

RESOLUTION NO. 18-1239

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
BLACK DIAMOND, KING COUNTY, WASHINGTON
AUTHORIZING THE MAYOR TO EXECUTE A FINANCIAL
CONSULTING SERVICES AGREEMENT FOR THE CITY'S
UTILITIES WITH PENINSULA FINANCIAL CONSULTING
FOR A RATE STUDY**

WHEREAS, the water utility is needs an update and recalculation of the Capital Facility Charge; and

WHEREAS, the water, sewer and storm water utilities are in need of a long-range review of revenue requirements considering rapid growth coming and recent fund balance needs; and

WHEREAS, Ashley Emery of Peninsula Financial Consulting has provided excellent financial services for the City in the past and has a computer financial model for the City already; and

WHEREAS, Ashley Emery also has familiarity with state utility tax codes and may be able to get the city a rebate on taxes the City may have overpaid;

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

Section 1. Authorizing the Mayor to execute a financial consulting services contract with Peninsula Financial Consulting for the City's utilities as described in the attached proposal on a time and expense basis not to exceed \$11,600.

PASSED BY THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS 5TH DAY OF APRIL 2018.

CITY OF BLACK DIAMOND:



Carol Benson, Mayor

Attest:



Brenda L. Martinez, City Clerk

Scope of Work

City of Black Diamond 2018 Utility Rate Study

Introduction

This scope of work includes analyzing monthly rates for the City's water, sewer, and storm water utilities, determining a general facility charge (GFC) for the water utility, and performing a state revenue tax breakdown for the sewer utility. The proposed cost for this work is a not to exceed amount of \$11,600.

TASK 1 - UTILITY RATE STUDY

The scope of work is limited to a revenue requirements analysis that will be used to determine a 6-year forecast of monthly rates that will fund operations as well as planned capital improvements. Future growth is a significant variable for the City and this will be addressed by utilizing a low, moderate, and high growth rates for consideration.

The analysis will require the following tasks:

- Data collection and review
- Loading updated data into the budget forecast models developed for the 2013 study
- Meeting with City staff to analyze model results and recommended rates for various scenarios and funding levels
- Create power point presentation of recommended rates for City Council and public education

TASK 2 - WATER UTILITY GFC

The analysis will require the following steps:

- Data collection and review
- Determination of a pro rata share if the cost of existing facilities
 - Including up to ten years if interest
- Determination of a pro rata share of planned capital facilities
 - Individual review and assignment of the ERUs benefitting from each facility
- Meeting with City engineering consultants to review GFC and methodologies
- Determination of a single, area wide water GFC
- Write report documenting the GFC calculation

The analysis will also require input concerning water flows, design capacities (in gpd and ERUs), and population growth (ERUs). It is expected that this information will be provided by the City or their engineers.

The following is a preliminary list of data that is required to undertake the project. Additional information may be needed.

- Current and planned ERUs
- Original cost of existing water facilities
- Capital facilities planned within the next ten years
- Estimated capital costs in the year planned for capital improvements
- All outstanding debt details
- ERUs benefitting from each planned capital improvement

TASK 3 – SEWER TAX ANALYSIS

The City operates a sewer collection system and transmits the sewer to Renton for treatment. In billing for this service, the City segregates the monthly sewer bill into a collection component as well as a treatment portion. The City's portion the bill (for collection) can be further broken down, for tax purposes, into a local collection component and a transmission component. Both these components are taxed at different rates by the State. This analysis will provide the City with a breakdown of how revenues should be allocated between local collection and transmission in order to apply the two different State sewer tax rates and thus lower the City's sewer taxes.

The analysis will require the following steps:

- Data collection and review
- Review sewer transmission map with City staff
- Allocation of sewer expenses between local collection and transmission
- Determination of the ratio of monthly sewer revenues to be allocated between collection and transmission
- Create report documenting analysis

EXHIBIT		
FINANCIAL CONSULTING SERVICES SCOPE AND ESTIMATED COST		
Project Title: 2018 Utility Rate Study		
TASKS	Hours	Cost
Utility Rate Study		
1 Gather data needed for study	8	\$ 920
2 Load model with data	12	\$ 1,380
3 Define revenue requirements (2 staff meetings)	12	\$ 1,380
4 Create power point presentation	12	\$ 1,380
5 Public meeting	4	\$ 460
Water GFC		
6 Gather data needed for study	10	\$ 1,150
7 Pro rata share of existing facilities	4	\$ 460
8 Pro rata share of planned facilities	4	\$ 460
9 Single, area wide water GFC	2	\$ 230
10 Meeting in Tacoma with City engineers	6	\$ 690
11 Write report documenting GFC	8	\$ 920
Sewer Tax Analysis		
12 Gather data needed for study	2	\$ 230
13 Review sewer map with staff	2	\$ 230
14 Allocate costs between collection & transmission	4	\$ 460
15 Determine ratio	2	\$ 230
16 Write report documenting calculation'	4	\$ 460
Total		\$ 11,040
Hourly Rate:	\$ 115.00	
Total Labor Cost	\$ 11,040	
Mileage & Expenses (Mileage @ \$0.56/mile)	\$ 515	
Printing		
TOTAL ESTIMATED COST:	\$ 11,600	