

## CHAPTER 9

### FINANCIAL PROGRAM

#### OBJECTIVE

The objective of this Chapter is to analyze the Association's total costs of providing water service, review the current rate structure to ensure that the current or proposed adjusted rates are adequate to cover the costs of operation and maintenance, and ascertain the Association's financial capability to implement the 6-year Capital Improvement Plan outlined in Chapter 8.

#### FINANCIAL STATUS

#### WATER RATES

The Association's customers are billed based on metered water usage. Table 9-1 shows the water rate schedule for the residential, commercial, and wholesale customers as of January 1, 2009.

**TABLE 9-1**

**Monthly Water Charge (effective January 2009)**

<b>Residential Usage</b>	<b>Rate</b>
1 – 500 cubic feet	\$1.59 per CCF
501 – 800 cubic feet	\$1.87 per CCF
801 – 1,500 cubic feet	\$2.40 per CCF
1,501 – 3,000 cubic feet	\$2.90 per CCF
3,001 – 7,000 cubic feet	\$7.22 per CCF
Over 7,001 cubic feet	\$14.45 per CCF
Base Fee <sup>(1)</sup>	\$4.34 – 3/4" meter
Amortization Fee <sup>(1)</sup>	\$10.70 – 3/4" meter
<b>Commercial Usage</b>	<b>Rate</b>
1 – 500 cubic feet	\$1.59 per CCF
501 – 800 cubic feet	\$1.87 per CCF
801 – 1,500 cubic feet	\$2.40 per CCF
1,501 – 3,000 cubic feet	\$2.90 per CCF
Over 3,001 cubic feet	\$7.22 per CCF
<b>Wholesale Usage</b>	<b>Rate</b>
All	\$1.59 per ccf

(1) AWWA flow factors apply for meters larger than the standard 5/8" x 3/4" meter.

## SYSTEM MEMBERSHIP AND CONNECTION FEES

New Membership and Connection Fees are paid at the time of purchase of a Membership. That purchase entitles the new Member to a water share, and at the time the new Member desires to he may connect to the Association’s system. The fees consists of three major components: Membership Fee \$2,100; Infrastructure Fee \$4,856; and an Installation Fee \$1,000; for a total of \$7,956. Table 9-2 provides the minimum costs for a new membership as of December 1, 2008 based on meter size.

**TABLE 9-2**

### New Member Connection Fees

Infrastructure Fees	Meter Size					
	5/8"	1"	1-1/2"	2"	3"	4"
Source	\$603	\$603	\$603	\$603	\$603	\$603
Storage	\$982	\$982	\$982	\$982	\$982	\$982
General Facilities	\$3,271	\$3,271	\$3,271	\$3,271	\$3,271	\$3,271
Subtotal	\$4,856	\$4,856	\$4,856	\$4,856	\$4,856	\$4,856
Multiplier <sup>(1)</sup>	1.00	2.50	5.00	8.00	16.00	25.00
Total Infrastructure Fee	\$4,856	\$12,139	\$24,278	\$38,844	\$77,689	\$121,388
Membership Fee	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100
Minimum Installation	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
<b>Total New Member Fee</b>	<b>\$7,956</b>	<b>\$15,239</b>	<b>\$27,378</b>	<b>\$41,944</b>	<b>\$80,789</b>	<b>\$124,488</b>

(1) Multiplier is based on meter flow factors published by the AWWA.

The Association is currently planning an increase in its Connection Fees in 2009, though the final fee has not been determined. Based upon preliminary information, a connection fee of \$12,000 has been utilized in the financial model starting in 2009.

## FINANCIAL STATUS OF EXISTING WATER UTILITY

This section reviews past revenues and expenses in order to analyze the financial health of the existing system and to provide estimates of the baseline cash flows for budget projections.

