

LEAVENWORTH CITY COUNCIL
Study Session Agenda
City Hall - Council Chambers
October 8, 2019 8:30 a.m.

8:30 – 8:45 Chamber Report

This time is provided for a Chamber of Commerce representative to provide an update to the City Council on items of interest to the Chamber and City.

8:45 – 9:15 2017-2018 Audit Exit Interview with State Auditor’s Office

Assistant Audit Manager Josiah Milner and Audit Lead Morgan Erickson will be present to review the 2017-2018 Accountability and Financial Statement Audit Reports. The auditors will review several recommendations that will be presented as management level and exit level items, which are considered to be lower levels of requirements presented by the Washington State Auditor’s Office; the exit level items are not required to be included within the final audit reports. Materials will be provided at the meeting by the State Auditor.

There are no items included under **TAB A**.

9:15 – 9:45 Lodging Tax Funding Program Forms Review

This time is allowed to review a number of suggested changes to the Lodging Tax Funding Allocations Process. This discussion originated at the City Council Retreat in April of 2019. Several options were presented at that time for moving forward:

Option 1 – Voluntarily comply with RCW 67.28.1816. All lodging tax funds are provided to the Lodging Tax Advisory Committee (LTAC); LTAC makes decisions on expenditures with the Council affirming budget recommendations.

- Council establishes LTAC.
- Council Reviews/approves by-laws.
- Hands off approach to expenditure recommendations; however, City Council does approve final recommendations.

Option 2 – City Council allocates all Lodging Tax expenditures. City Council operates as a “LTAC” regarding lodging tax expenditures.

- Similar to current City process.
- Council to develop Lodging Tax Allocation Programs and Guidelines to outline the allocation and awarding of funds for various purposes and/or groups.
- City Council continues to identify and allocate all expenditures.

Option 3 – Hybrid option. The City Council forms an LTAC to oversee Tourism Promotions Funding. City Council retains direct oversight over large capital improvements, funding for ongoing support services, annual funding allocation to LAP, and expenditure of reserves.

- Council establishes LTAC, review and approval of bylaws (membership, terms, purpose).
- Council would allocate a dollar amount of annual funding to LTAC. LTAC would establish competitive funding process, Partner Funding Contracts, and Special event support.
- City Council would review and approve annual expenditures and funding awards as part of the budget process.

Option 4 – Continue on with current process. The current process has been successful at generating revenues for the Lodging Tax Fund.

- There is not a clearly identified separate Lodging Tax Policy that identifies any allocation procedure.
- Current allocation process is part of the City Budget Process, which is clearly identified and audited on an annual basis.
- Those not involved with it find the allocation process murky.

At this point in time, the Economic Development Committee has moved in the direction of developing a program based on the qualities of option #2 above. The City Council would remain the decision maker for all expenditures of the Lodging Tax Funds. The changes to the current processes and funding would include the following:

1. The Festival & Event Funding Program would be expanded. Currently the program has a \$10,000 allocation; the recommendation is for the funding allocation to increase to \$15,000 with a maximum amount per request of \$3,000.
2. A new Tourism Hospitality and Special Projects Program would be initiated. Grants within this program would be for small tourism related capital improvements and/or tourism related services. Grants would be limited to \$7,500 with a total funding allocation of \$30,000 in the initial year.
3. Partnership funding would be available to organizations that have had a longstanding relationship with the City of Leavenworth. These groups would include the Winter Sports Club, Chamber of Commerce, Upper Valley Museum, and Autumn Leaf Association. Partnership funding would require the development of a contractual agreement with a detailed scope of work. Contracts would be developed for a three to five-year term. Determination of when and how an organization qualifies for partnership funding has not been identified at this time. The one constant between the four groups is the longevity of the individual groups.

All other funding allocations for capital and tourism mitigation services continue to be made by the City Council as part of the City Budget Development.

The following items are included under **TAB B**:

- Festival and Event Grant Application Form
- Festival and Event Grant Funding Scoring Criteria
- Tourism Hospitality and Special Project Grant Application Form

- Tourism Hospitality and Special Projects Scoring Criteri
- Partnership Funding

9:45 – 10:05 Water System Capital Improvement Update

This time is provided to review the planning effort for future Water System Capital Improvements. As discussed at previous City Council Study Sessions over the last several years, the City has completed a Utility Rate Study, Water System Plan, and Water Plant Assessment. These studies provide the information and data necessary for the development of a 6-year and longer Capital Improvement Plan for the City’s Water System. To date, the discussion has identified four projects that will need to be addressed in the 6-year window; additional information on each of these projects can be found on the Water System Projects document included within the packet material.

