

# Utilities Annual Report **2015**



City of Everett Public Works Department

# 2015 Utilities Annual Report

## Director's Message

The City of Everett's Utilities Division is committed to providing the very best water, sewer and surface water



services at the lowest cost possible. This report highlights our water and sewer systems, our water conservation and surface water programs and presents our 2015 operating results.

In the summer of 2015, for the first time in our system's history, Everett activated its Drought Response Plan. This was due to historic low snowpack levels,

combined with record-setting hot and dry weather that increased the demand for water in our service area.

[See story on page 8.]

Providing outstanding customer service and getting the job done in the most cost-effective way are practices routinely employed by staff. Additionally, Mayor Ray Stephanson and the Everett City Council provide excellent leadership. This combination of careful planning, dedicated employees and exceptional leadership all contribute to our sound financial status.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Dave Davis'. The signature is fluid and cursive, written over a white background.

Dave Davis  
Public Works director

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**PHOTO CREDITS:**

Cover: **Danny Miles**—*Morning Glory Spillway at Spada Lake Reservoir*

Inside front cover: **Mark Somers**

Page 2: **Joe Dreimiller**

Page 3: **Danny Miles**

Page 4: **Lori Tobin**

Page 5: **Apryl Hynes**

Page 6: **Heather Griffin**

Page 7: **Apryl Hynes**

Page 9: **Mark Anthony**

Back cover: **Danny Miles**—*Morning Glory Spillway at Spada Lake Reservoir*

# Water Service

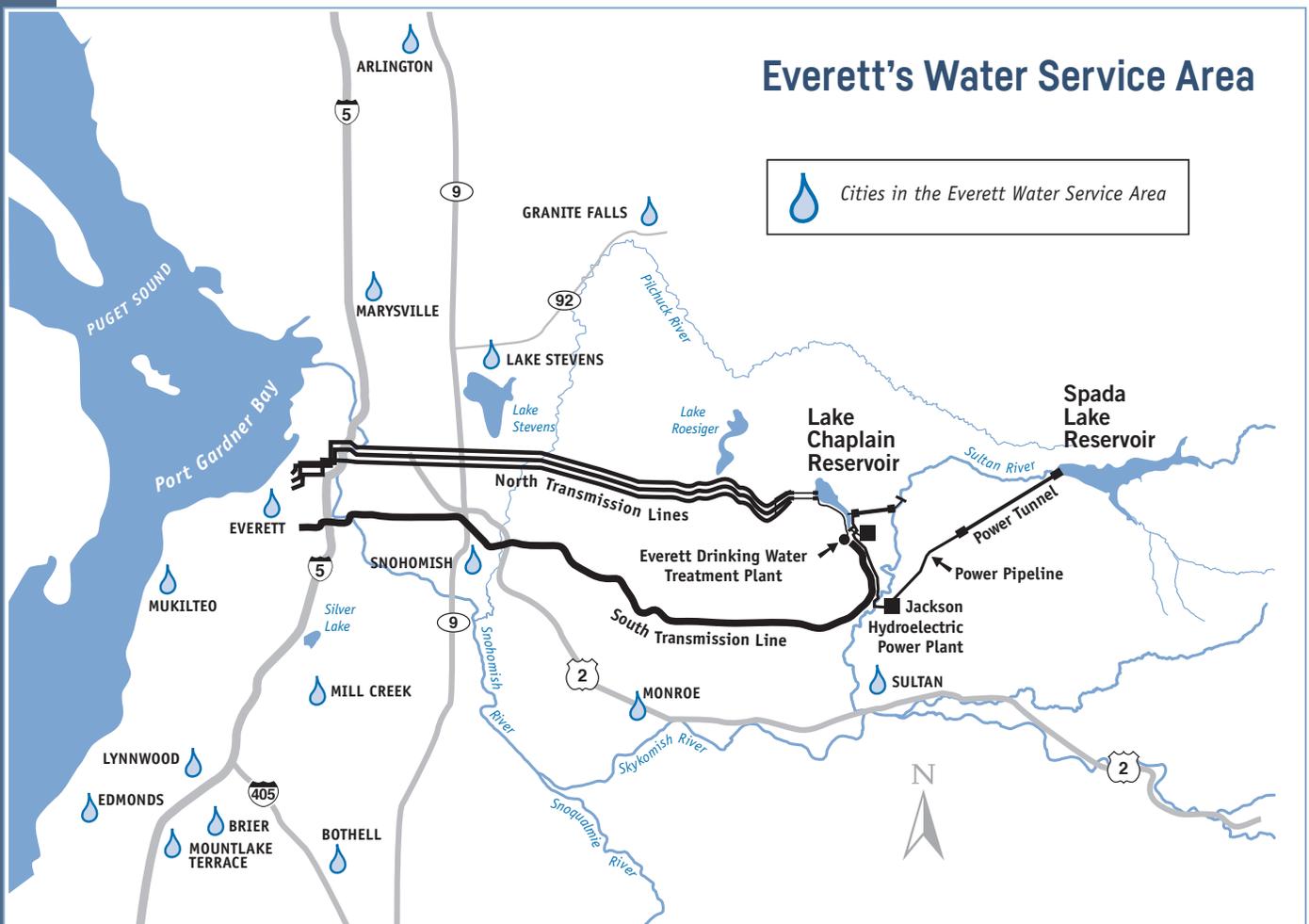
During the last century, the Everett water system has grown from a simple localized system that supplied water to the residents of Everett, to a vital regional water provider. The Everett water system now supplies water to an estimated 590,000 residents of Snohomish County through a network of water providers.