## HISTORICAL OPERATING REVENUES AND EXPENSES

This section presents operating revenues and expenses based upon the year 2008 and the projected 2009 budget. In 2007 the Association changed its financial accounting system, and thus a long term comparison of historical revenues and expenses by line item prior to 2008 cannot be readily presented for comparison with 2008 data. Review of the “bottom line” for the prior fiscal years has provided a sufficient level of confidence that utilizing the 2008 detailed income and expense data and the adopted 2009 budget information provides an accurate portrayal of the Association’s financial health. In addition, the Association has experienced a very low growth rate over the past few years, and this is

reflected in the revenue projections for 2009. See the comments in the following sections. The historical 2008 and 2009 budget data are shown in Tables 9-3 and 9-4.

**HISTORICAL REVENUE**

The Association collects a vast majority of its revenue from monthly rates which includes base fee, amortization and water sales. This revenue provides for the operation and maintenance of the system as well as capital improvements. Water use is billed at an inclining block structure as shown above in Table 9-1. Table 9-3 presents the 2008 operating revenues and 2009 projected revenues.

**TABLE 9-3**  
**2008 Operating Revenues and 2009 Projected Revenues**

<b>Operating Revenues</b>	<b>2008</b>	<b>2009 Budget</b>
Water Revenue	\$445,200	\$449,400
Wholesale	\$77,400	\$84,900
Management Fee Wilderness Rim		\$40,788
Amortization	\$225,000	\$225,000
Base Fee	\$103,700	\$109,900
Late Fees	\$21,500	\$12,000
Turn On	\$3,310	\$3,000
Transfer Fee	\$700	\$500
Monitoring Tax Fees	\$42,800	\$48,000
Permit Inspection Fees	\$1,200	\$1,000
Maintenance Fees	\$0	\$40,800
Misc. Income	\$40,000	\$5,000
<b>Total</b>	<b>\$960,810</b>	<b>\$1,020,288</b>

**HISTORICAL EXPENSES**

Historical expenses are used as the basis for projecting future expenses. Tables 9-4 and 9-5 present the 2008 and 2009 projected operating and administration expenses.

**TABLE 9-4**

**Historical Operating Expenses**

<b>Operating Expenses</b>	<b>2008</b>	<b>2009 Budget</b>
Employee Benefits	\$20,080	\$20,220
Insurance Expense	\$0	\$100
Operations	\$110,690	\$97,150
Permit & Inspection Fees	\$5,880	\$6,570
Professional Fees	\$0	\$2,100
Salaries	\$64,350	\$74,860
Taxes & Payroll	\$26,450	\$27,980
Utilities	\$38,530	\$43,190
Retirement Expense	\$3,720	\$3,930
Contracted Engineer	\$31,870	\$28,910
Travel & Meetings	\$60	\$600
Transfer to Capital		\$48,128
<b>Total</b>	<b>\$301,630</b>	<b>\$353,738</b>

**TABLE 9-5**

**Historical Administration Expenses**

<b>Operating Expense</b>	<b>2008</b>	<b>2009 Budget</b>
Board of Trustee Stipends	\$11,700	\$12,500
Employee Benefits	\$36,077	\$37,970
Insurance	\$17,674	\$19,700
Membership Refunds	\$900	\$1,000
Miscellaneous Expense	\$3,800	\$4,220
Office Supplies	\$2,649	\$3,270
Personnel Expense	\$8,222	\$8,470
Postage	\$7,130	\$9,320
Printing and Copying	\$9,776	\$7,560
Professional Fees	\$56,505	\$65,840
Rent	\$39,360	\$57,360
Rental Utilities	\$0	\$0
Retirement Expense	\$8,554	\$9,020
Salaries Expenses	\$75,830	\$80,000
Taxes	\$33,847	\$35,610
Taxes	\$33,765	\$30,410
Taxes	\$4,269	\$7,200
Telephone	\$4,370	\$5,830
Travel and Meetings	\$553	\$1,500

**TABLE 9-5 – (continued)**

**Historical Administration Expenses**

<b>Operating Expense</b>	<b>2008</b>	<b>2009 Budget</b>
Electric/Gas	\$4,530	\$5,670
Bonuses	\$15,500	\$15,000
Fixed WR Maintenance Fees		\$4,400
WR Maintenance Costs		\$33,200
<b>Total</b>	<b>\$375,011</b>	<b>\$455,050</b>

