Langley Infrastructure Committee (LIC) Report

A New Look, “Paying It Forward” with The Langley Infrastructure Program (LIP)
Agenda

- **Welcome & Introduction of LIC members:** Councilperson Peter Morton
- **State of Langley Utilities Today:** Councilperson Peter Morton
- **Potential for Langley Tomorrow:** Councilperson Dominique Emerson
- **How to Make It Happen:** Mayor Tim Callison

*Q & A will be at end of each section*

*Also a Question & Comment Sheet was handed out at entry*

*A handout summarizing the presentation is available*

*Slides will be posted on the city website*
Langley Infrastructure Committee Charter

Formed by Mayor Callison in January 2018 to move the city onto a proactive rather than reactive utility management basis.

• Address critical issues today rather that at time of failure
• Fulfill the Growth Management Act (GMA) mandate that cities supply utilities to ALL residents
• Support the Langley Comprehensive Plan to increase affordable housing and utility services
• Protect our environment and citizens
• Increase the economic vitality of Langley

Make cost-effective investment in our future
LIC Members & Support

• City Council:
  ➢ Dominique Emerson (Chair)
  ➢ Peter Morton

• LIC Citizens:
  ➢ Langley Central: Hal Seligson
  ➢ East Langley: Jim Dobberfuhl and Susan Tomic

• Langley Staff:
  ➢ Mayor Tim Callison
  ➢ City Finance Director Debbie Mahler
  ➢ Public Works Director Stan Berryman
  ➢ Langley Utilities Supervisor Randi Perry
  ➢ Langley Assistant Treasurer Rose Hughes

• Consulting Support:
  ➢ Utility financial planning: Katy Isaksen of Katy Isaksen & Associates
  ➢ Bond Underwriter: Jim Nelson, Senior VP D. A. Davidson & Co.
  ➢ Engineering: Robin D. Nelson P.E., PACE Engineers Inc.

• Communications Focus Group

5/29/2019
<table>
<thead>
<tr>
<th>Date</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/16/18</td>
<td>Mayor Callison directs workshop for East Langley residents</td>
</tr>
<tr>
<td>2/12/18</td>
<td>First public meeting on infrastructure with East Langley residents</td>
</tr>
<tr>
<td>3/4/18</td>
<td>Langley Infrastructure Commission (LIC) established by council</td>
</tr>
<tr>
<td>Apr 2018</td>
<td>LIC develops possible project scenarios</td>
</tr>
<tr>
<td>5/7/18</td>
<td>PACE Engineering engaged to develop a CIP cost estimate</td>
</tr>
<tr>
<td>6/19/18</td>
<td>Langley Infrastructure Committee “Walkabout” with PACE</td>
</tr>
<tr>
<td>Aug 2018</td>
<td>PACE Engineering 2019 Capital Improvement Projects report</td>
</tr>
<tr>
<td>Nov 2018</td>
<td>Jim Nelson financing options consultation meeting &amp; discussions</td>
</tr>
<tr>
<td>12/20/18</td>
<td>Katy Isaksen engaged to do utility rate analysis</td>
</tr>
<tr>
<td>3/5/19</td>
<td>Katy Isaksen first report received</td>
</tr>
<tr>
<td>Mar 2019</td>
<td>Funding analysis and grant application</td>
</tr>
<tr>
<td>4/1/19</td>
<td>Completed application for Rural County Economic Development funds grant</td>
</tr>
<tr>
<td>4/29/19</td>
<td>Council workshop on Langley Infrastructure Project funding strategies</td>
</tr>
<tr>
<td>5/14/19</td>
<td>Focus group convened</td>
</tr>
<tr>
<td>5/28/19</td>
<td>Public meeting</td>
</tr>
</tbody>
</table>
The State of Langley Utilities Today

Across America infrastructure is aging and in need of repair
Langley Utility Systems Customer Base

• **Water:** 676 *Langley and 148 outside customers for 824 total customers*
• **Sewer:** 496 *customers*
• **Storm:** 680 *customers*

**NOTES:**
Taxable Parcels in Langley: 718
Utility Systems Overview

• GMA ➔ City Comp Plan ➔ Utility Comp Plans
• By law, each utility has its own comp plan, maintenance/operations fund and reserve fund
• Utility rates cover required maintenance and operations; the residual is put into the reserve fund.
• Utility participation (hookup) fees go to the specific utility reserve fund
• The utility reserve fund finances Capital Improvement Projects (CIPs):
  ➢ Identified deficiencies with potential for State permit violations
  ➢ Recommended improvements to meet standard best management practices
  ➢ Specified in Utility Comp Plan
  ➢ Back up emergency funding
• City Council approves
  ➢ Each year’s utility rates and CIPs during the overall budget process
  ➢ Utility comp plans are renewed every 6 to 10 years depending on needs
• Majority of water and sewer distribution and collection pipes installed in 50’s, 60’s, 70’s
Water Utility System