Major components of the Everett water system include:

- 50 billion gallon Spada Lake water storage reservoir,
- 5.2 billion gallon Lake Chaplain water storage reservoir,
- 138 million gallons per day (MGD) Everett Drinking Water Treatment Plant,
- four water transmission pipelines with a capacity of 200 MGD and
- distribution pipelines, water tanks and reservoirs to serve in-city customers.

The City of Everett has water rights for the withdrawal of up to 255 MGD of water from the Sultan River system and a pending water right application for an additional 129 MGD.

Everett's Utilities Division works in partnership with local water providers through the Everett Water Utility Committee, an advisory group established in 1976 that includes wholesale water customers and representatives from the Washington State Department of Health, Snohomish Health District, Snohomish County Planning Department and the Tulip Tribes. This working partnership helps the Utilities Division meet today's water needs and plan for future regional water needs.



# Water Service

The source of Everett's water, the Upper Sultan River Watershed, covers more than 80 square miles and receives an average annual rainfall of about 165 inches. To protect the naturally-occurring pristine water quality, access to sensitive portions of the area is restricted and activities are limited.

Located about 30 miles east of Everett is Spada Lake Reservoir, which collects water from precipitation in the Upper Sultan River Watershed. Some of this water is piped from Spada Lake Reservoir to the Jackson Hydroelectric Power Plant, owned and operated by the PUD No. 1 of Snohomish County. The power plant generates about 5 percent of the electricity used in Snohomish County.

After traveling through turbine-generators at the power plant, some of the water is returned directly to the Sultan River to maintain fish flows and support the river's ecosystem. The remainder of the water travels through a pipeline to supply Lake Chaplain Reservoir. When the reservoir is at an optimum level, extra water is returned to the Sultan River for additional fishery management.

Lake Chaplain Reservoir is where the drinking water treatment process begins. As water sits in the reservoir, heavy particles, or sediments, settle to the bottom. Next, water is piped into the Everett Drinking Water Treatment Plant and treated using coagulation, flocculation, filtration and disinfection.

## Average Daily Production of Drinking Water

MILLION GALLONS PER DAY (MGD)

The Everett Drinking Water Treatment Plant produced an average of 52.7 MGD of water in 2015—a 5.8 percent increase from the 49.6 MGD produced in 2014 and a 5.9 percent increase from the previous 4-year average. The increase was due to record-setting hot and dry weather.



## Drinking Water Distribution

(PERCENT OF DEMAND)

In 2015, five water systems accounted for 95 percent of the demand for treated water: Alderwood Water and Wastewater, PUD No. 1 of Snohomish County and the cities of Everett, Marysville and Monroe.

