



Dear Lake Stevens Sewer District Customer:

Construction of the new Lake Stevens Sunnyside Wastewater Treatment Facility is more than half complete and is moving into its final stages. This facility, expected to be in use by early 2012, is the culmination of nearly twenty years of both engineering and fiscal analysis. The new facility will provide 3 main benefits:

- Relocate critical infrastructure out of the Snohomish floodplain,
- Allow the community to be in a position to grow when the economy recovers
- Provide advanced levels of treatment now and into the future to meet the emerging water quality requirements for discharge to the delicate Snohomish River estuary and Puget Sound

Since 2006, Lake Stevens Sewer District and the City of Lake Stevens, jointly, have acquired \$78 million in low-interest government loans. Following the financial plan, municipal bonds will make up the remainder of the project cost of \$119 million. The goal of the District's Board of Commissioners has always been to gradually increase sewer rates to minimize rate impacts.

When the new facility was bid in mid-2008, the country was experiencing record high fuel prices. Nationwide the cost of materials rose following Hurricane Katrina as large quantities of building supplies were sent to the Gulf Coast. At the same time developing nations, such as China, were growing at an unprecedented pace placing additional demand on suppliers. These factors led to higher bids than were previously anticipated.

Through the subsequent economic downturn, the Board has continued to analyze and control impacts to existing rate payers. Though the District is facing annual debt payments of almost \$8.2 million to meet the higher water quality needs, by utilizing reserves the Board has been able to keep sewer rates in line with earlier pre-bid goals. This translates to a \$5.00 per year increase for the next four years, stabilizing at cost-of-living adjustments subject to Capital Facilities planning changes thereafter. Initially when rates were calculated based on both the new, lower growth projections and increased construction costs, the resulting rate increases were substantially higher than those that may be realized by utilizing rate reserves.

This is a conservative approach to revenue generation and places appropriate amounts of debt responsibility on the future customers who will benefit from the facility. Ongoing planning and analysis will continue to determine if further graduation of rates or earlier debt retirement can be accomplished. Slight improvements in the economy, above the conservatively projected minimums, could have significant positive impacts.

As fellow citizens of Lake Stevens, the Board understands the current economic pressures that are being faced by the rate payers. They remain committed to minimizing impacts to individual budgets while keeping water quality in our community a clear priority now and into the future.

To learn more about the District, please contact us at 425-334-8588 or visit us at www.lkstevenssewer.org.

Respectfully,

LAKE STEVENS SEWER DISTRICT