

**FIRCREST CITY COUNCIL
REGULAR MEETING AGENDA**

**TUESDAY, AUGUST 9, 2016
7:00 P.M.**

**COUNCIL CHAMBERS, FIRCREST CITY HALL
115 RAMSDALL STREET, FIRCREST, WA 98466**

1. **CALL TO ORDER BY PRESIDING OFFICER**
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL**
4. **PRESIDING OFFICER'S REPORT**

5. **CITIZEN COMMENTS FOR ITEMS NOT ON THE AGENDA**
(Please sign the **Public Attendance Roster/Public Hearing Sign-Up Sheet** if you wish to speak during the meeting.)

6. **COMMITTEE, COMMISSION & LIAISON REPORTS**
 - A. Parks & Recreation
 - B. Environment, Planning, Building
 - C. Finance, IT
 - D. Administration

7. **CONSENT CALENDAR**
 - A. Approval of Vouchers/Payroll Checks
 - B. Approval of Minutes: [July 25, 2016 Special meeting](#)
[July 26, 2016 Regular City Council meeting](#)

8. **PUBLIC HEARING 7:15 P.M.**

9. **UNFINISHED BUSINESS**

10. **NEW BUSINESS**
 - A. [Presentation of Utility Financial Plan and Rate Outlook](#) – Public Works Director Wakefield and Katy Isaksen
 - B. [Motion to allocate funds for expenditures from the General Fund, Water Fund, Sewer Fund and Back Yard Sewer Main Fund](#) – Finance Director Corcoran
 - C. [Motion to have the Planning Commission schedule a public hearing to consider reductions to the marijuana buffer zone, zoning districts that could allow the sale of marijuana and setbacks for retail marijuana locations from residential areas](#) – City Manager Rosenblatt
 - D. [City Council 2017 Budget priorities](#) – Councilmember George

11. **CITY MANAGER COMMENTS**
12. **DEPARTMENT HEAD COMMENTS**
13. **COUNCILMEMBER COMMENTS**
14. **EXECUTIVE SESSION**

15. **ADJOURNMENT**

COUNCIL MAY ADD AND TAKE ACTION ON OTHER ITEMS NOT LISTED ON AGENDA

**CITY OF FIRCREST
SPECIAL CITY COUNCIL MEETING MINUTES**

**JULY 25, 2016
4:00 P.M.**

**WAINWRIGHT INTERMEDIATE SCHOOL
130 ALAMEDA, FIRCREST WASHINGTON**

Tour of the new Wainwright Intermediate School

Councilmembers Blake Surina, Shannon Reynolds, Brett Wittner and Denny Waltier were led on a tour of the Wainwright Intermediate School by Rob Sawatsky, Director of Capital Planning and Construction at Tacoma Public Schools. The outing concluded with a tour of the Wainwright Sports Field.

ADJOURNMENT

The meeting was adjourned at 5:45 P.M.

Matthew Jolibois, Mayor

Lisa Keely, City Clerk

CITY OF FIRCREST
REGULAR CITY COUNCIL MEETING MINUTES
TUESDAY, JULY 26, 2016 **COUNCIL CHAMBERS**
7:00 P.M. **FIRCREST CITY HALL, 115 RAMSDELL STREET**

CALL TO ORDER, PLEDGE OF ALLEGIANCE AND ROLL CALL

Mayor Matthew Jolibois called the regular meeting to order at 7:00 P.M. and led the Pledge of Allegiance. Councilmembers Blake Surina, Shannon Reynolds, Brett Wittner, Hunter T. George, Denny Waltier and Jason Medley were present.

PRESIDING OFFICER'S REPORT

State Representative Christine Kilduff provided a 2015-2016 Legislative Update and highlighted accomplishments from the term. Kilduff concluded by stating she would be available to meet on any and all issues that are of significance to Council either prior to or during the legislative session.

National Night Out Proclamation

Jolibois stated Council was being asked to approve the National Night Out Proclamation.

MOTION

Moved by Jolibois, seconded by George, to authorize the Mayor's signature on a proclamation proclaiming August 2, 2016 as "National Night Out" in the City of Fircrest.

Reynolds read the proclamation. Cheesman stated that support of this program and cooperation with other cities and counties shows solidarity of citizens standing against crime. Cheesman introduced and thanked National Night Out committee members.

VOTE:

Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

Proclamation – Chief for a Day

Jolibois stated Council was being asked to approve the Chief for a Day Proclamation.

MOTION

Moved by Medley, seconded by Reynolds, to authorize the Mayor's signature on a proclamation proclaiming Amy Blair as Chief for a Day on July 26, 2016.

Medley read the proclamation. Cheesman stated that Amy Blair will be a special guest at National Night Out, will attend a Kiwanis meeting with him on August 11th, will attend with him the Chief

for a Day event on August 18th, they will do foot patrols together and will go out on a dinner date. Cheesman noted the event is sponsored by the Washington State Criminal Justice Training Commission and Fircrest was one of 38 agencies selected statewide to participate. Cheesman thanked Liberty Towing, the Fircrest Police Guild, the Fircrest Kiwanis, and the National Night Out Committee for their financial support. Cheesman stated that Amy Blair's sister was killed by a drunk driver and that Amy's mission in life is to honor her sister, by being a support system for her friends and helping people with disabilities and that her spirit and love of life defines her.

Amy Blair spoke about her desire to have harsher punishments for drunk drivers.

Councilmembers thanked Cheesman for his ongoing efforts in the community.

Amy Blair was presented with a gift for her upcoming birthday.

VOTE:

Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

Liquor License Application - Listening Juice Corporation (Sammy's Pizza Fircrest)

Jolibois stated that Council is being asked to approve a motion to register no objections to the liquor license application for Listening Juice Corporation (Sammy's Pizza Fircrest)

MOTION

Moved by Medley, seconded by George, to register no objections to the liquor license application for Listening Juice Corporation (Sammy's Pizza Fircrest).

Wittner reported doing some work for the pizza owner approximately five years ago and was compensated with a \$50.00 gift certificate to Sammy's Pizza.

City Attorney Smith stated that Wittner doesn't have an ongoing conflict and can participate fully.

Jolibois invited public comment. None was provided.

VOTE:

Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

Consensus to direct the City Manager to pursue a letter of understanding with Tacoma Community College for the proposed stoplight on South 19th Street

Jolibois stated that he asked that this item be placed on tonight's agenda to get a definitive answer from Council to Tacoma Community College.

MOTION

Moved by Jolibois, seconded by Wittner, to direct the City Manager to pursue a letter of understanding with Tacoma Community College (TCC) for the purpose of a stoplight on South 19th Street and Columbia.

Discussion continued as follows:

- It is unclear what language is expected to be included in the Letter of Understanding
- There are unanswered questions in the TCC materials
- A request for a traffic study/traffic plan has gone unanswered
- A request that the traffic pattern is to enter at South 19th Street and to exit onto South 12st Street has gone unstudied and unanswered
- After teaching a class at TCC and seeing first-hand the problems created by the pylons, the installation of a traffic light would be a good idea
- Numerous inquiries have been made as to why the traffic pattern can't use 12th Street for exiting
- Statistics regarding the numbers of vehicles heading east to west on South 19th versus traffic on 12th Street has gone unanswered
- Use the grant funding to add an additional lane so that vehicles can turn left onto South 19th Street
- Council is being asked to make a decision without enough data
- There haven't been traffic studies about the realignment and impacts created from the creation of an intersection
- South 19th Street should be used as an entrance only and students should be required to exit onto either Mildred or South 12th Streets
- Residents and business owners in the area that have a vested interest are in favor of the stoplight
- When TCC was asked what they have done looking inward to solve their own problem and address their own safety issues the answer was essentially nothing

Jolibois requested a roll call vote.

ROLL CALL

Ayes: Surina, Wittner and Jolibois. Noes: Reynolds, George, Waltier and Medley. Noes: None. Motion failed.

COMMITTEE, COMMISSION & LIAISON REPORTS

Communications Committee

George reported that the City received bids from two reputable companies – SiteCrafting and CivicPlus after advertising for website services. He noted that staff will schedule a demonstration by both companies and members of the Communications Committee will be invited to sit in. George asked that Councilmembers come to the August 9th with their top two budget priorities and that Council, as a whole, ranks the desired priorities. Jolibois recommended that the two budget priorities are provided to City Manager Rosenblatt for inclusion in the Friday packet prior to the meeting.

CONSENT CALENDAR

Jolibois requested the City Manager read the consent calendar as follows: approval of Voucher No. 207942 through Voucher No. 208028 in the amount of \$356,164.11; approval of Payroll Check No. 12257 through Payroll Check No. 12284 in the amount of \$6,237.88; approval of the July 12, 2016 Regular City Council meeting; and approval of the July 18, 2016 Special City Council meeting.

MOTION

Moved by Medley, seconded by George, to approve the Consent Calendar as read. Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

UNFINISHED BUSINESS

Ordinance granting a ten-year nonexclusive franchise to Click! Network to provide cable services

Rosenblatt stated the ordinance for a ten-year franchise was on for final reading and recommended that it is approved.

ORDINANCE NO. 1578

Moved by Medley, seconded by Waltier, to adopt Ordinance No. 1578 granting a ten-year franchise to the City of Tacoma Department of Public Utilities, Light Division, Click! Network, to provide cable television services.

