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Acknowledgements

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CITY OF UNIVERSITY PLACE SEWER SERVICE STRATEGY

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EXECUTIVE SUMMARY

Introduction

Sanitary sewer service in University Place is primarily provided by Pierce County Utilities (PCU) and to a lesser extent, the cities of Fircrest and Tacoma. Combined, these three sewer purveyors serve approximately 88 percent of the City's population. The remaining 12 percent are served by septic systems.

In the City's Comprehensive Plan, the City adopted a goal of making sewers available to all properties within the City in 20 years, and the City Council has directed that a city-wide sewer strategy be prepared. "Available" means that within 300 feet of all properties allowing individual property owners to extend the sewer line or hook up for a reasonable cost. The City's policy does not require connection to an available sewer and does not quantify reasonable cost.

There are approximately 1,833 developed parcels that are served by septic systems. Approximately 946 of these are within 300 feet of a sewer main, and are in compliance with the city's policy having sewer "availability." Approximately 887 parcels are not within 300 feet of a sewer.

The consequences of continuing to have sewers unavailable to residents include the following:

- Inability to connect to the sewer system affects the City's ability to implement its Comprehensive Plan and meet the requirements of the Growth Management Act (GMA).
- Housing mix, density, housing affordability, utility concurrency, etc. goals are limited or not achieved.
- New development, redevelopment of existing and/or underutilized properties, commercial redevelopment, residential infill, property values, revenue growth, etc. are limited without access to sewers.
- Septic system failures may negatively affect surface water and ground water quality (e.g., Leach Creek, Chambers Creek, Peach Creek), wetlands, shorelines, aquifers, plant and wildlife habitat.

This report contains a city-wide sewer strategy, including the presentation of the following alternatives for the Council's consideration:

- *Alternative 1: Connect all residents.* Extend sewers to all areas of the City and require all developed properties to connect to the sewer system. Per current City code, new development within 300 feet of a sewer line is already required to connect.
- *Alternative 2: Make sewers available.* Extend sewers to within 300 feet of all properties in the City but do not require existing properties to connect to the sewer system other than those required by current code.

EXECUTIVE SUMMARY

- *Alternative 3: Adopt a mandatory connection ordinance.* This ordinance would require existing development to connect to the sewer system. Under this alternative, the City would not participate in any extensions of sewer facilities.
- *Alternative 4: Establish a “revolving loan fund.”* Customers required to connect to the sewer system are required to pay significant up-front costs. A revolving loan fund would allow targeted customers to pay these costs over time.
- *Alternative 5: Maintain the status quo.* Development and redevelopment would continue to be the primary driver for sewer extensions. Occasional large financial impacts to residents with failing septic systems may occur.
- *Alternative 6: Change policy.* This is similar to the status quo alternative, only that the City’s policy would be changed during the next Comprehensive Plan update. Because of the financial impacts, the policy of making sewers available to all properties would be modified or deleted.

Alternative 1: Connect All Residents

Alternative 1 involves the construction of 21 sewer extension projects and the adoption of a mandatory connection ordinance. In this report, the areas served by the 21 sewer extension projects are called “Peck areas”, after the name of the consultant hired by the City in 1998 to evaluate the issue. A mandatory connection ordinance would require developed properties within a specified distance to connect to the sewer system. This Alternative exceeds the City’s policy of making sewers available to all properties in 20 years.

The estimated cost of this alternative is \$40.3 million in 2003 dollars. Figure ES-1 shows one potential funding package to cover this estimated \$40.3 million cost. Sources of funding include PCU, out of pocket funding from customers, ULID assessments, a small transfer from the City’s General Fund, and a pilot program/sewer rate surcharge. With a \$4,000 per parcel ULID assessment, the required pilot program/rate surcharge is \$5.40/month per equivalent residential unit (ERU) for all PCU customers in University Place.

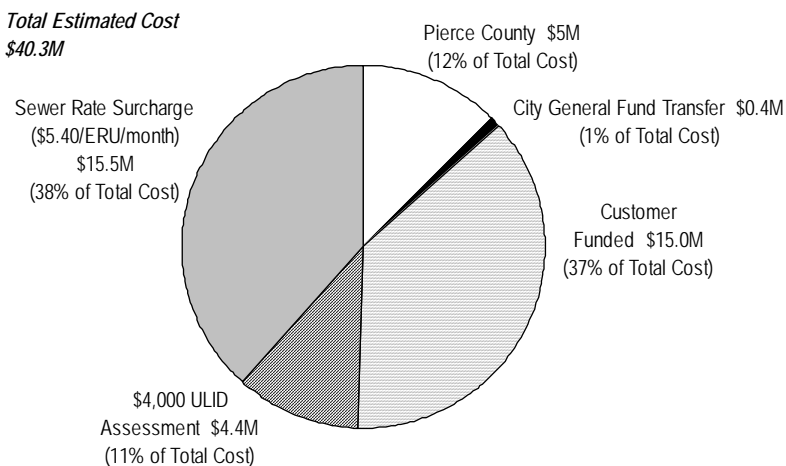


Figure ES-1. Alternative 1 (Connect All Residents) Possible Funding Sources

An ERU represents the sewer demand of a single-family residence. Use of ERUs in a sewer system analysis is a way to convert the sewer demands of commercial and industrial facilities to an equivalent number of single-family residences.

Table ES-1 shows the estimated financial impacts on a per ERU basis.

**Table ES-1
Alternative 1 (Connect All Residents) – Estimated Financial Impacts per ERU**

| Description | Estimated Financial Impact, \$/ERU |
|---|------------------------------------|
| Unsewered Peck Area | |
| PCU connection charge and on-site costs. Paid up front | \$6,200 |
| ULID Assessment. Financed over 10-20 years | \$4,000 |
| Monthly sewer rates | Increase from \$0 to \$25.40 |
| Unsewered Non-Peck Area | |
| PCU connection charge and on-site costs. Paid up front. | \$10,000 – \$15,000 |
| Monthly sewer rates | Increase from \$0 to \$25.40 |
| Existing PCU Customers in UP | |
| Monthly sewer rates | Increase from \$20 to \$25.40 |

Alternative 2: Make Sewers Available

In Alternative 2, sewers would be extended to be within 300 feet of all City properties, and, as with current City policy, new development within 300 feet of a sewer line would be required to connect. Existing septic systems would not be required to connect to sewer systems except as currently required by City code. A mandatory connection ordinance would not be adopted for this alternative. Alternative 2 meets the City’s policy of making sewers available to all properties in 20 years.

Figure ES-2 shows a possible funding package to provide the required \$24.6M. This funding package relies almost entirely on an \$8.50/month/ERU pilot program/sewer rate surcharge.

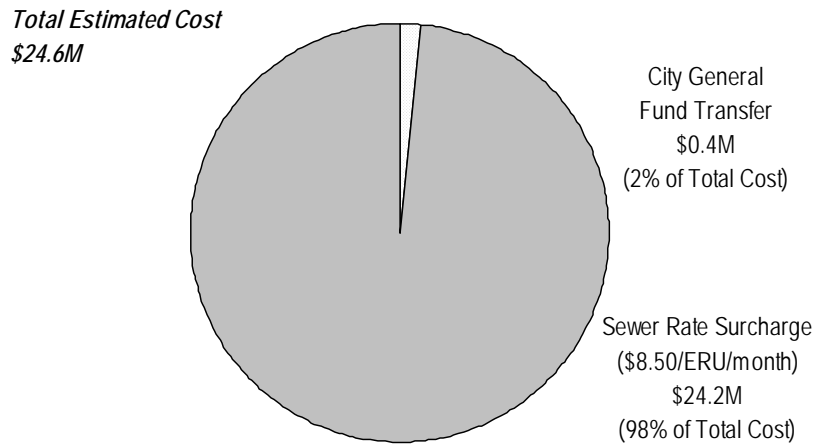


Figure ES-2. Alternative 2 (Make Sewers Available) Possible Funding Sources

Table ES-2 summarizes the financial impacts on a per ERU basis.

Table ES-2
Alternative 2 (Make Sewers Available) – Estimated Financial Impacts per ERU

| Description | Estimated Financial Impact |
|--|-------------------------------|
| New Connections (Voluntary) | |
| PCU connection charge and on-site costs. Paid up front | \$10,000 – \$15,000 |
| Monthly sewer rates | Increase from \$0 to \$28.50 |
| Existing PCU Customers in UP | |
| Monthly sewer rates | Increase from \$20 to \$28.50 |

Alternative 3: Adopt a Mandatory Connection Ordinance

The City can choose to adopt a mandatory connection ordinance. This type of ordinance, common in many jurisdictions, requires that developed parcels connect to the sewer system within a specified distance, typically ranging from 0 to 300 feet. A proposed ordinance with a 200-foot distance is provided in this report for the Council’s consideration.

Current City policies require that new development connect to the sewer system, and sewer system extensions are sometimes required to address failing septic systems. However, these two drivers of sewer system extensions are not expected to result in provision of sewer service to all city properties. The reason is that existing properties served by septic systems do not have to connect to the sewer system, even if a sewer line is installed adjacent to the property. Remaining unsewered is often financially

advantageous to a property owner with a functioning septic system, because payment of connection charges and monthly sewer rates is avoided.

