



The City is conducting this public meeting using a hybrid model. The public is welcome to attend tonight's meeting in-person at City Hall (Council Chambers), or virtually by using the meeting access link below. Please click the link below to join the webinar:

<https://sumnerwa-gov.zoom.us/j/83812822458>

Or One tap mobile - +12532050468,,83812822458# US +12532158782,,83812822458# US (Tacoma)

Or Telephone - +1 253 205 0468 US +1 253 215 8782 US (Tacoma)

Webinar ID: 838 1282 2458

CALL TO ORDER

Roll Call: Bitetto, Brown, Cole, Hochstatter, Reed and Stuard

REGULAR BUSINESS

1. 2023 Utility Rate Study

CITY ADMINISTRATOR REPORT

AGENDA SETTING

1. Council Meeting Agenda Calendar
2. Council Committee Meeting Calendar

EXECUTIVE SESSION

ADJOURNMENT

This meeting is accessible to persons with disabilities. For individuals who may require special accommodations, please contact the City Clerk at (253) 299-5590, 24 hours in advance.

SUBJECT: 2023 Utility Rate Study

CATEGORY: Presentation

BUDGET IMPACT:

Expenditure Required: None

Within Budget Allocation: N/A

ATTACHMENTS:

1. Presentation
-

STAFF CONTACT: Mike Dahlem, Public Works Director, Michael Kosa, City Engineer

SUMMARY BACKGROUND:

The City of Sumner manages three utilities: water, sewer, and stormwater. The operations of the utilities are supported in large part by rate payers and system development charges. The City contracted with the FCS Group to study rates and system development changes (SDC) for these utilities. FCS and staff will be presenting the methodology and assumptions used to determine the required utility rates and system development charges. Based on a forecast of the utilities' revenue requirements over a six-year planning period, we will be providing the recommended utility rates and SDC's.

COUNCIL COMMITTEE/STUDY SESSION: Study Session
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MEETING/STUDY SESSION DATE: 11/13/2023
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COMMITTEE RECOMMENDATION: Information Only
--

STAFF RECOMMENDATIONS/MOTION:

Information Only



2023 Utility Rate & SDC Update

Chris Gonzalez,
Principal

November 13, 2023



Agenda

- **Background**
- **System Development Charge Update**
 - » Methodology
 - » Calculation
 - » Comparison
- **Utility Rate Update (Financial Plan)**
 - » Methodology/Assumptions
 - » Findings
 - » Sample Bill Comparison
- **Questions/Discussion**

System Development Charge (SDC) Update





System Development Charge (SDC) Methodology

- **The SDC is a connection charge authorized under RCW 35.92.025 that:**
 - » Recovers an equitable share of system costs from development
 - » Is based on the cost of existing assets and future capital projects
 - » Provides a source of funding for capital projects and/or debt service
- **Methodology underlying the City's existing SDCs:**

$$\text{SDC} = \frac{\text{Existing System Cost}}{\text{Existing Customers \& Growth}} + \frac{\text{Future Expansion Cost}}{\text{Future Growth}}$$



Issues with Existing SDC Methodology

- **More appropriate for rapidly growing systems than mature systems**
 - » Recovers an equitable share of growth-related capital project costs from development
 - » Excludes capital project costs that are not driven by growth (infrastructure replacement)
- **Calculated SDCs can vary considerably from update to update**
 - » Can increase or decrease depending on the level of growth-related capital projects
- **Denominator has historically considered 20-year growth projections**
 - » Consistent with system planning horizons
 - » Reliant on growth assumptions (e.g. population/employment growth)
 - » Not necessarily consistent with the number of customers that CAN be served



Recommended SDC Methodology: “Average Cost”

$$\text{SDC} = \frac{\text{Existing System Cost} + \text{Future Project Cost}}{\text{System Capacity in Equivalent Units}}$$

- Recovers a proportionate share of total system cost from development
- Generally results in more moderate and stable charges over time



Water SDC Calculation

Water SDC Calculation		2020 Analysis	2023 Analysis
Net Existing Cost Basis		\$35.4 M	\$36.0 M
Allocable Number of Meter Equivalents (MEs)		11,194	9,963
Existing Facilities Charge per ME		\$3,165	\$3,615
Net Future Cost Basis		\$19.4 M	\$40.2 M
Allocable Number of MEs		4,812	9,963
Future Facilities Charge per ME		\$4,026	\$4,036
Total SDC per ME		\$7,191	\$7,652
Existing SDC per ME		\$7,699	

*\$7,717 per ME with
inflation adjustment
per SMC 13.24.230*

- **Cost basis increased due to:**
 - » Addition of assets and accrual of interest from 2019 – 2022
 - » Increase in total cost of future capital projects
- **System capacity constrained by water rights capacity**
 - » Will increase if City obtains additional water rights



Sewer SDC Calculation

Sewer SDC Calculation		2020 Analysis	2023 Analysis
Net Existing Cost Basis		\$35.8 M	\$15.6 M
Allocable Number of Equivalent Residential Units (ERUs)		10,430	11,410
Existing Facilities Charge per ERU		\$3,434	\$1,365
Net Future Cost Basis		\$3.7 M	\$49.2 M
Allocable Number of ERUs		2,214	11,410
Future Facilities Charge per ERU		\$1,651	\$4,314
Total SDC per ERU		\$5,085	\$5,678
Existing SDC per ERU		\$6,150	

***\$5,727 per ERU with
inflation adjustment
per SMC 13.16.220***

- **Cost basis increased due to:**
 - » Increase in total cost of future capital projects
 - » Addition of assets and accrual of interest from 2019 – 2022
 - Offset by estimated cost of assets being replaced by capital projects
- **System capacity constrained by average daily flow at treatment plant**
 - » Will increase if City expands capacity at the treatment plant or reduces inflow/infiltration



Stormwater SDC Calculation

Stormwater SDC Calculation		2020 Analysis	2023 Analysis
Net Existing Cost Basis		\$21.5 M	\$18.8 M
Allocable Number of Equivalent Service Units (ESUs)		35,685	31,566
Existing Facilities Charge per ESU		\$603	\$596
Net Future Cost Basis		\$21.4 M	\$63.4 M
Allocable Number of ESUs		9,656	31,566
Future Facilities Charge per ESU		\$2,218	\$2,007
Total SDC per ESU		\$2,821	\$2,603
Existing SDC per ESU		\$3,116	

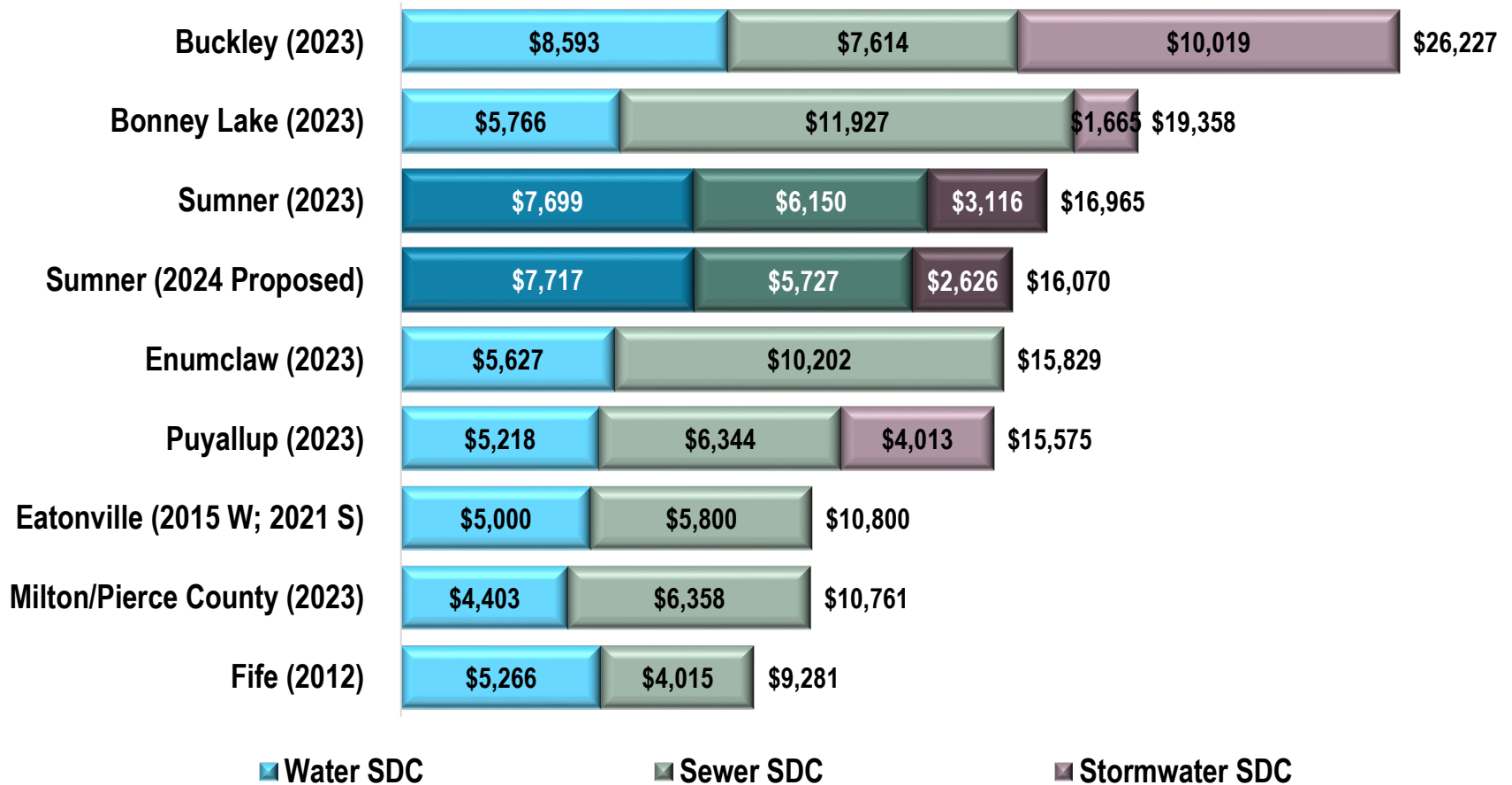
*\$2,626 per ME with
inflation adjustment
per SMC 13.48.330*

- **Cost basis increased due to:**
 - » Increase in total cost of future capital projects
 - » Addition of assets and accrual of interest from 2019 – 2022
 - Offset by estimated cost of assets being replaced by capital projects
- **System capacity constrained by amount of developable land**
 - » 1 ESU = 3,100 square feet of impervious surface area
 - » Assumption: 85% of developable land will be impervious



How Do Other Utilities Compare?

Combined SDC (3/4" Residential Connection)



