



Shelton City Council
Study Session Agenda
April 27, 2021 at 6:00 p.m.
Virtual Platform

A. Call to Order

B. Business Agenda

1. Stormwater Rates – Presented by Public Works Director Jay Harris

C. New Items for Discussion

D. Adjourn



City of Shelton



Stormwater Utility Rate Study Conclusion

John Ghilarducci, Principal
Tage Aaker, Project Manager

April 27, 2021



Stormwater Utility is Program Intensive



Water quality



Water quantity



Public education and outreach



Repair and maintenance



Capital projects



Inspection services



NPDES program



Customer billing and administration



Monitoring



Stormwater Utility is Capital Intensive

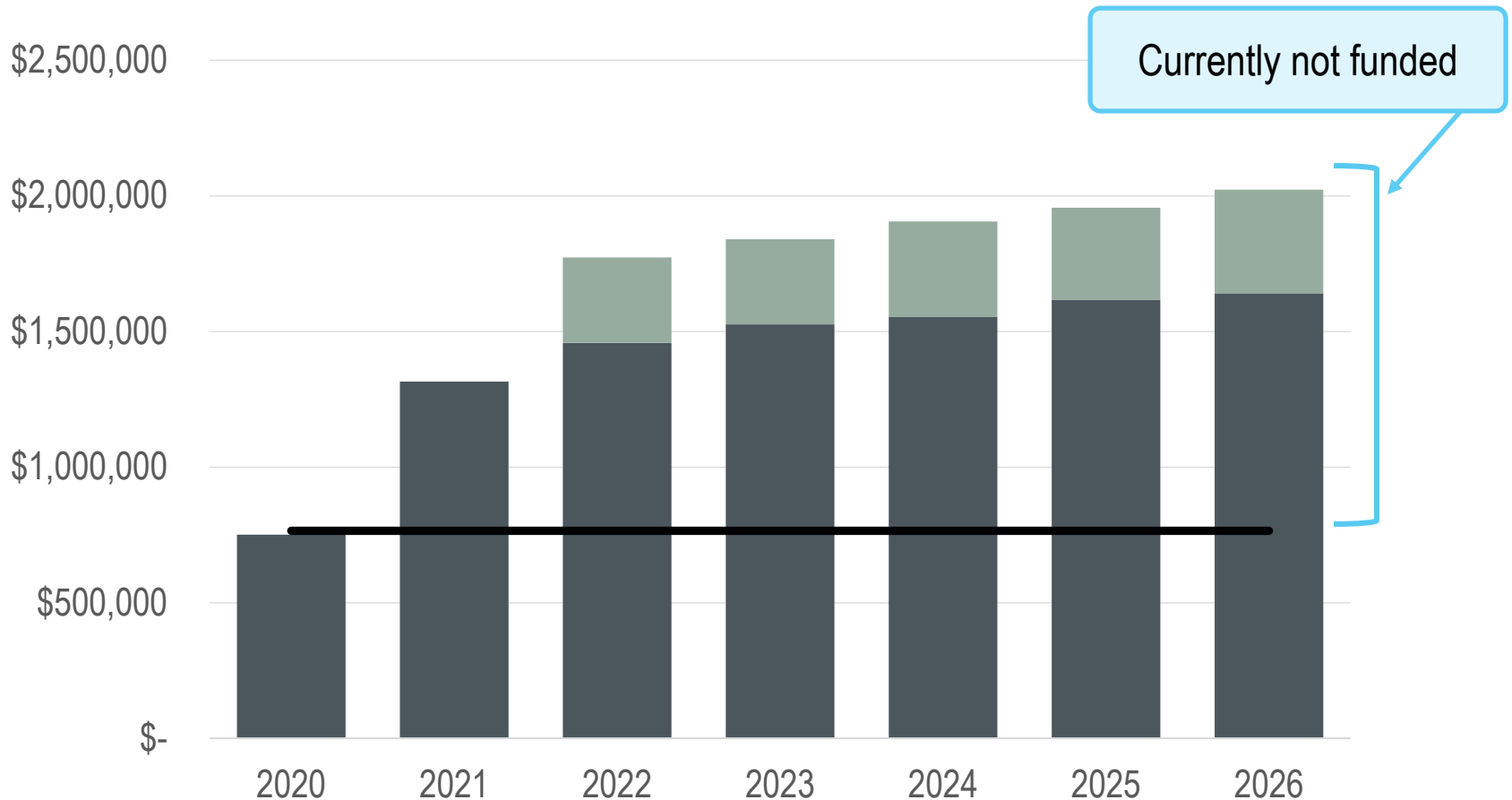


- ◆ Catch basins / inlets: 1,721
- ◆ Manholes: 492
- ◆ Cleanouts: 16
- ◆ Vaults: 7
- ◆ Outfalls: 5
- ◆ Ditches: 23,407 feet
- ◆ Culverts: 2,765 feet
- ◆ Mainlines: 207,757 feet
- ◆ Shelton Creek Diversion Pipe: 4,646 feet



Stormwater Utility is Underfunded

- ◆ **\$1.8 - \$2 million / yr. to fund 2021 budget (+ inflation), +1 FTE in 2022, capital**





Proposed Council Action – Rates & Credits

Recommendation

- ◆ **Adopt ESU rate structure that covers operating and capital needs (see table below)**
- ◆ **Rate credits**
 - 20% for low-income seniors or disabled customers (was 17%)
 - 10% for non-residential w/ on-site mitigation measures (same)
 - 75% for individual NPDES permit holders (new)

Monthly Rates	Unit	July 1, 2021	2022	2023	2024	2025	2026
Single-Family Residential (SFR)	Per parcel	\$17.71	\$18.24	\$18.79	\$19.35	\$19.93	\$20.53
Low-income Senior / Disabled SFR	Per parcel	\$14.17	\$14.59	\$15.03	\$15.48	\$15.94	\$16.42
Duplex	Per parcel	\$35.42	\$36.48	\$37.58	\$38.70	\$39.86	\$41.06
All Other Developed Parcels	Per 2,900 impervious square feet	\$17.71	\$18.24	\$18.79	\$19.35	\$19.93	\$20.53



Proposed Council Action - GFCs

Recommendation

- ◆ **Adopt GFC of \$879 per ESU**
- ◆ **Increase GFCs for each utility by construction cost inflation each year**

Questions?

