

Surface Water Utility Rate Study -Update-

City Council Study Session
September 19, 2017

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Discussion Topics

- Project Background & Recent Revisions
- Town Center Regional Stormwater Project Funding
- Scenarios and Proposed Rate Impacts
- Next Steps

Council Direction to Date

- Maintain Cash Reserves (Operating, Capital, Debt, and Debt Service Coverage)
- New rate structure
 - Based on equivalent service units
 - Award 35% credit for qualifying nonresidential customers
- Continue surface water funding of surface water-related transportation CIP components
- Include 2018-2023 Surface Water CIP in rate study

Council Direction to Date (cont)

Town Center Regional Stormwater Facilities Capital Assumptions

- \$34.4 million inflated total cost over 10 years (2019-2028)
 - \$2.8 million per year in current dollars
- Funding assumptions
 - Remove from capital forecast until TC Implementation Plan is developed (\$350k in 2018)
 - Update rate study based on Implementation Plan (\$25k in 2019)
- Assumptions should be reviewed and adjusted as plan develops

Key Assumptions

- **Annual Cost Inflation**

- General: 2.5% (Consumer Price Index)
- Labor: 3.0% (Employment Cost Index - Wages)
- Benefits: 5.8% (City)
- Construction: 3.0% (Engineering News Record Construction Cost Index)

- **Annual Customer Growth Rates**

- 1.5% based on comprehensive plan growth forecast

- **Operating Forecast**

- Generally based on 2017/2018 Biennial Budget
- Rate revenues include projected growth
- Taxes calculated on projected revenues
- Incorporate Stormwater Comprehensive Plan Enhanced Levels of Service

Edits to SMC 13.25 Made Today

SMC 13.25.050(2)(b) Credit Calculation. The amount to be credited shall be a fixed percentage reduction, based on the percentage of program costs estimated to be related to managing surface water volumes.

~~For water quantity mitigation, the formula is expressed mathematically as follows:~~

$$~~C = F \times 35\%~~$$

~~Where~~

~~C = the credit amount to be subtracted from the monthly fee;~~

~~F = the total monthly charge without credit~~

Edits to SMC 13.25 Made Today

~~SMC 13.25.055 Cost of living adjustment.~~

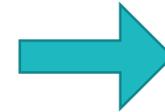
~~Notwithstanding any increase provisions to the contrary or absence thereof, user rates for Stormwater shall be increased annually on January 1st of each year beginning January 1, 2018. Any prior cost of living increases shall be incorporated in the charges prior to calculating the updated rates.~~

~~The cost of living increase shall be determined by averaging the 12-month cost of living figures beginning with the immediately previous October and averaging it with the prior 11 months (e.g. January 1, 2018 cost of living increase would be determined by averaging the cost of living figures for each month from November 2016 through October 2017). The cost of living figures noted herein shall be the U.S. Bureau of Labor and Statistics, Cost of Living Index, CPI-U, All Cities publication for each month, November through October.~~

Two No-Town-Center “Finalist” Scenarios

Scenario A:

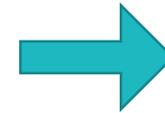
- \$350k in 2018 for TC Implementation Plan
- \$25k in 2019 to update rate study



15% increase in 2018, 2019, 2020; 2% in following years

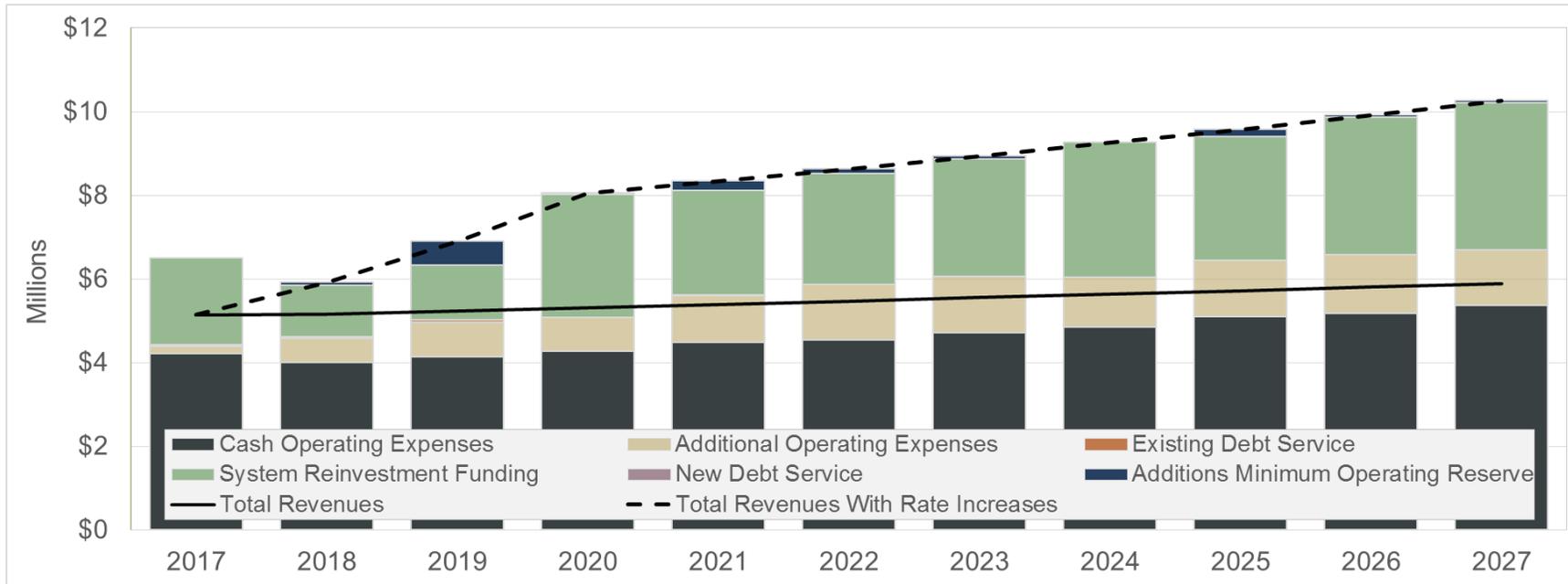
Scenario B:

