

Memo

To: City and Borough of Sitka Assembly

Thru: Mark Gorman, Municipal Administrator

From: Jay Sweeney, Chief Financial and Administrative Officer *JS*
Michael Harmon, Public Works Director *MH*

Date: May 20, 2015

Re: FY16 Wastewater and Water Fee Increase

Staff is recommending fee increases for FY16 for wastewater and water. The following is a summary justification for each fund including a potential alternative that could reduce the proposed water rates.

Wastewater:

Staff is recommending a 4.9% fee increase in wastewater rates for FY16. The fee has been determined through the wastewater long range financial plan and is the amount necessary to continue to generate sufficient cash flow from operations to fund debt service and capital improvements. The fee increase takes into account potential State of Alaska grants for the future with one major matching grant per fiscal year built into the rate model. The fee increase for FY16 is less than what the Wastewater Master Plan recommended and what was passed last year for the FY15 budget.

Water:

Over the course of the last five years, the user fee in the Water Fund has been increased by 14% per year. Staff is recommending a 10% fee increase in water rates for FY16. A key issue necessitating these fee increases has been the annual debt service for the Whitcomb Heights Water Tank loan, which has been borne by the Water Fund since 2011. The annual debt service for the Whitcomb loan has been approximately \$200,000 per year. The challenge with the water tank loan is that the improvements primarily benefit a small group of customers – those in Whitcomb Heights – while all of the rate payers have borne the annual fee increases.

Alternatively, this water system debt could be funded by way of special user fees assessed within the benefited area of Whitcomb Heights. For example a Local Improvement District (LID) assessment could be placed on CBS property and a special water connection fee could be adopted for properties connecting to this system in the future. The CBS has an LID Fund that could be used to pay the annual assessments on CBS property. The LID Fund would be recouped eventually through the future sales of these properties. After these fees are adopted, it would be possible to reduce the overall water rates by up to 10% effectively eliminating the current proposed increase.

Looking beyond FY16, it is important to note that the current rate model projects the need to increase user fees by approximately 5.7% annually through 2026. These future fee increases are projected through the long range financial plan and is the amount necessary to continue to generate sufficient cash flow from operations to fund debt service and capital improvements. These user fee projections will be reanalyzed and adjust every year as appropriate.

Recommendation:

Staff recommends passing the attached fee ordinance consisting of a 4.9% fee increase in wastewater and a 10% fee increase in water. If the Assembly directs staff to pursue alternative water fees/assessments associated to the Whitcomb Heights development, that course of action will be initiated. It is anticipated that this would be a lengthy process.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2015-10

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING TITLE 15 OF THE SITKA GENERAL CODE TO INCREASE WATER RATES AT SECTIONS 15.04.100 ENTITLED "SERVICE CONNECTION CHARGE", 15.04.320 ENTITLED "RATES AND FEES" SECTIONS 15.05.240A ENTITLED "SERVICE CONNECTION CHARGE", 15.05.620 ENTITLED "RATES AND FEES" AND TO INCREASE WASTEWATER RATES

1. CLASSIFICATION. This ordinance is of a permanent nature and is intended to become a part of the Sitka General Code.

2. SEVERABILITY. If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstance shall not be affected.

3. PURPOSE. The purpose of this ordinance is to increase user fees for water and wastewater service; and, to increase the connection charges for connecting a structure to the Municipal water and wastewater systems.

4. ENACTMENT, NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka that SGC Sections: 15.04.100A, 15.04.320, 15.05.240A, 15.05.0620, and are amended to read as follows (new language underlined; deleted language stricken):

* * *

15.04.100 Service Connection Charge.

A. At the time the applicant files for a connection permit where no service previously existed; or, if the applicant is filing for a change in service connection, or size, or to serve a new structure, the applicant shall submit with the application the service connection charge of ~~six hundred ninety~~ seven hundred twenty five dollars. This charge is to cover the costs to the CBS of locating the stub-out from the sewer main (if available), inspection of the sewer service line, administrative costs, and permit fees. Upon approval of the connection, the property owner may proceed in accordance with the provisions in Section 15.04.130.