If these property owners are not required to connect, PCU is unlikely to use utility funds to extend the sewer system. Without a mandatory connection ordinance, the pace of sewer extensions will be slow, possibly delaying economic development within the City, delaying implementation of the City’s Comprehensive Plan, and increasing the risk of environmental impacts associated with failing septic systems.

Alternative 3 does not include the construction of the Peck area sewer extensions. As a result, it would likely not meet the City’s policy of making sewers available to all properties within 20 years.

The total cost associated with the mandatory connection ordinance depends on the distance specified in the ordinance. For an ordinance with a 200-foot distance, an estimated 741 parcels would be affected, and the total cost to connect these parcels to the sewer system is estimated to range between \$7.7 and \$9.2 million. The majority of funding would come from PCU and directly from customers. The City’s one-time General Fund transfer of \$400,000 could also be used, possibly to provide hardship assistance to qualifying properties. Table ES-3 presents the anticipated financial impacts in a per ERU basis.

**Table ES-3
Alternative 3 (Adopt Mandatory Connection Ordinance) –
Estimated Financial Impacts per ERU**

| Description | Estimated Financial Impact |
|--|----------------------------|
| New Connections | |
| PCU connection charge and on-site costs. Paid up front. Assumes PCU funds are available for any minor extension projects and to install stubs. | \$10,000 – \$15,000 |
| Monthly sewer rates | Increase from \$0 to \$20 |
| Existing PCU Customers in UP | Not affected |

Alternative 4: Establish a “Revolving Loan Fund”

The City could establish a revolving loan program to assist property owners finance the cost of connecting private property to the sanitary sewer system. A revolving loan fund would allow customers who must pay connection charges and on-site costs to pay these costs over time instead of as a one-time up front payment.

The City has \$400,000, originally set aside for sewer investment in the Fircrest Acres area, which could be reallocated to establish a revolving loan fund. Assuming each loan averages \$10,000 (the approximate estimated cost of connection charges and on-

site facilities), the revolving loan fund could expect to finance 40 projects at any one time.

A revolving loan program could be focused on providing assistance to low-income residents, where the loan repayment would be deferred until sale of the property. Alternatively, all properties could be eligible for a loan, where a five-year repayment schedule is proposed.

This alternative would not, in itself, meet the City's policy of making sewers available to all properties within 20 years.

Alternative 5: Maintain the Status Quo

With no action by the University Place City Council, the requirements of the current City Code will continue. It is unlikely that sewer system extensions would happen unless spurred by development. There may be occasional instances where localized public support could result in the formation of ULIDs. Since 1983, however, only two ULIDs have been formed in University Place related to sewer extensions.

Without sewer extensions, economic development efforts and redevelopment in some areas of the City may be delayed, and the risk of environmental damage due to failing septic systems may be increased. The specific amount of increased risk of environmental damage, if any, is not yet known and is beyond the scope of this report to quantify.

Where sewer extensions occur to address failing septic systems, the cost would be borne by the affected property owner. Adjacent parcels would not be required to connect and wouldn't share in the cost of the extension.

It is unlikely that this alternative will meet the City's Policy CF6C, "make sewers available to all properties in 20 years." Over a 20-year period, sewer extensions in some areas of the City are likely, spurred by new development and redevelopment opportunities. Sewer extension in other locations, particularly residential areas with little or no anticipated redevelopment and few or no known septic failures, are less likely.

Ultimately, the community must decide either to make a financial investment via a sewer services strategy to accomplish this Comprehensive Plan goal or if a strategy is not developed, change the Comprehensive Plan goal.

Alternative 6: Change Policy

Because of the financial impacts of making sewers available to all properties within 20 years, the City may choose to revise its policy during the next Comprehensive Plan update. Revising or eliminating the policy of making sewers available is suggested. Otherwise, this Alternative is identical to the status quo alternative.

Summary of Alternatives

Table ES-4 summarizes key characteristics of the six alternatives. The six alternatives described in this report are not an exhaustive list of alternatives available to the City. By combining elements of the six alternatives described in this report, additional alternatives could be developed.

Table ES-4
Summary of Key Characteristics of Each Alternative

| | Alt. 1 | Alt. 2 | Alt. 3 | Alt. 4 | Alt. 5 | Alt. 6 |
|---|-----------------------|-----------------------|--|---------------------------------|-------------------------|--------------------------|
| Description | Connect All Residents | Make Sewers Available | Adopt a Mandatory Connection Ordinance | Establish a Revolving Loan Fund | Maintain the Status Quo | Change Policy |
| Meets City Policy (Sewers Available in 20 Years) | Y | Y | N | N | N | Y (if policy is changed) |
| Total Estimated Cost (\$M, 2003 \$) | \$40.3 | \$24.6 | \$7.7-9.2 | <\$1 | \$0 | \$0 |
| Mandatory Connection Ordinance Required | Y | N | Y | N | N | N |
| Number of Septic Properties Required to Connect (Estimated) | 761 | 0 | 761 | 0 | 0 | 0 |
| Customer Costs of \$10,000 – 15,000 per Parcel | Required | Voluntary | Required | Voluntary | Voluntary | Voluntary |
| ULIDs Required | Y | N | N | N | N | N |
| Pilot Program / Rate Surcharge, \$/month/ERU | \$5.40 | \$8.50 | 0 | 0 | 0 | 0 |

Section 1

BACKGROUND

Introduction

Sanitary sewer service in University Place is provided by Pierce County Utilities (PCU), the City of Fircrest, and the City of Tacoma. Combined, these three sewer purveyors serve approximately 88 percent of the City's population. The remaining 12 percent are served by septic systems.

In the City's Comprehensive Plan, the City adopted a goal of making sewers available to all properties within the City in 20 years, and the City Council has directed that a city-wide sewer strategy be prepared. This report contains a city-wide sewer strategy, including the presentation of several alternatives for the Council's consideration.

The goals of this report include the following:

- Characterize the status of sewer systems in University Place
- Develop the following six alternatives for future sewer service and identify the financial impacts of each alternative:
 - *Alternative 1: Connect all residents.* Extend sewers to all areas of the City and require all developed properties to connect to the sewer system. Per current City code, new development within 300 feet of a sewer line is already required to connect.
 - *Alternative 2: Make sewers available.* Extend sewers to within 300 feet of all properties in the City but do not require existing properties to connect to the sewer system other than those required by current code.
 - *Alternative 3: Adopt a mandatory connection ordinance.* This ordinance would require existing development to connect to the sewer system. Under this alternative, the City would not participate in any extensions of sewer facilities.
 - *Alternative 4: Establish a "revolving loan fund."* Customers required to connect to the sewer system are required to pay significant up-front costs. A revolving loan fund would allow targeted customers to pay these costs over time.
 - *Alternative 5: Maintain the status quo.* Development and redevelopment would continue to be the primary driver for sewer extensions. Occasional large financial impacts to residents with failing septic systems may occur.
 - *Alternative 6: Change policy.* This is similar to the status quo alternative, only that the City's policy would be changed during the next Comprehensive Plan update. Because of the financial impacts, the policy of making sewers available to all properties would be modified or deleted.

Section 1 of this report contains background information related to sewers in University Place. Section 2 describes the potential sewer extensions that would be required to fully sewer the City. In Section 3, the prioritization of these potential sewer extensions is discussed. Section 4 describes a proposed mandatory connection ordinance, and a financial analysis is presented in Section 5.

History of Sewer Systems in University Place

Sanitary sewer service is provided to the University Place community by Pierce County Utilities (PCU) and, to a lesser extent, the Cities of Fircrest and Tacoma. University Place is located within the Chambers Creek-Clover Creek Basin, one of the four sewer basins within Pierce County.

The PCU sewer system includes more than 450 miles of major sewer collection lines and 72 pumping stations. The system is generally gravity fed designed to direct flows downhill to the Chambers Creek Regional Wastewater Treatment Plant (WWTP).

The Chambers Creek WWTP has been sized to meet the long-term needs of the Chambers Creek-Clover Creek basin when fully developed. In 2002, PCU adopted a Unified Sewer Plan, which is an update to the Pierce County Comprehensive Sewerage General Plan. The Unified Sewer Plan establishes the general sewer plan for major wastewater conveyance and treatment facilities owned, operated, and maintained by PCU.

Portions of the City of University Place are within the Fircrest sewer service area. This includes an area south of 44th Street West near Alameda Avenue and an area east of 67th Ave. W. known as Fircrest Acres. Fircrest currently has agreements with other sewer purveyors concerning service area boundaries and wastewater treatment. Under these agreements, Fircrest provides service within its corporate boundaries and to specific areas outside of its corporate boundaries. Fircrest's sewer system discharges to Tacoma's sewer system and is treated at Tacoma's wastewater treatment plant. An on-going agreement between the City and PCU, the Pierce County Sewer Franchise Agreement, delineates PCU's service area boundaries within the University Place city limits.

