Anacortes City Council

Municipal Building Council Chambers
904 Sixth Street

October 23, 2017
6:00 p.m.

PRELIMINARY AGENDA

Packet Materials

1. **Call to Order**

2. **Pledge of Allegiance**

3. **Announcements and Committee Reports**
   a. Proclamation: National Hospice Palliative Care Month
   b. Planning Committee

4. **Public Comment**

5. **Consent Agenda (Action)**
   a. Minutes of October 16, 2017
   b. Approval of Claims in the amount of: $602,838.08

6. **Public Hearings**

7. **Other Business**
   a. * Cost of Service Water Rates (Discussion)
   b. * Third Quarter Finance Update (Discussion)
   c. * Ordinance 3012: Amending the 2017/2018 Budget (Discussion/Possible Action)

8. **Adjournment**

Per Resolution 1949, citizens wishing to comment on items not on the agenda may do so under the Public Comment portion of the agenda. Citizens wishing to comment on agenda items indicated with an asterisk (*) may do so as those items are considered by Council during the course of the meeting. Citizens wishing to speak will please sign in at the back of the Council Chambers prior to the start of the meeting. The Mayor may limit comments to those who have signed in, and may limit the time allotted to each speaker to facilitate the orderly progress of the meeting.

The City of Anacortes encourages people with disabilities to participate in public meetings.
For assistance with special needs, please contact Cherri Kahns at 360-299-1950 at least 48 hours prior to this meeting.

Anacortes City Council

Proposed Agenda Items for the Next Eight Weeks Beginning November 6, 2017

Subjects listed below have been tentatively suggested for consideration by the Anacortes City Council on the dates indicated. Items may be added to, removed from or rearranged on this list. Routine business such as approval of minutes, vouchers and consent agenda items is not included. The complete Preliminary Agenda for each meeting is published at 3:00 on the Wednesday prior to the meeting. Published Agendas are subject to change and may be updated following the posting period. For additional information on agenda topics, please contact the City Clerk's office at 360-299-1960 to be directed to the sponsoring staff member.

November 6, 2017

•2017/2018 Budget Mid-biennial Review and Modification: Mayor Presentation to Council (Discussion)
•Public Meeting: Resolution ____: Establishing a Unified Fee Schedule for Utility Fees and Charges (Discussion/Possible Action)
•Agriculture Irrigation Rates (Discussion)
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November 13, 2017

•Public Hearing: Ordinance ____: 2017/2018 Budget Mid-biennial Review and Modification (Discussion)
•Affordable Housing Strategic Plan (Discussion/Possible Action)
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November 20, 2017

•Ordinance ____: 2017/2018 Budget Mid-biennial Review and Modification (Discussion/Possible Action)
•Resolution ____: Setting the City's Year 2018 Property Tax Regular Levy Increase (Action)
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November 27, 2017
****

December 4, 2017
****

December 11, 2017
****

December 18, 2017
****

December 26, 2017
****

Upcoming City Council Committee Meetings
The public is welcome to attend City Council Committee Meetings.

•Public Works, Monday, Oct 16, 2017, 5:00 PM, Public Works Director's Office, City Hall
•Planning, Monday, Oct 23, 2017, 5:00 PM, Main Conference Room, City Hall
•Finance, Wednesday, Oct 25, 2017, 5:00 PM, Main Conference Room, City Hall
•Housing Affordability & Community Services, Thursday, Nov 2, 2017, 1:30 PM, City Hall
•Public Works, Monday, Nov 6, 2017, 5:00 PM, Public Works Director's Office, City Hall
•Finance, Wednesday, Nov 8, 2017, 5:00 PM, Main Conference Room, City Hall
•Planning, Monday, Nov 13, 2017, 5:00 PM, Main Conference Room, City Hall
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CITY OF ANACORTES PROCLAMATION

National Hospice Palliative Care Month
November 2017

WHEREAS, hospice and palliative dedicated care professionals helping diverse communities access quality end-of-life care and are committed to removing barriers to accessing care, empower people facing a serious or life-limiting illness to live as fully as possible, surrounded and supported by family and loved ones;

WHEREAS, hospice and palliative care bring patients and family caregivers the highest quality care delivered by an interdisciplinary team of skilled professionals that includes physicians, nurses, social workers, therapists, counselors, health aides, spiritual care providers and others who make the wishes of each patient and family a priority;

WHEREAS, through pain management and symptom control, caregiver training and assistance, and emotional and spiritual support, allow patients to live fully and make more meaningful moments until the end, surrounded and supported by the faces of loved ones, friends, and committed caregivers;

WHEREAS, more than 430,000 trained volunteers contribute 19 million hours of service to hospice programs annually, saves Medicare more than $2 billion by providing solutions for physicians, care to patients and comfort to families anywhere, at any time;

WHEREAS, every year more than to 1.65 million Americans living with life-limiting illness, and their families, received care from the nation's hospice programs in communities throughout the United States;

WHEREAS, hospice and palliative care providers encourage all people to learn more about options of care and to share their wishes with family, loved ones, and their healthcare professionals;

NOW, THEREFORE I, Laurie Gere, Mayor does hereby proclaim November 2017 as,

National Hospice Palliative Care Month

In the City of Anacortes and encourage citizens to increase their understanding and awareness of care at the end of life and to observe this month with appropriate activities and programs.

Signed this 23rd day of October 2017.

CITY OF ANACORTES

Laurie Gere, Mayor

Mayor Laurie Gere called to order the regular Anacortes City Council meeting of October 9, 2017 at 6:00 p.m. Councilmembers Eric Johnson, Ryan Walters, Erica Pickett, Brad Adams, Liz Lovelett, Bruce McDougall and Matt Miller were present. The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Finance Committee: Mr. Johnson reported that at the committee meeting the prior Wednesday those present discussed topics that would be presented later on the evening's agenda.

Mr. Miller reported from the Law & Justice Council meeting the prior Wednesday at which it was announced that the move of 198 inmates to the new Law & Justice Center was completed successfully on October 7, 2017 without incident.

Ms. Lovelett reported that at its meeting the prior Wednesday the Planning Commission unanimously recommended the Affordable Housing Strategic Plan. She said the plan would come before City Council on November 13, 2017.

Public Works Committee: Mr. Johnson reported from the committee meeting earlier in the evening at which staff reported that all microduct fiber materials from Craley had arrived and that the wastewater treatment plant outfall was back in order. He said those present also discussed adopting a .02% sales tax increase as an alternative to vehicle license tabs to fund the street maintenance program and spread that cost to road users other than strictly Anacortes residents. Mr. Johnson noted that license tabs generated $317K for the program in 2016 whereas a .02% sales tax increase would have generated $928K. Ms. Lovelett added that the group also discussed adding responsible bidder language to standard public works contracts.

Public Comment

No one present wished to address Council on any topic not already on the agenda.

Consent Agenda

Mr. Adams removed Item 5a, Minutes of October 9, 2017, from the Consent Agenda. Mr. Johnson moved, seconded by Ms. Lovelett, to approve the following Consent Agenda items. The motion carried unanimously by voice vote.

b. Approval of Claims in the amount of: $932,786.62
c. Street Fair Application: Christmas Tree Lighting Event
d. Contract Modification: Storm Sewer Pond & Swale Improvements 16-041-STM-001
e. Grant Award Approval: Permanent Statewide Bike Counter Installation Program

The following vouchers/checks were approved for payment:
EFT numbers: 86707 through 86754, total $651,172.72
Check numbers: 86755 through 86794, total $271,430.24
Wire transfer numbers: 221830 through 222785, total $4,193.63

a. Minutes of October 9, 2017

Mr. Adams removed this item from the Consent Agenda so he could abstain from voting approval since he had not attended the October 9 meeting. Ms. Lovelett moved, seconded by Mr. Walters, to approve Consent Agenda Item 5a. The motion carried unanimously by voice vote with Mr. Adams abstaining.

OTHER BUSINESS

Contract Award: Ambulance Remount Braun Northwest

Fire Chief Richard Curtis shared a slide presentation explaining the proposed contract to remount an existing ambulance box on a new chassis in contrast to the traditional purchase of an entire new ambulance. Chief Curtis said the remount would save approximately $50K and result in a total cost of just under $220K which would be funded by Skagit County. He said the remount would also significantly reduced the lead time to take delivery on the ambulance. Chief Curtis addressed councilmember questions about the proposed purchase, clarifying that 90% payment would be due 30 days after the city took possession of the new rig, and the procurement process under the HGAC joint purchasing agreement. He then provided some background information on the proposed vendor and shared a series of photos illustrating the process of refitting and remounting an existing ambulance box on a new chassis. Ms. Lovelett commented that when this purchase had been discussed at the Public Safety Committee it was noted that the cost savings would allow sufficient funding to include a power gurney on the rig to reduce firemedic injuries. Chief Curtis confirmed Mr. Adams's understanding that the new chassis would provide a much smoother ride for patients. Mr. Miller asked why the purchase had not been included in the 2017/2018 budget. Chief Curtis said the timing of the purchase had not been determined at the time the budget was adopted. Mr. Johnson confirmed that the used chassis would be returned to Skagit County. Mayor Gere confirmed that Skagit County had consented to the remount. Ms. Lovelett moved, seconded by Mr. Johnson, to approve the contract award for the ambulance remount to Braun Northwest. Vote: Ayes – Walters, Pickett, Adams, Lovelett, McDougall, Miller and Johnson. Motion carried.

Agriculture Irrigation Rates

Finance Director Steve Hoglund introduced a discussion of agricultural irrigation rates, referring to his slide presentation in the council packet. He summarized AMC 13.32.035 providing for an agricultural irrigation rate, illustrated the potential agricultural irrigation connections to the transmission lines between the water treatment plant in Mount Vernon and the Swinomish Slough, and reported that the Town of La Conner had asked Anacortes to work towards a resolution of the lack of parity in water rates charged to Skagit Valley agricultural irrigation customers by City of Anacortes, Town of La Conner and Skagit PUD. In response to a question from Mr. Walters, Mr. Hoglund clarified that the mayor and town administrator of La Conner had called and met with City of Anacortes staff requesting action, separate from public comments on the topic that were included in the packet materials for the meeting. Mr. Hoglund displayed the rates charged to agricultural irrigation customers by the three providers. He noted that Anacortes was selling irrigation water at far below the actual cost to treat the water, even with the indexing that was instituted when the unified fee schedule was adopted in 2015. In response to a question from Mr. McDougall, Mr. Hoglund confirmed that the city does not mark up the $1.54 wholesale rate. Mr. Hoglund then explained the annual reconciliation process which spreads the total actual cost of treating water among the utility's seven wholesale customers including the city's own customers. He noted that agricultural irrigation consumption is added to the city's consumption so City of Anacortes customers have to make up the difference between the cost of treating irrigation water and the revenue collected from the irrigation customers, totaling $1.37/ccf or $143,504 in 2016. Mr. Hoglund said that in order to establish parity among neighboring agricultural customers and to provide equity to Anacortes ratepayers, staff recommended indexing the agricultural irrigation rate to the regional customer wholesale cost of treatment which would increase the rate from $231.8/MG to $2056.76/MG, an eight fold increase that would still result in a lower rate than that charged by either La Conner or Skagit PUD.

Councilmembers questioned why this adjustment had not been addressed in prior water rate studies. Mr. Hoglund explained that agricultural water customers were billed like other accounts receivable customers separate from the utility billing system due to the seasonal nature of their consumption and their lack of permanent meters. He presented a summary of the 15 agricultural irrigation customers signed up in 2016, their consumption, their actual costs, and their cost at the proposed rate. Several councilmembers suggested that the dramatic rate increases would best be phased in over time to allow the business models of the affected agricultural customers to adapt. Mr. Adams asked if increased agricultural irrigation rates would lower the rates for Anacortes ratepayers. Mr. Hoglund said Anacortes ratepayers could save approximately $14/ERU/year depending on how much irrigation consumption contracted in response to new rates. Ms. Lovelett suggested that another means of establishing parity for agricultural customers of the various providers would be to lower the agricultural water rate charged to La Conner and Skagit PUD. Ms. Pickett said it was important to recover all the hard costs of treating the water and questioned whether selling water below cost was even legal. Mr. Johnson observed that the 15 irrigation customers who were paying a total of $143K below cost were essentially each receiving a $9566 grant from the Anacortes ratepayers.

Mayor Gere invited members of the audience to comment on this agenda item.

Brandon Roozen, Western Washington Agriculture Association, commented that they had just become aware of the information presented at the meeting and that it was daunting. He asked to continue discussions on the topic with councilmembers and staff.

Ms. Lovelett recalled that the Comprehensive Plan prioritized ensuring that agriculture has adequate access to water. She called supporting agriculture a worthwhile pursuit. Mr. Adams noted that the city had plenty of water and asked if untreated water could be sold to irrigation customers instead. Mr. Johnson urged more input from the farmers purchasing irrigation water from La Conner and Skagit PUD.

Patrick O'Hearn, 11039 Post Drive, asked if the $1.54/ccf cost was total cost, including variable, fixed and capital costs. Mr. Hoglund responded that it was the entire wholesale rate and that retail rate for Anacortes customers was higher.

Andy Schuh, Schuh Farms, said that his farm has relied on Anacortes water for irrigation for several years. He said irrigation water is more and more critical with climate change and that Schuh Farms irrigates most of its crops now, a change from prior years. Mr. Schuh said their business model is based on current irrigation pricing and that an 800% increase was not something they had anticipated. Mr. Schuh said he realized Anacortes could not subsidize farmers but asked that the increase be phased in as gently as possible. He said this new information had shocked him when he learned of it earlier in the day. Mr. Johnson asked Mr. Schuh to contact staff to discuss phasing that would be more acceptable.

Mayor Gere invited all parties who wished to participate in the rate discussion to contact Mr. Hoglund. She indicated that staff would collect more information and assemble phasing options to bring back to Council at a future meeting.

There being no further business, at approximately 6:45p.m. the Anacortes City Council meeting of October 16, 2017 was adjourned.

The following claims against the City of Anacortes have been preaudited and certified by the Clerk-Treasurer as ready for City Council approval at the October 23, 2017 City Council meeting:

Download this file in OpenDocument spreadsheet format.

Invoice Doc #	Transaction Date	Invoice #	Vendor #	Vendor Full Name	Description	Total Amount
223099	4/26/2017	1096332206	02193	FERRELLGAS	LAN CELL DEVICE FOR AUTOGAS DISPENSER AT OPS	$434.00
223003	5/21/2017	refundHankey	10785	HANKEY, CHRIS	REFUND ELI HANKEY COUNTY SOCCER	$58.00
223053	8/3/2017	7348	03419	ISLAND EYE PHYSICIANS &	FRAMES & LENSES COPAY, LEOFF1 RETIREE	$400.00
222751	8/30/2017	BI-0319081	00317	BECKWITH & KUFFEL	PS15 KSB PUMP 1 REBUILD	$8,370.99
220753	9/5/2017	35899	04965	CORRECT EQUIPMENT	STATOR, PRESSURE SWITCH AND LEVEL SENSOR	$460.60
222827	9/11/2017	000911201738038 5	03612	NORTH ISLAND MARINE SERVICE	SERVICE TO VEH #380 & #385	$432.25
222830	9/11/2017	0009112017387	03612	NORTH ISLAND MARINE SERVICE	SERVICE TO VEH #387	$716.12
222988	9/12/2017	IN924913	10389	NOANET	FIBER INSTALLATION CHR SOLUTIONS INSPECTIONS - JULY/AUG 2017	$28,340.72
223018	9/19/2017	17419.00-6	04441	GRAY & OSBORNE INC	WATER TRANSMISSION MAIN REHABILITATION - PHASE 1 - 8/20/17-9/16/17	$980.85
222984	9/19/2017	4120.1	09953	SAIL ELECTRIC INC.	TESORO MODULAR MOVE - TRAFFIC LIGHT POLE SWIVELS INSTALLATION	$11,821.08
222896	9/19/2017	1132494	02964	WASHINGTON LIBRARY	WILSON - TRAINING WLA CONFERENCE	$260.00
222987	9/21/2017	IN924917	10389	NOANET	FIBER INSTALLATION CHR SOLUTIONS INSPECTIONS - SEPT 2017	$8,552.28
222953	9/22/2017	INV91322	09071	TACTICAL MEDICAL SOLUTIONS INC	PATROL SUPPLIES; MEDICAL KITS FOR UNIFORMS	$115.99
222136	9/25/2017	9565875961	03120	GRAINGER	SS PIPE SPOOL	$196.93
222806	9/27/2017	926144/1	00021	ACE HARDWARE	PIPE BLACK, THREADS CUT FOR OPS REMODEL	$6.55
222921	9/27/2017	17-1495	04253	LIFE TEK, INC	FA CPR BBP TRAINING~	$262.50
222833	9/27/2017	114-5841649	04834	UNITED SITE SERVICES, INC	SEPTEMBER PORTABLE TOILET SERVICE & RENTAL-OPS	$1,348.03
222888	9/28/2017	H842875	10760	CORE & MAIN LP	SS1-037008 RM 3X8 REP CLAMP	$150.44
222937	9/29/2017	126489	10177	INFOSEND, INC.	MONTHLY STATEMENT PROCESSING	$3,554.98
222583	9/29/2017	95442612	10089	MIDWEST TAPE	DVDS	$130.12
222588	9/29/2017	200000666863	02192	PUGET SOUND ENERGY	LIBRARY 10TH STREET LED 8/31-9/29/17	$13.58
222928	9/30/2017	79158767	02154	150-PRAXAIR DISTRIBUTION INC	CYLINDER RENTAL	$161.12
222844	9/30/2017	27876	01530	LAKESIDE INDUSTRIES, INC.	5/8 & 3/4 ROCK FOR STREET DEPT WINDSOR	$1,003.24
222843	9/30/2017	27932	01530	LAKESIDE INDUSTRIES, INC.	5/8 & 3/4 ROCK FOR WATER DEPT	$501.92
222989	9/30/2017	IN925215	10389	NOANET	FIBER NETWORK OPS, GIS, AND ENGINEERING SUPPORT - SEPT 2017	$14,828.75
222990	9/30/2017	IN925216	10389	NOANET	TRAVEL DAYS FOR FIBER NETWORK OPS, GIS, AND ENGINEERING SUPPORT - SEPT 2017	$492.00

