1. Agenda

    Documents:

    PWC_AGENDA_7-02-2018.PDF.PDF

2. Meeting Materials

    Documents:

    CAPITAL IMPROVEMENT PLAN (CIP).PDF
    RETENTION DETENTION POND POLICY UPDATE DRAFT.PDF
    RH2 CONTRACT SCHMITT REVIEW.PDF
    WATER, SEWER, AND DRAINAGE RATE STUDY AND PLANT INVESTMENT FEE UPDATE.PDF

AGENDA

PUBLIC WORKS COMMITTEE

Monday, September 10, 2018 - 5:00 PM

Wastewater Treatment Plant – 26729 98th Drive NW

AGENDA

1. CIP
2. RH2 Contract – Schmitt Review
3. Water, Sewer, and Drainage Rate Study and Plant Investment Fee Update

DISCUSSION

- Speed Limits and 4-way Stop at 68th & 284th
- Retention/Detention Pond Policy Update Draft

CITY OF STANWOOD
PUBLIC WORKS COMMITTEE
AGENDA STAFF REPORT

ITEM:	1
DATE:	September 10, 2018
SUBJECT:	Capital Improvement Plan (CIP) *(Capital Facilities Element Update)*
CONTACT PERSON:	Kevin Hushagen, Public Works Director
ATTACHMENTS:	A 2019-2024 Capital Improvement Plan (CIP)

ISSUE

The issue in front of the Public Works Committee is to discuss the proposed list of capital improvements in the 2019-2024Capital Improvement Plan.

RECOMMENDATION

1. Review and discuss the 2019-2024Capital Improvement Plan (CIP).
2. Make a recommendation to bring an Ordinance to City Council on final adoption.

SUMMARY STATEMENT

The purpose of capital improvement planning is to:

- Provide adequate public facilities to serve existing and new development;
- Reduce the cost of serving new development with public facilities; and
- Ensure that these facilities will be in place when development occurs.

The capital improvement plan is a six or more year plan of capital projects with estimated costs and proposed methods of financing that are updated annually.

The Washington State Growth Management Act requires jurisdictions fully planning under the GMA to include a Capital Facilities Element in their comprehensive plans (RCW 36.70A.070 (3)). The Capital Facilities Element is required before a jurisdiction can impose GMA impact fees.

The capital improvement plan implements the land use element of the comprehensive plan, and these two elements, including the financing plan within the Capital Facilities Element, must be coordinated and consistent.

DISCUSSION

The Comprehensive Plan amendment would occur in the Capital Facilities Element and is needed to update the list of projects and projected costs for the next 6 years. The updated list identifies building improvements, drainage, fire impact fees, parks, sewer, streets, and water capital projects with updated funding identified for the next 6 years.

The amendment maybe processed pursuant to RCW 36.70.130(2)(a)(iv) which allows the city to amend the Capital Facilities Element concurrently with the adoption of the City budget: 2(a) "… Amendments may be considered more frequently than once per year under the following circumstances…" (iv)"The amendment of the Capital Facilities Element of a comprehensive plan that occurs concurrently with the adoption or amendment of a county or city budget". The Stanwood Municipal Code 17.157.040 also allows the city to apply to amend the Capital Facilities Element when required for correlation with the budget up to December 30th each year.

While the City Council adopts a capital budget each year, the planning and actual expenditure of funds for capital projects generally occurs over a period of years. The City's Comprehensive Plan, Capital Facilities Plan, Transportation Improvement Plan, Water System Plan, General Sewer Plan, Park and Recreation Open Space Plan and Stormwater Management Plan identify the capital improvements needed to serve existing residents and maintain levels of service as new residents and businesses move into the City. The City Council also adopts a set of community improvement goals as a part of the annual budget process.

<u>COUNCIL OPTIONS</u>

1) Recommend bringing the proposed 2019 – 2024 Capital Improvement Plan (CIP) to Council for adoption through an ordinance.
2) Direct staff to provide alternatives to the 2019 – 2024 Capital Improvement Plan (CIP) to consider prior to bringing back to City Council.
3) Recommend denial of the proposed 2019 – 2024 Capital Improvement Plan (CIP).

City of Stanwood

6-Year Capital Improvement Plan

2019-2024

Attachment - A

Fire Impact Fees (105)		Budget 2019	Budget 2020	2021	2022	2023	2024
	SFR Building Permits	0	29	40	26	20	20
Beginning Cash & Investments		$71,260	$77,360	$83,260	$91,360	$96,660	$100,760
Revenues							
Impact Fees		$6,000	$5,800	$8,000	$5,200	$4,000	$4,000
Interest		$100	$100	$100	$100	$100	$100
Total Resources (includes BNC)		**$77,360**	**$83,260**	**$91,360**	**$96,660**	**$100,760**	**$104,860**
Expenditures:	**Total Proj Cost**						
Machinery & Equipment	$0						
Total Expenditures	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Ending Cash & Investments		**$77,360**	**$83,260**	**$91,360**	**$96,660**	**$100,760**	**$104,860**

City of Stanwood
6-Year Capital Improvement Plan
2018-2023

Building Improvement (110)		Budget 2019	2020	2021	2022	2023	2024
	SFR Building Permits	29	40	26	20	20	20
Beginning Cash & Investments		$615,000	$310,000	$315,000	$320,000	$325,000	$330,000
Revenues							
Impact Fees		$0	$0	$0	$0	$0	$0
REET 1 Transfer-In		$0	$0	$0	$0	$0	$0
Bond Proceeds / Debt				$6,000,000			
Grant Proceeds		$0	$0			$0	$0
Interest		$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Total Resources (includes BNC)		**$620,000**	**$315,000**	**$6,320,000**	**$325,000**	**$330,000**	**$335,000**
Expenditures:	**Total Proj Cost**						
New Police/City Hall Design	$300,000	$300,000					
New Police Station/Records Room	$6,000,000			$6,000,000			
Police Station (paint)	$10,000	$10,000					
Total Expenditures	**$6,310,000**	**$310,000**	**$0**	**$6,000,000**	**$0**	**$0**	**$0**
Ending Cash & Investments		**$310,000**	**$315,000**	**$320,000**	**$325,000**	**$330,000**	**$335,000**

City of Stanwood
6-Year Capital Improvement Plan
2018-2023

Street (102/103/677)		Budget 2019	2020	2021	2022	2023	2024
	Permits	29	40	26	20	20	20
Beginning Cash & Investments		$1,928,500	$1,429,118	$1,948,904	$199,429	$491,385	$595,227
Revenues							
Impact Fees	$3,523.39	$102,178	$140,936	$91,608	$70,468	$70,468	$70,468
WSDOT/Safe Routes to School							
DOC/Safe Routes to School							
FHWA - STP							
Bond Proceeds / Debt							
RTCC Grant		$1,437,500					
State Budget Direct Apppropriation		$500,000					
TIB Grant		$720,000					
Grants			$1,500,000	$1,000,000	$7,000,000	$6,500,000	$22,000,000
Transportation Sales Tax		$298,788	$307,752	$316,984	$326,494	$336,289	$346,377
Interest		$19,285	$14,291	$19,489	$1,994	$4,914	$5,952
Total Resources (includes BNC)		**$5,006,251**	**$3,392,097**	**$3,376,985**	**$7,598,385**	**$7,403,055**	**$23,018,024**
Expenditures:	**Proj Cost**						
New Sidewalk/Trail Installation	$1,050,000	$70,000	$70,000	$70,000	$70,000	$70,000	$700,000
Sidewalk Repair	$180,000	$50,000	$50,000	$20,000	$20,000	$20,000	$20,000
Miscellaneous	$150,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
72nd (272nd - 276th) *	$2,200,000				$200,000	$2,000,000	
Pavement Inventory	$50,000		$50,000				
Viking Way / 90th *	$2,000,000	$2,000,000					
102nd Ave Ovelay *	$301,458	$301,458					
276th St.Overlay *	$530,675	$530,675					
SR532/Ovenell Access *	$3,500,000						$3,500,000
SR532/98th Hamilton Access *	$3,500,000						$3,500,000
284th St Improvements: 80th Ave to City Limits*	$6,220,000			$220,000	$6,000,000		
272nd St. Reconstruction (72nd Ave. to Pioneer Hwy)*	$4,000,000			$2,000,000			$2,000,000
102nd Ave Sidewalk *	$106,498		$106,498				
92nd Ave Sidewalk *	$150,000	$150,000					
273rd Pl. Sidwalk *	$175,452		$175,452				
72nd Ave Sidewalk *	$491,359	$100,000	$391,359				
101st Ave Reconstruction *	$2,640,000				$792,000	$1,848,000	
SR 532 Flood Berm/Bike Path *	$200,000		$200,000				
90th Ave 271st to 272nd *	$124,884		$124,884				
80th Ave Reconstruction *	$7,030,000					$2,109,000	$4,921,000
SR532 & 64th Roundabout *	$3,500,000						$3,500,000
284th St Sidewalk *	$185,880			$185,880			
98th Dr. Sidewalk 268th to 270th *	$123,240			$123,240			
270th St. Redesign Curbs 98th to 102nd *	$735,828					$735,828	
272nd St Sidewalk 72nd to 76th *	$533,436			$533,436			
276th St. Sidewalk 70th to 73rd *	$150,000	$150,000					
Cedarhome Dr. Sidewalk 271st to 276th *	$714,612						$714,612
WWTP Loop Trail *	$2,772,500						$2,772,500
Heritage Park Loop Trail *	$535,000						$535,000
Church Creek Park Loop Trail *	$411,750						$411,750
276th St. (Lover's Lane) Chip Seal	$200,000	$200,000					
272nd Pl. 99th to 102nd Overlay	$250,000		$250,000				
Total Expenditures	**$44,262,572**	**$3,577,133**	**$1,443,193**	**$3,177,556**	**$7,107,000**	**$6,807,828**	**$22,599,862**
Ending Cash & Investments		**$1,429,118**	**$1,948,904**	**$199,429**	**$491,385**	**$595,227**	**$418,162**

*** Project also included in TIP**

City of Stanwood
6-Year Capital Improvement Plan
2018-2023

Parks (104/106/120/121)		Budget 2019	2020	2021	2022	2023	2024
	SFR Building Permits	29	40	26	20	20	20
Beginning Cash & Investments		$1,310,932	$1,107,625	$124,333	$167,937	$8,097	$100,994
Revenues							
Impact Fees	$640.80	$18,583	$25,632	$16,661	$12,816	$12,816	$12,816
REET Transfers-In		$120,000	$180,000	$245,000	$120,000	$80,000	$80,000
Bond Proceeds / Debt							
Grant Proceeds		$0	$0	$0	$500,000	$0	$0
Construction Sales Tax				$1,000,000			
Hamilton (WWRP/ALEA)			$250,000	$250,000			
RCO			$500,000	$1,600,000	$800,000		
Interest	$28,199	$13,109	$11,076	$1,243	$1,679	$81	$1,010
Total Resources (includes BNC)		**$1,462,625**	**$2,074,333**	**$3,237,237**	**$1,602,432**	**$100,994**	**$194,820**
Expenditures:	**Total Proj Cost**						
Ovenell Property	$818,635	$55,000	$75,000	$344,300	$344,335		
Heritage Park - 4th Field & Trail	$2,000,000	$100,000	$1,000,000		$1,000,000		
Hamilton Property	$2,175,000	$200,000	$500,000	$1,475,000			
Trail Plan Implementation	$750,000		$250,000	$250,000	$250,000		
Farmland Acquisition	$1,000,000			$1,000,000			
Church Creek	$125,000		$125,000				
Total Expenditures	**$6,868,635**	**$355,000**	**$1,950,000**	**$3,069,300**	**$1,594,335**	**$0**	**$0**
Ending Cash & Investments		**$1,107,625**	**$124,333**	**$167,937**	**$8,097**	**$100,994**	**$194,820**

City of Stanwood
6-Year Capital Improvement Plan
2018-2023

Water (422/423/424)		2019	2020	2021	2022	2023	2024
	SFR Building Permits	29	40	26	20	20	20
Beginning Cash & Investments		$651,189	$375,101	$284,052	$389,772	$291,270	$218,783
Revenues							
Connection Fees	$600	$17,400	$24,000	$15,600	$12,000	$12,000	$12,000
Cedarhome Benefit Area							
Transfers-In from Operating Funds		$0	$0	$0	$0	$0	$0
Plant Investment Charge ($5,280)	$5,280		$211,200	$137,280	$105,600	$105,600	$105,600
REET		$498,000					
Bond Proceeds / Debt			$1,800,000				
Grant Proceeds						$1,500,000	$1,400,000
Interest		$6,512	$3,751	$2,841	$3,898	$2,913	$2,188
Total Resources (includes BNC)		**$1,173,101**	**$2,414,052**	**$439,772**	**$511,270**	**$1,911,783**	**$1,738,571**
Expenditures:	**Total Proj Cost**						
Transfer to Water Operating Fund 421	$63,480	$10,580	$10,580	$10,580	10580	$10,580	$10,580
Rate Study	$25,000						$25,000
Improvements	$300,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
Long Term Water Supply Study	$40,000	$20,000					$20,000
Hatt Slough Study	$25,000				$25,000		
Telemetry	$33,000				$33,000		
297 Zone Reservoir	$2,000,000	$200,000	$1,800,000				
Decomission Fure Well	$30,000	$30,000					
Cedarhome Sand Production	$0						
Cedarhome Generator	$250,000		$250,000				
Knittle Generator (2021-2026)	$260,000						$260,000
Knittle Booster Upgrades	$945,000					$236,000	$709,000
Viking Way water main	$498,000	$498,000					
85th Dr water main	$400,000				$45,000	$355,000	
Bryant Well monitor	$30,000		$30,000				
Cedarhome Dr water main	$517,000				$67,000	$450,000	
Knittle tank recoating	$540,000					$540,000	
Park Lane water main	$482,000					$62,000	$420,000
Total Expenditures	**$6,375,000**	**$798,000**	**$2,130,000**	**$50,000**	**$220,000**	**$1,693,000**	**$1,484,000**
Ending Cash & Investments		**$375,101**	**$284,052**	**$389,772**	**$291,270**	**$218,783**	**$254,571**

City of Stanwood
6-Year Capital Improvement Plan
2018-2023

Sewer (403/405)		2019	2020	2021	2022	2023	2024
	SFR Building Permits	29	40	26	20	20	20
Beginning Cash & Investments		$1,664,981	$761,935	$171,594	$185,686	$192,063	$13,504
Revenues							
Connection Fees	$500	$14,500	$20,000	$13,000	$10,000	$10,000	$10,000
Plant Investment Charge	$6,476	$187,804	$259,040	$168,376	$129,520	$129,520	$129,520
REET			$169,000				
Bond Proceeds / Debt							
Grant Proceeds			$100,000	$1,700,000	$200,000		$4,400,000
Transfer in from Operations			$250,000	$250,000	$100,000	$100,000	$100,000
Interest		$16,650	$7,619	$1,716	$1,857	$1,921	$135
Total Resources (includes BNC)		**$1,883,935**	**$1,567,594**	**$2,304,686**	**$627,063**	**$433,504**	**$4,653,159**
Improvements	$200,000	$25,000	$35,000	$35,000	$35,000	$35,000	$35,000
Miscellaneous Improvements Pipe Repl (EX1)	$1,096,000			$274,000	$274,000	$274,000	$274,000
Collector/Interceptor Syst Flow Mon & Video (EX 2)	$368,000	$45,000	$50,000		$40,000		$233,000
Church Creek Collection System Const (EX5A)	$1,175,000	$150,000		$1,025,000			
Cedarhome Collection System Construction (EX5B)	$175,000						$175,000
UV Energy Efficiency Upgrades	$48,000	$48,000					
272nd/101st-99th (Ex13)	$950,000		$200,000	$750,000			
Pioneer Highway/Cedarhome to 267th St (EX 17)	$50,000	$50,000					
Lower Pioneer Highway Interceptor (EX18)	$500,000		$500,000				
72nd Avenue and 261st St. Interceptor (EX19)	$717,000						$717,000
72nd Ave Gravity Main Replacement (DF2)	$193,000						$193,000
Church Creek Loop Gravity Main Replacement (DF3)	$423,000						$423,000
68th Ave Gravity Main Replacement (DF4)	$321,000						$321,000
Miscellaneous Improvements Facilities (EX6)	$140,000			$35,000	$35,000	$35,000	$35,000
Telemetry System Upgrades (EX7)	$225,000	$225,000					
Biosolids Processing Facility(EX8A-B)	$2,035,000	$110,000					$1,925,000
Grit Removal Unit Installation (EX9)	$203,000				$51,000	$76,000	$76,000
Viking Way	$169,000	$169,000					
Main Lift Station Upgrades	$563,000	$150,000	$413,000				
Ultra violet disinfection	$173,000		$48,000				$125,000
Smoke Testing/camera/flow meter basin 1	$300,000	$150,000	$150,000				
Wastewater Rate Study	$50,000						$50,000
Total Expenditures	**$10,074,000**	**$1,122,000**	**$1,396,000**	**$2,119,000**	**$435,000**	**$420,000**	**$4,582,000**
Ending Cash & Investments		**$761,935**	**$171,594**	**$185,686**	**$192,063**	**$13,504**	**$71,159**

City of Stanwood
6-Year Capital Improvement Plant
2018-2023

Drainage (411/412)		2019	2020	2021	2022	2023	2024
	SFR Building Permits	29	40	26	20	20	20
Beginning Cash & Investments	**Fees**	$125,000	$211,335	$208,048	$192,619	$171,845	$92,072
Revenues							
Plant Investment Fees	$665	$19,285	$26,600	$17,290	$13,300	$13,300	$13,300
Drainage Connection Fees	$200	$5,800	$8,000	$5,200	$4,000	$4,000	$4,000
Transfer-In from Drainage Operating		$100,000	$0	$0	$0	$0	$0
Bond Proceeds / Debt			$930,000	$1,064,300	$2,214,335	$700,000	$700,000
Grant Proceeds		$911,200	$1,170,000	$650,000	$650,000	$1,300,000	$1,751,557
Floodplains by Design		$1,000,000					
Interest		$1,250	$2,113	$2,080	$1,926	$1,718	$921
Total Resources (includes BNC)		**$2,162,535**	**$2,348,048**	**$1,946,919**	**$3,076,180**	**$2,190,863**	**$2,561,850**
	Total						
(CIP#) Expenditures	**Proj Cost**						
Drainage Rate Study	$25,000						$25,000
(-) Retention Pond Improvements	$150,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
(10) 85th Ave N Runoff	$738,635		$50,000	$344,300	$344,335		
(1) Irvine Slough Stormwater Separation	$8,800,000	$1,000,000	$1,800,000	$1,000,000	$1,000,000	$2,000,000	$2,000,000
(11) SR532 Flood Berm	$911,200	$911,200					
(7) 101st, 102nd, 103rd Replacement	$1,500,000		$250,000	$250,000	$1,000,000		
(2) 92nd Ave (271st-SR532)	$640,000			$120,000	$520,000		
(4) 276th Pl Pioneer Hwy Drainage Imp	$58,791					$58,791	
(6) Augusta St. Pipe Upsize	$292,915						$292,915
(8) 271st St NW @ Florence Rd Upsize	$158,642						$158,642
Irvine Slough Erosion Control	$90,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000
Total Expenditures	$13,365,183	$1,951,200	$2,140,000	$1,754,300	$2,904,335	$2,098,791	$2,516,557
Ending Cash & Investments		**$211,335**	**$208,048**	**$192,619**	**$171,845**	**$92,072**	**$45,293**

Retention/detention pond acquisition questions:

- Do we require an easement or fee simple ownership?

Pros to an easement:

An easement could be drafted to allow the City to terminate the easement at City's discretion, returning maintenance duties to the property owners.

An easement might allow the owners to retain some personal injury liability.

Thom believes there may be case law that would allow an easement to be conveyed by less than all of the owners.

Title clearing would not be an issue with an easement.

There would be no requirement for plat amendment.

Cons to an easement:

It allows a greater possibility that owners might be able to terminate the easement.

If the City wanted to change features of the detention pond, such as covering the facility or otherwise changing how it functions, it might need approval of the owners.

Pros to a fee:

The City gets complete control of the detention pond property and presumably could make whatever changes to the facilities it desires so long as they did not reduce the functionality.

Rescission of a fee conveyance by the property owners would be more difficult than terminating an easement.

Cons to a fee:

The City could not as easily convey a fee back to the owners and make them resume the maintenance duties.

Undoubtedly most of the properties to which the ponds attach are mortgaged, and City would need take title subject to the mortgages, because clearing title to the mortgages would be cost prohibitive. In the event of a foreclosure, the fee conveyed to the City could be foreclosed, although most lenders could probably be convinced not to do that since they wouldn't want the duties or liabilities involved in storm water facility ownership.

If the plat provides that each lot includes an interest in the storm water facilities, conveyance of a fee might require the plat to be amended unless City code allows such minor amendments without formal plat amendment. Alternatively the City could change its code to allow administrative approval of such minor amendments.

- Does the plat require amending?

  Probably yes in all or nearly all cases. Would be done in house but require a re-recording fee.

- Do the covenants require amending to delete the detention pond from the defined common areas and any rights of homeowners in the detention pond parcel?

  Probably yes in all or nearly all cases.

- The deed should terminate any rights of the homeowners to use of the detention pond tract for any purpose other than discharge of drainage.

  Some plats and covenants where the HOA owns the pond parcel provide easements for use and enjoyment of all common areas.

- Any conveyance should include the right to maintain fencing, cut vegetation, remove sediment, and maintain pipes, pumps and outfalls.

- Should the entire storm water system be included in the conveyance?

  This would include storm water conveyance system pipes, ditches, swales and catch basins; storm water flow regulation system detention ponds, vaults, pipes, retention ponds, flow regulation and control structures; infiltration systems and water quality control system, public drainage easements and anything additional defined on the face of the plat or in the covenants.

CITY OF STANWOOD DETENTION POND ACQUISITION – FACILITIES SUMMARY

If the County's standard Drainage Facility Maintenance Covenant ("DFMC") is included, DFMC appears under Maintenance Obligation. See the end of this form for summary of DFMC provisions.

