



Town of Friday Harbor,
Washington

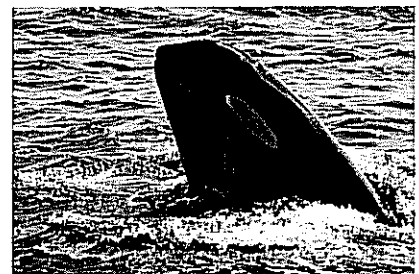
Final Report for
**WATER, SEWER &
STORMWATER
UTILITY RATE
STUDY**

June 2008

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SECTION I

STUDY FRAMEWORK

A. STUDY INTRODUCTION

In 2007, Town of Friday Harbor authorized FCS GROUP to complete a Water, Sewer & Stormwater Utility Rate Study and Right-to-Connect Charge Update. The scope of the project included the following elements:

- Assess revenue needs for a multi-year period that include adequate funding for operations and maintenance, capital projects, debt service, and other program activities.
- Project long-term capital needs and incorporate these needs into a long-term funding forecast that includes rates, debt, right-to-connect charges and existing reserves.
- Review and update the water, sewer and stormwater right-to-connect charges.

These scope elements are addressed throughout each phase of the work described in this report. Where possible, specific responses to individual questions raised in this list have been provided in the narrative.

B. UTILITY RATE SETTING PRINCIPLES AND METHODOLOGY

The methods used to establish utility rates are based on principles that are generally accepted and widely followed throughout the industry. These principles are designed to produce rates that equitably recover costs from each class of customer by setting the appropriate level of revenue to be collected from ratepayers, and establishing a rate structure to equitably collect those revenues.

The primary tasks of the rate study are listed below:

- **Rate Revenue Requirements Analysis.** This analysis identified the total revenue requirement to fully fund each utility on a stand alone basis, considering operating and maintenance expenditures, forecasts capital funding goals, debt requirements and policy objectives.
- **Rate Design Analysis.** This analysis includes the development of rates that generate sufficient revenue to meet each system's revenue requirement forecast and continue to address the Town's pricing objectives (e.g. conservation).

B.1 REVENUE REQUIREMENTS ANALYSIS

A revenue requirement analysis forms the basis for a long-range financial plan and multi-year rate management strategy for each utility. It also enables the Town to set utility rate structures, which

fully recover the total costs of operating each utility: capital improvement and replacement, operations, maintenance, general administration, fiscal policy attainment, cash reserve management, and debt repayment. Linking utility rate levels to a financial plan such as this helps to enable not only sound financial performance for the Town's utility enterprise funds, but also a clear and reasonable relationship between the costs imposed on utility customers and the costs incurred to provide them the service.

When FCS GROUP conducts a revenue requirements analysis – the financial plan for each utility – it includes the following core elements to form a complete portrayal of the utility's financial obligations:

- *Fiscal Policy Analysis* – Identifies formal and informal fiscal policies of the Town to ensure that current policies are maintained, including: reserve levels, capital/system replacement funding and debt service coverage targets.
- *Capital Funding Plan* – Defines a strategy for funding the Town's capital improvement program, including an analysis of available resources from rate revenues, right-to-connect charges, debt financing, and any special resources that may be readily available (e.g., grants, developer participation, etc.). Includes any planned or recommended accumulation and use of dedicated reserves for asset renewal and replacement projects.
- *Operating Forecast* – Identifies future annual non-capital costs associated with the operation, maintenance, and administration of the utility systems.
- *Reserve Analysis* – Forecasts cash flow and fund balance activity in the Town's utility reserves. Tests for satisfaction of actual or recommended minimum fund balance policies, including working capital / operating reserves and capital contingency / emergency reserves.
- *Sufficiency Testing* – Evaluates the sufficiency of utility revenues in meeting all obligations, including cash uses such as operating expenses, debt service, capital outlays, and reserve contributions, as well as any coverage requirements associated with long-term debt.
- *Strategy Development* – Designs a forward-looking strategy for adjusting utility resources to fully fund all utility obligations on a periodic or annual basis over the projection period.

From this foundation, utility rate structures can be adjusted to meet the defined annual and long-term funding target as well the Town's pricing objectives.

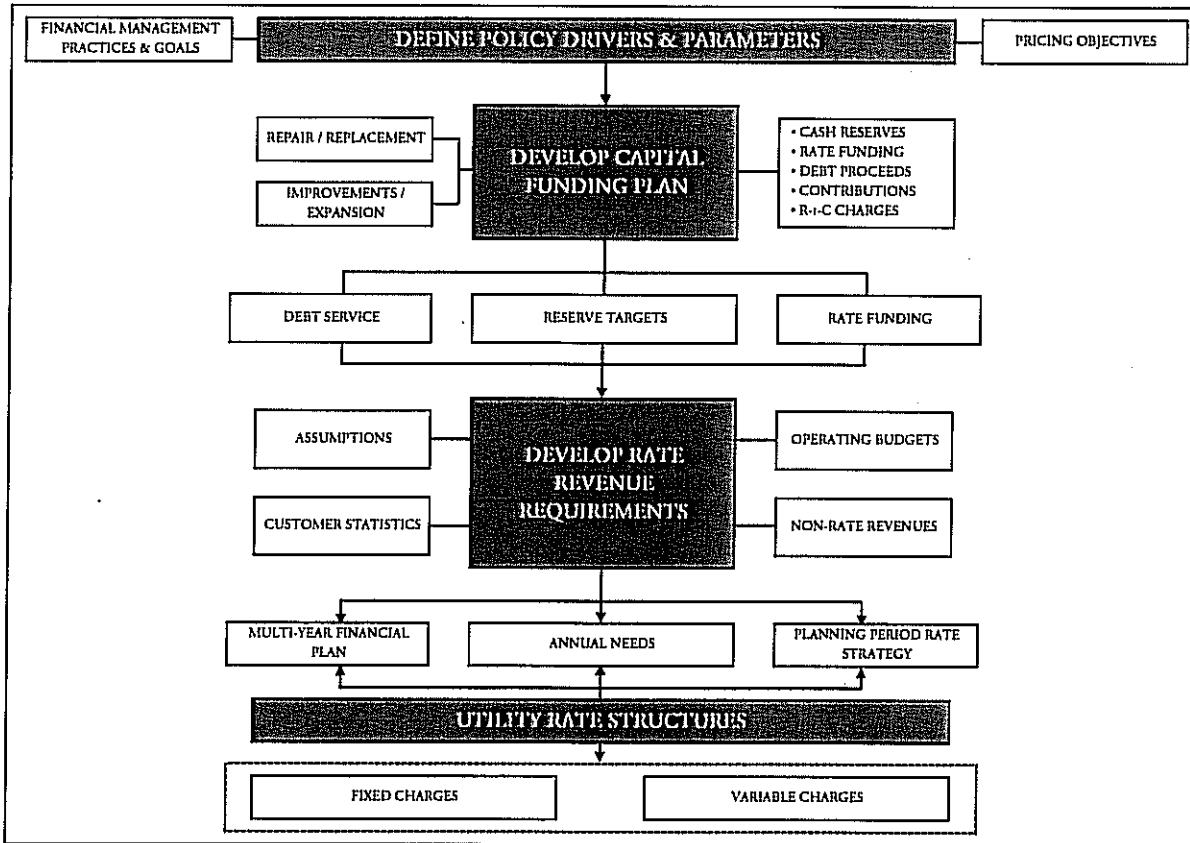
B.2 RATE DESIGN

The focus of rate design is the design of the pricing structures and is largely dictated by the objectives of the utility. The principal consideration is for the rate structure to generate sufficient revenues for the system which are reasonable commensurate with the cost of providing service. Most rate designs consist of fixed and variable charges. Fixed costs typically attempt to cover costs of the system that do not vary. Because the majority of the costs for the utility systems are fixed in nature, it is not uncommon for fixed charges to include other cost elements to enhance revenue stability. Variable

costs vary with a change in user demand. In general customers prefer more costs tied to the variable charge since changes in behavior have a direct correlation with a change in their bill.

Exhibit 1.1 illustrates rate revenue requirement and rate design components.

Exhibit 1.1 - Revenue Requirement and Rate Design Analytical Components



SECTION 2

WATER UTILITY

A. REVENUE REQUIREMENTS

A revenue requirement analysis forms the basis for a long-range financial plan and multi-year rate management strategy. The analysis is developed by completion of an operating forecast that identifies future annual non-operating costs and a capital funding plan that defines a strategy for funding the capital improvement needs of the Town.

A.1 REVENUE REQUIREMENTS ANALYSIS

The purpose of the operating forecast is to determine whether the existing rates and charges are sufficient to recover the costs the Town incurs to operate and maintain the water system. The 2008 budget revenues and expenses form the baseline for this forecast. The operating income forecast was developed for the 2008 through 2015 time period.

Key Assumptions

- Operating Reserves: 60 days of O&M expenses (per discussion with Town staff and industry standard)
- Capital Contingency Reserves: 2% of total Plant-in-Service (per discussion with Town staff and industry standard)

Operating Revenue

- Customer Growth Rate Revenue: 1.50% per year (per Water Plan and discussion with Town staff)
- Interest Earnings Rate: 3.13% per year (per discussion with Town staff using the five-year average for the Washington State Local Government Investment Pool)

Operating & Maintenance (O&M) Expenses

- General Cost Inflation: 3.2% per year (based on analysis of historical Consumer Price Index data and discussion with Town staff)
- Construction Cost Inflation: 4.0% per year (based on Engineering News Record Seattle Construction Cost Index)

- Labor & Benefits: 3.2% per year (tied to inflation per discussion with Town staff)
- Local/State Excise Taxes: Public utility excise tax rate is 5.029% on all water rate revenues
- State B&O Tax: 1.50% on all non-rate revenues

Debt Service

- Existing Debt Service: The two (2) outstanding debt issues in the water utility consist of a 2004 revenue bond and one public works trust fund loan (PWTF). The revenue bond is scheduled to be paid off in 2014, while the PWTF loan is scheduled to be paid off in 2011.
- New Debt Service: There are two new debt issues for the water utility; our analysis indicates that projected revenues and fund balances will not provide sufficient funding for operations and capital projects. The first debt issue is anticipated in 2009 for an amount of \$714 thousand and one in 2015 for an amount of \$2.64 million. The 2009 issue will help fund the Hillview Terrace Pump Zone Project and the 2015 issue will fund half of the Raise Trout Lake Dam project.

System Reinvestment

- System reinvestment funding is to ensure system integrity through reinvestment in the system. Ideally, the minimum funding would be an amount equal to or greater than depreciation expense. If the annual depreciation expense is not available, it can be estimated based on the current water utility asset listing. The water utility's total plant in service is valued at \$6.5 million at the end of 2007, with assets ranging from 1912 to 2007. Applying the appropriate annual Engineering News Record (ENR) construction cost index figures to each asset's original cost provides an estimate of the assets value in current dollars, which is \$20.5 million. Assuming the average lifespan for an asset in the system is 50 years, annual depreciation expense is estimated to be \$410 thousand in 2008. Ideally the Town would be funding approximately \$400,000 in capital from ongoing user rates.
- Historically, this rate funded component has had minimal funding, depending on the availability of funds. Currently, the Town is funding \$416 thousand annually (this includes \$16 thousand towards a common public works building and fencing project). In the near-term, 2008 – 2010 this component will stay constant at \$416 thousand to prevent any extra pressure on rates, starting in 2011 the system reinvestment will increase to \$516 thousand and continue to increase annually up to \$690 thousand by 2015. This additional funding will aid in reducing the needed debt for Trout Lake Dam. After this project is completed, the Town should recalculate the system reinvestment target.

A.2 CAPITAL FUNDING PLAN

A summary of the capital-funding plan is provided in Exhibit 2.1 on the following page. The water utility is anticipating \$10.5 million in capital costs in 2008 through 2015. The annual average capital funding need is approximately \$1.3 million with 2015 being the highest capital outlay year at \$5.9 million.

Exhibit 2.1 - Water Utility Capital Funding Summary

Summary of Expenditures	2008	2009	2010	2011	2012	2013	2014	2015	Total
CAPITAL PROJECTS									
Improvement Upgrade & Expansions	\$ 514,400	\$ 2,537,600	\$ 540,800	\$ 562,432	\$ -	\$ -	\$ -	\$ 5,921,693	\$ 10,076,925
Repairs and Replacements	407,000	-	-	-	-	-	-	-	407,000
TOTAL CAPITAL EXPENDITURES	\$ 921,400	\$ 2,537,600	\$ 540,800	\$ 562,432	\$ -	\$ -	\$ -	\$ 5,921,693	\$ 10,483,925
FUNDING SOURCES									
Capital Fund Balance	\$ 456,400	\$ 1,358,202	\$ 75,800	\$ -	\$ -	\$ -	\$ -	\$ 2,542,011	\$ 4,432,414
Right To Connect Charges	65,000	65,000	65,000	65,000	-	-	-	65,000	325,000
Revenue Bond Proceeds	-	714,398	-	-	-	-	-	2,640,882	3,355,279
System Reinvestment	400,000	400,000	400,000	497,432	-	-	-	673,800	2,371,232
TOTAL CAPITAL RESOURCES	\$ 921,400	\$ 2,537,600	\$ 540,800	\$ 562,432	\$ -	\$ -	\$ -	\$ 5,921,693	\$ 10,483,925

Due to the nature of the capital projects as identified, the majority of funding for future capital needs is expected to come from the existing capital fund balances, the rest will be covered through a combination of right-to-connect charges, annual system reinvestment and revenue bond proceeds.

A.3 SUMMARY OF REVENUE REQUIREMENT

The operating forecast components of O&M expenses, debt service and system reinvestment funding come together to form the multi-year revenue requirement. The revenue requirement compares the overall revenue available to the water utility to the expenses to evaluate the sufficiency of rates. Exhibit 2.2 below provides a summary of the water utility revenue requirement findings.

Exhibit 2.2 - Water Utility Revenue Requirement Summary

Revenue Requirements	2008	2009	2010	2011	2012	2013	2014	2015
Revenues								
Rate Revenues Under Existing Rates	\$ 1,524,000	\$ 1,546,860	\$ 1,570,063	\$ 1,593,614	\$ 1,617,518	\$ 1,641,781	\$ 1,666,408	\$ 1,691,404
Non-Rate Revenues	31,684	28,909	31,332	32,887	33,947	35,054	36,212	36,604
Total Revenues	\$ 1,555,684	\$ 1,575,769	\$ 1,601,395	\$ 1,626,501	\$ 1,651,465	\$ 1,676,835	\$ 1,702,619	\$ 1,728,007
Expenses								
Cash O&M Expenses	\$ 1,025,625	\$ 1,056,614	\$ 1,088,349	\$ 1,121,142	\$ 1,155,036	\$ 1,190,159	\$ 1,226,390	\$ 1,263,841
System Reinvestment	416,000	416,000	416,000	516,000	559,450	602,900	646,350	689,800
Existing Debt Service	171,789	172,857	173,425	168,578	137,298	136,923	-	-
New Debt Service	-	63,712	63,712	63,712	63,712	63,712	63,712	299,232
Total Expenses	\$ 1,613,414	\$ 1,709,183	\$ 1,741,486	\$ 1,869,431	\$ 1,915,495	\$ 1,993,693	\$ 1,936,452	\$ 2,252,873
Net Surplus (Deficiency)	\$ (57,730)	\$ (133,414)	\$ (140,091)	\$ (242,930)	\$ (264,030)	\$ (316,858)	\$ (233,833)	\$ (524,865)
% of Rate Revenue	3.79%	8.62%	8.92%	15.24%	16.32%	19.30%	0.00%	31.03%
Use of Reserves	57,730	12,216	-	-	-	-	-	-
Net Surplus (Deficiency) after Reserves	\$ -	\$ (121,198)	\$ (140,091)	\$ (242,930)	\$ (264,030)	\$ (316,858)	\$ (233,833)	\$ (524,865)
Req. Increase after Use of Funds	0.00%	7.84%	8.92%	15.24%	16.32%	19.30%	0.00%	31.03%
Annual Rate Adjustment	0.00%	9.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Net Cash Flow After Rate Increase	\$ -	\$ -	\$ 75,374	\$ 27,731	\$ 65,018	\$ 73,922	\$ 222,186	\$ 70

The 2008 revenue requirement from rates is \$1.6 million (total expenses minus non-rate revenues). The revenue requirement analysis indicates a rate deficiency in each year of the study ranging from 3.79% in 2008 increasing to 31.03% by 2015. The 31.03% rate increase in 2015 is due to the Raise

Trout Lake Dam capital project and the accumulation of funding needed to fund half of the project through cash and the rest through debt financing by 2015. In order to accumulate the necessary funds and to meet annual operating and maintenance requirements we recommend a 9.0% rate increase in 2009 followed by a 5.0% increases in 2010 and 3.0% inflationary increases thereafter. Implementation of the new rate increases is scheduled for January 1st 2009; \$58 thousand must be funded by the operating fund /reserve in 2008 and \$12 thousand in 2009.

The recommendation to cover the rate deficiencies with existing reserves from 2008 to 2009 was based on two factors: the strength of the Town's fund balances and the goal to minimize unnecessary rate impacts on customers. Exhibit 2.3 below contains an analysis of the Town's water fund balances through the length of the study:

Exhibit 2.3 - Water Utility Fund Activity

Fund Balances	2008	2009	2010	2011	2012	2013	2014	2015
Operating:								
Beginning Balance	\$ 282,030	\$ 168,596	\$ 156,380	\$ 178,907	\$ 184,297	\$ 189,869	\$ 195,642	\$ 201,598
Plus: Net Cash Flow after Rate Increase	-	-	75,374	27,731	65,018	73,922	222,186	70
Less: Use of Reserves for Rate Stabilization	(57,730)	(12,216)	-	-	-	-	-	-
Less: Use of Reserves for Capital	(55,704)	-	(52,847)	(22,341)	(59,446)	(68,148)	(216,230)	-
Ending Balance	\$ 168,596	\$ 156,380	\$ 178,907	\$ 184,297	\$ 189,869	\$ 195,642	\$ 201,598	\$ 201,668
Minimum Operating Target Balance	168,596	173,690	178,907	184,297	189,869	195,642	201,598	207,755
Days Met (60 Day Target)	60	54	60	60	60	60	60	58
Capital:								
Beginning Balance	\$ 1,633,282	\$ 1,358,202	\$ 62,007	\$ 60,495	\$ 106,797	\$ 797,536	\$ 1,562,044	\$ 2,542,011
Plus: Rate Funded System Reinvestment	400,000	400,000	400,000	500,000	543,450	586,900	630,350	673,800
Plus: Funding from Transfers	74,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
Plus: Right to Connect Charge Revenue	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Plus: Net Debt Proceeds	-	714,398	-	-	-	-	-	2,640,882
Plus: Interest Earnings	51,116	42,507	1,941	1,893	3,342	24,960	48,887	79,556
Plus: Use of Operating for Capital	55,704	-	52,847	22,341	59,446	68,148	216,230	-
Less: Capital Projects	(921,400)	(2,537,600)	(540,800)	(562,432)	-	-	-	(5,921,693)
Ending Balance	\$ 1,358,202	\$ 62,007	\$ 60,495	\$ 106,797	\$ 797,536	\$ 1,562,044	\$ 2,542,011	\$ 99,056
Minimum Capital Target Balance	\$ 153,224	\$ 203,976	\$ 214,792	\$ 226,041	\$ 226,041	\$ 226,041	\$ 226,041	\$ 344,475

As discussed in the "Key Assumptions" section above, two fiscal policy targets have been incorporated into the analysis:

- **Operating Reserve:** 60 days of O&M expenses (\$168,000 to \$207,000 each year) Although \$70,000 of existing reserve are required to meet short term cash flow needs, the healthy fund balance in the water utility enables the Town to reach its fiscal policy target in each year, except 2009 in order to mitigate an unnecessarily higher rate increase.
- **Capital Contingency:** 2% of total Plant-in-Service (\$153,000 to \$344,000 each year). The target capital balance is not met in 2009 through 2011, and then again in 2015. This is due to avoid putting more pressure on the rate payers. The capital fund balance starts to exceed its minimal target in 2012 and only dips below in 2015 due to the large capital project. This fund balance is a new concept for the Town; therefore it is strictly a target to strive for and not a target that should affect rates at this time.

We recommend that the Town revisit rates for 2011 and beyond. At that time, the Town can better assess if they are on track for accumulating enough revenue to fund the Raise Trout Lake Dam project.

B. RATE DESIGN

The principal objective of the rate design stage of this rate study was to implement water rate structures that collect the appropriate level of revenue.

Establishing rates is a blend of “Art” and “Science” and especially so when it comes to the rate levels and structures. Several variables must be balanced to arrive at the optimal rates. The results of the cost-of-service analysis from the 2002 rate study were maintained and used to develop new water rate structures designed to equitably recover the projected revenue requirements from customers. The new rate increases were passed through each class with an across the board approach as requested by the Town. In essence, each rate component (fixed and variable charge) will be increased by the same percentage. There was no greater weight put on either charge.

B.1 EXISTING WATER RATES

The existing water rates are composed of a fixed monthly charge by meter size and a variable charge per 1,000 gallons. There are three separate fixed charge structures; Single Family Residential class starts at \$35.06 per a 5/8” meter, Commercial / Multifamily / Public Authority starts at \$35.45 per 5/8” meter and Industrial / Light Manufacturing, which starts at \$39.91 per 5/8” meter. There are two separate variable charge structures, the Single Family Residential class functions on an inverted block structure. There are four blocks, block 1 ranges from 0-3.5 thousand gallons and is \$6.11 per thousand gallons, block 2 is 3.5-7.0 thousand gallons and is \$7.67 per thousand gallons, block 3 is 7.0-10.5 thousand gallons is \$10.17 per thousand gallons, block 4 is 10.5 thousand gallons and above and is \$12.21 per thousand gallons. All the other classes are on a seasonal structure with a winter and summer charge. The winter rate is \$6.11 per thousand gallons and the summer rate is \$7.68 per thousand gallons. The Town also provides service to “Out of Town” customers, there is a 50% surcharge on the fixed charges for these customers, by meter size. The Town offers a Low Income Senior / Disabled customers rate. This rate has the same volume charge as the Town’s other Single Family Residential customers, but receives a discount of 50% on their fixed monthly charges.

Exhibit 2.4 on the following page provides a summary of the current water utility rate structure:

Exhibit 2.4 - Current Water Rates

Existing						
Meter	In Town	Out of Town	Variable Charge (per 1,000 gallons)			
	Monthly Fixed Costs	Monthly Fixed Costs	Block 1 (0-3.5)	Block 2 (3.5-7)	Block 3 (7-10.5)	Block 4 (10.5+)
Residential						
5/8"	\$ 35.06	\$ 52.59	6.11	7.67	10.17	12.21
1"	79.40	119.10	6.11	7.67	10.17	12.21
1.5"	153.38	230.06	6.11	7.67	10.17	12.21
2"	242.11	363.16	6.11	7.67	10.17	12.21
Low Income	17.53	26.30	6.11	7.67	10.17	12.21
Com / MF / P.A.					Winter	Summer
5/8"	\$ 35.46	\$ 53.19			\$ 6.11	\$ 7.68
1"	80.44	120.65			6.11	7.68
1.5"	155.43	233.14			6.11	7.68
2"	245.41	368.11			6.11	7.68
3"	485.38	728.08			6.11	7.68
4"	755.31	1,132.97			6.11	7.68
IND/LMF					Winter	Summer
5/8"	\$ 39.91	\$ 59.85			\$ 6.11	\$ 7.68
1"	91.61	137.40			6.11	7.68
1.5"	177.74	266.62			6.11	7.68
2"	281.16	421.72			6.11	7.68
3"	556.79	835.19			6.11	7.68
4"	866.92	1,300.37			6.11	7.68

B.2 PROPOSED WATER RATES

The proposed water rate schedule contains no structural changes and applies the annual rate increases equally to the fixed and variable charge.

Exhibit 2.5 on the following page provides a summary of the proposed rates for 2009 and 2010:

Exhibit 2.5 – 2009 & 2010 Proposed Water Rates

2009 Across The Board Adjustment (9.0%)						
Meter	In Town Monthly Fixed Costs	Out of Town Monthly Fixed Costs	Variable Charge (per 1,000 gallons)			
			Block 1	Block 2	Block 3	Block 4
			(0-3.5)	(3.5-7)	(7-10.5)	(10.5+)
Residential						
5/8"	\$ 38.22	\$ 57.32	\$ 6.66	\$ 8.36	\$ 11.09	\$ 13.31
1"	86.55	129.82	6.66	8.36	11.09	13.31
1.5"	167.18	250.77	6.66	8.36	11.09	13.31
2"	263.90	395.84	6.66	8.36	11.09	13.31
Low Income	19.11	28.66	6.66	8.36	11.09	13.31
Com / MF / P.A.					Winter	Summer
5/8"	\$ 38.65	\$ 57.98			\$ 6.66	\$ 8.37
1"	87.68	131.51			6.66	8.37
1.5"	169.42	254.12			6.66	8.37
2"	267.50	401.24			6.66	8.37
3"	529.06	793.61			6.66	8.37
4"	823.29	1,234.94			6.66	8.37
IND/LMF					Winter	Summer
5/8"	\$ 43.50	\$ 65.24			\$ 6.66	\$ 8.37
1"	99.85	149.77			6.66	8.37
1.5"	193.74	290.62			6.66	8.37
2"	306.46	459.67			6.66	8.37
3"	606.90	910.36			6.66	8.37
4"	944.94	1,417.40			6.66	8.37

2010 Across The Board Adjustment (5.0%)						
Meter	In Town Monthly Fixed Costs	Out of Town Monthly Fixed Costs	Variable Charge (per 1,000 gallons)			
			Block 1	Block 2	Block 3	Block 4
			(0-3.5)	(3.5-7)	(7-10.5)	(10.5+)
Residential						
5/8"	\$ 40.13	\$ 60.19	\$ 6.99	\$ 8.78	\$ 11.64	\$ 13.97
1"	90.87	136.31	6.99	8.78	11.64	13.97
1.5"	175.54	263.30	6.99	8.78	11.64	13.97
2"	277.09	415.64	6.99	8.78	11.64	13.97
Low Income	20.06	30.09	6.99	8.78	11.64	13.97
Com / MF / P.A.					Winter	Summer
5/8"	\$ 40.58	\$ 60.88			\$ 6.99	\$ 8.79
1"	92.06	138.08			6.99	8.79
1.5"	177.89	266.83			6.99	8.79
2"	280.87	421.30			6.99	8.79
3"	555.52	833.29			6.99	8.79
4"	864.45	1,296.68			6.99	8.79
IND/LMF					Winter	Summer
5/8"	\$ 45.68	\$ 68.50			\$ 6.99	\$ 8.79
1"	104.85	157.25			6.99	8.79
1.5"	203.42	305.15			6.99	8.79
2"	321.79	482.66			6.99	8.79
3"	637.25	955.87			6.99	8.79
4"	992.19	1,488.27			6.99	8.79

C. SUMMARY

The analysis described above concludes the utility rate study for the water utility. The revenue requirement analysis shows a need for several rate adjustments starting in 2009. It also shows a need for new debt issuance to cover capital costs in 2010 and in 2015. System reinvestment funding will increase from the current levels in 2011 and will increase annually through 2015 in order to maintain a healthy capital replacement funding program. The detailed technical exhibits developed as part of the water rate study can be found at the end of this report in the Technical Appendix.

SECTION 3

SEWER UTILITY

A. REVENUE REQUIREMENTS

Similar to the water utility a revenue requirement was completed and forms the basis for a long-range financial plan and multi-year rate management strategy.

A.1 OPERATING FORECAST

The purpose of the operating forecast is to determine whether the currently adopted rates and charges are sufficient to recover the costs the Town incurs to operate and maintain the sewer system. The 2008 budget revenues and expenses form the baseline for this forecast. The operating income forecast was developed for the 2008 through 2015 time period.

Key Assumptions

- Operating Reserves: 60 days of O&M expenses (based on industry standard and discussion with Town staff)
- Capital Contingency Reserves: 2% of total Plant-in-Service (based on industry standard and discussion with Town staff)

Operating Revenue

- Customer Growth Rate Revenue: 1.50% per year (per discussion with Town Staff)
- Interest Earnings Rate: 3.13% per year (per discussion with Town staff using the five-year average for the Washington State Local Government Investment Pool)

Operating & Maintenance (O&M) Expenses

- General Cost Inflation: 3.2% per year (based on analysis of historical Consumer Price Index data and discussion with Town staff)
- Construction Cost Inflation: 4.0% per year (based on Engineering News Record Seattle Construction Cost Index)
- Labor & Benefits: 3.2% per year (tied to inflation per discussion with Town staff)

- Local/State Excise Taxes: Public utility excise tax rate is 3.852% on collection revenue and 1.50% on the treatment revenue. According to Town's tax records, collection makes up 28% of rate revenue and treatment makes up 72% of rate revenue.
- State B&O Tax: 1.50% on all non-rate revenues.

Debt Service

- Existing Debt Service: The six (6) outstanding debt issues in the sewer utility consist of a 1998 and 2003 revenue bonds (the 1998 revenue bond gets paid off in 2011) and four (4) public works trust fund loans.
- New Debt Service: There are two new debt issues assumed in the analysis. An interest free Department of Ecology loan, which starts one year after the completion of the Sewer Replacement project, and a PWTF loan in 2009, which will help pay for the Sewer Replacement project.

System Reinvestment

- The purpose of system reinvestment funding is to ensure system integrity through reinvestment in the system. Ideally, the minimum funding would be an amount equal to or greater than depreciation expense. If the annual depreciation expense is not available, it can be estimated based on the current sewer system asset listing. The sewer utility's total plant in service is valued at \$13.8 million in the end of 2007, with assets ranging from 1951 to 2007. Applying the appropriate annual Engineering News Record (ENR) construction cost index figures to each asset's original cost provides an estimate of the assets value in current dollars, which is \$22.7 million. Assuming the average lifespan for an asset in the system is 50 years, annual depreciation expense is estimated to be \$453 thousand in 2008.
- Historically, this rate funded component has had minimal funding, depending on the available balances. Currently the Town is funding \$91 thousand (of which \$16 thousand is going towards a public works building and fencing project). We recommend keeping the funding levels constant until 2010 to avoid putting any unnecessary pressure on the rate payers. Starting in 2011 we recommend increasing the funding levels annually starting at \$202 thousand in 2011 and increasing to \$462 thousand in 2015.

A.2 CAPITAL FUNDING PLAN

A summary of the capital funding plan is provided in Exhibit 3.1 on the following page. The sewer utility is anticipating \$6.02 million in capital costs in 2008 through 2015. The capital projects are made up of two specific projects. The Sewer Replacement Project is estimated at around \$5.10 million, and will be funded specifically using a \$2.166 million grant and a \$2.166 million interest free department of ecology loan. The second project, Inflow Control, accounts for \$921 thousand and is going to be funded through a combination of system reinvestment funding, right-to-connect charges and available capital fund balances.

Exhibit 3.1 - Sewer Utility Capital Funding Summary

Summary of Expenditures	2008	2009	2010	2011	2012	2013	2014	2015	Total
CAPITAL PROJECTS									
Improvement Upgrade & Expansions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repairs and Replacements	2,600,000	2,704,000	108,160	112,486	116,986	121,665	126,532	131,593	6,021,423
TOTAL CAPITAL EXPENDITURES	\$ 2,600,000	\$ 2,704,000	\$ 108,160	\$ 112,486	\$ 116,986	\$ 121,665	\$ 126,532	\$ 131,593	\$ 6,021,423
FUNDING SOURCES									
Existing PWTF Proceeds	\$ 600,000	\$ 2,166,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,766,515
Grant Proceeds	1,900,000	266,515	-	-	-	-	-	-	2,166,515
Capital Fund Balance	-	93,970	-	-	-	-	-	-	93,970
Right To Connect Charges	25,000	102,000	33,160	-	-	-	-	-	160,160
System Reinvestment	75,000	75,000	75,000	112,486	116,986	121,665	126,532	131,593	834,263
TOTAL CAPITAL RESOURCES	\$ 2,600,000	\$ 2,704,000	\$ 108,160	\$ 112,486	\$ 116,986	\$ 121,665	\$ 126,532	\$ 131,593	\$ 6,021,423

All of the capital projects relate to repair and replacement projects. Due to the nature of the capital projects as identified, the majority of funding for future capital needs is expected to come from the existing PWTF proceeds, Grant funding, interest free department of ecology loan proceeds, right-to-connect charges, system reinvestment funding and existing fund balance.

A.3 SUMMARY OF REVENUE REQUIREMENT

The operating forecast components of O&M expenses, debt service and system reinvestment funding come together to form the multi-year revenue requirement. The revenue requirement compares the overall revenue available to the utility to the expenses to evaluate the sufficiency of rates. Exhibit 3.2 below provides a summary of the sewer utility revenue requirement findings.

Exhibit 3.2 - Sewer Utility Revenue Requirement Summary

Revenue Requirements	2008	2009	2010	2011	2012	2013	2014	2015
Revenues								
Rate Revenues Under Existing Rates	\$ 1,518,000	\$ 1,540,770	\$ 1,563,882	\$ 1,587,340	\$ 1,611,150	\$ 1,635,317	\$ 1,659,847	\$ 1,684,745
Non-Rate Revenues	101,768	103,447	108,045	112,330	116,159	120,861	125,785	130,944
Total Revenues	\$ 1,619,768	\$ 1,644,217	\$ 1,671,927	\$ 1,699,670	\$ 1,727,309	\$ 1,756,178	\$ 1,785,632	\$ 1,815,688
Expenses								
Cash O&M Expenses	\$ 1,008,200	\$ 1,042,395	\$ 1,074,991	\$ 1,113,333	\$ 1,148,263	\$ 1,184,443	\$ 1,221,511	\$ 1,260,312
System Reinvestment	91,000	91,000	91,000	202,000	261,220	324,520	396,670	461,870
Existing Debt Service	591,706	606,636	858,276	798,465	797,239	795,603	788,641	791,522
Total Expenses	\$ 1,690,906	\$ 1,740,031	\$ 2,024,267	\$ 2,113,798	\$ 2,206,722	\$ 2,304,566	\$ 2,406,822	\$ 2,513,705
Net Surplus (Deficiency)	\$ (71,138)	\$ (95,814)	\$ (352,340)	\$ (414,129)	\$ (479,413)	\$ (548,388)	\$ (621,190)	\$ (698,016)
% of Rate Revenue	4.69%	6.22%	22.53%	26.09%	29.76%	33.53%	0.00%	41.43%
Use of Reserves	71,138	-	6	-	-	-	-	-
Net Surplus (Deficiency) after Reserves	\$ -	\$ (95,814)	\$ (352,335)	\$ (414,129)	\$ (479,413)	\$ (548,388)	\$ (621,190)	\$ (698,016)
Req. Increase after Use of Funds	0.00%	6.22%	22.53%	26.09%	29.76%	33.53%	37.42%	41.43%
Annual Rate Adjustment	0.00%	11.10%	11.10%	3.00%	3.00%	3.00%	3.00%	3.00%
Net Cash Flow After Rate Increase	\$ -	\$ 54,921	\$ -	\$ 5	\$ 16	\$ 1	\$ 1	\$ 3

The 2008 revenue requirement from rates is \$1.60 million (total expenses minus non-rate revenues). The revenue requirement analysis indicates a rate deficiency of 4.69% in 2008 increasing to 41.43% by 2015. The majority of the rate increases are needed to cover the amount of PWTF debt, which is

needed for the Sewer Replacement Project. In order to fund the ongoing operating forecast as stated we recommend two 11.1% rate increases in 2009 and 2010, followed by 3.0% inflationary increases thereafter. Since the new rate increase is going into effect in early 2009, \$71 thousand had to be funded by the operating fund / reserve in 2008.

The recommendation to cover the rate deficiencies with existing reserves was based on two factors: the strength of the Town's fund balances and the goal to minimize unnecessary rate impacts on customers. Exhibit 3.3 below contains an analysis of the Town's sewer fund balances through the length of the study:

Exhibit 3.3 - Sewer Utility Fund Activity

Fund Balances	2008	2009	2010	2011	2012	2013	2014	2015
Operating:								
Beginning Balance	\$ 226,276	\$ 155,138	\$ 171,353	\$ 171,347	\$ 171,352	\$ 171,368	\$ 171,369	\$ 171,370
Plus: Net Cash Flow after Rate Increase	-	54,921	-	5	16	1	1	3
Less: Use of Reserves for Rate Stabilization	(71,138)	-	(6)	-	-	-	-	-
Less: Use of Reserves for Capital	-	(38,706)	-	-	-	-	-	-
Ending Balance	\$ 155,138	\$ 171,353	\$ 171,347	\$ 171,352	\$ 171,368	\$ 171,369	\$ 171,370	\$ 171,373
Minimum Operating Target Balance	165,732	171,353	176,711	183,014	188,756	194,703	200,796	207,175
Days Met (60 Day Target)	56	60	58	56	54	53	51	50
Capital:								
Beginning Balance	\$ 1,899,878	\$ 2,062,838	\$ 2,098,634	\$ 2,259,654	\$ 2,532,387	\$ 2,868,376	\$ 3,273,501	\$ 3,758,589
Plus: Rate Funded System Reinvestment	75,000	75,000	75,000	186,000	245,220	308,520	380,670	445,870
Plus: Grants / Developer Donations	1,900,000	266,515	-	-	-	-	-	-
Plus: Existing PWTF Proceeds	600,000	2,166,515	-	-	-	-	-	-
Plus: Funding from Transfers	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Plus: Right to Connect Charge Revenue	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000
Plus: Interest Earnings	59,460	64,560	65,680	70,719	79,255	89,770	102,449	117,631
Less: Capital Projects	(2,600,000)	(2,704,000)	(108,160)	(112,486)	(116,986)	(121,665)	(126,532)	(131,593)
Ending Balance	\$ 2,062,838	\$ 2,059,927	\$ 2,259,654	\$ 2,532,387	\$ 2,868,376	\$ 3,273,501	\$ 3,758,589	\$ 4,318,997
Minimum Capital Target Balance	\$ 327,144	\$ 381,224	\$ 383,387	\$ 385,637	\$ 387,976	\$ 390,410	\$ 392,940	\$ 395,572

As discussed in the "Key Assumptions" section above, two fiscal policy targets have been incorporated into the analysis:

- Operating Reserve: 60 days of O&M expenses (\$165,000 to \$207,000 each year)
- Capital Contingency: 2% of total Plant-in-Service (\$327,000 to \$395,000 each year)

Although approximately \$71 thousand of existing reserves are required to meet short term cash flow needs in 2008, the fund balance level of the utility remains in range of the target balance (50-60 days). In order to avoid any unnecessary rate increases we did not require every year to be exactly 60 days since the Town's operating fund balance stays above the industry standard of 45 days and the capital reserve is at or above its target fund balance every year. Similar to the recommended approach for the water utility, the Town should revisit sewer rates for 2011 and beyond to ensure rates remain sufficient and the fund level is adequate to meet cash flow needs and target fund balances.

B. RATE DESIGN

As discussed in the water utility section, the principal objective of the rate design stage is to implement sewer rate structures that collect the appropriate level of revenue as outlined by the revenue requirement.

B.1 EXISTING SEWER RATES

There are currently two different structures in place. The Single Family Residential class has a monthly fixed charge of \$79.04. The remaining classes have a monthly fixed charge of \$79.04 and an additional variable charge depending on strength. Low strength customers pay \$.01755 per gallon on all usage above 4,100 gallons; high strength customers pay \$.02284 per gallons on all usage after 4,100 gallons. The Town also provides service to "Out of Town" customers, there is a 50% surcharge on the fixed charges for these customers, by meter size. The Low Income Senior / Disabled customers receive a discount of 50% on their fixed monthly charges. Exhibit 3.4 below provides a summary of the current sewer rate structure.

Exhibit 3.4 - Existing Sewer Rate Schedule

Existing Rates			
In Town		Variable Charge	
Monthly Fixed Costs		Low Strength (per gallon)	High Strength (per gallon)
Residential			
\$	79.04		
Low Income			
\$	39.52		
MFR / Com / LMF / IND / P.A.			
\$	79.04	\$ 0.01755	\$ 0.02284

B.2 PROPOSED SEWER RATES

The proposed sewer rate schedule contains no structural changes and passes the rate increase across the board (or equally to each rate component). Exhibit 3.5 on the following page provides a summary of the proposed three-year sewer rate schedule.

Exhibit 3.5 - Proposed Sewer Rate Schedule

2009 Across the Board Increase (11.1%)			
In Town Monthly Fixed Costs	Variable Charge		
	Low Strength (per gallon)	High Strength (per gallon)	
Residential			
\$ 87.81			
Low Income			
\$ 43.91			
MFR / Com / LMF / IND / P.A.			
\$ 87.81	\$ 0.01950	\$	0.02538

2010 Across the Board Increase (11.1%)			
In Town Monthly Fixed Costs	Variable Charge		
	Low Strength (per gallon)	High Strength (per gallon)	
Residential			
\$ 97.56			
Low Income			
\$ 48.78			
MFR / Com / LMF / IND / P.A.			
\$ 97.56	\$ 0.02166	\$	0.02819

C. SUMMARY

The analysis described above concludes the utility rate study for the sewer utility. The revenue requirement analysis shows a need for two larger rate adjustments starting in 2009 followed by inflationary increases thereafter. System reinvestment funding will increase from the current levels in 2011 and will increase annually through 2015 in order to maintain a healthy capital replacement funding program. The detailed technical exhibits developed as part of the sewer rate study can be found at the end of this report in the Technical Appendix.

SECTION 4

STORMWATER UTILITY

A. REVENUE REQUIREMENTS

The stormwater utility revenue requirement was established similar to the other utilities is developed by completion of an operating forecast that identifies future annual operating costs and a capital funding plan that defines a strategy for funding capital improvement needs of the stormwater system on a stand alone basis.

A.1 OPERATING FORECAST

The purpose of the operating forecast is to determine whether the currently adopted rates and charges are sufficient to recover the costs the Town incurs to operate and maintain the stormwater system. The 2008 budget revenues and expenses form the baseline for this forecast. The operating income forecast was developed for the 2008 through 2015 time period.

Key Assumptions

- Operating Reserves: 60 days of O&M expenses (based on industry standard and discussion with Town staff)
- Capital Contingency Reserves: 2% of total Plant-in-Service (based on industry standard and discussion with Town staff)

Operating Revenue

- Customer Growth Rate Revenue: 1.50% per year (per discussion with Town Staff)
- Interest Earnings Rate: 3.13% per year (per discussion with Town staff using the five-year average for the Washington State Local Government Investment Pool)

Operating & Maintenance (O&M) Expenses

- General Cost Inflation: 3.2% per year (based on analysis of historical Consumer Price Index data and discussion with Town staff)
- Construction Cost Inflation: 4.0% per year (based on Engineering News Record Seattle Construction Cost Index)
- Labor & Benefits: 3.2% per year (tied to inflation per discussion with Town staff)

- State B&O Tax: 1.50% on all non-rate revenues.

Debt Service

- Existing Debt Service: The one (1) outstanding debt issues in the stormwater utility consist of a 1998 revenue bond, which gets paid off in 2015. The final payment of the revenue bond is going to be paid from the debt reserve.
- New Debt Service: There are four (4) new debt issues for the stormwater utility; our analysis indicates that projected revenues and fund balances will not provide sufficient funding for operations and capital projects. The following debt issues will be needed to meet the stormwater capital needs; 1) a revenue bond in 2008 for an amount of \$775 thousand, a total of \$688 thousand of proceeds available for the Larson Street project (the Town is currently in the process of acquiring the loan), 2) a revenue bond in 2010 for an amount of \$56 thousand to help cover the capital projects scheduled that year, 3) one revenue bond in 2012 for an amount of \$632 thousand and 4) one revenue bond in 2015 for an amount of \$336 thousand. We have developed our new debt requirements based on the capital funding needs in any given year. The Town may be able to move the timing of projects to better match fund balances available. In addition, the Town would need to work with its financial advisor regarding the optimal packaging of future debt needs identified.

System Reinvestment

- The purpose of system reinvestment funding is to ensure system integrity through reinvestment in the system. Ideally, the minimum funding would be an amount equal to or greater than depreciation expense. If the annual depreciation expense is not available, it can be estimated based on the current stormwater asset listing. The Stormwater utility's total plant in service is valued at \$1.6 million in the end of 2007, with assets ranging from 1993 to 2007. Applying the appropriate annual Engineering News Record (ENR) construction cost index figures to each asset's original cost provides an estimate of the assets value in current dollars, which is \$2.4 million. Assuming the average lifespan for an asset in the system is 50 years, annual depreciation expense is estimated to be \$47 thousand in 2008.
- Historically, this rate funded component has had sufficient funding. Currently the Town is funding \$76 thousand (of which \$16 thousand is going towards a public works building and fencing project). We recommend keeping the funding levels constant until 2012 to avoid putting any unnecessary pressure on the rate payers. Starting in 2013 we recommend increasing the funding levels annually to \$113 thousand in 2013 and up to \$178 thousand in 2015 to help reduce the amount of new debt that needs to be issued.

A.2 CAPITAL FUNDING PLAN

A summary of the capital funding plan is provided in Exhibit 4.1 on the following page. The stormwater utility is anticipating \$2.7 million in capital costs in 2008 through 2015. The capital projects are made up of numerous main replacements, which include the Larson Street, Tucker Avenue and others. Projects like the Larson Street are planned to be funded through revenue bond

issues, other projects are planned to be funded through combination of available fund balances, right-to-connect charges, annual system reinvestment funding and long term revenue bond debt issues. The annual average capital need for the time period is \$338 thousand, with the highest year being 2012 at \$838 thousand.

Exhibit 4.1 - Stormwater Utility Capital Funding Summary

Summary of Expenditures	2008	2009	2010	2011	2012	2013	2014	2015	Total
CAPITAL PROJECTS									
Improvement Upgrade & Expansions	\$ 373,500	\$ -	\$ 186,035	\$ -	\$ 418,809	\$ -	\$ -	\$ 372,409	\$ 1,350,753
Repairs and Replacements	373,500	-	186,035	-	418,809	-	-	372,409	1,350,753
TOTAL CAPITAL EXPENDITURES	\$ 747,000	\$ -	\$ 372,070	\$ -	\$ 837,619	\$ -	\$ -	\$ 744,817	\$ 2,701,507
FUNDING SOURCES									
Existing Revenue Bond & PWTF Proceeds	\$ 688,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 688,000
Capital Fund Balance	-	-	245,990	-	135,396	-	-	236,888	618,274
Right To Connect Charges	-	-	10,000	-	10,000	-	-	10,000	30,000
System Reinvestment	59,000	-	60,000	-	60,000	-	-	161,730	340,730
New Revenue Bond Proceeds	-	-	56,080	-	632,223	-	-	336,199	1,024,502
TOTAL CAPITAL RESOURCES	\$ 747,000	\$ -	\$ 372,070	\$ -	\$ 837,619	\$ -	\$ -	\$ 744,817	\$ 2,701,507

Due to the nature of the capital projects as identified, the majority of funding for future capital needs is expected to come from the existing revenue bond proceeds and new revenue bond issues, the remainder will be covered by a combination of existing capital fund balance, right-to-connect charges and system reinvestment.

A.3 SUMMARY OF REVENUE REQUIREMENT

The operating forecast components of O&M expenses and debt service come together to form the multi-year revenue requirement. The revenue requirement compares the overall revenue available to the utility to the expenses to evaluate the sufficiency of rates. Exhibit 4.2 on the following page provides a summary of the stormwater utility revenue requirement findings.

Exhibit 4.2 - Stormwater Utility Revenue Requirement Summary

Revenue Requirements	2008	2009	2010	2011	2012	2013	2014	2015
Revenues								
Rate Revenues Under Existing Rates	\$ 325,000	\$ 329,875	\$ 334,823	\$ 339,845	\$ 344,943	\$ 350,117	\$ 355,369	\$ 360,700
Non-Rate Revenues	11,049	10,730	9,821	10,192	10,413	12,574	12,775	12,982
Total Revenues	\$ 336,049	\$ 340,605	\$ 344,644	\$ 350,038	\$ 355,357	\$ 362,691	\$ 368,144	\$ 373,682
Expenses								
Cash O&M Expenses	\$ 206,770	\$ 202,445	\$ 208,672	\$ 215,127	\$ 221,795	\$ 228,715	\$ 235,836	\$ 243,196
System Reinvestment	76,000	76,000	76,000	76,000	76,000	113,400	128,140	177,730
New Debt Service	-	-	5,001	5,001	66,739	66,739	66,739	99,569
Existing Debt Service	66,665	124,035	126,540	123,865	126,002	122,964	124,757	59,687
Total Expenses	\$ 349,435	\$ 402,480	\$ 416,214	\$ 419,993	\$ 490,536	\$ 531,817	\$ 555,472	\$ 580,182
Net Surplus (Deficiency)	\$ (13,386)	\$ (61,875)	\$ (71,569)	\$ (69,956)	\$ (135,180)	\$ (169,126)	\$ (187,328)	\$ (206,501)
% of Rate Revenue	4.12%	18.76%	21.38%	20.58%	39.19%	48.31%	52.71%	57.25%
<i>Use of Reserves</i>	13,386	19,282	-	-	-	-	-	-
Net Surplus (Deficiency) after Reserves	\$ -	\$ (42,592)	\$ (71,569)	\$ (69,956)	\$ (135,180)	\$ (169,126)	\$ (187,328)	\$ (206,501)
Req. Increase after Use of Funds	0.00%	12.91%	21.38%	20.58%	39.19%	48.31%	52.71%	57.25%
<i>Annual Rate Adjustment</i>	0.00%	14.30%	8.18%	8.18%	8.18%	3.00%	3.00%	3.00%
Net Cash Flow After Rate Increase	\$ -	\$ -	\$ 6,428	\$ 43,069	\$ 16,718	\$ 21	\$ 8	\$ 9

The 2008 revenue requirement from rates is \$330 thousand (total expenses minus non-rate revenues). The revenue requirement analysis indicates a rate deficiency in the range of 4.12% in 2008 increasing to 57.25% by 2015. The majority of the rate increases are needed to cover the new debt service obligations, which is needed to meet the capital improvement program costs. In order to fund the ongoing operating and maintenance expenses and the existing debt service we recommend a 14.3% rate increases starting in January 2009, followed by three 8.18% increases 2010 through 2012 followed by 3.0% inflationary increases thereafter. Since the new rate increases are going into effect in early 2009, \$13 thousand had to be funded by the operating fund / reserve in 2008, another \$19 thousand is needed from the fund balance in 2009. Since the recommended rate adjustment is not high enough to cover the complete rate requirement, there is a cash flow deficiency for that year.

The recommendation to cover the rate deficiencies with existing reserves was based on two factors: the strength of the Town's fund balances and the goal to minimize unnecessary rate impacts on customers. Exhibit 4.3 on the following page contains an analysis of the Town's stormwater fund balances through the length of the study:

Exhibit 4.3 - Stormwater Utility Fund Activity

Fund Balances	2008	2009	2010	2011	2012	2013	2014	2015
Operating:								
Beginning Balance	\$ 83,634	\$ 67,979	\$ 33,279	\$ 34,302	\$ 35,363	\$ 36,459	\$ 36,481	\$ 36,489
Plus: Net Cash Flow after Rate Increase	-	-	6,428	43,069	16,718	21	8	9
Less: Use of Reserves for Rate Stabilization	(13,386)	(19,282)	-	-	-	-	-	-
Less: Use of Reserves for Capital	(2,269)	(15,418)	(5,404)	(42,008)	(15,622)	-	-	-
Ending Balance	\$ 67,979	\$ 33,279	\$ 34,302	\$ 35,363	\$ 36,459	\$ 36,481	\$ 36,489	\$ 36,498
<i>Minimum Operating Target Balance</i>	<i>67,979</i>	<i>33,279</i>	<i>34,302</i>	<i>35,363</i>	<i>36,459</i>	<i>37,597</i>	<i>38,768</i>	<i>39,977</i>
<i>Days Met (60 Day Target)</i>	<i>120</i>	<i>60</i>	<i>60</i>	<i>60</i>	<i>60</i>	<i>58</i>	<i>56</i>	<i>55</i>
Capital:								
Beginning Balance	\$ 133,027	\$ 150,459	\$ 240,586	\$ 7,530	\$ 119,774	\$ 3,749	\$ 111,266	\$ 236,888
Plus: Rate Funded System Reinvestment	60,000	60,000	60,000	60,000	60,000	97,400	112,140	161,730
Plus: Existing Revenue Proceeds	688,000	-	-	-	-	-	-	-
Plus: New Debt Proceeds	-	-	56,080	-	632,223	-	-	336,199
Plus: Funding from Transfers	2,269	15,418	5,404	42,008	15,622	-	-	-
Plus: Right to Connect Charge Revenue	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Plus: Interest Earnings	4,163	4,709	7,530	236	3,749	117	3,482	7,414
Less: Capital Projects	(747,000)	-	(372,070)	-	(837,619)	-	-	(744,817)
Ending Balance	\$ 150,459	\$ 240,586	\$ 7,530	\$ 119,774	\$ 3,749	\$ 111,266	\$ 236,888	\$ 7,414
<i>Minimum Capital Target Balance</i>	<i>\$ 46,917</i>	<i>\$ 46,917</i>	<i>\$ 54,358</i>	<i>\$ 54,358</i>	<i>\$ 71,111</i>	<i>\$ 71,111</i>	<i>\$ 71,111</i>	<i>\$ 86,007</i>

As discussed in the "Key Assumptions" section above, two fiscal policy targets have been incorporated into the analysis:

- Operating Reserve: 60 days of O&M expenses (\$33,000 to \$40,000 each year)
- Capital Contingency: 2% of total Plant-in-Service (\$47,000 to \$86,000 each year)

Although approximately \$33 thousand of existing reserves are required to meet short term cash flow needs in 2008 and 2009, the healthy operating fund balance in the stormwater utility enables the Town to reach its operating fund fiscal policy targets in each year of the study through 2012, and comes very close to the target balance 2013 through 2015. The Towns operating fund balances stay above the industry standard of 30 days. The capital fund balance meets the capital fund targets every year except 2010, 2012 and 2015, the years in which large capital projects are scheduled. As previously mentioned for the other utilities, this fund balance is a new concept for the Town, therefore it is strictly a target to strive for and not a target that should affect rates at this time. Similar to the recommended approach for the water and sewer utilities, the Town should revisit stormwater rates for 2011 and beyond to ensure rates remain sufficient, the scheduled capital costs remain at their levels and the fund levels are adequate to meet cash flow needs and target fund balances.

B. RATE DESIGN

As discussed in the water and the sewer utility section, the principal objective of the rate design stage is to implement stormwater rate structures that collect the appropriate level of revenue as outlined in the revenue requirement.

B.1 EXISTING STORMWATER RATES

The current stormwater structure monthly service charge is based on the amount of impervious ground cover contained within each parcel of property. The amount of impervious ground cover is equated to the number of Equivalent Residential Units (ERU), 2,000 square feet of impervious ground cover, contained on the property. All detached single family residences are deemed to contain one ERU. All other property is assessed an ERU factor based on the measured impervious ground cover of their property. Undeveloped property within the service area is not charged a service charge. The current monthly charge per ERU is \$10.25. The Low Income Senior / Disabled customers receive a discount of 50% on their monthly charges. Exhibit 4.4 below provides a summary of the current stormwater rate structure.

Exhibit 4.4 - Existing Stormwater Rate Schedule

Monthly Cost (Per ERU)	
Class	Existing Rates
Residential	\$ 10.25
Low Income	5.13
All Other	10.25

B.2 PROPOSED STORMWATER RATES

The proposed stormwater rate schedule contains no structural changes and passes the rate increase in an across the board manner. Exhibit 4.5 below provides a summary of the proposed four-year stormwater rate schedule.

Exhibit 4.5 - Proposed Stormwater Rate Schedule

Class	Monthly Cost (Per ERU)				
	Existing Rates	2009 Across the Board (14.3%)	2010 Across the Board (8.18%)	2011 Across the Board (8.18%)	2012 Across the Board (8.18%)
Residential	\$ 10.25	\$ 11.72	\$ 12.67	\$ 13.71	\$ 14.83
Low Income	5.13	5.86	6.34	6.86	7.42
All Other	10.25	11.72	12.67	13.71	14.83

C. SUMMARY

The analysis described above concludes the utility rate study for the stormwater utility. The revenue requirement analysis shows a need for several rate adjustments starting in 2009. System reinvestment funding will increase from the current levels in 2013 and will increase annually through 2015 in order to maintain a healthy capital replacement funding program. The detailed technical exhibits developed as part of the stormwater rate study can be found at the end of this report in the Technical Appendices.

SECTION 5

RIGHT-TO-CONNECT CHARGES

A. INTRODUCTION

“Right-to-connect (or connection) charge” is a generic term referring to charges imposed as a condition of connecting to the utility system. Right-to-connect charges differ from installation fees in that they are intended as a means of ensuring that new customers bear their equitable share of the cost of the system assets that serve all customers, and are not direct reimbursement for out-of-pocket costs to connect the customer. We assume that right-to-connect charges are imposed in addition to meter charges, labor and material charges, tap fees, inspection fees, or other non-capital charges related to the immediate expense of connecting a new service (note that evaluating the level of those fees was outside the scope of this study).

B. METHODOLOGY

The purpose of the “right-to-connect charge” is two-fold: 1) to provide a source for capital financing and 2) to equitably recover the proportionate share of utility plant-in-service from new customers. In the absence of a right-to-connect charge, growth-related costs would be borne in large part by existing customers. The cost of the system to be recovered by right-to-connect charges can be defined in two parts: a general facilities charge (GFC), which recover existing costs, and a system development charge (SDC), which recover future costs.

Revenues generated from the right-to-connect charges can be used to fund capital projects or to pay debt service incurred to finance capital projects, but cannot be used to pay operating and maintenance costs.

There are several documented approaches used in the industry to establish a right-to-connect charge that is legally defensible if designed properly. Within the range of legally defensible approaches, the choice of the costs the Town targets is a matter of policy. It is important that the Town follow a methodical and rational approach to consistently determine and implement cost-based right-to-connect charges.

Since the calculated charges represent the maximum allowable charge, the Town may choose to implement a charge at any level up to the calculated charge. Revenues generated from the charge will vary depending upon whether or not the full charge is implemented (e.g., phase-in strategies). The lower the charge and longer the phase-in period, the less revenue will be collected and available to help pay the cost of these facilities. This loss in revenue could result in delays in completing the capital improvement program and/or result in increased costs to the Town’s existing ratepayers through rates for service.

B.1 EXISTING COST BASIS (GFC APPROACH)

The general facilities charge developed in this study is based on facilities of general benefit, such as storage reservoirs, transmission mains, interceptor trunk lines, etc. It is intended to recognize the current ratepayers' net investment in estimated original cost of the non-donated system assets and the accumulated interest on that investment. For Washington cities and towns, State statute (RCW 35.92.025) and subsequent legal interpretations provide a guideline for connection charges which suggest that such charges should reflect the actual original cost of the utility system, and can include interest on that cost at the rate applicable at the time of construction. Interest can be accumulate for a maximum of ten years from the date of construction, and cannot exceed the original cost of the asset. In addition, outstanding debt principal (less any cash available to buy down debt) is deducted from plant-in-service because new customers will pay their share of debt service through user rates. For this study, the existing cost basis for each utility is based on the Town's record of system assets as of December 31, 2007, incorporating the adjustments noted above.

B.2 FUTURE COST BASIS (SDC APPROACH)

Systems development charges are intended to generate capital funds toward new capital facilities. The statute enabling connection charges for cities and towns (RCW 35.92.025) does not specifically address a charge based on planned future improvements. Note that the Town's SDC has been calculated by spreading future costs over all customers (existing and future, rather than just new growth) since most of the planned improvements will serve and benefit all customers.

Common practice and legal opinion suggest that future facilities needed to serve growth, as well as to provide for regulatory system improvement, can be included in the connection charge. It is common practice for Cities and Towns to include up to twenty (20) years of future costs. The future cost basis can include utility capital projects planned for construction and identified in comprehensive system planning documents. Projects directly funded by developers or special property assessments are not included in the calculation. Major maintenance (repair and replacement) projects are most often excluded from the calculation unless needed to increase the size of the system. The original cost of replacement projects is already included in the existing cost basis.

C. DETERMINATION OF THE WATER RIGHT-TO-CONNECT CHARGES

C.1 EXISTING COST BASIS (GFC)

As of 2007, water utility total fixed assets equal \$6.7 million. Of this amount, about \$655 thousand was contributed and, therefore, excluded from the cost basis. Up to 10 years of interest is calculated on non-contributed assets (\$3.3 million). The water utility's existing cash reserves were greater than outstanding debt, and thus no adjustment was made to account for principal outstanding. After adjusting the utility's total assets for capital contributions and chargeable interest, the total existing cost basis is about \$9.4 million.

C.2 FUTURE COST BASIS (SDC)

The Town has planned for about \$10.5 million of capital projects in the water utility between 2008 and 2015, \$5.9 million of which are related to the Raise Trout Lake Dam project. The Trout Lake Dam is separated to account for the additional capacity (beyond 2015) that is available to serve new growth beyond the 2015 time period. There are currently no ongoing projects, and none of the \$10.5 million of scheduled capital projects are planned to be funded through grants or developer contributions or extensions.

Based on the data provided by the Town, the water utility has approximately 1,830 meter equivalents (MEs). Incorporating the growth assumptions previously established with the Town staff (1.5% per year), the utility will add 201 MEs over the next eight-year period – reaching a total customer base of 2,030 by 2015. The Trout Lake Dam's is estimated to have a sustainable annual yield of 169.00 million gallons of water per year (mgy). Current usage, as of March 2008, is at 139.5 mgy, which leaves approximately 20.43% for growth. Applying the estimated growth to the current number of MEs produces 2,203 MEs at build out for the Trout Lake Dam.

C.3 CALCULATION OF THE WATER RIGHT-TO-CONNECT CHARGE

To calculate the GFC portion of the charge, or the existing cost basis, the \$9.4 million allocable portion of the plant in service is divided by the 2015 total customer base of 2,030. The resulting GFC charge is \$4,606.

To calculate the SDC portion of the charge, or the future cost basis, the \$5.9 million Raise Trout Lake Dam projects gets divided by the build out capacity MEs, 2,203, that it is capable of serving. The remaining planned capital of \$4.6 million gets divided by the 2015 MEs of 2,030. The resulting \$2,688 and \$2,247 portions make up the \$4,935 SDC charge. The total proposed right-to-connect charge equals \$9,541.

Exhibit 5.1 below summarizes the proposed water utility right-to-connect charge by meter size.

Exhibit 5.1 - Water Utility Right-To-Connect Charge by Meter Size

Meter Size	Existing Charge	Proposed Charge	Difference
5/8"	\$ 6,368	\$ 9,541	\$ 3,173
1"	15,920	23,851	7,931
1.5"	31,838	47,703	15,865
2"	50,942	76,325	25,383
3"	101,880	152,650	50,770
4"	159,190	238,516	79,326

The proposed rate sets the cost base right-to-connect charge for a 5/8" meter at \$9,541. The proposed charge is an increase of \$3,173 (not including B&O tax for the proposed charge) when compared to the Town's current charge of \$6,368. It is important to note that the proposed charge represents the allowable ceiling. The Town may set by policy a rate that is something less, if desired.

D. DETERMINATION OF THE SEWER RIGHT-TO-CONNECT CHARGES

D.1 EXISTING COST BASIS (GFC)

As of 2007, sewer utility total fixed assets equal to \$13.8 million. Of this amount, about \$1.6 million was contributed and, therefore, excluded from the cost basis. Up to 10 years of interest is calculated on non-contributed assets (\$5.2 million). The sewer utility's outstanding debt was greater than existing cash reserves, and thus a \$3.9 million adjustment was made to account for principal outstanding. After adjusting the utility's total assets for capital contributions and chargeable interest, the total existing cost basis is \$14.2 million. Of the \$14.2 million, \$11.5 million is directly related to the treatment portion of the allocable plant in service.

D.2 FUTURE COST BASIS (SDC)

The Town has planned for approximately \$6.0 million in capital projects in the sewer utility between 2008 and 2015. Of the \$6.0 million, we have assumed a \$2.2 million will be funded with a grant for the Sewer Replacement project based on discussion with Town staff. After adjusting for this contribution, the remaining \$3.8 million in projects forms the CIP future cost basis.

Based on the data provided by the Town, the sewer utility has approximately 1,291 meter equivalents (MEs). Incorporating the growth assumptions previously established with the Town staff (1.5% per year), the utility will add 142 MEs over the next eight-year period – reaching a total customer base of 1,433 by 2015. The current treatment designed build out capacity for an average dry weather day is 0.33 million gallons per day (mgd). Currently, as of year end 2007, the average dry weather flow was recorded at 0.2774 mgd, which leaves 18.96% available capacity before build out. Applying the available capacity to the current number of MEs produces 1,536 MEs at build out.

D.3 CALCULATION OF THE SEWER RIGHT-TO-CONNECT CHARGE

To calculate the GFC portion of the charge, or the existing cost basis, the \$11.5 million allocable portion of the plant in service related to treatment is divided by the build out number of MEs it can serve of 1,536. The rest of the plant in service is divided through the 2015 ME customer base of 1,433. The resulting \$7,481 and \$1,907 portions make up the \$9,388 GFC.

To calculate the SDC portion of the charge, or the future cost basis, the \$3.98 million in capital improvement projects is divided by the 2015 MEs customer base. The result is a \$2,690 SDC.

Exhibit 5.2 on the following page summarizes the proposed sewer utility right-to-connect charge by meter size.

Exhibit 5.2 - Sewer System Right-to-Connect Charge by Meter Size

Meter Size	Existing Charge	Proposed Charge	Difference
5/8"	\$ 10,301	\$ 12,078	\$ 1,777
1"	25,756	30,195	4,439
1.5"	51,509	60,390	8,881
2"	82,416	96,624	14,208
3"	164,830	193,248	28,418
4"	257,545	301,950	44,405

The proposed rate sets the cost base right-to-connect charge for a 5/8" meter at \$12,078. The proposed charge is an increase of \$1,777 (not including B&O tax for the proposed charge) when compared to the Town's current charge of \$10,301. It is important to note that the proposed charge represents the allowable ceiling. The Town may set by policy a rate that is something less, if desired.

E. DETERMINATION OF THE STORMWATER RIGHT-TO-CONNECT CHARGES.

E.1 EXISTING COST BASIS (GFC)

As of 2007, stormwater utility total fixed assets equal \$1.6 million. There is no known contribution-in-aid of construction or construction work in progress. Up to 10 years of interest is calculated on non-contributed assets (\$778 thousand). The stormwater utility's outstanding debt was greater than existing cash reserves, and thus a \$60 thousand adjustment was made to account for principal outstanding. After adjusting the utility's total assets for capital contributions and chargeable interest, the total allocable portion of the plant in service is approximately \$2.3 million.

E.2 FUTURE COST BASIS (SDC)

The Town has planned for \$2.7 million of capital projects in the stormwater utility between 2008 and 2015. There are no known donations or contributions in aid of construction planned in the study period. Therefore, the future basis of the charge is \$2.7 million.

Based on the data provided by the Town, the stormwater utility has approximately 2,810 equivalent residential units (ERUs). Incorporating the growth assumptions previously established with the Town staff (1.5% per year), the utility will add 919 ERUs over the next twenty year period – reaching a total customer base of 3,870 by 2027.

E.3 CALCULATION OF THE STORMWATER RIGHT-TO-CONNECT CHARGE

To calculate the GFC portion of the charge the existing cost basis of \$2.3 million is divided by the total, existing plus future, ERU basis of 3,870. The resulting GFC charge is \$599.

To calculate the SDC portion of the charge the future cost basis of \$2.7 million is divided by the total ERU basis of 3,870. The resulting SDC charge is \$698.

Combining the GFC and the SDC portions, the right-to-connect charge is \$1,297 per ERU.

Exhibit 5.2 below summarizes the proposed stormwater utility right-to-connect charge.

Exhibit 5.2 - Stormwater System Right-to-Connect Charge by Meter Size

Charge	Existing Charge	Proposed Charge	Difference
Per ERU	\$ 320	\$ 1,297	\$ 977

Note: ERU - 2,000 sq.ft. of impervious ground cover

The proposed rate sets the cost base right-to-connect charge for a single ERU at \$1,297. The proposed charge is an increase of \$977 (not including B&O tax for the proposed charge) when compared to the Town's current charge of \$320. It is important to note that the proposed charge represents the allowable ceiling. The Town may set by policy a rate that is something less, if desired.

SECTION 6

TECHNICAL APPENDICES

WATER

Friday Harbor Water Utility Rate Study Summary

Revenue Requirements	2008	2009	2010	2011	2012	2013	2014	2015
Revenues								
Rate Revenues Under Existing Rates	\$ 1,524,000	\$ 1,545,860	\$ 1,570,063	\$ 1,593,614	\$ 1,617,518	\$ 1,641,781	\$ 1,666,408	\$ 1,691,404
Non-Rate Revenues	31,684	28,909	31,332	32,887	33,947	35,084	36,212	36,604
Total Revenues	\$ 1,555,684	\$ 1,575,769	\$ 1,601,395	\$ 1,626,501	\$ 1,651,465	\$ 1,676,865	\$ 1,702,619	\$ 1,728,007
Expenses								
Cash Operating Expenses	\$ 1,025,625	\$ 1,056,614	\$ 1,088,349	\$ 1,121,142	\$ 1,155,036	\$ 1,190,159	\$ 1,226,390	\$ 1,263,841
Existing Debt Service	171,789	172,857	173,425	168,578	137,298	136,923	-	-
New Debt Service	-	63,712	63,712	63,712	63,712	63,712	63,712	299,232
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-	-	-
Rate Funded System Reinvestment	416,000	416,000	416,000	516,000	559,450	602,900	646,350	689,800
Total Expenses	\$ 1,613,414	\$ 1,709,183	\$ 1,741,486	\$ 1,869,431	\$ 1,915,495	\$ 1,993,693	\$ 1,936,452	\$ 2,252,873
Net Surplus (Deficiency)	\$ (57,730)	\$ (133,414)	\$ (140,091)	\$ (242,930)	\$ (264,030)	\$ (316,858)	\$ (233,833)	\$ (524,865)
% of Rate Revenue	3.79%	8.62%	8.92%	15.24%	16.32%	19.30%	14.03%	31.03%
Annual Rate Adjustment	0.00%	9.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Rate Revenues After Rate Increase	\$ 1,524,000	\$ 1,674,476	\$ 1,798,937	\$ 1,878,608	\$ 1,953,990	\$ 2,053,254	\$ 2,146,574	\$ 2,244,136
Additional Taxes from Rate Increase	-	6,418	11,409	14,332	17,424	20,693	24,148	27,797
Net Cash Flow After Rate Increase	(57,730)	(12,216)	75,374	27,731	65,018	73,922	222,186	70
Coverage After Rate Increases	3.90	3.43	3.65	3.97	4.12	4.50	10.92	3.57
Sample Bill (SF in Town, based on 4,100 gallons per month)	\$ 61.05	\$ 66.54	\$ 69.87	\$ 71.96	\$ 74.12	\$ 76.35	\$ 78.64	\$ 81.00
Monthly Increase	-	5.49	3.33	2.10	2.16	2.22	2.29	2.36

Friday Harbor Water Utility Rate Study Summary

Fund Balance	2008	2009	2010	2011	2012	2013	2014	2015
Operating:								
Beginning Balance	\$ 282,030	\$ 168,596	\$ 156,380	\$ 178,907	\$ 184,297	\$ 189,869	\$ 195,642	\$ 201,598
Net Cash Flow after Rate Increase	(57,730)	(12,216)	75,374	27,731	65,018	73,922	222,186	70
Transfer of Surplus to Capital Fund	(55,704)	-	(52,847)	(22,341)	(59,446)	(68,148)	(216,230)	-
Ending Balance	\$ 168,596	\$ 156,380	\$ 178,907	\$ 184,297	\$ 189,869	\$ 195,642	\$ 201,598	\$ 201,668
Minimum Target Balance	\$ 168,596	\$ 173,690	\$ 178,907	\$ 184,297	\$ 189,869	\$ 195,642	\$ 201,598	\$ 207,755
Days	60	54	60	60	60	60	60	58
Capital								
Beginning Balance	\$ 1,633,282	\$ 1,358,202	\$ 62,007	\$ 60,495	\$ 106,797	\$ 797,536	\$ 1,562,044	\$ 2,542,011
plus: Rate Funded System Reinvestment	400,000	400,000	400,000	500,000	543,450	586,900	630,350	673,800
plus: Repair Reserve Funding From Operations	74,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
plus: Grants / Developer Donations / Other Outside Sources	-	-	-	-	-	-	-	-
plus: Existing PWTF Proceeds	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
plus: Right to Connect Charges	-	714,398	-	-	-	-	-	2,640,882
plus: Net Debt Proceeds Available for Projects	51,116	42,507	1,941	1,893	3,342	24,960	48,887	79,556
plus: Interest Earnings	55,704	-	52,847	22,341	59,446	68,148	216,230	-
plus: Transfer of Surplus from Operating Fund	-	-	-	-	-	-	-	-
plus: Direct Rate Funding	-	-	-	-	-	-	-	-
Total Capital Funding Sources	2,279,602	2,599,607	601,295	669,229	797,536	1,562,044	2,542,011	6,020,749
less: Capital Expenditures (Inflated)	(921,400)	(2,537,600)	(540,800)	(562,432)	-	-	-	(5,921,693)
Ending Balance	\$ 1,358,202	\$ 62,007	\$ 60,495	\$ 106,797	\$ 797,536	\$ 1,562,044	\$ 2,542,011	\$ 99,056
Minimum Capital Contingency Target	\$ 153,224	\$ 203,976	\$ 214,792	\$ 226,041	\$ 226,041	\$ 226,041	\$ 226,041	\$ 344,475

Friday Harbor Water Utility Rate Study Assumptions

Economic & Financial Factors

	2008	2009	2010	2011	2012	2013	2014	2015
1 General Cost Inflation	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
2 Construction Cost Inflation	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
3 Labor Cost Inflation	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
4 Customer Growth	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
5 General Inflation plus Growth	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
6 Taxes on Connection Charges	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
7 City Tax	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%
8 No Escalation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Fund Earnings (5-year average of the LWGSIP)

	2008	2009	2010	2011	2012	2013	2014	2015
	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%
	5.03%	5.03%	5.03%	5.03%	5.03%	5.03%	5.03%	5.03%
	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Local / State Excise Tax
State B&O Tax

Accounting Assumptions

FISCAL POLICY RESTRICTIONS

Min. Op. Fund Balance Target (days of O&M expense)
Max. Op. Fund Balance (days of O&M expense)

	2008	2009	2010	2011	2012	2013	2014	2015
	60	60	60	60	60	60	60	60
	60	60	60	60	60	60	60	60

Minimum Capital Fund Balance Target

Select Minimum Capital Fund Balance Target

1

Defined as % of Plant

1 - Defined as % of Plant

Plant-in-Service in 2007

\$ 6,739,818

\$ 134,796

Minimum Capital Fund Balance - % of plant assets

2.00%

2.00%

2 - Amount at Right ==>

\$ -

\$ -

RATE FUNDED SYSTEM REINVESTMENT

Select Reinvestment Funding Strategy

3

User Input

Amount of Annual Cash Funding from Rates

1 - Equal to Annual Depreciation Expense

2 - Equal to Annual Depreciation Expense less Annual Debt Principal Payments

3 - Equal to Amount at Right ==>

4 - Do Not Fund System Reinvestment

	2008	2009	2010	2011	2012	2013	2014	2015
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Friday Harbor Water Utility Rate Study Assumptions

Capital Financing Assumptions

Right to Connect Charge

Select GFC Alternative	1
1 - User Input (Current Charge)	\$ 6,368
2 - Calculated Charge	\$ 9,541

Current Charge is In use

	2008	2009	2010	2011	2012	2013	2014	2015
Total Residential Customer Equivalents (Estimate)	1,830	1,857	1,885	1,913	1,942	1,971	2,000	2,030
Right to Connect Charge Revenue (GFC and meter connection)	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 85,000	\$ 65,000

REVENUE BONDS

	20	20	20	20	20	20	20	20
Term (years)	20	20	20	20	20	20	20	20
Interest Cost	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Issuance Cost	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Revenue Bond Coverage Requirement

1.25

PWTF LOAN

	20	20	20	20	20	20	20	20
Term (years; 10 year minimum and no more than 20 years)	20	20	20	20	20	20	20	20
Interest Cost	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

OTHER LOANS & REVENUE-SUPPORTED GENERAL OBLIGATION BONDS [a]

	20	20	20	20	20	20	20	20
Term (years)	20	20	20	20	20	20	20	20
Interest Cost	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Issuance Cost	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

[a] Tax-supported general obligation bonds are assumed to be accounted for in the General Fund; terms and annual obligations of such bonds are not factors in this analysis.

Friday Harbor Water Utility Rate Study

Operating Revenue and Expenditure Forecast

Revenues

FORECAST BASIS

	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Rate revenues								
Usage Charge	\$ 710,000	720,650	731,460	742,432	753,568	764,872	776,345	787,990
Base Charge	814,000	826,210	838,603	851,182	863,950	876,909	890,063	903,414
Total Rate revenue	\$ 1,524,000	\$ 1,546,860	\$ 1,570,063	\$ 1,593,614	\$ 1,617,518	\$ 1,641,781	\$ 1,666,408	\$ 1,691,404
Non-rate revenues [a]								
Cross Connection Inspection	5	100	105	110	115	120	126	132
Installation Charge	5	8,500	8,904	9,326	9,769	10,233	10,719	11,228
Main Extension	5	100	105	110	115	120	126	132
Labor & Material Charge	5	1,000	1,047	1,097	1,149	1,204	1,261	1,321
Reconnect Fees	5	1,000	1,047	1,097	1,149	1,204	1,261	1,321
Lease	5	100	105	110	115	120	126	132
Interest Income		15,364	11,814	13,426	14,131	14,299	14,474	14,654
Sale of Timber	5	10	10	11	11	12	13	14
Main Extension Reimbursements	5	5,000	5,237	5,486	5,747	6,019	6,305	6,605
AWC Grant For Training	5	-	-	-	-	-	-	-
Debt of Revenue Refund	5	-	-	-	-	-	-	-
Miscellaneous Revenue	5	500	524	549	575	602	631	660
Prior Year Refund/Reimbursement	5	10	10	11	11	12	13	14
Total Non-rate revenues	\$ 31,584	\$ 28,909	\$ 31,332	\$ 32,887	\$ 33,947	\$ 35,054	\$ 36,212	\$ 36,604

TOTAL REVENUES

\$ 1,555,684 \$ 1,575,769 \$ 1,601,395 \$ 1,626,501 \$ 1,651,465 \$ 1,676,835 \$ 1,702,619 \$ 1,728,007

Friday Harbor Water Utility Rate Study

Operating Revenue and Expenditure Forecast

		FORECAST BASIS							
		Budget	Projection	Projection	Projection	Projection	Projection	Projection	
		2008	2009	2010	2011	2012	2013	2014	2015
Expenditures									
Excise Tax State Tax		\$ 78,500	\$ 80,403	\$ 81,611	\$ 82,829	\$ 84,066	\$ 85,322	\$ 86,585	
Utilities Administration									
Salaries		\$ 23,800	\$ 24,562	\$ 25,348	\$ 26,159	\$ 26,996	\$ 27,860	\$ 28,751	\$ 29,671
Overtime		-	-	-	-	-	-	-	-
Benefits		6,100	6,295	6,497	6,705	6,919	7,140	7,369	7,605
Supplies		650	681	713	747	783	820	859	899
Fuel		200	209	219	230	241	252	264	277
Small Tools		50	52	55	57	60	63	66	69
Legal		500	516	533	550	567	585	604	623
Professional Services		100	103	107	110	113	117	121	125
Communications		700	722	746	769	794	819	846	873
Travel / Training		1,500	1,548	1,598	1,649	1,701	1,756	1,812	1,870
Advertising		50	52	53	55	57	59	60	62
Equipment Rental		50	52	55	57	60	63	66	69
Utilities		3,100	3,199	3,302	3,407	3,516	3,629	3,745	3,865
Repairs & Maintenance		900	943	987	1,034	1,083	1,135	1,189	1,245
Miscellaneous		600	628	658	690	722	757	793	830
San Juan County		500	516	533	550	567	585	604	623
Intergovernmental		-	-	-	-	-	-	-	-
Interfund Taxes (City Tax)		-	-	-	-	-	-	-	-
Improvements		100	105	110	115	120	126	132	138
Equipment		100	105	110	115	120	126	132	138
Total Utilities Administration		\$ 39,000	\$ 40,289	\$ 41,621	\$ 42,998	\$ 44,421	\$ 45,892	\$ 47,412	\$ 48,984
Administration Planning									
Salaries		\$ 16,000	\$ 16,512	\$ 17,040	\$ 17,586	\$ 18,148	\$ 18,729	\$ 19,329	\$ 19,947
Benefits		4,100	4,231	4,367	4,506	4,651	4,799	4,953	5,111
Professional Services		1,700	1,754	1,811	1,868	1,928	1,990	2,054	2,119
Travel		450	464	479	495	510	527	544	561
Miscellaneous		100	105	110	115	120	126	132	138
Equipment		100	103	107	110	113	117	121	125
Total Administration Planning		\$ 22,450	\$ 23,170	\$ 23,913	\$ 24,680	\$ 25,471	\$ 26,288	\$ 27,132	\$ 28,002

Friday Harbor Water Utility Rate Study

Operating Revenue and Expenditure Forecast

System Administrator

	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Salaries	13,200	13,622	14,058	14,508	14,972	15,452	15,946	16,456
Overtime	100	103	107	110	113	117	121	125
Benefits	3,400	3,509	3,621	3,737	3,857	3,980	4,107	4,239
Supplies	900	943	987	1,034	1,083	1,135	1,189	1,245
Small Tools	125	131	137	144	150	158	165	173
Network Software Support	200	206	213	220	227	234	242	249
Training/Travel	650	671	692	714	737	761	785	810
Repair & Maintenance	100	105	110	115	120	126	132	138
Miscellaneous	350	367	384	402	421	441	462	484
Equipment	1,525	1,574	1,624	1,676	1,730	1,785	1,842	1,901
Total System Administrator	\$ 20,550	\$ 21,230	\$ 21,934	\$ 22,561	\$ 23,412	\$ 24,189	\$ 24,992	\$ 25,821

Finance / Customer Service

	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Salaries	28,400	29,309	30,247	31,215	32,213	33,244	34,308	35,406
Overtime	500	516	533	550	567	585	604	623
Benefits	8,700	8,978	9,266	9,562	9,868	10,184	10,510	10,846
Supplies	500	524	549	575	602	631	660	692
Professional/Contract Services	4,450	4,592	4,739	4,891	5,048	5,209	5,376	5,548
Communications	1,350	1,393	1,438	1,484	1,531	1,580	1,631	1,683
Training/Travel	1,000	1,032	1,065	1,099	1,134	1,171	1,208	1,247
Advertising								
Repair & Maintenance	50	52	55	57	60	63	66	69
Miscellaneous	50	52	55	57	60	63	66	69
Equipment	100	103	107	110	113	117	121	125
Total Finance / Customer Service	\$ 45,100	\$ 46,552	\$ 48,052	\$ 49,600	\$ 51,198	\$ 52,847	\$ 54,550	\$ 56,308

Meter Reading

	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Salaries	11,900	12,281	12,674	13,079	13,498	13,930	14,376	14,836
Overtime	5,500	5,676	5,858	6,045	6,239	6,438	6,644	6,857
Benefits	6,400	6,605	6,816	7,034	7,259	7,492	7,731	7,979
Supplies	100	105	110	115	120	126	132	138
Meter Readers Fuel	500	524	549	575	602	631	660	692
Small Tools	50	52	55	57	60	63	66	69
Repair & Maintenance	700	733	768	805	843	883	925	969
Miscellaneous	50	52	55	57	60	63	66	69
Equipment	2,500	2,619	2,743	2,873	3,010	3,153	3,302	3,459
Total Meter Reading	27,700	28,647	29,627	30,641	31,691	32,778	33,903	35,067

Friday Harbor Water Utility Rate Study

Operating Revenue and Expenditure Forecast

Treatment	Budget	2008	2009	2010	2011	2012	2013	2014	2015
Salaries	3	104,400	107,741	111,189	114,747	118,418	122,208	126,118	130,154
Overtime	3	42,000	43,344	44,731	46,162	47,640	49,164	50,737	52,361
Benefits	3	39,200	40,454	41,749	43,085	44,464	45,886	47,355	48,870
Supplies	3	67,000	69,144	71,357	73,640	75,997	78,428	80,938	83,528
Fuel	5	2,150	2,252	2,359	2,471	2,588	2,711	2,840	2,975
Small Tools	5	200	209	219	230	241	252	264	277
Professional Services	3	3,500	3,612	3,728	3,847	3,970	4,097	4,228	4,363
Communications	1	2,350	2,425	2,503	2,583	2,666	2,751	2,839	2,930
Travel / Training	1	1,500	1,548	1,598	1,649	1,701	1,756	1,812	1,870
Advertising	1	50	52	53	55	57	59	60	62
Equipment Rental	5	100	105	110	115	120	126	132	138
Utilities	1	46,500	47,988	49,524	51,108	52,744	54,432	56,173	57,971
Repairs & Maintenance	5	13,000	13,617	14,264	14,941	15,650	16,394	17,172	17,987
Miscellaneous	5	100	105	110	115	120	126	132	138
Intergovernmental	1	5,700	5,882	6,071	6,265	6,465	6,672	6,886	7,106
Chemical Storage Building	1								
Improvements	1	21,200	21,878	22,579	23,301	24,047	24,816	25,610	26,430
Equipment	1	13,150	13,571	14,005	14,453	14,916	15,393	15,886	16,394
Total Treatment		362,100	373,928	386,146	398,767	411,804	425,271	439,183	453,555

Salaries	3	61,200	63,158	65,179	67,265	69,418	71,639	73,932	76,297
Overtime	3	5,500	5,676	5,858	6,045	6,239	6,438	6,644	6,857
Benefits	3	38,400	39,629	40,897	42,208	43,556	44,950	46,388	47,873
Supplies	5	45,000	47,137	49,375	51,719	54,175	56,747	59,441	62,263
Fuel	5	5,800	6,075	6,364	6,666	6,983	7,314	7,661	8,025
Small Tools	5	450	471	494	517	542	567	594	623
Professional Services	3	9,350	9,649	9,958	10,277	10,605	10,945	11,295	11,657
Communications	1	1,750	1,806	1,864	1,923	1,985	2,049	2,114	2,182
Travel / Training	1	1,500	1,548	1,598	1,649	1,701	1,756	1,812	1,870
Advertising	1	50	52	53	55	57	59	60	62
Equipment Rental	5	100	105	110	115	120	126	132	138
Utilities	1	9,200	9,494	9,798	10,112	10,435	10,769	11,114	11,470
Repairs & Maintenance	5	7,675	8,039	8,421	8,821	9,240	9,678	10,138	10,619
Miscellaneous	5	50	52	55	57	60	63	66	69
Intergovernmental	1	1,400	1,445	1,491	1,539	1,588	1,639	1,691	1,745
Improvements	1	23,000	23,736	24,496	25,279	26,088	26,923	27,785	28,674
Equipment	1	6,900	7,121	7,349	7,584	7,827	8,077	8,335	8,602
Total Distribution		217,325	225,194	233,358	241,829	250,618	259,739	269,204	279,026

Friday Harbor Water Utility Rate Study

Operating Revenue and Expenditure Forecast

	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Cross Connection								
Salaries	44,100	45,511	46,968	48,471	50,022	51,622	53,274	54,979
Overtime	500	516	533	550	567	585	604	623
Benefits	15,200	15,686	16,188	16,706	17,241	17,793	18,362	18,950
Supplies	750	786	823	862	903	946	991	1,038
Fuel	-	-	-	-	-	-	-	-
Small Tools	50	52	55	57	60	63	66	69
Professional Services	200	206	213	220	227	234	242	249
Communications	100	103	107	110	113	117	121	125
Travel / Training	500	516	533	550	567	585	604	623
Miscellaneous	50	52	55	57	60	63	66	69
Intergovernmental	100	103	107	110	113	117	121	125
Equipment	100	103	107	110	113	117	121	125
Total Cross Connection	61,650	63,636	65,686	67,802	69,987	72,243	74,571	76,975
Other Operating								
Personnel	9,200	9,484	9,798	10,112	10,435	10,769	11,114	11,470
Benefits	3,600	3,715	3,834	3,957	4,083	4,214	4,349	4,488
ODL Costs	200	206	213	220	227	234	242	249
Supplies	350	367	384	402	421	441	462	484
Professional Services	100	103	107	110	113	117	121	125
Communications	3,000	3,086	3,195	3,297	3,403	3,512	3,624	3,740
Advertising	50	52	53	55	57	59	60	62
Equipment Rental	300	314	329	345	361	378	396	415
Insurance	23,000	23,736	24,496	25,279	26,088	26,923	27,785	28,674
Miscellaneous	2,150	2,252	2,359	2,471	2,588	2,711	2,840	2,975
Intergovernmental	500	516	533	550	567	585	604	623
Improvements	-	-	-	-	-	-	-	-
Equipment	100	105	110	115	120	126	132	138
Total Other Operating	42,550	43,956	45,410	46,913	48,465	50,070	51,729	53,444
Connection Costs								
Salaries	1,500	1,548	1,598	1,649	1,701	1,756	1,812	1,870
Benefits	600	619	639	659	681	702	725	748
Supplies	2,000	2,095	2,194	2,299	2,408	2,522	2,642	2,767
Legal	100	103	107	110	113	117	121	125
Professional Services	500	516	533	550	567	585	604	623
Miscellaneous	100	105	110	115	120	126	132	138
Intergovernmental	1,500	1,548	1,598	1,649	1,701	1,756	1,812	1,870
Total Connection Costs	6,300	6,356	6,415	6,476	6,538	6,604	6,674	6,747

Friday Harbor Water Utility Rate Study Operating Revenue and Expenditure Forecast

	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Other Uses (Transfers)								
To Separation Reserve	1,500	2,800	2,800	2,800	2,800	2,800	2,800	2,800
To Studies Reserve	20,000	20,840	21,300	21,982	22,686	23,411	24,161	24,934
To Repair Reserve	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
To Land Reserve	100	100	100	100	100	100	100	100
To Capital Projects Reserve	416,000	416,000	416,000	516,000	559,450	602,900	646,350	689,800
To Equipment Reserve	35,400	35,400	35,400	35,400	35,400	35,400	35,400	35,400
Total Other Uses (Transfers)	492,500	494,440	495,700	595,782 1.39903%	639,936 0.00000%	684,191 0.00000%	728,391 0.00000%	772,614 2.96651%
Main Extension								
Professional Services	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Main Extension	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Improvements								
Professional Services	500	516	533	550	567	585	604	623
Improvements	10,400	10,894	11,411	11,953	12,520	13,115	13,738	14,390
Total Improvements	10,900	11,410	11,944	12,502	13,087	13,700	14,342	15,013
Add'l O&M from CIP								
Total Cash O&M Expenditures	\$ 1,441,625	\$ 1,472,614	\$ 1,504,349	\$ 1,637,142	\$ 1,714,486	\$ 1,793,059	\$ 1,872,740	\$ 1,953,641
Depreciation Expense in								
Depreciation Expense [b]	\$ 22,828	\$ 82,732	\$ 93,548	\$ 104,797	\$ 104,797	\$ 104,797	\$ 104,797	\$ 223,231
TOTAL EXPENSES	\$ 1,464,453	\$ 1,555,346	\$ 1,597,897	\$ 1,741,938	\$ 1,819,282	\$ 1,897,855	\$ 1,977,537	\$ 2,176,871

Friday Harbor Water Utility Rate Study Capital Improvement Program

Project Costs and O&M Impacts in Year:		2008		(Project costs are escalated using Construction Cost Inflation assumptions)									
No	Description	Current Cost	Year	Annual O&M Impact	Life In Years	For CFC Calculation		Specific Funding Source		Upgrade / Expansion	R&R	TOTAL ESCALATED COSTS	
						% Upgrade / Expansion	% R&R	Enterprise Fund, 2-Grants & Developer Donations	1-				
1	Upgrade Transmission Line	\$ 500,000	2008		50	100%	0%	Enterprise Fund	1	\$ 500,000	\$ -	\$ 500,000	
2		500,000	2009		50	100%	0%	Enterprise Fund	1	500,000	-	520,000	
3		500,000	2010		50	100%	0%	Enterprise Fund	1	500,000	-	540,800	
4		500,000	2011		50	100%	0%	Enterprise Fund	1	500,000	-	562,432	
5	Replace Front Street Main	175,000	2008		50	0%	100%	Enterprise Fund	1	-	175,000	175,000	
6	Replace Guard Street Main	177,000	2008		50	0%	100%	Enterprise Fund	1	-	177,000	177,000	
7	Chlorine System Improvements	180,000	2009		50	100%	0%	Enterprise Fund	1	180,000	-	187,200	
8	Upgrade Comprehensive Water Plan	60,000	2009		6	100%	0%	Enterprise Fund	1	60,000	-	62,400	
9	Upgrade Treatment Process	500,000	2009		50	100%	0%	Enterprise Fund	1	500,000	-	520,000	
10	Hillview Terrace Pump Zone	1,200,000	2009		50	100%	0%	Enterprise Fund	1	1,200,000	-	1,248,000	
11	Raise Trout Lake Dam	4,500,000	2015		50	100%	0%	Enterprise Fund	1	4,500,000	-	5,921,693	
12	Improvements (From Budget)	11,400	2008		50	100%	0%	Enterprise Fund	1	11,400	-	11,400	
13								Enterprise Fund	1				
14	Water Professional Services (projects)	3,000	2008		50	100%	0%	Enterprise Fund	1	3,000	-	3,000	
15	Water System Improvements (projects)		2008		50	100%	0%	Enterprise Fund	1				
16	Media Changes (repairs)	50,000	2008		10	0%	100%	Enterprise Fund	1	-	50,000	50,000	
17	Leak Detection (repairs)	5,000	2008		10	0%	100%	Enterprise Fund	1	-	5,000	5,000	
18								Enterprise Fund	1				
19								Enterprise Fund	1				
20								Enterprise Fund	1				
21								Select Source	1				
Total Capital Projects		\$ 8,861,400		\$ -		95%	5%			\$ 8,454,400	\$ 407,000	\$ 10,483,925	
Total Upgrade/Expansion Projects												10,076,925	
Total R&R Projects												407,000	
Projects by Grants / Developer Donations												-	
Projects by Enterprise Fund												10,483,925	

Year	2008	Inflated
2008	921,400	921,400
2009	2,440,000	2,537,600
2010	500,000	540,800
2011	500,000	562,432
2012	-	-
2013	-	-
2014	-	-
2015	4,500,000	5,921,693
Total	8,861,400	10,483,925

Friday Harbor Water Utility Rate Study Existing Debt Input

Existing Debt Service - Revenue Bonds	2008	2009	2010	2011	2012	2013	2014	2015
2004 Water Bond								
Annual Interest Payment	\$ 29,138	\$ 25,568	\$ 21,488	\$ 17,013	\$ 12,298	\$ 6,923	\$ 1,138	\$ -
Annual Principal Payment	105,000	110,000	115,000	115,000	125,000	130,000	25,000	-
Total Annual Payment	\$ 134,138	\$ 135,568	\$ 136,488	\$ 132,013	\$ 137,298	\$ 136,923	\$ 26,138	\$ -
Use of Debt reserve for Debt Service	-	-	-	-	-	-	26,138	-
REVENUE BOND 2								
Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	-	-	-	-	-	-
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Debt reserve for Debt Service	-	-	-	-	-	-	-	-
REVENUE BOND 3								
Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	-	-	-	-	-	-
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Debt reserve for Debt Service	-	-	-	-	-	-	-	-
REVENUE BOND 4								
Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	-	-	-	-	-	-
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Debt reserve for Debt Service	-	-	-	-	-	-	-	-
REVENUE BOND 5								
Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	-	-	-	-	-	-
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Debt Reserve for Debt Service	-	-	-	-	-	-	-	-
TOTAL REVENUE BONDS								
Annual Interest Payment	\$ 29,138	\$ 25,568	\$ 21,488	\$ 17,013	\$ 12,298	\$ 6,923	\$ 1,138	\$ -
Annual Principal Payment	105,000	110,000	115,000	115,000	125,000	130,000	25,000	-
Total Annual Payment	\$ 134,138	\$ 135,568	\$ 136,488	\$ 132,013	\$ 137,298	\$ 136,923	\$ 26,138	\$ -
Use of Debt reserve for Debt Service	-	-	-	-	-	-	26,138	-
Annual Debt Reserve Target on Existing Revenue Bonds	137,298	137,298	137,298	137,298	137,298	136,923	-	-

**Friday Harbor
Water Utility Rate Study
Existing Debt Input**

Existing Debt Service - PWTF Loans

Water Tank PWTF

	2008	2009	2010	2011	2012	2013	2014	2015
Annual Interest Payment	\$ 1,448	\$ 1,086	\$ 724	\$ 362	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	\$ 36,204	\$ 36,204	\$ 36,204	\$ 36,204	\$ -	\$ -	\$ -	\$ -
Total Annual Payment	\$ 37,652	\$ 37,290	\$ 36,928	\$ 36,566	\$ -	\$ -	\$ -	\$ -

Loan 2

Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Loan 3

Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Loan 4

Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TOTAL PWTF LOANS

Annual Interest Payment	\$ 1,448	\$ 1,086	\$ 724	\$ 362	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	\$ 36,204	\$ 36,204	\$ 36,204	\$ 36,204	\$ -	\$ -	\$ -	\$ -
Total Annual Payment	\$ 37,652	\$ 37,290	\$ 36,928	\$ 36,566	\$ -	\$ -	\$ -	\$ -

Friday Harbor Water Utility Rate Study Capital Funding Analysis

	2008	2009	2010	2011	2012	2013	2014	2015	2008 - 2015 TOTAL
Summary of Expenditures									
CAPITAL PROJECTS									
Improvement Upgrades & Expansions	\$ 514,400	\$ 2,537,600	\$ 540,800	\$ 562,432	\$ -	\$ -	\$ -	\$ 5,921,693	\$ 10,076,925
Repairs and Replacements	407,000	-	-	-	-	-	-	-	407,000
TOTAL CAPITAL EXPENDITURES	\$ 921,400	\$ 2,537,600	\$ 540,800	\$ 562,432	\$ -	\$ -	\$ -	\$ 5,921,693	\$ 10,483,925
Capital Financing Plan									
Existing PWTF Proceeds	-	-	-	-	-	-	-	-	-
Project Specific Grants / Developer Donations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project to be Funded	921,400	2,537,600	540,800	562,432	-	-	-	5,921,693	10,483,925
OTHER FUNDING SOURCES [NOTE A]									
Other Outside Sources	-	-	-	-	-	-	-	-	\$ -
PWTF Loan Proceeds	-	-	-	-	-	-	-	-	-
Other Loan Proceeds	-	-	-	-	-	-	-	-	-
Right-to-Connect Charges	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	520,000
Rate Funded System Reinvestment	400,000	400,000	400,000	500,000	543,450	586,900	630,350	673,800	4,134,500
Capital Fund Balance Deficiency	(456,400)	(2,072,600)	(75,800)	-	-	-	-	(5,182,893)	(7,787,693)
Capital Fund Balance	456,400	1,358,202	75,800	-	-	-	-	2,542,011	4,432,414
Capital Fund Balance Deficiency	-	(714,398)	-	-	-	-	-	(2,640,882)	(3,355,279)
Revenue Bond Proceeds [Note B]	-	714,398	-	-	-	-	-	2,640,882	3,355,279
Rates	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

Friday Harbor Water Utility Rate Study Revenue Requirements Analysis

Cash Flow Sufficiency Test

EXPENSES	2008	2009	2010	2011	2012	2013	2014	2015
Cash Operating Expenses	\$ 1,025,625	\$ 1,056,614	\$ 1,088,349	\$ 1,121,142	\$ 1,155,036	\$ 1,190,159	\$ 1,226,390	\$ 1,263,841
Existing Debt Service	171,789	172,857	173,425	168,578	137,298	136,923	-	-
New Debt Service	-	63,712	63,712	63,712	63,712	63,712	63,712	299,232
Rate-Funded CIP	-	-	-	-	-	-	-	-
Rate Funded System Reinvestment	416,000	416,000	416,000	516,000	559,450	602,900	646,350	689,800
Additions Required to Meet Minimum Op. Fund Balance	-	-	-	-	-	-	-	-
Total Expenses	\$ 1,613,414	\$ 1,709,183	\$ 1,741,486	\$ 1,869,431	\$ 1,915,495	\$ 1,993,693	\$ 1,936,452	\$ 2,252,873
REVENUES								
Rate Revenue	\$ 1,524,000	\$ 1,546,860	\$ 1,570,063	\$ 1,593,614	\$ 1,617,518	\$ 1,641,781	\$ 1,666,408	\$ 1,691,404
Other Revenue	16,320	17,095	17,907	18,757	19,647	20,580	21,557	22,581
Operating Fund & Debt Reserve Fund Interest Earnings	15,364	11,814	13,426	14,131	14,299	14,474	14,654	14,023
Total Revenue	\$ 1,555,684	\$ 1,575,769	\$ 1,601,395	\$ 1,626,501	\$ 1,651,465	\$ 1,676,835	\$ 1,702,619	\$ 1,728,007
NET CASH FLOW (DEFICIENCY)	\$ (57,730)	\$ (133,414)	\$ (140,091)	\$ (242,930)	\$ (264,030)	\$ (316,858)	\$ (233,833)	\$ (524,865)

Coverage Sufficiency Test

EXPENSES	2008	2009	2010	2011	2012	2013	2014	2015
Cash Operating Expenses	\$ 1,025,625	\$ 1,056,614	\$ 1,088,349	\$ 1,121,142	\$ 1,155,036	\$ 1,190,159	\$ 1,226,390	\$ 1,263,841
Revenue Bond Debt Service	134,138	199,279	200,209	195,724	201,009	200,634	89,849	299,232
Revenue Bond Coverage Requirement at 1.25	33,534	49,820	50,052	48,931	50,252	50,159	22,462	74,808
Total Expenses	\$ 1,193,297	\$ 1,305,713	\$ 1,338,610	\$ 1,365,797	\$ 1,406,297	\$ 1,440,951	\$ 1,338,702	\$ 1,637,881
ALLOWABLE REVENUES								
Rate Revenue	\$ 1,524,000	\$ 1,546,860	\$ 1,570,063	\$ 1,593,614	\$ 1,617,518	\$ 1,641,781	\$ 1,666,408	\$ 1,691,404
Other Revenue	16,320	17,095	17,907	18,757	19,647	20,580	21,557	22,581
Interest Earnings - All Funds	9,000	54,321	15,366	16,024	17,642	39,434	63,541	93,579
Total Revenue	\$ 1,549,320	\$ 1,618,276	\$ 1,603,336	\$ 1,628,394	\$ 1,654,807	\$ 1,701,795	\$ 1,751,506	\$ 1,807,564
Coverage Realized	3.90	2.82	2.57	2.59	2.49	2.55	5.84	1.82
COVERAGE SURPLUS (DEFICIENCY)	\$ 356,023	\$ 312,563	\$ 264,725	\$ 262,598	\$ 248,510	\$ 260,843	\$ 412,804	\$ 169,683

Friday Harbor Water Utility Rate Study Revenue Requirements Analysis

Maximum Revenue Deficiency

Sufficiency Test Driving the Deficiency	2008	2009	2010	2011	2012	2013	2014	2015
Maximum Deficiency From Tests	\$ 57,730	\$ 133,414	\$ 140,091	\$ 242,930	\$ 264,030	\$ 316,858	\$ 233,833	\$ 524,865
less: Net Revenue From Prior Rate Increases			(134,199)	(218,697)	(274,722)	(393,984)	(396,642)	(462,859)
Revenue Deficiency	\$ 57,730	\$ 133,414	\$ 5,891	\$ 24,234	\$ -	\$ -	\$ -	\$ 62,006
Plus: Adjustment for State Excise Tax	3,057	7,055	312	1,283	-	-	-	3,283
Total Revenue Deficiency	\$ 60,787	\$ 140,479	\$ 6,203	\$ 25,517	\$ -	\$ -	\$ -	\$ 65,289

Rate Increases

	2008	2009	2010	2011	2012	2013	2014	2015
Rate Revenue with no Increase	\$ 1,524,000	\$ 1,546,860	\$ 1,570,063	\$ 1,593,614	\$ 1,617,518	\$ 1,641,781	\$ 1,666,408	\$ 1,691,404
Revenues from Prior Rate Increases	-	-	141,306	230,277	289,269	351,670	417,645	487,369
Rate Revenue Before Rate Increase (Incl. previous increases)	1,524,000	1,546,860	1,711,369	1,823,891	1,906,787	1,993,450	2,084,053	2,178,773
Required Annual Rate Increase	3.99%	9.08%	0.36%	1.40%	0.00%	0.00%	0.00%	3.00%

Number of Months New Rates Will Be In Effect

Info: Percentage Increase to Generate Required Revenue	9	11	12	12	12	12	12	12
	5.32%	9.91%	0.36%	1.40%	0.00%	0.00%	0.00%	3.00%

Policy Induced Rate Increases

	0.00%	9.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
ANNUAL RATE INCREASE	0.00%	9.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
CUMULATIVE RATE INCREASE	0.00%	9.00%	14.45%	17.88%	21.42%	25.06%	28.81%	32.68%

Impacts of Rate Increases

	2008	2009	2010	2011	2012	2013	2014	2015
Rate Revenues After Rate Increase	\$ 1,524,000	\$ 1,674,476	\$ 1,796,937	\$ 1,878,608	\$ 1,963,990	\$ 2,053,254	\$ 2,146,574	\$ 2,244,136
Full Year Rate Revenues After Rate Increase	1,524,000	1,666,077	1,796,937	1,878,608	1,963,990	2,053,254	2,146,574	2,244,136
Additional State Taxes Due to Rate Increases	-	6,418	11,409	14,332	17,424	20,693	24,148	27,797
Net Cash Flow After Rate Increase	(57,730)	(12,216)	75,374	27,731	65,018	73,922	222,186	70
Coverage After Rate Increase	3.90	3.43	3.65	3.97	4.12	4.50	10.92	3.57

**Friday Harbor
Water Utility Rate Study
Fund Activity**

Funds	2008	2009	2010	2011	2012	2013	2014	2015
OPERATING FUND								
Beginning Balance	\$ 282,030	\$ 168,596	\$ 156,380	\$ 178,907	\$ 184,297	\$ 189,869	\$ 195,642	\$ 201,598
plus: Net Cash Flow after Rate Increase	(57,730)	(12,216)	75,374	27,731	65,018	73,922	222,186	70
less: Transfer of Surplus to Capital Fund	(55,704)	-	(52,847)	(22,341)	(59,446)	(68,148)	(216,230)	-
Ending Balance	\$ 168,596	\$ 156,380	\$ 178,907	\$ 184,297	\$ 189,869	\$ 195,642	\$ 201,598	\$ 201,668
Minimum Target Balance	168,596	173,690	178,907	184,297	189,869	195,642	201,598	207,755
Maximum Funds to be Kept as Operating Reserves	168,596	173,690	178,907	184,297	189,869	195,642	201,598	207,755
Info: No of Days of Cash Operating Expenses	60	54	60	60	60	60	60	58
CAPITAL FUND								
Beginning Balance	\$ 1,633,282	\$ 1,356,202	\$ 62,007	\$ 60,495	\$ 106,797	\$ 797,536	\$ 1,562,044	\$ 2,542,011
plus: Rate Funded System Reinvestment	400,000	400,000	400,000	500,000	543,450	586,900	630,350	673,800
plus: Repair Reserve Funding From Operations and Repair Reserve	74,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
plus: Transfer from Equipment Reserve	-	-	-	-	-	-	-	-
plus: Transfer from Studies Reserve	-	-	-	-	-	-	-	-
plus: Grants / Developer Donations / Other Outside Sources	-	-	-	-	-	-	-	-
plus: Existing PWTF Proceeds	-	-	-	-	-	-	-	-
plus: Right to Connect Charges	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
plus: Net Debt Proceeds Available for Projects	-	714,398	-	-	-	-	-	2,640,882
plus: Interest Earnings	51,116	42,507	1,941	1,893	3,342	24,960	48,887	79,556
plus: Transfer of Surplus from Operating Fund	55,704	-	52,847	22,341	59,446	68,148	216,230	-
plus: Direct Rate Funding	-	-	-	-	-	-	-	-
Total Capital Funding Sources	2,279,602	2,599,607	601,295	669,229	797,536	1,562,044	2,542,011	6,020,749
less: Capital Expenditures	(921,400)	(2,537,600)	(540,800)	(562,432)	-	-	-	(5,921,693)
Ending Balance	\$ 1,358,202	\$ 62,007	\$ 60,495	\$ 106,797	\$ 797,536	\$ 1,562,044	\$ 2,542,011	\$ 99,056
Minimum Target Balance	\$ 153,224	\$ 203,976	\$ 214,792	\$ 226,041	\$ 226,041	\$ 226,041	\$ 226,041	\$ 344,475
DEBT RESERVE								
Beginning Balance	\$ 208,888	\$ 208,888	\$ 272,599	\$ 272,599	\$ 272,599	\$ 272,599	\$ 272,599	\$ 246,462
plus: Reserve Funding from New Debt	-	63,712	-	-	-	-	-	235,520
less: Use of Reserves for Debt Service	-	-	-	-	-	-	(26,138)	-
Ending Balance	\$ 208,888	\$ 272,599	\$ 272,599	\$ 272,599	\$ 272,599	\$ 272,599	\$ 246,462	\$ 481,992
Minimum Target Balance	137,298	201,009	201,009	201,009	201,009	200,634	63,712	299,232

**Friday Harbor
Water Utility Rate Study
Fund Activity**

SEPARATION RESERVE

Beginning Balance	\$ 1,500	\$ 4,347	\$ 7,283	\$ 10,311	\$ 13,434	\$ 16,734	\$ 20,138
plus: Reserve Funding from Operations	1,500	2,800	2,800	2,800	2,880	2,880	2,880
plus: Interest Earnings	-	47	228	323	420	524	630
less: Use of Reserves	-	-	-	-	-	-	-
Ending Balance	\$ 1,500	\$ 4,347	\$ 7,283	\$ 10,311	\$ 13,434	\$ 16,734	\$ 20,138

STUDIES RESERVE

Beginning Balance	\$ 10,018	\$ 30,331	\$ 51,920	\$ 74,846	\$ 99,170	\$ 124,960	\$ 152,282
plus: Reserve Funding from Operations	20,000	20,640	21,300	21,982	22,686	23,411	24,161
plus: Interest Earnings	314	949	1,625	2,342	3,104	3,911	4,766
less: Use of Reserves	-	-	-	-	-	-	-
Ending Balance	\$ 30,331	\$ 51,920	\$ 74,846	\$ 99,170	\$ 124,960	\$ 152,282	\$ 181,208

REPAIR RESERVE

Beginning Balance	\$ 179,834	\$ 146,462	\$ 167,046	\$ 188,274	\$ 210,166	\$ 232,744	\$ 256,028
plus: Reserve Funding from Operations	35,500	35,500	35,500	35,500	35,500	35,500	35,500
plus: Interest Earnings	5,628	4,584	5,228	5,892	6,577	7,284	8,013
less: Use of Reserves	(74,500)	(19,500)	(19,500)	(19,500)	(19,500)	(19,500)	(19,500)
Ending Balance	\$ 146,462	\$ 167,046	\$ 188,274	\$ 210,166	\$ 232,744	\$ 256,028	\$ 280,040

LAND RESERVE

Beginning Balance	\$ 213,624	\$ 220,409	\$ 227,407	\$ 234,624	\$ 242,067	\$ 249,743	\$ 257,659
plus: Reserve Funding from Operations	100	100	100	100	100	100	100
plus: Interest Earnings	6,686	6,898	7,117	7,343	7,576	7,816	8,064
less: Use of Reserves	-	-	-	-	-	-	-
Ending Balance	\$ 220,409	\$ 227,407	\$ 234,624	\$ 242,067	\$ 249,743	\$ 257,659	\$ 276,556

EQUIPMENT RESERVE

Beginning Balance	\$ 35,400	\$ 71,908	\$ 109,558	\$ 148,387	\$ 188,431	\$ 229,728	\$ 272,318
plus: Reserve Funding from Operations	35,400	35,400	35,400	35,400	35,400	35,400	35,400
plus: Interest Earnings	-	1,108	2,250	3,429	4,644	5,897	7,190
less: Use of Reserves	-	-	-	-	-	-	-
Ending Balance	\$ 35,400	\$ 71,908	\$ 109,558	\$ 148,387	\$ 188,431	\$ 229,728	\$ 272,318

SEWER

Friday Harbor Sewer Utility Rate Study Summary

Revenue Requirements	2008	2009	2010	2011	2012	2013	2014	2015
Revenues								
Rate Revenues Under Existing Rates	\$ 1,518,000	\$ 1,540,770	\$ 1,563,882	\$ 1,587,340	\$ 1,611,150	\$ 1,635,317	\$ 1,659,847	\$ 1,684,745
Non-Rate Revenues	101,768	103,447	108,045	112,330	116,159	120,861	125,785	130,944
Total Revenues	\$ 1,619,768	\$ 1,644,217	\$ 1,671,927	\$ 1,699,670	\$ 1,727,309	\$ 1,756,178	\$ 1,785,632	\$ 1,815,688
Expenses								
Cash Operating Expenses	\$ 1,008,200	\$ 1,042,395	\$ 1,074,991	\$ 1,113,333	\$ 1,148,263	\$ 1,184,443	\$ 1,221,511	\$ 1,260,312
Existing Debt Service	591,706	595,691	589,821	530,586	529,935	528,875	522,490	525,947
New Debt Service	-	10,945	268,456	267,879	267,303	266,727	266,151	265,575
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-	-	-
Rate Funded System Reinvestment	91,000	91,000	91,000	202,000	261,220	324,520	396,670	461,870
Total Expenses	\$ 1,690,906	\$ 1,740,031	\$ 2,024,267	\$ 2,113,798	\$ 2,206,722	\$ 2,304,566	\$ 2,406,822	\$ 2,513,705
Net Surplus (Deficiency)	\$ (71,138)	\$ (95,814)	\$ (352,340)	\$ (414,129)	\$ (479,413)	\$ (548,388)	\$ (621,190)	\$ (698,016)
% of Rate Revenue	4.69%	6.22%	22.53%	26.09%	29.76%	33.53%	37.42%	41.43%
Annual Rate Adjustment	0.00%	11.10%	11.10%	3.00%	3.00%	3.00%	3.00%	3.00%
Rate Revenues After Rate Increase	\$ 1,518,000	\$ 1,697,543	\$ 1,930,332	\$ 2,018,065	\$ 2,109,786	\$ 2,205,676	\$ 2,305,924	\$ 2,410,729
Additional Taxes from Rate Increase	-	6,039	14,116	16,592	19,207	21,970	24,887	27,965
Net Cash Flow After Rate Increase	(71,138)	54,921	(6)	5	16	1	1	3
Coverage After Rate Increases	2.52	3.41	4.31	5.39	6.36	6.75	7.37	7.63
Sample Single Family Bill	\$ 79.04	\$ 87.81	\$ 97.56	\$ 100.49	\$ 103.50	\$ 106.61	\$ 109.81	\$ 113.10
Monthly Increase	-	8.77	9.75	2.93	3.01	3.11	3.20	3.29

Friday Harbor Sewer Utility Rate Study Summary

	2008	2009	2010	2011	2012	2013	2014	2015
Fund Balance								
Operating:								
Beginning Balance	\$ 226,276	\$ 155,138	\$ 171,353	\$ 171,347	\$ 171,352	\$ 171,368	\$ 171,369	\$ 171,370
Net Cash Flow after Rate Increase	(71,138)	54,921	(6)	5	16	1	1	3
Transfer of Surplus to Capital Fund	-	(38,706)	-	-	-	-	-	-
Ending Balance	\$ 155,138	\$ 171,353	\$ 171,347	\$ 171,352	\$ 171,368	\$ 171,369	\$ 171,370	\$ 171,373
Minimum Target Balance	\$ 165,732	\$ 171,353	\$ 176,711	\$ 183,014	\$ 188,756	\$ 194,703	\$ 200,796	\$ 207,175
Days	56	60	58	56	54	53	51	50
Capital								
Beginning Balance	\$ 1,899,878	\$ 2,062,838	\$ 2,088,634	\$ 2,259,654	\$ 2,532,387	\$ 2,868,376	\$ 3,273,501	\$ 3,758,589
plus: Rate Funded System Reinvestment	75,000	75,000	75,000	186,000	245,220	308,520	380,670	445,870
plus: Repair Reserve Funding from Operations	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
plus: Transfers from Equipment Reserve	-	-	-	-	-	-	-	-
plus: Transfers from Studies Reserve	-	-	-	-	-	-	-	-
plus: Grants / Developer Donations / Other Outside Sources	1,900,000	266,515	-	-	-	-	-	-
plus: Existing PWTF Proceeds	600,000	2,166,515	-	-	-	-	-	-
plus: Right to Connect Charge Revenue	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000
plus: Net Debt Proceeds Available for Projects	-	-	-	-	-	-	-	-
plus: Interest Earnings	59,460	64,560	65,680	70,719	79,255	89,770	102,449	117,631
plus: Transfer of Surplus from Operating Fund	-	38,706	-	-	-	-	-	-
Total Capital Funding Sources	4,662,838	4,802,634	2,367,814	2,644,873	2,985,362	3,395,167	3,885,121	4,450,590
less: Capital Expenditures	(2,600,000)	(2,704,000)	(108,160)	(112,486)	(116,986)	(121,665)	(126,532)	(131,593)
Ending Balance	\$ 2,062,838	\$ 2,098,634	\$ 2,259,654	\$ 2,532,387	\$ 2,868,376	\$ 3,273,501	\$ 3,758,589	\$ 4,318,997
Minimum Capital Contingency Target	\$ 327,144	\$ 381,224	\$ 383,387	\$ 385,637	\$ 387,976	\$ 390,410	\$ 392,940	\$ 395,572

Friday Harbor Sewer Utility Rate Study Assumptions

Economic & Financial Factors

	2008	2009	2010	2011	2012	2013	2014	2015
1 General Cost Inflation	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
2 Construction Cost Inflation	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
3 Labor Cost Inflation	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
4 Customer Growth (Historical Average Annual Growth from Budget)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
5 General Inflation plus Growth	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
6 Connection Charge Tax	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
7 City Tax	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%
8 No Escalation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Fund Earnings (5-year average of the LWSSIP)

	2008	2009	2010	2011	2012	2013	2014	2015
	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%

Local / State Excise Tax

	2008	2009	2010	2011	2012	2013	2014	2015
	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%

State B&O Tax

	2008	2009	2010	2011	2012	2013	2014	2015
	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Collection

	2008	2009	2010	2011	2012	2013	2014	2015
	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%

Treatment

	2008	2009	2010	2011	2012	2013	2014	2015
	72.00%	72.00%	72.00%	72.00%	72.00%	72.00%	72.00%	72.00%

Accounting Assumptions

FISCAL POLICY RESTRICTIONS

Min. Op. Fund Balance Target (days of O&M expense)

Max. Op. Fund Balance (days of O&M expense)

	2008	2009	2010	2011	2012	2013	2014	2015
	60	60	60	60	60	60	60	60
	60	60	60	60	60	60	60	60

Minimum Capital Fund Balance Target

Select Minimum Capital Fund Balance Target

Defined as % of Plant

	2008	2009	2010	2011	2012	2013	2014	2015
	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%	3.85%
	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%
	72.00%	72.00%	72.00%	72.00%	72.00%	72.00%	72.00%	72.00%

1 - Defined as % of Plant

Plant-in-Service in 2007

\$ 13,757,179

Minimum Capital Fund Balance - % of plant assets

	2008	2009	2010	2011	2012	2013	2014	2015
	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

2 - Amount at Right ==>

	2008	2009	2010	2011	2012	2013	2014	2015
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

RATE FUNDED SYSTEM REINVESTMENT

Select Reinvestment Funding Strategy

User Input

Amount of Annual Cash Funding from Rates

1 - Equal to Annual Depreciation Expense

2 - Equal to Annual Depreciation Expense less Annual Debt Principal Payments

3 - Equal to Amount at Right ==>

4 - Do Not Fund System Reinvestment

	2008	2009	2010	2011	2012	2013	2014	2015
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Friday Harbor Sewer Utility Rate Study Assumptions

Capital Financing Assumptions

Right to Connect Charges	2008	2009	2010	2011	2012	2013	2014	2015
Select GFC Alternative								
1 - User Input (Current Charge)								
2 - Calculated Charge								
Total Residential Customer Equivalents	1,291	1,310	1,330	1,350	1,370	1,391	1,412	1,433
Right to Connect Charge (GFC and Meter Connection)	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000	\$ 102,000

Current Charge is in use

Select GFC Alternative	1
1 - User Input (Current Charge)	\$ 10,301
2 - Calculated Charge	\$ 12,078

REVENUE BONDS

Term (years)	20	20	20	20	20	20	20	20
Interest Cost	5.00%	5.00%	5.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Issuance Cost	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Revenue Bond Coverage Requirement

1.25

PWTF LOAN

Term (years; 10 year minimum and no more than 20 years)	20	20	20	20	20	20	20	20
Interest Cost	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

OTHER LOANS & REVENUE-SUPPORTED GENERAL OBLIGATION BONDS [a]

Term (years)	20	20	20	20	20	20	20	20
Interest Cost	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Issuance Cost	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

[a] Tax-supported general obligation bonds are assumed to be accounted for in the General Fund; terms and annual obligations of such bonds are not factors in this analysis.

Friday Harbor Sewer Utility Rate Study

Operating Revenue and Expenditure Forecast

		FORECAST BASIS									
		Budget	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
		2008	2009	2010	2011	2012	2013	2014	2015		
Revenues											
Rate revenues											
	Usage Charge		632,345	641,830	651,458	661,229	671,148	681,215	691,433		
	Base Charge		908,425	922,051	935,882	949,920	964,169	978,632	993,311		
	Total Rate revenue		\$ 1,540,770	\$ 1,563,882	\$ 1,587,340	\$ 1,611,150	\$ 1,635,317	\$ 1,659,847	\$ 1,684,745		
	Customer Growth (Historical Av.)		623,000								
	Customer Growth (Historical Av.)		895,000								
	Customer Growth (Historical Av.)										
	Total Rate revenue		\$ 1,518,000	\$ 1,563,882	\$ 1,587,340	\$ 1,611,150	\$ 1,635,317	\$ 1,659,847	\$ 1,684,745		
Non-rate revenues [a]											
	HB 2260 Funds		\$ 75,000	\$ 82,291	\$ 86,198	\$ 90,291	\$ 94,578	\$ 99,069	\$ 103,772		
	Septage Charge		500	549	575	602	631	660	692		
	Installation Charge		5,000	5,486	5,747	6,019	6,305	6,605	6,918		
	Sewer Main Extensions		500	549	575	602	631	660	692		
	Labor & Material Charges		50	55	57	60	63	66	69		
	Grant AWC For Software		-	-	-	-	-	-	-		
	Interest Income		19,518	17,799	17,799	17,140	17,140	17,140	17,140		
	Grant AWC for Security		-	-	-	-	-	-	-		
	Main Extension Reimbursements		1,000	1,097	1,149	1,204	1,261	1,321	1,384		
	Grant AWC for Training		-	-	-	-	-	-	-		
	Debt of Revenue Refund		-	-	-	-	-	-	-		
	Miscellaneous Revenue		-	-	-	-	-	-	-		
	Total Non-rate revenues		\$ 101,768	\$ 103,447	\$ 108,045	\$ 112,330	\$ 120,861	\$ 125,785	\$ 130,944		
	TOTAL REVENUES		\$ 1,619,768	\$ 1,671,927	\$ 1,699,670	\$ 1,727,309	\$ 1,756,178	\$ 1,785,632	\$ 1,815,688		

Friday Harbor Sewer Utility Rate Study

Operating Revenue and Expenditure Forecast

		FORECAST BASIS									
		Budget	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
		2008	2009	2010	2011	2012	2013	2014	2015		
Expenditures											
Excise Tax State Tax		\$ 33,000	\$ 36,340	\$ 36,908	\$ 37,479	\$ 38,050	\$ 38,642	\$ 39,246	\$ 39,860		
Utilities Administration											
Salaries		\$ 23,800	\$ 24,562	\$ 25,348	\$ 26,159	\$ 26,996	\$ 27,860	\$ 28,751	\$ 29,671		
Overtime		-	-	-	-	-	-	-	-		
Benefits		6,100	6,295	6,497	6,705	6,919	7,140	7,369	7,605		
Supplies		650	681	713	747	783	820	859	899		
Fuel		200	209	219	230	241	252	264	277		
Small Tools		50	52	55	57	60	63	66	69		
Legal		500	516	533	550	567	585	604	623		
Professional Services		100	105	110	115	120	126	132	138		
Communications		700	722	746	769	794	819	846	873		
Training/Travel		1,500	1,548	1,598	1,649	1,701	1,756	1,812	1,870		
Advertising		50	52	53	55	57	59	60	62		
Equipment Rental		50	52	55	57	60	63	66	69		
Utilities		3,100	3,199	3,302	3,407	3,516	3,629	3,745	3,865		
Repairs & Maintenance		900	943	987	1,034	1,083	1,135	1,189	1,245		
Miscellaneous		600	628	658	690	722	757	793	830		
San Juan County		500	516	533	550	567	585	604	623		
Intergovernmental (State Tax)		-	-	-	-	-	-	-	-		
Interfund Taxes (City Tax)		-	-	-	-	-	-	-	-		
Improvements		100	105	110	115	120	126	132	138		
Equipment		100	105	110	115	120	126	132	138		
Total Utilities Administration		\$ 39,000	\$ 40,291	\$ 41,624	\$ 43,003	\$ 44,428	\$ 45,901	\$ 47,424	\$ 48,997		

Friday Harbor Sewer Utility Rate Study

Operating Revenue and Expenditure Forecast

Administration Planning

	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Salaries	16,000	16,512	17,040	17,586	18,148	18,729	19,329	19,947
Benefits	4,100	4,231	4,367	4,506	4,651	4,799	4,953	5,111
Legal	1,700	1,754	1,811	1,868	1,928	1,990	2,054	2,119
Training/Travel	450	464	479	495	510	527	544	561
Miscellaneous	100	105	110	115	120	126	132	138
Equipment	100	103	107	110	113	117	121	125
Total Administration Planning	\$ 22,450	\$ 23,170	\$ 23,913	\$ 24,680	\$ 25,471	\$ 26,288	\$ 27,132	\$ 28,002

System Administrator

	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Salaries	13,200	13,622	14,058	14,508	14,972	15,452	15,946	16,456
Overtime	100	103	107	110	113	117	121	125
Benefits	3,400	3,509	3,621	3,737	3,857	3,980	4,107	4,239
Supplies	900	943	987	1,034	1,083	1,135	1,189	1,245
Small Tools	125	131	137	144	150	158	165	173
Network Software Support	200	206	213	220	227	234	242	249
Training/Travel	650	671	692	714	737	761	785	810
Repair & Maintenance	100	105	110	115	120	126	132	138
Miscellaneous	350	367	384	402	421	441	462	484
Equipment	1,525	1,574	1,624	1,676	1,730	1,785	1,842	1,901
Total System Administrator	\$ 20,550	\$ 21,230	\$ 21,934	\$ 22,661	\$ 23,412	\$ 24,189	\$ 24,992	\$ 25,821

Friday Harbor Sewer Utility Rate Study

Operating Revenue and Expenditure Forecast

		Budget	Projection	Projection	Projection	Projection	Projection	Projection	Projection
		2008	2009	2010	2011	2012	2013	2014	2015
Finance / Customer Service									
Salaries	3	28,400	29,309	30,247	31,215	32,213	33,244	34,308	35,406
Overtime	3	500	516	533	550	567	585	604	623
Benefits	3	8,700	8,978	9,266	9,562	9,868	10,184	10,510	10,846
Supplies	5	500	524	549	575	602	631	660	692
Professional/Contract Services	3	4,350	4,489	4,633	4,781	4,934	5,092	5,255	5,423
Communications	1	1,350	1,393	1,438	1,484	1,531	1,580	1,631	1,683
Training/Travel	1	1,000	1,032	1,065	1,099	1,134	1,171	1,208	1,247
Advertising	1	-	-	-	-	-	-	-	-
Repair & Maintenance	5	50	52	55	57	60	63	66	69
Miscellaneous	5	50	52	55	57	60	63	66	69
Equipment	1	100	103	107	110	113	117	121	125
Total Finance / Customer Service		\$ 45,000	\$ 46,449	\$ 47,945	\$ 49,490	\$ 51,084	\$ 52,730	\$ 54,429	\$ 56,183

		Budget	Projection	Projection	Projection	Projection	Projection	Projection	Projection
		2008	2009	2010	2011	2012	2013	2014	2015
Treatment									
Salaries	3	179,850	185,605	191,545	197,674	204,000	210,528	217,264	224,217
Overtime	3	28,000	28,896	29,821	30,775	31,760	32,776	33,825	34,907
Benefits	3	70,900	73,169	75,510	77,927	80,420	82,994	85,649	88,390
Supplies	5	55,000	57,611	60,347	63,212	66,213	69,357	72,650	76,100
Fuel	5	31,000	32,472	34,014	35,629	37,320	39,092	40,948	42,893
Small Tools	5	500	524	549	575	602	631	660	692
Disposal Costs	1	2,100	2,167	2,237	2,308	2,382	2,458	2,537	2,618
Professional Services	5	5,900	6,180	6,474	6,781	7,103	7,440	7,793	8,163
Annual Alarm Fee	1	-	-	-	-	-	-	-	-
Communications	1	800	826	852	879	907	936	966	997
Travel / Training	1	4,000	4,128	4,260	4,396	4,537	4,682	4,832	4,987
Advertising	1	50	52	53	55	57	59	60	62
Equipment Rental	5	100	105	110	115	120	126	132	138
Utilities	1	87,000	89,784	92,657	95,622	98,682	101,840	105,099	108,462
Repairs & Maintenance	5	14,400	15,084	15,800	16,550	17,336	18,159	19,021	19,924
Miscellaneous	5	300	314	329	345	361	378	396	415
Intergovernmental	1	6,450	6,656	6,869	7,089	7,316	7,550	7,792	8,041
Improvements	1	-	-	-	-	-	-	-	-
Equipment	1	1,500	1,548	1,598	1,649	1,701	1,756	1,812	1,870
Total Treatment		487,850	505,121	523,023	541,580	560,818	580,762	601,439	622,877

Friday Harbor Sewer Utility Rate Study

Operating Revenue and Expenditure Forecast

Collection	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Salaries	113,650	117,287	121,040	124,913	128,910	133,036	137,293	141,686
Overtime	6,000	6,192	6,390	6,595	6,806	7,023	7,248	7,480
Benefits	48,400	49,949	51,547	53,197	54,899	56,656	58,469	60,340
Supplies	20,000	20,950	21,944	22,986	24,078	25,221	26,418	27,673
Fuel	2,000	2,095	2,194	2,299	2,408	2,522	2,642	2,767
Small Tools	350	367	384	402	421	441	462	484
Professional Services	10,000	10,320	10,650	10,991	11,343	11,706	12,080	12,467
Communications	300	310	320	330	340	351	362	374
Travel / Training	700	722	746	769	794	819	846	873
Advertising	50	52	53	55	57	59	60	62
Equipment Rental	500	524	549	575	602	631	660	692
Utilities	17,900	18,473	19,064	19,674	20,304	20,953	21,624	22,316
Repairs & Maintenance	13,000	13,617	14,264	14,941	15,650	16,394	17,172	17,987
Miscellaneous	200	209	219	230	241	252	264	277
Intergovernmental	-	-	-	-	-	-	-	-
Improvements	-	-	-	-	-	-	-	-
Equipment	5,200	5,366	5,538	5,715	5,898	6,087	6,282	6,483
Total Collection	238,250	246,432	254,902	263,672	272,750	282,150	291,883	301,960
Other Operating								
CDL Costs	150	155	160	165	170	176	181	187
Supplies/Fuel	1,050	1,100	1,152	1,207	1,264	1,324	1,387	1,453
Professional Services	100	105	110	115	120	126	132	138
Communications	3,800	3,922	4,047	4,177	4,310	4,448	4,591	4,737
Advertising	50	52	53	55	57	59	60	62
Equipment Rental	300	314	329	345	361	378	396	415
Insurance	14,500	14,964	15,443	15,937	16,447	16,973	17,516	18,077
Repair & Maintenance	-	-	-	-	-	-	-	-
Miscellaneous	3,000	3,142	3,292	3,448	3,612	3,783	3,953	4,151
Intergovernmental	400	413	426	440	454	468	483	499
Improvements	-	-	-	-	-	-	-	-
Equipment	100	103	107	110	113	117	121	125
Total Other Operating	23,450	24,269	25,118	25,997	26,909	27,853	28,831	29,844

Friday Harbor Sewer Utility Rate Study Operating Revenue and Expenditure Forecast

	Budget	2008	2009	2010	2011	2012	2013	2014	2015
Other Uses (Transfers)									
To Separation Reserve	8	No Escalation	400	400	5,000	5,000	5,000	4,600	4,600
To Major Repairs Reserve	8	No Escalation	26,500	26,500	26,500	26,500	26,500	26,500	26,500
To Studies Reserve	1	General Cost Inflation	10,320	10,650	10,991	11,343	11,706	12,080	12,467
To Land Reserve	8	No Escalation	100	100	100	100	100	100	100
To Capital Projects Reserve	8	No Escalation	91,000	91,000	202,000	261,220	324,520	396,670	461,870
To Equipment Reserve	8	No Escalation	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Total Other Uses (Transfers)			173,320	173,650	289,591	349,163	412,826	484,950	550,537
					3.00%	3.00%	3.00%	3.00%	3.00%
Main Extensions									
Professional Services	8	No Escalation	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Main Extensions			10,000	10,000	10,000	10,000	10,000	10,000	10,000
Connection Costs									
Salaries	3	Labor Cost Inflation	1,032	1,065	1,099	1,134	1,171	1,208	1,247
Benefits	3	Labor Cost Inflation	464	479	495	510	527	544	561
Supplies	5	General Inflation plus Growth	1,571	1,646	1,724	1,806	1,892	1,981	2,075
Legal	1	General Cost Inflation	103	107	110	113	117	121	125
Other Charges	3	Labor Cost Inflation	1,548	1,598	1,649	1,701	1,756	1,812	1,870
Equipment Rental	5	General Inflation plus Growth	524	549	575	602	631	660	692
Intergovernmental	6	Connection Charge Tax	1,530	1,530	1,530	1,530	1,530	1,530	1,530
Total Connection Costs			6,773	6,973	7,181	7,397	7,622	7,856	8,100
Improvements									
Professional Services	3	Labor Cost Inflation	-	-	-	-	-	-	-
Improvements	5	General Inflation plus Growth	-	-	-	-	-	-	-
	8	No Escalation	-	-	-	-	-	-	-
Total Improvements			-	-	-	-	-	-	-
Add'l O&M from CIP			-	-	-	-	-	-	-
Total Cash O&M Expenditures			\$ 1,099,200	\$ 1,165,991	\$ 1,315,333	\$ 1,409,483	\$ 1,508,963	\$ 1,618,181	\$ 1,722,182
Depreciation Expense in	2006		\$ 926,600						
Depreciation Expense [b]			\$ 52,000	\$ 106,080	\$ 108,243	\$ 110,493	\$ 112,833	\$ 115,266	\$ 140,572
TOTAL EXPENSES			\$ 1,151,200	\$ 1,239,475	\$ 1,425,826	\$ 1,522,316	\$ 1,624,229	\$ 1,758,753	\$ 1,865,387

Friday Harbor Sewer Utility Rate Study Capital Improvement Program

(Project costs are escalated using Construction Cost Inflation assumptions)

Project Costs and O&M Impacts in Year:		2008		For CFC Calculation		1-		TOTAL ESCALATED COSTS	
No	Description	Current Cost	Year	Annual O&M Impact	Life in Years	% Upgrade / Expansion	% R&R	Specific Funding Source Enterprise Fund, 2-Grants & Developer Donations	R&R
1	Sewer Replacement Project	\$ 2,500,000	2008		50	0%	100%	Enterprise Fund	#####
2	"	2,500,000	2009		50	0%	100%	Enterprise Fund	2,500,000
3	Inflow Control	100,000	2008		50	0%	100%	Enterprise Fund	100,000
4	"	100,000	2009		50	0%	100%	Enterprise Fund	100,000
5	"	100,000	2010		50	0%	100%	Enterprise Fund	100,000
6	"	100,000	2011		50	0%	100%	Enterprise Fund	100,000
7	"	100,000	2012		50	0%	100%	Enterprise Fund	100,000
8	"	100,000	2013		50	0%	100%	Enterprise Fund	100,000
9	"	100,000	2014		5	0%	100%	Enterprise Fund	100,000
10	"	100,000	2015		50	0%	100%	Enterprise Fund	100,000
11	"	100,000	2015		50	100%	100%	Select Source	100,000
Total Capital Projects		\$ 5,800,000		\$ -		0%	100%		\$ 5,800,000
Total Upgrade/Expansion Projects									
Total R&R Projects									
Projects by Grants / Developer Donations									
Projects by Enterprise Fund									
Total									\$ 6,021,423

Year	2008 \$	Inflated
2008	2,600,000	2,600,000
2009	2,600,000	2,704,000
2010	100,000	108,160
2011	100,000	112,486
2012	100,000	116,986
2013	100,000	121,665
2014	100,000	126,532
2015	100,000	131,593
Total	5,800,000	6,021,423

Friday Harbor Sewer Utility Rate Study Existing Debt Input

Existing Debt Service - Revenue Bonds

	2008	2009	2010	2011	2012	2013	2014	2015
2003 Bond								
Annual Interest Payment	\$ 92,490	\$ 89,685	\$ 86,335	\$ 82,755	\$ 78,765	\$ 74,365	\$ 69,640	\$ 64,758
Annual Principal Payment	85,000	90,000	90,000	95,000	100,000	105,000	105,000	115,000
Total Annual Payment	\$ 177,490	\$ 179,685	\$ 176,335	\$ 177,755	\$ 178,765	\$ 179,365	\$ 174,640	\$ 179,758
Use of Debt reserve for Debt Service	-	-	-	-	-	-	-	-
1998 Bond								
Annual Interest Payment	\$ 9,405	\$ 4,855	\$ 3,995	\$ 1,080	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	50,000	55,000	55,000	20,000	-	-	-	-
Total Annual Payment	\$ 59,405	\$ 59,855	\$ 58,995	\$ 21,080	\$ -	\$ -	\$ -	\$ -
Use of Debt reserve for Debt Service	-	-	-	21,080	-	-	-	-
REVENUE BOND 3								
Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	-	-	-	-	-	-
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Debt reserve for Debt Service	-	-	-	-	-	-	-	-
REVENUE BOND 4								
Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	-	-	-	-	-	-
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Debt reserve for Debt Service	-	-	-	-	-	-	-	-
REVENUE BOND 5								
Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	-	-	-	-	-	-
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Debt Reserve for Debt Service	-	-	-	-	-	-	-	-
TOTAL REVENUE BONDS								
Annual Interest Payment	\$ 101,895	\$ 94,540	\$ 90,330	\$ 83,835	\$ 78,765	\$ 74,365	\$ 69,640	\$ 64,758
Annual Principal Payment	135,000	145,000	145,000	115,000	100,000	105,000	105,000	115,000
Total Annual Payment	\$ 236,895	\$ 239,540	\$ 235,330	\$ 198,835	\$ 178,765	\$ 179,365	\$ 174,640	\$ 179,758
Use of Debt reserve for Debt Service	-	-	-	21,080	-	-	-	-
Annual Debt Reserve Target on Existing Revenue Bonds	236,895	239,540	235,330	179,758	179,758	179,758	179,758	179,758

Friday Harbor Sewer Utility Rate Study Existing Debt Input

Existing Debt Service - PWTF Loans

	2008	2009	2010	2011	2012	2013	2014	2015
PWTF Sewer Design								
Annual Interest Payment	\$ 1,526	\$ 1,417	\$ 1,308	\$ 1,199	\$ 1,090	\$ 981	\$ 872	\$ 763
Annual Principal Payment	21,803	21,803	21,803	21,803	21,803	21,803	21,803	21,803
Total Annual Payment	\$ 23,330	\$ 23,221	\$ 23,112	\$ 23,003	\$ 22,893	\$ 22,784	\$ 22,675	\$ 22,566
PWTF 2								
Annual Interest Payment	\$ 13,350	\$ 12,460	\$ 11,570	\$ 10,680	\$ 9,790	\$ 8,900	\$ 8,010	\$ 7,120
Annual Principal Payment	178,000	178,000	178,000	178,000	178,000	178,000	178,000	178,000
Total Annual Payment	\$ 191,350	\$ 190,460	\$ 189,570	\$ 188,680	\$ 187,790	\$ 186,900	\$ 186,010	\$ 185,120
PWTF 3								
Annual Interest Payment	\$ 5,885	\$ 8,339	\$ 7,783	\$ 7,227	\$ 6,671	\$ 6,115	\$ 5,559	\$ 5,003
Annual Principal Payment	111,184	111,184	111,184	111,184	111,184	111,184	111,184	111,184
Total Annual Payment	\$ 117,079	\$ 119,523	\$ 118,967	\$ 118,411	\$ 117,855	\$ 117,299	\$ 116,743	\$ 116,188
PWTF Sewer Main Design (2)								
Annual Interest Payment	\$ 2,000	\$ 1,895	\$ 1,789	\$ 1,684	\$ 1,579	\$ 1,474	\$ 1,368	\$ 1,263
Annual Principal Payment	21,053	21,053	21,053	21,053	21,053	21,053	21,053	21,053
Total Annual Payment	\$ 23,053	\$ 22,947	\$ 22,842	\$ 22,737	\$ 22,632	\$ 22,526	\$ 22,421	\$ 22,316
PWTF 5								
Annual Interest Payment	\$ -	\$ 10,945	\$ 10,945	\$ 10,369	\$ 9,793	\$ 9,217	\$ 8,641	\$ 8,065
Annual Principal Payment	-	-	115,211	115,211	115,211	115,211	115,211	115,211
Total Annual Payment	\$ -	\$ 10,945	\$ 126,156	\$ 125,579	\$ 125,003	\$ 124,427	\$ 123,851	\$ 123,275
PWTF doe sewer								
Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	142,300	142,300	142,300	142,300	142,300	142,300
Total Annual Payment	\$ -	\$ -	\$ 142,300	\$ 142,300	\$ 142,300	\$ 142,300	\$ 142,300	\$ 142,300
TOTAL PWTF LOANS								
Annual Interest Payment	\$ 22,771	\$ 35,056	\$ 33,396	\$ 31,159	\$ 28,923	\$ 26,687	\$ 24,451	\$ 22,214
Annual Principal Payment	332,040	332,040	589,551	589,551	589,551	589,551	589,551	589,551
Total Annual Payment	\$ 354,811	\$ 367,096	\$ 622,946	\$ 620,710	\$ 618,474	\$ 616,238	\$ 614,001	\$ 611,765

Friday Harbor Sewer Utility Rate Study Capital Funding Analysis

Summary of Expenditures

	2008	2009	2010	2011	2012	2013	2014	2015	2008 - 2015 TOTAL
CAPITAL PROJECTS									
Improvement Upgrades & Expansions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repairs and Replacements	2,600,000	2,704,000	108,160	112,486	116,986	121,665	126,532	131,593	6,021,423
TOTAL CAPITAL EXPENDITURES	\$ 2,600,000	\$ 2,704,000	\$ 108,160	\$ 112,486	\$ 116,986	\$ 121,665	\$ 126,532	\$ 131,593	\$ 6,021,423

Capital Financing Plan

	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
Existing PWTF Proceeds	\$ 600,000	\$ 2,166,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,766,515
Project Specific Grants / Developer Donations	1,900,000	266,515	-	-	-	-	-	-	2,166,515
Project to be Funded	100,000	270,970	108,160	112,486	116,986	121,665	126,532	131,593	1,088,393
OTHER FUNDING SOURCES [NOTE A]									
Other Outside Sources	-	-	-	-	-	-	-	-	\$ -
PWTF Loan Proceeds	-	-	-	-	-	-	-	-	-
Other Loan Proceeds	-	-	-	-	-	-	-	-	-
Right to Connect Charge	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000	816,000
Rate Funded System Reinvestment	75,000	75,000	75,000	186,000	245,220	308,520	380,670	445,870	1,791,280
Capital Fund Balance Deficiency	-	(93,970)	-	-	-	-	-	-	(93,970)
Capital Fund Balance	-	93,970	-	-	-	-	-	-	93,970
Capital Fund Balance Deficiency	-	-	-	-	-	-	-	-	-
Revenue Bond Proceeds [Note B]	-	-	-	-	-	-	-	-	-
Rates	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

Friday Harbor Sewer Utility Rate Study Revenue Requirements Analysis

Cash Flow Sufficiency Test

EXPENSES	2008	2009	2010	2011	2012	2013	2014	2015
Cash Operating Expenses	\$ 1,008,200	\$ 1,042,395	\$ 1,074,991	\$ 1,113,333	\$ 1,148,263	\$ 1,184,443	\$ 1,221,511	\$ 1,260,312
Existing Debt Service	591,706	606,636	858,276	798,465	797,239	795,603	788,641	791,522
New Debt Service	-	-	-	-	-	-	-	-
Rate-Funded CIP	-	-	-	-	-	-	-	-
Rate Funded System Reinvestment	91,000	91,000	91,000	202,000	261,220	324,520	396,670	461,870
Additions Required to Meet Minimum Op. Fund Balance	-	-	-	-	-	-	-	-
Total Expenses	\$ 1,690,906	\$ 1,740,031	\$ 2,024,267	\$ 2,113,798	\$ 2,205,722	\$ 2,304,566	\$ 2,406,822	\$ 2,513,705
REVENUES								
Rate Revenue	\$ 1,518,000	\$ 1,540,770	\$ 1,563,882	\$ 1,587,340	\$ 1,611,150	\$ 1,635,317	\$ 1,659,847	\$ 1,684,745
Other Revenue	82,250	86,155	90,246	94,531	99,019	103,721	108,645	113,804
Operating Fund & Debt Reserve Fund Interest Earnings	19,518	17,292	17,799	17,799	17,140	17,140	17,140	17,140
Total Revenue	\$ 1,619,768	\$ 1,644,217	\$ 1,671,927	\$ 1,699,670	\$ 1,727,309	\$ 1,756,178	\$ 1,785,632	\$ 1,815,688
NET CASH FLOW (DEFICIENCY)	\$ (71,138)	\$ (95,814)	\$ (352,340)	\$ (414,129)	\$ (479,413)	\$ (548,388)	\$ (621,190)	\$ (698,016)

Coverage Sufficiency Test

EXPENSES	2008	2009	2010	2011	2012	2013	2014	2015
Cash Operating Expenses	\$ 1,008,200	\$ 1,042,395	\$ 1,074,991	\$ 1,113,333	\$ 1,148,263	\$ 1,184,443	\$ 1,221,511	\$ 1,260,312
Revenue Bond Debt Service	236,895	239,540	235,330	196,835	178,765	179,365	174,640	179,758
Revenue Bond Coverage Requirement at 1.25	59,224	59,885	58,833	49,709	44,691	44,841	43,660	44,939
Total Expenses	\$ 1,304,319	\$ 1,341,820	\$ 1,369,153	\$ 1,361,877	\$ 1,371,719	\$ 1,408,650	\$ 1,439,811	\$ 1,485,009
ALLOWABLE REVENUES								
Rate Revenue	\$ 1,518,000	\$ 1,540,770	\$ 1,563,882	\$ 1,587,340	\$ 1,611,150	\$ 1,635,317	\$ 1,659,847	\$ 1,684,744.58
Other Revenue	82,250	86,155	90,246	94,531	99,019	103,721	108,645	113,804
Interest Earnings - All Funds	5,000	81,852	83,480	88,519	96,395	106,911	119,590	134,771
Total Revenue	\$ 1,605,250	\$ 1,708,777	\$ 1,737,607	\$ 1,770,389	\$ 1,806,564	\$ 1,845,948	\$ 1,888,082	\$ 1,933,319
Coverage Realized	2.52	2.78	2.82	3.30	3.68	3.69	3.82	3.74
COVERAGE SURPLUS (DEFICIENCY)	\$ 300,931	\$ 366,957	\$ 368,454	\$ 408,512	\$ 434,844	\$ 437,299	\$ 448,271	\$ 448,310

Friday Harbor Sewer Utility Rate Study Revenue Requirements Analysis

Maximum Revenue Deficiency

Sufficiency Test Driving the Deficiency

	2008	2009	2010	2011	2012	2013	2014	2015
Maximum Deficiency From Tests	\$ 71,138	\$ 95,814	\$ 352,340	\$ 414,129	\$ 479,413	\$ 548,388	\$ 621,190	\$ 698,016
less: Net Revenue From Prior Rate Increases			(166,904)	(357,620)	(420,346)	(486,621)	(556,615)	(630,508)
Revenue Deficiency	\$ 71,138	\$ 95,814	\$ 185,436	\$ 56,509	\$ 59,067	\$ 61,768	\$ 64,575	\$ 67,508
Plus: Adjustment for State Excise Tax	2,850	3,839	7,429	2,264	2,366	2,475	2,587	2,705
Total Revenue Deficiency	\$ 73,988	\$ 99,652	\$ 192,865	\$ 58,773	\$ 61,433	\$ 64,242	\$ 67,162	\$ 70,213

Rate Increases

	2008	2009	2010	2011	2012	2013	2014	2015
Rate Revenue with no Increase	\$ 1,518,000	\$ 1,540,770	\$ 1,563,882	\$ 1,587,340	\$ 1,611,150	\$ 1,635,317	\$ 1,659,847	\$ 1,684,745
Revenues from Prior Rate Increases	-	-	173,591	371,947	437,187	506,116	578,915	655,769
Rate Revenue Before Rate Increase (incl. previous increases)	1,518,000	1,540,770	1,737,472	1,959,287	2,048,336	2,141,433	2,238,761	2,340,513
Required Annual Rate Increase	4.87%	6.47%	11.10%	3.00%	3.00%	3.00%	3.00%	3.00%

Number of Months New Rates Will Be In Effect

Info: Percentage Increase to Generate Required Revenue

Policy Induced Rate Increases

ANNUAL RATE INCREASE
CUMULATIVE RATE INCREASE

Impacts of Rate Increases

	2008	2009	2010	2011	2012	2013	2014	2015
Rate Revenues After Rate Increase	\$ 1,518,000	\$ 1,697,543	\$ 1,930,332	\$ 2,018,065	\$ 2,109,786	\$ 2,205,676	\$ 2,305,924	\$ 2,410,729
Full Year Rate Revenues After Rate Increase	1,518,000	1,711,795	1,930,332	2,018,065	2,109,786	2,205,676	2,305,924	2,410,729
Additional State Taxes Due to Rate Increases	-	6,039	14,116	16,592	19,207	21,970	24,887	27,965
Net Cash Flow After Rate Increase	(71,138)	54,921	(6)	5	16	1	1	3
Coverage After Rate Increase	2.52	3.41	4.31	5.39	6.36	6.75	7.37	7.63

Friday Harbor Sewer Utility Rate Study Fund Activity

Funds	2008	2009	2010	2011	2012	2013	2014	2015
OPERATING FUND								
Beginning Balance	\$ 226,276	\$ 155,138	\$ 171,353	\$ 171,347	\$ 171,352	\$ 171,368	\$ 171,369	\$ 171,370
plus: Net Cash Flow after Rate Increase	(71,138)	54,921	(6)	5	16	1	1	3
less: Transfer of Surplus to Capital Fund	-	(38,706)	-	-	-	-	-	-
Ending Balance	\$ 155,138	\$ 171,353	\$ 171,347	\$ 171,352	\$ 171,368	\$ 171,369	\$ 171,370	\$ 171,373
<i>Minimum Target Balance</i>	165,732	171,353	176,711	183,014	188,756	194,703	200,796	207,175
<i>Maximum Funds to be Kept as Operating Reserves</i>	165,732	171,353	176,711	183,014	188,756	194,703	200,796	207,175
<i>Info: No of Days of Cash Operating Expenses</i>	56	60	58	56	54	53	51	50
CAPITAL FUND								
Beginning Balance	\$ 1,899,878	\$ 2,062,838	\$ 2,098,634	\$ 2,259,654	\$ 2,532,387	\$ 2,868,376	\$ 3,273,501	\$ 3,758,589
plus: Rate Funded System Reinvestment	75,000	75,000	75,000	186,000	245,220	308,520	380,670	445,870
plus: Repair Reserve Funding from Operations	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
plus: Transfers from Equipment Reserve	-	-	-	-	-	-	-	-
plus: Transfers from Studies Reserve	-	-	-	-	-	-	-	-
plus: Grants / Developer Donations / Other Outside Sources	1,900,000	266,515	-	-	-	-	-	-
plus: Existing PWTF Proceeds	600,000	2,166,515	-	-	-	-	-	-
plus: Right to Connect Charges	102,000	102,000	102,000	102,000	102,000	102,000	102,000	102,000
plus: Net Debt Proceeds Available for Projects	-	-	-	-	-	-	-	-
plus: Interest Earnings	59,460	64,560	65,680	70,719	79,255	89,770	102,449	117,631
plus: Transfer of Surplus from Operating Fund	-	38,706	-	-	-	-	-	-
plus: Direct Rate Funding	-	-	-	-	-	-	-	-
Total Capital Funding Sources	4,662,838	4,802,634	2,367,814	2,644,873	2,985,362	3,395,167	3,885,121	4,450,590
less: Capital Expenditures	(2,600,000)	(2,704,000)	(108,160)	(112,486)	(116,986)	(121,665)	(126,532)	(131,593)
Ending Balance	\$ 2,062,838	\$ 2,098,634	\$ 2,259,654	\$ 2,532,387	\$ 2,868,376	\$ 3,273,501	\$ 3,758,589	\$ 4,318,997
<i>Minimum Target Balance</i>	\$ 327,144	\$ 381,224	\$ 383,387	\$ 385,637	\$ 387,976	\$ 390,410	\$ 392,940	\$ 395,572
DEBT RESERVE								
Beginning Balance	\$ 397,381	\$ 397,381	\$ 397,381	\$ 397,381	\$ 376,301	\$ 376,301	\$ 376,301	\$ 376,301
plus: Reserve Funding from New Debt	-	-	-	-	-	-	-	-
less: Use of Reserves for Debt Service	-	-	-	(21,080)	-	-	-	-
Ending Balance	\$ 397,381	\$ 397,381	\$ 397,381	\$ 376,301	\$ 376,301	\$ 376,301	\$ 376,301	\$ 376,301
<i>Minimum Target Balance</i>	239,540	239,540	235,330	179,758	179,758	179,758	179,758	179,758

Friday Harbor Sewer Utility Rate Study Fund Activity

REPAIRS RESERVE

Beginning Balance	\$ 158,427	\$ 179,386	\$ 201,000	\$ 223,290	\$ 246,279	\$ 269,986	\$ 294,436	\$ 319,651
plus: Reserve Funding from Operations	42,500	42,500	42,500	42,500	42,500	42,500	42,500	42,500
plus: Interest Earnings	4,958	5,614	6,291	6,988	7,708	8,450	9,215	12,786
less: Use of Reserves	(26,500)	(26,500)	(26,500)	(26,500)	(26,500)	(26,500)	(26,500)	(26,500)
Ending Balance	\$ 179,386	\$ 201,000	\$ 223,290	\$ 246,279	\$ 269,986	\$ 294,436	\$ 319,651	\$ 348,437

SEPARATION RESERVE

Beginning Balance	\$ -	\$ -	\$ 400	\$ 813	\$ 5,838	\$ 11,021	\$ 16,366	\$ 21,478
plus: Reserve Funding from Operations	-	400	400	5,000	5,000	5,000	4,600	4,600
plus: Interest Earnings	-	-	13	25	183	345	512	859
less: Use of Reserves	-	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ 400	\$ 813	\$ 5,838	\$ 11,021	\$ 16,366	\$ 21,478	\$ 26,937

STUDIES RESERVE

Beginning Balance	\$ 40,773	\$ 52,049	\$ 63,998	\$ 76,651	\$ 90,041	\$ 104,202	\$ 119,169	\$ 134,979
plus: Reserve Funding from Operations	10,000	10,320	10,650	10,991	11,343	11,706	12,080	12,467
plus: Interest Earnings	1,276	1,629	2,003	2,399	2,818	3,261	3,730	5,399
less: Use of Reserves	-	-	-	-	-	-	-	-
Ending Balance	\$ 52,049	\$ 63,998	\$ 76,651	\$ 90,041	\$ 104,202	\$ 119,169	\$ 134,979	\$ 152,845

LAND RESERVE

Beginning Balance	\$ 130,943	\$ 135,141	\$ 139,470	\$ 143,935	\$ 148,540	\$ 153,289	\$ 158,186	\$ 163,237
plus: Reserve Funding from Operations	100	100	100	100	100	100	100	100
plus: Interest Earnings	4,098	4,229	4,365	4,505	4,649	4,797	4,951	5,105
less: Use of Reserves	-	-	-	-	-	-	-	-
Ending Balance	\$ 135,141	\$ 139,470	\$ 143,935	\$ 148,540	\$ 153,289	\$ 158,186	\$ 163,237	\$ 169,866

EQUIPMENT RESERVE

Beginning Balance	\$ -	\$ 45,000	\$ 91,408	\$ 139,269	\$ 188,628	\$ 239,531	\$ 292,028	\$ 346,167
plus: Reserve Funding from Operations	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
plus: Interest Earnings	-	1,408	2,861	4,359	5,903	7,497	9,139	13,847
less: Use of Reserves	-	-	-	-	-	-	-	-
Ending Balance	\$ 45,000	\$ 91,408	\$ 139,269	\$ 188,628	\$ 239,531	\$ 292,028	\$ 346,167	\$ 405,014

STORMWATER

Friday Harbor Storm Utility Rate Study Summary

Revenue Requirements	2008	2009	2010	2011	2012	2013	2014	2015
Revenues								
Rate Revenues Under Existing Rates	\$ 325,000	\$ 329,875	\$ 334,823	\$ 339,845	\$ 344,943	\$ 350,117	\$ 355,369	\$ 360,700
Non-Rate Revenues	11,049	10,730	9,821	10,192	10,413	12,574	12,775	12,982
Total Revenues	\$ 336,049	\$ 340,605	\$ 344,644	\$ 350,038	\$ 355,357	\$ 362,691	\$ 368,144	\$ 373,682
Expenses								
Cash Operating Expenses	\$ 206,770	\$ 202,445	\$ 208,672	\$ 215,127	\$ 221,795	\$ 228,715	\$ 235,836	\$ 243,196
Existing Debt Service	66,665	64,348	66,853	64,178	66,315	63,276	65,070	-
New Debt Service	-	59,687	64,689	64,689	126,426	126,426	126,426	159,257
Additions to meet Min. Op. Fund Balance	-	-	-	-	-	-	-	-
Rate Funded System Reinvestment	76,000	76,000	76,000	76,000	76,000	113,400	128,140	177,730
Total Expenses	\$ 349,435	\$ 402,480	\$ 416,214	\$ 419,993	\$ 490,536	\$ 531,817	\$ 555,472	\$ 580,182
Net Surplus (Deficiency)	\$ (13,386)	\$ (61,875)	\$ (71,569)	\$ (69,956)	\$ (135,180)	\$ (169,126)	\$ (187,328)	\$ (206,501)
% of Rate Revenue	4.12%	18.76%	21.38%	20.58%	39.19%	48.31%	52.71%	57.25%
Annual Rate Adjustment	0.00%	14.30%	8.18%	8.18%	8.18%	3.00%	3.00%	3.00%
Rate Revenues After Rate Increase	\$ 325,000	\$ 373,116	\$ 414,008	\$ 454,592	\$ 499,154	\$ 521,841	\$ 545,558	\$ 570,354
Additional Taxes from Rate Increase	-	649	1,188	1,721	2,313	2,576	2,853	3,145
Net Cash Flow After Rate Increase	(13,386)	(19,282)	6,428	43,069	16,718	21	8	9
Coverage After Rate Increases	1.93	1.50	1.68	1.93	1.50	1.60	1.69	1.56
Sample Bill (per 1 ERU or 2,000 IGC)	\$ 10.25	\$ 11.72	\$ 12.67	\$ 13.71	\$ 14.83	\$ 15.28	\$ 15.74	\$ 16.21
Monthly Increase	-	\$ 1.47	\$ 0.96	\$ 1.04	\$ 1.12	\$ 0.44	\$ 0.46	\$ 0.47

Friday Harbor Storm Utility Rate Study Summary

	2008	2009	2010	2011	2012	2013	2014	2015
Fund Balance								
Operating:								
Beginning Balance	\$ 83,634	\$ 67,979	\$ 33,279	\$ 34,302	\$ 35,363	\$ 36,459	\$ 36,481	\$ 36,489
Net Cash Flow after Rate Increase	(13,386)	(19,282)	6,428	43,069	16,718	21	8	9
Transfer of Surplus to Capital Fund	(2,269)	(15,418)	(5,404)	(42,008)	(15,622)	-	-	-
Ending Balance	\$ 67,979	\$ 33,279	\$ 34,302	\$ 35,363	\$ 36,459	\$ 36,481	\$ 36,489	\$ 36,488
Minimum 60 day Target Balance	\$ 67,979	\$ 33,279	\$ 34,302	\$ 35,363	\$ 36,459	\$ 37,597	\$ 38,768	\$ 39,977
Days	120	60	60	60	60	58	56	55
Capital								
Beginning Balance	\$ 133,027	\$ 150,459	\$ 240,586	\$ 7,530	\$ 119,774	\$ 3,749	\$ 111,266	\$ 236,888
plus: Rate Funded System Reinvestment	60,000	60,000	60,000	60,000	60,000	97,400	112,140	161,730
plus: Transfers from Equipment Reserve	-	-	-	-	-	-	-	-
plus: Transfers from Studies Reserve	-	-	-	-	-	-	-	-
plus: Grants / Developer Donations / Other Outside Sources	-	-	-	-	-	-	-	-
plus: Right to Connect Charges	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
plus: Net Debt Proceeds Available for Projects	688,000	-	56,080	-	632,223	-	-	336,199
plus: Interest Earnings	4,163	4,709	7,530	236	3,749	117	3,482	7,414
plus: Transfer of Surplus from Operating Fund	2,269	15,418	5,404	42,008	15,622	-	-	-
Total Capital Funding Sources	\$ 897,459	\$ 240,586	\$ 379,600	\$ 119,774	\$ 841,367	\$ 111,266	\$ 236,888	\$ 752,231
less: Capital Expenditures	(747,000)	-	(372,070)	-	(837,619)	-	-	(744,817)
Ending Balance	\$ 150,459	\$ 240,586	\$ 7,530	\$ 119,774	\$ 3,749	\$ 111,266	\$ 236,888	\$ 7,414
Minimum Capital Contingency Target (2% of Plant-in-Service)	\$ 46,917	\$ 46,917	\$ 54,358	\$ 54,358	\$ 71,111	\$ 71,111	\$ 71,111	\$ 86,007

Friday Harbor Storm Utility Rate Study Assumptions

Economic & Financial Factors

	2008	2009	2010	2011	2012	2013	2014	2015
1 General Cost Inflation	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
2 Construction Cost Inflation	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
3 Labor Cost Inflation	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
4 Customer Growth	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
5 General Inflation plus Growth	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
6 Connection Charge Tax	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
7 City Tax	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%
8 No Escalation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fund Earnings (5-year average of the LWGSIP)	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%
Local / State Excise Tax	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
State B&O Tax	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Accounting Assumptions

FISCAL POLICY RESTRICTIONS

Min. Op. Fund Balance Target (days of O&M expense)
Max. Op. Fund Balance (days of O&M expense)

	2008	2009	2010	2011	2012	2013	2014	2015
Minimum Capital Fund Balance Target	30	30	30	30	30	30	30	30
Select Minimum Capital Fund Balance Target	120	60	60	60	60	60	60	60
Defined as % of Plant								
Plant-in-Service in 2007								
Minimum Capital Fund Balance - % of plant assets	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
2 - Amount at Right ==>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

RATE FUNDED SYSTEM REINVESTMENT

Select Reinvestment Funding Strategy	User Input
Amount of Annual Cash Funding from Rates	
1 - Equal to Annual Depreciation Expense	
2 - Equal to Annual Depreciation Expense less Annual Debt Principal Payments	
3 - Equal to Amount at Right ==>	\$ -
4 - Do Not Fund System Reinvestment	\$ -

Friday Harbor Storm Utility Rate Study Assumptions

Capital Financing Assumptions

Right to Connect Charges

Select GFC Alternative	1
1 - User Input (Current Charge)	\$ 320
2 - Calculated Charge	\$ 1,297

Current Charge is in use

	2008	2009	2010	2011	2012	2013	2014	2015
Total Residential Customer Equivalents	2,810	2,852	2,894	2,938	2,982	3,027	3,072	3,118
Right to Connect Charge (GFC and Meter Connection Charge)	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000

REVENUE BONDS

Term (years)	20	20	20	20	20	20	20	20
Interest Cost	5.00%	5.00%	5.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Issuance Cost	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Revenue Bond Coverage Requirement 1.50

PWTF LOAN

Term (years; 10 year minimum and no more than 20 years)

Interest Cost	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
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OTHER LOANS & REVENUE-SUPPORTED GENERAL OBLIGATION BONDS [a]

Term (years)	20	20	20	20	20	20	20	20
Interest Cost	4.00%	4.00%	4.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Issuance Cost	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

[a] Tax-supported general obligation bonds are assumed to be accounted for in the General Fund; terms and annual obligations of such bonds are not factors in this analysis.

Friday Harbor Storm Utility Rate Study Operating Revenue and Expenditure Forecast

Revenues	FORECAST BASIS									
	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015		
Rate revenues										
Utility Charges										
4 Customer Growth	\$ 325,000	329,875	334,823	339,845	344,943	350,117	355,369	360,700		
8 No Escalation	-	-	-	-	-	-	-	-		
8 No Escalation	-	-	-	-	-	-	-	-		
Total Rate revenue	\$ 325,000	\$ 329,875	\$ 334,823	\$ 339,845	\$ 344,943	\$ 350,117	\$ 355,369	\$ 360,700		
Non-rate revenues [a]										
Labor & Materials	1	50	52	53	55	57	59	60	62	
Maine Extension	1	100	103	107	110	113	117	121	125	
Plan Review Fees	1	5,000	5,160	5,325	5,496	5,671	5,853	6,040	6,233	
Main Extension reimbursements	1	100	103	107	110	113	117	121	125	
AWC Grant for Training	1	-	-	-	-	-	-	-	-	
Miscellaneous	1	100	103	107	110	113	117	121	125	
Interest Income	5,699	5,209	4,723	4,312	4,345	6,312	6,312	6,312	6,312	
Debt of Revenue Refund	1	-	-	-	-	-	-	-	-	
Total Non-rate revenues	\$ 11,049	\$ 10,730	\$ 9,821	\$ 10,192	\$ 10,413	\$ 12,574	\$ 12,775	\$ 12,982		

TOTAL REVENUES	\$ 336,049	\$ 340,605	\$ 344,644	\$ 350,038	\$ 355,357	\$ 362,691	\$ 368,144	\$ 373,682
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Friday Harbor Storm Utility Rate Study Operating Revenue and Expenditure Forecast

Expenditures

FORECAST BASIS

	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Excise Tax State Tax	\$ 4,700	\$ 5,409	\$ 5,470	\$ 5,551	\$ 5,630	\$ 5,740	\$ 5,822	\$ 5,905
Utilities Administration								
Personnel								
Benefits	23,800	24,562	25,348	26,159	26,966	27,860	28,751	29,671
Supplies	6,100	6,295	6,497	6,705	6,919	7,140	7,369	7,605
Fuel	650	681	713	747	783	820	859	899
Small Tools	200	209	219	230	241	252	264	277
Legal	50	52	55	57	60	63	66	69
Contract/Professional Services	500	516	533	550	567	585	604	623
Communications	100	105	110	115	120	126	132	138
Training	700	722	746	769	794	819	846	873
Advertising	1,500	1,548	1,598	1,649	1,701	1,756	1,812	1,870
Equipment Rental	50	52	53	55	57	59	60	62
Utilities	50	52	55	57	60	63	66	69
Repair & Maintenance	3,100	3,199	3,302	3,407	3,516	3,629	3,745	3,865
Miscellaneous	900	943	987	1,034	1,083	1,135	1,189	1,245
San Juan County	600	628	658	690	722	757	793	830
Intergovernmental	500	516	533	550	567	585	604	623
Interfund Taxes (City Tax)	-	-	-	-	-	-	-	-
Improvements	100	103	107	110	113	117	121	125
Equipment	100	103	107	110	113	117	121	125
Total Utilities Administration	\$ 39,000	\$ 40,287	\$ 41,618	\$ 42,993	\$ 44,414	\$ 45,883	\$ 47,401	\$ 48,970

Friday Harbor Storm Utility Rate Study

Operating Revenue and Expenditure Forecast

	Budget 2008	Projection 2009	Projection 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015
Administration Planning								
Personnel	\$ 16,000	\$ 16,512	\$ 17,040	\$ 17,586	\$ 18,148	\$ 18,729	\$ 19,329	\$ 19,947
Benefits	4,100	4,231	4,367	4,506	4,651	4,799	4,953	5,111
Professional Service	1,500	1,571	1,646	1,724	1,806	1,892	1,981	2,075
Travel / Training	450	464	479	495	510	527	544	561
Miscellaneous	100	105	110	115	120	126	132	138
Equipment	100	103	107	110	113	117	121	125
Total Administration Planning	\$ 22,250	\$ 22,987	\$ 23,748	\$ 24,535	\$ 25,349	\$ 26,190	\$ 27,059	\$ 27,958
Maintenance								
Personnel	\$ 39,100	\$ 40,351	\$ 41,642	\$ 42,975	\$ 44,350	\$ 45,769	\$ 47,234	\$ 48,746
Overtime	3,000	3,096	3,195	3,297	3,403	3,512	3,624	3,740
Benefits	13,800	14,242	14,697	15,168	15,653	16,154	16,671	17,204
Supplies	2,000	2,095	2,194	2,299	2,408	2,522	2,642	2,767
Small Tools	50	52	55	57	60	63	66	69
Professional Services	500	524	549	575	602	631	660	692
Equipment Rental	100	105	110	115	120	126	132	138
Repair & Maintenance	250	262	274	287	301	315	330	346
Miscellaneous	100	105	110	115	120	126	132	138
Intergovernmental	50	52	53	55	57	59	60	62
Equipment	100	103	107	110	113	117	121	125
Total Maintenance	\$ 59,050	\$ 60,986	\$ 62,986	\$ 65,053	\$ 67,188	\$ 69,394	\$ 71,673	\$ 74,028
Finance / Customer Service								
Personnel	\$ 28,400	\$ 29,309	\$ 30,247	\$ 31,215	\$ 32,213	\$ 33,244	\$ 34,308	\$ 35,406
Overtime	500	516	533	550	567	585	604	623
Benefits	8,700	8,978	9,266	9,562	9,868	10,184	10,510	10,846
Supplies	500	524	549	575	602	631	660	692
Professional Service	1,250	1,309	1,372	1,437	1,505	1,576	1,651	1,730
Communications	1,350	1,393	1,438	1,484	1,531	1,580	1,631	1,683
Training	1,000	1,032	1,065	1,099	1,134	1,171	1,208	1,247
Repairs & Maintenance	50	52	55	57	60	63	66	69
Miscellaneous	50	52	55	57	60	63	66	69
Equipment	100	103	107	110	113	117	121	125
Total Finance / Customer Service	\$ 41,900	\$ 43,259	\$ 44,684	\$ 46,145	\$ 47,655	\$ 49,214	\$ 50,825	\$ 52,490

