

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Utility Unification and Efficiency Study Discussion
DEPARTMENT:	Public Works
PRESENTED BY:	Mark Relph, Public Works Director
ACTION:	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

ISSUE STATEMENT:

This staff report transmits the draft findings of the Utility Unification and Efficiency Study (UU&ES) commissioned by the City Council and completed by EES Consulting, Inc. Also attached is a draft assessment of the utility rates and charges for water and sewer service from the communities our City would tend to compete with for economic development and private investment. Staff will be presenting for Council discussion the methodology used in developing the information and the results or conclusions of the project. The final report and presentation is currently scheduled for the May 19th Council meeting.

The UU&ES study (Attachment A) is intended to provide an estimate of efficiency savings associated with unifying specific utilities with City operations. The utilities included in this study are the Ronald Wastewater District (RWD), the SPU water system (SPU) and the North City Water District (NCWD). The existing City operations include such services as purchasing, fleet, facilities, accounting, general governmental administration, human resources, legal services, street maintenance, the surface water utility and engineering.

While it may be intuitive to many that efficiencies may be gained when sharing resources, this study is intended to quantify the opportunities for each utility and for the general operation of the City. This "double benefit" is unique to the City since the benefits would be for the rate payers of each utility as well as the citizens who financially support the general operations of government through sales tax, property tax, or other local forms of taxation. These rate payers and citizens are almost exclusively all Shoreline residents.

The draft Utility Rates and Charges Assessment Report (Attachment B) is intended to provide a summary of the water and sewer costs from surrounding communities and identifies possible future policy opportunities when utilities are added to the City operation that might address the City's economic development strategies.

RESOURCE/FINANCIAL IMPACT:

There is no immediate fiscal impact, but the study does provide an understanding of the financial efficiencies gained when unifying specific utilities with the existing City operation. The 2014 City budget includes \$50,000 to fund the UU&ES.

RECOMMENDATION

Staff is presenting the draft report for Council discussion. No formal action is required.

Approved By: City Manager ***DT*** City Attorney ***IS***

INTRODUCTION

The draft UU&ES (Attachment A) is intended to provide an estimate of efficiency savings associated with unifying specific utilities with City operations. The utilities included in this study are the Ronald Wastewater District (RWD), the SPU water system (SPU) and the North City Water District (NCWD). The existing City operations include such services as purchasing, fleet, facilities, accounting, general governmental administration, human resources, legal services, street maintenance, the surface water utility and engineering.

While it may be intuitive to many that efficiencies may be gained when sharing resources, this study is intended to quantify the opportunities for each utility and for the general operation of the City. This "double benefit" is unique to the City since the benefits would be for the rate payers of each utility as well as the citizens who financially support the general operations of government through sales tax, property tax, or other local forms of taxation. These rate payers and citizens are obviously all Shoreline residents.

The draft UU&ES has identified the savings for each utility as it is unified with the City operation, starting with the RWD in 2017, per the 2002 Interlocal Operating Agreement, the SPU system in 2021 per a draft agreement with the City of Seattle, and finally with the assumption of the NCWD at the end of their franchise agreement in 2028. The savings for the City's general operations are also identified as each of the utilities are unified with the City.

The acquisition of the SPU system will not close until December 31, 2020, per the draft agreement with the City of Seattle, but although that is the case, it is anticipated that savings to other utilities will start accumulating in 2020 as the staff and equipment needed to operate the water utility will likely be available in 2020 and those costs can be shared.

The draft Utility Rates and Charges Assessment Report (Attachment B) is intended to provide a summary of the water and sewer costs from surrounding communities which compete with our city for economic development and private investment. This assessment provides some broad comparisons and identifies possible future policy opportunities when utilities are added to City operations that might address the City's economic development strategies.

BACKGROUND

The UU&ES is designed to provide an estimate of efficiency savings associated with various options, and thereby assist the City in making decisions about how to proceed with utility unification. The legal and contractual requirements for assumption of RWD or NCWD are not considered as part of this study and would need to be considered in addition to the financial impacts. In addition, several simplifying assumptions were made in order to provide comparable analysis for each option. The City recognizes that some issues are complex and that additional work will be required to implement utility unification.

To quantify the potential efficiencies of operating a unified water, wastewater and surface water utility within the Public Works department of the City, the revenues and costs for both water and wastewater service were forecast under various scenarios and compared to one another. Efficiencies were identified for those cases where one, two and all three of the utilities were unified with the City. Overall benefits associated with utility unification options were compared to one another as well as being assessed in terms of their potential impacts on the City operations; both quantifiable financial benefits as well as non-financial or qualitative benefits. Four options were examined in this study, with the difference between the options quantifying the potential cost savings due to expected efficiencies.

Option 1a:

This option has the City acquiring the SPU service area in Shoreline in 2020 as planned. Both RWD and NCWD continue to operate as independent utilities for the foreseeable future. This case is used as a starting point to be able to identify the savings associated with unification of the utilities. Differences between option 1 and the other three options allow efficiencies to be quantified. Because there is an agreement between RWD and the City for assumption of the wastewater utility, this option is used only for comparison purposes.

Option 1b:

This option includes the assumption that RWD has been assumed in October 2017 per the Interlocal Operating Agreement and assumes the SPU water acquisition has not yet occurred. This case reflects operations during the two years prior to the SPU acquisition. As with Option 1a, it is prepared for comparison purposes so that the savings associated with the RWD assumption can be identified separately from the SPU acquisition.

Option 2:

Option 2 analyzes the efficiencies if the City unifies SPU and RWD with City operations. The City has long recognized there will be efficiencies associated with assuming the RWD service area. A comparison of option 2 to the baseline option 1 allows for a direct measurement of the anticipated efficiencies and benefits to Shoreline residents.

The assumption of the RWD is to occur in October 2017, but for purposes of this study the year 2018 was used as the starting point for comparing the options, with most analysis starting in the year 2020 when the SPU system would be added to the City operation.

The City will assume the RWD utility in its entirety, including all buildings, assets and staff. Because this action occurs prior to the SPU acquisition in 2020, there will be two years where the wastewater utility continues in a similar fashion as it does now, with efficiencies identified primarily on the administrative side. When the City begins operating the SPU water utility in 2020, it is expected that efficiencies will be seen on the sewer's operations and maintenance side.

Option 3:

This option unifies SPU and RWD with City operations and adds NCWD in 2028. The current franchise agreement with NCWD expires at the end of 2027, at which time the

study assumes the City will formally pursue the assumption of the portion of the NCWD water service area within Shoreline. It is assumed under this option that the City would assume the distribution facilities and customers but the NCWD would either continue to exist to serve the Lake Forest Park customers, or the City of Lake Forest Park could assume the remaining balance of the NCWD. In either case, this study assumes the system would not be physically separated and Interlocal Agreements would be executed to share billing information as a means to distribute the cost of operations and maintenance. Therefore, this study will assume a conservative approach where the buildings and staff would not be transferred to the City. The City would, however, take on the obligations of the pro-rata share of the wholesale water contract and the debt service.

Option 4:

This option unifies SPU, RWD and the entire NCWD in 2020. Since the City agreed to not assume NCWD earlier than 2028, it is assumed for purposes of this study that the City could come to agreeable terms with NCWD on assumption of the utility in its entirety in 2020. Based on this assumption, we have included all NCWD buildings and staff, along with the district's water contract and debt in the calculation of this option. The Lake Forest Park facilities and customers would also be included for simplicity purposes, although it is assumed that the City would operate that portion of the service area on behalf of Lake Forest Park on a contract basis until Lake Forest Park is in a position to assume those responsibilities. The revenues and costs for that portion of the utility are both excluded from the financial comparisons as it was assumed that the service area would cover its own costs.

Options Analysis

For all four options, the expected revenues and costs for the period 2020 through 2040 were forecast. To alleviate any differences between the inflation rates used by different sources, all of the analysis was done in 2014 dollars. This allows items to be readily compared to today's costs and makes real changes in costs and revenues from year to year more transparent.

The revenues and costs for the SPU service area were based on the 2012 financial analysis completed for the City that year. Since those revenues and costs were provided in nominal dollars, the amounts in each year were discounted back to 2014 dollars using the 4.6% cost escalator used in that study.

Revenues and costs for RWD were based on the 2014 budget for the district. Capital Improvement Plan (CIP) projections were based on the RWD Comprehensive Plan. Growth in the number of customers was standardized to the growth rates used by the City in the 2012 analysis for the SPU service area. Based on the 20-year forecast for RWD, it was determined that rates would be sufficient to meet the costs and CIP needs of the utility as long as both rates and costs increase at the rate of inflation without any increases in real terms.

Revenues and costs for NCWD were based on the 2013 budget for the district. CIP projections were based on the 2011 NCWD Comprehensive Plan. Growth in the number of customers and water consumption was standardized to the growth rates used by the City in the 2012 SPU Study. Based on the 20-year forecast for NCWD it

was determined that the district would need to increase rates 1% above the rate of inflation for the years 2026 to 2030 in order to cover costs and leave an adequate reserve level.

Once the revenues and costs were projected for each utility separately, they were added together to develop the revenues and costs for the baseline (Option 1). As a starting point it was assumed that rate levels and revenues were the same regardless of the option. While one of the goals of utility unification is to reduce costs for utility service, and thereby potentially reduce the water and wastewater rates paid by customers, this study sets out to quantify the savings associated with combining utilities. Once the savings are quantified they can be examined in terms of how they may impact rates in the future.

Cost efficiencies were broken down between Direct Utility savings and General Operations savings. Direct Utility savings include items that are no longer required as a result of combining the utilities. General Operations savings reflect efficiencies between the new water/wastewater utility and the other departments in the City. These items may reflect a cost to the water/wastewater utility but provide savings to one or more other departments. Additionally staff will be evaluating potential savings to the City's existing stormwater utility.

Direct Utility Savings

Direct utility savings will occur due to the unification of utilities and were identified from the RWD and NCWD current expenses or the assumed expenses for the SPU utility. The savings for those three utilities were included in the total depending on what utilities were included in the particular Option.

The following tables summarize the direct utility benefits associated with each option. The direct savings include the salary and benefit savings. The net direct savings reflects the subtotal of the savings less the cost of the City's shared allocation cost (i.e. "overhead" charge). Savings are also summed over the 2020 through 2040 period to reflect the total value over time. Because all numbers are in 2014 dollars they did not have to be discounted to reflect inflation in order to calculate total numbers.

Direct Utility Savings for Option 1b - RWD Operated by the City, but SPU & NCWD operated independently

Savings Summary	2020	2028	2040	21-yr Total
Salaries & Benefits	\$0	\$0	\$0	\$0
Administrative & Contract	\$628,000	\$628,000	\$628,000	\$13,188,000
Amortization of Capital Items	\$115,000	\$115,000	\$115,000	\$2,415,000
Subtotal Direct Savings	\$743,000	\$743,000	\$743,000	\$15,603,000
Incremental Cost in Shared Services Allocation	-\$507,730	-\$507,730	-\$507,730	-\$10,662,323
Net Direct Savings	\$235,270	\$235,270	\$235,270	\$4,940,677

Direct Utility Savings for Option 2 - City Assumption of RWD in 2018 and SPU in 2020, NCWD Independent

Savings Summary	2020	2028	2040	21-yr Total
Salaries & Benefits Savings	\$820,911	\$820,911	\$820,911	\$17,239,136
Administrative & Contract	\$628,000	\$628,000	\$628,000	\$13,188,000
Amortization of Capital Items	\$127,035	\$127,035	\$127,035	\$2,667,741
Subtotal Direct Savings	\$1,575,947	\$1,575,947	\$1,575,947	\$33,094,877
Incremental Cost in Shared Services Allocation	-\$164,631	-\$164,631	-\$164,631	-\$3,457,259
Net Direct Savings	\$1,411,331	\$1,411,331	\$1,411,331	\$29,637,617

Direct Utility Savings for Option 3 - City Assumption of RWD in 2018 and SPU in 2020, NCWD Assumed in 2028

Savings Summary	2020	2028	2040	21-yr Total
Salaries & Benefits Savings	\$820,911	\$1,595,312	\$1,595,312	\$27,306,347
Administrative & Contract	\$628,000	\$1,091,000	\$1,091,000	\$19,207,000
Amortization of Capital Items	\$127,035	\$127,035	\$127,035	\$2,667,741
Subtotal Direct Savings	\$1,575,947	\$2,813,347	\$2,813,347	\$49,181,088
Incremental Cost in Shared Services Allocation	-\$164,631	-\$382,799	-\$382,799	-\$6,293,432
Net Direct Savings	\$1,411,331	\$2,430,549	\$2,430,549	\$42,887,655

Direct Utility Savings for Option 4 - City Assumption of RWD in 2018 and SPU in 2020, NCWD Assumed in 2020

Savings Summary	2020	2028	2040	21-yr Total
Salaries & Benefits Savings	\$1,441,235	\$1,441,235	\$1,441,235	\$30,265,926
Administrative & Contract	\$1,091,000	\$1,091,000	\$1,091,000	\$22,911,000
Amortization of Capital Items	\$474,366	\$474,366	\$474,366	\$9,961,688
Subtotal Direct Savings	\$3,006,601	\$3,006,601	\$3,006,601	\$63,138,614
Incremental Cost in Shared Services Allocation	-\$382,799	-\$382,799	-\$382,799	-\$8,038,770
Net Direct Savings	\$2,623,802	\$2,623,802	\$2,623,802	\$55,099,844

The direct savings have been reflected in the financial details associated with each option, but they have been allowed to flow through to the reserve fund over time. The use for those direct savings was not identified at this time but they can be used to offset future rate increases, increase spending for capital items over time or some combination of the two.

It is important to note that for the City's 2012 SPU Study, it was assumed that revenues were based on SPU rate projections and any net cash flow would fund ongoing CIP as well as an extensive mains replacement program. It was discussed in that report that going forward the City could look at the mains replacement needs in more detail and determine how much of the net cash flow would be used for capital items versus avoiding future rate increases.

In all cases, there are expected savings under the options where the City operates one or more utility. Those direct utility savings range from \$5 million to \$82 million over the study period. Unifying the water and wastewater services under Options 2, 3 and 4 results in savings that range from 10% to 12% of the total revenues for the combined utilities.

General Operations Savings

General operations savings items are related to savings in other departments within the City. Sometimes they represent a shift from one or more departments and sometimes they reflect a cost that no longer exists.

The first general operations item is the allocation of the Shared Services cost (i.e. overhead charge). An amount of \$1.2 million was allocated to the new water utility in the 2012 SPU report. This allocation covers a share of the costs from the Administrative Services Department and other departments to recover the work that is related to the utility but not directly assigned through staffing levels or expenses. This covers items such as accounting, legal costs, human resources, use of office space, etc. An allocation process is currently used by the City and is based on factors such as number of staff, revenues, etc. The allocation to the new water utility means that the amounts allocated to other departments will be reduced by a corresponding amount. This item is both a cost to the new utility and a savings to other departments.

Next, the costs of existing employees that will take over certain utility responsibilities in addition to their current roles were accounted for. In this case there are two existing staff that will have a portion of their salary re-assigned to the new utility. The general operations savings for this item is \$180,000 with RWD added to the City and \$252,000 with both RWD and NCWD added to the City. This item is both a cost to the new utility and a savings to other departments.

The final general operations item is the cost for contracts held by the City that will no longer be needed due to the addition of RWD. This includes a \$95,000 per year reduction in an existing contract for vector truck services and \$50,000 per year for a small works contract. These contracts can be reduced substantially because the City will have the equipment and staff to provide these services within the expanded utility.

The tables below summarize the general operations savings for each of the corresponding Utility options.

General Operations Savings for Option 1b - City Operates the RWD Service Area

Savings Summary	2020	2028	2040	21-yr Total
Amount of Shared Services Allocation	\$507,730	\$507,730	\$507,730	\$10,662,323
Reduction in FTE Assigned to Other Departments	\$180,707	\$180,707	\$180,707	\$3,794,839
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$3,045,000
Subtotal General Operations Savings	\$833,436	\$833,436	\$833,436	\$17,502,161

General Operations Savings for Option 2 - City Assumption of RWD in 2018 and SPU in 2020, NCWD Independent

Savings Summary	2020	2028	2040	21-yr Total
Amount of Shared Services Allocation	\$1,349,730	\$1,349,730	\$1,349,730	\$28,344,335
Reduction in FTE Assigned to Other Departments	\$252,989	\$252,989	\$252,989	\$5,312,774
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$3,045,000
Subtotal General Operations Savings	\$1,747,719	\$1,747,719	\$1,747,719	\$36,702,109

General Operations Savings for Option 3 - City Assumption of RWD in 2018 and SPU in 2020, NCWD Assumed in 2028

Savings Summary	2020	2028	2040	21-yr Total
Amount of Shared Services Allocation	\$1,349,730	\$1,567,897	\$1,567,897	\$31,180,508
Reduction in FTE Assigned to Other Departments	\$252,989	\$252,989	\$252,989	\$5,312,774
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$3,045,000
Subtotal General Operations Savings	\$1,747,719	\$1,965,887	\$1,965,887	\$39,538,282

General Operations Savings for Option 4 - City Assumption of RWD in 2018 and SPU in 2020, NCWD Assumed in 2020

Savings Summary	2020	2028	2040	21-yr Total
Amount of Shared Services Allocation	\$1,567,897	\$1,567,897	\$1,567,897	\$32,925,845
Reduction in FTE Assigned to Other Departments	\$252,989	\$252,989	\$252,989	\$5,312,774
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$3,045,000
Subtotal General Operations Savings	\$1,965,887	\$1,965,887	\$1,965,887	\$41,283,620

In addition to the direct utility savings, the City would benefit from sharing the cost of existing staff and services with the new water/wastewater utility. It was assumed in the financial analysis that the new water/wastewater utility will be allocated a portion of the City's shared services (i.e. overhead charge) with the amount ranging from \$500,000 to just under \$2 million per year. This cost has been incorporated in the costs for the utility under each option. Other savings occur from the reduction in outsourcing costs that are feasible due to the new staff and equipment for the new water/wastewater utility. The total reflects a savings in general operations costs to other departments within the City that range from approximately \$29 million to \$41 million over the study period.

Financial Savings Summary

Based on the financial analysis for the various options considered, savings range from \$5 million to \$82 million over the 2020-2040 period used in the study. While savings

occur as a result of operating the RWD or SPU service areas alone, the greatest savings levels occur when water and wastewater utilities are unified to provide a more efficient utility. The following table provides a summary of the direct utility savings as well as the general operations savings over the 20 years period used for this study for each of the options. Under options 2, 3 and 4, the direct utility savings ranges from 10% to 12% of total revenues for the combined utilities.

Savings Summary	Direct Utility Savings 2020-2040 (in Millions)	Average Annual Direct Utility Savings as a % of combined revenues	General Operations Savings 2020-2040 (in Millions)
Option 1a – SPU Alone	\$26.5	10.4%	\$28.7
Option 1b – RWD Alone	\$4.9	1.6%	\$17.5
Option 2 – SPU and RWD	\$56.2	9.9%	\$36.7
Option 3 – Add NCWD in 2028	\$69.4	10.3%	\$39.5
Option 4 – Add NCWD in 2020	\$81.6	12.2%	\$41.3

Resulting Non-Economic Benefits of Unification

While the potential to provide lower rates and/or greater investment in capital due to the unification of the water, stormwater and wastewater utilities is a prime objective of the City, there are numerous non-economic benefits that are part of the consideration in unifying the utilities. Those benefits fall into three broad categories: simplicity for residents, sharing of City resources, and unified City policies. While the first category directly impacts the City’s residents, all of the categories lead to overall benefits to the residents of the City.

Utility Rates and Charges Assessment

The Utility Rates and Charges Assessment Report was prepared to help the City Council understand costs of utility service and how they might affect economic development decisions. Additionally, the report provides a regional comparison of rates and charges from twenty (20) utility providers. The comparison shows a high degree of variability in utility costs caused by different rate and charge combinations used by each utility. The assessment also identifies several future policy considerations the City Council will need to address, including:

- Defining rate structures for individual customer classes to promote equity.
- Deciding how much of the funds from new connections should contribute to system improvements while balancing economic development needs.
- Deciding the level of capital improvement funding that should be collected using rates.
- Deciding how to equalize rates and charges throughout the City.
- Deciding how to define the financial planning objectives for the future utilities including stable revenue sources, debt coverage limits, and maintaining adequate reserves.

There will be tradeoffs in four general areas when the Council weighs the above policies:

- 1) Keeping rates affordable for City residents
- 2) Maintaining adequate revenues to support utility operations and capital needs
- 3) Balancing current utility rate inequities within the City
- 4) Promoting economic development without overburdening existing rate payers.

The City Council’s policy making process will be aided by detailed rate comparisons such as the one contained in this report and careful analysis of actual utility costs which will help establish a range of acceptable rates and charges. The Council will then be able to work through various policy options and consider the tradeoffs of each before deciding on the right mix of utility policies for the City.

Timeline

The following is a timeline of stakeholder involvement in the study:

February 28	City/EES Gather, review and analyze data
March 31	Joint staff meeting with all jurisdictions to present initial findings and data used in the study
April 14	Joint Council and RWD commissioners meeting
April 21	City Council briefing to present initial findings
April 22-May 12	Address Questions/Follow-Up to initial information
May 19	Council briefing and acceptance of final UU&ES report

RESOURCE/FINANCIAL IMPACT

There is no immediate fiscal impact, but the study does provide an understanding of the financial efficiencies gained when unifying specific utilities with the existing City operation. The 2014 City budget includes \$50,000 to fund the UU&ES.

COUNCIL GOAL(S) ADDRESSED

This goal addresses Council Goal #2, *Improve Shoreline's utility, transportation, and environmental infrastructure:*

Action Steps:

3. Execute the Shoreline/Seattle Public Utility’s water system Acquisition Agreement and develop a multi-year implementation plan for creating the City’s water utility (70% voter approval in 2012)
4. Develop a plan to merge the Ronald Wastewater District into City operations as outlined in the 2002 Interlocal Operating Agreement and implement the assumption process authorized in Ordinance No. 681.

RECOMMENDATION

Staff is presenting the draft report for Council discussion. No formal action is required.

ATTACHMENTS

Attachment A: Utility Unification and Efficiency Study Report
Attachment B: Utility Rates and Charges Assessment Report

Shoreline Water and Wastewater Utility Unification and Efficiency Study

April 2014

Prepared by:



570 Kirkland Way, Suite 100
Kirkland, Washington 98033

A registered professional engineering corporation
with offices in Kirkland, WA and Portland, OR

Telephone: (425) 889-2700 Facsimile: (425) 889-2725

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Executive Summary

The City of Shoreline (the City) has begun a process to become the water and wastewater provider to the majority of the residents within the City. The City has an agreement with the Ronald Wastewater District (RWD) to assume the wastewater utility as part of an Inter-local Operating Agreement in October of 2017. In addition, the City is in the process of negotiating an Agreement with Seattle Public Utilities (SPU) to purchase SPU's water facilities inside the City boundaries in the year 2020. These actions will add water and wastewater service to the public works department, along with the existing surface water utility and street operations.

About two-thirds of the residents in the City are currently served by SPU, with the remaining residents served by the North City Water District (NCWD). The City has an existing franchise agreement with NCWD that runs through the end of 2027. Unlike RWD, NCWD is not entirely within the City of Shoreline as it serves customers within the City of Lake Forest Park.

The following table shows the 2014 expected revenues and rough number of customers associated with each of the three utilities. Note that the RWD revenues include the pass-through amount for treatment expenses and the NCWD numbers represent the 77% portion that is within the City of Shoreline.

	2014 Revenues	2014 Number of Customers
RWD Wastewater Service Area	\$14.5 million	16,000
SPU Water Service Area	\$11.2 million	11,000
NCWD Water Service Area Within Shoreline	\$4.4 million	6,000

The City is looking at the cost savings associated with efficiency gains by operating the RWD and SPU service areas on a unified basis once they are assumed or acquired by the City. In addition, further efficiencies associated with assuming the NCWD service area within the City's boundaries are being examined to determine if the City should further pursue that course of action.

Overview of the Study Approach

To quantify the potential efficiencies of operating a unified water and wastewater utility within the public works department, the revenues and costs for water and wastewater service were forecast under various scenarios. For purposes of this study it was assumed that the water and wastewater service areas operated by the City would be treated as one combined utility with a single budget. In all cases the separate budget for costs assigned to the water/wastewater utility was used rather than the entire City budget.

Four scenarios were examined in this study, with the difference between the options quantifying the potential cost savings due to expected efficiencies. The options include:

- Option 1: Independent Operation of the Utilities
 - Option 1a: SPU Service Area Operated by the City
 - Option 1b: RWD Service Area Operated by the City
- Option 2: City Operates Unified SPU and RWD Service Areas
- Option 3: City Operates Unified SPU and RWD Service Areas, adds NCWD in 2028
- Option 4: City Operates Unified SPU, RWD and NCWD Service Areas in 2020

For Option 4, the City would need to negotiate an assumption for the year 2020 as it does not have the right of assumption until the existing franchise agreement expires at the end of 2027.

For all four scenarios, the expected revenues and costs for the period 2020 through 2040 were forecast. To alleviate any differences between the inflation rates used by different sources, all of the analysis was done in 2014 dollars. The revenues and costs for the SPU service area were based on the financial analysis previously completed for the City in 2012. Revenues and costs for RWD and NCWD were based on the 2014 budgets for the districts, along with the most recent Comprehensive Plans.

To determine the costs for the various options, cost efficiencies were identified and subtracted from the sum of the costs of the individual utilities. Cost efficiencies were broken down between Direct Utility savings and General Operations savings. Direct Utility savings include items that are no longer required as a result of combining the utilities and reflect savings in staff levels and other expenses. General Operations savings reflect existing costs of the City that are allocated to the new water/wastewater utility, thereby reducing the allocation of those costs to other departments within the City.

Summary of Cost Efficiencies

Based on the financial analysis for the various options considered, savings range from \$5 million to \$82 million over the 2020-2040 period used in the study. While savings occur as a result of operating the RWD or SPU service areas alone, the greatest savings levels occur when water and wastewater utilities are unified to provide a more efficient utility. The following table provides the savings over time for each of the options.

	Total Direct Utility Savings 2020-2040 (2014 Million Dollars)	Average Annual % Savings
Option 1a – SPU Alone	\$26.5	10.4%
Option 1b – RWD Alone	\$4.9	1.6%
Option 2 – SPU and RWD	\$56.2	9.9%
Option 3 – Add NCWD in 2028	\$69.4	10.3%
Option 4 – Add NCWD in 2020	\$81.6	12.2%

These cost savings can be used to cover additional CIP or to reduce cost increases in the future. In the case of the SPU acquisition, the savings will in part be used to fund an extensive mains replacement program that is needed and not expected to be funded with continued SPU operation of the service area. Unifying the water and wastewater service areas under Options 2, 3 and 4 results in savings that range from 10% to 12% of total revenues for the combined utilities.

Other Benefits of Unification

In addition to the direct utility savings identified, the City will benefit from sharing the cost of existing staff and services with the new water/wastewater utility. The City currently allocates administrative, legal, office building space, and other shared services among existing departments. It was assumed in the financial analysis that the new water/wastewater utility will be allocated a portion of those shared services with the amount ranging from \$500,000 to just under \$2 million per year. This cost has been incorporated in the costs for the utility under each option. Other savings occur from the reduction in outsourcing costs that are feasible due to the new staff and equipment for the new water/wastewater utility. The total reflects a savings in general operations costs to other departments within the City. As costs are allocated to the new utility, each of the other departments receives a reduction in its allocation leading to lower costs for those departments. The following table summarizes the general operations savings for each option.

	Total General Operations Savings 2020-2040 (2014 Million Dollars)
Option 1a – SPU Alone	\$28.7
Option 1b – RWD Alone	\$17.5
Option 2 – SPU and RWD	\$36.7
Option 3 – Add NCWD in 2028	\$39.5
Option 4 – Add NCWD in 2020	\$41.3

In some cases these general operations savings surpass the direct savings to the new water/wastewater utility.

While the quantified benefits of utility unification are substantial, there are additional benefits that have not been quantified. These benefits fall into the following three categories:

- Simplicity for Residents
- Sharing of City Resources
- Unified City Policies

Residents see simplicity by having one entity to deal with rather than two or three, a combined bill for water and wastewater, single payments for multiple services, and customer service from one location. The City will have coordination of maintenance and emergency response among various functions and will be able to provide a unified message through combined Public Relations functions and customer information. The City will also be able to unify the policies for such issues as financial policies, rate setting, maintenance and growth. Together these non-quantified benefits will provide for a more cohesive City operation and better service for residents.