Figure 1-1 compares the percentage of parcels, acreage, and population connected to sewer systems in unincorporated Pierce County, University Place, and Lakewood in 2001. In University Place, 76 percent of all parcels and 74 percent of all acreage (developed and undeveloped) are connected to sewers. However, 88 percent of University Place's population is served by sewers, and the remaining 12 percent (approximately 3,900 residents) rely on septic systems. The percentage of population connected to sewers has been steadily increasing as residential development and redevelopment continues in the community (e.g., Harvest Ridge). Figure 1-2 is a map of University Place showing sewer areas, vacant areas, and properties with septic systems.

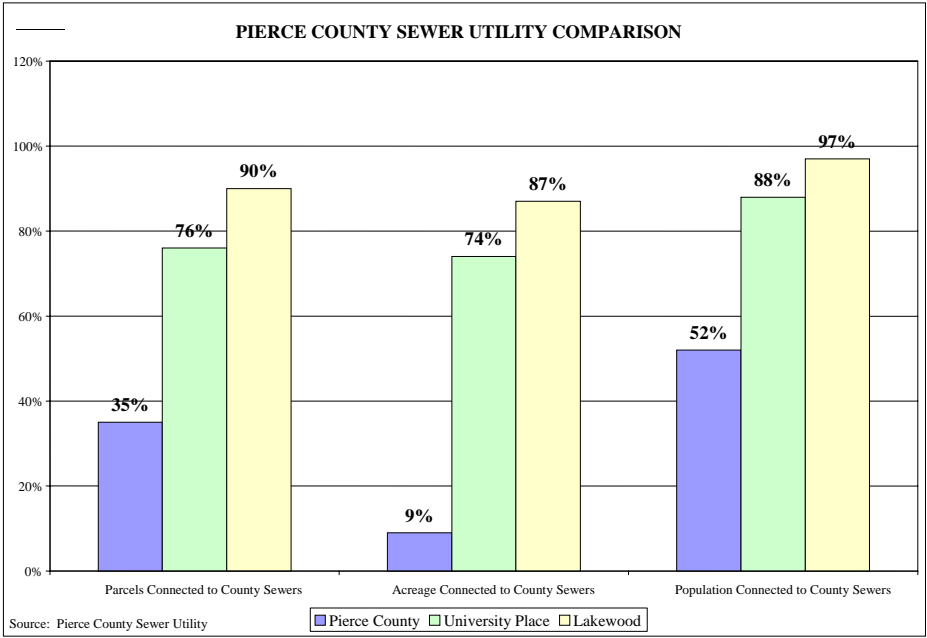


Figure 1-1. PCU Service Area Information

Approximately 1,833 developed parcels within University Place are unsewered. As shown in Table 1-1, slightly less than half of these parcels are over 300 feet from an existing sewer main, and slightly over half are within 300 feet of an existing sewer.

Table 1-1
Developed Unsewered Parcels Within University Place

| Distance to Sewer Requiring Connection | Number of Parcels | Meets Comp Plan Policy CF6C |
|--|-------------------|-----------------------------|
| Adjacent – 60 feet | 438 | Yes |
| 60 – 100 feet | 41 | Yes |
| 100 – 200 feet | 262 | Yes |
| 200 – 300 feet | 205 | Yes |
| > 300 feet | 887 | No |
| Total Unsewered Parcels | 1,833 | |

Figure 1-3 is a comparison of 2003 single-family residential monthly sewer rates for University Place, the PCU service area, Fircrest, and neighboring communities. PCU’s monthly sewer rates in 2003 (approximately \$20.00) were substantially lower than those of neighboring communities and the statewide average (\$27.47) reported by the Association of Washington Cities in 2000.

Section 1

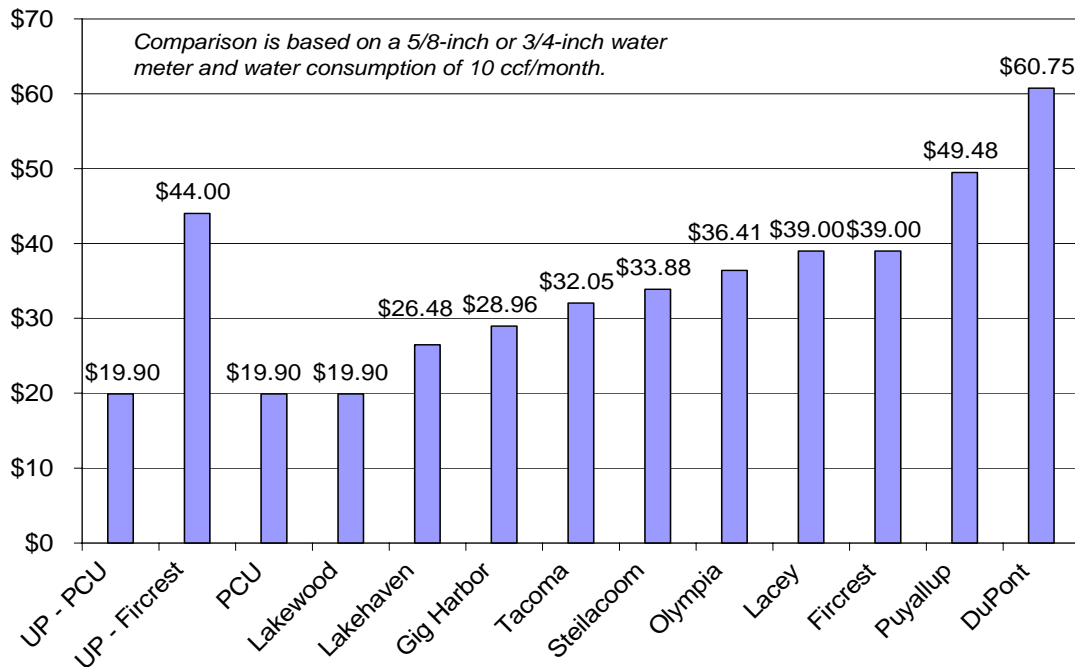


Figure 1-3. 2003 Single-Family Residential Monthly Bill Comparison

The City of University Place and PCU have been collaborating since 1998 to develop a sewer service strategy. Table 1-2 summarizes significant milestones since 1998.

Table 1-2
Significant Sewer System Evaluation Milestones

| Milestone | Date |
|---|--------------|
| Draft Sewer Service Strategy Report | Nov 2003 |
| 2003/2004 Goals Review – City Council Retreat, University Place, WA | Jun 2003 |
| Sewer Services Alternatives – City Council Retreat, Ocean Shores, WA | Jan 2003 |
| Sewer Services Alternatives – City Council Retreat, Leavenworth, WA | Sep 2002 |
| Began working with Pierce County Utilities to develop sewer services strategy | Jul 2002 |
| Sewer Services Alternatives – City Council, AWC Conference, Yakima, WA | June 2002 |
| Pierce County adopts Unified Sewer Plan | Nov 2001 |
| Economic Enhancement/Feasibility Study for Proposed Sewer Expansion Project prepared by Macaulay and Associates, LTD. | Nov 2001 |
| Interlocal Agreement between the City of Fircrest and City of University Place providing for extensions of the Fircrest sanitary sewer service systems within a portion of the University Place | Dec 2001 |
| Sewer Services discussion including "Pilot Program" Option | Apr-Dec 2001 |
| Sewer Services Policies Update – City Council | Jul 2001 |
| Ordinance providing a nonexclusive franchise to the City of Fircrest to maintain and operate a sanitary sewer system in certain portions of the City of University Place | Jun 2001 |
| Draft Unified Sewer Plan for the Pierce County Wastewater Utility | Oct 2000 |

| Milestone | Date |
|---|----------|
| Interlocal Agreement (franchise agreement) between Pierce County and the City of University Place relating to sanitary sewer services | Mar 1999 |
| Feasibility Study, Sanitary Sewer Collection System Expansion prepared by Craig A. Peck & Associates | Sep 1998 |

City Council Goals

The City of University Place City Council is committed to ensuring that all University Place residents have the ability to connect to a public sanitary sewer system. This is evident given the emphasis City Council has placed by identifying the sewer service strategy as a priority goal for both the 2001/2002 and 2003/2004 biennia.

2001/2002

“Develop a CITY-WIDE SEWER SERVICE STRATEGY (i.e., Fircrest Sewer Agreement, County Sewer Franchise and County ULID Policy.)”

2003/2004

“CITY-WIDE SEWER SERVICE STRATEGY – County “pilot” program alternative evaluated; Fircrest Acres E-1/gravity system constructed; Tacoma sewers along Orchard (?); coordination of Comprehensive Plan with County-wide Planning Policies, Unified Sewer Plan, Capital Facilities Plan and CIP Plans....”

Current Policies

University Place Municipal Code

Effective October 6, 2003, Section 19.70.060 of the University Place Municipal Code (UPMC) was revised to change the requirements under which new development and existing development must connect to the sewer system. Previously, the section required that new development connect to the sewer if sewer lines were located within 300 feet of the development. This requirement has been retained, and new provisions regarding existing development were added.

As of October 6, 2003, existing properties requiring an on-site remodeling permit from Tacoma-Pierce County Health Department must connect to the sewer system if a sewer line is available within 200 feet. Conditions also are specified for the approval of interim on-site septic systems for new development further than 300 feet or properties requiring the on-site remodeling permit further than 200 feet from a sewer line. Finally, an exemption process to these requirements is provided. The revised section of the UPMC is included in the appendix.