Contact FCS GROUP:
(425) 867-1802
www.fcsgroup.com

Technical Appendix



Revenue Requirement

Utility Rate Making

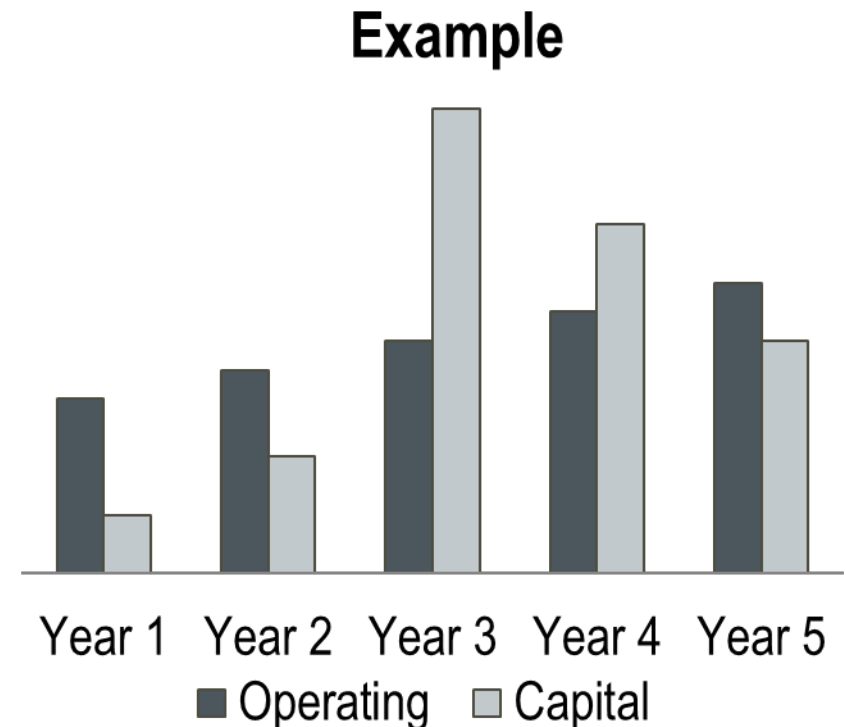
- ◆ **Utility rates are set to cover the cost of providing service**

- ◆ **Operating costs (regular / ongoing)**

- Asset repair and maintenance
- Education and outreach
- Inspections
- Engineering
- Street sweeping

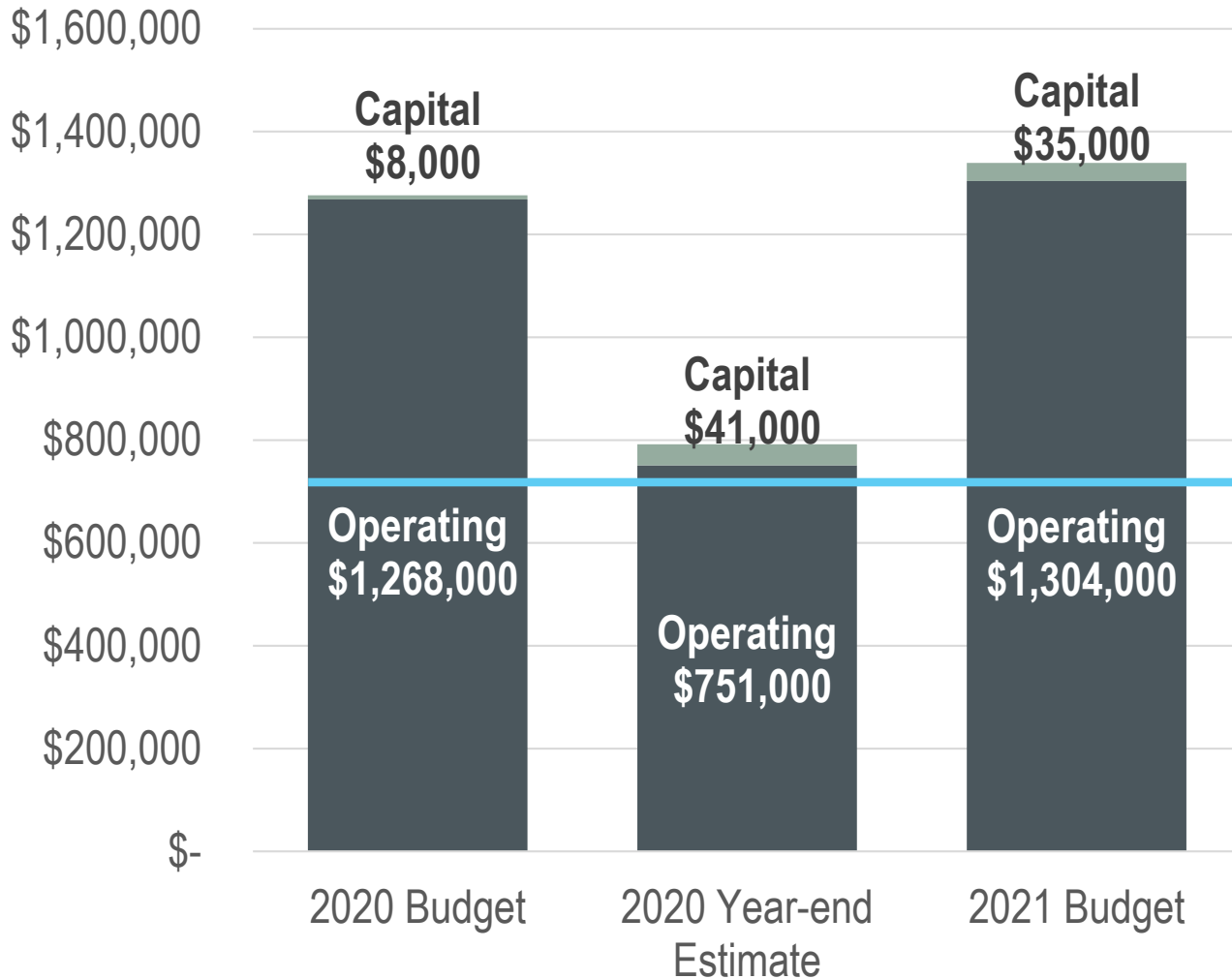
- ◆ **Capital costs**

- Infrastructure replacement
- Facility expansions and upgrades





Current Stormwater Utility Costs



- ◆ 2020 O&M reduced, e.g., deferred hires due to pandemic
- ◆ 2021 O&M 'rebounds'
- ◆ Add'l FTE needed 2022



