

**REVISED AGENDA
CITY OF SULTAN
COUNCIL MEETING – COMMUNITY CENTER
May 22, 2014**

7:00 PM CALL TO ORDER - Pledge of Allegiance and Roll Call

CHANGES/ADDITIONS TO THE AGENDA

PRESENTATIONS

- 1) Public Works Week – Employee Recognition
- 2) Girl Scouts
- 3) Spice Use – Video
- 4) Sno-Isle Library Annual Report

COMMENTS FROM THE PUBLIC: Citizens are requested to keep comments to a 3 minute maximum to allow time for everyone to speak. It is also requested that you complete a comment form for further contact.

COUNCILMEMBER COMMENTS

CITY ADMINISTRATOR COMMENTS

STAFF REPORTS – Written Reports Submitted

- 1) Code Enforcement
- 2) Animal Control
- 3) Public Works
- 4) Planning Board Minutes

CONSENT AGENDA: The following items are incorporated into the consent agenda and approved by a single motion of the Council.

- 1) Approval of the May 8, 2014 Council Meeting Minutes
- 2) Approval of the May 8, 2014 Public Hearing minutes on the 2014 Budget Amendments
- 3) Approval of Vouchers
- 4) Excused absence of Councilmember McCarty from the May 22, 2014 Council meeting

ACTION ITEMS:

- 1) BHC Contract – Mapping
- 2) Alder Avenue Bid Award
- 3) Banner Signs (Boom Town)
- 4) WH Pacific Contract Extension
- 5) Ordinance 1196-14 – Bond Ordinance (final)
- 6) Interlocal Agreement – Conservation Futures
- 7) Trane Proposal
- 8) Resolution 14-06 Financial Policies

DISCUSSION: Time Permitting

PUBLIC COMMENT ON AGENDA ITEMS ONLY

COUNCILMEMBER RESPONSE TO PUBLIC COMMENT ON AGENDA ITEMS

Executive Session:

Adjournment - 10:00 PM or at the conclusion of Council business.

ADA NOTICE: City of Sultan Community Center is accessible. Accommodations for persons with disabilities will be provided upon request. Please make arrangements prior to the meeting by calling City Hall at 360-793-2231. For additional information please contact the City at cityhall@ci.sultan.wa.us or visit our web site at www.ci.sultan.wa.us

**SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET**

ITEM NO: A-7
DATE: May 22, 2014
SUBJECT: TRANE Investment Grade Audit
CONTACT PERSON: Mick Matheson, P.E. – Public Works Director



ISSUE:

The issue before the Council is to authorize staff to request the Department of Enterprise Services to initiate the contracting process with TRANE to prepare Investment Grade Audits for the Wastewater Treatment Plant and the Potable Water Booster Pump Station.

ALTERNATIVES:

1. Authorize staff to request the Department of Enterprise Services to initiate the contracting process with TRANE to prepare Investment Grade Audits for the Wastewater Treatment Plant and the Potable Water Booster Pump Station.
2. Do not authorize staff to request the Department of Enterprise Services to initiate the contracting process with TRANE and direct staff to areas of concern.

STAFF RECOMMENDATION:

Authorize staff to request the Department of Enterprise Services to initiate the contracting process with TRANE to prepare Investment Grade Audits for the Wastewater Treatment Plant and the Potable Water Booster Pump Station.

SUMMARY:

City staff presented an overview of the Washington State Department of Enterprise Services Energy Saving Performance Contract (ESPC) Program to Council on January 23, 2014.

Trane then made a presentation to council on May 8, 2014 regarding the Washington State Department of Enterprise Service Engergy Saving Performance Contract (ESPC) Program, an overview of the services Trane provides, work performed to date, next steps, and a discussion on past experience with Sultan School District.

Subsequent to Trane's presentation, staff requested an estimate of costs to get from the 30% design (provided as part of the IGA) to final design. Staff also reached out to RH2 Engineering to better understand the term "30% design" as it relates to an Investment Grade Audit.

The 30% design as part of an IGA is significantly more involved than a "normal" 30% design in that the plans need to be far enough along for a contractor to be able to provide a bid. Rick Ballard with RH2 Engineering described the 30% IGA design to be equivalent to a 60%-80% design in a non-IGA process.

