1. Agenda

    Documents:

    9-27-18 AGENDA.PDF

2. Meeting Materials

    Documents:

    5A OUTSTANDING WASTEWATER TREATMENT PLANT.PDF
    6A POLICE COMPSTAT REPORT AUGUST 2018.PDF
    6B PUBLIC WORKS MONTHLY REPORT.PDF
    6C LIBRARY BOARD MINUTES.PDF
    7A FINANCE COMMITTEE MINUTES.PDF
    7B PUBLIC WORKS COMMITTEE MINUTES.PDF
    8A VOUCHERS.PDF
    8B 9-13-18 REGULAR MEETING MINUTES.PDF
    8C SET BUDGET WORKSHOP.PDF
    8D STANWOOD REIMBURSEMENT RESOLUTION.PDF
    9A COMMUNITY RESOURCE FOUNDATION LEASE AGREEMENT.PDF
    9B UTILITY RATE STUDIES.PDF
    9C CITY ADMINISTRATOR POSITION.PDF
    10A BUSINESS LICENSE CODE AMENDMENT.PDF

AGENDA
CITY COUNCIL REGULAR MEETING
Thursday, September 27, 2018 – 7:00 p.m.

Stanwood-Camano School District
Administration Building Board Room
26920 Pioneer Highway, Stanwood, WA 98292

1. CALL TO ORDER AND PLEDGE OF ALLEGIANCE

2. ROLL CALL

3. APPROVAL OF THE AGENDA

4. CITIZEN COMMENTS

5. PRESENTATION
   a. Outstanding Wastewater Treatment Plant Award for 2017

6. STAFF REPORTS
   a. Police Compstat Report – August 2018
   b. Public Works Monthly Report – August 2018
   c. Library Board Meeting Minutes – September 10, 2018

7. COMMITTEE REPORTS
   a. Finance
   b. Public Works

8. CONSENT AGENDA
   a. Approve Vouchers and Payroll Checks
   b. Approve September 13, 2018 Regular Meeting Minutes
   c. Set Budget Workshop Meeting - October 22, 2018
   d. Adopt Resolution 2018-21 Authorizing the Finance Director to Make Declarations of Official Intent – Reimbursement Resolution

9. NEW BUSINESS
   a. Lease Agreement with Community Resources Foundation
   b. Water, Sewer, and Drainage Utility Rate Updates
   c. Acceptance of City Administrator Contract

10. PUBLIC HEARING
   a. To Hear Public Testimony regarding Business License Procedures Code Amendment
      i. Business License Procedures Code Amendment Ordinance 1462

11. REPORTS OF OFFICERS AND COMMITTEES
   a. Mayor's Report
   b. City Administrator's Report
   c. Councilmember Reports/Questions

12. CITIZEN CLOSING COMMENTS

13. ADJOURN

Upcoming Meetings:
October 11, 2018 Regular Meeting
October 25, 2018 Regular Meeting

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	5a
DATE:	September 27, 2018
SUBJECT:	Outstanding Wastewater Treatment Plant Award for 2017
CONTACT PERSON:	Tania Hawes, Deputy Clerk
ATTACHMENTS:	A – Wastewater Treatment Plant Award Letter

Issue

Stanwood's Wastewater Treatment Plant was awarded the Outstanding Wastewater Treatment Plant Award for 2017 from the State of Washington Department of Ecology. The City has received this award every year since 2006, with the exception of 2014.

Wastewater Treatment Plant Award Plaque

As Mayor of the City of Stanwood, and on behalf of its residents, I would like to join the City Council in recognizing the Public Works department for their service to our community.

ATTACHMENT A

STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY
Northwest Regional Office • 3190 160th Avenue SE • Bellevue, Washington 98008-5452 • (425) 649-7000

September 10, 2018

The Honorable Leonard Kelley
Mayor, City of Stanwood
10220 - 270th St. NW
Stanwood, WA 98292

Re: Outstanding Wastewater Treatment Plant Award for the City of Stanwood Wastewater Treatment Plant under National Pollutant Discharge Elimination System (NPDES) Permit #WA0020290

Dear Mayor Kelley:

Congratulations on receiving the Outstanding Wastewater Treatment Plant Award for 2017. The Department of Ecology's Northwest Regional Office commends the City of Stanwood for the superior performance of its wastewater treatment plant. The outstanding record of the Stanwood Wastewater Treatment Plant places it among the top municipal wastewater treatment plants in Washington based on effluent limits, submittals, and overall plant compliance.

We appreciate the hard work and commitment that goes into compliance. Operations and maintenance, engineering, administrative support and management all contribute to fulfill the terms and conditions of your NPDES permit.

The Stanwood Wastewater Treatment Plant team should be commended for their dedication, resourcefulness, and award-winning efforts. It is a great accomplishment to operate and maintain a wastewater treatment plant in top-running order 24 hours a day, 365 days a year.

Ecology and the State of Washington are grateful for your community's contribution to safeguarding the valuable environmental, social, and economic benefits of Washington State's waters. We look forward to continuing excellence in the years to come.

Please present the enclosed plaque to the operating staff of the treatment plant.

Thank you for working with us to protect Washington State's water quality.

Sincerely,

Rachel McCrea

Rachel McCrea
Water Quality Section Manager
Northwest Regional Office

cc: Kevin Hushagen, Public Works Director
Leigh Danielson, WWTP Operator
Amy Jankowiak, Ecology Compliance Specialist
Lazaro Eleuterio, Ecology Permit Manager
Central Files: Stanwood Wastewater Treatment Plant; Permit No. WA0020290; WQ 7.1

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	6a
DATE:	September 27, 2018
SUBJECT:	Police August 2018 Compstat Report
CONTACT PERSON:	Peggy Girard, Police Records Clerk
ATTACHMENTS:	A – August 2018 Compstat Report

SUMMARY STATEMENT

Attached is the August 2018 Compstat Report for council review.

ATTACHMENT A

Stanwood Police Department

August 2018

Administrative Personnel

Chief Norm Link
Sergeant Jason Toner
Peg Girard – Stanwood City Employee
Amanda Slattery – Stanwood City Employee

Operational Personnel

	Assigned	Vacancies	Percentage
Sergeants	2	0	100%
MPD	0	0	N/A
Deputies	6	0	100%
SRO	1	0	100%
Detectives	1	0	100%
Total	10	0	100%

Area of Operation

The City of Stanwood contracts its police services through the Snohomish County Sheriff's Office. The population for Stanwood is currently 6,635, however due to the makeup of the community the service population is 40,000+. Stanwood's city limit encompasses 2.8 square miles.

COMPSTAT REPORT

Type of Crime	August 2018	Year To Date 2018	August 2017	Year to Date 2017
Homicide	0	**0**	0	**0**
Rape	0	**2**	1	**2**
Robbery	0	**3**	0	**3**
Assault	2	**30**	3	**34**
Burglary	5	**15**	4	**21**
Larceny	6	**63**	21	**110**
Motor Vehicle Theft	0	**12**	2	**14**
General	**August 2018**	**Year To Date 2018**	**August 2017**	**Year To Date 2017**
Calls for Service (Incidents)	637	**5022**	686	**5832**
Case Reports	42	**374**	71	**486**
Traffic Collisions	11	**88**	8	**71**
Arrests (Adult/Juvenile)	7	**113**	17	**152**
Drug Arrests	0	**12**	2	**17**
Warrant Arrests	1	**18**	3	**24**
Impaired Driving	1	**4**	0	**9**
Infractions Issued	7	**59**	16	**142**
Public Disclosure Requests	46	**313**	35	**260**
Concealed Pistol Licenses	39	**423**	49	**309**
Fingerprinting & Approx. timeframe	41 @10 ¼ hrs	**338 @84 ½ hrs**	47 @ 11 ¾ hrs	**271 @ 70 ¾ hrs**

City Collisions for August Totals: 11

Date	Case Number	Location	H & R	Injured	Reason
8/1/2018	2018-4417	8700 Block 272nd St NW	x		Hit & Run
8/7/2018	2018-4552	9200 Block 271nd St NW	x		Hit & Run
8/8/2018	2018-4532	26700 Block Pioneer Hwy		x	Faulty Brakes
8/13/2018	2018-4611	28400 Block 283rd St NW	x		Hit & Run
8/14/2018	2018-4640	9200 Block SR 532			Failure to Yield
8/21/2018	2018-4786	8000 Block Pioneer Hwy			Inattentive Driving
8/21/2018	2018-4787	8000 Block Pioneer Hwy			Failure to Stop
8/24/2018	2018-4856	7200 Block 72nd Ave NW			Failure to yield
8/28/2018	2018-4951	27400 Block 276th St NW			Failure to Stop
8/30/2018	2018-5004	7100 Block 288th St NW	x		Inattentive Driving
8/31/2018	2018-5022	26700 Block 72nd Ave NW			Failure to Yield

Stanwood School Dist. Resource Officer (SRO) Activity Report.
August 2018

School is out for the summer

DETECTIVE REPORT

August, 2018

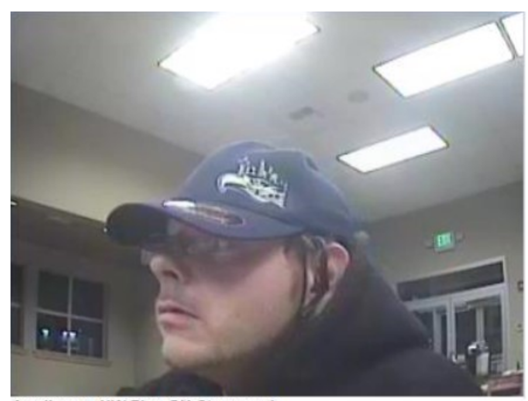
Robbery Suspect Pleads Guilty

During the early morning hours of 12-28-17 a male armed with a silver revolver robbed the Stanwood AM/PM store. The same male robbed the Stanwood AM/PM store with the same gun during the early morning hours of 12-31-17.

On 01-08-18 a male armed with a silver revolver attempted to rob a 7-11 store in Burlington, but the clerk refused to give him any money. The suspect dropped a scanner radio as he was fleeing the scene. The suspect was later identified through DNA testing.

On 01-12-18 a male robbed the Stanwood Northwest Plus Credit Union after giving a note to the teller. The note advised that he had a gun and demanded money. Images of the suspect were broadcast on the news and posted on social media.

On 01-13-18 the bank robbery suspect was identified as Colt J. Borgeson. Over the following couple days of investigation, Colt was confirmed to be the suspect in the Stanwood AM/PM robberies.


Appliance: NW Plus CU Stanwood
Camera: 2. Teller 2
Time: 01/12/2018 5:45:12 PM

Detective Martin learned that similar convenience store robberies involving a male armed with a silver revolver had been reported in Everett and Marysville.

On 01-16-18 the defendant (Colt) was arrested in the Seattle area and booked into the Snohomish County Jail on three counts of Robbery First Degree associated with the incidents in Stanwood.

On 08-22-18 the defendant pleaded guilty to one count of Robbery First Degree for the Stanwood AM/PM robberies, one count of Robbery First Degree for the Stanwood bank robbery and one count of Attempted Robbery for the Burlington convenience store attempted robbery. The defendant also agreed to pay restitution to the victim's in the Everett robberies with an agreement that he would not be charged for those crimes in the future.

The defendant is expected to be sentenced to 87 months in prison.

Bomb Squad Visits National Children's Burn Camp

On 08-07-18 Everett Police Detective Atwood and Stanwood Police Detective Martin participated in the Washington State Patrol Inter-Agency Bomb Squad's annual display at the 2018 National Burned Children's Camp at Camp Phoenix in Bellingham. The kids enjoyed a tour of the bomb truck and associated equipment.

Community Engagement

On 08-22-18 Deputy Jensen and Detective Martin met with the Hilltop Apartment managers at the apartment complex to address recent complaints of drug activity in the area. While the apartment managers were conducting routine inspections, Deputy Jensen and Detective Martin met with individual tenants to discuss their concerns and documentation of suspicious activity that would assist the apartment complex management and police in their efforts to address the issues.

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	6b
DATE:	September 27, 2018
SUBJECT:	Public Works Monthly Report – August 2018
CONTACT PERSON:	Lisa Sokolik, Administrative Assistant
ATTACHMENTS:	A – August Activity Reports

SUMMARY STATEMENT

The attached information shows tasks and activities associated with operations in the Public Works Department for the month of August 2018. This report includes the following:

- Water production
- Leak repairs
- Wastewater Treatment Plant testing and efficiency
- Work requested and completed in the Parks, Street, Drainage, and Buildings and Grounds divisions
- Volunteer hours
- Waste Management activity

WELL PRODUCTION for 2018

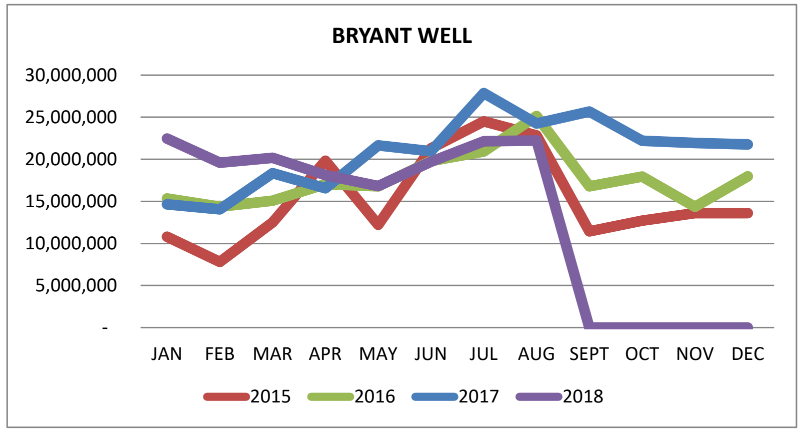
	BRYANT WELL FIELD TREATMENT PLANT		CEDARHOME WELL									
MONTH	RUN TIME HOURS	GALLONS PRODUCTION	RUN TIME HOURS	GALLONS PRODUCTION	TOTAL PRODUCED	FLUSHES GALLONS	OTHER AUTHORIZED USAGE	USAGE BILLED	UNACCOUNTED FOR WATER IN GALLONS	LEAK LOCATIONS	HRS TO FIX	Cedarhome Well Rainfall inches
JAN	317	22,466,000	0	-	22,466,000	1,000,000	39,699	23,697,668	-2,271,367			12.4
FEB	296	19,596,000	0		19,596,000	2,000,000	26,031	14,180,550	3,389,419			14.4
MAR	308	20,187,000	101	3,259,000	23,446,000	3,000,000	46,130	22,817,467	-2,417,597	271st St, Florence Rd, 72nd Ave	42	4.95
APR	272	18,125,000	217	8,049,000	26,174,000	5,200,000	54,264	14,071,167	6,848,569	104th Dr., 271 St.		7.5
MAY	257	16,825,000	258	9,472,000	26,297,000	2,500,000	49,251	23,822,439	-74,690	103rd, Valde Rd, 278th Pl, 92nd Ave	28	0.2
JUN	281	19,710,000	246	8,997,000	28,707,000	500,000	88,528	18,010,810	10,107,662			1.6
JUL	326	22,137,000	322	11,722,000	33,859,000	500,000	59,086	32,490,221	809,693			0.4
AUG	288	22,245,000	291	10,589,000	32,834,000	1,000,000	57,675	25,739,046	6,037,279	Park Lane, 270th St.	22	0
SEP				-	-			-	0			
OCT				-	-			-	0			
NOV					-			-	0			
DEC					-			-	0			
TOTALS	**2345**	**161,291,000**	**1435**	**52,088,000**	**213,379,000**	**15,700,000**	**420,664**	**174,829,368**	**22,428,968**		**92**	**41.45**

ATTACHMENT A

CITY of STANWOOD - Production Past 4 Years

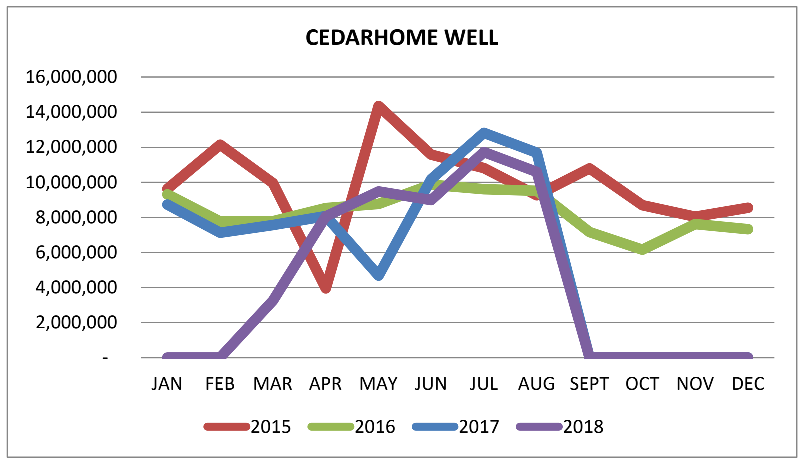
BRYANT WELL

	2015	2016	2017	2018
JAN	10,808,000	15,341,000	14,657,000	22,466,000
FEB	7,806,000	14,366,000	14,054,000	19,596,000
MAR	12,520,000	15,081,000	18,362,000	20,187,000
APR	19,825,000	17,062,000	16,567,000	18,125,000
MAY	12,209,000	16,799,000	21,656,000	16,825,000
JUN	21,291,000	19,791,000	20,950,000	19,710,000
JUL	24,512,000	20,936,000	27,868,000	22,137,000
AUG	22,841,000	25,141,000	24,262,000	22,245,000
SEPT	11,430,000	16,796,000	25,681,000	-
OCT	12,696,000	17,937,000	22,204,000	-
NOV	13,604,000	14,367,000	21,933,000	-
DEC	13,616,000	17,983,000	21,760,000	-
TOTAL	183,158,000	211,600,000	249,954,000	161,291,000



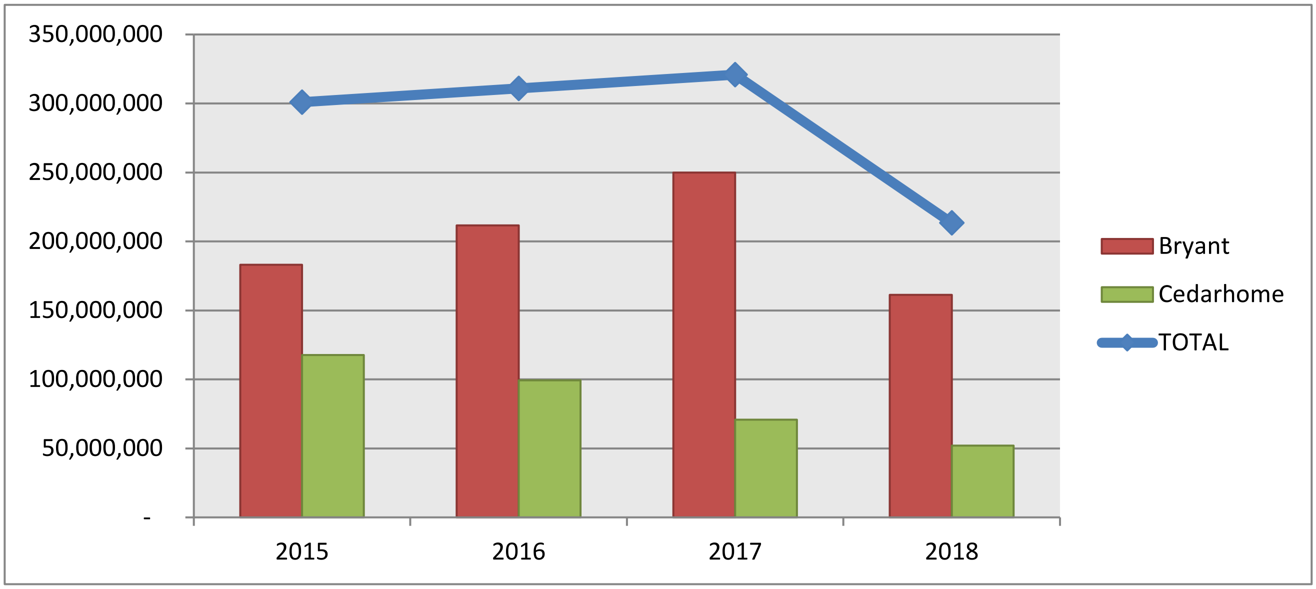
CEDARHOME WELL

	2015	2016	2017	2018
JAN	9,634,000	9,320,000	8,735,000	-
FEB	12,138,000	7,757,000	7,120,000	-
MAR	9,954,000	7,784,000	7,569,000	3,259,000
APR	3,944,000	8,526,000	8,081,000	8,049,000
MAY	14,349,000	8,771,000	4,683,000	9,472,000
JUN	11,574,000	9,859,000	10,183,000	8,997,000
JUL	10,820,000	9,602,000	12,828,000	11,722,000
AUG	9,266,000	9,515,000	11,696,000	10,589,000
SEPT	10,790,000	7,170,000	-	-
OCT	8,692,000	6,162,000	-	-
NOV	8,046,000	7,610,000	-	-
DEC	8,551,000	7,320,000	-	-
TOTAL	117,758,000	99,396,000	70,895,000	52,088,000

