



# MONROE CITY COUNCIL

## Agenda Bill No. 19-098

<b>SUBJECT:</b>	<b>Six Year Financial Forecast –Utilities (Water, Sewer, and Stormwater)</b>
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<b>DATE:</b>	<b>DEPT:</b>	<b>CONTACT:</b>	<b>PRESENTER:</b>	<b>ITEM:</b>
04/30/2019	Finance	Becky Hasart	Becky Hasart	<b>Discussion Items #3</b>

- Discussion:** 01/28/2019; 04/30/2019
- Attachments:**
1. Six Year Stormwater Financial Projection
  2. Six Year Water Financial Projection
  3. Six Year Sewer Financial Projection – Updated
  4. Monroe Six Year Capital Improvement Plan – Updated draft
  5. Utility Rates and Charges page 153 of Municipal Research Services Center’s (MRSC) Revenue Guide for Washington Cities and Towns

**REQUESTED ACTION:** Assign further discussion and analysis of the Six Year Utilities Financial Projections to the Finance and Human Resources Committee to develop funding strategies for the Mayor’s and Council’s consideration during the 2020 budget development.

### POLICY CONSIDERATION

*The Council is responsible for adopting the City’s budget, which sets the policy for staffing and program levels of service (RCW 35A.33.080), to include capital projects and appropriate user fees.*

*Any city that has an established utility must set an appropriate rate to recover costs (RCW 35.92 and 35A.80). The City operates three utilities: water, sewer, and stormwater. A best practice to determine appropriate rates is to project a rolling six year forecast to include capital and staffing needs that best supports regulatory requirements and the City’s accepted levels of service.*

### DESCRIPTION/BACKGROUND

At the January 28, 2019 Council Workshop, Mayor Thomas and city staff outlined alternative funding sources for the Street and Stormwater Funds. This is part of the Six-Year Strategic Plan to develop a holistic approach for funding street operations and maintenance. The holistic approach includes stormwater funding consideration, given the close relationship and frequent overlap between street operations and maintenance and stormwater activities.

The City Council reviewed the resources available for street operations and maintenance versus the expenditures since 2014. Staff is continuing to develop recommendations for the Street Fund as part of the Mayor’s 2020 Recommended Budget.

The City Council also reviewed resources available for the Stormwater Utility. As discussed on January 28, 2019, the Stormwater Capital identified in the City’s Six-Year Capital Improvement Plan (CIP) requires significant resources for the Blueberry Lane infiltration (\$2.8 million), Blueberry/Kelsey infiltration (\$1.2 million), and the Lake Tye Bio-swale (\$132,000).

As discussed in January, city staff performed a forward looking assessment for both Stormwater (Attachment 1) and Water (Attachment 2). Staff also reassessed the Sewer Fund (Attachment 3).

### Stormwater Operations and Maintenance

Stormwater O&M are accounted for separately than Stormwater Capital in the City’s budget (Funds 431 and 432 respectively). Unlike the streets O&M, stormwater O&M and its related capital are supported by

rates, not taxes. The last rate study the City conducted (in 2015) identified a regular four percent (4%) yearly increase through 2021. These rates are meant to fund both O&M and capital. 2019's single family stormwater rate is \$12.28 per month. Other stormwater revenues include interest earnings, development review fees, grants when available, etc. The current rate structure has been sufficient to cover operations and maintenance needs, but continues to fall short regarding capital needs.

**Stormwater Capital**

Stormwater capital is primarily funded by a sweep from the stormwater O&M fund. After O&M expenses, any revenue above the twelve percent (12%) target reserve per the City's reserve policy and utility management best practices is transferred to the capital fund. This "sweep" is then held in the capital fund until such time as the balance can cover the costs of the identified capital projects. A secondary revenue stream for stormwater capital would be grants, when available. The City's last significant grant for stormwater was in 2015 for Lewis Street.

The following two tables illustrates the resources available for stormwater capital after funding O&M needs:

*Table 2: Fund 432 Stormwater Capital revenue over/under expenses*

	A	B	C	D	E	F	G
1		2014	2015	2016	2017	2018 B	2019 B
2	Beginning Fund Balance	1,216,297.12	1,505,819.13	1,287,745.98	1,008,491.03	698,887.00	707,084.00
3	Transfer In from O&M	515,000.00	165,000.00	0.00	0.00	321,108.00	83,500.00
4	Remaining revenues	1,308,383.96	895,804.66	7,213.58	8,347.71	7,083.00	272,214.00
5	Total Resources	3,039,681.08	2,566,623.79	1,294,959.56	1,016,838.74	1,027,078.00	1,062,798.00
6	Total Expenses	1,533,861.95	1,278,877.81	286,468.53	317,951.32	928,293.00	887,314.00
7	Ending Fund Balance	<b>1,505,819.13</b>	<b>1,287,745.98</b>	<b>1,008,491.03</b>	<b>698,887.42</b>	<b>98,785.00</b>	<b>175,484.00</b>

