1. Agenda

   Documents:

   10-11-18 AGENDA.PDF

2. Meeting Materials

   Documents:

   5A COMMUNITY DEVELOPMENT COMMITTEE MEETING MINUTES.PDF
   5B ECONOMIC DEVELOPMENT BOARD MEETING MINUTES.PDF
   6A VOUCHERS.PDF
   6B CITY COUNCIL 9-27-18 REGULAR MEETING MINUTES.PDF
   7A ORDINANCE 1461 WATER, SEWER, AND DRAINAGE UTILITY RATE UPDATES.PDF
   7B BUSINESS LICENSE PROCEDURES CODE AMENDMENT.PDF
   8A RESOLUTION 2018-20 CITY SALARY AND BENEFITS SCHEDULE.PDF
   8B QCC CONTRACT FOR WWTP SCADA UPGRADES.PDF
   8B RH2 TASK ORDER FOR 297 ZONE.PDF
   8C RH2 ENGINEERING MASTER ON CALL AGREEMENT.PDF
   8E RH2 TASK ORDER FOR BLU DEVELOPMENT.PDF

AGENDA
CITY COUNCIL REGULAR MEETING
Thursday, October 11, 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. **COMMITTEE REPORTS**
   a. Community Development
   b. Economic Development Board
6. **CONSENT AGENDA**
   a. Approve Vouchers and Payroll Checks
   b. Approve September 27, 2018 Regular Meeting Minutes
7. **OLD BUSINESS**
   a. Second Reading and Final Adoption of Ordinance 1461–Water, Sewer, and Drainage Utility Rates
   b. Second Reading and Final Adoption of Ordinance 1462–Business License Procedures Code Amendment
8. **NEW BUSINESS**
   a. Resolution 2018-20 Adoption of the City's Salary and Benefits Schedule for 2019
   b. Authorize the Mayor to sign a contract with QCC (SCADA Upgrade)
   c. Authorize the Mayor to sign an on-call contract with RH2
   d. Authorize the Mayor to sign a Task Order with RH2 for 297 Zone Reservoir
   e. Authorize the Mayor to sign a Task Order with RH2 (BLU Contract)
9. **REPORTS OF OFFICERS**
   a. Mayor's Report
   b. City Administrator's Report
   c. Councilmember Reports/Questions
10. **CITIZEN CLOSING COMMENTS**
11. **ADJOURN TO EXECUTIVE SESSION FOR PURPOSES OF DISCUSSING REAL ESTATE [RCW 42.30.110(C)] POSSIBLE ACTION TO FOLLOW**
12. **RECONVENE AND ADJOURN**

Upcoming Meetings:
October 25, 2018 Regular Meeting
November 11, 2018 Regular Meeting
November 19, 2018 Regular Meeting (moved to Monday due to holiday)

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER: 5a

DATE: October 11, 2018

SUBJECT: Community Development Committee Meeting Minutes

CONTACT PERSON: Patricia Love, Community Development Director

ATTACHMENTS: A – September 27, 2018 Meeting Minutes

SUMMARY STATEMENT

Minutes from the September 27, 2018 Community Development Committee meeting are attached to this staff report for approval as presented.

City Council
COMMUNITY DEVELOPMENT COMMITTEE

September 27, 2018 Meeting
Meeting Notes

Attendance:

Council Committee Members and Staff:	*Public:*
Kelly McGill, Councilmember	Tim Schmitt
Patricia Love, Community Development Director	2 Residents from the Cedar Home Neighborhood

Excused Absences:
Elizabeth Callaghan, Committee Chair
Rob Johnson, Councilmember

1. LI/GI Code Amendment

In recent months, the Planning Commission has been considering zoning code amendments to the Light Industrial (LI) and General Industrial (GI) zone to reduce potential negative impacts from industrial uses on surrounding commercial and residential properties. Issues being addressed include air quality, vibrations, waste storage and disposal, electrical interference, noise, fire and explosive hazards, steam, heat, odors, glare, ground contamination and prohibited uses.

On August 13, 2018 the Planning Commission held a public hearing on the draft code and unanimously recommended to the City Council that the ordinance be approved. Staff proposed to schedule the first reading of the ordinance on October 25, 2018. Councilmember McGill agreed.

2. PUD Power Line Project

PUD is working on project to install a secondary transmission line along Lover's Lane to provide backup power to Camano Island. The new line is anticipated to be installed in the right of way – not on private property or Heritage Park. Staff is working with PUD on pole aesthetics and permitting issues. Councilmember McGill recommended that the poles be me made out of, or covered with self-weathering steel so that in 18-24 months the poles will have a nice brownish weathered look. He also requested that the City look into obtaining a right of first refusal to purchase a portion of the existing PUD property for the Viking Way extension.

3. 2018/2019 Docket Application

The Growth Management Act of the State of Washington requires "early and continuous" public participation in the city's review and adoption of comprehensive plans and development regulations. One option to meet the "early and continuous" standard is the Docket process. The "Docket" is a public participation procedure required by the state law (GMA) that allows residents the opportunity to request amendments to the City's comprehensive plan and development regulations on an annual basis.

The City received one docket application this year from Steve Shepro requesting that the Traditional Neighborhood (TN) zones be rezoned to single family residential (SR 12.4, SR 9.6 or SR 7.0). The intent of the TN (Traditional Neighborhood) Zoning District is to encourage development that includes a range of housing types and uses that harkening back to the early 20th century before cars became the dominate mode of travel. While the intent of the code was to create neighborhoods with a mix of commercial and residential uses, the actual development standards does not require commercial development.

While a non-property owner cannot request a rezone of other people's property without their written consent, staff recommended that the Docket application be moved forward with the option to review the TN development standards and analyze if the City is getting the type of development envisioned by the TN zone or if changes to the development standards are warranted.

The Planning Commission reviewed the application on September 24 and recommended 3 – 1 not place the item on the final docket. Their concerns were that the market should control the types of development in the TN zones, that we have plenty of vacant commercial property in our commercial zones, and that the code provides flexibility to future development.

Mr. Shepro provided a clarifying letter noting his concerns:

- Three of the five TN parcels are inappropriately zoned
- TN zones are being developed with "urban village" type housing in a semi-rural setting
- Existing streets are narrow with minimal pedestrian facilities
- Increased traffic flows in residential neighborhoods
- Multifamily developments being built in semi-rural areas

Councilmember McGill supported putting the item on the Final Docket list for further consideration. Mr. McGill felt that the TN zone did not need to be repealed, but that it would be appropriate to evaluate the types of uses and standards provided for in the zone.

4. Business License Code Amendment

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. Community Development Director Love briefly went over the state mandated changes with Councilmember McGill prior to the public hearing. State mandated code changes include:

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

Councilmember McGill suggested that staff investigate what exemption threshold other Cities are using to determine when a business license would be required.

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	5b
DATE:	October 11, 2018
SUBJECT:	Economic Development Board Meeting Minutes
CONTACT PERSON:	Patricia Love, Community Development Director
ATTACHMENTS:	A – August 16, 2018 Meeting Minutes B – September 20, 2018 Meeting Minutes

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SUMMARY STATEMENT

Minutes from the August 16, 2018 and September 20, 2018 Economic Development Board meetings are attached to this staff report for approval as presented.

ATTACHMENT A

ECONOMIC DEVELOPMENT BOARD

August 16, 2018 Meeting

The Economic Development Board met on August 16, 2018. The following people were in attendance:

Board Members	Staff	General Public
Diane White Les Anderson John Hanstad John Russell Michael Gianunzio	Patricia Love, CDD	Megan Johnson Kathy Boyd Kathleen Shepro Steve Shepro

Absent:
Jose Amado

Review Minutes of July Meeting
The minutes were reviewed and accepted as written.

Rules of Procedure
The Economic Development Board was established in 2014 to act as a liaison group between the business community and the City. Resolution 2014-04 established an initial four (4) year Board term after which its effectiveness was to be evaluated and reconvened for a longer term as determined by the City Council. The initial four (4) year term expired on March 27, 2018. Staff notified the EDB that the Council Community and Economic Development Committee recommended that the Resolution be renewed for an additional four (4) year term and be added to the next Council meeting agenda. [The City Council subsequently renewed the Board for an additional four year term.]

The Board discussed the preparing simple, semi-formal, rules of procedures addressing attendance, voting, and work plans. Staff will prepare a draft for the Board's consideration at the September meeting.

Hotel / Motel Study
The City has worked on several economic development plans over the past 10 years. One initiative in those plans is to solicit and locate a chain or boutique hotel in the city to serve the many specialty events and future sports tournaments. The Board agreed to review the results of the Hotel/Motel Study, form an ad-hoc committee to do research and outreach to various hotels, and prepare an action plan on how to move forward. Staff will find the latest version of the study and add the topic to the next meeting agenda.

Sign Code Update

One of the items on the Planning Commission's work plan is to revisit the sign code as it relates to off-premise directional signage. Businesses along 94th Drive and 270th Street NW are having difficulty attracting customers as they have no direct frontage on SR 532 or 271st Street NW. The Board discussed the desire to maintain the City's aesthetics by limiting the number and location of "A" boards in the City. The Board was however supportive of using the City's Snow Goose directional signs as one tool to help local businesses improve their visibility to the public. Another option discussed was allowing other businesses with monuments sign lease space to businesses that want additional signage. Staff will share these ideas with the Planning Commission and begin formulating a plan to move forward on the issue.

Other General Updates

The Board would like to discuss floodplain issues and how it affects development in the downtown to future meeting agendas.

ATTACHMENT B

ECONOMIC DEVELOPMENT BOARD

September 20, 2018 Meeting

The Economic Development Board met on September 20, 2018. The following people were in attendance:

Board Members	Staff	General Public
Les Anderson John Hanstad John Russell Michael Gianunzio	Patricia Love, CDD	Peggy Wendel

Absent:
Diane White
Jose Amado

Review Minutes of August Meeting
None

Rules of Procedure
Staff presented a draft Economic Development Board Rules of Procedure to the Board based off of the Planning Commission's rules. The Rules included:

- Election of Officers
- Disqualification
- Absences
- Voting

The Board reviewed and discussed the draft Rules and asked for minor amendments to the language along with adding the following two new sections: Stakeholders and Amendments. A revised draft will be brought back to the Board for their review at their October meeting. It is anticipated that the Board will elect a Chair and Vice Chair in October as well.

Hotel / Motel Study
The Board continued their discussion of attracting a hotel to the City. A subcommittee of the Board was formed as a "*Hotel Task Force*" to investigate and talk with hoteliers in the area to understand what investors need to locate in Stanwood. Randy Heagle, John Hanstad and Les Anderson volunteered to be on the subcommittee. John Russell noted that he would be able to help the subcommittee as needed. The subcommittee will report back on their progress at the next meeting.

2019 Work Plan

The Board reviewed the Draft 2019 Work Plan and made one minor amendment to the plan: guest speakers is the lowest priority and should be related to specific projects that the City wants to implement. The following work plan will be forwarded to the Council:

The Board has identified the following topics:

- City Support for Community Events: Barricades, Road Closures, etc.
- Hotel / Motel Feasibility and Outreach
- Review SDAT, Comprehensive Plan and Other Plans with the Intent of Creating an Economic Development Action Plan
- Flood Insurance and Certification under the Community Rating System (CRS)
- Status of Grants
- Economic Development Strategy / Implementation – Phase 2
- Connect (Improve Communication) with County Level Tourism Groups: Economic Development Alliance of Skagit County and Economic Alliance of Snohomish County
- Work with the Chambers on Stanwood Events
- Invite Guest Speakers to the Board Meetings Related to Topics on the Work Plan

Other General Updates

The Board requested additional information on the following:

- Does the City have a plan to improve pedestrian access at the intersection of 72nd Avenue and SR 532. Staff will review the Comprehensive Plan, Transportation Plan and Capital Faculties Plan to see if a project has been identified in that area. If not, it may need to be added to the City's planning efforts.
- Summaries the SDAT Plan and highlight the listed priorities, identify what has been accomplished and what still needs to be addressed.

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	6a
DATE:	October 11, 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 30406 through 30431 and electronic funds transfers from Washington Federal Bank in the amount of $272,176.78. Approve issuance of Washington Federal Bank payroll electronic funds transfers from Washington Federal Bank in the amount of $28,450.00.

RECOMMENDED MOTION

I MOVE TO APPROVE ISSUANCE OF WASHINGTON FEDERAL BANK VOUCHER CHECKS 30406 THROUGH 30431 AND ELECTRONIC FUNDS TRANSFERS FROM WASHINGTON FEDERAL BANK IN THE AMOUNT OF $272,176.78. APPROVE ISSUANCE OF WASHINGTON FEDERAL BANK PAYROLL ELECTRONIC FUNDS TRANSFERS FROM WASHINGTON FEDERAL BANK IN THE AMOUNT OF $28,450.00.

CHECK REGISTER

City Of Stanwood Time: 08:46:53 Date: 10/03/2018
MCAG #: 0695 09/19/2018 To: 10/03/2018 Page: 1

Trans	Date	Type	Acct #	Chk #	Claimant	Amount	Memo
5638	09/26/2018	Claims	3	EFT	WA St Dept of Revenue **	14,076.42	B&O Exciste Tax - August 2018
5639	09/26/2018	Claims	3	30406	Aramark Uniform Services Inc	460.96	937963000
5640	09/26/2018	Claims	3	30407	Badger Meter Inc	1,500.00	460708
5641	09/26/2018	Claims	3	30408	Cascade Septic, LLC	110.00	City Of Stanwood
5642	09/26/2018	Claims	3	30409	Databar Inc.	1,205.03	8952; 8952
5643	09/26/2018	Claims	3	30410	Edge Analytical Inc	2,257.00	STA01; STA01; STA01; STA01; STA01
5644	09/26/2018	Claims	3	30411	Fiddleheads Market	300.00	City Of Stanwood
5645	09/26/2018	Claims	3	30412	Galt John E	812.50	City Of Stanwood
5646	09/26/2018	Claims	3	30413	Kirby Built Quality Products	183.70	City Of Stanwood
5647	09/26/2018	Claims	3	30414	Lakeside Industries Inc	119.35	108469
5648	09/26/2018	Claims	3	30415	Maul Foster Alongi, Inc.	6,484.96	City Of Stanwood; City Of Stanwood
5649	09/26/2018	Claims	3	30416	Office Depot	316.49	36274097; 36274097; 36274097; 36274097
5650	09/26/2018	Claims	3	30417	PUD Of Snohomish County *	9,895.85	201942398; 200103539; 200794063; 202423729; 200208858
5651	09/26/2018	Claims	3	30418	Perteet Inc.	2,301.74	City Of Stanwood
5652	09/26/2018	Claims	3	30419	RH2 Engineering Inc	15,128.69	City Of Stanwood; City Of Stanwood
5653	09/26/2018	Claims	3	30420	Sno Co District Court	586.71	DCT34003
5654	09/26/2018	Claims	3	30421	Sno Co Sheriffs Office *	143,501.36	SSK00001; SSH00001
5655	09/26/2018	Claims	3	30422	Stanwood Camano News	165.58	261981; 261981
5656	09/26/2018	Claims	3	30423	Stanwood Chamber Of Commerce	1,032.34	City Of Stanwood
5657	09/26/2018	Claims	3	30424	TMG Services Inc	60,714.15	1920010
5658	09/26/2018	Claims	3	30425	UPS Store #4798	37.12	City Of Stanwood
5659	09/26/2018	Claims	3	30426	United Laboratories	301.33	319485
5660	09/26/2018	Claims	3	30427	Unum Life Insurance	88.40	City Of Stanwood
5661	09/26/2018	Claims	3	30428	WA St Dept of Ecology *	520.00	City Of Stanwood
5662	09/26/2018	Claims	3	30429	Washington State Patrol *	324.00	STA301
5663	09/26/2018	Claims	3	30430	Weed, Graafstra & Associates, Inc., P.S	8,384.00	3868-0000M
5664	09/26/2018	Claims	3	30431	Wes Weld Corportion	1,369.10	City Of Stanwood

