



CITY COUNCIL MEETING AGENDA
Council Chambers, 1000 Laurel Street

July 14, 2014
Monday

Special Meeting
7:00 p.m.

- 1. Call to Order**
- 2. Roll Call of Council Members**
- 3. Introduction of New Employee**
- 4. Action Items**
 - a. Overlay Project – Approval**
 - b. Interurban Trail Landslide Emergency Work – Project Acceptance**
- 5. Study Items**
 - a. Water Rates – Discussion**
- 6. Adjournment**

Note: Public comment is generally not taken at Study Sessions. However, on some occasions, public comments may be allowed at the discretion of the Chair and Council. The public may also submit written communications, via letters or emails to dperry@cityofmilton.net. Any item received by noon on the day of the meeting will be distributed to Council.

If you need ADA accommodations, please contact City Hall at (253) 517-2705 prior to the meeting. Thank you.

PENDING COUNCIL AGENDA CALENDAR (Dates are Subject to Change) FOR PLANNING PURPOSES ONLY

July 2014			
Mon 7/21	7:00 pm	Regular Meeting	A. Fife Towing/Phil Waldner – <i>Presentation</i> of Milton Days donation B. National Night Out – <i>Proclamation</i> C. School Impact Fees – <i>Consent</i> D. 2012, 2013 annual reports (SAO) – <i>Consent</i> E. Police Chief Panels/Community Meeting
August 2014			
Mon 8/04	7:00 pm	Regular Meeting	A. DM Disposal – <i>Presentation</i> of Milton Days donation B. Surplus Seized Vehicles – <i>Consent</i> C. Surplus Vehicle, Vactor Truck – <i>Consent</i> D. 24 th Street Watermain Replacement – <i>Bid Award</i> E. ADA Bathrooms F. Comprehensive Plan Amendment – <i>Ordinance</i> G. Uptown Design Standards – <i>Ordinance</i> H. Cancellation of August 18 meeting
Mon 8/11	7:00 pm	Study Session	A. Meet w/ staff: Stormwater Discussion B. Marijuana Regulations Discussion C. Council Report Protocol D. Police Vehicle Purchase Plan E. Electrical System Plan Update
Mon 8/18	7:00 pm	Regular Meeting	
September 2014			
TUESDAY 9/02	7:00 pm	Regular Meeting	A. National Recovery Month – <i>Proclamation</i> – <i>Consent</i> B. Marijuana Regulations – <i>Public Hearing</i> C. Amending Access Tract Code – <i>Ordinance</i>
Mon 9/08	7:00 pm	Study Session	A. Street Standards B. Fire Hydrants information C. Fire Marshal information
Mon 9/15	7:00 pm	Regular Meeting	A. 2015 Revenue Estimates & Fee Schedule Changes B. Amendments to Building/Fire Codes
October 2014			
Mon 10/06	7:00 pm	Regular Meeting	A. 3rd Qtr Financial Report B. Budget Review – General Fund by Department
Mon 10/13	7:00 pm	Special Meeting Study Session	A. Revenue Estimates – <i>Public Hearing</i> B. Tax Levies for 2015 – <i>Adoption</i> C. Utility Collections – Amending code language to match state law
Mon 10/20	7:00 pm	Regular Meeting	A. 2015 Proposed Budget – <i>Public Hearing</i> (#1)
Mon 10/27	7:00 pm	<i>Tentative</i> Study Session	A. 2015 Budget
November 2014			
Mon 11/03	7:00 pm	Regular Meeting	A. Budget Review – Other Funds
Mon 11/10	7:00 pm	Special Meeting Study Session	A. 2015 Proposed Budget – <i>Public Hearing</i> (#2) B. Meet with Staff
Mon 11/17	7:00 pm	Regular Meeting	A. 2015 Budget – <i>Final Public Hearing</i> B. 2015 Budget – <i>Adoption</i> C. Marijuana Regulations – <i>Action</i>
December 2014			
Mon 12/01	7:00 pm	Regular Meeting	



To: Mayor Perry and City Councilmembers
From: Public Works Director Neal
Date: July 14, 2014 Special Meeting
Re: TIB Overlay Projects (Milton Way, Juniper to 23rd Avenue, and Taylor Street) – construction bid award

ATTACHMENTS: A. Bid Tabulations (to be provided at Council meeting)

TYPE OF ACTION:

Information Only Discussion Action Expenditure Required: \$XXXX

Recommendation/Action:

“I move to authorize the Mayor to award the construction contract for the TIB Overlay Projects (Milton Way, Juniper to 23rd Avenue, and Taylor Street) to XXXXXXXX for a bid amount of \$XXXXXXXX including tax, and to sign the related contract documents, pending approval from the Transportation Improvement Board.”

Fiscal Impact/Source of Funds: These two overlay projects are included in the 2014 adopted budget.

Previous Council Review: N/A

Issue: The overlay projects are ready for construction.

Background: The City of Milton has received and accepted two grants for roadway overlays.

The first grant, for Taylor Street between Milton Way and the City Limits, is from the Transportation Improvement Board’s Expended Preservation Program. Total funding for this overlay project was set at \$363,521 and requires a 10% match from the City. Council formally accepted the grant on February 6, 2012, and subsequently awarded the design contract to the engineering firm of KPG, Inc.

The second grant, for Milton Way between Juniper and 23rd Avenue, is funded through the Transportation Improvement Board’s City Hardship Assistance Program. Total funding for this

overlay project was set at \$316,100 and has no match requirement. However, as a condition of this grant award, TIB required that this project be combined with the previously awarded Taylor Street Overlay project for economy of scale. Council formally accepted this grant offer on January 21, 2014 and awarded the design contract to the consulting firm of KPG.

Both projects, per TIB's requirements, went out to bid as one bid package, "2014 TIB Overlay Program".

Discussion: The engineer's estimate for the entire project is \$XXXXXX. Bids were opened on Monday, July 14th, from XX contractors. The apparent low bidder, XXXXXX, submitted a bid of XXXXX including sales tax.

As a reminder, TIB funds are paid on a reimbursement basis. Therefore, the City will incur and pay all of the costs prior to receiving payment of the grant money from TIB.

