

# CITY COUNCIL AGENDA BILL

City of Black Diamond  
Post Office Box 599  
Black Diamond, WA 98010

ITEM INFORMATION		
<b>SUBJECT:</b> <b>Public Hearing for a city 15% City Sewer rate increase per Equivalent Residential Unit (ERU) per month effective January 1, 2020, with future increases of 10% for 2021, 5% for 2022, and an annual increase of 3% in 2023 and beyond, effective on January 1<sup>st</sup> each year.</b>	<b>Agenda Date: December 5, 2019</b>	
	<b>AB19-XXX</b>	
	Mayor Carol Benson	
	City Administrator	
	City Attorney David Linehan	
	City Clerk – Brenda L. Martinez	
	Com Dev/Nat Res –	
	Finance – May Miller	<b>X</b>
	MDRT/Ec Dev – Andy Williamson	
	Police – Chief Kiblinger	
Cost Impact (see also Fiscal Note):	Public Works – Seth Boettcher	
Fund Source: --City Sewer Utility Fund	Court – Stephanie Metcalf	
Timeline: January 1, 2020		
<b>Agenda Placement:</b> <input checked="" type="checkbox"/> Mayor <input type="checkbox"/> Two Councilmembers <input type="checkbox"/> Committee Chair <input type="checkbox"/> City Administrator		
<b>Attachments: Resolution; Financial model Analysis &amp; rate comparisons</b>		
<p>SUMMARY STATEMENT: This is a Public Hearing to receive public input on a recommended City Sewer rate increase of 15% a month (rounded up or down to the nearest 50 cents) for all residential equivalent units (ERUs). The attached worksheet shows the proposed 2020 rate that would increase from \$21.78 to \$25.00 per month effective January 1, 2020. For the following years the rates would increase by 10% in 2021, 5% in 2022, and 3% in 2023 and each year thereafter. The proposed rates will affect all residential and commercial customers based on the number of ERUs. In the future, rates will be reviewed every two years, to determine if any future changes need to be made.</p> <p>The last time the Sewer rates were increased was in 2014. Ashley Emery, of Peninsula Financial Consulting, demonstrated various rates and growth models at the November 14, 2019 Council workstudy meeting. A rate increase is urgently needed for the City Sewer Operations, to insure needed cashflow. The proposed rate increase and steady growth will stabilize the future Sewer Fund operations but does not provide funding for future Capital Projects. If the growth rate increases, then future revenues will increase. Capital projects will be developed in 2020 but will need to be funded by Grants or REET II revenue. The city will utilize the consultant again in the future to review the City Sewer Fund as well as other Utility Funds.</p> <p>The attached 2019 Utility rate structure model prepared by Peninsula Financial Consulting, provides detail analysis of the assumptions and rate effects on the Operating Revenue, Expenditures and end-of-year cash flow expectations for the next six years. Without the proposed rate increases, the operations are at a deficit every year. It is urgent that we correct the City Sewer rates to cover the cost of operations.</p>		

Mr. Ashley Emery of Peninsula Financial Consulting was hired to update the financial computer models that he created when we increased the rates in 2013 and 2014. A work session was held on November 14, 2019 where the Finance Director, Public Works Director and Mr. Emery reviewed with the City Council the Financial Analysis and the impact of different growth scenarios and the long-term impact on the city Sewer Fund with different rate structures

Based on the discussing and analysis, Council and staff recommend a multi-year approach for the Sewer rate increases. Based on this, the 2020 ERU rate would increase by \$3.22 per month from \$21.78 to \$25.00 beginning January 1, 2020. Qualified lifeline residential customer rates would increase by \$1.61 from \$10.89 to \$12.50 per ERU per month. For the following years, they recommended that rates increase by 10% in 2021, 5% in 2022, and 3% in 2023 and each year thereafter. The Financial model demonstrated that the multi-year approach will stabilize the Sewer fund and help ensure that City Sewer rates increase more slowly over time but still keep up with inflationary costs. Attached worksheets show the effect of the 2020 increase for some residential and commercial customers. The portion of the city’s Sewer bills that is attributable to King County Metro Sewer rates is not affected by this rate increase.

Council and the city have the responsibility to ensure that utility funds have adequate rates in place to cover the cost of operating, capital and possible future debt costs. Currently, the rates proposed are primarily covering the City Sewer Fund operating costs.

FISCAL NOTE (Finance Department): A 2020 City Sewer rate increase is essential to provide operating cash for 2020 and beyond. The 2020 Budget included a proposed rate increase.

COUNCIL COMMITTEE REVIEW AND RECOMMENDATION: The Full Council reviewed and recommended the proposed rate increase at the November 14, 2019 work-study special meeting.

