



# City of Ferndale, WA



## Utility Rate Studies Preliminary Revenue Requirement Analysis

Presented by:  
Martin Chaw, Project Manager  
Brooke Tacia, Project Consultant

Ferndale City Council  
August 19, 2019



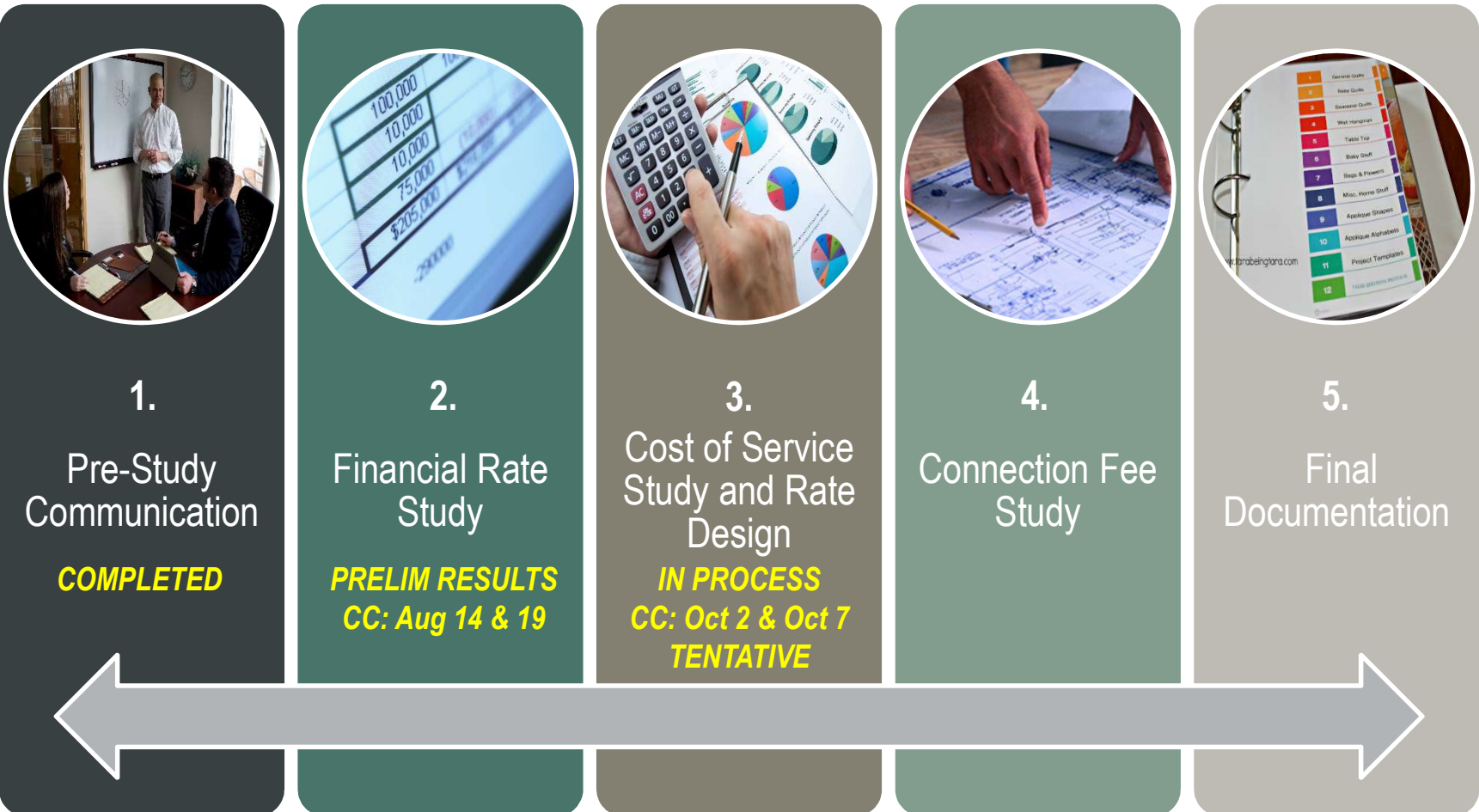
# **Meeting Outcomes**

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- ◆ **Review preliminary results with Ferndale City Council**
  - Reviewed with Finance Committee on 8/14
- ◆ **Understand / Discuss major drivers of utility rate increases**
- ◆ **Questions / Direction to Consultants**
- ◆ **Return in early October with cost-of-service discussion**



# What we were asked to do





# **Purpose of Financial Rate Study**

- ◆ **Evaluate sufficiency of revenues to meet forecasted financial obligations (operations, debt service, CIP)**
- ◆ **Determine annual adjustment to rates necessary to fully fund forecasted financial obligations**
  - Codification of rate adjustments for 2020-2022 planning period; Forecasted rates for 2023-2028
- ◆ **Outcome: Council approval of rate adjustments prior to cost-of-service analysis**



# Guiding Principles

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- ◆ **Comply with all City financial policies**
  - Financial reserves
  - Legal debt covenants
  - One-time revenues will not be used to support on-going expenses
  - Rates to cover current and future expenses including reserves
  - Debt service coverage minimum of 1.25; target of 2.0.
  
- ◆ **Financially self-sufficient**
  - No subsidies from General Fund or other funds
  
- ◆ **Continue delivering current level of service to community**
  - Minimal new staffing for new WTP and WWTP
  - Fully fund identified CIP
  - Position City for long-term financial sustainability (operations and CIP)