**PROJECTED EXPENSES, REVENUES AND RESERVES**

Projected growth in water demand is required to estimate expenses associated with providing water and to estimate future revenues. Chapter 2 projects a population growth rate of 3 percent within the service area. However, this growth rate has slowed significantly in 2008 and a low growth rate in 2009 is anticipated due to the national economic downturn. The Association added two services in 2008. For the purposes of this financial analysis 2 new services are assumed in 2009 and 2010, five new services in 2011 – 2014 and then the rate of new services steps up to 12 to 15 services for a growth rate of approximately 0.5 percent, as indicated in by the Puget Sound Regional Council. Chapters 2 and 3 assumed a 3 percent growth rate.

The different growth rates in this Plan reflect the uncertainty in the rate of development in part due to the national economy and in part due to the rate of development in the new North Bend Urban Growth Area. The impact on this Plan is that Chapters 2 and 3, if they over predict the growth rate, are also over predicting future demand and production requirements. This financial analysis utilizes a low growth rate so that the Association does not base future revenue on new connections that may not develop as fast as the 3 percent growth rate utilized in Chapters 2 and 3. If the growth rate does remain low, the new Rattlesnake Well may not be needed as soon as planned in this financial model. Other CIPs are not as growth driven as the Rattlesnake well.

**PROJECTED OPERATING FUND EXPENSES AND REVENUES**

Table 9-6 and 9-7 summarize projected operation and maintenance and administration expenses for the years 2010 through 2015. The baseline for these projections is the budget for 2009. These projections were determined by historical figures and planned spending. Future expenses have been projected based on a review of the historical expenses and the potential impact of inflation and growth on each expense. Salary and benefit costs have been increased 2.5 percent per year. Other projected expenses have been adjusted for the effects of 2.0 percent annual inflation and projected system growth.

**TABLE 9-6****Projected Operational Expenses**

<b>Operating Expenses</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Employee Benefits	\$20,726	\$21,244	\$21,775	\$22,319	\$22,877	\$23,449
Insurance Expense	\$103	\$106	\$109	\$112	\$115	\$118
Operations	\$99,579	\$102,068	\$104,620	\$107,236	\$109,917	\$112,665
Permit & Inspection Fees	\$6,734	\$6,902	\$7,075	\$7,252	\$7,433	\$7,619
Professional Fees	\$2,153	\$2,207	\$2,262	\$2,319	\$2,377	\$2,436
Salaries	\$76,732	\$78,650	\$80,616	\$82,631	\$84,697	\$86,814
Taxes & Payroll	\$29,400	\$30,900	\$32,400	\$34,000	\$35,700	\$37,500
Utilities	\$44,900	\$44,900	\$44,900	\$44,900	\$44,900	\$44,900
Retirement Expense	\$4,048	\$4,169	\$4,294	\$4,423	\$4,556	\$4,693
Contracted Engineer	\$29,488	\$30,078	\$30,680	\$31,294	\$31,920	\$32,558
Travel & Meetings	\$612	\$624	\$636	\$649	\$662	\$675
Transfer to Capital	\$16,834	\$58,780	\$94,282	\$108,028	\$125,605	\$121,601
<b>Total</b>	<b>\$331,309</b>	<b>\$380,628</b>	<b>\$423,649</b>	<b>\$445,163</b>	<b>\$470,759</b>	<b>\$475,028</b>

