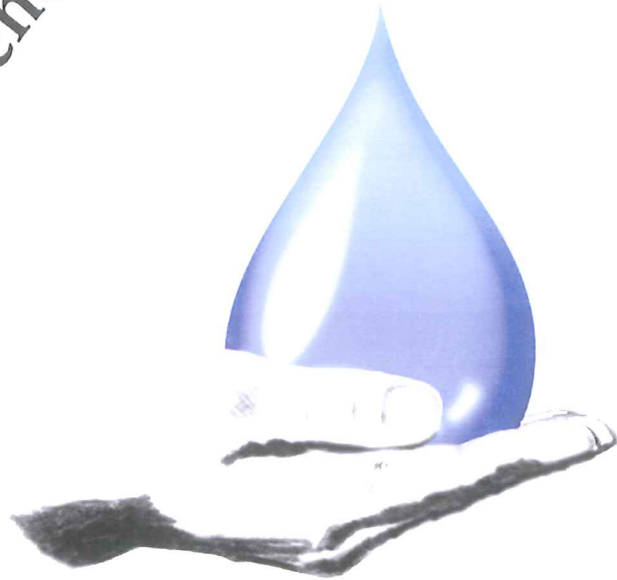


Hartstene Pointe Water - Sewer District



Dedicated to Service

2017 Preliminary Budget

Presented to the Board of Commissioners on
October 24, 2016.

Table of Contents

1. Budget Message	3
2. Capital Improvement Plan	5
3. Proposed Capital Facilities Charges	7
4. 2017 Preliminary Budget Packet	9
5. Appendix	21
a. District Funds Policies	22
b. Annual Budget Policies and Procedures	24

Budget Message

October 24, 2016

Board of Commissioners:

We are pleased to present the Hartstene Pointe Water-Sewer District's ("District") preliminary budget for the Fiscal Year 2017. This budget was developed to further the District's mission of providing high quality, reliable water, sewer collection, and wastewater services at fair and reasonable rates to meet the current and future needs of our community. The financial policies adopted by the Board of Commissioners (Board), included in the Appendix, provided additional guidance to this budget process.

Budget Summary

When the District was first formed in 2008, many aspects of the existing infrastructure were in disrepair or non-functional. Over the past eight years the District has worked to replace and repair broken equipment, address regulatory issues, and most importantly, ensure delivery of safe, clean drinking water and the protection of our beautiful Puget Sound. Now that the District has addressed many of the issues of the past, it can set its sights on financial sustainability and viability for the future.

In 2014 the Board adopted its District Funds Policies (included in the appendix) which address goals for building and maintaining reserves. The District is committed to building adequate reserves to meet the operational and capital needs of the system, as well as to be prepared for emergencies and unforeseeable circumstances. In 2016, the District utilized a portion of these reserves for the Well 1 Replacement Project and other asset replacements. The preliminary budget for 2017 seeks to replenish the \$50,000 drawn from the Capital Improvement Fund for the Well 1 Replacement within five years. The budget also designates funds for capital improvement projects (\$37,500 for reservoir repair and \$18,000 for addressing Inflow and Infiltration), as well as continuing the annual contributions of \$10,000 to the Risk Management Fund and \$9,000 to the Asset Replacement Fund.

There is a \$47,000 decrease from the 2016 budget in the Water Repair and Maintenance budget line due to non-recurring maintenance and inspection costs budgeted for in 2016. There are also decreases in the Water Supplies budget line. Overall, the 2017 Water Operating Expenditures are down by \$58,000, or 37%, from the 2016 budget.

Due to the addition of a regular, part-time field technician, as well as increasing costs to repair and replace failing sewer lateral lines, the wastewater repair and maintenance budget line increased from \$10,000 in the 2016 budget to \$41,000 in the 2017 preliminary budget. Wastewater Treatment Plant Operator costs are increasing by \$12,000 over the 2016 budget. Overall, the 2017 Wastewater Operating Expenditures are up by \$39,034, or 37%, from the 2016 budget.

The District is scheduled to be audited in 2017, which accounts for about half of the \$12,000 increase in Combined Water/Sewer Operating Expenditures. The setup costs for Ebills and an enhanced online payment system will result in a \$2,000 increase for the first year, however, by 2018, resulting savings to postage, printing, and AAS time for processing and posting payments should offset the system's costs.

Construction on the Water Treatment Project, paid for under the Drinking Water State Revolving Fund Loan, will be completed in 2017, and the first loan payment under the loan will be due in October, increasing the District's debt service by \$65,125, or 84%. The District's debt ratio under current rates will be at 24%.

The Capital Expenditure budget continues the District's commitment to maintain and replace the aging water and wastewater infrastructure and increase system reliability and product quality. The 2017 budget utilizes a more broad definition of "Capital Expenditure" to include non-routine (less than once per year) maintenance projects, such as the reservoir cleaning and inspection planned for 2017. Management utilized a Business Risk Exposure calculation to help prioritize projects on the Five Year Capital Improvement Plan in order to best allocate District resources first to the projects which address those infrastructure needs with the greatest risk and liability of failure first. The Capital Expenditures Budget for 2017 totals \$117,000.

At the current rates there is a projected net loss of \$66,800 for 2017. The Operating Fund is projected to end 2017 with a balance of \$90,000, which is \$10,000 under the Fund Policy's minimum balance target of \$100,000. The trend of annual net losses persists in the five-year financial projections for the District at the current service rates. In order for the District to meet its minimum Operating Fund balance target, and in order to better reflect the District's actual wastewater treatment costs for 2017, we are recommending a 4% sewer rate increase (\$1.96/month; \$3.92/bi-monthly billing) for 2017. We are also recommending a \$200 increase in Sewer Capital Facilities Charges (CFC) for new connections, bringing the total CFC to \$4,300 (\$1,700 for water and \$2,600 for sewer).

