

Upcoming City Council Agenda Items

May 3, 2016

5:30 Executive Session
6:00 Council Workshop

- Discussion regarding water supply

7:00 Regular Meeting

- Action authorizing City Manager to sign contract with Kinnamon Communications for website content usability and training
- Action authorizing City Manager to sign sales agreement with CivicPlus to add CivicMobile app and to expedite website redesign
- Action authorizing City Manager to sign an interlocal and easement agreement involving the joint-owned City/Fire District No. 4 property at 427 Maple Ave
- Discussion regarding open government opinion research
- Discussion regarding solid waste contract – survey results

The agenda list above is partial and tentative. For further information, click here for the City website: <http://www.snohomishwa.gov/AgendaCenter/City-Council-Agendas-1>

In this issue:

- Water Supply Options and Water Utility Rates
- Planning Commission Meeting
- Land Use Applications in Process

City Council Discussion Of Water Supply Options, 2017-19 Water Rates on May 3

BACKGROUND: The water utility is the third most expensive service provided by the City, preceded by wastewater and law enforcement. Approximately one out of every seven dollars (or 14%) of the City's annual operating expenses is for the water utility. The City of Snohomish currently serves the northern half of the City with water purchased from the City of Everett and supplied from Everett's No. 5 water transmission line which runs through the City of Snohomish north of Blackmans Lake.

Everett's sources of supply are the Spada and Chaplain Reservoirs, which supply water to the majority of Snohomish County (more than 600,000 residents). Most of the southern half of the City of Snohomish is supplied by the City's own Water Treatment Plant (WTP) constructed in 1981. The nearby diversion dam and water intake structure were constructed in 1932 on the Pilchuck River. The plant and dam are located several miles northeast of the City, just north of Lake Roesiger. The water is supplied by a 14.6-mile underground water transmission line that sends the flow to two City reservoirs located near Emerson Elementary school at the intersection of Pine Avenue and 13th Street.

In 2014, the City Council conducted two workshops, in March and November, to discuss in detail the option of shutting down the City's existing 1981 WTP and pursuing the "Everett Supply for the Entire City System" alternative described in the 2009 *Water Treatment Plant and Water Supply Study*. On September 15, 2015, the Council approved the next step in assessing the City's current water supply status by authorizing a water rate study by FCS Group to analyze the short and long-term costs of the two water supply scenarios:

Continued Next Page

April 29, 2016

www.snohomishwa.gov

Scenario 1: (Keep Two Sources of Supply): City continues to maintain two sources of supply (City water treatment plant and transmission line, and Everett supply); and

Scenario 2: (All Everett for City Supply): City served by one source of supply (Everett), and establishes alternative source of supply for transmission line customers.

ANSWERS TO TWO KEY QUESTIONS BY THE CITY COUNCIL FROM PREVIOUS MEETINGS IN 2014 AND 2015:

1. *Which scenario is the preferred option (that is, the least cost) for City rate payers, both in the short term (2017 to 2019) and in the long-term (2017 to 2031)?*

Scenario 2 (All Everett) has significantly lower water rate projections for both the short and long-term: By 2019, water rates under Scenario 2 are projected to be about 12% lower than Scenario 1 (Keeping Two Supply Sources). By 2031, water rates under Scenario 2 are projected to be a substantial 48% lower than (that is, almost half the cost of) Scenario 1. See the rate projection summary below and in Attachment A.

2. *If we shut down our water treatment plant and discontinue our diversion of water from the Pilchuck River, how do we protect our water right for the future?*

Banking our perfected Water Right with the State is the preferred option: The water right has a restricted value today because State law only allows us to sell it to another party for use within the same watershed. The two major users of water within our watershed are the City of Everett and Snohomish PUD. Both agencies do not have an extensive financial interest in our water right either now or in the foreseeable future.

In the distance future, there is an unknown possibility that the State may allow water rights to be exchanged across boundaries. If the City were able to sell their water right to a public or private party in Eastern Washington or California, this could increase the value of the water right appreciably. Both the reality that the water right has restricted value today and the fact that it has unknown value in the distance future reinforce that water right banking is the preferred option.

The City would also have the option to return to providing its own water supply in the distant future. It now appears this would be a challenging choice given the cost and timeframe to permit and construct a new intake and treatment system, but future technological advancements could make this a competitive choice in the future. Banking the water right would allow to City to preserve those perfected rights into the future.

SUMMARY OF RATE PROJECTIONS: Below is a summary of the rate impacts of the two scenarios based on the recent FCS Group study. This is the monthly average residential water bill for City customers. The rate projections were extended to the year 2031 which is when both the City's water treatment plant and the 14.6 mile long transmission line would be approximately 50 years old and near the end of its service life.