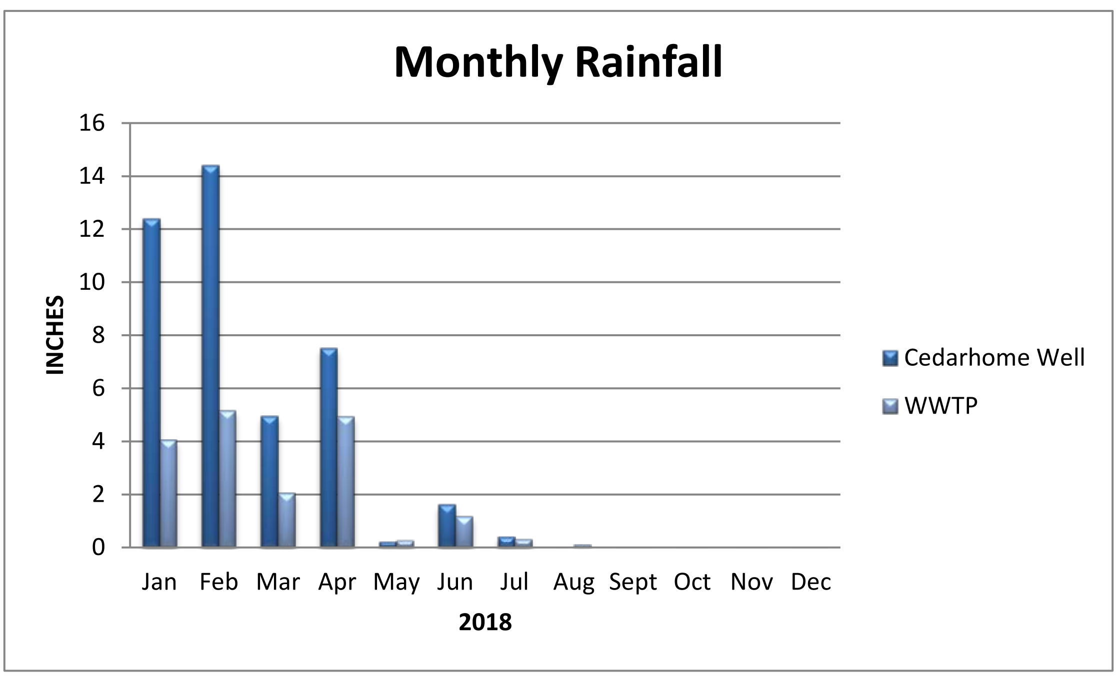


Annual Water Supply Comparison
Bryant Well vs. Cedarhome Well

	2015	2016	2017	2018
Bryant	183,158,000	211,600,000	249,954,000	161,291,000
Cedarhome	117,758,000	99,396,000	70,895,000	52,088,000
TOTAL	**300,916,000**	**310,996,000**	**320,849,000**	**213,379,000**



	Cedarhome Well	WWTP
Jan	12.4	4.04
Feb	14.4	5.16
Mar	4.95	2.05
Apr	7.5	4.92
May	0.2	0.25
Jun	1.6	1.16
Jul	0.4	0.3
Aug	0	0.09
Sept	0	0
Oct	0	0
Nov	0	0
Dec	0	0
TOTAL	41.45	17.97



CITY of STANWOOD
Wastewater Treatment Plant
Operational Report 2017 - 2018

	INFLUENT FLOW				TOTAL Rainfall	EFFLUENT PH 6.0 - 9.0			BIOLOGICAL OXYGEN DEMAND Range allowed > 85%	Avg Suspended Solids Range allowed > 85%	Effluent Temp C*			Fecal Coliform	
MONTH	Total (MG)	Avg (MGD)	High (MGD)	Low (MGD)	Inches	Low PH	High PH	Avg	Avg % Reduction	Avg % Reduction	Low	High	Avg	GEM 200/100 ml	GEM7 400/100 ml
Jan-17	18.01	0.58	0.85	0.50	1.41	7.27	7.51	7.36	99	99	11.4	13.8	12.62	3	6
Feb-17	17.42	0.62	0.83	0.51	2.01	7.21	7.42	7.36	98	95	11.7	14.0	12.63	3	4
Mar-17	24.20	0.78	1.02	0.58	4.65	7.28	7.45	7.38	99	98	12.3	14.7	13.68	4	6
Apr-17	18.33	0.61	0.78	0.53	2.69	7.30	7.44	7.37	99	98	14.8	16.5	15.70	6	6
May-17	17.02	0.55	0.71	0.44	2.13	7.20	7.47	7.35	99	98	15.8	20.1	18.00	4	5
Jun-17	14.22	0.47	0.55	0.44	0.8	6.92	7.50	7.31	99	99	19.2	21.4	20.14	5	13
Jul-17	13.16	0.42	0.45	0.39	0	7.39	7.73	7.59	99	99	21.2	23.1	22.05	2	2
Aug-17	12.84	0.41	0.43	0.40	0.13	7.42	7.69	7.60	99	99	21.9	23.3	22.40	5	11
Sep-17	12.68	0.42	0.48	0.38	0.9	7.45	7.60	7.53	99	99	20.2	22.8	21.58	4	5
Oct-17	14.68	0.47	0.61	0.41	2.96	7.46	7.74	7.57	99	98	17.6	20.8	19.03	4	10
Nov-17	20.08	0.67	1.02	0.45	5.92	7.32	7.68	7.52	99	99	15.6	17.5	16.44	3	4
Dec-17	20.57	0.66	1.15	0.50	2.52	7.29	7.61	7.51	99	98	13.4	15.3	14.33	2	3
Jan-18	23.66	0.76	1.15	0.56	4.04	7.37	7.68	7.50	99	99	13.3	14.2	13.57	3	5
Feb-18	26.05	0.93	1.90	0.65	5.16	7.38	7.60	7.46	99	99	11.6	14.4	12.89	2	3
Mar-18	19.20	0.62	0.78	0.53	2.05	7.38	7.80	7.62	99	99	12.7	15.2	13.86	4	4
Apr-18	24.19	0.81	1.36	0.52	4.92	7.50	7.67	7.63	99	99	13.9	16.9	15.02	4	12
May-18	15.65	0.50	0.67	0.43	0.25	7.53	7.87	7.74	98	98	16.9	20.8	19.30	6	6
Jun-18	14.00	0.47	0.51	0.43	1.16	7.77	7.92	7.83	99	98	19.0	21.6	20.36	5	13
Jul-18	13.69	0.44	0.54	0.39	0.3	7.78	7.90	7.85	98	99	20.7	23.8	22.08	5	7
Aug-18	13.74	0.44	0.49	0.42	0.09	7.55	7.89	7.77	99	98	21.1	23.6	22.81	4	4
Sep-18															
Oct-18															
Nov-18															
Dec-18															

2018 ROW Division - Building & Grounds, Streets, Parks and Drainage

BLDG & GROUNDS: Hours per Facility

	City Hall	Library	Police & Fire	PW & WWTP
Jan	18	6	10	12
Feb	9	2	11	16
March	20	8	9	14
April	16	10	5	9
May	29	7	2	19
June	27	13	14	39
July	22.5	4	14	24
Aug	4	5	2	23
Sept				
Oct				
Nov				
Dec				
TOTAL	**145.5**	**55**	**67**	**156**

STREETS: Hours

	Citizen Request	SIGNS *repair/maint*	PAINTING *street striping*	POTHOLES	Mow, Weed, & Spray	BANNERS	Special Event Set Up HRS
Jan-17	8	31	0	44	34	0	0
Feb-17	2	32	0	7	0	1	1
Mar-17	4	8	6	13	18	4	4
Apr-17	3	16	8	6	30	5	7
May-17	6	0	0	2	102	2	21
Jun-17	5	13	18	1	198	11	28.5
Jul-17	13	2	156	0	90	5	55
Aug-17	3	0	16	12	181	2	69
Sep-17							
Oct-17							
Nov-17							
Dec-17							
TOTAL	**44**	**102**	**204**	**85**	**653**	**30**	**185.5**

PARKS

	# Citizen Requests	Church Creek RSVPs	Picnic Shelter Fees Collected	Other Facility Rental Fees	Vandalism # times	Mow & Weed HRS	Baseball Field HRS	Field Use Fees Collected	Volunteer Work-in Kind
Jan	1	0	$ -	$ 52.50	12	0	0	$ 90.00	$ -
Feb	0	0	$ -	$ 25.00	7	0	0	$ -	$ -
March	0	0	$ 40.00	$ 52.50	8	35	15	$ 7,235.00	$ -
April	0	0	$ 130.00	$ -	3	31	14	$ -	$ -
May	0	1	$ 80.00	$ -	10	88	21	$ -	$ -
June	2	4	$ 240.00	$ -	10	165	19	$ -	$ -
July	0	5	$ 60.00	$ 12.50	4	52	30	$ 3,750.00	$ -
Aug	0	10	$ 150.00	$ 30.00	4	100	4	$ 1,437.50	$ -
Sept									
Oct									
Nov									
Dec									
TOTAL	**3**	**20**	**$ 700.00**	**$ 172.50**	**58**	**471**	**103**	**$ 12,512.50**	**$ -**
					Total Fees Collected			**$13,385.00**	

DRAINAGE

	Retention Pond Maint. HRS.	Drainage Complaints	ISSUE	Hours
Jan-18	0	1	Remove homeless camp.	3
Feb-18	0	0		
Mar-18	2	0		
Apr-18	0	0		
May-18	11	0		
Jun-18	110	0		
Jul-18	203	0		
Aug-18	72.5	0		
Sep-18				
Oct-18				
Nov-18				
Dec-18				
TOTAL	**398.5**	**1**		**3**

2018 VOLUNTEER HOURS

VOLUNTEER GROUP HOURS				
Month	Group	Project	Number of Volunteers	Total Hours
April	Friends of Stanwood Parks & Trails	Cleaned up Ivy at Church Creek Park	4	6
June	Stanwood Labyrinth	Painted a labyrinth at the City Hall Park	6	12
		TOTAL	10	18

2018 ADOPT-A-STREET PROGRAM

2018 Yearly Total			
Total Volunteers	Total Days	Total Hours	Bags Collected
103	42	151	100

		1st Quarter Jan-Mar 2018				2nd Quarter Apr-Jun 2018				3rd Quarter Jul-Sept 2018				4th Quarter 2018			
		Total Volunteers	Total Days	Total Hours	Bags Collected	Total Volunteers	Total Days	Total Hours	Bags Collected	*Total Volunteers	Total Days	Total Hours	Bags Collected	Total Volunteers	Total Days	Total Hours	Bags Collected
Area 1	Available	AREA AVAILABLE				AREA AVAILABLE				AREA AVAILABLE				AREA AVAILABLE			
Area 2	Kiwanis Club	0	0	0	0	18	1	9	9								
Area 3	Porsche Club	12	12	28.5	13	5	5	12	13	AREA AVAILABLE				AREA AVAILABLE			
Area 4	Sundberg Family	4	4	4	5	3	3	3	3	5	5	5	6				
Area 5	Pearce Family	6	1	12	6	0	0	0	0								
Area 6	Available	AREA AVAILABLE				AREA AVAILABLE				AREA AVAILABLE				AREA AVAILABLE			
Area 7	Angels of America	9	9	15	18	0	0	0	0								
Area 8	Available	AREA AVAILABLE				AREA AVAILABLE				AREA AVAILABLE				AREA AVAILABLE			
Area 9	Tidelands Church	0	0	0	0	12	1	18	8	29	1	44	19				
	TOTAL	31	26	59.5	42	38	10	42	33	34	6	49	25	0	0	0	0

City of Stanwood - *Container Counts - August 2018*

Residential

Quantity	Service Description
23	1-20 GAL MINI CAN MSW
238	1-32 GAL CAN MSW
787	1-35 GAL CART MSW
330	1-35 GAL CART RCY
429	1-64 GAL CART MSW
246	1-64 GAL CART RCY
109	1-96 GAL CART MSW
1237	1-96 GAL CART RCY
1163	1-96 GAL CART YDW
89	20 GAL CART MSW
46	2-32 GAL CANS MSW
4	2-64 GAL CARTS MSW
17	2-96 GAL CARTS YDW
40	32 GAL CAN MSW 1X MO
57	32 GAL CAN MSW EOW
6	3-32 GAL CANS MSW
4	4-32 GAL CANS MSW
6	6-32 GAL CANS MSW
1	RECYCLE BINS RS
4832	

Multifamily

Quantity	Service Description
15	64 GAL CART MULTIFAMILY PAPER
1	1-3 YD 1X PER WEEK
2	2-64 GAL CARTS MSW
18	

Roll Off

Quantity	Service Description
1	20 YD RECYCLE TEMPORARY
3	20 YD ROLLOFF
3	30 YD COMPACTOR
1	30 YD RECYCLE TEMPORARY
3	30 YD ROLLOFF
1	30 YD ROLLOFF TEMPORARY
12	

Commercial

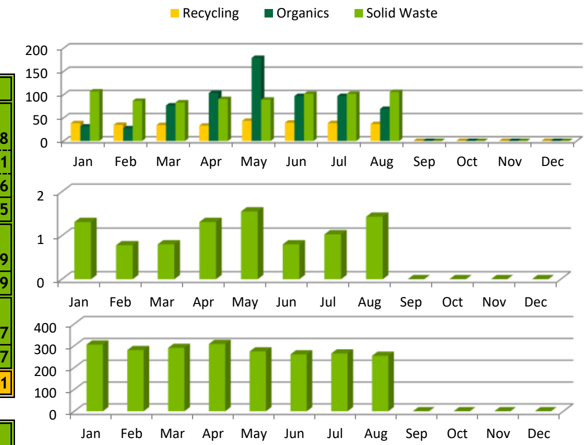
Quantity	Service Description
6	1 YD OCC 1X WK
5	1 YD RCY 1X WK
1	1 YD RCY EOW
1	1.5 YD OCC 1X WK
44	1-1 YD 1X PER WEEK
5	1-1 YD SINGLE STREAM RCY
16	1-1.5 YD 1X PER WEEK
28	1-2 YD 1X PER WEEK
1	1-2 YD 2X PER WEEK
8	1-2 YD SINGLE STREAM RCY
15	1-3 YD 1X PER WEEK
3	1-3 YD 2X PER WEEK
6	1-3 YD SINGLE STREAM RCY
16	1-32 GAL CAN MSW
28	1-4 YD 1X PER WEEK
7	1-4 YD 2X PER WEEK
2	1-4 YD 3X PER WEEK
10	1-4 YD SINGLE STREAM RCY
6	1-6 YD 1X PER WEEK
3	1-6 YD 2X PER WEEK
6	1-6 YD 3X PER WEEK
4	1-6 YD SINGLE STREAM RCY
2	1-64 GAL CART SNGLE STREAM RCY
2	1-8 YD 1X PER WEEK
1	1-8 YD 2X PER WEEK
1	1-8 YD 3X PER WEEK
1	1-8 YD SINGLE STREAM RCY
11	1-96 GAL CART MSW
25	1-96 GAL CART SNGLE STREAM RCY
2	1-96 GAL FOOD WASTE CART 1X WK
5	2 YD OCC 1X WK
3	2 YD RCY 1X WK
1	2 YD RCY 2X WK
1	2 YD RCY EOW
2	2-2 YD 2X PER WEEK
2	2-3 YD 3X PER WEEK
4	2-32 GAL CANS MSW
4	2-4 YD 1X PER WEEK
2	2-6 YD 1X PER WEEK
2	2-6 YD 5X PER WEEK
5	2-96 GAL CART SNGLE STREAM RCY
2	3 YD RCY 1X WK
6	3-32 GAL CANS MSW
3	3-6 YD 3X PER WEEK
6	3-96 GAL CART SNGLE STREAM RCY
3	3-96 GAL CARTS MSW
6	4 YD OCC 1X WK
1	4 YD OCC 2X WK
8	4 YD RCY 1X WK
1	4 YD RCY EOW
1	6 YD MSW TEMP PER UNIT
1	6 YD OCC 1X WK
1	6 YD RCY 1X WK
1	6 YD RCY 2X WK
12	64 GAL CART PAPER
4	64 GAL CART RCY 1X WK
2	64 GAL CART TAG
1	8 YD OCC 2X WK
1	8 YD RCY 1X WK
1	8 YD RCY 3X WK
2	96 GAL CART RCY 1X MO
1	96 GAL CART RCY 1X WK
5	96 GAL CART YDW
366	

City of Stanwood

Franchise Waste Stream Summary

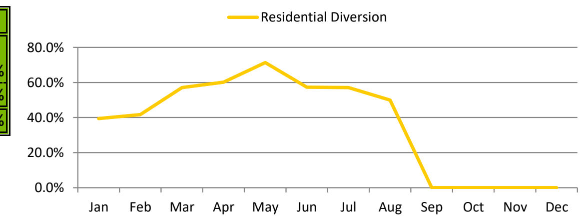
2018

Waste Stream (Tons Collected)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-Date
Residential													
Recycling	38	35	34	33	44	39	38	36					**298**
Organics	31	27	77	104	179	97	97	69					**681**
Solid Waste	107	87	83	91	89	102	102	106					**766**
Total	**177**	**149**	**194**	**227**	**312**	**238**	**237**	**211**					**1,745**
Multifamily													
Solid Waste	1	1	1	1	2	1	1	1					**9**
Total	**1**	**1**	**1**	**1**	**2**	**1**	**1**	**1**					**9**
Commercial													
Solid Waste	305	280	290	308	274	260	265	254					**2,237**
Total	**305**	**280**	**290**	**308**	**274**	**260**	**265**	**254**					**2,237**
Total Waste Stream	**483**	**429**	**485**	**537**	**587**	**500**	**503**	**467**					**3,991**



Participation Statistics	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-Date
Residential Curbside Recycling													
Average Set-Out %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%					**100.0%**
Average Lbs. Per Set-out	22	19	19	18	34	20	20	7					**20**
Residential Organics													
Average Set-Out %	100.0%	100.0%	100.0%	99.9%	99.9%	99.9%	99.9%	100.0%					**99.9%**
Average Lbs. Per Set-out	15	17	35	62	74	57	42	28					**41**
Residential Solid Waste													
Average Set-Out %	100.0%	100.0%	100.0%	100.0%	99.7%	99.7%	99.9%	100.0%					**99.9%**
Average Lbs. Per Set-out	25	25	24	28	26	35	27	27					**27**

Waste Stream Diversions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-Date
Residential													
Recycling	21.8%	23.4%	17.7%	14.6%	14.0%	16.6%	16.2%	17.2%					**17.1%**
Organics	17.6%	18.4%	39.5%	45.6%	57.4%	40.7%	40.9%	32.7%					**39.0%**
Total Diversion	**39.4%**	**41.7%**	**57.1%**	**60.1%**	**71.4%**	**57.3%**	**57.1%**	**50.0%**					**56.1%**



Customer Counts	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Residential												
Solid Waste	1,742	1,752	1,761	1,760	1,777	1,785	1,791	1,807				
Recycling	1,747	1,757	1,767	1,766	1,783	1,791	1,796	1,813				
Organics	1,031	1,041	1,071	1,104	1,141	1,156	1,164	1,180				
Multifamily												
Solid Waste	1	1	1	1	1	1	1	1				
Solid Waste Roll Off	0	1	1	1	1	1	1	1				
Commercial												
Solid Waste	198	199	200	200	199	197	200	200				
Solid Waste Roll Off	10	14	9	10	9	10	9	10				

City of Stanwood
Recycle Composition
2018

Recycle Composition (tons collected)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-Date
Newspaper	5	3	4	4	2	1	0	0					20
Mix Paper	10	10	8	8	15	15	15	14					95
OCC	10	10	10	9	10	10	10	9					76
Aluminum	0	0	0	0	0	0	0	0					3
Glass	8	6	5	6	7	7	7	7					54
PET	1	1	1	1	1	1	1	1					6
HDPE Natl	0	0	0	0	0	0	0	0					1
HDPE Col	0	0	0	0	0	0	0	0					1
#3 - 7	0	0	0	0	0	0	0	0					2
Plastic Film	0	0	0	0	0	0	0	0					0
Tin Cans	1	1	0	0	1	0	0	0					4
Scrap Metal	0	0	0	0	1	1	1	0					4
Residue	3	4	4	4	6	4	5	4					33
Total Recycled Tonnage	38	35	34	33	43	39	38	36					298

Tonnages calculated are based on the total percentage of all recyclables brought to the Cascade Recycling Center. The tonnages above are calculated by multiplying the total percentage of recyclables by the total tons of recycling collected in the City of Stanwood.

City of Stanwood
Customer Inquiries
2018

Residential Customers	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-Date
***CAD* -** Complaint about Driver	1	0		2	8	2	3	2					18
***CID* -** (non MPU) repeat problem													0
***CNT* -** Container not delivered			1			1							2
***DAM* -** Damage													0
***DCM* -** Driver Compliment			2				1						3
FEE - *Fee Complaint*													0
***GLK* -** Gates and/or Locks													0
***INJ* -** Injury													0
***LID* -** Lids not Closed													0
***MPC* -** Misplaced Can													0
MPU - Missed Pickup				2	6	3	3	3					17
***NCM* -** Non-Driver Compliment													0
NOC - No communication between WM & Customer													0
RPC - Repeat missed pickup - customer identified			1										1
***SEQ* -** Operating Vehicle Unsafely													0
***TOD* -** Time of Day													0
***TIS* -** Trash in Street, around container													0

Commercial Customers	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-Date
***CAD* -** Complaint about Driver		0				0	0	1					1
***CID* -** (non MPU) repeat problem	1												1
***CNT* -** Container not delivered													0
***DAM* -** Damage													0
***DCM* -** Driver Compliment													0
***GLK* -** Gates and/or Locks													0
***INJ* -** Injury													0
***LID* -** Lids not Closed													0
***MPC* -** Misplaced Can													0
MPU - Missed Pickup			1	1	1								3
***NCM* -** Non-Driver Compliment													0
NOC - No communication between WM & Customer													0
RPC - Repeat missed pickup - customer identified													0
***SEQ* -** Operating Vehicle Unsafely													0
***TOD* -** Time of Day													0
***TIS* -** Trash in Street, around container													0

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	6c
DATE:	September 27, 2018
SUBJECT:	Library Board Minutes – September 10, 2018
CONTACT PERSON:	Sue Mancer, Secretary
ATTACHMENTS:	A – September 10, 2018 Library Board Minutes

SUMMARY STATEMENT

The September 10, 2018 Library Board meeting minutes are attached for council review.

