Chapter 7

# FINANCIAL

## 1. Financial Status

The Lake Chelan Reclamation District's (District) balance sheets for the past 5 years, including lists of current assets, fixed assets, and liabilities, are included in **Appendix E**. The District's only current debt is a repayment contract with the U.S. Bureau of Reclamation (USBR). The \$2,660,000 loan has an annual payment of \$53,200 and a term of 50 years. The first contract payment was deferred until 1987, so the loan will be paid off in 2036.

The District mails assessments early in the year. The 2017 assessment rate includes a \$130 delivery charge per parcel, plus \$145 per assessed acre, with a minimum charge set by the Board of Directors. Excess charges are classified as Tier 1 or Tier 2.

- Base charge: Includes 36 inches of water per year.
- Tier 1: \$3.79 per acre-inch over 36 inches, up to 42 inches.
- Tier 2: \$4.55 per acre-inch over 42 inches.

Year	Per Acre	Per Parcel	Tier 1	Tier 2
2008	\$108.00	\$80.00	\$2.77	\$3.98
2009	\$128.00	\$90.00	\$3.32	\$3.98
2010	\$128.00	\$90.00	\$3.32	\$3.98
2011	\$128.00	\$90.00	\$3.32	\$3.98
2012	\$128.00	\$90.00	\$3.32	\$3.98
2013	\$128.00	\$90.00	\$3.32	\$3.98
2014	\$128.00	\$90.00	\$3.32	\$3.98
2015	\$130.00	\$100.00	\$3.38	\$4.05
2016	\$140.00	\$125.00	\$3.66	\$4.39
2017	\$145.00	\$130.00	\$3.79	\$4.55

 Table 7-1 – Historical Assessment Rates

Excess charges are billed at one time at the end of each season. Customers can request earlier meter readings to check their water use to date. Excess charges in 2016 totaled \$70,121.

Income and expenses are listed in the operating statements in **Appendix E**. Assessment rates and annual assessments are listed together with expenses, including operations and maintenance (O&M) expenses, debt service, reserves, and power costs.

The 2016 assessment rate structure can be broken down primarily into the categories of capital improvements, construction fund, power expenses, debt service, and O&M. The assessment breakdown can be approximated as shown in **Table 7-2**.

	Per Parcel	Per Acre
Capital Improvements	\$1.57	\$1.76
Construction Fund	\$13.33	\$14.93
Power Expenses	\$26.29	\$29.44
Debt Service	\$5.65	\$6.32
O&M	\$78.16	\$87.54
Total	\$125.00	\$140.00

Table 7-2 – Approximate 2016 Assessment Breakdown

Capital improvements include office equipment purchases, field equipment purchases, and rehabilitation of pumps and reservoirs. The Construction Fund is set aside for future capital improvements. Power expenses include general power consumption for the buildings, as well as payment of the District's power contract with the USBR and wheeling charges to Chelan County Public Utility District (PUD) No. 1.

The Debt Service to the USBR is for the initial construction repayment contract. The 50-year contract began in 1986 after a 10 plus year development period, and has a \$53,200 annual payment, with a scheduled payoff in the year 2036. The District maintains a sinking fund of approximately \$80,000 as a condition of the debt service.

The majority of the current assessment is for general O&M expenses, including payroll, fuel, fleet maintenance, pipe and meter repairs, and other miscellaneous expenses.

The District's expenses have exceeded revenues for the last 6 years, with the result being a loss of 30 percent of the reserves since 2010. In response, the District has increased assessment rates. If current trends continue, further rate increases will be necessary just to keep pace with normal expenses.

## 2. Power Rates

The District pays a unit charge rate per kilowatt-hour (kWh) to USBR for the supply of power and wheeling charges to the Chelan County PUD No. 1 for transmission. The 2015 and 2016 USBR rates were \$10.38 and \$10.72 per mill, respectively (1 mill equals 1/1,000 kWh). USBR rates are based on the actual cost of power generation, and as such they vary unpredictably per year. Since 2009, the USBR rates have averaged a 4-percent annual increase, though the increase has not been at a constant rate.

