

CHAPTER 8

CAPITAL IMPROVEMENT PROGRAM AND FINANCIAL ANALYSIS

This chapter summarizes the Capital Improvement Program (CIP) for the City of Woodland's wastewater utility and describes how the City can potentially finance its wastewater system improvements. The potential funding sources, financial status of the wastewater utility, the funding required to pay for the scheduled improvements, and potential the impact of wastewater improvements on wastewater rates are also presented in this chapter.

FINANCIAL STATUS OF EXISTING WASTEWATER UTILITY

CURRENT WASTEWATER RATES

Table 8-1 lists the City's current schedule of rates and charges.

TABLE 8-1

Monthly Wastewater Service Charges⁽¹⁾

Customer Type	Bimonthly Base Charge⁽¹⁾
Residential: All sizes	\$53.36 per ERU ⁽²⁾
Non-residential: All sizes	\$53.36 per ERU
Customer Type	Volume Charge⁽³⁾
Residential	\$4.79/CCF
Non-residential	\$4.79/CCF

(1) Source: Woodland Municipal Code section 13.08.120.

(2) ERU = Equivalent Residential Unit.

(3) CCF = 100 cubic feet.

The City has raised its bimonthly sewer rates 7 percent per year since January 2011.

CURRENT CONNECTION FEES

The City has a Sewer Assessment Fee that is based on water meter size and is summarized in Table 8-2.

TABLE 8-2

Sewer Service Connection Fee⁽¹⁾

Water Meter Size	2014	2015	2016	2017
3/4 – 5/8-inch	\$4,686	\$4,920	\$4,920	\$4,920
1-inch	\$5,789	\$6,078	\$6,078	\$6,078
1.5-inch	\$8,820	\$9,261	\$9,261	\$9,261
2-inch	\$12,955	\$13,603	\$13,603	\$13,603
3-inch	\$25,082	\$26,337	\$26,337	\$26,337
4-inch	\$42,722	\$44,859	\$44,859	\$44,859

(1) Source: Woodland Municipal Code section 13.08.030.

CAPITAL IMPROVEMENT PROGRAM

The City of Woodland wastewater utility CIP is summarized in Table 8-3. Items on the list are either categorized as collection system related work or treatment system related work. Planning level cost estimates and recommended execution year are also shown.

CURRENT AND PROJECTED EXPENDITURES AND REVENUES

Table 8-4A and 8-4B present *historical* revenues and expenditures for the City of Woodland wastewater utility. Table 8-5A and 8-5B presents *projected future* revenues and expenditures for the City’s wastewater utility. Appendix M provides preliminary financial projections through the end of the planning period.

It is assumed that capital projects listed in Table 8-3 will be funded from the City’s sewer rates whenever possible, although sewer utility reserves are also available for this purpose. It is assumed that the lift station 5 improvements and the wastewater treatment improvements are funded with a 40 year USDA RD loan. An interest rate of 2.375 percent is assumed for the USDA RD loan.

For Tables 8-5C, revenue from sewer assessments was projected based on a conservative estimate of revenues from new sewer hookups. Although this revenue stream could be substantial if growth occurs as predicted, recent sewer assessment revenues (Table 8-4C) were used to guide the sewer assessment revenue projections. Appendix M provides a 20-year budget projection for the City of Woodland sewer utility.

As the budget projections indicate, with a combination of previously planned rate increases and low interest loans the City will have sufficient funds to operate its wastewater collection and treatment systems and fund the capital improvement program summarized in Table 8-3.

