Agenda
City Council Workshop Meeting
Tuesday, January 23, 2018
City Hall Council Chamber | 505 Swift Boulevard

City Council Workshop - 6:00 p.m. (City Hall Council Chamber)

Agenda Items:

1. Electric Utility Revenue Bond (30 Minutes)
   - Bob Hammond, Energy Services Director

2. Vehicle Based Food Vendor Ordinance (15 Minutes)
   - Kerwin Jensen, Community Development Director

3. Compressed Natural Gas Fleet Fueling (20 Minutes)
   - Pete Rogalsky, Public Works Director

4. Long-Range Fire Station Deployment Plan (30 minutes)
   - Tom Huntington, Fire and Emergency Services Director

5. Potential Co-Location Agreement with Mission Support Alliance, on Behalf of the Department of Energy, at the City of Richland Data Center (15 minutes)
   - Jon Amundson, Assistant City Manager

Adjournment

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COUNCIL WORKSHOP COVERSHEET

Council Date: 01/23/2018 Department: Energy Services

Key Element: Key 1 - Financial Stability & Operational Effectiveness

Subject:
Electric Utility Revenue Bond (30 Minutes)

Summary:
Since 2014, the City of Richland Energy Services Department (RES), working with the City's Utility Advisory Committee (UAC), have kept current a ten (10) year forward rate model to anticipate possible retail rate changes needed to operate the City's electric utility. In 2016, this model anticipated needing a 9% rate increase in July 2017 and over $10 million in new bond proceeds sometime in 2017 in order to accomplish the critical capital investment needs of the utility.

Due to some favorable operating conditions in 2015 and 2016, that model was revised in early 2017 and allowed the July rate increase to be deferred to January 2018 at a smaller increase of 6.5%. Similarly, the bond proceeds could be deferred until sometime in 2018 and be sized at around $5.6 million in order to accomplish the RES capital investment plan through 2019.

At the January 2018 UAC meeting, the City's financial consultant PFM Financial Advisors LLC presented the details of a proposed bond issuance for this new money for capital investments and also a refunding of the remaining indebtedness of the Electric Utility's 2007 bonds. As recommended, the refunding proposed would result in a net present value savings of just under $1 million which equates to an average annual savings of approximately $68,000. The UAC unanimously endorsed the proposed recommendation.

Attached is the power point presentation used to facilitate discussion at the UAC meeting in January. At workshop, PFM representatives will joint Director Hammond and UAC Chair Dan Porter to summarize the recommendation and answer questions from Council members.

Attachments:

1. Presentation

Richland, Washington

Electric Utility Revenue Bonds

January 23, 2018

PFM Financial
Advisors LLC

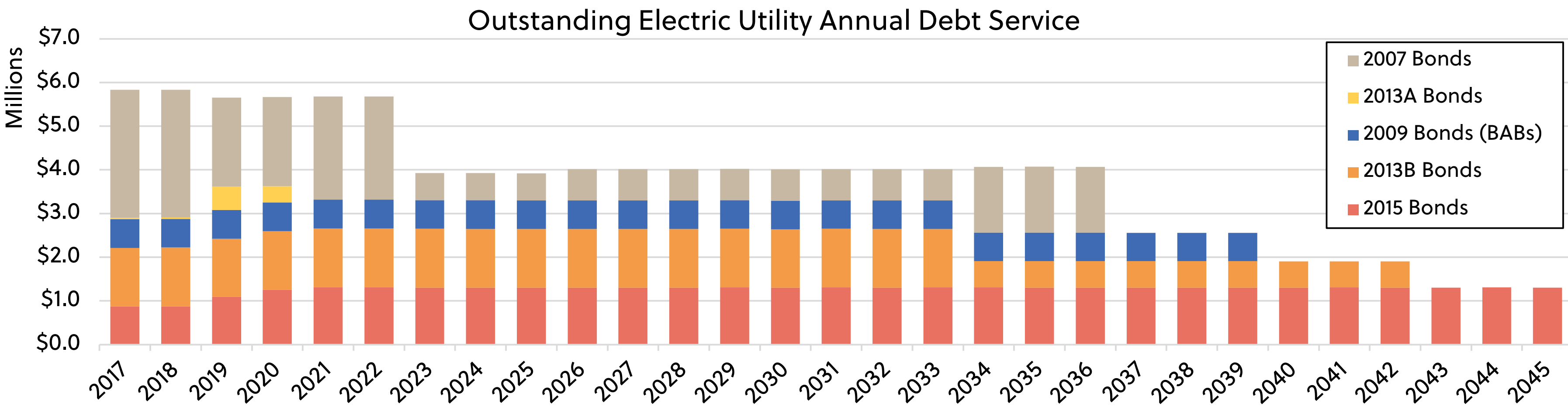
1200 Fifth Avenue
Suite 1220
Seattle, WA 98101

Susan Musselman
(360) 445-0238
Duncan Brown
(206) 858-5367

Discussion Topics

Outstanding Electric System Bonds (Current S&P Global Rating: A+)