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15.04.320 Rates and Fees.

A. Base rate: ~~fifty dollars and fifty nine~~ fifty three dollars and seven cents per unit per month.

UNIT DESCRIPTION	UNIT
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UNIT DESCRIPTION		UNIT
Residential/Dwelling Unit ⁽¹⁾		1.0 ⁽²⁾
Commercial (General, Miscellaneous) ⁽³⁾		1.0
Clubs and lodges without bar or restaurant		
Garages, service stations		
Offices including medical (10 or less employees)		
Shops and stores without food processing		
Commercial Specifics⁽³⁾ (1 Minimum) Plus	Per Each	
Bar, lounge, restaurant, snack bar	seat or stool	0.05
Barber, beauty shop (one station = 1.0)	station	0.6
Bowling alley	lane	1.0
Church	10 seats	0.1
Office/office space	over 10 employees	0.2
Hospital	bed	0.8
Meat market		3.0
Supermarket, grocery store with food process		8.0
Rest home	bed	0.2
Hotel, motel ⁽⁴⁾	bed or room	0.3
Dormitory, boardinghouse ⁽⁴⁾	bed or room	0.3
RV park ⁽⁴⁾⁽⁶⁾	RV space	0.3
Bed and breakfast ⁽⁴⁾	bed or room	0.15
Commercial laundry	wet machine	8.0
Launderette	wet machine	1.0
Schools, college, day care ⁽⁵⁾	10 students	0.4
Theater	10 seats	0.2
Car wash (no minimum)	stall	2.0

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Notes:

⁽¹⁾ Including apartments and trailers, per each. (Apartments shall be assessed as if on a separate meter.)

⁽²⁾ Base rate.

⁽³⁾ Business in homes shall be assessed for the additional appropriate commercial rate.

- 52 (4) Hotel, motel, B&B may count rooms only. Dormitory or boardinghouse must count
- 53 beds. RV parks count RV spaces with utility hookups. (Vacation rates do not apply.)
- 54 (5) Approximate enrollment—may be reviewed annually.
- 55 (6) RV parks have all mobile units able to be underway on the road with a minimal
- 56 amount of time and not require special permits to drive on the road. Underway can be
- 57 under its own power, pulled by a vehicle or in the bed of a pickup. Rental rates are
- 58 based on the day and utilities are included.

- 60 B. Sewer Service in Conjunction with Metered Water.
- 61 1. General Sewer Service in Conjunction with Metered Water. Minimum charge:
- 62 One times the unmetered sewer base rate plus ~~two dollars and seventy three~~
- 63 two dollars eighty six cents per one thousand metered gallons.
- 64 2. Gary Paxton Industrial Park. Treated wastewater, metered: ~~one hundred dollars one~~
- 65 hundred four dollars and ninety cents per month minimum.
- 66 a. Treated wastewater, metered: ~~two dollars and ninety nine cents~~ three dollars and
- 67 fourteen cents per one thousand gallons water use.

- 68 C. Connection Fee. ~~Six hundred ninety dollars~~ seven hundred twenty five dollars per
- 69 connection.

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72 **15.05.240. Service Connection Charge.**

- 74 A. At the time the applicant files for a connection permit where no service previously
- 75 existed; or, if the applicant is filing for a change in service location, or size, or to serve a
- 76 new structure, the applicant shall submit with this application the service connection
- 77 charge of ~~six hundred and ninety~~ seven hundred twenty five dollars. This charge is to
- 78 cover permit fees, inspection, and administrative costs.

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80 **15.05.620 Rates and fees.**

- 81 A. Unmetered Water. Base rate: ~~thirty five dollars and forty two cents~~ thirty eight dollars and ninety six
- 82 cents per unit.

