

*Finance Committee*

*October 25, 2016  
5:00 P.M.*

*Agenda*



Council Committees are primarily concerned with legislative/policy matters. They formulate and convey recommendations to the full council for action (BLMC 2.04.090).

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**Location:** Justice & Municipal Center; Conference Room 200; 9002 Main Street, Bonney Lake, WA 98391

**Committee Liaison:** Chief Finance Officer Cherie Gibson

**Committee Clerk:** Administrative Assistant III Debbie McDonald

**Call to Order:** Deputy Mayor Randall McKibbin, Chair

**Roll Call:** Deputy Mayor Randall McKibbin, Councilmember Tom Watson and Councilmember Dan Swatman

**Presentations:**

- p. 2 1. 2<sup>nd</sup> Quarter Budget Analysis, Chief Finance Officer Cherie Gibson
- 2. WCIA Information Item, City Administrator Don Morrison (will have handouts at meeting)

**Business/Action Items:**

- p. 4 1. Approval of September 27, 2016 Meeting Notes, Administrative Specialist III Debbie McDonald
- p.6 2. **AB16-123 – Resolution 2560** – Public Works Center Cost Sharing Allocation by Fund, City Administrator Don Morrison
- p.8 3. **AB16-125 – Ordinance D16-125** – FY2017 COLA for Nonunion Employees, City Administrator Don Morrison
- p. 12 4. **AB16-126 – Resolution 2561** – Water/Sewer Rate and SDC Study, City Administrator Don Morrison

**Open Committee Discussion:** .

**Closed Session:**

None Anticipated

**Adjourn:**

**GENERAL FUND  
BUDGET vs ACTUAL  
Quarter Ending June 30, 2016**

Note: Time elapsed 50%

<b>REVENUES</b>				
<b>GENERAL FUND REVENUE SOURCE</b>	<b>BUDGETED REVENUE</b>	<b>ACTUAL REVENUE</b>	<b>YEAR TO DATE REVENUES</b>	<b>% COLLECTED YTD</b>
BEGINNING FUND BALANCE*	1,763,638	2,640,346	2,640,346	149.71%
TAXES				
PROPERTY	2,917,028	1,515,844	1,541,634	52.85%
SALES	4,083,798	1,071,620	1,386,421	33.95%
UTILITY	2,979,344	912,426	1,388,791	46.61%
GAMBLING/ADMISSION /MISC	128,214	38,210	46,502	36.27%
SUB-TOTAL TAXES	<b>10,108,384</b>	<b>3,538,100</b>	<b>4,363,348</b>	<b>43.17%</b>
LICENSES & PERMITS	1,309,946	230,723	319,464	24.39%
INTERGOVERNMENTAL	1,068,860	395,382	389,267	36.42%
CHARGES FOR SERVICES	866,989	236,666	473,178	54.58%
INTERFUND SERVICES	1,901,506	437,758	834,565	43.89%
FINES & FORFEITURES	549,606	125,697	245,408	44.65%
MISCELLANEOUS	343,781.00	205,471.81	329,772.06	95.93%
SUB-TOTAL	<b>6,040,688</b>	<b>1,631,698</b>	<b>2,591,654</b>	<b>42.90%</b>
NON REVENUES	-	-	-	
OTHER FINANCING SOURCES	400,740	-	(74,611)	-18.62%
TOTAL GENERAL FUND REVENUES	<b>16,549,812</b>	<b>5,169,798</b>	<b>6,880,391</b>	<b>41.57%</b>
TOTAL GENERAL FUND W/BEG BALANCE	<b>18,714,190</b>	<b>7,810,144</b>	<b>9,446,127</b>	

\*Does not include Contingency Fund

<b>EXPENDITURES</b>				
<b>DEPARTMENT</b>	<b>BUDGETED EXPENDITURES</b>	<b>ACTUAL EXPENDITURES</b>	<b>YEAR TO DATE EXPENDITURES</b>	<b>% EXPENDED</b>
LEGISLATIVE	118,734	21,555	43,198	36.38%
MUNICIPAL COURT	647,349	177,210	356,981	55.15%
PROBATION	135,119	26,176	53,418	39.53%
EXECUTIVE	766,422	140,500	278,415	36.33%
FINANCE	1,378,333	272,070	532,462	38.63%
LEGAL	408,392	122,897	196,944	48.22%
INFORMATION SERVICES	519,343	95,359	312,793	60.23%
ADMINISTRATIVE SERVICES	431,498	114,483	223,115	51.71%
HUMAN RESOURCES	160,844	35,547	69,971	43.50%
POLICE	6,087,801	1,391,437	2,763,595	45.40%
PUBLIC WORKS/ENGINEER ADMIN	57,752	12,559	25,678	44.46%
STREETS	1,176,294	222,073	462,921	39.35%
SENIOR CENTER	356,643	82,920	170,048	47.68%
COMMUNITY SERVICES	42,646	790	34,795	81.59%
BEAUTIFICATION	11,000	-	491	4.46%
COMMUNITY FOREST	38,935	7,719	15,271	39.22%
COMMUNITY EVENTS	70,500	9,968	15,326	21.74%
COMMUNITY DEVELOPMENT	1,532,517	281,805	569,928	37.19%
FACILITIES	529,139	100,756	264,218	49.93%
PARK FACILITIES	416,273	113,927	193,201	46.41%
NON-DEPARTMENTAL	588,450	83,239	567,243	96.40%
TRANSFERS OUT	888,900	888,900	888,900	100.00%
<b>TOTAL GENERAL FUND</b>	<b>16,362,884</b>	<b>4,201,889</b>	<b>8,038,913</b>	<b>49.13%</b>
ENDING FUND BALANCE/% OF OPERATING REVENUES		3,608,254		21.80%