Chelan County PUD No. 1 transmission charges to the District appear to have averaged a 4-percent increase per year since 1976, based on the original contract rate. However, from 2012 to 2016 power rates increased an average of 11-percent per year. In 2013, Chelan County PUD No. 1 applied a surcharge of approximately \$40,000 per year to fund portions of the District's power transmission infrastructure replacement. This surcharge is expected to remain in place for the next 6 to 10 years.

The District's original power supply contract with USBR and the Chelan County PUD No. 1 was signed in 1972, and amended in 1976. The 50-year contract expires in 2022. It is not known if a new contract will result in changes in power rates or billing structure. The District should investigate potential impacts of a new contract prior to expiration of the current contract. For the purposes of budgeting, no less than a 10-percent annual increase in power charges should be assumed.

## 3. Capital Improvement Plan

The priority projects identified in **Chapter 6** are shown in the following tables with cost estimates. **Tables 7-3a** and **7.3b** show costs that are classified mainly as operations, maintenance, and specific studies, with scheduled budget estimates. The customer meters are scheduled for a 15-year replacement cycle. The customer pressure reducing valves (PRVs) are on a 20-year replacement cycle. Project costs include 2-percent annual inflation. **Tables 7-3a** and **7-3b** include an estimated cost per assessed acre necessary to directly fund the priority O&M projects. Tables 7-3a1 shows optional projects. The priority project costs come to \$44 per assessed acre on average. The Belzona project is listed as an optional project, as a test case is recommended prior to planning for all pumps.

	-	r	-	-	-	-	-	
O&M Projects	Quantity	Per	Unit Cost	2017	2018	2019	2020	2021
		Year						
Maintenance Projects								
Reservoir Painting			n/a		\$1,000			
Telemetry/SCADA		1	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
maintenance								
Large Customer Meter	40 Ea	40 Ea	\$3,000	\$75,000	\$75,000			
Replacement								
Rotating Customer Meter	700 Ea	50 Ea	\$1,300		\$66,950	\$68,959	\$71,027	\$73,158
Replacement								
Rotating Customer PRV	450 Ea	25 Ea	\$400		\$10,300	\$10,609	\$10,927	\$11,255
Replacement								
Pump motor rebuild	50 Ea	2 Ea	\$50,000	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551
Pump control valve	50 Ea	2 Ea	\$10,000	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510
rebuild								
Pump plant maintenance		1 Ea	\$10,000	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Studies/Management							· · · · · · · · · · · · · · · · · · ·	
Arc Flash (Plants LC & D)	1 Ea	1 Ea		\$20,000				
Pump Station Condition				\$50,000				
and Efficiency								
			Total	\$290,000	\$302,150	\$232,485	\$239,009	\$245,729
			Per acre	\$45.77	\$47.69	\$36.69	\$37.72	\$38.78

 Table 7-3a – Priority Operation and Maintenance Projects (2017-2021)

O&M Projects	Quantity	Per Year	Unit Cost	2017	2018	2019	2020	2021
Arc Flash	7 Ea	1 Ea	\$5,500		\$20,000	\$20,000		
Pump Station Condition and Efficiency	6 Ea	2 Ea			\$82,400	\$84,872	\$87,418	
PUD Power contract renewal investigation						\$20,000		
Belzona pump coating	50	2 Ea	\$500	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

#### Table 7-3a1 – Optional Operation and Maintenance Projects (2017-2021)

#### Table 7-3b – Operation and Maintenance Projects (2022-2026)

	Quantity	Per Year	Unit Cost	2022	2023	2024	2025	2026				
Maintenance Projects												
Reservoir Painting		n/a	n/a					\$50,000				
Telemetry/SCADA Maintenance		n/a	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000				
Rotating Customer Meter Replacement	700 Ea	50 Ea	\$73,158	\$75,353	\$77,613	\$79,942	\$82,340	\$84,810				
Rotating Customer PRV Replacement	450 Ea	25 Ea	\$11,255	\$11,593	\$11,941	\$12,299	\$12,668	\$13,048				
Pump motor rebuild	50 Ea	2 Ea	\$112,551	\$115,927	\$119,405	\$122,987	\$126,677	\$130,477				
Pump control valve rebuild	50 Ea	2 Ea	\$22,510	\$23,185	\$23,881	\$24,597	\$25,335	\$26,095				
Pump plant maintenance		1 Ea	\$11,255	\$11,593	\$11,941	\$12,299	\$12,668	\$13,048				
Studies/Management												
Comprehensive Plan	1 Ea	1 Ea	\$50,000		\$59,703							
Update												
			Total	\$252,651	\$319,483	\$267,124	\$274,688	\$332,479				
	Per Acre	\$39.88	\$50.42	\$42.16	\$43.35	\$52.47						

Projects shown in **Table 7-4** are large, one-time projects identified in prior chapters to be completed within the next 10 years.

Priori	ty Projects			
No.	Project	Quantity	Unit cost	Total cost
1	PP LC MCC replacement	4,250 hp	n/a	\$1,313,000
2	PP LC VFD installation	2 Ea	\$175,000	\$350,000
3	PP A MCC replacement	4,100 hp	n/a	\$1,427,000
4	PP A VFD installation	2 Ea	\$100,000	\$200,000
5	PP B MCC replacement	1,650 hp	n/a	\$1,313,000
6	PP B VFD installation	1 Ea	\$85,000	\$85,000
7	PP C MCC replacement	1,400 hp	n/a	\$1,199,000
8	PP C VFD installation	1 Ea	\$85,000	\$85,000
9	PP D MCC replacement	775 hp	n/a	\$298,000
10	PP D VFD installation	1 Ea	\$30,000	\$30,000
11	Pump D-3 replacement	125 hp	\$50,000	\$50,000
12	PP E MCC replacement	400 hp	n/a	\$240,000
13	PP F MCC replacement	600 hp	n/a	\$249,000
14	PP G MCC replacement	160 hp	n/a	\$231,000
15	PP H MCC replacement	250 hp	n/a	\$133,000
16	Replace relift station control panels (LC, A, B)	1 LS	\$220,000	\$220,000
17	Replace relift station control panels (Others)	6 Ea	\$60,000	\$360,000
Optio	nal Projects			
21	Steel service line replacement	17,000 ft	\$15	\$255,000
22	Install pump discharge manual valves	30 Ea	\$10,000	\$300,000
23	Add drain system manholes	20 Ea	\$4,000	\$80,000
24	PP E replace communications	1 Ea	\$30,000	\$30,000
25	Install booster station control panels	4 Ea	\$60,000	\$240,000

Table 7-4 – Capital Improvement Projects

The projects in Table 7-4 are also shown on Figure 7-1.

A proposed schedule for the projects identified in **Table 7-4** is shown in **Table 7-5**. This schedule will be reviewed periodically by the District Board and revised as needed based on a review of funding sources and public outreach to discuss rate increases.



No.	Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
1	PP LC MCC replacement			\$1,434,751							
2	PP LC VFD installation			\$382,454							
3	PP A MCC replacement					\$1,654,284					
4	PP A VFD installation					\$231,855					
5	PP B MCC replacement						\$1,567,791				
6	PP B VFD installation						\$101,494				
7	PP C MCC replacement							\$1,474,619			
8	PP C VFD installation							\$104,539			
9	PP D MCC replacement								\$377,497		
10	PP D VFD installation								\$38,003		
11	Pump D-3 replacement			\$50,000							
12	PP E MCC replacement									\$313,146	
13	PP F MCC replacement									\$324,889	
14	PP G MCC replacement										\$310,445
15	PP H MCC replacement										\$178,741
16	Replace relift station control panels (LC, A, B)	\$220,000									
	Replace relift station control										
17	panels (Others)		\$190,962	\$196,691							
	Total	\$220,000	\$190,962	\$2,063,896	\$0	\$1,886,139	\$1,669,285	\$1,579,158	\$415,501	\$638,034	\$489,186

## Table 7-5 – 10 Year Capital Project Schedule

# 4. Financing Plan

Implementing the improvement and rehabilitation plan will take a combination of federal, state, and local dollars. Federal funding may come in the form of grants to the District for both conservation demonstration projects and implementation projects. USBR currently has a grant program called WaterSMART with funds available for projects achieving the specific goals of increasing electrical efficiency, reducing water use, and/or improving the environment.

