



City of Stevenson

Leana Kinley, City Administrator

Phone (509)427-5970
FAX (509) 427-8202

7121 E Loop Road, PO Box 371
Stevenson, Washington 98648

To: City Council
From: Leana Kinley, City Administrator
RE: Water and Sewer System Development Charges and Monthly Rates
Meeting Date: February 15, 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. This memo will address the questions the council brought up and outline decisions for the council to make.

Overview:

Revenue Requirements

There were charts in the attached presentation from the January 25th meeting which showed the revenue requirement need for both the water and sewer fund. The charts below have the dollar amount for the revenue needs for each utility. The Capital Improvement Projects used to calculate the figures below are in the attached document "Rate Study CIP List."

Water	2024	2025	2026	2027	2028
Operations & Maintenance	\$ 893,000	\$ 939,000	\$ 936,000	\$ 980,000	\$ 1,010,000
Current Debt Obligations	\$ 61,000	\$ 61,000	\$ 61,000	\$ 37,000	\$ 37,000
New Debt Obligations	\$ 37,000	\$ 60,000	\$ 120,000	\$ 147,000	\$ 146,000
Capital	\$ 4,000	\$ 19,000	\$ 48,000	\$ 97,000	\$ 172,000
Revenue @ Current Rate	\$ 932,000	\$ 945,000	\$ 954,000	\$ 966,000	\$ 978,000
Surplus / (Deficiency)	\$ (63,000)	\$ (134,000)	\$ (211,000)	\$ (295,000)	\$ (387,000)
Sewer	2024	2025	2026	2027	2028
Operations & Maintenance	\$ 1,261,000	\$ 1,265,000	\$ 1,313,000	\$ 1,362,000	\$ 1,410,000
Current Debt Obligations	\$ 75,000	\$ 479,000	\$ 479,000	\$ 479,000	\$ 480,000
New Debt Obligations	\$ 16,000	\$ 40,000	\$ 40,000	\$ 104,000	\$ 103,000
Capital	\$ 254,000	\$ 2,000	\$ 30,000	\$ 1,000	\$ 32,000
Revenue @ Current Rate	\$ 1,461,000	\$ 1,477,000	\$ 1,488,000	\$ 1,503,000	\$ 1,518,000
Surplus / (Deficiency)	\$ (145,000)	\$ (309,000)	\$ (374,000)	\$ (443,000)	\$ (507,000)

Water Utility Rates

There seemed to be consensus regarding an across-the-board rate increase rather than either option to remove the 400 ft³ of usage within the base fee. The rates in the proposal reflect an annual increase of 7% for 2024-2028. The table below reflects this change.

	2023	2024	2025	2026	2027	2028
Meter Size	Inside City					
Up to 3/4"	37.04	39.63	42.40	45.37	48.55	51.95
1"	60.78	65.03	69.58	74.45	79.66	85.24
1 1/2"	146.72	156.99	167.98	179.74	192.32	205.78
2"	282.98	302.79	323.99	346.67	370.94	396.91
3"	508.52	544.12	582.21	622.96	666.57	713.23
4"	610.12	652.83	698.53	747.43	799.75	855.73
6"	1,625.27	1,739.04	1,860.77	1,991.02	2,130.39	2,279.52
Transient Lodging	18.52	19.82	21.20	22.69	24.28	25.98
	Outside City					
Up to 3/4"	54.62	58.44	62.53	66.91	71.59	76.60
1"	103.51	110.76	118.51	126.81	135.69	145.19
1 1/2"	211.29	226.08	241.91	258.84	276.96	296.35
2"	408.82	437.44	468.06	500.82	535.88	573.39
3"	737.86	789.51	844.78	903.91	967.18	1,034.88
4"	887.42	949.54	1,016.01	1,087.13	1,163.23	1,244.66
6"	2,353.13	2,517.85	2,694.10	2,882.69	3,084.48	3,300.39
	Usage (per ft ³)					
Inside Usage	0.047	0.050	0.054	0.058	0.062	0.066
Outside Usage	0.056	0.060	0.064	0.068	0.073	0.078
Hydrant Fees	0.056	0.060	0.064	0.068	0.073	0.078

Sewer Utility Rates

Similar to the water utility rates, there seemed to be consensus on an across-the-board rate increase rather than either option to remove the 400 ft³ for commercial customers. The rates below reflect an increase of 10%, 10%, 3.5%, 3.5%, 3% from 2024-2028.