**REVENUES & EXPENDITURES**  
**Quarter Ending June 30, 2016**

FUNDS	REVENUES			EXPENDITURES			2016 BEGINNING FUND BALANCE
	2016 ANNUAL BUDGETED REVENUES	YTD ACTUAL REVENUES	YTD %	2016 ANNUAL BUDGETED EXP*	YTD ACTUAL EXP	YTD %	
001 GENERAL FUND	16,549,812	6,880,391	42%	16,362,884	8,048,015	49%	2,640,346
120 DRUG ENFORCEMENT	19,660	2,662	14%	-	-	0%	45,347
126 CONTINGENCY FUND	1,494	2,195	147%	-	-	0%	1,147,334
202 BOND REFUNDING 2015	888,900	889,476	100%	888,900	153,155	0%	36,952
301 STREET CIP FUND	851,185	2,379,686	280%	6,054,590	2,578,052	43%	2,777,799
302 PARK CIP FUND	1,340,072	367,414	27%	310,146	299,177	96%	3,364,539
320 GEN GOVT CIP FUND	217,426	107,826	50%	58,600	48,185	82%	4,707,533
401 WATER UTILITY FUND	13,357,225	3,565,983	27%	14,343,308	4,887,109	34%	51,369,261
402 SEWER UTILITY FUND	8,797,587	3,569,681	41%	11,301,248	4,163,913	37%	26,786,231
415 STORM UTILITY FUND	3,094,443	873,011	28%	2,901,148	787,986	27%	8,193,206
501 ER&R FUND	920,565	463,963	50%	1,327,609	428,583	32%	5,185,990
<b>TOTAL ALL FUNDS</b>	<b>46,038,369</b>	<b>19,102,288</b>		<b>53,548,433</b>	<b>21,394,175</b>	<b>40%</b>	<b>106,254,538</b>

=Note: Time elapsed 50%

\*Fund balance is the difference between assets and liabilities It does not mean cash.



## Finance Committee

October 11, 2016 Regular Scheduled Meeting

DRAFTED NOTES

The meeting was called to order at 5:00 P.M.

### Roll Call:

Deputy Mayor Randall McKibbin (Chair)  
Councilmember Dan Swatman  
Councilmember Tom Watson

### Attendees:

City Administrator, Don Morrison  
Chief Financial Officer, Cherie Gibson  
Admin. Services Dir. /City Clerk, Harwood Edvalson  
Administrative Assistant, Debbie McDonald

## Finance Committee

### I. Update and/or Reports:

*Personnel Updates and/or Issues*

Nothing to report at this time.

### II. Old Business:

*Approval of the September 27, 2016 Draft Notes*

Councilmember Watson moved to approve the draft notes as written.

### III. New Business/Action Items:

*AB16-122 - Resolution 2558 – Official Newspaper for 2016-2017*

Administrative Services Director Edvalson commented the City is required to take bids and the Courier Herold was the only bid to be submitted.

Committee Members had no questions.

**Item was moved to consent agenda.**

*AB16-120 - Resolution 2556 – 2016 Expansion of Arts Commission Membership*

City Administrator Morrison explained the increase in Arts Commissioners from nine to eleven. The City of Sumner also had eleven Arts Commissioners.

Committee Members had no questions.

**Item was moved to consent agenda.**

IV. **Closed Session:** NONE

VI. **Adjournment:**

Deputy Mayor McKibbin adjourned the meeting at 5:11.

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Debbie McDonald, Administrative Assistant

City of Bonney Lake, Washington  
**City Council Agenda Bill (AB)**

<b>Department/Staff Contact:</b> Executive / Don Morrison	<b>Meeting/Workshop Date:</b> 25 October 2016	<b>Agenda Bill Number:</b> AB16-123
<b>Agenda Item Type:</b> Resolution	<b>Ordinance/Resolution Number:</b> Res. 2560	<b>Councilmember Sponsor:</b>

**Agenda Subject:** Public Works Center Cost Sharing Allocation by Fund

**Full Title/Motion:** A Resolution Of The City Council Of The City Of Bonney Lake, Pierce County, Washington, Establishing A Cost-Share By Fund For The Planned Public Works Center.

**Administrative Recommendation:** Approve

**Background Summary:** The City Council has recently issued utility bonds to finance, in part, construction of a new public works center (PWC). The City should formally establish a reasonable basis upon which to fairly allocate the cost of the project among the benefitting funds of the City in order to be equitable and to satisfy the State Auditor's Office in terms of a defensible cost-allocation, including the portion of the project to be used by General Fund operations such as parks and streets. The City has traditionally used a breakdown of 50% water, 35% sewer, and 15% storm for general utility related cost-sharing. Relative operating budget size is a method of cost allocation acceptable to the State Auditor's Officer in determining cost-allocations. A review of the 2017 proposed operating budgets showed the following relationship (water 47%; sewer 33.2%; storm 10.1%, General 9.7%). While relative budget size varies over time, it is recommended that the PWC cost allocation be set as outlined in the resolution.

