EAGLE SEWER DISTRICT

Proposed Annual Budget and Financial Report

Fiscal Year 2027

July 14, 2026

Board of Directors

James Gruber *Chairman*

Terry Loftus *Vice-Chairman*

John Bennett

Steve Bender

Tillie Reed

Management Team

Neil Jenkins *General Manager*

Laura Markham *Administrative Manager*

Chris Kossow *Collections Manager*

Brandon Pechin *Treatment Manager*

Legal Counsel

MSBT Law

Auditor

Quest CPAs PLLC

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List of Abbreviations

ABBREVIATION	DEFINITION
ESD	Eagle Sewer District
FY	Fiscal Year
O&M	Operations and Maintenance
STO	State Treasurer's Office
R&R	Repair and Replace or Rehabilitation
CIP	Capital Improvement Project
ERU	Equivalent Residential Unit
BOD	Biochemical Oxygen Demand
TSS	Total Suspended Solids
OPM	Office Personnel Management
COLA	Cost of Living Adjustment
SCADA	Supervisory Control and Data Acquisition

Transmittal Letter

Date: July 7, 2026

To: Eagle Sewer District Board of Directors

From: Neil Jenkins - General Manager
Laura Markham - Administrative Manager

Re: FY27 Annual Budget and Financial Report

We are pleased to submit the Fiscal Year 2027 Annual Budget and Financial Report for Board review. The purpose of this report is to provide the details the Board needs to review and endorse the fiscal management strategies and planned investments for FY27. The Annual Budget and Financial Report is developed to maintain high-quality service to District patrons by ensuring the wastewater system is adequately operated and maintained, and repairs or replacements requiring significant funding are planned. This helps to avoid rate spikes or unnecessary debt that can result from relying on short-term planning. Through prudent fiscal management and strategic infrastructure investments, the District strives to provide high levels of service at an affordable price. We look forward to receiving District patron input on the proposed budget during the budget public hearing on August 10, 2026.

The District operates a cost-efficient wastewater utility that protects public health and the environment for the current 16,100 patrons. The District maintains approximately 236 miles of sewer line, over 5,700 manholes, 14 lift stations, and an activated sludge lagoon treatment system that cleans about 2.8 million gallons of used water each day.

The District continues to proactively maintain the current systems and make improvements described in the 2024 Collection System Master Plan and 2024 Wastewater Facilities Plan. These plans describe the asset replacement and water quality improvements that align with the District's level of service goals. Notable projects this coming budget year (FY27) include the final stage of filtration and disinfection required to produce Class A recycled water for irrigation. The pipeline to deliver the irrigation water to the canal is also planned to be completed by the end of FY27. Once finished, this completes the projects listed in the 2024 Wastewater Facilities Plan five years before expected and at a cost savings of over $20 million. These savings were generated by reallocating existing building space for the new treatment processes and accelerating project schedules to avoid construction cost inflation. Additional planning will be conducted starting in FY27 to chart the course for the next several years.

Besides these major projects, there are many other asset replacement and smaller improvement projects being completed. The enclosed report provides details on the major projects that will be completed to meet District goals.

The Valnova development and its dedicated wastewater collection system and treatment plant are operational. As of July 1, 2026, there are 47 permanent residences and 157 active sewer permits. Up to 100 additional residences are expected to be added during FY27. Separate accounting for the Valnova system is set up and is presented in this report. Separate connection fees and monthly rates have been established by the District Board.

Budget Highlights

As part of the annual budgeting process, we completed a connection fee and monthly service rate review for the main system (excluding Valnova). The review was conducted by FCS Group, a Bowman company, an experienced rate and fee consultant the District has used in the past.

Determining the connection fee is a mathematical process. Broadly speaking, the total replacement value of the collection and treatment systems are divided by the number of patrons they can serve to calculate a system cost per new patron, the connection fee. Per Idaho Law, connection fees are calculated based on current assets, not future assets. . Since the connection fee was updated in August 2025, nearly $20 million worth of assets were added to the District. These assets increase the capacity of the system or are reinvestments in current assets. Increased connection fees are needed to finance these asset repair and replacement activities. The calculations for the connection fee indicate that the District should be collecting $10,301 per new connection to adequately fund capital projects like asset repair and replacement. More information is included in this report. The proposed fee increase is proposed to become effective at the beginning of the fiscal year, December 1, 2026. Connection fee revenue for FY27 is expected to be strong when comparing new lots being developed and the current low inventory of homes on the market in Eagle. The budgeted number of connections for FY27 is 550 compared to 500 in FY26.

The monthly service rate was also reviewed as part of this annual budgeting process. Operating expenses are increasing due to high growth in the service area, insurance and fuel cost increases, City of Boise treatment contract rate increases, and the investments the District is making to create Class A reuse water for irrigation which lowers long-term rates. With the growth in the service area, one additional junior-level full-time employee is requested in the FY27 budget to maintain the wastewater collection system. Each additional water cleaning process requires additional staff time to operate and maintain the new equipment. One additional full-time junior-level treatment plant operator is requested in the FY27 budget to support additional treatment processes being added.

The commercial liability and health insurance costs have risen dramatically in the past year, nearly 30% for health insurance alone. These costs, along with much higher fuel and electricity costs, result in higher operations and maintenance costs at the District.

The City of Boise's treatment rates are expected to increase 9.9% in October 2026, 27% in October 2027, 25.7% in October 2028, and 24.1% in October 2029. These rate increases are much higher than expected and planned for. Boise attributes the need for these large rate increases to aging infrastructure and deferred investment, increasing regulations, increased project costs and lack of federal funding, and community growth. These increases are resulting in the District expediting projects that can lower the District's overall costs with Boise by reducing the amount of material in the water and the amount of water itself that is sent to Boise for treatment prior to river discharge.

These factors lead to a combined growth in the treatment plant operating fund of 23%. The administrative operating budget is expected to increase 14%, largely due to health insurance increases, additional public outreach efforts, and account billing charges. FCS Group reviewed the monthly service revenue needed to cover these increased costs and proposes that the rates be increased to a flat fee of $65 per Equivalent Residential Unit starting December 1, 2026. Their letter describing the monthly service rate calculations is attached to this report.

Debt service on the existing $10 million bond has been stable and predictable at $650,000 per year. This 25-year bond was secured in 2018 to fund the lagoon expansion project and larger effluent line to the City of Boise's West Boise Water Renewal Facility.

The Board's continued support of long-range financial planning has produced a more stable financial structure to meet the District's current and future needs given a range of possible service area growth rates. Increasing the connection fee to adequately fund the asset repair and replacement of recently constructed assets will improve the long-term reliability of our systems. Increasing the monthly service rate is needed to cover the additional operations and maintenance costs. Prudent cost management and the District's mission to be good financial stewards of our patron's funds prepares us for a bright financial future as we continue to provide critical services to our patrons.

Neil Jenkins

Neil Jenkins, P.E.
General Manager

Laura Markham

Laura Markham
Administrative Manager

About the District

The Eagle Sewer District (District) was created by a vote of the people on December 20, 1963. The Court of the Third Judicial District of the State of Idaho confirmed the vote and declared the creation of the Eagle Water and Sewer District of Ada County, Idaho. On October 20, 1980, a court order was filed and approved, to change the name to Eagle Sewer District since others were providing water service and the District only provided sewer services. The Eagle Sewer District receives its operating authority from Idaho State Code, Chapter 32, Sections 43-3201 to 42-3238. A Board of Directors, elected by the people of the District, governs the District. The District pre-dates the City of Eagle which was incorporated in 1971. The two entities partner in many ways but are completely separate legal entities. The District service area generally aligns with the City of Eagle area of impact but is not limited to or required to follow city limits.

The current collection system is comprised of approximately 236 miles of sewer lines, 5,700 manholes, fourteen lift stations, and a 2.8 million gallon per day lagoon treatment system. The current wastewater treatment plant was built in 1982 with a bond and a grant from the Environmental Protection Agency. The facility is located one mile west of Eagle Road on the north bank of the Boise River's north channel. The treatment plant consists of a headworks with influent pumping, screening and grit removal, followed by aerated lagoons and settling lagoons. The mostly clean water is pumped to the City of Boise's West Boise Water Renewal Facility where it receives additional cleaning before being discharged in the south channel of the Boise River.

Master plans for both the collection system and the treatment plant were started in 2023 and completed in 2024. These plans describe the existing conditions of the pipes, manholes, lift stations, and treatment plant assets as they are currently constructed. They also estimate what conditions will be in 20 years regarding the amount of water that will be sent for cleaning and the reinvestment needed to maintain the current systems in operation. Multiple paths to go from the current conditions to the expected future conditions were prepared. These paths included a robust discussion and public outreach campaign asking where the cleaned water should go. The patrons desired to move towards a future where the water is cleaned at the District treatment plant to a quality that can be used for canal irrigation. They viewed this as a way to use this natural resource that they are paying for a second time, especially during dry years. More information can be found in the 2024 Collection System Master Plan and the 2024 Treatment Plant Facilities Plan. The Board adopted these plans in spring 2024.

Implementing the plan to create Class A irrigation reuse water has required capital investment. The first steps have been to improve the water quality so that it can be reused and to secure a water reuse permit from the Idaho Department of Environmental Quality. The water quality upgrades to produce Class A irrigation water are expected to be completed in mid-2027. The reuse permit is expected to be received by the end of 2026. The pipeline to the Farmer's Union Ditch Company's canal, with whom the District has a 25 year agreement to distribute the reuse irrigation water is in design and is expected to be completed by early 2027.

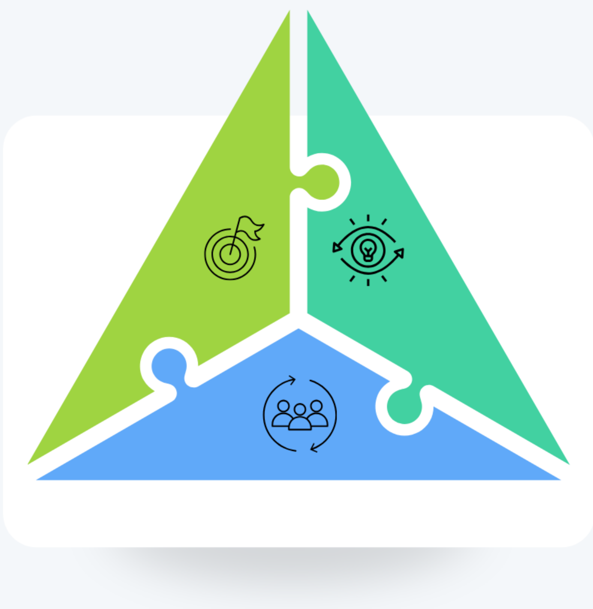
The Valnova dedicated wastewater collection system and treatment plant, owned by the District, are operational. As of July 1, 2026, there are 47 permanent residents and 157 active sewer permits. Up to 100 additional residents are expected to be added during FY27. Separate accounting for the Valnova system is set up and is presented in this report. Separate connection fees and monthly rates have been established by the District Board.

The District employs full-time staff to manage, operate, and maintain the collection and treatment systems. This includes teams of financial, wastewater collection system, and treatment system specialists. The current replacement value of District assets exceeds $224 million.

Our Mission, Vision, and Values

The following mission, vision, and values statements describe the purpose, aspirations, and guiding principles of the District. These statements provide direction and clarity that guide all other actions the District takes.

EAGLE SEWER DISTRICT



MISSION
To protect public health and the environment by collecting and treating wastewater efficiently, safely, and responsibly to support the growth of our community.

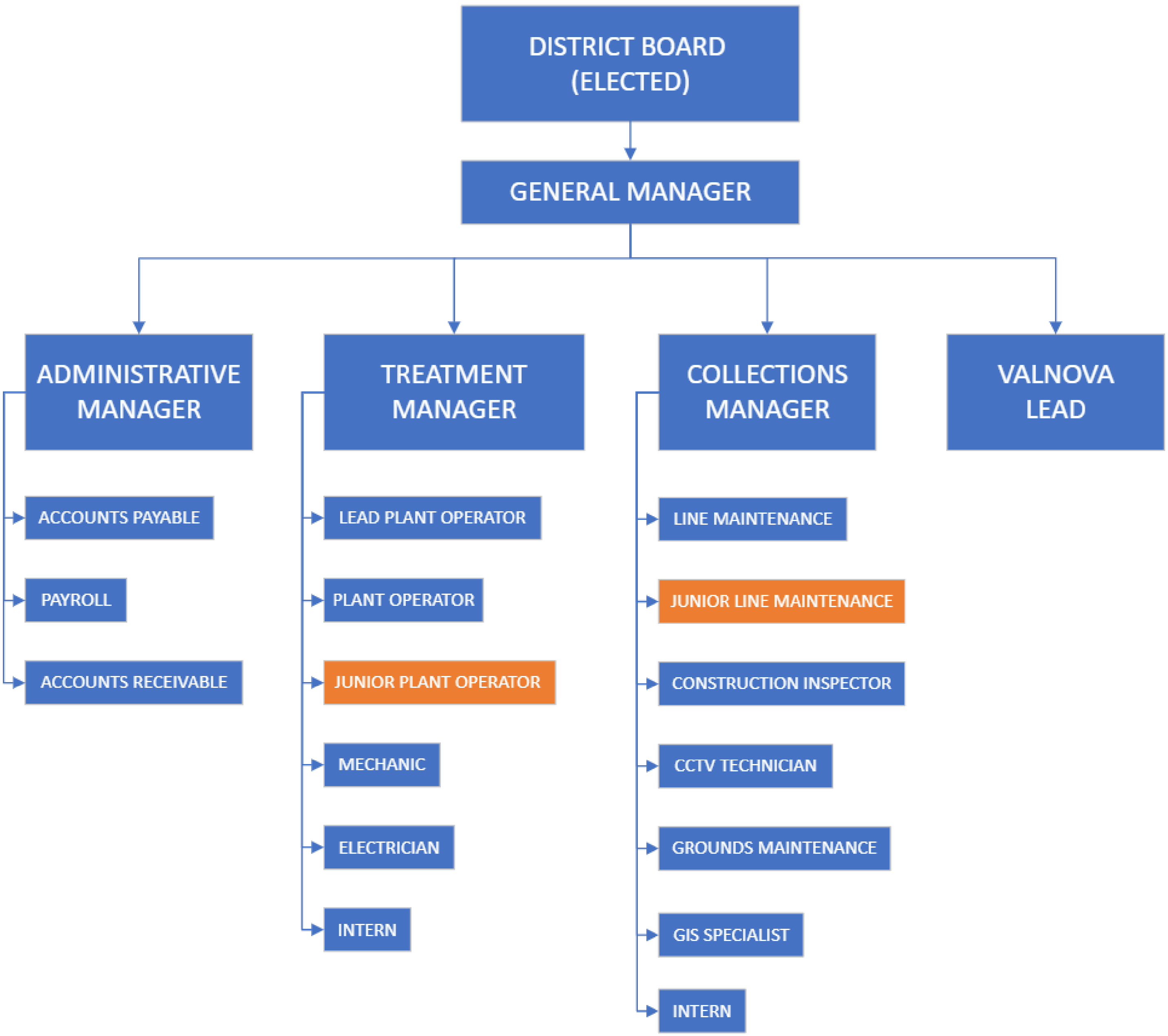
VISION
To be a model wastewater utility recognized for operatinal excellence, innovation, and long-term system resilience.

VALUES
We belive in:

- professional customer service.
- proactive, open and transparent communication.
- responsibility and integrity in managing the District's finances.
- investing in the development of employees who are talented and motivated professionals.

District Organization

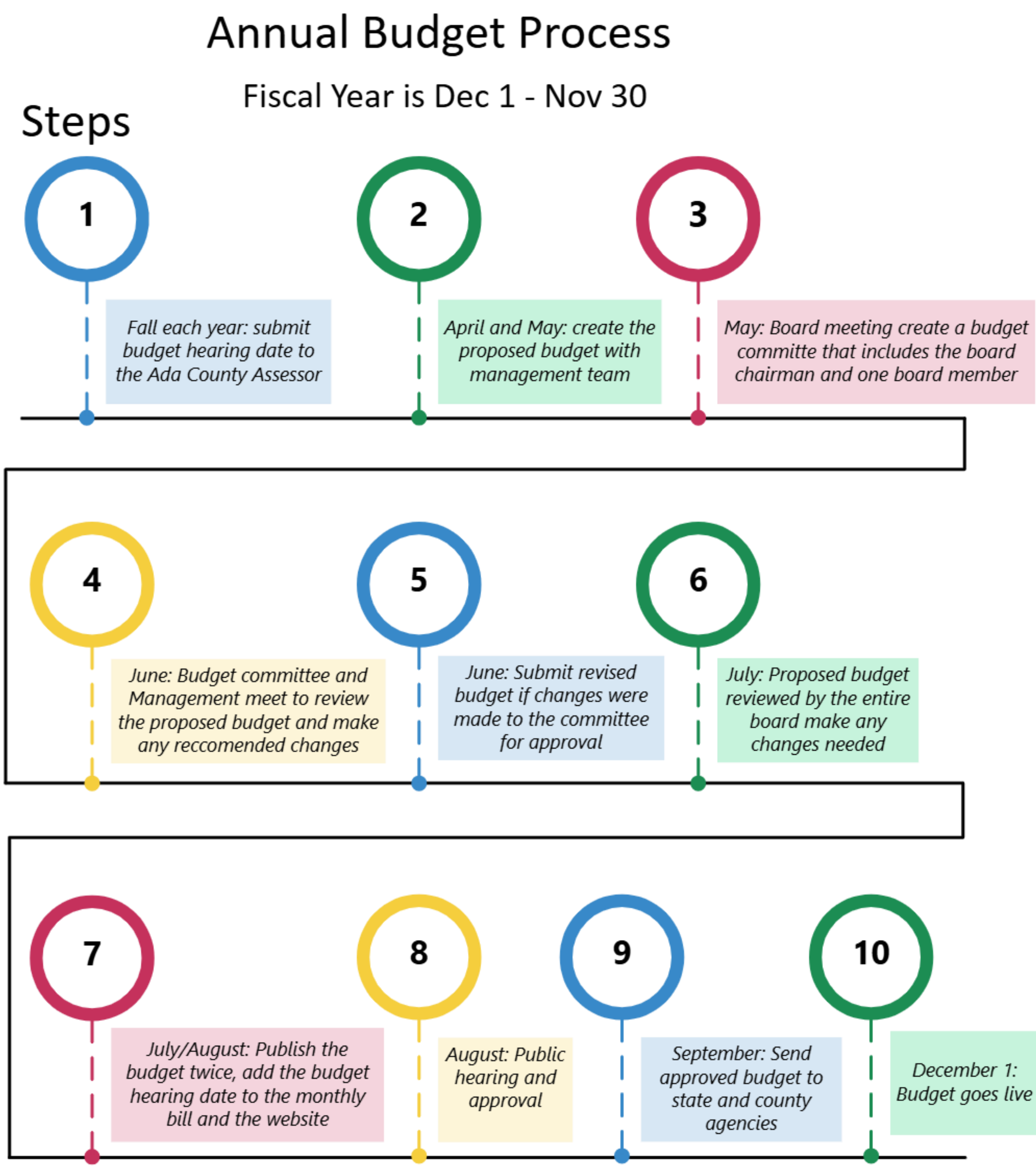
The District is governed by a five-member elected board who set the policy for the District. The board selects a general manager to lead the day-to-day operations and implement the established policies. The general manager delegates responsibilities to three managers for the different District functions. The number of staff under each manager is based on the resources needed to achieve the District mission, vision, and uphold the District values for the corresponding areas of responsibility.



