

WEST SOUND UTILITY DISTRICT

Board of Commissioners
Board Meeting

December 6, 2023
1:00 PM

Please direct your smart device or computer to www.wsud.us/meetings for information on virtual attendance.

AGENDA

PUBLIC COMMENTS

CONSENT AGENDA

1. Approval of the Regular Board Meeting Minutes of November 15, 2023
2. Approval of the Special Board Meeting Minutes of November 21, 2023
3. Approval of Vouchers WSUD #31857 through #31893 in the amount of \$149,926.34
4. Approval of Vouchers SKWRF #17730 through #17753 in the amount of \$56,530.03

BOARD DISCUSSION/ACTION ITEM

1. Resolution 1109-23, Second Reading, Adopting the SKWRF 2024 Budget
2. Resolution 1110-23, Second Reading, Adopting the WSUD 2024 Water, Sewer Budgets
3. Resolution 1111-23, Second Reading, Modification of Utility Rates, Fees and Charges
4. Resolution 1112-23, Second Reading, Amending Water & Sewer General Facility Charges
5. Resolution 1114-23, Adopting a Flag Display Policy

STAFF REPORTS

1. Plant Manager
2. Operations Manager
3. Finance Manager
4. General Manager

COMMISSIONERS' REPORTS

EXECUTIVE SESSION

Executive Sessions may be scheduled or announced for discussions per RCW 42.30.110.

FUTURE MEETINGS

December 20	Regular Board Meeting
January 3	Regular Board Meeting
January 17	Regular Board Meeting

Executive Sessions may be scheduled as needed for personnel, legal and other similar matters.

The Board may add and take action on other items not listed on the agenda

WEST SOUND UTILITY DISTRICT
Minutes of Meeting of the Board of Commissioners
2924 SE Lund Avenue, Port Orchard, WA 98366
Wednesday, November 15, 2023, at 1:00 p.m.

Chairperson: Susan Way
Vice Chairperson: James J. Hart
Commissioner: Jerry Lundberg

Attending: Randy Screws, General Manager
John Tapia, Operation Manager
Marty Grabill, Plant Manager
Joy Ramsdell, Finance Manager
Ken Bagwell, Attorney
Michaela Horishige, Accounting/Office Assistant

The meeting was called to order by Commissioner Way at 1:00 p.m.

PUBLIC COMMENTS

CONSENT AGENDA

1. Approval of the Regular Board Meeting Minutes of November 1, 2023
2. Approval of Vouchers WSUD #31819 through #31856 in the amount of \$101,471.27
3. Approval of Vouchers SKWRF #17708 through #17729 in the amount of \$61,996.41
4. Approval of November Payroll in the Amount of \$203,253.56

Commissioner Lundberg moved to approve the items in the Consent Agenda. The motion was seconded by Commissioner Hart; the motion was approved 3-0.

BOARD DISCUSSION/ACTION ITEM

Mr. Will Fortier, RE: Conditional Use Permit Conversion from Guest House to ADU

Mr. Fortier of 5300 E. Blaisdell Ln. addressed the Board indicating delays in obtaining an approved Conditional Use Permit for his current Guest House conversion into an ADU due to staffing issues at Kitsap County. His concern is that as of January 1, 2024, District Policy requires the installation of separate services for the ADU. GM Screws suggested the County provide a letter that states Mr. Fortier has completed all their requirements for permitting and the delay is due to staffing issues impeding their ability to complete the process. The letter would also need a timeline for when the Conditional Use Permit would be approved. The Board authorized an extension of the current ADU policy for Mr. Fortier if he provided a letter from the County indicating the delays were due to their inability to move forward with the process in a timely manner and a timeline for the completion of the process. The duration of the extension would align with the timeline provided by Kitsap County.

Discussion, Award letter, 2024 PWB Loan, Powell Booster Pump Station Project
GM Screws read the award letter.

Discussion, Award letter, 2024 PWB Loan, Lund Avenue Main Relocation Project
GM Screws read the award letter. Commissioner Lundberg requested a meeting to discuss capital funding, the Special Meeting was set for Tuesday, November 21st at 10:00 a.m.

Resolution 1108-23, Authorizing Action, PFAS Class Action Lawsuit
Passed 3-0

Resolution 1109-23, First Reading, Adopting the SKWRF 2024 Budget

Resolution 1110-23, First Reading, Adopting the WSUD 2024 Water, Sewer Budgets

Resolution 1111-23, First Reading, Modification of Utility Rates, Fees and Charges

Resolution 1112-23, First Reading, Amending Water & Sewer General Facility Charges

Resolution 1113-23, Adopting the WSUD 2024 Salary Schedule and Health Benefit Contribution
Passed 3-0

STAFF REPORTS

PLANT MANAGER'S REPORT

Plant Manager Marty Grabill reported:

- Testing and monitoring as required by the NPDES Permit.
- October DMRs were submitted yesterday.
- NPDES Permit renewal is in process.
- Load bank project: Awaiting equipment delivery, expected ship date November 17th. No further updates.
- Blower exchange project: We have received the blower. Installation is to begin next week.
- Leadership Kitsap collaboration ongoing.

P.S.E. Conservation Grant Agreement (2021-2023)

- Continuous work with P.S.E. on the Conservation Grant Agreement. Year 3 of 3.

Rotary Drum Thickener-ESCO (2022)

- Installation has been completed.
- Awaiting close-out documents.

Nutrient General Permit (2022)

- Ongoing testing and documentation.
- Still awaiting a decision on in-house accreditation from D.O.E. No further updates.

OPERATIONS MANAGER'S REPORT

Operation Manager John Tapia reported:

CIP - South Park Main Replacement

- Locate and survey completed for the site.
- WSE is working on the recommended easement.

Powell Booster Station Engineering

- 100% Plans are completed.

Fircrest/Mile Hill Main Replacement

- 2" galvanized to be replaced.
- Possible development going in.

Olney Sewer Replacement

- The engineering contract has been signed with WSE.
- Engineers have sent over some additions to the project. These include lined manholes, and additional manhole run with a side sewer connection.

Crew

1. St. Vincent DePaul project: City contacted about the permit. Reached out to Caseco for time update, he says were on his schedule.
2. Well 22 has been lowered and rehab is now complete. The transducer is working. VFD is undersized (HVAC). Taurus is working on the recommended size and availability.
3. Four new chemical shelters are scheduled for delivery today. These will keep our hypochlorite away from our electrical panels in the well site buildings.
4. Residential meter replacement project continues.
5. WSDOT franchise permit continues. last section for SR 160 (Sedgwick) has been sent over for approval. We can then start on SR 166.
6. Well 1 and Powell Tanks were cleaned by the crew.
7. Water main flushing has begun.
8. Water distribution pumped 40,889,000 gallons of water in October. 1.28 million gallons per day average in October.
9. Waiting for the lab to do their part for us to be a drop/pickup site.
10. Automatic door motors will be replaced.
11. Working on the roundabout project for Bethel Rd, Lincoln Ave and Mitchell Ave.
12. Waiting for some time to get the sewer flow meters installed.

FINANCE MANAGER'S REPORT

Finance Manager Joy Ramsdell reported:

- Billed consumption was 48 million gallons, that is an 18% decrease compared with October 2022.
- October revenues – Water: \$395K, 1% decrease, added 40 new ERUs; Sewer: \$450K, 7% increase, added 37 new ERUs.
- 1,900 accounts paid online this month, including 1,762 on autopay. We processed 54 final billings.
- 128 final letters sent out, with 8 set for shut off tomorrow and 3 liens to be filed.
- As of today, there are 39 accounts past due with a combined balance of \$25K.
- Today is the first workday since my vacation. Admin staff did a good job during my leave.

GENERAL MANAGER’S REPORT

General Manager Randy Screws reported:

- Staff continue to assess the proposed carport-type area for District vehicles.
- Staff continue working on the re-establishment of a franchise agreement with WSDOT for water utilities.
- Work on the gravity sewer from the Annapolis lift station to eliminate the overflow connection to the City’s sewer system continues.
- Currently working on 2023 Federal Motor Carrier Reporting for our CDL drivers
- Will begin the process of preparing the advertisement for a District Engineer if there are no objections.
- Staff are beginning the process of preparing RFPs for the 2024 well rehabilitation projects.
- Participation in the Public Works Board Workshops to ensure processes and procedures required for project management of the procured loans.

COMMISSIONERS’ REPORTS

Commissioner Hart suggested inviting the new City Councilmen to a tour of SKWRF. Commissioners Way and Lundberg had nothing to report.

EXECUTIVE SESSION

No executive session was requested.

ADJOURN

Commissioner Way moved to adjourn the meeting at 2:11 p.m. Motion was seconded by Commissioner Hart; the motion was approved 3-0.

Susan Way
Chairperson

James Jay Hart
Vice-Chairperson

Jerry Lundberg
Secretary

WEST SOUND UTILITY DISTRICT
Minutes of Special Meeting of the Board of Commissioners
2924 SE Lund Avenue, Port Orchard, WA 98366
Tuesday, November 21, 2023

Chairperson: Susan Way
Vice Chairperson: James J. Hart
Secretary: Jerry Lundberg

Attending: Randy Screws, General Manager

The meeting was opened at 10:00 a.m. by Commissioner Way.

SPECIAL MEETING

The Board and General Manager discussed current and future planned debt obligations. No action was taken.

ADJOURNMENT

Commissioner Hart made a motion for adjournment with Commissioner Lundberg seconding. The meeting concluded at 11:53 a.m.

Susan Way
Chairperson

James J. Hart
Vice-Chairperson

Jerry Lundberg
Secretary

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1109-23**

**A RESOLUTION OF THE WEST SOUND UTILITY DISTRICT
BOARD OF COMMISSIONERS
ADOPTING THE
2024 BUDGET FOR THE
SOUTH KITSAP WATER RECLAMATION FACILITY**

WHEREAS, preliminary budgets for the South Kitsap Water Reclamation Facility (SKWRF) for the fiscal year 2024 have been prepared and submitted by the WSUD General Manager to the WSUD Board of Commissioners and the Sewer Advisory Committee on October 4, 2023, and November 1, 2023; and

WHEREAS, the Sewer Advisory Committee (SAC) comprised of three appointed City Council Members and the WSUD Board of Commissioners have deliberated and voted to adopt the SKWRF 2024 Budget in a public meeting conducted on November 1, 2023. Whereby the attending members of the SAC committee, constituting a quorum voted to approve the budget as written with four (4) yeas, zero (0) nays, with two (2) members not in attendance; and **NOW, THEREFORE**,

THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT HEREBY RESOLVES:

Section 1. Adoption By Reference. The South Kitsap Water Reclamation Facility 2024 Budget covering the period from January 1, 2024, through December 31, 2024, sets forth totals of projected beginning fund balances, revenues, and expenditures by funds and are as follows:

Fund	2024 Projected Beginning Balance	2024 Revenue/ Contributed	2024 Expenditures / Transfers	2024 Projected Ending Balance
SKWRF Operating Fund	\$ 2,391,400	\$ 3,574,990	\$ 4,059,200	\$ 1,907,190
SKWRF Capital Fund	\$ 1,504,200	\$ 1,864,232	\$ 1,555,900	\$ 1,812,532

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a regularly scheduled meeting on December 6, 2023.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Susan Way
Chairperson

James J. Hart
Vice Chairperson

Jerry Lundberg
Secretary

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1110-23**

**A RESOLUTION OF THE WEST SOUND UTILITY DISTRICT BOARD OF
COMMISSIONERS ADOPTING THE
WEST SOUND UTILITY DISTRICT 2024 BUDGET**

WHEREAS, a special public meeting presenting the Board of Commissioners with the proposed 2024 Capital Improvement Projects occurred on September 13, 2023; and

WHEREAS, the budget for West Sound Utility District fiscal year 2024 has been prepared and submitted by the WSUD General Manager to the WSUD Board of Commissioners at a public meeting on October 25, 2023, November 15, 2023, and December 6, 2023; **NOW, THEREFORE**,

THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT HEREBY RESOLVES:

Section 1. Adoption By Reference. The West Sound Utility District 2024 Budget covering the period from January 1, 2024, through December 31, 2024, sets forth totals of projected beginning fund balances, revenues, and expenditures by funds as follows:

Fund	2024 Projected Beginning Balance	2024 Revenue/ Contributed/ Transfers In	2024 Expenditures / Transfers Out	2024 Projected Ending Balance
Water Operating	\$ 4,000,000	\$ 4,751,650	\$ 5,419,361	\$ 3,332,289
Water Capital	\$ 5,000,000	\$ 6,984,750	\$ 9,286,940	\$ 2,697,810
Wastewater Operating	\$ 4,000,000	\$ 5,718,300	\$ 5,504,662	\$ 4,213,638
Wastewater Capital	\$ 6,400,000	\$ 580,500	\$ 6,517,850	\$ 1,662,650
Water/Wastewater Bond Fund	\$ 193,000	\$ 202,800	\$ 207,707	\$ 188,093
Debt Reserve/Guaranty Fund	\$ 215,000	\$ 5,000	\$ -	\$ 220,000
Facility Const. Fee Reserve Fund	\$ 4,460,000	\$ 214,000	\$ 200,000	\$ 4,474,000
Rate Stabilization Fund	\$ 682,000	\$ 148,000	\$ -	\$ 830,000

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a regularly scheduled meeting on December 6, 2023.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Susan Way
Chairperson

James J. Hart
Vice Chairperson

Jerry Lundberg
Secretary

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1111-23**

**A RESOLUTION OF THE
WEST SOUND UTILITY DISTRICT
BOARD OF COMMISSIONERS
AMENDING WATER AND SEWER RATES AND THE MASTER
SCHEDULE OF FEES AND CHARGES**

WHEREAS, RCW 57.08 authorizes water and sewer districts to establish water and sewer rates; and

WHEREAS, the District completed a Rate Study conducted by FCS Group in October of 2022 where contained within the final report, FCS Group recommended a rate schedule to address each utility's financial needs and established a financial plan; and

WHEREAS, the District has determined it is necessary to update the water rates, sewer rates, and associated fees and charges for equipment and services; **NOW, THEREFORE**,

THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT HEREBY RESOLVES:

Section 1. The Board of Commissioners hereby amends the water rates as identified within the rate schedule in the October 2022 Addendum to the FCS Group Final Report Exhibit “A”; and the sewer rates as identified in the FCS Group October 2022 Final Report Exhibit “B” as set forth in the attached Exhibit “C” effective January 1, 2024.

Section 2. The Board of Commissioners hereby amends the District’s “Master Schedule of Fees and Charges” for equipment and services as set forth in the attached Exhibit “D” effective January 1, 2024.

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a regularly scheduled Board meeting on December 6, 2023.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Susan Way
Chairperson

James J. Hart
Vice Chairperson

Jerry Lundberg
Secretary

OCTOBER 2022 ADDENDUM TO FINAL REPORT

Background

Following the completion of the draft report of the rate study, the District notified FCS GROUP that it has experienced significant cost increases in the water utility due to inflation and higher than expected construction bids. Based on conversations with District staff, it is recommended that a higher rate increase is implemented for the water utility in 2023.

Rate Structure

To calculate the additional revenues needed to cover the higher costs, the 2023 inflation assumption was adjusted from 2.50 percent to 8.75 percent based on the June 2021 to June 2022 CPI-U West index. The result was an additional \$95,000 to the 2023 cost forecast. As a percentage of current rate revenues, this represents 2.55 percent of rates, increasing the 2023 rate adjustment from 6.80% to 9.35%. Exhibit 1 provides the amended rate schedule that applies the additional 2.55 percent to all customer classes in 2023. The amended rate schedule also accounts for the cost-of-service results outlined in Section III of the report.