**Attachments:** Resolution No. 2560

<b>BUDGET INFORMATION</b>				
Budget Amount	Current Balance	Required Expenditure	Budget Balance	Fund Source
				<input type="checkbox"/> General <input type="checkbox"/> Utilities <input type="checkbox"/> Other
<b>Budget Explanation:</b> NA				

<b>COMMITTEE, BOARD &amp; COMMISSION REVIEW</b>			
<b>Council Committee Review:</b>	Finance Committee Date: 10/25/16	<i>Approvals:</i>	Yes No
		Chair/Councilmember McKibbin	<input type="checkbox"/> <input type="checkbox"/>
		Councilmember Swatman	<input type="checkbox"/> <input type="checkbox"/>
		Councilmember Watson	<input type="checkbox"/> <input type="checkbox"/>
	Forward to:	<b>Consent Agenda:</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Commission/Board Review:</b>			
<b>Hearing Examiner Review:</b>			

<b>COUNCIL ACTION</b>	
Workshop Date(s):	Public Hearing Date(s):
Meeting Date(s):	Tabled to Date:

<b>APPROVALS</b>		
<b>Director:</b>	<b>Mayor:</b>	<b>Date Reviewed by City Attorney: (if applicable)</b>

**RESOLUTION NO. 2560**

**A RESOLUTION OF THE CITY OF BONNEY LAKE, PIERCE COUNTY, WASHINGTON, ESTABLISHING A FORMAL COST-SHARE FOR THE PLANNED PUBLIC WORKS CENTER**

WHEREAS, the City Council has recently issued utility bonds to finance, in part, construction of a new public works center (PWC); and

WHEREAS, the City wants to establish a reasonable basis upon which to fairly allocate the cost of the project among the benefitting funds of the City in order to be equitable and to satisfy the State Auditor's Office in terms of a defensible cost-allocation, including the portion of the project to be used by General Fund operations such as parks and streets; and

WHEREAS, the City has traditionally used a breakdown of 50% water, 35% sewer, and 15% storm for general utility related cost-sharing; and

WHEREAS, relative operating budget size is a method of cost allocation acceptable to the State Auditor's Officer in determining cost-allocations; and

WHEREAS, a review of the 2017 proposed operating budgets of the respective divisions of the various funds that would occupy the PWC indicates that the relative operating budget size is reasonably close to the traditional breakdown of cost-shares; and

WHEREAS, a cost-sharing allocation needs to be established for each participating fund;

NOW THEREFORE, the City Council of the City of Bonney Lake, Washington hereby resolves as follows:

Section 1. The various funds of the City shall pay for their fair share of the costs of the planned Public Works Center as follows:

Water Fund	47%
Sewer Fund	34%
Stormwater Fund	11%
General Fund	8%

**PASSED BY THE CITY COUNCIL this \_\_\_\_\_ day of \_\_\_\_\_, 2016.**

\_\_\_\_\_  
Neil Johnson, Jr., Mayor

City of Bonney Lake, Washington  
**City Council Agenda Bill (AB)**

<b>Department/Staff Contact:</b> Executive / Don Morrison	<b>Meeting/Workshop Date:</b> 25 October 2016	<b>Agenda Bill Number:</b> AB16-125
<b>Agenda Item Type:</b> Ordinance	<b>Ordinance/Resolution Number:</b> D16-125	<b>Councilmember Sponsor:</b>

**Agenda Subject:** FY2017 COLA for Nonunion Employees

**Full Title/Motion:** An Ordinance Of The City Council Of The City Of Bonney Lake, Pierce County, Washington, Amending Ordinance No. 1471 Relating To Salaries For Non-Represented Employees..

**Administrative Recommendation:** Approve

**Background Summary:** The collective bargaining agreement with the Police Guild grants a 2.50% COLA for 2017. The collective bargaining agreement with AFSCME grants a 2.00% COLA for 2017. Mayor Johnson has proposed the average (2.25%) of the two agreements to be the cost-of-living-adjustment (COLA) granted to non-represented employees for 2017. Adjustments for 2018 would be considered at the mid-biennial adjustment period in November of 2017. Both the AFSCME and Police agreements expire at the end of 2017. For CPI comparison, the first half of 2016 was 2.2% for the Seattle-Tacoma-Bremerton area (CPI-U).

**Attachments:** Ordinance No. D16-125 including Attachements

**BUDGET INFORMATION**

Budget Amount	Current Balance	Required Expenditure	Budget Balance
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**Budget Explanation:** The cost to implement for nonunion employees is estimated at +/- \$70,525 and was included as part of the proposed 2017-2018 biennial budget.

**COMMITTEE, BOARD & COMMISSION REVIEW**

<b>Council Committee Review:</b>	Finance Committee Date: 25 October 2016	<i>Approvals:</i> Chair/Councilmember Randy McKibbin	Yes	No
		Councilmember Dan Swatman	<input type="checkbox"/>	<input type="checkbox"/>
		Councilmember Tom Watson	<input type="checkbox"/>	<input type="checkbox"/>
	Forward to:	<b>Consent</b>		
		<b>Agenda:</b> <input type="checkbox"/> Yes <input type="checkbox"/> No		

**Commission/Board Review:**

**Hearing Examiner Review:**

**COUNCIL ACTION**

Workshop Date(s):	Public Hearing Date(s):
Meeting Date(s):	Tabled to Date:

**APPROVALS**

<b>Director:</b>	<b>Mayor:</b>	<b>Date Reviewed by City Attorney:</b> (if applicable):
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**ORDINANCE NO. D16-125**

AN ORDINANCE OF THE CITY OF BONNEY LAKE, PIERCE COUNTY, WASHINGTON, AMENDING ORDINANCE NO. 1471 RELATING TO THE SALARY SCHEDULE FOR NON-REPRESENTED EMPLOYEES.