Alderwood Water and Wastewater

54%

Everett  
24%

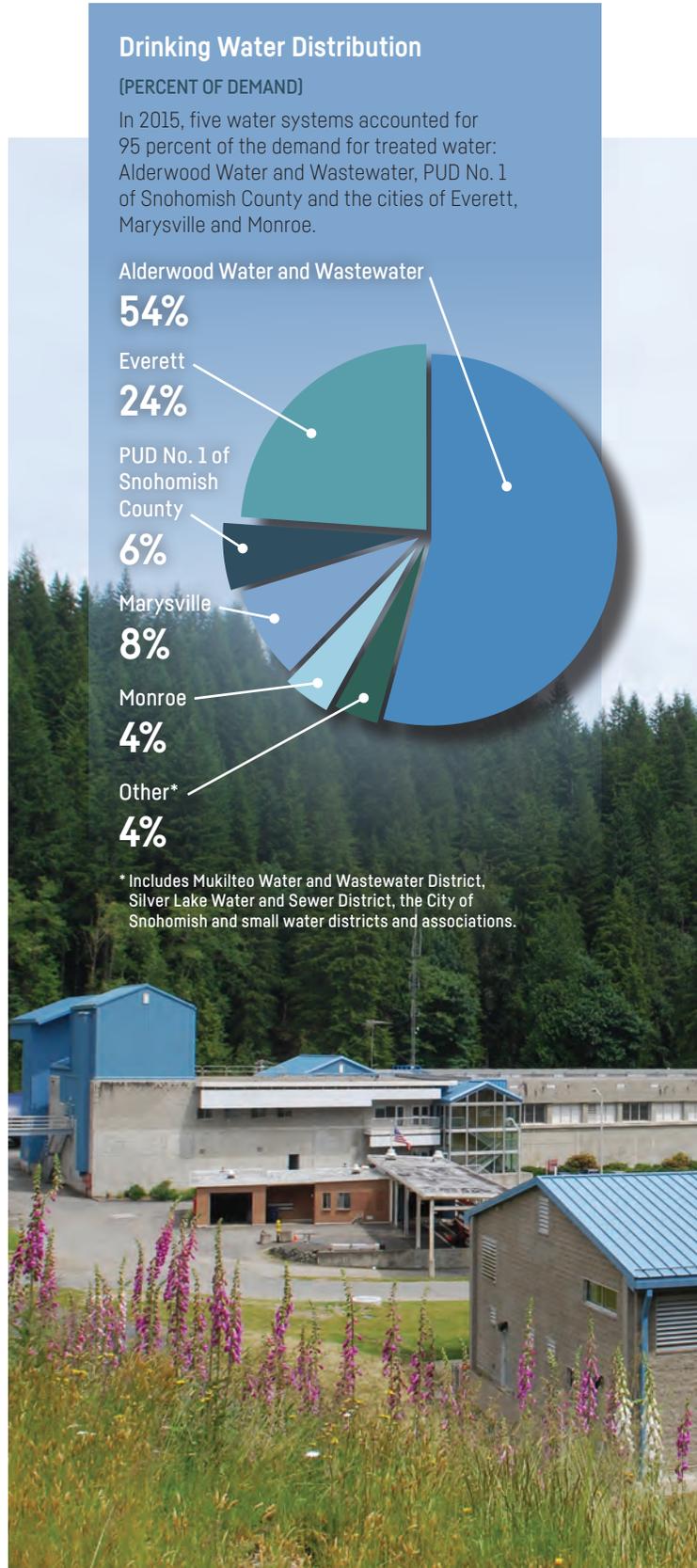
PUD No. 1 of  
Snohomish  
County  
6%

Marysville  
8%

Monroe  
4%

Other\*  
4%

\* Includes Mukilteo Water and Wastewater District, Silver Lake Water and Sewer District, the City of Snohomish and small water districts and associations.



Everett Drinking Water Treatment Plant

# Water Conservation

In 2003, the Washington State Legislature passed the Municipal Water Law to help protect and conserve our precious water resources. This law directed the Department of Health to establish water use efficiency requirements for all municipal water suppliers to ensure that there will be enough water for people and the environment for generations to come.

Conservation protects fish and wildlife and helps make sure that water is used as efficiently as possible. Since Everett provides water to the majority of water systems in Snohomish County, we operate a regional water conservation program. This program is planned and developed with the water systems we serve and funded from water system revenues.

More than \$7 million has been invested in regional water conservation activities since 2001. This includes such things as school education, indoor and outdoor water conservation kits, rebates for water efficient clothes washers and toilets, leak detection, business water audits and school irrigation audits. Through these efforts, we have saved more than 3.7 million gallons per day (MGD) through 2015—enough water to fill more than 88,000 bathtubs a day.

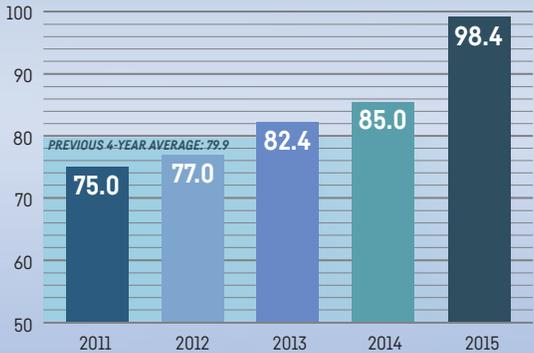
Previous regional conservation programs were planned and implemented in six-year cycles, as part of Everett's comprehensive water plan. The first plan covered the period from 2001 through 2006, the second from 2007 through 2012. Everett's latest comprehensive water plan covers the period through 2020. The water conservation program will continue to include school education and conservation kits and will also include new activities to assist large water users.

In 2015, 620 water conservation workshops were conducted in classrooms throughout Snohomish County, reaching more than 15,600 students. Participating water systems also distributed more than 2,400 indoor conservation kits and 2,800 outdoor conservation kits. These activities are estimated to have saved about 0.64 MGD regionally.

## Peak Day Demand for Drinking Water

MILLION GALLONS PER DAY (MGD)

Historically speaking, the peak day demand for treated water has occurred in July or August. In 2015, the peak day demand occurred in July at 98.4 MGD. This was a 13.6 percent increase from the 2014 peak day demand of 85 MGD and a 23.2 percent increase from the 2011 to 2014 average peak day demand of 79.9 MGD. In 2015, the region experienced record-setting hot and dry weather, which increased the demand for water.



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# Sewer Service

The Everett Water Pollution Control Facility (EWPCF) serves more than 160,000 people and has a rated treatment capacity of 40 million gallons per day with the completion of new facilities. Sewage is conveyed through approximately 334 miles of sewer mains, interceptors, laterals and 33 lift stations to the treatment facility. The EWPCF treats sewage from inside Everett city limits. It also treats a portion of the sewage from three neighboring systems: Alderwood Water and Wastewater District, Mukilteo Water and Wastewater District and Silver Lake Water and Sewer District.

The EWPCF is unique in that it has two parallel systems for secondary treatment: a pond (lagoon) system and a mechanical system. The two systems perform the same treatment level, but the processes are different. Wastewater is treated in the mechanical plant using a process called trickling filter/solids contact (TF/SC). This process requires less space and is faster than the pond system—treating up to 25 million gallons per day and cleaning wastewater in a matter of hours. In the lagoon system, the process can take several weeks. However, the lagoon system requires much less maintenance and allows us to treat stormwater from the combined sewer system in north Everett.

