



**SOOS CREEK WATER AND SEWER DISTRICT**

**KING COUNTY, WASHINGTON**

**RESOLUTION NO. 2946-C**

**A RESOLUTION** of the Board of Commissioners of Soos Creek Water and Sewer District, King County, Washington, clarifying the use of the District's Maintenance Fund, Repair and Replacement Fund, and Bond Fund for deposits, and payments and allocations; changing the name of the Repair and Replacement Fund to the Capital Improvement Fund; and confirming and clarifying the tracking requirements for receipt of General Facilities Charges; repealing Reso. 332-C.

**WHEREAS**, consistent with the prudent financial management of the District, and applicable general accounting procedures, the District has established a Maintenance Fund, a Repair and Replacement (R&R Fund), and a Bond Fund; and

**WHEREAS**, upon the recommendation of District Management, the Board of Commissioners deems it appropriate to clarify the use of the three funds regarding deposits, payments, and allocations to the respective fund of receipts and collections; and

**WHEREAS**, upon the recommendation District Management, the Board has determined that changing the name of the R&R Fund to become the "Capital Improvement Fund", will more aptly describe the fund, and will reduce the potential for confusion and misunderstanding.

**NOW, THEREFORE, BE IT RESOLVED** by the Commissioners of Soos Creek Water and Sewer District, King County, Washington, as follows:

**SECTION 1: Rename Repair and Replacement Fund.** That the Repair and Replacement Fund is hereby renamed to be the Capital Improvement Fund, such change to be effective as soon as it may reasonably be accomplished on the books of the District in accordance with the prudent financial management of the District.

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**SECTION 2: Maintenance Fund.** That the Maintenance Fund shall have as its purpose the receipt of deposits of monthly water and sewer billing payments, permit fees, the 20% administrative fee applicable to latecomers, and the deposit of other charges that may result as the result of services performed by District personnel. Payments from the Maintenance Fund shall be for the District's ongoing general expenses of operation.

**SECTION 3: Capital Improvement Fund.** That the Capital Improvement Fund shall have as its purpose the receipt of deposits of all connection charges, including General Facilities Charges, Interim Service Charges for local facilities, Special Connection Charges for projects paid for by funds from the Capital Improvement Fund; interest service charges, and interest on installment payments. Payments from the Capital Improvement Fund shall be for District capital projects, including projects to construct interim service facilities, and/or for the District's contribution to capital projects with other additional sources of funding.

**SECTION 4: Bond Fund.** That the Bond Fund shall have as its purpose the receipt of utility local improvement district assessments to the extent bond covenants require their deposit to the Bond Fund, and transfers from the Maintenance Fund on an as-needed basis, as appropriate for the payment of bonded indebtedness of the District. Payments in accordance with the debt service requirements of the District's bonded indebtedness shall be made from the Bond Fund.

**SECTION 5: Payments from Multiple Funds.** When a project contains both capital project elements and maintenance elements, the project shall be paid for from either the Capital Improvement Fund or the Maintenance Fund, consistent with the prudent financial management of the District, and upon completion an appropriate transfer from the other fund shall be made as reimbursement.

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**SECTION 6: General Facilities Charges.** That for purposes of tracking and determining the proper component amounts in the Capital Improvement Fund and the Maintenance Fund, the District shall, in accordance with applicable statutes and District resolutions, periodically calculate the General Facilities Charge (GFC) rate. GFCs collected within the time frame from the last calculation shall be shown as having been utilized to pay for projects on the District's Capital Facilities Plan, oldest to newest. Such projects shall then be removed from the Plan to the extent retired by collected GFC, and the new GFC shall be calculated to include the remaining capital projects, and any capital projects added in the District's periodic review of its Capital Facilities Plan. Upon completion of any capital project which was funded out of the Maintenance Fund, the amount of the project cost shall be transferred into the Maintenance Fund.

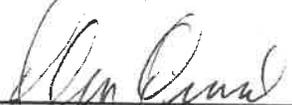
**SECTION 7: GFC Procedures.** Attached hereto as Exhibit A, and incorporated herein by this reference, is a summary description of the policy, items and methodology to be utilized by the District in setting the GFC.

**SECTION 8: Repeal.** Resolution No. 332-C is hereby repealed.

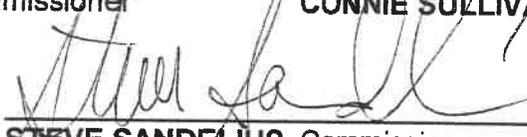
Adopted by the Board of Commissioners of Soos Creek Water and Sewer District, King County, Washington, at a regular open public meeting thereof on the 4<sup>th</sup> day of April, 2007.

  
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**RANDY REECE, President**

  
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**KAREN WEBSTER, Secretary**

  
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**CLEMENT QUANRUD, Commissioner**

  
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**CONNIE SULLIVAN, Commissioner**

  
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**STEVE SANDELIUS, Commissioner**



## MEMORANDUM

TO: Ron Speer

FROM: Tony Fisher, P.E.

RE: General Facility Charge Procedures Exhibit A

COPIES: Alan Eades, Ken Van Den Bergh, John Roth Jr., Greg Hill, file

DATE: March 27, 2007 Page 1 of 3

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### Introduction

General facility charges (GFC) fund facility improvements that provide for the District's growth, level of service requirements and the needs of new and existing regulations. Facilities that are funded by GFC include such items as the District's Office Building, original major equipment purchases, telemetry system upgrades, computer system upgrades, financial system upgrades, comprehensive planning, annexations, new water and sewer facilities needed to address general needs, and major capacity upgrades to existing facilities. This memo summarizes the types of facilities that are funded by GFC and the procedures the District follows for establishing the GFC rate.

