



## City Council

### Ordinance Adopting the 2013 Utility Rates and General Facilities Charges

**Agenda Date:** 12/18/2012  
**Agenda Item Number:** 4.O  
**File Number:** 12-0816

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**Type:** ordinance **Version:** 1 **Status:** Passed

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**Agenda Item:**

Ordinance Adopting the 2013 Utility Rates and General Facilities Charges

**Issue:**

Review and approve ordinance for 2013 utility rates and GFC charges for Water, Wastewater and Storm and Surface Water Utilities

**Committee Recommendation:**

Council Finance Committee reviewed preliminary recommendations for utility rates at its September 13, 2012 meeting. The Utility advisory Committee (UAC) reviewed proposed 2013 utility rates (including LOTT) at its October 4, 2012 meeting and sent a letter of support for the proposed rates to the City Council on October 26, 2012. Full City Council review of proposed rates and GFC's occurred at the November 5, 2012 meeting, and City Council held a public hearing on utility rates at its November 13, 2012 meeting.

**City Manager's Recommendation:**

Move to approve on first reading and forward to second reading the attached ordinance approving proposed 2013 utility rate and GFC increases for 2013.

**Staff Contact:**

Rich Hoey, P.E., Public Works Director, (360) 753-8495

**Presenter(s):**

None - Consent calendar item.

**Background and Analysis:**

The proposed 2013 utility rates and General Facility Charges (GFCs) are consistent with the master plans of the respective utilities and the Comprehensive Plan. Rate increases are proposed in Water and Storm and Surface water. GFC's are also proposed to increase for Water, Wastewater and Storm and Surface Water. No rate increases are proposed for the City's Wastewater or Waste ReSources utilities for 2013. On October 10, 2012, the LOTT Cleanwater Alliance Board of Directors approved increases in both monthly rates and their Capital Development Charge. The UAC reviewed these proposals at its October 4, 2012 meeting.

**Water**

The proposed revenue increase of 7 percent for the Water Utility is slightly above the 6 percent projected for 2013 in the *2009-2014 Water System Plan*. Under the proposed rates, each customer class (residential,

non-residential and irrigation) will see an overall increase of 7 percent, although actual increases on customer bills will vary depending on water usage.

Key drivers for 2013 rates include a continued decline in water revenue, inflationary increases in salaries and benefits and significant capital investments as outlined in the Water System Plan. Where possible, capital projects have been delayed to reduce rate impacts and delay the need for debt financing. Rate projections include inflationary increases in operating expenses, new debt service costs for capital projects, and a continued decline in water use.

The 2013 rate increase is part of a multi-year rate "smoothing" strategy endorsed by the City Council to fund the 2009-2014 Plan that calls for modest rate increases over several years, rather than large spikes in rates. 2013 rate changes will also continue the phased-in (second year of three years) increases in the fixed portion of the utility rate to help stabilize utility revenue.

A final change for 2013 in the Water Utility is to begin charging the fixed "ready-to-serve" fee for water even if a premise is vacant or the occupant is on vacation for more than 30 days. This is a change from current practices, which allow a customer to suspend their water, wastewater and garbage/recycling services if they are gone for more than 30 days. The water "ready-to-serve" fee is in place to help cover fixed costs to the utility that are present, even if no one is using water. Customers who are on vacation for longer than 30 days will still be able to suspend their wastewater and garbage/recycling services.

#### **LOTT Wastewater Treatment**

On October 10, 2012, the LOTT Cleanwater Alliance Board of Directors approved Resolution 12-002 (Attachment 2) which increased the 2013 monthly charge for wastewater treatment by \$0.99 to \$33.99 per equivalent residential unit. The LOTT Clean Water Alliance Board also adopted an increase in LOTT's Capacity Development Charge to \$4,583.30 for fiscal year 2013. These adjustments to LOTT's rates and charges are included in the attached ordinance.

Under these new rates, residential customers will see an increase of 3 percent or \$1.98 on their bi-monthly bill for LOTT wastewater treatment.

#### **Storm and Surface Water**

Staff recommends a six percent rate increase for the Storm and Surface Water Utility. The increase will apply evenly across all rate classes. Cash above reserves in this utility helped "buy-down" this rate increase by three percent. Key drivers for the 2013 rates include salaries, benefits, and debt service costs related to the Yauger Park Stormwater Improvements project.

In addition, as part of the 2013 budget, half of the costs of the street sweeping program will be borne by the Storm and Surface Water Utility given the benefits to surface water quality. The other half will continue to be borne by the City's Transportation Program (General Fund). This shared funding approach is quite common in many communities. This shift in street sweeping costs accounts for approximately half of the proposed rate increase.

#### **General Facility Charges**

The GFCs for each utility listed below will increase 3.9 percent in 2013 to cover inflationary increases in construction costs. This proposed increase is based on evaluation of the *Engineering News Record* and Seattle Construction Cost Index. These GFCs will be more broadly reviewed and updated in the next two years and we will shift the GFC planning timeframe to 20 years.

2012

2013

Drinking Water	\$3,089	\$3,209
Wastewater	\$3,078	\$3,198
Storm and Surface Water	\$962	\$999

**Neighborhood/Community Interests (if known):**The overall impact to a typical residential customer for 2013 would be about 3.2 percent or a \$6.35 increase in their bi-monthly bills.

**Options:**

**Option 1:** Move to approve on first reading and forward to second reading the attached ordinance approving rate and GFC increases for 2013.

**Implications:**

1. Increases revenue in 2013 to support inflationary increases in operating costs, unexpected revenue declines, and planned capital projects.
2. Increases rates for customers.
3. Increase GFCs for new development.

**Option 2:** Modify or decline the proposed 2013 rate increase.

**Implications:**

1. Avoids increases in rates for customers.
2. Would require further reductions in staffing, materials or other operating costs as a result of declining revenues and increasing costs.
3. Would require larger increases in rates in 2014 and beyond to fund needed capital projects.

**Financial Impact:** The rate and GFC increases will generate new revenue to support implementation of the utility master plans and maintain operating reserves.