

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Discussing Resolution No. 417- Establishing Customer Service Policies to Manage a Wastewater Enterprise, Ordinance No. 793 – Amending SMC Chapter 2.60 Purchasing Code, Ordinance No. 795 – Amending Chapter 3.50 Sale and Disposal of Surplus Personal Property, and Resolution No. 416 - Amending the City's Business Expense Policy
<b>DEPARTMENT:</b>	Administrative Services
<b>PRESENTED BY:</b>	Sara Lane, Administrative Services Director
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

The assumption of the Ronald Wastewater District (RWD) requires that the City of Shoreline develop and implement financial and customer service policies necessary to operate a wastewater utility. City staff worked with RWD staff and a consultant experienced in the merger of utilities, FCS Group, to conduct a review of RWD policies and the City's policies to identify any changes that might be needed to ensure the adopted policies follow best practices. City staff also took the opportunity to conduct an independent review of the City's financial policies to address any housekeeping changes that might be needed to existing City policies.

Tonight's discussion will cover changes recommended as a result of this review and include the following:

- Res. No. 417 – Establishing Customer Service Policies to Manage a Wastewater Enterprise,
- Res. No. 416 - Amending the City's Business Expense Policy,
- Ord. No. 793 Amending SMC Chapter 2.60 Purchasing Code, and
- Ord. No. 795 Amending SMC Chapter 3.50 Sale and Disposal of Surplus Personal Property.

**RESOURCE / FINANCIAL IMPACT:**

No financial impacts are anticipated as a result of this discussion. The recommended policy and code changes will ensure that the City has financial and customer services policies necessary to operate a wastewater utility, provide clarity, consistency, and provide operational efficiencies.

## **RECOMMENDATION**

No action is required tonight. Staff seeks Council direction on the proposed changes. Resolution Nos. 416 and 417 and Ordinances Nos. 793 and 795 discussed tonight will be brought back to Council for adoption in the coming weeks, depending on Council's discussion and comfort with these proposed policy changes.

Approved By:        City Manager **DT**    City Attorney **MK**

## **BACKGROUND**

In 2002, the City and the Ronald Wastewater District (RWD), a special purpose district, entered into an Interlocal Operating Agreement (IOA) to unify wastewater services with City operations. The IOA and state law outline the assumption process between the City and RWD.

In 2014, RWD and the City jointly agreed to create two subcommittees, a Committee of Elected Officials (CEO) and a Staff Committee, to plan for the eventual assumption of the District by the City per the IOA. The goal of the committees was to develop an Assumption Transition Plan which identifies and addresses all policy issues necessary for the assumption of the District by the City.

The City Council and RWD Board of Commissioners both adopted the Assumption Transition Plan on February 29, 2017. The staff report for the City Council discussion can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2016/staffreport022916-7c.pdf>.

Minutes from the Board of Commissioners discussion can be found at the following link:

[http://www.ronaldwastewater.org/downloads/02\\_29\\_16\\_Approved\\_Minutes.pdf](http://www.ronaldwastewater.org/downloads/02_29_16_Approved_Minutes.pdf).

With the adoption of the Assumption Transition Plan complete, the project moved into the next phase, known as the Transition Phase. The Transition Phase involved City and RWD staff working collaboratively to implement the various elements of the Assumption Transition Plan, including review of financial policies.

On February 27, 2017, the Council authorized staff to enter into an agreement with Stantec Consulting Services Inc. (Stantec) to assist staff in the development of new City wastewater code, an update of the Engineering Development Manual (EDM) and a review and update of financial policies in preparation for RWD assumption. The staff report for this authorization can be found at the following link:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport022717-7c.pdf>

Stantec subcontracted the work on the review of financial policies to FCS Group, who had specific experience in the area of utility mergers. City staff worked with RWD staff and FCS Group to conduct a thorough review of RWD policies and the City's policies and identify any changes that might be needed to ensure the adopted policies follow best practices. City staff also took the opportunity to conduct an independent review of City policies to address any housekeeping changes that might be needed to existing City policies.

The consultant's focus was on reconciling RWD's policies and practices with the City's. In summary, they found that there is relatively little overlap between the written policies of the City and RWD. RWD has good policy documentation in areas where the City has no previous policies because it has not had a utility with customer accounts. Currently, King County bills for the City's surface water utility and the City contracts with Recology for its solid waste utility. The subjects for which the City has documented

financial policies tend to be areas where RWD's policy documentation is more limited. There are some generic financial management topics, such as purchasing authority, where RWD has current policies or practices that differ from those of the City. However, even in those cases, the reconciliation between the two seems quite straightforward.

The consultant's recommendation was that, in general, where a policy is generic to any City department, the wastewater utility should conform to the City's policy. Where there are policies or practices that result from the specific requirements of operating a utility—particularly in the management of customer accounts—they recommended that the District's current policies be adopted by the City.

The City's review focused on housekeeping changes and updates that will help clarify the code or policy, create administrative efficiencies, and adjust certain thresholds for inflationary impacts.

## **DISCUSSION**

Tonight's discussion will cover changes recommended as a result of this review and include in following:

- Res. No. 417 – Establishing Customer Service Policies to Manage a Wastewater Enterprise,
- Res. No. 416 - Amending the City's Business Expense Policy,
- Ord. No. 793 Amending SMC Chapter 2.60 Purchasing Code, and
- Ord. No. 795 Amending SMC Chapter 3.50 Sale and Disposal of Surplus Personal Property.

### **Resolution No. 417 – Establishing Customer Service Policies to Manage a Wastewater Enterprise**

As noted above, FCS Group recommended that the City utilize the existing RWD policies and practices in operating the wastewater utility. A copy of the FCS Technical Memo detailing the result of their analysis is provided at Attachment A.

The majority of the RWD's utility-specific policies are included in the 20-page annual rate resolution adopted just before the beginning of each year. The consultant notes that the policies are well defined and do not need to be adopted annually and recommends that only the rate table be adopted each year. City staff concur with this approach and recommend that the City adopt the Wastewater Customer Service Policies by Resolution No. 417 (Attachment B), effective immediately upon assumption of RWD by the City.

The following table provides a high level summary of the topics (by section) covered in the policy:

<b>Topics</b>		<b>Summary/Key Points</b>
Definitions and Abbreviations		
Section 1	Properties Subject to This Policy	Properties within 300 feet of a sewer line with exception for some properties with functioning septic systems in old King County Sewer District No. 3
Section 2	Structures Required to be Connected Where Sewer Lines are Available	Any improvements on property which are designed, intended or suitable for human occupancy, employment, recreation, habitation or other purpose. Also addresses demolition of structures
Section 3	Billing Procedures	Delivery by mail or electronic methods and timing of billing, duplicate bills, time limit on back billing, refunds
Section 4	Wastewater Service Charge Delinquency, Penalties, Interest, and Liens	10% delinquent payment charge, lien processing fee, interest charged should a lien be imposed. Timing for collection actions, application of payments on delinquent accounts,
Section 5	Customer Classification and Calculation of Wastewater Service Charge	Classification for Residential and Commercial customers, regular service charge and treatment charge Special Billing for Mountlake Terrace, provision for an industrial classification in the future.
Section 6	New Accounts	Estimation process for commercial accounts, mixed use properties, and new classifications.
Section 7	Surcharges	Surcharges allowed where needed where needed to support additional costs needed to service a particular area or customer. Provides for a local facilities charge for new connections from previously unsewered areas.
Section 8	Reduced Rates for Qualifying Low-Income Senior and Low-Income Disabled Citizens	Reduced rates for qualifying low income seniors. Available for property owners/occupants earning 60% of the Local Area Median Household Gross Annual Income.
Section 9	Protest/Appeal Process	Defines the process for filing a protest or appealing charges.
Section 10	General Facilities Charge and Edmonds Treatment Facilities Charge	Defines the situations where the General Facility Charge and the Edmonds Treatment Facility Charges will be applied.

## **Resolution No. 416 - Amending the City's Business Expense Policy**

As part of the review for the transition of RWD, staff reviewed the City's Business Expense Policy, best practices from professional associations, and policies of other cities, and considered current areas of confusion to identify potential changes to the policy. The City's Business Expense policy details policy regarding the reimbursement of business expenses by the City including travel, subsistence and related expenses, and certain non-travel related expenses incurred by authorized persons while conducting City business or providing a service for the City.

The policy requires that expenses must be reasonable and prudent under the circumstances and directly related to the conduct of business or service for the City. Expenses should fit within the framework created by the City's core values, and they should pass the 'Reasonable Person Test': "Would the average, reasonable Shoreline resident agree that the expense was a legitimate use of their taxes?" Reimbursement for business expenses are made subject to the rules contained in the policy and with Chapter 42.24 RCW.

The City last adopted a resolution amending the City's business expense policy in April 2013. Following is summary of the specific recommended changes to the City's Business Expense Policy. Proposed Resolution No. 416 (Attachment C) provides for these policy changes.

### **Section 3.1: Prior Approval**

- Clarifies requirement for prior approval for overnight and international travel.

### **Section 3.2: Documentation**

- Language has been added to allow a "Declaration of Lost Receipt" after all reasonable attempts have been made to obtain a copy.
- A provision was added which clarifies that reimbursement is not allowed when payment was made with non-cash items such as gift cards, airfare credits and frequent flyer miles.

### **Section 3.3: Reimbursable Meal Costs**

- Revised to provide that meal reimbursements while in travel status shall be based on per diem for the travel destination rather than on actual meal costs.
- Retains option for reimbursement of actual costs in limited situations (i.e., in the event of a meal attended by multiple employees.)

### **Section 3.5 C: Rental Vehicle**

- Expanded to explain that when an exception to policy is granted to allow a rental car, employee's insurance coverage is primary for the rental vehicle and outlining the coverage offered by the City's insurance policy. It also provides for reimbursement of CDW coverage purchased from the rental car company.

### **Section 3.6: Air Travel**

- Removed language relating to use of a travel agent to obtain government fares since those reduced fares are no longer available to the City.

- Added verbiage to clarify the requirements when personal travel is combined with business travel.

**Section 6: Food and Beverages at City Meetings**

- Clarified to specifically highlight several additional covered events.

**Section 12: Sister City Program**

- This section has been removed.

**Ordinance No.793 - Amending SMC Chapter 2.60 Purchasing Code**

This chapter of the Shoreline Municipal Code (SMC), which was last updated in 2011, directs the procurement of public works, goods, services and real property at a reasonable cost, using an open, fair, documented and competitive process whenever reasonable and possible. While there were no changes recommended to the City's purchasing code to accommodate the operation of a wastewater utility, staff's review of the code identified some changes that will provide consistency with RCW and between certain procurement types. These changes also make some housekeeping updates and provide some operational efficiency. The following table summarizes the recommended changes included in proposed Ordinance No 793 (Attachment D):

**Purchasing Code Update Table**

<b>Section</b>	<b>Current</b>	<b>Proposed</b>	<b>Reason</b>
<b>Housekeeping</b>			
2.60.050 C (6) 2.60.060 D (1) and 3	Purchasing officer	Administrative Services Director	Edited to eliminate title and simplify. Former title no longer exists. The Administrative Services Department already has responsibility for implementing this section, so further delegation in the code is not necessary.
<b>Public Works</b>			
2.60.030 F	\$200,000 threshold specifically set in Code	Link code to RCW "than the threshold for small public works projects as provided under RCW 39.04.155 as amended"	Ensures that code is consistent with RCW public works thresholds. This change was made throughout the code in 2007 code, but this particular reference was missed.

2.60.060 G	Bond level specifically set in code at 50 percent	“ request to have the city accept the percentage allowed by RCW 39.08.010”	Changing to point to RCW levels as amended and give the city the option to accept the in lieu of bond or not
<b>Services</b>			
2.060.070 B	Requires that a contract be created for purchase of services over \$3,000	Recommend that a contract or purchase order be required for services over \$3,000	Allowing low risk services over \$3,000 to be executed on a purchase order or other streamlined agreement would simplify the procurement process and create efficiencies.

Staff will be conducting a review of the contract routing process later in 2017 with the intent to identify additional efficiencies. Additional changes to the SMC may be needed following that review.

#### **Ordinance No. 795 - Amending SMC Chapter 3.50 Sale and Disposal of Surplus Personal Property**

Chapter 3.50 of the SMC governs the sale and disposal of surplus personal property for the City. While there were no changes recommended to the City’s surplus code to accommodate the operation of a wastewater utility, staff’s review of the code identified some changes that address the impacts of inflation in approval levels, gain consistency and provide some operational efficiency.

Chapter 3.50 of the SMC requires City Council approval for the sale of surplus property for an individual item valued in excess of \$2,000. Staff is requesting City Council amend SMC 3.50 to increase the City Manager’s authority to approve surplus of individual items valued up to \$5,000.

The request to surplus property is always contingent upon a review and determination that the surplus property which is owned by the City is no longer of public use. Once surplus is approved, SMC 3.50 allows the sale of the surplus property by sealed bids and live auction. The code also allows trade-in when purchasing new equipment provided the City receives appropriate trade-in value for the surplus equipment.

Staff researched other cities, such as the City of Mountlake Terrace and the City of Edmonds, and learned that they also have \$5,000 in their surplus limitation for capital assets. Staff will continue to research asset values through the use of the Kelly Blue Book and other appraisal sources. The increase would provide the following changes and process improvement:



Section	Current	Proposed	Reason
3.50.010	N/A	New section E with guidance on surplus of items purchased with grant funds to ensure compliance with granting agency requirements.	
3.50.020 & 3.50.030	\$2,000	\$5,000	<ol style="list-style-type: none"> <li>1. Align with capital asset values at \$5,000 or greater including sales taxes for vehicle and equipment assets versus small and attractive assets that are valued at \$5,000 or lower.</li> <li>2. Expedites the sale of surplus vehicles and equipment that ultimately reduces City storage space, reduces insurance coverage expenditures and returns revenue back to the City.</li> </ol>

Proposed Ordinance No. 795 (Attachment E) provides for this amendments.

### **COUNCIL GOAL ADDRESSED**

This item addresses City Council Goal 2: Improve Shoreline's infrastructure to continue the delivery of highly-valued public services. The development of financial and customer service policies necessary to operate a wastewater utility addresses a major element of the RWD Assumption Transition.

### **RESOURCE/FINANCIAL IMPACT**

No financial impacts are anticipated as a result of this discussion. The recommended policy and code changes will ensure that the City has financial and customer service policies necessary to operate a wastewater utility, provide clarity, consistency, and provide operational efficiencies.

### **RECOMMENDATION**

No action is required tonight. Staff seeks Council direction on the proposed changes. Resolution Nos. 416 and 417 and Ordinances Nos. 793 and 795 discussed tonight will be brought back to Council for adoption in the coming weeks, depending on Council's discussion and comfort with these proposed policy changes.

### **ATTACHMENTS**

- Attachment A – FCS Technical Memo
- Attachment B – Proposed Resolution No. 417
- Attachment C – Proposed Resolution No. 416
- Attachment D – Proposed Ordinance No. 793
- Attachment E – Proposed Ordinance No. 795



# Technical Memorandum

**To:** Sara Lane, Director of Administrative Services  
City of Shoreline

**Date:** July 31, 2017

**From:** Gordon Wilson, Senior Program Manager *Gordon Wilson*

**RE:** Comparison of Financial Policies – City of Shoreline and Ronald Wastewater District

The purpose of this memo is to compare the financial policies of the City of Shoreline and Ronald Wastewater District and to develop suggestions about how the City's wastewater financial policies should be modified after the City assumes the District.

## Summary of Findings

A more detailed review is contained below, but the short summary is that there is relatively little overlap between the written policies of the City and the District. The District has good policy documentation in areas where the City has no previous experience because it has not had a utility with customer accounts. The subjects for which the City has documented financial policies tend to be areas where the District's policy documentation is light.

There are some generic financial management topics such as purchasing authority, where the District has current policies or practices that differ from those of the City. However, even in those cases the reconciliation between the two seems quite straightforward.

In general, where a policy is generic to any City department, the wastewater utility should conform with the City's policy. In fact, District management is expecting to convert to City procedures. Where there are policies or practices that result from the specific requirements of operating a utility—particularly in the management of customer accounts—we recommend that the District's current policies be adopted by the City, except where the District's current approach might need to be adapted to the City's legal authority.

Because so few of the written policies overlap between the City and the District, the following detailed review is not written in a side-by-side format. Instead, this memo will summarize the key policies and -practices followed by each agency, starting with the District. Following a review of each agency's financial policies, we will make some suggestions for the City's Revenue and Customer policies following its assumption of the Ronald Wastewater District.

## District Financial Policies and Practices

### Annual Rate Resolution

The majority of the District's utility-specific policies are included in the 20-page annual rate resolution adopted just before the beginning of each year. We will go into detail about its contents here, so you are aware of the range of subjects that should be addressed when you have a utility with customer accounts.

#### Firm Headquarters

7525 166<sup>th</sup> Ave. NE., Suite D-215  
Redmond, Washington 98052

#### Locations

Redmond, WA | 425.867.1802  
Lake Oswego, OR | 503.841.6543

The annual rate resolution contains information about the following:

- A requirement that properties be connected to sewer service if a sewer line is within 300 feet of a sewer line.
  - There is an exception for properties within the former King County District No. 3 (KC3), provided that the septic system is functioning.
- The definition of a structure that must be connected.
- When billing begins for a newly connected customer.
- When billing can stop—that is, if a structure is demolished or made unfit for use, and the property owner caps the side sewer in a manner satisfactory to the District.
  - Note: a practice not mentioned in the annual rate resolution is that after discontinuing service, if a property owner rebuilds a structure on the site within five years, a credit will be given against the subsequent General Facilities Charge (GFC) corresponding to the number of Residential Customer Equivalents (RCEs) for which the previous GFC was paid. After five years, an entirely new GFC must be paid. This is consistent with King County’s approach to its capacity charge.
- The timing of billing.
  - Commercial accounts are billed monthly; residential accounts are billed bi-monthly.
  - Billing is not in arrears. Instead, the bill is sent out at the beginning of the period for which sewer service is provided and is due at the end of that period—either 30 days later or 60 days later, depending on whether the customer is commercial or residential.
- The definition of the property owner as the party responsible to pay the bill.
- Procedures for a property owner to request that someone else (for example, a property management company or tenant) receive a duplicate copy of the bill.
- Who receives the bill for condominiums.
- A policy that the District is not responsible for prorating the bill in the event of a change in ownership, a change in tenant, or a change in property manager.
- A policy that there are no refunds because of changes in ownership, tenancy, or a period of vacancy.
- A policy that if for some reason sewer service has been available but the property has not been billed, the District may back-bill for up to 36 months, based on then-current rates.
- The authority of the General Manager to determine the classification of mixed use properties, where more than there is one type of use and a single meter.

- For commercial properties, regardless of whether individual water meters have been installed for individual units, all billing must be directed to the property owner or condo association.
- Procedures for requesting refund of overpayments on an account.
- Account service fees for duplicate billing statements or account information changes.
- Definition of account delinquency, and procedures for notifying owner of delinquency.
- Penalties for delinquent accounts.
  - Late charge of 10% of current charges, which applies to each billing period for which the account is delinquent.
    - Late charge will be removed if total unpaid balance is paid in full by the end of first month of the billing cycle in which the late charge first appears on bill.
  - Lien processing fee of \$85 when a lien is recorded against delinquent accounts, removable for good cause.
- Procedures and fees and interest charges applicable if there is a change in property ownership while there is a delinquent account.
- The lien amount includes the outstanding sewer service charges, lien recording fees, applicable penalties, all legal fees, costs of title search, and legal costs incurred by the District. The lien will be inferior only to the lien for general taxes. The liens are certified to the King County Department of Records and Elections.
- A schedule of actions to be taken at various points in time after a sewer account is delinquent, ranging from one to six billing periods of delinquency.
- Authority for the General Manager to make exceptions on a case-by-case basis.
- Procedures to follow if the District receives a Notice of Trustee Sale or Foreclosure or a Notice of Bankruptcy.
- Procedures for foreclosure.
- Priority of payments received after delinquency; priority of payments made after the District initiates legal action.
- Classification of properties and structures into residential and commercial rate types.
  - Residential includes single family with or without accessory dwelling units, duplexes, triplexes, four-plexes, and trailer sites with sewer service.
  - Commercial includes all other uses (including apartments with more than four units).

- Calculation of District charge.
  - “District charge” and “treatment charge” are defined in a two-page “Definitions” section at the beginning of the annual rate resolution. The treatment charge is a pass-through of charges the District receives from King County or City of Edmonds. The “District charge” recovers the cost of pipes, pumps, and everything else.
    - After the City assumes the District, we suggest that the “District charge” be referred to as the “wastewater collection charge.” That label will still be recognizable by customers as distinct from the charge imposed by King County or the City of Edmonds, and it is reasonably descriptive about what types of costs are recovered with that charge.
  - “Unit” is also defined. The District’s customer database contains a record of the number of units for both multi-family and commercial structures. For commercial structures other than multi-family, “units” correspond to separate offices, suites, stores, or other commercial establishments.
  - “Residential Customer Equivalent” (RCE) is also defined, equal to 750 cubic feet per month for commercial customers.
    - For residential customers, a “unit” and an “RCE” are always the same. No matter how much water is consumed, a single family home is always counted as one RCE, a duplex is always 2 RCEs, a triplex is 3 RCEs, a four-plex is 4 RCEs, and an accessory dwelling unit attached to or on the same lot as a single family home adds one RCE to that home.
    - For commercial accounts, a “unit” and an “RCE” can be different. A unit is based on the number of separate business spaces, as described above. An RCE is based on metered water consumption.
      - Note: due to the data limitations of a sewer-only utility, the RCE count for commercial customers is updated only once a year. The District receives an annual download of water consumption from North City Water, City of Mountlake Terrace, and Seattle Public Utilities for each commercial customer. and the average monthly water consumption during the previous year divided by 750 cubic feet per month becomes the number of RCEs for that account during the following year.
  - For residential accounts, the District charge is a flat rate per unit (same as RCE rate).
    - Qualified low-income senior and disabled citizens—as defined later in the resolution—receive a 50% discount.
    - For certain Apple Tree Lane properties, there is a special surcharge that continues through 2020 and an ongoing credit for grinder pump electrical costs borne by the customer.

- For commercial accounts, the District charge is *the greater of*: (1) the number of *units* or (2) the number of *RCEs*, multiplied by the flat rate per RCE.
- Calculation of the treatment charge.
  - There is a flat rate per unit (or per RCE) for the treatment charge just as there is for the District charge.
    - The flat rate per unit differs based on where the sewage flows. The large majority of customers (97%) flow toward King County and pay a higher RCE rate for treatment. About 3% of the customers flow toward the Edmonds treatment plant and pay a lower treatment charge per RCE.
  - For residential customers, the number of units is multiplied by the applicable RCE rate (either King County or Edmonds).
    - Again, qualifying low-income senior or disabled citizens receive a 50% discount.
  - For commercial customers, only the number of RCEs is used for the treatment charge, not the number of units. So the treatment charge for a given commercial account is based only on the average monthly metered water consumption for the previous year.
- Calculation of a special billing to the City of Mountlake Terrace to account for the City's customers that flow through District pipes. In general, this special charge consists of 50% of the District charge and 100% of the applicable treatment charge.
- Gives the District authority to define a separate "industrial" customer class if needed.
- Gives the General Manager authority to estimate consumption for new accounts, where there is no water consumption history.
  - In practice, the District uses an estimate based on "fixture units," following the methodology used by King County for its capacity charge. After the first year, actual usage is known, and the estimate is no longer needed.
- Gives the General Manager authority to assign a new account to the appropriate classification if there is not a specific classification already.
- Defines a variety of account service fees.
- Authorizes the District to establish surcharges where necessary to recover special costs not otherwise recovered through the District and treatment charges.
- Authorizes a Special Assessment Charge for new connections from three particular unsewered areas.
- Defines the eligibility and administration of the qualified low-income senior and low-income disabled discount.
- Establishes a protest and appeal process for customers who believe they have been billed in error.

The concepts in this resolution are carefully thought out and workable for a collection-only wastewater utility flowing mostly into the King County system. We suggest that the City use them as the basis for a set of ongoing adopted Wastewater Revenue and Customer policies.

The ongoing Wastewater Revenue and Customer policies need not be updated or re-adopted every year. We suggest that there be a separate ordinance or resolution adopted by the Council containing the wastewater rates for at least the current year. A rate study could be prepared along with the next update of the Comprehensive Sewer Plan. At that time, we suggest adoption of a multi-year schedule of rates, based on the forecasted rate revenue needed for that time period. Multi-year rate schedules are typically five or six years, depending on the length of the CIP and financial forecast.

The language in the ongoing policies should be coordinated with the recommended Wastewater Code language developed for this project, to ensure consistency.

### **General Facilities Charge Resolution**

The most recent complete set of General Facilities Charge (GFC) rates for the District were adopted in 2010 (Resolution 10-12). CHS Consulting had just performed an analysis for the District of projected growth based on the King County 20-year Buildable Lands Study, and it had projected the capital improvements to pipes and pumps made necessary due to the higher density growth allowed under City zoning rules. Based on that analysis, FCS Group prepared a two-tiered GFC—\$1,257 per RCE for low-density development and \$2,506 per RCE for high-density development—which was adopted by the Board. This is in addition to the capacity charge imposed by King County for a new development's share of the capital cost of treatment facilities. For the ULID #2 area of the District—which flows toward the Edmonds treatment plant—the treatment-related GFC surcharge is \$1,222 per RCE. King County collects its capacity charge separately, but the Edmonds treatment charge is collected by the District along with its own GFC.

