

**CITY OF LAKE STEVENS
CITY COUNCIL WORKSHOP MEETING MINUTES**

Tuesday, June 19, 2018

Lake Stevens School District Educational Service Center (Admin. Bldg.)
12309 22nd Street N.E. Lake Stevens

CALL TO ORDER: 6:00 p.m. by Mayor John Spencer

ELECTED OFFICIALS PRESENT: Councilmembers Kim Daughtry, Gary Petershagen, Todd Welch (6:44 p.m.), Rauchel McDaniel (6:05 p.m.), Marcus Tageant and Brett Gailey

ELECTED OFFICIALS ABSENT: Councilmember Kurt Hilt

STAFF MEMBERS PRESENT: City Administrator Gene Brazel, Josh Roundy, Senior Accountant, Community Development Director Russ Wright, Human Resources Director Teri Smith, City Clerk Kathy Pugh, Human Resources/Executive Assistant Julie Good

OTHERS: John Ghilarducci and Tage Aaker, with Financial Consulting Services

Mayor Spencer opened the meeting at 6:00 p.m. and introduced John Ghilarducci and Tage Aaker with Financial Consulting Services.

Stormwater Rate Study: Mr. Ghilarducci reviewed the surface water management rate history and said rates have not been adjusted since 2008. He reviewed how rates would have risen based on inflation and commented that without an adjustment in rates the City will not be able to move forward with capital improvements. Mr. Ghilarducci next reviewed the uniform rate and why it is used for single family residences; he added that condominiums are charged a fraction of the rate.

Mr. Ghilarducci then turned to nonresidential buildings and said they are charged in tiers based on usage and then based on $\frac{1}{4}$ acre per gross parcel usage. This creates some equity issues.

For commercial property, the proposal is to charge for surface water managed based on the measured impervious surface. The single family residential rate would remain a fixed fee. Mr. Ghilarducci reviewed the rate design assumptions

Mr. Ghilarducci reviewed the proposed rate changes, and said that parcels in the Lake Management Benefit Area will continue to have a surcharge for lakefront property. Regarding non-single family residential rate credits there is only one rate payer receiving this credit.

Discussion ensued regarding the Lake Management Benefit Assessment and the consensus impression that the lakefront property owners receive an additional benefit, going back to when the aerator was installed to control algae and milfoil. The City needs to know what the costs are that are being reimbursed.

Staff's recommendation is to eliminate the rate credit and maintain the Lake Management Benefit Assessment.

Mr. Aaker turned to the Revenue Requirement and the Level of Service (LOS) analysis. He commented the 2018 budget was used to see how costs would be affected by inflation. By incorporating an annexation assumption of approximately 1200 single family parcels there will be additional revenues, but not enough to cover the projected deficits. Mr. Aaker said the Surface Water Management (SWM) is currently operating at a deficit. Without outside funding sources new capital projects will not be fully funded.

Mr. Aaker reviewed proposed LOS options and what each would provide. Proposed LOS 1 would correct the existing maintenance and operating deficit. LOS 2 would provide the opportunity to purchase some additional equipment and tools, and hire additional staff. Proposed LOS 3 does not add operating elements, but does allow the utility to fund high priority capital projects. The projects assume some grant funding elements. This would allow the stormwater utility to have its funding in place. LOS 4 also does not add operating elements but allows the City to fund medium priority capital projects. Some of the included capital projects are fully grant funded. LOS 5 provides that the City would take on the responsibility of HOA pond maintenance with no additional fee to the HOA, add staff and additionally purchase capital equipment. For each LOS, Mr. Aaker reviewed the debt level.

Mr. Aaker next reviewed the projected costs for each proposed LOS and a comparison of surface water charges for neighboring cities.

Mr. Ghilarducci reviewed the current rates for nonresidential properties and the 2019 proposed ESU structure using the proposed rate structure fee discussed earlier.

Mr. Ghilarducci said the Consultant's and Staff's recommendations are to change the rate structure to the ESU (equivalent service units) methodology, to consider what is the desired LOS to provide and then adopt those rates. The proposal is LOS 3 which would achieve full regulatory compliance and allow the City to begin the highest priority capital projects and correct the operating deficit, eliminate the existing rate credit and maintain the existing Lake Benefit Management Assessment until those costs can be isolated and recalculated.

Discussion ensued regarding how commercial properties are affected and the impacts of the City taking over the HOA stormwater ponds. Director Durpos suggested building an incentive into the permit process to lower the impervious surfaces and commented on how this could be accomplished. (Councilmember Welch arrived at 6:44 p.m.) It was suggested to look at what jurisdictions outside of Snohomish County are doing, and also to create an education program. Director Durpos commented that education is part of the permit requirement and that the City receives a grant from Department of Ecology to help with education and outreach.

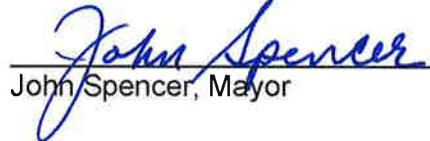
Mayor Spencer confirmed that the recommendation is to go to LOS 3 in 2019, and asked if it should be advanced in one step or two.

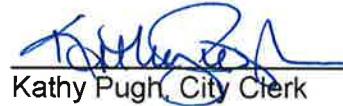
Councilmember Tageant preferred going with the LOS 3 recommendation and suggested SWM fees be revisited more often.

Councilmember Daughtry suggested going to LOS 3 and adding LOS 5 to bring in the HOA ponds.

Mayor Spencer confirmed going to LOS 3 and adding LOS 5, and contract with the HOAs on a flat rate basis.

There being no further business the meeting was adjourned at 6:55 p.m.


John Spencer, Mayor


Kathy Pugh, City Clerk