****Bid opening takes place on July 14, 2014. Bid results and further information will be provided at the meeting.****



To: Mayor Perry and City Councilmembers
From: Public Works Director Neal
Date: July 14, 2014 Meeting
Re: **Interurban Trail Landslide – EMERGENCY WORK – project acceptance**

ATTACHMENTS: A. Photos

TYPE OF ACTION:

Information Only Discussion Action Expenditure Required

Recommendation/Action: “I move to accept the Interurban Trail Landslide project and the subsequent release of retainage to the contractor.”

Fiscal Impact/Source of Funds: These repairs were not anticipated, and so money was not included in the 2014 adopted budget. Funds for this work came out of the Stormwater Utility Fund ending fund balance.

Previous Council Review: At its March 3, 2014 meeting, Council authorized an expenditure of up to \$150,000 to make the permanent stormwater drainage repairs, formally referred to as the Alder Street Stormwater Improvement Project. On May 5, 2014, Council adopted a resolution ratifying the declaration of emergency necessitating the utilization of emergency powers.

Background: On February 17, 2014, the Puget Sound area experienced a major storm event. A significant amount of the hillside at the end of Alder Street washed down onto the Interurban Trail, completely blocking it. Further material came down on February 18 and February 19. Staff closed both ends of the trail, and were able to clear approximately ½ the width of the trail by February 21st.

Although Council discussed and approved the construction of a permanent stormwater drainage solution to address the cause of the trail landslide, there were immediate repairs that needed to be done to minimize the City’s liability: clean-up of the trail itself, repairing the damage to the slope above the trail, and stabilizing the slope against future landslides. With the advice of the City Attorney, staff followed RCW 39.04.280 which allows the competitive bidding requirements to be waived under certain emergency conditions when time is of the essence. The following steps were taken:

1. Mayor agreed with staff's assessment and declared it an emergency situation.
2. Staff selected a contractor from the City's small works roster to do the necessary work.
3. Staff entered into an agreement with the company Campbell Shaffer to do work described by our geotechnical analysis of the landslide.
4. All requirements other than competitive bidding were met – bond, prevailing wages, retainage, etc.

Discussion: The repairs to the hillside above the Interurban Trail, including long-term permanent stabilization, have been completed. Cost was \$59,647.55 and took approximately five weeks to complete. Cost was calculated on a force account basis, which means that we paid by the hour for workers and equipment and by invoice for materials. See attached before and after photos.



BEFORE: February 17, 2014 mudslide onto Interurban Trail, looking north



AFTER: trail clear, with gabion basket wall installed



BEFORE: February 17, 2014 washout on the slope above the Interurban Trail



AFTER: slope stabilized

Back to
Agenda Bill



To: Mayor Perry and City Councilmembers
From: Public Works Director Neal
Finance Director Tylor
Date: July 14, 2014 Study Session
Re: **Water Rates - Discussion**

ATTACHMENTS: A. August 17, 2009 agenda bill
B. Water Utility Fund projection

TYPE OF ACTION:

Information Only Discussion Action Expenditure Required:

Recommendation/Action:

No action is required at this time. Staff requests direction from Council.

Previous Council Review: Council expressed an interest in a Water Utility rate study at a previous council meeting.

Background: The leading legal case in the United States pertaining to reasonable water rates is the *Bluefield* case of 1923. Even before that, though, legal actions related to rates can be traced back to the 1870's and the expansion of railroads across the country. Based on public outcries to price exploitations at the time, the Sherman Antitrust Act of 1890 legitimized the fight against monopolistic price behavior and paved the way for more sophisticated regulation in later years. Thus, when setting rates, publicly or privately provided water utility services became subject to certain legal principles stemming from those first court cases and the Sherman Act.

In setting rates, a public water utility's rate making authority is set by state law, and the municipal board or council is charged with regulatory oversight.

Discussion: Rate design or methodology concerns the manner in which individual customers, or groups of customers, are billed. While it is easy to throw around such terms as "reasonable", "fair and equitable", and "nondiscriminatory", in the world of water rates these terms can mean very different things.

Rates that lack uniformity, or discriminatory rates, are common in water rate making. Discriminatory rates among customers are not necessarily unlawful. For example,

different customer classes such as residential versus commercial are traditionally given different water rates. Current legal standards do not require that the rate design chosen be the best rate design. Legally, it is only required that rates be reasonable.

Included as Attachment A is the agenda bill from August 17, 2009. In September of 2009, Council adopted a series of water rate increases and a tiered rate structure. Their decision was based on the Water Utility's capital needs at the time, extensive financial analysis, and the recommendation of a Council ad hoc committee.

Current analysis:

At this time, the need for a substantial rate increase in the Water Utility does not appear to be warranted. Included as Attachment B is the "business as usual" scenario for the Water Utility projecting out revenues and expenses for the next six years. Using recent prior year's actual data, current year activity and estimated annual totals, combined with projections for the years 2015 through 2020, the fund is able to maintain "adequate" fund balance including the required reserved amount per council policy. This analysis assumes a very conservative increase in operating costs (1.5% per year) and capital expenditures aligned with the 6-Year Capital Improvement Plan.

The above recommendation essentially assumes "status quo" activity levels over the next five years. Any unknown or unanticipated events could dramatically change the short-term outlook of the fund. Staff recommends an annual "nominal" increase in rates, as little as 1-1.5%, merely to keep pace with inflation. Additionally, this may allow for a portion of the ending fund balance to be designated as another *Reserve*, set aside for specific use in the future.



