, to make improvements benefiting their property.

Improvements financed by the Local Improvement District (LID) may include street and sidewalk construction, and construction of water distribution and sewer and stormwater collection facilities. Assessments are determined by the size and location of each property in relation to the improvement and the benefit to the property.

An LID may be initiated by City Council resolution or by petition of the majority of property owners along the frontage of the improvement, within the boundaries of the district. Refer to RCW 35.43 for authority.

The formation of a Local Improvement District is limited to specific instances and can apply as follows:

- When a group of property owners wish to accelerate development of a certain improvement; or
- When a group of property owners desire a higher standard of improvement than the City's project contemplates; or

**CITY OF WOODLAND
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- When a group of property owners request City assistance in LID formation to fund internal neighborhood transportation facilities improvements.

LID projects may or may not have City funding involved. If City funding is proposed by the project sponsors (property owners), they shall request it from the City Council (through the City Clerk-Treasurer) in writing before the LID promotion activity begins.

X. LATECOMER AGREEMENTS

As a source of financing capital improvements, the City shall work with private developers to construct projects identified in the capital facilities plan.

The City shall collect a connection or impact fee from future developers that utilize the capital improvement and reimburse the developer that built the initial capital improvement.

Construction projects considered under this agreement:

- The project must be a project identified in the adopted capital facilities plan
- The project extension must serve anticipated future development lots.
- Project requires prior approval by the Public Works Director.

Approval of the latecomer provisions for any extension shall be made by the Public Works Director in advance of construction.

Payment of any latecomer fee shall occur within 15 years of final acceptance of construction.

Documentation of the actual project costs and the agreement with current participants must be made prior to any reimbursements.

The reimbursements shall not exceed that amount which brings participant costs equal to zero.

XI. SHORT TERM DEBT

Short-term debt covers a period of two years or less.

The City may use short-term debt to cover temporary cash flow shortages that may be caused by a delay in receipting revenues or issuing long-term debt.

The City may issue Interfund loans rather than outside debt instruments to meet short-term cash flow needs. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of those funds will not impact the fund's current operations. All short-term borrowing will be subject to Council approval by ordinance or resolution, and will bear interest based upon the current bank rates.

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FINANCIAL MANAGEMENT POLICIES**

XII. LONG TERM DEBT

Debt financing will not be undertaken without identification of a cash stream sufficient to repay the debt.

The City will confine long-term borrowing to capital improvements that cannot be financed from current revenue sources.

Acceptable uses of bond and loan proceeds can be viewed as items which can be capitalized and depreciated.

The City will not use long-term debt for current operations.

The City will maintain communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.

Bonds cannot be issued for a longer maturity schedule than a conservative estimate of the useful life of the asset to be financed.

Loans may be obtained to fund capital projects identified in the Capital Improvement Plan.

XIII. INVESTMENTS

The policy on investment applies to the investment of all City funds excluding pension funds or trust accounts. The primary objective of investment activities shall be: 1) Safety of principal that seeks to minimize potential losses; 2) Liquidity of cash to sufficiently meet all operating requirements; and 3) Return on Investment that allows for the highest market rate of return throughout budgetary and economic cycles.

The City of Woodland authorized investment officers will perform their duties in a manner consistent with the standard of a "prudent person," as defined in RCW 43.250.040. A prudent person is defined as "exercising the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital." Investment officers include the Clerk-Treasurer and the Deputy Clerk-Treasurer.

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

The City may invest in any of the securities identified as eligible investments as defined by RCW's: 35.59.020, 39.59.030, 35.39.030 and 43.84.080. These include: Certificates of Deposit, United States Securities, Bankers' Acceptances,

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Repurchase Agreements and Certificates, and Notes and Bonds of the State of Washington. The City may also create investment accounts with the Clark County Treasurer's Office per RCW 36.29.020, and the Local Government Investment Pool per RCW 43.250.040. Speculative investments are not allowed.

Investment transactions shall be conducted with approved broker/dealers selected by credit worthiness and other selection criteria. Broker/dealers must be registered to provide investment services in the State of Washington.

The policy shall be to assure no single institution or security is invested into, to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency.

