



DEPARTMENT OF PUBLIC WORKS

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November 29, 2012

To: Mayor Kelli Linville
City Council

Fr: Ted Carlson, Public Works Director

Re: Utility Rates - Responses to Council Questions

During the staff presentation portion of the November 19 Public Hearing, Council requested the following additional information be provided for the December 3 Council Committee meeting.

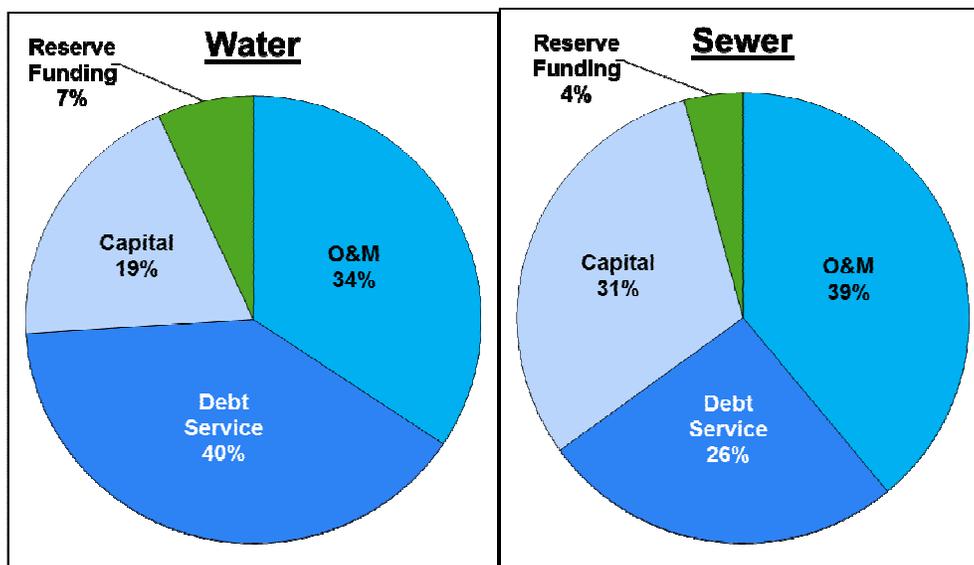
1. Impact on the proposed rate schedule using the minimum adopted reserve levels for the Water, Sewer, and Surface and Storm Water Funds.
2. Break-out of the cost components of the proposed rates (Operations, Capital, etc.)

Staff also received additional questions from Councilmember Weiss, the responses to those questions are included at the end of this memo.

Impact on Proposed Rate Schedule using minimum reserve levels - Staff is still compiling this information and will present the results to Council at Monday's committee briefing.

Cost Components of Proposed rate adjustments. The figure below breaks out debt service as a component of the rate, however the debt service should be considered as a capital expenditure. The break-outs are as follows:

- Water: 50% Capital, 34% O&M, 7% Reserve Funding
- Sewer: 70% Capital, 39% O&M, 4% Reserve Funding



Questions from Councilmember Weiss memo dated November 26, 2012.

Question: As I read the proposed ordinance, there appears to be inconsistencies in the interpretation of impervious surfaces per class. Under 15.16.030, Small and Medium Footprint Residential is only measured by the size of the building where all other residential classes are measured with all other impervious surfaces. That means that a 2900 square foot duplex will pay more because of a incidental driveway or sidewalk than a 2900 single residential house with a four-car carport, tennis court, and gigantic patio. I would suggest making the classes at parity when considering their impervious assessment – either include all or exclude all.

Staff Response: The terminology used in the surface and storm water charges mirrors language related to zoning and land use definitions contained in BMC Chapter 20. As with all utility rates, consistency within customer classes is required. The fixed rates for small and medium residential lots were established due to the administrative challenge of identifying actual impervious amounts on such a large number of accounts. The charges for small and medium parcels are based on averages which is consistent with rate setting principles.