TABLE 8-3

Wastewater Utility Capital Improvement Program⁽¹⁾

No.	Description	Estimated Project Cost	Year
Wastewater Collection System			
1	Relining of Old Collection System ⁽²⁾	\$221,000	TBD
2	SCADA System Improvements ⁽³⁾	\$190,000	2017
3	Lift Station 6 Improvements ⁽⁴⁾	Developer Funded	TBD
4	Lift Station 5 Replacement ⁽⁵⁾	\$341,000	2018
5	Gravity Collection System Improvements ⁽⁶⁾	\$293,000	2025
6	Lift Station 1 Replacement ⁽⁵⁾	\$341,000	2025
7	Lift Station 2 Replacement ⁽⁵⁾	\$341,000	2025
8	Lift Station 3 Replacement ⁽⁵⁾	\$341,000	2030
9	Lift Station 8 Replacement ⁽⁵⁾	\$341,000	2030
Wastewater Treatment System			
1	Mixing Zone Study ⁽⁷⁾	\$75,000	2017
2	Biosolids Dewatering Equipment – Phase I ⁽⁸⁾	\$700,000	2017
2	Replace UV System ⁽⁹⁾	\$483,000	2020
3	Replace SBR Equipment and Blowers ⁽¹⁰⁾	\$1,456,000	2027
4	Biosolids Dewatering Equipment – Phase II	\$1,200,000	⁽¹¹⁾

- (1) All costs shown are 2017 Dollars.
- (2) Based on relining 4,420 ft of piping at \$50/ft.
- (3) Assumes City installs MultiTrode Outpost III controllers, no panel replacement, no electrical upgrade (this work is being completed in 2017).
- (4) Assumes pump station upgrade as needed to serve development.
- (5) Assumes replacement of entire pump station (wet well, pumps piping and discharge valves) no pump station control panel upgrade.
- (6) Gravity collection system upgrades to coincide with replacement of Lift Station 1.
- (7) Expected requirement for renewal of NPDES permit in 2017.
- (8) This includes a new screw press housed in an existing building at the WWTF.
- (9) Assumes UV equipment reaches end of useful life by year 2020.
- (10) Assumes SBR equipment reaches end of useful life by year 2027.
- (11) Second phase will include another screw press installed in its own facility. Cost of additional screw pump and new building to house dewatering facilities are included in estimate. Timing of this project will depend on actual rate of growth but will be needed before 2033 based on current growth projections.

TABLE 8-4A

Wastewater Utility Historical Revenues

Revenues	2011	2012	2013	2014	2015	2016
Beginning Fund Balance	\$76,103	\$230,416	\$249,372	\$608,691	\$698,522	\$834,395
Monthly Sewer Charges	\$1,176,022	\$1,290,310	\$1,395,731	\$1,580,000	\$1,492,241	\$1,621,872
Industrial Sewer Charges	\$55,662	\$105,761	\$127,483	\$120,000	\$189,445	\$194,099
Utility Bill Interest/Penalties	\$42,601	\$40,895	\$49,061	\$45,000	\$49,973	\$46,801
Tax on Sewer Charges	\$31,559	\$36,751	\$27,696	\$41,618	\$26,488	\$32,078
Investment Interest	\$1,089	\$1,316	\$558	\$500	\$6,984	\$5,596
Miscellaneous	\$5,004	\$1,389	\$2,370	\$1,500	\$38	\$35,332
Sewer Inspections	\$711	\$400	\$4,090	\$1,200	\$3,370	\$13,224
Reimbursable Testing	\$0	\$18,647	\$23,874	\$20,000	\$23,240	\$15,807
Transfer from Reserves	\$0	\$0	\$0	\$0	\$0	\$0
Loan	\$0	\$0	\$0	\$0	\$0	\$0
Contribution from 407 Restroom Project	\$18,930	\$0	\$0	\$0	\$0	\$0
Contribution from 302 CPR Utilities	\$0	\$80,000	\$20,000	\$0	\$0	\$0
Contribution from 411 Water/Sewer Refurb. Project	\$191,764	\$0	\$0	\$0	\$0	\$0
TOTAL REVENUE	\$1,599,445	\$1,805,884	\$1,900,234	\$2,418,509	\$2,490,301	\$2,799,204