Jolibois invited public comment. None was provided.

VOTE

Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

Resolution authorizing the City Manager to execute a Whittier Field Use Agreement with Tacoma Public Schools for exclusive use of a portion of Whittier Field

Rosenblatt stated that Tacoma Public Schools would like to use a portion of Whittier Field during their school day between the hours of 11:25 a.m. to 3:30 p.m. and recommended approval of the agreement.

RESOLUTION NO. 1431

Moved by Medley, seconded by Waltier, to adopt Resolution No. 1431 authorizing the City Manager to execute a Whittier Fields Use Agreement between the City of Fircrest and Tacoma Public Schools.

Jolibois invited public comment. None was provided.

VOTE

Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

Resolution authorizing the City manager to execute Amendment #4 to the Agreement with Bannon, Carlson and Kessel Inc., for insurance broker services

Rosenblatt stated that Council is being asked to authorize the City Manager to execute an amendment to the agreement with Bannon, Carlson & Kessel, Inc., for insurance broker services, as required by the insurance carrier.

RESOLUTION NO. 1432

Moved by Medley, seconded by Wittner, to adopt Resolution No. 1432 authorizing the City Manager to execute Amendment #4 to the agreement with Bannon, Carlson & Kessel, Inc., for insurance broker services.

Jolibois invited public comment. None was provided.

VOTE

Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

Resolution authorizing the City Manager to execute an agreement with Alpha Pyrotechnics for fireworks for 2016 Fun Days

Rosenblatt stated that Alpha Pyrotechnics' staff is experienced and has previously provided services to Fircrest and recommended approval of the agreement.

RESOLUTION 1433

Moved by Medley, seconded by George, to adopt Resolution No. 1433, authorizing the City Manager to execute an agreement with Alpha Pyrotechnics for a fireworks display on August 13, 2016 for an amount not to exceed \$5,000.

Jolibois invited public comment. None was provided.

VOTE

Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

Resolution authorizing the City Manager to execute agreements with vendors and entertainers for 2016 Fun Days

Rosenbladt stated the resolution would provide control of expenditures and provide flexibility for performers at the 2016 Fun Days event. He noted there are agreements with each of the performers, and new acts are added as budget and sponsorship circumstances permit.

RESOLUTION NO. 1434

Moved by Medley, seconded by George, to adopt Resolution No. 1434, authorizing the City Manager to execute agreements with vendors and entertainers for 2016 Fun Days not to exceed \$10,200.

Jolibois invited public comment. None was provided.

VOTE

Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

Resolution authorizing the City Manager to execute an agreement with Alpha Pyrotechnics for fireworks for National Night Out 2016

Cheesman stated that donations have been received to cover the cost of having Alpha Pyrotechnics put on a fireworks display at the National Night Out event. He indicated that they have been in contact with many citizens that have volunteered and helped raise money to ensure that the program can be supported each year during the National Night Out event in remembrance of Rob Freeman. Cheesman stated that this year they will be taking time to remember long time employee Tom Marzano.

RESOLUTION NO. 1435

Moved by Reynolds, seconded by Medley, to adopt Resolution No. 1435, authorizing the City Manager to execute an agreement with Alpha Pyrotechnics for a fireworks display on August 2, 2016, for an amount not to exceed \$5,200.

Jolibois invited public comment. None was provided.

VOTE

Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

CITY MANAGER COMMENTS

Rosenblatt reported that the agenda, along with the agenda summaries, ordinances and resolutions, are going to be posted on the City's website on the Monday before the regular Tuesday meeting. He further reported that South Sound 911 would submit an agreement for review and negotiation following a discussion he had with them for IT backup. Rosenblatt concluded with an update on progress of WeDig Fircrest's community garden idea and inquired if Council is comfortable with the direction they are heading. Discussion continued with concerns and questions about their desire to locate at Whittier and it was suggested that WeDig Fircrest contact Donna Basil, Whittier principal, who expressed interest in locating the garden at the south side of the new Wainwright campus

DEPARTMENT HEAD COMMENTS

Public Works Director Wakefield stated approval has been received from the Department of Health for the design report for the chlorination disinfection and also that quotes for equipment have been received and materials have been ordered. Wakefield reported that the goal is to have the system installed by the end of August. He reported that KPG, the on-call transportation engineers, approached with a grant opportunity for the 2016 Innovative Safety Program. He stated that KPG is preparing and will be submitting this grant application for traffic signal improvements at the intersections of Alameda and Emerson and Alameda and Regents this week, as it is due July 31. Wakefield stated if the grant is funded and the work completed by August, there is no match to the grant.

Cheesman stated he was hoping to see Councilmembers at National Night Out and concluded by stating he appreciated Council's indulgence with the Chief for a Day Proclamation.

COUNCIL COMMENTS

Medley called attention to the letter that was received a few weeks ago from a man that was unhappy with the height of the new Wainwright building. He reported that he followed up with him and his concern is that the maximum height of the trees are going to be 20 feet, the building is approximately 60 feet tall, and he wanted to know if the school district could be asked to replace the trees with ones that will grow taller.

George stated that that planning for Fun Days is going well with a lot of good entertainment lined up. He reported on interest from a sponsor for a beer garden at Fun Days but it is too late this year to get the license from the State. George indicated that a non-profit is required to sponsor the license needed for this kind of event and they will try again next year.

Wittner noted he will be unable to attend this year's National Night Out event but attended last year and had a great time and will be sure to be present at next year's event. He reported on attending the

walkthrough of Wainwright, noting it will be an impressive building and good school, but there is still a lot of work left to do. Wittner noted he was in some Tacoma parks this past weekend and was shocked at the number of people that were smoking and vaping and thanked Reynolds for bringing the ordinance forward and to the members of Council that voted to ban smoking and vaping in the parks in Fircrest.

Reynolds reported on attending the Wainwright tour and stated it was exciting to see. She stated she attended Movie in the Park but was surprised at how late it was when it was over and it still had such a great turnout. Reynolds reported that State Representative Laurie Jinkins called and voiced support for the smoking and vaping ban that was recently adopted. Reynolds concluded by addressing the accusation made a few weeks ago about her attendance at the Planning Commission meeting and the response that staff received from the Municipal Research and Services Center (MRSC).

Surina thanked Gray Lumber's Mac Gray for their donation of the materials to be used to replace four backstops. Surina reported on walking around the area of Leach Creek to see where it worked its way around the neighborhoods and spoke with a resident environmentalist that resides in that area. Surina suggested that a call is placed to the owner of the Central Co-op natural foods grocery store in Tacoma that recently closed to see if they would be interested in coming to Fircrest. Surina reported on meeting with individuals from the Northwest Room to try and get some Fircrest inventions and inventors included there. Surina asked if anything can be done with the location of the island in the area of Regents and 67th or if an adjustment could be made to the timing of the stoplight, as the cars get really backed up in that area. Surina inquired if the old looking and rusty basketball hoop at Whittier Park and the Bocce Ball court could be spruced up. Surina concluded by stating it was great to see the work that was done by the Rotary Club in Masko Park and noted that Jolibois was a big part of the project and worked the entire time and thanked him for the benches that were provided.

Jolibois reported on attending a meeting a few years ago with the board of the Tacoma Central Co-op store to recruit them to come to Fircrest. At that time they felt that the vacant store was too big for their initial need. Jolibois noted that 12-15 people showed up from the Rotary Club to work in Masko Park and accomplished a great deal of work in the hours they were there. He stated they are planning on doing work in Masko Park on a quarterly basis for the next five years. Jolibois asked for a copy of the City's quarterly financial report in this Friday's packet.

EXECUTIVE SESSION

At 8:54 P.M., Jolibois stated that Council would take a five-minute recess and convene into Executive Session to discuss Item 14A –Potential Litigation.

ADJOURNMENT

Moved by Medley, seconded by George, to adjourn the meeting at 9:00 P.M. Ayes: Surina, Reynolds, Wittner, Jolibois, George, Waltier and Medley. Noes: None. Motion carried.

Matthew Jolibois, Mayor

Lisa Keely, City Clerk

FIRCREST CITY COUNCIL AGENDA SUMMARY

COUNCIL MEETING DATE: August 9, 2016

SUBJECT: Utility Rate Study and Financial Plan

FROM: Jerry Wakefield, Public Works Director

Reviewed by: _____ City Manager _____ Finance Director _____ City Attorney

RECOMMENDED MOTION: None at this time, presenting City of Fircrest Utility Rate Study Report.

PROPOSAL: Based on the information provided in this report, it is recommended that the City of Fircrest proceed with developing an ordinance to provide for an increase in utility rates as outlined in this report.

FISCAL IMPACT: Increase in revenue.

ADVANTAGE: Following the recommendations in this report will help sustain the utilities and provide for capital revenue to repair and replace existing worn and outdated infrastructure. It also provides for financial planning to meet operating expenses for each utility. The adjustment of rates will greatly increase the probability that the City's revenues will offset the actual expenses of the operation and maintenance of the utilities and provide for funding needed capital improvements.

DISADVANTAGES: The public will experience an increase in the utility rates.

ALTERNATIVES: Not to increase rates.