Invoice Doc #	Transaction Date	Invoice #	Vendor #	Vendor Full Name	Description	Total Amount
222624	9/30/2017	0000558077	01958	OCLC, INC	CATALOGING, ILL, FIRSTSEARCH/WORLDCAT DISCOVERY 7/1/17-6/30/18	$344.93
222994	9/30/2017	27662	07996	REICHHARDT & EBE ENGINEERING	SHIP HARBOR & SR20 INTERSECTION - SEPT 2017	$2,056.41
223019	9/30/2017	010976	00930	SKIDMORE PHARMACY INC.	SEPT. PHARMACY COPAYS, LEOFF1 RETIREE	$64.74
222919	10/1/2017	FA005725	01364	ISLAND HOSPITAL	FIT FOR JAIL JUVENILE; APD CASE 17-A07801	$201.85
222836	10/1/2017	1388472-0043-8	02997	WASTE MANAGEMENT	SEPTEMBER 2017 CONTRACTED SERVICES	$97,430.97
223068	10/2/2017	1767110	10341	MWH CONSTRUCTORS INC	BLUE HERON CIRCLE RESERVOIR PROJECT - CONSTRUCTION MANAGEMENT 6/15/17-9/29/17	$35,638.95
223065	10/2/2017	761	04690	NORTH WEST COLORS PAINTING	EXTERIOR PAINTING OF FIRE STATION II - MOD 01	$542.50
222626	10/2/2017	200000667101	02192	PUGET SOUND ENERGY	LIBRARY 1220 10TH 8/8-9/6/17	$2,511.11
223020	10/2/2017	10751	10273	SKILLINGS CONNOLLY, INC	WASTEWATER TREATMENT PLANT OUTFALL REPAIR DESIGN 8/26/17-9/25/17	$42,656.91
222758	10/3/2017	1421	09794	ACME CREATIVE	ACME CREATIVE MARKETING INVOICE -	$2,227.50
222546	10/3/2017	RefundBratz	10770	BRATZ, LEONA	REFUND FEES PAID FOR LOST BOOK	$32.00
222832	10/3/2017	1190007	02681	SURETY PEST CONTROL	MONTHLY PEST CONTROL- OPS	$48.83
222547	10/3/2017	RefundWilliams	10771	WILLIAMS, MELISSA	REFUND FEES PAID FOR FOUND LOST BOOK	$15.00
222893	10/4/2017	742338	00306	BAYSHORE OFFICE PRODUCTS INC	OFFICE SUPPLIES - LIBRARY	$53.17
222891	10/4/2017	742341	00306	BAYSHORE OFFICE PRODUCTS INC	OFFICE SUPPLIES - LIBRARY	$26.58
222623	10/4/2017	290947	01023	FRONTIER BUILDING SUPPLY	WOOD STAKES FOR SIGN POSTING - PLANNING	$68.03
222938	10/4/2017	1583948	00632	MILES SAND & GRAVEL CO.	PEA GRAVEL- SEWER REPAIRS	$48.38
223004	10/4/2017	1583948Parks	00632	MILES SAND & GRAVEL CO.	ROCK - ACE OF HEART PARKS	$316.32
223060	10/4/2017	553617	01765	MISTER T'S AWARDS &	POSTAGE ONLY, BADGE FOR SALLY HILL PAID CHECK#223060	$5.50
223022	10/4/2017	I18001689	02930	WASHINGTON STATE PATROL	MUSEUM BACKGROUND CHECK, DIXON ELDER	$12.00
223023	10/5/2017	SI-11828	04753	FOURTH CORNER NURSERIES	TREES	$317.36
222889	10/5/2017	26034	01398	JET CITY EQUIPMENT RENTAL	ROLLER RENTAL FOR PAVING PROJECT	$352.63
223010	10/5/2017	1584670	00632	MILES SAND & GRAVEL CO.	ROCK - ACE OF HEARTS PARK	$316.32
223007	10/5/2017	0116218	06543	PACIFIC TIRE COMPANY, INC	SERVICE- VEH #605	$49.91
222587	10/5/2017	200000667218	02192	PUGET SOUND ENERGY	LIBRARY 10TH & M ST 8/31-9/29/17	$83.58
222138	10/5/2017	8779052	02334	RYAN HERCO PRODUCTS CORP	BARBED 90	$39.16
223024	10/5/2017	1154635597	08896	WILSON DDS, NICHOLAS J	PHARMACY COPAYS, DODGE, RODNEY, LEOFF1, DOS: 10/05/2017	$173.00
222899	10/6/2017	S17-100602	00890	ENVIRO CLEAN EQUIPMENT INC	PARTS FOR VEH #303	$218.30
223070	10/6/2017	969500236001	01962	OFFICE DEPOT, INC.	OFFICE SUPPLIES - ENGR	$5.20
222920	10/6/2017	220013297076	02192	PUGET SOUND ENERGY	1100 ST RT. 20 9/7-10/5/17	$19.64
222907	10/6/2017	220013297498	02192	PUGET SOUND ENERGY	CASINO DRIVE UNDER TWIN BRIDGES 9/7-10/5/17	$70.59

Invoice Doc #	Transaction Date	Invoice #	Vendor #	Vendor Full Name	Description	Total Amount
222996	10/7/2017	28808	01530	LAKESIDE INDUSTRIES, INC.	GRAVEL FOR FIBER PROJECT	$1,346.37
223056	10/7/2017	171025	04831	T-SHIRTS BY DESIGN	STAFF T-SHIRT	$97.65
222898	10/9/2017	S17-100909	00890	ENVIRO CLEAN EQUIPMENT INC	PART FOR VEH #303	$169.22
223021	10/9/2017	9300393751	01129	GRAYBAR ELECTRIC COMPANY, INC	FIBER MATERIALS - MICROFIBER 144	$83,934.29
223069	10/9/2017	969500020001	01962	OFFICE DEPOT, INC.	OFFICE SUPPLIES - ENGR	$77.22
223063	10/9/2017	399	02466	SKAGIT COUNTY PUBLIC HEALTH &	COMMUNITY SERVICES @ ANACORTES SENIOR ACTIVITY CENTER - 3RD QUARTER	$9,000.00
222917	10/10/2017	101017	00180	ANACORTES TOWING LLC	TOWING; APD CASE 17-A08039	$162.75
222902	10/10/2017	8493 30 017 0490698	04412	COMCAST	CITY HALL INTERNET CONNECTION 10/20-11/19/17	$186.12
222905	10/10/2017	8498 30 030 0111230	04412	COMCAST	WTP 14489 RIVER BEND RD. - 10/19-11/18/17	$224.48
222941	10/10/2017	0572444	00932	FERGUSON ENTERPRISES, INC	LF 3 OMC2 100 CF AMR PROGRAMMED TO 1CF	$2,100.02
222992	10/10/2017	7764	07474	MACLEOD RECKORD PLLC	GUEMES CHANNEL TRAIL 30% DESIGN - PHASE II - SEPT 2017	$80.05
222897	10/10/2017	001-383399	02109	PISTON SERVICE OF ANACORTES	PART FOR VEH #710	$95.94
222808	10/10/2017	001-383411	02109	PISTON SERVICE OF ANACORTES	PARTS FOR VEH #219	$2.96
222926	10/10/2017	0165718	02123	PLATT ELECTRIC SUPPLY INC	METER START CAPACITORS	$280.70
223011	10/10/2017	300000000343	02192	PUGET SOUND ENERGY	PARKS/CEM/WASH. PARK/FAC/DEPOT (SERVICE DATES)	$2,741.50
223015	10/10/2017	300000003909	02192	PUGET SOUND ENERGY	ENERGY BILL FOR WWTP	$13,897.88
223012	10/10/2017	300000006290	02192	PUGET SOUND ENERGY	ELECTRICAL - ALL MUSEUM VENUES	$154.57
223073	10/10/2017	300000008114	02192	PUGET SOUND ENERGY	ELECTRICITY FOR METERS, VAULTS & STREET LIGHTS	$356.30
222991	10/10/2017	20170908	02488	SKAGIT COUNTY PUBLIC	CHIP SEAL, SWEEP, FOG SEAL - MATERIALS	$147.96
222764	10/10/2017	12472A	07568	THE PLUMBING GUYS, INC	PLUMBING IMPROVEMENTS AT WASHINGTON PARK CAMPGROUND MEN'S RESTROOM	$17,144.63
222847	10/10/2017	21725	10148	WETLANDS & WOODLANDS, INC.	LAVENDER/ROSEMARY/GRASS/SPIREA	$1,085.00
222829	10/11/2017	LTAC VIC 3rd Quarter	00148	ANACORTES CHAMBER OF COMMERCE	LTAC CHAMBER VIC 3RD Q REIMBURSE	$14,350.00
222804	10/11/2017	55157, 54671, 54640	00244	ASSOCIATION OF WASHINGTON	AWC REGIONAL MEETING - BURLINGTON	$250.00
222890	10/11/2017	163984B-5	00355	BIRCH EQUIPMENT CO., INC	JOB SHACK RENTAL 8 X 20 FT CONTAINER	$265.82
223009	10/11/2017	312	06414	BLUE COW CARWASH	50 CAR WASHES- JULY, AUG & SEPTEMBER	$450.00
222939	10/11/2017	8498 30 017 0464628	04412	COMCAST	WA PARK INTERNET 10/21-11/20/17	$106.12
222995	10/11/2017	3329999	00717	DAILY JOURNAL OF COMMERCE	LEGAL NOTICE - CALL FOR BIDS MARCH PT RD SHOULDER WIDENING	$105.80
222925	10/11/2017	WAANA95624	00939	FASTENAL CO	NUTS AND CAP SCREWS	$9.36
222901	10/11/2017	MV176309	01801	MOTOR TRUCKS, INC	PARTS FOR VEH #609	$357.57
222894	10/11/2017	001-383601	02109	PISTON SERVICE OF ANACORTES	PARTS FOR VEH #303	$68.01

Invoice Doc #	Transaction Date	Invoice #	Vendor #	Vendor Full Name	Description	Total Amount
222895	10/11/2017	001-383604	02109	PISTON SERVICE OF ANACORTES	SUPPLY FOR #90009	$18.33
222825	10/11/2017	LTAC 2017 Reimburse	10298	RHOADES, LISA	LTAC 98221 ARTISTS STUDIO TOUR REIMBURSE	$5,000.00
222807	10/11/2017	210-0083-00	02465	SKAGIT COUNTY AUDITOR'S OFFICE	LIEN RELEASE 7166 SAN JUAN HILL LANE	$35.00
222979	10/11/2017	1074789	02519	SKAGIT PUBLISHING LLC	PUBLISH AA-1679967	$89.32
222955	10/11/2017	L122027	10394	STATE AUDITOR'S OFFICE	ACCOUNTABILITY AUDIT 16-16	$2,878.23
222933	10/12/2017	927157/1	00021	ACE HARDWARE	CHRISTMAS LIGHTS FOR COMMERCIAL AVE	$2,927.55
222918	10/12/2017	1990391915	06718	ARAMARK	APD NYLON MATS CLEANED	$16.28
222923	10/12/2017	1990391920	06718	ARAMARK	OPS & PARKS LAUNDRY SVC FOR	$67.09
222904	10/12/2017	1990391921	06718	ARAMARK	OPS- MAT SERVICE: 10/12	$23.07
222892	10/12/2017	743325	00306	BAYSHORE OFFICE PRODUCTS INC	OFFICE SUPPLIES - LIBRARY	$95.07
222837	10/12/2017	073-3200-02	10780	DOLPH, C IVAR & PHYLLIS	Overpayment on a closed account	$129.08
222903	10/12/2017	190463	00950	FIDALGO COFFEE ROASTERS	OPS- BREAKROOM SUPPLIES	$93.00
222900	10/12/2017	139262C	01022	FRONTIER FORD	SERVICE TO VEH #008	$1,333.35
222985	10/12/2017	1633-11	06080	MAKERS ARCHITECTURE	ZONING, DEV & DESIGN STDS - SEPTEMBER 2017	$11,963.75
222845	10/12/2017	travel reimb	06839	MILES, HEIKO	TRAVEL REIMB OVERNIGHT STAYS -H MILES	$202.40
222838	10/12/2017	052-6270-01	10781	MORENO, CYNTHIA & MARLIN	Overpayment on a closed account	$98.20
222993	10/12/2017	IN925221	10389	NOANET	COS SERVICES FOR FIBER PROJECT	$7,000.00
223071	10/12/2017	970384030001	01962	OFFICE DEPOT, INC.	SIGN HOLDERS - VARIOUS FACILITIES	$62.50
223006	10/12/2017	001-383708	02109	PISTON SERVICE OF ANACORTES	PARTS- VEH #160	$108.66
223005	10/12/2017	001-383712	02109	PISTON SERVICE OF ANACORTES	PARTS- VEH #158	$478.91
222942	10/13/2017	927221/1	00021	ACE HARDWARE	DRYWALL SCREW 6X1	$7.61
222959	10/13/2017	101317	00180	ANACORTES TOWING LLC	TOWING; APD CASE 17-A08110	$162.75
223001	10/13/2017	743538	00306	BAYSHORE OFFICE PRODUCTS INC	PAPER - REC PROGRAM	$26.02
222936	10/13/2017	2017101008181	07356	SUN LIFE FINANCIAL	EMPLOYEE FICA MATCH	$33.88
222922	10/13/2017	1188288	02681	SURETY PEST CONTROL	CITY HALL	$43.40
223067	10/13/2017	Pay App 2	07619	TIGER CONSTRUCTION LTD	FURNISH AND INSTALL TRAVELING SCREENS AT WTP INTAKE STATION	$127,876.64
222954	10/14/2017	00005W5A83417	02817	UNITED PARCEL SERVICE	UPS SHIPPING CHARGES; WEEK END 10-14-17	$15.07
222999	10/16/2017	141	00156	ANACORTES PRINTING	PUB DEF LETTERHEAD	$97.65
223013	10/16/2017	1990395884	06718	ARAMARK	LAUNDRY SERVICE FOR WWTP	$71.61
222944	10/16/2017	99561742	01351	RICOH USA, INC	S/N C32029555 CITY HALL COPIER 3RD 10/1-10/31/17	$377.30
222998	10/16/2017	COA1017	09183	SYSTEMS DESIGN WEST, LLC	AMBULANCE SERVICE BILLING SEPTEMBER	$3,327.85
223002	10/17/2017	refunddepot	09358	GEGEN, JEANNIE	REFUND DEPOT RENTAL FEE	$450.00
223017	10/17/2017	1200072926	05880	HDR ENGINEERING, INC	WATER SYSTEM MODEL UPDATE 7/2/17-9/2/17	$510.70

Invoice Doc #	Transaction Date	Invoice #	Vendor #	Vendor Full Name	Description	Total Amount
223055	10/17/2017	Reim Copays	01478	KING, MICHAEL L	REIMBURSE PHARMACY COPAYS, LEOFF1 RETIREE	$381.04
223058	10/17/2017	Reim Copays	01478	KING, MICHAEL L	REIMBURSE EYEWEAR MAXIMUM LIMIT $450.00, LEOFF1 RETIREE	$450.00
223054	10/17/2017	131242	02169	LITHTEX NORTHWEST, LLC	MOTION FOR CONTINUANCE FORMS	$150.27
223104	10/17/2017	5050857744	01351	RICOH USA, INC	S/N C86112175 3RD FL COPIER 7/21-10/20/17	$2,863.80
223064	10/17/2017	judicial services	02496	SKAGIT COUNTY DISTRICT COURT	4TH QTR JUDICIAL SERVICES	$14,457.00
223059	10/17/2017	WASAMA Fall	09895	SWETNAM, DARCY	MEAL REIMBURSEMENT WASAMA FALL CONFERENCE	$127.00

Total **$602,838.08**

City Council Agenda Bill

Meeting Date: 10/9/2017 **Agenda Item**: 7a

Subject: In city water rates

Staff Contact: Steve Hoglund, Fred Buckenmeyer

Approved for Submittal to Council by	
x	Laurie Gere, Mayor
x	Steve Hoglund, Finance Director
	Darcy Swetnam, City Attorney

Action Type	
	Ordinance No.
	Code Revision?
	Resolution No.
	Contract
	Public Hearing
x	Staff Report

Summary Statement: This material is for review only, new rate adoption is scheduled for the November 6, 2017 City Council meeting.

FCS has completed their cost of service and block rate analysis of In City water rates. Enclosed is the technical memo summarizing the results of their review.

Background: Based on prior Council discussion, staff is planning on implementing cost of service water rates, which would establish a Multi Family rate, but not consumption block rates, effective January 1, 2018.

A draft ordinance with definitions to clarify which user groups those rates would apply to has also been included in this Council packet.

Please note Appendix A starting on page 14 of the FCS memo outlines the proposed rate increases over the next 3 years (2018-2020).

Rate increases since 2016:

Water Rate Increases as a % with Mutifamily					
	2016	**2017**	**2018**	**2019**	**2020**
Single Family Residence	36%	18%	8.6%	7%	4%
Commercial	36%	18%	8.7%	7%	4%
Multi Family	36%	18%	-19.1%	7%	4%

Budget Impact	
Amount Budgeted	
Budget Account (BARS)	
Proposed Expenditure	
Budget Amendment Required?	
Revenue Source	

<u>Previous Council/Committee Action</u>: Ordinance 2961 rewriting the water section of Anacortes municipal code, Resolutions 1928 and 1950 updating in city water rates.

<u>Competing Viewpoints Considered</u>:

<u>Recommended Motion</u>: N/A

<u>Alternative Actions</u>:

<u>Attachments</u> (listed in order presented): FCS Group Project Memorandum dated 10/18/17, Cost of Service Water Rate schedule, Ordinance updating AMC section 13.2 with user group definitions.

