

# **CHAPTER 9**

## ***FINANCIAL PROGRAM***

## 9.1 PAST AND PRESENT FINANCIAL STATUS

Development of a comprehensive financial program requires an understanding of the water system's current financial status and past budgetary trends. Presented below in Table 9-1 and Table 9-2 is a summary the City's Water Operating Fund (401) revenue and expenditure history for the last five-year period. A summary of the City's Water Capital Fund (410) revenue and expenditure history for the last five years is provided in Table 9-3.

<b>TABLE 9-1 WATER OPERATING FUND (401) REVENUE HISTORY</b>					
Year	2005	2006	2007	2008	2009
<b>BEGINNING FUND BALANCE</b>	623,293	599,912	586,680	555,214	665,685
<b>WATER FUND REVENUES</b>					
Metered Water Sales	736,706	772,927	823,179	996,380	1,090,000
Other Water Sales	1,620	2,160	39,827	56,766	60,840
Other Fees & Charges	782	20	32,232	29,444	25,200
Investment Interest	10,947	16,163	30,315	21,386	15,000
Space & Facilities Leases	34,775	33,469	45,042	49,546	39,700
Insurance Recoveries	0	0	0	1,702	1,868
Sale of Scrap & Junk	2,399	0	2,808	0	45
<b>TOTAL - WATER FUND REVENUES</b>	<b>787,229</b>	<b>824,739</b>	<b>973,403</b>	<b>1,155,224</b>	<b>1,232,653</b>
<b>WATER FUND NON-REVENUES</b>					
Interfund Loan	6,620	0	0	0	0
Transfers In	94,970	0	0	0	82,496
Misc. Non-Revenues	9,252	6,192	0	10,607	96,116
<b>TOTAL - WATER FUND NON-REVENUES</b>	<b>110,842</b>	<b>6,192</b>	<b>0</b>	<b>10,607</b>	<b>178,612</b>
<b>TOTAL - REVENUES &amp; NON-REVENUES</b>	<b>898,071</b>	<b>830,931</b>	<b>973,403</b>	<b>1,165,831</b>	<b>1,411,265</b>

**TABLE 9-2 WATER OPERATING FUND (401) EXPENDITURE HISTORY**

Year	2005	2006	2007	2008	2009
<b>WATER FUND EXPENDITURES</b>					
Administration					
Salaries & Wages	60,289	58,698	62,296	67,045	72,960
Personnel Benefits	19,333	24,152	28,991	31,155	33,290
Supplies	2,434	1,886	1,514	1,350	7,200
Other Services & Charges	93,181	60,771	74,567	5,806	11,850
Subtotal - Administration	175,237	145,507	167,368	105,356	125,300
Maintenance					
Salaries & Wages	35,056	25,078	28,914	81,860	85,240
Personnel Benefits	22,623	20,506	10,040	36,763	39,900
Supplies	29,100	36,730	51,298	47,772	64,510
Other Services & Charges	7,418	12,503	0	0	0
Subtotal - Maintenance	94,197	94,817	90,252	166,395	189,650
General Operations					
Salaries & Wages	57,033	84,904	89,398	61,030	64,850
Personnel Benefits	25,596	31,574	44,959	29,817	35,310
Supplies	25,056	26,144	167,871	26,638	38,200
Other Services & Charges	127,908	154,716	0	220,598	268,450
Subtotal - General Operations	235,593	297,338	302,228	338,083	406,810
Capital Expenses					
Utilities & Equipment	3,341	45,105	12,843	22,676	16,230
Subtotal - Capital Expenses	3,341	45,105	12,843	22,676	16,230
Transfers Out					
To Fund 410 Capital Projects	162,970	70,000	70,000	70,000	70,000
1% to Fund 410 Water Capital	6,981	7,379	8,421	10,162	11,200
To Fund 421 PWTF Loans	50,830	49,920	49,630	88,270	87,220
To Fund 216 Local Loan Program	0	0	0	49,218	49,290
To Fund 001 General Fund/Admin.	64,980	61,010	67,100	205,200	279,000
To 92 W/S Revenue Bond	52,232	0	0	0	0
To 98 Limited Tax Gen. Obl. Bond	72,030	69,270	71,450	0	0
Subtotal - Transfers Out	410,023	257,579	266,601	422,850	496,710
TOTAL - WATER FUND EXPENDITURES	918,391	840,346	839,292	1,055,360	1,234,700
<b>WATER FUND - NON-EXPENDITURES</b>					
Interfund Loan Payments	0	650	165,577	0	2,650
Misc. Non-Expenditures	3,061	3,167	0	0	0
TOTAL - NON-EXPENDITURES	3,061	3,817	165,577	0	2,650
TOTAL - EXPENDITURES & NON-EXPENDITURES	921,452	844,163	1,004,869	1,055,360	1,237,350
<b>ENDING FUND BALANCE</b>	599,912	586,680	555,214	665,685	839,600