**RECOMMENDED ACTION: Public Hearing only.**

**RECORD OF COUNCIL ACTION**

<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>
Dec 5, 2019		

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, KING COUNTY, WASHINGTON, INCREASING RATES FOR CITY SEWER SERVICE BEGINNING IN 2020 AND ANNUALLY THEREAFTER TO PROVIDE NEEDED CASH FLOWS FOR SEWER OPERATIONS.**

**WHEREAS**, the City Council, by Ordinance No. 19-\_\_\_\_, adopted a Utility Rate Schedule wherein all customer rates for City utility services are included in a single document, which may be amended from time to time by the City Council in its discretion, consistent with RCW 35.92.010 and 35.92.020; and

**WHEREAS**, the City's base charge for sewer utility services has not increased since 2014; and

**WHEREAS**, the City Council held a public work session on November 14, 2019, to review the adequacy of its sewer utility rates with its consultant, Mr. Ashley Emery of Peninsula Financial Consulting ("Consultant"); and

**WHEREAS**, the Consultant determined, based on his computer modeling and a detailed analysis of expected conditions over the next six years, that a rate increase is urgently needed to ensure adequate cash flow to cover the cost of sewer operations; and

**WHEREAS**, based on the recommendations of the Consultant and the City's Finance and Public Works Staff, the City Council finds that the following increases to the City's base sewer service charges are needed to stabilize the City Sewer Fund and provide adequate cash flow for sewer operations: 15% in 2020; 10% in 2021; 5% in 2022; 3% in 2023 and annually thereafter; and

**WHEREAS**, a public hearing for the Council to receive public input on these proposed multi-year sewer utility rate adjustments was held on November 21, 2019.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, DOES RESOLVE AS FOLLOWS:**

**Section 1.** Effective January 1, 2020, the City's Utility Rate Schedule shall be amended to reflect a fifteen percent (15%) increase in the base sewer service charge over the rate in effect on December 31, 2019.

**Section 2.** Effective January 1, 2021, the City's Utility Rate Schedule shall be amended to reflect a ten percent (10%) increase in the base sewer service charge over the rates in effect on December 31, 2020.

**Section 3.** Effective January 1, 2022, the City's Utility Rate Schedule shall be amended to reflect a five percent (5%) increase in the base sewer service charge over the rates in effect on December 31, 2021.

**Section 4.** Effective January 1, 2023, the City's Utility Rate Schedule shall be amended to reflect a three percent (3%) increase in the base sewer service charge over the rates in effect on December 31, 2022.

**Section 5.** Effective January 1, 2024, and annually on January 1 of each year thereafter, the City's Utility Rate Schedule shall be amended to reflect a three percent (3%) increase in the base sewer service charge over the rates in effect the previous year, to account for anticipated future inflation.

**Section 6.** The City Council intends to conduct a further review of the adequacy of utility rates for City sewer services at least once every two years after the date of this resolution to determine if any additional adjustments should be made to ensure adequate funding for sewer operations, maintenance, and capital needs.

**PASSED BY THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS \_\_\_ DAY OF DECEMBER, 2019.**

CITY OF BLACK DIAMOND:

\_\_\_\_\_  
Carol Benson, Mayor

Attest:

\_\_\_\_\_  
Brenda L. Martinez, City Clerk

**City of Black Diamond**  
**Monthly Utility Rates**  
**15% Sewer Rate Increase with Rate Restructure Comparison**

**AVERAGE RESIDENTIAL CUSTOMER**

Rate Comparison for 800 cu ft. Water

	2018	2019	2020	Monthly	
				Difference	Percentage
Water	\$58.53	\$58.53	\$58.53	\$0.00	
Metro Sewer	\$44.22	\$45.33	\$45.33	\$0.00	
City Sewer	\$21.02	\$21.78	\$25.00	\$3.22	
Stormwater	\$16.00	\$19.00	\$19.50	\$0.50	
<b>Total Monthly</b>	<b>\$139.77</b>	<b>\$144.64</b>	<b>\$148.36</b>	<b>\$3.72</b>	<b>2.57%</b>

Increase of 12 cents a day

**AVERAGE RESIDENTIAL w/LIFELINE DISCOUNT**

Monthly Rate Comparison for 800 cu ft. Lifeline customer

	2018	2019	2020	Monthly	
				Difference	Percentage
Water	\$29.27	\$29.27	\$29.27	\$0.00	
Metro Sewer	\$44.22	\$45.33	\$45.33	\$0.00	
City Sewer	\$10.51	\$10.89	\$12.50	\$1.61	
Stormwater	\$8.00	\$9.50	\$9.75	\$0.25	
<b>Total Monthly</b>	<b>\$92.00</b>	<b>\$94.99</b>	<b>\$96.85</b>	<b>\$1.86</b>	<b>1.96%</b>

Increase of 6 cents a day

**Cedar brook MHP**

2018 & 2019 assume Commercial class charges, as is now, with 79,200 cu ft. (800 usage per 99 units)  
 2020 assumes Change from Commercial to Residential, with rate increase, restructure & allotment for 99 units