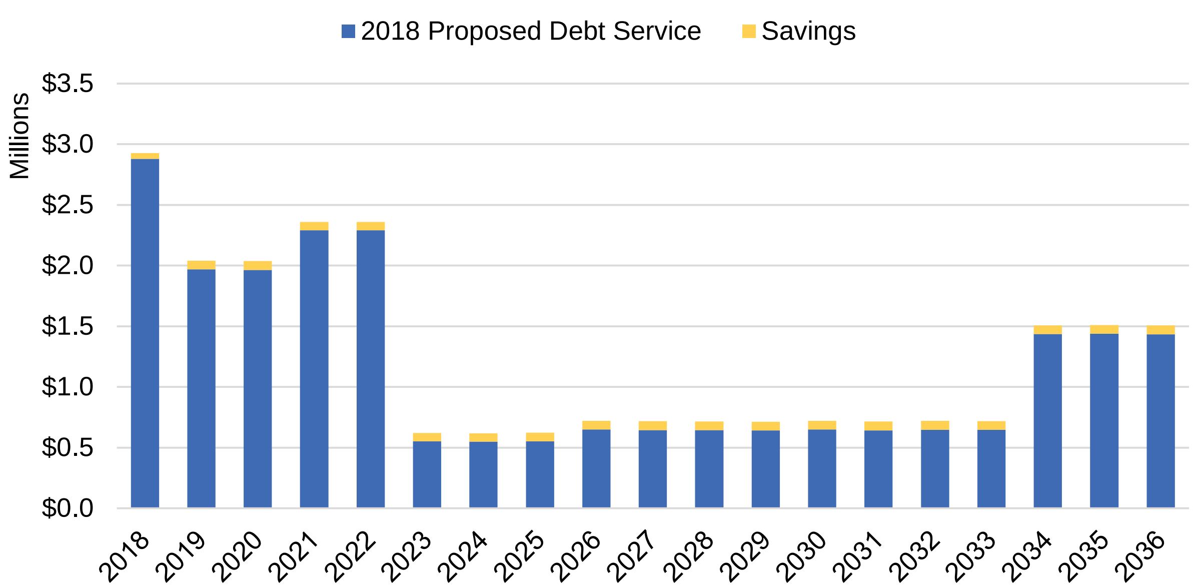
Series	Purpose	Issue Size	Delivery Date	Final Maturity	Call Date	Outstanding Coupons	Outstanding Par
2007	Fund a substation transformer and other Electric Utility improvements and purchase equipment and advance refund the 1998 and 2001 Bonds	$25,775,000	1/4/07	11/1/36	5/1/17	4.250-5.000%	$17,175,000
2009 Build America Bonds (BABs)	Fund additions to the transmission and substation infrastructure, replace aging transformers, add to and renew parts of the distribution infrastructure	11,200,000	11/3/09	11/1/39	11/1/19	2.930- 4.144%(1)	9,215,000
2013A Taxable	Advance refund certain electric revenue bonds	925,000	5/16/13	11/1/20	Not Callable	2.000 - 2.500%	890,000
2013B	Pay part of the cost of carrying out the Plan of Additions and reimburse for rate-financed capital expenses, advance refund outstanding bonds	19,455,000	5/16/13	11/1/42	5/1/23	2.000 - 5.000%	17,240,000
2015	Carry out the plan of additions and extension	19,435,000	11/10/15	11/1/45	11/1/25	2.000 - 5.000%	19,435,000
As of 12/15/2017						**Total**	**$63,955,000**



Note: See Glossary of Financial Terms in the Appendix for definition of terms
(1) Build America Bonds (BABs) net of federal subsidy of 35%

Refunding of Electric System Revenue Bonds, 2007

- On January 4, 2007 the City issued $25,775,000 of Electric Revenue Capital Improvement and Refunding Bonds
  - Issued to finance a substation transformer and other Electric Utility improvements
  - Refunded a portion of the City's 1998 Bonds and all outstanding 2001 Bonds
- A refunding of the 2007 Bonds is estimated to generate approximately $992,000 of net present value (NPV) savings, or $68,000 annually



Refunding Statistics	
NPV Savings	**$992,643**
NPV Savings %	**5.78%**
Avg. Annual Savings	$68,000
True Interest Cost	3.45%
Refunded Par	$17,175,000

Dates	Savings
11/1/2018	$41,373
11/1/2019	$68,025
11/1/2020	$66,775
11/1/2021	$68,475
11/1/2022	$69,175
11/1/2023	$68,175
11/1/2024	$69,355
11/1/2025	$70,295
11/1/2026	$67,975
11/1/2027	$66,900
11/1/2028	$70,938
11/1/2029	$69,838
11/1/2030	$68,850
11/1/2031	$68,050
11/1/2032	$67,363
11/1/2033	$71,863
11/1/2034	$71,263
11/1/2035	$71,738
11/1/2036	$67,913
Total	**$1,284,335**

Note: Assumes closing of March 13, 2018, rates as of December 18, 2017 plus 25 bps

Electric Utility — Capital Improvement Plan

- The City's Preliminary Capital Improvement Plan (2018-2023) includes debt financing for the Electric Utility in 2018, 2020, and 2022

Upcoming Project Expenditures from Bond Financings

Project	2018	2019	2020	2021	2022	2023	Total
Dallas Road Area Improvements		$1,451,000	$2,660,000		$1,093,000	$1,093,000	$6,297,000
Electrical Substation Improvements					6,010,000	654,000	6,664,000
Equipment Storage/Maintenance Repair Shop			636,000				636,000
Hanford Substation						3,300,000	3,300,000
Kingsgate Substation			2,119,000	2,119,000			4,238,000
Leslie Road Substation	$2,238,000						2,238,000
Major Equipment Purchases	265,000		488,000		318,000		1,071,000
Purchase Southwest Service Area Infrastructure				200,000			200,000
System Improvements	65,000	1,587,000	895,000	2,001,000	454,000	454,000	5,456,000
Total:	**$2,568,000**	**$3,038,000**	**$6,798,000**	**$4,320,000**	**$7,875,000**	**$5,501,000**	**$30,100,000**
	2018 Bonds		**2020 Bonds**		**2022 Bonds**		