<b>TABLE 9-3 WATER CAPITAL FUND (410) REVENUE &amp; EXPENDITURE HISTORY</b>					
Year	2005	2006	2007	2008	2009
<b>BEGINNING FUND BALANCE</b>	269,159	14,637	123,754	217,174	277,792
<b>REVENUES</b>					
Investment Interest	4,356	2,777	6,788	6,905	1,628
Miscellaneous Interest	304	75	1,366	0	0
General Facility Fee	0	0	0	2,000	5,000
Transfers In - 401 Water Operating Fund	169,952	77,379	78,421	70,000	70,000
Transfers In - 1% from 401 Water Oper. Fund	0	0	0	10,162	11,200
Transfers In - Loan Proceeds	0	127,500	119,500	0	0
Transfers In - Water System Improv. Projects	0	0	0	370,315	33,361
Misc. Non-Revenues	576	3,394	1,366	0	7,785
<b>TOTAL - REVENUES</b>	<b>175,188</b>	<b>211,125</b>	<b>207,441</b>	<b>459,382</b>	<b>128,974</b>
<b>EXPENDITURES</b>					
Professional Services	52,564	89,070	60,664	36,821	0
Transfers Out - CDBG-2004	163,940	0	0	0	0
Transfers Out - General Fund Admin. Service	78,680	2,830	14,260	6,840	31,740
Water System Capital Improvement Projects	0	0	23,235	349,826	74,326
Misc. Improvements	134,526	10,108	15,862	5,277	
<b>TOTAL - EXPENDITURES</b>	<b>429,710</b>	<b>102,008</b>	<b>114,021</b>	<b>398,764</b>	<b>106,066</b>
<b>ENDING FUND BALANCE</b>	<b>14,637</b>	<b>123,754</b>	<b>217,174</b>	<b>277,792</b>	<b>300,700</b>

It can be seen from the above Tables that both account balances have remained positive in the past five years. Although account balances have remained positive, a close examination of the City's future financial plan, including necessary rate increases, and their rate structure will be crucial to keep a positive account balance and construct the system improvements recommended in this Plan. Funding for the larger capital improvements (with the exception of Well No. 9) has not been obtained and will be required in order to complete those recommended system improvements. Further evaluation and research of available funding sources may be necessary in the future to ensure a funding package will be established to meet the requirements of the proposed financial plan.

## **9.2 AVAILABLE REVENUE SOURCE**

Recommended system improvements are scheduled for completion in annual increments for the next six years. In addition, as areas outside the current service area develop, extension of the City's water system will be necessary. Future transmission mains, sources of supply, and reservoirs will undoubtedly require major local bond funding and / or outside funding participation to offset the high costs of the improvements.

There are five basic categories of potential financing for domestic water-related improvements:

1. Local Public Enterprise Funds
2. Use of Local Public Powers
3. State Assisted or Guaranteed Resources
4. Federally Assisted or Guaranteed Resources
5. Private Development

Current availability of funding is limited with a number of the sources within these categories. Many also restrict the use of funds to certain projects and others limit their participation to a percentage of the total cost. Each of these categories is described briefly below.

### **1. Local Public Enterprise Funds**

Reserves in the Enterprise Fund are accumulated from available revenues from water user fees. The amount of the reserves will depend on the balance of operation and maintenance costs of the system versus total revenue generated by the fees. These reserves may be used to finance any water system related project allocated by the City Council.