Introduction and Background

In 2012, the City conducted a "due diligence" review of the SPU acquisition, for which a city-wide vote passed in November 2012. As part of the due diligence, the City retained EES Consulting to provide three inter-related analyses. The first was an Engineering Review to assess the SPU assets that are included in the acquisition, develop operating costs and procedures for the new utility, and develop the short-term and long-term capital needs of the utility. The second was a long-term financial analysis to determine the projected revenues and costs associated with operating the water utility, along with the associated financial risks. The third component was a Business Plan to address how the tasks and responsibilities required of the new water utility will be carried out. These three studies are jointly referred to as the 2012 SPU Report.

This study looks at the efficiencies associated with unifying both RWD and SPU into the City's public works department. An option for assuming NCWD is also considered as the City has the right to assume the customers within the City at the end of the franchise agreement.

History

In 1995 the City of Shoreline was first incorporated as a City to improve services and have control over decisions that affected their community. One of the goals since the incorporation has been to consolidate services and create greater efficiency, as well as providing "one-stop shopping" for its residents. Water and wastewater were areas where consolidation was considered.

To further this goal of consolidation, the City entered into an Inter-local Operating Agreement with the RWD to unify sewer services with City operations. The unification is to occur in October of 2017. The City will acquire the utility through an assumption, which means all assets, reserve funds, employees, equipment and any District debt will be assumed by the City and the Ronald Wastewater District will cease to exist as a separate government entity.

The City has had discussions regarding the SPU water system in the City since at least 1999 and have evaluated numerous options for how SPU in Shoreline should be operated in the future including acquisition, re-negotiating the franchise agreement, and applying additional surcharges to Shoreline rate payers to fund capital improvements within the City.

In 2009, the City Council adopted a specific goal of acquiring the SPU water system in Shoreline, but in 2012 had set a specific objective as:

Acquire the system at a price that, when added to other costs to operate and maintain the system, would fall within a rate structure equal or less than what SPU would forecast over a reasonable period of time.

The goal of the City Council is based on the desire for the citizens of Shoreline to have a direct say in how rates are set and how the utility is managed. Currently those decisions are made by the City of Seattle. The City also wishes to invest in the water system at a higher rate than is planned by SPU. A higher investment in the system will improve fire protection and better facilitate economic development. Controlling the water utility will also streamline the permitting process, allow the City to improve infrastructure in areas where the City wants to encourage growth, and improve coordination between utility work and street work.

Under the current structure, Shoreline residents have no ability to impact the service they receive from SPU. They cannot vote for the Seattle City Council members that oversee SPU and they have little, if no, negotiating strength in terms of capital spending or rate setting. A portion of the rates charged by SPU include a tax paid to the City of Seattle that provides no financial benefit for Shoreline residents. At the same time, because Shoreline residents are outside the City of Seattle, they are subject to an additional 14% charge above the rates for residents within the City of Seattle.

After adopting the goal of acquiring SPU, the City began more detailed negotiations with Seattle on a value for the SPU system within the City. Negotiations were based on preliminary estimates for the costs to own and operate the system.

On November 9, 2011 the City announced it had entered into a tentative agreement with the City of Seattle to purchase the SPU water system located in the City for \$25 million. The acquisition is to take place in the year 2020.

A public process was included as an important part of the acquisition process. The City Manager formed a citizen's Steering Committee to provide a recommendation on whether the City should move forward with the acquisition. The Steering Committee was made up of 26 members with varying interests and expertise surrounding water utilities. The Steering Committee was presented with all of the due diligence completed by the City, including the Engineering Review, the Financial Analysis and the Business Plan.

A vote was included in the November 2012 elections and the vote was successfully passed, allowing the City to proceed with the SPU acquisition.

Report Objectives and Organization

It is the objective of this study to quantify the financial opportunities and challenges of integrating the SPU water system, the RWD and potentially the NCWD into the City operations. These financial efficiencies are to be identified for the individual utilities as well as the City's existing operations. In addition, this study will survey neighboring jurisdictions for water and sewer connection charges, plus rates with the intent of making some judgment as to the City's

opportunities to be more competitive with economic development. The report also introduces the subject of future utility financial policies and the types of decisions and tradeoffs the City Council will need to consider.

The report is organized around four scenarios with the difference between them being quantification of the potential cost savings due to expected efficiencies. The report begins with an overview of scenarios and the analytical approach used to quantify potential savings. The next section summarizes the projected revenues and expenses expected from unification. The following two (2) sections provide savings estimates from Staff and non-Staff Efficiencies. A section review utility rate and policy issues is also included. The report closes with sections describing the resulting economic and non-economic benefits of unification. Supporting Appendices are included at the end of the report and contain: Organizational Charts, Salary & Benefit Unification Savings, Non-Staff Unification Savings and Revenue and Cost Data.

Overview of Scenarios and Approach

To quantify the potential efficiencies of operating a unified water and wastewater utility within the public works department, the revenues and costs for water and wastewater service were forecast under various scenarios. While this study primarily focuses on the financial forecast for the various utility options, it also considers the net impact on the City's General Operations. The latter is an efficiency separate from the utilities and is an additional efficiency to the residents of Shoreline.

With City operation of the water and/or wastewater service, a new utility will be set up within the existing City structure. The revenues and costs associated with the utility will be tracked separately from all other departments. For purposes of this study it was assumed that a single utility with a combined budget would be used, however, the City may choose to set up a structure with two distinct utilities, each with their own budget. The utility budget will include direct costs that apply only to utility staff and expenses. In addition, they will be allocated a portion of any shared expense items for the City.

The revenues and costs for both water and wastewater service within the City were forecast under various scenarios and compared to one another. Efficiencies were identified for those cases where one or more of the utilities were combined into the City's public works department. Overall benefits associated with utility unification options were compared to one another as well as being assessed in terms of their potential impacts on the City and its residents. Both quantifiable financial benefits as well as non-financial, or qualitative benefits are considered in this study.

This section identifies the scenarios that were considered and provides an overview of the approach taken. Details associated with the analysis and the results are provided in subsequent sections.

Identification of Options

Four scenarios were examined in this study, with the difference between the options quantifying the potential cost savings due to expected efficiencies. The following describes the four options considered:

Option 1: Independent Operation of Utilities

This option is the baseline scenario case where the all three utilities are operated independently as they are now, and not by the City. This case is used as a starting point to be able to identify the savings associated with unification of the utilities. Differences between option 1 and the other options allow efficiencies to be quantified. Because there is an agreement between RWD and the City for assumption of the wastewater utility, this option is used only for comparison purposes.

Option 1a: SPU Service Area Operated by the City

This option is a modification of independent operation of all three utilities, but reflects the case where the City acquires the SPU service area in 2020 as planned. Both RWD and NCWD continue to operate as is for the foreseeable future. This case is used to identify the savings associated with the SPU acquisition by itself. Because there is an agreement between RWD and the City for assumption of the wastewater utility, this option is used only for comparison purposes.

Option 1b: RWD Service Area Operated by the City

This option is a modification from Option 1 in that the RWD is assumed to occur in 2018 with the City operating the wastewater utility. This option assumes that the SPU water acquisition does not occur, it also case reflects operations during the two years prior to the SPU acquisition. As with Option 1, it is prepared for comparison purposes so that the savings associated with the RWD assumption can be identified separately from the SPU acquisition.

Option 2: City Operates Unified SPU and RWD Service Areas

The City has long recognized there will be efficiencies associated with assuming the RWD and the SPU service areas. A comparison of Option 2 to the baseline Option 1 allows for a direct measurement of the anticipated efficiencies and benefits to Shoreline residents. The RWD assumption is to occur at the end of the franchise agreement in October 2017. For purposes of this study the year 2018 was used as the starting point for comparing the options, with most analysis starting in the year 2020. The City will acquire the utility in its entirety, including all buildings and staff. Because this action occurs prior to the SPU acquisition in 2020, there will be two years where the wastewater utility continues in a similar fashion as it does now, with efficiencies identified primarily on the administrative side. When the City begins operating the water utility in 2020, it is expected that efficiencies will be seen on the operations and maintenance side.

Option 3: City Operates Unified SPU and RWD Service Areas, adds NCWD in 2028

The current franchise agreement with NCWD runs through the end of 2027. The City will have the right to assume the portion of the water service area within the City at that time. This option assumes that will occur with a start date of 2028. It is assumed under this option that the City would assume the distribution facilities and customers but that the NCWD would either continue to exist to serve the Lake Forest Park customers, or the city of Lake Forest Park could assume the remaining balance of the NCWD. In either case, this study assumes the system would not be physically separated and Inter-local Agreements would be executed to share billing information as a means to distribute the cost of operations and maintenance. Therefore, this study will assume a conservative approach where the buildings and staff would not be transferred to the City. The City would, however, take on the obligations of the pro-rata share of the wholesale water contract and the debt service.

Option 4: City Operates Unified SPU, RWD and NCWD Service Areas

Option 4 is a full unification of the three utilities by the year 2020. It is assumed for purposes of this study that the City could come to agreeable terms with NCWD to acquire the utility in its entirety. This option would assume the City acquires all buildings and staff, along with the water contract and debt. No specific assumptions were made with respect to the portion of the utility outside of the City, however, only the revenues and costs for the portion of the service area within the City were included in the analysis.

This study is designed to provide an estimate of efficiency savings associated with the various options to assist the City in making decisions about how to proceed with respect to utility unification. The legal and contractual requirements for assumption of RWD or NCWD are not considered as part of this study and would need to be considered in addition to the financial impacts. In addition, several simplifying assumptions were made in order to provide comparable analysis for each option. The City recognizes that some issues are more complex than presented in this study and that additional work will be required to implement utility unification.

Approach for the Financial Analysis

For all four scenarios, the expected revenues and costs for the period 2020 through 2040 were forecast. To alleviate any differences between the inflation rates used by different sources, all of the analysis was done in 2014 dollars. This allows items to be readily compared to today's costs and makes real changes in costs and revenues from year to year more transparent.

The revenues and costs for the SPU service area were based on the 2012 financial analysis completed for the City in 2012. Because those revenues and costs were provided in nominal dollars, the amounts in each year were discounted back to 2014 dollars using the assumed inflation rate for that study.

Revenues and costs for RWD were based on the 2014 budget for the district. CIP projections were based on the RWD Comprehensive Plan. Growth in the number of customers was standardized to the growth rates used for the City in the 2012 analysis for the SPU service area. Based on the 20-year forecast for RWD it was determined that rates would be sufficient to meet the costs and CIP needs of the utility as long as both rates and costs increase at the rate of inflation without any increases in real terms. The assumptions and resulting revenues and costs were reviewed by RWD staff to ensure the financial forecast was appropriate.

Revenues and costs for NCWD were based on the 2013 budget for the district. CIP projections were based on the 2011 NCWD Comprehensive Plan. Growth in the number of customers and water consumption was standardized to the growth rates used for the City in the 2012 SPU Study. Based on the 20-year forecast for NCWD it was determined that the district would need to increase rates 1% above the rate of inflation for the years 2026 to 2030 in order to cover costs and leave an adequate reserve level.

Once the revenues and costs were projected for each utility separately, they were added together to develop the revenues and costs for the Option 1 baseline scenario.

As a starting point it was assumed that rate levels and revenues were the same regardless of the option. While one of the goals of utility unification is to reduce costs for utility service, and thereby potentially reduce the water and wastewater rates paid by customers, this study sets out to quantify the savings associated with combining utilities. Once the savings are quantified they can be examined in terms of how they may impact rates in the future.

To determine the costs for the various options, cost efficiencies were identified and subtracted from the sum of the costs of the individual utilities. In order to quantify the efficiency gains, a general plan for operating a combined utility within the City's public works department was developed. Note that this plan was developed for purposes of this study and provides a broad approach. However, much more detail will be developed in order to provide a smooth transition when the unification of the utilities occurs.

Cost efficiencies were broken down between Direct Utility savings and General Operations savings. Direct Utility savings include items that are no longer required as a result of combining the utilities and reflect savings in staff levels and other expenses. General Operations savings reflect efficiencies between the new water/wastewater utility and the other departments in the City. These items reflect existing costs that are allocated to the new water/wastewater utility, thereby reducing the allocation of those costs to other departments within the City. Cost savings will be addressed in more detail later in this report, along with the potential impacts associated with the Direct Utility and General Operations savings.

Projected Base Case Revenues and Expenses

To determine the financial results of the various scenarios used in this study, the revenues and costs were projected for the 2020 to 2040 period. This section will address the methodology and sources of data used to project the revenues and costs for each of the three separate utilities. The sum of the costs for the three utilities reflects the results for Option 1. This is the starting point to determine the cost savings associated with utility unification.

Cost efficiencies will occur as a result of combining operations of the utilities, leading to reduced expenses for the utilities when compared to Option 1. Cost efficiencies are identified and discussed in the following two sections. The resulting efficiencies are incorporated in the expenses and resulting financial forecast for Option 2, 3 and 4. Those findings are discussed later in this report.

SPU Service Area

The City examined the viability of acquiring and operating the SPU service area within the City limits in 2012. The 2012 SPU Report prepared by EES Consulting included a detailed forecast of revenues and expenses associated with operating the utility. Those results are incorporated into this study.

Revenues were based on the assumption that rates would remain the same as those projected for SPU. The City has committed to keeping rates at or below the level that would otherwise be charged by SPU. Rates for SPU were based on rates projected by SPU in the short-term and based on average historic rate increases over the long-term. The number of customers was forecast based on published growth rates for the City and average use per customer was based on SPU's own projections. The resulting growth rate for total water consumption ranges from 0.2% to 0.4% per year.

In the scenarios where SPU continues to operate the water service area within Shoreline, the expenses were assumed to equal the revenues for the service area. The revenues in this case would be consolidated with all other SPU revenues to cover the costs of the entire system. A portion of those revenues would flow through to the Seattle General Fund, without any benefit to Shoreline residents.

In the case where the City operates the service area, costs for operating the new water utility were based on the 2012 Engineering Report that examined the required separation costs; the staff required and associated salaries, upfront vehicle and equipment costs and long-term capital improvements required.

A financial model compared the revenues to costs for the 2020 to 2040 period. The net revenues from that model were assumed to either pay for a main replacement program or to reduce rates over time. For purposes of this report the entire amount was assumed to pay for main replacements over time so that the CIP projection was the same for each of the scenarios.

Because the financial results of the 2012 Report were in nominal dollars, all line items were discounted back to 2014 dollars using the assumed 4.6% cost escalator used in that study.

The following Table provides a summary of the revenues and costs for the 1st year of the analysis. The detailed financial tables showing annual data are provided in Appendix E.

Table 1
Financial Results for 2020 with City Operation of the SPU Service Area

	2020
Total Revenues	\$11,407,719
Expenses	
Wholesale Water Supply/Treatment	\$2,754,233
Non-Supply O&M	
Labor	\$1,450,145
Materials & Supplies	\$721,768
Employee Benefits	\$580,768
Administrative	\$1,185,099
State Tax Expense	\$570,943
City of Shoreline Tax Expense (franchise fee)	<u>\$681,181</u>
Total Operating Expenses	\$7,943,426
Debt payments – Initial	\$2,337,942
Cash Funded CIP	<u>\$1,126,352</u>
Total Expenses (with Debt & CIP)	<u>\$11,407,719</u>

Consistent with the 2012 SPU Report, the SPU water rates are projected to increase by 0.4% per year in real terms. The wholesale rate for water purchases are projected to decrease by 1.1% in real terms. This decrease is due to the fact that the majority of the costs for water supply are related to the large capital investment and there is sufficient capacity to meet expected growth. Operating costs are expected to increase at the rate of inflation only, reflecting no change in real dollars. State utility taxes were applied at a rate of 5.029% and a City of Shoreline utility tax of 6.0% was applied to replace the existing franchise fee already included in the SPU rate.

Ronald Wastewater District

To project the financial results for RWD as an independent utility through 2040, the budget provided by RWD for 2014 was used as the starting point. In addition the 2010 Comprehensive Plan was used and historic financial reports were examined.

Revenues for 2014 reflect a recent \$1.00 reduction in the monthly rate. Rates were assumed to increase at the rate of inflation. Growth of 0.3% to 0.4% per year to reflect an increase in the

number of customers was applied to the revenue projections. These growth levels were taken from the 2012 SPU Report.

For costs associated with sewage treatment are collected in a separate charge on the bill rather than included in the basic rate charged by RWD. It was assumed that treatment charges would stay the same in real terms. Growth rates were also applied to reflect the added treatment required for the assumed growth in customers.

All other operating costs for RWD were assumed to remain the same in real terms. Expenses related to the franchise fee paid to the City were also included. RWD currently has zero debt. Annual CIP levels were based on net operating revenues, which are consistent with the 2010 Comprehensive Plan and are projected to remain in the range of \$1.1 million per year in real terms through 2040. It was assumed that a reserve balance of \$3 million would be available at the time of the assumption in 2018 and would remain at the level through 2040. This reserve level would be available for any unexpected CIP requirements for RWD.

Table 2 provides the financial results for RWD in 2020.

Table 2	
Financial Results for 2020 for RWD	
Revenues	
Rate Revenues (includes taxes)	\$3,342,202
Wholesale Treatment Revenue (includes taxes)	\$10,381,959
Misc. Revenues	\$371,215
Capital Contributions	<u>\$515,285</u>
Total Revenues	\$14,611,662
Expenses	
Wholesale Water Supply/Treatment	\$9,864,497
Non-Supply O&M	
Labor	\$1,038,336
Materials & Supplies	\$145,500
Employee Benefits	\$416,534
Administrative	\$1,129,703
City of Shoreline Tax Expense (franchise fee)	<u>\$823,510</u>
Total Operating Expenses	\$13,418,080
Debt payments - Initial	\$0
Cash Funded CIP - Ongoing	<u>\$1,193,582</u>
Total Expenses (with Debt & CIP)	\$14,611,662

North City Water District

To project the financial results for NCWD as an independent utility through 2040, as with RWD, the budget provided by NCWD was used as the starting point. In this case the budget was for 2013 as NCWD did not produce a budget for the current year. In addition the 2011 Comprehensive Plan was used and historic financial reports were examined.

Revenues for 2013 were used as the starting point. Rates were initially assumed to increase at the rate of inflation. Once all of the costs were projected it was clear that there would be a shortfall in revenues in future years. In this case a 1% real rate increase was applied each year from 2026 to 2030. This rate increase was necessary to retain adequate reserve levels and cover the costs of projected capital needs. Also, some of the CIP expenditures were assumed to be covered by the existing reserve fund in the early years. Because rates are based on both meter charges and consumption charges, the growth associated with customers and usage rates used in the 2012 SPU Report were applied to NCWD revenues. While the number of customers and commercial water use were expected to increase, use per residential customer was forecast to decline over time. The resulting combined growth ranged from 0.1% to .03% per year. Revenue projections include the amount of the franchise fee collected in bills.

As in the 2012 SPU Report, rates for wholesale water purchases were forecast to decrease by 1.1% per year in real terms. The growth in total water usage was applied to the wholesale purchase amount as well.

All other operating costs for NCWD were assumed to remain the same in real terms. NCWD has an annual debt service payment of \$575,000 in 2020. Expenses related to the franchise fee paid to the City were also included. Annual CIP levels were taken from the 2011 Comprehensive Plan and are projected to remain the same in real terms through 2040. It was assumed that there is a reserve level of \$8 million in 2014 based on NCWD's financial statements, with roughly \$4 million remaining in 2020.

Once all of the revenues and expenses were projected, an adjustment was made to reflect the percent of NCWD that is within the City limits. Based on 2012 and 2013 actual sales, the percent of water sold within the City was 77% of the total for the District. The remaining sales are within the City of Lake Forest Park. The 77% was applied across the board to all revenues and costs. While we recognize that this is a very simplistic assumption, it was appropriate for this initial examination of assuming NCWD at a later time. If the City proceeds with an assumption of NCWD it would be appropriate to conduct a more thorough examination of the split of sales, revenues, physical assets and operating costs between the two Cities.

Table 3 provides the financial results for NCWD in 2020, adjusted to reflect 77% of revenues and costs.

Table 3
Financial results for 2020 for NCWD Within the City of Shoreline

Revenues	
Rate Revenues (includes taxes)	\$4,405,194
Misc. Revenues	\$114,206
Capital Contributions	<u>\$177,433</u>
Total Revenues	\$4,696,833
Expenses	
Wholesale Water Supply/Treatment	\$1,069,573
Non-Supply O&M	
Labor	\$806,878
Materials & Supplies	\$428,076
Employee Benefits	\$337,183
Administrative	\$977,577
City of Shoreline Tax Expense (franchise fee)	<u>\$264,312</u>
Total Operating Expenses	\$3,883,597
Debt payments - Initial	\$442,939
Cash Funded CIP - Ongoing	<u>\$370,296</u>
Total Expenses (with Debt & CIP)	\$4,696,833
CIP Budget	\$773,388
Available from Cash	\$370,296
Available from Reserve Fund	\$403,092

Three Utilities Combined

Once the financial results were projected for the three utilities operated independent of one another, the associated revenues and costs were summed together to provide a baseline comparison to a unified utility. This reflects a simple summation using the portion of NCWD within the City limits, and the financial results for 2020 are shown in Table 4.

Table 4
Financial Results for 2020 for Three Utilities Combined

Revenues	
Rate Revenues (includes taxes)	\$19,101,409
Wholesale Treatment Revenue (includes taxes)	\$10,436,665
Misc. Revenues	\$485,421
Capital Contributions	<u>\$692,718</u>
Total Revenues	\$30,716,213
Expenses	
Wholesale Water Supply/Treatment	\$13,688,303
Non-Supply O&M	
Labor	\$3,295,358
Materials & Supplies	\$1,295,343
Employee Benefits	\$1,333,775
Administrative	\$3,292,378
State Tax Expense	\$570,943
City of Shoreline Tax Expense (franchise fee)	<u>\$1,769,002</u>
Total Operating Expenses	\$25,245,103
Debt payments - Initial	\$2,780,881
Cash Funded CIP - Ongoing	<u>\$2,690,230</u>
Total Expenses (with Debt & CIP)	\$30,716,213
CIP Budget	\$3,122,226
Available from Cash	\$2,690,230
Available from Reserve Fund	\$403,092

As the table shows, the combined revenue for the three utilities is roughly \$31 million. The largest expense is wholesale water and treatment costs at almost \$14 million. Utility taxes and franchise fees make up another \$2 million. The total amount for internal costs is roughly \$9 million in 2014 dollars. Debt service and CIP amounts are roughly \$6 million per year.

To determine the financial results of the scenarios with unified utilities, it was necessary to look at reductions in labor and other cost categories. The next section addresses the staffing levels with unification and the resulting cost savings. That is followed by a section related to other direct and cost savings. Those savings are then incorporated into the financials for the combined utilities.

Staffing Levels and Related Savings

It is expected there will be savings in staffing levels associated with unified utility operations, particularly with respect to management and administrative functions. To project the savings in staffing costs, the staff required under the various scenarios was identified. The first step was to identify the staff and associated costs with the three independent utilities. From there, staff levels under the combined utilities were developed with the assumption, in some cases, that staff from the existing utilities would be transferred to the City at the time of assumption. The difference between the staff levels and costs for the three independent utilities were compared to the various options to calculate the cost savings associated with salaries and benefits.

Currently the City has a seven-person elected City Council as its governing body. Within those seven members, a Mayor and Deputy Mayor are chosen. The City Manager reports directly to the City Council and oversees all City staff. Several Directors manage the various City departments and report to the City Manager, including the Public Works Director and the Administrative Services Director. For the City operation of one or more of the existing utilities, the overall structure will fit within the current Public Works Department. It is expected that several of the staff dedicated to the utility function will reside within the Administrative Services Department.

Many of the functions required for the water utility, particularly within the administrative and general function, can be managed with existing City departments and staff. Because those functions are needed for other City responsibilities, it is best to use the existing expertise for efficiency, coordination and consistency. Those functions will be referred to as Shared Services within this report. The City currently conducts an overhead allocation of these various Shared Services to different departments and the water/wastewater utility will be included in this allocation at the time of initial operation.

This section of the report will address only those staff assigned directly to the utility function. Costs for the staff providing shared services within the City will be addressed in the next section related to the allocation of shared services costs.

Option 1 Staffing

Option 1 is the base case and includes the staff for the City operation of the SPU service area as projected in the 2012 SPU Report. Added to this was the existing staff for RWD and NCWD. While the staffing for the SPU service was provided for each position, the staff levels and costs for RWD and NCWD were split into four categories: management, administrative, planning & development, and maintenance.

The following provides information for each of the three utilities. In the case of the SPU service area staffing, each position was assigned in either the Public Works Department (PWD) or the

Administrative Services Department (ASD). Organizational charts that correlate with the SPU service area staffing along with the unified utility options can be found in Appendix A.

It is important to note that in the case of the SPU service area, the specific positions and organizational structure has changed slightly from what was used in the 2012 SPU Study. It is projected that 23 FTEs will be required for the operation of the new water utility. Four of the positions are allocated 50% to the water utility, with the remainder allocated to the Street and Surface Water Departments.

Management positions include two existing positions within the Public Works Department and two new positions. Existing positions include a Business Manager reporting directly to the Public Works Director and a Utility Resource Manager reporting to the existing Operations & Utility Manager. The two new management positions include a Maintenance Supervisor reporting to the Operations & Utility Manager and an Office Manager reporting to the Administrative Service Director. The Business Manager, Utility Resource Manager and Operations & Utility Manager are allocated 50% to the new water utility. Another 13.5 positions are included on the PWD side for various operations and maintenance positions, and seven positions are added on the ASD side.

For the new water utility serving the SPU service area, the listing of positions and the resulting salary and benefit costs are shown in Table 5.

Table 5 Staffing for New City Water Utility (SPU Service Area) 2014 Dollars			
Classification Title	Department	Required Staff	Total Salaries & Benefits
Utility Resource Manager	PWD	0.5	\$90,353
Business Manager	PWD	0.5	\$90,353
Maintenance Superintendent	PWD	0.5	\$65,461
Pipeline Maintenance Supervisor	PWD	1	\$117,812
Lead Field Crew Worker	PWD	4	\$418,808
Field Crew Worker	PWD	4	\$290,839
Field Crew Helper	PWD	2	\$141,250
Buyer/Warehouse Technician	ASD	1	\$72,710
GIS/Asset Mgmt Technician	PWD	0.5	\$48,264
Water Quality Technician	PWD	1	\$90,878
Utility Permit Tech	PWD	1	\$72,710
Office Manager	ASD	1	\$98,676
Meter Readers	ASD	2	\$141,250
Administrative	ASD	4	\$290,839
Total		23	\$2,030,202

For the existing RWD staffing, there are a total of 15 positions. Positions are shown in categories rather than individual positions. Details are provided in Table 6.

Note that in the case of Option 1a, where the City assumes and operates RWD without the SPU acquisition, the existing RWD staff would be placed in the PWD and ASD.

Table 6
Existing Staffing for RWD
2014 Dollars

Classification Title	Department	Staff	Total Salaries & Benefits
Management		3	\$419,932
Administrative		4	\$281,364
Planning & Development		2	\$180,721
Maintenance		6	\$572,853
Total		15	\$1,454,870

For NCWD, there are 14 existing staff. Details are provided in Table 7.

Table 7
Existing Staffing for NCWD
2014 Dollars

Classification Title	Department	Staff	Total Salaries & Benefits
Management		2	\$301,528
Administrative		4	\$362,793
Maintenance		8	\$821,472
Total		14	\$1,485,793

When SPU and RWD are combined, the total staffing level is 38 FTE for a cost of \$3.5 million. When all three utilities are added together, there are a total of 52 FTE with a total cost of nearly \$5 million. This is the starting point for the comparison of the other options to determine the savings associated with salaries and benefits.

Option 2 Staffing

Option 2 combines the SPU and RWD systems into a joint water/wastewater utility within the City. It was assumed that staff will work together on both the water and wastewater facilities. The City will be assuming all of the staff for RWD in 2018 and those staff will operate the wastewater utility until the SPU acquisition in 2020. The organizational structure will be similar to that set up for the SPU water utility, however, the allocation of FTE for the shared employees

will increase from 50% to 70% to reflect the operation of both water and wastewater utilities.

Staff from RWD was not assigned to particular positions within the organizational chart, however, salaries will remain the same and general responsibilities will be similar.

Additional staff will be added for the 2020 SPU acquisition, including 1 management position, 8 maintenance staff, a water quality technician, 2 administrative staff and 2 meter readers. The details are provided in Table 8.

