

POSSIBLE MOTION

I MOVE TO approve 2011-26 on first reading.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2011-26

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING THE SITKA GENERAL CODE TO
ADJUST THE RATES FOR SEWER SERVICE

1. **CLASSIFICATION.** This ordinance is of a permanent nature and is intended to become a part of the Sitka General Code.
2. **SERVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstance shall not be affected.
3. **PURPOSE.** The City and Borough of Sitka shall change the base rate for sewer service from \$34.00 per unit per month to \$38.53 per unit per month. The additional funds are needed to cover the operating costs and infrastructure replacements in the Wastewater Fund. It is projected that rate increases will be necessary over the next several years to cover required infrastructure replacement and depreciation.
4. **ENACTMENT, NOW, THEREFORE, BE IT ENACTED** by the Assembly of the City and Borough of Sitka that the Sitka General Code Section 15.04.320 is amended to read as follows:

Chapter 15.04

Sewer System

15.04.320 Rates and Fees

A. Base rate: \$38.53[\$34.00] per unit per month

B. Sewer Service in Conjunction with Metered Water. Minimum charge: One times the unmetered sewer base rate plus one dollar and ninety three [SEVENTY] cents per one thousand metered gallons.

5. **EFFECTIVE DATE.** This ordinance shall become effective on the **first billing cycle after July 1, 2011.**

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this June 28, 2011.

Cheryl Westover, Mayor

ATTEST:

Colleen Ingman, MMC
Municipal Clerk

City and Borough of Sitka
Wastewater Treatment Fund
Pro Forma Financial Plan, FY2010 - FY2015
Assuming 13.3% Rate Increase and 4% Expense Increase
Executive Summary

Key Points:

1. Last year's 13.3% rate increase is tracking through April; actual year over year increase is 13.17%
2. Infrastructure Improvements are forecasted as set forth in the Wastewater Fund mid-range and long-range Capital Improvements Program. Improvements are forecasted to be acquired with 70% grants and 30% loans.

This 70%/30% grant to loan ratio is our "closest to the pin" estimate. It is neither aggressive nor conservative. The actual ratio could be less.

3. Fund is building unrestricted equity, but not at a rate sufficient to fully offset depreciation (As evidenced by positive Earnings before Interest and Depreciation but net losses due to depreciation)
4. The establishment of a sinking fund for infrastructure replacements is consistent with the financial strategy for the Water Fund. Last year's phased rate increase should be continued as it furthers achievement of this goal, until the wastewater master plan is completed.

City and Borough of Sitka
Wastewater Treatment Fund
Pro Forma Financial Plan, FY2010 - FY2015
Assuming 13.3% Rate Increase and 4% Expense Increase

	<u>FY2010</u>	<u>FY2011 EST</u>	<u>FY2012 EST</u>	<u>FY2013 EST</u>	<u>FY2014 EST</u>	<u>FY2015 EST</u>
Operating Revenues	1,895,122	2,144,710	2,387,062	2,656,800	2,957,018	3,291,161
Costs of Sales	<u>1,824,164</u>	<u>1,897,130</u>	<u>1,973,015</u>	<u>2,051,936</u>	<u>2,134,013</u>	<u>2,219,374</u>
Earnings Before Interest and Depreciation	70,958	247,580	414,047	604,864	823,005	1,071,787
Interest expense	(66,919)	(118,178)	(66,919)	(66,919)	(66,919)	(66,919)
Depreciation	(1,449,413)	(1,500,577)	(1,485,571)	(1,470,716)	(1,456,008)	(1,441,448)
(Other Income)	<u>1,795,180</u>	<u>100,000</u>	<u>1,873,100</u>	<u>1,301,900</u>	<u>1,855,600</u>	<u>1,051,300</u>
Net Income	349,806	(1,271,175)	734,656	369,129	1,155,677	614,720
	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2015</u>
Current Assets	4,182,434	4,237,836	5,017,563	5,824,908	7,008,594	8,211,262
Property, Plant & Equipment	18,100,847	16,600,270	17,647,699	17,893,983	18,945,975	18,863,527
Other Assets	<u>281,497</u>	<u>281,497</u>	<u>281,497</u>	<u>281,497</u>	<u>281,497</u>	<u>281,497</u>
Total assets	<u>22,564,778</u>	<u>21,119,603</u>	<u>22,946,759</u>	<u>24,000,388</u>	<u>26,236,066</u>	<u>27,356,286</u>
Current Liabilities	436,204	436,204	436,204	436,204	436,204	436,204
Noncurrent Liabilities	3,229,679	3,055,679	4,148,179	4,832,679	5,912,679	6,418,179
Fund Equity	<u>18,898,895</u>	<u>17,627,720</u>	<u>18,362,376</u>	<u>18,731,505</u>	<u>19,887,183</u>	<u>20,501,903</u>
Total Liabilities and Fund Equity	<u>22,564,778</u>	<u>21,119,603</u>	<u>22,946,759</u>	<u>24,000,388</u>	<u>26,236,066</u>	<u>27,356,286</u>