Agenda Item #:8B

Agenda Bill No. 09-043

To: Mayor Asay and City Council Members
From: Maria Pierce, Finance Director
Leticia Neal, Public Works Director
Lisa Tylor, Financial Analyst
Connie Fessler, Interim Administrator
Date: August 17, 2009
Re: Water and Electric Utility Rate Increase

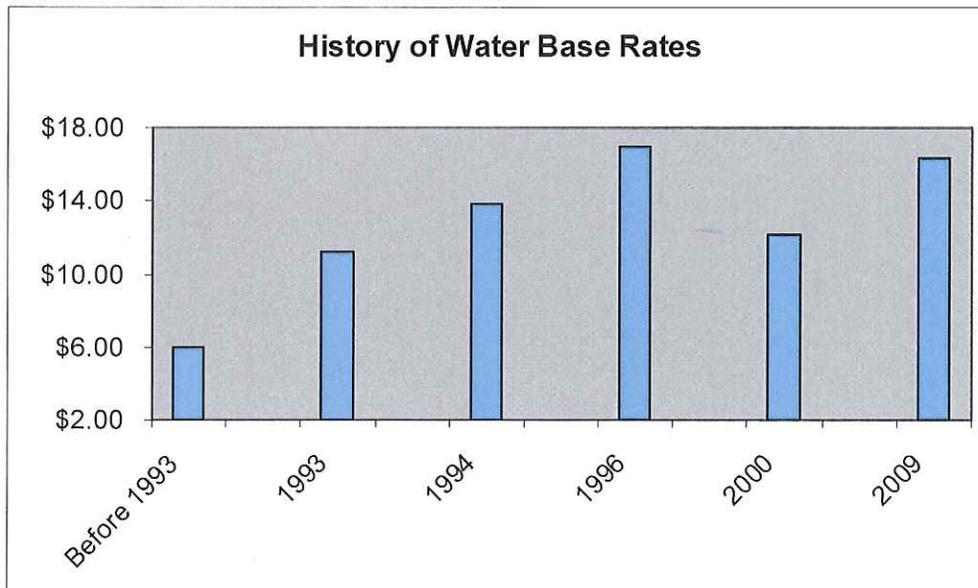
ATTACHMENTS: Resolution Adopting New Water and Electric Rates

TYPE OF ACTION:

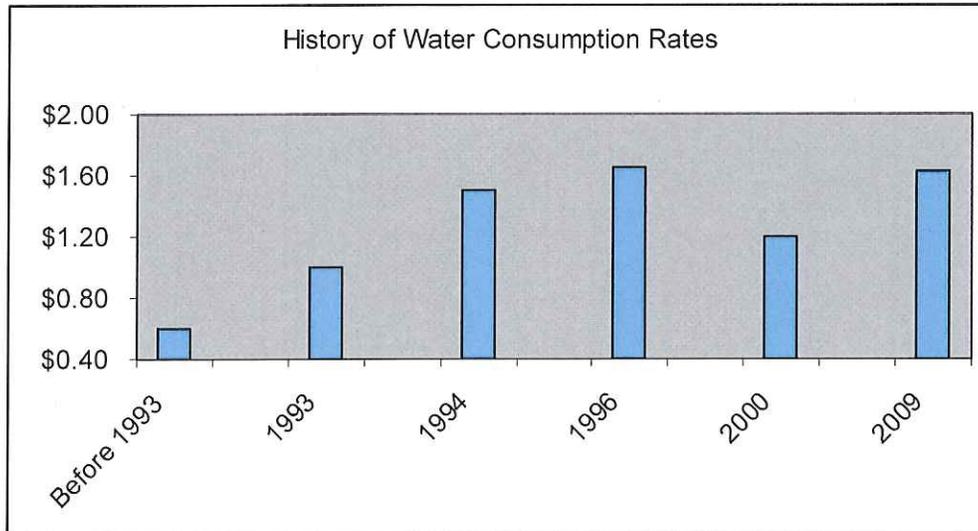
Information Only Discussion Action Expenditure Required:

Issue: Approval of rate increases for the Water and Electric Utility for 2009 and 2010, as directed at the Council study session on July 21, 2009.

Background: Utility rates in the City of Milton have had a history of not being raised for several years, resulting in the need for large rate increases in intervening years. The following two charts depict the history of rate increases.



Over a three year period, 1993 to 1996, *water base rates* were increased three times from \$6.00 to \$17.00, resulting in an almost 300% total increase. This would suggest that water base rates were substantially out of line with revenue requirements. Apparently, it was later determined that the water utility fund had a surplus, and base rates were lowered in 2000 to \$12.10.



Over a three year period, 1993 to 1996, *water consumption rates* were increased three times from \$0.60/ccf to \$1.65/ccf, a 175% increase overall. This also suggests that water consumption rates were substantially out of line with revenue requirements. Along with the decrease in the base rate, it was also determined in 2000 that the water consumption rate be lowered to \$1.20/ccf, \$0.45/ccf decrease.

In 2006, the Council determined that the Water Utility had sufficient revenue to transfer \$1,500,000 to a capital fund and that the Electric Utility also had sufficient revenue to transfer \$2,804,861 to a capital fund. These capital funds were newly established to make capital improvements to the infrastructure of both systems.

During the 2007 budget process, it was reported that both utilities had insufficient revenue to cover ongoing cost of operations. The \$1,227,002 remaining in the water capital fund was returned to the Water Utility operating budget to offset the need for increased revenue. The \$2,745,238 remaining in the electric capital fund was returned to the Electric Utility operating budget to offset the need for increased revenue. Despite these measures to infuse revenue into the operating budgets, staff recommended a rate increase be considered in early 2008. No rate increase was made to either utility.

Because of the precarious financial status of the two utilities, a utility rate study was conducted by HDR, Inc. in late 2008 / early 2009. The study concluded that the water utility needed a 79% increase in revenue and the electric utility needed a 12% increase in revenue. The Council was uncomfortable with the limited options presented in the study and decided to make a 35% rate increase in the water utility in March 2009 and postpone further consideration of an electric rate increase.

Beginning March 2nd, a council ad hoc committee reviewed the operations of the water utility, evaluated out of town customer rates, and considered instituting tiered rates. The ad hoc committee met weekly during March and April and recommended to the Council on April 20th that tiered rates be integrated into the rate structure to encourage conservation. The ad hoc committee recommended that there should be three customer classes: residential (composed of single family and duplex), commercial (including multi-family and business) and irrigation. The ad hoc committee further recommended that tiered rates be established and that staff be directed to develop the tiered rate structure within those customer classes. The Council concurred with this direction. No recommendations regarding the electric utility were made by the ad hoc committee.

