

City of SeaTac  
Washington

Technical  
Memorandum

**SURFACE  
WATER  
RATE  
UPDATE**

October 2013

CONSULTING SERVICES PROVIDED BY:



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## I - INTRODUCTION

In support of a Surface Water Plan (SWP) update, Herrera Environmental Consultants contracted with Financial Consulting Solutions Group, Inc. (FCS GROUP) to perform a surface water rate update for the City of SeaTac (City). Specific tasks included:

- Developing an estimated revenue requirement and cash flow projection for the next 5 years of capital construction, incorporating:
  - The list of capital projects currently in development by the City.
  - Current financial information including a review of the utility's capital financing status, financial policies and procedures.
  - Key policy issues impacting the utility.
  - Various scenarios integrating asset management and other costs.

Section II of this memorandum focuses on the revenue requirements and presents the approach, the supporting fiscal policies, methods, and assumptions used in the revenue requirements analysis to accomplish these tasks along with the findings and recommendations.

Appendix A includes the detailed spreadsheets supporting the study results.

## II – REVENUE REQUIREMENTS

### A. Approach

The revenue requirements analysis (See Appendix A) forecasts the amount of annual revenue needed from rates. The analysis incorporates operating revenues, operating and maintenance (O&M) expenses, debt service payments, rate funded capital needs, and any other identified revenues or expenses related to utility operations, and determines the sufficiency of the current level of rates. Revenue needs are also impacted by specific fiscal policies and financial goals of the utilities, as described herein.

The analysis determines the amount of revenue needed in a given year to meet that year's expected financial obligations. For this analysis, two revenue sufficiency criteria have been developed to reflect the financial goals and constraints of the utility: (1) cash flow must be met, and (2) revenue bond coverage requirements must be realized. In order to operate successfully with respect to these goals, both tests of revenue sufficiency must be met.

**The cash flow test** identifies all known cash requirements for the utility in each year of the study period. First, capital needs are identified and a capital funding strategy is established. Typically, this may include the use of debt, cash reserves, grants, interfund transfers, and rate funding. Cash requirements *to be funded from rates* are then determined. Typically, these include O&M expenses, debt service, system replacement funding or directly funded capital outlays, and any additions to specified reserve

balances. The total annual cash needs of the utility are then compared to projected cash revenues under current rates.

**The revenue bond coverage test** then assesses the utility’s ongoing ability to satisfy coverage requirements as delineated in any outstanding revenue bonds. The City surface water utility currently has no outstanding debt of any kind. When applicable however, this test takes into consideration the coverage requirement, allowable revenues, and expenses that are considered to be “operational.”

The maximum projected revenue shortfall resulting from these two tests is identified and the rate increases necessary to make up the shortfall are then estimated. The cash flow and revenue bond coverage tests are applied on Pages 9-10 of Appendix A.

## **B. Supporting Fiscal Policies**

In concert with the revenue requirement analysis, fiscal policies are assumed (Appendix A – Pages 2-3) to maintain the long-term financial health and performance of the utility. A brief summary of the key policies incorporated into the revenue requirement analysis is provided below.

### ***System Replacement Funding***

The purpose of a system reinvestment policy is to establish the practices and funds required to complete the replacement of aging system facilities to ensure sustainability of the system for ongoing operations. A common approach of municipal utilities is to incorporate a replacement funding (or equity accumulation) policy. The key components for the City of SeaTac’s system reinvestment include annual depreciation funding and an Asset Management Program. Annual depreciation is a non-cash expense intended to recognize the consumption of utility assets over their useful lives. Collecting annual depreciation expense through rates provides a funding source for those capital expenses related to repair and replacement of existing utility plant-in-service. Further, funding depreciation through rates helps to ensure that existing ratepayers pay for the use of the assets serving them, with the cash flow funding at least a portion of the eventual replacement of those assets.

The targeted depreciation amount is currently set at \$538,000 per year (2% of total assets’ original cost). We have analyzed three options to address system replacement funding, involving various combinations of depreciation funding, implementation of an Asset Management Program, and an emergency contingency balance. The Asset Management Program to be implemented in 2015 involves the staffing and equipment necessary to inventory, assess, and monitor system facilities and estimate resulting replacement costs. This program is intended to provide proactive repair/replacement and in the process, reduce the need for temporary reactive fixes. Various options for system reinvestment are listed and described below (calculations on Appendix A - Page 4; rate impacts on Appendix A - Page 16).

*Option 1: Limited SWP Implementation (Phased depreciation + Asset Management Program)*. A percentage of the targeted depreciation amount would be phased into practice, starting at 25% of full depreciation in 2014 and reaching the full depreciation amount by 2018. Phasing in the depreciation costs will allow

for flexibility within the budget to account for the initial start-up costs of the Asset Management Program. This is the option exercised in the recommended scenario for rate increases (Appendix A – Page 16).

Option 2: Current Plus Emergency Repair (Full depreciation + Emergency Contingency). Starting in 2014, the City would fund 100% of the targeted depreciation amount in the absence of an Asset Management Program. Under this approach, the reinvestment fund must be fully equipped with an emergency contingency (additional 30%) in order to respond reactively to urgent temporary fixes. This option is not recommended as it perpetuates a reactive approach for repair and replacement of the infrastructure.

Option 3: Full Implementation of SWP (Full depreciation + Asset Management Program). Starting in 2014, the City would begin funding 100% of the targeted depreciation amount, while implementing the Asset Management Program to properly monitor system reinvestment. While immediately funding full depreciation is ideal, the start-up costs of the Asset Management Program in 2015 reduce the feasibility of this option. Due to rate impacts, this option is not recommended.

**Reserve Levels** Financial reserves are a necessary and appropriate part of prudent utility management practices. The City maintains separate accounting for an "Operating Fund" and "Capital Fund" in order to distinguish the different "sources" and "uses" of the operating and capital funds.

- Operating Reserves. Operating reserves are designed to provide a liquidity cushion to ensure that adequate cash working capital will be maintained to address significant cash balance fluctuations, such as seasonal fluctuations in billings and receipts, unanticipated cash operating expenses, or lower than expected revenue collections. Target funding levels are generally expressed in number of days' cash operating expenses, with the minimum requirement varying with the expected risk of unanticipated needs.

City of SeaTac surface water rates are based on the amount of developed area on each individual parcel, and are billed *annually* on the King County property tax statement. A majority of these bills are paid in April and October installments. Because the basis of charging changes very little from year to year, the surface water utility generates relatively constant and predictable total rate revenue. Due to the fee's inclusion on the property tax statement, however, it is recommended that the City either (1) begin each year with at least six months (180 days) of cash operating expenses or (2) be prepared to utilize an inter-fund loan (approved by City Council) until the April/October revenue is received. We strongly recommend that this policy is taken into consideration when reviewing and adjusting fiscal policies.

- Capital Contingency Reserves. The capital fund holds grant, loan and bond proceeds, other capital-related revenues, and surplus operating fund balances designated for capital construction and replacement projects. The study assumes that cash from rates for system replacement funding and balances in excess of the

minimum requirements in Operating Fund 403 will be transferred to Capital Fund 406 at year's end and become available for capital use in subsequent years.

A capital contingency reserve is an amount of cash set aside in case of an emergency, should a piece of equipment or a portion of the utility's infrastructure fail unexpectedly. Additionally, the reserve could be used for other unanticipated capital needs, including project cost overruns. These reserves are not intended to cover the costs of system-wide failures resulting from catastrophic events. A more common practice is to carry insurance for such purposes.

There are several ways to set the level of contingency reserves. We recommend that the City maintain a minimum balance equal to 1% of assets (original cost) resulting in a projected reserve level of \$269,000 in 2013. In contrast, the depreciation and Asset Management Program expenses mentioned on Page 3 are ongoing annual expenses.

### **C. Other Key Policy Considerations**

The following policy issues are reflected in the development of revenue requirement scenarios.