Plat Name	Facilities	Ownership	Maintenance Obligation	Access	HOA, Covenants & Bylaws
Candle Ridge II	Tract 4 and 10-ft drainage easements adjacent to roads	Lots 1 thru 34 in equal shares. "This tract shall remain an appurtenance to and inseparable from each lot."	Lots 1 thru 34	Abuts road	HOA – yes Cov – Yes Bylaws?
Comments:	The Covenants were developed for Candle Ridge ("CR"). Candle Ridge II ("CR2") was added in 2000 by amendment to the Covenants. The drainage tract is in CR2. The CR2 plat provides that Tract 4 is owned by CR2 Lot owners, 1/34 share each, and that maintenance of Tract 4 is the responsibility of the owners of CR2 Lots 1-34. Tract 4 is not conveyed to the HOA. Accordingly CR Covenant definition 1.10 and maintenance provision 7.3 do not seem to apply to Tract 4, although logically the purpose of combining the two plats under one HOA was to make the HOA responsible for Tract 4 maintenance. There does not appear to be any other organizational framework for the maintenance. The plat grants an emergency maintenance easement for Tract 4 to the City of Stanwood. Covenants section 7.4 provides owner rights are subject to agreements made by the HOA with local government re creation, maintenance and ownership of any tract and/or common areas. Does this apply? Difficult. Requires signature by all owners of Tracts 1-34 Candle Ridge II, and possibly participation by owners of Candle Ridge I. NOTE: Tax records for Candle Ridge Tracts 998 & 999 show Stanwood Invest LLC as taxpayer, City as owner. Should be corrected.				
Cedarhome Farms & Nordic Landing	Tract 998 Does the City wish to acquire landscape Tract 997 which is subject to a public drainage easement?	998: all lots of Cedarhome Farms & Nordic Landing 997: all lots of Cedarhome Farms	998: all lots of Cedarhome Farms & Nordic Landing 997: all lots of Cedarhome Farms DFMC	Abuts road	HOA – joined w/Cedarhome Ridge Separate HOA for Nordic Landing Separate covenants on all 3 plats
Comments	Both the Cedarhome Farms ("CF") plat and the Nordling Landing ("NL") plat Common Tract 998 Maintenance Covenants and plat Dedications provide ownership of 998 by all lots in CF and NL.				

<table>
<tr><th>Plat Name</th><th>Facilities</th><th>Ownership</th><th>Maintenance Obligation</th><th>Access</th><th>HOA, Covenants & Bylaws</th></tr>
<tr><td>Cedarhome Farms & Nordic Landing Comments Cont.</td><td colspan="5">DFMC on CF and NL Plats requires maintenance of Tract 998 by owners of both plats.

Covenants of Cedarhome Ridge (“CR”) provide at V-D(i) that upon adding CF to HOA “all expenses, including but not limited to maintenance, insurance and other administrative costs, for both plats will be shared evenly by all of the lot owners within the two plats…” Ownership of CF Tract 998 does not appear to vest in lot owners of CR.

2.1 of CF Covenants defines Tracts 998 and 997 as common areas and provides an easement for use and enjoyment of common areas which should be terminated. Common areas cannot be conveyed without consent of 75% of CF owners and obtaining plat amendment. Cov 2.1

Nordic Landing (“NL”) Plat dedication conveys Tract 998 of CF to lot owners in NL.

NL Covs are inconsistent with CF’s Covs.

CF Tract 998 is defined as a common area in the NL Covs.

2.2 of NL Covs requires Declarant to convey common areas to the HOA to hold in trust for the NL owners.

2.3 of NL Covs grants every owner a right and easement of enjoyment in the common areas which should be terminated as to Tract 998.

2.3.4 of NL Covs allows the HOA to dedicate Common Area to a public agency upon approval of 60% of owners present in person or by proxy at a meeting called to consider such dedication. Unclear without Bylaws who would have authority to sign the deed. See Cov 5.8.7 for possible authority.

Difficult. Requires signature of all lot owners in Cedarhome Farm and Nordic Landing and possibly participation of owners of Cedar Ridge. Complicated ownership situation.</td></tr>
<tr><td>Cedarhome Ridge</td><td>Tract 999

Defined in the covenants as the “Common Area”</td><td>Lots 1 thru 39

“The tract shall remain an appurtenance to and inseparable from each lot.” Plat dedication.</td><td>All lots of Cedarhome Ridge and Cedarhome Farms

DFMC</td><td>Abuts road</td><td>HOA – yes
Cov - Yes
Bylaws – Yes

Amendment to Cov AF# 200406230103 added Cedarhome Farms to HOA</td></tr>
<tr><td>Comments</td><td colspan="5">“In exchange for the exclusive use of the surface of Tract 999, the ownership of Lot 39 shall provide and maintain the surface of said Tract 999 at the expense of the ownership of Lot 39.” -- last paragraph, Drainage Facility Maintenance Covenant. “Initially, Lot 39 has an exclusive easement for the use of the surface of Tract 999.” Cov 2.1

“The Common Area cannot be mortgage or conveyed without the written consent of at least 75% of the Owners (excluding Declarant), and obtaining any plat amendment or other governmental approval required by law.” Cov 2.1

2.1 of Covenants provides an easement for use and enjoyment of common areas which should be terminated.

Difficult. Requires signature of all owners of CR and possibly participation of owners of CF. Also potentially problematic due to the likely objection of the owner of Tract 39.</td></tr>
</table>

<table>
<tr><th>Plat Name</th><th>Facilities</th><th>Ownership</th><th>Maintenance Obligation</th><th>Access</th><th>HOA, Covenants & Bylaws</th></tr>
<tr><td>Church Creek Estates</td><td>East half Tract C has detention pond. Is all of Tract C to be acquired?

Are other common areas to be acquired?</td><td>HOA

or City depending on effect of AF# 200407090033</td><td>HOA</td><td>Tract abuts on road but includes more area than pond; if less than entire tract taken, access needed</td><td>HOA – yes
Cov - yes
Bylaws - yes</td></tr>
<tr><td>Comments</td><td colspan="5">Dedication Deed AF# 200407090033 conveys “All streets, sidewalks, storm drainage facilities …” The deed does not specifically describe Tract C. Was this an effective conveyance of Tract C? Executed by HOA president and secretary. Did homeowners approve per Cov IV-1? Was the intent to convey the entire tract or just the pond? See aerial.

Snohomish County tax records show the detention pond as tax parcel 007968-000-501-00, which includes Tracts C, E & F, owner Homewood Development Inc. Homewood Development, Inc. is a currently active Washington corporation.

The covenants affect all 3 phases of Church Creek Estates.

Cov IV-1: “Every member shall have a right and easement of enjoyment in and to the common tracts … and open space…” should be terminated.

Cov IV-1: “The President of the Board of directors of the Church Creek Estates Homeowners Association shall be empowered with the authority to execute a deed to convey right and easement of enjoyment in and to the common tracts, private roads, and open spaces (or parts thereof) upon showing (on the part of the City) of its willingness to accept such conveyance for maintenance and operation. Such conveyance(s) shall require receipt of a favorable majority vote by the Association members…” Cov IV-3 requires a 2/3 vote of the members to dedicate common open spaces to a public agency. (This may reflect a distinction between open spaces that require maintenance and open space for general enjoyment.)

Plat provides that ownership of common open space, facilities and equipment is granted to the HOA. (Plat Restrictions and Conditions – all 3 phases). Covenants IV-3 provides that the Declarant will convey title. Was title conveyed from Declarant? Tax records don’t reflect the conveyance. (See above.)

2007 restated Bylaws provide “legal documents” are executed by HOA president, or in president’s absence, inability or refusal to act, the VP. (Original Bylaws specifically provided “deeds.”)

May already be accomplished by 2004 dedication deed, but should probably be confirmed by a deed describing the parcel. May require participation of Homewood Development. Assuming homeowners are mostly in accord, should be easier because 100% participation and approval is not required and a deed can be executed by the HOA president.

Less difficult. Arguably already accomplished. Some confusion about Tract C ownership – dedicated to HOA on Plat, but tax records show owner as Homewood Development. HOA officers have authority to convey upon approval of majority or 2/3 of the members depending on interpretation of the covenants.</td></tr>
</table>

<table>
<tr><th>Plat Name</th><th>Facilities</th><th>Ownership</th><th>Maintenance Obligation</th><th>Access</th><th>HOA, Covenants & Bylaws</th></tr>
<tr><td>Copper Station</td><td>Tract 995
Plus storm drainage easements already granted to City in plat</td><td>HOA</td><td>Owners per plat
HOA per covenants 7.2
Covs allow HOA to maintain even if City owns
DFMC</td><td>Abuts road</td><td>HOA – yes
Cov – yes
Bylaws – yes</td></tr>
<tr><td>Comments</td><td colspan="5">Cov 11.1 grants an easement to each owner of use, access and enjoyment in and to common areas subject to the Board’s right to “dedicate or transfer all or any part of the common areas subject to such approval requirements as may be set forth in this Declaration.”

Cov 11.2 provides up to a 3-foot easement for unintentional encroachment by adjacent owners.

Cov 17.3 “The Association may transfer, dedicate, or grant easements over portions of the Common areas to the City of Stanwood, … without a vote of the Owners.”

Should HOA record a supplemental declaration amending the covenants with respect to ownership and maintenance of Tract 995? Cov 18.2 provides for amendment with 75% member approval.

Bylaws 3.17: “The Board may do or cause to be done all acts and things which the Governing Documents or Washington law do not direct to be done and exercised exclusively by the Members or the membership generally.”

Bylaws 4.4: “The Association’s officers shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board.” Presumably the Board could authorize Association officers to sign the deed.

Less difficult. Board has authority to convey. An amendment to the covenants seems advisable, which would require 75% approval of the members.</td></tr>
<tr><td>Kylie Park III</td><td>Tract 999
+ Easements to City, HOA & individual lots</td><td>Kylie Park HOA (includes Phases I, II & III)</td><td>HOA</td><td>Abuts Road</td><td>HOA – yes
Cov – Yes
Bylaws – Yes</td></tr>
<tr><td>Comments</td><td colspan="5">Plat Dedication grants City an emergency maintenance easement for Tract 999.

Plat Dedication provides ownership and maintenance by HOA unless common areas are conveyed to lot owners as authorized by a final plat alteration.

Plat dedication has no provision for conveyance to City.

Tract 999 is designated as a “common area” in the 2nd amendment to the covenants.

Cov 6.1(a) & (b) reserve an easement over common areas that should be terminated as to Tract 999 upon conveyance, except as pertains to discharge of drainage.

Cov 6.3 dedicates common areas to the HOA. 6.3 also provides that if the HOA or owners fail to maintain, City may maintain and bill HOA. If unpaid, City may lien all Assn lots.

Cov 8.1 provides HOA shall own fee title to the common areas.</td></tr>
</table>

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<tr><th>Plat Name</th><th>Facilities</th><th>Ownership</th><th>Maintenance Obligation</th><th>Access</th><th>HOA, Covenants & Bylaws</th></tr>
<tr><td>Kylie Park III comments cont.</td><td colspan="5">Cov 8.2 grants the City the right to install, maintain and repair storm water facilities.

Cov 14.2 allows amendment of the covenants by 67% vote of voting power of the Assn. “Voting power” is not a defined term.

Bylaws provide 1/10th of the member votes constitutes a quorum at a meeting, whether in person or by proxy.

Bylaws VIII(8) provides the HOA president has authority to sign deeds.

Amend covenants to allow HOA to convey Tract 999, delete it as a “common area” and eliminate all lot owner rights and easements except discharge of drainage.

Less difficult. Requires approval of 67% of the members to a change in the covenants and HOA conveyances of Tract 999.</td></tr>
<tr><td>Pioneer Hills</td><td>Lot 80 and adjusted Lot 81</td><td>Apparently Pioneer Hills, Inc., an inactive corporation</td><td>None established.</td><td>Lot 80 panhandle abuts Nordic Way; Lot 81 easement over panhandle</td><td>HOA - yes
Cov - yes
Bylaws?</td></tr>
<tr><td>Comments</td><td colspan="5">Based upon review of the Assessor’s aerial, it appears Lots 80 and Adjusted 81 are the detention ponds. This appears to have been a decision made after completion of all 3 phases of the Plat since none of the plat maps show the designation. Lots 80 & 81 are situated adjacent to designated Open Space Tract A of Phase I. Neither lot appears to have been dedicated to the City or the HOA. Tax records show Pioneer Hills as owner.

Pioneer Hills, Inc. has been an inactive corporation since 2008. Corp. Treasurer/Director James B. Lund appears to be represented by Cole and Gilday. Tax records indicate James owns 8701 Nordic Way, in Pioneer Hills Phase I.

Cov Article 13 allows amendment to the covenants upon a 70% assn vote.

Assuming ownership by Pioneer Hills, Inc with no interest by the HOA, potentially easy acquisition. However, title insurance is advisable due to the uncertainty of ownership.</td></tr>
<tr><td rowspan="2">Summerset

Comments</td><td>Tract 997 and drainage easements</td><td>Lots 1-33

This tract (997) shall remain an appurtenance to and inseparable from each lot.</td><td>Lots 1-33

DFMC</td><td>Abuts road</td><td>HOA – No
Cov – No
Bylaws – No</td></tr>
<tr><td colspan="5">Difficult. Will require deed from every property owner and consent to amend plat.</td></tr>
</table>

Drainage Facility Maintenance Covenant “DFMC” includes:

1. Owners covenant to maintain.
2. Regular maintenance is defined as including, at a minimum, annual inspection of the storm water drainage system.
3. The system is defined as including the storm water conveyance system pipes, ditches, swales and catch basins; storm water flow regulation system detention ponds, vaults, pipes, retention ponds, flow regulation and control structures; infiltration systems and water quality control system.

4. Covenant inures to benefit of downstream owners and the general public.
5. County is a 3rd party beneficiary of the covenant with the right, but not the obligation to enforce.
6. If County determines maintenance is not being performed, after notice, if practical, or without notice in the event of an emergency, County is empowered to maintain and is granted right of entry across adjacent lands to inspect, audit or conduct required maintenance.
7. County maintenance is at owner's sole expense. In the event of nonpayment, County may bring suit, including attorney's fees and upon obtaining judgment such amount shall become a lien against the property of the grantor. Whether owned by the HOA or individual lots, all plat lots may be liened.

CITY OF STANWOOD
PUBLIC WORKS COMMITTEE
AGENDA STAFF REPORT

ITEM NUMBER:	2
DATE:	September 10, 2018
SUBJECT:	Water and Sewer Availability Analysis for the Schmitt Plat
CONTACT PERSON:	Shawn Smith, Assistant Public Works Director
ATTACHMENTS:	A – Agreement with RH2 for Consultant Services

ISSUE

The issue in front of the committee is whether or not to authorize the mayor to enter into an agreement with RH2 Engineering for professional consulting services to perform a water and sewer availability analysis for the Schmitt Plat.

RECOMMENDATION

City staff request the Public Works Committee support a recommendation to council to approve the mayor to enter into an agreement with RH2 Engineering for professional consulting services to perform a water and sewer availability analysis for the Schmitt Plat.

SUMMARY

The city requires that proposed subdivisions apply for sewer and water availability. The agreement with RH2 will allow them to utilize the water and sewer models that they have produced over the years working with the city.

DISCUSSION

RH2 is not currently on the city's on-call roster. In the past, RH2 provided water and sewer modeling for all projects in the city. Staff used a different engineering firm for this task, from our current on-call roster. Staff did not feel that we received as good of a product utilizing this other firm. RH2 has been selected off of the MRSC roster for this project.

FINANCIAL IMPACT

The estimated budget is $8,100. The Water Operating Fund has over $8,000 in Professional Services and the Sewer Operating Fund has over $20,000 in Professional Services. This project will be split evenly between these two accounts.

PROFESSIONAL SERVICES AGREEMENT BETWEEN
CITY OF STANWOOD, WASHINGTON
AND RH2 ENGINEERING, INC.
FOR CONSULTANT SERVICES

THIS AGREEMENT (“Agreement’) is made and entered into by and between the City of Stanwood, Washington, a Washington State municipal corporation (“City”), and RH2 Engineering, Inc., a Washington corporation ("Consultant").

NOW, THEREFORE, in consideration of the terms, conditions, covenants and performances contained herein, the parties hereto agree as follows:

ARTICLE I. PURPOSE

The purpose of this Agreement is to provide the City with consultant services regarding **Certificates of Water and Sewer Availability for the Schmitt Plat** as described in Article II. The general terms and conditions of the relationship between the City and the Consultant are specified in this Agreement.

ARTICLE II. SCOPE OF SERVICES

The Scope of Services is attached hereto as **Exhibit “A”** and incorporated herein by this reference (“Scope of Services”). All services and materials necessary to accomplish the tasks outlined in the Scope of Services shall be provided by the Consultant unless noted otherwise in the Scope of Services or this Agreement. All such services shall be provided in accordance with the standards of the Consultant’s profession.

ARTICLE III. OBLIGATIONS OF THE CONSULTANT

III.1 **MINOR CHANGES IN SCOPE**. The Consultant shall accept minor changes, amendments, or revision in the detail of the Scope of Services as may be required by the City when such changes will not have any impact on the service costs or proposed delivery schedule. Extra work, if any, involving substantial changes and/or changes in cost or schedules will be addressed as follows:

> **Extra Work**. The City may desire to have the Consultant perform work or render services in connection with each project in addition to or other than work provided for by the expressed intent of the Scope of Services in the scope of services. Such work will be considered as extra work and will be specified in a written supplement to the scope of services, to be signed by both parties, which will set forth the nature and the scope thereof. All proposals for extra work or services shall be prepared by the Consultant at no cost to the City. Work under a supplemental agreement shall not proceed until executed in writing by the parties.

III.2 **WORK PRODUCT AND DOCUMENTS**. The work product and all documents produced under this Agreement shall be furnished by the Consultant to the City, and upon completion of the work shall become the property of the City, except that the Consultant may retain one copy of the work product and documents for its records. The Consultant will be responsible for the accuracy of the work, even though the work has been accepted by the City.

In the event that the Consultant shall default on this Agreement or in the event that this Agreement shall be terminated prior to its completion as herein provided, all work product of the Consultant, along with a summary of work as of the date of default or termination, shall become the property of the City. Upon request, the Consultant shall tender the work product and summary to the City. Tender of said work product shall be a prerequisite to final payment under this Agreement. The summary of work done shall be prepared at no additional cost to the City.

Consultant will not be held liable for reuse of documents produced under this Agreement or modifications thereof for any purpose other than those authorized under this Agreement without the written authorization of Consultant.

III.3 **TERM.** The term of this Agreement shall commence on **September 13, 2018** and shall terminate at **midnight, December 31, 2018**. The parties may extend the term of this Agreement by written mutual agreement.

III.4 **NONASSIGNABLE**. The services to be provided by the Consultant shall not be assigned or subcontracted without the express written consent of the City.

III.5 **EMPLOYMENT**.

a. The term “employee” or “employees” as used herein shall mean any officers, agents, or employee of the of the Consultant.

b. Any and all employees of the Consultant, while engaged in the performance of any work or services required by the Consultant under this Agreement, shall be considered employees of the Consultant only and not of the City, and any and all claims that may or might arise under the Workman's Compensation Act on behalf of any said employees while so engaged, and any and all claims made by any third party as a consequence of any negligent act or omission on the part of the Consultant or its employees while so engaged in any of the work or services provided herein shall be the sole obligation of the Consultant.

c. Consultant represents, unless otherwise indicated below, that all employees of Consultant that will provide any of the work under this Agreement have not ever been retired from a Washington State retirement system, including but not limited to Teacher (TRS), School District (SERS), Public Employee (PERS), Public Safety (PSERS), law enforcement and fire fighters (LEOFF), Washington State Patrol (WSPRS), Judicial Retirement System (JRS), or otherwise. *(Please indicate No or Yes below)*

______ No employees supplying work have ever been retired from a Washington state retirement system.

______ Yes employees supplying work have been retired from a Washington state retirement system.

In the event the Consultant indicates “no”, but an employee in fact was a retiree of a Washington State retirement system, and because of the misrepresentation the City is required to defend a claim by the Washington State retirement system, or to make contributions for or on account of the employee, or reimbursement to the Washington State retirement system for benefits paid, Consultant hereby agrees to save, indemnify, defend and hold City harmless from and against all expenses and costs, including reasonable attorney's fees incurred in defending the claim of the Washington State retirement system and from all contributions paid or required to be paid, and for all reimbursement required to the Washington State retirement system. In the event Consultant affirms that an employee providing work has ever retired from a Washington State retirement system, said employee shall be identified by Consultant, and such retirees shall provide City with all information required by City to report the employment with Consultant to the Department of Retirement Services of the State of Washington.

III.6 **INDEMNITY**.

a. **Indemnification / Hold Harmless.** Consultant shall defend, indemnify and hold the City, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney fees, arising out of or resulting from the acts, errors or omissions of the Consultant in performance of this Agreement, except for injuries and damages caused by the sole negligence of the City.

b. Should a court of competent jurisdiction determine that this Agreement is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Consultant and the City, its officers, officials, employees, and volunteers, the Consultant's liability, including the duty and cost to defend, hereunder shall be only to the extent of the Consultant's negligence.

c. It is further specifically and expressly understood that the indemnification provided herein constitutes the Consultant's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties.

d. Public Records Requests.
In addition to Paragraph IV.3 b, when the City provides the Consultant with notice of a public records request per Paragraph IV. 3 b, Consultant agrees to save, hold harmless, indemnify and defend the City its officers, agents, employees and elected officials from and against all claims, lawsuits, fees, penalties and costs resulting from the Consultant's violation of the Public Records Act RCW 42.56, or consultant's failure to produce public records as required under the Public Records Act.

e. The provisions of this section III.6 shall survive the expiration or termination of this agreement.

III.7 **INSURANCE**.

a**.** **Insurance Term.** The Consultant shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

b. **No Limitation.** Consultant's maintenance of insurance as required by the agreement shall not be construed to limit the liability of the Consultant to the coverage provided by such insurance, or otherwise limit the City's recourse to any remedy available at law or in equity.

c. **Minimum Scope of Insurance** - **Consultant shall obtain insurance of the types**

described below:

(1). Automobile Liability insurance covering all owned, non-owned, hired and leased vehicles. Coverage shall be written on Insurance Services Office (ISO) form CA 00 01 or a substitute form providing equivalent liability coverage.

(2). Commercial General Liability insurance shall be written at least as broad on ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, stop-gap, independent contractors and personal injury and advertising injury. The City shall be named as an additional insured under the Consultant's Commercial General Liability insurance policy with respect to the work performed for the City using an additional insured endorsement at least as broad as ISO CG 20 26.

