CAPITAL IMPROVEMENT PLAN SUMMARIES

Project Summary

The 2017-2022 Utilities CIP covers thirty-nine capital projects including seven debt service projects, eleven projects carried forward from the previous CIP, and twenty-one new projects. Of the $71 million in capital project expenditures, CoS will spend under $17 million in repayment of previous and new principal amounts borrowed with interest, nearly $38 million on the completion of existing projects, and over $17 million on the initiation and completion of new projects. No current utility projects accelerated or will accelerate funding through the use of interfund lending sources. If an interfund lending source is needed, staff will notify council with an amendment to the Utilities CIP.

UTILITIES CIP PROJECT SUMMARY

Project Type	Number	Budget ($000's)						
		2017	2018	2019	2020	2021	2022	Project Type Total
Debt Service	7	$907	$1,412	$2,353	$4,011	$4,006	$3,972	$16,661
Existing Projects	11	$8,792	$17,079	$1,765	$8,007	$0	$2,009	$37,652
New Projects	21	$254	$1,203	$1,751	$2,611	$4,546	$6,837	$17,203
Annual Total	39	$9,953	$19,694	$5,869	$14,629	$8,552	$12,818	$71,515

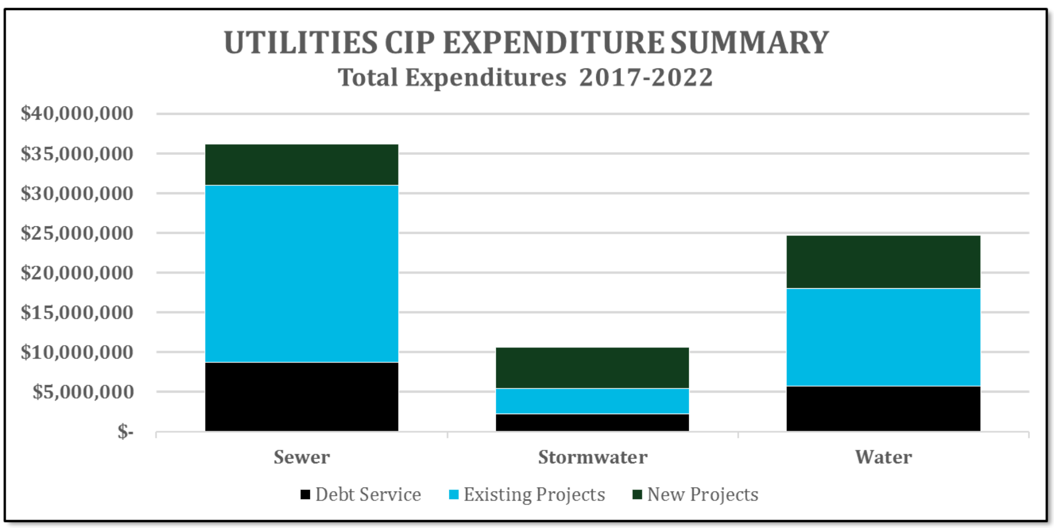
CoS currently treats debt service, while non-capital in nature, like a capital project. This is because CoS used or will use bond or loan proceeds to purchase or construct one or more capital assets. Given the purpose of a bond or loan, recommended financial practice calls for matching debt service with an appropriate and similarly committed revenue source. In the case of the 2017-2022 Utilities CIP, utility rate revenue is similarly purposed and therefore uniquely available to pay back borrowed principal with interest. As a general rule and consistent with CoS policies, debt service is limited to the life of the capital asset purchased or constructed.

The last Utilities CIP adopted by council on December 8, 2014 incorporated over $21 million in capital project expenditures. The 2017-2022 Utilities CIP exceeds the previous plan by $50 million representing a 240 percent increase. Excluding debt service, the 2017-2022 Utilities CIP exceeds the previous plan 160 percent.

Some projects will last longer than the 2022 time horizon presented in this plan. For example, most debt service projects will last beyond this six-year period. Altogether, CoS will spend nearly $70 million after 2022 to pay back principal amounts borrowed with interest. Conversely, no existing projects will last longer than 2022 and only a few new projects will stretch beyond the six-year period. These projects will cost CoS nearly $9 million after 2022.

Expenditure Summary

The 2017-2022 Utilities CIP includes approximately $36 million in project expenditures for the sewer utility, roughly $11 million in project expenditures for the stormwater utility, and roughly $25 million in project expenditures for the water utility. Of the approximately $37 million in sewer utility expenditures, existing projects and new projects comprise 62 percent and 14 percent of expenditures respectively. Within the stormwater utility, existing projects and new projects comprise 29 percent and 49 percent of expenditures respectively. Finally, existing projects and new projects constitute 50 percent and 27 percent of of water utility expenditures respectively. Debt service constitutes approximately 21 to 24 percent of total expenditures for each of the three utilities.



