CITY OF PORT ORCHARD UTILITIES COMMITTEE

2010 PROPOSED SANITARY SEWER RATE INCREASE STUDY

City of Port Orchard Condensed Water-Sewer Operating Statements

- **Water**

	2008	3 QTR's 09	2009
Water Revenues	$1,053,231	$889,125	$1,168,779
Water Operating Expenses	-$362,398	-$259,476	-$342,149
Admin - 50%	-$342,523	-$341,302	-$364,027
Water Taxes	-$101,449	-$89,441	-$111,263
Operating Income	**$246,861**	**$198,906**	**$351,340**
Depreciation - 50%	-$266,335	-$214,976	-$327,246
Net Operating Income	**-$19,474**	**-$16,070**	**$24,094**

- **Sewer**

	2008	3 QTR's 09	2009
Sewer Revenues	$2,222,872	$1,621,066	$2,255,772
Sewer Operating Expenses	-$1,405,076	-$1,228,052	-$1,524,138
Admin - 50%	-$342,523	-$341,302	-$364,027
Sewer Taxes	-$136,631	-$109,186	-$141,009
Operating Income	**$338,642**	**-$57,474**	**$226,598**
Depreciation - 50%	-$266,335	-$214,975	-$327,246
Net Operating Income	**$72,307**	**-$272,449**	**-$100,648**

City of Port Orchard Condensed 2009 Sewer Operating Statement

Sewer Revenue	$2,255,775
Sewer Operating Expense	-$1,524,138
50% Administration	-$364,027
Sewer Taxes	-$141,009
	$226,598
Depreciation [1]	-$327,246
Net Income	-$100,648

$100,648 ÷ 5,300 (ERU's) = $18.99

$18.99 ÷ 12 months = **$1.58 Monthly**

15 years (Capital Improvement Plan) x $327,246 (depreciation) = **$4,908,690**

[1] "Depreciation" means those dollars allocated in which to replace capitalized assets (equipment) over the anticipated useful life of said asset

Capital Improvement Program				
Project	**Improvement**	**Description**	**Construction Cost Estimate**	**Project Cost Estimate**
* A	Bay Street PS (09 budget)	Engineering Construction	$ ---------- 1,000,000	$ 250,000 1,100,000
B	Trunk H – Engr Report	Preliminary design	----------	20,000
** C	Interim McC PS 2 Improv	Odor, mech & elect	180,000	200,000
* D	PS Engr Report	Preliminary design	----------	50,000
E	Trunk H –Tremont	1,00 LF x 24-inch	$ 500,000	$ 650,000
* F	Marina Pump Station	5,000 GPM x 150 HP Seawall	1,740,000 --------	2,100,000 400,000
G	Pottery PS Engr Report	Preliminary design	----------	20,000
H	Trunk E: Pottery PS Force	1,300 GPM x 50 HP 2,500 LF x 12-inch	1,300,000 400,000	1,600,000 500,000
I	Sidney-Sedgwick PS	Preliminary Design	----------	20,000
J	Sidney-Sedgwick PS	Construct PS & FM	850,000	1,000,000
* K	McC PS 1 Engr Report	Preliminary design	----------	25,000
* L	McCormick PS 1	2,000 GPM x 120 HP	680,000	820,000
M	Trunk G - Sidney Av	7,000 LF x 15-inch	2,510,000	3,060,000
* N	McC PS 2 Engr Report	Preliminary design	----------	25,000
* O	McCormick PS 2	1,400 GPM x 50 HP	630,000	740,000
P	SKIA Facilities Plan	MBR, PS, & FM	----------	100,000
Q	SKIA – Pump Station Force	310 GPM x 25 HP 13,000 LF x 8-inch	360,000 1,470,000	430,000 1,800,000
* R	PS	Mechanical & elect	120,000	140,000
* S	I/I Exist Pipe Rehab	$25,000 annually	150,000	150,000
	Estimated Total	----------	$ 11,890,000	$ 15,200,000

Capital Improvement Program Summary

- *Funded Maintenance Items
- ** Unfunded Maintenance Items
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- $5,800,000 - Maintenance related capital items
- -4,908,690 - Funded depreciation
- +1,000,000 - Reserve funds
- $1,891,310 – Funding Need

- $1,891,310 ÷ 15 years = $126,087/year
- $126,087 ÷ 5,300 ERU's = $23.79 (Annual funding need)
- $23.79 ÷ 12 months = **1.98 per month**

Why Replace STEP System?

