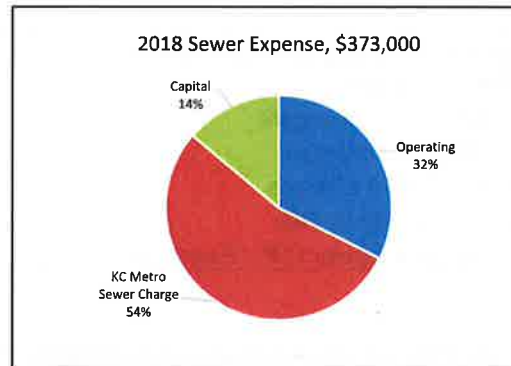




Cross Valley WD – Maltby Industrial Area Sewer 2018-19 SEWER RATE OUTLOOK (Board Adopted Rates on 2/20/18)

The sewer service area is the Maltby Industrial Area, or Maltby Urban Growth Area. Cross Valley is planning to invest in cleaning and evaluating the system over the next two years to identify capacity and improvement needs to sustain the system and accommodate allowable growth. The same philosophy from water is applied to continue safe, reliable sewer service for the long-term, avoid large unplanned projects and maintain stability in rates and revenues.

The sewer rate outlook reviews estimated costs and revenue so that the sewer rates are sufficient to meet the operating, debt and the capital expenditures over the next six years. The pie chart shows the anticipated 2018 sewer expenses in three slices. The operating expenses are about a third of the \$373,000, the King County Sewer Treatment service is about half of the cost and capital expenses are the remaining 14%. The sewer system currently has no debt repayment. The rates are focused on 2018-19.



Increased Focus on Maintenance- As the sewer system ages, it is prudent to shift the focus and increase overall system maintenance. This investment helps to take care of small repairs, avoid emergency and unplanned projects, and keep the system in good shape for long-term sustainability. The table below shows the different maintenance programs that will begin in this rate cycle. This effort will also provide more information on the state of the sewer infrastructure and capacity of the pipes as new development is being planned in the Maltby industrial area. The information gathered will help the engineers as the sewer system plan is reviewed and updated by 2021.

Sewer Maintenance Program	Benefits to Ratepayers
Sewer Mains - I&I Reduction	Reduce rain and storm drainage entering the system
Jetting and TV'ing	Clean, inspect & repair mains, find illicit connections
Manhole Inspection	Clean, inspect & repair manholes
Flow Monitoring	Monitor & measure flow, determine capacity in pipes
Lift Station - Wet Well Cleaning	Clean, inspect & repair wet wells in lift stations

Collection and Treatment Components –There are 2 components to the sewer system - collection and treatment. The District owns and operates the collection system and charges a flat rate per customer. The collection system delivers the sewage to King County for treatment and disposal. The King County charge for treatment is passed-through to each customer and is based on usage. The King County charge is \$88.00 per 2-month bill for 1500 cubic feet for 2017-18 (higher usage pays more). This charge is set by King County and billed by Cross Valley.

District Rate Outlook & Recommendation: 6.0% Annual Increase for 2018 & 2019

After reviewing the District expenses for sewer, including the increased maintenance programs, a 6.0% annual rate increase is recommended to meet planned sewer expenses for 2018 & 2019. The District flat charge will increase about \$5.00 per 2-month billing from \$85 to \$90 in 2018 and \$95 in 2019.

Additional Rate Recommendation – Convert to volume-based rate in 2019

The nature of the businesses in the Maltby area have changed over the years since the sewer was installed. The flat rate per connection made sense in the beginning, but does not reflect the varying levels of usage among current and future customers. A more equitable method of sharing the costs would be based on usage, similar to King County treatment. It is recommended that Cross Valley develop a usage-based rate and work with customers during 2018 to understand the impact. The new rate could be implemented for 2019.



Sewer Capital Improvements

There are no major sewer improvements identified for the six-year outlook. The CIP includes the purchase of necessary equipment or contracting when the amount is greater than what is included in the operating expenses. The CIP shown in the table below will be funded by reserves already set aside. The SCADA equipment will connect the sewer facilities to the same electronic monitoring system as used by water. The CIP will benefit the sewer system long-term, evaluate current capacity and necessary improvements, and prepare for updating the sewer comprehensive plan in 2021.

Sewer CIP - Funded by Reserves	2018	2019
SCADA Equipment	25,000	
Flow Monitoring Equipment	15,000	
Jetting Program kickstart	2,000	20,000
Financial, rates & charges	10,000	8,000
Sewer Comp Plan Update		in 2021
Subtotal Sewer CIP - Reserves	52,000	28,000

Growth

There are a number of projects being planned within the sewer boundary. Because there is no certainty on the timing of the development, the rate outlook is conservative in the growth assumption with the equivalent of 2 new homes in 2018 and 2019. Additional new connections will improve the financial outlook.

Recommended Sewer

Cross Valley Water District
Sewer Rate Study

Board Adopted
3/3/2018

SEWER RATES COME IN TWO PORTIONS:

- A. DISTRICT CHARGE
- B. KC METRO TREATMENT PASS-THROUGH CHARGE

A. DISTRICT CHARGE is recommended to increase 6.0% in March 2018 & January 2019

For non-residential properties in the Maltby Urban Growth Area

Bimonthly	2018	2019
Flat Rate	\$89.80	\$95.20

B. KC METRO TREATMENT PASS-THROUGH CHARGE

This is a volume-based rate of \$44.22 per 750 cubic feet of monthly consumption.

The rate is set by King County.

The current rate of \$44.22 is for 2017-2018.

Any adjustments to the rate are passed through to the customers.

C. ADDITIONAL RECOMMENDATION:

As the uses in the Maltby industrial area have changed to include varying levels of sewer usage, it is recommended that the District move from a flat rate per connection to be a volume-based rate, with a minimum amount per bill. This will be a more equitable method of sharing the costs for operating, maintaining, improving and replacing necessary sewer collection system components. The analysis could be pursued during 2018 to allow time to work with customers to anticipate the change for 2019. It is expected that the impact on each customer will vary depending on the usage.