Funds for future projects may be generated by increases in user fees, thus building the reserves in the Enterprise Fund. This method of financing is desirable, in that the City is collecting interest on the reserves as opposed to paying interest on a loan balance. ("Pay as you go.")

### **2. Use of Local Public Powers**

In this section, three primary bonding techniques will be presented: general obligation bonds, revenue bonds, and special assessment bonds. There are advantages and disadvantages to each. The type of bond issued to finance a community improvement depends in part on custom, and in part on the circumstances of a particular offering. General information about the three principal types of municipal bonds follows.

General Obligation Bonds: These bonds pledge the unlimited taxing power and the full faith and credit of the issuing government to meet the required principal and interest payments.

Special Assessment Bonds (LID Bonds): LID bonds are used to finance improvements where the property specially benefited can be identified. Special assessment bonds are frequently used to make capital improvements in a particular neighborhood. Principal and interest payments for these bonds are made by special assessment on the property benefiting from the improvement. Before special assessment bonds are issued, estimated costs are mailed to property owners, a public hearing is held to allow the affected property owners to say whether or not they want the improvement, and a thirty-day protest period elapses during which property owners may protest the improvements prior to City Council action formally establishing the project. Debt financed by special assessment bonds is not subject to debt limitations.

Revenue Bonds: Revenue bonds are frequently used to finance City-owned utilities, industrial parks, and other municipal public facilities. The bonds pledge the revenue from a particular revenue source to meet the principal and interest payments. Revenue bonds are appropriate debt instruments when the enterprise fund can be expected to generate sufficient revenue to meet both operating and debt service cost. Revenue bonds generally do not become a general obligation of the government issuing them.

Communities may have to pay higher rates of interest on these bonds than on general obligation bonds, because revenue bonds are considered less secure. But, revenue bonds also have an important advantage over general obligation bonds in that the amount of the revenue bonds is not included in the amount of indebtedness subject to state debt limitations. The legal requirements for issuing revenue bonds are more complex than those for issuing general obligation bonds. When revenue bonds are issued, a special authority (Water Fund) operates the facility and a special revenue fund receives and disburses all funds. A trust agreement to provide for the monthly reimbursement of revenues and containing provisions to protect the bond holders must be formulated.

### 3. **State Assisted or Guaranteed Resources**

Public Works Trust Fund: This fund was created in 1985 to provide loans for replacement of public works facilities. Applications for construction funds may be submitted once each year (in May), and applications for pre-construction funds (for such items as engineering design, bid document preparation, right of way acquisition and environmental studies) may be submitted once each month. Projects are evaluated based on:

- a. Merits of the project as to need;
- b. Degree of capital improvement planning;
- c. Adequacy of existing rate structure;
- d. Degree of local participation in financing project; and
- e. Whether the area is economically distressed.

Current allocations of funds have been allowed for a wide variety of projects, including domestic water system replacement projects.

State Revolving Fund: This fund provides low-interest loans to publicly and privately owned water systems for projects which improve water systems and ensure public health. Up to 100% of eligible project costs are fundable through this program. Applications are accepted once a year in May.

### 4. **Federally Assisted or Guaranteed Resources**

Three federally financed funding sources are available for domestic water system construction: 1) the USDA's Rural Development, Rural Utilities Service (RUS) Program; 2) the Economic Development Administration's (EDA) Public Works Grants and Loans Program; and 3) the Department of Housing and Urban Development's (HUD) Community Development Block Grants administered by the State Department of Community Development.

Rural Utilities Service Water & Waste Disposal Direct Loans and Grants Program: This program is one of several programs established by the USDA to provide public works assistance to small communities in rural areas. Public entities such as municipalities, counties, special purpose districts or authorities, Indian tribes, and nonprofit corporations or cooperatives are eligible in areas with a population under 10,000. Priority will be given to public entities in areas smaller than 5,500 people to restore a deteriorating water supply, or to improve, enlarge, or modify a water facility. Preference will also be given to requests which involve the merging of small facilities and those serving low-income communities. Loans and grant funds may be used to construct, repair, improve, expand, or otherwise modify rural water supply and distribution, including reservoirs, pipelines, wells, and pumping stations. Targeted at the most needy communities, grants are designed to keep costs economical. Grants are limited to reducing the facility's per user costs for debt service to a minimum of 1% of the area's family income. Loans in the past have also been available at a 5% interest rate for the useful life of the facility, or the statutory limit on the applicant's borrowing authority, or for a maximum of 40 years.

Public Works Grants and Loans Program: This program is funded by the Economic Development Administration (EDA) and is used to encourage long-range development gains in jurisdictions where economic growth is lagging, or where the economic base is shifting. The program provides public works and development facilities needed to attract new industry and provide business expansion.

Financial aid may be used to acquire and develop land and improvements for public works, and to acquire, construct, rehabilitate, alter, expand or improve such facilities, including related machinery and equipment. When completed, such projects are expected to bring additional private investment to the area.

U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant Program: This program is administered by the State Department of Community Development. Communities with a population under 50,000 can apply for grants to undertake activities in providing adequate housing, expanded economic opportunities, and correcting deficiencies in public facilities which affect public safety and health of an area or community of residents. The program is designed to aid low and moderate income people and is also directed to have a maximum impact on stated community problems. Its primary focus is to assist blighted communities, or communities suffering a particular community or economic development problem.

**5. Private Development**

Expansion of domestic water facilities to newly developing areas outside the existing service area is a common requirement of the private developer. Installation of public utilities within housing subdivisions is normally financed entirely by the developer. The City may participate by paying the cost of over-sizing the water main for possible extension at a later time.

Although funding has been curtailed in a number of programs within the last few years, projects are still receiving financing statewide. Competition for available funds, however, has increased significantly. Projects which show the greatest need and have the largest local funding participation or benefit to low-income families are receiving the majority of financing from these programs. Careful planning and packaging of the project is necessary so that the most effective dollar use, including local participation, may obtain the maximum benefit for the greatest number of people.

Table 9-4 provides a summary of funding sources and projects which are eligible under each program.

<b>TABLE 9-4 FUNDING SOURCE SUMMARY</b>	
<b>FUNDING SOURCE</b>	<b>ELIGIBLE PROJECTS</b>
Domestic Water Enterprise Fund	All water system projects
General Obligation Bond	All water system projects
Revenue Bond	All water system projects
Special Assessment Bond	Local Improvement District projects
Public Works Trust Fund	Replacement of existing water system facilities
State Revolving Fund	All water system projects
USDA RUS Rural Water Grant	All water system projects
USDA RUS Rural Water Loan	All water system projects
EDA Public Works Grant	Water system projects to attract new industries and provide for business expansion
EDA Public Works Loan	Water system projects to attract new industries and provide for business expansion
HUD Community Development Block Grant	Water system projects which directly benefit low and moderate-income families
Private Development	All water system projects necessary for new housing and / or commercial developments

### **9.3 RECOMMENDED FINANCING STRATEGY**

Provided in Table 9-5 and Table 9-6 is a financial program for Toppenish's water operating and capital funds, which incorporates projected water service fees, operating costs, improvements, and loan costs for the next six-year period. The values for year 2010 are budgeted numbers from 2009.

The projected water department revenue from water service fees after 2010 includes additional revenue from projected rate increases at the beginning of the year. Growth factors, based on the projected population increases of Chapter 2, were not applied to future projected water service fee revenue, due to uncertainty in the number of future service connections. The revenue increases that result from projected rate increases are necessary to complete the recommended system improvements, while maintaining a positive balance in both funds. If conditions change that reduce the projected future revenue or increase future water department expenses, the financial program shown in Table 9-5 and Table 9-6 will have to be revised to account for the reduced revenue, or modifications to successive year rate increases will have to be made.

Future water department expenses were estimated based upon an average inflation rate of three percent per year, as shown in Table 9-5. Investment interest amounts are based upon 3.5% of the beginning fund balance to provide an average of potential investment interest revenue for that year.