001 General Fund	149,550.10		
101 Street Fund	361.81		
103 Street Construction Fund	6,749.99		
104 Park Improvement Fund	3,112.26		
110 Building Improvement Fund	5,041.25		
401 Sewer Fund	18,163.27		
403 Sewer Construction Fund	8,051.79		
410 Drainage Fund	1,268.47		
411 Drainage Construction Fund	74.00		
421 Water Fund	33,662.18		
422 Water Construction Fund	45,714.15		
630 Agency Fund	427.51		
		Claims:	272,176.78
* Transaction Has Mixed Revenue And Expense Accounts	272,176.78		

CHECK REGISTER

City Of Stanwood | Time: 08:46:53 Date: 10/03/2018
MCAG #: 0695 | 09/19/2018 To: 10/03/2018 | Page: 2

Trans	Date	Type	Acct #	Chk #	Claimant	Amount	Memo

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 ____________ Date: 10-4-18
( ) Deputy Finance Director

CHECK REGISTER

City Of Stanwood
MCAG #: 0695

09/19/2018 To: 10/03/2018

Time: 08:47:10 Date: 10/03/2018
Page: 1

Trans	Date	Type	Acct #	Chk #	Claimant	Amount	Memo
5463	09/21/2018	Payroll	3	EFT		1,000.00	September 2018 Draw
5464	09/21/2018	Payroll	3	EFT		2,000.00	September 2018 Draw
5465	09/21/2018	Payroll	3	EFT		1,000.00	September 2018 Draw
5466	09/21/2018	Payroll	3	EFT		1,800.00	September 2018 Draw
5467	09/21/2018	Payroll	3	EFT		1,350.00	September 2018 Draw
5468	09/21/2018	Payroll	3	EFT		3,000.00	September 2018 Draw
5469	09/21/2018	Payroll	3	EFT		1,600.00	September 2018 Draw
5470	09/21/2018	Payroll	3	EFT		1,000.00	September 2018 Draw
5471	09/21/2018	Payroll	3	EFT		2,000.00	September 2018 Draw
5472	09/21/2018	Payroll	3	EFT		2,000.00	September 2018 Draw
5473	09/21/2018	Payroll	3	EFT		1,000.00	September 2018 Draw
5474	09/21/2018	Payroll	3	EFT		800.00	September 2018 Draw
5475	09/21/2018	Payroll	3	EFT		1,500.00	September 2018 Draw
5476	09/21/2018	Payroll	3	EFT		1,600.00	September 2018 Draw
5477	09/21/2018	Payroll	3	EFT		500.00	September 2018 Draw
5478	09/21/2018	Payroll	3	EFT		2,500.00	September 2018 Draw
5479	09/21/2018	Payroll	3	EFT		1,500.00	September 2018 Draw
5480	09/21/2018	Payroll	3	EFT		1,300.00	September 2018 Draw
5481	09/21/2018	Payroll	3	EFT		1,000.00	September 2018 Draw
		001 General Fund				28,450.00	
						28,450.00	Payroll: 28,450.00

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 ______________________ Date: 10-4-18
( ) Deputy Finance Director

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	6b
DATE:	October 11, 2018
SUBJECT:	City Council September 27, 2018 Regular Meeting Minutes
CONTACT PERSON:	Tania Hawes, Deputy Clerk
ATTACHMENTS:	A – Council Regular Meeting Minutes

SUMMARY STATEMENT

Minutes of the September 27, 2018 Regular City Council Meeting are attached.

RECOMMENDED MOTION

I MOVE TO APPROVE THE MINUTES OF THE SEPTEMBER 27, 2018 REGULAR COUNCIL MEETING AS PRESENTED.

ATTACHMENT A

CITY OF STANWOOD

Regular Meeting of the City Council
Thursday, September 27, 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: Dianne White, Timothy Pearce, Larry Sather, Kelly McGill and Judy Williams. The meeting was quorate.

Also present: Public Works Director Kevin Hushagen, Finance Director David Hammond, Community Development Director Patricia Love, Patrol Sergeant Sean Gillespie, 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 Johnson and Callaghan. Motion carried unanimously.

3. Approval of the Agenda

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

4. Citizen Comments

Jan Krick – 7709 272nd Street NW
Ms. Krick commented on the spraying of Roundup down her street and on her property. Ms. Krick is concerned for the safety of her family, the high-school students, and the general public.

Tim Schmitt – 27308 101st Avenue
Mr. Schmitt commented on the proposed business license income threshold and suggested that it be raised to a higher monetary amount.

Warren Krick – 7709 272ns Street NW
Mr. Krick (husband of Jan Krick) asked Ms. Krick to speak during the citizen comment on his behalf. Ms. Krick suggested alternatives to spraying Roundup in Stanwood. These alternatives included organic weed killers and using heat to burn the weeds.

Les Anderson – 27201 102nd Drive NW
Mr. Anderson asked to present checks in donation to the Snohomish County Sheriffs and Explorers, as well as to the North County Regional Fire Cadet program. Mr. Anderson explained that the programs are a great way for kids to focus on their future.

5. Presentation

a. Outstanding Wastewater Treatment Plant Award for 2017

Mayor Leonard Kelley presented the Outstanding Wastewater Treatment Plant Award for 2017 to Public Works Director Kevin Hushagen. The Mayor stated that the City has received this award every year since 2006, with the exception of 2014. Public Works Director Kevin Hushagen thanked Joel Zielie, Casey Souza, and Leigh Danielson for their dedicated service towards receiving this award.

At 7:05 p.m. Councilmember Johnson joined the meeting.

6. Staff Reports

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

Councilmember Sather commented that President Icle Crow's term on the library board is coming to an end, and the library is actively looking for someone to fill the Library Chair position for the next five years.

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

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

9. New Business

a. Lease Agreement with Community Resources Foundation

Finance Director David Hammond presented a lease agreement with the Community Resources Foundation for the storage of the Foundation's portable stage in the equipment shed on the Ovenell Property in exchange for city use of the stage. The City uses the wagon for concerts during the summer.

Motion by Councilmember Sather, second by Councilmember Williams, 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. Motion carried unanimously.

b. Water, Sewer, and Drainage Utility Rate Updates

Finance Director David Hammond presented first reading of Ordinance 1461 to update water, sewer, and drainage utility rates, and plant investment fees. This item was discussed on June 21, 2018 at the council workshop, the public works committee meeting September 10th, and the finance committee meeting on September 13th.

Councilmember Johnson asked if the city is charging a current impact fee on new development for drainage. David responded that the city currently charges a plant investment fee that would be increased with Ordinance 1461. Councilmember Johnson also commented that these rate increases underline the need to regularly increase rates to fund our infrastructure.

Councilmember McGill commented the he agrees with Councilmember Johnson and that he fully supports increasing utility rates to fund the city's infrastructure.

Motion by Councilmember Sather, second by Councilmember McGill, to approve first reading of 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. White – Yes, Pearce – Yes, Sather – Yes, McGill – Yes, Williams – Yes, Johnson – Yes. Motion carried unanimously.

c. Confirmation of City Administrator Appointment

Mayor Leonard Kelley announced that he has appointed Jennifer Olson to City Administrator. The City advertised for the position left vacant by former City Administrator Ryan Larsen.

Motion by Councilmember Sather, second by Councilmember White, 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. Motion carried unanimously.

10. Public Hearing

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

Community Development Director Patricia Love presented first reading of Ordinance 1462. Patricia explained that state legislature is requiring all Washington cities to update their definitions and procedures for business licenses so that they are consistent across the state.

Motion by Councilmember Sather, second by Councilmember McGill, to open the public hearing on Ordinance 1462, Business License and Regulations. Motion carried unanimously.

Tim Schmitt – 27308 101st Avenue
Mr. Schmitt commented on the definitions within the code amendment.

Seeing no other citizen comments, the public hearing closed.

Councilmember McGill commented that the city should compare our monetary threshold to require a business license.

City Attorney Representative Brett Vinson commented that he has reviewed the threshold for business licenses for similar cities and they were verbatim to what is presented in Ordinance 1462.

Motion by Councilmember Sather, second by Councilmember McGill, to approve first reading of Ordinance 1462 as set forth in attachment "A" by amending Title 5, Business Licenses and Regulations. Motion carried unanimously.

11. Reports of Officers and Committees

a. Mayor's Report

Mayor Kelley announced that there was a Snohomish County Cities meeting on September 17th that he attended with Councilmembers Johnson, Callaghan, and Pearce. The Mayor also commented that Snohomish County may be getting autonomous transportation in the near future.

b. Councilmember Reports and Questions

Councilmember Sather confirmed that we have a budget workshop on Monday, October 22nd at 5:15pm in City Hall.

11. Citizen Closing Comments

City Administrator Jennifer Olson commented that she is excited to help the city reach its goals.

12. Adjourn

Mayor Kelley adjourned the meeting at 7:54 p.m.

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

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	7a
DATE:	October 11, 2018
SUBJECT:	Second Reading and Final Adoption of Ordinance 1461 Updating Water, Sewer and Drainage Utility Rates
CONTACT PERSON:	David A. Hammond, Finance Director/City Clerk
ATTACHMENTS:	A — Ordinance 1461 B — Water, Sewer and Drainage Rate Study and Plant Investment Fee Update

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ISSUE

The issue before council is approve second reading and final adoption of Ordinance 1461 to update water, sewer and drainage utility rates and plant investment fees.

RECOMMENDATION

Conduct second reading and final adoption 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

First reading was approved unanimously on September 27th by the city council.

The city adopted financial policies in 2013, which establish principles upon which utility rates shall be established. These policies include:

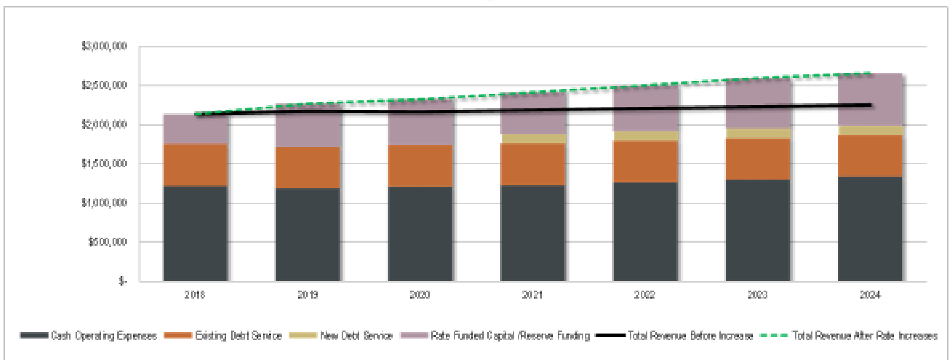
- The city will set fees and user charges for each enterprise fund, such as water, sanitary sewer and storm drainage, at a level that fully supports the total direct and indirect cost of the activity including the cost of annual depreciation of capital assets. Additionally, for analysis and rate modeling 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 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—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

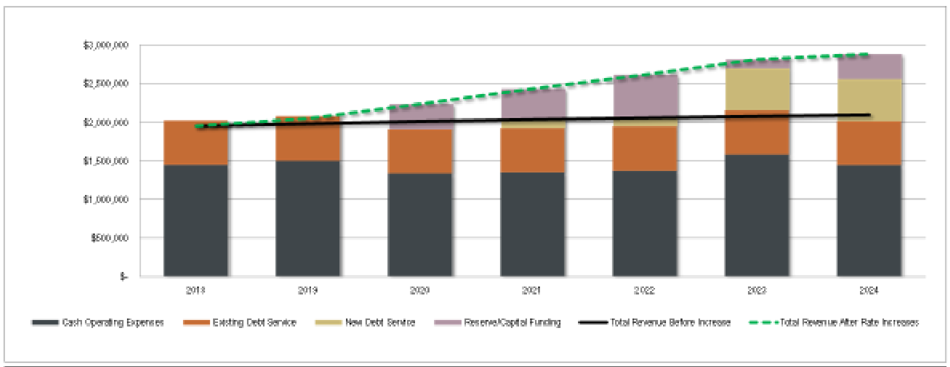
***Note:** assumes 12ccf water usage bi-monthly*

FCS GROUP Page 10

Sewer Utility—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

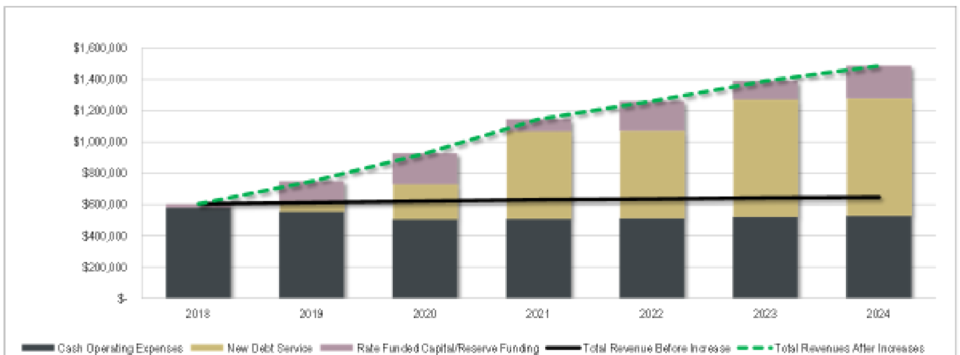
Note: *assumes 12ccf water usage bi-monthly*

FCS GROUP Page 13

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

Drainage Revenue Requirement – 65% Grant Scenario



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*

FCS GROUP Page 18

Plant Investment Fees—The FCS Group team also recalculated Plant Investment Fees (PIF) for each utility. As discussed at the June 21st 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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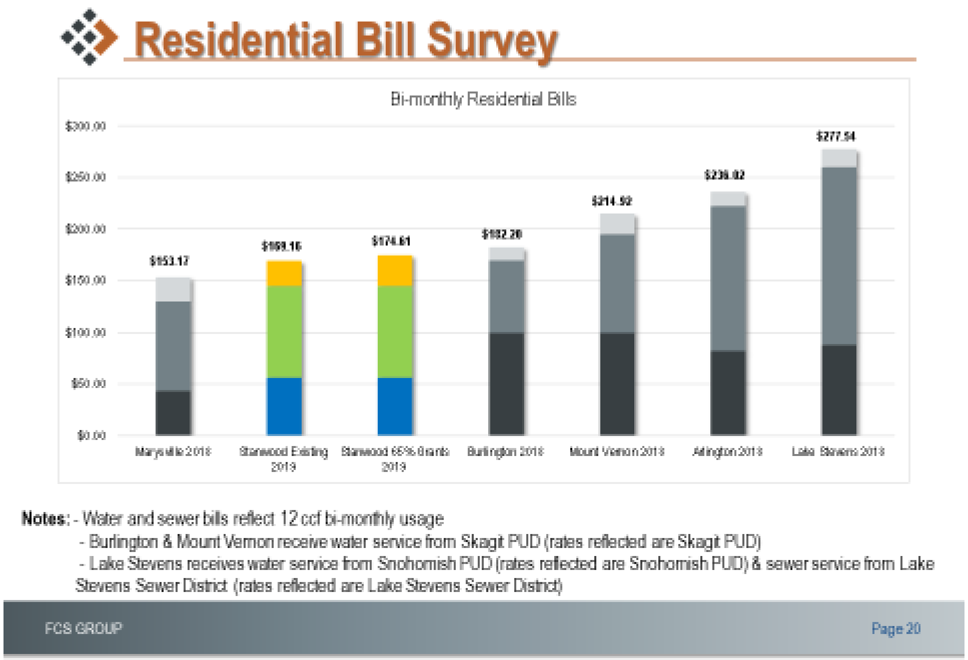
FINANCIAL IMPACT