Conversion to a metered system will eventually lead to a change in terminology in the water and sewer (meters and ERU's versus zoning and land use) utilities. Changes to the surface and storm water terminology and rate class structure may also be appropriate for consistency across the utilities. Staff understands from Council and community input that a discussion on changes to credits and incentives to surface and storm water charges is also warranted. Staff recommends approval of the proposed surface and storm water rates without changes to the rate structure now, with consideration of possible changes concurrent with the changes to the water and sewer connection charges

Question: The definition of “Nonresidential” under 15.16.010 (M) is a misnomer, at best. I am certain that the Planning Department could assist in a better term that would let apartment inhabitants understand that they are too “residents.”

Staff Response: See above

Question: The definition of “Nonresidential” under 15.16.010 (M) and “Single-Family Residential” under 15.16.010 (Q) seems to leave a designation of Duplex in an orphan state. Also, how are ADU's treated under these definitions, both attached and detached (see the first comment).

Staff Response: Duplexes are defined in 15.16.010 (F). There are essentially three customer classes in the surface and storm water, Single Family, Duplexes and Nonresidential. Duplexes and Nonresidential are charged the same rate. Accessory dwelling units are only allowed on single family zoned lots (BMC 20.10.035) and are therefore included with the Single Family definition (class).

Question: While I understand that SDC's are not part of this effort, I notice that the charges listed under 15.16.030 B.1 and B.2 seem to conflict with the definitions and applications for duplexes and ADU's. And as we have discussed before, there does not seem to be a stormwater impact nexus for charging the same for a 600 sq ft house versus a 5000 sq ft house. Lastly, the Table 1 under B.3 is titled minimum thresholds, but for what? The terminology is very difficult to understand in the table as to what is being measured.

Staff Response: See above

Question: As with comments above, there is no understanding of how ADU's will be handled under 15.12.010 A.1. I assume that the last sentence refers to duplexes with

separate water meters but don't we still have duplexes in town with master meters for both units?

Staff Response: The presence of an accessory dwelling units (ADU's) is a zoning code issue. Accounts with meters serving single family properties are considered Class 1 regardless of the existence of an ADU and billed the applicable flat sewer rate. With completion of the metering project and collection of additional consumption data it will be appropriate to consider future rate structure changes to reflect actual consumption.

Question: Are separately metered condominiums treated differently as classes between water rates and the designation listed under 15.12.010 A.2? It would seem that they should be labeled as Class 1.

Staff Response: Class 1 customers are billed on flat rate regardless of consumption. Class II sewer rate assumes an 8ccf consumption/volume in the base rate. Individually metered condominiums are unlikely to exceed this base flow and will see bills comparable to Class 1 customers. As with the previous response, additional data related to consumption will be necessary to consider additional changes in rate structure or classification. This data will not be available until the majority of the metering conversion project has been completed.

Question: Under 15.12.040 B.2., language is provided for loading thresholds prior to service. What is the stated mechanism for exceeding these thresholds after service is established? This language appears to reward initial lowballing.

Staff Response: The proposed language is currently contained in BMC 15.20 and was moved into 15.12 with some minor text changes. The thresholds are intended to capture only very large customer's with high strength wastewater and high volume. Most of these types of customers will be required to obtain an industrial discharge permit from the Department of Ecology (DOE).. There are currently approximately 10 customers that fall in this category. Discharge permits require regular testing and monitoring with the reporting to DOE and the City. If loading changes it will need to be addressed through the individually permitting process which with inform any need rate adjustments.

Question: Is 15.12.040 G true for certain UGA or Lake Whatcom exceptions when an application for sewer service because of a failed septic is made on a home with established well water?

Staff Response: This section of code is intended to cover connections inside City limits. As you know, service connections outside of City limits are prohibited except under strict conditions and then only with Council approval. Many of the folks on septic in the UGA are on district water already which, with the exception of District 10, is being provided by contract by the City.

Comment: There is a typo for the word "liquid" in 15.12.210 D.