*New Secondary Clarifier at EWPCF*



## Wastewater Processed

### MILLION GALLONS PER DAY (MGD)

In 2015, the Everett Water Pollution Control Facility processed an average of 18.4 MGD of wastewater—a decrease of 12 percent from the 20.6 MGD processed in 2014 and a 13.6 percent decrease from the previous 4-year average of 21.3 MGD. The lagoon system accounted for about 50 percent and the mechanical system for about 50 percent of the discharge.



# Maintenance and Operations

The Everett Utilities Division owns and maintains approximately 334 miles of sewer mains (not including side-sewers) and 33 sewage lift stations. In 2015, the following sewage collection system operation and maintenance activities were accomplished:

*Vactor Trucks Clean Sewers and Storm Drains*

- cleaned and maintained about 48 miles of sewer mains,
- inspected an average of 2,500 catch basins/inlets throughout the entire system, as a result cleaned about 400,
- completed prioritized repairs and rehabilitation of sewer mains and side-sewers and
- remotely operated and monitored sewage lift stations 24/7.



The Everett Utilities Division owns and maintains approximately 334 miles of sewer mains and 33 sewage lift stations.

# Surface and Stormwater Service

Clean surface water is an important natural resource essential for public health and the economy. Water pollution reduces the quality of surface water, which sometimes makes it unsafe for beneficial uses.

Everett has abundant natural resources, including about 42.8 square miles of land and water with 20 drainage basins. The Utilities Division conducts activities designed to reduce and prevent water pollution to protect these resources. These activities help us meet the requirements of our Phase II National Pollutant Discharge Elimination System Municipal Stormwater Permit issued by the Washington State Department of Ecology.

With the aid of Washington State Department of Ecology stormwater grants, the Shore Avenue Stormwater Outfall Improvement project was constructed to replace an outfall located on a landslide-prone bluff and design commenced on the Grand Avenue Park Bridge (GAPB). The GAPB will begin at the north end of Grand Avenue Park, cross a steep slope, railroad tracks and West Marine View Drive and terminate at the waterfront. The overcrossing will provide for both utilities and pedestrians.

The surface water section of the Utilities Division provided stormwater reviews for development projects, inspected private stormwater facilities and responded to drainage and water quality issues. The Utilities Division continued to monitor the Smith Island/Union Slough Restoration site and, in partnership with Snohomish County, started to design a second intertidal restoration site.

In 2015, the Utilities Division also continued the green stormwater infrastructure (GSI) program called “Let it Rain.” The program uses GSI techniques to help homeowners manage rainwater on their property. Components of the GSI program include installing rain gardens and rain barrels and disconnecting downspouts from the combined sewer system. These measures allow the flow of rainwater to slow down, spread out and soak into the ground, lessening its impact on the storm and sewer systems.

*2015 Shore Avenue Outfall Improvements*



## Other significant activities related to surface and stormwater that were completed in 2015 include:

- collected ambient water quality data on Everett's lakes and streams,
- hosted rain garden tours and workshops on green gardening and rain garden design attended by 116 people,
- held rain barrel workshops and one-day sales attended by 258 people, 255 rain barrels sold,
- held 92 classroom workshops on surface water quality and watershed protection that reached 2,405 students in 16 schools,
- participated in public education events that reached 2,459 people,
- held 2-day rain garden training for landscape professionals attended by 12 landscapers,
- targeted 1,700 businesses with charity car wash educational material,
- canvassed 3,000 homes in north Everett, which resulted in the disconnection of 93 downspouts,
- inspected stormwater systems on private property and required systems to be cleaned where needed to function as designed and
- inspected 350 stormwater and flow control facilities, 570 ditches, 307 culverts and 1,748 catch basins in the storm drainage system and provided maintenance as needed.

## In 2015, volunteers:

- removed 385 trash bags of litter from about 56 miles of streets,
- filled 56 Mutt Mitt stations, which resulted in the removal of 109,500 pounds of dog waste,
- marked 15 storm drains and
- donated 1,550 hours.



*Rain Garden Tour*



*Rain Barrel Workshop*

# Drought Prompts Advisory

In July, 2015 Everett activated its Drought Response Plan—the first time since the plan was created in 2001. The drought plan is activated when the water level in Spada Lake Reservoir or snowpack drops significantly below normal levels and there is a reasonable probability that conditions will not return to normal. At the time, the level of Spada Lake Reservoir was 68 percent of normal, which triggered the first “advisory” stage of the plan. The advisory stage includes asking consumers to reduce discretionary water use and advises them that water-use restrictions may be required if conditions don’t improve. Then, we moved to the voluntary stage with a goal to reduce water use by 10 percent. Through the efforts of local residents and business owners this goal was surpassed and, with the return of fall rains, the drought response plan was deactivated in November.

We thank our customers who played a huge role in helping us stretch our water supplies during the drought. The response showed a real commitment to the environment and the natural resources we all depend on. The current water supply outlook is good, but we continue to closely monitor the situation.



We thank our customers who played a huge role in helping us stretch our water supplies during the drought.

## To conserve water:

- install water-efficient showerheads and take shorter showers,
- fix leaky faucets and toilets that waste a lot of water,
- install low-flow toilets, which can reduce indoor water use by as much as 20 percent,
- wash only full loads in your dishwasher and clothes washer,
- use a soaker hose on steep slopes to prevent wasteful runoff,
- water small areas by hand to avoid watering the sidewalk and driveway,
- replace grass in seldom-used areas of your yard with groundcovers and plants that use less water,
- adjust your lawnmower to a higher setting—a tall lawn retains moisture and requires less water and
- put a layer of mulch around plants and trees to hold moisture and discourage weed growth.