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

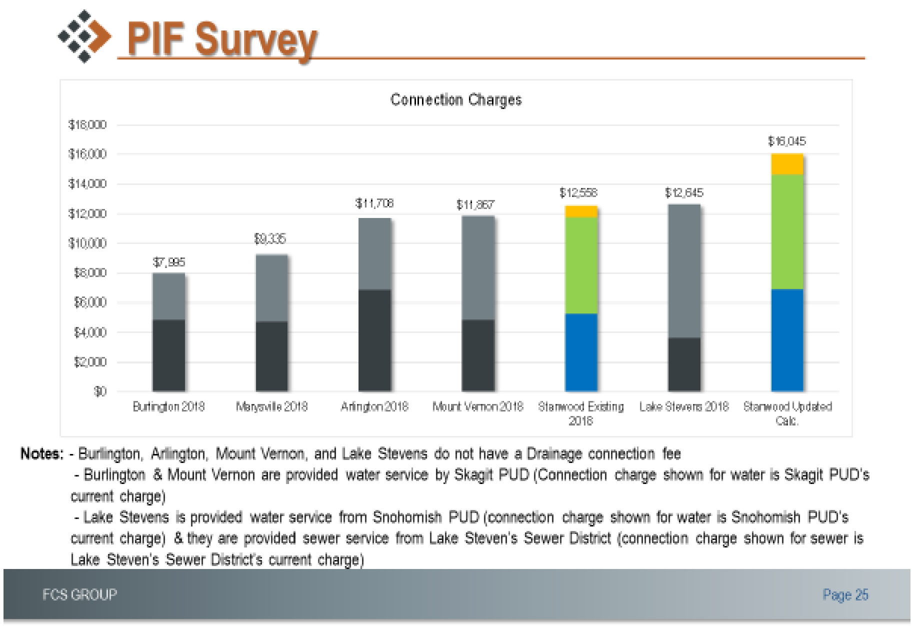


CHART SEVEN

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**

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; ESTABLISHING SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the City has considered amendments to Stanwood Municipal Code (SMC) Chapters 12.04-12.16 affecting utility regulations; and

WHEREAS, by amending Chapters 12.04-12.16 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 12.04-12.16 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.
12.12.020 Drainage system rates and charges.
12.12.030 *Repealed*.
12.12.040 Connection fees, charges and costs.
12.12.050 Drainage system plant investment charge.
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12.12.070 Drainage fees and charges for property outside of the city.
12.12.080 Development fees.
12.12.090 Construction fund created.

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 (2)(a)(i)(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

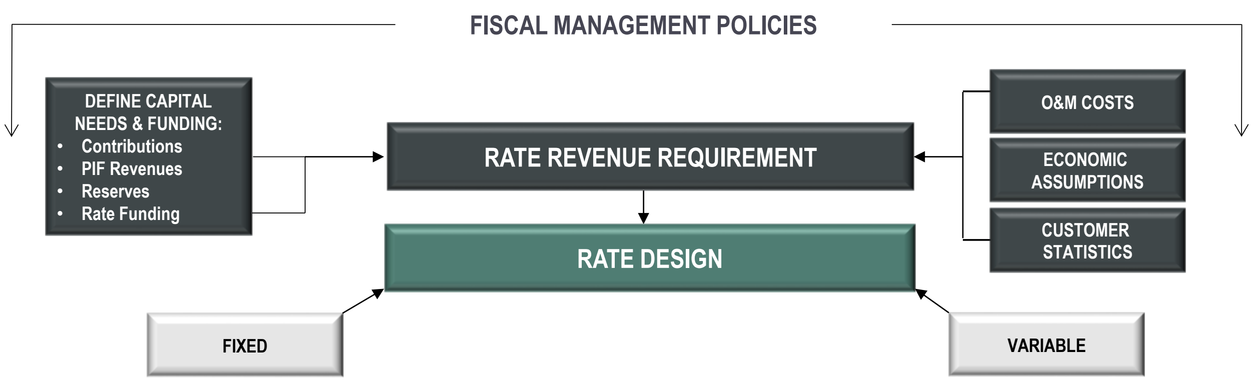
II.A. RATE SETTING PRINCIPLES AND METHODOLOGY

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.

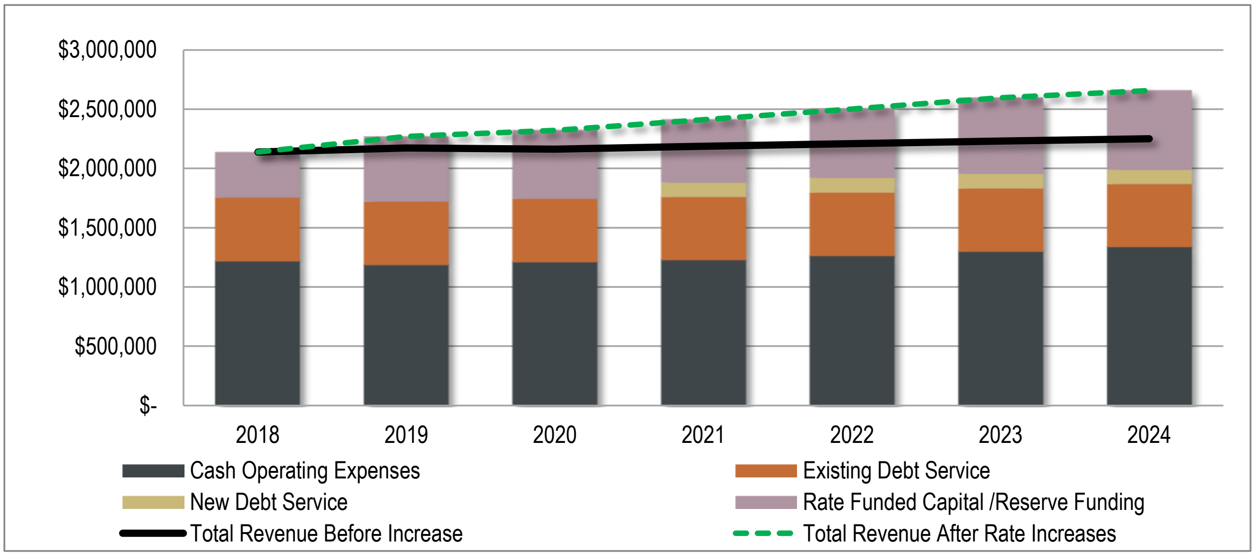
Exhibit 3.1: Water Capital Funding Summary

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
				Variable ($ per 100 cubic feet)			
Description	**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.

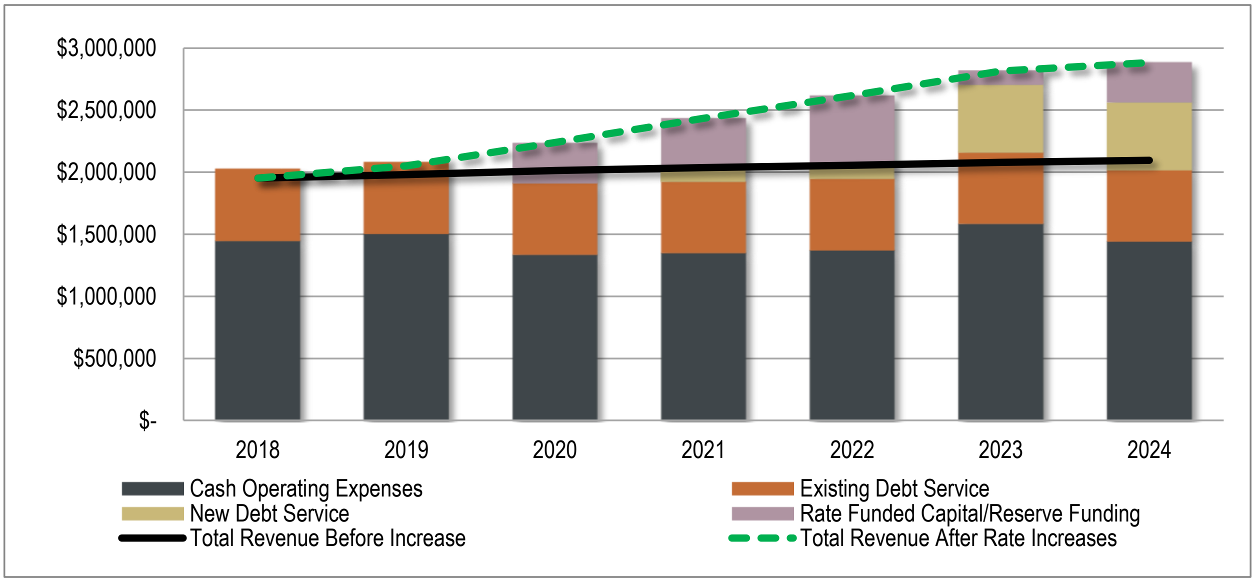
Exhibit 4.1: Sewer Capital Funding Summary

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
Description	**Variable (per 100 cubic feet)**												
	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.

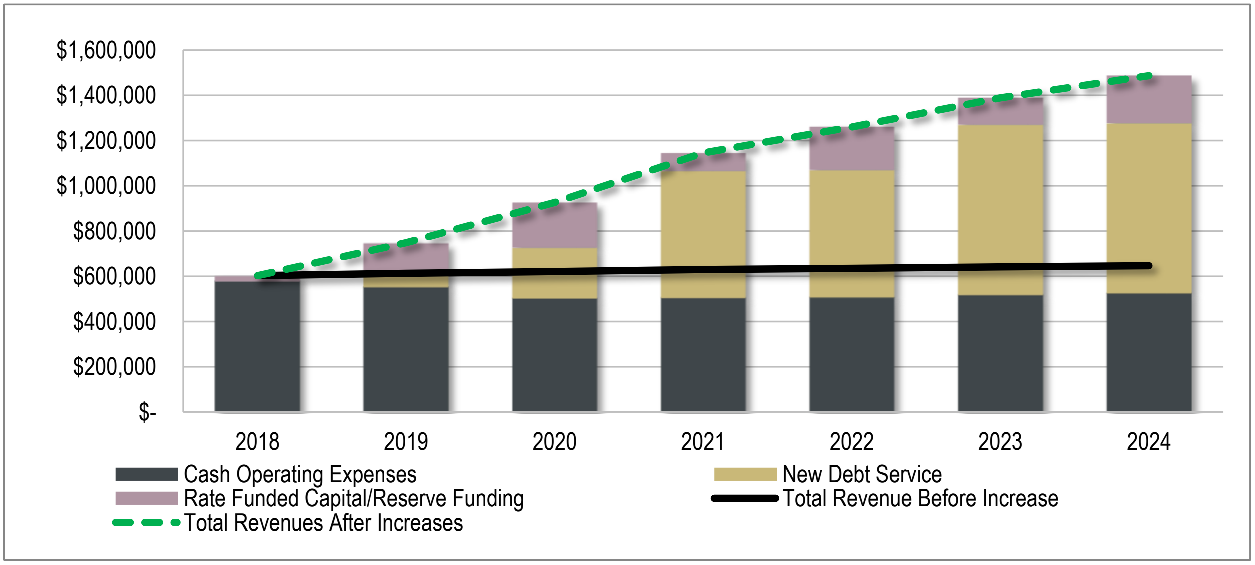
Exhibit 5.1: Drainage Capital Funding Summary

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:	7b
DATE:	October 11, 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

Second reading and final adoption of Ordinance 1462 amending Chapter 5.03, Business Licenses, of the Stanwood Municipal Code to adopt state mandated amendments to the City's 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

Conduct second reading and final adoption of Ordinance 1462 Amending Chapter 5.03, Business Licenses, of the 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 “engaging 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.~~ **<u>is defined as set forth in SMC 5.03.015.</u>**

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.

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

<u>(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.</u>

- **<u>(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.</u>**
- **<u>(b) Owning, renting, leasing, using, or maintaining, an office, place of business, or other establishment in the City.</u>**
- **<u>(c) Soliciting sales.</u>**
- **<u>(d) Making repairs or providing maintenance or service to real or tangible personal property, including warranty work and property maintenance.</u>**
- **<u>(e) Providing technical assistance or service, including quality control, product inspections, warranty work, or similar services on or in</u>**

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

This item was brought to the Community Development Committee on September 27, 2018 however only committee member attended. The date was changed due to a staffing conflict which most likely was the reason of the low attendance. However, the full Council did open the public hearing and too public testimony on the item that same evening.

At the September 27th Council Meeting, Council approved first reading of the Ordinance and recommended moving the item forward for the second reading and final adoption.

RESPONSE TO PUBLIC COMMENTS

The City received one comment on the proposed Ordinance from Tim Schmitt. Our City Attorney has reviewed his comments and finds no conflict within the ordinance.

Per the City Attorney:

The business license code before the council adopts verbatim the language required by the State. Any variances or changes to the language is not recommended. If issues should arise with the language, the issues would need to be resolved on the state and not the local level. The law was specifically designed to be broad and require businesses, in certain instances, even if they did not have a physical presence in a city to get a business license.

RCW 35.90.060, places restrictions on cities authority to require business licenses.

> **35.90.060 Geographic Restrictions on License Requirement.**
> Cities may not require a person to obtain or renew a general business license unless the person engages in business within its respective city. For the purposes of this section, a person may not be considered to be engaging in business within a city unless the person is subject to the taxing jurisdiction of a city under the standards established for interstate commerce under the commerce clause of the United States Constitution.

In addition, under the interstate commerce provisions of the United States Constitution, cities are not able to require a business license from businesses engaging in interstate commerce. Companies engaging in business over the internet are typically exempt from the business license requirement.

There is no conflict between the code sections 5.03.015 and 5.03.027. 5.03.015(5) says that sellers located outside of the city and is merely delivery goods via a common carrier is not required to have a business license without regard to the total annual value of sales or income. 5.03.027, is the small business example, if there are businesses who engage in business and who do not have a physical place of business within the city but make less than $2,000 annually, then that business is exempt from the business license requirement.

STAFF RECOMMENDATION

Staff recommends adoption of the proposed changes to the business license code as noted within this staff report.

CITY COUNCIL OPTIONS

1. Approve second reading and final adoption of Ordinance 1462.

2. Do not adopt Ordinance 1462.

3. Delay adoption of Ordinance 1462 and direct staff to address specific council concerns or provide additional information.

RECOMMENDED MOTION

I MOVE TO APPROVE THE SECOND READING AND FINAL ADOPTION OF ORDINANCE 1462 AMENDING CHAPTER 5.03, BUSINESS LICENSES, OF THE STANWOOD MUNICIPAL CODE RELATING TO BUSINESS LICENSE DEFINITIONS AND PROCEDURES.

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.~~ **is defined as set forth in SMC 5.03.015.**

(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).

5.03.015 Engaging in Business – NEW SECTION

(1) The term "engaging in business" means commencing, conducting, or

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, **<u>including but not limited to: zoning verification, building code compliance, public infrastructure and / or fire safety standards.</u>** (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

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

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.

MRSC
Local Government Success

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"

Published on Jul 18, 2018

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.

Back to Advocacy news by category

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	8a
DATE:	October 11, 2018
SUBJECT:	Resolution 2018-20 Adoption of the City's Salary and Benefits Schedule for 2019
CONTACT PERSON:	David A. Hammond, Finance Director
ATTACHMENTS:	A – Resolution 2018-20

ISSUE

Adoption of Resolution 2018-20 establishing the City's 2019 pay and benefits schedule for its employees.