Project	Description	Estimated Cost	Estimated Date
Water Meter Replacement	Replacement of all City service meters with Smart Meters.	\$975,000	2020
Water Intake Screen Replacement	WDFW & TU initiated Project to replace City Intake Screens in conjunction with Boulder Fish Passage Project.	\$900,100 WDFW requesting City funding of \$240,000	2020
Water Plant Upgrades	Water Plant Assessment identified several alternatives; no decision at this time. City continues to develop more information.	\$7.5 M	2023
Water Transmission Line Replacement	Replacement of water Transmission line from WTP to Icicle Ridge Reservoir.	\$3.2 M	2022/2023

Funding:

The table below provides the current funding status of the projects identified above:

Project	Estimated Cost	Funding
Water Meter Replacement	\$975,000	The City water rates account for \$450,000 of funding for Meter Replacement Project. City has also allocated REET Funds to make up balance of project funding. City is also seeking funding from the Bureau of Reclamation (WaterSMART Grant) and funding from the Icicle Work Group.
Water Intake Screen Replacement	\$900,100 TU/WDFW requesting City funding of \$240,000	The City previously committed \$40,000 to the Screen Project to offset the cost of requested City improvements included within the project. The TU/WDFW request of an additional \$200,000 could be

		provided depending on offsetting funding received for metering project.
Water Plant Upgrades	\$7.5 M	The City will be presenting information to funder agencies at the 2019 IACC Conference in October.
Water Transmission Line Replacement	\$3.2 M	Current City water rates account for \$200,000 per year for transmission line replacement, additional funding will also be sought after the 2019 IACC Conference.

As the City moves forward with developing a funding plan for the Water Plant Upgrades and Transmission line replacement, the City debt service schedule will be considered when considering future debt for the water system improvements.

The following items are included under **TAB C**:

- City of Leavenworth Water System Projects
- Water Utility Exhibit 3 – Capital Improvement Plan (from Utility Rate Study)
- City of Leavenworth Current Debt Schedule Water Fund

10:05 – 10:20 Wastewater Treatment Plant Update

This time has been set aside to update the Council on the Wastewater Treatment Plant Upgrade Project schedule. Currently, the design plan for the project is at 95%, and has been submitted to the Department of Ecology (DOE) for review as well as the funding agency, Rural Development (RD). In addition to the design, all right-of-way (ROW) requirements must be met for the RD funding to proceed. Presently, the DOE has reviewed the plan and responded with a few minor questions; however, RD has yet to respond with comments. Unfortunately, the documents and the bidding schedule cannot be finalized until those comments are received. The previous schedule was for the finalization of the documents by October, bid to be advertised in November, with the bid opening in December; however, that no longer seems achievable in lieu of receiving the RD comments. Therefore, finalization of the documents and bid advertisement will need to be pushed forward; the bid opening date will be moved to January, after Christmas/New Year (possibly 1/23/2020), to provide adequate time for contractors to comfortably prepare their bids. Due to these delays, the City Engineers (Varela and Associates) have been in contact with the DOE Engineers (primarily Coleman Miller) to discuss extending the compliance deadline of August 2020. Mr. Miller is following up with internal inquiries within the DOE in this regard and is optimistic that a revision to the deadline could be granted.

The City Council is being asked at the evening meeting to approve Ordinance 1599, which authorizes the interim bank financing for construction purposes related to the Wastewater Treatment Plant Facility Project. The City will need to have this interim construction financing to meet USDA Rural Development Loan requirements for payment to contractors while the City awaits reimbursement from the USDA loan program at project completion. The Council will need to approve a separate Bond Ordinance for the USDA Loan once all costs have been incurred.

There are no items included under **TAB D**.

10:20 – 11:00 Review of Rates & Fees for 2020

The City Council is being provided the draft changes to the Rate and Fee Schedule that is scheduled for approval at the December 10, 2019 meeting.

DEVELOPMENT RELATED FEES

For the past several years fees for Development Services and Building fees have seen minor modification. For this year, staff is recommending several changes that support a streamlined process and reflect current processing time.

Building and Fire Fee Changes:

- Mechanical and Plumbing – simplified fee structure provides minor changes (rounding up or down) from the 1997 Uniform Building Code.
- Mechanical and Plumbing – adding a minimum fee of \$50 covering review, issuance, and inspection requirements.
- Manufactured Structure – simplified by number of units and reduced fee to reflect review and inspection requirements.
- Footing and Foundation – modified fees to reflect review and inspection requirements.
- NEW – Residential Retaining Wall – added a fee to capture review and inspection requirements.
- NEW – Residential Pool – added a fee to reflect review and inspection requirements.
- Excavation, Grading and Fill – reduced fee to reflect review and inspection requirements.
- NEW – Fire Decommissioning Tank – added fee to cover inspections.
- Fire LPG tanks – reduced fee to reflect review and inspection requirements.

Development Service Fee Changes:

- Separate SEPA from all permits. Changes in State law reduced the thresholds for SEPA review; therefore, many permits will no longer require a SEPA and staff recommends charging only as required (separately).
- Remove reference to include the Hearing Examiner fee. As noted in the general statements, the Hearing Examiner fee is included in all quasi-judicial processes up to \$750, the current contract agreement base fee. Any changes beyond \$750 would be classified as outsourced and passed through to the applicant.
- Variances for commercial and residential have been combined with one base fee.
- NEW – Site Development fee to reflect the new permit type.
- NEW – Bed & Breakfast annual permit fee.
- Removed the fee for critical area checklist. The critical area information is primarily available on the web map or will occur as part of another permit process.
- Administrative Interpretation fee was increased to reflect staff time of sixteen hours at \$50 per hour.
- Removal of cluster subdivision fees. Cluster subdivisions will be processed as either a short or major subdivision.