Exhibit 1: Amended Water Rate Schedule

	Current 2022	COS 2023	COS 2024	COS 2025	COS 2026	COS 2027
System-Wide Rate Increase		9.35%	6.80%	6.80%	5.00%	5.00%
Base Rate						
5/8", 3/4"	\$19.26	\$21.10	\$22.58	\$24.16	\$25.85	\$27.66
1"	\$35.90	\$39.33	\$42.08	\$45.03	\$48.18	\$51.55
1.5"	\$64.11	\$70.23	\$75.15	\$80.41	\$86.04	\$92.06
2"	\$98.74	\$108.17	\$115.74	\$123.84	\$132.51	\$141.79
3"	\$194.88	\$213.49	\$228.43	\$244.42	\$261.53	\$279.84
4"	\$301.29	\$330.06	\$353.16	\$377.88	\$404.33	\$432.63
6"	\$588.49	\$644.69	\$689.82	\$738.11	\$789.78	\$845.06
Volume Charge: per ccf of water usage						
<i>Single-Family (BiMonthly)</i>						
Block 1	\$2.31	\$2.51	\$2.66	\$2.74	\$2.82	\$2.90
Block 2	\$2.67	\$2.90	\$3.07	\$3.16	\$3.25	\$3.35
Block 3	\$3.10	\$3.37	\$3.57	\$3.68	\$3.79	\$3.90
<i>Multi-Family (Monthly)</i>						
Block 1	\$3.26	\$3.34	\$3.34	\$3.34	\$3.34	\$3.34
Block 2	\$3.77	\$3.87	\$3.87	\$3.87	\$3.87	\$3.87
Block 3	\$4.36	\$4.47	\$4.47	\$4.47	\$4.47	\$4.47
<i>Commercial (Monthly)</i>						
Block 1	\$2.54	\$2.88	\$3.20	\$3.55	\$3.73	\$3.92
Block 2	\$2.95	\$3.35	\$3.72	\$4.13	\$4.34	\$4.56
Block 3	\$3.41	\$3.87	\$4.30	\$4.77	\$5.01	\$5.26
<i>Agricultural/Irrigation (Monthly)</i>						
Block 1	\$3.26	\$3.88	\$4.52	\$5.27	\$6.14	\$7.15
Block 2	\$3.77	\$4.49	\$5.23	\$6.09	\$7.09	\$8.26
Block 3	\$4.36	\$5.19	\$6.05	\$7.05	\$8.21	\$9.56

West Sound Utility District

WATER AND SEWER RATE STUDY

FINAL REPORT
October 2022

Washington

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Redmond, WA 98052
425.867.1802

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FCS GROUP
Solutions-Oriented Consulting

October 26, 2022

Randy Screws, General Manager
West Sound Utility District
2924 SE Lund Ave
Port Orchard, WA 98366

Subject: Water and Sewer Rate Study

Dear Randy:

FCS GROUP is pleased to submit this final report of the Water and Sewer Rate Study. The report summarizes the methodology, findings, and recommendations for each of the core elements of the study.

The table below outlines the forecasted annual rate revenue adjustments for the water and sewer utilities from 2023 to 2027. Full rate schedules can be found for the water utility in **Exhibit 3.9** and for the sewer utility in **Exhibit 4.9**. Annual rate adjustments are assumed to be implemented January 1st each year.

Utility	2023	2024	2025	2026	2027
Water	6.8%	6.8%	6.8%	5.0%	5.0%
Sewer	3.5%	4.0%	4.0%	4.0%	4.0%

It has been a pleasure working with you and other District staff on this effort. Please let me know if you have any questions or need additional information on this report. I can be reached at (425) 615 – 6056.

Sincerely,



Angie Sanchez Virnoche
Project Principal



Matt Hobson
Project Manager



Chase Bozett
Senior Analyst

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Section I. EXECUTIVE SUMMARY

I.A. INTRODUCTION

In 2020, West Sound Utility District (“District”) contracted with FCS GROUP to conduct a Water and Sewer Rate Study. The study reviewed each utility’s financial needs over the 2022 through 2027 planning period. The overall objective of the study was to establish a financial plan for each utility (revenue requirements analysis) that will inform future financial decisions and their impacts, promote long-term sustainability, maintain equitable rates by customer class (cost-of-service analysis), and achieve the District’s revenue policy objectives (rate design).

The methods used to establish user rates are based on principles that are generally accepted and widely followed throughout the industry. These principles are designed to produce rates that equitably recover costs from each customer or class of customers based upon the unique demands each class places upon the respective utility. This is accomplished by setting the appropriate level of revenue to be collected from rate payers and establishing a rate structure to equitably collect those revenues.

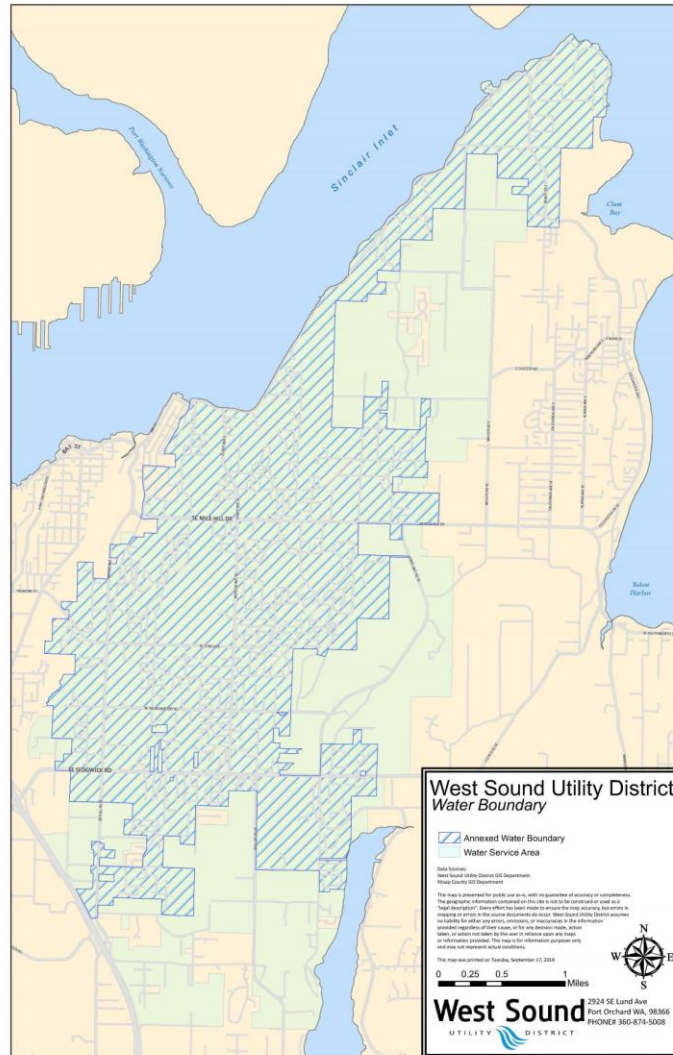
The key analyses completed as part of the rate study include:

- **Revenue Requirement.** This analysis identifies the total revenue requirement to fully fund each utility on a standalone basis, considering operating and maintenance expenditures, capital funding needs, debt requirements and fiscal policy objectives.
- **Cost-of-Service.** This analysis equitably distributes costs to customer classes based on their proportional demand and use of the water and sewer systems.
- **Rate Design.** This analysis includes the development of rate structures that generate sufficient revenue to meet each system’s revenue requirement forecast and that address the District’s pricing objectives.

I.B. WATER UTILITY

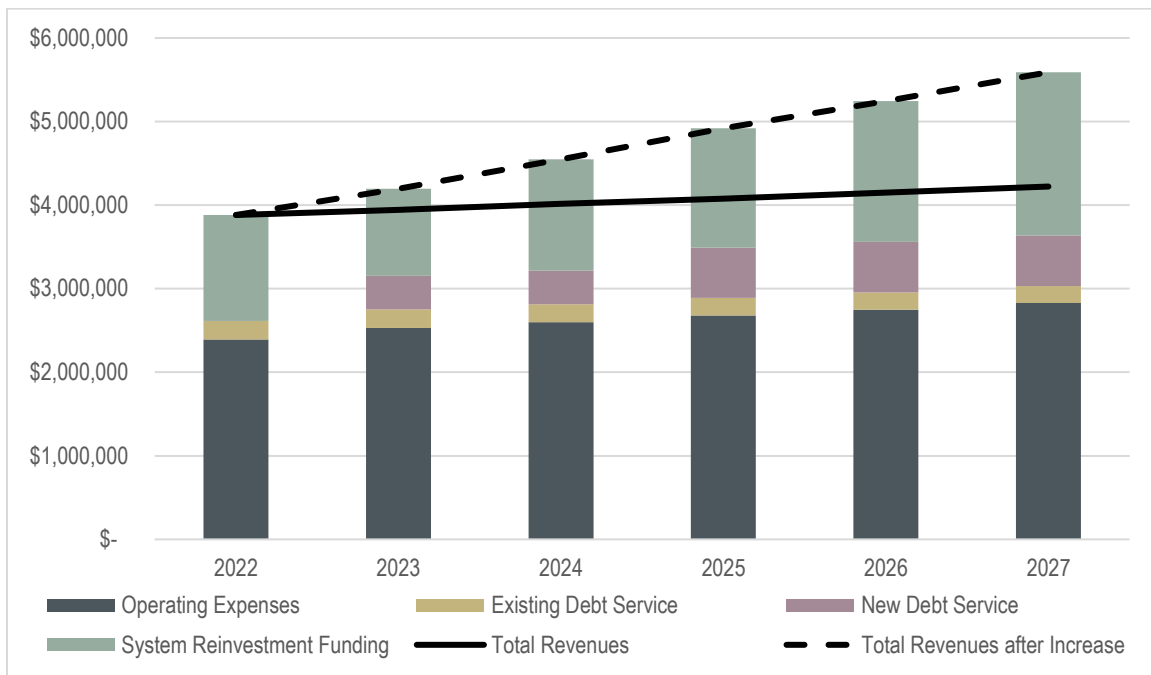
The District owns and operates its water system, which is responsible for providing adequate and uninterrupted water supply for clean, safe, potable water for commercial consumption and fire protection. The water system provides service to approximately 7,100 connections in the service area outlined in **Exhibit 1.1**.

Exhibit 1.1: Water Service Area



A revenue requirement analysis forms the basis for a long-range operating and capital financial plan and multi-year rate management strategy. The analysis is developed by completing an operating forecast that identifies future annual operating costs and a capital funding plan that defines a strategy for funding the capital improvement needs of the District. The operating forecast was developed for the 2022 through 2027 planning period. During the study, a 2022 rate increase was adopted by the Board. This report will focus on the remainder of the forecast from 2023 to 2027. **Exhibit 1.2** provides a summary of the water system revenue requirement findings.

Exhibit 1.2: Water Utility Revenue Requirement Summary



Summary of water utility revenue requirement:

- With the adoption of the Board approved 2022 rate increases, current rate levels are sufficient to meet existing annual financial obligations.
- During the 2023 - 2027 rate setting period, existing revenues are sufficient to cover O&M expenses and both existing and new forecasted debt service.
- Of the approximately \$20.55 million in identified capital needs, 36.5 percent (\$7.5 million) of the forecasted capital plan is financed by debt proceeds.
- To meet projected financial obligations for the water utility and fund capital projects, rate increases are proposed at 6.8 percent annually in 2023 – 2025 followed by 5.0 percent annually in 2026 and 2027.
- Debt service coverage on bonded debt remains above 3.5X in all years of the forecast while debt service coverage on all debt remains above 3.3X during the forecast.

The cost of service for the water utility determines equitable cost recovery in proportion to the demands each customer class places on the system based on functions of service and known or assumed cost causation. The functions of service reviewed for the water utility include:

- **Customer Costs:** associated with establishing, maintaining, and serving water customers.
- **Meters & Services Costs:** associated with the installation, maintenance, and repair of meters and services.
- **Base Costs:** related to the average level of service provided to meet demand on a year-round basis and are essentially correlated with year-round water consumption.
- **Peak Costs:** related to peak demand service typically associated with the ability of the system to provide capacity to customers with higher-than-average volume, which usually occurs during the summer months.

- **Fire Protection Costs:** associated with the ability of the system to provide adequate capacity and water flow corresponding to minimum fire safety standards required to serve its customer base.
- **Pumping:** associated with costs to provide operations and maintenance to District-owned pumps to supply water service to customers.

Exhibit 1.3 provides a summary of the water utility’s revenue distribution based on the cost-of-service analysis (COSA) conducted as part of this study.

Exhibit 1.3: Comparison of Water Current Revenue Distribution to Cost of Service Distribution

Class	Existing 2023		COSA 2023		Difference		
	Revenue		Revenue		\$	%	
Residential	\$	2,468,685	\$	2,713,010	\$	244,325	9.90%
Multi-Family		730,881		472,476		(258,405)	-35.36%
Commercial		360,250		438,808		78,559	21.81%
Private Fire Service		-		91,659		91,659	
Agricultural		159,925		256,730		96,805	60.53%
Total		3,719,740		3,972,682		252,942	6.80%

Because costs fluctuate each year, the needed increase by class can also fluctuate and interclass rate changes are not suggested unless the class’s revenue difference is outside the plus-or-minus 5.0 percent threshold. The COSA results indicate that revenues for the residential class are within the cost of service. Currently, multi-family rate revenue exceeds the cost to provide service and, as a result, subsidizes the cost of other customer classes. At this time, the District does not charge customers with public hydrants or private fire lines for service. FCS Group provided a technical memorandum to the District documenting the cost of these services and fee recovery options.

To address the recommended shifts between classes based on the cost-of-service results, updated rates were forecasted through 2027. For consistency between classes, the fixed charges increased at the same rate for all classes while the variable charges were set individually to phase-in the revenue collected from customer classes towards the cost-of-service targets. **Exhibit 1.4** shows the currently adopted 2022 rates as well as forecasted rates through the rest of the study period to increase cost equity between the customer classes.

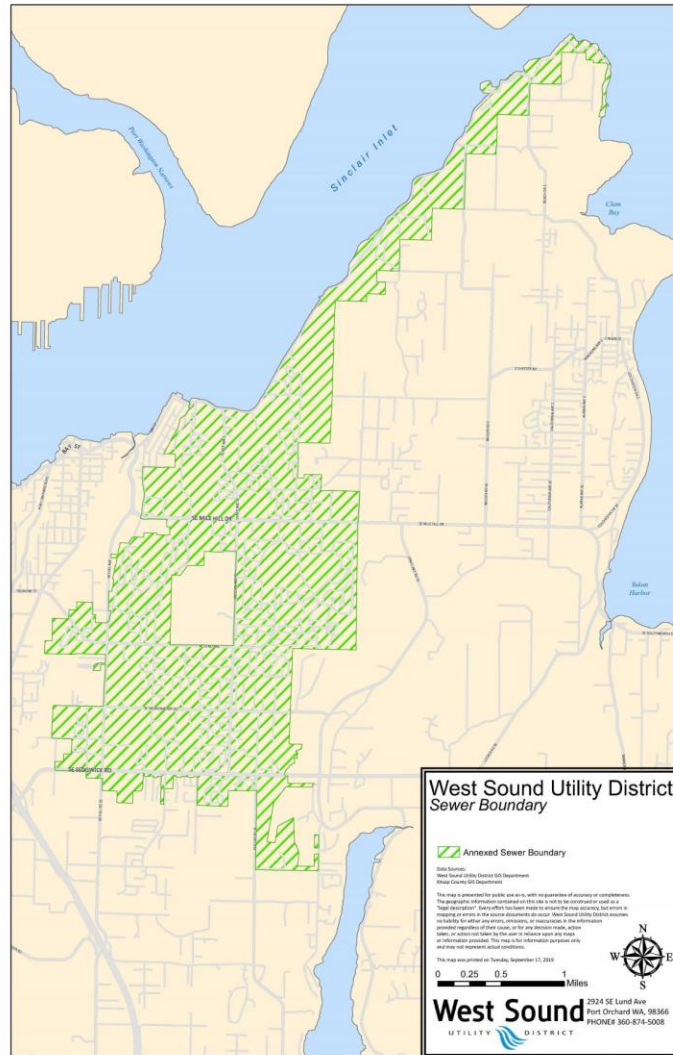
Exhibit 1.4: Existing and Proposed Monthly Water Rates (2022 – 2027)

	Current 2022	COS 2023	COS 2024	COS 2025	COS 2026	COS 2027
System-Wide Rate Increase		6.8%	6.8%	6.8%	5.0%	5.0%
Base Rate						
5/8", 3/4"	\$19.26	\$20.61	\$22.05	\$23.59	\$25.24	\$27.01
1"	\$35.90	\$38.41	\$41.10	\$43.98	\$47.06	\$50.35
1.5"	\$64.11	\$68.60	\$73.40	\$78.54	\$84.04	\$89.92
2"	\$98.74	\$105.65	\$113.05	\$120.96	\$129.43	\$138.49
3"	\$194.88	\$208.52	\$223.12	\$238.74	\$255.45	\$273.33
4"	\$301.29	\$322.38	\$344.95	\$369.10	\$394.94	\$422.59
6"	\$588.49	\$629.68	\$673.76	\$720.92	\$771.38	\$825.38
Volume Charge: per ccf of water usage						
<i>Single-Family (BiMonthly)</i>						
Block 1	\$2.31	\$2.45	\$2.60	\$2.68	\$2.76	\$2.84
Block 2	\$2.67	\$2.83	\$3.00	\$3.09	\$3.18	\$3.28
Block 3	\$3.10	\$3.29	\$3.49	\$3.59	\$3.70	\$3.81
<i>Multi-Family (Monthly)</i>						
Block 1	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26
Block 2	\$3.77	\$3.77	\$3.77	\$3.77	\$3.77	\$3.77
Block 3	\$4.36	\$4.36	\$4.36	\$4.36	\$4.36	\$4.36
<i>Commercial (Monthly)</i>						
Block 1	\$2.54	\$2.82	\$3.13	\$3.47	\$3.64	\$3.82
Block 2	\$2.95	\$3.27	\$3.63	\$4.03	\$4.23	\$4.44
Block 3	\$3.41	\$3.79	\$4.21	\$4.67	\$4.90	\$5.15
<i>Agricultural/Irrigation (Monthly)</i>						
Block 1	\$3.26	\$3.80	\$4.43	\$5.16	\$6.01	\$7.00
Block 2	\$3.77	\$4.39	\$5.11	\$5.95	\$6.93	\$8.07
Block 3	\$4.36	\$5.08	\$5.92	\$6.90	\$8.04	\$9.37