- Charging City Streets. The City has historically charged City Streets for surface water utility services at 30% of the rate for comparable developed property. In order to calculate an updated, analytically based, adjustment, FCS GROUP applied the following methodology. City streets provide stormwater conveyance for both the streets themselves and other developed property. It would therefore be reasonable to charge City streets only for their portion of impervious surface area relative to the entire stormwater customer base. City of SeaTac streets currently number an estimated total of 4,911 equivalent residential units (ERUs). Total system ERUs currently number 18,673. Under this approach, City streets would be charged 26.3% of the rate in recognition that the street system is conveying runoff from both streets and other developed property, and other developed property is generating approximately 73.7% of that runoff. Crediting City streets for their role in conveying runoff from other developed property appears to be reasonable using this approach. Details for this analysis are outlined on Page 5 of Appendix A.
- Updating Funding of Existing Positions. City Public Works staff members are generally paid according to the percentage of staff time allocated to the following City departments: the General Fund, the Surface Water Utility Fund and the Street Fund. As a part of the rate analysis, existing positions were evaluated in terms of time contributed to determine if these positions were being funded proportionally. Based on this analysis, reallocation of funding for several positions is recommended in order to correctly align funding sources for these staff positions. If implemented, this adjustment will add \$73,554 (2014\$) to the ongoing utility revenue requirement. This funding adjustment is included in Options 2 and 4 below and detailed calculations are shown in Appendix A, on page 13.
- Fund Accounting. The City currently accounts for operating and capital in separate funds (Fund 403 and Fund 406, respectively). The City may wish to

consider combining these into a single Surface Water Fund with separate operating and capital accounts. This would allow for an easier transfer of any surplus operating revenues to the capital account.

#### **D. Analyses, Findings and Recommendations**

In order to provide the Council with reasonable options for Plan implementation, revenue requirements and resulting rate forecasts were developed for four potential levels of service (Appendix A – Page 16).

1. Current. The current service level is based on the assumption that the rate will not be increased for the study period. The current service level is characterized by reactive maintenance, minimal capital construction, and regulatory non-compliance by the end of the study period. Keeping rates at current levels would result in the absence of additional equipment, staffing, and projects within the Utility.
2. Limited Surface Water Plan Implementation (Recommendation). The limited SWP implementation service level, the recommended option, includes systematic maintenance, cash funding of the “stand-alone” stormwater capital improvement plan, compliance with projected regulatory requirements, and full implementation of an asset management program. It is assumed that annual asset management expenses will reach the level of full depreciation funding in 2018, projected to be approximately \$550,000 in that year. The limited SWP implementation service level also includes the full cost of staff performing stormwater management activities, currently subsidized by other funds.
3. Current plus Emergency Repair. The current plus emergency repair service level includes all of the existing services provided under Option 1 with the addition of full depreciation funding starting in 2014 in addition to an emergency repair fund. Without the necessary asset management program to identify and repair decaying stormwater infrastructure proactively, it is assumed that the City will respond to system failures at a higher cost. This higher cost includes emergency mobilization and potential damages caused by the system failures.
4. Full SWP Implementation. The full implementation service level includes all of the services provided in the limited SWP implementation level, with the addition of the stormwater portion of the transportation improvement plan (debt financed to avoid rate spikes), the addition of a stormwater technician and a public education coordinator, and immediate implementation of the asset management program with full depreciation funding.

To conduct the revenue requirement analyses for each of the optional service levels, the following assumptions were used (Appendix A – Page 2):

- Revenues and O&M expense projections are based on the 2013 budget.
- Customer growth rates are based on City estimates for customer growth of 1.0% per year.

- Annual labor cost (including benefits) general inflation is assume to be 5%, while general cost inflation is assumed at 2.07% per year.
- Capital construction cost inflation is assumed to be 3.16% per year.
- The annual fund earnings rate is assumed to be less than 1% until 2017, increasing to 2% in 2018.

Based on the above descriptions, Exhibit 1 (following) provides a summary of the revenue requirement analysis (see Appendix A, page 1 for details) for the recommended Limited SWP Implementation service level for each year in the planning period. The Capital Funding portion of the table shows total planned capital spending from Fund 406, as well as the source(s) of funding used to meet those expenses. The Revenue Requirements portion of the table summarizes the impact of all utility financial obligations, net of available cash and non-rate revenues, on rates. Recommended rate increases are phased in over five years to minimize the impact to the rate payer, while ensuring funding is in place when needed. The Ending Fund Balances portion of the table shows the forecasted fund balances at the end of each year in the planning period, broken out among operating (working capital), capital, and debt reserves (required by covenants on existing debt).

**Exhibit 1: Summary of Revenue Requirement Analyses  
for Limited SWP Implementation**

CIP Capital Funding - Fund 406	2013	2014	2015	2016	2017	2018
<b>Total Capital Projects</b>	\$ -	\$ 33,013	\$ 267,136	\$ 21,959	\$ 135,924	\$ 35,056
Grants and Developer Donations	-	-	-	-	-	-
Other Debt Proceeds	-	-	-	-	-	-
Revenue Bond Proceeds	-	-	-	-	-	-
Use of Capital Fund Balance	-	33,013	267,136	21,959	135,924	35,056
Direct Rate Funding	-	-	-	-	-	-
<b>Total Funding Sources</b>	\$ -	\$ 33,013	\$ 267,136	\$ 21,959	\$ 135,924	\$ 35,056

Revenue Requirements	2013	2014	2015	2016	2017	2018
<b>Revenues</b>						
Rate Revenues Under Existing Rates	\$ 1,759,276	\$ 1,753,100	\$ 1,773,016	\$ 1,793,222	\$ 1,813,722	\$ 1,834,521
Non-Rate Revenues	9,096	8,740	9,134	15,372	18,762	31,462
<b>Total Revenues</b>	\$ 1,768,372	\$ 1,761,841	\$ 1,782,150	\$ 1,808,594	\$ 1,832,484	\$ 1,865,982
<b>Expenses</b>						
Expenses - Fund 403 & 406	\$ 2,366,207	\$ 1,814,114	\$ 1,827,948	\$ 1,981,981	\$ 1,987,215	\$ 2,018,929
Add'l Salaries & Benefits	-	73,554	77,232	81,093	85,148	89,405
Depreciation & Asset Management	-	134,665	557,677	407,554	552,470	697,066
Existing Debt Service	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-
Rate Funded CIP	-	-	-	-	-	-
<b>Total Expenses</b>	\$ 2,366,207	\$ 2,022,333	\$ 2,462,856	\$ 2,470,628	\$ 2,624,833	\$ 2,805,401
<b>Annual Rate Adjustment</b>	0.00%	20.32%	26.85%	0.00%	4.88%	6.55%
<b>Monthly Rate Per SFR</b>	\$ 6.90	\$ 8.30	\$ 10.53	\$ 10.53	\$ 11.04	\$ 11.77
Rate Revenues After Rate Increase	\$ 1,759,276	\$ 2,017,560	\$ 2,464,088	\$ 2,491,205	\$ 2,618,138	\$ 2,788,245
Net Cash Flow After Rate Increase	(597,835)	(0)	(0)	25,478	(0)	(0)

Ending Fund Balances	2013	2014	2015	2016	2017	2018
Surface Water Fund - Operating (403)	\$ 1,705,230	\$ 1,241,206	\$ 1,241,206	\$ 1,266,685	\$ 1,266,685	\$ 1,266,685
Surface Water Fund - Capital (406)	2,007,873	2,273,552	2,719,914	3,279,152	3,884,906	4,784,268
Debt Reserve Fund	-	-	-	-	-	-
<b>Total</b>	\$ 3,713,102	\$ 3,514,759	\$ 3,961,120	\$ 4,545,837	\$ 5,151,591	\$ 6,050,953
<i>Combined Minimum Target Balance</i>	\$ 1,435,896	\$ 1,200,235	\$ 1,211,542	\$ 1,289,628	\$ 1,295,568	\$ 1,313,658

**Capital Projects and Funding Sources** The utility had over \$1.4 million in its capital fund at the beginning of 2013. The City also compiled a list of capital projects that would be built in the coming years. The total cost of the utility's proposed stormwater capital improvement program is close to \$693,000 in 2013 dollars. The City plans to implement the proposed CIP starting in 2014.

Because of the healthy cash position of the operating and capital funds, the utility should have enough available cash to pay for these projected capital needs without seeking external funding. In 2014 and beyond, it is projected that the utility's rate strategy will need to be reevaluated in order to meet the utility's financial obligations.



**Rate Revenue Requirements** With rates held constant in 2013, the utility budgeted for approximately \$1.76 million in rate revenues and \$2.37 million in O&M expenses (including interfund transfers). The City started 2013 with approximately \$2.58 million in its operating fund, but this will be reduced substantially by the projected 2013 budget deficit (in regards to the net position of Fund 403 and Fund 406).

