



CITY OF MERCER ISLAND

UTILITY BOARD SPECIAL HYBRID MEETING

Tuesday, September 12, 2023, at 5:00 PM

BOARD MEMBERS:

Tim O'Connell, Chair
Will Quantz, Vice Chair
Stephen Majewski, George Marshall,
Meredith Lehr, Stephen Milton, and William Pokorny

LOCATION & CONTACT

Mercer Island Community & Event Center – Zoom Meeting
8236 SE 24th Street | Mercer Island, WA 98040
Phone: 206.275.7793 | www.mercerisland.gov

We strive to create an inclusive and accessible experience. Those requiring accommodation for meetings should notify the City Clerk's Office 3 days prior to the meeting at 206.275.7793 or by emailing cityclerk@mercerisland.gov.

The virtual meeting will be broadcast live on Zoom and recorded and saved on the City Council's [YouTube Channel](#)

Registering to Speak: Individuals wishing to speak live during Appearances will need to register their request with the City Clerk at **206.275.7793** or email the [City Clerk](#) and leave a message before 4 PM on the day of the Utility Board meeting. Please reference "Appearances" on your correspondence and state if you would like to speak either in person at Mercer Island Community & Event Center or remotely using Zoom. Each speaker will be allowed three (3) minutes to speak.

Join by Telephone at 5:00 PM: To listen to the meeting via telephone, please call **253.215.8782** and enter Webinar ID **869 0002 8763** and Password **363425** if prompted.

Join by Internet at 5:00 PM: To watch the meeting over the internet via your computer, follow these steps:

- 1) Click this [link](#)
- 2) If the Zoom app is not installed on your computer, you will be prompted to download it.
- 3) If prompted for Webinar ID, enter **869 0002 8763**; Enter Password **363425**
- 4) The City Clerk will call on you by name or refer to your email address when it is your turn to speak. Please confirm that your audio works prior to participating.

Join in person at Mercer Island Community & Event Center at 5:00 PM: — 8236 SE 24th Street, Mercer Island, WA 98040

CALL TO ORDER & ROLL CALL, 5:00 PM

PUBLIC APPEARANCES

REGULAR BUSINESS

1. Approval of Minutes for the July 11, 2023, Regular Video Meeting
Recommended Action: Approve minutes.
2. Update on Water System Reliability Action Plan progress
Recommended Action: Receive report & select two board members to serve on working group.
3. King County Solid Waste Rate Amendment
Recommended Action: Discuss and provide feedback.
4. EMS and Storm Water Rate Discussion/Recommendation
Recommended Action: Discuss and provide feedback.

OTHER BUSINESS

5. 2023 Workplan
6. Next Meeting - October 10, 2023

ADJOURNMENT



UTILITY BOARD MINUTES REGULAR HYBRID MEETING July 11, 2023

CALL TO ORDER & ROLL CALL

Chair Tim O'Connell called the meeting to order at 5:00 pm from a remote location.

Chair Tim O'Connell, and Board Members Stephen Majewski, William Pokorny, Meredith Lehr, George Marshall, and Will Quantz and Council Liaison Jake Jacobson participated remotely using a video teleconferencing platform by Zoom.

Vice Chair Stephen Milton was absent.

Alaine Sommargren, Deputy Public Works Director, and other staff members participated remotely.

PUBLIC APPEARANCES

There were no public appearances.

SPECIAL BUSINESS

Board Elections Chair and Vice Chair elections

Chair Tim O'Connell opened the nominations for Chair

Lehr nominated O'Connell

There were no further nominations

Vote

O'Connell - 6-0

Board Member O'Connell elected Chair.

Chair O'Connell opened the nominations for Vice Chair.

Quantz nominated himself

There were no further nominations

Vote

Quantz - 6-0

REGULAR BUSINESS

Approval of Minutes for the following meetings:

April 11, 2023, Minutes

Motion was made by Lehr; seconded by Marshall to:

Approve the minutes as presented.

Passed 6-0

June 6, 2023, Minutes

Motion was made by Marshall; seconded by Pokorny to:

Approve the minutes as presented.

Passed 6-0

Utility /CIP Updates

Capital Improvements Manager, Clint Morris, and Utilities Operations Manager Allen Hunter presented the Utility CIP updates.

The Board received the presentation and asked questions of staff.

Utility Board Site Tour

Staff requested feedback from the board for scheduling the upcoming utility project tours. The majority of board members are available on August 16th. More information will be sent to all board members with details.

OTHER BUSINESS

Next meeting September 12, 2023

ADJOURNMENT

The meeting adjourned at 6:08 pm.

Attest: Tim O'Connell, Chair

Jen Matsuda, CIP Administrative Assistant



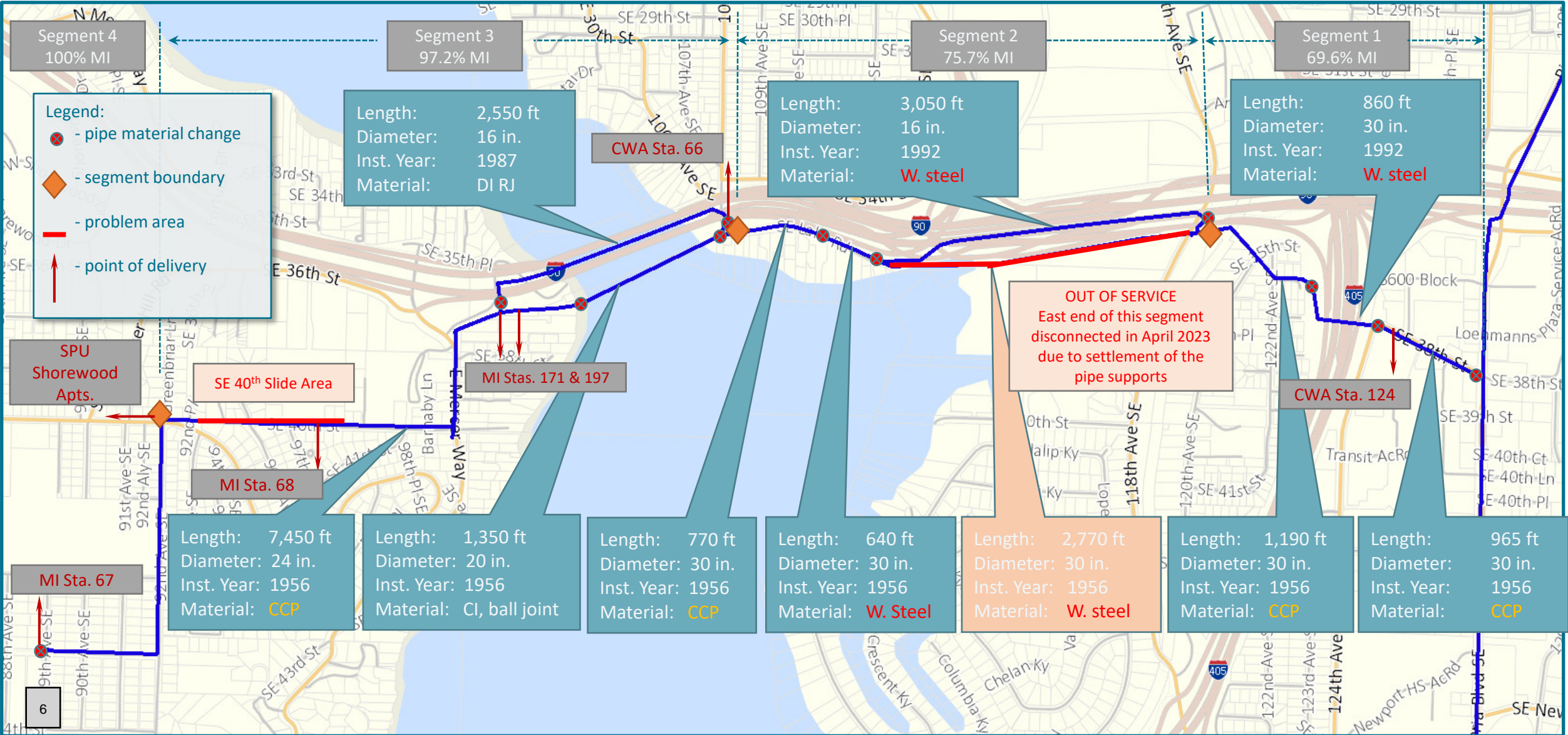
Water Supply Reliability Action Plan

Utility Board Update

September 12th, 2023

Review of Water Emergency Event

Mercer Island Subregional System at a Glance



Mercer Island Pipelines Subregional System - Valve Issues

Item 2.

