



SECTION IX

SECTION IX – FINANCIAL PROGRAM

Financial planning is one of the most important functions of the Water System Plan (WSP). The objective of the financial program is to identify the total cost of providing water service, assure that the utility improvement schedule will be implemented, and assist in establishing adequate fees for service. Routine operation and maintenance costs and major improvement costs must be identified, along with a complete funding program that clearly indicates that the utility will be financially viable for the planning period.

The emphasis of the financial program for systems greater than 1,000 connections is the improvement program. In addition, systems must demonstrate financial viability. In order for a system to be “financially viable,” it must have the capacity to obtain sufficient funds to develop, construct, operate, maintain and manage a public water system on a continuing basis in full compliance with federal, state and local requirements. In addition, a complete financial program can assist the purveyor in establishing water rates and other charges that reflect the actual cost of providing service.

EXPENSES

Operating expenses, including current debt service, is included in the water system operating budget. One time capital improvements are typically administered and tracked through a separate budget line item. The City completes budget estimates in the fall of each year for implementation in the next calendar year. Budgets are amended as needed by resolution to address any specific needs that may arise after budgets have been set. Current debt service includes a PWTF loan that was utilized to fund treatment plant upgrades. The City has signed a contract for another PWTF loan that will be used to fund Ranney Well Improvements. Table IX-3 provides detailed water system revenue and expenses from 2011 – 2018.

REVENUE

The following is a summary of the revenue sources available to the City:

Rate Revenue

Current basic rates for water service inside City Limits are shown in Table IX-1. Water rates are based on Resolution No. 590 provided in Appendix H. Per the Woodland Municipal Code the water rates for

customers served outside the City limits are 150% of the rates for customers inside the City limits. The rate resolution became effective November 1, 2010. Table IX-2 provides water rates effective in 2013.

Table IX-1 Current Water Rates

Meter Size	Bi-Monthly Meter Charge	Unit Charge per Hundred Cubic Feet
Inside City		
Multi-Units charged $\frac{3}{4}$ " per each unit	\$28.61	\$1.72
5/8" or $\frac{3}{4}$ "	\$28.61	\$1.72
1"	\$68.66	\$1.72
1-1/2"	\$80.11	\$1.72
2"	\$111.58	\$1.72
3"	\$343.32	\$1.72
4"	\$429.16	\$1.72

Table IX-2 2013 Water Rates

Meter Size	Bi-Monthly Meter Charge	Unit Charge per Hundred Cubic Feet
Inside City		
Multi-Units charged $\frac{3}{4}$ " per each unit	\$30.61	\$1.84
5/8" or $\frac{3}{4}$ "	\$30.61	\$1.84
1"	\$73.46	\$1.84
1-1/2"	\$85.71	\$1.84
2"	\$119.39	\$1.84
3"	\$367.35	\$1.84
4"	\$459.20	\$1.84

The average monthly water rate for 1,000 cubic feet of water for a residential meter inside the city limits is \$31.51. In 2013 this rate will be \$33.70. Comparing this with the estimated 2011 Median Household Income (MHI) of \$42,406 (from <http://www.ofm.wa.gov/economy/hhinc/>) for Cowlitz County, 2012 rates are 0.89 percent of the MHI and 2013 rates will be 0.95 percent of the MHI. There is no maximum rate but a standard hardship level considered by some funding sources is 1.5 percent of the MHI.

Connection Fees

Current water service assessment charges for a residential connection inside the City limits are \$2,800 plus parts and labor to connect and install the service. As with the water rates, connections outside the city limits are 150% of the rates charges inside the City limits. The connection fees are administered on a meter size basis. Currently connection fees are deposited into the combined water and sewer utility capital reserve fund. In 2013 that fund will be split into separate reserve funds for the water sewer utilities. State

statutes require justification of connection fees and capacity charges with regard to prior and anticipated capital improvement costs.

Grant Funding

The City has historically been eligible for grant funding through the local Clark County allocation under the Community Development Block Grant (CDBG) program. Projects may be identified in the future which would be eligible for CDBG funding. The City is also eligible for Rural County Economic Development Funds through Cowlitz County. The City received \$12,000 in grant funds this year to help with the pre-engineering study to be completed for the Ranney Well Project in December of 2012.

Loan Funding

The primary loan programs that will be considered are the DOH Drinking Water State Revolving Fund and the Public Works Trust Fund infrastructure loan program. These programs have similar low interest rates and funding timelines. The City was awarded and has completed contracts for a \$973,000 PWTF Loan to fund the Ranney Well Improvement Project.

Capital Reserves

The City currently maintains a capital reserve fund for the combined water and sewer utility but will be splitting that fund into separate water and sewer reserve funds in 2013. The reserves are typically utilized for full or partial funding of capital projects when timing of implementation and available resources allow. Capital reserves are typically maintained at or above a goal of \$200,000 for flexibility on potentially time sensitive projects or significant emergencies. Capital reserves are primarily funded through connections fees, but can also be funded by transfer of operating reserves after operating reserves goals are met.

Miscellaneous Revenue

Miscellaneous revenue sources include investment interest, service related fees, hydrant rental and installation services. These activities generate approximately 3% to 5% total revenue. These revenues are included in the overall water system operating budget.

BUDGET PROJECTIONS

DOH requires that the WSP identify a balanced budget for 1-year. However, to adequately forecast CIP

impacts, a projected budget should account for the next 6-year planning period. The following assumptions are utilized as a basis for identifying budget constraints and future revenue requirements.

- Base O&M and Debt Service costs from 2010 and 2011 are representative of future costs.
- The base inflation rate for O&M costs is estimated at 3-7% annually depending on line item.
- The base inflation rate for CIP costs is estimated at 3% annually.
- Annual growth in revenue is limited to 4.5% as a conservative financial planning level compared to the 7% annual rate increases that are projected in this plan.
- Debt service for the Ranney Well Project in the six-year time period is based on the PWTF loan program with a 0.25% interest rate over twenty years. This is the interest rate the City will receive if it completes the project within 3 years and provides a 15% cash match for the project. No other new debt service is expected for the water system within the 6 year planning period.
- Water assessment charges from the reserve fund will be used to pay for the Ranney Well Project debt service as needed.

In addition, the budgets reflect the following financial viability constraints in accordance with DOH policies:

- Test 1 - Revenue is greater than expenses for the 6-year budget period.
- Tests 2 & 3 - The operating cash reserve and the emergency reserve must be sufficient to address expected emergency expenses for items such as equipment replacement. In this case, the emergency reserve fund is established at a minimum level of \$50,000.
- Test 4 – Annual water rates should be less than 1.5% of the Median Household index for the area.

Table IX-3 presents budget projections through 2018 based on funding of 6-year capital improvements with primarily capital reserve funds and loans from the PWTF. Rate revenue increases are budgeted at 4.5% per year although it is expected rates will go up 7% a year. This provides net operating cash flow through the 6-year planning period. As the water system continues to grow it is anticipated that additional staffing will be needed to properly operate and maintain the system. Additional staffing will not likely be required within the 6-year planning period and therefore is not included in the 6-year budget projections.

The budget projections indicate that combined Water/Sewer capital reserve fund will increase from \$200,120 in 2013 to \$226,374 in 2018 based on a 3% growth in water and sewer assessment charges.

Higher growth will result in greater contributions to both operating and capital reserves. Additional revenues could allow for earlier implementation of identified pipe replacement projects.