- Corrosion to pumps & sanitary sewer infrastructure
- Odor at McCormick Pump Station #2
- Long term costs of annual pump-out & maintenance
- Equality - All homeowners within the City will be responsible for the sewer infrastructure on their property (up to the City right of way.) Over 70 grinder pumps installed and maintained by homeowners in McCormick Woods since the City Sewer has been installed and existing 41 grinder pumps in downtown.

- **Pros & Cons for the McCormick Woods Homeowner:**

- Cons
- Homeowner responsible for future pump repairs or replacement. Replacement cost estimated at $1,500.

- Pros
- Less Maintenance & Service Calls - Homeowner gets an updated sewer system with no need for future pump outs. Average life span of grinder pump is 10 years.
- Odor and corrosion at pump station should diminish in the short run and be eliminated by the end of the 10 year project.
- One fewer green cap in homeowner's yard
- Upgrade costs to a new system distributed over entire utility

McCormick Woods STEP Alternatives

- **Alternate #1 - McCormick Woods STEP System Replacement**
- $2,420,000 (605 homes x $4,000)
- ÷ 10 years = $240,000
- ÷ 5,300 ERU's = $45.28 per year
- ÷ 12 months = **$3.77 per month**
- **Alternate #2 - Maintain As-Is & Complete Odor Control Project**
- $72,000 (Annual cost of STEP) ÷ 5,300 ERU's = $13.58
- $13.58 (Annual cost per ERU) ÷ 12 months = $1.13
- Odor Control project $200,000 ÷ 10 years = $20,000
- $20,000 + $15,000 (annual maintenance cost) = $35,000
- $35,000 ÷ 5,300 ERU's = $6.60 (Annual cost over 10 years)
- $6.60 ÷ 12 months = .55
- $1.13 + .55 = **$1.68 per month**
- **Alternate #3 - McCormick Woods Only Surcharge & Odor Control**
- $1.68 x 5,300 = $8,904
- $8,904 ÷ 605 homes = **$14.72 per month**

Alternatives Continued:

- **Alternative #4**
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- The city will assume responsibility for all grinder pump systems in the city. The average life of a grinder pump is 10 years and has a replacement cost of $1,500. Annual cost to service grinder pumps $100 each.
- Grinder Pumps in McCormick Woods Currently – 72
- Grinder Pumps outside McCormick Woods – 41
- Proposed Grinder Pumps - 605
- $1,500 X 718 (Total Grinder Pumps) = $1,077,000
- $1,077,000 ÷ 10 years = $107,700
- $107,700 ÷ 5,300 = $20.32 Replacement Cost Annualized
- $20.32 ÷ 12 months = $1.69 Cost City wide per month
- $100 X 718 = $71,800 Service Annually - $13.55 per homeowner
- $13.55 ÷ 12 = $1.13 monthly per homeowner for service
- **$1.13 + $1.69 = $2.82 Monthly per homeowner**

- **Alternative # 5**

- The owner of a grinder pump system pays a month surcharge to pay for the cost of grinder pump replacement.
- $1,500 ÷ 10 years = $150 Annual Cost
- $150 ÷ 12 months = **$12.50 Monthly Cost to Homeowner**

Proposed Sanitary Sewer Rate Increase

Alternative #1	
Operating Shortfall	$1.58
Capital Improvement Plan	$1.98
McCormick Woods STEP System Replacement	$3.77
	$**7.33 per ERU (Monthly)**
Current Rate	$39.75
Treatment Plant Rate Increase	$1.75
Increase	$7.50 (rounded up)
	$49.00 (New Monthly Rate)
Alternative #2	
Operating Shortfall	$1.58
Capital Improvement Plan	$1.98
McCormick Woods STEP System	$1.68
(STEP as is with odor control)	$5.24 (Monthly)
Current Rate	$39.75
Treatment Plant Rate Increase	$1.75
Increase	$5.25 (rounded up)
	$46.75 (New Monthly Rate)

Sewer Rate Comparison

- **SEWER RATE COMPARISON**

District	SFR Monthly Rate Basis	Calculated SFR Monthly Rate [1]
Bainbridge Is.	$34.56 Base + $5.90/Hcf	$88.95
Bremerton	$31.26 Base + $4.19/Hcf	$69.89
Gig Harbor	$27.17 Base + $3.34/Hcf	$57.96
Kitsap County	$51.72	$51.72
Poulsbo	$37.94 Base + $4.99/Hcf	$83.95
Shelton	$65.22	$65.22
WSUD	$50.00	$50.00
Port Orchard	$49.00 (proposed)	$49.00 (proposed)

- [1] Assume 100 gal/person/day = 13.4 CF/person/day @ 7.48 gal/cf, 2.26 persons/SF and 30.5 days/month = 921.5 cf/SF/Month = 9.22 Hcf/SF/Month