FCS
a Bowman company

SOUTH FORK COEUR D'ALENE RIVER SEWER DISTRICT

Sewer Rate Study and New User Facility Fee Update

Submitted by:

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Introduction

The South Fork Coeur d'Alene River Sewer District ("District") engaged FCS to conduct a rate study and new user facility fee (NUFF) update. The purpose of the study is to provide a rate forecast and financial plan targeting financial stability, revenue sufficiency and rate equity for the rate setting period. In addition, the District also wished to update their NUFFs, reflecting the most recent asset infrastructure investment, to ensure ongoing equity between existing and new customers.

The methods used to complete the study are based on analytical principles and practices that are generally accepted and widely followed throughout the industry – The ultimate goal is cost-based rates and fees that generate sufficient revenue to maintain a self-supporting and financially viable system.

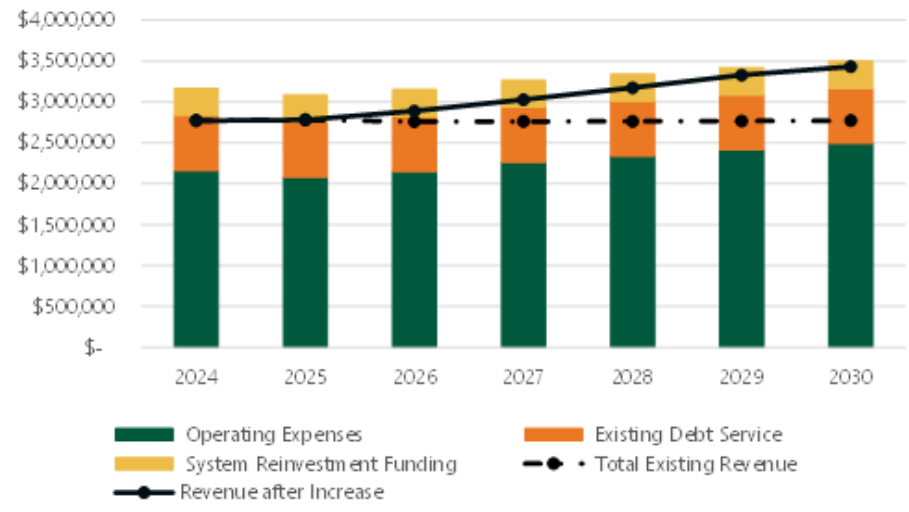
The District provides wastewater collection, conveyance, and treatment for residential and commercial customers from Mullan to Pinehurst with the exception of the City of Smelterville. The District is responsible for funding all its related costs on a self-supporting basis. The primary source of funding is derived from ongoing user rates for service, with additional revenues coming from new user facility fees and miscellaneous revenue.

Financial Plan Summary

The primary goal of the financial forecast is to develop a multi-year rate strategy that generates sufficient revenue to cover the District's operating costs and execute the capital program identified. This study focuses on defining the amount of revenue needed to meet the system's financial obligations including operation and maintenance costs, administrative and overhead costs, policy-based needs (e.g., reserve funding), capital costs and existing/new debt service obligations.

Although the financial plan is completed for a 20-year time horizon, the rate strategy is focused on the shorter-term planning period of 2024 through FY 2030. **Exhibit 1** summarizes the annual financial forecast.

Exhibit 1. Summary of Financial Forecast



Key observations of the financial plan include:

- Existing system rate revenues (dashed line) fall short of meeting annual obligations. The annual deficiency ranges from $303,000 to 800,000.
- Inflation is outpacing growth in revenue.
- Operating cost changes include an 85% operating budget realization factor to recognize actual costs historically lower than budget along with other reductions in contract services and salaries/wages and addition of biosolids management costs in 2027.
- Capital costs of $29.5 million for treatment and collection capital needs require the use of existing resources to cover costs not met by grant funding.
- To resolve revenue deficiency, rate action is needed.
- Use of $1.2 million of operating fund balance as rates are phased in to needed levels.

Four (4) alternative scenarios were presented to the District Board of Trustees at the October 30, 2024, Board meeting and the December 17, 2024, Board Meeting. Feedback and direction was obtained by the Board at both meetings allowing for a final rate proposal to be developed for consideration.

Exhibit 2. Proposed Rate Strategy

	2025	2026	2027	2028	2029	2030	2031
System Annual Increases	0.00%	4.90%	4.90%	4.90%	4.90%	3.00%	3.00%

The revised rate proposal includes the following key changes/assumptions:

- No rate adjustment in 2025, rate adjustments begin in 2026 and continue through 2031.
- Delayed rate increase until 2026 allows for proper noticing and communication to customers.
- System reinvestment remains at $330,000 per year.
- Use of $1.2 million of operating funds during 2025-2031 to cover delayed rate implementation.

The financial forecast discussed above indicates the need for annual rate adjustments to satisfy all forecasted financial obligations. The proposed rates were informed by completion of a truncated cost of service analysis.

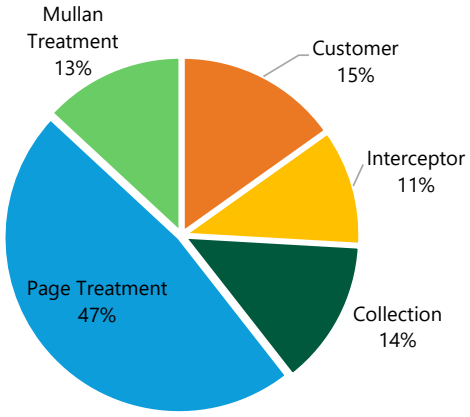
Cost of Service Summary

The cost-of-service analysis determines the proportionate allocation of costs based on service and facility requirements unique to each user group. Detailed cost allocations help to sharpen the degree of equity that can be achieved in the resulting rate designs.

The cost-of-service analysis begins with a functional allocation of system costs. The purpose of this allocation is to categorize the total annual rate revenue requirement into functions of service, which can then be examined for cost recovery from rates according to the manner in which different user groups use or place demands on the systems. A budget line-item analysis was completed allow assignment to the following cost pools: customer, interceptor, collection, Page treatment and Mullan treatment.

The total costs allocated to each function result in functional cost pools that can then be allocated to user groups. **Exhibit 3** provides a summary of the functional cost allocation results.

Exhibit 3. Summary of Functional Cost Allocation Results



The District current has nine (9) different customer groups. The main distinction between the customer groups is contract customers own and maintain their own collection systems while district/interceptor customers receiving both treatment and collection services.

Each function of service is tied primarily to customer flow contributions. Equivalent Dwelling units (EDUs) are the representative unit for customer flow contribution and are the selected basis for allocating functional costs to customer classes.

The functional allocation is also relied on so that contract rates can be set to exclude the collection component, since contract systems operate and maintain their own local collection service.

Exhibit 4 provides the cost-of-service monthly unit costs, for each user group, by functional component.

Exhibit 4. Cost of Service Monthly Unit Costs

Class	Customer	Interceptor	Collection	Treatment	Total
Single Residence - Contract	$6.04	$4.29	$0.00	$24.15	$34.48
Single Residence - District/Interceptor	$6.04	$4.29	$12.67	$24.15	$47.15
Multi Unit - Contract	$6.04	$4.29	$0.00	$24.15	$34.48
Multi Unit - District/Interceptor	$6.04	$4.29	$12.67	$24.15	$47.15
Trailer Court - Contract	$6.04	$4.29	$0.00	$24.15	$34.48
Trailer Court - District/Interceptor	$6.04	$4.29	$12.67	$24.15	$47.15
W. Silverton - District	$6.04	$4.29	$12.67	$24.15	$47.15
Water Usage Business - Contract	$6.04	$4.29	$0.00	$24.15	$34.48
Water Usage Business - District/Interceptor	$6.04	$4.29	$12.67	$24.15	$47.15

The cost-of-service results indicate a cost differential between contract and district/interceptor users of $12.67 ($34.48 compared to $47.15). Contract customers are above their cost of service (current rate $36.50, cost of service $34.48) and district/interceptor customers are below their cost of service (current rate $38.50, cost of service $$47.15). The prior cost of service showed a similar disparity between contract and district/interceptor users suggesting that a cost-of-service adjustment may be warranted. A phase in plan to gradually adjust rates to cost of service can minimize one time increases while also advancing cost of service equity.

Rate Design

The principal objective of the rate design stage is to implement rates that collect the appropriate level of revenue. The District had indicated a desire to condense the current four listed rates to two listed rates – Sewer Treatment and Sewer Collection to simplify the rate schedule. This change is also supported by the cost-of-service showing no other basis other than the distinction of treatment and collection for a rate differential – all cost-of-service user groups result in the same unit costs. The proposed rates consider a cost-of-service phase-in to minimize rate impacts along with a shifted rate implementation period of 2026 - 2031 due to the delay in rate implementation.

Exhibit 5 shows the current rates for contract and district customers along with the proposed new format for communicating rates. Rates are now separated into a sewer treatment fee and a sewer collection fee. Customers currently receiving both treatment and collection service from the District would pay the total rate. Customers who maintain their own collection system (previously identified as contract customers) would pay only the treatment rate. The monthly rates show the previous contract customer rate would increase by $1.05 per month, per year. The prior district customers would increase by $3.35 per month, per year. The rate adjustments are intended to achieve cost-of-service rates by 2031.

Exhibit 5. Proposed 2026 – 2031 Rates

Class	Current Rates	2026	2027	2028	2029	2030	2031
Sewer Treatment	$ 36.50	$37.55	$38.60	$39.65	$40.70	$41.75	$42.80
Sewer Collection	$ 2.00	$4.30	$6.60	$8.90	$11.20	$13.50	$15.80
Total	**$ 38.50**	**$41.85**	**$45.20**	**$48.55**	**$51.90**	**$55.25**	**$58.60**
Contract Customers	$ 36.50						
Difference $		$1.05	$1.05	$1.05	$1.05	$1.05	$1.05
District Customers	$ 38.50						
Difference $		$3.35	$3.35	$3.35	$3.35	$3.35	$3.35

Additional details on the assumptions and considerations of the rate study can be found in the Rate Study section of this report.

New User Facility Fee Summary

In addition to the rate study, the District requested an update of the New User Facility Fees (NUFF). This fee has many names (e.g., new user facility fee, availability fee, equity buy-in fee, capitalization fee, hook up fee, etc.). NUFFs are one-time fees for new or redevelopment used to recover a proportional share of the value of facilities required to provide service. It should be noted that NUFF revenues are not allowed to fund ongoing O&M expenses, only capital related obligations.

The methodology and calculation used for these fees is based on the interpretation by the Court in the 2015 Idaho Supreme Court Case: NIBCA v the City of Hayden.

The NUFF is calculated by taking the net present day replacement value and dividing it by the existing system capacity in EDUs. The calculated NUFF results in a fee of $11,020 per EDU for District customers receiving treatment and collection services. For non-District customers who own their collection system the NUFF would be

$6,945 per EDU (removes the collection portion of the NUFF). **Exhibit 6** provides a summary of the calculated NUFF.

Exhibit 6. Calculated NUFF

	Treatment	Interceptor	Collection	General	Total
Total Gross System Replacement Value	48,959,500	32,395,100	42,712,000	677,800	124,744,400
Less: Outstanding Bond Principal	(16,316,100)	-	-	-	(16,316,100)
Less: Unfunded Depreciation	(7,497,500)	(3,200,500)	(4,928,200)	(187,500)	(15,813,700)
Net System Replacement Value	25,145,900	29,194,600	37,783,800	490,300	92,614,600
System Capacity EDU	6,718	9,272	9,272	9,272	
Total NUFF per EDU	$ 3,743	$ 3,149	$ 4,075	$ 53	$ 11,020

The current NUFF for both District and non-District new connections is $5,811 per EDU. The new NUFF would be a difference of $5,209 and $1,134, respectively. The calculated charge represents the legally defensible maximum the District may impose for new connections to the system. The District has the option to set a fee below this calculated amount but not more.

Additional details on the assumptions and considerations of the NUFF calculation can be found in the New User Facility Fee Update section of this report.

Rate Study

Introduction

The South Fork Coeur d'Alene River Sewer District ("District") engaged FCS to conduct a rate study and new user facility fee (NUFF) update. The purpose of the study is to provide a rate forecast and financial plan targeting financial stability, revenue sufficiency and rate equity for the rate setting period. In addition, the District also wished to update the NUFFs, reflecting the most recent asset infrastructure investment, to ensure ongoing equity between existing and new customers.

The financial plan will evaluate the adequacy of existing rates to support the total ongoing operating costs of the system and execute the capital needs identified. Should rate adjustments be required, a rate strategy will be developed for meeting these future needs.

Approach

The methods used to complete the study are based on analytical principles and practices that are generally accepted and widely followed throughout the industry – The ultimate goal is cost-based rates and fees that generate sufficient revenue to maintain a self-supporting and financially viable system. Guiding principles were based on the Water Environment Federation's Financing and Charges for Wastewater Systems manual on rate setting methodologies.

Throughout the study, we worked with the District to arrive at rate conclusions that meet forecasted financial obligations, achieve District goals and policies, comply with legal requirements, and adhere to industry best practices. Meetings were held with District staff to validate input parameters and review interim findings.

The methodology, key factors, conclusions, and recommendations for each of the key task areas of the study are summarized in this executive level report. The full rate study can be found in the detailed rate and fee model provided to the District.

Methodology

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 user group by setting the appropriate level of revenue to be collected from users and establishing a rate structure to equitably collect those revenues.

The primary tasks of the rate study are listed below:

- **Revenue Requirement/Financial Plan.** This analysis identifies the total revenue requirement to fully fund the system on a self-supporting basis, considering operating and maintenance expenditures, capital funding needs, debt requirements, and fiscal policy objectives.
- **Cost of Service.** This analysis equitably distributes costs to user groups based on their proportional demand and use of the system.
- **Rate Design.** This analysis includes the development of rates that generate sufficient revenue to meet the system's current and future financial obligations.

Financial Plan

The District provides wastewater collection, conveyance, and treatment for residential and commercial customers from Mullan to Pinehurst with the exception of the City of Smelterville. The District is responsible for funding all its related costs on a self-supporting basis. The primary source of funding is derived from ongoing user rates for service, with additional revenues coming from new user facility fees and miscellaneous revenue. The District Board of Trustees controls the level of user charges and subject to statutory authority, can adjust user charges as needed to meet financial objectives.

The primary goal of the financial plan is to develop a multi-year rate strategy that will provide stable revenue to meet the total operating and capital costs of providing service. The financial plan focuses on the amount of revenue needed to meet the District's total financial obligations which include:

- ***Fiscal Policy Analysis***. Identifies formal and informal fiscal policies of the District to ensure that current policies are maintained, including reserve levels, system reinvestment funding and debt service coverage.
- ***Operating Forecast***. Identifies future annual non-capital costs associated with the operation, maintenance, and administration of the District.
- ***Capital Funding Plan***. Defines a strategy for funding the District's capital improvement program (CIP), including an analysis of available resources from rate revenues, NUFFs, debt financing, and any special resources that may be readily available (e.g., grants, outside contributions, etc.).
- ***Sufficiency Testing.*** Evaluates the sufficiency of revenues in meeting all financial obligations, including operating, maintenance, and capital costs, maintaining reserve levels, and meeting any coverage requirements associated with long-term debt.
- ***Rate 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.

Fiscal Policies

The purpose of establishing fiscal policies for the District is to promote the financial integrity and stability of the system and help ensure the sustainability of this essential service. The District has both formalized policies, and policies in practice that were used to guide the analysis. Where a policy was not defined in either the bylaws or in practice, a policy is recommended and relied on to complete the rate study.

Reserves

Reserves are a key component of any District's financial strategy, as they provide the flexibility to manage variations in costs and revenues that could otherwise have an adverse impact on ratepayers. Reserves are typically segregated by operating, capital and debt-related funds or accounts to ensure that restricted revenues are tracked to their dedicated use. Operating revenues such as ongoing service charges can be used for operating expenses or capital funding, though funds designated for capital funding such as loan proceeds and NUFF revenue cannot be used to meet ongoing operating expenses. Debt-related reserves are typically most restricted in their use for either maintaining a minimum reserve in compliance with debt covenants or managing the ongoing debt service principal and interest payments. Separate reserves also allow for managing and tracking reserve targets that vary by fund type.

Operating. Operating reserves are designed to provide a liquidity cushion to ensure that adequate cash working capital will be maintained to manage significant cash balance fluctuations, such as seasonal fluctuations in

billings and receipts, unanticipated cash expenses, or lower than expected revenue collections. Industry practice for utility operating reserves typically ranges from 30 days (8 percent) to 120 days (33 percent) of operating expenses, with the lower end more appropriate for utilities with stable revenue streams and the higher end of the range more appropriate for utilities with significant seasonal or consumption-based fluctuations.

> ***Recommended Policy:*** *Target an ending operating fund balance of 90 days of total annual operating expenditures excluding annual debt service.*

In consideration of the quarterly schedule for service charge collection, the 90-day operating target was set to support the 3-month revenue cycle, and mitigate risk related to customer non-payment or delayed payment.

