

ENVIRONMENT COMMITTEE AGENDA

January 15, 2015 – North Conference Room

21630 11th Avenue South – Des Moines 50319

6:00P – 6:50P

1. Approve minutes of 11-6-2014 meeting
2. Review Surface Water Comp Plan – 1st Draft

(Discussion Item – 50 min)

Parametric will be doing a presentation of the findings and recommendations of the draft Plan. Direction from the Committee is being requested regarding the plan's conclusions and recommendations, recommended changes to the SWM utility operations, and funding scenarios prior to submitting the draft Plan to full Council next month.

DRAFT MINUTES - ENVIRONMENTAL COUNCIL COMMITTEE MEETING 11.06.2014

The meeting was called to order @ 5:45 PM, Thursday, November 6, 2014, in the Council Chambers @ 21630 11th Avenue South, Des Moines with the following in attendance:

Council Members

Dave Kaplan, Chair
Melissa Musser
Vic Pennington

City Staff

Tony Piasecki, City Manager
Michael Matthias, Asst City Manager
Dan Brewer, Planning, Building & PW Director
Denise Lathrop, Com Dev Manager
Pat Bosmans, City Attorney
Peggy Volin, Admin Asst II

Citizens:

Anne Farmer
David Toppano
Heather & Charles McCullough
Bud Bohzen
S Whitier
Councilmember Burrage

AGENDA:

1. Approve minutes of 9.18.2014 meeting
2. Tree Ordinance

MEETING:

1. Approve minutes of the September 18, 2014 meeting: Unanimously passed.
2. Tree Ordinance: Denise Lathrop narrated a power point presentation of Substitute Draft Ordinance No. 14-043-A which outlined the key issues for Committee consideration: Critical Areas which include Authority to Protect and Coppicing vs. Best Management Practices; Scenic View Preservation; Potential Amendments to Substitute Draft Ordinance consisting of Council Amendment/s, Liability Waiver, Best Pruning Practices, Scenic View Preservation; and Fees. It also outlined Areas of Consensus which included cutting of trees on developed sites and increased clearing limits. A Public Hearing for this ordinance was held on October 2, 2014.

Committee agreed to move this item to the full Council for second reading on November 13, 2014.

Meeting Adjourned @ 6:35 pm
Submitted by: Peggy Volin, Admin Asst II

MEETING AGENDA

LOCATION: Des Moines City Hall

MEETING DATE: January 15,
2015

TIME: 5:30PM

SUBJECT: DRAFT Surface Water Comp Plan Financial Policy Review

Purpose of the meeting:

We have completed our analysis of the City's Surface Water Program, have identified gaps and have provided recommended solutions for inclusion in the DRAFT Surface Water Comprehensive Plan. We have also completed a financial analysis based on our analysis.

We would like your input on a few policy questions prior to presenting the DRAFT Plan to the full Council:

1. On slide 3 of the presentation we have identified the gaps in the existing program, compliance needs to fill those gaps and we have also provided additional recommendations within each program element. **Do you agree with our conclusions and recommendations?**
2. On slide 7 of the presentation we outline recommended changes in operations of the program. **Do you agree with our recommended changes?**
3. Beginning on slide 8 of the presentation we have provided three potential scenarios based on implementing the recommended changes to program operations and investing in capital. **Do you agree with these scenarios and do they adequately provide a range of alternatives to the Council for action?**

Following our discussion of these three policy questions we would like to discuss the presentation itself and receive feedback and recommendations for changes prior to the council meeting on February 5, 2015.



Des Moines Surface Water Comprehensive Plan

Findings & Recommendations

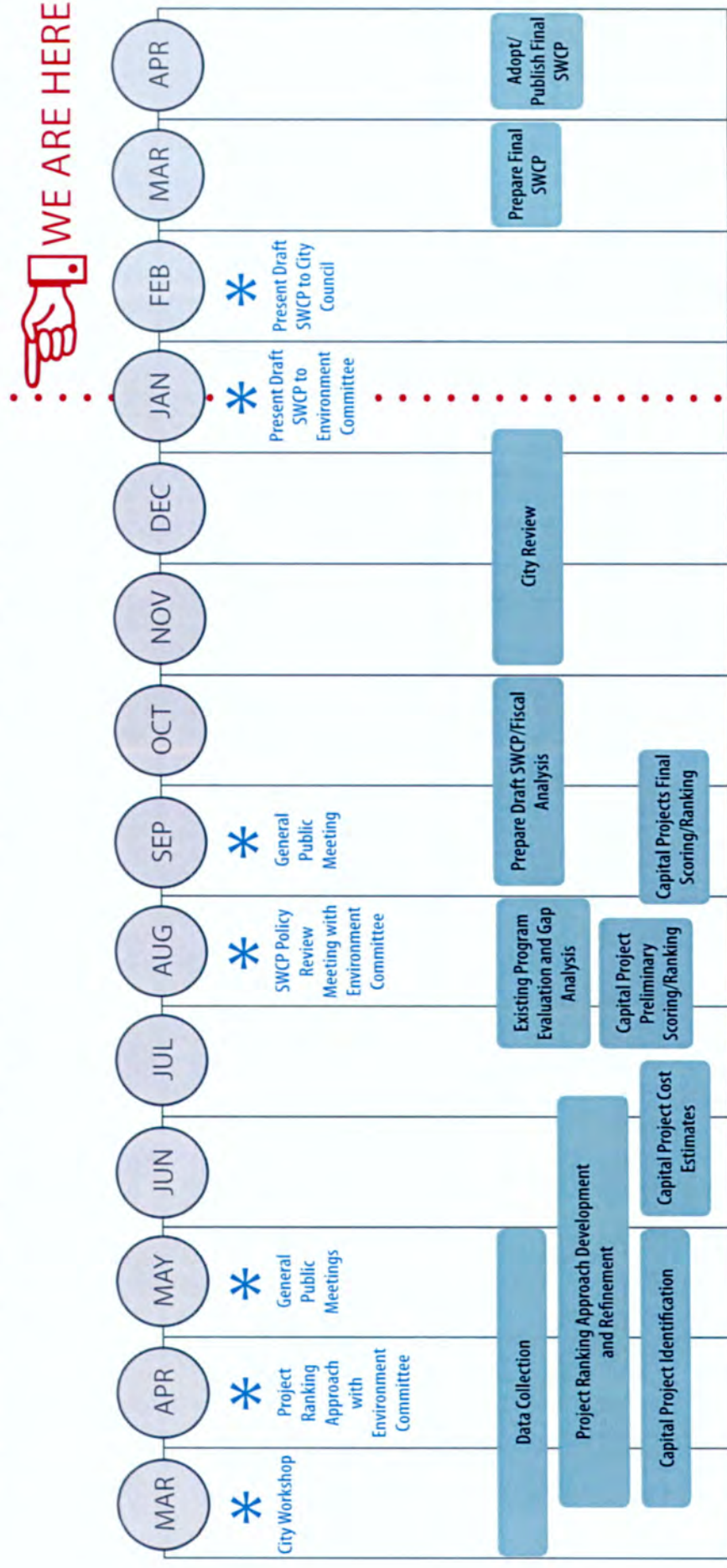
January 15, 2015



PLAN DEVELOPMENT RECAP

GOALS:

- 10-Year Plan - Cohesive stormwater management program
- Method Shift - Proactive approach to maintenance, regulatory, capital needs