RECOMMENDATION

Recommend approval of Resolution 2018-20 establishing the City's pay and benefits schedule for city employees for 2019.

DISCUSSION

This resolution implements represented employee's salary and benefits as previously agreed to in the collective bargaining agreements covering the period 2017 to 2019. The salary schedule proposed by staff is identical to the current schedule with a two percent COLA adjustment applied for all employees. Staff proposes the non-represented employees remain with the AWC Benefit Trust in 2019, including an offer to opt in to the High Deductible plan as proposed last year, but for which no employees opted in. If no employees opt in this year, staff recommends considering alternatives concurrently with union contract negotiations next year.

Represented Employees

There are two bargaining groups in the city: Teamsters – Public Works and Teamsters – Administrative (hereinafter referred to collectively as "Teamsters" for the sake of discussion). Teamsters' employees are currently working under 3-year contracts that expire on December 31, 2019. The current contracts provide members with 2% salary increases effective January 1, 2019.

Non-represented Employees

All city employees not represented by the Teamsters are considered non-represented employees (hereinafter referred to as “non-represented”).

Medical Plan

The AWC Employee Benefit Trust has developed an innovative medical plan option available to Stanwood employees in 2019. The plan is based on employees enrolling into an Affordable Health Network (AHN). The City is able to offer the same two plans as 2018, while individual employees are allowed to select the AHN option, which offers a five percent discount on premiums (for both employer and the employee portion.) The plan is also expected to offer lower out-of-pocket costs for employees.

In 2017, the management team evaluated Health Savings Account (HSA) contribution amounts to incentivize employees to select the high deductible plan. Even offering $200 per month for single and $400 per month for employees with families the City would realize lower costs; however, no employees made this choice last year. Given the potential for cost savings to the City, staff recommends offering the High Deductible plan again and continue to offer an HSA contribution of $200 per month for single and $400 per month for married employees. Discussion with staff indicate the reason the High Deductible option was not adopted was the risk of significant out-of-pocket costs in the event an employee or their family experienced extreme health issues.

The plan has an out of pocket maximum of $5,000 for a single person and $10,000 for a family. To further incentivize employees, staff recommends council approve a measure to help them address this risk. This measure would cover the first year an employee selects a high deductible plan and would provide that the City would pay half the difference between the amount an employee incurred beyond the City’s health savings account contribution, only in the event an employee incurred this level of health care cost. For an individual, the maximum amount would be $1,300, and for an employee with covered family members, the maximum amount would be $2,500. It is difficult to gauge the likelihood of this occurring; it is possible that this gesture by council will encourage employees to adopt this plan. Once employees have had a year to establish a balance in the health savings account employees will likely be more confident with this type of coverage.

Annual medical premium savings resulting from adoption of the High Deductible from the prior year are estimated to exceed $5,000, depending on which plans are selected by individual employees. A change to the employee premium contribution (9% for dependents) is not recommended at this time, although during the collective bargaining process in spring of 2019 will be a good time to revisit the employee cost share as part of consideration of the total compensation package.

Monthly Premium Cost Comparison					
Category	2018 AWC Current	2018 Teamsters Current	2019* AWC Health-first 250	2019* AWC High Deductible	Difference Between AWC Plans
E	$ 719	$ 1,367	$ 750	$ 532	$ 218
E+S	$ 1,445	$ 1,367	$ 1,506	$ 1,023	$ 484
E+S+1	$ 1,802	$ 1,367	$ 1,879	$ 1,268	$ 611
E+S+2	$ 2,098	$ 1,367	$ 2,187	$ 1,469	$ 718

*2019 estimated

FINANCIAL IMPACT

The financial impact to the City of a 2 percent cost of living increase for all employees is $48,240. In addition, longevity increases for represented employees are estimated to increase salary expense by $30,400, and a 3 percent ($28,465) salary adjustment pool for non-represented employees combined equal an increase of approximately $58,865.

The 2019 increase in medical premiums is estimated to be 3.5% to 5%. The 2018 health care premium cost will be approximately $600,000, so the increase is expected to be between $21,000 and $30,000.

CITY COUNCIL OPTIONS

1) Recommend adoption of Resolution 2018-20 formally adopting a salary and benefit schedule for city employees effective January 1, 2019.

2) Do not recommend adoption of Resolution 2018-20 formally adopting a salary and benefit schedule for city employees effective January 1, 2019.

3) Do not recommend adoption of Resolution 2018-20 formally adopting a salary and benefit schedule for city employees effective January 1, 2019, and direct staff to address specific council concerns or provide additional information.

RECOMMENDED MOTION

I MOVE TO ADOPT RESOLUTION 2018-20 FORMALLY ADOPTING A SALARY AND BENEFIT SCHEDULE FOR CITY EMPLOYEES EFFECTIVE JANUARY 1, 2019.

CITY OF STANWOOD
Stanwood, Washington

RESOLUTION 2018-20

A RESOLUTION OF THE CITY OF STANWOOD, WASHINGTON ADOPTING A SALARY AND BENEFIT SCHEDULE FOR CITY EMPLOYEES EFFECTIVE January 1, 2019.

WHEREAS, it is necessary and appropriate to establish the salary and benefits schedule for employees and elected officials of the City of Stanwood by resolution of the city council; and

WHEREAS, pursuant to RCW 35A.11.020, the City Council has the power to fix the compensation and working conditions of its officers and employees; and

WHEREAS, on November 21, 2016 the City Council approved an agreement by and between City of Stanwood and Teamsters Local Union No. 231 (representing the public works employees) for the period from January 1, 2017 through December 31, 2019; and

WHEREAS, on February 24, 2017 the City Council approved an agreement by and between City of Stanwood and Teamsters Local Union No. 231 (representing the administrative employees) for the period from January 1, 2017 through December 31, 2019; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STANWOOD, WASHINGTON, AS FOLLOWS:

Section 1: Adopting Pay and Benefits for Teamsters Administrative Employees

That the monthly base compensation for City employees represented by Teamsters Local Union No. 231 (representing the Administrative Employees), subject to adjustments as contained in collective bargaining agreements by the City shall be as set forth below:

	Minimum	Maximum
Accounting Clerk	3,714	4,556
Accounting Specialist	4,592	5,632
Administrative Asst.	4,481	5,496
Associate Planner/GIS Analyst	5,057	5,892
Deputy City Clerk	4,481	5,496
Permit Specialist	4,235	5,195
Police Records Clerk	4,481	5,496

Other pay and benefits for City Teamsters Administrative Employees are set forth in the current Collective Bargaining Agreement. In addition, the city will provide AWC Standard Long Term Disability insurance, Option 1.

Section 2: Adopting Pay and Benefits for Teamsters Public Works Employees

That the monthly base compensation for City employees represented by Teamsters Local Union No. 231 (representing the Public Works Employees), subject to adjustments as contained in collective bargaining agreements by the City shall be as set forth below:

	Minimum	Maximum
Public Works Tech 1	3,773	4,875
Public Works Tech 2	4,007	5,178
Public Works Tech Lead	4,934	6,376
Water Treatment Plant Operator I	4,061	5,250
Water Treatment Plant Operator 2	4,318	5,579
Wastewater Treatment Plant Operator I	4,306	5,565
Wastewater Treatment Plant Operator 2	4,622	5,973
Wastewater Treatment Plant Operator Lead	5,132	6,631

Other pay and benefits for City Teamsters Public Works Employees are set forth in the current Collective Bargaining Agreement. In addition, the city will provide AWC Standard Long Term Disability Insurance, Option 1, and the Vision Service Plan (VSP) $0 Copay plan.

Section 3: Adopting Pay and Benefits for Non-Represented Employees

That the monthly base compensation for City employees and elected officials who are not represented by a union or bargaining group subject to adjustments as contained herein as set forth below, which represents a 2% cost-of-living adjustment from 2018.

a) Salary Increases Based on Performance

In addition to the 2% cost-of-living adjustments incorporated in the below salary schedule, full-time non-represented employees may receive an annual salary increase based on individual performance as determined by the Mayor. The total amount of performance increases shall not exceed the salary adjustment pool, which is calculated by the finance director and authorized by the City Council as a percentage share of annual full-time, non-represented salaries. For the 2019 budget year, the performance pool will be $28,465, which is based on a 3% performance step increase.

	Minimum	Maximum
City Administrator	10,795	12,150
Public Works Director	9,413	10,595
Community Development Director	9,071	10,210
Finance Director/City Clerk	9,071	10,210
Asst. Public Works Director/City Engineer	8,175	9,999
Building Official	7,132	8,026
Senior Accountant	6,541	7,362
Senior Planner	6,541	7,362
Senior Planner .5625fte	6,541	7,362
Construction Inspector	5,122	5,938
Planner (.5625 fte)	5,720	6,541

Health Insurance and Retirement Benefits

The City of Stanwood currently provides the following benefits for full-time non-represented employees:

- Medical - The City pays 100% employee cost for medical, dental and vision insurance.
- For spouse and dependent medical benefits, the employee shall share the cost of benefits under Association of Washington Cities (AWC):
    1. Health First 250 Plan, based on 91% of the 2019 rates, or
    2. Health First High Deductible Plan, based on 91% of the 2019 rates. In addition, the city will contribute the following to employee HSA accounts for employees opting into the High Deductible plan:
        1. Individual rate: $2,400
        2. Family rate: $4,800
    3. Kaiser Permanente $20/$200 deductible, based on 91% of the 2019 rates
    4. Kaiser Permanente High Deductible plan with Health Saving Account, based on 91% of the 2019 rates. In addition, the city will contribute the following to employee HSA accounts for employees opting into the High Deductible plan:
        1. Individual rate: $2,400
        2. Family rate: $4,800
- To incentivize first year adoption of a high deductible plan, the City will pay half the difference between the amount an employee incurs beyond the city's health savings account contribution, but only in the event an employee incurred this level of health care cost, and only in the first year an employee selects a high deductible plan.
- $10,000 life insurance paid by the city.
- Public Employees Retirement System (PERS). Benefit levels and contributions are set by the State of Washington.
- Deferred Compensation Plan. The City is a member of the State Deferred Compensation Plan which allows employees to make tax deferred deposits up to dollar limits defined by the IRS.
- Delta Dental Plan F
- Willamette Dental $15 Copay Plan
- Vision Service Plan (VSP) $0 Copay Plan
- AWC Standard Long Term Disability insurance, Option 1

b) Other Benefits as Provided in the Personnel Policy Manual

The City of Stanwood provides other benefits to its employees as set forth in the Personnel Policy Manual as approved by City Council.

ADOPTED by the city council and **APPROVED** by the mayor this __th day of ______, 2018.

CITY OF STANWOOD

By_______________________________
Leonard Kelley, Mayor

ATTEST:

By_______________________________
David A. Hammond, City Clerk

APPROVED AS TO FORM:

BY_______________________

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER: 8b

DATE: October 11, 2018

SUBJECT: QCC Contract for WWTP SCADA Upgrades

CONTACT PERSON: Kevin Hushagen, Public Works Director

ATTACHMENTS: A – QCC Contract

ISSUE

The issue in front of council is whether or not to authorize the Mayor to enter into an agreement with Quality Controls Corporation (QCC) for engineering and programming services to upgrade the Supervisory Control and Data Acquisition (SCADA) equipment for the Waste Water Treatment Plant (WWTP).

SUMMARY STATEMENT

The WWTP has an outdated/unsupported SCADA system that has a tendency to crash. This system is used to monitor and control the WWTP and the lift stations throughout the City. The current system is the same one that was installed when the WWTP was built in 2004. This system has 'crashed' multiple times throughout the last few years. Most of the time when this happens, staff has to contact our on-call consultants to have their computer specialists come in and troubleshoot to fix the issues. City staff would like to get a new system that is more dependable and supported by current technologies.

DISCUSSION

In 2017, the City hired Tetra Tech to do a SCADA gap and alternatives analysis. Multiple systems exist that can adequately perform these necessary tasks. After reviewing the alternatives, staff determined that using the same brand system that is currently in place would make the most sense. It would be the shortest learning curve for a new system.

Under the on-call agreement with Tetra Tech, city staff issued a task order for them to provide the engineering and programming services for the upgraded SCADA, but their firm underwent staffing changes at the same time which left them without the proper staff to undertake our SCADA project, so city staff used the MRSC Roster and decided that Quality Controls Corporation (QCC) had the best qualifications.

FINANCIAL IMPACT

The cost for the engineering and programming is not to exceed $73,520.00 + tax. The City budgeted in the sewer construction fund $225,000 for SCADA upgrades in 2018.

COMMITTEE RECOMMENDATIONS

The Public Works Committee discussed this issue on October 1, 2018, their recommendation to council is to authorize the Mayor to enter into an agreement with QCC.

CITY COUNCIL OPTIONS

1. Authorize the Mayor to enter into an agreement with Quality Controls Corporation (QCC).

2. Do not authorize the Mayor to enter into an agreement with Quality Controls Corporation (QCC) and direct staff to areas of concern.

3. Reject the proposal from Quality Controls Corporation and look for a different consulting firm.

RECOMMENDED MOTION

I MOVE TO AUTHORIZE THE MAYOR TO ENTER INTO AN AGREEMENT WITH QUALITY CONTROLS CORPORATION FOR ENGINEERING AND PROGRAMMING SERVICES TO UPGRADE THE SUPERVISORY CONTROL AND DATA ACQUISITION (SCADA) EQUIPMENT FOR THE WASTEWATER TREATMENT PLANT (WWTP).

PROFESSIONAL SERVICES AGREEMENT BETWEEN CITY OF STANWOOD WASHINGTON AND QUALITY CONTROLS CORPORATION FOR CONSULTANT SERVICES

THIS AGREEMENT ("Agreement') is made and entered into by and between the City of Stanwood, Washington, a Washington State municipal corporation ("City"), and Quality Controls Corporation (QCC), a Washington corporation ("Consultant").

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

ARTICLE I. PURPOSE

The purpose of this Agreement is to provide the City with consultant services regarding engineering and programming services for the WWTP SCADA computer upgrade as described in Article II. The general terms and conditions of the relationship between the City and the Consultant are specified in this Agreement.

ARTICLE II. SCOPE OF SERVICES

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

ARTICLE III. OBLIGATIONS OF THE CONSULTANT

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

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

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

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

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

III.3 **TERM.** The term of this Agreement shall commence on <u>October 11, 2018</u> and shall terminate at midnight, <u>October 10, 2019</u>. The parties may extend the term of this Agreement by written mutual agreement.

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

III.5 **EMPLOYMENT**.

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

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

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

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

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

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

III.6 **INDEMNITY**.

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

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

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

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

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

III.7 **INSURANCE**.

a**.** **Insurance Term**
The Consultant shall procure and maintain insurance, as required in this Section, without interruption from commencement of the Contractor's work through the term of the contract and for thirty (30) days after the Physical Completion date, unless otherwise indicated herein

b. **No Limitation**

Consultant's maintenance of insurance as required by the agreement shall not be construed to limit the liability of the Consultant to the coverage provided by such insurance, or otherwise limit the City's recourse to any remedy available at law or in equity.

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

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

(2). Commercial General Liability insurance shall be written at least as broad on ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, independent contractors, products-completed operations, stop gap liability, personal injury and advertising injury, and liability assumed under an insured contract. The Commercial General Liability insurance shall be endorsed to provide a per project general aggregate limit using ISO form CG 25 03 05 09 or an equivalent endorsement. There shall be no exclusion for liability arising from explosion, collapse or underground property damage. The City shall be named as an additional insured under the Consultant's Commercial General Liability insurance policy with respect to the work performed for the City using an additional insured endorsement CG 20 10 10 01 and Additional Insured-Completed Operations endorsement CG 20 37 10 01 or substitute endorsements providing at least as broad coverage.

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

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

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

(1) Comprehensive General Liability. Insurance shall be written with limits no less than $1,000,000 each occurrence, $2,000,000 general aggregate and $2,000,000 products-completed operations aggregate limit.

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

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

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

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

f. **Acceptability of Insurers**. Insurance is to be placed with insurers with a current A.M. Best rating of not less than A: VII.

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

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

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

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

l. Subcontractors' Insurance

The Contractor shall cause each and every Subcontractor to provide insurance coverage that complies with all applicable requirements of the Contractor-provided insurance as set forth herein, except the Contractor shall have sole responsibility for determining the limits of coverage required to be obtained by Subcontractors. The Contractor shall ensure that the Public Entity is an additional insured on each and every Subcontractor's Commercial General liability insurance policy using an endorsement as least as broad as ISO CG 20 10 10 01 for ongoing operations and CG 20 37 10 01 for completed operations.

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

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

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

III.11 **INDEPENDENT CONTRACTOR**.

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

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

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

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

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

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

III.14 **SUBCONTRACTORS/SUBCONSULTANTS**.

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

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

____

____

____

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

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

ARTICLE IV. OBLIGATIONS OF THE CITY

IV.1 **PAYMENTS**.

a. The Consultant shall be paid by the City for services rendered under this Agreement as described in the Scope of Services and as provided in this section. In no event shall the compensation paid to Consultant under this Agreement **exceed $73,520.00 (seventy-three thousand, five hundred and twenty dollars) plus tax** without the written agreement of the Consultant and the City. Such payment shall be full compensation for work performed and services rendered and for all labor, materials, supplies, equipment and incidentals necessary to complete the work. In the event the City elects to expand the scope of services from that set forth in Exhibit A, the City shall pay Consultant a mutually agreed amount.

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

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

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

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

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

b. **Public Records**

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

ARTICLE V. GENERAL

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

CITY	**CONSULATANT**
Kevin Hushagen, PW Director City of Stanwood 10220 270th Street NW Stanwood, WA 98292	James Cross, Vice President Quality Control Corporation 208th Street S.W., Unit 1B Lynnwood, WA 98036

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

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

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

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

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

V.5 **SEVERABILITY**

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

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

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

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

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

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

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

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

DATED this 11th day of October, 2018.

CITY OF STANWOOD

By________________________________
Leonard Kelly, Mayor

QUALITY CONTROLS CORPORAION

By ________________________________
James Cross, Vice President

Approved as to form:

____
Grant K. Weed, City Attorney

Exhibit A
Scope of Services

Quality Controls Corporation

5015 208th. St. S.W. Suite 1-B
Lynnwood, Washington 98036
Phone (425) 778-8280
Fax (425) 778-4541

Quotation

September	Quote Number: Q3291A
To:	City of Stanwood Shawn Smith, City Engineer
Project:	Stanwood WWTP SCADA Computer Upgrades, Engineering & Programming Services
Reference:	Wastewater SCADA Master Plan “October 2017”
Bid Date:	
Terms:	Net 30
FOB:	Lynnwood, WA
Freight:	Prepaid and allowed

This quote is valid for 60 days.

QCC is pleased to provide quotation for the above referenced project. Quality Controls Corp. (QCC) provides services and materials, FOB Lynnwood, WA. QCC provides the programming, configuration, and software development services complete, including delivery, installation, and commissioning of the new SCADA computers for the Stanwood WWTP SCADA systems. QCC’s quoted price does not include tax or the cost to bond this project.

Please call me with any technical questions or me if you have any questions concerning the pricing on this quotation.

Sincerely,
James Cross

5015 – 208th Street S.W. Unit 1B Lynnwood, Washington 98036
Phone: 425.778.8280 Fax: 425.778.4541
Email: JamesC@QCCHome.com

Pricing

<u>Item 1 - WWTP SCADA Hardware and Software:</u>		
A. SCADA Hardware and Software as listed Below	$	**58,197.00**
Sales Tax (9.1%):		**5,295.93**
Total Price for Item 1:	$	**63,492.93**
<u>Item 2 - WWTP SCADA System Upgrade Services:</u>		
A. SCADA System Engineering and Network Design	$	**3,680.00**
B. Hardware Setup, Configuration & Software Installation	$	**6,120.00**
C. FTView SCADA Software Application Development	$	**37,800.00**
D. Win911 Setup and Commissioning Services	$	**5,400.00**
E. Dream Report development and deployment	$	**6,750.00**
F. Onsite Installation, Commissioning & Training	$	**10,800.00**
G. O&M Manuals and Documentation, & Support	$	**2,970.00**
Total Price for Item 2:	$	**73,520.00**

Clarifications and Exclusions

1. QCC provides software licenses and hardware under Item 1 only. Item 2 includes engineering and programming services only. If Item 1 is not purchased from QCC then QCC receives all hardware and software packages from the city and assumes no responsibility for any additional hardware or software licenses that may be required for a complete and functional system.

2. QCC's quotation includes upgrades to the SCADA computer systems and software only. QCC's quotation does NOT includes upgrades or modifications to existing PLCs, instrumentation, telemetry, or any other system not explicitly listed below. QCC's quotation does NOT include operational changes to existing processes.

3. QCC does ***NOT*** provide the following unless specifically included in our bill of material:
   - Pipe, tubing, valves or fittings between the instrument and the process.
   - Conduit, wire or cable not integral to instrument or control panels supplied by QCC.
   - Mounting brackets, stanchions, supports or mounting pads not an integral part of the instrument.
   - Labor to install the equipment.
   - The Cost, (if due to local union regulations), to have local craftsman make adjustments or wiring modifications to our equipment during start-up and calibration.

- Any material or services not in our quoted sections.

Scope of Work

Item #1- QCC provides the following hardware and software:

1. SCADA Hardware:
    a. Qty 3 x Dell Optiplex 3050 Workstations-
       Windows 10 Pro, Intel I5-7500, 8GB Ram, 8x DVD+/-RW 9.5mm Optical Disk Drive, Intel® Integrated Graphics. 24" HD Monitor, wireless Keyboard & Mouse. Microsoft Office Home and Business 2016.

    b. Qty 2 x Dell Power Edge T330 Servers-
       Windows Server 2012 R2, Intel Xenon E3-1240 16GM Ram, (2) 2TB 7.2K RPM HD, Raid 1, DVD+/- RW, Intel Integrated Graphics. 5 Windows Server User Cals.

    c. Qty 2 x Wester Digital WDBBGB0080HBK-NESN 8 TB USB 3.0 Desktop Hard Drives-

2. SCADA Software Licenses:
    a. Qty 1 x Allen Bradley FTView SE Server, 100 Display W/RSLinx ESD.
    b. Qty 3 x Allen Bradley FTView Client Site Edition ESD
    c. Qty 1 x Allen Bradley FTView Studio SE, Ent EN ESD
    d. Qty 1 x Allen Bradley FTView Historian, 500 Tag
    e. Qty 1 x Kepware Modbus Suite Perpetual License
    f. Qty 1 x Dream Reports 500tag license
    g. Qty 1 x Win911 Standard to Interactive license upgrade.

Item #2- QCC provides the following services for upgrading the existing SCADA System:

1. QCC provides the required engineering and labor required to setup all required hardware, install and configure the necessary operating systems, domain controllers, network configuration, and provide all required software license installation. Includes installation of all supported upgrades, patches, and bios configurations.

2. Provide the required engineering and labor for a fully functional and tested new FTView distributed application. Includes design, development and deployment of a new SCADA system, including all screens, trends, historical databases, and alarm servers. Includes development of all new SCADA screens utilizing latest FTview tools and object. QCC quotation does not utilize simple migration of the existing RSView32 screens. This includes all development, testing, and commissioning. Includes configuration of the FTview clients for terminal services.

3. QCC provides the software installation and configuration for the Win911 alarm notification system. Includes configuration of all existing alarm points, operator profiles, and notification

schedules. Includes configuration of alarm notification via voice dial-out, sms text, and/or email.

4. QCC provides the software installation and development for the "Dream Reports" reporting system. Includes all required database configuration, query's, and report development for up to four operation reports. Reports includes daily, weekly, monthly, and/or yearly reports on equipment, instrumentation measurements, and plant analytics.

5. QCC provides the onsite hardware installation, system startup testing, and commission services to demonstrate a fully functional and operation system. Includes demonstration testing of process operations, alarm notifications, reports, and SCADA redundancy. Includes onsite training, and operational instructions.

6. QCC provides the required configuration documentation and as-built deployment network diagrams for the completed SCADA system. Includes as-built network diagrams, encrypted password database, license and software log. Also includes 1-year warranty support for all services provided.

Note Regarding Item #2-

QCC quotation is based on providing a simplified SCADA architecture to the suggested architecture shown in the *"Wastewater SCADA Master Plan "October 2017"*. The proposed quotation includes the following components:

- a. SCADA Application Server: Physical Server, Dell T330
  - a. FTView SE SCADA Application Server
  - b. IO Server
  - c. Alarm Server

- b. SCADA Historian Server: Physical Server, Dell T330
  - a. FTView Historian

- c. SCADA Engineering Workstation: Physical Workstation, Dell Optiplex 3050
  - a. FTview Client
  - b. Win911 Alarm Dialer
  - c. Dream Reports Server

- d. SCADA View Workstation #1: Physical Workstation, Dell Optiplex 3050
  - a. FTview Client

- e. SCADA View Workstation #2: Physical Workstation, Dell Optiplex 3050
  - a. FTview Client

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	8d
DATE:	October 11, 2018
SUBJECT:	RH2 Task Order for 297 Zone Reservoir Preliminary and Final Engineering Design
CONTACT PERSON:	Kevin Hushagen, Public Works Director
ATTACHMENTS:	A – Task Order # RH2-1

ISSUE

The issue in front of the council is whether or not to hire RH2 to prepare the preliminary and final engineering design necessary for the 0.6 MG welded steel reservoir project bid.

SUMMARY STATEMENT

The storage analysis in the City of Stanwood (City) Comprehensive Water System Plan, Chapter 7, Project CIP F18, 297 Zone Reservoir Design and Construction indicates that the City's water system will have insufficient capacity to meet the projected future storage requirements of the system. Ideally, the City would like to maintain the existing 0.2 million gallon (MG) 297 Zone concrete reservoir and construct a new reservoir on the same site in the 297 Zone with a useful storage capacity of approximately 0.6 MG to meet the projected needs of the system through the 20-year planning period. During the predesign effort, the size and location of the tank on the existing site and relocation of on-site utilities will be finalized, as necessary.

DISCUSSION

The City plans to add storage capacity to the 297 Zone. If retained by the City, RH2 will perform hydraulic analysis to update system demands and determine storage needed, review the site to determine the new reservoir's location site, and utility improvements, and design the reservoir foundation, piping, control and power systems necessary for a complete reservoir and site. The reservoir will be welded steel construction that will be designed by a contractor and shall conform to American Water Works Association (AWWA) Standard D100, with performance specification requirements supplied by RH2.

On this date, October 11, 2018, council authorized the Mayor to enter into a professional service agreement with RH2 to be on the City's on-call consultant roster. By using the on-call PSA, the City can assign work to using a task order with an attached scope of work.

FINANCIAL IMPACT

The fee for this task is $208,426.00.

COMMITTEE RECOMMENDATIONS

The Public Works Committee discussed this issue at their October 1, 2018 meeting and recommend contracting with RH2 for this project.

CITY COUNCIL OPTIONS

1) Authorize the Mayor to sign a task order with RH2 for $208,426.00 to prepare the preliminary and final engineering design necessary for the 0.6 MG welded steel reservoir project bid.

2) Do not authorize the Mayor to sign a task order with RH2 for $208,426.00 to prepare the preliminary and final engineering design necessary for the 0.6 MG welded steel reservoir project bid and direct staff to areas of concern.

3) Reject the proposal from RH2 and look for a different engineering firm.

RECOMMENDED MOTION

I MOVE TO AUTHORIZE THE MAYOR TO SIGN A TASK ORDER WITH RH2 FOR $208,426.00 FOR THE 297 ZONE RESERVOIR PRELIMINARY AND FINAL ENGINEERING DESIGN.

PER ON-CALL PROFESSIONAL SERVICES MASTER CONTRACT #2018-53 BETWEEN CITY OF STANWOOD, WASHINGTON (CITY) AND RH2 ENGINEERING, LLC (CONSULTANT)

TASK APPROVAL ORDER FORM

PROJECT NAME: 297 Zone Reservoir Predesign, Design, and Services During Bidding

TASK APPROVAL ORDER NUMBER: RH2 - 1

Scope of Services for this Task Order is as follows: The City plans to add storage capacity to the 297 zone. A hydraulic analysis to update system demands and determine storage needed, review the site to determine the new reservoir's location, site, and utility improvements, and design the reservoir foundation, piping, control, and power systems necessary for a complete reservoir and site. The reservoir will be welded steel construction that will be designed by a contractor and shall conform to American Water Works Association (AWWA) Standard D100, with performance specifications requirements.

The scope of work includes engineering services to prepare the preliminary and final engineering design necessary for the 0.6 MG welded steel reservoir project bid.

Tasks:

- Task 1 – Predesign
- Task 2 – Develop Preliminary List of Design Criteria
- Task 3 – Project Kickoff Meeting with the City
- Task 4 – Geotechnical Analysis
- Task 5 – Stormwater Engineering and Report
- Task 6 – 60% Site Plans and Cost Estimate
- Task 7 – 60% Review Meeting with the City
- Task 8 – 90% Design
- Task 9 – Permitting Assistance
- Task 10 – Bid-Ready Plans, Specifications, and Estimate
- Task 11 – Services Durning Bidding

The scope of services, cost estimate, and rate sheet (Exhibit A) are incorporated into the Agreement. This shall constitute an approved Task Order pursuant to the Contract between CITY and CONSULTANT dated **October 11, 2018** ("AGREEMENT").

CONSULTANT agrees to perform the services and provide the materials described above for a fee amount of **$208,426.00 (two hundred and eight thousand four hundred twenty-six dollars and no cents)**, unless otherwise modified by CITY'S Public Works Director in a signed writing/subsequent Task Order Approval Form. All charges shall be consistent with the Consultant Rate Schedule which is included in Attachment A and incorporated herein by this reference.

Performance of the services shall be subject to the terms and conditions contained in AGREEMENT.

Dated this **11th day of October, 2018**

CITY OF STANWOOD

By: ____ Date: __________________________

Leonard Kelley, Mayor

RH2 ENGINEERING, LLC

By: ____ Date: __________________________

Richard L. Ballard, Director

EXHIBIT A

Scope of Work

City of Stanwood

297 Zone Reservoir Predesign, Design, and Services During Bidding

October 2018

Background

The storage analysis in the City of Stanwood (City) *Comprehensive Water System Plan*, Chapter 7, Project CIP F18, 297 Zone Reservoir Design and Construction indicates that the City's water system will have insufficient capacity to meet the projected future storage requirements of the system. Ideally, the City would like to maintain the existing 0.2 million gallon (MG) 297 Zone concrete reservoir and construct a new reservoir on the same site in the 297 Zone with a useful storage capacity of approximately 0.6 MG to meet the projected needs of the system through the 20-year planning period. During the predesign effort, the size and location of the tank on the existing site and relocation of on-site utilities will be finalized, as necessary.

The City plans to add storage capacity to the 297 Zone. RH2 Engineering, Inc., (RH2) has been retained by the City to perform hydraulic analysis to update system demands and determine storage needed, review the site to determine the new reservoir's location, site, and utility improvements, and design the reservoir foundation, piping, control, and power systems necessary for a complete reservoir and site. The reservoir will be welded steel construction that will be designed by a contractor and shall conform to American Water Works Association (AWWA) Standard D100, with performance specification requirements supplied by RH2.