FCS GROUP
Solutions-Oriented Consulting

Project Memorandum

To: Fred Buckenmeyer
Public Works Director
City of Anacortes

Date: October 18, 2017

From: Gordon Wilson, Senior Program Manager
Tage Aaker, Project Manager

RE: Retail Water Cost of Service & Rate Design Study

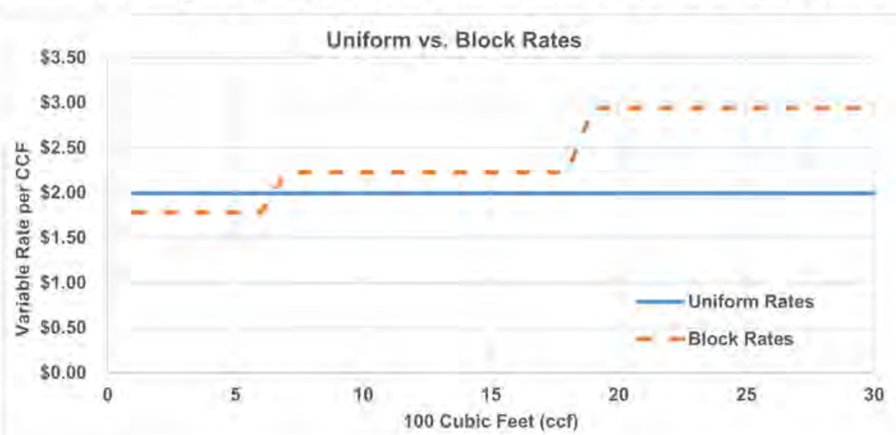
A. INTRODUCTION AND SUMMARY

In March of 2017, the City of Anacortes contracted with FCS GROUP to perform a Cost of Service and Rate Design Study for its retail water system.

The cost-of-service (COS) element builds off a revenue requirement forecast we developed for the City in 2015. That study proposed a set of system-wide annual rate increases that were subsequently adopted by the City Council. At the time, our scope was limited to applying the increases in an "across-the-board" (ATB) manner, increasing each rate by the same percentage each year. This study continues that analysis by examining the relative distribution of the rate burden across different rate classes, based on the relative cost of serving each group of customers. In simple terms, the revenue requirement forecast tells us the size of the "pie" that is needed, while the COS analysis tells us how the pie should be equitably sliced among the various customer groups. The first is a test of rate sufficiency while the second is a test of rate equity. The most significant finding from our COS analysis is that the current relationship between commercial and residential accounts is equitable, but multi-family accounts should have lower rates than other commercial accounts.

At the Council's request, we also designed a block rate structure for the City's consideration. Block rates would apply to single family residential accounts. They would be an alternative to the current uniform rates, in which the same rate is charged per cubic foot regardless of how much water is used in a given month. A block rate structure has varying usage rates for different levels of usage; it is often used to encourage water conservation. For example, one rate could apply to the first 600 cubic feet, and a different, higher rate could then apply to the next 1,200 cubic feet of water used. **Exhibit A-1** illustrates how the usage rates per ccf (hundred cubic feet) in a typical block rate design might vary compared with a uniform rate design. The rate for the first block of usage would be lower than the uniform rate, but the upper blocks would have higher rates.

Exhibit A-1: Single Family Usage Rate Structures: Uniform vs. Block Rates



A1. EXISTING RATE STRUCTURE

To provide context for this study, **Exhibit A-2** outlines the existing retail rate structure for the City of Anacortes. The structure has two classes—Residential and Commercial. In practice, the residential class is defined as *single family* residential, and commercial is defined as "everybody else."

Commercial rates are now 1.5 times the level of residential rates (e.g. $20.49 ÷ $13.66 = 1.50). This multiplier was originally based on fire flow requirements for the two classes. One of the reasons for this study is to confirm or correct the relationship between residential and commercial rates.

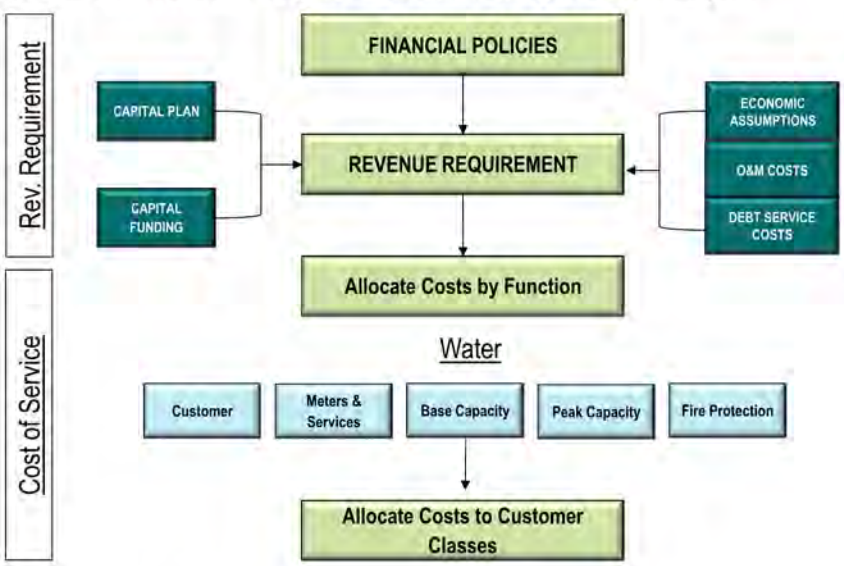
Exhibit A-2: Existing Retail Water Rate Schedule

Class	Type	Type	Meter Size	Actual 2016	Existing 2017
Residential	Fixed	per Month	0.625	$13.66	$16.51
Residential	Fixed	per Month	0.75	$13.66	$16.51
Residential	Fixed	per Month	1.00	$22.82	$27.58
Residential	Fixed	per Month	1.50	$45.49	$54.99
Residential	Fixed	per Month	2.00	$72.82	$88.02
Residential	Variable	per Cubic Foot	All	$0.01518	$0.01835
Commercial	Fixed	per Month	0.625	$20.49	$24.77
Commercial	Fixed	per Month	0.75	$20.49	$24.77
Commercial	Fixed	per Month	1.00	$34.22	$41.36
Commercial	Fixed	per Month	1.50	$68.24	$82.48
Commercial	Fixed	per Month	2.00	$109.23	$132.03
Commercial	Fixed	per Month	3.00	$218.46	$264.06
Commercial	Fixed	per Month	4.00	$341.42	$412.69
Commercial	Fixed	per Month	6.00	$683.04	$825.62
Commercial	Fixed	per Month	8.00	$1,092.90	$1,321.04
Commercial	Variable	per Cubic Foot	All	$0.02277	$0.02752

B. COST OF SERVICE (COS)

As we noted earlier, a COS analysis starts with a revenue requirement forecast—only after estimating the total rate revenue needed can we determine how best to allocate that revenue requirement across different groups of customers. **Exhibit B-1** shows this sequence.

Exhibit B-1: Revenue Requirement and Cost of Service Analysis



Because our 2015 forecast for the City was so recent, the revenue requirement projection was not revisited in this study. So the 2017 retail revenue recovery goal is based on 2016 actual retail revenue, plus estimated customer growth in 2017, and the 2017 adopted percentage rate increase. The result is that retail water rates need to generate about $4.3 million in 2017.

The cost of service analysis is the evaluation, based on available engineering and customer information, of how the City should recover costs from customer classes. The results of the cost of service analysis is an updated rate schedule that charges customer groups equitably, based on how each class uses the system. This results from a two-step process, comprised of a *functional allocation* and a *customer allocation*.

B1. FUNCTIONAL ALLOCATION

A functional allocation assigns the revenue requirement to the major functions of the water utility: Customer Service, Meters & Services, Base Capacity, Peak Capacity, and Fire Protection. Costs are allocated to the functions based on a detailed review of budgetary line items, with attention to the most likely cost drivers that affect a particular line item or budgetary grouping. Below is a description of each function:

- **Customer Service:** Costs related to billings, communications, bill collection—services for which the cost incurred for each customer does not vary with the size of the customer.
- **Meters and Services:** Repair and servicing of the meter, which is related to the meter size.
- **Base Capacity:** Costs associated with providing year-round capacity to meet average customer demands.
- **Peak Capacity:** The cost of providing additional capacity to meet peak demands, which typically occur during the dry-weather summer months when customers irrigate.
- **Fire Protection:** Costs incurred to provide fire protection service.

Before allocating the ongoing O&M and debt service costs, we first allocate the plant-in-service to the various functions, because many kinds of costs vary most directly with the amount of infrastructure that needs to be maintained or operated. So, for example, maintenance supplies costs might be allocated in proportion to total plant-in-service, while billing costs might be allocated 100% to customer service, miscellaneous costs in proportion to all other costs, and so forth.

Exhibit B-2 shows that in Anacortes, an estimated 62% of system costs are related to providing base demand capacity, while 31% of costs are related to meeting peak demand. The customer, meters & services, and fire functions account for 3%, 2%, and 3% of costs, respectively. Keep in mind that while this approach is informed by industry standards and generally accepted allocation methodologies, these are ultimately estimates.

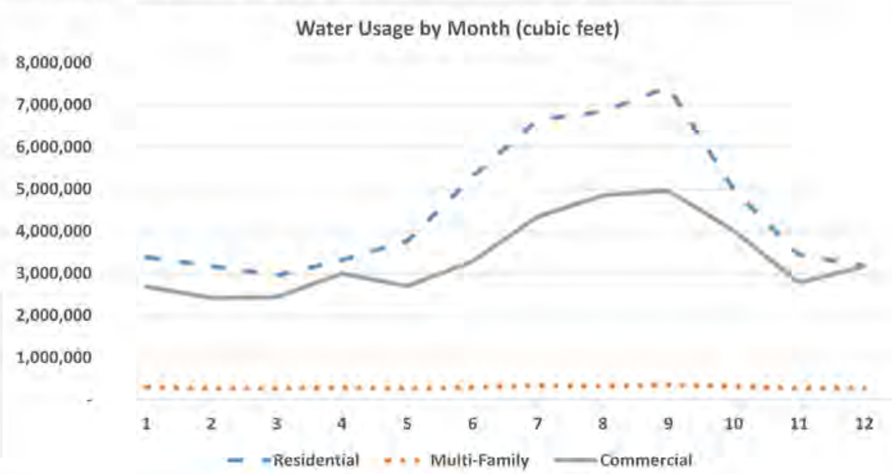
Exhibit B-2: Function Allocation of Revenue Requirement

Functional Allocation of 2017 Revenue Target		
Customer	3%	$ 146,421
Meters & Services	2%	$ 69,442
Base Demand	62%	$ 2,651,532
Peak Demand	31%	$ 1,324,497
Fire Protection	3%	$ 111,135
Total	100%	$ 4,303,027

B2. RECOMMENDED SEPARATE RATE CLASS: MULTI-FAMILY CUSTOMERS

Multi-family customers are currently grouped within the Commercial rate class, but we suggest that they be their own rate class. Because so much of the system costs are driven by peak season demand, it is useful to see the peaking behavior of multi-family customers compared to that of single family and non-residential customers. **Exhibit B-3** shows the seasonal usage pattern of each customer group. Multi-family peaks much less than either single family or non-residential classes. When multi-family customers are grouped with non-residential customers, they subsidize non-residential rates.

Exhibit B-3: Water Usage by Customer Group, by Month



B3. CUSTOMER ALLOCATION

Each of the cost functions are allocated to customer groups based on the following factors:

- **Customer:** Allocated based on the number of accounts.
- **Meters & Services:** Allocated based on the number of meter-service equivalents (MSEs) served, as defined by an inventory of customer water meters by size (inch). The American Water Works Association (AWWA) has published an scale of MSE ratios based on the estimated cost of installing and servicing water meters of different sizes.
- **Base Demand:** Allocated based on total annual water usage (in cubic feet).
- **Peak Demand:** Allocated based on total usage during the system's summer peak period.
- **Fire Protection:** Allocated based on fire flow requirements (gallons per minute weighted by accounts) for each type of customer

Exhibit B-4 shows each customer groups' relative share of each measurement. For example, residential customers represent 88% of total accounts but only 53% of annual usage. On the other hand, commercial customers represent less than 10% of accounts but 42% of annual water usage.

Exhibit B-4: Allocation Factors by Customer Group

Customer Classes	Accounts	MSEs	Total Annual Usage	Total Peak Usage	Weighted Fire Protection
Residential	88%	77%	53%	56%	71%
Multi-Family	3%	4%	5%	4%	7%
Commercial	9%	18%	42%	40%	23%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

B4. RESULTS OF COS ANALYSIS

The results of the Cost of Service analysis—after both the functional allocation and then the customer allocation—is shown in the following two tables. The first comparison shows the shift in rate burden on a revenue-neutral basis. The second comparison shows the projected year-to-year rate increase for each customer group, after the overall 2018 rate revenue increase of 7% is taken into account.

Both tables look at what the distribution of the rate burden *should be* following the cost-of-service analysis and compares it with what the distribution of the rate burden *actually is* in 2017. The difference between what *should be* and what *actually is* constitutes the recommended *cost-of-service adjustment*, characterized in both dollars and percentages.

The revenue-neutral results are depicted in **Exhibit B-5**. After we separate multi-family from the rest of commercial customers, we can see that the current relationship between commercial and residential rates is equitable, but multi-family rates should be reduced. **Exhibit B-5** shows that if a cost-of-service adjustment were to be made to the 2017 existing rate structure, single family and commercial rates would increase 1.5% and 1.6% respectively. However when separated into their own rate classification, multi-family customers would experience a 24.4% decrease. The slight increase to single family and commercial customers improves the equity of the rate design, and it allows a significant decrease in multi-family rates.

Exhibit B-5: Cost of Service Results – Revenue Neutral

Class	Existing 2017 Structure	Cost of Service 2017 Structure	$ Difference	% Difference
Residential	$ 2,385,537	$ 2,420,192	$ 34,655	1.5%
Multi-Family	247,999	187,428	(60,571)	-24.4%
Commercial	1,669,490	1,695,406	25,916	1.6%
Total	**$ 4,303,027**	**$ 4,303,027**	**$ -**	**0.0%**

In reality, of course, the year 2017 is nearly over, so any cost-of-service adjustment should take place effective January 1, 2018. **Exhibit B-6** therefore shows what the cost-of-service adjustment would look like when added to the systemwide rate revenue increase of 7%. After factoring in the overall 7% increase, single family rates should increase by 8.6% from January 2017 to January 2018. Likewise, the year-to-year increase for commercial customers should be 8.7%, effective January 2018. For multi-family customers (previously lumped in with commercial customers), the year-to-year rate decrease should be 19.1% (rather than the 24.4% cost shift we saw on **Exhibit B-5**).

Exhibit B-6: Cost of Service Results – With 2018 Increase

Class	Existing 2017 Revenue	Cost of Service 2017 Revenue	Cost of Service 2018 Revenue	Increase over 2017 Rates
Residential	$ 2,385,537	$ 2,420,192	$ 2,589,606	8.6%
Multi-Family	247,999	$ 187,428	$ 200,548	-19.1%
Commercial	1,669,490	$ 1,695,406	$ 1,814,085	8.7%
Total	**$ 4,303,027**	**$ 4,303,027**	**$ 4,604,238**	**7.0%**

The proposed impact of the cost-of-service adjustments on the actual rate schedules is shown in **Appendix A**, both with and without the block rate structure discussed later in this memo.

B5. BILLING SYSTEM CODES AND RECOMMENDED RATE CLASSES

To ensure that the correct billing system codes are placed into the correct customer class, a "cross-walk" is provided below. **Exhibit B-7** shows the existing classification and **B-8** shows the proposed classifications. In the existing structure, multi-family customers pay the commercial rate.

Exhibit B-7: Existing Rate Classes

Billing Code	Existing Rate Class
2on1	Commercial
aha	Commercial
city	Commercial
comm	Commercial
fed	Commercial
irrigc	Commercial
irrigr	Residential
multi	Commercial
privat	Commercial
public	Commercial
resi	Residential

Exhibit B-8: Recommended Rate Classes

Billing Code	Recommended Rate Class
2on1	**Multi-Family**
aha	Commercial
city	Commercial
comm	Commercial
fed	Commercial
irrigc	Commercial
irrigr	Residential
multi	**Multi-Family**
privat	Commercial
public	Commercial
resi	Residential

Besides changing the "2on1" and "multi" codes to the multi-family customer class, no other adjustments were made. Based on conversations with City billing staff, 2on1 customers are typically duplexes, but can be up to seven units in some cases. Because these customers are not "single family", and are currently charged the commercial rate, they were not classified as single family residential customers. However, because they are residential in nature, but have multiple units, they were moved from the commercial class into the multi-family class.

Irrigation residential ("irricr") was kept with single family residential customers and irrigation commercial ("irrigc") was kept with commercial.

Based on recent Council discussion about irrigation accounts, our understanding is that the City plans to classify any irrigation account associated with a single family use as single family, any irrigation account associated with a multi-family use as multi-family, and any irrigation account associated with a commercial use as commercial.

C. SINGLE FAMILY CONSUMPTION RATE DESIGN

C1. WHY CONSIDER BLOCK RATES?

State Requirements

According to the Municipal Research and Services Center (MRSC), the Washington State Legislature passed the Municipal Water Supply Efficiency Requirements Act in 2003. The MRSC is a nonprofit organization that helps local governments across Washington State better serve their citizens by providing legal and policy guidance on any topic. The Water Use Efficiency rules went into effect on January 22, 2007, and typically apply to Water System Plans that each jurisdiction is required to develop every six to ten years. MRSC had this to say on the topic of water conservation:

> *"Washington's legendary supply of water in rivers, lakes, and aquifers that supports a multitude of recreational, residential, and industrial uses has, until very recently, been taken for granted. Water is no longer as available as it once was. Competing interests for fish and wildlife preservation, forest enhancement, recreation, municipal and industrial uses, agriculture, and hydropower all have a claim. Part of the solution to managing growth and ensuring adequate water in Washington's lakes and streams involves implementing water conservation measures…The state experienced drought conditions in 1992, 2001, and 2005. In addition to water and energy shortages, local governments are also faced with increased fire risk due to potential drought conditions. The state Department of Health (DOH) enacted water use efficiency regulations, effective in 2007, to conserve water for both the environment and future generations by requiring municipal water suppliers to use water more efficiently."*

The Revised Code of Washington (RCW) outlines the rules of the act, under RCW 70.119.180. In section 4(B), the RCW states that jurisdictions must perform an "evaluation of the feasibility of adopting and implementing water delivery rate structures that encourage water conservation."

