UTILITIES ANNUAL REPORT 2014

EVERETT

City of Everett Public Works Department

Secondary Clarifier

2014 Utilities Annual Report

Contents

Director's Message.....1

Water Service – A Vital Regional Provider..... 2-3

Water Conservation – Ensuring an Adequate Supply 4

Sewer Service 5

Surface and Stormwater Service 6-7

Separating Two Systems.....8-11

- *What a Combined System Is*
- *What We are Doing to Improve the System*
- *Sewer L North Area Project*
- *East Grand Avenue and Cleveland Avenue Sewer and Stormwater Projects*
- *Sewer M Project*
- *Northwest Stormwater Separation Project*
- *Everett Water Pollution Control Facility Phase C Expansion Project*

2014 Financial Status 13-16

EDITOR: **Lori Tobin**

PHOTO CREDITS:

Cover: **Will Austin** – *Secondary Clarifier with Construction Cranes*
Inside front cover: **Charles Johnstone**
Page 1: **Mark Somers**
Page 2: **Joe Dreimiller**
Page 5: **Lori Tobin**
Page 6: **Apryl Hynes**
Page 7: **Apryl Hynes**
Page 10: **Tom Gallagher**
Page 11: **Will Austin**
Page 12: **Will Austin**
Inside back cover: **Charles Johnstone**
Back cover: **Bill Fisher** – *Parade of Canada Geese*

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 some of our key projects and presents our 2014 operating results. I hope you find it informative.

Preserving a healthy fiscal position, while methodically improving capital facilities, helps us meet current and future needs. In 2014, the Utilities Division maintained a Standard and Poor's bond rating of AA+. Careful financial management was one of several factors cited by Standard and Poor's for this rating.

Our water and sewer comprehensive plans are integral parts of our financial management. They allow us to evaluate critical infrastructure and plan for maintenance, replacement and expansion. We started updating these plans in 2013 and we expect both of them to be approved in 2015.

Providing outstanding customer service and getting the job done in the most cost efficient 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,

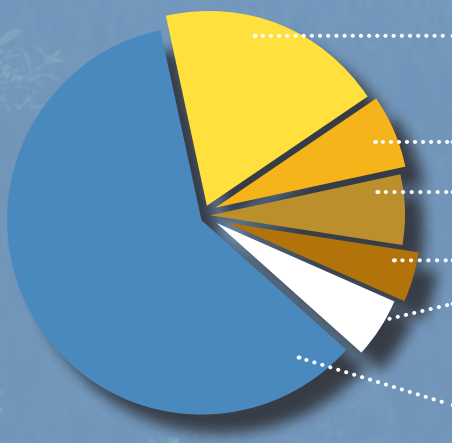
Dave Davis
Public Works director

Water Service

Drinking Water Distribution

(PERCENT OF DEMAND)

Five water systems account for 95 percent of the demand for treated water: Alderwood Water and Wastewater District, PUD No. 1 of Snohomish County, and the cities of Everett, Marysville and Monroe.



Everett 19%

PUD No. 1 of Snohomish County 6%

Marysville 6%

Monroe 4%

Other* 5%

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

Alderwood Water and Wastewater 60%

Spada Lake Reservoir

A Vital Regional Water Provider

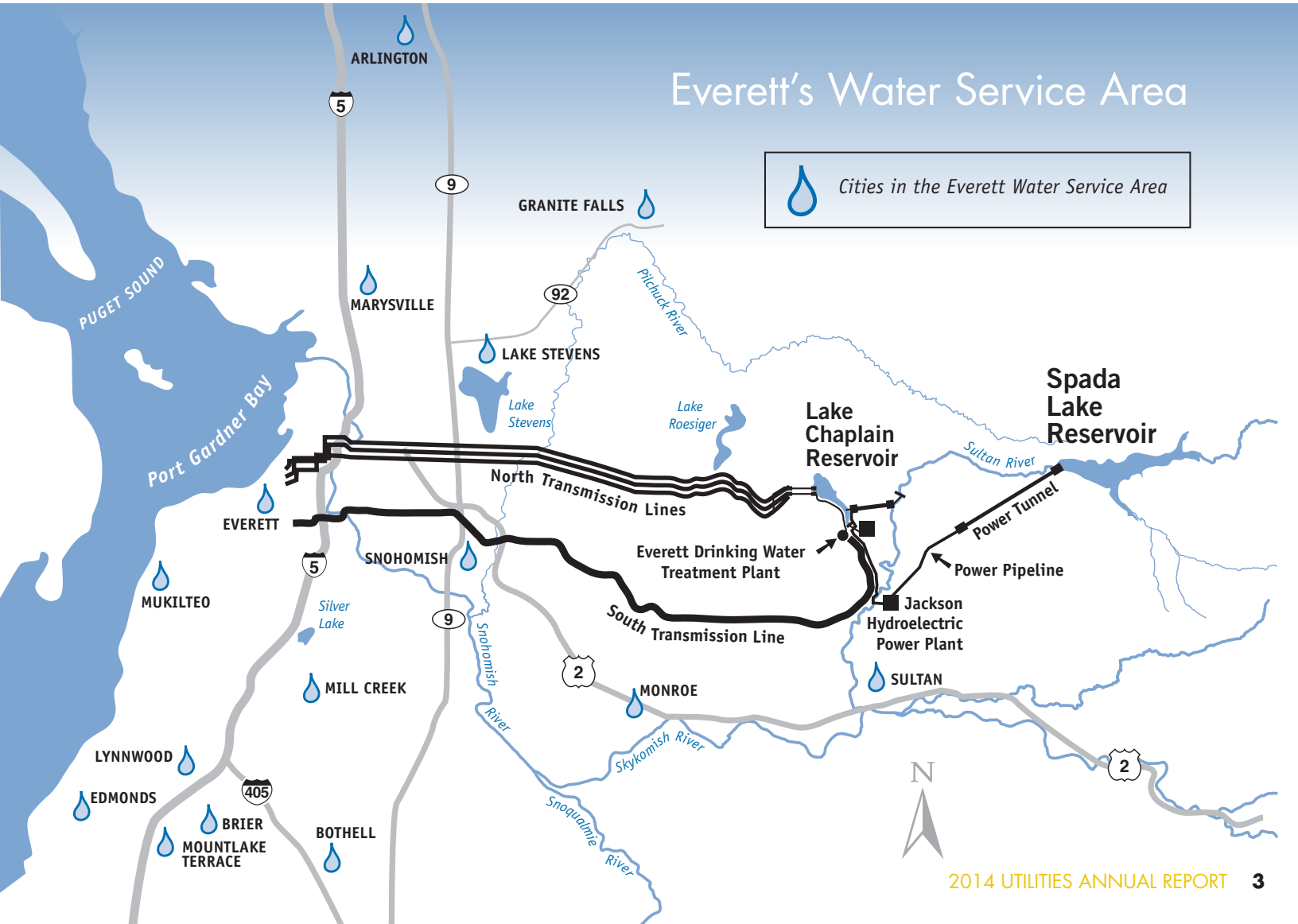
During the last century, the Everett water system has grown from a simple localized system that supplied water to the residents of Everett, to a vital regional water provider. The Everett water system now supplies water to an estimated 566,000 residents of Snohomish County through a network of water providers.