Local funding will come directly out of assessments. Recent assessment rate increases have only just kept pace with inflation and have not been sufficient to build reserves for capital projects. Grant money is much less available than in the past. The budget projections presented herein assume that all money for the 10-year capital project plan will come from 5 bond sales at 2-year increments. Assuming 20-year financing at 4.5-percent interest, 1.5-percent finance sale fee (included in the payments), and 3-percent inflation, the total cost to bond all priority capital projects is approximately \$14 million. The resulting amortization schedule is shown in **Table 7-6**.

Bond sale date	USBR 1987	2018	2020	2022	2024	2026	Annual
Bond amount	\$2,660,000	\$0	\$2,094,9854	\$3,608,755	\$2,024,579	\$1,144,128	payment
2019	\$53,200						\$53,200
2020	\$53,200		\$159,037				\$212,237
2021	\$53,200		\$159,037				\$212,237
2022	\$53,200		\$159,037	\$273,969			\$486,206
2023	\$53,200		\$159,037	\$273,969			\$486,206
2024	\$53,200		\$159,037	\$273,969	\$153,702		\$639 <i>,</i> 908
2025	\$53,200		\$159,037	\$273,969	\$153,702		\$639 <i>,</i> 908
2026	\$53,200		\$159,037	\$273,969	\$153,702	\$86,860	\$726,768
2027	\$53,200		\$159,037	\$273,969	\$153,702	\$86,860	\$726,768
2028	\$53,200		\$159,037	\$273,969	\$153,702	\$86,860	\$726,768
2029	\$53,200		\$159,037	\$273,969	\$153,702	\$86,860	\$726,768
2030	\$53,200		\$159,037	\$273,969	\$153,702	\$86,860	\$726,768
2031	\$53,200		\$159,037	\$273,969	\$153,702	\$86,860	\$726,768
2032	\$53,200		\$159,037	\$273 <i>,</i> 969	\$153,702	\$86,860	\$726,768
2033	\$53,200		\$159,037	\$273,969	\$153,702	\$86,860	\$726,768
2034	\$53,200		\$159,037	\$273 <i>,</i> 969	\$153,702	\$86,860	\$726,768
2035	\$53,200		\$159,037	\$273,969	\$153,702	\$86,860	\$726,768
2036			\$159,037	\$273,969	\$153,702	\$86,860	\$673 <i>,</i> 568
2037			\$159,037	\$273 <i>,</i> 969	\$153,702	\$86,860	\$673 <i>,</i> 568
2038			\$159,037	\$273,969	\$153,702	\$86,860	\$673 <i>,</i> 568
2039			\$159,037	\$273,969	\$153,702	\$86,860	\$673 <i>,</i> 568
2040				\$273 <i>,</i> 969	\$153,702	\$86,860	\$514,531
2041				\$273,969	\$153,702	\$86,860	\$514,531
2042					\$153,702	\$86,860	\$240,562
2043					\$153,702	\$86,860	\$240,562
2044						\$86,860	\$86,860
2045						\$86,860	\$86,860
2046						\$0	\$0

Table 7-6 – CIP Bond Financing Amortization Table

**Table 7-7** shows one possible schedule for assessment rate changes over the next 30 years to fund all identified priority projects by purchasing bonds every two years for the next 10 years. The assessment per-parcel is increased by 5-percent every year to keep pace with the increased cost of normal operating expenses. The assessment per-acre is increased to cover the remaining costs which include the following:

- Capital project debt service.
- Develop and maintain 90 days of cash-on-hand to cover normal expenses during off-revenue periods.
- Develop and maintain a sinking fund to cover 1 year of debt service payments.
- After 10 years, new capital projects paid with cash rather than financing.

The total assessment rate to fund the program could reach \$212 per parcel and \$319 per acre in 10 years, and \$345 per parcel and \$425 per acre in 20 years. This is only one of many possible schedules for rate increases.

In **Table 7-7**, General Operations Expenses include wages, benefits, office expenses, and power charges. General Operations O&M includes annual maintenance and projects listed in **Tables 7-3**.

For the budget projections, we have assumed the following annual increases.

- Power rates increase at 10 percent per year.
- Power usage increase at 1 percent per year for new irrigation acreage, and temperature increases.
- General operations increase at 3 percent per year for inflation, wages and benefits.
- Capital project increase at 3 percent per year for inflation. (The Engineering News Record building cost index and construction cost index have averaged 3 percent per year since 1997).

