CITY OF BLACK DIAMOND

October 23, 2008 Workstudy Agenda

25510 Lawson St., Black Diamond, Washington

7:00 P.M. – CALL TO ORDER, FLAG SALUTE, ROLL CALL

1.) Stormwater and Water User Rates Studies Mr. Boettcher/Leonard Smith

EXECUTIVE SESSION: Labor Negotiations

ADJOURNMENT:

City of Black Diamond
Water User Rates Study

BACKGROUND & PURPOSE

PacWest Engineering has been retained by the City to complete a water rate study and recommend updated rates for adoption by the City Council. The City is currently operating under a development moratorium which is anticipated to be lifted in late 2008. Significant growth is anticipated to occur within the City following the removal of the moratorium. The City desires to adopt updated water rates to ensure that the City's water rates adequately cover existing and projected costs associated with operating a water utility and providing adequate water service to its customers.

The City's water rates are comprised of two components: 1) User rates based on monthly meter rates as well as charges based on actual water consumption; and 2) Connection charges (also known as capital facility charges) which fund system improvements required as a result of new growth. This report analyzes the City's Water User Rates. An analysis of the City's Water Connection Charges is covered in a separate report.

ANALYSIS METHODOLOGY

Water rates have been analyzed for a three year period from 2009 to 2011. Since there are many assumptions incorporated into these rates based on projections of new development, it is recommended that a rate study be conducted in the future for years beyond this planning period.

A water billing consumption history for the period of June 2006 through May 2007 was utilized in developing user rate revenue assumptions. It is assumed that this time period is representative of the City of Black Diamond's water use and does not include lower than average or higher than average use due to irregular weather patterns or use consumptions.

An annual population growth rate of 2.85% has been utilized for growth projections within the existing developed City for the period following the removal of the moratoium. Additionally, the addition of new customers has been projected based on conversations with Yarrow Bay due to the fact that significant development is anticipated to occur within the City of Black Diamond during the period of analysis covered by this Water Rate Study.

Growth projections for new development are based on conversations with Yarrow Bay regarding potential build rates for development that is anticipated to occur within the City of Black Diamond. A two-year delay in projected growth has been included to provide for a more realistic assumption in projected revenues. Projections for growth have assumed a water consumption rate of 230 gallons per day per single family residence, as this is the established amount calculated for one ERU (equivalent residential unit) in the agreements between developers and the City of Black Diamond. It is assumed that connections to the system will be made in one calendar year and user rates will be charged for the new ERU's in the following year. No credit for partial years has been assumed.

PROJECTED NEW ERU CONNECTIONS (User rates assumed to begin billings in following year)				
ERU Type	**2008**	**2009**	**2010**	**2011**
ERU's (with connection charge credit)	0	0	0	0
ERU's (without connection charge credit)	0	33	34	35
TOTAL NEW ERU'S	**0**	**33**	**34**	**35**

WATER FUNDS STRUCTURE & RESERVE RECOMMENDATIONS

The City of Black Diamond currently operates with three water-related funds, as follows: Fund 401 – Water Fund; Fund 402 – Water Supply & Facility Fund; and Fund 404 – Water Reserve Fund.

It is recommended that the City restructure their water funds into the following three funds: Operating Fund; Capital Fund; and Developer Contribution Fund. The Operating and Capital funds should maintain a reserve within the fund rather than as a separate fund.

Operating Fund: The Operating Fund shall be funded by monies collected for Water User Rates and shall fund the City's Water Operations and Maintenance Program. The State requires that the City maintain a minimum reserve equivalent to 1/8 of its annual operating budget which is the equivalent of 1.5 months reserve. It is recommended that the City maintain an operating reserve that is equivalent to three months. The City currently has sufficient cash on hand to meet this reserve recommendation. This reserve helps balance cash flows due to lower revenues during winter months.

Capital Fund: The Capital fund shall be funded primarily by Water Connection Charges and shall fund expenditures related to the City's Water Capital Improvements Program. Additional funding sources such as grants and loans may supplement connection charges. Also, transfers from the Operating fund should occur to support those capital projects deemed to benefit the existing rate base.