*Table 3: Stormwater 6 Year Capital Improvement Plan versus estimated available resources.*

	A	B	C	D	E	F	G
1		2019	2020	2021	2022	2023	2024
5	Total Resources	1,062,798.00	175,484.00	(3,658,620.00)	(5,353,999.00)	(5,545,031.00)	(6,156,663.00)
6	Total Projected Capital	887,314.00	3,834,104.00	1,695,379.00	191,032.00	611,632.00	103,600.00
7	Difference	<b>175,484.00</b>	<b>(3,658,620.00)</b>	<b>(5,353,999.00)</b>	<b>(5,545,031.00)</b>	<b>(6,156,663.00)</b>	<b>(6,260,263.00)</b>

As illustrated in Table 2, the revenue sweep from the stormwater O&M fund is volatile and does not occur each year (line 3). Other items of note regarding the stormwater capital funding include:

- The 2019 capital expenditures budget is for design only for Blueberry Lane infiltration, Blueberry/Kelsey infiltration, and the Lake Tye Bio-swale. Capital construction for these three projects are scheduled for 2020 and 2021, pending availability of funds.
- Table 3 represents the cost estimates identified for stormwater capital in the City's 6 Year Capital Improvement Plan for years 2019 through 2024. These costs are netted against the anticipated fund balance carry overs year to year. The fund balances do not yet include any future revenue sweeps from stormwater O&M, any potential grant funding, or any potential revenue bond proceeds.

**Alternatives**

The attached Utility Fund assessments review rate sufficiency versus operations and maintenance as well as current and future capital needs. For the Stormwater Fund, the options listed below, and reviewed at the meeting on January 28, 2019, were evaluated, including the assessment of the utility tax to help support street operations and maintenance:

- Evaluate a stormwater utility rate to cover the cost of proposed capital improvements (Table 4). Raising the utility rate while maintaining existing levels of O&M service should increase the available resources which can be transferred into the capital fund. The evaluation would include prioritizing a six year Stormwater Capital Improvement Plan.
- Decrease the O&M levels of service to allow additional resources to be swept into the capital fund without adjusting existing rates. This option would be difficult. Many of the activities associated with

the stormwater utility are mandated by state and federal regulations. Those items that could be absorbed back into street O&M would increase the challenges faced by that fund.

- Adopt a general facility charge (GFC) for stormwater similar to what is assessed for the water and sewer utilities. In the past, it was determined that the stormwater utility did not have the economy of scale to support the need for a general facility charge. As we continue to grow, this may no longer apply. However, a GFC would take time to grow to a level significant enough to help support capital needs.
- Continue to aggressively pursue grant opportunities and delay capital construction until grants are available and awarded. Pursuing grants are an ongoing effort by the Public Works department.
- Issue revenue bonds to cover capital needs. During 2018, the City adopted a formal debt policy, which includes guidance on when and how to issue revenue bonds. If issuing bonds, rate revenue must be sufficient to accommodate the increase to the utilities debt payment obligations.

## **FISCAL IMPACTS**

Attached to this agenda bill for tonight's discussion are the updated Six Year Sewer Financial Projection, the newly developed Six Year Water and Stormwater Financial Projections, and an updated Six Year Capital Improvement Plan (draft).

The three six year utility financial projections are developed to be an interactive model to analyze revenue projections including rate adjustments, impacts of staffing needs, future costing trends, debt service impacts from potential bond activity, capital improvement impacts, etc.

Staff will demonstrate how these models may be used, with particular emphasis on the Stormwater utility, to help develop a funding strategy to insure the continued health of the City's utilities while maintaining an appropriate rate structure to support our O&M, capital, and debt obligations.

## **TIME CONSTRAINTS**

Mayor Thomas and city staff are looking for City Council direction to prepare the Mayor's recommended budget.

## **ALTERNATIVES**

1. Provide direction. Request Mayor Thomas and city staff bring the Street and Stormwater Funds back to the full City Council for discussion at the budget workshop in July.
2. Do not provide direction. Indicate interest in providing additional revenue for the Street and Stormwater funds in the 2020 budget.