In June, 2009, the City began a long-range financial planning process to begin the process of achieving financial stability in the City's major operating funds. The 5-year financial forecasts prepared for electric and water utilities showed that increased revenue was necessary for both utilities. (See the forecast discussion below.)

Financial Policy: The City Council adopted financial policies for the utilities as part of the rate study in 2008-09. These policies require a rate study be conducted every six years to ensure the viability of each utility, as well as requiring certain revenue levels as follows:

- Each utility shall be self-supporting, such that current revenues fully fund current expenses, fund balance requirements and debt service.
- The fund balance for each utility shall be no less than 12% of operating expenses for cash flow purposes.
- Each utility will maintain an operating reserve equivalent to 10% of operating expenses to fund unanticipated needs.

At a July 21 study session, Council reviewed 5-year financial forecasts for the two utilities, which incorporated historical patterns and trends to establish a baseline year (2010) and then used certain assumptions to project revenue and expenditures. The baseline forecasts did not include any rate increases.

WATER UTILITY FUND					
<u>5 Year Forecast</u>					
BASELINE - Current Policy	2010	2011	2012	2013	2014
Beginning Fund Balance	238,176	(205,402)	(682,144)	(1,194,243)	(1,640,383)
Revenue	1,073,772	1,084,024	1,094,378	1,104,835	1,115,397
Expenditures	(1,517,350)	(1,560,766)	(1,606,477)	(1,550,975)	(1,601,749)
Ending Fund Balance					
- Restricted	136,685	141,548	146,676	152,085	157,796
- Surplus / Deficit	(342,087)	(823,692)	(1,340,919)	(1,792,468)	(2,284,531)

With no rate adjustment, the forecast showed that the Water Utility Fund would end 2010 in a deficit position. This deficit would continue to grow to \$2.3 million by 2014, with operating expenditures exceeding revenue by almost a half million dollars. These projections do not include any funds being transferred for capital improvements. At the July 21 study session, the Council decided upon a strategy to move the fund towards financial stability. The Council directed that the following policies be used to implement this strategy:

Water Utility Policy:

- Rate revenue shall cover utility operations and capital
- This financial position shall be accomplished within the next 7 years
- 15% of annual revenue shall be designated for capital projects
- A 35% rate increase with tiered rates will be implemented September 1, 2009
- A 10% rate increase will be implemented January 1, 2010
- The 5-year forecast will be adjusted to reflect the above policy and indicating the amount of future rate increases required to meet the above policy
- An expenditure reduction package will be prepared as part of the 2010 budget process to allow the Council to determine whether the utility's expenses are necessary and reasonable.

ELECTRIC UTILITY FUND					
BASELINE - Current Policy	<u>5 Year Forecast</u>				
	2010	2011	2012	2013	2014
Beginning Fund Balance	2,296,679	1,310,423	273,218	(717,735)	(1,759,320)
Revenue	3,760,127	3,796,487	3,833,211	3,870,301	3,907,763
Expenditures	(4,746,383)	(4,833,692)	(4,824,164)	(4,911,886)	(5,009,264)
Ending Fund Balance					
- Restricted	510,548	521,025	519,882	530,408	542,094
- Surplus / Deficit	799,875	(247,807)	(1,237,617)	(2,289,728)	(3,402,915)

The 5-year forecast showed that, without a rate increase, the Electric Utility Fund would go into a deficit position by the end of 2011 by \$247,807. Every year, operating expenditures exceed operating revenues by approximately \$1 million or more. This forecast does not include any funds being used for capital improvements. Similar to the Water Utility, the City Council developed a strategy to move toward financial stability in this utility. The following policy direction was set to implement this strategy:

Electric Utility Policy:

- Rate revenue shall cover utility operations and capital
- This financial position shall be accomplished within the next 7 years
- 5% of annual revenue shall be designated for capital projects
- The BPA annual rebate shall be used for capital projects
- A 10% rate increase will be implemented in January 2010, followed by 10% in 2011, and 9% each year through 2014.

- The 5-year forecast will be adjusted to reflect the above policy and indicating the amount of future rate increases required to meet the above policy.

The policy direction for both utilities does not include the 10% operating reserve established by existing City policy; this can be re-considered later as the financial viability of the utilities is assessed in future years.

Water Rate Increase: The attached resolution reflects a 35% rate increase, effective September 1, 2009, and a 10% increase effective January 1, 2010 as Council directed at the July 21st study session. The consumption rate will be raised to \$2.19 as of September 1st and then raised to \$2.41 as of January 1, 2010.

On an interesting note, if the City had implemented a 2.7% annual increase to water rates from 1996 forward, the resulting residential rate (per 100cf) as of January 1, 2010 would be \$2.40, or just \$0.01 less than what the rate will be following the additional 10% increase effective January 1, 2010.

The fee schedule also incorporates tiered rates for the water utility. The tiers and their rates were determined after evaluation of accepted water industry practices and current City of Milton water customer histories. Consideration was also given to direction received during ad hoc committee meetings, as follows:

- Tier levels should be designed to be realistic, such that the lowest tier is achievable for the average household.
- Tier rates should not be so high that larger families are adversely affected by their inability to achieve the lowest tier level.
- Commercial tiers should remain "business friendly".

There are two categories of tiers: residential, which includes duplex units, and commercial, which includes multi-family and irrigation customers. The tiers that were applied to each category are listed below.

Residential Per 100 cubic feet:

- Up to 800 cubic feet consumed
- 801 – 1,000 cubic feet consumed
- 1,000+ cubic feet consumed

Commercial Per 100 cubic feet:

- Up to 800 cubic feet consumed
- 801 – 1,000 cubic feet consumed
- 1,000 – 2,000 cubic feet consumed
- 2,001 – 3,000 cubic feet consumed
- 3,000+ cubic feet consumed

Electric Rate Increase: The attached resolution reflects a 10% increase effective January 1, 2010 as Council directed at the July 21st special study session. The current base rate of \$6.00 will be raised to \$6.60 and the kilowatt per hour rate will be raised from \$0.0561 to \$0.0617.

