



City of Stevenson

Leana Kinley, City Administrator

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To: City Council
From: Leana Kinley, City Administrator
RE: Water and Sewer System Development Charges and Monthly Rates
Meeting Date: March 25, 2024

Executive Summary:

The City Council held a public hearing on January 18th with a presentation by Brooke Tacia from FCS Group, Inc. on the water and sewer monthly rates and System Development Charges (SDCs). There was a council workshop on January 25th to further discuss the rates and SDCs. There was an additional Public Hearing on February 15th where there was a request to analyze the impact of changing the base rates for transient lodging from ½ to 1 full unit. Additionally, there was a request to look at the possibility and impact of sales tax revenues being used for the utilities and more information on this was confirmed at the March 21st Public Hearing.

This memo will address those requests. Items from previous meetings can be found online at <https://www.ci.stevenson.wa.us/meetings>.

Overview:

Transient Lodging Base Fee Changes

There was an initial analysis on the change to transient lodging to determine total potential revenue impact by staff. Attached are the results of the analysis regarding the impact to the customers and rates.

Sales Tax Use for Utilities

At the March 21st council meeting the city council requested more information regarding allocating sales tax revenues to the water/sewer fund. Due to restrictions on the use of sales tax, to allocate .3% of sales tax from the General Fund to the Water/Sewer fund without impacting current levels of service the process would be:

- Establish a Transportation Benefit District (TBD) (information found on MRSC at <https://mrsc.org/explore-topics/finance/revenues/transportation-benefit-districts>)
- Adopt a resolution for a ballot measure for voters to decide on a .3% sales tax increase
 - May 3, 2024 last day to file resolution for August Primary, if approved sales tax could be implemented on January 1, 2025
 - Aug 6, 2024 last day to file resolution for November General Election, if approved sales tax could be implemented on April 1, 2025(more information on sales taxes and timing can be found on MRSC at <https://mrsc.org/explore-topics/finance/revenues/sales-taxes#timing>)
- Create public information documents for election.

- If approved:
 - Reduce the current sales tax allocation from the General Fund to the Street Fund from .5% to .2% after revenues are received (typically two months after implementation)
 - Begin allocation of .3% sales tax to Water/Sewer Fund after TBD sales tax is received.
- If fails:
 - Council (TBD) may adopt .1% sales tax increase without a vote and the above actions can be taken with a reduced percentage.
OR
 - No tax change and options are reevaluated.

The analysis of the additional approximately \$270,000 is included in the attached document.

Next Steps

After receiving council direction, staff will prepare documents for a public hearing, council review and consideration at the April 18th meeting.

Action Needed:

- Any changes to the billing structure around transient lodging?
- Move forward with the sales tax option?
 - If yes, what timeline does council want to pursue (Primary or General Election or other)?

Review from previous meetings:

- Changes to the CIP-None recommended.
- Further Information on Sales Tax Option-Yes
- Adoption of 2024 sewer rates-Adopted
- Water Rates-Across the board annual increase-Yes
- Sewer Rates-Across the board annual increases-Yes
- Move forward with the sewer cost-of-service rate increase for High and Very High-Yes
- Adjust the income tier removing the senior and social security disability requirement and adding a second tier at 400% the national poverty rate for a 25% discount-Yes
- Remove the ability to no longer be charged for a voluntarily shut-off meter (temporary/snowbirds)-Yes
- Existing customers with demolition permits and no new building permit (vacant land)-Require the customer to pay the back-billing from time of disconnect to reconnect, or SDCs, whichever is less.
- Remove construction water rate class-Yes
- Implement the scaling options for System Development Charges-Yes
- Commercial connections follow new flow and BOD calculations, or pull out some other standard rate multipliers similar to existing structure-Staff to come up with a recommendation.