HISTORY: The City contracted with KIA to review, analysis and recommend a financial outlook and plan for our three utilities, Storm, Water and Sewer. Over the last year we have been working together in doing this. Presentations on the work in progress that showed our financial outlook and impacts on our existing revenues and rates were presented to the Council in study sessions on January 19, 2016 and March 21, 2016. From those study sessions, we took the feedback received and continued to evaluate and develop a financial plan that provides for sustainability of each utility.

As the Council is aware, ongoing repair and replacement of our utilities is needed. As the age of our systems get older, some of them 60 plus years old, they need to be replaced. This is evidenced by the sewer repair and replacement work that has been done over that last few years and needs to continue to sustain our sewer system. A recent main break on our water system on a pipe that was approximately 70 years old is also evidence that ongoing replacement and repair of our infrastructure is needed.

We have developed capital facilities plans that address these concerns and problems. Those capital facility plans are what was used to analyze our financial ability to fund these projects. In addition to the capital facilities, maintenance and operation of the utilities are also needed. These costs were evaluated and reviewed.

Based on the capital facility needs and ongoing maintenance and operation of our utilities the recommended financial plan is being presented. This plan involves establishing a capital account, utilizing a portion of the ending fund balance, to be able to fund needed capital improvements while also continuing to fund the account to provide for needed infrastructure improvements. It also provides for funding of ongoing maintenance and operation of each utility. The major goal of this financial plan is to provide sustainability to each utility.

In order to be able to provide the additional revenue that is required, adjusting the rates to provide this revenue is recommended.



City of Fircrest Utility Rate Study

Water, Sewer & Storm Financial Plans and Rate Outlook Summary Report & Recommendations - 8/4/16

Executive Summary

Katy Isaksen & Associates (KI&A), a utility financial planning firm, was contracted by the City of Fircrest for a rate study for the water, sewer and storm utilities. The purpose is to provide the City with a financial plan and rate outlook to be able to carry out utility operations and complete the improvements identified in the adopted utility system plans. By preparing this financial plan, the City will be in the best position to carry out the identified improvements while avoiding drastic impacts on rates.

Water, sewer and storm are each self-sufficient utilities with the goal of providing service to existing customers and for generations in the future. The financial outlook gives the opportunity to plan long-term to be sure each system is operated in a sustainable manner. KI&A worked with a Rate Study Committee made up of Public Works, Finance and the City Manager with assistance from Utility Billing and the City Clerk.

The financial history from City reports was summarized to provide an understanding of how the utilities have been operated and funded. The current rates have been in place since 2009 and have been very stable. However, they have been funding operations and very little system improvements. The Back Yard Sewer Main Project was a substantial effort and the associated debt payment significantly increases in 2017. Rates will need to be adjusted to meet this debt. The six-year outlook includes projecting revenue, expenses and planned capital improvements for 2017-2023 based on 2016 budget. A test of Revenue Sufficiency is applied to determine whether the revenue is sufficient to pay for the expenses in each year. Any excess is held in the Ending Balance to be used for future improvements. Any shortfall will require dipping into the Ending Balance or adjusting rates to increase the revenue.

A sustainable utility will have on-going revenue (rates) available to pay for on-going expenses (operations, debt repayment and system replacement). One time capital improvements can be funded by reserves or Ending Balance if available. The rate outlook includes a recommended annual amount of rate-funded system improvements for each utility. Together with establishing new Improvement Funds and recommended rate increases, the utilities will be able to carry out operations, make required debt payments and implement the capital improvements included in the adopted system plans. A cash flow reserve (3 months of operating expense) will be held in each operating fund. The surplus will be transferred to new Improvement Funds and available for capital improvements.

A water consumption analysis was completed to determine the consumption patterns of Fircrest's customers. This led to recommended changes in the water rate structure that would reduce the base rate by removing water currently included. Customers would pay for all water used.

The current rates are not sufficient to fund the recommended utility programs. Rate recommendations are provided in the last section of this report.

Overview

Katy Isaksen & Associates (KI&A) was contracted by the City of Fircrest to complete a rate study to include a six-year rate outlook for each of the water, sewer and storm utilities. The purpose is to provide the City with a financial plan and rate outlook to be able to carry out utility operations and complete the improvements identified in the adopted water, sewer and storm system plans. By preparing this financial plan, the City will be in the best position to carry out the identified improvements while avoiding drastic impacts on rates.

KI&A worked with a Rate Study Committee made up of Public Works, Finance and the City Manager with assistance from Utility Billing and the City Clerk. This was to make sure that the spreadsheet model reflected the City's 2016 budget, policies, billing practices and that any recommendations could be implemented. The process has included a kickoff meeting, five rate study review meetings and two City Council Study Sessions.

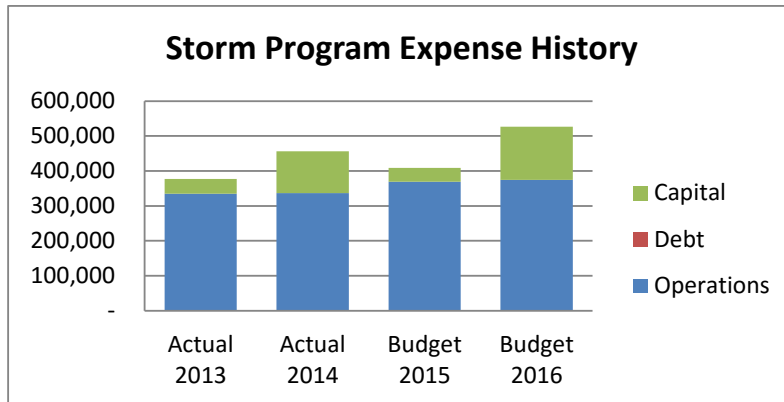
The study began July 2015 and paused from mid-January to mid-April 2016 as the new Council considered the preliminary outlook and a variety of alternatives. The preferred scenario was developed and reviewed with the Rate Study Committee. The recommended scenario is described in this summary report along with rate recommendations to implement the scenario.

Financial History

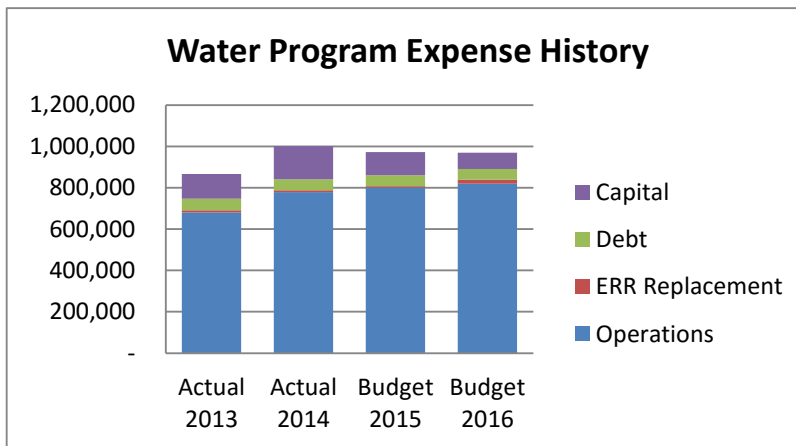
The City accounts for each utility in a separate fund – Storm Fund 415, Water Fund 425 and Sewer Fund 430. In addition there is a project fund 431 Backyard Sewer Mains (BYSM). This project fund will be merged into the sewer fund when all activity is complete and loans are closed out. The BYSM debt payments will then be reflected in the Sewer Fund.

The utility funds account for the activity in each self-supporting utility including operations, debt repayment and any capital improvements. The Ending Fund Balance operates as a reserve in case of emergency or for future improvements. Except for specific capital improvements, the City has been focusing on operations, maintenance, administration and existing debt repayment to fit within the current rates. The Backyard Sewer Main Project required borrowing from two low-interest loan programs. The full debt repayment begins in 2017.

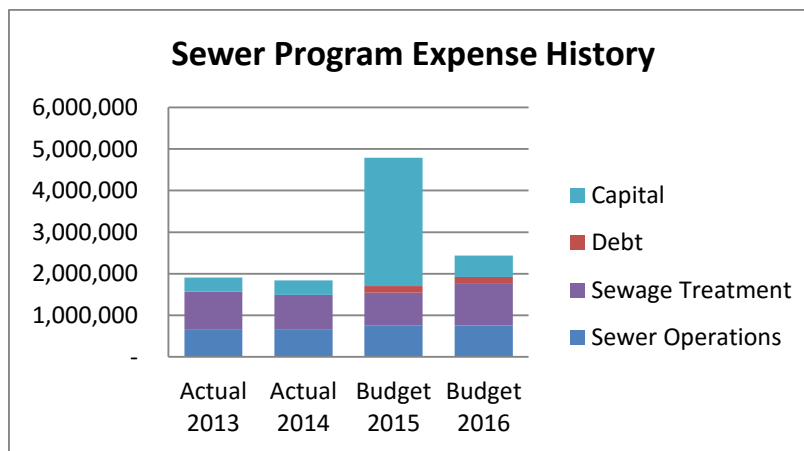
The financial history from City reports for 2013 through budget 2015 was detailed in the model and summarized into key components: operations, existing debt and capital. Later the adopted 2016 budget was added. The following charts show the program expense history for each utility. **Storm** – There is no outstanding debt for the storm utility. The capital expenditures include system improvements in 2014 and Storm's share of the new street sweeper in 2016.