TABLE 8-4B

Wastewater Utility Historical Expenditures

Expenses	2011	2012	2013	2014	2015	2016
Employee Salaries	\$280,846	\$318,438	\$309,668	\$332,800	\$305,440	\$286,907
Employee Benefits	\$112,821	\$140,775	\$150,412	\$178,500	\$145,974	\$139,899
Operating Supplies - General	\$3,427	\$2,901	\$8,418	\$3,500	\$4,075	\$4,647
Operating Supplies - Treatment	\$20,068	\$24,934	\$26,886	\$55,000	\$67,346	\$35,891
Fuel	\$7,987	\$7,256	\$7,186	\$7,000	\$5,035	\$4,379
Professional Services	\$33,006	\$16,185	\$2,789	\$115,000	\$4,777	\$52,884
Intergovernmental Services	\$6,540	\$7,624	\$5,950	\$8,000	\$5,771	\$11,559
Testing Services	\$0	\$23,943	\$24,710	\$25,000	\$27,875	\$21,000
Communications	\$7,875	\$8,205	\$8,984	\$10,000	\$8,705	\$10,732
Travel	\$651	\$613	\$694	\$2,000	\$814	\$941
Utilities	\$104,101	\$106,948	\$113,954	\$105,000	\$128,031	\$158,260
Collection System Maintenance and Repair (M&R) Projects	\$58,223	\$32,669	-\$117,760	\$240,000	\$34,295	\$71,004
WWTP M&R Projects	\$205,074	\$207,525	\$218,128	\$350,000	\$313,439	\$201,835
WWTP Capital Projects	\$0	\$0	\$0	\$0	\$0	\$0
Other M&R	\$3,832	\$8,725	\$12,683	\$15,000	\$1,767	\$210,627
Miscellaneous	\$600	\$943	\$701	\$800	\$1,165	\$628
Training	\$627	\$2,533	\$1,673	\$3,000	\$2,625	\$2,050
Rent/Lease	\$2,110	\$876	\$0	\$0	\$0	\$0
Tax on Sewer	\$33,226	\$36,751	\$37,799	\$41,618	\$26,488	\$32,078
PWTF Loan Principal - 1999	\$183,474	\$183,474	\$183,474	\$183,475	\$183,479	\$183,474

TABLE 8-4B – (continued)

Wastewater Utility Historical Expenditures

Expenses	2011	2012	2013	2014	2015	2016
Ecology SRF Loan Principal - 2001	\$72,363	\$73,453	\$74,559	\$75,681	\$76,821	\$77,977
PWTF/2013 Sewerline Replacement	\$0	\$0	\$0	\$0	\$40,000	\$36,823
PWTF Loan Interest - 1999	\$16,513	\$14,678	\$12,843	\$11,008	\$9,174	\$7,339
Ecology SRF Loan Interest - 2001	\$15,188	\$14,099	\$12,993	\$11,870	\$10,730	\$9,574
PWTF Loan Principal - 2013	\$0	\$0	\$0	\$32,985	\$36,823	\$36,823
PWTF Loan Interest - 2013	\$0	\$0	\$0	\$1,173	\$3,061	\$1,565
Rights-of-Way/Easements	\$0	\$0	\$0	\$3,000	\$14,972	\$0
Equipment - Collection System	\$21,697	\$38,816	\$16,093	\$40,000	\$2,291	\$1,626
Equipment - WWTP	\$0	\$0	\$235	\$0	\$5,904	\$0
Equipment - Office	\$903	\$930	\$691	\$800	\$552	\$555
Contribution to 312 PW Shop	\$2,000	\$19,167	\$0	\$10,000		
Contribution to General Fund	\$175,876	\$162,451	\$177,780	\$200,313	\$200,000	\$200,000
Contribution to Administration	\$0	\$0	\$0	\$0	\$0	\$49,182
Contribution to 411 Water/Sewer Line Projects	\$0	\$100,000	\$0	\$0	\$28,570	\$0
Contribution to 319 PW Office		\$1,600	\$0	\$0	\$0	\$0
TOTAL EXPENSE	\$1,369,028	\$1,556,512	\$1,291,542	\$2,062,524	\$1,822,463	\$1,822,463
END OF YEAR FUND BALANCE	\$230,417	\$249,372	\$608,691	\$355,986	\$834,395	\$976,743