Scenario 2, in which the City customers are served by one source of supply from the City of Everett is significantly more cost effective. The difference in projected rates between the two scenarios is almost **double** (\$109.49/month vs. \$57.24/month) by 2031. See the table on the next page:

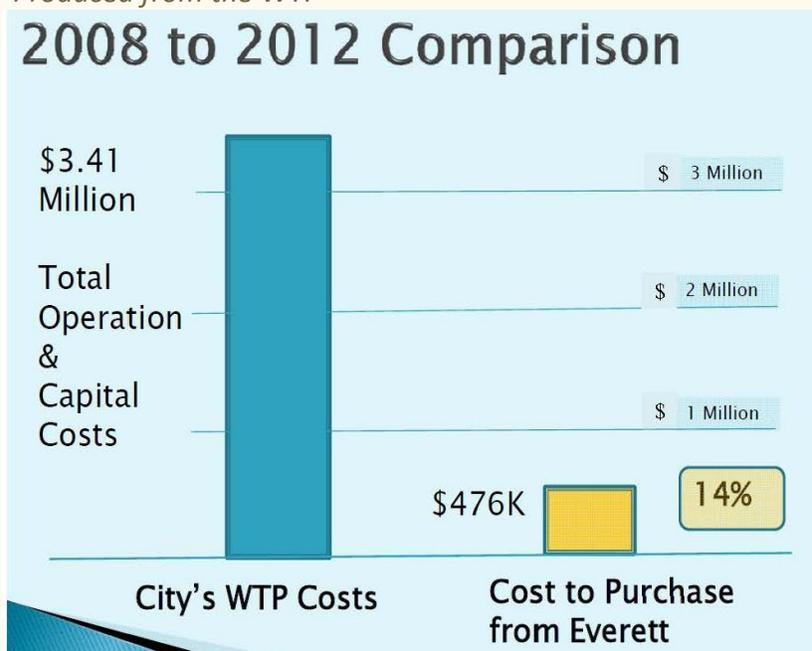
Continued Next Page

Monthly Average Residential Water Bill Comparison for City
 (“Non-Transmission Line”) Customers:

	2016	2017	2019	2022	2031
Scenario 1 - Keep Two Sources					
Residential Bill (Monthly)	\$41.10	\$43.87	\$50.00	\$60.82	\$109.49
Cumulative Rate Increase		6.75%	21.65%	47.98%	166.39%
Scenario 2 - All Everett					
Residential Bill (Monthly)	\$41.10	42.02	\$43.94	\$46.97	\$57.24
Cumulative Rate Increase		2.25%	6.90%	14.28%	39.28%

ADDITIONAL COSTS TO MAINTAIN BOTH SUPPLIES SIGNIFICANT IN PAST YEARS: Keeping the City’s source of water supply and the WTP has already cost the City considerably more in the last several years than if the City was purchasing water only from Everett. Over a five year period (2008 to 2012), the City spent \$3.41 million on water supply and treatment. The same amount of water could have been purchased from the City of Everett for \$476,000 over the identical five year period. To put this amount in perspective, the City could have provided free water to all customers, both residential and businesses, for 1.5 years during this period if the City did not have to supply its own water. The cost of City supplied water was over seven times more than water supplied from Everett. Even if all City capital costs over this five year period are not included in the totals, the cost of City supplied water was still three times more than Everett’s. See Figure 1 below:

Figure 1: Five Year (2008 to 2012) Total Operation and Capital Cost Comparison between Everett Purchased and Water Produced from the WTP



Continued Next Page

Since 2008, the City has made a number of key capital improvements and dramatic enhancements in the operation of the WTP. This has brought the unit cost of water at the WTP down significantly from over \$4.00 per CCF (CCF=100 Cubic Feet) to approximately \$2.00 per CCF in 2013. These unit costs are for operational expenses only and do not include capital costs.

This last year (2015), the operational expenses for the City's water treatment plant were about \$292,000. This only includes costs for the two personnel, chemicals, basic repairs and utilities to run the plant. This amount does not include capital costs or debt from previous capital upgrades. Any capital costs required would be in addition to the \$292,000. The cost to purchase the same amount of water from Everett in 2015 was approximately \$170,000. Everett's charge includes both operational expenses and funding for future capital improvements. The total 2015 expenses for the City's water fund were \$2.47 million. If the City could have instantly switched to Everett, the savings in 2015 would have been about \$122,000 or about 5% of the total water expenses.

Since both the WTP and the 14.6 mile transmission line were built in the early 1980s, they are going to face additional capital improvement needs in the coming years which will drive costs up considerably.

CLIMATE CHANGE AND DROUGHT: In the year 2031 and beyond, would it be better for the City to pay nearly double the water rates in 2031 in order to keep a secondary source of water supply? At the workshop, staff will provide their perspective, but the ultimate decision will be the City Council's.

COUNCIL DIRECTION: Over the last couple of years, the City of Snohomish has been delaying costly upgrades at the WTP as much as possible while the two scenarios are discussed and studied. In order to continue meeting stringent public health regulations, the City should not continue to postpone improvements. In order to set rates for 2017, 2018 and 2019, and to plan for capital and operation upgrades over the next 10-years, the City Council has two key options to choose from at the workshop:

- 1) **Direct Staff to Implement Scenario 1 (Keep Both Sources of Supply):** Staff would bring back a rate resolution later in the year to raise rates 6.75% each year over the next three years (2017, 2018 and 2019). Average water rates would go from \$41.10 in 2016 to \$50.00 in 2019 (**for a cumulative increase of 21.65%**).
- 2) **Direct Staff to Continue to Implement Scenario 2 (All Everett for City Supply):** Staff would bring back a rate resolution later in the year to raise rates 2.25% each year over the next three years (2017, 2018 and 2019). Average water rates would go from \$41.10 in 2016 to \$43.94 in 2019 (**for a cumulative increase of 6.90%**).