Electric System Revenue Bonds, 2018

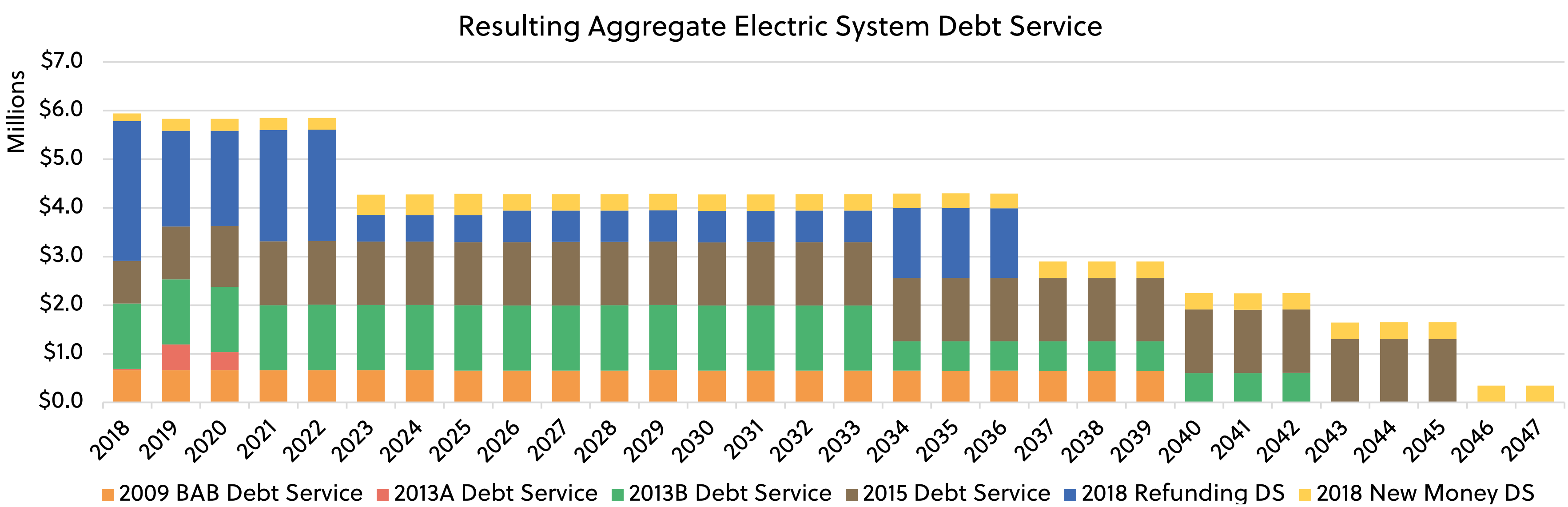
- The City anticipates financing approximately **$5.6 million** for projects during 2018-2019, including:
  - *Dallas Road Area Improvements* — plan, design, and construct a new electrical substation
  - *Leslie Road Substation* — plan, design, and construct a new electrical system substation, and underground distribution feeders related to the new substation and the existing electrical system
  - *Major Equipment Purchases*
  - *System Improvements*

- In January and February, the City Council will be asked to consider a bond ordinance authorizing the 2018 Bonds
  - The "new money" portion is planned to be structured with a 30-year level debt service structure (with interest-only through 2022), consistent with other recent Electric Utility bond issues
  - The refinancing of the 2007 Bonds would be structured consistent with the structure of the refunded debt

Summary of Proposed 2018 Bonds

- The following graph shows estimated debt service of the 2018 Bonds and its effect on the Electric Utility's aggregate debt structure

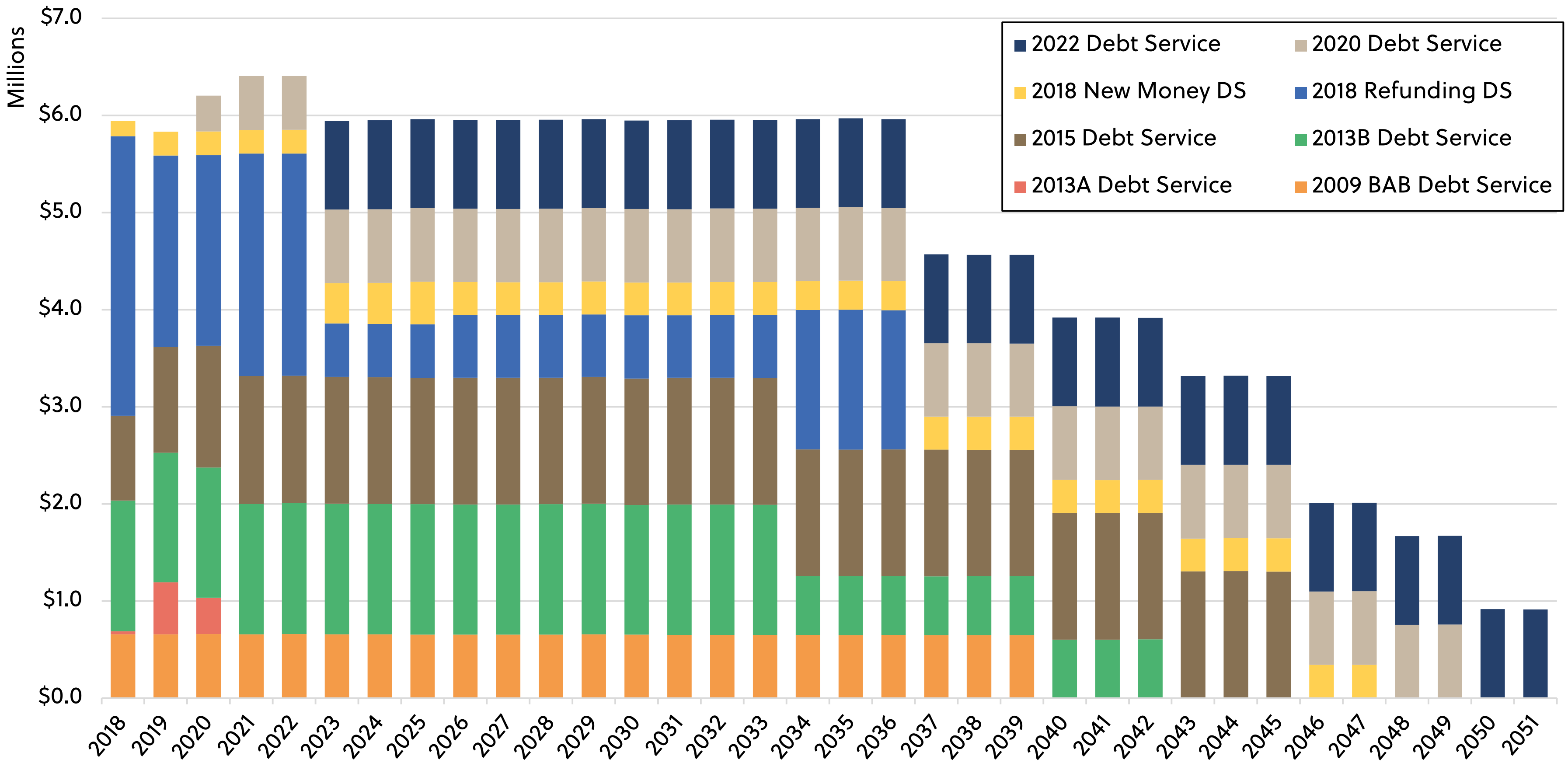
	Refunding	New Money	Combined
Par	**$16,265,000**	**$4,965,000**	**$21,230,000**
Bond Proceeds	$17,784,000	$5,685,000	$23,469,000
Average Annual Debt Service	$1,185,000	$345,000	$1,530,000
First Maturity	11/1/2018	11/1/2023	11/1/2018
Final Maturity	11/1/2036	11/1/2047	11/1/2047
True Interest Cost	3.45%	3.93%	3.64%