For more information about our water conservation programs, go to [www.everettwa.gov/conservation](http://www.everettwa.gov/conservation).

# Partnership for Safe Water's 15-year Directors Award

by Barb Martin, CWP – AWWA/Partnership for Safe Water

The City of Everett Drinking Water Treatment Plant received the Partnership for Safe Water's 15-year Directors Award at the 2015 American Water Works Association Annual Conference and Exhibition in Anaheim, California in June, 2015. The plant joins 77 water treatment plants to reach this program milestone. The City of Everett was one of the first 20 utilities to join the Partnership for Safe Water. It has participated in the Partnership's Water Treatment Plant Optimization Program since it started in 1995.

The Everett Drinking Water Treatment Plant originally received the Directors Award in 1999, and it has maintained this level of performance for 15 years. The utility also participates in the state's Treatment Optimization Program, where it earned a 2014 Silver Certificate for consistently meeting turbidity goals for five consecutive years.

The partnership presents the Directors Award to utilities that successfully complete a comprehensive self-assessment of the treatment plant or distribution system performance and operations. Partnership utilities, such as the City of Everett, receive recognition as they progress and reach optimization milestones, demonstrating their commitment to water quality and public health.



More than 450 water treatment plants participate in the Partnership's Treatment Plant Optimization Program. The Partnership established the program to encourage surface water treatment plants to voluntarily improve performance through operational optimizations. It added a Distribution System Optimization Program in 2011. For information about the Partnership for Safe Water, visit [www.awwa.org/partnership](http://www.awwa.org/partnership).



*AWWA Vice President Lela Perkins (left) presents the 15-Year Directors Award to Mark Weeks, Chief Water Treatment Plant Operator at the City of Everett.*

# 2015 Financial Status

The Everett Utilities Division continues to maintain a solid financial position and stable bond rating. The fundamental strengths are a stable product demand, conservative budget assumptions, adequate reserves and a strong debt service coverage ratio. The Utilities Division is committed to providing quality water and sewer service and strives to keep pace with changes in the utility industry.

Operating revenues are primarily derived from wholesale and retail sales of water and sewer services. Other revenues are generated from connection charges, capital contributions and interest earnings on reserve balances and grant proceeds. Total operating revenues increased 4.7 percent, from \$70.3 million in 2014, to \$73.6 million in 2015.

Water revenues increased 8.8 percent in 2015, from \$34.1 million to \$37.1 million. This is attributed to a 13.5 percent water rate increase, a 4.01 percent filtration rate increase and a 2 MGD increase in consumption due to an exceptionally warm, dry summer. These increases compensated for the loss of the Kimberly-Clark mill, a major water customer, and the changing consumption patterns of other water customers.

Sewer revenues increased from \$36.2 million in 2014 to \$36.5 million in 2015, a 1 percent increase. This is attributed to two retail sewer rate increases implemented in 2015. Capital contributions increased by \$1.8 million, or 50 percent, to \$5.4 million in 2015. Capital contributions fluctuate with the level of sewer treatment capital expenditures, which wholesale sewer customers are contractually obligated to contribute to.

Capital and operating expenditures consist of capital improvements, debt service and operations and maintenance (O&M). In 2015, capital expenditures totaled \$43.8 million, debt service totaled \$16.2 million and operating expenses increased by \$0.9 million, or 1.6 percent.

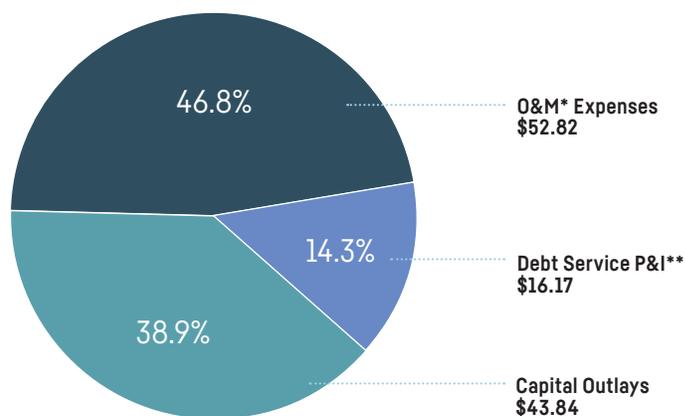
Utilities Division senior lien debt service coverage continues to be strong, increasing to 2.86 in 2015, up from 2.84 in 2014. This is well in excess of the 1.25 bond requirements. The debt service coverage ratio is arrived at by dividing the total available for debt service by the existing senior parity debt service requirements.

