

2010 WCPOA CAPITALIZATION PLAN FOR RESERVOIR PROJECT

Purpose: Fund future increased storage (reservoir) when and as required. Currently, we project increased storage may be required in the 15 to 20 year planning horizon to service full build out of all remaining WCPOA lots. Given uncertainty in actual build out requirements as lots are combined and uncertainty in system capacity as meter data are gathered over time, we must start accumulating a reserve fund now to avoid an unmanageable future special assessment.

Summary:

- 1) A new connection fee will be used to grow a system reserve fund by the following means:
 - Increase Water Service Connection Fee 5%/yr to fund capital costs of increased storage capacity.
 - Readjust as key assumptions change.
 - Place connections fees in an interest bearing reserve bank account.
- 2) Adjust Water Service Connection Fee as needed to keep up with actual cost of construction increases (now assumed at 3% per year) and other inflationary costs (now assumed at 3% per year).

Increased Storage Cost estimate: \$138,000¹

Available Revenues for Funding:

- Water Capital Improvement Fund (WCIF), beginning balance:= **\$6000**
- Water Service Connection Fee (WSC): \$3600 (2010) adjusted 5%/yr, collected as a non-uniform series of 20 payments through Yr.17 = **\$111,000**
- Other Income: Service Volume Charge: \$500 (2010), yields through Yr.17= **\$8000**
- **TOTAL Revenues:\$125,000**
- A Special Assessment would be used to make up any capitalization shortfall (i.e., a less than \$200/member special assessment may be required under the assumptions at this time).

Key Assumptions:

- Would proceed with reservoir improvements with 68th connection (Year 17)
- Estimated Population Forecast: 2% growth in lot new water connections per year²
- Build out is 79 connections. Currently we have 49 connections. Assume only 77 build for purposes of financing: collect 27 Water Service Connection fees over 25 years
- Estimate costs from 2009 Engineering Report (Alternative 2 plus 1,000 ft supply line plus upgrade of pumps) for approximate cost \$138K¹
- Service Volume Charge (i.e., water bill charges beyond base rate): 20% of users
- Cost of Construction/Inflation: 3%
- WCIF account interest: 1.5% (2010)
- Base date for costs - 1Q2010
- Basis for Comparison: Net present value

¹ Cost estimate for increased storage based on alternatives (plus WMBG Option) in Hammond, Collier, Wade, Livingston Reservoir and System Capacity Project Report submittal Jan. 2009

² Methow Valley population growth rate: Okanogan PUD, MV Basin Watershed Plan, Okanogan County Planning Dept.