Projected rates for 2014 and 2018 are shown for each of the four optional service levels below and in Appendix A - Page 16. It is important to note that the SWP full implementation service level reflects the assumption that City streets will be charged the full surface water rate. In the other three service level options, it is assumed that City streets will be charged 26.3% of the rate.

**Recommendations** The Limited SWP Implementation level of service and corresponding series of rate increases is an attempt to balance the urgent needs of the surface water program and the impacts of potential rate increases on the customer base. The Limited SWP Implementation service level provides asset management, necessary system replacement funding (albeit phased), and the additional staffing and equipment required to comply with anticipated regulations. While it would be ideal to start full depreciation of assets as soon as possible, the impact on surface water rates would be substantial (See below and in Appendix A – Page 16).

After 2018, we recommend that the City adjust rates each year to keep pace with inflation. There are two indices that together would provide a reasonable annual adjustment, the *Engineering News Record* Construction Cost Index (20-City Average) and the Consumer Price Index. In the absence of a detailed analysis of program costs, it would be reasonable to use the average of the two indices as the basis of an annual rate adjustment. Had the City practiced such a policy since that last rate increase in 1999, no more than an inflationary increase would be needed for 2014.

**City of SeaTac**  
**Surface Water Management Utility**  
**Council Scenario Analysis**

	Rate in 2014	Rate in 2018	Maintenance/Staffing	Capital	Regulatory Compliance	System Replacement
<b>Current Rates</b>	\$ 6.90	\$ 6.90	<ul style="list-style-type: none"> <li>Maintain existing programs</li> <li>No equipment for LID</li> <li>Understaffed to meet future NPDES requirements</li> </ul>	<ul style="list-style-type: none"> <li>Urgent needs only</li> <li>Minimal capital - no additional funding</li> <li>Bandaid fixes</li> <li>Unable to fund large capital projects w/o assistance</li> </ul>	<ul style="list-style-type: none"> <li>Short-term compliance</li> <li>Long-term non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>Unfunded depreciation</li> <li>No Asset Management program</li> <li>Primarily Reactive - wait for failures to occur</li> </ul>
<b>Limited SWP Implementation (recommendation)</b>	\$ 8.30	\$ 11.77	<ul style="list-style-type: none"> <li>Systematic maintenance</li> <li>Necessary equipment</li> <li>Minimum necessary staffing</li> <li>Staffing reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>Fully funds SWCIP including repair and replacement</li> </ul>	<ul style="list-style-type: none"> <li>Compliant with forecasted permitting requirements</li> </ul>	<ul style="list-style-type: none"> <li>Phased depreciation funding to reach full depreciation in 2018</li> <li>Proactive Asset Management program</li> </ul>
<b>Current Plus Emergency Repair</b>	\$ 10.57	\$ 11.18	<ul style="list-style-type: none"> <li>Maintain existing programs</li> <li>No equipment for LID</li> <li>Understaffed to meet future NPDES requirements</li> </ul>	<ul style="list-style-type: none"> <li>Primarily reactive - waiting for failures</li> <li>Funding available for repair &amp; replacement</li> <li>Additional costs - damages &amp; emergency response</li> </ul>	<ul style="list-style-type: none"> <li>Short-term compliance</li> <li>Long-term non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>Full depreciation funding starting in 2014</li> <li>Emergency contingency in place for repair and replacement</li> </ul>
<b>Full Implementation of SWP</b>	\$ 8.89	\$ 15.20	<ul style="list-style-type: none"> <li>Systematic maintenance</li> <li>Necessary equipment</li> <li>Min. necessary staffing + Technician + Public Education Coordinator</li> <li>Staffing reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>Fully funds SWCIP</li> <li>Fund SW portion of the TIP</li> <li>Assumes debt financing</li> </ul>	<ul style="list-style-type: none"> <li>Compliant with forecasted permitting requirements</li> </ul>	<ul style="list-style-type: none"> <li>Full depreciation funding starting in 2014</li> <li>Proactive Asset Management Program</li> </ul>

# City of SeaTac

## Surface Water Management Utility

### Summary

CIP Capital Funding - Fund 406	2013	2014	2015	2016	2017	2018
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Revenue Bond Proceeds	-	-	-	-	-	-
Use of Capital Fund Balance	-	33,013	267,136	21,959	135,924	35,056
Direct Rate Funding	-	-	-	-	-	-
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**City of SeaTac**  
**Surface Water Management Utility**  
**Assumptions**

<b>Economic &amp; Financial Factors</b>		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	General Cost Inflation	2.07%	2.07%	2.07%	2.07%	2.07%	2.07%	2.07%	2.07%	2.07%	2.07%	2.07%
2	Labor Cost Inflation	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
3	Customer Growth	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
4	Construction Cost Inflation	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%	3.16%
5	General Inflation plus Growth	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%
6	Escalation Included	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
7	No Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
8	Fund Earnings	0.12%	0.15%	0.25%	0.75%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
<b>State B&amp;O Tax</b>		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

  

<b>Customer Information</b>		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>ADJUSTED CUSTOMER GROWTH (ERUs)</b>												
	All Customer Classes	19,946	20,145	20,347	20,550	20,756	20,963	21,173	21,385	21,599	21,815	22,033
	All Customer Classes Net of Port ERUs	14,596	14,688	14,780	14,873	14,965	15,056	21,173	21,385	21,599	21,815	22,033
<b>EXISTING RATES</b>												
	1 ERU = 3,000 sq. ft. of impervious area											
	Residential:	\$	82.80									
		\$	6.90									

**City of SeaTac**  
**Surface Water Management Utility**  
**Assumptions**

<b>Accounting Assumptions</b>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>403/406 Surface Water Management Funds</b>											
Beginning Operating Fund Balance [a]	\$ 2,580,089	\$ 1,826,939									
406 Beginning Capital Fund Balance [a]	1,436,884	1,436,920									
Restricted Balance for Existing Bond Reserves											
<b>403 FISCAL POLICY RESTRICTIONS</b>											
Minimum Working Capital (days of O&M expense)	180	180	180	180	180	180	180	180	180	180	180
Maximum Working Capital (days of O&M expense)	240	240	240	240	240	240	240	240	240	240	240
Minimum Capital Fund Balance - % of plant assets	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Use of Cash Reserves to Meet Annual Obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXTERNAL FUNDING</b>											
Annual Amount of Interfund Assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Repayment of Interfund Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

[a] Beginning Operating and Capital Fund Cash Balances are citing actual data for available cash balances.

<b>Capital Financing Assumptions</b>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>GRANTS</b>											
Proceeds Anticipated (to 406)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds Anticipated (to 403)	149,368										
<b>CAPITAL FACILITIES REVENUES</b>											
Capital Facilities Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>REVENUE BONDS</b>											
Term (years)	20	20	20	20	20	20	20	20	20	20	20
Interest Cost	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Issuance Cost	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
<b>GENERAL OBLIGATION BONDS [a]</b>											
Term (years)	20	20	20	20	20	20	20	20	20	20	20
Interest Cost	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Issuance Cost	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
<b>STATE LOAN</b>											
Term (years)	20	20	20	20	20	20	20	20	20	20	20
Interest Cost	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