Future Electric System Debt Service

- The graph below illustrates the effect of the estimated debt service of the 2020 and 2022 Bonds on the Electric Utility's aggregate debt structure

Electric System Debt Service Including Projected 2020 & 2022 Bonds



Note: 2020 & 2022 Bonds assume rates as of 12/18/2018 plus 100 bps and 150 bps, respectively

2018 Bonds—Key Dates

JANUARY						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

FEBRUARY						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

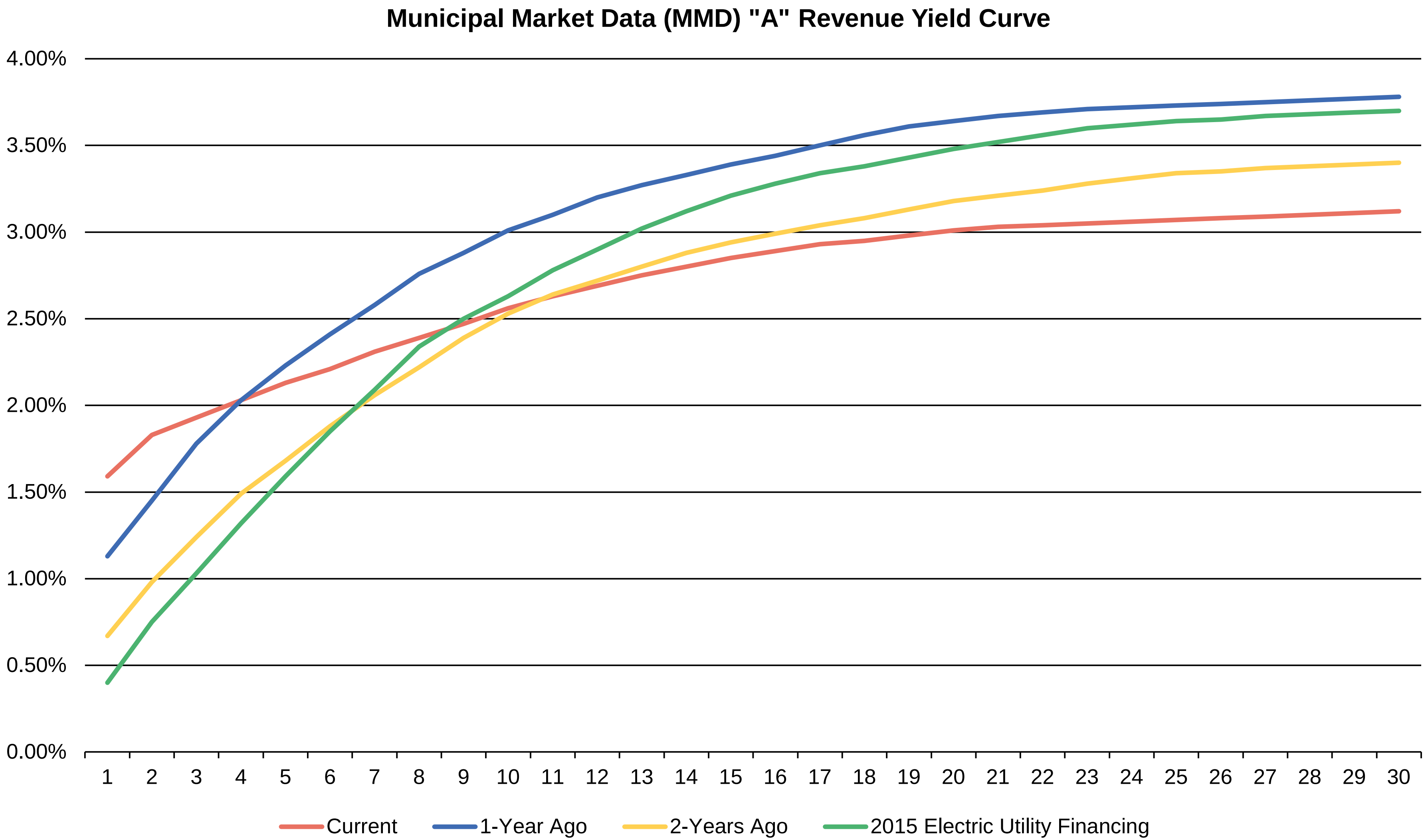
MARCH						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