A city does not need to actually adopt such a rate structure, but it is required to consider it, which is what we are doing in this memo. One could even argue that a "fixed charge plus uniform consumption rate" structure encourages conservation, simply because it is not a flat rate-only charge. However, an block rate structure would encourage conservation even more and is a logical next-step for jurisdictions that are considering the topic of water conservation.

City Council Directive

In addition to State requirements, during the presentation of the 2015 study, City Council indicated its interest in considering the potential for tiered, increasing "block" residential consumption rates. (Block rates don't work for non-single family customers because those customers vary so widely in their scale that it would be impossible to set a workable, fair threshold for the usage blocks. In addition, commercial and multi-family customers do not peak as much as single family customers.)

Advantage - Equity and Conservation

Block rates create a price signal in favor of water conservation. In addition, a water system must be built to be able to handle peak demand. Those who peak more, cost the system more even if they only pay for that extra capacity a few months of the year. Under a block rate structure, when a higher usage rate is applied in response to peak demand, that helps recover the higher cost of providing peaking capacity. In theory, this can improve the equity of the rate structure within the single family customer class. As a result, less-than-average water users will pay less than under the current rate structure.

C2. WHAT ARE THE DISADVANTAGES OF A BLOCK RATE STRUCTURE?

A conservation-based rate structure is especially useful for systems that have limited water supply options. However, in the case of Anacortes, the City has ample water rights and treatment capacity to serve existing and future projected demand. So conserving water supply may not be a top priority for the City at this time.

Additionally, any rate structure that may decrease water consumption may also decrease water sales revenue—it creates a level of uncertainty. It can also be more costly to administer, more costly to develop customer bills, and more difficult to communicate to customers that are accustomed to a uniform consumption rate.

C3. HOW TO DEVELOP BLOCK RATES?

There are many ways to design a block rate structure, but at the most basic level, the following items must be determined:

- How many blocks?
    - A three-block structure is very common. This structure allows for a meaningful price signal without being too aggressive in the upper block rates.
- What are the thresholds for each block? **Exhibit C-1** shows the general design guidelines and the actual cubic foot-thresholds.
    - Block 1: Often set at the average monthly winter consumption. This allows a unit rate that reflects average indoor water usage.
    - Block 2: Often set to twice the summer monthly average.
    - Block 3: Typically results in capturing 5-10% of single family bills. Based on previous research for other clients, we estimate that 5% of total *bills* is equivalent to about 15% of total *customers*—in other words, about 15% of customers would find themselves in the top block at least once during a given year.

Exhibit C-1: Block Rate Design for Single Family Customers

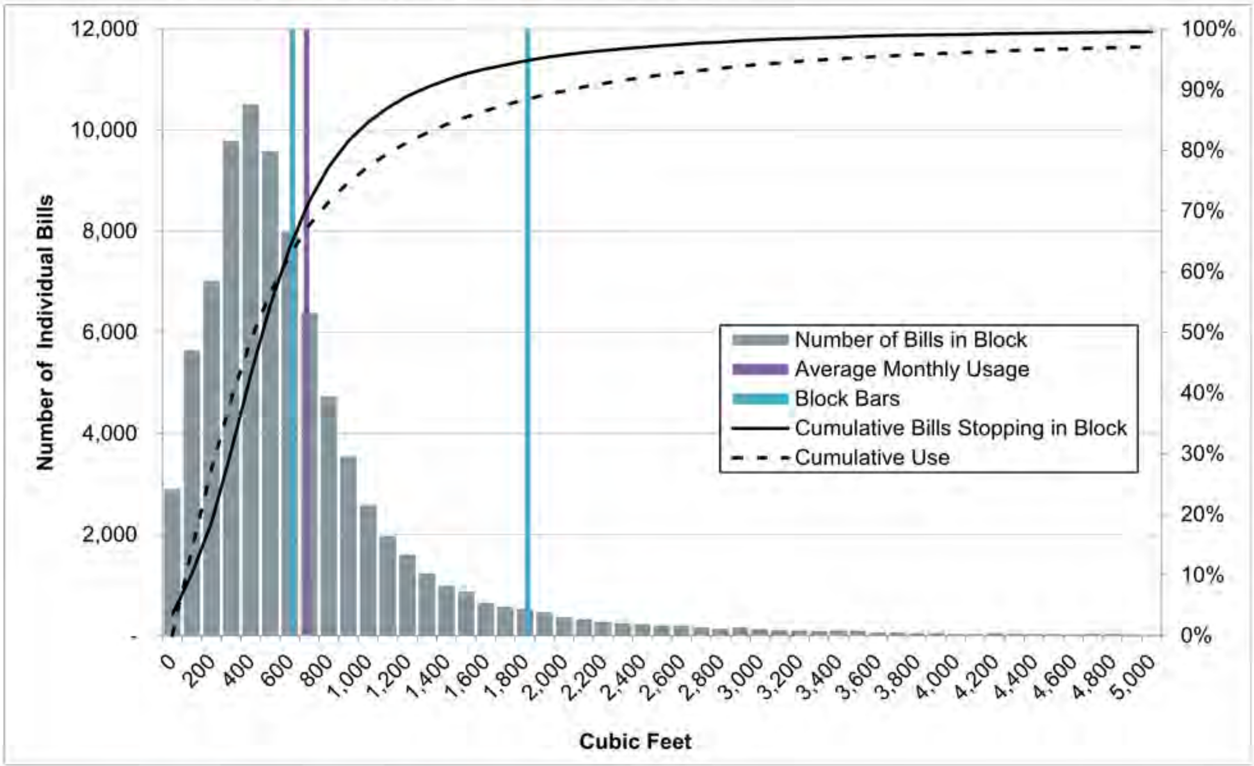
Block	Threshold	General Design Goals
Block 1	600 cubic feet	Average monthly winter consumption
Block 2	601 – 1800 cubic feet	2x summer monthly average consumption
Block 3	1801+ cubic feet	Between 5-10% of bills (*not accounts*)

In order to design the block rate structure, we performed a "bill frequency" analysis showing the distribution of single family customer bills throughout the year. **Exhibit C-2** shows the results of this distribution. This analysis helps ensure that the appropriate amount of revenue is recovered.

For example, nearly 10,500 bills during 2016 were between 400-500 cubic feet. The blue bars show the proposed block thresholds—600 cubic feet and 1,800 cubic feet. The purple bar shows the annual average customer bill, which is roughly 700 cubic feet.

The 0-600 cubic foot block is estimated to capture two-thirds of the total single family bills, while the 601-1,800 cubic foot block is estimated to capture roughly one-third of bills. The top block captures just above 5% of single family bills.

Exhibit C-2: Bill Frequency Analysis for Single Family Customers



C4. BLOCK RATE STRUCTURE RESULTS

Exhibit C-3 demonstrates that before taking into account price elasticity, a revenue-neutral block rate structure for 2017 would have a Block 1 rate of $1.62 per ccf (100 cubic feet = ccf), a Block 2 rate of $2.02 per ccf, and a Block 3 rate of $2.59 per ccf. The uniform rate of $1.83 (which is the existing consumption rate in 2017) can be shown to generate the same revenue by dividing $997,972 by 54,388,376 cubic feet.

Block 1's rate is less than the existing uniform rate of $1.83, but Block 2 and 3's rates are higher, to account for the revenue foregone by having a lower unit rate in Block 1.

Exhibit C-3: Block Rate Development

Block Rate Calculation	Block 1	Block 2	Block 3	Total
Setting Block Ranges				
Monthly Block Thresholds (cf)	600	1,800	1800+	
Monthly Block Ranges (cf)	(0-600)	(601 - 1800)	(> 1800)	
Total Residential Usage (cf)				54,388,376
Distribution of Bills (%)	64%	31%	5%	
Distribution of Usage (%)	63%	26%	12%	
Distribution of Usage (cf)	34,158,626	13,902,927	6,326,823	
Calculating Block Rates				
Total 2017 Variable Revenue Target ($)				$ 997,972
$ Rate per Cubic Foot	$0.0162	$0.0202	$0.03	$0.018
$ Rate per 100 Cubic Foot	$1.62	$2.02	$2.59	$1.83

C5. WHAT ABOUT THE EFFECTS OF PRICE ELASTICITY?

There is an inverse relationship between price and water usage—the higher the price, the less water is consumed. (That's the whole rationale for block rates.) How much less? "Price elasticity" is a measure of the sensitivity of water usage in relation to changes in price. It consists of the percentage change in consumption per percent change in price.

In order to factor into our proposed rates the impact of reduced consumption that might result from the creation of a higher top block, we used a price elasticity estimate from the AWWA M1 manual, which is drawn from a a variety of economic studies. AWWA notes that the most likely elasticity range is -0.10 and -0.30. In other words, a 10% increase in variable charge leads to usage decrease of 1% to 3%.

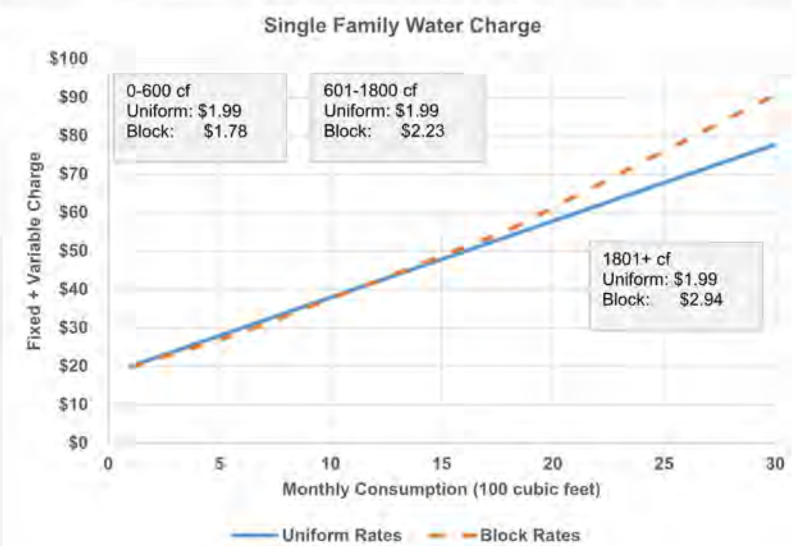
Appendix B contains the detailed calculations showing how we incorporated the price elasticity assumption into the rate model. We assume that the elasticity would affect customer behavior in the top block only, but the reduced usage in the top block would lead to slightly higher rates for all three blocks, compared to the unadjusted block rates shown in **Exhibit C-3**.

After taking into account price elasticity, block rates for 2017 would be \$1.65, \$2.06, and \$2.94 per ccf instead of \$1.62, \$2.02, and \$2.59 per ccf, as a result of the assumed decline in consumption. Block rates for 2018 would simply be increased by the single family cost-of-service adjustment of +8.6%, leading to usage rates of **\$1.78**, **\$2.23**, and **\$2.94**.

C6. IMPACT OF BLOCK RATES ON CUSTOMER BILLS

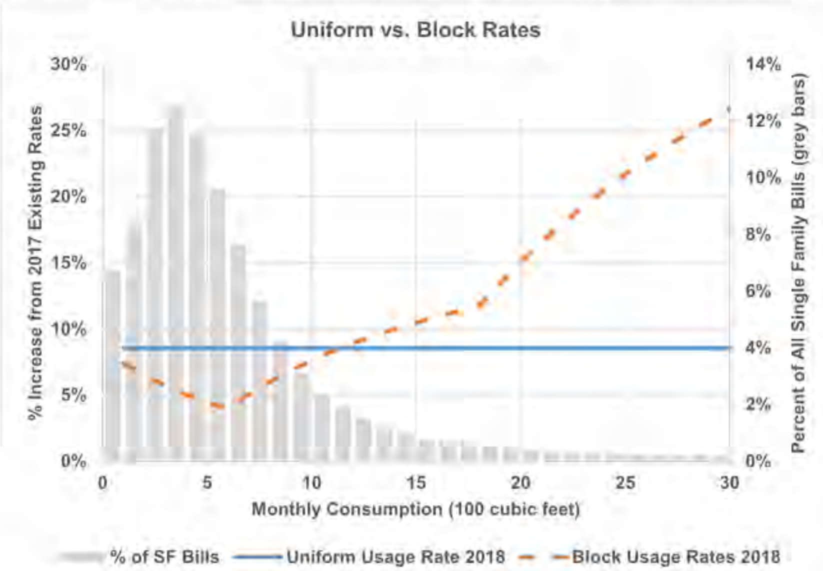
Exhibit C-4 compares the total customer bill between a uniform and block rate structure, at various levels of usage. In general, bills with less than 1,100 cubic feet of consumption would see a decrease, while bills over that mark would experience an increase. The \$1.99 per 100 cubic foot rate is based on the existing rate of \$1.83 in 2017 plus the 8.6% increase for 2018. The vertical axis is the combined monthly fixed plus variable charges, while the horizontal axis is monthly consumption, in 100 cubic feet.

Exhibit C-4: Comparing the 2018 Uniform Rate and the 2018 Block Rate Structure.



Another way to look at the impacts is to examine the percentage impacts rather than the dollar impacts. In **Exhibit C-5** below, the bill frequency seen earlier in **Exhibit C-2** is overlaid in the background. Keep in mind that the tallest grey bar represents over 10,000 single family customer bills. The solid blue line represents the uniform consumption rate structure scenario, in which all customers would see an 8.6% increase. However, under the Block Rate scenario (dashed orange line), all bills less than 1,100 cubic feet would see a reduction compared to the solid blue line. Bills of between 400-500 cubic feet would see an increase of roughly 5%, while bills of 3,000 cubic feet would experience a 27% increase.

Exhibit C-5: Percentage Increase to Single Family Bills, Above 2017 Rates.



Finally, **Exhibit C-6** shows a few sample bills for single family customers at increasing levels of consumption. If the block rate structure is not adopted, then all bills would increase by 8.6%. However, if block rates are adopted, the increases between the 500 and 3,000 cubic foot bills would range from +4.5% to +26.6%.

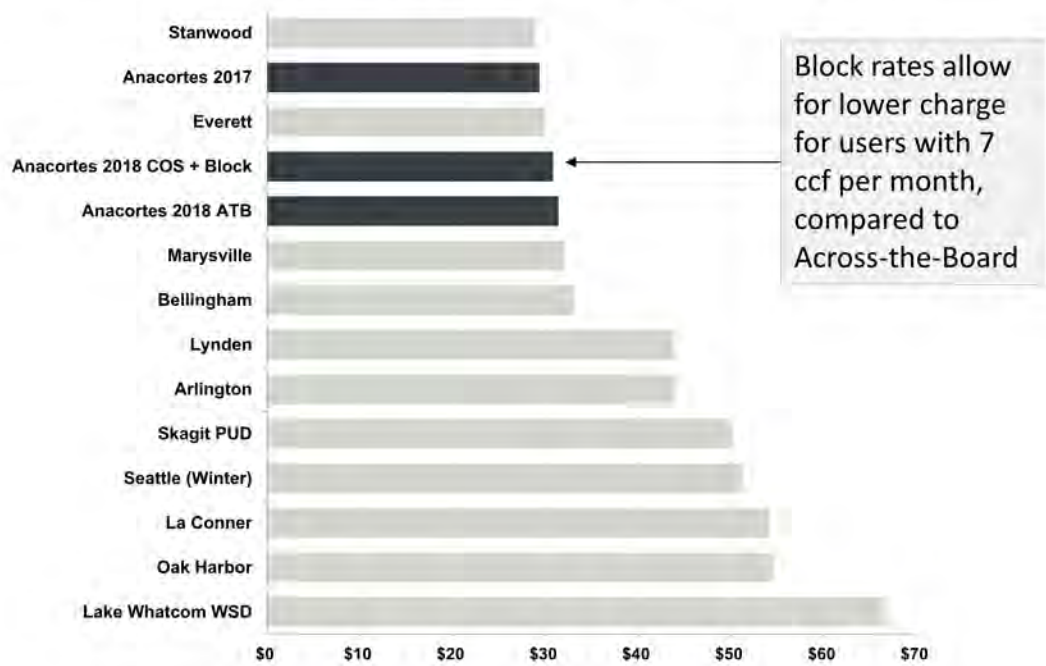
Exhibit C-6: Fixed + Variable Charges at Various Consumption Levels

Monthly Usage (ccf)	Uniform Rate Structure 2017	Uniform Rate Structure 2018	% Above 2017	Block Rate Structure 2018	% Above 2017
5	$25.68	$27.88	8.6%	$26.83	4.5%
10	$34.86	$37.84	8.6%	$37.52	7.6%
15	$44.03	$47.80	8.6%	$48.65	10.5%
20	$53.21	$57.76	8.6%	$61.21	15.0%
30	$71.56	$77.68	8.6%	$90.60	26.6%

D. SINGLE FAMILY RATE SURVEY

The following exhibit compares the City's monthly rate (including the 7% City utility tax) with the 2017 rates of other jurisdictions throughout Western Washington, assuming 700 ccf per month of uages. Despite the City's rate increases of 36% in 2016 and 18% in 2017, the City's rates still compare favorably with other nearby jurisdictions. Anacortes' 2018 sample bills are third-lowest, with only Stanwood and Everett being slightly less. There are two bars for Anacortes' 2018 rates—the first with across-the-board increases which maintains the uniform consumption rate and the second with the block rate structure incorporated.

Exhibit D-1: Rate Survey for Single Family Customers, using 700 c.f. per month.



E. SUMMARY

This study covered two topics—cost of service adjustments and block rate design. The major findings are summarized below. Both the "across-the-board" and COS rate schedules are in **Appendix A**.

Cost of Service / Rate Equity Analysis: A cost-of-service analysis looks at how much revenue should be equitably recovered from each customer class.

- Background: The City's existing retail water rate structure has two rate classes: Residential (single family) and Commercial (everybody else). The two classes have different rates, and commercial rates have historically been set at 1.5 times residential rates. The City wanted to know if this was an equitable structure.
- Finding: The existing differential between the residential and commercial rates is equitable.
    - If increases were applied "across-the-board", all rates would increase by 7% in 2018.
    - Instead, the cost of service analysis indicates the following increases are equitable:
        - Residential: +8.6% (slightly higher than the 7%, ATB scenario)
        - Commercial: +8.7% (slightly higher than the 7%, ATB scenario)
        - Multi-family: -19.1% (would be a new class)
- Finding: Create a new, multi-family customer rate class
    - Multi-family customers, who are currently within the commercial class, should instead be in their own distinct class.
- Finding: Reduce multi-family rates relative to commercial rates
    - Multi-family usage does not peak nearly as much as the single family or commercial classes, and thus should get a lower share of estimated "peaking" costs, and thus receive lower rates.

Rate Design–Block Rate Structure for Single Family: A block rate structure is an option for the City that can encourage customers to conserve more water than a uniform consumption rate. However, there are pros and cons with encouraging more conservation. The City is not required to adopt a block rate structure, and because the City has plenty of supply capacity (and mostly fixed costs for its water supply), it is not necessarily in the water utility's financial interest to encourage conservation beyond the current rate structure, which is a mix of fixed and variable rates.

- Finding: If the City were to want to adopt a block rate structure, one reasonable way to do it would be to adopt the following. The alternative is a uniform rate for single family customers, also shown below. Both rate structures are estimated to generate the same amount of revenue.
        - 2018 Block Rate Structure:
            - 0-6 ccf: $1.78 per 100 cubic feet
            - 6-18 ccf: $2.23 per 100 cubic feet
            - >18 ccf: $2.94 per 100 cubic feet
        - 2018 Uniform Rate: $1.99 per 100 cubic feet

APPENDIX A – RATE SCHEDULES

In the following tables, the shaded columns represent rate increases already adopted by the City Council. The three rightmost columns would replace the shaded columns with rates that incorporate cost-of-service adjustments.

Based on recent discussions of the City Council, our understanding is that the City does not plan to implement block rates at this time. Therefore, for single family customers, the applicable usage rates are the uniform rates shown above the "OR" line, not the block rates.

SINGLE FAMILY RATE SCHEDULE

				ADOPTED	Across-the-Board Increases			Cost of Service		
					7.0%	7.0%	[illegible]			
Existing Rate Class	Rate Type	Frequency / Unit	Meter Size	2017	2018	2019	2020	2018	2019	2020
Residential								8.6%	7.0%	4.0%
Residential	Fixed	per Month	0.625	$16.51	$17.67	$18.90	$19.66	$17.92	$19.18	$19.94
			0.75	$16.51	$17.67	$18.90	$19.66	$17.92	$19.18	$19.94
			1.00	$27.58	$29.51	[illegible]	[illegible]	$29.94	$32.04	$33.32
			1.50	$54.99	$58.84	[illegible]	[illegible]	$59.69	$63.87	$66.43
			2.00	$88.02	$94.16	$100.77	[illegible]	$95.55	$102.24	$106.33
	Variable	per CF	All	$0.01835	[illegible]	[illegible]	[illegible]	$0.0199	$0.0213	$0.0222
	Variable	per CCF		$1.83	[illegible]	[illegible]	[illegible]	$1.99	$2.13	$2.22
	OR									
	Block 1	(0-600)			$1.76	[illegible]	[illegible]	$1.78	$1.91	$1.98
	Block 2	(601 - 1800)			$2.20	[illegible]	[illegible]	$2.23	$2.38	$2.48
	Block 3	(> 1800)			$2.82	[illegible]	[illegible]	$2.94	$3.14	$3.27

MULTI-FAMILY RATE SCHEDULE

				ADOPTED	Across-the-Board Increases			Cost of Service		
					7.0%	7.0%	4.0%			
Existing Rate Class	Rate Type	Frequency / Unit	Meter Size	2017	2018	2019	2020	2018	2019	2020
Multi-Family (Was Commercial)								-19.1%	7.0%	4.0%
	Fixed	per Month	0.625	$24.77	[illegible]	[illegible]	$29.49	$20.03	$21.43	$22.29
			0.75	$24.77	$26.50	[illegible]	$29.49	$20.03	$21.43	$22.29
			1.00	$41.36	$44.26	[illegible]	$49.25	$33.45	$35.79	$37.22
			1.50	$82.48	$88.25	[illegible]	[illegible]	$66.70	$71.37	$74.22
			2.00	$132.03	$141.27	$151.16	$157.21	$106.77	$114.24	$118.81
			3.00	$264.06	$282.54	$302.32	$314.42	$213.54	$228.48	$237.62
			4.00	$412.69	$441.58	$472.49	[illegible]	$333.73	$357.09	$371.37
			6.00	$825.62	$883.41	$945.25	$983.06	$667.65	$714.38	$742.96
			8.00	$1,321.04	$1,413.51	$1,512.46	$1,572.96	$1,068.28	$1,143.06	$1,188.78
	Variable	per CF	All	$0.02752	$0.03	$0.03	$0.03	$0.0223	$0.0238	$0.0248
		per CCF		$2.75	$2.94	$3.15	[illegible]	$2.23	$2.38	$2.48

COMMERCIAL RATE SCHEDULE

				ADOPTED	Across-the-Board Increases			Cost of Service		
					7.0%	7.0%	4.0%			
Existing Rate Class	Rate Type	Frequency / Unit	Meter Size	2017	2018	2019	2020	2018	2019	2020
Commercial								8.7%	7.0%	4.0%
Commercial	Fixed	per Month	0.625	$24.77	$26.50	$28.36	$29.49	$26.92	$28.80	$29.95
			0.75	$24.77	$26.50	$28.36	$29.49	$26.92	$28.80	$29.95
			1.00	$41.36	$44.26	$47.35	$49.25	$44.94	$48.09	$50.01
			1.50	$82.48	$88.25	$94.44	$98.21	$89.62	$95.90	$99.73
			2.00	$132.03	$141.27	$151.16	$157.21	$143.47	$153.51	$159.65
			3.00	$264.06	$282.54	$302.32	$314.42	$286.93	$307.02	$319.30
			4.00	$412.69	$441.58	$472.49	$491.39	$448.43	$479.82	$499.02
			6.00	$825.62	$883.11	$945.25	$983.06	$897.13	$959.93	$998.32
			8.00	$1,321.04	$1,413.51	$1,512.46	$1,572.96	$1,435.46	$1,535.94	$1,597.37
	Variable	per CF	All	$0.02752	$0.03	$0.03	$0.03	$0.0299	$0.0320	$0.0333
		per CCF		$2.75	$2.94	$3.15	$3.28	$2.99	$3.20	$3.33

APPENDIX B – IMPACT OF PRICE ELASTICITY ON BLOCK RATE DESIGN

PRICE ELASTICITY APPLIED TO BLOCK RATES

Price Elasticity Adjustment				
Total Usage of Bills above 1800 cf				14,232,701
Average Consumption of Bills above 1800 cf				3,244
		Usage (cf)	Rate	Charge
Existing Rate Structure		3,244	$0.0183	$59.52
Block Rate Structure (Before Elasticity)				
Block 1		600	$0.0162	$9.71
Block 2		1,800	$0.0202	$36.42
Block 3		844	$0.0259	$21.84
		3,244		$67.97
Average Percentage Increase on Volume Charge for Bills Above 1800 cf				14%
AWWA Price Elasticity (M1 Manual)				-0.3
Estimated Reduction in Consumption of Bills Entering Top Block				-5%
Reduction of usage of bills entering third block (cf)*				-701,679
Reduction of usage of bills entering third block (ccf)				-7,017
Information Only: Reduction of TOTAL Residential Usage				1%
**Calculation Detail: 14,232,701 cf X -4.93%*				
New Block Rate Calculation				
Distribution of Usage (cf) Before Elasticity	34,158,626	13,902,927	6,326,823	
Distribution of Usage (cf) After Elasticity	34,158,626	13,902,927	5,625,144	
Calculating Block Rates				
Total Variable Revenue Target ($)				$997,972
Tier Rate Multiples	1.00	1.25	1.60	
$ Rate per Cubic Foot	$0.0165	$0.0206	$0.03	
$ Rate per 100 Cubic Foot	$1.65	$2.06	$2.64	
	$ 563,111	$ 286,490	$ 148,370	
Block Rates Before Elasticity	*$1.62*	*$2.02*	*$2.59*	
Difference	*$0.03*	*$0.04*	*$0.05*	

WATER

Regular water rates are indexed annually by the treasurer to reflect one hundred percent of any change fro[illegible]e Consumer Price Index for Seattle-Tacoma-Bremerton-All Urban Wage Earners (CPI-U) for the previous October.

Seattle-Tacoma-Bremerton-All Urban Wage Earners (CPI-U), October 2015-October 2016 [illegible] <<<2016-2017 CPI not yet available

Residential and Commercial Rates changed for 2018 based on FCS Rate Study. See study materials fo[illegible] informatio[illegible]

Water Residential and Commercial Charges

Rates Effective 1/1/2017 — Rates Effective 1/1/2018 (*CPI not app[illegible]cable to base and consumption rates for 2018*)

Monthly Fixed Charge

Meter Size (Inches)	**Residential** (2017)	**Commercial** (2017)	**Residential** (2018)	**Commercial** (2018)	**Multi-Family** (2018)
5/8 × ¾	$ 16.51	$ [illegible]	$ 17.92	$ 26.92	$ 20.03
¾	$ 16.51	[illegible]	$ 17.92	$ 26.92	$ 20.03
1	$ 27.58	[illegible]	$ 29.94	$ 44.94	$ 33.45
1½	$ 54.99	[illegible]	$ 59.69	$ 89.62	$ 66.70
2	$ 88.02	$ [illegible]	$ 95.55	$ 143.47	$ 106.77
3	[illegible]	$ 264.06		$ 286.93	$ 213.54
4	[illegible]	$ 412.69		$ 448.43	$ 333.73
6	[illegible]	$ 825.62		$ 897.13	$ 667.65
8	[illegible]	[illegible] 1,321.04		$ 1,435.46	$ 1,068.28

Monthly Consumption Charge

	Residential (2017)	**Commercial** (2017)	**Residential** (2018)	**Commercial** (2018)	**Multi-Family** (2018)
All consumption per cubic foot (CF)	$ [illegible]	$ 0.027523	$ 0.019900	$ 0.029900	$ 0.022300
All consumption per gallon*	$ 0.002453	$ 0.003679	$ 0.002660	$ 0.003997	$ 0.002981

*Utility meters and billing system ope[illegible]sing cubic fe[illegible] some rounding may occur when reviewing billed amounts in gallo[illegible]mat.

Water General Facilities Charges~

Meter Size (Inches)	GFC In-City	Including taxes & fees	G[illegible]-City	Including taxes & fees
5/8 × ¾	$ 2,703.69	$ 4,038.91	[illegible] Yet Available	
1	$ 3,649.99	$ 5,105.05		
1½	$ 7,299.96	$ 9,217.3[illegible]		
2	$ 11,679.94	$ 14,[illegible]09		
3	$ 23,359.88	$ [illegible]11.41		
4	$ 36,499.82	$ [illegible]2,115.64		
6	$ 72,999.64	$ 83,238.5[illegible]		
8	$ 116,799.41	$ [illegible]58[illegible]		
10	$ 167,899.15	$ 19[illegible].98		

~ GFC Rate includes meter installation fees. If installation costs exceed curre[illegible]nstallation fee, a[illegible]nal fees will be assessed.

Water Agriculture Irrigation*

Agriculture Meter (double check)	$ 354.20		*Not Yet Available*	
Agriculture Consumption Rate	$ [illegible]1.83	Per [illegible]n Gallons	*Not Yet Available*	Per Million Gallons

*Agriculture water charged for variable rate only, fixed cost[illegible] water[illegible]tem not [illegible]uded

*Agriculture rate will be tied to the contractual wholesale rate

Water Additional Fees

Meter Installation Fee, up to 1"	$ 860.21		*Not Yet Available*	
Including taxes	$ 969.16		*Not Yet Available*	
Meter Installation Fee deposit, greater tha[illegible]	[illegible]860.21	towards install cost	*Not Yet Available*	towards install cost
Standpipe Water Charges	$ 0[illegible]770	Per Cubic Foot	$ -	Per Cubic Foot
Construction Meter Charges*	$ [illegible]0.00		$ 50.00	
Flat fee up to 60 days, up to 1000C[illegible]lled at standpipe [illegible]e after CF cap.				
Including taxes	$ 56.33		$ 56.33	
Water service fee*	$ 75.00		$ 75.00	
After hours additional water service fee*	$ 75.00		$ 75.00	

*No subject to CPI adjustments

ALL RATES ARE SUBJECT TO CHANGE BASED ON CITY COUNCIL DECISIONS

ORDINANCE NO ______

AN ORDINANCE AMENDING CHAPTER 13.20 OF THE CITY OF ANACORTES MUNICIPAL CODE.

WHEREAS, the Council of the City of Anacortes finds that the sale of water is a necessary and valuable public resource, and

WHEREAS, there are currently only 2 rate classes defined, and the Council of the City of Anacortes finds this is not sufficient to meet the needs of all classes of water user and wishes to establish further rate classes and definitions.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ANACORTES DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. AMC Chapter 13.24.010 "Definitions" is hereby amended to read in its entirety as follows:

13.24.010 - Definitions.

For the purpose of this chapter the words set out in this section, <u>and associated documents, such as the unified fee schedule</u>, shall have the following meanings.

A. "Backflow" means the flow other than the intended direction of flow of any foreign liquids, gases, or substances into the distribution system of a public water supply.

B. "Backflow prevention device" means a device to counteract back pressure or prevent back siphonage approved by the Washington State Board of Health in C. "Cross connection" means any physical arrangement whereby a public water supply is connected, directly or indirectly, with any other water supply system, sewer, drain, conduit, pool, storage reservoir, plumbing fixture, or other device which contains or may contain contaminated water, sewage, or other waste or liquid of unknown or unsafe quality which may be capable of imparting contamination to the public water supply as a result of backflow.

D. "Superintendent" shall mean the superintendent of the Anacortes Water Department.

E. Single Family Residence (SFR) shall mean a single residential building unit that is served by a single water meter, including zero-lot-line SFR. SFR shall also include irrigation meters associated with SFR, which includes home owners associations that support single family residences.

F. Multifamily shall mean multifamily buildings that are supported by a single water meter. This includes duplexes, triplexes, fourplexes, apartment buildings, condo buildings, and includes irrigation meters that support these multifamily buildings.

G. Commercial/Industrial/Other shall mean all other meters that do not fall under one of the other 2 meter categories of Single Family Residence, and Multifamily. Includes all meters other than irrigation meters associated with homeowner's associations, includes all parks, and includes all other meters not specifically defined in this chapter.

The Finance Director is authorized to make judgements about which rate class a meter qualifies for.

Section 2. This ordinance shall take effect five (5) days from and after its passage, approval and publication in the manner required by law.

PASSED by the City Council and APPROVED by the Mayor of the City of Anacortes, Washington, this 6th day of November, 2017 at a regular open public meeting thereof.

AYES____ NAYS_____ ABSENT_____

CITY OF ANACORTES:

BY:_________________________________
LAURIE M. GERE, MAYOR

ATTEST: APPROVED AS TO FORM:

___________________________ ___________________________________

Steven D. Hoglund
City Clerk Treasurer

Darcy Swetnam, WSBA # 40530
City Attorney

City Council Agenda Bill

Meeting Date: 10/23/2017 **Agenda Item**: 7b

Subject: Third Quarter Finance Update

Staff Contact: Steve Hoglund

Approved for Submittal to Council by	
x	Laurie Gere, Mayor
x	Steve Hoglund, Finance Director
	Darcy Swetnam, City Attorney

Action Type	
	Ordinance No.
	Code Revision?
	Resolution No.
	Contract
	Public Hearing
x	Staff Report

Summary Statement: The attached Finance update contains data through September 30, 2017. The second half of the year property taxes are still outstanding which is evident on the first tax chart and the Major Funds chart, where Parks, Cemetery, Library, and Road Maintenance funds all appear to be revenue deficient. Once second half property taxes are receipted those funds will balance out. Sales tax continues to be strong, at 12% higher than the same period in 2016, led by the marine trades, construction, hospitality, and vehicle sales. No operating funds, or revenue or expenditure streams, appear problematic at this time. However, REET and Impact Fees appear to be slowing compared to 2016.

Previous Council/Committee Action: N/A

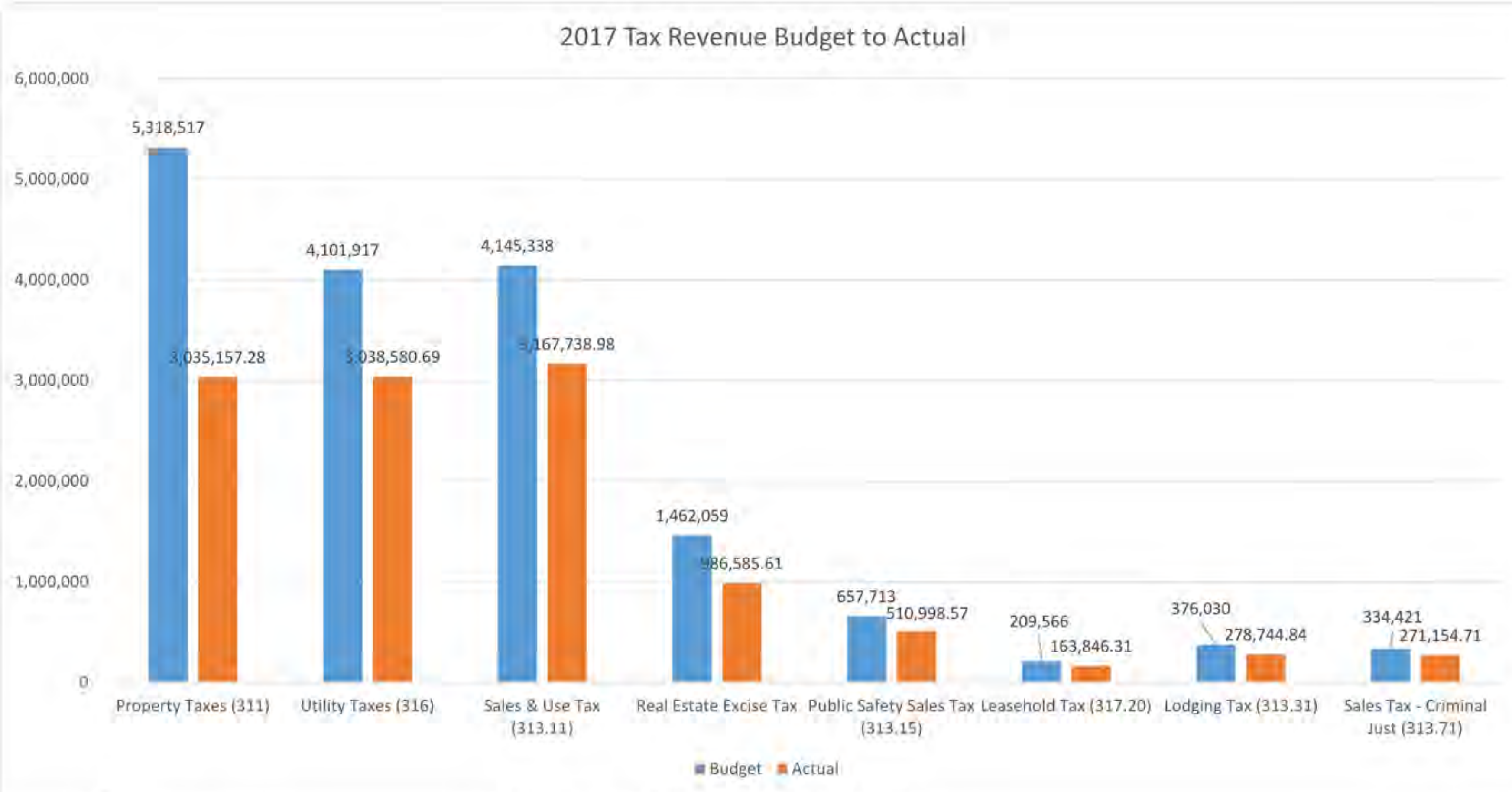
Competing Viewpoints Considered: N/A

Recommended Motion: None at this time.

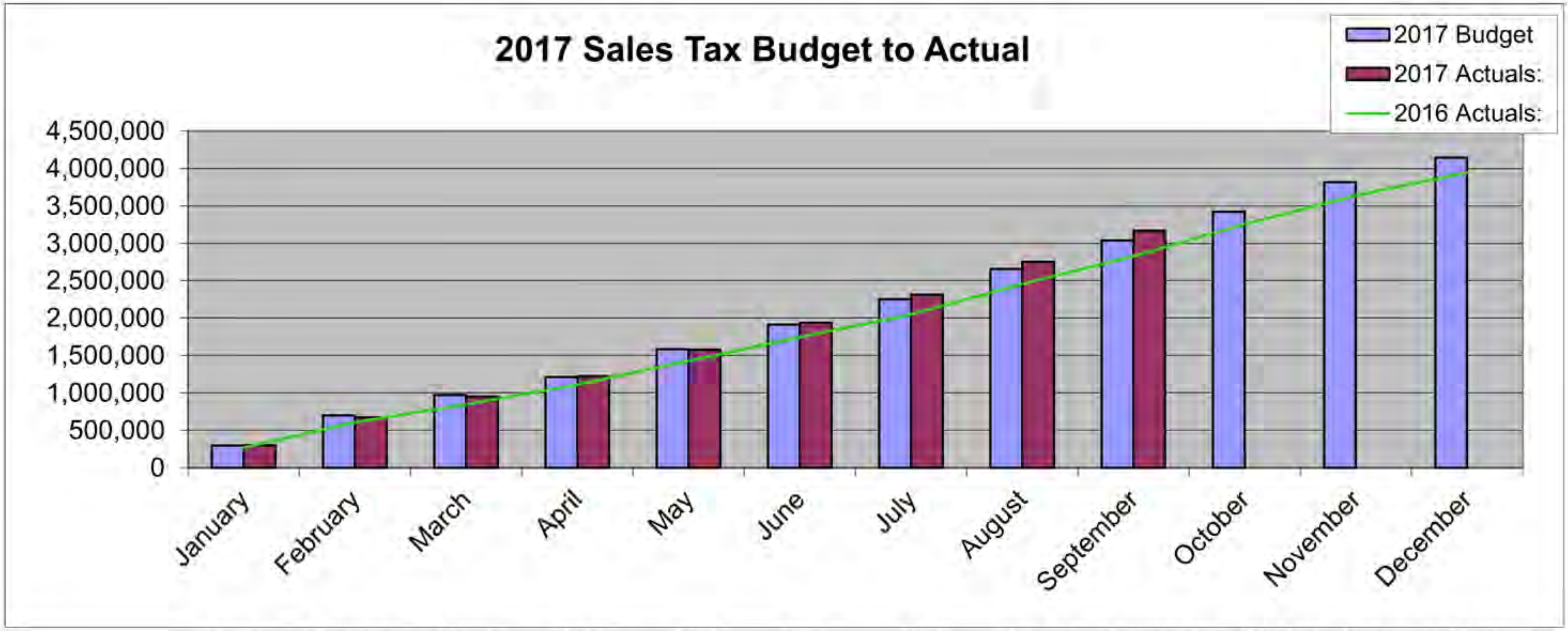
Alternative Actions: N/A

Attachments (listed in order presented):

2017 Tax Revenue Budget to Actual
2017 Sales Tax Budget to Actual
Top 30 Sales Tax Generators by NAICS
Real Estate Excise Tax (REET)
Impact Fees
Lodging Tax Receipts Trend
Revenues and Expenditures by Fund
Investment Diversification
Capital Projects Budget vs. Actual



Taxes	Budget	Actual	Jan - Sept 2017
Property Taxes (311)	5,318,517	3,035,157.28	57%
Utility Taxes (316)	4,101,917	3,038,580.69	74%
Sales & Use Tax (313.11)	4,145,338	3,167,738.98	76%
Real Estate Excise Tax	1,462,059	986,585.61	67%
Public Safety Sales Tax (313.15)	657,713	510,998.57	78%
Leasehold Tax (317.20)	209,566	163,846.31	78%
Lodging Tax (313.31)	376,030	278,744.84	74%
Sales Tax - Criminal Just (313.71)	334,421	271,154.71	81%
Totals Taxes:	16,605,561	11,452,807	69%
Total Governmental budget (2017):	26,533,425		
Taxes as a % of Gov Budget:	63%		



	January	February	March	April	May	June	July	August	September	October	November	December
2017 Budget	294,902	699,661	970,833	1,211,363	1,584,485	1,911,086	2,251,159	2,654,507	3,037,077	3,419,990	3,818,673	4,145,338
2017 Actuals:	298,921	672,367	951,182	1,221,516	1,577,702	1,936,598	2,313,035	2,753,644	3,167,739			
2016 Actuals:	270,996	607,357	847,117	1,112,232	1,430,188	1,744,885	2,050,785	2,454,555	2,827,248	3,256,627	3,637,666	3,945,850
Year to prior year:	10.3%	10.7%	12.3%	9.8%	10.3%	11.0%	12.8%	12.2%	12.0%	-100.0%	-100.0%	-100.0%
Year to budget:	1.4%	-3.9%	-2.0%	0.8%	-0.4%	1.3%	2.7%	3.7%	4.3%	-100.0%	-100.0%	-100.0%
Actual Receipts:												
2017 Total:	298,921	373,446	278,816	270,333	356,187	358,896	376,437	440,609	414,095			
Month % change:	10.3%	11.0%	16.3%	2.0%	12.0%	14.0%	23.1%	9.1%	11.1%	-100.0%	-100.0%	-100.0%
2016 Total:	270,996	336,361	239,760	265,116	317,956	314,697	305,900	403,770	372,694	429,378	381,040	308,184

NAICS'	Description	Local Taxable Sales		Sales/Use Tax
441222	Boat Dealers	$4,548,174.94	9%	$38,659.50
236220	Commercial and Institutional Building Construction	$3,456,740.48	7%	$29,382.31
722511	Full-Service Restaurants 2012 re-class Code	$2,666,136.68	5%	$22,662.17
441120	Used Car Dealers	$2,566,523.27	5%	$21,815.44
236115	New Single-Family Housing Construction (except Operative Builders)	$1,667,302.71	3%	$14,172.10
445110	Supermarkets and Other Grocery (except Convenience) Stores	$1,542,967.08	3%	$13,115.21
926150	Regulation, Licensing, and Inspection of Miscellaneous Commercial Sectors	$1,517,664.68	3%	$12,900.16
722513	Limited-Service Restaurants	$1,321,480.69	3%	$11,232.58
721110	Hotels (except Casino Hotels) and Motels	$1,231,514.25	3%	$10,467.87
444130	Hardware Stores	$1,096,979.63	2%	$9,324.30
443142	Electronics Stores	$1,059,949.10	2%	$9,009.13
487210	Scenic and Sightseeing Transportation, Water	$1,048,741.08	2%	$8,914.31
441110	New Car Dealers	$967,167.17	2%	$8,220.95
454111	Electronic Shopping	$769,636.27	2%	$6,541.60
561730	Landscaping Services	$693,158.31	1%	$5,891.91
811490	Other Personal and Household Goods Repair and Maintenance	$674,586.64	1%	$5,734.00
321999	All Other Miscellaneous Wood Product Manufacturing	$624,610.65	1%	$5,309.19
446110	Pharmacies and Drug Stores	$608,190.75	1%	$5,169.63
517210	Wireless Telecommunications Carriers (except Satellite)	$586,906.91	1%	$4,988.72
722410	Drinking Places (Alcoholic Beverages)	$577,585.86	1%	$4,909.48
424690	Other Chemical and Allied Products Merchant Wholesalers	$567,538.04	1%	$4,824.09
453998	All Other Miscellaneous Store Retailers (except Tobacco Stores)	$553,067.07	1%	$4,700.94
236118	Residential Remodelers	$547,846.72	1%	$4,656.69
447110	Gasoline Stations with Convenience Stores	$535,541.42	1%	$4,552.14
488390	Other Support Activities for Water Transportation	$526,842.25	1%	$4,478.16
238910	Site Preparation Contractors	$479,362.14	1%	$4,074.61
423830	Industrial Machinery and Equipment Merchant Wholesalers	$475,629.37	1%	$4,042.84
238220	Plumbing, Heating, and Air-Conditioning Contractors	$472,275.27	1%	$4,014.40
532412	Construction, Mining, and Forestry Machinery and Equipment Rental and Leasing	$417,897.23	1%	$3,552.15
442210	Floor Covering Stores	$386,740.58	1%	$3,287.29

Real Estate Excise Tax (REET)

	Total REET Revenues 2016	2017	% YTD Change
January	90,785	108,345	19%
February	41,788	83,871	45%
March	52,085	71,546	43%
April	100,310	113,091	24%
May	128,959	105,290	16%
June	132,996	124,195	11%
July	121,693	158,342	14%
August	157,115	119,278	7%
September	111,482	89,402	4%
October	142,738		
November	122,623		
December	108,345		
To date	1,310,919	973,359	
2017 Budget		1,134,666	
% Received		86%	

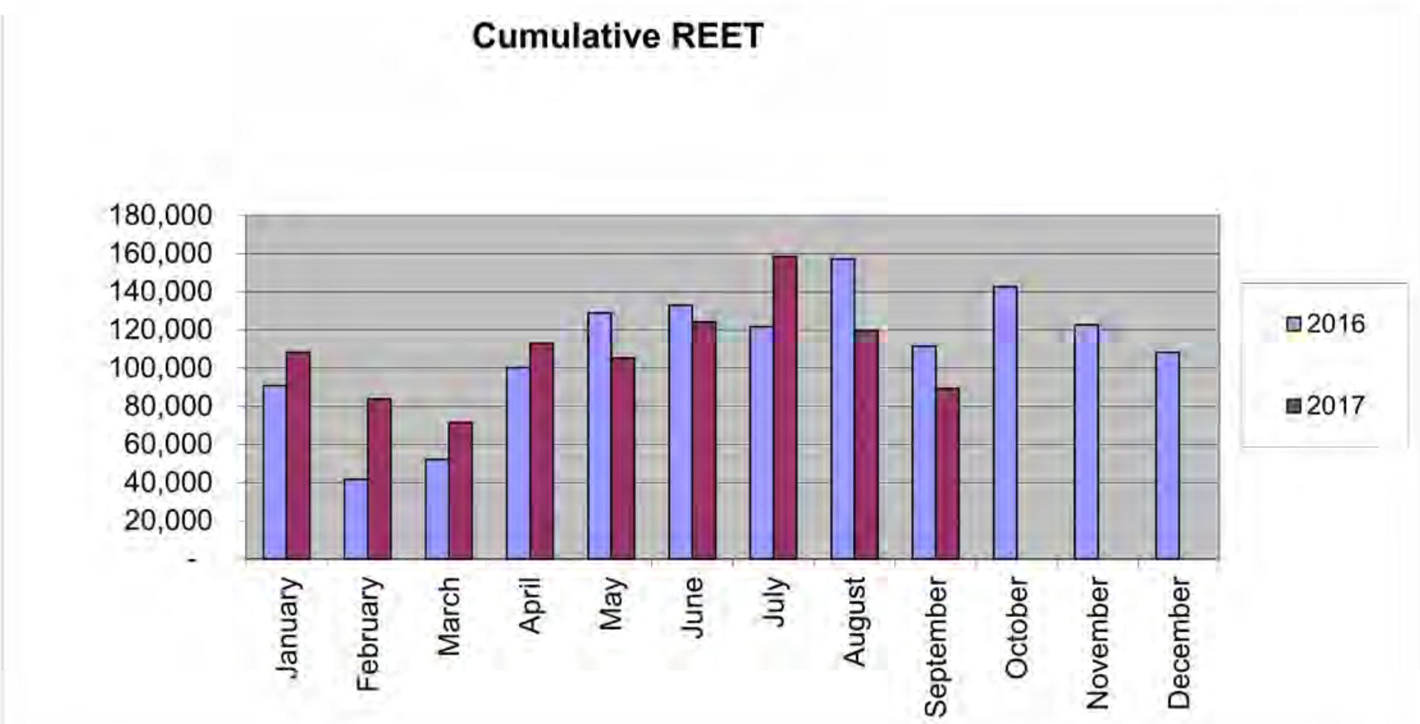
	Current Cash Balance	2017 Budgeted Expense	Estimated Ending Cash
REET 1:	1,536,434	621,250	1,157,778
REET 2:	1,851,518	840,809	1,253,303

ALLOWABLE USE OF REET

REET 1: RCW 82.46.010: public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets; roads; highways; sidewalks; street and road lighting systems; traffic signals; bridges; domestic water systems; storm and sanitary sewer systems; parks; recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative facilities; judicial facilities

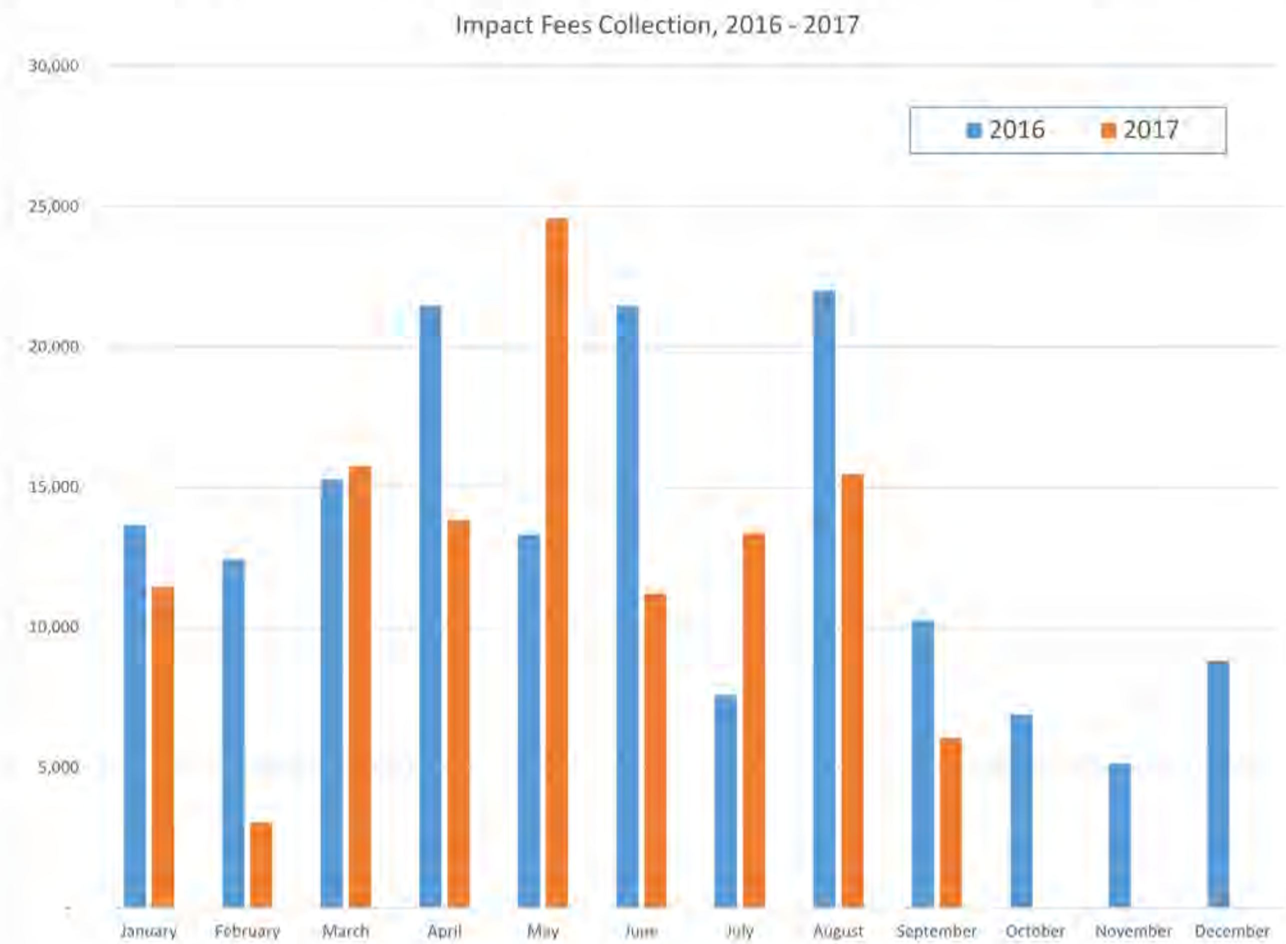
REET 2: RCW 82.46.035: public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks

Primary difference: REET 2 is more restrictive, cannot be used for Parks Acquisition Trails, Admin, or Public Safety.