I.C. SEWER UTILITY

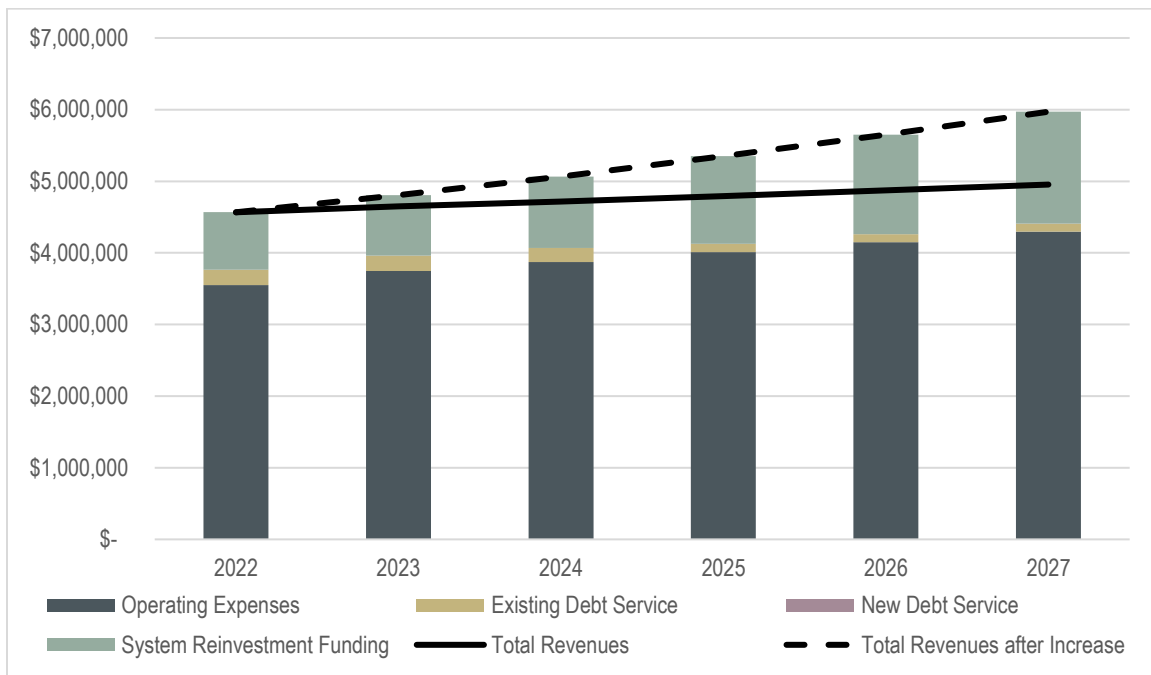
The District owns a sewer collection system that provides uninterrupted sanitary sewer conveyance and mitigates overflows into streams, lakes, and private properties. As a separate entity, the District jointly owns the South Kitsap Water Reclamation Facility (SKWRF), a wastewater treatment plant that provides treatment for both the District and the City of Port Orchard. This analysis will only evaluate the District’s collection system and proportional share of SKWRF treatment costs. The sewer service area provides services to approximately 4,000 connections in the area outlined in **Exhibit 1.5**.

Exhibit 1.5: Sewer Service Area



Similar to the water utility, a revenue requirement was completed for the sewer utility and forms the basis for the long-range financial plan and multi-year financial management strategy. The operating forecast was developed for the 2023 through 2027 time period. **Exhibit 1.6** provides a summary of the sewer system revenue requirement findings.

Exhibit 1.6: Sewer Utility Revenue Requirement Summary



Summary of sewer revenue requirement:

- With the adoption of the Board approved 2022 rate increases, current rate levels are sufficient to meet existing annual financial obligations.
- During the 2023 - 2027 rate setting period, existing revenues are sufficient to cover O&M expenses and existing debt service.
- The capital improvement plan over this time totals \$10.2 million and would be funded through rates. No new debt is forecasted for the sewer system.
- To meet projected financial obligations for the sewer utility and fund capital projects, rate increases are proposed at 3.5 percent in 2023 followed by annually 4.0 percent through 2027.
- Debt service coverage on bonded debt remains extremely strong ranging from 34.7X to 52.4X during the forecast. Debt service coverage on all debt also remains strong ranging from 6.6X to 18.5X during the period.

The cost-of-service for the sewer utility determines equitable cost recovery in proportion to the demands each customer class places on the system based on functions of service and known or assumed cost causation. Because the wastewater treatment plant is treated as a separate entity, the collection system only has two functions. The functions of service reviewed for the sewer utility include:

- **Customer Costs:** associated with providing service to customers.
- **Sewer Flow Costs:** related to actual and estimated sewer volume processed within the system in a year.

Exhibit 1.7 provides a summary of the sewer utility’s revenue distribution based on the cost-of-service analysis (COSA) conducted as part of this study.

Exhibit 1.7: Comparison of Sewer Current Revenue Distribution to Cost of Service Distribution

Class	Existing 2023	COSA 2023	Difference	
	Revenue	Revenue	\$	%
Residential	\$ 2,533,178	\$ 2,695,959	\$ 162,782	6.4%
Multi-Family Residential	1,209,635	1,253,426	43,791	3.6%
Non-Residential	758,797	709,781	(49,016)	-6.5%
Total	\$ 4,501,609	\$ 4,659,166	\$ 157,556	3.5%

It should be noted, given the need for assumptions to complete a cost-of-service analysis, the variance for class-specific results is typically considered to be plus-or-minus 5.0 percent, relative to the system average. A cost-of-service study is a snapshot in time and because costs fluctuate each year, the needed increase by class can also fluctuate and interclass rate changes are not suggested unless the class’s revenue difference is consistently outside of the 5.0 percent threshold.

The cost-of-service results indicate that for the most part, each customer class is within the 5.0 percent threshold. Currently, revenues from the non-residential class are slightly subsidizing the residential class. To address the relatively minor shifts between classes based on the cost-of-service results, updated rates were forecasted through 2027. **Exhibit 1.9** shows the existing 2022 and proposed 2023 – 2027 rate schedule.

Exhibit 1.8: Existing and Proposed Monthly Sewer Rate Schedule (2022 – 2027)

	Current 2022	COS 2023	COS 2024	COS 2025	COS 2026	COS 2027
Fixed Charge by Class						
Residential (BiMonthly)	\$64.92	\$67.68	\$70.89	\$74.26	\$77.79	\$81.49
Multifamily up to Tri-Plex (BiMonthly)	\$64.92	\$67.52	\$70.56	\$73.74	\$77.06	\$80.72
Non-Residential (Monthly)	\$49.81	\$49.81	\$50.31	\$50.81	\$51.32	\$51.32
Public Parks - Veterans Memorial Park (Monthly)	\$64.92	\$64.92	\$65.57	\$66.23	\$66.89	\$66.89
Public Parks - South Kitsap Community Park (Monthly)	\$133.43	\$133.43	\$134.76	\$136.11	\$137.47	\$137.47
Golf Course - Village Greens (Monthly)	\$133.43	\$133.43	\$134.76	\$136.11	\$137.47	\$137.47
Volume Charge: per ccf of water usage (Non-Residential Only)	\$8.23	\$8.23	\$8.31	\$8.39	\$8.47	\$8.47

I.D. SUMMARY

The rate studies completed for the water and sewer utilities indicate a need for future rate increases to address forecasted increases in operating costs, to fund upcoming capital expenses and to satisfy all financial obligations of the utilities.

We recommend that the District revisit the results of the rate study annually and view the study findings as a living document by continuously comparing study outcomes to actual revenues and expenses. Any significant or unexpected changes may require adjustments to the rate strategy proposed.

Section II. RATE SETTING PRINCIPLES AND METHODOLOGY

II.A. OVERVIEW

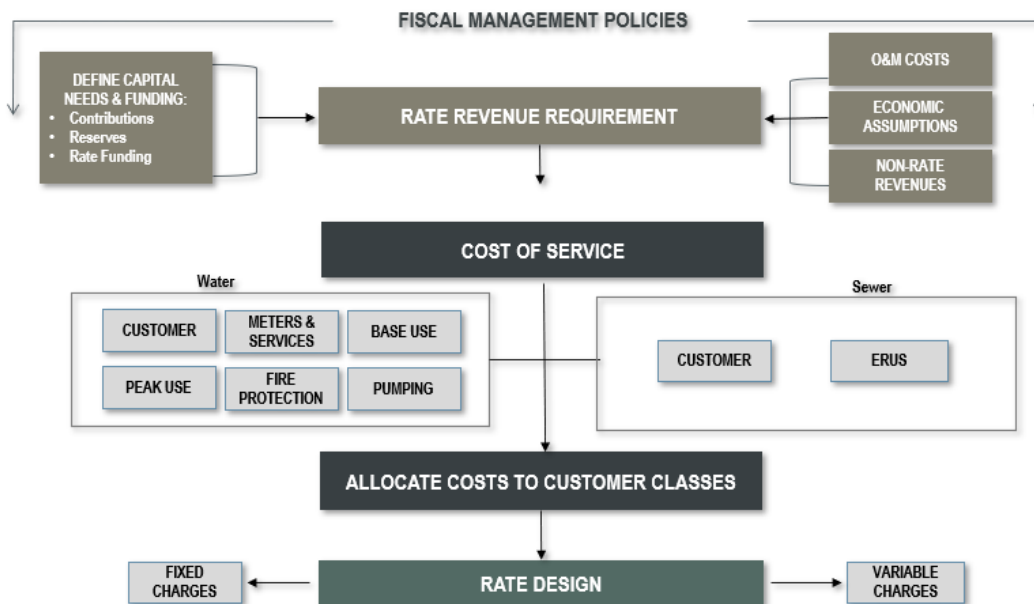
The methods used to establish user rates are based on principles that are generally accepted and widely followed throughout the industry. These principles are designed to produce rates that equitably recover costs from each class of customer by setting the appropriate level of revenue to be collected from ratepayers and establishing a rate structure to collect those revenues.

The three key analyses completed as part of the rate study process are listed below:

- **Revenue Requirement:** This analysis identifies the total revenue requirement to fully fund each utility on a standalone basis, considering operating and maintenance expenditures, capital funding needs, debt requirements and fiscal policy objectives.
- **Cost of Service:** This analysis equitably distributes costs to customer classes based on their proportional demand and use of the system.
- **Rate Design:** This analysis includes the development of rate structures that generate sufficient revenue to meet each system’s revenue requirement forecast and to address the District’s pricing objectives.

Exhibit 2.1 illustrates the entire rate study process.

Exhibit 2.1 Overview of the Rate Study Process



II.B. FISCAL POLICIES

The basic framework for evaluating utility revenue needs consists of a set of fiscal policies. These policies, which can address a variety of topics including cash management, capital funding strategy, financial performance, and rate equity, are intended to promote long-term financial viability for the District's utilities. Topics addressed in the fiscal policy resolution include reserves, system reinvestment funding, debt management, revenue sufficiency, and rate equity.

II.B.1. Utility Reserves

Reserves are a key component of any utility financial strategy as they provide the flexibility to manage variations in costs and revenues that could otherwise have an adverse impact on ratepayers. The financial plans included the following reserve categories:

- **Operating Reserve:** Operating reserves are designed to provide a liquidity cushion to ensure that adequate cash will be maintained to deal with significant variations in cash balance such as seasonal fluctuations in billings and receipts, unanticipated cash expenses, or lower than expected revenue collections. Industry practice is to maintain a minimum balance in the operating reserve equal to between 60 to 120 days of operations and maintenance (O&M) expenses for a water utility; 30 to 90 days for a sewer utility depending on the utility's rate structure. These, of course, are guidelines and actual levels should be established based upon a jurisdiction's unique needs and tolerance for risk. It is assumed that any operating funds above the minimum reserve target are available for capital purposes and will be transferred to the capital reserve. Based on the District's current policy, the minimum targets of 90 days for water and 55 days for sewer were maintained.
- **Capital Reserve:** 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. The reserve also could be used for other unanticipated capital needs including capital project cost overruns. Industry practices for this reserve range from maintaining a balance equal to one to two percent of fixed assets, an amount equal to a five-year rolling average of Capital Improvement Program (CIP) costs, or an amount determined sufficient to fund equipment failure (other than catastrophic failure). The final target level should balance industry practices with the risk level of the District. Based on the District's current policy, the minimum target was set based on the replacement costs of the largest non-transmission asset for water and largest non-collection asset for sewer.

Reserves should fluctuate above and below targets, and such experience does not reflect on the quality of budgeting or management. In fact, if a reserve remains static for extended periods of time without use, this may indicate that it is not set appropriately, or is unnecessary. Utility reserves are intended to absorb fluctuation in revenues or expenditures without abrupt rate impacts. As reserve levels vary, a policy structure can define the mechanisms for regulating those levels and returning them to intended targets.

- **Debt Reserve:** Bond covenants often establish reserve requirements as a means of protecting against the risk of nonpayment and are typically specified as a part of these covenants. A common reserve requirement is one year's debt service payment and a debt service coverage ratio of 1.25 to 2.00 times. The balance held in reserve for a particular debt instrument may be used to make the final payment on that debt instrument. The District must continue to fully fund such reserves as required by bond covenant or loan agreement. Since the debt reserve provides a static reserve against inability to pay, it is unnecessary to maintain operating reserves against debt

repayment. For the purpose of this study, the recommended policy for the utilities is to maintain a debt service coverage ratio of at least 1.75X per individual utility and at least 2.00X on a combined utility basis.

II.B.2. System Reinvestment Funding

System reinvestment funding promotes long-term system integrity. There are many metrics that a utility can choose when establishing a policy including but not limited to: a set dollar amount, equal to a percentage of depreciation expense, and a percentage of replacement cost.

For this study, the benchmark chosen is the annual replacement cost depreciation for each utility (estimated at \$1.6 million and \$1.4 million annually for the water and sewer utilities respectively). Due to the financial impact to rates by implementing this policy, the policy is phased in over the study period and each utility reaches the full replacement cost level of system reinvestment funding by 2026.

II.B.3. Debt Management

Debt issuance is a valuable tool for the District to use to finance certain costs as it allows the District to spread a relatively large cost over multiple years. Debt repayment structures can be quite flexible (e.g., deferred principal repayment), allowing the District to “shape” its cost structure and facilitate a stable progression of moderate rate adjustments.

When developing its capital funding strategy, the District must weigh the pros and cons of issuing debt to pay for a project. On one hand, debt issuance comes with interest and issuance costs that increase the overall cost borne by the utilities; on the other hand, it may mitigate rate impacts and enhance “generational equity,” given that the District would generally issue debt to fund infrastructure that is oversized to serve future growth. Too much debt issuance may limit the District’s ability to manage its rates, as the debt service payments and related requirements (such as revenue bond coverage) are “rigid” costs that generally cannot be deferred or scaled back; it may also impact the District’s credit rating and ability to secure low-cost debt. Conversely, excessive aversion to issuing debt can create problems, as it shifts the burden of funding capital investment to existing customers and may require maintaining higher reserve levels to manage cash flow needs related to capital investment. It is prudent to consider policies related to debt management as part of a broader utility financial policy structure.

II.C. REVENUE REQUIREMENT

A revenue requirement analysis forms the basis for a long-range financial plan and multi-year rate management strategy for each system. It also enables the District to set utility rate structures which fully recover the total cost of operating each system: capital improvement and replacement, operations, maintenance, general administration, fiscal policy attainment, cash reserve management, and debt repayment. Linking rate levels to a financial plan such as this helps to enable not only sound financial performance for the District’s utility funds, but also establishes a clear and reasonable relationship between the costs imposed on utility customers and the costs incurred to provide the service.

