

15288

Attachment A

KING COUNTY

2005-350

CITY OF CARNATION

AMENDMENT AGREEMENT FOR SEWAGE DISPOSAL

THIS AGREEMENT, made as of this _____ day of _____ 2005,
between the CITY OF CARNATION, a municipal corporation of the State of Washington,
hereinafter referred to as "the city", and KING COUNTY, a political subdivision of the State of
Washington, hereinafter referred to as "the county";

WITNESSETH:

WHEREAS, the city and the county are parties to a long term Agreement for Sewage
Disposal dated June 16, 2003, hereinafter referred to as the "Basic Agreement"; and

WHEREAS, Section 5 of the Basic Agreement provides for an adjustment to the number
of residential customers and residential customer equivalents used as the basis for determining
the monthly sewage disposal charge to be paid by the city to the county; and

WHEREAS, said adjustment is intended to generate additional revenue from the city's
customer base to help offset capital costs of constructing a new wastewater treatment plant to
serve the city so that the county's remaining sewer ratepayers are not unduly burdened by said
costs; and

WHEREAS, projected revenues attributable to city customers from the county's uniform
sewage treatment capacity charge are now greater than previously projected because of the
county's adoption of a higher capacity charge than anticipated at the time the Basic Agreement
was entered into; and

WHEREAS, increased revenue from the capacity charge reduces the revenue that needs to be generated by adjustment of the customer base; and

WHEREAS, the parties desire to amend the Basic Agreement to establish an adjustment to the customer base that is equitable when increased capacity charge revenues from the city's customers are considered;

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

Section 1. Amendment of Section 5.2 d). Section 5.2 d) is hereby amended to read as follows:

"d) The basic reported number of residential customers and residential customer equivalents of the city shall be further adjusted by adding thereto 25 percent of said number of residential customers and residential customer equivalents. The sum thus determined is hereafter called the "adjusted reported number". Beginning with the first quarterly report (or written monthly statement) submitted by the city, and continuing each quarter for thirty-five years, the adjusted reported number of residential customers and residential customer equivalents shall be the number reported by the city for the purpose of determining sewage disposal charges pursuant to paragraph 3 of this section.

Not less than one year or more than eighteen months after facilities are constructed by the county for the purpose of providing wastewater treatment service to the city, the county will conduct a review of the additive adjustment described in this subparagraph (d) in the following manner: The capital cost of planning, designing and constructing the wastewater treatment facilities that serve the city shall be calculated and presented to the city along with the assumptions that formed the basis of the additive adjustment. Subsequent to said presentation, King County shall lower the above percentage if said percentage results in disproportionate

allocation of metropolitan sewerage system capital costs to the city. In that event, the percentage will be lowered to the level necessary to avoid disproportionate allocation of costs to the city and the lowered percentage would then be employed for the duration of the thirty-five year period. For purposes of facilitating the additive adjustment review provided for in this paragraph, the original assumptions that form the basis of the additive adjustment are attached to this agreement as Exhibit A.

The county will attempt to secure grants and low interest loans for the financing of the wastewater treatment facilities mentioned above so that the cost of financing those facilities will be minimized.”

SECTION 2. Basic Agreement Unchanged. Except as provided in Section 1 of this amendment, the Basic Agreement remains unchanged and will continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year written above.

KING COUNTY

CITY OF CARNATION

By _____
Pam Bissonnette, Director
Department of Natural Resources

By _____
Mayor

ATTEST:

ATTEST:

Amendment to Agreement for Sewage Disposal (Date)**Carnation Surcharge Methodology and Assumptions**

The sections below outline the assumptions and methodology used to calculate the surcharge to be added to the normal monthly sewer charge for City of Carnation customers. This surcharge is implemented by Section 5.2.d) as an additive adjustment of 25 percent of Carnation's residential customers and residential customer equivalents.

I. General Assumptions

1. Treatment Plant costs. Total project cost (excluding financing costs) for construction of the treatment plant is estimated at \$13,364,735 in 2005 dollars. The project began in 2002 and is assumed to be placed in operation during 2006.
2. Capacity charge payments from Carnation customers are credited against treatment plant project costs.
3. Monthly sewage disposal charge described in Section 5 is a regional-system revenue and will cover the operations and maintenance costs of the treatment plant.
4. Surcharge on the monthly charge is designed to compensate King County for the development and financing costs of the treatment plant that are not covered by capacity charge revenues from Carnation customers.
5. Rate, surcharge and capacity charge payments from Carnation customers will not commence until the treatment plant is placed in service. This is currently planned for 2006.
6. All Carnation customers pay the capacity charge.

II. General Financial Assumptions

Table 1.0 presents the basic financial assumptions used in the calculation of the monthly surcharge.

Source	Rate	Term
King County Sewer Revenue Bonds	4.6 - 5.25%	31 - 34 years
Public Works Trust Fund Loan 2006	0.5%	20 years
Discount Rate	5.25%	N/A
Inflation Rate	3.0%	N/A
Bond Issuance Costs	1.0%	N/A

III. Public Works Trust Fund Assumptions

The Public Works Trust Fund (PWTF) provides low-interest loans. This surcharge calculation assumes one PWTF loan of \$10.2 million in 2006. Other project costs and the 15 percent local matching are financed through the issuance of King County Wastewater Treatment Division sewer revenue bonds.

1. PWTF loan of \$10.2 million disbursed in 2006
2. PWTF loan has a 20 year term.
3. PWTF loan has a 0.5 percent interest rate.
4. 15 percent local match required.
5. 2006 and 2007 expenditures financed from PWTF.

Table 2.0 presents the components of debt-financing the Carnation Treatment Plant with sewer revenue bonds and a PWTF loan. It is assumed \$500,000 in grant funding will be secured for the project.

Year	Principal	Term	Payment
2002	\$ 68,804	34	\$ 4,381
2003	\$ 1,003,940	33	\$ 61,825
2004	\$ 993,716	32	\$ 59,920
2005	\$ 1,518,820	31	\$ 94,473
2006	\$10,252,928	20	\$539,985

Table 3.0 presents the total principal financed, the sum of all debt service payments and the present value of all debt service payments.

Total Principal Financed /1/	\$13,838,208
Sum of all Debt Service Payments	\$17,834,985
Present Value of all Debt Service/2/	\$ 9,798,830
Federal Grant Revenue	\$500,000

/1/ amount financed is based on project expense, including inflation, in the year it occurs plus issuance costs and therefore exceeds the inflation-adjusted (removed) total project cost of \$13.4 million, denominated in 2005 dollars.

/2/ Present value 2002-2040 with 5.25 discount rate; does not include debt service paid by \$500,000 in grant funds.

IV. Surcharge Assumptions and Calculations

1. Surcharge rate is calculated as the ratio of:
 - the present value (PV) of principal and interest costs incurred by King County 2002-2040 minus the PV of the capacity charge revenues minus Federal grant revenues.
 - to the PV of sewer rate revenues paid by Carnation customers 2002-2040.
2. Surcharge components are:
 - PV, 2002-2040, principal and interest payments \$9,798,830
 - PV, 2002-2040, capacity charge revenue \$6,901,035
 - Federal grant revenue \$500,000
 - PV, 2002-2040, rate revenue \$9,427,331

$$0.25 = (\$9,798,830 - \$6,901,035 - \$500,000) / \$9,427,331$$

The monthly rate and capacity charge forecasts are presented in Table 4.0 on Page 3.

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Table 4.0 Monthly Sewer Rate and Capacity Charge Forecast/1/ for Carnation Customers

Year	Monthly Sewer Rate	Surcharge/2/	Monthly Capacity Charge /3/	Total Capacity Charge /4/
2000	\$19.50	\$0.00	\$10.50	\$1,133
2001	\$19.75	\$0.00	\$10.50	\$1,133
2002	\$23.40	\$0.00	\$17.20	\$1,856
2003	\$23.40	\$0.00	\$17.60	\$1,899
2004	\$23.40	\$0.00	\$18.00	\$1,942
2005	\$25.60	\$0.00	\$34.05	\$4,251
2006 /5/	\$25.60	\$6.40	\$34.05	\$4,251
2007	\$29.15	\$7.29	\$34.05	\$4,251
2008	\$31.56	\$7.89	\$36.17	\$4,515
2009	\$33.99	\$8.50	\$37.26	\$4,651
2010	\$35.94	\$8.99	\$38.37	\$4,790
2011	\$38.29	\$9.57	\$39.52	\$4,934
2012	\$38.62	\$9.65	\$40.71	\$5,082
2013	\$38.90	\$9.73	\$41.93	\$5,235
2014	\$39.27	\$9.82	\$43.19	\$5,392
2015	\$39.94	\$9.99	\$44.48	\$5,553
2016	\$37.50	\$9.38	\$45.82	\$5,720
2017	\$37.89	\$9.47	\$47.19	\$5,892
2018	\$38.25	\$9.56	\$48.61	\$6,068
2019	\$38.78	\$9.69	\$50.07	\$6,250
2020	\$39.30	\$9.82	\$51.57	\$6,438
2021	\$39.66	\$9.91	\$53.12	\$6,631
2022	\$39.90	\$9.97	\$54.71	\$6,830
2023	\$40.31	\$10.08	\$56.35	\$7,035
2024	\$40.68	\$10.17	\$58.04	\$7,246
2025	\$41.37	\$10.34	\$59.78	\$7,463
2026	\$42.10	\$10.52	\$61.58	\$7,687
2027	\$42.81	\$10.70	\$63.42	\$7,918
2028	\$43.46	\$10.87	\$65.33	\$8,155
2029	\$44.20	\$11.05	\$67.29	\$8,400
2030	\$45.56	\$11.39	\$69.31	\$8,652
2031	\$47.60	\$11.90	\$71.38	\$8,911
2032	\$47.00	\$11.75	\$73.53	\$9,179
2033	\$47.06	\$11.76	\$75.73	\$9,454
2034	\$46.97	\$11.74	\$78.00	\$9,738
2035	\$42.84	\$10.71	\$80.34	\$10,030
2036	\$44.01	\$11.00	\$82.75	\$10,331
2037	\$45.19	\$11.30	\$85.24	\$10,641
2038	\$46.39	\$11.60	\$87.79	\$10,960
2039	\$45.81	\$11.45	\$90.43	\$11,289
2040	\$45.80	\$11.45	\$93.14	\$11,627

/1/ This long-range forecast is an estimate of future wastewater rates based on long-range planning assumptions and does not indicate proposed rates for the years indicated.

/2/ Rate surcharge is equal to 25% of the monthly rate

/3/ The capacity charge is a monthly fee with a 15-year term. Customers may pay the entire capacity charge at one time, with a discount.

/4/ This is the amount due if paid in full at the time of connection; 8% discount 2002-2004; 5.5% discount 2005-2040.

/5/ 2006 is planned on-line date for the Carnation Treatment Plant, hence the first year Carnation customers pay the surcharge, continuing through 2040.