

**SULTAN CITY PLANNING BOARD
AGENDA COVER SHEET**

ITEM NO: A-4

DATE: March 12, 2009

SUBJECT: Set a Public Hearing - Adopting Sewer Base Rates for 2010/
20111

CONTACT PERSON: Deborah Knight, City Administrator

ISSUE:

The issue before the City Council is to set a Public Hearing for March 26, 2009 to take public comment on adopting a cost of living adjustment for sewer base rates for 2010 and 2011.

STAFF RECOMMENDATION:

Set a public hearing for March 26, 2009 at 7:00PM or shortly thereafter to take public comment on adopting a cost of living adjustment for sewer base rates for 2010 and 2011.

PROPOSAL:

1. Use the Seattle-Tacoma-Bremerton CPI-U June-June (Attachment A) as the basis for adjusting sewer base rates in 2010 and 2011. The revised sewer base rates would be determined during the annual budget process and incorporated into the sewer operating fund.
2. Establish the December 1, 2009 adopted base rates as the "floor" and a five percent increase as the ceiling. Meaning a rate adjustment would never exceed 5% or fall below the December 1, 2009 adopted base rate.

SUMMARY:

The City Council adopted a three year schedule of sewer rate adjustments by Ordinance 961-07 (Attachment B) on September 27, 2007. The final approved adjustment is December 1, 2009. There are no other sewer rate adjustments scheduled.

Typically utility adjustments are based on a study of capital and operating needs and anticipated revenues. A rate study usually follows an update of the General Sewer Plan (GSP). The GSP update is coordinated with the Comprehensive Plan Update as

required under the Growth Management Act. Sultan updated its GSP in 2006 and completed a sewer rate study in 2007. The City will begin reviewing and updating the General Sewer Plan again in 2010/2011 to coincide with the update of the City's Comprehensive Plan and Water System Plan.

Since the current rate adjustments will expire in 2009, there will be a two to three year "lag" time between completion of the GSP update and the next potential rate study. Without small incremental annual rate adjustments, utility customers are subject to "sticker shock" when a rate adjustment is finally approved. This has been the city's past practice. The City Council has indicated a preference for proactive versus reactive management of revenues and expenditures.

In order to address this timing issue, city staff recommend adopting a cost of living adjustment for sewer base rates in 2010 and 2011. The City Council and community will have an opportunity to review the proposed adjustments during the budget process.

FISCAL IMPACT:

The City is moving forward successfully to fund operations and improvements to the Waste Water Treatment Plant and sewer infrastructure. Unfortunately, the 2009 sewer operating fund has an uncomfortably low ending fund balance of \$2,869.

The low ending fund balance is due in large part to debt service payments made from operating revenues to pay for system renewal and replacement for current customers.

In order to ensure adequate operating revenues to cover expenses, the City should continue to adjust sewer rates annually to keep pace with inflation.

Sample Proposed Sewer Rate Schedule					
Effective Date	12/01/07	12/01/08	12/01/09	Proposed 12/01/10 0%-5% COLA	Proposed 12/01/11 0%-5% COLA
Single Family	\$56.70	\$61.74	\$64.83	Min. \$64.83 Max \$68.07	Min. \$64.83 Max \$71.47
Low-income Senior	30.25	30.87	32.41	Min. \$32.41 Max \$34.03	Min. \$32.41 Max \$35.73
Multi-family	56.70	61.74	64.83	Min. \$64.83 Max \$68.07	Min. \$64.83 Max \$71.47
Mobile Home Parks	56.70	61.74	64.83	Min. \$64.83 Max \$68.07	Min. \$64.83 Max \$71.47

BACKGROUND:

General Facility Charge

On completion of the 2006 Wastewater Treatment Plant Upgrade Engineering Report, the City realized it would be unable to fund the Wastewater Treatment Plant upgrade with the current General Facility Charge (GFC) and the current rate payer fees. The City of Sultan contracted with Financial Consulting Solution Group (FCS) to complete a Sewer Rate Study.

Through the public process in November, 2006, concluding with the approval of Ordinance 941-06 on December 14, 2006, the City Council approved increasing the GFC to the maximum amount of \$9,106.00 recommended by the 2004 Katy Isaksen Associates Rate Study. The GFC was further increased in 2008 to \$11,282 by Ordinance No. 956-07.