A revenue requirement analysis establishes the total annual financial obligations of the utility by bringing together the following core elements:

- **Fiscal Policy Analysis:** Identifies formal and informal fiscal policies of the District to ensure that current policies are maintained, including reserve levels, rate funded capital and debt service coverage.
- **Capital Funding Plan:** Defines a strategy for funding the District’s capital improvement program, including an analysis of available resources from rate revenues, debt financing, and any special resources that may be readily available (e.g., grants, outside contributions, etc.).
- **Operating Forecast:** Identifies future annual non-capital costs associated with the operation, maintenance, and administration of the system.
- **Sufficiency Testing:** Evaluates the sufficiency of revenues in meeting all financial obligations, including any coverage requirements associated with long-term debt.
- **Strategy Development:** Designs a forward-looking strategy for adjusting rates to fully fund all financial obligations on a periodic or annual basis over the projection period.

II.D. COST OF SERVICE

The purpose of a cost-of-service analysis is to provide a rational basis for distributing the full costs of each utility service to each class of customers in proportion to the demands they place on the system. Detailed cost allocations, along with appropriate customer class designations, help to sharpen the degree of equity that can be achieved in the resulting rate structure design. The key analytical steps of the cost-of-service analysis are as follows:

- **Functional Cost Allocation:** Apportions the annual revenue requirement to the major functions of the system:
 - » Water: customer (general customer costs), meters & services (reading and servicing meters), base (average use), peak (highest use), fire protection (fire specific costs), and pumping (pumping specific costs).
 - » Sewer: customer (general customer costs) and flow (ERUs of flow through the collection system).
- **Customer Class Designation:** Identifies the customer classes that will be evaluated as part of the study. Existing as well as new or revised customer classes or class definitions may be considered. It is appropriate to group customers that exhibit similar usage characteristics and service requirements.
- **Cost Allocation:** Allocates the costs from the functional cost allocation to different customer classes based on their unique demands for each service as defined by system planning documents, industry standards, and recorded user history (from billing data). The results identify shifts in cost recovery by customer class from that experienced under the existing rate structure.

II.E. RATE DESIGN

The principal consideration of rate design is for the rate structure to generate sufficient revenues for the system which are reasonably commensurate with the cost of providing service. The pricing structure is largely dictated by the objectives of the system. Most rate designs consist of fixed and variable charges. Fixed charges typically attempt to cover costs of the system that do not vary while variable charges will fluctuate with a change in user demand.

Other considerations include understandability by the rate payer, administrative ease, revenue stability, interclass and intraclass customer cost equity, conservation, and affordability.

Section III. WATER UTILITY

III.A. INTRODUCTION

The District owns and operates its water system, which is responsible for providing adequate and uninterrupted water supply for clean, safe, potable water for commercial consumption and fire protection. The water system provides service to 7,100 connections within the service area.

III.B. REVENUE REQUIREMENT

A revenue requirement analysis forms the basis for a long-range financial plan and multi-year rate management strategy. The analysis is developed by completing an operating forecast that identifies future annual operating costs and a capital funding plan that defines a strategy for funding the capital improvement needs of the District.

III.B.1. Operating Forecast

The purpose of the operating forecast is to determine whether the existing rates and charges are sufficient to recover the costs the District incurs to operate and maintain the water system. The 2022 budget largely formed the baseline for this forecast. The operating forecast was developed for the 2023 through 2027 time period. The following list highlights some of the key assumptions used in the development of the water utility operating forecast.

III.B.1.a Operating Revenue

- **Rate Revenue:** was based on a projection of 2022 rate revenue including the approved 6.8 percent rate increase.
- **Non-Rate Revenue:** consists of permit fees, new meter fees, late fees, interest income, hydrant rental charges, South Kitsap Water Reclamation Facilities (SKWRF) support, and other miscellaneous fees. Non-rate revenues are projected at approximately \$200,000 annually.
- **Customer Growth:** is forecasted at 1.75 percent annually based on Port Orchard's population allocation in the Puget Sound Regional Council Vision for 2040.
- **Interest Earnings:** was projected at 1.0 percent per year for all years of the forecast period.

III.B.1.b O&M Expenses

- **General Cost Inflation:** was set at 2.5 percent based on feedback from District staff and in alignment with internal forecasting practices.
- **Construction Cost Inflation (CCI):** was set at 4.0 percent annually based on feedback from the District.
- **Labor Cost Inflation:** was set at 2.5 percent consistent with general cost inflation based on feedback from the District.
- **Benefit Cost Inflation:** was set at 3.25 percent based on feedback from the District.
- **Electricity Inflation:** was assumed to be 0.35 percent based on staff input.

- **Additional O&M Expenses:** approximately \$81,000 was added to the forecast in 2023 to represent 0.5 FTE added for one on-site engineer.

III.B.1.c Debt Service

- **Existing Debt Service:** ranges from a high of \$225,000 in 2022, dropping to \$205,000 annually by 2027 as the District pays off a loan. The District has one outstanding revenue bond and three Public Works Trust Fund (PWTF) loans:
 - » Revenue Bond: payments of \$165,000 annually that will be paid off in 2028.
 - » Unbonded Loans: payments ranging from \$60,000 in 2022 to \$50,000 in 2024 as one of the loans is paid off by the utility.
- **New Debt Service:** A total of \$7.5 million, through two debt issuances, are forecasted in the study period. The first debt issuance is assumed to be \$5.0 million in 2023, followed by an issuance of \$2.5 million in 2025. These issuances are all conservatively assumed to be revenue bonds, with an interest rate of 4.0 percent, issuance cost of 1.0 percent and a term of 20 years. New debt service payments are forecasted to be \$400,000 annually in 2023, increasing to \$600,000 annually with the second issuance in 2025.

III.B.1.d Rate-funded Capital

- Rate-funded capital is a way to ensure system integrity through reinvestment in the system. The annual revenue target is equal to the estimated replacement cost depreciation of system assets. Due to the financial impact to rates by implementing this level of rate-funded capital, the target is phased in over the study period and the utility reaches the full replacement cost level of system reinvestment funding by 2026 (\$1.7 million).

III.B.2. Capital Funding Plan

The water utility is anticipating \$20.6 million in capital costs through the forecast period (adjusted for inflation). Major projects include: Sedgwick Main Relocation Project (\$2.2 million), Main on Jackson from Salmonberry to Sedgwick (\$1.2 million), and Main on Bethel from Lund to Salmonberry (\$1.3 million).

Funding for the capital plan comes from a number of different sources:

- **Cash balances (including interest) and system reinvestment funding:** Cash balances and system reinvestment funding include the beginning capital fund balance, any cash flow from the operating fund above what is needed to meet the operating fund reserve target and available cash after meeting the minimum capital reserve target. Cash balances and system reinvestment funding are forecast to fund \$10.5 million of the capital plan through 2027, about 50.9 percent of total capital expenditures in the rate setting forecast period.
- **General Facilities Charge (GFC) revenue:** GFC revenues are forecast at the existing fee levels and are based on the District's area specific permit forecast resulting in 150 to 160 new connections annually. Connection fee revenue is anticipated to contribute \$2.6 million over the rate setting period and fund approximately 12.6 percent of the capital plan.
- **Revenue bond proceeds:** Two revenue bond issuances are forecasted, \$5 million in 2023 and \$2.5 million in 2025. The proceeds of each revenue bond are spread over a two year period to cover funding gaps. Revenue bond proceeds are forecasted to fund 36.5 percent of the capital plan.

Exhibit 3.1 provides a summary of the funding sources for the capital expenditures. A detailed capital plan can be found in the excel model provided to the District.

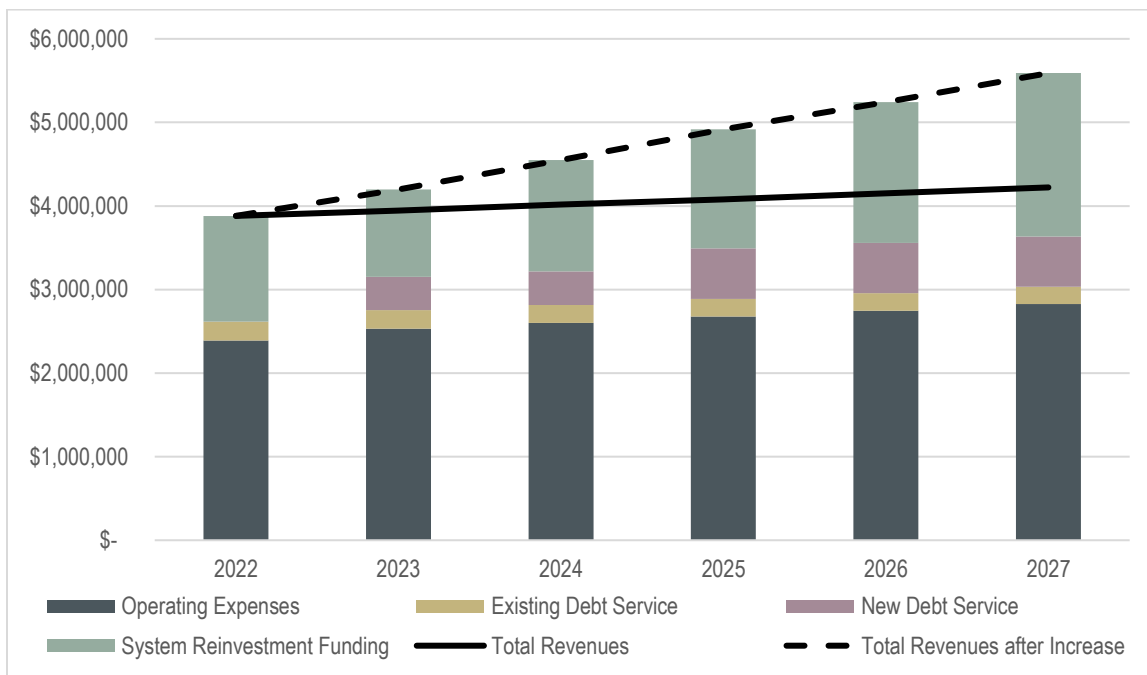
Exhibit 3.1 Water Capital Funding Summary

Funding Summary	2022	2023	2024	2025	2026	2027	Total
Total Capital Costs	\$ 4,366,455	\$ 4,181,855	\$ 3,706,655	\$ 2,886,781	\$ 1,624,615	\$ 3,784,089	\$ 20,550,451
Funding Sources							
Cash Balances and System Reinvestment Funding	\$ 3,946,455	\$ 2,035,868	\$ -	\$ 1,141,617	\$ -	\$ 3,342,665	\$ 10,466,605
General Facilities Charge Revenue	420,000	424,200	428,442	432,726	437,054	441,424	2,583,846
Revenue Bond Proceeds	-	1,721,787	3,278,213	1,312,438	1,187,562	-	7,500,000
Total Capital Funding	\$ 4,366,455	\$ 4,181,855	\$ 3,706,655	\$ 2,886,781	\$ 1,624,615	\$ 3,784,089	\$ 20,550,451

III.B.3. Summary of Revenue Requirement

The operating forecast components of O&M expenses, debt service and rate-funded capital come together to form the multi-year revenue requirement. The revenue requirement compares the overall revenue available to the water system to the expenses to evaluate the sufficiency of rates on an annual basis. **Exhibit 3.2** provides a summary of the water system revenue requirement findings.

Exhibit 3.2 Water Utility Revenue Requirement Summary



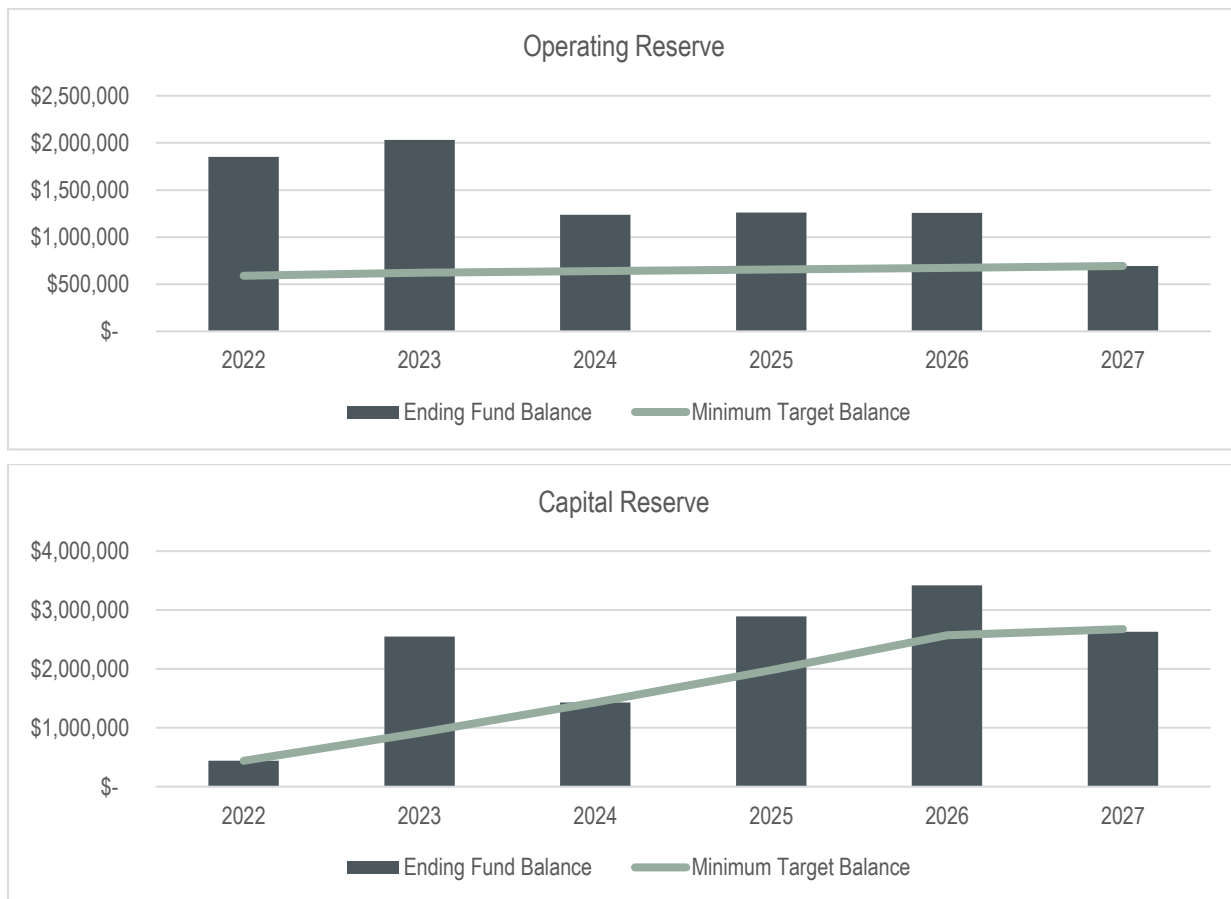
Summary of water utility revenue requirement:

- In 2022, with the inclusion of the approved 6.8% rate increase, current rate levels are sufficient to meet existing annual financial obligations.
- During the 2023 - 2027 rate setting period, existing revenues are sufficient to cover O&M expenses and both existing and new forecasted debt service. However, system reinvestment annual funding targets are not fully supported by existing revenue.
- To meet projected financial obligations for the water utility and fund capital projects, rate increases are proposed at 6.8 percent annually in 2023 – 2025 followed by 5.0 percent annually in 2026 and 2027.
- Debt service coverage on bonded debt remains above 3.5X in all years of the forecast while debt service coverage on all debt remains above 3.3X during the forecast.

Reserves

Exhibit 3.3 shows a summary of the projected operating and capital reserves through 2027 based on the rate forecast presented above. The bars represent projected ending fund balances for each year and the horizontal lines represent the minimum targets for operating and capital reserves. The rate strategy described above is projected to maintain operating reserves at or above the minimum target level of 90 days of operating and maintenance expenses (\$0.6 million to \$0.7 million over the forecast period). This strategy is also projected to maintain capital reserves at or above the minimum target level. The annual capital reserve target increases from 2023 to 2026 as the District phases into the target funding level equal to the replacement cost of the largest non-transmission asset.

Exhibit 3.3 Operating and Capital Target Balances



III.C. COST OF SERVICE

A cost-of-service analysis determines the equitable recovery of costs from customers according to the unique demands each customer class places on the system. There are three fundamental steps to allocating the annual revenue requirement to customer classes and developing the final rates – 1) allocate utility assets and total utility costs by function, 2) develop customer-specific allocation factors and 3) allocate costs to customer classes. The methodology used conforms to industry practices as identified by the American Water Works Association (AWWA) Principles of Water Rates, Fees and Charges, M1 Manual.

III.C.1. Allocation of Utility Assets by Function

The District’s water utility assets in service were reviewed to identify their uses as they relate to providing water service. This allocation assigns value and costs to functional categories based on documented system requirements, including engineering criteria, (e.g. average demand, peak demand, etc.) and industry standard practice based on the relationship of each class of asset and their function in the system. Assets are allocated to the functions of service according to known or assumed cost “causation”. The functions of service to which the District’s assets were allocated are discussed below.