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

**City of SeaTac**  
**Surface Water Management Utility**  
**Assumptions**

Scenario Analysis		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>ADDITIONAL STAFFING</b>												
Select % Staffing Implemented		Less Noted Staff										
Option 1:	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Option 2:	Less Noted Staff	-	73,554	77,232	81,093	85,148	89,405	247,935	260,331	273,348	287,015	301,366
Option 3:	100%	-	73,554	175,190	183,950	193,147	202,805	367,004	385,354	404,622	424,853	446,095
Annual Cost (Inflation Inc.)		\$ -	\$ 73,554	\$ 77,232	\$ 81,093	\$ 85,148	\$ 89,405	\$ 247,935	\$ 260,331	\$ 273,348	\$ 287,015	\$ 301,366
<b>PHASED DEPRECIATION &amp; ASSET MANAGEMENT</b>												
Select Depreciation Option:		PHASED + AM										
Do Not Fund Depreciation or Asset Management	NONE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Phased Depreciation + Asset Management Program	PHASED + AM	-	134,665	557,677	407,554	552,470	697,066	710,313	718,146	726,371	735,007	744,075
Phased Depreciation + Contingency Reserve	PHASED + 30%	-	175,065	176,801	353,887	533,482	712,220	719,743	719,743	719,743	719,743	719,743
Full Depreciation	FULL	538,000	538,660	544,003	544,442	547,161	547,862	553,648	553,648	553,648	553,648	553,648
Full Depreciation + Asset Management Program	FULL + AM	538,000	538,660	965,679	679,775	689,260	697,066	710,313	718,146	726,371	735,007	744,075
Full Depreciation + Contingency Reserve	FULL + 30%	699,400	700,258	707,204	707,775	711,309	712,220	719,743	719,743	719,743	719,743	719,743
Depreciation Amount:		\$ -	\$ 134,665	\$ 557,677	\$ 407,554	\$ 552,470	\$ 697,066	\$ 710,313	\$ 718,146	\$ 726,371	\$ 735,007	\$ 744,075
<b>Depreciation Calculations</b>												
Assets Value	\$ 26,900,000											
% of Assets to Depreciate:	2%											
Contingency:	30%											
Asset Management Program:	-	-	421,676	135,333	142,099	149,204	156,665	164,498	172,723	181,359	190,427	
Full Depreciation (no Contingency)	\$ 538,000	\$ 538,660	\$ 544,003	\$ 544,442	\$ 547,161	\$ 547,862	\$ 553,648	\$ 553,648	\$ 553,648	\$ 553,648	\$ 553,648	\$ 553,648
Full Depreciation (inc. Contingency)	699,400	700,258	707,204	707,775	711,309	712,220	719,743	719,743	719,743	719,743	719,743	719,743
Phased Implementation (% of Target)	0%	25%	25%	50%	75%	100%	100%	100%	100%	100%	100%	100%
Phased Depreciation (no Contingency)	-	134,665	136,001	272,221	410,370	547,862	553,648	553,648	553,648	553,648	553,648	553,648
Phased Depreciation (inc. Contingency)	-	175,065	176,801	353,887	533,482	712,220	719,743	719,743	719,743	719,743	719,743	719,743

**City of SeaTac**  
**Surface Water Management Utility**  
**Assumptions**

Scenario Analysis		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>FUNDING OF FUTURE SW TIP PROJECTS</b>												
Select Capital Option [a]:	<b>SW CIP</b>											
Fund SW CIP Stand-alone and TIP	<b>SW CIP + TIP</b>	Calculated on CIP page										
Fund SW CIP Stand-alone	<b>SW CIP</b>	Calculated on CIP page										
[a] Reminder: Make sure selection is consistent with City Streets rate												
<b>PORT INDEPENDENCE SCENARIOS (Port Leaves @ Beg. Of Year)</b>												
Select Year of Port Independence	<b>NEVER</b>											
Constant Port Bill:	\$ <b>443,000</b>											
Increase Starting in 2014:	<b>2.00%</b>											
<b>Port Revenues</b>	<b>2014</b>	443,000	-	-	-	-	-	-	-	-	-	-
	<b>2015</b>	443,000	451,860	-	-	-	-	-	-	-	-	-
	<b>2016</b>	443,000	451,860	460,897	-	-	-	-	-	-	-	-
	<b>2017</b>	443,000	451,860	460,897	470,115	-	-	-	-	-	-	-
	<b>2018</b>	443,000	451,860	460,897	470,115	479,517	-	-	-	-	-	-
	<b>2019</b>	443,000	451,860	460,897	470,115	479,517	489,107	-	-	-	-	-
	<b>2020</b>	443,000	451,860	460,897	470,115	479,517	489,107	498,890	-	-	-	-
	<b>2021</b>	443,000	451,860	460,897	470,115	479,517	489,107	498,890	508,867	-	-	-
	<b>2022</b>	443,000	451,860	460,897	470,115	479,517	489,107	498,890	508,867	519,045	-	-
	<b>2023</b>	443,000	451,860	460,897	470,115	479,517	489,107	498,890	508,867	519,045	529,426	-
	<b>NEVER</b>	443,000	451,860	460,897	470,115	479,517	489,107	498,890	508,867	519,045	529,426	540,014
<b>Annual Port Revenue (2013\$)</b>		\$ 443,000	\$ 451,860	\$ 460,897	\$ 470,115	\$ 479,517	\$ 489,107	\$ 498,890	\$ 508,867	\$ 519,045	\$ 529,426	\$ 540,014
<b>CITY STREETS SWM BILL CALCULATION</b>												
		Annual Amount Billed	Annual Rate per ERU	# of ERUs	% of Total ERUs							
City Streets	\$	406,667	\$ 82.80	4,911	26.30%							
Other Storm Fees (less Port)	\$	1,139,431	\$ 82.80	13,761	73.70%							
Select Rate Charged to City Streets in 2014:	<b>26.30%</b>											
Total Amount Billed (2013\$)		\$ 406,667	\$ 406,667	\$ 406,667	\$ 406,667	\$ 406,667	\$ 406,667	\$ 406,667	\$ 406,667	\$ 406,667	\$ 406,667	\$ 406,667
Option 1: Exempt Bill	<b>EXEMPT</b>	-	-	-	-	-	-	-	-	-	-	-
Option 2: Calculated	<b>26.30%</b>	122,000	106,965	106,965	106,965	106,965	106,965	106,965	106,965	106,965	106,965	106,965
Option 3: Full (SW now responsible for TIP%)	<b>FULL</b>	406,667	406,667	406,667	406,667	406,667	406,667	406,667	406,667	406,667	406,667	406,667
<b>Amount Billed (2013\$)</b>		\$ 122,000	\$ 106,965	\$ 106,965	\$ 106,965	\$ 106,965	\$ 106,965	\$ 106,965	\$ 106,965	\$ 106,965	\$ 106,965	\$ 106,965

**City of SeaTac**  
**Surface Water Management Utility**  
**Operating Revenue and Expense Forecast**

			Budget	Budget	Projection	Projection	Projection	Projection
		FORECAST BASIS	2013	2014	2015	2016	2017	2018
<b>Revenues</b>								
<b>Rate Revenues</b>								
Storm Drainage Fees and Charges (less Port)	3	Customer Growth	\$ 1,087,886	\$ 1,087,886	\$ 1,098,765	\$ 1,109,753	\$ 1,120,850	\$ 1,132,059
WSDOT SWM Fees	7	No Growth	37,276	37,276	37,276	37,276	37,276	37,276
City Street SWM Fees	-	CALCULATED	122,000	106,965	106,965	106,965	106,965	106,965
Port of Seattle Other Properties	7	No Growth	69,114	69,114	69,114	69,114	69,114	69,114
<b>Total Rate Revenue</b>			<b>1,316,276</b>	<b>1,301,241</b>	<b>1,312,119</b>	<b>1,323,107</b>	<b>1,334,205</b>	<b>1,345,413</b>
<b>Non-Rate Revenues</b>								
Port of Seattle ILA	-	Max 2% per Year	\$ 443,000	\$ 451,860	\$ 460,897	\$ 470,115	\$ 479,517	\$ 489,107
Investment Interest - Fund 403	-	CALCULATED	3,096	2,740	3,103	9,309	12,667	25,334
Other Misc. Revenues	7	No Growth	4,500	4,500	4,500	4,500	4,500	4,500
Fund 111 Transfer In	1	General Cost Inflation	1,500	1,500	1,531	1,563	1,595	1,628
Grant Proceeds Anticipated (to 403)	7	No Growth	149,368	-	-	-	-	-
<b>Total Non-rate revenues</b>			<b>601,464</b>	<b>460,600</b>	<b>470,031</b>	<b>485,487</b>	<b>498,279</b>	<b>520,569</b>
<b>TOTAL REVENUE</b>			<b>\$ 1,917,740</b>	<b>\$ 1,761,841</b>	<b>\$ 1,782,150</b>	<b>\$ 1,808,594</b>	<b>\$ 1,832,484</b>	<b>\$ 1,865,982</b>