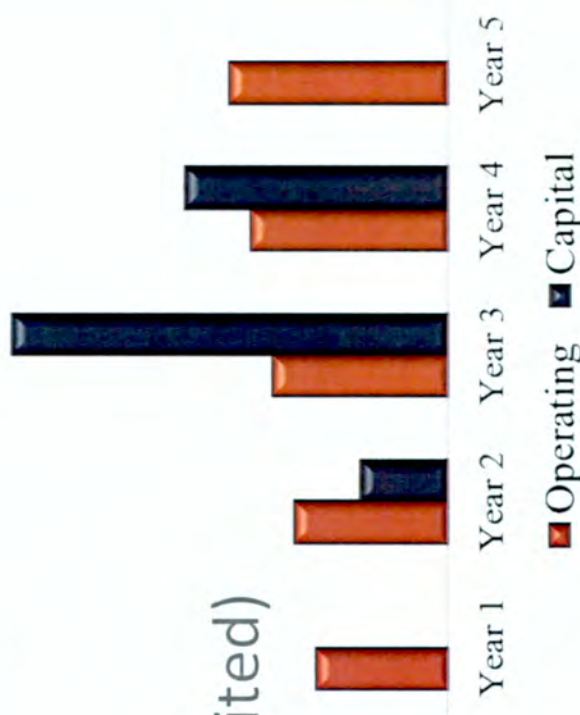


FINDINGS AND RECOMMENDATIONS

Findings	PROGRAM ELEMENT									
	Planning & Engineering	Maintenance	Public Ed	Public Involvement	Illicit Dischg	Control Runoff	O&M	Monitoring	Tracking & Reporting	Admin
Gaps in Existing Program and Compliance Needs	None	- Crews inspecting approximately 60% of all catch basins annually. - Add 0.33 FTE, maintenance (back-up to maintain 2 full 2-person crews)	None	None	None	None	2-3 public facilities added each year, requiring additional staff to meet permit requirements - Add 0.33 FTE, increase inspection coverage	None	- Inspection and maintenance database not current with most recent activities. - Add 0.33 FTE, input records backlog	- Maintenance of all storm water facilities required by DMMC 11.20.080 (2)(a). - No current systematic repair and/or replacement of aging capital stormwater assets - Add emergency repair and replacement service fund.
Recom-mendations	- Prog. SEPA for Surface Water CIP - PM Manual/ PM Training to support CIP - Add/ reallocate 1.0 FTE to manage CIP - Charge drainage permit fee, help fund development support	- CCTV 15% of SD system annually until complete (City plans to purchase equipment: \$15k) - Discontinue Pipe Program. Reallocate to Pipe Replacement capital project.	None	None	None	None	None	None	- Update tracking database to electronic software. - Organize water quality retrofit data.	- Increase budget proportionately to support upgrades of other program elements - Track SWM revenue growth, use proceeds to cover new costs

INTRODUCTION TO UTILITY RATE MAKING

- Evaluates the sufficiency of current rates on a self supporting basis
- Utility rates are set to recover the cost of providing service
 - Operating costs (regular/ongoing)
 - Employee salaries and benefits
 - Interfund transfers
 - Taxes & Services
 - Capital costs (inconsistent/limited)
 - Infrastructure replacement
 - Facility expansions and upgrades
 - Fiscal Policies



KEY ASSUMPTIONS

- Planning period
 - **10 years** (2015-2024)
 - **3.65%** rate increase (inflationary) approved for 2015
- Operating Cost Forecast
 - Based on **2014** Budget
 - Reflects operational changes
- Customer growth
 - **0.50%** per year (~72 equivalent billing units (EBUs))
 - Addition of Des Moines Business Park in 2016
 - \$35,000 / year in rate revenue
 - \$345,000 in General Facilities Charges (GFCs)
- Cost Inflation (2016-2024)
 - Operating Costs: **2.00%** (CPI)
 - Capital Costs: **3.00%** (ENR-CCI)

FISCAL POLICIES

Fund	Purpose(s)	Target Balance
Operating	Provide adequate working capital to accommodate fluctuations in the timing of revenues and expenses	- Based on a number of days of operation and maintenance (O&M) expenses 4 months (33%) + 7% contingency (~\$865,000)
Capital	- Segregate capital resources - Manage capital cost overruns	1% of plant-in-service assets (~140,000)
Capital Reserve	- Provide funds for emergency asset replacement - Fund to become active in 2015	Estimated Use: \$150K every (3) years