# Summary of Key Findings

## WATER

- ◆ **CIP significant driver of rate adjustments**

- Water treatment plant
- New well

- ◆ **Rate increases**

- 2020: 30.90%
- 2021: 9.00%
- 2022-2024: 8.50% per year

## SEWER

- ◆ **CIP significant driver of rate adjustments**

- Wastewater Treatment Plant

- ◆ **Rate increases**

- 2020-2024: 9.55% per year

## STORMWATER

- ◆ **No significant rate drivers**

- ◆ **Rate Increases**

- 2020-2024: 5.00% per year

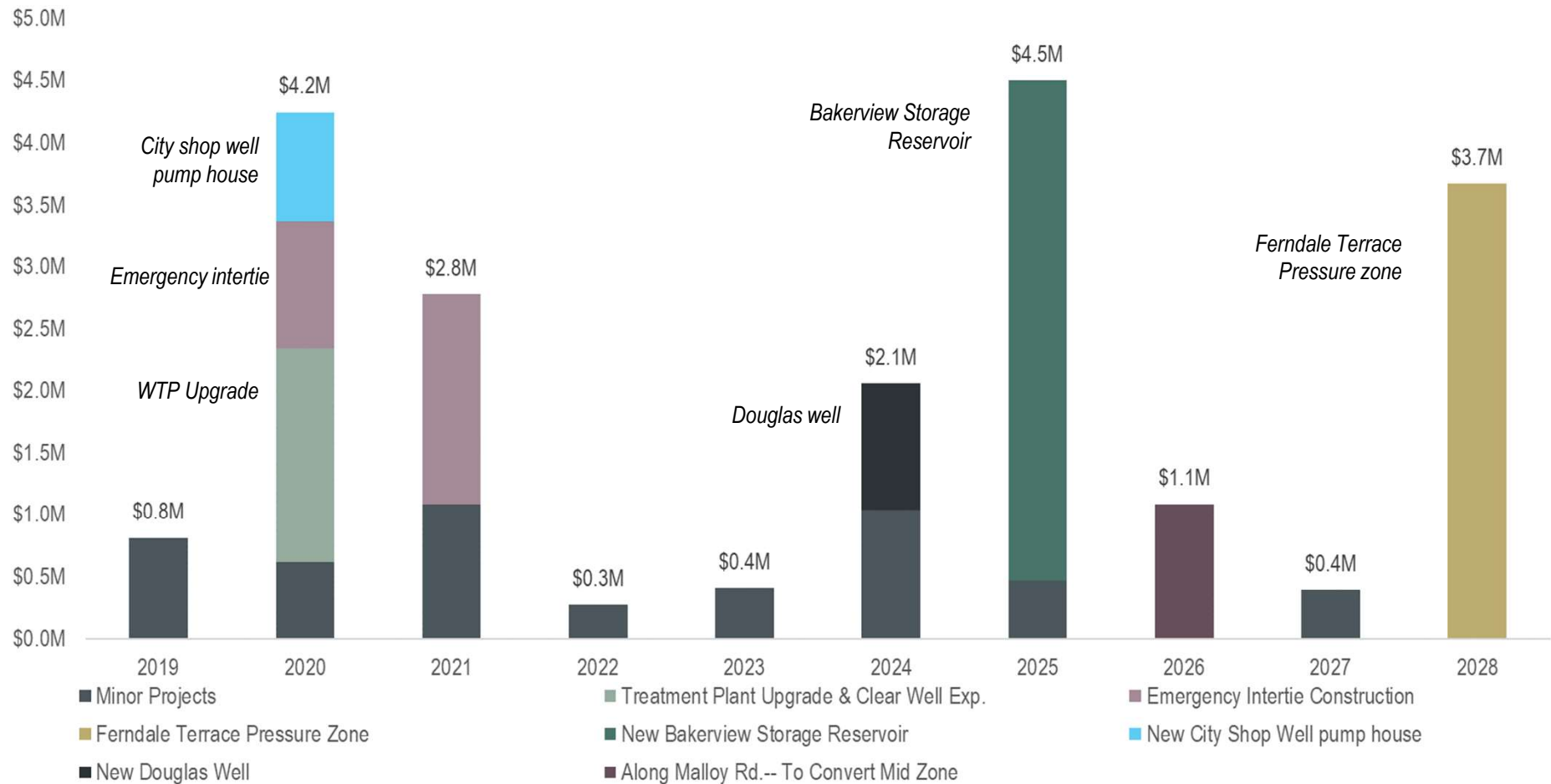


# **Water Revenue Requirement**



# Water – Capital Expenditures (\$20.3M)

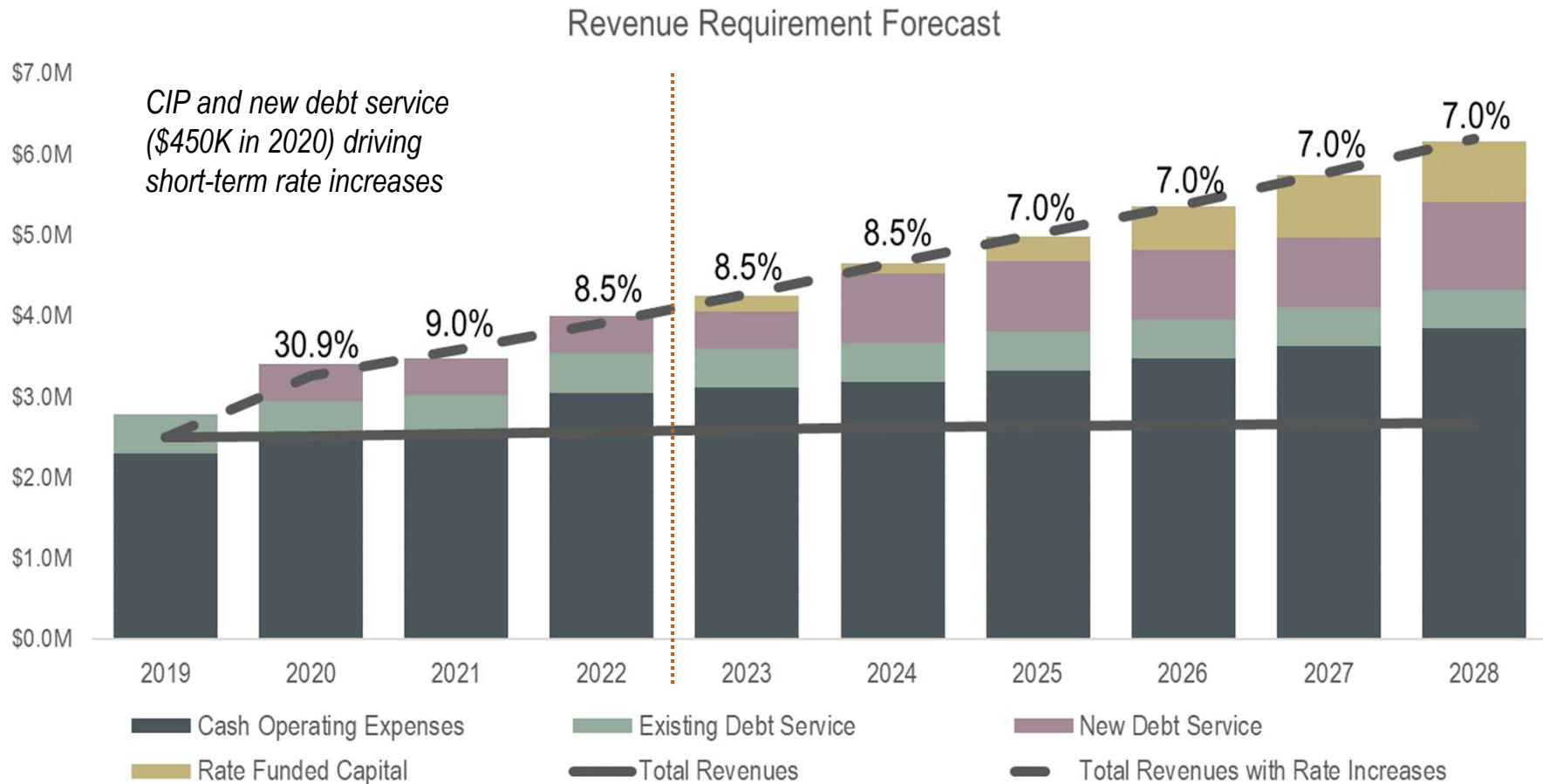
Escalated Capital Expenditures by Project