The State requires an Emergency reserve that is equivalent to the City's most vulnerable water system facility component. The City of Black Diamond has an insurance policy which covers the transmission main crossing the Green River (the most vulnerable component of the system), which is sufficient to meet the emergency reserve requirement. In addition to the emergency reserve, the Capital fund should also maintain a reserve based on any outstanding debt service. It is recommended that a capital reserve in the amount of 50% of the annual debt service requirements be maintained in the capital fund.

Developer Contribution Fund: The City currently maintains a developer contribution fund (Fund 402 – Water Supply & Facility Fund). It is recommended that this fund be utilized to receive developer contributions for capital projects, but that the contributed funds be transferred to the capital fund as needed in support of the capital project for which the funds were contributed.

CURRENT RATES

The City's current rates are a flat structure rate and do not promote conservation by the customers. The City of Black Diamond's current user rates are as shown below:

CURRENT RATES			
Meter Size	**Meter Rate**	**Meter Rate per Additional Unit**	**Commodity Charge per 100 CF**
5/8" or ¾"	$15.55	$13.00	$1.58
1"	$19.65	$13.00	$1.58
1 ½"	$21.20	$13.00	$1.58
2"	$37.00	$13.00	$1.58
3"	$44.88	$13.00	$1.58
4"	$84.30	$13.00	$1.58

BUDGET REQUIREMENTS

The following are the projected budget requirements for a three year period. They have been developed based on the City's draft 2009 budget, which includes forecasts for 2010 and 2011. It should be noted that there are significant increases in the projected Operations and Maintenance budget over this time period. A portion of these increases is due to an additional staff person that is projected to be assigned half-time to the water system starting in 2011.

The City of Black Diamond is estimated to have approximately $1,000,000 in reserve funds between the three existing water funds at the beginning of 2009. It is recommended that the City assign $81,000 of the existing reserves as the three-month Operations and Maintenance reserve. Unless specified otherwise in the description of the alternatives, the remaining balance of the existing reserve funds are recommended to be placed in the Capital fund to augment the City's water connection charges in paying off debt and funding

capital projects. The revenue generated by these water user rates is intended to fund system operational costs only.

BUDGET REQUIREMENTS			
	2009	**2010**	**2011**
Operations, Maintenance, & Administration	$324,000	$344,000	$404,000
Project costs / Transfer to Capital Fund (improve existing deficiencies)	$0*	$0*	$0*
O&M Reserve	$0 **	$5,000	$15,000
Debt Service	$243,000	$241,000	$239,000
Yarrow Bay PWD Reimbursement	-$36,000***	-$38,000***	-$40,000***
TOTAL – O&M FUND REQ.	**$567,000**	**$590,000**	**$658,000**
* Proposed project improvements have been included in the City's Water System Plan (draft). Costs have not been included in the water rate budget requirements as it is recommended that these projects improvements be delayed and be completed as funds are available.			
** The initial O&M reserve balance of $81,000 recommended to be funded by existing reserve funds and preserved. Amounts shown reflect the necessary annual increase.			
*** The reimbursement for Public Works Director salary expenses is included for informational purposes only. This credit has not been included in the water user rate establishment as it is a temporary credit that will soon expire. It is recommended that these funds be utilized to fund capital projects to address existing deficiencies.			

USER RATES ANALYSIS

The Municipal Water Law was passed by the Washington State Legislature in 2003 and included language that all municipal water suppliers must use water more efficiently in exchange for water right certainty and flexibility to help them meet future demands. The City of Black Diamond is required to develop and monitor a Water Use Efficiency (WUE) program. One component of the City's Water Use Efficiency Program is to evaluate rate structures that promote water savings.

Several alternative water rates were evaluated for the City of Black Diamond. Details regarding each of the alternatives considered, as well as a summary of projected revenue for each alternative are listed on the following pages:

Alternative "A" – Debt Service (Fixed Rates & Commodity Rates increase at same percent – Constant increase over 3 years):

Alternative "A" evaluated a 27% increase in rates for each of the three years. The increase was applied to all components of the user rate calculations (meter rate, meter rate per additional unit, and commodity charges). Alternative "A" meets the City's Operation and Maintenance budget needs and also addresses debt service requirements. It is a "rate predictable" alternative. Alternative "A" does not encourage conservation by the customers.