Impact Fees

	2016 Impact Fees By month	2016	2017	YTD	Change
January	13,635	13,635	11,430	11,430	-16.2%
February	12,420	26,055	3,030	14,460	-88.4%
March	15,255	41,310	15,735	30,195	-61.9%
April	21,450	62,760	13,806	44,001	-78.0%
May	13,290	76,050	24,568	68,569	-67.7%
June	21,450	97,500	11,190	79,759	-88.5%
July	7,575	105,075	13,350	93,109	-87.3%
August	22,000	127,075	15,450	108,559	-87.8%
September	10,232	137,307	6,060	114,619	-95.6%
October	6,885	144,192			
November	5,130	149,322			
December	8,805	158,127			



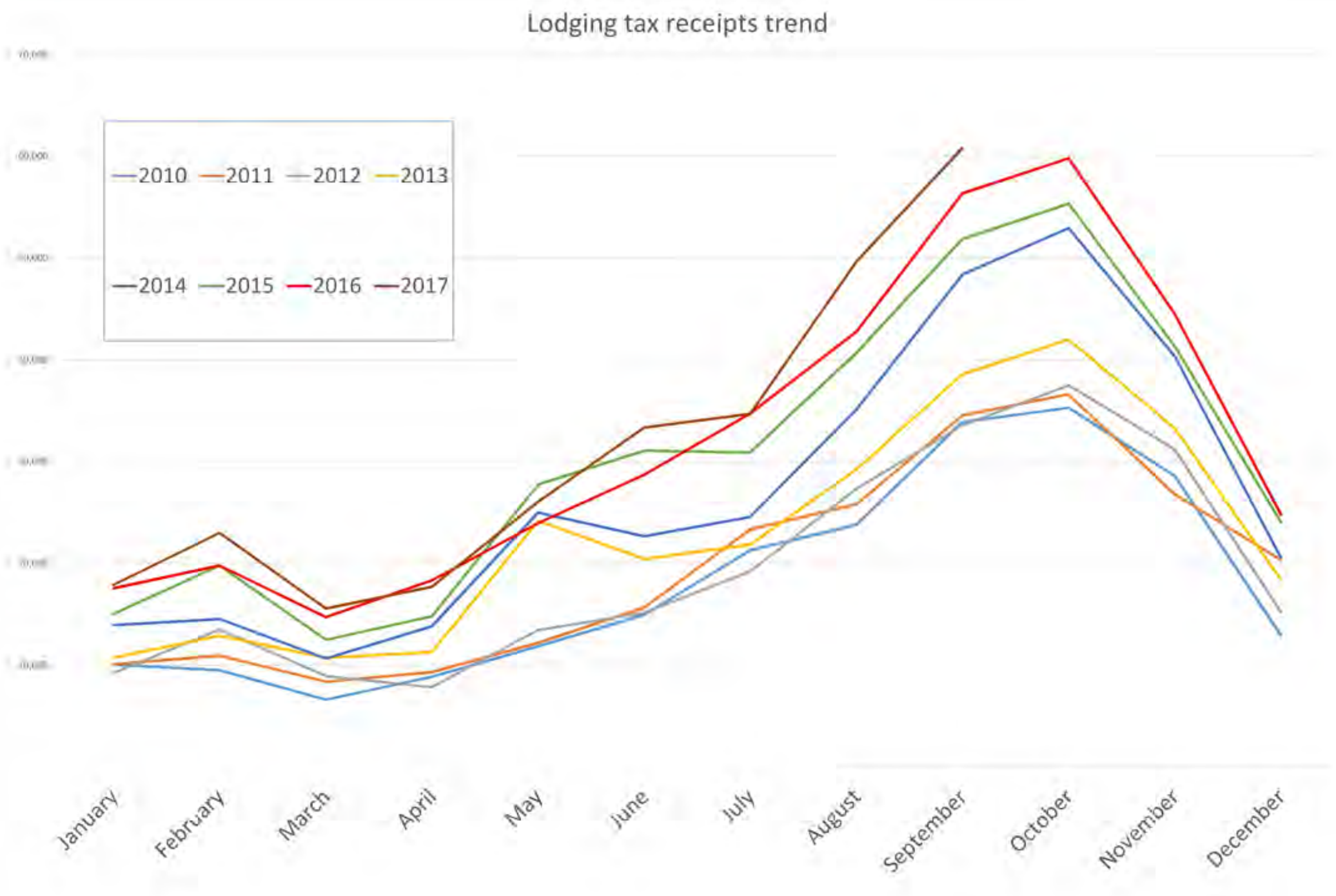
	Current Cash Balance	2017 Budgeted Expense	Estimated Ending Cash
Street	620,631	75,000	556,041
Parks	303,791	100,000	214,201

Lodging Tax Receipts by Month

	2010	2011	2012	2013	2014	2015	2016	2017
January	10,052	10,073	9,212	10,730	13,922	14,995	17,536	17,886
February	9,498	10,927	13,467	12,891	14,518	19,790	19,794	23,002
March	6,594	8,369	8,906	10,721	10,652	12,480	14,723	15,558
April	8,862	9,308	7,827	11,287	13,814	14,789	18,327	17,694
May	11,842	12,203	13,447	24,170	24,978	27,734	23,959	26,059
June	14,958	15,657	15,115	20,429	22,646	31,090	28,702	33,354
July	21,283	23,322	19,185	21,847	24,560	30,894	34,718	34,696
August	23,799	25,797	27,335	29,252	35,074	40,691	42,774	49,671
September	33,883	34,528	33,542	38,564	48,375	51,865	56,371	60,826
October	35,287	36,609	37,498	41,990	52,933	55,347	59,795	
November	28,585	26,777	31,208	33,268	40,350	41,323	44,510	
December	12,922	20,344	15,223	18,431	20,553	24,079	24,792	
Total:	217,565	233,914	231,966	273,580	322,375	365,078	386,002	278,745

Revenues left to collect:	129,098
Expenditures left to spend:	140,345
Projected Year end excess/(deficit):	108,006
Current Cash Balance:	764,909
Projected Year end cash balance:	872,915

NOTE: Lodging tax revenues are received 2 months after the room is paid for by the customer. E.g. the City will receive tax revenues in August from a hotel room that was paid for in June.



CITY OF ANACORTES
ALL FUNDS
Revenues/Expenditures
January - September 2017

		2017 Adj Budget	Year to date Actuals	% of Total Budget	
001	GENERAL FUND				
	Revenue	14,606,984	11,182,465.60	77%	
	Expenditure	14,606,984	10,448,162.44	72%	
	Difference	0	734,303		
101	PARK & RECREATION				
	Revenue	1,669,199	1,044,985.37	63%	
	Expenditure	1,669,199	1,223,169.84	73%	
	Difference	0	-178,184		
102	CEMETERY				
	Revenue	221,125	145,402.06	66%	
	Expenditure	221,125	177,013.32	80%	
	Difference	0	-31,611		
103	LIBRARY				
	Revenue	1,397,138	808,013.06	58%	
	Expenditure	1,397,138	1,059,209.51	76%	
	Difference	0	-251,196		
104	STREET MAINTENANCE				
	Revenue	2,184,013	997,591.45	46%	
	Expenditure	2,184,013	2,214,271.68	101%	3rd qtr budget amendment
	Difference	0	-1,216,680		
105	ARTERIAL STREET				
	Revenue	1,178,797	609,894.75	52%	
	Expenditure	1,178,796	413,825.57	35%	
	Difference	1	196,069		
106	Trans Bene Dist				
	Revenue	299,056	253,400.22	85%	
	Expenditure	299,056	46.55		
	Difference	0	253,354		
107	WASHINGTON PARK				
	Revenue	262,603	256,767.00	98%	
	Expenditure	262,603	231,180.44	88%	
	Difference	0	25,587		
108	PARKS CAPITAL				
	Revenue	470,000	242,740.48	52%	
	Expenditure	470,000	281,398.92		
	Difference	0	-38,658		
110	AMBULANCE FUND				
	Revenue	3,226,474	2,256,397.37	70%	
	Expenditure	3,226,474	2,262,078.32	70%	
	Difference	0	-5,681		
112	DEVELOPMENT FEES				
	Revenue	125,000	118,581.28		
	Expenditure	125,000	125,000.00		
	Difference	0	-6,419		
113	ACFL MANAGEMENT FUND				
	Revenue	41,866	96,934.79	232%	
	Expenditure	41,866	152,915.08	365%	
	Difference	0	-55,980		

CITY OF ANACORTES

ALL FUNDS

Revenues/Expenditures

January - September 2017

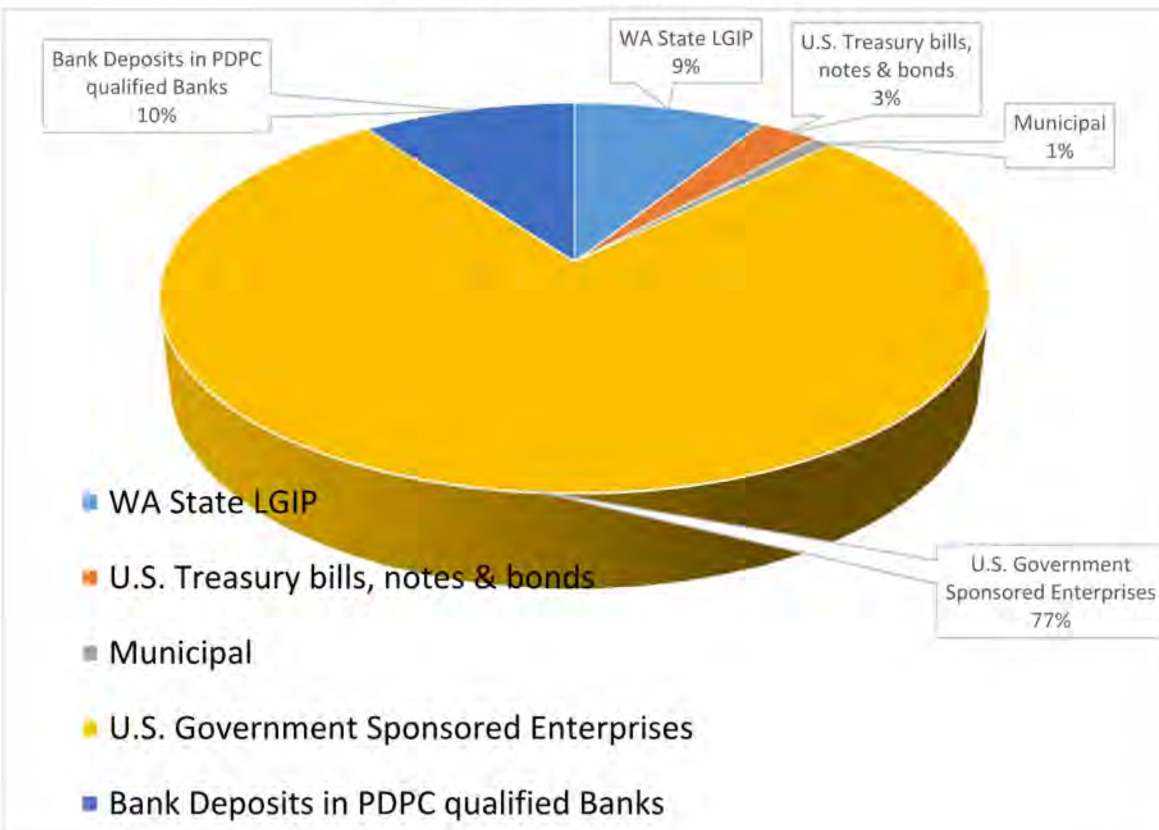
		2017 Adj Budget	Year to date Actuals	% of Total Budget		
135	TOURISM					
	Revenue	299,837	283,627.50	95%		
	Expenditure	299,837	159,492.20	53%		
	Difference	0	124,135			
200	2000 GO BOND DEBT SERVICE					
	Revenue	502,990	267,963.42	53%		
	Expenditure	502,990	36,795.00	7%		
	Difference	0	231,168			
209	2009 PUBLIC SAFETY REFUNDING					
	Revenue	259,800	148,532.61	57%		
	Expenditure	259,800	9,900.00	4%		
	Difference	0	138,633			
335	GROWTH MANAGEMENT CAPITAL IMPROVEMENT					
	Revenue	1,462,059	986,585.61	67%		
	Expenditure	1,462,059	17,500.00	1%		
	Difference	0	969,086			
401	WATER					
	Revenue	19,188,026	15,182,782.67	79%	Chgs budg	8,672,596.45
	Expenditure	16,496,320	9,972,913.98	60%	Actuals:	7,817,914.21
	Difference	2,691,706	5,209,869		% collected:	90%
					Cap Budg:	9,145,766.37
					Actuals:	6,702,240.55
					% collected:	73%
440	SEWER					
	Revenue	8,399,035	4,577,283.96	54%	Chgs budg	5,219,884.42
	Expenditure	8,399,035	5,005,663.74	60%	Actuals:	3,549,226.33
	Difference	0	-428,380		% collected:	68%
445	STORM DRAIN					
	Revenue	1,627,765	680,508.87	42%	Chgs budg	914,494.00
	Expenditure	1,627,765	864,185.80	53%	Actuals:	561,332.34
	Difference	0	-183,677		% collected:	61%
450	SANITATION					
	Revenue	3,432,267	2,720,870.49	79%		
	Expenditure	3,432,267	2,556,812.05	74%		
	Difference	0	164,058			
501	EQUIPMENT RENTAL FUND					
	Revenue	1,827,819	1,979,904.24	108%		
	Expenditure	1,827,819	1,456,157.84	80%		
	Difference	0	523,746			
611	FIREMEN'S PENSION FUND					
	Revenue	34,000	25,600.84	75%		
	Expenditure	34,000	25,214.34	74%		
	Difference	0	387			

City of Anacortes
Investment Diversification
9/30/2017

			Percentage	Maximum	Test
WA State LGIP	$	5,031,984	9%	100%	OK
U.S. Treasury bills, notes & bonds	$	1,577,097	3%	100%	OK
Municipal Securities	$	511,256	1%	30%	OK
U.S. Government Sponsored Enterprises					
FFCB	$	-	0%	50%	OK
FHLB	$	11,544,499	20%	50%	OK
FHLMC	$	246,047	0%	50%	OK
FNMA	$	18,423,346	33%	50%	OK
Other GSE's	$	13,637,237	24%	30%	OK
Total U.S. Government Sponsored Enterprises	**$**	**43,851,129**	77%	90%	OK
Bank Deposits in PDPC qualified Banks					
Skagit State Bank	$	5,610,674			
Washington Federal	$	24,158			
Total Bank Deposits in PDPC qualified Banks	**$**	**5,634,832**	10%	20%	OK
Total Portfolio	**$**	**56,606,299**			

Weighted Average yield of invested assets: **1.504%**

Portfolio Diversification



* APPROVED PER ORDINANCE 2993 *
CAPITAL PROJECTS

			2017							
Line	BARS	Account	Budget Request	Budget Detail	Actual YTD	Project Under (Over) Budget	BARS Under (Over) Budget	Job Cost/ Project No.	Description	Line
	001.220.594.18.64	Machinery & Equipment	0		4,727	-4,727	-4,727	16-070-IDS	VOIP	543
543	001.310.594.21.64	Machinery & Equipment	0	0	0	0	-20,978		One additional patrol vehicle	543
				0	20,978	-20,978	0	err020a	Police Aux Patrol Vehicle (Tesoro Grant)	
						0				
617	001.320.594.25.64	Capital Equipment	530,500			0	27,161			617
618				511,000	501,230	9,770		scba2016	SCBA Program (unfunded Grant)	618
619				12,000	2,109	9,891		17-115-FIR	Turnout Gear Washer	619
620				7,500	0	7,500			Fire Hose (70 Lengths)	620
621				0	0	0			Annual Radio Replacement Program	621
622				0	0	0			Annual Vehicle Extrication Program	622
623					0	0				623
733	001.320.594.22.62	Buildings & Structures (Acquisition, Con	20,000			0	20,000			733
734				0	0	0			Design March Point Fire Station	734
735				20,000	0	20,000			Live Fire Training Water Retention	735
850	001.713.594.53.62	BUILDINGS & STRUCTURES (ACQUISITION, CON	195,000		0	0	140,015			850
					0	0			**City Hall**	
				0	8,122	-8,122		17-086-FAC	EV Charging Station	
					0	0				
					0	0				
851					0	0			**Public Safety Building**	851
852				40,000	16,816	23,184		17-079-POL	Public Safety Security Cameras	852
853				20,000	8,774	11,226		17-038-FAC	Public Safety Flooring	853
854					0	0				854
855					0	0				855
856					0	0				856
857					0	0				857
858					0	0			**Washington Park**	858
859				0	0	0			Washington Park Bathroom Upgrade	859
860					0	0			**Water Treatment Plant**	860
				0	0	0			Water Treatment Camera Installation	
860					0	0			**Library**	860
861				0	0	0			Spikes for Library Roof	861
862					0	0				862
863				50,000	0	50,000			Library Carpet Replacement	863
864					0	0			**Fire Stations**	864
865				25,000	0	25,000			Interior Painting Fire Station 1 & 2	865
866				0	0	0			Flooring Fire Station 1 & 2	866
867				0	0	0			HVAC upgrade Fire Station 1	867
868					0	0			**Operations Shop**	868
869				35,000	3,197	31,803		16-085-IDS	Bathroom Expansion	869
869.5				25,000	18,076	6,924		17-069-FAC	Overhead Garage Doors	869.5
						0				
	101.410.594.76.64	Machinery & Equipment	11,000	11,000	0	11,000	11,000		Tractor (partial)	
1020	102.430.594.36.63	Other Improvements	5,000	5,000	0	5,000	5,000		Design	1020
	104.720.594.42.64	Machinery & Equipment	0			0	-67,048			733
				0	67,005	-67,005		err859	Paving machine	734
				0	43	-43		err862	Trailer for paving machine	735
	108.410.594.76.44	Taxes & Operating Assessments	0	0	0	0	0			
1310	108.410.594.76.60	Capital Outlays	470,000			0	188,601			1310
1311				0	0	0			South Commercial Ave Pocket Park	1311