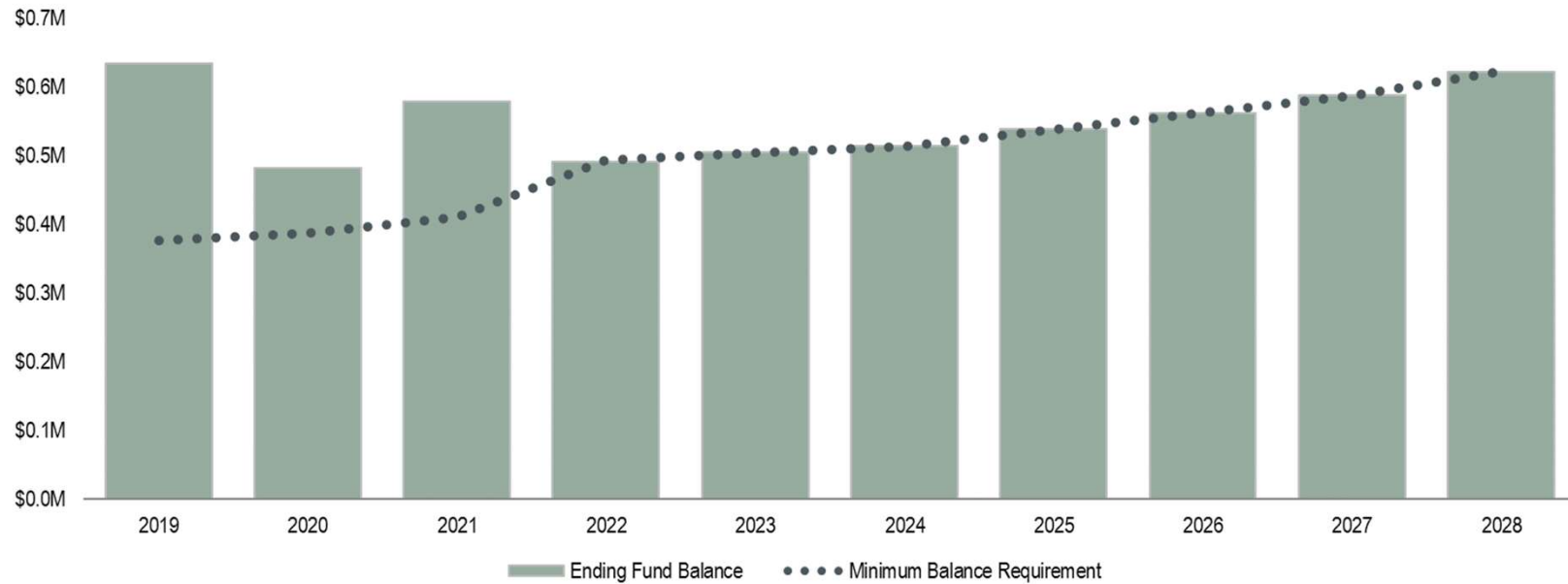
# Water – Revenue Requirement





# Water - Reserves

Operating Reserve - Water Utility

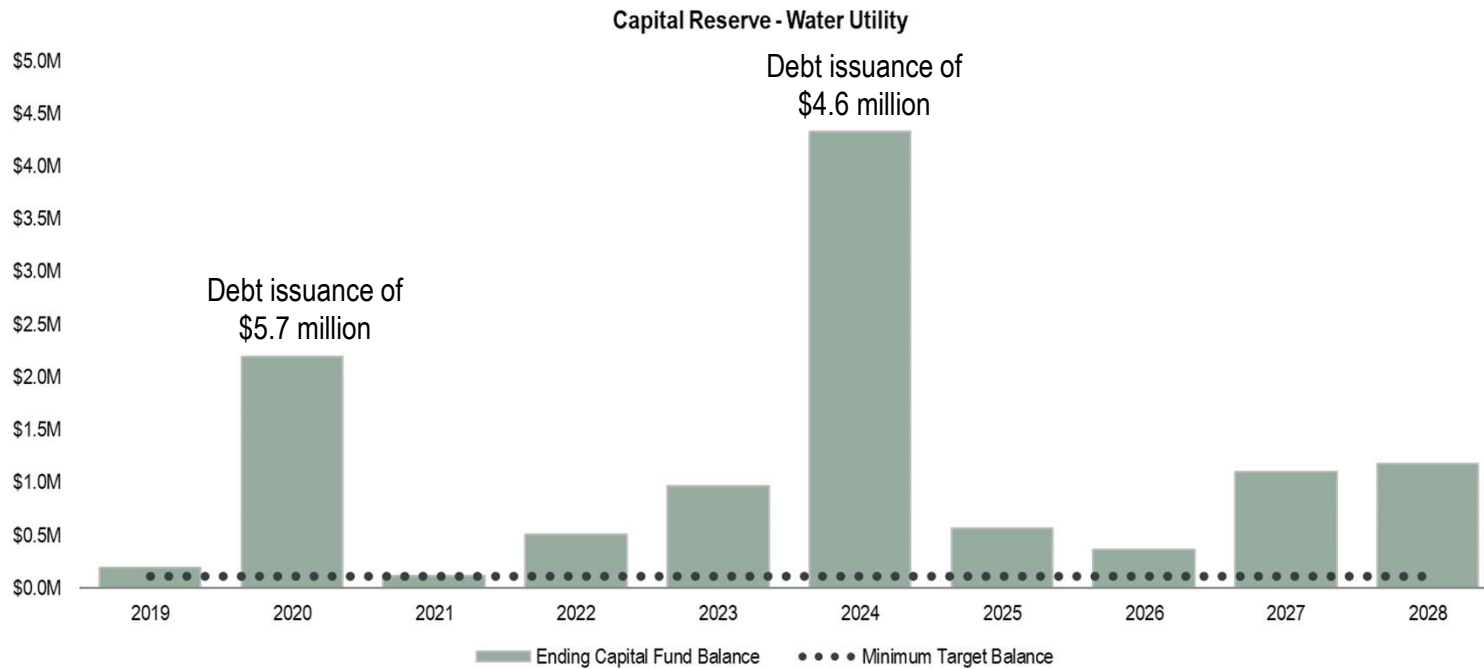


	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Ending Balance</b>	<b>\$ 634,663</b>	<b>\$ 481,461</b>	<b>\$ 578,721</b>	<b>\$ 491,544</b>	<b>\$ 504,941</b>	<b>\$ 513,717</b>	<b>\$ 538,110</b>	<b>\$ 562,279</b>	<b>\$ 587,518</b>	<b>\$ 622,521</b>
<b>Minimum Balance</b>	<b>\$ 376,779</b>	<b>\$ 387,702</b>	<b>\$ 409,912</b>	<b>\$ 493,651</b>	<b>\$ 504,941</b>	<b>\$ 513,717</b>	<b>\$ 538,110</b>	<b>\$ 562,279</b>	<b>\$ 587,518</b>	<b>\$ 622,521</b>

Target minimum balance: 60 days of operating expenses



# Water – Reserves



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Ending Balance</b>	<b>\$ 194,777</b>	<b>\$ 2,198,300</b>	<b>\$ 118,642</b>	<b>\$ 505,271</b>	<b>\$ 965,351</b>	<b>\$ 4,326,914</b>	<b>\$ 567,125</b>	<b>\$ 366,748</b>	<b>\$ 1,106,007</b>	<b>\$ 1,181,161</b>
<b>Minimum Balance</b>	<b>\$ 115,179</b>	<b>\$ 115,179</b>	<b>\$ 115,179</b>	<b>\$ 115,179</b>	<b>\$ 115,179</b>	<b>\$ 115,179</b>	<b>\$ 115,179</b>	<b>\$ 115,179</b>	<b>\$ 115,179</b>	<b>\$ 115,179</b>