(3). Workers' Compensation coverage as required by the Industrial Insurance laws of the State of Washington.

(4). Professional Liability insurance appropriate to the Consultant's profession.

d. **The minimum insurance limits shall be as follows:**
Consultant shall maintain the following insurance limits:

(1) Comprehensive General Liability. $1,000,000 combined single limit per occurrence for bodily injury personal injury and property damage; $2,000,000 general aggregate.

(2) Automobile Liability. $1,000,000 combined single limit per accident for bodily injury and property damage.

(3) Workers' Compensation. Workers' compensation limits as required by the Workers' Compensation Act of Washington.

(4) Professional Liability/Consultant's Errors and Omissions Liability. $1,000,000 per claim and $1,000,000 as an annual aggregate.

e. **Notice of Cancellation**. In the event that the Consultant receives notice (written, electronic or otherwise) that any of the above required insurance coverage is being cancelled and/or terminated, the Consultant shall immediately (within forty-eight (48) hours) provide written notification of such cancellation/termination to the City.

f. **Acceptability of Insurers**. Insurance to be provided by Consultant shall be with insurers with a current A.M.Best rating of no less than A:VII, or if not rated by Best, with minimum surpluses the equivalent of Best VII rating.

g. **Verification of Coverage**. In signing this agreement, the Consultant is acknowledging and representing that required insurance is active and current. Consultant shall furnish the City with original certificates and a copy of the amendatory endorsements, including but not necessarily limited to the additional insured endorsement, evidencing the insurance requirements of the Consultant before commencement of the work. Further, throughout the term of this Agreement, the Consultant shall provide the City with proof of insurance upon request by the City.

h. **Insurance shall be Primary - Other Insurance Provision**. The Consultant's insurance coverage shall be primary insurance as respect the City. The Consultant's Automobile Liability and Commercial General Liability insurance policies are to contain, or be endorsed to contain that they shall be primary insurance as respect the City. Any Insurance, self-insurance, or self-insured pool coverage maintained by the City shall be excess of the Consultant's insurance and shall not contribute with it.

i. **Claims-made Basis**. Unless approved by the City all insurance policies, excepting Professional Liability, shall be written on an "Occurrence" policy as opposed to a "Claims-made" policy. The City may require an extended reporting endorsement on any approved "Claims-made" policy.

j. **Failure to Maintain Insurance.** Failure on the part of the Consultant to maintain the insurance as required shall constitute a material breach of contract, upon which the City may, after giving five business days' notice to the Consultant to correct the breach, immediately terminate the contract or, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith, with any sums so expended to be repaid to the City on demand, or at the sole discretion of the City, offset against funds due the Consultant from the City.

k. **Public Entity Full Availability of Consultant Limits.** If the Consultant maintains higher insurance limits than the minimums shown above, the Public Entity shall be insured for the full available limits of Commercial General and Excess or Umbrella liability maintained by the Consultant, irrespective of whether such limits maintained by the Consultant are greater than those required by this contract or whether any certificate of insurance furnished to the Public Entity evidences limits of liability lower than those maintained by the Consultant.

III.8 **DISCRIMINATION PROHIBITED AND COMPLIANCE WITH EQUAL OPPORTUNITY LEGISLATION**. The Consultant agrees to comply with equal opportunity employment and not to discriminate against client, employee, or applicant for employment or for services because of race, creed, color, religion, national origin, marital status, sex, sexual orientation, age or handicap except for a bona fide occupational qualification with regard, but not limited to, the following: employment upgrading; demotion or transfer; recruitment or any recruitment advertising; layoff or terminations; rates of pay or other forms of compensation; selection for training, rendition of services. The Consultant further agrees to maintain (as appropriate) notices, posted in conspicuous places, setting forth the provisions of this nondiscrimination clause. The Consultant understands and agrees that if it violates this nondiscrimination provision, this Agreement may be terminated by the City, and further that the Consultant will be barred from performing any services for the City now or in the future, unless a showing is made satisfactory to the City that discriminatory practices have been terminated and that recurrence of such action is unlikely.

III.9 **UNFAIR EMPLOYMENT PRACTICES**. During the performance of this Agreement, the Consultant agrees to comply with RCW 49.60.180, prohibiting unfair employment practices.

III.10 **LEGAL RELATIONS**. The Consultant shall comply with all federal, state and local laws and ordinances applicable to work to be done under this Agreement. The Consultant represents that the firm and all employees assigned to work on any City project are in full compliance with the statutes of the State of Washington governing activities to be performed and that all personnel to be assigned to the work required under this Agreement are fully qualified and properly licensed to perform the work to which they will be assigned. This Agreement shall be interpreted and construed in accordance with the laws of Washington. Venue for any litigation commenced relating to this Agreement shall be in Snohomish County Superior Court.

III.11 **INDEPENDENT CONTRACTOR**.

a. The Consultant and the City understand and expressly agree that the Consultant is an independent contractor in the performance of each and every part of this Agreement. The Consultant expressly represents, warrants and agrees that his status as an independent contractor in the performance of the work and services required under this Agreement is consistent with and meets the six-part independent contractor test set forth in RCW 51.08.195 or as hereafter amended. The Consultant, as an independent contractor, assumes the entire responsibility for carrying out and accomplishing the services required under this Agreement. The Consultant shall make no claim of City employment nor shall claim any related employment benefits, social security, and/or retirement benefits.

b. The Consultant shall be solely responsible for paying all taxes, deductions, and assessments, including but not limited to federal income tax, FICA, social security tax, assessments for unemployment and industrial injury, and other deductions from income which may be required by law or assessed against either party as a result of this Agreement. In the event the City is assessed a tax or assessment as a result of this Agreement, the Consultant shall pay the same before it becomes due.

c. The City may, during the term of this Agreement, engage other independent contractors to perform the same or similar work that the Consultant performs hereunder.

d. Prior to commencement of work, the Consultant shall obtain a business license from the City.

III.12 **CONFLICTS OF INTEREST.** The Consultant agrees to and shall notify the City of any potential conflicts of interest in Consultant's client base and shall obtain written permission from the City prior to providing services to third parties where a conflict or potential conflict of interest is apparent. If the City determines in its sole discretion that a conflict is irreconcilable, the City reserves the right to terminate this Agreement.

III.13 **CITY CONFIDENCES.** The Consultant agrees to and will keep in strict confidence, and will not disclose, communicate or advertise to third parties without specific prior written consent from the City in each instance, the confidences of the City or any information regarding the City or services provided to the City.

III.14 **SUBCONTRACTORS/SUBCONSULTANTS**.

a. The Consultant shall be responsible for all work performed by subcontractors/subconsultants pursuant to the terms of this Agreement.

b. The Consultant must verify that any subcontractors/subconsultants they directly hire meet the responsibility criteria for the project. Verification that a subcontractor/subconsultant has proper license and bonding, if required by statute, must be included in the verification process. The Consultant will use the following Subcontractors/Subconsultants or as set forth in Exhibit ____:

____

____

____

c. The Consultant may not substitute or add subcontractors/subconsultants without the written approval of the City.

d. All Subcontractors/Subconsultants shall have the same insurance coverages and limits as set forth in this Agreement and the Consultant shall provide verification of said insurance coverage.

ARTICLE IV. OBLIGATIONS OF THE CITY

IV.1 **PAYMENTS**.

a. The Consultant shall be paid by the City for services rendered under this Agreement as described in the Scope of Services and as provided in this section. In no event shall the compensation paid to Consultant under this Agreement exceed **<u>$8,100.00 (eight thousand and one hundred dollars no cents)</u>** without the written agreement of the Consultant and the City. Such payment shall be full compensation for work performed and services rendered and for all labor, materials, supplies, equipment and incidentals necessary to complete the work. In the event the City elects to expand the scope of services from that set forth in Exhibit A, the City shall pay Consultant a mutually agreed amount**.**

b. The Consultant shall submit a monthly invoice to the City for services performed in the previous calendar month in a format acceptable to the City. The Consultant shall maintain time and expense records and provide them to the City upon request.

c. The City will pay timely submitted and approved invoices received before the 20^{th} of each month within thirty (30) days of receipt.

IV.2 **CITY APPROVAL**. Notwithstanding the Consultant's status as an independent contractor, results of the work performed pursuant to this Agreement must meet the approval of the City, which shall not be unreasonably withheld if work has been completed in compliance with the Scope of Services and City requirements.

IV.3 **MAINTENANCE/INSPECTION OF RECORDS**.

a. The Consultant shall maintain all books, records, documents and other evidence pertaining to the costs and expenses allowable under this Agreement in accordance with generally accepted accounting practices. All such books and records required to be maintained by this Agreement shall be subject to inspection and audit by representatives of the City and/or the Washington State Auditor at all reasonable times, and the Consultant shall afford the proper facilities for such inspection and audit. Representatives of the City and/or the Washington State Auditor may copy such books, accounts and records where necessary to conduct or document an audit. The Consultant shall preserve and make available all such books of account and records for a period of three (3) years after final payment under this Agreement. In the event that any audit or inspection identifies any discrepancy in such financial records, the Consultant shall provide the City with appropriate clarification and/or financial adjustments within thirty (30) calendar days of notification of the discrepancy.

b. **Public Records**

The parties agree that this Agreement and records related to the performance of the Agreement are with limited exception, public records subject to disclosure under the Public Records Act RCW 42.56. Further, in the event of a Public Records Request to the City, the City may provide the Consultant with a copy of the Records Request and the Consultant shall provide copies of any City records in Consultant's possession, necessary to fulfill that Public Records Request. If the Public Records Request is large the Consultant will provide the City with an estimate of reasonable time needed to fulfill the records request.

ARTICLE V. GENERAL

V.1 **NOTICES**. Notices shall be sent to the following address:

CITY	**CONSULTANT**
City of Stanwood Kevin Hushagen, Public Works Director 10220 270th Street NW Stanwood, WA 98292	RH2 Engineering, Inc. Richard L. Ballard, Director 22722 29th Street SE, Suite 210 Bothell, WA 98201

Receipt of any notice shall be deemed effective three (3) days after deposit of written notice in the U.S. mail with proper postage and address.

V.2 **TERMINATION**. The right is reserved by the City or the Consultant to terminate this Agreement in whole or in part at any time upon ten (10) calendar days' written notice to the other party.

If this Agreement is terminated in its entirety by the City or the Consultant for its convenience, the City shall pay the Consultant for satisfactory services performed through the date of termination in accordance with payment provisions of Section IV.1.

V.3 **DISPUTES**. The parties agree that, following reasonable attempts at negotiation and compromise, any unresolved dispute arising under this Agreement may be resolved by a mutually agreed-upon alternative dispute resolution of arbitration or mediation.

V.4 **EXTENT OF AGREEMENT/MODIFICATION**. This Agreement, together with attachments or addenda, represents the entire and integrated Agreement between the parties and supersedes all prior negotiations, representations, or agreements, either written or oral. This Agreement may be amended, modified or added to only by written instrument properly signed by both parties.

V.5 **SEVERABILITY**

a. If a court of competent jurisdiction holds any part, term or provision of this Agreement to be illegal or invalid, in whole or in part, the validity of the remaining provisions shall not be affected, and the parties' rights and obligations shall be construed and enforced as if the Agreement did not contain the particular provision held to be invalid.

b. If any provision of this Agreement is in direct conflict with any statutory provision of the State of Washington, that provision which may conflict shall be deemed inoperative and null and void insofar as it may conflict, and shall be deemed modified to conform to such statutory provision.

V.6 **NONWAIVER**. A waiver by either party hereto of a breach by the other party hereto of any covenant or condition of this Agreement shall not impair the right of the party not in default to avail itself of any subsequent breach thereof. Leniency, delay or failure of either party to insist upon strict performance of any agreement, covenant or condition of this Agreement, or to exercise any right herein given in any one or more instances, shall not be construed as a waiver or relinquishment of any such agreement, covenant, condition or right.

V.7 **FAIR MEANING**. The terms of this Agreement shall be given their fair meaning and shall not be construed in favor of or against either party hereto because of authorship. This Agreement shall be deemed to have been drafted by both of the parties.

V.8 **GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

V.9 **VENUE.** The venue for any action to enforce or interpret this Agreement shall lie in the Superior Court of Washington for Snohomish County, Washington.

V.10 **COUNTERPARTS**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same Agreement.

V.11 **AUTHORITY TO BIND PARTIES AND ENTER INTO AGREEMENT**. The undersigned represent that they have full authority to enter into this Agreement and to bind the parties for and on behalf of the legal entities set forth below.

DATED this **13th day of September, 2018**.

CITY OF STANWOOD	RH2 ENGINEERING, INC.
By_______________________________	By _______________________________
Leonard Kelley, Mayor	Richard L. Ballard, Director

Approved as to form:

____
Grant Weed, City Attorney

CITY OF STANWOOD
PUBLIC WORKS COMMITTEE
AGENDA STAFF REPORT

ITEM NUMBER:	3
DATE:	September 13, 2018
SUBJECT:	Water, Sewer and Drainage Utility Rate Updates
CONTACT PERSON:	David A. Hammond, Finance Director/City Clerk
ATTACHMENTS:	A - Draft Ordinance 1461 B - Water, Sewer and Drainage Rate Study and Plant Investment Fee Update

ISSUE

The issue before the committee is to review and consider recommendation for approval of an Ordinance to update water, sewer and drainage utility rates and plant investment fees.

RECOMMENDATION

City staff request the Finance Committee support a recommendation to council to increase water, sewer and drainage utility rates and plant investment fees.

BACKGROUND

DRAINAGE UTILITY—Drainage utility rates were increased by Ordinance 1431 effective January 1, 2017; however, at that time council directed staff to budget for and execute a rate study that would improve the nexus between the utility rate and the amount of impervious surface on a parcel. Council anticipated the rate study is in the 2017 budget and CIP and was intended to be executed in time to inform the 2019-20 budget preparation. The rate study was presented to council on June 21st, at which time council expressed support for the increases proposed, which are summarized in the tables below.

WATER AND SEWER UTILITIES—Water and sewer utility rates were increased by Ordinance 1405, adopted December 1, 2015. The ordinance approved annual rate increases of 5% for the water utility and 3.5% for the sewer utility through 2019. The council reviewed the results of a rate study that was presented to council on June 21st, at which time council expressed support for the increases proposed and which are summarized in the tables below.

PLANT INVESTMENT FEES—Ordinance 1405, which became effective January 1, 2016, revised plant investment fees (PIF) for all three utilities. The ordinance requires the PIFs to be revised with each comprehensive plan update. The plant investment fees for each utility were evaluated based on the last comprehensive plan and the most current Capital Improvement Plan. The results were presented to council on June 21st, at which time council expressed support for the increases proposed and which are summarized in the table below.

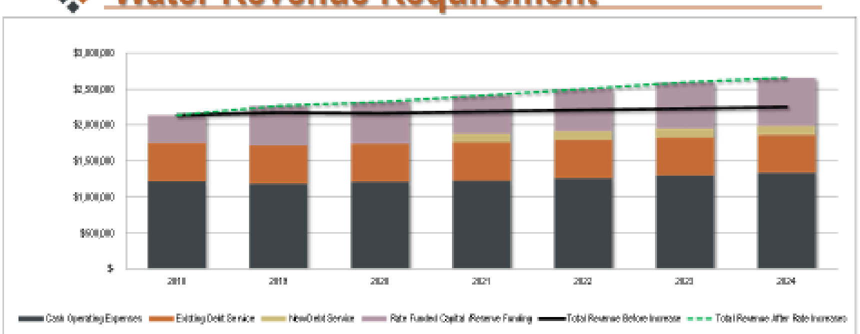
DISCUSSION

The utility rate and fee updates were anticipated in the prior budget and Capital Improvement Plan and are a 2017-18 work plan item for the finance and public works departments. Staff and the consulting firm briefed council on June 21st with the results of the studies, and have prepared the attached resolution and ordinance to implement the changes. These changes have been factored into preliminary budgets for the utilities. Rate and fee increases for each utility are discussed below.

Water Utility—the council previously adopted a 5% rate increase effective January 1st. The consultant recommendation is for 3% rate increases in 2020 to 2023, and a 1.5% increase in 2024. This rate includes operating expenses, existing and new debt service, a portion of capital investment, as well as fully funding required system cash reserves. Further, the rate proposal provides system reinvestment at the rate of 60% to 70% of annual system depreciation. This amount is less than city policy (100% of depreciation), but is considered equitable given the level of debt service. The following table provides a graphical depiction of the revenue requirement, as well as an estimate of the effect on a typical residential customer over the next six years.

CHART ONE

Water Revenue Requirement



Residential Sample Bill	2018 (Existing)	2019 (Adopted)	2020	2021	2022	2023	2024
Proposed Increase	0.00%	5.00%	3.00%	3.00%	3.00%	3.00%	1.50%
Sample Residential Bi-Mo. Bill	$ 53.74	$ 56.42	$ 58.11	$ 59.86	$ 61.65	$ 63.50	$ 64.45
$ Bi-Mo. Difference		*$ 2.68*	*$ 1.69*	*$ 1.74*	*$ 1.80*	*$ 1.85*	*$ 0.95*
$ Mo. Difference		*$ 1.34*	*$ 0.85*	*$ 0.87*	*$ 0.90*	*$ 0.92*	*$ 0.48*

Note: *assumes 12ccf water usage bi-monthly*

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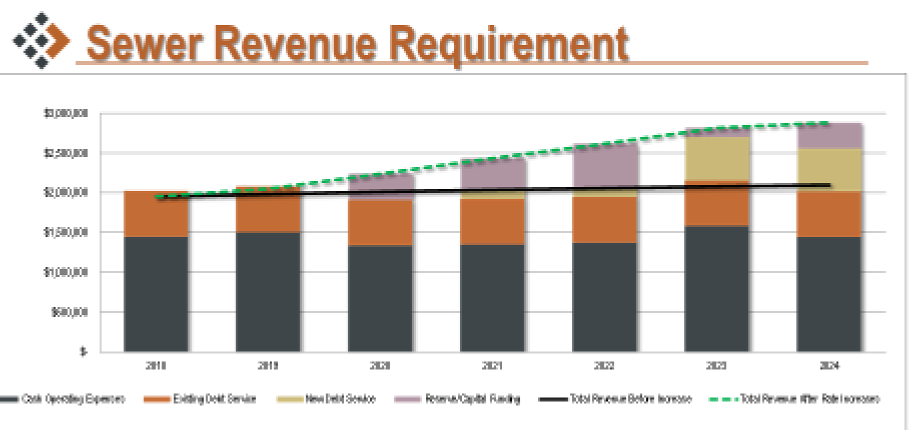
Sewer Utility—the council previously adopted a 3.5% rate increase effective January 1st. The consultant recommendation is for 7.5% rate increases in 2020-2021, 6.5% in 2022-2023, and a 1.5% increase in 2024. This rate includes operating expenses, existing and new debt service, a portion of capital investment, as well as fully funding required system cash reserves. Further, the rate proposal provides system reinvestment at the rate of 10% to 3% of annual system depreciation. This amount is less than city policy (100% of depreciation), but is considered reasonable and equitable given the level of debt service and the size of proposed rate increases over the next five years. The following table provides a graphical depiction of the revenue requirement, as well as an estimate of the effect on a typical residential customer over the next six years.

CHART TWO



Residential Sample Bill	2018 (Existing)	2019 (Adopted)	2020	2021	2022	2023	2024
Proposed Increase	0.00%	3.50%	7.50%	7.50%	6.50%	6.50%	1.50%
Sample Residential Bi-Mo. Bill	$ 85.26	$ 88.24	$ 94.86	$ 101.97	$ 108.60	$ 115.66	$ 117.39
$ Bi-Mo. Difference		*$ 2.98*	*$ 6.62*	*$ 7.11*	*$ 6.63*	*$ 7.06*	*$ 1.73*
$ Mo. Difference		*$ 1.49*	*$ 3.31*	*$ 3.56*	*$ 3.31*	*$ 3.53*	*$ 0.87*

Note: *assumes 12ccf water usage bi-monthly*

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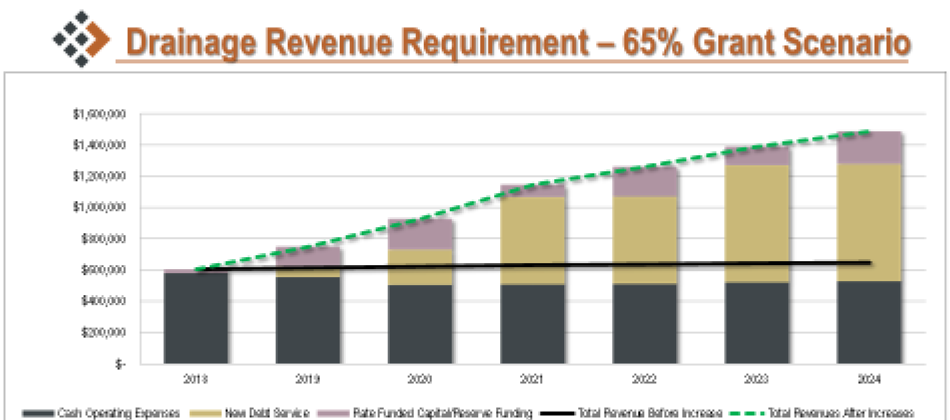
Drainage Utility—Council last increased commercial drainage rates on January 1, 2017, and has not changed residential rates since 2006. The consultant and staff recommendation is for 22.5% rate increases in 2019, 2020 and 2021, then 9.25% in 2022-2023, and a 6.25% in 2024. This rate includes operating expenses, new debt service, a portion of capital investment, as well as fully funding required system cash reserves. Further, the rate proposal provides system reinvestment at a range of 8% to 37% of annual system depreciation. This amount is less than city policy (100% of depreciation), but is considered reasonable and equitable given the level of debt service and the size of proposed rate increases over the next five years. Note that the drainage utility is faced with a $13 million capital project, and that this rate proposal is based on the city obtaining grants to fund 65% of the project's cost. The following table provides a graphical depiction of the revenue requirement, as well as an estimate of the effect on a typical residential customer over the next six years.

CHART THREE



Recommended by Staff

Residential Sample Bill		2018 (Existing)		2019		2020		2021		2022		2023		2024
Proposed Increase		0.00%		22.25%		22.25%		22.25%		9.25%		9.25%		6.25%
Sample Residential Bi-Mo. Bill	$	24.50	$	29.95	$	36.62	$	44.76	$	48.90	$	53.43	$	56.77
$ Bi-Mo. Difference			$	*5.45*	$	*6.66*	$	*8.15*	$	*4.14*	$	*4.52*	$	*3.34*
$ Mo. Difference			$	*2.73*	$	*3.33*	$	*4.07*	$	*2.07*	$	*2.26*	$	*1.67*

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Plant Investment Fees—The FCS Group team also recalculated Plant investment Fees (PIF) for each utility. As discussed at the June Council workshop, the maximum allowable increases are 30 percent for the Water Utility, 19 percent for Sewer and 76 percent for Drainage. The rates provide for a per connection amount attributed to the amount of existing plant, and an amount for planned capital improvements to plant. As shown in CHART SIX below, adoption of the maximum allowable PIF for all three utilities would result in City of Stanwood PIF being the highest of our neighboring cities' current fees.

CHART FOUR

PIF Results

Plant Investment Fee Calculation	Water	Sewer	Drainage
Existing Cost Basis	$ 29,688,075	$ 25,304,194	$ 4,123,740
Allocable Customer Base	4,774	3,593	6,209
Existing Cost Basis	**$ 6,218**	**$ 7,043**	**$ 664**
Future Cost Basis	$ 3,310,500	$ 2,429,500	$ 4,656,496
Allocable Customer Base	4,774	3,593	6,209
Future Cost Basis	**$ 693**	**$ 676**	**$ 750**
Total Plant Investment Fee	**$ 6,912**	**$ 7,719**	**$ 1,414**
Current Plant Investment Fee	$ 5,280	$ 6,476	$ 802
Difference	*$ 1,632*	*$ 1,243*	*$ 612*

Notes: - PIFs may be escalated annually with an accredited escalation index such as the Engineering News Record (ENR)
- Water PIF is on a per Meter Capacity Equivalent (MCE) basis
- Sewer PIF is on a per Equivalent Residential Unit (ERU) basis – 290 gpd
- Storm PIF is on a per Equivalent Residential Unit (ERU) basis – 3,500 square feet of impervious area

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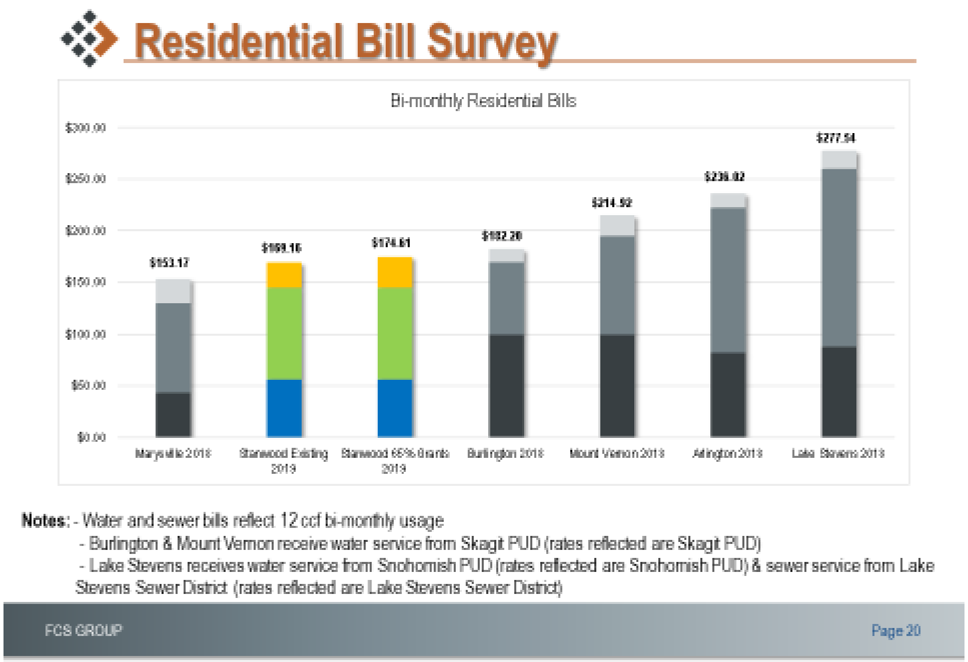
FINANCIAL IMPACT

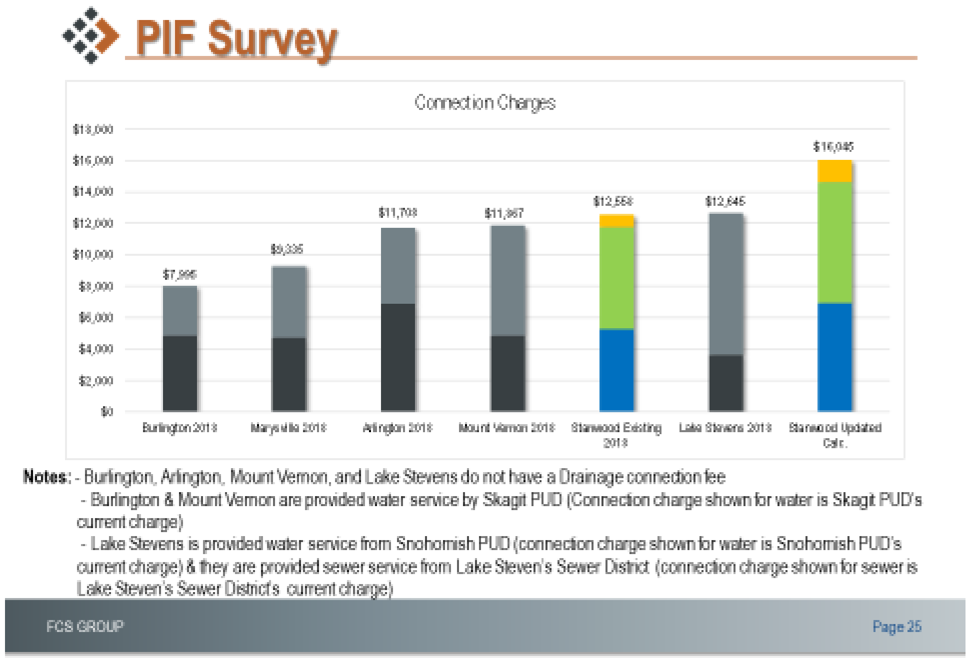
Utility Rates—The table below illustrates the effect of the proposed rate increases on a typical residential customer's bi-monthly utility bill, in comparison with neighboring cities. If the proposed rates are adopted by council, Stanwood residential rates will remain low by comparison.

CHART FIVE



Plant Investment Fees—The table below illustrates the effect of the proposed Plant Investment Fees on new residential customers. If the Plant Investment Fees are implemented to the maximum amount allowed by the current study, then the City of Stanwood PIF for the three utilities combined would be the highest of our neighboring cities.

CHART SIX



ATTACHMENT A

CITY OF STANWOOD
WASHINGTON

ORDINANCE 1461

AN ORDINANCE OF THE CITY OF STANWOOD, WASHINGTON, AMENDING STANWOOD MUNICIPAL CODE CHAPTERS 12.04 SEWER SYSTEM RATES AND CHARGES, 12.12 DRAINAGE UTILITY SYSTEM FEES AND FUND, 12.16 WATER UTILITY SYSTEM RATES AND CHARGES, 12.40 UTILITY PLANT INVESTMENT CHARGE; ESTABLISHING SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the City has considered amendments to Stanwood Municipal Code (SMC) Chapters 12.04-12.40 affecting utility regulations; and

WHEREAS, by amending Chapters 12.04-12.40 the regulations and responsibilities regarding the City's utility systems including water, sewer, and drainage will be clarified; and

WHEREAS, the value of the drainage system and the resulting equivalent residential unit cost were set by an FCS Group rate study; and

WHEREAS, the Public Works Committee reviewed the proposed edits to SMC Chapters 12.04-12.40 at their September 10, 2018 regular meeting and the Finance Committee reviewed at their September 13, regular meeting, Further, the full city council reviewed the FCS Group preliminary report at the June 21, 2018 council workshop and provided direction on the proposed amendments; and

WHEREAS, the City Council reviewed the recommendations from staff and the Public Works Committee at its September 10, 2018 meeting and the Finance Committee at its September 13th meeting; and

WHEREAS, the City Council has determined that it is in the best interests of the City to amend SMC Chapters 12.04-12.40, relating to the City's utility systems including water, sewer, and drainage.

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

Section 1. Stanwood Municipal Code Chapters 12.04-12.40 are hereby amended as shown in Exhibit 1.

Section 2. Severability. The various parts, sections and clauses of this ordinance are hereby declared to be severable. If any part, sentence, paragraph, section or clause is adjudged unconstitutional or invalid by a court of competent jurisdiction, the remainder of the Ordinance shall not be affected thereby.

Section 3. Effective Date. This Ordinance shall become effective five (5) days after its passage and publication as required by law..

PASSED AND APPROVED by the Stanwood City Council this xx day of November 2018.

CITY OF STANWOOD

____
Leonard Kelley, Mayor

ATTEST:

By: __________________________
David A. Hammond, City Clerk

APPROVED AS TO FORM:

By: __________________________
Grant Weed, City Attorney

Date of Publication: ________________________

Effective Date: ____________________________

Exhibit 1

Chapter 12.04 SEWER SYSTEM RATES AND CHARGES

Sections:

12.04.020 Sewer system rates.

For the furnishing of service to the users and potential users of the city sanitary sewage system, the rates and charges per month are established for the classifications indicated below:

(1) Definitions.

(a) “Base monthly charge” means the minimum charge to a user per month. For those users whose sewer charge is calculated based on water use, the base monthly charge includes water use up to the base monthly allowance.

(b) “Units” means the number of dwelling units in a multifamily residence such as a duplex, apartment or condominium; or the number of separate rooms or living units in a nursing home, congregate care or assisted living facility; each having separate bathroom and/or kitchen facilities.

(c) “Incremental rate” means the dollar amount charged per 100 cubic feet of water use above the base monthly allowance and applies to those users whose sewer fee is calculated based on water use.

(d) “Sewer charge” means the dollar amount a user is charged for sewer service, calculated based on the sewer rates.

(e) “Sewer rate” means the dollar amount a user is charged for sewer service per unit of measure. For example, a sewer rate may be in terms of dollars per 100 cubic feet of water used, dollars per student, or other units.

(f) “Customer” means the legal property owner at time of meter reading.

(g) “Account” means customer.

(h) “Low-income household” means a household in which the total annual income is below the very low-income level for the Seattle/Everett area as established and amended by survey from time to time by the United States Department of Housing and Urban Development.

(i) “Senior citizen” means a person of 62 years of age or older.

(j) “Disabled person” means a person who qualifies for special parking privileges under RCW 46.16.381(1)(a) through (f), or a blind person as defined in RCW 74.18.020, or a person who qualifies for supplemental Social Security benefits due to a disability.

(2) Rates and Charges.

(a) Basis of Rates and Charges. Sewer charges shall be based on the monthly water use as recorded by the city water meters unless indicated otherwise in this section. The charge for residential uses for the summer months, defined herein as May, June, July, and August for accounts in Cycle 1, and June, July, August, and September for accounts in Cycle 2, shall be based on the lesser of the water use for the billing period or the average monthly water use for the preceding September through April, or October through May, period, respectively. If data for the full September through April, or October through May, period are not available, the data will be averaged over the period for which data are available. For new accounts that begin in the defined summer months, the month’s charge shall be based on the water use for that month. The charge for nonresidential uses for the months of June, July, August and September shall be based on the water use for that month unless indicated otherwise in this section. Routes included in each cycle shall be determined by the city. A user may elect, at his/her own expense, to install a separate water meter to measure water used for irrigation. An irrigation-only account will then be established and billed separately by the city.

(b)

Monthly Sewer System Rates and Charges Effective Dates

	1-Jan-19		1-Jan-20		1-Jan-21		1-Jan-22		1-Jan-23		1-Jan-24	
Classification	Base Rate	Incremental Rate (per 100 cf)	Base Rate	Incremental Rate (per 100 cf)	Base Rate	Incremental Rate (per 100 cf)	Base Rate	Incremental Rate (per 100 cf)	Base Rate	Incremental Rate (per 100 cf)	Base Rate	Incremental Rate (per 100 cf)
Residential:												
Individually metered	$44.12	$6.16	$47.43	$6.62	$50.99	$7.12	$54.30	$7.58	$57.83	$8.07	$58.70	$8.20
Master metered	$44.12 x no. of units	$6.16	$47.43 x no. of units	$6.62	$50.99 x no. of units	$7.12	$54.30 x no. of units	$7.65	$57.83 x no. of units	$8.15	$58.70 x no. of units	$8.27
Commercial:												
Light commercial	$44.12	$6.16	$47.43	$6.62	$50.99	$7.12	$54.30	$7.58	$57.83	$8.07	$58.70	$8.20
Heavy commercial	$50.15	$7.17	$53.91	$7.71	$57.95	$8.29	$61.72	$8.82	$65.73	$9.40	$66.72	$9.54
General industrial	$56.19	$8.17	$60.40	$8.78	$64.93	$9.44	$69.16	$10.06	$73.65	$10.71	$74.76	$10.87

~~**Sewer System Rates and Charges Effective Date**~~

~~Classification~~	~~January 1, 2015~~ ~~2019~~		~~January 1, 2016~~		~~January 1, 2017~~		~~January 1, 2018~~		~~January 1, 2019~~	
-	~~Base Monthly Rate~~	~~Incremental Rate (per 100 cf)~~	~~Base Monthly Rate~~	~~Incremental Rate (per 100 cf)~~	~~Base Monthly Rate~~	~~Incremental Rate (per 100 cf)~~	~~Base Monthly Rate~~	~~Incremental Rate (per 100 cf)~~	~~Base Monthly Rate~~	~~Incremental Rate (per 100 cf)~~
~~**Residential:**~~	-	-	-	-	-	-	-	-	-	-
~~Individually metered~~	~~$38.45~~	~~$5.37~~	~~$39.79~~	~~$5.55~~	~~$41.18~~	~~$5.75~~	~~$42.63~~	~~$5.95~~	~~$44.12~~	~~$6.16~~
~~Master metered~~	~~$38.45 x no. of units~~	~~$5.37~~	~~$39.79 x no. of units~~	~~$5.55~~	~~$41.18 x no. of units~~	~~$5.75~~	~~$42.63 x no. of units~~	~~$5.95~~	~~$44.12 x no. of units~~	~~$6.16~~
~~**Commercial:**~~	-	-	-	-	-	-	-	-	-	-
~~Light commercial~~	~~$38.45~~	~~$5.37~~	~~$39.79~~	~~$5.55~~	~~$41.18~~	~~$5.75~~	~~$42.63~~	~~$5.95~~	~~$44.12~~	~~$6.16~~
~~Heavy commercial~~	~~$43.71~~	~~$6.25~~	~~$45.24~~	~~$6.46~~	~~$46.82~~	~~$6.69~~	~~$48.46~~	~~$6.92~~	~~$50.15~~	~~$7.17~~
~~General industrial~~	~~$48.97~~	~~$7.12~~	~~$50.68~~	~~$7.37~~	~~$52.45~~	~~$7.63~~	~~$54.29~~	~~$7.90~~	~~$56.19~~	~~$8.17~~

(c) ~~Sewer Service Outside the City Limits. Rates for services outside of the city limits of Stanwood shall be city rates as adopted, plus 45 percent.~~

(3) Base Monthly Allowances. The base monthly allowance shall be as follows:

Classification	**Base Monthly Allowance**
Residential:	
Individually metered	600 cubic feet per month
Master metered	600 cubic feet per month times the number of units
Commercial:	
Light commercial	600 cubic feet per month
Heavy commercial	600 cubic feet per month

Classification	Base Monthly Allowance
General industrial	600 cubic feet per month

(4) Classification Descriptions.

(a) Residential – Individually Metered. This classification includes buildings for residential uses that are individually metered.

(b) Residential – Master Metered. This classification includes structures containing more than one residence that are metered through one master meter.

(c) Light Commercial. This classification includes commercial uses not otherwise classified. It incorporates simple domestic waste generators such as offices, small retail trade establishments, schools without kitchens/gyms, hotels without restaurants, and churches/meeting halls.

(d) Heavy Commercial. This classification includes commercial uses that have higher potential for problem wastes (high strength, problem constituents or large volume) than the light commercial classification. The heavy commercial classification includes laundries, dry cleaners, restaurants, cafes, grocery stores, medical clinics, funeral homes, photo development, veterinary clinics, dental clinics, schools with kitchens/gyms, hotels with restaurants, etc.

(e) General Industrial. This classification includes uses that generate large volumes of wastewater or have high strength or problem wastewater. This classification includes manufacturing and processing facilities, etc.

(5) Users with State Waste Discharge Permits, NPDES Permits or Pretreatment Agreements with the City. This classification includes businesses with a state waste discharge permit, NPDES permit or pretreatment agreement with the city. The monthly charge shall be based on the maximum amount of wastewater allowed by the permit or agreement unless a city-approved meter indicates a smaller amount was actually sent to the city's wastewater facilities. For businesses that do not yet have a permit or agreement, calculation of their charge shall be based on the most appropriate classification above.

(6) Users with High Strength Waste. The city shall have the right to charge an additional monthly sewer service charge for a high strength waste, which is defined herein as one with pollutant concentrations in excess of typical domestic wastewater. A surcharge is appropriate for waste strength conditions including, but not limited to, a total five-day biochemical oxygen demand and/or suspended solids concentration in excess of 300 milligrams per liter. The public works director will recommend to the city council an appropriate monthly surcharge.

(7) Users with Multiple Classifications. In the event that any user of the city's sanitary sewage system, by the nature of its business, may fall within two or more of the above classifications, the rate for such user shall be the highest rate established for any such classification.

(8) Contract Rates. Rates for any user may be set by contract at the discretion of the city council. Users having their rates set by contract shall fall under this classification only during the duration of the contract term. Upon termination of said contract, the user will be charged under the other most applicable classification as determined by the finance director.

(9) Inactive Rates. An inactive rate is available to accounts where water consumption falls below 100 cubic feet per month for one continuous billing period or more. Inactive rates will only be available upon prior notice to the city. Inactive rates for all classifications shall be 50 percent of the minimum base monthly charge per classification.

(10) Low-Income Senior Citizen and Low-Income Disabled Rates.

(a) Low-income senior citizens or low-income disabled persons who are customers of the utility shall be eligible to apply for sewer service at 70 percent of the monthly minimum charge, and full charge for all overage consumption.

(b) Low-income households in which the principal financial resources are provided by a senior citizen or a disabled person, as defined in this chapter, may apply for these reduced rates. The city may require a customer who is receiving service at a reduced rate to provide information annually to confirm their continued eligibility for the reduced rate.

(c) The reduced rate provided by this subsection shall apply only to single-family residential services. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1353 § 1, 2013; Ord. 1290 § 1, 2011; Ord. 1259 § 1, 2009; Ord. 1235 § 1, 2008; Ord. 1189 § 1, 2006; Ord. 1127 § 1, 2002; Ord. 1102 § 1, 2000; Ord. 1086 § 1, 1999; Ord. 938 § 1, 1995; Ord. 850 § 1, 1992; Ord. 770 § 1, 1989; Ord. 757 § 1, 1988; Ord. 673 § 1, 1985; Ord. 605, 1982; Ord. 577 § 1, 1981; Ord. 557 § 1, 1980; Ord. 470, 1977; Ord. 355 § 7, 1971; Ord. 241 § 2, 1962).

12.04.030 Connection fees, charges and costs.

(1) Applications for connection to the city sewage system shall be made to the public works department for approval of the design and inspection of the proposed connection.

(2) A permit fee to cover the cost of administration in the amount of $50.00 shall be charged for each application for city sewer service. Such fee shall be paid into the city general fund.

(3) A connection fee shall be charged at the time of construction of a building or segregation of a building into two or more units for each separate residence, multiple housing unit, business building or separate business unit within a building proposed to be served by city sewer according to the following schedule:

(a) Residential Sewer Connection Charges.

(i) Single-family residence (including mobile homes): $500.00.

(ii) Duplex (two dwelling units): $750.00.

(iii) Triplex (three dwelling units): $1,000.

(iv) Multifamily: $1,000 plus $250.00 per unit.

(b) Commercial.

(i) Six-inch service connection: $1,000.

Connection fees for service sizes other than six inches shall be determined by the public works director. Such fee shall be paid into the sanitary sewage construction reserve fund. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1102 § 1, 2000; Ord. 1086 § 1, 1999).

12.04.040 Sewer system plant investment charge.

(1) The city council hereby finds and determines that the capital cost of the city's current and future sewer system, including pumps, collection pipelines, sewer treatment plant, and rights-of-way, is $27,733,694 ~~$26,293,050~~. The capital cost of such system has been borne by the city and its sewer system users. Such sewer system will be utilized by newly connecting properties and the capital cost, as applied to buildings presently served, is $7,719 ~~$6,476~~ per each three-quarter-inch water meter.

(2) Prior to January 1, 2019, and for all projects for which a complete application has been submitted or a letter of completeness has been issued for any development permit prior to January 1, 2019, the plant investment charge shall be $6,476 for each equivalent connection.

~~(2)~~ (3) Beginning January 1, 2019 ~~2011~~, and thereafter, in addition to other fees imposed by ordinance or pursuant to agreements, there is hereby imposed upon the owners of property seeking to provide sewer service to their property by connecting to the city's sewer system a plant investment charge, determined by multiplying the total number of equivalent connections by $7,719 ~~$6,476~~. Equivalent connections and plant investment charges for all buildings shall be as follows:

Service Connection Size	Equivalent Connection	Charge
Up to 3/4"	1	$7,719
1"	1.67	$12,891
1-1/2"	3.33	$25,704
2"	5.33	$41,142
3"	10	$77,190
4"	16.67	$128,676
6"	33.33	$257,274
8"	53.33	$411,654

~~Service Connection Size~~	~~Equivalent Connection~~	~~Charge~~
~~Up to 3/4"~~	~~1.00~~	~~$6,476~~
~~1"~~	~~1.67~~	~~$10,815~~
~~1-1/2"~~	~~3.33~~	~~$21,565~~
~~2"~~	~~5.33~~	~~$34,517~~
~~3"~~	~~10.00~~	~~$64,760~~
~~4"~~	~~16.67~~	~~$107,955~~
~~6"~~	~~33.33~~	~~$215,845~~
~~8"~~	~~53.33~~	~~$345,365~~

(3) The plant investment charges are immediately due and payable upon, and concurrently with, the issuance of a valid building permit or a valid permit for connection to the sewer, water or drainage system of the city, whichever occurs first. (Ord. 1405 § 1 (Exh. 1), 2015).