University Place Community Vision

The City has adopted resolutions that articulate the City's vision. These resolutions (No. 110 and No. 272), state that, 20 years after incorporation, it is the community's vision that the entire city would have access to sewers.

University Place Comprehensive Plan

The City's Comprehensive Plan provides goals, policies, and strategic actions aimed at achieving the community's long-term vision, which was created by University Place citizens. The Comprehensive Plan directs how and where future growth should occur to best accommodate the expanding population, to provide adequate facilities and services, and to protect the environment and community character to maintain and improve the quality of life.

The following policies, which were amended as part of the 2002 Comprehensive Plan update on August 4, 2003, are included in the Capital Facilities element of the Comprehensive Plan.

Level of Service and Concurrency

GOAL CF1

Provide and maintain adequate public facilities to meet the needs of existing and new development. Establish level of service (LOS) standards and identify capital improvements needed to achieve and maintain these standards.

Policy CF1B: Require transportation, stormwater, sewer, and water facilities concurrent with development. Other public facilities such as schools and parks will be provided based on adopted plans and development schedules.

Policy CF1C: Issue no development permit (such as a building permit or a land use approval associated with a building permit) unless sufficient capacity for facilities which require concurrency exists to meet the minimum level of service for both existing and proposed development.

Policy CF1D: If necessary public facilities are not already provided at the level of service for facilities identified in CF1B, or if the development proposal would decrease the level of service below the locally established minimum, the applicant may:

1. Provide the public facilities and improvements;
2. Delay development until public facilities and improvements are available;
or,
3. Modify the proposal to eliminate the need for public facilities and improvements. (Modification may include reduction in the number of lots and/or project scope.)

Financial Feasibility

GOAL CF2

Provide needed public facilities within the City's ability to fund or within the City's authority to require others to provide.

Policy CF2A: Require new development to fund a fair share of costs to provide services for growth generated by that development.

Policy CF2E: Help residents develop Local Improvement Districts (LIDs) and Utility Local Improvement Districts (ULIDs) and consolidate them to save administrative costs.

Specific Facilities, Sewer

GOAL CF6: Address specific public facilities and service issues.

The following policies address specific public facilities and services:

Policy CF6C: Make sewers available to all properties in 20 years.

Discussion: The City's vision is that the entire City has access to sewers. There are several areas of the city where sewers are not currently available. For the purpose of this policy, "available" means within 300 feet of all properties allowing individual property owners to extend the sewer line or hook up for a reasonable cost. However, the costs and State laws regarding formation of Utility Improvement Districts make it difficult to provide sewers. The City and sewer providers need to work together on creative solutions if the vision is to be achieved. The established level of service may need to be adjusted in the future to reflect the financial ability to provide the service.

Policy CF6D: Work with Pierce County Public Works and Utilities, the City of Fircrest and the City of Tacoma to develop a phased plan to offer sewer service to remaining areas without sewers. Give priority to areas with failing or aging septic systems.

Discussion: Many areas in the City still remain without sewers. The absence of a sanitary sewer system can create health concerns, particularly when an aging septic system fails. Providing immediate sanitary sewer in direct response to a septic tank failure is not often feasible. The City needs to work with the Pierce County Public Works and Utilities, the City of Fircrest and the City of Tacoma to develop a phased sewer plan which directs improvements to remaining areas without sewers.

Policy CF6E: Encourage properties to hook up to sewers if they are currently available and require new development to connect to sewers.

Discussion: There are numerous properties where sewers are available but are not connected or required to connect to the sewer system. Connecting these properties will help alleviate long-term environmental problems when septic systems fail or groundwater becomes contaminated. If more properties hook

up to sewer systems when sewers are installed, sewer providers will be more likely to install facilities based on future revenue.

Reasons for Extending Sewer Service

There are several key public policy considerations that the University Place community needs to consider when evaluating a sewer services strategy. These policy considerations include the City's Comprehensive Plan, economic development opportunities, and environmental concerns.

Comprehensive Plan Implementation

- Inability to connect to the sewer system affects the City's ability to implement its Comprehensive Plan, specifically Policy CF6C, and meet the requirements of the Growth Management Act.
- Housing mix, density, housing affordability, utility concurrency, etc. goals are limited or not achieved.
- Sanitary sewer services promote efficient urban development. For example, sewer availability options are currently limited for a current septic customer when the septic system fails.
- With current policies, it is not financially feasible to make sewers available to all residents in 20 years. Currently, formation of Utility Local Improvement Districts (ULIDs) is not financially feasible – ULIDs do not meet the assessment to benefit test.
- Current policies do not apply uniform sanitary sewer standards for developed and developing properties.

Economic Development Initiatives

- Sanitary sewer service enables private economic development and community reinvestment. New development, redevelopment of existing and/or underutilized properties, commercial redevelopment, residential infill, property values, and revenue growth are limited without access to sewers.
- "Business Incentive" for PCU is limited. Recently, PCU funded sewer system extensions in University Place and a very limited number of new sewer connections voluntarily connected to the sewer system extensions. The ability of PCU to recover its capital investment is restricted since there is no incentive for connections, which would result in an expanded customer base for PCU. Recent PCU sewer extensions in University Place illustrate this point:
 - Grandview Drive West. \$97,000 investment, including 17 stubs. Five customers have connected to date.
 - 44th Street West. \$50,000 investment, including 11 stubs. No customers have connected to date.
 - Sunset Drive West. \$132,000 investment, including 23 stubs. Six customers have connected to date.

- “Business Incentive” for University Place (e.g., Fircrest Acres) is also limited. For example, the effort by the City to obtain commitment from Fircrest Acres property owners in support of E-1 system was limited – only seven of a possible 98 accounts have committed financially.
- In some areas of the City currently served by septic systems, remodels and building expansions are prohibited because the lot size doesn’t allow for septic system expansion.

Environmental

- Prevents damage to water and other natural resources. Septic system failures may negatively affect surface water and ground water quality (e.g., Leach Creek, Chambers Creek, Peach Creek), wetlands, shorelines, aquifers, plant and wildlife habitat.

Section 2

PROPOSED SEWER EXTENSIONS

Section 2

POTENTIAL SEWER EXTENSIONS

As described in Section 1, there are a number of unsewered areas within the City of University Place. In 1998, sewer system extensions were evaluated in a report titled Feasibility Study, Sanitary Sewer Collection System Expansion (Peck Report). The Peck Report, completed by Craig A. Peck & Associates, identified 22 separate sewer extension areas (Peck areas) and developed a project cost estimate for each Peck area.

Data from the Peck Report were updated to reflect 2003 conditions. Revisions to the Peck Report data include the following:

- Updating construction costs for inflation, using changes in the Engineering News Record (ENR) Seattle Construction Cost Index (CCI) between 1998 and 2003.
- Updating estimated on-site costs for inflation between 1998 and 2003.
- Obtaining parcel-specific data from the Pierce County Graphical Information System (GIS) database that facilitated a more precise parcel count for unsewered areas within each Peck area.
- Compiling parcel-specific data for each Peck area, including the existing land use type, the development status, assessed valuation characteristics, and status of meeting low-income senior/disabled property tax exemption criteria.
- Estimating the number of equivalent residential units (ERUs) that would connect to sewers based on parcel-specific characteristics such as parcel area and land use type.
- Estimating Pierce County Utilities (PCU) connection charges based on the estimated number of ERUs in each Peck area.

Figure 2-1 is a map showing the Peck areas, and project cost data is summarized in Table 2-1. Since the Peck Report was completed in 1998, Peck area 15 has been sewerred, so Peck area 15 is no longer included in the City's sewer service strategy analysis. Additional detail on project costs is included in the appendix.

**Table 2-1
Estimated Project Costs**

| Peck Area Description | Estimated Project Cost (1) |
|---|----------------------------|
| 1 Olympic Blvd./Brookside Drive | \$509,000 |
| 2 36th Street W | \$767,000 |
| 3 Crest View Drive | \$393,000 |
| 4 Sunset Drive - north of 40th St. W | \$1,678,000 |
| 5 67th Ave. W - south of 27th St. W (2) | \$1,942,000 |
| 6 67th Ave. W - at 35th Ave. W (2) | \$2,264,000 |
| 7 70th Ave. W - at 37th Ave. W | \$1,437,000 |
| 8 35th/37th Sts. W - east of 67th Ave. W (2) | \$2,723,000 |
| 9A Sunset Beach - east of railroad | \$3,953,000 |
| 9B Sunset Beach - west of railroad | \$1,574,000 |
| 10 Sunset Drive - south of 40th St. W | \$721,000 |
| 11 70th Ave. Ct. W - S 44th St. W & 48th St. W | \$3,062,000 |
| 12 48th St. Ct. W/49th St. W/86th Ave W | \$468,000 |
| 13 66th Ave W - south of 47th St. W | \$800,000 |
| 14 53rd St. W - west of 67th Ave. W | \$722,000 |
| 16 55th St. Ct. W - east of 67th Ave. W | \$1,978,000 |
| 17 56th St. W - west of 95th Ave. Ct. W | \$1,449,000 |
| 18 89th Ave. W - south of 64th St. W | \$1,086,000 |
| 19 64th St. W - at 81st Ave. W | \$498,000 |
| 20 75th Ave. W | \$1,424,000 |
| 21 SE Sec. 23, T20N, R2E | \$2,933,000 |
| 22 East Slope Leach Creek - 40th St./Cirque (3) | N/A |
| Total | \$32,381,000 |

Notes:

- (1) Project costs include (a) construction and ULID formation costs obtained from the Peck report and updated for inflation (b) Pierce County Utilities connection charges, and (c) estimated on-site costs. Peck area 15 is now served by sanitary sewers and is not included in this table.
- (2) In the Peck Report, a single pump station is planned to serve Peck areas 5, 6, and 8, and the Peck Report apportions the pump station costs among the three projects. In the cost estimate shown in this table, the entire pump station and force main costs are included in each project, to help better select the priority of Peck areas 5, 6, and 8 compared with the other projects.
- (3) A cost estimate for this project was not prepared in the Peck Report.