ATTACHMENT A

STANWOOD LIBRARY BOARD MINUTES

September 10, 2018

President Icle Crow called the meeting to order at 2:30 p.m. Present were Chuck Pratt, Patty Tingler, Larry Sather and Dennis Myers. Bonnie Thielke, Sue Mancer and Becky Bolte were unable to attend.

Minutes

Minutes of the June 2018 were discussed, but not approved (copy unavailable at meeting).

Stanwood Library Managers Report (Chuck Pratt)

Staffing

There have been no changes to the Stanwood Library Staff since the last report. As previously mentioned, because the library levy passed in April, the district was able to take all temporary Page II positions and transition them into permanent positions at all locations. As a result, page Sam Sugars has moved into a permanent Page II position at the Stanwood Library. Other positions throughout the library district that were previously held vacant or filled temporarily are now being filled as permanent positions. This may have an effect on Stanwood Library staffing at some point in the near future, but as of now it has not caused any changes.

We now receive regular bi-monthly visits from an IT specialist at the Stanwood Library. Her job is to assist with any local technology-related needs or issues we may experience. This is now the model throughout the library district.

Upcoming Programs & Events*

Storytimes have resumed for the Fall beginning this week!
**Descriptions for all programs located in Library Calendar – Managing Librarian will discuss programs during meeting.*

Summer Reading Recap

- 479 total sign-ups, with 98 aged 0-4, 322 aged 5-11, and 31 aged 12-18.
- 222 Total finishers, our highest number since children's librarian Vicky Beatty began recording data in 2012.
- The Explore Summer/Summer Reading wrap-up party was held August 10th and was a success!

Facility Improvements/New Services

We are scheduled to begin an upgrade to the library's wiring/electrical infrastructure in the coming weeks. Until that time, we are temporarily running only one self-check station instead of the usual two stations. We anticipate returning to the old alignment as soon as work on the project is completed.

Community Partnerships/Outreach

The library continues to serve as an active and important member of the Making Life Work collaborative initiative serving the Stanwood and Camano communities. The collaborative seeks to help pull local families out of poverty by taking a two-generation approach to providing services and support to local families in need. Managing Librarian Charles Pratt will be sitting on a panel discussing MLW and the United Way CORE Perspectives initiative that funds it at a breakfast event on Sept. 20th. Darrington Library manager Asheley Bryson will also be on the panel because of her work on a similar initiative in the Darrington community.

SIL System-wide News

- Lois Langer-Thompson, current director of the Hennepin County Library (Minneapolis, MN) has been named the new executive director at Sno-Isle Libraries and will begin her new role in December of this year.
- The library district has hired a new lead librarian for business services; Emily Felt, formerly the Adult/Teen Services Librarian at the Monroe Library has already begun working in this new position.
- Sno-Isle Libraries now produces a new podcast called "Check It Out". Stanwood Librarian Rob Branigin appeared in the latest episode (5), which is available on the library's website.

Sno-Isle Libraries Report – included in Library Manager's report

City of Stanwood - Larry Sather

- Council has a new board member appointed by Mayor Kelly with council approval. He is Kelly McGill
- City Manager position is open; Stanwood looking for a replacement.
- Larry was asked about our current contract with the seven year restriction for placement of the library to be downtown. Contract ends in 2023.

Friends of the Library - no report at this meeting

New Business

- A Library Board position open as Icle's two terms are over. Look for a replacement for a five year term.
- Library Board Chair position is open. Bonnie Thielke and Dennis Myers declined.
- Concern was raised about the unstable railing on the ramp to the meeting room. Chuck will check with the city.

The meeting was adjourned at 3:20 p.m.

The next Board meeting is Monday, December 10, 2018, 2:30 p.m. at the Library.

Respectfully submitted,
Dennis Myers
(for Sue Mancer, Secretary, absent)

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	7a
DATE:	September 27, 2018
SUBJECT:	Finance/Personnel Committee Report
CONTACT PERSON:	David A. Hammond, Finance Director/City Clerk
ATTACHMENTS:	A – Finance/Personnel Committee Meeting Minutes

SUMMARY STATEMENT

The minutes of the September 13, 2018 Finance/Personnel Meeting are attached.

ATTACHMENT A

FINANCE/PERSONNEL COMMITTEE

September 13, 2018

Finance Committee Report (September 13, 2018 meeting summary)

In attendance:
David A. Hammond, Finance Director
Councilmember Dianne White
Councilmember Rob Johnson
Councilmember Kelly McGill
Citizen Tim Schmitt

1. Utility Rate Studies

   Committee discussed and recommended City proceed with proposed ordinance

2. Salary and Benefit Schedules

   Committee discussed and recommended City proceed with proposed resolution.

3. Capital Improvement Plan

   Committee discussed and recommended City proceed. Noted: the city should consider updating furnace and install central air condition as was previously proposed.

4. Reimbursement Resolution

   Committee discussed and recommended City proceed with resolution.

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	7b
DATE:	September 27, 2018
SUBJECT:	Public Works Committee Meeting Minutes
CONTACT PERSON:	Kevin Hushagen, Public Works Director
ATTACHMENTS:	A – September 10, 2018 Public Works Committee Meeting Minutes

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SUMMARY STATEMENT

The Public Works Committee met on Monday, September 10, 2018 at 5:00pm at the Wastewater Treatment Plant located at 26729 98th Drive NW, Stanwood, Washington, 98292.

Minutes from the September 10, 2018 meeting are attached to this staff report (Attachment A). To review the full agenda packet, please visit the City's website at www.ci.stanwood.wa.us click on the blue ribbon 'Agendas/Minutes' and then click on 'View Details' next to the date of this meeting.

AGENDA

1. Capital Improvement Plan
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

PUBLIC WORKS/PARKS COMMITTEE MEETING
Monday, September 10, 2018 – 5:00pm
Wastewater Treatment Plant – 26729 98th Drive NW

MINUTES

Attendance:

Councilmembers: Rob Johnson, Tim Pearce, Judy Williams
City Staff: Kevin Hushagen, David Hammond, Lisa Sokolik

The full meeting agenda packet with detailed information can be found on the City's website at www.ci.stanwood.wa.us

1. Capital Improvement Plan (CIP)

Staff reviewed the first 2 years of the proposed CIP with the committee. There were a few typos that staff will correct. No recommended action by the Committee.

2. RH2 Contract – Schmitt Review

Discussion item, no recommendation. Staff will bring this item to full council on Thursday, Sept. 13, 2018.

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

The Finance Director reviewed the revenue requirement tables for each of the utilities which summarize the proposed increases with the committee. These tables provide 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.

The Plant Investment Fee tables were also looked at. There was concern that if the PIF 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. The Finance Director reminded the committee that the figures used for other cities are their current rates, but all cities are reviewing their fees at this time too.

Committee recommendation: For staff to continue with updating the utility rates and plant investment fees and take to the Finance Committee on Thursday, Sept. 13, 2018.

Discussion Items:

- **Speed Limit and 4-way Stop at 68th & 284th**
  The only 35mph speed limit within the city limits is located at 80th & 284th, all other speed zones are 25mph. The committee recommended to change the speed limit at 80th & 284th to 25mph. The committee also recommended to install a 4-way Stop sign at 68th & 284th. Staff will put out orange flags to alert traffic of the changes made at these two intersections.

- **Retention/Detention Pond Policy Update Draft**

The committee asked to have this item moved to the October 1st meeting.

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	8a
DATE:	September 27, 2018
SUBJECT:	Approval of Voucher and Payroll Checks
CONTACT PERSON:	Reina Barber, Accounting Specialist
ATTACHMENTS:	A - Voucher Check Detail

SUMMARY STATEMENT

Approve issuance of Washington Federal Bank voucher checks 30340 through 30405 and electronic funds transfers from Washington Federal Bank in the amount of $257,082.04. Approve issuance of Washington Federal Bank payroll checks 1530 through 1538 and electronic funds transfers from Washington Federal Bank in the amount of $255,412.02.

RECOMMENDED MOTION

I MOVE TO APPROVE ISSUANCE OF WASHINGTON FEDERAL BANK VOUCHER CHECKS 30340 THROUGH 30405 AND ELECTRONIC FUNDS TRANSFERS FROM WASHINGTON FEDERAL BANK IN THE AMOUNT OF $257,082.04. APPROVE ISSUANCE OF WASHINGTON FEDERAL BANK PAYROLL CHECKS 1530 THROUGH 1538 AND ELECTRONIC FUNDS TRANSFERS FROM WASHINGTON FEDERAL BANK IN THE AMOUNT OF $255,412.02.

CHECK REGISTER

City Of Stanwood | Time: 08:39:41 Date: 09/18/2018
MCAG #: 0695 | 09/05/2018 To: 09/18/2018 | Page: 1

Trans	Date	Type	Acct #	Chk #	Claimant	Amount	Memo
5283	09/07/2018	Claims	3	30340	Snohomish County Cities Assoc of Snohomish County Cities	35.00	City Of Stanwood
5284	09/07/2018	Claims	3	30341	Gaylynn Brien	60.00	City Of Stanwood
5285	09/07/2018	Claims	3	30342	Cascade Natural Gas Corp	27.46	931 607 9072 6; 498 440 0000 7
5286	09/07/2018	Claims	3	30343	Code Publishing Company Inc	350.00	3116 City Of Stanwood
5287	09/07/2018	Claims	3	30344	DMH Industrial Electric Inc	951.10	City Of Stanwood
5288	09/07/2018	Claims	3	30345	Environment Control	1,116.22	257778
5289	09/07/2018	Claims	3	30346	FCS Group- Solutions- Oriented Consult.	4,560.00	City Of Stanwood
5290	09/07/2018	Claims	3	30347	Forest Land Services Inc	437.93	City Of Stanwood
5291	09/07/2018	Claims	3	30348	Funderburke Autobody	1,145.56	City Of Stanwood; City Of Stanwood
5292	09/07/2018	Claims	3	30349	Hamilton Lumber LLC	97.09	City Of Stanwood
5293	09/07/2018	Claims	3	30350	Harmsen & Assoc Inc	709.75	City Of Stanwood
5294	09/07/2018	Claims	3	30351	Inland Potable Services		paid incorrect amount-need to take discount
5295	09/07/2018	Claims	3	30352	Jiffy Lube 2583	83.93	05
5296	09/07/2018	Claims	3	30353	Lakeside Industries Inc	811.43	108469
5297	09/07/2018	Claims	3	30354	Navia Benefits	50.00	City Of Stanwood
5298	09/07/2018	Claims	3	30355	Northwest Administrators, Inc.	141.33	City Of Stanwood
5299	09/07/2018	Claims	3	30356	O'Reilly Auto Parts	40.35	1872464
5300	09/07/2018	Claims	3	30357	PUD Of Snohomish County *	2,673.81	221854284; 200240505
5301	09/07/2018	Claims	3	30358	Petty Cash/ Marcy Mathis -Custodian	39.52	City Of Stanwood
5302	09/07/2018	Claims	3	30359	Platt Electric Supply Inc	329.93	24127; 24127; 24127; 24127; 24127
5303	09/07/2018	Claims	3	30360	Pratt Pest Management NW Inc	185.47	683591
5304	09/07/2018	Claims	3	30361	Refund - Amy Collins	37.28	Ref Amy Collins Acct#1227 Overpayment At Closing
5305	09/07/2018	Claims	3	30362	Refund - Nancy Voelkers	150.00	Ref Nancy Voelkeers Deposit For Fair Parade Permit #2018-0199
5306	09/07/2018	Claims	3	30363	Ricoh USA, Inc.	819.43	1316669-3660143; 1316669-3660142; 1316669-3659652
5307	09/07/2018	Claims	3	30364	Corinne Schakel	12.10	City Of Stanwood
5308	09/07/2018	Claims	3	30365	Shred-it US JV LLC	41.91	14668765
5309	09/07/2018	Claims	3	30366	Sno Co Planning & Development Svcs	235.00	PD312579
5310	09/07/2018	Claims	3	30367	Stanwood Auto Parts	770.40	56100
5311	09/07/2018	Claims	3	30368	Stanwood Camano News	250.61	261981; 261981; 261981
5312	09/07/2018	Claims	3	30369	Stanwood Chamber Of Commerce	2,900.00	City Of Stanwood
5313	09/07/2018	Claims	3	30370	Strategies 360 Inc	1,500.00	City Of Stanwood
5314	09/07/2018	Claims	3	30371	US Bank	2,994.75	4485 5945 5564 1495
5315	09/07/2018	Claims	3	30372	Verizon Wireless	1,183.29	372541731-00001
5316	09/07/2018	Claims	3	30373	Waste Management Skagit	338.72	8-34465-95001
5317	09/07/2018	Claims	3	30374	Xpress/Bill Pay	398.50	10290
5324	09/07/2018	Claims	3	30375	Inland Potable Services	8,278.90	STANWOOD PWD
5388	09/12/2018	Claims	3	30376	Cascade Natural Gas Corp	28.79	608 440 0000 4
5389	09/12/2018	Claims	3	30377	Frontier *	1,169.17	360-629-4907-072497-5; 206-188-0411-053105-5
5390	09/12/2018	Claims	3	30378	HB Jaeger Company LLC	463.88	3330
5391	09/12/2018	Claims	3	30379	Haggen Inc	27.00	City Of Stanwood
5392	09/12/2018	Claims	3	30380	Harmsen & Assoc Inc	501.00	City Of Stanwood
5393	09/12/2018	Claims	3	30381	Herc Equipment Rental Corp.	5,770.40	1024925; 1024925
5394	09/12/2018	Claims	3	30382	Les Schwab Tire Centers	202.39	S34-00006
5395	09/12/2018	Claims	3	30383	O'Reilly Auto Parts	6.46	1872464
5396	09/12/2018	Claims	3	30384	Office Depot	178.11	36274097; 36274097

CHECK REGISTER

City Of Stanwood
MCAG #: 0695

09/05/2018 To: 09/18/2018

Time: 08:39:41 Date: 09/18/2018

Trans	Date	Type	Acct #	Chk #	Claimant	Amount	Memo
5397	09/12/2018	Claims	3	30385	PUD Of Snohomish County *	6,783.95	200367373; 200633634; 200128742; 202694204; 202670675; 202579512; 202882056; 200142180; 221041510; 202727285; 200738672
5398	09/12/2018	Claims	3	30386	Pitney Bowes Inc- Global Financial Svc	359.85	0013214658
5399	09/12/2018	Claims	3	30387	Skagit Farmers Supply	1,128.91	135052
5400	09/12/2018	Claims	3	30388	Sno Co Information Services *	42,580.92	DIS1107; DIS1107
5401	09/12/2018	Claims	3	30389	Sno Co Sheriff's Office - CB	4,185.20	City Of Stanwood
5402	09/12/2018	Claims	3	30390	Sno Co Sheriffs Office *	143,318.17	SSH00001
5403	09/12/2018	Claims	3	30391	Snohomish County 911	6,658.91	City Of Stanwood
5404	09/12/2018	Claims	3	30392	Snohomish County Treasurer	21.80	City Of Stanwood - Crime Victims
5405	09/12/2018	Claims	3	30393	Stanwood Ace Hardware/ Jks Ventures	311.16	20013
5406	09/12/2018	Claims	3	30394	Stanwood City Utility	3,389.65	1473; 1241; 1271; 1328; 1332; 1573; 1348; 1587; 1674; 1675; 2416;
5407	09/12/2018	Claims	3	30395	Stanwood Hardware	569.80	1414
5408	09/12/2018	Claims	3	30396	Stilly Auto Parts Napa	121.43	27197
5409	09/12/2018	Claims	3	30397	US Bank Na Custody/ Treas Div-Money Ctr	40.00	777221717
5410	09/12/2018	Claims	3	30398	Utilities Underground Loc	49.02	134200
5411	09/12/2018	Claims	3	30399	WA St Dept of Ecology *	3,019.68	City Of Stanwood
5412	09/12/2018	Claims	3	30400	WA St Dept of Ecology *	150.00	City Of Stanwood
5413	09/12/2018	Claims	3	30401	WA St Treasurer	1,164.51	City Of Stanwood
5414	09/12/2018	Claims	3	30402	Washington State Patrol *	168.00	STA301
5415	09/12/2018	Claims	3	30403	Wave Broadband	264.90	8136 10 014 0036680; 8136 10 015 0064630
5416	09/12/2018	Claims	3	30404	Zumar Industries Inc	205.16	000683
5499	09/18/2018	Claims	3	30405	Patricia Love	487.05	City Of Stanwood

001 General Fund	172,969.27		
101 Street Fund	13,669.02		
107 Equipment Reserve Fund	15,126.72		
401 Sewer Fund	7,683.31		
403 Sewer Construction Fund	2,280.00		
410 Drainage Fund	1,553.32		
421 Water Fund	17,324.38		
422 Water Construction Fund	2,280.00		
457 Sewer Equipment Reserve	7,563.90		
458 Drainage Equipment Reserve	5,673.20		
459 Water Equipment Reserve	9,454.61		
630 Agency Fund	1,504.31		
		Claims:	257,082.04
* Transaction Has Mixed Revenue And Expense Accounts	257,082.04		

CERTIFICATION: I, the undersigned do hereby certify under penalty of perjury, that the materials have been furnished, the services rendered or the labor performed as described herein and that the claim is a just, due and unpaid obligation against the City of Stanwood, and that I am authorized to authenticate and certify to said claim.

( ) Finance Director ( ) Auditing Officer [signature] Date: 9-18-18
( ) Deputy Finance Director

CHECK REGISTER

City Of Stanwood — Time: 09:33:57 Date: 09/18/2018

MCAG #: 0695 — 09/07/2018 To: 09/18/2018 — Page: 1

Trans	Date	Type	Acct #	Chk #	Claimant	Amount	Memo
5209	09/07/2018	Payroll	3	EFT		4,139.32	August 2018 Payrol
5210	09/07/2018	Payroll	3	EFT		3,828.69	August 2018 Payrol
5211	09/07/2018	Payroll	3	EFT		2,181.96	August 2018 Payrol
5212	09/07/2018	Payroll	3	EFT		323.22	August 2018 Payrol
5213	09/07/2018	Payroll	3	EFT		1,544.42	August 2018 Payrol
5214	09/07/2018	Payroll	3	EFT		2,246.59	August 2018 Payrol
5215	09/07/2018	Payroll	3	EFT		5,869.18	August 2018 Payrol
5216	09/07/2018	Payroll	3	EFT		3,516.11	August 2018 Payrol
5217	09/07/2018	Payroll	3	EFT		1,224.95	August 2018 Payrol
5218	09/07/2018	Payroll	3	EFT		1,078.96	August 2018 Payrol
5219	09/07/2018	Payroll	3	EFT		1,586.41	August 2018 Payrol
5220	09/07/2018	Payroll	3	EFT		3,790.75	August 2018 Payrol
5221	09/07/2018	Payroll	3	EFT		2,847.91	August 2018 Payrol
5222	09/07/2018	Payroll	3	EFT		2,412.26	August 2018 Payrol
5223	09/07/2018	Payroll	3	EFT		2,803.76	August 2018 Payrol
5224	09/07/2018	Payroll	3	EFT		5,190.09	August 2018 Payrol
5225	09/07/2018	Payroll	3	EFT		322.93	August 2018 Payrol
5226	09/07/2018	Payroll	3	EFT		4,551.86	August 2018 Payrol
5227	09/07/2018	Payroll	3	EFT		5,713.13	August 2018 Payrol
5228	09/07/2018	Payroll	3	EFT		1,601.74	August 2018 Payrol
5229	09/07/2018	Payroll	3	EFT		758.41	August 2018 Payrol
5230	09/07/2018	Payroll	3	EFT		173.70	August 2018 Payrol
5231	09/07/2018	Payroll	3	EFT		11,169.43	August 2018 Payrol
5232	09/07/2018	Payroll	3	EFT		4,249.59	August 2018 Payrol
5233	09/07/2018	Payroll	3	EFT		3,146.27	August 2018 Payrol
5235	09/07/2018	Payroll	3	EFT		323.00	August 2018 Payrol
5236	09/07/2018	Payroll	3	EFT		1,279.11	August 2018 Payrol
5237	09/07/2018	Payroll	3	EFT		986.67	August 2018 Payrol
5238	09/07/2018	Payroll	3	EFT		4,769.86	August 2018 Payrol
5239	09/07/2018	Payroll	3	EFT		318.87	August 2018 Payrol
5240	09/07/2018	Payroll	3	EFT		2,117.30	August 2018 Payrol
5241	09/07/2018	Payroll	3	EFT		2,527.49	August 2018 Payrol
5242	09/07/2018	Payroll	3	EFT		3,971.54	August 2018 Payrol
5243	09/07/2018	Payroll	3	EFT		2,162.28	August 2018 Payrol
5244	09/07/2018	Payroll	3	EFT		3,474.47	August 2018 Payrol
5245	09/07/2018	Payroll	3	EFT		3,031.29	August 2018 Payrol
5246	09/07/2018	Payroll	3	EFT		2,170.91	August 2018 Payrol
5247	09/07/2018	Payroll	3	EFT		4,400.22	August 2018 Payrol
5248	09/07/2018	Payroll	3	EFT		1,215.44	August 2018 Payrol
5249	09/07/2018	Payroll	3	EFT		1,036.54	August 2018 Payrol
5250	09/07/2018	Payroll	3	EFT		3,135.04	August 2018 Payrol
5251	09/07/2018	Payroll	3	EFT		323.00	August 2018 Payrol
5252	09/07/2018	Payroll	3	EFT		322.93	August 2018 Payrol
5261	09/07/2018	Payroll	3	EFT	Department Of Retirement Systems	39,148.01	Pay Cycle(s) 09/07/2018 To 09/07/2018 - PERS2; Pay Cycle(s) 09/07/2018 To 09/07/2018 - PERS 3; Pay Cycle(s) 09/07/2018 To 09/07/2018 - 457 - DRS (DCP)
5262	09/07/2018	Payroll	3	EFT	Internal Revenue Service (941)	48,378.08	941 Deposit for Pay Cycle(s) 09/07/2018 - 09/07/2018
5234	09/07/2018	Payroll	3	1530		273.00	August 2018 Payrol
5263	09/07/2018	Payroll	3	1531	AFLAC	614.96	Pay Cycle(s) 09/07/2018 To 09/07/2018 - AFLAC, Pre-Tax; Pay Cycle(s) 09/07/2018 To 09/07/2018 - AFLAC, Post-Tax