Revenue Summary

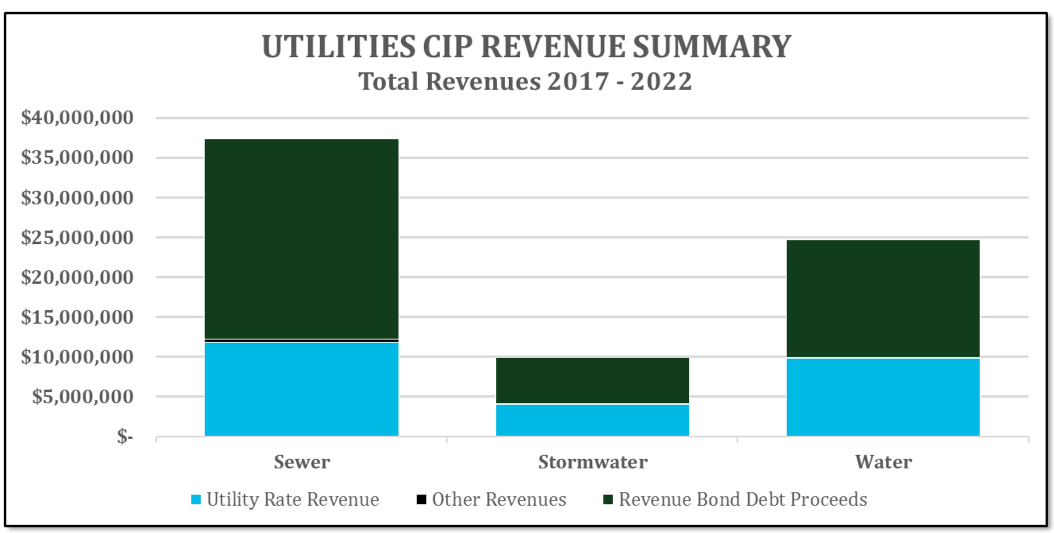
Funding for the the 2017-2022 Utilities CIP generally comes from rates and fees assessed on current and new utility customers. CoS typically uses a carefully considered rate study to determine and set utility rates and fees. The 2017-2022 Utilities CIP predicts a sizeable increase in utility rate revenue over the six-year period. Driving this growth is the City of Snoqualmie Council February 27, 2017 adopted utility rates and fees. Residents and businesses of Snoqualmie will generally see a 17 percent increase annually in sewer rates from 2017 to 2019 with a 5 percent increase in 2020, a 5.65 percent increase annually in stormwater rates from 2017 to 2020, and a 5 percent increase annually in water rates from 2017 to 2020. Additional utility rate growth factors include inflation, an increase in population, an increase in the number of businesses, and likely consumption behaviors.

Sewer rates for commercial customers will start to vary more over the six-year period. This is because CoS will now charge commercial sewer rates based on the "strength" of sewer flow. Highly concentrated flows cost CoS more to treat. As a result, and given a desire to become more equitable in the distribution of costs, CoS will move to a modified sewer classification system for commercial customers only.

Funding for the 2017-2022 Utilities CIP also comes from something called a "general facilities charge" (GFC). A GFC is a one-time charge on new development or the expansion of a connection as a condition of service. The goal is to prorate a share of the cost of providing sewer, stormwater, and water system capacity. The February 27, 2017 adopted utility rate and fee increase included updated GFC's for each of three utilities. Staff anticipates separating GFC revenues from other rate revenue to use on projects that support capacity growth.

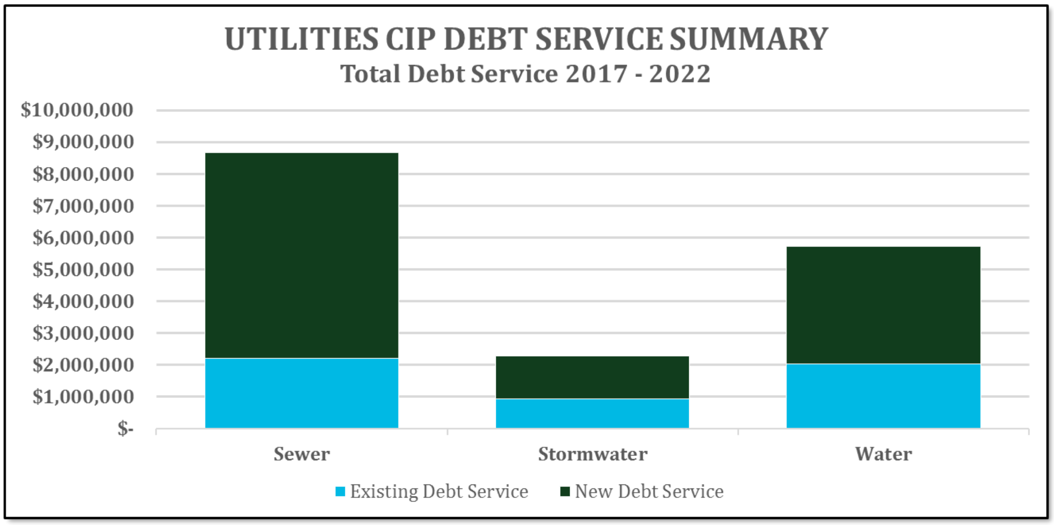
Over the six-year period, CoS will collect and make available for capital financing approximately $12 million in sewer rate revenue, $4 million in stormwater rate revenue, and $10 million in water rate revenue. In addition, CoS will collect a negligible amount of miscellaneous revenues over the six-year period approximating $650 thousand for the three utilities combined.

Debt represents a commitment to repay borrowed funds over an extended period of time. While not a true revenue source, debt provides CoS the capacity to use a future stream of revenues to fund large one-time capital projects in the present. CoS will issue at most two revenue bonds collecting approximately $46 million in debt proceeds over the six-year period. Of the $46 million in proceeds, the sewer utility will use roughly 55 percent, the stormwater utility will use roughly 13 percent, and the water utility will use roughly 32 percent.



Debt Service Summary

The 2017-2022 Utilities CIP includes under $17 million in debt service payments over the six-year period for the three utilities combined. Existing debt service, meaning payment of bonds and loans issued before 2017, constitutes roughly 31 percent of the $17 million in debt service. New debt service constitutes 69 percent.



Over the six-year planning period, debt service payments will climb from less than $1 million in 2017 to $4 million in 2022. This 360 percent increase captures how significantly the 2017-2022 Utilities CIP invests in the utility infrastructure of CoS. If CoS fully enacts the plan without changes, then total debt service payments will remain greater than $3 million until 2040. The following chart schedules total debt service payments over a thirty-year period.