

Update to Council

Goal #7: Acquire Seattle Potable Water System

(Seattle Public Utilities - SPU)

Presented by

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April 2011



Tonight's Discussion

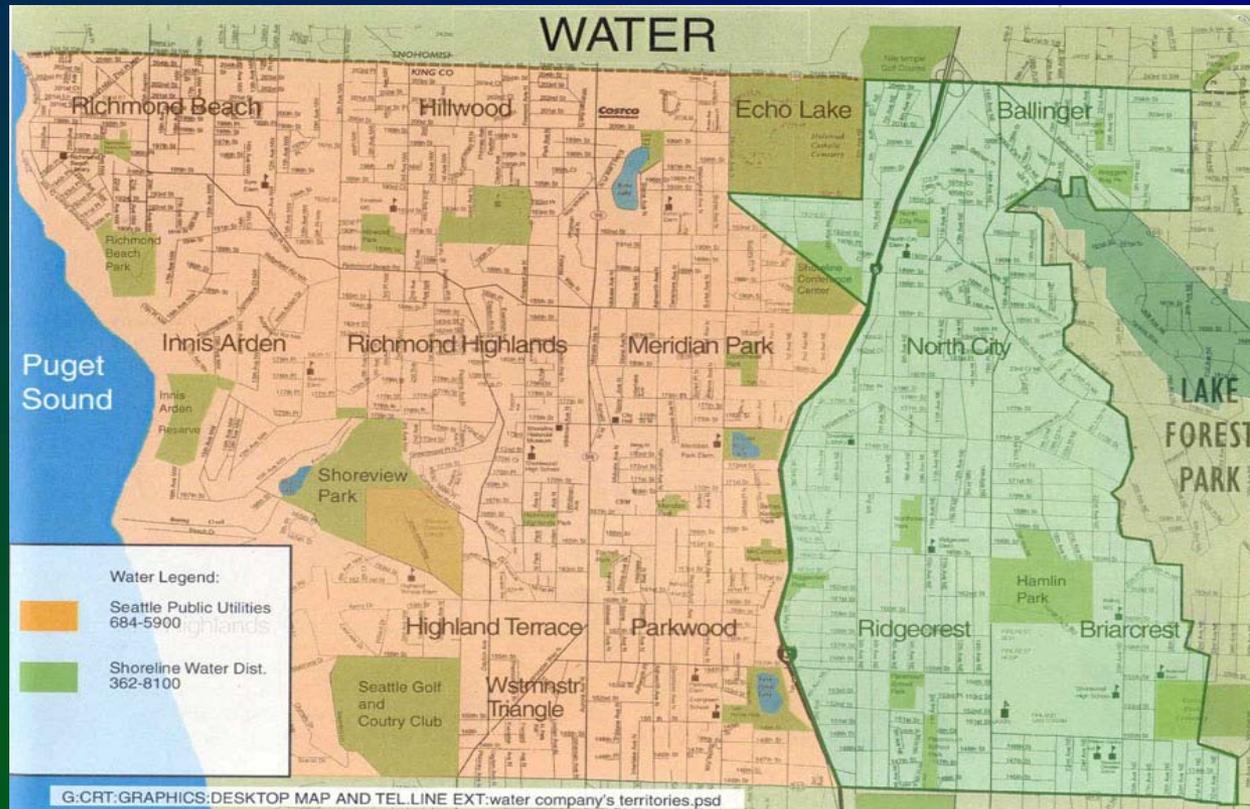
- Reasons for considering the acquisition
- Parameters for determining a successful acquisition
- Process for next steps, including the public participation process

Council Objectives for Goal #7

- To acquire the system at a price that, when added to other costs to operate and maintain the system, would fall within a rate structure equal to or less than what SPU would forecast over a reasonable period of time
- Reinvest back into the system more aggressively with O&M and CIP.



Seattle Water System in Shoreline



Seattle Water System in Shoreline

- Infrastructure created starting in the 1930s
- Large phase of construction in the 1950s and 1960s.
- It is a “distribution system” served by a transmission line.
- There is no watershed or water rights as part of the acquisition.



Reasons for the Seattle Acquisition

- Long-term Strategic Interests
- Representation
- Construction Coordination
- Operational Efficiencies
- City & staff expertise



Reasons for the Seattle Acquisition

A. Long-term strategic interests:

– Community Vision Statement & the Framework Goals:

- **FG#2:** Provide high quality public services, utilities, and infrastructure that accommodate anticipated levels of growth, protect public health and safety, and enhance the quality of life.
- **FG#14:** Designate specific areas for high density development, especially along major transportation corridors.



