

# CHAPTER 11

## FINANCE

### INTRODUCTION

In order to implement the Capital Improvement Plan (CIP) presented in Chapter 9, a basic financial program must be established. The financial program provides the District Commissioners and District Staff a plan by which the capital improvement schedule can be implemented. The financial program plays a key role in establishing sewer rates and general facilities charges that reflect the actual costs of providing service to the District.

The District performs rate and connection charge evaluations on regular intervals to adjust for increased treatment, operation and maintenance, and construction cost increases.

### EXISTING SERVICE RATES

The District collects service rates for the water and wastewater utilities through a combination of base charges (minimum fee) and usage rates (overage fees). All water system customers pay usage rates dependent on the volume of water purchased during the bimonthly billing period. Single-family residential wastewater customers are also billed based on their usage above a minimum usage level. With the exception of emergency water use customers and wholesale customers, all water and wastewater customers pay a bimonthly base rate dependent on the class.

Table 11-1 identifies the 21 customer classes, provides a description of each class, and provides the bimonthly base charge per unit. Customer classes with more than one unit per account, such as duplexes and apartment buildings, are charged an amount equal to the base rate times the number of dwelling units. The wastewater base charge includes a \$46.80 fee, which is paid to KCDNR for treatment and transmission costs. KCDNR has no planned rate increase at this time.

**TABLE 11-1**

**Bimonthly Base Charge by Customer Class<sup>(1)</sup>**

<b>Class</b>	<b>Description</b>	<b>Bimonthly Base Charge per Unit</b>
<b>Wastewater Rates</b>		
1	Single-Family Residential	\$ 70.00
2	Multi-Family Residential (2 to 4 units)	\$ 61.00
3	Multi-Family Residential (5 or more units)	\$ 54.00
4	Multi-Family Residential (shared meter)	\$ 54.00
5	Mobile Home Parks	\$ 60.00
6	Wet Laundries and Dedicated Carwash Supply Lines	\$ 68.00
7	Non-Residential	\$ 70.00
<b>Water Rates</b>		
8	Single-Family Residential	\$ 23.00
9	Multi-Family Residential (2 to 4 units)	\$ 21.00
10	Multi-Family Residential (5 or more units)	\$ 21.00
11	Multi-Family Residential (shared meter)	\$ 21.00
12	Mobile Home Parks	\$ 21.00
13	Non-Residential 3/4-Inch Meter	\$ 23.50
14	Non-Residential 1-Inch Meter	\$ 49.50
15	Non-Residential 1-1/2-Inch Meter	\$ 90.00
16	Non-Residential 2-Inch Meter	\$143.00
17	Non-Residential 3-Inch Meter	\$310.00
18	Non-Residential 4-Inch Meter	\$480.00
19	Non-Residential 6-Inch Meter	\$900.00
20	Emergency Use	\$ 0
21	Wholesale Water	\$ 0

(1) Source: 2006 Rate Resolution

The District employs a four-tier inclined block rate structure for billing its water service customers. The billing rate increases as the billing volume increases to encourage water conservation and minimize peak system usage. Single-family residential and non-residential wastewater customers are also billed based on usage greater than 15 CCF per bimonthly billing period. Table 11-2 provides the usage rates for the water and wastewater utilities. Note that classes 2 through 5 are not billed based on water consumption.