CHECK REGISTER

City Of Stanwood — Time: 09:33:57 Date: 09/18/2018
MCAG #: 0695 — 09/07/2018 To: 09/18/2018 —

Trans	Date	Type	Acct #	Chk #	Claimant	Amount	Memo
5264	09/07/2018	Payroll	3	1532	AWC Employee Benefit Trust	20,376.99	Pay Cycle(s) 09/07/2018 To 09/07/2018 - AWC - Medical; Pay Cycle(s) 09/07/2018 To 09/07/2018 - AWC- Dental; Pay Cycle(s) 09/07/2018 To 09/07/2018 - AWC - Vision; Pay Cycle(s) 09/07/2018 To 09/07/2018;
5265	09/07/2018	Payroll	3	1533	Colonial Life Insurance	66.75	Pay Cycle(s) 09/07/2018 To 09/07/2018 - Colonial Life Ins
5266	09/07/2018	Payroll	3	1534	Hartford Retirement Plan Services	816.00	Pay Cycle(s) 09/07/2018 To 09/07/2018 - 457 - Hartford; Pay Cycle(s) 09/07/2018 To 09/07/2018 - Roth 457(b)
5267	09/07/2018	Payroll	3	1535	ICMA Retirement Trust	2,113.53	Pay Cycle(s) 09/07/2018 To 09/07/2018 - 457 - ICMA
5268	09/07/2018	Payroll	3	1536	Navia Benefits	155.00	Pay Cycle(s) 09/07/2018 To 09/07/2018 - Medical FSA- S125
5269	09/07/2018	Payroll	3	1537	Teamsters Union Local 231	1,172.00	Pay Cycle(s) 09/07/2018 To 09/07/2018 - Teamsters Dues
5270	09/07/2018	Payroll	3	1538	Washington Teamsters Welfare Trust	28,460.10	Pay Cycle(s) 09/07/2018 To 09/07/2018 - Union Dental; Pay Cycle(s) 09/07/2018 To 09/07/2018 - Teamsters Medical

Fund	Amount		
001 General Fund	136,712.83		
101 Street Fund	19,772.53		
108 Transportation Sales Tax Fund	1,134.22		
401 Sewer Fund	34,176.54		
410 Drainage Fund	20,741.83		
421 Water Fund	42,874.07		
	255,412.02	Payroll:	255,412.02

CERTIFICATION: I, the undersigned do hereby certify under penalty of perjury, that the materials have been furnished, the services rendered or the labor performed as described herein and that the claim is a just, due and unpaid obligation against the City of Stanwood, and that I am authorized to authenticate and certify to said claim.

( ) Finance Director ( ) Auditing Officer [signature] Date: 9-18-18
( ) Deputy Finance Director

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	8b
DATE:	September 27, 2018
SUBJECT:	City Council September 13, 2018 Regular Meeting Minutes
CONTACT PERSON:	Tania Hawes, Deputy Clerk
ATTACHMENTS:	A – Council Regular Meeting Minutes

SUMMARY STATEMENT

Minutes of the September 13, 2018 Regular City Council Meeting are attached.

RECOMMENDED MOTION

I MOVE TO APPROVE THE MINUTES OF THE SEPTEMBER 13, 2018 REGULAR COUNCIL MEETING AS PRESENTED.

ATTACHMENT A

CITY OF STANWOOD

Regular Meeting of the City Council
Thursday, September 13, 2018 – 7:00 p.m.
Stanwood Camano School District Administration Board Room

MINUTES

1. Call to Order and Pledge of Allegiance

Mayor Leonard Kelley called the meeting to order at 7:00 p.m. and led the Pledge of Allegiance.

2. Roll Call

Deputy Clerk Tania Hawes called the roll with the following Councilmembers present: Rob Johnson, Dianne White, Larry Sather, and Kelly McGill. The meeting was quorate.

Also present: Public Works Director Kevin Hushagen, Senior Planner Amy Rusko, Police Chief Norm Link, Fire Chief John Cermak, City Attorney Representative Brett Vinson, and Deputy Clerk Tania Hawes.

Motion by Councilmember Sather, second by Councilmember McGill, to excuse Councilmembers Callaghan, Pearce, and Williams. Motion carried unanimously.

3. Approval of the Agenda

Motion by Councilmember Sather, second by Councilmember McGill, to approve the agenda. Motion carried unanimously.

4. Presentation

a. Proclamation – Frank H. Hancock Day

Mayor Leonard Kelley presented a proclamation to Commander Gina Seegert, proclaiming September 26th Frank H. Hancock Day in honor of his service.

b. Western Washington University – Final Report from Sustainable Community Partnership

Lindsey MacDonald presented a final report on Western Washington University's Sustainable Community Partnership with the city. The partnership entailed public outreach about flooding, GIS tools, baseline flood knowledge, field studies, financial impact studies, and an analysis on the impact of floods in Stanwood.

Mayor Leonard Kelley thanked Ms. MacDonald for her work and presentation, as it has made the city more informed about flooding than it was a year ago.

Councilmember White thanked the students that participated in the program.

Councilmember Johnson stated that when he contacted the Federal Emergency Management Agency (FEMA) and was told that FEMA does not have any funding mechanisms to pay for elevation of homes. Instead, citizens would have to go to local banks for funding options in order to increase the elevation of their homes.

5. Citizen Comments

Tim Schmitt – 27308 101st Avenue

Mr. Schmitt commented on the well production rates of 2018 given on the Public Works monthly report for July 2018.

6. Staff Reports

a. Police Compstat Report – July 2018
b. Public Works Monthly Report
c. Snohomish County Hotel/Motel Grant Application

7. Committee Reports

a. Community Development
b. Investment
c. Public Works

8. Consent Agenda

a. Approve Vouchers and Payroll Checks
b. Approve August 9, 2018 Regular Meeting Minutes
c. 94th Drive Sewer Force Main Repair Final Acceptance
d. Appointment of Sid Roberts to Planning Commission

Mayor Leonard Kelley congratulated Sid Roberts on his appointment to Planning Commission Position 6.

Motion by Councilmember Sather, second by Councilmember McGill, to approve the consent agenda items a. through d. Motion carried unanimously.

9. New Business

a. Final Plat – Mineral Point Phase III

Senior Planner Amy Rusko presented the Mineral Point Phase III final plat to Council. Phase one of the project was approved in December 2017 and phase two was approved in May 2018. Phase three is the final plat of the project consisting of twenty-four lots.

Motion by Councilmember Sather, second by Councilmember McGill, to approve the final plat of Mineral Point Phase III and to allow the Mayor to sign the final plat in accordance with SMC 16.020.060(3).

b. Water and Sewer Availability Analysis for the Schmitt Plat

Public Works Director Kevin Hushagen presented a contract with RH2 Engineering for a water and sewer availability analysis for the Schmitt Plat. The study is required for new developments and gives the city an estimate of the demand of the development.

Councilmember McGill asked if the developer of the plat will be reimbursing the city for the study. Mr. Hushagen replied that they will not be reimbursed. The city passed their new fee schedule on July 12, 2018, which only allows the city to be given $500 for the water study and $500 for the sewer study.

Motion by Councilmember Sather, second by Councilmember McGill, to authorize the Mayor to enter into an agreement with RH2 Engineering for a water and sewer availability analysis for the Schmitt Plat for $8,100.

10. Reports of Officers and Committees

a. Mayor's Report

Mayor Kelley announced that there is a budget workshop scheduled for October 22, 2018 at 5:15 p.m. in city hall. The city had fourteen applicants for the city administrator position and is looking to make an offer next week.

b. Councilmember Reports and Questions

Councilmember McGill commented that he and Councilmember Williams were honored to support the Stanwood Camano School District teachers at the school board meetings.

Councilmember White stated that the fifth annual car show at the Stanwood Senior Center had its largest turnout yet.

Councilmember Johnson commented in connection with the Frank H. Hancock day proclamation that the Floyd Norgaard Center War Memorial also recognized Alfred Kristoferson for his service in World War I.

11. Citizen Closing Comments

There were no citizen comments.

12. Adjourn

Mayor Kelley adjourned the meeting at 7:42 p.m.

CITY OF STANWOOD	ATTEST:
____________________________	____________________________
Leonard Kelley, Mayor	Tania Hawes, Deputy Clerk

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	8c
DATE:	September 27, 2018
SUBJECT:	Set Budget Workshop Meeting
CONTACT PERSON:	Tania Hawes, Deputy Clerk
ATTACHMENTS:	None

ISSUE

Should council approve the proposed October 22, 2018 budget workshop as prepared by staff?

SUMMARY STATEMENT

Staff propose a budget workshop to take place on October 22, 2018 at 5:15 p.m. in city hall.

FINANCIAL IMPACT

There is no financial impact

CITY COUNCIL OPTIONS

Council can agree to the meeting date as set, change the date, or choose not to meet.

RECOMMENDED MOTION

I MOVE TO SET THE BUDGET WORKSHOP AS PRESENTED BY STAFF.

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	8d
DATE:	September 27, 2018
SUBJECT:	Adopt Resolution 2018-21 Authorizing the Finance Director to Make Declarations of Official Intent – Reimbursement Resolution
CONTACT PERSON:	David A. Hammond, Finance Director/City Clerk
ATTACHMENTS:	A – Resolution 2018-21

ISSUE

The issue before Council is to consider authorizing the Finance Director to make declarations of official intent on behalf of the City to reimbursable capital expenditures from future borrowings.

RECOMMENDATION

Adopt Resolution 2018-21 authorizing the Finance Director to make declarations of official intent on the City's behalf.

SUMMARY STATEMENT

The City issues tax-exempt, tax-advantaged and other obligations ("bonds") from time to time for the purpose of financing its governmental activities. The City makes capital expenditures from time to time from money that is available but that is not (and is not reasonably expected to be) reserved, allocated on a long-term basis or otherwise set aside for those expenditures, and the City reasonably expects to be reimbursed for those expenditures from proceeds of bonds issued or incurred to finance those expenditures. United States Treasury Regulations Section 1.150-2 relating to the reimbursement of prior expenditures from proceeds of bonds requires, among other things, that not later than 60 days after payment of the original expenditure the City (or any person designated by the City to do so on its behalf) declare a reasonable official intent to reimburse those original expenditures from proceeds of bonds ("official intent"). The City desires to appoint the Finance Director/City Clerk (the "Finance Director") of the City as a person authorized and designated to declare official intent on behalf of the City.

CITY COUNCIL OPTIONS

1. Approve Resolution 2018-21, authorizing the Finance Director to make declarations of official intent on behalf of the City.

2. Do not approve Resolution 2018-21, authorizing the Finance Director to make declarations of official intent on behalf of the City.

RECOMMENDED MOTION

I MOVE TO ADOPT RESOLUTON 2018-21, AUTHORIZING THE FINANCE DIRECTOR TO MAKE DECLARATIONS OF OFFICIAL INTENT ON BEHALF OF THE CITY TO REIMBURSE CAPITAL EXPENDITURES FROM FUTURE BORROWINGS.

RESOLUTION NO. 2018-21
CITY OF STANWOOD, WASHINGTON

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF STANWOOD, WASHINGTON, AUTHORIZING THE FINANCE DIRECTOR TO MAKE DECLARATIONS OF OFFICIAL INTENT ON BEHALF OF THE CITY TO REIMBURSE CAPITAL EXPENDITURES FROM FUTURE BORROWINGS.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STANWOOD, WASHINGTON, as follows:

Section 1. Findings and Determinations. The City Council (the "City Council") of the City of Stanwood, Washington (the "City"), takes note of the following facts and makes the following findings and determinations:

(a) The City issues tax-exempt, tax-advantaged and other obligations ("bonds") from time to time for the purpose of financing its governmental activities. The City makes capital expenditures from time to time from money that is available but that is not (and is not reasonably expected to be) reserved, allocated on a long-term basis or otherwise set aside for those expenditures, and the City reasonably expects to be reimbursed for those expenditures from proceeds of bonds issued or incurred to finance those expenditures.

(b) United States Treasury Regulations Section 1.150-2 relating to the reimbursement of prior expenditures from proceeds of bonds requires, among other things, that not later than 60 days after payment of the original expenditure the City (or any person designated by the City to do so on its behalf) declare a reasonable official intent to reimburse those original expenditures from proceeds of bonds ("official intent").

(c) The City desires to appoint the Finance Director/City Clerk (the "Finance Director") of the City as a person authorized and designated to declare official intent on behalf of the City.

Section 2. Appointment of Finance Director. The City Council designates and appoints the Finance Director as a responsible official for the purpose of issuing statements of official intent in compliance with United States Treasury Regulations Section 1.150-2.

Section 3. Statements of Official Intent. Upon a determination by the Finance Director that the costs of a particular governmental project, property or program may be reimbursed from the proceeds of bonds, the Finance Director is authorized and directed to execute a certificate of official intent, substantially in the form attached as Exhibit A with a copy to bond counsel and the Mayor~~.~~ Each certificate so executed is a part of the official records of the City available for public inspection and review.

Section 4. Ratification and Confirmation. All actions of the City or its officers taken prior to the effective date and consistent with the terms of this resolution are ratified and confirmed.

Section 5. Effective Date. This resolution is effective immediately upon its approval and adoption.

APPROVED AND ADOPTED at a regular meeting of the City Council of the City of Stanwood, Washington, and executed by its Mayor this ____ day of ____________, 2018.

BY______________________
Leonard Kelley, Mayor

ATTEST:

BY__________________________
David A. Hammond, City Clerk

APPROVED AS TO FORM:

BY____________________________________
Special Bond Counsel

EXHIBIT A

FORM OF OFFICIAL INTENT CERTIFICATE

Under Resolution No. 2018-21 of the City Council of the City of Stanwood, Washington (the "City"), I, the undersigned, make the following declaration on behalf of the City.

Section 1. Responsible Official. I am the duly appointed, qualified and acting Finance Director of the City and, as such, have been designated by the City to make declarations of official intent on behalf of the City when necessary or appropriate for any purpose under, and in compliance with, the requirements of United States Treasury Regulations Section 1.150-2 relating to the use of proceeds of tax-exempt, tax-advantaged and other obligations ("bonds") to reimburse the City for capital expenditures (and certain extraordinary working capital expenditures) made by the City before the issue date of the bonds.

Section 2. Description of Project for Which Expenditures are to be Made. The City intends to make (and/or, not more than 60 days before the date of this declaration, has made) expenditures, and reasonably expects to reimburse itself for those expenditures from proceeds of bonds, for the following project, property or program ("project"):

> [*Insert general functional description of the project or, alternatively, identify the name and functional purpose of the fund or account from which the expenditures will be made.*]
>
> ____
> ____
> ____
> ____

Section 3. Maximum Principal Amount of Bonds Expected to be Issued for the Project. The City expects that the maximum principal amount of bonds that will be issued to finance the project is $________________.

Section 4. Declaration Reasonable. I have reviewed the existing and reasonably foreseeable budgetary and financial circumstances of the City and have determined that the City reasonably expects to reimburse itself for expenditures for the project from proceeds of bonds because the City has no funds available that already are, or are reasonably expected to be, reserved, allocated on a long-term basis or otherwise set aside by the City for those expenditures on the project.

Section 5. Limitations on Uses of Reimbursement Amounts. The City will not, within one year after the expected reimbursement, use amounts corresponding to proceeds received from bonds issued in the future to reimburse the City for previously paid expenditures for the project in any manner that results in those amounts being treated as replacement proceeds of any tax-exempt bonds, i.e., as a result of being deposited in a reserve fund, pledged fund, sinking fund, or similar fund (other than a bona fide debt service fund) that is expected to be used to pay principal of or interest on tax-exempt bonds. The City will not use those amounts in any manner that employs an abusive arbitrage device to avoid arbitrage restrictions.

Dated: _______________.

CITY OF STANWOOD, WASHINGTON

____

David A. Hammond, Finance Director

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	9a
DATE:	September 27, 2018
SUBJECT:	Lease Agreement with Community Resources Foundation
CONTACT PERSON:	David A. Hammond, Finance Director
ATTACHMENTS:	A – Lease Agreement with Community Resources Foundation

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ISSUE

The issue in front of city council is to authorize the mayor to sign a lease agreement with the Community Resources Foundation ("Foundation") to store the Foundation's portable stage ("gypsy wagon") in the former equipment shed on the Ovenell property.

RECOMMENDATION

Authorize the mayor to sign a lease agreement with the Community Resources Foundation.

COMMITTEE RECOMMENDATION

The public works committee has not reviewed the proposed request to store the Community Resources Foundation's portable stage on the Ovenell property.

SUMMARY

The Community Resources Foundation owns a portable stage known as the gypsy wagon. The city used the stage for the four summer concerts held in Stanwood last year. In 2015, the city and the foundation agreed to exchange storage of the wagon for a certain number of uses of the wagon, and at this time the foundation is willing to renew that agreement. The Foundation typically rents the stage for $500 per day. The Foundation and the city have tentatively agreed to allow storage of the wagon at Ovenell Park in exchange for a using the wagon seven times per year.

DISCUSSION

The city has sufficient space in the former equipment shed to house the portable stage. There are 12 bays in the equipment shed. The portable stage would be assigned to one of the 12 bays. There is other equipment currently stored in the equipment shed.

The proposed lease agreement is based on existing agreements between the city and the youth soccer and lacrosse organizations to use a portion of the equipment shed at Heritage Park.

Under the terms of the agreement, the Foundation may only store the portable stage on the property with city approval. The lease will be effective for one year and may be automatically renewed by the parties for two (2) additional one (1) year terms unless terminated by either party with 60 day's notice to the other party.

The rental fee is $250 per month. In lieu of the rental fee, the city may use the portable stage for up to seven (7) times per year. The city is responsible for moving the stage to and from special events for city use. The city will pay for utilities such as power, heat, gas and garbage. There are no utilities available on the property at this time.

The Foundation will indemnify the city and carry liability and fire insurance naming the city as an additional insured.

FINANCIAL IMPACT

The city is not currently using the equipment shed. The shed has a total of 12 bays so there is sufficient space for city uses in the future. Entering into the lease agreement potentially saves the city the cost of renting a portable stage up to seven times per year. The cost to rent a portable stage ranges from $500 to $1,500 per day not including transportation expenses. The city may incur some additional maintenance costs to store the stage. The city will be responsible for payment of leasehold excise tax, estimated to be $385, which is included in the rent amount.

CITY COUNCIL OPTIONS

The city council may authorize the mayor to sign the lease agreement with the Community Resources Foundation. The lease agreement provides the city with the opportunity to use the portable stage for city events. The cost to store the stage is minor. The lease agreement adequately benefits both parties with limited cost to the city.

The city council could choose not to rent space to the Foundation for the portable stage on the Ovenell property. The Ovenell property is currently closed to public use pending a master plan process. The city council may want to wait until the master plan process is complete before renting space to not-for-profit entities. Renting space to the Foundation may set a precedent for use the city council may not be prepared to repeat. Under the proposed lease agreement either party may give 60 day's notice to terminate the lease.

A decision not to lease space to store the portable stage could result in a decision by the Foundation not to allow the city to use the stage for special events such as the summer concert series. The proposed lease allows the city to use the stage up to seven times per year. The value of the stage is at least $500/day or $3,000 per year.

The city council could identify areas of concerns with the proposed lease agreement and direct staff to bring the issue to the public works committee for further discussion and recommendation. The city council may have questions or concerns with the terms of the lease agreement before making a final decision.

RECOMMENDED ACTION

I MOVE TO AUTHORIZE THE MAYOR TO SIGN A LEASE AGREEMENT WITH THE COMMUNITY RESOURCES FOUNDATION TO STORE THE FOUNDATION'S PORTABLE STAGE IN THE EQUIPMENT SHED ON THE OVENELL PROPERTY.

FACILITY LEASE AGREEMENT
CITY OF STANWOOD and
COMMUNITY RESOURCES FOUNDATION

The parties hereto are the CITY OF STANWOOD, a municipal corporation of the State of Washington, (“City”) and the COMMUNITY RESOURCES FOUNDATION, a non-profit Washington corporation, (“RESOURCES FOUNDATION”).