Major components of the Everett water system include:

- 50 billion gallon Spada Lake water storage reservoir,
- 4.5 billion gallon Lake Chaplain water storage reservoir,
- 132 million gallons per day (MGD) Everett Drinking Water Treatment Plant,
- four water transmission pipelines that can deliver 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 government and the Tulalip Tribes. This working partnership helps the Utilities Division meet today's water needs and plan for future regional water needs.



Ensuring an Adequate Supply

by Greg Moore

In 2003, the Washington State Legislature passed the Municipal Water Law to help protect and conserve our 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 users 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.

Nearly $7 million has been expended in regional water conservation activities since 2001. This includes things such as school programs for students in grades 2-12, 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 about 3.7 million gallons per day (MGD) through 2014—enough water to fill more than 87,000 bathtubs a day.

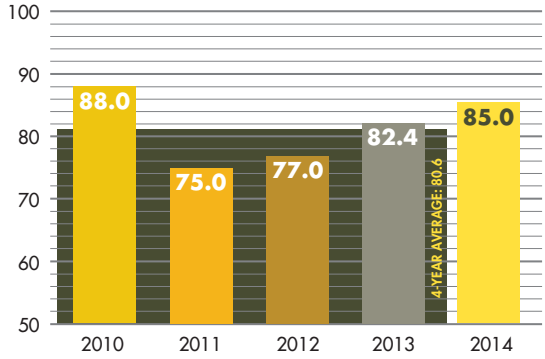
Previous regional conservation programs were planned and implemented in six-year cycles, as part of Everett's comprehensive water plan. The first plan covered the period from 2001 through 2006; the second from 2007 through 2012. In April 2015, Everett received approval from the Department of Health for their Amendment to the 2007 Comprehensive Water Plan, which will remain in effect through April 2021.

In 2014, 630 water conservation workshops were conducted in classrooms throughout Snohomish County, reaching more than 16,200 students. Participating water systems also distributed more than 2,500 indoor conservation kits and 4,000 outdoor conservation kits. These 2014 activities are estimated to have saved about 0.65 MGD regionally.

Peak Day Demand for Drinking Water

MILLION GALLONS PER DAY (MGD)

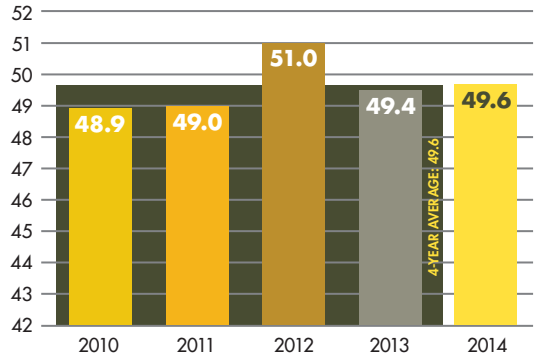
The peak day demand for treated water historically has occurred in July or August. In 2014, the peak day demand occurred in July at 85.0 MGD. This was a 3 percent increase from the 2013 peak day demand of 82.4 MGD and a 5.5 percent increase from the 2010 to 2013 average peak day demand of 80.6 MGD. Fluctuations in peak day demand can be attributed to differences in annual summer temperatures and rainfall levels in Everett's water service area.



Average Daily Production of Drinking Water

MILLION GALLONS PER DAY (MGD)

The Everett Drinking Water Treatment Plant produced an average of 49.6 MGD of water in 2014—a 0.4 percent increase from the 49.4 MGD produced in 2013 and equal to the previous four year average.



Sewer Service

The Everett Water Pollution Control Facility (EWPCF) serves more than 160,000 people and has a rated treatment capacity of 36.3 million gallons per day. 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 the 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.

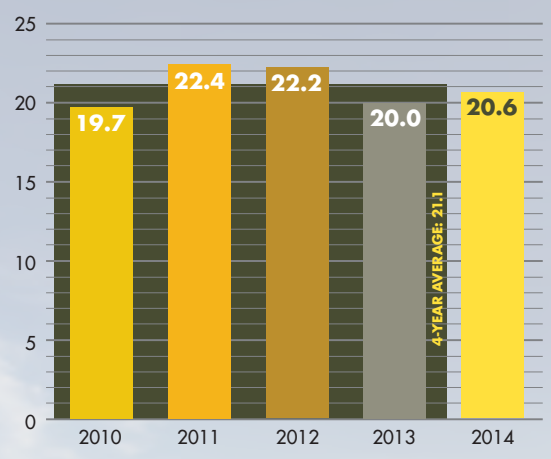
The EWPCF is unique in that it has two parallel systems for secondary treatment: a pond (lagoon) system and a mechanical system. The two systems perform the same treatment level, but the processes are different. Wastewater is treated in the mechanical plant using a process called trickling filter/solids contact. This process takes up less space and is much faster than the pond system. The mechanical plant treats up to 18 million gallons per day and can clean wastewater in a matter of hours, while it can take several weeks in the 150 million gallon pond (lagoon) system.