The only three positions on the organization chart that are not single full-time employees are the line maintenance position that has three employees completing the same job function, the grounds maintenance position that is a part-time employee, and the accounts receivable position.

Annual Budget Process

The annual budget process begins in the fall when the date of the budget public hearing is set. This date is then included in the tax assessment notices for each property that is annexed into the District. The subsequent steps for budget development, review, and approval are presented in the following graphic.



Proposed FY27 Budget Summary

The budget summary below presents actual revenue and expenditure for FY25, the current FY26 budget and actuals for 6 months of FY26 and the proposed budget for FY27. The Operations and Maintenance budget is created by reviewing prior years expenses, verifying cost increases in utilities and contracts, salaries, insurance, hiring of additional staff, and new expenses. The FY25 audit indicated that depreciation expence is $5,069,398. The proposed FY27 budget includes funding a little over 40% of the listed depreciation; $2,055,350 is proposed to be collected in monthly service revenue.

The City of Boise's treatment rates are expected to increase 9.9% in October 2026, 27% in October 2027, 25.7% in October 2028, and 24.1% in October 2029. These rate increases are much higher than expected, planned for, and previously planned by Boise. Boise attributes the need for these large rate increases to aging infrastructure and deferred investment, increasing regulations, increased project costs and lack federal funding, and community growth.

The cost-of-service study that establishes monthly rates was updated and determined that a rate increase to $65 per ERU is required to meet the financial obligations of the District for FY27. The cost-of-service study update memo is attached to this report. A public hearing for the rate increase will be held on August 10, 2026. The updated monthly rate would go into effect December 1, 2026.

The Board of Directors of the Eagle Sewer District will hold a public hearing for the FY27 Budget on August 10, 2026 at 2:00 pm at the District Office, 44 North Palmetto Avenue, Eagle Idaho 83616

Eagle Sewer District Operations and Maintenance Budget (Fund 1)	2025 Actual	2026 Adopted Budget	2026 6-Month Actual	2027 Proposed Budget
Fund 1 Operations and Maintenance (O&M) Revenue				
Service Revenue	$ 8,024,788	$ 8,424,000	$ 4,183,593	$ 12,714,000
Annexation and Plan Review	$ 25,631	$ 30,000	$ 8,800	$ 20,000
Other Operating Revenue	$ 156,182	$ 9,400	$ 939	$ 1,000
Tax Rollover	$ 48,546	$ 40,000	$ 47,570	$ 45,000
State of Idaho Sales and Property Tax	$ 143,770	$ 210,600	$ 92,545	$ 230,000
Total Revenue	**$ 8,398,917**	**$ 8,714,000**	**$ 4,333,447**	**$ 13,010,000**
Fund 1 Operations and Maintenance Plant Expense				
Plant Employee Salaries and Benefits	$ 1,196,536	$ 1,234,120	$ 752,427	$ 1,646,150
Boise O&M and Pretreatment	$ 2,781,917	$ 2,300,000	$ 1,265,162	$ 3,200,000
Treatment Enhancement	$ -	$ 500,000		$ -
Plant Utilities, Phone & Power	$ 301,358	$ 324,000	$ 151,568	$ 435,000
Operations O&M (Treatment & Collections)	$ 227,511	$ 100,000	$ 102,053	$ 333,400
Training, Certification, Safety Equipment and Clothing	$ 28,259	$ 29,000	$ 26,914	$ 50,000
Vehicles Fuel, Repair and Maintenance	$ 45,660	$ 72,000	$ 26,009	$ 93,000
IT and Software Support	$ 28,403	$ 30,000	$ 12,323	$ 30,000
SCADA Maintenance	$ 23,340	$ 30,000	$ 3,615	$ 30,000
Grounds Maintenance & Irrigation	$ 42,401	$ 40,000	$ 12,084	$ 40,000
Plant Expense Subtotal	**$ 4,675,385**	**$ 4,659,120**	**$ 2,352,155**	**$ 5,857,550**
Fund 1 Operations and Maintenance Administrative Expense				
Administrative Employee Salaries and Benefits	$ 598,207	$ 689,450	$ 329,518	$ 788,500
Utilities	$ 13,716	$ 20,000	$ 5,411	$ 20,000
Directors Salaries and Expenses	$ 13,825	$ 18,000	$ 6,118	$ 18,000
Operations Expenses	$ 54,934	$ 79,225	$ 31,823	$ 127,000
Attorney, Annexation and Plan Review Expenses	$ 17,982	$ 35,000	$ 17,290	$ 45,000
IT and Software Support	$ 49,217	$ 40,250	$ 11,631	$ 39,000
Utility Billing and Online Payments	$ 200,037	$ 191,255	$ 110,713	$ 200,000
Liability Insurance	$ 121,322	$ 77,700	$ 37,351	$ 80,000
Administrative Expense Subtotal	**$ 1,069,240**	**$ 1,150,880**	**$ 549,855**	**$ 1,317,500**
Fund 1 Non-Operating Expenses				
Facility Plan Capital Projects	$ 1,080,000	$ 2,152,800	$ 1,076,400	$ 3,129,600
Depreciation	$ 798,600	$ -		$ 2,055,350
2018 Bond Repayment	$ 621,650	$ 650,000	$ 177,975	$ 650,000
Non-Operating Expense Subtotal	**$ 2,500,250**	**$ 2,802,800**	**$ 1,254,375**	**$ 5,834,950**
Fund 1 Grand Total Expense	**$ 8,244,875**	**$ 8,612,800**	**$ 4,156,385**	**$ 13,010,000**
Net Revenue/Expense	**$ 154,042**	**$ 101,200**	**$ 177,062**	**$ -**

The capital budget includes new projects, completing ongoing projects, repairing and replacing current infrastructure and recurring capital expenses. Based on the connection fee study update, attached to this report, the connection fee should be $10,301. A public hearing for the connection fee increase will be held on August 10, 2026. The updated connection fee would begin December 1, 2026.

Eagle Sewer District Capital Budget (Fund 2)	2025 Actuals	2026 Adopted Budget	2026 6 Month Actuals	2027 Proposed Budget
Permit Revenue	$ 2,976,450	$ 4,458,000	$ 2,931,206	$ 5,665,550
General Fund funds for Capital Improvement Projects	$ 3,564,150	$ 11,231,000	$ 3,075,628	$ 7,024,450
Asset Repair and Replacement funds for Current Asset proje	$ 1,131,000	$ 1,695,000	$ -	$ 1,050,000
Total Restricted Revenue	**$ 7,671,600**	**$ 17,384,000**	**$ 6,006,834**	**$ 13,740,000**
Fund 2 Capital Expenses				
Boise Capacity Fees	$ 700,000	$ 500,000		$ 500,000
Recurring Capital	$ 283,541	$ 885,000	$ 264,564	$ 555,000
Repair and Replacement Projects	$ 1,332,741	$ 1,445,000	$ 133,101	$ 750,000
Capital Improvement Projects	$ 1,833,680	$ 14,554,000	$ 3,963,315	$ 11,935,000
Total Capital Expense	**$ 4,149,962**	**$ 17,384,000**	**$ 4,360,980**	**$ 13,740,000**
Net Revenue/Expense	**$ 3,521,638**	**$ -**	**$ 1,645,854**	**$ -**

The Valnova system is owned and operated by Eagle Sewer District and has a separate budget. All revenue and expenses associated with Valnova are funded by Valnova customers and the developer. Service revenue and connection fee funds from main District system are not used to subsidize the Valnova system and vice versa.

Eagle Sewer District Valnova Operations and Maintenance Revenue (Fund 5)	2025 Actuals	2026 Adopted Budget	2026 6 Month Actuals	2027 Proposed Budget
Service Revenue	$ -	$ 39,000	$ -	$ 78,000
Developer Funded O&M	$ -	$ 450,000	$ 450,000	$ 450,000
Tax and Miscellaneous Revenue	$ -	$ 10,000	$ -	$ 2,000
Fund 5 Total Revenue	**$ -**	**$ 499,000**	**$ 450,000**	**$ 530,000**
Valnova Operations and Maintenance Expense (Fund 5)				
Collection and Treatment Expenses	$ -	$ 349,000	$ 70,000	$ 272,000
Administrative Expenses	$ -	$ 150,000	$ 5,000	$ 258,000
Fund 5 Total Expense	**$ -**	**$ 499,000**	**$ 75,000**	**$ 530,000**
Net Revenue/Expense	**$ -**	**$ -**	**$ 375,000**	**$ -**

Valnova Capital Revenue (Fund 6)	2025 Actuals	2026 Adopted Budget	2026 6 Month Actuals	2027 Proposed Budget
Asset Replacement Fee	$ -	$ 1,840,000	$ 132,000	$ 920,000
Fund 6 Total Restricted Revenue	**$ -**	**$ 1,840,000**	**$ 132,000**	**$ 920,000**

Valnova Capital Expense (Fund 6)	2025 Actuals	2026 Adopted Budget	2026 6 Month Actuals	2027 Proposed Budget
Asset Replacement Fund	$ -	$ 1,240,000	$ 132,000	$ 700,000
Asset Repair and Replacement Costs	$ -	$ 600,000	$ -	$ 220,000
Fund 6 Total Expense	**$ -**	**$ 1,840,000**	**$ 132,000**	**$ 920,000**
Net Revenue/Exepense	**$ -**	**$ -**	**$ -**	**$ -**

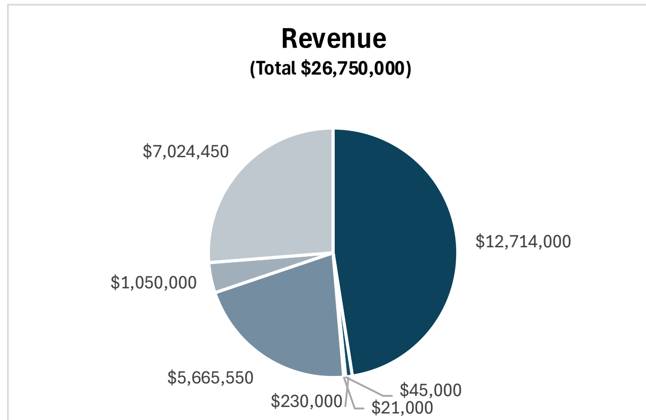
Eagle Sewer District

COMBINED OPERATION AND CAPITAL FUNDS 1 & 2

REVENUE

The following is the projected revenue budget for the Eagle Sewer District, for the fiscal period December 1, 2026, through November 30, 2027.

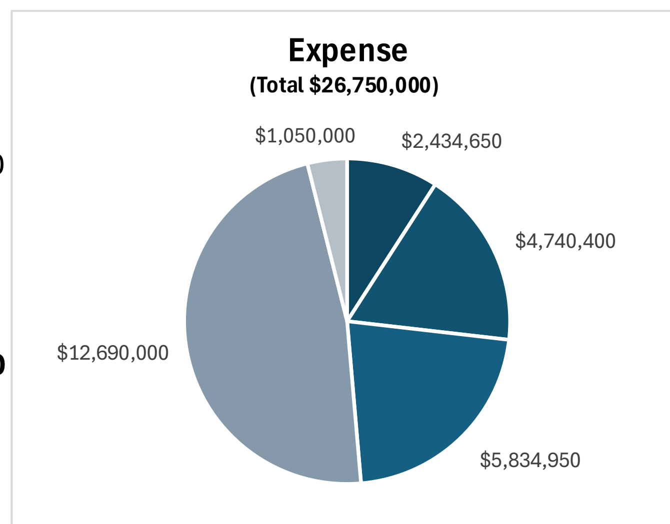
Monthly Sewer Charges	$ 12,714,000
Property Tax and Sales Tax	$ 230,000
Property Tax Delinquent Accounts	$ 45,000
Annexation, pass through and other fees	$ 21,000
Capital Permit Revenue	$ 5,665,550
Transfer from STO Asset Replacement	$ 1,050,000
Transfer from General	$ 7,024,450
TOTAL REVENUE	**$26,750,000**



EXPENSE

The following is the projected expense budget of Eagle Sewer District, for the fiscal period December 1, 2026, through November 30, 2027.

Salaries and Related Expenses	$ 2,434,650
Operating Expense	$ 4,740,400
Capital Projects	$12,690,000
Repair and Replacement Projects	$ 1,050,000
Non-Operating Expenditures	$ 5,834,950
TOTAL EXPENSE	**$26,750,000**



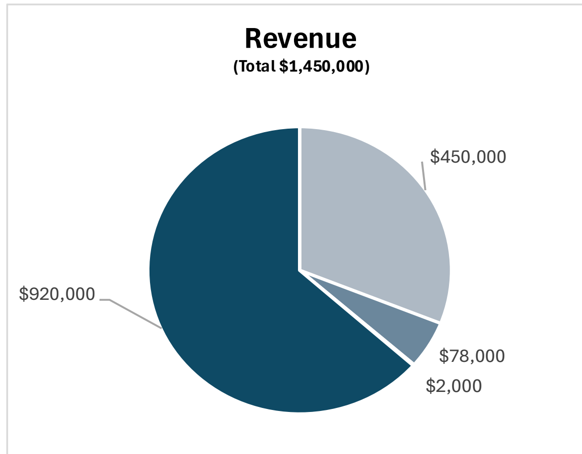
Valnova Development

COMBINED OPERATION AND CAPITAL FUNDS 5 & 6

REVENUE

The following is the projected revenue budget for the Valnova Development, for the fiscal period December 1, 2026, through November 30, 2027.

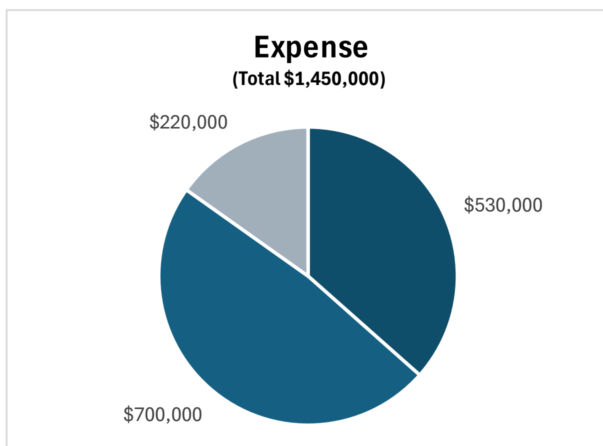
O&M Funding	$450,000
Monthly Service Charges	$78,000
Tax and Misc. Revenue	$2,000
Asset Replacement Permits	$920,000
Total Revenue	**$1,450,000**



EXPENSE

The following is the projected expense budget for the Valnova Development, for the fiscal period December 1, 2026, through November 30, 2027.

Operating Expense	$530,000
Asset Replacement Funding	$700,000
Asset Repair & Replacement	$220,000
Total Expense	**$1,450,000**



Financial Overview and Fund Structure

The Operation and Maintenance Fund receives revenue from monthly sewer service fees, property tax, sales tax, annexations fees, sale of old equipment, rebates and pass-through fees. The operating expenses are broken down into three categories: Operations and Maintenance for the Plant, Operations and Maintenance for Administration, and Non-Operating Expenses that include funding for capital projects, asset replacement, and the annual bond payment.

The Eagle Sewer District has one checking account at Washington Federal Bank (WaFD) for deposited revenue and accounts payable. The District has five accounts in the Idaho State Investment Pool: a General Fund Account, Capital Fund, Asset Replacement Fund, Valnova General Fund, and Valnova Asset Replacement Fund. Transfers are made frequently throughout the month to keep the checking account balance under the federally insured dollar amount. A monthly transfer is made to each Asset Replacement Fund Account. The General Fund Account holds net revenue over expense funds. When a substantial expense is due, a transfer is made from the corresponding STO account to the checking account at WaFD to cover that expense.