- Rate Funded Capital
 - Goal: Generate cash funding for infrastructure replacement through rates
 - Funding: annual transfers from the Operating Fund
 - Transfer to **Capital Fund: 20-30%** of rate revenue
 - magnitude of expense is dependent on timing of capital projects
 - Transfer to **Capital Reserve Fund: \$50K** per year, fund to be established in 2015

CHANGES IN OPERATIONS

• Establish Drainage Permit Fee	→	+ \$25,000 / year
• Charge Street Fund for waste disposal	→	+ \$10,000 / year
• Increase use of staff for CIP management	→	+ \$30,000 / year
• Discontinue Pipe Program	→	+ <u>\$110,000 / year</u>
• FTE Additions (starting in 2015)		+ \$175,000 / year
- 0.33 FTE: Non-NPDES Inspections	→	- \$30,430 / year
- 0.33 FTE: NPDES Inspections	→	- \$30,430 / year
- 0.33 FTE: Backlog Input	→	- <u>\$30,430 / year</u>
		- \$91,290 / year
• CCTV 15% of Surface Water System	→	- \$15,000 in 2015
• Service Level Dependent Expenses		
- 1.0 FTE: Engineer to manage CIP	→	- \$113,923 / year

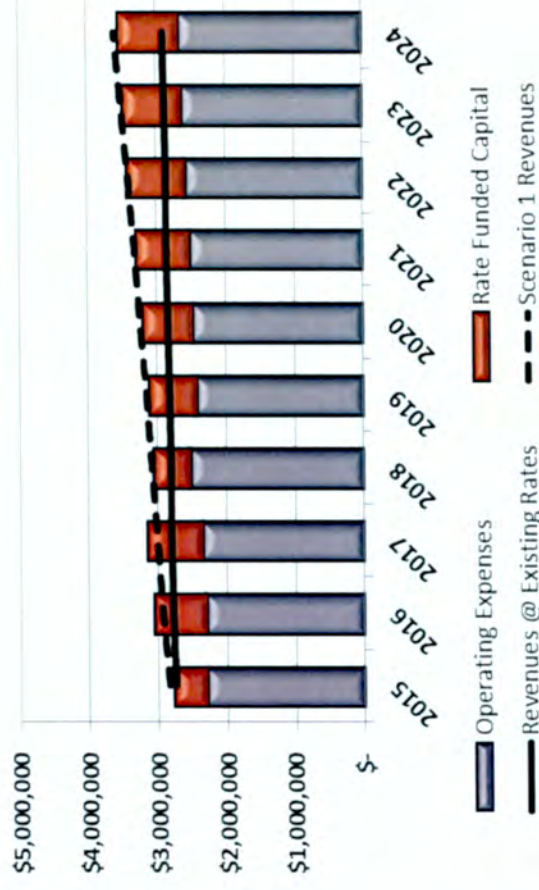
SERVICE LEVEL SCENARIOS

Service Level	Operations	Capital Funding
Scenario 1	▪ Immediate personnel additions for NPDES inspections, non-NPDES inspections, input backlog of maintenance records - <u>1.0 FTE</u> (maintenance) in 2015	▪ Fund as many High Priority projects as possible, given inflationary rate increases of <u>2.3% / year</u>
Scenario 2	▪ Immediate personnel additions for NPDES inspections, non-NPDES inspections, input backlog of maintenance records - <u>1.0 FTE</u> (maintenance) in 2015 ▪ Eventual personnel addition to support CIP implementation. - <u>1.0 FTE</u> (engineer) as growth permits	▪ Fund all High Priority projects by 2025
Scenario 3	▪ Immediate personnel additions for NPDES inspections, non-NPDES inspections, input backlog of maintenance records - <u>1.0 FTE</u> (maintenance) in 2015 ▪ Immediate personnel addition to support CIP implementation. - <u>1.0 FTE</u> (engineer) in 2015	▪ Fund all High Priority & Medium Priority projects by 2025