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 2014, the following sewage collection system operation and maintenance activities were accomplished:

- cleaned and maintained one-seventh of the sewer mains totaling about 48 miles,
- cleaned and inspected inlets within the combined sewer area,
- completed prioritized repairs and rehabilitation of sewer mains and side-sewers, and
- remotely operated and monitored sewage lift stations 24/7.

Everett Water Pollution Control Facility Aeration Ponds



Wastewater Processed

MILLION GALLONS PER DAY (MGD)

In 2014, the Everett Water Pollution Control Facility processed an average of 20.6 MGD of wastewater—an increase of 2.9 percent from the 20 MGD processed in 2013 but a 2.3 percent decrease from the previous four year average of 21.1 MGD. The lagoon system accounted for about 55 percent and the mechanical system for about 45 percent.

Surface and Stormwater Service

Disconnected Downspout and Splash Block

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

The city of Everett is a community with abundant natural resources including about 42.8 square miles of land and water with 20 drainage basins. To protect these resources, the Utilities Division conducts activities to reduce and prevent water pollution. 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.

The Utilities Division continued development of a Surface Water Comprehensive Plan in 2014. When complete—final approval is expected in 2015—this plan will identify and prioritize flooding, water quality and habitat issues for each drainage basin.

In 2014, the Utilities Division also continued the green stormwater infrastructure (GSI) program called Let it Rain. This program utilizes 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, which lessens its impact on the storm and sewer systems.

Other significant activities related to surface and stormwater that were completed in 2014 include:

- collected ambient water quality data on Everett's lakes and streams,
- held workshops on rain gardens and natural yard care that were attended by 312 people,
- held 69 classroom workshops on surface water quality and watershed protection that reached 1,862 students in 11 schools,
- held rain barrel workshops and one-day sales attended by 165 people, sold 214 rain barrels,
- held a landslide workshop attended by 91 people,
- targeted 1,689 businesses with charity car wash education material,
- canvassed 3,000 homes in north Everett, which resulted in the disconnection of 184 downspouts,
- inspected stormwater systems on private property and required systems to be cleaned where needed to function as designed, and
- inspected 122 detention ponds, 102 detention pipes, 72 detention vaults, 49 bioswales, 20 oil and water separators, 663 ditches, 347 culverts and 2,646 catch basins in the storm drainage system and provided maintenance as needed.

New Rain Garden

Make a Rain Barrel Workshop (left and center); Disconnecting a Downspout (right)

Volunteers Help Protect Water Quality

Marking storm drains and removing street litter and pet waste help protect surface water quality in Everett. City programs encourage the reduction of nonpoint source pollutants by recruiting volunteers who:

- remove street litter through the Adopt-a-Street Program,
- stock dispensers with pet waste bags for the Mutt Mitt program, and
- label storm drains "Puget Sound Starts Here," a regional storm drain marking program.

In 2014, volunteers:

- removed 506 bags of litter from about 46 miles of streets,
- filled 56 Mutt Mitt stations to encourage pet waste removal,
- marked 55 storm drains, and
- donated 1,439 hours.

Volunteers Label Storm Drains

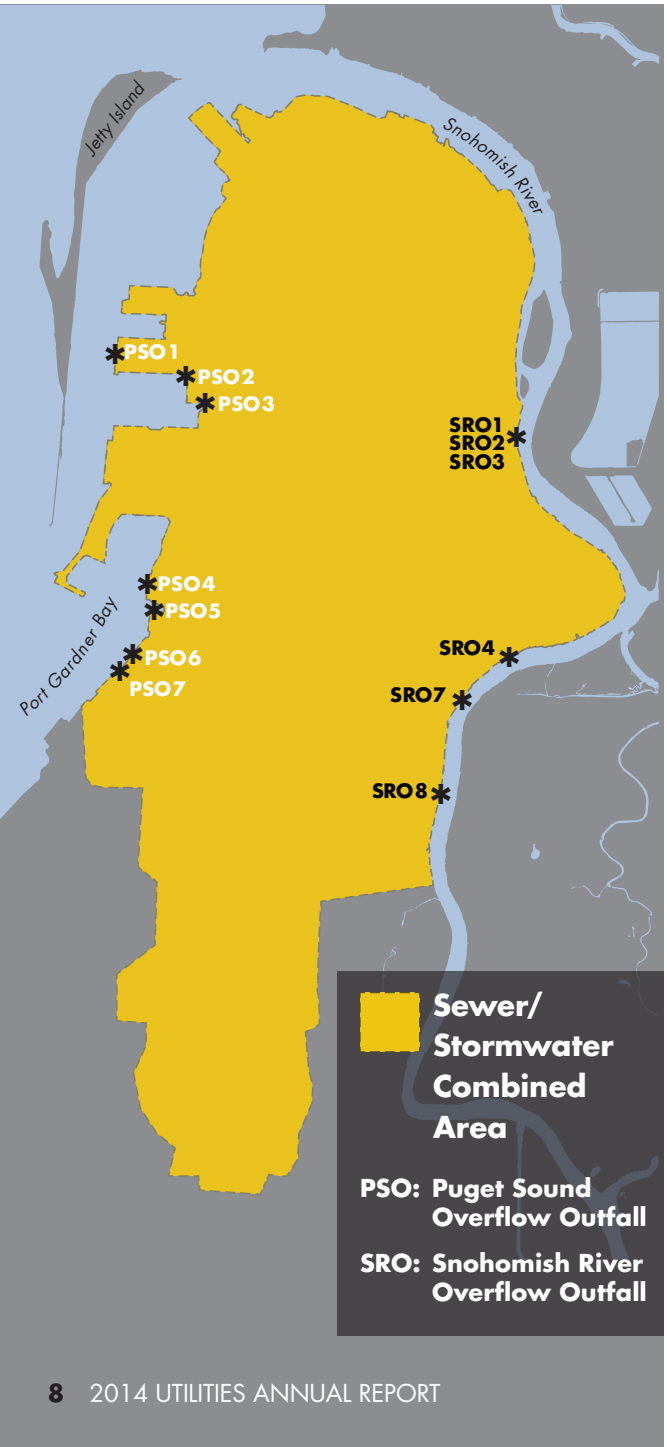
Puget Sound Starts Here

Separating Two Systems *by Dave Voigt*

What a Combined Sewer System Is

In 1890, the city's first sewer pipes were constructed along Broadway Avenue. Everett incorporated in 1893 and by 1897 a sewer bond election passed that funded the construction of the first citywide sewer and drainage system. This sewer system was a combined system that carried stormwater runoff and sanitary sewage in the same pipes. Everett's sewer system originally discharged untreated flows into the Snohomish River and Port Gardner Bay. In 1959, oxidation and polishing ponds (lagoons) were constructed on Smith Island (then in the County) and operated by the Snohomish County Health District. This provided secondary treatment to wastewater prior to its discharge. Everett took over operation of the pond system in 1975.