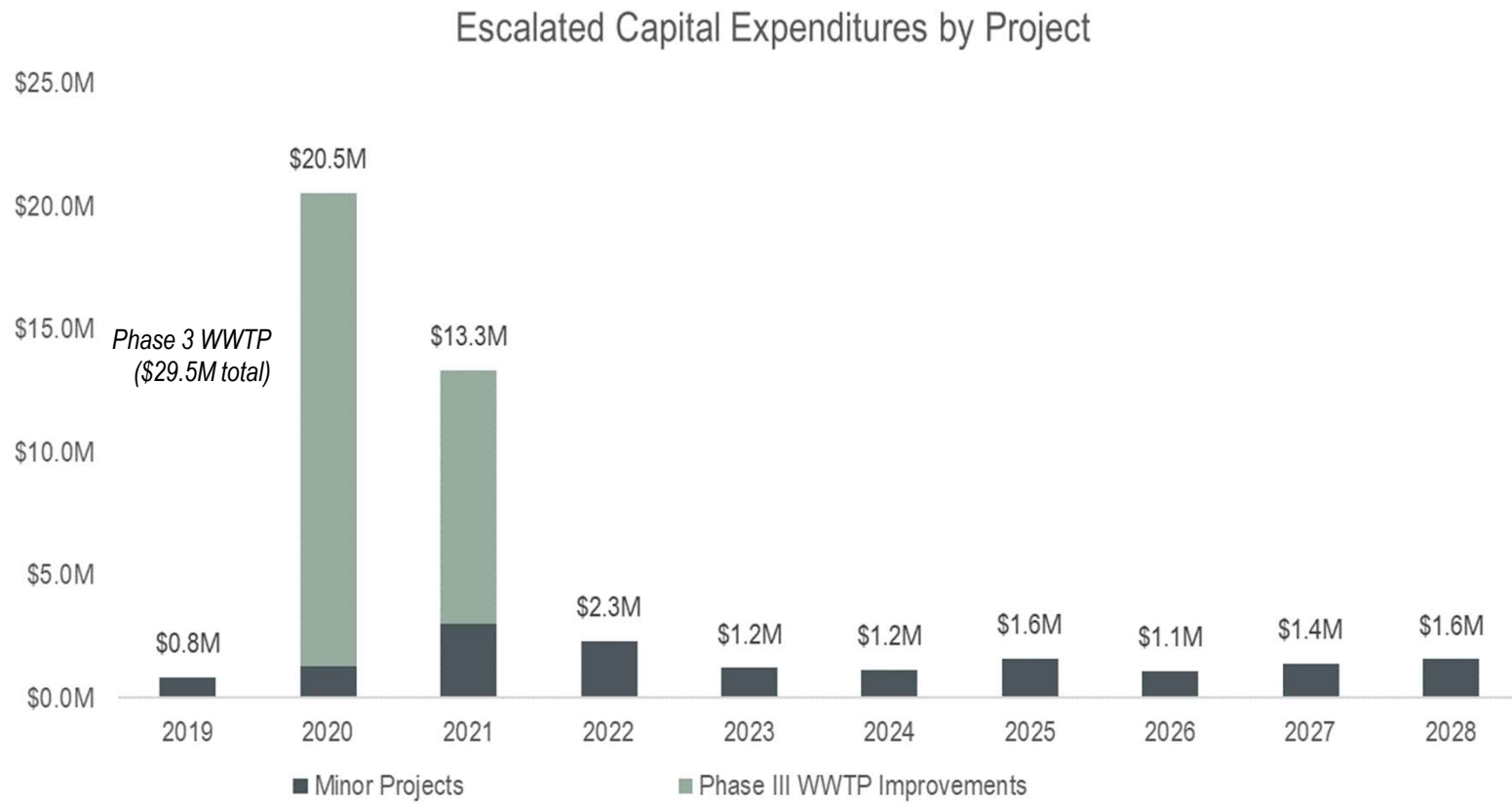
Target minimum balance: 30 days of average capital expenditures during planning period