Table 2-2 summarizes additional data for the Peck areas, including the number of parcels that would be sewerred, the estimated number of ERUs, and the estimated number of parcels that meet potential economic hardship criteria. The Peck area parcel count was determined using the parcels identified in the Peck Report and subtracting parcels that were already sewerred, local access streets, water storage facilities, saltwater tidelands, and conservation areas.

Equivalent Residential Unit (ERU): the sewer demand of a single-family residence. ERUs are used to characterize the sewer demand of non-residential properties.

The parcel count in Table 2-2 includes 56 exempt short plat parcels, which are not required to connect to a sewer system per previous City ordinance. This overstatement of the parcel count will not materially affect the financial analysis of sewer system alternatives.

ERUs were estimated based on available land use and parcel area data. Because of some uncertainty regarding the precision of available parcel area data, the ERU data should be considered preliminary and should be more thoroughly reviewed as necessary in the future. Each single-family residence was considered 1.0 ERU, and each duplex was considered 2.0 ERUs. For the remaining parcels, each 14,000 SF of parcel area was considered 1.0 ERU. According to available parcel area data, 14,000 SF is the approximate average area of a single-family residential parcel within the Peck areas.

A policy decision regarding economic hardship considerations has not yet been made by the University Place City Council. One potential alternative is to define an economic hardship criterion as qualifying for a property tax exemption under RCW 84.36.381. This exemption is generally provided if the parcel owner meets low-income senior and/or low-income disabled criteria, and in this report is referred to as a hardship parcel. Table 2-2 shows the estimated number of hardship parcels, as identified by County records as eligible for RCW 84.36.381 property tax exemption.

**Table 2-2
Peck Area Parcel Data**

| Peck Area Description | Estimated No. of Parcels (1) | Estimated No. of ERUs (2) | Estimated No. of Hardship Parcels (3) |
|---|------------------------------|---------------------------|---------------------------------------|
| 1 Olympic Blvd./Brookside Drive | 18 | 20 | 2 |
| 2 36th Street W | 38 | 38 | 5 |
| 3 Crest View Drive | 13 | 15 | 3 |
| 4 Sunset Drive - north of 40th St. W | 33 | 52 | 2 |
| 5 67th Ave. W - south of 27th St. W | 38 | 204 | 0 |
| 6 67th Ave. W - at 35th Ave. W | 62 | 73 | 4 |
| 7 70th Ave. W - at 37th Ave. W | 55 | 55 | 2 |
| 8 35th/37th Sts. W - east of 67th Ave. W | 81 | 85 | 6 |
| 9A Sunset Beach - east of railroad | 120 | 147 | 3 |
| 9B Sunset Beach - west of railroad | 43 | 43 | 2 |
| 10 Sunset Drive - south of 40th St. W | 24 | 33 | 1 |
| 11 70th Ave. Ct. W - S 44th St. W & 48th St. W | 138 | 141 | 8 |
| 12 48th St. Ct. W/49th St. W/86th Ave W | 24 | 24 | 4 |
| 13 66th Ave W - south of 47th St. W | 27 | 27 | 1 |
| 14 53rd St. W - west of 67th Ave. W | 31 | 31 | 0 |
| 16 55th St. Ct. W - east of 67th Ave. W | 101 | 101 | 6 |
| 17 56th St. W - west of 95th Ave. Ct. W | 77 | 77 | 1 |
| 18 89th Ave. W - south of 64th St. W | 26 | 27 | 0 |
| 19 64th St. W - at 81st Ave. W | 33 | 33 | 0 |
| 20 75th Ave. W | 34 | 52 | 1 |
| 21 SE Sec. 23, T20N, R2E | 93 | 183 | 5 |
| 22 East Slope Leach Creek - 40th St./Cirque (4) | N/A | N/A | N/A |
| Total | 1,109 | 1,461 | 56 |

Notes:

- (1) The parcel count was developed based on a review of Peck Report data and excludes parcels with sewer service, local access streets, water storage facilities, saltwater tidelands, and conservation areas. Estimated parcels include 56 exempt short plat parcels which are not required to connect to the sewer system per previous City ordinance.
- (2) The number of ERUs was estimated as follows: (a) each single-family residence is 1.0 ERU, (2) each duplex is 2.0 ERUs, and (c) for all other parcels is based on the parcel area divided by 14,000 square feet. 14,000 square feet is the average size of single-family residential parcels in Peck areas. The estimated total number of ERUs represents the sewer demand of 1,461 single-family residences.
- (3) Hardship parcels are those, per available Pierce County records, are eligible for low-income senior and low-income disabled property tax exemptions per RCW 84.36.381.
- (4) No parcel data is available for Peck Area 22.

The appendix has further customer information, including a description of land use type, parcel area information, and assessed valuation information.

Section 3

PRIORITIZATION OF IMPROVEMENTS

Section 3

PRIORITIZATION OF IMPROVEMENTS

This section discusses the prioritization of the potential sewer improvements contained in the Peck report. Each Peck area was ranked according to six criteria on a 0 to 5 scale. Table 3-1 summarizes the rankings for each project, including the scores for each of the six criteria and the sum of the rankings. Additional detail for these rankings is provided in the Appendix. Figure 3-1 shows a phased approach to completing the Peck area sewer extensions. The rankings shown in Table 3-1 were used to develop this phased approach.

Cost Effectiveness

The cost effectiveness of each project was evaluated by calculating the estimated cost per ERU. The cost effectiveness criterion is important because, as discussed in Section 5, financial resources are limited. Table 3-2 shows how the 0 through 5 rankings were developed. A project was given a cost effectiveness ranking of 5 if the estimated cost per ERU was less than \$7,000. A project with an estimated cost between \$7,000 and \$10,000 per ERU was given a cost effectiveness ranking of 4.

Table 3-2
Cost Effectiveness Ranking Categories

| Cost-Effectiveness Ranking | Estimated Cost Per ERU |
|----------------------------|------------------------|
| 5 | <\$7,000 |
| 4 | \$7,001 – \$10,000 |
| 3 | \$10,001 – \$15,000 |
| 2 | \$15,001 – \$20,000 |
| 1 | \$20,001 – \$25,000 |
| 0 | >\$25,000 |

As shown in Table 3-1, no projects received a cost-effectiveness ranking of 5 and only Peck area 5 received a ranking of 4. Five other projects received a ranking of 2, indicating an expected cost between \$15,000 and \$20,000 per ERU.

Although Peck area 5 received a ranking of 4, critical area data provided by the County indicate the presence of wetlands in part of the area. The University Place Critical Areas Ordinance restricts development in wetlands and in wetland buffers. Any further investigation of this area should include a more precise estimate of the impact of wetlands on the cost and potential sewer customers that could result from a sewer extension. After removal of wetland areas from consideration, the cost-effectiveness ranking of Peck area 5 could decrease.

Economic Development Opportunities

The economic development ranking was based on the extent to which a project facilitates economic development or redevelopment activities, and also the magnitude of the potential economic development. Specific criteria are:

- Development, redevelopment, or infill of residential areas
- Redevelopment opportunities (i.e. mixed use, housing, transfer of density rights)
- Development or redevelopment of commercial areas

Peck area 21 (SE Section 23, T20N, R2E) received an economic development ranking of 3 because it is zoned primarily R2 with a significant number of vacant/underdeveloped/utilized parcels that provide an opportunity for increased densities.

Peck area 5 (67th Ave. W, south of 27th St. W) also received an economic development ranking of 3, because it zoned light industrial/business park. Four projects (in Fircrest acres, Sunset Beach, and along 67th Ave W) received rankings of 2 and two projects received rankings of 1.

Environmental Impact

There are a wide range of potential environmental impacts associated with installing sewer facilities. Many of the environmental impacts are positive, such as reducing the risk of groundwater contamination from failing septic systems. A sewer extension could have a negative environmental impact if construction was required in sensitive areas.

The environmental impact ranking was developed to consider the possible environmental damage caused by existing and future septic failures in a given service area. Considerations included an assessment of groundwater pollution potential using the EPA's DRASTIC index, presence of wetlands, shoreline management areas, wellhead protection areas, landslide hazard areas, and erosion hazard areas. Of these considerations, the EPA's DRASTIC index was given the most consideration.

A high environmental ranking means that installation of sewers is anticipated to have a greater positive environmental impact. Lower environmental rankings indicate relatively less environmental benefit. Figure 3-2 shows the environmental rankings of the Peck areas. Figure 3-3 shows the location of septic system repair permits issued between 1987 and 2002.

DRASTIC Rating: a groundwater pollution potential rating system developed by the U. S. Environmental Protection Agency, consisting of the following parameters:

- D: depth to recharge
- R: net recharge
- A: aquifer media
- S: soil media
- T: topography
- I: impact of the vadose zone
- C: hydraulic conductivity of aquifer

Proximity to sensitive areas such as wetlands and landslide hazard areas was a factor in the environmental analysis. This does not mean that installation of sewers in wetlands or in environmentally sensitive areas is proposed. Rather, it means that sewerage nearby areas could reduce impacts to these environmentally sensitive areas.

Road TIP Coordination

The road transportation improvement plan (TIP) coordination criterion considers whether the sewer project can be completed concurrently with road improvements and whether the City can avoid disturbing new pavement to construct subsequent sewer projects. This criterion was developed because of the potential for cost savings if a sewer extension were completed prior to, or concurrent with a street improvement project.

Eight of the projects received a road transportation improvement plan (TIP) coordination ranking of 2, indicating that road improvements along portions of the proposed sewer extension alignment are planned between 2006 and 2008. The remaining projects are not in areas where road improvements are planned and received a TIP coordination ranking of 0.

Number of New ERUs

As described in the financial analysis (Section 5), Pierce County Utilities (PCU) may be a financial participant in the extension of sewers in University Place. In prioritizing where to spend its capital improvement resources, one of PCU's goals is to maximize, where feasible, the number of new sewer customers. In this manner, PCU directs its funds available for sewer system extensions to maximize its customer base. The projects receiving the highest ranking for the number of new ERUs are those that have the greatest number of expected new ERUs.

The rankings are based on the estimated number of existing ERUs, so that undeveloped areas, which will not necessarily result in an immediate increase in the PCU customer base, are not considered in this category. The Peck areas receiving the highest rankings in this category are Peck areas 5 (67th Ave. W, south of 27th St. W), 9A (Sunset Beach, east of the railroad), 11 (70th Ave. Ct. W - S. 44th St. W & 48th St. W), 8 (35th/37th Sts. W – east of 67th Ave. W (incl. Fircrest Acres)), and 21 ((SE Section 23, T20N, R2E).

Financing Options

Financing options refers to the extent to which funding sources other existing sewer utility revenues are available. Examples are the developer financing, formation of a utility local improvement district (ULID), receipt of a public works trust fund (PWTF) loan, or a community development block grant (CDBG grant). In particular, a Peck area with a demonstrated interest by residents to form a ULID for sewer extensions would have received a high ranking in this category. Peck area 5 received a 2 ranking because of the potential of linking CERB funding associated with economic development that a sewer system may facilitate. The remaining projects received a ranking of 1, because of the possibility of obtaining a PWTF loan.

Section 4

**PROPOSED MANDATORY CONNECTION
ORDINANCE**

Section 4

PROPOSED MANDATORY CONNECTION ORDINANCE

Introduction

Currently, there are two drivers for extending the sewer system within University Place: (1) new development, and (2) failing septic systems. Connection requirements for new development are summarized on page 1-5. Exceptions to connect requirements may be granted if, after a showing by the property owner and consultation by the City with PCU, the City determines that permanent sanitary sewer facilities are not physically available to the property and it would be cost-prohibitive to install such facilities. However, the City encourages property owners with septic systems to connect to the sanitary sewer system should sewers become available. Generally, sewer system extensions are funded by the owner of the property seeking sewer service.

However, these two drivers of sewer system extensions are not expected to result in provision of sewer service to all city properties. The reason is that existing properties served by septic systems do not have to connect to the sewer system, even if a sewer line is installed adjacent to the parcel. Remaining unsewered is often financially advantageous to a property owner with a functioning septic system, because payment of connection charges and monthly sewer rates is avoided.

If these property owners are not required to connect, PCU is unlikely to use utility funds to extend the sewer system. This is because PCU would make a large capital investment to extend sewers, but is not guaranteed to receive additional sewer customers to recover its investment. Without a mandatory connection ordinance, the pace of sewer extensions will be slow, possibly delaying economic development within the City, delaying implementation of the City's Comprehensive Plan, and increasing the risk of environmental impacts associated with failing septic systems.

PCU has indicated that it is willing to increase its financial participation in sewer system extensions if the City adopts a mandatory connection ordinance. The amount of financial contribution has not been defined yet, but for planning purposes, PCU staff indicate that an appropriate estimate is \$250,000 per year followed by periodic adjustments for inflation. Over a 20-year planning period, this would equate to approximately \$5,000,000 in 2003 dollars.

A mandatory connection ordinance is one alternative that the City has to facilitate sewer system extensions. This section discusses potential components of a mandatory connection ordinance, describes a proposed ordinance for the Council's consideration, and identifies impacts to City residents.

Mandatory Connection Ordinance Alternative

Mandatory connection ordinances are common throughout Washington, and can include the following features:

- A specified distance, so that if a developed parcel is within that distance of sewer facility, the parcel must connect to the sewer system.
- A process for measurement of that distance.
- Exemption or deferral criteria.
- A schedule identifying a timeline for connection.
- Remedies for non-compliance.

The appendix contains a proposed mandatory connection ordinance, based on a 200 foot distance. 200 feet is consistent with the City’s recently adopted zoning code. To prepare this proposed ordinance, similar ordinances from over 15 western Washington jurisdictions were reviewed.

Distance

Use of a 200-foot distance in a mandatory connection ordinance would mean that a parcel within 200 feet of an existing sewer line is required to connect to the sewer system. Figures 4-1 through 4-4 show the parcels that are potentially affected by the potential adoption of a mandatory connection ordinance. Figure 4-1 shows parcels with septic systems adjacent to sewer mains. Figures 4-2, 4-3, and 4-4 show parcels with septic systems within 100, 200, and 300 feet, respectively, of sewer mains. Figure 4-5 shows parcels with septic systems further than 300 feet from a sewer main.

Table 4-1
Estimated Number of Parcels Affected by a Mandatory Connection Ordinance

| Distance to Sewer Requiring Connection | Number of Affected Parcels (1, 2) | | |
|---|-----------------------------------|--------------------|-------|
| | Inside Peck Areas | Outside Peck Areas | Total |
| Adjacent (<60 feet) | 407 | 31 | 438 |
| < 100 feet | 438 | 41 | 479 |
| < 200 feet | 590 | 151 | 741 |
| < 300 feet | 685 | 261 | 946 |

(1) The parcel count is overstated because it includes up to 161 exempt short plat parcels. These parcels, per previous city ordinance, are not required to connect to a sewer system.

(2) The parcel count does not consider the effect of resulting sewer line installations reducing the distance from sewer lines to other parcels. For example, if a parcel is 350 feet away from a sewer, but a 200-foot extension is constructed to serve a neighbor, that parcel would then be only 150 feet away from a sewer.

The parcel count in Table 4-1 is overstated because it includes up to 161 exempt short plat parcels. These parcels, per previous city ordinance, are not required to connect to a sewer system. The parcel count does not consider the effect of resulting sewer line installations reducing the distance from sewer lines to other parcels. For example, if a

parcel is 350 feet away from a sewer, but a 200-foot extension is constructed to serve a neighbor, that parcel would then be only 150 feet away from a sewer. Neither consideration is expected to materially affect the results of this evaluation of mandatory connection alternatives.

Measurement of Distance

In a review of other ordinances, there are two alternatives for specifying how the distance is measured. PCU uses an “as the crow flies” measurement, meaning that the distance could cross other properties. The route of sewer pipe and the path used to measure distance could be different.

Another measurement option adopted by some utilities is to measure distance along existing rights-of-way or easements. The recently revised UPMC (Section 19.70.060.B.4) specifies measurement of distance in this manner, as does the proposed mandatory connection ordinance in the appendix.

Deferral of Connections

For targeted customers, hardship assistance is proposed to reduce the financial impacts. Hardship assistance would be provided as a deferral of the requirement to connect. A seven-year deferral is proposed, which may be renewed if the property owner continues to meet hardship criteria.

In the proposed mandatory connection ordinance, three hardship assistance options have been identified, any or all of which may be applicable:

- Qualification for property tax exemption under RCW 84.36.381 (refer to Section 2 of this report). This typically applies to low-income senior and low-income disabled customers.
- The unrecoverable cost of the sanitary sewer extension exceeds 20 percent of the combined land and improvement assessed value of the site improved by connection to a sanitary sewer service, provided that (1) there is no adverse environmental impact, (2) the septic system complies with all laws, (3) the property owner agrees not to protest the formation of a future ULID.
- The unrecoverable cost of the sanitary sewer extension exceeds 300 percent of the current cost to install or replace an on-site septic system designed and constructed to current Pierce County codes.