In addition to the 2010 adopted GFCs, this past year the District Board has been studying the GFC in relation to micro-apartment developments, which is a growing trend in multi-family construction. Up until now in the District, the GFC for all multi-family developments has been based on the number of dwelling units in the development, with each unit being charged the per-RCE connection charge. (For commercial developments other than multi-family housing, the GFC is based on an RCE estimate drawn from the number of fixture-units, which is consistent with the approach King County takes with its treatment capacity charge.) Micro-apartments typically consist of eight or ten bedroom/bathrooms surrounding a common kitchen area and laundry facilities, and the argument made by developers is that the wastewater demand from a micro-apartment bedroom/bathroom will be lower on average than the demand from a typical multi-family apartment with its own kitchen and laundry facilities. After discussing the issue over several months, the District Board decided to base the number of RCEs for a micro-apartment development on 50% of the number of separate bedroom/bathrooms. This approach affects the calculation of the GFC but not the monthly rates, which are still based on water usage.

The wastewater utility's comprehensive sewer plan and capital improvement plan need to be updated, and at that time, an update to the GFC would be appropriate. If the assumption takes effect on schedule in October 2017, that task will fall to the City. Until the updated plan and CIP are prepared, we suggest that the City adopt the existing GFC and its method of application, including its approach to micro-apartment developments. After Shoreline and other communities gain more experience with the actual water consumption of micro-apartment developments, the City will be able to re-calibrate the micro-apartment GFC if necessary. King County is also beginning a study of how its capacity charge is applied



to various types of development. When completed, that study can also inform the City's choices about the structure of its own GFC.

### Accounting Policies

The District uses full accrual accounting for its enterprise fund, just as the City does for its Surface Water Utility Fund. Its accounting policies are described in detail in its annual report to the State Auditor's Office (SAO), and they conform to SAO requirements. We anticipate that little or no adjustment to its methods of financial reporting will be necessary.

The District's internal accounting system does not match the BARS<sup>1</sup> chart of accounts, so currently the District's external CPA converts the internal reports into BARS-compliant reports for the SAO. Of course, the wastewater utility would use the City's chart of accounts after becoming part of the City.

The historical data in the District's fixed assets records is not always complete, but it is better than the fixed asset databases of many of our other clients. We reviewed the District's fixed asset database in 2014 and made some recommendations to help it both catch up and keep up with asset retirements since it began its pipe replacement program in 2007. A copy of that memo is attached to this one. The District does have a maintenance management system with a current inventory of assets tied to GIS maps. In our observation, nearly all utility managers feel that their historical fixed asset data is inadequate, but from our perspective, the District has worked harder at getting this right than most other agencies. We do not expect that the City will need to make changes to the fixed asset accounting beyond improvements that are outlined in our 2014 memo and any others that the District staff might already be trying to make.

### Utility Billing Adjustment Procedure

The District has a set of written procedures for handling billing adjustments, dated December 15, 2015. Because they are so recent, they were probably written to reflect current reality, and they can be taken as a guideline for actual practices by the customer billing staff and District management.

The procedures identify four main types of billing adjustments that might be needed. For each type of adjustment, the procedure identifies who is authorized to approve the adjustment, along with any relevant criteria or dollar threshold. The procedures also identify the process for tracking each adjustment.

The procedures seem appropriately careful about the process of allowing bill adjustments. There is one change that we would suggest. At present, billing adjustments are submitted to the Board, and the procedures are aimed at ensuring that what is submitted to the Board can be clearly justified. For the City, I would suggest that the Director of Administrative Services or her designee have the authority to approve billing adjustments and that they need not go to the City Council. As long as the existing criteria and procedures are followed, there will be sufficient accountability to make sure that any billing adjustments are reasonable and justified.

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<sup>1</sup> BARS stands for "Budgeting, Accounting, and Reporting System." It is a set of procedures and account classifications required by the State Auditor's Office.



## Generic Financial Management Policies

The District does have some written policies that we consider to be generic financial management practices applicable to an entire organization rather than utility-specific. Most of these are documented in its Purchasing Manual, last updated on June 2013.

- The Purchasing Manual includes a code of ethics and a statement addressing conflicts of interest.
- It refers to the District's Petty Cash Fund of \$1,500, which has subsequently been updated (in Resolution 13-17) to \$2,500. That total currently consists of the petty cash checking account containing \$2,000, the front counter cash drawer containing \$150, and the petty cash box containing \$350. The petty cash policy language does not describe procedures for using, replenishing, monitoring, or reconciling the Petty Cash Fund.
- The Purchasing Manual's paragraph about credit cards no longer reflects current practice. The District no longer has any general credit cards such as Mastercard or Visa. The only credit cards maintained by the District are store-specific—for example, a Home Depot card or a Lowe's card. Those cards are kept in the District's vault. An employee must contact the Accounting Department Office Clerk to check out a card, and upon return, must present the card and the receipts for any purchases made. The office clerk then returns the card to the book in the vault. The Purchasing Manual states that credit cards are not for personal use.
- To make *purchases of materials, supplies, equipment, and small works*, the District uses the Municipal Research and Services Center (MRSC) small works roster and also has cooperative purchasing arrangements with the City of Lynnwood and other governments.
- For *professional services*, the District follows procedures outlined in RCW 39.80.040 or RCW 39.34 for architectural or engineering contracts. For other professional services contracts, it uses an RFP or RFQ process.
- For *public works and construction projects*, the District again follows State statutes. The policy states that the entire project cost must be used—the District cannot break a project into smaller amounts to avoid bidding requirements.
- Competitive bidding requirements may be waived for the reasons listed in RCW 39.04.280 – sole source; special facilities or market conditions; emergency purchases; emergency public works; or purchases of insurance or bond. Emergency purchases must receive follow-up Board approval.
- The Purchasing Manual describes procedures and approval requirements for the following:
  - Public works projects less than \$9,999;
  - Public works projects between \$10,000 and \$199,999;
  - Public works projects of \$200,000 and over;
  - Materials, supplies, and equipment purchases of \$100 to \$2,499;
  - Materials, supplies, and equipment purchases between \$2,500 and \$9,999;

- Materials, supplies, and equipment purchases between \$10,000 and \$49,999; and
- Materials, supplies, and equipment purchases of \$50,000 and over.
- A separate paragraph defines “capital expenditures” as projects and purchases of \$5,000 or more, with a projected useful life of at least 1 year. Capital expenditures are to be identified in the capital budget unless they are for a declared emergency.

The District does not have written policies for cash handling, though there are practices followed by the staff. Likewise, it does not have a policy on small and attractive assets.

There is not a written policy on travel advances or the reimbursement of expenses for authorized travel. In practice, since the Board eliminated the general use credit cards, the general rule is that Commissioners and managers pay for their own travel expenses and are reimbursed after the fact. However, the District does have a checking account called Advance Travel, funded at \$3,000. Occasionally upon the request, this can be used to reimburse Commissioners for airfare expenses in advance of a conference if the amount is significant. For staff below management level, the District advances funds for a trip, usually on a per diem basis for food, gas, and parking costs. The District pays directly for hotel expenses, so the amount reimbursed for non-management staff is generally minimal.

The District does not have written policies comparable to those in the City’s Financial Policies (pp. 407-416 of the 2017 Proposed Budget), which deal with budget priorities and process, reserves, and debt management. The District currently has no debt. The District does not have a written investment policy; instead, it invests all of its cash with the King County Treasurer.

## City of Shoreline Financial Policies

This memo does not need to go into as much detail about the City’s financial policies, because you are already well acquainted with how the City does business. Instead, we will list below the topics addressed by the financial management policies provided to us by the City staff. In the following section, we will discuss the areas where some adaptation or reconciliation would be needed.

One of the documents provided by the City was a set of guidelines for how to allocate Ronald support staff costs between the wastewater utility and the General Fund after the assumption. The allocation method outlined in that policy looked reasonable and practical, and we suggest that it be implemented. Over time, as the integration of the two organizations proceeds, you will naturally want to update the method, but it takes a few years to gain experience with the assignment of staff duties. Those guidelines will help you set your budget during the City’s first few years of being in the wastewater business.

Other than the policy about the allocation of Ronald support staff cost, none of the City’s financial policies are utility-specific; all of them are generic policies that apply citywide.

The 2017 Proposed Budget document contains a “Financial Policies” appendix that addresses the following topics:

- General Budget Policies
  - These mostly address general priorities to be followed in making budget decisions.

- Formulation and Approval of Budgets
  - This is a description of the steps in the City budget process.
- Budget Adjustment and Amendment Processes.
  - As its title implies, this section of the City’s financial policies describes how the budget is kept up to date in the course of a fiscal year.
- Reserve and Contingency Fund Policies
  - These are guidelines for minimum reserve fund balances. For instance, the Surface Water Utility Fund has a target reserve of at least 20% of operating budget revenue. The District has no comparable policy for its fund balances.
- Capital Improvement Program (CIP) Plan Policies, including the following:
  - The relationship between the budgeted CIP and underlying system plans.
  - The process for developing the CIP.
  - The types of capital projects to be considered and general priorities to be followed by the CIP Coordination Team, and how to respond to changes in scope or budget of projects.
  - Direction to take into account the ongoing O&M costs associated with capital projects.
  - A policy about when and how to make use of Local Improvement Districts (LIDs) to make needed capital improvements.
  - The CIP is to be balanced between funding sources and capital costs over a six-year time frame. The Council is to appropriate the full estimated project cost for the CIP.
  - Guidelines about the use of debt to fund the CIP.
  - Authority of the Finance Director to initiate interim and long-term borrowing, when called for in the CIP and approved by the Council.
  - Procedures for updating the CIP not less often than once a year.
  - Direction to formalize any cost sharing or cost reimbursement agreements between the City and other jurisdictions.
  - Direction that CIP cost estimates should include all costs necessary and applicable. Staff charges to CIP projects are limited to time spent actually working on those projects, plus an appropriate overhead factor.
- Debt Management Policy
  - Policies about when and how to issue debt, what type of debt, and limits on the amount of debt. Also addresses refunding debt, LID debt, and interfund borrowing.

Topics addressed in other City financial policies provided by City staff:

- Credit card policies
- Debt collection policies
- General cash receipting guidelines
- Policy on allowable business expenses
- Policy and procedures for safeguarding small and attractive items
- Investment policy
- Capital asset management policy
  - The policy was not provided, but a Council resolution authorizing the policy was provided, so we know there is one.
- Grants management policy
  - Again, we did not receive a copy of the actual policy, but we know it exists because we were sent a copy of the authorizing Council resolution.
- Policy on contract change orders or amendments
- City purchasing manual. This covers the same territory as the District's purchasing manual, but it is more complete. The City's manual is 87 pages, while the District's version is 8 pages. The City manual includes sections addressing the following:
  - Quotes and awards
  - Requisitions, purchase orders and receiving
  - Procuring materials, supplies and equipment
  - Procuring services
  - Public works
  - Contracts
  - Credit cards and procurement cards (P-Cards)
  - Special exemptions
  - Office supplies
  - Travel

## Suggestions for City Financial Policies After Assumption

Following are some suggestions to guide the adaptation of City financial policies to the upcoming assumption of Ronald Wastewater District.

- Most of the content of the District’s annual rate resolution should become a City Wastewater Revenue and Customer Policy, with appropriate language changes to reflect the fact that the utility will be owned by a City rather than a District.
  - In preparing the draft financial policy, we will examine the District’s annual rate resolution together with the proposed Wastewater Code language, to see if there would be some topics that might be more appropriately addressed in the Code or that are already included in the draft Wastewater Code.
- The annual rate resolution goes into detail to describe the calculation of the sewer service charges but not the General Facilities Charges. The new City Wastewater Revenue and Customer Policy should also include the method for calculating the GFCs, because that method is similar but not exactly the same as the calculation of the sewer service charges.
- Current wastewater rates and GFCs should be adopted by the Council separately from the ongoing Wastewater Revenue and Customer Policy, so the rates can be updated regularly. If SMC 3.01 is updated annually, that can be where the actual rates would be found.
- Because it deals with issues that could be the source of customer complaints at some point in the future, it would be wise for the Council to consider and formally adopt the Wastewater Revenue and Customer Policy, rather than have it be an administrative policy. The policy can and should grant discretion to appropriate managers in the execution of the policy, but the policy itself should have the formal approval of the Council. At the very least, the section describing the reduced rate program for low-income senior and low-income disabled citizens must be adopted by the Council in order to comply with State statute.
- The Wastewater Revenue and Customer policy should include language allowing the City to pass through to wastewater customers any industrial wastewater surcharges that might be imposed on the District by King County. The District has not had to deal with these industrial surcharges in the past, but the County is undergoing a major study to more fully identify which businesses might be subject to them, and it might become relevant in the future. The County would be the agency to test the businesses and determine the amount of the charge, but the City would be the one to collect the money and forward it to the County. All the policy will need to do is authorize pass-through collection from any applicable customer.
- That policy should also explicitly authorize the Director of Administrative Services or designee to make billing adjustments. Then the District’s current procedure on when to authorize billing adjustments can become an administrative policy.
- There are some generic financial management topics—such as purchasing procedures and petty cash—where the District and City both have written policies. In those areas, we suggest that the City keep its existing policies.

- There are several other areas where the City has a formal financial management policy in place and the District does not. Again, we suggest that the City retain its existing policies and practices in these areas.

## Including City Utility Tax in Surface Water Management Rates

Following is a suggested change to the surface water management rate table in the Shoreline Municipal Code. While this suggestion does not address the wastewater utility directly, it would bring consistency to the way that surface water management rates and wastewater rates are presented to customers.

Currently, the surface water management rate table in SMC 3.01.400 shows a column for the annual service charge, a separate column for the 6% City utility tax, and a third column for the fee plus utility tax. For example, the fourth row (for properties with a “Moderate” percentage of impervious surface area) shows a 2017 annual charge of \$764.13 per acre, the City utility tax is shown as \$45.85 per acre, and the “fee plus utility tax” column is \$809.98, the sum of the two. The current rate table is shown below.

**Existing Surface Water Rate Table in SMC 3.01.400**

Rate Category	Percent Impervious Surface	2016 Annual Service Charge	2017 Annual Service Charge	Per Unit	6% Utility Tax	Fee + Utility Tax
1. Residential: Single-Family Home		\$151.67	\$159.25	Parcel	\$9.56	\$168.81 *
2. Very Light	less than or equal to 10%	\$151.67	\$159.25	Parcel	\$9.56	\$168.81 *
3. Light	More than 10%, less than or equal to 20%	\$352.26	\$369.87	Acre	\$22.19	\$392.07
4. Moderate	More than 20%, less than or equal to 45%	\$727.74	\$764.13	Acre	\$45.85	\$809.98
5. Moderately Heavy	More than 45%, less than or equal to 65%	\$1,411.45	\$1,482.02	Acre	\$88.92	\$1,570.94
6. Heavy	More than 65%, less than or equal to 85%	\$1,788.16	\$1,877.57	Acre	\$112.65	\$1,990.22
7. Very Heavy	More than 85%, less than or equal to 100%	\$2,342.23	\$2,459.34	Acre	\$147.56	\$2,606.90
Minimum Rate		\$151.67	\$159.25		\$9.56	\$168.81

\* Corrected amount

For the sake of clarity, accuracy, and consistency with the wastewater rates, we suggest that the annual service charge for surface water management be defined to include the 6% City utility tax. The wastewater rates for Ronald Wastewater District already incorporate the payment that Ronald now makes to the City, which is roughly equivalent to the City utility tax.

The following table shows our suggested presentation of the surface water management rates in SMC 3.01.400.

**Suggested Surface Water Rate Table in SMC 3.01.400**

Rate Category	Percent Impervious Surface	2016 Annual Service Charge	2017 Annual Service Charge	Per Unit
1. Residential: Single-Family Home		\$160.77	\$168.81	Parcel
2. Very Light	less than or equal to 10%	\$160.77	\$168.81	Parcel
3. Light	More than 10%, less than or equal to 20%	\$373.40	\$392.07	Acre
4. Moderate	More than 20%, less than or equal to 45%	\$771.40	\$809.98	Acre
5. Moderately Heavy	More than 45%, less than or equal to 65%	\$1,496.14	\$1,570.94	Acre
6. Heavy	More than 65%, less than or equal to 85%	\$1,895.45	\$1,990.22	Acre
7. Very Heavy	More than 85%, less than or equal to 100%	\$2,482.76	\$2,606.90	Acre
Minimum Charge		\$160.77	\$168.81	Parcel

*\* Service charges include 6% City utility tax.*

There is not a single right way to treat utility taxes on the bills--some cities include their utility taxes in their rates, while others break out their taxes separately. However, it would be confusing if one of the City's utilities defined its rate one way and the other defined its rate the other way. Our suggestion is that the surface water management utility conform to the approach used by the wastewater utility, because people in Shoreline are accustomed to seeing wastewater rates on their monthly or bi-monthly bills. It is more likely to be confusing if the wastewater utility were to change methods than if the surface water management utility were to change methods.

## Suggested Operating Reserve

You had also asked for our opinion about an adequate operating reserve for the wastewater utility. In our practice with water and wastewater utilities with monthly or bi-monthly billing, the most common minimum operating reserve is 60 days of operating expenditures for water and 45 days for wastewater. The lower level for wastewater reflects a more stable revenue source. (For the City's surface water management utility, a higher reserve is needed not because the revenue stream is risky but because the revenue only comes in twice a year along with the property tax bills—the reserve serves as a cash flow management tool.) But for the new wastewater utility, a minimum of 45 days of operating expenditures should be adequate for an operating reserve. That is equivalent to about 12.3% of the annual operating budget.

## ATTACHMENT

### **Memorandum on Ronald Wastewater District Fixed Accounting Practices**

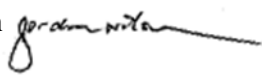
**May 27, 2014**



**Date:** May 27, 2014

**To:** Michael Derrick, General Manager, Ronald Wastewater District

**Copy:** Mark Gregg, Accounting Supervisor  
Scott Christensen, CHS Engineers

**From:** Gordon Wilson 

**Subject:** Fixed Asset Accounting Practices

The purpose of this memo is to review the fixed asset accounting practices of the Ronald Wastewater District and suggest improvements for the future.

The District began a major infrastructure replacement program in 2007, with the first batch of replacement projects identified in the 2007 capital improvement program (CIP) and completed in 2009. Last year, representatives of the State Auditor's Office noted that the net book value of the District's fixed assets is probably overstated in District financial statements, because the District has not been retiring segments of sewer line that were replaced as part of the District's CIP. The decision to retire a replaced piece of sewer line is complicated by inadequate historical record-keeping and the past practice of lumping together large sections of pipe under a single asset, without clear geographic references. Without knowing which asset is being replaced, it is hard to know whether the asset has already been fully depreciated.

In conducting this review, I met with District staff and the District engineer. I also reviewed relevant accounting data, including the District's fixed asset database and depreciation schedules, project summaries for sewer replacement projects beginning in 2009, and inventory and reconciliation spreadsheets prepared by District staff.

This review is focused on sewer infrastructure, since the CIP replacement program has mostly involved sewer lines. Because of the lag time in designing and constructing a group of capital projects once they are authorized, the completed replacement projects in this review go through the 2011 CIP.

My goals in this memo are to address the following two questions:

- ◆ What should the District do now to bring its fixed asset records as current as possible, given the lack of reliable information from past years?
- ◆ What should the District do from now on to maintain an accurate fixed asset inventory and depreciation schedule in the future?

The first question is how best to *catch up*; the second question is how best to *keep up*. After sharing background information about the District's fixed asset data and discrepancies among data sources, I will address those two questions in that order.

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## Background

### Sources of Data about Fixed Assets

**Fixed asset inventory from accounting system** - The District maintains a series of spreadsheets and a binder with printouts of current and historical fixed assets inventories, including depreciation schedules. This binder is updated each year as part of the year-end capitalization process.

These assets are grouped into broad categories. This review is focused on Asset Class 05, Sewer Lines. Within that class, the asset descriptions are very general, with very few geographic references. For assets booked before 1998, most of the descriptions are either “Mainlines Conveyed” or “Misc Sewer Line” or just “Miscellaneous,” though several descriptions do refer to the number of the ULID. Since 1998, the descriptions usually refer to a neighborhood or a set of streets. The main clue to help link the inventory entries with the physical reality is the year the asset was placed in service.

A copy of the fixed asset inventory for Asset Class 05, Sewer Lines, is shown as Appendix A.

**Paradox system** – The District also maintains a maintenance management system using Paradox software. The Paradox system contains information about what year a given section of sewer lines was originally constructed, which is useful in trying to determine the area to which a given asset on the accounting inventory refers.

**Project Files** – For infrastructure built in past years, there are hard copy project files. Because they contain contemporaneous records of construction, those files are the most authoritative source of information about what was built where and when. However, these files are not easily searchable.

**Pipelines 2013.xlsx spreadsheet** - Another source of data is a spreadsheet, Pipelines 2013.xlsx, prepared originally last year by the District Operations & Maintenance Manager, George Dicks. This list focuses only on sewer lines, not other types of assets. In this analysis, George started with the accounting system list, with its general descriptions and dates. Drawing on research in the Paradox database and the original project files, he identified as closely as possible which segments of sewer line correspond to which fixed asset in the accounting inventory. He then added additional information for each of those fixed assets—pipe diameter, pipe material, number of lineal feet, and the applicable quarter section on the map. He also created an estimate of the original cost of the segments that have been replaced since the sewer replacement program began. Since the replaced segments are all part of a larger “asset” on the original list, he used average original cost per lineal foot as a way to estimate the per-foot cost of the replaced segment. A copy of Pipelines 2013.xlsx is shown as Appendix B.

**CIP project summaries** - Another source of data is available to the District for infrastructure assets booked in 2009 or later. This source is the project summaries prepared by CHS Engineers, the engineering firm that supports the District’s current capital improvement program and has supervised the replacement projects. These summaries are prepared at the completion of each project and contain detailed information about what was built, including pipe diameter, length, and material, the number of manholes, cleanouts, and side sewer stubs in public right-of-way. The District’s CIP projects have also included the replacement of side sewers on private property, and the project summaries show how many private side sewers were replaced as part of each project. The project summaries show construction costs before tax. Because they exclude State sales tax and indirect costs (such as engineering or project management), the costs shown in the project summaries are less than the costs shown in the general ledger (GL) accounting system for the same project. The District’s capitalization of fixed assets should rely on total costs recorded in the GL. A copy of one of the project summaries (for the sewer main replacements funded by the 2008 CIP) is shown as Appendix C.

## Discrepancies between Data Sources

I did not examine the Paradox system or the project files, but I did compare the other three sources of data—the fixed asset inventory, the Pipelines 2013.xlsx worksheet, and the project summaries of 2007-2011 CIP projects. There are several cost discrepancies between the inventory and Pipelines 2013.xlsx, but here I will just point out some of the discrepancies between the project summaries and Pipelines 2013.xlsx having to do with the most recent projects—the 2007-2011 CIP projects. Appendix D shows the part of Pipelines 2013.xlsx that is relevant to the 2007-2011 projects.

The project summaries show significantly lower costs for those projects, but that is explained by the fact that the project summaries only include direct construction costs. However, when it comes to the number of lineal feet, diameter, and type of pipe installed in the 2007-11 CIP projects—items about which the sources should agree—Pipelines 2013.xlsx and the CHS project summaries still do not agree. This is shown in Exhibits 1 and 2. Exhibit 1 shows the 2007-2011 assets as they appear in Pipelines 2013.xlsx. Exhibit 2 groups them by project and gives more detail about pipe diameter and length, highlighting the discrepancies with the project summaries.