Water: 824 customers

- 2002 Comp Plan identified 12 capital projects
  - Based on 20 year need and asset service life
  - 4 were completed, 8 were transferred to the 2012 Comp Planning cycle
- 2012-2018 Comp Plan completed 6 of the 2002 projects, 2 remain
  - Sandy Point from Furman to Wilkinson
- The substantial water subscriber base along with rate increases and new hookups have enabled successful project completions
- Problems are caused by aging, corroded and broken pipes leading to
  - Deteriorating drinking water quality
    - excessive brown water (turbidity)
    - poor taste
  - Increasing significant mainline water leaks are a major concern
    - In 1st Q 2019, 6 significant water leaks were repaired.
    - 58% of water produced by wells was lost
    - More drinkable water was lost through leaking pipes than used by customers
- Asbestos cement pipes are at end of their life
- Emergency repairs are delaying scheduled capital projects
WATER
Corrosion, root intrusion and Leaks

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Sewer Utility System

**Sewer: 496 customers**
- Aging sewer plant built in 1992 partially funded by city wide ULID #8.
- Only sewer plant on island that doesn’t haul off solid waste
- 30% of Langley is unserved even though they helped pay for the plant
  - Limits housing expansion
  - Limits economic prosperity
- Sewer plant needs
  - Upgrades to handle contemporary products
  - Improvements to backup systems
- City wide, aged pipes and connections have water infiltration and reduced flow due to
  - Root intrusion
  - Blockages, wearing out, corrosion, cracking, and sagging
- Processing of this infiltrated water raising our costs and using capacity
- CIP funds are growing slowly as no major developments are on the horizon. The average rate of new connections is about 4 per year
- The smaller sewer subscriber base inhibits reserve build up for system improvement and replacement
- Capital and operational needs are outpacing revenue causing reserves to be used for emergency maintenance
SEWER
Infiltration, Blockage, Old Pipes

Lift Station #2 (Generation Park) pump replacement in 2011
Storm Utility System

Storm: 680 customers

- 2009 Comp Plan created to address deficiencies and changing regulations
- Rates have been going up gradually from $2 to $28.63 (2019)
- System problems include:
  - Root intrusion, blocked and broken pipes, and unserved areas
  - Widespread street ponding during heavy rain undermines roads and creates hazardous walking conditions
  - Fecal matter detected at discharge piping into sound in runoff monitoring in East Langley
- The current rates structure is not adequate to build enough of a reserve to address these issues
STORM
Inefficient, Blocked, Broken,
Hookup Rules

• Hookup Rules
  ➢ Water – Everyone must hookup to city water; no wells are allowed by ordinance
  ➢ Sewer – Must hookup to sewer if property within 200’ of main line:
    □ Remodel more than 50% of appraised value at time of construction
    □ Septic system fails
    □ Home changes ownership
    □ Want to add a 2nd ADU
  ➢ Storm –
    □ All new developments must have onsite water catchment
    □ Under special circumstances may connect to city storm system pipes (such as bluff)
Utility Participation Fees

- Capital Cost Contribution (Participation or Hookup Fees) for right to connect to the utility go into specific reserve fund for that utility
- Financial support for low income, aged or disabled of participation, assessment or bond/levy fees:
  - For capital contribution, city may allow scheduled time payments
  - City may assist in application for Community Development Block Grant (CDGB)

Utilities
- Water – participation fee ($7,415.00)
- Sewer –
  - Participation Fee ($5,614.00)
  - Assessment for any Bond/Levies
    - e.g. ULID 8 ( $1,930.24) if new parcel
  - Other potential costs to owners:
    - Physical connection costs from house to main (variable)
    - If have septic, cost of decommissioning septic system (pump out and fill with sand)
- Storm – no cost
Utility Finance Funding

- Monthly rate disparity against current comprehensive plans*
  Water $47, would be $55  \text{(per 2012 Water Comp plan; 2019 update pending)}
  Sewer $50, would be $57  \text{(per 2015 Sewer Comp Plan)}
  Storm $29, would be $39  \text{(to be updated in next Storm Comp Plan)}

- Participation fees in decline because housing development down; Reserve funds affected negatively

- Current reserve funds available with current customer base:
  Water - $400K
  Sewer - $100K
  Storm - $95K

- System failures take precedence over CIP Projects
- Emergent situations: funded by deferring capital projects or (conceivably) by emergency council action

*rounded residential base rates
Questions & Discussion
Potential for Langley Tomorrow
LIC Recommendation

The Langley Infrastructure Committee recommends bundling necessary improvements to sewer, water & storm utilities, & pedestrian safety and roadway restoration into a single Langley Infrastructure Program voter-approved measure.