Chapter 12.12
DRAINAGE SYSTEM FEES AND FUND

Sections:

12.12.010 Revenue fund created.

There is created a special fund of the city to be known as the “drainage fund.” Any and all charges, assessments, and revenues received for drainage purposes, or from any rental, use, services or sale of property attributable to the operation and management of such utility, shall be credited to and paid into such fund. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1189 § 2, 2006; Ord. 563 § 1, 1981).

12.12.020 Drainage system rates and charges.

For the furnishing of the service to the users and potential users of the city drainage system, the rates and charges per month are established for the classifications indicated below:

(1) Definitions.

~~(a)~~ “~~Multiple business building” means one structure with multiple business units.~~

(~~b~~a) “Customer” means the legal property owner at time of billing.

(~~c~~b) “Accounts” means customer.

(~~d~~c) “Low-income household” means a household in which the total annual income is below the very low-income level for the Seattle/Everett area as established and amended by survey from time to time by the United States Department of Housing and Urban Development.

(~~e~~d) “Senior citizen” means a person of 62 years of age or older.

(~~f~~e) “Disabled person” means a person with a physical or mental impairment that substantially limits one or more major life activities, such as walking, seeing, hearing, speaking, learning, performing manual tasks, caring for oneself, etc.

(f) “Equivalent Residential Unit, or ERU” means the base impervious surface area upon which the drainage utility rate is based. Currently established ERU amount is 3,500 square ~~feet~~.

(g) "Impervious surface" means any structure, surface, or improvement that reduces or prevents absorption of stormwater into land, and includes porous paving, paver blocks, gravel, crushed stone, decks, patios, elevated structures, and other similar structures, surfaces, or improvements.

(2) Classifications, Rates and Charges.

(a) Classifications.

(i) Residential Uses.

(A) Single-family residences ~~including a lot or lots up to 10,000 square feet in area.~~

(B) Multifamily residences ~~including land up to 10,000 square feet in area per unit.~~ ~~"Units"~~ means ~~the number of dwelling units in~~ a multifamily residence such as a duplex, apartment or condominium; ~~or the number of~~ with separate rooms or living units in a nursing home, congregate care or assisted living facility; each having separate bathroom and/or kitchen facilities.

(ii) ~~Commercial~~ Non-residential Uses.

(A) Commercial structure. ~~Single- or two-unit business building, including land up to~~ 3,500 ~~10,000 square feet in area.~~

~~(B) Multi-business building, in excess of two units, including land up to~~ 3,500 ~~10,000 square feet per unit.~~

~~(iii) Improved Land.~~

(~~A~~B) Improved Land areas not provided for in subsection (2)(a)(i) (A) or (B) ~~or (2)(a)(ii) of this section.~~

(b) Rates and charges effective dates: ~~January 1, 2017~~.

Classification	Bi-Monthly Rates					
	Effective Jan. 1, 2019	Effective Jan. 1, 2020	Effective Jan. 1, 2021	Effective Jan. 1, 2022	Effective Jan. 1, 2023	Effective Jan. 1, 2024
Single Family Residential	$28.39	$34.78	$42.60	$46.54	$50.85	$54.03
Multi Family Residential Per ERU (3,500 sq. ft.)	$28.39	$34.78	$42.60	$46.54	$50.85	$54.03
Non Residential Per ERU (3,500 sq. ft.)	$28.39	$34.78	$42.60	$46.54	$50.85	$54.03

~~Classification~~	~~Monthly Rates Effective January 1, 2008~~	~~Monthly Rates Effective January 1, 2017~~
~~Single-Family.~~ ~~Single-family residences including a lot or lots up to 10,000 sq. ft. in area~~	~~$12.25~~	~~$12.25~~

~~Classification~~	~~Monthly Rates~~ ~~Effective January 1, 2008~~	~~Monthly Rates~~ ~~Effective January 1, 2017~~
~~Multifamily.~~ ~~Multifamily residences including land up to 10,000 sq. ft. in area per unit~~	~~$6.10~~	~~$9.45~~
~~Commercial.~~ ~~For each single- or two-unit business building, including land up to 10,000 sq. ft. in area~~	~~$18.30~~	~~$25.40~~
~~Commercial.~~ ~~For each multi-business building, in excess of two units, including land up to 10,000 sq. ft., per unit~~	~~$6.10~~	~~$8.45~~
~~Improved Land.~~ ~~For each 20,000 sq. ft. or part thereof of land improved with hard-surfaced parking lots, or other facilities or structures~~	~~$12.25~~	~~$25.40~~

(3) Low-Income Senior Citizen and Low-Income Disabled Rates.

(a) Low-income senior citizens or low-income disabled persons who are customers of the utility shall be eligible to apply for drainage service at 70 percent of the monthly charge.

(b) Low-income households in which the principal financial resources are provided by a senior citizen or a disabled person, as defined in this chapter, may apply for these reduced rates. The city may require a customer who is receiving service at a reduced rate to provide information annually to confirm their continued eligibility for the reduced rate.

(c) The reduced rate provided by this section shall apply only to single-family residential services. (Ord. 1431 § 1, 2016; Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1235 § 2, 2008; Ord. 1189 § 2, 2006; Ord. 830 § 1, 1991; Ord. 807 § 1, 1990; Ord. 758 § 1, 1988; Ord. 672 § 1, 1985; Ord. 606 § 1, 1982; Ord. 578 § 1, 1981; Ord. 563 § 2, 1981).

12.12.030 Drainage of water other than precipitation.

Repealed by Ord. 1189. (Ord. 563 § 3, 1981).

12.12.040 Connection fees, charges and costs.

(1) Applications for connection to the city storm sewer system shall be made to the city finance director who will collect fees and forward the application to the public works department for approval of the design and inspection of the proposed connection.

(2) A permit fee to cover the cost of administration, in the amount of $50.00, shall be charged for each application for city storm sewer service. Such fee shall be paid into the city general fund.

(3) A connection charge of $200.00 shall be charged for each separate residence, multiple housing unit, or business building proposed to be served by a storm sewer. Such fee shall be paid into the drainage construction fund.

(4) Construction Costs and Fees.

(a) The cost of construction of storm sewer lines from the public storm sewer shall in all cases be borne by such persons connecting thereto.

(b) Cost of construction of storm sewer mains by developers and others except in the case of an LID or ULID shall be directly borne by the party extending the storm sewer main.

(c) Cost of upgrading the drainage facilities, storm sewer trunk lines, or pumping facility or the cost of a consulting engineer shall be considered part of the cost of the storm sewer extension and such costs as determined by the public works director or consulting engineer shall be remitted to the city finance director or the work completed and accepted by the city prior to issuance of any connection.

(d) The city may at its option construct storm sewer mains to serve an area. Any property connecting to a storm sewer main constructed by the city shall be subject to the fees and charges under this section plus a pro rata share of the construction costs of the extension based on 50 percent square footage of the area served and 50 percent front footage of properties to be served unless 75 percent of the owners of property in the area to be served agree on another method of apportionment which shall be subject to the approval of the city.

(e) Any property connected to a storm sewer main or open ditch constructed under an LID or ULID shall be subject to a construction fee based upon the same square footage and front footage assessments made on the property within the LID. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1189 § 2, 2006; Ord. 695 § 11, 1986; Ord. 653 § 1, 1985; Ord. 563 § 4, 1981).

12.12.050 Drainage system plant investment charge.

(1) The city council hereby finds and determines that the capital cost of the city's drainage system includes pumps, collection pipelines and rights-of-way. The capital cost of such system has been borne by the city and its drainage system users. Such drainage system will be utilized by newly developed properties, and the capital cost, as applied to buildings presently served, is determined per each equivalent unit.

(2) Beginning January 1, 2019 ~~2010~~, and thereafter, in addition to other fees imposed by ordinance or pursuant to agreements, there is hereby imposed upon the owners of property seeking to develop within the city limits a drainage plant investment charge determined by multiplying the total number of equivalent residential units (ERU) by the capital cost per ERU.

(a) Residential. An equivalent residential unit (ERU) is determined to be ~~3,000~~ 3,500 square feet of impervious area. This is based on a lot size of up to 10,000 square feet. For plant investment charges for residential lots larger than 10,000 square feet, the ERUs will be calculated on the same basis as nonresidential development with a minimum of one ERU per lot.

(b) Nonresidential Development (Includes Multifamily Dwellings). Drainage plant investment charges for nonresidential development shall be calculated based on the number of equivalent residential units of impervious area of the proposed development, including fractions thereof. For example:

(i) Five thousand five hundred square feet of impervious area/~~3,000~~ 3,500 = ~~1.83~~ 1.57 ERUs.

(ii) Six thousand four hundred square feet of impervious area/~~3,000~~ ~~3,500~~ = 1.83 ~~2.13~~ ERUs.

(3) The drainage plant investment charges shall be established and calculated as follows:

(a) Prior to January 1, 2019 ~~2016~~, and for all projects for which a complete application has been submitted or a letter of completeness has been issued for any development permit prior to January 1, 2019 ~~2016~~:

(i) Drainage system valuation: $3,730,204 ~~$3,270,401~~.

(ii) Capital cost per equivalent residential unit (ERU): $802.00 ~~$665.00~~.

(b) On or after January 1, 2019 ~~2016~~ (excluding projects described in subsection (3)(a) of this section):

(i) Drainage system valuation: $8,780,236 ~~$3,730,204~~.

(ii) Capital cost per equivalent residential unit (ERU): $1,414.00 ~~$802.00~~. (Ord. 1405 § 1 (Exh. 1), 2015).

12.12.060 Lien charges.

Repealed by Ord. 1189. (Ord. 563 § 5, 1981).

12.12.070 Drainage fees and charges for property outside of the city.

When property outside of the city is served by storm sewers, drainage ditches, drainage channels or pumping facilities, charges for such drainage services, filing of liens or other fees or charges covered in this chapter shall be payable at the rate of 150 percent of the applicable charge or rate for service within the city. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1189 § 2, 2006; Ord. 563 § 6, 1981).

12.12.080 Development fees.

At the time of application for a subdivision, short plat, planned unit development or binding site plan, a drainage assessment is to be submitted to the city clerk-treasurer in the amount of $400.00 plus $25.00 per lot. Such fee is to be credited to the drainage construction fund for the improvement of drainage facilities. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1189 § 2, 2006; Ord. 695 § 12, 1986; Ord. 563 § 8, 1981).

12.12.090 Construction fund created.

There is created a special fund of the city to be known as the “drainage construction fund.” Any and all development fees shall be credited and paid into such fund to provide for construction and improvement of drainage facilities. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1189 § 2, 2006; Ord. 563 § 9, 1981).

Chapter 12.16
WATER SYSTEM RATES AND CHARGES

Sections:

12.16.005 Definitions.

For the purposes of this chapter, the following definitions shall apply:

(1) "Quantity allowed" means the number of hundreds of cubic feet of water that may be consumed for the monthly minimum charge.

(2) "Overage" means the water that is consumed over the quantity allowed for each meter size in a month.

(3) "Low-income household" means a household in which the total annual income is below the very low-income level for the Seattle/Everett area as established and amended by survey from time to time by the United States Department of Housing and Urban Development.

(4) "Senior citizen" means a person 62 years of age or older.

(5) "Disabled person" means a person who qualifies for special parking privileges under RCW 46.16.381(1)(a) through (f), or a blind person as defined in RCW 74.18.020, or a person who qualifies for supplemental Social Security benefits due to a disability.

(6) "Inactive" means an account with less than 100 cubic feet of water consumption per month for one continuous billing period or more.

(7) "Customer" means the legal property owner at time of meter reading.

(8) "Account" means customer. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1290 § 2, 2011; Ord. 1189 § 3, 2006; Ord. 994 § 1, 1996).

12.16.010 Water service rates.

(1) For the furnishing of service to users and potential users of the city water system, the rates and charges per month are established for the classifications indicated below.

(2) Water Service Rates – Metered Water. The following rates will be applied for monthly water service:

(a) Water System Monthly Charges Effective Date:

		1-Jan-19	1-Jan-20	1-Jan-21	1-Jan-22	1-Jan-23	1-Jan-24
Meter Size (inches)	**Quantity Allowed (hundreds of cubic feet per mo.)**	**Base Monthly Rate**	**Base Monthly Rate**	**Base Monthly Rate**	**Base Monthly Rate**	**Base Monthly Rate**	**Base Monthly Rate**
3/4"	6	$28.21	$29.06	$29.93	$30.83	$31.75	$32.23
1"	10	$47.09	$48.50	$49.96	$51.46	$53.00	$53.80
1-1/2"	20	$93.91	$96.73	$99.63	$102.62	$105.70	$107.28
2"	40	$150.31	$154.82	$159.46	$164.25	$169.18	$171.71
3"	80	$281.99	$290.45	$299.16	$308.14	$317.38	$322.14
4"	150	$470.07	$484.17	$498.70	$513.66	$529.07	$537.00

~~Classification~~	-	~~January 1, 2015~~	~~January 1, 2016~~	~~January 1, 2017~~	~~January 1, 2018~~	~~January 1, 2019~~
~~Meter Size (inches)~~	~~Quantity Allowed (hundreds of cubic feet per mo.)~~	~~Base Monthly Rate~~	~~Base Monthly Rate~~	~~Base Monthly Rate~~	~~Base Monthly Rate~~	~~Base Monthly Rate~~
~~3/4"~~	~~6~~	~~$23.21~~	~~$24.37~~	~~$25.59~~	~~$26.87~~	~~$28.21~~
~~1"~~	~~10~~	~~$38.74~~	~~$40.68~~	~~$42.71~~	~~$44.85~~	~~$47.09~~
~~1-1/2"~~	~~20~~	~~$77.26~~	~~$81.12~~	~~$85.18~~	~~$89.44~~	~~$93.91~~
~~2"~~	~~40~~	~~$123.66~~	~~$129.84~~	~~$136.33~~	~~$143.15~~	~~$150.31~~
~~3"~~	~~80~~	~~$231.99~~	~~$243.59~~	~~$255.77~~	~~$268.56~~	~~$281.99~~
~~4"~~	~~150~~	~~$386.73~~	~~$406.07~~	~~$426.37~~	~~$447.69~~	~~$470.07~~

(b) Charges for Consumption in Excess of the Quantity Allowed (by Hundreds of Cubic Feet). All amounts in excess of quantity allowed, unless included in the monthly minimum base charge, shall be charged at the following rate per each 100 cubic feet over the base quantity allowed:

Water System Consumption Charges Effective Date

	1-Jan-19	1-Jan-20	1-Jan-21	1-Jan-22	1-Jan-23	1-Jan-24
Incremental Rate (per 100 cf)	$3.69	$3.80	$3.91	$4.03	$4.15	$4.22

~~**Water System Consumption Charges Effective Date**~~

-	~~**January 1, 2015**~~	~~**January 1, 2016**~~	~~**January 1, 2017**~~	~~**January 1, 2018**~~	~~**January 1, 2019**~~
~~Incremental Rate (per 100 cf)~~	~~$3.03~~	~~$3.18~~	~~$3.34~~	~~$3.51~~	~~$3.69~~

(c) Water Service Outside the City Limits. Rates for services outside of the city of Stanwood shall be city rates as adopted, plus 45 percent.

(3) Conditions.

(a) In computation of bimonthly bills for service, the monthly minimum base charge and the quantity allowed for each rate block shall be multiplied by two.

(b) When multiple dwelling units, each having bathroom and/or kitchen facilities, within a building are served by a single meter connection, the minimum charge per month shall be the minimum monthly charge for a three-quarter-inch meter times the number of dwellings served by the single meter. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1354 § 1, 2013; Ord. 1290 § 3, 2011; Ord. 1259 § 2, 2009; Ord. 1189 § 3, 2006; Ord. 1128 § 1, 2002; Ord. 1101 § 1, 2000; Ord. 1085 § 1, 1999; Ord. 994 §§ 2 – 5, 1996; Ord. 831 § 1, 1991; Ord. 808 § 1, 1990; Ord. 788 § 1, 1989; Ord. 749 § 1, 1988; Ord. 723 §§ 1, 2, 1987; Ord. 715 § 1, 1986; Ord. 709 § 1, 1986).

12.16.012 Water plant investment charge.

(1) The city council hereby finds and determines that the capital cost of the city's current and future water system, including pumps, wells, distribution lines, reservoirs and rights-of-way, is $32,998,575 ~~$37,797,283~~. The capital cost of such system has been borne by the city and its water system users. Such water system will be utilized by newly connecting properties, and the capital cost, as applied to buildings presently served, is $6,912 ~~$5,280~~ per each three-quarter-inch water meter.

(2) Prior to January 1, 2019, and for all projects for which a complete application has been submitted or a letter of completeness has been issued for any development permit prior to January 1, 2019, the plant investment charge shall be $5,280 for each equivalent connection.

~~(2)~~ (3) Beginning January 1, 2019 ~~2011~~, and thereafter, in addition to other fees imposed by ordinance or pursuant to agreements, there is hereby imposed upon the owners of property seeking to provide water service to their property by connecting to the city's water system a plant investment charge, determined by multiplying the total number of equivalent water connections proposed by $6,912 ~~$5,280~~. Equivalent connections and plant investment charges for all buildings shall be as follows:

Service Connection Size	Equivalent Connection	Charge
Up to 3/4"	1	$6,912
1"	1.67	$11,543
1-1/2"	3.33	$23,017
2"	5.33	$36,841
3"	10	$69,120
4"	16.67	$115,223
6"	33.33	$230,377
8"	53.33	$368,617

~~Service Connection Size~~	~~Equivalent Connection~~	~~Charge~~
~~Up to 3/4"~~	~~1.00~~	~~$5,280~~
~~1"~~	~~1.67~~	~~$8,818~~
~~1-1/2"~~	~~3.33~~	~~$17,584~~
~~2"~~	~~5.33~~	~~$28,144~~
~~3"~~	~~10.00~~	~~$56,342~~
~~4"~~	~~16.67~~	~~$88,024~~
~~6"~~	~~33.33~~	~~$175,995~~
~~8"~~	~~53.33~~	~~$281,603~~

(Ord. 1405 § 1 (Exh. 1), 2015).

12.16.013 Additional water plant investment charge for Cedarhome benefit area.

(1) The city council hereby finds and determines that the capital costs of water system improvements in the Cedarhome area are $2,732,000. Said water system improvements will be utilized by newly connecting

properties in the Cedarhome benefit area and the capital cost for each three-quarter-inch water meter shall be $2,570.

(2) The Cedarhome benefit area is hereby defined as that area shown in Exhibit A-1, titled Cedarhome Benefit Area, and Exhibit A-2, titled Cedarhome Benefit Area Tax Account Numbers, attached to the ordinance codified in this section and incorporated by this reference.

(3) In addition to other fees imposed by ordinance or pursuant to agreements, there is hereby imposed upon the properties in the Cedarhome benefit area seeking to obtain water service by connecting to the city's water system a plant investment charge, determined by multiplying the total number of equivalent connections proposed by $2,570.

(a) Equivalent connections and plant investment charges for all buildings shall be as follows:

Service Connection Size	**Equivalent Connection**	**Charge**
Up to 3/4"	1.00	$2,570
1"	1.67	$4,292
1-1/2"	3.33	$8,558
2"	5.33	$13,698
3"	10.00	$25,700
4"	16.67	$42,842
6"	33.33	$85,658
8"	53.33	$137,058

(Ord. 1405 § 1 (Exh. 1), 2015).

12.16.014 Low-income senior citizen and low-income disabled rates.

(1) Low-income senior citizens or low-income disabled persons who are customers of the utility shall be eligible to apply for water service at 70 percent of the monthly minimum charge, and full charge for all overage consumption.

(2) Low-income households in which the principal financial resources are provided by a senior citizen or a disabled person, as defined in this chapter, may apply for these reduced rates. The city may require a customer who is receiving service at a reduced rate to provide information annually to confirm their continued eligibility for the reduced rate.

(3) The reduced rate provided by this section shall apply only to three-quarter-inch single-family residential services. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1189 § 3, 2006; Ord. 1101 § 1, 2000; Ord. 1085 § 1, 1999; Ord. 994 § 6, 1996).

12.16.016 Inactive rates.

(1) An inactive rate is available to accounts where consumption falls below 100 cubic feet for one month or 200 cubic feet for one continuous billing period. Inactive rates will only be available upon prior notice to the city. Inactive rates for all meter sizes shall be at 50 percent of the minimum monthly base water charge by meter size.

(2) If, for any reason, a meter has been shut off and locked, or pulled by the city, no subsequent utility charges shall accrue or be charged to that account. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1189 § 3, 2006; Ord. 1101 § 1, 2000; Ord. 1085 § 1, 1999; Ord. 994 § 7, 1996).

12.16.020 Large seasonal users.

(1) Applicable to all users who:

(a) Consume more than 1,000,000 cubic feet per year; and

(b) Consume water at a rate of more than 100 gallons per minute (GPM); and

(c) Consume more than 20 percent of their annual water use in 30 consecutive calendar days.

(2) Demand and/or Consumption Charge. Large seasonal users shall pay a demand and/or consumption charge, which shall be determined by the Public Works Director at such time as a potential large seasonal user applies for water service. ~~The demand charge shall be in accordance with the following formula:~~

~~(a) Effective January 1, 2005, demand charge: $1.59 times (peak day water use for 2004 in GPM).~~

~~(b) Effective September 1, 2006, demand charge: $1.67 times (peak day water use for 2005 GPM).~~

~~(c) Effective January 1, 2007, demand charge: $1.79 times (peak day water use for 2006 GPM).~~

~~(d) Effective January 1, 2008, demand charge: $1.92 times (peak day water use for 2007 GPM).~~

~~(e) Effective January 1, 2009, demand charge: $2.06 times (peak day water use for 2008 GPM).~~

~~(3) Consumption Charge. In addition to the demand charge, large seasonal users shall pay a consumption charge equal to:~~

~~(a) Effective January 1, 2005, the annual average water consumption over the five previous calendar years divided by 12 times $1.21 per 100 cubic feet.~~

~~(b) Effective September 1, 2006, the annual average water consumption over the five previous calendar years divided by 12 times $1.27 per 100 cubic feet.~~

~~(c) Effective January 1, 2007, the annual average water consumption over the five previous calendar years divided by 12 times $1.36 per 100 cubic feet.~~

~~(d) Effective January 1, 2008, the annual average water consumption over the five previous calendar years divided by 12 times $1.46 per 100 cubic feet.~~

~~(e) Effective January 1, 2009, the annual average water consumption over the five previous calendar years divided by 12 times $1.57 per 100 cubic feet.~~

Any city utility tax is in addition to the above rates. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1189 § 3, 2006; Ord. 1128 § 1, 2002; Ord. 1101 § 1, 2000; Ord. 1085 § 1, 1999; Ord. 994 § 8, 1996; Ord. 715 § 1, 1986; Ord. 709 §1, 1986).

