

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 12, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: BUDGET MEMO #38: UPDATE ON SEWER IMPROVEMENTS PLANNED IN CAPITAL IMPROVEMENT PROGRAM (COUNCILMAN MACDONALD'S REQUEST)

The following is an update on the status of FY 2005 to FY 2010 Proposed Capital Improvement Program (CIP) sewer projects, as requested at the March 16, 2004 budget work session by Councilman Macdonald.

Sewer Projects Overview

The Proposed CIP includes \$22.2 million for sewer projects. This includes \$2.9 million for storm sewer reconstruction and extensions, and \$19.3 million for sanitary sewer projects. Funding for sanitary sewers in the FY 2005 - 2010 period increased by 5 percent over the previous CIP. The elements of the sanitary sewer CIP are:

- \$3.1 million for sanitary sewer reconstructions and extensions
- \$2.1 million for combined sewer mitigation
- \$5.9 million for infiltration and inflow (I&I)
- \$0.4 million for environmental restoration and sewer map updates
- \$6.6 million for Holmes Run trunk sewer
- \$1.2 million for Royal Street relief sewer
- \$19.3 million total

Status of Sewer Projects

The following is a brief update on the status of sewer projects included in the FY 2005 to FY 2010 Proposed CIP.

Storm Sewer Reconstruction and Extensions:

- Frost Street and Lawrence Avenue - Improvements are planned for FY 2006.

- Commonwealth Avenue hydraulic study - A contract is being negotiated to begin work.
- Warwick Village - Remote TV camera inspections of storm sewers are to be conducted by T&ES Maintenance crews to determine the extent of work to be performed.
- Channel restoration - Streams Assessment Phase I (stream classifications) is complete. Phase II (inspections and evaluations) is to begin in the summer. Construction will occur once projects have been identified and prioritized.
- MS4 Permit - A new water quality compliance position added in the FY 2004 budget has been hired and has begun assembling BMP data and performing inspections.

Sanitary Sewer Reconstruction and Extensions - Design is underway for projects at Sanford Street, Caton Avenue, Uhler Avenue, Diagonal Road, the Nelson/Monroe Avenue alley, Sycamore Street, Forrest Street, Hickory Street, and Groves Avenue. Construction is to begin in the summer or fall. If conflicts with utilities are discovered, some of the projects could be delayed until the spring.

Combined Sewer Mitigation - The City continues to comply with the Virginia Department of Environmental Quality (DEQ) permit for combined sewers. A plan is being developed for sewer separation as redevelopment occurs (Samuel Madden is a recent example).

Inflow & Infiltration (I&I) - Four Mile Run sewershed construction is underway. Commonwealth Avenue sewershed design is underway. Construction is to begin late in 2004.

Environmental Restoration - Projects are to be identified and prioritized through stream assessment phase II.

Holmes Run Trunk Sewer - The design is being managed by the owner, the Alexandria Sanitation Authority (ASA). It is 60% complete.

Sewer Map Update - A contract is being negotiated. Work is expected to take approximately two years.

Royal Street Sewer Relief (also known as Pitt and Gibbon or Tanyard Ditch flood relief) - Design is 95% complete. A community meeting was held on March 24, 2004. Construction is to begin in the fall.

Oronoco Outfall - A Corrective Action Plan is being finalized and will be presented to the community. It will include a timeline and implementation plan.

Sanitary Sewer Financing

Alexandria is the only major jurisdiction in this region where the sanitary sewer system is not fully funded by user fees, but instead General Fund subsidized. As detailed in Docket Item #19

for the April 13, 2004 Council meeting, in FY 2004 the City initiated the first of a multi-year phased sewer usage fee increase that is proposed to raise the rate by 20 cents (\$0.20) per year, from 20 cents (\$0.20) per 1,000 gallons in FY 2003 to \$1.00 per 1,000 gallons in FY 2007. At that point, sewer usage fee and sewer connection fee revenues combined are expected to fund the full cost of sanitary sewer operations, maintenance, and capital improvements. Each 20 cent increase represents approximately \$1.1 million in additional annual revenue and costs the typical household approximately \$14 per year. The sanitary sewer connection fee is scheduled to be increased in FY 2006. The following table illustrates sanitary sewer funding sources and uses as programmed in the FY 2005 Proposed Budget and CIP (amounts represent millions of dollars).

Sources and Uses	FY 2005	FY 2006	FY 2007
Operating Expenses	\$1.5	\$1.5	\$1.6
Sewer Debt Service	\$0.7	\$1.1	\$1.3
Sewer Cash Capital	\$2.0	\$3.4	\$3.4
Subtotal:	\$4.2	\$6.0	\$6.3
Sewer Usage Fee	(\$3.3)	(\$4.5)	(\$5.7)
Sewer Connection Fee	(\$0.4)	(\$0.6)	(\$0.6)
Subtotal:	(\$3.7)	(\$5.1)	(\$6.3)
Funding Gap:	\$0.5	\$0.9	\$0.0

ATTACHMENT: FY 2004 Proposed Budget Work Session Presentation Slides on Sanitary Sewers



Sanitary Sewer Initiatives in Proposed FY 2004 to FY 2009 CIP

- Funding for FY 04 – FY 09 increased by 111% from \$11.9 million to \$25.1 million
- Last year noted further significant increases coming, starting in FY 04
- Alexandria is the only major jurisdiction in this region where the sanitary sewer system is not fully user fee financed, but General Fund subsidized



Sanitary Sewer Program Elements: FY 2004 to FY 2009 CIP

- \$25.1 million proposed
- \$3.4 million for reconstructions and extensions
- \$2.4 million for CSO's
- \$13.4 million for Infiltration and Inflow (I&I)

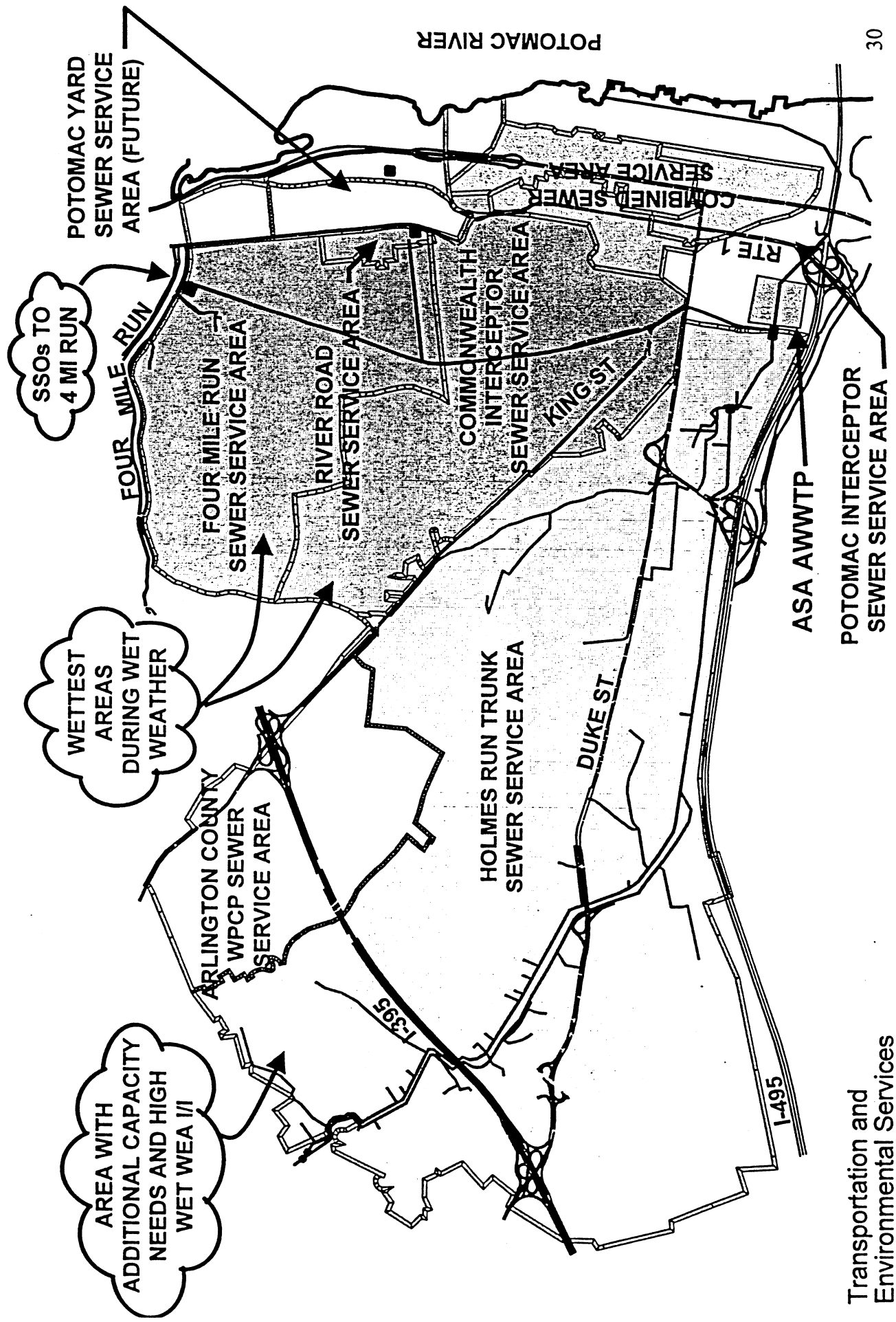


Sanitary Sewer Program Elements

continued...

- \$25.1 million proposed...
- \$0.5 million for environmental restoration and sewer mapping
- \$3.6 million for Holmes Run trunk sewer
- \$1.8 million for Royal Street sewer

SERVICE SEWER AREAS



Accelerated Infrastructure Rehabilitation

- Reprioritization of City wide sewer funding to accelerate construction contracts
- \$6 million rehabilitation contract for Four Mile Run Sewershed award end of 2003
- \$6 million rehabilitation contract for Commonwealth Sewershed award end of 2004
- Re-evaluation of rehabilitated system at end of 2005 to determine any additional needs
- Accelerated 3 year program
- Other short-term measures to divert flow





Sanitary Sewer Proposed Reprioritization FY 2004 – FY 2009 CIP

	Base I&I	With Holmes Run	Revised I&I
Prior FY	3.5	+3.9	7.4
FY 04	2.8	+1.8	4.6
FY 05	3.7	+1.7	5.4
FY 06	2.6	- 2.4	0.2
FY 07	2.2	- 2.0	0.2
FY 08	0.7	- 0.7	0
FY 09	1.5	- 1.5	0
	\$17.0	0.9*	17.9

* Net \$0.9 loss to Holmes Run projected to be funded in FY 10



Funding of Sanitary Sewer CIP

- User-fee financing considered best practice
- Sewer debt can be excluded from debt ratios
- ASA and Water Co. fully user fee supported
- City rate of 20 cents per 1,000 gallons
- Rate set at 20 cents in 1995
- Rate was 10 cents from 1979 to 1995



Under Current 20¢ Sanitary Sewer

Rate: FY 04

Operating Expenses	\$1.5
Sewer Debt Service	\$0.3
Sewer Capital	<u>\$6.7</u>
Subtotal:	\$8.5
20 cent user fee	(\$1.1)
Sewer connection fee	(\$0.4)
Federal Earmark	<u>(\$0.9)</u>
<i>Funding Gap:</i>	<i>\$6.1</i>



Proposed Sewer Fee Increase

- Goal to make sanitary sewer self-sufficient financially over 3 year period
- 20 cents = \$16 per year @ household
- Each +20 cents raises \$1.1 million
- Increase the rate by 20 cents or \$16 per year starting in FY 04 to \$0.80 in FY 06
- +\$3.3 million sufficient to cover operating, existing and new debt service and capital costs



Water – Sewer Rate Projections

*Average Household**

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
ASA	\$260	\$272	\$284	\$295	\$303
Water Company	156	159	162	165	168
City	14	28	42	56	56
TOTAL	\$430	\$459	\$488	\$516	\$527

*Assumes 69,000 gallons average household use