Significant improvements have been added to the wastewater treatment plant over time. Currently, the Everett Water Pollution Control Facility has two parallel treatment systems: trickling filter/solids contact and aeration/oxidation ponds.



The passage of the Federal Clean Water Act, in 1972, triggered many major improvements to Everett's sewer collection system and wastewater treatment plant that significantly reduced the frequency and volume of untreated sewage discharges to the Snohomish River and Port Gardner.

However, such discharges still occur. There are 13 combined sewer overflow outfalls—seven on Port Gardner and six on the Snohomish River (see graph). In 2014, there were 174 combined sewer overflow events that discharged as much as 52 million gallons of mixed sewage and stormwater.

Another shortcoming of Everett's combined sewer system is the occurrence of basement flooding caused by overloaded collection pipes during heavy rain events. The severity and frequency of basement and street flooding seem to have increased over time as we've seen more intense rain events. The following is a brief summary of notable storm events that caused flooding, combined sewer overflows and sewer backups:

- June 1989: 48 complaints, 0.7 inches per hour.
- September 1996: 44 complaints.
- June 1997: 11 complaints.
- October 2008: 26 claims, 0.60 inches per hour.
- June 2010: 71 claims, 0.84 inches in 19 minutes, or 2.65 inches per hour, 400 year event.
- November 2011: approx. 4 inches rain in 3 days, record peak flows to the Everett Water Pollution Control Facility, extensive combined sewer overflows.
- August-September 2013: 141 complaints or claims, 0.85 inches in 30 minutes, 360 year event.

The primary regulatory requirement for Everett's combined sewer is the Washington State Department of Ecology requirement to limit combined sewer overflows to no more than an average of one overflow per year per National Pollutant Discharge Elimination System permitted outfall based on a five-year rolling average. The Department of Ecology also requires that sewer backups (basement flooding) caused by blockages in sewer mains or surcharge from sewer mains be reported.

What We Are Doing To Improve the System

Everett strives to gain a better understanding of how its sewer network functions—in particular, how the collection and conveyance facilities react to various rain events that might cause flooding, surcharging or combined sewer overflows. Everett developed a computer model, which is calibrated based on actual sewer system flow/depth monitoring data and historical precipitation data from a sizable rain gauge network. This sewer modeling is providing effective engineering solutions for many of the various problem areas in the combined system.

Modeling demonstrated that separating stormwater runoff generated by streets and alleys from the sewer collection system is an effective measure to reduce or eliminate basement flooding, pipe surcharging and combined sewer overflows in some areas of the combined system. These modeling efforts include scenarios that simulate the benefits of disconnecting roof downspouts from side sewer laterals. However, in much of the existing combined sewer system, modeling revealed that it will function adequately without stormwater separation efforts.

The following are some examples of recent, current and upcoming sewer projects that utilize stormwater separation of street and alley drainage to rectify various problems. Each project involves a slightly different strategy designed to address the specific problems of each area.

Separated stormwater can be either "treated" or "untreated." The term "full separation" represents stormwater that has been collected and treated in the catchment area and can be discharged directly to receiving waters. The term "partial separation" represents stormwater that is untreated and would be routed to the Everett Water Pollution Control Facility for treatment prior to discharge. In either case, a majority of the separated stormwater is treated prior to discharge to the river or bay.