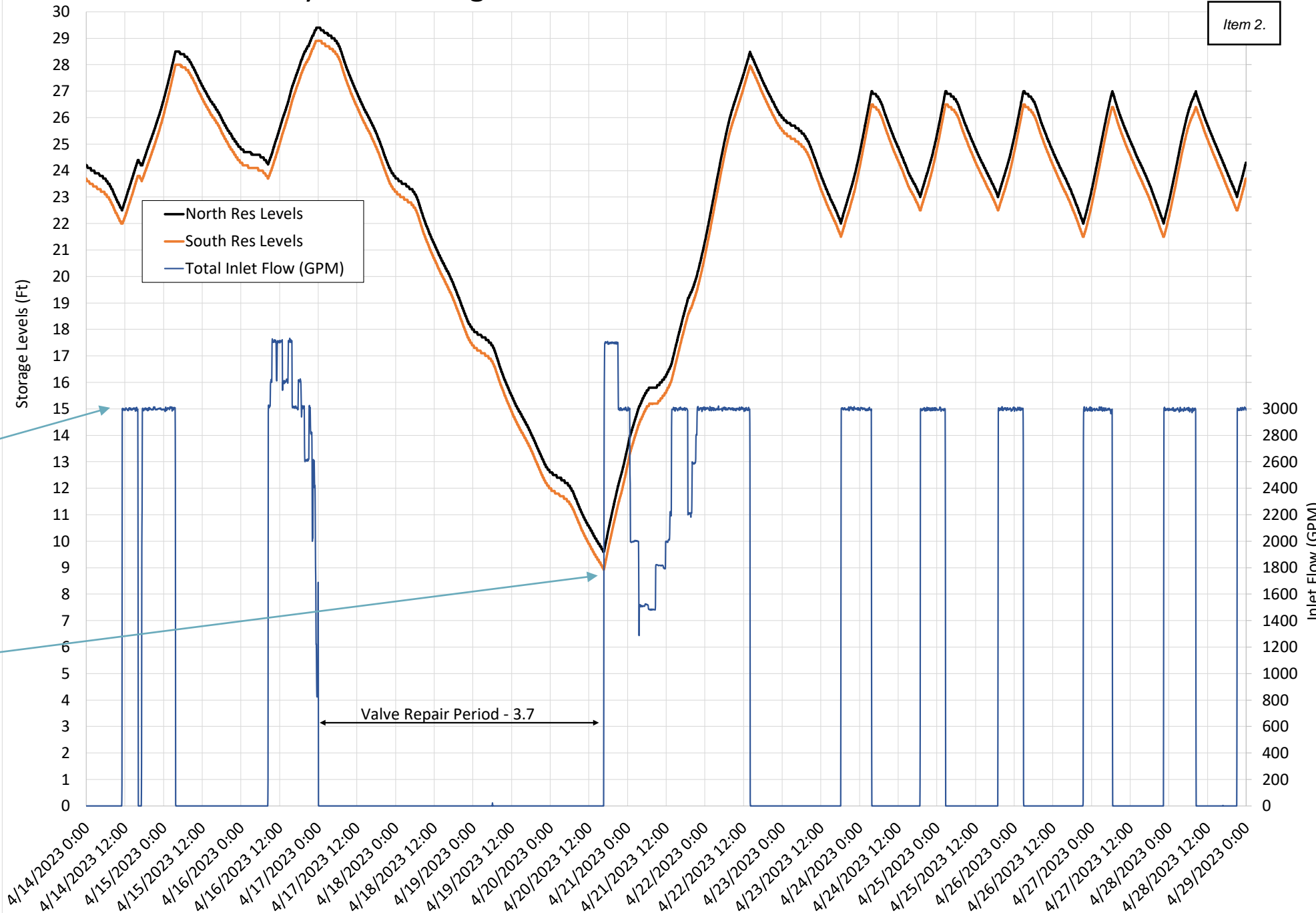


The Event in Data

Key Observations:

- SPU supply operates on/off - likely altitude valve controlled. Valuable to assess pressure variation/transients in the SPU line during start/stop.
- Restart of the SPU supply had some challenges in the first 24 hrs – air binding may have been interfering with flow.
 - Fill process
 - Air relief

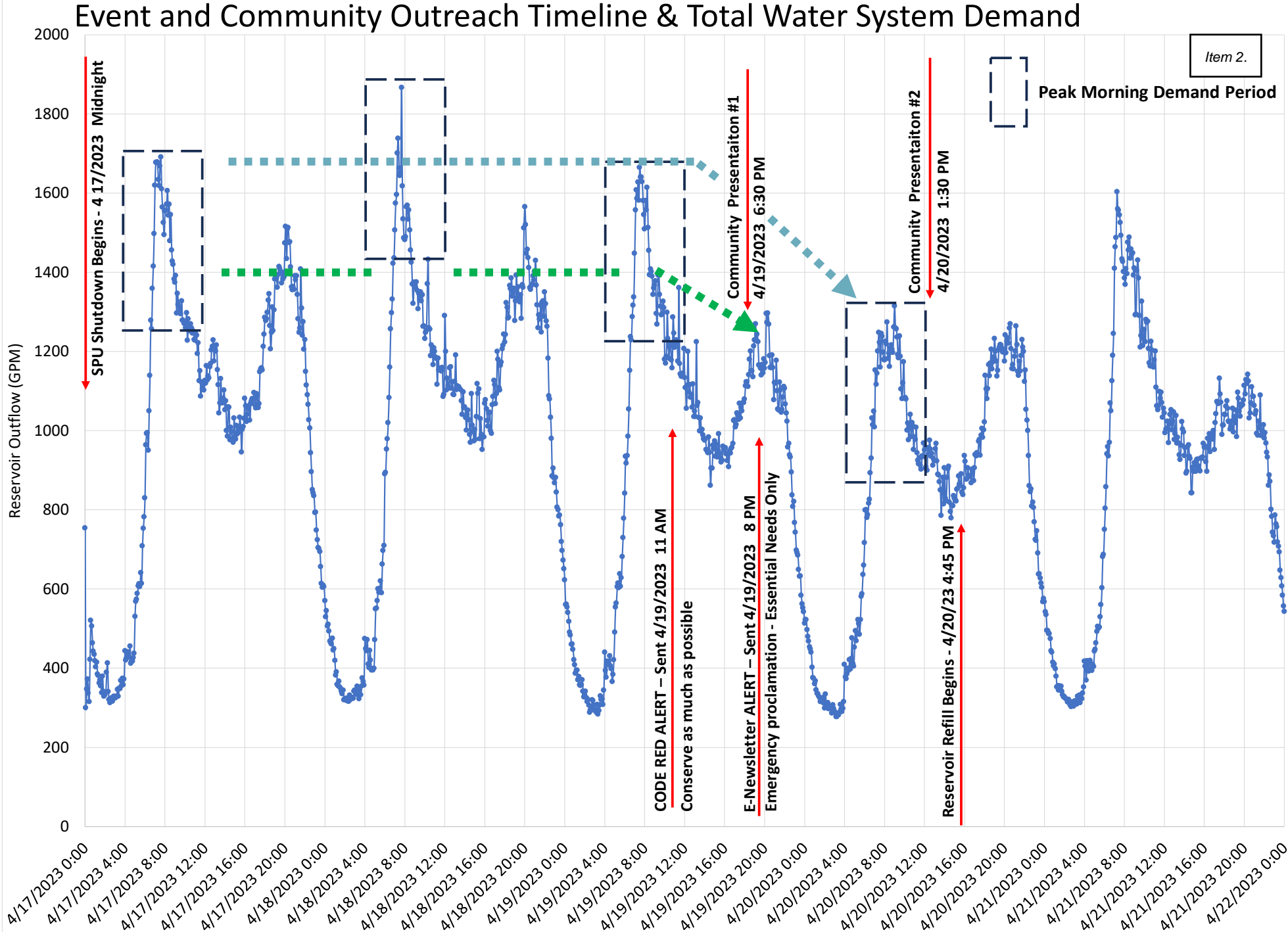
Mercer Island System Storage and SPU Inflow Rates



The Event in Data

Key Observations:

- In non-peak season, total system demands range from 300 gpm – 1800 gpm.
 - ~15% reduction in the evening peak on 4/19/23.
- 20% reduction in morning peak demands between 4/19 and 4/20/2023 with less than one day public notice.