FINANCIAL VIABILITY

The balanced 6-year budget identifies compliance with financial viability requirements for operating revenue, operating reserves and emergency reserves as follows:

- Test 1 - Revenue is greater than expenses in all periods after balance is achieved by utilizing revenue from capital reserves. Reserve funds are utilized to help pay for the debt service on the 1997 PWTF loan for the treatment plant and the 2013 PWTF loan for the Ranney Well.
- Tests 2 & 3 – Once the Capital Reserve Fund is split into separate water and sewer funds, the total cash reserve for the water system will be less than \$100,000 during the 6-year period. Prior to Resolution 590 in 2010, the City for years used general reserves to pay for the Water and Sewer Systems without raising rates. As a result, the operating cash reserve does not meet the DOH goal of 1/8 of the annual operating expenses. The City received two TIB grants to improve Scott Avenue in 2013 and 2015. In order to complete the waterline improvements needed along Scott reserves will need to be drawn down to pay for these projects. The total reserve amount is not adequate to meet the need for an Operating Cash Reserve of 1/8 operating expenses and an emergency reserve of \$50,000 but the City will continue to increase rates by 7% a year to increase cash reserves. The City is committed to raising rates and having a fully funded water system so it will take time but the City will eventually start generating an operating cash reserve. The City will also seek outside grants and funding to help pay for the Scott Avenue waterline improvements.
- Test 4 – The projected average rate for inside and outside customer classes is less than 1.5% of the Median Household index for the area. Water rates in 2012 and 2013 will be less than 1.0% of the MHI so this policy is met.