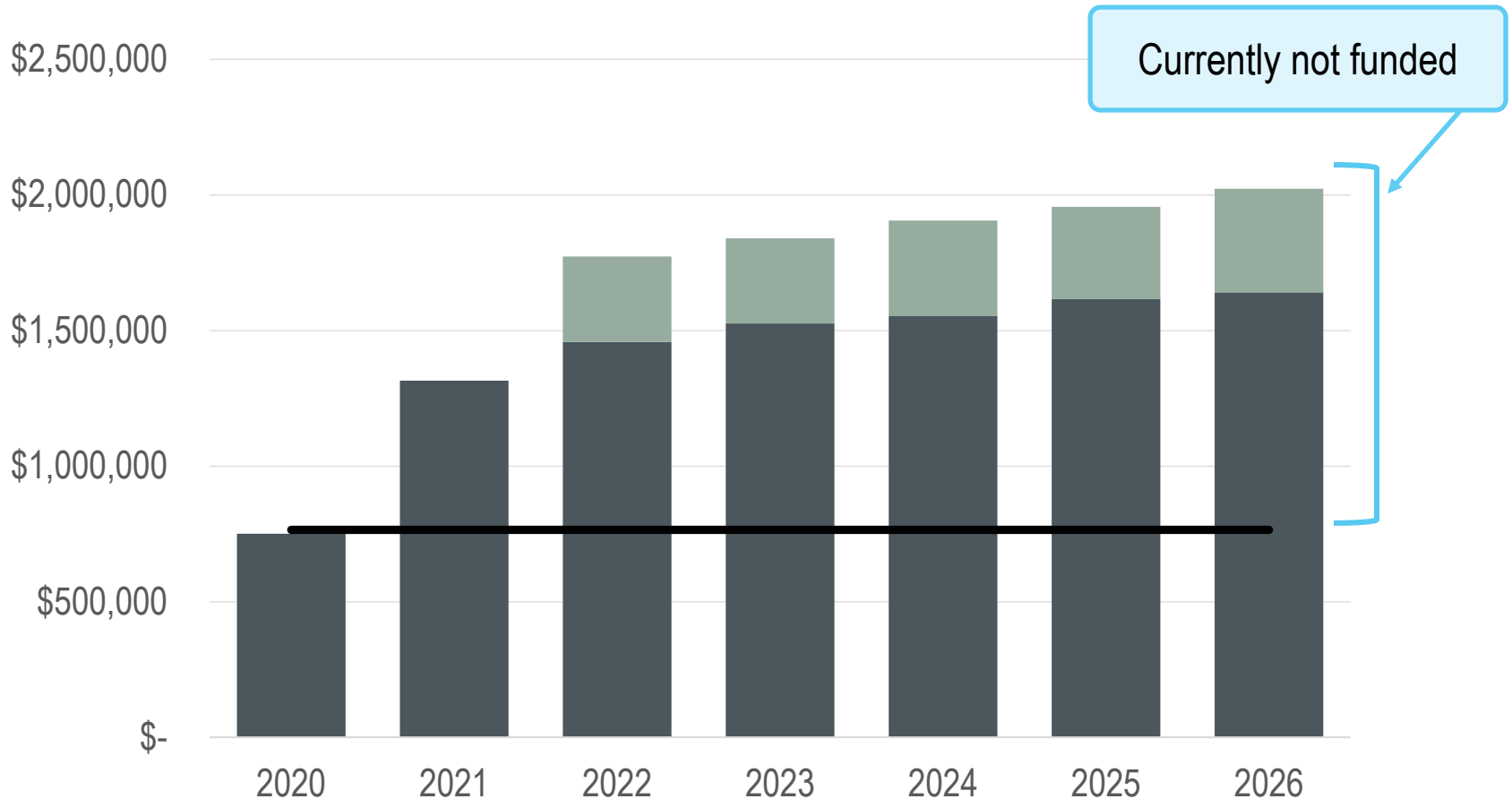
6-year Capital Plan (2020 \$)

Project List	2021	2022	2023	2024	2025	2026
Maintenance Facility Expansion	\$15,000	-	-	-	-	-
Pavement Maintenance Program	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
2 nd & Birch	-	\$30,000	-	-	-	-
Master Plan Update	-	\$60,000	\$60,000	-	-	-
Western Gateway A	-	\$142,500	\$142,500	-	-	-
Canyon Creek WQ	-	\$20,000	-	-	-	-
N 3 rd Street & Laurel	-	\$10,000	-	-	-	-
W. Franklin Drainage Improv.	-	-	\$15,000	-	-	-
Wallace Kneeland Roundabout	-	-	-	\$200,000	-	\$200,000
Western Gateway C	-	-	-	-	\$250,000	-
Total	\$35,000	\$282,500	\$237,500	\$220,000	\$270,000	\$220,000