Project Objectives

To evaluate and develop near- and long-term opportunities to improve system reliability and reduce risk of future water supply emergencies

Overview of Project Approach

1. Data request and review
2. Conduct interviews
 - Management
 - Staff
 - Fire Dept
3. Conduct brief review of resiliency activities by others/industry
4. Develop preliminary list of *Actions* to improve resiliency
5. Develop *Evaluation Criteria* to assess capabilities, benefits, barriers, trade-offs for each Action

Complete

1. Apply Evaluation Criteria to Action Items
2. Refine, prioritize, and develop draft and final Action Plans
3. Present Draft Action Plan to Utility Board
4. Present Action Plan to City Council

Underway/Planned

Action List Categories



INFRASTRUCTURE

Additional Pipeline
Additional Storage
Secondary Supply



PROGRAMMATIC

Enhanced Planning
O&M Evaluations
Community Engagement



PERSONNEL

Staffing
Training

Examples:

Evaluation Criteria Categories

Item 2.

Quantity of
Water
Level of
Service

Quality of
Water
Level of
Service

Duration of
Relief

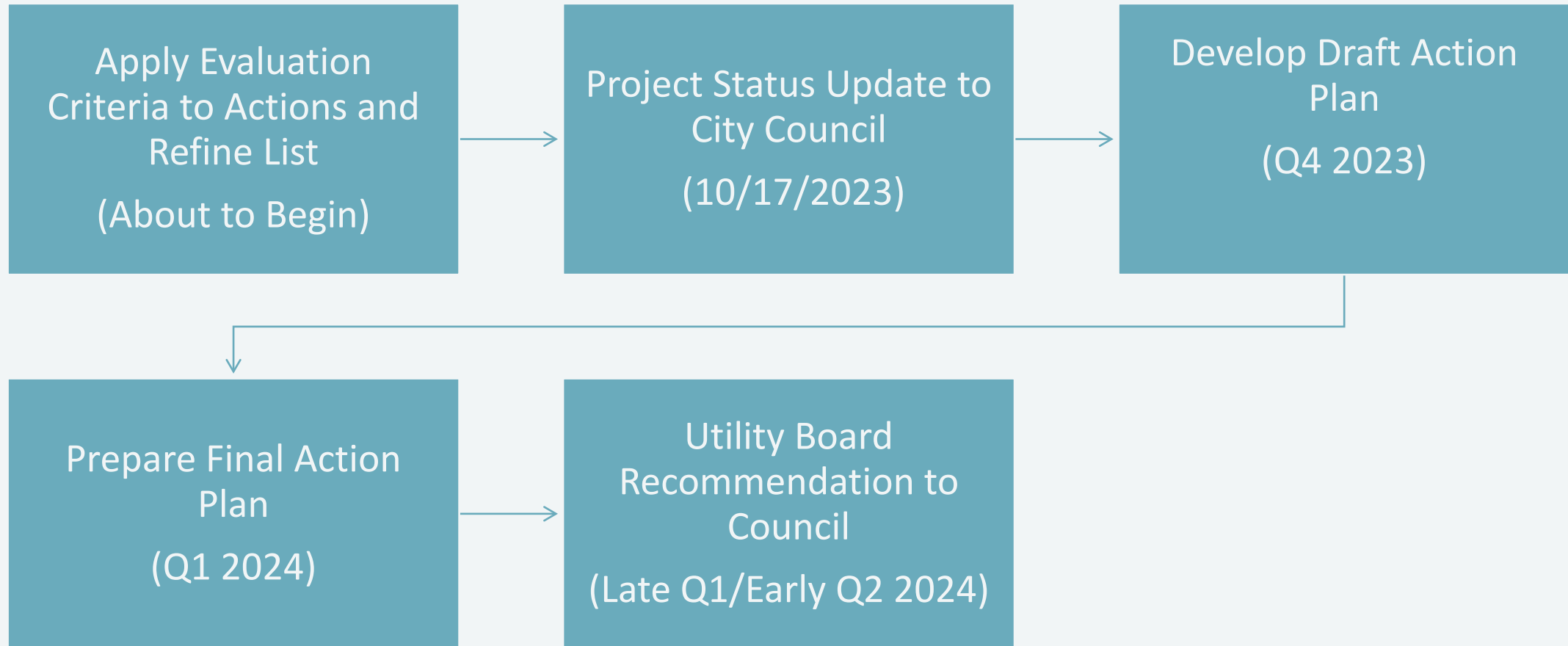
Ease of
Activation

City
Ownership
& Control

Schedule to
Implement

Cost

Next Steps and Utility Board Engagement



THANK YOU



confluence ENGINEERING GROUP LLC

517 NE 92nd Street, Seattle, WA 98115 ph (206) 527-6832 fx (206) 527-3148 confluence-engineering.com



UTILITY BOARD STAFF REPORT

Item (3)
September 12, 2023
Regular Business

AGENDA ITEM INFORMATION

TITLE:	King County Solid Waste Rate Restructure	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Provide direction to staff on the proposed contract amendment with Recology to incorporate the new King County Fixed Annual Charge.	

STAFF:	Jason Kintner, Chief of Operations
COUNCIL LIAISON:	Jake Jacobson
EXHIBITS:	Draft Recology Contract Amendment

BACKGROUND

King County Solid Waste Division revenues are primarily generated through incoming garbage tonnage at transfer stations. However, the overall goal is to reduce the amount of waste generated and to promote recycling and reuse. As the County implements its aggressive waste reduction and diversion programs, disposal revenues are expected to be significantly reduced. As a result, in September 2021, King County Council approved a rate restructure for garbage disposal which affects the 37 cities and unincorporated areas in King County that utilize King County’s system. The City has an interlocal agreement with King County which covers solid waste management and allows this change.

ISSUE/DISCUSSION

The King County rate restructure lowers the per-ton tipping fee and adds a new Fixed Annual Charge (FAC) per city based upon prior contribution to the garbage tonnage. This “utility model” allows King County to maintain essential solid waste disposal facilities and recycling services as the volume of municipal solid waste decreases with successful waste reduction and recycling programming. After a one-year delay, the new rate structure goes into effect January 1, 2024.

The City’s current solid waste and recycling contract with Recology only allows for annual adjustments in rates due to changes in the CPI and the King County tipping fee. So, the contract needs to be amended to allow Recology to collect the FAC from customers in order to pay King County on behalf of the City.

While the FAC amount due from each waste hauler is set by King County, the City’s solid waste contract determines how Recology can collect those charges from customers and how the FAC will be allocated across the customer base. To assist cities with contract negotiations required to accommodate the rate restructure, King County retained the services of a solid waste contract consultant, Epicenter Services, to negotiate and draft template contract amendments for each of the three primary waste haulers in the King County: Waste Management, Recology, and Republic Services. Each waste hauler has its own method for allocating the FAC across the customer base, but all Recology cities will use a similar method. Several other cities that contract with Recology for solid waste services have moved forward on adopting the rate restructure language including Tukwila, North Bend, Issaquah, Maple Valley, and Shoreline.

One of the complexities of the FAC is that Recology must pay a fixed rate on behalf of the City over the year, but the customer base and FAC collected from customers changes over the course of a year. So, a reconciliation element was added to the contract amendment to reduce any overcollection or undercollection of the FAC from customers.

The contract amendment was negotiated in the fairest way possible to accommodate the new disposal fee structure which includes the following provisions:

- Customer rates will continue to be comprised of a collection component adjusted annually by CPI, and tipping fee component adjusted annually by the proportionate increase or decrease in the County's per-ton tipping fee.
- A new FAC component will be added to customer bills as a separate line item which reflects the proportionate amount of the County's FAC assigned to the City based on the size of their garbage container. Customers with a smaller garbage container will pay a lower rate than those with a larger container. The FAC component will be recalculated annually based upon current customer counts and container sizes.
- The City and Recology will track customer payments made to Recology associated with the FAC. This will be compared to the set rate that Recology pays the County for the City's FAC. These amounts will be reconciled annually in September, and any overpayment or underpayment will be carried forward to next year's customer rates.
- In the last year of the contract, the FAC collected from customers will be increased slightly to ensure that customer payments to Recology will satisfy the County's FAC requirement. Any overpayments at the end of the contract will be paid to the City.

King County's rate restructure is intended to be revenue-neutral so that their overall expected revenue with the FAC and reduced tipping would be the same as their expected revenue with the original tipping fee. However, this rate restructure occurs simultaneously as an overall 9.6% increase in King County disposal fees. Customers with 32-gallon garbage service may expect to see an increase of \$0.50 to \$1.00 per month in disposal fees due to the overall disposal rate increase as well as the annual CPI increase. Exact customer rates will be calculated in fall 2023 once both the CPI and disposal fees are published.

NEXT STEPS

King County will take the lead on creating customer-facing education and outreach related to the Fixed Annual Charge including a bill insert and website. Recology has agreed to include information on the FAC in the annual rates mailer, as an insert in the garbage bill, on their website, and on social media to alert customers.

Staff will present the King County rate restructure and Recology contract amendment to the City Council at the October 17, 2023 meeting.

RECOMMENDED ACTION

Provide direction to staff on the proposed contract amendment with Recology to incorporate the new King County Fixed Annual Charge.

**FIRST AMENDMENT
TO
Comprehensive Garbage, Recyclables, and Compostables Collection Services Contract
with Recology King County Inc.**

This First Amendment ("Amendment") dated October __, 2023 is effective on the date this Amendment is fully executed by the Parties. The Parties to this Amendment are the City of Mercer Island, a Washington municipal corporation ("City"), and Recology King County Inc. ("Contractor").

WHEREAS, the City and Contractor entered into an agreement entitled "Comprehensive Garbage, Recyclables, and Compostables Collection Services Contract," ("Contract"), dated effective January 16, 2019.

WHEREAS, King County has revised their disposal charge rate structure, which will require a modification of how disposal charges are included in Customer charges and the methodology for rate adjustments resulting from changes to the disposal charges over the term of the Contract.

WHEREAS, Section 5.3.2 of the Contract provides for periodic Customer charge adjustments due to changes in King County disposal charges, with the intention that increases or decreases in those disposal charges shall be "passed through" to Customers without additional or reduced profit to the Contractor.

WHEREAS, the City and Contractor wish to revise the Contract to address the King County disposal charge modifications.

NOW, THEREFORE, the parties agree to the following terms and conditions:

1. Amendment to Existing Contract. The Contract shall be amended by adding and revising sections of the Contract as described in Exhibit "A-1" attached hereto and incorporated by this reference.
2. Full Force and Effect. All other terms and conditions of the Agreement not modified by this Amendment shall remain in full force and effect.
3. Effective Date. This Amendment shall be effective on the date this Amendment is fully executed by the Parties.

CONTRACTOR:

CITY:

RECOLOGY KING COUNTY INC.

CITY OF MERCER ISLAND

By: _____

By: _____

Jessi Bon
City Manager

Date: _____

Date: _____

801 S Fidalgo Street Suite 100
Seattle, WA 98108

9611 S.E. 36th St.
Mercer Island, WA 98040
Staff: Jason Kintner, Chief of Operations

APPROVED AS TO FORM:

Bio Park, City Attorney

DRAFT

EXHIBIT "A-1"
Contract Amendment #1

"Definitions" shall be amended to add the following definitions:

Fixed Annual Charge: The term "Fixed Annual Charge" means the amount of the annual County-wide Fixed Annual Charge that the County has calculated is allocable to the City Service Area and owed by Contractor to fund certain elements of the County's disposal system, in accordance with King County Code 10.12.021(B), as amended.

Tipping Fee: the term "Tipping Fee" means the per-ton disposal fee assessed on the Contractor by the County for Garbage delivered to County disposal facilities.

Section 4.3.4.2, "Annual Reports," shall be amended to add the following:

11. Total billed revenue, aggregate Fixed Annual Charge component collected, with Sustainability Fee and excise tax on Sustainability Fee removed, and the payments made to the County that are allocable to the Fixed Annual Charge;

Section 5.1.2, "Itemization on Invoices," shall have the first paragraph amended to read as follows:

All applicable City, County, and Washington State solid waste or household hazardous waste taxes or fees, utility taxes, the Fixed Annual Charge component, and certain sales taxes shall be itemized separately on Customer invoices and added to the charges listed in Exhibit B, except that the City Sustainability Fees (if any) shall be included in Exhibit B rates and shall not be itemized separately on Customer invoices.

Section 5.3.2, "Changes in Disposal Fees," shall be replaced in its entirety as follows:

Effective January 1, 2024, disposal fees shall include a Tipping Fee component and a Fixed Annual Charge component, as shown within Exhibit B, "Fixed Annual Charge" column, with the values calculated using the methodology set forth below.

Adjustments shall be made to the Tipping Fee component of Customer charges contained in Exhibit B as needed to reflect increases or decreases in the Tipping Fee charged by the County to the Contractor. In the event of a change in the Tipping Fee, the Tipping Fee component of each Customer charge shall be adjusted by the percentage increase or decrease in the Tipping Fee. Any adjustment pursuant to the preceding sentence shall become effective on the date of the County's implementation of such change to the Tipping Fee, provided that the Contractor has provided Customers forty-five (45) days' advance notification.

The Fixed Annual Charge component that shall be calculated in accordance with this Contract and Contractor's receipts of the Fixed Annual Charge component, less the Sustainability Fee and excise

tax on the Sustainability Fee that are included in the Fixed Annual Charge component, shall be used by Contractor to satisfy its obligations to County for payment of the Fixed Annual Charge. As of the date of this First Amendment, it is the parties' understanding that the Fixed Annual Charge will be published by the County no later than September 1 of each calendar year and it is the parties' intent that Contractor shall be entitled to (a) collect from Customers under this Contract all disposal fees and related charges payable by Contractor to County with respect to the services provided by Contractor hereunder, including but not limited to all per-ton disposal fees (Tipping Fees) and all annual Fixed Annual Charge payments, and (b) collect all such amounts from Customers under this Contract during the term of this Contract. In the event that the County modifies its procedures for calculating or publishing the Fixed Annual Charge, the parties agree to amend this Contract as needed to accomplish the foregoing intent.

The Fixed Annual Charge component shall be calculated on an annual basis. The aggregate value of the Fixed Annual Charge component to be included in Customer charges each year shall be calculated to be an amount equal to the Fixed Annual Charge for such year adjusted upwards or downwards as applicable by the amount of any overpayment or underpayment of the Fixed Annual Charge from the most recently completed calendar year plus the applicable Sustainability Fee and excise tax on Sustainability Fee. The amount of any overpayment or underpayment shall be calculated as the difference between the aggregate Fixed Annual Charge component collected by Contractor during the most recent completed calendar year for which this data is available, less the amounts that are attributable to the Sustainability Fee and excise tax on the Sustainability Fee, and the Fixed Annual Charge applicable to that year. For example, calendar year 2024 data shall be used to calculate the amount of any underpayment or overpayment that shall be applied to the Fixed Annual Charge to become effective 2026 since 2024 will be the most recently completed calendar year for which data is available when Contractor is preparing its rate application that is due to City by October 1, 2025.

The Fixed Annual Charge component of the Customer charges shall be applied to all regular Garbage services and Garbage Drop-Box services, but shall not apply to Bulky Waste, Extra Units, temporary Detachable Container, Recyclables, Compostables services, or those services identified as Miscellaneous Services or Ancillary Fees on Exhibit B. For regular Garbage services, this component shall be calculated annually as a proportion of each Customer's subscribed for monthly Garbage Container volume for the current Container counts. For Garbage Drop-Box services, this component shall be calculated based on the Container volume and charged to Customers on a per-haul basis.

In the final year of the Contract, the Fixed Annual Charge component included in Customer charges shall be increased by a percentage to be reasonably determined by the Contractor over and above what is required to be collected by Contractor to satisfy payment of the County's Fixed Annual Charge in order to avoid underpayment by Customers of an amount equal to at least the Fixed Annual Charge assessed on Contractor plus the applicable Sustainability Fee and excise tax on the Sustainability Fee. Any overpayment by Customers to Contractor of the Fixed Annual Charge component that exceeds amounts required to be paid by Contractor to satisfy its payment obligations of the Fixed Annual Charge, Sustainability Fee, and excise tax on Sustainability Fee at the end of the Contract shall be paid to the City.

Specific examples of rate modifications due to Consumer Price Index and disposal fee changes are provided in Exhibit D.

“Exhibit B” shall be deleted and replaced in its entirety with attached replacement Exhibit B.

Replacement Exhibit B differs from the original Exhibit B by changing the name of the “Disposal Fee” column to “Tipping Fee” and “Service Rate” to “Customer Rate.”

“Exhibit D: Fee Modification Examples,” shall be deleted and replaced in its entirety as follows:

The Customer charges in Exhibit B shall be adjusted annually and are comprised of three separate components: Tipping Fee component, collection fee component, and the Fixed Annual Charge component. The Tipping Fee component and collection fee component shall be referred to as the Customer rate, and the Fixed Annual Charge shall be listed separately. The Customer charges shall be adjusted proportionally if there is a change to the City’s Sustainability Fee, Washington State excise tax, or other adjustment to compensation made pursuant to Article 5 of the Contract.