Class of Service	2023	2024	2025	2026	2027	2028
Residential						
Single ¾" Residential	\$116.46	128.11	140.92	145.85	150.95	155.48
Multifamily-per dwelling unit	\$116.46	128.11	140.92	145.85	150.95	155.48
Non-Residential						
Transient quarters	\$58.24	64.06	70.46	72.93	75.48	77.74
Other Commercial						
¾" water service	\$116.46	128.11	140.92	145.85	150.95	155.48
1" water service	\$242.05	266.26	292.89	303.14	313.75	323.16

1.5" water service	\$360.65	396.72	436.39	451.66	467.47	481.49
2" water service	\$545.54	600.09	660.10	683.20	707.11	728.32
3" water service	\$782.72	860.99	947.09	980.24	1,014.55	1,044.99
4" water service	\$1,019.90	1,121.89	1,234.08	1,277.27	1,321.97	1,361.63
6" water service	\$1,684.03	1,852.43	2,037.67	2,108.99	2,182.80	2,248.28
Mobile Home Sites						
With or without individual connections-per dwelling unit/space	\$116.46	128.11	140.92	145.85	150.95	155.48

Usage² Rates for Non-Residential/Commercial						
Flow Surcharge	\$0.059	0.065	0.072	0.075	0.078	0.080
BOD Surcharge³						
Low	\$0.000	0.000	0.000	0.000	0.000	0.000
Medium	\$0.023	0.025	0.028	0.029	0.030	0.031
High	\$0.047	0.052	0.057	0.059	0.061	0.063
Very High	\$0.092	0.101	0.111	0.115	0.119	0.123

Cost of Service Adjustment

More information was requested regarding the adjustment to double the annual increases for High and Very High customers. There are two ways to go about this change. One is to have an across the board increase of double the annual increase (base rate, flow and BOD charge). With this change, the impacts for the first year for all customers in the High and Very High classes are listed below:

Meter	Strength	Account	Average Bill		\$ Change	% Change
			2023	2024 ATB	2024 ATB	2024 ATB
3/4	High	54-40 Brewing Company	\$ 127.06	\$ 152.47	\$ 25.41	20.0%
3/4	High	Big River Grill	\$ 727.41	\$ 872.88	\$145.48	20.0%
3/4	High	Gotta' Hava' Java'	\$ 137.27	\$ 164.73	\$ 27.45	20.0%
3/4	High	Gross, Justin	\$ 116.46	\$ 139.75	\$ 23.29	20.0%
3/4	High	Hunsaker Oil Company	\$ 116.46	\$ 139.75	\$ 23.29	20.0%
3/4	High	La Casa de Sabor	\$ 174.09	\$ 208.90	\$ 34.82	20.0%
3/4	High	Main Street ... Singh	\$ 216.20	\$ 259.43	\$ 43.24	20.0%
3/4	High	Moon River Home & Living	\$ 116.46	\$ 139.75	\$ 23.29	20.0%
3/4	High	Red Bluff Tap House	\$ 425.98	\$ 511.17	\$ 85.19	20.0%
3/4	High	Red Oak Properties LLC	\$ 116.46	\$ 139.75	\$ 23.29	20.0%
3/4	High	Rock Creek Tavern LLC	\$ 116.46	\$ 139.75	\$ 23.29	20.0%
3/4	High	The Cabin	\$ 116.46	\$ 139.75	\$ 23.29	20.0%
3/4	High	The Kellogg Group	\$ 220.53	\$ 264.64	\$ 44.10	20.0%
3/4	High	Toledo, Carlos & Jennifer	\$ 116.46	\$ 139.75	\$ 23.29	20.0%
3/4	High	Walking Man Brewing LLC	\$ 346.38	\$ 415.66	\$ 69.27	20.0%

3/4	High	A&J Select Market	\$ 562.46	\$ 674.95	\$ 112.49	20.0%
1	High	El Rio	\$ 337.26	\$ 404.71	\$ 67.45	20.0%
1	Very High	LDB Beverage	\$ 1,730.27	\$ 2,076.33	\$ 346.05	20.0%
1.5	Very High	Eagles Lodge	\$ 716.99	\$ 860.39	\$ 143.40	20.0%
2	Very High	Port Tichenor Building	\$ 2,160.35	\$ 2,592.42	\$ 432.07	20.0%
2	Very High	Walking Man Brewing LLC- Brewhouse	\$ 150.23	\$ 180.27	\$ 30.04	20.0%

Another way to calculate the increase would be in the BOD surcharge rate since that is what is used to pay for the increased costs associated with the type of effluent. This allows the revenues to follow the increased expenses more closely, such as hauling biosolids. More BOD, more solids to remove. This leads to a different distribution on the cost-of-service impact as there are many businesses that don't use more than 400 ft³ of flow, and only have the 10% impact.