	2018	2019	2020	Monthly	
				Difference	Percentage
Water	\$6,395.06	\$6,395.06	\$5,794.47	(\$600.59)	
Metro Sewer	\$5,810.30	\$5,952.62	\$4,487.67	(\$1,464.95)	
City Sewer	\$1,001.02	\$1,211.78	\$2,475.00	\$1,263.22	
Stormwater (75.5)	\$1,208.00	\$1,434.50	\$1,472.25	\$37.75	
<b>Total Monthly</b>	<b>\$14,414.38</b>	<b>\$14,993.96</b>	<b>\$14,229.39</b>	<b>(\$764.57)</b>	<b>-5.10%</b>

Decrease of 25 dollars a day, or 26 cents a day per unit

**Cedar brook MHP Comparison showing one MHP Residential amount**

2018 & 2019 assume Commercial class charges split between 99 units, with same usage as above (79,200)  
 2020 assumes Change from Commercial to Residential, with rate increase, restructure & allotment for 99 units

	2018	2019	2020	Monthly	
				Difference	Percentage
Water	\$64.60	\$64.60	\$58.53	(\$6.07)	
Metro Sewer	\$58.69	\$60.13	\$45.33	(\$14.80)	
City Sewer	\$10.11	\$12.24	\$25.00	\$12.76	
Stormwater	\$12.20	\$14.49	\$14.87	\$0.38	
<b>Total Monthly</b>	<b>\$145.60</b>	<b>\$151.45</b>	<b>\$143.73</b>	<b>(\$7.72)</b>	<b>-5.10%</b>

Decrease of 26 cents a day

City of Black Diamond  
 Monthly Utility Rates  
 15% Sewer Rate Increase with Rate Restructure Comparison

**AVERAGE RESIDENTIAL CUSTOMER [1 Residential unit]**

Rate Comparison for 800 cu ft. Water

	2018	2019	2020	Monthly	
				Difference	Percentage
Water	\$58.53	\$58.53	\$58.53	\$0.00	
Metro Sewer	\$44.22	\$45.33	\$45.33	\$0.00	
City Sewer	\$21.02	\$21.78	\$25.00	\$3.22	
Stormwater	\$16.00	\$19.00	\$19.50	\$0.50	
<b>Total Monthly</b>	<b>\$139.77</b>	<b>\$144.64</b>	<b>\$148.36</b>	<b>\$3.72</b>	<b>2.57%</b>

Increase of 12 cents a day

**Diamond Village Owners Association #2 [13 Residential units]**

Rate Comparison for 800 cu ft. Water per unit [10,400 cu ft.]

2020 assumes Change from Commercial to Residential, with rate increase, restructure & allotment for 13 units

	2018	2019	2020	Monthly	
				Difference	Percentage
Water	\$729.06	\$729.06	\$760.89	\$31.83	
Metro Sewer	\$753.50	\$771.98	\$589.29	(\$182.69)	
City Sewer	\$141.02	\$141.78	\$325.00	\$183.22	
Stormwater [13]	\$208.00	\$247.00	\$253.50	\$6.50	
<b>Total Monthly</b>	<b>\$1,831.58</b>	<b>\$1,889.82</b>	<b>\$1,928.68</b>	<b>\$38.86</b>	<b>2.06%</b>

Increase of \$1.30 a day, 10 cents a day per unit

**Diamond Square [18 Commercial units]**

Rate Comparison for 800 cu ft. Water per unit [14,400 cu ft.]

	2018	2019	2020	Monthly	
				Difference	Percentage
Water	\$952.55	\$952.55	\$952.55	\$0.00	
Metro Sewer	\$1,047.50	\$1,073.18	\$1,073.18	\$0.00	
City Sewer	\$191.02	\$191.78	\$220.50	\$28.72	
Stormwater [45.5]	\$728.00	\$864.50	\$887.25	\$22.75	
<b>Total Monthly</b>	<b>\$2,919.07</b>	<b>\$3,082.01</b>	<b>\$3,133.48</b>	<b>\$51.47</b>	<b>1.67%</b>

Increase of \$1.72 cents a day, 10 cents a day per unit

**Black Diamond Bakery [1 Commercial Unit of water/ 2 Commercial Units of Sewer]**

Rate Comparison for with avg 2019 usage [5,079]

	2018	2019	2020	Monthly	
				Difference	Percentage
Water	\$212.79	\$212.79	\$212.79	\$0.00	
Metro Sewer	\$362.40	\$371.30	\$371.30	\$0.00	
City Sewer	\$31.02	\$31.02	\$36.50	\$5.48	
Stormwater [5]	\$80.00	\$95.00	\$97.50	\$2.50	
<b>Total Monthly</b>	<b>\$686.21</b>	<b>\$710.11</b>	<b>\$718.09</b>	<b>\$7.98</b>	<b>1.12%</b>

Increase of 24 cents a day