APRIL						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Activity	Date
City Council Workshop to review plan of finance (6:00 p.m.)	January 23
First reading of Bond Ordinance (7:30 p.m.)	February 6
City Council meeting to pass Bond Ordinance (7:30 p.m.)	February 20
Bond Sale	March [13/14]
Bond Closing	March 28
Redemption of 2007 Electric System Bonds	April 27

Appendix

Market Update



The City's Electric System Credit Overview

- The City's **A+** Electric System rating was affirmed by **S&P Global Ratings** on October 15, 2015
- Shown below are the credit strengths and weaknesses of the City's Electric Utility revenue bonds as stated by S&P

Credit Strengths:

- Long-term load following contract with Bonneville Power Administration (BPA) through September 2028 that will cover the vast majority of Richland's total near-term resource requirements with low-cost, non-carbon-emitting hydropower
- Good debt service coverage (DSC) of 1.5x in fiscal 2014, with fixed-charge coverage adequate at 1.15x and projected at 1.1x to 1.4x for fiscal years 2015 to 2019
- Good liquidity at $7.6 million, or 54 days' operating expenditures, in fiscal 2014
- Rates that are very competitive for the region and state
- Stable customer base with strong income levels

Credit Weaknesses:

- Power supply concentration, with reliance on BPA for all power resources, although the cost of power is low
- Moderately concentrated customer base, with the leading 10 customers representing 25% of retail revenue, and a somewhat concentrated service area economy centered on the U.S. government's Hanford Nuclear Reservation, agriculture, and food processing, although diversifying
- Moderate capital plan totaling $56 million with debt projected to fund about 55% of capital needs over the fiscal 2015-2019 period

Source: S&P rating report dated October 15, 2015

Glossary of Financial Terms

- **Bond proceeds** - The par amount (face value) of a bond issue, plus any premium (for premium bonds) and less any original issue discount (for discount bonds). The actual amount of funds received by the bond issuer.
- **Build America Bonds (BABs)** - taxable municipal bonds that receive federal interest subsidies; interest on the City's 2009 BABs is approximately 35% subsidized by the IRS
- **Call date** - The date on which bonds may be redeemed prior to their scheduled maturity.
- **Coupon** - The periodic, nominal rate of interest the City pays to holders of a particular bond, generally a round number (e.g., 4.50% or 5.00%).
- **Delivery date** - The date on which the bond issue is "closed" and the City receives the bond proceeds.
- **Maturity** - The date the principal amount of a specific bond becomes due and payable to the bondholder. A series of bonds typically consists of multiple bond maturities over a period of time (i.e., 20-30 years).
- **Par amount** - The amount of principal of a bond that must be paid at maturity (i.e., the face value)
- **True Interest Cost** – Represents the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds.
- **Yield** – the effective interest rate on a particular bond, reflective of the credit quality of the bonds and general market conditions at the time of sale. May be higher than the coupon (in which case the bond is sold at a discount - less than face value) or lower than the coupon (in which case the bond is sold at a premium - greater than face value).

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COUNCIL WORKSHOP COVERSHEET

Council Date: 01/23/2018

Department: Community & Development Services

Key Element: Key 3 - Economic Vitality

Subject:
Vehicle Based Food Vendor Ordinance (15 Minutes)

Summary:
Staff will present a quick overview of the proposed vehicle based food vendor ordinance, which was tabled at the December 5th council meeting. Staff will also be available to answer questions from the council.

Attached you will a memo that was sent to the council last month addressing questions brought forward from the December 5th council meeting.

Attachments:

1. Memo to Council

MEMORANDUM

TO: City Council

FROM: Kerwin Jensen, Community & Development Services Director

THROUGH: Cindy Reents, City Manager

DATE: December 11th, 2017

SUBJECT: Clarification of Zoning and Special Conditions on Vehicle Based Food Vendors

ATTACHMENTS:

(1) City map showing where food trucks are permitted

(2) City map showing where food trucks are proposed to be permitted

Issue

Several questions regarding the proposed ordinance amendments on Vehicle Based Food Vendors were voiced during the second reading of the proposed ordinance on December 5th, 2017. Staff wishes to address the questions ahead of the next Council Meeting to assuage any concerns about the intensity of regulation.

Background

The City of Richland Business and Economic Development Division initiated a code amendment to address concerns voiced by the City's Economic Development Committee regarding allowance and clarity for the operation of Vehicle Based Food Vendors (Food Trucks). In preparation for this code amendment, staff reviewed Kennewick and Pasco's municipal code, and discussed recent code amendments with City of Kennewick staff. Staff solicited input from four food truck operators (with experiences in each city) and Marilou Shae; Marilou teaches Columbia Basin College's Food Truck Academy and is a member of the Washington Food Truck Association. In writing these amendments staff sought to reduce complexity while continuing to maintain safe and fair standards that would protect the public interest.

An oft-repeated question was whether these provisions are similar to the rest of the region, which staff can readily confirm that each provision is addressed similarly in the other cities that regulate this use. Richland's proposal is the least restrictive of the cities in our region, which was confirmed by the operators and representatives we spoke with. While each provision exists in other ordinances, staff utilized only the most prudent and necessary provisions that provided sufficient consumer and business owner safety.

Conclusion

A summary of City Council's inquiries is provided in green text, and have been addressed by staff in blue text.