Future

Unlike other municipal governments, special purpose water and sewer districts are not legally mandated to submit or approve an annual budget. However, under the forward-thinking direction of the Board of Commissioners, the District has developed and used the budget process as a planning tool for the future. Over the past three years of budget preparation, the District has worked to include five-year projections in its budget considerations in an effort to anticipate the needs of the District, not only for the upcoming fiscal year, but for the foreseeable future.

Sincerely,



Mont Jeffreys
General Manager



Miceal Carnahan
Accounting and Administrative Services Manager

Hartstene Pointe Water-Sewer District Capital Improvement Plan

	2016 Budget	2016 Projected	2017 Budget	2018	2019	2020	2021
Wastewater/Sewer Collection Capital Expenditures							
<i>Inflow & Infiltration Abatement (transfer to reserves)</i>	16,000	16,000	18,000	20,000	22,000	24,000	26,000
WWTP Sludge Pump Upgrade	75,000	71,757	-	-	-	-	-
WWTP Jet Pumps Refurbish	-	-	-	-	-	-	-
New Lift Station 8 Pump and Rebuild for Spare	16,000	15,619	-	-	-	-	-
In-Plant Lift Station New Pump and Spare Rebuild	-	5,390	-	-	-	-	-
Rebuild Effluent Pump	15,000	16,103	-	-	-	-	-
Composite Sampler	-	6,168	-	-	-	-	-
Replace Gaseous Cl2 System	10,000	4,000	15,000	-	-	-	-
Lift Station Generators	-	-	-	30,000	30,000	30,000	-
Phase 3 WWT SCADA/Lift Station Telemetry Upgrade	20,000	-	50,000	-	-	-	-
Lift Station 5 Spare Pump	-	-	-	-	10,000	-	-
Spare Composite Sampler	-	-	-	-	-	-	7,000
Total Wastewater/Sewer Capital Expenditures	136,000	119,037	65,000	30,000	40,000	30,000	7,000
Drinking Water Capital Expenditures							
Well 1 Replacement	-	85,000	25,000	-	-	-	-
Pressure Reducing Valve Replacement	-	26,292	-	-	-	-	-
Reservoir Inspection and Cleaning	-	-	10,000	-	-	-	-
Reservoir Mixer	11,000	-	12,000	-	-	-	-
Well Generator	-	-	-	-	-	30,000	-
Replace Housing for Well 1 and Well 2	-	-	5,000	-	-	-	-
Reservoir Cathodic Protection	10,000	-	-	20,000	-	-	-
Reservoir Interior Painting/Repair	-	-	-	150,000	-	-	-
Leak Detection	-	-	-	-	35,000	-	-
Lateral Replacements	5,000	-	-	-	5,000	50,000	50,000
Booster Pump Generator	-	-	-	-	15,000	-	-
Wells 2 and 3 Inspection, Rehab, and Test Pump	-	-	-	-	-	-	35,000
Total Drinking Water Capital Expenditures	26,000	111,292	52,000	170,000	55,000	80,000	85,000
Total Capital Expenditures/Major Repairs	162,000	230,330	117,000	200,000	95,000	110,000	92,000

Hartstene Pointe Water-Sewer District

Proposed Capital Facilities Charges

	Water	Sewer	Total
Debt Share	499.60	757.17	1,256.78
Future Improvements	945.49	851.50	1,796.99
Assets	268.67	1,028.96	1,297.63
Total Capital Facilities Charges	\$ 1,700.00	\$2,600.00	4,300.00
Connection Fees	\$ 250.00	\$ 250.00	\$500.00
Total CFC + Connection Fees	\$ 1,950.00	\$2,850.00	
Total Cost for New Connections			\$4,800.00

Updated 10/24/16

2017 Preliminary Budget



2017 Budget -
Preliminary.xlsx

Hartstene Pointe Water-Sewer District
2017 Preliminary Budget Overview With 4% Sewer Rate Increase, Increased CFC

	2015 Actual	2016 Budget	2016 - Sep	2016 Jan	2016 Projected	Proposed				
						2017 Budget	2018 Projected	2019 Projected	2020 Projected	2021 Projected
Fund Beginning Balances										
Uncommitted Funds:										
Operating Account	230,260	172,275	172,275	172,275	172,275	119,894	101,061	54,847	(21,146)	(133,383)
Capital Project Account	73,531	70,984	70,984	70,984	70,984	70,984	-	-	-	-
Committed Funds:										
Asset Replacement Fund	27,000	36,000	36,000	36,000	36,000	12,540	1,540	10,540	9,540	18,540
Capital Improvement Fund	50,000	151,000	151,000	151,000	151,000	154,500	220,000	100,000	132,000	166,000
Risk Management Fund	141,467	141,789	141,789	141,789	141,789	108,005	93,977	104,823	115,767	126,809
Total Uncommitted and Committed Fund Balances:	522,258	572,047	572,047	572,047	572,047	465,923	416,578	270,211	236,161	177,966
Reserve Funds:										
Ecology Reserve (Loan #1)	38,116	38,170	38,170	38,170	38,170	38,280	38,338	38,395	38,453	38,511
USDA Revenue Bond Reserve (Loan #2)	8,849	12,782	12,782	12,782	12,782	16,715	20,648	24,581	28,514	32,447
DWSRF Loan Reserve (Loan #3)	24,000	48,000	48,000	48,000	48,000	68,000	2,875	-	-	-
Revenues										
Operating Revenues										
Water Sales	170,938	311,040	238,822	238,822	313,500	313,572	313,980	313,980	314,688	315,396
Sewer Sales	328,916	258,120	204,795	204,795	260,000	270,641	271,003	271,003	271,615	272,226
Penalties/Fees	5,685	7,399	3,935	3,935	5,300	5,738	5,746	5,746	5,759	5,876
Connection Fees/Misc.	1,971	4,800	8,215	8,215	8,215	4,300	4,300	4,300	4,300	4,300
Interest	520	659	1,380	1,380	1,793	1,272	1,051	1,153	1,257	1,141
Total Operating Revenues	508,031	582,018	457,147	457,147	588,808	595,523	596,080	596,182	597,618	598,940