In response to staff's request, Trane provided a estimate of the costs to get from a 30% IGA design to complete the design.

Wastewater Treatment Plant Energy Conservation Measures

Investment Grade Audit \$52,709

Additional effort to complete the design post IGA \$30,000 – \$35,000

Potable Water Booster Pump Station

Investment Grade Audit \$190,903

Additional effort to complete the design post IGA \$55,000 – \$75,000

This is in line with the planning level design estimate provided by RH2 Engineering for design of the potable water booster pump station of \$259,000 in April 2014.

The next step is to contact the Department of Enterprise Services (DES) to request that they initiate the contracting process with TRANE to prepare Investment Grade Audits for the Wastewater Treatment Plant and the Potable Water Booster Pump Station. DES will then provide the City with funding authorization paperwork before the City enters into a contract.

FISCAL IMPACT:

The Investment Grade Audit for the Potable Water Booster Pump Station (\$190,903 plus tax) is included as part of the bond package the City is working to implement.

The Investment Grade Audit of the Wastewater Treatment Plant (\$52,709 plus tax) is proposed to be funded with Sewer Capital funds.

The cost of the Investment Grade Audit will be rolled into the final cost of the project should the City proceed with the implementation of the subject projects. Should Trane complete the IGA scope and identify a scope of work that meets the Cost Effectiveness requirements, and the City chooses not to move forward with Trane, the City would be required to reimburse Trane the entire IGA fee within 30 days after the submission of the Energy Service Proposal. If Trane is unable to identify a scope of work that meets the identified Cost Effectiveness requirement (cash flow positive within the life of the equipment) the City will not be financially obligated to Trane for this Investment Grade Audit.

RECOMMENDED ACTION:

Authorize staff to request the Department of Enterprise Services to initiate the contracting process with TRANE to prepare Investment Grade Audits for the Wastewater Treatment Plant and the Potable Water Booster Pump Station.

ATTACHMENTS:

Attachment A – TRANE letter to Department of Enterprise Services

Attachment A

February 27, 2014

Mr. Joe Sullivan
Department of Enterprise Services
1500 Jefferson Street SE
PO Box 41476
Olympia, WA 98504-1476.

**SUBJECT: Detailed Investment Grade Audit Fee Proposal
The City of Sultan – Phase 1 Wastewater Treatment Facility**

Dear Joe,

We are pleased to submit this Investment Grade Audit Proposal for Energy Efficiency and Operational Improvements at the City of Sultan Wastewater Treatment Facility (WWTF) and Potable Water Booster Pump Station (BPS) serving Zone 632. TRANE will provide Investment Grade Audit (IGA) level engineering services, project development, cost estimating including contractor proposals, energy savings calculations, pre-retrofit measurements and verification, coordination with the utility provider for available incentives, coordination with Commerce if grant programs are applicable and coordination with the City of Sultan for the subject project in accordance with the following:

TRANE will undertake a detailed IGA of the WWTF and BPS. The primary focus of the IGA includes the elements listed below to assemble a project that achieves the operational and financial goals of the City of Sultan, and assists with local utility provider and Commerce grant applications.

Primary IGA Focus/Scope of Work:

1. Scope of Work

- a. Procure and manage sub-consultants

Provide approximately 30% design drawings for each Energy Conservation Measure (ECM) that locates proposed equipment, shows preliminary equipment selections and communicates project intent.

- b. ECM-1 Oxidation Ditch – Install Second Mixer. The intent of this ECM is to accomplish the following:

- i. The intent of this measure is to install the second mixer and frame in the oxidation ditch. It is assumed that the same manufacturer and model number will be used for the second mixer (Landia POPL-I 4.9/3.6 HP 38 submersible mixer).
- ii. Update controls programming and graphics

ECM-2 Oxidation Ditch – Control Aerators to DO Setpoint

The intent of this ECM is to accomplish the following:

- i. Provide the ability to directly monitor DO level in the oxidation ditch and control aerator speed to maintain a consistent DO level. This will reduce energy usage and would provide an operational benefit.
- ii. Update controls programming and graphics.