SCENARIO 1: REVENUE REQUIREMENT

Assumptions

- 1.0 FTE in 2015 (maintenance)
- Inflationary rate increases: 2.30% (beginning in 2016)
- Adjust Rate Funded Capital to fund as many High Priority capital projects as possible



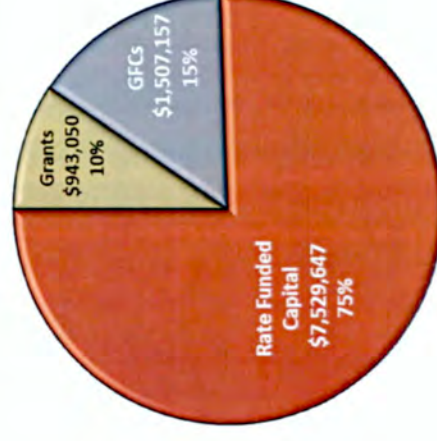
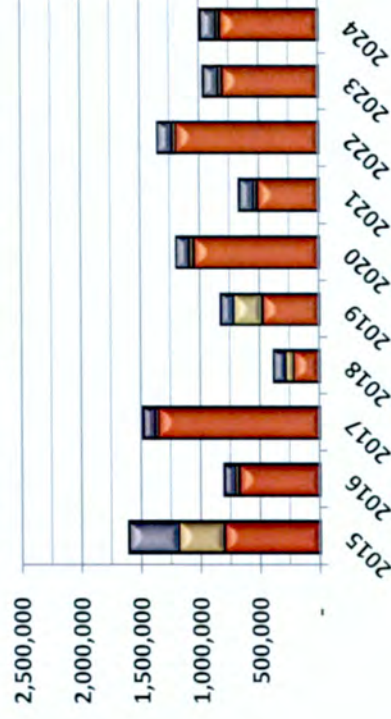
Operations Summary	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Rate Revenue	\$ 2,511,145	\$ 2,619,044	\$ 2,692,678	\$ 2,768,383	\$ 2,846,216	\$ 2,926,237	\$ 3,008,508	\$ 3,093,093	\$ 3,180,055	\$ 3,269,462
Rate Funded Capital	\$ 482,133	\$ 753,344	\$ 861,904	\$ 480,829	\$ 686,728	\$ 733,092	\$ 781,559	\$ 862,297	\$ 854,204	\$ 876,814
Rate Increases	3.65%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Monthly Rate / EBU	\$ 14.76	\$ 15.10	\$ 15.45	\$ 15.80	\$ 16.17	\$ 16.54	\$ 16.92	\$ 17.31	\$ 17.70	\$ 18.11

SCENARIO 1: CAPITAL

Capital Funding Summary

- Able to fund 83% of High Priority capital project costs
 - \$8.8M of \$10.6M (current \$)
 - \$10.0M of \$12.1M (escalated \$)
- 5 of 19 High Priority projects left unfunded
 - To be completed in years 2025-2026
- Updated GFC: \$1,456 / EBU