TABLE 8-4C

Wastewater Utility Historical Sewer Reserves and Fund Balance

Sewer Reserves					
Revenue		2013	2014	2015	2016
Beginning Fund Balance		\$88,003	\$258,107	\$393,808	\$341,351
Sewer Assessments		\$177,876	\$85,000	\$64,115	\$269,154
Investment Interest		\$0	\$0	\$3,190	\$2,529
Loan Repayment from 427 Interest		\$108	\$0	\$7	\$26
Contribution from 402 Sewer		\$0	\$0	\$0	\$0
Loan Repayment from 427 Principal		\$54,000	\$0	\$19,232	\$2,294
Total Revenue	No data for 2009 - 2012	\$319,986	\$343,107	\$480,351	\$619,352
Expenditures		\$0	\$0	\$0	\$0
Interfund Loan to 427		\$41,879	\$0	\$42,000	\$0
Contribution for 402 Sewer		\$20,000	\$0	\$0	\$0
Contribution to 325/TIB/SR 503/Scott Int.		\$0	\$0	\$93,000	\$0
Total Expenditures		\$61,879	\$0	\$135,000	\$0
Fund Balance		\$258,107	\$343,107	\$345,351	\$619,352

TABLE 8-5A

Wastewater Utility Projected Revenues

Revenues	2017	2018	2019	2020	2021	2022
Beginning Fund Balance	\$976,743	\$626,467	\$1,145,984	\$1,572,431	\$2,180,375	\$2,804,231
Monthly Sewer Charges	\$1,742,240	\$1,616,163	\$1,652,374	\$1,689,417	\$1,727,182	\$1,765,980
Industrial Sewer Charges	\$229,165	\$235,582	\$242,178	\$248,959	\$255,930	\$263,096
Utility Bill						
Interest/Penalties	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Tax on Sewer Charges	\$105,510	\$42,020	\$42,962	\$43,925	\$44,907	\$45,915
Investment Interest	\$5,000	\$500	\$500	\$500	\$500	\$500
Miscellaneous	\$300	\$309	\$318	\$328	\$338	\$348
Sewer Inspections	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	\$11,593
Reimbursable Testing	\$14,000	\$14,420	\$14,853	\$15,298	\$15,757	\$16,230
Transfer from Reserves	\$200,000	\$100,000	\$0	\$0	\$0	\$0
Loan	\$0	\$345,000	\$0	\$0	\$0	\$0
Total Revenue	\$3,327,958	\$3,035,760	\$3,154,777	\$3,626,785	\$4,281,244	\$4,952,893

TABLE 8-5B

Wastewater Utility Projected Expenditures

Expenses	2017	2018	2019	2020	2021	2022
Employee Salaries	\$341,250	\$351,488	\$362,032	\$372,893	\$384,080	\$395,602
Employee Benefits	\$168,000	\$175,744	\$181,016	\$186,447	\$192,040	\$197,801
Operating Supplies - General	\$3,800	\$3,914	\$4,031	\$4,152	\$4,277	\$4,405
Operating Supplies - WWTP	\$55,000	\$56,650	\$58,350	\$60,100	\$61,903	\$63,760
Fuel	\$6,400	\$6,592	\$6,790	\$6,993	\$7,203	\$7,419
Professional Services	\$25,000	\$25,750	\$26,523	\$27,318	\$28,138	\$28,982
Intergovernmental Services	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	\$11,593
Testing Services	\$15,000	\$15,450	\$15,914	\$16,391	\$16,883	\$17,389
Pass Through Services	\$0	\$0	\$0	\$0	\$0	\$0
Communications	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	\$11,593
Travel	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251	\$2,319
Utilities	\$120,000	\$123,600	\$127,308	\$131,127	\$135,061	\$139,113
Collection System Maintenance and Repair (M&R) Projects	\$190,200	\$345,000	\$0	\$0	\$0	\$0
WWTP M&R Projects (Biosolids Management)	\$350,000	\$127,860	\$130,119.13	\$132,378.27	\$134,637.40	\$136,896.53
WWTP Capital Projects	\$775,000	\$0	\$0	\$18,720	\$18,720	\$18,720
Other M&R (Equipment)	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$1,500	\$1,545	\$1,591	\$1,639	\$1,688	\$1,739
Training	\$2,112	\$2,175	\$2,240	\$2,307	\$2,377	\$2,448
Tax on Sewer	\$45,557	\$48,420	\$49,540	\$50,686	\$51,855	\$53,057
PWTF Loan Principal - 1999	\$183,474	\$183,474	\$183,474	\$0	\$0	\$0

TABLE 8-5B – (continued)

Wastewater Utility Projected Expenditures

Expenses	2017	2018	2019	2020	2021	2022
Ecology SRF Loan Principal - 2001	\$79,151	\$80,343	\$81,553	\$82,781	\$84,027	\$85,292
PWTF/2013 Sewerline Replacement	\$36,823	\$36,823	\$36,823	\$36,823	\$36,823	\$36,823
Equipment - Collection System	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251	\$2,319
Equipment - WWTF	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956
Equipment - Office	\$560	\$577	\$594	\$612	\$630	\$649
Rights of Way/Easements	\$0	\$0	\$0	\$0	\$0	\$0
PWTF Loan Interest - 1999	\$5,504	\$3,670	\$1,836	\$0	\$0	\$0
Ecology SRF Loan Interest - 2001	\$9,574	\$8,400	\$6,166	\$4,771	\$3,525	\$2,259
PWTF Loan Interest - 2013	\$2,946	\$2,761	\$2,577	\$2,393	\$2,209	\$2,025
New Loan LS 5	\$0	\$0	\$13,369	\$13,369	\$13,369	\$13,369
Contribution to General Fund	\$205,000	\$205,000	\$206,000	\$208,000	\$209,000	\$210,000
Contribution City Administration	\$51,641	\$51,641	\$52,674	\$53,727	\$54,802	\$55,898
Total Expense	\$2,703,492	\$1,887,776	\$1,582,346	\$1,446,410	\$1,477,012	\$1,508,426

TABLE 8-5C

Wastewater Utility Projected Sewer Reserves and Reserve Fund Balance

Sewer Reserves						
Revenue	2017	2018	2019	2020	2021	2022
Beginning Fund Balance	\$619,354	\$460,190	\$402,502	\$445,306	\$489,094	\$533,736
Sewer Assessments	\$40,836	\$42,312	\$42,804	\$43,788	\$44,642	\$45,862
Total Revenue	\$660,190	\$502,502	\$445,306	\$489,094	\$533,736	\$579,598
Expenditures						
Interfund Loan to 427						
Contribution to 402 Sewer	\$200,000	\$100,000				
Contribution to 325 TIB						
Total Expenditures	\$200,000	\$100,000				
Fund Balance	\$460,190	\$402,502	\$445,306	\$489,094	\$533,736	\$579,598

All cost data was obtained from the City with the exception of *future* capital expenditures in Table 8-3; *future* monthly sewer revenues based on ERU projections and monthly sewer rates; and *future* sewer assessments based on an assumption that sewer assessments are ten percent of the projected ERU growth. If the City maintains annual rate increases of 7 percent and funds infrastructure improvements using low interest loans (a 40-year 2.375 percent interest loan has been assumed), the City will have the financial capability of providing wastewater collection and treatment systems over the planning period.

AVAILABLE CAPITAL PROJECT FUNDING SOURCES

Capital projects beyond year 2020 will likely require outside financing. This section describes several funding sources available to the City without reference to any specific project:

- Grants: USDA Rural Development (RD) in conjunction with an RD Loan
 Community Development Block Grant funding through Clark
 County/HUD (Woodland)

- Loans: Public Works Trust Fund (PWTF)
 USDA Rural Development (RD)
 Community Economic Revitalization Board (CERB)
 State Revolving Fund (SRF) and Centennial Clean Water Act

- Bonds: Revenue Bonds

- Other: Utility Local Improvement Districts (ULID)
 Developer Financing
 System Development Charges
 Clark County CDBG

USDA RURAL DEVELOPMENT

USDA Rural Development (RD) has a loan program that, under certain conditions, includes a limited grant program. Grant determination is based on a formula that incorporates existing utility debt service and existing utility service rates.