Meter	Strength	Account	Average Bill		\$ Change	% Change
			2023	2024 COS	2024 COS	2024 COS
3/4	High	54-40 Brewing Company	\$ 127.06	\$ 141.80	\$ 14.74	11.6%
3/4	High	Big River Grill	\$ 727.41	\$ 917.15	\$ 189.75	26.1%
3/4	High	Gotta' Hava' Java'	\$ 137.27	\$ 154.99	\$ 17.72	12.9%
3/4	High	Gross, Justin	\$ 116.46	\$ 128.11	\$ 11.65	10.0%
3/4	High	Hunsaker Oil Company	\$ 116.46	\$ 128.11	\$ 11.65	10.0%
3/4	High	La Casa de Sabor	\$ 174.09	\$ 202.53	\$ 28.45	16.3%
3/4	High	Main Street ... Singh	\$ 216.20	\$ 256.92	\$ 40.72	18.8%
3/4	High	Moon River Home & Living	\$ 116.46	\$ 128.11	\$ 11.65	10.0%
3/4	High	Red Bluff Tap House	\$ 425.98	\$ 527.86	\$ 101.88	23.9%
3/4	High	Red Oak Properties LLC	\$ 116.46	\$ 128.11	\$ 11.65	10.0%
3/4	High	Rock Creek Tavern LLC	\$ 116.46	\$ 128.11	\$ 11.65	10.0%
3/4	High	The Cabin	\$ 116.46	\$ 128.11	\$ 11.65	10.0%
3/4	High	The Kellogg Group	\$ 220.53	\$ 262.52	\$ 41.99	19.0%
3/4	High	Toledo, Carlos & Jennifer	\$ 116.46	\$ 128.11	\$ 11.65	10.0%
3/4	High	Walking Man Brewing LLC	\$ 346.38	\$ 425.06	\$ 78.67	22.7%
1	High	A&J Select Market	\$ 562.46	\$ 680.07	\$ 117.61	20.9%
1	High	El Rio	\$ 337.26	\$ 389.22	\$ 51.96	15.4%
1.5	Very High	LDB Beverage	\$ 1,730.27	\$ 2,291.52	\$ 561.24	32.4%
2	Very High	Eagles Lodge	\$ 716.99	\$ 837.29	\$ 120.29	16.8%
2	Very High	Port Tichenor Building	\$ 2,160.35	\$ 2,834.09	\$ 673.74	31.2%
	Very High	Walking Man Brewing LLC- Brewhouse	\$ 150.23	\$ 174.83	\$ 24.60	16.4%

The Crossing and La Casa de Sabor have closed. They are currently being billed base fees as they don't go over 400 ft³ of water usage for the flow charges.

The first question is whether the council wants to move forward with the cost-of-service rate increase. If yes, does council want the across-the-board rate increase, or the change to the BOD rate only (variable impact to customers)?

Discount Tiers

The current discount is available to low-income seniors or those with social security disability with an income less than 200% of the federal poverty level. Customers complete the application process through Senior Services where they can be connected to energy discounts and other services.

Adding a moderate-income tier, at a 25% discount, would be applicable to customers with an income less than 400% of the federal poverty level, and less than the Moderate Income identified for Skamania County through the Community Development Block Grant (see attached 2023-CDBG Income Limits Chart). The number of customers which would qualify is unknown. From the 2015 American Communities Survey, Stevenson has a population of just over 48% that are low-moderate income.

The applications would go through Washington Gorge Action Programs and in discussions with them they request a modest fee of \$10-\$20 per application to cover staff time and associated costs.

These changes are reflected in the proposed ordinance changing SMC 13.10 Water and Sewer Service Charges, sections 13.10.100, 13.10.110 and 13.10.120.