Draft Zones to Permit Vehicle Based Food Services

B-C	Business Commerce
B-RP	Business Research Park
C-1	Neighborhood Retail Business
C-2	Retail Business
C-3	General Business
CBD	Central Business District
WF	Waterfront

The commercial zones not included in the ordinance are C-LB (Commercial Limited Business), CW (Commercial Winery), and CR (Commercial Recreation). C-LB zoning includes mostly apartment complexes and minor commercial developments not conducive or intended to have retail/restaurant on-site. CW zoning includes parcels along Tulip Lane for the City's wine production facilities, which all have restaurants on-site and little room for food trucks without reducing required on-site parking for the principal use. CR zoning is entirely on land administered by the Parks and Public Facilities department, which has an allowance for Food Trucks already via RMC 23.42.051.

Draft Language for General Provisions and Special Conditions

(A) Licensing. Vehicle-based food service vendors must obtain a City Business License per RMC 5.04.

City Council Question

Are licenses currently required?

Staff Response

Yes, licenses are currently required for any business operating in Richland City Limits, and this provision serves to clarify that this new use category is subject to RMC 5.04. Business licensing is the only method the City will be using to confirm the siting of new food trucks and informing operators of their responsibilities

(B) Condition of vehicle. Any vehicle utilized for vehicle-based food service shall be in full operational condition. The vehicle shall be licensed to operate or ride on the roadways of this State, and must be capable of leaving a site at any time under its own power or that of an available towing vehicle.

City Council Question
Is this in keeping with surrounding communities?

Staff Response
Yes, neighboring cities with vehicle-based food service vendors require that the operation be capable of moving under its own power. Neighboring cities have had issues in the past where a vehicle was decommissioned (removal of tires, engine, etc.) and utilized as a permanent facility.

City Council Question
Is this currently required? If not, what is it and how is it regulated?

Staff Response
The State Department of Labor and Industries (L&I) provides inspections for food trucks to ensure that they are safe premises for employees to work and serve food from. If the food truck is not licensed by the state as a vehicle it would be regarded as a commercial coach or modular building, which is already regulated by the City. This clarifies that if the operation does not meet this condition it is not a vehicle-based food service vendor.

(C) Location and use. Vehicle-based food service vendors shall operate as an accessory, off-street use to a permanent land use or as a use on vacant property. Prior to operation, vehicle-based food service vendors must obtain written consent from the property owner and all business(es) located on-site.

City Council Question
This regulation is vague, as it requires the permission of both the property owners and all businesses on-site.

Staff Response
This provision would only be applicable to the businesses located on the same parcel as the food truck wants to operate on, and is designed to protect the interests of existing business tenants. While the City has not previously permitted food trucks in most shopping center parking lots, this would permit a new use that is more easily established than a brick-and-mortar. It is therefore reasonable to presume that if this ordinance was not enabled, that the pre-existing businesses have a reasonable assumption that a similar restaurant/food-service provider would not be able to locate on the same property without similar investment to their own.

Staff felt that similar ordinances in other communities based on distance to similar restaurants, cafes, and food-service establishments would be cumbersome to interpret by food truck operators and difficult to enforce. Staff also notes that of Richland's existing strip mall centers, there are reasonably only three or four developments where this situation may be encountered. Staff observed that this would be the least restrictive alternative, and impacting the fewest number of properties.

(D) Right-of-way. Vehicle-based food service vendors shall not operate within any public right-of-way except as provided in RMC 23.42.051.

(E) Restroom facilities. Vehicle-based food service vendors must ensure on-site or adjacent restroom facility access for employees. Such facilities shall supply running hot and cold water. Vehicle-based food service vendors are not authorized to locate at any site where such facilities are unavailable.

Staff Response
City Council had several questions related to this provision, which staff feels may be clarified herein. This provision **is redundant** to Benton-Franklin Health Department codes, and requires that a handwashing sink be provided **in (or) near the food truck**. This does not require anyone to provide a public restroom. The provision merely ensures that the food truck operator does not locate on a property the City would permit them to locate upon, but that the Health Department would not.

(F) Equipment and outdoor seating. Outdoor seating and equipment is permitted; provided that the placement of any outdoor seating or equipment shall not be placed in a manner so as to reduce the amount of available off-street parking below the minimum off-street parking required for the site in accordance with RMC 23.54.

City Council Question
How is the vendor to know in order to achieve compliance?

Staff Response
There is a workflow (similar to that of traditional brick-and-mortar establishments) in place for Business Licenses, which would alert Community Development staff that this information needs to be provided to the applicant specific to the site they desire to locate on. Similarly, this workflow would allow code enforcement to address non-compliance if a complaint or issue were to arise.

(G) City-owned and operated facilities. Vehicle-based food service vendors may, with City's permission, operate as a concessionaire on publically owned and operated facilities per RMC 23.42.051.

(H) Cleanliness and waste disposal. Vehicle-based food service vendors shall maintain the area in and around the vehicle, keep the area free from litter and waste, and shall supply a suitable container for waste collection. Vehicle-based food service vendors are responsible for the proper collection and disposal of on-site litter and waste.

City Council Question
Is this in keeping with surrounding communities?

Staff Response
Yes, just as a brick-and-mortar is responsible for the area surrounding their business, the vehicle based food vendor would be responsible for the area surrounding their own business. See notes under condition F.

(I) Traffic. Vehicle-based food service vendors must ensure free passage of pedestrians and vehicles, and shall not create congestion on public streets or pathways. Vehicles shall not be located within 25 feet of a driveway or intersection.