WHEREAS, cost-of-living adjustments for 2017 have already been set for the City's represented employees through current collective bargaining agreements; and

WHEREAS, the City Council desires to grant a cost-of-living adjustment to non-represented employees that is similar to that which the majority of other City employees have been granted;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF BONNEY LAKE, WASHINGTON DO ORDAIN AS FOLLOWS:

**Section 1.** Section 2 of Ordinance No. 1471 is hereby amended to read as follows:

Section 2. A new Attachment "A1," to ordinance No. 1471 consisting of a Position Classification Matrix, is hereby adopted and incorporated herein by this reference. These position classifications and salary grades for non-represented employees remain in effect until amended by subsequent ordinance of the City Council. A new Attachment "A2" (Salary Schedule) to ordinance No. 1471 is hereby adopted, and reflects a 2.25% across-the-board cost-of-living-adjustment (COLA), effective January 1, 2017, and shall remain in effect until amended by subsequent ordinance of the City Council.

**Section 2.** This Ordinance concerns compensation and working conditions of city employees and is not subject to referendum. It shall take effect five (5) days after its passage, approval and publication as required by law.

**PASSED by the City Council and approved by the Mayor this \_\_\_\_ day of November, 2016.**

\_\_\_\_\_  
Neil Johnson, Jr., Mayor

ATTEST/AUTHENTICATED:

\_\_\_\_\_  
Harwood Edvalson, MMC, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Kathleen Haggard, City Attorney

Attachment "A1" to Ordinance No. D16-125: Non Represented Employee Classification and Grade Matrix

GRADE	FINANCE & ADMINISTRATION	PUBLIC SAFETY	PUBLIC SERVICES	GRADE
1-9				1-9
10				10
11	Special Events Coordinator			11
12	Executive Assistant Deputy City Clerk			12
13	Accountant	Probation Officer	Project Manager Contracts Administrator	13
14	Financial Operations Supervisor; Senior Services Manager			14
15	Senior Accountant			15
16			Planning and Building Supervisor	16
17		Court Administrator	Assistant PW Superintendent PW Operations Engineer	17
18	Human Resources Manager		Development Review Engineer	18
19	Deputy City Attorney/Prosecutor		Assistant City Engineer	19
20	Information Systems Manager			20
21				21
22	Facilities & Special Projects/Events Mgr		City Engineer;	22
23		Assistant Police Chief		23
24	Administrative Services Director; Chief Financial Officer		Public Works Superintendent	24
25		Police Chief		25
26		Municipal Judge	Public Services Director	26
27	City Administrator			27
28				28

Attachment "A2" to Ordinance No. D16-125 - 2017 Non Represented Employee Salary Schedule

Grade	Minimum Rate (Monthly)	Maximum Rate (Monthly)	Grade
1	2,903	3,594	1
2	3,057	3,784	2
3	3,218	3,983	3
4	3,388	4,192	4
5	3,566	4,413	5
6	3,754	4,645	6
7	3,952	4,890	7
8	4,160	5,149	8
9	4,378	5,420	9
10	4,608	5,704	10
11	4,851	6,004	11
12	5,107	6,321	12
13	5,375	6,651	13
14	5,659	7,003	14
15	5,957	7,372	15
16	6,269	7,760	16
17	6,599	8,167	17
18	6,946	8,597	18
19	7,311	9,050	19
20	7,698	9,527	20
21	8,102	10,027	21
22	8,529	10,554	22
23	8,977	11,110	23
24	9,450	11,696	24
25	9,947	12,311	25
26	10,470	12,958	26
27	11,023	13,642	27
28	11,574	14,324	28
29	12,152	15,040	29

City of Bonney Lake, Washington  
**City Council Agenda Bill (AB)**

<b>Department/Staff Contact:</b> Executive / Don Morrison	<b>Meeting/Workshop Date:</b> 25 October 2016	<b>Agenda Bill Number:</b> AB16-126
<b>Agenda Item Type:</b> Resolution	<b>Ordinance/Resolution Number:</b> Res. 2561	<b>Councilmember Sponsor:</b>

**Agenda Subject:** Water/Sewer Rate and SDC Study

**Full Title/Motion:** A Resolution Of The City Council Of The City Of Bonney Lake, Pierce County, Washington, Authorizing A Professional Services Agreement With FSCG To Undertake A Water/Sewer Rate And SDC Study For The City.

**Administrative Recommendation:** Approve

**Background Summary:** It has been several years (2009) since the City has undertaken a formal water and sewer rate study, including a review of system development charges. The City is adopting updated water and sewer comprehensive plans which warrant and anticipate a review of current rates and charges in order to assure the fiscal integrity of these utilities and a fair distribution of system development charges. FCSG has served as the City's consultant in this area for many years, and is well qualified and experienced to undertake the work. The cost of the study is included in the proposed 2017-2018 biennial budget, and there are remaining 2016 utility professional service or special project funds that can cover any project costs that may be expended in 2016.

