

CITY OF UNALASKA  
UNALASKA, ALASKA

RESOLUTION 2017-22

RESOLUTION 2017-22: A RESOLUTION OF THE UNALASKA CITY COUNCIL AUTHORIZING THE CITY MANAGER TO INCREASE THE RATES IN THE WASTEWATER PROPRIETARY FUND BY 7% IN FY2018, 4% IN FY2019, 2% IN FY2020, AND 2% IN FY2021 AND INCREASE THE RATES IN THE SOLID WASTE PROPRIETARY FUND BY 4.5% IN FY2018, 4.5% IN FY2019, AND 4.5% IN FY 2020. THE USE OF REVENUE FROM THE 1% SALES TAX SPECIAL REVENUE FUND, NOT TO EXCEED \$1,300,000 ANNUALLY, TO SUPPLEMENT THE ANNUAL WATER, WASTEWATER, AND SOLID WASTE PROPRIETARY FUNDS BUDGETS.

WHEREAS, the City of Unalaska has determined that a rate increase is needed in the Wastewater and Solid Waste Proprietary Funds; and

WHEREAS, the needed rate increase for the Wastewater Proprietary Fund is 7% in FY2018, 4% in FY2019, 2% in FY2020, and 2% in FY2021; and

WHEREAS, the needed rate increase for the Solid Waste Proprietary Fund is 4.5% in FY2018, 4.5% in FY2019, and 4.5% in FY 2020; and

WHEREAS, the Unalaska City Council has determined that it is in the best interests of the residents of the City of Unalaska to use the revenue from the 1% Sales Tax Special Revenue Fund to supplement the annual Water, Wastewater and Solid Waste Proprietary Funds budgets; and

WHEREAS, the revenue used to supplement the annual Water, Wastewater and Solid Waste Proprietary Funds budgets, shall not exceed \$1,300,000 annually; and

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council authorizes the City Manager to increase the rates in the Wastewater Proprietary Fund by 7% in FY2018, 4% in FY2019, 2% in FY2020, and 2% in FY2021 and increase the rates in the Solid Waste Proprietary Fund by 4.5% in FY2018, 4.5% in FY2019, and 4.5% in FY 2020. The use of the revenue from the 1% Sales Tax Special Revenue Fund, not to exceed \$1,300,000 annually, to supplement the annual Water, Wastewater, and Solid Waste Proprietary Funds Budgets.

PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE UNALASKA CITY COUNCIL THIS 14th DAY OF March, 2017.

  
MAYOR

ATTEST:

  
CITY CLERK



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## MEMORANDUM TO COUNCIL

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**TO:** MAYOR AND CITY COUNCIL MEMBERS  
**FROM:** DAN WINTERS, DPU DIRECTOR  
**THRU:** DAVE MARTINSON, CITY MANAGER  
**DATE:** FEBRUARY 28, 2017  
**RE:** RESOLUTION 2017-22: A RESOLUTION OF THE UNALASKA CITY COUNCIL AUTHORIZING THE CITY MANAGER TO INCREASE THE RATES IN THE WASTEWATER PROPRIETARY FUND BY 7% IN FY2018, 4% IN FY2019, 2% IN FY2020, AND 2% IN FY2021 AND INCREASE THR RATES IN THE SOLID WASTE PROPRIETARY FUND BY 4.5% IN FY2018, 4.5% IN FY2019, AND 4.5% IN FY 2020. THE USE OF REVENUE FROM THE 1% SALES TAX SPECIAL REVENUE FUND, NOT TO EXCEED \$1,300,000 ANNUALLY, TO SUPPLEMENT THE ANNUAL WATER, WASTEWATER, AND SOLID WASTE PROPRIETARY FUNDS BUDGETS.

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**SUMMARY:** Through Resolution 2017-22, Staff is requesting a consecutive four-year rate increase in the Wastewater Proprietary Fund of 7% in FY2018, 4% in FY2019, 2% in FY2020, and 2% in FY2021. A consecutive three-year rate increase in the Solid Waste Proprietary Fund of 4.5% in FY2018, 4.5% in FY2019, and 4.5% in FY 2020. Staff is also requesting the use of revenue from the 1% Sales Tax Special Revenue Fund to supplement the annual Water, Wastewater, and Solid Waste Proprietary Funds Budgets. The monetary amount used from the 1% Sales Tax Special Revenue Fund shall not exceed \$1,300,000. A Rate increase for the Water Proprietary Fund is not needed at this time. Staff recommends approval of Resolution 2017-22.

**PREVIOUS COUNCIL ACTION:** Recent Council actions are as follows:

- At the January 26, 2016 Council Meeting, Staff present to Council, through Mike Hubbard, the Electric Rate and Cost of Service Study.
- At the September 8, 2016, Mike Hubbard presented the High Level Rate Review for Water, Wastewater, and Solid Waste to Council.
- At the October 25, 2016 Council Meeting, Director Winters presented the Water, Wastewater, and Solid Waste Rate Increase Options to Council. Council gave direction to the City Manager to return with impact on residential and industrial customers from a one year rate increase for all three Proprietary Funds.
- At the November 22, 2016 Council Meeting, Director Winters presented Council with impact on residential and industrial customers from a one year rate increase.

**BACKGROUND:** Due to major projects that were mandated by the Environmental Protection Agency, expenses to operate the Water, Wastewater, and the Solid Waste Funds have increased substantially.

Staff and City Council have been discussing the impact of these projects and the rate increases needed for the Water, Wastewater, and Solid Waste Proprietary Funds since 2009. The 2012 High-Level Rate Study depicted that a rate increase of 29% for the Water Fund, 68% for the Wastewater Fund, and 75% for the Solid Waste Fund was needed by 2016. Rates were increased consecutively for three years starting in FY2013. The sum of these rate increases were 21.3% for Water, 42.3% for Wastewater, and 32.1% for Solid Waste. These rate increases accomplished bringing the difference between expenses and revenues closer for the budget before the new plants became operational. However, the rate increases did little to make up for the budget shortfall after the new plants were online. According to Mike Hubbard's September 2016 Rate Review presentation to Council, rate increases were still needed to balance out the budgets.

During Staff's discussion with Council, there was a clear consensus that another monetary source is necessary to reduce impacts on needed rate increases. Staff believes that using a portion of the 1% Sales Tax Special Revenue Fund is the most logical approach. The City receives \$3,878,658 annually from this fund. Using an amount, not to exceed of \$1,300,000 to supplement the Water, Wastewater, and Solid Waste Proprietary Funds will reduce the rate increases substantially.

**DISCUSSION:** Through Resolution 2017-22, Staff is requesting to use funds from the 1% Sales Tax Special Revenue Fund, not to exceed \$1,300,000, to supplement the Water, Wastewater, and Solid Waste Proprietary Funds. The staff is also requesting approval to initiate a rate increase in the Wastewater Proprietary Fund of 7% in FY2018, 4% in FY2019, 2% in FY2020, and 2% in FY2021. An increase in the Solid Waste Proprietary Fund of 4.5% in FY2018, 4.5% in FY2019, and 4.5% in FY 2020 is also requested. When approved, these rate increases will begin on July 1, 2017.

Staff's analyses show that a rate increase in the Water Proprietary Fund is not needed at this time. The total monthly monetary increase for the residential ratepayer at the end of four years is \$3.32 for Solid Waste, and \$15.54 for Wastewater. The total monthly monetary increase for the industrial rate payer at in four years is \$3.32 for Solid Waste and \$834.20 for Wastewater.

As discussed with Council, the staff will review these rates on an annual basis to determine if there is a need to reset the current course for utility rates.

**ALTERNATIVES:** Staff and Council have been discussing options concerning this rate increase since 2009. Staff believes that the rate increases being requested through this resolution is the most logical approach.

**FINANCIAL IMPLICATIONS:** Staff's requested rate increases will increase the rates across the board for all services and charges within the Wastewater, and Solid Waste Proprietary Funds. A net cash flow of \$300,000 for Wastewater and \$200,000 for Solid Waste has been included to pay for incidental issues that may occur in operations. Along with the rate increase, money from the 1% Sales Tax, not to exceed \$1,300,000, will be used to subsidize the proprietary funds. Table 3 shows the 1% Tax contributions for the consecutive years of the rate increase.

**LEGAL:** The City Manager will determine whether a legal opinion is required.

**STAFF RECOMMENDATION:** Staff recommends Council's approval of Resolution 2017-14.

**PROPOSED MOTION:** I move to approve Resolution 2017-22.

**CITY MANAGER'S COMMENTS:** I recommend Council approve this resolution.