Stormwater Utility is Underfunded

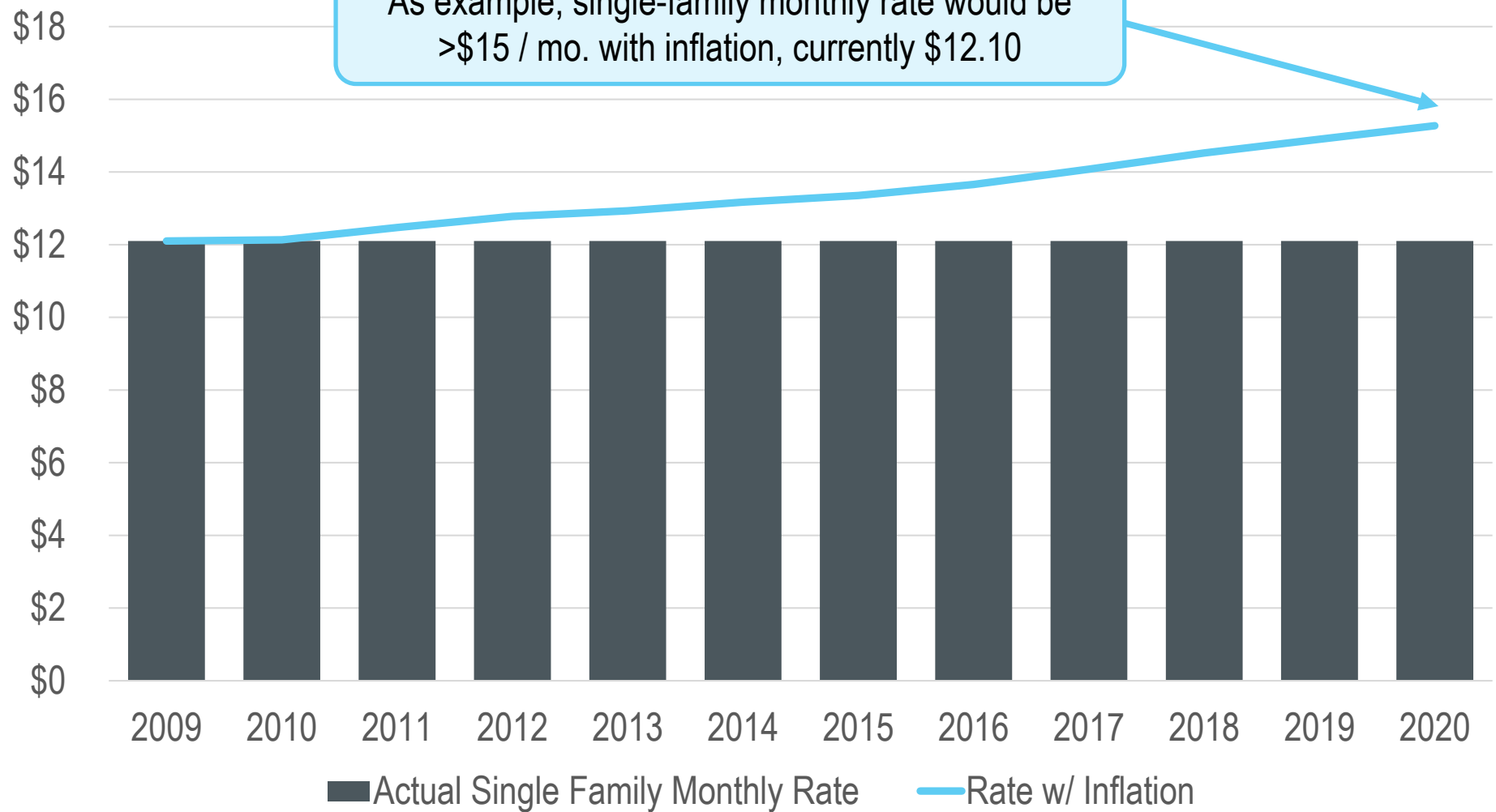
- ◆ \$1.8 - \$2 million / yr. to fund 2021 budget (+ inflation), +1 FTE in 2022, capital





Rates Have Not Increased Since 2009

As example, single-family monthly rate would be >\$15 / mo. with inflation, currently \$12.10





Rate Design



Existing Rate Structure

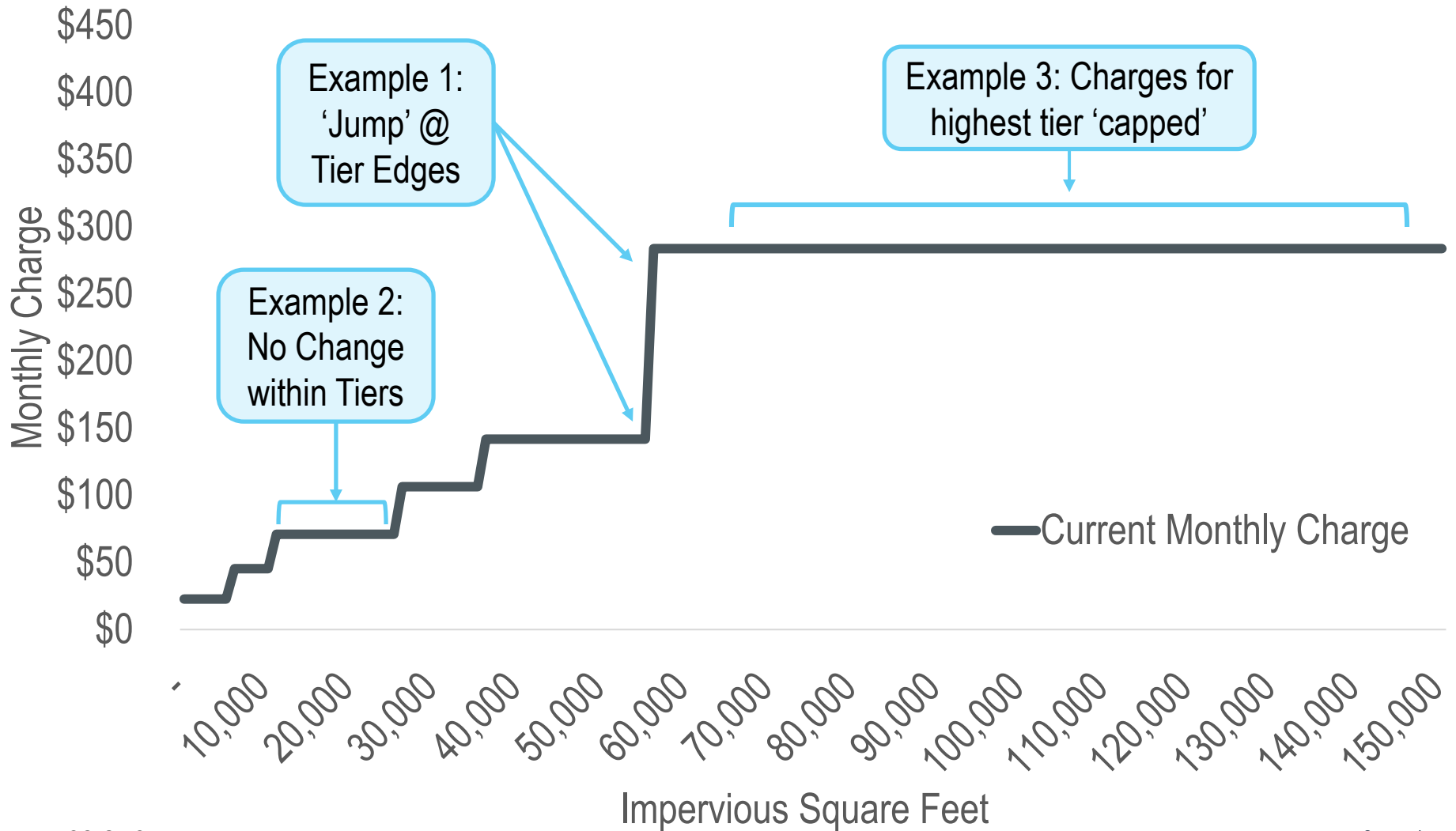
- ◆ **Schedule 1: Single-Family Residential (SFR) & Duplexes: \$12.10 per month**
 - Low-income senior citizens / disability persons receive 17% discount
- ◆ **Schedule 2: Non-SFR** (Commercial, Hotel/Motel, Triplex, Multifamily, Mobile Home, Trailer Parks, Government Facilities and Industrial Customers)
 - Parcels with mitigation measures receive 10% discount