**Attachments:** Resolution No. 2561, Agreement with Attachment

<b>BUDGET INFORMATION</b>				
<b>Budget Amount</b> \$80,000 (2017 Anticipated)	<b>Current Balance</b>	<b>Required Expenditure</b> \$79,970	<b>Budget Balance</b>	<b>Fund Source</b> <input type="checkbox"/> General <input checked="" type="checkbox"/> Utilities <input type="checkbox"/> Other
<b>Budget Explanation:</b>				

<b>COMMITTEE, BOARD &amp; COMMISSION REVIEW</b>				
<b>Council Committee Review:</b>	Finance Committee Date: 10/25/16	<i>Approvals:</i> Chair/Councilmember McKibbin Councilmember Swatman Councilmember Watson	Yes	No
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
	Forward to:	<b>Consent Agenda:</b>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Commission/Board Review:</b>				
<b>Hearing Examiner Review:</b>				

<b>COUNCIL ACTION</b>	
Workshop Date(s):	Public Hearing Date(s):
Meeting Date(s):	Tabled to Date:

<b>APPROVALS</b>		
<b>Director:</b>	<b>Mayor:</b>	<b>Date Reviewed by City Attorney:</b> (if applicable)

**RESOLUTION NO. 2561**

**A RESOLUTION OF THE CITY OF BONNEY LAKE, PIERCE COUNTY, WASHINGTON, AUTHORIZING A PROFESSIONAL SERVICES AGREEMENT WITH FINANCIAL CONSULTING SERVICES GROUP (FCSG) TO UNDERTAKE A WATER AND SEWER RATE AND SYSTEM DEVELOPMENT CHARGE (SDC) STUDY.**

**WHEREAS**, it has been several years since the City undertook a water and sewer rate study or a study of its system development charges; and

**WHEREAS**, the City is adopting updated water and sewer comprehensive plans which warrant and anticipate a review of current rates and charges in order to assure the fiscal integrity of these utilities; and

**WHEREAS**, FSC Group has served as the City's consultant in this area for many years, and is well qualified and experienced to undertake the work;

**NOW THEREFORE, BE IT RESOLVED**, that the City Council of the City of Bonney Lake, Washington, does hereby authorize the Mayor to sign the attached agreement with Financial Consulting Services Group (FCSG) to undertake a water/sewer rate and SDC study for the City.

**PASSED BY THE CITY COUNCIL this \_\_\_\_\_ day of \_\_\_\_\_, 2016.**

\_\_\_\_\_  
Neil Johnson, Jr., Mayor

ATTEST/AUTHENTICATED:

\_\_\_\_\_  
Harwood T. Edvalson, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Kathleen Haggard, City Attorney

ATTEST/AUTHENTICATED:

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Harwood T. Edvalson, City Clerk

APPROVED AS TO FORM:

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Kathleen Haggard, City Attorney

## PROFESSIONAL SERVICES AGREEMENT

THIS PROFESSIONAL SERVICES AGREEMENT (“Agreement”) is made and entered into this \_\_\_\_\_ day of November, 2016, by and between the City of Bonney Lake (“ City”) and FCS Group (“ Consultant”).

The parties hereby agree as follows:

- 1. Scope of Work.** The Consultant shall perform all work and provide all materials described in the Scope of Work set out in Exhibit A attached hereto and incorporated herein by this reference. Such work shall be performed using facilities, equipment and staff provided by Consultant, and shall be performed in accordance with all applicable federal, state and local laws, ordinances and regulations. The Consultant shall exercise reasonable care and judgment in the performance of work pursuant to this Agreement. The Consultant shall make minor changes, amendments or revisions in the detail of the work as may be required by the City, such work not to constitute Extra Work under this Agreement.
- 2. Ownership of Work Product.** Documents, presentations and any other work product produced by the Consultant in performance of work under this Agreement shall be tendered to the City upon completion of the work, and all such product shall become and remain the property of the City and may be used by the City without restriction; *provided*, that any such use by the City not directly related to the particular purposes for which the work product was produced shall be without any liability whatsoever to the Consultant.
- 3. Payment.** The Consultant shall be paid by the City for completed work and services rendered under this Agreement pursuant to the rates and charges set out in Exhibit A (page 4), attached hereto and incorporated herein by this reference. Such payment shall be full compensation for work performed or services rendered and for all labor, materials, supplies, equipment, and incidentals necessary to complete the work. All billings for compensation for work performed under this Agreement shall list actual time and dates during which the work was performed and the compensation shall be figured using the rates set out in Exhibit A; *provided*, that payment for work within the Scope of Work (Exhibit A, Pages 1-3) shall not exceed the fee/hour estimate set out in Exhibit A without written amendment to this Agreement, agreed to and signed by both parties.

Acceptance of final payment by the Consultant shall constitute a release of all claims, related to payment under this Agreement, which the Consultant may have against the City unless such claims are specifically reserved in writing and transmitted to the City by the Consultant prior to acceptance of final payment. Final payment shall not, however, be a bar to any claims that the City may have against the Consultant or to any remedies the City may pursue with respect to such claims.

The Consultant and any sub-consultants shall keep available for inspection, by the City, for a period of three years after final payment, the cost records and accounts pertaining to this Agreement and all items related to, or bearing upon, such records. If any litigation, claim or audit is started before the expiration of the three-year retention period, the records shall be retained until all

litigation, claims or audit findings involving the records have been resolved. The three-year retention period shall commence when the Consultant receives final payment.