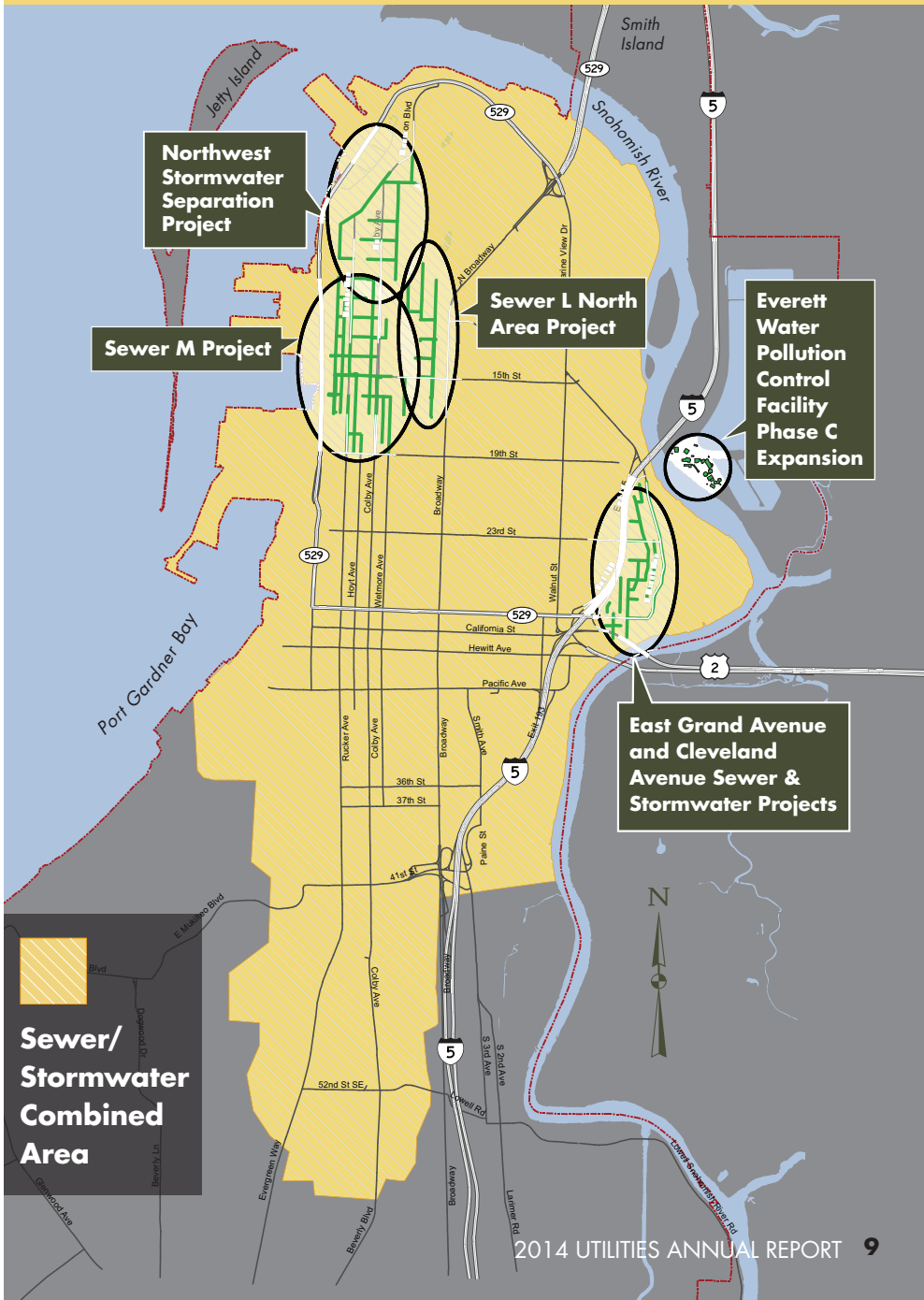
SEWER L NORTH AREA PROJECT

Wet Weather Bypass Pipe

This project area is located generally south and east of Providence Hospital Colby Campus and was completed in 2010. These improvements were expedited following the microburst rain event that occurred in June 2010, which resulted in significant basement sewer flooding and street flooding. Utilizing modeling, it was determined that separation of street and alley drainage and re-routing hospital flows into a separate, large-diameter pipe would eliminate the basement

continued on page 10

Map of Combined Sewer Area Projects



System Improvements *continued from page 9*

and street flooding problem in this neighborhood.

The separated wet weather flows are now conveyed past the neighborhood to a location on 17th Street where a large-diameter interceptor can carry those flows to the Everett Water Pollution Control Facility. The effectiveness of these improvements was demonstrated during the August-September 2013 rain events, when no basement or street flooding was reported in this neighborhood.

EAST GRAND AVENUE AND CLEVELAND AVENUE SEWER AND STORMWATER PROJECTS

Full Separation and Treatment of Stormwater

Construction of Phase 1 of this project (East Grand Avenue) began in 2014 in the portion of the Riverside neighborhood east of I-5. The primary objective for this project was to replace old and severely deteriorated sewers and manholes—some more than 100 years old.

However, because this project area is located adjacent to the Snohomish River, there is an opportunity to remove street and alley drainage from the sewer and then treat that stormwater prior to discharge to the river. These improvements will help reduce combined sewer overflows, free-up capacity at the Everett Water Pollution Control Facility and assure that residents are not harmed by wet-weather sewer backups.

The Washington Department of Ecology has provided $1 million in grant funding to pay for the stormwater treatment improvements that include bioretention swales, Filterra units and Storm Filter Cartridges. The construction of Phase 2 (Cleveland Avenue) is expected to occur within the next two years and was also selected to receive $1 million in grant funding.

SEWER M PROJECT

Partial Separation of Stormwater

Phase 1 of this project will be constructed during 2015-16 in the area generally west and south of Providence Hospital Colby Campus. The primary objective for this project is to eliminate chronic basement sewer and street flooding problems, which were particularly severe during the August-September 2013 rain events. Additional project goals are to replace old and deteriorated sewers and reduce combined sewer overflows to Port Gardner Bay.

Modeling determined that separating street and alley drainage from the sewer collection network will virtually eliminate the basement flooding problem and will significantly reduce combined sewer overflows. A new flow control structure will direct the majority of untreated stormwater volume to the Everett Water Pollution Control Facility, and also will be capable of routing flows to Port Gardner Bay during especially severe rain events.

The Grand Avenue Park Bridge project, which is currently in the planning stage, will support several new conveyance pipes extending from the top of the bluff next to the Grand Avenue Park, across the Burlington Northern Santa Fe Railroad (BNSFRR) yard and West Marine View Drive to various connections in the marina area and flow into the bay. These new pipes will allow the city to abandon numerous old and deteriorated pipes that are buried in the bluff and under BNSFRR property.

NORTHWEST STORMWATER SEPARATION PROJECT

Partial Separation and Detention of Stormwater

Currently in the planning phase, this project area is located generally west of Legion Golf Course to Alverson Boulevard and between 5th Street and 10th Street. Similar to the Sewer M area, this neighborhood has also suffered from repeated basement sewer flooding and surface flooding incidents.

Preliminary concepts are looking at opportunities to route separated stormwater to the detention ponds located on the Legion Golf Course and then later re-introduce the stormwater into a large-diameter trunk sewer that leads to the Everett Water Pollution Control Facility.

In addition to preventing neighborhood flooding, this project will help reduce combined sewer overflows at an outfall on the Snohomish River and will free-up capacity in the existing interceptor pipe.

Newly Installed Filterra Unit

Everett Water Pollution Control Facility Phase C Expansion

by John Nottingham

In 2009, Carollo Engineers prepared an Engineering report that identified improvements needed at the Everett Water Pollution Control Facility, which would allow the plant to continue to comply with the Department of Ecology National Pollutant Discharge Elimination System Permit requirements. The Phase C Expansion was the largest single facility modification identified in this Engineering Report. To facilitate these improvements, the expansion project was divided into three parts. These included a project that centered on the expansion of the liquid capacity of the plant and two projects that expanded the solids handling capacity of the plant. The improvements related to the expansion of liquid capacity are currently in construction. These improvements include:

- expansion of the existing aeration basin from four to six aeration channels,
- construction of a new 90 foot diameter trickling filter with a feed pump,
- construction of a new 107 foot diameter secondary clarifier,
- addition of a 5 million gallons per day pump at the South Effluent Pump Station,
- relocation and increased capacity of the in-plant reuse water pump station, and
- extensive electrical control upgrades throughout the plant.