Fund the Program with a combination of grant and levy bond
Storm Water Examples

North of Edgecliff with thickened edge

Walkway on 6th Street and South side of Edgecliff w/o walkway
Benefits of Langley Infrastructure Improvement Program
Water Utility Benefits

- Replaces some of asbestos concrete pipes
- Replaces undersized, damaged and corroded pipes
  - Achieves proper flow rates and more consistent pressure
  - Improves water quality
  - Increases water circulation
  - Lengthens system life span
- Decreases water leak occurrences
- Reduces impact of outages in water supply with additional isolation valves
- Upgrades fire protection with modern fire hydrants which need proper flow and pressure
Sewer Utility Benefits and Costs

- Reduces inflow and infiltration
- Sewage treatment plant has excess capacity so expansion does not place burden of existing plant
- Stabilizes rate of rate increases
- Supports economic growth for the whole city by providing housing expansion
- Positions Woodside and Cedar Circle to connect by gravity. Sets stage for remainder of Edgecliff to connect to main city sewer through a lift station.
- Impacts to those on septic
  - Requires sewer fees, connections and monthly payments
  - Eliminates costs for septic maintenance
  - Ensures property usage if septic fails
- Increases property value
  - Gain usable lot SQFT by converting septic area and reserve drain field to gardens, remodeling and housing
  - Detached ADU possibility allows owners more options for development
- Reduces risk of fecal matter getting into storm water runoff

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Storm Water Utility Benefits

- Decreases property damage by improving collection to outfall and moving water away from properties
- Decreases standing water which protects homes
- Reduces pedestrian hazards due to water on roadway or frozen puddles
- County outfall to be improved at end of Edgecliffe by the county
- Channels West Edgecliffe, Decker and Furman runoff to Noble Creek outfall
- Positive environmental impacts
  - Reduces water infiltration by redirecting runoff to outfalls
  - Offers potential for voluntary home site storm system hookup along bluff
Utility Benefits Summary

- Positions the entire city for a future of housing and economic growth
- Extends utility integrity and life expectancy
- Grows major city sector through sewer extension by gravity
- Enhances storm water management and pedestrian safety
- Improves outflow to Puget Sound and bluff stability
- Widens area of affordable housing development
- Connecting to sewer is available and optional for economic or contingent reasons
- Saves up to 30% economy of scale by bundling
- Limits to one time disruption for equipment staging and paving
- Potentially increases property values throughout the city
- Repaving of streets for improved drainage and safety
- Pulls projects out of current CIP allowing those further out to be done sooner
Questions & Discussion
Costs & Financing Strategies
# Overview of Projected Costs

## Table 1 Capital Improvement Projects

<table>
<thead>
<tr>
<th>Project #</th>
<th>Location</th>
<th>Water</th>
<th>Sewer</th>
<th>Storm</th>
<th>Streets</th>
<th>Sidewalk</th>
<th>Shared Project Costs*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIP -1</td>
<td>Edgecliff Drive</td>
<td>210,500</td>
<td>173,300</td>
<td>137,700</td>
<td>137,500</td>
<td></td>
<td>726,190</td>
<td>1,385,190</td>
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<tr>
<td>CIP -2</td>
<td>Furman &amp; Decker</td>
<td>175,500</td>
<td>311,300</td>
<td>286,300</td>
<td>232,300</td>
<td></td>
<td>1,096,946</td>
<td>2,102,346</td>
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<tr>
<td>CIP -3</td>
<td>Al Anderson-Louisa-6th</td>
<td></td>
<td>47,000</td>
<td></td>
<td>30,200</td>
<td></td>
<td>191,068</td>
<td>268,268</td>
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<tr>
<td>CIP -4</td>
<td>6th-Al Anderson-Cascade</td>
<td></td>
<td></td>
<td>134,900</td>
<td>120,800</td>
<td></td>
<td>374,542</td>
<td>630,242</td>
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<tr>
<td>CIP -5</td>
<td>Edgecliff Drive(Furman-Limits)</td>
<td></td>
<td>212,500</td>
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<td>40,300</td>
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<td>453,916</td>
<td>706,716</td>
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<tr>
<td>CIP -6</td>
<td>6th-2 sections AA &amp; CC</td>
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<td>80,200</td>
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<td>53,000</td>
<td></td>
<td>231,826</td>
<td>365,026</td>
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<td>CIP -7</td>
<td>4th Street</td>
<td>41,300</td>
<td></td>
<td></td>
<td>16,400</td>
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<td>98,396</td>
<td>156,096</td>
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<td>CIP -8</td>
<td>Third Street</td>
<td>42,500</td>
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<td></td>
<td>22,800</td>
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<td>95,071</td>
<td>160,371</td>
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<td>CIP -9</td>
<td>6th Park-Anthes</td>
<td>107,000</td>
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<td></td>
<td>37,500</td>
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<td>174,688</td>
<td>319,188</td>
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<tr>
<td>CIP -10</td>
<td>4th Street (Anthes-Cascade)</td>
<td>184,700</td>
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<td></td>
<td>46,400</td>
<td></td>
<td>266,359</td>
<td>497,459</td>
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<tr>
<td>CIP -11</td>
<td>Island View</td>
<td>112,900</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>130,633</td>
<td>243,533</td>
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<tr>
<td>CIP -12</td>
<td>6th Street-west</td>
<td></td>
<td>31,500</td>
<td></td>
<td>27,700</td>
<td></td>
<td>100,115</td>
<td>159,315</td>
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</tbody>
</table>