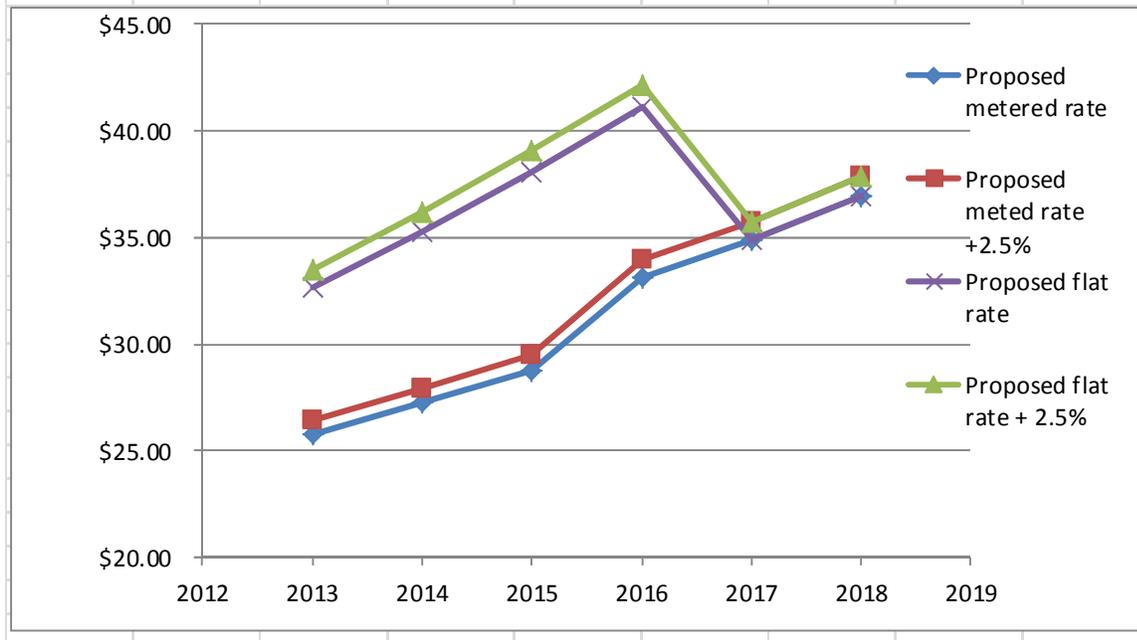
Response: Thank you, this is corrected in legislative draft version.

Follow-up on November 16 Staff Response to November 8 Weiss Questions

Question: Middle of Page 3. You responded "An additional \$350,000 for capital increases the revenue requirement at least an additional 2.5% annually over the six-year period." Is that 2.5% compounded each and every year for six years or is it 2.5% total for the six year period? Approximately what is the first year dollar amount for a single residential customer (metered or flat)?

Staff Response: Generating an additional \$350,000 in annual revenue means an additional 2.5% to each proposed rate each year. The table below shows the effect in real dollars to a typical residential customer.

Single Family								
	metered		8 ccf customer	2.50%		8 ccf customer	flat	2.50%
	base	volume		base	volume			
2013	\$ 13.10	\$ 1.58	\$ 25.74	\$ 13.43	\$ 1.62	\$ 26.38	\$ 32.66	\$ 33.48
2014	\$ 14.21	\$ 1.63	\$ 27.25	\$ 14.57	\$ 1.67	\$ 27.93	\$ 35.27	\$ 36.15
2015	\$ 15.42	\$ 1.67	\$ 28.78	\$ 15.81	\$ 1.71	\$ 29.50	\$ 38.09	\$ 39.04
2016	\$ 19.35	\$ 1.72	\$ 33.11	\$ 19.83	\$ 1.76	\$ 33.94	\$ 41.14	\$ 42.17
2017	\$ 20.33	\$ 1.82	\$ 34.89	\$ 20.84	\$ 1.87	\$ 35.76	\$ 34.89	\$ 35.76
2018	\$ 21.46	\$ 1.94	\$ 36.98	\$ 22.00	\$ 1.99	\$ 37.90	\$ 36.98	\$ 37.90



Question: Bottom of Page 3. Is there or will there be an advertising effort to educate customers that they can pre-pay in order to mimic monthly payments as you have suggested? It is great to have that tool in the meantime but it is important that folks know about it.

Staff Response: Yes, staff are working on a public information and outreach campaign related to utility rates for the 1st quarter of 2013. Information related to automatic payments and voluntary prepayments will be included