Water Fund Financial Impact:

WATER UTILITY FUND						
<u>5 Year Forecast</u>						
		2010	2011	2012	2013	2014
Beginning Fund Balance		238,176	358,918	363,595	337,558	382,171
W8 - Rate Increase 4th Qtr 2009	35.0%	87,500				
Revenue:						
Baseline	<i>*Adj from above for Sept '09</i>	1,449,592	1,463,432	1,477,410	1,491,527	1,505,786
W8 - Rate Increase 2010	10.0%	101,000	102,010	103,030	104,060	105,101
W8 - Rate Increase 2011	0.0%		0	0	0	0
W8 - Rate Increase 2012	0.0%			0	0	0
W8 - Rate Increase 2013	0.0%				0	0
W8 - Rate Increase 2014	0.0%					0
Net Revenue		1,550,592	1,565,442	1,580,440	1,595,588	1,610,887
Expenditures						
Baseline		(1,517,350)	(1,560,766)	(1,606,477)	(1,550,975)	(1,601,749)
W9 - Capital Expenditures, 2010	0.0%	0				
W9 - Capital Expenditures, 2011	0.0%		0			
W9 - Capital Expenditures, 2012	0.0%			0		
W9 - Capital Expenditures, 2013	0.0%				0	
W9 - Capital Expenditures, 2014	0.0%					0
Net Expenditures		(1,517,350)	(1,560,766)	(1,606,477)	(1,550,975)	(1,601,749)
Ending Fund Balance						
- Restricted		227,479	233,036	238,879	220,149	226,623
- Surplus / Deficit		131,439	130,559	98,679	162,022	164,685

Forecasting the 35% and 10% water rate increases adds \$100,000 in revenue to the fund in 2010 and maintains a fund balance over the 5-year period. This maintains a positive fund balance, and operating revenues exceed operating expenditures over the 5-years. It is important to note that this forecast does not include the 15% of annual revenue for capital projects as anticipated by the Council's financial strategy. If this expenditure was added to the forecast, the fund balance would go into a deficit position, indicating the need for further rate increases. In the 7-year plan to achieve financial stability, staff will determine the amount and frequency of rate increases to address the policy of having sufficient operating revenue to offset operating expenditures and will incorporate the capital needs of the utility. This plan will be submitted to the Council in the fall.

Electric Fund Financial Impact:

ELECTRIC UTILITY FUND					
<u>5 Year Forecast</u>					
	2010	2011	2012	2013	2014
Beginning Fund Balance	2,296,679	1,674,023	1,004,054	384,009	(282,958)
Revenue:					
Baseline	3,760,127	3,796,487	3,833,211	3,870,301	3,907,763
E6 - Rate Increase 2010	10.0%	363,600	367,236	370,908	374,617
E6 - Rate Increase 2011	0.0%		0	0	0
E6 - Rate Increase 2012	0.0%		0	0	0
E6 - Rate Increase 2013	0.0%			0	0
E6 - Rate Increase 2014	0.0%				0
Net Revenue	4,123,727	4,163,723	4,204,119	4,244,918	4,286,127
Expenditures					
Baseline	(4,746,383)	(4,833,692)	(4,824,164)	(4,911,886)	(5,009,264)
E7 - Capital Expenditures, 2010	0				
E7 - Capital Expenditures, 2011		0			
E7 - Capital Expenditures, 2012			0		
E7 - Capital Expenditures, 2013				0	
E7 - Capital Expenditures, 2014					0
Net Expenditures	(4,746,383)	(4,833,692)	(4,824,164)	(4,911,886)	(5,009,264)
Ending Fund Balance					
- Reserved	619,756	630,549	617,732	628,595	640,629
- Surplus / Deficit	1,054,267	373,505	(233,722)	(911,553)	(1,646,725)

As shown above, forecasting a 10% rate increase in January of 2010 in the electric fund forecast above, generates a \$363,000 revenue increase in 2010. However, because operating expenditures continue to be greater than operating revenues, the fund balance continues to decrease until the utility is in a deficit position in 2012. It is important to note that this forecast does not include the 5% of annual revenue for capital projects as anticipated by the Council's financial strategy. In the 7-year plan to achieve financial stability, staff will determine the amount and frequency of rate increases to address the policy of having sufficient operating revenue to offset operating expenditures and will incorporate the capital needs of the utility. This plan will be submitted to the Council in the fall.

Financial Impact on Utility Customers: Below are two worksheets which reflect the estimated impacts of the proposed rate increases on utility customers. These worksheets have been developed for each utility (Water and Electric) using average consumption data from 2008. Using this data, an “average” customer’s monthly bill is illustrated using the current (2009) rates, and then, for comparative purposes, the same average monthly bill with the rate increases applied.

Customer Impact - Water Rates				Current	+35%	+10%	
CURRENT RATES, as of July 2009		RATES, Incl. Utility Tax		Avg Monthly Bill	Avg Monthly Bill	Avg Monthly Bill	
		*as of July 2009			Effective	Effective	Total
Customer Classification (Meter Size)	2008 Avg # Customers	Current Flat Fee	Current Rate/1,000cf	2009 Avg Bill/ Customer	9/1/2009 Avg Bill/ Customer	1/1/2010 Avg Bill/ Customer	Increase
3/4" (Avg Residential Customer)	2,478	\$ 16.34	\$ 1.62	\$ 30.72	\$ 41.48	\$ 45.63	\$ 14.90
1 1/2"	68	100.92	1.62	188.28	254.18	279.59	91.32
2"	43	121.10	1.62	223.92	302.29	332.52	108.60
Senior/Disabled	20	11.43	1.14	21.55	29.10	32.00	10.45

An “average” monthly bill for a residential water customer will increase by \$14.90 after the 35% and 10% increase in water rates have been implemented.