Prior to design, the City of Everett elected to design and construct the project as a General Contractor/Construction Manager (GC/CM) project under state guidelines (RCW 39.10). At the 30 percent design level, the city advertised and selected IMCO General Construction of Ferndale, Washington as the GC/CM. IMCO then contracted with the city for preconstruction services and assisted with the design from 30 percent to final. At final design, IMCO presented the city with a "not to exceed" construction cost estimate. The City of Everett negotiated with IMCO on this cost, again per RCW 39.10, and reached an agreed upon "maximum" construction price of $31.3 million.

As the GC/CM, IMCO proceeded by publicly bidding all of the construction work and awarding it to the lowest bidder similar to a standard publicly bid project. At this time, 10 of the 12 bid packages have been awarded and all 10 have been under the bid estimate.

The design engineer estimated that the project would take 24 months to construct from January 2014 to December of 2015. However, IMCO has estimated that the project will take 18 months. The project started in March of 2014 and is currently on track to be completed in August of 2015.

Biological Trickling Filter Lower Wall Section

Biological Trickling Filter Perimeter Footing

2014 Financial Status

The Everett Utilities Division continues to maintain bond rating stability and a solid financial position. The fundamental financial strengths are based on 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, interest earnings on reserve balances and grant proceeds. Total operating revenues increased 3.7 percent from $67.8 million in 2013 to $70.3 million in 2014.

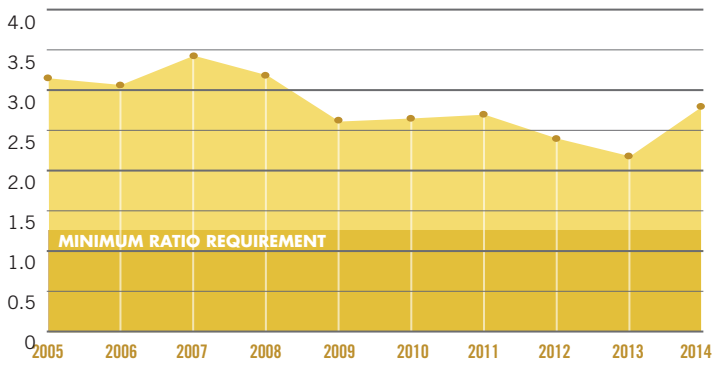
The Utilities Division experienced a 3.5 percent increase in operating revenue in water. The 13.5 percent water rate increase and 4.16 percent filtration rate increase in 2014 reflect the loss of the Kimberly-Clark mill as a major water customer and the changing consumption patterns of other water customers. Discovery of a defective water meter led to a refund of $1.3 million dollars to a major wholesale water customer for overcharging, which reduced revenues in 2014.

Sewer sales increased from $34.9 million in 2013 to $36.2 million in 2014, a 3.8 percent increase. The increase is attributed to a 3.1 percent retail sewer rate increase and a 2.5 percent revenue increase from wholesale sewer customers in 2014. Capital contributions decreased by $.08 million or 2.2 percent, to $3.6 million in 2014. Capital contributions fluctuate with the level of sewer treatment capital expenditures to which wholesale sewer customers are contractually obligated to contribute.

Capital and operating expenditures consist of capital improvements, debt service and operations and maintenance (O&M). Capital expenditures totaled $17.8 million. Debt service totaled $16.5 million in 2014. Total operating expenses increased by $0.2 million, or 0.4 percent in 2014.

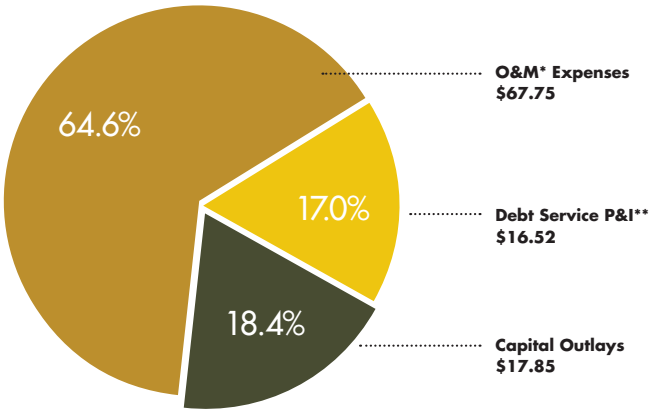
Overall, Utilities Division senior lien debt service coverage continues to remain strong, increasing to 2.84 in 2014, up from 2.16 in 2013, well in excess of the 1.25 bond requirements.

Debt Service Coverage: Last 10 Years



2014 Total Expenses

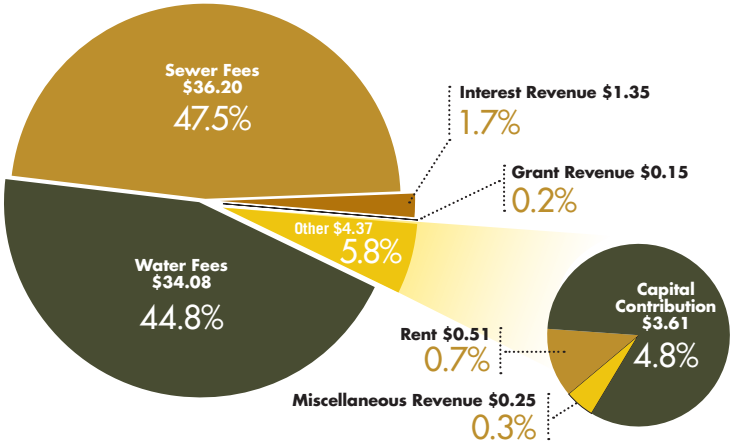
(MILLIONS OF DOLLARS)



**Operations and Maintenance **Principal and Interest*

2014 Total Revenues

(MILLIONS OF DOLLARS)



