

CHAPTER 11

FINANCE

INTRODUCTION

In order to implement the Capital Improvement Plan (CIP) presented in Chapter 10, a basic financial program must be established. The financial program provides the District Commissioners and District Staff a plan by which the capital improvement schedule can be implemented. The financial program plays a key role in establishing water rates and general facilities charges that reflect the actual costs of providing service to the District.

The District performs rate and connection charge evaluations on regular intervals to adjust for increased treatment, operation and maintenance, and construction cost increases.

EXISTING SERVICE RATES

The District collects service rates for the water and wastewater utilities through a combination of base charges (minimum fee) and usage rates (overage fees). All water system customers pay usage rates dependent on the volume of water purchased during the bimonthly billing period. Single-family residential wastewater customers are also billed based on their usage above a minimum usage level. With the exception of emergency water use customers and wholesale customers, all water and wastewater customers pay a bimonthly base rate dependent on the class.

Table 11-1 identifies the 21 customer classes, provides a description of each class, and provides the bimonthly base charge per unit. Customer classes with more than one unit per account, such as duplexes and apartment buildings, are charged an amount equal to the base rate times the number of dwelling units. The wastewater base charge includes a \$46.80 fee, which is paid to KCDNR for treatment and transmission costs. KCDNR has no planned rate increase at this time.

TABLE 11-1

Bimonthly Base Charge by Customer Class⁽¹⁾

Class	Description	Bimonthly Base Charge per Unit
Wastewater Rates		
1	Single-Family Residential/Condo (individual meter)	\$113.40
2	Multifamily Residential (2 to 4 units)	\$103.56
3	Apartments	\$93.72
4	Condominium (shared meter)	\$93.72
5	Mobile/Manufactured Home	\$102.33
6	Wet Laundries and Dedicated Carwash Supply Lines	\$116.47
7	Non-Residential	\$119.55
Water Rates		
8	Single-Family Residential/Condo (individual meter)	\$30.00
9	Multifamily Residential	\$30.00
10	Apartments	\$28.50
11	Condominium (shared meter)	\$28.50
12	Mobile/Manufactured Home	\$29.00
13	Non-Residential 3/4-Inch Meter	\$27.50
14	Non-Residential 1-Inch Meter	\$68.75
15	Non-Residential 1-1/2-Inch Meter	\$137.50
16	Non-Residential 2-Inch Meter	\$220.00
17	Non-Residential 3-Inch Meter	\$412.50
18	Non-Residential 4-Inch Meter	\$687.50
19	Non-Residential 6-Inch Meter	\$1,375.00
20	Emergency Use (per ccf)	\$5.00
21	Wholesale Water (per ccf)	\$3.04
22	Fire Protection Water 1-1/2-Inch Line	\$12.00
22	Fire Protection Water 2-Inch Line	\$14.00
22	Fire Protection Water 4-Inch Line	\$33.00
22	Fire Protection Water 6-Inch Line	\$49.50
22	Fire Protection Water 8-Inch Line	\$76.00
22	Fire Protection Water 10-Inch Line	\$110.00

(1) Source: 2015 Rate Resolution

The District employs a three-tier inclined block rate structure for billing its water service customers. The billing rate increases as the billing volume increases to encourage water conservation and minimize peak system usage. Single-family residential and non-residential wastewater customers are also billed based on usage greater than 15 ccf per bimonthly billing period. Table 11-2 provides the usage rates for the water and

wastewater utilities. Note that Classes 2 through 5 are not billed based on water consumption.

TABLE 11-2
Bimonthly Usage Rates⁽¹⁾

Class	Tier 1		Tier 2		Tier 3	
	ccf	\$/ccf	ccf	\$/ccf	ccf	\$/ccf
1	0 to 15	\$0	above 15	\$3.75	—	—
6	0 to 15	\$0	above 15	\$5.43	—	—
7	0 to 15	\$0	above 15	\$5.60	—	—
8	0 to 10	\$3.25	11 to 20	\$4.25	Above 20	\$5.25
9	0 to 10	\$3.25	11 to 20	\$4.25	Above 20	\$5.25
10	0 to 10	\$3.25	11 to 20	\$4.25	Above 20	\$5.25
11	0 to 10	\$3.25	11 to 20	\$4.25	Above 20	\$5.25
12	0 to 10	\$3.25	11 to 20	\$4.25	Above 20	\$5.25
13	0 to 10	\$3.50	11 to 20	\$3.75	Above 20	\$4.00
14	0 to 10	\$3.50	11 to 20	\$3.75	Above 20	\$4.00
15	0 to 10	\$3.50	11 to 20	\$3.75	Above 20	\$4.00
16	0 to 10	\$3.50	11 to 20	\$3.75	Above 20	\$4.00
17	0 to 10	\$3.50	11 to 20	\$3.75	Above 20	\$4.00
18	0 to 10	\$3.50	11 to 20	\$3.75	Above 20	\$4.00
19	0 to 10	\$3.50	11 to 20	\$3.75	Above 20	\$4.00
20	All	\$5.00	—	—	—	—
21	All	\$3.04	—	—	—	—
22	All					

(1) Source: 2014 Rate Resolution

(2) Wholesale usage is billed at the current rate from SPU plus 40 percent.

Rates and annual increases are typically established by District ordinance every year. Resolution 2015-03-02 was passed March 2, 2015, and establishes the current water and wastewater rates. A copy of this resolution is included in Appendix N.