Hartstene Pointe Water-Sewer District
2017 Preliminary Budget Overview With 4% Sewer Rate Increase, Increased CFC

	Proposed								
	2015	2016	2016 Jan	2016	2017	2018	2019	2020	2021
	Actual	Budget	- Sep	Projected	Budget	Projected	Projected	Projected	Projected
Operating Expenditures									
Water Operating Expenditures	90,709	158,496	61,399	84,246	100,475	100,945	102,978	103,605	105,677
Wastewater Treatment Operating Expenditures	96,345	106,806	103,030	137,734	145,840	146,320	147,830	149,369	152,357
Combined Water/Wastewater	126,560	133,942	102,346	141,138	145,816	151,501	137,868	146,282	149,208
Total Operating Expenses	\$ 313,614	\$ 399,244	\$ 266,775	\$ 363,118	\$ 392,131	\$ 398,766	\$ 388,675	\$ 399,257	\$ 407,242
Scheduled Debt Service									
Ecology Loan (Loan #1)	38,111	38,111	19,056	38,111	38,111	38,111	38,111	38,111	38,111
USDA Bond (Loan #2)	39,330	39,330	19,665	39,330	39,330	39,330	39,330	39,330	39,330
DWSRF Loan (Loan #3)	-	39,816	-	-	65,125	65,125	65,125	65,125	65,125
Total Debt Service	\$ 77,441	\$ 117,257	\$ 38,721	\$ 77,441	\$ 142,566	\$ 142,566	\$ 142,566	\$ 142,566	\$ 142,566
Net Income (Loss) After Operating and Debt Service	\$ 116,975	\$ 65,517	\$ 151,651	\$ 148,249	\$ 60,826	\$ 54,748	\$ 64,941	\$ 55,796	\$ 49,132
Capital Expenditures									
Wastewater/Sewer Capital Expenditures	39,199	136,000	96,669	119,037	65,000	30,000	40,000	30,000	7,000
Drinking Water Capital Expenditures	-	26,000	9,968	111,292	52,000	170,000	55,000	80,000	85,000
Total Capital Expenditures	\$ 39,199	\$ 162,000	\$ 106,637	\$ 230,330	\$ 117,000	\$ 200,000	\$ 95,000	\$ 110,000	\$ 92,000
Total Expenditures	\$ 430,254	\$ 678,501	\$ 412,132	\$ 670,889	\$ 651,697	\$ 741,332	\$ 626,241	\$ 651,823	\$ 641,808
Total Net Income (Loss) Before Transfers	\$ 77,777	\$ (96,483)	\$ 45,015	\$ (82,081)	\$ (56,174)	\$ (145,252)	\$ (30,059)	\$ (54,204)	\$ (42,868)
Fund Transfers To (From)									
Capital Project Account	-	(73,531)	-	-	(16,678)	-	-	-	-
Asset Replacement Fund	9,000	9,000	-	(23,460)	(11,000)	9,000	(1,000)	9,000	2,000
Capital Improvement Fund	101,000	91,000	-	3,500	65,500	(120,000)	32,000	34,000	36,000
Risk Management Fund	321	10,213	960	(33,783)	(14,028)	10,846	10,943	11,042	11,141
Ecology Reserve (Loan #1)	55	57	59	110	57	58	58	58	58
USDA Revenue Bond Reserve (Loan #2)	3,933	3,933	2,294	3,933	3,933	3,933	3,933	3,933	3,933
DWSRF Loan Reserve (Loan #3)	24,000	(48,000)	18,000	20,000	(65,125)	(2,875)	-	-	-
Total Transfers	138,309	(7,328)	21,313	(29,700)	(37,341)	(99,039)	45,934	58,033	53,132
Total Operating Account Gain (Loss) After Transfers	\$ (60,532)	\$ (89,155)	\$ 23,702	\$ (52,381)	\$ (18,833)	\$ (46,214)	\$ (75,993)	\$ (112,237)	\$ (96,000)

Hartstene Pointe Water-Sewer District
2017 Preliminary Budget Overview With 4% Sewer Rate Increase, Increased CFC

	2015 Actual	Proposed					Projected 2020	Projected 2021
		2016 Budget	2016 - Sep	2016 Jan	2016 Projected	2017 Budget		
Fund Ending Balances								
Uncommitted Funds:								
Operating Account	169,728	83,120	195,976	119,894	101,061	54,847	(21,146)	(133,383)
Capital Project Account	73,531	(2,547)	70,984	70,984	-	-	-	-
Total Uncommitted Fund Balance	243,259	80,572	266,960	190,878	101,061	54,847	(21,146)	(133,383)
Committed Use Funds:								
Asset Replacement Fund	36,000	45,000	36,000	12,540	1,540	10,540	9,540	18,540
Capital Improvement Fund	151,000	242,000	151,000	154,500	220,000	100,000	132,000	166,000
Risk Management Fund	141,789	152,001	142,749	108,005	93,977	104,823	115,767	126,809
Total Committed Funds:	328,789	439,001	329,749	275,045	315,517	215,363	257,307	311,348
Total Uncommitted and Committed Funds:	572,047	519,574	596,709	465,923	416,578	270,211	236,161	177,966
Reserved Funds:								
Ecology Reserve (Loan #1)	38,170	38,228	38,229	38,280	38,338	38,395	38,453	38,511
USDA Revenue Bond Reserve (Loan #2)	12,782	16,715	15,076	16,715	20,648	24,581	28,514	32,447
DWSRF Loan Reserve (Loan #3)	48,000	-	66,000	68,000	2,875	-	-	-