XIV. ACCOUNTING, AUDITING AND FINANCIAL REPORTING

The City will establish and maintain a high standard of accounting practices.

The accounting system will maintain records on a basis consistent with accepted standards for local government accounting and the State of Washington Budgeting, Accounting, and Reporting Systems.

Regular monthly and annual financial reports will present a summary of financial activity by major types of funds. Monthly reports will also include a summary of the investment activities by type of investment.

Where feasible, the reporting system will also provide monthly information on the total cost of specific services by type of expenditure and, if necessary, by fund.

The State Auditor's Office will audit City records annually or biannually, depending upon audit requirements; and will issue a financial opinion.

RESOLUTION NO. 731

A RESOLUTION of the City Council of the City of Woodland establishing certain charges and fees relating to the city’s sewer service.

WHEREAS, Ordinance No. 798 provides that rates, charges and fees relating to the city’s sewer service will be established by resolution of the city council and pursuant thereto the city council adopted Resolution No. 428 establishing such rates and fees for sewer service; and

WHEREAS, the City Council received a briefing on the results of a utility rate study on June 15, 2020, July 6, 2020, August 3, 2020, August 17, 2020, and on September 8, 2020;

WHEREAS, the City Council discussed and directed City staff to convert from bi-monthly billing to monthly billing;

WHEREAS, the City Council discussed and directed City staff to convert to year-round residential sewer service billings based on the previous year’s average winter water use;

WHEREAS, following a duly advertised public hearing held on November 16, 2020 the city council directed staff to prepare documents modifying water sewer from those established in Resolution No. 652 as set forth herein.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WOODLAND that the following rates, charges and fees applicable to the city’s water service be and hereby are fixed and imposed.

(1) Single Family Residential Sewer Service Rates

A. A monthly fixed charge

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 33.83	\$ 35.01	\$ 36.24	\$ 37.51	\$ 38.82

B. A monthly usage charge per cubic feet of water used based on the winter-average water consumption.

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 0.0605	\$ 0.0626	\$ 0.0648	\$ 0.0670	\$ 0.0694

C. For purposes of these charges, winter-average consumption is the average monthly water volume recorded during the previous November through

April. The winter-average consumption for each residence will be recomputed before the start of each year and that volume will be used to compute the monthly sewer volume charge for the residence for the entire calendar year.

D. If a residential customer has partial monthly volume for the previous November through April, the City will determine an average winter monthly usage based on the usage information the City has for that customer.

E. If a residential customer has no monthly volume for the previous November through April, the City will determine an average winter monthly usage based on the average winter usage from all residential customers until such time the residential customer's winter monthly usage information is available.

(2) Multi-Family Residential Sewer Service Rates

A. A monthly fixed charge

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 31.34	\$ 30.06	\$ 28.73	\$ 27.36	\$ 25.94

B. A monthly usage charge per cubic feet of water used

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 0.0605	\$ 0.0626	\$ 0.0648	\$ 0.0670	\$ 0.0694

(3) Commercial Sewer Service Rates

A. A monthly fixed charge

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 33.83	\$ 35.01	\$ 36.24	\$ 37.51	\$ 38.82

B. A monthly usage charge per cubic feet of water used

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 0.0912	\$ 0.0944	\$ 0.0977	\$ 0.1011	\$ 0.1046

(4) Industrial Sewer Service Rates for Columbia River Carbonates.

A. A monthly fixed charge

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 223.71	\$ 236.58	\$ 250.18	\$ 264.57	\$ 279.78

(5) Industrial Sewer Service Rates for Hamilton Materials.

A. A monthly fixed charge

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 17.28	\$ 18.28	\$ 19.33	\$ 20.44	\$ 21.62

B. A monthly usage charge per cubic feet of water used.

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 0.0466	\$ 0.0493	\$ 0.0522	\$ 0.0552	\$ 0.0583

(6) Industrial Sewer Service Rates for Monitored Customers.

A. A monthly fixed charge

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 33.83	\$ 35.01	\$ 36.24	\$ 37.51	\$ 38.82

B. A monthly usage charge per cubic feet of water used.

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 0.0903	\$ 0.0903	\$ 0.0903	\$ 0.0903	\$ 0.0903

(7) At such time as the new rates take effect, the rates set forth in Resolution No. 652 shall be null and void.