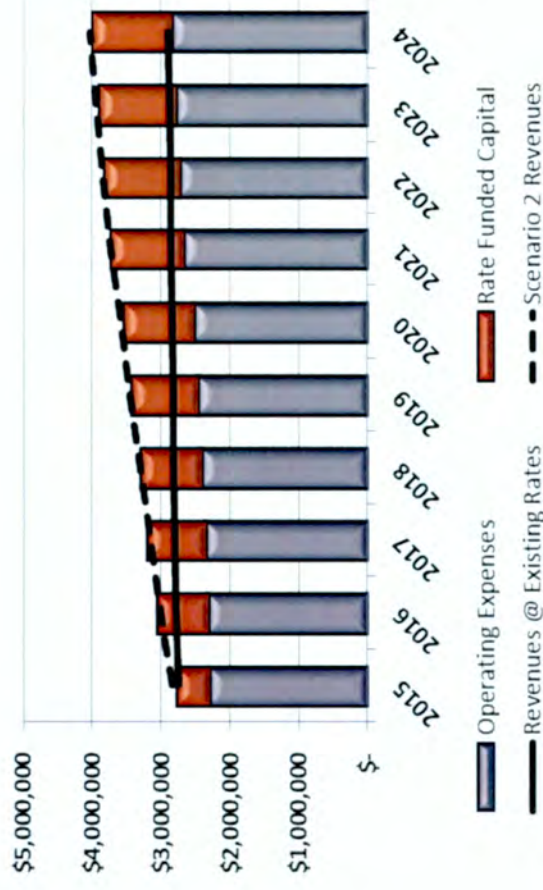
Capital Projects by Year



SCENARIO 2: REVENUE REQUIREMENT

Assumptions

- 1.0 FTE in 2015 (maintenance)
- 1.0 FTE as growth permits (2021)
- Adjust Rate Funded Capital to fund all High Priority capital projects by 2025



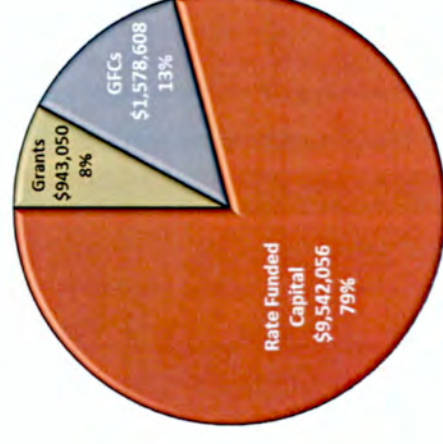
Operations Summary	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Rate Revenue	\$ 2,511,145	\$ 2,688,168	\$ 2,836,689	\$ 2,993,416	\$ 3,128,719	\$ 3,270,137	\$ 3,417,947	\$ 3,514,043	\$ 3,612,840	\$ 3,714,415
Rate Funded Capital	\$ 482,133	\$ 753,344	\$ 856,450	\$ 901,007	\$ 1,007,893	\$ 988,616	\$ 1,031,041	\$ 1,116,400	\$ 1,121,783	\$ 1,151,916
Rate Increases	3.65%	5.00%	5.00%	5.00%	4.00%	4.00%	4.00%	2.30%	2.30%	2.30%
Monthly Rate / EBU	\$ 14.76	\$ 15.50	\$ 16.27	\$ 17.09	\$ 17.77	\$ 18.48	\$ 19.22	\$ 19.66	\$ 20.11	\$ 20.58

SCENARIO 2: CAPITAL

Capital Funding Summary

- Able to fund 100% of High Priority capital project costs
 - Total: \$10.6M (current \$)
 - Total: \$12.1M (escalated \$)
- Updated GFC: \$1,552 / EBU

