

CITY COUNCIL AGENDA BILL

City of Black Diamond
Post Office Box 599
Black Diamond, WA 98010

ITEM INFORMATION

SUBJECT: Resolution adopting a city Sewer rate increase from \$21.78 to \$25.00 per Equivalent Residential Unit (ERU) per month effective January 1, 2020, from 25.00 to \$27.50 effective January 1, 2021 and approve an Annual CPI-U inflationary rate of 5% increase in 2022 and 3% beginning in 2023 and beyond.	Agenda Date: December 19, 2019	AB19-075
	Mayor Carol Benson	
	City Administrator	
	City Attorney David Linehan	
	City Clerk – Brenda L. Martinez	
	Com Dev/Nat Res –	
	Finance – May Miller	X
	MDRT/Ec Dev – Andy Williamson	
Cost Impact (see also Fiscal Note):	Police – Chief Kiblinger	
Fund Source: --Stormwater Utility Fund	Public Works – Seth Boettcher	
Timeline: January 1, 2020	Court – Stephanie Metcalf	

Agenda Placement: Mayor Two Councilmembers Committee Chair City Administrator

Attachments: Resolution 19-1328; Financial Analysis and rate comparison worksheet

SUMMARY STATEMENT: A work-study meeting was held on November 14, 2019 and a Public Hearing was held December 5, 2019 to review the recommended city Sewer increase of \$3.22 a month from \$21.78 to \$25.00 per month per Equivalent Residential Unit (ERU) effective January 1, 2020 and a \$2.50 Increase from 25.00 to 27.50 effective January 1, 2021 and an increase of 5% in 2022 and continuing with a 3% annual inflationary rate for 2023 and beyond. These rates will affect each Equivalent Residential customers (ERU'S) per month. Commercial business customers will see the same base ERU increase but will see the additional continued \$10.00 per unit charge for their additional units.

The last time the Sewer rates were increased was in 2013, Ashley Emery, the financial consultant's computer model at that time showed that the rates needed to be increased to a higher rate per ERU in future years, but that never happened as it was the continuing thought that the Master Plan development growth would begin sooner and at a faster pace.

Several detailed Financial Cash-flow projections for 2020 and beyond show that without the rate increase the cash position of the Sewer Fund could at a complete deficit in the near future without a rate increase. It is urgent that we correct the sewer rates to cover the cost of operations.

Mr. Ashley Emery of Peninsula Financial Consulting was hired to update the financial computer models that he has created when we increased the rates in 2013. A workstudy was held on November 14, 2019 where the Finance Director, Public Works Director and Mr. Emery reviewed the Financial Analysis and the impact different growth scenarios and the effect the various rate increases and would have on the sewer rates.

A several year approach is recommended, with a 2020 ERU residential rate increase of \$3.22 a month from \$21.78 to \$25.00 per month per residential ERU'S beginning January 1, 2020. The second tier to increase from \$25.00 to \$27.50 in 2021 and the third tier in 2022 to increase by 5% with an annual CPI-U inflationary rate increase of 3% beginning in 2023 and beyond. These rate increases along with the current growth rate should help stabilize the sewer revenue and ensure that rate increases should not need to occur over time just to keep up with inflationary costs.

Council has the responsibility to ensure that Utility Fund has adequate rates in place to cover the cost of operating, capital and possible future debt costs. Currently, we are just requesting a 2020 rate increase to cover the sewer fund operating costs. We plan to update the rate model at least every two years.

FISCAL NOTE (Finance Department): The proposed Sewer rate increases are essential to providing operating revenue and cash for 2020 and beyond.

COUNCIL COMMITTEE REVIEW AND RECOMMENDATION: The Finance Committee reviewed the proposed sewer rate increase and recommended forwarding to the full Council.

RECOMMENDED ACTION: MOTION to adopt Resolution No. 19-1328, regarding the City Sewer rate increase of \$3.22 per month from \$21.78 to \$25.00 per month per Equivalent Residential Unit effective January 1, 2020 and an increase of \$2.50 effective January 1, 2021, a 5% increase in 2022 and an annual CPI-U inflationary rate increase of 3% each year effective January 2023 and beyond.

RECORD OF COUNCIL ACTION

<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>
December 19, 2019		

RESOLUTION NO. 19-1328

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, KING COUNTY, WASHINGTON, INCREASING RATES FOR CITY SEWER SERVICE BEGINNING IN 2020 AND ANNUALLY THEREAFTER TO PROVIDE NEEDED CASH FLOWS FOR SEWER OPERATIONS.

