



UTILITIES COMMITTEE
MONDAY, NOVEMBER 1, 2021
12:00 P.M.
REMOTE ATTENDANCE

The Utilities Committee meeting will be conducted remotely, not in person. However, you may view the meeting by watching live through Zoom (<https://us02web.zoom.us/j/87516595213>).

NEW: Watch live or as a recording on YouTube (<https://youtu.be/6qd5WtJDWzI>).

The public may also listen to the meeting via telephone by dialing toll-free: **(888) 788-0099** or **(877) 853-5247** – when prompted, enter Webinar ID: **875 1659 5213** press # (participant ID not required)

WATER UTILITY GENERAL FACILITIES CHARGE

BRANDON McALLISTER, UTILITY ENGINEER
(STAFF REPORT)

TOLMIE PARK ESTATES SEWER ULID PETITIONS

PETER BROOKS, WATER RESOURCES MANAGER
(STAFF REPORT)



UTILITIES COMMITTEE

November 1, 2021

SUBJECT: Water General Facilities Charge

RECOMMENDATION: Upon review and concurrence, motion to recommend changes to Water General Facilities Charges to full City Council.

STAFF CONTACT: Scott Spence, City Manager *SS*
Scott Egger, Public Works Director *SE*
Troy Woo, Finance Director
Peter Brooks, Water Resources Manager *PB*
Brandon McAllister, Utility Engineer *BM*

ORIGINATED BY: Public Works Department

ATTACHMENTS: 1. [Draft Changes to LMC 13.32.005](#)

FISCAL NOTE: These LMC revisions represent a reduced GFC increase for 2022

PRIOR REVIEW: None

BACKGROUND:

As part of the City's Water System Plan Update our financial consultant, FCS Group, was asked to evaluate and provide recommendations on the water utility's general facilities charges (GFC). This is a separate exercise from rate setting, as it involves only one-time revenue collected from the sale of new connections and is intended to provide an equitable contribution by new customers toward the City's existing water infrastructure and its planned capacity development projects. The City's authority to administer such fees can be found in RCW 35.92.025.

To calculate an equitable rate for the GFC, our financial consultants determined the existing cost basis of the water utility's infrastructure. They then add the estimated costs of planned capital projects that specifically contain either an increase to system capacity or functional improvement component. That total cost is then divided by the total number of anticipated customers at the end of the planning period, which yields the theoretical cost

share for each new connection. The consultants then applied inflationary adjustments through August of this year and arrived at a new GFC rate of \$8,374 for the City's base meter size beginning in 2022. All other meter sizes are proposed to be priced as multiples of the base meter size, following the City's current multipliers. This is in contrast to the current 2021 GFC charge of \$8,194; and represent a 2.2% increase from 2021 to 2022.

Currently, LMC 13.32.005, which sets forth the current charges and calculations for annual adjustments states that the GCF rate will be increased annually by an amount equal to the Engineering News Record construction cost index (CCI) or 6%, whichever is greater. Continuing with this practice would cause the 2022 GFC rate to exceed the maximum allowable charge calculated by our financial consultants. For this reason, City staff and its consultants are recommending that LMC 13.32.005 be amended to fix the 2022 GFC rates to match those calculated by FCS Group. FCS Group further recommends that the City set its annual inflationary adjustments to be calculated only from the Engineering News Record 20-city average CCI (August over August), and eliminate the "or 6%" clause.

In order to change the schedule of connection fee rates and procedure for calculating future inflationary adjustments, the Council will be required to approve an ordinance revising LMC 13.32.005.

ADVANTAGES:

1. These changes will ensure that the water utility's GFC does not exceed the calculated amount.
2. Modifying the language for annual adjustments provides for a transparent and verifiable way to keep pace with inflation.
3. These changes, in effect, lower the future GFC rates when compared with the City's current practices.

DISADVANTAGES:

1. Revenues collected through the sale of water GFC's are expected to be lower than they would be if calculated under the current LMC language.