**Exhibit 1: Asset Inventory Compared with Project Summaries for 2007-2011 CIP Projects**

Ronald Wastewater District										
Assets from 2007-2011 CIP Projects:							From Pipelines2013.xlsx			
Project / File Name	Qtr Sect	Date of Constr.	Size	Length	Material Type	Adjusted Original Cost	Direct Cost	Year Completed	Length (l.f.)	Difference in Length
2007 CIP - Replaces LCSD Acquisition Pipe Lines + King County #3	G5, B5	2007	8	1,790 l.f.	HDPE	\$ 594,162	\$ 389,462	2009	1,903 l.f.	1,878 l.f.
King County #3/Replaced 2007 If part of 2007 CIP, construction date should be 2009	B6	1964	10	317 l.f.	PVC	98,587	\$ -	2009		
2007 CIP - Replaces LCSD Acquisition Lines & King County #3	H1: A5: J2: F1	2010	8	1,674 l.f.	HDPE	594,149	\$ -	2009		
2008 CIP - Replaces King County #3 Acquisition Pipe Lines	N/A	2008	8	1,665 l.f.	HDPE	554,153	\$ 403,872	2011	1,887 l.f.	-222 l.f.
2009 CIP - Replaces LCSD Acquisition Pipe Lines	N/A	2009	8	1,726 l.f.	HDPE	705,275	\$ 508,083	2010	1,721 l.f.	5 l.f.
Echo Lake Pipeline Replacement - Replaces Part ULID #2, Contract 8	F5	2010	18	1,711 l.f.	HDPE	690,638	\$ 683,533	2011	2,250 l.f.	-237 l.f.
Echo Lake Pipeline Replacement - Replaces Part ULID #2, Contract 8	F5	2010	15	302 l.f.	HDPE	121,901	\$ 121,901	2011		
2010 CIP BC 1&2 - Replaces LCSD Acquisition Pipe Lines+G58	I1	2010	8	4,236 l.f.	HDPE	1,222,545	\$ 958,348	2011	3,842 l.f.	394 l.f.
2011 CIP NC 1&2 - Replaces LCSD Acquisition Pipe Lines	I3	2011	8	4,088 l.f.	HDPE	1,237,367	\$ 964,800	2012	4,086 l.f.	2 l.f.
<b>Total 2007-2011 Replacement CIP</b>				17,509 l.f.		\$ 5,818,777	\$ 4,029,999		15,689 l.f.	1,820 l.f.
Echo Lake By-Pass - New Construction	F5	2010	18	678 l.f.	HDPE	490,800	\$ 380,311	2011	840 l.f.	-162 l.f.
<b>Total 2007-2011 CIP Projects</b>				18,187 l.f.		\$ 6,309,577	\$ 4,410,310		16,529 l.f.	1,658 l.f.

## Exhibit 2: Reconciliation of Pipe Length, Diameter and Material for 2007-2011 CIP Sewer Projects

	Per Pipelines 2013.xlsx Worksheet		Per CHS Project Summaries		Discrepancy in Length (l.f.)	What is it Replacing?		
CIP Project	Length	Size &Type	Length	Size &Type		Per George Dicks Analysis	Per Inventory Description	
Replacement Projects:								
2007 Replacement CIP								
	1,790 l.f.	8" HDPE	1,758 l.f.	8" HDPE		1958 LCSD lines	KC#3 & LCSD lines	
	317 l.f.	10" PVC	145 l.f.	6" HDPE		1958 LCSD lines	KC #3 lines	
	1,674 l.f.	8" HDPE				1958 LCSD lines	KC#3 & LCSD lines	
Total 2007 CIP	3,781 l.f.		1,903 l.f.			1,878 l.f.		
2008 Replacement CIP						-222 l.f.	1958 LCSD lines	KC #3 lines
2009 Replacement CIP								
	1,726 l.f.	8" HDPE	1,403 l.f.	8" HDPE			1964 KC #3 lines	LCSD lines
			318 l.f.	10" HDPE			1964 KC #3 lines	
Total 2009 CIP	1,726 l.f.		1,721 l.f.		5 l.f.			
Echo Lake Trunk Replacement								
	1,711 l.f.	18" HDPE	1,038 l.f.	20" HDPE		1960 ULID #2	ULID #2	
	302 l.f.	15" HDPE	347 l.f.	12" HDPE		1960 ULID #2	ULID #2	
			865 l.f.	PVC				
Total Echo Lake Trunk	2,013 l.f.		2,250 l.f.			-237 l.f.		
2010 Replacement CIP								
Briarcrest #1			2,022 l.f.	8" HDPE				
Briarcrest #2			1,820 l.f.	8" HDPE				
Total 2010 CIP	4,236 l.f.	8" HDPE	3,842 l.f.			394 l.f.	1958 LCSD lines	LCSD lines
2011 Replacement CIP								
North City #1			2,056 l.f.	8" HDPE		1958 LCSD lines		
North City #2			2,030 l.f.	8" HDPE		1964 KC #3 lines		
Total 2011 CIP	4,088 l.f.	8" HDPE	4,086 l.f.		2 l.f.		LCSD lines	
Total Replacement Pipe	17,509 l.f.		15,689 l.f.		1,820 l.f.			
New Construction:								
Echo Lake Bypass	678 l.f.	18" HDPE	840 l.f.	18" DI	-162 l.f.	N/A	N/A	
Total Pipe Length	18,187 l.f.		16,529 l.f.		1,658 l.f.			

Nearly every project has differences between the two data sources in the pipe length, diameter, or material. The total discrepancy in pipe length is 1,658 lineal feet, with Pipelines 2013.xlsx showing more lineal feet than the project summaries. If the CHS project summaries are the authoritative source for this information, then the total lineal feet in Pipelines 2013.xlsx would be overstated. This does not mean that the costs are overstated—after all, the general ledger totals are what determine the cost of a given asset. But there might be errors in the costs as well as the length. If the project summaries omit some of the segments that were replaced, then perhaps they are understated. The District Engineer and O&M Manager would need to look together at each of the recent projects to ascertain which database is more accurate.

One part of the discrepancy might be explainable as a double-count and misclassification in Pipelines 2013.xlsx. According to the CHS project summaries, the 2009 CIP project totaled 1,721 lineal feet, which included 318 lineal feet of 10" pipe. Pipelines 2013.xlsx shows approximately the same total length (1,726 l.f.) for the 2009 CIP, though it is all shown as 8" pipe. At the same time, the Pipelines 2013.xlsx list shows 317 feet of 10" pipe as part of the 2007 CIP. It is possible that the 2009 CIP figure in Pipelines 2013.xlsx incorporates the 318 feet (albeit misclassified as 8" pipe), but then the 2007 CIP project lists the same stretch of pipe, this time with the correct diameter but the wrong year. If this explanation is correct, it would only account for a fraction of the total discrepancy, but it does illustrate the types of errors that can easily occur in a fixed assets database.

Another potential error has to do with the 2007 CIP replacement project. Exhibit 1 shows that Pipelines 2013.xlsx shows two entries with approximately the same length (1,790 vs. 1,674 l.f.) and the same cost (\$594,162 vs. \$594,149), with one entry in 2007 and the other in 2010. Exhibit 1 also shows that the ratio

between total cost and direct cost for that project is more than double that of other projects. That is significant because the total cost figures come from the asset inventory, while the direct cost figures come from the project summaries. If somehow the same set of costs were booked twice in the inventory, it would result in the ratio being about double what we would expect. In addition, total length of the 2007 CIP is 1,878 l.f. greater in Pipelines 2013.xlsx than in the project summaries. For all these reasons, District staff might want to review the records to see if there was a double-count in capitalizing that project.

In addition, the District's O&M Manager prepared an estimate of the retirement adjustments needed due to the replacement CIP. This is shown at the bottom of Appendix D. His methodology was sound (it is described in more detail below), but his data about the amount of pipe replaced was different from both Pipelines 2013.xlsx and the CHS project summaries. Whereas the project summaries show a total of 15,689 feet of pipe replaced and Pipelines 2013.xlsx shows a total of 17,509 feet, the asset retirement calculations show a total of 18,759 feet replaced. There is a need for reconciliation between the various sources of data.

## Catching Up

### Resolving the Data Discrepancies

There are several steps that the District should take in the coming year in order to resolve the data discrepancies and create as accurate a fixed assets database as possible.

- ◆ In addressing the data discrepancies, the District will need to rely on a *default data source*—that is, a source presumed to be authoritative and most likely to be accurate about a particular type of information, absent any detectible errors. Following are some suggestions about default data sources:

*Characteristics of pre-2007 infrastructure assets (such as location, lineal feet, type of material, diameter):* Original project files.

*Characteristics of 2007-2013 infrastructure assets:* CHS Engineers project summaries (subject to reconciliation with Paradox database and project files).

*Original cost of pre-2007 capital assets of all types:* Accounting system fixed asset inventory.

*Original cost of 2007-2013 assets:* Accounting system fixed asset inventory (since these costs were drawn from general ledger), unless a records review reveals a double-count or other error.

*Matching of CIP replacement projects with historical assets from which pipe was replaced:* George Dicks analysis in Pipelines 2013.xlsx.

- ◆ The District Engineer should meet with the O&M Manager to reconcile data regarding pipe material, diameter, and lengths for the projects built since 2007. This will result in either confirmation or correction of the data in Pipelines 2013.xlsx regarding those projects. For matching the replacement projects with historical assets in the inventory, Pipelines 2013.xlsx should be considered authoritative, but for the characteristics of the work done in recent CIP projects (such as pipe length, diameter, and material), the data from CHS Engineers should be considered authoritative.
- ◆ District accounting staff should work with the O&M Manager to reconcile the cost data in Pipelines 2013.xlsx and the current fixed assets inventory. The great value of the Pipelines 2013.xlsx spreadsheet is its matching of inventory asset listings with the physical reality. It is worth improving—both by reconciling its pipe data to the project summaries and by reconciling its cost data to the asset inventory. After the data bugs are worked out, Pipelines 2013.xlsx can serve as the initial version of a “crosswalk” database (which is discussed later).

## How Should Old Sewer Lines Be Retired When a Replacement CIP Project is Completed?

In the absence of specific historical data, an analytical approach is needed in order to retire pipe segments that have been replaced. Any given pipe segment to be replaced will almost surely be a subset of a larger set of pipes that were originally constructed and defined as a capital asset many decades ago.

The method that George Dicks used in the Pipelines 2013/xlsx worksheet is the right one to use. Once the data about the length of the replacement pipe is reconciled with the CHS project summaries, this approach will yield the best estimate of how much should be retired from the books, and how much the remaining asset value should be. In future years, as future CIP replacement projects are completed, this approach should be replicated to ensure that the correct portion of the old assets are subtracted from the inventory.

This approach consists of the following:

- ◆ Using both the Paradox system and research into the original project files, determine the age of the pipes to be replaced, and based on the year of construction and the diameter and length of pipe, make an informed assumption about which of the assets on the inventory corresponds to the replacements. Bear in mind that for the District's historical infrastructure, an "asset" probably corresponds to a large section of infrastructure built in a particular year.
- ◆ Determine the total lineal feet of the pipe that was originally installed as part of that asset. Divide the original cost shown on the inventory by the total lineal feet for that asset to calculate a unit cost of construction that year. Reducing the original construction cost to a "per lineal foot" basis simplifies the reality, because a collection system includes more than just pipes. However, the manholes, lateral stubs, and other items that are part of a collection system were part of both the original system and the replacement system, and their cost can be assumed to be in rough proportion to the length of the mainline pipe. So the "unit cost of pipe" is really the per-foot cost of pipe and related collection system features, such as manholes, lateral stubs and cleanouts.
- ◆ The unit cost of the original pipe multiplied by the length of the replaced portion yields the amount of original cost to be subtracted from the inventory.
- ◆ An alternative approach yielding the same result would be to divide the number of lineal feet replaced by the total lineal feet for a given asset. The resulting percentage can be multiplied by the original cost of the asset to give the amount of original cost to be retired.
- ◆ In addition, the percentage of original pipe that was replaced should be used to adjust downward the annual depreciation and accumulated depreciation shown for the original asset.

**Example:** For example, let's look at the 317 or 318 lineal feet of 10" pipe that was replaced as part of either the 2007 or 2009 CIP. (For the purpose of this discussion, we'll assume 317 l.f. and the 2007 CIP.) The O&M Manager's research using Paradox and the project files shows that 317" of replaced pipe was probably part of an asset that originally consisted of 3,708 feet of 10" pipe installed by the former King County Sewer District #3 for \$28,668 in 1964. This length of pipe was subsequently transferred to the Ronald Wastewater District. Because the original cost was \$28,668 for 3,708 feet, the unit cost is \$7.73 per lineal foot. Multiplying the unit cost by the amount replaced, the original cost to be retired from the fixed asset inventory is  $317 \text{ l.f.} \times \$7.73/\text{l.f.}$ , or \$2,451. Alternatively, the percentage of original pipe that was replaced would be  $317 \text{ l.f.} \div 3,708 \text{ feet} = 8.55\%$ , and that figure can be multiplied by \$28,668 to reach the same result--\$2,451 of original cost to be retired from the asset inventory.

So the remainder of the asset built in 1964—the part not yet replaced—now consists of only 3,391 lineal feet with an original cost of \$26,218. It is as though the 1964 asset shrunk to only 91.45% of its previous length and cost. That 91.45% factor can be applied to annual depreciation and net book value as well.



This 1964 asset is shown on the inventory with an expected useful life of 50 years, so its annual depreciation was \$573.36 per year, and with only two years of expected useful life remaining as of the end of 2012, its net book value was \$1,146.72. However, after we retire the part that was replaced, the annual depreciation of the remainder will be  $91.45\% \times \$573.36 = \$524.34$  per year, and its net book value as of the end of 2012 was  $\$91.45\% \times \$1,146.72 = \$1,048.67$ .

In this case, the old 1964 asset will be fully depreciated by the end of 2014, but as long as those pipes are still in service, they should still be shown on the inventory, because the remaining original cost of \$26,218 is still part of the calculation of the District's General Facilities Charge. In addition, there is now a new asset, which the inventory shows as having cost \$98,587, consisting of 317 feet of 10" pipe. If an expected useful life were to be likewise assumed at 50 years, its annual depreciation will be \$1,971.74 per year.

The O&M Manager's research to match projects with assets showed that the CIP projects completed since 2007 have replaced parts of four original assets: a large group of former Lake City Sewer District (LCSD) sewer lines built in 1958, some 8" pipes that originally belonged to King County Sewer District #3 (KC#3) and were built in 1964, a group of 10" pipes from the same KC#3 area also built in 1964, and the Utility Local Improvement District (ULID) 2 section 7, built in 1960.

In order to complete the "catch up" work, the assumptions about pipe length now in the asset retirement calculation should be reconciled with the District Engineer's project summaries. Once that is done and the adjustments are recalculated, those adjustments should be incorporated into the fixed asset inventory. This should reduce the original cost, annual depreciation, and net book value of the historical assets.

### Adjustment for Private Laterals

During the year-end capitalization process, total project cost is determined by the accumulated balances in the general ledger for a particular project, including Construction Work in Progress (CWIP) from prior-year expenditures on that project. However, the projects since 2007 have included replacement of laterals on private property as well as in the street right-of-way. Laterals constructed on private property do not result in an asset owned by the District, and for this reason, their total cost (including a factor for engineering, taxes, and other indirect costs) should be expensed each year rather than being capitalized and included in the fixed asset inventory. Only the part of the project cost corresponding to assets on public property should be included in the original cost of the asset.

To do this, the project summary prepared by CHS Engineering at project closing should be consulted to determine the number of private laterals constructed as part of that project. The District's engineer estimates that the average direct cost of a private lateral is about \$2,500, and that estimate can be multiplied by the number of private laterals to yield the estimated direct cost of the private laterals. The ratio of total cost (from the General Ledger) to direct cost (reported on the project summary) should then be applied to the estimated direct cost of the private laterals, so that the amount expensed is appropriately loaded with its share of indirect costs.

Exhibit 3 summarizes this approach for the 2007-2011 CIP Replacement project.

### Exhibit 3: Summary of Private Lateral Construction 2007-2011

Private Laterals Constructed as part of 2007-2011 CIP Projects				
Source: Project Summaries from CHS Engineering	Number of Private Laterals	Est. Cost at \$2,500 per Lateral	Ratio of Direct to Total Cost	Assumed Total Cost
2007 Replacement CIP *	16	\$ 40,000	1.32	\$ 52,871
2008 Replacement CIP	22	55,000	1.37	75,466
2009 Replacement CIP	28	70,000	1.39	97,168
Echo Lake Trunk Replacement *	10	25,000	1.32	33,045
2010 Replacement CIP	67	167,500	1.28	213,676
2011 Replacement CIP	78	195,000	1.28	250,090
Echo Lake Bypass	1	2,500	1.29	3,226
Total	222	\$ 555,000	1.32	\$ 725,542

\* Capitalization error assumed for 2007 CIP and Echo Lake Trunk, so use average ratio of other projects.

During this time period, if we assume some type of error in the capitalization process for the 2007 CIP project and the Echo Lake Trunk Replacement project, the average ratio of total cost to direct cost is 1.32. (In Exhibit 1, we saw that the actual calculated ratios for those two projects are 3.30 and 1.01, respectively. Because they were outliers and the underlying cost data for the 2007 CIP project is suspect, Exhibit 3 assumes that for those two projects, the ratio of total to direct cost matches the average of the other projects.) Going forward, if cost data specific to a project is not available, the District could choose to just apply a 1.32 ratio to the estimated direct cost of the private laterals.

Exhibit 3 shows that since the annual main replacement program began with the 2007 CIP, an estimated total of about \$725,000 should have been expensed rather than capitalized. This is a large enough figure to be considered material. As part of the “catch up” work with the District’s capital asset inventory, a prior period adjustment should be made to subtract the amounts shown on Exhibit 2 from the original cost and recalculate the annual depreciation and accumulated depreciation since each project was placed in service.

## Keeping Up

### Year-end Capitalization Process

Capitalization is the process of recognizing the capital expenditures incurred during the fiscal year and creating a capital asset on the books. It consists of a series of journal entries, typically at the close of the fiscal year. In order to “keep up” the accuracy of the fixed asset inventory and make future asset retirements easier to accomplish, the following steps should be taken each year.

- ◆ Define the asset—what is it, specifically? Where is it? What does it include? What is its expected useful life? If the asset consists of sewer line, it should consist of only one pipe diameter and material. If there is a set of unique identifying codes that refer to another database, that code should be recorded at this time, so future staff will know what the asset is. If the general assets have inventory control tags, that should be included in the asset database. If there is no reference to another, more detailed database to identify the asset specifically, then other information (such as the map quadrant, number of lineal feet, pipe diameter, and pipe material) should be included for the asset. That information should be carefully reconciled to the project summaries from CHS Engineers to ensure an accurate transfer of information from the engineering staff to the accounting staff.
- ◆ When should a project be capitalized? At the close of the year in which the asset is placed in service.
  - ◆ After construction is completed, there is typically a two-year period over which the District may require changes from the contractor before final acceptance. If expenditures are incurred after the



year in which the asset is placed in service, they should be added to the asset value as part of the following year's capitalization process.

- ◆ If expenditures have been incurred for a given project but the project is not complete and the asset not yet placed in service, the accumulated General Ledger expenditures for that project during the year are recorded in Construction Work in Progress (CWIP). Later, when the asset is placed in service and the capitalization take place, the "original cost" of the asset includes prior-year expenditures as well as current-year expenditures on that project.
- ◆ The primary source for construction costs is the General Ledger. However, the GL might not break out costs at a level of detail that is most useful when capitalizing an asset. If the construction contract covers more than one asset, the costs will need to be allocated.
- ◆ After completion of a project, CHS Engineers can provide a project summary. An example of the project summary for the 2008 CIP is attached to this memo as Appendix C. The project summaries only contain direct costs before taxes, but the direct costs can be used to allocate costs across more than one asset that might be built from a single contract. As a hypothetical example, if the total General Ledger cost for a group of assets (including tax, engineering costs, and other indirect costs) were \$1,300,000, while the direct cost shown in the project summary for that same group of assets were \$1,000,000, then the direct cost of each individual asset should be multiplied by  $1,300,000 \div 1,000,000 = 1.30$  to yield the original cost of each individual asset.
- ◆ The project summaries will also show the number of private laterals (or side sewers) included in the project. CHS Engineers' recommended assumption is that the average direct cost of a private lateral is \$2,500. If the District decides to use the average total-to-direct ratio of 1.32 for future private lateral adjustments, then the adjustment would be  $1.2 \times \$2,500 = \$3,300$  total cost per private lateral. The District can also decide to make the private lateral adjustment using the same ratio used to allocate costs to individual assets (1.30 in the above example). In either case, the ratio times \$2,500 times the number of private laterals will yield the amount to be expensed.

### Retirement of Replaced Assets

As part of the year-end capitalization process, the assets that have been replaced should be retired from the inventory, along with their original cost, annual depreciation, and any remaining net book value. The method discussed above should be used for the asset retirements of sewer collection infrastructure. It is important to have an accurate record of the pipe length for replacement projects, because it is needed in order to retire the appropriate percentage of the original asset.

For other types of assets (including vehicles), the same process applies—when a fixed asset is disposed of or taken out of service, it should be subtracted from the inventory.

### Unique Identifying Codes

The Paradox system and GIS identify the locations of assets by the upstream manhole. For example, a segment of sewer line might be characterized as "Upstream manhole H3042 to H3043." If a crosswalk file can be created that identifies—with that level of specificity—the location of each asset listed in the accounting inventory, it will help link the accounting database to the District's other databases and make it easier for future staff to retire assets or make adjustments to their value as portions of a given asset are replaced in the future. This crosswalk file would explicitly match each asset in the accounting inventory to an asset in the GIS and Paradox systems. It would help prevent in the future the same thing the District experiences now—the need to do research in the paper files and make a best guess about which of the assets listed in the inventory is being replaced by a current capital project. The Pipelines 2013 worksheet is a head start toward that type of linkage. For each of the historical assets dealing with sewer lines, the

Pipelines 2013.xlsx worksheet now lists basic information about the asset—year of construction, pipe size and material, lineal feet, and location by quadrant. The next step to create a crosswalk file would be to add a column for each asset that identifies the specific location—referring to the upstream manholes—rather than just the general location referring to quadrant.

For infrastructure assets, the accounting inventory need not be very detailed—after all, the only essential information for an accounting inventory is the asset category, an asset description or unique identifying code, the date it was placed in service, original cost, and expected useful life, from which depreciation can be calculated. As long as the inventory is linked to some other database reliably, it need not show the number of lineal feet, the location, or any other characteristic of the asset. But without a crosswalk database, it will always be more challenging to identify the physical reality referred to in the accounting inventory, and the inventory itself would need to contain more identifying information.