			2013	2014	2015	2016	2017	2018
		FORECAST BASIS	2013	2014	2015	2016	2017	2018
<b>Expenses</b>								
<b>Excise Tax</b>								
Excise Tax (B&O)		B&O Tax Rate	\$ 26,526	\$ 26,428	\$ 26,732	\$ 27,129	\$ 27,487	\$ 27,990
<b>Operation and Maintenance</b>								
Salaries and Wages	2	Labor Cost Inflation	\$ 752,000	\$ 767,000	\$ 805,350	\$ 845,618	\$ 887,898	\$ 932,293
Add'l Salaries & Benefits	-	[STAFFING]	-	73,554	77,232	81,093	85,148	89,405
Equipment	-	[EQUIPMENT]	-	258	-	92,882	34,553	-
Fees Related to NPDES Permit	-	[OTHER EXPENSES]	-	25,373	26,144	26,558	26,994	27,451
Neighborhood Feasibility Study	-	[OTHER EXPENSES]	-	45,000	-	-	-	-
Supplies	1	General Cost Inflation	40,820	35,320	36,051	36,797	37,559	38,336
Other Services and Charges	1	General Cost Inflation	436,620	422,780	431,531	440,464	449,581	458,887
Intergovernmental Services	1	General Cost Inflation	29,041	29,041	29,642	30,256	30,882	31,521
Capital Outlay - SWM Equip	1	General Cost Inflation	625,000	-	-	-	-	-
Capital Outlay - Spot Drainage Improvement	1	General Cost Inflation	200,000	200,000	204,140	208,366	212,679	217,081
<b>Total Operation and Maintenance</b>			<b>\$ 2,083,481</b>	<b>\$ 1,598,326</b>	<b>\$ 1,610,090</b>	<b>\$ 1,762,034</b>	<b>\$ 1,765,294</b>	<b>\$ 1,794,976</b>
<b>Interfund Payments</b>								
Transfer Out/Fund #001 Adm Costs	1	General Cost Inflation	\$ 113,328	\$ 115,823	\$ 118,220	\$ 120,668	\$ 123,165	\$ 125,715
Transfer Out/Fund #406 DMC Basin O&M	1	General Cost Inflation	142,872	147,092	150,137	153,244	156,417	159,654
<b>Total Interfund Payments</b>			<b>\$ 256,200</b>	<b>\$ 262,915</b>	<b>\$ 268,357</b>	<b>\$ 273,912</b>	<b>\$ 279,582</b>	<b>\$ 285,369</b>
<b>Total Cash O&amp;M Expenses</b>			<b>\$ 2,366,207</b>	<b>\$ 1,887,668</b>	<b>\$ 1,905,180</b>	<b>\$ 2,063,075</b>	<b>\$ 2,072,363</b>	<b>\$ 2,108,335</b>
Reported Depreciation Expense (not used)								
Depreciation Expense [a]		Calc'd from [Assumptions] and [CIP]	\$ 99,077	\$ 99,737	\$ 105,080	\$ 105,519	\$ 108,238	\$ 108,939
<b>Total Expenses</b>			<b>\$ 2,465,284</b>	<b>\$ 1,987,405</b>	<b>\$ 2,010,260</b>	<b>\$ 2,168,594</b>	<b>\$ 2,180,601</b>	<b>\$ 2,217,273</b>

[a] Depreciation is a non-cash expense





**City of SeaTac**  
**Surface Water Management Utility**  
**Capital Funding Analysis**

Summary of Expense	2013	2014	2015	2016	2017	2018
<b>SURFACE WATER CAPITAL PROJECTS</b>						
Improvement Upgrades	\$ -	\$ 33,013	\$ 267,136	\$ 21,959	\$ 135,924	\$ 35,056
Expansions	-	-	-	-	-	-
Repairs and Replacements	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENSES</b>	<b>\$ -</b>	<b>\$ 33,013</b>	<b>\$ 267,136</b>	<b>\$ 21,959</b>	<b>\$ 135,924</b>	<b>\$ 35,056</b>

Capital Financing Plan	2013	2014	2015	2016	2017	2018
<b>PROJECT-SPECIFIC FUNDING SOURCES</b>						
Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G.O. Bonds	-	-	-	-	-	-
Tax-Supported G.O. Bonds	-	-	-	-	-	-
Developer Donations	-	-	-	-	-	-
Total Project-Specific Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unfunded Capital Expenses	-	33,013	267,136	21,959	135,924	35,056
<b>OTHER FUNDING SOURCES [NOTE A]</b>						
Grants and Developer Contributions	-	-	-	-	-	-
State Loan Proceeds	-	-	-	-	-	-
Capital Fund Balance	-	33,013	267,136	21,959	135,924	35,056
Revenue Bond Proceeds [Note B]	-	-	-	-	-	-
Rates	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 33,013</b>	<b>\$ 267,136</b>	<b>\$ 21,959</b>	<b>\$ 135,924</b>	<b>\$ 35,056</b>
<b>TOTAL CAPITAL RESOURCES</b>	<b>\$ -</b>	<b>\$ 33,013</b>	<b>\$ 267,136</b>	<b>\$ 21,959</b>	<b>\$ 135,924</b>	<b>\$ 35,056</b>

**NOTE A: SELECTION OF RESIDUAL CAPITAL FUNDING SOURCE**

Select the Residual Funding Source  Revenue Bond Proceeds  
 1 - Revenue Bond Proceeds  
 2 - Rates

**NOTE B: USER INPUT FOR REVENUE BOND PROCEEDS**

Calculated by the Model  
 1 - Amounts at Right ==> \$ - \$ - \$ - \$ - \$ - \$ -  
 2 - Calculated by the Model

<b>Unfunded Capital Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
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**City of SeaTac**  
**Surface Water Management Utility**  
**Revenue Requirements Analysis**

Cash Flow Sufficiency Test	2013	2014	2015	2016	2017	2018
<b>EXPENSES</b>						
Cash Operating Expenses	\$ 2,366,207	\$ 1,887,668	\$ 1,905,180	\$ 2,063,075	\$ 2,072,363	\$ 2,108,335
Existing Debt Service	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-
Interfund Loan Repayment (to other funds)	-	-	-	-	-	-
Rate-Funded Capital Improvement Program	-	-	-	-	-	-
System Repair/Replacement	-	134,665	557,677	407,554	552,470	697,066
Additions Required to Meet Minimum Working Capital	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 2,366,207</b>	<b>\$ 2,022,333</b>	<b>\$ 2,462,856</b>	<b>\$ 2,470,628</b>	<b>\$ 2,624,833</b>	<b>\$ 2,805,401</b>
<b>REVENUES</b>						
Utility Sales	\$ 1,316,276	\$ 1,301,241	\$ 1,312,119	\$ 1,323,107	\$ 1,334,205	\$ 1,345,413
Port of Seattle ILA	443,000	451,860	460,897	470,115	479,517	489,107
Operating and Bond Reserve Fund Interest Earnings	3,096	2,740	3,103	9,309	12,667	25,334
Other Interest Earnings	4,500	4,500	4,500	4,500	4,500	4,500
Interfund Resources	1,500	1,500	1,531	1,563	1,595	1,628
Use of Reserves	-	-	-	-	-	-
<b>Total Revenue</b>	<b>\$ 1,768,372</b>	<b>\$ 1,761,841</b>	<b>\$ 1,782,150</b>	<b>\$ 1,808,594</b>	<b>\$ 1,832,484</b>	<b>\$ 1,865,982</b>
<b>CASH TEST REVENUE DEFICIENCY (SURPLUS)</b>	<b>\$ 597,835</b>	<b>\$ 260,493</b>	<b>\$ 680,706</b>	<b>\$ 662,035</b>	<b>\$ 792,350</b>	<b>\$ 939,418</b>

Coverage Sufficiency Test	2013	2014	2015	2016	2017	2018
<b>EXPENSES</b>						
Cash Operating Expenses	\$ 2,366,207	\$ 1,887,668	\$ 1,905,180	\$ 2,063,075	\$ 2,072,363	\$ 2,108,335
Revenue Bond Debt Service	-	-	-	-	-	-
Revenue Bond Coverage Requirement:	5	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 2,366,207</b>	<b>\$ 1,887,668</b>	<b>\$ 1,905,180</b>	<b>\$ 2,063,075</b>	<b>\$ 2,072,363</b>	<b>\$ 2,108,335</b>
<b>ALLOWABLE REVENUES</b>						
Utility Revenue	\$ 1,316,276	\$ 1,301,241	\$ 1,312,119	\$ 1,323,107	\$ 1,334,205	\$ 1,345,413
Port of Seattle ILA	443,000	451,860	460,897	470,115	479,517	489,107
Interest Earnings - All Funds	4,820	4,896	8,787	29,708	45,458	103,032
<b>Total Revenue</b>	<b>\$ 1,764,096</b>	<b>\$ 1,757,996</b>	<b>\$ 1,781,803</b>	<b>\$ 1,822,930</b>	<b>\$ 1,859,180</b>	<b>\$ 1,937,552</b>
	n/a	n/a	n/a	n/a	n/a	n/a
<b>COVERAGE TEST REVENUE DEFICIENCY (SURPLUS)</b>	<b>\$ 602,111</b>	<b>\$ 129,672</b>	<b>\$ 123,376</b>	<b>\$ 240,144</b>	<b>\$ 213,183</b>	<b>\$ 170,782</b>

Rate Increase Required	2013	2014	2015	2016	2017	2018
Maximum Deficiency From Tests	\$ 602,111	\$ 260,493	\$ 680,706	\$ 662,035	\$ 792,350	\$ 939,418
Net Revenue From Prior Rate Increases	-	-	263,098	687,513	694,388	800,273
<b>Revenue Deficiency</b>	<b>\$ 602,111</b>	<b>\$ 260,493</b>	<b>\$ 417,608</b>	<b>\$ -</b>	<b>\$ 97,962</b>	<b>\$ 139,145</b>
Plus: Adjustment for State B&O Tax	9,169	3,967	6,360	-	1,492	2,119
<b>Total Revenue Deficiency</b>	<b>\$ 611,280</b>	<b>\$ 264,459</b>	<b>\$ 423,968</b>	<b>\$ -</b>	<b>\$ 99,453</b>	<b>\$ 141,264</b>
Rate Revenue Before Rate Increase (Incl. previous increases)	\$ 1,316,276	\$ 1,301,241	\$ 1,579,224	\$ 2,021,090	\$ 2,039,167	\$ 2,157,873
<b>Required Annual Rate Increase</b>	<b>46.44%</b>	<b>20.32%</b>	<b>26.85%</b>	<b>0.00%</b>	<b>4.88%</b>	<b>6.55%</b>
Number of Months New Rates Will Be In Effect	12	12	12	12	12	12
<i>Info: Percentage Increase to Generate Required Revenue</i>	46.44%	20.32%	26.85%	0.00%	4.88%	6.55%
<b>Policy Induced Rate Increases</b>	<b>0.00%</b>					
<b>ANNUAL RATE INCREASE</b>	<b>0.00%</b>	<b>20.32%</b>	<b>26.85%</b>	<b>0.00%</b>	<b>4.88%</b>	<b>6.55%</b>
<b>CUMULATIVE RATE INCREASE</b>	<b>0.00%</b>	<b>20.32%</b>	<b>52.63%</b>	<b>52.63%</b>	<b>60.07%</b>	<b>70.55%</b>

**City of SeaTac**  
**Surface Water Management Utility**  
**Revenue Requirements Analysis**

Impacts of Rate Increases	2013	2014	2015	2016	2017	2018
Full Year Rate Revenues After Rate Increase	\$ 1,316,276	\$ 1,565,700	\$ 2,002,641	\$ 2,019,411	\$ 2,135,665	\$ 2,294,592
Net Cash Flow After Rate Increase	(597,835)	(0)	(0)	25,478	(0)	(0)
Coverage Realized After Rate Increase	n/a	n/a	n/a	n/a	n/a	n/a
<b>RESULTING ANNUAL RATE - \$/RESIDENTIAL PARCEL</b>	<b>\$ 82.80</b>	<b>\$ 99.63</b>	<b>\$ 126.37</b>	<b>\$ 126.37</b>	<b>\$ 132.54</b>	<b>\$ 141.21</b>
<b>RESULTING MONTHLY RATE - \$/RESIDENTIAL PARCEL</b>	<b>\$ 6.90</b>	<b>\$ 8.30</b>	<b>\$ 10.53</b>	<b>\$ 10.53</b>	<b>\$ 11.04</b>	<b>\$ 11.77</b>
RESULTING ANNUAL RATE - \$/VL ACRE	\$ 49.50	\$ 59.56	\$ 75.55	\$ 75.55	\$ 79.23	\$ 84.42
RESULTING ANNUAL RATE - \$/L ACRE	\$ 168.50	\$ 202.75	\$ 257.18	\$ 257.18	\$ 269.72	\$ 287.38
RESULTING ANNUAL RATE - \$/M ACRE	\$ 349.00	\$ 419.93	\$ 532.67	\$ 532.67	\$ 558.65	\$ 595.22
RESULTING ANNUAL RATE - \$/MH ACRE	\$ 674.00	\$ 810.98	\$ 1,028.70	\$ 1,028.70	\$ 1,078.87	\$ 1,149.50
RESULTING ANNUAL RATE - \$/H ACRE	\$ 855.00	\$ 1,028.77	\$ 1,304.96	\$ 1,304.96	\$ 1,368.60	\$ 1,458.20
RESULTING ANNUAL RATE - \$/VH ACRE	\$ 1,120.00	\$ 1,347.62	\$ 1,709.42	\$ 1,709.42	\$ 1,792.79	\$ 1,910.15

	2013	2014	2015	2016	2017	2018
<b>Projected Rate Revenues w/o Any Rate Increase</b>	<b>\$ 1,316,276</b>	<b>\$ 1,301,241</b>	<b>\$ 1,312,119</b>	<b>\$ 1,323,107</b>	<b>\$ 1,334,205</b>	<b>\$ 1,345,413</b>
Additional Revenues From 2013 Rate Increase	-	-	-	-	-	-
Additional Revenues From 2014 Rate Increase	-	264,459	267,104	269,775	272,473	275,198
Additional Revenues From 2015 Rate Increase	-	-	423,968	428,208	432,490	436,815
Additional Revenues From 2016 Rate Increase	-	-	-	-	-	-
Additional Revenues From 2017 Rate Increase	-	-	-	-	99,453	100,448
Additional Revenues From 2018 Rate Increase	-	-	-	-	-	141,264
<b>Total Additional Revenues From Rate Increases</b>	<b>\$ -</b>	<b>\$ 264,459</b>	<b>\$ 691,072</b>	<b>\$ 697,983</b>	<b>\$ 804,416</b>	<b>\$ 953,724</b>
<b>EFFECTIVE RATE REVENUES AFTER RATE INCREASE</b>	<b>\$ 1,316,276</b>	<b>\$ 1,565,700</b>	<b>\$ 2,003,191</b>	<b>\$ 2,021,090</b>	<b>\$ 2,138,621</b>	<b>\$ 2,299,137</b>

**Additional State Excise Taxes**

Additional State B&O Taxes From 2013 Rate Increase	-	-	-	-	-	-
Additional State B&O Taxes From 2014 Rate Increase	-	3,967	4,007	4,047	4,087	4,128
Additional State B&O Taxes From 2015 Rate Increase	-	-	6,360	6,423	6,487	6,552
Additional State B&O Taxes From 2016 Rate Increase	-	-	-	-	-	-
Additional State B&O Taxes From 2017 Rate Increase	-	-	-	-	1,492	1,507
Additional State B&O Taxes From 2018 Rate Increase	-	-	-	-	-	2,119
<b>Total Additional State Excise taxes From Rate Increases</b>	<b>\$ -</b>	<b>\$ 3,967</b>	<b>\$ 10,366</b>	<b>\$ 10,470</b>	<b>\$ 12,066</b>	<b>\$ 14,306</b>

**Memorandum Items:**

Annual Growth Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
State B&O Tax Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