Customer Impact - Electric Rates				Customer	+10%	
CURRENT RATES, as of July 2009		RATES		Monthly Bill	Avg Monthly Bill	
		*as of July 2009			Effective	Total
Customer Classification	2008 Avg # Customers	Current Flat Fee	Current Rate/kWH	2009 Avg Bill/ Customer	1/1/2010 Avg Bill/ Customer	Increase
Residential / School / Church	3,092	\$ 6.00	\$ 0.0561	\$ 67.44	\$ 74.19	\$ 6.74
Commercial	185	\$ 12.50	\$ 0.0621	\$ 483.49	\$ 531.84	\$ 48.35
Senior/Disabled	41	\$ 4.20	\$ 0.0371	\$ 43.75	\$ 50.67	\$ 6.92

An “average” monthly bill for a residential electric customer will increase by \$6.74 after the 10% increase in electric rates is implemented.

Additionally, a comparison of rates with other “comparable” utilities and/or cities is provided on the next few pages.

Water Utility Rate Comparisons					
	2008 Averages - City of Milton Consumption		<u>Current Residential</u> <u>Rates</u>		Avg Monthly Bill per Customer
Current Rates:	# Customers	per 100cf	Base/Mo	per 100cf	*Based on Milton Resident's Avg. 2008 Consumption
Lakewood Water			\$ 15.17	\$ 0.7700	\$22.01
Lakehaven			\$ 16.44	\$ 0.7100	\$22.74
City of Milton	2,478	22,002	\$ 16.34	\$ 1.6200	\$30.72
City of Fife			\$ 27.88	\$ 1.7600	\$43.51
Mtn View / Edgewood			\$ 34.10	\$ 1.1500	\$44.31
Rainier View			\$ 39.40	\$ 0.8500	\$46.95
City of Tacoma			\$ 36.16	\$ 1.4760	\$49.27
<u>After 35% Rate Increase (9/01/09):</u>					
Lakewood Water			\$ 15.17	\$ 0.7700	\$22.01
Lakehaven			\$ 16.44	\$ 0.7100	\$22.74
City of Milton	2,478	22,002	\$ 22.06	\$ 2.1870	\$41.48
City of Fife			\$ 27.88	\$ 1.7600	\$43.51
Mtn View / Edgewood			\$ 34.10	\$ 1.1500	\$44.31
Rainier View			\$ 39.40	\$ 0.8500	\$46.95
City of Tacoma			\$ 36.16	\$ 1.4760	\$49.27
<u>After 10% Rate Increase (1/01/10):</u>					
Lakewood Water			\$ 15.17	\$ 0.7700	\$22.01
Lakehaven			\$ 16.44	\$ 0.7100	\$22.74
City of Fife			\$ 27.88	\$ 1.7600	\$43.51
Mtn View / Edgewood			\$ 34.10	\$ 1.1500	\$44.31
City of Milton	2,478	22,002	\$ 24.26	\$ 2.4057	\$45.62
Rainier View			\$ 39.40	\$ 0.8500	\$46.95
City of Tacoma			\$ 36.16	\$ 1.4760	\$49.27
<i>*These comparisons assume rate increases for the City of Milton only.</i>					

The above data shows that the current water rates place Milton on the lower third of the comparative scale; after the proposed rate increases are implemented (35%, 10%, 10%), the City will then be on the upper third of the scale. It should be noted that the comparisons do not include any rate increases for the other utilities, which are likely to occur.

Electric Utility Rate Comparisons					
					<u>Avg Monthly Bill per Customer</u>
2008 Averages - City of Milton			<u>Current Residential Rates</u>		
<u>Current Rates:</u>	# of Customers	Consumption per KWH	Base/Mo	per KWH	* Based on Milton Resident's Avg. 2008 Consumption
PSE			\$ 7.00	\$ 0.0848	\$99.85
Peninsula Light			\$ 15.49	\$ 0.0648	\$86.46
Tacoma			\$ 5.50	\$ 0.0647	\$76.37
City of Milton	3,092	3,386,628	\$ 6.00	\$ 0.0561	\$67.45
Lakeview Light & Power			\$ 5.50	\$ 0.0540	\$64.65
Elmhurst			\$ 11.00	\$ 0.0479	\$63.46
Parkland			\$ 11.10	\$ 0.0456	\$61.05
After 10% Rate Increase:					
PSE			\$ 7.00	\$ 0.0848	\$99.85
Peninsula Light			\$ 15.49	\$ 0.0648	\$86.46
Tacoma			\$ 5.50	\$ 0.0647	\$76.37
City of Milton	3,092	3,386,628	\$ 6.60	\$ 0.0617	\$74.19
Lakeview Light & Power			\$ 5.50	\$ 0.0540	\$64.65
Elmhurst			\$ 11.00	\$ 0.0479	\$63.46
Parkland			\$ 11.10	\$ 0.0456	\$61.05

**These comparisons assume rate increases for the City of Milton only.*

The above data shows Milton falls in the mid-range of electric rates as compared to six other utilities; this is true for the current rates as well as the proposed increase. It should be noted that the comparisons do not incorporate rate increases for the other utilities, which are likely to occur.

Recommendation:

It is important that the City provide a reasonable explanation to customers for these rate increases. Customers can be assured that the City has examined its costs and way of doing business to ensure the utilities are operating efficiently. Both staff and the ad hoc committee have reviewed the expenditures of the water and electric utility. No cost cutting options were identified.

The majority of the expenses are in the maintenance of the systems, which is at a basic level for both utilities. The size of the electric and water crews is at the minimum required for a safe and effective maintenance program. The City has postponed many capital improvements to the infrastructure due to a lack of funding. Currently, a lot of maintenance time goes toward trouble shooting and repair of infrastructure. Another major expense is the purchase of wholesale power, which is received through a long-term contract with BPA.

The fact that cannot be avoided is that major rate increases are needed now and in the future because there were no rate increases in either utility for the past 13 years. Water rates were actually lowered in 2000 and the current water rates are at the same level of

the 1996 rates. If the City had implemented a 2.7% annual increase to water rates from 1996 forward, the resulting residential rate (per 100cf) as of January 1, 2010, would be \$2.40, or just \$0.01 less than what the rate will be following the additional 10% increase effective January 1, 2010.

The City Council has established financial policy and a multi-year strategy to attain financial stability in the water and electric utilities. It took several years for the financial integrity of these funds to be compromised and it will take several years to achieve financial stability. It is critical that these new policies be adhered to and the strategy continues to be carried out in future years. The financial status of the funds should be reassessed on an annual basis.