Friday Harbor Storm Utility Rate Study Capital Improvement Program

Project Costs and O&M Impacts in Year:	
	2008

(Project costs are escalated using Construction Cost Initiation assumptions)

No	Description	Current Cost	Year	Annual O&M Impact	Life in Years	For CFC Calculation			Specific Funding Source	Upgrade / Expansion	R&R	TOTAL ESCALATED COSTS
						% Upgrade / Expansion	% R&R	1-				
1	Larson Street	\$ 688,000	2008		50	50%	50%	1	\$ 344,000	\$ 344,000	\$ 688,000	
2	Marble Street and Tucker Avenue	59,000	2008		50	100%	0%	1	-	-	-	
3	Tucker Avenue	223,000	2010		50	50%	50%	1	29,500	29,500	59,000	
4	Friday Avenue to Outfall	121,000	2010		50	50%	50%	1	111,500	111,500	241,197	
5	Linder/Nelson/Franck/C/Nichols Streets	395,000	2012		50	50%	50%	1	60,500	60,500	130,874	
6	Spring Street-Argyle Avenue to First Avenue	321,000	2012		50	50%	50%	1	197,500	197,500	462,094	
7	West Street Diversion from Spring Street	73,000	2015		50	50%	50%	1	160,500	160,500	375,525	
8	Caines Street Diversion from Spring Street	70,000	2015		50	50%	50%	1	36,500	36,500	96,063	
9	Web St. Diversion from Argyle St. to "A" St.	191,000	2015		50	50%	50%	1	35,000	35,000	92,115	
10	Marguerite Place and Guard Street	232,000	2015		50	50%	50%	1	95,500	95,500	251,343	
11								1	116,000	116,000	305,296	
12								1				
13								1				
14								1				
15								1				
16								1				
Total Capital Projects		\$ 2,373,000							\$ 1,186,500	\$ 1,186,500	\$ 2,701,507	
Total Upgrade/Expansion Projects												1,350,753
Total R&R Projects												1,350,753
Projects by Grants / Developer Donations												-
Projects by Enterprise Fund												2,701,507

Year	2008 \$	Inflated
2006	747,000	747,000
2009	-	-
2010	344,000	372,070
2011	-	-
2012	716,000	837,619
2013	-	-
2014	-	-
2015	566,000	744,817
Total	2,373,000	2,701,507

Friday Harbor Storm Utility Rate Study Existing Debt Input

Existing Debt Service - Revenue Bonds

Storm 98

	2008	2009	2010	2011	2012	2013	2014	2015
Annual Interest Payment	\$ 21,665	\$ 19,348	\$ 16,853	\$ 14,178	\$ 11,315	\$ 8,276	\$ 5,070	\$ 1,695
Annual Principal Payment	45,000	45,000	50,000	50,000	55,000	55,000	60,000	60,000
Total Annual Payment	\$ 66,665	\$ 64,348	\$ 66,853	\$ 64,178	\$ 66,315	\$ 63,276	\$ 65,070	\$ 61,695
Use of Debt reserve for Debt Service	-	-	-	-	-	-	-	61,695

Assumed New Bond estimated payments

Annual Interest Payment	\$ 775,000	includes one-year reserve and issuance cost						
Annual Principal Payment	\$ -	\$ 35,038	\$ 33,923	\$ 32,759	\$ 31,541	\$ 30,269	\$ 28,939	\$ 27,548
Total Annual Payment	\$ -	24,650	25,764	26,929	28,146	29,419	30,749	32,139
Use of Debt reserve for Debt Service	\$ -	\$ 59,687	\$ 59,687	\$ 59,687	\$ 59,687	\$ 59,687	\$ 59,687	\$ 59,687

REVENUE BOND 3

Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	-	-	-	-	-	-
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Debt reserve for Debt Service	-	-	-	-	-	-	-	-

REVENUE BOND 4

Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	-	-	-	-	-	-
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Debt reserve for Debt Service	-	-	-	-	-	-	-	-

REVENUE BOND 5

Annual Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Principal Payment	-	-	-	-	-	-	-	-
Total Annual Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Debt Reserve for Debt Service	-	-	-	-	-	-	-	-

TOTAL REVENUE BONDS

Annual Interest Payment	\$ 21,665	\$ 54,385	\$ 50,776	\$ 46,936	\$ 42,856	\$ 38,545	\$ 34,009	\$ 29,243
Annual Principal Payment	45,000	69,650	75,764	76,929	83,146	84,419	90,749	92,139
Total Annual Payment	\$ 66,665	\$ 124,035	\$ 126,540	\$ 123,865	\$ 126,002	\$ 122,964	\$ 124,757	\$ 121,382
Use of Debt reserve for Debt Service	-	-	-	-	-	-	-	61,695
Annual Debt Reserve Target on Existing Revenue Bonds	126,540	126,540	126,540	126,002	126,002	124,757	124,757	-

Friday Harbor Storm Utility Rate Study Capital Funding Analysis

Summary of Expenditures

	2008	2009	2010	2011	2012	2013	2014	2015	2008 - 2015 TOTAL
CAPITAL PROJECTS									
Improvement Upgrades & Expansions	\$ 373,500	-	\$ 186,035	-	\$ 418,809	-	-	\$ 372,409	\$ 1,350,753
Repairs and Replacements	373,500	-	186,035	-	418,809	-	-	372,409	1,350,753
TOTAL CAPITAL EXPENDITURES	\$ 747,000	-	\$ 372,070	-	\$ 837,619	-	-	\$ 744,817	\$ 2,701,507
Capital Financing Plan									
Existing Revenue Bond and PWTF Proceeds	\$ 688,000	-	-	-	-	-	-	-	688,000
Project Specific Grants / Developer Donations	-	-	-	-	-	-	-	-	-
Project to be Funded	59,000	-	372,070	-	837,619	-	-	744,817	2,013,507
OTHER FUNDING SOURCES (NOTE A)									
Other Outside Sources	-	-	-	-	-	-	-	-	-
PWTF Loan Proceeds	-	-	-	-	-	-	-	-	-
Other Loan Proceeds	-	-	-	-	-	-	-	-	-
Right-to-Connect Charges	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	80,000
Rate Funded System Reinvestment	60,000	60,000	60,000	60,000	60,000	97,400	112,140	161,730	671,270
Capital Fund Balance Deficiency	11,000	-	(302,070)	-	(767,619)	-	-	(573,087)	(1,631,777)
Capital Fund Balance	-	-	245,990	-	135,396	-	-	236,888	618,274
Capital Fund Balance Deficiency	-	-	(56,080)	-	(632,223)	-	-	(336,199)	(1,024,502)
Revenue Bond Proceeds (Note B)	-	-	56,080	-	632,223	-	-	336,199	1,024,502
Rates	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

Friday Harbor Storm Utility Rate Study Revenue Requirements Analysis

Cash Flow Sufficiency Test

EXPENSES	2008	2009	2010	2011	2012	2013	2014	2015
Cash Operating Expenses	\$ 206,770	\$ 202,445	\$ 208,672	\$ 215,127	\$ 221,795	\$ 228,715	\$ 235,836	\$ 243,196
Existing Debt Service	66,665	124,035	126,540	123,865	126,002	122,964	124,757	59,687
New Debt Service	-	-	5,001	5,001	66,739	66,739	66,739	99,569
Rate-Funded CIP	-	-	-	-	-	-	-	-
Rate Funded System Reinvestment	76,000	76,000	76,000	76,000	76,000	113,400	128,140	177,730
Additions Required to Meet Minimum Op. Fund Balance	-	-	-	-	-	-	-	-
Total Expenses	\$ 349,435	\$ 402,480	\$ 416,214	\$ 419,993	\$ 490,536	\$ 531,817	\$ 555,472	\$ 580,182
REVENUES								
Rate Revenue	\$ 325,000	\$ 329,875	\$ 334,823	\$ 339,845	\$ 344,943	\$ 350,117	\$ 355,369	\$ 360,700
Other Revenue	5,350	5,521	5,698	5,880	6,068	6,263	6,463	6,670
Operating Fund & Debt Reserve Fund Interest Earnings	5,999	5,209	4,123	4,312	4,345	6,312	6,312	6,312
Total Revenue	\$ 336,049	\$ 340,605	\$ 344,644	\$ 350,038	\$ 355,357	\$ 362,691	\$ 368,144	\$ 373,682
NET CASH FLOW (DEFICIENCY)	\$ (13,386)	\$ (61,875)	\$ (71,569)	\$ (69,956)	\$ (135,180)	\$ (169,126)	\$ (187,328)	\$ (206,501)

Coverage Sufficiency Test

EXPENSES	2008	2009	2010	2011	2012	2013	2014	2015
Cash Operating Expenses	\$ 206,770	\$ 202,445	\$ 208,672	\$ 215,127	\$ 221,795	\$ 228,715	\$ 235,836	\$ 243,196
Revenue Bond Debt Service	66,665	124,035	131,541	128,866	192,741	189,703	191,496	220,952
Revenue Bond Coverage Requirement at 1.5	33,333	62,017	65,771	64,433	96,371	94,651	95,748	110,476
Total Expenses	\$ 306,768	\$ 388,498	\$ 405,984	\$ 408,426	\$ 510,907	\$ 513,269	\$ 523,080	\$ 574,623
ALLOWABLE REVENUES								
Rate Revenue	\$ 325,000	\$ 329,875	\$ 334,823	\$ 339,845	\$ 344,943	\$ 350,117	\$ 355,369	\$ 360,700
Other Revenue	5,350	5,521	5,698	5,880	6,068	6,263	6,463	6,670
Interest Earnings - All Funds	5,000	9,918	11,653	4,547	8,094	6,429	9,794	13,726
Total Revenue	\$ 335,350	\$ 345,314	\$ 352,174	\$ 350,273	\$ 359,105	\$ 362,809	\$ 371,626	\$ 381,096
Coverage Realized	1.93	1.15	1.09	1.05	0.71	0.71	0.71	0.62
COVERAGE SURPLUS (DEFICIENCY)	\$ 28,583	\$ (43,183)	\$ (53,810)	\$ (58,153)	\$ (151,802)	\$ (150,460)	\$ (151,454)	\$ (193,528)

Friday Harbor Storm Utility Rate Study Revenue Requirements Analysis

Maximum Revenue Deficiency

Sufficiency Test Driving the Deficiency	2008	2009	2010	2011	2012	2013	2014	2015
Maximum Deficiency From Tests								
less: Net Revenue From Prior Rate Increases	\$ 13,386	\$ 61,875	\$ 71,569	\$ 69,956	\$ 151,802	\$ 169,126	\$ 187,328	\$ 206,501
Revenue Deficiency			(47,162)	(79,167)	(114,721)	(154,176)	(171,685)	(190,147)
Plus: Adjustment for State Excise Tax	\$ 13,386	\$ 61,875	\$ 24,408	\$ -	\$ 37,081	\$ 14,950	\$ 15,643	\$ 16,354
Total Revenue Deficiency	\$ 204	\$ 942	\$ 372	\$ -	\$ 565	\$ 228	\$ 238	\$ 249
	\$ 13,590	\$ 62,817	\$ 24,779	\$ -	\$ 37,646	\$ 15,177	\$ 15,882	\$ 16,603

Rate Increases

	2008	2009	2010	2011	2012	2013	2014	2015
Rate Revenue with no Increase	\$ 325,000	\$ 329,875	\$ 334,823	\$ 339,845	\$ 344,943	\$ 350,117	\$ 355,369	\$ 360,700
Revenues from Prior Rate Increases			47,880	80,373	116,468	156,524	174,299	193,042
Rate Revenue Before Rate Increase (Incl. previous increases)	325,000	329,875	382,703	420,218	461,411	506,641	529,668	553,742
Required Annual Rate Increase	4.18%	19.04%	6.47%	0.00%	8.16%	3.00%	3.00%	3.00%

Number of Months New Rates Will Be In Effect

Info: Percentage Increase to Generate Required Revenue

Policy Induced Rate Increases	9	11	12	12	12	12	12	12
	5.58%	20.77%	6.47%	0.00%	8.16%	3.00%	3.00%	3.00%
	0.00%	14.30%	8.18%	8.18%	8.18%	3.00%	3.00%	3.00%
ANNUAL RATE INCREASE	0.00%	14.30%	8.18%	8.18%	8.18%	3.00%	3.00%	3.00%
CUMULATIVE RATE INCREASE	0.00%	14.30%	23.65%	33.76%	44.71%	49.05%	53.52%	58.12%

Impacts of Rate Increases

	2008	2009	2010	2011	2012	2013	2014	2015
Rate Revenues After Rate Increase	\$ 325,000	\$ 373,116	\$ 414,008	\$ 454,592	\$ 499,154	\$ 521,841	\$ 545,558	\$ 570,354
Full Year Rate Revenues After Rate Increase	325,000	377,047	414,008	454,592	499,154	521,841	545,558	570,354
Additional State Taxes Due to Rate Increases		649	1,188	1,721	2,313	2,576	2,853	3,145
Net Cash Flow After Rate Increase	(13,386)	(19,282)	6,428	43,069	16,718	21	8	9
Coverage After Rate Increase	1.93	1.50	1.68	1.93	1.50	1.60	1.69	1.56

Friday Harbor Storm Utility Rate Study Fund Activity

Funds	2008	2009	2010	2011	2012	2013	2014	2015
OPERATING FUND								
Beginning Balance								
plus: Net Cash Flow after Rate Increase	\$ 83,634	\$ 67,979	\$ 33,279	\$ 34,302	\$ 35,363	\$ 36,459	\$ 36,481	\$ 36,489
less: Transfer of Surplus to Capital Fund	(13,386)	(19,282)	6,428	43,069	16,718	21	8	9
Ending Balance	<u>(2,269)</u>	<u>(15,418)</u>	<u>(5,404)</u>	<u>(42,008)</u>	<u>(15,622)</u>			
Minimum Target Balance	\$ 67,979	\$ 33,279	\$ 34,302	\$ 35,363	\$ 36,459	\$ 36,481	\$ 36,489	\$ 36,498
Maximum Funds to be Kept as Operating Reserves	16,995	16,639	17,151	17,682	18,230	18,798	19,384	19,989
Info: No of Days of Cash Operating Expenses	67,979	33,279	34,302	35,363	36,459	37,597	38,768	39,977
	120	60	60	60	60	58	56	55
CAPITAL FUND								
Beginning Balance	\$ 133,027	\$ 150,459	\$ 240,586	\$ 7,530	\$ 119,774	\$ 3,749	\$ 111,266	\$ 236,888
plus: Rate Funded System Reinvestment	60,000	60,000	60,000	60,000	60,000	97,400	112,140	161,730
plus: Transfers from Equipment Reserve	-	-	-	-	-	-	-	-
plus: Transfers from Studies Reserve	-	-	-	-	-	-	-	-
plus: Grants / Developer Donations / Other Outside Sources	-	-	-	-	-	-	-	-
plus: Existing Revenue Bond and PWTF and Proceeds	688,000	-	-	-	-	-	-	-
plus: Capital Facilities Charges	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
plus: Net Debt Proceeds Available for Projects	-	-	56,080	-	632,223	-	-	336,199
plus: Interest Earnings	4,163	4,709	7,530	236	3,749	117	3,482	7,414
plus: Transfer of Surplus from Operating Fund	2,269	15,418	5,404	42,008	15,622	-	-	-
plus: Direct Rate Funding	-	-	-	-	-	-	-	-
Total Capital Funding Sources	<u>897,459</u>	<u>240,586</u>	<u>379,600</u>	<u>119,774</u>	<u>841,367</u>	<u>111,266</u>	<u>236,888</u>	<u>752,231</u>
less: Capital Expenditures	<u>(747,000)</u>	<u>-</u>	<u>(372,070)</u>	<u>-</u>	<u>(637,619)</u>	<u>-</u>	<u>-</u>	<u>(744,817)</u>
Ending Balance	\$ 150,459	\$ 240,586	\$ 7,530	\$ 119,774	\$ 3,749	\$ 111,266	\$ 236,888	\$ 7,414
Minimum Target Balance	\$ 46,917	\$ 46,917	\$ 54,358	\$ 54,358	\$ 71,111	\$ 71,111	\$ 71,111	\$ 86,007
DEBT RESERVE								
Beginning Balance	\$ 98,470	\$ 98,470	\$ 98,470	\$ 103,471	\$ 103,471	\$ 165,208	\$ 165,208	\$ 165,208
plus: Reserve Funding from New Debt	-	-	5,001	-	61,737	-	-	32,830
less: Use of Reserves for Debt Service	-	-	-	-	-	-	-	(61,695)
Ending Balance	\$ 98,470	\$ 98,470	\$ 103,471	\$ 103,471	\$ 165,208	\$ 165,208	\$ 165,208	\$ 136,344
Minimum Target Balance	126,540	126,540	131,541	131,004	192,741	191,496	191,496	99,569
PREPARED BY FCS GROUP, INC. (425) 867-1802 Storm2008 Final 6/3/2008 12:54 PM								

Friday Harbor Storm Utility Rate Study Fund Activity

REPAIR RESERVE

Beginning Balance	\$	16,000	\$	32,501	\$	49,518	\$	67,068	\$	85,167	\$	103,832	\$	123,082
plus: Reserve Funding from Operations		16,000		16,000		16,000		16,000		16,000		16,000		16,000
plus: Interest Earnings		-		1,017		1,550		2,099		2,665		3,250		4,923
less: Use of Reserves		-		-		-		-		-		-		-
Ending Balance	\$	16,000	\$	32,501	\$	49,518	\$	67,068	\$	85,167	\$	103,832	\$	123,082

STUDIES RESERVE

Beginning Balance	\$	-	\$	14,391	\$	16,342	\$	18,353	\$	20,427	\$	22,567	\$	24,773
plus: Reserve Funding from Operations		12,500		1,500		1,500		1,500		1,500		1,500		1,500
plus: Interest Earnings		-		391		450		574		639		706		991
less: Use of Reserves		-		-		-		-		-		-		-
Ending Balance	\$	12,500	\$	14,391	\$	16,342	\$	18,353	\$	20,427	\$	22,567	\$	24,773

EQUIPMENT RESERVE

Beginning Balance	\$	4,400	\$	8,938	\$	13,617	\$	18,444	\$	23,421	\$	28,554	\$	33,847
plus: Reserve Funding from Operations		4,400		4,400		4,400		4,400		4,400		4,400		4,400
plus: Interest Earnings		-		138		280		577		733		894		1,354
less: Use of Reserves		-		-		-		-		-		-		-
Ending Balance	\$	4,400	\$	8,938	\$	13,617	\$	18,444	\$	23,421	\$	28,554	\$	33,847

RIGHT-TO-CONNECT

Friday Harbor Water Utility Rate Study Right To Connect Charge

2008

General Facilities Charge Basis

Original Cost of Plant in Service		\$	6,739,818
plus: Construction Work in Progress (as of 12/31/2007)			
less: Contributions in Aid of Construction (as of 2003 Rate Study Update)			(654,629)
Net Allocable Plant in Service		\$	6,085,189
plus: Accumulated Interest in Existing Plant			3,267,199
Dept Principal (2009 and on)	(768,611)		
Total Cash Balances	2,527,674		
less: Net Debt Principal Outstanding			-

Basis for General Facilities Charge Portion \$ 9,352,388

System Development Charge Basis

Planned Capital Improvement Program (without Raise Trout Lake Dam Project)	\$	4,562,232
Raise Trout Lake Dam Project		5,921,693
less: Contributions in Aid of Construction		

Basis for System Development Charge Portion \$ 10,483,925

Allocation Basis

Meter Equivalents 2008	1,830
Growth (2015)	201
Total ERUs (2015)	2,030

Buildout Capacity mgy	168.00	
Current Usage mgy	139.50	
Remaining Capacity	20.43%	374
Total at Build out		2,203

Connection Charge Calculation

General Facilities Charge Basis		\$	4,606
System Development Charge Basis			
CIP (without Raise Trout Lake Dam) Portion (2015 MEs)	\$	2,247	
Raise Trout Lake Dam Portion (Build out MEs)		2,688	
System Development Charge Basis			4,935
Total Charge			9,541

Meter Size	Meter Multiplier	Existing Charge	Proposed Charge
5/8" Meter	1.00	\$ 6,368	\$ 9,541
1" Meter	2.50	15,920	23,852
1 1/2" Meter	5.00	31,840	47,703
2" Meter	8.00	50,944	76,325
3" Meter	16.00	101,888	152,650
4" Meter	25.00	159,200	238,516

Friday Harbor

Sewer Utility Rate Study

Right To Connect Charge

2008

General Facilities Charge Basis

Original Cost of Plant in Service		
Treatment Related	\$	11,285,806
Other		2,471,373
plus: Construction Work in Progress (as of 12/31/2007)		800,000
less: Contributions in Aid of Construction (as of the 2003 Rate Study Update) Treatment		(1,318,631)
less: Contributions in Aid of Construction (as of the 2003 Rate Study Update) Other		(288,755)
 Net Allocable Plant in Service	\$	12,949,793
plus: Accumulated Interest in Existing Plant (Treatment)		4,092,108
plus: Accumulated Interest in Existing Plant (Other)		1,112,607
Debt Outstanding	(6,787,154)	
Cash Balances	\$	2,853,678
less: Net Debt Principal Outstanding		(3,933,476)

Basis for General Facilities Charge Portion \$ 14,221,032

Treatment Portion	11,488,711
Other Portion	2,732,320

System Development Charge Basis

Planned Capital Improvement Program	\$	6,021,423
less: Contributions in Aid of Construction		(2,166,515)

Basis for System Development Charge Portion \$ 3,854,908

Allocation Basis

Meter Equivalents 2008	1,291
Growth (2015)	142
Total	1,433

Meter Equivalents 2008		1,291
Average Day Water Flow at Build out mgd	0.33	
Current Average Day Water Flow mgd (2007)	0.28	
Remaining Growth	18.96%	245
Total		1,536

Connection Charge Calculation

General Facilities Charge Basis		
Treatment (Build out MEs)	7,481	
Other (2015 MEs)	1,907	
Total GFC		9,388
System Development Charge Basis (2015 MEs)		2,690
Total Charge		12,078

Meter Size	Meter Multiplier	Existing Charge	Proposed Charge
5/8" Meter	1.00	\$ 10,301	\$ 12,078
1" Meter	2.50	25,753	30,195
1 1/2" Meter	5.00	51,505	60,390
2" Meter	8.00	82,408	96,624
3" Meter	16.00	164,816	193,249
4" Meter	25.00	257,525	301,951

Friday Harbor

Storm Utility Rate Study

Right To Connect Charge

		2008									
General Facilities Charge Basis											
Original Cost of Plant in Service (as of 12/31/2007)		\$ 1,598,851									
plus: Construction Work in Progress		-									
less: Contributions in Aid of Construction		-									
Net Allocable Plant in Service		\$ 1,598,851									
plus: Accumulated Interest in Existing Plant		778,376									
Debt Outstanding	(375,000)										
Cash Balances	\$ 315,130										
less: Net Debt Principal Outstanding		(59,870)									
Basis for General Facilities Charge Portion		\$ 2,317,358									
System Development Charge Basis											
Planned Capital Improvement Program		\$ 2,701,507									
less: Contributions in Aid of Construction		-									
Basis for System Development Charge Portion		\$ 2,701,507									
Allocation Basis											
ERUs 2008		2,810									
Growth (2027)		919									
Total		3,870									
Connection Charge Calculation											
General Facilities Charge Basis		599									
System Development Charge Basis		698									
Total Charge		1,297									
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Per ERU</th> <th style="width: 15%;">IGC (sqft)</th> <th style="width: 15%;">Existing Charge</th> <th style="width: 15%;">Proposed Charge</th> </tr> </thead> <tbody> <tr> <td>Single Family</td> <td style="text-align: center;">2,000</td> <td style="text-align: right;">\$ 320</td> <td style="text-align: right;">\$ 1,297</td> </tr> </tbody> </table>				Per ERU	IGC (sqft)	Existing Charge	Proposed Charge	Single Family	2,000	\$ 320	\$ 1,297
Per ERU	IGC (sqft)	Existing Charge	Proposed Charge								
Single Family	2,000	\$ 320	\$ 1,297								