Water - The 2016 water budget included an increase in equipment replacement. While this is identified below, it is rolled into operations for the model projections.



Sewer – The City contracts with the City of Tacoma for sewage treatment services and is charged according to an interlocal agreement. Treatment costs are shown separately from sewer operations that the City controls. The Backyard Sewer Main project is the major capital expenditure over recent years and the debt budgeted in 2015-16. The full debt repayment will begin in 2017.



Revenue Sufficiency

The KI&A approach to a sustainable utility is to test the sufficiency of the revenue for each year and to be sure that the utility is relying on on-going revenue sources. This is done by subtracting expenditures from revenue for that year and excluding fund balance. If the number in the yellow line is positive, the utility is adding to reserves (ending fund balance) for future improvement or system replacement and if negative, the utility is using reserves (ending fund balance) to fund current expenditures. It is not a sustainable practice to be dipping into reserves each year for operations and existing debt. Occasional use of reserves for capital improvements is a reasonable practice. There is an important difference between on-going funding (rate revenue) and one-time money (ending fund balance). An example would be a homeowner who uses savings to pay the cable bill - how would they afford the new roof?

The following tables summarize the three-year financial history and 2016 budget for each utility. The yellow line indicates the change in Ending Fund Balance for the year.

Storm – The storm utility has been operating in a positive manner for 2013-2015 and anticipates using ending fund balance in 2016 toward Storm’s share of the street sweeper. Storm fees are the primary source of revenue, budgeted at \$379,000 in 2016. The Department of Ecology has been providing grants for communities required to comply with NPDES Phase II regulations. Fircrest received Ecology grant support of \$123,000 in 2013, \$96,000 in 2014 and this is down to an anticipated \$50,000 in budget years 2015-16. This has been on-going support to carry out the storm program that will need to be replaced in order to maintain the same level of service if/when the legislature, through Ecology, ends these grants. Each year there is discussion of the level of grant support and the method of distribution to the communities making it difficult to have any long-term certainty. (See more under six-year outlook.)

Storm Fund 415	Actual 2013	Actual 2014	Budget 2015	Budget 2016
Total Storm Revenue	509,940	489,978	430,000	437,000
Storm Operations	335,080	336,697	369,683	374,691
Storm Capital	42,107	119,550	39,000	152,378
Total Storm Expenditures	377,186	456,247	408,683	527,069
Annual Increase/(Use) of Reserves	132,754	33,731	21,317	(90,069)

Water – The water utility has been operating in a positive manner in 2013-14 and anticipates using ending fund balance in budget years 2015-16. As the cost of operations increases over the years with additional regulations and general inflation, the existing rates are able to fund less and less capital each year. This is not a sustainable method of operating a self-funded utility that will require many years of system replacement to leave the utility system in good working order for future generations. Water sales is the primary source of revenue, budgeted at \$850,000 in 2016. The utility earns rent on water tank property of \$65,000 per year to reduce the impact on rates.

Water Fund 425	Actual 2013	Actual 2014	Budget 2015	Budget 2016
Total Water Revenue	957,645	1,003,542	948,230	946,170
Water Operations	680,856	778,426	801,092	819,749
Water ERR Replacement	10,462	8,691	5,840	18,855
Water Debt	55,272	54,167	53,065	51,956
Water Capital	120,304	160,119	112,670	78,750
Total Water Expenditures	866,894	1,001,403	972,667	969,310
Annual Increase/(Use) of Reserves	90,751	2,139	(24,437)	(23,140)

Sewer – The sewer utility (including BYSM project) has been operating in a positive manner in the four year period 2013-16 budget. There are two keys to the sewer history. A) The City has been working on the BYSM project to substantially reduce the amount of flow going to Tacoma for treatment. Sewer rates are the primary source of revenue and the rates were increased in 2007-2009 to fund the project and associated debt. The revenue includes loan proceeds used for the BYSM project. B) The sewage treatment agreement has been adjusted with Tacoma to reduce the allocation of costs to Fircrest on an annual basis. The City pays its share based on the contribution of flow but has no control over the other flow providers so it is difficult to anticipate the costs.

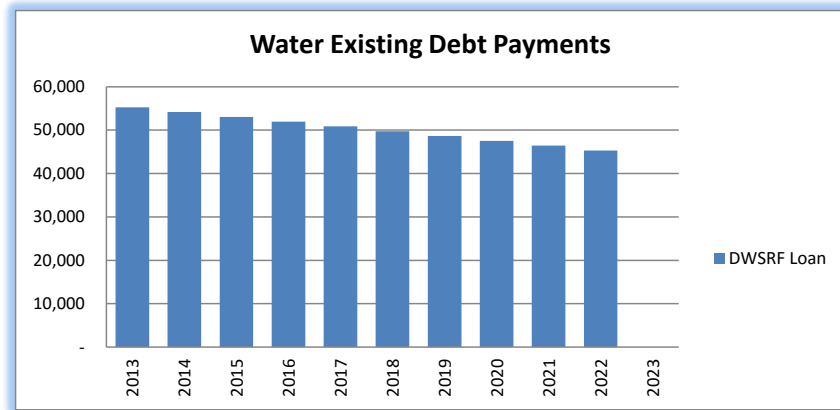
Sewer Fund 430 & 431 BYSM	Actual 2013	Actual 2014	Budget 2015	Budget 2016
Total Sewer Revenue	2,387,403	2,431,867	5,423,470	2,717,500
Sewer Operations	669,943	666,420	746,905	753,619
Sewage Treatment	898,011	821,849	800,000	1,000,000
Sewer Debt	-	-	157,600	172,500
Sewer Capital	341,354	352,498	3,085,103	508,250
Total Sewer Expenditures	1,909,308	1,840,767	4,789,608	2,434,369
Annual Increase/(Use) of Reserves	478,096	591,100	633,862	283,131

Existing Debt Payments

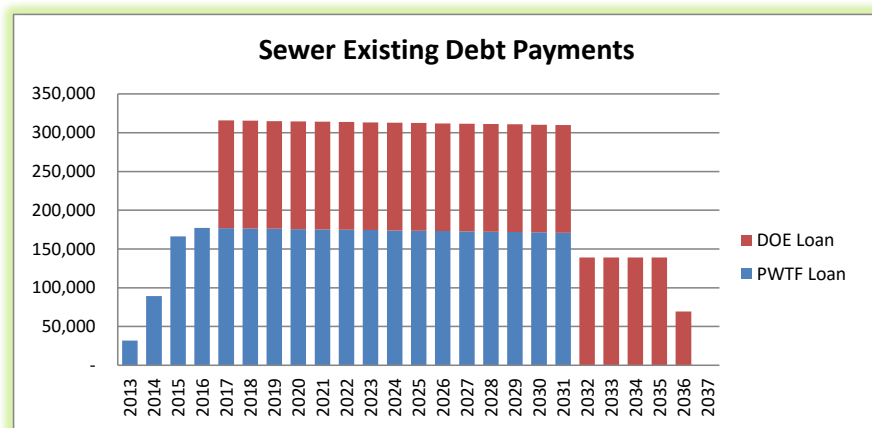
KI&A likes to prepare a map of the existing debt repayment for each utility in order to seek opportunities to fund additional capital improvements/system replacement without impacting rates. This means looking to see when existing debt is being paid off to be able to plan the next round of improvements.

Storm - There is no outstanding storm debt.

Water – Water has one Drinking Water State Revolving Fund loan from 2001 water supply improvements that will end in 2022. This is a 20-year loan at 2.5% interest. The 2016 payment including principal and interest is \$52,000.



Sewer – Sewer has two outstanding low-interest loans for the BYSM project. The Public Works Trust Fund (0.25% interest) loan repayment will end in 2031 and the Department of Ecology (DOE) State Revolving Fund (2.8%) loan repayment will end in 2036. Both are 20-year loans with a combined 2017 payment of \$316,000 which is the first year of the DOE loan.



Existing Rates and Charges

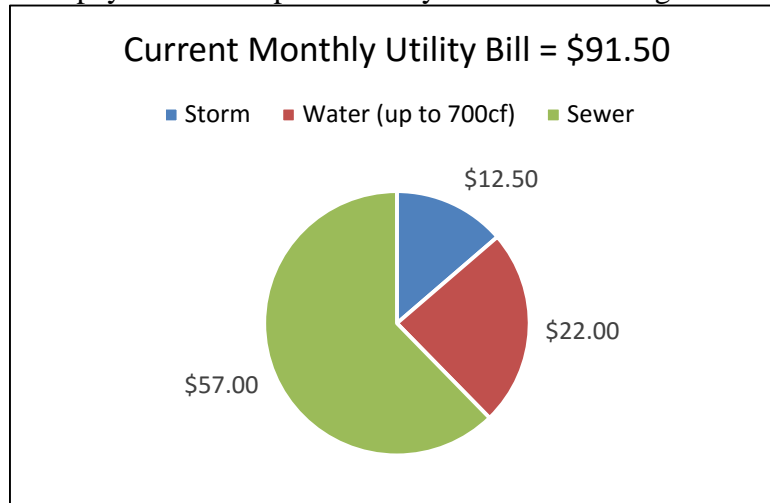
The City has a history of very stable rates with the last rate increases being in 2009. While this provides stability in rates, it provides a smaller amount of buying power each year in which to carry out operations, debt and improvements after ordinary inflation. A best practice for sustainable utilities is to strike a balance between predictability in both customer bills and utility revenue to maintain a healthy utility.