Hartstene Pointe Water-Sewer District

2017 Preliminary Budget

Operating Budget

	2016		2017					
	2015 Actual	2016 Jan-Sept Actual	2016 Projected	2016 Budget	2017 Proposed Budget	2018 Projection	2019 Projection	2020 Projection
Revenues								
Operating Revenue								
343.40 · Water Sales	170,938	238,822	313,500	311,040	313,572	313,980	313,980	314,688
343.50 · Sewer Sales	328,916	204,795	260,000	258,120	260,232	260,580	260,580	261,168
359.90 · Penalties and Fees	5,685	3,935	5,300	7,399	5,738	5,746	5,746	5,759
361.11 · Interest earned - Operating Account	144	304	421	102	200	100	100	100
369.90 · Miscellaneous Revenue	1,971	15	15	500	500	500	500	500
Total Operating Revenue	507,655	447,871	579,236	577,161	580,242	580,906	580,906	582,215
Non-Operating Revenue								
379.4 - Capital Contributions - Water	-	3,400	3,400	1,700	1,700	1,700	1,700	1,700
379.5 - Capital Contributions - Sewer	-	4,800	4,800	2,400	2,400	2,400	2,400	2,400
Total Non-Operating Revenue	-	8,200	8,200	4,100	4,100	4,100	4,100	4,100
Total Revenues	507,655	456,071	587,436	581,261	584,342	585,006	585,006	586,315

Expenditures

Water Expenditures	
Water Operating Expenditures	
Supplies - Water	
Supplies - Water	4,728
Chemicals - Water	3,172
Total Supplies - Water	7,900
Services - Water	
Meter Reading	-
Attorney Fees - Water	-
Consultant Fees - Water	1,061
Operations - Water	28,560
Operations - Non-routine Water	280
Lab Testing - Water	1,140
Total Water Operating Expenditures	31,963
Supplies - Sewer	
Supplies - Sewer	1,000
Attorney Fees - Sewer	500
Consultant Fees - Sewer	500
Operations - Sewer	29,988
Operations - Non-routine Sewer	350
Lab Testing - Sewer	472
Total Sewer Operating Expenditures	33,710
Total Operating Expenditures	65,673

Hartstene Pointe Water-Sewer District

2017 Preliminary Budget

Operating Budget

	2016		2017		2018 Projection	2019 Projection	2020 Projection
	2015 Actual	2016 Actual / Jan-Sept Projected	2016 Budget	2017 Proposed Budget			
Repair & Maintenance - Water							
<i>Jeffreys Management Services Contract</i>	3,411	5,263	20,000	18,000	18,360	18,727	19,102
<i>Other Repair & Maintenance</i>	27,663	10,754	55,000	10,000	10,200	10,404	10,612
Total Repair & Maintenance - Water	31,074	16,017	75,000	28,000	28,560	29,131	29,714
Electricity - Water	11,233	5,015	11,458	11,500	11,730	11,965	12,204
Customer Refund, Prior Period - Water	1,157	-	-	-	-	-	-
Total Services - Water	73,445	45,653	125,566	77,310	78,741	80,676	81,123
Intergovernmental - Water							
Excise Tax - Water	8,606	9,981	15,642	15,770	15,790	15,790	15,826
Permit Fees - Water	759	759	788	774	804	789	820
Intergovernmental - Other	-	1,122	-	1,122	-	-	-
Total Intergovernmental - Water	9,365	11,862	16,430	17,666	16,594	16,580	16,645
Total Water Operating Expenditures	90,709	61,399	158,496	100,475	100,945	102,978	103,605

Wastewater Expenditures

Wastewater Operating Expenditures

Supplies - Wastewater	379	1,178	4,200	2,000	2,040	2,081	2,122
Supplies - Wastewater	713	915	3,400	3,000	3,060	3,121	3,184
Chemicals - Wastewater							
Total Supplies - Wastewater	1,092	2,093	7,600	5,000	5,100	5,202	5,306
Services - Wastewater							
Attorney Fees - Wastewater	-	-	500	500			
Consultant Fees - Wastewater	-	-	500	500			
Operations - Wastewater	37,574	35,454	38,588	54,000	54,000	54,000	54,000
Operations - Non-routine Wastewater	4,919	5,208	4,200	840	840	840	840