**TABLE IX-3 - CITY OF WOODLAND WATER SYSTEM
YEAR 2011 - 2018 REVENUE AND EXPENSES BUDGET**

	Actual 2011	2012 Budget	2013	2014	2015	2016	2017	2018
CAPITAL PROJECT RESERVE - UTILITIES 302:								
REVENUES:								
Beginning Fund Balance	\$ 182,935	\$ 266,183	\$ 36,620	\$ 200,120	\$ 185,341	\$ 171,736	\$ 186,472	\$ 204,650
Investment Interest	\$ 2,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan Repayment from 226: Interest	\$ -	\$ 4,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan Repayment from 227: Interest	\$ -	\$ 375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan Repayment from 226: Prin	\$ -	\$ 36,000	\$ 32,300	\$ -	\$ -	\$ -	\$ -	\$ -
Loan Repayment from 227: Prin	\$ -	\$ 26,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan Repayment from 316: Prin	\$ -	\$ -	\$ 121,200	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Assessments	\$ 41,500	\$ 46,000	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556
Water Assessments	\$ 39,700	\$ 40,000	\$ 45,000	\$ 46,350	\$ 47,741	\$ 49,173	\$ 50,648	\$ 52,167
Late ComerFees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution from 408- Ranney Well	\$ -	\$ -	\$ -	\$ 2,071	\$ -	\$ -	\$ -	\$ -
Total CPR - Utilities Revenue	\$ 266,183	\$ 420,120	\$ 295,120	\$ 310,341	\$ 296,736	\$ 286,472	\$ 304,650	\$ 326,374
EXPENDITURES:								
Interfund loan to 226 / CERB	\$ -	\$ 32,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan amounts =\$34,150 (2008); \$28,100 (2009)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund loan to 227 / CERB	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan amounts =\$26,800 (2008); \$41,685 (2009)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution to 401/Water	\$ -	\$ 150,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 50,000	\$ 50,000	\$ 50,000
For water system plan, Ranney Well Study, Ranney Well Imp.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution to 402/Sewer	\$ -	\$ 80,000	\$ 20,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
to fund portion of 2013 PWTF loan for sewer relining	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Loan to 316/SR503	\$ -	\$ 121,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total CPR - Utilities Expenses	\$ -	\$ 383,500	\$ 95,000	\$ 125,000	\$ 125,000	\$ 100,000	\$ 100,000	\$ 100,000
Ending Fund Balance	\$ 266,183	\$ 36,620	\$ 200,120	\$ 185,341	\$ 171,736	\$ 186,472	\$ 204,650	\$ 226,374
WATER - 401:								
REVENUES:								
Beginning Fund Balance	\$ 128,280	\$ 133,856	\$ 156,119	\$ 3,304	\$ 2,235	\$ 36,948	\$ 3,127	\$ 96,399
Cowlitz Co. Agreement	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225
Water Sales	\$ 852,755	\$ 887,235	\$ 927,235	\$ 973,597	\$ 1,022,277	\$ 1,073,390	\$ 1,127,060	\$ 1,183,413
Tax on Water Sales	\$ 45,156	\$ 46,982	\$ 49,100	\$ 51,555	\$ 54,133	\$ 56,839	\$ 59,681	\$ 62,665
Installation Sales	\$ 5,000	\$ 3,500	\$ 3,800	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Investment Interest	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Misc. & Turn On/Off Fee	\$ 8,600	\$ 9,000	\$ 10,000	\$ 10,200	\$ 10,404	\$ 10,612	\$ 10,824	\$ 11,041
Installation Deposits	\$ 10,000	\$ 10,350	\$ 10,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
Contbn from 001- Hydrant Rental	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Contribution from 404/Davidson	\$ -	\$ 21,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution from 302-CPR: Utilities	\$ -	\$ 150,000	\$ 145,000	\$ 90,000	\$ 50,000	\$ 95,000	\$ 40,000	\$ 40,000
Contribution from 411-Water Sewer Refurb Project	\$ 16,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rural County Funds for Ranney Well Study	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rural County Funds for CIP Projects	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ 140,000	\$ -
TOTAL WATER REVENUES	\$ 1,072,016	\$ 1,277,806	\$ 1,304,979	\$ 1,145,381	\$ 1,355,773	\$ 1,289,514	\$ 1,397,417	\$ 1,410,243
EXPENSES:								
Salaries 2012 - 1.25% cola estimate for Term	\$ 253,375	\$ 268,135	\$ 275,000	\$ 291,500	\$ 308,990	\$ 327,529	\$ 347,181	\$ 368,012
Personnel Benefits 2012 - 41%	\$ 115,310	\$ 143,775	\$ 147,400	\$ 157,718	\$ 168,758	\$ 180,571	\$ 193,211	\$ 206,736
Operating Supplies - General	\$ 7,606	\$ 8,000	\$ 8,000	\$ 8,240	\$ 8,487	\$ 8,742	\$ 9,004	\$ 9,274
Operating Supplies - WTP (Treatment)	\$ 51,415	\$ 80,000	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556
