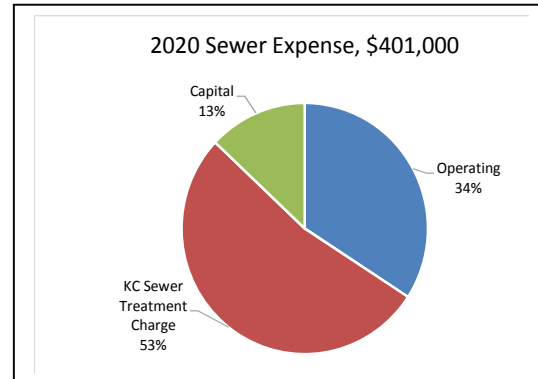




Cross Valley WD – Maltby Industrial Area Sewer 2020-21 SEWER RATE OUTLOOK (Board Adopted Rates 11/5/19)

The sewer service area is the Maltby Industrial Area, or Maltby Urban Growth Area. Cross Valley began investing in cleaning and evaluating the system in 2018-19 to identify capacity and improvement needs to sustain the system and accommodate allowable growth. A key accomplishment was to clean, maintain and evaluate the one lift station that pumps sewage to King County for treatment. In addition to updating the pump equipment, a backup pump is now available to minimize down time in an emergency. The same philosophy from water is applied to continue safe, reliable sewer service for the long-term, avoid large unplanned projects and maintain stability in rates and revenues.

The sewer rate outlook reviews estimated costs and revenue so that the sewer rates are sufficient to meet the operating, debt and the capital expenditures over the next six years. The pie chart shows the anticipated 2020 sewer expenses in three slices. The operating and capital expenses controlled by Cross Valley are 47% of the estimated \$401,000, with King County Sewer Treatment service 53%. The sewer system currently has no debt repayment. The rates are focused on 2020-21.



Increased Focus on Maintenance- As the sewer system has aged, Cross Valley has shifted the focus and increased overall system maintenance. This investment helps to take care of small repairs, avoid emergencies and unplanned projects, and keep the system in good shape for long-term sustainability. The table below shows the different maintenance programs that began in the current rate cycle. This effort is also providing more information on the state of the sewer infrastructure and capacity of the pipes as new development is being planned in the Maltby industrial urban growth area. The information gathered will help the engineers as the sewer system plan is reviewed and updated by 2021.

Sewer Maintenance Program	Benefits to Ratepayers
Sewer Mains - I&I Reduction	Reduce rain and storm drainage entering the system
Jetting and TV'ing	Clean, inspect & repair mains, find illicit connections
Manhole Inspection	Clean, inspect & repair manholes
Flow Monitoring	Monitor & measure flow, determine capacity in pipes
Lift Station - Wet Well Cleaning	Clean, inspect & repair wet wells in lift stations

Collection and Treatment Components – There are 2 components to the sewer system - collection and treatment. The District owns and operates the collection system that collects sewage from properties and delivers the sewage to King County for treatment and disposal. The King County charge for treatment is passed-through to each customer and is based on usage. The King County charge is \$91.00 per 2-month bill for 1500 cubic feet for 2019-20 (higher usage pays more). This charge is set by King County and billed by Cross Valley.

Volume-Based Sewer Collection rate – The District collection system rate was converted from a flat rate to a volume-based rate in 2019. This conversion has been successful in that customers that use more are paying more, and lower use customers are paying less. This works well with the variety of businesses in the Maltby area.

District Rate Outlook & Recommendation: 6.0% Annual Increase for 2020 & 2021

After reviewing the District expenses for sewer and continuing the increased maintenance programs, a 6.0% annual rate increase is recommended to meet planned sewer expenses for 2020 & 2021. The District collection system base rate will increase \$4.50 to \$79.50 in 2020 & \$84.30 in 2021. For customers that use more than 1,500 cubic feet in a 2-month period, the volume charge will increase to \$3.98 in 2020 & \$4.22 in 2021.



Sewer Capital Improvements

There are no major sewer improvements identified for the six-year outlook. The CIP includes the purchase of necessary equipment or contracting when the amount is greater than what is included in the operating expenses. The CIP shown in the table below will be funded by reserves already set aside. The SCADA equipment has connected the sewer facilities to the same electronic monitoring system as used by water. The CIP will benefit the sewer system long-term, evaluate current capacity and necessary improvements, and prepare for updating the sewer comprehensive plan in 2020-21.

Sewer CIP - Funded by Reserves	2020	2021
SCADA Equipment	in use	
Flow Monitoring Equipment	in use	
Jetting Program kickstart	ongoing	
Financial, rates & charges		10,000
Sewer Comp Plan Update	136,000	10,000
Subtotal Sewer CIP - Reserves	136,000	20,000

Growth

There are a number of development projects being planned within the sewer boundary. Because there is no certainty on the timing of the development, the rate outlook is conservative in the growth assumption with the equivalent of 2 new homes in 2020 and 2021. Additional new connections will improve the financial outlook.

Bi-Monthly Sewer Rates for Maltby Urban Growth Area

Customers are charged a minimum base rate for up to 1,500 cubic feet (2 ERU) per 2-month bill for the Cross Valley Sewer Collection System. Customers using additional volume are also charged a volume rate. The 2019 base rate of \$75.00 will increase to \$79.50 in 2020. The usage rate of \$3.75 per ERU will increase to \$3.98 in 2020.

The Sewer Treatment rate, set by King County and charged on the Cross Valley bill, is currently \$90.66 per 2-month bill. Additional usage is charged on an ERU basis of \$45.33 per ERU.

CV Sewer Collection System			
Adopted Sewer Rates	2019	2020	2021
Percentage Increase		6.00%	6.00%
Base Rate for 2 ERU per 2-Mo. Bill	\$75.00	\$79.50	\$84.30
Usage Rate on all metered water per ERU of 750 cubic feet	\$3.75	\$3.98	\$4.22
<i>+ KC Sewer Treatment Rate of \$90.66 per ERU per 2-Month Bill for 2019-20</i>			