**City of SeaTac**  
**Surface Water Management Utility**  
**Fund Activity**

<b>Fund Activity</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>SURFACE WATER FUND - OPERATING (403)</b>						
Beginning Balance	\$ 2,580,089	\$ 1,826,939	\$ 1,241,206	\$ 1,241,206	\$ 1,266,685	\$ 1,266,685
plus: Net Cash Flow after Rate Increase	(597,835)	(0)	(0)	25,478	(0)	(0)
plus: Grant Proceeds	149,368	-	-	-	-	-
less: Transfer of Surplus to Capital Reserve	<u>(426,392)</u>	<u>(585,733)</u>	-	-	-	-
Ending Balance	\$ 1,705,230	\$ 1,241,206	\$ 1,241,206	\$ 1,266,685	\$ 1,266,685	\$ 1,266,685
<i>Minimum Working Capital</i>	1,166,896	930,905	939,541	1,017,407	1,021,987	1,039,727
<i>Maximum Working Capital</i>	1,555,862	1,241,206	1,252,721	1,356,542	1,362,650	1,386,302
<i>Days of Cash O&amp;M (Working Capital) Realized</i>	263	240	238	224	223	219
<b>SURFACE WATER FUND - CAPITAL (406)</b>						
Beginning Balance	\$ 1,436,884	\$ 1,436,920	\$ 2,273,552	\$ 2,719,914	\$ 3,279,152	\$ 3,884,906
plus: Depreciation Funding	-	134,665	557,677	407,554	552,470	697,066
plus: Fund 403 Transfers in	142,872	147,092	150,137	153,244	156,417	159,654
plus: Developer Donations	-	-	-	-	-	-
plus: Capital Facilities Charges	-	-	-	-	-	-
plus: Grant Proceeds	-	-	-	-	-	-
plus: Net Debt Proceeds Available for Projects	-	-	-	-	-	-
plus: Interest Earnings	1,724	2,155	5,684	20,399	32,792	77,698
plus: Transfer of Surplus from Operating Fund	426,392	585,733	-	-	-	-
less: Taxes - B&O	-	-	-	-	-	-
less: Capital Fund Expenses	<u>-</u>	<u>(33,013)</u>	<u>(267,136)</u>	<u>(21,959)</u>	<u>(135,924)</u>	<u>(35,056)</u>
Ending Balance	\$ 2,007,873	\$ 2,273,552	\$ 2,719,914	\$ 3,279,152	\$ 3,884,906	\$ 4,784,268
<i>Target Minimum Balance</i>	\$ 269,000	\$ 269,330	\$ 272,001	\$ 272,221	\$ 273,580	\$ 273,931
<b>BOND RESERVE</b>						
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
plus: Reserve Funding from New Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
less: Debt Reserve to Pay Final Annual Payment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Minimum Reserve Balance</i>	-	-	-	-	-	-

**City of SeaTac**  
**Surface Water Utility Rate Study**  
**Reference**

Historical Consumer Price Index [a]																
Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Avg.	% Mar - % Mar	% Annual Avg	
2005	191	192	193	195	194	195	195	196	199	199	198	197	195		3.40%	
2006	198	199	200	202	203	203	204	204	203	202	202	202	202	3.36%	3.20%	
2007	202	203	205	207	208	208	208	208	208	209	210	210	207	2.78%	2.85%	
2008	211	212	214	215	217	219	220	219	219	217	212	210	215	3.98%	3.84%	
2009	211	212	213	213	214	216	215	216	216	216	216	216	215	-0.38%	-0.36%	
2010	217	217	218	218	218	218	218	218	218	219	219	219	218	2.31%	1.64%	
2011	220	221	223	225	226	226	226	227	227	226	226	226	225	2.68%	3.16%	
2012	227	228	229	230	230	229	229	230	231	231	230	230	230	2.65%	2.07%	
2013	230	232	233													

**Five Year Average**  
**2.07%**

[a] U.S. City Average

Construction Cost Index [b]														
Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Average	
2002	6,462	6,462	6,502	6,480	6,512	6,532	6,605	6,592	6,589	6,579	6,578	6,563	6,538	
2003	6,581	6,640	6,627	6,635	6,642	6,694	6,696	6,733	6,741	6,771	6,794	6,782	6,695	
2004	6,825	6,861	6,957	7,017	7,064	7,109	7,126	7,188	7,298	7,314	7,312	7,308	7,115	
2005	7,297	7,298	7,309	7,355	7,398	7,415	7,422	7,479	7,540	7,563	7,630	7,647	7,446	
2006	7,660	7,689	7,692	7,695	7,691	7,700	7,721	7,723	7,763	7,883	7,911	7,888	7,751	
2007	7,880	7,880	7,856	7,856	7,942	7,939	7,959	8,007	8,050	8,045	8,092	8,089	7,966	
2008	8,090	8,094	8,109	8,112	8,141	8,185	8,293	8,362	8,557	8,623	8,602	8,551	8,310	
2009	8,549	8,533	8,534	8,528	8,574	8,578	8,566	8,564	8,586	8,596	8,592	8,641	8,570	
2010	8,660	8,672	8,671	8,677	8,761	8,805	8,865	8,858	8,857	8,921	8,951	8,952	8,804	
2011	8,938	8,998	9,011	9,027	9,035	9,053	9,080	9,088	9,116	9,147	9,173	9,172	9,070	
2012	9,176	9,198	9,268	9,273	9,290	9,291	9,324	9,351	9,341	9,376	9,398	9,412	9,308	
2013	9,437	9,453	9,456											

  

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Average
2003	1.84%	2.75%	1.92%	2.39%	2.00%	2.48%	1.38%	2.14%	2.31%	2.92%	3.28%	3.34%	2.40%
2004	3.71%	3.33%	4.98%	5.76%	6.35%	6.20%	6.42%	6.76%	8.26%	8.02%	7.62%	7.76%	6.28%
2005	6.92%	6.37%	5.06%	4.82%	4.73%	4.30%	4.15%	4.05%	3.32%	3.40%	4.35%	4.64%	4.65%
2006	4.97%	5.36%	5.24%	4.62%	3.96%	3.84%	4.03%	3.26%	2.96%	4.23%	3.68%	3.15%	4.10%
2007	2.87%	2.48%	2.13%	2.09%	3.26%	3.10%	3.08%	3.68%	3.70%	2.06%	2.29%	2.55%	2.77%
2008	2.66%	2.72%	3.22%	3.26%	2.51%	3.10%	4.20%	4.43%	6.30%	7.18%	6.31%	5.72%	4.31%
2009	5.67%	5.42%	5.24%	5.13%	5.32%	4.80%	3.29%	2.41%	0.34%	-0.31%	-0.12%	1.05%	3.13%
2010	1.30%	1.63%	1.61%	1.74%	2.18%	2.64%	3.49%	3.44%	3.16%	3.77%	4.18%	3.60%	2.73%
2011	3.21%	3.76%	3.92%	4.04%	3.12%	2.81%	2.43%	2.60%	2.92%	2.54%	2.49%	2.45%	3.02%
2012	2.66%	2.23%	2.85%	2.72%	2.82%	2.64%	2.68%	2.89%	2.47%	2.50%	2.45%	2.62%	2.63%
2013	2.85%	2.77%	2.03%										

**5-Year Average**  
**3.16%**

[b] ENR CCI

**City of SeaTac**  
**Surface Water Management Utility**  
**Staffing Reconciliation**

Table A-1. Future staffing costs to support the City of SeaTac Surface Water Utility.

Position	2013 Salary Rate (w/o benefits)	Benefits Markup	Salary & Benefits	% of time	Short-term (5-year)					Long-term (5- to 10-year)					Notes
					2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
<b>Add Funding for Current Staff Supporting Surface Water Utility</b>															
Public Works Director	146,376	31%	\$ 191,753	25	50,335	52,852	55,494	58,269	61,183	64,242	67,454	70,826	74,368	78,086	Actual salary rate provided by City
PW Admin Assistant II	65,592	34%	87,893	10	9,229	9,690	10,175	10,683	11,218	11,779	12,367	12,986	13,635	14,317	Actual salary rate provided by City
Seasonal Workers	\$13/hour	N/A	N/A	30	7,240	7,602	7,982	8,381	8,800	9,240	9,702	10,187	10,697	11,232	Based on 2013 Salary Schedule in 2013-2014 Biennial Budget
<b>0.65 staff</b>															
<b>Shift Funding for Current Staff Supporting Surface Water Utility</b>															
PW Maintenance Supervisor	91,560	36%	\$ 124,522	10	13,075	13,729	14,415	15,136	15,892	16,687	17,521	18,398	19,317	20,283	Actual salary rate provided by City
PW Maintenance Admin Assistant II	45,288	33%	\$ 60,233	-10	(6,324)	(6,641)	(6,973)	(7,321)	(7,687)	(8,072)	(8,475)	(8,899)	(9,344)	(9,811)	Actual salary rate provided by City
<b>0.0 staff</b>															
<b>New Staff Supporting Surface Water Utility (Short-term and Long-term)</b>															
Surface Water Public Education Coordinator	69,000	34%	\$ 92,192	50	-	50,821	53,362	56,030	58,831	61,773	64,861	68,105	71,510	75,085	Based on 2013 Salary Schedule in 2013-2014 Biennial Budget, keep in full implementation scenario and remove in other scenarios
Stormwater Technician	64,000	34%	\$ 85,511	50	-	47,138	49,495	51,970	54,568	57,297	60,161	63,169	66,328	69,644	Based on 2013 Salary Schedule in 2013-2014 Biennial Budget, keep in full implementation scenario and remove in other scenarios
<b>1.0 staff</b>															
<b>New Staff Supporting Surface Water Utility (Long-term)</b>															
Seasonal Workers	\$13/hour	N/A	N/A	70	-	-	-	-	-	21,561	22,639	23,770	24,959	26,207	Based on 2013 Salary Schedule in 2013-2014 Biennial Budget
Civil Engineer 1	74,000	34%	\$ 98,872	100	-	-	-	-	-	132,498	139,123	146,079	153,383	161,052	Based on 2013 Salary Schedule in 2013-2014 Biennial Budget
<b>1.7 staff</b>															
<b>Total</b>					\$ 73,554	\$ 175,190	\$ 183,950	\$ 193,147	\$ 202,805	\$ 367,004	\$ 385,354	\$ 404,622	\$ 424,853	\$ 446,095	
<b>New Staff Supporting Asset Management Program (See Other Expenses tab)</b>															
Stormwater Specialist	86,000	34%	\$ 114,906	100	-	126,683	133,018	139,668	146,652	153,984	161,684	169,768	178,256	187,169	Based on 2013 Salary Schedule in 2013-2014 Biennial Budget
				Inflation rate adjustment (5% on labor costs)	1.00	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63