Table 8 Staffing for Option 2 – Combined Water/Wastewater Utility (SPU and RWD Service Area) 2014 Dollars			
Classification Title	Department	Staff	Total Salaries & Benefits
Staff Moved from RWD			
Management	PWD	2	\$279,955
Planning & Development	PWD	2	\$180,721
Maintenance	PWD	6	\$572,853
Management	ASD	1	\$139,977
Administrative	ASD	4	\$281,364
New Staff for Water in 2020			
Management	PWD	1	\$149,184
Maintenance	PWD	8	\$673,485
Water Quality Technician	PWD	1	\$90,878
Meter Readers	ASD	2	\$141,250
Administrative	ASD	2	\$154,494
Total		29	\$2,664,161

With the unified utility, the staff requirements are estimated at 29 FTE at a cost of \$2.6 million. This is a reduction of 9 positions that are primarily management and administrative positions due to the efficiency of operating on a combined basis. The total savings in salaries and benefits is \$820,000 per year in 2014 dollars.

Option 3 Staffing

Option 3 is the same as Option 2 until the year 2028 when the NCWD service area within the city limits is assumed. For this option, it is assumed that the City would assume the distribution facilities associated with the service area but would not acquire any of the staff for the utility nor the office buildings as they would be needed to operate the remaining portion of the utility. Adding this service area would be an expansion of roughly 50% compared to the SPU service area.

To operate and maintain that expansion, a total of 6 staff were added for 2028, including 4 maintenance staff, one meter reader and 1 administrative staff. The total staff would be 35 in the year 2028.

**Table 9
Staff for Option 3
2014 Dollars**

Classification Title	Department	Staff	Total Salaries & Benefits
Staff Moved from RWD			
Management	PWD	2	\$279,955
Planning & Development	PWD	2	\$180,721
Maintenance	PWD	6	\$572,853
Management	ASD	1	\$139,977
Administrative	ASD	4	\$281,364
New Staff for Water in 2020			
Management	PWD	1	\$149,184
Maintenance	PWD	8	\$673,485
Water Quality Technician	PWD	1	\$90,878
Meter Readers	ASD	2	\$141,250
Administrative	ASD	2	\$154,494
New Staff for Expansion in 2027			
Maintenance	PWD	4	\$336,743
Meter Readers	ASD	1	\$70,625
Administrative	ASD	1	\$72,710
Total		35	\$3,144,239

Total numbers for the combined utilities are not readily comparable to the total of the three independent utilities as this option does not include the entire NCWD service area. After accounting for the 77% share of the NCWD salaries and benefits, the savings for Option 3 include \$820,000 from 2020 through 2027 and \$1.6 million in 2028 and beyond.

Option 4 Staffing

Option 4 assumes a unification of all three utilities at the same time. This option can only be achieved with the cooperation of NCWD as the City does not have the right to assume that service area until 2028. With this option, the City would negotiate with NCWD to fold the utility into the City for the benefit of the NCWD customers. In this case it was assumed that the City would assume the entire utility, including staff and facilities. The portion of the service area within the City of Lake Forest Park would be assigned to them, again on a negotiated basis. For purposes of this study, it was assumed the City of Shoreline would operate and maintain the service area for the City of Lake Forest Park on a contract basis, until such time as they could

operate it on their own. The revenues for that contract would be equal to 23% of the costs for the utility and therefore 77% of the costs would be included for the City of Shoreline and included in the financial results.

In this case the staff for RWD and NCWD was assumed to be included. Additional staff was added to reflect the same total number of 35 staff for Option 3 in 2028.

As with Option 2, specific staff from RWD and NCWD was not assigned to specific positions but were kept at current salaries and with similar responsibilities. Note that 1 of the 4 administrative staff from NCWD were assumed to be transferred to the City but would fill open positions in departments other than the new water/wastewater utility and therefore their costs were not included. Additional staff that would need to be added includes 5 maintenance workers and 2 meter readers.

The total staffing levels for Option 4 are shown in Table 10.

Table 10 Staff for Option 4 2014 Dollars			
Classification Title	Department	Staff	Total Salaries & Benefits
Staff Moved from RWD			
Management	PWD	2	\$279,955
Planning & Development	PWD	2	\$180,721
Maintenance	PWD	6	\$572,853
Management	ASD	1	\$139,977
Administrative	ASD	4	\$281,364
Staff Moved from NCWD			
Management	PWD	1	\$150,764
Maintenance	PWD	8	\$821,472
Management	ASD	1	\$150,764
Administrative	ASD	3	\$272,095
New Staff for Water in 2020			
Maintenance	PWD	5	\$353,125
Meter Readers	ASD	2	\$141,250
Total		35	\$3,344,339

Given the combined operations of all three utilities, total savings are similar to what is achieved in Option 3 by the year 2028. The savings would, however, would begin in 2020 and therefore provide benefits over a much longer time period. Total savings in salaries and benefits for this option are roughly \$1.6 million per year.

Non-Staff Efficiencies and Related Savings

While the efficiencies related to more efficient staffing with unified utilities was discussed in the previous section, there are additional savings associated with contracts, overheads and capital related items. Those savings are identified in this section and are broken down between direct utility savings and general operations savings. Direct utility savings would reduce the expenses associated with the water/wastewater utility and would reflect the separate financials of the new utility. General operations savings would in some cases reflect a sharing of staff and overhead costs from existing City departments with the new utility, thereby reducing costs for those other departments. Additional savings would result in cases where the existence of the new utility would allow a reduction in the outsourcing contract costs for other departments.

Identification of Direct Utility Savings

Direct utility savings will occur due to the unification of utilities and were identified from the RWD and NCWD current expenses or the assumed expenses for the SPU utility. The savings for those three utilities were included in the total depending on what utilities were included in the particular Option.

In the case of the SPU service area, there are no costs directly assigned to the portion of the service area within the City limits. It was therefore assumed that the expenses associated with the service area equal the revenues for the service area. Without the detailed expenses for SPU, the total cost to be recovered through revenues was compared to the City's expected total costs for operating the service area. This differs from the savings identified for unification with RWD and NCWD, which were identified on the basis of detailed budgets for those two Districts.

For RWD, it was assumed that certain non-payroll expense items would be fully or partially offset. This included 100% of the costs for utilities and building maintenance as the RWD buildings would be sold, 100% of the costs associated with the District Commissioners and elections, 100% of legal and financial consulting expenses and 100% of certain bank fees. Also included were 50% of the costs for most office expenses, administrative costs, advertising and public relations and engineering. These cost savings are expected not because those functions are not needed, but because the functions will be provided by the City. The costs for those services will be assigned to the new utility with the Shared Services allocation, and in some cases it was assumed there will be efficiencies in items such as planning for a combined utility as opposed to two separate utilities. There were no savings estimated from the materials and supplies cost for the operation and maintenance of the utility facilities. The resulting savings for the identified items is approximately \$600,000 in 2014 dollars.

The next direct savings for RWD would be the value of the buildings to be sold. Based on the book value of the facilities, the value was estimated at \$2.3 million dollars. It is likely this amount could offset other capital costs required for the new water/wastewater utility and therefore the value was amortized over 20 years, resulting in a savings of \$115,000 per year.

For NCWD, the expense savings were similar to RWD and included 100% of legal fees, utilities and phone service. Note that contracted legal fees were eliminated on a direct basis but would be included in the allocation of Shared Services from the City as the City has its own legal department. Other expenses were reduced by 50%, including consultants, insurance, office expenses, dues/memberships and public communications. Total administrative savings for NCWD is estimated at \$460,000 for the portion to be served by the City.

As with RWD, the NCWD buildings would be sold and the value was identified as \$6.6 million based on the capital amounts designated for the new office and maintenance buildings found in the 2011 Comprehensive Plan for NCWD. When amortized over 20 years, this equates to a savings of \$330,000 per year.

On the SPU water side, capital costs for required vehicles were included in the 2012 SPU Report. Given the existing vehicles for RWD and NCWD, certain vehicles added for SPU could be eliminated. With RWD's vehicles the savings were \$240,000 in capital cost with an equivalent amortization of \$12,000 per year. With NCWD's vehicles there was an additional savings of \$346,000 in capital and a corresponding reduction of \$17,000 when amortized over 20 years.

Summary of Direct Utility Savings

The following tables summarize the direct utility benefits associated with each option. Note that direct savings include the salary and benefit savings identified in the previous section as well as those items identified in this section. Savings are also summed over the 2020 through 2040 period to reflect the total value over time. Because all numbers are in 2014 dollars they did not have to be discounted to reflect inflation in order to calculate total numbers.

Table 11
Direct Utility Savings for Option 1a – City Operates the SPU Service Area
2014 Dollars

Savings Summary	2020	2028	2040	Total 2020-2040
Total Direct Savings	\$0	\$944,853	\$2,757,461	\$26,513,829

With Option 1a, where the City acquires and operates the SPU service area, direct savings are \$26.5 million over the 2020-2040 period. These savings may include staff savings as well as other items however there is insufficient data from SPU to further segregate the types of savings associated with the new utility.

Table 12
Direct Utility Savings for Option 1b – City Operates the RWD Service Area
2014 Dollars

Savings Summary	2020	2028	2040	Total 2020-2040
Salaries & Benefits Savings	\$0	\$0	\$0	\$0
Administrative & Contract Savings	\$628,000	\$628,000	\$628,000	\$13,188,000
Amortization of Capital Items	\$115,000	\$115,000	\$115,000	\$2,415,000
Subtotal Direct Savings	\$743,000	\$743,000	\$743,000	\$15,603,000
Incremental Cost in Shared Services Allocation	-\$507,730	-\$507,730	-\$507,730	-\$10,662,323
Net Direct Savings	\$235,270	\$235,270	\$235,270	\$4,940,677

With RWD alone, savings to the RWD budget are roughly \$740,000 per year. These reductions are replaced in part by the Shared Service allocation of roughly \$500,000 per year. The resulting net benefit is roughly \$250,000 per year or \$5 million through the year 2040.

Table 13
Direct Utility Savings for Option 2 – City Operates Unified SPU and RWD Service Area
2014 Dollars

Savings Summary	2020	2028	2040	Total 2020-2040
Salaries & Benefits Savings	\$820,911	\$820,911	\$820,911	\$17,239,136
Administrative & Contract Savings	\$628,000	\$628,000	\$628,000	\$13,188,000
Amortization of Capital Items	\$127,035	\$127,035	\$127,035	\$2,667,741
Subtotal Direct Savings	\$1,575,947	\$1,575,947	\$1,575,947	\$33,094,877
Incremental Cost in Shared Services Allocation	-\$164,631	-\$164,631	-\$164,631	-\$3,457,259
Net Direct Savings	\$1,411,331	\$1,411,331	\$1,411,331	\$29,637,617

When the SPU and RWD operations are combined, the savings to the utility increase. Savings are initially \$1.5 million per year. This is offset by an incremental amount of \$160,000 for the shared services allocation with the two utilities combined. Only the incremental cost of this allocation is included here because there is already an allocation of \$1.1 million included in the operating costs for the SPU service area. Also, these savings are meant to reflect the savings associated with unifying the utilities. Therefore the total in Table 13 excludes the savings associated with the SPU acquisition alone. Those savings have been identified for use in an extensive mains replacement program and therefore are not included here. However, they are included later when the full financial impacts of the various options are considered.

Table 14
Direct Utility Savings for Option 3 – City Operates Unified SPU and RWD, Adds NCWD in 2028
2014 Dollars

Savings Summary	2020	2028	2040	21-Year Total
Salaries & Benefits Savings	\$820,911	\$1,595,312	\$1,595,312	\$27,306,347
Administrative & Contract Savings	\$628,000	\$1,091,000	\$1,091,000	\$19,207,000
Amortization of Capital Items	\$127,035	\$127,035	\$127,035	\$2,667,741
Subtotal Direct Savings	\$1,575,947	\$2,813,347	\$2,813,347	\$49,181,088
Incremental Cost in Shared Services Allocation	-\$164,631	-\$382,799	-\$382,799	-\$6,293,432
Net Direct Savings	\$1,411,331	\$2,430,549	\$2,430,549	\$42,887,655

Under Option 4, savings to the utility are \$1.4 million per year prior to the addition of the NCWD service area. Afterwards, the savings increase to \$2.4 million per year, with a total savings of \$43 million by the year 2040.

Table 15
Direct Utility Savings for Option 4 – City Operates Unified SPU and RWD, Adds NCWD in 2020
2014 Dollars

Savings Summary	2020	2028	2040	21-Year Total
Salaries & Benefits Savings	\$1,441,235	\$1,441,235	\$1,441,235	\$30,265,926
Administrative & Contract Savings	\$1,091,000	\$1,091,000	\$1,091,000	\$22,911,000
Amortization of Capital Items	\$474,366	\$474,366	\$474,366	\$9,961,688
Subtotal Direct Savings	\$3,006,601	\$3,006,601	\$3,006,601	\$63,138,614
Incremental Cost in Shared Services Allocation	-\$382,799	-\$382,799	-\$382,799	-\$8,038,770
Net Direct Savings	\$2,623,802	\$2,623,802	\$2,623,802	\$55,099,844

Finally, the savings under Option 4 are \$2.6 million per year for the entire period. This results in total savings to the combined water/wastewater utility of \$55 million through the year 2040.

The direct savings have been reflected in the financial details associated with each option, but they have been allowed to flow through to the reserve fund over time. The use for those direct savings were not identified at this time but they can be used to offset future rate increases, increase spending for capital items over time or some combination of the two. Note that for the 2012 SPU Study, it was assumed that revenues were based on SPU rate projections and any net cash flow would fund ongoing CIP as well as an extensive mains replacement program. It was discussed in that report that going forward the City could look at the mains replacement needs in more detail and determine how much of the net cash flow would be used for capital items versus avoiding future rate increases.

Identification of General Operations Savings

General operations savings items are related to savings in other departments within the City. Sometimes they represent a reduction in costs due to the fact that a portion of existing costs are now allocated to the new water/wastewater utility, meaning that less is allocated to their departments. Sometimes they reflect a cost that no longer exists.

The first general operations item is the allocation of the Shared Services cost. An amount of \$1.1 million was allocated to the new water utility in the 2012 SPU report. When there are two or three unified utilities the allocation increases. The shared services allocation covers a share of the costs from the ASD and other departments to recover the work that is related to the utility but not directly assigned through staffing levels or expenses. This covers items such as accounting, legal costs, human resources, use of office space, etc. An allocation process is currently used by the City and is based on factors such as number of staff, revenues, etc. The allocation to the new water utility means that the amounts allocated to other departments will be reduced by a corresponding amount. This item is both a cost to the new utility and a savings to other departments.

Next, the cost of existing employees that will take over certain utility responsibilities in addition to their current roles were accounted for. In this case, there are two existing staff that will have a portion of their salary re-assigned to the new utility. The general operations savings for this item is \$180,000 with RWD added to the City and \$252,000 with both RWD and NCWD added to the City. This item is both a cost to the new utility and a savings to other departments.

The final general operations item is the cost for contracts held by the City that will no longer be needed due to the addition of RWD. This includes a \$95,000 per year reduction in an existing contract for vector truck services and \$50,000 per year for a small works contract. These contracts can be reduced substantially because the City will have the equipment and staff to provide these services within the new utility.

Summary of General Operations Savings

The following tables summarize the general operations benefits associated with each option. Savings are summed over the 2020 through 2040 period to reflect the total value over time. Because all numbers are in 2014 dollars they did not have to be discounted to reflect inflation in order to calculate total numbers.

Table 16
General Operations Savings for Option 1a – City Operates the SPU Service Area
2014 Dollars

Savings Summary	2020	2028	2040	Total 2020-2040
Amount of Shared Services Allocation	\$1,185,099	\$1,185,099	\$1,185,099	\$24,887,076
Reduction in FTE Assigned to Other Departments	\$180,707	\$180,707	\$180,707	\$3,794,839
Reduction in City Contracts	\$0	\$0	\$0	\$0
Subtotal General Operations Savings	\$1,365,805	\$1,365,805	\$1,365,805	\$28,681,915

With Option 1a, where the City acquires and operates the SPU service area, general operations savings are \$1.3 million per year and \$28.7 million over the 2020-2040 period.

Table 17
General Operations Savings for Option 1b – City Operates the RWD Service Area
2014 Dollars

Savings Summary	2020	2028	2040	Total 2020-2040
Amount of Shared Services Allocation	\$507,730	\$507,730	\$507,730	\$10,662,323
Reduction in FTE Assigned to Other Departments	\$180,707	\$180,707	\$180,707	\$3,794,839
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$3,045,000
Subtotal General Operations Savings	\$833,436	\$833,436	\$833,436	\$17,502,161

With RWD alone, savings to general operations is \$830,000 per year and \$17.5 million through the year 2040.

Table 18
General Operations Savings for Option 2 – City Operates Unified SPU and RWD Service Area
2014 Dollars

Savings Summary	2020	2028	2040	Total 2020-2040
Amount of Shared Services Allocation	\$1,349,730	\$1,349,730	\$1,349,730	\$28,344,335
Reduction in FTE Assigned to Other Departments	\$252,989	\$252,989	\$252,989	\$5,312,774
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$3,045,000
Subtotal General Operations Savings	\$1,747,719	\$1,747,719	\$1,747,719	\$36,702,109

When the City operates both the SPU and RWD service areas under Option 2, the savings to general operations increases to \$1.7 million per year and \$36.7 million through the year 2040.

Table 19
General Operations Savings for Option 3 – City Operates Unified SPU and RWD, Adds NCWD in 2028
2014 Dollars

Savings Summary	2020	2028	2040	Total 2020-2040
Amount of Shared Services Allocation	\$1,349,730	\$1,567,897	\$1,567,897	\$31,180,508
Reduction in FTE Assigned to Other Departments	\$252,989	\$252,989	\$252,989	\$5,312,774
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$3,045,000
Subtotal General Operations Savings	\$1,747,719	\$1,965,887	\$1,965,887	\$39,538,282

For Option 3, general operations savings are initially \$1.7 per year and increase to \$1.9 million once the NCWD service areas are added. Total savings are \$39.5 million through the year 2040.

Table 20
General Operations Savings for Option 4 – City Operates Unified SPU and RWD, Adds NCWD in 2020
2014 Dollars

Savings Summary	2020	2028	2040	Total 2020-2040
Amount of Shared Services Allocation	\$1,567,897	\$1,567,897	\$1,567,897	\$32,925,845
Reduction in FTE Assigned to Other Departments	\$252,989	\$252,989	\$252,989	\$5,312,774
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$3,045,000
Subtotal General Operations Savings	\$1,965,887	\$1,965,887	\$1,965,887	\$41,283,620

With the final option, savings are \$1.9 million in all years, for a total of \$41 million through the year 2040.

Looking at the general operations savings, the identified savings would benefit other departments within the City. The reductions to those budgets could allow the reduction of other fees charged to residents of the City of Shoreline. For example, surface water charges or property taxes could potentially be reduced as a result of the lower costs that need to be recovered by those charges.

The general operations savings range from \$800,000 to \$1.9 million per year. We have not separated these savings between the various other departments within the City; however it is beneficial to look at the magnitude of the savings relative to the budgets for other departments. Surface Water revenues for 2014 are expected to be roughly \$5 million.

Revenues from property taxes are roughly \$10 million per year. The total City-wide revenue from all sources is in the neighborhood of \$34 million per year. In relation to these totals, it is clear that the expected general operations savings will have a significant impact on the charges that will need to be collected from other sources.

Water & Wastewater Rate Issues

For purposes of this study, all rates were assumed to be the same regardless of the option considered. This was done to provide a direct comparison between the options and identify the savings associated with unification. This is a simplifying assumption and does not reflect the fact that one of the primary goals in considering unification is the ability to reduce costs for residents within the City. It is expected that the savings achieved will be used in large part to keep rates low over the next 20 years. This would likely come in the form of offsetting future inflationary rate increases rather than actually reducing the rates in a given year. These rate reductions would be in addition to the amount related to the SPU acquisition that is assumed to be used for an extensive mains replacement program.

In practice, rates will be set for a year or two at a time based on budgeted revenues and expenses, including CIP needs. For the SPU service area it was determined in the 2012 SPU Report that maintenance has fallen behind in the City of Shoreline and that additional funds were needed to replace and repair the system to the level desired by the City. For the RWD and NCWD service areas, we have not looked at maintenance levels and assume that the CIP projections provided in the Comprehensive Plans for the two Districts are appropriate.

Utility Rate and Bill Comparisons

For wastewater service, the rate charged by RWD is a flat rate per residential customer and does not require detailed analysis. Larger accounts are charged on the basis of consumption as metered by the designated water provider. For SPU and NCWD, the water rates are based on cost of service studies that allocate costs among the various customer classes using standard methodologies. Rates contain both a fixed meter charge and a consumption charge that has an inverted block rate structure, with higher rates applies for customer that consume higher amounts of water.

There is a difference between the rate designs for SPU and NCWD. SPU has a lower customer charge and a higher rate per CCF while NCWD collects more in the meter charge. SPU bills on a monthly basis while NCWD bills on a bimonthly basis. The rate schedules for SPU within Shoreline and for NCWD can be found in Appendix D. There is also a significant difference between the system development charges and connection fees charges to new customers between the utilities.

The following tables provide a bill comparison for water customers based on average usage amounts within the City. Generally the rates for NCWD results in bills that are 14-21% lower for residential customers and 24% to 29% lower for commercial customers. This comparison is based on 2014 rates and may differ by the year 2020 as both utilities adjust rates in the future.

Table 21
Residential Water Bill Comparison Using 2014 Rates

Winter Bill				
	ccf/month	SPU	NCWD	% Diff
	4	\$40.90	\$35.10	-14%
	5	\$46.95	\$37.97	-19%
	6	\$53.00	\$42.37	-20%
	7	\$59.05	\$46.77	-21%
Summer Bill				
	ccf/month	SPU	NCWD	% Diff
	6	\$55.49	\$42.37	-24%
	7	\$63.18	\$46.77	-26%
	8	\$70.87	\$51.17	-28%
	9	\$78.56	\$55.57	-29%

Table 22
Commercial Water Bill Comparison Using 2014 Rates

Winter Bill				
Meter	ccf/month	SPU	NCWD	% Diff
1"	26	\$174.50	\$153.25	-12%
2"	60	\$392.35	\$373.90	-5%
4"	100	\$760.80	\$820.60	8%
Summer Bill				
Meter	ccf/month	SPU	NCWD	% Diff
1"	26	\$217.14	\$153.25	-29%
2"	60	\$490.75	\$373.90	-24%
4"	100	\$924.80	\$820.60	-11%

Rates with a Unified Utility

This study does not determine the rate structure under a unified utility. With the expected City operation of the new water/wastewater utility the City will have the opportunity to set rates to best meet the particular circumstances of the new utility apart from SPU and to best meet other objectives of the City. If the City assumes NCWD at some point in the future, whether to consolidate rates or not would need to be considered.

There are many factors to consider when it comes time for the City to set the rates for water and wastewater. On the wastewater side whether rates should continue to be fixed rather than consumption-based is an issue to consider. How soon to change rates after the assumption takes place will be an issue. This study does not specifically include the results of the RWD assumption for the 2017-2019 period for ease of analysis. That period will also be a time of transition and not all savings will be achieved on day one of the assumption. Also, the City does not have control over any changes made in the rates between now and the assumption of RWD in late 2017. Savings associated with the RWD assumption will be available to offset rate increases.

For water rates, the City has pledged to keep rates at or below the levels charged by SPU. That does not necessarily mean the rate structure needs to stay exactly the same, specifically when it comes to the amount in meter vs. commodity charges and between system development/connection charges and usage rates.

The City has provided a more comprehensive comparison of rates between those within the City of Shoreline those for other utilities in the region. This also includes a comparison of the amounts for system development charges. This comparison is included as Attachment B titled *Utility Rates and Charges Assessment Report*.

If the NCWD service area in Shoreline is assumed, there will need to be consideration of whether or not to equalize the rates. Generally this is done over time rather than all at once, but that will depend on the circumstances at the time. The savings associated with unification may allow rates to be equalized in the future without either set of customers facing a rate increase.

Also, the setting of water rates should be based on a Cost of Service Analysis (COSA) that allocates costs among the various customer classes on the basis of cost causation. A COSA study will address issues such as the level of the meter charge versus the consumption charge. This type of analysis is best done once the City has an actual operating history for the new utility.

Resulting Economic Benefits of Unification

To determine the overall impact of utility unification for the various options considered, the financial results for utility operations were developed for the 2020 through 2040 period. Revenues and expenses that incorporated the direct utility savings were compared between options. Specifically, this included a comparison of the base case with a continuation of the independent operation of each utility and City operation of the utilities on an individual or unified basis.

All of the comparisons incorporate the savings identified for the City operation of the SPU service area. While these savings are likely to be used for an extensive mains replacement program, they still reflect savings associated with City operation of the utility as these expenditures are not expected within this time frame with the continued operation by SPU.

SPU Service Area

The first comparison is for the SPU service area within the City of Shoreline. This option reflects a scenario where the City operates the SPU area alone without the assumption of RWD, and is presented to identify the savings specific to the SPU service area acquisition.

With continued operation by SPU, the expenses are assumed to be equal to the revenues for the service area. Even if the expenses are not tied directly to the service area within the City, those funds will be used by SPU to cover expenses within the entire SPU service area, with some amount transferred to the City of Seattle general fund. Revenues and expenses for continued operation by SPU range from \$11 to \$13 million per year in 2014 dollars. With Option 1a, City operation of the SPU service area, the expenses drop from nearly \$13 million to \$10 million per year by the year 2040. Over the entire 2020-2040 period, the savings associated with City operation is nearly \$30 million. This reflects a 22.7% savings by the year 2040 and an 11.8% average savings over all years.

Table 23
Financial Results for SPU Service Area
2014 Dollars (Millions)

	Revenues	Expenses	Net Savings	% Savings
Option 1 - Operated by SPU				
2020	\$11.4	\$11.4		
2030	\$12.0	\$12.0		
2040	\$12.9	\$12.9		
Sum of 2020-2040	\$253.8	\$253.8		
Option 1a - Operated by City				
2020	\$11.4	\$11.4	\$0.0	0.0%
2030	\$12.0	\$10.8	\$1.2	10.3%
2040	\$12.9	\$10.2	\$2.8	21.3%
Sum of 2020-2040	\$253.8	\$227.3	\$26.5	10.4%

In addition to the financial impacts on the water utility, this option will provide benefits to the general operations of the City. This benefit is equal to \$1.3 million per year or \$28 million through 2040. These benefits reflect existing costs that have been allocated to the new water utility resulting in a corresponding reduction in the costs allocated to other City departments.

RWD Service Area

The City is set to assume the RWD service area in October of 2017. Option 1b reflects a scenario where this occurs without the acquisition of the SPU service area in order to identify the savings associated with the RWD assumption alone.

Revenues and expenses under continued independent operation of RWD is roughly \$15 million per year. With City operation of the wastewater utility, it is expected that expenses will decrease by roughly \$250,000 per year or \$5 million through 2040. This reflects a savings of 1.7% per year.

Table 24
Financial Results for RWD Service Area
2014 Dollars (Millions)

	Revenues	Expenses	Net Savings	% Savings
Option 1 - Operated by RWD				
2020	\$14.6	\$14.6		
2030	\$14.9	\$14.9		
2040	\$15.3	\$15.3		
Sum of 2020-2040	\$313.3	\$313.3		
Option 1b - Operated by City				
2020	\$14.6	\$14.4	\$0.2	1.6%
2030	\$14.9	\$14.6	\$0.2	1.6%
2040	\$14.9	\$15.1	\$0.2	1.5%
Sum of 2020-2040	\$313.3	\$308.3	\$4.9	1.6%

In this case, the benefits to the general operations of the City are larger than to the wastewater utility. This benefit is equal to roughly \$800,000 per year or \$17 million through 2040. These benefits reflect existing costs that have been allocated to the new water utility resulting in a corresponding reduction in the costs allocated to other City departments.

Combined SPU and RWD Service Area

Option 2 reflects the expected case where the City assumes RWD in 2017 and acquires the SPU service area in 2020. This option is compared to the case where SPU and RWD continue to operate independent of the City. For the combined water and wastewater service, annual revenue and expenses range from \$26 to \$28 million per year. With combined operations by the City, significant savings can be achieved. Expenses can be reduced to roughly \$24 million per year, netting savings of up to \$4.4 million per year by 2020 for a total of \$59.6 million over the entire period. This reflects a percent savings of 15% in 2040, and 10.5% on average for the entire period.