Facility Projects and Annual Bond Payment funds are transferred into the General Account in the State Investment Pool and transferred into the WaFD checking account when payments are due.

The Capital Fund receives its revenue from connection fees. A portion of the connection fee will be transferred into a separate State Investment Pool Account that is for asset repair and replacement projects. Asset Replacement funds are transferred into a separate Asset Replacement Account for asset replacement projects in the State Investment Pool.

Any monthly Net Revenue over Expense funds are transferred into the General Account in the State Investment Pool and transferred out as needed.

Valnova Operations and Capital Funds have two separate State Investment Pool Accounts. One for Operations and Maintenance and another for Capital Asset Repair and Replacement.

The following figures provide a visual summary of the Revenue and Expense for the FY27 proposed budget specific to each fund. Fund 1 is for the revenue and expense for operation, administration, and non-operating expense. Fund 2 is for Capital Revenue and Expense for capital projects and includes funds for asset replacement. Fund 5 is for the Valnova Operations revenue and expense. Fund 6 is for the Valnova Capital Revenue and Expense for asset replacement. Funds 3 and 4 are designated for bond revenue and expense accounts that aren’t currently being used but can be used for future bonds.

Operations Revenue and Expense Budget Highlights

Revenue

The District is primarily funded by monthly sewer service charges from Residential and Commercial customers. As of June 1, 2024, the monthly service fee per equivalent connection is $45. For FY27 we have a proposed rate increase to cover the increase the O&M increases City of Boise has proposed in their FY27 budget and other cost increases like insurance, fuel, and utilities. The proposed new rate is $65 per month for 16,300 connections. The monthly rate update is further described in the memo attached to this report. The District receives property tax revenue from the Ada County Assessor's tax roll, a small percentage of sales tax and miscellaneous other revenue from annexations fees, rebates, refunds, and sales of old equipment and vehicles. Delinquent accounts are collected through the Ada County Tax Rolls and then budgeted for the next fiscal year. Asset repair and Replacement funds will be collected through connection fees for FY27 and will be reviewed annually. This will maximize the money available to fund our Capital Improvement Projects.

Expense

The Operations and Maintenance expenses are continually monitored and evaluated to verify that all expenses represent the best use of patrons' funds. The District continues to partner with the City of Boise for treatment services. This is a substantial portion of the operating budget and has continued to increase yearly as the City of Boise raises their monthly rates. The City of Boise has submitted a 54% rate increase spread out in the next three years. With the effort to minimize future cost increases, the District is investing in additional treatment processes at the District.

Another substantial portion of the operations budget is related to continual cleaning and inspecting the pipes and lift stations that bring the used water to the treatment plant. This cost will continue to increase as the District grows.

The proposed FY27 salary budget includes funds for two additional operators and part-time temporary staff. The rising costs of insurance have had a significant impact on our salary budget.

After paying our annual bond debt of nearly $650,000, we plan to fund $3,129,600 for the District's CIP projects and $2,055,350 of our annual Depreciation expense of $5,096,398.

The nominal property and sales tax levy are designed for liability insurance and a portion of the District's liabilities.

Capital Revenue and Expense Budget Highlights

Revenue

The District’s capital fund revenue comes from connection fees; a one-time fee charged to new residential homes and businesses to cover the initial cost of the collection and treatment systems as well as their eventual replacement. The current cost to connect is $8,916 per equivalent connection. Nearly $20 million of additional assets have been constructed at the District since 2025. A Cost-of-Service Study update was completed to determine the connection fee increase required to fund the replacement of these additional assets. Based on the study results, the District will hold a public hearing on August 10, 2026, to raise the connection fee to $10,301 per ERU that would go into effect December 1, 2026. A summary of the study is included in this report.

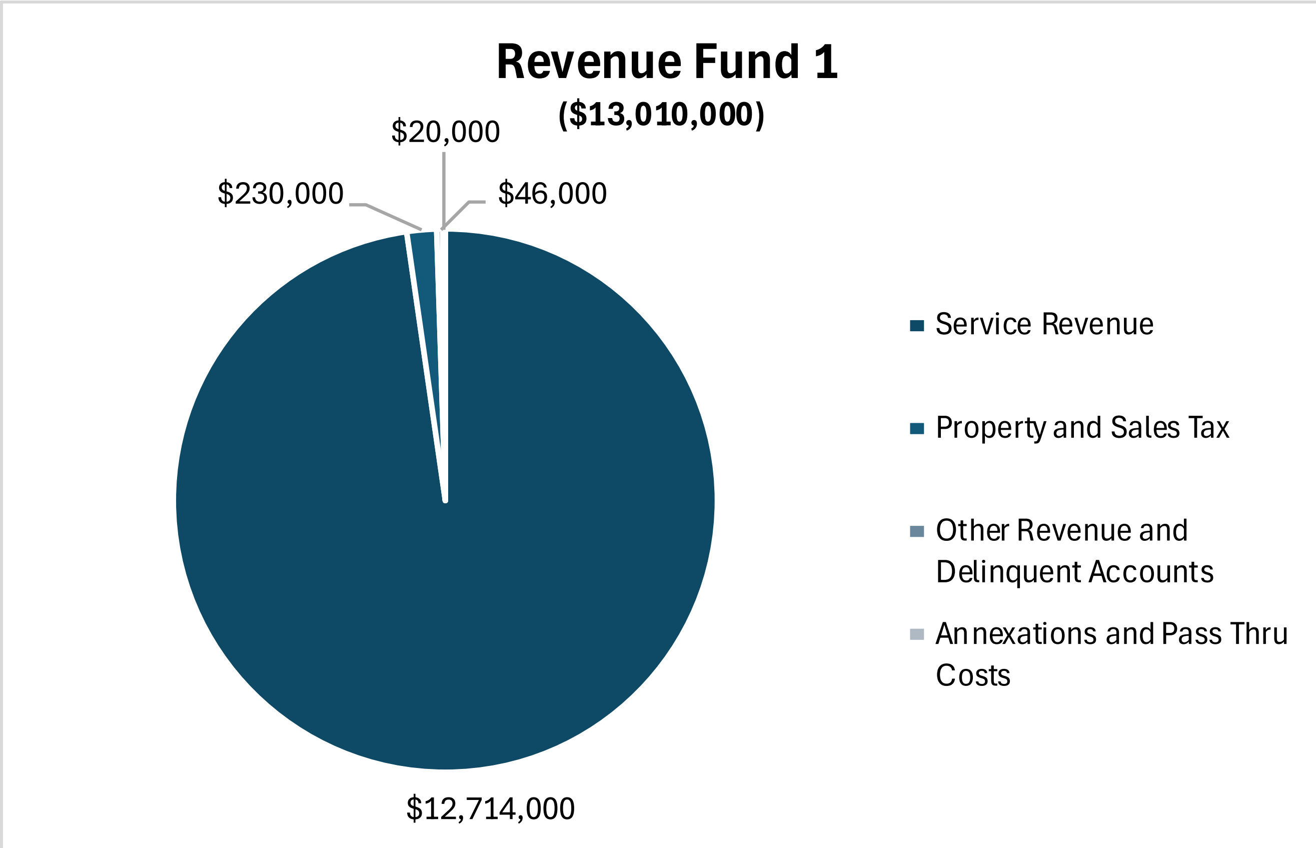
Sewer Connection Fee revenue is budgeted at $5,665,550 million in FY27, based on an estimated 550 new connections for the year the at $10,301 per connection starting December 1, 2026.

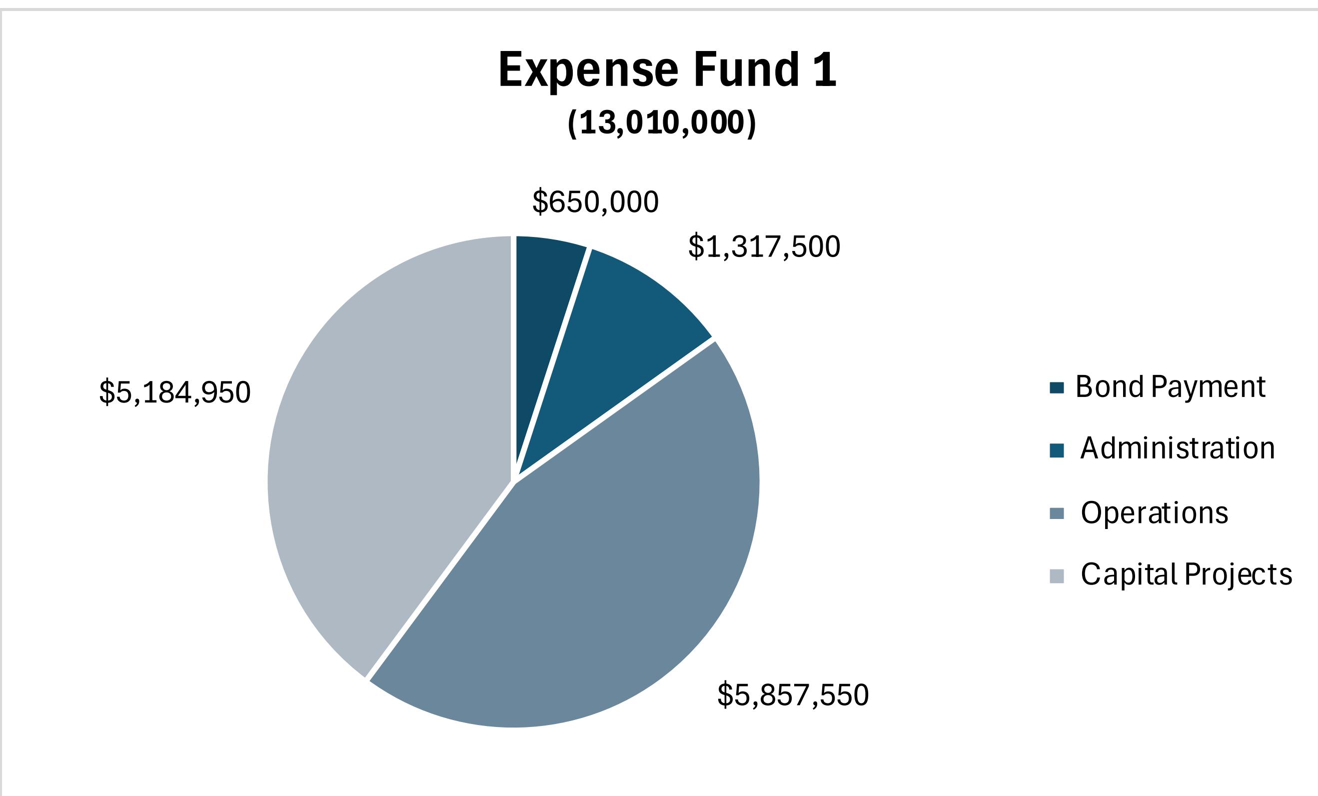
The District will be using existing general funds to supplement the budgeted service revenue funds for the improvement projects required to produce Class A irrigation reuse.

Restricted asset replacement funds are used specifically for current and future repair and replacement projects. For example, these funds were recently used to replace sewer collection pipes along Aikens St. that were installed around 1970. The FY27 budget includes funds include a project to rehabilitate over 100 manholes in and around Ranch Estates and Palmetto Avenue and replacing the 20-year-old cleaning truck.