**City of SeaTac**  
**Surface Water Management Utility**  
**Additional Equipment**

Table A-2. Future equipment costs to support the City of SeaTac Surface Water Utility.

Type of Equipment	2013 Cost	Year of Purchase	Short-term (5-year)					Long-term (5- to 10-year)					Notes
			2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Permeable pavement sweeper/pressure washer for cleaning sidewalks	85,000	2016	-	-	92,882	-	-	-	-	-	-	-	Estimated cost of permeable pavement sweeper equipment (based on the Green Machine)
Infiltration testing equipment for permeable pavement	250	2014	258	-	-	-	-	-	-	-	-	-	Includes three 5-gallon buckets, 12-inch diameter PVC pipe, and plumber's putty
Soil monitoring equipment for private facility maintenance inspections	700	2017	-	-	-	788	-	-	-	-	-	-	Includes T-handle core sampler, soil probe, soil auger, and soil nutrient test kit
Mini excavator for bioretention facility maintenance	30,000	2017	-	-	-	33,765	-	-	-	-	-	-	Based on an average cost for a new or used mini excavator
[Extra]	-		-	-	-	-	-	-	-	-	-	-	CCTV van (includes video equipment, computers, and data acquisition software)
<b>Total</b>			<b>\$ 258</b>	<b>\$ -</b>	<b>\$ 92,882</b>	<b>\$ 34,553</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Inflation rate adjustment (3% on general costs)		1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34	



**City of SeaTac**  
**Surface Water Management Utility**  
**Other Expenses**

**Table A-3. Other costs to support the City of SeaTac Surface Water Utility.**

	2014	Short-term (5-year)				2019	Long-term (5- to 10-year)				Notes
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
<b>Fees Related to the NPDES Permit</b>											
Regional Stormwater Monitoring Program (RSMP) fee	17,852	17,852	17,852	17,852	17,852	18,745	18,745	18,745	18,745	18,745	Fee is constant and is due in August of each year starting in 2014; fee for the 2018-2022 NPDES permit is currently unknown, but estimated at a 5% increase above the 2013-2018 NPDES permit
NPDES Permit fee	7,521	8,292	8,706	9,142	9,599	10,079	10,583	11,112	11,668	12,251	Fee is unknown, but is assumed to increase at a rate of 5% per year
[Extra]	-	-	-	-	-	-	-	-	-	-	
<b>Fees Related to the NPDES Permit Total:</b>	<b>\$25,373</b>	<b>\$ 26,144</b>	<b>\$ 26,558</b>	<b>\$ 26,994</b>	<b>\$ 27,451</b>	<b>\$ 28,823</b>	<b>\$ 29,327</b>	<b>\$ 29,857</b>	<b>\$ 30,412</b>	<b>\$ 30,996</b>	
<b>Stormwater Neighborhood Improvement Areas</b>											
Feasibility study cost	45,000	-	-	-	-	-	-	-	-	-	Includes identifying potential areas, evaluating implementation costs, evaluating funding mechanisms, preparing a summary report, and presentations to City Council
<b>NPDES + Neighborhood Total:</b>	<b>\$45,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Asset Management Program</b>											
Annual fee for CCTV software compatible with Cityworks	-	2,205	2,315	2,431	2,553	2,680	2,814	2,955	3,103	3,258	Includes contractor services or purchase of new City equipment and Cityworks CCTV software cost; City staffing is not included in this total, but is included under new staff supporting SWU
Video inspection equipment for asset inventory	-	265,225	-	-	-	-	-	-	-	-	One time equipment cost. Construction Escalation: 3% annually
Development of custom CityWorks forms	-	27,563	-	-	-	-	-	-	-	-	One time consultant/contractor cost
Stormwater Specialist	-	126,683	133,018	139,668	146,652	153,984	161,684	169,768	178,256	187,169	Calculations on [Staffing] tab
[Extra]	-	-	-	-	-	-	-	-	-	-	
<b>Total Asset Management Cost:</b>		<b>\$ 421,676</b>	<b>\$ 135,333</b>	<b>\$ 142,099</b>	<b>\$ 149,204</b>	<b>\$ 156,665</b>	<b>\$ 164,498</b>	<b>\$ 172,723</b>	<b>\$ 181,359</b>	<b>\$ 190,427</b>	
Inflation rate adjustment (5% on fees and labor costs)	1.00	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63

**City of SeaTac**  
**Surface Water Management Utility**  
**Council Scenario Analysis**

	Rate in 2014	Rate in 2018	Maintenance/Staffing	Capital	Regulatory Compliance	System Replacement
<b>Current Rates</b>	<b>\$ 6.90</b>	<b>\$ 6.90</b>	<ul style="list-style-type: none"> <li>• Maintain existing programs</li> <li>• No equipment for LID</li> <li>• Understaffed to meet future NPDES requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Urgent needs only</li> <li>• Minimal capital - no additional funding</li> <li>• Bandaid fixes</li> <li>• Unable to fund large capital projects w/o assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term compliance</li> <li>• Long-term non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Unfunded depreciation</li> <li>• No Asset Management program</li> <li>• Primarily Reactive - wait for failures to occur</li> </ul>
<b>Limited SWP Implementation</b> <i>(recommendation)</i>	<b>\$ 8.30</b>	<b>\$ 11.77</b>	<ul style="list-style-type: none"> <li>• Systematic maintenance</li> <li>• Necessary equipment</li> <li>• Minimum necessary staffing</li> <li>• Staffing reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>• Fully funds SWCIP including repair and replacement</li> </ul>	<ul style="list-style-type: none"> <li>• Compliant with forecasted permitting requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Phased depreciation funding to reach full depreciation in 2018</li> <li>• Proactive Asset Management program</li> </ul>
<b>Current Plus Emergency Repair</b>	<b>\$ 10.57</b>	<b>\$ 11.18</b>	<ul style="list-style-type: none"> <li>• Maintain existing programs</li> <li>• No equipment for LID</li> <li>• Understaffed to meet future NPDES requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Primarily reactive - waiting for failures</li> <li>• Funding available for repair &amp; replacement</li> <li>• Additional costs - damages &amp; emergency response</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term compliance</li> <li>• Long-term non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Full depreciation funding starting in 2014</li> <li>• Emergency contingency in place for repair and replacement</li> </ul>
<b>Full Implementation of SWP</b>	<b>\$ 8.89</b>	<b>\$ 15.20</b>	<ul style="list-style-type: none"> <li>• Systematic maintenance</li> <li>• Necessary equipment</li> <li>• Min. necessary staffing + Technician + Public Education Coordinator</li> <li>• Staffing reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>• Fully funds SWCIP</li> <li>• Fund SW portion of the TIP</li> <li>• Assumes debt financing</li> </ul>	<ul style="list-style-type: none"> <li>• Compliant with forecasted permitting requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Full depreciation funding starting in 2014</li> <li>• Proactive Asset Management Program</li> </ul>