**TABLE 9-7****Projected Administration Expense**

<b>Administration Expenses</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Board of Trustee stipends	\$12,750	\$13,005	\$13,265	\$13,530	\$13,801	\$14,077
Employee Benefits	\$39,109	\$40,282	\$41,490	\$42,735	\$44,017	\$45,338
Insurance	\$20,291	\$20,900	\$21,527	\$22,173	\$22,838	\$23,523
Membership Refunds	\$1,020	\$1,040	\$1,061	\$1,082	\$1,104	\$1,126
Miscellaneous Expense	\$4,304	\$4,390	\$4,478	\$4,568	\$4,659	\$4,752
Office Supplies	\$3,335	\$3,402	\$3,470	\$3,539	\$3,610	\$3,682
Personnel Expense	\$8,724	\$8,986	\$9,256	\$9,534	\$9,820	\$10,115
Postage	\$9,506	\$9,696	\$9,890	\$10,088	\$10,290	\$10,496
Printing and Copying	\$7,711	\$7,865	\$8,022	\$8,182	\$8,346	\$8,513
Professional Fees	\$67,157	\$68,500	\$69,870	\$71,267	\$72,692	\$74,146
Rent	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000
Rental Utilities	\$0	\$0	\$0	\$0	\$0	\$0
Retirement Expense	\$9,246	\$9,477	\$9,714	\$9,957	\$10,206	\$10,461
Salaries Expenses	\$82,400	\$84,872	\$87,418	\$90,041	\$92,742	\$95,524
Taxes	\$37,034	\$38,515	\$40,056	\$41,658	\$43,324	\$45,057
Taxes	\$31,322	\$32,262	\$33,230	\$34,227	\$35,254	\$36,312
Taxes	\$7,344	\$7,491	\$7,641	\$7,794	\$7,950	\$8,109
Telephone	\$6,063	\$6,306	\$6,558	\$6,820	\$7,093	\$7,377
Travel and Meetings	\$1,530	\$1,561	\$1,592	\$1,624	\$1,656	\$1,689
Electric/Gas	\$5,897	\$6,133	\$6,378	\$6,633	\$6,898	\$7,174
Bonuses	\$15,300	\$15,606	\$15,918	\$16,236	\$16,561	\$16,892
Fixed WR Maintenance Fees	\$4,488	\$4,578	\$4,670	\$4,763	\$4,858	\$4,955
WR Maintenance Costs	\$33,864	\$34,541	\$35,232	\$35,937	\$36,656	\$37,389
<b>Total</b>	<b>\$444,395</b>	<b>\$455,408</b>	<b>\$466,736</b>	<b>\$478,388</b>	<b>\$490,375</b>	<b>\$502,707</b>

Table 9-8 presents the projected revenue for the Operating Fund. **The revenue shown below assumes an across the board 3 percent per year increase to all rate blocks, based upon the adopted rates for 2009, through 2014.** Additionally at the time of this report the Association is discussing an increase in connection fees from the current amount of \$7,956 for a standard 5/8-inch meter. **The financial model assumes a connection fee of \$12,000 starting in 2009.**

**TABLE 9-8**

**Projected Operational Revenues**

<b>Operating Revenue</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Water Revenue	\$463,300	\$478,200	\$493,500	\$509,300	\$527,200	\$540,400
Top Tier Water Sales	\$21,600	\$43,200	\$64,800	\$86,400	\$86,400	\$86,400
Management Fee Wilderness Rim	\$41,604	\$42,436	\$43,285	\$44,151	\$45,034	\$45,935
Wholesale	\$87,400	\$90,000	\$92,700	\$95,500	\$98,400	\$100,400
Amortization	\$232,000	\$239,400	\$247,100	\$255,000	\$264,000	\$270,600
Base Fee	\$113,300	\$116,900	\$120,600	\$124,500	\$128,900	\$132,100
Late Fees	\$12,300	\$12,600	\$12,900	\$13,200	\$13,500	\$13,800
Turn On	\$3,100	\$3,200	\$3,300	\$3,400	\$3,500	\$3,600
Transfer Fee	\$500	\$500	\$500	\$500	\$500	\$500
Monitoring Tax Fees	\$49,000	\$50,000	\$51,100	\$52,200	\$53,300	\$54,400
Permit Inspection Fees	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Maintenance Fees	\$41,700	\$42,600	\$43,500	\$44,400	\$45,300	\$46,300
Misc. Income	\$5,100	\$5,200	\$5,300	\$5,400	\$5,500	\$5,600
<b>Total</b>	<b>\$1,071,904</b>	<b>\$1,125,236</b>	<b>\$1,179,585</b>	<b>\$1,234,951</b>	<b>\$1,272,534</b>	<b>\$1,301,035</b>

- (1) These are rate revenue account(s) that are used to compute State Utility Excise taxes.
- (2) These are rate revenue account(s) that have been increased for [20.0%, 20.0%, 20.0%, 0.0%, 0.0%, 0.0%] rate increases from 2007 through 2012.
- (3) These account(s) are projected using the forecast factor: Water ERU Growth Rate.