Tipping Fee component. The Tipping Fee component of the Customer charges shall be adjusted by the percentage increase or decrease in the County Tipping Fee. Any increase or decrease shall not become effective until the new Tipping Fee becomes effective and are actually charged to the Contractor. The City’s Sustainability Fee plus excise tax on the Sustainability Fee are embedded in the Tipping Fee component of the rate.

Collection fee component. The collection fee component of the Customer charges shall be adjusted annually to reflect the CPI change as described below. The City’s Sustainability Fee is embedded in the collection fee component of the rate.

Fixed Annual Charge component. The Fixed Annual Charge component of the Customer charges shall be applied to all regular Garbage services and Garbage Drop-Box services. City and Contractor anticipate that the amount of each year’s Fixed Annual Charge is to be provided by the County to the City and Contractor no later than September 1st of the year preceding in which such Fixed Annual Charge is to take effect. The Fixed Annual Charge component shall reflect any underpayment or overpayment collected from Customers from the prior year as set forth in Section 4.3.2. This component shall be calculated annually as a proportion of monthly Container volume for the current Container counts. The City’s Sustainability Fee plus excise tax on the Sustainability Fee is embedded in the Fixed Annual Charge component of the rate annually.

Formulas for adjustments of the Tipping fee component, collection fee component, and Fixed Annual Charge component are provided below. Numbers and percentages shall be truncated to two decimal places (\$1.23 or 1.23%) in all calculations. Adjustments to the Contractor’s disposal fees and charges on rates shall be made in units of one cent (\$0.01).

For example, as of January 1, 2024, a 32/35-gallon Cart has a Customer rate of \$35.00 per month where \$7.00 is the Tipping Fee component and \$28.00 is the collection fee component. \$1.25 is the Fixed Annual Charge component including the Sustainability Fee and excise tax on the Sustainability

Fee. The current Tipping Fee is \$150.83 and increases to \$165.31 per ton starting on January 1, 2025. The previous CPI is 100.0 and the new CPI is 105.0. The new County Fixed Annual Charge is \$227,000 with \$1,000 previously overpaid by Customers to the Contractor. Currently there are 125,000 cubic yards of garbage calculated from current container counts. The City's current Sustainability Fee is 3.5% and the Washington State excise tax is 1.75%.

Symbol	Current Customer Rate Description	Example	Calculation
TFC _{OLD}	Current Tipping Fee Component of Customer Rate	\$7.00	-
CFC _{OLD}	Current Collection Fee Component of Customer Rate	\$28.00	-
CR _{OLD}	Current Customer Rate	\$35.00	= TFC _{OLD} + CFC _{OLD}

Symbol	Tipping Fee Component Description	Example	Calculation
TF _{OLD}	Current King County Garbage Tipping Fee	\$150.83	-
TF _{NEW}	New King County Garbage Tipping Fee	\$165.31	-
TF%	Garbage Tipping Fee Adjustment	9.60%	= (TF _{NEW} - TF _{OLD}) / TF _{OLD}

Symbol	Collection Fee Component Description	Value	Calculation
CPI _{OLD}	Previous CPI	100.0	-
CPI _{NEW}	Current CPI	105.0	-
CPI%	CPI Adjustment	5.0%	= (CPI _{NEW} - CPI _{OLD}) / CPI _{OLD}

Symbol	New Customer Rate Description	Example	Calculation
TFC _{NEW}	New Tipping Fee Component of Customer Rate	\$7.67	= TFC _{OLD} * (1 + TF%)
CFC _{NEW}	New Collection Fee Component of Customer Rate	\$29.40	= CFC _{OLD} * (1 + CPI%)
CR _{NEW}	New Customer Rate	\$37.07	= TFC _{NEW} + CFC _{NEW}

Symbol	Fixed Annual Charge Component Description	Example	Calculation
FAC _{OLD}	Previous Aggregate Fixed Annual Charge (FAC) to be Included in Customer Charges	\$224,000	Target FAC for Current Year, Adjusted by Any Previous Overpayment or Underpayment
FAC _{AGG}	Previous Aggregate FAC Components Actually Received by Contractor During Most Recently Completed Calendar Year	\$225,000	= \sum Previous Years' FAC Components (Without Sustainability Fee or Excise Tax on Sustainability Fee)
FAC _{O/U}	FAC Overpayment/Underpayment from Prior Year	\$1,000	= FAC _{AGG} - FAC _{OLD}
FAC _{NEW}	New County FAC	\$227,000	-
FAC _{TRG}	New Aggregate FAC to be Included in Customer Charges	\$226,000	= FAC _{NEW} - FAC _{O/U}

GV	Annual Garbage Container Volume (Cubic Yards)	125,000	$= \sum (\text{Monthly Garbage Container Volume}) * 12$
FAC _{GV}	Monthly Target FAC per Cubic Yard of Garbage (with Sustainability Fee and Excise Tax on Sustainability Fee)	\$1.87	$= (\text{FAC}_{\text{TRG}} / \text{GV}) * (1 + \text{SF} + (\text{SF} * \text{ET}))$
FACC _{NEW}	New Fixed Annual Charge Component of Customer Rate	\$1.28	$= (\text{Monthly Garbage Container Volume}) * \text{FAC}_{\text{GV}}$

Symbol	Tax & Fee Elements	Value	Calculation
SF	Current City Sustainability Fee	3.5%	-
ET	Current Excise Tax (B&O Tax)	1.75%	-

Based upon the calculations above, the new Customer rate as of January 1, 2025 for one 32/35-gallon Cart is \$37.07 per month where \$7.67 is the Tipping Fee component and \$29.40 is the collection fee component, and \$1.24 is the new Fixed Annual Charge component.

DRAFT



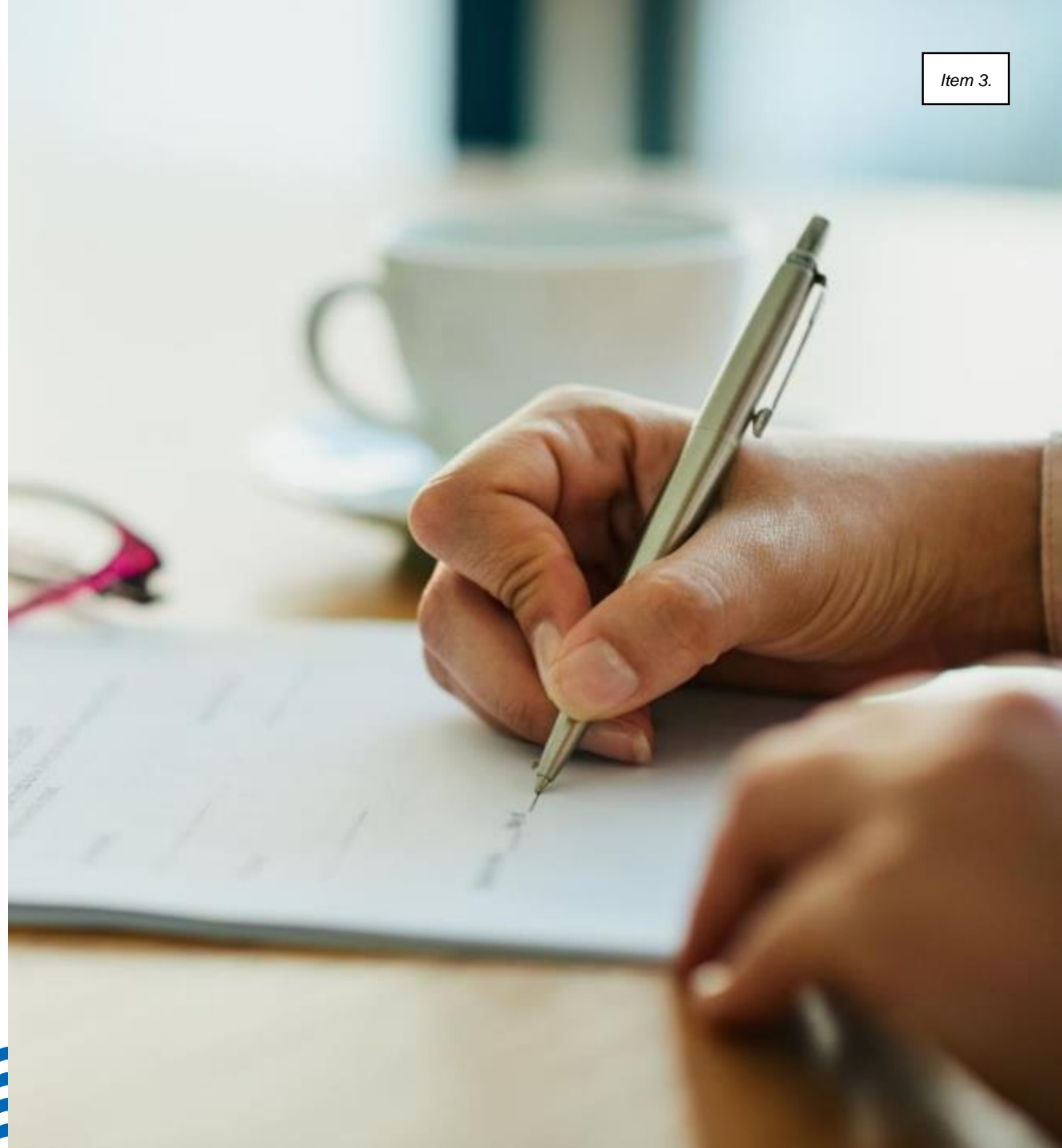
King County Solid Waste Rate Restructure - Recology Contract Amendment

Utility Board Presentation
September 12, 2023



Purpose

Receive direction from Utility Board on the proposed contract amendment with Recology to incorporate the new King County Fixed Annual Charge.