ALTERNATIVE "A" - 2009			
Meter Size	**Meter Rate**	**Meter Rate per Additional Unit**	**Commodity Charge per 100 CF**
5/8" or ¾"	$19.75	$16.51	$2.01
1"	$24.96	$16.51	$2.01
1 ½"	$26.92	$16.51	$2.01
2"	$46.99	$16.51	$2.01
3"	$57.00	$16.51	$2.01
4"	$107.06	$16.51	$2.01

ALTERNATIVE "A" – ANNUAL % INCREASES		
Year	**% Increase (Meter Rates)**	**% Increase (Commodity Charge)**
2008 to 2009	27%	27%
2009 to 2010	27%	27%
2010 to 2011	27%	27%

ANTICIPATED REVENUE ANALYSIS – IF CURRENT RATES WERE MAINTAINED FOR THE NEXT THREE YEARS				
	2009	**2010**	**2011**	**2009 - 2011**
Anticipated Revenue	$354,000	$366,000	$379,000	$1,099,000

ANTICIPATED REVENUE ANALYSIS – ALTERNATIVE "A"				
	2009	**2010**	**2011**	**2009 - 2011**
Anticipated Revenue	$450,000	$590,000	$775,000	$1,815,000
Budget Requirements	$567,000	$590,000	$658,000	$1,815,000
Difference	**-$117,000**	**$0**	**$117,000**	**$0**

Alternative "B" – Conservation Rates + Debt Service (Fixed Rates & Commodity Rates increase at same percent – Constant increase over three years):

Alternative "B" evaluated a tiered commodity rate system to encourage conservation efforts. Base meter rates and rates for additional units increased at the same percentage (23%) as the first tier for commodity charges (0-600 CF). Meter rates and commodity charge rates continue to increase at this same rate for the subsequent two years. Subsequent tiers increase at a 15% increase per tier in order to generate sufficient revenue to fund current debt service payments. It is assumed that existing reserve funds would be utilize to fund debt service costs initially and these monies would be repaid as rate revenues were received.

ALTERNATIVE "B" – 2009 RATES					
Meter Size	**Meter Rate**	**Meter Rate per Additional Unit**	**Commodity Charge per 100 CF (0-600 CF)**	**Commodity Charge per 100 CF (601 – 1,200 CF)**	**Commodity Charge per 100 CF (1,200+ CF)**
5/8" or ¾"	$19.13	$15.99	$1.94	$2.23	$2.57
1"	$24.17	$15.99	$1.94	$2.23	$2.57
1 ½"	$26.08	$15.99	$1.94	$2.23	$2.57
2"	$45.51	$15.99	$1.94	$2.23	$2.57
3"	$55.20	$15.99	$1.94	$2.23	$2.57
4"	$103.69	$15.99	$1.94	$2.23	$2.57

ALTERNATIVE "B" – ANNUAL % INCREASES		
Year	**% Increase (Meter Rates)**	**% Increase (Commodity Charge – Tier 1)**
2008 to 2009	23%	23%
2009 to 2010	23%	23%
2010 to 2011	23%	23%

ALTERNATIVE "B" –COMMODITY CHARGE % INCREASES		
Year	**% Increase (Tier 1 to Tier 2)**	**% Increase (Tier 2 to Tier 3)**
2009	15%	15%
2010	15%	15%
2011	15%	15%

ANTICIPATED REVENUE ANALYSIS – ALTERNATIVE "B"				
	2009	**2010**	**2011**	**2009 - 2011**
Anticipated Revenue	$467,000	$594,000	$754,000	$1,815,000
Budget Requirements	$567,000	$590,000	$658,000	$1,815,000
Difference	**-$100,000**	**$4,000**	**$96,000**	**$0**

Alternative "C" – Conservation Rates + Debt Service (Fixed Rates & Commodity Rates increase at same percent – Constant Increase over three years – Debt service partially subsidized by existing fund balance):

Alternative "C" is similar in structure to Alternative "B", with the exception that $243,000 of the debt service is assumed to be funded by the existing fund balance over the three year period. This results in an annual increase of 15% in order to generate sufficient funds. Any additional monies, such as revenues for growth beyond that which is assumed, or the funding of the Public Works Director could also be used to help fund the debt service.