**PROJECTED CAPITAL IMPROVEMENT (CIP) FUND EXPENSES AND REVENUES**

The Association receives funds for its capital improvement projects through sales of water shares and additional revenues through water sales. Table 9-9 shows the Association’s projected Capital Improvements for each of the next 6 years. The project costs in Table 9-9 have been inflated at 2 percent per year for the projected year of installation from the estimated 2008 project costs presented in Chapter 8.

**TABLE 9-9**

**Projected Capital Expenses**

<b>Capital Expenses</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
New Office	\$60,000	-	-	-	-	-
New Billing and Accounting Software	\$75,000	-	-	-	-	-
PRV Upgrades	\$51,000	\$52,020	\$53,060	\$54,121	\$55,203	\$56,307
Main Replacements	-	\$104,000	\$106,080	\$108,202	\$110,366	\$112,573
Telemetry Improvements - Rattlesnake/Uplands	\$122,400	-	-	-	-	-
Mt. Si Booster Station	\$7,100	-	-	-	-	-
River Point Booster Station	-	\$30,200	-	-	-	-
Tanner Reservoir and Booster Pump Station	-	\$1,432,650	\$1,432,650	-	-	-
Additional Well @ Rattlesnake	-	-	-	\$243,500	-	-
Edgewick Road Water Main	-	-	-	-	\$585,200	-
Cascade East Water Main	-	-	-	-	-	\$90,100
432 <sup>nd</sup> Avenue Water Main	-	-	-	-	-	-
<b>Total</b>	<b>\$315,500</b>	<b>\$1,618,870</b>	<b>\$1,591,790</b>	<b>\$405,823</b>	<b>\$750,769</b>	<b>\$258,980</b>

- (1) Capital projects listed here are those projects listed in Table 8-1 that are Active and are planned to occur through the year 2014.
- (2) Capital expenses shown have been increased from the project cost year to the year planned using an annual inflation rate of 2 percent.
- (3) Funds are only transferred to operations if capital reserves are needed in order to compensate for insufficient operating revenues to fund O&M and debt payments in a given year.

Table 9-10 provides the Association's projected capital revenue. The anticipated revenue accounts for the slow growth rate observed in 2008. For financing purposes two new services are projected in each of 2009 and 2010. In the years 2011 through 2014, five new connections are projected each year. The Tanner Reservoir and Booster station project will require that the Association receive a new loan. For the purposes of this analysis, the estimated cost of that project will be shared equally by the Association and commercial development. Other debt funded capital improvements include the new office purchase and the following water main projects: Edgewick Road, Cascade East and 432<sup>nd</sup> Avenue. The Association anticipates that it will expend approximately \$60,000 for its new office in 2009 above and beyond the amount it currently spends for rent. After 2009 the debt on the new office will be similar to its existing rent.



**TABLE 9-10****Projected Capital Revenue**

<b>Capital Revenue</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Transfer from Operations	\$48,128	\$16,834	\$58,780	\$94,282	\$108,028	\$125,605
Connection Charges	\$15,900	\$24,000	\$24,000	\$60,000	\$60,000	\$60,000
Developer Contribution Tanner Booster Station	-	\$716,325	\$716,325	-	-	-
New Loan - Tanner Booster Station	-	\$716,325	\$716,325	-	-	-
New Loan - Edgewick Road Water Main	-	-	-	-	\$438,900	-
New Loan - 432nd Avenue Water Main	-	-	-	-	-	-
Interest Earnings from Cash	\$44,900	\$37,100	\$32,400	\$30,100	\$26,100	\$21,000
<b>Total</b>	<b>\$108,928</b>	<b>\$1,510,584</b>	<b>\$1,547,830</b>	<b>\$184,382</b>	<b>\$633,028</b>	<b>\$206,605</b>

**PROJECTED DEBT SCHEDULE**

Table 9-11 provides the existing and projected future debt for the Association. Future debt assumes funding from the US Rural Development program. The terms of the loan for this report have been estimated at a 40-year payment period and an interest rate of 4.0 percent.