* APPROVED PER ORDINANCE 2993 *
CAPITAL PROJECTS

			2017							
Line	BARS	Account	Budget Request	Budget Detail	Actual YTD	Project Under (Over) Budget	BARS Under (Over) Budget	Job Cost/ Project No.	Description	Line
1312				55,000	0	55,000			Cemetery Improvements/Expansion	1312
1313				25,000	0	25,000			Depot Improvements	1313
				0	3,255	-3,255		airportmit	Port airport mitigation	
1314				60,000	57,583	2,417		17-049-PRK, 17-061-PRK	Park Improvements	1314
1315				25,000	1,306	23,694		trailmaint, 17-019-IDS, 17-120-prk	Trail Improvements	1315
1315.1				55,000	41,651	13,349		15-028-IDS	WA Park Improvements	1315.1
				250,000	177,604	72,396		14-014-IDS	Storvik Park Spray Pad	
						0				
1375	110.320.594.22.51	Intergovernmental Services	0		0	0	0			1375
1376	110.320.594.22.64	Machinery & Equipment	0		20,401	-20,401	-20,401	17-022-FIR	Extrication Equipment (unfunded Grant)	1376
	113.410.594.76.61	Land & Land Improvements	0		60,419	-60,419	-60,419		Van Buren/Bell Property Purchase	1375
	113.410.594.76.64	Machinery & Equipment	14,000	14,000	0	14,000	14,000		Tractor (partial)	
1559	356.440.594.72.62	Buildings &Structures	68,250			0	68,250			1559
1560				43,250	0	43,250			meeting room modernization project (based on Dimensional bid from 2015 + inflation, however unsure if prevailing wage was included)	1560
1561				25,000	0	25,000			needs assessment/charrette	1561
1562					0	0	0			1562
1613	401.000.594.34.10	SALARIES & WAGES	0		0	0	0			1613
1614	401.000.594.34.20	PERSONNEL BENEFITS	0		0	0	0			1614
1615	401.000.594.34.60	Capital Outlays	0		0	0	0			1615
1616	401.000.594.34.61	Land & Land Improvements	0		0	0	0			1616
1617	401.000.594.34.62	Buildings & Structures (Acquisition, Con	0		0	0	0			1617
1618	401.000.594.34.63	Other Improvements	5,224,000			0	2,134,203			1618
1619				500,000	0	500,000			Retired WTP Decommissioning	1619
1620				1,125,000	733,480	391,520		16-018-WTR, 17-001-WTR, 17-003-TRN	Pipeline Replacements	1620
1621				2,500,000	1,522,872	977,128		16-039-WTR	3MG Reservoir Restoration	1621
1622				100,000	173,364	-73,364		16-016-WTR, 15-010-IDS	Telemetry Upgrades	1622
1623				90,000	0	90,000			Water Treatment Camera Installation	1623
1623				33,000	800	32,200		17-097-WTR	Cathodic Protect/Anode Replace	1623
1624				100,000	0	100,000			Pass Lake 10-inch Waterline	1624
1625				176,000	0	176,000			Sharpes Corner Project	1625
1626				0	0	0			Intake Pump Replacement	1626
1627				100,000	9,333	90,667		17-007-WTR	Reline 36-inch Transmission Line	1627
1628				500,000	567,401	-67,401		14-056-IDS	Fiber Telemetry	1628
1629.1				0	82,547	-82,547		err860	Ditch Witch Directional Driller	1629.1

* APPROVED PER ORDINANCE 2993 *
CAPITAL PROJECTS

			2017							
Line	BARS	Account	Budget Request	Budget Detail	Actual YTD	Project Under (Over) Budget	BARS Under (Over) Budget	Job Cost/ Project No.	Description	Line
1630.1					0	0				1630.1
						0				
1878.1	401.740.594.34.63	Other Improvements	10,000	10,000	0	10,000	-8,717		Cathodic protection	1878.1
					18,717	-18,717		wtr594	capital parts	
						0				
1918.1	440.000.594.35.20	PERSONNEL BENEFITS	0		0	0	0			1918.1
1919.1	440.000.594.35.62	Buildings & Structures (Acquisition, Con	0		0	0	0			1919.1
1920.1	440.000.594.35.63	Other Improvements	2,918,000			0	1,339,080			1920.1
1921.1				990,000	91,169	898,831		14-009-IDS, 14-056-IDS	Fiber Telemetry	1921.1
1922.1				628,000	558,873	69,127		16-001-SEW, 16-074-SEW, 17-015-SEW, 17-018-SEW, 17-045-SEW, 17-094-sew	Collection System Rehab/Inflow and Infiltration Reduction	1922.1
1923.1				300,000	40,788	259,212		14-002-SEW	WWTP Admin Building Upgrade	1923.1
1924.1				1,000,000	886,579	113,421		13-020-SEW	Outfall Maintenance and Rehabilitation	1924.1
					1,511	-1,511		14-035-SEW	Pump Station Upgrades	
1925.1					0	0				1925.1
						0				
1926.1	440.000.594.35.64	Machinery & Equipment	1,350,000			0	901,265			1926.1
1927.1				260,000	3,013	256,987		15-013-SEW	Pump Station Upgrades	1927.1
1921.1					96,551	-96,551		14-009-IDS, 14-056-IDS	Fiber Telemetry	1921.1
1928.1				40,000	0	40,000			PS 13 Odor Control	1928.1
1929.1				650,000	349,171	300,829		15-032-SEW, 17-008-SEW	Incinerator Offgas Scrubbing System	1929.1
1930.1				100,000	0	100,000			Dechlorination/Disinfection Upgrade	1930.1
1931.1				300,000	0	300,000			Outlet Duct and Crossover Duct Rehabilitation	1931.1
						0				
2123.1	445.770.594.31.60	Capital Outlays	470,000			0	369,144			2123.1
2124.1					0	0				2124.1
2125.1				150,000	8,046	141,954		17-021-STM	Storm Sewer Upgrade	2125.1
2126.1				20,000	0	20,000			Trash Racks	2126.1
2127.1				300,000	92,810	207,190		16-041-STM, 17-005-STM	Storm Pond/Vault Restoration	2127.1
						0				
2202.1	450.780.594.37.60	Capital Outlays	63,000			0	10,696			2202.1
2203.1				35,000	32,453	2,547		err174	Pickup Truck	2203.1
2204.1				28,000	19,851	8,149		17-014-IDS	Dumpster & Roll-Off replacements	2204.1
						0				
2298.1	501.790.594.18.62	BUILDINGS & STRUCTURES (ACQUISITION, CON	0		0	0	0			2298.1
2299.1	501.790.594.48.60	Capital Outlays	705,000			0	-8,416			2299.1
2300.1				92,000	110,296	-18,296		err387, err426, err861, err713	Parks/Depot	2300.1
2301.1				65,000	31,148	33,852		err2910a	Fire	2301.1
2302.1				34,000	37,270	-3,270		err177,err858	Street	2302.1
2303.1				80,000	57,133	22,867		err175, err176	Water Maint	2303.1

City of Anacortes
2017/2018 Budget *** APPROVED PER ORDINANCE 2993 ***
EXPENSE **CAPITAL PROJECTS**

			2017							
Line	BARS	Account	Budget Request	Budget Detail	Actual YTD	Project Under (Over) Budget	BARS Under (Over) Budget	Job Cost/ Project No.	Description	Line
2304.1				28,000	0	28,000			Solid Waste	2304.1
2305.1				180,000	0	180,000			Police	2305.1
					53,448	-53,448		err033	pursuit vehicle	
					53,361	-53,361		err034	pursuit vehicle	
					52,878	-52,878		err035	pursuit vehicle	
2306.1				155,000	176,165	-21,165		err179, err180, err425	WWTP	2306.1
2307.1				65,000	70,144	-5,144		err052, err424	Fleet	2307.1
2308.1				0	0	0			IT	2308.1
2309.1				6,000	71,572	-65,572		err15909, err178	ACFL	2309.1
2310.1					0	0			WTP	2310.1
1219	105.712.595.64.63	Other Improvements	0		0	0	0			1219
1220	105.712.595.90.10	Salaries & Wages	65,358	65,358	23,260	42,098	42,098			1220
						0		99001pwp	Development Review	
						0			Other	
1221	105.712.595.90.12	Overtime	2,679	2,679	4,406	-1,727	-1,727			1221
						0		99001pwp	Development Review	
						0			Other	
1222	105.712.595.90.20	Personnel Benefits	30,890	30,890	17,945	12,944	12,944			1222
						0		99001pwp	Development Review	
						0			Other	
1223	105.712.595.90.43	Travel & Training	1,000	1,000	0	1,000	1,000		5 employees	1223
1224					0	0				1224
1225	105.720.595.30.63	Other Improvements	472,619			0	326,224			1225
1226				71,619	39,791	31,828		16-004-TRN	32nd and D roundabout (partial grant funding)	1226
1227				203,000	105,612	97,388		16-005-TRN, 16-025-TRN	Oakes/San Juan Harbor Roundabout Design (partial grant funding)	1227
1227.1				198,000	101	197,899		15-006-TRN	S. March Point Rd Shoulder Widening	1227.1
1228				0	455	-455		13-030-TRN	Safe Routes to School	1228
1228				0	128	-128		16-012-TRN	Flashing Beacons	1228
				0	308	-308		15-052-TRN	South Commercial	
						0				
1229	105.720.595.61.63	Other Improvements	550,000			0	413,012			1229
1230				100,000	751	99,249		16-078-TRN	ADA Ramps	1230
1231				450,000	136,238	313,762		17-028-TRN	Sidewalks, Trip Hazards Repair/Tree	1231
1232					0	0				1232
						0				
1233	105.720.595.62.63	Other Improvements	56,250			0	-28,578			1233
				56,250	61,242	-4,992		14-023-TRN, 14-028-TRN, 13-016-TRN	Guemes Channel Trail	
1227.1				0	23,540	-23,540		15-006-TRN	S. March Point Rd Shoulder Widening	1227.1
1228				0	46	-46		16-012-TRN	Flashing Beacons	1228
1142	104.720.542.30.41	Professional Services - Engineering	1,115,000		1,189,255	-74,255	-74,255			1142
			13,232,546	**13,232,546**	**7,429,862**	**5,802,684**	**5,802,684**			

City Council Agenda Bill

Meeting Date: 10/23/2017 **Agenda Item**: 7c

Subject: 3rd quarter 2017 budget amendment

Staff Contact: Steve Hoglund

Approved for Submittal to Council by	
x	Laurie Gere, Mayor
x	Steve Hoglund, Finance Director
	Darcy Swetnam, City Attorney

Action Type	
x	Ordinance No. 3012
	Code Revision? NO
	Resolution No.
	Contract
	Public Hearing

Summary Statement: There are a number of budgetary items that need to be adjusted, particularly to set the current budget so proper projections can be made into 2018; the 2018 adjustments will be reviewed as part of the mid biennial budget review in the weeks to come.

Background: Most of these items will be familiar to Council. We will talk in detail about each one during the meeting. Many of the changes are cost neutral.

Please note the $145,000 Makers contract completion is a carryover from the prior year budget, that was not completed.

Also please note the Pavement Management program did more work than budgeted, and at the same time, Prilled Sulfur revenues dropped, resulting in a $166,276 total impact to that one line item.

Budget Impact	
Amount Budgeted	
Budget Account (BARS)	Various
Proposed Expenditure	$957,252
Budget Amendment Required?	Yes
Revenue Source	Various

Previous Council/Committee Action: Budget Ordinance 2993, first quarter 2017 budget amendment Ordinance 3003

Competing Viewpoints Considered: Budget should not be amended.

Recommended Motion: I move to adopt Ordinance 3012 authorizing the third quarter budget amendment.

Alternative Actions: Do not adopt budget amendment.

Attachments (listed in order presented): Ordinance 3012 amending budget

ORDINANCE 3012

AN ORDINANCE AMENDING ORDINANCE NO. 2993 ADOPTED ON NOVEMBER 28, 2016, ENTITLED "AN ORDINANCE ADOPTING THE BUDGET FOR ALL MUNICIPAL PURPOSES AND USES FOR THE 2017/2018 BIENNIUM"

WHEREAS, The City of Anacortes adopted a biennial budget for the 2017/2018 budget period, and part of the biennial budget process is a mid-biennial update to assess financial conditions and assess the following year's revenue and expenditure projections, and

WHEREAS, to fully assess the impact of the second half of the biennial period the first half of the biennial period needs to be reconciled against current, a comprehensive 3rd quarter budget amendment needs to be incorporated to set projections for 2018.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Anacortes, Washington, as follows:

Section 1. Ordinance No. 2993 dated November 28, 2016 adopting the Budget for the 2017/2018 biennium is hereby amended to reflect the following revisions to expenditures and revenues in the following funds:

BARS Number	Description	DR	CR
001.230.532.10.41	NOANET fiber prof services	17,000	
001.000.308.90.00	Unassigned fund balance		17,000
001.240.558.60.41	3rd party review	50,000	
001.240.345.89.00	Other Planning Services		50,000
001.240.558.60.48	Repairs and Maint	5,000	
001.000.308.90.00	Unassigned fund balance		5,000
001.240.569.00.51	Sr Services not budgeted	30,000	
001.000.308.90.00	Unassigned fund balance		30,000
001.240.558.60.41	Finish up Makers contract	145,000	
001.000.308.90.00	Unassigned fund balance		145,000
001.310.554.30.41	Pet data, online dog tags	6,000	
001.000.308.90.00	Unassigned fund balance		6,000
001.310.594.21.64	Replacement ford escape	20,000	
001.310.398.00.00	Insurance proceeds		20,000
001.320.522.45.14	Fire Volunteer - Training	7,220	
001.320.522.30.14	Fire Volunteer - Prevention	1,031	
001.320.522.20.14	Fire Volunteer - Suppression	44,748	
001.000.311.10.00	General fund property tax		53,000
110.320.311.10.00	EMS Property tax	53,000	
110.320.342.60.00	Tribe EMS contribution		53,000
104.720.542.30.41	Pavement management	85,000	
104.720.337.30.00	Prilled sulfur	81,276	
104.720.397.00.00	Transfer in REET 2		131,276
104.720.397.00.00	Transfer in TBD car tabs		35,000
335.711.597.00.02	Transfer out REET	131,276	
335.240.308.10.02	Unassigned fund balance		131,276
106.711.597.00.00	Transfer out TBD fees	35,000	
106.720.317.60.00	TBD license revenues		35,000
105.720.595.30.63	Spur 20 Ship Harbor	12,000	
105.720.397.00.00	Tranfer in impact fees		12,000
112.000.597.00.00	Trans out impact fees	12,000	
112.240.308.90.00	Fund balance		12,000
105.720.595.62.63	GCT planning	25,000	
105.720.397.00.00	Transfer in REET 1		25,000
335.711.597.00.00	REET 1 transfer out	25,000	
335.240.308.10.00	REET 1 fund balance		25,000
108.410.594.76.60	Tennis court resurfacing	16,000	
108.410.308.90.00	Unassigned fund balance		16,000
113.410.576.90.41	Milfoil treatment	155,700	
113.410.308.90.00	Unassigned fund balance		155,700

Section 2. Effective date. This Ordinance shall take effect from and after five (5) days after its passage and publication, as required by law.

PASSED AND APPROVED THIS 23rd day of October, 2017

CITY OF ANACORTES, WASHINGTON

BY: ____
Laurie Gere, Mayor

ATTEST:

(Corporate Seal)

____
Steven D. Hoglund, City Clerk

APPROVED AS TO FORM

____
Darcy Swetnam
City Attorney

Anacortes City Council

Proposed Agenda Items for the Next Eight Weeks Beginning November 6, 2017

Subjects listed below have been tentatively suggested for consideration by the Anacortes City Council on the dates indicated. Items may be added to, removed from or rearranged on this list. Routine business such as approval of minutes, vouchers and consent agenda items is not included. The complete Preliminary Agenda for each meeting is published at 3:00 on the Wednesday prior to the meeting. Published Agendas are subject to change and may be updated following the posting period. For additional information on agenda topics, please contact the City Clerk's office at 360-299-1960 to be directed to the sponsoring staff member.

November 6, 2017

•2017/2018 Budget Mid-biennial Review and Modification: Mayor Presentation to Council (Discussion)
•Public Meeting: Resolution ____: Establishing a Unified Fee Schedule for Utility Fees and Charges (Discussion/Possible Action)
•Agriculture Irrigation Rates (Discussion)
****

November 13, 2017

•Public Hearing: Ordinance ____: 2017/2018 Budget Mid-biennial Review and Modification (Discussion)
•Affordable Housing Strategic Plan (Discussion/Possible Action)
****

November 20, 2017

•Ordinance ____: 2017/2018 Budget Mid-biennial Review and Modification (Discussion/Possible Action)
•Resolution ____: Setting the City's Year 2018 Property Tax Regular Levy Increase (Action)
****

November 27, 2017
****

December 4, 2017
****

December 11, 2017
****

December 18, 2017
****

December 26, 2017
****

Upcoming City Council Committee Meetings
The public is welcome to attend City Council Committee Meetings.

•Public Works, Monday, Oct 16, 2017, 5:00 PM, Public Works Director's Office, City Hall
•Planning, Monday, Oct 23, 2017, 5:00 PM, Main Conference Room, City Hall
•Finance, Wednesday, Oct 25, 2017, 5:00 PM, Main Conference Room, City Hall
•Housing Affordability & Community Services, Thursday, Nov 2, 2017, 1:30 PM, City Hall
•Public Works, Monday, Nov 6, 2017, 5:00 PM, Public Works Director's Office, City Hall
•Finance, Wednesday, Nov 8, 2017, 5:00 PM, Main Conference Room, City Hall
•Planning, Monday, Nov 13, 2017, 5:00 PM, Main Conference Room, City Hall
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