

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 6, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #: 27 : SANITARY SEWER FEE RATES

This is in response to Councilman Macdonald's question about sanitary sewer fee rates from the March 15, 2005 work session.

In FY 2003, the City began a multi-year incremental process of increasing the sanitary sewer connection fee and the sewer line maintenance charge to begin moving the City's sanitary sewer maintenance and construction programs toward self-sufficiency. Sanitary sewer expenses are self-funded in most jurisdictions in the region and across the nation.

The sewer connection fee was increased in FY 2003 from approximately \$630 to \$4,200 per single family household, with planned increases of three percent per year in FY 2004 and FY 2005 and a complete review planned for FY 2006. The sewer line maintenance charge was increased in FY 2004 from \$0.20 to \$0.40 per 1,000 gallons of water usage with plans to increase by an additional \$0.20 in each subsequent year until achieving self-sufficiency. In keeping with the multi-year plan, the sewer connection charge has been increased by three percent per year to \$4,456 in FY 2005 and the sewer line maintenance charge is \$0.60 per 1,000 gallons in FY 2005.

For FY 2006, staff reviewed the sewer connection fee and the sewer line maintenance charge in conjunction with planned expenditures for sanitary sewer maintenance and construction and in comparison to connection rates in other jurisdictions and recommended in the FY 2006 Proposed Budget and CIP a sewer connection fee rate increase of 50 percent to \$6,684 and an additional \$0.20 sewer line maintenance charge rate increase to \$0.80 per 1,000 gallons.

Accelerating the additional \$0.20 increase planned for FY 2007 to FY 2006 would add approximately \$1.2 million in revenue, effectively achieving self-sufficiency one year ahead of schedule. Budget Memo #16 includes a proposal to do so as one of several tax and fee related options.

The following table is the City's original plan for financing sanitary sewer expenditures in FY 2006 through FY 2011. Under this plan, there is a General Fund subsidy of \$1.1 million in FY 2006.

Sanitary Sewers	FY06	FY07	FY08	FY09	FY10	FY11	TOTAL
Expenditures							
Operating Budget	\$1,571	\$1,602	\$1,634	\$1,666	\$1,699	\$1,733	\$9,905
Cash Capital - Programmed	3,679	1,790	1,690	4,490	1,690	1,590	14,929
Cash Capital - To be Programmed	0	1,646	1,857	0	2,096	2,347	7,946
Debt Service	1,231	1,562	1,521	1,482	1,428	1,351	8,575
EXPENDITURE TOTAL	6,481	6,600	6,702	7,638	6,913	7,021	41,355
Revenues							
Maint. Charge*	4,479	5,700	5,802	5,907	6,013	6,121	34,022
Connection Fee	900	900	900	900	900	900	5,400
REVENUE TOTAL	5,379	6,600	6,702	6,807	6,913	7,021	39,422
Deficit	(1,102)	0	0	(831)	0	0	(1,933)

All dollars expressed in 1,000s

* As proposed in the budget at \$0.80 per 1,000 gallons in FY 2006 and \$1.00 per 1,000 gallons in FY 2007 - 2011

As shown in the table, cash capital to be programmed over the six year life of the plan totals \$7.9 million through FY 2011. It is anticipated that expenditures (mostly capital) will increase in the out years beyond that which is currently included in the CIP. Examples of potential increases that are not currently included in the CIP are additional Virginia Department of Environmental Quality Combine Sewer Outflow (CSO) permit requirements and CSO separation projects; Inflow/Infiltration (I&I) remediation, which is partially but not completely budgeted in the CIP; and ongoing sanitary sewer reconstructions and extensions as necessary. Any surpluses generated in a given fiscal year or cumulatively will be used for future sanitary sewer related expenditures. Staff will continue to review and update this sewer financing plan annually as part of the operating and capital budget development process.