RECITALS

WHEREAS, The City of Stanwood is the legal owner of record of the Ovenell Property (Snohomish County, Washington, Parcel 32032400304700, legally described on **Exhibit 1** attached hereto, generally located at 10520 Saratoga Drive, Stanwood, WA 98292, hereinafter referred to as “Premises”; and

WHEREAS, The Ovenell Property includes a number of outbuildings including an equipment shed, hereinafter referred to as the “Shed”, which houses city tools and equipment, including but not limited to riding lawn mowers, backhoe, and bucket truck; and

WHEREAS, There is additional storage space in the Shed not currently utilized by the City; and

WHEREAS, the Parties wish to memorialize through this Agreement partial use of the Shed for the sole purpose of storing the portable stage commonly known as the “gypsy wagon” owned by the RESOURCES FOUNDATION; and

WHEREAS, The City wishes to ensure City property stored in the Shed is secure through this Agreement;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF the mutual covenants hereinafter contained, the parties agree as follows:

COVENANTS

1. **AGREEMENT AND DESCRIPTION**. Upon the terms and conditions hereinafter set forth, the City does hereby provide to the RESOURCES FOUNDATION the exclusive use of one (1) bay in the Shed depicted on **Exhibit 2** situated on the property described in **Exhibit 1**.The RESOURCES FOUNDATION has fully inspected the subject shed prior to entering into this lease and accepts its condition “AS IS.” The City shall have the right to determine which bay is leased to the RESOURCES FOUNDATION and during the term on this lease assign a different stall if in the City’s sole discretion, the need dictates.

2. **BUSINESS PURPOSE**.

a) The Premises is to be used primarily for the purpose of storing the gypsy wagon owned by the RESOURCES FOUNDATION. No flammable or explosive materials, hazardous substances or any material or thing which could constitute a danger to the Shed or a hazard to the public shall be stored in the Shed at any time.

b) This lease agreement prohibits RESOURCES FOUNDATION, its employees, volunteers, guests, invitees and anyone in its control, from engaging in activities which would interfere with the rights of, or quiet enjoyment of the premises by others permitted by the City to use the premises.

3. **TERM**. The term of this agreement shall be effective one (1) year from the date of execution by both parties. The agreement may be automatically renewed by the parties for two (2) additional one (1) year terms unless terminated in accordance with sections 3 (a) and 17.

a) Termination. Either party may terminate this agreement with sixty (60) days written notice to the other party in accordance with section 17.

4. **RENTAL FEE**. RESOURCES FOUNDATION will pay the CITY a rental fee of two hundred and fifty dollars ($250) per month and any leasehold excise tax required by law. Rates may be adjusted annually on January 1st of each renewal term by the consumer price index (Seattle, Tacoma, Bremerton / June to June) for the previous year.

In lieu of the rental fee referenced in (4) above, the RESOURCES FOUNDATION shall make the portable stage available to the city for up to seven (7) special events per year. The CITY is responsible for transporting the gypsy wagon to and from the special event, for the city's exclusive use.

5. **UTILITIES**. The City shall pay for utilities, such as power, heat, gas, and garbage.

6. **ACCESS**.

a) RESOURCES FOUNDATION shall only be allowed on the premises during regular City business hours unless other arrangements are negotiated between the Parties.

b) RESOURCES FOUNDATION, its employees, volunteers, guests, invitees and anyone in its control shall park in the designated parking area only.

7. **CARE OF PREMISES**.

a. The RESOURCES FOUNDATION shall at all times keep the designated bay in the Shed for the gypsy wagon, neat, clean and in a sanitary condition and shall at all times preserve the bay in the Shed in good repair except for reasonable wear and tear and damage by fire or other unavoidable casualty.

b. All maintenance and operating costs shall be borne by the City. This includes but is not limited to all fixtures and the replacement or major repairs to fixtures unless said replacement or repairs are necessitated by RESOURCES FOUNDATION'S neglect.

c. The RESOURCES FOUNDATION will commit or permit no waste, damage or injury to the Shed.

d. The RESOURCES FOUNDATION shall be responsible for replacement of keys or rekeying of the premises if keys are lost or stolen and city assets are deemed by the city to be at risk.

8. **MAINTENANCE OF GROUNDS**. The City shall maintain the grounds and parking areas.

9. **STORAGE OF MATERIALS, SUPPLIES, ETC**. The RESOURCES FOUNDATION covenants not store or deposit materials, supplies or other objects on the premises without the written permission of the City. Failure of RESOURCES FOUNDATION to fully carry out this agreement shall be a breach of covenant of this agreement.

10. **HAZARDOUS WASTES**. The RESOURCES FOUNDATION covenants not to bring dangerous wastes, hazardous wastes or extremely hazardous wastes as defined by RCW 70.105.010, et seq. to the premises or allow any of its employees, volunteers, guests or others under its control to do so, and shall at RESOURCES FOUNDATION's sole expense, undertake to comply with all rules, regulations and policies of the Washington State Department of Ecology and the United States Environmental Protection Agency. RESOURCES FOUNDATION shall promptly notify the City and North County Fire of the existence of dangerous wastes, hazardous wastes or extremely hazardous wastes as required by state and federal regulations. RESOURCES FOUNDATION shall comply with any provisions of the local Hazardous Waste Plan as now in existence or hereinafter enacted. RESOURCES FOUNDATION shall comply with any requirements for hazardous waste disposal as may be imposed by RCW 70.105D.030 and the State Department of Ecology.

11**. VACATING THE PREMISES**. RESOURCES FOUNDATION agrees that at the expiration or earlier termination of this agreement, the RESOURCES FOUNDATION will quit and surrender said premises without notice and in a neat and clean condition and will deliver to the City all keys to all facilities on the premises.

12 **INDEMNITY**. The personal property stored on said premises shall be at the sole risk of RESOURCES FOUNDATION. The City shall not be liable for any damage, either to person or property, sustained by RESOURCES FOUNDATION or others, caused by any defects now in said premises or hereafter occurring therein, or due to the condition of any buildings hereafter erected, or due to any part or appurtenance thereof becoming out of repair, or caused by fire or by the bursting or leaking of water, gas, sewer or steam pipes, or from any act or neglect of RESOURCES FOUNDATION or other occupants of said buildings or any other persons, or due to the happening of any accident from any cause in or about said buildings. RESOURCES FOUNDATION covenants to protect, save and indemnify City, its elected and appointed officials and employees while acting within the scope of their duties as such, harmless from and against all claims, demands and causes of action of any kind or character, including the cost of defense thereof, arising in favor of RESOURCES FOUNDATION employees or third parties on account of personal injuries, death or damage to property arising out of the premises occupied by RESOURCES FOUNDATION or in any way resulting from the willful or negligent acts or omissions of the RESOURCES FOUNDATION and/or its agents, employees or representatives.

City covenants to protect, save and indemnify RESOURCES FOUNDATION its elected and appointed officials and employees while acting within the scope of their duties as such, harmless from and against all claims, demands and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the City's employees or third parties on account of personal injuries, death or damage to property arising out of the City's obligations under this agreement or in any way resulting from the willful or negligent acts or omissions of the City and/or its agents, employees or representatives.

13. **LIABILITY INSURANCE**. RESOURCES FOUNDATION shall at all times carry and maintain liability insurance in a company or companies rated in the current edition of Best's General Ratings as a least A (Excellent) and Financial Size Category of not less than Class X or in such other company or companies not so rated which may be acceptable to the City, insuring RESOURCES FOUNDATION against all claims for damages for personal injury, including death and against all claims for damage and destruction of property, which may arise by the acts or negligence of the RESOURCES FOUNDATION, its agents, employees or servants or by any means of transportation whatsoever including owned, non-owned and hired automobiles, to the extent of at least Two Million Dollars ($2,000,000.00) combined single limit. City shall be named in all such policies as an additional insured and a duplicate true certified copy of the original of such insurance policy or policies shall be furnished to the City. Each such policy shall provide that the policy may not be cancelled without the company first giving the City at least thirty (30) days written notice.

14. **FIRE INSURANCE**. The City shall, at all times, carry at its own expense fire insurance, extended coverage and vandalism and malicious mischief fire insurance on the building. Contents owned by the RESOURCES FOUNDATION, including but not limited to the gypsy wagon, in the building shall be covered under the RESOURCES FOUNDATION insurance.

15. **ASSIGNMENT AND SUBLETTING**. RESOURCES FOUNDATION shall not sublet or assign any portion of the Shed covered by this Agreement without the express written consent of City.

16. **RESOURCES FOUNDATION EMPLOYEES AND VOLUNTEERS**. This Lease is not intended in any fashion to create the relationship of employer-employee with respect to the City and RESOURCES FOUNDATION or its employees or volunteers. Neither RESOURCES FOUNDATION nor any person employed by or any volunteer of RESOURCES FOUNDATION is to be considered at any time an employee of the City. Neither party to this Lease is the agent of the other and neither party shall have the right to bind the other by contract or otherwise, except as herein specifically provided. Lessee agrees to pay any and all withholding taxes, Employment Security taxes, Social Security or FICA taxes, Labor & Industry premiums or fees, and otherwise shall pay all other government-imposed fees or charges with respect to RESOURCES FOUNDATION and its employees and volunteers. RESOURCES FOUNDATION shall be solely responsible for all of its employee benefits including, but not limited to vacation, sick leave, pension, life insurance, medical insurance, paid leave, and such other benefits as RESOURCES FOUNDATION may wish to provide.

17. **NOTICE**. All notices and consents hereunder shall be given in writing, delivered in person or mailed by certified mail, postage prepaid, to the receiving party at its address below, or to such other address as the receiving party may notify the sender beforehand referring to this agreement:

City of Stanwood	COMMUNITYRESOURCES FOUNDATION
Kevin Hushagen	Joanna Dobbs
Public Works Director	PO Box 935
10220 207th Street NW	9612 271st Street
Stanwood, WA 98292	Stanwood, WA 98292
(360) 629-9782 | fax (360) 629-0867	(360) 629-5257

18. **GOVERNMENTAL FEES**. Except for those which may be approved by Resolution of the City Council of the City of Stanwood, all fees due under applicable law to the City, County or State on account of any inspection made on premises by any officer thereof shall be paid by RESOURCES FOUNDATION.

19. **SIGNS**. There shall be no signs or symbols allowed on the exterior part of the Shed.

20. **ALTERATIONS**. The RESOURCES FOUNDATION shall not make any material alterations, additions or improvements to the Shed without written consent of the City and all alterations, additions and improvements which shall be made, shall be at the sole cost and expense of the RESOURCES FOUNDATION and shall become the property of the City except those not attached to the building and shall remain in and be surrendered with the premises as part thereof at the termination of this agreement, without disturbance, molestation or injury.

The term "material alterations additions or improvements" shall include but not be limited to any structural modification of the building or its components. If the RESOURCES FOUNDATION shall perform work with the consent of the City, as aforesaid, RESOURCES FOUNDATION agrees to comply with all laws ordinances, rules and regulations of the pertinent and authorized public authorities.

The RESOURCES FOUNDATION further agrees to save the City free and harmless from damage, loss or expense arising out of said work. Heating systems, plumbing systems (including hot water tanks) and all lighting and electrical systems and parts thereof shall be considered fixtures and become part of the real estate upon being installed in any building.

21. **DEFAULT AND RE-ENTRY**. If the RESOURCES FOUNDATION shall violate or default in any of the covenants and agreements therein contained, then the City may cancel this agreement upon giving the written notice required by law. Notwithstanding anything contained herein to the contrary, City shall provide RESOURCES FOUNDATION with written notice of default and shall allow the RESOURCES FOUNDATION a ten (10) day period to cure (or, in case of impracticability, commence to cure) such default.

22. **COSTS AND ATTORNEY'S FEES**. If by reason of any default on the part of either party, litigation is commenced to enforce any provision of this agreement or to recover for breach of any provision of this agreement, the prevailing party shall be entitled to recover from the other party reasonable attorney's fees in such amount as is fixed by the court and all costs and expenses incurred by the reason of the breach or default by the other under this agreement.

23. **NON-WAIVER OF BREACH**. The failure of either party to insist upon strict performance of any of the covenants and agreements of this agreement or to exercise any option herein conferred in any one or more instances shall not be construed to be a waiver or relinquishment of any such strict performance or of the exercise of such option or any other covenants or agreements but the same shall be and remain in full force and effect.

24. **REMOVAL OF PROPERTY**. In the event of default and failure to cure or taking possession of the premises as aforesaid, the City shall have the right but not the obligation to remove from the premises all personal property located therein or thereon and may store

the same in any place selected by City, including but not limited to a public warehouse at the expense and risk of the owners thereof with the right to sell such stored property with notice to the RESOURCES FOUNDATION after it has been stored for a period of at least sixty (60) days, the proceeds of such sale to be applied first to the cost of such sale, second to the payment of the charges for storage, if any, and third to the payment of any other sums of money which may then be due from RESOURCES FOUNDATION to City under any of the terms hereof and the balance, if any, to be paid to RESOURCES FOUNDATION.

25. **HEIRS AND SUCCESSORS**. Subject to the provisions hereof pertaining to assignment and subletting, the covenants and agreements of this agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of any of all of the parties hereto.

26. **HOLD OVER**. If the RESOURCES FOUNDATION shall, with the written consent of City, hold over after the expiration of the term of this agreement, such tenancy shall be determined as provided by the laws of the State of Washington. During such tenancy RESOURCES FOUNDATION agrees to pay City the same rate of rental as set forth herein, unless a different rate is agreed upon and to be bound by all of the terms, covenants and conditions as herein specified, so far as applicable.

27. **VENUE**. The venue of any suit which may be brought by either party under the terms of this agreement or growing out of the tenancy under this agreement shall at the option of the City be in court or courts in Snohomish County, Washington.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on this ________ day of _____, 2018.

CITY OF STANWOOD

______________________ date
Leonard Kelley, Mayor

COMMUNITY RESOURCES FOUNDATION

____________________ date _______
Joanna Dobbs Executive Director

Attest:

____
David A. Hammond, City Clerk

Approved as to form:

____
Grant Weed, City Attorney

Exhibit 1

Address:
Ovenell Property
10520 Saratoga Drive
Stanwood, WA 98292

Property Description

Section 24 Township 32 Range 03 Quarter SW - BEG SW COR SEC TH N83*15 00E TO E BK STILLI-SKAGIT SLOUGH TH NLY ALG E BK SD SLOUGH TO INT N LN NW1/4 SW1/4 TH W TO 1/4 SEC COR TH S TO POB LESS S/HY NO 1 PLUS PTN VAC CO RD ALSO LESS GN INDUSTRIAL SPUR TRACK & LESS FDP COM SW COR SEC TH S89*30 40E ALG S LN SEC 458.22FT TH N00*29 20E AT R/A TO SD S LN 58.20FT TAP LY N83*15 00E 461.90FT FR SW COR SD SEC & ALSO THE NW COR OF EXST STANWOOD CITY LIMITS PRIOR TO 1/6/75 & TPB TH N83*15 00E ALG SD CITY LIMITS PRIOR TO 1/6/75 FOR 320.36FT TH N18*03 00E ALG SD CITY LIMITS PRIOR TO 1/6/75 FOR 283.33FT TH N10*29 54E 143 .95FT TO C/L S/HY TH S88*52 30W ALG SD HWY C/L 458.66FT TH S01*14 15W 443.94FT TH N83*15 00E 36.26FT TO TPB & ALSO LESS TH PTN ABV DESC PRTY LY N OF HWY & ELY OF E LN OF W 649.02FT THOF LESS ADDL R/W TO ST OF WA PER CORR WD REC AFN 200911230275 (22.99 OF 33.96 ACRES) OSA-77

Exhibit 2

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	9b
DATE:	September 27, 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 council is to review and consider approval of first reading of Ordinance 1461 to update water, sewer and drainage utility rates and plant investment fees.

RECOMMENDATION

Conduct first reading of Ordinance 1461 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. 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 city adopted financial policies in 2013, which establish principles upon which utility rates shall be established. These policies include:

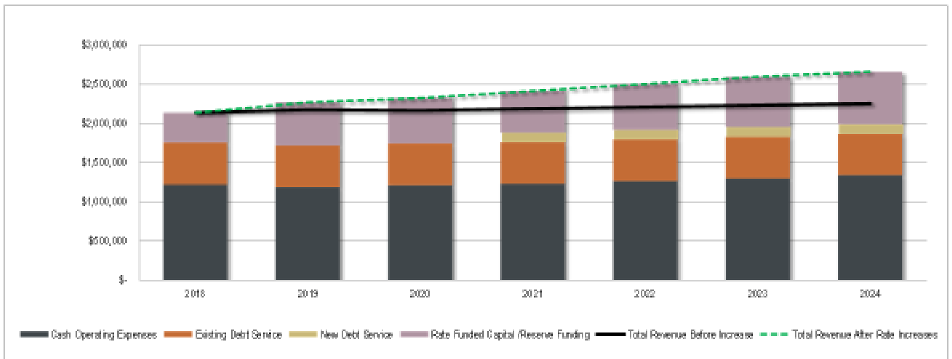
- The city will set fees and user charges for each enterprise fund, such as water, sanitary sewer and storm drainage, at a level that fully supports the total direct and indirect cost of the activity including the cost of annual depreciation of capital assets. Additionally, for analysis and rate modeling purposes, the proposed rates shall also take into account debt service coverage commitments made by the city of 1.25 times annual debt service.
- The city will maintain 60 days operating reserves in each of the utility funds.
- The city will establish a revenue stabilization reserve for the water, sanitary sewer and storm drainage utilities. The required fund balance shall be set at 25% of revenues from rates.
- The city will establish capital contingency reserve for each utility in the amount of 1% of system fixed assets.
- Bond reserves will be maintained in accordance with debt covenants.
- Equipment replacement reserves will be established for each utility.

The rate study incorporated each of these principles and the discussion below describes the degree the proposed rate changes comply. 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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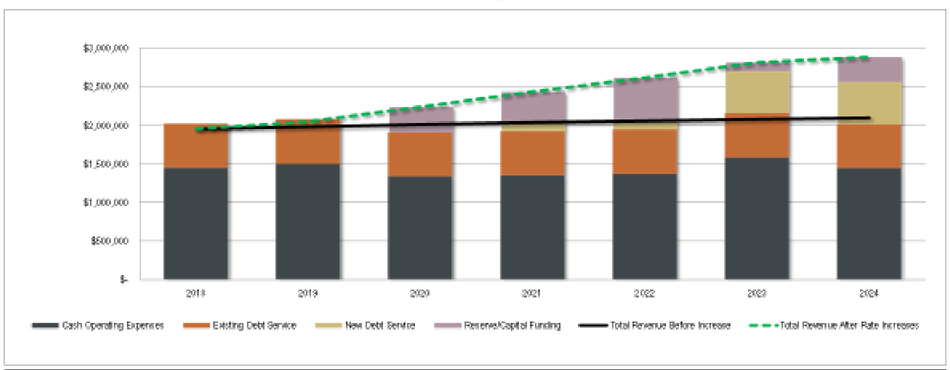
Sewer Utility—the council previously adopted a 3.5% rate increase effective January 1st. The consultant recommendation is for 7.5% rate increases in 2020-2021, 6.5% in 2022-2023, and a 1.5% increase in 2024. This rate includes operating expenses, existing and new debt service, a portion of capital investment, as well as fully funding required system cash reserves. Further, the rate proposal provides system reinvestment at the rate of 10% to 30% 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

Sewer Revenue Requirement



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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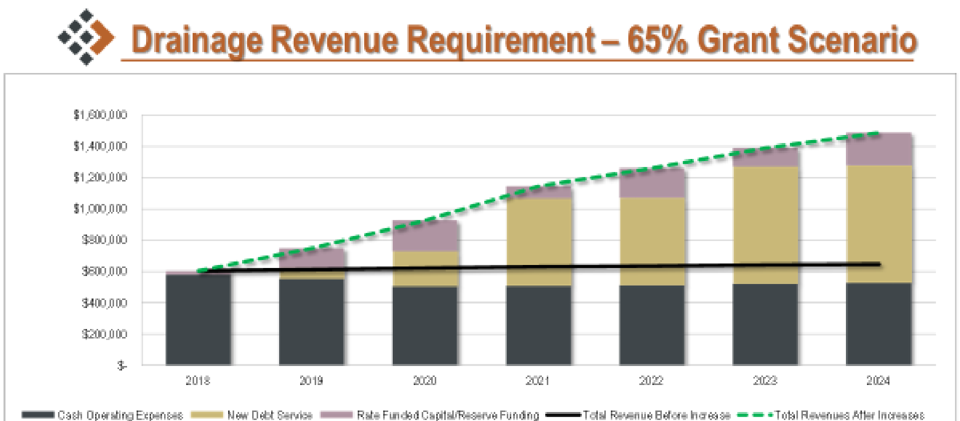
Drainage Utility—Council last increased commercial drainage rates on January 1, 2017, and has not changed residential rates since 2006. The consultant and staff recommendation is for 22.5% rate increases in 2019, 2020 and 2021, then 9.25% in 2022-2023, and a 6.25% in 2024. This rate includes operating 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 (Adopted)	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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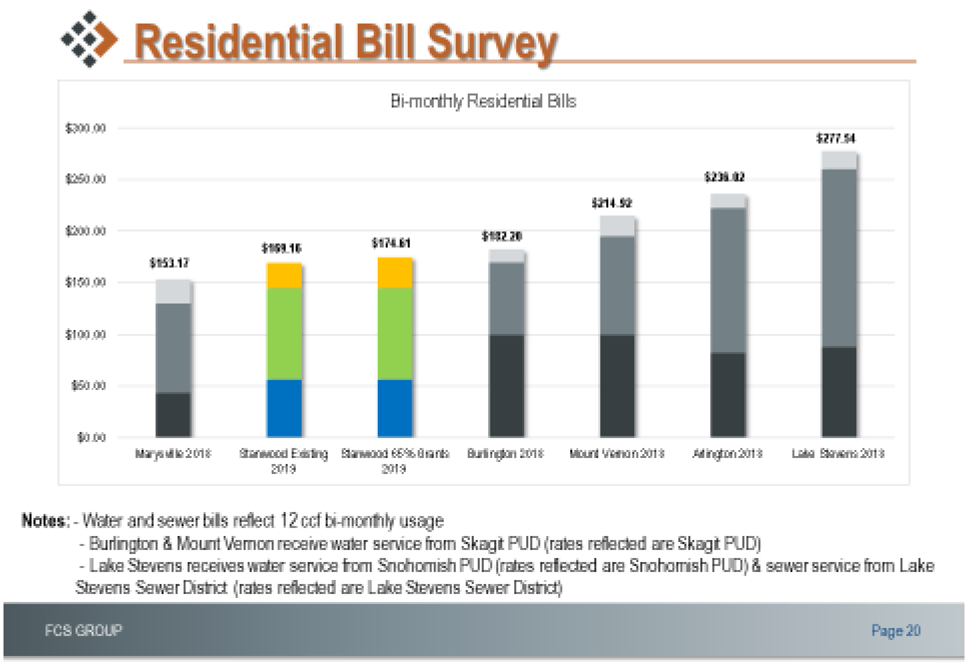
FINANCIAL IMPACT

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. When Impact fees are included in the comparison (CHART SEVEN) the proposed rates are exceeded by both Mount Vernon and Lake Stevens.