ALTERNATIVE "C" – 2009 RATES					
Meter Size	**Meter Rate**	**Meter Rate per Additional Unit**	**Commodity Charge per 100 CF (0-600 CF)**	**Commodity Charge per 100 CF (601 – 1,200 CF)**	**Commodity Charge per 100 CF (1,200+ CF)**
5/8" or ¾"	$17.88	$14.95	$1.82	$2.09	$2.40
1"	$22.60	$14.95	$1.82	$2.09	$2.40
1 ½"	$24.38	$14.95	$1.82	$2.09	$2.40
2"	$42.55	$14.95	$1.82	$2.09	$2.40
3"	$51.61	$14.95	$1.82	$2.09	$2.40
4"	$96.95	$14.95	$1.82	$2.09	$2.40

ALTERNATIVE "C" – ANNUAL % INCREASES		
Year	**% Increase (Meter Rates)**	**% Increase (Commodity Charge – Tier 1)**
2008 to 2009	15%	15%
2009 to 2010	15%	15%
2010 to 2011	15%	15%

ALTERNATIVE "C" –COMMODITY CHARGE % INCREASES		
Year	**% Increase (Tier 1 to Tier 2)**	**% Increase (Tier 2 to Tier 3)**
2009	15%	15%
2010	15%	15%
2011	15%	15%

ANTICIPATED REVENUE ANALYSIS – ALTERNATIVE "C"				
	2009	**2010**	**2011**	**2009 - 2011**
Anticipated Revenue	$437,000	$519,000	$616,000	$1,572,000
Budget Requirements	$486,000	$509,000	$577,000	$1,572,000
Difference	**-$49,000**	**$10,000**	**$39,000**	**$0**

Comparison of Alternatives:

ANTICIPATED REVENUE – RATE ALTERNATIVES				
	2009	2010	2011	2009-2011
"A"	$450,000	$590,000	$775,000	$1,815,000
"B"	$467,000	$594,000	$754,000	$1,815,000
"C"	$437,000	$519,000	$616,000	$1,572,000

COMPARISON OF ALTERNATIVES					
Alternative	Meet O&M Budget Needs	Meet Exist. Deficiency Budget Needs	Max of 10% Increase +/-	Funds Debt Service	Encourage Conservation
"A"	Yes	No	No	Yes	No
"B"	Yes	No	No	Yes	Yes
"C"	Yes	No	No	Yes	Yes

USER RATE RECOMMENDATIONS

It is recommended that the City of Black Diamond adopt updated water user rates as outlined in Alternative "C" above. Alternative "C" represents a 15% annual increase across the board (meter rates, meter rates per additional units, and commodity charges).

Alternative "C" will provide sufficient revenue from user rates to support the City's project Operations and Maintenance budget needs, as well as to pay off debt. This alternative also promotes conservation with a 15% increase between tiers on the commodity charges.

Alternative "C" does not address funding of projects to address existing system deficiencies. However, none of the alternatives considered generate sufficient revenue. Revenues collected in excess of budget expenses can be dedicated to capital projects and may allow for an opportunity to begin early design or construction of some projects. The City has not raised their rates in quite some time and a larger increase would be required in order to fully fund all system needs. However, due to the financial effects on customers, it is recommended that the City push back some of these improvement projects to later years or utilize reserve funds and adopt these lower rates and continue to adjust the rates as necessary in order to eventually have the water user rates be in line with the budgetary needs.

The revenue assumptions included in this study are conservative in that they assume only residential users with a single meter. In reality, there is a mix of user types which will result in increased revenues due to higher meter rates for larger meter sizes, as well s the additional revenues associated with meter rates for additional units. These conservative assumptions help to offset any reductions in anticipated revenues due to a reduction in water use. A tiered water rate system which encourages conservation could result in a decrease of water use typically in the range of two to five percent.

RECOMMENDED WATER USER RATES – YEAR 2009					
Meter Size	**Meter Rate**	**Meter Rate per Additional Unit**	**Commodity Charge per 100 CF (0-600 CF)**	**Commodity Charge per 100 CF (601 – 1,200 CF)**	**Commodity Charge per 100 CF (1,200+ CF)**
5/8" or ¾"	$17.88	$14.95	$1.82	$2.09	$2.40
1"	$22.60	$14.95	$1.82	$2.09	$2.40
1 ½"	$24.38	$14.95	$1.82	$2.09	$2.40
2"	$42.55	$14.95	$1.82	$2.09	$2.40
3"	$51.61	$14.95	$1.82	$2.09	$2.40
4"	$96.95	$14.95	$1.82	$2.09	$2.40

BUDGET ANALYSIS

The water user rates that have been recommended for the City of Black Diamond are adequate to meet anticipated budget expenses as summarized in the following table. It should be noted that the revenue predictions are a conservative estimate and assume that all future growth will be single family residential growth. Any multi-family or commercial growth will result in additional revenue generated. It is recommended that the rates be re-evaluated in the future should actual growth vary greatly from these assumptions.