Adopted rate increases for 2010 have provided the City with sufficient funds to complete the recommended 2010 water system improvement projects, as shown in Table 9-5 and Table 9-6. The City has also received funding through a Public Works Trust Fund (PWTF) loan to complete the Well No. 9 and transmission main improvement project in 2010. However, after 2010 significant revenue increases, along with grant and/or loan proceeds will be required to complete the 2011 through 2015 recommended system improvements, as shown in Table 9-5 and Table 9-6. These revenue increases and funding proceeds are necessary to maintain adequate future fund balances.

The City of Toppenish will continue annual reviews of the water system's financial program during their budget preparation process. The financial program will also be reviewed and revised as needed during the Water System Plan update in 2016. This continued review will allow for modifications to the proposed rate and revenue increases, should financial conditions change.

Future funding for the major recommended system improvements, which include the new 1.7 million gallon water storage reservoir, is based upon a PWTF loan with a 15% local match. The current PWTF loan terms with a 15% match are 20 years and an interest rate of 0.5%. Funding for other recommended system improvements will be with City funds, grant proceeds, loan proceeds, or a combination of funding sources. The cost of Water Use Efficiency measure implementation (Section 4.1) and other minor water system improvements will be paid for with City funds. The costs of recommended future improvements provided in Chapter 8 are shown in Table 9-6 as Major Capital Improvement Projects and Miscellaneous Capital Improvements.

**TABLE 9-5 PROPOSED WATER OPERATING FUND FINANCIAL PROGRAM**

Year	2010 <sup>a</sup>	2011 <sup>a</sup>	2012	2013	2014	2015
<b>BEGINNING FUND BALANCE</b>	929,218	1,116,373	1,179,047	1,191,289	1,235,595	1,289,796
<b>WATER FUND REVENUES</b>						
Metered Water Sales <sup>b</sup>	1,235,759	1,260,454	1,323,649	1,389,796	1,459,248	1,532,174
Other Water Sales <sup>b</sup>	15,542	0	0	0	0	0
Other Fees & Charges	25,405	24,900	25,274	25,652	26,038	26,428
Investment Interest <sup>c</sup>	4,016	4,500	5,895	5,956	6,178	6,449
Space & Facilities Leases	39,150	44,000	44,000	44,000	44,000	44,000
Fund Consolidation Transfer	34,500	0	0	0	0	0
<b>TOTAL - WATER FUND REVENUES</b>	<b>1,354,372</b>	<b>1,333,854</b>	<b>1,398,818</b>	<b>1,465,404</b>	<b>1,535,464</b>	<b>1,609,051</b>
<b>WATER FUND EXPENDITURES</b>						
Administration Expenses <sup>d</sup>	110,312	123,660	127,370	131,191	135,127	139,180
Maintenance Expenses <sup>d</sup>	122,345	182,700	188,181	193,826	199,641	205,630
General Operating Expenses <sup>d</sup>	422,644	505,180	520,335	535,945	552,024	568,585
Interfund Loan Pmnt.	1,020	653	653	652	651	0
Capital Expenses	11,100	0	0	0	0	0
Transfers Out						
To Fund 410 Capital Projects	70,000	70,000	70,000	71,700	82,400	70,000
1% to Fund 410 Water Capital	11,900	11,900	12,862	13,505	14,180	14,889
To Fund 001 General Fund/Admin.	272,100	277,800	286,134	294,719	303,562	312,669
Existing Debt Service	145,796	99,287	7,561	7,526	7,490	7,455
Future Debt Service	0	0	173,480	172,034	186,188	430,613
<b>TOTAL - EXPENDITURES</b>	<b>1,167,217</b>	<b>1,271,180</b>	<b>1,386,576</b>	<b>1,421,098</b>	<b>1,481,263</b>	<b>1,749,021</b>
<b>ENDING FUND BALANCE</b>	<b>1,116,373</b>	<b>1,179,047</b>	<b>1,191,289</b>	<b>1,235,595</b>	<b>1,289,796</b>	<b>1,149,826</b>
Net Increase (Decrease)	187,155	62,674	12,242	44,306	54,201	(139,970)
Projected Rate Increase at Start of Year	2.1%	2.0%	5.0%	5.0%	5.0%	5.0%

<sup>a</sup> Year 2010 values are estimated year-end balances. Year 2011 values are budgeted numbers in 2010.

<sup>b</sup> Water sales revenues for years 2011-2015 include projected rate increases at the start of the year.

<sup>c</sup> Investment interest for years 2012-2015 is based upon 0.5% of the beginning fund balance minus transfers out.

<sup>d</sup> Expenses for years 2012-2015 include 3% inflation per year.

<b>TABLE 9-6 PROPOSED WATER CAPITAL FUND FINANCIAL PROGRAM</b>						
Year	2010*	2011*	2012	2013	2014	2015
<b>BEGINNING FUND BALANCE</b>	311,503	362,544	39,176	83,038	133,943	185,523
<b>REVENUES</b>						
Investment Interest	1,000	1,000	0	0	0	0
General Facility Fee	6,000	4,800	0	0	0	0
Transfers In - 401 Water Operating Fund	70,000	70,000	70,000	71,700	82,400	70,000
Transfers In - 1% from 401 Water Oper. Fund	11,900	11,900	12,862	13,505	14,180	14,889
Transfers In - Water System Improv. Projects	58,778	2,803,895	0	260,000	4,100,000	0
<b>TOTAL - REVENUES</b>	<b>147,678</b>	<b>2,891,595</b>	<b>82,862</b>	<b>345,205</b>	<b>4,196,580</b>	<b>84,889</b>
<b>EXPENDITURES</b>						
Transfers Out - GF Admin. Service Fee	28,325	32,600	32,600	32,600	32,600	32,600
Misc. Capital Improvements	17,812	0	0	0	0	0
Major Capital Improvement Projects	50,500	3,182,363	6,400	261,700	4,112,400	0
<b>TOTAL - EXPENDITURES</b>	<b>96,637</b>	<b>3,214,963</b>	<b>39,000</b>	<b>294,300</b>	<b>4,145,000</b>	<b>32,600</b>
<b>ENDING FUND BALANCE</b>	<b>362,544</b>	<b>39,176</b>	<b>83,038</b>	<b>133,943</b>	<b>185,523</b>	<b>237,812</b>
Net Increase (Decrease)	51,041	(323,368)	43,862	50,905	51,580	52,289
* Year 2010 values are estimated year-end balances. Year 2011 values are budgeted numbers in 2010.						

#### **9.4 WATER RATES**

Toppenish's current water rates and rate structure were adopted in 2007 and are based on a flat rate for the monthly service charge, which includes the first 600 cubic feet, and then a declining block rate for usage charges over the first 600 cubic feet. The charge per each additional 100 cubic feet of usage is the same for all meter sizes and declines in blocks of 400, 1,000 and 2,000 cubic feet. A summary of the 2010 water rates for services within the city limits is provided below in Table 9-7. The complete list of the City's current water rates is provided in Ordinance No. 2007-17, which amends Chapter 13.16.040 of the City's municipal code. A copy of Ordinance No. 2007-17 and Chapter 13.16.040 are provided in Chapter 10 of this Plan.

<b>TABLE 9-7 – SUMMARY OF CURRENT WATER RATES</b>	
Meter Size (Inches)	Monthly Base Charge
3/4	\$24.90
1	\$42.33
1-1/2	\$82.17
2	\$82.17
3	\$131.96
4	\$131.96
6	\$266.41
8	\$415.79
Per 100 cubic feet for the next 400 cubic feet	\$1.07
Per 100 cubic feet for next 1,000 cubic feet	\$0.71
Per 100 cubic feet for over 2,000 cubic feet	\$0.56
Note: Base charge includes first 600 cubic feet of water.	