Schedule 2

Impervious Square Feet	Monthly Fee per Parcel
≤ 5,000	\$22.70
5,001—10,000	\$45.40
10,001—25,000	\$71.00
25,001—35,000	\$106.40
35,001—55,000	\$141.85
> 55,000	\$283.70



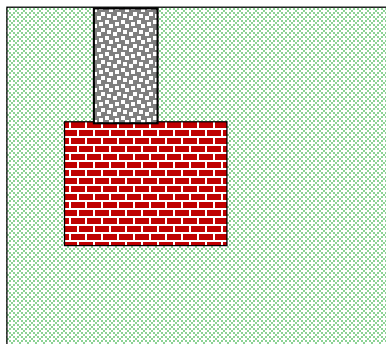
Inequities of Current Rate Structure





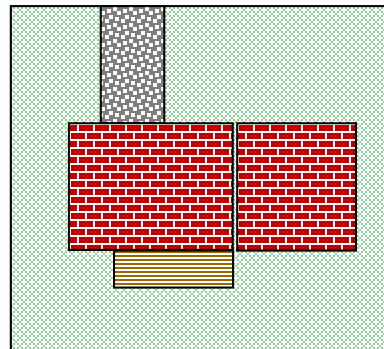
Proposal: ESU Rate Structure

- ◆ Aligns cost recovery with impervious area
- ◆ Rate expressed in \$ per Equivalent Service Unit (ESU)
- ◆ Single-Family Parcels = 1 ESU regardless of impervious area
- ◆ Duplex Parcels = 2 ESU regardless of impervious area
- ◆ Other Developed Parcels = 1 ESU per 2,900 i.s.f.*