## <u>Financial</u>

Table 7-7 – Budget Forecast

	General Op	perations	Capital I	Projects	Total	Assess	ments	Revenues		Required	Net Position	n (EOY cash)	
			Project Cost	Bond	Expenses	Per	Per				Bond		Minimum
Year	Expenses	0&M	(1)	Payment		parcel	acre	Per parcel	Per acre	Total	Reserves	Actual	required
2017	\$790,000	\$290,000	\$0	\$53,200	\$1,133,200	\$130	\$145	\$297,310	\$918,720	\$1,216,030	\$81,000	\$919,000	\$360,419
2018	\$838,020	\$302,150	\$220,000	\$53,200	\$1,193,370	\$137	\$170	\$312,176	\$1,077,120	\$1,389,296	\$81,000	\$1,114,926	\$375,256
2019	\$890,156	\$232,485	\$190,962	\$53,200	\$1,175,840	\$143	\$195	\$327,784	\$1,235,520	\$1,563,304	\$81,000	\$1,502,389	\$370,933
2020	\$946,825	\$239,009	\$2,063,896	\$212,237	\$1,398,071	\$150	\$220	\$344,173	\$1,393,920	\$1,738,093	\$293,237	\$1,842,412	\$637,967
2021	\$1,008,491	\$245,729	\$0	\$212,237	\$1,466,457	\$158	\$245	\$361,382	\$1,552,320	\$1,913,702	\$293,237	\$2,289,657	\$654,829
2022	\$1,075,665	\$252,651	\$1,886,139	\$486,206	\$1,814,522	\$166	\$256	\$379,451	\$1,619,691	\$1,999,142	\$567,206	\$2,474,277	\$1,014,623
2023	\$1,148,915	\$319,483	\$1,669,285	\$486,206	\$1,954,605	\$174	\$267	\$398,424	\$1,689,985	\$2,088,409	\$567,206	\$2,608,081	\$1,049,164
2024	\$1,228,871	\$267,124	\$1,579,158	\$639,908	\$2,135,904	\$183	\$278	\$418,345	\$1,763,331	\$2,181,676	\$720,908	\$2,653,853	\$1,247,569
2025	\$1,316,230	\$274,688	\$415,501	\$639,908	\$2,230,826	\$192	\$290	\$439,262	\$1,839,859	\$2,279,121	\$720,908	\$2,702,149	\$1,270,975
2026	\$1,411,763	\$332,479	\$638,034	\$726,768	\$2,471,009	\$202	\$303	\$461,225	\$1,919,709	\$2,380,934	\$807,768	\$2,612,074	\$1,417,058
2027	\$1,516,327	\$340,503	\$489,186	\$726,768	\$2,583,598	\$212	\$316	\$484,287	\$2,003,024	\$2,487,311	\$807,768	\$2,515,787	\$1,444,819
2028	\$1,561,817	\$350,718	\$250,000	\$726,768	\$2,889,303	\$222	\$330	\$508,501	\$2,089,956	\$2,598,457	\$807,768	\$2,224,941	\$1,520,199
2029	\$1,608,672	\$361,239	\$257,500	\$726,768	\$2,954,179	\$233	\$344	\$533,926	\$2,180,660	\$2,714,586	\$807,768	\$1,985,347	\$1,536,196
2030	\$1,656,932	\$372,077	\$265,225	\$726,768	\$3,021,001	\$245	\$359	\$560,622	\$2,275,300	\$2,835,923	\$807,768	\$1,800,269	\$1,552,672
2031	\$1,706,640	\$383,239	\$273,182	\$726,768	\$3,089,828	\$257	\$375	\$588,653	\$2,374,048	\$2,962,702	\$807,768	\$1,673,142	\$1,569,643
2032	\$1,757,839	\$394,736	\$281,377	\$726,768	\$3,160,720	\$270	\$391	\$618,086	\$2,477,082	\$3,095,168	\$807,768	\$1,607,591	\$1,587,123
2033	\$1,810,574	\$406,578	\$289,819	\$726,768	\$3,233,739	\$284	\$408	\$648,990	\$2,584,588	\$3,233,578	\$807,768	\$1,607,430	\$1,605,128
2034	\$1,864,891	\$418,776	\$298,513	\$726,768	\$3,308,948	\$298	\$418	\$681,440	\$2,648,448	\$3,329,888	\$807,768	\$1,628,370	\$1,623,673
2035	\$1,920,838	\$431,339	\$307,468	\$726,768	\$3,386,413	\$313	\$425	\$715,512	\$2,692,800	\$3,408,312	\$807,768	\$1,650,269	\$1,642,774
2036	\$1,978,463	\$444,279	\$316,693	\$673,568	\$3,413,003	\$329	\$425	\$751,288	\$2,692,800	\$3,444,088	\$673,568	\$1,681,354	\$1,515,130
2037	\$2,037,817	\$457,607	\$326,193	\$673,568	\$3,495,186	\$345	\$430	\$788,852	\$2,724,480	\$3,513,332	\$673,568	\$1,699,500	\$1,535,394
2038	\$2,098,952	\$471,336	\$335,979	\$673,568	\$3,579,834	\$362	\$430	\$828,295	\$2,724,480	\$3,552,775	\$673,568	\$1,672,440	\$1,556,267
2039	\$2,161,920	\$485,476	\$346,058	\$673,568	\$3,667,022	\$380	\$430	\$869,709	\$2,724,480	\$3,594,189	\$673,568	\$1,599,607	\$1,577,765
2040	\$2,226,778	\$500,040	\$356,440	\$514,531	\$3,597,789	\$399	\$425	\$913,195	\$2,692,800	\$3,605,995	\$514,531	\$1,607,813	\$1,401,657
2041	\$2,293,581	\$515,041	\$367,133	\$514,531	\$3,690,287	\$419	\$420	\$958,854	\$2,661,120	\$3,619,974	\$514,531	\$1,537,501	\$1,424,465
2042	\$2,362,389	\$530,492	\$378,147	\$240,562	\$3,511,590	\$440	\$410	\$1,006,797	\$2,597,760	\$3,604,557	\$240,562	\$1,630,468	\$1,106,433
2043	\$2,433,260	\$546,407	\$389,492	\$240,562	\$3,609,721	\$462	\$400	\$1,057,137	\$2,534,400	\$3,591,537	\$240,562	\$1,612,285	\$1,130,630
2044	\$2,506,258	\$562,799	\$401,177	\$86,860	\$3,557,094	\$485	\$390	\$1,109,994	\$2,471,040	\$3,581,034	\$86,860	\$1,636,225	\$963,951
2045	\$2,581,446	\$579,683	\$413,212	\$86,860	\$3,661,201	\$510	\$380	\$1,165,494	\$2,407,680	\$3,573,174	\$86,860	\$1,548,197	\$989,622