**TABLE 9-11****Debt Schedule**

<b>Debt Payments</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
USDA RD Loan #3	\$22,672	\$22,672	\$22,672	\$22,672	\$22,672	\$22,672
USDA RD Loan #4	\$9,936	\$9,936	\$9,936	\$9,936	\$9,936	\$9,936
USDA RD Loan #5	\$10,548	\$10,548	\$10,548	\$10,548	\$10,548	\$10,548
USDA RD Loan #6	\$16,872	\$16,872	\$16,872	\$16,872	\$16,872	\$16,872
USDA RD Loan #7	\$4,416	\$4,416	\$4,416	\$4,416	\$4,416	\$4,416
USDA RD Loan #8	\$28,400	\$28,400	\$21,403	\$21,403	\$21,403	\$21,403
USDA RD Loan #9	\$118,700	\$130,972	\$130,972	\$130,972	\$130,972	\$130,972
New Debt - Tanner Booster Station <sup>(1)</sup>	-	\$72,382	\$72,382	\$72,382	\$72,382	\$72,382
New Debt - Edgewick Road Water Main <sup>(2)</sup>	-	-	-	-	\$22,175	\$22,175
New Debt - 432nd Avenue Water Main <sup>(2)</sup>	-	-	-	-	-	-
<b>Total</b>	<b>\$211,500</b>	<b>\$296,200</b>	<b>\$289,200</b>	<b>\$289,200</b>	<b>\$311,400</b>	<b>\$311,400</b>

(1) This is a new loan and assumes 50-percent debt financing and 50-percent developer financing.

(2) This is a new loan assumes 100-percent debt financing.

Table 9-10 provides a general overview of the Association's projected cash flow for the next 6 years. The Association is projected to have sufficient funds to fund the operation and maintenance of the system and also have adequate funds to update the water system as noted in the Capital Improvement Plan in Chapter 8. The Association will pay for some of these projects through loans from the RD program and the rest from the reserves.

### **CASH FLOW SUMMARY**

This financial model indicates that Association will be expending some of its reserves over the next 6 years (Table 9-12).

TABLE 9-12

## Cash Flow Summary

<b>Operating Summary</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total Operating Revenues	\$1,020,288	\$1,071,904	\$1,125,236	\$1,179,585	\$1,234,951	\$1,272,534	\$1,301,035
Water Distribution Expense	(\$305,610)	(\$314,475)	(\$321,848)	(\$329,367)	(\$337,135)	(\$345,154)	(\$353,427)
General Admin Expense	(\$455,050)	(\$444,395)	(\$455,408)	(\$466,736)	(\$478,388)	(\$490,375)	(\$502,707)
Total Debt Annual Payment	(\$211,500)	(\$296,200)	(\$289,200)	(\$289,200)	(\$311,400)	(\$311,400)	(\$323,300)
Net Revenue (Transfer to Capital)	(\$48,128)	(\$16,834)	(\$58,780)	(\$94,282)	(\$108,028)	(\$125,605)	(\$121,601)
<b>Capital Summary</b>							
Start of Year Cash	\$1,340,000	\$1,133,428	\$1,025,142	\$981,182	\$759,741	\$642,000	\$589,625
Connection Charges & Interest Inc.	\$60,800	\$61,100	\$56,400	\$90,100	\$86,100	\$81,000	\$162,500
Transfer from Operations	\$48,128	\$16,834	\$58,780	\$94,282	\$108,028	\$125,605	\$121,601
Total Loan/Contribution Funds	\$0	\$1,432,650	\$1,432,650	\$0	\$438,900	\$0	\$236,025
Total Capital Expenses	(\$315,500)	(\$1,618,870)	(\$1,591,790)	(\$405,823)	(\$750,769)	(\$258,980)	(\$429,524)
<b>Net Capital Revenue</b>	<b>(\$206,572)</b>	<b>(\$108,286)</b>	<b>(\$43,960)</b>	<b>(\$221,441)</b>	<b>(\$117,741)</b>	<b>(\$52,375)</b>	<b>\$90,602</b>
<b>End of Year Cash</b>	<b>\$1,133,428</b>	<b>\$1,025,142</b>	<b>\$981,182</b>	<b>\$759,741</b>	<b>\$642,000</b>	<b>\$589,625</b>	<b>\$680,227</b>