PASSED this 7th day of Dec, 2020.

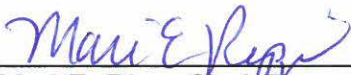
CITY OF WOODLAND



William A Finn, Mayor

ATTEST:

APPROVED AS TO FORM:



Mari E. Ripp, Clerk/Treasurer



Frank F. Randolph, City Attorney

RESOLUTION NO. 732

A RESOLUTION of the City Council of the City of Woodland establishing certain charges and fees relating to the city's sewer service.

WHEREAS, Ordinance No. 798 provides that rates, charges and fees relating to the city's sewer service will be established by resolution of the city council and pursuant thereto the city council adopted Resolution No. 428 establishing such rates and fees for sewer service; and

WHEREAS, Resolution No. 623 which provided for a rate increase on December 17, 2012 and further modifications in the future; and

WHEREAS, following a duly advertised public hearing held on November 16, 2020 the city council directed staff to prepare documents modifying water rates from those established in Resolution No. 623; and

WHEREAS, the City Council previously approved on December 17, 2012 a resolution modifying Sewer Service Assessments and Deposits.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WOODLAND that the following charges and fees applicable to the city's sewer service be and hereby are fixed and imposed, effective January 1, 2021.

(1) Sewer Service Assessment Charges (WMC 13.04.040):

<u>Size of Service</u>	<u>Assessment</u>
5/8" or 3/4"	\$ 5,243
1"	13,106
1½"	26,213
2"	41,941
3"	83,883
4"	131,068

(2) All Assessment charges and meter deposits shall be increased five percent (5%) on January 1st, 2022 and annually on January 1st of each year thereafter.

PASSED this 7th day of Dec, 2020.

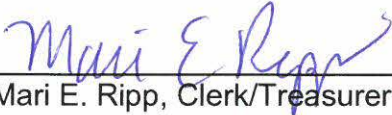
CITY OF WOODLAND




William A Finn, Mayor

ATTEST:

APPROVED AS TO FORM:



Mari E. Ripp, Clerk/Treasurer



Frank F. Randolph, City Attorney

RESOLUTION NO. 734

A RESOLUTION of the City Council of the City of Woodland establishing certain rates, charges and fees relating to the city's sewer service and rate schedule for low income senior citizens and low income disabled persons.

WHEREAS, Ordinance No. 1113 and Ordinance No. 797 provides that rates, charges and fees relating to the city's water service will be established by resolution of the city council; and

WHEREAS, Ordinance No. 798 provides that rates, charges and fees relating to the city's sewer service will be established by resolution of the city council and pursuant thereto the city council adopted Resolution No. 428 establishing such rates and fees for sewer service and rate schedule for low income senior citizens and low income disabled persons; and

WHEREAS, the City Council received a briefing on the results of a utility rate study on June 15, 2020, July 6, 2020, August 3, 2020, August 17, 2020, and on September 8, 2020;

WHEREAS, the City Council discussed the desire to modify the low income senior citizens and low income disabled persons rates for sewer services and establishing the low income senior citizens and low income disabled persons rates to water and stormwater services;

WHEREAS, following a duly advertised public hearing held on November 14, 2020, the city council directed staff to prepare documents modifying the low income senior citizens and low income disabled persons rates for sewer services as established in Resolution 591 and establishing the low income senior citizens and low income disabled rates for water and stormwater services;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WOODLAND that the following rates, charges and fees applicable to the city's water, sewer and stormwater service and charges and fees relating to the city's low income senior citizens and low income disabled persons. hereby are fixed and imposed.