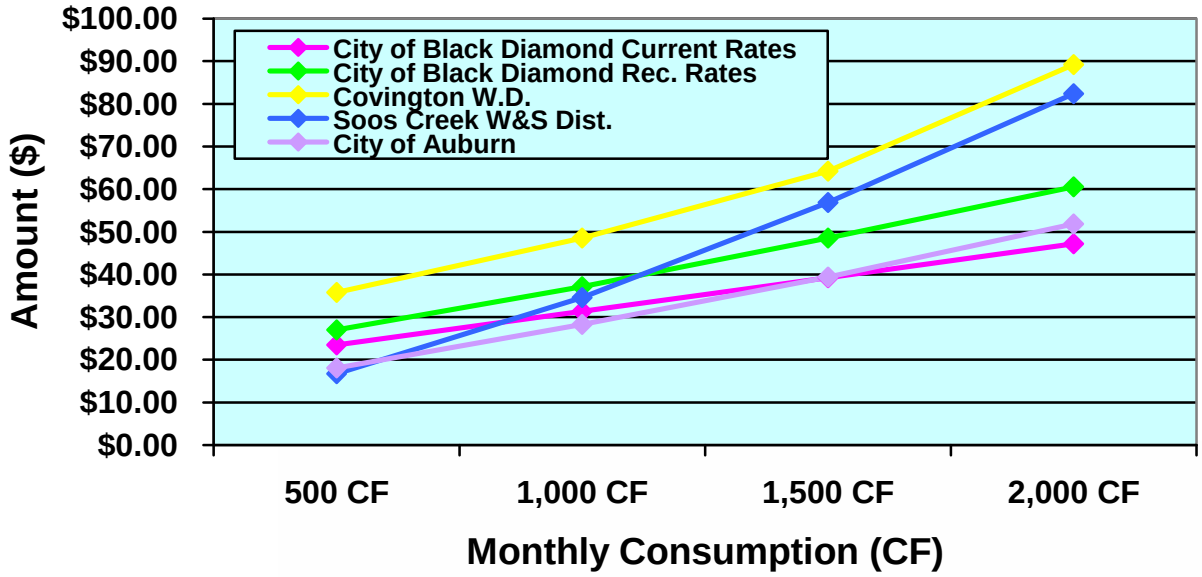
BUDGET EXPENSES VS REVENUE				
Alternative	**2009**	**2010**	**2011**	**2009-2011**
Operations, Maintenance, & Administration Expenses	$324,000	$344,000	$404,000	**$1,072,000**
O&M Reserve funded by Rates*	$0	$5,000	$15,000	**$20,000**
Debt Service	$243,000	$241,000	$239,000	**$723,000**
Subtotal Expenses	**$567,000**	**$590,000**	**$658,000**	**$1,815,000**
Anticipated Revenue	$437,000	$519,000	$616,000	**$1,572,000**
Debt Service Revenue funded by Existing Fund Balance	$130,000	$71,000	$42,000	**$243,000**
Revenue less Expenses	**$0**	**$0**	**$0**	**$0**
*Initial balance of $81,000 recommended to be funded by existing reserve funds and preserved. The amounts shown reflect the necessary annual increase.				

It is recommended that the City dedicate any excess funds that may be collected from water user rates towards capital project expenses that address existing system deficiencies and are not typically funded by connection charges. Additionally, it is recommended that the temporary Yarrow Bay Reimbursement of the Public Works Director salary be dedicated towards capital project expenses as well. Should a lower amount of revenue be collected than anticipated, these excess funding will also be available to fund Operations and Maintenance expenses if necessary. These funds are able to cover any fluctuations in rate collections.