FY27 Operations Revenue and Expense

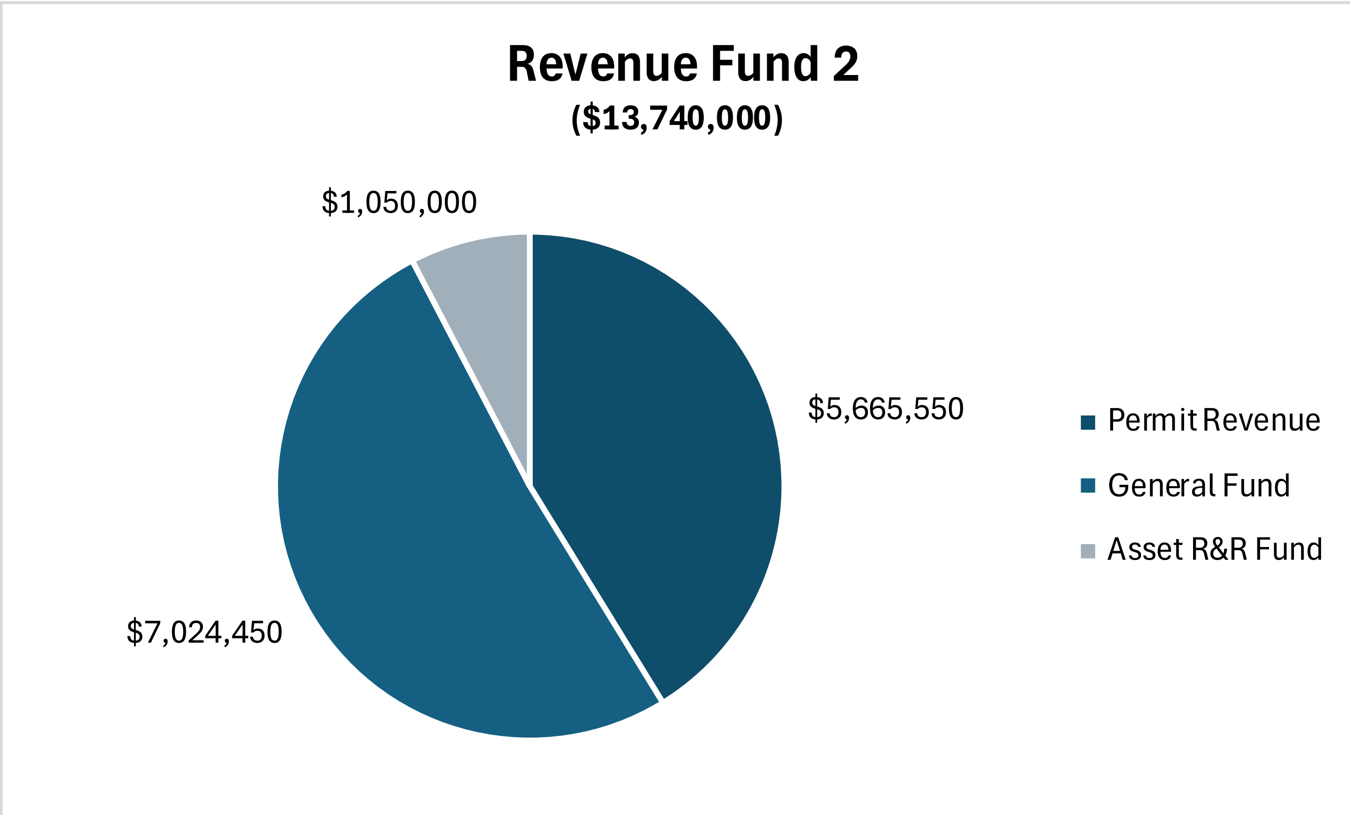
FUND 1

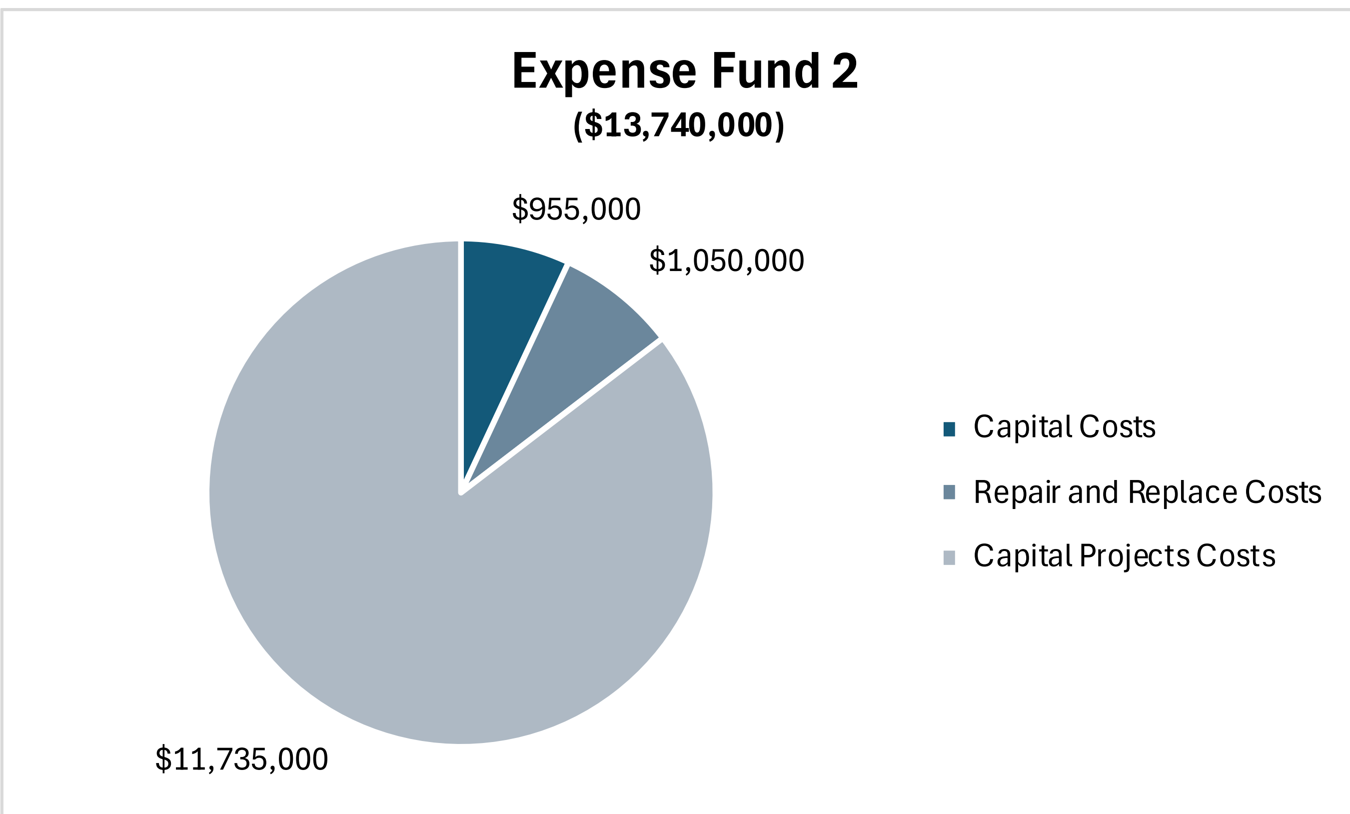




FY27 Capital Revenue and Expense

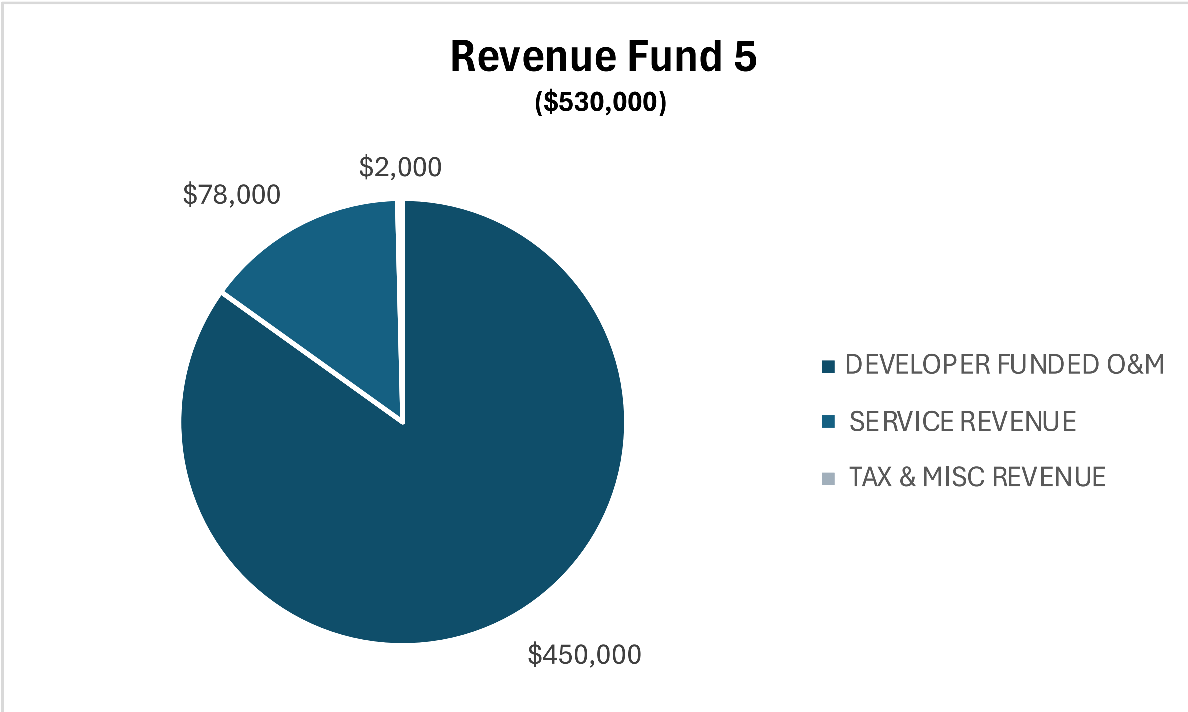
FUND 2

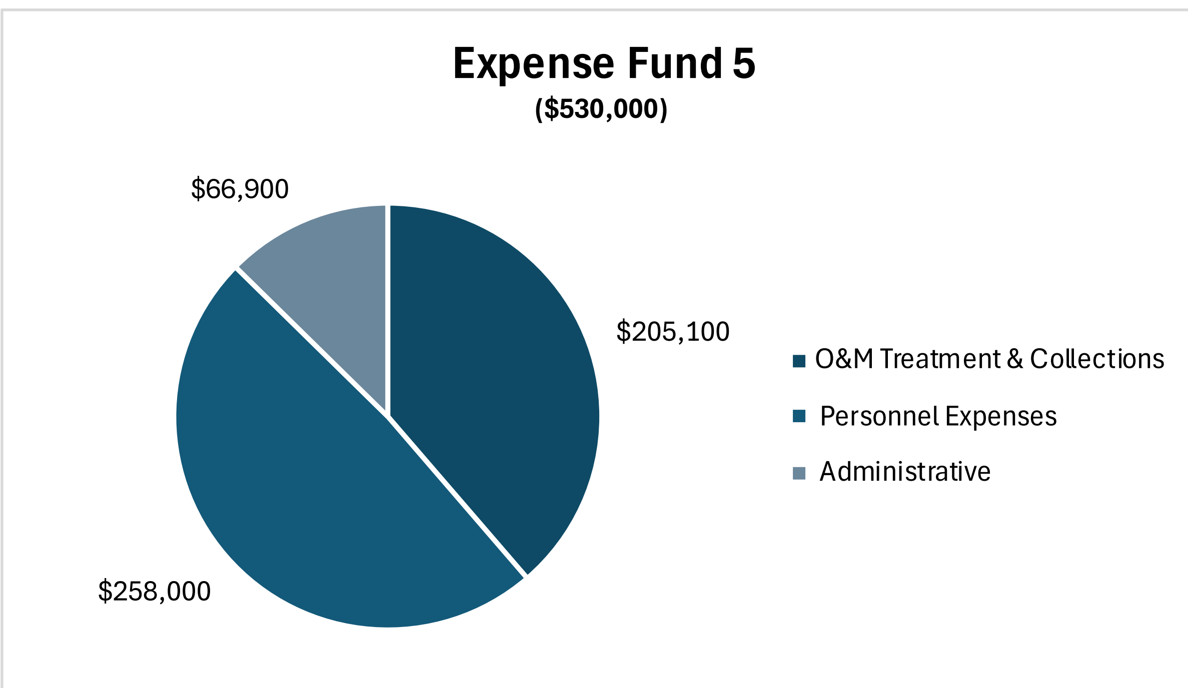




FY27 Valnova Operations Revenue and Expense

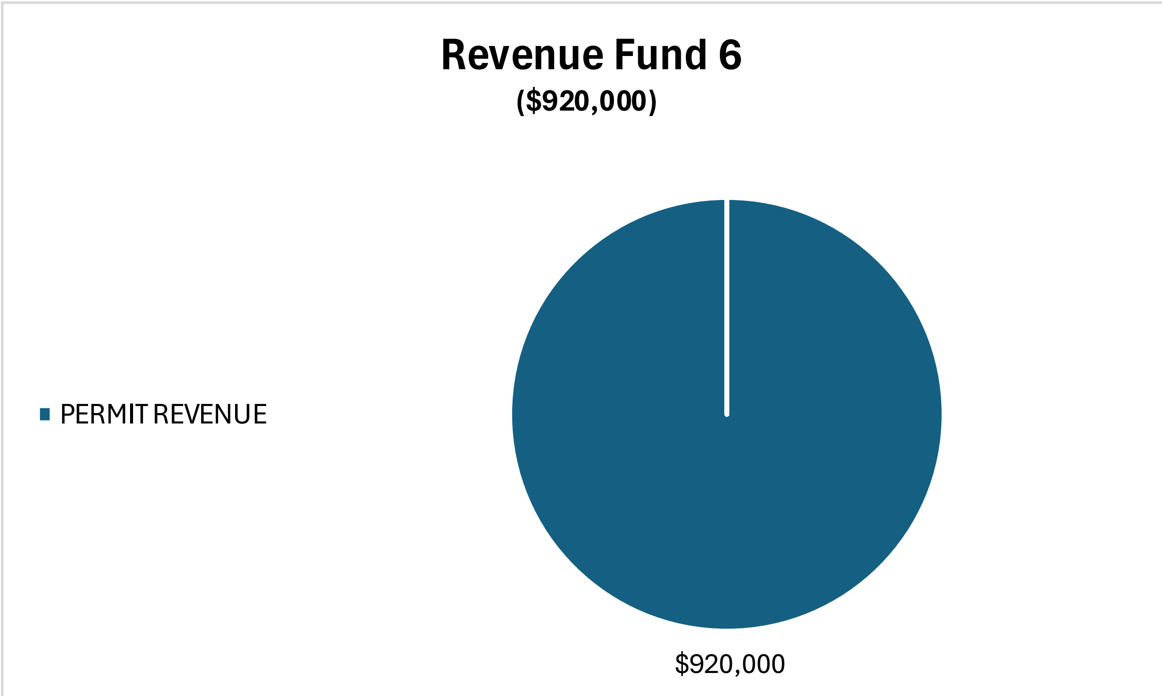
Fund 5

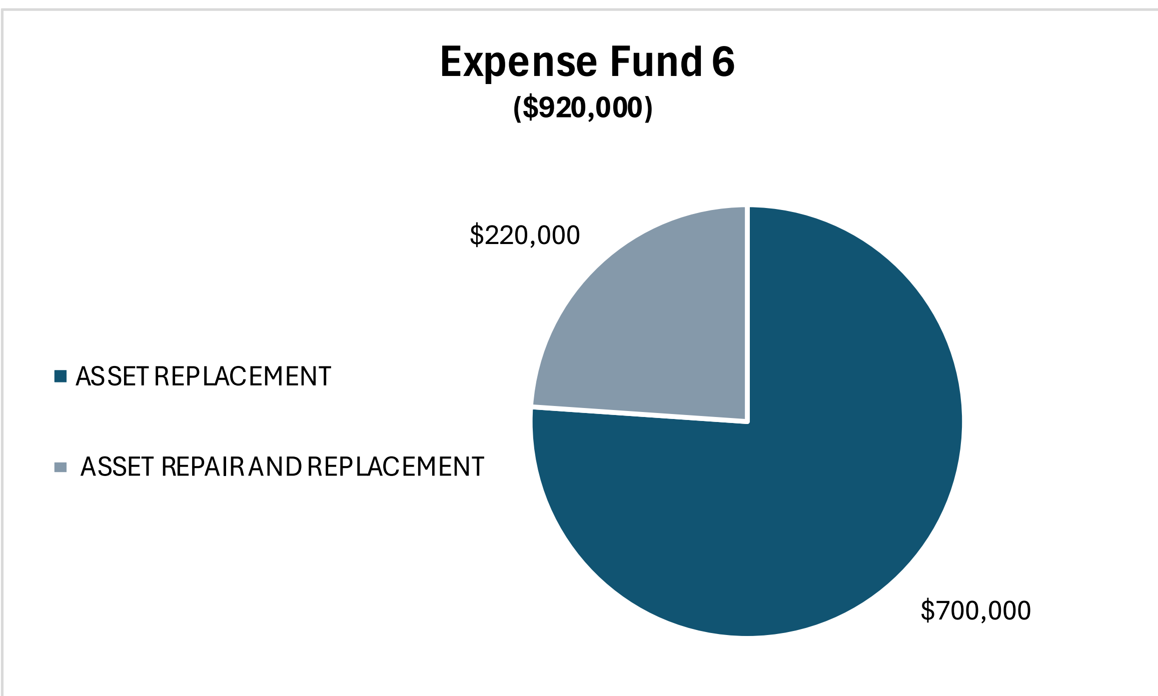


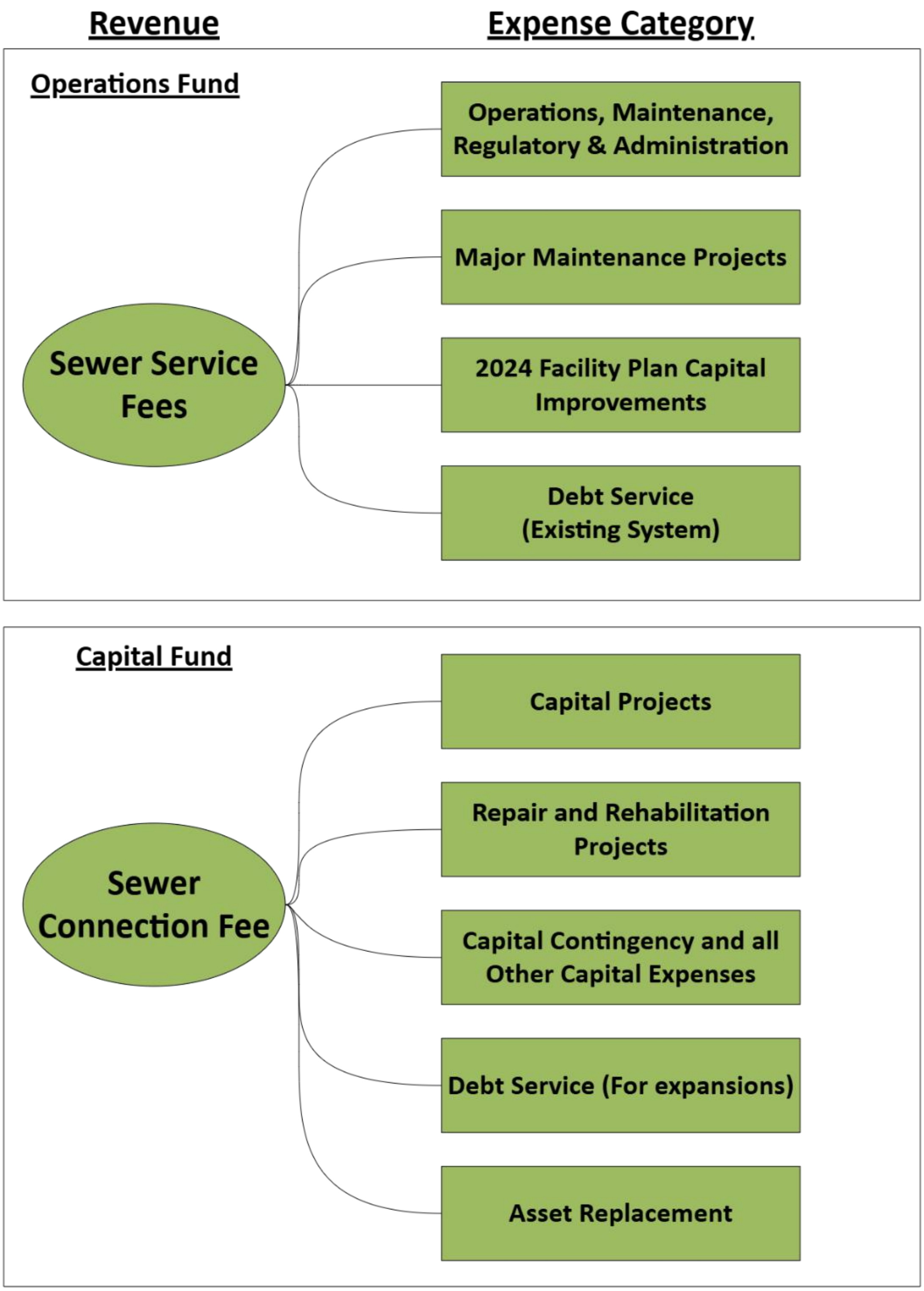


FY27 Valnova Capital Revenue and Expense

Fund 6






Revenue
Expense Category
Operations Fund
Sewer Service Fees
Operations, Maintenance, Regulatory & Administration
Major Maintenance Projects
2024 Facility Plan Capital Improvements
Debt Service (Existing System)
Capital Fund
Sewer Connection Fee
Capital Projects
Repair and Rehabilitation Projects
Capital Contingency and all Other Capital Expenses
Debt Service (For expansions)
Asset Replacement