- **Customer costs:** associated with establishing, maintaining, and serving water customers and tend to include administrative, billing, and customer service costs. These costs are generally uniform by customer regardless of their meter size or demand placed on the water system.
- **Meters & Services costs:** associated with the installation, maintenance, and repairs of meters and services. These costs are typically allocated based on number of connections and meter size.
- **Base costs:** related to average service provided on demand and are essentially correlated with year-round water consumption.
- **Peak costs:** related to peak demand service typically associated with the ability of the system to provide capacity to customers with higher-than-average volume, which usually occurs during the summer months.
- **Fire Protection costs:** associated with the ability of the system to provide adequate capacity and water flow corresponding to minimum fire safety standards required to serve customers. These costs are mostly incremental costs related to providing storage, distribution capacity, and hydrants for fire protection.
- **Pumping costs:** associated with costs to pump water to all customers within the District’s service area.

Exhibit 3.4 Water Utility Functional Plant (Assets) in Service

Plant in Service	Total Replacement Cost	FUNCTIONS OF WATER SERVICE							TOTAL
		CUSTOMER	METERS & SERVICES	BASE	PEAK	FIRE PROTECTION	PUMPING	AS ALL OTHERS	
Supply & Treatment	\$ 7,465,861	0.00%	0.00%	48.28%	51.72%	0.00%	0.00%	0.00%	100.00%
Pumping	5,436,316	0.00%	0.00%	48.28%	51.72%	0.00%	0.00%	0.00%	100.00%
Storage	9,382,226	0.00%	0.00%	38.75%	41.52%	19.73%	0.00%	0.00%	100.00%
Transmission & Distribution	15,976,404	0.00%	0.00%	34.31%	36.76%	28.93%	0.00%	0.00%	100.00%
Meters & Services	781,557	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Hydrants	734,609	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	100.00%
General Plant	6,662,473	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
Total Utility Plant	\$ 46,439,445	\$ -	\$ 781,557	\$ 15,346,951	\$ 16,441,365	\$ 7,207,099	\$ -	\$ 6,662,473	\$ 46,439,445
Water Service Functions		0.00%	1.96%	38.58%	41.33%	18.12%	0.00%		100.00%
Allocation of *As All Others*		\$ -	\$ 130,907	\$ 2,570,549	\$ 2,753,858	\$ 1,207,158	\$ -	\$ (6,662,473)	\$ -
TOTAL	\$ 46,439,445	\$ -	\$ 912,464	\$ 17,917,500	\$ 19,195,223	\$ 8,414,258	\$ -	\$ -	\$ 46,439,445
Allocation Percentages		0.00%	1.96%	38.58%	41.33%	18.12%	0.00%	0.00%	100.00%

The allocation basis (shown in **Exhibit 3.4**) used for the major functions of service are as follows:

- **Supply and Treatment assets:** are allocated based on the peak demand ratio of maximum day to average day (2.07 from the 2012 Water System Plan). Assets were allocated 48.28 percent to base and 51.72 percent to peak.
- **Pumping assets:** are also allocated based on the peak demand ratio of maximum day to average day (2.07 from the 2012 Water System Plan). Assets were allocated 48.28 percent to base and 51.72 percent to peak.

- **Storage assets:** are allocated based on a storage analysis that categorized storage into operating, equalizing, emergency/standby, fire suppression and demand management storage. The storage analysis was based on Table 3-15 of the 2012 Water System Plan and was used to determine the use of storage facilities to meet average, peak, fire requirements or a combination. Assets were allocated to 38.75 percent to base, 41.52 percent to peak, and 19.73 percent to fire.
- **Transmission and Distribution assets:** are allocated based on a pipe analysis of the transmission and distribution network. In the analysis, the water mains between the size of 8 and 12 inches are assumed to have been upsized 2 inches from the minimum requirement for fire protection. The proportion of additional flow available is allocated to fire protection while the remaining amount is allocated based on the peak demand ratio between base and peak. For all pipe inventory not between 8 and 12 inches, those assets are assumed to be allocated between base and peak based on the peak demand ratio. The results of the analysis show 34.31 percent to base, 36.76 percent to peak, and 28.93 percent to fire.
- **Meters & Service assets:** are allocated 100 percent to the meters and service function.
- **Hydrant assets:** are allocated 100 percent to fire.
- **General assets:** are allocated as all other plant assets and allocated in proportion to the assets defined above.

The result of the functional asset allocation is 0 percent to customer, 2 percent allocated to meters & services, 39 percent to base, 41 percent to peak, and 18 percent to fire. The resulting asset allocation is referred to as the “plant in service” allocation and is used to allocate annual costs if the cost supports the total utility system.

III.C.2. Allocation of Utility Costs by Function

Following the functionalization of the utility’s assets, the revenue requirement for 2023 is then allocated to these same functions of service based on cost allocation factors derived from the plant-in-service, system planning data, and other known costs. The functionalization of the revenue requirement is described in the bullets below:

- **Administrative Costs:** allocated to as all other costs.
- **Office Operating Supplies:** allocated to as all other costs.
- **Small Tools, Supplies, and Equipment:** allocated as plant in service.
- **Water Conservation and Communication Services:** allocated all to customer.
- **Main Replacement Materials:** allocated based on transmission and distribution assets.
- **Pump Replacement Materials:** allocated based on pump assets.
- **Treatment Chemicals:** allocated based on peak demand ratio.
- **SCADA:** allocated based on supply and treatment allocation.
- **Permit Fees:** allocated all to customer.
- **Meters, Reads, and Setters:** allocated all to meters and services.
- **Added On-Site Engineer:** allocated based on plant-in-service.
- **Existing and New Debt Service:** allocated as plant-in-service.
- **System Reinvestment Funding:** allocated as plant-in-service.

The allocation of the revenue requirement to the functions of service is summarized in **Exhibit 3.5**.

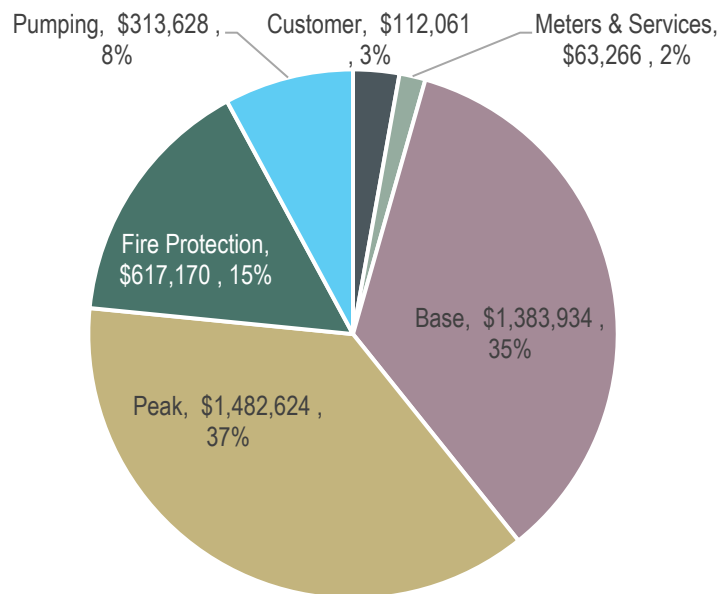
Exhibit 3.5 2023 Water Utility Functional Cost Allocation

Function	Total Revenue Requirement	%
Customer	\$ 112,061	2.8%
Meters & Services	63,266	1.6%
Base	1,383,934	34.8%
Peak	1,482,624	37.3%
Fire Protection	617,170	15.5%
Pumping	313,628	7.9%
Total	\$ 3,972,682	100%

The cost allocation indicates that the largest portion of costs, 37 percent, relate to meeting peak water demands, followed by 35 percent related to meeting base (average) water demands, 15 percent to fire protection, 8 percent to pumping, 3 percent to customer, and 2 percent to meters and services.

Exhibit 3.6 provides a summary of the functional cost allocation results.

Exhibit 3.6 Water Utility Functional Cost Allocation Summary (2023 Forecast)



III.C.3. Customer Class Distinctions

The District’s current customer classes include a residential class, a multi-residential class, a commercial class, and an agricultural class. The cost-of-service analysis was completed for each of these classes. At the time of this report, the District is considering implementing a new private fire service class. Any findings related to this potential new customer class will be documented in a separate technical memorandum.

III.C.4. Allocation Factors

Once the customer classes were defined, functional cost pools (shown in **Exhibit 3.6**) were then allocated to these customer classes based on the unique demands each class places on the system. In order to complete this task, the analysis consisted of first developing allocation factors that identified customer characteristics including number of accounts, consumption levels, peak demand patterns,

and fire flow requirements. The allocation factors are intended to equitably allocate total functional cost pools to those benefitting from the service. For this study, the water fund costs were allocated to customer classes based on:

- **Customer costs:** allocated on the basis of the number of customer accounts.
- **Meters & Services costs:** allocated on the basis of the number of meter service equivalents.
- **Base costs:** allocated on the basis of total annual water use.
- **Peak costs:** allocated on the basis of the ratio between each class’s peak month use to their average total use, multiplied by their total use.
- **Fire Protection costs:** allocated on the basis of the number of accounts and their associated fire flow gallons per minute and duration requirements based on Kitsap County fire flow requirements.
- **Pumping costs:** allocated on the basis of total number of Equivalent Residential Units (ERUs).

Exhibit 3.7 summarizes the allocation factors used and allocations for the customer classes evaluated in the cost-of-service analysis.

Exhibit 3.7 Water Utility Customer Allocation Factors

Customer Class	Customer	Meters & Services	Base	Peak	Fire Protection	Pumping	Total
Allocation Basis	Accounts	Meter Service Equivalents	Total Use	Peak Use	Kitsap County Fire Flow Requirements	Equivalent Residential Units	
Residential	88.2%	80.0%	67.8%	64.7%	76.0%	63.1%	68.3%
Multi-Family	3.5%	7.2%	12.8%	11.6%	3.0%	30.9%	11.9%
Commercial	7.1%	10.3%	13.6%	12.3%	6.1%	5.1%	11.0%
Agricultural	1.2%	2.4%	5.9%	11.4%	0.0%	0.9%	6.5%
Private Fire Service	0.0%	0.0%	0.0%	0.0%	14.9%	0.0%	2.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The cost of service by class was calculated by multiplying the functional cost pools by the allocation factor distribution percentages. Ultimately, this element of the analysis defines the total annual revenue that should be generated from each customer class, in order to achieve cost-based recovery from rates.

III.C.5. Water Utility Cost of Service Results

Exhibit 3.8 provides a comparison of current rate revenue distribution between customer classes and the results of the cost-of-service analysis.

Exhibit 3.8 Comparison of Water Current Revenue Distribution to Cost of Service Distribution

Class	Forecasted 2023 Revenue	%	2023 Cost of Service Allocation	%	\$ Difference	%
Residential	\$ 2,468,685	66.4%	\$ 2,713,010	68.3%	\$ 244,325	9.9%
Multi-Family	\$ 730,881	19.6%	\$ 472,476	11.9%	\$ (258,405)	-35.4%
Commercial	\$ 360,250	9.7%	\$ 438,808	11.0%	\$ 78,559	21.8%
Agricultural	\$ 159,925	4.3%	\$ 256,730	6.5%	\$ 96,805	60.5%
Private Fire Service	\$ -	0.0%	\$ 91,659	2.3%	\$ 91,659	
Total	\$ 3,719,740	100.0%	\$ 3,972,682	100.0%	\$ 252,942	6.8%

Because costs fluctuate each year, the needed increase by class can also fluctuate and interclass rate changes are not suggested unless the class’s revenue difference is outside the plus-or-minus 5.0 percent threshold. The COSA results indicate that the Residential class is within this threshold while the Multi-Family class is currently subsidizing the Commercial and Agricultural classes.

III.D. RATE DESIGN

The principal objective of the rate design stage is to implement water rate structures that collect the appropriate level of revenue. Establishing rates is a blend of “art” and “science” and especially so when it comes to the rate levels and structures. Several variables must be balanced to arrive at optimal rates and include revenue stability and efficiency of use.

III.D.1. Existing Water Rates

The existing water rate structure is composed of a fixed charge and a variable charge. Some key aspects of the current rate design are the following:

- **Fixed Charge:** A fixed monthly charge is applied to all customer classes on a uniform basis depending on the customer’s meter size. Bills are distributed to Single-Family customers on a bi-monthly basis while all other classes are billed on a monthly basis.
- **Variable Charge:** All customer classes are billed based on three tiers of water usage measured as the number of 100 cubic feet (ccf) used. Single-Family customers are billed using the same tier thresholds (regardless of an up-sized meter) based on the customer’s bi-monthly usage. All other customer classes are billed on separate thresholds depending on their meter size and monthly usage.
 - » As better detailed customer data becomes available, we recommend that the District evaluate the varying tier sizes for non-Single-Family customers and consider refining and/or establishing a uniform usage charge for each customer class.

District Resolution 1019-22 Exhibit A describes the fixed charges and tiered usage charge thresholds.

III.D.2. Proposed Water Rates

To address the recommended shifts between classes based on the cost-of-service results, updated rates were forecasted through 2027. For consistency between classes, the fixed charges increased at the same rate for all classes while the variable charges were set individually to phase-in class-specific revenues towards the cost-of-service targets. **Exhibit 3.9** shows the adopted 2022 rates as well as forecasted rates through the rest of the study period to increase cost equity between the customer classes.

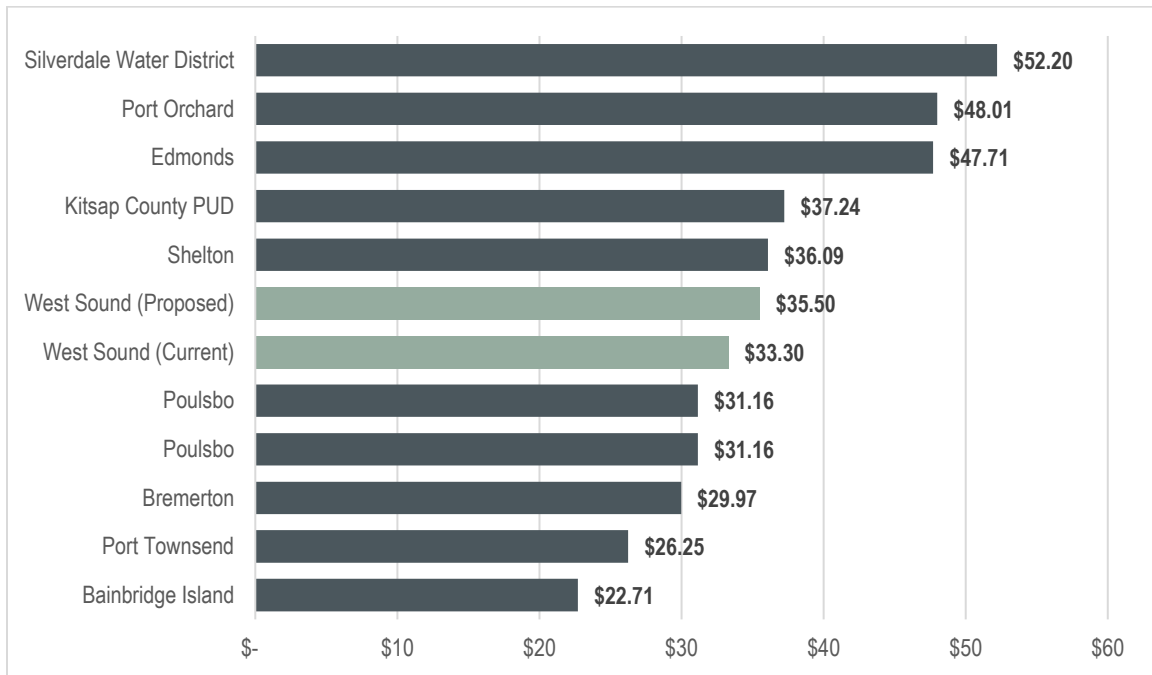
Exhibit 3.9 Proposed Water Rate Schedule

	Current 2022	COS 2023	COS 2024	COS 2025	COS 2026	COS 2027
System-Wide Rate Increase		6.8%	6.8%	6.8%	5.0%	5.0%
Base Rate						
5/8", 3/4"	\$19.26	\$20.61	\$22.05	\$23.59	\$25.24	\$27.01
1"	\$35.90	\$38.41	\$41.10	\$43.98	\$47.06	\$50.35
1.5"	\$64.11	\$68.60	\$73.40	\$78.54	\$84.04	\$89.92
2"	\$98.74	\$105.65	\$113.05	\$120.96	\$129.43	\$138.49
3"	\$194.88	\$208.52	\$223.12	\$238.74	\$255.45	\$273.33
4"	\$301.29	\$322.38	\$344.95	\$369.10	\$394.94	\$422.59
6"	\$588.49	\$629.68	\$673.76	\$720.92	\$771.38	\$825.38
Volume Charge: per ccf of water usage						
<i>Single-Family (BiMonthly)</i>						
Block 1	\$2.31	\$2.45	\$2.60	\$2.68	\$2.76	\$2.84
Block 2	\$2.67	\$2.83	\$3.00	\$3.09	\$3.18	\$3.28
Block 3	\$3.10	\$3.29	\$3.49	\$3.59	\$3.70	\$3.81
<i>Multi-Family (Monthly)</i>						
Block 1	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26
Block 2	\$3.77	\$3.77	\$3.77	\$3.77	\$3.77	\$3.77
Block 3	\$4.36	\$4.36	\$4.36	\$4.36	\$4.36	\$4.36
<i>Commercial (Monthly)</i>						
Block 1	\$2.54	\$2.82	\$3.13	\$3.47	\$3.64	\$3.82
Block 2	\$2.95	\$3.27	\$3.63	\$4.03	\$4.23	\$4.44
Block 3	\$3.41	\$3.79	\$4.21	\$4.67	\$4.90	\$5.15
<i>Agricultural/Irrigation (Monthly)</i>						
Block 1	\$3.26	\$3.80	\$4.43	\$5.16	\$6.01	\$7.00
Block 2	\$3.77	\$4.39	\$5.11	\$5.95	\$6.93	\$8.07
Block 3	\$4.36	\$5.08	\$5.92	\$6.90	\$8.04	\$9.37

III.D.3. Rate Survey

Exhibit 3.10 compares the District’s monthly (although billed on a bi-monthly basis) rate with the 2022 rates of other jurisdictions. Note that each jurisdiction has a unique set of geographic traits, customers, and system characteristics, each of which can have a significant impact on rates. Bill calculations assume 6 ccf of monthly water usage.