ATTACHMENT #1 – DRAFT CHANGES TO LMC 13.32.005

13.32.005 General facilities charge for new connections.

There is established a general facilities charge to be paid for all connections made to the city's water system ~~on or after April 1, 1987~~. For single-family residential or two-family structures, the general facilities charge shall be paid prior to connection to the city's water system. For all other structures, the general facilities charge shall be paid prior to final public works approval and prior to issuance of the certificate of occupancy. In no case shall any structure be occupied prior to payment of the general facilities charge. The rate during ~~that portion of the~~ calendar year ~~2008-2022 remaining after the effective date of the ordinance codified in this section~~ shall be in accordance with the schedule set forth below for each service connection. The rate of said charge shall be increased on January 1st of each calendar year subsequent to ~~2008-2022~~ by an amount equal to the increase in the Engineering News Record Construction Cost Index, ~~20-city average, August over August or by six percent per annum, whichever rate of increase is higher~~. The payment of such connection charges shall be in accordance with Chapter [13.02](#) LMC. Such schedule shall be as follows:

Meter Size	GFC
5/8" to 3/4"	\$3,842 <u>\$3,374</u>
1"	7,698 <u>16,780</u>
1 1/2"	15,329 <u>33,414</u>
2"	25,035 <u>54,570</u>
3"	47,232 <u>102,955</u>
4"	78,720 <u>171,593</u>
6"	157,278 <u>342,833</u>

(Ord. 1595 §3, 2021; Ord. 1308 §1, 2008; Ord. 1287 §1, 2007; Ord. 1279 §1, 2006; Ord. 1094 §6, 1998; Ord. 1029, 1995; Ord. 959 §1, 1993; Ord. 877 §4, 1990; Ord. 795, 1986).



UTILITIES COMMITTEE

November 1, 2021

SUBJECT: Tolmie Park Estates Sewer Utility Local Improvement District Formation Hearing

RECOMMENDATION: Upon review and concurrence, motion to recommend the full City Council set a date for a formation hearing for the Tolmie Park Estates Sewer Utility Local Improvement District.

STAFF CONTACT: Scott Spence, City Manager ^{SS}
Scott Egger, Public Works Director ^{SE}
Troy Woo, Finance Director ^{TW}
Peter Brooks, Water Resources Manager ^{PB}

ORIGINATED BY: Public Works Department

ATTACHMENTS: 1. [Map of Proposed District Boundaries](#)

FISCAL NOTE: The Lacey City Council has pledged two million dollars toward this project.

PRIOR REVIEW: The full City Council was briefed on this subject at the July 8, 2021, City Council Worksession

BACKGROUND:

Tolmie Park Estates is a neighborhood in the Lacey UGA comprised of 47 parcels and served by a failing Large Onsite Septic System (LOSS). This failing LOSS pollutes shallow groundwater, which in turn flows to Woodland Creek and Henderson Inlet.

Staff briefed the full City Council on this subject at the July 8 Council Worksession. At that meeting, Council agreed to contribute two million dollars of the estimated three million dollar project cost in response to environmental degradation concerns, and if the HOA helped to complete the project for the purpose of connecting to Lacey sewer.

A presentation on the need for the project and the option of forming a Utility Local Improvement District (ULID) to install sewer and decommission the LOSS was provided to the HOA membership by staff on September 20, 2021. At the meeting, staff explained that

to move forward with the ULID the HOA needed to provide petitions from the parcel owners requesting formation of the ULID. Staff have received the petitions. At least 74% of the parcel owners provided petitions in favor of forming the ULID.

Per RCW 35.43.125, in order to form a ULID, which was initiated by petition, a formation hearing must be held. Staff is recommending that the Utilities Committee refer this matter to the full City Council so that a date may be set for the formation hearing.

ADVANTAGES:

1. Referring this matter to the full Lacey City Council would keep the project moving forward.

DISADVANTAGES:

1. None apparent.

Proposed Boundary for Tolmie Park Estates HOA

Sewer Utility Local Improvement District