FUND 1 - OPERATIONS AND MAINTENANCE

ACCOUNT NUMBER	ACCOUNT TITLE	2025 Actual	2026 Approved Budget	2026 Actuals May 2026	2027 Proposed Budget	Percent Change
	FUND 1 O&M REVENUE					
1-401-00	SERVICE REV. - GENERAL	$ 8,024,788	**$ 8,424,000**	**$ 4,183,593**	**$ 12,714,000**	51%
1-402-00	ANNEXATION AND PLAN REVIEW	$ 25,631	**$ 30,000**	**$ 8,800**	**$ 20,000**	-33%
1-420-00	OTHER OPERATING REVENUE	$ 156,182	**$ 9,400**	**$ 939**	**$ 1,000**	-89%
1-420-01	TAX ROLLOVER	$ 48,546	**$ 40,000**	**$ 47,570**	**$ 45,000**	13%
1-480-00	TAX REVENUE	$ 143,770	**$ 210,600**	**$ 92,545**	**$ 230,000**	9%
	TOTAL REVENUE	**$ 8,398,917**	**$ 8,714,000**	**$ 4,333,447**	**$ 13,010,000**	**49%**
	FUND 1 O&M PLANT EXPENSE					
1-501-00	PLANT SALARIES	$ 863,783	**$ 880,000**	**$ 501,014**	**$ 1,100,000**	25%
1-502-00	ESD/FICA & MEDICARE	$ 63,982	**$ 67,320**	**$ 36,950**	**$ 84,150**	25%
1-502-01	ESD/PERSI	$ 93,625	**$ 96,800**	**$ 57,101**	**$ 132,000**	36%
1-502-04	INSURANCE-MED/DENT/VISION	$ 175,146	**$ 190,000**	**$ 157,362**	**$ 330,000**	74%
1-504-00	BOISE O&M/PRETRT/SERVICE FEES	$ 1,929,747	**$ 2,300,000**	**$ 1,052,020**	**$ 3,200,000**	39%
1-504-01	TREATMENT ENHANCEMENT	$ 852,170	**$ 500,000**	**$ 213,142**	**$ -**	-100%
1-505-01	PLANT POWER	$ 260,460	**$ 304,000**	**$ 136,145**	**$ 400,000**	32%
1-505-02	PLANT PHONE, UTILITIES & SECURITY	$ 40,898	**$ 20,000**	**$ 15,423**	**$ 35,000**	75%
1-505-04	OPERATIONS O&M EXPENSES	$ 42,288	**$ 30,000**	**$ 16,672**	**$ 30,000**	0%
1-505-05	PLANT FUEL	$ 17,885	**$ 22,000**	**$ 7,872**	**$ 33,000**	50%
1-505-09	PLANT LAB SERVICE	$ 18,122	**$ 20,000**	**$ 14,811**	**$ 35,000**	75%
1-505-10	COLLECTION VEHICLES REPAIR&MAINT	$ 26,126	**$ 25,000**	**$ 13,310**	**$ 30,000**	20%
1-505-11	PLANT VEHICLES REPAIR & MAINTENANCE	$ 19,534	**$ 25,000**	**$ 12,699**	**$ 30,000**	20%
1-505-12	TREATMENT REPAIRS & MAINTENANCE	$ 52,362	**$ 80,000**	**$ 8,044**	**$ 80,000**	0%
1-505-15	DIGLINE COSTS	$ 8,710	**$ 7,800**	**$ 3,857**	**$ 8,400**	8%
1-505-17	TRAVEL, TRAINING & CERTIFICAT.	$ 21,677	**$ 21,000**	**$ 20,064**	**$ 30,000**	43%
1-505-18	CLOTHING & SAFETY EQUIPMENT	$ 6,582	**$ 8,000**	**$ 6,849**	**$ 20,000**	150%
1-505-19	IT SUPPORT	$ 28,403	**$ 30,000**	**$ 12,323**	**$ 30,000**	0%
1-506-00	COLLECTIONS REPAIR & MAINTENANCE	$ 83,144	**$ 58,400**	**$ 45,135**	**$ 90,000**	54%
1-507-00	EVALUATE SEWER LINES	$ 5,000	**$ 5,000**	**$ 5,662**	**$ 90,000**	1700%
1-507-01	SCADA MAINTENANCE	$ 23,340	**$ 30,000**	**$ 3,615**	**$ 30,000**	0%
1-508-00	GROUNDS MAINT. & IRRIGATION	$ 42,401	**$ 40,000**	**$ 12,084**	**$ 40,000**	0%
	PLANT EXPENSES SUBTOTAL	**$ 4,675,385**	**$ 4,760,320**	**$ 2,352,155**	**$ 5,857,550**	**23%**

FUND 1 - OPERATIONS AND MAINTENANCE

ACCOUNT NUMBER	ACCOUNT TITLE	2025 Actual	2026 Approved Budget	2026 Actuals May 2026	2027 Proposed Budget	Percent Change
	FUND 1 O&M ADMINISTRATION EXPENSES					
1-601-00	ADMINISTRATIVE SALARIES	$ 431,401	**$ 500,000**	**$ 227,953**	**$ 550,000**	10%
1-602-00	ESD/FICA & MEDICARE	$ 32,509	**$ 38,450**	**$ 16,621**	**$ 42,500**	11%
1-602-01	ESD/PERSI	$ 49,732	**$ 55,000**	**$ 26,719**	**$ 66,000**	20%
1-602-04	INSURANCE-MED/DENT/VISION	$ 84,565	**$ 96,000**	**$ 58,225**	**$ 130,000**	35%
1-605-00	UTILITIES	$ 13,716	**$ 20,000**	**$ 5,411**	**$ 20,000**	0%
1-607-01	PROFESSIONAL-AUDIT	$ 11,800	**$ 12,600**	**$ 12,400**	**$ 14,000**	11%
1-607-02	HR/IN-HOUSE TRAINING	$ 3,098	**$ 5,500**	**$ 3,181**	**$ 5,500**	0%
1-608-00	DIRECTORS/SALARIES	$ 11,200	**$ 12,000**	**$ 5,250**	**$ 12,000**	0%
1-608-01	DIRECTORS/MISCELLANEOUS	$ 2,625	**$ 6,000**	**$ 868**	**$ 6,000**	0%
1-610-00	OFFICE-SUPPLIES	$ 4,129	**$ 6,000**	**$ 2,557**	**$ 6,000**	0%
1-610-01	OFFICE VEHICLE	$ 2,159	**$ 2,000**	**$ 1,567**	**$ 2,000**	0%
1-610-02	OFFICE ACADEMIC TUITION/BOOKS	$ 1,620	**$ 10,500**	**$ 1,171**	**$ 10,500**	0%
1-610-03	OFFICE TRAINING/TRAVEL	$ 5,353	**$ 12,500**	**$ 2,769**	**$ 15,000**	20%
1-610-04	JANITORIAL&OFFICE MAINTENANCE	$ 8,758	**$ 10,000**	**$ 4,095**	**$ 10,000**	0%
1-610-06	LANDSCAPING & SNOW REMOVAL	$ 3,273	**$ 2,625**	**$ 1,205**	**$ 5,000**	90%
1-611-00	OFFICE EQUIP REPAIR/IT SUPPORT	$ 6,975	**$ 14,000**	**$ 1,900**	**$ 14,000**	0%
1-611-02	SOFTWARE SUPPORT	$ 42,242	**$ 26,250**	**$ 9,731**	**$ 25,000**	-5%
1-612-00	INSURE/E&O,LIABILITY,PROPERTY	$ 121,322	**$ 77,700**	**$ 37,351**	**$ 80,000**	3%
1-613-00	POSTAGE/ADVERTISING/PRINTING	$ 1,272	**$ 5,000**	**$ 911**	**$ 5,000**	0%
1-616-00	ATTORNEYS FEES	$ 6,977	**$ 15,000**	**$ 7,845**	**$ 25,000**	67%
1-617-00	PROF DUES & SUBSCRIPTIONS	$ 2,526	**$ 500**	**$ 430**	**$ 2,500**	400%
1-618-00	PUBLIC RELATIONS/OUTREACH	$ 6,042	**$ 10,000**	**$ 1,009**	**$ 50,000**	400%
1-621-00	ANNEXATION/PLAN REVIEW	$ 11,005	**$ 20,000**	**$ 9,445**	**$ 20,000**	0%
1-622-00	BANK CHARGE	$ 4,904	**$ 2,000**	**$ 528**	**$ 1,500**	-25%
1-623-00	ACCOUNT BILLING	$ 200,037	**$ 191,255**	**$ 110,713**	**$ 200,000**	5%
	ADMINISTRATION EXPENSES SUBTOTAL	**$ 1,069,240**	**$ 1,150,880**	**$ 549,855**	**$ 1,317,500**	**14%**
	FUND 1 NON-OPERATING EXPENSE					
1-820-02	FACILITY PLAN CAPITAL PROJECTS	$ 1,080,000	**$ 2,152,800**	**$ 1,076,400**	**$ 3,129,600**	45%
1-820-03	DEPRECIATION EXPENSE	$ 798,600	**$ -**		**$ 2,055,350**	
1-850-00	2018 BOND PAYMENTS	$ 621,650	**$ 650,000**	**$ 177,975**	**$ 650,000**	0%
	NON-OPERATING EXPENSES SUBTOTAL	**$ 2,500,250**	**$ 2,802,800**	**$ 1,254,375**	**$ 5,834,950**	**108%**
	FUND 1 GRAND TOTAL EXPENSES	**$ 8,244,874**	**$ 8,714,000**	**$ 4,156,385**	**$ 13,010,000**	**49%**

FUND 2 - CAPITAL

ACCOUNT NUMBER	ACCOUNT TITLE	2025 Actual	2026 Approved Budget	2026 Actuals through May	2027 Proposed Budget	Percent Change
	FUND 2 CAPITAL REVENUE					
2-401-00	PERMIT REV/CAPITAL REPLACEMENT	$ 2,800,450	**$ 4,458,000**	**$ 2,931,206**	**$ 5,665,550**	**27%**
2-401-01	ASSET REPAIR AND REPLACEMENT	$ -		**$ 3,075,628**		
2-490-00	TRANSFER IN FROM GENERAL FUND	$ 4,163,851	**$ 11,231,000**		**$ 7,024,450**	**-37%**
2-490-01	TRANSFER IN FROM ASSET REPLACEMENT	$ 483,331	**$ 1,695,000**		**$ 1,050,000**	**-38%**
	TOTAL REVENUE	**$ 7,447,632**	**$ 17,384,000**	**$ 6,006,834**	**$ 13,740,000**	**-21%**
	FUND 2 CAPITAL EXPENSE					
2-500-00	BOISE CAPACITY & CONNECTION FEES	$ 700,000	**$ 500,000**		**$ 500,000**	**0%**
2-501-00	CAPITAL REPAIR AND CONTINGENCY	$ 5,500	**$ 250,000**	**$ 21,402**	**$ 250,000**	**0%**
2-501-03	PLANT CAPITAL EXPENSES	$ 118,185	**$ 250,000**	**$ 96,403**	**$ 250,000**	**0%**
2-501-07	GROUNDS IMPROVEMENT AND EQUIPMEN	$ 119,732	**$ 20,000**	**$ 50,260**	**$ 30,000**	**50%**
2-505-00	CONSTRUCTION CREDIT REIMBURSEMENT	$ -	**$ 50,000**		**$ 25,000**	**-50%**
2-507-00	LIFT STATIONS CAPITAL R&R EXPENSE	$ 205,405	**$ 250,000**	**$ 13,529**	**$ 200,000**	**-20%**
2-520-01	PLANT VEHICLES	$ -			**$ 100,000**	
2-523-03	INFLUENT PUMP INSTALLATION	$ 155,867			**$ -**	
2-523-10	AIKEN/SECOND STREET	$ 317,982				
2-523-11	WETLAND RESTORATION	$ 197,514				
2-523-12	REHABILITATE COLLECTION SYSTEM	$ 137,144	**$ 250,000**	**$ 55,153**	**$ 250,000**	**0%**
2-523-13	BIOSOLIDS REMOVAL		**$ 600,000**	**$ 5,184**		**-100%**
2-524-01	PHOSPHORUS TREAMENT	$ 120,379				
2-524-03	HEADWORKS PLC REPLACEMENT	$ -	**$ 140,000**			**-100%**
2-524-04	MAIN TRUNK LINE (EAST) REALIGNMENT	$ 621,087				
2-524-08	LAGOON INTENSIFICATION	$ 1,918,896			**$ 200,000**	

FUND 2 - CAPITAL (Continued)

ACCOUNT NUMBER	ACCOUNT TITLE	2025 Actuals	2026 Approved Budget	2026 Actuals through May	2027 Proposed Budget	Percent Change
2-524-09	FILTRATION	$ 2,448,080	**$ 8,189,000**	**$ 3,509,868**		**-100%**
2-524-10	RE-USE PERMIT	$ 114,675	**$ 35,000**	**$ 994**	**$ 75,000**	**114%**
2-525-00	SCADA REPLACEMENT	$ 118,390	**$ 200,000**	**$ 65,306**	**$ 150,000**	**-25%**
2-525-01	OLD VALLEY FORCE MAIN LINE	$ 66,920	**$ 575,000**	**$ 28,384**	**$ -**	**-100%**
2-525-02	CAMERA TRUCK UPGRADE	$ -	**$ 160,000**	**$ 8,895**	**$ 160,000**	**0%**
2-525-03	COST OF SERVICE STUDY	$ 34,931	**$ -**	**$ -**	**$ -**	
2-528-00	ENGINEERING CONTINGENCY	$ 23,588	**$ 20,000**	**$ 3,206**	**$ 20,000**	**0%**
2-529-00	MASTER PLANNING CONTINGENCY	$ 3,824	**$ 50,000**	**$ 15,586**	**$ 50,000**	**0%**
2-530-00	OFFICE CAPITAL EXPENSE	$ 17,383	**$ 20,000**	**$ 3,633**	**$ 20,000**	**0%**
2-526-02	SCADA ONCALL CONTINGENCY		**$ 25,000**	**$ 5,392**	**$ 25,000**	**0%**
2-526-06	INFLUENT PUMP REBUILD		**$ 100,000**	**$ 58,900**		**-100%**
2-526-08	FLOATING TILE CONVEYOR		**$ 75,000**	**$ 34,278**		**-100%**
2-526-09	SOLIDS REMOVAL PILOT		**$ 100,000**		**$ 100,000**	**0%**
2-526-10	MIXED LIQUOR RECYCLE PILOT		**$ 50,000**			**-100%**
2-526-11	UV DISINFECTION		**$ 1,100,000**	**$ 979**	**$ 1,750,000**	**59%**
2-526-12	RE-USE PIPE LINE TO CANAL		**$ 2,275,000**	**$ 6,801**	**$ 5,500,000**	**142%**
2-526-13	LAKEMOOR FORCEMAIN REROUTE		**$ 150,000**			**-100%**
2-526-14	FILTRATION 2-MICRON		**$ 1,750,000**	**$ 367,916**	**$ 1,750,000**	**0%**
2-526-15	WINTER REUSE		**$ 200,000**	**$ 8,912**	**$ 250,000**	**25%**
2-527-01	RANCH AND PALMETTO MANHOLE REHAB				**$ 450,000**	
2-527-02	ODOR CONTROL SYSTEM REHAB				**$ 100,000**	
2-527-03	TREATMENT FACILITY PLAN UPDATE				**$ 100,000**	
2-527-04	INFILTRATION WATER QUALITY UPGRADE				**$ 500,000**	
2-527-05	DENITRIFICATION PILOT				**$ 75,000**	
2-527-06	ON-SITE LABORATORY				**$ 60,000**	
2-527-07	CLEANING TRUCK				**$ 800,000**	
	TOTAL EXPENSE	**$ 7,445,482**	**$ 17,384,000**	**$ 4,360,980**	**$ 13,740,000**	**-21%**

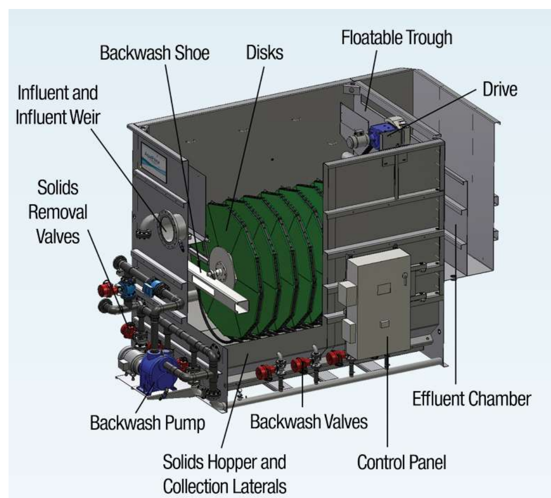
FUNDS 5 & 6 - VALNOVA

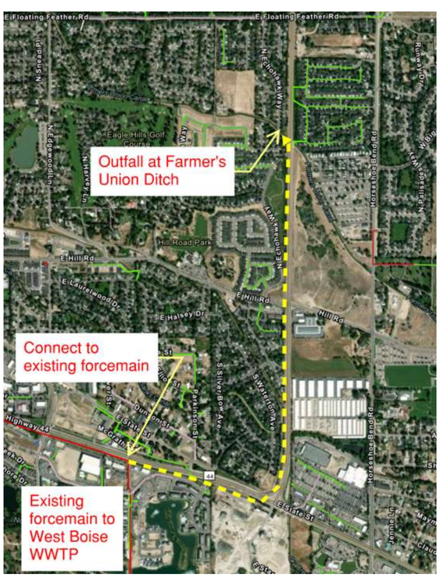
ACCOUNT NUMBER	ACCOUNT TITLE			
FUND 5 O&M REVENUE		**2026 Budget**	**2026 Actual thru May**	**2027 Proposed Budget**
5-401-00	SERVICE REV. - GENERAL	$ 39,000	$ 7,257	$ 78,000
5-420-00	DEVELOPER FUNDING	$ 450,000		$ 450,000
5-480-00	TAX REVENUE	$ 10,000		$ 2,000
	TOTAL REVENUE	**$ 499,000**	**$ 7,257**	**$ 530,000**
FUND 5 O&M PLANT EXPENSE		**2026 Budget**	**Actual thru May 2026**	**2027 Proposed Budget**
5-501-00	SALARIES	$ 100,000	$ 26,040	$ 175,000
5-502-00	ESD/FICA & MEDICARE			$ 14,000
5-502-01	ESD/PERSI			$ 21,000
5-502-04	INSURANCE-MED/DENT/VISION			$ 48,000
5-505-01	PLANT UTILITIES POWER, PHONE, INTERNET	$ 100,000	$ 2,500	$ 36,000
5-505-04	PLANT OPERATIONS AND MAINTENANCE	$ 220,000	$ 33,244	$ 50,000
5-505-05	PLANT FUEL			$ 5,000
5-505-10	COLLECTIONS OPERATION AND MAINTENANCE			$ 22,000
5-505-11	REPAIR & MAINTENANCE			$ 5,000
5-505-12	VEHICLES			$ 4,000
5-505-15	DIGLINE COSTS			$ 3,600
5-505-17	TRAVEL, TRAINING & CERTIFICATION			$ 5,000
5-505-18	CLOTHING & SAFETY EQUIPMENT			$ 2,000
5-505-19	IT SUPPORT AND SOFTWARE SUPPORT			$ 10,000
5-505-20	SCADA MAINTENANCE			$ 10,000
5-507-00	EVALUATE SEWER LINES			$ 5,000
5-507-01	SCADA MAINTENANCE	$ 29,000		$ 30,000
5-508-00	GROUNDS MAINT. & IRRIGATION			$ 10,000
5-509-00	ENGINEERING		$ 2,271	$ 7,500
5-605-00	ADMINISTRATIVE EXPENSE	$ 50,000		$ 66,900
	PLANT EXPENSES SUBTOTAL	**$ 499,000**	**$ 64,055**	**$ 530,000**
FUND 6 CAPITAL REVENUE		**2026 BUDGET**	**2026 Actual thru May**	**2027 Proposed Budget**
6-401-00	PERMIT REV/CAPITAL REPLACEMENT	$ 1,840,000	$ 588,000	$ 920,000
	TOTAL REVENUE	**$ 1,840,000**	**$ 588,000**	**$ 920,000**
FUND 6 CAPITAL EXPENSE				
6-501-00	CAPITAL REPAIR AND CONTINGENCY	$ 1,240,000		$ 700,000
6-501-03	PLANT CAPITAL EXPENSES	$ 600,000	$ 1,461	$ 100,000
6-501-07	GROUNDS IMPROVEMENT AND EQUIPMENT			$ 20,000
6-520-01	PLANT VEHICLES			$ 100,000
	TOTAL EXPENSE	**$ 1,840,000**	**$ 1,461**	**$ 920,000**

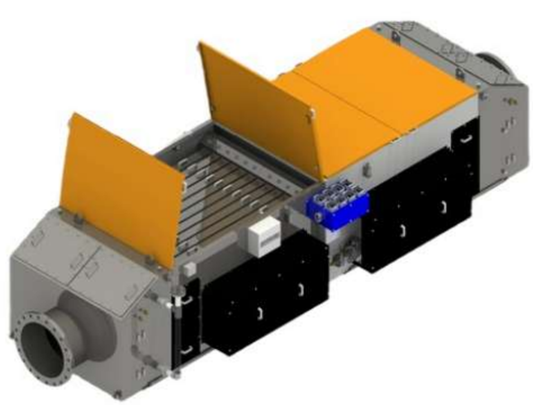
EAGLE SEWER
DISTRICT

Capital Improvement Plan

FY2027







INTRODUCTION

The FY 2027 Capital Improvement Plan (CIP) represents the capital improvement projects in the proposed budget for FY 2027. The CIP provides summary information for each project including a project description, purpose, and current status. This CIP does not include any Valnova projects since that system has a separate CIP.