12.16.030 Hydrant use fee.

Persons may request to draw water from the public works yard hydrant on a daily pay per use basis. Such use shall require a use fee of $50.00 per day and allow up to 5,000 gallons or 668.4 cubic feet of water withdrawal. Water withdrawal over 5,000 gallons or 668.4 cubic feet per day shall be charged an added ~~$5.34~~ per each additional 100 cubic feet or any portion thereof. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1387 § 1, 2015; Ord. 1189 § 3, 2006; Ord. 1101 § 1, 2000; Ord. 1085 § 1, 1999; Ord. 715 § 1, 1986; Ord. 709 § 1, 1986).

12.16.040 Service connection charge.

(1) A permit fee to cover the cost of administration in the amount of $50.00 shall be charged for each application for city water service. Such fee shall be paid into the city general fund.

(2) Service Connection Charge. Each separate service connection shall pay a fee per meter size as follows:

3/4" or smaller	$600.00
1"	$700.00
1-1/2"	$2,000
2"	$2,500

<u>Service connections made by City of Stanwood work crews may be made based on estimate of actual cost agreed to by applicant and paid in advance.</u> Service connection charges for meters larger than two inches shall be determined by the public works director. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1189 § 3, 2006; Ord. 1101 § 1, 2000; Ord. 1085 § 1, 1999; Ord. 715 § 1, 1986; Ord. 709 § 1, 1986).

12.16.050 Fire suppression systems.

(1) Rate per Month. Effective January 1, 2007, buildings with installed fire suppression systems owned and maintained by the customer shall be billed at $2.50 per month. (Ord. 1405 § 1 (Exh. 1), 2015; Ord. 1189 § 3, 2006).

12.16.060 Water theft – Penalty.

(1) It shall be unlawful for any person to make connections with any fixtures or connect any pipe with any water main or water pipe belonging to the water system, without first obtaining permission to do so from the city.

(2) Any person who shall violate or fail to comply with any provisions of this chapter shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine in any sum not exceeding $500.00 or by imprisonment for a term not exceeding 90 days, or by both fine and imprisonment. (Ord. 1405 § 1 (Exh. 1), 2015).

Attachment - B

City of Stanwood

Water, Sewer and Drainage Rate Study and Plant Investment Fee Update

FINAL REPORT
September 2018

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TABLE OF CONTENTS

Section I. INTRODUCTION

The City of Stanwood (the City) engaged FCS GROUP to complete a rate study and plant investment fee (PIF) update for the water, sewer, and drainage utilities. The results of this study establish a blueprint for achieving strong financial performance in the future and delivering efficient and effective services to the City's customers. The scope of the project included the following key elements:

- Review of fiscal policies.
- Assess revenue needs for a multi-year period that include adequate funding for operations and maintenance, system reinvestment, debt service, and fiscal policy achievement.
- Project long-term capital needs and craft a long-term funding plan.
- Develop and recommend rate structures that generate sufficient revenue to meet each utility's financial obligations on a standalone basis.
- Develop a drainage rate that is based on the impervious surface of each customer.
- Update PIFs imposed on new development to mitigate the impact of such development on the capital facilities of the water, sewer and drainage systems.
- Write a report documenting the rate study process, assumptions, findings and recommendations
- Present and discuss finding with City staff and Council.

The methodology, key factors, conclusions and recommendations for each of the key task areas of the study are summarized in this report. The full rate study can be found in the Technical Appendix.

Section II. RATE STUDY METHODOLOGY

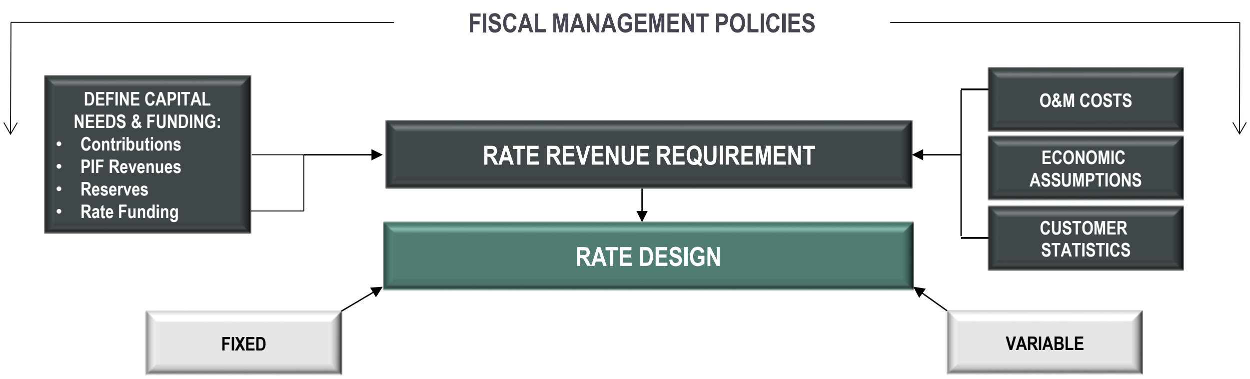
II.A. RATE SETTING PRINCIPLES AND METHODOLOGY

The methods used to establish user rates are based on principles that are generally accepted and widely followed throughout the industry. These principles are designed to produce rates that equitably recover costs from each class of customer by setting the appropriate level of revenue to be collected from ratepayers, and establishing a rate structure to equitably collect those revenues.

The primary tasks of the rate study are listed below:

- **Revenue Requirement Analysis.** This analysis identifies the total revenue needed to fully fund each system on a standalone basis, considering operating and maintenance expenditures, capital funding needs, debt requirements and fiscal policy objectives.
- **Rate Design Analysis.** This analysis includes the development of rates that generate sufficient revenue to meet each system's revenue requirement forecast and continue to address the City's pricing goals and objectives (e.g., revenue stability).
- **Exhibit 2.1** illustrates the rate study process.

Exhibit 2.1: Overview of the Rate Study Process



II.B. REVENUE REQUIREMENT

A revenue requirement analysis forms the basis for a long-range financial plan and multi-year rate management strategy for each system. It also enables the City to set utility rate structures which fully recover the total cost of operating each system: capital improvement and replacement, operations, maintenance, general administration, fiscal policy attainment, cash reserve management, and debt repayment. Linking rate levels to a financial plan such as this helps to enable not only sound financial performance for the City's utility enterprise funds, but also a clear and reasonable relationship between the costs imposed on utility customers and the costs incurred to provide the service.

A revenue requirements analysis includes the following core elements to form a complete portrayal of the utility's financial obligations.

- **Fiscal Policy Analysis.** Identifies formal and informal fiscal policies of the City to ensure that prudent policies are considered, including reserve levels, capital/system replacement funding and debt service coverage.
- **Operating Forecast.** Identifies future annual non-capital costs associated with operation, maintenance, and administration of the system.
- **Capital Funding Plan.** Defines a strategy for funding the City's capital improvement/equipment replacement program, including an analysis of available resources from rate revenues, debt financing, and any special resources that may be readily available (e.g., grants, outside contributions, etc.). Identifies if additional funding sources are needed.
- **Sufficiency Testing.** Evaluates the sufficiency of revenues in meeting all financial obligations, including any coverage requirements associated with long-term debt.
- **Rate Strategy Development.** Designs a forward-looking strategy for adjusting rates to fully fund all financial obligations on a periodic or annual basis over the projection period.

This study uses 2018 budget documents as the primary basis for forecasting expenses for the planning period. This report focuses on the study period of 2018 – 2024.

II.C. RATE DESIGN

The principal consideration of rate design is for the rate structure to generate sufficient revenues for the system which are reasonably commensurate with the cost of providing service. The pricing structure is largely dictated by the objectives of the system. Most rate structures consist of a combination of fixed and variable charges. Fixed charges typically attempt to cover system costs that do not vary with usage, but in practice only recover a portion of those costs (as the majority of utility costs are fixed in nature). Variable charges typically serve two functions, equitably recovering variable costs such as chemicals and electricity and encouraging customers to use the system efficiently (e.g. conservation).

Section III. Water Utility

III.A. INTRODUCTION

The City of Stanwood owns and operates its water system, which provides water to customers both within and outside of the City limits. The existing retail water service area is approximately 10.0 square miles, including the City limits, which is an area of about 2.7 square miles. The water system is supplied by four wells and a spring source, though the City is currently using only two of these sources. The City provides system-wide chlorination of its source water, and currently treats one of their active wells for arsenic, manganese, and hydrogen sulfide through the use of the Bryant Well Field Treatment Facility. The City of Stanwood's Public Works Department ensures that the water provided meets state and federal standards.

III.B. REVENUE REQUIREMENT

A revenue requirement analysis forms the basis for a long-range financial plan and multi-year rate management strategy. The analysis is developed by completing an operating forecast that identifies future annual operating costs and a capital funding plan that defines a strategy for funding the capital improvement needs of the City.

III.B.1. Operating Forecast

The purpose of the operating forecast is to determine whether the existing rates and charges are sufficient to recover the costs the City incurs to operate and maintain the water system. The 2018 budget formed the baseline for this forecast. The operating forecast was developed for the 2018 through 2024 time period. The following list highlights some of the key assumptions used in the development of the water utility operating forecast.

III.B.1.a Reserves

- **Operating Reserves.** A minimum balance of 16.67 percent (approximately 61 days) of the total operating and maintenance (O&M) expenses ($192,000 to $215,000) based on existing City policy. A target of 61 days of O&M expenses allows the utility to weather volatility in revenue due to seasonality and conservation measures.
- **Capital Contingency Reserves.** A minimum balance target of 1.00 percent of plant in service ($338,000 to $403,000) based on existing City policy. The capital contingency reserve is intended to provide a cushion against unanticipated capital projects and/or capital cost overruns.
- **Rate Stabilization Reserve.** The minimum balance for this reserve is set at 25.00 percent of revenues generated from user rates ($479,000 to $608,000). This reserve is based on existing City policies and is to be used to supplement operating revenues in years of revenue shortfalls caused by weather or restrictions on water use. This reserve must be replenished to target levels within four years of use.

III.B.1.b Operating Revenue

- **Retail Rate Revenue.** Based on actual detailed customer accounts and usage statistics from the City's billing system. Usage data from 2016 & 2017 was used to project 2018 revenues, which were adjusted to account for the departure of Twin City Foods.
- **Non Rate Revenue.** Non rate revenue consists of miscellaneous revenues, late penalties, other fees, and transfers from the General Fund (based on the budget provided by the City).
- **Customer Growth.** The forecast period reflects annual growth rates that vary from 1.76 to 0.98 percent (based on discussions with staff and expected connections to the system).
- **Interest Earnings.** A rate of 1.00 percent per year was used for all years in the forecast period (based on the current rate of the Washington Local Government Investment Pool).

III.B.1.c O&M Expenses

- **General Cost Inflation.** 1.50 percent per year (based on a five-year average of historical Consumer Price Index data).
- **Construction Cost Inflation.** The provided capital improvement plan was assumed to be based on 2018 dollars. To project costs beyond 2018 an annual escalation factor of 3.00 percent per year was used (based on the five-year average Engineering News Record construction cost index).
- **Labor Cost Inflation.** 2.50 percent per year (based on recent experience at the City and discussions with City staff).
- **Benefit Cost Inflation.** 7.00 percent per year (based on recent experience at the City and discussions with City staff).
- **Public Utility and B&O Taxes.** The City calculates the public utility tax separately and adds it to the customer's bill. B&O taxes were calculated by applying the current tax rate (1.50 percent) to the applicable revenue items.

III.B.1.d Debt Service

- **Existing Debt.** The water utility currently has three outstanding debt obligations reaching maturity between 2025 and 2031. Annual debt service on the outstanding debt instruments range from $534,442 to $527,885 during the study period.
- **New Debt.** New debt is planned during 2021 in order to fund the $6.6 million capital expenditures scheduled for the study period. The water utility is forecast to need $1.4 million in debt proceeds, which is expected to come in the form of revenue bonds with a term of 20 years and an interest rate of 5.00 percent. The new debt results in additional debt service of $123,000 per year during the study period.

III.B.1.e Transfer to Equipment Reserve

- The City has an equipment reserve for each utility. Transfers follow an adopted schedule, which was recently amended by the City. These transfers are more heavily weighted towards the beginning part of the study period and range from $70,000 to $48,000 per year.

III.B.1.f System Reinvestment

- System reinvestment funding is to ensure system integrity through ongoing repair and replacement. Ideally, a detailed asset management plan would guide the level of rate funded system reinvestment, however, in absence of this level of effort, a good benchmark is an amount equal to or greater than the annual depreciation expense. An alternative to depreciation funding is depreciation net of debt principal outstanding, which is the current policy of the city. This approach takes into account that some of the existing debt service was used to fund renewal and replacement projects.
- The City's existing policy is to target funding depreciation net of debt principal outstanding. In order to address the aging infrastructure needs of the City this study adjusted the target to 100 percent of annual depreciation. As the City wishes to increase the amount of system reinvestment funding while also mitigating larger rate increases, system reinvestment funding was phased-in during the study period at 60 to 70 percent of annual depreciation or $407,000 to $626,000. These amounts are larger than the existing City policy. The City should revisit system reinvestment funding and the steps needed to reach 100 percent of annual depreciation during the next rate study update.

III.B.2. Capital Funding Plan

The water utility is anticipating $6.6 million in capital costs during the study period of 2018 to 2024. Larger projects include: 297 Zone Res Design and Construction, Knittle Booster Upgrades, and the Knittle Tank Recoating. Funding for the capital identified includes cash balances (including interest), system reinvestment, Plant Investment Fee revenues, rate funding, revenue bonds, and any cash flow above what is needed to satisfy the minimum operating fund balance. **Exhibit 3.1** provides a summary of the funding sources for the capital expenditures. A detailed capital plan can be found in the Technical Appendix.

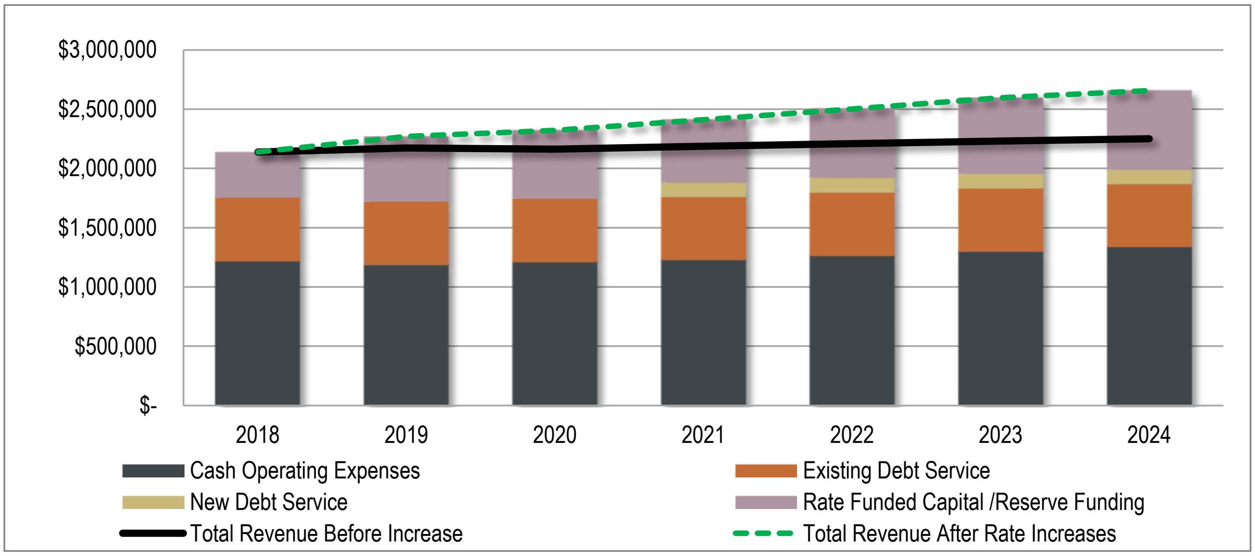
Exhibit 3.1: Water Capital Funding Summary

Funding Summary	2018	2019	2020	2021	2022	2023	2024	Total
Total Capital Costs	**$ 95,000**	**$ 883,740**	**$ 702,316**	**$ 2,402,907**	**$ 1,675,883**	**$ 683,972**	**$ 133,734**	**$ 6,577,551**
Funding Sources								
Cash Balances	$ -	$ -	$ -	$ -	$ 584,851	$ -	$ -	$ 584,851
System Reinvestment	-	273,140	349,516	1,133,017	519,921	478,172	-	2,753,766
PIF & Connection Fee Revenue	95,000	610,600	352,800	235,200	205,800	205,800	133,734	1,838,934
Revenue Bond Proceeds	-	-	-	1,034,690	365,310	-	-	1,400,000
Total Capital Funding	**$ 95,000**	**$ 883,740**	**$ 702,316**	**$ 2,402,907**	**$ 1,675,883**	**$ 683,972**	**$ 133,734**	**$ 6,577,551**

III.B.3. Summary of Revenue Requirement

The operating forecast components of O&M expenses, debt service and rate funded system reinvestment come together to form the multi-year revenue requirement. The revenue requirement compares the overall revenue available to the water system to the expenses in order to evaluate the sufficiency of rates on an annual basis. **Exhibit 3.2** provides a summary of the water system revenue requirement findings.

Exhibit 3.2: Water Utility Revenue Requirement Summary



Key findings of water revenue requirement analysis include:

- Starting in 2018, rate revenues at current levels are not sufficient to meet the water utility's existing financial obligations; the annual deficiency is $24,000 in 2018, increasing to $363,000 in 2024.
- Revenue bond proceeds totaling $1.4 million are projected in 2021. New debt service is expected to be $123,000 annually.
- To meet the total projected financial obligations of the water utility, annual rate increases are proposed at 5.00 percent in 2019, 3.00 percent in 2020 through 2023, and 1.50 percent in 2024. It should be noted that the 5.00 percent rate increase in 2019 has already been adopted. With the ever changing nature of a utility and their capital needs, it is prudent to review the rate strategy often.
- With the proposed rate adjustments the water utility is expected to meet its minimum operating, capital, and rate stabilization reserve requirements in all years of the study period. These increases will also allow the utility to stay above the minimum debt coverage requirement of 1.25 in every year. Keeping this ratio above this minimum is important, as it is a legally adopted requirement set when revenue bonds are issued.

III.C. RATE DESIGN

The principal objective of the rate design stage is to implement water rate structures that collect the appropriate level of revenue.

Establishing rates is a blend of "Art" and "Science" and especially so when it comes to the rate levels and structures. Several variables must be balanced to arrive at optimal rates. The results of the revenue requirement analysis were used by applying the aggregate revenue adjustments across-the-board (equally to all components) to the existing rate structure.

III.C.1. Existing Water Rates

The existing water rates are composed of a fixed bi-monthly charge and a variable consumption charge per 100 cubic feet (cf) for all water use above an allowance. Fixed charges and allowances vary depending on the customer's meter size, but the variable charge is the same for all customers. The City imposes an outside city multiplier of 1.45 on all customers located outside the City.

- **Exhibit 3.3** provides a summary of the existing bi-monthly water utility rates.

Exhibit 3.3: Existing Bi-Monthly Water Rates

Description	Existing Fixed
5/8" & 3/4"	$ 53.74
1"	89.70
1.5"	178.88
2"	286.30
3"	537.12
4"	895.38
Description	**Existing Variable**
	Allowance
5/8" & 3/4"	0 - 1,200 cf
1"	0 - 2,000 cf
1.5"	0 - 4,000 cf
2"	0 - 8,000 cf
3"	0 - 16,000 cf
4"	0 - 30,000 cf
	Over Allowance
All Meters $ per 100 cf	$ 3.51

Notes:

1. Outside City rates are 1.45 times the inside City rates.
2. Low income senior/disabled rates are available.

III.C.2. Proposed Water Rates

The proposed rate changes for the water utility do not include any structural changes, and the overall increases are applied equally to all rate components. **Exhibit 3.4** provides a summary of the proposed rates for the rate setting period.

Exhibit 3.4: Proposed Bi-Monthly Water Rates

Description	Existing	2019	2020	2021	2022	2023	2024
				Fixed			
5/8" & 3/4"	$ 53.74	$ 56.42	$ 58.11	$ 59.86	$ 61.65	$ 63.50	$ 64.45
1"	89.70	94.18	97.01	99.92	102.91	106.00	107.59
1.5"	178.88	187.82	193.45	199.26	205.24	211.39	214.56
2"	286.30	300.62	309.64	318.93	328.50	338.35	343.43
3"	537.12	563.98	580.90	598.33	616.28	634.76	644.29
4"	895.38	940.14	968.34	997.39	1,027.32	1,058.14	1,074.01
Description				Variable ($ per 100 cubic feet)			
	Existing	2019	2020	2021	2022	2023	2024
Allowance							
5/8" & 3/4"	0 - 1,200 cf	0 - 1,200 cf	0 - 1,200 cf	0 - 1,200 cf	0 - 1,200 cf	0 - 1,200 cf	0 - 1,200 cf
1"	0 - 2,000 cf	0 - 2,000 cf	0 - 2,000 cf	0 - 2,000 cf	0 - 2,000 cf	0 - 2,000 cf	0 - 2,000 cf
1.5"	0 - 4,000 cf	0 - 4,000 cf	0 - 4,000 cf	0 - 4,000 cf	0 - 4,000 cf	0 - 4,000 cf	0 - 4,000 cf
2"	0 - 8,000 cf	0 - 8,000 cf	0 - 8,000 cf	0 - 8,000 cf	0 - 8,000 cf	0 - 8,000 cf	0 - 8,000 cf
3"	0 - 16,000 cf	0 - 16,000 cf	0 - 16,000 cf	0 - 16,000 cf	0 - 16,000 cf	0 - 16,000 cf	0 - 16,000 cf
4"	0 - 30,000 cf	0 - 30,000 cf	0 - 30,000 cf	0 - 30,000 cf	0 - 30,000 cf	0 - 30,000 cf	0 - 30,000 cf
Over Allowance							
All Meters $ per 100 cf	$ 3.51	$ 3.69	$ 3.80	$ 3.91	$ 4.03	$ 4.15	$ 4.22

Notes:

1. 2019 Rates have already been adopted
2. Outside City rates are 1.45 times the inside City rates.
3. Low income senior/disabled rates are available.