EXISTING SERVICE CONNECTION CHARGES

Connection charges consist of two components: the Major Facilities (MFC) and System Development Component (SDC). Resolution 2015-03-06 establishes a connection charge to owners seeking to connect property to the District’s sewer and water systems. The connection charges are assessed and administered in accordance with District Policy and Procedure Number ENG 5 – Assessment and Administration of Connection Charges. Table 11-3 provides the schedule of connection charges for the water and wastewater systems.

TABLE 11-3

Water and Wastewater Connection Charges

Meter Size	Wastewater			Water		
	MFC	SDC	Total	MFC	SDC	Total
3/4 inch	\$1,925	\$5,075	\$7,000	\$1,800	\$700	\$2,500
1 inch	\$3,160	\$8,340	\$11,500	\$2,950	\$1,150	\$4,100
1-1/2 inch	\$6,375	\$16,825	\$23,200	\$5,900	\$2,300	\$8,200
2 inch	\$10,195	\$26,905	\$37,100	\$9,425	\$3,675	\$13,100
3 inch	\$20,360	\$53,740	\$74,100	\$18,850	\$7,350	\$26,200
4 inch	\$31,820	\$83,980	\$115,800	\$29,425	\$11,475	\$40,900
6 inch	\$63,670	\$168,030	\$231,700	\$58,925	\$22,975	\$81,900

In addition to the connection charge fees, new water customers are charged a fire-protection fee based on the fire flow rate to the structure being served. Table 11-4 provides the fire-protection charge schedule.

TABLE 11-4

Fire-Protection Charges

Fire Flow Required (gpm)	Fire-Protection Charge
1,000	\$600
1,500	\$900
1,750	\$1,050
2,000	\$1,200
2,500	\$1,500
3,000	\$1,800
3,500	\$2,100
4,000	\$2,400

FINANCIAL STATUS OF THE WATER AND WASTEWATER UTILITIES

A summary of revenues and expenses for the years 2011 through 2013 is presented in Table 11-5. Historical budget data was provided by the District.

The District maintains a combined water and sewer utility but tracks revenues and expenses separately. Total sewer sales in 2013 were \$21,656,724, of which \$13,888,215 (64 percent) was paid to KCDNR for treatment charges. Total water sales in 2013 were

\$14,712,078, of which \$4,967,354 (34 percent) was paid to SPU for wholesale water. As a combined utility, the District has experienced a net positive operating income in 2013.

TABLE 11-5**Summary of Income and Expenses**

	2013	2012	2011
Operating Revenue			
Sewer Service	\$21,656,724	\$19,141,024	\$18,393,221
Water Service	\$14,712,078	\$13,867,860	\$13,229,750
Street Light Service	\$421,294	\$417,757	\$417,755
Other Operating Revenue	\$1,201,070	\$1,187,179	\$1,103,807
Total Income	\$37,991,166	\$34,613,820	\$33,144,533
Operating Expenses			
Sewer Treatment Charge	\$13,888,215	\$12,373,386	\$12,363,771
Water Purchased for Resale	\$4,967,354	\$4,933,403	\$4,743,305
Cost of Street Lighting	\$387,293	\$315,439	\$311,767
Discounts and Adjustments on Utility Sales	\$1,492,312	\$1,362,640	\$1,299,465
Maintenance	\$3,335,874	\$6,790,387	\$4,462,101
General Administration	\$6,418,717	\$6,141,867	\$5,525,341
Depreciation	\$4,129,868	\$4,107,835	\$4,054,495
Property, Excise, and B&O Tax	\$976,056	\$930,636	\$844,345
Total Operating Expenses	\$35,595,689	\$36,955,593	\$33,604,590
Operating Income (Loss)	\$2,395,477	(\$2,341,773)	(\$460,057)
Non-Operating Revenue (Expenses)			
Facilities Benefit Charge	\$1,625,968	\$1,455,629	\$927,800
Assessments Interest Income	\$37,594	\$51,876	\$64,678
Investments Interest Income	\$320,630	\$500,377	\$233,839
Gain from the Disposition of Assets	\$11,682	(\$8,430)	\$7,550
(Reimbursement Agreement Cost)	\$0	\$0	\$0
(Bond and Loan Interest Expense)	(\$57,092)	(\$128,642)	(\$129,221)
(Bond Discount, Issuance & Registration Costs)	(\$44,901)	(\$4,658)	(\$4,660)
Total Non-Operating Revenues (Expenses)	\$1,893,881	\$1,866,152	\$1,099,986
Income Before Extraordinary Items and Capital Contributions	\$4,289,358	(\$475,621)	\$639,929
Capital Contributions-Developer Donated Plant	\$2,682,400	\$1,608,290	\$1,201,009
Change in Net Assets	\$6,971,758	\$1,132,669	\$1,840,938
Total Net Assets January 1	\$158,633,021	\$157,500,352	\$155,659,414
Prior Period Adjustment	\$0	\$0	\$0
Total Net Assets December 31	\$165,604,779	\$158,633,021	\$157,500,352

CAPITAL IMPROVEMENT PROJECT FUNDING

Capital improvements will most likely be funded by rates, GFCs, SDCs, and/or outside funding sources.

RATE IMPACTS

The District conducts its own rate analysis on a regular basis. The cost of improvements, projected customer growth, revenues, and operation and maintenance expenses are used in the calculation of rates, GFCs, and SDCs.