JURISDICTIONAL COMPARISON OF USER RATES

The water user rates that have been recommended for the City of Black Diamond are consistent with rates that have been adopted by nearby jurisdictions of similar size. The City of Black Diamond is in the middle of the range for low consumption users for both the current user rates and the recommended user rates. With the current rates, the City of Black Diamond is at the bottom of the range for high users. With the recommended rates, the City will be in the middle of the range for high users, while still significantly below Covington Water District and Soos Creek Water and Sewer District. The following table provides a comparison of monthly water user rates between a typical single family residential user for various levels of consumption.

JURISDICTIONAL COMPARISON (SFR USER)					
	City of Black Diamond (Current Rates)	**City of Black Diamond (Rec. Rates)**	**Covington Water (Summer Rates)**	**Soos Creek (Summer Rates)**	**City of Auburn**
Adopted / Recommended Rates					
Meter Base Rate	$15.55	$17.88	$25.00	$8.85	$9.08
Consump. Rate for 500 CF	$1.58	$1.82	$2.15	$1.58	$1.80
Consump. Rate for 1,000 CF	$1.58	$2.09	$3.15	$3.56	$2.21
Consump. Rate for 1,500 CF	$1.58	$2.40	$3.15	$4.46	$2.21
Consump. Rate for 2,000 CF	$1.58	$2.40	$5.45	$5.10	$2.50
Typical Monthly Bill					
500 CF	$23.45	$26.98	$35.75	$16.75	$18.08
1,000 CF	$31.35	$37.16	$48.50	$34.55	$28.31
1,500 CF	$39.25	$48.54	$64.25	$56.85	$39.36
2,000 CF	$47.15	$60.54	$89.20	$82.35	$51.86


$100.00
$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
Amount ($)
City of Black Diamond Current Rates
City of Black Diamond Rec. Rates
Covington W.D.
Soos Creek W&S Dist.
City of Auburn
500 CF
1,000 CF
1,500 CF
2,000 CF
Monthly Consumption (CF)

City of Black Diamond
Storm Drainage User Rates Study

BACKGROUND & PURPOSE

The City of Black Diamond is operating under a National Pollution Discharge Elimination System (NPDES) Phase II Municipal Stormwater Permit. As part of meeting the permit requirements, the City is pursuing the establishment and adoption of a storm drainage utility. This user rate study has been prepared to determine the appropriate storm drainage user rates to be imposed on customers.

The City is currently operating under a development moratorium which is anticipated to be lifted in late 2008. Significant growth is anticipated to occur within the City following the removal of the moratorium. The City desires to adopt storm drainage user rates to ensure that collected revenue adequately covers existing and projected costs associated with operating a storm utility and providing adequate service to its customers.

The City's storm rates are comprised of two components: 1) User rates based on monthly storm rates as well as charges based on impervious surface areas; and 2) Connection charges (also known as capital facility charges) which fund system improvements required as a result of new growth. This report analyzes the City's Storm Drainage User Rates. An analysis of the City's Storm Drainage Connection Charges is covered in a separate report.

ANALYSIS METHODOLOGY

Storm drainage user rates have been analyzed for a three year period from 2009 to 2011. Since there are many assumptions incorporated into these rates based on projections of new development, it is recommended that a rate study be conducted in the future for years beyond this planning period.

An annual population growth rate of 2.85% has been utilized for growth projections within the existing developed City for the period following the removal of the moratorium. Additionally, the addition of new customers has been projected based on conversations with Yarrow Bay due to the fact that significant development is anticipated to occur within the City of Black Diamond during the period of analysis covered by this Storm Rate Study.

Growth projections for new development are based on conversations with Yarrow Bay regarding potential build rates for development that is anticipated to occur within the City of

Black Diamond. A two-year delay in projected growth has been applied to Yarrow Bay projections to provide for a more realistic assumption in projected revenues.

It should be noted that the customer basis for the stormwater utility is different than the customers for either the water or sewer utility billings. The stormwater utility will be imposed on all developed properties within the City of Black Diamond, regardless of the purveyor for sewer and/or water service. The inclusion of storm drainage utility customers in the Lake Sawyer area is the most important distinction between the customers for the various utility billings.

Storm drainage utility needs have been analyzed on a per Equivalent Residential Unit (ERU) basis. 2,500 square feet has been established as one equivalent residential unit. All single-family residences are equal to one ERU, duplexes are equal to two ERU's, and triplexes are equal to three ERU's. The number of ERUs for all other developed properties were determined by field measuring the area of impervious ground cover and dividing by 2,500 square feet per ERU. The number of ERU's for each developed property has been rounded up to the nearest half of an ERU. Each developed property has been assumed to contain a minimum of one ERU. The storm drainage utility rates are not imposed on undeveloped parcels nor public roadway right-of-ways.