The municipal code describes rates on a monthly basis. The City's utility bills are for a two-month period for water, sewer and storm. Water is measured in cubic feet. One cubic foot equals 7.48 gallons.

Storm – Residences pay \$12.50 per month for storm drainage service. The existing rates have been in effect since January 2009. Commercial customers pay a base rate plus variable rate per square foot of impervious surface.

Water – Residences pay \$22.00 per month for up to 700 cubic feet of water, and pay more for additional water used. These rates have been in effect since January 2008 and commercial rates since 2002. Water customers are charged a base rate that includes a certain amount of water, plus a volume rate on additional consumption in two increasing tiers.

Sewer – Residences pay \$57.00 per month for sewer. These rates have been in effect since 2009. Commercial customers pay a base rate plus the City of Tacoma sewage treatment user charge.



The City offers a 25% discount for qualified low income senior and low income disabled customers.

New connections to the system pay their share through general facilities charges and service connection fees as appropriate.

Utility Rate Outlook 2016-2023

The spreadsheet rate model was designed to project revenue, expenditures, fund balance and the resulting impact on existing rates. The 2016 budget is considered the base year and 2017-2023 is the study period. The scope called for a six-year outlook but an additional year is included because the water debt is ending in 2022 and 2023 shows one year after debt.

Key Assumptions – Conservative assumptions are used in the model to make projections based on the 2016 budget. The key assumptions are growth and cost escalation.

- **Growth** - With limited growth potential in the City, it is assumed that there will be one new home per year connecting to the water, sewer and storm utilities. If the number is higher, it will benefit the utility. And if there is no growth, it will not have much impact on the rate outlook.
- **Cost Escalation** – A conservative factor of 3.0% per year is used to estimate the average impact of inflation on the utility costs. Some costs may increase at a faster rate, such as benefits, and other costs will increase more slowly. Overall, the average utility costs are estimated to increase 3.0% per year. The exception will be the sewage treatment costs that will increase according to the agreement with the City of Tacoma. This study assumes that sewage treatment will increase 6.0% per year based on notification from Tacoma.

Revenue Sufficiency – The model is designed to test that the revenue is sufficient to meet the expenditures. The yellow line indicates the Increase or Use of Ending Fund Balance for each year.

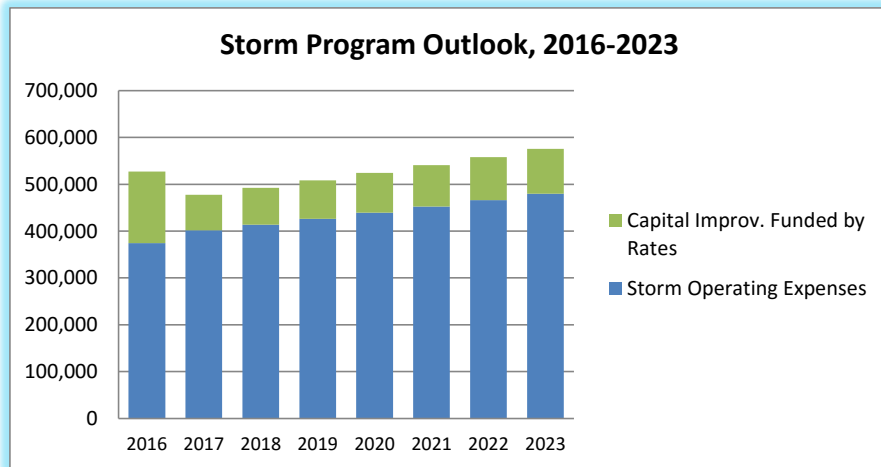
Cumulative Impact on Rates – This line estimates the percentage impact on existing 2016 rates for each utility to be in balance (the yellow line equals zero). It is not a year to year measure. So, for example, if the first year says 5% and the second says 8%, this means 5% for the first year and 3% (8%-5%) for the next year. The model assumes that both base and variable rates are adjusted by the same percentage.

Estimated Impact on Rates – This line estimates the cumulative change to existing 2016 monthly residential rates shown in the assumptions.

Storm Outlook – The current Storm rates are enough to fund operations but are not sufficient to fund the capital improvements identified in the adopted comprehensive plan. With the goal of sustainable rates, an average amount is funded each year for capital improvements, including local match for grants. A new utility tax at 6% of revenue has been added to be consistent with the other utilities. As described earlier, it is unknown whether the DOE grants will continue, so the model assumes there will be \$50,000 grants in each of 2016 & 2017.

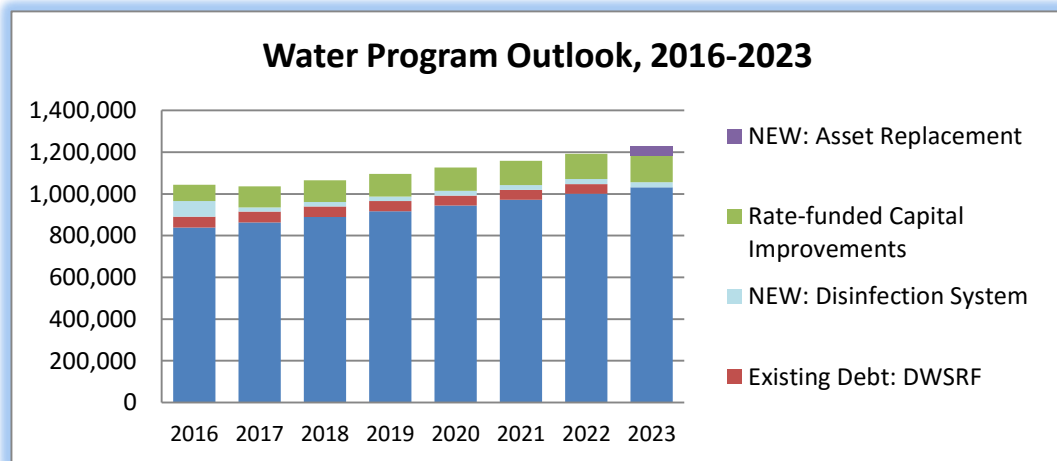
It appears that the 2017 impact on rates is approximately \$2.00 per month for operations, improvements and utility tax, and less than \$1.00 in each following year. Another \$2.00 will be required for the same level of service when the DOE grants end.

Storm Fund - 415		Base Year							
Financial Outlook		2016	2017	2018	2019	2020	2021	2022	2023
Revenue									
Storm Fees		379,000	379,200	379,400	379,600	379,800	380,000	380,200	380,400
Miscellaneous Revenue		8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Dept Of Ecology NPDES Grant		50,000	50,000	0	0	0	0	0	0
Subtotal Storm Revenues		437,000	437,200	387,400	387,600	387,800	388,000	388,200	388,400
Expenditures									
Storm Operating Expenses		374,691	401,900	414,000	426,400	439,200	452,400	466,000	480,000
Capital Improv. Funded by Rates		152,378	75,700	78,700	81,900	85,200	88,600	92,100	95,800
New: Utility Tax @ 6%			22,800	22,800	22,800	22,800	22,800	22,800	22,800
Subtotal Expenditures		527,069	500,400	515,500	531,100	547,200	563,800	580,900	598,600
Planned Use of EFB for Capital		90,000							
Increase/(use) of EFB		(69)	(63,200)	(128,100)	(143,500)	(159,400)	(175,800)	(192,700)	(210,200)
Cumulative Impact on Storm Rates			17%	34%	38%	42%	46%	51%	55%
Estimated Impact on Rates	cumulative		\$2.08	\$4.22	\$4.73	\$5.25	\$5.78	\$6.34	\$6.91



Water Outlook – The existing water rates pay for operations including the required new disinfection system and loan payments for another couple of years. However, with the addition of rate-funded capital improvements, it appears that an increase of about \$2.50 per month base rate is necessary. This would need to increase less than \$1.00 in each year thereafter. The current SRF loan will be paid off in 2022. This provides a good opportunity for Water to increase funding toward system replacement and is included in the recommended scenario below.