### Assumptions Used to Compute General Facility Charge Rates:

The following assumptions and factors are used for the water and sewer GFC calculations:

- The 8" equivalent front footage charges, which are collected as special connection charges (SCC), are not included in the GFC rate calculations unless they qualify for GFC funding under other criteria.
- The costs for non-connectable water and sewer facilities constructed in or adjacent to sensitive areas, lakes, streams, roads, etc. are included in the GFC.
- New and/or replacement facilities that are required due to State, County, or City road improvement projects are included in the GFC rate calculation after facility depreciation and Special Connection Charges (SCC) that have been collected or anticipated to be collected have deducted.
- The depreciation schedule assumes a 50 year useful life for water and sewer mains and a 20 year useful life for all pumping facilities, except as noted otherwise. Major facilities such as the District's Lift Station 10B may be depreciated over a 30 year period.
- All facility capacity increases are included in the GFC calculations. The replacement of existing capacity is paid by non-GFC funds. Any sharing of costs is based on the percentage of increased capacity versus existing capacity for the new facility.
- Future Capital Facility project costs are based on estimates from the District's current Capital Facilities Plan (CFP).

- Special connection charges for future CFP projects are estimated using the District's current Method 4 rates.
- Previously estimated costs for projects that have been completed since the last GFC rate update are balanced with the final project costs for those projects.
- As part of the project closeout procedures, the Engineer will provide a summary of the project costs that includes a description of the costs that are to be paid with GFC revenues versus other revenues. The Engineer will use final project cost information supplied by the District to assist in the summary. Copies of each memo will be kept on file to assist with updates of the GFC rate calculations.
- Projects are funded in their order of completion, with the oldest projects being funded first.
- Oversize and over-depth project costs that have been approved by the District as necessary to meet the District's general needs are included in the GFC. Future oversize and over-depth project costs are estimated based on the District's history of such costs (currently \$75,000 per year for sewer and \$25,000 per year for water).
- Projects that have been completed or are currently in construction are included in the 1-5 year time frame.
- Projects that are in design and are planned for construction in the next 1 to 5 years are typically split 50% in years 1-5 and 50% in years 6-10.
- Water or sewer projects that are considered significant components of the District's facilities may include a portion of funding beyond the 10 year period.
- Items that benefit the general water and sewer functions of the District will be split per the ratio of water residential customer equivalents (RCE) to sewer RCE using the District's customer connection history.
- For items that benefit operation and maintenance functions as well as the future growth, the costs are shared between GFC and non-GFC funding. The split has been determined by the District based on the individual project benefits. These items are identified in the footnotes or columns in the Tables. Examples of these items include the District's Environmental Protection Plan (EPP) and Interface Planning with other utility providers.
- All comprehensive planning costs are included in the GFC rate calculations.
- Costs that benefit both the existing and future District customers and are associated with addressing new requirements related to environmentally sensitive areas may be included in the GFC rate calculations if the costs are appropriate and related to the District's general needs.
- Regional planning costs may be included in the GFC rate calculations if the costs are appropriate and related to the District's general needs. An example includes costs related to addressing State, County and local standard revisions.

#### **Calculation Procedures:**

The water and sewer GFC rates are calculated in a spreadsheet that identifies the projects that have been, are, or will be funded by GFC. These projects are listed in order of occurrence with the oldest projects being listed first. Columns identify project costs that were included in the previous GFC rate calculation along with any modifications to those costs related to the project

being completed after the previous rate calculation. The current project costs are then divided into those costs that are to be funded by non GFC revenues and those costs that are to be funded by GFC revenues. The collected GFC funds are then applied to the portion of the costs that are to be funded by GFC revenues, beginning with the oldest projects first and then proceeding to the next oldest project until each project has been funded or the collected GFC revenues are exhausted. The remaining projects to be funded in whole or in part by GFC revenues are then listed and the portions to be funded by GFC revenues is summed to determine the remaining total to be funded in the future. Additional columns indicate when the remaining projects are anticipated to be funded, i.e. over the next 1 to 5 years, 6 to 10 years, or 11 to 15 years. Only projects planned for the next 10 years that are specifically identified in the District's CFP and current Sewer or Water Comprehensive Plan are included in the GFC rate calculations. Project costs that are to be funded beyond 10 years are not excluded from the rate calculations.

The total projected Equivalent Residential Units (ERU) for the next ten years is then determined by reviewing the District's historical new customer counts per year in order to establish an average number of new connections per year. This average is then multiplied by 10 to establish the total projected ERU for the next ten years. An additional check can be made by dividing the GFC revenues collected since the last rate update by the GFC rate over that same period. The total remaining costs to be funded by GFC revenues is then divided by the total projected ERU for the next 10 years to establish the new GFC rate. Previous GFC rate calculations have added \$48 per ERU to account for general facility costs associated with the District's office facilities. This additional charge will remain in effect until the office facility costs have been fully funded.

Once the new rates have been computed, they are brought before the District's Board of Commissioners for discussion, review, and approval. Copies of the spreadsheets used to compute the new rate are offered to the Commissioners for their review prior to the adoption of any new rates. District Staff and the District's Principal Engineer are available to answer any questions or address any concerns. The new rates are not official until approved by the District's Board of Commissioners.