Snowbirds/Temporary Shutoffs

The current ordinance allows customers to have their water be shut-off temporarily and not be billed monthly fees. Upon reconnection they will pay 5 months the base water fee, even if they are also connected to sewer. This is mostly used by residents who leave for long periods of time and come back periodically. The challenge for the utilities is the infrastructure they are connected to still needs to be maintained while they are away, and the capacity of the system takes into consideration their connection. The base fees cover the ongoing maintenance needs to ensure the system is available when they return. For snowbirds, this may be an annual shut-off of around 8 months (October-May).

For properties with existing connections and that have been demolished, there may be a few options for council.

- Continue to require the base fees to be paid and no system development charges will be required when rebuilding occurs. This would be like the requirement for snowbirds or developed properties with utilities that have been shut-off.
- Require the customer to pay the back-billing from time of disconnect to reconnect, or SDCs, whichever is less.

This change would be made by repealing Ordinance 2019-1153 and modifying the language in the updated legislation based on direction from the council.

Construction Water

The current ordinance allows properties under construction to be billed for water usage only and not pay any base fees up until the property receives final occupancy. There are currently 9 properties where this is implemented. Two of the properties are submeters for alternate billing of sewer charges (Walking Man Brewhouse separate from the Restaurant, and Skamania County Jail separate from the Courthouse Lawn). The remaining 7 are for building permits that have not received final occupancy, and most are very close, waiting on final inspections for Building, Planning and Public Works.

Once a property connects to the utility system, they are able to use that system at full capacity. It is also counted towards the city's overall capacity for connections. By not having a separate utility payment type for these customers, it also reduces the risk of billing errors. The new permitting process is online

and the Utility Clerk is not a CloudPermit user and would need to be notified of new certificates of occupancy outside of the system, creating a potential gap in the process.

The draft ordinance amending SMC 15.01.030 removes the need for a temporary water/sewer permit during construction and removes the ability to bill usage only.

System Development Charges

There seemed to be consensus regarding the scaling options based on size of home for both water and sewer system development charges. The ranges were chosen based on fixture counts for water connections and square footage for sewer connections for average home sizes in Stevenson. The rates in the proposal below reflect this change and the maximum allowable charge as identified during the study.

Water System Fees and Charges	
System Development Charges	
Meter Size	Fee
5/8": <25 Fixture Units	\$8,223
3/4": <55 Fixture Units	\$12,334
1": <130 Fixture Units	\$20,556
1.5"	\$41,113
2"	\$65,781
3"	\$123,339
4"	\$205,565
6"	\$411,130
Installation Costs	Time and Materials

Wastewater System Fees and Charges	
System Development Charges	
Charge Type	Fee
Residential ERU < 1,500 SqFt	\$6,683
Residential ERU 1,500-2,599 SqFt	\$8,910
Residential ERU > 2,600 SqFt	\$11,607
Commercial Flow(gallon)*	\$14.88
Commercial BOD (pound)*	\$5,666
Residential single-family service inspection	\$100
All other service inspections	\$300

*Flow can be calculated based on meter size for commercial use. The mid-point of the BOD class can be used for the BOD calculation, or it can be calculated.

There are additional types of use classifications in the existing rate table for SMC 13.10.080. Direction is needed on whether some of these classes remain, such as hotels and schools, or if all commercial customers will follow the flow and BOD calculations.

These decisions will be incorporated into changes to necessary ordinances and the rates will be added to a new revised comprehensive rate schedule resolution. The resolution will include all city fees, in addition to the utility rate changes.

Action Needed:

- Water Rates-Across the board annual increase of 7% from 2024-2028?
- Sewer Rates-Across the board annual increases of 10%, 10%, 3.5%, 3.5% and 3%?
- Move forward with the sewer cost-of-service rate increase for High and Very High?
 - If yes, across-the-board rate increase, or change the BOD rate only (variable impact to customers)?
- 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?
- Remove the ability to no longer be charged for a voluntarily shut-off meter (temporary/snowbirds)?
- Existing customers with demolition permits and no new building permit (vacant land):
 - Continue to require the base fees to be paid and no system development charges will be required when rebuilding occurs? Like the requirement for snowbirds or developed properties with utilities that have been shut-off.
OR
 - Require the customer to pay the back-billing from time of disconnect to reconnect, or SDCs, whichever is less?
- Remove construction water rate class?
- Implement the scaling options for System Development Charges?
- Commercial connections follow new flow and BOD calculations, or pull out some other standard rate multipliers similar to existing structure?