III.D. SUMMARY

The analysis described above concludes the rate study for the water utility. After performing a revenue requirement analysis it was identified that the revenues at current levels are not sufficient to fund the planned cash needs of the utility, including the funding necessary for the planned capital program. Existing cash balances, rate funding, system reinvestment, Plant Investment Fee revenues and one new revenue bond are expected to fund the capital program in total. As a result of the cash needs of the utility, annual 3.00 percent increases in 2020 through 2023 and a 1.50 percent increase in 2024 are proposed along with the previously adopted 5.00 percent increase in 2019. These increases will be applied across-the-board to the existing rate structure as outlined above in **Exhibit 3.4**.

We recommend that the City revisit the study findings during the budget cycle to check that the assumptions used are still appropriate and no significant changes have occurred that would alter the results of the study. The City should use the study findings as a living document, continuously comparing the study outcomes to actual revenues and expenses. Any significant or unexpected changes will require adjustments to the rate strategy proposed.

The detailed technical exhibits developed as part of the water rate study can be found at the end of this report in the Technical Appendix.

Section IV. Sewer Utility

IV.A. INTRODUCTION

The City of Stanwood provides sanitary sewer services to roughly 2,100 different sewer connections. Sewage collection, treatment, and disposal are provided through a conventional gravity collection system, a treatment facility including ultraviolet disinfection, sludge stabilization ponds, and river discharge. Key elements of the City's existing infrastructure include 27 miles of gravity pipelines and force mains, 7 major pump stations, and a wastewater treatment plant with the capability of treating 1.5 million gallons of sewage per day.

IV.B. REVENUE REQUIREMENT

Similar to the water utility, a revenue requirement was completed for the sewer utility and forms the basis for the long-range financial plan and multi-year financial management strategy.

IV.B.1. Operating Forecast

The purpose of the operating forecast is to determine whether the existing rates and charges are sufficient to recover the costs the City incurs to operate and maintain the sewer system. The 2018 budget formed the baseline for this forecast. The operating forecast was developed for the 2018 through 2024 time period. The following list highlights some of the key assumptions used in the development of the sewer utility operating forecast.

IV.B.1.a Reserves

- **Operating Reserves.** A minimum balance of 16.67 percent, or 61 days, of operating and maintenance (O&M) expenses ($186,000 to $247,000) based on existing City policy.
- **Capital Contingency Reserves.** A minimum balance target of 1.00 percent of plant in service ($311,000 to $432,000) based on existing City policy. The capital contingency reserve is intended to provide a cushion against unanticipated capital projects and/or capital cost overruns.
- **Rate Stabilization Reserve.** The minimum balance for this reserve is set at 25.00 percent of revenues generated from user rates ($486,000 to $718,000). This reserve is based on an existing city policy and is to be used to supplement operating revenues in years of revenue shortfalls. This reserve must be replenished to target levels within four years of use.

IV.B.1.b Operating Revenue

- **Retail Rate Revenue.** Based on the 2018 budget and validated from the detailed customer statistics from the City's billing system. The budgeted numbers were adjusted to reflect the departure of Twin City Foods.
- **Non Rate Revenue.** Non rate revenue consists of miscellaneous revenue and other fees (based on the budget provided by the City).

- **Customer Growth.** The forecast period reflects annual growth rates that vary from 1.66 to 0.92 percent (based on discussion with City staff and expected connections to the system).
- **Interest Earnings.** A rate of 1.00 percent per year was used for all years in the forecast period (based on the current rate of the Washington Local Government Investment Pool).

IV.B.1.c O&M Expenses

- **General Cost Inflation.** 1.50 percent per year (based on five-year average historical Consumer Price Index data).
- **Construction Cost Inflation.** The provided capital improvement plan was assumed to be based on 2018 dollars. To project costs beyond 2018 an annual escalation factor of 3.00 percent per year was used (based on the five-year average Engineering News Record construction cost index).
- **Labor Cost Inflation.** 2.50 percent per year (based on recent experience at the City and discussions with City staff).
- **Benefit Cost Inflation.** 7.00 percent per year (based on recent experience at the City and discussions with City staff).
- **Additional FTE.** An additional FTE was included in the analysis. This cost was assumed to be $90,000 per year starting in 2019 and is escalated throughout the study period using a combined labor and benefits inflation factor. This escalation factor is based on the labor and benefit cost inflation described above and is weighted 30 percent towards benefits and 70 percent towards labor. This results in 3.85 percent escalation per year for the study period.
- **Public Utility and B&O Taxes.** The City calculates the public utility tax separately and adds it to the customer's bill. B&O taxes were calculated by applying the current tax rate (1.50 percent) to the applicable revenue items.

IV.B.1.d Debt Service

- **Existing Debt.** The sewer utility currently has three outstanding debt obligations all reaching maturity in 2026. Annual debt service on these obligations during the study period ranges from $577,000 to $574,000.
- **New Debt.** New debt issuances are planned during 2021 and 2023 in order to fund $13.1 million of capital expenditures scheduled for the study period. The sewer utility is expected to need $6.2 million of debt proceeds to fund these expenditures. This is expected to come in the form of revenue bonds with a term of 20 years and an interest rate of 5.00 percent. The new debt results in additional debt service that ranges from $123,000 to $542,000 per year.

IV.B.1.e Transfer to Equipment Reserve

- The City has a dedicated equipment reserve for each utility. Transfers occur every year, and follows an adopted schedule that was recently amended by the City. These transfers are weighted towards the beginning of the study period, and range from $333,000 to $97,000 per year.

IV.B.1.f System Reinvestment

- System reinvestment funding is to ensure system integrity through ongoing repair and replacement. Ideally, a detailed asset management plan would guide the level of rate funded system reinvestment, however, in absence of this level of effort, a good benchmark is an amount equal to or greater than the annual depreciation expense. An alternative to depreciation funding is depreciation net of debt principal outstanding. This approach takes into account that some of the existing debt service was used to fund renewal and replacement projects.
- The City's existing policy is to target funding depreciation net of debt principal outstanding. In order to address the aging infrastructure needs of the City this study adjusted the target to 100 percent of annual depreciation. As the City wishes to increase the amount of system reinvestment funding while also mitigating large increases to existing rates, system reinvestment funding was phased-in at 10 to 30 percent of annual depreciation or $64,000 to $311,000 during the study period. These amounts are slightly higher than the existing City policy. The City should revisit system reinvestment funding and the steps needed to reach 100 percent of annual depreciation during the next rate study update.

IV.B.2. Capital Funding Plan

The sewer utility is anticipating $13.1 million in capital costs escalated to the date of construction during the study period of 2018 through 2024. Some of the more significant capital projects include 272nd/101st – 99th, Church Creek Collection System Construction, and Biosolids. Funding for the capital projects identified includes cash balances (including interest), system reinvestment, Plant Investment Fee revenues, rate funding, developer donations, and revenue bonds. **Exhibit 4.1** provides a summary of the funding sources for the capital funding expenditures. It should be noted that there is currently no capital plan for 2024. The City should update the capital planning assumptions once they have their capital needs identified for that year. A detailed capital plan can be found in the Technical Appendix.

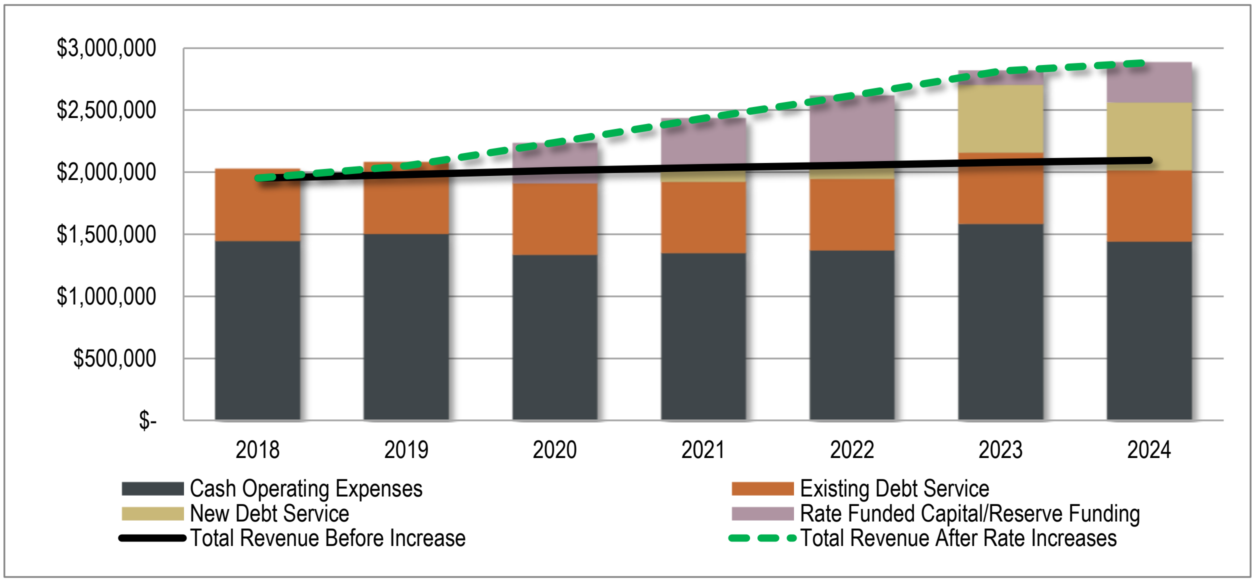
Exhibit 4.1: Sewer Capital Funding Summary

Funding Summary	2018	2019	2020	2021	2022	2023	2024	Total
Total Capital Costs	**$ 1,005,000**	**$ 943,480**	**$ 1,363,257**	**$ 2,238,998**	**$ 1,277,452**	**$ 6,256,602**	**$ -**	**$ 13,084,789**
Funding Sources								
Cash Balances	$ 522,940	$ 424,952	$ 802,318	$ 363,326	$ 826,015	$ -	$ -	$ 2,939,551
Donations/CIAC	-	-	-	-	-	1,086,240	-	1,086,240
System Reinvestment	63,500	99,968	142,379	196,632	207,277	176,202	-	885,958
PIF & Connection Fee Revenue	418,560	418,560	418,560	279,040	244,160	244,160	-	2,023,040
Revenue Bond Proceeds	-	-	-	1,400,000	-	4,750,000	-	6,150,000
Total Capital Funding	**$ 1,005,000**	**$ 943,480**	**$ 1,363,257**	**$ 2,238,998**	**$ 1,277,452**	**$ 6,256,602**	**$ -**	**$ 13,084,789**

IV.B.3. Summary of Revenue Requirement

The operating forecast components of O&M expenses, debt service and rate funded system reinvestment come together to form the multi-year revenue requirement. The revenue requirement compares the overall revenue available to the sewer system to the expenses to evaluate the sufficiency of rates. **Exhibit 4.2** provides a summary of the sewer system revenue requirement findings.

Exhibit 4.2: Sewer Utility Revenue Requirement Summary



Key findings of the sewer revenue requirement analysis include:

- Current revenue levels are not sufficient to meet existing sewer annual financial obligations. In 2018 the utility is projected to be deficient by $137,000, with the deficiency increasing to $775,000 by 2024 as new debt is added.
- Revenue bond proceeds totaling $6.2 million are projected in 2021 ($1.4 million) and 2023 ($4.8 million). New debt service is expected to range from $123,000 to $542,000 annually.
- To meet the total projected financial obligations of the sewer utility, annual rate increases are proposed at 3.50 percent in 2019, 7.50 percent per year in 2020 and 2021, 6.50 percent per year in 2022 and 2023, and 1.50 percent in 2024. It is important to note that the 3.50 percent rate increase for 2019 was previously adopted. With the ever changing nature of a utility and their capital needs, it is prudent to review the rate strategy often.
- With the proposed rate adjustments the sewer utility is expected to meet its minimum operating, capital, and rate stabilization reserve requirement in all years of the study period. These increases will also allow the utility to stay above the minimum debt coverage requirement of 1.25 in every year of the study period.

IV.C. RATE DESIGN

The principal objective of the rate design stage is to implement rate structures that collect the appropriate level of revenue as outlined by the revenue requirement.

IV.C.1. Existing Sewer Rates

The existing sewer rates consist of a fixed flat rate plus a volume rate per 100 cubic feet (cf) of flow varying by customer class. The volume rate is only charged if a customer exceeds their allowance, which is 1,200 cf in a bi-monthly period. The allowance is the same for all customer classes. In the summer months (June, July, August and September for cycle one and July, August, September, and October for cycle 2), residential customers are billed the lower of either winter average or actual usage. This approach ensures that residential customers are not billed for outdoor irrigation use that does not impact the sewer system. The City imposes an outside city multiplier of 1.45 on all customers located outside the City.

- **Exhibit 4.3** provides a summary of the existing bi-monthly sewer utility rates.

Exhibit 4.3: Existing Bi-Monthly Sewer Rates

Description		Existing Fixed
Residential		
Individual Meter	$	85.26
Master Meter (per unit)		85.26
Commercial		
Light	$	85.26
Heavy		96.92
General Industrial		108.58
Description		**Existing Variable ($ / 100 cf)**
Allowance		0 - 1,200 cf
Residential		
Individual Meter	$	5.95
Master Meter		5.95
Commercial		
Light	$	5.95
Heavy		6.92
General Industrial		7.90

Notes:

1. Outside City rates are 1.45 times the inside City rates.
2. Low income senior/disabled rates are available.

IV.C.2. Proposed Sewer Rates

The proposed rate changes for the sewer utility do not include any structural changes. Overall increases are applied equally to each rate component and rate class **Exhibit 4.4** provides a summary of the proposed rates for the study period.

Exhibit 4.4: Proposed Bi-Monthly Sewer Rates

Description	Existing	2019	2020	Fixed 2021	2022	2023	2024
Residential							
Individual Meter	$ 85.26	$ 88.24	$ 94.86	$ 101.97	$ 108.60	$ 115.66	$ 117.39
Master Meter	85.26	88.24	94.86	101.97	108.60	115.66	117.39
Commercial							
Light	$ 85.26	$ 88.24	$ 94.86	$ 101.97	$ 108.60	$ 115.66	$ 117.39
Heavy	96.92	100.30	107.82	115.91	123.44	131.47	133.44
General Industrial	108.58	112.38	120.81	129.87	138.31	147.30	149.51
Description	**Existing**	**2019**	**2020**	**Variable (per 100 cubic feet) 2021**	**2022**	**2023**	**2024**
Allowance	0 - 1,200 cf	0 - 1,200 cf	0 - 1,200 cf	0 - 1,200 cf	0 - 1,200 cf	0 - 1,200 cf	0 - 1,200 cf
Residential							
Individual Meter	$ 5.95	$ 6.16	$ 6.62	$ 7.12	$ 7.58	$ 8.07	$ 8.20
Master Meter	5.95	6.16	6.62	7.12	7.58	8.07	8.20
Commercial							
Light	$ 5.95	$ 6.16	$ 6.62	$ 7.12	$ 7.58	$ 8.07	$ 8.20
Heavy	6.92	7.17	7.71	8.29	8.82	9.40	9.54
General Industrial	7.90	8.17	8.78	9.44	10.06	10.71	10.87

Notes:

1. 2019 Rates have already been adopted
2. Outside City rates are 1.45 times the inside City rates.
3. Low income senior/disabled rates are available.

IV.D. SUMMARY

The analysis described above concludes the rate study for the sewer utility. After performing a revenue requirement analysis it was identified that the revenues at current levels are not sufficient to fund the planned $13.1 million capital program and associated new debt service. Existing cash balances, rate funding, system reinvestment, Plant Investment Fee revenues, developer donations, and new revenue bonds are expected to fund the capital program in total. As a result, annual 7.50 percent increase in 2020 and 2021, annual 6.50 percent increases in 2022 and 2023, and a 1.50 percent increase in 2024 are proposed along with a previously adopted 3.50 percent increase in 2019. These increases will be applied across-the-board to the existing rate structure as outline above in **Exhibit 4.4**.

We recommend that the City revisit the study findings during the budget cycle to check that the assumptions used are still appropriate and no significant changes have occurred that would alter the results of the study. The City should use the study findings as a living document, continuously comparing the study outcomes to actual revenues and expenses. Any significant or unexpected changes will require adjustments to the rate strategy proposed.

The detailed technical exhibits developed as part of the sewer rate study can be found at the end of this report in the Technical Appendix.

Section V. Drainage Utility

V.A. INTRODUCTION

The City of Stanwood operates a drainage system with 27 miles of stormwater collection lines, storm ditches, approximately 1,000 catch basins and 15 retention and detention ponds. The utility was established in 2006 in order to support the financial needs of the aging system. The goal of the drainage utility "is to develop and maintain a comprehensive stormwater infrastructure management program to protect property, health, and safety; to enhance quality of life; to preserve and improve the environment for the benefit of the public and to be responsive and sensitive to the needs of residents, property owners, and public partners".

V.B. REVENUE REQUIREMENT

The drainage utility revenue requirement was established similar to the other two utilities; it is developed by completion of an operating forecast that identifies future annual operating costs and a capital funding plan that defines a strategy for funding the capital improvement needs of the drainage utility on a standalone basis.

V.B.1. Operating Forecast

The purpose of the operating forecast is to determine whether the existing rates and charges are sufficient to recover the costs the City incurs to operate and maintain the drainage system. The 2018 budget formed the baseline for this forecast. The operating forecast was developed for the 2018 through 2024 time period. The following list highlights some of the key assumptions used in the development of the drainage utility operating forecast.

V.B.1.a Reserves

- **Operating Reserves.** A minimum balance of 16.67 percent, or 61 days, of operating and maintenance (O&M) expenses ($73,000 to $84,000) based on existing City policy.
- **Capital Contingency Reserves.** A minimum balance target of 1.00 percent of plant in service ($75,000 to $236,000) based on existing City policy. The capital contingency reserve is intended to provide a cushion against unanticipated capital projects and/or capital cost overruns.
- **Rate Stabilization Reserve.** The minimum balance for this reserve is set at 25.00 percent of revenues generated from user rates ($150,000 to $369,000). This reserve is based on existing city policy and is to be used to supplement operating revenues in years of revenue shortfalls. This reserve must be replenished to target levels within four years of use.

V.B.1.b Operating Revenue

- **Retail Rate Revenue.** Based on actual detailed customer statistics from the City's billing system. Customer data from 2017 was used to project 2018 revenues.

- **Customer Growth.** The forecast period reflects annual growth rates that vary from 1.41 percent to 0.77 percent (based on discussions with staff and expected connections to the system).
- **Interest Earnings.** A rate of 1.00 percent per year was used for all years in the forecast period (based on the current rate of the Washington Local Government Investment Pool).

V.B.1.c O&M Expenses

- **General Cost Inflation.** 1.50 percent per year (based on five-year average historical Consumer Price Index data).
- **Construction Cost Inflation.** The provided capital improvement plan was assumed to be based on 2018 dollars. To project costs beyond 2018, an annual escalation factor of 3.00 percent per year was used (based on the five-year average Engineering News Record construction cost index).
- **Labor Cost Inflation.** 2.50 percent per year (based on recent experience at the City and discussions with City staff).
- **Benefit Cost Inflation.** 7.00 percent per year (based on recent experience at the City and discussions with City staff).
- **B&O Taxes.** The City calculates B&O taxes on rate revenues separately and adds them to the customer’s bill. B&O taxes on non-rate revenues were calculated by applying the current tax rate (1.50 percent) to the applicable revenue items.

V.B.1.d Debt Service

- **Existing Debt.** The drainage utility does not currently have any debt liabilities.
- **New Debt.** New debt issuances are planned for 2019, 2021, and 2023 in order to fund the $16.4 of expected capital projects during the study period. Through 2024, the drainage utility is forecast to need $8.5 million in debt proceeds. This is expected to come in the form of revenue bonds with a term of 20 years and an interest rate of 5.00 percent. The new debt results in annual debt service ranging from $70,000 to $750,000.

V.B.1.e Transfer to Equipment Reserve

- The City has an equipment reserve for each utility. Transfers follow an adopted schedule that was recently amended by the City. These transfers are weighted towards the beginning part of the study period and range from $112,000 to $26,000.

V.B.1.f System Reinvestment

- System reinvestment funding is to ensure system integrity through ongoing repair and replacement. Ideally, a detailed asset management plan would guide the level of rate funded system reinvestment, however, in absence of this level of effort, a good benchmark is an amount equal to or greater than the annual depreciation expense. An alternative to depreciation funding is depreciation net of debt principal outstanding. This approach takes into account that some of the existing debt service was used to fund renewal and replacement projects.
- The City’s existing policy is to target funding depreciation net of debt principal outstanding. In order to address the aging infrastructure needs of the City this study adjusted the target to 100 percent of annual depreciation. As the City wishes to mitigate larger rate increases, system

reinvestment funding was phased-in at 5 to 17 percent of annual depreciation or $11,000 to $118,000 during the study period. These amounts are below the current policy, but result in more favorable rate impacts. The City should revisit system reinvestment funding and the steps needed to reach 100 percent of annual depreciation during the next rate study update.

V.B.2. Capital Funding Plan

The drainage utility is anticipating $16.4 million in capital costs from 2018 through 2024 inflated to date of construction. This program is primarily driven by the Irvine Slough Stormwater Separation project, which represents $9.9 million of the total capital program during the study period. Funding for the capital identified includes cash balances (including interest), system reinvestment, Plant Investment Fee revenues, rate funding, grants, and revenue bonds. As directed by the City, this analysis assumes that 65.00 percent of the Irvine Slough Stormwater Separation project is funded through grant proceeds. **Exhibit 5.1** provides a summary of the funding sources for the capital funding expenditures. A detailed capital plan can be found in the Technical Appendix.