Fircrest Water Fund - 425	Base Year							
Financial Outlook	2016	2017	2018	2019	2020	2021	2022	2023
Revenue								
Water Sales	850,000	850,300	850,600	850,900	851,200	851,500	851,800	852,100
Service Connections	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Miscellaneous Revenue	84,370	84,400	84,400	84,400	84,400	84,400	84,400	84,400
Capital Contributions/Tap Fee	10,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Subtotal Water Revenues	946,170	940,500	940,800	941,100	941,400	941,700	942,000	942,300
Expenditures								
Water Operating Expenses	838,604	863,800	889,700	916,400	943,900	972,200	1,001,400	1,031,400
Existing Debt: DWSRF	51,956	50,851	49,745	48,640	47,534	46,429	45,323	0
NEW: Disinfection System	75,000	21,000	21,630	22,279	22,947	23,636	24,345	25,075
Rate-funded Capital Improvements	78,750	100,000	104,000	108,160	112,486	116,986	121,665	126,532
NEW: Asset Replacement								45,000
Subtotal Expenditures	1,044,310	1,035,651	1,065,075	1,095,479	1,126,868	1,159,250	1,192,733	1,228,007
Planned Use of EFB for Capital	99,000							
Increase/(use) of EFB	860	(95,151)	(124,275)	(154,379)	(185,468)	(217,550)	(250,733)	(285,707)
Cumulative Impact on Water Rates		11%	15%	18%	22%	26%	29%	34%
Estimated Impact on Base Rate	cumulative	\$2.46	\$3.21	\$3.99	\$4.79	\$5.62	\$6.48	\$7.38

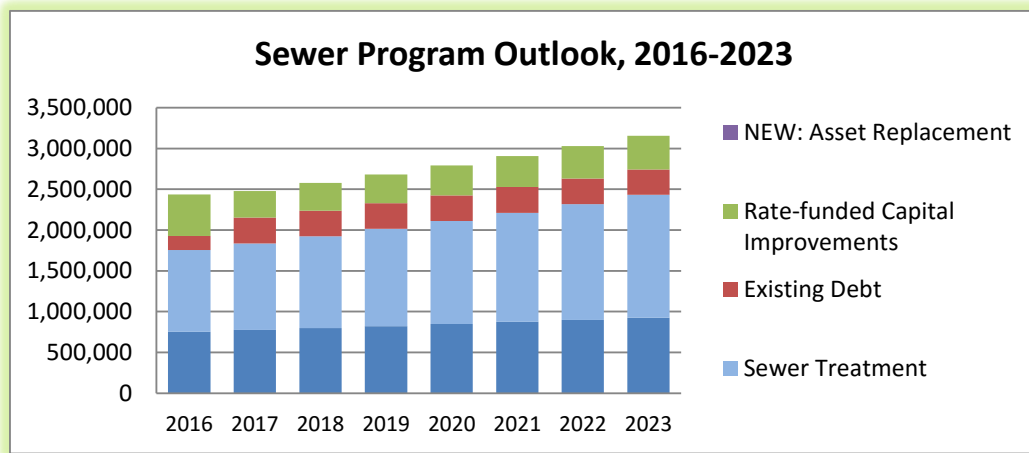


Sewer Outlook – The current sewer rates are not sufficient to fund operations, treatment, debt payments for the Backyard Sewer Main Project and rate-funded capital improvements. The estimated impact is just under \$13.00 per month bill in 2017 and about \$3.00 in each year thereafter. The Ecology SRF loan begins repayment in 2017.

The model assumes that sewage treatment costs will increase 6% per year. The actual increase will not be known until notified by City of Tacoma each year. In order to minimize rates where possible, it is recommended that the sewage treatment portion of the rate is tracked separately from the remainder that is within the City's control. Then the treatment rate increases from Tacoma can be passed along to sewer customers. By managing rates in this manner, the utility will be able to maintain the level of service over the years.

Annual rate-funded capital of \$325,000 will fund the adopted capital improvement projects together with the new Improvement Fund. Because Sewer is beginning new debt payments, it is not recommended that an additional asset replacement contribution begin at this time.

Fircrest Sewer Funds - 430		Base Year							
Financial Outlook		2016	2017	2018	2019	2020	2021	2022	2023
Revenue									
Sewer Sales		2,000,000	2,000,700	2,001,400	2,002,100	2,002,800	2,003,500	2,004,200	2,004,900
Service Connections		1,100	0	0	0	0	0	0	0
Miscellaneous Revenue		26,400	26,400	26,400	26,400	26,400	26,400	26,400	26,400
Loan Proceeds, REET2		680,000							
Capital Contributions/Tap Fee		10,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Subtotal Sewer Revenues		2,717,500	2,031,100	2,031,800	2,032,500	2,033,200	2,033,900	2,034,600	2,035,300
Expenditures									
Sewer Operations		753,619	776,200	799,500	823,500	848,200	873,600	899,800	926,800
Sewer Treatment		1,000,000	1,060,000	1,123,600	1,191,000	1,262,500	1,338,300	1,418,600	1,503,700
Existing Debt		172,500	315,940	315,513	315,087	314,660	314,234	313,807	313,381
Rate-funded Capital Improvements		508,250	325,000	338,000	351,520	365,581	380,204	395,412	411,229
NEW: Asset Replacement									
Subtotal Expenditures		2,434,369	2,477,140	2,576,613	2,681,107	2,790,941	2,906,338	3,027,619	3,155,109
Increase/(use) of EFB		283,131	(446,040)	(544,813)	(648,607)	(757,741)	(872,438)	(993,019)	(1,119,809)
Cumulative Impact on Sewer Rates			22%	27%	32%	38%	44%	50%	56%
Estimated Impact on Sewer Rate	cumulative		\$12.71	\$15.52	\$18.47	\$21.57	\$24.82	\$28.24	\$31.84



Capital Improvement Funding

The model tracks the Ending Fund Balance for each fund and tests for a target minimum balance. The excess savings are recommended to be moved to a new “Improvement” fund for each utility. These new funds will be used to save and pay for capital improvements and local match for grants.

Ending Fund Balance – The next section estimates the future years ending fund balance based on the beginning balance shown in 2016. This has been set to reflect the actual 2015 ending balance.

Target Minimum Balance – Another sustainable utility practice is to determine the target for a minimum fund balance. For the operating funds, this includes 3 months of operating expenses to be used for cash flow purposes as needed throughout the year. This amount was comfortable for the rate study committee. After deducting the target minimum from the ending balance, the remainder is available for unplanned uses.

Storm Fund 415		2016
Beginning Balance	670,197	
Increase/(Use) of EFB	(69)	
Planned Use of EFB for Capital	(90,000)	
Transfer to Set up Capital Fund	(480,000)	
Ending Balance - Storm 415	100,128	
Target Minimum Balance		
Cash Flow Reserve	93,673	3 months x operating expense
Available from EFB	6,455	
Water Fund 425		2016
Beginning Balance	804,511	
Increase/(Use) of EFB	860	
Planned Use of EFB for Capital	(99,000)	
Transfer to Set up Capital Fund	(496,000)	
Ending Balance - Water 425	210,371	
Target Minimum Balance		
Cash Flow Reserve	209,651	3 months x operating expense
Available from EFB	720	

Sewer Funds 430 & BYSM		2016
Beginning Balance		1,477,849
Increase/(Use) of EFB		283,131
Transfer to Set up Capital Fund		(1,560,000)
Ending Balance - Sewer		200,980
Target Minimum Balance		
Cash Flow Reserve	188,405	3 months x operating expense
Available from EFB		12,575

New Improvement Funds - Currently the City operates most activity, including operations, debt repayment and improvements, out of each utility fund. It is recommended that a new Improvement Fund be established for each utility. The initial deposit will be the extra savings that each utility has saved in the ending balance. After the initial transfer, the existing operating funds will have the equivalent of 3 months of operating expenses in the fund balance. The new Improvement Funds will be used to save and pay for improvements and provide a local match to obtain grants. The ending balance in the new funds will also be available in the case of an emergency.

Storm – The new Storm Improvement Fund activity is shown below with the CIP. This assumes that rates fund an annual contribution of \$75,700 escalating each year to be able to carry out the projects and meet local match for grants on projects 2-6. The new fund is estimated to be established at \$480,000 and would remain in 2023 for local match on the higher priced future projects or emergencies.

NEW STORM IMPROVEMENT FUND	2016	2017	2018	2019	2020	2021	2022	2023
Revenue								
Funded by Rates		75,700	78,700	81,900	85,200	88,600	92,100	95,800
Transfer to Set Up Capital Fund	480,000							
Subtotal ST Capital Revenue	480,000	75,700	78,700	81,900	85,200	88,600	92,100	95,800
Expenditures								
CIP Improvement Projects (escalated)		75,700	78,700	81,900	85,200	88,600	92,100	95,800
Subtotal ST Capital Exp.	-	75,700	78,700	81,900	85,200	88,600	92,100	95,800
Increase/(Use) of EFB	480,000	-	-	-	-	-	-	-
Storm Improvement Fund								
Beginning Balance	-	480,000	480,000	480,000	480,000	480,000	480,000	480,000
Increase/(Use) of EFB	480,000	-	-	-	-	-	-	-
Ending Balance - ST Improvement	480,000	480,000	480,000	480,000	480,000	480,000	480,000	480,000
		use as match for Outfall grants						
SIX-YEAR CAPITAL IMPROVEMENTS - STORM			Caution: the iproject cost estimates are in 2013 dollars and the total is escalated :					
Improvement Projects						CIP plans which began in 2016 have been		
1. Upgrades to exist Storm conveyance & treatment		20,000	20,000	20,000	20,000	20,000	20,000	20,000
NEW Local Match for Storm Grants		50,000	50,000	50,000	50,000	50,000	50,000	50,000
2. Storm WQ Outfall Projects SQ1-SQ11			1,600,000					
Low Impract Development Projects:								
3. LID 1 Fircrest Park				377,000				
4. LID Whittier Park					304,000			
5. LID Tot Lot Park						216,000		
6. LID Thelma Gilmur Park							272,000	
Total Six-Year CIP - ST (\$2013)	3,259,000	70,000	1,670,000	447,000	374,000	286,000	342,000	70,000
Six-Year CIP ST (Escalated)	4.0%	81,900	2,031,800	565,600	492,200	391,400	486,800	103,600
Six-Year CIP ST Funded by Rates		75,700	78,700	81,900	85,200	88,600	92,100	95,800
Annual rate funding includes #1 upgrades + Local Match for Storm grants. Grants will be pursued and projects completed as funding is available.								