Fuel Consumed	\$ 8,034	\$ 7,000	\$ 7,000	\$ 7,350	\$ 7,718	\$ 8,103	\$ 8,509	\$ 8,934
Items for Inventory Resale	\$ 5,426	\$ 9,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services	\$ 27,949	\$ 82,167	\$ 32,167	\$ 35,384	\$ 38,922	\$ 42,814	\$ 47,096	\$ 51,805
Water Quality Testing	\$ 5,006	\$ 5,000	\$ 5,000	\$ 5,250	\$ 5,513	\$ 5,788	\$ 6,078	\$ 6,381
Communications	\$ 8,273	\$ 9,000	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433
Travel	\$ 1,871	\$ 2,000	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319
Utilities	\$ 58,746	\$ 64,000	\$ 64,000	\$ 67,840	\$ 71,910	\$ 76,225	\$ 80,799	\$ 85,646
Repair & Maintenance - Distribution System	\$ 19,095	\$ 23,000	\$ 23,000	\$ 23,920	\$ 24,877	\$ 25,872	\$ 26,907	\$ 27,983
Repair & Maintenance - WTP	\$ 63,072	\$ 64,000	\$ 35,000	\$ 65,000	\$ 40,000	\$ 70,000	\$ 45,000	\$ 72,000
Repair & Maintenance - Distribution Equipment	\$ 2,260	\$ 7,500	\$ 7,500	\$ 7,800	\$ 8,112	\$ 8,436	\$ 8,774	\$ 9,125
Water Meter Retrofit/Upgrade fund	\$ -	\$ 17,000	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185
Miscellaneous	\$ 1,878	\$ 2,400	\$ 2,400	\$ 2,472	\$ 2,546	\$ 2,623	\$ 2,701	\$ 2,782
Rent/Lease	\$ 2,110	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Training	\$ 857	\$ 5,300	\$ 5,300	\$ 5,459	\$ 5,623	\$ 5,791	\$ 5,965	\$ 6,144
Tax on Water Sales of	\$ 45,730	\$ 46,982	\$ 49,100	\$ 51,555	\$ 54,133	\$ 56,839	\$ 59,681	\$ 62,665
Intergovernmental Professional Services	\$ 9,178	\$ 8,200	\$ 8,400	\$ 8,652	\$ 8,912	\$ 9,179	\$ 9,454	\$ 9,738
DOE & DOH operating permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97 PWTF Loan Principal - Filtration Plant	\$ 95,104	\$ 95,104	\$ 95,104	\$ 95,104	\$ 95,104	\$ 95,104	\$ 95,104	\$ -
2013 PWTF Loan - Ranney Well Project	\$ -	\$ -	\$ -	\$ -	\$ 53,000	\$ 52,000	\$ 51,500	\$ 51,000
Installation Deposit Refunds	\$ 9,245	\$ 5,000	\$ 5,000	\$ 5,500	\$ 6,000	\$ 6,500	\$ 7,000	\$ 7,500
97 PWTF Loan Interest - Filtration	\$ 19,972	\$ 17,119	\$ 14,266	\$ 11,413	\$ 8,560	\$ 5,707	\$ 2,854	\$ -
C/O Land: Right-of-Ways (Easements) - Property south of	\$ -	\$ 3,000	\$ 12,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
C/O Hydrants Storz adaptors / hydrant replacement	\$ 696	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
C/O Equipment: Water Distribution	\$ 3,147	\$ 6,000	\$ 6,000	\$ 6,360	\$ 6,742	\$ 7,146	\$ 7,575	\$ 8,029
C/O Equipment: Treatment/WTP ONLY	\$ 3,813	\$ 5,000	\$ 5,000	\$ 5,200	\$ 5,408	\$ 5,624	\$ 5,849	\$ 6,083
C/O Water Line Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C/O Water: Copier	\$ 903	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
C/O Water: 2008 Copier	\$ -	\$ 661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contbn 312 - P/W Shop	\$ 2,000	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contbn to 001 - General Fund	\$ 125,975	\$ 110,944	\$ 122,038	\$ 125,699	\$ 129,470	\$ 133,354	\$ 137,355	\$ 141,475
Contribution to 319/PW Office	\$ -	\$ 1,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contbn to 408 - Pumping Impr / Ranney Well	\$ 600	\$ -	\$ 168,000	\$ -	\$ -	\$ -	\$ -	\$ -
East Scott Waterline Project	\$ -	\$ -	\$ 110,000	\$ -	\$ 155,000	\$ -	\$ -	\$ -
Water Treatment Plant Ventilation Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,000	\$ 32,000	\$ 127,000
TOTAL WATER DEPARTMENT EXPENSES	\$ 948,646	\$ 1,121,687	\$ 1,301,675	\$ 1,143,146	\$ 1,318,826	\$ 1,286,388	\$ 1,301,018	\$ 1,382,809
ENDING FUND BALANCE	\$ 123,370	\$ 156,119	\$ 3,304	\$ 2,235	\$ 36,948	\$ 3,127	\$ 96,399	\$ 27,434
Ranney Well Project - 408								
REVENUES:								
Beginning Fund Balance	\$ 1,069	\$ 1,071	\$ 1,071	\$ 2,071	\$ -	\$ -	\$ -	\$ -
PWTF Loan - Approved, PC 13-961-071	\$ -	\$ -	\$ 973,000	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Interest	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contbn from 401: Water	\$ -	\$ -	\$ 168,000	\$ -	\$ -	\$ -	\$ -	\$ -
Total Ranney Project Revenues	\$ 1,075	\$ 1,071	\$ 1,142,071	\$ 2,071	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:								
Professional Services	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	\$ -	\$ -	\$ 975,000	\$ -	\$ -	\$ -	\$ -	\$ -
Project Administration	\$ -	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -
Contbn to 302/CPR Utilities	\$ -	\$ -	\$ -	\$ 2,071	\$ -	\$ -	\$ -	\$ -
Total Ranney Project Expenses	\$ -	\$ -	\$ 1,140,000	\$ 2,071	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ 1,075	\$ 1,071	\$ 2,071	\$ -				