



CITY OF  
BAINBRIDGE ISLAND

UTILITY ADVISORY COMMITTEE  
REGULAR MEETING  
WEDNESDAY, JANUARY 23, 2019

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## Minutes

1. Call to Order at 5:00 p.m. / Roll Call / Accept or Modify Agenda / Conflict of Interest Disclosure

Present:

Co-Chairs: Andy Maron, Jeff Kanter  
Members: Ted Jones, Nancy Nolan, Steve Johnson, Charles Averill  
Council Rep: Rasham Nassar  
Staff Rep: Barry Loveless

2. Acceptance of Minutes from 9 January. Accepted with no corrections.

3. Public Comment: None.

4. Public Works Update: Skipped to make more time for FGS Rate Study Discussion.

5. Memo to Council re: Periodic Review of Utilities. Discussed briefly at end. Steve and Ted will revise draft memo that Steve presented. Barry will provide by email franchise agreements of PSE and Comcast. Andy pointed out that often a franchise agreement is narrowly focused on roles and responsibilities in city Rights of Way. But much more can be negotiated. UAC review of a non-city utility and associated discussion with the Council may identify goals for the city to seek in subsequent negotiations.

6. Water and Sewer Rate Study Discussion (FGS Group). Chris presented slides with scenarios we asked to see and with updates driven by changes in the council's adopted CIP and budget.

- Water Rates. With an overall 4 percent revenue increase City can build capital projects fund and will need to borrow \$1M down the road. With 2 percent revenue growth, the city likely will not build a capital project reserve fund and will need to borrow \$1.6M down the road. The 2 or 4 percent revenue increase comes from raising aggregate rates of all customers, but because we are also adjusting rates due to the cost of service analysis, some classes of customers and rate payers will pay much more, and some will pay less or stay the same. The committee felt that most, but not all service classes should be billed in accordance with their cost share over a three-year transition. The committee is leaning toward the 2 percent increase. Chris will bring updated graphs and tables for that scenario at the next meeting for further review and discussion.
- Sewer Rates. Costs were revised upwards since Chris' September draft. Chris pointed out that the city would need to raise aggregate rates 4% if it is going to build a capital projects reserve fund. The committee reviewed the existing COBI Utility debt schedule. There is a sizable retirement of debt starting in 2026. UAC is leaning more towards 2% aggregate rate growth here, too. Retiring old debt by itself increases the city's borrowing capacity and helps it get the best rates. The committee felt that it didn't make a lot of sense to also be building a reserve fund at the same time. Chris will revise charts and tables based on 2% increase for further review.



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The committee also discussed if the rate structure should be biased more towards usage fees than base rate to incentivize conservation. Consensus was that with the complicated adjustment to rate classes to correct cost of service discrepancies, this would just make the result more confusing. As modelled 55 % of system revenues are generated from the Base Rate with residential customers paying 61% in base rate and nonresidential paying 38%. Chris will present an option of applying the increases only to the usage fraction of the bill.

- Presentation strategy. Barry confirmed that under the contract FGS can prepare for the council a slide show (of about 30 slides) and a narrative report with all the tables and models explained. The committee discussed how all this information will be presented to the council; Barry will discuss that further with the administration, council, and consultant. It was decided that the UAC should prepare a memorandum describing the committee's review of the consultant's work and recommending approval of the final product. Andy and Jeff will begin work on the memo.

7. For the Good of the Order. Nothing to report.

8. Adjournment 7:05 p.m.

  
Co-chair

2/22/19

Date