CITY OF YACHATS
CITY COUNCIL WORK SESSION
SUMMARY MINUTES
September 16, 2024

The work session meeting of the City Council was called to order by Mayor Craig Berdie at 1:00 p.m. in the Civic Meeting Room of the Yachats Commons. Members present: Mary Ellen O'Shaughnessey, Council President, Councilor Barry Collins, Councilor Anthony Muirhead (via zoom) and Catherine Whitten-Carey; Staff: City Manager Bobbi Price, Recorder Kimmie Jackson
Attendance: 15

I. Utility Rates

Utility Rate Adjustments and Vacation Rentals Discussion
The City Manager led the meeting to discuss potential utility rate adjustments, focusing on the city's $20 million water and wastewater projects. The Finance Committee proposed four adjustments targeting large users: eliminating free water for commercial users, recognizing vacation rentals as commercial, large user equalization, and prepaid SDC fees. The Public Works and Streets Commission suggested a tiered rate system. Phase two included offsetting transient lodging tax fees. It was discussed raising vacation rental base rates by 25% and highlighted the current system's limitations for the small population. She emphasized achieving parity by having commercial activities pay industry standards without affecting residents. Also discussed licensing vacation rentals to avoid exceptions and suggested charging unlicensed rentals.

Water Conservation Measures and Vacation Rentals
The council discussed potential water conservation measures to mitigate the impact of the water crisis on the businesses. It was suggested individual actions like installing low-flow showerheads and increasing the base rates for vacation rentals by 25%. The council also proposed a mechanism to reduce the base rate for those using water and raised concerns about penalizing those who didn't cause the problem. It was suggested a win-win solution, including raising the base rate and cutting out the two units for vacation rentals; discussed the potential increase in water costs for vacation rentals and the possibility of customers taking direct actions to reduce their water consumption. It was acknowledged the need to improve the screen sharing process and promised to make the discussion on large user equalization as easy as possible.

City Billing System Evolution and Rate Adjustments
Lauritzen discussed the evolution of the city's billing system, starting with the "YEU system" introduced in the early 2000s, which charged additional base rates when

properties reached certain unit thresholds. In 2016, the city switched to Muni Billing software, which recalculated base rates based on the previous year's activity. The council highlighted that some properties were undercharged, while others were overcharged due to incorrect implementations. She also mentioned that the city hired a consultant to implement industry-standard rates, which resulted in some properties paying significantly more than they should have been. It was suggested recalculating the charges based on inflation factors and industry standards, which would result in an additional $6,000 of water revenue and $14,000 of wastewater revenue; also proposed a tiered rate system to better correlate water usage with charges and discussed the cost of running a business and suggested focusing on a model that could potentially reduce costs by $2,000 for a hotel.

Fairness in Water Rates and Restaurant Fees

It was discussed the need for fairness in water rates, particularly for commercial properties. She suggested that properties should pay for what they use, rather than being charged the same as residential properties. The council also mentioned the need to add $200,000 a year to the long-term projects fund. It was highlighted a missed opportunity in the analysis, which was the restaurant's share of the total system. It was suggested that a 35% increase in wastewater fees for restaurants to achieve fairness. The team agreed to consider this proposal.

Addressing Tax Challenges and SDC Approaches

Discussed the challenges of raising taxes for certain businesses, particularly restaurants, and the need to find alternative revenue sources; proposed a tiered rate structure and a new approach to the System Development Charges (SDCs), involving properties with prepaid SDC fees. The council expressed concern about the potential implications of a policy change regarding SDCs and suggested seeking a legal opinion; discussed the issue of SDCs and the construction timeline for a home built in 1979, proposing a reasonable waiting period for a contractor to build a home. The council highlighted the challenges of managing SDCs for vacant lots, suggesting a steeper non-payment penalty and the need to track ownership changes in vacant lots.

Phase One Adjustments and Phase Two Suggestions

Discussion continued about phase one adjustments and the possibility of voting on Wednesday.

Utility Bill Data Transformation and Conservation

The council discussed the potential for transforming utility bill data into a format that would show cost differences for customers, particularly hotels. It was emphasized the need for understanding cost implications and raising funds, while also highlighting the delicate relationship between the city and businesses. The council suggested implementing tiered water rates to encourage conservation, with excess units charged at the new rate. She also proposed a grace period before implementing the tiered rates to avoid causing too much pain for consumers.

State-Funded Projects and City Capital Expenditures

The council discussed the potential impact of state-funded projects on reducing the city's capital expenditures; highlighted the complexity of implementing pure rates and emphasized the need to be "shovel ready" for state grants. The council mentioned alternative funding sources like a pay-for-the-sheriff initiative and reallocating funds from visitor amenities to water reserves. It was expressed concern over arbitrary decision-making and the need for further study before voting on a four-step plan. The team decided to continue with current water rates based on a previous study and clarify the storm sewer charge allocation. The council indicated certain changes would be communicated in October and implemented in January 2025.

Next steps

- City Council to review utility rate adjustment documentation and prepare questions for Wednesday's meeting.
- City Manager to prepare four separate pieces for potential voting on Wednesday.
- City Manager to consult with city attorney regarding legality of SDC ready-to-serve fee.
- City staff to clarify in final resolution how the SDC ready-to-serve fee applies to different types of SDCs (water, sewer, storm).
- Finance Committee to consider implementing steeper penalties for non-payment of SDC ready-to-serve fees.
- City staff to develop process for tracking ownership changes of vacant lots with prepaid SDCs.
- City staff to prepare a communication plan for informing affected parties about potential rate changes.
- City Council to consider voting on utility rate adjustments at Wednesday's meeting.
- City staff to implement approved rate changes according to proposed schedule.
- City Council to review and discuss tiered rate structure proposal.
- City Council to consider handling fee offset as part of phase 2 adjustments.
- City staff to continue monitoring potential state funding opportunities for water infrastructure projects.
- City Manager and Mayor to explore alternative funding options for sheriff services.
- City staff to prepare examples of how proposed changes would affect different types of customers' bills.
- Public Works and Finance Committees to continue refining proposals based on City Council feedback.

Meeting adjourned at 3:45 pm
The council Jackson Recorder