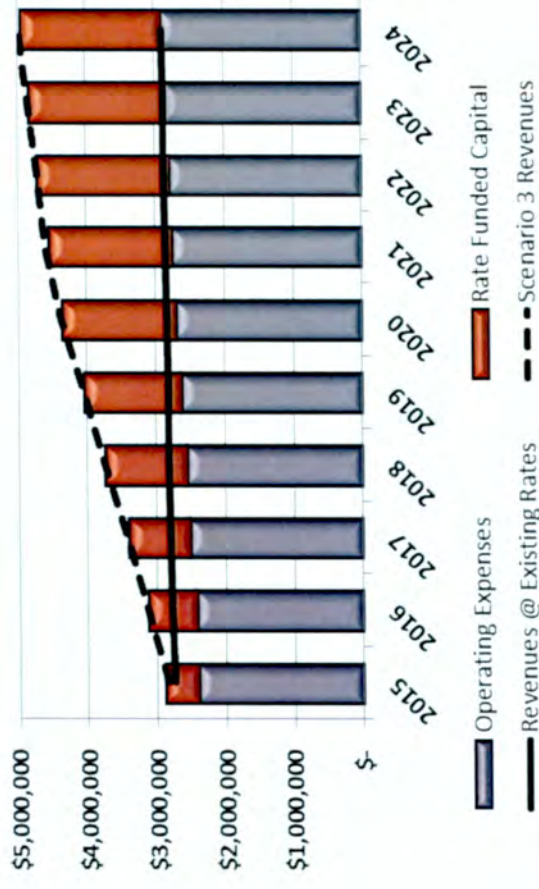
Capital Projects by Year



SCENARIO 3: REVENUE REQUIREMENT

Assumptions

- 2.0 FTE in 2015
- Adjust Rate Funded Capital to fund all High Priority & all Medium Priority capital projects by 2025



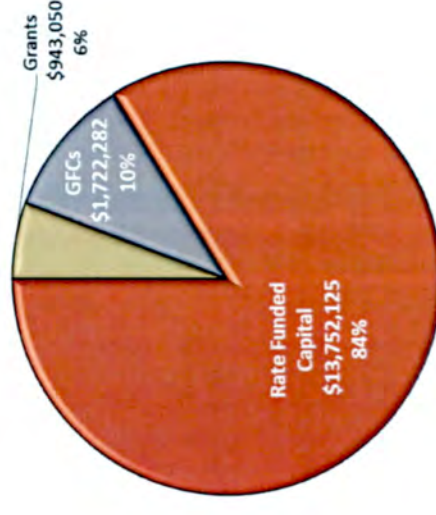
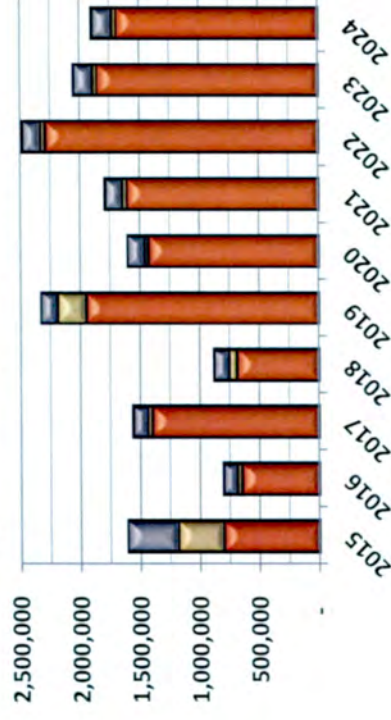
Operations Summary	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Rate Revenue	\$ 2,511,145	\$ 2,816,176	\$ 3,113,283	\$ 3,441,734	\$ 3,735,658	\$ 4,054,683	\$ 4,278,705	\$ 4,399,000	\$ 4,522,678	\$ 4,649,833
Rate Funded Capital	\$ 482,133	\$ 703,121	\$ 951,176	\$ 1,139,649	\$ 1,461,111	\$ 1,581,620	\$ 1,834,061	\$ 1,915,515	\$ 1,963,565	\$ 2,017,365
Rate Increases	3.65%	10.00%	10.00%	10.00%	8.00%	8.00%	5.00%	2.30%	2.30%	2.30%
Monthly Rate / EBU	\$ 14.76	\$ 16.24	\$ 17.86	\$ 19.65	\$ 21.22	\$ 22.91	\$ 24.06	\$ 24.61	\$ 25.18	\$ 25.76

SCENARIO 3: CAPITAL

Capital Funding Summary

- Able to fund 100% of High Priority and Medium Priority capital project costs
 - High Priority:
\$10.6M/\$11.9M (current \$ / escalated \$) completed prior to 2023
 - Medium Priority:
\$3.6M/\$4.5M (current \$ / escalated \$)
- Updated GFC: \$1,744/ EBU