NEXT STEPS UNDER SCENARIO 2: The water treatment plant would not be shut down and the City would keep both sources of supply until the following were completed and approved to the satisfaction of the City Council:

- 1) **Meeting with Transmission Line Customers:** A notice and separate meeting with transmission line customers (those connected directly to the 14.6 mile transmission pipeline) would be held in order to review the details of the proposed plan and provide follow-up by City staff. An agenda item would be placed on a future City Council meeting for the Council to hear from the public and all current water customers, including the transmission line customers.
- 2) **Planning for Removal of the Existing Dam and Intake Structure on the Pilchuck River:** City staff would work with the Tribes, Washington Water Trust, State agencies and others on a Memorandum of Understanding regarding financial grants, payments or reimbursements to the City, and schedule the removal of the existing dam and intake structure.

Continued Next Page

- 3) **Water Right Banking Agreement:** Staff would work with the Department of Ecology, our City Attorney's office and specialized legal counsel on a draft Water Right's banking agreement for Council review.
- 4) **Snohomish PUD Water Supply Agreement:** Staff would work with the PUD on a wholesale supply agreement for supplying water to the transmission line customers and future conversion of some of the parcels to the PUD for direct service.

The City would continue to operate the WTP with a tentatively planned date of 2018 or later to close down its operations only and if only the Council approved each of the items above.

Planning Commission Meeting May 4, 2016 at 6:00 p.m.

This is just a reminder that the Planning Commission will be meeting on May 4 at the Snohomish School District Resource Center. The agenda is full of interesting topics and we encourage you to attend. Meeting materials can be viewed by clicking on <http://ci.snohomish.wa.us/AgendaCenter/Planning-Commission-Agendas-5>

If you have any questions, please contact Clay White, Interim Planning Director, at 360-282-3173. Hope to see you there!

Highlighted Land Use Applications in Process

The applications listed below are currently pending or under review. During the comment period associated with a development proposal, interested parties may submit comments for the project record. For additional information on any of these projects, the project file may be reviewed at City Hall during normal business hours. Staff is also available to respond to questions at the contact information below.

Park Avenue North Short Plat (four-lot short plat): 1915 Park Avenue

File #22-15-SP

Complete application determination issued December 16, 2015. Notice of Application issued December 23, 2015. Application is currently in review.

More information: Brooke Eidem, Associate Planner, 360-282-3167, eidem@snohomishWA.gov

Park Avenue South Short Plat (three-lot short plat): 1909 Park Avenue

File #23-15-SP

Complete application determination issued December 16, 2015. Notice of Application issued December 23, 2015. Application is currently in review.

More information: Brooke Eidem, Associate Planner, 360-282-3167, eidem@snohomishWA.gov

Continued Next Page

Riverview South Preliminary Plat (14-lot Planned Residential Development): 2210 Second Street
File #05-16-PP

Pending complete application determination.

Public comment period to follow complete application determination, under separate notice. A public hearing before the Hearing Examiner will be scheduled following environmental (SEPA) review.

More information: Brooke Eidem, Associate Planner, 360-282-3167, eidem@snohomishWA.gov

Cady Landing Pedestrian Bridge: 40 Maple Avenue

File #06-16-SEPA

Pending SEPA Threshold Determination.

More information: Brooke Eidem, Associate Planner, 360-282-3167, eidem@snohomishWA.gov

Bickford Landing Comprehensive Plan Amendment: 2424 and 2501 Bickford Avenue

The request is for a Land Use Map amendment from Business Park to High Density Residential. Comprehensive Plan amendments are an annual legislative process and decision of the City Council following “nonproject” environmental review and a recommendation by the Planning Commission. Opportunities for public comment will be provided through the environmental review, Planning Commission, and City Council processes.

File #08-16-SEPA

Pending docketing by City Council. The docketing process allows the City Council to determine which, if any, Comprehensive Plan amendment applications it will consider in the current year.

More information: Brooke Eidem, Associate Planner, 360-282-3167, eidem@snohomishWA.gov

For a complete list of all land use and development projects currently in review, please visit the City’s website. <http://www.snohomishwa.gov/DocumentCenter/Home/View/2700>

2016 Calendar:

City Council Workshop

Tuesday, May 3
Special Meeting 5:30 p.m.
George Gilbertson Boardroom
1601 Avenue D

City Council Meeting

Tuesday, May 3
Regular Meeting 7:00 p.m.
George Gilbertson Boardroom
1601 Avenue D

Planning Commission Meeting

Wednesday, May 4
Regular Meeting 6:00 p.m.
George Gilbertson Boardroom
1601 Avenue D

<http://snohomishwa.gov/AgendaCenter/ViewFile/Agenda/05032016-597>

<http://snohomishwa.gov/AgendaCenter/ViewFile/Agenda/05032016-596>