Hartstene Pointe Water-Sewer District

2017 Preliminary Budget

Operating Budget

	2015		2016		2016		2017		2017		2019		2020	
	Actual	Jan-Sept	Actual	Projected	Budget	Projected	Budget	Proposed	Budget	Proposed	Projection	Projection	Projection	Projection
Lab Testing - Wastewater	11,055	8,776	9,389	11,276	7,900	8,058	8,219	8,384	8,219	8,058	14,000	14,000	2,000	2,000
Biosolids Hauling, SBR Cleaning	14,999	4,980	10,000	18,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	2,000	2,000
SCADA System Maintenance - WWT	-	3,640	4,000	-	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Repair & Maintenance - Wastewater														
<i>Sewer Collection</i>	3,936	18,917	20,000	2,500	15,000	15,300	15,606	15,918	15,300	15,300	15,606	15,606	15,606	15,918
<i>JMS Field Tech</i>	3,737	6,490	11,500	5,000	21,000	21,420	21,848	22,285	21,420	21,420	21,848	21,848	21,848	22,285
<i>Wastewater Treatment - Other</i>	1,750	7,154	7,500	2,500	5,000	5,100	5,202	5,306	5,100	5,100	5,202	5,202	5,202	5,306
Total Repair & Maint. - Wastewater	9,422	32,561	39,000	10,000	41,000	41,820	42,656	43,510	41,820	41,820	42,656	42,656	42,656	43,510
Electricity - Wastewater	7,951	5,979	9,500	10,200	13,000	13,260	13,525	13,796	13,260	13,260	13,525	13,525	13,525	13,796
Customer Refund, Prior Period - Sewer	2,184	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Services - Wastewater	88,105	96,599	126,051	93,264	133,740	133,978	135,241	136,529	133,978	133,978	147,830	147,830	147,830	149,369
Intergovernmental - Wastewater														
B&O/Excise Tax - Wastewater/Sewer	5,119	3,401	4,740	3,872	5,000	5,100	5,202	5,306	5,100	5,100	5,202	5,202	5,202	5,306
Permit Fees - Wastewater	2,029	937	2,043	2,070	2,100	2,142	2,185	2,229	2,142	2,142	2,185	2,185	2,185	2,229
Total Intergovernmental - Wastewater	7,148	4,339	6,783	5,942	7,100	7,242	7,387	7,535	7,242	7,242	7,387	7,387	7,387	7,535
Total Wastewater Treatment Operating Expenditures	96,345	103,030	137,734	106,806	145,840	146,320	147,830	149,369	146,320	146,320	147,830	147,830	147,830	149,369

Combined Water/WWT Operating Expenditures

Commissioner Per Diem/Payroll Taxes														
Commissioner 1	2,964	2,052	2,965	3,306	3,534	3,534	3,534	3,534	3,534	3,534	3,534	3,534	3,534	3,534
Commissioner 2	2,964	3,209	4,226	3,306	4,094	4,094	4,094	4,094	4,094	4,094	4,094	4,094	4,094	4,094
Commissioner 3	2,622	2,736	3,876	3,306	3,534	3,534	3,534	3,534	3,534	3,534	3,534	3,534	3,534	3,534
Payroll Taxes	794	519	924	759	854	854	854	854	854	854	854	854	854	854
Total Commissioner Per Diem/Payroll Taxes	9,344	8,516	11,991	10,677	12,016	12,016	12,016	12,016	12,016	12,016	12,016	12,016	12,016	12,016
Supplies - Combined Water/WWT														
Tools/Equip/Supplies	3,494	1,108	1,500	4,800	3,000	1,500	1,530	1,561	1,500	1,500	1,530	1,530	1,530	1,561
Office Supplies	950	620	700	700	750	765	780	796	765	765	780	780	780	796
Total Supplies - Combined Water/WWT	4,444	1,729	2,200	5,500	3,750	2,265	2,310	2,357	2,265	2,265	2,310	2,310	2,310	2,357

Hartstene Pointe Water-Sewer District

2017 Preliminary Budget

Operating Budget

	2015		2016		2016		2017		2018		2019		2020	
	Actual	Jan-Sept	Actual	Projected	Budget	Projected	Budget	Proposed	Projection	Projection	Projection	Projection	Projection	Projection
Services - Combined Water/WWWT														
General Manager	42,840	33,558	44,804	44,804	45,313	45,313	45,313	45,313	45,313	45,313	45,313	45,313	45,313	45,313
Acct & Admin Services Manager	26,649	24,480	33,750	33,750	29,000	29,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Bank Fees	1,559	41	41	41	1,200	1,200	-	-	-	-	-	-	-	-
Lockbox Services	11,795	7,734	9,850	9,850	10,570	10,570	10,000	10,000	10,200	10,200	10,404	10,404	10,612	10,612
Online Payment System	788	487	590	590	2,160	2,160	4,200	4,200	1,674	1,674	1,758	1,758	1,846	1,846
IT/Software Applications	4,022	2,862	2,862	2,862	2,700	2,700	2,935	2,935	3,023	3,023	3,114	3,114	3,207	3,207
Storage Unit Rental	-	294	483	483	-	-	756	756	756	756	756	756	756	756
Merchant Services Fees	1,715	1,469	2,000	2,000	2,000	2,000	2,100	2,100	2,142	2,142	2,185	2,185	2,229	2,229
Postage	1,757	1,331	1,637	1,637	1,900	1,900	1,500	1,500	1,530	1,530	1,561	1,561	1,592	1,592
Telephones/Internet	7,135	6,424	8,344	8,344	8,500	8,500	9,000	9,000	9,180	9,180	9,364	9,364	9,551	9,551
Legal Notices & Publications	162	114	114	114	81	81	250	250	255	255	260	260	265	265
Liability Insurance	7,916	1,165	9,200	9,200	7,854	7,854	9,000	9,000	9,450	9,450	9,923	9,923	10,419	10,419
Auto Insurance														
Professional Dues	1,385	1,511	1,511	1,511	1,100	1,100	1,600	1,600	1,632	1,632	1,665	1,665	1,698	1,698
Printing	1,917	1,509	1,900	1,900	2,000	2,000	1,900	1,900	1,995	1,995	2,095	2,095	2,199	2,199
Travel/Mileage/Training	2,813	2,783	3,500	3,500	2,550	2,550	3,500	3,500	3,570	3,570	3,641	3,641	3,714	3,714
Total Services - Combined Water/WWWT	112,451	85,762	120,585	120,585	116,928	116,928	123,054	123,054	121,720	121,720	123,037	123,037	124,401	124,401
Intergovernmental - Combined Water/WWWT														
B&O Tax (on Fees/Penalties)	89	49	72	72	180	180	86	86	86	86	86	86	86	86
Other	232	49	49	49	449	449	200	200	200	200	200	200	200	200
County Election Costs	-	207	207	207	208	208	210	210	214	214	218	218	223	223
State Audit	-	6,035	6,035	6,035	-	-	6,500	6,500	15,000	15,000	-	-	7,000	7,000
Total Intergov - Combined Water/WWWT	321	6,339	6,362	6,362	837	837	6,996	6,996	15,500	15,500	505	505	7,509	7,509
Total Combined Water/WWWT Operating Expenditures	126,560	102,346	141,138	141,138	133,942	133,942	145,816	145,816	151,501	151,501	137,868	137,868	146,282	146,282
Total Operating Expenditures	313,614	266,775	363,118	363,118	399,244	399,244	392,131	392,131	398,766	398,766	388,675	388,675	399,257	399,257
Operating Gain (Loss)	194,041	189,296	224,319	224,319	182,017	182,017	192,211	192,211	186,240	186,240	196,330	196,330	187,058	187,058