**Appendix A**

2007-2011 Projects from the Pipelines.xlsx Worksheet

Ronald Wastewater District								
2013 Depreciation Ledger								
05	Sewer Lines							
			Straight Line	Cost Basis	Current Depreciation	2012 Accum Depre	2013 Accum Depre	Net Book Value
1	Mainlines Conveyed	01/01/61	50	4,818.00	0.00	4,818.00	4,818.00	0.00
2	Mainlines Conveyed	01/01/62	50	23,331.00	0.00	23,331.00	23,331.00	0.00
3	ULID 2	01/01/62	50	70,890.30	0.00	70,890.30	70,890.30	0.00
4	Mainlines Conveyed	01/01/63	50	18,216.00	0.00	18,216.00	18,216.00	0.00
5	Mainlines Conveyed	01/01/64	50	5,856.00	0.00	5,856.00	5,856.00	0.00
6	Mainlines Conveyed	01/01/65	50	55,836.00	1,117.35	53,592.08	54,709.43	1,126.57
7	ULID 3, 4, 5, 6 & 7	01/01/65	50	2,589,960.18	51,763.82	2,486,007.14	2,537,770.96	52,189.22
8	Mainlines Conveyed	01/01/66	50	25,233.00	505.51	23,712.35	24,217.86	1,015.14
9	ULID 8 & 9	01/01/67	50	551,311.87	11,017.87	507,119.72	518,137.59	33,174.28
10	Mainlines Conveyed	01/01/67	50	8,970.00	179.92	8,248.42	8,428.34	541.66
11	Mainlines Conveyed	01/01/68	50	28,574.00	571.79	25,708.82	26,280.61	2,293.39
12	ULID 10, 11, & 12	01/01/69	50	2,399,457.22	47,956.32	2,111,193.79	2,159,150.11	240,307.11
13	Mainlines Conveyed	01/01/69	50	26,712.00	534.21	23,500.97	24,035.18	2,676.82
14	Mainlines Conveyed	01/01/70	50	54,045.00	1,081.34	46,463.77	47,545.11	6,499.89
15	ULID 13 & 15	01/01/70	50	165,601.31	3,309.87	142,395.86	145,705.73	19,895.58
16	ULID 16	01/01/71	50	289,063.18	5,776.95	242,768.42	248,545.37	40,517.81
17	ULID 14	01/01/72	50	944,727.72	18,881.06	774,539.44	793,420.50	151,307.22
18	Mainlines Conveyed	01/01/72	52	34,905.00	668.65	28,878.06	29,546.71	5,358.29
19	Mainlines Conveyed	01/01/73	52	8,960.00	172.12	7,236.39	7,408.51	1,551.49
20	ULID 17	01/01/73	50	359,945.52	7,193.98	287,907.09	295,101.07	64,844.45
21	Mainlines Conveyed	01/01/74	50	8,500.00	169.89	6,628.92	6,798.81	1,701.19
22	Mainlines Conveyed	01/01/75	50	7,310.00	146.26	5,552.41	5,698.67	1,611.33
23	197th & 40th Ext	01/01/75	50	105,202.20	2,102.51	79,937.63	82,040.14	23,162.06
24	Mainlines Conveyed	01/01/76	50	46,652.00	932.41	34,515.36	35,447.77	11,204.23
25	MH 139 Rev	01/01/77	48	9,107.61	188.53	6,465.09	6,653.62	2,453.99
26	Mainlines Conveyed	01/01/77	50	16,895.00	337.67	12,162.10	12,499.77	4,395.23
27	Mainlines Conveyed	06/01/78	51	30,034.36	591.80	20,901.11	21,492.91	8,541.45
28	Mainlines Conveyed	01/01/79	50	32,406.03	647.72	22,030.05	22,677.77	9,728.26
29	Mainlines Conveyed	07/01/79	50	131,853.47	2,622.04	88,550.31	91,172.35	40,681.12
30	Mainlines Conveyed	01/01/80	49	204,000.00	4,130.65	133,699.77	137,830.42	66,169.58
31	Mainlines Conveyed	01/01/84	51	59,487.00	1,173.56	34,816.45	35,990.01	23,496.99
32	Mainlines Conveyed	01/01/85	49	105,142.47	2,134.34	58,140.10	60,274.44	44,868.03
33	ATL	01/01/85	49	250,581.42	5,076.17	138,794.29	143,870.46	106,710.96
34	KC3	01/01/86	50	435,487.00	8,709.74	364,529.40	373,239.14	62,247.86
35	Harris Sunrise	01/01/88	49	22,805.06	461.48	11,256.73	11,718.21	11,086.85
36	Mainlines Conveyed	01/01/88	48	558,595.91	11,519.80	270,317.04	281,836.84	276,759.07
37	Firlands Line	01/01/92	49	314,773.02	6,363.43	130,059.02	136,422.45	178,350.57
38	Misc Sewer Line	01/01/93	50	31,644.42	632.45	12,653.39	13,285.84	18,358.58
39	Misc.	01/01/94	50	130,824.22	2,614.69	49,697.26	52,311.95	78,512.27
40	Misc.	01/01/95	49	59,444.53	1,214.04	20,558.74	21,772.78	37,671.75
41	Misc Disaster	01/01/97	50	373,126.84	7,465.07	119,089.61	126,554.68	246,572.16
42	KC #3	01/01/98	10	57,786.00		57,786.00	57,786.00	0.00
43	ML D3039 1&173 NW	06/01/98	50	47,361.22	948.19	13,751.26	14,699.45	32,661.77
44	Laura Cliff- G5020 23&189 N	12/31/98	50	13,900.00	277.80	3,913.55	4,191.35	9,708.65

Ronald Wastewater District 2013 Depreciation Ledger								
05	Sewer Lines							
			Straight Line	Cost Basis	Current Depreciation	2012 Accum Depre	2013 Accum Depre	Net Book Value
45	Sea Golf C- D2041 1&155 NW	06/30/00	39	54,274.00	1,376.85	17,064.94	18,441.79	35,832.21
46	Whtmn Terr- E1099 8&145 N	12/31/01	50	25,500.00	509.66	5,649.55	6,159.21	19,340.79
47	LCSD Sewer Lines	12/31/01	20	3,342,973.91	167,148.69	1,922,635.59	2,089,784.28	1,253,189.63
48	Sutton Hghts- A6009 26&204 NW	01/01/02	49	34,005.00	687.36	14,052.76	14,740.12	19,264.88
49	Mrdn Pk- E2085 163&Linden N	12/31/02	40	54,550.92	1,363.77	13,637.73	15,001.50	39,549.42
50	Rich Bch Cf-C5005 14&Rich NW	12/31/03	50	42,942.00	858.84	7,729.56	8,588.40	34,353.60
51	Wilson- E2013 150&Dayton N	12/31/03	50	104,159.39	2,083.19	18,748.69	20,831.88	83,327.51
52	ULID 2 I&I	12/31/03	50	170,200.07	3,404.00	30,636.01	34,040.01	136,160.06
53	Sold LFP (% RWD Area) 12/31/02	12/31/03		-1,848,087.00		-1,284,017.84	-1,284,017.84	-564,069.16
54	Sold LFP / % in LCSD area	12/31/03		-654,995.45		-81,957.83	-81,957.83	-573,037.62
55	Adj fm AP-Trmt Chrg	12/31/03		-1,355,907.40		0.00	0.00	-1,355,907.40
56	Hillw ood Est- D5069 192&6 NW	03/31/04	50	52,369.00	1,047.38	9,164.58	10,211.96	42,157.05
57	Prmnt Pk-H1105 145&12 NE	06/30/04	50	47,716.00	954.32	8,111.72	9,066.04	38,649.96
58	Viking Lea-E4087 175&Npk N	06/30/04	50	62,566.03	1,251.32	10,636.23	11,887.55	50,678.48
59	Viking Hlnds- D4027 175&8 NW	06/30/04	50	40,556.79	811.14	6,894.65	7,705.79	32,851.00
60	Ron 002 Pilot Project	12/31/04	50	565,837.82	11,316.76	90,534.05	101,850.81	463,987.01
61	Stimac- D6087 198&Npark N	03/31/05	50	46,918.00	938.36	7,272.29	8,210.65	38,707.35
62	15th Ave NE Revitalized	12/31/05	50	317,157.36	6,343.15	44,402.03	50,745.18	266,412.18
63	Pipe Bridge	12/31/05	20	58,821.21	2,941.06	20,587.42	23,528.48	35,292.73
64	Chrysalis Cottage-191st & 8 NW	06/30/06	50	28,462.00	569.24	3,700.06	4,269.30	24,192.70
65	Cedar Hghts DE, 190 & 15 NE	01/31/07	50	123,100.00	2,462.00	14,566.83	17,028.83	106,071.17
66	Walgreen's DE, 175 & Aurora N	02/28/07	50	67,412.00	1,348.24	7,864.73	9,212.97	58,199.03
67	N City Apts DE, 180 & 15 NE	03/31/07	50	7,750.00	155.00	891.25	1,046.25	6,703.75
68	Urban Trls TH DE, 145 & Whitman	07/31/07	50	81,620.01	1,632.40	8,842.17	10,474.57	71,145.44
69	Viking DE, 200 & 3 NW	09/30/07	50	47,616.00	952.32	4,999.68	5,952.00	41,664.00
70	USA- Corliiss & 189th	12/31/07	50	245,255.83	4,905.12	24,525.58	29,430.70	215,825.13
71	USA- 23rd & Balgr	12/31/07	50	439,256.48	8,785.13	43,925.52	52,710.65	386,545.83
72	USA- 23rd & 145 NE	12/31/07	50	483,018.13	9,660.36	48,301.42	57,961.78	425,056.35
73	Shoreline TH, 192 & Ashw orth	08/31/08	50	216,400.00	4,328.00	18,754.67	23,082.67	193,317.33
74	Reserve on Stone, 180 & Stone	08/31/08	50	73,741.69	1,474.83	6,390.95	7,865.78	65,875.91
75	KC Hidden Lake Project	12/31/09	50	366,150.00	7,323.00	21,969.00	29,292.00	336,858.00
76	Cost DE	04/30/10	50	57,930.00	1,158.60	2,510.30	3,668.90	54,261.10
77	2007 CIP, NE 185th	04/30/10	50	534,162.42	10,683.25	23,090.99	33,774.24	500,388.18
78	NW 190 Sewer Ext	04/30/10	50	77,927.41	1,558.55	3,368.67	4,927.22	73,000.19
79	MH 3011 Slide Project	04/30/10	50	34,160.15	683.20	1,476.68	2,159.89	32,000.26
80	Baldw in DE, 145 & 32 NE	07/31/10	50	72,973.00	1,459.46	2,675.68	4,135.14	68,837.86
81	Balgr Highlands DE, 200 & 15 NE	10/31/10	50	10,570.00	211.40	281.87	493.27	10,076.73
82	20040 15 NE DE	10/31/10	50	10,500.00	210.00	280.00	490.00	10,010.00
83	Ronald Bog S DE	12/31/10	50	127,669.94	2,553.40	5,106.80	7,660.20	120,009.74
84	Echo Lake Mixed Use Vge DE	12/31/10	50	1,375,057.00	27,501.14	55,002.28	82,503.42	1,292,553.58
85	Shoreline Sch Central Kitchen DE	10/01/11	50	46,731.00	934.62	1,869.24	2,803.86	43,927.14
86	2008 CIP, Richmond Bch	12/31/11	50	554,153.23	11,083.06	11,083.06	22,166.13	531,987.10
87	2009 CIP, North City	12/31/11	50	705,275.96	14,105.52	14,105.52	28,211.04	677,064.92
88	ELTL Project Trunk Line	09/30/12	50	1,704,326.96	34,086.54	8,521.63	42,608.17	1,661,718.79
89	2010-01 CIP, Briarcrest I	09/30/12	50	526,333.89	10,526.68	2,631.67	13,158.35	513,175.54
90	2010-02 CIP, Briarcrest II	09/30/12	50	696,210.99	13,924.22	3,481.05	17,405.27	678,805.72
91	Aurora Corridor Phase I & II	09/30/12	50	355,528.50	7,110.57	1,777.64	8,888.21	346,640.29
92	166th & Meridian	12/31/12	50	12,422.86	248.46	0.00	248.46	12,174.40
93	North City CIP 1	04/30/13	50	584,949.53	3,899.66	0.00	3,899.66	581,049.87
94	North City CIP 2	10/31/13	50	655,225.24	10,920.42	0.00	10,920.42	644,304.82
95	North City CIP 4	11/30/13	50	23,320.25	427.54	0.00	427.54	22,892.71
				22,226,101.20	611,108.77	9,791,966.29	10,403,075.06	11,823,026.14

**Appendix B**

Pipelines 2013 Worksheet

Ronald Wastewater District						
Capital Assets - Collection System 2013						
Qtr Sect	Date of Constr.	Size	Length	Material Type	Cost	Project / File Name
H3	1957	8	12,341	Concrete	\$ 367,762	ULID 12 (As-Builts)
N/A	1958	6	340	Concrete	\$ 3,635	LCSD Aquisition
N/A	1958	10	1,317	AC	\$ 14,079	LCSD Aquisition
N/A	1958	10	18,970	Concrete	\$ 202,789	LCSD Aquisition
N/A	1958	8	4,936	AC	\$ 52,766	LCSD Aquisition
N/A	1958	8	551	D.I.	\$ 5,890	LCSD Aquisition
N/A	1958	10	551	D.I.	\$ 5,890	LCSD Aquisition
N/A	1958	8	321,232	Concrete	\$ 3,433,971	LCSD Aquisition
N/A	1958	12	7,351	Concrete	\$ 78,582	LCSD Aquisition
N/A	1958	12	502	D.I.	\$ 5,366	LCSD Aquisition
F2	1959	24	1,729	Concrete	\$ 14,316	ULID 16 #2 (As-Builts)
F2	1959	18	2,947	Concrete	\$ 24,401	ULID 16 #2 (As-Builts)
F2	1959	8	23,885	Concrete	\$ 197,768	ULID 16 #2 (As-Builts)
F2	1960	30	3,159	Concrete	\$ 94,138	ULID 10 # 1 (As-Builts)
E5	1960	8	34,013	Concrete	\$ 66,666	ULID 2 #7 (As Builts)
E5	1960	6	160	Concrete	\$ 314	ULID 2 #7 (As Builts)
F2	1960	10	1,562	Concrete	\$ 46,548	ULID 10 # 1 (As-Builts)
E2	1960	15	1,324	Concrete	\$ 17,980	ULID 3 & 4 #1 (As-Builts)
F2	1960	8	32,135	Concrete	\$ 957,623	ULID 10 # 1 (As-Builts)
E2	1960	8	12,318	Concrete	\$ 167,278	ULID 3 & 4 #1 ULID 16 # 1 (As-Builts)
E2	1960	18	2,956	Concrete	\$ 40,172	ULID 3 & 4 #1 (As-Builts)
E2	1960	24	100	Concrete	\$ 1,358	ULID 3 & 4 #1 (As-Builts)
E2	1960	21	1,047	Concrete	\$ 14,229	ULID 3 & 4 #1 (As-Builts)
E4	1961	8	431	Concrete	\$ 4,818	Firlands
G5	1961	8	580	Concrete	\$ 55,863	Echo Lane
F5	1961	8	132	Concrete	\$ 5,856	Echo LakeView Homes
E6	1961	8	180	Concrete	\$ 7,985	Michael's First Addition
F2	1962	8	230	Concrete	\$ 18,216	Maywood Acres
D5	1962	10	2,439	Concrete	\$ 33,146	ULID 3 & 4 #4 (As-Builts)
E3	1962	10	2,290	Concrete	\$ 31,121	ULID 3 & 4 #4 (As-Builts)
E3	1962	8	12,703	Concrete	\$ 172,634	ULID 3 & 4 #4 (As-Builts)
D5	1962	8	22,420	Concrete	\$ 304,688	ULID 3 & 4 #5 (As-Builts)
E1 & 2	1962	12	673	Concrete	\$ 9,146	ULID 3 & 4 #3 (As-Builts)
D5	1962	15	2,627	Concrete	\$ 35,701	ULID 3 & 4 #5 (As-Builts)
E3	1962	15	1,615	Concrete	\$ 21,948	ULID 3 & 4 #1 (As-Builts)
E1 & 2	1962	15	1,499	Concrete	\$ 20,371	ULID 3 & 4 #3 (As-Builts)
E4	1962	15	715	Concrete	\$ 9,717	ULID 3 & 4 #2 (As-Builts)
C4	1962	18	400	Concrete	\$ 54,367	ULID 5 & 6 (As-Builts)
E3	1962	18	3,033	Concrete	\$ 41,218	ULID 3 & 4 #1 (As-Builts)
E4	1962	18	1,615	Concrete	\$ 21,984	ULID 3 & 4 #2 (As-Builts)
E3	1962	21	900	Concrete	\$ 12,231	ULID 3 & 4 #1 (As-Builts)
E3	1962	24	923	Concrete	\$ 12,544	ULID 3 & 4 #1 (As-Builts)
E1 & 2	1962	8	28,574	Concrete	\$ 388,321	ULID 3 & 4 #3 (As-Builts)
G5	1962	8	650	Concrete	\$ 23,331	Echo Lane #2
E3	1962	8	28,226	Concrete	\$ 383,591	ULID 3 & 4 #1 (As-Builts)
E4	1962	8	27,151	Concrete	\$ 368,711	ULID 3 & 4 #2 (As-Builts)
E1 & 2	1962	10	2,361	Concrete	\$ 32,086	ULID 3 & 4 #3 (As-Builts)
D5	1962	12	1,644	Concrete	\$ 22,342	ULID 3 & 4 #4 (As-Builts)
C4	1962	8	7,758	Concrete	\$ 105,431	ULID 5 & 6 (As-Builts)
D5	1962	8	21,549	Concrete	\$ 292,851	ULID 3 & 4 #4 (As-Builts)
D5	1962	12	1,239	Concrete	\$ 16,838	ULID 3 & 4 #5 (As-Builts)
E6	1963	8	125	Concrete	\$ 3,904	Madelon Park
E6	1963	8	262	Concrete	\$ 8,182	Mac-Land = N 201st & Dayton
E4	1963	8	150	Concrete	\$ 4,685	Richmond Village
E4	1964	8	280	Concrete	\$ 8,745	St. Lukes Pl
C4	1964	8	385	Concrete	\$ 12,024	Garden Park

Ronald Wastewater District						
Capital Assets - Collection System 2013						
Qtr	Date of Constr.	Size	Length	Material Type	Cost	Project / File Name
C5	1964	12	4,936	Concrete	\$ 67,080	ULID 7 (As-Builts)
C5	1964	8	8,065	Concrete	\$ 109,603	ULID 7 (As-Builts)
B6	1964	10	3,391	Concrete	\$ 26,218	King County # 3
B6	1964	8	48,379	Concrete	\$ 336,532	King County # 3
B6	2007	10	317	PVC	\$ 98,587	King County # 3 / Replaced 2007 CIP
B6	1964	12	490	Concrete	\$ 3,788	King County # 3
C5	1965	8	17,018	Concrete	\$ 551,311	ULID 8 & 9 #2 (As-Builts)
N/A	1965	8	222	Concrete	\$ 2,373	LCSD Aquisition
C6	1965	8	450	Concrete	\$ 25,233	Michael's Park 2, 3 & 4
N/A	1966	8	21,388	Concrete	\$ 228,638	LCSD Aquisition
J6	1967	8	27,754	Concrete	\$ 827,069	ULID 10 #2 (As-Builts)
J6	1967	15	506	Concrete	\$ 15,079	ULID 10 #2 (As-Builts)
J6	1967	10	195	Concrete	\$ 5,811	ULID 10 #2 (As-Builts)
J6	1967	12	2,974	Concrete	\$ 88,626	ULID 10 #2 (As-Builts)
E6	1970	8	308	Concrete	\$ 2,619	Aurora Ave N @ N 205th St
B3	1970	18	1,933	Concrete	\$ 361,606	ULID 14 #4 (outfall) (As-Builts)
E6: D6	1970	8	67,049	Concrete	\$ 165,601	ULID 13 & 15 #1 (As-Builts)
H6	1970	8	6,339	Clay	\$ 289,063	ULID 16 # 1 (As-Builts)
C5	1970	8	614	Concrete	\$ 54,045	Castmont - NW 193rd @ 8th NW
B3	1970	8	3,117	Concrete	\$ 583,097	ULID 14 #4 (outfall) (As-Builts)
C6	1970	8	275	Concrete	\$ 26,712	Overton Vista
I6	1971	8	351	Concrete	\$ 26,500	Charlelew Add.
I5: I4	1971	8	17,509	Concrete	\$ 359,945	ULID 17 #1 (As-Builts)
D6	1972	8	230	Concrete	\$ 17,364	Courdelane - 2nd NW & NW 200th
C6	1974	8	980	Concrete	\$ 62,461	Stimson Estates
B4/C3	1975	N/A	N/A	Rewire to 2-phase	\$ 9,724	Innis Arden - LS Revision - LS 1, 2, & 4
G5	1977	8	200	Concrete	\$ 5,745	Pine View Estates
I4	1977	8	790	Concrete	\$ 29,450	Koleana Nelson
I6	1977	8	651	Concrete	\$ 11,442	23rd Ave NE
D6	1977	8	760	Concrete	\$ 12,043	Highland Woods DE
I6	1977	8	610	Concrete	\$ 11,442	Ballinger Woodlands Ext. II
C3	1978	6	56	PVC	\$ 9,107	MH 139 Revision ULID 16 # 1 (As-Builts)
I6	1978	8	145	Concrete	\$ 6,716	Ballinger Woodlands Ext. II
F5	1979	6	347	Concrete	\$ 12,418	Shore Glen
E2	1979	8	460	Concrete	\$ 11,684	Trophy Highlands
F6	1979	8	600	Concrete	\$ 20,880	Commons - Wallingford & N 201st St
F5	1979	8	855	Concrete	\$ 30,609	Shore Glen
C3	1980	8	1,146	PVC	\$ 71,300	Shorewood Hills
E3	1983	12	775	Concrete	\$ 38,750	Christa
I6	1983	8	353	Force Main / Generator	\$ 240,661	Forest Creek Condos
E3	1983	8	158	Concrete	\$ 7,900	Christa
A6	1985	N/A	N/A	N/A	\$ 250,581	Apple Tree Lane Grinder Pumps
H6	1985	8	230	DI	\$ 24,650	Stevens Properties
G5	1985	8	215	PVC	\$ 17,731	Pipe Crossing
I4	1988	8	380	PVC	\$ 22,805	Harris Sunrise DE
I6	1989	LS #9	0	Concrete	\$ 13,887	Forest Creek ML Ext.
G5	1989	8	181	PVC	\$ 20,981	Cary PI - NE 198th & 5th Ave NE
C6	1990	8	375	PVC	\$ 19,003	Chapman Ext. - 203rd PI NW & 12th NW
C6	1990	8	50	D.I.	\$ 227	Chapman Ext. - 203rd PI NW & 12th NW



Ronald Wastewater District						
Capital Assets - Collection System 2013						
Qtr Sect	Date of Constr.	Size	Length	Material Type	Cost	Project / File Name
A6	1991	8	1,692	Clay	\$ 121,638	Firlands (As-Built)
A6	1991	15	328	RCP	\$ 23,580	Firlands (As-Built)
A6	1991	8	1,550	PVC	\$ 111,430	Firlands (As-Built)
A6	1991	8	806	RCP	\$ 57,943	Firlands (As-Built)
A6	1992	6	155	PVC	\$ 9,618	Sutton Heights (As-Built)
A6	1992	8	355	PVC	\$ 22,028	Sutton Heights (As-Built)
I5	1993	8	17	PVC	\$ 6,245	Stewart/Lasswell
A5	1993	N/A	N/A	Move Grinder Pump	\$ 2,693	Pump Rework - 19539 27th Ave NW
F6	1994	8	250	D.I.	\$ 5,667	Aurora Village
F6	1994	8	2,482	PVC	\$ 55,064	Aurora Village
B5	1994	8	338	PVC	\$ 20,501	Careage - 19237 15th NW
C4	1995	8	100	PVC	\$ 19,297	Pipeline Replacement - Hydrogen Sulfide Damage
C6	1995	8	465	PVC	\$ 30,200	Maple Knoll
C4	1995	6	100	PVC	\$ 19,297	Pipeline Replacement - Hydrogen Sulfide Damage
E5	1997	8	40	PVC	\$ 10,480	Richmond Highland Apts.
D4	1997	N/A	N/A	N/A	\$ 314,773	Flood Repair - 6th NW
A5	1997	N/A	N/A	2 Grinder Pumps	\$ 30,145	Apple Tree Lane Lots 22 - 27
G5	1998	8	316	PVC	\$ 13,900	Laura Cliff #2
E2	1998	8	200	PVC	\$ 47,361	1st NW & NW 172nd St
D1	2000	8	284	PVC	\$ 54,274	Highland Golf Course DE
E2	2001	8	239	PVC	\$ 33,090	Wilson Bunglos
E1	2001	8	252	PVC	\$ 25,500	Whitman Ave
E2	2001	8	265	PVC	\$ 49,721	Greenwood Ave Cottages
E3	2002	8	268	PVC	\$ 54,550	Linden Ave N & N 163rd (As-Built)
F4	2002	8	225	PVC	\$ 104,159	Meridian Park Cottages
E2	2002	8	250	PVC	\$ 21,460	Hageman DE
D2	2003	8	239	PVC	\$ 104,159	Wilson - 150th & Dayton
C5	2003	8	152	PVC	\$ 42,942	Richmond Beach Cafe
G1	2003	N/A	N/A	Manhole	\$ 9,073	14900 1st Ave NE
C4	2004	8	318	PVC	\$ 40,556	Haley Estates DE
D5	2004	8	541	PVC	\$ 52,369	Hillwood DE
E6	2004	8	140	D.I.	\$ 18,346	Aurora Ave N @ Whitman Ave N
E3	2004	8	212	PVC	\$ 62,556	Viking - N 175th St
H1	2004	8	150	PVC	\$ 47,716	Paramont Park Townhomes
I4	2005	8	1,350	HDPE	\$ 317,157	15th Ave NE Pipe Replacement - Replaces LCSD Aquisition Lines
E6	2005	8	221	PVC	\$ 46,918	Stimac DE
C3	2005	8	1,216	PVC	\$ 366,150	Hidden Lake (As-Built)
D5	2006	8	471	PVC	\$ 28,452	Chrysalis Cottages DE
H5	2006	8	374	PVC	\$ 123,100	Ceder Heights DE
J1	2007	8	1,221	PVC	\$ 483,018	USA - NE 145th & 23rd NE
F4	2007	8	205	PVC	\$ 67,412	Walgreens

Ronald Wastewater District						
Capital Assets - Collection System 2013						
Qtr Sect	Date of Constr.	Size	Length	Material Type	Cost	Project / File Name
G5, B5	2007	8	1,790	HDPE	\$ 594,162	2007 CIP - Replaces LCSD Aquisition Pipe Lines + King County #3
E1	2007	8	212	PVC	\$ 81,620	Urban Trail Townhomes
C5	2007	6	80	PVC	\$ 77,927	NW 190th Sewer Ext. (As-Built)
H5	2007	8	35	PVC	\$ 7,750	North City Apts.
I6	2007	6	205	PVC	\$ 70,515	USA - NE 23rd & Ballinger
I6	2007	8	1,072	PVC	\$ 368,741	USA - NE 23rd & Ballinger
D6	2007	8	192	PVC	\$ 47,616	Viking - 3rd NW & NW 200th
G5	2007	8	702	PVC	\$ 245,255	USA - Corliss & N 189th
N/A	2008	8	1,665	HDPE	\$ 554,153	2008 CIP - Replaces King County #3 Aquisition Pipe Lines
F4	2008	8	187	PVC	\$ 73,741	Reserve On Stone
F6	2008	18	398	PVC	\$ 164,480	Shoreline Townhomes
F6	2008	8	236	PVC	\$ 51,920	Shoreline Townhomes
E6	2009	8	210	PVC	\$ 57,930	Costco DE
N/A	2009	8	1,726	HDPE	\$ 705,275	2009 CIP - Replaces LCSD Aquisition Pipe Lines
B3	2009	8	108	HDPE	\$ 34,160	MH3011 Slide Project
F5	2010	18	678	HDPE	\$ 490,800	Echo Lake By-Pass - New Construction
F5	2010	8	594	PVC	\$ 1,375,057	Echo Lake Mixed Use Village
J1	2010	8	125	PVC	\$ 72,973	Baldwin DE
F5	2010	15	302	HDPE	\$ 121,901	Echo Lake Pipeline Replacement - Replaces Part ULID #2, Contract 8
H1: A5: J2: F1	2010	8	1,674	HDPE	\$ 594,149	2007 CIP - Replaces LCSD Aquisition Lines + King County #3
E4	2010	8	234	PVC	\$ 127,669	Ronald Bog South
H6	2010	8	145	PVC	\$ 10,500	20040 15th Ave NE
I6	2010	8	145	PVC	\$ 10,570	Ballinger Highlands DE
F5	2010	18	1,711	HDPE	\$ 690,638	Echo Lake Pipeline Replacement - Replaces Part ULID #2, Contract 8
I1	2010	8	4,236	HDPE	\$ 1,222,545	2010 CIP - Replaces LCSD Aquisition Pipe Lines
I3	2011	8	4,088	HDPE	\$ 1,237,367	2011 CIP - Replaces LCSD Aquisition Pipe Lines
			945,849		\$ 25,756,767	

**Appendix C**

Example of Project Summary from CHS Engineers  
2008 Replacement CIP

**Ronald Wastewater District - Sanitary Sewer Rehabilitation  
Project Summary: 2008 CIP (Contract # 09-B)**

**Neighborhoods:** Echo Lake, Richmond Beach, Richmond Highlands

**Project Construction Complete:** May 11, 2011

**Permits:** City of Shoreline Right-of-Way Permit

**Project Areas:** N 185<sup>th</sup> St between Meridian Ave N and 1<sup>st</sup> Ave NE; NW 194<sup>th</sup> Pl between Richmond Beach Dr NW and 25<sup>th</sup> Ave NW;  
NE 167<sup>th</sup> St between Whitman Ave N and Aurora Ave N

**Condition Assessment:** Through the District's ongoing maintenance, TV inspection personnel assess the entire system once every six to eight years, noting the various types and severity of defects in the sewer mainlines. Pipe segments in the 2008 CIP were selected for replacement due to significant roots throughout pipe runs, broken/cracked pipes, bellies, pulled joints, and evidence of infiltration and inflow (I/I).

**Notes:** The Final Construction Cost can be less than Bid Price because not all the materials, side sewers, and force account funds were used. Also all side sewer stubs and all full length side sewers in the project area are both bid for price comparison.

**Cost/Construction:**

Engineer's Estimate: \$515,480 (w/o tax)

Contractor's Bid Price: \$418,105 (w/o tax)

Change Orders: N/A

Final Construction Cost: \$403,871.76 (w/o tax)

Engineer: Scott Christensen, P.E., Kristen Orndorff, CHS Engineers, LLC

Inspector: David Jensen, CHS Engineers

Contractor: Landis & Landis Construction, LLC

Cost per lineal foot main line: \$214.03 per LF

**Replacement/Rehabilitation:**

8" Concrete Sanitary Sewer Pipeburst with 8" HDPE: 1,887 LF

Manholes Replaced (48"): 2

Manholes Rehabilitated (Frame, Cover and Neck): 5

% Participation of Eligible for Side Sewer Replacement: 88%

Cleanouts Installed: 27

Private Side Sewers Replaced: 22

Side Sewer Stubs Replaced: 12

Ex. PVC Side Sewers Not Replaced: 10

**Private Replacement/Participation:**

Number of private side sewers in project: 35

Number of property owners that signed up (signed ROE): 21

**Ronald Wastewater District - Sanitary Sewer Rehabilitation  
Project Summary: 2008 CIP (Contract # 09-B)**

	House #	Street	ROE	Original Pipe (Stub/SS)	New Pipe (Stub/SS)	Replacement		Size	Notes
						Stub	SS		
1	18505	Meridian Court N	Y	Conc/ABS	HDPE/PVC		x	6"/4"	Replaced joint stub and 2 SS's with joint stub and 2 SS's
2	18512	Meridian Court N	Y	Conc/ABS	HDPE/PVC		x	6"/4"	
3	18504	Meridian Court N	Y	Conc/ABS	HDPE/ABS		x	6"/4"	Replaced joint stub and 3 SS's with joint stub and 3 SS's
4	18510	Meridian Court N		Conc/ABS	HDPE/ABS		x	6"/4"	
5	18530	Meridian Ave N	Y	Conc/ABS	HDPE/ABS		x	6"/4"	
6	2122	N 185 <sup>th</sup> St	Y	Conc	HDPE		x	4"	Replaced stub and SS
7	2128	N 185 <sup>th</sup> St	Y	Conc	HDPE		x	4"	Replaced stub and SS
8	2134	N 185 <sup>th</sup> St	Y	PVC	HDPE/PVC	x		4"	Replaced joint stub to original pipe
9	2137	N 185 <sup>th</sup> St	Y	Conc	HDPE		x	4"	Replaced joint stub and SS with joint stub and SS
10	2140	N 185 <sup>th</sup> St	Y	Conc	HDPE		x	4"	Replaced stub and SS
11	2146	N 185 <sup>th</sup> St	Y	Conc	HDPE		x	4"	Replaced stub and SS
12	2152	N 185 <sup>th</sup> St	Y	Unknown	HDPE		x	4"	Replaced stub and SS
13	2156	N 185 <sup>th</sup> St	Y	Unknown	HDPE		x	4"	Replaced stub and SS
14	2308	N 185 <sup>th</sup> St		PVC	HDPE/PVC	x		4"	Replaced stub to original pipe
15	2310	N 185 <sup>th</sup> St		PVC	HDPE/PVC	x		6"	Replaced joint stub to original pipes
16	2312	N 185 <sup>th</sup> St							
17	2322	N 185 <sup>th</sup> St	Y	Conc	HDPE		x	4"	Replaced stub and SS
18	2330	N 185 <sup>th</sup> St	Y	Conc	HDPE		x	4"	Replaced stub and SS
19	2334	N 185 <sup>th</sup> St	Y	Conc	HDPE		x	6"/4"	Replaced joint stub and 2 SS's with joint stub and 2 SS's
20	2336	N 185 <sup>th</sup> St		PVC	HDPE		x	6"	
21	2338	N 185 <sup>th</sup> St	Y	Conc	HDPE		x	4"	Replaced stub and SS
22	2340	N 185 <sup>th</sup> St		Conc	HDPE/Conc	x		4"	Replaced stub to original pipe
23	18515	N 185 <sup>th</sup> St	Y	Conc/ABS	HDPE		x	4"	Replaced stub and SS
24	18509 (shed)	N 185 <sup>th</sup> St	Y	Conc/ABS	HDPE/ABS	x		4"	Replaced stub to original pipe

**Ronald Wastewater District - Sanitary Sewer Rehabilitation  
Project Summary: 2008 CIP (Contract # 09-B)**

	House #	Street	ROE	Original Pipe (Stub/SS)	New Pipe (Stub/SS)	Replacement		Size	Notes
						Stub	SS		
25	18509	N 185 <sup>th</sup> St	Y	Conc/ABS	HDPE/ABS	x		4"	Replaced stub to original pipe
26	2537	NW 194 <sup>th</sup> Pl	Y	Conc	HDPE		x	4"	Replaced stub and SS
27	2533	NW 194 <sup>th</sup> Pl		Unknown	HDPE/Unknown	x		4"	Replaced stub to original pipe
28	2534	NW 194 <sup>th</sup> Pl		Conc	HDPE/Conc	x		4"	Replaced stub to original pipe
29	2527	NW 194 <sup>th</sup> Pl		Unknown/PVC	HDPE/PVC	x		4"	Replaced stub to original pipe
30	2526	NW 194 <sup>th</sup> Pl	Y	Unknown	HDPE		x	4"	Replaced stub and SS
31	2523	NW 194 <sup>th</sup> Pl		Conc/PVC	HDPE/PVC	x		4"	Replaced stub to original pipe
32	2520	NW 194 <sup>th</sup> Pl	Y	ABS	HDPE		x	4"	Replaced stub and SS
33	16706	Whitman Ave N		PVC/ABS	PVC/ABS	x		4"	Replaced stub to original pipe
34	16549	Aurora Ave N		Conc/PVC	PVC	x		6"	Replaced stub to original pipe
35	16707	Aurora Ave N		Clay	PVC		x	4"	Replaced stub and SS
<b>TOTALS</b>						<b>12</b>	<b>22</b>		

**Total Homes:** 35 (including 1 shed)

**Homes not eligible, existing plastic pipe (SS not replaced):** 10

**Homes with stub replacement only:** 12

**Homes eligible:** 35 – 10 = 25

**Homes with side sewer replacement:** 22

**% Participation of Eligible for Side Sewer Replacement:** 22/25 = 88%

**Appendix D**

Assets from 2007-2011 CIP Plus Related Retirements from Original Assets

Ronald Wastewater District										
Pipelines 2013 Worksheet, Showing Only Assets from 2007-2011 CIP Projects plus Assets with Replaced Pipes										
Project / File Name	Qtr Sect	Date of Constr.	Size	Length After Asset Retirement	Length Before Asset Retirement	Retirement Adjustment (l.f.)	Material Type	Adjusted Original Cost	Per Original Asset Inventory	Retirement Adjustment (\$)
<b>Assets with Replaced Pipes:</b>										
LCSD Acquisition	N/A	1958	8	321,232 l.f.	334,227 l.f.	12,995 l.f.	Concrete	\$ 3,433,971	\$ 3,572,887	\$ 138,916
ULID 2 #7 (As Builts)	E5	1960	8	34,013 l.f.	36,026 l.f.	2,013 l.f.	Concrete	\$ 66,666	70,611	3,945
King County # 3	B6	1964	8	48,379 l.f.	51,813 l.f.	3,434 l.f.	Concrete	\$ 336,532	360,432	23,900
King County # 3	B6	1964	10	3,391 l.f.	3,708 l.f.	317 l.f.	Concrete	\$ 26,218	28,668	2,450
Total Assets with Replaced Pipes				407,015 l.f.	425,774 l.f.	18,759 l.f.				169,211
<b>Assets from 2007-2011 CIP Projects:</b>										
<b>From Fixed Asset Inventory</b>										
Project / File Name	Qtr Sect	Date of Constr.	Size	Length			Material Type	Adjusted Original Cost	Per Original Asset Inventory	Variance
2007 CIP - Replaces LCSD Acquisition Pipe Lines + King County #3	G5, B5	2007	8	1,790 l.f.			HDPE	\$ 594,162	\$594,149	(\$13)
King County #3/Replaced 2007 If part of 2007 CIP, construction date should be 2009	B6	1964	10	317 l.f.			PVC	98,587	98,587	0
2007 CIP - Replaces LCSD Acquisition Lines & King County #3	H1: A5: J2: F1	2010	8	1,674 l.f.			HDPE	594,149	594,149	0
2008 CIP - Replaces King County #3 Acquisition Pipe Lines	N/A	2008	8	1,665 l.f.			HDPE	554,153	552,580	(1,573)
2009 CIP - Replaces LCSD Acquisition Pipe Lines	N/A	2009	8	1,726 l.f.			HDPE	705,275	703,274	(2,001)
Echo Lake Pipeline Replacement - Replaces Part ULID #2, Contract 8	F5	2010	18	1,711 l.f.			HDPE	690,638	690,638	0
Echo Lake Pipeline Replacement - Replaces Part ULID #2, Contract 8	F5	2010	15	302 l.f.			HDPE	121,901	121,901	0
2010 CIP BC 1&2 - Replaces LCSD Acquisition Pipe Lines+G58	I1	2010	8	4,236 l.f.			HDPE	1,222,545	1,214,671	(7,874)
2011 CIP NC 1&2 - Replaces LCSD Acquisition Pipe Lines	I3	2011	8	4,088 l.f.			HDPE	1,237,367	1,237,367	0
<b>Total 2007-2011 Replacement CIP</b>				17,509 l.f.				\$ 5,818,777	\$ 5,807,316	(\$11,461)
<b>Echo Lake By-Pass - New Construction</b>										
	F5	2010	18	678 l.f.			HDPE	490,800	490,800	0
<b>Total 2007-2011 CIP Projects</b>				18,187 l.f.				\$ 6,309,577	\$ 6,298,116	(\$11,461)

George Dicks' Analysis of Retirement Adjustments Attributable to 2007-11 Replacement CIP	Retirement Adjustments	Lineal Feet Replaced
1. LCSD - 8" concrete lines replaced = 12,995 L.F. 1958 8" lines = 334,227 L.F. @ \$3,572,887 = \$10.69/L.F. 12,995 x \$10.69 = \$138,916 Removed from LCSD 8" Line Depreciation List: 334,227 L.F. - 12,995 L.F. = 321,232 L.F. \$3,572,887 - \$138,916 = \$3,433,971	\$ 138,916	12,995 l.f.
2(a). King County #3 - 8" concrete lines replaced = 3,434 L.F. 1964 8" concrete lines = 51,813 @ \$360,432 = \$6.96/L.F. 3,434 L.F. x \$6.96 = \$23,900 Removed from King County #3 8" Line Depreciation List: 51,813 L.F. - 3434 L.F. = 48,379 L.F. \$360,432 - \$23,900 = \$336,532	\$ 23,900	3,434 l.f.
2(b). King County #3 - 10" concrete Lines replaced = 317 L.F. 1964 10" concrete lines=3,708 L.F. @ \$28,668=\$7.73/L.F. 317 L.F. x \$7.73 = \$2,450 Removed from King County #3 10" Line Depreciation List: 3,708 L.F. - 317 L.F. = 3,391 L.F. \$28,668 - \$2,450 = \$26,218	\$ 2,450	317 l.f.
3. Echo Lake Pipeline Upsizing (replacement) - ULID 2 #7 8" Pipeline replaced = 2,013 L. F. 1960 - 8" concrete Pipe = 36,026 L.F. @ \$70,611 = \$1.96/L.F. 2,013 L.F. x \$1.96 = \$3,945 Removed from ULID 2 #7 8" Line Depreciation List 36,026 L.F. - 2,013 L.F. = 34,013 L.F. \$70,611 - \$3,945 = \$66,666	\$ 3,945	2,013 l.f.
Total	\$ 169,211	18,759 l.f.



**RESOLUTION NO. 417**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, ADOPTING A WASTEWATER REVENUE AND CUSTOMER POLICY FOR THE CITY OF SHORELINE'S WASTEWATER UTILITY.**

WHEREAS, on October 22, 2002, the City of Shoreline and the Ronald Wastewater District entered into an Interlocal Operating Agreement which allowed the City to assume the full management and control of the Ronald Wastewater District pursuant to chapter 35.13A RCW; and

WHEREAS, on June 12, 2017, the City of Shoreline and the Ronald Wastewater District entered into a First Amendment to the 2002 Interlocal Operating Agreement, extending that agreement for two years from the effective date of the First Amendment, unless terminated sooner pursuant to its terms or written agreement of the parties; and

WHEREAS, upon the full assumption of the Ronald Wastewater District by the City, the City will need customer service policies and practices to address the operation of the wastewater utility; and

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:**

**Section 1:** The City Of Shoreline Wastewater Revenue and Customer Policy, attached hereto as Exhibit A to this Resolution, is adopted as the City's customer service policies and practices for the operation of a wastewater utility.

**Section 2:** This Resolution shall be in full force and effect upon the official assumption of the Ronald Wastewater District by the City of Shoreline.

**ADOPTED BY THE CITY COUNCIL ON \_\_\_\_\_, 2017.**

\_\_\_\_\_  
Mayor Christopher Roberts

**ATTEST:**

\_\_\_\_\_  
Jessica Simulcik Smith, City Clerk

**City of Shoreline  
Wastewater Revenue and Customer Policy**

**Table of Contents**

Definitions and Abbreviations .....	2
Section 1 Properties Subject to This Policy .....	5
Section 2 Structures Required to be Connected Where Sewer Lines are Available .....	5
Section 3 Billing Procedures .....	6
Section 4 Wastewater Service Charge Delinquency, Penalties, Interest, and Liens .....	8
Section 5 Customer Classification and Calculation of Wastewater Service Charge .....	11
Section 6 New Accounts .....	13
Section 7 Surcharges .....	14
Section 8 Reduced Rates for Qualifying Low-Income Senior and Low-Income Disabled Citizens .....	14
Section 9 Protest/Appeal Process .....	16
Section 10 General Facilities Charge and Edmonds Treatment Facilities Charge .....	16

**Definitions and Abbreviations**

**Apple Tree Lane Accounts:** Properties on Apple Tree Lane in the Richmond Beach neighborhood, which are served by grinder pumps funded originally by the Ronald Wastewater District, and which pay a monthly surcharge through December 2020.

**Availability of Service:** Unless and until superseded by City action, defined as under the Ronald Wastewater District Rules and Regulations, Resolution No. 01-29.

**Billing Cycle:** The period for which wastewater service charges are owed, and the frequency at which they are billed. In general, residential accounts are billed bi-monthly on either odd or even months. All commercial accounts are billed monthly.

**Bi-Monthly:** Every two months.

**cf:** One cubic foot of water, a measurement used in calculating the City commercial service charges. One cubic foot is approximately 7.48 gallons.

**ccf:** 100 cubic feet of water.

**City:** The City of Shoreline, which either owns the City wastewater utility under the direction of the City Council or, during an interim period prior to assumption of the utility, operates the City wastewater utility under the authority of the Ronald Wastewater District.

**City Sewer Service Area:** The geographic area within which the City wastewater utility has the right and duty to plan for and provide wastewater service to properties. The City sewer service area boundaries correspond to the Ronald Wastewater District service area boundaries as of October 23, 2017, unless subsequently modified.

**City Sewer System:** The collection of fixed assets used to convey wastewater from individual properties in the City sewer service area to the points of discharge into the transmission and treatment facilities owned by either King County or the City of Edmonds. These assets include but are not limited to sewer mains, manholes, lift stations, and general assets such as vehicles, equipment, and buildings.

**City Wastewater Utility:** The business of providing wastewater conveyance and treatment for property owners within the City sewer service area. It includes the City sewer system plus the customers, employees, legal authority, obligations, organizational procedures, and financial assets, among other things, necessary to meet its service responsibility.

**Commercial Customers:** Accounts representing all structures other than residential structures of four or fewer dwelling units. Commercial customers include multi-family structures of five or more units.

**Customer Class:** A category that determines a customer's applicable rates and billing cycle. Currently, the City wastewater utility has two customer classes for wastewater service charges: residential and commercial.

**Development Charges:** For convenience, in this policy the general facilities charge and Edmonds treatment facilities charge are collectively referred to as the "development charges."

**Edmonds Treatment Facilities Charge:** A one-time charge at the time of development that recovers from properties in the ULID #2 area a proportionate share of past and planned capital costs of the Edmonds Wastewater Treatment Plant. It is paid by newly connecting customers and

existing customers where the structure has been modified to increase the number of dwelling units or fixture-units. (King County also has a capacity charge that recovers a proportionate share of the capital cost of its treatment and transmission facilities. However, the King County capacity charge is not collected by the City; instead, the County bills property owners directly for it.)

**Estimated Residential Customer Equivalents (Estimated RCEs):** A measure of wastewater demand that is the basis for calculating the general facilities charge and Edmonds treatment facilities charge. Estimated RCEs rely on information about a property that is knowable at the time of development. Specific definitions are in Section 10.5.

**General Facility Charge (GFC):** A one-time charge at the time of development that recovers a proportionate share of the past and planned capital costs of the City sewer system other than costs paid by grants, developer donations, or property assessments. The charge is paid by all customers newly connecting to the City sewer system or existing customers where the structure has been modified to increase the number of dwelling units or fixture-units. It applies across the City sewer service area, including in ULID #2. The GFC is separate from Utilities Local Improvement District assessments or Local Facilities Charges, which have been used in certain areas to recover a proportionate share of the capital cost of local sewer infrastructure fronting the property, including mains, stubs, and manholes.

**Industrial Waste Surcharge:** A surcharge that can be imposed by King County, applicable to particular customers whose effluent is determined by the King County Wastewater Treatment Division (KCWTD) to meet its criteria for high strength sewage. If a surcharge is imposed, KCWTD will notify the City of which customers should receive the surcharge and the amount. The City will collect the surcharge from the designated customers and remit the money to the County. This is separate from the King County treatment charge based on the number of RCEs.

**Local Facilities Charge (LFC):** A charge that applies to property owners in three areas defined in Ronald Wastewater District resolutions 2005-23 and 2006-15, where local sewer infrastructure was not originally built by developers. The LFC is payable at the time a property is connected to the City sewer system. It recovers a proportionate share of the utility's investment in the local sewer infrastructure—mains, manholes, and stubs—fronting a particular property.

**Multi-Family Customer:** This class is used only for calculating the GFC. It refers to new development that is residential in purpose that has more than one dwelling unit on a lot. It includes duplexes, triplexes, four-plexes, and single family houses with accessory dwelling units.

**Non-Residential Customer:** This class is used only for calculating the GFC. It refers to all new development that is not single family or multi-family residential in purpose.

**Party to be Billed:** The property owner.

**Residential Customer:** An account representing a residential structure with four or fewer dwelling units, including trailer sites with sewer service. The residential class is used in calculating the ongoing wastewater service charges and for all purposes other than the calculation of the general facilities charge.

**Residential Customer Equivalent (RCE):** A measure of wastewater demand that is the basis for calculating monthly wastewater service charges. Specific definitions are in Section 5.2.

**Ronald Wastewater District:** The predecessor owner of the City wastewater utility. References to Ronald Wastewater District in previous policies, Board actions, or intergovernmental

agreements still apply to the City wastewater utility unless specifically superseded by this policy or other City action.

**Single-Family Customer:** This class is used only for calculating the GFC. It refers to new residential development that consists of only one dwelling unit on a lot. It excludes duplexes, triplexes, four-plexes, and single family houses with an accessory dwelling unit—all of which are included in the multi-family class.

**Structure:** Any improvements situated on a property within the City sewer service area which are designed, intended or suitable for human occupancy, employment, recreation, habitation or other purpose, shall be considered a structure subject to this Policy.

**Wastewater Service Charges:** Ongoing charges to all customers connected to the City sewer system, to recover the City's cost of providing wastewater service. Rates for wastewater service charges are characterized as a charge per month, even though the billing cycle may be monthly or bi-monthly. Wastewater service charges are comprised of two components: the wastewater collection charge and the treatment charge. For residential customers, both components of the wastewater service charge are based on the number of units. For commercial customers, the treatment charge is based on the number of RCEs, and the wastewater collection charge is based on the greater of the number of units or the number of RCEs.

**Surcharge:** An additional charge that may be imposed in addition to the regular wastewater service charge.

**Treatment Charge:** The charge to recover the cost of wholesale treatment charges paid to either the King County Department of Natural Resources or the City of Edmonds, excluding costs that are recovered from the King County industrial waste surcharge.

**ULID #2:** Utility Local Improvement District #2, an area that in the past was organized and annexed to the Ronald Wastewater District for the purpose of providing property owner funding for the capital cost of constructing local sewer mains and side sewers. This is the only part of the City sewer service area from which wastewater flows to the Edmonds Wastewater Treatment Plant by direct agreement between the City and the City of Edmonds. (There are other areas from which wastewater ends up in Edmonds because of a flow swap agreement between King County and Edmonds, but the customers in those areas still are counted as part of the King County system.) Customers in ULID #2 pay the Edmonds treatment rates, and new development in that area pays the Edmonds treatment facilities charge in addition to the City GFC.

**Unit:** A unit shall mean any portion of a structure available, suitable, intended or otherwise used as a separate business office or separate suite of business offices, store, or other commercial establishment, apartment, condominium, single family dwelling, duplex, triplex, fourplex, trailer, or an accessory dwelling unit added to a single-family dwelling. An individual storage space in a self-storage building shall not count as a "unit" for the purposes of this policy.

**Wastewater Collection Charge:** A charge that recovers all costs of operating the City wastewater utility except for wholesale treatment charges paid to King County and the City of Edmonds and industrial waste surcharges paid to King County.

**Section 1 Properties Subject to This Policy**

- 1.1 Except as provided below in Section 1.1.1, the owner of each lot or parcel of real property within the City sewer service area, abutting any street, alley or right-of-way in which there is now or in the future will be located any sewer facilities of the City, and which property now has or in the future may have constructed or placed upon it a structure, described in section 2, which structure lies within 300 feet of sewerage facilities maintained by the City, shall be subject to and comply with the terms of this policy.
  - 1.1.1 Structures situated on property within the former boundaries of King County Sewer and Drainage District No. 3 (KC3), that were served by an on-site septic system on the date that KC3 was transferred to the Ronald Wastewater District, shall not be subject to this policy, unless such property is within the boundary of a Utility Local Improvement District formed after the date of this Policy; or is made subject to this policy by order of the King County Health Department compelling connection of such property to the City sewer system; or is made subject to this policy by the owner's request for service through the City sewer system, or requests a change of use that would increase the number of dwelling units or fixture-units in a structure.
- 1.2 The owner of any property which in the future shall have constructed or placed upon it a structure shall, 30 days prior to permitting any use, comply with and become fully subject to the terms of this policy.

**Section 2 Structures Required to be Connected Where Sewer Lines are Available**

- 2.1 Any improvements situated on property within the City sewer service area which are designed, intended or suitable for human occupancy, employment, recreation, habitation or other purpose, shall be considered a structure subject to this Policy.
- 2.2 Any structure which is located on property within the City sewer service area shall for all purposes be deemed to have sewerage service available.
- 2.3 In the event a structure otherwise subject to the requirements of this policy is demolished or otherwise made unfit for use, the City will upon the owner's capping off the side sewer connection at a point designated by the City Public Works Director or designee, and upon inspection of such capping off by the City, cease billing wastewater service charges against the property until such time as the property is again connected to the City sewer system and put to use, at which time billing for wastewater service will commence.
  - 2.3.1 Structures which are not connected to the City sewer system shall be billed the wastewater service charges until such time as the City shall have inspected the property at the owner's request and confirmed that the structure on the property has been demolished or is otherwise unfit for the purposes intended.