Capital Projects by Year



SCENARIO SUMMARY

Rate Increases [a]	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Scenario 1	3.65%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Scenario 2	3.65%	5.00%	5.00%	5.00%	4.00%	4.00%	4.00%	2.30%	2.30%	2.30%
Scenario 3	3.65%	10.00%	10.00%	10.00%	8.00%	8.00%	5.00%	2.30%	2.30%	2.30%

Monthly Rate / EBU	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Scenario 1	\$ 14.76	\$ 15.10	\$ 15.45	\$ 15.80	\$ 16.17	\$ 16.54	\$ 16.92	\$ 17.31	\$ 17.70	\$ 18.11
Scenario 2	\$ 14.76	\$ 15.50	\$ 16.27	\$ 17.09	\$ 17.77	\$ 18.48	\$ 19.22	\$ 19.66	\$ 20.11	\$ 20.58
Scenario 3	\$ 14.76	\$ 16.24	\$ 17.86	\$ 19.65	\$ 21.22	\$ 22.91	\$ 24.06	\$ 24.61	\$ 25.18	\$ 25.76

General Facility Charges / EBU

Scenario 1	\$ 1,456
Scenario 2	\$ 1,552
Scenario 3	\$ 1,744

[a] Rate increases shown assume a minimum 2.30% inflationary increase and per Ordinance 1437, rates are adjusted annually for inflation and may be higher or lower depending on the actual cost indices.

RATE SURVEY COMPARISON

2014 Residential Rates	
Tacoma	\$ 19.97
Auburn	\$ 18.78
Redmond	\$ 16.56
Kirkland	\$ 15.60
Mercer Island	\$ 15.32
Seattle	\$ 15.08
Des Moines (Existing)	\$ 14.24
Issaquah	\$ 14.08
Renton	\$ 12.69
King County	\$ 12.58
North Bend	\$ 12.36
Bothell	\$ 12.08
Bellevue	\$ 11.82
Kent	\$ 11.64
Tukwila	\$ 9.83
Seatac	\$ 8.30
Federal Way	\$ 7.38
Woodinville	\$ 7.26

2016 Residential Rates [a]	
Tacoma	\$ 20.90
Auburn	\$ 19.73
Redmond	\$ 17.33
Kirkland	\$ 16.33
Des Moines (Scenario 3)	\$ 16.24
Mercer Island	\$ 16.03
Seattle	\$ 15.78
Des Moines (Scenario 2)	\$ 15.42
Des Moines (Scenario 1)	\$ 15.10
Issaquah	\$ 14.74
King County	\$ 14.62
Renton	\$ 13.28
North Bend	\$ 12.94
Bothell	\$ 12.65
Bellevue	\$ 12.37
Kent	\$ 12.18
Seatac	\$ 10.53
Tukwila	\$ 10.29
Federal Way	\$ 8.13
Woodinville	\$ 7.60

2024 Residential Rates [a]	
Des Moines (Scenario 3)	\$ 25.29
Tacoma	\$ 25.07
Auburn	\$ 23.71
Redmond	\$ 20.79
Des Moines (Scenario 2)	\$ 20.28
Kirkland	\$ 19.58
Mercer Island	\$ 19.23
Seattle	\$ 18.93
Des Moines (Scenario 1)	\$ 18.11
Issaquah	\$ 17.67
King County	\$ 17.54
Renton	\$ 15.93
North Bend	\$ 15.52
Bothell	\$ 15.17
Bellevue	\$ 14.84
Kent	\$ 14.61
Seatac	\$ 12.95
Tukwila	\$ 12.34
Federal Way	\$ 9.75
Woodinville	\$ 9.12

[a] The rates shown above for comparable utilities have been increased only by an assumed 2.3% inflation rate and does not include any rate adjustment that may occur over a 10 year period (2014-2024).

QUESTIONS?

John Ghilarducci
Principal

Contact FCS GROUP:

425.867.1802

www.fcsgroup.com

Austin Fisher, PE
Project Manager

Contact Parametrix:

253.604.6600

www.parametrix.com