Sewer Base Rate

FCS Group worked with city staff to gather the information needed to complete a comprehensive sewer rate study identifying the needed funding to meet the goals set in the 2004 City of Sultan Comprehensive Plan.

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's continued urban intensification and economic development.

The City Council adopted a three year schedule of sewer rate adjustments by Ordinance 961-07 (Attachment B) on September 27, 2007.

ALTERNATIVES:

1. Discuss the staff recommendation to adjust the sewer base rate in 2010 and 2011 based on the Seattle-Tacoma-Bremerton CPI-U June-June. **Set** a public hearing for March 26, 2009 at 7:00PM to take public comment on the staff recommendation.

This alternative implies the City Council is interested in receiving public input on a proposal to incrementally adjust sewer rates in 2010 and 2011 until after the Comprehensive Plan Update and General Sewer Plan Update are adopted.

2. Discuss the staff recommendation to adjust the sewer base rate in 2010 and 2011 based on the Seattle-Tacoma-Bremerton CPI-U June-June. **Do not set** a

public hearing for March 26, 2009 at 7:00PM to take public comment on the staff recommendation. Provide direction to staff.

This alternative implies the City Council is not interested in discussing sewer rate adjustments at this time or the Council would like more information regarding the staff recommendation before making a decision to set a public hearing.

3. Discuss other alternatives for adjusting the sewer base rate such as fixed percentage (e.g. 3.5%). Determine whether to set a public hearing or delay action to a future date. Provide direction to staff.

This alternative implies the City Council would prefer other alternatives for adjusting sewer base rates or that the Council needs more time to evaluate alternatives before making a decision to set a public hearing.

RECOMMENDED ACTION:

Set a public hearing for March 26, 2009 at 7:00PM or shortly thereafter to take public comment on adopting a cost of living adjustment for sewer base rates for 2010 and 2011.

ATTACHMENTS:

- A – Cost of Living Adjustment Seattle-Tacoma-Bremerton CPI-U June-June
- B – Ordinance No. 961-07

Cost of Living Adjustment Seattle-Tacoma-Bremerton CPI-U June-June

COLA Seattle CPI-U June to June

U.S. DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS
 Western Information Office, 90 7th St., Suite 14-100, San Francisco, CA 94103
 Information Staff (415) 625-2270 / Fax (415) 625-2351

SEATTLE-TACOMA-BREMERTON													SEMIANNUAL		
Consumer Price Index, All Items, 1982-84=100 for All Urban Consumers (CPI-U)													1ST	2ND	ANNUAL
01/16/09													HALF	HALF	AVERAGE
YEAR	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC			
1989													118.7	119.6	118.1
1990													124.2	129.4	126.8
1991													133.0	135.2	134.1
1992													137.8	140.2	139.0
1993													141.9	143.9	142.9
1994													146.4	149.2	147.8
1995													151.2	153.3	152.3
1996													155.6	159.4	157.5
1997												165.0	161.9	164.1	163.0
1998		166.5		168.4		167.5		168.5		169.3		169.4	166.6	168.9	167.7
1999		170.6		172.2		172.7		173.4		174.7		174.4	171.6	174.0	172.8
2000		176.1(R)		177.6(R)		179.2(R)		180.3(R)		182.1		181.5	177.3(R)	181.1	179.2
2001		184.0		184.2		186.3		186.8		187.9		186.1	184.4	186.9	185.7
2002		187.6		188.8		189.4		190.3		190.9		190.0	188.3	190.3	189.3
2003		191.3		192.3		191.7		194.4		193.7		191.0	191.6	193.1	192.3
2004		193.5		194.3		195.3		194.6		196.5		195.1	194.0	195.4	194.7
2005		197.6		201.3		199.8		199.9		203.3		200.9	199.2	201.3	200.2
2006		203.6		207.4		208.2		209.6		209.8		209.3	205.8	209.5	207.6
2007		211.704		215.767		215.510		215.978		218.427		218.966	213.810	217.502	215.656
2008		221.728		223.196		228.068		227.745		225.915		222.580	223.569	225.869	224.719

Table of over-the-year percent increases. An entry for Feb. 2000 indicates the percentage increase from Feb. 1999 to Feb. 2000 (in this example 3.2 percent).