CHART SIX

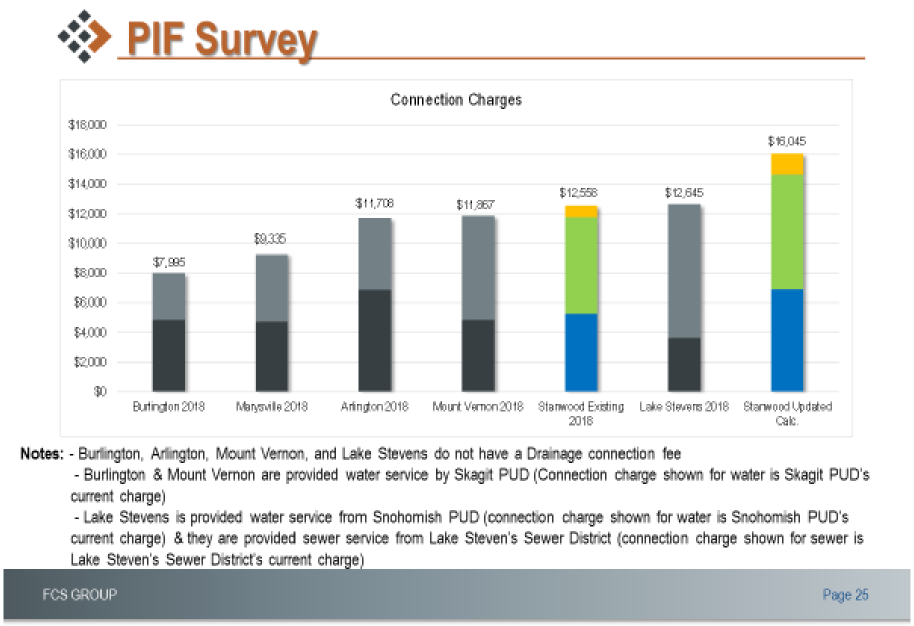


CHART SEVEN

Comparable Cities Impact Fees *Review Date 9/14/2018							
	Burlington	**Arlington**	**Stanwood**	**Marysville**	**Stanwood (Proposed)**	**Mount Vernon**	**Lake Stevens**
Parks	$655	$2,146	$1,330	$1,463	$1,330	$855	$2,350
Traffic	$2,665	$3,355	$3,523	$6,300	$3,523	$4,951	$2,917
Fire	$254	$0	$200	$0	$200	$152	$0
School	$0	$0	$0	$1,552	$0	$6,658	$6,624
Water	$4,865	$6,868	$5,280	$4,750	$6,912	$4,865	$3,645
Sewer	$3,130	$4,840	$6,476	$4,490	$7,719	$7,002	$9,000
Stormwater	$583	$0	$802	$95	$1,414	$0	$0
Total	**$12,152**	**$17,209**	**$17,611**	**$18,650**	**$21,098**	**$24,483**	**$24,536**

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 11th day of October 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).

City of Stanwood

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

FINAL REPORT
September 2018

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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

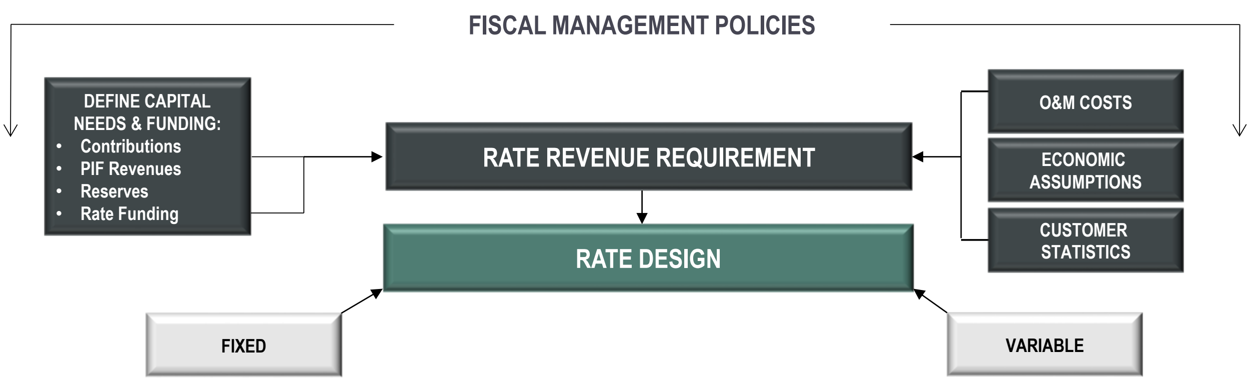
II.A. RATE SETTING PRINCIPLES AND METHODOLOGY

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.

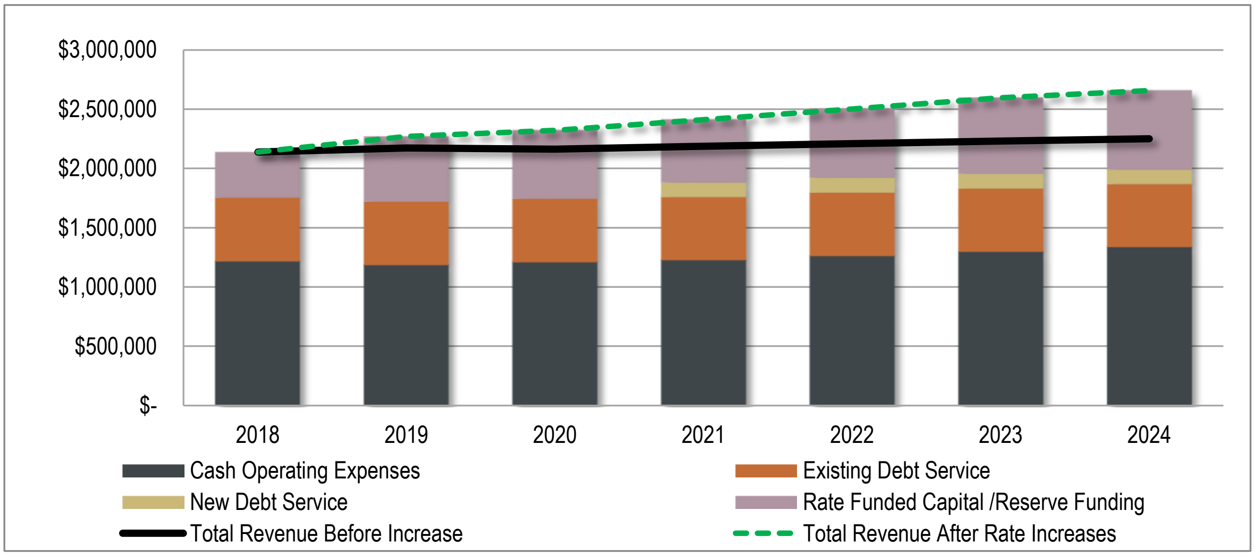
Exhibit 3.1: Water Capital Funding Summary

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.

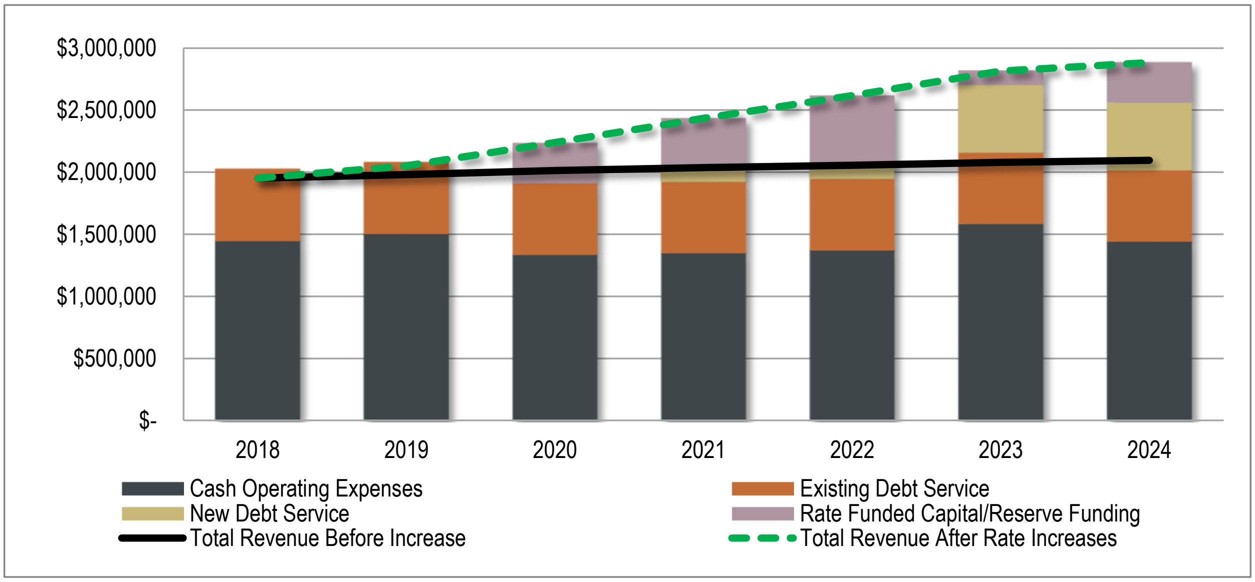
Exhibit 4.1: Sewer Capital Funding Summary

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		2021		2022		2023		2024
	Fixed												
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
	Variable (per 100 cubic feet)												
Description	Existing		2019		2020		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.

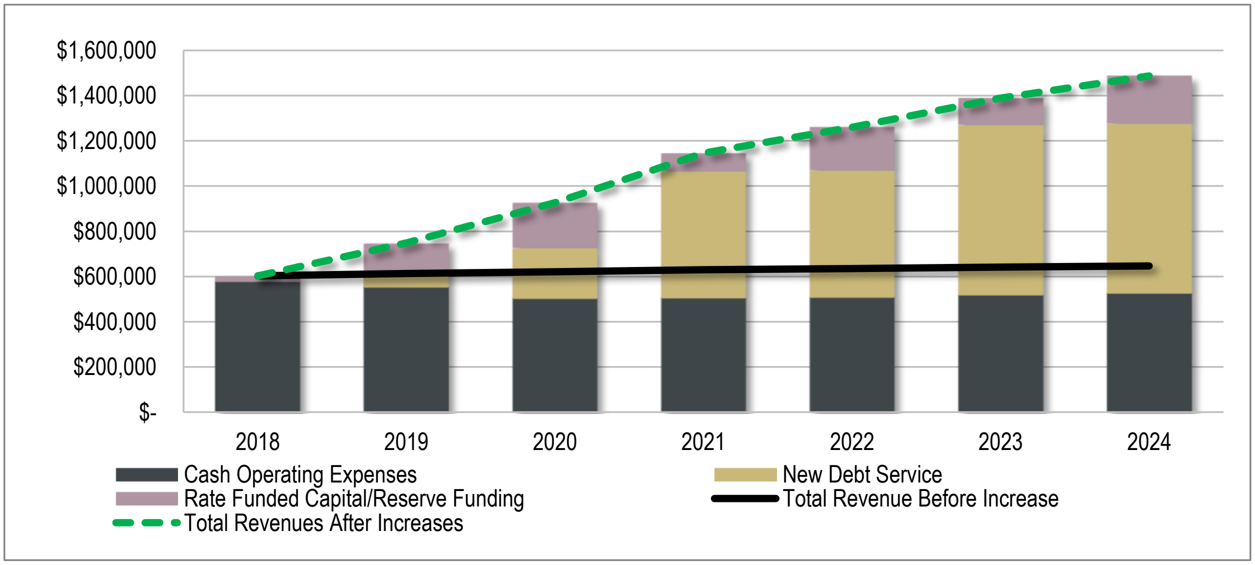
Exhibit 5.1: Drainage Capital Funding Summary

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).

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	9c
DATE:	September 27, 2018
SUBJECT:	Confirmation of City Administrator Appointment
CONTACT PERSON:	Mayor Leonard Kelley

ISSUE

The issue in front of council is whether or not to confirm the Mayor's appointment of Jennifer Olson to City Administrator.

BACKGROUND

Former City Administrator Ryan Larsen resigned from his position in July of 2018. Shortly thereafter the position was advertised for four weeks, closing on August 17th. The City received fourteen applications which were shortlisted to five candidates.

RECOMMENDED ACTION

A multidiscipline team, consisting of the Mayor, Debra Knight (former City Administrator), representatives from police, fire and city hall interviewed the candidates the week of September 10th. The unanimous consensus of the interview panels was to hire Ms. Jennifer Olson for the position of Stanwood City Administrator.

SUMMARY

The City of Stanwood has a strong Mayor form of government with a City Administrator that runs the day to day business of the City. The City Administrator:

- Assures the effective and efficient utilization of City employees, funds, materials, facilities and time.
- Directs and controls the overall operations of the City to assure optimum services to the community.
- Represents the City to the community, state legislature, congress and other governmental agencies.
- Interacts directly with elected officials to ensure the smooth and efficient running of the City organization and the handling of important issues and concerns of a highly political nature.
- Assures the development of short and long term plans to meet the goals and objectives of the City; directs the development of City operations and presents

policy recommendations to the City Council regarding all aspects of City programs and services; implements the policies established by the City Council.

DISCUSSION

Ms. Olson comes to the City with 25 years public service experience focused on economic development and financial planning in senior executive director roles. Her background includes:

- Municipal oversight and public policy
- Financial planning
- Comprehensive and economic development planning
- Acting Interim City Administrator as needed
- Strong leadership skills managing multidiscipline teams

Ms. Olson comes to us from the City of Issaquah as their Director of Finance; she has also worked for the City of Snohomish, and multiple cities in the State of Minnesota.

FISCAL IMPACT

The City Administrator position is a fully-funded, full-time position with the City. The salary range for the City Administrator position starts at $10,583 per month and tops out at $11,912 per month. Ms. Olson will be starting at the beginning salary range with yearly longevity bonuses as an incentive for her to stay with the City.

Ms. Olson has recently moved to the Stanwood area and is excited to work for and become a part of the Stanwood community.

COMMITTEE RECOMMENDATION

N/A

CITY COUNCIL OPTIONS

1. Accept the Mayor's recommendation to hire Ms. Olson with a starting date of October 8, 2018.

2. Re-advertise the position and continue the search of a City Administrator.

RECOMMENDED MOTION

I MOVE TO CONFIRM THE APPOINTMENT OF MS. OLSON AS THE NEW STANWOOD CITY ADMINISTRATOR STARTING ON OCTOBER 8, 2018 AND AUTHORIZE THE MAYOR TO SIGN A CONTRACT FOR HER EMPLOYMENT.

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	10a.i.
DATE:	September 27, 2018
SUBJECT:	Business License Procedures Code Amendment
CONTACT PERSON:	Patricia Love, Community Development Director
ATTACHMENTS:	A – Draft Ordinance 1462 B – Draft Findings of Fact and Conclusions C – Supporting Background Materials

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ISSUE

Recent changes in state law requires cities to adopt mandated amendments to their general business licenses requirements. While making the mandated changes, the City of Stanwood also chose to make other minor code clarifications relating to frequently asked questions of staff.

RECOMMENDATION

1. Review and discuss the draft Business License Procedures Code Amendment.

2. Open the public hearing and allow for the first reading of Ordinance 1462 making changes to the City of Stanwood Municipal Code.

SUMMARY

The Washington State Legislature passed EHB 2005 to simplify the administration of municipal general business licenses for applicants and improve the general business climate in the state. EHB 2005 required that a draft model ordinance be prepared that includes both the legislative requirement of defining the meaning of "engaging in business" and setting minimum monetary income threshold on businesses for Cities to require a business license for companies located outside city limits.

EHB 2005 also requires all cities and towns with business licenses to administer their business licensing through the state's business license system (BLS) by 2027 or through the FileLocal system by 2020. Cities who currently partner with the State's Business Licensing Service (BLS) must adopt the model ordinance language by October 17, 2018 in order to meet the mandatory 75-day notice requirement. Stanwood has been a partner with the State’s Business Licensing Service since 2007 and falls under this requirement to update our business license requirements by October 17, 2018.

Finally, RCW 35.90.090 provides that a City cannot enforce its business license regulations after January 1, 2019, until it has adopted the mandatory provisions of the model ordinance.

DISCUSSION

There are 281 cities and towns in the State of Washington; of those, 230 jurisdictions have some type of business licensing requirement and 46 have a local business and occupancy tax regulation. To achieve licensing consistency between cities and the state and to simplify filing requirements, the 2017 Legislature required that a draft business license ordinance be prepared that can be applied equitably across the state.

EHB 2005 mandates that cities update their business license requirements to address conflicting licensing requirements which adversely affect businesses. Under the requirements of EHB 2005, the Association of Washington Cities convened a Task Force of city business license officials to begin drafting a model ordinance in August of 2017. The Task Force met regularly to research licensing options and thresholds, they conducted surveys and met with business community representatives. A final recommendation was submitted to the Legislature for their review.

Mandated Changes

1. What does it mean to “engage in business” and
2. There should be a minimum monetary income of $2,000.00 per year for businesses outside City limits for the City to require a business license

While making the mandated changes, City staff are also requesting that the City Council consider a few other minor code clarifications relating to frequently asked questions.

Engage in Business Definition

Cities typically require any business that “engages in business” to obtain a business license. However, the definition of “engages in business” varies from one jurisdiction to another making it confusing and inconsistent for the business community to determine when a business license is required. The Legislature also addressed when a business license is not required. The following definition is now state mandated so that the definition of business is now consistent across the state.

Changes to Stanwood’s definition of “Engage in Business” is necessary to come into compliance with State Law and will read as follows:

"Engage in business" ~~means to commence, conduct, or continue in business or to exercise corporate or franchise powers as well as liquidate a business when the liquidators thereof hold themselves out to the public as conducting such business. For out-of-city businesses, "engage in business" shall refer to the point of sale, not the point of delivery.~~ **is defined as set forth in SMC 5.03.015.**

Examples of "Engaging in Business"

EHB 2005 goes on to give specific examples of what "Engaging in Business" means across the state: what constitutes a business subject to licensing and what does not. To ensure consistency with state law, staff is proposing to add a new section to SMC Chapter 5, Business License Regulations.

5.03.015 Engaging in Business – NEW SECTION

This section sets forth examples of activities that constitute engaging in business in the City, and establishes safe harbors for certain of those activities so that a person who meets the criteria may engage in de minimus business activities in the City without having to pay a business license fee. The activities listed in this section are illustrative only and are not intended to narrow the definition of "engaging in business" as defined in section 5.03.010. If an activity is not listed, whether it constitutes engaging in business in the City shall be determined by considering all the facts and circumstances and applicable law.

(1) Without being all inclusive, any one of the following activities conducted within the City by a person, or its employee, agent, representative, independent contractor, broker or another acting on its behalf constitutes engaging in business and requires a person to register and obtain a business license.

- **(a) Owning, renting, leasing, maintaining, or having the right to use, or using, tangible personal property, intangible personal property, or real property permanently or temporarily located in the City.**
- **(b) Owning, renting, leasing, using, or maintaining, an office, place of business, or other establishment in the City.**
- **(c) Soliciting sales.**

(d) Making repairs or providing maintenance or service to real or tangible personal property, including warranty work and property maintenance.

(e) Providing technical assistance or service, including quality control, product inspections, warranty work, or similar services on or in connection with tangible personal property sold by the person or on its behalf.

(f) Installing, constructing, or supervising installation or construction of, real or tangible personal property.

(g) Soliciting, negotiating, or approving franchise, license, or other similar agreements.

(h) Collecting current or delinquent accounts.

(I) Picking up and transporting tangible personal property, solid waste, construction debris, or excavated materials.

(j) Providing disinfecting and pest control services, employment and labor pool services, home nursing care, janitorial services, appraising, landscape architectural services, security system services, surveying, and real estate services including the listing of homes and managing real property.