Background

The CIP is intended as a supplemental document for the budget which provides more detail about capital projects and gives a look at upcoming projects. Each project page includes the following:

- A summary of when the project will start and end, the total budget of the project, and how much money has been appropriated as of the beginning of the next fiscal year.
- A description of the project.
- A description of the service impact of the project.
- A table of estimated expenditures for the project over several years.
- A picture and map of the project may be available.

The CIP will be updated each year, removing completed projects, and adding projects as they enter the planning horizon.

Project Descriptions and Expenditures

The project descriptions provided vary on the amount of detail provided and depend on the developmental stage that applies to each project. In the case of newly proposed projects, the costs and descriptions rely on information available from the respective capital improvement plans containing those projects or prior experience on similar projects. Individual project descriptions are provided for projects over $150k.

Subsequent updates to the CIP will include more detailed cost estimates, phasing assumptions, and updates as projects are further refined and developed. Budgeted funds are estimates of expenditures.

Capacity Purchases at West Boise WRF

Capital Improvement Plan FY 2027

Project Status: Ongoing
(Investigation, Planning, Design, Construction)
Planned Start: Ongoing
Estimated Project Completion: Ongoing
Project Budget: $500k/year
Budget Expended Through 5/2025: Multiple purchases throughout the year approximating $12.4M.

West Boise WRF

Project Description
When the flow, BOD, TSS, ammonia or phosphorus levels exceed the purchased capacity there are additional charges from the City of Boise to increase the levels that can be discharged. This CIP essentially purchases our part of the West Boise WRF processes.

Project Purpose
Maintain the ability to send treated wastewater to the City of Boise for further treatment prior to discharge to the Boise River.

Project Status
Ongoing

Project Funding

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Flow		$500k	$500k	$500k	$500k	$500k
BOD						
TSS						
Ammonia						
Phosphorus						
Total		**$500k**	**$500k**	**$500k**	**$500k**	**$500k**

Treatment Plant Rehabilitation

Project Status: Construction
(Investigation, Planning, Design, Construction)
Planned Start: Ongoing
Estimated Project Completion: Ongoing
Project Budget: $250k/year
Budget Expended Through 5/2025: Multiple million over the years

Project Description
This is an ongoing effort to repair and rehabilitate the treatment plant assets. This includes rehabilitating electrical and mechanical equipment, coating structures that are susceptible to corrosion, and other efforts to prolong the life of the existing assets.

Project Purpose
Rehabilitate treatment plant assets to maintain them in good working condition. This is often related to rebuilding or refurbishing equipment.

Project Status
This is an ongoing effort.

Capital Improvement Plan FY 2027

Figure 1: Treatment Plant

Figure 2: Concrete Channel Coating Example

Figure 3: Treatment Plant Equipment

Project Funding

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning						
Design						
Construction		$250k	$250k	$250k	$250k	$250k
Total	**$0**	**$250k**	**$250k**	**$250k**	**$250k**	**$250k**

Collection System Rehabilitation

Capital Improvement Plan FY 2027

Project Status: Construction
(Investigation, Planning, Design, Construction)
Planned Start: Ongoing
Estimated Project Completion: Ongoing
Project Budget: $250k/year
Budget Expended Through 5/2025: Multiple million over the years

<u>Project Description</u>
This is an ongoing effort to repair and rehabilitate the collection system. This includes fixing leaky manholes, coating manholes that are susceptible to corrosion, removing tree roots, and fixing cracked or damaged pipes.

<u>Project Purpose</u>
Reduce the infiltration and fix problems in the collection system.

<u>Project Status</u>
This is an ongoing effort.

Figure 1: Lining systems on concrete structure

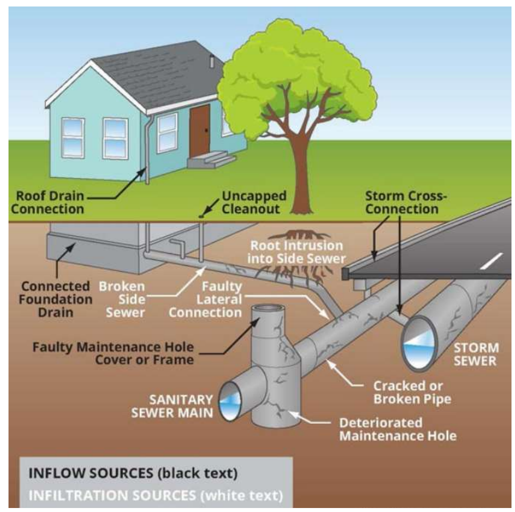


Figure 2: Sources of Inflow/Infiltration that need fixed

<u>Project Funding</u>

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning						
Design						
Construction		$250k	$250k	$250k	$250k	$250k
Total		**$250k**	**$250k**	**$250k**	**$250k**	**$250k**

Lift Station Capital Expense

Project Status: Construction
(Investigation, Planning, Design, Construction)
Planned Start: Ongoing
Estimated Project Completion: Ongoing
Project Budget: $200k/year
Budget Expended Through 5/2025: Multiple million over the years

Capital Improvement Plan FY 2027

Figure 1: Lining systems on concrete lift station

Project Description

This is an ongoing effort to investigate, repair, and rehabilitate the lift stations in the collection system. This includes fixing leaky wetwells, coating wetwells and vaults that are susceptible to corrosion, and fixing cracked or damaged pipes.

Project Purpose

Rehabilitate the lift station assets in the collection system to maintain them in good working order.

Project Status

This is an ongoing effort.

Figure 2: Typical lift station valve vault

Project Funding

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning						
Design						
Construction		$200k	$200k	$200k	$200k	$200k
Total	**$0**	**$200k**	**$200k**	**$200k**	**$200k**	**$200k**

SCADA Upgrade

Project Status: Design
(Investigation, Planning, Design, Construction)
Planned Start: Fall 2025
Estimated Project Completion: Fall 2027
Project Budget: $150k
Budget Expended Through 5/2025: $0

<u>Project Description</u>
The lift station connections to the SCADA system are in need of an upgrade to improve reliability.

<u>Project Purpose</u>
Bring the SCADA system up to industry standards improving functionality, resilience, and operability.

<u>Project Status</u>
The treatment plant SCADA system was upgraded in 2026 in preparation for the lift stations to be improved in 2027.

Capital Improvement Plan FY 2027

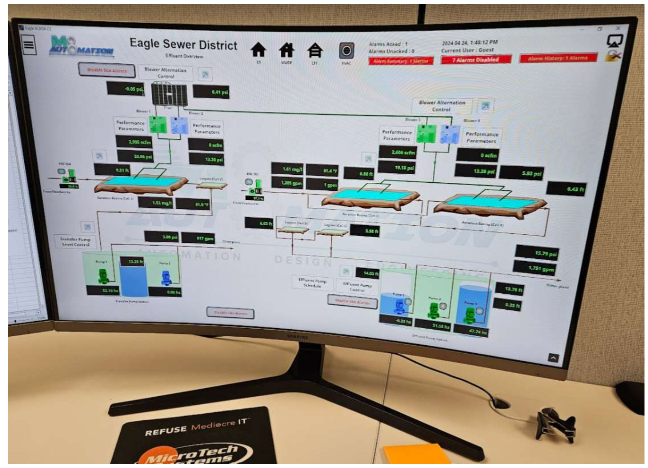


Photo 1: Plant SCADA Computer

<u>Project Funding</u>

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning		$150k				
Design						
Construction						
Total	**$0**	**$150k**	**$0**	**$0**	**$0**	**$0**

Camera Truck Equipment Upgrade

Project Status: Planning
(Investigation, Planning, Design Construction)
Planned Start: Spring 2026
Estimated Project Completion: Summer 2026
Project Budget: $160k
Budget Expended Through 5/2025: $0

Project Description
Replace the camera equipment in the camera truck.

Project Purpose
The camera equipment is nearing obsolescence and will no longer be supported. This project replaces the camera equipment with supported equipment.

Project Status
Researching replacement camera equipment.

Capital Improvement Plan FY 2027

Photo 1: Camera Truck

Project Funding

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning						
Design						
Construction		$160k				
Total	**$0**	**$160k**	**$0**	**$0**	**$0**	**$0**

Tertiary Filtration (2-micron)

Project Status: Construction
(Investigation, Planning, Design, Construction)
Planned Start: Summer 2026
Estimated Project Completion: 2027
Project Budget: $1.8M
Budget Expended Through 5/2025: $0

<u>Project Description</u>
Install (2) 2-micron cloth disc filters in the existing blower building to reduce the turbidity to Class A reuse standards.

<u>Project Purpose</u>
Further reduce the TSS charges from the City of Boise and produce Class A reuse water.

<u>Project Status</u>
Planning

Capital Improvement Plan FY 2027

Figure 1: 2-micron cloth disc filter pilot

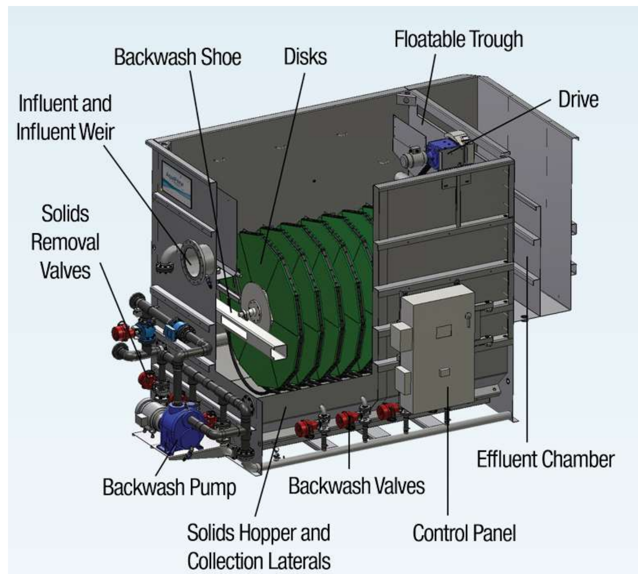


Figure 2: Cloth Disc Filter

<u>Project Funding</u>

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning						
Design						
Construction		$1.75M				
Total	**$0**	**$1.75M**	**$0**	**$0**	**$0**	**$0**

Disinfection (Ultraviolet)

Project Status: Construction
(Investigation, Planning, Design, Construction)
Planned Start: FY26
Estimated Project Completion: FY27
Project Budget: $1.8M
Budget Expended Through 5/2025: $0

Capital Improvement Plan FY 2027

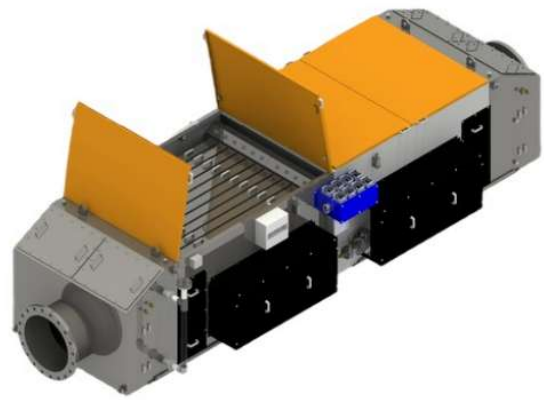


Photo 1: Non-contact Style UV System

Project Description
Construct a UV disinfection system to meet the requirements for Class A reuse.

Project Purpose
Disinfection is required for any discharges besides to the City of Boise West Boise WRF since Boise is already equipped with UV disinfection.

Project Status
Disinfection is required to meet Class A reuse standards.

Project Funding

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning						
Design						
Construction		$1.75M				
Total	**$0**	**$1.75M**	**$0**	**$0**	**$0**	**$0**

Reuse Pipeline to Canal

Project Status: Design
(Investigation, Planning, Design, Construction)
Planned Start: Summer 2026
Estimated Project Completion: 2027
Project Budget: $5.5M
Budget Expended Through 2/2025: $0

Project Description
Construct a water reuse pump station and pipeline to convey Class A reuse water to the Farmer's Union irrigation canal.

Project Purpose
During the treatment plant facility planning process District patrons expressed a desire to keep their water local. This project would be one of the last pieces to make Class A irrigation canal reuse a reality.

Project Status
Pipeline routing and design is expected to be completed in fall 2026 with construction in 2027.

Capital Improvement Plan FY 2027

Photo 1: Example Reuse Pipeline

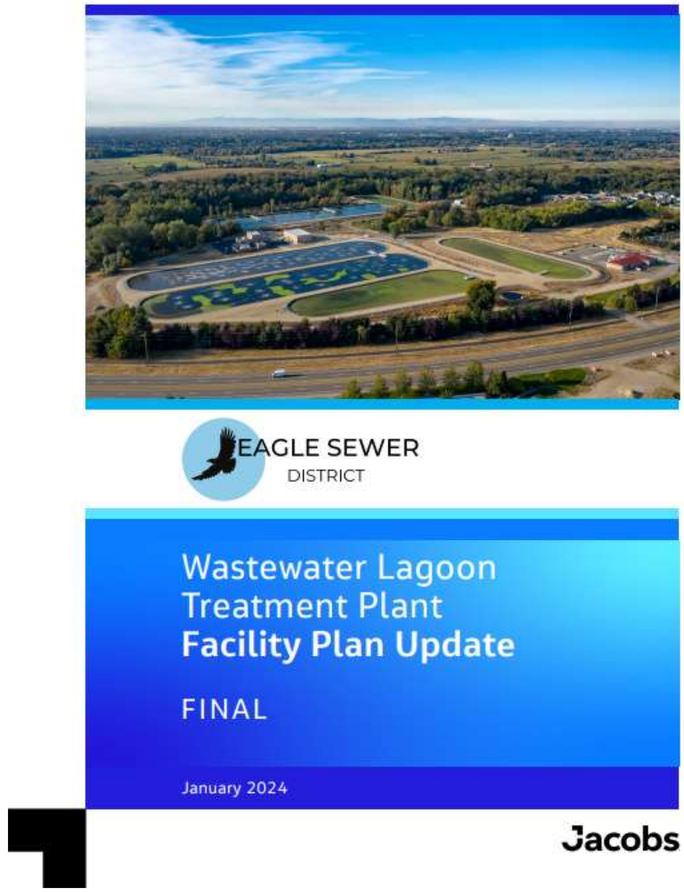
Photo 1: Example Irrigation Canal Reuse

Project Funding

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning						
Design						
Construction		$5.5M				
Total	**$0**	**$5.5M**	**$0**	**$0**	**$0**	**$0**

Treatment Facility Plan Update

Project Status: Planning
(Investigation, Planning, Design, Construction)
Planned Start: 2027
Estimated Project Completion: 2027
Project Budget: $100k



<u>Project Description</u>
The 2024 Facility Plan projects are expected to be completed in mid-2027. An updated plan needs to be prepared to define the next phase of District improvements.

<u>Project Purpose</u>
The Facility Plan is the guiding document that describes the long-term treatment plant plans. Funding is then prepared to support the infrastructure investments to complete the plan.

<u>Project Status</u>
Need to select an engineer to prepare the plan update.