Project Scope Overview

This Scope of Work includes engineering services to prepare the preliminary and final engineering design necessary for the 0.6 MG welded steel reservoir project bid. These services include the development of:

- Site and Utility Plans;
- Reservoir Mechanical and Appurtenance Plans;
- Reservoir Structural Design Plans and Details for the foundation and Schematic Plans for reservoir appurtenances;
- Electrical Plans;
- Telemetry Design and Interface;
- Technical Specifications; and
- Construction Cost Estimate.

The following assumptions were made in preparing this proposal.

- *The proposed reservoir will be constructed using welded steel AWWA D100 specifications.*
- *The City will be the lead agency for all permitting tasks. RH2 will provide assistance as outlined in this Scope of Work.*
- *The City will prepare the State Environmental Policy Act (SEPA) Checklist. RH2 will assist with providing information associated with the project.*

- *The City will prepare the Building Permit application. RH2 will provide the listed supporting documents for the Building Permit application.*

Task 1 – Predesign

Objective: Determine storage volume of the new reservoir and the preliminary site layout.

Approach:

1.1 Update hydraulic model with historic data, including new development since 2008.

1.2 Input 20-year future demand projections. *This will include future developments known by the City and review of demand trends in the last 10 years.*

1.3 Size the reservoir volume needed in the 297 Zone.

1.4 Provide up to three (3) reservoir site alternatives to include existing structures, reservoir, piping, site, and stormwater needs. Each alternative will be created schematically in plan view. The reservoir will be sized to improve the surface area to storage volume ratio (height roughly the same as diameter) and maintain a 297-foot overflow elevation.

1.5 Attend one (1) meeting with City staff to review site alternatives and sizing criteria.

1.6 Develop predesign report summarizing reservoir design criteria, preferred site plan, and preliminary construction cost estimate.

1.7 Submit predesign report to City for comment. Update report with City comments.

1.8 Submit final predesign report to the Washington State Department of Health (DOH) for review and comment.

Assumptions:

- *RH2 will rely upon the accuracy and completeness of information, data, and materials generated or produced by the City or others in relation to this Scope of Work.*
- *The new reservoir volume is assumed to be in the 0.5 to 1.0 MG range.*
- *The CAD survey performed for the project site and updated with asbuilts on and before March 20, 2010 for the Cedarhome elevated reservoir are accurate and complete.*
- *RH2 will perform the services described up to the amounts included in the attached Fee Estimate. If additional effort is needed, that extra work will be mutually determined by the City and RH2. If DOH requires a response beyond the effort described, subsequent responses to DOH will be considered extra work and will be mutually determined by the City and RH2.*

Provided by City:

- Developments that have occurred since the last hydraulic model update in 2008.
- Review of 20-year demand projections.
- Attendance at one (1) meeting to review site alternatives and sizing criteria.
- Comments regarding draft predesign report.

RH2 Deliverables:

- Three (3) reservoir site alternatives in PDF format.
- Draft predesign report in PDF format.
- Final predesign report to DOH (two (2) hard copies and one (1) PDF copy).

Task 2 – Develop Preliminary List of Design Criteria

Objective: Define the reservoir design criteria and appurtenances.

Approach:

2.1 Develop a design criteria checklist with the City that includes the pertinent information for the reservoir design, including structural, mechanical, appurtenances, electrical, and controls. The checklist shall include pipe sizes and materials and appurtenance preferences, such as ladders and stairs, access hatches, access ports, overflow air gap configuration, site lighting, vandal protection, air vents, and screens.

RH2 Deliverables:

- Design criteria checklist in PDF format for use in the preliminary design and kickoff meeting.

Task 3 – Project Kickoff Meeting with the City

Objective: Determine City staff preferences for the reservoir.

Approach:

3.1 Attend one (1) meeting with the City to discuss project preferences, as well as site constraints, construction challenges, and proposed solutions for the proposed reservoir replacement. The preliminary design criteria from Task 2 will be discussed in the meeting, along with the preferred site layout from Task 1.

Provided by City:

- Reservoir design criteria preferences.

RH2 Deliverables:

- Meeting agenda and minutes (MSWord format).
- Design criteria checklist (MSExcel format).

Task 4 – Geotechnical Analysis

Objective: Determine foundation design requirements for the reservoir and site.

Approach:

4.1 Conduct a geotechnical assessment of the conditions at the elevation of the subgrade, including observation during the excavating of two (2) to four (4) test pits using a City-provided and directed excavator and operator. *If conditions encountered in the exploration are inconsistent, additional exploration beyond the test pits provided for in this Scope of Work may be necessary. If additional exploration is warranted, RH2 will prepare a contract amendment for the City's consideration.*

4.2 Analyze earth materials identified during site investigation. Provide recommendations for design and construction of the reservoir foundation in the form of a geotechnical report. Report to discuss bearing capacity and anticipated settlement; earth pressures, including active, passive, and at rest conditions; design and construction of cut slopes, including slope angle and slope stabilization requirements; suitability of excavated materials for backfill; stormwater system; access roads and underground utility routing; design; and compaction of backfill to provide a working and final surface for the reservoir subgrade.

Assumptions:

- *RH2 will utilize previous geotechnical analysis of the site for the elevated reservoir. This report will be relied upon in addition to the test pits described above.*
- *It is anticipated that the City will call in locates for this project in advance of the scheduled excavations and that test pit locations will be revised as necessary to avoid existing underground utilities.*
- *City has an excavator and operator available to dig the test pits.*

Provided by City:

- City will provide site access.
- Excavator and operator to dig test pits.
- Payment of laboratory fees for soil analysis. (Estimate of costs provided in the fee estimate, actual costs may vary.)

RH2 Deliverables:

- One (1) copy of geotechnical report in PDF format.

Task 5 – Stormwater Engineering and Report

Objective: Perform stormwater analysis to evaluate the impact of flow control structures on the reservoir site and constructability.

Approach:

5.1 Conduct site reconnaissance and perform an off-site qualitative analysis for a Stormwater Site Plan.

5.2 Prepare a Stormwater Site Plan (SSP) according to the Washington State Department of Ecology's *Stormwater Management Manual for Western Washington*, 2005 edition, except as modified in the City of Stanwood's November 23, 2015, Street and Utility Standards (Stormwater Manual).

5.3 Prepare a construction Stormwater Pollution Prevention Plan (SWPPP) narrative report to accompany the temporary erosion and sediment control (TESC) plans for controlling erosion and sediment transport off the site.

5.4 Design on-site stormwater best management practices (BMPs) to infiltrate, disperse, and retain stormwater runoff onsite to the extent feasible.

5.5 Design a flow control facility for stormwater discharges in accordance with the Stormwater Manual requirements.

5.6 Develop a conveyance system design, located on the project site, for conveying stormwater runoff and reservoir overflow within the property boundaries.

5.7 Prepare and submit copies of the SSP, SWPPP, and associated plans for review by the City. Prepare revisions to the SSP, SWPPP, and plans based on the City's review. Print reports and produce the final SSP and SWPPP for the City's permit submittal.

Assumptions:

- City will provide site access.
- *It is anticipated that runoff treatment will not be required for this project as the reservoir roof will be constructed of non-leachable material and the infrequently used maintenance access roads will not be considered pollution-generating surfaces by definition.*
- *It is assumed that the project will exceed the thresholds for requiring flow control.*
- *It is assumed that Pilot Infiltration Testing will not be required for the project.*

Provided by City:

- The City will coordinate the permit applications and pay for review fees of the SSP.

RH2 Deliverables:

- Site visit
- One (1) copy of the SSP, SWPPP, and associated plans in PDF format for City review.
- One (1) copy of the final SSP and SWPPP in PDF format. (Note: Plans for permit submittal are include in the permitting tasks as part of the full plan set.)

Task 6 – 60-Percent Site Plans and Cost Estimate

Objective: Develop 60-percent site plans and cost estimates for City review.

Approach:

6.1 Prepare the existing site plan. The existing site plan will show horizontal and vertical control, existing contours, facilities, utilities, and pertinent topographic features.

6.2 Develop grading and TESC plans to identify construction limits, construction grading, construction fencing and site security, TESC measures, and site access for construction.

6.3 Attend one (1) project site visit to identify any new development since the CAD asbuilt plans of March 20, 2010, and review the site for observed potential conflicts for routing of power and control conduits, piping, and underground vaults.

6.4 Develop preliminary proposed site plans, including elevations and cross sections showing the proposed reservoir and existing topographic features. The plans will identify the preliminary location of proposed utility improvements for water mains and fittings, reservoir overflow and drainage, and electrical and telemetry components. *It is RH2's current understanding that the scope of RH2's water main design will terminate within the reservoir property line. RH2 will provide a detail of the end connection of the water main.*

6.5 Develop a preliminary landscaping plan showing the proposed landscaping.

6.6 Prepare a preliminary construction cost estimate based on information supplied by material vendors and similar projects.

Assumptions:

- *Draft 60-percent plans will provide the City with the major cost items identified.*
- *A landscape plan will be required by the City as part of the permitting process. Landscaping design will be completed by RH2 and limited to utilizing native, drought tolerant plantings with no irrigation.*
- *Snohomish County Public Utility District No. 1 is the power provider and has power available at the site up to the booster pump station and none of the electrical equipment will need to be relocated.*
- *The City has adequate overflow and drainage facilities to convey required volumes of water.*

Provided by City:

- As-builts and information on drainage facilities, power, and communications.

RH2 Deliverables:

- One (1) copy of draft 60-percent plans in PDF format.
- One (1) copy of draft 60-percent construction cost estimate in PDF format.

Task 7 – 60-Percent Review Meeting with the City

Objective: Update plans based on City's 60-percent review comments.

Approach:

7.1 Prepare for and attend one (1) 60-percent review meeting with the City to finalize design criteria and discuss the City's review of the preliminary site plans. Prepare and distribute meeting minutes.

7.2 Incorporate City comments and update the design criteria based on the 60-percent review meeting. Summarize the selected design criteria to be used during the remainder of the design phase.

Provided by City:

- Review comments on 60-percent design plans.

RH2 Deliverables:

- One (1) electronic set (in PDF format) and three (3) half-size sets of preliminary design plans for 60-percent review.
- Meeting minutes (in PDF format).

Task 8 – 90-Percent Design

Objective: Prepare 90-percent construction plans, technical specifications, and an updated construction cost estimate for review by the City. *The comments developed during the 60-percent review process will be addressed. It is anticipated that 90-percent review comments will be constrained to details that were developed subsequent to the 60-percent review submittal, or that were revised or not yet resolved during the 60-percent review process. The 90-percent plans shall include all construction plan sheets.*

Approach:

8.1 Prepare structural calculations for the reservoir foundation. Provide quality assurance/quality control (QA/QC) review of the structural calculations. Make recommended updates and additions to calculations per review comments. Prepare and format calculations, with supporting documentation, for the Building Permit application.

8.2 Design demolition and construction phasing plans.

8.3 Prepare site and utility plans to show the major utility appurtenances such as isolation valves, manholes, catch basins, and light poles.

8.4 Provide detailed design of the reservoir foundation and schematic plans for reservoir walls and roof. Develop plans showing the geometry, joint geometry, and foundation reinforcing steel.

- *Reservoir foundation and anchorage details will be provided. The reservoir general configuration will be shown schematically.*

8.5 Further detail the configuration of the reservoir piping and mechanical components, and size piping systems for reservoir inlet, outlet, overflow, drain, and foundation under the drain. *Plans will include equipment selection, pipe sizes and materials, thrust restraint, vault sizing, selection, and drainage.*

8.6 Prepare plans that show reservoir appurtenances, including access hatches, vents, exterior and interior ladders or stairs, exterior roof access and restriction, roof platform, and safety cages, as requested or required.

- *Appurtenances will be selected by the City. RH2 will provide details for non-standard appurtenances selected by the City including access, ventilation, and equipment.*

8.7 Prepare electrical, control, and monitoring design, including the following:

- Develop design of electrical systems for operating appurtenances at the reservoir. *Work is to include designing the lighting system, sizing raceways and conductors, and preparing design details.*
- Develop design of control and monitoring sensors to be installed at the reservoir, including construction details. *Equipment will be selected per City standards, including level monitoring, flow monitoring, flow switches for overflow, and intrusion alarm.*
- Develop power service plan.
- Prepare a one-line diagram and electrical plan, including branch circuit panel detail, and other details typical to this work.
- Develop criteria and performance requirements for the telemetry system. *The prepared documentation will be provided to the City's telemetry integrator for verification that the instrumentation will work with the existing telemetry system on site.*

8.8 Develop technical specifications (Divisions 1 through 18) specific to this project for equipment, materials, and construction tasks. *Specification requirements will be based on design criteria determined during the preliminary design phase, current building codes, and subsequent discussions with the City. Technical specifications will use RH2's facility specifications in a modified Construction Specifications Institute (CSI) format.*

8.9 Prepare a 90-percent construction cost estimate.

8.10 Provide in-house QA/QC review of 90-percent plans and technical specifications.

8.11 Prepare for and attend one (1) 90-percent review meeting with the City. Prepare and distribute meeting minutes.

Assumptions:

- *The site plan does not include design of a retaining wall or soil engineered wall to retain the slope along the north property line. If the City prefers RH2 perform the design and analysis of a retaining wall, an amendment to this Scope of Work will be required.*

Provided by City:

- Review comments on 90-percent plans, technical specifications and estimate.

RH2 Deliverables:

- Meeting minutes (in PDF format)
- Electronic version (in PDF format) of the 90-percent construction cost estimate.
- One (1) electronic version (in MSWord format) and one (1) hard copy of the 90-percent technical specifications.
- One (1) electronic copy (in PDF format) of the 90-percent plans.
- 90-percent review meeting minutes in PDF format.

Task 9 – Permitting Assistance

Objective: Assist the City with the supporting documents for permit applications.

Approach:

9.1 Provide the City with information to help convey the scope of this project to the neighboring property owners that may be affected during construction. *RH2 may provide supportive drawings and simple conceptual plans.*

9.2 Prepare supporting documentation for the Building Permit application, as requested by the City. Edit and resubmit one (1) time based on Building Department comments. Respond to City and neighborhood comments on criteria aspects of the permit application. *Note: Preparation of structural calculations (to be attached to permit application) is included as part of 90-percent design.*

9.3 Prepare construction documents for DOH review based on 90-percent review plans and technical specifications as required by Washington Administrative Code (WAC) 246-290-120.

Assumptions:

- *The City will submit local permit applications for the project and pay all applicable fees.*
- *The City will reproduce and distribute site and schedule information to the local neighborhood (if needed).*
- *The project will disturb less than one (1) acre of land, and thus is exempt from a Construction Stormwater General Permit (CSGP).*
- *The project will not be constructed within, adjacent to, or indirectly affect critical areas. A Critical Areas Permit or report will not be required. Similarly, this Scope of Work does not include any local, state, or federal permits for impacts to streams, wetlands, or other regulated water features.*
- *DOH approval is assumed with a single submittal. If additional information or resubmittal is required, it shall be completed by amendment to this Scope of Work.*

RH2 Deliverables:

- One (1) electronic PDF copy of supporting documentation to the City. City will produce and mail to DOH and other authorities with jurisdiction as required.