Table 25
Financial Results for Combined SPU and RWD Service Area
2014 Dollars (Millions)

	Revenues	Expenses	Net Savings	% Savings
Option 1 - Operated Independently				
2020	\$26.0	\$26.0		
2030	\$26.9	\$26.9		
2040	\$28.2	\$28.2		
Sum of 2020-2040	\$567.1	\$567.1		
Option 2 – Combined Operation by City				
2020	\$26.0	\$24.6	\$1.4	5.4%
2030	\$26.9	\$24.2	\$2.6	9.9%
2040	\$28.2	\$24.1	\$4.2	14.8%
Sum of 2020-2040	\$567.1	\$510.9	\$56.2	9.9%

In addition to the financial impacts on the combined water/wastewater utility, this option will provide benefits to the general operations of the City. This benefit is equal to \$1.7 million per year or \$36 million through 2040. These benefits reflect existing costs that have been allocated to the new water utility resulting in a corresponding reduction in the costs allocated to other City departments.

Combined SPU, RWD and NCWD Service Area

The final comparison looked at serving all water and wastewater customers within the City through acquiring the portion of the NCWD service area within the City limits. The base case (Option 1) assumes each utility continue to operate independently from the City, with the costs of all three summed together. With Option 3, the NCWD service area is assumed in 2028 and therefore the 2020-2027 period reflects the costs of City operation of the SPU and RWD service areas added to the cost of the existing NCWD operation. Option 4 reflects a unified utility for all three service areas starting in the year 2020.

Revenues and expenses for the three utilities combined ranges from \$30 to \$33 million per year. Under Option 3, expenses are reduced to roughly \$28 million starting in 2028, resulting in a savings of \$73 million for the 2020-2040 period. Expenses are reduced by an average of 10.9% in this case. With option 4, expenses are reduced by a similar level starting in 2020 providing for a longer period of savings. The total savings under Option 4 are \$85 million, with an average reduction of 12.7%. An additional \$12 million can be saved with the City operating NCWD in 2020 rather than at the end of the franchise agreement in 2028.

Table 26
Financial Results for Combined SPU, RWD and NCWD Service Area
2014 Dollars (Millions)

	Revenues	Expenses	Net Savings	% Savings
Option 1 – Independently				
2020	\$30.7	\$30.7		
2030	\$31.9	\$31.9		
2040	\$33.4	\$33.4		
Sum of 2020-2040	\$670.7	\$670.7		
Option 3 – Combined Operation by City				
2020	\$30.7	\$29.3	\$1.4	4.6%
2030	\$31.9	\$28.2	\$3.7	11.5%
2040	\$33.4	\$28.2	\$5.2	15.5%
Sum of 2020-2040	\$670.7	\$601.3	\$69.4	10.3%
Option 4 – Combined Operation by City (NCWD in 2020)				
2020	\$30.7	\$28.1	\$2.6	8.5%
2030	\$31.9	\$28.0	\$3.9	12.1%
2040	\$33.4	\$28.0	\$5.4	16.1%
Sum of 2020-2040	\$670.7	\$589.0	\$81.6	12.2%

As with the other options, there will also be benefits to the general operations of the City. The benefit under Option 3 ranges from \$1.7 to \$1.9 million per year or \$39 million through 2040. For Option 4, the benefits are \$1.9 million in all years and total \$40 million by 2040. These benefits reflect existing costs that have been allocated to the new water utility resulting in a corresponding reduction in the costs allocated to other City departments.

Resulting Non-Economic Benefits of Unification

While the potential to provide lower rates and/or greater investment in capital due to the unification of the water and wastewater utilities is a prime objective of the City, there are numerous non-economic benefits that are part of the consideration in unifying the utilities. Those benefits fall into three broad categories: simplicity for residents, sharing of City resources, and unified City policies. While the first category directly impacts the City's residents, all of the categories lead to overall benefits to the residents of the City.

Simplicity for Residents

Currently, with two different water providers and one wastewater provider in the City, residents have to deal with two different entities when signing up for service, when inquiring about bills, and when making payments. Those same residents will also have to interact with the City for surface water issues and building permits. A unified utility will allow customers to have one interface with the City for all of those tasks. This will reduce the amount of time the resident needs to spend in making arrangements and inquiries.

A unified utility will also reduce the confusion facing the resident as to who provides various utility services. While the boundaries for the two water providers are clear, a new resident to the City, or one moving from the east side to the west side of the City, will not have to make several calls to determine who provides their water service.

Billing will also be simplified as residents will receive one bill and make one payment to the City rather than making payments to two separate utilities. This allows for future consolidation with other City bills, such as surface water, if appropriate in the future.

For developers building in the City, the water/wastewater connections process can be combined with the process for building permits allowing the developer to meet with one entity rather than with three different ones. This will provide a more efficient process as well as providing greater customer service.

Sharing of City Resources

Previous sections discussed the efficiencies to be gained by the City operating the water and wastewater utilities together, as well as the ability to have shared services for functions such as human resources and accounting. There are other benefits that were not necessarily quantified as cost efficiencies but that will lead to improved service, a simplified process or potential cost reductions in the future.

One of the benefits that was not quantified includes the ability to coordinate maintenance for water/wastewater facilities with work being done by the street and surface water departments. This not only applies to planned maintenance but also for emergency service. With a unified City utility emergency there can be one point of contact for emergency situations and staff

from the appropriate departments can be dispatched to assess the issue and make repairs as needed. Improved coordination with fire service may also result from the water utility operation.

Another benefit is the ability to combine information provided to customers through direct mailings, bill stuffers, newsletters and other forms of communications. Rather than sending out information about each utility separately, the messages can be combined with other City-wide issues. The cost savings for combined publications and public relations have been accounted for; however, there are additional benefits to the City to be able to provide a unified message. Residents benefit as well as they have one source of information rather than from three different entities.

Unified City Policies

One of the issues facing City residents for the water service provided by SPU is that the residents had no ability to impact the policies made or the rates set by the Seattle City Council with respect to water service. Unlike the Seattle residents, the Shoreline residents cannot vote for the officials that make the decisions on water service. Note that this issue relates only to the SPU water service area as residents do having voting privileges for the Commissioners for RWD and NCWD. The SPU acquisition transfers control of the water utility to the Shoreline City Council, and ultimately to the Shoreline residents that vote for those Council members. By gaining control over the water utility, the City can make decisions for the benefit of the residents of the City without consideration for the residents in the City of Seattle.

Unification with SPU and RWD, and potentially with NCWD, will allow for the City to implement policies and decisions that are consistent across the utilities as well as consistent with other goals and policies of the City. This includes issues related to how much money to spend on capital improvements, whether to fund capital projects with debt or cash financing, how much money is collected through connection fees and meter charges versus consumption charges, and what level of water conservation should be implemented.

Because policies and decisions will be made by the City Council, residents that are impacted will be able to attend Council meetings and will therefore have transparency as to how those decisions are made. Residents will be able to provide comments on various issues, and as stated earlier, have the ultimate control over issues through the election process.

Summary

To determine whether benefits exist from operating a unified water/wastewater utility by the City of Shoreline, this study looked at the financial results under various options for operating one or more utility. With options 1a and 1b, the City would operate the SPU service area or the RWD service area on a separate basis. Option 2 unifies the SPU and RWD operations within the City and is the expected case for the City. Options 3 and 4 consider alternatives where the City adds the NCWD service with the newly formed water/wastewater utility from Option 2.

In all cases, there are expected savings under the options where the City operates one or more utility. Savings range from \$5 million to \$82 million over the study period. The results are summarized in Table 27. The greatest savings levels occur when water and wastewater utilities are unified to provide a more efficient utility.

Table 27
Total Direct Utility Savings with Unification

	Total Direct Utility Savings 2020-2040 (2014 Million Dollars)	Average Annual % Savings
Option 1a – SPU Alone	\$26.5	10.4%
Option 1b – RWD Alone	\$4.9	1.6%
Option 2 – SPU and RWD	\$56.2	9.9%
Option 3 – Add NCWD in 2028	\$69.4	10.3%
Option 4 – Add NCWD in 2020	\$81.6	12.2%

These cost savings can be used to cover additional CIP or to reduce cost increases in the future. In the case of the SPU acquisition, the savings will in part be used to fund an extensive mains replacement program that is needed and not expected to be funded with continued SPU operation of the service area. Unifying the water and wastewater service areas under Options 2, 3 and 4 results in savings that range from 10% to 12% of total revenues for the combined utilities.

In addition to the direct utility savings identified, the City will benefit from sharing the cost of existing staff and services with the new water/wastewater utility. The City currently allocates administrative, legal, office building space, and other shared services among existing departments. It was assumed in the financial analysis that the new water/wastewater utility will be allocated a portion of those shared services with the amount ranging from \$500,000 to just under \$2 million per year. This cost has been incorporated in the costs for the utility under each option. Other savings occur from the reduction in outsourcing costs that are feasible due

to the new staff and equipment for the new water/wastewater utility. The total reflects a savings in general operations costs to other departments within the City. As costs are allocated to the new utility, each of the other departments receives a reduction in its allocation leading to lower costs for those departments. The following table summarizes the general operations savings for each option.

Table 28 Total General Operations Savings with Unification	
	Total General Operations Savings 2020-2040 (2014 Million Dollars)
Option 1a – SPU Alone	\$28.7
Option 1b – RWD Alone	\$17.5
Option 2 – SPU and RWD	\$36.7
Option 3 – Add NCWD in 2028	\$39.5
Option 4 – Add NCWD in 2020	\$41.3

In some cases these general operations savings surpass the direct savings to the new water/wastewater utility.

While the quantified benefits of utility unification are substantial, there are additional benefits that have not been quantified. These benefits fall into the following three categories:

- Simplicity for Residents
- Sharing of City Resources
- Unified City Policies

Residents see simplicity by having one entity to deal with rather than two or three, a combined bill for water and wastewater, single payments for multiple services, and customer service from one location. The City will have coordination of maintenance and emergency response among various functions and will be able to provide a unified message through combined Public Relations functions and customer information. The City will also be able to unify the policies for such issues as financial policies, rate setting, maintenance and growth. Together these non-quantified benefits will provide for a more cohesive City operation and better service for residents.

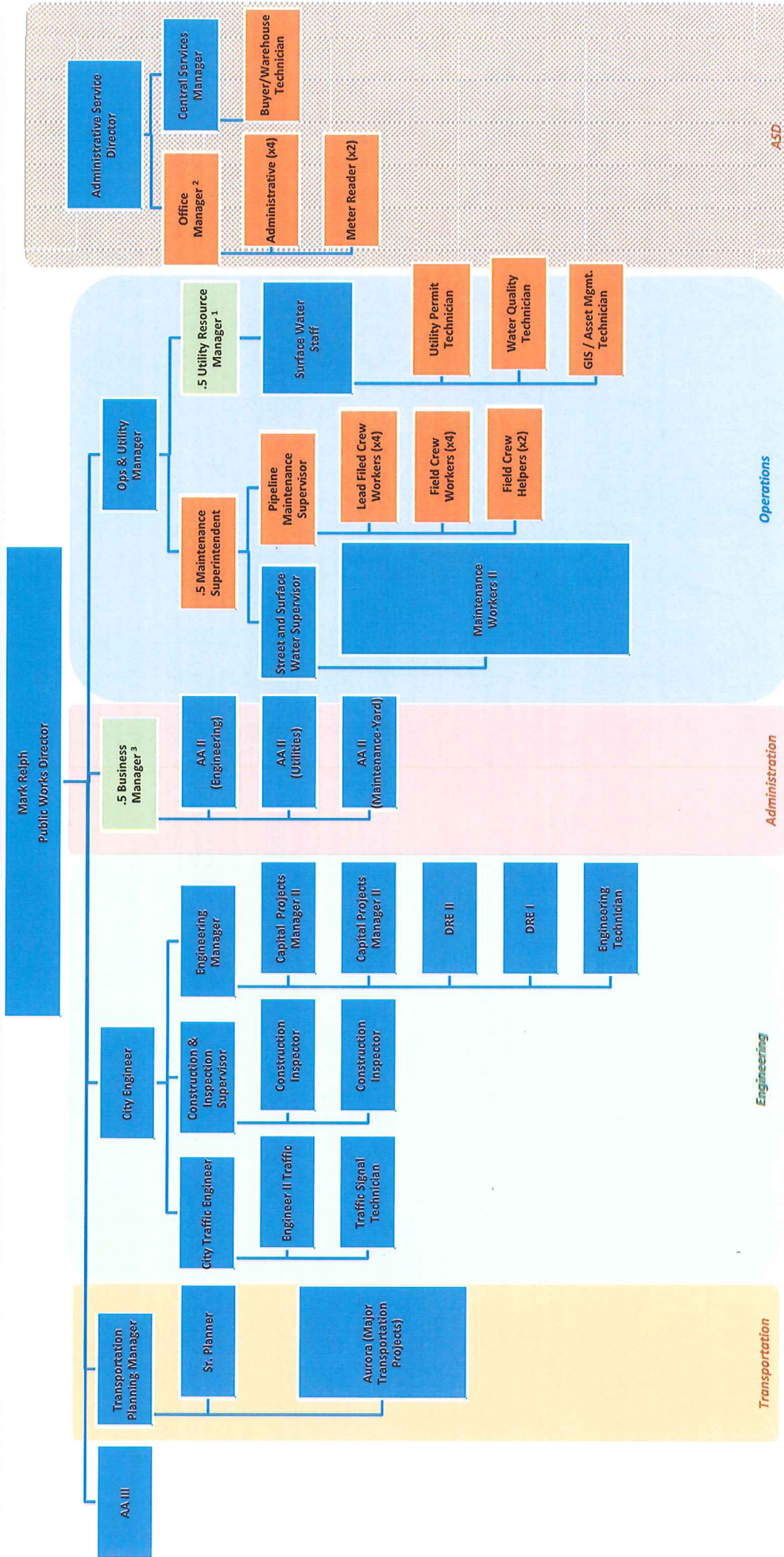
Appendices

Appendix A

Organization Charts

Public Works Department – Proposed Organizational Chart (Utilities)

Option 1a - City Acquires SPU



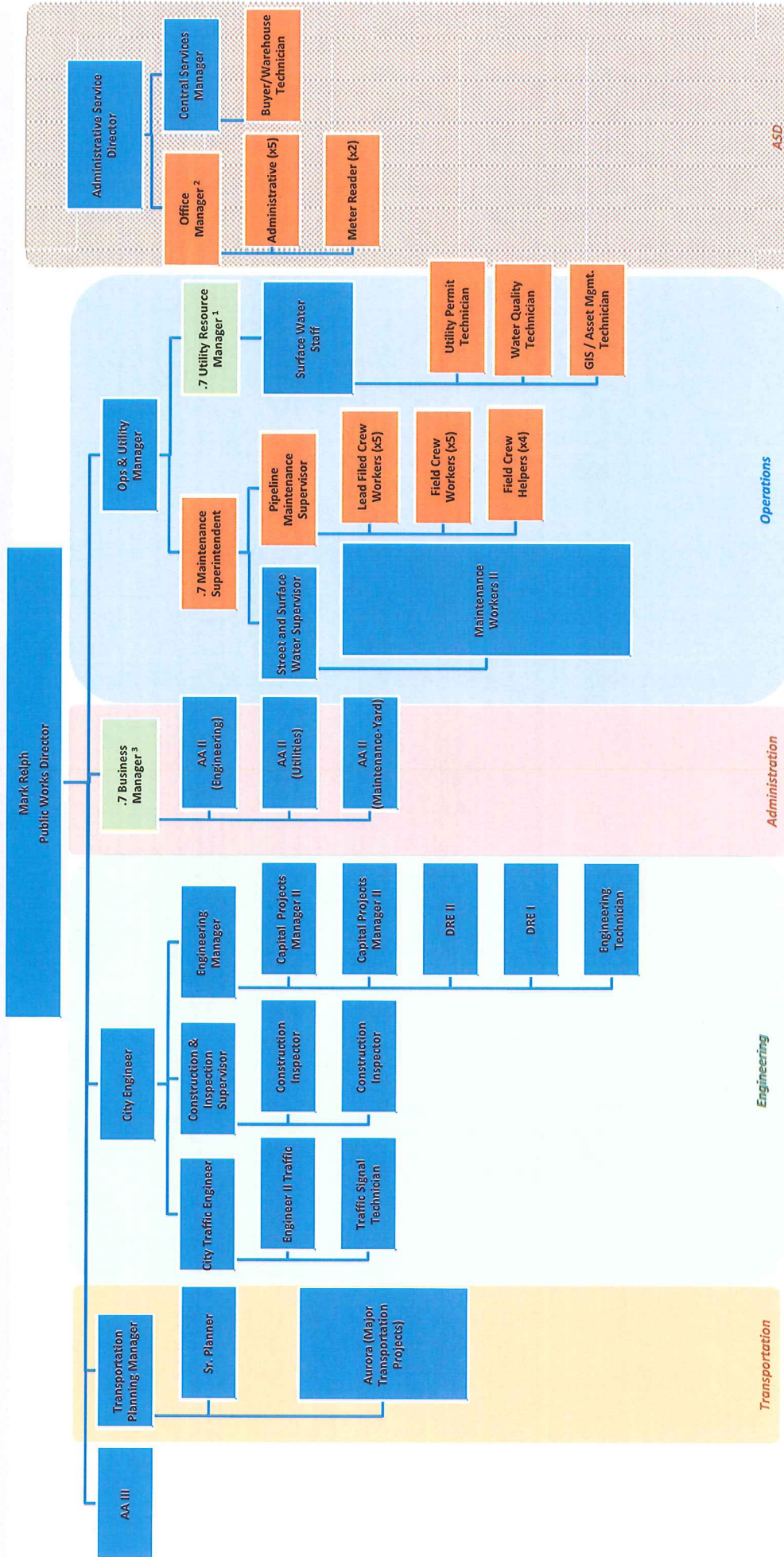
Legend:

- New
- Existing
- Existing but changing alloc

1. Planning/Engineering, Conservation, Regulatory Compliance, Rate Studies, Backflow Prevention, Solid Waste Contract, Asset Management Systems, Wholesale Water Contract
2. Accounting, Collections, Meter Reading, New Connections, Customer Service
3. Contract Administration, Budgeting, Policy & Procedure, Marketing & Business Development, Media & Communication

Public Works Department – Proposed Organizational Chart (Utilities)

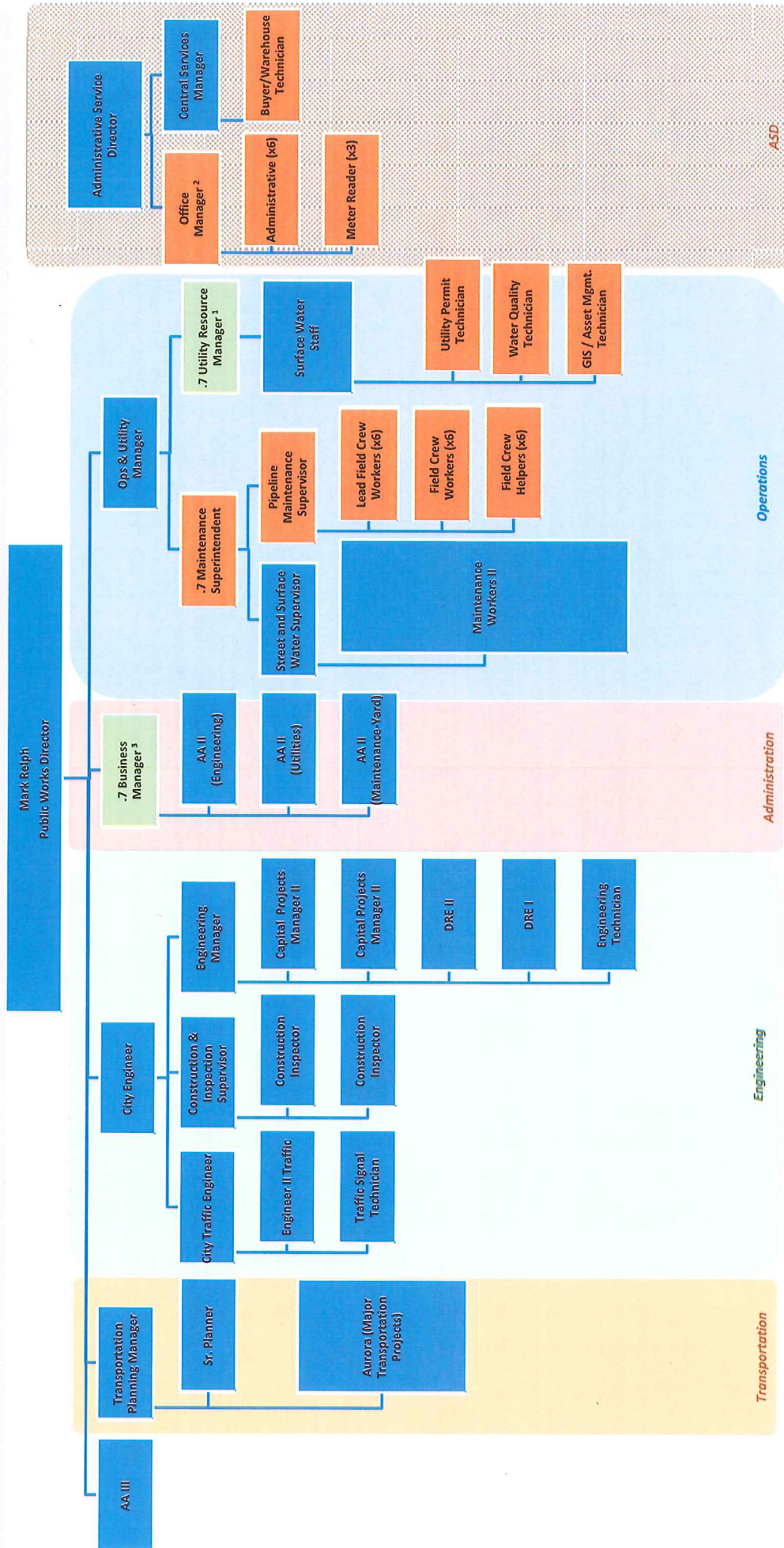
Option 2 - City Acquires SPU and RWD



1. Planning/Engineering, Conservation, Regulatory Compliance, Rate Studies, Backflow Prevention, Solid Waste Contract, Asset Management Systems, Wholesale Water Contract
2. Accounting, Collections, Meter Reading, New Connections, Customer Service
3. Contract Administration, Budgeting, Policy & Procedure, Marketing & Business Development, Media & Communication

Public Works Department – Proposed Organizational Chart (Utilities)

Options 3 and 4 - City Acquires SPU, RWD and NCWD



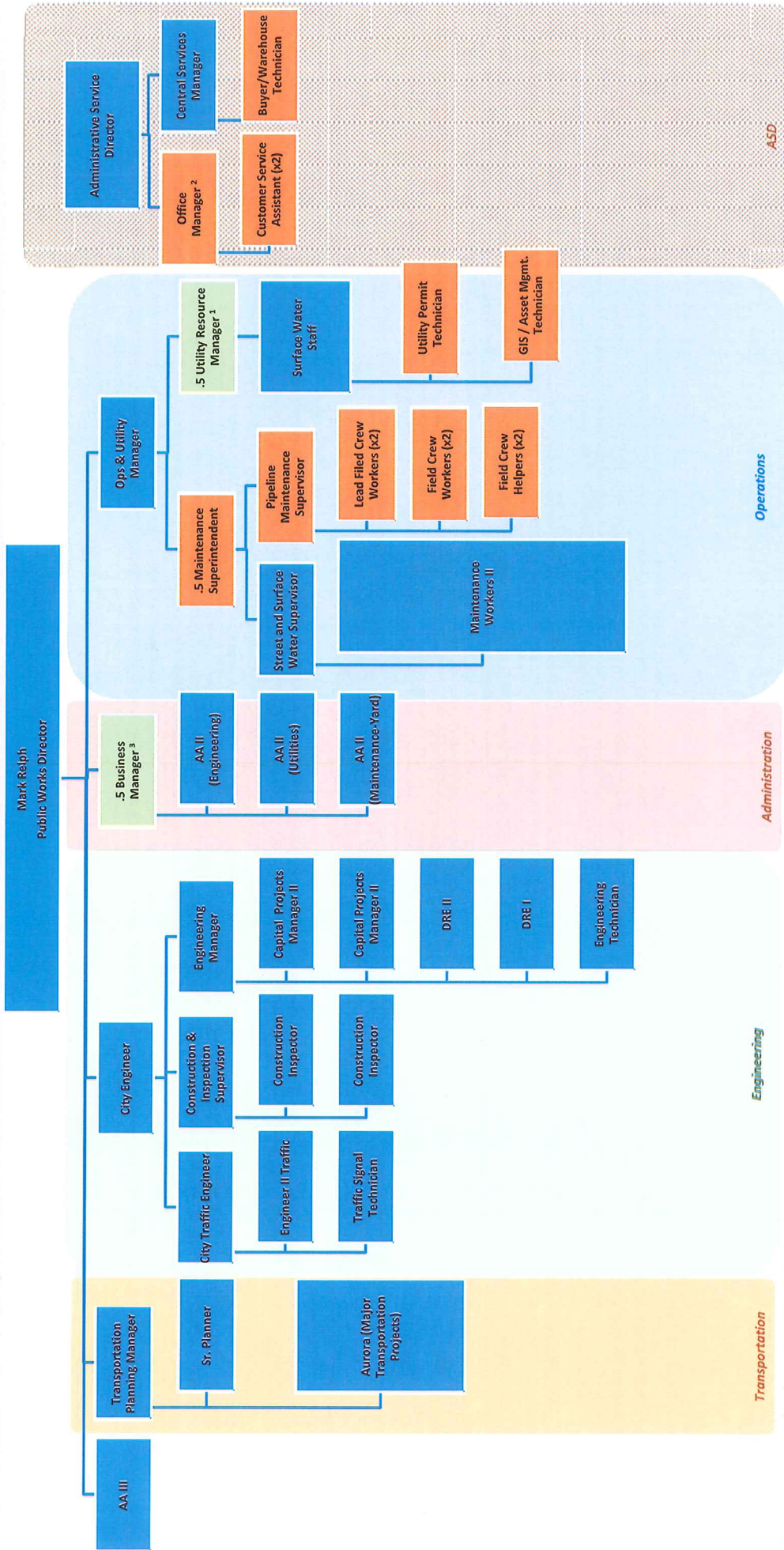
Legend:

- New (Orange box)
- Existing (Blue box)
- Existing but changing alloc (Green box)

1. Planning/Engineering, Conservation, Regulatory Compliance, Rate Studies, Backflow Prevention, Solid Waste Contract, Asset Management Systems, Wholesale Water Contract
2. Accounting, Collections, Meter Reading, New Connections, Customer Service
3. Contract Administration, Budgeting, Policy & Procedure, Marketing & Business Development, Media & Communication

Public Works Department – Proposed Organizational Chart (Utilities)

Case 1 - City Acquires RWD



Case 2 - City Acquires SPU and RWD

Engineering

Operations

Administration

Transportation



1. Planning/Engineering, Conservation, Regulatory Compliance, Rate Studies, Backflow Prevention, Solid Waste Contract, Asset Management Systems, Wholesale Water Contract
2. Accounting, Collections, Meter Reading, New Connections, Customer Service
3. Contract Administration, Budgeting, Policy & Procedure, Marketing & Business Development, Media & Communication

Appendix B
Salary & Benefit Unification Savings

Appendix B – Salary & Benefit Savings
Direct Cost Reduction for Labor & Expenses

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Option 1										
<i>Three separate utilities</i>										
Shoreline SPU Staff + RWD Staff + NCWD Staff	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865
Option 1a										
<i>Three separate utilities - City operates RWD but not SPU</i>										
Shoreline SPU Staff + RWD Staff + NCWD Staff	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865
Savings in Salaries & Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Option 2										
<i>Shoreline Assumes RWD in 2018 - RWD Existing Staff Moved to City in 2018 and New Staff Hired in 2020</i>										
Combined Staff for SPU & RWD Service Area + NCWD Staff	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954
Savings in Salaries & Benefits	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)
Option 3										
<i>Shoreline Assumes RWD in 2018 and NCWD in 2027- RWD Existing Staff Moved to City in 2018 and New Staff Hired in 2020 and 2027</i>										
Combined Staff for SPU & RWD Service Area (NCWD Standalone)	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954
Full Savings in Salaries & Benefits	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)
Incremental Savings in Salaries & Benefits from NCWD										
Share of Incremental 23%										
Adjusted Savings in Salaries & Benefits	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)
Option 4										
<i>Shoreline Acquires RWD in 2018 and NCWD in 2020- RWD Existing Staff Moved plus new staff in 2020</i>										
Combined Staff for SPU, RWD & NCWD Service Area	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339
Full Savings in Salaries & Benefits	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)
Incremental Savings in Salaries & Benefits from NCWD	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)
Share of Incremental 23%	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291
Savings in Salaries & Benefits	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)