<u>Project Funding</u>

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning		$100k				
Design						
Construction						
Total	**$0**	**$100k**	**$0**	**$0**	**$0**	**$0**

Infiltration Water Quality Upgrade Investigation

Capital Improvement Plan FY 2027

Project Status: Investigation
(Investigation, Planning, Design, Construction)
Planned Start: FY 2027
Estimated Project Completion: FY 2029
Project Budget: $500k
Budget Expended Through 6/2026: $0

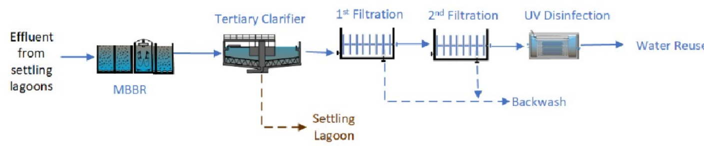


Photo 1: Tertiary Moving Bed Biofilm Reactor Process Flow Diagram

Project Description:
Recycled water for aquifer recharge through infiltration is required to have higher levels of nitrogen and phosphorus removal since these elements aren't used to beneficially grow plants. This project investigates the options to produce water quality that meets the DEQ regulations for infiltration.

Project Purpose:
During the 2023/4 Facility Planning efforts, District patrons indicated that after using the recycled water for summer irrigation, they wanted the District to move towards using the recycled water to recharge the aquifer. This keeps the water local and improves the water sustainability in the area.

Project Status:
An engineer needs selected to complete the formal investigation.

Project Funding

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation		$500k				
Planning						
Design						
Construction						
Total	**$0**	**$500k**	**$0**	**$0**	**$0**	**$0**

Winter Infiltration

Project Status: Investigation
(Investigation, Planning, Design, Construction)
Planned Start: 2026
Estimated Project Completion: 2030
Project Budget: $250k
Budget Expended Through 5/2025: $0

Capital Improvement Plan FY 2027

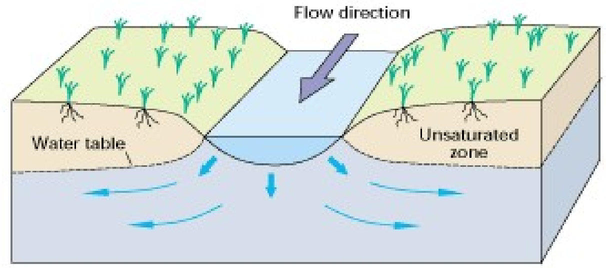


Figure 1: Example of Canal Infiltration

<u>Project Description</u>
Study alternatives for winter aquifer recharge through infiltration. Based on the findings of the study, propose a design and construction schedule.

Photo 1: Example of a Dry Infiltration Basin

<u>Project Purpose</u>
The District patrons said that they support the reuse water being used for aquifer recharge when it can't be used for summer irrigation. This project investigates the best method for infiltration.

<u>Project Status</u>
Beginning alternative studies and verify this is the desire of the District patrons.

Photo 2: Example of a flooded Infiltration Basin

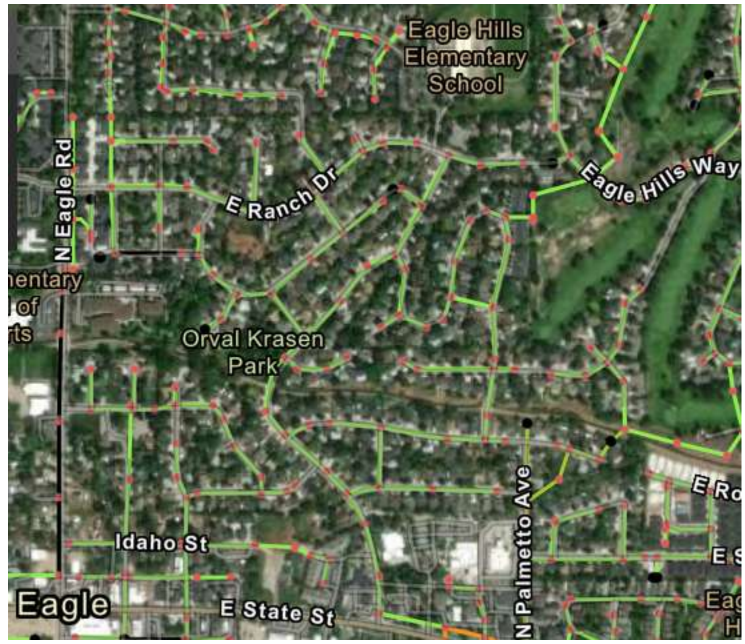
<u>Project Funding</u>

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation		$250k				
Planning						
Design						
Construction						
Total	**$0**	**$250k**	**$0**	**$0**	**$0**	**$0**

Ranch and Palmetto Manhole Rehab

Capital Improvement Plan FY 2027

Project Status: Investigation
(Investigation, Planning, Design, Construction)
Planned Start: Spring 2027
Estimated Project Completion: Fall 2027
Project Budget: $450k
Budget Expended Through 7/2026: $0



Project Description
The wastewater collection system in the Ranch Dr and Palmetto Ave area has experienced degradation. The manholes specifically need to be assessed and those that have been corroded need rehabilitated.

Project Purpose
A reliable wastewater collection system requires maintenance and rehabilitation. This project will assess any deficiencies in the piping and manholes and prepare a corrective action plan.

Project Status
An engineer needs selected to complete the assessment and rehabilitation efforts.

Project Funding

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation		$450k				
Planning						
Design						
Construction						
Total	**$0**	**$450k**	**$0**	**$0**	**$0**	**$0**

Solids Handling Pilot

Project Status: Investigation
(Investigation, Planning, Design, Construction)
Planned Start: 2027
Estimated Project Completion: 2027
Project Budget: $100k
Budget Expended Through 5/2025: $0

Capital Improvement Plan FY 2027

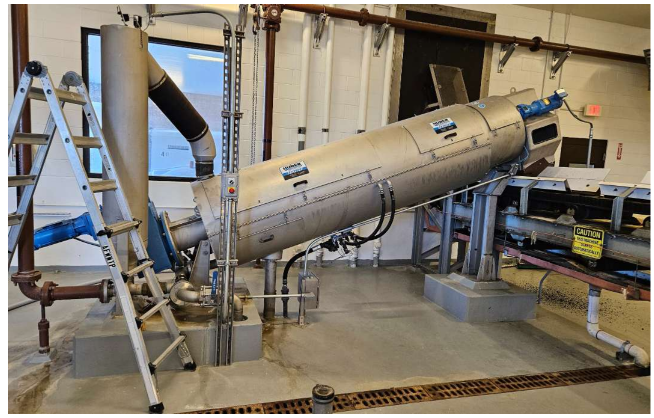


Photo 1: Example Screw Press for Solids Dewatering

Photo 2: Example Belt Filter Press for Solids Dewatering

Project Description
Pilot the use of a dewatering system to reduce the costs of solids removal. The equipment piloted will likely be a screw press, but could also be a belt press.

Project Purpose
Reduce the reliance on mobile dewatering contractors for project cost savings.

Project Status
Investigating the possibilities.

Project Funding

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning						
Design		$100k				
Construction						
Total	**$0**	**$100k**	**$0**	**$0**	**$0**	**$0**

Cleaning Truck Replacement

Project Status: Planning
(Investigation, Planning, Design Construction)
Planned Start: Spring 2026
Estimated Project Completion: 2027
Project Budget: $800k
Budget Expended Through 5/2025: $0

Project Description
Replace the cleaning truck as an asset replacement effort.

Project Purpose
The cleaning truck is nearing the end of its useful life. This project replaces the older cleaning truck new equipment.

Project Status
Researching and planning replacement cleaning truck.

Capital Improvement Plan FY 2027

Photo 1: Cleaning Truck

Project Funding

	Prior Years	FY 27	FY 28	FY 29	FY 30	FY 31
Project Budget Activity						
Investigation						
Planning						
Design						
Procurement		$800k				
Total	**$0**	**$800k**	**$0**	**$0**	**$0**	**$0**

Memorandum

July 6, 2026

To: Neil Jenkins, General Manager
Eagle Sewer District

From: Chase Bozett, Assistant Project Manager
Sarah Schenkein, Senior Financial Analyst
Angie Sanchez Virnoche, Principal

Subject: Eagle Sewer District Connection Charges and Rates for FY 2027

Since the initial completion of the Sewer Rate and Fee Study in FY 2025, Eagle Sewer District (District) and FCS, a Bowman company (FCS) have continued to collaborate and refine the future rate needs of the District. This memorandum outlines two main updates for the District's FY 2027 budget cycle. Each update will be discussed in its own section within this memorandum.

For the connection charge update, the calculation documented in this memorandum is based on the District's update and review of current assets in service by the end of FY 2025. This calculation presents the most up to date maximum defensible charge that the District has the option to place into effect for the FY 2027 budget.

The revenue requirement analysis is an update from the previous rate study documented in February 2026. Over the last few months, District staff have provided updated financial information and developed four potential scenarios for the long-term capital improvement program (CIP). From these varied scenarios, FCS has refined potential rate paths that converge on a recommended sewer rate for FY 2027. This work is planned to continue with the goal of solidifying a long-term rate plan moving forward as more of the key variables become known.

Both sections of the memorandum will follow a very similar layout to the February 2026 memorandum of findings from the Sewer Rate and Fee Study. In some cases, that document may provide additional context.

CONNECTION CHARGE UPDATE

Introduction

The District charges new users a one-time fee for new or redevelopment that is used to recover a proportional share of the value of facilities required to provide service. It should be noted that connection charges are not intended to fund ongoing O&M expenses, only capital-related obligations. The District currently charges $8,916 per Equivalent Residential Unit (ERU), which was adopted by the Board in July 2025.

The following section discusses the various aspects of the process used to update the connection charge for the District. The methods used to complete the study are based on analytical principles and practices that are generally accepted and widely followed throughout the State of Idaho for calculation of connection charges, the goal being cost-based utility fees. This methodology has been unchanged since the July 2025 calculation; however, the cost and capacity components of the charge have been reviewed and updated by the District.

FCS reviewed the District's updated model and calculated connection charge for accuracy, adequacy, reasonableness and compliance with industry practices. This review focused on the overall methodology and resulting charges for compliance with industry practices. The review did not validate the accuracy of source documents regarding new assets added since the previous July 2025 study.

Methodology

The methodology and calculation used for these charges is based on the interpretation by the Court in the 2015 Idaho Supreme Court Case, *NIBCA v the District of Hayden*.

Key components of the connection charge methodology include:

- Determine gross present day replacement value of the existing system.
- Determine net system present day replacement value by subtracting unfunded depreciation and applicable outstanding bond principal from the gross present day replacement value.
- Calculate connection charge by dividing the net system replacement value by the number of users the system can support.

A few key points to understand regarding the connection charge methodology include:

- The connection charge is limited in its calculation of cost to the capacity of replacing existing infrastructure. While any collected charge can be expended on facilities to support future capital investment, the calculation method prevents the District from including costs associated with future facilities not currently used and useful – in other words, constructed and providing service.
- Existing infrastructure is valued at current replacement cost (not original cost).
- The deduction for outstanding debt principal is made recognizing that new customers will pay for their share of those costs through ongoing service rates.
- The connection charge is to be calculated "by dividing the net system replacement value by the number of users the system can support" at that point in time. It is important to understand the system capacity of the current infrastructure in the ground providing service.

Exhibit 1 provides a summary of the connection charge methodology used for this study.

Exhibit 1. Connection Charge Methodology

	Gross Present Day Replacement Value of System
Less:	Outstanding Bond Principal
Less:	Unfunded Depreciation
=	**Net System Replacement Value to the Current Year**
÷	Number of Users Current System Can Support
=	**Total Connection Charge per ERU**

Connection Charge Calculation

The connection charge calculation used to establish the charge for the District's sewer system includes the following key elements and data sources.

Gross Present Day Replacement Value

The gross present day replacement value was determined by District staff identifying the most up to date list of existing facilities utilized to provide sewer service to customers. Important considerations for this part of the equation include:

- Accounting booked asset details provided the initial asset values.
- Replacement cost values for each asset were calculated by applying an Engineering News Record (ENR) construction cost index (CCI) ratio to the original cost of the asset as listed on the accounting booked asset records of the District. The ENR CCI 2025 average was used for determining replacement cost. The difference in the CCI between the installation year and this 2025 average determined the multiplier applied to the original cost of the asset, ultimately deriving the replacement cost.

District staff provided asset records with the year the asset was placed in service and the original cost of the asset. From this list, assets were deemed eligible or ineligible for the calculation and a replacement cost was developed. Ineligible assets included items such as land easements, fencing, wastewater treatment plant paths, biosolids removal, and filtration upgrades. Total gross present day system replacement value is approximately $223.88 million as shown in **Exhibit 2**.

Exhibit 2. Gross System Replacement Value

Asset Type	Original Cost	Eligible Original Cost	Eligible Replacement Cost
Land & Easements	$ 2,750,000	$ 2,700,000	$ 6,030,000
Buildings	7,370,000	7,340,000	13,580,000
Improvements	153,410,000	138,100,000	202,310,000
Equipment	2,390,000	1,680,000	1,950,000
Total	**$ 165,920,000**	**$ 149,820,000**	**$ 223,880,000**

**Rounded to the nearest $1,000. Totals may be off due to rounding.*

Bond Principal

The methodology deducts for outstanding bond principal, which represents the unpaid value of the system. Debt service is paid for through user fees and therefore should be deducted from the system replacement value, so it is not double charged – once in rates and once in the connection charge.

The District has one outstanding debt obligation resulting in a deduction of $7.29 million from the sewer system replacement value.

Unfunded Depreciation

Unfunded depreciation represents another deduction identified in the methodology. The Supreme Court ruling did not provide a specific definition for unfunded depreciation. The calculation that is commonly used to respond to this deduction is the original cost accumulated depreciation. This is a fairly conservative approach as it is likely that not all accumulated depreciation is unfunded thus resulting in the largest deduction.

The annual depreciation is calculated using the actual booked or estimated original cost of each asset divided by the useful life of each asset. The result of this calculation is annual straight-line depreciation. Depreciation accumulates each year until the full original cost is reached. The useful lives used for system assets include buildings at 50 years, improvements 30 years, equipment 10 years, treatment assets at 40 years, and lift stations at 40 years. Land and easement values do not depreciate.

The original cost depreciation for the District's sewer system is estimated at $43.96 million.

Net Present Day Replacement Value

Exhibit 3 summarizes the net present day system replacement value by deducting the bond principal remaining and original cost accumulated depreciation values. The net present day system replacement value is calculated at $172.63 million.

Exhibit 3. Net Present Day Replacement Value

	Gross Present Day Replacement Value of System	$223.88 million
Less:	Outstanding Bond Principal	($7.29 million)
Less:	Unfunded Depreciation	($43.96 million)
=	**Net System Replacement Value to the Current Year**	$172.63 million

System Capacity

A key component of the connection charge calculation is determining the number of users the system can support. System capacity by function was derived from detailed discussions with District staff in 2025. The treatment function of the system currently has capacity to serve 15,400 ERUs, based on the current capacity buy-in at the Boise treatment plant. The collection function of the system can serve up to 17,000 ERUs based on the Master Plan collection capacity as currently constructed. Lift stations can serve 20,000 ERUs based on the Master Plan lift station capacity. For this update, these capacity numbers have been unchanged. It is important to note that in the future as the District increases capacity to one of the functions the capacities are also updated within the calculation.

The Supreme Court methodology references the connection charge calculation as "dividing the net system replacement value by the number of users the system can support." In other words, the capacity must be calculated based on the number of customers the existing system can serve. The existing system is defined as the infrastructure in the ground today and with any infrastructure limitations.

Total Connection Charge

Due to the different capacities each function of the sewer system can serve, the gross system replacement value and associated adjustments were allocated between the three functions of treatment, collection, and lift stations, with the assistance of District staff.

The connection charge for each function is calculated by taking the net present day replacement value and dividing it by the existing system capacity in ERUs. The calculated connection charge results in a maximum charge of $10,301 per ERU as shown in **Exhibit 4**.

Exhibit 4. Total Connection Charge Calculation

Cost Components by Function	Treatment	Collection	Lift Stations	Grand Total
Gross System Replacement Value	$72,310,000	$127,880,000	$23,680,000	$223,880,000
less: Debt Principal	($7,290,000)	$0	$0	($7,290,000)
less: Accumulated Depreciation	($13,280,000)	($26,320,000)	($4,360,000)	($43,960,000)
Net System Replacement Value	**$51,750,000**	**$101,560,000**	**$19,320,000**	**$172,630,000**
Current ERU Capacity by Function	15,400	17,000	20,000	n/a
Charge per ERU	**$3,361**	**$5,974**	**$966**	**$10,301**

The analysis described above concludes the connection charge update for the District. The calculated charge of $10,301 represents the legally defensible maximum the District may impose for new connections to the system.

It is strongly recommended that the District recalculate their connection charge upon completion of major projects to maintain full representation of system value as assets are placed into service.

REVENUE REQUIREMENT UPDATE

Introduction

The District currently operates a collection system and wastewater treatment plant, collectively referred to as the sewer system, and is responsible for funding all its related costs on a self-supporting basis. The primary source of funding for the sewer system is derived from ongoing user charges for service, with additional revenues coming from connection charges and non-rate operating revenue (tax revenue, annexation and plan revenue, other operating revenue, and interest income). The District controls the level of user charges by ordinance, and subject to statutory authority, can adjust user charges as needed to meet financial objectives.