## Six Year Stormwater Financial Projection

	2019 Projected	2020	2021	2022	2023	2024
<b>OPERATIONS</b>						
Beginning Fund Balance	\$325,680	\$265,602	\$239,986	\$250,304	\$272,052	\$283,743
Service Charges	\$1,879,415	\$1,978,272	\$2,082,329	\$2,191,860	\$2,307,152	\$2,428,508
Grants	\$27,846	\$0	\$0	\$0	\$0	\$0
Charges for Services	\$31,337	\$31,337	\$31,337	\$31,337	\$31,337	\$31,337
Misc. Revenues	\$8,240	\$6,312	\$5,799	\$6,006	\$6,441	\$6,674
Other/Transfer In	\$12,646					
subtotal revenues	\$2,285,164	\$2,281,523	\$2,359,452	\$2,479,507	\$2,616,982	\$2,750,262
Expenditures						
Salaries (10)	\$586,993	\$616,343	\$647,160	\$679,518	\$713,494	\$749,168
Benefits (20)	\$294,753	\$324,228	\$356,651	\$392,316	\$431,548	\$474,703
Supplies (30)	\$33,899	\$34,916	\$35,963	\$37,042	\$38,154	\$39,298
Professional Svcs (40)	\$639,184	\$658,360	\$678,110	\$698,454	\$719,407	\$740,989
Intergovernmental (50)	\$147,068	\$148,921	\$150,797	\$152,698	\$154,621	\$156,570
Utility Tax						
Other Transfers (90)	\$91,106	\$7,606	\$7,606	\$7,606	\$7,606	\$7,606
Capital (60)	\$27,846	\$0	\$0	\$0	\$0	\$0
subtotal expenses	\$1,820,849	\$1,790,373	\$1,876,288	\$1,967,633	\$2,064,830	\$2,168,334
rev over/under exp	\$464,315	\$491,149	\$483,164	\$511,873	\$552,152	\$581,927
Debt Service (70-80)	\$198,713	\$217,119	\$217,181	\$307,075	\$307,301	\$298,708
Subtotal Fund Balance	\$265,602	\$274,031	\$265,983	\$204,798	\$244,851	\$283,219
reserve target	\$231,415	\$239,986	\$250,304	\$272,052	\$283,743	\$295,132
Amount to transfer to CIP	\$34,187	\$34,044	\$15,679	(\$67,254)	(\$38,892)	(\$11,913)
<b>CAPITAL</b>						
Beginning Fund Balance	\$724,473	\$493,310	(\$944,117)	(\$3,101,663)	(\$3,811,621)	(\$4,952,293)
Bond Proceeds/loans			\$900,000			
Blueberry Grant			\$2,600,000			
Transfer In from Operations	\$341,573	\$34,044	\$15,679	(\$67,254)	(\$38,892)	(\$11,913)
Interest Earnings & Other	\$10,061	\$9,866	(\$18,882)	(\$62,033)	(\$76,232)	(\$99,045)
Capital Fees	\$0	\$0	\$0	\$0	\$0	\$0
subtotal revenues	\$1,076,107	\$537,220	\$2,552,680	(\$3,230,950)	(\$3,926,745)	(\$5,063,251)
Salaries	\$196,368	\$206,186	\$216,496	\$227,321	\$238,687	\$250,621
Benefits	\$86,329	\$94,962	\$104,458	\$114,904	\$126,394	\$139,034
Charges for Services	\$43,390	\$44,692	\$46,033	\$47,414	\$48,836	\$50,301
Capital	\$256,710	\$1,135,497	\$5,287,356	\$191,032	\$611,632	\$103,600
Utility Tax						
subtotal expenses	\$582,797	\$1,481,337	\$5,654,343	\$580,670	\$1,025,549	\$543,556
rev over/under exp (EFB)	\$493,310	(\$944,117)	(\$3,101,663)	(\$3,811,621)	(\$4,952,293)	(\$5,606,807)
total available for debt coverage	\$474,376	\$501,015	\$464,282	\$449,840	\$475,920	\$482,882
debt service	\$198,713	\$217,119	\$217,181	\$307,075	\$307,301	\$298,708
debt service ratio (>1.25)	2.39	2.31	2.14	1.46	1.55	1.62
Total Utility Tax to General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Monthly rate per ERU	\$12.28	\$12.77	\$13.28	\$13.81	\$14.37	\$14.94