It is assumed that connections to the system will be made in one calendar year and user rates will be charged for the new ERU's in the following year. No credit for partial years has been assumed.

PROJECTED ERU CONNECTIONS (User rates assumed to begin billing in following year for new ERU's)			
2008	**2009**	**2010**	**2011**
2345.5	2412.5	2481.5	2552.5

STORM DRAINAGE FUNDS STRUCTURE & RESERVE RECOMMENDATIONS
It is recommended that the City of Black Diamond establish two storm-related funds, as follows: Fund #1 – Storm Operating Fund; and Fund #2 – Storm Capital Fund. The Operating and Capital funds should maintain a reserve within the fund rather than as a separate fund.

Operating Fund: The Operating Fund shall be funded by monies collected for Storm Drainage User Rates and shall fund the City's Storm Operations and Maintenance Program. It is recommended that the City maintain an operating reserve that is equivalent to three months. It is recommended that this reserve be built up over the first three years that the fund is established. This reserve helps balance cash flows.

Capital Fund: The Capital fund shall be funded primarily by Storm Drainage Connection Charges and shall fund expenditures related to the City's Storm Drainage Capital Improvements Program. Additional funding sources such as grants and loans may supplement connection charges. Also, transfers from the

Operating fund should occur to support those capital projects deemed to benefit the existing rate base. It is recommended that the City maintain a capital reserve based on any outstanding debt service. It is recommended that at a minimum a capital reserve in the amount of 50% of the annual debt service requirements be maintained in the capital fund.

BUDGET REQUIREMENTS

The following are the projected budget requirements for a three year period. They have been developed based on the City's preliminary 2009 budget, which also includes forecasts for 2010 and 2011.

BUDGET REQUIREMENTS			
	2009	**2010**	**2011**
Operations, Maintenance, & Administration	$222,000	$237,000	$290,000
Sewer Debt Repayment	$20,000	$20,000	$20,000
O&M Reserve *	$23,000	$25,000	$25,000
Project costs / Transfer to Capital Fund ** Phase II Implementation	$100,000	$100,000	$100,000
Yarrow Bay PWD Reimbursement ***	*-$36,000*	*-$38,000*	*-$40,000*
TOTAL – O&M FUND REQ.	**$365,000**	**$382,000**	**$435,000**
* The O&M reserve balance is recommended to be $73,000 over the three year period. It is recommended that this be built up over the three year period.			
** Proposed project improvements will be included in the City's Storm Comprehensive Plan currently being developed.			
*** The reimbursement for Public Works Director salary expenses is included for informational purposes only. This credit has not been included in the storm user rate establishment as it is a temporary credit that will soon expire. It is recommended that these funds be utilized to retire the sewer loan early or to fund capital projects to address existing system deficiencies.			

USER RATE RECOMMENDATIONS

The table below outlines the recommended stormwater user rate for the next three years. It is recommended that the City of Black Diamond adopt a three-year rate. At the end of the three year period, it is recommended that the City evaluate and revise the rate as necessary. The proposed rate increase for 2010 is 4.6% and 4.4% for 2011.

The rate has been established at a level that will support an annual budget for project costs to address existing system deficiencies. This will allow for the collection of monies early after the storm rates are established. These monies can be used to start design of capital improvement projects or the City may elect to direct these monies to early repayment of debt to the sewer fund.