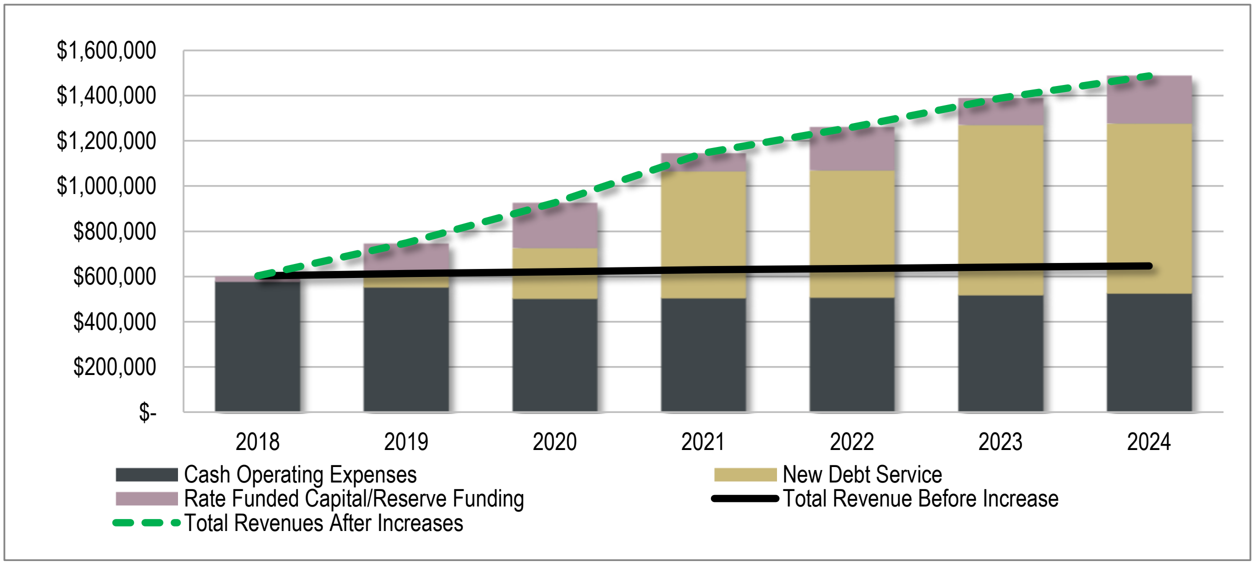
Exhibit 5.1: Drainage Capital Funding Summary

Funding Summary	2018	2019	2020	2021	2022	2023	2024	Total
Total Capital Costs	**$ 355,000**	**$ 1,802,500**	**$ 3,272,134**	**$ 3,239,209**	**$ 2,264,524**	**$ 2,769,263**	**$ 2,737,860**	**$ 16,440,490**
Funding Sources								
Cash Balances	$ -	$ -	$ 226,508	$ -	$ 93,960	$ -	$ 26,011	$ 346,478
Grants	355,000	749,500	1,241,253	710,273	731,581	1,507,056	1,552,268	6,846,931
System Reinvestment	-	110,780	16,233	21,632	71,137	84,061	117,588	421,432
PIF & Connection Fee Revenue	-	120,240	60,120	40,080	35,070	35,070	35,070	325,650
Revenue Bond Proceeds	-	821,980	1,728,020	2,467,224	1,332,776	1,143,076	1,006,924	8,500,000
Total Capital Funding	**$ 355,000**	**$ 1,802,500**	**$ 3,272,134**	**$ 3,239,209**	**$ 2,264,524**	**$ 2,769,263**	**$ 2,737,860**	**$ 16,440,490**

V.B.3. Summary of Revenue Requirement

The operating forecast components of O&M expenses, debt service and rate funded system reinvestment come together to form the multi-year revenue requirement. The revenue requirement compares the overall revenue available to the drainage system to the expenses to evaluate the sufficiency of rates. **Exhibit 5.2** provides a summary of the drainage system revenue requirement findings.

Exhibit 5.2: Drainage Utility Revenue Requirement Summary



Summary of drainage revenue requirement:

- Rate revenues at current levels are not sufficient to meet the drainage utility's anticipated financial obligations on an annual basis. The annual deficiency is projected at $75,000 in 2018, increasing to $747,000 by 2024 and is being driven by the capital needs and associated new debt service.
- Revenue bond proceeds totaling $8.5 million are projected during the study period (issuances in 2019, 2021, and 2023). New debt service is expected to range from $70,000 growing to $750,000 as more debt is issued.
- To meet the total projected financial obligations of the drainage utility and allow for a self-sufficient utility, annual rate increases are proposed at 22.25 percent in 2019 through 2021, 9.25 percent in 2022 and 2023, and 6.25 percent in 2024. With the ever changing nature of a utility and their capital needs, it is prudent to review the rate strategy often.
  - It is important to note that the City is assuming that 65.00 percent of the Irvine Slough Stormwater Separation project is funded through grants. If this level of funding does not occur, the City will need to update the capital funding plan and rate strategy.
- With the proposed rate adjustments the drainage utility is expected to meet its minimum operating, capital, and rate stabilization reserve requirements in all years of the study period except in 2018. In 2018 the rate stabilization reserve drops below target by approximately $30,000 before recovering to target levels in 2019. These increases will also allow the utility to stay above the minimum debt coverage requirement of 1.25 in every year. Keeping this ratio above minimum is important, as it is a legally adopted requirement set when revenue bonds are issued.

V.C. RATE DESIGN

The principal objective of the rate design stage is to develop equitable rate structures that collect the appropriate level of revenue as outlined by the revenue requirement. An alternative rate structure was developed for the drainage utility, which assesses the drainage fees on an Equivalent Residential Unit (ERU) basis based on the impervious surface area of each customer.

V.C.1. Existing Drainage Rates

The existing bi-monthly drainage rate varies by class of service and includes up to 10,000 square feet of area. Multi Family and business customers are assessed on a per unit basis. An additional Improvement Land fee is assessed for each 20,000 square feet or part therefore of land improved with hard-surfaced parking lots, or other facilities or structures. **Exhibit 5.3** provides a summary of the existing bi-monthly drainage utility rates.

Exhibit 5.3: Existing Bi-Monthly Drainage Rates

Description	Existing Fixed
Single Family	$ 24.50
Multi-Family (per unit)	18.90
1 & 2 Unit Commercial	50.80
3+ Unit Commercial (per unit)	16.90
Improved Land ($ / 20,000 sf of impervious surface)	50.80

Notes:

1. Low income senior/disabled rates are available.

V.C.2. Proposed Drainage Rates

To align with the impacts a customer places on the drainage system, the City elected to implement an impervious surface area based rate structure. This structure creates a standard of charging that quantifies how the amount of impervious surface area impacts the environment through flooding, changes in water quality, and habitat degradation. The fee structure basis proportionately charges customers their share of the system's cost burden and provides an equitable, defensible means of cost recovery. The most common rate structure for drainage systems is to charge customers based on impervious surface area, the hard surface area that prevents or impedes the permeation of water into the ground. Impervious surface area is often measured in Equivalent Residential Units (ERUs).

The City contracted RH2 Engineering to calculate the residential average of impervious square footage for the drainage system. This analysis was based on 152 randomly selected parcels. Based on this analysis, an ERU is defined as 3,500 square feet of impervious surface area. Under the proposed new rate structure, each single family customer is considered one ERU. All non-single family customers are assessed based on the square feet of impervious surface area divided by 3,500 square feet per ERU.

Exhibit 5.4 provides a summary of the proposed bi-monthly rates for the study period.

Exhibit 5.4: Proposed Bi-Monthly Drainage Rates

Description	2019	2020	2021	2022	2023	2024
Single Family	$ 28.39	$ 34.70	$ 42.43	$ 46.35	$ 50.64	$ 53.80
Multi-Family (per ERU)	28.39	34.70	42.43	46.35	50.64	53.80
Non-Residential (per ERU)	28.39	34.70	42.43	46.35	50.64	53.80

Notes:

1. Low income senior/disabled rates are available.

V.D. E. SUMMARY

The analysis described above concludes the drainage utility rate study. After completing the study, it was determined that existing rate levels are not sufficient to meet total drainage utility financial obligations, largely due to the planned capital projects. These projects are expected to require $8.5 million of debt proceeds, which are assumed to be issued as revenue bonds. In order to support the capital improvement program and associated debt service, annual rate increases of 22.25 percent are proposed in 2019 through 2021 followed by 9.25 percent in 2022 and 2023, and a 6.25 percent in 2024. It is important to note that the City is assuming that 65.00 percent of the Irvine Slough Stormwater Separation project is funded through grants. If this level of funding does not occur, the City will need to update the capital funding plan and rate strategy.

In addition to the overall revenue needs, the City's bi-monthly rates were modified to an impervious surface area based structure. Under this structure every customer would pay on a per ERU basis, where one ERU is equal to 3,500 square feet of impervious surface area – all single family customers would be classified as one (1) ERU.

We recommend that the City revisit the study findings during the annual budget cycle to check that the assumptions used are still appropriate and no significant changes have occurred that would alter the result of the study. The City should use the study findings as a living document, continuously comparing the study outcomes to actual revenues and expenses. Any significant or unexpected changes will require adjustments to the rate strategy proposed.

The detailed Technical Appendix developed as part of the drainage rate study can be found at the end of this report.

Section VI. Plant Investment Fees

VI.A. INTRODUCTION

"Plant Investment (or connection) Fee" (PIF) is a generic term referring to charges imposed as a condition of connecting to a utility system. Plant Investment Fees differ from installation fees in that they are intended as a means of ensuring that new customers bear their equitable share of the infrastructure investment that serve all customer, and are not direct reimbursement for out-of-pocket costs to connect that customer. It is assumed that PIFs are imposed in addition to meter charges, labor and material charges, tap fees, inspection fees, or other non-capital charges related to the immediate expense of connecting to a new service.

VI.B. METHODOLOGY

The purpose of the "Plant Investment Fee" is twofold:

1. To provide a source for capital financing; and
2. To equitably recover the proportionate share of utility infrastructure assets from new customers.

In the absence of PIFs, growth-related costs would be borne in large part by existing customers. Revenues generated from the PIFs can be used to fund capital projects or to pay debt service incurred to finance capital projects, but cannot be used to pay operating and maintenance costs.

There are several documented approaches used in the industry to establish a PIF that is legally defensible if designed properly. The ultimate approach selected by the City is a matter of policy. It is important that the City follow a methodical and rational approach to consistently determine and implement cost-based PIFs.

Since the calculated charges represent the maximum allowable charge, the City may choose to implement a charge at any level up to the calculated charge. Revenues generated from the charge will vary depending upon whether or not the full charge is implemented (e.g. phase-in strategies). The lower the charge and longer the phase-in period, the less revenue will be collected and available to help pay the cost of these facilities. This loss in revenue could result in delays in completing the capital improvement program and/or result in increased costs to the City's existing ratepayers.

The costs of the system to be recovered by PIFs can be defined in two parts:

1. Existing Cost Basis – recovers existing costs of the system; and
2. Future Cost Basis – recovers expected future costs of the system.

VI.B.1. Existing Cost Basis

The existing cost basis portion of the charge developed in this study is based on facilities of general benefit, such as storage reservoirs, transmission mains, interceptor trunk lines, etc. It is intended to recognize the current ratepayers' net investment in estimated original cost of the non-donated system assets and the accumulated interest on that investment. For Washington cities and towns, State statue

(RCW 35.92.025) and subsequent legal interpretations provide a guideline for connection charges which suggest that such charges should reflect the actual original cost of the utility system, and can include interest on that cost at the rate applicable at the time of construction. Interest can be accumulated for a maximum of ten years from the date of construction, and cannot exceed the original cost of the asset. In addition, outstanding debt principal (less any cash available to buy down debt) is deducted from plant-in-service because new customers will pay their share of debt service through user rates. Donated assets are also excluded, recognizing that the City was not responsible for paying for these assets. For this study, the existing cost basis for each utility is based on a combination of the City's record of system assets as well as annual asset additions (when detailed records were not available) for year-end 2017.

VI.B.2. Future Cost Basis

The future cost basis portion of the charge is intended to generate capital funds toward new capital projects. The statue enabling connection charges for cities and towns (RCW 35.92.025) does not specifically address a charge based on planned future improvements. Common practice and legal opinion suggest that future facilities needed to serve growth, as well as to provide for regulatory system improvement, can be included in the connection charge.

Projects directly funded by developers or special property assessments are not included in the calculation. For this study, the City provided a capital improvement program from 2018 through 2027 for both the water and drainage utilities, and from 2018 through 2023 for the sewer utility. All of the capital programs are for a shorter time period than the typical twenty year plan, which decreases the potential future cost portion of the PIF.

VI.C. WATER PLANT INVESTMENT FEE

VI.C.1. Existing Cost Basis

The existing cost basis for the water utility includes the following components:

- **Utility Plant in Service** – based on City records, the water utility total fixed assets equal $33.7 million.
- **Less: CIAC (Contributions in Aid of Construction)** – the total original cost is reduced to recognize known third party contributions. The outside contributions, which include grants and developer extensions, provide a source of capital at no new cost to the City's ratepayers. The net investment by the City deducts external contributions in the amount of $9.5 million.
- **Less: Cedarhome Assets** – represents the cost of the reservoir included in the Cedarhome benefit area. This area has an additional connection charge which aims to recoup the costs of this asset. As most the utility's ratepayers do not benefit or use this asset, it should not be included in the Plant Investment Fee. The total amount that is deducted is $2.5 million.
- **Less: Net Debt Principal Outstanding** – as of the end of 2018, the utility had approximately $4.5 million in long term debt instruments outstanding and $2.0 million in cash reserves in the operating, capital, and rate stabilization reserves. The net amount (debt principal less reserves) was deducted from the cost basis to recognize the fact that existing reserves can be used to cover debt service outstanding if necessary. The overall deduction is made to avoid double counting of assets, which are being paid for through annual debt service in bi-monthly rates.

- **Plus: Interest on Non-Contributed Plant** – as allowed by the statute, the cost basis includes $10.9 million in interest accrued on non-contributed assets for a period of up to ten years. This was calculated by applying the appropriate interest rate, depending on the age of the asset, to the original cost of the asset. Interest rates used for this analysis come from the Bond Buyers Index.

Bringing the various components discussed above together result in an existing cost basis water PIF of $29.7 million.

VI.C.2. Future Cost Basis

The water utility's 2018 through 2028 capital plan identified $6.6 million in capital project costs. City staff allocated $3.3 million of the total cost to repair and replacement projects, which are deducted from the future cost basis as described in VI.B.2 Future Cost Section above. The resulting net future cost basis includes $3.3 million in capital associated with expansion and upgrade projects.

VI.C.3. System Capacity

As the utility's customers impose different demands on the water system, the PIF calculation uses the concept of Meter Capacity Equivalents (MCEs) to "standardize" the customer base. An MCE compares the total flow capacity of different meter sizes in comparison to the capacity of the smallest meter size used by the water utility, which in the case of the City is a 5/8" meter. Converting the 2016 customer accounts by meter size, using the 5/8" flow basis, results in the existing customer base of 3,424 MCEs.

The City's Comprehensive Water System Plan was used to estimate the future growth to be served by the capital programs included in the charge. The plan identifies the limiting capacity of growth to be storage related. By completing the assumed capital program, the City would increase their storage capacity of the existing water system. The Comprehensive Plan estimates that the capital program, when completed, would increase capacity by 39 percent. This cumulative growth rate was applied to the existing customer base of 3,423 MCEs, which is based on the customer billing data. This yields an additional 1,352 MCEs, for a total system capacity of 4,774 MCEs.

VI.C.4. Water Plant Investment Fee Calculation

The water PIF calculation includes the following components:

- **Existing Cost Basis** – The existing cost basis of $29.7 million is divided by a total of 4,744 MCEs. This produces an existing facilities charge of $6,218 per MCE.
- **Future Cost Basis** – The future cost basis of $3.3 million is divided by the total system capacity of 4,774 MCEs. This produces a future facilities charge of $693 per MCE.

Combining the existing and future cost bases generates a water PIF of $6,912 per MCE. **Exhibit 6.1** provides an updated schedule of the PIFs based on meter size.

Exhibit 6.1: Summary of Proposed Water PIFs

Meter Size	Proposed PIF
5/8" & 3/4"	$ 6,912
1"	17,279
1 1/2"	34,558
2"	55,294
3"	110,587
4"	172,792
6"	345,585
8"	552,936

As stated in the methodology section, it is important to note that the calculated charge is a maximum allowable "ceiling" and the City can choose to set a PIF below that ceiling. If the City does not set the charge at the calculated level, the difference in revenue generated from PIF revenues will have to be recovered through existing user rates. In addition, the costs used in the charge calculation are based on "today's" dollars. The City can escalate the charge annually with an accredited inflation index, such as the Engineering News Record (ENR).

VI.D. SEWER PLANT INVESTMENT FEE

VI.D.1. Existing Cost Basis

The existing cost basis for the sewer utility includes the following components:

- **Utility Plant in Service** – based on City records, the sewer utility total fixed assets equal $30.1 million.
- **Less: CIAC (Contributions in Aid of Construction)** – the total original cost is reduced to recognize known third party contributions. The outside contributions, which include grants and developer extensions, provide a source of capital at no new cost to the City's ratepayers. The net investment by the City deducts external contributions equal to $10.9 million.
- **Less: Net Debt Principal Outstanding** – as of the end of 2018, the utility had approximately $3.7 million in long term debt instruments outstanding and $3.2 million in cash reserves in the operating, capital, and rate stabilization reserves. The net amount (debt principal less reserves) was deducted from the cost basis to recognize the fact that existing reserves can be used to cover debt service outstanding if necessary. The overall deduction is made to avoid double counting of assets, which are being paid for through annual debt service in bi-monthly rates.
- **Plus: Interest on Non-Contributed Plant** – as allowed by the statute, the cost basis includes $8.1 million in interest accrued on non-contributed assets for a period of up to ten years. This was calculated by applying the appropriate interest rate, depending on the age of the asset, to the original cost of the asset. Interest rates used for this analysis come from the Bond Buyers Index.

Bringing the various components discussed above together, the existing cost basis sewer PIF results in $25.3 million.

VI.D.2. Future Cost Basis

The sewer utility's 2018 through 2023 capital plan identified $10.9 million in capital project costs. City staff allocated $8.4 million of the total cost to repair and replacement projects, which are deducted from the future cost basis as described above. The resulting net future cost basis includes $2.4 million in capital associated with expansion and upgrade projects.

VI.D.3. System Capacity

The City's customers can impose significantly different demands on the sewer system, the PIF calculation uses the concept of equivalent residential units (ERUs) to "standardize" the customer base. An ERU is generally defined as a single-family residential unit; other customer types of uses are then defined relative to the usage characteristics of a single family residential unit.

The City's Comprehensive Sewer System Plan identified an ERU to be 290 gallons per day. This Plan estimated that there are 2,614 ERUs connected to the system in 2018. Future limiting capacity, associated with flow, was identified at 3,593 ERUs, an additional 979 ERUs.

VI.D.4. Sewer Plant Investment Fee Calculation

The sewer PIF calculation includes the following components:

- **Existing Cost Basis** – The existing cost basis of $25.3 million is divided by a total of 3,593 ERUs. This produces an existing facilities charge of $7,043 per ERU.
- **Future Cost Basis** – The future cost basis of $2.4 million is divided by the total system capacity of 3,593 ERUs. This produces a future facilities charge of $676 per ERU.

Combining the existing and future cost bases generates a sewer PIF of $7,719 per ERU.

As stated previously, it is important to note that the calculated charge is a maximum allowable "ceiling" and the City can choose to set a PIF below that ceiling. If the City does not set the charge at the calculated level, the difference in revenue generated from PIF revenues will have to be recovered through existing user rates. In addition, the costs used in the charge calculations are based on "today's" dollars. The City can escalate the charge annually with an accredited inflation index, such as the Engineering News Record (ENR).

VI.E. DRAINAGE PLANT INVESTMENT FEE

VI.E.1. Existing Cost Basis

The existing cost basis for the drainage utility includes the following components:

- **Utility Plant in Service** – based on City records, the drainage utility total fixed assets equal $7.2 million
- **Less: CIAC (Contributions in Aid of Construction**) – the total original cost is reduced to recognize known third party contributions. The outside contributions, which include grants and developer extensions, provide a source of capital at no new cost to the City's ratepayers. The net investment by the City deducts external contributions equal to $3.8 million.

- **Plus: Interest on Non-Contributed Plant** – as allowed by the statute, the cost basis includes $1.1 million in interest accrued on non-contributed assets for a period of up to ten years. This was calculated by applying the appropriate interest rate, depending on the age of the asset, to the original cost of the asset. Interest rates used for this analysis come from the Bond Buyers Index.

Bringing the various components discussed above together, the existing cost basis drainage PIF results in $4.1 million.

VI.E.2. Future Cost Basis

The drainage utility's 2018 through 2027 capital plan identified $21.0 million in capital project costs. City staff allocated $15.9 million of the total cost to repair and replacement projects, which are deducted from the future cost basis as described as described above. Secured grants in the amount of $435,000 were also deducted from the cost basis. The resulting net future cost basis includes $4.7 million in capital projects.

VI.E.3. System Capacity

The drainage customer base needs to be "standardized" in order to calculate the PIF. Customers were converted into equivalent residential units (ERUs), which was based on the assumption that one single family home is 3,500 square feet of impervious surface. Other customer types are then defined relative to the characteristics of a single family residential unit.

The City's current definition of a drainage ERU, customer statistics, and the impervious surface data for the system yields approximately 4,253 existing ERUs. Based on the 2015 Stormwater Comprehensive Plan, it was assumed that the capital improvement program identified in the plan would provide capacity through 2035. Applying the compounded growth rate between the City and Unincorporated Growth Area (UGA) from 2018 to 2035 to the current ERUs produces 1,957 additional ERUs for a total system capacity of 6,209 ERUs.

VI.E.4. Drainage Plant Investment Fee Calculation

The drainage PIF calculation includes the following components:

- ***Existing Cost Basis*** **–** The existing cost basis of $4.1 million is divided by a total of 6,209 ERUs. This produces an existing facilities charge of $664 per ERU.
- ***Future Cost Basis*** **–** The future cost basis of $4.7 million is divided by the total system capacity of 6,209 ERUs. This produces a future facilities charge of $750 per ERU.

Combining the existing and future cost bases generates a drainage PIF of $1,414 per ERU.

The calculated charge is a maximum allowable "ceiling" and the City can choose to set a PIF below that ceiling. If the City does not set the charge at the calculated level, the difference in revenue generated from PIF revenues will have to be recovered through existing user rates. In addition, the costs used in the charge calculation are based on "today's" dollars. The City can escalate the charge annually with an accredited inflation index, such as the Engineering News Record (ENR).