Capital. This reserve provides a source of emergency funding for unexpected asset failures or other unanticipated capital needs. The reserve could also be used for other unanticipated capital needs including capital project cost overruns. This capital reserve policy is not intended to guard against catastrophic system failure or extreme acts of nature. Given these different purposes, there are a variety of potential benchmarks for setting a minimum balance for this fund – options include a percentage (commonly 1 – 2 percent) of the original cost of fixed assets, a rolling multi-year average of capital costs, or an amount determined sufficient to fund an equipment or asset failure. The final target level should balance industry practice with the risk level of the District.

> ***Recommended Policy:*** *The minimum balance is set to equal the current District practice of maintaining $330,000 in the capital reserve.*

The current practice sets a minimum somewhat lower than industry practice. As an example, a 1.5 percent of original asset value minimum would be in the range of $800,000 to $1 million for the rate-setting period. This may be an area for review during the next rate study.

It is important to note that 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 be indicative that it is not set appropriately or unnecessary. 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.

System Reinvestment. The concept of system reinvestment funding entails funding long-term infrastructure replacement needs through a regular and predictable rate provision. A system reinvestment funding program can be structured to account for defined funding source (rates), accumulation of funds when funding exceeds near-term needs, and augmentation of funds (e.g., through debt) when replacement needs exceed available cash resources.

Without a formal asset management plan, the most common approach to system reinvestment funding is a provision based on depreciation expense (historical original cost) as the basis for a reasonable level of reinvestment in the system. This strategy and level of funding satisfies several standards for reasonable rates:

- It avoids decline in system asset value (financial integrity).
- It charges customers commensurate with their consumption of facility useful lives and avoids the possibility of charging customers more than the current cost to provide service (rate equity); and

- It provides a source of funding for replacement (capital funding adequacy).

It is important to recognize that funding system reinvestment based on original cost depreciation will not fully meet future replacement needs (especially for mature systems that are just beginning to address or fund those needs). To more closely meet future replacement needs, the level of rate funded capital can be based on assumed replacement costs of original assets. While this method would provide additional rate funded capital, the ideal system reinvestment benchmark is tied to a detailed asset management plan. True replacement costs are generally higher than book values, increasing over time with the cost of labor and materials. Useful lives of assets should be based on condition assessments rather than accounting values. The schedule of replacement combined with accurate replacement costs enables jurisdictions to be more informed when setting a level of funding from rates.

The District has a practice of funding system reinvestment in the amount of $330,000 per year. This is a recommended practice that allows funds to be accumulated if funds are not expended in any given year. During the time of the study, annual depreciation for the District is approximately $1.1 million. A future consideration for the District is increasing the annual system reinvestment funding amount over time to eventually equal annual depreciation expense. This would be a good beginning target for the District as a means to set aside funds for ongoing system repair and replacement needs in the future. A more comprehensive review of system reinvestment levels is recommended for consideration during future policy review and rate planning.

Debt Management

There are certain debt requirements when debt is secured. These reserves or metrics are required to be maintained for the purpose of providing additional security for the District's bonds if the net revenue of the system is not sufficient to pay debt service when due.

Debt Reserve

A debt reserve is often required as a condition of bond issuance and for some state loan programs. The reserve protects bondholders (or the agency issuing loans) from the risk of default by setting aside either average annual debt service or maximum annual debt service.

Debt Service Coverage

Debt service coverage is a requirement typically associated with revenue bonds and some state loans. It is an important metric as it is a financial measure assessing the ability to repay debt. Coverage is most easily understood as a factor applied to annual debt service. A typical requirement in the sale of revenue bonds is for bonded debt service coverage to be at least 1.25 each year throughout the life of the bonds. That means the District agrees to collect enough revenue each year to meet operating expenses and not only pay debt service but also an additional 25% above bonded debt service. The extra revenue is a cushion that provides bondholders the security that debt service will be paid. The extra revenue can be used for capital expenditures, to build reserves for future asset replacement, or for debt service on subordinate debt. The District may wish to set an internal target of 1.50 – 2.0 to ensure a more favorable rating should they need to enter the bond market.

Operating Forecast

The purpose of the operating forecast is to identify the annual revenue available, and costs incurred to operate and maintain the system. The operating forecast uses budget FY2025 as a baseline and carries forward through

FY 2043 with the rate-setting period focused on the 2025 through 2030 period to capture the short-term and more defined treatment plant and collection system projects. The following list highlights the key assumptions used in the development of the operating forecast.

Reserves

- The operating reserve minimum is set at 90 days of operating and maintenance (O&M) expenses ($513,000 in 2025, $ 614,000 in 2030).
- The capital reserve minimum target is set at $330,000 used historically and established by the District.

Operating Revenue

- Rate Revenue based on FY 2025 budget for sewer service revenue. Revenue escalates at an assumed annual growth rate.
- Customer growth rates set at 0.25 percent per year based on a review of actual revenue growth. Equal to approximately 14 new connections per year.
- Non-rate revenue consists of septic revenue and interest income. All non-rate revenue is maintained at existing levels with no escalation applied. Interest income adjusts annually based on fund balances.
- New User Facility Fee revenue based on new connections to the system. At a 0.25 percent growth rate, new annual connections are estimated at 14 per year. Projected annual fee revenue is anticipated to range from $83,000 to $84,000 through 2030 at current NUFF levels.
- Interest earnings assume a rate of 3.5 percent is used in 2025 (from financial treasurer's report) decreasing to 2.0 percent for the remainder of the forecast (guided by the Idaho Local Government Investment Pool historical five-year average rates).

Operating Expenses

- The fiscal year 2025 budget formed the baseline for the operating expense forecast.
- A 3.0 percent annual inflation rate is used for general costs, benefits, and construction costs. A 4.0 percent annual inflation rate is used for salary/wages.
- Salary and wages reduced by $78,000 in 2027 for construction project manager position.
- Addition of operating costs for biosolids management geotubes beginning in 2027 at $127,000.

Debt Service

- Existing Debt. The District has two (2) outstanding debt obligation, a 2018 Bond and a 2019 Bond. Total annual debt service for the issues are $355,000 and $318,000, respectively, for a total of $673,000. Both debt obligations continue through the planning period.
- New Debt. No new debt is anticipated for the 2025-2030 planning period.

Capital Program

The capital improvement program includes the total capital needs of the system – treatment and collection. Capital projects were reviewed for the period 2024-2030 to capture the Phosphorus grant projects and funding. A total of $23.5 million (2024$) has been identified through 2030. The capital funding plan must consider the cash funding needs during the year of planned construction requiring that the current CIP which is stated in 2024 dollars be escalated annually to the year of planned construction for financial projections. Escalated capital costs

total $25.9 million with the majority of costs (84 percent) related to treatment/construction improvements. The remaining projects are for collection system projects and lift station/force main replacement.

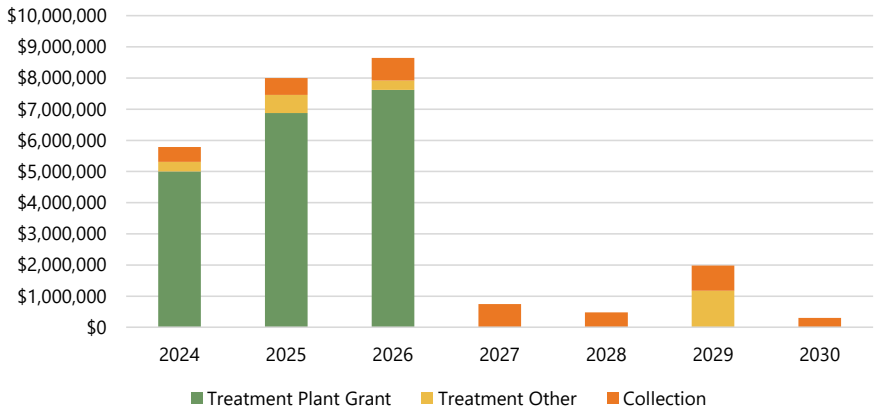
Exhibit 7 provides the total capital for 2024 – 2030 by major project type.

Exhibit 7. Summary of Capital Costs (2024-2030)

Project Description	Total Costs 2024 $	Total Costs Escalated
WWTP Construction	17,549,000	19,494,799
Headworks	256,750	279,741
Lagoon Improvements	279,700	296,734
Temperature	300,000	309,000
Metals Treatment w/ Membrane Filtration	1,011,900	1,173,069
Page Improvements	225,000	225,000
Mullan Improvements	85,000	85,000
Collection I&I Reduction	1,050,000	1,149,369
Collection Vehicle/Equipment	860,500	923,215
Lift Station/Force Main Replacement	1,235,000	1,340,923
Pipe Replacements	600,000	666,246
	$ 23,452,850	**$ 25,943,096**

Exhibit 8 provides the annual capital spend (escalated to the year of construction).