Statement of Operations

From January 1, 2012 through 2014 to December 31, 2012 through 2014

	2012	2013	2014*
OPERATING REVENUES			
Charges for Services			
Water	$ 31,282,950	$ 32,918,245	$ 34,075,324
Sewer	32,837,412	34,874,789	36,199,463
TOTAL CHARGES FOR SERVICES	**64,120,362**	**67,793,034**	**70,274,787**
OPERATING EXPENSES			
Personnel Services	20,165,443	20,739,370	20,913,132
Supplies	3,619,446	3,929,793	4,000,321
Professional Services	6,967,366	5,381,561	4,846,425
Depreciation/Amortization	12,180,388	12,463,722	13,387,613
Taxes	1,441,682	2,288,671	1,262,726
Outside/Intragovernmental Services	8,579,122	11,298,285	11,912,228
Total Operating Expenses	**52,953,447**	**56,101,402**	**56,322,445**
OPERATING INCOME	**11,166,915**	**11,691,632**	**13,952,342**
NON OPERATING REVENUES (EXPENSES)			
Grant Revenue	214,893	364,244	141,648
Interest Revenue	1,244,198	(2,465,025)	3,607,644
Rent	453,030	435,604	506,568
Timber Sales	-	-	1,338,585
Equity in Income (Loss) of Joint Venture	(548,149)	-	-
Other Non-Operating Rev.	159,051	125,111	248,165
Gain (Loss) on Sale of Assets**	855,039	60,198	(2,971)
Interest Expense	(5,392,358)	(6,547,948)	(6,485,003)
Other Non-Operating Expense	-	-	-
Total Non-Operating Revenue (Expense)	**(3,014,296)**	**(8,027,816)**	**(645,364)**
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	**8,152,619**	**3,663,816**	**13,306,978**
Capital Contributions	2,858,868	3,720,289	3,645,041
Special items	-	-	-
Operating transfers In (Out)	(3,808,625)	(3,692,400)	(4,165,320)
NET INCOME	**7,202,862**	**3,691,705**	**12,786,699**
Net Equity - Beginning	**363,393,237**	**370,596,100**	**372,593,685**
Prior Period Adjustments	-	(1,694,120)	-
NET EQUITY - ENDING	**$ 370,596,100**	**$ 372,593,685**	**$ 385,380,384**

* *For the year ended December 31, 2014 (unaudited)*
** *Sale of Surplus Property*

Balance Sheet

December 31 of 2012, 2013 and 2014

	2012	2013	2014*
CURRENT ASSETS			
Cash & Cash Equivalents	$ 9,594,736	$ 8,372,662	$ 19,599,236
Investments	48,917,084	47,447,542	39,315,247
Receivables	6,264,905	5,902,041	7,187,867
Prepayments	4,686,236	3,808,737	3,120,799
Inventory	748,415	921,945	1,008,956
TOTAL CURRENT ASSETS	**70,211,376**	**66,452,927**	**70,232,105**
RESTRICTED ASSETS			
Cash & Cash Equivalents	4,882,705	2,992,001	5,173,872
Investments	9,906,886	10,165,842	7,983,878
TOTAL RESTRICTED ASSETS	**14,789,591**	**13,157,843**	**13,157,750**
FIXED ASSETS			
Plant & Equipment - Net	438,072,407	470,133,712	468,831,620
Construction in Progress	49,002,718	17,922,247	27,443,796
Total Fixed Assets	**487,075,125**	**488,055,959**	**496,275,416**
Other Non-Current Assets	**2,368,761**	**671,852**	**671,852**
TOTAL ASSETS	**$ 574,444,853**	**$ 568,338,581**	**580,337,123**
Deferred Outflow of Resources**			
Refunding of Debt	-	1,843,078	1,712,682
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	**$ 574,444,853**	**$ 570,181,659**	**$ 582,049,805**
LIABILITIES			
Current			
Current Debt	$ 8,883,922	$ 9,188,288	$ 10,698,433
Accounts Payable	3,082,534	2,062,229	3,062,986
Employee Ben. Pay.	1,636,583	1,841,626	1,863,488
Total Current	**13,603,039**	**13,092,143**	**15,624,907**
Non-Current Liabilities			
Long Term Obligations	189,630,584	183,859,699	180,432,738
Other Non-Current Liabilities	613,621	636,132	611,776
Deferred Revenues	1,509	-	-
Total Long Term Liabilities	**190,245,714**	**184,495,831**	**181,044,514**
TOTAL LIABILITIES	**203,848,753**	**197,587,974**	**196,669,421**
FUND EQUITY			
Capital assets, net of debt	297,003,579	296,810,872	307,112,384
Retained Earnings			
Reserved-Restricted Assets	14,792,111	13,160,363	13,160,270
Unreserved	58,800,410	62,622,450	65,107,730
Total Retained Earnings	**73,592,521**	**75,782,813**	**78,268,000**
TOTAL FUND EQUITY	**370,596,100**	**372,593,685**	**385,380,384**
TOTAL EQUITY / LIABILITIES	**$ 574,444,853**	**$ 570,181,659**	**$ 582,049,085**

* *For the year ended December 31, 2014 (unaudited)*
** *New requirement for the year ended December 31, 2013*