Task 10 – Bid-Ready Plans, Specifications, and Estimate

Objective: Prepare construction plans, specifications, and an updated construction cost estimate for review by the City. *The comments developed during the 90-percent review process will be addressed. It is anticipated that bid-ready review comments will be constrained to details that were developed subsequent to the 90-percent review submittal, or that were revised or unresolved during the 90-percent review process.*

Approach:

10.1 Incorporate the City's 90-percent review comments into the plans. Civil, structural, mechanical, and electrical plans will be revised. *Preliminary details will be revised and outstanding minor details will be developed. At this point of the design, the submittal is to include the plans in the construction contract documents.*

10.2 Update structural calculations with additions or revisions requested in the permit review.

10.3 Incorporate permit review comments into the plans.

10.4 Develop site, structural, mechanical, and electrical details.

10.5 Perform bid ready, in-house QA/QC review of plans and specifications.

10.6 Prepare City standard front-end specifications. Coordinate with the City regarding advertising dates and bid opening date and time.

10.7 Update technical specifications to include additions and revisions per previous review comments.

10.8 Prepare final construction cost estimate based on information supplied by material vendors and similar projects adjusted for anticipated bidding conditions.

10.9 Prepare for and attend one (1) final review meeting with the City. Prepare and distribute meeting minutes.

Provided by City:

- City front end specifications in MS Word electronic format.
- Attendance at final review meeting and final review comments.

RH2 Deliverables:

- One (1) PDF copy of the bid-ready construction cost estimate.
- One (1) PDF copy of the bid-ready specifications with appendices.
- One (1) PDF copy of the bid-ready plans.
- One (1) PDF copy of final review meeting minutes.

Task 11 – Services During Bidding

Objective: Assist the City during the project bidding and contracting phases.

Approach:

11.1 Prepare advertisement for bids and coordinate dates of advertisement. Contact potentially interested bidders by email or telephone.

11.2 Create electronic construction contract documents for posting to plan center.

11.3 Respond to technical questions from bidders on the phone or via email.

11.4 Prepare and transmit addenda via online bidding service up to the amount included in the Fee Estimate.

11.5 Conduct the bid opening and collect bids for review.

11.6 Review bids and compile and check the bid tabulation. Attend one (1) meeting with the City to review the bid tabulation and bidders' qualifications.

11.7 Check references of apparent low bidder. Prepare a letter recommending contract award to the lowest qualified bidder.

Assumptions:

- *RH2 will prepare the bid advertisement and coordinate bidding but the City will pay all advertising fees directly.*
- *RH2 will assist the City to post the documents electronically to a plan center for bidding. Hard copies will not be generated for bidders.*
- *No more than two (2) addenda will be required during the bidding period.*
- *Any official correspondence to address contractor questions will be included in the addenda.*

Provided by City:

- Location for hosting bid opening.
- Attendance at meeting to review bid tabulation and bidders' qualifications.

RH2 Deliverables:

- Phone and email correspondence to bidding contractors.
- Advertisement for bids in PDF format.
- Construction contract documents posted to plan center in PDF format.
- Addenda (if necessary) in PDF format.
- Conduct bid opening.
- Letter recommending contract award in PDF format.
- Updated, revised PDF files of the conformed plans and specifications.

EXHIBIT B
City of Stanwood
297 Zone Reservoir
Predesign, Design, and Services During Bidding
Fee Estimate

Description / Classification		Total Hours	Total Labor	Total Subconsultant	Total Expense	Total Cost
Task 1	Predesign	192	$ 34,623	$ -	$ 3,435	$ 38,058
Task 2	Develop Preliminary List of Design Criteria	6	$ 1,106	$ -	$ 83	$ 1,189
Task 3	Project Kickoff Meeting with the City	10	$ 1,808	$ -	$ 163	$ 1,971
Task 4	Geotechnical Analysis	42	$ 8,750	$ 690	$ 285	$ 9,725
Task 5	Stormwater Engineering and Report	89	$ 15,207	$ 690	$ 1,635	$ 17,532
Task 6	60-Percent Site Plans and Cost Estimate	75	$ 12,604	$ -	$ 1,527	$ 14,131
Task 7	60-percent Review Meeting with the City	19	$ 3,340	$ -	$ 400	$ 3,740
Task 8	90-Percent Design	322	$ 54,724	$ -	$ 6,660	$ 61,384
Task 9	Permitting Assistance	70	$ 12,578	$ -	$ 846	$ 13,424
Task 10	Bid-Ready Plans, Specifications, and Estimate	178	$ 30,058	$ -	$ 3,678	$ 33,736
Task 11	Services During Bidding	71	$ 12,437	$ -	$ 1,100	$ 13,537
	PROJECT TOTAL	**1074**	**$ 187,235**	**$ 1,380**	**$ 19,811**	**$ 208,426**

Project Schedule

RH2 will commence with the work once authorized by contract. This is anticipated to occur on October 15, 2018.

Bidding will occur in April 2019.

Construction will commence in May 2019 and is anticipated to be completed by October 2019.

EXHIBIT C
RH2 ENGINEERING, INC.
2018 SCHEDULE OF RATES AND CHARGES

RATE LIST	RATE	UNIT
Professional I	$138	$/hr
Professional II	$153	$/hr
Professional III	$164	$/hr
Professional IV	$175	$/hr
Professional V	$191	$/hr
Professional VI	$203	$/hr
Professional VII	$219	$/hr
Professional VIII	$230	$/hr
Professional IX	$230	$/hr
Technician I	$100	$/hr
Technician II	$107	$/hr
Technician III	$132	$/hr
Technician IV	$140	$/hr
Administrative I	$69	$/hr
Administrative II	$81	$/hr
Administrative III	$96	$/hr
Administrative IV	$114	$/hr
Administrative V	$131	$/hr
CAD/GIS System	$27.50	$/hr
CAD Plots - Half Size	$2.50	price per plot
CAD Plots - Full Size	$10.00	price per plot
CAD Plots - Large	$25.00	price per plot
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Technology Charge	2.50%	% of Direct Labor
Mileage	$0.545	price per mile (or Current IRS Rate)
Subconsultants	15%	Cost +
Outside Services	at cost	

Rates listed are adjusted annually.

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	8c
DATE:	October 11, 2018
SUBJECT:	RH2 On-Call Professional Consultant Services Agreement
CONTACT PERSON:	Public Works Director Kevin Hushagen
ATTACHMENTS:	A – RH2 On-Call Contract

ISSUE

The issue in front of the City Council is to authorize the Mayor to enter into an on-call professional services agreement with RH2 Engineering.

SUMMARY

At times, the City can have multiple projects under design and construction, with additional projects planned for the upcoming years. In addition, the City routinely performs maintenance projects throughout city limits. Many of these projects require specialized consultation from a licensed civil engineering firm. In 2017, the City signed a Professional Service Agreement with 23 firms.

The selected 23 firms services include civil engineering, transportation engineering, utility system modeling, roadway design, land use and environmental permitting, surveying services, grant applications, GIS and CAD support, and SCADA and telemetry technology.

Selecting a team of on-call engineers allows the City more flexibility in matching firm expertise with project tasks. In some circumstances it will also allow the City to award consulting contracts more quickly ensuring the city's needs are addressed as quickly and efficiently as possible.

RH2 did not submit a proposal for the original call for qualifications, therefore the City did not enter into a contract with them.

DISCUSSION

Contracts for professional architectural and engineering services require an advertising and negotiation process in accordance with Ch. 39.80 RCW. Under state law, the City cannot negotiate with engineering firms based on price. The City must select the most qualified firms and then negotiate. If the City and the most qualified firm cannot agree on a scope of work and cost estimate, then the City can move to the next firm. The negotiation process will be used to select one of the on-call firms to perform specific engineering services as needed.

The City will be responsible for assigning projects depending on the City's needs. Selected firms are not guaranteed work as a result of the on-call agreement. Some projects will require a separate competitive bidding process, such as a federal or state funded project, because the funding source requires advertisement and competitive bidding according to the Local Agency Guideline (LAG) Manual.

Below is a list of the current 23 on-call firms:

General Civil Engineer	Water, Sewer & Storm	Geotech	Wetland / Environ	Transportation Planning	Planning	Surveyors	Cultural Resources	Miscellaneous
Perteet	MSA	MTC	Confluence	Transpo	Shockey	Harmsen	Tierra	Reid Middleton
Blueline	Tetra Tech	Geotest	MFA		Alta	PSE	SWCA	Alta
SDA	BHC	AESI			Ja Brennan			Wentworth
								JA Brennan
								KBA
								Pelletier & Schaar

Staff would like to add RH2 to our team of on-call engineers as they have extensive knowledge of our water, sewer and drainage facilities. RH2 has already been selected 5 times in 2018 for various projects, having an on-call contract with RH2 would allow the City to award consulting contracts more quickly ensuring the City's needs are addressed as quickly and efficiently as possible.

FISCAL IMPACT

There is no cost to enter into the on-call professional service agreements. The actual contract cost is based on the City's needs and project estimates.

COMMITTEE RECOMMENDATION

This issue was presented to the Public Works Committee on October 1, 2018. The Committee's recommendation is for Council to authorize the Mayor to enter into an agreement for with RH2 for on-call professional consultant services.

CITY COUNCIL OPTIONS

1. Authorize the Mayor to enter into a 2-year On-Call Professional Consultant Service Agreement with RH2 Engineering.

2. Do not authorize the Mayor to enter into a 2-year On-Call Professional Consultant Service Agreement with RH2 Engineering and direct staff to areas of concern.

RECOMMENDED MOTION

I MOVE TO AUTHORIZE THE MAYOR TO ENTER INTO AN ON-CALL PROFESSIONAL SERVICES AGREEMENT WITH RH2 ENGINEERING.

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

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

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

ARTICLE I. PURPOSE

The purpose of this Agreement is to provide the City with on-call consultant services regarding as described in Article II. The general terms and conditions of the relationship between the City and the Consultant are specified in this Agreement.

ARTICLE II. SCOPE OF SERVICES

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

ARTICLE III. OBLIGATIONS OF THE CONSULTANT

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

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

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

In the event that the Consultant shall default on this Agreement or in the event that this Agreement shall be terminated prior to its completion as herein provided, all work product of the Consultant, along with a summary of work as of the date of default or termination, shall become the property of the City.

Upon request, the Consultant shall tender the work product and summary to the City. Tender of said work product shall be a prerequisite to final payment under this Agreement. The summary of work done shall be prepared at no additional cost to the City.

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

III.3 **TERM.** The term of this Agreement shall commence on **October 11, 2018** and shall terminate at midnight, **October 31, 2020**. The parties may extend the term of this Agreement by written mutual agreement.

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

III.5 **EMPLOYMENT**.

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

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

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

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

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

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

Retirement Services of the State of Washington.

III.6 **INDEMNITY**.

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

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

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

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

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

III.7 **INSURANCE**.

a**.** **Insurance Term**
The Consultant shall procure and maintain insurance, as required in this Section, without interruption from commencement of the Contractor's work through the term of the contract and for thirty (30) days after the Physical Completion date, unless otherwise indicated herein

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

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

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

(2). Commercial General Liability insurance shall be written at least as broad on ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, independent contractors, products-completed operations, stop gap liability, personal injury and advertising injury, and liability assumed under an insured contract. The Commercial General Liability insurance shall be endorsed to provide a per project general aggregate limit using ISO form CG 25 03 05 09 or an equivalent endorsement. There shall be no exclusion for liability arising from explosion, collapse or underground property damage. The City shall be named as an additional insured under the Consultant's Commercial General Liability insurance policy with respect to the work performed for the City using an additional insured endorsement CG 20 10 10 01 and Additional Insured-Completed Operations endorsement CG 20 37 10 01 or substitute endorsements providing at least as broad coverage.

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

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

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

(1) Comprehensive General Liability. Insurance shall be written with limits no less than $1,000,000 each occurrence, $2,000,000 general aggregate and $2,000,000 products-completed operations aggregate limit.

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

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

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

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

f. **Acceptability of Insurers**. Insurance is to be placed with insurers with a current A.M. Best rating of not less than A: VII.

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

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

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

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

l. Subcontractors' Insurance
The Contractor shall cause each and every Subcontractor to provide insurance coverage that complies with all applicable requirements of the Contractor-provided insurance as set forth herein, except the Contractor shall have sole responsibility for determining the limits of coverage required to be obtained by Subcontractors. The Contractor shall ensure that the Public Entity is an additional insured on each and every Subcontractor's Commercial General liability insurance policy using an endorsement as least as broad as ISO CG 20 10 10 01 for ongoing operations and CG 20 37 10 01 for completed operations.

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

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

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

III.11 **INDEPENDENT CONTRACTOR**.

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

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

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

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

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

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

III.14 **SUBCONTRACTORS/SUBCONSULTANTS**.

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

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

____

____

____

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

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

ARTICLE IV. OBLIGATIONS OF THE CITY

IV.1 **PAYMENTS**.

a. The Consultant shall be paid by the City for services rendered under this Agreement as described in Exhibit C "Schedule of Rates and Charges" and as provided in this section. Such payment shall be full compensation for work performed and services rendered and for all labor, materials, supplies, equipment and incidentals necessary to complete the work. In the event the City elects to expand the scope of services from that set forth in Exhibit A, the City shall pay Consultant a mutually agreed amount**.**

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

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

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

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

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

b. **Public Records**

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

ARTICLE V. GENERAL

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

City of Stanwood
Kevin Hushagen, PW Director
10220 270th Street NW
Stanwood, WA 98292

RH2 Engineering, Inc.
Richard L. Ballard, Director
22722 29th Street Se, Suite 210
Bothell, WA 98021

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

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

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

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

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

V.5 **SEVERABILITY**

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

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

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

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

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

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

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

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

DATED this **11th day of October, 2018**.

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

Approved as to form:

____
Grant K. Weed, City Attorney

Attachments:
Exhibit A – Scope of Services
Exhibit B – Subcontractors/Subconsultants
Exhibit C – Schedule of Rates and Charges

Exhibit A
Scope of Services

The Consultant will provide professional services as authorized by the City. The consulting firm provides services to both the Public Works Departments and Community Development. These services are administered and billed independently but will be authorized under one contract. Work is performed primarily at the consultant's office but may work on site at the city as directed.

1. Tasks for Community Development Department.

A. Review plans submitted for development for compliance with City development standards and practices.

B. Interpret City code requirements and standards as requested by the Department Director.

C. Reviews associated with Record and Surveys for subdivisions and boundary changes.

D. Meeting and phone conversations with developers and/or his or her agents as directed by the City including pre-application meetings as requested by the developer.

E. Review and analyze information made available through the City that may assist in the development of a given project.

F. Site inspections on an on call basis as needed.

2. Task required for Public Works Department and Projects

G. Provide support for utility system modeling.

H. Assist the City with engineering, design and construction management of small public works project as directed by the City.

I. Assist the City in procurement of field information that may be required for

J. Prepare data and reports as required, for Environmental and Economic Impact Statements, permit, loan, grant and franchise applications to Federal, State and local regulatory agencies, and attend meetings and hearings concerning these matters as directed.

K. Prepare responses to questions or issues arising from significant controversies at public hearings on the Environmental and Economic Assessments.

L. Provide such services as may be requested by the City.

3. Tasks that support both Public Works and Community Development and functions

- Attend Council meetings or staff meetings as directed by the City to provide professional engineering consultation.
- Provide GIS and CAD mapping support.
- Support the Public Works and Planning department with construction related issues.

On-call professional consulting services, as requested by the City of Stanwood, for such work may include:

- Arborist
- Civil Engineering Services

- Compaction Testing
- Costal / Estuarine Engineering Services
- Environmental Services
- Geotechnical and Hydrogeological Engineering
- GIS and CAD Mapping Support
- Historical, Archeological and Cultural Resources Review and Compliance
- Inspections and Construction Management of Projects
- Land Use and Environmental Permitting
- Loan, Grant, and Franchise Applications
- Parks and Trails General Planning Services
- Plan Review for Compliance with City Code and Development Standards
- Preparation of Contract Plans and Specifications
- Project Cost Estimator
- Responding to Emergency Requests
- Roadway Design and Channelization
- SCADA and Telemetry Technology
- Stormwater Analysis and Design
- Structural Analysis
- Surveying Services
- Transportation Engineering
- Utility System Modeling
- Wetlands and Critical Areas Delineation and Mapping

EXHIBIT B

SUBCONTRACTORS/SUBCONSULTANTS

EXHIBIT C
SCHEDULE OF RATES AND CHARGES

EXHIBIT A
RH2 ENGINEERING, INC.
2018 SCHEDULE OF RATES AND CHARGES

RATE LIST	RATE	UNIT
Professional I	$138	$/hr
Professional II	$153	$/hr
Professional III	$164	$/hr
Professional IV	$175	$/hr
Professional V	$191	$/hr
Professional VI	$203	$/hr
Professional VII	$219	$/hr
Professional VIII	$230	$/hr
Professional IX	$230	$/hr
Technician I	$100	$/hr
Technician II	$107	$/hr
Technician III	$132	$/hr
Technician IV	$140	$/hr
Administrative I	$69	$/hr
Administrative II	$81	$/hr
Administrative III	$96	$/hr
Administrative IV	$114	$/hr
Administrative V	$131	$/hr
CAD/GIS System	$27.50	$/hr
CAD Plots - Half Size	$2.50	price per plot
CAD Plots - Full Size	$10.00	price per plot
CAD Plots - Large	$25.00	price per plot
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Subconsultants	15%	Cost +
Outside Services	at cost	

Rates listed are adjusted annually.

CITY OF STANWOOD
COUNCIL AGENDA STAFF REPORT

ITEM NUMBER:	8e
DATE:	October 11, 2018
SUBJECT:	RH2 Task Order for Certificates of Water and Sewer Availability – BLU Development
CONTACT PERSON:	Kevin Hushagen, Public Works Director
ATTACHMENTS:	A – Task Order # RH2-2

ISSUE

The issue in front of the council is whether or not to hire RH2 to evaluate the water and sewer availability for BLU Development.

DISCUSSION

Certificates of water and sewer availability are needed before the proposed subdivision for 90 single-family lots, 12 duplex units, and 36 townhouse units at 7510 284th Street NW can be approved. Staff is requesting that RH2 Engineering be assigned the task of reviewing and analyzing the City's water and sewer systems to determine available capacity to provide water and sewer service to the proposed subdivision and identify system improvements required to provide service.

On this date, October 11, 2018, council authorized the Mayor to enter into a professional service agreement with RH2 to be on the City's on-call consultant roster. By using the on-call PSA, the City can assign work to using a task order with an attached scope of work.

FINANCIAL IMPACT

The fee for this task is $8,740.00 and will be paid out of the professional services account in the general fund.

COMMITTEE RECOMMENDATIONS

The Public Works Committee discussed this issue at their October 1, 2018 meeting and recommend contracting with RH2 for this task.

CITY COUNCIL OPTIONS

Option 1. Authorize the Mayor to sign a task order with RH2 for $8,740.00 to evaluate the water and sewer availability for BLU Development.

Option 2. Do not authorize the Mayor to sign a task order with RH2 for $8,740.00 to evaluate the water and sewer availability for BLU Development and direct staff to areas of concern.

Option 3. Reject the proposal from RH2 and look for a different engineering firm.

RECOMMENDED MOTION

I MOVE TO AUTHORIZE THE MAYOR TO SIGN A TASK ORDER WITH RH2 FOR $8,740.00 TO EVALUATE THE WATER AND SEWER AVAILABILITY FOR BLU DEVELOPMENT.

PER ON-CALL PROFESSIONAL SERVICES MASTER CONTRACT #2018-53 BETWEEN CITY OF STANWOOD, WASHINGTON (CITY) AND RH2 ENGINEERING, LLC (CONSULTANT)

TASK APPROVAL ORDER FORM

PROJECT NAME: Certificates of Water and Sewer Availability – BLU Development
TASK APPROVAL ORDER NUMBER: RH2 - 2

Scope of Services for this Task Order is as follows: Evaluate the water and sewer availability for a proposed subdivision for 90 single-family lots, 12 duplex units, and 36 townhouse units at 7510 284th Street NW.

Tasks:

- Task 1 – Certificates of Water and Sewer Availability

Schedule:
It is the goal of all parties that the work for this project be fully completed within four (4) weeks from RH2's receipt of authorization from the City.

The scope of services, cost estimate, and rate sheet (Exhibit A) are incorporated into the Agreement. This shall constitute an approved Task Order pursuant to the Contract between CITY and CONSULTANT dated **October 11, 2018** ("AGREEMENT").

CONSULTANT agrees to perform the services and provide the materials described above for a fee amount of **$8,740.00 (eight thousand, seven hundred and forty dollars and no cents)**, unless otherwise modified by CITY'S Public Works Director in a signed writing/subsequent Task Order Approval Form. All charges shall be consistent with the Consultant Rate Schedule which is included in Attachment A and incorporated herein by this reference.

Performance of the services shall be subject to the terms and conditions contained in AGREEMENT.

Dated this **11th day of October, 2018**

CITY OF STANWOOD

By: ______________________________ Date: ______________________
Leonard Kelley, Mayor

RH2 ENGINEERING, LLC

By: ______________________________ Date: ______________________
Richard L. Ballard, Director

RH2 ENGINEERING, INC.
www.rh2.com
mailbox@rh2.com
1.800.720.8052

WASHINGTON LOCATIONS

BOTHELL
MAIN OFFICE
22722 29th Drive SE, Suite 210
Bothell, WA 98021

BELLINGHAM

EAST WENATCHEE

ISSAQUAH

RICHLAND

TACOMA

OREGON LOCATIONS

PORTLAND
MAIN OFFICE
6500 SW Macadam Ave. Suite 125
Portland, OR 97239

MEDFORD

October 1, 2018

Mr. Shawn Smith, PE
City Engineer and Assistant Public Works Director
City of Stanwood
10220 270th Street NW
Stanwood, WA 98292

Sent via: *Email*

Subject: Certificates of Water and Sewer Availability – BLU Development Scope of Work and Fee Estimate

Dear Shawn:

RH2 Engineering, Inc., (RH2) is pleased to present this services proposal for Certificates of Water and Sewer Availability for the BLU Development, a proposed subdivision for 90 single-family lots, 12 duplex units, and 36 townhouse units.

Attached is a proposed Scope of Work (**Exhibit A**), Fee Estimate (**Exhibit B**), and Schedule of Rates and Charges (**Exhibit C**). RH2 proposes to provide its services on a time and expense basis not to exceed the total shown in **Exhibit B** without prior written authorization.

RH2 understands the City has a standard professional services agreement that the City prepares, and RH2 typically requests minor modifications to the standard agreement which have been agreeable to the City and City Attorney on past contracts. RH2 is ready to enter into agreement with the City using the same minor modifications. If you need a copy of the agreement modifications, please notify me and an example will be sent to you.

If you have any questions regarding this services proposal, please contact me at (360) 684-1564 or bbeaupain@rh2.com.

Sincerely,

RH2 ENGINEERING, INC.

Bret Beaupain

Bret Beaupain, PE
Bellingham Office Manager

BB/sp/th

Attachments: Exhibit A – Scope of Work
Exhibit B – Fee Estimate
Exhibit C – Schedule of Rates and Charges
Attachment 1 – Conceptual Site Plan – BLU Development
Attachment 2 – Sewer Availability Request

EXHIBIT A
Scope of Work
City of Stanwood
Certificates of Water and Sewer Availability – BLU Development

October 2018

Background

The City of Stanwood (City) desires to evaluate the water and sewer availability for a proposed subdivision for 90 single-family lots, 12 duplex units, and 36 townhouse units at 7510 284th Street NW, per **Attachment 1**. The City has requested that RH2 Engineering, Inc., (RH2) develop a Scope of Work and Fee Estimate to analyze water and sewer availability for the proposed development.

Task 1 – Certificates of Water and Sewer Availability

Objective: Review and analyze the City's water and sewer systems to determine available capacity to provide water and sewer service to the proposed subdivision in **Attachment 1** and identify system improvements required to provide service.

Approach:

1.1 Perform water system modeling, identify improvements needed to provide water service, and document in a letter to the City.

1.2 Perform sewer system modeling, identify improvements needed to provide sewer service, and document in a letter to the City.

Assumptions:

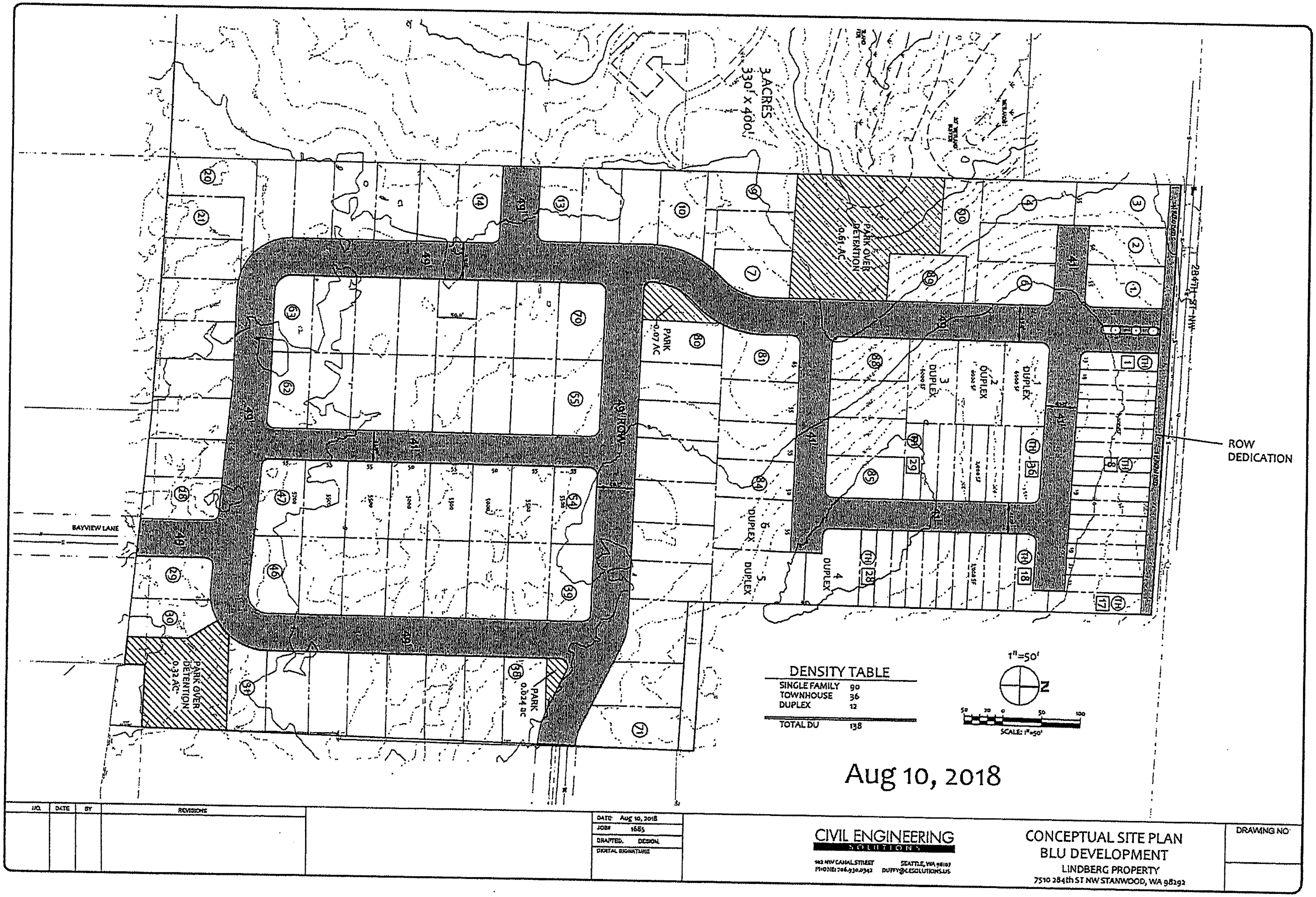
- *RH2 will utilize the latest City water and sewer model on our network for conducting water and sewer service evaluations.*

RH2 Deliverables:

- One (1) letter in electronic PDF documenting the water and sewer analyses and water and sewer improvements needed to provide water and sewer service to the subdivision.

Schedule

It is the goal of all parties that the work for this project be fully completed within four (4) weeks from RH2's receipt of authorization from the City. The schedule for this Scope of Work may be modified as mutually agreeable to RH2 and the City.



ROW DEDICATION
284TH ST NW
BAYVIEW LANE
3 ACRES 330' x 400'
PARK OVER DETENTION 0.61 AC
PARK 0.07 AC
PARK 0.024 ac
PARK OVER DETENTION 0.32 AC
49' ROW
1 DUPLEX
2 DUPLEX
3 DUPLEX
4 DUPLEX
5 DUPLEX
6 DUPLEX
DENSITY TABLE
SINGLE FAMILY 90
TOWNHOUSE 36
DUPLEX 12
TOTAL DU 138
1"=50'
SCALE: 1"=50'
Aug 10, 2018
REVISIONS
DATE: Aug 10, 2018
JOB# 1685
DRAFTED. DESIGN.
DIGITAL SIGNATURE
CIVIL ENGINEERING SOLUTIONS
CONCEPTUAL SITE PLAN
BLU DEVELOPMENT
LINDBERG PROPERTY
7510 284th ST NW STANWOOD, WA 98292
DRAWING NO

EXHIBIT B

City of Stanwood

Certificates of Water and Sewer Availability

BLU Development

Fee Estimate

Description / Classification		Total Hours	Total Labor	Total Expense	Total Cost
Task 1	**Certificates of Water and Sewer Availability**	**38**	**$ 7,719**	**$ 1,021**	**$ 8,740**
1.1	Certificate of Water Availability	20	$ 4,421	$ 525	$ 4,946
1.2	Certificate of Sewer Availability	18	$ 3,298	$ 496	$ 3,794
PROJECT TOTAL		**38**	**$ 7,719**	**$ 1,021**	**$ 8,740**

EXHIBIT C RH2 ENGINEERING, INC. 2018 SCHEDULE OF RATES AND CHARGES		
RATE LIST	**RATE**	**UNIT**
Professional I	$144	$/hr
Professional II	$157	$/hr
Professional III	$170	$/hr
Professional IV	$180	$/hr
Professional V	$197	$/hr
Professional VI	$209	$/hr
Professional VII	$227	$/hr
Professional VIII	$236	$/hr
Professional IX	$236	$/hr
Technician I	$104	$/hr
Technician II	$110	$/hr
Technician III	$136	$/hr
Technician IV	$145	$/hr
Administrative I	$71	$/hr
Administrative II	$83	$/hr
Administrative III	$99	$/hr
Administrative IV	$117	$/hr
Administrative V	$135	$/hr
CAD/GIS System	$27.50	$/hr
CAD Plots - Half Size	$2.50	price per plot
CAD Plots - Full Size	$10.00	price per plot
CAD Plots - Large	$25.00	price per plot
Copies (bw) 8.5" X 11"	$0.09	price per copy
Copies (bw) 8.5" X 14"	$0.14	price per copy
Copies (bw) 11" X 17"	$0.20	price per copy
Copies (color) 8.5" X 11"	$0.90	price per copy
Copies (color) 8.5" X 14"	$1.20	price per copy
Copies (color) 11" X 17"	$2.00	price per copy
Technology Charge	2.50%	% of Direct Labor
Mileage	$0.545	price per mile (or Current IRS Rate)
Subconsultants	15%	Cost +
Outside Services	at cost	

Rates listed are adjusted annually.