Background

- King County Solid Waste Division's revenue is mostly generated from per-ton tipping fees. Item 3.
- To cover non-disposal related costs, King County is moving to a “utility model” starting 1/1/24.
- New revenue-neutral model is a Fixed Annual Charge (FAC) per city and reduced tipping fee.
- Expected to stabilize revenue and create funding source for waste reduction programs.



Collection Contracts with Hauler Billing



Customer Rates:
Service component
(adjusted by CPI)
&
Disposal component
(adjusted by King County tipping fees)



Current contract does not allow the collection of FAC from customers, so must be amended.



Cities worked with their haulers to agree on how to distribute the FAC across the customer base.

All Recology cities have the same model.



Reconciliation was added to mitigate overcollection or undercollection due to a variable customer base.

Calculations Overview



County assigns FAC based upon City's previous annual garbage tonnage contribution.



Recology allocates FAC across customer base and collects from customers.



Recology will track FAC payments and reconcile against what they paid to County.



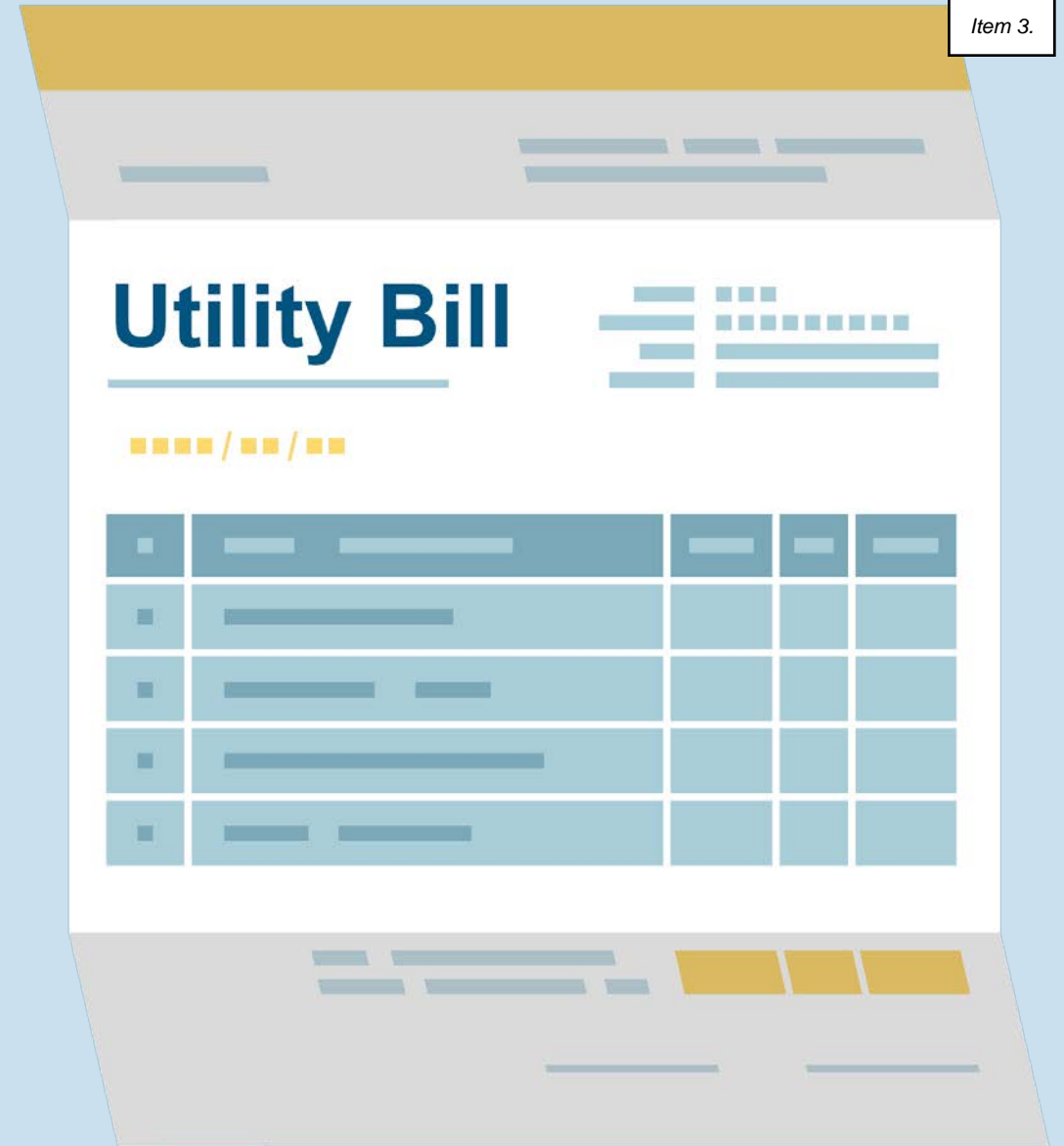
Overcollection or undercollection of FAC will be carried forward to future rates.



In last year of contract, slightly more FAC will be collected to satisfy County's FAC requirement; any overcollection will be given to City.

Customer Billing & Communication

- FAC will be added as a line item to customer bills.
- FAC will be based on size of garbage container.
- King County will create website and messaging about FAC.
- Recology will include messaging in annual mailer, bills and website.



Financial Impacts

- King County’s rate restructure is revenue neutral (but includes an 9.6% increase for 2024).
- Exact rates will be calculated in fall when final CPI and FAC numbers are available (anticipated October 2023).
- Rates are determined by King County.
- Customer rates will adjust annually by CPI, tipping fee, and FAC.

Recommendation



Receive direction from Utility Board on the proposed contract amendment with Recology to incorporate the new King County Fixed Annual Charge.

Questions



Jeanette Jurgensen

Owner

206-713-1411

Jeanette@BinThereConsulting.com



MEMORANDUM

Date: 12 September 2023

To: Mercer Island Utility Board
From: Ben Schumacher, Financial Analyst
RE: Utility Board Meeting - EMS Utility Rates

Emergency Medical Service (EMS) revenues are directly tied to the average budgeted salary and benefit costs, excluding overtime, of four firefighters originally hired in 1996. The four firefighter positions increased the capacity to handle simultaneous EMS calls during high-call demand. This cost constitutes the annual revenue requirement to the General Fund.

The current EMS utility rate structure was impacted by the Council's decision – during its 2011-2012 budget deliberations – to institute a Basic Life Service (BLS) ambulance transport fee to help balance the budget. Per Washington State Law, this action unintentionally replaced the long-standing variable EMS rate structure (different rates for each customer class based on actual service calls) with the same flat rate (per equivalent service unit) for each customer class.

Customer account data (as measured by equivalent service units) has been updated for the proposed 2024 EMS rates. The City experienced slight growth in the Single Family and Public/Other customer classifications.

Calculation of 2024 Revenue Requirement

The 2024 revenue requirement is based on the 2023 average, budgeted salary, and benefit costs for four firefighters, which equals \$746,235 (excluding the Interim Fire Chief, Interim Deputy Fire Chief, and Fire Marshal). Compared to the 2023 revenue requirement (\$677,943), this represents an increase of 10.01 percent.

This increase is due to the 12.35 percent aggregate cost of living adjustment (COLA) applied in 2023 to staff represented by the Fire bargaining group. This includes 8.6 percent of which was the first half CPI-W for the Seattle-Tacoma-Bellevue area for 2022 and 3.75 percent that was a result of transition impact bargaining as City staff negotiated the Eastside Fire & Rescue contract set to begin on January 1, 2024.