ECM-3 Operations Building Heat Pump Replacement

The intent of this ECM is to accomplish the following:

- i. Replace (1) existing heat pump serving the operations building with a new, more efficient heat pump.

ECM-4 Wastewater Plant Exterior Lighting

The intent of this ECM is to accomplish the following:

- ii. Replace all existing exterior light fixtures at the wastewater plant with LED technology.

ECM-5 Potable Water Booster Station

The intent of this ECM is to accomplish the following:

- i. Provide a new Potable Water Booster Station with a new emergency generator and pumping capacity of approximately 1,800 gpm to meet existing and projected near-term demands of zones 335, 447 and 632 Zones, and the existing 1,000 gpm fire flow requirement. This ECM only addresses improvements to the 632 Zone BPS. Investigation and design of a future 447 Zone BPS are not included in this measure.
- ii. Contract with a professional land surveyor to provide additional topographic and utility information as needed to supplement preliminary base maps, AutoCAD® drawings, and geographic information system (GIS) information for developing preliminary and final design plans.
 - a. If potholing is required, City staff will complete potholing at no cost to Trane. If City staff are unavailable to complete potholing as required for the project, additional IGA fee will be required.
- iii. The replacement 632 Zone BPS will consist of four (4) or five (5) booster pumps and an above-grade building that will house the electrical, control, and pumping equipment. The proposed EG will be located in a covered, but outdoor, location adjacent to the proposed BPS building.
- iv. Pump selection will include hydraulic analysis. Hydraulic analysis will be performed to evaluate the flows through PRV #3 to confirm that the 632 Zone BPS has adequate capacity to supply the 632 and 447 Zones, as well as supplemental flows required to be conveyed to the 323 Zone via PRV #3 during a fire flow event.
 - a. Generate system head curves for the BPS, including evaluating flows required to be conveyed to the 323 Zone via PRV #3 during a fire flow event.
- v. All permits required for this project will be issued by the City and all permitting tasks will be included in the final design scope that will be

- developed at the completion of the preliminary design phase of this project.
- vi. Structural calculations will be included in the final design scope that will be developed at the completion of the preliminary design phase of this project
 - vii. This IGA includes discussions to determine the City's preferences regarding:
 - a. Using the existing 632 Zone BPS building for the future BPS, or constructing a new building.
 - b. Pump redundancy and leaving the existing pumps online during construction of a new BPS, or if supplying the 632 and 447 Zones solely with water from the Everett intertie is acceptable
 - viii. Develop 30% preliminary design drawings that provide details such as site layout, site utilities, building dimensions, elevations, pipe, conduit, and conductor sizes, motor control center (MCC), and telemetry panel layouts. Preliminary drawings may include:
 - a. Cover sheet, including sheet index and vicinity map.
 - b. General notes sheet.
 - c. Existing site, temporary erosion and sedimentation control (TESC), and grading/surface restoration plans.
 - d. Preliminary proposed site plans, utility plans, and landscaping plans.
 - e. Preliminary structural layout plans for the proposed above-grade building. It is assumed that the above-grade building will be single-story with a concrete foundation and floor slab, concrete masonry unit (CMU) walls, and wood framed roof with standing seam metal roofing.
 - f. Preliminary mechanical plans and elevations.
 - g. Preliminary electrical, EG, and telemetry plans.
 - ix. Perform internal quality assurance/quality review of 30% preliminary drawings.
 - x. Formal 30% design review with City and DES, incorporate comments into final 30% preliminary drawing set.
 - xi. Update controls programming and graphics.
2. Energy Savings Calculations, Incentive/Grant Coordination
- a. Calculate energy savings for each of the ECMs
 - b. Create pre- and post-retrofit measurement and verification (M&V) plans
 - c. Implement pre-retrofit M&V activities (measurements and trending)
 - d. Coordinate with local utility provider regarding applicable incentives
 - e. Coordinate project development with applicable Commerce grant timelines and support the City of Sultan's grant submission