Exhibit 3.10 Residential Monthly Water Rate Survey (6 ccf monthly, 3/4" Meters)



III.E. SUMMARY

The analysis described above concludes the rate study for the water utility. Annual rate increases of 6.8 percent are recommended from 2023 to 2025 followed by 5.0 percent in 2026 and 2027 to prepare the District to fund the planned capital projects and associated debt service for two revenue bonds.

We recommend that the District revisit the study findings during each budget cycle to check that the assumptions used are still appropriate and no significant changes have occurred that would alter the results of the study. The District should use the study findings as a living document, continuously comparing the study outcomes to actual revenues and expenses. Any significant or unexpected changes will require adjustments to the rate strategy proposed.

Section IV. SEWER UTILITY

IV.A. INTRODUCTION

The District owns a wastewater collection system that provides uninterrupted sanitary sewer conveyance and mitigates overflows into streams, lakes, and private properties. As a separate entity, the District jointly owns the South Kitsap Water Reclamation Facility (SKWRF), a wastewater treatment plant that provides to treatment for both the District and the City of Port Orchard.

IV.B. REVENUE REQUIREMENT

Similar to the water utility, a revenue requirement was completed for the sewer utility and forms the basis for the long-range financial plan and multi-year financial management strategy.

IV.B.1. Operating Forecast

The purpose of the operating forecast is to determine whether the existing rates and charges are sufficient to recover the costs the District incurs to operate and maintain the District collection system and share of treatment expenses at the SKWRF. The 2022 budget formed the baseline for this forecast and used to project revenue requirements through the 2023 to 2027 time period. The following list highlights some of the key assumptions used in the development of the sewer utility operating forecast.

IV.B.1.a Operating Revenue

- **Rate Revenue:** was based on an estimate of 2022 rate revenue, increased 5.2 percent to account for the approved rate adjustment in 2022.
- **Non-Rate Revenue:** consists of permit fees, service fees, penalties, SKWRD admin support, interest, and other miscellaneous fees.
- **Customer Growth:** is forecasted at 1.75 percent annually based on Port Orchard's population allocation in the Puget Sound Regional Council Vision for 2040.
- **Interest Earnings:** was projected at 1.0 percent per year for all years of the forecast period.

IV.B.1.b O&M Expenses

- **General Cost Inflation:** was set at 2.5 percent based on feedback from District staff and in alignment with internal forecasting practices.
- **Construction Cost Inflation (CCI):** was set at 4.0 percent annually based on feedback from the District.
- **Labor Cost Inflation:** was set at 2.5 percent consistent with general cost inflation based on feedback from the District.
- **Benefit Cost Inflation:** was set at 3.25 percent based on feedback from the District.
- **Electricity Inflation:** was assumed to be 0.35 percent based on staff input.

- **Additional O&M Expenses:** were included starting in 2023 for approximately \$81,000 to represent 0.5 FTE added for one on-site engineer.

IV.B.1.c Debt Service

- **Existing Debt Service:** ranges from a high of \$215,000 in 2022, dropping to \$195,000 in 2024 and then to \$115,000 in 2025 as the District pays off three loans. The District has one outstanding revenue bond and four unbonded loans:
 - » Revenue Bond: payments of \$40,000 annually that will be paid off in 2028.
 - » Unbonded Loans: payments ranging from \$175,000 in 2022 to \$75,000 as loans are paid off by the utility.
- **New Debt Service:** no new debt service is projected during the forecast period to fund the capital program.

IV.B.1.d Rate-funded Capital

- Rate-funded capital is a way to ensure system integrity through reinvestment in the system. The annual revenue target is equal to the estimated replacement cost depreciation of system assets. Due to the financial impact to rates by implementing this level of rate-funded capital, the target is phased in over the study period and the utility reaches the full replacement cost level of system reinvestment funding by 2026 (\$1.5 million).

IV.B.2. Capital Funding Plan

The sewer utility capital plan includes approximately \$10.2 million in escalated capital costs from 2022 to 2027. Notable projects include Replace Aging Mains (\$4.2 million), Olney Sewer Replacement (\$1.3 million), and Eliminate Beach Drive Lift Station (\$800,000).

Funding for the capital plan identified comes from two different sources:

- **Cash balances (including interest) and system reinvestment funding:** Cash balances and system reinvestment funding include the beginning capital fund balance, any cash flow from the operating fund above what is needed to meet the operating fund reserve target and available cash after meeting the minimum capital reserve target. Cash balances and system reinvestment funding are forecast to fund \$8.0 million of the capital plan through 2027, about 78.5 percent of total capital expenditures in the rate setting forecast period.
- **General Facilities Charge (GFC) revenue:** GFC revenues are forecast at the existing fee levels and are based on the District’s area specific permit forecast resulting in approximately 90 new connections annually. Connection fee revenue is anticipated to contribute \$2.2 million over the rate setting period and fund approximately 21.5 percent of the capital plan.

Exhibit 4.1 provides a summary of the funding sources for the capital program. A detailed capital plan can be found in financial models provided to the District.

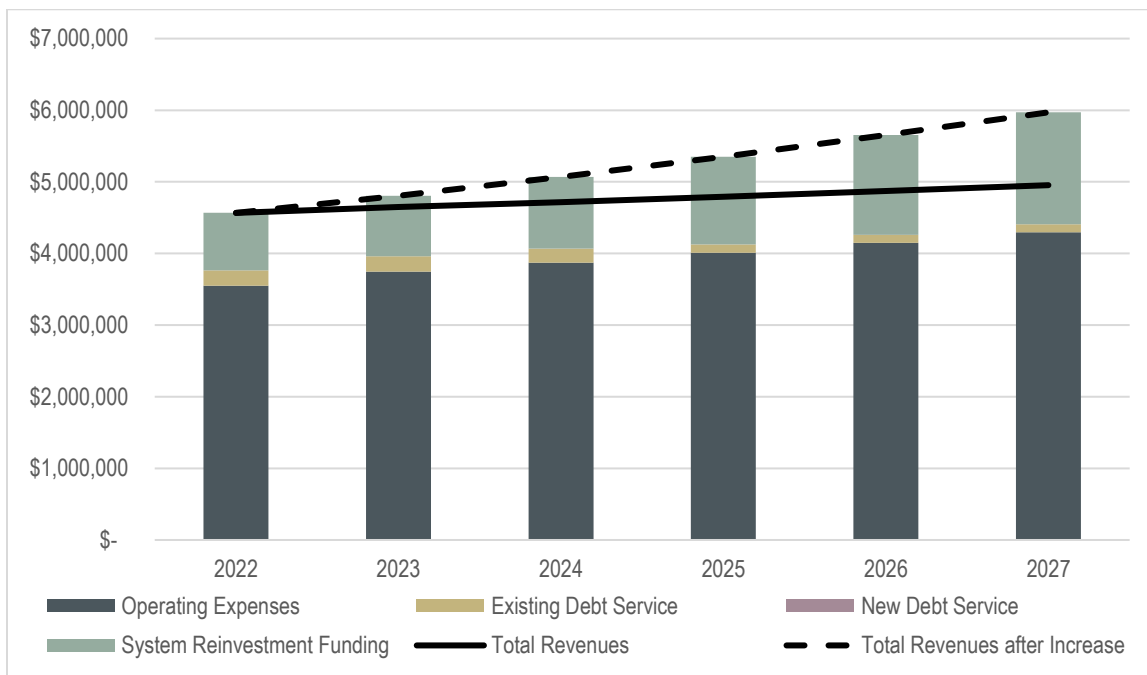
Exhibit 4.1 Sewer Capital Funding Summary

Funding Summary	2022	2023	2024	2025	2026	2027	Total
Total Capital Costs	\$ 2,868,125	\$ 2,234,177	\$ 1,240,455	\$ 1,140,879	\$ 1,441,168	\$ 1,233,975	\$ 10,158,780
Funding Sources							
Cash Balances and System Reinvestment Funding	\$ 2,487,325	\$ 1,880,677	\$ 883,420	\$ 780,274	\$ 1,076,957	\$ 866,121	\$ 7,974,774
General Facilities Charge Revenue	380,800	353,500	357,035	360,605	364,211	367,854	2,184,005
Total Capital Funding	\$ 2,868,125	\$ 2,234,177	\$ 1,240,455	\$ 1,140,879	\$ 1,441,168	\$ 1,233,975	\$ 10,158,780

IV.B.3. Summary of Revenue Requirement

The operating forecast components of O&M expenses, debt service and rate-funded capital come together to form the multi-year revenue requirement. The revenue requirement compares the overall sewer system revenue against forecasted expenses to evaluate the sufficiency of rates on an annual basis. **Exhibit 4.2** provides a summary of the sewer system revenue requirement findings.

Exhibit 4.2 Sewer Utility Revenue Requirement Summary



Summary of sewer revenue requirement:

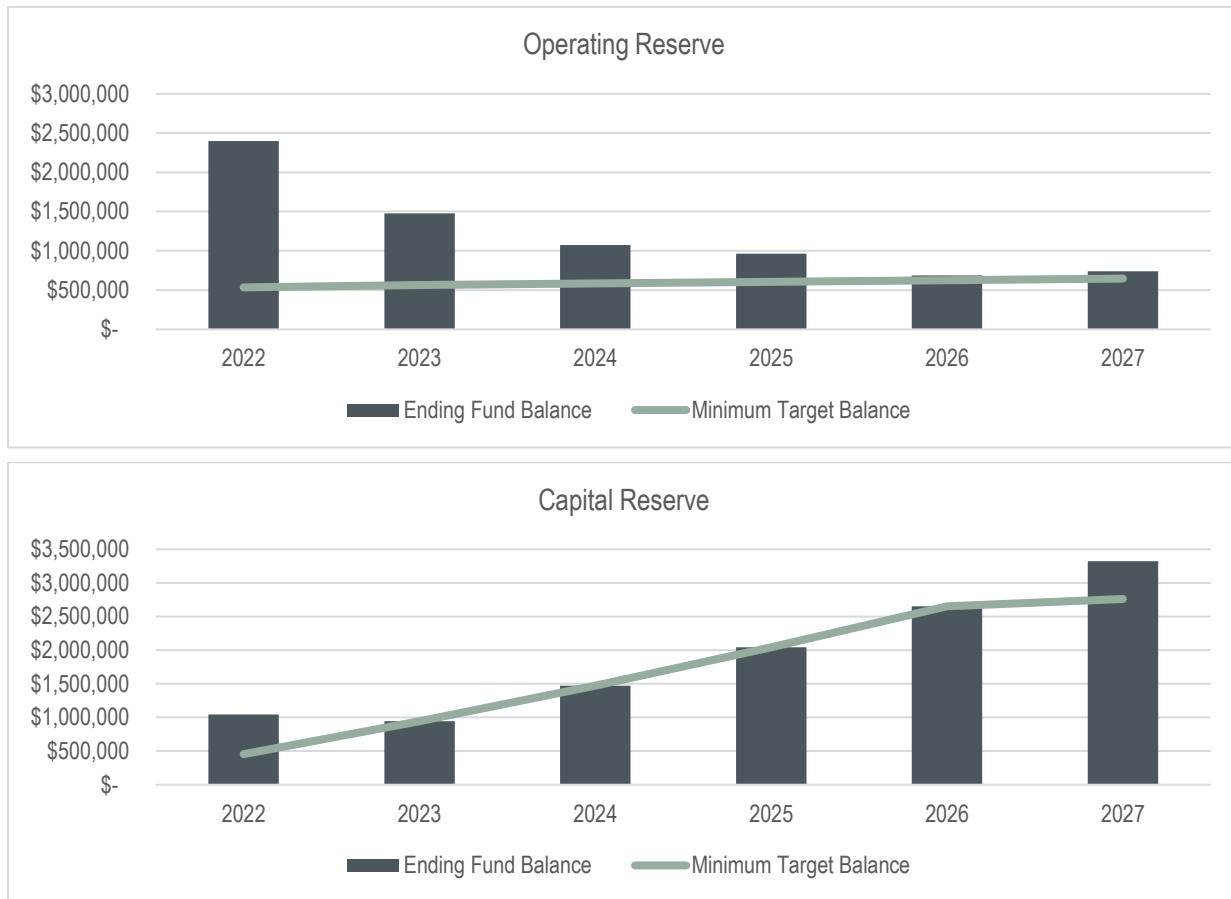
- In 2022, with the inclusion of the 5.2 percent approved rate increase, current rate levels are sufficient to meet existing annual financial obligations.
- During the 2023 – 2027 rate setting period, existing revenues are sufficient to cover O&M expenses and existing debt service. However, system reinvestment funding targets are not fully met with existing rate revenue.
- To meet the projected financial obligations of the sewer utility, the funding plan includes a 3.5 percent increase in 2023 followed by 4.0 percent annual increases each year thereafter.
- Debt service coverage on bonded debt remains above 34.7X in all years of the forecast while debt service coverage on all debt remains above 6.6X during the forecast.

IV.B.4. Reserves

Exhibit 4.3 shows a summary of the projected operating and capital reserves through 2027 based on the rate forecast presented above. The bars represent projected ending fund balances for each year and the horizontal lines represent the minimum targets for operating and capital reserves. The rate strategy described above is projected to maintain operating reserves at or above the minimum target level of 55 days of operating and maintenance expenses (\$0.6 million over the forecast period). This strategy is also projected to maintain capital reserves at or above the minimum

target level. The annual capital reserve target increases from 2023 to 2026 as the District phases into the target funding level of the replacement cost of the largest non-collection asset.

Exhibit 4.3 Operating and Capital Target Balances



IV.C. SEWER COST OF SERVICE ANALYSIS

Similar to the water utility, the cost-of-service allocation process for the sewer utility involves three steps - 1) allocate total utility assets and costs by function, 2) develop customer-specific allocation factors and 3) allocate costs to customer classes.

IV.C.1. Allocation of Utility Assets by Function

The District’s sewer utility assets in service were reviewed to identify how they relate to providing sewer service. This allocation assigns value and costs to functional categories based on documented system requirements and industry practice based on the relationship of each class of asset and their function in the system. Assets are allocated to the functions of service according to known or assumed cost “causation”. The functions of service to which the District’s assets were allocated are discussed below.

- **Customer costs:** associated with providing service to customers regardless of sewer contribution, such as billing and office support.
- **Equivalent Residential Unit (ERU):** related to actual and estimated sewer volume processed within the system in a year normalized to a unit based on typical residential flow.

- » Generally, sewer cost-of-service analyses includes a “strength” function which is used to allocate utility asset costs related to the strength of sewage processed, in terms of biochemical oxygen demand (BOD) and total suspended solids (TSS). In this particular case, the District incurs operating and capital costs at the treatment plant on an equivalent residential unit basis, so there is not a clear and identifiable cost basis for strength-related treatment costs. As a result, all treatment costs are functionalized as equivalent residential units.

Exhibit 4.4 Sewer Utility Functional Plant (Assets) in Service

Plant in Service	Total Replacement Costs	FUNCTIONS OF SEWER SERVICE		AS ALL OTHERS	TOTAL
		CUSTOMER	ERU		
Treatment	\$ -	0.00%	100.00%	0.00%	100.00%
Collection	27,941,238	0.00%	100.00%	0.00%	100.00%
Pumping	9,965,756	0.00%	100.00%	0.00%	100.00%
General Plant	5,827,262	0.00%	0.00%	100.00%	100.00%
Total Utility Plant	\$ 43,734,256	\$ -	\$ 37,906,994	\$ 5,827,262	\$ 43,734,256
Sewer Service Functions		0.00%	100.00%		100.00%
Allocation of "As All Others"		\$ -	\$ 5,827,262	\$ (5,827,262)	\$ -
TOTAL	\$ 43,734,256	\$ -	\$ 43,734,256	\$ -	\$ 43,734,256
Allocation Percentages		0.00%	100.00%	0.00%	100.00%

IV.C.2. Allocation of Utility Costs by Function

Following the functionalization of the utility’s assets, the revenue requirement for 2023 was then allocated to these same functions of service based on cost allocation factors derived from the plant-in-service, system planning data, and other known costs. The following summarizes the key cost allocation assumptions:

- **Administrative costs:** were allocated to as all other.
- **Postage/Printing/Bank Fees/Advertising:** were allocated 100 percent to customer.
- **Rentals/Insurance/Membership Dues:** were allocated all to ERU.
- **Operations Salaries and Benefits:** were allocated to plant in service which is 100 percent allocated to ERU.
- **Collection Materials:** were allocated all to collection which is 100 percent allocated to ERU.
- **Pump Materials:** were allocated all to pumping which is 100 percent allocated to ERU.
- **SKWRF Operations and CIP costs:** were allocated all to treatment which is 100 percent allocated to ERU as costs are based on the proportion of flow delivered to the treatment facility.
- **Added On-Site Engineer:** allocated based on plant in service.
- **Existing Debt Service:** allocated as plant-in-service.
- **System Reinvestment Funding:** allocated as plant-in-service.

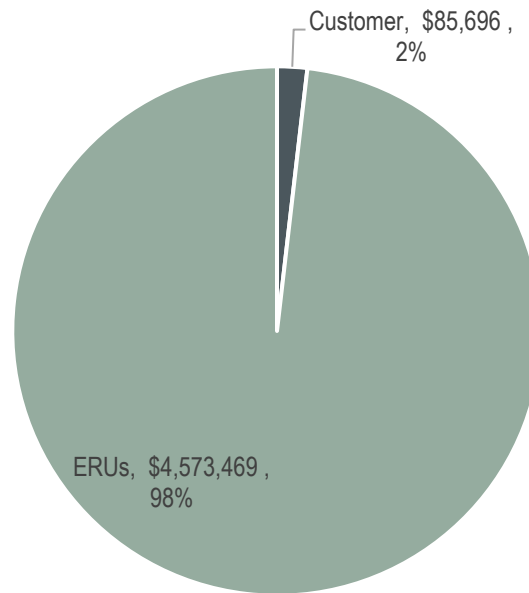
Utility cost allocation results in costs being allocated to the functional cost pools identified in **Exhibit 4.5**.

Exhibit 4.5 Sewer Utility Functional Cost Allocation (2023 Forecast)

Function	Total Revenue Requirement	%
Customer	\$ 85,696	1.8%
ERUs	4,573,469	98.2%
Total	\$ 4,659,166	100.0%

The cost allocation indicates that the majority of costs, 98 percent, relate to meeting flow requirements, while the other 2 percent are allocated to customer. The results of the allocation are summarized graphically in **Exhibit 4.6**.

Exhibit 4.6 Sewer Utility Functional Cost Allocation Summary (2023 Forecast)



IV.C.3. Customer Class Distinctions

The District’s current customer classes include a residential class, a multi-residential class, and a non-residential class.

IV.C.4. Allocation Factors

Once the customer classes were defined, functional cost pools (shown in **Exhibit 3.6**) were then allocated to these customer classes based on the demand each class places on the system. In order to complete this task, the analysis consisted of first developing allocation factors that identified customer characteristics including number of accounts and equivalent residential units. Allocation factors are intended to equitably allocate total functional cost pools to those benefitting from the service. For this study, the sewer utility revenue requirement was allocated based on the following:

- **Customer costs:** on the basis of the number of customer accounts.
- **ERUs:** on the basis of flow produced per customer class normalized to an equivalent residential unit.

Exhibit 3.7 summarizes the allocation factors used and allocations for the customer classes evaluated in the cost-of-service analysis.

Exhibit 4.7 Sewer Utility Customer Allocation Factors

Customer Class	Customer	ERUs	Total
Allocation Basis	Accounts	ERUs	
Residential	91.1%	57.2%	57.9%
Multi-Family Residential	3.9%	27.3%	26.9%
Non-Residential	5.0%	15.4%	15.2%
Total	100.0%	100.0%	100.0%

IV.C.5. Sewer Cost of Service Analysis Results

Exhibit 4.8 provides a comparison of current rate revenue distribution between customer classes and the distribution of revenues resulting from the cost-of-service analysis.

Exhibit 4.8 Comparison of Sewer Current Revenue Distribution to Cost of Service Distribution

Class	Existing 2023		COSA 2023		Difference	
	Revenue	%	Revenue	%	\$	%
Residential	\$ 2,533,178	56.3%	\$ 2,695,959	57.9%	\$ 162,782	6.4%
Multi-Family Residential	1,209,635	26.9%	1,253,426	26.9%	43,791	3.6%
Non-Residential	758,797	16.9%	709,781	15.2%	(49,016)	-6.5%
Total	\$ 4,501,609	100.0%	\$ 4,659,166	100.0%	\$ 157,556	3.5%

Because costs fluctuate each year, the needed increase by class can also fluctuate and interclass rate changes are not suggested unless the class’s revenue difference is outside the plus-or-minus 5.0 percent threshold. The COSA results indicate that revenues for the residential and multi-family residential classes are operating within this threshold while revenues generated from the non-residential class are slightly above the cost to provide service.

IV.D. RATE DESIGN

The principal objective of the rate design stage is to implement rate structures that collect the appropriate level of revenue as outlined by the revenue requirement. Establishing rates is a blend of “art” and “science” and especially so when it comes to the rate levels and structures. Several variables must be balanced to arrive at optimal rates. The main objective in this rate design was to address intraclass equity.

IV.D.1. Existing Sewer Rates

The existing sewer structure is composed of a monthly fixed charge (although Residential and duplexes are billed on bi-monthly basis) for all classes and a volume charge per 100 cubic feet for Non-Residential customers only. In addition to the three customer classes defined in the cost of service, there are also specific rates for the Veterans Memorial Park, South Kitsap Community Park, and the Village Greens golf course. Rate adjustments for these three individual customers are based on the proposed adjustments to the Non-Residential class.

Exhibit 4.9 provides a summary of the existing sewer utility rates.

Exhibit 4.9 Existing Monthly Sewer Rates

Current Rate Schedule	2022
Monthly Fixed Charge by Class (Bill Frequency)	
Residential (BiMonthly)	\$64.92
Multifamily (Monthly)	\$64.92
Non-Residential (Monthly)	\$49.81
Public Parks - Veterans Memorial Park (Monthly)	\$64.92
Public Parks - South Kitsap Community Park (Monthly)	\$133.43
Golf Course - Village Greens (Monthly)	\$133.43
Volume Charge: per ccf of water usage (Non-Residential Only)	\$8.23

IV.D.2. Proposed Sewer Rates

The financial plan indicates the need for 3.5 percent increase in 2023 followed by 4.00 percent annual rate increases through the rest of the forecast. To closer align the revenues brought in by each customer class with the indicated cost of service, each customer class increases are proposed to increase as:

- **Single-Family Residential:** 4.25% in 2023, 4.75% each year thereafter.
- **Multi-Family Residential:** 4.00% in 2023, 4.50% from 2024 to 2026, and 4.75% in 2027.
- **Non-Residential:** Hold rates in 2023 followed by 1.00% annual adjustments from 2024 to 2026. It is recommended that the District re-evaluate cost-of-service results before additional adjustments.

Exhibit 4.10 provides a schedule of existing and proposed fixed and volumetric rates for each year from 2022 through 2027.

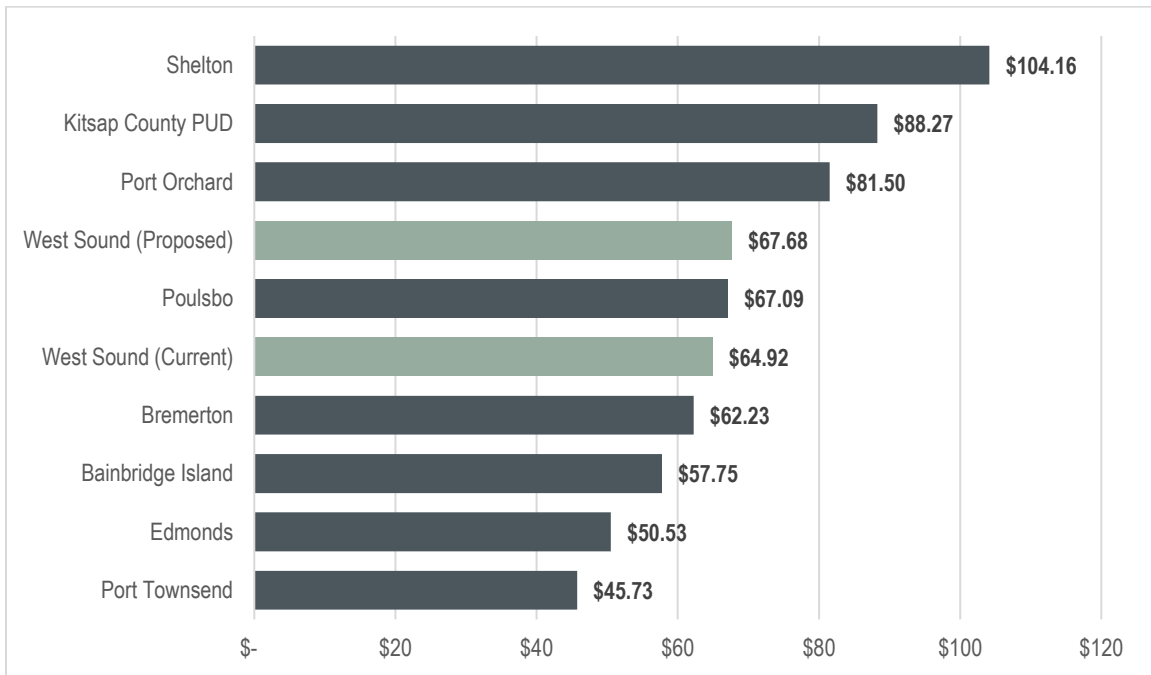
Exhibit 4.10 Proposed Sewer Rate Design Options

	Current 2022	COS 2023	COS 2024	COS 2025	COS 2026	COS 2027
Fixed Charge by Class						
Residential (BiMonthly)	\$64.92	\$67.68	\$70.89	\$74.26	\$77.79	\$81.49
Multifamily (Monthly)	\$64.92	\$67.52	\$70.56	\$73.74	\$77.06	\$80.72
Non-Residential (Monthly)	\$49.81	\$49.81	\$50.31	\$50.81	\$51.32	\$51.32
Public Parks - Veterans Memorial Park (Monthly)	\$64.92	\$64.92	\$65.57	\$66.23	\$66.89	\$66.89
Public Parks - South Kitsap Community Park (Monthly)	\$133.43	\$133.43	\$134.76	\$136.11	\$137.47	\$137.47
Golf Course - Village Greens (Monthly)	\$133.43	\$133.43	\$134.76	\$136.11	\$137.47	\$137.47
Volume Charge: per ccf of water usage (Non-Residential Only)	\$8.23	\$8.23	\$8.31	\$8.39	\$8.47	\$8.47

IV.D.3. Rate Survey

Exhibit 4.11 compares the District’s monthly rate with the 2022 rates of other jurisdictions. Note that each jurisdiction has a unique set of geographic traits, customers, and system characteristics, each of which can have a significant impact on rates. Bill calculations assume 5 ccf of monthly sewer flow contribution for those jurisdictions that apply a volume rate to their Residential customers.

Exhibit 4.11 Residential Monthly Sewer Rate Survey (5 ccf of Usage)



IV.E. SUMMARY

The analysis described above concludes the rate study for the sewer utility. The financial plan includes an annual rate adjustment of 3.5 percent increase in 2023 followed by 4.0 percent annual rate increases through the rest of the forecast to ensure the District can continue to fully fund its operations and fund anticipated capital projects over the rate setting period.

We recommend that the District revisit the rate study with each budget cycle to review if revenue and expense projections are reasonable when compared to actual experience. Any significant or unexpected changes will require adjustments to the rate strategy proposed.

2024 West Sound Utility District Water Rates and Charges

Meter Size	*Base Rate	Street Lights	Fire Flow	Charge
5/8, 3/4"	\$22.58	\$0.00	\$0.00	Plus Commodity
1"	\$42.08	\$0.00	\$0.00	Plus Commodity
1-1/2"	\$75.15	\$0.00	\$0.00	Plus Commodity
2"	\$115.74	\$0.00	\$0.00	Plus Commodity
3"	\$228.43	\$0.00	\$0.00	Plus Commodity
4"	\$353.16	\$0.00	\$0.00	Plus Commodity
6"	\$689.82	\$0.00	\$0.00	Plus Commodity

Description	Rate	Notes:
*Ready to Serve	\$10.86	Monthly. Applies only to properties that have been issued a Binding Letter of water availability or have paid GFC's and have not taken on water service.
*Unit Charge	\$22.58	Monthly for each Residential Dwelling Unit, Guest House or accessory building with a kitchen, served shall be assessed monthly for the multi-family class.
Bulk Water Fill At District Offices	\$25.00	Account establishment is required for monthly invoicing for bulk water obtained. Intermittent (Intermittent is defined as less than five bulk fills per year) bulk fills do not require an account. All transporting trucks are required to have an approved air-gap, which shall be inspected and approved by the District.

Meters and Services

Description	*Rate	Notes:
Full Service Meter Connection" 5/8' X 3/4"	Pre-Installed Rate Plus Time and Materials	Full Service Meter: For Meters and related appurtenances installed by the District. Charges shall be levied and collected at the completion of service. The District will supply an estimate of cost for individual service installations based on construction requirements, traffic control, permitting and the Authority Having Jurisdiction road restoration requirements. A deposit in the amount of 50% based on estimated cost will be required prior to service installation.
Full Service Meter Connection 1"	Pre-Installed Rate Plus Time and Materials	
Full Service Meter Connection >1"	Pre-Installed Rate Plus Time and Materials	
Pre-Installed Meter 5/8' x 3/4"	\$496	Pre-Installed Service (Meter Only): Fees for the installation of a meter only apply when the service connection and all associated valves, fittings, meter setters, and necessary appurtenances have already been installed in accordance with the District's standards and specifications at the property owners expense.
Pre-Installed Meter 1"	\$720	
Pre-Installed Meter 1-1/2"	\$1,480	
Pre-Installed Meter 2"	\$1,947	
Pre-Installed Meter 3"	\$3,104	
Pre-Installed Meter 4"	\$4,319	
Pre-Installed Meter 6"	\$7,820	

Commodity Charge (COM) per 100 hundred cubic feet(ccf). ccf = 748 gallons.