<b>TABLE 9-6 PROPOSED WATER CAPITAL FUND FINANCIAL PROGRAM</b>						
Year	2010	2011	2012	2013	2014	2015
<b>BEGINNING FUND BALANCE</b>	300,700	11,230	69,770	167,970	393,470	27,870
<b>REVENUES</b>						
Investment Interest*	1,000	390	2,400	5,800	13,000	970
General Facility Fee	5,000	5,000	5,000	5,000	5,000	5,000
Transfers In - 401 Water Operating Fund	70,000	100,000	150,000	250,000	250,000	70,000
Transfers In - 1% from 401 Water Oper.	11,900	12,900	13,900	14,700	15,200	15,600
Transfers In - Water System Improv.	2,891,300	0	216,000	0	3,495,600	0
<b>TOTAL - REVENUES</b>	<b>2,979,200</b>	<b>118,290</b>	<b>387,300</b>	<b>275,500</b>	<b>3,778,800</b>	<b>91,570</b>
<b>EXPENDITURES</b>						
Transfers Out - GF Admin. Service Fee	32,370	30,000	30,000	30,000	30,000	30,000
Major Capital Improvement Projects	3,157,800	0	254,100	0	4,112,400	69,600
Misc. Capital Improvements	78,500	29,750	5,000	20,000	2,000	0
<b>TOTAL - EXPENDITURES</b>	<b>3,268,670</b>	<b>59,750</b>	<b>289,100</b>	<b>50,000</b>	<b>4,144,400</b>	<b>99,600</b>
<b>ENDING FUND BALANCE</b>	<b>11,230</b>	<b>69,770</b>	<b>167,970</b>	<b>393,470</b>	<b>27,870</b>	<b>19,840</b>
Net Increase (Decrease)	(289,470)	58,540	98,200	225,500	(365,600)	(8,030)
* Investment interest for years 2011-2015 is based upon 3.5% of the beginning fund balance.						

#### **9.4 WATER RATES**

Toppenish's current water rates and rate structure were adopted in 2007 and are based on a flat rate for the monthly service charge, which includes the first 600 cubic feet, and then a declining block rate for usage charges over the first 600 cubic feet. The charge per each additional 100 cubic feet of usage is the same for all meter sizes and declines in blocks of 400, 1,000 and 2,000 cubic feet. A summary of the 2010 water rates for services within the city limits is provided below in Table 9-7. The complete list of the City's current water rates is provided in Ordinance No. 2007-17, which amends Chapter 13.16.040 of the City's municipal code. A copy of Ordinance No. 2007-17 and Chapter 13.16.040 are provided in Chapter 10 of this Plan.

<b>TABLE 9-7 – SUMMARY OF CURRENT WATER RATES</b>	
Meter Size (Inches)	Monthly Base Charge
3/4	\$24.90
1	\$42.33
1-1/2	\$82.17
2	\$82.17
3	\$131.96
4	\$131.96
6	\$266.41
8	\$415.79
Per 100 cubic feet for the next 400 cubic feet	\$1.07
Per 100 cubic feet for next 1,000 cubic feet	\$0.71
Per 100 cubic feet for over 2,000 cubic feet	\$0.56
Note: Base charge includes first 600 cubic feet of water.	

Based on the above rates, the typical monthly charge for a Single-Family residential customer (3/4" meter) that uses 1,000 cubic feet of water in a month would be equal to \$29.18. This monthly service charge is reasonable, compared with neighboring cities of a similar size and amount of water use.

The City's current rates (or total revenue) will need to be increased substantially in 2011 and 2012 in order to maintain a positive operating fund balance and fund necessary improvement projects. The proposed rate increase of 8% in 2011 will have a minimal impact on residential customers. Based on a monthly consumption of 1,000 cubic feet of water, the monthly charge would be equal to approximately \$31.53, which is only \$2.35 more per month. In addition to funding recommended system improvements, annual increases in the future rates will be necessary to pay for rising O&M costs and to make the necessary debt service payments for prior and future improvement projects.

A more detailed rate analysis will be necessary in the future to determine the rate structure required to achieve the recommended revenue increases as shown in the financial plan in Section 9.3. Following the proposed rate analysis, annual review of the proposed rates and revenue increases will be necessary to determine required adjustments to either base rates, usage charges, or both.

Toppenish's current water rate structure is not set up to promote water conservation. The City's current rate structure is set in manner that water in excess of the base amount is supplied at a reduced cost and does not increase as additional use increases. An example of a conservation base rate structure would be to have the usage charges increase for every 100 cubic feet of consumption in excess of the base amount. This kind of rate structure would penalize services that use excessive amounts of water and encourage more efficient use of water. Further investigation of the City's water rate structure will be considered in the future to promote water conservation, reduce per service water consumption, and achieve the City's proposed water use efficiency goals, as discussed in Chapter 4 of this plan.