A. Single Family Low Income Senior Citizens and Low Income Disabled Persons Residential Water Service Rates and Charges:

(1) Monthly Fixed Water Service Rates:

A. Fixed monthly meter charges for city water service.

Size of Meter	Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
5/8" or 3/4"	\$ 18.75	\$ 22.33	\$ 26.46	\$ 28.15	\$ 29.94

(2) Single Family Residential Volumetric Water Service Rates:

A. Monthly usage charges for city water service.

Usage Tiers	Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
0-500cf	\$ 0.0229	\$ 0.0273	\$ 0.0323	\$ 0.0344	\$ 0.0366
501-700cf	\$ 0.0286	\$ 0.0341	\$ 0.0404	\$ 0.0430	\$ 0.0457
701-1,150cf	\$ 0.0344	\$ 0.0409	\$ 0.0485	\$ 0.0516	\$ 0.0549
Above 1,150+cf	\$ 0.0458	\$ 0.0546	\$ 0.0647	\$ 0.0688	\$ 0.0732

B. Single Family Low Income Senior Citizens and Low Income Disabled Persons Residential Sewer Service Rates and Charges:

(1) Single Family Residential Sewer Service Rates

A. A monthly fixed charge.

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 25.37	\$ 26.26	\$ 27.18	\$ 28.13	\$ 29.12

B. A monthly usage charge per cubic feet of water used based on the winter-average water consumption.

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 0.0453	\$ 0.0469	\$ 0.0486	\$ 0.0503	\$ 0.0520

C. For purposes of these charges, winter-average consumption is the average monthly water volume recorded during the previous November through April. The winter-average consumption for each residence will be recomputed before the start of each year and that volume will be used to compute the monthly sewer volume charge for the residence for the entire calendar year.

D. If a residential customer has partial monthly volume for the previous November through April, the City will determine an average winter monthly usage based on the usage information the City has for that customer.

E. If a residential customer has no monthly volume for the previous November through April, the City will determine an average winter monthly usage based on the average winter usage from all residential customers until

such time the residential customer's winter monthly usage information is available.

C. Single Family Low Income Senior Citizens and Low Income Disabled Persons Residential Stormwater Service Rates and Charges:

(1) Stormwater Service Charge:

A. A monthly charge, per Equivalent Service Unit

Effective Feb 16, 2021	Effective Nov 16, 2021	Effective Nov 16, 2022	Effective Nov 16, 2023	Effective Nov 16, 2024
\$ 3.36	\$ 3.49	\$ 3.63	\$ 3.77	\$ 3.92

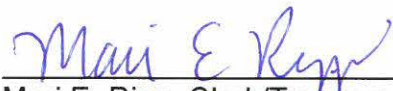
D. At such time as the new rates take effect, the rates set forth in Resolution No. 591 shall be null and void.

PASSED this 7th day of Dec., 2020.


CITY OF WOODLAND


William A Finn, Mayor

ATTEST:


Mari E. Ripp, Clerk/Treasurer

APPROVED AS TO FORM:


Frank F. Randolph, City Attorney

To: Pete Boyce, City Administrator
Tracey Coleman, Public Works Director
Mari Ripp, Finance Director

Date: September 21, 2020

From: Martin Chaw, Project Manager

CC: Angie Sanchez Virnoche, Principal

RE City of Woodland – Council Approved Utility Rates for inclusion in rate ordinances

This memorandum memorializes the new rates based upon our corresponding financial rate studies and as approved by Council.

Council action: Tuesday, September 8, the City Council endorsed new cost-of-service based rates for the Water and Sewer utilities, and approved initial rates to support formation of a new Stormwater utility. The Council approved Water Option #3, Sewer Option #3, and Stormwater Option #2 – see attached appendix. The Council also approved moving to monthly billing.

These new rates become effective February 16, 2021, the first day of the second billing cycle in 2021. We understand that the Council is expected to approve these rates at their regular meeting on or about November 16, 2020. Once the new rate ordinances are adopted, please send to us signed copies for our files.

Utility taxes: The rates presented are exclusive of City utility taxes. Utility taxes in our modeling is a pass-through expense. If the City Council approves the reduction in the City Water Utility tax, as assumed in our rate study from 12.50% to 10.87%, this can be achieved without affecting the presented rates.

Assessment charges: Also included below are the updated Water and Sewer connection charges. These charges represent the maximum amount that the City can defensibly charge to new utility connections. The City may elect to charge less, but should not charge more than the amounts shown.

