

City of Shoreline Utility Unification & Efficiency Study

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Purpose of this Evening

- Council consideration & acceptance of the Final Utility Unification & Efficiency Study
 - Focus on changes since April 21st Draft report presentation
- If accepted, Council motion to proceed with Ronald Wastewater Assumption
 - Per adopted Resolution #681



Final UU&E Study

- Utility Unification & Efficiency Study includes:
 - Final Report prepared by EES Consulting (att. A)
 - Changes since 4/21
 - Separated Surface Water utility from General Operations
 - Added alternative with RWD & NCWD, no SPU
 - Utility Rates & Charges Assessment Report (att. B)
 - Changes since 4/21
 - Added rate history for City's Surface Water Utility



Objectives of Final Study

- Quantify the savings associated with operating the SPU Service Area, the Ronald Wastewater District (RWD) and the North City Water District (NCWD)
- Savings to the Water/Wastewater Utility
 - Reduced Staffing
 - Reduction in Contracts for Utilities
 - Reduced Equipment/Buildings



Objectives of Final Study

- Savings to the General Operations of the City
 - Sharing of Administrative Services
 - Sharing of Employees
 - Reduction in Contracts for Other Departments
- Non-Economic Benefits
 - Identify opportunities for the future



Overview of Options

- Option 1: Independent Operation of Each Utility
 - 1a: City operates SPU service area alone
 - 1b: City operates RWD service area alone
- Option 2: City Operation of SPU and RWD Together
- Option 3: Assume NCWD Service Area at End of Franchise
- Option 4: Negotiate to Add NCWD in 2020
- Option 5: Assume RWD in 2017 and NCWD in 2028
(new case that excludes the SPU service area)



Direct Savings to the Utility

	Direct Utility Savings 2020-2040	% Savings (with treatment costs)	% Savings (excludes treatment costs)
Option 1a	\$26.5 million	10.4%	10.4%
Option 1b	\$4.9 million	1.6%	5.5%
Option 2	\$56.2 million	9.9%	16.3%
Option 3	\$69.4 million	10.3%	15.5%
Option 4	\$81.6 million	12.2%	18.2%
Option 5	\$12.0 million	2.9%	6.2%

Questions from RWD and NCWD

- Savings calculation differs between SPU and RWD/NCWD, making it difficult to combine in some tables so SPU savings not included in detailed tables that break out the savings
- \$1.2 million per year costs for SPU to cover administrative services, incremental amounts included as a cost to other utilities so it is not double counted, but total combined amount included as the general operations savings
- Savings do not go down when SPU and RWD are combined (previous slide)



Questions from RWD and NCWD

- Funds are not “shifted around” – but there is an allocation of administrative costs to the new utility for services provided
- The administrative services department has estimated it will need two additional employees – those are included in the employees needed for the utility and costs are assigned to the utility
- Water sales is a good allocator for both revenues and wholesale water costs. Assumed costs are same to serve customers in both Shoreline and Lake Forest Park. This study is preliminary and can better assess if the City proceeds.



Questions from RWD and NCWD

- The \$800,000 surface water “shortfall” was the difference between actual and projected costs. It does not reflect a shortfall between revenues and costs.
- Savings are now identified separately for the surface water utility (shown in later slide).
- There are greater benefits with cross-trained employees when employed by the same entity for standard operations and maintenance projects, not just emergency situations. Includes more effective scheduling, reduced overtime, less travel time, more efficient training.



Benefits to Other City Departments

	General Operations Savings 2020-2040
Option 1a	\$28.7 million
Option 1b	\$17.5 million
Option 2	\$36.7 million
Option 3	\$39.5 million
Option 4	\$41.3 million
Option 5	\$22.1 million



Breakdown of Annual Benefits

	General Operations Savings 2014 \$	Savings for Stormwater Utility 2014 \$	Net Savings for Other Departments 2014 \$
Option 1a	\$1,366,000	\$511,000	\$854,000
Option 1b	\$833,000	\$481,000	\$353,000
Option 2	\$1,748,000	\$535,000	\$1,200,000
Option 3	\$1,966,000	\$553,000	\$1,400,000
Option 4	\$1,966,000	\$553,000	\$1,400,000
Option 5	\$1,188,000	\$505,000	\$682,000

Represents roughly 10% savings to the Stormwater Department



Recommendation

- Acceptance of Final report
- Authorize the City Manager to proceed with assumption of the Ronald Wastewater District in 2017 by filing Notices of Intent with the King County and Snohomish County Boundary Review Boards



Questions and Comments

