



CITY OF
BAINBRIDGE ISLAND

UTILITY ADVISORY COMMITTEE
REGULAR MEETING
WEDNESDAY, OCTOBER 24, 2018
CITY HALL
BAINBRIDGE ISLAND, WA 98110

Minutes

Committee members present: Andy Maron, Jeff Kanter, Co-chairs; Nancy Nolan, Emily Sato, Charles Averill

Absent: Steve Johnson, Ted Jones

CC Liaison: Rasham Nassar (absent)

Also present: Barry Loveless, COBI Director of Public Works

The meeting was called to order at 5:06 PM by Jeff Kanter, Co-chair.

Minutes: The meeting minutes of October 3, 2018 and October 10, 2018 were unanimously approved as corrected.

Public Comment: There was no public comment.

Tour of City Utilities: Andy and Jeff reported on the City Council's tour of the city utilities. All council members except Matt Tirman and Sarah Blossom attended. Of the UAC, Andy, Jeff and Charles were present. *and*

Proposed Code Change to Allow Green Buildings in Water/Sewer Service Areas: Barry presented a proposal that had been brought into the Public Works department from the Living Building Challenge group (www.living-future.org) who would like an exception to the ordinance requiring connecting to sewer for their project on Winslow Way West, a proposed "green" hotel. Instead, they would like to build an environmentally friendly on-site septic system and a gray-water system that would provide water treatment to a level equivalent to that of a WWTP. Competing goals were discussed (promoting innovation vs. ensuring adequate capacity and capitalization of the existing sewer district). The discussion concluded with the UAC suggesting that we might recommend a limited exception that would require treatment to a higher standard and a partial connection fee (to pay for the reserve capacity). The UAC did not think that requirement to hook up to the municipal water system should be waived, however.

System Participation Fees Rate Study: Barry led a review of the draft System Participation Fees Rate Study by FCS Group. The committee reviewed the content of the draft report and made several suggestions to make the report easier to understand. Barry will communicate the suggested changes to Chris.

SPF Memorandum: The committee reviewed the memorandum and made further revisions to reflect the recent CIP approval.

Comments for the Good of the Order: Andy led a discussion of the upcoming meeting schedule and the schedule for the rate study presentations to City Council. *Barry* Andy then showed the committee resources available on the COBI website.

Adjournment: The meeting was adjourned at 6:38 pm.

The next UAC meeting will be November 14, 2018.

Andrew Maron and Jeff Kanter, Co-chairs

MEMORANDUM

TO: City of Bainbridge Island City Council

FROM: Utility Advisory Committee

DATE: November 14, 2018

SUBJECT: Recommendation on City's Water and Sewer Utilities' System Participation Fees and Preliminary Report on Water and Sewer Rate Study

The City is in the midst of a study of the rates and fees charged by its water and sewer utilities. The Utility Advisory Committee ("UAC") is recommending approval of the first findings of the rate study, the utilities' "System Participation Fees" (or "SPFs"). The UAC has received and reviewed the report from the consultant, dated November 2018, and is recommending adoption of the fees contained therein.

The UAC is also providing this preliminary report on the status of the remaining portions of the rate study.

I. Background of Rate Study

Studies of the rates, charges, and fees of utility systems are usually conducted at periodic intervals to ensure they provide adequate revenue for the utilities, and to insure the rates, charges, and fees are in conformance with state law. Such studies are frequently conducted following a utility's completion of periodic comprehensive system plans.

COBI completed updates to its Sewer System Plan in 2015 and its Water System Plan in 2016-7. In both utilities, it had been many years since previous System Plans had been adopted.

It had also been many years since the City's utility rates, charges, and fees had been evaluated and reconsidered. The City had performed a study to update rates in 2009, but never implemented them. (This was apparently due to the financial challenges experienced by the City during the recession.) As such, the current rate and fee structure has been in existence for a very long time without review. Therefore, in August 2017, the UAC recommended that a rate study be conducted (see the enclosed memorandum), and the City Council agreed and authorized the current study.

The rate study actually includes an evaluation of six different City rates and fees. They are:

- Winslow water system rates
- Rockaway Beach water system rates
- Winslow sewer system rates
- South Island sewer system rates
- SPFs for both water systems
- SPFs for both sewer systems

In March 2018, the City hired a consultant, Financial Consulting Solutions Group, to evaluate the utilities' rates and make recommendations to City management, the UAC, and ultimately the City Council.

The consultant developed preliminary recommendations which were first presented to the UAC on July 11, 2018. Since that time, the consultant has met with the UAC on August 11 and 22, September 12 and 26, October 3, 10, and 24, and November 14, 2018.

II. Status of Water and Sewer Rate Study

- A. Water Rates. The consultant, staff, and UAC has analyzed and discussed the water rates in detail. There are a number of policy questions to be considered, such as system reinvestment percentages, consolidation of differential rates for Winslow and Rockaway Beach, and phasing any rate adjustments among classes. Additionally, the projects to be included in the recently-adopted 6-year Capital Improvement Plans will have major impact on the rates. Therefore, neither the consultant or the UAC is ready to make final recommendations on water rates.
- B. Sewer Rates. The consultant first submitted its analysis of the sewer rates to the UAC on October 3. There are similar policy questions for the sewer systems as there are for the water systems, and the consultant and UAC are continuing their analysis. Thus sewer rates are not yet ready for council consideration.

III. Recommendation on System Participation Fees

However, the UAC is prepared to recommend approval of revised "system participation fees" (SPFs) as developed by the consultant.

An SPF is a one-time fee paid by a property owner connecting to a utility system. Essentially, a property owner "buys in" to the utility system by paying a fair share of the utility infrastructure.

SPFs vary by the size of a property owner's water meter. Currently, the SPF for a typical single-family home for water is \$2,754 and sewer is \$5123. The consultant's analysis of the SPFs for both the City's water and sewer systems is that the SPFs for single-family accounts are

significantly below where they should be, while the SPFs for multi-family, commercial, and irrigation accounts should be reduced. For comparison purposes, the consultant's calculation is that the typical single family SPF should be raised to \$5733 for water and \$8208 for sewer.

The UAC has reviewed the consultant's analysis, and agrees with its recommendations. The methodology appears to be consistent with industry practices, legal requirements, and the City's financial information regarding its capital infrastructure. The revised SPFs should be implemented as soon as possible.

IV. Conclusion

The consultant and UAC have not yet completed the analysis of the water and sewer rates. Both will continue to work on these subjects over the next few months, and likely will have recommendations ready early in 2019.

However, the consultant and UAC have concluded analyzing the SPFs, and recommend the council take up the proposed revisions now. The rates charged to existing water and sewer customers and the fees charged to newly-connecting property owners are different concepts and affect different city constituencies. They can, and rightly should, be considered independently of each other.

Accordingly, the UAC recommends that the consultant's proposed revisions to the water and sewer SPFs as contained in the November 2018 report be considered by the council soon, and adopted.

APPROVED BY UAC ON NOVEMBER 14, 2018



Andrew Maron and Jeff Kanter, Co-Chairs

Charles Averill, Steven Johnson, Ted Jones, Nancy Nolan, Emily Sato