Exhibit 8. Annual Capital Spend



The annual capital costs vary depending on construction schedules. It should be noted that the total CIP is the best estimate of needs at the time of the study. Timing and funding needs can change depending on factors such as growth, inflation, and other economic factors.

Capital Financing Strategy

An ideal capital funding strategy includes the use of grants and low-cost loans when external financing is required. Generally, building a financial program relying on assumptions of being awarded scarce grants or access to low interest loans introduces financial risk as these resources are limited and competitive in nature and do not provide a reliable source of funding for planning purposes. However, the District has been successful securing grants which is a key capital funding source for this financial plan. The capital financing strategy developed to fund the CIP identified in this rate study assumes the following funding resources:

- Grant funding
- Rate funded capital
- Accumulated cash and capital reserves
- Annual revenue collected from new user facility fees
- Annual transfers of excess cash (over minimum balance targets) from the Operating Fund
- Interest earning on capital fund balances and other miscellaneous capital resources
- Debt financing (bonds and/or loans), if needed

Exhibit 9 presents the initial capital financing strategy for the planned capital costs identified by the District. The capital funding plan identifies 81 percent of grant funding available for capital with the remaining 19 percent from cash funding (including cash/capital fund balances and capital fund interest income). As previously stated, the success of the District in securing grant funding has reduced the potential rate impacts of the planned capital. Total grant funding is $21.7 million with $20.9 million recognized during the 2024-2030 time period.

Exhibit 9. Summary of Capital Funding Plan

	2024	2025	2026	2027	2028	2029	2030
Beginning Balance	$ 5,256,712	$ 5,256,712	$ 7,601,883	$ 5,351,373	$ 5,041,850	$ 4,994,345	$ 3,439,903
System Reinvestment Funding	330,000	330,000	330,000	330,000	330,000	330,000	330,000
Transfers from Operating Fund	-	-	-	-	-	-	-
2023 Phosphorus Grant	5,000,000	6,635,000	5,914,000	-	-	-	-
Facility Grant	150,000	-	-	-	-	-	-
Smelterville Grant	-	3,200,000	-	-	-	-	-
Interest Earnings	183,985	183,985	152,038	107,027	100,837	99,887	68,798
Total Capital Funding Resources	$ 10,920,697	$ 15,605,697	$ 13,997,920	$ 5,788,401	$ 5,472,687	$ 5,424,232	$ 3,838,701
Less Capital Expenditures	$ (5,785,000)	$ (8,003,814)	$ (8,646,547)	$ (746,551)	$ (478,341)	$ (1,984,329)	$ (298,513)
Ending Balance	$ 5,135,697	$ 7,601,883	$ 5,351,373	$ 5,041,850	$ 4,994,345	$ 3,439,903	$ 3,540,188

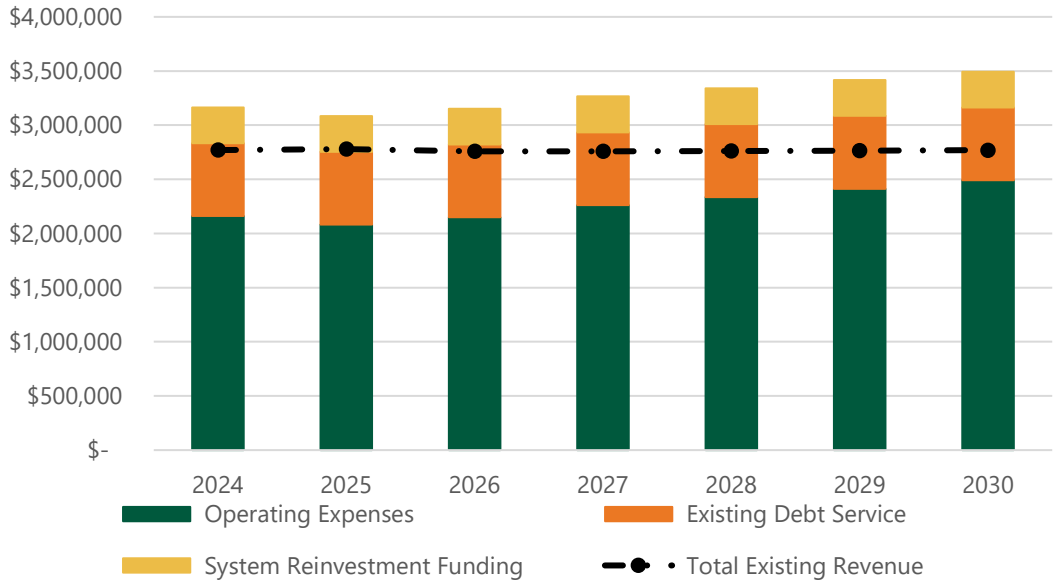
Financial Plan Summary

The primary goal of the financial forecast is to develop a multi-year rate strategy that generates sufficient revenue to cover the District's operating costs and execute the capital program identified. This study focuses on defining the amount of revenue needed to meet the system's financial obligations including:

- Operation and maintenance costs
- Administrative and overhead costs
- Policy-based needs (e.g., reserve funding)
- Capital costs
- Existing/new debt service obligations

Although the financial plan is completed for a 20-year time horizon, the rate strategy is focused on the shorter-term planning period of 2024 through FY 2030. **Exhibit 10** summarizes the annual financial plan based on the forecast of revenues, expenditures, fund balances and fiscal policies.

Exhibit 10. Summary of Financial Forecast



Key observations of the financial plan include:

- Existing system rate revenues (dashed line) fall short of meeting annual obligations. The annual deficiency ranges from $303,000 to 800,000.
- Inflation is outpacing growth in revenue.
- Operating cost changes:
  - » An 85% operating budget realization factor is applied annually to recognize actual costs historically lower than budget.
  - » Reduction in contract services identified in FY 2025 budget.
  - » Removed HCP reserve contribution beginning in FY 2025.
  - » One time reduction in salaries and wages for construction manager position in 2027.
  - » Increase in operating costs for biosolids management geotubes in 2027.
- Capital costs of $29.5 million for treatment and collection capital needs require the use of existing resources to cover costs not met by grant funding.
- To resolve revenue deficiency, rate action is needed.

Alternative Rate Scenarios

To assist the Board of Trustees determine the most appropriate rate strategy for the District, several rate scenarios were developed and presented. The rate scenarios were presented at the October 30, 2024, Board meeting and the December 17, 2024, Board Meeting. District staff followed up with the final rate proposal based on Board feedback and input.

1. Initial Rate Scenario – resolve operating deficiency, keep system reinvestment funding at $330,000, transfer of $400,000 of operating funds to capital fund for capital needs in 2029. Phosphorus removal grant of $3.2 million not known or included.

	2025	2026	2027	2028	2029	2030
System Annual Increases	8.75%	8.75%	3.00%	3.00%	3.00%	3.00%

Scenario B – limit rate action to 5% for 2025-2028, inflationary adjustments thereafter. Requires system reinvestment reduction to $150,000 from 2025 – 2027 and use of $185,000 fund balance 2025 – 2030 to meet operating needs. Transfer of $950,000 of operating funds to capital fund for capital needs in 2029. Phosphorus removal grant of $3.2 million not known or included.

	2025	2026	2027	2028	2029	2030
System Annual Increases	5.00%	5.00%	5.00%	5.00%	3.00%	3.00%

2. Scenario C – Board direction to limit increases. Include addition of phosphorus removal grant. Keep system reinvestment funding at $330,000, Use of $400,000 of operating funds to cover lower increases. Capital funds above target with addition of phosphorus grant.

	2025	2026	2027	2028	2029	2030
System Annual Increases	4.90%	4.90%	4.90%	4.90%	3.00%	3.00%

3. Scenario D – Board direction to have even increases for all years. Keep system reinvestment funding at $330,000, transfer of $600,000 of operating funds to cover lower upfront rate increases. Capital funds above target with addition of phosphorus grant.

	2025	2026	2027	2028	2029	2030
System Annual Increases	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%

Based on Board and staff feedback and discussion, a revised proposed rate strategy was developed for consideration.