## Six Year Water Financial Projection

	2019 Projected	2020	2021	2022	2023	2024
<b>OPERATIONS</b>						
Beginning Fund Balance	\$ 1,242,171	\$ 933,820	\$ 670,114	\$ 697,741	\$ 713,569	\$ 728,395
Service Charges	\$ 5,606,905	8.76% \$ 6,098,070	8.76% \$ 6,632,261	8.76% \$ 7,213,247	8.76% \$ 7,845,127	8.76% \$ 8,532,360
DOC Revenue	\$ 694,822	0.00% \$ 694,822	0.00% \$ 694,822	0.00% \$ 694,822	0.00% \$ 694,822	0.00% \$ 694,822
Charges for Services	\$ 214,508	1.26% \$ 217,211	1.26% \$ 219,948	1.26% \$ 222,719	1.26% \$ 225,525	1.26% \$ 228,367
Misc. Revenues	\$ 58,124	2.00% \$ 20,376	2.00% \$ 15,102	2.00% \$ 15,654	2.00% \$ 15,971	2.00% \$ 16,267
Other/Transfer In	\$ 34,937					
subtotal revenues	\$ 7,851,467	\$ 7,964,299	\$ 8,232,246	\$ 8,844,183	\$ 9,495,014	\$ 10,200,211
Expenditures						
Salaries (10)	\$ 611,976	\$ 642,575	\$ 674,704	\$ 708,439	\$ 743,861	\$ 781,054
Benefits (20)	\$ 298,571	\$ 328,428	\$ 361,271	\$ 397,398	\$ 437,138	\$ 480,852
Supplies (30)	\$ 1,803,765	\$ 1,857,878	\$ 1,913,614	\$ 1,971,023	\$ 2,030,153	\$ 2,091,058
Professional Svcs (40)	\$ 942,355	\$ 970,626	\$ 999,744	\$ 1,029,737	\$ 1,060,629	\$ 1,092,448
Intergovernmental (50)	\$ 301,395	\$ 327,797	\$ 356,512	\$ 387,743	\$ 421,709	\$ 458,651
Utility Tax	\$ 657,434	\$ 703,047	\$ 756,212	\$ 814,643	\$ 878,144	\$ 947,181
Other Transfers (90)	\$ 1,607,211	\$ 9,625	\$ 9,625	\$ 9,625	\$ 9,625	\$ 9,625
Capital (60)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
subtotal expenses	\$ 6,222,707	\$ 4,839,976	\$ 5,071,682	\$ 5,318,607	\$ 5,581,259	\$ 5,860,868
rev over/under exp	\$ 1,628,760	\$ 3,124,323	\$ 3,160,564	\$ 3,525,576	\$ 3,913,756	\$ 4,339,343
Debt Service (70-80)	\$ 694,940	\$ 753,931	\$ 752,449	\$ 637,424	\$ 498,322	\$ 465,705
Subtotal Fund Balance	\$ 933,820	\$ 2,370,391	\$ 2,408,115	\$ 2,888,152	\$ 3,415,434	\$ 3,873,638
reserve target	\$ 637,252	\$ 670,114	\$ 697,741	\$ 713,569	\$ 728,395	\$ 758,034
Amount to transfer to CIP	\$ 296,568	\$ 1,700,278	\$ 1,710,374	\$ 2,174,583	\$ 2,687,039	\$ 3,115,605
<b>CAPITAL</b>						
Beginning Fund Balance	\$ 7,179,696	\$ 4,119,107	\$ 2,138,804	\$ 1,538,048	\$ 2,747,426	\$ 1,625,178
Bond Proceeds			\$ -			
Transfer In from Operations	\$ 1,597,586	\$ 1,700,278	\$ 1,710,374	\$ 2,174,583	\$ 2,687,039	\$ 3,115,605
Interest Earnings & Other	\$ 76,200	\$ 83,382	\$ 43,776	\$ 31,760	\$ 55,948	\$ 33,503
Capital Fees	\$ 633,094	\$ 894,720	\$ 745,600	\$ 596,480	\$ 596,480	\$ 596,480
subtotal revenues	\$ 9,486,576	\$ 6,797,486	\$ 4,638,555	\$ 4,340,871	\$ 6,086,893	\$ 5,370,765
Salaries	\$ 202,020	\$ 212,121	\$ 222,727	\$ 233,863	\$ 245,556	\$ 257,834
Benefits	\$ 88,759	\$ 97,635	\$ 107,398	\$ 118,138	\$ 129,952	\$ 142,947
Charges for Services	\$ 75,352	3.00% \$ 77,613	3.00% \$ 79,941	3.00% \$ 82,339	3.00% \$ 84,809	3.00% \$ 87,353
Capital	\$ 4,930,408	\$ 4,173,502	\$ 2,611,503	\$ 1,096,281	\$ 3,936,155	\$ 1,743,614
Utility Tax	\$ 70,930	\$ 97,811	\$ 78,938	\$ 62,824	\$ 65,243	\$ 62,999
subtotal expenses	\$ 5,367,469	\$ 4,658,682	\$ 3,100,507	\$ 1,593,445	\$ 4,461,715	\$ 2,294,747
rev over/under exp (EFB)	\$ 4,119,107	\$ 2,138,804	\$ 1,538,048	\$ 2,747,426	\$ 1,625,178	\$ 3,076,018
total available for debt coverage	\$ 2,338,054	\$ 4,102,425	\$ 3,949,940	\$ 4,153,816	\$ 4,566,184	\$ 4,969,326
debt service	\$ 694,940	\$ 753,931	\$ 752,449	\$ 637,424	\$ 498,322	\$ 465,705
debt service ratio (>1.25)	3.36	5.44	5.25	6.52	9.16	10.67
Total Utility Tax to General Fund	\$ 728,364	\$ 800,858	\$ 835,150	\$ 877,467	\$ 943,387	\$ 1,010,180
Monthly base rate	\$ 24.23	\$ 26.05	\$ 28.00	\$ 30.10	\$ 32.36	\$ 34.79