It is recommended that Council formalize the financial policy developed at the July 21 study session by adding it to the existing financial policies:

“I move that the financial policy developed at the July 21 study session be incorporated into the City’s existing utility financial policies and a comprehensive financial policy document be brought to the Council for approval.”

Additionally, it is recommended that the City Council adopt the resolution increasing utility rates with the following motion:

“I move to adopt Resolution No. 09-17xx, amending resolution No. 09-1768 Section IV, to allow for an increase in electric rates on January 1, 2010 and providing for an effective date.”

“I move to adopt Resolution No. 09-17xx, amending resolution No. 09-1768 Section IV, to allow for tiered rates for the water utility; and allow for an increase in water rates on October 1, 2009, and January 1, 2010; and providing for an effective date.”

**CITY OF MILTON
RESOLUTION NO. 09-17XX**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILTON, WASHINGTON;
AMENDING WATER UTILITY RATES AS SET FORTH IN RESOLUTION NO. 09-1768 SECTION IV,
ADOPTED JUNE 9, 2009; AND ADDING LANGUAGE TO ALLOW FOR TIERED RATES FOR THE
WATER UTILITY; AND ALLOWING FOR AN INCREASE IN WATER RATES ON OCTOBER 1, 2009
AND JANUARY 1, 2010; AND PROVIDING FOR AN EFFECTIVE DATE.**

IV UTILITY RATES

Primary Department	Title	Code Reference (If Applicable)	Rate/Fee/Charge		
Public Works	Water - Monthly Base Rate per meter within the General Service Area effective October 1, 2009:	Meter Size	<u>User Fee Base Rate</u>		
			Old Rate	New Rate	
			3/4"	\$ 16.34	\$ 22.06
			1"	\$ 60.62	\$ 81.84
			1 1/4"	\$ 82.08	\$ 110.81
			1 1/2"	\$ 100.92	\$ 136.24
			2"	\$ 121.10	\$ 163.49
			3"	\$ 201.90	\$ 272.57
			4"	\$ 302.81	\$ 408.79
			6"	\$ 605.61	\$ 817.57
	Fire Protection Line		\$ 17.69	\$ 23.88	
	**Senior/Disabled Discount 30%				
	Water Monthly Consumption Rate - Single Family & Duplex Units within the General Service Area effective October 1, 2009: Per 100 Cubic Feet: - Up to 800 Cubic Feet Consumed - 801 - 1,000 Cubic Feet Consumed - 1,001 + Cubic Feet Consumed Water Monthly Consumption Rate - Commercial, including Multi-family and irrigation units within the General Service Area effective September 1, 2009: Per 100 Cubic Feet: - Up to 800 Cubic Feet Consumed - 801 - 1,000 Cubic Feet Consumed - 1,001 - 2,000 Cubic Feet Consumed - 2,001 - 3,000 Cubic Feet Consumed - 3,001 + Cubic Feet Consumed		<u>User Fee Base Rate</u>		
			Old Rate	New Rate	
			\$ 1.62		
				\$ 2.19	
				\$ 2.39	
				\$ 2.59	
			<u>User Fee Base Rate</u>		
			Old Rate	New Rate	
			\$ 1.62		
				\$ 2.30	
				\$ 2.50	
				\$ 2.70	
				\$ 2.90	
				\$ 3.10	
	**Senior/Disabled Discount 30%				

IV

UTILITY RATES

Primary Department	Title	Code Reference (If Applicable)	Rate/Fee/Charge	
	Water - Monthly Base Rate per meter within the General Service Area effective January 1, 2010:	Meter Size	Old Rate	New Rate
		3/4"	\$ 22.06	\$ 24.27
		1"	\$ 81.84	\$ 90.02
		1 1/4"	\$ 110.81	\$ 121.89
		1 1/2"	\$ 136.24	\$ 149.86
		2"	\$ 163.49	\$ 179.84
		3"	\$ 272.57	\$ 299.83
		4"	\$ 408.79	\$ 449.67
		6"	\$ 817.57	\$ 899.33
			\$ -	\$ -
			Fire Protection Line	\$ 23.88
**Senior/Disabled Discount 30%				
	Water Monthly Consumption Rate - Single Family & Duplex Units within the General Service Area effective January 1, 2010: Per 100 Cubic Feet: - Up to 800 Cubic Feet Consumed - 801 - 1,000 Cubic Feet Consumed - 1,001 + Cubic Feet Consumed **Senior/Disabled Discount 30%	<u>User Fee Base Rate</u>		
		Old Rate	New Rate	
		\$ 2.19	\$ 2.41	
		\$ 2.39	\$ 2.61	
		\$ 2.59	\$ 2.81	
		<u>User Fee Base Rate</u>		
		Old Rate	New Rate	
		\$ 2.30	\$ 2.53	
		\$ 2.50	\$ 2.73	
		\$ 2.70	\$ 2.93	
		\$ 2.90	\$ 3.13	
\$ 3.10	\$ 3.33			
	Water Monthly Consumption Rate - Commercial, including Multi-family and irrigation units within the General Service Area effective January 1, 2010: Per 100 Cubic Feet: - Up to 800 Cubic Feet Consumed - 801 - 1,000 Cubic Feet Consumed - 1,001 - 2,000 Cubic Feet Consumed - 2,001 - 3,000 Cubic Feet Consumed - 3,001 + Cubic Feet Consumed	<u>User Fee Base Rate</u>		
		Old Rate	New Rate	
		\$ 2.30	\$ 2.53	
		\$ 2.50	\$ 2.73	
		\$ 2.70	\$ 2.93	
		\$ 2.90	\$ 3.13	
		\$ 3.10	\$ 3.33	

Section 1. Effective Date. The resolution and fee changes shall be effective on October 1, 2009.

PASSED AND APPROVED by the City Council of the City of Milton, Washington, at a regularly scheduled meeting this _____ day of September, 2009.