Table 1. Water Utility Monthly Fixed Charges

Meter Size	\$ / Monthly Fixed Charge					
	Existing	2021	2022	2023	2024	2025
Inside						
5/8 or 3/4	\$ 24.57	\$ 25.00	\$ 29.77	\$ 35.28	\$ 37.54	\$ 39.92
5/8 or 3/4 - Discount	-	18.75	22.33	26.46	28.15	29.94
1.0"	58.99	62.50	74.43	88.20	93.85	99.80
1.5"	68.83	125.00	148.86	176.41	187.70	199.61
2.0"	95.86	200.00	238.17	282.25	300.32	319.37
3.0"	294.94	400.00	476.34	564.50	600.63	638.74
4.0"	368.68	625.00	744.28	882.03	938.49	998.03
6.0"	540.73	1,250.00	1,488.56	1,764.05	1,876.98	1,996.05
Multi-Family	24.57	n/a	n/a	n/a	n/a	n/a
Outside						
5/8 or 3/4	\$ 36.86	\$ 37.50	\$ 44.66	\$ 52.92	\$ 56.31	\$ 59.88
5/8 or 3/4 - Discount	-	28.13	33.49	39.69	42.23	44.91
1.0"	88.48	93.75	111.64	132.30	140.77	149.70
1.5"	103.24	187.50	223.28	264.61	281.55	299.41
2.0"	143.80	300.00	357.25	423.37	450.48	479.05
3.0"	442.41	600.00	714.51	846.75	900.95	958.10
4.0"	553.02	937.50	1,116.42	1,323.04	1,407.73	1,497.04
6.0"	811.10	1,875.00	2,232.84	2,646.08	2,815.47	2,994.08
Multi-Family	36.855	n/a	n/a	n/a	n/a	n/a

Table 2. Water Utility Monthly Volumetric Charges (Monthly Usage Tiers)

Class	\$ / cf					
	Existing	2021	2022	2023	2024	2025
Single Family						
Inside						
Block 1 (0 - 500cf)	\$ 0.0296	\$ 0.0306	\$ 0.0364	\$ 0.0431	\$ 0.0459	\$ 0.0488
Block 2 (501 - 700cf)	n/a	0.0382	0.0455	0.0539	0.0574	0.0610
Block 3 (701 - 1,150cf)	n/a	0.0458	0.0546	0.0647	0.0688	0.0732
Block 4 (1,150+cf)	n/a	0.0611	0.0728	0.0862	0.0918	0.0976
Outside						
Block 1 (0 - 500cf)	\$ 0.0444	\$ 0.0458	\$ 0.0546	\$ 0.0647	\$ 0.0688	\$ 0.0732
Block 2 (501 - 700cf)	n/a	0.0573	0.0682	0.0809	0.0860	0.0915
Block 3 (701 - 1,150cf)	n/a	0.0688	0.0819	0.0970	0.1032	0.1098
Block 4 (1,150+cf)	n/a	0.0917	0.1092	0.1294	0.1376	0.1464
Inside - Discount						
Block 1 (0 - 500cf)	n/a	\$ 0.0229	\$ 0.0273	\$ 0.0323	\$ 0.0344	\$ 0.0366
Block 2 (501 - 700cf)	n/a	0.0286	0.0341	0.0404	0.0430	0.0457
Block 3 (701 - 1,150cf)	n/a	0.0344	0.0409	0.0485	0.0516	0.0549
Block 4 (1,150+cf)	n/a	0.0458	0.0546	0.0647	0.0688	0.0732
Outside - Discount						
Block 1 (0 - 500cf)	n/a	\$ 0.0344	\$ 0.0409	\$ 0.0485	\$ 0.0516	\$ 0.0549
Block 2 (501 - 700cf)	n/a	0.0430	0.0512	0.0606	0.0645	0.0686
Block 3 (701 - 1,150cf)	n/a	0.0516	0.0614	0.0728	0.0774	0.0823
Block 4 (1,150+cf)	n/a	0.0688	0.0819	0.0970	0.1032	0.1098
Non-Single Family						
Inside	\$ 0.0296	\$ 0.0798	\$ 0.0798	\$ 0.0798	\$ 0.0798	\$ 0.0798
Outside	0.0444	0.1197	0.1197	0.1197	0.1197	0.1197
Commercial						
Inside	\$ 0.0296	\$ 0.0300	\$ 0.0357	\$ 0.0423	\$ 0.0450	\$ 0.0479
Outside	0.0444	0.0450	0.0535	0.0635	0.0675	0.0718