***Single Family Residential - Billed Bimonthly**

Meter Size	Block 1	Block 2	Block 3	Rate Code
	Rate - \$/ccf	Rate - \$/ccf	Rate - \$/ccf	
	\$2.66	\$3.07	\$3.57	
5/8, 3/4"	0-11	>11-21	>21	109, 110
1"	0-11	>11-21	>21	111

***Multi-Family Residential - Billed Monthly**

Meter Size	Block 1	Block 2	Block 3	Rate Code
	Rate - \$/ccf	Rate - \$/ccf	Rate - \$/ccf	
	\$3.34	\$3.87	\$4.47	
5/8, 3/4"	0 - 77	>77 - 146	>146	130
1"	0 - 102	>102 - 194	>194	131
1-1/2"	0 - 167	>167 - 316	>316	
2"	0 - 244	>244 - 463	>463	
3"	0 - 424	>424 - 803	>803	
4"	0 - 680	>680 - 1,289	>1,289	
6"	0 - 1,360	>1,360 - 2,578	>2,578	

***Commercial - Billed Monthly**

Meter Size	Block 1	Block 2	Block 3	Rate Code
	Rate - \$/ccf	Rate - \$/ccf	Rate - \$/ccf	
	\$3.20	\$3.72	\$4.30	
5/8, 3/4"	0 - 12	>12 - 24	>24	100
1"	0 - 16	>16 - 32	>32	101
1-1/2"	0 - 26	>26 - 52	>52	102
2"	0 - 38	>38 - 75	>75	103
3"	0 - 65	>65 - 131	>131	104
4"	0 - 106	>106 - 211	>211	115, 116
6"	0 - 212	>212 - 424	>424	106

***Agricultural/Irrigation - Billed Monthly**

Meter Size	Block 1	Block 2	Block 3	Rate Code
	Rate - \$/ccf	Rate - \$/ccf	Rate - \$/ccf	
	\$4.52	\$5.23	\$6.05	
5/8, 3/4"	0 - 66	>66 - 246	>246	100
1"	0 - 88	>88 - 327	>327	101
1-1/2"	0 - 143	>143 - 369	>369	102
2"	0 - 209	>209 - 780	>780	103
3"	0 - 363	>363 - 1,353	>1,353	104
4"	0 - 583	>583 - 2,172	>2,172	115, 116
6"	0 - 1,166	>1,166 - 4,344	>4,344	106

*City Customers will incur a cost of service recovery fee of 5%, Resolution 1056-23.

2024 West Sound Utility District Sewer Rates and Charges

Classification	*Monthly	Billing Cycle	Notes:
Residential	\$70.89	Bi-Monthly	Per ERU
Multifamily up to Tri-Plex	\$70.56	Bi-Monthly	Per ERU
Non-Residential	\$50.31	Monthly	Base Rate
	\$8.31		For each additional 100 cubic foot of water consumed.
Public Parks - Veterans Memorial Park	\$65.57	Monthly	One Public Restroom.
Public Parks - South Kitsap Community Park	\$134.76	Monthly	Two public restrooms and one office space.
Golf Course - Village Greens	\$134.76	Monthly	Two public restrooms and one office space.
Ready to Serve	\$10.86	Monthly	Applies only to properties that have paid GFC's and do not have a physical connection to the sewer.

*City Customers will incur a cost of service recovery fee of 5%, Resolution 1056-23.

***2024 WSUD Master Schedule of Fees and Charges**

Account Setup Fee	\$25.00	Fee to set up new account on property or change the billing name and/or address on an existing account.
Account Closing -Final Billing Charge	\$25.00	Charge to estimate and create a final bill, either by staff or using the automated website application, outside of the normal reading and billing cycle.
Administrative Fee	\$100.00	Cost for Administrative Processing and recordkeeping of invoices on items identified and not identified in the Master Schedule of Fees and Charges.
Damage to District Property	T&M	All incurred costs for repair/replacement and incurred labor.
Certified Mail Fee (Issuance on Delinquent Accounts)	\$25.00 \$10.00	Charge for issuance of certified mail per policy.
Public Records Copy, Publishing and Delivery Fees	\$0.15	There is no charge for inspecting public records. Fees charged are for the cost of copying, publishing and delivering records and documents, per District requirements. No charge for copies transmitted electronically.
District Maps Black & White	\$8.00	Copy of District Service Area Map. No charge for copies transmitted electronically.
District Maps Color	\$16.00	Copy of District Service Area Map inprint form. No charge for copies transmitted electronically.
Late Penalty - Percentage of Amount Due	10%	Applied to accounts that are 30 days past due.
Latecomers (Reimbursement)	\$100.00	Fee collected per property for administering and collection of the latecomer reimbursement with the balance paid to the developer within sixty (60) days of receipt.
Lien Charge	\$300.00	Charge for lien processing, recording and release including Kitsap County Fees.
NSF Charge	\$50.00	Fee charged if financial institution returns or reverses a check, ACH payment, credit card, debit card or other account payment.
Outside Utilities Service Agreement (USA) - Recorded	\$300.00	Agreement recorded for properties served outside of the Districts Boundaries within service area.
Petition Annexation	\$750.00	Petition fee for properties to be included in District Boundaries. Includes SEPA, Public Hearing and recording fees. If Kitsap County requires a surveyor to prepare a legal description, that expense is the responsibility of petitioners.
Petition Street Light	\$500.00	Petition fee for properties that desire installation of a street light that meets conditions required by the District. Includes any required SEPA, Public Hearing and recording fees.
Recording Fee	\$225.00	Fee applied for any documents that require District recording with the Kitsap County Auditor not included under other scheduled fees/charges.
SEPA Appeal	\$300.00	Fee for process to challenge procedural and substantive decisions by the District regarding SEPA decisions.
Fine for Unauthorized use or Tampering	\$1,000.00	Unauthorized water and or sewer connection, tampering with water and or sewer facilities taking of water from a hydrant, meter or any District Facilities by any person, firm or corporation without prior written District consent or without first obtaining a permit and/or payment of all associated fees and costs.
Water System Plan or Sewer Comprehensive Plan (Copy)	\$75.00	Copy of the current Sewer Comprehensive Plan in a binder. No fee for public inspection.

*2024 WSUD Master Schedule of Fees and Charges

Water System Plan or Sewer Comprehensive Plan (pdf)	\$25.00	Copy of the current Water/Sewer Plan in an electronic pdf format. No fee for public inspection.
Developers/Construction Extension Contract Administrative Fee (Extensions greater than 300')	\$2000 \$1500	Fee for administration, utility required easement recordings, plan review , notary and project document preparation. Subject to conditions of the Agreement.
Developers/Construction Extension Contract Administrative Fee (Extensions less than 300')	\$500.00	Fee for administration, utility required easement recordings, notary and project document preparation. Subject to conditions of the Agreement.
Developers/Construction Observation Charge	\$5.00/foot Plus \$25 per Service Connection	A Construction Observation Charge shall be assessed per foot of pipe installed and for each service connection. The charge includes District inspection, coliform testing and GIS map updates. \$300.00 Minimum.
Developers/Construction Plan Review Fee	Included in DEC-Administrative Fee-\$500	Plan review fees for construction projects. Plan review for the project. Flat Fee Plus \$100 for each additional sheet.
Sewer Availability Letter Binding	\$0.00	Per terms and conditions. When a binding letter of availability is issued, the District is committing a portion of its facilities to provide service. The General Facilities Charge shall therefore be due and payable when a binding letter of availability is issued.
Sewer Availability/Informational Letter Non-Binding	\$0.00	A non-binding letter will signify that the area to be served is within the District service area, Urban Growth Area and will specify any conditions to be met to obtain a binding commitment for sewer availability.
Water Availability Letter Binding	\$0.00	Per terms and conditions When a binding letter of availability is issued, the District is committing a portion of its facilities to provide service. The General Facilities Charge shall therefore be due and payable when a binding letter of availability is issued.
Water Availability/Informational Letter Non-Binding	\$0.00	A non-binding letter will signify that the area to be served is within the District service area and will specify any conditions to be met to obtain a binding commitment for water availability.
Side Sewer Permit/Inspection Fee (New Installation)	\$350.00	Includes permits and inspections of single connections. 90 day permit.
Side Sewer Permit/Inspection Fee (Repairs)	\$100.00	Charge for permit and inspection of side sewer repair.
Grinder Pump Installation Inspection/Permit	\$750.00	Includes permit, inspections (Installation, hydrostatic testing and final), start-up of system and recording of easement, mapping, etc.
Sewer Abandonment Inspection Fee	\$100.00	Charge for permit and inspection of sewer abandonment and/or removal of Grinder Pump and associated processes).
Sewer Abandonment of Service	80 /125	Service must be disconnected from system by licensed contractor per District requirements and/or removal of grinder pump and associated processes. Includes permit and , line cap inspection, final billing, AHJ letter for demolition permit if needed.. All fees for services are suspended.
Sewer Reinstatement of Abandoned Service	80 -100	Service must be connected to the system by a licensed contractor. Requires permit and inspection. All fees for services are reinstated and prorated. Non-prorated.
Sewer Termination Discontinuance of Service	80 -25	All fees for services are suspended. Includes final billing. Water services must be suspended or discontinued.

*2024 WSUD Master Schedule of Fees and Charges

Sewer Reinstatement of Abandoned Discontinued Service	80-25	All fees for services are reinstated and prorated.
Water Termination-Discontinuance of Service	80- 65	Service must be disconnected from system by District. Service locked. Meter may be pulled. All fees for services are suspended. Includes special meter read and final billing.
Water Reinstatement of Service	80-25.00	Service will be reconnected to the system and subject to prorated fees for services. Non-prorated.
Hydrant Meter Damage Deposit (All sizes)	\$2,500.00	Refundable if returned and with no damage.
Water Hydrant Meter Rental per week (3/4") Non-prorated	\$25.00	Weekly rental rate (Sunday - Saturday). Weekly rental rates are not prorated. Hydrants will be read and billed for consumption monthly.
Water Hydrant Meter Rental per week (2") Non-prorated	\$25.00	Weekly rental rate (Sunday - Saturday). Weekly rental rates are not prorated. Hydrants will be read and billed for consumption monthly.
Water Hydrant Meter Rental per week (3") Non-prorated	\$25.00	Weekly rental rate (Sunday - Saturday). Weekly rental rates are not prorated. Hydrants will be read and billed for consumption monthly.
Grease Trap Inspection Fee	\$250.00	Includes Permit and Inspection of installed Grease Trap to District Standards.
Backflow Assembly Inspection Fee	\$75.00	Includes inspection post installation and Cross Connection Control system intergration.
Fire Flow Test Fee	\$250.00	Includes signage placement and observation only. Testing and report by requestors contracted service.
Water Special Meter Read	\$40.00	Customer requested or a meter read required outside of the normal reading/billing cycle.
Water Meter Testing	\$150.00	Removal and installation of a temporary meter until testing is complete. If meter is found to be faulty,
Water Turn On Delinquent Accounts	\$85.00	Fee for returning account to full service after shut off by District. Per District Policy.
Water Turn Off Delinquent Accounts	\$0.00	Water shut off for delinquency per District Policy.
Water Turn Off Meter Lockout (Customer Request) Suspended Service	25/90.00	Turn off and lock meter per customer request. Includes Meter Read and Final Billing Charge.
Water Turn On Meter Unlock Suspended Service (Customer Request)	\$25.00	Unlock and turn on meter at customer request. Account will returned to full service billing.
Water Fill Station (Water Truck)	\$25.00 (\$20.00)	Per Truck load any volume.
Equipment Charge Utility Truck per Day	\$125.00	District services (Minimum Day)
Equipment Charge Dump Truck per hour with one Operator	\$175.00	District services (2 hour minimum)
Equipment Charge Backhoe per hour with one Operator	\$225.00	District services (2 hour Minimum)
Equipment Charge TV Truck per hour with two Operators	\$250.00	District services (2 hour Minimum)
Equipment Charge Vactor Truck per hour with two Operators	\$300.00	District services (2 hour Minimum)
Equipment Charge Boom Truck per hour with two Operators	\$300.00	District services (2 hour Minimum)
Equipment Charge Mini Excavator per hour with One Operator	\$225.00	District services (2 hour Minimum)
Equipment Charge Street Sweeper per hour with One Operator	\$150.00	District services (2 hour Minimum)
Equipment Charge Boom Lift per hour with One Operator	\$150.00	District services (2 hour Minimum)
Equipment Charge TV Inspection Camera Charge per hour	\$25.00	District services (2 hour Minimum)
Equipment Charge Generator 10kW and larger per hour	\$75.00	District services (2 hour Minimum)
Equipment Charge Mandrel/ Inflatable Plugs per day	\$35.00	District services
Equipment Charge Inflatable Plugs without bypass per day	\$25.00	District services

*2024 WSUD Master Schedule of Fees and Charges

HDPE Electrofusion Machine per day	\$100.00	Plus materials cost
Dump Fee. Sewer Spoils, Concrete, Asphalt, Etc.	\$65.00	Per ton
Labor per Employee per hour	\$75.00	During regular business hours. After-hours/ weekends and holidays are subject to overtime rates.
Materials Cost	Cost +15%	Cost plus 15%

*City Customers will incur a cost of service recovery fee of 5% where applicable, Resolution 1056-23.

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1112-23**

**A RESOLUTION OF THE WEST SOUND UTILITY DISTRICT
BOARD OF COMMISSIONERS
AMENDING WATER AND SEWER
GENERAL FACILITY CHARGES**

WHEREAS, RCW 57.08 authorizes water and sewer districts to establish water and sewer rates; and

WHEREAS, the District Board of Commissioners adopted Resolution 1140-22 on December 7, 2022, which modified water/sewer rates, policies and procedures; and

WHEREAS, the water and sewer General Facility Charges are generally adjusted each year based on the Engineering News Record Construction Cost Index, Seattle (ENR-CCI) to adjust for inflation; and

WHEREAS, the June 2022 to June 2023 ENR-CCI index indicated an annual increase of 1.78%; **NOW, THEREFORE**,

THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY DISTRICT HEREBY RESOLVES:

Section 1. The Board of Commissioners hereby amends the water and sewer General Facility Charges with an increase of 1.78% as set forth in the attached Exhibit “A”. This resolution shall take effect and be in full force on January 1, 2024.

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a regularly scheduled meeting on December 6, 2023.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Susan Way
Chairperson

James J. Hart
Vice Chairperson

Jerry Lundberg
Secretary

2024 WSUD Schedule Of General Facility Charges

WATER

Table 1
Supply Treatment Storage and Transmission

Water Meter Size	Weighting Factor/ ERU [1]	Water General Facility Charge
5/8 X 3/4-inch	1.00	\$5,321
1-inch	2.00	\$10,642
1-1/2-inch	4.00	\$21,284
2-inch	6.67	\$35,490
3-inch [2]	10.50	\$55,869
4-inch	16.67	\$88,698
6-inch	33.33	\$177,344

[1] For equivalent residential units (ERUs), through 3-inch meter. Larger meter sizes based on a 3/4-inch meter equivalency for AWWA Cold Water Displacement Meters. For larger meter sizes, the charge will be multiplied by the weighting factors provided in Table 1.

[2] The District, at its discretion, can determine the GFC based on projected water usage (demand) for any meter size larger than a 2-inch meter, and equate that usage to an equivalent residential unit.

Table 2
Irrigation Water GFC's For General Irrigation

Water Meter Size	Weighting Factor/ ERU	Water General Facility Charge
5/8 X 3/4-inch	2.00	\$10,642
1-inch	3.33	\$17,719
1-1/2-inch	6.66	\$35,490
2-inch	13.32	\$55,869

Table 3
Irrigation Water GFC's For Drought Tolerant Irrigation

Water Meter Size	Weighting Factor/ ERU	Water General Facility Charge
5/8 X 3/4-inch	1.00	\$5,321
1-inch	1.67	\$8,886
1-1/2-inch	3.33	\$17,719

SEWER

Sewer General Facility Charge and Treatment Capital Charge Per Equivalent Residential Unit

Rate Component		Total
General Facility Charge	Treatment Capital Charge	\$10,623
\$5,417	\$5,206	

**WEST SOUND UTILITY DISTRICT
RESOLUTION 1114-23**

**A RESOLUTION OF THE
WEST SOUND UTILITY DISTRICT
BOARD OF COMMISSIONERS
ADOPTING A FLAG DISPLAY POLICY**

WHEREAS, the Board of Commissioners has determined to provide clarity to the public and staff by adopting a policy governing the official display of flags in and on District Property; and

WHEREAS, The District flagpoles and facilities are not intended to serve as a forum for free expression by the public; and

WHEREAS, the District desires to memorialize its current practices regarding which flags are displayed inside and outside of District Facilities; and

WHEREAS, the District wishes to ensure that the District flag policy is consistent with the United States Flag Code and Washington State Law on public flag displays; **NOW, THEREFORE**,

**THE BOARD OF COMMISSIONERS OF WEST SOUND UTILITY
DISTRICT HEREBY RESOLVES:**

Section 1. The District will fly or display only the following flags on property owned by the District: The flag of the United States of America, the Washington State Flag, the POW/MIA flag, and any other flag as mandated by federal or Washington State Law.

Section 2. Any flag flown by the District must be purchased and owned by the District. Flags shall be displayed in conformance with Federal and State laws and policies, as stated in the Federal “The Flag” publication of the Congress, Title 4, Chapter, 1 of the United States Code, and the State of Washington RCW 1.20.017.

APPROVED and ADOPTED by the Board of Commissioners of West Sound Utility District at a regularly scheduled meeting on December 6, 2023.

WEST SOUND UTILITY DISTRICT
Kitsap County, Washington

Susan Way
Chairperson

James J. Hart
Vice Chairperson

Jerry Lundberg
Secretary