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## MEMORANDUM

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**To:** Mayor McConnell and Members of the Assembly  
Jay Sweeney, Interim Municipal Administrator

**From:** Stephen Weatherman, P.E., Municipal Engineer 

**Cc:** Mark Buggins, Environmental Superintendent

**Date:** July 2, 2013

**Subject:** Ordinance 2013-30 - Increase in Rates/Fees for Sewer Service

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### Background:

On July 12, 2011 the Assembly approved award of a professional services contract to DOWL HKM to complete the Sewer System Master Plan. The purpose of this study is to serve as a guideline to help prioritize and budget for upgrading and/or reconstructing the existing sewer system infrastructure and installing new infrastructure. The Master Plan will also be used as a factual basis for securing local, state, and federal funding for the required improvements.

### Analysis

A thorough and comprehensive analysis of the condition of the Municipal Sewer System has been completed with this Master Plan. The results of the analysis have identified essential repairs and replacements of wastewater infrastructure, time frames in which the repairs need to be accomplished and projected costs for the repairs.

The proposed sewer rate/fee increases are necessary to ensure that there is sufficient cash flow to fund operations and debt service associated with the Sewer System Capital Improvement Plan (CIP) in accordance with the Sewer Master Plan. Rate increases for Fiscal Year 2011 and 2012 were increased by 13.33% with projected increases of 13.33% through Fiscal Year 2015 to coincide with CBS water rate increases. The financial analysis associated with this Master Plan (10-year rate schedule) recommends a yearly rate/fee increase of 9.5% through Fiscal Year 2018 and then lowering the increase to 6.5% through Fiscal Year 2022.

### Fiscal Note

A key element of the Municipal Wastewater Treatment Master Plan is an in-depth pro forma financial analysis and rate forecast, performed by the FCS Group in conjunction with DOWL HKM.

In the course of preparing the financial analysis and rate forecast, the FCS Group engaged in extensive financial modeling in order to prepare prospective financial statements showing the effects of different financial variables such as borrowing rates, expense inflation rates, and different capital structures. The modeling was thorough, detailed and well executed, constituting some of the best independent work the CBS staff has seen.

Our Finance Department independently prepared its own high level financial analysis in order to vet the analyses of the FCS Group. The Finance Department verified that the rate increases indicated by the FCS Group analyses are indeed appropriate and necessary to fund the wastewater capital improvement plan, while at the same time not setting user fees higher than required.

**Recommendation:**

**Approve Ordinance 2013-30 amending Sitka General Code at Chapter 15.04 entitled “Sewer System” at Subsection 15.04.320 entitled “Rates and Fees” and at Chapter 15.05 entitled “Water System” at Subsection 15.05.625, entitled “Wastewater Service – Sawmill Cove Industrial Park” to adjust the rates for sewer service in accordance with the Sewer System Master Plan to fund the Capital Improvement Projects Plan. Also add RV spaces Utility Hookup in the Rate Structure.**

# Memo

**To:** Mayor McConnell and Assembly Members

**Via:** Jay Sweeney, Interim City Administrator

**From:** Mike Middleton, Interim Finance Director

**CC:** Michael Harmon, Public Works Director  
Wells Williams, Planning Director  
Mark Buggins, Environmental Superintendent  
Gary Baugher, Maintenance and Operations Superintendent

**Date:** 6/17/13

**Re:** RV Park Utilities

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Currently, RV parks have been treated the same as a mobile home park, where full services are charged to each occupied space. This does not seem to be an equitable option and additionally is difficult for the City and Borough to track.

The attached proposed amendment to the SGC will allow an RV park to be billed for sewer, water and trash as a hotel, in essence paying a lesser amount for each unit and not treating each as a separate residential dwelling.

The units have a daily rate, like a hotel. The landlord covers all utilities for the customer out of the rent, there is no separate account set up with the CBS. Some do stay for extended periods, but some don't.

The water usage – water and wastewater – is considerably less than a residential dwelling typically. There is typically no bathtub, no dishwasher and no washing machine.

The level of solid waste generated tends to be low, with the landlord required to provide more capacity than is used.

When put together, an RV appears to be short term housing without many of the amenities many people are used to accessing in long term housing. It has more in common with a hotel than a mobile home park.

Water, wastewater and solid waste service agree this is a valid and equitable way to charge the RV park accounts. There will be no change on how electrical usage is charged, so there is no impact on the electrical charge. The identification of RV parks for utility charges does not conflict with Planning which groups RV parks with Mobile Home Parks for planning purposes.

# Memo

**To:** Jay Sweeney, Michael Harmon, Wells Williams, Mark Buggins, Gary Baugher  
**From:** Mike Middleton  
**Date:** 7/2/2013  
**Re:** RV Park utilities

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I believe the RV park utility rates are not categorized correctly. Currently, an RV park is treated the same as a trailer (or mobile home) park for utility billing. The difference is an RV park tenant is very temporary by nature. The parks charge rates by the day and this includes the utility service.

When this is contrasted with the trailer parks, the differences become apparent. Temporary vs long term; mobile vs fixed; utilities included vs separate accounts. This became clear after contemplating discussions with the representative of the Golf Course, Sitka Sportsman Association and the Crescent Harbor Park.

When I look at the traits of a pure RV park, it resembles a hotel much more than a trailer (mobile home) park. I propose to change the utility billing treatment to reflect a new category for RV parks with several specific requirements.

1. The park has to exclusively have mobile units. A mobile unit is a unit able to be underway on the road in a minimal amount of time or special permits to drive on the road. Underway can be under its own power, pulled behind a vehicle or in the bed of a pickup.
2. Utility services are not billed separately to units; rather it is included in the rent.
3. If the above conditions are not met, the park should be treated as a trailer (mobile home) park.

The question here is should the room count (the driver for hotels) be based on the number of spaces or on the number of filled spaces? At this point, I believe the number of spaces with utilities as the determining factor. Not all spaces are filled, but neither are all hotel rooms.

The park will be subject to 15.06.005 – Frequency of Collection meaning if more than weekly collection is required, additional amounts will be charged.

This will have no impact on how electric usage is charged.

I do intend for this to have any sort of impact on zoning or permitted uses, this is meant to be an adjustment to the billing rate for a category of business.

Applying this change will result in a significant change in the amount billed to the RV parks. Currently only the three meet the requirements. As an example, here is the change as it impacts Sitka Golf Course:

<u>Utility</u>	<u>Old rate</u>	<u>New rate</u>	<u>Change</u>
Water (\$27.02/unit)	162.12 (6 units)	72.96 (0.3*9 units)	-89.16
Sewer (\$42.19/unit)	253.14 (6 units)	113.92 (0.3*9 units)	-139.22
Garbage (350 gal)	228.00 (6 @ \$38)	170.00 (1 pickup/wk)	-58.00

Sales Tax (5%)	32.17	17.85	-14.32
Total	675.43	374.73	-300.70

The cleanest way to make this change is to add a category for RV park to the SGC in sections 15.04.320 and 15.05.620 Rates and fees for Sewer and Water charges.

Please review proposal in this memo and the attached documents for the proposed SGC amendments. The proposed amendments are underlined.