

SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET

Agenda Item #: Consent C 3

Date: December 2, 2010

SUBJECT: Ordinance 1098-10 Sewer Rates

CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director

Issue:

The issue before the council is the adoption of Ordinance 1098-10 to increase the monthly sewer base rates for 2011 and 2012. The ordinance was introduced for a first reading on November 18, 2010.

The motion on first reading was to introduce Ordinance 1098-10 for a first reading and postpone the \$1.25 rate increase for the stormwater utility from January 1, 2011 until June 1, 2011.

Staff Recommendation:

Attachment A provides the proposed sewer rate increase. Staff recommends the following:

1. Adoption of Ordinance 1098-10 to increase the monthly sewer utility rates from \$64.83 to \$71.47 on 12/1/2010 and from \$71.47 to \$74.47 on 12/1/2011.
2. Postpone the stormwater utility rate increase from \$6.75 to \$8.00 from January 1, 2011 to June 1, 2011.

Summary:

The Sewer Debt Service fund has payments of \$465,959 due for 2011 and \$461,403 due in 2012. There are insufficient revenues to cover the debt service payments in 2011 and 2012.

The major issue for 2011 and 2012 is the requirement to pay the balance on the PWTF loan for the Waste Water Treatment Plant (WWTP) design. The loan was restructured in 2010 to add one year to the payment schedule. This reduced the annual payment by \$100,000. The city has two years left on the loan with payments of \$210,000 per year.

The Public Works Trust Board noted the city's existing rates will not be adequate to pay the debt service in 2011 and 2012. A rate increase is needed.

Table 1 – Debt Service 2011-2015

	2011	2012	2013	2014	2015
Sewer					
PW 596-790-056 Sewer Plant Upgrade	114,136.26	113,059.51	111,982.75	110,905.99	109,829.24
PW 04-691-064 Sewer I & I Project	74,749.53	74,400.23	74,050.95	73,701.63	73,352.35
DEOLO 10034 Sewer Stormwater Report	8,631.24	8,631.24	8,631.24	8,631.24	8,631.24
LTGO Sewer Revenue Bonds	58,025.00	55,965.00	53,905.00	51,845.00	49,785.00
PW 06-962-PRE-131 Sewer Plant Design	210,416.67	209,375.00	0.00	0.00	0.00
Total Sewer Service Debt	465,958.70	461,430.98	248,569.94	245,083.86	241,597.83

The proposed Sewer Operating fund budget presented to the Council on November 18, 2010 had a deficit balance of \$107,066. The issue with the operating fund is the need to cover the PWTF loan payments for 2011-2012.

Proposed Solutions:

The consensus of the Council on November 18, 2010 was to use Alternative 2 to increase the monthly rates by \$6.64 to increase revenues by \$107,066 and to reduce expenses in the Sewer operating fund by \$55,000.

The Sewer Operating fund reduced proposed capital outlay for equipment from \$44,200 to \$6,700 and reduced transfer to the equipment reserve fund by \$15,000. The capital equipment removed from the budget included the incubator, sludge pumps and mixer. The \$30,000 for the roof replacement is included in the 2011 budget because the roof is leaking and must be repaired.

The budgetary concerns will extend to the 2012 budget. The 2012 proposed budget assumes there will be no new connections. This will leave an additional shortfall of \$42,731 to cover debt service. The Council may have to consider an additional \$3.00 per month increase in 2012. This would increase the rate to \$74.47

The following chart provides a proposed 2012 budget including the 2011 rate increase:

Table 2 – Proposed 2011-2012 Budget

413 Sewer Debt Service		2011	2012
Account	Description		
413-000-308-10-000	Beginning Fund Balance	0	0
413-000-367-10-000	Sewer Connection Fees	56,000	0
413-000-397-10-000	Operating Transfer In from 401/404	448,700	467,156
	Total Resources	504,700	418,700
413-413-582-35-700	PWTF Principal Payment	385,868	385,868
413-413-582-35-710	State Revolving Fund Principal	6,976	6,976
413-413-535-80-800	Bond Principal	40,000	40,000
413-413-582-35-800	PWTF Interest Payment	13,434	10,966
413-413-582-35-810	State Revolving Fund Interest	1,655	1,655
413-413-591-80-800	Bond Interest	18,025	15,965
	Total Expense	465,959	461,431
413-900-508-00-000	Ending Fund Balance	38,741	5,725

Fiscal Analysis

The City has struggled to make required loan payments over the past two years and have taken steps to divert all connection fees to debt service, restructured the PWFT loan, used sewer reserve funds and reduced expenditures in the operating fund to provide funds for debt service. There is a need for reserves in the debt service fund to cover debt service on the chance that no new service connections are made.

The \$6.64 increase in the monthly base rate for 2011 will provide an additional \$107,249 in revenues into the Sewer Operating fund (401). This will balance the Sewer fund budget and provide the funds necessary to transfer to the debt service fund to make payments on the Public Trust Fund loans. In 2011, \$30,000 of sewer reserve funds (Fund 404) will be transferred into the Sewer Debt fund (Fund 413) to make debt service payments

The additional \$3.00 increase in the monthly base rate for 2012 will provide an additional \$48,456 in revenues into the Sewer Operating Fund (401). This will provide the additional revenue necessary in 2012 for debt service payments. In 2012 there will be limited reserve funds available from the Sewer Reserve fund (Fund 404) to transfer for debt service payments.

Alternatives:

1. Adoption of the ordinance as amended to increase sewer rates by \$6.64 in 2011 and \$3.00 in 2012. Delay stormwater rate increases from \$6.75 to \$8.00 per month from January 1, 2011 to June 1, 2011.
2. Review alternatives discussed during prior meetings and select a preferred alternative. Direct staff to prepare a revised ordinance.
The Council should note that this decision may require an additional meeting in December to adopt the 2011 Budget.
3. Do nothing. Cut \$107,000 out of the sewer operating fund to balance the budget.

Recommendation:

Adoption of Ordinance 1098-10 as amended to delayed the increase of stormwater rates until June 1, 2011.

Attachments: A. Ordinance 1098-10 – As amended

**CITY OF SULTAN
WASHINGTON**

ORDINANCE NO. 1098-10

**AN ORDINANCE OF THE CITY OF SULTAN,
WASHINGTON, ADOPTING SEWER RATES FOR 2011
AND 2012; SETTING AN EFFECTIVE DATE FOR
STORMWATER RATE INCREASES; PROVIDING FOR
SEVERABILITY; AND ESTABLISHING AN EFFECTIVE
DATE.**

WHEREAS, the sewer utility is an enterprise fund and all enterprise funds are required to collect sufficient revenues to cover expenses; and

WHEREAS, the Sewer Debt Service fund has payments of \$465,959 due for 2011 and \$461,403 due in 2012; and

WHEREAS, on October 9, 2010 at the Budget Retreat, the Council discussed the sewer debt service requirements for the next two years and considered alternatives that included increasing monthly sewer rates; and

WHEREAS, based on the discussion at the October 28, 2010, the Council has proposed and increase to the sewer rate of \$6.64 per month and to hold on the increase to the stormwater utility rate until September 2011; and

WHEREAS, the City Council will not complete the update to the General Sewer Plan and conduct a rate study based upon the revised Plan until after the system of annual increases in monthly sewer rates adopted in 1033-10 will expire; and

WHEREAS, the City Council wants to ensure the sewer utility collects sufficient revenues to cover expenses in 2011 and 2012 until a rate study can be conducted based on the updated General Sewer Plan; and

WHEREAS, the City Council wants to minimize the impact on sewer rate payers of delaying rate adjustments until after the required updates to the Comprehensive Plan and General Sewer Plan are adopted; and

WHEREAS, the City Council held public hearings on the sewer utility rate increase as part of the 2011 budget; and

WHEREAS, the City Council has elected to postpone the increase in stormwater rates until June 1, 2011 to reduce the impact of rate increases to the customers;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SULTAN, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Establishment of fees and charges for sewer service as follows:

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

SEWER RATE SCHEDULE

Effective Date	12/1/2009	12/1/2010	12/1/2011
RESIDENTIAL (flat rate)			
Single Family	\$64.83	\$71.47	\$74.47
Low-income Senior	\$32.41	\$35.73	\$37.24
Multi-family	\$64.83	\$71.47	\$74.47
Mobile Home Parks	\$64.83	\$71.47	\$74.47
COMMERCIAL (base rate by meter + volume)			
¾" meter	\$64.83	\$71.47	\$74.47
1" meter	\$90.76	\$100.06	\$103.06
1.5" meter	\$116.69	\$128.65	\$131.65
2" meter	\$187.28	\$206.47	\$209.47
3" meter	\$713.10	\$786.20	\$798.20
4" meter	\$907.59	\$1,000.62	\$1,003.62
6" meter	\$1,361.38	\$1,500.92	\$1,503.92
8" meter	\$1,880.00	\$2,072.70	\$2,075.70
Volume Rate/100 cf	\$2.54	\$3.15	\$3.15
600 cf Volume included in Base			

Rate equals monthly base rate plus for commercial - a volume rate for each additional 100 cubic feet.

"Monthly base rate" is the rate tabulated in the sewer rate schedule.

"Volume rate for each additional 100 cubic feet" 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 until. An accessory dwelling unit is considered a dwelling unit.

Section 2: Stormwater Rates: Stormwater utility rates will increase from \$6.75 per month to \$8.00 per month effective June 1, 2011.

Section 3. Severability. Should any section, paragraph, sentence, clause or phrase of this Ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be pre-empted by state or federal law or regulation, such decision or pre-emption shall not affect the validity of the remaining portions of this Ordinance or its application to other persons or circumstances.

Section 4. Effective Date. This Ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force on December 1, 2010

ADOPTED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON
THE ^d DAY OF 2010.

CITY OF SULTAN

Carolyn Eslick, Mayor

ATTEST/AUTHENTICATED:

Laura Koenig, City Clerk

Approved as to form:

Margaret J. King, City Attorney

Date of Publication:

Effective Date: