

City of Bainbridge Island Utility Advisory Committee

Meeting Minutes - January 16, 2025

Meeting Convened 5:30 pm.

Present: Charles Averill (co-Chair); Ted Jones (co-Chair) via Zoom; Sheina Hughes, Andy Maron, Wanda Schultze, Svend Brandt-Erichsen,

Absent: Martin Pastusha

Also Present: Council liaison Jon Quitslund, Public Works Director Chris Wierzbicki, Finance Director DeWayne Pitts

Agenda and Conflicts of Interest

- No items were added to the agenda
- No conflicts of interest were disclosed

Liaison Report

Council Member Quitslund provided the committee with an update on Island planning efforts:

- The Planning Commission has had one meeting regarding the Winslow subarea plan and Island Comprehensive Plan update.
- At its January 28 meeting, the Planning Commission will be discussing redevelopment standards in Winslow
- A draft of the Winslow Subarea Plan is expected to be available to the Planning Commissioner by March.

Sewer District 7 – has set a meeting for February 3 for a decision on its path forward

The City Council is considering call for a study to plan for the future of separate and related sewer systems on the Island.

Utility Rate Study – Continuation of discussion from prior meetings

Low Income Program

Chris Wierzbicki summarized an analysis of the City's low income utilities program, which was then discussed among the Committee members.

The City is piloting a low income lens for race and equity analysis, which involves applying a set of questions to the decision-making process.

The existing City program relies on age and income factors. Depending on applicability of these factors, a reduction of up to 50% in utility fees is available.

Comparing the City's approach to Kitsap County's property tax reduction program, the County applies three brackets, up to \$48,574 income (2024 income threshold up to \$65,000)

To collect information for its evaluation of the program, the City distributed an electronic survey with bills – received 555 responses (410 completed).

- Did not go to condo residents, or to renters who do not pay water bill on their own.
- Collected data on race, age, disability, household income
- 20% of survey responses had incomes below \$60K

Considering this data and looking at how other governments approach this question, the City is proposing to revise the fee reduction program to determine qualification based on income only. The revised program would use three income bands:

- 0-\$46K – 60% reduction
- \$46-56K – 55% reduction
- \$56-65K – 50% reduction

During discussion of this proposal, a committee member asked whether state law allow a discount based on income, or whether it limits permissible factors to race and disability? In response, reference was made to RCW 36.67.020(5), which allows cities to discount services for low income.

Utility Rate Study

Chris Gonzalez from FCS group joined the meeting for a continuation of his presentation on the utility rate study.

Recap of Revenue Requirement Analysis

- Based on discussion in a prior meeting, baseline scenarios have been updated to reflect deferral of the first rate increase to 2026, to avoid two rate increases in the same year.
- The analysis also has been updated to include estimated impacts of low-income discount program expansion

Water Rate Plan

- If delay rate increase to 2026 to avoid mid-year 2025 increase, projected need for 33% increase in 2026, 32.5% increase in 2027 and 2028, then return to 3.5% increases in subsequent years
- Under current rate schedules, the existing 2025 rate is \$45.48/mo for residential bill at 7 ccf.
- Proposed 2026 rate would be \$60.47/mo
- Projected 2027 rate would be \$80.14/mo
- Projected 2028 rate would be \$106.16/mo
- Comparison to water rates in 17 other communities in the region– Bainbridge would move from about 2/3 of those communities having higher rates to about 1/3 having higher rates.

Sewer Rate Plan

- If delay rate increase to 2026 to avoid 2025 mid-year increase, projected need for 16% increase in each of the next three years (2026, 2027, 2028) and then return to 4% rate increases in subsequent years.
- The projected revenue requirements assume that the wastewater treatment plant's outfall will be moved in 2028. The need to move the outfall has been discussed at prior meetings; it is needed to meet state requirements.
 - Delaying moving the outfall would reduce short-term costs but is projected to increase the overall cost of the project when it is completed.
- Under current rate schedules, the existing 2025 rate is \$114.83/mo for residential customer.
- Proposed 2026 rate would be \$133.21/mo
- Projected 2027 rate would be \$154.54/mo
- Projected 2028 rate would be \$179.25/mo
- Comparison to 15 other communities in the region - in 2025 Bainbridge Island sewer rates are in the top 1/4. In 2026, Bainbridge Island rates would be 2nd highest.

Stormwater Rates

- Would remain at 3.5% annual rate increase

Estimated Impact – Low Income Discount Program Expansion

- Currently 70 participants in the discount program
- If the program doubles (to 140 participants), covering the cost would result in a projected rate increase of about 0.5% per year.
- If the program were to reach 210 participants, the projected rate increase to cover the cost would be about 1% per year in water and sewer
- These increases would be on top of the rates discussed above.

Water/Sewer System Participation Fee Analysis

System Participation Fees

SPF is a connection charge, based on the cost of existing assets and future capital projects. It is set at a level intended to assure that development makes an equitable contribution to system costs

Chris Gonzalez reviewed the factors considered in calculating water and sewer SPFs.

- Water SPF – fee expressed per Meter Equivalent (ME)
- Calculation has water and fire suppression components.
 - Water Service \$5,002 +
 - Fire Suppression \$2219
 - Total = \$7,221

- Sewer SPF – fee expressed per ESU
 - Collection \$5,107 +
 - Treatment \$8,454
 - Total = \$13,561
- South Island properties are only included in the collection component, as their wastewater is treated by Sewer District #7.
- The Treatment component does not include South Island properties

Potential adjustments to SPF methodology

There was a discussion of two adjustments that could be made to the SPF calculation methodology that could result in changes to the SPF.

- Eliminating deduction for outstanding debt principal
 - The deduction is premised on not charging for assets new customers will pay for through rates
 - The deduction is not required by law (RCW 35.92.025)
 - The Committee discussed whether developers are likely to pass this cost on to home buyers – whether the party paying the SPF is the same party that will pay utility rates.
 - Committee members noted that not all new connections are new development.
- Changing the denominator for fire suppression based on meter counts versus meter equivalents
 - Currently based on meter-equivalents weighted by class-specific fire flow requirements.
 - Changing to meter counts would reduce the cost to larger meters

Making both adjustments would have the potential to increase SPF costs, potentially reducing the user fees for water and sewer by roughly 0.5% to 1% per year.

- Eliminating the deduction could offset the cost of the low income program.
- Rate adjustment is premised on a certain level of development, which may or may not occur.

2025 Work Plan

- The Committee approved the previously circulated 2025 work plan

For Next Committee Meeting

- Continue discussion of rate study
- Prepare for Comp Plan discussion at next meeting