## Six Year Sewer Financial Projection

	2019 Projected	2020	2021	2022	2023	2024
<b>OPERATIONS</b>						
Beginning Fund Balance	\$ 1,101,589	\$ 829,280	\$ 843,073	\$ 861,358	\$ 878,303	\$ 851,037
Service Charges	\$ 6,570,000	1.26% \$ 6,652,782	1.26% \$ 6,736,607	1.26% \$ 6,821,488	1.26% \$ 6,907,439	1.26% \$ 6,994,473
DOC Revenue	\$ 1,300,000	0.00% \$ 1,300,000	0.00% \$ 1,300,000	0.00% \$ 1,300,000	0.00% \$ 1,300,000	0.00% \$ 1,300,000
Charges for Services	\$ 38,460	0.00% \$ 38,460	0.00% \$ 38,460	0.00% \$ 38,460	0.00% \$ 38,460	0.00% \$ 38,460
Misc. Revenues	\$ 27,264	2.00% \$ 19,285	2.00% \$ 19,561	2.00% \$ 19,927	2.00% \$ 20,266	2.00% \$ 19,720
Other/Transfer In	\$ 94,930					
subtotal revenues	\$ 9,132,243	\$ 8,839,807	\$ 8,937,701	\$ 9,041,234	\$ 9,144,468	\$ 9,203,690
Expenditures						
Salaries (10)	\$ 1,026,678	\$ 1,078,012	\$ 1,131,912	\$ 1,188,508	\$ 1,247,934	\$ 1,310,330
Benefits (20)	\$ 485,913	\$ 534,504	\$ 587,955	\$ 646,750	\$ 711,425	\$ 782,568
Supplies (30)	\$ 412,385	\$ 424,757	\$ 437,499	\$ 450,624	\$ 464,143	\$ 478,067
Professional Svcs (40)	\$ 1,904,829	\$ 1,961,974	\$ 2,020,833	\$ 2,081,458	\$ 2,143,902	\$ 2,208,219
Intergovernmental (50)	\$ 285,526	\$ 297,689	\$ 310,371	\$ 323,593	\$ 337,378	\$ 351,750
Utility Tax	\$ 793,572	\$ 801,052	\$ 809,462	\$ 817,987	\$ 826,615	\$ 835,264
Other Transfers (90)	\$ 874,273	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500
Transfer Out - F530 (90)	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -
Capital (60)	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -
subtotal expenses	\$ 5,843,176	\$ 5,163,488	\$ 5,313,533	\$ 5,524,420	\$ 5,746,896	\$ 5,981,698
rev over/under exp	\$ 3,289,067	\$ 3,676,319	\$ 3,624,168	\$ 3,516,813	\$ 3,397,572	\$ 3,221,991
Debt Service (70-80)	\$ 1,941,763	\$ 1,877,617	\$ 1,879,953	\$ 1,810,272	\$ 1,360,577	\$ 1,397,790
Subtotal Fund Balance	\$ 1,347,304	\$ 1,798,702	\$ 1,744,215	\$ 1,706,541	\$ 2,036,995	\$ 1,824,201
reserve target	\$ 829,280	\$ 843,073	\$ 861,358	\$ 878,303	\$ 851,037	\$ 883,679
Amount to transfer to CIP	\$ 518,024	\$ 955,629	\$ 882,857	\$ 828,238	\$ 1,185,958	\$ 940,523
<b>CAPITAL</b>						
Beginning Fund Balance	\$ 7,621,515	\$ 7,251,810	\$ 5,980,307	\$ 6,542,272	\$ 4,889,552	\$ 3,773,281
Bond Proceeds	\$ -	\$ -	\$ 5,000,000	\$ -	\$ -	\$ -
Transfer In from Operations	\$ 858,796	\$ 955,629	\$ 882,857	\$ 828,238	\$ 1,185,958	\$ 940,523
Interest Earnings & Other	\$ 113,510	\$ 145,056	\$ 119,626	\$ 130,865	\$ 97,811	\$ 75,485
Capital Fees	\$ 1,043,840	\$ 894,720	\$ 745,600	\$ 596,480	\$ 596,480	\$ 596,480
subtotal revenues	\$ 9,637,661	\$ 9,247,215	\$ 12,728,390	\$ 8,097,855	\$ 6,769,801	\$ 5,385,769
Salaries	\$ 204,200	\$ 214,410	\$ 225,131	\$ 236,387	\$ 248,206	\$ 260,617
Benefits	\$ 90,000	\$ 99,000	\$ 108,900	\$ 119,790	\$ 131,769	\$ 144,946
Charges for Services	\$ 107,690	3.00% \$ 110,921	3.00% \$ 114,249	3.00% \$ 117,676	3.00% \$ 121,206	3.00% \$ 124,842
Capital	\$ 1,868,226	\$ 2,738,599	\$ 5,651,316	\$ 2,661,715	\$ 2,425,908	\$ 858,683
Utility Tax	\$ 115,735	\$ 103,978	\$ 86,523	\$ 72,735	\$ 69,430	\$ 67,197
subtotal expenses	\$ 2,385,851	\$ 3,266,908	\$ 6,186,119	\$ 3,208,303	\$ 2,996,519	\$ 1,456,285
rev over/under exp (EFB)	\$ 7,251,810	\$ 5,980,307	\$ 6,542,272	\$ 4,889,552	\$ 3,773,281	\$ 3,929,484
total available for debt coverage	\$ 4,446,417	\$ 4,716,095	\$ 4,489,394	\$ 4,244,158	\$ 4,091,863	\$ 3,893,956
debt service	\$ 1,941,763	\$ 1,877,617	\$ 1,879,953	\$ 1,810,272	\$ 1,360,577	\$ 1,397,790
debt service ratio (>1.25)	2.29	2.51	2.39	2.34	3.01	2.79
Total Utility Tax to General Fund	\$ 909,307	\$ 905,030	\$ 895,985	\$ 890,722	\$ 896,045	\$ 902,461
Monthly rate	\$ 92.15	\$ 92.15	\$ 92.15	\$ 92.15	\$ 92.15	\$ 92.15