1990													6.4	8.2	7.4
1991													7.1	4.5	5.8
1992													3.6	3.7	3.7
1993													3.0	2.6	2.8
1994													3.2	3.7	3.4
1995													3.3	2.7	3.0
1996													2.9	4.0	3.4
1997													4.0	2.9	3.5
1998												2.7	2.9	2.9	2.9
1999		2.5		3.5		3.1		2.9		3.2		3.0	3.0	3.0	3.0
2000		3.2		3.3(R)		3.8(R)		4.0(R)		4.2		4.1	3.3	4.1	3.7
2001		4.5		3.6		4.0		3.6		3.2		2.5	4.0	3.2	3.6
2002		2.0		2.5		1.7		1.9		1.6		2.1	2.1	1.8	1.9
2003		2.0		1.9		1.2		2.2		1.5		0.5	1.8	1.5	1.6
2004		1.2		1.0		1.9		0.1		1.4		2.1	1.3	1.2	1.2
2005		2.1		3.6		2.3		2.7		3.5		3.0	2.7	3.0	2.8
2006		3.0		3.0		4.2		4.9		3.2		4.2	3.3	4.1	3.7
2007		4.0		4.0		3.5		3.0		4.1		4.6	3.9	3.8	3.9
2008		4.7		3.4		5.8		5.4		3.4		1.7	4.6	3.8	4.2

R: Revised

**CITY OF SULTAN
ORDINANCE NO. 961-07**

**AN ORDINANCE OF THE CITY OF SULTAN, WASHINGTON PERTAINING TO
SEWER RATES AMENDING SUBSECTION SMC 13.08.030 A SETTING INCREASED
SEWER SERVICE RATES**

WHEREAS, pursuant to RCW 35.92.020 and 35.92.025 the City through its legislative authority has the power and authority to establish rates for sewerage ;

WHEREAS, the City has conducted an investigation of the reasonable rates required to provide sewerage service now and in the future;

WHEREAS, the City wishes to establish rates that are reasonable but necessary to operate the system;

NOW, THEREFORE, it is ordained by the City Council of the City of Sultan, Washington as follows:

Section 1. Sultan Municipal Code Subsection 13.08.030 A is hereby amended to impose rates for sewer service rendered by the City of Sultan from and after the effective date as designated in the following subsection A:

A. Sewer Rates. Sewer rates are hereby established for the following categories of service beginning on the effective date as indicated as follows:

SEWER RATE SCHEDULE					
Effective Date:	12/01/07	12/01/08	12/01/09		
<u>RESIDENTIAL (Flat rate)</u>					
Single Family	\$56.70	\$61.74	64.83		
Low-Income Senior	30.25	30.87	32.41		
Multi-family	56.70	61.74	64.83		
Mobile Home Parks	56.70	61.74	64.83		
<u>COMMERCIAL (Base + Volume)</u>					
Base Rate by Meter					
3/4" Meter	\$56.70	61.74	64.83		
1" Meter	79.38	86.44	90.76		
1.5" Meter	102.06	111.13	116.69		
2" Meter	163.80	178.36	187.28		
3" Meter	623.70	679.15	713.10		
4" Meter	793.80	864.37	907.59		
6" Meter	1190.70	1296.55	1361.38		
8" Meter	1644.30	1790.48	1880.00		
Volume Rate/100 cf	\$4.04	4.40	4.61		
Volume included in Base	600 cf	600 cf	600 cf		

(100 cubic feet = 748 gallons.)

*Space occupancy and units are determined on January 1st and June 1st semi-annually for determination of number of units.

rate = monthly base rate + for commercial a volume rate for each additional 100 cf

“Monthly base rate” is the rate tabulated in the Sewer Rate Schedule below.

“Volume Rate for additional 100 cf” refers to the rate for each additional 100 cubic feet or fraction thereof of water usage over the first 600 cubic feet for the customer’s unit.

All rates are per dwelling or commercial unit. An accessory dwelling unit is considered a dwelling unit.

Section 2 Severability: This ordinance is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

Section 3 Effective Date. This ordinance shall become effective: December 1, 2007.

PASSED by the City Council and APPROVED by the Mayor this 27th day of September 2007.

CITY OF SULTAN

By _____
BEN TOLSON, Mayor

ATTEST:

By _____
LAURA KOENIG, City Clerk

Approved as to form:

By _____
THOM H. GRAAFSTRA, City Attorney