Table 3. Sewer Utility Monthly Fixed Charges
 (Assumes Year Round Average Winter Billing)

Customer Class	\$ /Monthly Fixed Charge 2021-2025					
	Existing	2021	2022	2023	2024	2025
Inside						
Single Family	\$ 32.69	\$ 33.83	\$ 35.01	\$ 36.24	\$ 37.51	\$ 38.82
Single Family - Discount	24.52	25.37	26.26	27.18	28.13	29.12
Non-Single Family	32.69	31.34	30.06	28.73	27.36	25.94
Commercial	32.69	33.83	35.01	36.24	37.51	38.82
Outside						
Single Family	\$ 49.03	\$ 50.74	\$ 52.52	\$ 54.36	\$ 56.26	\$ 58.23
Single Family - Discount	36.77	38.06	39.39	40.77	42.20	43.67
Non-Single Family	49.03	47.01	45.09	43.10	41.04	38.90
Commercial	49.03	50.74	52.52	54.36	56.26	58.23
Industrial						
Columbia River Carbonates	\$ 211.55	\$ 223.71	\$ 236.58	\$ 250.18	\$ 264.57	\$ 279.78
Hamilton Materials	16.35	17.28	18.28	19.33	20.44	21.62
Monitored Customers	32.69	33.83	35.01	36.24	37.51	38.82

Table 4. Sewer Utility Monthly Volume Charges
 (Assumes Year-Round Average Winter Billing)

Customer Class	\$ /cf Variable Charges 2021-2025					
	Existing	2021	2022	2023	2024	2025
Inside						
Single Family	\$ 0.0587	\$ 0.0605	\$ 0.0626	\$ 0.0648	\$ 0.0670	\$ 0.0694
Single Family - Discount	0.0587	0.0453	0.0469	0.0486	0.0503	0.0520
Non-Single Family	0.0587	0.0605	0.0626	0.0648	0.0670	0.0694
Commercial	0.0881	0.0912	0.0944	0.0977	0.1011	0.1046
Outside						
Single Family	\$ 0.0881	\$ 0.0907	\$ 0.0939	\$ 0.0972	\$ 0.1006	\$ 0.1041
Single Family - Discount	0.0881	0.0680	0.0704	0.0729	0.0754	0.0781
Non-Single Family	0.0881	0.0907	0.0939	0.0972	0.1006	0.1041
Commercial	0.1320	0.1368	0.1416	0.1465	0.1516	0.1570
Industrial						
Columbia River Carbonates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hamilton Materials	0.0441	0.0466	0.0493	0.0522	0.0552	0.0583
Monitored Customers	0.0883	0.0903	0.0903	0.0903	0.0903	0.0903

**Table 5. New Stormwater Utility Monthly Rates per Equivalent Service Unit
 (Assumes 4,000sft per ESU)**

Baseline Monthly Rates Exclusive of City Utility Taxes	2021	2022	2023	2024	2025	2026
Residential	\$4.48	\$ 4.65	\$ 4.83	\$ 5.03	\$ 5.23	\$ 5.43
Non-Residential, per ESU	\$4.48	\$ 4.65	\$ 4.83	\$ 5.03	\$ 5.23	\$ 5.43

Table 6. Water Assessment Charge on New Connections

Meter Size	Current	Proposed
5/8" or 3/4"	\$3,241	\$4,246
1"	\$4,283	\$10,615
1-1/2"	\$7,177	\$21,230
2"	\$11,113	\$33,968
3"	\$22,574	\$67,936
4"	\$38,433	\$106,150

*Proposed charges use AWWA meter capacity standard ratios. Proposed charges represent the maximum defensible charge. The City can elect to charge equal to or less than, but not more.