- Shoreline Conditional Use Permits are combined with a Shoreline Substantial Development Permit and require only additional staff time to process.
- Shoreline Variance Permits can be combined or standalone.
- Shoreline Exemption fee reduced to reflect processing time.
- Shoreline Revisions are limited under State law; therefore, the fee is reduced to reflect processing time.
- Annexation fee reduced to reflect processing time.
- Appeal fee increased to reflect processing cost and 15 hours staff processing.
- Pre-application fees – added the purpose statement from code and reduced the type of pre-application meetings required. Currently, the code requires pre-application meetings for subdivisions. Staff would recommend reintroducing pre-application fees to cover the time for research, meeting, and compiling a summary (findings) letter. It is estimated that building, fire, and public works spend approximately 4 hours each to prepare for a pre-application meeting and planning spends approximately 8 hours preparing and finalizing the summary letter, totaling approximately 20 hours or \$1,000.

As Development Services implements the new permit tracking system, additional information regarding time spent processing will support future amendments to the fee schedule. Historic review of fees vs. costs have determined that the City collects, on average, less than 50% of the cost of processing permits for large and complex development projects, while less complex project fees do cover the cost of services provided.

One area of cost recovery that may be considered is the adoption of the 2018 Uniform Building Code fee tables, replacing 1997 Uniform Building Code fees. If the Council is interested in pursuing a change at this time, staff will research what impact this would have on building permits.

UTILITY RELATED FEES

At this time, the amendments include the utility rate changes as included within the Six-Year Utility Rate Study and as approved by Council action to consider the annual rate increases per Resolution 20-2017. Based on utility fund balances, planned and continuing capital related projects, and revenue/expense projections, staff recommends continuing with the planned rate increases for 2020. These rate increases are generally being applied to monthly rates and not for installation or system development charges. Rate increases per utility are as follows:

- Water = 5%
- Sewer = 2%
- Stormwater = 9%
- Garbage (Commercial and Multifamily) = 4%
- Outside City Rates are Equivalent to 125% of the Inside City Rates

The percent changes identified above will affect a single-family residence on a ¾ inch meter as follows:

Utility	Current Rate	New Rate	Percent Change	Dollar Change
Water	\$63.01	\$66.16	5%	\$3.15
Sewer	\$58.44	\$59.61	2%	\$1.17

Stormwater	\$4.52	\$4.93	9%	\$0.41
Total	\$125.97	\$130.70	3.75%	\$4.73

OTHER FEES

Other sections of the fee schedule have been reviewed and are not being included for any suggested changes; these annual reviews include the following:

- Cemetery Fees – Will be reviewing by next spring for potential changes.
- Fees and Charges for Equipment Rental, Traffic Control, and Work in the Right of Way – No recommended changes.
- Pool Fees – Will be reviewed by the PRSA in 2020.
- Festhalle Fees – Will be reviewed by the Festhalle Committee in the spring of 2020 for 2021 rates.
- Misc. Fees and Charges – No recommended changes.
- Other Licenses and Permits – Business/vehicles/SUP’s – No recommended changes.
- Parking Fees – Will be reviewed by the Parking Committee for future suggestions.

The following item is included under **TAB E:**

- Draft 2019 Fee Schedule

11:00 – 11:10 Quarterly Update Future Council Agenda Items / Project Tracking

This time is provided to review the 2019 Annual Objective & Project Tracking document and the Future Council Agenda Items document. The Project Tracker provides the Council with quarterly updates on the work and status of a number of Council Priorities or required projects/tasks that need to be completed by the City. This is not a comprehensive list; the project tracker does not include the daily tasks required to provide services and maintain service levels to residents, businesses, or visitors, but provides a good review of the work being completed by the City.

The following items are included under **TAB F:**

- Annual Objective and Project Tracker 2019
- 2019 Future Council Agenda Items

11:10 – 11:15 Quarterly City Newsletter Recommendations – Distribution in November

The City will be publishing the quarterly Mayor and City Council Newsletter in November. Article topics at this time include but are not limited to:

- “A Minute with the Mayor” – 2019 Election Results
- Winter Parking and Snow Plowing (winter parking ban / snow removal operations)
- Holiday Closures & Garbage Collection Schedules – Sue Cragun
- Short Term Rental Enforcement – Sue Cragun
- Winter Use of City Parks – Sue Cragun

- Winter Events / Festivals – Sue Cragun
- Update on Current & Upcoming City Projects – Herb Amick & Sue Cragun

Staff is requesting any additional suggestions from the Council at this time.

The following item is included under **TAB G:**

- Winter 2018 Newsletter

11:15– 11:30 Council Open Discussion

The remainder of this time slot allows for Council discussion of items not on the agenda.