Katrina Asay, Mayor

Attest:

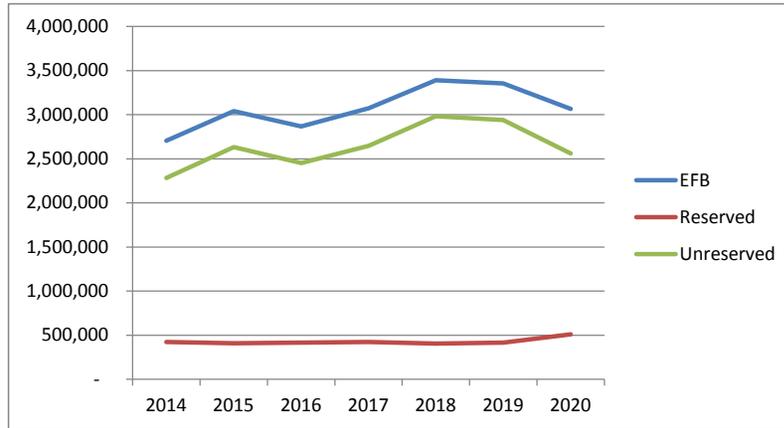
Back to
Agenda Bill

WATER UTILITY ANALYSIS

	<i>Actual 2011</i>	<i>Actual 2012</i>	<i>Actual 2013</i>	<i>Budget 2014</i>	<i>thru June 2014</i>	<i>Projected 2014</i>	<i>Projected 2015</i>	<i>Projected 2016</i>	<i>Projected 2017</i>	<i>Projected 2018</i>	<i>Projected 2019</i>	<i>Projected 2020</i>
BEG Fund Balance	3,979,823	3,481,536	2,989,813	2,871,836	2,871,836	2,871,836	2,703,460	3,040,225	2,867,098	3,072,429	3,390,634	3,353,424
Revenues:												
User Fees	2,057,474	2,061,441	2,075,687	1,987,730	952,346	2,077,847	2,084,080	2,090,332	2,096,603	2,102,893	2,109,202	2,115,529
Penalties	21,935	23,007	31,709	34,178	18,102	36,203	28,214	29,783	31,477	31,419	30,223	30,726
Subtotal	2,079,409	2,084,448	2,107,396	2,021,908	970,448	2,114,050	2,112,294	2,120,116	2,128,081	2,134,312	2,139,425	2,146,255
		100.24%	101.10%	95.94%		100.32%	99.92%	100.37%	100.38%	100.29%	100.24%	100.32%
Bond Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Grant Proceeds	-	6,748	-	-	-	-	-	-	-	-	-	-
Tank Rental/Cellular	36,743	64,670	51,075	50,276	7,592	15,183	50,000	50,000	50,000	50,000	50,000	50,000
Connection Chgs	5,839	13,422	16,936	16,000	4,426	8,851	11,262	12,618	12,417	11,287	11,896	12,054
Well Reserve Fees	21,753	8,823	5,882	8,500	2,941	5,882	10,585	7,793	7,535	7,949	8,466	7,936
Tank Reserve Fees	8,434	14,446	6,747	10,250	3,374	6,747	9,093	9,258	7,961	8,265	8,644	8,532
Other	45,401	25,553	10,700	15,500	11,248	22,496	26,037	19,447	14,224	15,867	18,912	21,723
Subtotal	118,169	133,661	91,339	100,526	29,580	59,159	106,977	99,116	92,137	93,367	97,918	100,245
Total Annual REV	2,197,578	2,218,109	2,198,736	2,122,434	1,000,027	2,173,209	2,219,271	2,219,232	2,220,218	2,227,680	2,237,343	2,246,501
Expenditures:												
Salaries/Benefits	571,330	647,048	627,336	688,148	327,802	655,605	678,551	702,300	726,881	752,322	778,653	805,906
Operating Supplies	141,693	126,198	139,445	166,700	39,168	125,000	126,875	128,778	130,710	132,670	134,661	136,680
Professional Svcs	243,591	212,544	234,619	269,000	214,106	350,000	270,000	274,050	278,161	282,333	286,568	290,867
Intergov Charges	206,133	181,874	374,559	282,550	47,516	250,000	250,000	253,750	257,556	261,420	265,341	269,321
Transfers Out	92,382	92,861	98,697	93,000	57,702	93,000	93,000	93,000	93,000	93,000	93,000	93,000
Debt Service	255,021	267,255	264,184	205,360	50,391	198,360	196,460	193,460	195,460	87,310	87,310	422,310
Other Exp	14,620	14,620	14,620	14,620	6,866	14,620	14,620	14,620	14,620	14,620	14,620	14,620
Subtotal	1,524,770	1,542,400	1,753,460	1,719,378	743,551	1,686,585	1,629,506	1,659,958	1,696,388	1,623,675	1,660,152	2,032,704
Capital Exp	1,171,095	1,167,432	563,253	802,500	129,165	655,000	253,000	732,400	318,500	285,800	614,400	500,000
Total Annual EXP	2,695,865	2,709,832	2,316,713	2,521,878	872,716	2,341,585	1,882,506	2,392,358	2,014,888	1,909,475	2,274,552	2,532,704
REV Over / (Under) EXP	(498,287)	(491,723)	(117,978)	(399,444)	127,311	(168,376)	336,765	(173,127)	205,330	318,205	(37,209)	(286,203)
Ending Fund Balance	3,481,536	2,989,813	2,871,836	2,472,392	2,999,147	2,703,460	3,040,225	2,867,098	3,072,429	3,390,634	3,353,424	3,067,221

3.5% Incr in Sal/Ben
 1.5% Incr in Operating Supplies
 Actual Debt Svc payments
 0.3% Incr in user fee revenue (Not a Rate Increase)
 Capital Exp taken from 6-Yr CIP

	2014	2015	2016	2017	2018	2019	2020
EFB	2,703,460	3,040,225	2,867,098	3,072,429	3,390,634	3,353,424	3,067,221
Reserved	421,646	407,377	414,990	424,097	405,919	415,038	508,176
Unreserved	2,281,814	2,632,848	2,452,109	2,648,332	2,984,715	2,938,386	2,559,045



Back to Agenda Bill