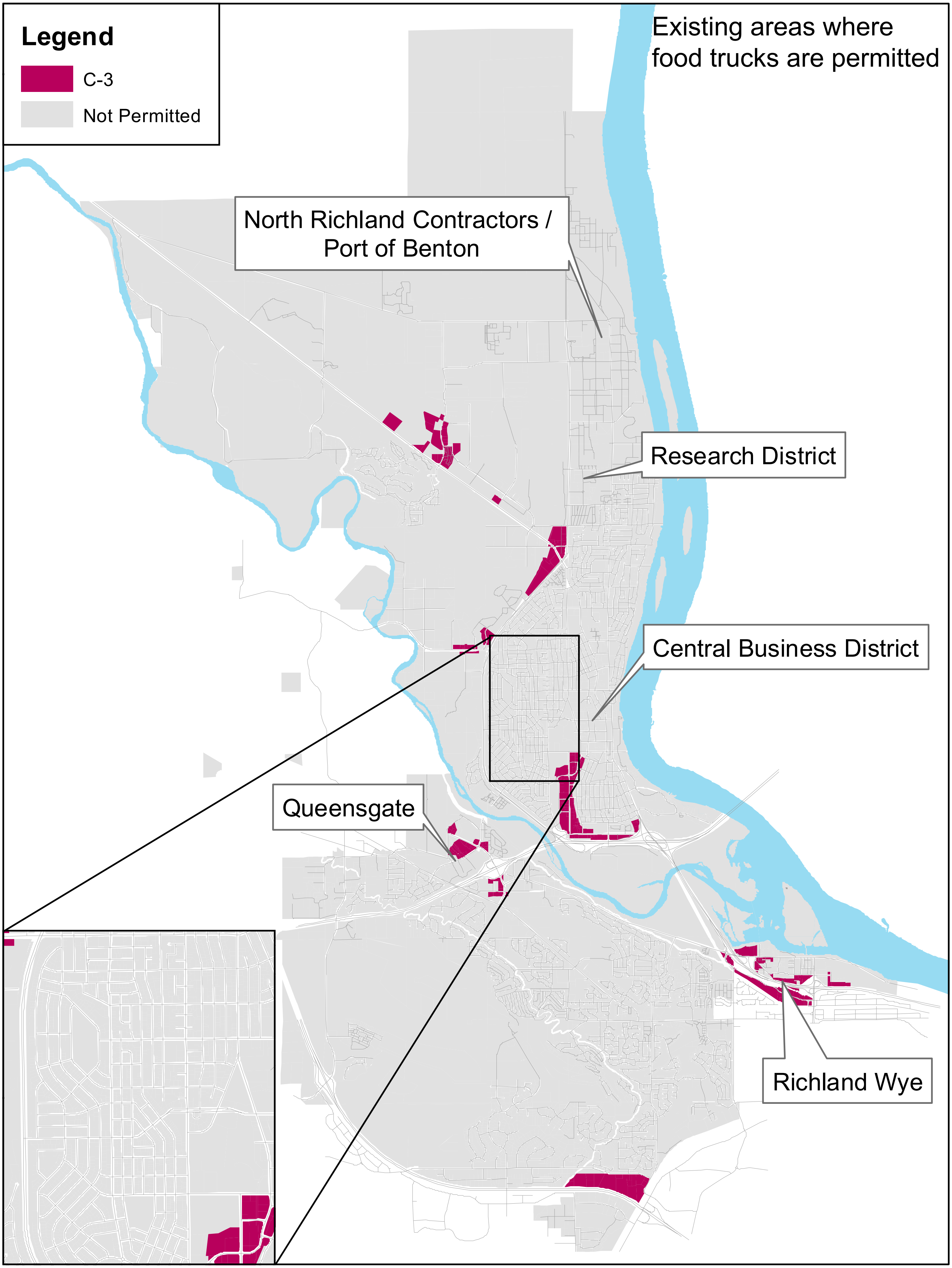
City Council Question
If a vehicle based food vendor is not in complete control of the location, why should they be accountable for free passage.

