



City of Stevenson

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To: City Council
From: Leana Kinley, City Administrator
RE: Financial Portion of Sewer Ordinance Change
Meeting Date: May 16, 2024

Executive Summary:

In the fall of 2023, a sewer committee met with a facilitator to discuss how the city should implement changes to its sewer ordinance. Most of the discussion was regarding the financial impacts of the change (who will pay) and how the city should move forward with financing sewer line extensions. In the facilitator's final report on the committee there were recommendations on changes to the financial policy. This memo will address some of those recommendations for future evaluation by Council.

Overview:

Background

The pervasive theme throughout the sewer committee meetings was to proceed in the most economically feasible way for all involved. The current draft ordinance generally changes the requirement to connect to sewer from a 300 ft development requirement to 0 ft, thus transferring the burden of extending the sewer system from the developer to the rate payers.

Committee Survey

A series of questions were asked of the committee and their responses are attached in exhibit A. The summary of the results indicates a tendency towards the following changes:

- Allow System Development Charges to be waived for existing users at time of extension-to varying degrees.
 - Existing draft ordinance has this change incorporated. Allowability being verified by legal to ensure it's not a gifting of public funds.
- No longer allow the City to use latecomer's agreements to fund extension projects.
 - Will need a change to the existing financial policy.
- Void the existing latecomer's agreement for the Loop Rd-Frank Johns extension (Main D) and others if the policy above is updated.
 - Will need to draft ordinance voiding agreements, void outstanding invoices, and refund any monies paid since 2019.
- For the most part the existing policy on grants is enough and there continues to be emphasis on paying outside grant writers to find available funds.
 - No change is needed. The city can leverage CFM Advocates to write state and federal grants as a service through the EDC and Skamania County.

- Update the policy to allow General Obligation Bonds (property taxes) to pay for water/sewer utility projects.
 - This would be a change to the current policy.
- Add language to specify how much in reserves should be set aside for water and sewer projects.
 - This would be a change to current policy.

Other Items for Council Consideration

There's a larger impact at issue if the council decides to decrease the requirement to extend city services and does not take up the responsibility of extending those services. While we are rural and small, Stevenson remains an urban city center with an expectation of a standard service delivery for residents. A main driver for annexation is access to these services, mostly water and increased density.

As the burden on sewer line extension will fall to the rate payers, it is important to include additional sewer line extensions as part of the Capital Improvement Program (CIP). When projects are delayed, costs increase. If the expectation is to obtain grant or low-interest loans for these projects, it takes time to line up and they need to be included in the CIP.

Ultimately adopting a change to the ordinance without changing the CIP, and acting on it, is not in the best interest of the city in the long run.

Action Needed:

Consensus on direction to staff on how to proceed with the financial portion of the plan:

- Remove Latecomer's Agreements as a city financing tool.
- Void and refund all recent Latecomer's Agreements and payments.
- Allow property taxes to pay for utility projects.
- Specify the specific amount of reserves in the finance policy.

Direction on inclusion of extension projects within the Capital Improvement Program.

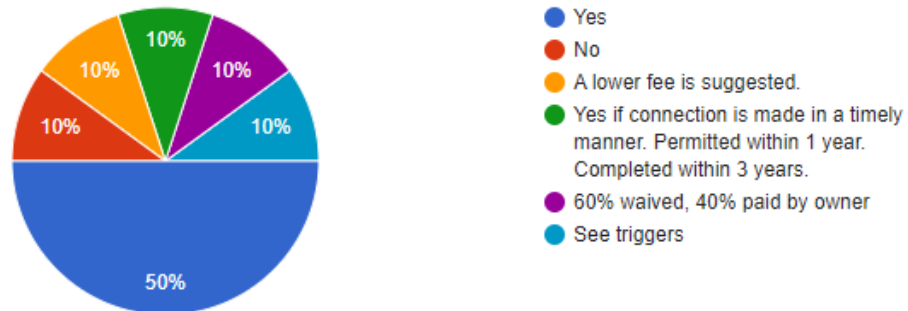
Exhibit A

Regarding Existing Septic Users shouldn't pay to connect:

If allowable, should system development charges be waived for existing septic users to connect at the time of extension?

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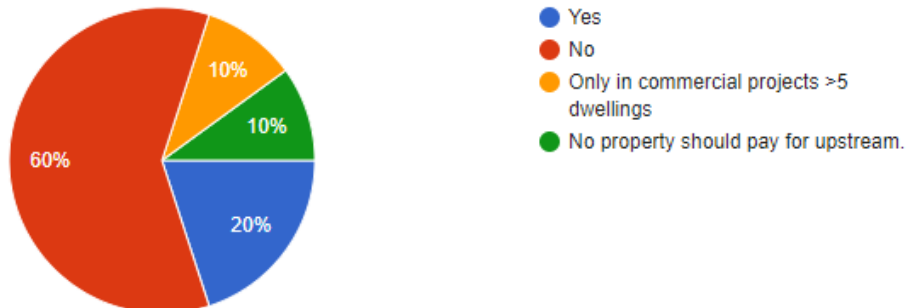
10 responses



Should the City be able to use Latecomers' Agreements as a way to fund extension projects?

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10 responses



If the answer above is no: should the existing Latecomer's Agreement for the Loop Rd-Frank Johns (Main D) extension be void?

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8 responses



Regarding Maximizing Grants:

Is the existing policy enough?

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9 responses



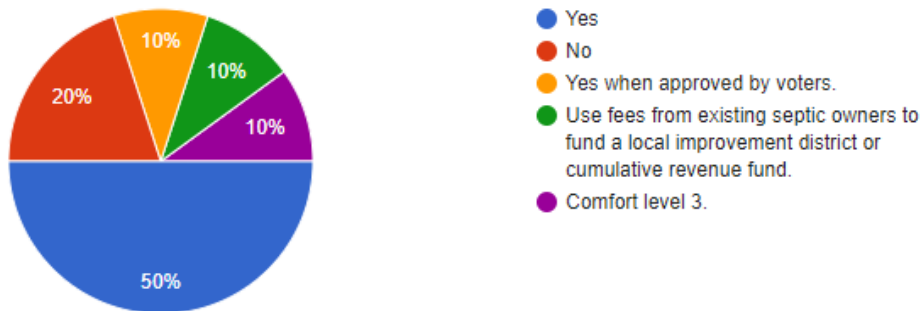
Regarding Everyone Pays:

Should the policy language underlined below be added?

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General Obligation [money from property taxes and sales taxes in the general operating fund of the city] debt will not be used for self-supporting enterprise [water/sewer utilities] activity unless it is part of a combination of capital project financing options and approved by voters.

10 responses



Regarding Reserves:

Should the policy language below be added?

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The City's Enterprise Funds will maintain Capital reserves equal to at least 1 percent of the cost of projects listed for the next 5 years on the Capital Improvement Program. [For context, the current CIP has almost \$40.6M in projects listed. This would require a balance of \$406k in combined reserves as a minimum.]

10 responses



Any other feedback for policy changes?

Focus extensions on high-impact areas [response to #3 using Latecomers]. Money needs to be collected from other sources. Water and sewer rates have increased (10x?)-Additional funds are needed to maintain/sustain systems without bankrupting residents/city [response to #6 GO addition].