4. **Changes in Work.** The Consultant shall make all revisions and changes in the work completed under this Agreement as are necessary to correct errors, when required to do so by the City, without additional compensation.

5. **Extra Work.** The City may desire to have the Consultant perform work or render services in addition to or other than work provided for by the expressed intent of the Scope of Work. Such work will be considered Extra Work and will be specified in a written supplement which will set forth the nature and scope thereof. Work under a supplement shall not proceed until authorized in writing by the City. Any dispute as to whether work is Extra Work or work already covered by this Agreement shall be resolved before the work is undertaken. Performance of the work by the Consultant prior to resolution of any such dispute shall waive any claim by the Consultant for compensation as Extra Work.

6. **Employment.** Any and all employees of Consultant, while engaged in the performance of any work or services required by the Consultant under this Agreement, shall be considered employees of the Consultant only and not of the City, and any and all claims that may or might arise under the Workman's Compensation Act on behalf of said employees, while so engaged; any and all taxes arising out of Consultant's or Consultant's employees' work under this Agreement; and any and all claims made by a third party as a consequence of any acts, errors, or omissions on the part of the Consultant's employees, while so engaged, shall be the sole obligation and responsibility of the Consultant. The Consultant's relation to the City shall at all times be as an independent contractor.

7. **Nondiscrimination and Legal Compliance.** Consultant agrees not to discriminate against any client, employee or applicant for employment or for services because of race, creed, color, national origin, marital status, gender, age or handicap except for a bona fide occupational qualification with regard to, but not limited to, the following: employment upgrading; demotion or transfer; recruitment or any recruitment advertising; layoff or termination; rates of pay or other forms of compensation; selection for training; and rendition of services. The contractor represents and warrants that it is in compliance with and agrees that it will remain in compliance with the provisions of the Immigration Reform and Control Act of 1986, including but not limited to the provisions of the Act prohibiting the hiring and continued employment of unauthorized aliens and requiring verification and record keeping with respect to the status of each of its employees' eligibility for employment. The contractor shall include a provision substantially the same as this section in any and all contracts with subcontractors performing work required of the contractor under this contract. The contractor agrees to indemnify and hold the City harmless from any and all liability, including liability for interest and penalties, the City may incur as a result of the contractor failing to comply with any provisions of the Immigration Reform and Control Act of 1986. Consultant understands and agrees that if it violates this section, this Agreement may be terminated by the City, and that Consultant shall be barred from performing any services for the City in the future unless and until a showing is made satisfactory to the City that discriminatory practices have terminated and that recurrence of such action is unlikely.

8. **Term.** This Agreement shall become effective upon the day of its execution by both parties, and shall terminate upon completion of the work and delivery of all materials described in Exhibit A.

9. **Termination by City.** The City may terminate this Agreement at any time upon not less than ten (10) days written notice to Consultant, subject to the City's obligation to pay Consultant in accordance with subsections A, B, and C below.

A. In the event this Agreement is terminated by the City other than for fault on the part of the Consultant, a final payment shall be made to the Consultant for actual cost of work complete at the time of termination of the Agreement. In addition, the Consultant shall be paid on the same basis as above for any authorize Extra Work completed. No payment shall be made for any work completed after ten (10) days following receipt by the Consultant of the termination notice. If the accumulated payment(s) made to the Consultant prior to the termination notice exceeds the total amount that would be due as set forth in this subsection, then no final payment shall be due and the Consultant shall immediately reimburse the City for any excess paid.

B. In the event the services of the Consultant are terminated by the City for fault on the part of the Consultant, subsection A of this section shall not apply. In such event the amount to be paid shall be determined by the City with consideration given to the actual costs incurred by the Consultant in performing the work to the date of termination, the amount of work originally required which was satisfactorily completed to date of termination, whether that work is in a form or of a type which is usable by the City at the time of termination, the cost to the City of employing another person or firm to complete the work required and the time which may be required to do so, and other factors which affect the value to the City of the work performed at the time of termination. Under no circumstances shall payment made under this subsection exceed the amount which would have been made if subsection A of this section applied.

C. In the event this Agreement is terminated prior to completion of the work, the original copies of all work products prepared by the Consultant prior to termination shall become the property of the City for its use without restriction; *provided*, that any such use by the City not directly related to the particular purposes for which the work product was produced shall be without any liability whatsoever to the Consultant.

10. **Termination by Consultant.** Consultant may terminate this Agreement only in response to material breach of this Agreement by the City, or upon completion of the work set out in the Scope of Work and any Extra Work agreed upon by the parties.

11. **Applicable Law; Venue.** The law of the State of Washington shall apply in interpreting this Agreement. Venue for any lawsuit arising out of this Agreement shall be in the Superior Court of the State of Washington, in and for Pierce County.

12. **Indemnification / Hold Harmless.**

Consultant shall defend, indemnify and hold the City, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney

fees, arising out of or resulting from the negligent acts, errors or omissions of the Consultant in performance of this Agreement, except for injuries and damages caused by the sole negligence of the City.

## **Insurance**

The Consultant shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

### **A. Minimum Scope of Insurance**

Consultant shall obtain insurance of the types described below:

1. Automobile Liability insurance covering all owned, non-owned, hired and leased vehicles. Coverage shall be written on Insurance Services Office (ISO) form CA 00 01 or a substitute form providing equivalent liability coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage.
2. Commercial General Liability insurance shall be written on ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, independent contractors and personal injury and advertising injury. The City shall be named as an insured under the Consultant's Commercial General Liability insurance policy with respect to the work performed for the City.
3. Workers' Compensation coverage as required by the Industrial Insurance laws of the State of Washington.
4. Professional Liability Insurance appropriate to the project.