(k) Rendering professional services such as those provided by accountants, architects, attorneys, auctioneers, consultants, engineers, professional athletes, barbers, baseball clubs and other sports organizations, chemists, consultants, psychologists, court reporters, dentists, doctors, detectives, laboratory operators, teachers, veterinarians.

(l) Meeting with customers or potential customers, even when no sales or orders are solicited at the meetings.

(m) Training or recruiting agents, representatives, independent contractors, brokers or others, domiciled or operating on a job in the City, acting on its behalf, or for customers or potential customers.

(n) Investigating, resolving, or otherwise assisting in resolving customer complaints.

(o) In-store stocking or manipulating products or goods, sold to and owned by a customer, regardless of where sale and delivery of the goods took place.

(p) Delivering goods in vehicles owned, rented, leased, used, or maintained by the person or another acting on its behalf.

(2) If a person, or its employee, agent, representative, independent contractor, broker or another acting on the person's behalf, engages in no other activities in or with the City but the following, it need not register and obtain a business license.

(a) Meeting with suppliers of goods and services as a customer.

(b) Meeting with government representatives in their official capacity, other than those performing contracting or purchasing functions.

(c) Attending meetings, such as board meetings, retreats, seminars, and conferences, or other meetings wherein the person does not provide training in connection with tangible personal property sold by the person or on its behalf. This provision does not apply to any board of director member or attendee engaging in business such as a member of a board of directors who attends a board meeting.

(d) Renting tangible or intangible property as a customer when the property is not used in the City.

(e) Attending, but not participating in a "trade show" or "multiple vendor events". Persons participating at a trade show shall review the City's trade show or multiple vendor event ordinances.

(f) Conducting advertising through the mail. (g) Soliciting sales by phone from a location outside the City.

(3) A seller located outside the City merely delivering goods into the City by means of common carrier is not required to register and obtain a business license, provided that it engages in no other business activities in the City. Such activities do not include those in subsection (2).

(4) The City expressly intends that engaging in business include any activity sufficient to establish nexus for purposes of applying the license fee under the law and the constitutions of the United States and the State of Washington. Nexus is presumed to continue as long as the taxpayer benefits from the activity that constituted the original nexus generating contact or subsequent contacts.

Minimum Monetary Income

State law also set minimum income thresholds for businesses that are not physically located in the city limits to obtain a license. As an example, this new threshold would apply to contractors working in the city but have their official business location in some other city. All businesses located within the City are required to obtain a business license.

The state set a minimum income amount of $2,000; Cities have the option to increase that amount but not lower the amount. As an example, Cities can raise the income threshold to $5,000 if they so choose, but cannot lower it to $1,500. Cities may choose to raise the threshold limit if the cost of doing business at the minimum rate is higher than the projected revenue.

Cities were given two choices: Adopt the business license income threshold at $2,000 (or higher) and exempt business from obtaining a business license or require a business license but issue the license free of charge. Staff is recommending that the City adopt option 1 - exempt businesses from obtaining a business license if the amount of business done in the city is $2,000 or less per year.

The proposed new code language would be as follows:

5.03.027 Threshold Exemption for Businesses Located Outside City Limits- NEW SECTION

(1) To the extent set forth in this chapter, the following persons and businesses shall be exempt from the registration, license and/or license fee requirements as outlined in this chapter:

(a) **Any person or business whose annual value of products, gross proceeds of sales, or gross income of the business in the City is equal to or less than $2,000.00 and who does not maintain a place of business within the City shall be exempt from the general business license requirements in this chapter. The exemption does not apply to regulatory license requirements or activities that require a specialize permit.**

Other Minor Staff Proposed Amendments

Over the years the staff issuing business licenses have been needed to clarify various business license code sections. Since there is a state mandate to update the City's business license regulations, staff is proposing to include the following minor amendments:

- License Application: clarify that other permits may be required when obtaining a business license including: zoning compliance, building code compliance, public infrastructure improvements (rebuilds or new buildings), and/or public safety improvements. (SMC 5.03.040)
- Fees: Fees are subject to the adopted Fee Schedule Resolution not per ordinance and that State processing fees may apply. (SMC 5.03.050)
- Suspension or Denial of a Business License: Businesses must maintain compliance with zoning regulations. (SMC 5.03.080)

COMPREHENSIVE PLAN CONSISTENCY

Stanwood's Comprehensive Plan envisions a strong community that balances the needs of residents and business. The Comprehensive Plan's economic development policies support streamlining the City's permit processes to make it more efficient and expeditious.

EDP-6.1 Ensure that City licensing and permitting procedures and development regulations are coherent, fair, and expeditious.

The purpose of the state mandated change is to simplify business licensing processes and improve the business climate across the state.

FISCAL IMPACT

RCW 35.90.090 provided that a City cannot enforce its business license requirements if the state mandated changes have not been adopted. If the City does not adopt the above referenced changes by October 17, 2018 the City could lose up to a years' worth of business license revenue.

> *RCW 35.90.090: "A city that has not complied with the requirements of this section by January 1, 2019 may not enforce its general business licensing requirement on any person until the date that the mandatory provisions of the model ordinance take effect within the City."*

COMMITTEE RECOMMENDATION

City staff will be meeting with the Council Community Development Committee on Thursday, September 27, 2018 to discuss the proposed edits. The Committee recommendation will be provided to the Council at their meeting on October 11, 2018.

CITY COUNCIL OPTIONS

1. Accept the first reading of Ordinance 1462 making changes to Title 5 affecting business license procedures in the City of Stanwood Municipal Code and procedure with the second and final reading on October 11, 2018.

2. Request changes to Ordinance 1462 making changes to Title 5 affecting business license procedures in the City of Stanwood Municipal Code at this time and direct staff to address specific Council issues or concerns prior to Council reconsidering the ordinance.

RECOMMENDED MOTION

Open the Public Hearing:

"I MOVE TO OPEN THE PUBLIC HEARING ON ORDINANCE 1462, BUSINESS LICENSE AND REGULATIONS".

After public testimony and Council discussion:

"I MOVE TO APPROVE FIRST READING OF ORDINANCE 1462 AS SET FORTH IN ATTACHMENT "A" BY AMENDING TITLE 5, BUSINESS LICENSES AND REGULATIONS."

ATTACHMENT A

CITY OF STANWOOD
WASHINGTON

ORDINANCE NO. 1462

AN ORDINANCE OF THE CITY OF STANWOOD, WASHINGTON, AMENDING PORTIONS OF STANWOOD MUNICIPAL CODE TITLE 5, ENTITLED BUSINESS LICENSES AND REGULATIONS, RELATING TO STATE AND CITY LICENSE REQUIREMENTS BY AMENDING STANWOOD MUNICIPAL CODE (SMC) 5.03 ENTITLED "BUSINESS LICENSES" TO ADOPT STATE MANDATED PERMITTING PROVISIONS AND INCLUDING MINOR PERMITTING CLARIFICATIONS AND ESTABLISHING SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, The City Council of Stanwood has authority under RCW Title 35A, to adopt plans and regulations related to development and operations within the City of Stanwood; and

WHEREAS, RCW 35.23.440 provides that Cities may adopt and collect a business license tax for the purposes of revenue and regulation; and

WHEREAS, in 2017 the Washington State Legislature adopted new business licensing procedures with the intent to simplify the administration of municipal business licenses processes and to improve the State's business climate; and

WHEREAS, The State developed a model ordinance defining "engaging in business" and establishing a minimum monetary threshold for when a license is required for out of town businesses; and

WHEREAS, Cities who currently partner with the State's Business Licensing Service (BLS) must adopt the model ordinance language by October 17, 2018 in order to meet the mandatory 75-day notice requirement; and

WHEREAS, Stanwood has been a partner with the State's Business Licensing Service since 2007; and

WHEREAS, RCW 35.90.090 provides that a City cannot enforce its business license regulations after January 1, 2019, until it has adopted the mandatory provisions of the model ordinance; and

WHEREAS, the City of Stanwood SEPA Responsible Official has reviewed the amendments and determined that the amendments are procedural in nature and are exempt from environmental review; and

WHEREAS, the City Council Community Development Committee reviewed the proposed language and amendments set forth in this Ordinance at their August 9, 2018 meeting; and

WHEREAS, the City Council held their first reading of the draft code amendment on September 27, 2018 and their second reading on October 11, 2018 and accepted public comment; and

WHEREAS, pursuant to RCW 36.70A.106, the City has notified the Washington State Department of Commerce of the City's intent to adopt the proposed amendments to Title 5, Business Licenses and Regulations; and

WHEREAS, the City Council has determined that it is in the best interest of the City to adopt the state model ordinance language before the mandatory deadline; and

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

Section 1. SMC 5.03 entitled "Business Licenses" is hereby amended to read as follows:

Chapter 5.03
BUSINESS LICENSES*

Sections:

*Prior legislation: Ords. 931, 1038 and 1112.

5.03.010 Definitions.

The following terms shall have the following meanings:

(1) "Business" includes all activities engaged in with the object of gain, benefit, or advantage to the person engaging therein or to another person or class, directly or indirectly, including any activity conducted for the sale of goods or providing of services for a profit.

(2) "City" shall mean the city of Stanwood, Washington.

(3) "Clerk" shall mean the city clerk or such city employees or agents as the city administrator shall designate to administer this chapter.

(4) "Engage in business" ~~means to commence, conduct, or continue in business or to exercise corporate or franchise powers as well as liquidate a business when the liquidators thereof hold themselves out to the public as conducting such business. For out-of-city businesses, "engage in business" shall refer to the point of sale, not the point of delivery.~~ **<u>is defined as set forth in SMC 5.03.015.</u>**

(5) "License" shall include and be used interchangeably with the term "permit" and shall mean the official approval or authorization of the city of Stanwood to engage in business or to carry on or conduct a special event within the corporate limits of the city of Stanwood for which a license or permit is required pursuant to the provisions of this chapter.

(6) "Standard business" shall mean to engage in a business in the city of Stanwood for a continuous period of more than 15 days.

(7) "Person" shall include and be used interchangeably with the terms company, corporation, individual, owner, partnership, proprietorship and sole proprietorship and shall mean any individual, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, joint venture, club, business trust, association, society, or group of individuals acting as a unit, whether mutual, cooperative, fraternal, religious, profit, nonprofit, or otherwise.

(8) "Temporary business" shall mean engaging in business for a period of 15 days or less, or vending from a mobile unit, or from a building, structure, or leasehold improvement which is not taxed as a part of the real property on which the business is located. (Ord. 1217 § 1, 2007).

<u>5.03.015 Engaging in Business – NEW SECTION</u>

<u>(1) The term "engaging in business" means commencing, conducting, or</u>

continuing in business, and also the exercise of corporate or franchise powers, as well as liquidating a business when the liquidators thereof hold themselves out to the public as conducting such business.

(2) This section sets forth examples of activities that constitute engaging in business in the City, and establishes safe harbors for certain of those activities so that a person who meets the criteria may engage in de minimus business activities in the City without having to pay a business license fee. The activities listed in this section are illustrative only and are not intended to narrow the definition of "engaging in business" as defined in section 5.03.010. If an activity is not listed, whether it constitutes engaging in business in the City shall be determined by considering all the facts and circumstances and applicable law.

(3) Without being all inclusive, any one of the following activities conducted within the City by a person, or its employee, agent, representative, independent contractor, broker or another acting on its behalf constitutes engaging in business and requires a person to register and obtain a business license.

(a) Owning, renting, leasing, maintaining, or having the right to use, or using, tangible personal property, intangible personal property, or real property permanently or temporarily located in the City.

(b) Owning, renting, leasing, using, or maintaining, an office, place of business, or other establishment in the City.

(c) Soliciting sales.

(d) Making repairs or providing maintenance or service to real or tangible personal property, including warranty work and property maintenance.

(e) Providing technical assistance or service, including quality control, product inspections, warranty work, or similar services on or in connection with tangible personal property sold by the person or on its behalf.

(f) Installing, constructing, or supervising installation or construction of, real or tangible personal property.

(g) Soliciting, negotiating, or approving franchise, license, or other similar agreements.

(h) Collecting current or delinquent accounts.

(I) Picking up and transporting tangible personal property, solid waste, construction debris, or excavated materials.

(j) Providing disinfecting and pest control services, employment and labor pool services, home nursing care, janitorial services, appraising, landscape architectural services, security system services, surveying, and real estate services including the listing of homes and managing real property.

(k) Rendering professional services such as those provided by accountants, architects, attorneys, auctioneers, consultants, engineers, professional athletes, barbers, baseball clubs and other sports organizations, chemists, consultants, psychologists, court reporters, dentists, doctors, detectives, laboratory operators, teachers, veterinarians.

(l) Meeting with customers or potential customers, even when no sales or orders are solicited at the meetings.

(m) Training or recruiting agents, representatives, independent contractors, brokers or others, domiciled or operating on a job in the City, acting on its behalf, or for customers or potential customers.

(n) Investigating, resolving, or otherwise assisting in resolving customer complaints.

(o) In-store stocking or manipulating products or goods, sold to and owned by a customer, regardless of where sale and delivery of the goods took place.

(p) Delivering goods in vehicles owned, rented, leased, used, or maintained by the person or another acting on its behalf.

(4) If a person, or its employee, agent, representative, independent contractor, broker or another acting on the person's behalf, engages in no other activities in or with the City but the following, it need not register and obtain a business license.

(a) Meeting with suppliers of goods and services as a customer.

(b) Meeting with government representatives in their official capacity, other than those performing contracting or purchasing functions.

(c) Attending meetings, such as board meetings, retreats, seminars, and conferences, or other meetings wherein the person does not provide training in connection with tangible personal property sold by the person or on its behalf. This provision does not apply to any board of director member or attendee engaging in business such as a member of a board of directors who attends a board meeting.

(d) Renting tangible or intangible property as a customer when the property is not used in the City.

(e) Attending, but not participating in a "trade show" or "multiple vendor events". Persons participating at a trade show shall review the City's trade show or multiple vendor event ordinances.

(f) Conducting advertising through the mail. (g) Soliciting sales by phone from a location outside the City.

(5) A seller located outside the City merely delivering goods into the City by means of common carrier is not required to register and obtain a business license, provided that it engages in no other business activities in the City. Such activities do not include those in subsection (2).

(6) The City expressly intends that engaging in business include any activity sufficient to establish nexus for purposes of applying the license fee under the law and the constitutions of the United States and the State of Washington. Nexus is presumed to continue as long as the taxpayer benefits from the activity that constituted the original nexus generating contact or subsequent contacts.

5.03.020 License required.

It is unlawful for any person, firm, or corporation to engage in any business, occupation or pursuit, as defined in SMC 5.03.010, in the city without first having obtained a business license therefor as provided in this chapter. The business license provided for in this chapter shall be posted in a conspicuous location at the place of the business. Such business license is not transferable. (Ord. 1217 § 1, 2007).

5.03.025 Subcontractor's license required.

Each subcontractor engaging in business in the city of Stanwood shall separately obtain a license for such business issued by the city. The license of any general contractor shall not be deemed to satisfy the licensing requirements for subcontractors. (Ord. 1217 § 1, 2007).

5.03.027 Threshold Exemption for Businesses Located Outside City Limits- NEW SECTION

(1) To the extent set forth in this chapter, the following persons and businesses shall be exempt from the registration, license and/or license fee requirements as outlined in this chapter:

(a) Any person or business whose annual value of products, gross proceeds of sales, or gross income of the business in the City is equal to or less than $2,000.00 and who does not maintain a place of business within the City shall be exempt from the general business license requirements in this chapter. The exemption does not apply to regulatory license requirements or activities that require a specialize permit.

5.03.030 License application and renewal.

(1) Application for a business license shall be made by filling a master application through the State Department of Licensing's Master License Service, in coordination with the city clerk, giving such information as is deemed reasonably necessary to enable the enforcement of this chapter. Persons applying for a license must pay a fee as defined in SMC 3.30.080 and 5.03.050 and the State Master License Service's handling fee.

(2) A business license must be approved by the city before a business commences operation within the city. If business is transacted by one person at two or more separate locations within the city, a separate application must be filed for each business location and a separate license shall be obtained and displayed in each location.

(3) The city clerk shall, when appropriate, refer applications to the planning department,

the police department, or other governmental agencies for their review.

(4) If more than one business is conducted or operated on a single premises, a separate license shall be required for each business. Each business owner must make a separate application for license.

(5) The filing of an application for a license or the renewal thereof, or the payment of any application or renewal fee, shall not authorize a person to engage in or conduct a business until such license has been granted or renewed.

(6) A business license is not transferable. No licensee shall allow another person to operate a business under or display the license issued to their business, nor shall another person operate under or display the license issued to another business. A person who acquires an existing business must make application for a city business license before commencing business within the city with that business. A licensee must report a change of location of the business to the Master License Service, in coordination with the city clerk. A change of the location of a business requires approval by the city before business may commence at the new location, and may require submitting a new master application and payment of fees.

(7) The city's decision to issue or the issuance of a business license shall not be construed as permission or acquiescence to conduct a prohibited activity or other violation; and the city shall not be held liable for the actions of any licensed business by virtue of having issued a license to conduct business.

(8) Every applicant or licensee shall permit reasonable inspections of the business premises by governmental authorities for the purpose of enforcing the provisions of this chapter.

(9) License renewals shall be processed by the State Master License Service in coordination with the city. Renewal of the city license requires payment of fees including handling fees. (Ord. 1217 § 1, 2007).

5.03.040 License application – Other requirements.

In addition to the business license, other permits or licenses may be required for certain businesses, **including but not limited to: zoning verification, building code compliance, public infrastructure and / or fire safety standards.** (Ord. 1217 § 1, 2007).

5.03.050 Fees – Business license.

(1) The fee for the business license required by this chapter shall be established by ~~ordinance~~ **resolution** of the city council. The fee may be pro-rated as necessary to conform to SMC 5.03.070. The license fee for commercial, home occupation, or contractor business licenses shall be as listed in SMC 3.30.080. Fees for temporary merchant, special event, peddler, solicitor, mobile vending unit or charitable solicitation business licenses shall be as listed in SMC 3.30.090.

(2) The license fee shall be in addition to any license fee or tax imposed or levied under any law or other ordinance **or resolution** of the city except as otherwise expressly provided.

(3) The following shall be exempt from payment of **the City** fee. **State processing fees may still apply to the application.**

(a) Nonprofit and not-for-profit activities and fundraising sales carried on by corporations registered as nonprofit by the Secretary of State's Office;

(b) Garage sales, lawn sales, rummage sales, or any other similar casual sale of tangible personal property conducted on an infrequent basis not to exceed three times per each calendar year and not to exceed two consecutive days at one time;

(c) Persons selling personal property or providing a service pursuant to an order or process of a court of competent jurisdiction;

(d) Persons acting in accordance with their powers and duties as public officials. (Ord. 1309 § 4, 2012; Ord. 1217 § 1, 2007).

5.03.060 Late penalty.

Licenses must be renewed annually on or before the expiration date, or expiration of any prorated period. Failure to renew a business license by the license expiration date may result in the assessment of a late renewal penalty, and may lead to the revocation of the city license. Notwithstanding SMC 5.03.080, revocation of a license due to nonrenewal may require reapplication for the city license, and approval by the city before the revoked business may continue operation within the city. (Ord. 1217 § 1, 2007).

5.03.070 License expiration.

Each city license issued shall have an expiration date as determined by the Master License Service in coordination with the city. The city license may be prorated to coordinate with the expiration date assigned by the State Master License Service. (Ord. 1217 § 1, 2007).

5.03.080 License – Suspension, denial or revocation.

(1) A business license may be denied, suspended or revoked by the clerk whenever the licensee or any of its officers, directors, agents, owners or employees fails or have failed:

(a) To maintain the licensed premises or business activity in compliance with applicable health, building, fire, **zoning (including legal non-conforming uses)** or safety laws, ordinances, or regulations;

(b) To comply with the requirements of this chapter. Any suspension shall remain in effect until the conditions causing the suspension are cured and reasonable measures are taken to ensure that those conditions will not recur; or

(c) To renew a business license within 120 days after the expiration date of the license.

(2) The clerk shall, by certified mail, give written notice to the applicant of denial of a license or the suspension or revocation of a license. Said notice shall include a summary of the complaints, objections and information considered by the clerk and the reason(s) for the action. Notice mailed to the mailing address on the application or most recent renewal shall be deemed received three days after mailing. The clerk's decision may be appealed to the city hearing examiner if written notice is given by the appellant within seven calendar days and upon payment of the appropriate fee. A copy of such written appeal shall also be submitted to the city clerk. (Ord. 1217 § 1, 2007).

5.03.090 Penalty for violation.

Any person violating or failing to comply with any of the provisions of this chapter, or any lawful rule or regulation adopted by the city clerk treasurer pursuant thereto, is guilty of a misdemeanor, and upon conviction thereof, shall be punished by a fine in any sum not to exceed $1,000, or by imprisonment for a term not to exceed 90 days, or by both such fine and imprisonment. (Ord. 1217 § 1, 2007).

Section 2. Findings of Fact and Conclusions. In support of the amendment approved in this Ordinance the Stanwood City Council adopts the Findings of Fact and Conclusions attached hereto as Exhibit “A” and incorporated herein by reference and the analysis contained in the Staff Report on the amendments.

Section 3. 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 4. Authority to Make Necessary Corrections. The City Clerk and the codifiers of this Ordinance are authorized to make necessary corrections to this Ordinance including, but not limited to, the correction of scrivener’s clerical errors, references, ordinance numbers, section/subsection numbers and any references thereto.

Section 5. Conflict. In the event that there is a conflict between the provision of this Ordinance and any other City ordinance, the provision of this Ordinance shall control.

Section 6. Effective Date. This Ordinance shall take effect from and after five (5) days after its passage and publication as required by law.

PASSED AND APPROVED by the Stanwood City Council this ____ day of __________ 2018.

CITY OF STANWOOD

____
Leonard Kelley, Mayor

ATTEST:

By: ________________________
David Hammond, City Clerk

APPROVED AS TO FORM:

By: ________________________
Grant Weed, City Attorney

Date of Publication: _________________
Effective Date: _____________________

Exhibit A
Findings of Fact and Conclusions

TO BE ATTACHED

ATTACHMENT B

City of Stanwood, Washington
Findings of Fact and Conclusions of Law

Stanwood City Council
Business License Procedures Code Amendment

A. GENERAL INFORMATION

File Number(s):	2018-0335
Project Summary:	Proposed code amendment to the Stanwood Municipal Code, Title 5, Business Licenses and Regulations, to adopt state mandated licensing procedures and to clarify minor City permitting requirements.
Applicant:	City of Stanwood
Location:	The code amendment applies city wide.
Public Hearing Date:	September 27, 2018
Location:	Stanwood-Camano School District Administration Board Room 26920 Pioneer Highway, Stanwood, WA 98292
Staff Contact:	Patricia Love, Community Development Director

B. BACKGROUND AND DESCRIPTION OF PROPOSAL

Recent changes in state law requires Cities to adopt mandated amendments to their general business licenses requirements. While making the mandated changes, the City of Stanwood also chose to make other minor code clarifications relating to frequently asked questions of staff.

C. COMPLIANCE WITH THE COMPREHENSIVE PLAN

Stanwood's Comprehensive Plan envisions a strong community that balances the needs of residents and business. The Comprehensive Plan's economic development policies support streamlining the City's permit processes to make it more efficient and expeditious.

EDP-6.1 Ensure that City licensing and permitting procedures and development regulations are coherent, fair, and expeditious.

The purpose of the state mandated change is to simplify business licensing processes and improve the business climate across the state.

D. FINDINGS OF FACT

1. The Washington State Legislature passed EHB 2005 to simplify the administration of municipal general business licenses for applicants and improve the general business climate in the state.

2. EHB 2005 required that a draft model ordinance be prepared that includes both the legislative requirement of defining the meaning of “engaging in business” and setting minimum monetary income threshold on businesses for Cities to require a business license for companies located outside city limits.

3. EHB 2005 also requires all cities and towns with business licenses to administer their business licensing through the state’s business license system (BLS) by 2027 or through the FileLocal system by 2020.

4. Cities who currently partner with the State’s Business Licensing Service (BLS) must adopt the model ordinance language by October 17, 2018 in order to meet the mandatory 75-day notice requirement.

5. Stanwood has been a partner with the State’s Business Licensing Service since 2007.

6. RCW 35.90.090 provides that a City cannot enforce its business license regulations after January 1, 2019, until it has adopted the mandatory provisions of the model ordinance.

7. Stanwood’s 2015 – 2035 Comprehensive Plan’s economic development policy EDP-6.1 supports streamlining the City’s licensing and permit processes to make them fair, efficient, coherent and expeditious.

8. In addition to adopting the state mandated licensing requirements, the code amendment also clarifies code language which has causing confusion with the general public and required staff to interpret the meaning thereof.

9. On July 26, 2018 the proposed amendments were transmitted to the State of Washington Department of Commerce for state agency review in accordance with RCW 36.70A.106.

10. Notice of the Public hearing was published in the Stanwood Camano News on September 5, 2018.

11. A State Environmental Policy Act (SEPA) Exemption was issued on the proposed amendment on July 26, 2018.

12. Staff prepared a report summarizing the proposed code amendment. This report is part of the public record and was presented to the City Council at the public hearing on September 27, 2018 for their consideration.

E. CONCLUSIONS OF LAW

1. The City Council of Stanwood has authority under RCW Title 35A, to adopt plans and regulations related to development and operations within the City of Stanwood.

2. RCW 35.23.440 provides that Cities may adopt and collect a business license tax for the purposes of revenue and regulation; and

3. The proposal is consistent with the Comprehensive Plan and meets the requirements and intent of the Plan, including economic development polity EDP-6.1.

4. 82% of the cities and towns in the State of Washington have a business license requirements of some sort and streamlining the process makes for a more efficient licensing process which is in the public's interest.

5. Adopting the state mandates and minor clarification changes within the timeline set by the State ensures that the City can continue to issue business licenses without a gap in service.

6. After considering staff comments and public testimony the Stanwood City Council determined the draft code amendment is consistent with the Comprehensive Plan and should be adopted.

Now therefore the City Council of the City of Stanwood hereby **ADOPTS** the Findings of Fact and Conclusions of Law contained herein.

Dated this 11th date of October 2018.

____

Leonard Kelley, Mayor
City of Stanwood

MRSC
Local Government Success

ATTACHMENT C

Cities and Towns Must Update General Business License Ordinances ASAP!

July 16, 2018 by Toni Nelson
Category: Licensing and Regulation, Business Licenses and Taxes

In April, I wrote a blog post discussing the requirements imposed by EHB 2005, adopted in 2017 and codified in chapter 35.90 RCW. That article included a draft of the model ordinance provisions that must be adopted by all cities and towns who have a "general business" license requirement by January 1, 2019 (unless you are currently a BLS partner city, in which case your deadline is October 17, 2018).

The final model business license ordinance has now been released, and the AWC staff who coordinated the City Business License task force presented its provisions on June 28 at the annual AWC conference in Yakima. It is now time for all cities and towns with general business license requirements to prepare for the adoption of these provisions.

What Is in the Final Model Business License Ordinance?

The "model ordinance" is not a comprehensive model ordinance, but it contains two required components that cities and towns must incorporate into their existing business license ordinances. The two components are as follows:

1. Cities and towns may only impose licensing requirements upon individuals or companies "engaging in business within the city," as defined in the model ordinance. The ordinance also sets forth examples of activities that are considered "engaging in business," as well as business activities that do not require licensing. The definition is based on the model ordinance for B&O taxes.

2. For businesses that engage in business within the city but are not physically located within the city, the ordinance establishes a minimum dollar threshold below which the businesses are partially or fully exempted from licensing requirements. The minimum threshold of business activity in the ordinance is $2,000, although cities may adopt a higher threshold if desired. Below this threshold, cities must either:

- Exempt these businesses from the licensing requirements entirely, or

- Require licensing, but at no cost to the businesses.

As your city legislative body will need to consider one of these two options prior to preparing the ordinance for adoption.

The final model has been modified a bit from our April blog post in response to the business community's concerns over the threshold level set in the initial draft. As a result, the task force increased the threshold for exemption to $2,000 per year. The definition of "engaging in business" is unchanged from the initial draft provided in my April blog post and mirrors the definition found within the model B&O tax ordinance adopted by those cities that have a B&O tax requirement.

As noted earlier, **cities and towns with general business licensing requirements must adopt the language from the model ordinance by January 1, 2019 (RCW 35.90.090).** Any city or town that does not adopt the model ordinance by the deadline is prohibited from enforcing its general business licensing requirements until it adopts the model ordinance provisions.

Current BLS partner cities must adopt the language by October 17, 2018 (RCW 35.90.070), and provide notification to BLS in order to maintain its business licensing program on January 1, 2019. The statute requires that notice be received by BLS a minimum of 75 days prior to effective date for "all changes that affect in any way who must obtain a license, who is exempt from obtaining a license, or the amount or method of determining any fee for the issuance or renewal of the license." Both provisions of the model ordinance will require the 75-day notification to BLS.

Who Will Administer Your Business License Program?

Now that the provisions of model business license ordinance have been decided, there is one remaining consideration: Who will administer your general licensing program?

EHB 2005 (chapter 35.90 RCW) requires that all cities and towns partner with either FileLocal by 2020 or with the state's Business Licensing System (BLS) by 2022. These two "one-stop" licensing portals serve multiple jurisdictions. BLS is part of the state Department of Revenue, while FileLocal was created by an interlocal agreement between several larger cities in the Puget Sound region. By the end of 2022, businesses will be able to obtain local business licenses for any city in the state via one or two websites.

The deadline for partnering with FileLocal is July 1, 2020 — meaning that businesses must be able to use FIleLocal to renew or apply for their business license within your jurisdiction by that date — and for those cities that opt to partner with the BLS, you will be phased into the system between January 1, 2018, and December 31, 2022, in conjunction with the BLS Local Business Licensing Partnership Plan.

Deciding between the two administrative options will depend a lot upon the size of your jurisdiction and whether your city is considering future B&O taxing options.

Reviewing Your Other Business License Provisions

Although the changes in the new model ordinance only address a couple specific provisions of your business licensing ordinance, many cities and towns may not have reviewed their business license requirements in a long time. While you are amending your current business license ordinance to comply with chapter 35.90 RCW, we suggest you take the time to review the rest of your business license requirements and fees to make sure they still meet your jurisdiction's needs.

Want to Learn More?

Check out our new webpage, Business Licenses and Fees. It provides a brief overview of business licensing, including the changes imposed by EHB 2005, along with information about regulatory business licenses and revenue-generating licenses, or "head taxes," which have also been in the news lately.

AWC will also be providing a free webinar, Prepare to Streamline Your Business License, on Wednesday, August 8 at 10 AM.

If you have questions about the new business licensing requirements, please feel free to contact me at tnelson@mrsc.org or (206) 625-0916 x 109 or you can reach out to Victoria Lincoln, Andrew Pittelkau, or Sheila Gall at AWC.

About Toni Nelson

Toni has over 24 years of experience with Local Government finance and budgeting. Toni's area of expertise include "Cash Basis" accounting and reporting, budgeting, audit prep and the financial issues impacting small local government.
VIEW ALL POSTS BY TONI NELSON

Leave a Comment

Comments

0 comments on Cities and Towns Must Update General Business License Ordinances ASAP!

Blog post currently doesn't have any comments.

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Is Your City Ready for the New Business Licensing Requirements?

April 17, 2018 by Toni Nelson
Category: Licensing and Regulation , Business Licenses and Taxes

Update: The final "model ordinance" was released in late June 2018. See our follow-up post Cities and Towns Must Update General Business License Ordinances ASAP! for more information.

There are 281 incorporated cities and towns in Washington State and of those, 230 have business license requirements and 46 have adopted local business and occupation (B&O) tax regulations.

EHB 2005, which was passed last year by the legislature, is intended to simplify the administration of municipal general business licenses for the applicant and improve the business climate. The legislation required three distinct actions by those cities and towns with either business licenses requirements and/or local B&O tax regulations. These legislative actions are detailed in this blog post.

Business License Cities and Towns

EHB 2005 required cities and towns with business license regulations to establish a workgroup that would create a model business license with a minimum threshold and a definition of "engaging in business" by July 2018. The model business license created by the workgroup will be adopted by all cities who have business licensing regulations by January 1, 2019.

The City Business License workgroup has been meeting since last August to draft language for a model business license ordinance that includes both of the legislative requirements of defining the meaning of "engaging in business" and setting a minimum threshold. The results of this work have been released in draft form by the Association of Washington Cities (AWC) to all of its members earlier this month and it is **important** for cities to review and provide feedback on this draft.

The draft model business license language addresses:

- General business licenses, not regulatory licenses or other local B&O taxes;
- A new uniform definition of engaging in business; and
- Registration with no fee for businesses without a location in the city/town under a specified threshold. The current draft proposal sets this minimum threshold of $1,000 per year

EHB 2005 also requires all cities and towns with business licenses to administer their business licensing through the state's business license system (BLS) by **2027** or through the FileLocal system by **2020.** Information on each system is as follows

- The BLS currently has over 70 cities/towns that use their system (BLS City Partners) and is in the process of onboarding 24 additional cities per the 2018-2019 Local Business Licensing Partnership Plan.
- The FileLocal system administers licenses and/or all local taxes and has 5 city partners (Seattle, Tacoma, Bellevue, Everett, and Lake Forest Park). It is adding several new cities during calendar year 2018.

B&O Tax Cities

EHB 2005 required that a task force on local B&O tax service apportionment under RCW 35.102.130 be established in order to report to the legislature by October 2018. A task force was formed and consists of 3 city representatives, 3 business representatives, and 1 member from the Department of Revenue who serves as a non-voting chair.

The task force must prepare a report with recommendations to simplify the 2-factor service income formula in RCW 35.102.130 using a market-based model and information typically available in business.

The task force has been meeting monthly since August 2017 and has included tax apportionment models in other states as part of its analysis for reporting back to the legislature by October 31, 2018.

Business License Deadlines

Due to the fact that 82% of cities and towns in Washington State have a business license requirement of some form, the focus of this blog is to bring attention to some of the deadlines associated with these new business licensing requirements.

Review of draft model ordinance: The deadline to review the draft model ordinance developed by the AWC and the City Business License workgroup is fast approaching. If it is appropriate for your jurisdiction, providing feedback to AWC on this draft prior to the end of April will be important. The City Business License workgroup will finalize the draft model at its meeting on May 10th and this model will be presented at AWC's annual conference in Yakima, June 26—29th.

Based on results of the feedback received, the model ordinance will be finalized and AWC will distribute it to cities and towns in July. AWC will conduct outreach during the months of July—October to assist cities and towns with the new legislative requirements.

The Department of Revenue (DOR) will be providing Business License workshops for current BLS partner cities and those cities named in the 2018-2019 partnership plan to discuss EHB 2005; the rollout of the Department's Tax and Licensing System Replacement (TLSR); the partner planning for 2018—2021; and to offer a demonstration of the

Automated Tax and Licensing Administration System (ATLAS) during the month of June. As new partner cities are rolled into the BLS, there will be additional workshops and webinars provided.

Adoption of the new model business license ordinance: January 1, 2019, is the deadline for cities to adopt the new model ordinance, with one exception: For those BLS partner cities, the model business license ordinance will need to be adopted in October in order to meet the 75-day Notice of Changes to business license fees required by the BLS. This equates to **October 17, 2018**, if the city is changing any of its fee structure on January 1, 2019.

Selection of agency to administer business licensing: The legislation requires that all cities must use one of two systems for its business licensing administration. Due to the volume and complexities of establishing a centralized business licensing system under the BLS, the legislation provides for a phased enrollment between January 1, 2018, and December 31, 2021. If FileLocal is the option selected, it must be made by July 1, 2020.

A city or town that imposes a general business license requirement but has not partnered with the BLS by January 1, 2018, may continue to issue and renew its general business licenses until it partners with either the BLS or the FileLocal systems, but it **must adopt the new model business license ordinance by January 1, 2019, in order to do so.**

Questions? Comments?

If you have questions about the New Business Licensing Requirements, please feel free to contact me at tnelson@mrsc.org or (206) 625-0916 x109.

If you have questions about other local government issues, please use our Ask MRSC form or call us at **(206) 625-1300** or **(800) 933-6772**.

About Toni Nelson

Toni has over 24 years of experience with Local Government finance and budgeting. Toni's area of expertise include "Cash Basis" accounting and reporting, budgeting, audit prep and the financial issues impacting small local government.

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Comments

2 comments on Is Your City Ready for the New Business Licensing Requirements?

"Hi Lisa - it is not to late to comment on the draft model business license ordinance. The committee does not meet again until May 10th and we encourage everyone to comment up until that time. Here is a direct link to the AWC email that was released last month. https://www.magnetmail.net/actions/email_web_version.cfm?ep=4wfWjJpyCFEcPlcbvxIfRJu4W2GsOmzTCB7EyrvyDXz_HJ67dahdOWTT5Y1xLmIKUKnnd-17gwZhkzyOsEBpOwfzF1Lcx4aU4LAbbEA9VUOeaM6Ott-pXc-DkjoYhp9S"

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Final city business license model threshold

Contact: Victoria Lincoln, Andrew Pittelkau, Sheila Gall

Business license and city B&O tax simplification

In the 2017 session, **EHB 2005** (RCW 35.90) passed requiring three actions by cities with business licenses and local B&O taxes. The law:

- Requires cities with business licenses to establish a workgroup to create a model business license with a licensing threshold by July 2018 for adoption by all business license cities by January 1, 2019;
- Requires all cities with business license to administer their business license through the state's Business Licensing System (BLS) by 2022 or FileLocal by 2020; and
- Establishes a task force on local B&O tax service apportionment under RCW 35.102.130 to report to the Legislature by October 2018.

Final model ordinance for local business licenses – minimum threshold

Cities were required to develop a model ordinance for business licensing by July 1, 2018. The ordinance includes a mandatory definition of "engaging in business" and a minimum threshold (or occasional sale) exemption to establish when out-of-town or transient businesses are required to be licensed. All business license cities must adopt it by the end of the year (RCW 35.90.080).

What is in the model?

The model threshold has two pieces: a model threshold and a definition of "engaging in business."

- The model business license threshold language would:

- Apply a minimum threshold of $2,000 per year in the city for businesses that do not have a location in the city;
- Require a license for businesses with a location in the city without regard to the threshold;
- Allow cities the option to require registration with no fee for businesses under the threshold; and
- Only apply to general business licenses, not regulatory licenses or local taxes.

- The definition of “engaging in business” includes examples of what constitutes business activities in cities that would subject a business to license requirements, as well as those activities that would not. The model language is adapted from the definition that the 45 cities with local B&O taxes have already adopted for the definition of “engaging in business” in the B&O tax model ordinance.

What are the deadlines for all cities with business licenses to adopt the model?

Cities with a business license must adopt the model by January 1, 2019. However, cities that currently partner with the state’s Business Licensing Service (BLS) for business licensing administration have a deadline of October 17, 2018, because they must provide BLS 75-day notice of any changes to their business licenses (including this mandatory change).

Where can I learn more about implementing the threshold?

AWC is hosting a webinar to tell you everything you need to know to comply with the mandatory model threshold.

Prepare to streamline your business license
August 8 at 10 am | Webinar

AWC also held a presentation on this topic at its Annual Conference in June and will present at the WFOA Annual Conference on September 19 and EWFOA on October 12.

What happens if we don't enact the threshold by the deadline?

RCW 35.90.090 provides that a city cannot enforce its business license after January 1, 2019, until it has adopted the mandatory threshold.

RCW 35.90.090: "A city that has not complied with the requirements of this section by January 1, 2019, may not enforce its general business licensing requirements on any person until the date that the mandatory provisions of the model ordinance take effect within the city."

What if my city wants a higher threshold?

Cities can choose to enact a higher threshold. The $2,000 threshold level per city per year for out-of-city businesses is the minimum level that every city must enact.

How was the business license threshold developed?

Section 8 of **EHB 2005** required cities to work through the Association of Washington Cities (AWC) to develop a model business license threshold by July 1, 2018 with a focus on determining a threshold for when a license should be required for out-of-city businesses. The bill also required input from the business community.

AWC convened a task force of city business license officials to begin drafting a model license threshold in August 2017. The group met monthly in person or via conference call to research city business license systems and existing options for establishing a model threshold and to review feedback on the proposed model from cities and the business community. AWC sent a survey to cities last fall on preferences for approaching the model threshold and sent a draft for review to cities in March 2018. In April-June 2018, AWC sent drafts of the model to the business community for comment, and the task force met in person with business community representatives.

In response to business community concerns about the level of the threshold, the committee proposed doubling its initial proposed level to $2,000 per year in the city for businesses without a location in the city. The committee agreed to review the threshold level in four years when the model B&O tax model ordinance will also be due for review and more information on impacts of the license threshold is known. In late June, the committee finalized the model language.

Business license model threshold implementation timeline

July 2017 – EHB 2005 takes effect

August 2017 – First meeting of city workgroup

July 1, 2018 – Deadline for city work group to develop model ordinance with minimum threshold to get a license

August 8, 2018 – AWC webinar on implementing model threshold

October 17, 2018 – Deadline for current BLS partner cities to adopt model minimum threshold and notify DOR of changes to business license for threshold adoption (Cities on BLS plan but not yet onboarded would have later deadline of January 1, 2019)

January 1, 2019 – Deadline for all other cities to adopt model minimum threshold

How many cities does this impact?

More than 230 cities issue local business licenses.

Where can I find more information on the Business Licensing Service or FileLocal?

Business licensing service

FileLocal

What about the provision of EHB 2005 and the scope of work for the B&O service apportionment task force?

The two-factor formula for B&O tax service apportionment was required by RCW 35.102.130, effective in 2008. The two factors, payroll and service income, have complicated multi-part tests to determine how much of business service revenues should be apportioned to a city.

EHB 2005 created a seven-member task force to make recommendations to simplify two-factor service apportionment by October 2018 with the following members:

- One Department of Revenue, non-voting chair
- Three cities with local B&O taxes

- Three business representatives

The task force has been meeting monthly since August 2017, and the deadline by which it must submit a report to the Legislature is October 31, 2018. The city representatives are:

- Chris Bothwell, Lake Forest Park
- Joseph Cunha, Seattle
- Danielle Larson, Tacoma

How did this legislation come about?

During the 2016 legislative session, lawmakers passed **HB 2959**, establishing a task force to evaluate options to continue local business tax and licensing simplification. On December 30, 2016, the task force released its final report on local tax and licensing simplification with four main recommendations. The task force did not recommend that all cities with a business license be required to participate in the state's Business Licensing Service, nor did it recommend any centralized collection of city B&O tax at the state level. However, some of the items recommended represented a significant compromise on the part of cities.

Where can I find more information on the 2016 task force?

The report included four recommendations related to licensing, establishing a business license threshold, recommending a task force on service income apportionment, and providing for data sharing between DOR and FileLocal. Read the full report.

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