3. Cost Estimating
 - a. Coordinate subcontractor site visit, supplement 30% design documents as required
 - b. Create RFP documents as required, receive and review proposals, determine costing per trade
4. Pre-Construction
 - a. Subcontractor/vendor coordination post-Energy Services Proposal and in advance of the Notice to Proceed
 - b. Develop construction schedule with the City of Sultan
 - c. Contract creation and routing
 - d. Review construction logistics with the City of Sultan, create temporary services/outage plan, obtain necessary permits, create disconnect/installation plan, new equipment rigging, rentals/crane picks, etc.
 - e. Develop preliminary safety plan and identify safety requirements for the RFP
5. Financial Analysis Review of project scenarios with the City of Sultan, TRANE and DES. The intent is to review first cost, confirm cash flow inputs (energy/ operational savings, capital cost avoidance, other) and operational impact of the total scope.
6. Regular check-in and design review meetings with the DES and the City of Sultan as required.

TRANE will present to the City of Sultan a written Energy Services Proposal (ESP), including the IGA Documentation. The Energy Services Proposal will set forth at least the following:

1. A description of the Facility and a description of those buildings and systems which will receive TRANE-provided Equipment and/or TRANE-provided Services.
2. The Cost Effective ECM(s) to be installed or caused to be installed by TRANE under the cost effectiveness criteria of generating a positive cash flow within the life of the equipment. The cost effectiveness calculation will be $(\text{Total GMAX Project Cost} - \text{Capital Avoidance} - \text{Utility Incentives} - \text{Commerce Grant}) / (\text{Annual Energy} + \text{Operational Savings})$. For reference, the total project cost of the potable water booster station will be categorized as Capital Avoidance.
3. The scope of work documents created during the IGA phase for the Cost Effective ECM(s) to be installed or caused to be installed by TRANE and a description of the ECM(s) analyzed but disqualified by the City of Sultan.
4. The services that TRANE will perform on or in the Facility, or surrounding Facilities, including but not limited to engineering, construction management, the operations and maintenance procedures for use on TRANE-provided Equipment, training for Facility personnel, providing warranty service, and equipment maintenance.
5. The Maximum Allowable Project Cost

6. Recommendations for replacement of Existing Equipment, along with recommendations for improvements to Existing Equipment and Operating Conditions.
7. The Baseline Energy Consumption for the Facility, including the data, methodology and variables used to compute the Baseline, and the Baseline calendar period which will not be less than twelve (12) months.
8. The estimated Energy Savings and Energy Cost Savings that are expected to result from the installation of TRANE-provided Equipment and from TRANE-provided Service and an explanation of the method used to make the estimate.
9. The method by which Energy Savings and Energy Cost Savings will be calculated during the term of the Energy Services Agreement
10. A description of how the Energy Cost Savings will be guaranteed by TRANE
11. A description of how TRANE proposes to be compensated
12. The term of the Energy Services Agreement
13. The Termination Value for each year during the term of the Energy Services Agreement
14. The schedule for project completion

City of Sultan Requirements:

1. Provide access to record drawings, O&M data, submittals, startup/TAB reports, etc. as required in order to allow TRANE to fully develop the baseline operation of the existing systems to be studied.
2. Provide access to 36 months of historical utility data
3. Provide access to staff with knowledge of history and operation of the systems to be studied as part of this IGA
4. Provide access to the site, buildings and systems to be studied as required
5. Provide access to the City of Sultan stakeholders during the IGA phase

Terms and Fee for Investment Grade Audit Services:

Wastewater Treatment Facility IGA Fee:	\$52,709
Booster Pump Station IGA Fee:	<u>\$190,903</u>
Total Fixed Fee for IGA Services:	\$243,612 + taxes

The cost of this Investment Grade Audit will be rolled into the final cost of the project should the City of Sultan proceed with implementation of the subject project. Should TRANE complete the IGA scope outlined above and identify a scope of work that meets the Cost Effectiveness requirements identified above, and the City of Sultan chooses not to implement subject project with TRANE, the City of Sultan will reimburse TRANE the entire IGA fee within 60 days after the submission of the Energy Services Proposal



(ESP). If TRANE is unable to identify a scope of work that meets the identified Cost Effectiveness requirements (cash flow positive within the life of the equipment), the City of Sultan will not be financially obligated to TRANE for this Investment Grade Audit.

Schedule for IGA Services:

Substantial completion of all portions of the IGA will be within 180 days of Notice to Proceed from the DES, to allow for full completion in order to assist the City of Sultan in submitting the Department of Commerce Grant (Round Three) application.

We at TRANE appreciate the opportunity to provide these services. If this proposal for Audit Services is satisfactory, please forward contract documents.

Sincerely,

Angie Estey
Comprehensive Solutions Account Manager
TRANE
2333 158th Court NE
Bellevue, WA 98008

SULTAN CITY COUNCIL MEETING AGENDA COVER SHEET

ITEM NO: Action A-8
DATE: May 22, 2014
SUBJECT: Financial Policies, Resolution 14-06
CONTACT PERSON: Ken Walker, City Administrator

ISSUE:

The issue before the Council is the adoption of Resolution 14-06 formalizing financial policies for the City of Sultan. These policies, as presented, represent financial operating directions provided by City Council and followed by city staff in the operation of the city.

SUMMARY:

As good stewards of the public's resources, the City Council and City Administrator are required to follow sound financial management. It is prudent to have these policies in writing, to provide support and direction to city staff. Clear and well designed financial policies provide consistent guidance regarding financial and budget decisions, and serve to assure citizens, creditors, grantors, and others interested in the City's financial condition that the City is operated in a fiscally sound and prudent manner. Adopting this resolution demonstrates the commitment to sound financial management.

RECOMMENDED ACTION:

Authorize the Mayor to sign Resolution 14-06 City of Sultan Financial Policies.

Attachment: Resolution 14-06 – Financial Policies.

**CITY OF SULTAN
SULTAN WASHINGTON
RESOLUTION 14-06**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SULTAN, WASHINGTON ADOPTING FINANCIAL POLICIES
FOR THE CITY OF SULTAN**

WHEREAS, as stewards of the public's resources, the City Council and City Administrator need to ensure sound financial management of the City; and

WHEREAS, a clear and well-designed set of financial policies can provide consistent guidance regarding financial and budget decisions, and serve to assure citizens, creditors, grantors and others interested in the City's financial condition, that the City is operated in fiscally sound and prudent manner; and

WHEREAS, it is necessary to update the City's financial policies in furtherance of the above stated goals; now, therefore

BE IT RESOLVED that the City Council hereby adopts the Financial Policies attached hereto as the Financial Policies of the City of Sultan.

PASSED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 22nd
DAY OF MAY, 2014

CITY OF SULTAN

Carolyn Eslick, Mayor

ATTEST/AUTHENTICATED:

Laura Koenig, City Clerk

Financial Policies

As stewards of the public's resources, the City Council and City Administrator need to ensure sound financial management of the City. A clear and well-designed set of Financial Policies can provide consistent guidance regarding financial and budget decisions, and serve to assure the citizens, creditors, grantors and others interested in the City's financial conditions, and cash flows that the city is operated in a fiscally sound and prudent manner.

Budget Policies

As required by State law and by prudent financial management, the City shall:

- Prepare an annual or biennial balanced budget where projected resources meet or exceed projected expenditures.
- Prepare a five-year forecast of the City's revenues and expenses at the fund level so that policy makers can make near term budget decisions in the context of projected long term financial conditions.
- Establish utility rates sufficient to provide financial conditions, net positive operating results and cash flows to meet or exceed any revenue bond coverage requirements.

The City will strive to:

- Fund recurring operating expenses with recurring revenues so that ongoing needs are not adversely impacted by the loss of one-time revenues.
- Allow for funding one-time needs with non-recurring revenues wherever possible.
- Provide sufficient resources to the Contingency Fund so that it can reasonably respond to critical unforeseen needs of the City without requiring the City to divert resources from other important services, but not to exceed the legal maximum funding.
- Administer the Contingency Fund in a manner consistent with the requirements of RCW 35A.34.260, and in the event a withdrawal from the Contingency Fund is made, the City shall specify the amount to be restored, if any, and a corresponding schedule.