Reasons for the Seattle Acquisition

- A. Long-term Strategic Interests (*cond.*):
 - A more aggressive reinvestment strategy
 - maintenance
 - capital improvements
 - line replacement
 - fire protection
 - Facilitate redevelopment
 - meet the demands of growth
 - Allow for timely & strategic installation of utilities
 - diversify the City's tax base



Reasons for the Seattle Acquisition

B. Representation

- Direct control & decisions of the utility
 - rate structures,
 - CIP & their timing
 - Service standards
- Currently, Seattle makes all the decisions
- Under right financial circumstances, the Seattle acquisition is another opportunity for local control



Reasons for the Seattle Acquisition

C. Construction Coordination

- Acquiring Seattle system will allow the City to better plan & manage construction activity within the public right-of-way
- Properly planning for capacity, financing the projects and coordinating the timing of construction allows for maximum efficiency to the utility & to the rate payer



Reasons for the Seattle Acquisition

D. Operational Efficiencies

- Adequate operation and maintenance (O&M) provides
 - long-term, efficient use of the system
 - a longer service life
 - more reasonable & stable rate structure
- How is O&M provided?
 - Process determined later in the process
 - Internal as a City operation vs. contracted



Reasons for the Seattle Acquisition

E. Staff Expertise

- City's experience with Surface Water Utility
 - master planning
 - operations and maintenance
 - capital improvement projects
 - rate studies
 - pipeline and pumping facilities
 - asset management
 - customer service



Reasons for the Seattle Acquisition

E. Staff Expertise *(cont.)*

– Key management positions

- *Public Works Director:*

- Past Director experience with municipal utilities – water, wastewater and solid waste
- professional engineer with design and construction experience

- *Administrative Services Director:*

- City Treasurer and Account Manager for Wenatchee's sewer, water, and solid waste utilities
- Responsible for implementation of water billing in Mill Creek



Financial Parameters

City Council objectives for Goal #7:

- To acquire the system at a price that, when added to other costs to operate and maintain the system, would fall within a rate structure equal to or less than what SPU would forecast over a reasonable period of time
- Reinvest back into the system more aggressively with O&M and CIP.



Financial Parameters

- Three evaluation methodologies:
 - the Cost Approach
 - Replacement Cost
 - Original Cost
 - the Market Approach
 - the Income Approach
- Two-phase development of a budget to operate and maintain the utility
 - negotiation to achieve a reasonable price
 - review and confirm the cost once agreed between parties

Financial Parameters

- Costs included in the budget:
 - proposed revenue stream based on historical data and rate projections from Seattle
 - debt service for purchase price
 - purchase of wholesale water from Seattle
 - operations and maintenance costs
 - separation costs between Shoreline and Seattle
 - capital improvement program (CIP)



Financial Parameters

- Operations & Maintenance (O&M) costs:
 - utility billing system
 - meter readers
 - maintenance facility, small tools and inventory
 - rolling stock equipment and equipment replacement program
 - operating & utility costs for pump station and other facilities
 - field personnel and management
 - engineering expertise
 - administrative support services

Financial Parameters

- Sale of revenue bonds to purchase the system:
 - paid back by the rate payers of the utility
 - guaranteed by the revenue of the utility and the utility alone (NOT general obligation bonds)
 - issuance of revenue bonds does not reduce City's ability to pursue other bonds in the future
 - State law provides additional debt capacity for utility purposes, in addition to any capacity allowed for general purposes



Current Status

- Negotiations continue until a tentative sale price is reached, or not.
- Support from EES Consulting:
 - appraisal methodologies
 - budget development for all costs and revenues
 - financial models to test assumptions and alternatives
- Begin the feasibility and financial analysis

Next Steps

- After completion of feasibility analysis:
 - full transparency of the details
 - Council to determine if utility could be purchased meeting the objectives for this Goal
 - public process, culminating in a public vote
- Opportunities for public participation:
 - FAQs
 - neighborhood, business, & civic group meetings
 - open houses, forums and workshops
 - information via newsletters, Currents, TV, mailings
 - formal public hearings

Mark Bunje, Fire Chief
Shoreline Fire Department

Q&A