WHEREAS, the City Council, by Ordinance No. 19-1133, adopted a Utility Rate Schedule wherein all customer rates for City utility services are included in a single document, which may be amended from time to time by the City Council in its discretion, consistent with RCW 35.92.010 and 35.92.020; and

WHEREAS, the City's base charge for sewer utility services has not increased since 2014; and

WHEREAS, the City Council held a public work session on November 14, 2019, to review the adequacy of its sewer utility rates with its consultant, Mr. Ashley Emery of Peninsula Financial Consulting ("Consultant"); and

WHEREAS, the Consultant determined, based on his computer modeling and a detailed analysis of expected conditions over the next six years, that a rate increase is urgently needed to ensure adequate cash flow to cover the cost of sewer operations; and

WHEREAS, based on the recommendations of the Consultant and the City's Finance and Public Works Staff, the City Council finds that the following increases to the City's base sewer service charges are needed to stabilize the City Sewer Fund and provide adequate cash flow for sewer operations: 15% in 2020; 10% in 2021; 5% in 2022; 3% in 2023 and annually thereafter; and

WHEREAS, a public hearing for the Council to receive public input on these proposed multi-year sewer utility rate adjustments was held on November 21, 2019.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. Effective January 1, 2020, the City's Utility Rate Schedule shall be amended to reflect a fifteen percent (15%) increase in the base sewer service charge over the rate in effect on December 31, 2019.

Section 2. Effective January 1, 2021, the City's Utility Rate Schedule shall be amended to reflect a ten percent (10%) increase in the base sewer service charge over the rates in effect on December 31, 2020.

Section 3. Effective January 1, 2022, the City's Utility Rate Schedule shall be amended to reflect a five percent (5%) increase in the base sewer service charge over the rates in effect on December 31, 2021.

Section 4. Effective January 1, 2023, the City's Utility Rate Schedule shall be amended to reflect a three percent (3%) increase in the base sewer service charge over the rates in effect on December 31, 2022.

Section 5. Effective January 1, 2024, and annually on January 1 of each year thereafter, the City's Utility Rate Schedule shall be amended to reflect a three percent (3%) increase in the base sewer service charge over the rates in effect the previous year, to account for anticipated future inflation.

Section 6. The City Council intends to conduct a further review of the adequacy of utility rates for City sewer services at least once every two years after the date of this resolution to determine if any additional adjustments should be made to ensure adequate funding for sewer operations, maintenance, and capital needs.

PASSED BY THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS 19TH DAY OF DECEMBER 2019.

CITY OF BLACK DIAMOND:

Carol Benson, Mayor

Attest:

Brenda L. Martinez, City Clerk

City of Black Diamond
Monthly Utility Rates
15% Sewer Rate Increase with Rate Restructure Comparison

AVERAGE RESIDENTIAL CUSTOMER					
Rate Comparison for 800 cu ft. Water					
	2018	2019	2020	Monthly Difference	Percentage
Water	\$58.53	\$58.53	\$58.53	\$0.00	
Metro Sewer	\$44.22	\$45.33	\$45.33	\$0.00	
City Sewer	\$21.02	\$21.78	\$25.00	\$3.22	
Stormwater	\$16.00	\$19.00	\$19.50	\$0.50	
Total Monthly	\$139.77	\$144.64	\$148.36	\$3.72	2.57%

Increase of 12 cents a day

AVERAGE RESIDENTIAL w/LIFELINE DISCOUNT					
Monthly Rate Comparison for 800 cu ft. Lifeline customer					
	2018	2019	2020	Monthly Difference	Percentage
Water	\$29.27	\$29.27	\$29.27	\$0.00	
Metro Sewer	\$44.22	\$45.33	\$45.33	\$0.00	
City Sewer	\$10.51	\$10.89	\$12.50	\$1.61	
Stormwater	\$8.00	\$9.50	\$9.75	\$0.25	
Total Monthly	\$92.00	\$94.99	\$96.85	\$1.86	1.96%

Increase of 6 cents a day

Cedar brook MHP					
2018 & 2019 assume Commercial class charges, as is now, with 79,200 cu ft. (800 usage per 99 units)					
2020 assumes Change from Commercial to Residential, with rate increase, restructure & allotment for 99 units					
	2018	2019	2020	Monthly Difference	Percentage
Water	\$6,395.06	\$6,395.06	\$5,794.47	(\$600.59)	
Metro Sewer	\$5,810.30	\$5,952.62	\$4,487.67	(\$1,464.95)	
City Sewer	\$1,001.02	\$1,211.78	\$2,475.00	\$1,263.22	
Stormwater (75.5)	\$1,208.00	\$1,434.50	\$1,472.25	\$37.75	
Total Monthly	\$14,414.38	\$14,993.96	\$14,229.39	(\$764.57)	-5.10%

Decrease of 25 dollars a day, or 26 cents a day per unit

Cedar brook MHP Comparison showing one MHP Residential amount					
2018 & 2019 assume Commercial class charges split between 99 units, with same usage as above (79,200)					
2020 assumes Change from Commercial to Residential, with rate increase, restructure & allotment for 99 units					
	2018	2019	2020	Monthly Difference	Percentage
Water	\$64.60	\$64.60	\$58.53	(\$6.07)	
Metro Sewer	\$58.69	\$60.13	\$45.33	(\$14.80)	
City Sewer	\$10.11	\$12.24	\$25.00	\$12.76	
Stormwater	\$12.20	\$14.49	\$14.87	\$0.38	
Total Monthly	\$145.60	\$151.45	\$143.73	(\$7.72)	-5.10%

Decrease of 26 cents a day

City of Black Diamond
Monthly Utility Rates
15% Sewer Rate Increase with Rate Restructure Comparison

AVERAGE RESIDENTIAL CUSTOMER [1 Residential unit]					
Rate Comparison for 800 cu ft. Water					
	2018	2019	2020	Monthly Difference	Percentage
Water	\$58.53	\$58.53	\$58.53	\$0.00	
Metro Sewer	\$44.22	\$45.33	\$45.33	\$0.00	
City Sewer	\$21.02	\$21.78	\$25.00	\$3.22	
Stormwater	\$16.00	\$19.00	\$19.50	\$0.50	
Total Monthly	\$139.77	\$144.64	\$148.36	\$3.72	2.57%

Increase of 12 cents a day

Diamond Village Owners Association #2 [13 Residential units]					
Rate Comparison for 800 cu ft. Water per unit [10,400 cu ft.]					
2020 assumes Change from Commercial to Residential, with rate increase, restructure & allotment for 13 units					
	2018	2019	2020	Monthly Difference	Percentage
Water	\$729.06	\$729.06	\$760.89	\$31.83	
Metro Sewer	\$753.50	\$771.98	\$589.29	(\$182.69)	
City Sewer	\$141.02	\$141.78	\$325.00	\$183.22	
Stormwater [13]	\$208.00	\$247.00	\$253.50	\$6.50	
Total Monthly	\$1,831.58	\$1,889.82	\$1,928.68	\$38.86	2.06%

Increase of \$1.30 a day, 10 cents a day per unit

Diamond Square [18 Commercial units]					
Rate Comparison for 800 cu ft. Water per unit [14,400 cu ft.]					
	2018	2019	2020	Monthly Difference	Percentage
Water	\$952.55	\$952.55	\$952.55	\$0.00	
Metro Sewer	\$1,047.50	\$1,073.18	\$1,073.18	\$0.00	
City Sewer	\$191.02	\$191.78	\$220.50	\$28.72	
Stormwater [45.5]	\$728.00	\$864.50	\$887.25	\$22.75	
Total Monthly	\$2,919.07	\$3,082.01	\$3,133.48	\$51.47	1.67%

Increase of \$1.72 cents a day, 10 cents a day per unit

Black Diamond Bakery [1 Commercial Unit of water/ 2 Commercial Units of Sewer]					
Rate Comparison for with avg 2019 usage [5,079]					
	2018	2019	2020	Monthly Difference	Percentage
Water	\$212.79	\$212.79	\$212.79	\$0.00	
Metro Sewer	\$362.40	\$371.30	\$371.30	\$0.00	
City Sewer	\$31.02	\$31.02	\$36.50	\$5.48	
Stormwater [5]	\$80.00	\$95.00	\$97.50	\$2.50	
Total Monthly	\$686.21	\$710.11	\$718.09	\$7.98	1.12%

Increase of 24 cents a day