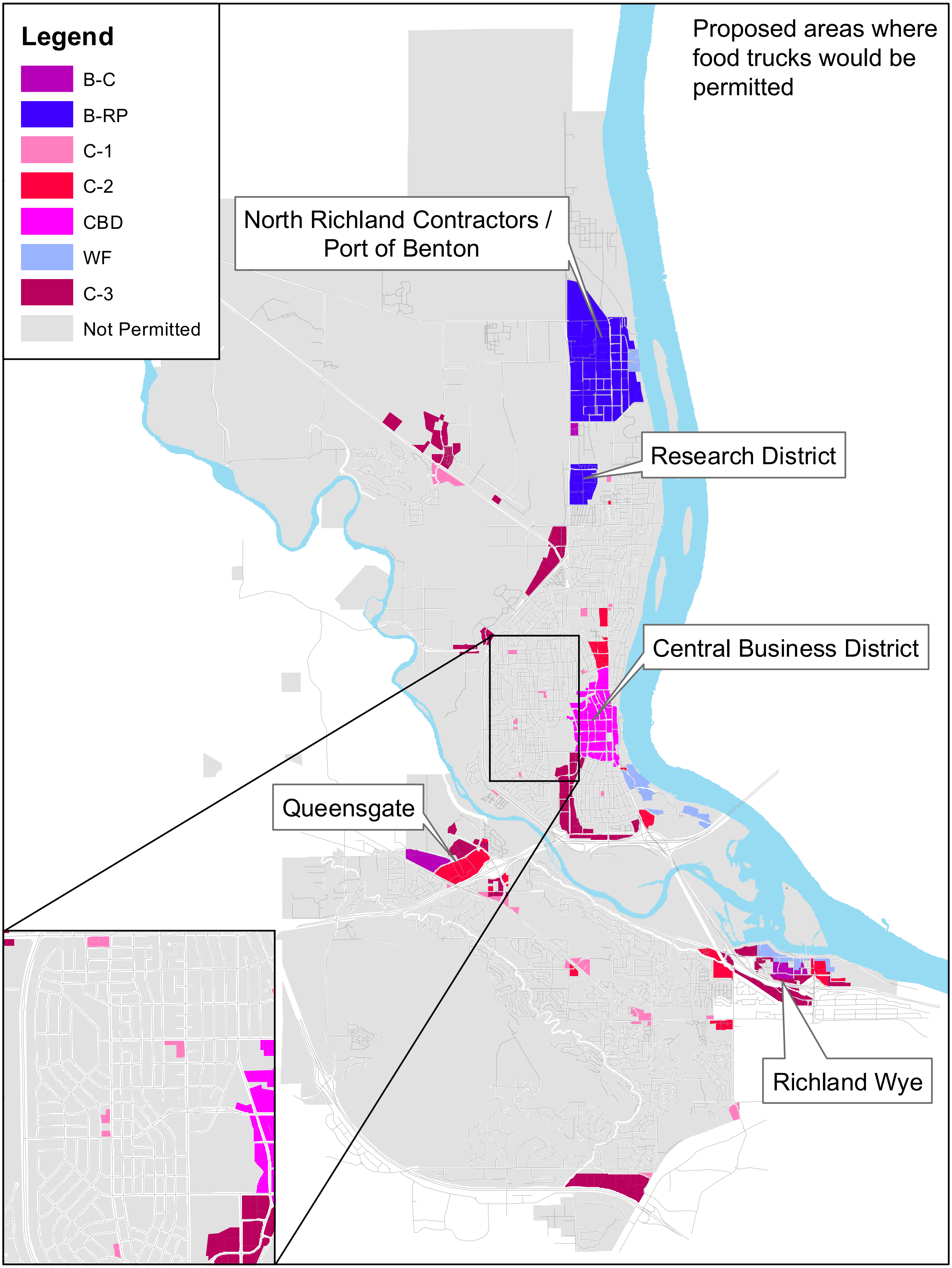
Staff Response
This provision is not requesting the vendor regulate on-site traffic, but requires that the location of their business conveyance does not by itself create congestion. For example, the vendor should not orient their vehicle across an entire parking aisle, preventing traffic from its normal procession. This provision is also not meant to place responsibility on the operator, but rather to provide staff sufficient authority to request a food truck not purposefully block traffic if a complaint or issue arises.

(J) When permitted in a C-1 neighborhood retail district, vehicle-based food service vendors shall not operate between 9:00 p.m. and 7:00 a.m.

City Council Question
Where are C-1 Neighborhood Retail Districts located?

Staff Response
C-1 Neighborhood Retail Districts are oriented mostly along Wright Avenue where it intersects with Van Giesen Street, Swift Boulevard, and Duportail Street. These areas are established commercial centers surrounded by single family residential homes. A map is attached that details the location of Neighborhood Retail Districts.


Legend
C-3
Not Permitted
Existing areas where food trucks are permitted
North Richland Contractors / Port of Benton
Research District
Central Business District
Queensgate
Richland Wye


Legend
B-C
B-RP
C-1
C-2
CBD
WF
C-3
Not Permitted
Proposed areas where food trucks would be permitted
North Richland Contractors / Port of Benton
Research District
Central Business District
Queensgate
Richland Wye

COUNCIL WORKSHOP COVERSHEET

Council Date: 01/23/2018 Department: Public Works

Key Element: Key 1 - Financial Stability & Operational Effectiveness

Subject:

Compressed Natural Gas Fleet Fueling (20 Minutes)

Summary:

The purpose of this workshop item is to provide Council with a first touch explanation of an exploratory feasibility study being conducted by the Fleet Division of the Administrative Services Department and the Solid Waste Division of the Public Works Department. The consultant study, scoped to cost approximately $35,000, will explore the costs and benefits of using compressed natural gas as a fuel for some of the City's heavy trucks. The study is being funded by the Solid Waste Utility because it will focus first on the Solid Waste collection fleet. The Solid Waste Collection fleet is the largest consumer of diesel fuel in the City's fleet. If the project proceeds additional fleet uses for compressed natural gas will be considered.

Compressed natural gas is a very efficient vehicle fuel, with costs per mile approximately fifty percent (50%) lower when compared to diesel. Many large solid waste and transit fleets utilize compressed natural gas for this reason, and because emissions are environmentally cleaner than diesel fuel emissions.

Development of compressed natural gas fueling requires significant capital expenses that make deployment for relatively small fleets uneconomical. Washington State has several funding programs that may assist the City with startup costs, thus making deployment advantageous.

The planned feasibility study will help determine the break even point at which grant funded startup costs turn compressed natural gas into a economic winner for the City. It will also prepare a detailed deployment plan that will contribute to well-constructed grant applications when the opportunities arise.

Attachments:

COUNCIL WORKSHOP COVERSHEET

Council Date: 01/23/2018

Department: Fire & Emergency Services

Key Element: Key 1 - Financial Stability & Operational Effectiveness
Key 2 - Infrastructure & Facilities
Key 7 - Neighborhoods & Community Safety

Subject:
Long-Range Fire Station Deployment Plan (30 minutes)

Summary:
Fire and Emergency Services staff has built out a full station deployment model for the City's future growth needs. Staff will review the model with Council for feedback.

Attachments:

COUNCIL WORKSHOP COVERSHEET

Council Date: 01/23/2018

Department: Assistant City Manager

Key Element:

Subject:

Potential Co-Location Agreement with Mission Support Alliance, on Behalf of the Department of Energy, at the City of Richland Data Center (15 minutes)

Summary:

Mission Support Alliance, on behalf of the Department of Energy, has approached the City of Richland with a request to co-locate their servers in the City of Richland data center. This is an opportunity to discuss the impacts, advantages, and disadvantages of such an agreement.

Attachments: