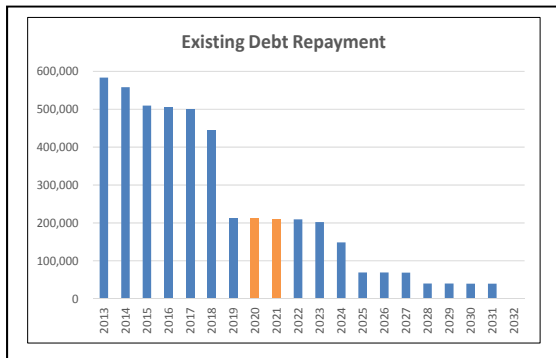
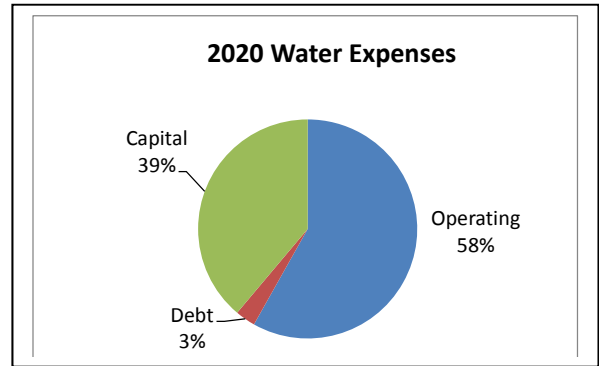




CROSS VALLEY WATER DISTRICT 2020-21 WATER RATE OUTLOOK (Board Adopted Rates on 11/5/19)

The Water Rate Outlook has been updated to reflect 2020-21 costs and revenue, along with anticipated changes to ensure that the water rates are sufficient to meet the operating, debt and the capital expenditures over the next six years. The first pie chart shows the anticipated 2020 water expenses in three slices. The operating and debt slices are 61% of the \$7 million in expenses, with capital investment in the system at 39%. A six-year outlook was prepared and rates are focused on 2020-21.

Operations – The operating expenses are expected to increase over the next two years to include inflation in costs, purchased water and meter communications for the meter replacement program. Together the new meters and leak detection equipment are identifying leaks more quickly to reduce costs and conserve resources. The District has its own wells and purchases water from the joint Clearview Water Supply Agency (CWSA) of which they are an owner, the City of Everett and a small amount from Silver Lake. CWSA also purchases water from the City of Everett at a lower rate.

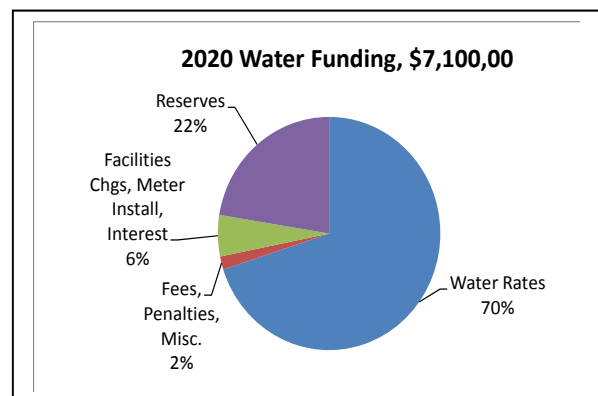


Debt Repayment – Cross Valley has been successful in obtaining low-interest loans from Washington State’s Public Works Trust Fund (P WTF) to complete major projects. These loans are being paid off over 20-years and the current outstanding debt averages less than 1.0% interest. As the existing debt payments have decreased (2020-21 in orange), the District has increased funding toward annual system replacement to continue to provide high-quality water and manage the system for future generations.

Continue with System Replacement, look to Water System Plan Update

The District has begun updates to the Water System Plan as required by the WA State Department of Health to look out 20 years in the future. These rates continue to provide funding in every year to chip away at the highest priority needs, invest in the long-term sustainability of the water system and avoid drastic impacts on customers.

Capital Investment Program – As the system ages, the goal is to manage the system for continued safe, reliable water service, avoid large unplanned projects, and maintain stability in rates and revenues. Reserves have built up from new customers paying connection fees and from savings. The District has been using reserves to fund the Echo Lake improvements, Fobes Hill and Broadway main replacement and coordinated projects with the County and State Highways. Rates are funding the meter replacement project for on-going programs for upgrading fire hydrants, pressure reducing valves, replacing asbestos cement and undersized mains, and CWSA system improvements.



Rate Outlook & Recommendation: 6.0% Annual Increase for 2020 & 2021

After reviewing the expense projections for savings, considering the anticipated increases in costs and the need to continue funding system replacement, a 6.0% annual rate increase is recommended to meet planned water expenses for 2020 & 2021.



Impact on Average Single Family 2-Month Bill

The average residential customer uses 1,600 cubic feet in two months. The impact of the adopted rates will be an increase of about \$6.00 per 2-month bill, or about \$3.00 per month.

Water Rate Recommendation	2019	2020	2021
Average Single Family 2-Mo. Bill	\$95.30	\$101.09	\$107.24
\$ Increase per 2-Mo. Bill		\$5.79	\$6.15

See Recommended Rates on page 4 for details.

Capital Improvements Funded for 2020-21

The table below shows the capital improvements by funding source in the two-year rate period. No new borrowing is anticipated and the improvements will be either funded by drawing down on reserves or funded by rates as shown. The website update, hydraulic model and geographic information system updates have been made to protect the District and customer information, and capture more system details for improved planning on capacity, reliability and smart investment in system replacement over the next 20-years.

WATER CIP FUNDING:				
The following projects are included by identified funding source.				
#	Cross Valley Water Capital Improvements	Subtotal 2020-21	2020	2021
Reserves				
4	Storage Tank Seismic Retrofit & ReCoating-Lee Forest		100,000	-
4 Split	Storage Tank Seismic Retrofit Improvements (CIV,Vine)		-	425,427
New	Filter Plant Media Replacement		109,396	-
12	Back-up Generators		-	274,385
13	CWSA Local Facilities Transmission Main, Phase II		300,000	900,000
	Water System Plan Update 2019+ (DOH approved 2/11)		150,000	42,225
New	Website, Hydraulic Model, GIS		48,000	36,579
18	AC Water Main Replacement (\$500k/yr after named proj)		262,500	275,625
New	180th, 109th & Fobes WL/PRV (\$739k - \$450k undersized main repl)		289,321	-
	Misc. Snohomish Co. and WSDOT Road/Culvert Improv.		335,024	351,775
Subtotal Reserves		\$3,900,256	\$1,594,240	\$2,306,016
Rates				
1	Financial Plan, Connection Charges, Rates		22,000	22,000
5	Well Head Protection Program Implementation		12,155	12,763
20	PRV Replacements		97,241	102,103
New	Fire Hydrant Upgrade Program		75,000	75,000
	Undersized Main Replacement (2020 apply to 180th, 109th & Fobes)		450,000	450,000
18	AC Water Main Replacement Program		362,500	375,625
	CWSA System Improvements		134,010	140,710
Subtotal Rates		\$2,331,106	\$1,152,905	\$1,178,200
Total CIP Planned for 2020-21		\$6,231,362	\$2,747,146	\$3,484,216

Growth

There are a number of small, medium and large scale projects being planned within the District boundaries. Because there is no certainty on the timing of the development, the rate outlook is conservative in the growth assumption with the equivalent of 30 new homes per year in 2020-21. Additional new connections will improve the financial outlook.

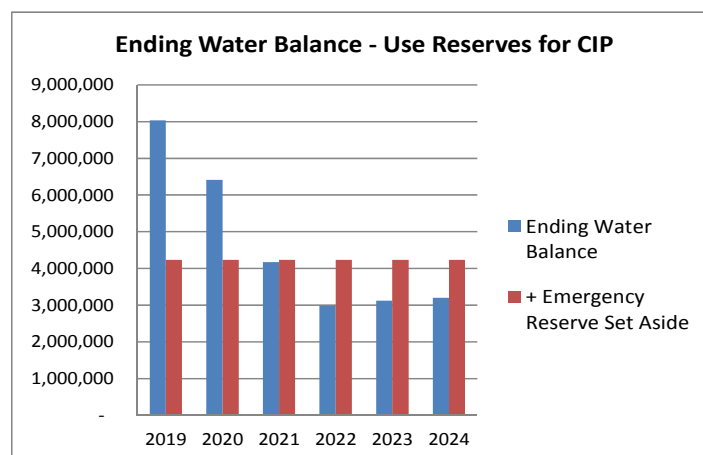


Six-Year Outlook - This water outlook demonstrates the impact on rates and reserves for completing the six-year capital improvement program. After a 6.0% increase in 2020 and in 2021, it appears that a continued 6.0% annual increase for 2022-2024 will be necessary to fund the system replacement and recommended CIP. Of course the District will revisit the financial outlook and capital improvements scheduled in two years before any future increases are considered. Other notable items:

- The District is in the process of updating the water system plan. This effort will include a review of the system, potential growth, capital improvements to be scheduled and system replacement needs.
- A new 1.9 MG reservoir at Lee Forest is identified in the current water system plan for approximately \$3.2 million in 2022. Borrowing will be necessary and is included in the six-year outlook.
- A new 640 water zone, estimated at \$6.1 million, has been moved out of this six-year window and will be reviewed with the water system plan. Additional borrowing appears to be necessary.
- The financial plan will be updated to reflect the recommendations in the Water System Plan.

CAPITAL: Borrow for \$3.1M Reservoir	2019	2020	2021	2022	2023	2024	Recommended
Additional Revenue for Capital	527,440	407,187	384,187	260,458	260,458	262,458	
Total Available for Capital	1,179,568	943,577	774,718	499,696	341,840	26,625	
Capital Improvements Funded							
Special Projects	20,000	20,000	20,000	20,000	20,000	20,000	
Capital Funded by Rates	1,209,975	1,152,905	1,178,200	1,201,764	1,225,800	1,250,316	from CIP
Add'l Revenue from Rate Increase	-	229,993	506,468	783,522	1,060,994	1,338,852	
Annual Increase/(Use) of Reserves	(50,408)	666	82,986	61,454	157,034	95,162	WITH CAPITAL
Rate Increase This Scenario		6.00%	6.00%	6.00%	6.00%	6.00%	
Single Family Base Rate 2-Mo. Bill	\$52.90	\$3.17	\$3.36	\$3.57	\$3.78	\$4.01	
	\$52.90	\$56.07	\$59.44	\$63.00	\$66.79	\$70.79	
Water Reserve Balance							
Capital Funded by Reserves	(1,159,126)	(2,044,240)	(2,306,016)	(4,327,656)	-	-	from CIP
Borrow for LF Reservoir \$3M			-	3,102,656			
Annual Increase/(Use) of Reserves from I	(44,408)	424,854	61,345	41,250	137,780	74,731	
Ending Water Balance	8,034,989	6,415,602	4,170,931	2,987,181	3,124,960	3,199,691	+ \$4.2M Emergency
+ Emergency Reserve Set Aside	4,231,000	4,231,000	4,231,000	4,231,000	4,231,000	4,231,000	

Ending Water Balance – The six-year outlook shows the ending water balance is reduced from \$8 million in 2019 to be about \$3.1 million at the end of 2024, plus an emergency reserve of \$4.2 million. The chart below demonstrates the impact on the reserves as the outlook uses the ending water balance to fund improvements. The blue bars indicate the available water balance as it is spent down. The red bars represent the emergency set aside as it remains constant from 2020-24. This scenario spends \$6.7 million in reserves over the six years for capital improvements and requires \$3.1 million to be borrowed in 2022 for the new 1.9 MG Reservoir at Lee Forest. Future improvements will likely require borrowing, such as the \$6.1 million new 640 zone, however additional new connections will improve the ending balance with connection charges. The financial plan will be updated with the updated Water System Plan recommendations.