Historical Operating Results

	2012	2013	2014*
OPERATING REVENUE			
Charges for Services:			
Water	$ 31,283	$ 32,918	$ 34,075
Sewer	32,837	34,875	36,200
Total Operating Revenues	**$ 64,120**	**$ 67,793**	**$ 70,275**
OPERATING EXPENSES**			
Wages	$ 20,165	$ 20,739	$ 20,913
Supplies	3,619	3,930	4,000
Professional Services	6,967	5,382	4,846
State Taxes	1,442	2,289	1,263
Outside/Intragovernmental Services	8,579	11,298	11,912
Total Operating Expenses	**$ 40,772**	**$ 43,638**	**$ 42,934**
NET OPERATING REVENUE	**$ 23,348**	**$ 24,155**	**$ 27,341**
OTHER REVENUE (EXPENSE)			
Grant Revenue	$ 215	$ 364	$ 142
Investment Income (Expense)***	1,244	(2,465)	3,608
Non-Bond Interest	(964)	(377)	(481)
Rent	453	436	507
Other Revenue	159	125	248
Timber Sales	848	-	1,339
LID/ULID Assessments	-	-	-
Other Non-Operating Expenses	-	-	-
Gain (Loss) on Sale of Assets	7	60	3
Total Other Revenue	**$ 1,962**	**$ (1,857)**	**$ 5,366**
TOTAL AVAILABLE FOR DEBT SERVICE	**$ 25,310**	**$ 22,298**	**$ 32,707**
DEBT SERVICE REQUIREMENTS			
Existing Senior Parity Debt Service	11,001	10,313	11,536
Existing PWTF, SRF and Other Loans**	4,580	3,896	3,229
Total Debt Service	**$ 15,581**	**$ 14,209**	**$ 14,765**
Ratio Required by Covenants	1.25	1.25	1.25
Parity Lien Debt Service Coverage Ratio	2.30	2.16	2.84
Total Debt Service Coverage Ratio****	1.62	1.57	2.22
Less: Payment in Lieu of Taxes**	**3,810**	**3,692**	**4,165**
ENDING BALANCE AVAILABLE	**$ 5,919**	**$ 4,397**	**$ 13,777**

* *In thousands of dollars for the years ended December 31, 2014 (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 2014. 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, 2014, the Utilities Division had the following outstanding debts (excluding interest): $143.0 million of water and sewer revenue bonds, and $34.6 million of Public Works Trust Fund and State Revolving Fund Loans. The city has set aside cash reserves of $4.2 million, deposited with the trustees, as insurance for our outstanding bond issuance and $1.0 million to finance the redemption funds and annual debt service requirements. 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*
2015	5,125,000	6,409,526	11,534,526
2016	5,370,000	6,164,726	11,534,726
2017	5,600,000	5,938,626	11,538,626
2018	5,825,000	5,710,351	11,535,351
2019	6,105,000	5,431,951	11,536,951
2020-2024	35,390,000	22,300,506	57,690,506
2025-2029	45,145,000	13,762,704	58,877,704
2030-2034	30,770,000	4,624,468	35,394,468
2035	3,635,000	181,750	3,816,750
TOTAL	**$ 142,965,000**	**$ 70,494,608**	**$ 213,459,608**

* *Outstanding bonds include 2005, 2009, 2011 and 2013 Bonds.*

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

In 2014, the outstanding PWTF Loans and SRF Loans of $34.7 million have interest rates ranging from 0.3 percent to 3 percent.

YEAR	PRINCIPAL	INTEREST	ANNUAL REQUIREMENT*
2015	2,886,590	341,871	3,228,461
2016	2,861,076	328,421	3,189,497
2017	2,863,448	299,402	3,162,850
2018	2,865,889	270,313	3,136,202
2019	2,861,012	241,153	3,102,165
2020-2024	13,043,292	783,182	13,826,475
2025-2029	5,829,346	247,787	6,077,133
2030-2033	1,440,028	36,021	1,476,049
TOTAL	**$ 34,650,683**	**$ 2,548,148**	**$ 37,198,832**

** Outstanding PWTF loans include 1995, 2001, 2003, 2004, 2005, 2006, and 2013. Outstanding SRF loans include 2004, 2005, 2006, 2007, 2009 and 2010.*

Capital Improvement Projects

$17.8 million was spent on capital improvement projects in 2014. 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.

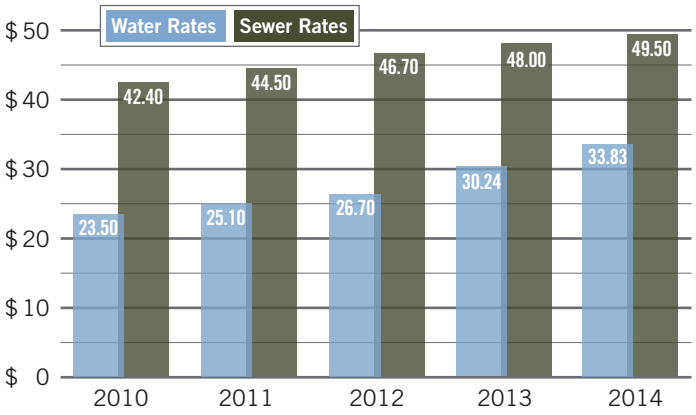
Major capital asset investment included (in millions):

Everett Water Pollution Control Facility Expansion Phase C	$8.7
Reservoir No. 6 Roof Replacement	$2.8
Water Main Replacement L	$1.4
Water Main Replacement N	$1.0
Water Transmission Pipeline No. 5 Replacement at Pilchuck River	$0.8

Historical Rates

For single-family customers, the water flat rate increased by $3.59, or 11.9 percent, from $30.24 to $33.83 per month in 2014 to cover increased water O&M and capital costs.

The sewer flat rate increased by $1.50, or 3.1 percent, from $48.00 to $49.50 per month in 2014.



Major Water Customers

The six largest water customers in the Everett Water Service Area accounted for more than 96.1 percent of the 2014 water service revenues (in thousands of dollars):

CUSTOMER	REVENUE
Everett Retail Customers	$ 17,922
Alderwood Water and Wastewater District	9,094
PUD No. 1 of Snohomish County	2,051
City of Marysville	1,981
City of Monroe	1,286
Mukilteo Water and Wastewater District	373
TOTAL	**$ 32,707**

Major Sewer Customers

The Water Pollution Control Facility provided treatment services primarily to five service areas in 2014 (in thousands of dollars):

CUSTOMER	REVENUE
City of Everett Customers	$ 22,131
Silver Lake Water and Sewer District	4,818
Alderwood Water and Wastewater District	1,439
Mukilteo Water and Wastewater District	599
City of Snohomish	13
TOTAL	**$ 29,000**

Primary Settling Tanks

City of Everett Public Works Department

3200 Cedar St. • Everett, WA 98201

PHONE: 425-257-8800

WEB: www.everettwa.gov/publicworks

EMAIL: everettpw@everettwa.gov

Please recycle!