# Sewer Revenue Requirement

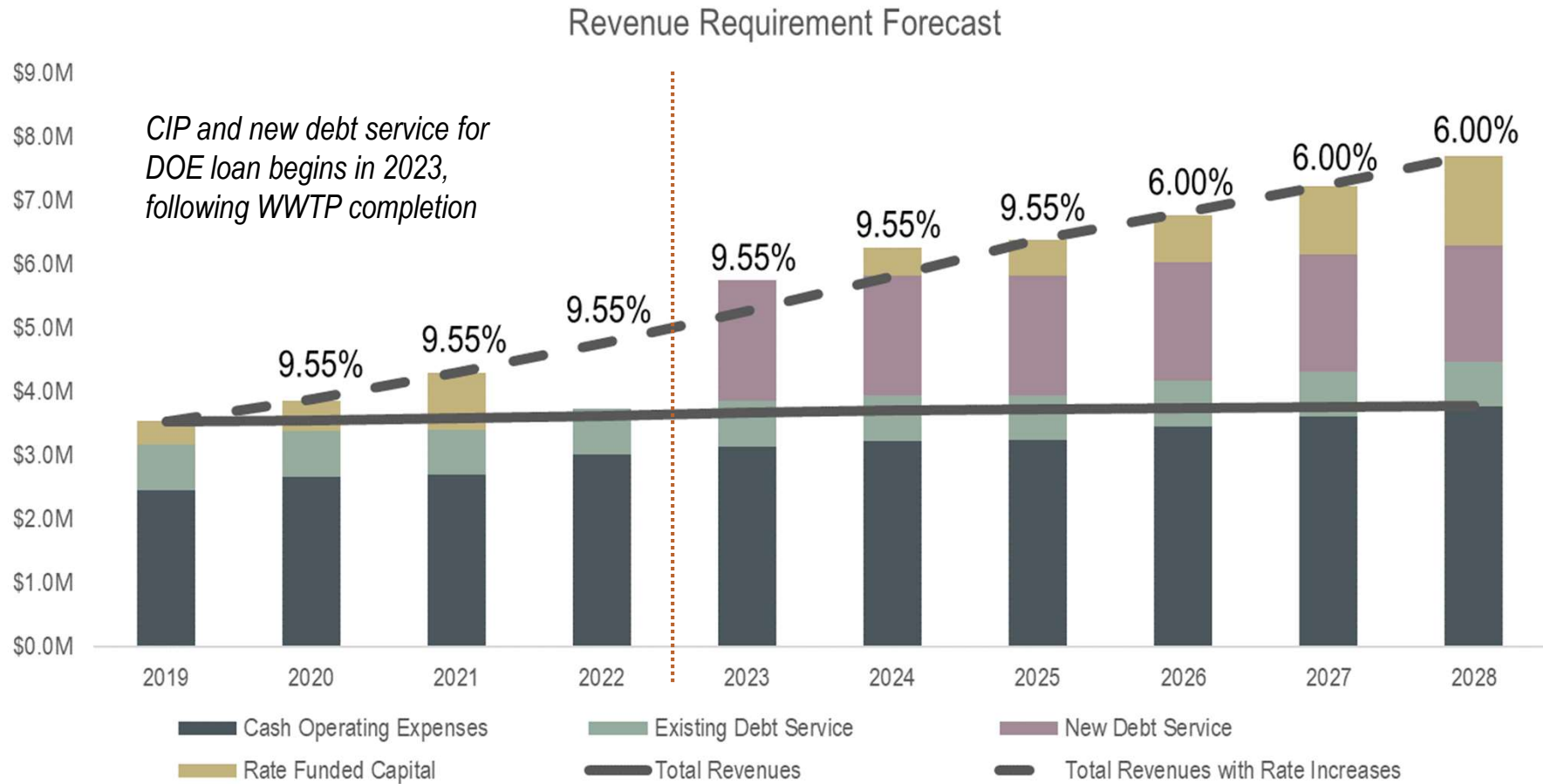


## Sewer – Capital Expenditures (\$45.0M)





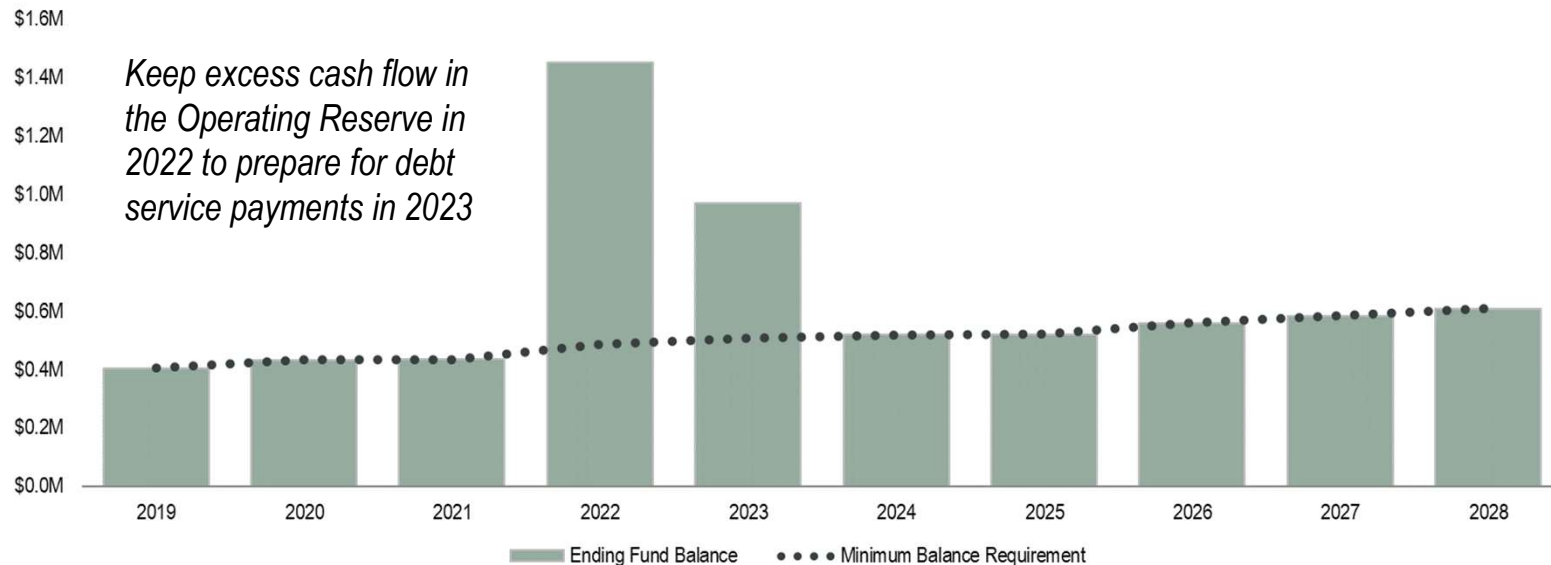
# Sewer – Revenue Requirement





# Sewer – Reserves

Operating Reserve - Sewer

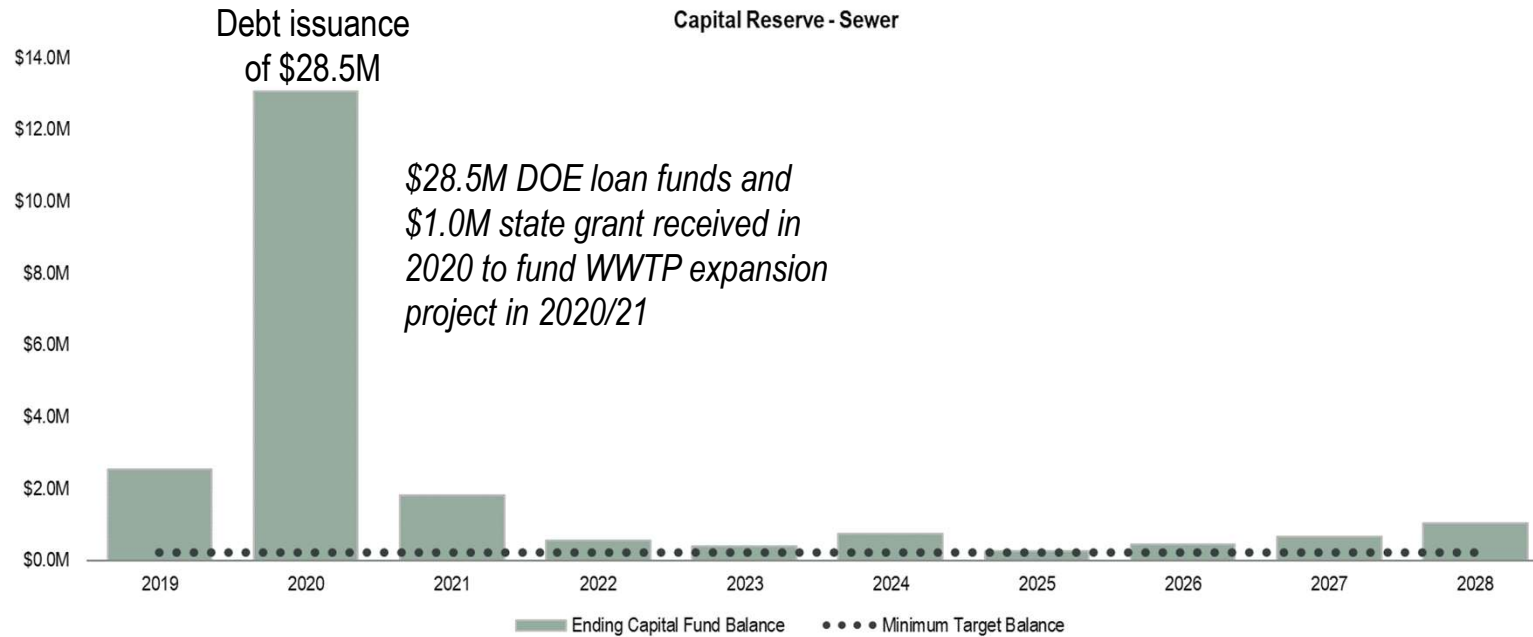


	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Ending Balance</b>	<b>\$ 404,022</b>	<b>\$ 432,160</b>	<b>\$ 434,574</b>	<b>\$1,452,351</b>	<b>\$ 969,520</b>	<b>\$ 518,798</b>	<b>\$ 520,822</b>	<b>\$ 559,778</b>	<b>\$ 583,793</b>	<b>\$ 608,953</b>
<b>Minimum Balance</b>	<b>\$ 404,022</b>	<b>\$ 432,160</b>	<b>\$ 434,574</b>	<b>\$ 487,802</b>	<b>\$ 506,584</b>	<b>\$ 518,798</b>	<b>\$ 520,822</b>	<b>\$ 559,778</b>	<b>\$ 583,793</b>	<b>\$ 608,953</b>