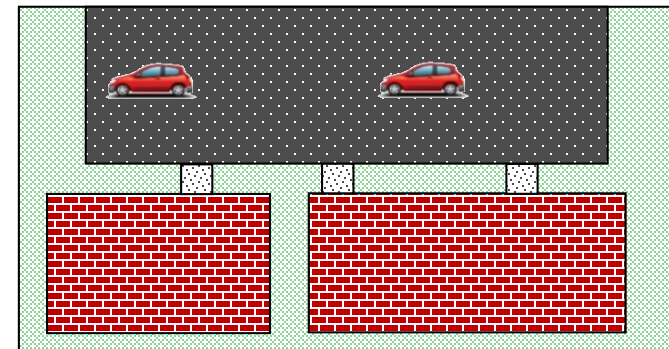
Single-Family

2,600 i.s.f = 1 ESU



Single-Family

3,300 i.s.f = 1 ESU

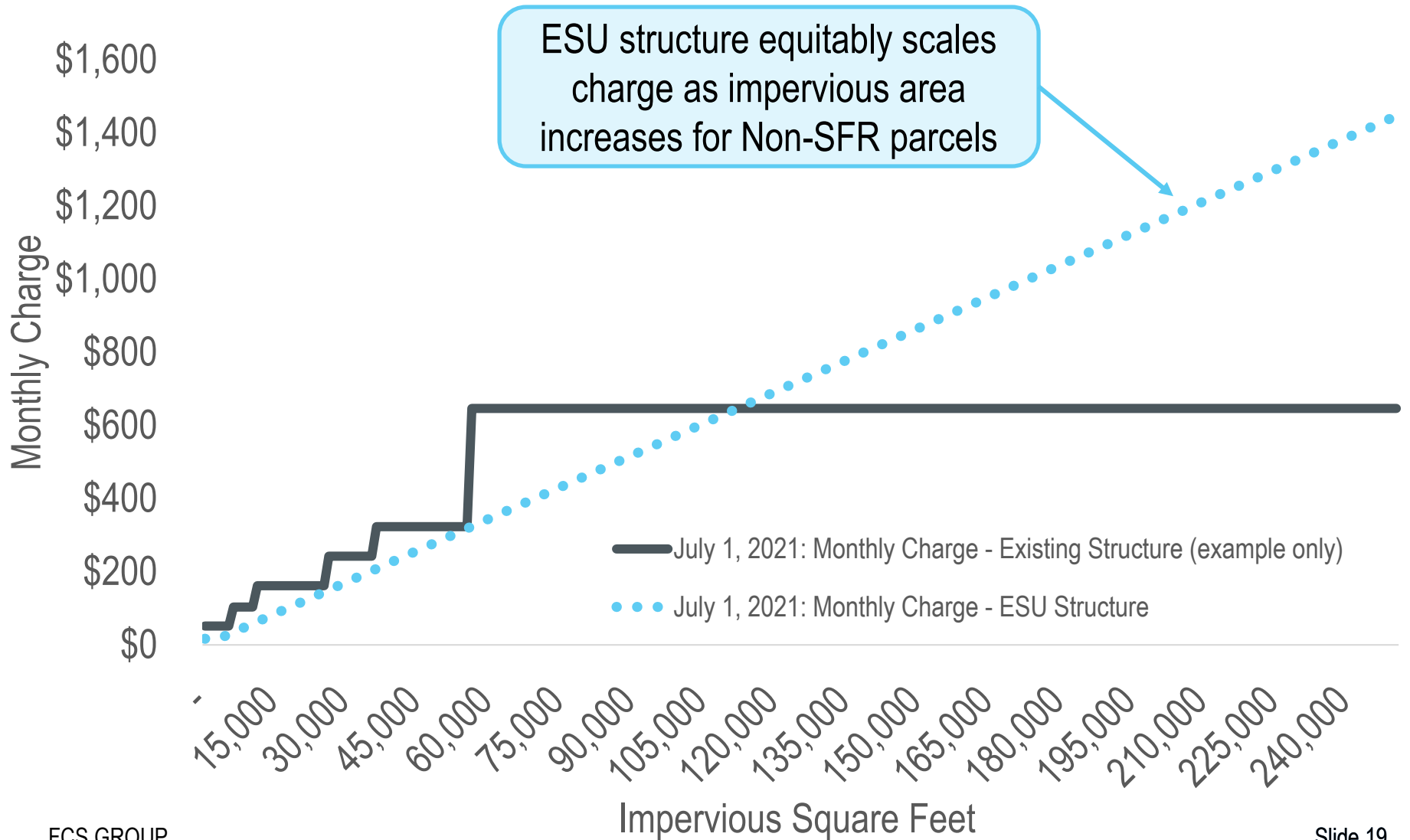


Commercial

14,400 i.s.f = 5.0 ESUs



ESU Structure Equitably 'Scales Up' Non-SFR



ESU structure equitably scales charge as impervious area increases for Non-SFR parcels

— July 1, 2021: Monthly Charge - Existing Structure (example only)
••• July 1, 2021: Monthly Charge - ESU Structure



Proposed Approach

- ◆ **Rates in table below fund operating and capital requirements**
- ◆ **Rate credits**
 - 20% for low-income seniors or disabled customers (was 17%)
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All Other Developed Parcels	Per 2,900 impervious square feet	\$17.71	\$18.24	\$18.79	\$19.35	\$19.93	\$20.53

Note: All other developed parcels: minimum of 1 ESU



Sample Bills: Non-SFR

Impervious Sq. Ft.	Jan 1, 2021 Monthly Charge Existing Structure	July 1, 2021 Monthly Charge ESU Structure
3,000	\$22.70	\$18.32
5,000	\$22.70	\$30.53
10,000	\$45.40	\$61.07
25,000	\$71.00	\$152.67
50,000	\$141.85	\$305.34
100,000	\$283.70	\$610.69
500,000	\$283.70	\$3,053.45
1,000,000	\$283.70	\$6,106.90



List of Cities in Western WA with ESU

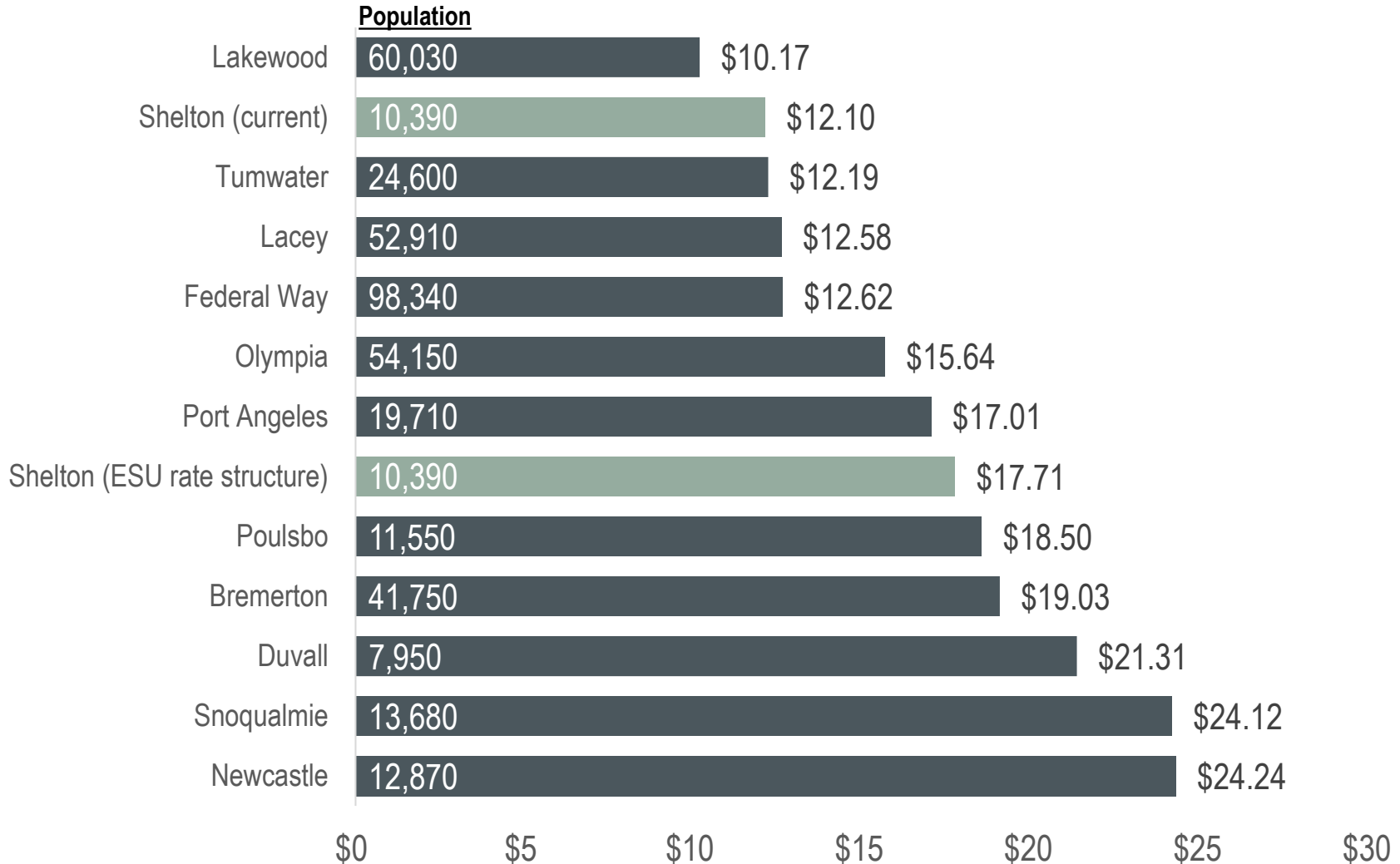
- Tumwater
- Montesano
- Olympia
- Centralia
- Pierce County
- Steilacoom
- Lakewood
- Buckley
- University Place
- Sumner
- Bonney Lake
- Puyallup
- Stanwood
- Monroe
- Kent
- Sammamish
- Lake Stevens
- Mount Vernon
- Lynnwood
- Anacortes
- Mountlake Terrace
- Black Diamond
- Issaquah
- Lake Stevens
- Kirkland
- Federal Way
- Maple Valley