**Section 3      Billing Procedures**

- 3.1 Wastewater service charges shall be billed and mailed to the owner of property to which service is available. Failure to receive such bill shall not relieve the owner of the obligation to pay the wastewater service charges, nor shall the property to which such service is available be relieved from the attachment of any lien against such property. For customers who register for paperless billing, the electronic address given as part of the registration shall be considered equivalent to a U.S. Post Office mailing address.
- 3.2 Timing of Wastewater Service Charge Rates. For existing customers, billing of wastewater service charges under a new rate schedule shall commence on the effective date of the rate schedule. If a rate change becomes effective during the middle of a billing cycle, the bill shall be prorated between the old and new rates. For example, if a rate change takes effect on January 1, residential accounts billed for the December-January billing cycle will be charged one month at the old rate and one month at the new rate.
  - 3.2.1 Structures built or placed on property within the City sewer service area after the effective date of this policy shall be billed on the first day of the first month commencing 60 days after the City inspects the structure's side sewer connection; or upon occupancy of the structure, whichever occurs first.
  - 3.2.2 Existing structures to which sewer service becomes newly available shall be billed on the first day of the first month commencing 60 days after the date of the City's mailing of a notice stating that service is available to the structure, and that such structure is to be connected to the sewer system; or upon the first day of the first month after the connection of such structure, whichever occurs first.
- 3.3 Commercial accounts shall be billed monthly. In general, residential accounts are billed bi-monthly.
- 3.4 The City bills in advance, not in arrears. Bills are mailed at the beginning of the billing cycle for which the service is being charged, and payment is due by the end of that billing cycle.
- 3.5 For the purposes of this policy, the City's giving of notice, or the mailing of a bill, to any party who has the care, custody, control or management of any structure shall be deemed the giving of such notice to the property owner.
- 3.6 Duplicate Bills.
  - 3.6.1 It is the policy of the City to always send bills to the owners of a property, even if the property owner has authorized another party to receive duplicate bills.
  - 3.6.2 Commercial properties: At the written request of the property owner on a form provided by the City, the City will send a duplicate invoice to either a property manager or a tenant, but not both.

- 3.6.3 Residential properties: At the written request of the property owner on a form provided by the City, the City will either send a duplicate bill to a designated property manager, or send a duplicate bill addressed to “Resident” at the service address.
- 3.6.4 A duplicate billing fee shall be added to the account each month for which duplicate bills are sent. The amount of this fee is set forth in SMC 3.01.620. This monthly fee will be waived if either of the bill recipients signs up for paperless billing.
- 3.6.5 A one-time fee will be added to the account for any account information changes, including designating or revoking the designation of a party to receive a bill or duplicate bill, changing the name or address of the recipient of a duplicate bill, or changing the name or address of the property owner. The amount of this fee is set forth in SMC 3.01.620.
- 3.6.6 Designation by the owner of another party to receive duplicate bills shall not relieve the property owner from the charges due as a result of the property manager or tenant’s failure to pay wastewater service charges. If a lien is recorded against the property as a result of the property manager or tenant’s failure to pay, the billing will be changed back to the owner of said property. It is the responsibility of the property owner to notify the City of any address changes, including electronic address changes for paperless billing.
- 3.7 In the case of condominiums, it is the policy of the City to bill a single aggregate bill for all units of the condominium either to the Condominium Association or, if so designated in writing, to a property manager.
- 3.8 The City shall not be responsible for prorating wastewater service bills upon a change in property ownership, change in tenant, or change in property manager. The parties to the transfer of responsibility—whether it be between seller and buyer, owner and tenant, or owner and property manager—are solely responsible for prorating the bills.
  - 3.8.1 No credit or refund shall be given by the City because of changes in ownership or tenancy of any property or because the property is vacant for a period of time.
- 3.9 Time limit on back billing and credits.
  - 3.9.1 If wastewater service is available to a property, and if for any reason the City has not billed the charges, the City may back bill such property for the availability of sewer service for a period not to exceed 36 months. The bill will be based on the rate for the actual period(s) due.
  - 3.9.2 If for any reason a credit is owed to the account, credits will be for a period not to exceed 36 months. The credit will be based on the rate for the actual period(s) credited.



- 3.10 In the case of commercial properties, regardless of whether individual water meters have been installed to serve these properties, the City requires that all billing be directed to the property owner or condominium association.
- 3.11 If overpayments or duplicate payments are received on the account, a refund request must be presented to the Billing Supervisor by the property owner in writing to approve the refund. Refunds will only be issued to the property owner. A fee for the refund request will be added to the next billing statement unless the overpayment or duplicate payment was caused by City error. The fee is set forth in SMC 3.01.620.
- 3.12 A fee shall be imposed for returned checks and bank disallowance of Automated Clearinghouse (ACH) withdrawals, as set forth in SMC 3.01.810.

#### **Section 4 Wastewater Service Charge Delinquency, Penalties, Interest, and Liens**

- 4.1 Wastewater service charges are charges against the property to which wastewater service is available and shall be imposed as set forth in Section 5 below at the rates set forth in SMC 3.01.600.
  - 4.1.1 The property owner shall be responsible for timely payment of the monthly or bi-monthly wastewater service charges and for any accruing interest or penalty for the entire premises. It is for the property owner and the tenants/occupants of the premises to decide on the contributory share of wastewater service charges due from each tenant/occupant. The City takes no responsibility for enforcing contributions from the tenants/occupants and looks solely to the property owner for payment of wastewater service charges.
- 4.2 The wastewater service charges shall be delinquent when they are not paid by the end of the billing period.
  - 4.2.1 All notices pertaining to “notice of delinquent sewer service charges” for the property shall be delivered to the property owner.
- 4.3 Penalties shall be added to all delinquent accounts upon their becoming delinquent.
  - 4.3.1 A late charge of 10% of the current billing shall be imposed each billing period in which the account is delinquent.
    - 4.3.1.1 The 10% late charge will be removed if the total unpaid balance is paid in full by the end of the first month of the billing cycle in which the late charge first appears on the bill.
  - 4.3.2 The City may remove penalties for good cause.
- 4.4 When a lien is recorded against delinquent accounts, a lien processing fee shall be imposed, and interest shall begin to be assessed at 8% per year on the unpaid balance from the date of delinquency, as set forth in SMC 3.01.620.
- 4.5 Change of ownership of property which has delinquent wastewater service charges outstanding or against which liens have been filed does not relieve the

property of penalties imposed upon delinquent wastewater service charges nor of liens filed nor legal costs incurred prior to and in foreclosure proceedings. Proration of wastewater service charges and penalties, where a change of ownership has occurred, is not the obligation of the City, but shall be the responsibility of the old and/or new property owners.

4.5.1 When an escrow report is requested, an account service fee shall be added to the next billing statement, as set forth in SMC 3.01.620.

4.6 The wastewater service charges levied against a property, together with lien recording fees, penalties thereon, all legal fees, costs of title search, and legal costs incurred by the City, shall be a lien against the property to which service is available or provided. Such lien shall be inferior only to the lien for general taxes. The City's lien against the property for delinquent wastewater service charges and penalties shall be certified to the King County Department of Records and Elections.

4.6.1 The following schedule applies to those accounts who have not paid in full for three billing periods.

Billing	Past Due	Billing Status	Lien/Collection Action
1 <sup>st</sup> Billing	None	Current Charges (CC) only	None
2 <sup>nd</sup> Billing	1 Past Due (PD)	CC + 1PD + Late Charge (LC)	None
3 <sup>rd</sup> Billing	2PD	CC + 2PD + 2LC	None
4 <sup>th</sup> Billing	3PD	CC + 3PD + 3LC	10 days after billing: Lien Alert Notice: Hand deliver a copy of Lien Alert Notice to the property. If rental property, mail to property owner a lien alert notice and a copy of the signed Authorization for Duplicate Bill (if residential) or Authorization to Bill Commercial Tenant (if commercial).
		CC + 3PD + 3LC and Lien Processing Fee	24 days after billing: If rental property, change billing address to property owner. Lien filed and Lien Processing fee added to account and Notice of Lien mailed
5 <sup>th</sup> Billing	4PD	CC + 4PD + 4LC	Final Notice mailed via Certified & Regular mail (All balance has to be paid in one month)
6 <sup>th</sup> Billing	5PD	CC + 5PD + 5LC	Notice of Legal Action via Certified and Regular mail (demands full payment in two weeks)
			Door Hanger to property: "Please contact City Wastewater Utility billing office immediately regarding your account."
7 <sup>th</sup> Billing	6PD	CC + 6 PD + 6 LC	Send account to Attorney

4.6.2 Special arrangements for delinquent accounts may be made on a case-by-case basis with the Director of Administrative Services or designee.

- 4.6.3 If the City receives a Notice of Trustee Sale or Foreclosure, and the account is at least sixty (60) days past due, the City will file a Lien Alert Notice and adhere to the lien filing schedule set forth in 4.5.1 above.
- 4.6.4 If the City receives a Notice of Bankruptcy, a Proof of Claim will be filed with the Bankruptcy Court.
- 4.7 After recording a lien against a property with the King County Department of Records and Elections, the City may foreclose such lien by a civil action in the Superior Court of the State of Washington for King County. The City shall recover in such action the delinquent service charges and penalties, together with its costs of suit, title search and attorney's fees.
- 4.8 Whenever any lien, together with penalties and all attorney's fees and costs incurred by the City pursuant to this policy, has been paid in full, the Director of Administrative Services is authorized and directed to execute and file any instrument required to release and discharge the City's lien of record.
- 4.9 Payments after delinquency.
  - 4.9.1 Partial payments received by the City prior to referral for collection or suit shall be applied against the balance due in the following order:
    - First King County recording fee
    - Second Lien processing fee
    - Third Late charges
    - Fourth Past due balance
    - Fifth Current sewer service charges
  - 4.9.2 Partial payments received by the City after the account has been submitted to the City's attorney for collection, or after suit has been commenced shall be applied as follows:
    - First The City's legal costs.
      - (A) court filing fees;
      - (B) service of process fees;
      - (C) publication costs;
      - (D) title search;
      - (E) attorneys' fees and all other costs;
    - Second King County recording fees, lien processing fee, and late charges;
    - Third Past due balance; and
    - Fourth Current sewer service charges.

**Section 5      Customer Classes and Calculation of Wastewater Service Charges**

- 5.1      The City has classified properties and structures to which sanitary sewer service is available into residential and commercial rate classes. These rate classes are used in calculating wastewater service charges and for all purposes other than calculating the general facilities charge and Edmonds treatment facilities charge. Such classifications into rate classes are based upon factors listed in RCW 35.67.020, and upon the differing impacts of such rate classes upon the City, constituting reasonable grounds of difference between such rate classes. The City may periodically review its definition and treatment of rate classes and reserves the right to change such classes in light of conditions existing in the City at the time of such review, including potentially creating an industrial rate class if needed to properly differentiate the costs of serving industrial customers.
- 5.1.1    Residential customers consist of single family residences with or without accessory dwelling units; duplexes; triplexes; fourplexes; and trailer sites to which sewer service is available.
- 5.1.2    Commercial customers consist of miscellaneous businesses, offices, stores, apartments with four or more units, condominiums, hotels, motels, trailer/mobile home parks, industrial parks to which sewer service is available, and all other uses not included in the residential customer class.
- 5.1.3    For the purpose of calculating the general facilities charge and Edmonds treatment facilities charge (collectively “development charges”), the customer classes are Single-Family, Multi-Family, and Non-Residential. These customer classes and the method of determining estimated RCEs for the two development charges reflect the fact that the estimated RCE must be calculated based on information that is knowable at the time of development, before there is a history of water usage for a given property. Therefore, the estimated RCE relies primarily on the number of dwelling units or the number of fixture-units. Of those two measures, the number of dwelling units is considered to be preferable where it can be used; the number of fixture-units is only used for non-residential properties, where there are no dwelling units.
- 5.2      Definition of RCE for the purpose of calculating wastewater service charges.
- 5.2.1    Residential. The number of RCEs for residential customers is always equal to the number of units, regardless of the amount of water consumed. For example, a single-family home with no accessory dwelling unit is one RCE, and a four-plex is four RCEs.
- 5.2.2    Commercial. The number of RCEs for commercial customers is a separate measurement from the number of units. One RCE is defined as 750 cubic feet of water consumed in a month. The number of RCEs for a given commercial customer is determined by dividing the average monthly water usage for the previous year (in cubic feet) by 750 cubic feet per RCE, provided that there is a minimum of one RCE per structure. The

RCE calculation is updated annually, based on water usage data provided by North City Water District and Seattle Public Utilities.

5.3 Calculation of Wastewater Collection Charge.

5.3.1 Residential.

5.3.1.1 The wastewater collection charge consists of the number of units multiplied by the rate shown in SMC 3.01.600.

5.3.1.2 Qualified low income senior and disabled citizens receive a 50% discount.

5.3.1.3 There is a surcharge of \$25.54 per month per unit for each Apple Tree Lane property for 15 years from January 2006 to December 2020.

5.3.1.4 There is a credit of \$0.50 per month for sewage pump electrical for Apple Tree Lane accounts where a sewage pump serves one property.

5.3.1.5 There is a credit of \$1.00 per month for sewage pump electrical for Apple Tree Lane accounts where a sewage pump serves two properties.

5.3.2 Commercial.

5.3.2.1 The wastewater collection consists of the rate shown in SMC 3.01.600, applied to either the number of units or the number of RCEs, whichever is greater.

5.3 Calculation of Treatment Charge – both Edmonds and King County Treatment areas.

5.3.1 Residential.

5.3.1.1 Treatment charge consists of the number of units multiplied by the rate shown in SMC 3.01.600 for the applicable treatment provider.

5.3.1.2 Qualified low income senior and disabled citizens receive a 50% discount.

5.3.2 Commercial.

5.3.2.1 Treatment charge consists of the number of RCEs multiplied by the rate set forth in SMC 3.01.600 for the applicable treatment provider.

5.4 Special Billings.

5.4.1 Special billings to the City of Mountlake Terrace for sanitary sewer service for properties outside the City sewer service area, per agreement with Ronald Wastewater District dated April 15, 1968, amended on July 30, 2003, Resolution 03-32. The City of Mountlake Terrace provides the City yearly certification of the number of units of residential customers in

the applicable area and the metered water usage of commercial customers. Billing to the City of Mountlake Terrace is based on the following:

5.4.1.1 Residential properties, including multi-family with four or fewer units: A combined rate based on 50% of the current wastewater collection charge and 100% of the treatment charge per connection, as set forth in SMC 3.01.600, shall be multiplied by the number of units of residential customers in the applicable area.

5.4.1.2 Commercial properties, including trailer courts and multi-family apartments of more than 4 units: A combined rate based on 50% of the current wastewater collection charge and 100% of the treatment charge, as set forth in SMC 600.01.600, shall be multiplied by total number of RCEs by commercial customers in the applicable area, based on 750 cubic feet per RCE.

5.4.2 At such time as application for wastewater service by an industrial user is made, the City may establish an industrial rate based on the volume and strength of industrial waste discharged into the City sewer system. The City reserves the right to make all determinations as to whether or not the proposed usage shall be classified as an industrial usage or whether it should be classified as a commercial customer. In the absence of any special rate established by the City at the time that sanitary sewer service is requested for an industrial use, the industrial use rate shall be generally the same as the commercial customer rate, subject to adjustment based on the particular usage planned or actually made by the industrial user.

## **Section 6      New Accounts**

- 6.1 No consumption history for commercial accounts. Where no water consumption history is available for a structure, the Director of Administrative Services or designee shall estimate consumption for purposes of establishing service charges until such history is available.
- 6.2 Mixed use properties. Where a structure is used for purposes described by more than one classification and if the structure is served by a single water meter, the Public Works Director or designee shall assign the structure to a customer class and determine an appropriate method for calculating the charges to be imposed. The determination shall take into account the relative proportion of uses, the nature of the demand on the sewer system, the definitions used by wholesale treatment providers, and the most applicable customer class definitions contained in this policy.
- 6.3 New Classification. If a new account is to be served by the City and there is no specific classification for this account, the Public Works Director or designee will make the determination as to how it will be classified and charged. The determination shall take into account the nature of the demand on the sewer system, the classification of other accounts with similar characteristics, the definitions used by wholesale treatment providers, and the most applicable customer class definitions contained in this policy.

**Section 7      Surcharges and Local Facilities Charge**

- 7.1      Surcharges. The City may establish a surcharge in addition to the rate for any account type or area based on the additional cost of serving those properties beyond costs generally incurred for properties served by the City sewer system. Additional costs which shall be considered in establishing surcharges shall include but not be limited to additional or special maintenance required; electricity costs; necessary replacement of system components, including individual pumps, pump stations, electrical service panels, and monitoring and warning devices; additional labor or equipment costs resulting from providing such service; and any other costs incurred for services not generally provided systemwide.
- 7.2      Local Facilities Charge for new connections from previously unsewered areas. Properties in three previously unsewered areas described in Ronald Wastewater District resolutions 2004-44, 2005-23 and 2006-15 were allowed to remain on septic systems until the septic system fails or the property is sold, even if sewer lines are within 300 feet of the property line. When a property owner in those areas requests connection to the City sewer system, the City will impose a local facilities charge of \$29,088.29 per connection to recover a proportionate share of the cost of local sewer infrastructure. The City allows property owners to enter into a “Hook Up Charge in Lieu of Assessment Agreement,” through which the local facilities charge can be paid over 15 years with interest.

**Section 8      Reduced Rates for Qualifying Low-Income Senior and Low-Income Disabled Citizens**

- 8.1      The State of Washington, through the legislative adoption of RCW 74.38.070 entitled “Reduced utility rates for low income senior citizens and other low-income citizens,” authorized municipal corporations which provide utility service to offer reduced rates to low-income senior citizens and other low-income citizens disabled citizens, provided that the definition of qualifying customers is adopted by the governing body of the utility.
- 8.2      The City’s reduced rates for qualifying low-income senior and low-income disabled citizens may be continued, discontinued, or modified at the option of the City Council at the end of each year, based on its fiscal viability and its effect on the City and ratepayers as a whole. In addition, the City Council shall have the power to modify the rules and conditions under which eligibility is established for the reduced rates.
- 8.3      The following describes the eligibility, requirements, and the annual process for establishing eligibility for the Low-Income Senior/Low-Income Disabled Citizen Reduced Rate Program. The discounted rates are set forth in SMC 3.01.600.
- 8.4      Eligibility.
- 8.4.1      To qualify for the reduced rates, the applicant must own and occupy residential property within the City, and the applicant must be either a low-income senior citizen or a low-income disabled citizen.

8.4.1.1 If two people occupy and jointly own the same residence and their joint income meets the threshold to be considered low-income, then they can qualify for the reduced rates if at least one of them is a senior citizen or a disabled citizen.

8.4.2 To qualify as a senior citizen, the applicant must be at least 62 years of age at the time application is made.

8.4.3 To qualify as a disabled citizen, the applicant must be considered disabled by the U.S. Social Security Administration.

8.4.4 The applicant(s) must own and reside at the property for at least one year prior to the date of application and or renewal of the qualification.

8.4.5 To qualify as low-income citizens, the applicant(s) must have earned less than 60% of the Local Area Median Household Gross Annual Income during the previous year using the most recent official annual income guidelines established by the United States Department of Housing and Urban Development (HUD) for single and married ratepayers.

8.4.6 The applicant(s) must not reside in housing which is federally subsidized public housing.

8.5 Requirements.

8.5.1 Complete and submit to the City a completed application form and the required evidence of eligibility.

8.5.2 The documents providing evidence of eligibility must verify the income of the applicant, the fact that the applicant owns and occupies a residential property in the City, and either the age or disabled status of the applicant.

8.5.3 Applications must be received at least 15 days prior to the end of a billing cycle.

8.6 The effective date of the reduced rates will be the beginning of the next bi-monthly billing cycle after approval of the application. There will be no retroactive qualification for the reduced rates.

8.7 Annual Renewal Process. To continue to qualify for the reduced rates, eligibility must be re-established no later than by May 1 of each year. If citizens have qualified for the program for three continuous years, they may continue under the program by certifying that they continue to be qualified.

8.8 Acceptable forms of evidence that the ratepayer is eligible for the reduced rates.

8.8.1 For income: copy of IRS Form 1040, or copy of Form SSA-4926 SM or SSA-1099 for the previous calendar year.

8.8.2 For property ownership in the City: copy of property tax statement or assessment card.

8.8.3 For senior citizens: copy of driver's license or birth certificate.

8.8.4 For disabled citizens: copy of the disability verification letter from the U.S. Social Security Administration.



- 8.8.5 Other documentary evidence as the City may reasonably require or choose to accept related to income, property ownership, and either age or disability.

## **Section 9 Protest/Appeal Process**

- 9.1 A ratepayer who believes that the City has charged the wrong rate or made a billing error with respect to the ratepayer's property, may make a written request to the Billing Supervisor to correct the alleged error or the rate charged. No request for a refund will be considered for any period more than three years prior to the date of the written request. The Billing Supervisor shall issue a written decision on the request and mail the same to the ratepayer.
- 9.2 Within twenty days of the date the Billing Supervisor's decision was mailed, the ratepayer may file a written appeal to the Director of Administrative Services by mailing or delivering the appeal to the office of the Department of Administrative Services in City Hall. The Director of Administrative Services or designee will review and decide the appeal and inform the ratepayer in writing of the decision. The written decision of the Director of Administrative Services shall constitute the final action of the City with respect to wastewater billing matters.

## **Section 10 General Facilities Charge and Edmonds Treatment Facilities Charge**

- 10.1 A General facilities charge (GFC) shall be imposed on all properties which are newly connected to the City sewer system and on existing connected properties where the structure is being modified so as to increase the number of dwelling units (for single-family or multi-family structures) or the number of fixture-units (for non-residential structures). The GFC recovers a proportionate share of the past and planned capital costs of the City sewer system other than costs paid by grants, developer donations, or property assessments, and it ensures that new development pays a proportionate share of the costs imposed by new development. The GFC applies across the City sewer service area, including in ULID #2.
- 10.2 An Edmonds treatment facilities charge shall be imposed on properties in the ULID #2 area which are newly connected to the City sewer system and on existing connected properties where the structure is being modified so as to increase the number of dwelling units (for single-family or multi-family structures) or the number of fixture-units (for non-residential structures). The Edmonds treatment facilities charge recovers on behalf of the City of Edmonds a proportionate share of past and planned capital costs of the Edmonds Wastewater Treatment Plant.
- 10.3 The GFC and, if applicable, Edmonds treatment facilities charge shall be paid prior to making the connection or receiving a permit to improve the structure.
- 10.4 The GFC and Edmonds treatment facilities charge are calculated based on the number of estimated Residential Customer Equivalents (RCEs) for a new structure or the estimated incremental increase in RCEs for a modified structure.

10.5 For the purposes of GFC and Edmonds treatment facilities charge, the number of estimated RCEs is calculated as follows.

10.5.1 Single-Family. single-family structure with no accessory dwelling units is 1.0 RCE.

10.5.2 Multi-Family. For a multi-family structure (including duplexes, triplexes, four-plexes, single family structures with accessory dwelling units, and apartment buildings with more than 4 units) , the estimated number of RCEs is equal to the number of dwelling units, except that for microhousing as defined in SMC 20.20.034, each single-room living space is counted at 0.5 RCE.

10.5.3 Non-Residential. For a non-residential structure, the estimated number of RCEs is based on the number of fixture-units plus additional wastewater flow projected above the fixture units. One RCE is equal to 20 fixture-units. If additional wastewater flow is projected for the structure above the fixture units, one RCE is equal to 187 gallons per day of additional flow. The number of fixture-units per plumbing fixture is shown in the following table.

Type of Fixture	Fixture-Units per Fixture	
	Public	Private
Bathtubs and shower	4	4
Shower, per Head	2	2
Dental units or lavatory	1	1
Dishwasher	2	2
Drinking fountain (each head)	1	0.5
Hose bib (interior)	2.5	2.5
Laundry tub or clothes washer	4	2
Sink, bar or lavatory	2	1
Sink, kitchen	3	2
Sink, other (service)	3	1.5
Sink, wash fountain, circle spray	4	3
Urinal, flush valve, 1 GPF	5	2
Urinal, flush valve, >1 GPF	6	2
Water closet, tank or valve, 1.6 GPF	6	3
Water closet, tank or valve, >1.6 GPF	8	4

10.6 To determine the amount of the GFC, the number of estimated RCEs is applied to the rates set forth in SMC 3.01.610. The low-density charge applies to single-

family structures with or without accessory dwelling units, duplexes, triplexes, and four-plexes. The high-density charge applies to non-residential structures and apartment buildings with more than 4 units.

