EXHIBIT NO. 1

20
4-12-05

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 4, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: ORDINANCE TO INCREASE THE SANITARY SEWER LINE MAINTENANCE CHARGE

ISSUE: Ordinance to increase the sanitary sewer line maintenance charge.

RECOMMENDATION: That City Council pass on first reading the ordinance to increase the sanitary sewer line maintenance charge from $0.60 to $1.00 per 1,000 gallons of usage and set it for public hearing on April 16, 2005, and final passage on May 2, 2005.

DISCUSSION: The sanitary sewer line maintenance charge (i.e. usage fee) was established to assist in recovering the costs of maintaining, inspecting and improving public sanitary sewer facilities in the City. As discussed during the FY 2004 and FY 2005 budget work sessions, the rate (currently $0.60 per 1,000 gallons of usage) historically was not structured to generate sufficient revenues to recover the City's total current and future sanitary sewer operating, debt service and capital costs. Alexandria is the only major jurisdiction in the Washington, D.C. area that does not fund its sanitary sewer fully from user fees and other non-tax sources. As a result, the City's General Fund tax revenues have historically been subsidizing the sanitary sewer system costs. Nationwide the usual and customary "best practice" is to have sanitary sewer operating, capital and debt service expense covered 100% by user fees.

During the FY 2004 budget process, staff outlined a proposal to begin a multi-year plan to increase the City's sanitary sewer fee so that the sanitary sewer costs are fully recovered from fees and other outside sources and that the General Fund subsidy be eliminated. In approving the FY 2004 operating budget and the FY 2004 - 2009 Capital Improvement Program (CIP) City Council adopted the funding plan to increase the sanitary sewer fee by $0.20 in FY 2004, and each subsequent year, to make the sanitary sewer system self-sufficient by FY 2007. The FY 2006 - FY 2011 proposed CIP contains substantial investments in sanitary sewer capital projects, including:

- $4.3 million for reconstruction and extensions;
- $1.8 million for combined sewer overflow improvement projects (CSOs);
- $4.4 million for infiltration and inflow (I&I) projects;
- $0.3 million for environmental restoration and sewer mapping; and
- $5.9 million for Holmes Run trunk sewer capacity expansion project.

Because Council in planning for a lower real estate tax rate has indicated a desire to diversify revenues, it is proposed that the originally planned rate increase of $0.20 be increased to $0.40 in FY 2006. This would have the effect of accelerating by one year the timing of when sanitary sewer capital, operating and debt service expenses would become self sufficient and 100% fee supported.

Of particular importance is the I&I project, which will address the infiltration and inflow of rain and ground water into the sanitary sewer system. Such inflow can cause basement sewer backups, as some City neighborhoods experienced during the Winter of 2003, as well as more frequent wet weather discharges at the Alexandria Sanitation Authority (ASA) waste water treatment facility than desired.

The substantial capital and operating funding requirements will be financed by a proposed multi-year incremental four-step increase in the sanitary sewer fee by $0.40 per year, to the rate of $1.00 per 1,000 gallons of usage. The FY 2006 tax advertisement proposes the third (and accelerates the fourth year) of these increases, from $0.60 to $1.00. This increase will cost the average household about $28 for the fiscal year. Businesses also pay the sanitary sewer fee, with the impact of the fee increase highly variable depending on the amount of usage.

The sanitary sewer rate was set at $0.10 per thousand gallons of usage in 1979, raised to $0.20 in 1995, and then to $0.40 in FY 2004 in the first phase of this four year proposal to achieve self-sufficiency in FY 2007. In fiscal years subsequent to FY 2007, the sanitary sewer rate, as well as sanitary sewer operating and capital needs, would be reviewed as part of the annual operating budget process and the rate set accordingly to make sure that the sanitary sewer rate covers 100% of the cost of sanitary sewer operating, debt service and cash capital costs. Creating a self-sufficient sanitary sewer operating and capital needs.

Another benefit is that when the sanitary sewer system is fully financially self-supporting from user fees (i.e., the sanitary sewer usage fee, the sewer connection fee, federal grants and other related revenues), the bond rating agencies will remove any City sanitary sewer general fund obligation debt from the calculations of City debt ratios and debt burdens. This is a standard practice of the bond rating agencies.

FISCAL IMPACT: For FY 2006, the increase from $0.60 to $1.00 will raise $2.4 million ($1.2 million is in the base budget and $1.2 million would be additional revenue), which will be used to fund sanitary sewer capital-related costs. The rate increase to $1.00 per 1,000 gallons of usage will raise some $5.6 million in revenues annually to be available to fund all needed sanitary sewer operating and capital costs. The funding and rate increase plan for FY 2007 and beyond would be subject to change, as changes to the City's sanitary sewer capital and operating needs, federal and state environmental requirements change.