206-275-7600



9611 SE 36th Street
Mercer Island, WA 98040



mercerisland.gov

This information can be made available on request to accommodate people with disabilities and those who need translation assistance.
 Эта информация может быть предоставлена по запросу для размещения людей с ограниченными возможностями, а также тех, кому требуется помощь переводчика.
 Esta información puede estar disponible a pedido conforme a las necesidades de personas con discapacidad o aquellas que requieran de servicio de traducción.
 可根據要求提供這些資訊，以幫助殘障人士和需要翻譯協助的人士。



EMS Rate Proposal

The proposed 2024 EMS rates, which are needed to generate the \$746,235 revenue requirement in 2024, are compared to the 2023 rates in the table below.

Customer Class	Bi-Monthly Charge		\$ Change	% Change
	2023	2024		
Single Family Residential	\$10.49	\$11.54	\$1.05	10.01%
Multi-Family Residential	\$10.49	\$11.54	\$1.05	10.01%
Commercial	\$10.49	\$11.54	\$1.05	10.01%
Public Schools	\$10.49	\$11.54	\$1.05	10.01%
Public/Other	\$10.49	\$11.54	\$1.05	10.01%
Residential Board & Care:				
Covenant Shores	\$493.03	\$542.38	\$49.35	10.01%
Island House Retirement	\$188.82	\$207.72	\$18.90	10.01%
SJV Mercer Island LLC	\$524.50	\$577.00	\$52.50	10.01%
Aljoya House	\$325.19	\$357.74	\$32.55	10.01%
Aegis	\$765.77	\$842.42	\$76.65	10.01%
In-Home Care	\$62.94	\$69.24	\$6.30	10.01%
24 Hour Nursing:				
Covenant Shores (Skilled Nursing)	\$440.58	\$484.68	\$44.10	10.01%
Aegis (Memory Care)	\$167.84	\$184.64	\$16.80	10.01%

Staff recommends the 2024 bi-monthly EMS rates be increased 10.01 percent relative to the 2023 rates.

The 2024 EMS utility rate resolution is scheduled to go to the full Council on November 21, 2023.

Ben Schumacher
Financial Analyst



206-275-7600



9611 SE 36th Street
Mercer Island, WA 98040



mercerisland.gov

This information can be made available on request to accommodate people with disabilities and those who need translation assistance.
 Эта информация может быть предоставлена по запросу для размещения людей с ограниченными возможностями, а также тех, кому требуется помощь переводчика.
 Esta información puede estar disponible a pedido conforme a las necesidades de personas con discapacidad o aquellas que requieran de servicio de traducción.
 可根據要求提供這些資訊，以幫助殘障人士和需要翻譯協助的人士。



MEMORANDUM

Date: 12 September 2023

To: Mercer Island Utility Board
From: Ben Schumacher, Financial Analyst
RE: Utility Board Meeting - EMS Utility Rates

As part of the mid-biennial budget process, staff seeks a recommendation from the Utility Board regarding the Storm Water Utility rate adjustment for the upcoming year, based on the 2023-2024 adopted budget. The operating and capital budgets presented in this memo were adopted by the City Council on December 6, 2022 and include budget amendments through May 16, 2023.

2023-2024 Operating Budget

The operating budget for the Storm Water Utility is presented in the table below.

Operating Expenditures <i>(\$ in thousands)</i>	2021	2022	2023	2024	Percent Change	
	Actual	Actual	Budget	Budget	22-23	23-24
Salary & Benefits	\$760	\$998	\$1,107	\$1,180	11.0%	6.6%
Contractual Services	\$325	\$428	\$375	\$425	-12.4%	13.3%
Other Services and Charges	\$318	\$384	\$340	\$347	-11.6%	2.0%
TOTAL	\$1,403	\$1,810	\$1,822	\$1,952	0.7%	7.1%

Some highlights from the operating budget:

- The combined total for salary and benefit costs in 2024 are increasing 6.6% as compared to the 2023 budget. The increase is a result of the current pace of inflation which has led to atypically high cost-of-living adjustments (COLA), per the City's collective bargaining agreements. The COLA in 2023 was 6.0% and is anticipated to be 6.0% for the 2024 budget.
- The salaries budget includes no new positions. Existing staffing of the Storm Water utility includes four FTEs in Public Works dedicated to the operation and maintenance of the storm water system, as well as administrative oversight, utility billing and customer service, utility



206-275-7600



9611 SE 36th Street
Mercer Island, WA 98040



mercerisland.gov

This information can be made available on request to accommodate people with disabilities and those who need translation assistance.
 Эта информация может быть предоставлена по запросу для размещения людей с ограниченными возможностями, а также тех, кому требуется помощь переводчика.
 Esta información puede estar disponible a pedido conforme a las necesidades de personas con discapacidad o aquellas que requieran de servicio de traducción.
 可根據要求提供這些資訊，以幫助殘障人士和需要翻譯協助的人士。



inspections of private development, and GIS (geographic information system) support.

- Contractual services for 2024 reflect anticipated costs for Closed Circuit Television (CCTV) stormwater pipe video inspections, catch basin cleaning & repairs, storm pipe replacement & slip lining repairs.
- Other Services and Charges include all other costs of operations including supplies, insurance, and City administration costs. Administration costs include the Storm Water Fund’s share of administrative support provided by the City Attorney’s Office, City Manager’s Office, Finance and Human Resources staff. An overhead cost allocation model is used to determine the Storm Water Utility’s proportionate share of these internal services.

Summary Capital Reinvestment Projects

Planned capital reinvestment work in 2023 and 2024 is shown in the table below. Capital investment costs are the primary driver of the proposed Storm Water rate increases for 2023-2028.



206-275-7600



9611 SE 36th Street
Mercer Island, WA 98040



mercerisland.gov

This information can be made available on request to accommodate people with disabilities and those who need translation assistance.
Эта информация может быть предоставлена по запросу для размещения людей с ограниченными возможностями, а также тех, кому требуется помощь переводчика.
Esta información puede estar disponible a pedido conforme a las necesidades de personas con discapacidad o aquellas que requieran de servicio de traducción.
可根據要求提供這些資訊，以幫助殘障人士和需要翻譯協助的人士。



Storm Water Utility Capital Program 2023-2024			
(\$ in thousands)			
Project ID	Description	2023	2024
SW0101	Sub basin 23.2 Watercourse Stabilization	\$168	
SW0109	Sub basin 24a.1 Watercourse Stabilization	18	62
SW0110	Sub basin 39a.2 Watercourse Stabilization	17	44
SW0111	Sub basin 46a.3 Watercourse Stabilization	52	406
SW0112	Sub basin 34.1 Watercourse Stabilization		27
SW0113	Sub basin 45b.4 Watercourse Stabilization		31
SW0114	Sub basin 29.3 Watercourse Stabilization		49
SW0127	Stormwater Trunkline Condition and Capacity Assessments		250
SW0128	Basin 18C Drainage Improvement	185	
SW0129	Basin 25B Neighborhood Drainage Improvements	173	
SW0130	Basin 32B - SE 72nd St Drainage Capacity Improvement		189
SW0132	Sub-Basin 22.1 Watercourse Stabilization - Final Design and Construction	149	
SW0133	Sub-Basin 25b.2 Watercourse Stabilization - Final Design and Construction	155	
SW0134	Emergency Stormwater Conveyance Repairs	25	25
SW0135	Conveyance System Assessments (Basin Specific)	50	50
SW0137	Street Related Storm Drainage Improvements	100	100
Storm Water Utility CIP Total		\$1,093	\$1,232



206-275-7600



9611 SE 36th Street
Mercer Island, WA 98040



mercerisland.gov

This information can be made available on request to accommodate people with disabilities and those who need translation assistance.
 Эта информация может быть предоставлена по запросу для размещения людей с ограниченными возможностями, а также тех, кому требуется помощь переводчика.
 Esta información puede estar disponible a pedido conforme a las necesidades de personas con discapacidad o aquellas que requieran de servicio de traducción.
 可根據要求提供這些資訊，以幫助殘障人士和需要翻譯協助的人士。



Storm Water Rate Proposal

The 2024 Storm Water rate proposal is based on the 2023-2024 operating budget, the 2023-2028 Capital Plan, and the corresponding debt financing needs. The rate model proposes a smoothed rate increase of 8.0% for 2023-2028. Staff recommends an 8.0% increase to the storm water utility rates for 2024 as proposed in the 2023-2028 smoothed rate model.