(1) Starting in 2028, assumes \$250,000 per year (annually inflated) in capital replacement projects, paid with cash.

# 5. Depreciation Funding

The District maintains a Construction Fund, but does not specifically fund original utility plant depreciation as an expense. RH2 Engineering, Inc. provided a plant life and depreciation estimate for the irrigation system in 2016, which is included in **Appendix L**. The evaluation estimated a total utility plant replacement value of \$78,000,000. For comparison, using the Engineering News Record construction cost index (CCI) multipliers and the original 1975 construction cost of \$18,778,000, a replacement value could be estimated as follows:

 $18,778,000 \ge 10,300 (2016 \text{ CCI}) \div 2,212 (1975 \text{ CCI}) = 87,438,246.$ 

This is presented only to show the 2016 estimate of \$78,000,000 is within a reasonable level of accuracy. The 2016 evaluation concluded that straight line depreciation based on current replacement value is approximately \$940,000 annually.

The expectation is that the assessment schedules shown in **Table 7-7** would be followed, replaced with the depreciation expense after completion of the 10-year projects, and financing paid off. Depreciation funding in Table 7-7 is currently shown at \$250,000 per year after 2027 because much of the anticipated long-term depreciation is in the pipelines, which may have a longer life than assumed in the 2016 evaluation. This depreciation funding should be re-evaluated every few years and may need to be increased. At \$250,000 per year, the depreciation expense would require \$40 per acre revenue. The District currently supports the Construction Fund at a rate of approximately \$20 per acre. To fully fund depreciation, the Construction Fund would require a permanent increase of \$148 per acre ( $$940,000 \div 6,336$  acres), with annual inflation adjustments.