## Debt Service Coverage: Last 10 Years



## 2015 Total Expenses

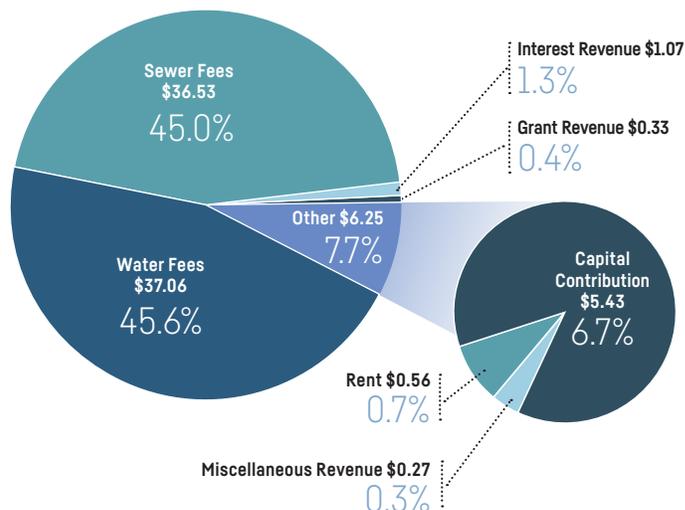
(MILLIONS OF DOLLARS)



\*Operations and Maintenance \*\*Principal and Interest

## 2015 Total Revenues

(MILLIONS OF DOLLARS)



## Statement of Operations

From January 1, 2013 through 2015 to December 31, 2013 through 2015

	2013	2014	2015*
<b>OPERATING REVENUES</b>			
Charges for Services			
Water	\$32,918,245	\$34,075,324	\$37,062,272
Sewer	34,874,789	36,199,463	36,530,832
<b>Total Charges for Services</b>	<b>67,793,034</b>	<b>70,274,787</b>	<b>73,593,104</b>
<b>OPERATING EXPENSES</b>			
Personnel Services	20,739,370	20,913,132	19,618,534
Supplies	3,929,793	4,000,321	4,051,297
Professional Services	5,381,561	4,846,425	5,504,461
Depreciation/Amortization	12,463,722	13,387,613	13,501,233
Taxes	2,288,671	1,262,726	1,675,912
Outside/Intragovernmental Services	11,298,285	11,912,228	12,819,549
<b>Total Operating Expenses</b>	<b>56,101,402</b>	<b>56,322,445</b>	<b>57,170,986</b>
<b>OPERATING INCOME</b>	<b>11,691,632</b>	<b>13,952,342</b>	<b>16,422,118</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Grant Revenue	364,244	141,648	329,749
Interest Revenue	(2,465,025)	3,607,644	1,114,643
Rent	435,604	506,568	556,335
Timber Sales	-	1,338,585	755,628
Equity in Income (Loss) of Joint Venture	-	-	-
Other Non-Operating Rev.	125,111	248,165	242,294
Gain (Loss) on Sale of Assets**	60,198	(2,971)	23,733
Interest Expense	(6,547,948)	(6,485,003)	(6,170,076)
Other Non-Operating Expenses	-	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(8,027,816)</b>	<b>(645,364)</b>	<b>(3,147,694)</b>
<b>INCOME BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>3,663,816</b>	<b>13,306,978</b>	<b>13,274,424</b>
Capital Contributions	3,720,289	3,645,041	5,430,772
Special items	-	-	-
Operating Transfers In (Out)	(3,692,400)	(4,165,320)	(4,394,680)
<b>NET INCOME</b>	<b>3,691,705</b>	<b>12,786,699</b>	<b>14,310,516</b>
<b>Net Equity—Beginning</b>	<b>370,596,100</b>	<b>372,593,685</b>	<b>385,380,384</b>
Change in Accounting Principles	-	-	(13,284,726)
Prior Period Adjustments	(1,694,120)	-	-
<b>NET EQUITY—ENDING</b>	<b>\$372,593,685</b>	<b>\$385,380,384</b>	<b>\$386,406,174</b>

\* For the year ended December 31, 2015 (unaudited)

\*\* Sale of surplus property

## Balance Sheet

December 31, 2013 to 2015

	2013	2014	2015*
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	\$8,372,662	\$19,599,236	\$22,302,349
Investments	47,447,542	39,315,247	73,978,265
Receivables	5,902,041	7,187,867	5,745,625
Prepayments	3,808,737	3,120,799	2,219,546
Inventory	921,945	1,008,956	977,193
<b>TOTAL CURRENT ASSETS</b>	<b>66,452,927</b>	<b>70,232,105</b>	<b>105,222,978</b>
<b>RESTRICTED ASSETS</b>			
Cash & Cash Equivalents	2,992,001	5,173,872	1,267,959
Investments	10,165,842	7,983,878	-
<b>TOTAL RESTRICTED ASSETS</b>	<b>13,157,843</b>	<b>13,157,750</b>	<b>1,267,959</b>
<b>FIXED ASSETS</b>			
Plant & Equipment—Net	470,133,712	468,831,620	461,093,415
Construction in Progress	17,922,247	27,443,796	68,324,661
<b>Total Fixed Assets</b>	<b>488,055,959</b>	<b>496,275,416</b>	<b>529,418,076</b>
<b>Other Non-Current Assets</b>	<b>671,852</b>	<b>671,852</b>	<b>671,852</b>
<b>TOTAL ASSETS</b>	<b>568,338,581</b>	<b>580,337,123</b>	<b>636,580,865</b>
<b>Deferred Outflow of Resources**</b>			
Prepaid Insurance Related to Debt	-	-	172,718
Refunding of Debt	1,843,078	1,712,682	1,582,286
Resources Related to Pensions	-	-	1,858,954
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$570,181,659</b>	<b>\$582,049,805</b>	<b>\$640,194,823</b>
<b>LIABILITIES &amp; FUND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Current Debt	\$9,188,288	\$10,698,433	\$11,437,018
Accounts Payable	2,062,229	3,062,986	2,656,757
Employee Ben. Pay.	1,841,626	1,863,488	1,134,252
<b>Total Current</b>	<b>13,092,143</b>	<b>15,624,907</b>	<b>15,228,027</b>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Obligations	183,859,699	180,432,738	236,162,727
Other Non-Current Liabilities	636,132	611,776	583,701
Deferred Revenues	-	-	-
<b>Total Long Term Liabilities</b>	<b>184,495,831</b>	<b>181,044,514</b>	<b>236,746,428</b>
<b>TOTAL LIABILITIES</b>	<b>197,587,974</b>	<b>196,669,421</b>	<b>251,974,455</b>
<b>Deferred Outflow of Resources Related to Pensions**</b>			
	-	-	1,814,194
<b>FUND EQUITY</b>			
Capital Assets, Net of Debt	296,810,872	307,112,384	293,589,904
Retained Earnings			
Reserved-Restricted Assets	13,160,363	13,160,270	1,267,959
Unreserved	62,622,450	65,107,730	91,548,311
<b>Total Retained Earnings</b>	<b>75,782,813</b>	<b>78,268,000</b>	<b>92,816,270</b>
<b>TOTAL FUND EQUITY</b>	<b>372,593,685</b>	<b>385,380,384</b>	<b>386,406,174</b>
<b>TOTAL EQUITY/LIABILITIES/DEFERRED INFLOWS</b>	<b>\$570,181,659</b>	<b>\$582,049,805</b>	<b>\$640,194,823</b>