Unrecoverable costs are those associated with the physical construction of the sewer main and side sewer, including connection fees, which are not offset or reimbursed by a grant or other financial incentive of the city or sewer utility. Unrecoverable costs do not include monthly sewer fees charged by PCU.

If the hardship criterion is linked to a low-income senior/disabled property tax exemption, it is estimated that 4 percent of parcels would be considered hardship.

Figure 4-6 shows 2002 assessed valuation data for single-family residences in University Place. This figure also shows the percentage of residences potentially

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considered hardship for a criterion based on the relative cost of a sewer system extension to the taxable value. If the cost of an extension is \$10,000 and the criterion is a cost to connect exceeding 20 percent of the taxable value, then an estimated 1.8 percent of residences would be eligible.

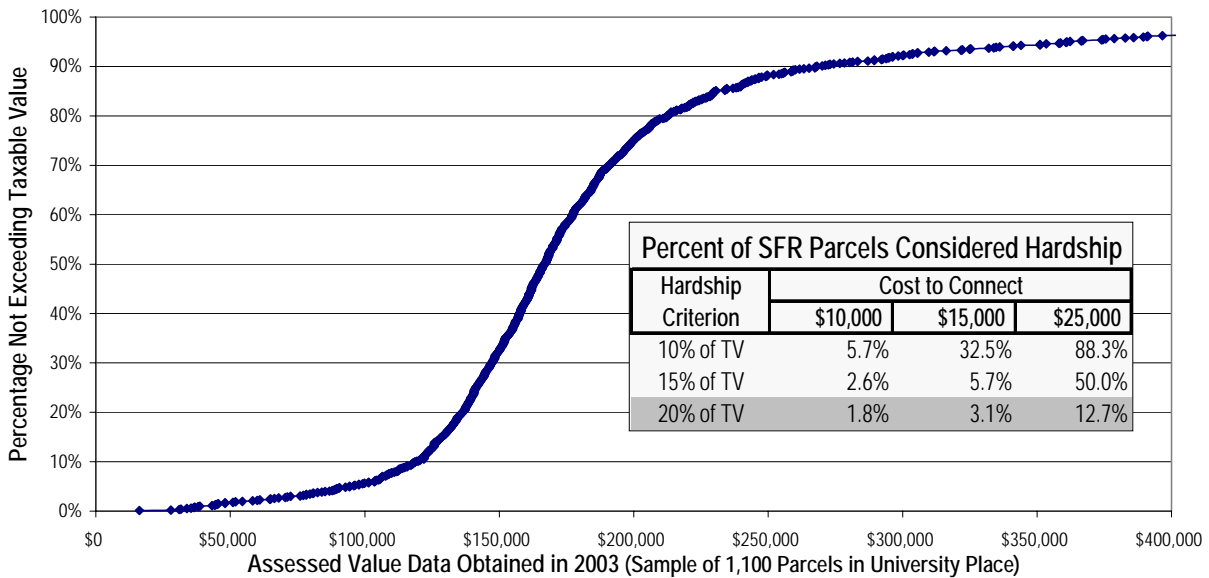


Figure 4-6. Single-Family Residential Taxable Value

Table 4-2 illustrates the estimated effect of a hardship assistance criterion based on the unrecoverable cost of the sewer extension to that of installing a septic system. The estimated cost of constructing a new septic system is \$4,000 - \$6,000.

Table 4-2
Hardship Criterion Based on Cost of Sewer Extension

| Hardship Criterion | Unrecoverable Cost of Sewer Extension | | |
|-----------------------------|---------------------------------------|----------|----------|
| | \$10,000 | \$15,000 | \$25,000 |
| Sewer > 100% of Septic Cost | Y | Y | Y |
| Sewer > 150% of Septic Cost | Y | Y | Y |
| Sewer > 200% of Septic Cost | Possibly | Y | Y |
| Sewer > 300% of Septic Cost | N | Possibly | Y |

Timeline for Connection and Remedies for Non-Compliance

As proposed, connection to the sewer system is required within 90 days of notice by the city. A key implementation issue is the concept of when the City will provide notice to property owners. It is the City's intention to provide notice at a time that facilitates extensions in a non-disruptive manner. For example, the City would not typically provide notice during winter, when wet weather makes construction more

difficult. Within Peck areas, the City would time notifications to coincide with completion of the Peck area sewer extensions.

The proposed ordinance establishes remedies for non-compliance. Although these remedies can potentially be significant, the City has discretion regarding whether to enforce these remedies. Violation of the provisions of the proposed ordinance is considered a misdemeanor and is considered a public nuisance enforceable by the provisions of state law. Violating the proposed ordinance may also be cause for withholding or withdrawing approval of project plans, revocation of a permit, suspension of building (or other) inspections, forfeiture of financial guarantees submitted to the City, and refusal of the City to accept the work.

The proposed ordinance also establishes an appeal process related to any of its provisions.

Estimated Financial Impacts

Costs Per ERU Adjacent to Sewer Line

Adoption of a mandatory connection ordinance with a 200-foot distance will affect an estimated 741 parcels. For parcels adjacent to PCU sewers, the property owners would need to pay PCU connection charges, which include a capacity charge, an area charge, a front footage charge, and possibly a stub charge. The property owner would also have to pay for any applicable on-site costs. For a parcel adjacent to a PCU sewer main, these charges are shown in Table 4-3 (on the following page) for a single-family residence.

A Customer Connecting to the Sewer System Typically Pays:

PCU Connection Charges:

- Capacity charge, for wastewater treatment plant capacity
- Area charge, for major collection system facilities
- Frontage charge, for local collection system facilities
- Stub charge, for the stub from the sewer main to the property line

On-Site Costs: The cost to connect the wastewater plumbing system to the side sewer (stub) at the property line. These costs could include internal plumbing changes, building sewer installation, and landscaping.

The capacity charge is currently \$1,250 per ERU, and represents the cost of wastewater treatment plant capacity. The area and front footage charges represent the cost of collection system capacity. The area charge depends on location within the PCU system, and the calculation shown is an average based on past charges in University Place. The front footage charge is based on the length of front footage, and the charge shown in Table 4-3 is based on 100 lineal feet of frontage.

The stub (i.e. the side sewer in the right-of-way) will either be installed by PCU at the property owners' expense, or, if a stub already exists, the property owner would be required to pay a stub charge to PCU. The estimated cost of a stub is \$2,000. The

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Peck report contained an estimate of on-site costs, which, adjusted for inflation, is approximately \$3,400 per parcel.

The total customer-funded cost for a single-family residence adjacent to an existing sewer line is an estimated \$10,800.

Table 4-3
Cost of Sewer System Connection, Adjacent to PCU Sewer Main

| Sewer Connection Expense | Amount | Estimated SFR Charge (1) – Actual Costs May Vary |
|----------------------------------|---|--|
| PCU Connection Charge | | |
| Capacity | \$1,250/ERU | \$1,250 |
| Area (2) | Varies by location, average \$0.112/parcel SF | 1,568 |
| Front Footage (3) | Varies by location, average \$26/frontage LF | 2,600 |
| Stub (4) | Varies by location, depends whether stub exists | 2,000 |
| On-Site Costs (5) | Will vary by parcel | <u>3,400</u> |
| Total (Rounded to Nearest \$100) | | \$10,800 |

Notes:

(1) Based on a single-family residence with a 14,000 SF parcel area and a 100 LF frontage length.

(2) The area charge varies by location in the PCU service area. The value reported is an average of six examples within UP. Data provided by Pierce County.

(3) The front footage charge varies by location in the PCU service area. The value reported is an average of six examples within UP. Data provided by Pierce County. Corner properties pay for the longer of the two frontage lengths.

(4) When existing sewers were installed, side sewer stubs were also installed in some locations. Those properties with an existing stub must pay the stub charge, which could range from \$0 to \$2,000. Properties without a stub will be required to pay for the construction of a stub, also expected to cost an estimated \$2,000. Source of costs: PCU staff.

(5) Source: Peck report, adjusted for inflation. The reported cost will vary by parcel.

For properties in the Fircrest sewer service area, new customers pay a General Facilities Charge (GFC, analogous to the combined PCU capacity, area, and front footage charges). If Fircrest crews install the physical connection to the sewer, new customers pay a connection charge, analogous to the PCU stub charge. For a single-family residence, the GFC is \$3,000 and the connection charge is \$1,800. The Fircrest GFC and connection charges are lower than analogous PCU charges, but within the same order of magnitude.

Costs Per ERU Not Adjacent to Sewer Line

The cost for a parcel not adjacent to a PCU sewer line is estimated to range between \$10,000 and \$15,000. The PCU capacity and area charges would apply, as would the on-site costs. The PCU front footage and stub charges would not apply; instead, the customer would have to fund the sewer extension. Extension costs would vary depending on the length of the extension, depth of the sewer main, and the number of participating properties.

City Wide Cost

The estimated cost of sewer extensions, connection charges, and on-site costs is shown in Table 4-4. Separate costs are shown for connection distances of 100, 200, and 300 feet. If all parcels within 200 feet of a sewer line are required to connect to the sewer system, the estimated cost of sewer extensions, connection charges, and on-site costs is between \$7.7 and 9.2 million.