- ◆ **Non-exhaustive list of cities that have an ESU element in structure**





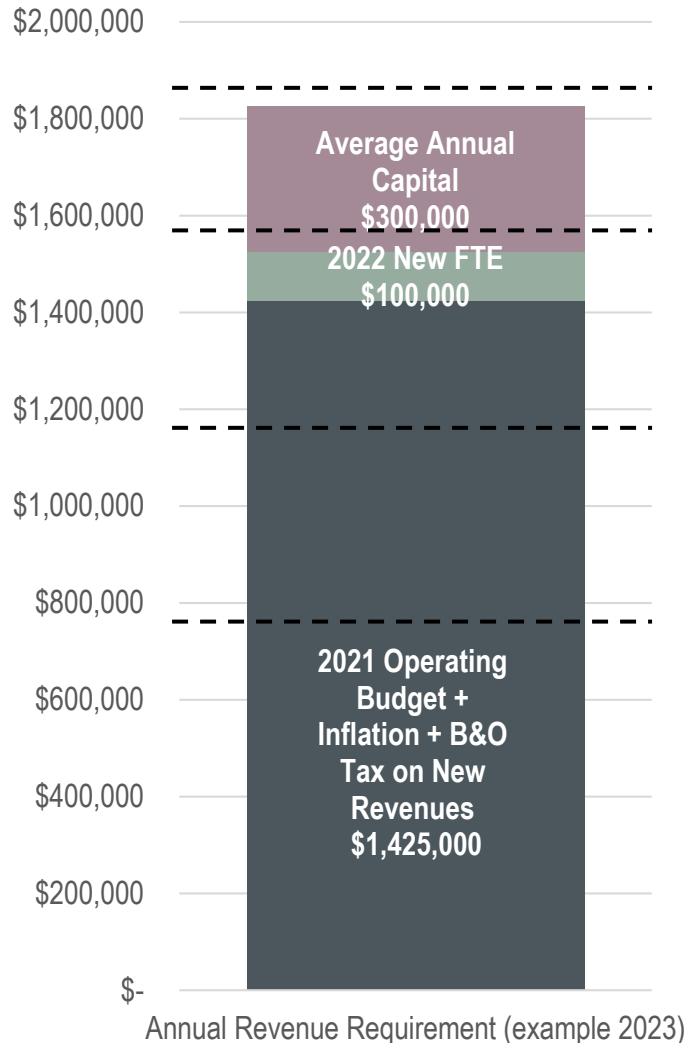
Single-Family Monthly Stormwater Rates



Note: Shelton applies City utility tax of 5% on top of stated rates



ESU Rate Implementation Options



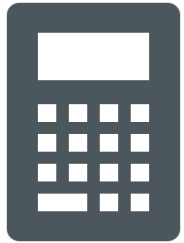
Annual rate revenue under **ESU** rate structure @ **\$19 / month**: \$1,875,000

Annual rate revenue under **ESU** rate structure @ **\$16 / month**: \$1,580,000

Annual rate revenue under **ESU** rate structure @ **\$12 / month**: \$1,185,000

Existing annual rate revenue under **existing** rate structure: \$765,000

- ◆ ESU rate of \$16 per month needed to fund operating costs
- ◆ An additional \$3 per month would supply funding for capital projects



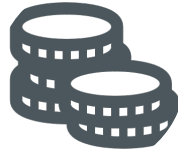
GFCs



What should GFCs do?



