



CITY OF SEDRO-WOOLLEY
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Mark A. Freiberger, PE
Director of Public Works

MEMO TO: City Council and Mayor Mike Anderson
FROM: Mark A. Freiberger, PE
RE: **Sewer and Transportation Impact Fee Review**
DATE: May 1, 2013 (for Council review may May1, 2013)

ISSUE

Council has requested that staff review Sewer General Facilities Charges, Sewer Rates and Transportation Impact Fees as part of the Business Development Committee work plan. No action is required tonight. It is anticipated that the recommendations presented in the workshop and summarized below will be brought to council later in May for possible action.

BACKGROUND:

The current **Sewer General Facilities Charges** (aka Connection Fee) were set by Ordinance 1609-08 in 2008, based on a Sewer Financial Outlook prepared by Katy Isaksen & Associates. Monthly Sewer Fees were also updated at that time based on the same study. The Financial Outlook reviewed operation and maintenance costs and debt from history and projected these costs plus debt obligations over a six year period to ensure that the utility generates sufficient revenue from a combination of utility fees and connection fees to meet obligations. The 2008 Financial Outlook recommended annual increases in the monthly rates of about 5% per year from 2008 to 2011 to keep up with expected debt payment increases due to the completion of the Critical Sewer Interceptor Projects. The 2008 and 2009 rate increases were implemented in accordance with the recommendations. The single family residential connection charge was set in 2008 at \$8,926 and has not been revised since that time.

Due to the recession, Council elected not to increase monthly rates from 2010 until 2012, when the 2009 rate was increased by the CPI for 2012. Since the Critical Sewer Projects are now complete and the final debt level known, it is time to reassess both rates and connection fees to insure financial stability for the utility. Reassessment of the connection charge was also desired to assess the present charge from the standpoint of business development (i.e. does the current fee discourage development).

Katy Isaksen has updated the Financial Outlook based on actual debt and updates to the 2005 Sewer Comprehensive Plan Project List, provided by Public Works. Her presentation this evening will cover the results of her analysis. The Analysis covers a six-year snapshot of the utility expected revenue and expenses.

In addition to the Sewer analysis, staff has updated the Impact Fee Methodology to address completed projects and to also explore the magnitude of the present impact fees from a business development standpoint. The existing **Transportation Impact Fee Methodology** was created in 2005 as part of the 2005 Transportation Plan. Staff utilizes the Methodology to determine impact fees for development. The Methodology includes a look up table dividing the city into 15 zones for purposes of assessing transportation impacts due to development. The Methodology utilized a sophisticated traffic modeling and demand analysis along with the 2005 version of the Six-Year Transportation Improvement Plan to come up with PM Peak hour trip costs. A copy of the current Section 1.1 "Impact Fee Cost Per PM Peak Hour Trip by District" is attached. This update included an extensive review of completed projects and expected revisions to the Six-Year Transportation Plan. The results of this study will also be covered this evening.

Finally, Staff has provided four versions of a spreadsheet titled **Area Utility and Impact Fee Comparison** for council's use in comparing the impact fees and service charges for Sedro-Woolley as compared to our sister cities in Skagit County and similar sized communities in the larger region. The comparisons include present fees and charges for Sedro-Woolley, and the recommended revisions noted below.

RECOMMENDATIONS

Sewer Utility Charges

1. Update the Sewer Rate Charge by the Consumer Price Index for Seattle for the years 2014-2019.
2. Perform an annual update of the Sewer Financial Analysis to ensure that assumptions are being met.
3. Perform an extensive update of the Analysis after the completion of the 2015 Sewer Comprehensive Plan update.
4. Revise the Residential General Facilities Charge from \$8,926 to \$7,000 (21.5% reduction).
5. Revise the Nonresidential General Facilities Charge from \$498/fixture unit to \$292/fixture unit (41.3% reduction).

Transportation Impact Fees

1. Revise the Transportation Impact Fee Methodology as shown on the attached Sedro-Woolley 2013 Transportation Impact Fee Revision, based on the revised Project List and Costs at 25% Match.
2. Reassess the Transportation Impact Fee Methodology in 2015 in preparation for the 2016 Comprehensive Plan Update. It is anticipated that a thorough revision will result in a simplified Impact Fee Methodology consolidating the current 15 zones into no more than 6.

No action required this evening.