Reserve Policies

Reserves provide important protections against the regular fluctuations of local economic conditions and the month to month variability of revenue collections. Reasonable reserves provide the working capital needed to support City operations through these cycles and should be set at a level that can sustain City operations for the most adverse conditions that can reasonably be expected. It is most useful to define reserves as a percentage of budgeted expenses so it can be readily converted to the number of days or months the City can operate without receiving additional revenues. The City of Sultan maintains its accounting records on the cash basis of accounting where revenues and expenses are only recognized when revenues are actually

received and expenses when actually paid. Therefore, to properly determine the amount of the reserve in any fund, known liabilities expected to be paid from current resources will be considered as an obligation of existing cash balances (similar to the accrual basis of accounting) so that only the unobligated portion of the cash balance is used to determine that reserve amount. The City Council, as the highest level of government within the City provides:

General Fund

- The General Fund shall have a reserved fund balance financed with property tax revenues due to the highly stable but seasonable receipt pattern (May and November) of this revenue source. The dollar amount of this reserve shall be one year of property tax revenue or two months (i.e. 17% of annual) budgeted expenditures excluding debt service, whichever is lower.
- The General Fund may also have additional reserves but these shall be in addition to the reserve requirement above.

Utilities

- The Water, Sewer and Storm Drainage utilities combined shall maintain a minimum of two months cash reserves financed from utility rates, to provide for seasonal variability of revenues and to allow them to operated if a bi-monthly billing cycle is disrupted for any reason.

Other Funds

- The other funds of the City are used to account for restricted revenue sources provided for a specifically defined service or expense. Any reserve requirements thought prudent for operations should be determined by the City Administrator as part of the budget process.

All Funds

- Reserved amounts shall automatically include the amounts of cash not available for appropriation due to the restrictions imposed upon them by external parties (e.g. grantors, creditors, etc) and shall remain in effect until the restrictions are lifted.
- Limitations on expenditures due to intended use may be created in policy documents including the annual/biennial budget but shall lapse at the end of the budget period or the limitation period, whichever is later. These limitations shall be labeled as temporarily restricted and reported in accordance with the BARS manual.

Accounting & Financial Reporting Policies

The City shall utilize a “funds” accounting system wherein monies restricted for specific purposes are accounted for in separate “funds” in accordance with national accounting practices. Unrestricted monies will be accounted for in the General Fund. The City will maintain its accounting system on the cash basis of accounting as permitted by the State Auditor and will use the BARS chart of accounts as required by the State Auditor.

The City shall prepare an annual financial report using the forms prescribed by the State Auditor and will be audited on a schedule determined by the State Auditor as prescribed by State law. The City may, from time-to-time, arrange for additional audits when considered beneficial to the City's operations. Additionally, the Finance Director will prepare quarterly financial reports showing the budget versus actual revenues and actual expenses and projecting year end results for the General Fund and utility funds, and as directed by the City Administrator.

Debt Policies

The City's ability to pledge its revenues in support of debt is a valuable "tool" for providing essential public services, but can threaten the City's financial flexibility and a City's credit rating if not used prudently. Excessive use of debt can also create an onerous tax burden on city property owners. Therefore, the City adopts the following policies to guide its use of debt:

- Debt shall not be used to fund operating expenses, but will be used solely to fund capital expenses (which can include city costs associated with the capital project) and long-term obligations.
- Utility debt shall be secured solely by the revenues of the utility or by special assessments in the case of Utility Local Improvement Districts (ULID's) and will not ordinarily be secured by a general pledge of the City's revenues.
- The City shall annually prepare Schedules of Liabilities and Constitutional Limitation of Indebtedness in the form prescribed by the State Auditor to report its debt outstanding and its compliance with State debt limits.
- The City shall reserve at least 20% of its non-voted legal debt capacity to provide for emergency needs.
- Long-term debt shall be structured in a manner so that the term of the debt does not exceed the expected useful life of the asset or improvement being funded.

In the event of extreme economic circumstances or natural or manmade disaster the City will modify these policies to ensure the safety and security of the community.

Effective Date

This update to the Financial Policies is effective as of May 22, 2014, and shall remain in effect until subsequently amended or repealed by the City Council.