Exhibit 11. Proposed Rate Strategy

	2025	2026	2027	2028	2029	2030	2031
System Annual Increases	0.00%	4.90%	4.90%	4.90%	4.90%	3.00%	3.00%

The revised rate proposal includes the following key changes/assumptions:

- No rate adjustment in 2025. Rate adjustments begin in 2026, pushing the increases through 2031.
- Delay of rate increase until 2026 to allow proper noticing and communication to customers.
- System reinvestment remains at $330,000 per year.
- Use of $1.2 million of operating funds during 2025-2031 to cover delayed rate implementation and phasing in of rates to needed levels.
- Capital funds above target with addition of phosphorus grant.

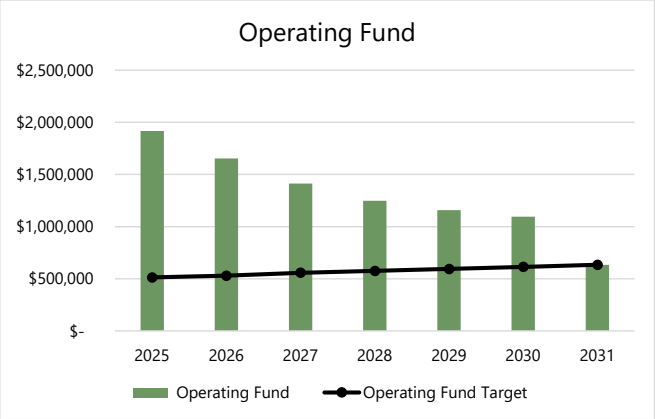
The annual rate strategy contained herein will inform final rates reviewed and approved by the Board of Trustees during the annual rate and fee review process.

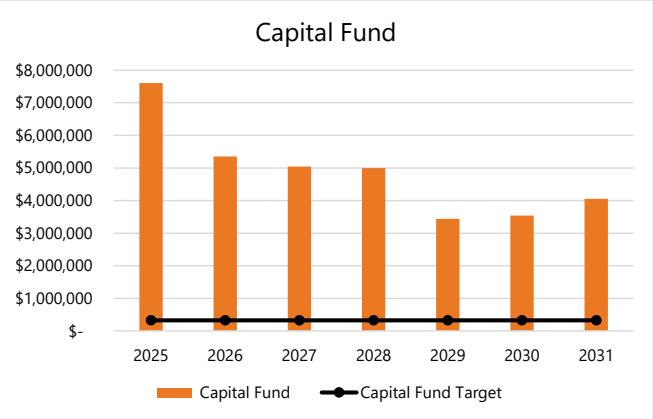
Funds and Reserves

Exhibit 12 shows a summary of the projected operating and capital fund balances over the planning period using the proposed rate strategy. The operating fund has a minimum 90-day target before excess funds are transferred to the capital fund to be used for project funding. The capital fund minimum target balance is $330,000.

The 90-day operating balance is maintained in all years of the financial plan. Funds over target transferred to the capital fund in 2031. The capital balance ebbs and flows throughout the planning period influenced by the planned capital construction schedule. Overall, the fund balances remain in a strong position offering the District the flexibility to address future capital funding needs.

Exhibit 12. Operating and Capital Fund Ending Balances





Cost of Service Analysis

The cost-of-service analysis determines the proportionate allocation of costs based on service and facility requirements unique to each user group. Detailed cost allocations help to sharpen the degree of equity that can be achieved in the resulting rate designs. A truncated cost-of-service analysis was completed for the District. The framework and methodology from the last study was used with updated financial and customer data inputs.

Functional Cost Allocation

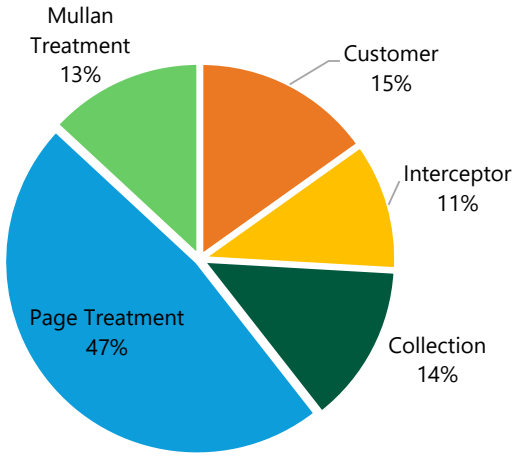
The cost-of-service analysis begins with a functional allocation of system costs. The purpose of this allocation is to categorize the total annual rate revenue requirement into functions of service, which can then be examined for cost recovery from rates according to the manner in which different user groups use or place demands on the systems. A budget line-item analysis was completed allow assignment to the following cost pools: customer, interceptor, collection, Page treatment and Mullan treatment. The District has improved the budget layout to more functional budget categories which helped simplify this functional allocation process. There were only a few budget account line items under payroll expenses that required more review to be assigned a cost pool.

- Salaries & wages were allocated based on staff allocated time. District staff provided an update on the percent of time each position spent in each functional area. The staff time and cost were combined to develop a staff allocation basis: 30.36 percent to customer, 11.95 percent to interceptor, 13.53 percent to collection, 27.81 percent to Page treatment and 16.35 percent to Mullan Treatment.

- Employee benefits expenses were also allocated based on staff time. The cost difference for benefits resulted in a slightly different benefits allocation basis: 29.40 percent to customer, 11.87 percent to interceptor, 13.26 percent to collection, 27.48 percent to Page treatment and 17.99 percent to Mullan Treatment.
- Office building and annexation line item allocated as 100 percent customer.
- Insurance and contract services/equipment R-other allocated as Plant. The plant allocation basis is assigned: 54.27 percent to interceptor, 7.89 percent to collection, 13.96 percent to Page treatment and 23.89 percent to Mullan treatment.
- Page plant operating expenses – allocated 100 percent to Page treatment.
- Mullan plant operating expenses – allocated 100 percent to Mullan treatment.
- Collection system expenses – allocated 100 percent to collection.
- Existing debt – allocated as Phase I project: 96.00 percent to Page treatment and 4.00 percent Mullan treatment.
- System reinvestment funding allocated as plant. The plant allocation basis is assigned: 54.27 percent to interceptor, 7.89 percent to collection, 13.96 percent to Page treatment and 23.89 percent to Mullan Treatment
- Interest income is applied as an offset proportionally to total expenses.
- Septic revenue is an offset to Page treatment costs.

The total costs allocated to each function result in functional cost pools that can then be allocated to user groups. **Exhibit 13** provides a summary of the functional cost allocation results.

Exhibit 13. Functional Cost Allocation Results



The functional cost allocation indicates the majority of costs 47 percent are related to Page treatment, 15 percent to customer, 14 percent to collection, 13 percent to Mullan treatment and 11 percent to interceptor.

Customer Class Distinctions

The District currently has nine (9) different rate codes covering different user groups. The main distinction between the customer groups is contract customers own and maintain their own collection system while

district/interceptor customers receive both treatment and collection services. The rate code master listing includes the following:

- Single Residence Contract
- Single Residence – District/Interceptor
- Multi-Unit – Contract
- Multi-Unit – District/Interceptor
- Trailer Court – Contract
- Trailer Court – District/Interceptor
- W. Silverton – District
- Water Usage Business – Contract
- Water Usage Business – District/Interceptor

Distribution of Costs

Each function of service is tied primarily to customer flow contributions. Equivalent Dwelling Units (EDUs) are the representative unit for customer flow contribution and are the selected basis for allocating functional costs to customer classes.

The functional allocation is also relied on so that contract rates can be set to exclude the collection component, since contract systems operate and maintain their own local collection service.

Exhibit 14 provides the monthly cost of service unit costs, for each customer group, by functional component.

Exhibit 14. Monthly Unit Costs

Class	Customer	Interceptor	Collection	Treatment	Total
Single Residence - Contract	$6.04	$4.29	$0.00	$24.15	$34.48
Single Residence - District/Interceptor	$6.04	$4.29	$12.67	$24.15	$47.15
Multi Unit - Contract	$6.04	$4.29	$0.00	$24.15	$34.48
Multi Unit - District/Interceptor	$6.04	$4.29	$12.67	$24.15	$47.15
Trailer Court - Contract	$6.04	$4.29	$0.00	$24.15	$34.48
Trailer Court - District/Interceptor	$6.04	$4.29	$12.67	$24.15	$47.15
W. Silverton - District	$6.04	$4.29	$12.67	$24.15	$47.15
Water Usage Business - Contract	$6.04	$4.29	$0.00	$24.15	$34.48
Water Usage Business - District/Interceptor	$6.04	$4.29	$12.67	$24.15	$47.15

The cost-of-service results indicate a cost differential between contract and district/interceptor users of $12.67 ($34.48 compared to $47.15). Contract customers are above their cost of service (current rate $36.50, cost of service $34.48) and district/interceptor customers are below their cost of service (current rate $38.50, cost of service $$47.15).