UNIT DESCRIPTION	UNIT
Residential/Dwelling Unit ⁽¹⁾	1.0 ⁽²⁾
Commercial (General, Miscellaneous) ⁽³⁾	1.0
Clubs and lodges without bar or restaurant	
Garages, service stations	

UNIT DESCRIPTION		UNIT
Offices including medical (10 or less employees)		
Shops and stores without food processing		
Commercial Specifics⁽³⁾ (1 Minimum) Plus	Per Each	
Bar, lounge, restaurant, snack bar	seat or stool	0.05
Barber, beauty shop (one station = 1.0)	station	0.6
Bowling alley	lane	1.0
Church	10 seats	0.1
Office/office space	over 10 employees	0.2
Hospital	bed	0.8
Meat market		3.0
Supermarket, grocery store with food process		8.0
Rest home	bed	0.2
Hotel, motel ⁽⁴⁾	bed or room	0.3
Dormitory, boardinghouse ⁽⁴⁾	bed or room	0.3
RV park ⁽⁴⁾⁽⁶⁾	RV space	0.3
Bed and breakfast ⁽⁴⁾	bed or room	0.15
Commercial laundry	wet machine	8.0
Launderette	wet machine	1.0
Schools, college, day care ⁽⁵⁾	10 students	0.4
Theater	10 seats	0.2
Car wash (no minimum)	stall	2.0

83 Notes:

84 ⁽⁴⁾Including apartments and trailers, per each. (Apartments shall be assessed as if on a separate meter.)

85 ⁽²⁾ Base rate.

86 ⁽³⁾ Business in homes shall be assessed for the additional appropriate commercial rate.

87 ⁽⁴⁾ Hotel, motel, B&B may count rooms only. Dormitory or boardinghouse must count beds. RV parks count RV spaces
88 with utility hookups. (Vacation rates do not apply.)

89 ⁽⁵⁾ Approximate enrollment—may be reviewed annually.

90 ⁽⁶⁾ RV parks have all mobile units able to be underway on the road with a minimal amount of time and not require
91 special permits to drive on the road. Underway can be under its own power, pulled by a vehicle or in the bed of a
92 pickup. Rental rates are based on the day and utilities are included.

93 B. Metered Water Service.

94 1. General Metered Water Service

Meter Size	Allowance (GAL)	Minimum Charge
Up to 1"	15,000	\$50.50 <u>\$55.55</u>
2"	50,000	\$110.75 <u>\$121.83</u>
3"	100,000	\$166.12 <u>\$182.73</u>
4"	250,000	\$332.24 <u>\$365.46</u>
6" and above	500,000	\$664.47 <u>\$730.92</u>

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96 All over allowance charged at minimum charge plus ~~one dollar ten cents~~ one dollar twenty one cents per
97 one thousand gallons. The over allowance charged at minimum charge plus ~~fifty one cents~~ fifty-six cents
98 per one thousand gallons will apply to major fish processing plants (Seafood Producers Cooperative,
99 Sitka Sound Seafoods, Inc., aka North Pacific Seafoods, and Stikine Holdings, LLC, aka Silver Bay
100 Seafoods).

101 2. Gary Paxton Industrial Park.

102 a. Metered water: ~~one hundred ten dollars and seventy five cents~~ one hundred twenty one dollars and
103 eighty three cents per month minimum.

104 i. Treated water: ~~two dollars and twenty two cents~~ two dollars and forty four cents per one
105 thousand gallons.

106 ii. Treated water, fish processing use: ~~one dollar and sixty seven cents~~ one dollar and eighty four
107 cents per one thousand gallons.

108 C. Curb Stop/Service Valve Operation Fee. Except for the initial turn-on that occurs when property
109 is first connected to the municipal water system, each customer or applicant for service shall pay a fee of
110 ~~fifty~~ fifty five dollars for turning on or turning off the water service to the property. The fee shall be paid
111 for each turn-on and turn-off whether at the customer's or applicant's request or due to nonpayment for
112 water services. The water service to a property may not be turned on unless all water system fees
113 associated with the property have been paid in full.

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115 E. Connection Fee. ~~Six hundred ninety dollars~~ seven hundred twenty five dollars per connection.

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119 **5. EFFECTIVE DATE.** This ordinance shall become effective July 1, 2015.

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121 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of
122 Sitka, Alaska this 9th day of June, 2015.

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Mim McConnell, Mayor

126 ATTEST:

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130 Sara Peterson, CMC
131 Municipal Clerk
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