Updated 10/24/16

Hartstene Pointe Water-Sewer District

Capital Improvement Plan

	2016		2017		2018	2019	2020	2021
	Budget	Projected	Budget					
Wastewater/Sewer Collection Capital Expenditures								
<i>Inflow & Infiltration Abatement (transfer to reserves)</i>								
WWTP Sludge Pump Upgrade	16,000	16,000	18,000	20,000	22,000	24,000	26,000	
New Lift Station 8 Pump and Rebuild for Spare	75,000	71,757	-	-	-	-	-	-
In-Plant Lift Station New Pump and Spare Rebuild	16,000	15,619	-	-	-	-	-	-
Rebuild Effluent Pump	-	5,390	-	-	-	-	-	-
Composite Sampler	15,000	16,103	-	-	-	-	-	-
Replace Gaseous Cl2 System	-	6,168	-	-	-	-	-	-
Lift Station Generators	10,000	4,000	15,000	-	-	-	-	-
Phase 3 WWTP SCADA/Lift Station Telemetry Upgrade	-	-	50,000	30,000	30,000	30,000	-	-
Lift Station 5 Spare Pump	20,000	-	-	-	-	-	-	-
Spare Composite Sampler	-	-	-	-	10,000	-	-	7,000
Total Wastewater/Sewer Capital Expenditures	136,000	119,037	65,000	30,000	40,000	30,000	30,000	7,000

Drinking Water Capital Expenditures

Well 1 Replacement	-	85,000	25,000	-	-	-	-	-
Pressure Reducing Valve Replacement	-	26,292	-	-	-	-	-	-
Reservoir Inspection and Cleaning	-	-	10,000	-	-	-	-	-
Reservoir Mixer	11,000	-	12,000	-	-	-	-	-
Well Generator	-	-	-	-	-	30,000	-	-
Replace Housing for Well 1 and Well 2	-	-	5,000	-	-	-	-	-
Reservoir Cathodic Protection	10,000	-	-	20,000	-	-	-	-
Reservoir Interior Painting/Repair	-	-	-	150,000	-	-	-	-
Leak Detection	-	-	-	-	35,000	-	-	-
Lateral Replacements	5,000	-	-	-	5,000	50,000	50,000	50,000
Booster Pump Generator	-	-	-	-	15,000	-	-	-
Wells 2 and 3 Inspection, Rehab, and Test Pump	-	-	-	-	-	-	-	35,000
Total Drinking Water Capital Expenditures	26,000	111,292	52,000	170,000	55,000	80,000	85,000	85,000