A cost-of-service analysis is a snapshot in time. As costs fluctuate each year, the cost differential by class may also fluctuate. The prior cost of service showed a similar disparity between contract and district/interceptor users suggesting that a cost-of-service adjustment may be warranted. A phase in plan to gradually adjust rates to cost of service can minimize one time increases while also advancing cost of service equity.

Rate Design

The principal objective of the rate design stage is to implement rates that collect the appropriate level of revenue. Several variables must be balanced to arrive at optimal rates. The results of the revenue requirement analysis and cost of service are used to forecast the rate levels needed by customer group to recover system revenue needs.

Present Rates

The present District rates consist of a base charge that is billed quarterly. A summary of the current rates by rate code is provided in **Exhibit 15**.

Exhibit 15. Current District Rates

Description	Charge Per Month	Charge per Quarter
Single Residence - Contract	$36.50	$109.50
Single Residence - District/Interceptor	$38.50	$115.50
Multi Unit - Contract	$36.50	$109.50
Multi Unit - District/Interceptor	$38.50	$115.50
Trailer Court - Contract	$36.50	$109.50
Trailer Court - District/Interceptor	$38.50	$115.50
W. Silverton - District	$38.50	$115.50
Water Usage Business - Contract	$37.50	$112.50
Water Usage Business - District/Interceptor	$39.50	$118.50

The District had indicated a desire to condense the current rate codes to two listed rates – Sewer Treatment and Sewer Collection to simplify administration and customer understanding. This change is also supported by the cost-of-service showing no other basis other than the distinction of treatment and collection for a rate differential – all cost-of-service user groups result in the same unit costs. The proposed rates consider a cost-of-service phase-in to minimize rate impacts along with a shifted rate implementation period of 2026 - 2031 due to the delay in rate implementation.

Proposed Rates

The rate study indicates the need for annual rate adjustments to satisfy all forecasted financial obligations. The proposed rate adjustments have been developed around delaying a rate adjustment until 2026 along with phasing in the cost-of-service results, which pushes the original rate strategy through FY 2031. In addition, rates have been simplified and restated to clarify the services received and billed.

Exhibit 16 shows the current rates for contract and district customers along with the proposed new format for communicating rates. Rates are now separated into a sewer treatment fee and a sewer collection fee. Customers currently receiving both treatment and collection service from the District would pay the total rate. Customers who maintain their own collection system (previously identified as contract customers) would pay only the treatment rate. The monthly rates show the previous contract customer rate would increase by $1.05 per month, per year. The prior District customers would increase by $3.35 per month, per year. The rate adjustments are intended to achieve cost-of-service rates by 2031.

Exhibit 16. Proposed 2026-2031 Rates

Class	Current Rates	2026	2027	2028	2029	2030	2031
Sewer Treatment	$ 36.50	$37.55	$38.60	$39.65	$40.70	$41.75	$42.80
Sewer Collection	$ 2.00	$4.30	$6.60	$8.90	$11.20	$13.50	$15.80
Total	**$ 38.50**	**$41.85**	**$45.20**	**$48.55**	**$51.90**	**$55.25**	**$58.60**
Contract Customers	$ 36.50						
Difference $		$1.05	$1.05	$1.05	$1.05	$1.05	$1.05
District Customers	$ 38.50						
Difference $		$3.35	$3.35	$3.35	$3.35	$3.35	$3.35

Affordability

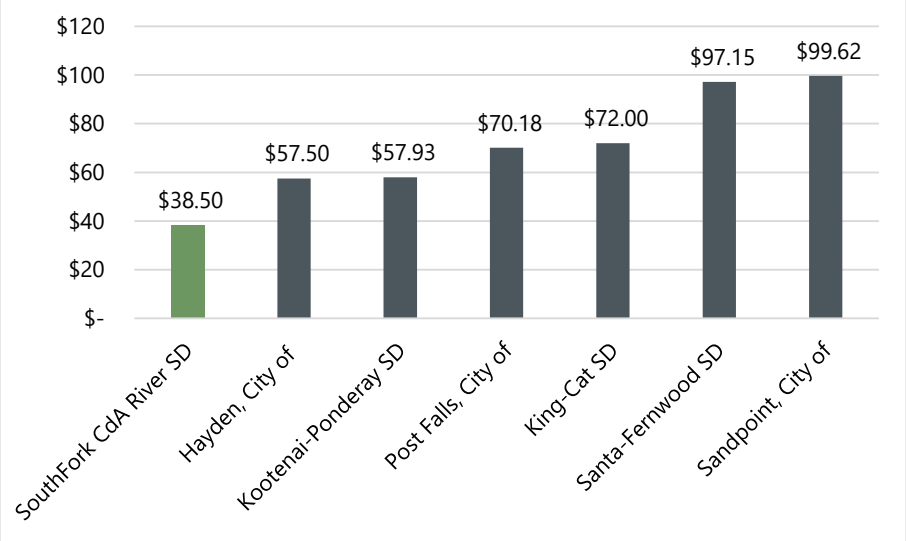
As utility bills have increased over time at a rate well above inflation, the affordability of utility service has emerged as a key policy consideration. While the term "affordable" is relatively subjective in its definition, agencies that offer low-cost loans to utilities often use an "affordability index" based on median household income to define a threshold beyond which utility rates impose financial hardship on ratepayers. Many agencies such as the Idaho Department of Environmental Quality use an affordability index to prioritize grants, low-cost loans, and loan forgiveness awards. Systems are eligible for disadvantaged community funding (grant or loan forgiveness) if rates rise above a certain affordability percentage. It is common to see eligibility calculated based on utility bills falling between 1.50 and 2.0 percent of median household income for the demographic area as the upper threshold for affordable utility service. If monthly bills are below this level, they are generally considered affordable.

The medium household income for Osburn according to the 2023 Idaho-demographics.com is listed as $44,583. The District's current single resident sewer rate is $38.50 per month which equates to 0.98 percent of the median household income. The District's affordability metric ranges from 0.98 to 1.27 percent through 2031 which is maintained below the 1.50 – 2.0 affordability threshold.

Jurisdictional Rate Survey

In support of the District's rate setting decision process, a rate survey of regional/neighboring utilities was completed. **Exhibit 17** shows each jurisdiction's monthly single-family residential sewer rate. The bill for the District is the lowest in the survey. Even at a 2030 projected rate of $58.60, the District would still rank as one of the lowest rates compared to the current rates of other Jurisdictions. Statewide sewer rates are increasing with the need to meet growth-related infrastructure needs along with increased regulatory requirements. It is important to note that each jurisdiction has a unique set of geographic traits, customers, and system characteristics that can have an impact on the ultimate rates charged and making an apples-to-apples comparison difficult.

Exhibit 17. Jurisdictional Comparison of Monthly Single Family Sewer Rates



Summary of Rate Study

The rate study evaluates the sufficiency of sewer system revenues to meet current and future financial and policy obligations, operation, and maintenance needs, and execute the needed capital program to ensure the sustainability of this essential service.

Although the financial plan is completed through 2043, the rate strategy focuses on the shorter-term planning period of 2024 through 2031 capturing the more immediate Phosphorus grant projects and funding. The rate study indicates the need for annual rate adjustments to satisfy all forecasted financial obligations. The proposed rate adjustments have been developed around delaying a rate adjustment until 2026 along with phasing in the cost-of-service rates, which pushes the original rate strategy through FY 2031. In addition, rates have been simplified and restated to clarify the services received and billed.

Due to the ever-changing assumptions that comprise the rate study, it is prudent to review the proposed rates and rate assumptions annually during the budget process to ensure that the rate projections developed remain adequate. The District should use the study findings as a living document, continuously comparing the study outcomes to actual revenue and expenses. Any significant changes should be flagged to determine if changes to the rate plan are warranted. A more comprehensive rate review is recommended every three to five years to review the financial plan assumptions and recalibrate the rate plan to capture any significant changes.

New User Facility Fee Update

Introduction

In addition to the rate study, the District requested an update of the New User Facility Fees (NUFF). This fee has many names (e.g., new user facility fee, availability fee, equity buy-in fee, capitalization fee, hook up fee, etc.). NUFFs are one-time fees for new or redevelopment used to recover a proportional share of the value of facilities required to provide service. It should be noted that NUFF revenues are not allowed to fund ongoing O&M expenses, only capital related obligations.

The following section discusses the various aspects of the process used to update the NUFF. The methods used to complete the study are based on analytical principles and practices that are generally accepted and widely followed throughout the State of Idaho for calculation of connection fees. The goal being cost-based utility fees.

