Wastewater Financial Planning  
City of Stevenson

Presented by: Katy Isaksen  
Katy Isaksen & Associates - Utility Financial Planning  
Sub-consultant to Tetra Tech, Inc.  
August 24, 2017 City Council Presentation

Utility Financial Planning Summary

• Sustainable utilities
• Financial planning
• Six-year utility outlook
• Chapter 10 Financial Program in Sewer Plan
• Tonight – Financial plan to fund CIP and O&M recommendations in General Sewer Plan
• October – Refined draft six-year rates for Council action
Six-Year Financial Outlook

- Begin with 2017 budget
- Conservative assumptions:
  - New homes per year = 25
  - General cost escalation = 3% per year
  - Current residential rate = $29.95
  - Connection fee = $2,800, assumed to be $4,700 in 2018
  - New High Strength Surcharge, assumed low amount
- WWTP improvements
  - Construction costs, financing package & operations
- Estimated impact on rates

Six-Year Rate Outlook

- Capital improvements are funded by new debt
- Increased O&M steps up in 2021-2022
- Debt repayment jumps in 2022-2023
- Plan is to ramp rates up with a series of steps
- Plan to add New High Strength Surcharge
Six-Year Rate Outlook

- Begin with worst case and whittle down
- Scenario C = no grants, 2023 rate $113.95/month
- Scenario D = $5 million grants, 2023 rate $92.95/month
- Scenario E, F = ?

What are Neighbors Paying in 2017?

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Monthly Sewer</th>
<th>Connection Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stevenson</td>
<td>$29.95</td>
<td>$2,800</td>
</tr>
<tr>
<td>Bingen</td>
<td>$46.00</td>
<td>$2,000</td>
</tr>
<tr>
<td>Goldendale</td>
<td>$31.50</td>
<td>$2,000</td>
</tr>
<tr>
<td>North Benneville</td>
<td>$46.56</td>
<td>$4,500</td>
</tr>
<tr>
<td>Washougal</td>
<td>$54.25</td>
<td>$5,620</td>
</tr>
</tbody>
</table>

- Typically those with recent plant upgrades have the highest rates, and those that are next to upgrade have the lowest rates
Hardship & Affordability

- Ecology measures community affordability with median household income
- If sewer costs > $68 a month, funding program provide assistance such as grants, lower interest rate on borrowed funds
- Both USDA-Rural Development and Ecology recognize hardship and provide assistance
- Some communities have low-income senior citizen rates

How Can We Improve the Outlook?

- Secure more than $5 Million in grants
- High Strength Surcharge is implemented
- System Development Charges are updated
- Better financing package (year to repay, interest)
- Construction costs come in lower
- Lower O&M costs when plant is operational
- More than 25 new equivalent residential units per year
**New: Commercial Strength Categories**

<table>
<thead>
<tr>
<th>Strength Category</th>
<th>BOD Strength</th>
<th>Types of Typical Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>&lt; 300 mg/L</td>
<td>Public Facilities, Hotel / Motel w/o Restaurant, General Retail, Office Space, Industrial w/o Process Discharge</td>
</tr>
<tr>
<td>Medium</td>
<td>301 - 600 mg/L</td>
<td>Hotel / Motel with Restaurant, School with Cafeteria, Laundromat, Nursing Home, Hospital</td>
</tr>
<tr>
<td>High</td>
<td>600 - 2,000 mg/L</td>
<td>Grocery Store, Bakery, Restaurant, Coffee Shop</td>
</tr>
<tr>
<td>Very High</td>
<td>&gt; 2,000 mg/L</td>
<td>Food Production, Brewery, Distillery, Cider Production, Dairy, Industrial with Process Discharge</td>
</tr>
<tr>
<td>Residential</td>
<td>Typical &lt;300 mg/L</td>
<td>Single and multi-family residences</td>
</tr>
</tbody>
</table>

- Reviewed similar rate structures, developed to meet Stevenson users
- Non-residential customers assigned to a strength category by type of use
- New high-strength surcharge to be added to sewer base & volume rates

---

**New: High Strength Surcharge**

- Based on 2018 and 2021
  - Costs for treatment plant (O&M, debt)
  - Non-residential ERUs, BOD by strength category
- Allocated costs by strength category:
  - 1. Between flow & BOD
  - 2. BOD costs between standard BOD & high strength BOD
- Stepped rates up from 2018-2021
- Surcharge is in addition to base & volume rates paid by all sewer customers
Next Steps

• By October 2017
  – Update known changes (cost?, SDC, high-strength)
  – Revise six-year outlook
  – Proposed rate ordinance to Council

• Monitoring the Financial Plan
  – Track grants, capital costs, financing package
  – Update outlook & allocations in 2021-2023 when information is known