**Appendix B - Salary & Benefit Savings
Direct Cost Reduction for Labor & Expenses**

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Option 1											
<i>Three separate utilities</i>											
Shoreline SPU Staff + RWD Staff + NCWD Staff	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865
Option 1a											
<i>Three separate utilities - City operates RWD but not SPU</i>											
Shoreline SPU Staff + RWD Staff + NCWD Staff	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865	\$4,970,865
Savings in Salaries & Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Option 2											
<i>Shoreline Assumes RWD in 2018 - RWD Existing Staff Moved to City in 2018 and New Staff Hired in 2020</i>											
Combined Staff for SPU & RWD Service Area + NCWD Staff	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954	\$4,149,954
Savings in Salaries & Benefits	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)
Option 3											
<i>Shoreline Assumes RWD in 2018 and NCWD in 2027 - RWD Existing Staff Moved to City in 2018 and New Staff Hired in 2020 and 2027</i>											
Combined Staff for SPU & RWD Service Area (NCWD Standalone until 20)	\$3,144,239	\$3,144,239	\$3,144,239	\$3,144,239	\$3,144,239	\$3,144,239	\$3,144,239	\$3,144,239	\$3,144,239	\$3,144,239	\$3,144,239
Full Savings in Salaries & Benefits	(\$1,826,627)	(\$1,826,627)	(\$1,826,627)	(\$1,826,627)	(\$1,826,627)	(\$1,826,627)	(\$1,826,627)	(\$1,826,627)	(\$1,826,627)	(\$1,826,627)	(\$1,826,627)
Incremental Savings in Salaries & Benefits from NCWD	(\$1,005,715)	(\$1,005,715)	(\$1,005,715)	(\$1,005,715)	(\$1,005,715)	(\$1,005,715)	(\$1,005,715)	(\$1,005,715)	(\$1,005,715)	(\$1,005,715)	(\$1,005,715)
Share of Incremental Savings not Included	\$231,315	\$231,315	\$231,315	\$231,315	\$231,315	\$231,315	\$231,315	\$231,315	\$231,315	\$231,315	\$231,315
Adjusted Savings in Salaries & Benefits	(\$1,595,312)	(\$1,595,312)	(\$1,595,312)	(\$1,595,312)	(\$1,595,312)	(\$1,595,312)	(\$1,595,312)	(\$1,595,312)	(\$1,595,312)	(\$1,595,312)	(\$1,595,312)
Option 4											
<i>Shoreline Acquires RWD in 2018 and NCWD in 2020 - RWD Existing Staff Moved plus new staff in 2020</i>											
Combined Staff for SPU, RWD & NCWD Service Area	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339	\$3,344,339
Full Savings in Salaries & Benefits	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)	(\$1,626,526)
Incremental Savings in Salaries & Benefits from NCWD	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)	(\$805,615)
Share of Incremental Savings not Included	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291	\$185,291
Savings in Salaries & Benefits	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)

Appendix C

Non-Staff Unification Savings

Appendix C
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Savings Associated with Unification

Option 1a: City Operates SPU Water Service Area	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<i>Direct Utility Savings</i>										
Salaries & Benefits Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative & Contract Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amortization of Capital Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Incremental Cost in Shared Services Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Direct Savings	\$0	\$0	(\$18,073)	\$151,312	\$316,887	\$478,847	\$637,377	\$792,655	\$944,853	\$1,094,135
<i>General Operations Savings</i>										
Amount of Shared Services Allocation	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099
Reduction in FTE Assigned to Other Depts	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707
Reduction in City Contracts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal General Operations Savings	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805

Appendix C
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Savings Associated with Unification

Option 1b: City Operates RWD Service Area	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<i>Direct Utility Savings</i>										
Salaries & Benefits Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative & Contract Savings	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000
Amortization of Capital Items	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000
Subtotal Direct Savings	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000
Incremental Cost in Shared Services Allocation	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)
Net Direct Savings	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270
<i>General Operations Savings</i>										
Amount of Shared Services Allocation	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730
Reduction in FTE Assigned to Other Depts	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000
Subtotal General Operations Savings	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436

Appendix C
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Savings Associated with Unification

Option 1a: City Operates SPU Water Service Area	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Direct Utility Savings											
Salaries & Benefits Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative & Contract Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amortization of Capital Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Incremental Cost in Shared Services Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Direct Savings	\$1,238,289	\$1,398,558	\$1,556,620	\$1,712,616	\$1,866,681	\$2,018,944	\$2,169,531	\$2,318,563	\$2,466,154	\$2,612,418	\$2,757,461
General Operations Savings											
Amount of Shared Services Allocation	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099
Reduction in FTE Assigned to Other Depts	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707
Reduction in City Contracts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal General Operations Savings	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805	\$1,365,805

Appendix C
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Savings Associated with Unification

Option 1b: City Operates RWD Service Area	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Direct Utility Savings											
Salaries & Benefits Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative & Contract Savings	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000
Amortization of Capital Items	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000
Subtotal Direct Savings	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000	\$743,000
Incremental Cost in Shared Services Allocation	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)	(\$507,730)
Net Direct Savings	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270
General Operations Savings											
Amount of Shared Services Allocation	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730
Reduction in FTE Assigned to Other Depts	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707	\$180,707
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000
Subtotal General Operations Savings	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436	\$833,436

Appendix C
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Savings Associated with Unification

Option 2: City Operates SPU and RWD Service Areas	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Direct Utility Savings										
Salaries & Benefits Savings	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911
Administrative & Contract Savings	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000
Amortization of Capital Items	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035
Subtotal Direct Savings	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947
Incremental Cost in Shared Services Allocation	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)
Net Direct Savings	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315
General Operations Savings										
Amount of Shared Services Allocation	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730
Reduction in FTE Assigned to Other Depts	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000
Subtotal General Operations Savings	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719

Appendix C
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Savings Associated with Unification

Option 3: City Operates SPU and RWD Areas & NCWD in 2028	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Direct Utility Savings										
Salaries & Benefits Savings	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$1,595,312	\$1,595,312
Administrative & Contract Savings	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$1,091,000	\$1,091,000
Amortization of Capital Items	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035
Subtotal Direct Savings	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$2,813,347	\$2,813,347
Incremental Cost in Shared Services Allocation	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$382,799)	(\$382,799)
Net Direct Savings	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$2,430,549	\$2,430,549
General Operations Savings										
Amount of Shared Services Allocation	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,567,897	\$1,567,897
Reduction in FTE Assigned to Other Depts	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000
Subtotal General Operations Savings	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,965,887	\$1,965,887

Appendix C
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Savings Associated with Unification

Option 2: City Operates SPU and RWD Service Areas	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Direct Utility Savings											
Salaries & Benefits Savings	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911	\$820,911
Administrative & Contract Savings	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000	\$628,000
Amortization of Capital Items	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035
Subtotal Direct Savings	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947	\$1,575,947
Incremental Cost in Shared Services Allocation	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)	(\$164,631)
Net Direct Savings	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315	\$1,411,315
General Operations Savings											
Amount of Shared Services Allocation	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730	\$1,349,730
Reduction in FTE Assigned to Other Depts	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000
Subtotal General Operations Savings	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719	\$1,747,719

Appendix C
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Savings Associated with Unification

Option 3: City Operates SPU and RWD Areas & NCWD in 2028	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Direct Utility Savings											
Salaries & Benefits Savings	\$1,595,312	\$1,595,312	\$1,595,312	\$1,595,312	\$1,595,312	\$1,595,312	\$1,595,312	\$1,595,312	\$1,595,312	\$1,595,312	\$1,595,312
Administrative & Contract Savings	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000
Amortization of Capital Items	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035	\$127,035
Subtotal Direct Savings	\$2,813,347	\$2,813,347	\$2,813,347	\$2,813,347	\$2,813,347	\$2,813,347	\$2,813,347	\$2,813,347	\$2,813,347	\$2,813,347	\$2,813,347
Incremental Cost in Shared Services Allocation	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)
Net Direct Savings	\$2,430,549	\$2,430,549	\$2,430,549	\$2,430,549	\$2,430,549	\$2,430,549	\$2,430,549	\$2,430,549	\$2,430,549	\$2,430,549	\$2,430,549
General Operations Savings											
Amount of Shared Services Allocation	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897
Reduction in FTE Assigned to Other Depts	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000
Subtotal General Operations Savings	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887

Appendix C
 Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
 Savings Associated with Unification

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Option 4: City Operates SPU and RWD Areas & NCWD in 2020										
<i>Direct Utility Savings</i>										
Salaries & Benefits Savings	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235
Administrative & Contract Savings	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000
Amortization of Capital Items	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366
Subtotal Direct Savings	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601
Incremental Cost in Shared Services Allocation	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)
Net Direct Savings	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802
<i>General Operations Savings</i>										
Amount of Shared Services Allocation	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897
Reduction in FTE Assigned to Other Depts	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000
Subtotal General Operations Savings	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887

Appendix C
Shoreline Municipal Water Utility – Utility Unification and Efficiency Study
Savings Associated with Unification

Option 4: City Operates SPU and RWD Areas & NCWD in 2020	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Direct Utility Savings											
Salaries & Benefits Savings	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235	\$1,441,235
Administrative & Contract Savings	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000	\$1,091,000
Amortization of Capital Items	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366	\$474,366
Subtotal Direct Savings	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601	\$3,006,601
Incremental Cost in Shared Services Allocation	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)	(\$382,799)
Net Direct Savings	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802	\$2,623,802
General Operations Savings											
Amount of Shared Services Allocation	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897	\$1,567,897
Reduction in FTE Assigned to Other Depts	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989	\$252,989
Reduction in City Contracts	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000	\$145,000
Subtotal General Operations Savings	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887	\$1,965,887

Appendix D

Data Used to Develop Revenues and Costs

Appendix D
2014 Adopted Budget for RWD

5-Dec-13

2014 Financial Plan Recap
Revenue & Expense

	2014	
<u>Revenue</u>		
<u>Operating</u>		
District Charge Rev	3,245,242	Rate decrease from \$11.21 to \$10.21
Treatment Charge Revenue	10,376,700	
Outside Users	33,100	
Other Revenue	254,600	
Over the Counter Revenue	26,400	
Interest Income: Maint Fund	7,000	
Other Misc Revenue	15,500	
	13,958,542	
<u>Debts & CIP Related</u>		
Capital Contributions	515,285	
Interest Income: R&R, PWTF, Bond Fund	29,555	
Interest Income on Note	5,060	
	549,900	
 Total Revenue	 14,508,442	
<u>Expense</u>		
<u>Maintenance & Operation</u>		
Payroll	(1,536,323)	
Maintenance Expense	(88,000)	
Lift Station Expense	(57,500)	
Treatment Charge Expense	(9,859,500)	-95.0%
Office Expense	(339,250)	
Administration Expense	(69,700)	
Administration Maintenance Expense	(35,800)	
Franchise/Interlocal Agreement Fee	(816,000)	
Consulting Expense	(355,000)	
Misc Expense: Insurance, Election	(259,000)	
KC Impair Investment Interest Gain - Operation	3,500	
	(13,412,573)	
<u>Debt Related</u>		
Debt Relate Expense	(12,900)	
KC Impair Investment Interest Gain - Bond, PWTF	10,800	
	(2,100)	
 Total Expense	 (13,414,673)	
 Net Revenue from Operations	 1,093,769	
<u>Long Term Debt Principal</u>		
PWTF Loan Annual Principal Installment	(99,150)	
 Total Net Revenue	 994,619	
<u>2014 Scheduled CIP</u>		
Richmond Beach	1,510,000	
Ridgecrest Construction	995,000	
Carlyle Hall Road Improvements	550,000	
Vehicle Replacement	40,000	
Vehicle Replacement	25,000	
Maintenance Equipments	5,000	
	(3,125,000)	
 Reserve from Infrastructure Repair & Replacement	 (2,130,381)	

Appendix D
North City Water District (Formerly Shoreline Water District)

2013 Operating Budget

	2013
Revenues	
Rate Revenue	5,449,518
Street Lights	8,000
Interlocal Revenues	326,971
Other Revenues	144,000
Total Revenues	5,928,489
Expenses	
<i>Operating Expenses</i>	
Source of Supply	1,500,000
Salaries & Benefits	1,480,000
<i>Operations & Maintenance:</i>	
Materials & Supplies	398,750
Non-Capital Maintenance	90,000
Automotive	48,000
Other O&M	3,000
Total O&M Expense	539,750
<i>General & Administrative</i>	
Commissioner's Salaries & Benefits	
Legal Fees	200,000
Consultants	388,000
Insurance	56,500
Office Expense	85,800
Utilities & Phone Service	82,970
Training, Education & Clothing	55,500
Dues/Memberships/Reports/Publications	35,000
Public Communication, Advertising & Other	37,500
Total General & Administrative	941,270
Taxes	250,000
Contingency	50,000
Total Operating Expenses	4,761,020
Capital Expenses - Debt Service	850,813
Street Lighting	8,000
Interlocal Fees (franchise)	326,971
Additions to (Use of) Reserves	(18,315)
Total Expenses	5,928,489

Appendix E

Revenues and Cost Tables without Unification

**Appendix E
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars**

Option 1a - SPU Water Acquisition 2020 - Standalone

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues										
Rate Revenues (includes taxes)	\$11,353,013	\$11,409,928	\$11,467,523	\$11,525,808	\$11,584,791	\$11,644,482	\$11,704,890	\$11,766,024	\$11,827,894	\$11,890,509
Use of Facilities Charges	\$54,706	\$54,915	\$55,125	\$55,336	\$55,547	\$55,760	\$55,973	\$56,187	\$56,402	\$56,618
Misc. Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City of Shoreline Tax Revenue (franchise fee)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$11,407,719	\$11,464,843	\$11,522,648	\$11,581,144	\$11,640,339	\$11,700,242	\$11,760,863	\$11,822,211	\$11,884,296	\$11,947,126
Expenses										
Wholesale Water Supply/Treatment	\$2,754,233	\$2,730,276	\$2,706,626	\$2,683,280	\$2,660,234	\$2,637,482	\$2,615,022	\$2,592,849	\$2,570,960	\$2,549,350
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145
Materials & Supplies	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768
Employee Benefits	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058
Administrative	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099
State Tax Expense	\$570,943	\$573,805	\$576,702	\$579,633	\$582,599	\$585,601	\$588,639	\$591,713	\$594,825	\$597,974
City of Shoreline Tax Expense (franchise fee)	\$681,181	\$684,596	\$688,051	\$691,548	\$695,087	\$698,669	\$702,293	\$705,961	\$709,674	\$713,431
Total Operating Expenses	\$7,943,426	\$7,925,746	\$7,908,448	\$7,891,531	\$7,874,989	\$7,858,821	\$7,843,023	\$7,827,593	\$7,812,527	\$7,797,823
Net Operating Funds	\$3,464,293	\$3,539,097	\$3,614,200	\$3,689,613	\$3,765,349	\$3,841,421	\$3,917,840	\$3,994,618	\$4,071,768	\$4,149,303
Debt Service Coverage Ratio										
	1.5	1.6	1.7	1.8	1.9	2.1	2.2	2.3	2.5	2.7
Debt payments - Initial	\$2,337,942	\$2,235,126	\$2,136,832	\$2,042,860	\$1,953,021	\$1,867,133	\$1,785,022	\$1,706,522	\$1,631,474	\$1,559,727
Net Cash Flow before CIP	\$1,126,352	\$1,303,971	\$1,477,368	\$1,646,753	\$1,812,328	\$1,974,288	\$2,133,818	\$2,288,096	\$2,440,294	\$2,589,576
Debt payments - CIP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Funded CIP - Ongoing	\$1,126,352	\$1,303,971	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441
Total Expenses (with Debt & CIP)	\$11,407,719	\$11,464,843	\$11,540,721	\$11,429,832	\$11,323,451	\$11,221,295	\$11,123,486	\$11,029,556	\$10,939,442	\$10,852,991
Surplus Revenue/Direct Utility Savings	\$0	\$0	(\$18,073)	\$151,312	\$316,887	\$478,847	\$637,377	\$792,655	\$944,853	\$1,094,135

Appendix E
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars

Option 1a - SPU Water Acquisition 2020 - Standalone

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Revenues											
Rate Revenues (includes taxes)	\$11,950,179	\$12,037,904	\$12,126,587	\$12,216,242	\$12,306,884	\$12,398,525	\$12,491,180	\$12,584,864	\$12,679,590	\$12,775,375	\$12,872,232
Use of Facilities Charges	\$56,834	\$57,052	\$57,270	\$57,489	\$57,709	\$57,929	\$58,151	\$58,373	\$58,596	\$58,820	\$59,045
Misc. Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City of Shoreline Tax Revenue (franchise fee)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$12,007,013	\$12,094,955	\$12,183,857	\$12,273,731	\$12,364,592	\$12,456,454	\$12,549,331	\$12,643,237	\$12,738,187	\$12,834,195	\$12,931,277
Expenses											
Wholesale Water Supply/Treatment	\$2,527,094	\$2,510,668	\$2,494,418	\$2,478,344	\$2,462,443	\$2,446,713	\$2,431,154	\$2,415,763	\$2,400,540	\$2,385,481	\$2,370,586
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145	\$1,450,145
Materials & Supplies	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768	\$721,768
Employee Benefits	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058	\$580,058
Administrative	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099	\$1,185,099
State Tax Expense	\$600,975	\$605,386	\$609,846	\$614,355	\$618,913	\$623,522	\$628,181	\$632,893	\$637,657	\$642,474	\$647,345
City of Shoreline Tax Expense (franchise fee)	\$717,011	\$722,274	\$727,595	\$732,975	\$738,413	\$743,911	\$749,471	\$755,092	\$760,775	\$766,522	\$772,334
Total Operating Expenses	\$7,782,148	\$7,775,397	\$7,768,928	\$7,762,742	\$7,756,838	\$7,751,215	\$7,745,875	\$7,740,817	\$7,736,040	\$7,731,546	\$7,727,333
Net Operating Funds	\$4,224,865	\$4,319,558	\$4,414,928	\$4,510,989	\$4,607,755	\$4,705,239	\$4,803,456	\$4,902,420	\$5,002,146	\$5,102,649	\$5,203,944
Debt Service Coverage Ratio											
	2.8	3.0	3.2	3.5	3.7	4.0	4.2	4.5	4.8	5.1	5.5
Debt payments - Initial											
	\$1,491,134	\$1,425,559	\$1,362,867	\$1,302,932	\$1,245,633	\$1,190,854	\$1,138,483	\$1,088,416	\$1,040,551	\$994,791	\$951,043
Net Cash Flow before CIP											
	\$2,733,730	\$2,893,999	\$3,052,061	\$3,208,057	\$3,362,122	\$3,514,385	\$3,664,972	\$3,814,004	\$3,961,595	\$4,107,859	\$4,252,902
Debt payments - CIP											
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Funded CIP - Ongoing											
	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441	\$1,495,441
Total Expenses (with Debt & CIP)	\$10,768,724	\$10,696,397	\$10,627,236	\$10,561,115	\$10,497,912	\$10,437,510	\$10,379,800	\$10,324,674	\$10,272,032	\$10,221,777	\$10,173,817
Surplus Revenue/Direct Utility Savings	\$1,238,289	\$1,398,558	\$1,556,620	\$1,712,616	\$1,866,681	\$2,018,944	\$2,169,531	\$2,318,563	\$2,466,154	\$2,612,418	\$2,757,461

**Appendix E
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars**

Ronald Wastewater - Standalone

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues										
Real Rate Increase										
Cumulative Real Rate Increases										
Rate Revenues (includes taxes)	\$3,343,202	\$3,349,596	\$3,356,124	\$3,362,786	\$3,369,585	\$3,376,520	\$3,383,594	\$3,390,806	\$3,398,159	\$3,405,652
Wholesale Treatment Revenue (includes taxes)	\$10,381,959	\$10,401,477	\$10,421,052	\$10,440,687	\$10,460,380	\$10,480,132	\$10,499,944	\$10,519,817	\$10,539,750	\$10,559,744
Misc. Revenues	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215
Capital Contributions	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$14,611,662	\$14,637,573	\$14,663,676	\$14,689,973	\$14,716,464	\$14,743,152	\$14,770,038	\$14,797,123	\$14,824,409	\$14,851,897
Expenses										
Wholesale Water Supply/Treatment	\$9,864,497	\$9,883,042	\$9,901,642	\$9,920,297	\$9,939,009	\$9,957,777	\$9,976,602	\$9,995,484	\$10,014,423	\$10,033,421
Non-Supply O&M										
Labor	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336
Materials & Supplies	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500
Employee Benefits	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534
Administrative	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703
State Tax Expense										
City of Shoreline Tax Expense (franchise fee)	\$823,510	\$825,064	\$826,631	\$828,208	\$829,798	\$831,399	\$833,012	\$834,637	\$836,275	\$837,924
Total Operating Expenses	\$13,418,080	\$13,438,179	\$13,458,345	\$13,478,579	\$13,498,880	\$13,519,249	\$13,539,687	\$13,560,194	\$13,580,771	\$13,601,418
Net Operating Funds	\$1,193,582	\$1,199,394	\$1,205,331	\$1,211,394	\$1,217,585	\$1,223,903	\$1,230,351	\$1,236,929	\$1,243,638	\$1,250,479
Debt Service Coverage Ratio										
Debt payments - Initial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow before CIP	\$1,193,582	\$1,199,394	\$1,205,331	\$1,211,394	\$1,217,585	\$1,223,903	\$1,230,351	\$1,236,929	\$1,243,638	\$1,250,479
Debt payments - CIP										
Cash Funded CIP - Ongoing	\$1,193,582	\$1,199,394	\$1,205,331	\$1,211,394	\$1,217,585	\$1,223,903	\$1,230,351	\$1,236,929	\$1,243,638	\$1,250,479
Total Expenses (with Debt & CIP)	\$14,611,662	\$14,637,573	\$14,663,676	\$14,689,973	\$14,716,464	\$14,743,152	\$14,770,038	\$14,797,123	\$14,824,409	\$14,851,897
Net Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CIP Budget	\$1,193,582	\$1,199,394	\$1,205,331	\$1,211,394	\$1,217,585	\$1,223,903	\$1,230,351	\$1,236,929	\$1,243,638	\$1,250,479
Available from Cash	\$1,193,582	\$1,199,394	\$1,205,331	\$1,211,394	\$1,217,585	\$1,223,903	\$1,230,351	\$1,236,929	\$1,243,638	\$1,250,479
Available from Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserve Fund Balance	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000

**Appendix E
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars**

Ronald Wastewater - Standalone

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Revenues											
Real Rate Increase		0%		0%		0%	0%	0%	0%	0%	0%
Cumulative Real Rate Increases											
Rate Revenues (includes taxes)	\$3,413,164	\$3,423,590	\$3,434,090	\$3,444,667	\$3,455,319	\$3,466,047	\$3,476,853	\$3,487,737	\$3,498,699	\$3,509,740	\$3,520,861
Wholesale Treatment Revenue (includes taxes)	\$10,579,394	\$10,609,730	\$10,640,189	\$10,670,773	\$10,701,482	\$10,732,318	\$10,763,282	\$10,794,374	\$10,825,596	\$10,856,950	\$10,888,435
Misc. Revenues	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215
Capital Contributions	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$14,879,058	\$14,919,819	\$14,960,780	\$15,001,939	\$15,043,301	\$15,084,866	\$15,126,635	\$15,168,611	\$15,210,796	\$15,253,190	\$15,295,796
Expenses											
Wholesale Water Supply/Treatment	\$10,052,091	\$10,080,915	\$10,109,856	\$10,138,916	\$10,168,094	\$10,197,393	\$10,226,813	\$10,256,356	\$10,286,022	\$10,315,813	\$10,345,729
Non-Supply O&M											
Labor	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336
Materials & Supplies	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500
Employee Benefits	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534
Administrative	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703
State Tax Expense											
City of Shoreline Tax Expense (franchise fee)	\$839,553	\$841,999	\$844,457	\$846,926	\$849,408	\$851,902	\$854,408	\$856,927	\$859,458	\$862,001	\$864,558
Total Operating Expenses	\$13,621,717	\$13,652,987	\$13,684,386	\$13,715,915	\$13,747,575	\$13,779,368	\$13,811,295	\$13,843,356	\$13,875,553	\$13,907,887	\$13,940,360
Net Operating Funds	\$1,257,340	\$1,266,832	\$1,276,394	\$1,286,025	\$1,295,726	\$1,305,497	\$1,315,340	\$1,325,255	\$1,335,243	\$1,345,303	\$1,355,436
Debt Service Coverage Ratio											
Debt payments - Initial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow before CIP	\$1,257,340	\$1,266,832	\$1,276,394	\$1,286,025	\$1,295,726	\$1,305,497	\$1,315,340	\$1,325,255	\$1,335,243	\$1,345,303	\$1,355,436
Debt payments - CIP											
Cash Funded CIP - Ongoing	\$1,257,340	\$1,266,832	\$1,276,394	\$1,286,025	\$1,295,726	\$1,305,497	\$1,315,340	\$1,325,255	\$1,335,243	\$1,345,303	\$1,355,436
Total Expenses (with Debt & CIP)	\$14,879,058	\$14,919,819	\$14,960,780	\$15,001,939	\$15,043,301	\$15,084,866	\$15,126,635	\$15,168,611	\$15,210,796	\$15,253,190	\$15,295,796
Net Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CIP Budget	\$1,257,340	\$1,266,832	\$1,276,394	\$1,286,025	\$1,295,726	\$1,305,497	\$1,315,340	\$1,325,255	\$1,335,243	\$1,345,303	\$1,355,436
Available from Cash	\$1,257,340	\$1,266,832	\$1,276,394	\$1,286,025	\$1,295,726	\$1,305,497	\$1,315,340	\$1,325,255	\$1,335,243	\$1,345,303	\$1,355,436
Available from Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserve Fund Balance	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000

**Appendix E
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars**

North City Water District - Standalone (Pro-rated for Shoreline Portion Only)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues										
Rate Revenues (includes taxes)	\$4,405,194	\$4,413,475	\$4,421,781	\$4,430,112	\$4,438,468	\$4,446,850	\$4,455,262	\$4,463,706	\$4,472,181	\$4,480,685
Use of Facilities Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Misc. Revenues	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206
Capital Contributions	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$4,696,833	\$4,705,114	\$4,713,420	\$4,721,751	\$4,730,107	\$4,738,489	\$4,746,911	\$4,755,345	\$4,763,778	\$4,772,211
Expenses										
Wholesale Water Supply/Treatment	\$1,069,573	\$1,059,796	\$1,050,111	\$1,040,517	\$1,031,012	\$1,021,596	\$1,012,269	\$1,003,029	\$993,875	\$984,807
Non-Supply O&M										
Labor										
Materials & Supplies	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878
Employee Benefits	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076
Administrative	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183
	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577
State Tax Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City of Shoreline Tax Expense (franchise fee)	\$264,312	\$264,809	\$265,307	\$265,807	\$266,308	\$266,811	\$267,312	\$272,812	\$273,312	\$273,812
Total Operating Expenses	\$3,883,957	\$3,874,317	\$3,865,131	\$3,856,036	\$3,847,033	\$3,838,120	\$3,829,207	\$3,820,294	\$3,811,381	\$3,802,468
Net Operating Funds	\$813,235	\$830,797	\$848,290	\$865,715	\$883,075	\$900,369	\$917,704	\$935,051	\$952,397	\$969,743
Debt Service Coverage Ratio	1.8	1.9	1.9	2.0	2.0	2.0	2.1	2.1	2.2	2.2
Debt payments - Initial	\$442,939	\$442,939	\$442,939	\$442,939	\$442,939	\$442,939	\$442,939	\$442,939	\$442,939	\$442,939
Net Cash Flow before CIP	\$370,296	\$387,858	\$405,351	\$422,776	\$440,136	\$457,533	\$474,935	\$492,342	\$509,749	\$527,156
Debt payments - CIP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Funded CIP - Ongoing	\$370,296	\$387,858	\$405,351	\$422,776	\$440,136	\$457,533	\$474,935	\$492,342	\$509,749	\$527,156
Total Expenses (with Debt & CIP)	\$4,696,833	\$4,705,114	\$4,713,420	\$4,721,751	\$4,730,107	\$4,738,489	\$4,746,911	\$4,755,345	\$4,763,778	\$4,772,211
Net Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CIP Budget	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388
Available from Cash	\$370,296	\$387,858	\$405,351	\$422,776	\$440,136	\$457,533	\$474,935	\$492,342	\$509,749	\$527,156
Available from Reserve Fund	\$403,092	\$385,530	\$368,037	\$350,612	\$333,252	\$315,855	\$298,446	\$281,047	\$263,648	\$246,249
Reserve Fund Balance	\$3,029,999	\$2,644,469	\$2,276,431	\$1,925,819	\$1,592,567	\$1,276,712	\$1,019,967	\$822,425	\$684,185	\$605,345

Appendix E
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars

North City Water District - Standalone (Pro-rated for Shoreline Portion Only)

	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Revenues											
Rate Revenues (includes taxes)	\$4,713,416	\$4,726,931	\$4,740,502	\$4,754,128	\$4,767,810	\$4,781,548	\$4,795,343	\$4,809,196	\$4,823,106	\$4,837,075	\$4,851,102
Use of Facilities Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Misc. Revenues	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206	\$114,206
Capital Contributions	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433	\$177,433
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$5,005,055	\$5,018,570	\$5,032,141	\$5,045,767	\$5,059,449	\$5,073,187	\$5,086,982	\$5,100,835	\$5,114,745	\$5,128,714	\$5,142,742
Expenses											
Wholesale Water Supply/Treatment	\$975,786	\$967,820	\$959,922	\$952,092	\$944,328	\$936,632	\$929,002	\$921,437	\$913,937	\$906,501	\$899,130
Non-Supply O&M											
Labor	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878	\$806,878
Materials & Supplies	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076	\$428,076
Employee Benefits	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183	\$337,183
Administrative	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577	\$977,577
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State Tax Expense	\$282,805	\$283,616	\$284,430	\$285,248	\$286,069	\$286,893	\$287,721	\$288,552	\$289,386	\$290,224	\$291,066
City of Shoreline Tax Expense (franchise fee)	\$3,808,304	\$3,801,149	\$3,794,065	\$3,787,052	\$3,780,110	\$3,773,238	\$3,766,435	\$3,759,701	\$3,753,036	\$3,746,438	\$3,739,909
Total Operating Expenses	\$1,196,751	\$1,217,422	\$1,238,076	\$1,258,715	\$1,279,339	\$1,299,949	\$1,320,547	\$1,341,134	\$1,361,709	\$1,382,275	\$1,402,833
Net Operating Funds	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835
Debt Service Coverage Ratio	2.7	2.7	2.8	2.8	2.9	2.9	3.0	3.0	3.1	3.1	3.2
Debt payments - Initial	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835	\$442,835
Net Cash Flow before CIP	\$753,915	\$774,586	\$795,241	\$815,880	\$836,504	\$857,114	\$877,712	\$898,298	\$918,874	\$939,440	\$959,998
Debt payments - CIP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Funded CIP - Ongoing	\$753,915	\$774,586	\$795,241	\$815,880	\$836,504	\$857,114	\$877,712	\$898,298	\$918,874	\$939,440	\$959,998
Total Expenses (with Debt & CIP)	\$5,005,055	\$5,018,570	\$5,032,141	\$5,045,767	\$5,059,449	\$5,073,187	\$5,086,982	\$5,100,835	\$5,114,745	\$5,128,714	\$5,142,742
Net Revenue	\$0	(\$1,198)	(\$21,853)	(\$42,492)	(\$63,116)	(\$83,726)	(\$104,324)	(\$124,910)	(\$145,486)	(\$166,052)	(\$186,610)
CIP Budget	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388	\$773,388
Available from Cash	\$753,915	\$774,586	\$795,241	\$815,880	\$836,504	\$857,114	\$877,712	\$898,298	\$918,874	\$939,440	\$959,998
Available from Reserve Fund	\$19,473	(\$1,198)	(\$21,853)	(\$42,492)	(\$63,116)	(\$83,726)	(\$104,324)	(\$124,910)	(\$145,486)	(\$166,052)	(\$186,610)
Reserve Fund Balance	\$585,873	\$587,071	\$608,924	\$651,416	\$714,531	\$798,257	\$902,581	\$1,027,491	\$1,172,977	\$1,339,029	\$1,525,639

Appendix E
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Option 1 - SPU and RWD Added Together but Operated Independently										
Revenues										
Rate Revenues (includes taxes)	\$14,696,215	\$14,759,524	\$14,823,647	\$14,888,594	\$14,954,376	\$15,021,002	\$15,088,484	\$15,156,830	\$15,226,052	\$15,296,161
Wholesale Treatment Revenue (includes taxes)	\$10,436,665	\$10,456,392	\$10,476,177	\$10,496,022	\$10,515,927	\$10,535,892	\$10,555,918	\$10,576,004	\$10,596,152	\$10,616,362
Misc. Revenues	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215
Capital Contributions	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$26,019,381	\$26,102,415	\$26,186,324	\$26,271,116	\$26,356,803	\$26,443,395	\$26,530,901	\$26,619,334	\$26,708,705	\$26,799,023
Expenses										
Wholesale Water Supply/Treatment	\$12,618,730	\$12,613,318	\$12,608,268	\$12,603,578	\$12,599,243	\$12,595,259	\$12,591,624	\$12,588,333	\$12,585,383	\$12,582,771
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481
Materials & Supplies	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268
Employee Benefits	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592
Administrative	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802
State Tax Expense	\$570,943	\$573,805	\$576,702	\$579,633	\$582,599	\$585,601	\$588,639	\$591,713	\$594,825	\$597,974
City of Shoreline Tax Expense (franchise fee)	\$1,504,690	\$1,509,660	\$1,514,682	\$1,519,757	\$1,524,885	\$1,530,068	\$1,535,306	\$1,540,599	\$1,545,948	\$1,551,354
Total Operating Expenses	\$21,361,505	\$21,363,925	\$21,366,794	\$21,370,109	\$21,373,869	\$21,378,070	\$21,382,710	\$21,387,787	\$21,393,298	\$21,399,241
Net Operating Funds	\$4,657,875	\$4,738,491	\$4,819,530	\$4,901,007	\$4,982,934	\$5,065,324	\$5,148,191	\$5,231,547	\$5,315,407	\$5,399,782
Debt Service Coverage Ratio										
Debt payments - Initial	\$2,337,942	\$2,235,126	\$2,136,832	\$2,042,860	\$1,953,021	\$1,867,133	\$1,785,022	\$1,706,522	\$1,631,474	\$1,559,727
Net Cash Flow before CIP	\$2,319,934	\$2,503,365	\$2,682,699	\$2,858,147	\$3,029,913	\$3,198,191	\$3,363,169	\$3,525,025	\$3,683,932	\$3,840,055
Debt payments - CIP	\$2,319,934	\$2,503,365	\$2,700,772	\$2,706,835	\$2,713,026	\$2,719,344	\$2,725,792	\$2,732,370	\$2,739,079	\$2,745,920
Cash Funded CIP - Ongoing	\$26,019,381	\$26,102,415	\$26,204,397	\$26,119,804	\$26,039,916	\$25,964,548	\$25,893,525	\$25,826,679	\$25,763,851	\$25,704,888
Total Expenses (with Debt & CIP)	\$26,019,381	\$26,102,415	\$26,204,397	\$26,119,804	\$26,039,916	\$25,964,548	\$25,893,525	\$25,826,679	\$25,763,851	\$25,704,888
Net Revenue	\$0	\$0	(\$18,073)	\$151,312	\$316,887	\$478,847	\$637,377	\$792,655	\$944,853	\$1,094,135
CIP Budget Available from Cash	\$2,319,934	\$2,503,365	\$2,700,772	\$2,706,835	\$2,713,026	\$2,719,344	\$2,725,792	\$2,732,370	\$2,739,079	\$2,745,920
Available from Reserve Fund	\$0	\$0	\$18,073	(\$151,312)	(\$316,887)	(\$478,847)	(\$637,377)	(\$792,655)	(\$944,853)	(\$1,094,135)
Reserve Fund Balance	\$3,000,000	\$3,000,000	\$2,981,927	\$3,133,239	\$3,450,126	\$3,928,973	\$4,566,350	\$5,359,005	\$6,303,859	\$7,397,994

Appendix E
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars

Option 1 - SPU and RWD Added Together but Operated Independently

Revenues	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Rate Revenues (includes taxes)	\$15,363,343	\$15,461,493	\$15,560,677	\$15,660,909	\$15,762,202	\$15,864,572	\$15,968,033	\$16,072,601	\$16,178,289	\$16,285,115	\$16,393,093
Wholesale Treatment Revenue (includes taxes)	\$10,636,228	\$10,666,781	\$10,697,459	\$10,728,262	\$10,759,191	\$10,790,247	\$10,821,432	\$10,852,747	\$10,884,193	\$10,915,770	\$10,947,481
Misc. Revenues	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215
Capital Contributions	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$26,886,071	\$27,014,775	\$27,144,636	\$27,275,670	\$27,407,893	\$27,541,320	\$27,675,966	\$27,811,848	\$27,948,982	\$28,087,385	\$28,227,074
Expenses											
Wholesale Water Supply/Treatment	\$12,579,185	\$12,591,583	\$12,604,274	\$12,617,259	\$12,630,537	\$12,644,106	\$12,657,968	\$12,672,120	\$12,686,562	\$12,701,294	\$12,716,315
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481
Materials & Supplies	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268
Employee Benefits	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592
Administrative	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802
State Tax Expense	\$600,975	\$605,386	\$609,846	\$614,355	\$618,913	\$623,522	\$628,181	\$632,893	\$637,657	\$642,474	\$647,345
City of Shoreline Tax Expense (franchise fee)	\$1,556,564	\$1,564,273	\$1,572,052	\$1,579,901	\$1,587,821	\$1,595,813	\$1,603,879	\$1,612,018	\$1,620,233	\$1,628,524	\$1,636,892
Total Operating Expenses	\$21,403,866	\$21,428,384	\$21,453,314	\$21,478,657	\$21,504,413	\$21,530,584	\$21,557,170	\$21,584,173	\$21,611,593	\$21,639,433	\$21,667,693
Net Operating Funds	\$5,482,205	\$5,586,391	\$5,691,322	\$5,797,014	\$5,903,480	\$6,010,736	\$6,118,796	\$6,227,675	\$6,337,389	\$6,447,952	\$6,559,381
Debt Service Coverage Ratio	3.7	3.9	4.2	4.4	4.7	5.0	5.4	5.7	6.1	6.5	6.9
Debt payments - Initial	\$1,491,134	\$1,425,559	\$1,362,867	\$1,302,932	\$1,245,633	\$1,190,854	\$1,138,483	\$1,088,416	\$1,040,551	\$994,791	\$951,043
Net Cash Flow before CIP	\$3,991,071	\$4,160,832	\$4,328,455	\$4,494,082	\$4,657,847	\$4,819,882	\$4,980,313	\$5,139,259	\$5,296,838	\$5,453,161	\$5,608,338
Debt payments - CIP	\$2,752,781	\$2,762,273	\$2,771,835	\$2,781,466	\$2,791,167	\$2,800,938	\$2,810,781	\$2,820,696	\$2,830,684	\$2,840,744	\$2,850,877
Cash Funded CIP - Ongoing	\$25,647,782	\$25,616,216	\$25,588,016	\$25,563,054	\$25,541,212	\$25,522,376	\$25,506,435	\$25,493,285	\$25,482,828	\$25,474,967	\$25,469,613
Total Expenses (with Debt & CIP)	\$28,400,563	\$28,378,489	\$28,356,851	\$28,334,520	\$28,312,384	\$28,290,254	\$28,268,116	\$28,246,001	\$28,223,912	\$28,201,841	\$28,179,770
Net Revenue	\$1,238,289	\$1,398,558	\$1,556,620	\$1,712,616	\$1,866,681	\$2,018,944	\$2,169,531	\$2,318,563	\$2,466,154	\$2,612,418	\$2,757,461
CIP Budget	\$2,752,781	\$2,762,273	\$2,771,835	\$2,781,466	\$2,791,167	\$2,800,938	\$2,810,781	\$2,820,696	\$2,830,684	\$2,840,744	\$2,850,877
Available from Cash	\$3,991,071	\$4,160,832	\$4,328,455	\$4,494,082	\$4,657,847	\$4,819,882	\$4,980,313	\$5,139,259	\$5,296,838	\$5,453,161	\$5,608,338
Available from Reserve Fund	(\$1,238,289)	(\$1,398,558)	(\$1,556,620)	(\$1,712,616)	(\$1,866,681)	(\$2,018,944)	(\$2,169,531)	(\$2,318,563)	(\$2,466,154)	(\$2,612,418)	(\$2,757,461)
Reserve Fund Balance	\$8,636,283	\$10,034,842	\$11,591,462	\$13,304,078	\$15,170,759	\$17,189,703	\$19,359,234	\$21,677,796	\$24,143,951	\$26,756,368	\$29,513,829

**Appendix E
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars**

Option 1 - SPU, RWD and NCWD Added Together but Operated Independently

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues										
Rate Revenues (includes taxes)	\$19,101,409	\$19,172,999	\$19,245,428	\$19,318,706	\$19,392,844	\$19,467,852	\$19,588,292	\$19,709,792	\$19,832,363	\$19,956,016
Wholesale Treatment Revenue (includes taxes)	\$10,436,665	\$10,456,392	\$10,476,177	\$10,496,022	\$10,515,927	\$10,535,892	\$10,555,918	\$10,576,004	\$10,596,152	\$10,616,362
Misc. Revenues	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421
Capital Contributions	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$30,716,213	\$30,807,530	\$30,899,744	\$30,992,868	\$31,086,910	\$31,181,883	\$31,322,349	\$31,463,935	\$31,606,654	\$31,750,517
Expenses										
Wholesale Water Supply/Treatment	\$13,688,303	\$13,673,114	\$13,658,379	\$13,644,094	\$13,630,255	\$13,616,855	\$13,603,893	\$13,591,362	\$13,579,258	\$13,567,578
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358
Materials & Supplies	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343
Employee Benefits	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775
Administrative	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378
State Tax Expense	\$570,943	\$573,805	\$576,702	\$579,633	\$582,599	\$585,601	\$588,639	\$591,713	\$594,825	\$597,974
City of Shoreline Tax Expense (franchise fee)	\$1,769,002	\$1,774,469	\$1,779,989	\$1,785,564	\$1,791,193	\$1,796,879	\$1,802,594	\$1,813,777	\$1,822,327	\$1,830,946
Total Operating Expenses	\$25,245,103	\$25,238,242	\$25,231,924	\$25,226,145	\$25,220,902	\$25,216,190	\$25,214,680	\$25,213,706	\$25,213,264	\$25,213,352
Net Operating Funds	\$5,471,111	\$5,569,287	\$5,667,820	\$5,766,722	\$5,866,009	\$5,965,693	\$6,107,669	\$6,250,229	\$6,393,390	\$6,537,165
Debt Service Coverage Ratio	2.0	2.1	2.2	2.3	2.4	2.6	2.7	2.9	3.1	3.3
Debt payments - Initial	\$2,780,881	\$2,678,065	\$2,579,771	\$2,485,799	\$2,395,960	\$2,309,968	\$2,227,857	\$2,149,357	\$2,074,309	\$2,002,562
Net Cash Flow before CIP	\$2,690,230	\$2,891,222	\$3,088,049	\$3,280,923	\$3,470,049	\$3,655,725	\$3,879,812	\$4,100,872	\$4,319,080	\$4,534,603
Debt payments - CIP	\$2,690,230	\$2,891,222	\$3,106,122	\$3,129,611	\$3,153,161	\$3,176,878	\$3,242,435	\$3,308,217	\$3,374,227	\$3,440,468
Cash Funded CIP - Ongoing	\$30,716,213	\$30,807,530	\$30,917,817	\$30,841,556	\$30,770,023	\$30,703,036	\$30,684,972	\$30,671,280	\$30,661,801	\$30,656,382
Total Expenses (with Debt & CIP)	\$30,716,213	\$30,807,530	\$30,917,817	\$30,841,556	\$30,770,023	\$30,703,036	\$30,684,972	\$30,671,280	\$30,661,801	\$30,656,382
Net Revenue	\$0	\$0	(\$18,073)	\$151,312	\$316,887	\$478,847	\$637,377	\$792,655	\$944,853	\$1,094,135
CIP Budget	\$3,093,322	\$2,891,222	\$3,106,122	\$3,129,611	\$3,153,161	\$3,176,878	\$3,242,435	\$3,308,217	\$3,374,227	\$3,440,468
Available from Cash	\$2,690,230	\$2,891,222	\$3,088,049	\$3,280,923	\$3,470,049	\$3,655,725	\$3,879,812	\$4,100,872	\$4,319,080	\$4,534,603
Available from Reserve Fund	\$403,092	\$0	\$18,073	(\$151,312)	(\$316,887)	(\$478,847)	(\$637,377)	(\$792,655)	(\$944,853)	(\$1,094,135)
Reserve Fund Balance	\$6,029,999	\$6,029,999	\$6,011,926	\$6,181,311	\$6,328,813	\$6,660,158	\$6,966,190	\$7,452,813	\$7,911,043	\$8,546,948

Appendix E
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars

Option 1 - SPU, RWD and NCWD Added Together but Operated Independently

Revenues	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Rate Revenues (includes taxes)	\$20,076,759	\$20,188,425	\$20,301,179	\$20,415,037	\$20,530,012	\$20,646,120	\$20,763,376	\$20,881,796	\$21,001,395	\$21,122,190	\$21,244,196
Wholesale Treatment Revenue (includes taxes)	\$10,636,228	\$10,666,781	\$10,697,459	\$10,728,262	\$10,759,191	\$10,790,247	\$10,821,432	\$10,852,747	\$10,884,193	\$10,915,770	\$10,947,481
Misc. Revenues	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421
Capital Contributions	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$31,891,126	\$32,033,345	\$32,176,777	\$32,321,437	\$32,467,342	\$32,614,506	\$32,762,948	\$32,912,682	\$33,063,727	\$33,216,099	\$33,369,815
Expenses											
Wholesale Water Supply/Treatment	\$13,554,972	\$13,559,403	\$13,564,196	\$13,569,351	\$13,574,865	\$13,580,738	\$13,586,969	\$13,593,556	\$13,600,499	\$13,607,795	\$13,615,445
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358
Materials & Supplies	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343
Employee Benefits	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775
Administrative	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378
State Tax Expense	\$600,975	\$605,386	\$609,846	\$614,355	\$618,913	\$623,522	\$628,181	\$632,893	\$637,657	\$642,474	\$647,345
City of Shoreline Tax Expense (franchise fee)	\$1,839,369	\$1,847,889	\$1,856,482	\$1,865,149	\$1,873,890	\$1,882,706	\$1,891,599	\$1,900,570	\$1,909,620	\$1,918,748	\$1,927,958
Total Operating Expenses	\$25,212,170	\$25,229,533	\$25,247,379	\$25,265,709	\$25,284,523	\$25,303,821	\$25,323,605	\$25,343,874	\$25,364,629	\$25,385,872	\$25,407,602
Net Operating Funds	\$6,678,956	\$6,803,812	\$6,929,398	\$7,055,729	\$7,182,819	\$7,310,685	\$7,439,343	\$7,568,809	\$7,699,098	\$7,830,227	\$7,962,214
Debt Service Coverage Ratio	3.5	3.6	3.8	4.0	4.3	4.5	4.7	4.9	5.2	5.4	5.7
Debt payments - Initial	\$1,933,970	\$1,868,394	\$1,805,702	\$1,745,767	\$1,688,468	\$1,633,689	\$1,581,319	\$1,531,252	\$1,483,386	\$1,437,626	\$1,393,878
Net Cash Flow before CIP	\$4,744,986	\$4,935,418	\$5,123,696	\$5,309,961	\$5,494,351	\$5,676,996	\$5,858,024	\$6,037,557	\$6,215,712	\$6,392,601	\$6,568,336
Debt payments - CIP	\$3,506,697	\$3,536,860	\$3,567,076	\$3,597,345	\$3,627,670	\$3,658,052	\$3,688,493	\$3,718,995	\$3,749,557	\$3,780,184	\$3,810,875
Cash Funded CIP - Ongoing	\$30,652,836	\$30,634,787	\$30,620,157	\$30,608,821	\$30,600,661	\$30,595,563	\$30,593,417	\$30,594,120	\$30,597,573	\$30,603,681	\$30,612,355
Total Expenses (with Debt & CIP)	\$34,159,533	\$34,171,640	\$34,187,233	\$34,202,166	\$34,217,531	\$34,232,615	\$34,248,306	\$34,264,612	\$34,281,520	\$34,299,033	\$34,317,130
Net Revenue	\$1,238,289	\$1,398,558	\$1,556,620	\$1,712,616	\$1,866,681	\$2,018,944	\$2,169,531	\$2,318,563	\$2,466,154	\$2,612,418	\$2,757,461
CIP Budget	\$3,506,697	\$3,536,860	\$3,567,076	\$3,597,345	\$3,627,670	\$3,658,052	\$3,688,493	\$3,718,995	\$3,749,557	\$3,780,184	\$3,810,875
Available from Cash	\$4,744,986	\$4,935,418	\$5,123,696	\$5,309,961	\$5,494,351	\$5,676,996	\$5,858,024	\$6,037,557	\$6,215,712	\$6,392,601	\$6,568,336
Available from Reserve Fund	(\$1,238,289)	(\$1,398,558)	(\$1,556,620)	(\$1,712,616)	(\$1,866,681)	(\$2,018,944)	(\$2,169,531)	(\$2,318,563)	(\$2,466,154)	(\$2,612,418)	(\$2,757,461)
Reserve Fund Balance	\$9,785,238	\$11,183,796	\$12,740,417	\$14,453,033	\$16,319,713	\$18,338,657	\$20,508,188	\$22,826,751	\$25,292,905	\$27,905,323	\$30,662,784

Appendix F
Revenues and Cost Tables with Unification

Appendix F
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars

Option 1b - RWD Assumes RWD in 2018, SPU and NCWD Remain Independent

Revenues	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Rate Revenues (includes taxes)	\$3,343,202	\$3,349,596	\$3,356,124	\$3,362,786	\$3,369,585	\$3,376,520	\$3,383,594	\$3,390,806	\$3,398,159	\$3,405,652
Wholesale Treatment Revenue (includes taxes)	\$10,381,959	\$10,401,477	\$10,421,052	\$10,440,687	\$10,460,380	\$10,480,132	\$10,499,944	\$10,519,817	\$10,539,750	\$10,559,744
Misc. Revenues	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215
Capital Contributions	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$14,611,662	\$14,637,573	\$14,663,676	\$14,689,973	\$14,716,464	\$14,743,152	\$14,770,038	\$14,797,123	\$14,824,409	\$14,851,897
Expenses										
Wholesale Water Supply/Treatment	\$9,864,497	\$9,883,042	\$9,901,642	\$9,920,297	\$9,939,009	\$9,957,777	\$9,976,602	\$9,995,484	\$10,014,423	\$10,033,421
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336
Materials & Supplies	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500
Employee Benefits	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534
Administrative	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State Tax Expense	\$823,510	\$825,064	\$826,631	\$828,208	\$829,798	\$831,399	\$833,012	\$834,637	\$836,275	\$837,924
City of Shoreline Tax Expense (franchise fee)	\$13,418,080	\$13,438,179	\$13,458,345	\$13,478,579	\$13,498,880	\$13,519,249	\$13,539,687	\$13,560,194	\$13,580,771	\$13,601,418
Total Operating Expenses (Before Savings)										
Direct Utility Unification Savings										
Salaries & Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative & Contracts	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)
Incremental Cost in Shared Services Allocation	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730
Amortization of Capital Items	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)
Total Direct Savings	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)
Total Operating Expenses (After Savings)	\$13,182,809	\$13,202,909	\$13,223,075	\$13,243,308	\$13,263,609	\$13,283,979	\$13,304,417	\$13,324,924	\$13,345,500	\$13,366,147
Net Operating Funds	\$1,428,852	\$1,434,664	\$1,440,601	\$1,446,664	\$1,452,855	\$1,459,174	\$1,465,622	\$1,472,200	\$1,478,908	\$1,485,749
Debt Service Coverage Ratio										
Debt payments - Initial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow before CIP	\$1,428,852	\$1,434,664	\$1,440,601	\$1,446,664	\$1,452,855	\$1,459,174	\$1,465,622	\$1,472,200	\$1,478,908	\$1,485,749
Debt payments - CIP	\$1,193,582	\$1,199,394	\$1,205,331	\$1,211,394	\$1,217,585	\$1,223,903	\$1,230,351	\$1,236,929	\$1,243,638	\$1,250,479
Cash Funded CIP - Ongoing	\$14,376,391	\$14,402,302	\$14,428,406	\$14,454,702	\$14,481,194	\$14,507,882	\$14,534,768	\$14,561,853	\$14,589,139	\$14,616,626
Total Expenses (with Debt & CIP)	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270
Net Revenue	\$1,193,582	\$1,199,394	\$1,205,331	\$1,211,394	\$1,217,585	\$1,223,903	\$1,230,351	\$1,236,929	\$1,243,638	\$1,250,479
CIP Budget Available from Cash	\$3,705,811	\$3,941,081	\$4,176,352	\$4,411,622	\$4,646,892	\$4,882,163	\$5,117,433	\$5,352,704	\$5,587,974	\$5,823,244
Available from Reserve Fund	\$1,193,582	\$1,199,394	\$1,205,331	\$1,211,394	\$1,217,585	\$1,223,903	\$1,230,351	\$1,236,929	\$1,243,638	\$1,250,479
Reserve Fund Balance	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)

**Appendix F
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars**

Option 1b - RWD Assumes RWD in 2018, SPU and NCWD Remain Independent

Revenues	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Rate Revenues (includes taxes)	\$3,413,164	\$3,423,590	\$3,434,090	\$3,444,667	\$3,455,319	\$3,466,047	\$3,476,853	\$3,487,737	\$3,498,699	\$3,509,740	\$3,520,861
Wholesale Treatment Revenue (includes taxes)	\$10,579,394	\$10,609,730	\$10,640,189	\$10,670,773	\$10,701,482	\$10,732,318	\$10,763,282	\$10,794,374	\$10,825,596	\$10,856,950	\$10,888,435
Misc. Revenues	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215
Capital Contributions	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$14,879,058	\$14,919,819	\$14,960,780	\$15,001,939	\$15,043,301	\$15,084,866	\$15,126,635	\$15,168,611	\$15,210,796	\$15,253,190	\$15,295,796
Expenses											
Wholesale Water Supply/Treatment	\$10,052,091	\$10,080,915	\$10,109,856	\$10,138,916	\$10,168,094	\$10,197,393	\$10,226,813	\$10,256,356	\$10,286,022	\$10,315,813	\$10,345,729
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336	\$1,038,336
Materials & Supplies	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500	\$145,500
Employee Benefits	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534	\$416,534
Administrative	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703	\$1,129,703
State Tax Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State Tax Expense (franchise fee)	\$839,553	\$841,999	\$844,457	\$846,926	\$849,408	\$851,902	\$854,408	\$856,927	\$859,458	\$862,001	\$864,538
Total Operating Expenses (Before Savings)	\$13,621,717	\$13,652,987	\$13,684,386	\$13,715,915	\$13,747,575	\$13,779,368	\$13,811,295	\$13,843,356	\$13,875,553	\$13,907,887	\$13,940,360
Direct Utility Unification Savings											
Salaries & Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Administrative & Contracts	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)
Incremental Cost in Shared Services Allocation	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730	\$507,730
Amortization of Capital Items	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)	(\$115,000)
Total Direct Savings	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)
Total Operating Expenses (After Savings)	\$13,386,447	\$13,417,717	\$13,449,116	\$13,480,645	\$13,512,305	\$13,544,098	\$13,576,024	\$13,608,085	\$13,640,283	\$13,672,617	\$13,705,090
Net Operating Funds	\$1,492,611	\$1,502,103	\$1,511,664	\$1,521,295	\$1,530,996	\$1,540,768	\$1,550,611	\$1,560,526	\$1,570,513	\$1,580,573	\$1,590,707
Debt Service Coverage Ratio											
Debt payments - Initial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow before CIP	\$1,492,611	\$1,502,103	\$1,511,664	\$1,521,295	\$1,530,996	\$1,540,768	\$1,550,611	\$1,560,526	\$1,570,513	\$1,580,573	\$1,590,707
Debt payments - CIP	\$1,257,340	\$1,266,832	\$1,276,394	\$1,286,025	\$1,295,726	\$1,305,497	\$1,315,340	\$1,325,255	\$1,335,243	\$1,345,303	\$1,355,436
Cash Funded CIP - Ongoing	\$14,643,787	\$14,684,549	\$14,725,509	\$14,766,669	\$14,808,031	\$14,849,595	\$14,891,365	\$14,933,341	\$14,975,525	\$15,017,920	\$15,060,526
Total Expenses (with Debt & CIP)	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270	\$235,270
Net Revenue	\$1,257,340	\$1,266,832	\$1,276,394	\$1,286,025	\$1,295,726	\$1,305,497	\$1,315,340	\$1,325,255	\$1,335,243	\$1,345,303	\$1,355,436
CIP Budget Available from Cash	\$1,257,340	\$1,266,832	\$1,276,394	\$1,286,025	\$1,295,726	\$1,305,497	\$1,315,340	\$1,325,255	\$1,335,243	\$1,345,303	\$1,355,436
Available from Reserve Fund	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)	(\$235,270)
Reserve Fund Balance	\$6,058,515	\$6,293,785	\$6,529,055	\$6,764,326	\$6,999,596	\$7,234,866	\$7,470,137	\$7,705,407	\$7,940,677	\$8,175,948	\$8,411,218

**Appendix F
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars**

Option 2 - City Assumption of RWD in 2018 and SPU in 2020, NCWD Independent

Revenues	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Rate Revenues (includes taxes)	\$14,695,215	\$14,759,524	\$14,823,647	\$14,888,594	\$14,954,376	\$15,021,002	\$15,088,484	\$15,156,830	\$15,226,052	\$15,296,161
Wholesale Treatment Revenue (includes taxes)	\$10,435,665	\$10,456,392	\$10,476,177	\$10,496,022	\$10,515,927	\$10,535,892	\$10,555,918	\$10,576,004	\$10,596,152	\$10,616,362
Misc. Revenues	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215
Capital Contributions	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$26,019,381	\$26,102,415	\$26,186,324	\$26,271,116	\$26,356,803	\$26,443,395	\$26,530,901	\$26,619,334	\$26,708,705	\$26,799,023
Expenses										
Wholesale Water Supply/Treatment	\$12,618,730	\$12,613,318	\$12,608,268	\$12,603,578	\$12,599,243	\$12,595,259	\$12,591,624	\$12,588,333	\$12,585,383	\$12,582,771
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481
Materials & Supplies	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268
Employee Benefits	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592
Administrative	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802
State Tax Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City of Shoreline Tax Expense (franchise fee)	\$570,943	\$573,805	\$576,702	\$579,633	\$582,599	\$585,601	\$588,639	\$591,713	\$594,825	\$597,974
Total Operating Expenses (Before Savings)	\$1,504,690	\$1,509,660	\$1,514,682	\$1,519,757	\$1,524,885	\$1,530,068	\$1,535,306	\$1,540,599	\$1,545,948	\$1,551,354
Total Operating Expenses (After Savings)	\$21,361,505	\$21,363,925	\$21,366,794	\$21,370,109	\$21,373,869	\$21,378,070	\$21,382,710	\$21,387,787	\$21,393,298	\$21,399,241
Direct Utility Unification Savings										
Salaries & Benefits	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)
Administrative & Contracts	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)
Incremental Cost in Shared Services Allocation	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631
Amortization of Capital Items	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)
Total Direct Savings	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)
Total Operating Expenses (After Savings)	\$19,950,190	\$19,952,610	\$19,955,479	\$19,958,794	\$19,962,554	\$19,966,755	\$19,971,395	\$19,976,472	\$19,981,983	\$19,987,926
Net Operating Funds	\$6,069,190	\$6,149,806	\$6,230,845	\$6,312,322	\$6,394,249	\$6,476,639	\$6,559,506	\$6,642,862	\$6,726,722	\$6,811,097
Debt Service Coverage Ratio	2.6	2.8	2.9	3.1	3.3	3.5	3.7	3.9	4.1	4.4
Debt payments - Initial	\$2,337,942	\$2,235,126	\$2,136,832	\$2,042,860	\$1,953,021	\$1,867,133	\$1,785,022	\$1,706,522	\$1,631,474	\$1,559,727
Net Cash Flow before CIP	\$3,731,249	\$3,914,680	\$4,094,014	\$4,269,462	\$4,441,228	\$4,609,507	\$4,774,484	\$4,936,340	\$5,095,248	\$5,251,370
Debt payments - CIP	\$2,319,934	\$2,503,365	\$2,700,772	\$2,706,835	\$2,713,026	\$2,719,344	\$2,725,792	\$2,732,370	\$2,739,079	\$2,745,920
Cash Funded CIP - Ongoing	\$24,608,065	\$24,691,100	\$24,793,082	\$24,708,489	\$24,628,601	\$24,553,232	\$24,482,209	\$24,415,364	\$24,352,536	\$24,293,573
Total Expenses (with Debt & CIP)	\$1,411,315	\$1,411,315	\$1,393,242	\$1,562,627	\$1,728,202	\$1,890,162	\$2,048,692	\$2,203,970	\$2,356,168	\$2,505,450
Net Revenue	\$2,319,934	\$2,503,365	\$2,700,772	\$2,706,835	\$2,713,026	\$2,719,344	\$2,725,792	\$2,732,370	\$2,739,079	\$2,745,920
CIP Budget Available from Cash	\$2,319,934	\$2,503,365	\$2,700,772	\$2,706,835	\$2,713,026	\$2,719,344	\$2,725,792	\$2,732,370	\$2,739,079	\$2,745,920
Available from Reserve Fund	(\$1,411,315)	(\$1,411,315)	(\$1,393,242)	(\$1,562,627)	(\$1,728,202)	(\$1,890,162)	(\$2,048,692)	(\$2,203,970)	(\$2,356,168)	(\$2,505,450)
Reserve Fund Balance	\$4,411,315	\$5,822,630	\$5,804,557	\$7,385,257	\$7,532,760	\$9,275,419	\$9,581,452	\$11,479,390	\$11,937,620	\$13,984,840

Appendix F
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars

Option 2 - City Assumption of RWD in 2018 and SPU in 2020, NCWD Independent

Revenues	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Rate Revenues (includes taxes)	\$15,363,343	\$15,461,493	\$15,560,677	\$15,660,909	\$15,762,202	\$15,864,572	\$15,968,033	\$16,072,601	\$16,178,289	\$16,285,115	\$16,393,093
Wholesale Treatment Revenue (includes taxes)	\$10,636,228	\$10,666,781	\$10,697,459	\$10,728,262	\$10,759,191	\$10,790,247	\$10,821,432	\$10,852,747	\$10,884,193	\$10,915,770	\$10,947,481
Misc. Revenues	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215	\$371,215
Capital Contributions	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285	\$515,285
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$26,886,071	\$27,014,775	\$27,144,636	\$27,275,670	\$27,407,893	\$27,541,320	\$27,675,966	\$27,811,848	\$27,948,982	\$28,087,385	\$28,227,074
Expenses											
Wholesale Water Supply/Treatment	\$12,579,185	\$12,591,583	\$12,604,274	\$12,617,259	\$12,630,537	\$12,644,106	\$12,657,968	\$12,672,120	\$12,686,562	\$12,701,294	\$12,716,315
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481	\$2,488,481
Materials & Supplies	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268	\$867,268
Employee Benefits	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592	\$996,592
Administrative	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802	\$2,314,802
State Tax Expense	\$600,975	\$605,386	\$609,846	\$614,355	\$618,913	\$623,522	\$628,181	\$632,893	\$637,657	\$642,474	\$647,345
City of Shoreline Tax Expense (franchise fee)	\$1,556,564	\$1,564,273	\$1,572,052	\$1,579,901	\$1,587,821	\$1,595,813	\$1,603,879	\$1,612,018	\$1,620,233	\$1,628,524	\$1,636,892
Total Operating Expenses (Before Savings)	\$21,403,866	\$21,428,284	\$21,453,314	\$21,478,657	\$21,504,413	\$21,530,584	\$21,557,170	\$21,584,173	\$21,611,593	\$21,639,433	\$21,667,693
Direct Utility Unification Savings											
Salaries & Benefits	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)	(\$820,911)
Administrative & Contracts	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)	(\$628,000)
Incremental Cost in Shared Services Allocation	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631	\$164,631
Amortization of Capital Items	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)	(\$127,035)
Total Direct Savings	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)	(\$1,411,315)
Total Operating Expenses (After Savings)	\$19,992,551	\$20,017,069	\$20,041,999	\$20,067,342	\$20,093,098	\$20,119,268	\$20,145,855	\$20,172,858	\$20,200,278	\$20,228,118	\$20,256,378
Net Operating Funds	\$6,893,520	\$6,997,706	\$7,102,637	\$7,208,329	\$7,314,795	\$7,422,051	\$7,530,111	\$7,638,990	\$7,748,704	\$7,859,267	\$7,970,696
Debt Service Coverage Ratio	4.6	4.9	5.2	5.5	5.9	6.2	6.6	7.0	7.4	7.9	8.4
Debt payments - Initial	\$1,491,134	\$1,425,559	\$1,362,867	\$1,302,932	\$1,245,633	\$1,190,854	\$1,138,483	\$1,088,416	\$1,040,551	\$994,791	\$951,043
Net Cash Flow before CIP	\$5,402,386	\$5,572,147	\$5,739,770	\$5,905,397	\$6,069,162	\$6,231,197	\$6,391,628	\$6,550,574	\$6,708,153	\$6,864,477	\$7,019,653
Debt payments - CIP	\$2,752,781	\$2,762,273	\$2,771,835	\$2,781,466	\$2,791,167	\$2,800,938	\$2,810,781	\$2,820,696	\$2,830,684	\$2,840,744	\$2,850,877
Cash Funded CIP - Ongoing	\$24,236,466	\$24,204,901	\$24,176,701	\$24,151,739	\$24,129,897	\$24,111,061	\$24,095,120	\$24,081,970	\$24,071,513	\$24,063,652	\$24,058,298
Total Expenses (with Debt & CIP)	\$26,649,604	\$26,649,604	\$26,649,604	\$26,649,604	\$26,649,604	\$26,649,604	\$26,649,604	\$26,649,604	\$26,649,604	\$26,649,604	\$26,649,604
Net Revenue	\$2,649,604	\$2,809,873	\$2,967,936	\$3,123,931	\$3,277,996	\$3,430,259	\$3,580,846	\$3,729,878	\$3,877,469	\$4,023,733	\$4,168,776
CIP Budget	\$2,752,781	\$2,762,273	\$2,771,835	\$2,781,466	\$2,791,167	\$2,800,938	\$2,810,781	\$2,820,696	\$2,830,684	\$2,840,744	\$2,850,877
Available from Cash	\$2,752,781	\$2,762,273	\$2,771,835	\$2,781,466	\$2,791,167	\$2,800,938	\$2,810,781	\$2,820,696	\$2,830,684	\$2,840,744	\$2,850,877
Available from Reserve Fund	(\$2,649,604)	(\$2,809,873)	(\$2,967,936)	(\$3,123,931)	(\$3,277,996)	(\$3,430,259)	(\$3,580,846)	(\$3,729,878)	(\$3,877,469)	(\$4,023,733)	(\$4,168,776)
Reserve Fund Balance	\$16,634,445	\$19,444,318	\$22,412,254	\$25,536,185	\$28,814,181	\$32,244,440	\$35,825,286	\$39,555,163	\$43,432,633	\$47,456,366	\$51,625,141

Appendix F
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars

Option 4 - City Assumption of RWD in 2018 and SPU in 2020, NCWD Assumed in 2020

Revenues	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Rate Revenues (Includes taxes)	\$19,101,409	\$19,172,999	\$19,245,428	\$19,318,706	\$19,392,844	\$19,467,852	\$19,588,292	\$19,709,792	\$19,832,363	\$19,956,016
Wholesale Treatment Revenue (includes taxes)	\$10,436,665	\$10,455,392	\$10,476,177	\$10,496,022	\$10,515,927	\$10,535,892	\$10,555,918	\$10,576,004	\$10,596,152	\$10,616,362
Misc. Revenues	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421
Capital Contributions	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$30,716,213	\$30,807,530	\$30,899,744	\$30,992,868	\$31,086,910	\$31,181,883	\$31,322,349	\$31,463,935	\$31,606,654	\$31,750,517
Expenses										
Wholesale Water Supply/Treatment	\$13,688,303	\$13,673,114	\$13,658,379	\$13,644,094	\$13,630,255	\$13,616,855	\$13,603,893	\$13,591,362	\$13,579,258	\$13,567,578
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358
Materials & Supplies	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343
Employee Benefits	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775
Administrative	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378
State Tax Expense	\$570,943	\$573,805	\$576,702	\$579,633	\$582,599	\$585,601	\$588,639	\$591,713	\$594,825	\$597,974
City of Shoreline Tax Expense (franchise fee)	\$1,769,002	\$1,774,469	\$1,779,989	\$1,785,564	\$1,791,193	\$1,796,879	\$1,802,594	\$1,813,777	\$1,822,327	\$1,830,946
Total Operating Expenses (Before Savings)	\$25,245,103	\$25,238,242	\$25,231,924	\$25,226,145	\$25,220,902	\$25,216,190	\$25,214,680	\$25,213,706	\$25,213,264	\$25,213,352
Direct Utility Unification Savings										
Salaries & Benefits	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)
Administrative & Contracts	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)
Incremental Cost in Shared Services Allocation	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799
Amortization of Capital Items	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)
Total Direct Savings	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)
Total Operating Expenses (After Savings)	\$22,621,300	\$22,614,440	\$22,608,122	\$22,602,343	\$22,597,100	\$22,592,388	\$22,589,878	\$22,589,904	\$22,589,462	\$22,589,550
Net Operating Funds	\$8,094,913	\$8,193,089	\$8,291,622	\$8,390,525	\$8,489,811	\$8,589,495	\$8,731,471	\$8,874,032	\$9,017,192	\$9,160,967
Debt Service Coverage Ratio	2.9	3.1	3.2	3.4	3.5	3.7	3.9	4.1	4.3	4.6
Debt payments - Initial	\$2,780,881	\$2,678,065	\$2,579,771	\$2,485,799	\$2,395,960	\$2,309,968	\$2,227,857	\$2,149,357	\$2,074,309	\$2,002,562
Net Cash Flow before CIP	\$5,314,032	\$5,515,024	\$5,711,851	\$5,904,725	\$6,093,851	\$6,279,527	\$6,503,614	\$6,724,674	\$6,942,883	\$7,158,405
Debt payments - CIP	\$2,690,230	\$2,891,222	\$3,106,122	\$3,329,611	\$3,563,161	\$3,806,878	\$4,061,700	\$4,327,217	\$4,602,227	\$4,886,468
Cash Funded CIP - Ongoing	\$28,092,411	\$28,183,727	\$28,294,015	\$28,417,754	\$28,546,221	\$28,679,234	\$28,816,170	\$28,957,999	\$29,104,778	\$29,256,580
Total Expenses (with Debt & CIP)	\$2,623,802	\$2,623,802	\$2,605,729	\$2,775,114	\$2,940,689	\$3,102,649	\$3,261,179	\$3,416,457	\$3,568,655	\$3,717,937
CIP Budget	\$3,093,322	\$2,891,222	\$3,106,122	\$3,329,611	\$3,563,161	\$3,806,878	\$4,061,700	\$4,327,217	\$4,602,227	\$4,886,468
Available from Cash	\$3,093,322	\$2,891,222	\$3,106,122	\$3,329,611	\$3,563,161	\$3,806,878	\$4,061,700	\$4,327,217	\$4,602,227	\$4,886,468
Available from Reserve Fund	(\$2,623,802)	(\$2,623,802)	(\$2,605,729)	(\$2,775,114)	(\$2,940,689)	(\$3,102,649)	(\$3,261,179)	(\$3,416,457)	(\$3,568,655)	(\$3,717,937)
Reserve Fund Balance	\$9,056,893	\$11,680,695	\$11,662,622	\$14,455,809	\$14,603,311	\$17,558,458	\$17,864,490	\$20,974,915	\$21,433,146	\$24,692,853

**Appendix F
Shoreline Municipal Water Utility - Utility Unification and Efficiency Study
Budget Summary - 2014 Dollars**

Option 4 - City Assumption of RWD in 2018 and SPU in 2020, NCWD Assumed in 2020

Revenues	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Rate Revenues (includes taxes)	\$20,076,759	\$20,188,425	\$20,301,179	\$20,415,037	\$20,530,012	\$20,646,120	\$20,763,376	\$20,881,796	\$21,001,395	\$21,122,190	\$21,244,196
Wholesale Treatment Revenue (includes taxes)	\$10,636,228	\$10,666,781	\$10,697,459	\$10,728,262	\$10,759,191	\$10,790,247	\$10,821,432	\$10,852,747	\$10,884,193	\$10,915,770	\$10,947,481
Misc. Revenues	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421	\$485,421
Capital Contributions	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718	\$692,718
State Tax Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$31,891,126	\$32,033,345	\$32,176,777	\$32,321,437	\$32,467,342	\$32,614,506	\$32,762,948	\$32,912,682	\$33,063,727	\$33,216,099	\$33,369,815
Expenses											
Wholesale Water Supply/Treatment	\$13,554,972	\$13,559,403	\$13,564,196	\$13,569,351	\$13,574,865	\$13,580,738	\$13,586,969	\$13,593,556	\$13,600,499	\$13,607,795	\$13,615,445
Non-Supply O&M	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Labor	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358	\$3,295,358
Materials & Supplies	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343	\$1,295,343
Employee Benefits	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775	\$1,333,775
Administrative	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378	\$3,292,378
State Tax Expense	\$600,975	\$605,386	\$609,846	\$614,355	\$618,913	\$623,522	\$628,181	\$632,893	\$637,657	\$642,474	\$647,345
City of Shoreline Tax Expense (franchise fee)	\$1,839,369	\$1,847,889	\$1,856,482	\$1,865,149	\$1,873,890	\$1,882,706	\$1,891,599	\$1,900,570	\$1,909,620	\$1,918,748	\$1,927,958
Total Operating Expenses (Before Savings)	\$25,212,170	\$25,229,533	\$25,247,379	\$25,265,709	\$25,284,523	\$25,303,821	\$25,323,605	\$25,343,874	\$25,364,629	\$25,385,872	\$25,407,602
Direct Utility Unification Savings											
Salaries & Benefits	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)	(\$1,441,235)
Administrative & Contracts	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)	(\$1,091,000)
Incremental Cost in Shared Services Allocation	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799	\$382,799
Amortization of Capital Items	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)	(\$474,366)
Total Direct Savings	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)	(\$2,623,802)
Total Operating Expenses (After Savings)	\$22,588,368	\$22,605,731	\$22,623,577	\$22,641,907	\$22,660,720	\$22,680,019	\$22,699,802	\$22,720,072	\$22,740,827	\$22,762,069	\$22,783,800
Net Operating Funds	\$9,302,758	\$9,427,614	\$9,553,200	\$9,679,531	\$9,806,621	\$9,934,488	\$10,063,145	\$10,192,611	\$10,322,900	\$10,454,029	\$10,586,016
Debt Service Coverage Ratio	4.8	5.0	5.3	5.5	5.8	6.1	6.4	6.7	7.0	7.3	7.6
Debt payments - Initial	\$1,933,970	\$1,868,394	\$1,805,702	\$1,745,767	\$1,688,468	\$1,633,689	\$1,581,319	\$1,531,252	\$1,483,386	\$1,437,626	\$1,393,878
Net Cash Flow before CIP	\$7,368,788	\$7,559,220	\$7,747,498	\$7,933,763	\$8,118,153	\$8,300,799	\$8,481,827	\$8,661,359	\$8,839,514	\$9,016,404	\$9,192,138
Debt payments - CIP	\$3,506,697	\$3,536,860	\$3,567,076	\$3,597,345	\$3,627,670	\$3,658,052	\$3,688,493	\$3,718,995	\$3,749,557	\$3,780,184	\$3,810,875
Cash Funded CIP - Ongoing	\$28,029,034	\$28,010,985	\$27,996,354	\$27,985,019	\$27,976,859	\$27,971,760	\$27,969,615	\$27,970,318	\$27,973,771	\$27,979,879	\$27,988,553
Total Expenses (with Debt & CIP)	\$3,862,091	\$4,022,360	\$4,180,423	\$4,338,418	\$4,490,483	\$4,642,746	\$4,793,333	\$4,942,365	\$5,089,956	\$5,236,220	\$5,381,263
CIP Budget	\$3,506,697	\$3,536,860	\$3,567,076	\$3,597,345	\$3,627,670	\$3,658,052	\$3,688,493	\$3,718,995	\$3,749,557	\$3,780,184	\$3,810,875
Available from Cash	\$3,506,697	\$3,536,860	\$3,567,076	\$3,597,345	\$3,627,670	\$3,658,052	\$3,688,493	\$3,718,995	\$3,749,557	\$3,780,184	\$3,810,875
Available from Reserve Fund	(\$3,862,091)	(\$4,022,360)	(\$4,180,423)	(\$4,338,418)	(\$4,490,483)	(\$4,642,746)	(\$4,793,333)	(\$4,942,365)	(\$5,089,956)	(\$5,236,220)	(\$5,381,263)
Reserve Fund Balance	\$28,554,944	\$32,577,305	\$36,757,727	\$41,094,146	\$45,584,628	\$50,227,374	\$55,020,707	\$59,963,072	\$65,053,028	\$70,289,248	\$75,670,511



Utility Rates and Charges Assessment Report

Purpose

The purpose of the Utility Rates and Charges Assessment is to present information to help the City Council understand costs of utility service and what impacts these costs might have on economic development. Additionally, this report provides a regional comparison of rates and charges from twenty (20) utility providers. The comparison demonstrates the significant variability in the cost of utility service. Lastly, the assessment presents future policy considerations and how they might relate to economic development.

Utility Rates and Charges Language

Paying for utilities is typically done using a combination of rates and charges. Understanding the vocabulary of utility rates and charges is often difficult and confusing because of similar terms with different meanings, reader unfamiliarity, and cryptic industry jargon. The following provides an introduction to some common terms and their definitions to be used in this report.

Rates

Rates include reoccurring, time-based and commodity usage charges for the utility service provided; i.e., water usage.

Usage Rate. This is the commodity price usually expressed as cost per unit per time (\$/unit/time).

Ready to Serve. This a fixed monthly charge for being connected to the system and is expressed as dollars per month (\$/month). This is sometimes called a meter charge.

Flat Rate. This a fixed price for utility service and is expressed as dollars per time (\$/time).

Charges

Charges are one time fees paid for connections, equipment installation (e.g. water meters), and reimbursement for installed infrastructure.

System Development Charge (SDC). SDCs are one-time charges paid by customers when they apply for a new water or sewer connection (or an increase in the size of an existing connection). SDC's are also known as connection charges, general facility

charges, capacity charges, tap fees, and facility charges. The SDC is the one charge that has the most potential to impact economic development. The SDC can be substantial as it is applied to all new or increased capacity connections.

Installation Charge. This charge pays for installation of equipment such as service lines and meters. These charges are also called connection fees, connection charges, meter installation, equipment fees, etc.

Latecomer Charge. This charge pays for infrastructure installed by others. This charge is also known as a payback charge.

Two other important terms to understand are Customer Classification and Cost of Service Allocation. Utility customers are typically divided into Customer Classifications based on their usage type. The common classifications are: residential, commercial, and industrial. Rates and charges are allocated to each class based on the cost to provide service to them. Allocating costs base on type of service is called Cost of Service Allocation and is fundamental to creating utility rates and charges.

Application of Rates and Charges

The purpose of having rates and charges is to generate revenue to pay for utility operating expenses and capital improvement costs. There are many possible combinations of rates and charges to meet revenue needs; however, finding the right mix for a particular utility depends on its financial policies and the desires of its governing body. The allocation of costs and charges is largely a policy decision with the major driver being equity based on actual cost of service to each customer class. Allocating rates and charges also addresses the impacts new customers have on system capacity. The following describes the common ways rates and charges are applied and allocated to generate revenues.

Rates

The rate component of the utility revenues is usually directed at paying operating expenses. If any is left over then it can be applied to future capital improvement projects that are related to renewal and replacement of existing utility facilities. The key policy questions are:

- How to define rate structures for individual Customer Classifications (cost allocation)?
- How much capital improvement funds should collected using rates?
- Should utility infrastructure depreciation be funded and if so, how much?

Charges

The charge component of utility revenues typically centers on the System Development Charges (SDCs) or Connection Charges. SDCs provide revenue to utilities from new user hook ups to recover costs of existing and future capacity enhancing capital improvements. New customers' use of the existing water or sewer system infrastructure reduces existing capacity and may also lead to the need for construction of new facilities. SDCs provide the means of balancing the cost requirements for new (growth-

related) utility infrastructure between existing customers and new customers. From the economic development perspective keeping this charge as low as possible reduces costs for developers and therefore may make the City more competitive for future development and private investment. However, the tradeoff of this rates and charges methodology would be to push capacity costs into the rates.

A common way SDCs are used is to shelter existing utility customers from the financial impacts of growth; in other words, “growth pays for growth.” While this may work from an economic perspective, unfortunately in the case of construction of new facilities, the burden of paying for new facilities falls mainly on the existing ratepayers in the near term as new customers join the utility gradually over the life of those new facilities. Therefore, considering SDCs as a “buy-in” to the utility system may be better way to think of SDCs.

Some key policy questions regarding System Development Charges are:

- Should SDCs be charged (there is no requirement to charge them)?
- How much of the capital program should be paid for by SDCs?
- What methodology should be used to calculate SDCs?

Rates and Charges Comparison

Comparing rates and charges from other water and sewer utilities provides some idea of the variability in rates and charges and suggests some policy differences between providers. To show this, staff gathered rates and charges information from twenty (20) water and sewer utility providers in the surrounding area.

The following comparison includes two (2) water and sewer customer classes: a residential customer class based on a $\frac{3}{4}$ ” water meter, and a commercial customer class based on 1-1/2” water meter. There are three (3) comparisons for each customer class:

- 1) Water Rates, which compares the commodity costs for within each class (see Figures 1 & 2)
- 2) Connection Charges, which compares water and sewer connection charges (i.e. SDCs) for each class (see Figures 3 & 4)
- 3) New Service Costs, which compares the cost to establish a new service for each class (see Figures 5 & 6).

All three of the comparisons show a high degree of variability between utility providers. An explanation for this is that each utility is responding to unique circumstances driven by their financial policies and fiscal conditions. For example, the City of Kent has very high water SDCs, while Seattle Public Utilities (SPU) has much lower charges (see Figures 3 & 4).

The City of Kent has recently made large investments to improve system capacity and develop new water supplies. As result, Kent is likely putting the burden on new connections to pay for the recent improvements. Kent may also have a strong “growth pays for growth” policy which also support high SDCs. SPU on the other hand is a

mature water system and does not need to make substantial capacity improvements. Therefore, SPU is does not to seek a large portion of its revenues from new connections.

Comparing commercial water SDCs for North City Water District (Shoreline) and SPU (Shoreline) shows North City with a much higher SDC than SPU - \$21,800 and \$3,508 respectively (see Figure 4). The residential water is also higher for North City (see Figure 3). This inequity could be having some economic impact within the City with developers choosing to develop in the SPU service area rather than in North City Water District.