## Six Year Capital Improvement Plan

Project	Fund #	Budget		Estimate					Project Total
		2019 (S&B)	2019 (Capital)	2020	2021	2022	2023	2024	
General Government									
Public Art/Banners	001	\$ -	\$ 20,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 70,000
Park Plan Update	001			50,000	50,000				100,000
Police - LCR Drug Testing	114		10,000						10,000
Public Works Shop	307		513,500						513,500
Gateway Features/Wayfinding (EDAB)	307				125,000	450,000	150,000	150,000	875,000
Al Borlin/Lewis St. Parks Master Plan	317				80,000	600,000	3,000,000		3,680,000
Cadman Phase 1 & 2	317		80,000	1,000,000	6,000,000	600,000	3,000,000	200,000	10,880,000
Centennial Trailhead	317					3,000,000	300,000	1,300,000	4,600,000
Lake Tye All Weather Fields design	317		300,000	3,200,000					3,500,000
Lake Tye Phase II	317							800,000	800,000
North Hill Park Acquisition	TBD			TBD					TBD
North Hill Park Development	317					300,000	1,000,000		1,300,000
Park Playground Equipment	317		200,000	250,000	250,000	250,000	250,000	250,000	1,450,000
Public Plaza/Festival Lot (EDAB)	317				500,000	250,000	1,000,000	1,000,000	2,750,000
Trails Planning and Repair	317		38,000						38,000
Trail System connectivity (EDAB)	317				500,000	50,000	250,000	1,000,000	1,800,000
Wiggly Field Dog Park Improvements	317		15,000						15,000
177th Ave. Maintenance/Repair	318	4,000	8,000						12,000
179th/147th Signal	318			117,610	85,775	409,122			612,507
191st to Chain Lake (E/W Connector)	318	15,000	250,000	2,317,369					2,582,369
ADA Transition Plan	318	9,000	99,225						108,225
Annual Road Maintenance	318	39,900	1,562,500	1,241,415	1,303,486	1,368,660	1,437,094	1,508,948	8,462,003
Annual Sidewalk Development (EDAB)	318				200,000	300,000	300,000	300,000	1,100,000
Annual Sidewalk Improvements	318	20,000	22,050	440,063	462,066	485,170	509,429	534,899	2,473,677
Chain Lake Road Phase IIA multi-purpose	318	34,020	737,000	3,142,952					3,913,972
Chain Lake Road Phase IIB	318					420,462	2,690,550	4,976,645	8,087,657
Kelsey/Blueberry Intersection Improvements	318	30,000	286,538						316,538
North Madison	318			54,967	598,355				653,322
Pavement Rating Study	318	6,000	35,000						41,000
Railroad Crossing/Tracks	318			100,000		500,000	350,000	5,000,000	5,950,000
Tjerne Phase III	318				561,655	1,954,810	3,877,811		6,394,276
Train Noise Reduction Area	318	5,513	108,636						114,149
Underground overhead utilities (EDAB)	318				20,000	100,000	300,000	300,000	720,000
US Hwy 2 Non-Motorized Shared Path	318			190,781	357,247				548,028
<b>Total General Government Capital</b>		<b>\$ 163,433</b>	<b>\$ 4,285,449</b>	<b>\$ 12,115,157</b>	<b>\$ 11,103,584</b>	<b>\$ 11,048,224</b>	<b>\$ 18,424,884</b>	<b>\$ 17,330,492</b>	<b>\$ 74,471,223</b>