CROSS VALLEY WATER RATES - 6.0% Increase in January 2020 & 2021

a. RESIDENTIAL customers to pay a base rate per dwelling unit.

Bimonthly Base Rate per Unit	2020	2021
	\$56.10	\$59.50

x number of dwelling units

b. NON-RESIDENTIAL (Commercial, Agriculture, Public, Industrial, Irrigation, etc.) to pay a base rate by meter size.

The differential between meter sizes adjusted to be 60% of AWWA Industry Standard meter capacity factors..

Bimonthly Base Rates	Meter Factor*	2020	2021
5/8" x 3/4" meter	1.00	\$56.10	\$59.50
3/4" x 3/4" meter	1.00	\$56.10	\$59.50
1" meter	1.50	\$84.20	\$89.30
1 1/2" meter	3.00	\$168.30	\$178.50
2" meter	4.80	\$269.30	\$285.60
3" meter	9.00	\$504.90	\$535.50
4" meter	15.00	\$841.50	\$892.50
6" meter	30.00	\$1,683.00	\$1,785.00

*Meter factors for base rates are based on 60% of AWWA meter factors

c. OTHER/MIXED-USE to pay a base rate combination of meter size and number of units.

A base rate by meter size as shown in Non-residential, plus a base rate for each additional unit.

Bimonthly Base Rates	Meter Factor*	2020	2021
5/8" x 3/4" meter	1.00	\$56.10	\$59.50
3/4" x 3/4" meter	1.00	\$56.10	\$59.50
1" meter	1.50	\$84.20	\$89.30
1 1/2" meter	3.00	\$168.30	\$178.50
2" meter	4.80	\$269.30	\$285.60
3" meter	9.00	\$504.90	\$535.50
4" meter	15.00	\$841.50	\$892.50
6" meter	30.00	\$1,683.00	\$1,785.00
Plus a per unit charge	1.00	\$56.10	\$59.50

*Meter factors for base rates are based on 60% of AWWA meter factors

d. WATER CONSUMPTION CHARGES per 100 cubic feet on all metered water usage per bimonthly period.

Usage Tier		2020	2021
0-1,500 cf	per 100 cf	\$2.78	\$2.95
1,501-3,000 cf	"	\$3.29	\$3.48
3,001-6,000 cf	"	\$4.30	\$4.55
6,001+ cf	"	\$5.60	\$5.93

1 cf = 7.48 gallons
100 cf = 748 gallons

e. Other adjustments:

Current locked off rates will be replaced by base rate.

f. Detector check rates per bimonthly period:

Bi-monthly Rate Detector Checks	Meter Factor**	2020	2021
2" DC	0.40	\$22.40	\$23.80
2.5"-3" D.C.	0.75	\$42.10	\$44.60
4" D.C.	1.25	\$70.10	\$74.40
6" D.C.	2.50	\$140.30	\$148.80
8" D.C.	4.00	\$224.40	\$238.00
10" D.C.	5.75	\$322.60	\$342.10

**Meter factors for detector checks are based on 5% of AWWA meter factors



How do Cross Valley water rates compare? While it is nice to know what others are paying for water, it is important to remember that each water system must be self-sufficient. The costs will vary depending on the type and source of water, treatment and storage requirements, transmission and distribution systems, number/type of customers and other factors.

This chart compares an average single family customer using 800 cubic feet of water in one month. Note that Cross Valley bills for two months but the typical industry comparison is on a monthly basis. The 2019 rate information was available on websites and does not reflect 2020 rates that may be under consideration for water utilities, except for Cross Valley. Many utilities adjust rates annually to keep up with cost escalation and avoid larger less-frequent increases.