### **B. Minimum Amounts of Insurance**

Consultant shall maintain the following insurance limits:

1. Automobile Liability insurance with a minimum combined single limit for bodily injury and property damage of \$1,000,000 per accident.
2. Commercial General Liability insurance shall be written with limits no less than \$1,000,000 each occurrence, \$2,000,000 general aggregate.
3. Professional Liability insurance shall be written with limits no less than \$1,000,000 per claim and \$1,000,000 policy aggregate limit.

### **C. Other Insurance Provisions**

The insurance policies are to contain, or be endorsed to contain, the following provisions for Automobile Liability, Professional Liability and Commercial General Liability insurance:

1. The Consultant's insurance coverage shall be primary insurance as respect the City. Any insurance, self-insurance, or insurance pool coverage maintained by the City shall be excess of the Consultant's insurance and shall not contribute with it.
2. The Consultant's insurance shall be endorsed to state that coverage shall not be cancelled by either party, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City.

#### **D. Acceptability of Insurers**

Insurance is to be placed with insurers with a current A.M. Best rating of not less than A:VII.

#### **E. Verification of Coverage**

Consultant shall furnish the City with original certificates and a copy of the amendatory endorsements, including but not necessarily limited to the additional insured endorsement, evidencing the insurance requirements of the Consultant before commencement of the work.

13. **Subletting or Assigning.** The Consultant shall not sublet or assign any of the work covered by this Agreement without the express written consent of the City.
14. **Entire Agreement.** This Agreement represents the entire Agreement between the parties. No change, termination or attempted waiver of any of the provisions of the Agreement shall be binding on any party unless executed in writing by authorized representatives of each party. The agreement shall not be modified, supplemented or otherwise affected by the course of dealing between the parties.
15. **Waiver.** Failure by any party to this Agreement to enforce any provision of this Agreement or to declare a breach shall not constitute a waiver thereof, nor shall it impair any party's right to demand strict performance of that or any other provision of this Agreement any time thereafter.
16. **Severability.** If any provision of this Agreement or its application is held invalid, the remainder of the Agreement or the application of the remainder of the Agreement shall not be affected.
17. **Execution and Acceptance.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original having identical legal effect. The Consultant hereby ratifies and adopts all statements, representations, warranties, covenants, and agreements contained in the supporting materials submitted by the Consultant, and does hereby accept the Agreement and agrees to all of the terms and conditions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CITY OF BONNEY LAKE

FCS GROUP

By: \_\_\_\_\_  
Neil Johnson, Jr. Mayor

By: \_\_\_\_\_

Attachments: Exhibit A (Scope of Work and Budget/Rates)

## CITY OF BONNEY LAKE

### WATER AND SEWER COST OF SERVICE RATE STUDY AND SYSTEM DEVELOPMENT CHARGE UPDATE

The following work tasks have been developed to complete a Cost of Service Rate Study and System Development Charge update for the City of Bonney Lake Water and Sewer Utilities. As defined in the task plan, we follow a structured method to arrive at rate conclusions, which will enable us to perform the work in an orderly, efficient and results-oriented manner. The result of this study will establish a blueprint for self-supporting, financially sustainable utilities.

#### Task 1 | Kick-Off Meeting

A project kickoff meeting will be scheduled before the commencement of the project with the consultant and City project team. This meeting will establish the goals and objectives of the overall project and focus the efforts of the project team. The items covered at the meeting include review of the scope of work, identify project objectives, expectations and deliverables, outline the project schedule and key milestone review points and discuss appropriate lines of communication.

#### Task 2 | Data Collection and Validation

FCS GROUP will provide a data needs list encompassing historical and projected financial, operational, billing and planning information. The provided data will be reviewed, analyzed and validated for inclusion in the study process. Validation of the customer statistics data with customer demands and revenue generation is critical to the cost of service rate study. This approach offers consistency throughout the rate study process by using one validated data set to develop revenue, cost projections, allocation factors and rate designs. The process has proven beneficial in uncovering anomalies in data that can impact forecast revenue and cost allocation.

#### Task 3 | Revenue Requirement Analysis

This task establishes a sustainable, multi-year (5-20 year) financial management plan that meets the projected total financial needs of each utility through generation of sufficient, sustainable revenue.

This task analyzes annual cash flow needs by identifying expenses incurred to operate and manage the system including:

- Cost increases resulting from staffing changes, enhanced programs or initiatives.
- Existing contract cost arrangements.
- Capital project needs identified in the most recent System Comprehensive Plans.
- New and existing debt repayment obligations
- Fiscal policy achievement related to operating and capital reserve targets, system reinvestment

funding or rate funded capital, and coverage requirements.

Projected revenue will consider the sensitivities of changes in economic, weather and demand trends in order to mitigate volatility and stabilize revenue. Rate implementation scenarios will be generated to evaluate the impact of changes to key variables such as funding sources, growth rates, capital project need and timing, or others identified by the City. The budget includes three (3) alternative scenarios for each utility.

The resulting revenue requirement and rate strategy developed will meet City specified financial metrics, goals and objectives.