- 10.7 To determine the amount of the Edmonds treatment facilities charge, the number of estimated RCEs is applied to the rates set forth in SMC 3.01.610.
- 10.8 If a preexisting structure is disconnected and wastewater service charges discontinued pursuant to the requirements of Section 2.3, and a new structure is later built on the same site within five years of the discontinuation of wastewater service charges, then the new structure shall be charged only for the estimated incremental increase in RCEs above the number for which a GFC was previously paid for the structure no longer receiving service. If a property with a disconnected structure has had wastewater service charges discontinued for more than five years, then a new structure built on the site shall be charged for the total number of estimated RCEs.
  - 10.8.1 If the lot is subdivided after wastewater service charges are discontinued, a credit against the GFC shall be applied in equal proportion to the new structure(s) within the new subdivided parcel(s). The credit shall offset the GFC charged to the new structures provided that the new structures are built within five years of the discontinuation of wastewater service charges. The credit shall consist of the number of RCEs for which a GFC was previously paid applied to the current GFC rate for low-density structures set forth in SMC 3.01.610.

**RESOLUTION NO. 416**

**A RESOLUTION OF THE CITY OF SHORELINE, WASHINGTON,  
REVISING THE CITY BUSINESS EXPENSE POLICY FOR EMPLOYEES  
AND OFFICIALS**

WHEREAS, the City Council wishes to revise the Business Expense Policy as adopted on April 8, 2013, under Resolution No. 342, to revise the sections related to travel and meal costs and remove the section regarding the Sister City; now therefore:

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHORELINE,  
WASHINGTON, AS FOLLOWS:**

1. The City Council hereby adopts *Business Expense Policy* No. 2.1709xx, Exhibit A attached hereto and incorporated by reference.
2. The City Council makes this Business Expense Policy revision effective October 1, 2017.

**ADOPTED BY THE CITY COUNCIL ON \_\_\_\_\_, 2017.**

\_\_\_\_\_  
Christopher Roberts, Mayor

ATTEST:

\_\_\_\_\_  
Jessica Simulcik Smith, City Clerk

## Exhibit 1A - Business Expense Policy

Shoreline Policy and Procedure – ~~2.130408~~ 2.1709xx

### ALLOWABLE BUSINESS EXPENSES

<b>Category and Number:</b> <b>Finance No <del>2.130408</del> <u>2.1709xx</u></b>	<b>Receiving Number:</b> <u>7202 8870</u>
<b>Code and statutory authority:</b>	<b>Authorized:</b> Effective Date: <u>May 1, 2013</u> <u>October 1, 2017</u>
<b>Supersedes:</b> <b>Finance No. <del>2.111024</del> <u>2.130408</u></b>	By: <u>City Council</u>

#### 1.0 GENERAL PURPOSE

This document is the policy of the City of Shoreline, Washington for the reimbursement of business expenses by the City including travel, subsistence and related expenses, and certain non-travel related expenses incurred by authorized persons while conducting City business or providing a service for the City. To qualify for reimbursement, expenses must be reasonable and prudent under the circumstances and directly related to the conduct of business or service for the City. Expenses should fit within the framework created by the City's core values. They should pass the Reasonable Person Test: "Would the average, reasonable Shoreline resident agree that the expense was a legitimate use of their taxes?" Reimbursement will be made subject to the rules contained in this policy and with Chapter 42.24 RCW.

It shall be the responsibility of individual employees for becoming knowledgeable about appropriate expenditures and documentation requirements. It shall be the responsibility of the Administrative Services Department to ensure that these policies are adhered to and to provide the forms and instructions necessary for their implementation. Exceptions to the rules set forth herein may be made only for unusual or extenuating circumstances when such expenses reasonably relate to a benefit or service received by the City and compliance was not feasible. Policy exceptions may be authorized in writing by the City Manager or his/her designee.

#### 2.0 DEPARTMENTS AFFECTED

All departments and City Council.

#### 3.0 OVERNIGHT TRAVEL EXPENSES

This section covers expenses related to travel that requires an overnight stay. Section 4.0 covers guidelines for expenses related to local (non-overnight) activities.

The City will follow the US General Services Administration (GSA) schedules that provide for maximum reimbursement rates for lodging, meals and incidental expenses for authorized staff traveling on official business. Amounts exceeding those rates, except as

## City of Shoreline Policy – Allowable Business Expenses

noted in Section 10, may be deducted from reimbursement claims or repaid by the employee. These rates are adjusted annually by the General Services Administration.

### **3.1 PRIOR APPROVAL**

Prior approval for overnight travel is required for all employees except City Council and City Manager. A Travel/Training Authorization form must be completed and approved by the Department Director or City Manager. City Manager approval is required for international travel by all employees except City Council and City Manager (see Section 3.10). The approved form should be forwarded to the Administrative Services Department prior to travel.

### **3.12 DOCUMENTATION**

No claim for reimbursement shall be paid unless it is accompanied by a Business Expense Report form, a copy of the Travel/Training Authorization Form and bona fide vendor's receipts, except for meal per diem claims. Such receipts should detail the following information when applicable: date, description of purchase, vendor identification and amount paid. Meal ticket stubs are not considered adequate documentation for reimbursement. Expense reports shall include name(s) of individual(s) incurring the expense and how the expense relates to City business.

A Declaration of Lost Receipt or Declaration of Lost Itemized Receipt is acceptable only after all reasonable attempts to locate or obtain a copy have been exhausted.

Credits such as gift cards, airfare credits and frequent flyer miles, whether earned on personal or business travel, are not reimbursable as there is no cash outlay for such a transaction.

Specific rules for the approval of a reimbursement claim are included in Section 7.0.

### **3.23 REIMBURSABLE MEAL COSTS**

All City employees and officials shall be entitled to reimbursement for meals consumed while traveling overnight on City business. Reimbursement ~~may~~ will be based on ~~either actual meal costs or the current per diem rate of the final destination of travel. In either case, reimbursement may not exceed the M&IE (Meals and Incidental Expenses) rate for the area of travel.~~ These Meal and Incidental Expense rates are established by the GSA and are adjusted annually.

Per diem rates differ based on locations defined by the GSA; tax and tip are included. Current rates can be found at [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem) or by calling Accounts Payable (Ext. 2314).

City of Shoreline Policy – Allowable Business Expenses

Per diem rates may be claimed for the first through the last day of travel provided the person is in travel status at the following times:

- 6:00 am for breakfast
- 12:00 pm for lunch
- 6:00 pm for dinner

Travel status begins at the time the employee would have left City Hall and ends at the time they would return to City Hall.

Receipts are not required for per diem reimbursement.

Actual meal costs may be submitted for reimbursement only in the event of meals attended by multiple employees (and invited business guests, i.e., lobbyists) in connection with conferences and business meetings. Employees will be responsible for keeping their cost as close as possible to the per diem rate; however, any reasonable excess will be paid by the City. Costs of invited business guests will be borne by the City. Costs of significant others will be reimbursed to the City based on a pro-rata share of the total bill.

~~If per diem reimbursement is claimed, receipts are not required.~~ If reimbursement is claimed for actual meal costs, an itemized restaurant receipt is required. Meal ticket stubs alone are not considered adequate documentation for reimbursement. In no event shall any single meal be reimbursed in excess of the equivalent per diem rate for that meal, unless approved in writing by the City Manager (except as allowed in the prior paragraph). If the excess is approved, it will be reported as taxable wages.

Payment for table service at a restaurant, commonly referred to as a tip, not to exceed 20% of the restaurant prices of the meal, is reimbursable as a reasonable and necessary cost for such service and as a reasonable and necessary part of the cost of the meal. Tips are included in the per diem rates as referenced above but may not exceed 20% whether or not the total cost of the meal exceeds the rate.

Any planned meals, the cost of which is included in a City-paid registration fee, whether or not the employee or official actually partakes of the meal, will not be reimbursable or eligible for per diem. Planned meals include ~~continental breakfast~~, box lunches and banquets. Receptions at which hors d'oeuvres are the primary offering are not considered meals.

When a meal is included in a meeting and the costs cannot be segregated, the actual cost of the event is reimbursable. A vendor receipt or copy of the meeting agenda is required as documentation.

**3.34 EXPENDITURES NOT ALLOWED AS ACTUAL MEAL COSTS**

City of Shoreline Policy – Allowable Business Expenses

Unauthorized expenditures include, but are not limited to:

- Liquor (including beer and wine)
- Expenses of a spouse or other persons not authorized to receive reimbursement under this policy.

**3.45 VEHICLE EXPENSES**

**A. CITY VEHICLE**

Costs of transportation and vehicle operation are acceptable, such as gas, oil, tires, tolls, ferry charges, parking and necessary repairs. Except in emergency situations, employees should contact the Fleet & Facilities Manager before incurring any repair expenses.

**B. PERSONAL VEHICLE**

Expenses shall be reimbursed for travel within a 300 mile radius of ~~the City Hall~~ at ~~such rate per mile as shall be established from time to time by the Administrative Services Department, but not to exceed the then- the~~ current maximum rate allowed by the United States Internal Revenue Service for reimbursement of such expenses for purposes of business travel expense deductions. Trips beyond this limit will be reimbursed in an amount equal to the lowest appropriate round trip air fare to the destination offered by a regularly scheduled commercial air carrier, plus an allowance for ground transportation based on the circumstances.

Mileage reimbursement will be calculated based on the round trip distance between City Hall and your destination or your actual mileage, whichever is less.

When travel is scheduled by public conveyance (bus, train, air, etc) outside a 300 mile radius, surface transportation to and from the conveyance depot/airport is appropriate.

Employees should exercise appropriate judgment and discretion in selecting a parking site when it is required to park a car while using other modes of transportation such as a plane. Often it is more cost effective to use parking services other than those provided directly within airports.

City employees and City officials who receive an automobile allowance in lieu of City provided transportation shall not be entitled to further reimbursement for surface transportation costs within a 300 mile radius of the City. Travel outside of a 300 mile radius will be calculated as



## City of Shoreline Policy – Allowable Business Expenses

described above, except that no mileage reimbursement for surface transportation shall be allowed for travel to and from any Seattle area airport.

### C. RENTAL VEHICLE

The cost of vehicle rental is considered an exception to this policy and its justification must be clearly stated on the Travel/Training Authorization Form, approved in advance by the Department Director. A copy of the written approval must be attached to the Business Expense Report Form or to any City credit card acquisition. The employee's automobile insurance will be considered the primary coverage on the vehicle. The employee should purchase Collision Damage Waiver insurance provided by the car rental company to ensure full coverage for property damage to the rental vehicle. The cost of the CDW insurance is reimbursable. The City's insurance policy provides excess liability coverage while the employee is conducting City business but only after the employee's coverage is totally exhausted. The City's insurance policy does not cover damage to the rental vehicle.

### 3.56 AIR TRAVEL

~~The City of Shoreline uses the State of Washington contract for air travel whenever possible. Government airfares, while higher than super saver fares, will allow changes to your travel itinerary without a penalty. If you are an individual whose job may require you to make last minute changes, a government airfare is best suited for your air travel. In some cases, the government airfare is the same or very close to the super saver fares.~~

~~To access the State of Washington airfares, all travel arrangements must be made through a travel agency listed on the State of Washington authorized list. The City has selected Travel Leaders as our authorized State of Washington travel agency.~~

~~Employees who wish to take advantage of government airfare shall use the following process:~~

- ~~1) Employee may call Patti Scudder at Travel Leaders (206-546-5131) to establish an air travel itinerary. She is also available at [patti.scudder@travelleaders.com](mailto:patti.scudder@travelleaders.com).~~
- ~~2) Once an itinerary had been developed, employee fills out the Air Travel Authorization Form and obtains supervisor's authorization.~~
- ~~3) Employee delivers Air Travel Authorization Form to Purchasing.~~

## City of Shoreline Policy – Allowable Business Expenses

- ~~4) Purchasing will authorize the travel form and forward to Travel Leaders. Travel Leaders will not book a ticket without approval from Purchasing.~~
- ~~5) Employee will receive tickets within a week.~~

~~Alternatively, e~~Employees may are expected to make their own air travel arrangements. They may use their own funds and submit a request for reimbursement or they may use a City credit card that has been designated for travel purposes. If they have been given authorization to use their P-card for travel expenses, they may also use that method. ~~The employee is only eligible to receive a reimbursement for self-arranged tickets up to the lowest cost that the City could have obtained directly.~~

When personal travel is combined with business-related travel, the traveling employee shall be responsible for paying the increase in airfare necessary to accommodate the personal part of the flight. The City shall pay for the lowest reasonable and available airfare for the round trip between a Seattle area airport and the business-related destination.

When personal travel is combined with business-related travel, the employee shall provide documentation showing the cost of airfare for travel for City business only (at the time the reservation is made) as well as the receipt for the actual cost which includes personal travel. If the addition of personal travel makes the cost higher, the employee should use their own funds to pay the fare and request reimbursement of the lesser amount. If the addition of personal travel makes the cost lower, the employee may use a City travel credit card or their P-card to pay the fare. The employee's payment for personal travel shall accompany the City's payment to the vendor for the tickets.

When changes in travel plans occur that are the result of City business requirements, (i.e. delays in departure, cancellations, extended stays, or revised itinerary) any associated costs shall be paid by the City. However, all increases in cost of travel due to changes for personal convenience will be borne by the employee.

### **3.67 ACCOMMODATIONS**

~~Directors Supervisors~~ may authorize lodging within the Puget Sound metropolitan region for multi-day functions but should use discretion when doing so. Factors that should be considered are length of travel from the employee's regular work place, length of meeting and budget.

Reasonable hotel/motel accommodations for employees and officials are acceptable and will be reimbursed or paid at a rate not to exceed the GSA maximum lodging rate for the area of travel. Rates may be obtained from the GSA website at [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem) or by calling Accounts Payable (Ext.

City of Shoreline Policy – Allowable Business Expenses

2314). Note that rates listed by the GSA are for the base room rate only and do not include taxes or surcharges. These rates are adjusted annually by the GSA.

A vendor's itemized receipt for this category is required for all claims. ~~Direct billing of Hotel/Motel charges is only allowed when a purchase order is issued by the Purchasing division.~~

In the following situations, the maximum allowable lodging amounts may not be adequate and the Department Director or City Manager may approve payment of lodging expenses that exceed the allowable amount. ~~Approval must be made, in writing, in advance of the travel.~~ Justification for exceeding the per diem lodging rate must be stated on the Travel/Training Authorization Form.

- When lodging accommodations in the area of travel are not available at or below the maximum lodging amount and the savings achieved from occupying less expensive lodging at a more distant site are consumed by an increase in transportation and other costs.
- The traveler attends a meeting, conference, convention, or training session where local hotels offer conference rates. Further, it is anticipated that maximum benefit will be achieved by authorizing the traveler to stay at the lodging facilities where the meeting, conference, convention or training session is held.
- To comply with provisions of the Americans with Disabilities Act, or when the health and safety of the traveler is at risk.

**3.78 INCIDENTAL EXPENSES**

Incidental expenses allowed as part of the daily per diem rates ~~referenced in Section 3.2~~ include fees and tips given to porters, baggage carriers, bellhops and hotel maids. A vendor's receipt is not required; however, the daily total may not exceed \$5.00.

**3.89 MISCELLANEOUS EXPENSES**

This category includes all reasonable and necessary miscellaneous expenses and includes, but is not limited to, the following:

**1. ALLOWABLE MISCELLANEOUS EXPENSES**

- Bus, taxi, bridge or other tolls.
- Parking fees.
- Ferry costs.

City of Shoreline Policy – Allowable Business Expenses

- Laundry expenses if away from home three (3) or more working days.
- Baggage checking.
- Business telephone and postage expenses.
- One telephone call home per day if away from home for more than 24 hour duration is considered a business telephone expense. Phone calls home should not exceed 15 minutes per day.

**2. NON-ALLOWABLE MISCELLANEOUS EXPENSES**

- Personal entertainment.
- Theft, loss or damage to personal property.
- Expenses of a spouse, family or other persons not authorized to receive reimbursement under this policy.
- Barber or beauty parlor.
- Airline and other trip insurance.
- Personal postage, reading material.
- Personal toiletry articles.
- Fines or penalties, including parking or traffic violations.

A vendor's receipt will be required only when the single item cost of this type of expense exceeds \$10.00.

**3.910 INTERNATIONAL TRAVEL**

All international travel requires the prior approval of the City Manager.

**4.0 LOCAL TRAVEL EXPENSES (NO OVERNIGHT STAY)**

This section covers expenses related to meals and transportation for trips not requiring an overnight stay. See Section 3.0 for guidelines on overnight travel expenses.

The City will follow the US General Services Administration (GSA) schedules that provide for maximum reimbursement rates for meals and incidental expenses for authorized staff while on official business. Amounts exceeding those rates may be

City of Shoreline Policy – Allowable Business Expenses

deducted from reimbursement claims or repaid by the employee. These rates are adjusted annually by the General Services Administration.

**4.1 DOCUMENTATION**

No claim for reimbursement shall be paid unless it is accompanied by a Business Expense Report form, a copy of the Travel/Training Authorization Form and bona fide vendor's receipts. Such receipts should detail the following information when applicable: date, description of purchase, vendor identification and amount paid. Meal ticket stubs are not considered adequate documentation for reimbursement. Expense reports shall include name(s) of individual(s) incurring the expense and how the expense relates to City business.

A Declaration of Lost Receipt or Declaration of Lost Itemized Receipt is acceptable only after all reasonable attempts to locate or obtain a copy have been exhausted. No claim shall be paid for the value of items such as coupons used in lieu of cash.

Specific rules for the approval of a reimbursement claim are included in Section 7.0.

**4.2 REIMBURSABLE MEAL COSTS**

All City employees and officials shall be entitled to reimbursement for the actual cost of meals consumed while on City business. (Per diem rates apply only as a maximum allowable reimbursement.) In order to be eligible for reimbursement, justification must be provided which describes the public purpose, a list of people included in the meal claim and an agenda or details of the meeting to support the public purpose.

Requests for reimbursement of actual meal costs may not exceed the M&IE (Meals and Incidental Expenses) rate for the area. These rates are set by the General Services Administration and are adjusted annually. Current rates can be found at [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem) or by calling Accounts Payable (Ext 2314).

Examples of allowable meal expenses include: including, but not limited to the following:

- A. Meal expenses incurred while attending trade or professional association sponsored events (WFOA, APWA, etc.), conferences, business related functions or approved professional training.
- B. When a City employee or official conducts business with a customer or employee during a meal, reimbursement may be claimed for the cost of both meals; however, business meetings should not be scheduled during meal times unless another time is not practical. In the event of a group

City of Shoreline Policy – Allowable Business Expenses

meeting during a meal involving employees and invited business guests (more than 4), per diem rates should be kept in mind; however, the City will absorb a reasonable amount of excess cost.

~~Requests for reimbursement of actual meal costs may not exceed the M&IE (Meals and Incidental Expenses) rate for the area. These rates are set by the General Services Administration and are adjusted annually. Current rates can be found at [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem) or by calling Accounts Payable (Ext 2314).~~

An itemized restaurant receipt is required. Meal ticket stubs alone are not considered adequate documentation for reimbursement. In no event shall any single meal be reimbursed in excess of the equivalent per diem rate for that meal, unless approved in writing by the City Manager. If the excess is approved, it will be reported as taxable wages.

Payment for table service at a restaurant, commonly referred to as a tip, not to exceed 20% of the restaurant prices of the meal, is reimbursable as a reasonable and necessary cost for such service and as a reasonable and necessary part of the cost of the meal. Tips are included in the GSA per diem rates as referenced above and may not exceed 20% whether or not the total cost of the meal exceeds the rate.

Payment for meals picked up or delivered may include a tip of 10-20% of the price of the meal, depending on the circumstances; for instance, difficulty of delivery.

Any planned meals, the cost of which is included in a City-paid registration fee, whether or not the employee or official actually partakes of the meal, will not be reimbursable or eligible for per diem. Planned meals include ~~continental breakfast~~, box lunches and banquets. Receptions at which hors d'oeuvres are the primary offering are not considered meals.

When a meal is included in a meeting and the costs cannot be segregated, the actual cost of the event is reimbursable. A vendor receipt or copy of the meeting agenda is required as documentation.

#### **4.3 EXPENDITURES NOT ALLOWED AS ACTUAL MEAL COSTS**

Unauthorized expenditures include, but are not limited to:

- Liquor (including beer and wine)
- Expenses of a spouse or other persons not authorized to receive reimbursement under this policy.

#### **4.4 VEHICLE EXPENSES**

City of Shoreline Policy – Allowable Business Expenses

**A. CITY VEHICLE**

Costs of transportation and vehicle operation are acceptable, such as gas, oil, tires, tolls, ferry charges, parking and necessary repairs. Except in emergency situations, employees should contact the Fleet & Facilities Manager before incurring any repair expenses. When using a City vehicle to cross the Evergreen Point Bridge or travel on Highway 405, a Good to Go pass may be checked out to use for tolls. Contact the Facilities Department for more information.

**B. PERSONAL VEHICLE**

Expenses shall be reimbursed for travel within a 300 mile radius of ~~the City Hall~~ at such rate per mile as shall be established from time to time by the Administrative Services Department, but not to exceed the then the current maximum rate allowed by the United States Internal Revenue Service for reimbursement of such expenses for purposes of business travel expense deductions.

Mileage reimbursement will be calculated based on the round trip distance between City Hall and your destination or your actual mileage, whichever is less.

City employees and City officials who receive an automobile allowance in lieu of City provided transportation shall not be entitled to further reimbursement for surface transportation costs within a 300 mile radius of the City.

Employees crossing the Evergreen Point Bridge or traveling on Highway 405 may check out a Good to Go pass from the Facilities Department or request reimbursement for toll costs.

**4.5 MISCELLANEOUS EXPENSES**

This category includes all reasonable and necessary miscellaneous expenses and includes, but is not limited to the following:

**1. ALLOWABLE MISCELLANEOUS EXPENSES**

- Bus, taxi, bridge or other tolls.
- Parking fees.
- Ferry costs.

City of Shoreline Policy – Allowable Business Expenses

- Business telephone and postage expenses.

**2. NON-ALLOWABLE MISCELLANEOUS EXPENSES**

- Personal entertainment.
- Theft, loss or damage to personal property.
- Expenses of a spouse, family or other persons not authorized to receive reimbursement under this policy.
- Personal postage, reading material.
- Fines or penalties, including parking or traffic violations.

**5.0 MOVING EXPENSES**

The reasonable moving expenses of new employees in certain management and “hard-to-fill” positions are reimbursable at the discretion of the City Manager. Moving expenses shall mean the costs of moving household goods, furniture, clothing and other personal effects of the new employee.

The City Manager may also approve reimbursements for reasonable transportation and lodging expenses. Expenses may not exceed GSA reimbursement rates. All moving expense reimbursement requests will be reviewed for taxation pursuant to IRS Publication 521. Reimbursed expenses that are not considered deductible under an accountable plan will be reported as taxable wages. For example, according to the IRS, only lodging reimbursement for the day of arrival is considered deductible. Approved lodging reimbursement for additional days after arrival will be reported as taxable wages.

**6.0 FOOD AND BEVERAGES AT CITY MEETINGS, EVENTS AND EMERGENCIES**

Food and beverages may be provided for events such as those listed below. Efforts should be made to keep the costs within per diem rates.

**6.1 CITY COUNCIL MEETINGS**

- At regular Workshop dinner meetings and special meetings over meal times, food and beverages may be provided for Council members, the City Manager, other staff, and invited guests directly involved in the business discussed at the meeting.

**6.2 CITY SPONSORED PUBLIC MEETINGS/EVENTS**



## City of Shoreline Policy – Allowable Business Expenses

- The City may expend reasonable funds for food and beverages at City sponsored public meetings to encourage attendance and interaction. This includes, but is not limited to, Planning Commission, Park Board, Citizen Advisory Committee meetings and the State of the City event.

**6.3 CEREMONIES/CELEBRATORY EVENTS**

- Food and beverages may be served at ~~recognition ceremonies~~ employee appreciation celebrations (i.e., employee picnic and retirement celebrations which recognize an employee's years of service) held during normal office hours.
- Meals consumed in connection with recognition of nominees for employee of the year. (Per diem rates should be kept in mind; however, the City will absorb a reasonable amount of excess cost.)
- Food and beverages may be served at volunteer recognition events (including, but not limited to annual events honoring the contributions of volunteers).
- ~~Food and beverages may be served at celebratory/recognition dinners for Sister City delegates and employees to facilitate meetings between delegates, officials, and staff since the Sister City relationship provides a public benefit. (Refer to Section 11.0, Sister City Program)~~

**6.4 TRAINING SESSIONS AND STAFF MEETINGS**

- Food and beverages may be provided at staff meetings and training sessions of four hours or more.
- Food and beverages of minimal value may be provided to volunteers during staff supervised work or training sessions.
- Food and beverages may be provided during interviews with candidates for City positions.

**6.5 COUNCIL AND STAFF RETREATS**

- Food and beverages may be provided at both Council and staff retreats and should be budgeted for and provided as part of the retreat process.

**6.6 WORKPLACE**

- Beverage of minimal value may be provided to City employees at the work site during business hours.

**6.7 EMERGENCIES**

## City of Shoreline Policy – Allowable Business Expenses

Emergency situations are events where it is determined that City assets or infrastructure and/or the public for which it protects is at risk. In these cases, City staff may be required to remain on-site outside of their normal work shift.

- Food and beverages may be provided when an emergency situation is expected to span over a regular meal period and employees are required to remain on-site or available to respond to an emergency.
- Reimbursement or direct City purchases may be made for food and beverage expenses incurred within an employee's official capacity to continue the operations of the City's programs or services that are necessary for the life, health or safety of Shoreline's citizens.
- The cost for City provided meals should generally be in line with allowable costs under the City's business expense policy.

### **7.0 CLAIMS AND APPROVAL PROCEDURE**

An approved Business Expense Report Form must be submitted to the Administrative Services Department within fifteen (15) days after completion of each business trip, regardless of the method of payment of the travel expenses. Travel and subsistence expenses will not be paid from any Petty Cash Fund except as allowed by Petty Cash procedures.

Receipts must be attached to the Expense Report for all expenses incurred, with the exception of per diem calculations for meals and miscellaneous travel costs less than \$10. If the travel was related to a meeting, conference or seminar, attach a copy of the itinerary or similar document detailing dates, times and meals provided as a part of the registration cost. If documentation is not available, attach a brief memo with that information.

The Expense Report should detail expenditures individually applicable to the use of a City P-Card, City ~~Master~~ Travel Card, and/or cash expended out of pocket.

A copy of the Travel/Training Authorization form shall be attached to the Expense Report. Any special approvals required by this policy shall be obtained by employees prior to applicable travel and shall accompany the Business Expense Report reconciliation form when submitted to the Administrative Services Department. Such approvals shall be by separate memo, which identifies the policy exception being authorized and explains the reasons therefor.

All non-Council reimbursement claims must be authorized by the claimant's supervisor, Department Director, City Manager, or a management employee authorized to act on their behalf.

Claims may include the reimbursable cost of other City officials or employees who would be entitled in their own right to claim business expenses.

## City of Shoreline Policy – Allowable Business Expenses

Claims of Council members must be approved by the City Manager or his/her designee.

Claims shall be reviewed by the Administrative Services Department for compliance with these policies. Claims that are rejected may be referred for review and disposition to the City Manager or his/her designee.

### **8.0 SEMINAR OR CONFERENCE REGISTRATION FEES**

Payment of seminar or conference registration fees may be processed by the Administrative Services Department by initiating a ~~Purchase Requisition or a Check Request~~. Fees may also be paid by P-card or by following the appropriate reimbursement policy. Details of the conference/seminar should be included in the body of the ~~requisition or Check Request~~. Items such as dates, location, sponsoring organization, and registration deadline are useful information to assure prompt payment of the registration fee. If the conference or seminar is out of town and will result in overnight accommodations and/or travel expense, the traveling employee is responsible for obtaining a Travel/Training Authorization ~~the appropriate travel authorization~~ through his/her department which adheres to this business expense policy. Travel arrangements, i.e. airline passage or automobile travel, are subject to the applicable sections of this policy. A copy of the approved Travel/Training Authorization must be attached to the Check Request.

### **9.0 EMPLOYEE DUES AND MEMBERSHIPS**

It is the policy of the City of Shoreline to pay for the annual dues and memberships for employees in professional and civic organizations which directly relate to their specific job classification and directly benefit the City and the employee by providing staff with the network and information to further develop themselves in their professional capacity.

### **10.0 RECRUITING COSTS**

The reasonable expenses of candidates for certain management and “hard-to-fill” positions are reimbursable when such candidates are invited to visit Shoreline for a personal interview. Approval by the City Manager or designee is required for all expenses to be reimbursed.

At the time the invitation is made, the candidate shall be informed of the specific expenses and/or maximum amount which will be reimbursed. A Recruiting Expense form will be filled out and signed by the Candidate and Human Resources. The candidate will be informed of the requirement that the expenses be documented with itemized receipts and turned over to Human Resources, who will prepare the reimbursement claim. Unless otherwise directed by the City Manager, the invitation for interview and offer of reimbursement will be made by the Human Resources Director or designee.

## City of Shoreline Policy – Allowable Business Expenses

Expenses which may be reimbursed include air fare, hotel expenses, car rental, meals and incidental expenses. Incidental expenses include transportation to and from Sea-Tac Airport and necessary telephone calls with City staff.

A check request, a copy of the Recruiting Expense form and copies of travel receipts will be used as the customary vendor's statement.

The expense guidelines contained in Sections 3.0 and 4.0 of this policy will be applied to recruiting claims.

### **11.0 GIFTS**

Gifts of public funds are prohibited under Washington State Constitution Article VIII which states:

No county, city, town or other municipal corporation shall hereunder give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock or bonds of any association, company or corporation.

In keeping with this law, the City will not expend funds which would be considered a gift. The City does occasionally award gift cards under its employee appreciation or Wellness programs; however, they are considered taxable fringe benefits and are reported as such on the employees' W-2 forms.

### **12.0 — SISTER CITY PROGRAM**

~~The City of Shoreline has established a Sister City Program to seek an enhanced understanding of international culture, heritage and problem solving. Sister City relationships provide mutual benefit by creating opportunities to participate in social, cultural, educational, governmental, environmental and economic exchanges as well as promoting tourism and trade.~~

~~Sister City relationships often result in visits of City staff and officials to the Sister City as well as visits to Shoreline by dignitaries and officials of the Sister City. Typical activities when visiting with a Sister City (either at home or abroad) include meals, business meetings, receptions, official gift exchanges and other informational exchanges. Expenses associated with such activities are considered an appropriate public expense. Direct payment of and/or reimbursement of such expenses must comply with the following guidelines and internal controls as adopted by the City's business expense policy:~~

### **12.1 — TRANSPORTATION**

City of Shoreline Policy – Allowable Business Expenses

- ~~The City may pay for airfare and transportation costs for Sister City delegates and staff.~~
- ~~The City may pay for airfare and transportation costs for City staff and City officials traveling to Sister City locations.~~
- ~~Airfare and transportation costs for non-staff is only allowable if the individual is directly involved in relations between the Sister City and Shoreline.~~

**12.2 — ACCOMMODATION**

- ~~The City may pay reasonable costs for accommodation of Sister City delegates and staff and for our City staff visiting our Sister City location.~~

**12.3 — MEALS**

- ~~Meals may be provided to Sister City delegates and staff members when provided as part of meetings with City officials and staff. The costs of all meals provided to the delegates and staff must be reasonable since it is difficult to justify excessive meal costs as a valid public purpose.~~
- ~~When Shoreline employees travel to our Sister City location, City staff can be reimbursed for the reasonable cost of their meals. The reasonableness of this expense is outlined in Section 3.2 of this policy.~~
- ~~Pursuant to Section 3.3 of this policy, public funds cannot be used to purchase alcoholic beverages.~~

**12.4 — ENTERTAINMENT**

- ~~Entertainment cannot be paid for out of public funds. Entertainment is not considered a public purpose since its main purpose is for the private enjoyment of delegates or staff members.~~

**12.5 — CEREMONIES**

- ~~The City may expend reasonable funds to sponsor and promote public ceremonies and receptions so long as the goal of the public event is to inform citizens of the Sister City relationship and provides a chance for citizens to share ideas and knowledge of the Sister City relationship. The City may provide modest refreshments to encourage attendance and interaction between Shoreline citizens and Sister City delegates and staff.~~

**12.6 — GIFTS AND ADVERTISING**

City of Shoreline Policy – Allowable Business Expenses

- ~~Gifts intended to celebrate the Sister City relationship may be given to the Sister City as a governmental body in an amount commensurate to foster goodwill.~~
- ~~The City may give away minor promotional items to delegates, staff and the public, such as t-shirts, key chains, mugs, and pens, which advertise the Sister City relationship.~~
- ~~The City may expend public funds to advertise the Sister City relationship, such as through postings and fliers.~~

**ORDINANCE NO. 793**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON  
AMENDING CHAPTER 2.60 PURCHASING OF THE SHORELINE  
MUNICIPAL CODE**

WHEREAS, with Chapter 2.60 of Shoreline Municipal Code (SMC) the City has adopted regulations to direct the contracting for public works, goods, services, and real property; and

WHEREAS, SMC 2.60 requires housekeeping amendments to delete the defunct title of Purchasing Officer and replace it with the current title of Administrative Services Director and to delete specific dollar or percentage amounts that are based on Revised Code of Washington (RCW) provisions that are subject to amendment; and

WHEREAS, in the 2017 Legislative Session, with the passage of SB 5734, RCW 39.08.010 was amended to increase the dollar threshold amount for when the City may, in lieu of a bond, retain a percentage of the contract amount from \$35,000 to \$150,000 and SB 5734 also reduced the percentage amount the City may retain from fifty percent (50%) to ten percent (10%); and

WHEREAS, SMC 2.60.070(B) establishes a \$3,000 threshold from when contracts are required for the purchase of services and is recommended to be update to reflect current purchasing practices; and

WHEREAS, on August 14, 2017, the City Council held a study session on the proposed amendments to SMC Chapter 3.50; and

WHEREAS, the City Council has determined that the proposed amendments are in the best interests of the City of Shoreline;

THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE,  
WASHINGTON DO ORDAIN AS FOLLOWS:

**Section 1. Amendment to SMC Chapter 2.60.** Shoreline Municipal Code Chapter 2.60 is amended as set forth in Exhibit A to this Ordinance.

**Section 2. Corrections by City Clerk or Code Reviser.** Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

**Section 3. Severability.** Should any section, subsection, paragraph, sentence, clause, or phrase of this ordinance or its application to any person or situation be declared unconstitutional

or invalid for any reason, such decision shall not affect the validity of the remaining portions of this ordinance or its application to any person or situation.

**Section 4. Publication and Effective Date.** A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five days after publication.

**PASSED BY THE CITY COUNCIL ON \_\_\_\_\_, 2017.**

\_\_\_\_\_  
Mayor Christopher Roberts

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Jessica Simulcik-Smith  
City Clerk

\_\_\_\_\_  
Margaret King  
City Attorney

Date of Publication:     , 2017  
Effective Date:         , 2017



Shoreline Municipal Code  
Chapter 2.60 PURCHASING

**Chapter 2.60**

**PURCHASING**

**Amendment to Section 2.60.030 Definitions – Subsection (F)**

F. “Small works roster” is a roster of qualified contractors maintained for use in a modified formal bid process. When the contract amount for a public works project is ~~\$200,000 or less~~ than the dollar threshold for small public works projects as provided under RCW 39.04.155, as amended, ~~a~~ the city may follow the small works roster process for construction of a public work or improvement as an alternative to formal competitive bid requirements.

**Amendment to Section 2.60.050 Purchase of materials, supplies or equipment - Subsection (C)**

C. Informal Competitive Quotes.

1. A city representative shall make an effort to contact at least three vendors. The number of vendors contacted may be reduced if the item being sought is only available from a smaller number of vendors. When fewer than three quotes are requested or if there are fewer than three replies, an explanation shall be placed in the procurement file.
2. Whenever possible, quotes will be solicited on a lump sum or fixed unit price basis.
3. At the time quotes are solicited, the city representative shall not inform a vendor of any other vendor’s quote.
4. A written record shall be made by the city representative of each vendor’s quote on the materials, supplies, or equipment, and of any conditions imposed on the quote by such vendor.
5. All of the quotes shall be collected and presented at the same time to the city manager or designee as appropriate for consideration, determination of the lowest responsible vendor and award of purchase.
6. Whenever there is a reason to believe that the lowest acceptable quote is not the best price obtainable, all quotes may be rejected and the city may obtain new quotes or enter into direct negotiations to achieve the best possible price. In this case, the ~~purchasing officer~~ Administrative Services Director or his/her designee shall document, in writing, the basis upon which the determination was made for the award.

**Amendment to Section 2.60.060 Public works projects- Subsections (D) and (G)**

D. Small Works Roster. There is established for the city of Shoreline a small works roster contract award process for accomplishment of public works projects with an estimated value threshold as provided under RCW 39.04.155, as amended. The city may create a single small works roster, or may create small works rosters for different categories of anticipated work.

1. Roster List. The ~~purchasing officer shall establish the~~ small works roster or rosters which shall consist of all responsible contractors who have requested to be on the list, and where required by law, are properly licensed or registered to perform such work in the state of Washington. In addition to mandatory criteria for determining a responsible vendor under RCW 39.04.350, ~~the purchasing officer may add~~ other criteria listed in SMC 2.60.050(E) may be added, including the basis for evaluation, in determining responsible vendors.
2. Publication. At least once a year, the city shall publish in a newspaper of general circulation within the city the notice of the existence of the roster or rosters and solicit the names of contractors for such roster or rosters. Responsible contractors shall be added to an appropriate roster or rosters at any time that they submit a written request and necessary records. The city may require master contracts to be signed that become effective when a

Shoreline Municipal Code  
Chapter 2.60 PURCHASING

specific award is made using a small works roster. An interlocal contract or agreement between the city of Shoreline and other local governments establishing a small works roster or rosters to be used by the parties to the agreement or contract must clearly identify the lead entity that is responsible for implementing the small works roster provisions.

3. Prequalification and Appeal. Any contractor whose request to be on the list has been denied may appeal within 10 days after the denial ~~by the purchasing officer~~ to the city manager, and the city manager will make a decision within 30 days of the notice of appeal. Any contractor whose appeal to be on the list has been denied by the city manager may appeal, within 10 days after the denial by the city manager, to the city council, and the city council shall hold a hearing on the issue and make a decision within 45 days of the notice of appeal. A denial that is not appealed or that is appealed and results in a final decision against the contractor prevents the contractor from applying to be on the list for a period of one year from the initial application.

4. Process. Whenever work that has received city council approval in the current budget, or otherwise been approved by the city council, is sought to be accomplished using a small works roster, a city representative shall obtain telephone, written or electronic quotations from contractors on the appropriate small works roster to assure that a competitive price is established and to award contracts to the lowest responsible bidder as follows:

- a. A contract awarded from a small works roster need not be advertised. Invitations for quotations shall include an estimate of the scope and nature of the work to be performed as well as materials and equipment to be furnished. However, detailed plans and specifications need not be included in the invitation. This subsection does not eliminate other requirements for architectural or engineering approvals as to quality and compliance with building codes.
- b. Quotations may be invited from all appropriate contractors on the appropriate small works roster, sending a notice to these contractors by facsimile or other electronic means.
- c. For purposes of this policy, “equitably distribute” means that the city may not favor certain contractors on the appropriate small works roster over other contractors on the appropriate small works roster who perform similar services. At the time bids are solicited, the city representative shall not inform a contractor of the terms or amount of any other contractor’s bid for the same project.
- d. A written record shall be made by the city representative of each contractor’s bid on the project and of any conditions imposed on the bid. Immediately after an award is made, the bid quotations obtained shall be recorded, open to public inspection, and available by telephone inquiry.
- e. At least once every year a list of the contracts awarded under this process are to be furnished to the city council and made available to the general public. The list shall contain the name of the contractor or vendor awarded the contract, the amount of the contract, a brief description of the type of work performed or items purchased under the contract, and the date it was awarded. The list shall also state the location where the bid quotations for these contracts are available for public inspection.

5. Determining Lowest Responsible Bidder. Where bidders have not been prequalified, the city shall award the contract for the public works project to the lowest responsible bidder; provided, that whenever there is a reason to believe that the lowest acceptable bid is not the best price obtainable, all bids may be rejected and the city may call for new bids.

6. Cancellation of Invitations for Quotations. An invitation for quotations may be canceled at the discretion of the administrative services director. The reasons shall be made part of the contract file. Each invitation for quotations issued by the city shall state that the invitation may be canceled. Notice of cancellation shall be sent to all parties that have been provided with a copy of the invitation. The notice shall identify the invitation for quotations and state briefly the reasons for cancellation.

G. Bid Deposit and Performance Bond for Public Works Improvement Projects. Whenever competitive quotes or bids are required, a bidder shall make a deposit in the form of a certified check or bid bond in an amount equal to not

Shoreline Municipal Code  
Chapter 2.60 PURCHASING

less than five percent of the total bid, which percentage shall be specified in the call for bids. As part of any bid submitted, the bidder shall be required to warrant that the bid is a genuine bid, and that he/she has not entered into collusion with any other bidder or any other person.

All public works contractors shall furnish a performance bond in an amount equal to the total amount of the contract on a form approved by the city attorney. In lieu of a performance bond on contracts less than the dollar threshold provided under RCW 39.08.010, as amended, a contractor may request to have the city accept the percentage allowed by RCW 39.08.010 ~~choose to have 50 percent~~ of the contract retained for a period of 30 days after the date of final acceptance or until receipt of all necessary releases from the Department of Revenue and the Department of Labor and Industries and settlement of any liens filed under Chapter 60.28 RCW, whichever is later. Following the provisions of RCW 39.08.030 the city may, at its option, reduce the amount of a performance bond to not less than 25 percent of the total contract amount for on-call and scheduled maintenance contracts.

**Amendment to Section 2.60.070 Services – Subsection B**

B. Contract or Purchase Order Required. The purchase of services require that the city enter into a contract or purchase order for that service, with the exception of temporary employment agency services, and ~~standard~~ services with a total cost of \$3,000 or less in a calendar year, ~~such as auto repair, title reports, printing and messenger/process service.~~ Departments are allowed to make these purchases administratively in accordance with procedures adopted and approved by the city manager.

**ORDINANCE NO. 795**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON  
AMENDING CHAPTER 3.50 SALE AND DISPOSAL OF SURPLUS  
PERSONAL PROPERTY OF THE SHORELINE MUNICIPAL CODE**

WHEREAS, with Chapter 3.50 of Shoreline Municipal Code (SMC) the City has adopted regulations to govern the sale and disposal of surplus personal property owned by the City; and

WHEREAS, since adopted in 2001, SMC 3.50.020 has permitted the City Manager to sell or dispose of a surplus item with a value of \$2,000 or less while SMC 3.50.030 and SMC 3.50.020 have required City Council approval for the sale or trade in of a surplus item with a value in excess of \$2,000; and

WHEREAS, City Staff has analyzed these values given the impacts of inflation since 2001, in comparison with similarly-situated municipalities, and in regards to operational efficiency; and

WHEREAS, an increase in the value of a surplus item to require City Council approval for items in excess of \$5,000 would serve to expedite the disposition of surplus personal property so as to economically benefit the City; and

WHEREAS, clarification is needed in SMC Chapter 3.50 to ensure any city-owned personal property that was purchased with grant funds is disposed of in compliance with the grant requirements; and

WHEREAS, on August 14, 2017, the City Council held a study session on the proposed amendments to SMC Chapter 3.50; and

WHEREAS, the City Council has determined that the proposed amendments are in the best interests of the City of Shoreline;

THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE,  
WASHINGTON DO ORDAIN AS FOLLOWS:

**Section 1. Amendment to SMC Chapter 3.50.** Shoreline Municipal Code Chapter 3.50 is amended as set forth in Exhibit A to this Ordinance.

**Section 2. Corrections by City Clerk or Code Reviser.** Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

**Section 3. Severability.** Should any section, subsection, paragraph, sentence, clause, or phrase of this ordinance or its application to any person or situation be declared unconstitutional

or invalid for any reason, such decision shall not affect the validity of the remaining portions of this ordinance or its application to any person or situation.

**Section 4. Publication and Effective Date.** A summary of this Ordinance consisting of the title shall be published in the official newspaper. This Ordinance shall take effect five days after publication.

**PASSED BY THE CITY COUNCIL ON \_\_\_\_\_, 2017.**

\_\_\_\_\_  
Mayor Christopher Roberts

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Jessica Simulcik-Smith  
City Clerk

\_\_\_\_\_  
Margaret King  
City Attorney

Date of Publication:   , 2017  
Effective Date:       , 2017

Shoreline Municipal Code  
Chapter 3.50 SALE AND DISPOSAL OF SURPLUS PERSONAL PROPERTY

**Chapter 3.50**

**SALE AND DISPOSAL OF SURPLUS PERSONAL PROPERTY**

Sections:

- 3.50.010 Sale or donation of surplus and personal property owned by the city – General requirements.
- 3.50.020 Sale of surplus personal property with an individual item value of ~~\$2,000~~ \$5,000 or less.
- 3.50.030 Sale of surplus personal property with an individual item value in excess of ~~\$2,000~~ \$5,000.
- 3.50.040 Sale of surplus personal property to another governmental entity.
- 3.50.050 Trade-in of surplus equipment with an individual item value in excess of ~~\$2,000~~ \$5,000.
- 3.50.060 Sale of property originally acquired for public utility purposes.

**3.50.010 Sale or donation of surplus and personal property owned by the city – General requirements.**

A. Subject to this chapter, the city manager may authorize department directors to sell property that is in the custody of the departments and owned by the city when said property is no longer of public use to the city.

B. Department directors shall certify in writing to the city manager or duly authorized agent that city-owned property is no longer of public use to the city, or that the sale thereof would be in the best interests of the city.

C. The city manager may declare personal property that is of no current or future public use to the city with an individual item value of less than \$500.00 as scrap. Personal property declared scrap may be disposed of as prescribed by the city manager or sold by private sale at prices established by current market conditions.

D. The city manager may also authorize a donation of surplus property when the cost of disposition of the property is equal to or exceeds the current fair market value of the property, to a specific bona fide charitable organization which is tax exempt pursuant to Internal Revenue Code Sec. 501(c)(3).

E. If any surplus property is purchased with grant funds, the department directors shall consult with the granting agency to ensure sale or disposal of the property is consistent with any grant requirements or restrictions prior to providing certification to the city manager.

**3.50.020 Sale of surplus personal property with an individual item value of ~~\$2,000~~ \$5,000 or less.**

A. Approval of the city council is not required for the sale or disposition of any city-owned personal property with an individual item estimated value of ~~\$2,000~~ \$5,000 or less.

B. When such property has been certified for disposition by a department director, sale or disposition shall be made by the city manager or duly authorized agent in accordance with informal procedures. No member of the city council or members of their immediate family, and/or city employees or members of their immediate family, may acquire such property if the city employee or official had any role in establishing the valuation or price of said property.

**3.50.030 Sale of surplus personal property with an individual item value in excess of ~~\$2,000~~ \$5,000.**

Upon approval by the city council, surplus property owned by the city which is no longer of public use and which is valued at more than ~~\$2,000~~ \$5,000 shall be sold by calling for sealed bids or by live auction, at the council's discretion.

**A. Sale by Sealed Bidding.**

1. The call for sealed bids shall contain a description of the property to be sold, the location thereof, the name and address of the person with whom the bid is to be filed, the last date for filing bids, and any other pertinent information required by the city manager. Such call shall be published at least once in the official newspaper of the city not less than five days before the last date for filing of bids.

2. Each bid shall be accompanied by a deposit in the form of a certified or cashiers check in the amount equal to but not less than 10 percent of the amount of the bid. All such deposits so made shall be returned to the

Shoreline Municipal Code

Chapter 3.50 SALE AND DISPOSAL OF SURPLUS PERSONAL PROPERTY

unsuccessful bidders after award of a bid, if any. The deposit of the successful bidder shall be applied toward the bid price, or upon failure of such bidder to consummate the purchase, such deposit shall be forfeited as liquidated damages and such deposit shall be credited to the appropriate account.

3. Sealed bids shall be opened in public by the city clerk or duly authorized agent at the time and place specified in the call for bids. The city clerk or duly authorized agent shall make a tabulation of all bids received and forward the bids to the city manager for approval or rejection. The city manager shall accept the highest bid that exceeds the city's estimated value.

4. In the event no bids are received, all bids are rejected, or no bid exceeds the city's estimated value, the city manager may either ask for new sealed bids or direct the sale or disposition of such surplus property under the procedures adopted pursuant to SMC 3.50.020.

B. Sale by Live Auction.

1. Notice of the live auction, a description of the property to be sold and any other pertinent information required by the city manager shall be published at least once in the official newspaper of the city not less than five days before the auction.

2. The auction shall be conducted by the city manager or at his direction. The city shall accept the highest bid.

3. In the event no bids are received, the city manager may direct the sale or disposition of such surplus property under the procedures adopted pursuant to SMC 3.50.020

**3.50.040 Sale of surplus personal property to another governmental entity.**

A. Sale or disposition of surplus and personal property with an individual item value of \$50,000 or less to another governmental entity shall be in accordance with SMC 3.50.020.

B. Sale or disposition of surplus and personal property with a value of more than \$50,000 to another governmental entity shall be in accordance with the procedures for public notice and hearing in RCW 39.33.020.

**3.50.050 Trade-in of surplus equipment with an individual item value in excess of ~~\$2,000~~ \$5,000.**

A. Notwithstanding SMC 3.50.030, approval of the city council is not required for the trade-in of surplus equipment with an individual value of more than ~~\$2,000~~ \$5,000 when purchasing new equipment, so long as the city receives appropriate trade-in value for the surplus equipment. Appropriate trade-in value shall be determined by reference to "The Blue Book" or other similar published reference book.

B. When surplus city equipment has been certified for trade-in by a department director in accordance with this chapter, such trade-in may be approved by the city manager in accordance with informal procedures. No member of the city council or members of their immediate family, and/or city employees or members of their immediate family, may acquire such property if the city employee or official had any role in establishing the valuation or price of said property.

**3.50.060 Sale of property originally acquired for public utility purposes.**

Sale or disposition of surplus and personal property originally acquired for public utility purposes shall be in accordance with the procedures for public notice and hearing in RCW 35.94.040.