Methodology

The methodology and calculation used for these fees is based on the interpretation by the Court in the 2015 Idaho Supreme Court Case, *NIBCA v the City of Hayden*.

Key components of the connection fee methodology include:

- Determine gross present day replacement value of the existing system.
- Determine net system present day replacement value by subtracting unfunded depreciation and applicable outstanding bond principal from the gross present day replacement value.
- Calculate capitalization fee by dividing the net system replacement value by the number of users the system can support.

A few key points to understand regarding the connection fee methodology include:

- The connection fee is limited in its calculation of cost to the capacity of replacing existing infrastructure. While any collected fee can be expended on facilities to support future capital investment, the calculation method prevents the District from including costs associated with future facilities not currently used and useful – in other words, constructed and providing service.
- Existing infrastructure is valued at current replacement cost (not original cost).
- The capitalization fee is to be calculated by "dividing the net system replacement value by the number of users the system can support" at that point in time. It is important to understand the system capacity of the current infrastructure in the ground providing service.
- The deduction for outstanding debt principal is made recognizing that new customers will pay for their share of those costs through ongoing service rates.

Exhibit 18 provides a summary of the Connection fee methodology used for this study.

Exhibit 18. Connection Fee Methodology

	Gross Present-Day Replacement Value of System
Less:	Outstanding Bond Principal
Less:	Unfunded Depreciation
=	**Net System Replacement Value for the Current Year**
÷	Number of Users Current System Can Support
=	**Total NUFF per EDU**

NUFF Calculation

The new user facility fee update completed for the District includes the following key elements and data sources.

Gross Present-Day Replacement Value

The gross present day replacement value was determined by identifying all existing facilities utilized to provide sewer service to customers as of September 30, 2023. Important considerations for this part of the equation include:

- Existing District asset records were used for baseline original cost asset values with the addition of 2022 and 2023 assets from the capital asset role.
- Replacement cost values for each asset were calculated by applying an Engineering News Record (ENR) construction cost index (CCI) ratio to the original cost of the District's listed asset. The ENR CCI 2023 is used for determining replacement cost. The difference in the CCI between the installation year and this 2023 value determines the multiplier applied to the original cost of the asset, ultimately deriving the replacement cost.

Total gross present-day system replacement value = $124.7 million as shown in **Exhibit 19**.

Exhibit 19. Gross System Replacement Value

Treatment	$	48,959,500
Interceptor		32,395,100
Collection		42,712,000
General		677,800
Total Gross Replacement Value		**124,744,400**

Outstanding Bond Principal

The methodology allows a deduction for outstanding bond principal which represents the unpaid value of the system. Debt service is paid for through user fees and therefore should be deducted from the system replacement value, so it is not double charged – once in rates and once in the connection fee.

The District has two (2) outstanding debt obligation – a 2018 revenue bond and a 2019 revenue bond, resulting in a deduction of $16.3 million from the system replacement value.

Unfunded Depreciation

Unfunded depreciation is another allowable deduction identified in the methodology. The Supreme Court ruling did not provide a specific definition for unfunded depreciation. The calculation that is commonly used to respond to this deduction is the original cost accumulated depreciation. This is a fairly conservative approach as it is likely that not all accumulated depreciation is unfunded thus resulting in the largest deduction.

The annual depreciation is calculated using the actual booked or estimated original cost of each asset divided by the useful life of each asset. The result of this calculation is annual straight-line depreciation. Depreciation accumulates each year until the full original cost is reached.

The original cost depreciation for the District's assets is estimated at $15.8 million.

Net Present-Day Replacement Value

Exhibit 20 summarizes the net present day system replacement value by deducting the bond principal remaining and original cost accumulated depreciation values. The net present day system replacement value is calculated at $92.6 million.

Exhibit 20. Net Present-Day Replacement Value

Gross System Replacement Value	$ 124,744,400
Less: Outstanding Bond Principal	(16,316,100)
Less: Unfunded Depreciation	(15,813,700)
Net System Replacement Value	$ 92,614,600

System Capacity

The Supreme Court methodology references the connection fee calculation as "dividing the net system replacement value by the number of users the system can support." In other words, the capacity must be calculated based on the number of customers the existing system can serve. The existing system being defined as the infrastructure in the ground currently providing service.

A functional NUFF was calculated meaning that capacity was determined separately for treatment, interceptor, collection, and general assets. System capacity was provided by a capacity evaluation completed by J-U-B Engineers. The treatment capacity was determined based on an evaluation of both flow and loadings, resulting in a treatment capacity estimate of 6,718 EDUs. The capacity used for interceptor, collection, and general assets was the Page interceptor capacity of 9,272 EDUs.

Exhibit 21 calculates the current sewer system capacity.

Exhibit 21. System Functional Capacity (EDUs)

	Treatment	Interceptor	Collection	General
Total Capacity (EDUs)	6,718	9,272	9,272	9,272

Calculation of NUFF

The NUFF is calculated by taking the net present day replacement value and dividing it by the existing system capacity in EDUs. The calculated NUFF results in a fee of $11,020 per EDU for District customers receiving treatment and collection services. For non-District customers who own their own collection system the NUFF would be $6,945 per EDU (removes the collection portion of the NUFF).

Exhibit 22. Calculated NUFF

	Treatment	Interceptor	Collection	General	Total
Total Gross System Replacement Value	48,959,500	32,395,100	42,712,000	677,800	124,744,400
Less: Outstanding Bond Principal	(16,316,100)	-	-	-	(16,316,100)
Less: Unfunded Depreciation	(7,497,500)	(3,200,500)	(4,928,200)	(187,500)	(15,813,700)
Net System Replacement Value	25,145,900	29,194,600	37,783,800	490,300	92,614,600
System Capacity EDU	6,718	9,272	9,272	9,272	
Total NUFF per EDU	$ 3,743	$ 3,149	$ 4,075	$ 53	$ 11,020

The current NUFF for both District and non-District new connections is $5,811 per EDU. The calculated NUFF is a difference of $5,209 and $1,134, respectively.

Summary of NUFF

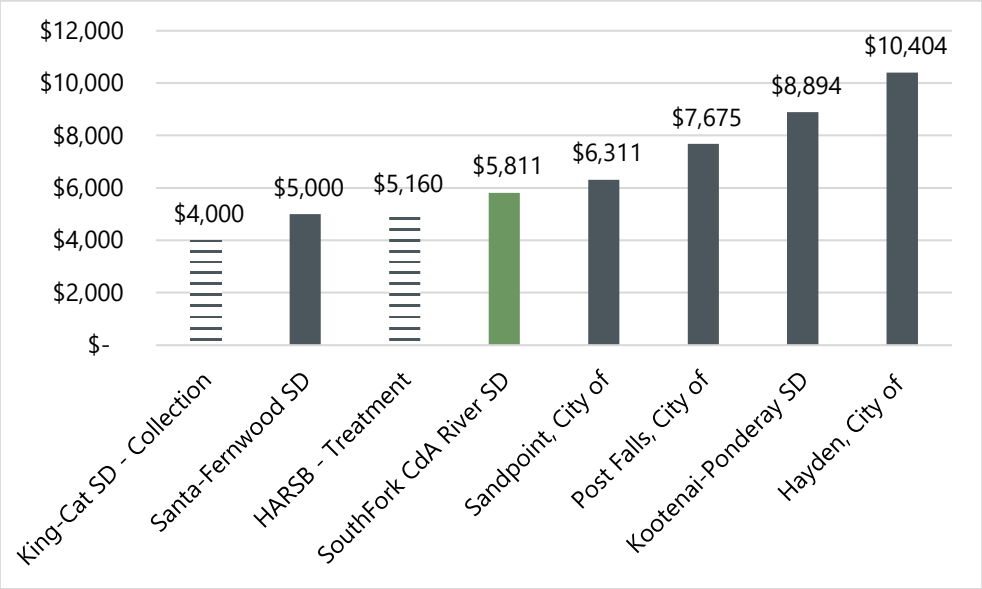
The analysis described above concludes the NUFF update. The calculated charge represents the legally defensible maximum the District may impose for new connections to the system. The District has the option to phase the increase in over time. Adopting a charge less than the maximum is a viable option, particularly as part of a multi-year strategy to minimize fee impacts – however, the District should be aware that this alternative may result in less cash being available for capital purposes. In such a scenario, near-term capital needs may put additional pressure on existing users of the system.

It is strongly recommended that the District recalculate their NUFF upon completion of major projects to maintain full representation of system value as assets are placed into service.