- \$350k in 2018 for TC Implementation Plan
- \$25k in 2019 to update rate study
- Increase capital fund balance by \$1 million by 2020



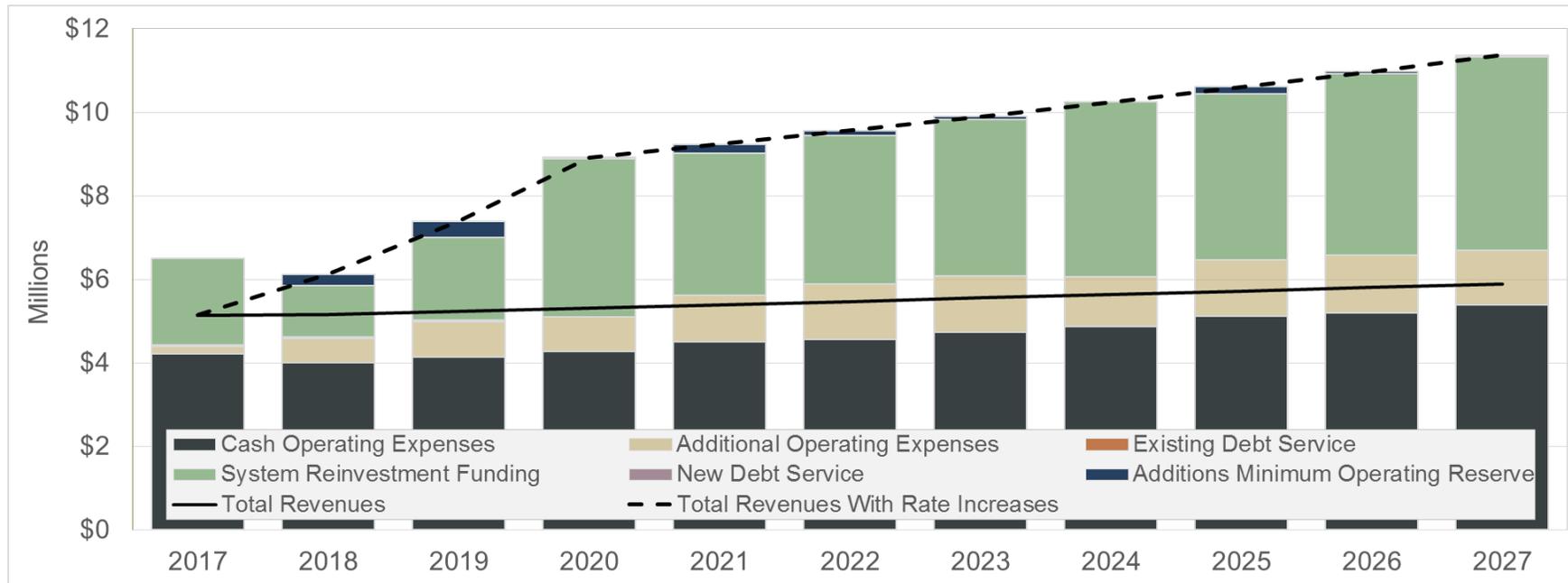
19% increase in 2018, 2019, 2020; 2% in following years

Scenario A: No Add'l Capital Reserves



Monthly SFR Rate	\$18.75	\$21.56	\$24.80	\$28.52	\$29.30	\$30.11	\$30.93	\$31.78	\$32.66	\$33.56	\$34.48
Annual SFR Rate	\$225	\$259	\$298	\$342	\$352	\$361	\$371	\$381	\$392	\$403	\$414
Annual Increase		15%	15%	15%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Scenario B: Build Add'1 \$1M in Capital Reserves



Monthly SFR Rate	\$18.75	\$22.59	\$26.89	\$32.00	\$32.64	\$33.29	\$33.95	\$34.63	\$35.33	\$36.03	\$36.75
Annual SFR Rate	\$225	\$271	\$323	\$384	\$392	\$399	\$407	\$416	\$424	\$432	\$441
Annual Increase		19%	19%	19%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Next Steps

- **City Council**
 - Select preferred scenario
 - Adopt proposed rate increases
 - Open Hearing & 1st Reading: September 19. Adoption: October 17
- **Staff**
 - Notify King County by December 1, 2017 for rate increases to existing structure effective January 2018
 - Notify King County by March 1, 2018 for rate structure changes effective January 2019
 - 2018 - Develop Town Center Regional Stormwater Implementation Plan
- **FCS GROUP**
 - Complete System Development Charge analysis
 - Winter 2018 - Revise rate study to incorporate Town Center

Thank you

Questions?