ATTACHMENT: Ordinance

STAFF:
Mark Jinks, Assistant City Manager
Bruce Johnson, Director, Management and Budget
Morgan Routt, Budget Analyst, Management and Budget
Jean Wilson, Division Chief, T&ES Administration

EXHIBIT NO. 2

Introduction and first reading:	4/12/2005
Public hearing:	4/16/2005
Second reading and enactment:	5/03/2005

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 5-6-26 (SEWER LINE MAINTENANCE CHARGE IMPOSED; PROVISIONS FOR COLLECTION; LIENS AND CESSATION OF WATER SERVICE FOR DELINQUENT CHARGES) of Article B (SEWAGE DISPOSAL AND DRAINS), Chapter 6 (WATER AND SEWER), Title 5 (TRANSPORTATION AND ENVIRONMENTAL SERVICES) of The Code of the City of Alexandria, Virginia, 1981, as amended.

Summary

The proposed ordinance increases the sewer line maintenance charge assessed with the water bill for each premises from $0.60 per thousand gallons of water supplied to $1.00 per thousand gallons.

Sponsor

Staff

Mark Jinks, Assistant City Manager
Bruce Johnson, Director, Management and Budget
Richard J. Baier, Director, Transportation and Environmental Services
Ignacio B. Pessoa, City Attorney

Authority

§ 2.03(u)(8), Alexandria City Charter
§§ 15.2-2119, 15.2-2122, Code of Virginia (1950), as amended

Estimated Costs of Implementation

None

Attachments in Addition to Proposed Ordinance

None

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EXHIBIT NO. 3

ORDINANCE NO. _____

AN ORDINANCE to amend and reordain Section 5-6-26 (SEWER LINE MAINTENANCE CHARGE IMPOSED; PROVISIONS FOR COLLECTION; LIENS AND CESSATION OF WATER SERVICE FOR DELINQUENT CHARGES) of Article B (SEWAGE DISPOSAL AND DRAINS), Chapter 6 (WATER AND SEWER), Title 5 (TRANSPORTATION AND ENVIRONMENTAL SERVICES) of The Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 5-6-26 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 5-6-26 Sewer line maintenance charge imposed; provisions for collection; liens and cessation of water service for delinquent charges.

(a) There is hereby imposed, upon all parcels of real estate from which sewerage is discharged into lines maintained by the city, a sewer line maintenance charge of $1.20 per quarter or ~~$0.60~~ <u>$1.00</u> for every 1,000 gallons of water supplied per quarter to such parcel by the Virginia-American Water Company, whichever is the greater sum; provided, that if the charge for water supplied to any parcel is billed on a monthly basis, the sewer line maintenance charge imposed on the parcel shall be $0.40 per month or ~~$0.60~~ <u>$1.00</u> for every 1,000 gallons of water supplied per month to such parcel, whichever is greater; and provided, further, that for any parcel of real estate having more than one meter for the measurement of water consumption attributable to that parcel, one or more of which meters measures only water which will not be discharged into the sanitary sewer lines of the city, that parcel shall be charged as provided herein on the total water consumption attributable to that parcel after subtracting the amount of water not discharged into the sanitary sewer lines of the city.

(b) For the purpose of this article, bills shall be considered monthly bills if submitted 12 times per year for periods of approximately one month each and quarterly bills if submitted four times per year for periods of approximately three months each.

(c) The sewer line maintenance charge shall in every case be collected by the Virginia-American Water Company from the owner, lessee or tenant of each parcel, or some or all of them, and remitted by the water company to the city in such manner and on such terms as shall be agreed upon by the water company and the city council, consistent with the provisions of this section. In the event any such charges are unpaid 30 days after the date they are billed by the water company as hereinabove provided, interest shall at that time begin to accrue thereon at the rate of one percent per month, and the owner, lessee or tenant, as the case may be, of the parcel of real estate on which the charge was imposed shall, until such charges shall be paid with interest to the date of payment, cease to dispose of sewage or industrial waste originating from or on such real estate by discharge thereof directly or indirectly into the sewer line maintained by the city, and is such owner, lessee or tenant shall not cease disposal within two months thereafter, the water company shall cease supplying water thereto unless the Director of the Alexandria Health Department shall certify that the shutting off of the water will endanger the health of the

occupants of the premises or the health of others. Such charges and interest thereon shall constitute a lien against the property, ranking on a parity with liens for unpaid taxes.

Section 2. That this ordinance shall become effective on July 1, 2005.

WILLIAM D. EUILLE
Mayor

Introduction: 4/12/2005
First Reading: 4/12/2005
Publication:
Public Hearing:
Second Reading:
Final Passage:

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