## Six Year Capital Improvement Plan

Project	Budget		Estimate					Project Total
	2019 (S&B)	2019 (Capital)	2020	2021	2022	2023	2024	
Water Utility		Fund #						
132nd Street Watermain Replacement	\$ 51,210	\$ 1,591,090						\$ 1,642,300
134th SE/133rd St/208th SE/209th SE (Graden) Watermain Replacement	412 65,000	412 800,763						865,763
177th PS/Replace Equip & PLC/SCADA	412			1,220,517				1,220,517
182nd-154th to 150th (Under SR522)	412 61,960	412 814,825						876,785
4" Servicing fire hydrant replacement	412					80,406	84,426	164,832
Asbestos Cement Pipe Replacement	412				22,335	136,020	142,821	301,176
Adams Lane Utility Replacement	412 16,390	412 10,000	203,644					230,034
Cascade View Drive Water Main	412 47,460	412 1,090,000						1,137,460
Circle Drive 2" galvanized main replace	412				19,144			19,144
Circle Drive to Sumac main replacement	412					26,802	135,082	161,884
Dickinson Utility Replacement Project	412			448,671				448,671
DOC Storage	412 30,000	412 455,333	3,810,705					4,296,038
Flow Meters install	412				19,144			19,144
Flushing Devices at dead ends	412		11,576					11,576
Lewis/Blakely/Fremont/McDougal parallel alley WMR	412					108,117	213,089	321,206
Lord Hill PS-Pump Replacement	412 8,000	412 44,100						52,100
Lord Hill-Generator	412 1,500	412 20,000						21,500
Madison/Sams/McDougal/Pike alley WMR	412					61,132	210,361	271,493
Main/Ferry/N Blakely/N Madison parallel alley WMR	412					77,289	481,177	558,466
North Madison Utility Replacement	412		54,967	826,300				881,267
Orr to Kelsey-abandon line under houses	412					29,733	143,612	173,345
Replace Asbestos Cement Watermain (171st/173rd 161st north of West Main Street)	412					66,853		66,853
Replace 4" Asbestos Cement Watermain (Main St behind Monroe Shopping Center)	412					33,502		33,502
SCADA PLC Replacement (North Hill PS, Trombley PS, Ingraham)	412		92,610					92,610
Short Columbia Watermain Replacement	412			33,597	211,659			245,256
South Taft Lane Watermain Replacement	412					38,528	186,089	224,617
Spring Hill PS-Pump Replacement	412 8,000	412 44,100						52,100
Strawberry Lane Watermain Replacement	412			82,418	421,970			504,388
Sump Pumps install (Foothills Pressure reducing valve & Trombley Reservoir)	412						5,628	5,628
Trombley Hill Reservoir to Airport/179th SE WMR	412				402,029	3,236,331		3,638,360
Trombley Reservoir 12" Watermain Fire Flow Upside	412 20,000	412 60,197						80,197
Wilson Lane Watermain Replacement	412					41,442	141,329	182,771



### Six Year Capital Improvement Plan

Project	Budget		Estimate					Project Total
	2019 (S&B)	2019 (Capital)	2020	2021	2022	2023	2024	
Total Water Utility Capital	\$ 309,520	\$ 4,930,408	\$ 4,173,502	\$ 2,611,503	\$ 1,096,281	\$ 3,936,155	\$ 1,743,614	\$ 18,800,983

Sewer Utility	Fund #	Budget		Estimate					Project Total
		2019 (S&B)	2019 (Capital)	2020	2021	2022	2023	2024	
Computer upgrades	421		\$ 10,000						\$ 10,000
Adams Lane Utility Replacement	422	16,390	10,000	186,545					212,935
Cates PS Upgrades	422					191,422	804,057		995,479
Dickinson Utility Replacement	422				334,812				334,812
North Madison Utility Replacement	422		250,000	1,250,000					1,500,000
Pipe Replacement Projects	422		250,000	578,813	607,753	638,141	670,048	703,550	3,448,305
Sayer Street Porous Concrete Driveway Access	422				5,470				5,470
South Taft Lane 6'/8' Concrete Main Replacement	422			16,800	64,999				81,799
Valley View PS (179tj)& Force Main Upgrades	422			578,813	4,254,272				4,833,085
West Main Pump Station Upgrades	422					191,442	804,057		995,499
WWTP Engineering Reports	422	35,000	348,226						383,226
WWTP Ph control	422				250,000	1,500,000			1,750,000
WWTP capital maintenance	422			127,628	134,010	140,710	147,746	155,133	705,227
WWTP energy efficiency upgrades	422	10,000	1,000,000						1,010,000
Total Sewer Utility Capital		\$ 61,390	\$ 1,868,226	\$ 2,738,599	\$ 5,651,316	\$ 2,661,715	\$ 2,425,908	\$ 858,683	\$ 16,265,837

Stormwater Utility	Fund #	Budget		Estimate					Project Total
		2019 (S&B)	2019 (Capital)	2020	2021	2022	2023	2024	
Blueberry/Kelsey Infiltration	432		\$ 136,710		\$ 1,049,083				\$ 1,185,793
Blueberry Lane Infiltration	432	37,380		293,370	2,542,894				2,873,644
Dickinson Utility Replacement	432				672,434				672,434
Lake Tye Bio-Swale Design	432	12,000	120,000	600,000					732,000
Monroe Street & Kelsey Street	432			138,527	919,345				1,057,872
Monroe Street & Park Street	432					38,716	256,166		294,882
Park Street & Roberts Street	432					48,716	251,866		300,582
Yearly Pipe Replacement	432			103,600	103,600	103,600	103,600	103,600	518,000
Total Stormwater Utility Capital		\$ 49,380	\$ 256,710	\$ 1,135,497	\$ 5,287,356	\$ 191,032	\$ 611,632	\$ 103,600	\$ 7,635,207