In addition, RD has a loan program for communities that cannot obtain funding by commercial means or through the sale of revenue bonds. The loan program provides long-term 30- to 40-year loans at interest rates that are based on federal rates and vary with the commercial market. Interest rates currently range from 1.375 percent to 2.375 percent and require a 1.1 debt coverage payment to a capital reserve. Currently RD's base rate for facilities projects for communities with a Median Household Income (MHI) over \$60,049 is 2.375 percent. The rate for low-moderate income communities was 1.875 percent as of September 2016. These rates are updated quarterly.

PUBLIC WORKS TRUST FUND

The Public Works Trust Fund (PWTF) is a revolving loan fund designed to help local governments finance needed public works projects through low-interest loans and technical assistance. The PWTF, established in 1985 by legislative action, offers loans substantially below market rates, payable over periods ranging up to 20 years.

Interest rates for 2016 Loans were 1.66 percent with a maximum loan amount of \$10 million with no match requirement. The useful life of the project determines the loan term, with a maximum term of 20 years. For the FY 2016 Loan Funding Round (May 2014 application period) the Board recommended funding 49 Construction Loans for a total of \$170 million. All funding is subject to approval by the Legislature.

To be eligible, an applicant must be a local government such as a City, Town, County, or special purpose utility district, and have a long-term plan for financing its public work needs. If the applicant is a Town, City, or County, it must adopt the 1/4 percent real estate excise tax dedicated to capital purposes. Eligible public works systems include streets and roads, bridges, storm sewers, sanitary sewers, and domestic water. Loans are presently offered only for purposes of repair, replacement, rehabilitation, reconstruction or improvement of existing service users. A recent change has now made projects intended to meet reasonable growth (as detailed in a 20-year growth management plan) eligible for PWTF funding.

The funding program operates on an annual cycle for construction funds, with a May application date when funding is available. **The PWTF Program operates at the discretion of the Governor and the Legislature. The fund has been reallocated to the State's General Fund to cover budget deficits in recent years.**

COMMUNITY ECONOMIC REVITALIZATION BOARD (CERB)

This low interest loan and grant program is managed by the Department of Trade and Economic Development. Funding is available for infrastructure that supports projects, that will result in specific private developments or expansions in manufacturing, and businesses that support the trading of goods and services outside the state's border. Funding is not available to support retail shopping developments or acquisition of real property. The projects must create or retain jobs. The average is one job per \$3,000 of CERB financing. The interest rate fluctuates with the state bond rate. Grant funding is limited to \$50,000 per application and requires 25 percent matching funds (9-2016).

STATE REVOLVING FUND/CENTENNIAL CLEAN WATER ACT FUND

The Department of Ecology administers the State Revolving Fund (SRF) and Centennial Clean Water Act programs that provide low interest loans for water pollution control projects. Currently, Ecology provides is offering 20-year loans at 60 percent of the market rate for municipal bond market rate, or 1.5 percent interest rates, and 5-year loans

at a 0.7 percent interest rate, or 30 percent of the municipal bond market rate. Rates are set annually in August prior to the funding application round. Applications are due in October. Ecology has requested the legislature to allow issuance of SRF loans with 30-year terms and interest rates at 80 percent of the municipal bond rate. It is currently unknown whether this requested program change was approved. The primary program requirements are to have an approved facilities plan for treatment works and to demonstrate the ability to repay the loan through a dedicated funding source. The loans can be used to finance sewer system replacement for the elimination of excessive infiltration and inflow and for the construction of facilities with reserve capacities to accommodate flows corresponding to the 20-year projected growth in the service area. Land acquisition is not eligible for SRF funding. Recent changes in direction of the Public Works Trust Fund have made the SRF the primary source for water quality infrastructure funding. Centennial Clean Water Grants are available for facilities projects in Hardship Communities with a maximum grant award of \$5 million. Communities with a population less than 20,000 and a Median Household Income (MHI) less than 80 percent of the State MHI may qualify for Centennial Hardship Funding. Finally, projects qualifying for Green Project Reserve Funding may receive up to a 25 percent Forgivable Principal Loan (Grant) for approved activities in the following categories: Green Infrastructure, Energy Efficiency, Water Efficiency and Environmentally Innovative.