## Task 4 | Cost of Service Analysis (COSA)

The cost of service analysis establishes a defensible basis for assigning “cost shares” and establishing “equity” for system customers based on industry standard methodologies that are tailored to the City’s unique water and sewer systems and customer characteristics.

The COSA develops a series of functional allocations that distribute cost pools to classes of customers linked to a proportionate share of costs required to serve their demand. Specific consideration will be given to total utility costs in relationship to the functions identified below.

Water Functions	Wastewater Functions
Base capacity (average demand)	Flow (includes inflow and infiltration)
Peak capacity (peak demand)	Strength (BOD/TSS)
Fire	Customer
Customer	

This analytical exercise will identify the cost to serve each customer class of the water and sewer system. The results will identify any warranted shifts in cost burden that could improve equity between customers from the existing rate structure. The cost of service will identify the required revenue to collect from each customer class to cover their individual costs. Unit costs by functional component will be calculated to support the rate design process.

## Task 5 | Rate Design

Rate design determines how the target level of revenue will be generated (fixed v. variable charges) from each customer class.

Rate design considers both the level (amount of revenue that must be generated) and structure (how the revenue will be collected or bill assessed). To align the rate structures with the priorities and objectives of the City. Each developed rate design alternative is developed to generate sufficient revenue to meet the revenue requirement forecast and begin to address any material inequities identified in the COSA findings. In addition, rate designs will be consistent with the City’s fiscal policies, billing system capabilities, goals and will be easy to administer and understand. Evaluation of two (2) alternative rate design structures, for each utility, is included in the proposed budget.

Monthly bill impacts for low, medium and high users will be calculated for comparison. A comparative survey will be performed with up to five (5) neighboring utilities.

## Task 6 | System Development Charge (SDC)

An SDC is a one-time charge imposed as a condition of service on new development or on expanded connection to the system. The charge represents a prorated share of the capital investment made to provide system capacity.

The SDC study component will be based on the intent and structure of the Revised Code of Washington (RCW) statute for Water-Wastewater Cities (RCW 35.92.025). In general, the SDC study will analyze what each connection should bear as a proportional share of the cost of the system capacity required. The SDC charges developed for each system will reflect an updated inventory of existing system assets, the most recent approved capital improvement program related to growth, and current expectations for future population/customer growth. The SDC study will also include a review of the current Fennel Creek Lift Station project to establish an appropriate SDC component therefore.

## Task 7 | Meetings/Presentations

The success of a rate study relies on an open and involved process for informing and educating the staff, City Council, and ratepayers on the rate study process and to clearly define the cost basis for the fees imposed on customers by linking the financial requirements to costs.

This proposal includes three (3) internal review meetings at key milestones with City staff to go over key assumptions and outcomes:

- One (1) meeting to review revenue requirement and cost of service tasks (onsite);
- One (1) meeting to review rate design alternatives and SDC update (interactive conference call); and
- One (1) meeting to review the recommended rate and SDC strategy to bring forward to the City Council (interactive conference call).

In addition to the review meetings, we anticipate two (2) City Council workshops/presentations.

- One (1) City Council workshop to share results of study and incorporate input into final recommendations;
- One (1) City Council workshop or meeting to present final recommendations.

## Task 8 | Documentation

A written report documenting the rate study process, methodology, key assumptions, results and recommendations will be provided. All technical exhibits will be included in the report technical appendix. Five (5) bound copies of the report will be provided to the City. Included will be one (1) electronic copy of the report and model.

# BUDGET

The total proposed level of effort to complete the Water and Sewer Cost of Service Rate Study and SDC Update is summarized below. Our normal billing practice is to bill based on time and materials actually expended, not to exceed the total budget.

TASK	Principal	Project Manager	Senior Analyst	Admin. Support	Total Estimated Hours	Total Budget
<i>Hourly Billing Rates:</i>						
	\$260	\$180	\$140	\$80		
<b>TECHNICAL TASKS</b>						
Task 1   Kick-off meeting (on-site)	8	8			16	\$ 3,520
Task 2   Data collection & validation			4	2	6	720
Customer statistics evaluation (water and sewer)		8	60		68	9,840
Task 3   Revenue requirement (water and sewer)	8	16	54		78	12,520
Task 4   Cost of service (water and sewer)	12	28	48		88	14,880
Task 5   Rate design	8	8	24		40	6,880
Task 6   System Development charges (water and sewer)	16	20	45		81	14,060
<b>TOTAL TECHNICAL</b>	<b>52</b>	<b>88</b>	<b>235</b>	<b>2</b>	<b>377</b>	<b>\$ 62,420</b>
<b>PROCESS TASKS</b>						
Task 7   Meetings/Presentations						
Internal Milestone Review 1 (on-site)	5	5			10	\$ 2,200
Internal Milestone Review 2 & 3 (GoTo meeting)	4	4	4		12	2,320
City Council workshops w. presentation (2 on-site)	12	12	3	2	29	5,860
Task 8   Documentation	6	0	36	4	46	6,920
<b>TOTAL PROCESS TASKS</b>	<b>27</b>	<b>21</b>	<b>43</b>	<b>6</b>	<b>97</b>	<b>\$ 17,300</b>
Expenses						\$250
<b>TOTAL LABOR BUDGET</b>	<b>79</b>	<b>109</b>	<b>278</b>	<b>8</b>	<b>474</b>	<b>\$ 79,970</b>