\* For the year ended December 31, 2015 (unaudited)

\*\* New requirement for the year ended December 31, 2013

## Historical Operating Results

	2013	2014	2015*
<b>OPERATING REVENUES</b>			
Charges for Services:			
Water	\$ 32,918	\$ 34,075	\$ 37,062
Sewer	34,875	36,200	36,531
<b>Total Operating Revenues</b>	<b>67,793</b>	<b>70,275</b>	<b>73,593</b>
<b>OPERATING EXPENSES**</b>			
Wages	20,739	20,913	19,619
Supplies	3,930	4,000	4,051
Professional Services	5,382	4,846	5,504
State Taxes	2,289	1,263	1,676
Outside/Intragovernmental Services	11,298	11,912	12,820
<b>Total Operating Expenses</b>	<b>43,638</b>	<b>42,934</b>	<b>43,670</b>
<b>NET OPERATING REVENUES</b>	<b>24,155</b>	<b>27,341</b>	<b>29,923</b>
<b>OTHER REVENUES (EXPENSES)</b>			
Grant Revenue	364	142	330
Investment Income (Expense)***	(2,465)	3,608	1,115
Non-Bond Interest	(377)	(481)	-
Rent	436	507	556
Other Revenues	125	248	242
Timber Sales	-	1,339	756
LID/ULID Assessments	-	-	-
Other Non-Operating Expenses	-	-	-
Gain (Loss) on Sale of Assets	60	3	24
<b>Total Other Revenues</b>	<b>(1,857)</b>	<b>5,366</b>	<b>3,023</b>
<b>TOTAL AVAILABLE FOR DEBT SERVICE</b>	<b>22,298</b>	<b>32,707</b>	<b>32,946</b>
<b>DEBT SERVICE REQUIREMENTS</b>			
Existing Senior Parity Debt Service	10,313	11,536	11,534
Existing PWTF, SRF and Other Loans**	3,896	3,229	3,448
<b>Total Debt Service</b>	<b>14,209</b>	<b>14,765</b>	<b>14,982</b>
Ratio Required By Covenants	1.25	1.25	1.25
Parity Lien Debt Service Coverage Ratio	2.16	2.84	2.86
Total Debt Service Coverage Ratio****	1.57	2.22	2.20
<b>Less: Payment in Lieu of Taxes**</b>	<b>3,692</b>	<b>4,165</b>	<b>4,395</b>
<b>ENDING BALANCE AVAILABLE</b>	<b>\$ 4,397</b>	<b>\$ 13,777</b>	<b>\$ 13,569</b>

\* In thousands of dollars for the years ended December 31, 2015 (unaudited)

\*\* Total expenses exclusive of depreciation, payments in lieu of taxes and bond interest

\*\*\* The 2013 figure includes a change in the Fair Value of Investments.

\*\*\*\* The junior lien debt includes the Public Works Trust Fund (PWTF), State Revolving Fund (SRF) and other loans.

Note: Debt Service Coverage only handles Operating Expenses.

## NOTES TO FINANCIAL STATEMENTS

### Utilities Sustained Bond Rating

The Everett Utilities Division was successful in maintaining its bond rating with Standard and Poor's Rating Services at AA+ in 2015. They noted that the Utilities Division has favorable financial performance, debt coverage and liquidity level, strong financial management and ample water supplies and treatment capacity.

### Debt Administration

The City of Everett issues revenue debt and pledges to pay the debt requirements from the sales derived from the Utilities Fund. As of December 31, 2015, the Utilities Division had the following outstanding debts (excluding interest): \$188.4 million of water and sewer revenue bonds and \$35.4 million of Public Works Trust Fund and State Revolving Fund loans. Additionally, the city complies with all significant limitations and restrictions as disclosed in the bond covenants. The city is required by its bond covenant to maintain debt service coverage of 1.25.