Jurisdictional Connection Fee Survey

In support of the District's fee setting decision process, a connection charge survey of regional/neighboring utilities was performed. **Exhibit 23** shows each jurisdiction's single-family equivalent or 1 EDU connection charge. The solid bars represent the connection fee for both treatment and collection in the respective entities. King-Cat Sewer District represents collection only. Hayden Area Regional Sewer Board represents treatment only.

Exhibit 23. Connection Charge Survey for Single Family Equivalent



It is important to note that an apples-to-apples comparison is difficult to complete as each jurisdiction has a unique set of geographic traits, customers, and system characteristics that can have a significant impact on fees charged. In addition, we do not know if a recent study has been completed or if the jurisdiction chose to implement the maximum charge calculated.

Appendix A | Rate Study Summary

South Fork Sewer District
Rate Study
Summary

Revenue Requirement	2025	2026	2027	2028	2029	2030	2031
Revenues							
Rate Revenues Under Existing Rates	$ 2,640,000	$ 2,646,600	$ 2,653,217	$ 2,659,850	$ 2,666,499	$ 2,673,165	$ 2,679,848
Non-Rate Revenues	140,000	111,691	106,406	101,629	98,293	96,532	95,260
Total Revenues	**$ 2,780,000**	**$ 2,758,291**	**$ 2,759,623**	**$ 2,761,479**	**$ 2,764,792**	**$ 2,769,697**	**$ 2,775,109**
Expenses							
Cash Operating Expenses	$ 2,080,916	$ 2,149,558	$ 2,262,185	$ 2,336,114	$ 2,412,503	$ 2,491,437	$ 2,573,002
Existing Debt Service	672,660	672,660	672,660	672,660	672,660	672,660	672,660
New Debt Service	-	-	-	-	-	-	-
System Reinvestment Funding	330,000	330,000	330,000	330,000	330,000	330,000	330,000
Total Expenses	**$ 3,083,576**	**$ 3,152,218**	**$ 3,264,845**	**$ 3,338,774**	**$ 3,415,164**	**$ 3,494,097**	**$ 3,575,662**
Total Surplus (Deficiency)	**$ (303,576)**	**$ (393,927)**	**$ (505,222)**	**$ (577,295)**	**$ (650,372)**	**$ (724,400)**	**$ (800,553)**
Annual Rate Increase	**0.00%**	**4.90%**	**4.90%**	**4.90%**	**4.90%**	**3.00%**	**3.00%**
Cumulative Rate Increase	**0.00%**	**4.90%**	**10.04%**	**15.43%**	**21.09%**	**24.72%**	**28.46%**
Revenues After Rate Increases	$ 2,640,000	$ 2,776,283	$ 2,919,602	$ 3,070,319	$ 3,228,817	$ 3,333,996	$ 3,442,600
Net Cash Flow After Rate Increase	**$ (303,576)**	**$ (264,244)**	**$ (238,837)**	**$ (166,826)**	**$ (88,054)**	**$ (63,570)**	**$ (37,801)**
Coverage After Rate Increase: Bonded Debt	1.31	1.32	1.29	1.39	1.51	1.50	1.54
Coverage After Rate Increase: Total Debt	1.31	1.32	1.29	1.39	1.51	1.50	1.54
Sample Bill (1 EDU Quarterly)	$38.50	$40.39	$42.37	$44.44	$46.62	$48.02	$49.46
Annual Increase ($)	$0.00	$1.89	$1.98	$2.08	$2.18	$1.40	$1.44

South Fork Sewer District
Rate Study
Summary

Fund Balance	2025	2026	2027	2028	2029	2030	2031
Operating Reserve							
Beginning Balance	$ 2,220,735	$ 1,917,159	$ 1,652,916	$ 1,414,079	$ 1,247,253	$ 1,159,199	$ 1,095,629
plus: Net Cash Flow after Rate Increase	(303,576)	(264,244)	(238,837)	(166,826)	(88,054)	(63,570)	(37,801)
less: Transfer of Surplus to Capital Fund	-	-	-	-	-	-	(423,389)
Ending Balance	**$ 1,917,159**	**$ 1,652,916**	**$ 1,414,079**	**$ 1,247,253**	**$ 1,159,199**	**$ 1,095,629**	**$ 634,439**
Actual Days of O&M	*336 days*	*281 days*	*228 days*	*195 days*	*175 days*	*161 days*	*90 days*
Minimum Target Balance: 90 days	*$ 513,102*	*$ 530,028*	*$ 557,799*	*$ 576,028*	*$ 594,864*	*$ 614,327*	*$ 634,439*
Maximum Target Balance: 90 days	*$ 513,102*	*$ 530,028*	*$ 557,799*	*$ 576,028*	*$ 594,864*	*$ 614,327*	*$ 634,439*
Capital Reserve							
Beginning Balance	$ 5,256,712	$ 7,601,883	$ 5,351,373	$ 5,041,850	$ 4,994,345	$ 3,439,903	$ 3,540,188
plus: System Reinvestment Funding	330,000	330,000	330,000	330,000	330,000	330,000	330,000
plus: Transfers from Operating Fund	-	-	-	-	-	-	423,389
plus: 2023 Phosphorus Grant	6,635,000	5,914,000	-	-	-	-	-
plus: Facility Grant	-	-	-	-	-	-	-
plus: Smelterville Grant	3,200,000	-	-	-	-	-	-
plus: New User Facility Fee Revenue	-	-	-	-	-	-	-
plus: Revenue Bond Proceeds	-	-	-	-	-	-	-
plus: Interest Earnings	183,985	152,038	107,027	100,837	99,887	68,798	70,804
Total Funding Sources	**$ 15,605,697**	**$ 13,997,920**	**$ 5,788,401**	**$ 5,472,687**	**$ 5,424,232**	**$ 3,838,701**	**$ 4,364,381**
less: Capital Expenditures	(8,003,814)	(8,646,547)	(746,551)	(478,341)	(1,984,329)	(298,513)	(307,468)
Ending Capital Fund Balance	**$ 7,601,883**	**$ 5,351,373**	**$ 5,041,850**	**$ 4,994,345**	**$ 3,439,903**	**$ 3,540,188**	**$ 4,056,912**
Minimum Target Balance	*$ 330,000*	*$ 330,000*	*$ 330,000*	*$ 330,000*	*$ 330,000*	*$ 330,000*	*$ 330,000*
Combined Beginning Balance	**$ 7,477,447**	**$ 9,519,042**	**$ 7,004,289**	**$ 6,455,929**	**$ 6,241,599**	**$ 4,599,102**	**$ 4,635,817**
Combined Ending Balance	**$ 9,519,042**	**$ 7,004,289**	**$ 6,455,929**	**$ 6,241,599**	**$ 4,599,102**	**$ 4,635,817**	**$ 4,691,351**

Appendix B | New User Facility Fee Summary

South Fork Sewer District
NEW USER FACILITY FEE (NUFF) UPDATE
Calculation

Gross System Replacement Value	Treatment	Interceptor	Collection	General	Total
Treatment	$ 48,959,477				48,959,477
Lift Stations		$ 32,395,137			32,395,137
Collection			$ 42,712,041		42,712,041
General				677,764	677,764
Total Gross System Replacement Value	**$ 48,959,477**	**$ 32,395,137**	**$ 42,712,041**	**$ 677,764**	**$ 124,744,419**

Net System Replacement Value	Treatment	Interceptor	Collection	General	Total
Gross System Replacement Value	$ 48,959,477	$ 32,395,137	$ 42,712,041	$ 677,764	$ 124,744,419
less: Outstanding Debt Principal	(16,316,099)	-	-	-	(16,316,099)
less: Accumulated Original Cost Depreciation	(7,497,524)	(3,200,537)	(4,928,222)	(187,450)	(15,813,734)
Net System Replacement Value	**$ 25,145,853**	**$ 29,194,599**	**$ 37,783,819**	**$ 490,314**	**$ 92,614,585**

Total System Capacity	Treatment	Interceptor	Collection	General	Total
Existing System Capacity (EDU)	6,718	9,272	9,272	9,272	
Total EDU Capacity	**6,718**	**9,272**	**9,272**	**9,272**	

New User Facility Fee	Treatment	Interceptor	Collection	General	Total
Net Replacement Value	$ 25,145,853	$ 29,194,599	$ 37,783,819	$ 490,314	$ 92,614,585
System Capacity (EDU)	6,718	9,272	9,272	9,272	
Calculated New User Facility Fee per EDU	**$ 3,743**	**$ 3,149**	**$ 4,075**	**$ 53**	**$ 11,020**

Connection Fee	District	Non-District
Updated Nuff	$ 11,020	$ 6,945
Current NUFF	5,811	5,811
Difference	$ 5,209	$ 1,134