## NOTES:

- (1) Total Operating Revenue are from Table 9-6.
- (2) Total Operating Expenses are from Table 9-5.
- (3) Total Debt Payments are from Table 9-8.
- (4) Start of year cash amounts was provided by Staff.
- (5) These amounts are from Capital Revenue Table 9-6.
- (6) Transfers from Operation amounts are from operations when operating revenues exceed O&M and debt service in a given year. Transfers to Operations are when operating revenues are insufficient to meet O&M and debt in a given year.
- (7) These amounts are from Capital Expense Table 9-7.

## **SUMMARY**

In summary, the financial analysis is based in part upon the following assumptions:

- Rate increase of 3 percent/year based upon adopted rates for 2009.
- Connection fee of \$12,000, an increase from the current fee of \$7,956
- Two new service connections in each of 2009 and 2010 and increasing to five new service connections per year 2011 – 2013, and 12 new service connections per year 2014 – 2020.
- 50-percent debt funding for the Tanner Reservoir and Booster Station project, and 100-percent debt financing for the Edgewick and 432<sup>nd</sup> water mains.
- All other CIPs shown in the six year planning horizon will be paid for from reserves.

Based on the model, the Association will be able to cover its anticipated operating costs and the capital improvement projects listed. If the rate of new connections to the system increases more rapidly than anticipated by the model, that will create additional revenues, but may also require a shifting of the timing of some of the proposed projects.

**TABLE OF CONTENTS**

**CHAPTER 9 FINANCIAL PROGRAM.....1**  
**OBJECTIVE .....1**  
**FINANCIAL STATUS .....1**  
    WATER RATES .....1  
    SYSTEM MEMBERSHIP AND CONNECTION FEES .....2  
**FINANCIAL STATUS OF EXISTING WATER UTILITY.....2**  
**HISTORICAL OPERATING REVENUES AND EXPENSES .....2**  
    HISTORICAL REVENUE .....3  
    HISTORICAL EXPENSES .....3  
**PROJECTED EXPENSES, REVENUES AND RESERVES.....5**  
    PROJECTED OPERATING FUND EXPENSES AND REVENUES.....5  
    PROJECTED CAPITAL IMPROVEMENT (CIP) FUND EXPENSES AND REVENUES .....7  
    PROJECTED DEBT SCHEDULE .....9  
    CASH FLOW SUMMARY .....10  
**SUMMARY ..... 12**

**LIST OF TABLES**

TABLE 9-1 Monthly Water Charge (effective January 2009) ..... 1  
TABLE 9-2 New Member Connection Fees ..... 2  
TABLE 9-3 2008 Operating Revenues and 2009 Projected Revenues ..... 3  
TABLE 9-4 Historical Operating Expenses ..... 4  
TABLE 9-5 Historical Administration Expenses ..... 4  
TABLE 9-5 – (continued) Historical Administration Expenses..... 5  
TABLE 9-6 Projected Operational Expenses ..... 6  
TABLE 9-7 Projected Administration Expense ..... 6  
TABLE 9-8 Projected Operational Revenues ..... 7  
TABLE 9-9 Projected Capital Expenses..... 8  
TABLE 9-10 Projected Capital Revenue..... 9  
TABLE 9-11 Debt Schedule ..... 9  
TABLE 9-12 Cash Flow Summary..... 11