Annual rate funding includes #1 upgrades + Local Match for Storm grants. Grants will be pursued and projects completed as funding is available.

Water - The new Water Improvement Fund activity is shown below with the CIP. This assumes that rates fund an annual contribution of \$100,000 escalating each year to be able to carry out the projects. The new fund is estimated to be established at \$496,000 and would drop to \$225,000 in 2023 available for emergencies.

NEW WATER IMPROVEMENT FUND	2016	2017	2018	2019	2020	2021	2022	2023
Revenue								
Capital Contributions/Tap Fee		4,000	4,000	4,000	4,000	4,000	4,000	4,000
Funded by Rates		100,000	104,000	108,160	112,486	116,986	121,665	126,532
Transfer to Set Up Capital Fund	496,000							
Subtotal W Capital Revenue	496,000	104,000	108,000	112,160	116,486	120,986	125,665	130,532
Expenditures								
CIP Improvement Projects (escalated)		336,300	304,200	75,900	118,400	123,200	64,000	66,600
Subtotal W Capital Exp.	-	336,300	304,200	75,900	118,400	123,200	64,000	66,600
Increase/(Use) of EFB	496,000	(232,300)	(196,200)	36,260	(1,914)	(2,214)	61,665	63,932
Water Improvement Fund								
Beginning Balance	-	496,000	263,700	67,500	103,760	101,846	99,632	161,298
Increase/(Use) of EFB	496,000	(232,300)	(196,200)	36,260	(1,914)	(2,214)	61,665	63,932
Ending Balance - W Improvement	496,000	263,700	67,500	103,760	101,846	99,632	161,298	225,229
SIX-YEAR CAPITAL IMPROVEMENTS - WATER	Caution: the project cost estimates are in 2013 dollars and the total is escalated.							
CIP Improvement Projects								CIP plans which began in 2016 have been
1. 12" Main, Summit Ave fr Princeton St to Columbia St		287,500						
2. High Tank Reservoir, recoat exterior			250,000					
3. 8" Main, Ramsdell Ave fr Tot Lot to Pasadena				60,000				
4. 8" Main, Farallone fr Stanford St to Golden Gate Ave					45,000			
5. 8" Main, Eldorado Ave fr Princeton St to Columbia St					45,000			
6. 8" Main Replacement of Old & Undersized Mains						90,000	45,000	45,000
Total Six-Year CIP - W (\$2013)	867,500	287,500	250,000	60,000	90,000	90,000	45,000	45,000
Six-Year CIP W (Escalated)	4.0%	336,300	304,200	75,900	118,400	123,200	64,000	66,600
7-Year Average CIP (escalated)	156,000	100,000	= annual CIP funding from rates					

Sewer - The new Sewer Improvement Fund activity is shown below with the CIP. This assumes that rates fund an annual contribution of \$100,000 escalating each year to be able to carry out the projects. The new fund is estimated to be established at \$1,421,000 and would drop to \$823,000 in 2023. The ending balance includes approximately \$140,000 debt reserve that is required to be held for the SRF loan.

NEW SEWER IMPROVEMENT FUND	2016	2017	2018	2019	2020	2021	2022	2023
Revenue								
Capital Contributions/Tap Fee		4,000	4,000	4,000	4,000	4,000	4,000	4,000
Funded by Rates		325,000	338,000	351,520	365,581	380,204	395,412	411,229
Transfer to Set Up Capital Fund	1,560,000							
Subtotal S Capital Revenue	1,560,000	329,000	342,000	355,520	369,581	384,204	399,412	415,229
Expenditures	CIP plans which began in 2016 have been delayed 1 year in this model							
CIP Improvement Projects (escalated)		313,500	407,600	341,600	625,100	376,400	640,500	487,800
Required SRF Loan Debt Reserve	139,000							
Subtotal S Capital Exp.	139,000	313,500	407,600	341,600	625,100	376,400	640,500	487,800
Increase/(Use) of EFB	1,421,000	15,500	(65,600)	13,920	(255,519)	7,804	(241,088)	(72,571)
Sewer Improvement Fund								
Beginning Balance	-	1,421,000	1,436,500	1,370,900	1,384,820	1,129,301	1,137,105	896,017
Increase/(Use) of EFB	1,421,000	15,500	(65,600)	13,920	(255,519)	7,804	(241,088)	(72,571)
Ending Balance - S Improvement	1,421,000	1,436,500	1,370,900	1,384,820	1,129,301	1,137,105	896,017	823,446
		Ending balance includes \$140,000 debt reserve for SRF loan.						
SIX-YEAR CAPITAL IMPROVEMENTS - SEWER	Caution: the iproject cost estimates are in 2013 dollars and the total is escalated :							
Improvement Projects					CIP plans which began in 2016 have been delayed 1 ye			
1. Drake St Liftstation upgrades		150,000						
2. Alameda Liftstation upgrades			150,000					
3. 44th(Fordham) Liftstation upgrades			75,000					
4. Estate Place Lifstation roadway/generator/control panel				100,000				
5. Condition 4 repair evaluation		118,000						
6. Crestwood Lane (condition 4)			110,000					
7. 200 block Alameda;45th St Ct(cond.4)				170,000				
8. 1000Block Fairway/Electron (cond 4)					475,000			
9. 900 Block Alameda (cond. 4)						275,000		
10. 400 Block Contra Costa (cond. 4)							450,000	
11. 300 contra Costa Ave (cond. 4)								175,000
12. 200 Block Contra Costa (cond. 4)								154,550
Total Six-Year CIP - S (\$2013)	2,073,000	268,000	335,000	270,000	475,000	275,000	450,000	329,550
Six-Year CIP S (Escalated)	4.0%	313,500	407,600	341,600	625,100	376,400	640,500	487,800
7-Year Average CIP (escalated)	457,000	325,000	= annual CIP funding from rates (look at typical year/project & remainder from re					

Rate Structure Analysis

During this phase of the study, KI&A reviewed the current rate structures for each utility, completed a detailed consumption analysis and discussed recommendations for potential adjustments with the Rate Study Committee. The revised recommendations for changes to the current rate structure are summarized below.

Recommended Changes to Rate Structure	
RESIDENTIAL WATER	Reduce base rate by removing water allowance. Adjust tiers accordingly.
	All customers pay for all water used
	Maintain senior/disabled discount of 25% on base rate
	Multi-family volume rates per unit to use residential, not commercial rates
IRRIGATION	Maintain no base rate - charge at middle/high tiers for volume
SEWER	Separate treatment and collection
	No change in rate structure
STORM	Add Senior/disabled rate

The consumption analysis showed that the average residential usage was 600 cubic feet per month in the winter and 1,600 cubic feet in the summer. The annual average is 900 cubic feet.

Remove water from the base rate – Currently the base water rates include up to 700 cubic feet of water per month. With the winter average being 600 cubic feet, very few customers see a change

in the water portion of the bill. By removing the water from the base, the base rate will be lower and the customers will have more opportunity to feel the difference in the bill with their efforts to conserve water. In other words, this change gives more control to the customers over their water bill. The volume tiers are recommended to be adjusted from 0-700 cf to 0-500 cf, 501-2,000 cf and 2,001+ cf.

All Customers pay for all water used – This goes along with lowering the base rate.

Maintain Senior/Disabled Discount – No change to the senior/disabled discount for qualified customers. The current discount is 25% of the base rate.

Multi-family volume rate – Multi-family pays a base rate per unit and receives the associated volume rate and allowance per unit as commercial customers. Multi-family allowances and volume rates should reflect the residential rates.

Irrigation meters – There is no base rate for the irrigation meters but water should be charged at the middle or high tiers because this is not essential indoor water use. Irrigation is typically at the peak usage period and should help pay for the costs for water system that is designed to meet the peak demand.

Sewer – The flat rate should be managed with two elements – city sewer and sewage treatment.

Storm – To be consistent with the other utilities, the senior/disabled discount should apply to storm.

Recommended Rate Adjustments

The City has invested a substantial amount of time and effort in developing these rate recommendations. It is recommended that the Council consider adopting a rate ordinance that covers a three year period. This provides predictability to ratepayers and to the utility. An attempt was made to have the utility rate policies be consistent among utilities. For example, the city's utility tax is charged on water and sewer but not on storm. Also, the income-qualified senior/disabled rate discount of 25% applies to water and sewer but not storm.

The following rate adjustments are described for residential customers however equivalent changes are also recommended for non-residential or commercial customers.

Storm – Residences currently pay a flat rate of \$12.50 per month. The existing rates have been in effect since January 2009. The recommended Storm rate would increase by \$2.10 per month for residential customers in 2017 to fund the capital improvements and utility tax. 2018-19 would require another \$0.50 in each year for inflation. An additional \$1.65 per month increase will be necessary when the Ecology NPDES grants are eliminated (currently assumed to end in 2018). The recommended residential storm rates for the three years is shown in the table.