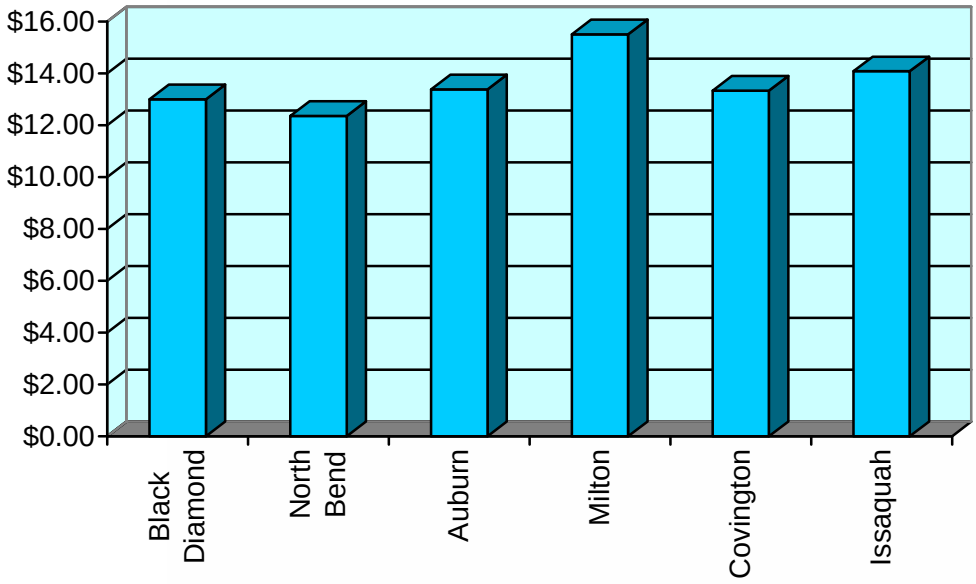
RECOMMENDED STORM USER RATES		
2009	**2010**	**2011**
$13.00	$13.60	$14.20

BUDGET EXPENSES VS REVENUE (STORM USER RATES)				
	2009	2010	2011	2009 - 2011
Revenue	$366,000	$394,000	$423,000	$1,183,000
Expenses	$365,000	$382,000	$435,000	$1,182,000
Difference	**$1,000**	**$12,000**	**-$12,000**	**$1,000**

JURISDICTIONAL COMPARISON OF USER RATES

The storm user rates that have been recommended for the City of Black Diamond are consistent with rates that have been adopted by nearby jurisdictions of similar size. The City of Black Diamond recommended rates are towards the middle of the various rates for the jurisdictions included in the comparison. The following table provides a comparison of monthly storm user rates for a single family residential user.

JURISDICTIONAL COMPARISON (SFR USER)						
City of Black Diamond (Rec. Rates)	City of North Bend	City of Auburn	City of Milton	City of Covington	City of Issaquah	Average (not. Incl. Black Diamond)
$13.00	$12.36	$13.38	$15.50	$13.33	$14.08	$13.73



City of Black Diamond Proposed Rate Increases

Single Family Customer (500 CF water consumption)

		Water	Storm Drainage	Total
2008	Current Rate	$ 23.45	$ -	$ 23.45
	Proposed Rate	$ 26.98	$ 13.00	$ 39.98
	$ Increase	$ 3.53	$ 13.00	$ 16.53
2009	% Increase	15.1%	N/A	70.5%
	Proposed Rate	$ 31.03	$ 13.60	$ 44.63
	$ Increase	$ 4.05	$ 0.60	$ 4.65
2010	% Increase	15.0%	4.6%	11.6%
	Proposed Rate	$ 35.68	$ 14.20	$ 49.88
	$ Increase	$ 4.65	$ 0.60	$ 5.25
2011	% Increase	15.0%	4.4%	11.8%

Sample Monthly Utility Bills

Current Rates vs. Proposed Rates

These sample bills assume that all customers are residential users with a single meter unless otherwise noted. These sample bills are based on consumption data for July 2008.

WATER USE	Number of Customers	Total Monthly Consumption	Average Consumption
0-1,000 CF	496	237,338	479
1,001-1,500 CF	150	182,512	1,217
1,500+ CF	199	529,795	2,662

WATER	Monthly Bill with Current Rates	Monthly Bill with Proposed Rates	Increase
Average "Low Consumer" (479 CF)	$23.17	$26.60	$3.43
Average "Medium Consumer" (1,217 CF)	$34.78	$41.75	$6.97
Average "High Consumer" (2,662 CF)	$57.61	$76.43	$18.82

STORM	Monthly Bill with Current Rates	Monthly Bill with Proposed Rates	Increase
Single Family Residential	$0.00	$13.00	$13.00
Duplex	$0.00	$26.00	$26.00
Triplex	$0.00	$39.00	$39.00
Commercial (10,000 SF)	$0.00	$52.00	$52.00

Commercial ($13.00 / ERU); 1 ERU = 2,500 SF impervious surface