Utility Rate Update





Current Utility Rates – City of Sumner

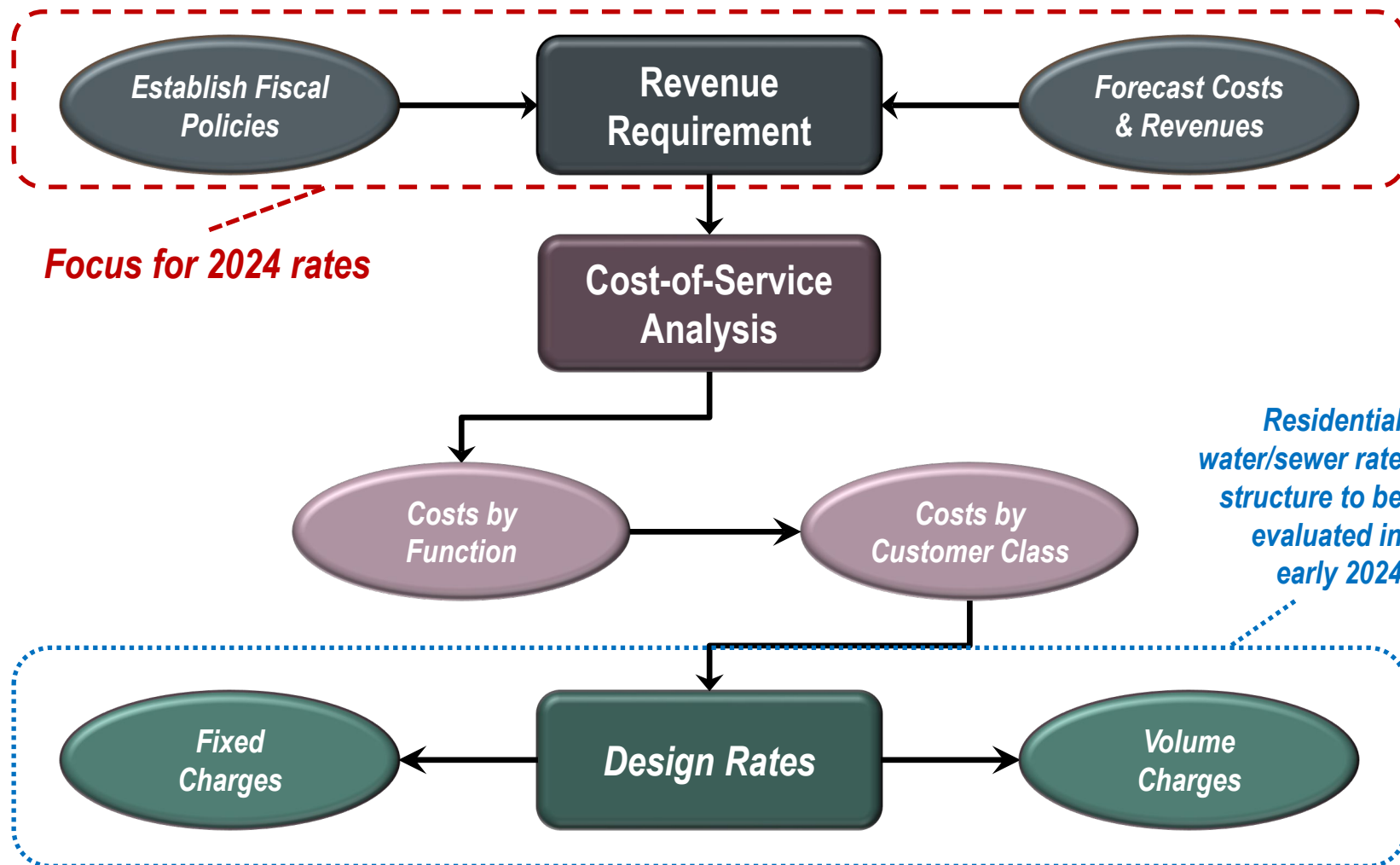
Water Rates	2023
Monthly Base Rates:	
3/4"	\$26.92
1"	\$65.20
1-1/2"	\$130.39
2"	\$208.56
3"	\$391.11
4"	\$651.77
6"	\$1,337.15
8"	\$2,085.72
Charge per 100 cf:	
1 – 1,000 cf	\$2.35
1,000 – 2,000 cf	\$3.10
> 2,000 cf	\$3.70

Sewer Rates	2023
Monthly Minimum Charge (Includes 500 cf):	
Single-Family Residential	\$62.43
Multi-Family (per Unit)	\$53.25
All Other Customers	\$62.43
Charge per 100 cf (> 500 cf per Month)	\$9.20

Stormwater Rates	2023
Monthly Rate per ESU (3,100 SF of Impervious Area)	\$17.32



Overview of the Utility Rate Study Process



Key Assumptions

Annual Cost Inflation

	<u>2024</u>	<u>2025</u>	<u>Future</u>
General (CPI)	4.0%	4.0%	4.0%
Salaries & Wages	4.6%	5.0%	5.0%
Retirement	5.0%	5.0%	5.0%
Medical	5.0%	8.0%	6.0%
L&I	7.0%	7.0%	7.0%
Construction	4.0%	4.0%	4.0%

Annual Growth Rates

- Customer Growth:
 - » Water: $\approx 1.5\%$ (110 MEs) per year
 - » Sewer: $\approx 1.5\%$ (120 ERUs) per year
 - » Stormwater: $\approx 0.9\%$ (230 ESUs) per year

Operating Forecast

- Generally based on 2023-24 Budget
 - » Incorporates staffing requests
- Adjustments to specific line items
 - » Taxes (calculated on projected revenues)
 - » Professional Services

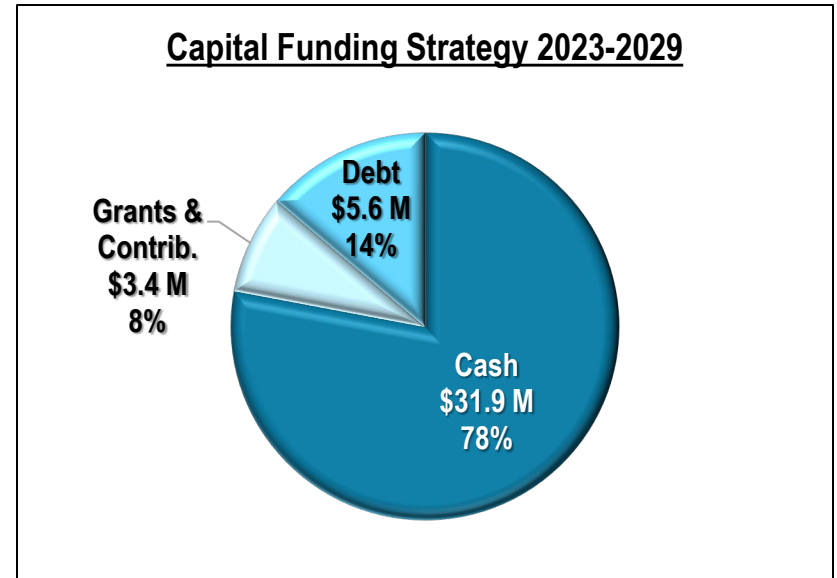
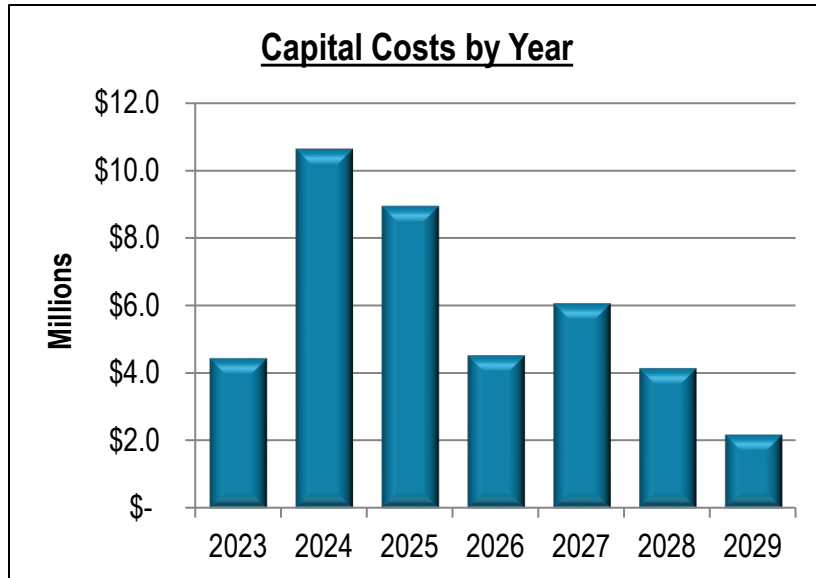


Utility Policy Assumptions

	Purpose	2023 Minimum Balance Target									
Operating Reserve	To provide sufficient cash flow to accommodate short-term revenue and expense cycles	Based on days of operating expenses <table><tr><td><u>Water</u></td><td><u>Sewer</u></td><td><u>Stormwater</u></td></tr><tr><td>60 Days</td><td>60 Days</td><td>60 Days</td></tr><tr><td>\$532,000</td><td>\$1,138,000</td><td>\$533,000</td></tr></table>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	60 Days	60 Days	60 Days	\$532,000	\$1,138,000	\$533,000
<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>									
60 Days	60 Days	60 Days									
\$532,000	\$1,138,000	\$533,000									
Capital Reserve	To provide a source of funding for emergency repairs, unanticipated capital, and project cost overruns	1% of original asset cost <table><tr><td><u>Water</u></td><td><u>Sewer</u></td><td><u>Stormwater</u></td></tr><tr><td>\$394,000</td><td>\$558,000</td><td>\$266,000</td></tr></table>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	\$394,000	\$558,000	\$266,000			
<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>									
\$394,000	\$558,000	\$266,000									



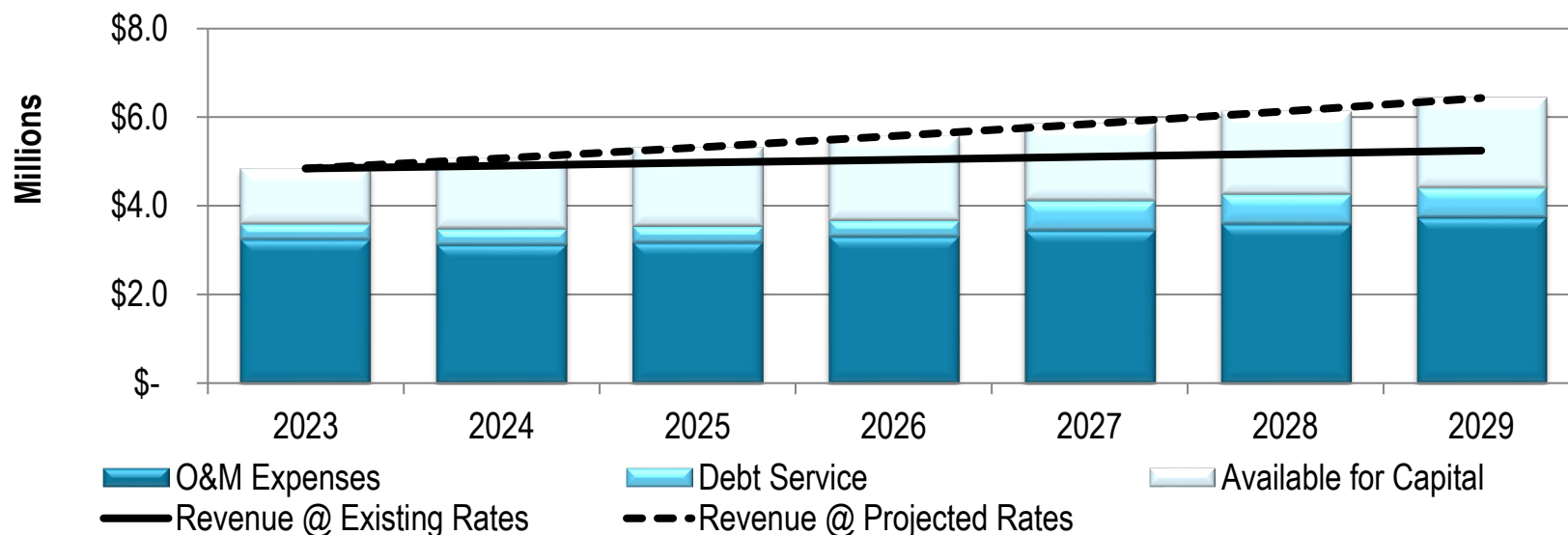
Capital Needs Forecast – Water



- **\$41.0 million in capital projects from 2023 – 2029**
 - » Mains: \$17.7 million
 - » Storage: \$4.1 million
 - » Source: \$11.3 million
 - » Other: \$2.2 million
 - » Operations Facility: \$5.7 million
- **Cash resources are expected to cover $\approx$ 78% of projected capital costs**
 - » New debt issue related to Operations Facility
 - Expected to increase annual debt service by $\approx$ \$345,000



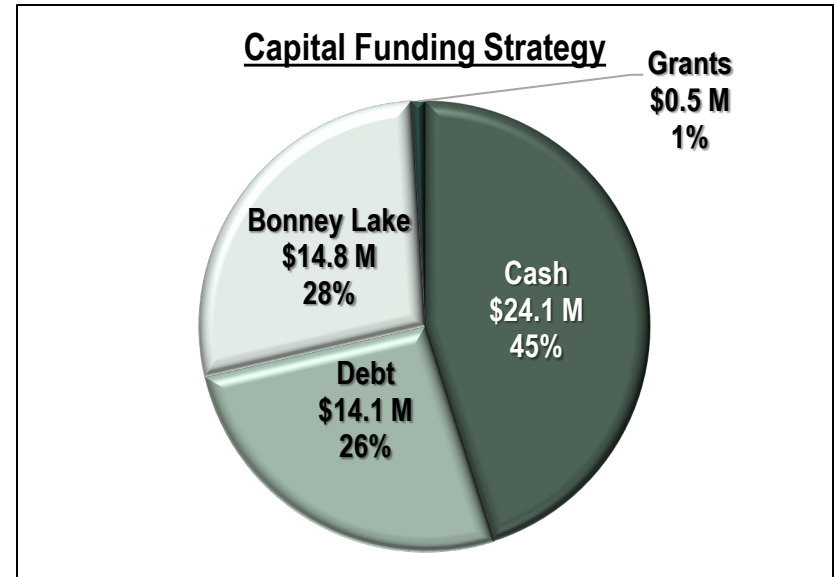
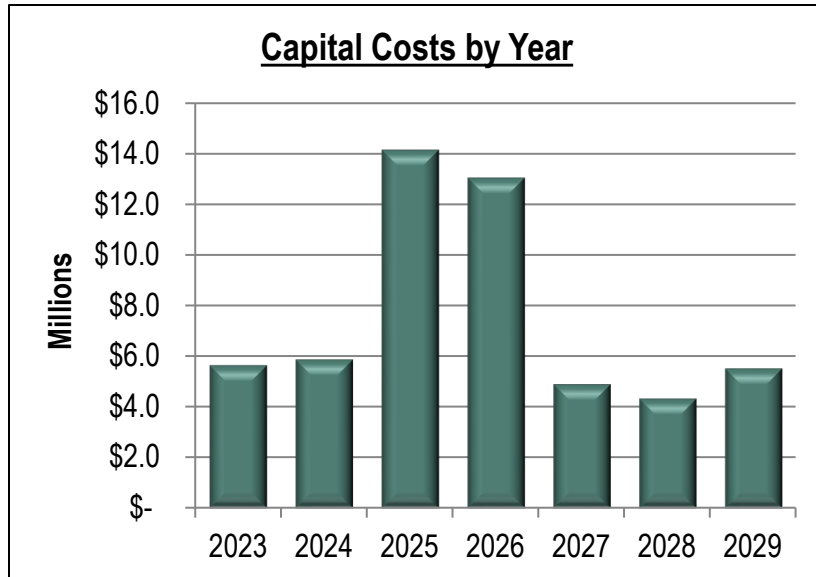
Water Revenue Requirement Forecast



Water Rate Forecast	Existing	Proposed	Projected				
	2023	2024	2025	2026	2027	2028	2029
Annual Rate Increase per 2020 Study	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Annual Rate Increase	6.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Monthly Residential Bill @ 7 ccf	\$43.37	\$45.08	\$46.90	\$48.76	\$50.74	\$52.77	\$54.85
Change From Prior Year		+\$1.71	+\$1.82	+\$1.86	+\$1.98	+\$2.03	+\$2.08



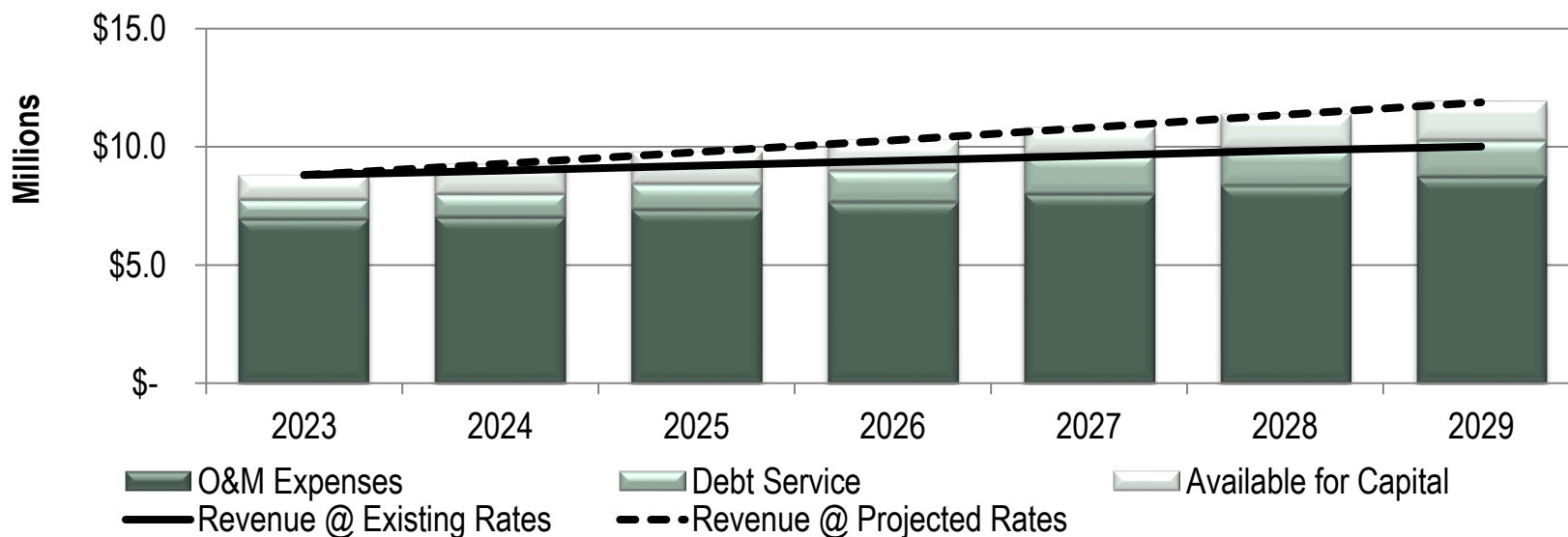
Capital Needs Forecast – Sewer



- **\$53.5 million in capital projects from 2023 – 2029**
 - » Treatment Plant: \$27.5 million
 - » Operations Facility: \$6.1 million
 - » Mains: \$9.7 million
 - » Other: \$1.6 million
 - » Pump Stations: \$8.6 million
- **Cash resources (including Bonney Lake contribution) expected to cover about 74% of the total cost**
- **Debt needed to fund remaining 26%**
 - » Expected to increase annual debt service by $\approx$ \$930,000



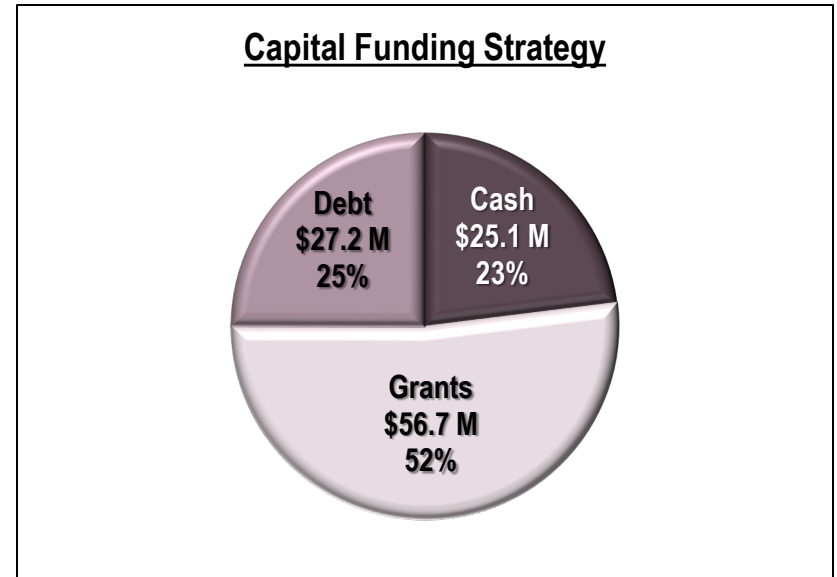
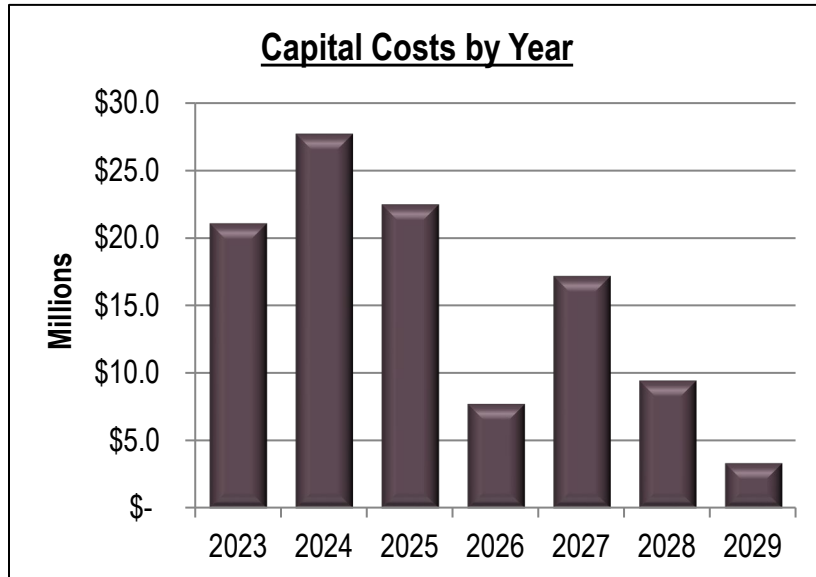
Sewer Revenue Requirement Forecast



Sewer Rate Forecast	Existing	Proposed	Projected				
	2023	2024	2025	2026	2027	2028	2029
Annual Rate Increase per 2020 Study	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Annual Rate Increase	6.0%	4.5%	4.5%	4.0%	4.0%	4.0%	4.0%
Monthly Residential Bill @ 7 ccf	\$80.83	\$84.46	\$88.28	\$91.80	\$95.48	\$99.29	\$103.26
Change From Prior Year		+\$3.63	+\$3.82	+\$3.52	+\$3.68	+\$3.81	+\$3.97



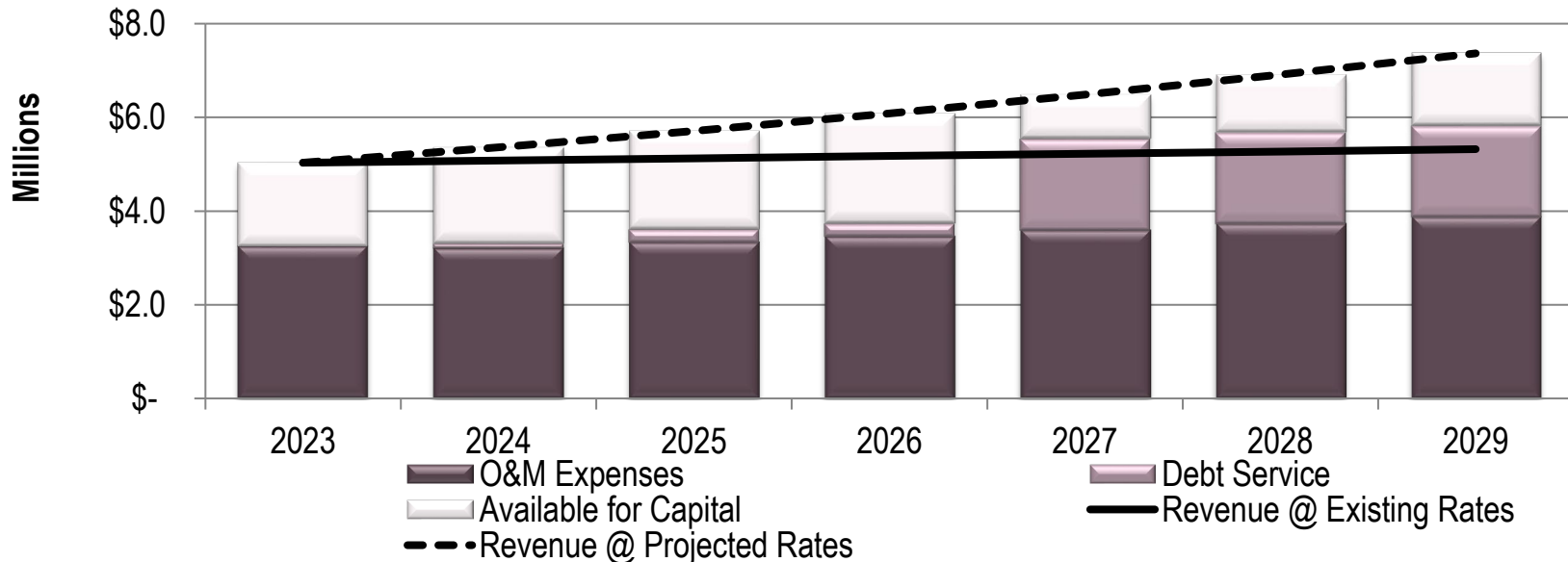
Capital Needs Forecast – Stormwater



- **\$109.1 million in capital projects from 2023 – 2029**
 - » 24th St. Setback Levee: \$43.9 million
 - » White River Improvements: \$26.0 million
 - » Operations Facility: \$13.7 million
 - » Other: \$25.5 million
- **Grants are expected to cover 52% of projected capital costs**
- **Cash resources expected to cover 23% of costs**
- **Debt needed to cover the remaining 25% of costs**
 - » Expected to increase annual debt service by $\approx$ \$1.9 million



Stormwater Revenue Requirement Forecast



Stormwater Rate Forecast	Existing	Proposed	Projected				
	2023	2024	2025	2026	2027	2028	2029
Annual Rate Increase per 2020 Study	3.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Annual Rate Increase	3.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Monthly Residential Bill	\$17.32	\$18.36	\$19.46	\$20.63	\$21.87	\$23.18	\$24.57
Change From Prior Year		+\$1.04	+\$1.10	+\$1.17	+\$1.24	+\$1.31	+\$1.39



Combined Residential Bill Forecast

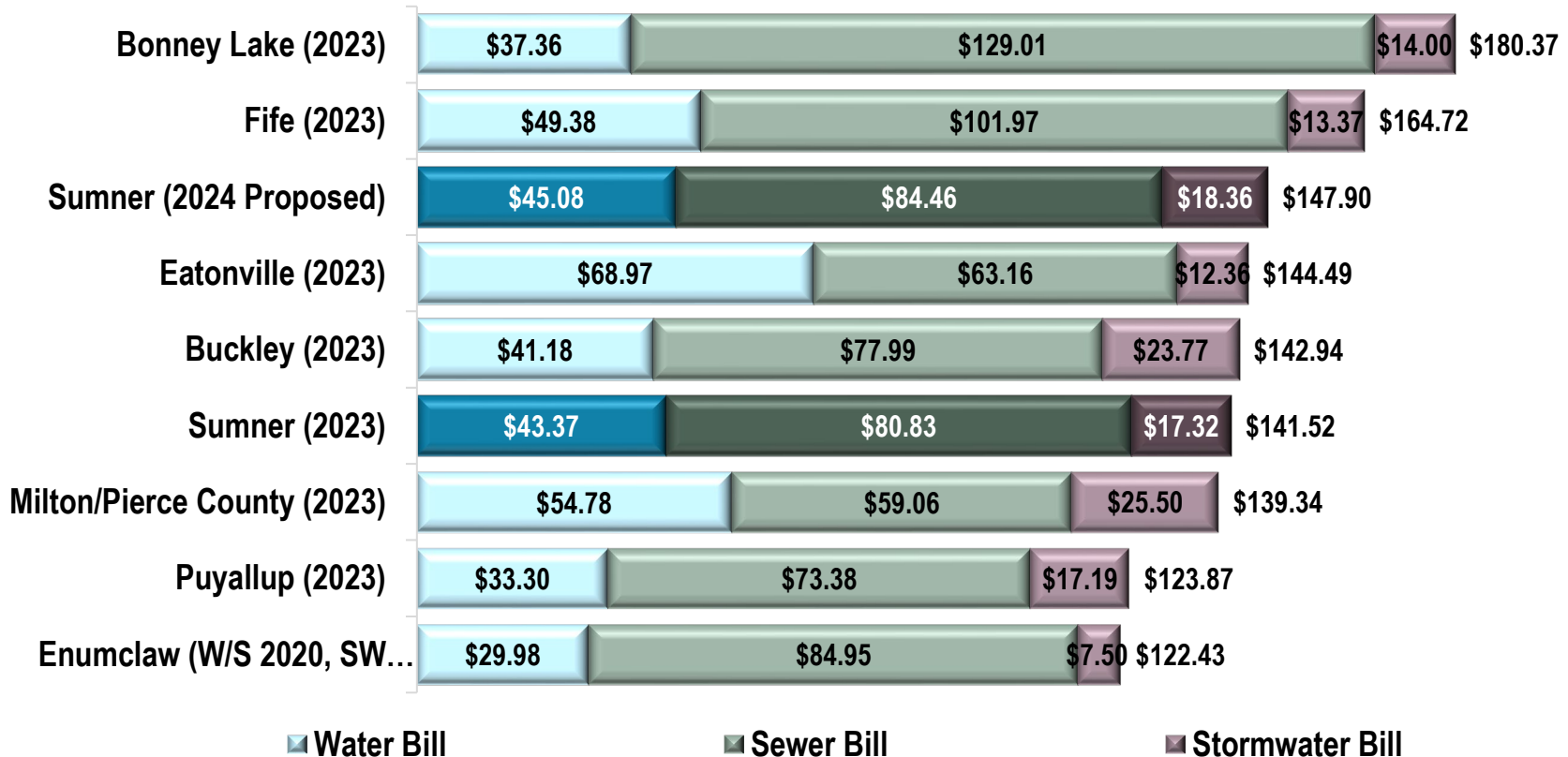
Monthly Residential Bill @ 7 ccf	Existing	Proposed		Projected			
	2023	2024	2025	2026	2027	2028	2029
Water Bill	\$ 43.37	\$ 45.08	\$ 46.90	\$ 48.76	\$ 50.74	\$ 52.77	\$ 54.85
Sewer Bill	80.83	84.46	88.28	91.80	95.48	99.29	103.26
Stormwater Bill	17.32	18.36	19.46	20.63	21.87	23.18	24.57
Total Monthly Bill	\$141.52	\$147.90	\$154.64	\$161.19	\$168.09	\$175.24	\$182.68
Δ From Prior Year		+\$6.38	+\$6.74	+\$6.55	+\$6.90	+\$7.15	+\$7.44
% Δ From Prior Year		+4.5%	+4.6%	+4.2%	+4.3%	+4.3%	+4.2%
From 2020 Forecast:							
Total Monthly Bill	\$138.10	\$142.24	\$146.42	\$150.72	\$155.14	\$159.70	\$164.40
Δ From Prior Year		+\$4.14	+\$4.18	+\$4.30	+\$4.43	+\$4.56	+\$4.69
% Δ From Prior Year		+3.0%	+2.9%	+2.9%	+2.9%	+2.9%	+2.9%

- Inflationary rate increases intend to keep rates current with ongoing costs and generate cash for capital projects



How Do Other Utilities Compare?

Combined Single-Family Utility Bill @ 7 ccf per Month*



*Includes applicable utility taxes.



Recommendations

- **Adopt proposed 2024 utility rate increases**
 - » Water: 4.0%
 - » Sewer: 4.5%
 - » Stormwater: 6.0%
- **Adopt updated SDCs**
 - » Water: \$7,699 → \$8,608 per ME
 - » Sewer: \$6,150 → \$5,727 per ERU
 - » Stormwater: \$3,116 → \$2,626 per ESU
- **Monitor financial status regularly; revisit rates and SDCs as needed**

Thank You! Questions?

Chris Gonzalez, Principal
(425) 502-6280
chrisg@fcsgroup.com

www.fcsgroup.com

CITY COUNCIL AGENDA CALENDAR**Updated November 7, 2023**

CA – CONSENT AGENDA	ES – EXECUTIVE SESSION	NB – NEW BUSINESS
UB – UNFINISHED BUSINESS	P – PRESENTATION	PH – PUBLIC HEARING PR – PROCLAMATION

NOVEMBER 20 RCM

CA Amendment to Sumner Meadows Purchase and Sale Agreement
UB Resolution No. XXXX – Setting the 2024 Ad Valorem Property Tax Rate *(K. Raymond)*
NB Sumner Meadows Development Agreement Amendment *(A. Marquez)*
NB Planning Commission Appointment (Peters) *(A. Siegenthaler)*

NOVEMBER 27 SS

- New Sergeants Swearing-in *(Mayor/Moericke)*
- Utility Rate Study *(M. Kosa)*
- Utility Base Fee Code Update *(M. Kosa)*
- MIC Transit *(R. Windish)*
- Final Terms for Operations Facility (Phase 1) Financing *(K. Raymond)*
- Ordinance No. XXXX - 2023/2024 Mid-Biennial Budget Amendment (Review) *(K. Raymond)*

DECEMBER 4 RCM

PH Ordinance No. XXXX – 2023/2024 Mid-Biennial Budget Amendment *(K. Raymond)*
NB Ordinance No. XXXX – Utility Rate Study *(M. Kosa)*
NB Ordinance No. XXXX – Utility Base Fee Code Update *(M. Kosa)*
NB Council Vacancy Appointment *(J. Wilson / Mayor)*

DECEMBER 11 SS (CANCELLED)**DECEMBER 11 SCM**

P Officer Allensworth Recognition: 2023 NCIC Success Story of the Year *(Moericke)*
CA Maple Street Pedestrian Signal - Consultant Contract Amendment
UB Ordinance No. XXXX – 2023/2024 Mid-Biennial Budget Amendment *(K. Raymond)*
NB Natural Systems Design Contract Supplement *(R. Wright)*
NB Ordinance – 2024 Compensation Schedule *(J. Steffens)*

DECEMBER 18 RCM (CANCELLED)**DECEMBER 25 SS (No Meeting)****JANUARY 2 RCM (Tuesday)**

P Swearing In of Councilmembers
NB Deputy Mayor Selection
NB Council Committee Selections
NB Council Regional Committee Selections

JANUARY 8 SS

- Zoning Code Amendments – Essential Public Facilities
- Strategic Tourism Plan

JANUARY 16 RCM (Tuesday)

NB Ordinance - Essential Public Facilities

JANUARY 22 SS

CITY COUNCIL AGENDA CALENDAR**Updated November 7, 2023**

CA – CONSENT AGENDA	ES – EXECUTIVE SESSION	NB – NEW BUSINESS
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FEBRUARY 5 RCM**FEBRUARY 12 SS**

- Mid Biennial Department Updates

FEBRUARY 20 (Tuesday)**FEBRUARY 26 SS***Pending*

MISC.	MISC.	WHITE RIVER RESTORATION PROJECT
Public Memorial Policy	Ordinance – Refuse Collection (Code Enforcement)	
CA State Homeland Security Program Grant Acceptance for Small Unmanned Aerial System	Bond Issuance for Operations Facility	Ordinance No. XXXX - Surplus of Real Property South of 24th Street (Andrea M.)
Ordinance Insurance Requirements	Temporary Use Permit – Food Trucks	
Sign Code Update (off premise)	WWTF ILA	
CTR Ordinance Update	Ordinance No. 2839: Pretreatment Code Update	
Public Defender contract	Emergency Management Presentation	
Short Term Rentals	MIC Transit	

NOVEMBER 2023

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4
			6:00PM Planning Commission (Hybrid)		
6	7	8	9	10	11
6:00PM Regular Council Meeting (Hybrid) 6:15PM Special Study Session (Hybrid)	9:00AM Civil Service Commission (Hybrid) 4:00PM CANCELLED Public Works Committee	6:30PM - CANCELLED Design Commission	4:30PM Forestry/Parks Commission (Hybrid)		
13	14	15	16	17	18
6:00PM Study Session (Hybrid)		5:30PM Public Safety (Hybrid)	5:30PM **DATE CHANGE** Finance Committee (Hybrid) 6:00PM Planning Commission Study Session (Hybrid)		
20	21	22	23	24	25
6:00PM Regular Council Meeting (Hybrid)		5:00PM CANCELLED CD Committee	<i>Holiday – City Hall Closed</i> 5:30PM - CANCELLED Cultural Arts Commission		
27	28	29	30		
6:00PM Study Session (Hybrid)					

Meeting dates and times may change. Please contact City Hall to confirm this information prior to any meeting you plan to attend. **These meetings are accessible to persons with disabilities.** For individuals who require special accommodations, please contact City Hall at (253) 299-5500, 24 hours in advance.

Name: Michelle Converse, CMC

Title: City Clerk

City of Sumner
1104 Maple Street
Sumner, Washington 98390
Ph: (253) 299-5500
www.sumnerwa.gov