Recommended Storm Rates	Existing	2017	2018*	2019
Residential Monthly Storm Rate	\$12.50	\$14.60	\$16.75	\$17.25
<i>Monthly Rate Adjustment</i>		<i>\$2.10</i>	<i>\$2.15</i>	<i>\$0.50</i>
NEW Senior/Disabled Low-Income		\$10.95	\$12.55	\$12.95
*Assumes Ecology NPDES Grant is no longer available.				

A new senior/disabled low-income discount is recommended to be consistent with the water and sewer utilities.

Commercial storm rates include a fixed portion and a variable portion based on the square footage of impervious surface for each non single family property. These rates should increase by the same proportion as the residential rates.

A more common method of charging for commercial storm drainage is to define an equivalent service unit and set the rate per ESU. Single family customers would be equal to 1 ESU and non-residential properties would be calculated by dividing the impervious surface area by the defined square feet per ESU. For example, if the average impervious surface on a single family parcel = 3,000 square feet, then 1 ESU = 3000 sq ft impervious surface. A commercial property with 15,000 square feet of impervious = 5 ESU (15,000 / 3,000), thus their rate would be 5 x \$14.60. This method would require some calculations and reconfiguring in the billing system.

Water – Residences currently pay a base rate of \$22.00 per month for up to 700 cubic feet of water, and pay more if additional water is used. These rates have been in effect since January 2008. It is recommended that the base rate be lowered by removing water from the base and have customers pay for the water they use. This will give more control to the customers and reflect the value of water. After removing the water, the rates will need to be further adjusted to pay for the capital improvements and required new disinfection system.

The 2017 monthly base rate is recommended to be reduced to \$17.00 and all water be charged by tier: 0-500 cubic feet @ \$0.010 per cubic foot, 501-2,000 cf @ \$0.015 per cubic foot and 2,001+ cf @ \$0.025 per cubic foot. The 2018-19 base rates are recommended to increase \$0.75 in each year and the water usage rates adjusted proportionately. Care will need to be taken to work within the limitations of the billing system and number of decimal places for the usage rate.

Water Rate Outlook	2016	2017	2018	2019
Existing Base Rate	\$22.00			
Volume 0-700 cf	in base			
Volume 701-2,000 cf	\$0.010			
Volume 2,001+ cf	\$0.016			
<u>Recommended Residential Rates</u>				
Base Rate - Monthly		\$17.00	\$17.75	\$18.50
Water Usage: 0-500 cf	per cubic foot	\$0.0100	\$0.0104	\$0.0109
Water Usage: 501-2,000 cf	per cubic foot	\$0.0150	\$0.0157	\$0.0163
Water Usage: 2,001+ cf	per cubic foot	\$0.0250	\$0.0261	\$0.0272

The fixed portion of the water bill will be lower for all customers (from \$22.00 to \$17.00). The change in overall water bill will depend on the amount of water that a customer uses from one billing period to the next.

The senior/disabled low-income rate discount is recommended to continue at 25%. The commercial rates and outside city rates should be adjusted in proportion to the residential rates. Currently multi-family customers fall under the commercial classification. They are charged a base rate per unit that includes the usage allowance for each unit. Because the multifamily units are more similar to residential, it is recommended that they use the residential water usage tiers (smaller tiers at a lower price). The impact on individual customers will vary depending on the total water usage per period. Some will pay less and others will pay more.

Sewer – Residences currently pay a flat rate of \$57.00 per month for sewer service. This rate has been in effect since 2009. The monthly rate is recommended to increase \$12.80 to \$69.80 to pay additional costs for sewage treatment, debt payments that begin in 2017 (Backyard Sewer Mains) and planned capital improvements. Annual increases from the City of Tacoma are assumed to increase more rapidly (6% per year) than Fircrest sewer costs (3% per year). It is recommended that the sewer rate be split between City sewer and sewage treatment. This will allow the annual treatment increases from the City of Tacoma to be passed through to the customers. The recommended monthly residential rates are shown below:

Sewer Rate Outlook	2016	2017	2018	2019
Treatment Rate per month	\$28.50	\$30.20	\$32.00	\$33.90
City Sewer Rate per month	\$28.50	\$39.60	\$40.60	\$41.70
Estimated Sewer Rate per month	\$57.00	\$69.80	\$72.60	\$75.60
<i>Estimated Increases per month</i>		\$12.80	\$2.80	\$3.00

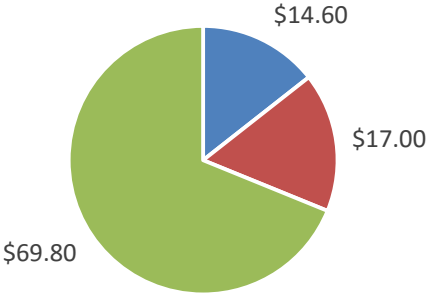
The senior/disabled low-income rate discount is recommended to continue at 25%. The commercial rates and outside city rates should be adjusted in proportion to the residential rates.

Recommended Minimum Monthly Utility Rates for Full Funding

The recommended minimum monthly utility rate that fully funds each of the utility programs as described earlier would increase \$9.90 from \$91.50 to \$101.40, plus customers would pay for all water usage.

Recommended Minimum Monthly Utility Bill =
\$101.40

■ Storm ■ Water (no water) ■ Sewer



FIRCREST CITY COUNCIL AGENDA SUMMARY

COUNCIL MEETING DATE: August 9, 2016

SUBJECT: Budget Adjustment Motion

FROM: Colleen Corcoran, Finance Director

Reviewed by: _____City Manager _____Finance Director _____City Attorney

RECOMMENDED MOTION: I move to authorize the Finance Director to reallocate the funds as listed in the City Council Agenda summary dated August 9, 2016.

PROPOSAL: The Council is being asked to approve the above motion to authorize the Finance Director to reallocate the funds necessary for the expenditures listed below.

FISCAL IMPACT: The fiscal impact of this proposal would be an increase in expenditures with a corresponding decrease in Ending Fund Balance (EFB).

General Fund

Ending Fund Balance	(\$18,200)	001.508.80.00.01
Legislative Advertising	\$ 2,000	001.511.60.41.01
Legislative Codification Cost	\$ 3,000	001.511.60.49.03
Personnel Advertising	\$ 1,000	001.518.11.41.01
Software Licenses	\$ 2,200	001.518.81.49.01
Building Inspec/Plan Review	\$ 10,000	001.524.20.41.01

Water Fund

Ending Fund Balance	(14,200)	425.508.80.04.25
Machinery & Equipment	\$14,200	425.594.34.64.00

Sewer Fund

Other Improvements	(\$73,000)	430.594.35.63.01
Project Engineering	\$73,000	430.594.35.63.03

BYSM Fund

Ending Fund Balance	(\$10,600)	431.508.10.04.31
Principal Loan Payment	\$10,600	431.591.35.78.01

ADVANTAGE: This proposal will provide necessary budget for the listed City expenditures.

DISADVANTAGES: Reduction of Ending Fund Balance.

ALTERNATIVES: None

HISTORY: The following is an explanation for why each line needs to be adjusted:

Legislative Advertising-additional advertising for special Council meetings, website design and feasibility study

Legislative Codification Costs-additional coding costs for Title 22 updates to FMC.

Personnel Advertising-additional advertising for unanticipated vacancies.

Software Licenses-additional licenses required for email certifications and archiving license.

Building Inspection/Plan Review-additional costs for special inspections and change orders at Wainwright School.

Water Machinery & Equipment-replace Well #4 pump.

Sewer Other Improvement/Project Engineering-move funds from Other Improvements to Project Engineering for design of Alameda Lift Station. This does not affect the Ending Fund Balance.

BYSM Principal Loan Payment-did not have final amortization schedules when 2016 Budget was adopted.

FIRCREST CITY COUNCIL AGENDA SUMMARY

COUNCIL MEETING DATE: August 9, 2016

SUBJECT: Motion requesting that the Planning Commission sets a public hearing to amend the Development Regulations

FROM: Rick Rosenblatt, City Manager

Reviewed by: _____ City Manager _____ Finance Director _____ City Attorney

RECOMMENDED MOTION: I move that the Planning Commission schedules a public hearing to consider reductions to the marijuana buffer zone, zoning districts that could allow the sale of marijuana and setbacks for retail marijuana locations from residential areas.

PROPOSAL: The Council is being asked to approve the above motion pursuant to FMC 22.78.003 which states that amendments to Title 22 and the official zoning map may be initiated by the adoption of a motion by the City Council requesting the Planning Commission to set a matter for hearing and recommendation.

FISCAL IMPACT: None for this motion,

ADVANTAGE: Satisfies the requirements of FMC 22.78.003.

DISADVANTAGES: None of significance.

ALTERNATIVES: None

HISTORY: There have been past discussions regarding retail marijuana sales and marijuana regulations in previous meetings. At the June 20, 2016 study session, Council took consensus to send this matter to the Planning Commission for a public hearing. Fircrest Municipal Code Section 22.78.003 requires a motion of the Council to send this request to the Planning Commission. Therefore, this is before Council for consideration and action.

AGENDA ITEM #10D

City Council 2017 Budget priorities

No written materials attached

August 9, 2016