Target minimum balance: 60 days of operating expenses



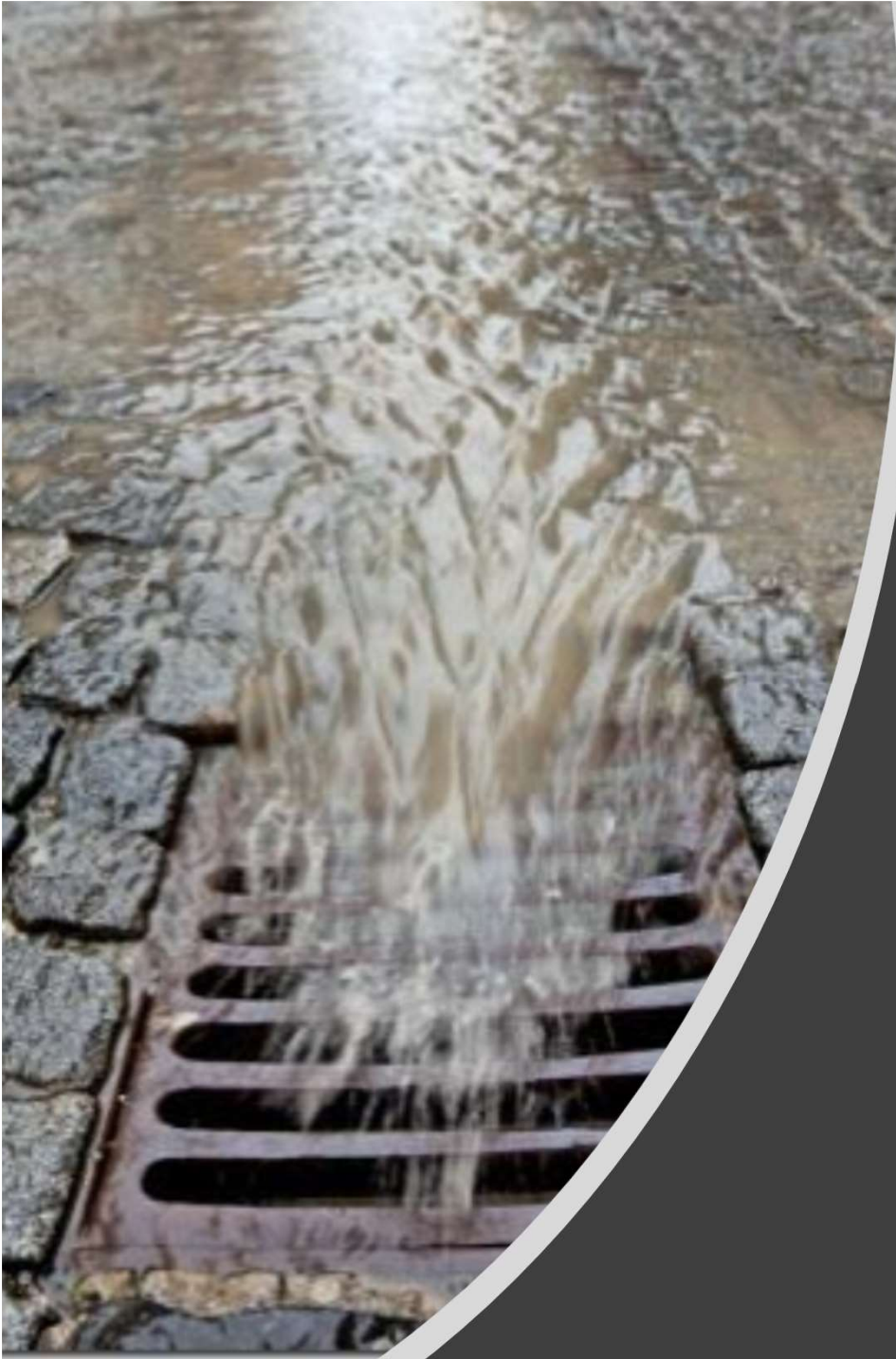
# Sewer – Reserves



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Ending Balance</b>	<b>\$ 2,532,357</b>	<b>\$13,067,435</b>	<b>\$ 1,805,305</b>	<b>\$ 549,670</b>	<b>\$ 391,715</b>	<b>\$ 739,241</b>	<b>\$ 250,441</b>	<b>\$ 432,515</b>	<b>\$ 661,660</b>	<b>\$ 1,046,499</b>
<b>Minimum Balance</b>	<b>\$ 229,082</b>	<b>\$ 229,082</b>	<b>\$ 229,082</b>	<b>\$ 229,082</b>	<b>\$ 229,082</b>	<b>\$ 229,082</b>	<b>\$ 229,082</b>	<b>\$ 229,082</b>	<b>\$ 229,082</b>	<b>\$ 229,082</b>

Target minimum balance: 30 days of average capital expenditures during planning period