| Total Estimated Project Cost | 6,993,750 |

*Shared Project Costs include contingency, temp traffic control, mobilization, sales tax, engineering, permitting, construction management, etc.*
Table 3 CIP Package Split by Program

<table>
<thead>
<tr>
<th>CIP Package by Program</th>
<th>Water</th>
<th>Sewer</th>
<th>Storm</th>
<th>Streets/Sidewalk</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Project Cost</td>
<td>1,686,909</td>
<td>1,614,426</td>
<td>1,899,432</td>
<td>1,792,983</td>
<td>6,993,750</td>
</tr>
<tr>
<td>Percentage of CIP Package</td>
<td>24%</td>
<td>23%</td>
<td>27%</td>
<td>26%</td>
<td>100%</td>
</tr>
</tbody>
</table>

CIP Package by Program

- Streets / Sidewalks: 26%
- Water: 24%
- Storm: 27%
- Sewer: 23%
Recommended Funding Model

After considering many funding models, the LIC chose the lowest cost option for each person in Langley

1. August: $3M grant decision
2. November election: $4M levy*
   1. Affects property taxes in amounts of approximately $240 per year *
   2. No impact of these projects on utility rates

* • Based on hypothetical $400K home
• 30 year bond
• 3.75% interest
• 0.60/1000 levy rate
## Status of Funding Grant Application

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
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</thead>
<tbody>
<tr>
<td>4/1/2019</td>
<td>Mayor filed application for 2019 Rural County Economic Development Infrastructure Grant</td>
</tr>
</tbody>
</table>
| 5/28/19 10:00 am | Board of County Commissioners Orals in Coupeville  
Location: Island County Commissioners Hearing Room | |
| 8/9/19  | Grant decision made public                                                                                                           |

If you desire to support the grant, you may:

- Attend the May 28 Orals in person
- Write a letter to any or all Island County Commissioners in support of the Grant. A suggested text is in your handout
Bond Levy Perspective

2018-2019 Property Tax Levy Breakdown

$4M 30YR Bond at 3.75%
est. additional $.60 rate per $1000 a.v.

City of Langley
## Steps for Langley Infrastructure Program (LIP)

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Who?</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/14/19</td>
<td>City Hall</td>
<td>LIC</td>
<td>Focus Group presentation</td>
</tr>
<tr>
<td>5/14-28</td>
<td></td>
<td></td>
<td>• City begins compiling “factual” voter information</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• “YES” &amp; “NO” Election Committees formed, begins work on voter campaign</td>
</tr>
<tr>
<td>5/28/19</td>
<td>LMC</td>
<td>LIC</td>
<td>Public Meeting</td>
</tr>
<tr>
<td>5/28/19</td>
<td></td>
<td>Staff</td>
<td>Notify bond attorney to begin drafting ballot title</td>
</tr>
<tr>
<td>7/1/19</td>
<td>City Hall</td>
<td>Council</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; Reading: Council reviews 1&lt;sup&gt;st&lt;/sup&gt; draft ballot title and resolution</td>
</tr>
<tr>
<td>7/15/19</td>
<td>City Hall</td>
<td>Council</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Reading: Council approves ballot title and resolution</td>
</tr>
<tr>
<td>8/6/19</td>
<td>County</td>
<td></td>
<td>Resolution filing deadline</td>
</tr>
<tr>
<td>8/9/19</td>
<td>County</td>
<td></td>
<td>Grant decision public</td>
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<tr>
<td>10/18/19</td>
<td>County</td>
<td></td>
<td>Ballots mailed</td>
</tr>
<tr>
<td>11/5/19</td>
<td>County</td>
<td></td>
<td>Election Date</td>
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<tr>
<td>12/17/19</td>
<td>County</td>
<td></td>
<td>Set final interest rates and present to Mayor &amp; Finance Director</td>
</tr>
<tr>
<td>12/18/19</td>
<td>Staff</td>
<td></td>
<td>Notify County Assessor &amp; Treasurer of final payment for 2020 Tax Roll</td>
</tr>
<tr>
<td>12/30/19</td>
<td></td>
<td></td>
<td>Delivery Date of Bond proceeds for the project</td>
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</table>
Questions & Discussion