

**CITY OF BAINBRIDGE ISLAND
UTILITY ADVISORY COMMITTEE
October 12, 2022 Meeting Minutes**

Meeting called to order 5:30 pm

Members Present: Svend Brandt-Erichsen, Sheina Hughes, Susan Hume, Ted Jones (via Zoom), Andy Maron (meeting chair), Martin Pastucha (via Zoom), Chris Wierzbicki

Also Present: Kim Dunscombe (Budget Manager), DeWayne Pitts (Finance Director), Chris Gonzalez (FCS, Utility Rate Consultant)

1. Meeting was called to order at 5:30 pm. No potential conflicts of interests were noted.
2. The September 14, 2022 meeting minutes were approved.
3. Rate Study Review and Discussion

As a reminder, the UAC's review of the rate study encompasses: (1) the financial plan (discussed at the September meeting); (2) the system participation fee (discussed during this October meeting); and (3) the rate structure (to be discussed at the November meeting).

Water Tank Costs

Chris Wierzbicki briefed the meeting on the revised budget for the water tank calculated by the consultants. Unfortunately, the revised budget reflects a huge increase -- more than double from \$11 million to \$24 million. Most of this is due to increase in cost of the tank itself (from \$4 million to \$10 million); the tank is major driver in the project. Nonetheless, the type of tank selected is probably the most cost effective. But there are many unknowns in terms of costs; this uncertainty apparently is pervasive in communities across the country.

Chris Gonzalez explained what the implications of the revised costs will be on rates. In this worst-case scenario, there would be a 19% increase for a couple years then 18.5% through 2029, reflecting more than tripling of the rate. Accordingly, the average bill would increase from its current \$23.29 to \$77.10 in 2029. Nonetheless, it's important to note that the existing water rates are low relative to other similar communities.

COBI is exploring how to bring the costs down but is still far off the revised budget. For instance, could Fletcher Bay be fed by a smaller tank (through a local storage tank)? But this probably won't save much. In this regard, it was also noted that a pressure-reducing valve in Fletcher Bay would be required. But it gets complicated since we would need to build a parallel reverse transmission line (estimated at \$2.2 million).

Another alternative would be to build a smaller tank that could work in tandem with one of the existing tanks (which would be reinforced), rather than one large tank. The old tank would serve COBI's storage needs. Another alternative would be ground mounted tank with a booster pump.

COBI will also explore financing options, including looking at a Washington state fund with more attractive interest rates. It was noted that in terms of borrowing costs, Bainbridge Island enjoys the highest AAA rating. Moreover, relatively speaking there is a lot of head room for borrowing, if necessary.

A key challenge is that there are less than 3,000 customers for a \$24 million capital improvement, which doesn't lend itself to economies of scale. The meeting discussed how to develop a larger customer based, such as linking with south Bainbridge system. It will be important to discuss with KPUD.

Sewer Rates

Chris Gonzalez provided the proposed scenario for sewer rates, which shows a 3% - 3.5% per year (except 10.1% in 2023 which is required by a city ordinance) until 2029. This was lower than the rate discussed at the UAC September meeting, which requested Chris to "smooth the rate". To that end, the revised estimates used the existing reserve capital balance to the minimum and putting money into the operating fund.

Some adjustments were discussed, including keeping the annual increase to the CPI rate (10.1% for the first year) for the short term. This could make it more palatable since it would be linked to the CPI. This would also reduce borrowing less.

System Participation Fee (SPF)

The System Participation Fee (SPF) is the connection fee to the sewer system. SPFs tend to be challenged by developers, so the methodology needs to be rationale and consistent, not arbitrary, or capricious. The cost basis looks at existing facilities and costs of future projects (based on expected Capital Improvement Plan). The cost of the Equivalent Residential Unit (ERU) is then calculated based on system-wide capacity and estimate of future development/household connections, which essentially yields the SPF. But it's important to know that the SPF is separately generated for Winslow area and the south island sewer zone.

4. Ground Water Study

The current COBI hydrologist will depart soon, and her replacement will be sought. At this point all the data collection has been done, but the analysis still needs to be undertaken. This will involve running the data through the same model that was used several years ago, to allow for a reasonable comparison. The intention is to understand and solve some of the more pressing issues.

5. Next Meeting Agenda

The next meeting will focus on the rate structure, which will take into account this meeting's conversation.

6. The meeting was adjourned at 7:05 pm.

Co-Chair