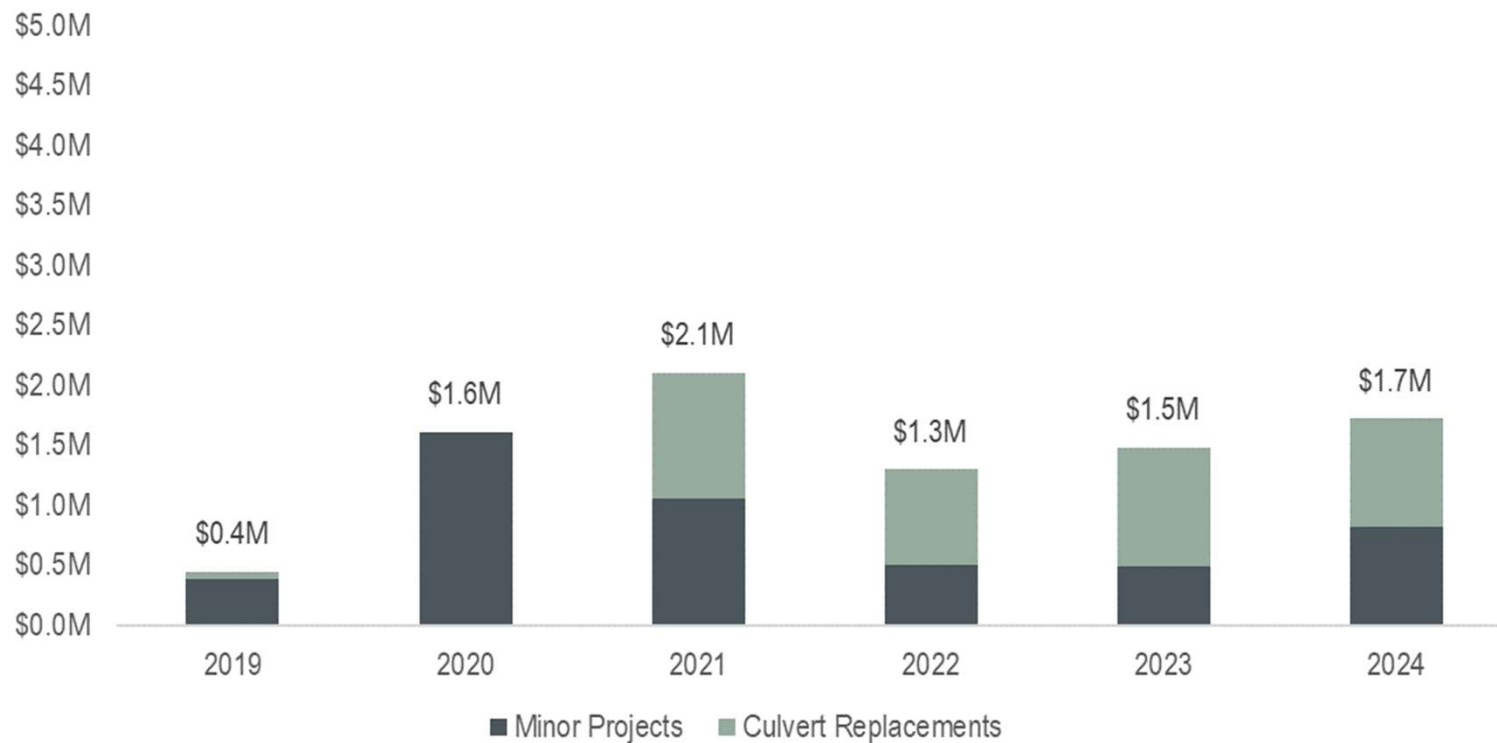


# Stormwater Revenue Requirement



## Stormwater – Capital Expenditures (\$8.6M)

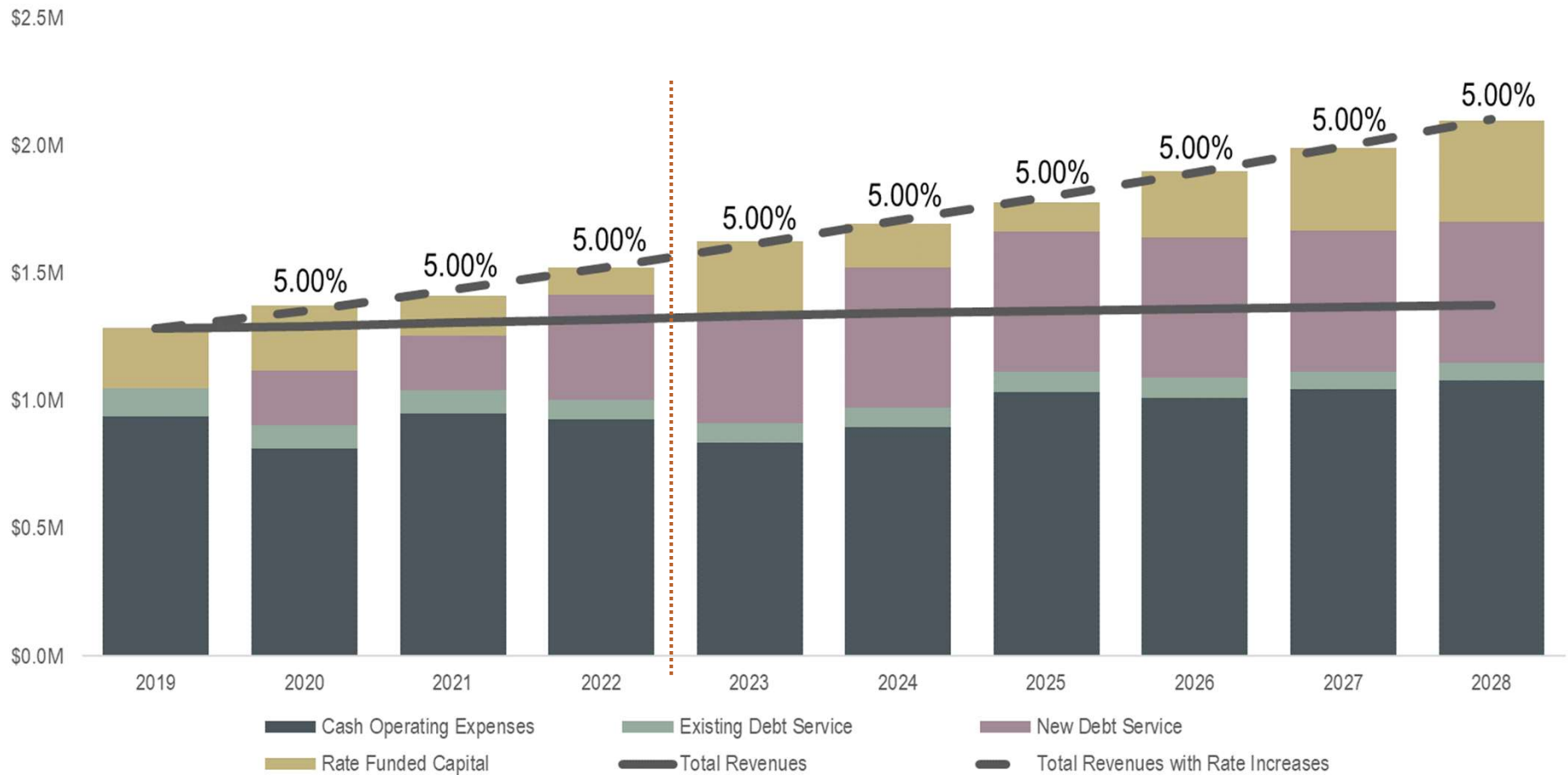
Escalated Capital Expenditures by Project





# Stormwater – Revenue Requirement

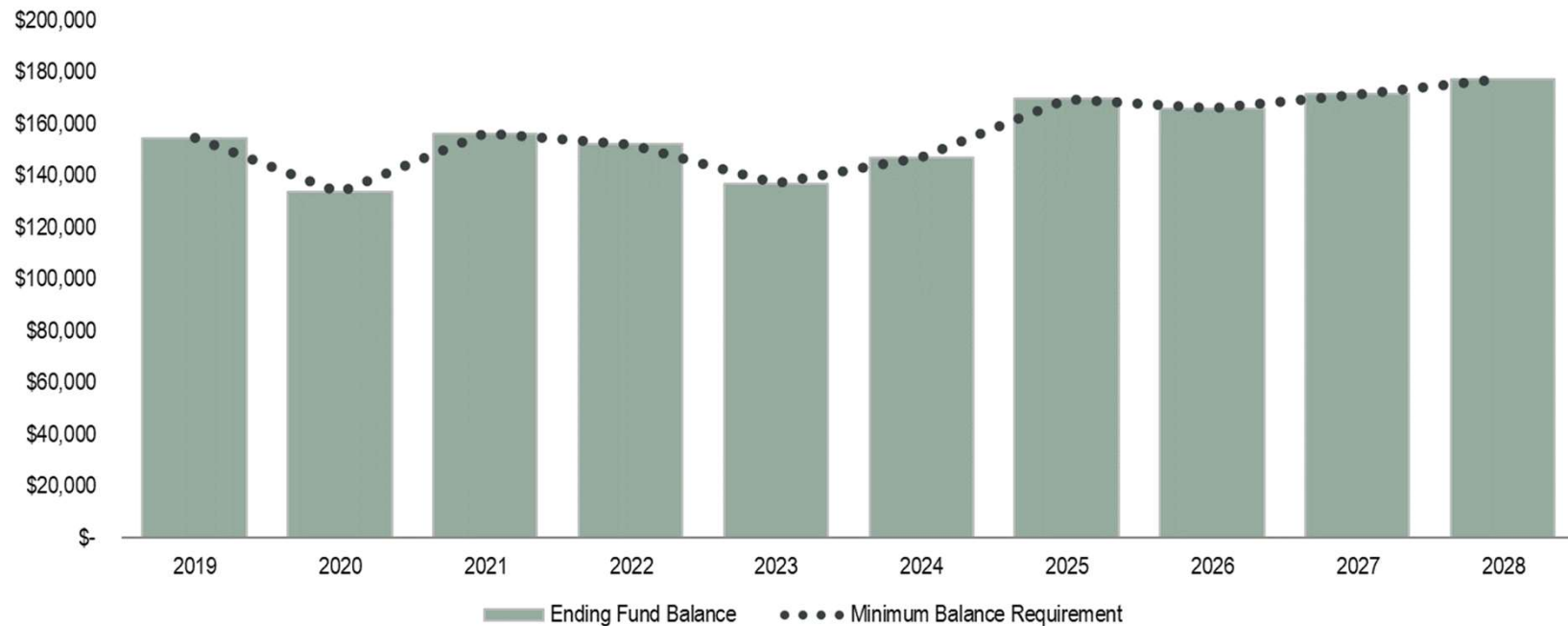
Revenue Requirement Forecast





# Stormwater – Reserves

Operating Reserve - Stormwater



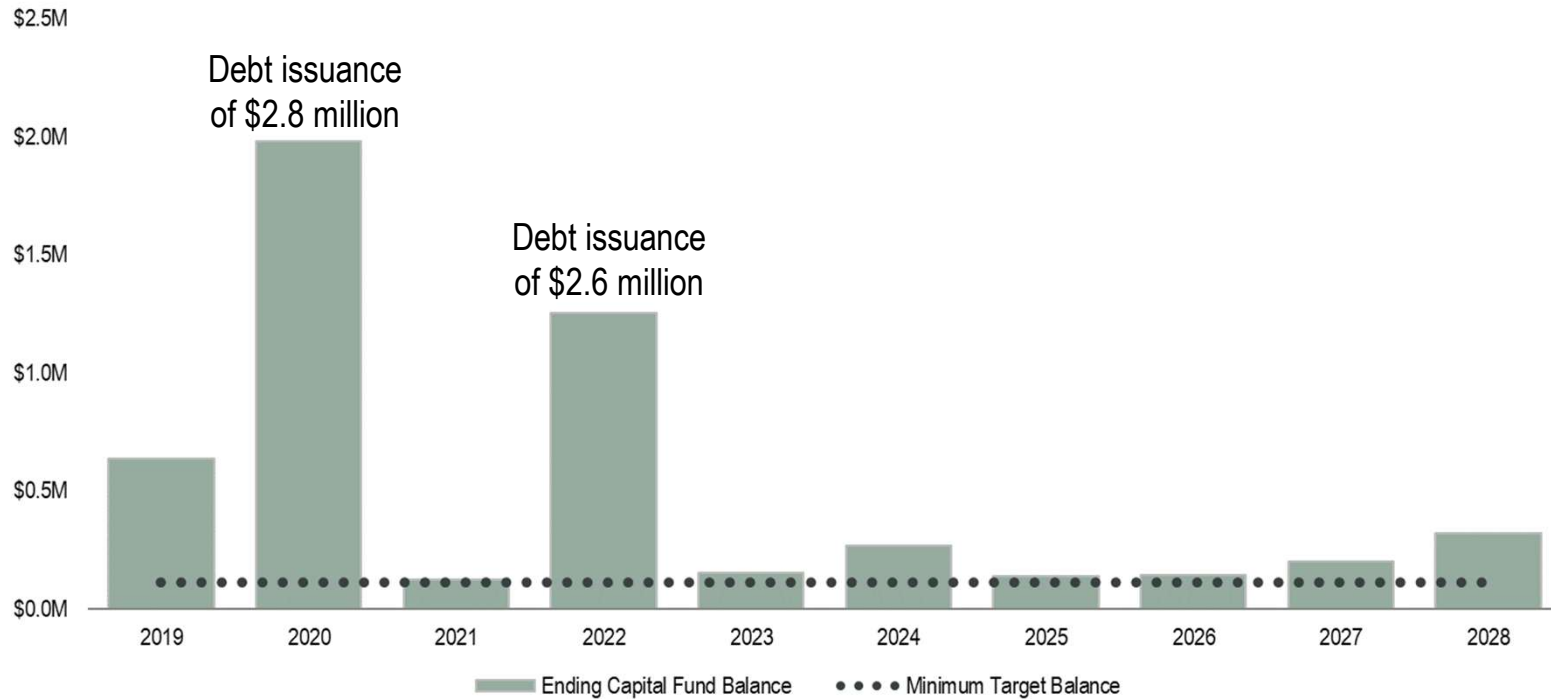
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Ending Balance	\$ 154,393	\$ 154,394	\$ 156,276	\$ 152,111	\$ 136,890	\$ 146,949	\$ 169,599	\$ 165,860	\$ 171,447	\$ 177,251
Minimum Balance	\$ 154,393	\$ 154,394	\$ 156,276	\$ 152,111	\$ 136,890	\$ 146,949	\$ 169,599	\$ 165,860	\$ 171,447	\$ 177,251

Target minimum balance: 60 days of operating expenses



# Stormwater – Reserves

Capital Reserve - Stormwater

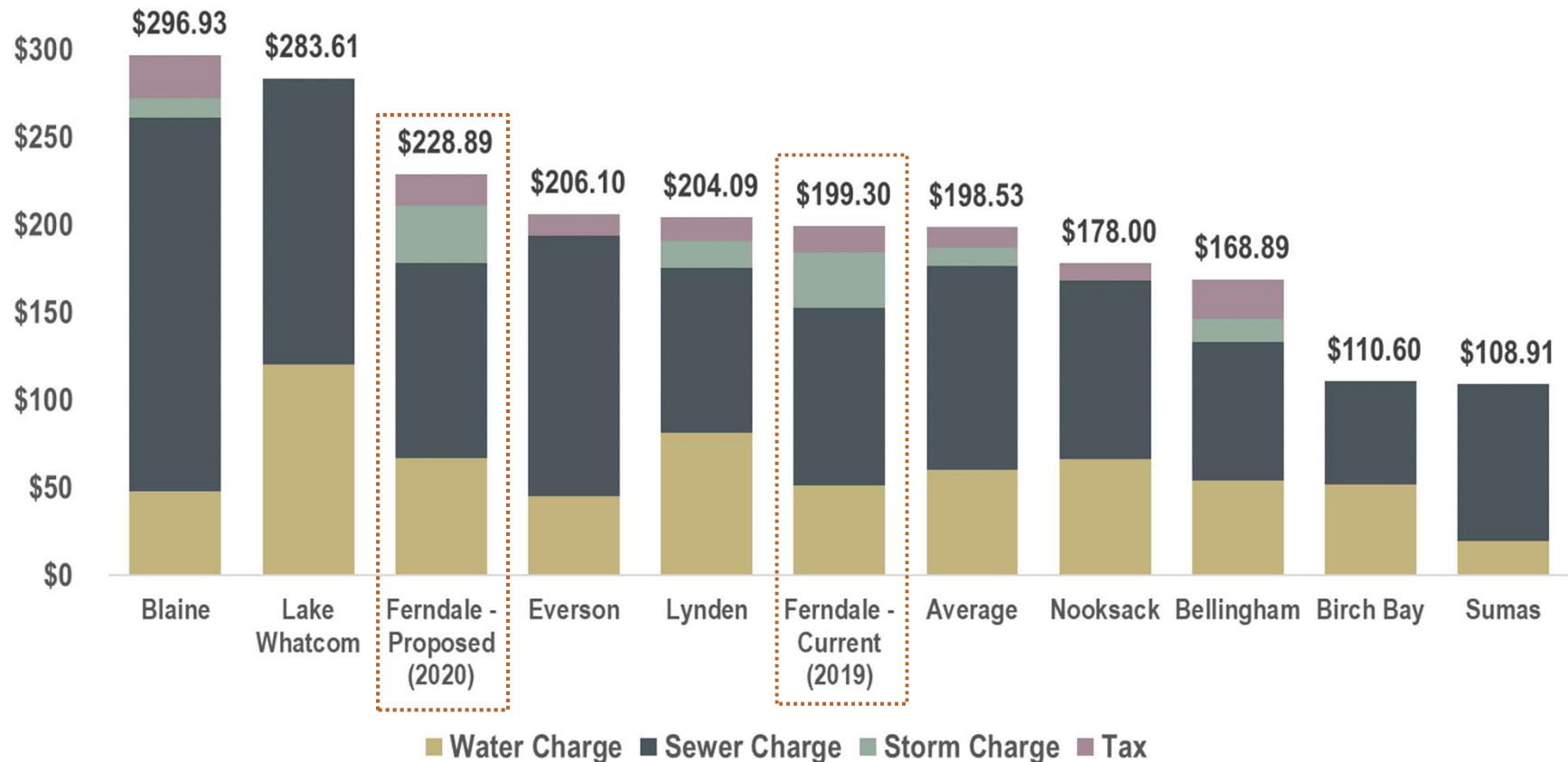


Target minimum balance: 30 days of average capital expenditures during planning period



# Interjurisdictional Comparison

Total Single Family Bimonthly Utility Bill By Jurisdiction - 11 ccf Bimonthly Usage



Bimonthly bill – assumes 11 ccf of bimonthly water/sewer usage. Calculated billings based upon 5/8" meter or lowest available and using prevailing city rates as published per city websites. **Assumes no change to current rate structure.**



## Interjurisdictional Comparison - Data Table

Jurisdiction	Water	Sewer	Storm	Tax	Total
Blaine	\$47.85	\$213.22	\$11.34	\$24.52	<b>\$296.93</b>
Lake Whatcom	\$120.21	\$163.40	\$0.00	\$0.00	<b>\$283.61</b>
Ferndale Proposed (2020)	\$66.90	\$111.26	\$33.11	\$17.62	<b>\$228.89</b>
Everson	\$45.21	\$148.52	\$0.00	\$12.37	<b>\$206.10</b>
Lynden	\$81.47	\$93.72	\$16.00	\$12.91	<b>\$204.09</b>
Ferndale Current (2019)	\$51.11	\$101.57	\$31.53	\$15.10	<b>\$199.30</b>
Average	\$60.45	\$116.04	\$10.55	\$11.49	<b>\$198.53</b>
Nooksack	\$66.16	\$101.76	\$0.00	\$10.08	<b>\$178.00</b>
Bellingham	\$54.18	\$78.80	\$13.57	\$22.34	<b>\$168.89</b>
Birch Bay	\$51.60	\$59.00	\$0.00	\$0.00	<b>\$110.60</b>
Sumas	\$19.80	\$89.11	\$0.00	\$0.00	<b>\$108.91</b>



## **Next Steps and Discussion**

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- ◆ **Future presentations to Council:**
  - Cost of Service (*tentative*)
    - Council Committee: Oct 2
    - Council: Oct 7
  
- ◆ **Council Discussion / Questions**





**Questions/Discussion**