

CITY COUNCIL AGENDA BILL

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

ITEM INFORMATION		
SUBJECT: 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 1st each year.	Agenda Date: December 5, 2019	
	AB19-XXX	
	Mayor Carol Benson	
	City Administrator	
	City Attorney David Linehan	
	City Clerk – Brenda L. Martinez	
	Com Dev/Nat Res –	
	Finance – May Miller	X
	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		
Agenda Placement: <input checked="" type="checkbox"/> Mayor <input type="checkbox"/> Two Councilmembers <input type="checkbox"/> Committee Chair <input type="checkbox"/> City Administrator		
Attachments: Resolution; Financial model Analysis & rate comparisons		
<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		