**TABLE 11-2**

**Bimonthly Usage Rates<sup>(1)</sup>**

Class	Tier 1		Tier 2		Tier 3		Tier 4	
	CCF	\$/CCF	CCF	\$/CCF	CCF	\$/CCF	CCF	\$/CCF
1	0 to 15	\$ 0	above 15	\$2.25	--	--	--	--
6	0 to 15	\$ 0	above 15	\$4.08	--	--	--	--
7	0 to 15	\$ 0	above 15	\$4.21	--	--	--	--
8	0 to 13	\$1.80	13 to 17	\$2.75	17 to 25	\$3.70	above 25	\$4.65
9	0 to 13	\$1.80	13 to 17	\$2.75	17 to 25	\$3.70	above 25	\$4.65
10	0 to 13	\$1.80	13 to 17	\$2.75	17 to 25	\$3.70	above 25	\$4.65
11	0 to 13	\$1.80	13 to 17	\$2.75	17 to 25	\$3.70	above 25	\$4.65
12	0 to 13	\$1.80	13 to 17	\$2.75	17 to 25	\$3.70	above 25	\$4.65
13	0 to 13	\$2.55	13 to 17	\$2.85	17 to 25	\$3.15	above 25	\$3.45
14	0 to 22	\$2.55	22 to 29	\$2.85	29 to 42	\$3.15	above 42	\$3.45
15	0 to 43	\$2.55	43 to 56	\$2.85	56 to 83	\$3.15	above 83	\$3.45
16	0 to 69	\$2.55	69 to 90	\$2.85	90 to 133	\$3.15	above 133	\$3.45
17	0 to 139	\$2.55	139 to 182	\$2.85	182 to 267	\$3.15	above 267	\$3.45
18	0 to 217	\$2.55	217 to 284	\$2.85	284 to 417	\$3.15	above 417	\$3.45
19	0 to 433	\$2.55	433 to 566	\$2.85	566 to 833	\$3.15	above 833	\$3.45
20	All	\$4.65	--	--	--	--	--	--
21	All	<sup>(2)</sup>	--	--	--	--	--	--

(1) Source: 2006 Rate Resolution

(2) Wholesale usage is billed at the current rate from SPU plus 20 percent.

Rates and annual increases are typically established by District ordinance every year. Resolution #2006-02-05 was passed February 27, 2006, and establishes the current water and wastewater rates. A copy of this resolution is included in Appendix K.

**EXISTING SERVICE CONNECTION CHARGES**

Connection charges consist of two components: the Major Facilities (MFC) and System Development Component (SDC). Resolution #2005-02-09 establishes a connection charge to owners seeking to connect property to the District’s sewer and water system. The connection charges are assessed and administered in accordance with District Policy and Procedure Number ENG 5 – Assessment and Administration of Connection Charges. Table 11-3 provides the schedule of connection charges for the water and wastewater systems.

**TABLE 11-3**

**Water and Wastewater Connection Charges**

Meter Size	Wastewater			Water		
	MFC	SDC	Total	MFC	SDC	Total
3/4 inch	\$ 1,925	\$ 5,075	\$ 7,000	\$ 1,800	\$ 700	\$ 2,500
1 inch	\$ 3,160	\$ 8,340	\$ 11,500	\$ 2,950	\$ 1,150	\$ 4,100
1-1/2 inch	\$ 6,375	\$ 16,825	\$ 23,200	\$ 5,900	\$ 2,300	\$ 8,200
2 inch	\$10,195	\$ 26,905	\$ 37,100	\$ 9,425	\$ 3,675	\$ 13,100
3 inch	\$20,360	\$ 53,740	\$ 74,100	\$18,850	\$ 7,350	\$ 26,200
4 inch	\$31,820	\$ 83,980	\$115,800	\$29,425	\$11,475	\$ 40,900
6 inch	\$63,670	\$168,030	\$231,700	\$58,925	\$22,975	\$ 81,900

In addition to the connection charge fees, new water customers are charged a fire-protection fee based on the fire flow rate to the structure being served. Table 11-4 provides the fire-protection charge schedule.

**TABLE 11-4**

**Fire-Protection Charges**

Fire Flow Required (gpm)	Fire-Protection Charge
1,000	\$ 600
1,500	\$ 900
1,750	\$1,000
2,000	\$1,200
2,500	\$1,500
3,000	\$1,800
3,500	\$2,100
4,000	\$2,400

**FINANCIAL STATUS OF THE WATER AND WASTEWATER UTILITIES**

A summary of revenues and expenses for the years 2003 through 2005 is presented in Table 11-5. Historical budget data is taken from District annual income statements included in the 2005 Annual Financial Report. The financial report is included in Appendix K.

The District maintains a combined water and sewer utility but tracks revenues and expenses separately. Total sewer sales in 2005 were \$12,737,093, of which \$8,762,528

(69 percent) was paid to KCDNR for treatment charges. Total water sales in 2005 were \$9,750,310, of which \$4,568,754 (47 percent) was paid to SPU for wholesale water. As a combined utility, the District has experienced a net positive operating income each year from 2003 to 2005.

TABLE 11-5

## Summary of Income and Expenses

	2005	2004	2003
<b>Operating Revenue</b>			
Sewer service	\$12,737,093	\$12,129,002	\$11,771,353
Water service	\$9,750,310	\$9,750,350	\$10,176,689
Street light service	\$390,608	\$388,708	\$370,268
Other operating revenue	\$496,572	\$445,238	\$450,606
Total income	\$23,374,583	\$22,713,298	\$22,768,916
<b>Operating Expenses</b>			
Sewer treatment charge	\$ 8,762,528	\$ 7,960,847	\$8,090,065
Water purchased for resale	\$ 4,568,754	\$ 4,206,742	\$3,998,009
Cost of street lighting	\$ 263,374	\$ 246,502	\$287,515
Discounts and adjustments on utility sales	\$ 913,015	\$ 892,714	\$892,527
Maintenance	\$ 2,152,475	\$ 2,122,551	\$2,166,403
General administration	\$ 3,126,550	\$ 3,475,179	\$3,588,494
Depreciation	\$ 3,059,739	\$ 3,224,744	\$3,091,186
Total operating expenses	\$ 22,846,435	\$ 22,129,279	\$22,114,199
<b>Operating Income (Loss)</b>	<b>\$ 528,148</b>	<b>\$ 584,019</b>	<b>\$654,717</b>
<b>Non-Operating Revenue (Expenses)</b>			
Facilities benefit charge	\$ 1,972,281	\$ 2,737,727	\$ 2,408,498
Assessments interest income	\$ 34,179	\$ 45,181	\$ 51,347
Investments interest income	\$ 1,023,519	\$ 739,081	\$ 825,554
Gain from the disposition of assets	(\$ 72,880)	\$ 14,300	\$ 13,756
(Reimbursement agreement cost)	(\$ 5,075)	(\$ 46,992)	\$ 0
(Bond and loan interest expense)	(\$ 343,963)	(\$ 397,896)	(\$ 386,668)
(Bond discount, issuance & registration costs)	(\$ 16,434)	(\$ 226,778)	(\$ 224,655)
Total non-operating revenues (expenses)	\$ 2,591,627	\$ 2,864,623	\$ 2,687,832
<b>Income before Extraordinary Items and Capital Contributions</b>	<b>\$ 2,479,356</b>	<b>\$ 3,448,642</b>	<b>\$ 3,342,549</b>
Capital contributions-developer donated plant	\$ 2,796,292	\$ 1,363,716	\$ 1,203,560
Change in net assets	\$ 5,275,648	\$ 4,812,358	\$ 4,546,109
Total net assets January 1	\$118,846,416	\$114,034,058	\$108,234,114
Prior period adjustment	\$ 1,311,090	\$ 0	\$ 1,253,835
<b>Total net assets December 1</b>	<b>\$125,433,154</b>	<b>\$118,846,416</b>	<b>\$114,034,058</b>

## **CAPITAL IMPROVEMENT PROJECT FUNDING**

Capital improvements will most likely be funded by rates, GFCs, SDCs, and/or outside funding sources. Appendix L provides a summary of available funding sources for water and wastewater projects.

## **RATE IMPACTS**

The District conducts its own rate analysis on a regular basis. The cost of improvements, projected customer growth, revenues, and Operations and Maintenance expenses are used in the calculation of rates, GFC and SDCs.