### Annual Debt Service

#### SENIOR PARITY BONDS

YEAR	PRINCIPAL	INTEREST	ANNUAL REQUIREMENT*
2016	\$ 6,700,000	\$ 7,865,271	\$ 14,565,271
2017	7,120,000	7,449,951	14,569,951
2018	7,375,000	7,191,276	14,566,276
2019	7,730,000	6,835,376	14,565,376
2020	8,115,000	6,455,576	14,570,576
2021-2025	46,205,000	26,628,156	72,833,156
2026-2030	55,945,000	16,876,905	72,821,905
2031-2035	35,485,000	6,740,784	42,225,784
2036-2040	13,690,000	1,460,019	15,150,019
<b>TOTAL</b>	<b>\$ 188,365,000</b>	<b>\$ 87,503,314</b>	<b>\$ 275,868,314</b>

\* Outstanding bonds include 2009, 2011, 2013 and 2015 bonds.

## Public Works Trust Fund (PWTF) Loans, State Revolving Fund (SRF) Loans and Proprietary Fund Lease

In 2015, the outstanding PWTF loans and SRF loans of \$35.4 million have interest rates ranging from 0.3 percent to 3.0 percent.

YEAR	PRINCIPAL	INTEREST	ANNUAL REQUIREMENT*
2016	\$ 3,076,281	\$ 346,713	\$ 3,422,995
2017	3,078,741	316,619	3,395,360
2018	3,081,183	286,451	3,367,633
2019	3,076,083	256,211	3,332,294
2020	3,078,670	225,974	3,304,644
2021-2025	13,469,775	707,998	14,177,773
2026-2030	5,143,523	204,141	5,347,664
2031-2033	1,415,260	22,296	1,437,556
<b>TOTAL</b>	<b>\$ 35,419,516</b>	<b>\$ 2,366,403</b>	<b>\$ 37,785,919</b>

\* Outstanding PWTF loans include 2001, 2003, 2004, 2005, 2006 and 2013 loans. Outstanding SRF loans include 2004, 2005, 2006, 2007, 2009 and 2010.

## Capital Improvement Projects

\$43.8 million was spent on capital improvement projects in 2015. These projects were financed from a combination of capital contributions, revenues from operations, government loans, revenue bonds and capital grants. The year ended with \$58.9 million in unrestricted cash and investment balances. The overall strong financial performance of the Utilities Division ensures future funding for capital projects.

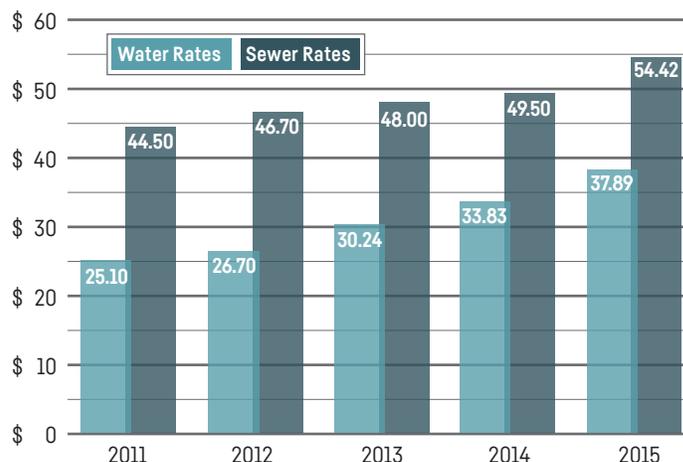
### MAJOR CAPITAL ASSET INVESTMENT INCLUDED (IN MILLIONS):

Water Pollution Control Facility Expansion Phase C	\$ 13.5
Water Main Replacement M	\$ 8.5
Water Main Replacement L	\$ 5.9
Water Transmission Pipeline No. 5 Replacement at Pilchuck River	\$ 3.3
Lift Station No. 33 Replacement	\$ 2.8

## Historical Rates

For single-family customers, the water flat rate increased by \$4.06, or 10.7 percent, from \$33.83 to \$37.89 per month in 2015 to cover increased water O&M and capital costs.

The sewer flat rate increased \$4.92, or 9.9 percent, from \$49.50 to \$54.42 per month in 2015. This increase was needed to fund capital projects to reduce the potential of storm overflows.



## Major Water Customers

The five largest water customers in the Everett Water Service Area accounted for more than 96.1 percent of the 2015 water service revenues (in thousands of dollars):

CUSTOMER	REVENUE
Everett Retail Customers	\$ 19,038
Alderwood Water and Wastewater District	11,077
City of Marysville	2,106
PUD No. 1 of Snohomish County	1,930
City of Monroe	1,213
<b>TOTAL</b>	<b>\$ 35,364</b>

## Major Sewer Customers

The Water Pollution Control Facility provided treatment services primarily to five service areas in 2015 (in thousands of dollars):

CUSTOMER	REVENUE
Everett Retail Customers	\$ 21,772
Silver Lake Water and Sewer District	5,638
Alderwood Water and Wastewater District	1,496
Mukilteo Water and Wastewater District	674
City of Marysville	41
<b>TOTAL</b>	<b>\$ 29,621</b>



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