

CANTERWOOD STEP SYSTEM ASSOCIATION DIVISIONS 4-11 & 14

Date: September 1, 2023
TO: STEP System Association Members
SUBJECT: Notice of Bi-Monthly Rate Increase (*WITH EDITS*)

This letter is to inform you of a \$10 rate increase in the bi-monthly STEP billing effective the payment due on October 1, 2023. Some background information of STEP System rates and justification for the rate increase are given in the paragraphs below.

This rate increase is required to help close our budget deficit for 2023. Please refer to the attached STEP System Budget for 2023 which shows that even with this rate increase an entry in Item #4950 'Planned use of Reserves' of \$14,885 is required to balance the budget for 2023. This budget table also shows a deficit of \$16,270 for the 2022 budget year (partly due to unexpected maintenance costs incurred). This deficit and smaller deficits from the years 2021 and 2019 were sufficiently covered by the operating account and were not taken from the reserves account. This is a misuse of the Operating Account and should not continue. For 2020 there was a surplus of about ~~\$10,000~~ ^{\$10,000} due to a one period billing holiday instituted by the City of Gig Harbor during the initial COVID outbreak.

This will be the first change in rates since 2014 when the rate was decreased from \$220 to the current \$180 after our total sewer effluent flow rates were significantly reduced due to the mandatory water intrusion inspection and repairs performed on each homeowners STEP System equipment. Note that we are billed based on total flow measurements taken every other month by the City of Gig Harbor. Our flow meter is housed in the fenced in area on Baker Way located about halfway between Canterwood Blvd and the Baker Gate.

Since 2014 when the current rate was set at \$180, the City has raised their sewerage processing rates a number of times. The yearly City billings for processing our sewerage constitute over 90% of our total budget expenses. The rate increases are reviewed below:

2015	4.5%
2016	4.5%
2017	3.5%
2018	3.5%
2019	3.5%
2020	3.5%
2021	0%
2022	0%
2023	5.0%

These rate increases by the City are the main reasons for running the deficits in 3 out of the last 4 years and why we have to increase the STEP System rates.

To Balance the budget for 2024 and run a slight surplus to add to the Reserves Account, it is anticipated another rate increase will be required in 2024. It is expected that the additional rate increase will not increase by more than \$10 for each bi-monthly billing period, but the exact amount cannot be determined until we know if the City will increase sewer rates for 2024 and if so by how much. The Board plans to keep you informed.

Regards,



Ken Sadoian, President (for ^{YOUR}~~you~~ Board of Directors)

**Canterwood Step
Sewer Association
2023 Proposed Budget**

Effective	2022 Actuals		2023 Proposed Budget		
	as of 12/31/22	2022 Budget	Cost Per Unit Per Month	Monthly	YTD Budget
Income					
Assessment					
4016 Regular Assessments	\$321,210.00	\$329,400.00	\$98.62	\$27,316.67	\$327,800.00
4025 Hook Up Fees	\$0.00	\$2,000.00	\$0.60	\$166.67	\$2,000.00
General					
4130 Late Fees	\$1,925.00	\$2,500.00	\$0.75	\$208.33	\$2,500.00
4145 NSF Fee	\$60.00	\$10.00	\$0.02	\$5.00	\$60.00
4200 Interest - Operating	\$24.95	\$200.00	\$0.02	\$4.17	\$50.00
4205 Interest - Reserve	\$489.39	\$500.00	\$0.15	\$41.67	\$500.00
4950 Planned Use of Rsvs	\$0.00	\$12,125.00	\$4.48	\$1,240.42	\$14,885.00
TOTAL Income	\$323,709.34	\$346,735.00	\$104.63	\$28,982.92	\$347,795.00
Expense					
Administrative					
5005 Admin Expense	\$1,857.60	\$2,100.00	\$0.63	\$175.00	\$2,100.00
5010 Mgmt/Agent Fees	\$9,000.00	\$9,000.00	\$2.71	\$750.00	\$9,000.00
5015 Bank Charges	\$30.00	\$50.00	\$0.02	\$4.17	\$50.00
5020 Annual Meeting	\$0.00	\$500.00	\$0.09	\$25.00	\$300.00
5030 Annual Corp Renewal	\$20.00	\$10.00	\$0.01	\$1.67	\$20.00
5045 Coupons/Stmts	\$1,043.88		\$0.33	\$91.67	\$1,100.00
5055 Licenses/Permits	\$0.00	\$50.00	\$0.00	\$0.00	\$0.00
5080 Postage/Misc	\$339.82	\$1,500.00	\$0.15	\$41.67	\$500.00
5096 Website	\$159.50	\$300.00	\$0.09	\$25.00	\$300.00
Insurance					
5300 Insurance-Liability/D&O	\$1,059.22	\$1,500.00	\$0.36	\$100.00	\$1,200.00
Maintenance & Repairs					
6000 Maint/Repair-General	\$12,700.57	\$5,000.00	\$1.50	\$416.67	\$5,000.00
Other Expense					
5460 Collection Lgl Fee	\$0.00		\$0.00	\$0.00	\$0.00
8115 Transfer to Reserve	\$0.00		\$0.00	\$0.00	\$0.00
7040 Assoc Questionaire	(\$480.00)				
Professional Services					
5400 Audit/Tax Prep	\$185.00	\$250.00	\$0.08	\$20.83	\$250.00
5410 Legal Fees & Other	\$227.50	\$1,500.00	\$0.30	\$83.33	\$1,000.00
5420 Consultant Services	\$1,300.00	\$3,000.00	\$0.75	\$208.33	\$2,500.00
Taxes					
5200 Federal Taxes	\$0.00	\$125.00	\$0.04	\$10.42	\$125.00
5215 Sales Tax Expense	\$372.86	\$500.00	\$0.15	\$41.67	\$500.00
Utilities					
5515 Utilities/Sewer	\$312,135.43	\$321,000.00	\$97.32	\$26,958.33	\$323,500.00
5530 Electricity	\$28.05	\$350.00	\$0.11	\$29.17	\$350.00
TOTAL Expense	\$339,979.43	\$346,735.00	\$104.63	\$28,982.92	\$347,795.00
Excess Revenue / Expense	(\$16,270.09)	\$0.00		\$0.00	\$0.00

Based on 298 Units for 2023 & \$10 Dues Increase
Effective October 2023

Based on 5% increase in City charges for 2023