Total Capital Expenditures/Major Repairs

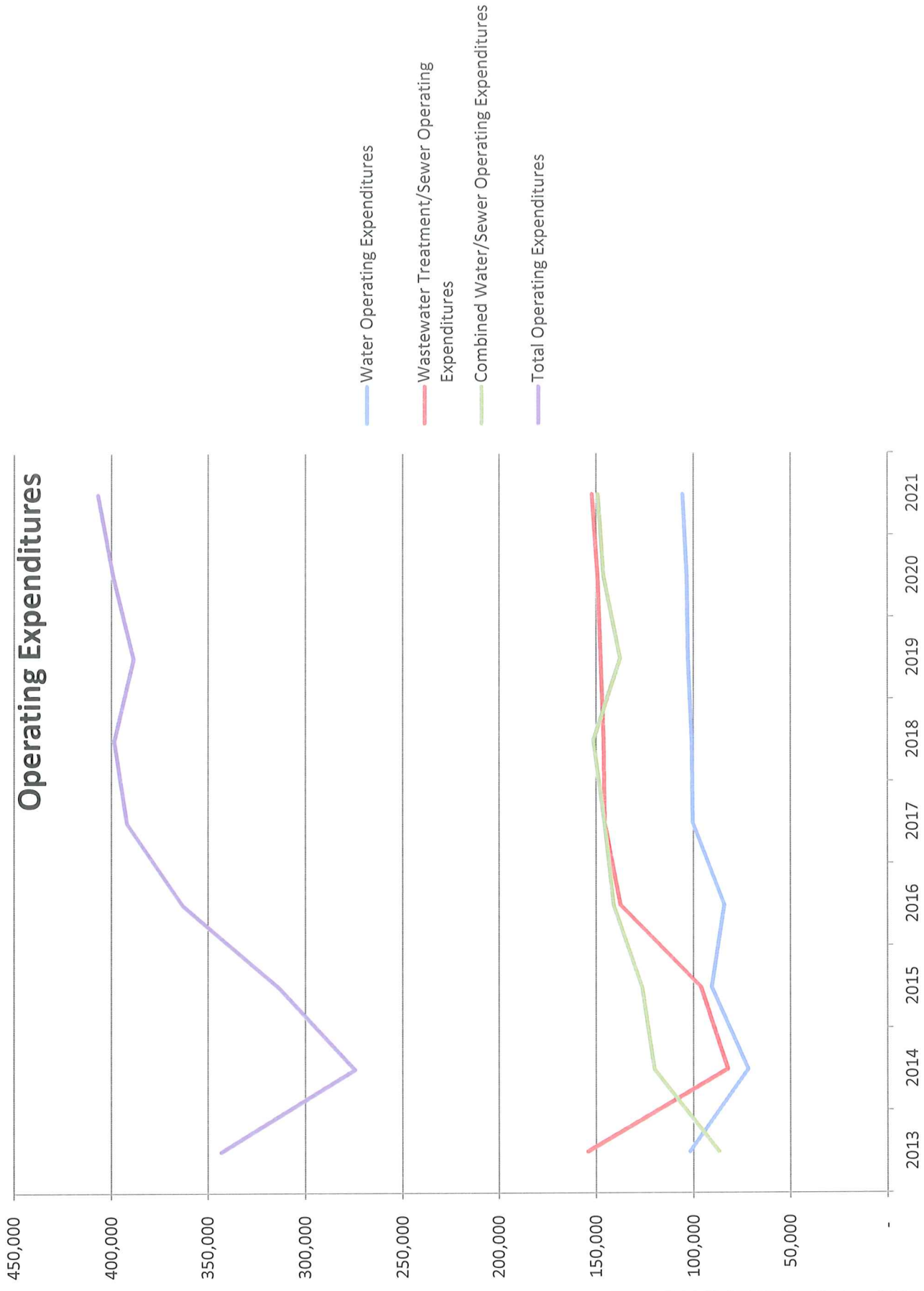
Asset Replacement Fund Transfers

(From Asset Replacement Fund 020 to Operating 010)

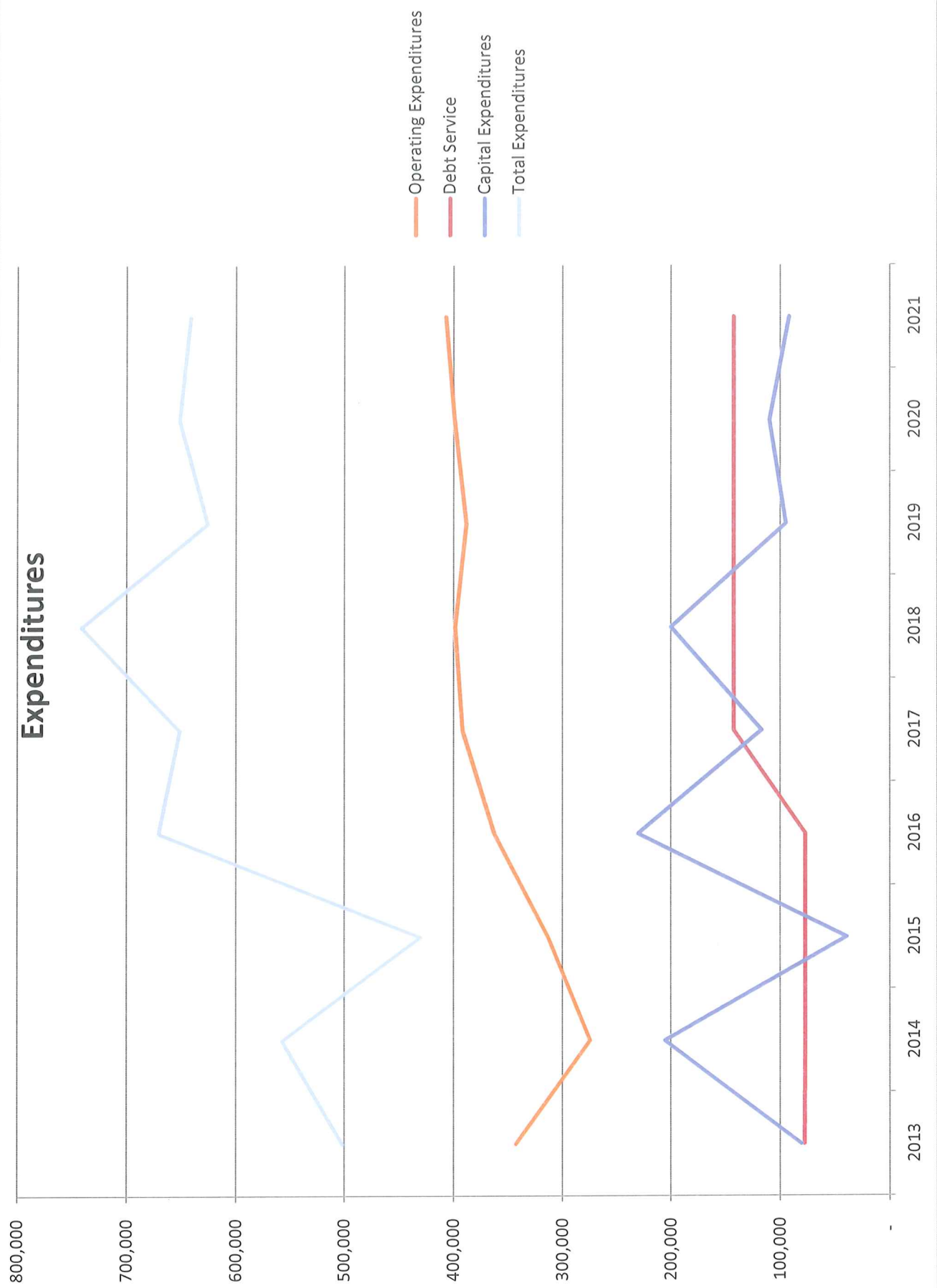
Total Capital Expenditures/Major Repairs	162,000	230,330	117,000	200,000	95,000	110,000	92,000	
Asset Replacement Fund Transfers	14,200	32,460	20,000	-	10,000	-	7,000	

Updated 10/24/16

Operating Expenditures



Expenditures



Appendix

Hartstene Pointe Water-Sewer District

District Funds Policies

The District shall utilize “proprietary fund accounting” as the organizational structure for its financial activities. The following funds have been established with the Mason County Treasurer’s Office for budgeting and accounting purposes.

- **690-005-010 – General Operating Fund:** The General Operating Fund accounts for all financial resources and transactions, except those required to be accounted for in another fund. The minimum fund balance shall be targeted at 25% of the annual operating and maintenance budget. The 25% target amount should be invested in the State Investment Pool. Projected variances from the 25% minimum target shall be disclosed during the annual budget process or during the current year if unanticipated circumstances occur that negatively impact current year revenue and/or expenditure projections. Fund balance targets may be modified during the annual budget process to reflect extraordinary circumstances (e.g., projected future extraordinary expenditure demands, projected revenue uncertainty, etc.).
- **690-005-020 – Water/Sewer Committed Fund:** The Water/Sewer Committed Fund accounts for monies held for specified purposes but not designated for debt service. Use of monies held within this fund is subject to a vote of the District Commission. The Water/Sewer Committed Fund is divided into three sub-funds:
 - *Risk Management Fund:* For operating shortfalls due to unforeseen cost increases, unanticipated revenue losses, or unforeseen emergency expenditures. The minimum balance for this sub-fund shall be targeted at \$200,000. The sub-fund must maintain no less than 12.5% of annual operating revenue in order to meet requirements set forth in the District’s DWSRF Loan contract.
 - *Capital Improvement Fund:* For the accrual of monies to fund capital projects laid out in the District’s six year Capital Improvement Plan.
 - *Asset Replacement Fund:* For the replacement of short-lived equipment. This fund receives a \$9,000 annual contribution from the General Operating Fund, per the District’s USDA Bond Covenants.
- **690-005-030 – Ecology Loan Reserve:** Used to hold in reserve an amount equal to one full year of debt service payments (\$38,111.40) for the District’s Department of Ecology Loan. The balance of this fund is invested in the State Investment Pool.
- **690-005-050 – DWSRF Loan Reserve:** The District shall make regular transfers from the General Operating Fund into this fund such that by September 30th of each year the fund balance equals the annual DWSRF loan debt service payment. All interest earned on funds held within this fund shall accrue and be applied toward reducing the amount of the Drinking Water State Revolving Fund loan. Based on current loan projections, the monthly transfer should be \$2,000. Once the loan is closed and the actual annual payment amount is determined, the monthly transfer amount should be adjusted.
- **690-005-060 – Hartstene Pointe Bond Fund:** Used to make semi-annual debt service payments of \$19,665. District must transfer the payment amount from the General

Operating Fund into the Bond Fund at least 5 days prior to payment due dates (March 5 and September 5). The payment is electronically transferred from this fund to the USDA on the payment due date.

- **690-005-065 – Hartstene Pointe Capital Project Fund:** Used to accept construction loan funds and pay contractors for financed capital projects.
- **690-005-070 – Water Revenue Bond, 2012 Debt Service Reserve:** Used to hold one full year of USDA Bond debt service payments (\$39,330). Per bond covenants, monthly transfers of \$327.75 should be made from the General Operating Fund into this fund so that the balance is reached no later than September 2022.

For the purposes of annual financial reporting to the Washington State Auditor’s Office, all funds are rolled into one general fund, designated as fund 401.

Hartstene Pointe Water-Sewer District Annual Budget Preparation and Adoption Policies and Procedures

1. Preparation

a. **Preliminary Budget:**

District management shall prepare a preliminary District budget which shall set forth the complete financial program of the District for the ensuing fiscal year, showing the expenditure program and the sources of revenue by which it is to be financed.

The revenue section shall set forth the estimated receipts from all sources for the ensuing fiscal year, the actual receipts for the first nine months of the current fiscal year and the actual receipts for the last completed fiscal year, and the estimated receipts at the close of the current fiscal year.

The expenditure section shall set forth the estimated expenditures for the ensuing fiscal year, the appropriations for the current fiscal year, the actual expenditures for the first nine months of the current fiscal year, the estimated expenditures at the close of the current fiscal year, and the actual expenditures for the last completed fiscal year.

b. **Revision by District Commissioners:**

The budget shall be submitted by District management to the board of district commissioners on or before the fourth Thursday in October of each year. The board shall thereupon consider the same in detail, making any revisions or additions it deems advisable.

c. **Budget Hearing:**

The District shall provide notice stating that it has completed and placed on file its proposed budget for the District for the ensuing fiscal year, a copy of which will be furnished to any citizen who will call at its office for it, and that it will meet on or before the second Saturday in November thereafter for the purpose of presenting the proposed budget, and that any subscriber may appear thereat to ask questions or provide comment.

On or before the second Saturday in November in each year the board of District commissioners shall meet at the time and place designated in the notice, whereat the proposed budget is presented and any subscriber may appear and ask questions or provide comment.

2. Adoption

a. **Adoption by the Board of Commissioners:**

At the next regular meeting of the board of District commissioners the board shall fix and determine each item of the budget and shall by resolution adopt the budget as so finally determined and enter the same in detail in the official minutes of the board.

b. **Submission to the County:**

The adopted budget shall be submitted to the Mason County Auditor's office in the form required by the county auditor.