This rate increase will ensure that the Storm Water fund has adequate resources to complete the critical capital project work detailed above and into the future, as well as meet established fiscal policy guidelines. The Storm Water fund has an operating reserve target of 45 days of operating and maintenance costs, and a capital reserve target of 1.0 percent of capital assets. The proposed rate increase enables the fund to achieve its target for both established guidelines, as detailed in the table below.

Staff will return during the 2025-2026 biennial budget process with new information to inform potential rate adjustments for fiscal year 2025 and beyond.



206-275-7600



9611 SE 36th Street
Mercer Island, WA 98040



mercerisland.gov

This information can be made available on request to accommodate people with disabilities and those who need translation assistance.
Эта информация может быть предоставлена по запросу для размещения людей с ограниченными возможностями, а также тех, кому требуется помощь переводчика.
Esta información puede estar disponible a pedido conforme a las necesidades de personas con discapacidad o aquellas que requieran de servicio de traducción.
可根據要求提供這些資訊，以幫助殘障人士和需要翻譯協助的人士。



Revenue Requirement	2022	2023	2024	2025	2026	2027	2028
Pre-Rate Revenues							
Revenues							
Rate Revenues Under Existing Rates	\$ 2,243,300	\$ 2,243,300	\$ 2,243,300	\$ 2,243,300	\$ 2,243,300	\$ 2,243,300	\$ 2,243,300
Non-Rate Revenues	51,439	51,453	51,477	51,183	51,186	51,252	51,258
Total Revenues	\$ 2,294,739	\$ 2,294,753	\$ 2,294,777	\$ 2,294,483	\$ 2,294,486	\$ 2,294,552	\$ 2,294,558
Expenses							
Cash Operating Expenses	\$ 1,479,724	\$ 1,791,401	\$ 1,915,282	\$ 1,917,617	\$ 2,021,476	\$ 2,026,905	\$ 2,133,951
Existing Debt Service	-	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	192,453	192,453
System Reinvestment Funding	600,000	675,000	750,000	825,000	900,000	900,000	1,200,000
Total Expenses	\$ 2,079,724	\$ 2,466,401	\$ 2,665,282	\$ 2,742,617	\$ 2,921,476	\$ 3,119,358	\$ 3,526,404
Net Surplus (Deficiency)	\$ 215,015	\$ (171,647)	\$ (370,505)	\$ (448,134)	\$ (626,990)	\$ (824,806)	\$ (1,231,846)
Annual Rate Increase		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Cumulative Rate Increase		8.00%	16.64%	25.97%	36.05%	46.93%	58.69%
Post Rate Revenues							
Revenues After Rate Increases	\$ 2,243,300	\$ 2,422,764	\$ 2,616,585	\$ 2,825,912	\$ 3,051,985	\$ 3,296,144	\$ 3,559,835
Additional Taxes from Rate Increase	-	3,141	6,532	10,196	14,152	18,425	23,039
Net Cash Flow After Rate Increase	\$ 215,015	\$ 4,676	\$ (3,752)	\$ 124,282	\$ 167,543	\$ 209,613	\$ 61,650
Sample Residential Bill	\$ 39.81	\$42.99	\$46.43	\$50.15	\$54.16	\$58.49	\$63.17
Bi-Monthly Increase (\$)		\$3.18	\$3.44	\$3.71	\$4.01	\$4.33	\$4.68

Fund Balance	2022	2023	2024	2025	2026	2027	2028
Operating Reserve							
Beginning Balance	\$ 575,659	\$ 290,674	\$ 295,350	\$ 236,518	\$ 237,224	\$ 250,480	\$ 251,637
plus: Net Cash Flow after Rate Increase	215,015	4,676	(3,752)	124,282	167,543	209,613	61,650
less: Transfer of Surplus to Capital Fund	(500,000)	-	(55,080)	(123,576)	(154,287)	(208,456)	(47,926)
Ending Balance	\$ 290,674	\$ 295,350	\$ 236,518	\$ 237,224	\$ 250,480	\$ 251,637	\$ 265,361
<i>Actual Days of O&M</i>	<i>72 days</i>	<i>60 days</i>	<i>45 days</i>	<i>45 days</i>	<i>45 days</i>	<i>45 days</i>	<i>45 days</i>
Capital Reserve							
Beginning Balance	\$ 3,630,311	\$ 3,279,445	\$ 2,682,790	\$ 1,768,639	\$ 1,108,276	\$ 214,702	\$ 1,969,447
plus: System Reinvestment Funding	600,000	675,000	750,000	825,000	900,000	900,000	1,200,000
plus: Transfers from Operating Fund	500,000	-	55,080	123,576	154,287	208,456	47,926
plus: Capital Grants / Other Resources	-	50,000	-	50,000	-	50,000	-
plus: LTGO Proceeds	-	-	-	-	-	2,500,000	-
plus: Interest Earnings	9,076	16,397	13,414	8,843	5,541	1,074	9,847
Total Funding Sources	\$ 4,739,386	\$ 4,020,843	\$ 3,501,284	\$ 2,776,058	\$ 2,168,104	\$ 3,874,231	\$ 3,227,220
less: Capital Expenditures	(1,459,941)	(1,338,052)	(1,732,645)	(1,667,783)	(1,953,402)	(1,904,784)	(2,086,720)
Ending Capital Fund Balance	\$ 3,279,445	\$ 2,682,790	\$ 1,768,639	\$ 1,108,276	\$ 214,702	\$ 1,969,447	\$ 1,140,500
<i>Minimum Target Balance</i>	<i>\$ 128,611</i>	<i>\$ 141,992</i>	<i>\$ 159,318</i>	<i>\$ 175,996</i>	<i>\$ 195,530</i>	<i>\$ 214,578</i>	<i>\$ 235,445</i>
Combined Beginning Balance	\$ 4,205,970	\$ 3,570,119	\$ 2,978,140	\$ 2,005,157	\$ 1,345,499	\$ 465,182	\$ 2,221,084
Combined Ending Balance	\$ 3,570,119	\$ 2,978,140	\$ 2,005,157	\$ 1,345,499	\$ 465,182	\$ 2,221,084	\$ 1,405,862



206-275-7600

9611 SE 36th Street
Mercer Island, WA 98040

mercerisland.gov

This information can be made available on request to accommodate people with disabilities and those who need translation assistance.

Эта информация может быть предоставлена по запросу для размещения людей с ограниченными возможностями, а также тех, кому требуется помощь переводчика.

Esta información puede estar disponible a pedido conforme a las necesidades de personas con discapacidad o aquellas que requieran de servicio de traducción.

可根據要求提供這些資訊，以幫助殘障人士和需要翻譯協助的人士。



A summary table comparing the proposed rates from the most recent rate model updates (2021-2022) as compared to the current rate recommendation is presented below.

Description	2021	2022	2023	2024	2025	2026	2027	2028
2020 Rate Update	3.20%	3.20%	3.20%	3.20%				
2021-2022 Rate Update	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%		
2023-2024 Rate Proposal			8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Staff will be available at the Utility Board meeting to answer questions regarding the proposed 2024 Storm Water Utility rate increases.

The 2024 Storm Water Utility rate resolution is on the City Council planning schedule for review and adoption on November 21, 2023.

Ben Schumacher
Financial Analyst



206-275-7600



9611 SE 36th Street
Mercer Island, WA 98040



mercerisland.gov

This information can be made available on request to accommodate people with disabilities and those who need translation assistance.
Эта информация может быть предоставлена по запросу для размещения людей с ограниченными возможностями, а также тех, кому требуется помощь переводчика.
Esta información puede estar disponible a pedido conforme a las necesidades de personas con discapacidad o aquellas que requieran de servicio de traducción.
可根據要求提供這些資訊，以幫助殘障人士和需要翻譯協助的人士。



Utility Board

2023 Work Plan

2nd Tuesday

Meeting Date	Agenda Item
January 10	Recess
February 14	Recess
March 14	SPU Pipeline Update Workplan Preview
April 11	Utility Update preview Water Meter Replacement Project Update (2024)
May 9	Recess
June 13	Recess Joint City Council and Utility Board meeting on June 6th
July 11	Board Elections Utility/CIP Update
August 8	Recess
September 12	Update on Water System Reliability Action Plan progress King County Solid Waste Rate Amendment EMS and Storm Water Rate Discussion/Recommendation
October 10	2024 Bond Issuance update Water and Sewer Utility Rate Discussion/Recommendation
November 14	Recess
December 12	2023 Recology Annual Report
To Be Scheduled:	SPU wholesale contract amendment

Updated 9/7/23