REVENUE BONDS

A common source of funds for construction of major utility improvements is the sale of revenue bonds. The tax-free bonds would be issued by the City of Woodland, and repaid and backed by sewer service rate revenue. In order to market revenue bonds, the issuer must typically show that its net wastewater utility operating income (gross income less expenses) is equal to or greater than a factor, typically 1.2 to 1.4, times the annual debt service on all par debt issued. This 1.4 factor is commonly referred to as the debt coverage factor and is applicable to revenue bonds sold on the commercial market. The required debt coverage factor may be specified in previous revenue bond ordinances. If not, it will be determined at the time of bond issue.

UTILITY LOCAL IMPROVEMENT DISTRICTS

Another potential source of funds for improvements comes through the formation of Utility Local Improvement Districts (ULIDs) involving an assessment made against properties benefited by the improvements. ULID bonds are further guaranteed by the revenues and are financed by issuance of revenue bonds.

ULID financing is frequently applied to sewer system extensions into areas previously not served. Typically, ULIDs are formed by a municipality at the written request (by petition) of the property owner within a specific area of the municipality. Upon receipt of a sufficient number of signatures on petitions, the local improvement area is defined. Each separate property in the ULID is assessed in accordance with the special benefits

the property receives from the sewer system improvements.

There are several benefits to a municipality in selecting ULID financing. The assessment places a lien on the property and must be paid in full upon sale of the property. Further, property owners may pay the assessment immediately upon receipt reducing the costs financed by the ULID. The advantages of ULID financing, as opposed to rate financing, to the property owner include:

1. The ability to avoid interest costs by early payment of assessments.
2. Low-income senior citizens may be able to defer assessment payments until the property is sold.
3. Some Community Development Block Grant funds are available to property owners with incomes near or below the poverty level. Funds are available only to reduce assessments.

The major disadvantage to the ULID process is that there are significant costs associated with a ULID process (can be 30 percent of the amount of funds needing to be raised). Also, it may be politically difficult to approve the formation of the ULID. The ULID process may be stopped if owners of 40 percent of the property, within the ULID boundary, protest its formation.

DEVELOPER FINANCING

Developers may fund the construction of extensions of the sewer system to property within new plats. The developer extensions are turned over to the wastewater system for operation and maintenance when completed.

It may be necessary, in some cases, to require the developer to construct facilities outside of the plat limits to provide service to the plat and/or larger pipelines for the ultimate development of the sewer system. The municipality may, by policy, reimburse the developer through direct outlay, latecomer charges, or reimbursement agreements for the additional cost of facilities, including increased size of pipelines over those required to serve the property under development.

Construction of any pipe in commercial or industrial areas that is larger than the size required to service the development may also be considered as an oversized line possibly eligible for compensation. Developer reimbursement (latecomer) agreements provide up to 15 years or more for developers to receive payment from other connections made to the developer-financed improvements.

SYSTEM ASSESSMENT CHARGES

The City of Woodland has system assessment charges to finance improvements of general benefit to the wastewater system, which are required to service future growth. System assessment fees are generally established as one-time charges assessed against new sewer customers as a way to recover a part of the cost of additional system capacity constructed for their use.

The fee is deposited in a reserve fund for construction projects. The intent is that all new system customers will pay an equitable share for existing and planned facilities of general benefit. Typical items of construction financed by the system development charge are wastewater treatment facilities, pump stations, interceptors, and other general improvements that benefit the entire system.