Methodology

The primary goal of the financial plan is to develop a multi-year rate strategy that will provide stable revenue to meet the total operating and capital costs of providing sewer service. The financial plan focuses on the amount of revenue needed to meet the District's total financial obligations which include:

- **Fiscal Policies**: Identifies formal and informal fiscal policies of the District to ensure that current policies are maintained, including reserve levels, capital planning/depreciation funding and debt service coverage.
  - Policies have remained unchanged from the February 2026 documentation of the Sewer Rate and Charge Study – please refer to that document for further details.
- **Operating Forecast**: Identifies future annual non-capital costs associated with the operation, maintenance, and administration of the District.
- **Capital Funding Plan**: Defines a strategy for funding the District's CIP, including asset repair and replacement and facility plan project expenses. This entails an analysis of available resources from rate revenues, connection charges, debt financing, and any special resources that may be readily available (e.g., grants, outside contributions, etc.).
- **Overall Revenue Needs:** Evaluates the overall utility needs based on both the operating and capital needs ensuring that all fiscal policy targets are satisfied throughout the forecast period. This process designs a forward-looking strategy for adjusting rates.

Operating Forecast

Initial operating costs were largely developed based on the District's 2025 actuals and 2026 budgeted revenues and expenses, forecasted flows to Boise for wastewater treatment, and new expenses as determined by District staff. Below highlights the key components of the operating forecast:

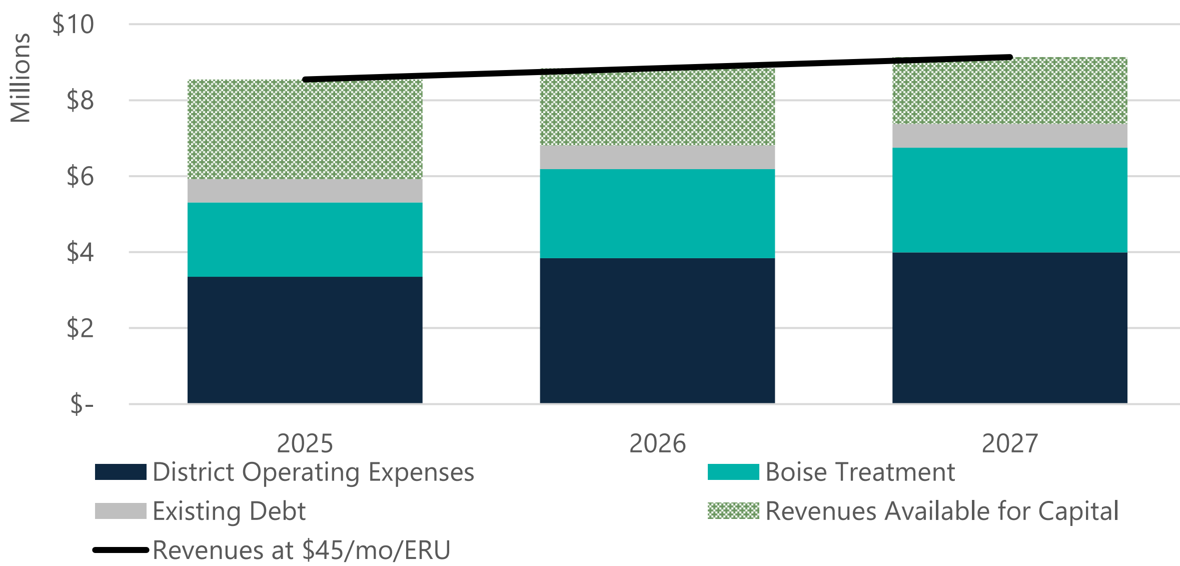
- **Customer Account Growth:** On average about 3.2 percent annually based on the District's forecast of Equivalent Residential Units (ERUs) per year.
- **Fund Earnings:** The rate is conservatively projected to be decreasing from 4.0 percent for 2025 based on the recent performance of the Idaho Local Government Investment Pool (LGIP), decreasing to 2.0% by 2027 in a movement to eventually align with long-term averages.
- **General Cost Inflation:** Assumed 3.5 percent each year throughout the forecast based on recent historical performance of the West Consumer Price Index.
- **Personnel Cost Inflation:** Based on Employment Cost Indices (U.S. Bureau of Labor Statistics) and discussions with District staff:
  - » **Labor Cost Inflation:** assumed to be 3.5 percent per year in alignment with historical averages and confirmed by District staff.
  - » **Benefit Cost Inflation:** assumed to be 3.5 percent per year in alignment with historical averages and confirmed by District staff.
- ***Boise Rate Increases.*** 9.9 percent annual rate increases are assumed for Boise O&M charges in addition to the growth assumed from new customers in the District's system.
  - » The latest rate plan from Boise projects a 9.9 percent increase in FY 2027, followed by rate increases ranging from 24 percent to 27 percent each year from FY 2028 to FY 2030. While the

Boise rate impacts do not directly impact the FY 2027 District costs, it will be an important driver of the District's monthly rates in the future.

- **Debt Service:** The District currently has one outstanding debt obligation related to a Series 2018 bond issuance. Annual principal and interest is approximately $620,000 through 2043.

Exhibit 5 develops an operating forecast from FY 2025 – FY 2027 by totaling the financial obligations listed above.

Exhibit 5. Operating Forecast (FY 2025 – FY 2027)



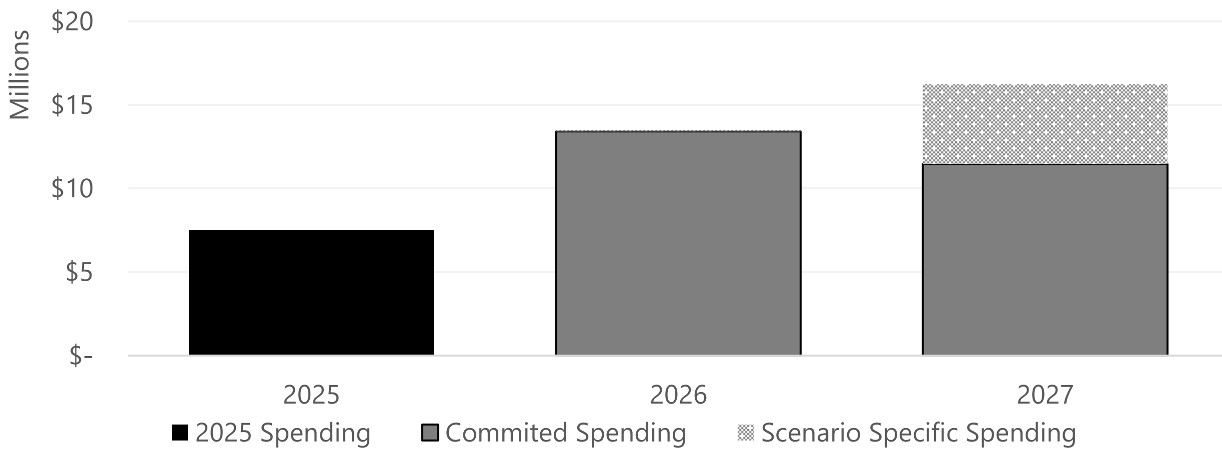
From an operating perspective, the District is forecasted to meet all of the cash operating obligations through the FY 2025 – FY 2027 forecast period. Operating surplus ranges from $2.6 million in FY 2025 to just under $1.8 million in FY 2027 under the current rate of $45/ERU/month. This surplus can be used to fund a portion of the capital plan. The following subsection outlines the capital needs of the District.

Capital Program

The capital improvement program includes the total capital needs of the sewer system – asset replacement and facility plan projects. The financial forecast is developed to support a long-term capital plan; however, for rate-setting and this memorandum, FY 2027 is the focus.

Project costs were originally stated in either 2025 or 2026 dollars (depending on the timing of the estimates provided by the District) and are escalated annually to the year of planned construction for financial projections, using 4.0 percent assumed annual construction cost inflation based on the Engineering News-Record's Construction Cost Index (20-City Average). The focus of the financial plan is evaluating the funding needed to execute the capital plan as scheduled by the District. It should be noted that the total CIP is the best estimate of needs at the time of the study. Timing and funding needs can change depending on factors such as growth, inflation, and changes in District priority/objectives. **Exhibit 6** provides the annual capital spend (escalated to the year of construction).

Exhibit 6. Summary of Escalated Capital Costs (FY 2025 – FY 2027)



For the purpose of consistency with **Exhibit 5**, **Exhibit 6** also focuses on FY 2025 – FY 2027. In FY 2025 capital spending of approximately $7.5 million is shown and solidified in black. In FY 2026 and FY 2027, the District has plans of spending roughly $25 million regardless of any scenario, as signified by the dark grey bars. The patterned light grey and white bars, primarily shown in FY 2027, signify potential capital dollars to be spent dependent on the long-term scenario alternatives still being refined by the District.

Capital Financing Strategy

After discussions with District staff, the following goals surrounding funding of the capital projects focused on:

- Utilize cash reserves, connection charges, or excess revenues from rates to fund the capital projects.
- Avoid debt to fund the capital needs of baseline ongoing capital.
- Fund annual repair and replacement projects solely through excess rates.
- Maintain overall combined fund balances of $8.0 million at the end of each fiscal year.
- Adjust rates every other year as part of a predictable rate plan for customers.

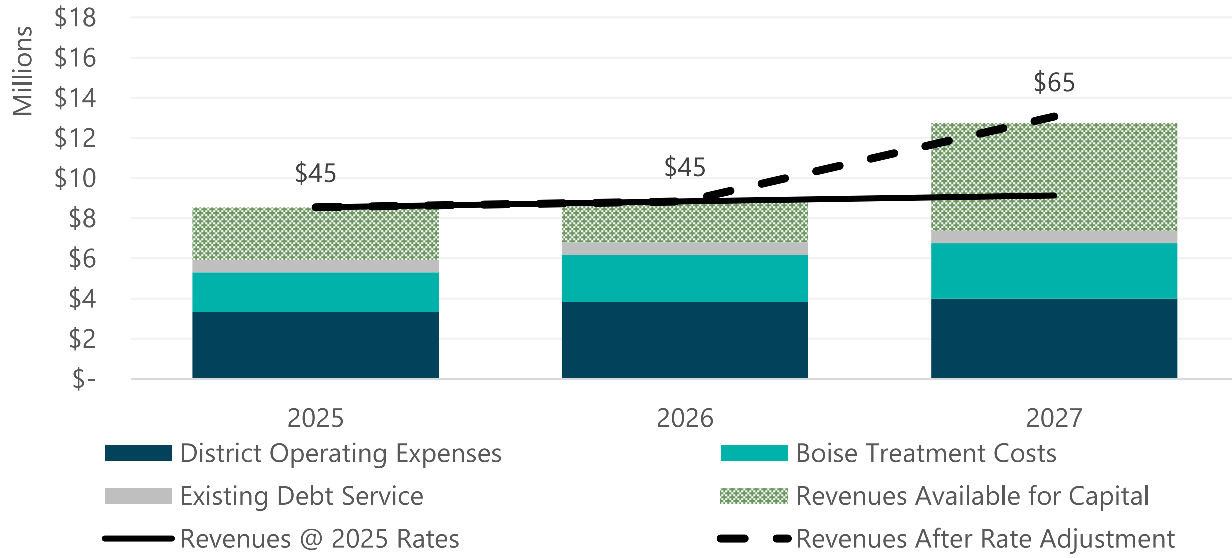
Utilizing the guidance from above, the next subsection developed the overall rate plan.

Overall Revenue Requirement Forecast

Exhibit 7 illustrates the projected revenue requirements for FY 2025 – FY 2027. The stacked bars depict various utility costs, including operating expenses, debt service, and annual rate revenue allocated for capital projects. The solid black line indicates revenue at current rates, while the dashed line represents revenue with rate increases. A rate increase to $65/ERU/month in FY 2027 is recommended to meet increasing Boise treatment costs and provide flexibility for the District’s planned capital projects.

- **Solid black line:** Revenue at 2025 rates.
  - » Rate revenue was recorded as roughly $8.2 million in FY 2025 and is projected to increase with customer growth to $8.8 million by FY 2027.
  - » Non-rate revenues are $250,000 per year and largely come from tax revenue and plan review fees.
- **Dashed black line:** Revenues after rate adjustments.
  - » Rate revenue must increase to allow the utility to fund operating costs and cash fund capital projects.
  - » The data labels above the dashed black line represent the monthly rate per ERU. For FY 2027, it is recommended that the District adopts a $65/ERU/month rate.
- **Navy bar:** District Operating Expenses.
  - » Operating expenses are based on **Exhibit 5**. Operating expenses represent approximately $3.3 million in FY 2025 and increase to $4.0 million in FY 2027.
- **Teal bar:** Boise Treatment Costs.
  - » Also based on costs shown in **Exhibit 5**. These costs are preliminary, increasing at 9.9 percent plus the District's growth.
- **Grey bar**: Existing Debt Service
  - » Principal and interest payments of approximately $620,000 annually related to the repayment of the Series 2018 bond.
- **Green pattern bar:** Revenues Available for Capital.
  - » This amount represents the difference between revenues after rate increase and the other obligations of the utility. This amount can be utilized to fund capital during the year accumulated, achieve adequate fund balance targets, or set aside to fund future capital needs.
  - » While these numbers are consistent with the **Exhibit 5** figures for FY 2025 and FY 2026, in FY 2027 there is forecasted to be approximately $5.4 million in revenue available for capital due to the increase to a $65/ERU/month rate. This is approximately three times as much as the forecasted amount in **Exhibit 5** if the rate remained at $45.

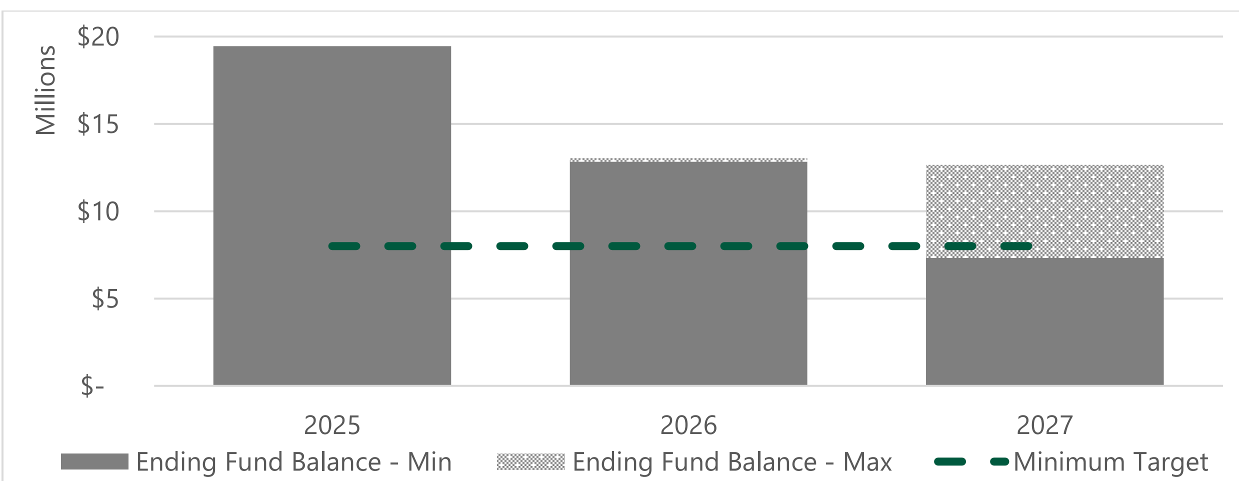
Exhibit 7. Annual Revenue Requirement Forecast (FY 2025 – FY 2027)



Ending Fund Balance Forecast

Based on fund balance reports, the District started FY 2025 with approximately $20.8 million in total reserves. As the District brings in additional funds through rates, connection charges, and other sources and utilizes funds for operating and capital expenses, **Exhibit 8** shows the ending fund balances annually compared to the District's minimum target of $8.0 million. The solid dark grey bars represent the minimum ending fund each fiscal year while the lighter grey pattern fill represents where the District's forecasted fund balance may end up if some of the grey pattern fill projects shown in **Exhibit 6** are not completed.

Exhibit 8. District Ending Fund Balance vs. Target (FY 2025 – FY 2027)



Based on the capital scenarios known at this time, it is forecasted that the FY 2027 ending balance will be somewhere between $7.3 and $12.7 million if a $65 rate is adopted. If the District were to maintain the

$45 rate, it is forecasted that the FY 2027 range would be approximately $3.6 million lower due to the change in the revenues available for capital (green patterned bars in **Exhibit 5** and **Exhibit 7)**.

Although the minimum FY 2027 target is below the $8 million minimum target, District staff have acknowledged that risk could be mitigated through closer and more frequent tracking of the District's fund balance.

NEXT STEPS

For the connection charge calculation, it is strongly recommended that the District recalculate their connection charge upon completion of major projects to maintain full representation of system value as assets are placed into service ensuring that new customers are paying their equitable share of system investments. These annual adjustments could also generate additional revenue for the District to use for capital projects or achieve more favorable fund balances.

For the revenue requirement, the District should consider the adoption of a $65 monthly rate per ERU. By increasing the monthly rate, the District has more capacity to fund capital projects offering more flexibility to pursue longer term capital options. Additionally, the increased rate helps the District maintain healthier fund balances than if no rate adjustment is implemented.

FCS will continue to work with the District on the long-term rate plan as more variables become known. These key variables include, but are not limited to:

- The implementation of Boise rate increases from FY 2028 – FY 2030
- Ongoing, long-term Boise rate increases beyond FY 2030
- Capital costs related to Summer Reuse
- Additional operating cost related to District Summer Reuse
- Capital costs related to Winter Reuse
- Additional operating cost related to District Winter Reuse
- Debt financing assumptions for Winter Reuse