Recover the costs of growth from growth



Reimburse existing customers who have paid for available capacity



Provides revenue for capital, while not being a reliable source of revenue



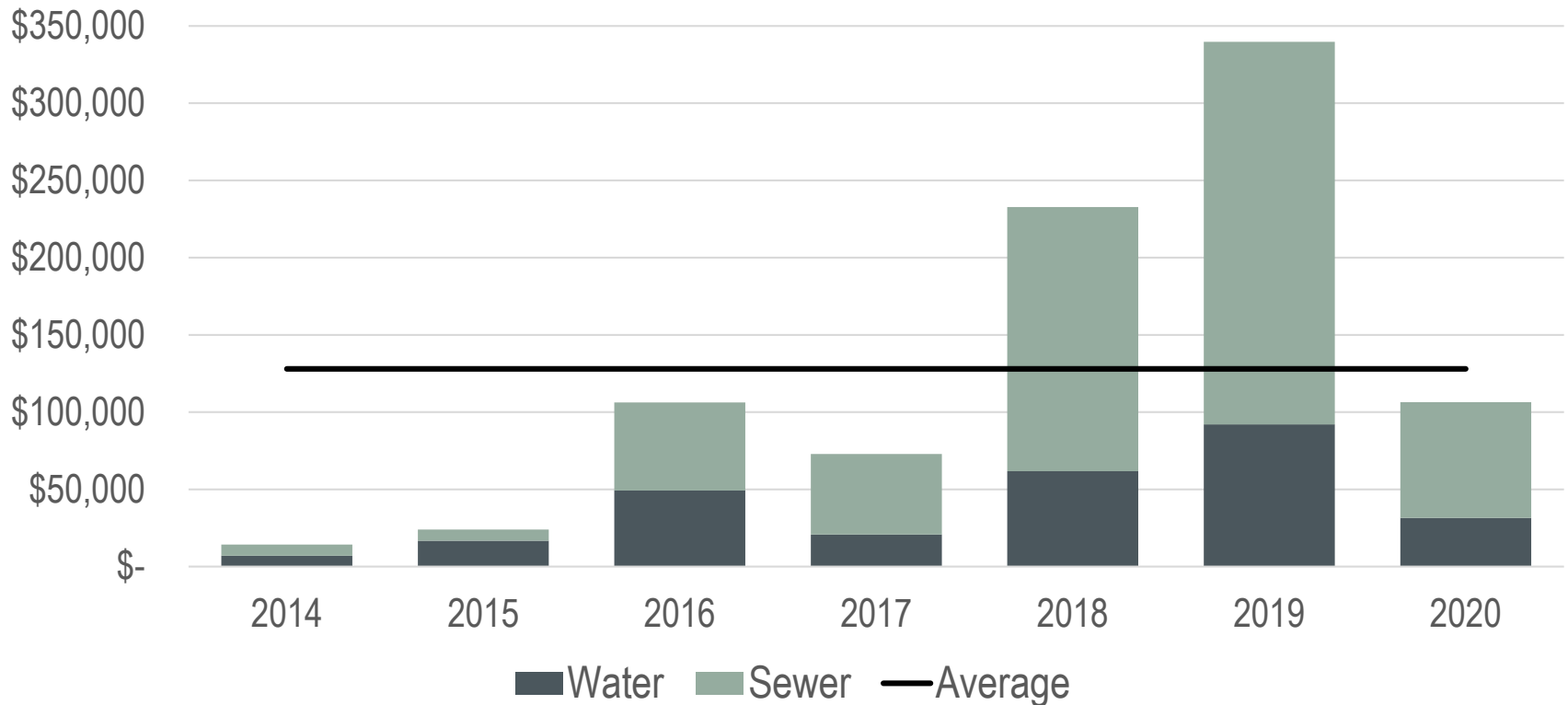
Recover costs equitably



Historical Water & Sewer GFC Revenue

- ◆ **GFC revenues tend to fluctuate year-to-year; tied to development patterns**
- ◆ **Helpful, but not a reliable source of revenue for capital projects**

Annual GFC Revenue for Water & Sewer Utilities





Stormwater GFC Calculation

Average Integrated Approach

$$\text{GFC} = \frac{\text{Existing System Cost: } \$7.8 \text{ million} + \text{Future Project Costs: } \$1.2 \text{ million}}{\text{Existing + Future Customer Base: } 10,301 \text{ equivalent service units}}$$

$$\text{GFC} = \$879 / \text{ESU}$$

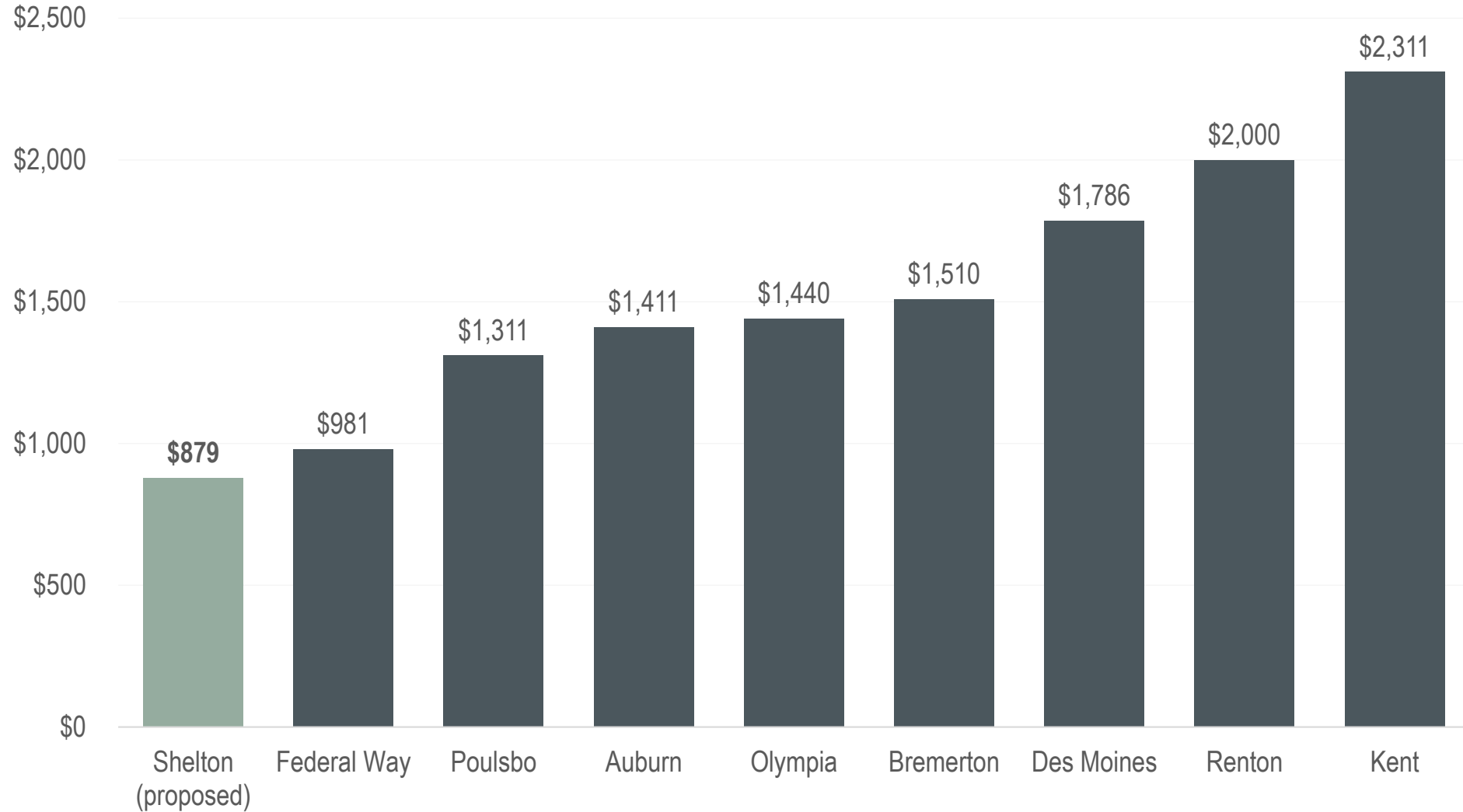


Comparison of Existing vs. Calculation

Description	Existing	With Stormwater
Water	\$1,260	\$1,260
Sewer	\$3,258	\$3,258
Stormwater	\$0	\$879
New Total	\$4,518	\$5,397



2021 Stormwater GFC Survey for Single Family





Combined Single Family GFC Comparison