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Residential Water Rates (Bi-Monthly Charge)

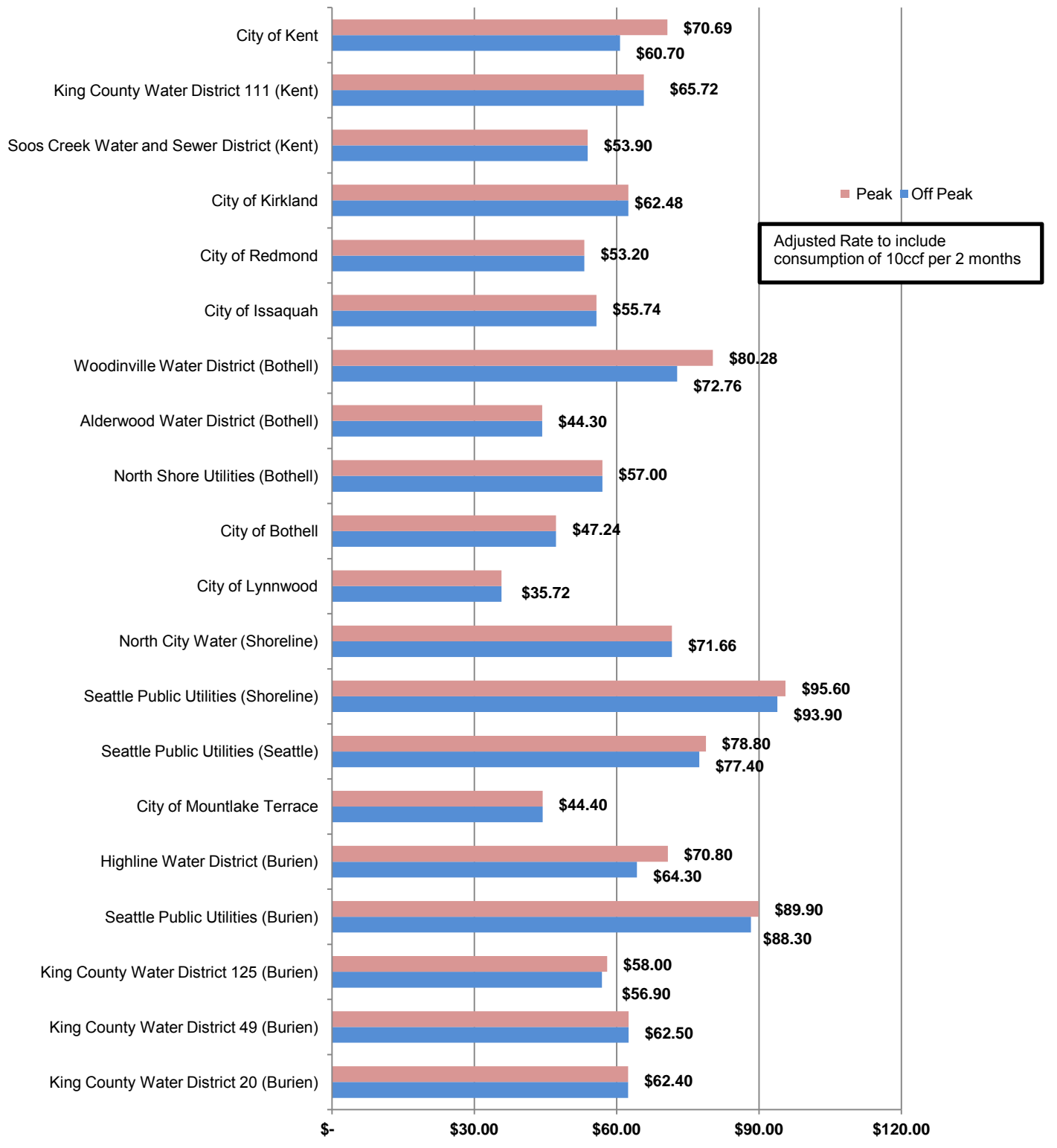


FIGURE 1 - Bi-Monthly Residential Water Rate (Peak and Off Peak)

Commercial Water Rates (Monthly Charge)

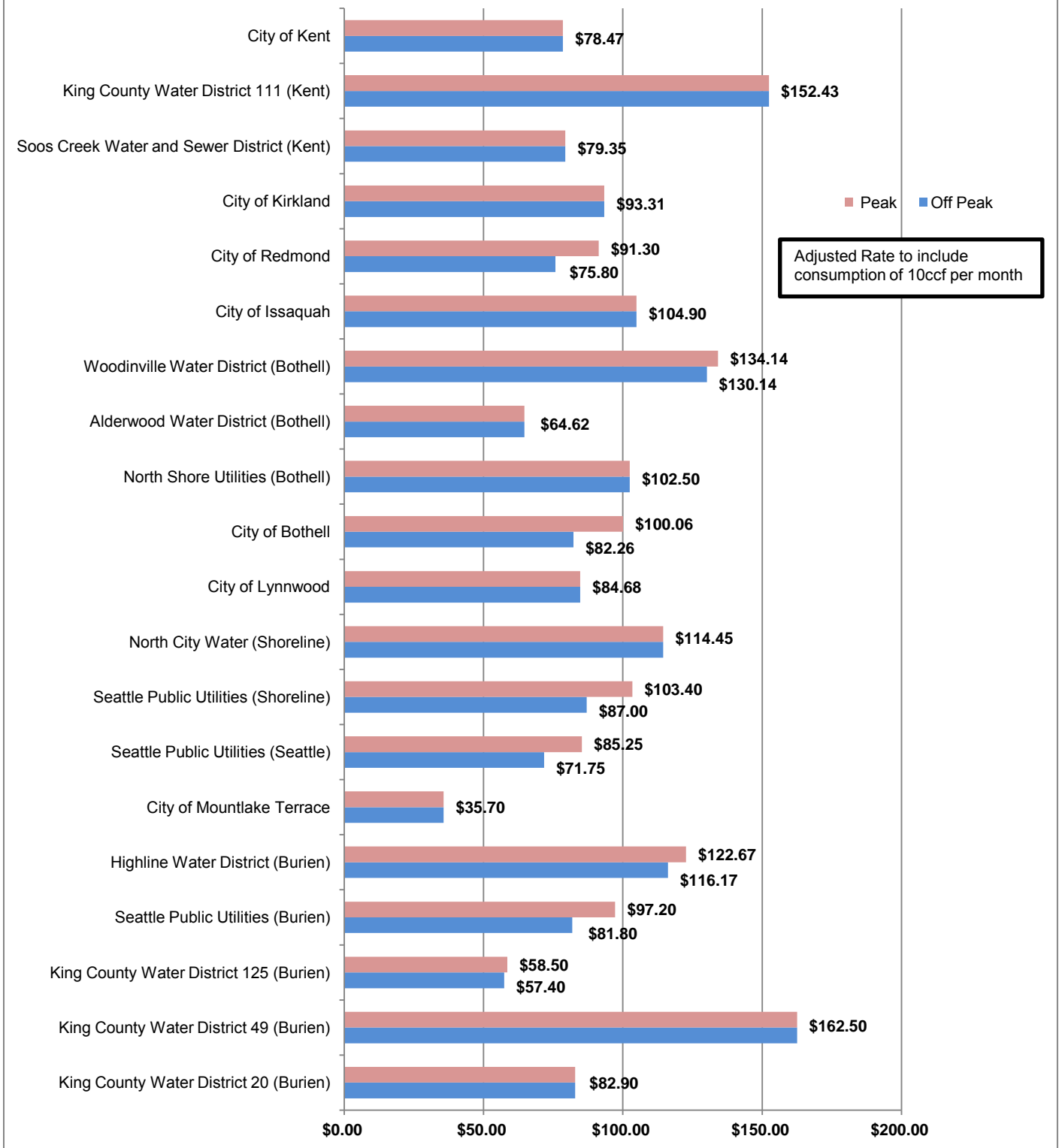
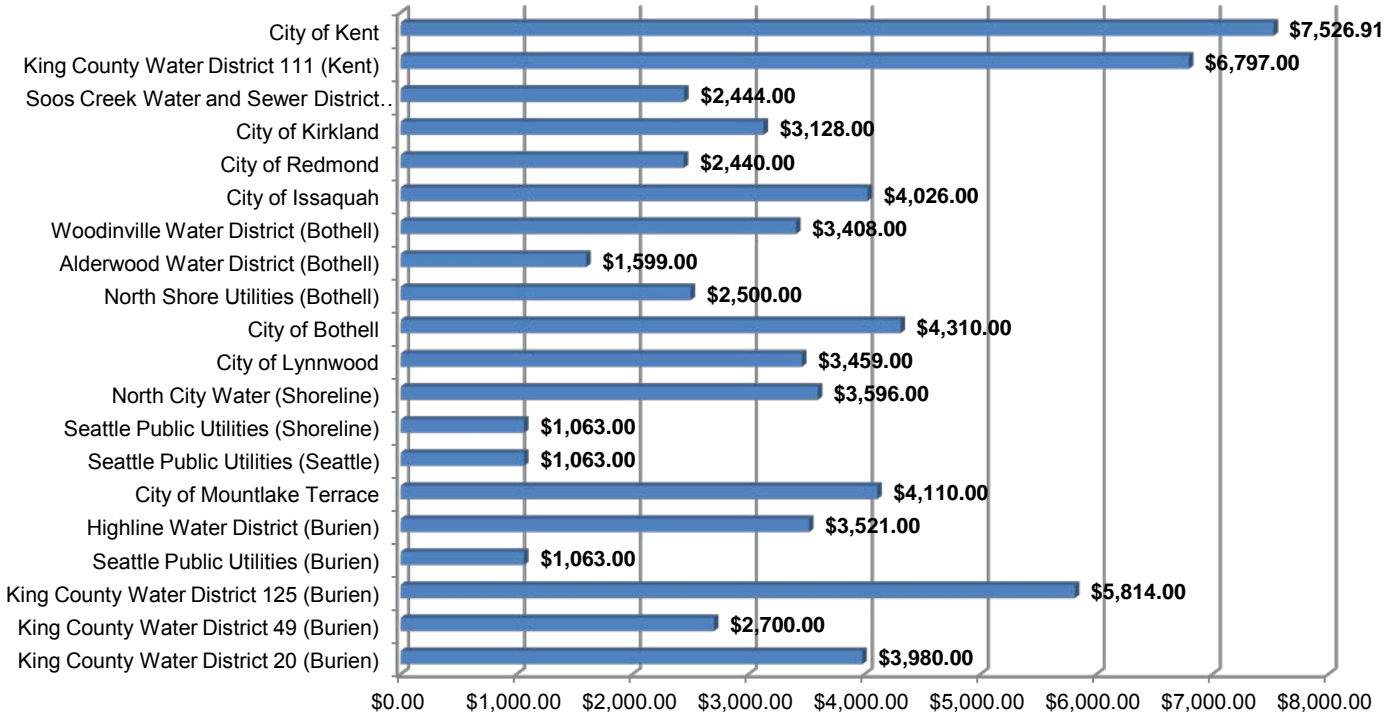
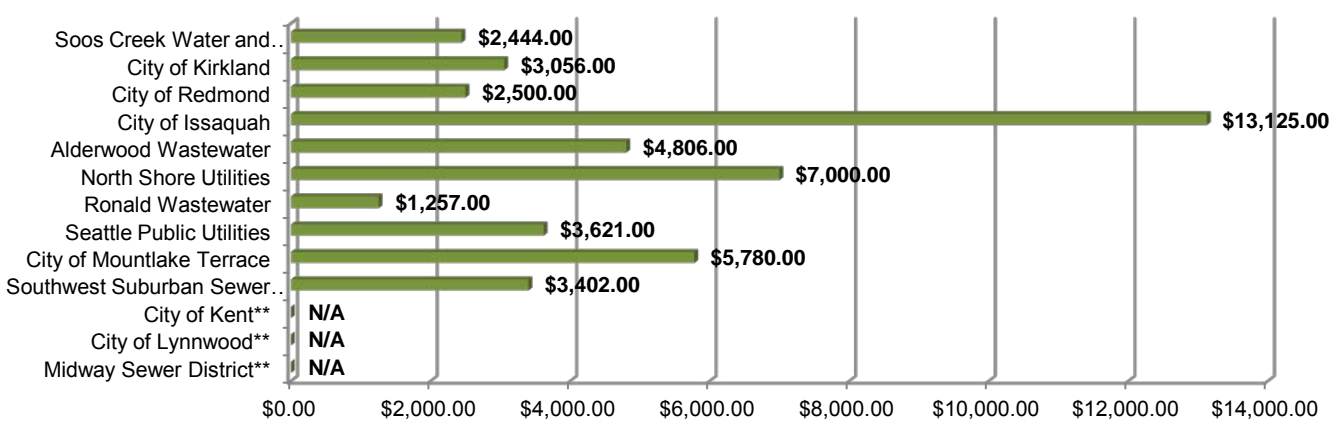


FIGURE 2 - Monthly Commercial Water Rate (Peak and Off Peak)

Residential Water Connection Charge (3/4" Meter)



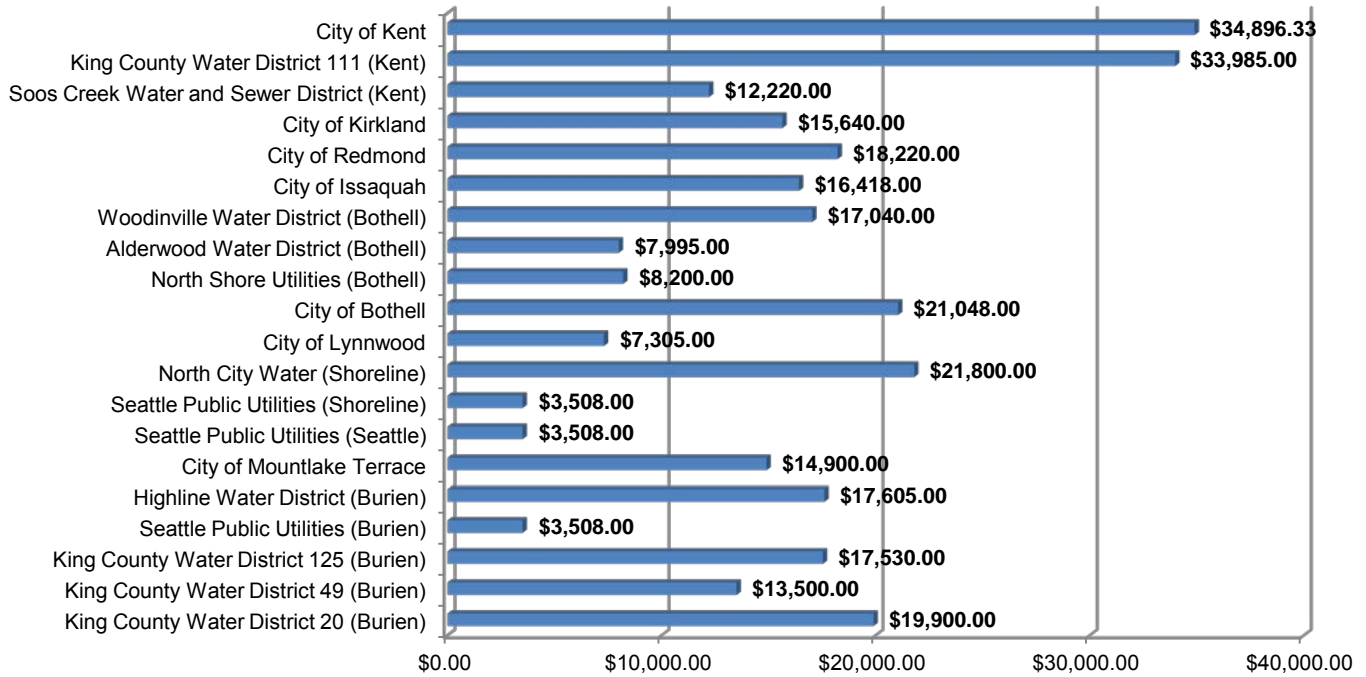
Residential Sewer Connection Charge¹ (3/4" Meter)



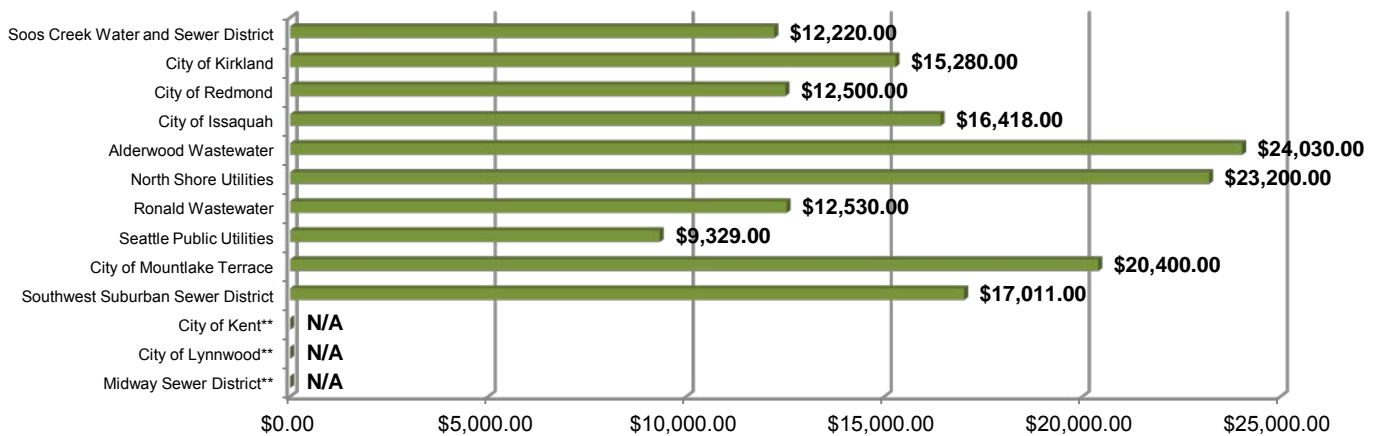
¹Does not include King County System Charge
 **Not directly comparable due to unique charges by the utility

FIGURE 3 - Residential Water and Sewer Connecting Charge Comparison

Commercial Water Connection Charge (1 1/2" Meter)



Commercial Sewer Connection Charge¹ (1 1/2" Meter)

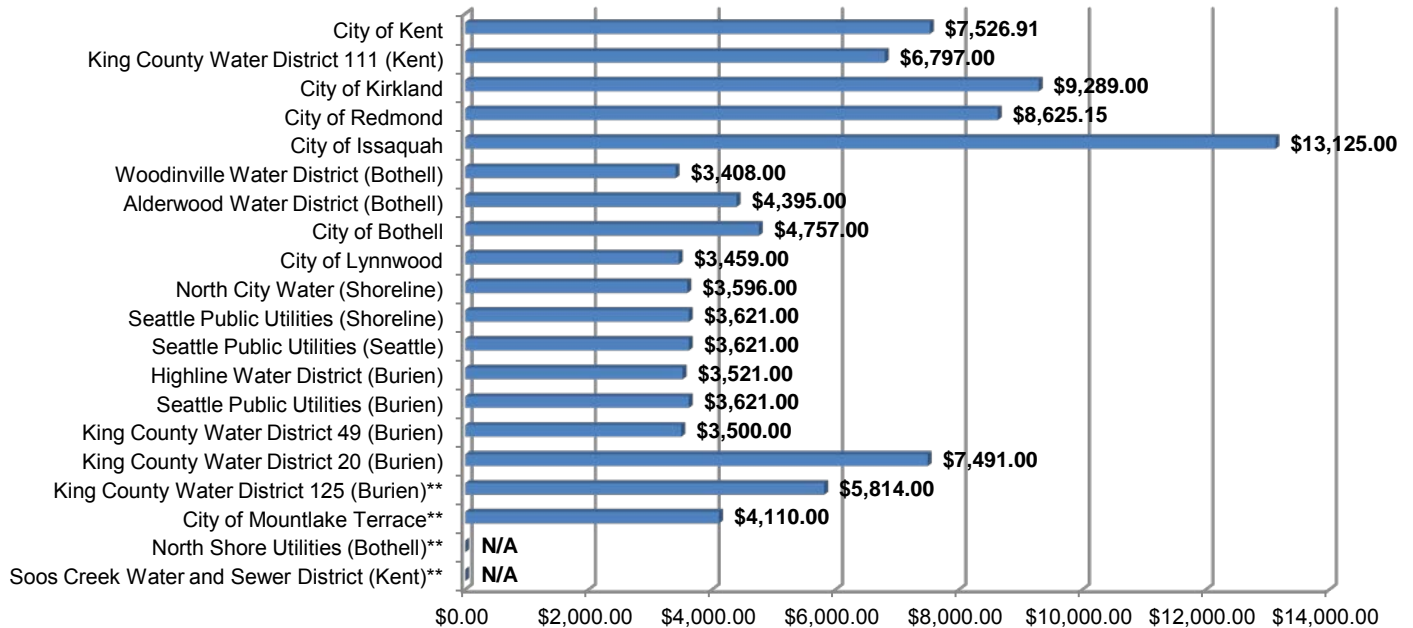


¹Does not include King County System Charge

**Not directly comparable due to unique charges by the utility

FIGURE 4 - Commercial Water and Sewer Connecting Charge Comparison

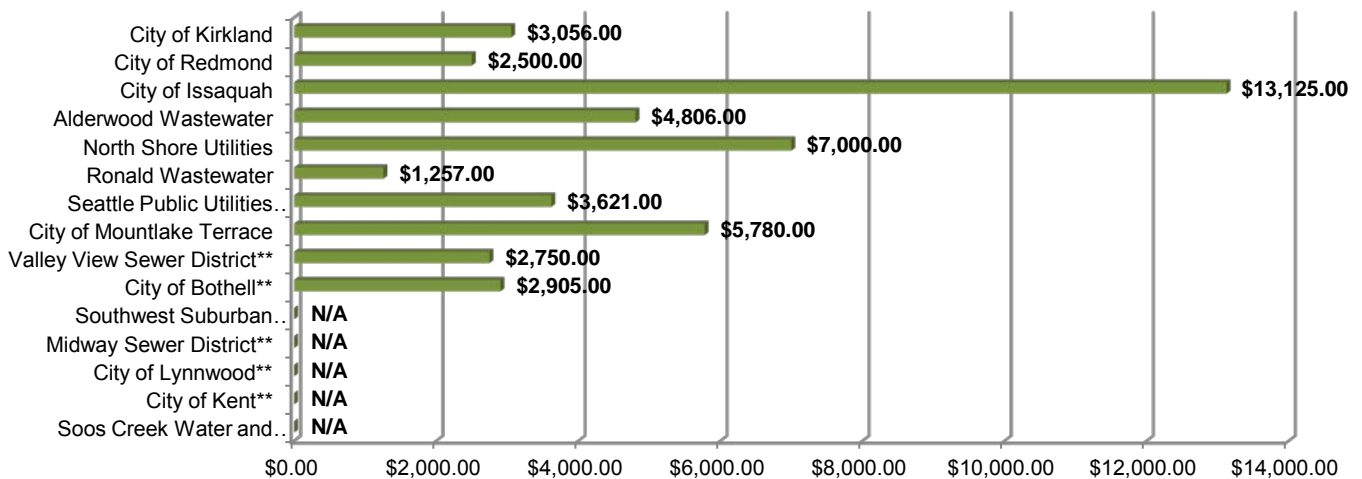
New Residential Service Water Cost¹ (3/4" Meter)



¹Service cost vary for each utility and include base charges, connection fee, meter cost, service tech fee, regional fee, local facility fee, etc.

**Not directly comparable due to unique charges by the utility

New Residential Sewer Service Cost¹ (3/4" Meter)

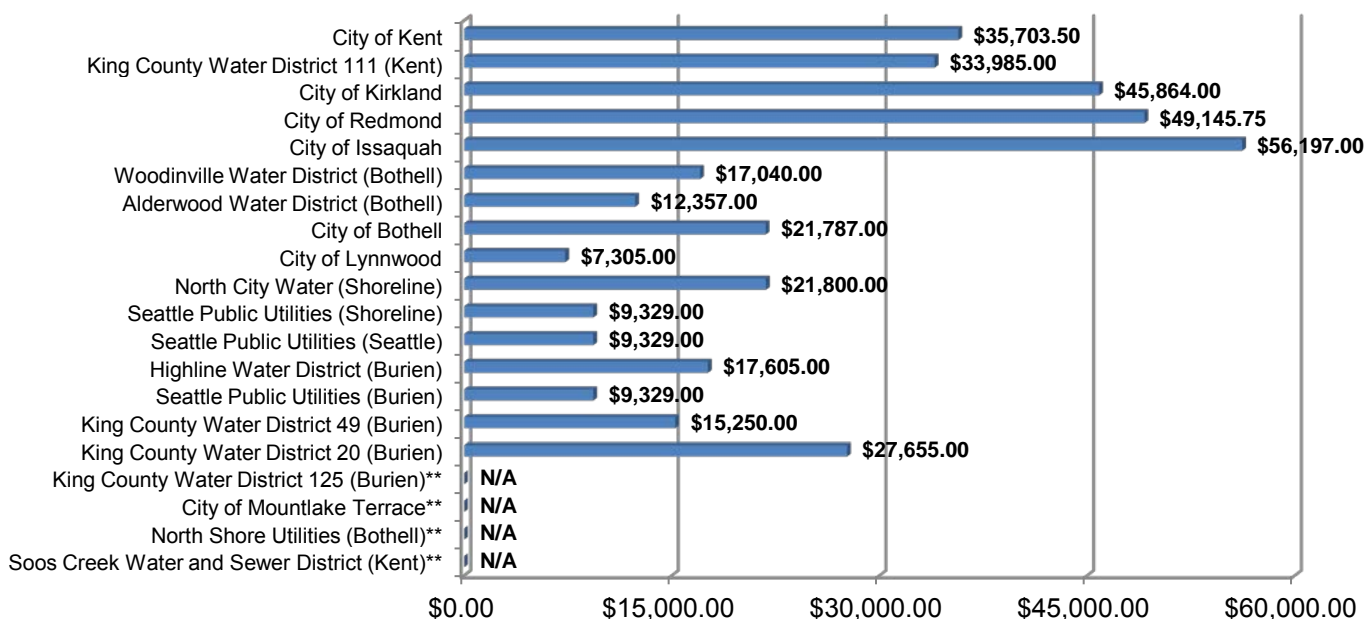


¹Service cost vary for each utility and include base charges, connection fee, meter cost, service tech fee, regional fee, local facility fee, etc.

**Not directly comparable due to unique charges by the utility

FIGURE 5 - New Residential Water and Sewer Service Cost

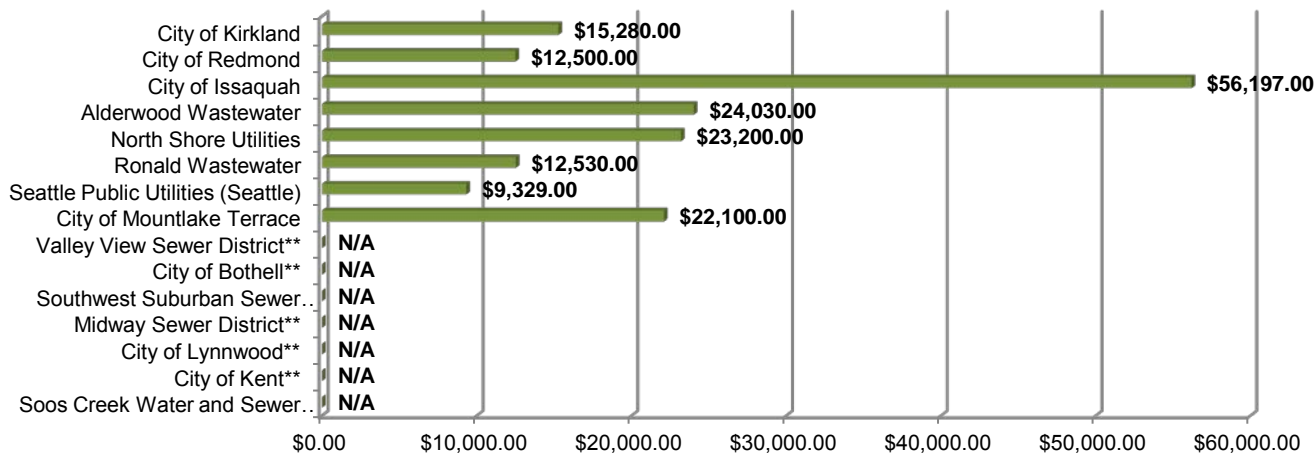
New Commercial Water Service Cost¹ (1 1/2" Meter)



¹Service cost vary for each utility and include base charges, connection fee, meter cost, service tech fee, regional fee, local facility fee, etc.

**Not directly comparable due to unique charges by the utility

New Commercial Sewer Service Cost¹ (1 1/2" Meter)



¹Service cost vary for each utility and include base charges, connection fee, meter cost, service tech fee, regional fee, local facility fee, etc.

**Not directly comparable due to unique charges by the utility

FIGURE 6 - New Commercial Water and Sewer Service Cost

Future Policy Issues

Some future policy issues regarding utility rates and charges are as follows:

- Financial policies should be used to guide the allocation of utility costs between rates and charges and among customer classes. The policy issues facing the City Council when utilities are unified with City operations include:
 - Defining rate structures for individual customer classes to promote equity.
 - Deciding how much of the funds from new connections should contribute to system improvements while balancing economic development needs.
 - Deciding how much capital improvement money should be collected using rates.
- North City Water District connection charges and commercial water rates are higher than SPU in the City of Shoreline. A future policy issue will be how to equalize rates and charges throughout the City. Leveling these utility costs should provide a benefit to economic development in the City.
- Developing utility rates and charges requires detailed analysis of operation expenses and capital improvement needs. The City Council needs to define the financial planning objectives for the future utilities including stable revenue sources, debt coverage limits, and maintaining adequate reserves.

Conclusions

Future utility unification will provide the City Council an opportunity to create utility rates and charges which best reflect community values and the City's goals. However, there will be tradeoffs in four general areas when the Council weighs the policies that will effect these utility rates and charges. They are:

- 1) Keeping rates affordable for City residents.
- 2) Maintaining adequate revenues to support utility operations and capital needs.
- 3) Balancing current utility rate inequities within the City.
- 4) Promoting economic development through minimized SDCs without overburdening existing rate payers.

The City Council's policy making process will be aided by detailed rate comparisons, such as the one contained in this report, and careful analysis of actual utility costs, which will help establish a range of acceptable rates and charges. The Council will then be able to work through various policy options and consider the tradeoffs of each before deciding on the right mix of utility policies for the City.