

SULTAN CITY COUNCIL MEETING AGENDA COVER SHEET

ITEM NO: A - 4
DATE: September 13, 2007
SUBJECT: General Facility Charge Increase
Ordinance 956-07, Second Reading
CONTACT PERSON: Public Works Director Connie Dunn

ISSUE:

The issue before the City Council is the second reading of Ordinance 956-07 establishing the increase in the General Facility Charge (GFC).

Attachment A is Ordinance 956-07 using the Sewer Rate Study written by Financial Consulting Solutions Group, (FCS). Attachment B of the earlier presentation includes the documentation of comments received at the Public Hearings held July 31, 2007 before the Planning Board and August 9, 2007 before City Council and through out the public outreach portion of the process.

RECOMMEDED ACTION:

Increasing the rates in two phases as follows:

General Facility Charges:

September 24, 2007	\$10,518
January 1, 2008	\$11,282

The Sewer Utility Rate Study recommends reviewing the annual budgeted capital improvements then adjusting the GFC to incorporate the cost of capital improvements to serve new development. The revenue split is set during annual budget preparation for the GFC, currently is 60% debt service and 40% capital improvements.

2004 Comprehensive Plan 2.11 Utilities Goal:

- Maintain and enhance the development and operation of an effective, efficient wastewater treatment plant and collection system that will meet the needs of Sultan's present and future urban service area.
- Sewer Capacity: Increase wastewater treatment plant and collection line capacity allocations to meet the need of the Sultan future urban area. Increase capacity allocations to reflect increased usage trends caused by Sultan has continued urban intensification and economic development.

PLANNING BOARD RECOMMENDATION:

The Planning Board conducted the Public Hearing regarding Sewer Rates and General Facilities Charge increase on July 31, 2007, receiving comments approving as written to the Sultan City Council for Public Hearing on August 9, 2007 at 6 pm.

BACKGROUND:

On completion of the 2006 Wastewater Treatment Plant (WWTP) Upgrade Engineering Report, the City realized it would be unable to fund the WWTP upgrade with the current General Facility Charge (GFC) for increased capacity to serve new customers. The City of Sultan contracted with Financial Consulting Solution Group (FCS) to complete a Sewer Rate Study to determine the GFC necessary to provide for the full capital (short-term and WWTP Phase I) projects to serve the anticipated growth rates that are a part of the development assumptions.

The proposed methodology is to update the GFC charge each year to include the next year's future capital projects approved during the annual budget process.

The August 9, 2007 Public Meeting Presentation contains a list of capital improvement projects and costs in the summary of 2007-2013 capital projects (Attachment C of the earlier presentation). Setting the GFC in Ordinance 956-07 follows the methodology presented in the Sewer Utility Rate Study. The 2007-2013 capital improvement projects maintain current level of service and the anticipated growth rates.

Including each year's capital expenditures in the GFC allows growth to pay for growth. If the GFC was increased before, projects were constructed and any additional funding would not be included in the GFC that then could be construed as an overcharge for services because the benefit of grants would not be included in the calculations. The calculations for the GFC promote equity between existing and new customers. The current City methodology includes only existing assets (interceptors, laterals, and treatment), deducts grant contributions and does not include future facilities.

The Public Outreach for the Sewer Utility Rate Study:

- ✓ Several Months in 2007 On the back of the monthly Utility Bills
- ✓ March 13, 2007 2007 Comprehensive Plan Update
- ✓ April 15, 2007 Open House
- ✓ May 10, 2007 Sewer Rate Study presentation by FCS Group to the City of Sultan Council
- ✓ May 15, 2007 Sewer Rate Study was presented at the Open House
- ✓ July 17, 2007 Sewer Rate Increase set the Public Hearing before the Planning Board for July 31, 2007 at 7 pm.
- ✓ July 26, 2007 City Council set the Public Hearing for August 9, 2007, 6 pm

- ✓ July 31, 2007 Sultan Planning Board presided over the Public Hearing and during the Planning Board meeting voted to pass the Sewer Rate Study as presented onto the City Council for the Public Hearing on August 9, 2007.
- ✓ August 9, 2007 The City Council conducted a Public Hearing regarding the Sewer Rate Study with the proposed rate increase in monthly and general facility charges.
- ✓ August 23, 2007 First Reading of Ordinance 956-07

FCS Group worked with City Staff gathering information needed to complete a comprehensive study identifying the needed improvements and funding to meet the goals set in the 2004 City of Sultan Comprehensive Plan.

DISCUSSION:

The City of Sultan has a General Sewer Plan, Engineering Report for Upgrade of the Wastewater Treatment Plant (WWTP), and Capital Improvement Plan, which lists the improvements, needed to ensure the City’s Infrastructure has sufficient capacity to serve new growth. These reports provide the City with a financial method in which to accomplish the improvements listed in the adopted City of Sultan Plans.

Approving the GFC increases provides funding for proposed capital improvements projects and increasing the capacity of the WWTP for new development. General Facility Charges are the vehicle with which the City assures growth pays for growth. If Ordinance 956-07 is not approved on second reading, the upgrade to the WWTP including the membrane procurement would be put on hold with no increased capacity constructed at the WWTP to accommodate further growth.

Based on the recommendation of the sewer rate study, staff is also presenting a revised monthly rate schedule Ordinance 961-07 to the Council at the September 13 meeting, for first reading (Action # 5).

ALTERNATIVES:

- 1) Not approving the GFC increase:
 - The upgrade to the WWTP including the membrane treatment equipment would be put on hold until the City received other funding.
 - The design of the WWTP upgrade would be stopped until other funding sources could be applied.
 - The City would not be providing a vehicle in which to pay the current \$1,000,000 Public Works Trust Fund (PWTF) loan payment when due.
 - Places all Wastewater projects and new development on hold until the City applies for alternative funding to build the WWTP upgrades recommended in the Department of Ecology approved 2006 WWTP Upgrade Engineering Report
- 2) Approve Ordinance 956-07:

- Provides funding with which the City of Sultan can move forward seeking funds for:
 - Construction of the WWTP upgrades,
 - Loan applications,
 - Developer agreements, and
 - Legislative funding.

STAFF RECOMMENDATION:

Staff recommends adoption and approval of Ordinance 956-07 on second reading, setting the GFC with increases being effective on September 24, 2007 for \$10,518, with the 2008 increase effective January 1, 2008 to \$11,282. To provide funding for the Capital Improvement Projects and Wastewater Treatment Plant (WWTP) Upgrade Phase I accommodating new development and pay debt service for the System.

RECOMMENDED COUNCIL MOTION:

Approve Ordinance 956-07 on second reading setting the Sewer General Facility Charges at the increased recommended charges in two phases, September 24, 2007 at \$10,518 and January 1, 2008 at \$11,282 with the increase(s) effective 5 days after publication by the City Clerk.

COUNCIL ACTION:

DATE: September 13, 2007

ATTACHMENTS:
Attachment A Ordinance 956-07