Table 7. Sewer Assessment Charge on New Connections

Meter Size	Current	Proposed
5/8" or 3/4"	\$4,920	\$5,243
1"	\$6,078	\$13,106
1-1/2"	\$9,261	\$26,213
2"	\$13,603	\$41,941
3"	\$26,336	\$83,883
4"	\$44,858	\$131,068

*Proposed charges use AWWA meter capacity standard ratios. Proposed charges represent the maximum defensible charge. The City can elect to charge equal to or less than, but not more.

Appendix: Council Options Reviewed on September 8, 2020

City of Woodland
City Council Workshop August 17, 2020

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Utility Rate Adjustment Options

Water: 2020: \$50.95/mo (700cf usage; ¾ inch water meter)

- **Option 1: \$54.52** (maintain historical rate increases; keep existing rate structure)
 - o Reduce CIP
 - by 90% (10% of CIP completed); assuming no new debt or
 - by 50% (50% of CIP completed); assuming \$8M new debt
 - o Implement no utility billing
 - o No cost-of-service based rates; SFR customers would be paying more than their equitable share of costs

- **Option 2: \$57.66** (starting with Option 1, add equivalent savings from Sewer and apply to Water; keep existing rate structure)
 - o Reduce CIP
 - By 30% CIP funded (70% of CIP completed); assuming \$11M new debt
 - o Implement no utility billing
 - o Uniform 25% low income discount
 - o No cost-of-service based rates; SFR customers would be paying more than their equitable share of costs

- **Option 3: \$53.13/mo** (fully funds capital and implements cost-of-service rates to ensure all classes pays equitable share of costs)
 - o 100% CIP funded; \$17.8M new debt
 - o Implement no utility billing
 - o Uniform 25% low income discount
 - o Implement cost-of-service based rates (phased in over 2 years); SFR customers would be paying their equitable share of costs
 - o **FCS GROUP recommendation**

Sewer: 2020: \$83.00/mo (700cf usage)

- **Option 1: \$88.81/mo** (maintain historical rate increases; keep existing rate structure)
 - o 100% CIP funded; No new debt needed
 - o Implement no utility billing
 - o Uniform 25% low income discount
 - o No cost-of-service based rates; SFR customers would be paying more than their equitable share of costs

- **Option 2: \$85.67/mo** and move bill savings over Option 1 (\$3.14) to Water (see Option 2)
 - o 100% CIP funded; \$7.5M new debt
 - o Implement no utility billing
 - o Uniform 25% low income discount
 - o Implement cost-of-service rates; SFR customers would be paying their equitable share of costs

- **Option 3: \$85.67/mo** (fully funds capital and implements cost-of-service rates to ensure all classes pays equitable share of costs)
 - o 100% CIP funded; \$7.5M new debt
 - o Implement no utility billing
 - o Uniform 25% low income discount
 - o Implement cost-of-service rates
 - o **FCS GROUP Recommendation**



www.fcsgroup.com

City of Woodland
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page 2

Stormwater: 2020: No stormwater utility

- **Option 1: \$0/mo Status Quo (do not form new stormwater utility)**
 - o Maintain current level of service
 - o Continue funding stormwater needs out of streets budget
 - o Semi-annual street sweeping; as-needed repairs and replacement; culvert / right-of-way maintenance
- **Option 2: \$5.03/mo Form stormwater utility and fund baseline level needs**
 - o Semi-annual street sweeping; as-needed repairs and replacement; culvert / right-of-way maintenance
 - o Street projects funded (see below)
- **Option 3: \$7.73/mo Form stormwater utility at full level of service needs**
 - o SR 503 stormwater project and pipe replacement
 - o Pipe connection 2nd avenue
 - o Fully fund CIP replacement and repairs
 - o Street projects funded (see below)

List of Street projects that can be funded if stormwater utility is formed (applies only to options 2 and 3)

- CDBG Sidewalks city portion about \$87k
- Pacific Sidewalk project was about \$60k
- Hoffman sidewalks city portion about \$40k
- In 2018 the city hall roof repair was about \$53.5k under general fund (001-518-30-48-00) – thus this is funds that could be used in streets
- The small works road repairs run between \$10k-\$20K per year
- West Scott Pacific to RR will have City funds of \$125,866
- West Scott/Guild RR to Schurman, City funds \$125,433
- Lakeshore, city funds \$131,936