



# City of Stevenson

## Planning Department

(509)427-5970

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

**TO:** City Council  
**FROM:** Ben Shumaker, Planning Director  
**DATE:** August 24<sup>th</sup>, 2017  
**SUBJECT:** Sewer System Development Charge Increase

---

### **Introduction**

This memo provides an analysis of the system development charge paid by customers connecting to the City's sewer system. The intent of this analysis is to allow the City Council to determine that the fee reflects an "equitable share of the cost" of the sewer system.

### **Staff Recommendation**

Staff recommends increasing the sewer system development charge (SDC) from \$2,800 per ERU to \$4,750. This reflects an interim step that considers past investments at the plant in relation to expected growth. Further, staff recommends recalculating the SDC in 2021 or sooner when the costs of the sewer plant's major expansion can be included.

### **Analysis**

State statute (RCW 35.92.025) authorizes the City to charge for connection to the water and sewer system. The text of the statute provides broad latitude to establish the amount of this charge. The primary limitation of this latitude is that the "reasonable connection charge" has property owners "bear their equitable share of the cost". Four methods were used to calculate the equitable share of the costs. The results ranged from \$3,000 to \$15,750.

Method 1- The simplest of all methods, this calculation also yields the lowest SDC. Here, actual expenditures on the sewer system have been added up for 2 periods. Costs through 2013 are available on a depreciated value basis. Costs from 2014 through January 2017 are based on actual expenditures for capital improvements in that period. These values do not include staff time devoted to the capital improvement and are not depreciated. The resulting number was divided by the total number of equivalent residential units (ERUs) expected in 2021 when the sewer plant will be upgraded and when a second increase of SDCs will be recommended.

Method 2- In this method, the existing \$2,800 SDC is accepted as a starting point for the current increase. The increase to that value is based on the actual expenditures on sewer system capital improvements from 2014 to 2017. That number is divided by a value equal to the increased ERU growth between 2013 and 2021. Though more complicated than the other methods, staff deemed Method 2 as the most justifiable and the recommended reasonable connection charge.

Method 3- Method 3 returns to the simpler calculation used in the first scenario. Here the total cost of the sewer system is determined based on 1) the depreciated value remaining as of 2013, 2) actual expenditures between 2014 and 2017, and 3) expenditures projected by the 6-Year Capital Improvement Plan, excluding any construction of the treatment plant upgrades. This total was then divided by the number of ERUs expected in 2020, the year before plant construction. This \$5,825 charge would be higher than any nearby jurisdiction and may be viewed as unreasonable at this time.

Method 4- Method 4 is similar to the previous method, but adds the projected improvement cost of the entire sewer plant upgrade. This total was then divided by the number of ERUs expected on that date and yields the highest SDC. This number may reflect a closer approximation of what the 2021 SDC increase may yield, but has been ruled out as unreasonable at this time.

**Comparisons**

The current SDCs of 5 neighboring jurisdictions have been surveyed to determine whether the proposed increase will be seen as a detriment to development. In Oregon, the cities of Cascade Locks and Hood River are used. In Washington, the cities of Bingen, Goldendale, North Bonneville, and Washougal were surveyed.

<b>Jurisdiction</b>	<b>SDC</b>
Cascade Locks	\$1,500
Hood River	\$1,721
Bingen	\$2,000
Goldendale	\$2,000
<b>Stevenson (Current)</b>	<b>\$2,800</b>
North Bonneville	\$4,500
<b>Stevenson (Proposed)</b>	<b>\$4,750</b>
Washougal	\$5,620

As an additional comparison, development occurring on a standard, private septic system costs is believed to cost an average of \$4,730 (\$4,200 installation fee plus \$530 permit/inspection fees).

**Remaining Considerations**

At the September meeting, the Council will also be asked to consider whether the new system development charge should take effect immediately or whether a grace period should be given to allow existing property owners to “bank” a right to connection by paying the current system development charge but holding off on development until a later date. Factors to consider in this decision will include assumptions about the “time value” cash-in-hand has for the City, the comparative revenue lost from those connections, and what sense of fairness is given to the current and potential users of the system. A more detailed discussion is expected at the next meeting.

Prepared by,

Ben Shumaker