## Six Year Capital Improvement Plan

Project	Budget		Estimate					Project Total
	2019 (S&B)	2019 (Capital)	2020	2021	2022	2023	2024	

Internal Service Funds	Fund #								
IT Strategic Plan	510	<i>\$ 50,000</i>							\$ 50,000
IT Strategic Plan Implementation	510		\$ 75,000	\$ 175,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 310,000
Gen. Gov. Vehicles & Equip Replace	520	41,971	48,490		6,135	19,514	102,194		218,304
Police Vehicles & Equip Replace	520	399,676	306,436	85,797		94,041	112,248		998,198
Public Works Vehicles & Equip Replace	520	467,623	98,230	174,628	1,212,997	28,578	116,845		2,098,901
City Hall/Court Room/Police Station	530		520,931	5,773,655					6,294,586
Facilities Report	530	<i>73,500</i>							73,500
Police Station Roof replacement	530	103,500							103,500
<b>Total Internal Service Capital</b>		<b>\$ -</b>	<b>\$ 1,136,270</b>	<b>\$ 1,049,087</b>	<b>\$ 6,209,080</b>	<b>\$ 1,239,132</b>	<b>\$ 162,133</b>	<b>\$ 351,287</b>	<b>\$ 10,146,989</b>

	Budget		Estimate					Project Total
	2019 (S&B)	2019 (Capital)	2020	2021	2022	2023	2024	
<b>Total Capital All Funds</b>	<b>\$ 583,723</b>	<b>\$ 12,477,063</b>	<b>\$ 21,211,842</b>	<b>\$ 30,862,839</b>	<b>\$ 16,236,384</b>	<b>\$ 25,560,712</b>	<b>\$ 20,387,676</b>	<b>\$ 127,320,239</b>

*Green Italics = Planning dollars*

AC = Asbestos Cement  
 CIP = Capital Improvement Projects  
 DOC = Department of Corrections  
 EDAB = Economic Development Advisory Board  
 FH = Fire Hydrant  
 LCR = Inductance Capacitance Resistance  
 O&M = Operations & Maintenance  
 PLC = Programmable Logic Controller  
 PS = Pump Station  
 S&B = Salaries & Benefits  
 SCADA = Supervisory Control and Data Acquisition  
 TBD = To Be Determined  
 WMR = Watermain Replacement  
 WWTP = Waste Water Treatment Plant

Fund #	Fund Name
001	General Fund
114	Narcotics Fund
307	General CIP Fund
317	Parks CIP Fund
318	Streets CIP Fund
412	Water CIP Fund
421	Sewer O&M Fund
422	Sewer CIP Fund
432	Stormwater CIP Fund
510	Information Technology Fund
520	Fleet & Equipment Fund
530	Facilities Fund

## Utility Rates and Charges

### Quick Summary

- Any city that has established a utility must set an appropriate rate to recover cost.
- Revenues must be used for specified utility purpose.

**RCW: 35.92 RCW, 35A.80 RCW**

Cities and towns frequently own and manage their own water and sewer utility systems, and some also have stormwater, electric, or garbage utilities. Each of these utilities is considered a “proprietary” activity, which is to say that it functions as a business activity separate from the general governmental activities. (See [chapter 35.92 RCW](#) and [chapter 35A.80 RCW](#) regarding municipal utilities.)

This guide is not intended to address the complexities of proper rate-setting but only to speak to the overarching concepts of utility rates and charges.

### Utility Rate Setting

Ideally, all utility rates, system charges, and service fees should be set to recover the cost of operating the systems, in addition to charging for replacing equipment and adding or expanding facilities to meet regulations, future service demands, and setting aside for unforeseen events such as natural disasters.<sup>68</sup> Revenues for fees and charges must meet the expenses of the system, in addition to setting aside reserves.

Careful and accurate rate and service fee setting will assure that the utility operates in a fiscally responsible manner. Consideration should be given to the following areas when setting rates:

- Operating costs (wages, benefits, engineering fees, office supplies, chemicals, lighting, heat, repairs, and other daily operations);
- Insurance;
- State and local taxes;
- Debt service (principal and interest);
- Planning and engineering;
- Reserves for improvements, expansions, and upgrades; and
- Reserves for unforeseen events such as natural disasters.

Utility rates should also incorporate the utility’s portion of indirect or “overhead” costs incurred by the city, such as payroll administration, human resources, information technology, and shared facilities and equipment. See MRSC’s webpage on [Cost Allocation](#) for more guidance on overhead costs.

### Use of Revenues

Utility rates and charges are restricted to the use by the utility for its operations, including all of those costs listed above.

<sup>68</sup> See *Uhler v. Olympia*, 87 Wash. 1 (1915); *Carstens v. Public Utility District No. 1*, 8 Wn.2d 136 (1941)