The costs in Table 4-4 include 161 exempt short plat parcels, which are not required to connect to a sewer system per previous City ordinance. This overstatement of the parcel count is not expected to materially affect the financial analysis of sewer system alternatives.

These estimated costs are not based on a rigorous engineering evaluation and should be considered placeholders.

Table 4-4
Estimated City-Wide Cost of Mandatory Connection Ordinance

| Mandatory Connection Distance | Estimated Number of Parcels Affected | Estimated Cost, \$M (1) |
|-------------------------------|--------------------------------------|-------------------------|
| Adjacent | 438 | \$4.7 |
| < 100 feet | 479 | \$5.1 – 5.3 |
| < 200 feet | 761 | \$7.7 – 9.2 |
| < 300 feet | 946 | \$10 – 12 |

(1) Estimated costs are in 2003 dollars and include the costs of sewer extensions, connection charges, and on-site costs. These costs should be considered placeholders until a more thorough engineering analysis is completed.

Section 5

FINANCIAL ANALYSIS

Section 5

FINANCIAL ANALYSIS

Introduction

This section describes alternatives for the City to facilitate extension of sewer facilities within the City. The following six alternatives are discussed:

- *Alternative 1: Connect all residents.* Extend sewers to all areas of the City and require all developed properties to connect to the sewer system. Per current City code, new development within 300 feet of a sewer line is already required to connect.
- *Alternative 2: Make sewers available.* Extend sewers to within 300 feet of all properties in the City but do not require existing properties to connect to the sewer system other than those required by current code.
- *Alternative 3: Adopt a mandatory connection ordinance.* This ordinance would require existing development to connect to the sewer system. Under this alternative, the City would not participate in any extensions of sewer facilities.
- *Alternative 4: Establish a “revolving loan fund.”* Customers required to connect to the sewer system are required to pay significant up-front costs. A revolving loan fund would allow targeted customers to pay these costs over time.
- *Alternative 5: Maintain the status quo.* Development and redevelopment would continue to be the primary driver for sewer extensions. Occasional large financial impacts to residents with failing septic systems may occur.
- *Alternative 6: Change policy.* This is similar to the status quo alternative, only that the City’s policy would be changed during the next Comprehensive Plan update. Because of the financial impacts, the policy of making sewers available to all properties would be modified or deleted.

This section first describes the potential funding sources to facilitate sewer system extensions. Then, each of the five alternatives is described. This description identifies the costs of the alternative and proposed methods of funding the alternative.

Potential Sources of Sewer Extension Funding

One-Time City General Fund Transfer

In its General Fund, the City maintains a reserve of approximately \$400,000 that was allocated in support of the 2002 Fircrest Acres sewer project. No longer needed for the Fircrest Acres sewer project, the City has indicated that this reserve can be used to

fund sewer extension projects. This one-time transfer could provide a small amount of funding for sewer extension projects but would be insufficient to significantly accomplish the goal of making sewers available to all properties in 20 years.

Pierce County Funding/Mandatory Connection Ordinance

As described in Section 4, PCU has indicated that it is willing to increase its financial participation in sewer system extensions if the City adopts a mandatory connection ordinance. The amount of the PCU financial contribution has not yet been defined, but for planning purposes, PCU staff indicate that an appropriate estimate is \$250,000 per year, with periodic adjustments for inflation. Over a 20-year planning period, this would equate to approximately \$5,000,000 in 2003 dollars.

Utility Local Improvement District

In 2001, the City evaluated the feasibility of using ULIDs to finance the proposed Peck area sewer extensions. This evaluation is defined in the November 2001 Economic Enhancement/Feasibility Study for Proposed Sewer Expansion Project report, completed for the City by Macaulay & Associates, Ltd. (2001 ULID Feasibility Report). Economic enhancement is the term used in the 2001 ULID Feasibility Report to mean “the estimate of market value increase, if any, for a defined property segment resulting from completion” of the Peck area sewer extensions. The 2001 ULID Feasibility Report indicated an estimated city-wide economic enhancement ranging from approximately \$8.4 million to \$10 million.

The appendix contains Pierce County ULID information, as well as excerpts of Revised Code of Washington (RCW) Chapter 36.94, which governs the County’s ULID process.

There are two methods of forming a ULID, petition and resolution. A petition is initiated by the proponents of the ULID, and the resolution would be initiated by Pierce County Council. RCW 36.94.220(b) states that County ULIDs can be formed within a city only with the written consent of the city.

There are a number of methods for calculating ULID assessments, and these methods are not discussed in this report. State statutes specify, however, that the assessment per parcel must not exceed the special benefit of the improvement to that parcel, which is defined as the difference between the fair market value of the property before and after the local improvement project. Additionally, assessments must be proportionate to one another. A corollary to these principles is that property not benefited by the improvements may not be assessed.

If a parcel in a sewer extension ULID is assessed an amount equal to the economic enhancement, ULID assessments could provide between \$8.4 and \$10M toward the cost of sewer extensions.

Neither the City nor PCU has completed public outreach efforts to assess the support for ULIDs. Anecdotally, the City has received inquiries from residents desiring a

sewer connection. However, the feasibility of ULIDs relative to the petition method of formation has not been established.

PCU staff indicate that PCU would consider ULIDs formed by the petition method but does not anticipate forming ULIDs by resolution. Also at this time, the City does not anticipate forming improvement districts without support of the affected properties.

Pilot Program / UP Sewer Surcharge

Single-family residences served by PCU pay a monthly sewer bill of approximately \$20.00, which includes the \$19.45 PCU sewer charge plus state and local taxes. Pierce County is currently updating its sewer rates but has not yet developed new proposed rates. Single-family residences in University Place served by Fircrest pay a monthly sewer bill of \$44.00.

The City is considering a “pilot program” consisting of a sewer surcharge for PCU customers in University Place. The revenue would be collected by PCU and invested into sewer extensions within University Place. Use of the pilot program revenues would be at the sole discretion of the City. The surcharge would be collected only from PCU customers and sewer system extensions would only be constructed in the PCU service area. The surcharge would not be collected from Fircrest customers.

The policy implication of this pilot program is that existing customers would help pay for sewer extensions to connect other customers. Existing customers have already paid for sewer system extensions via past ULIDs or developer-funded extensions.

Table 5-1 shows estimated pilot program revenues, which will depend on the amount of the surcharge. In Table 5-1, the surcharge is shown as a percentage of the existing PCU sewer rate. For comparative purposes, the surcharge is also shown in dollars per month per ERU. A \$2/month/ERU surcharge would raise approximately \$280,000 per year, or \$5.7M over a 20-year period. Similarly, a \$5/month/ERU surcharge would raise approximately \$710,000 per year, or \$14.2M over a 20-year period.

Table 5-1
Estimated Pilot Program/UP Sewer Surcharge Revenues

| Surcharge, as % of Existing PCU Rates | Monthly Surcharge, \$/ERU | Revenue Raised in One Year | Revenue Raised in 20 Years |
|---|------------------------------|-------------------------------|-------------------------------|
| 10% | \$2 | \$0.28M | \$5.7M |
| 15% | \$3 | \$0.42M | \$8.5M |
| 25% | \$5 | \$0.71M | \$14.2M |
| 50% | \$10 | \$1.42M | \$28.3M |

Grant Funding

Grant funding for sewer system extensions is a possibility, and Table 5-2 describes potential grants. However, grants are unlikely and even if available, they will not be a substantial dollar amount compared with the total cost of the sewer extensions.

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A small amount of Community Development Block Grant (CDBG) grant funding is possible, although the sewer extension must be tailored to meet need-based eligibility requirements. CDBG funds can be directed toward specific qualifying parcels and can be used for improvements on private property. In addition to offsetting public facility capital costs, CDBG funds could be used to construct side sewers or payment of ULID assessments for eligible properties.

The Community Economic Development Board (CERB) offers grants and loans for qualifying projects, with the primary goal being job creation or job retention. Although primarily a loan program, grant funding is available in “unique circumstances.” Grant funding is limited and CERB indicates that grants are only considered when all loan repayment sources are exhausted.

**Table 5-2
Potential Grants**

| Grant Program | Agency | Maximum Grant Amount | Eligibility Requirements | Notes |
|--|---|----------------------|---|--|
| Community Development Block Grant (CDBG) (1) | Pierce County Dept. of Community Services | N/A | Must assist homeless, low-income, or moderate-income individuals or families. Can target improvements for specific qualifying parcels and can be used for facilities on private property. | Annual application cycle starting in November. |
| Community Economic Revitalization Board (CERB) (2) | Washington State Office of Trade and Economic Development | \$300,000 | Grants are available only after all potential sources of loan repayment revenue have been exhausted. Requires eligible private sector commitment ("bird-in-hand" jobs). | Main program goal is job creation and retention of existing jobs. |
| Centennial Clean Water Fund (CCWF) | Washington State Dept. of Ecology | \$5,000,000 | Must document hardship. Hardship is demonstrated when project costs for construction of facilities result in total cost for debt service and O&M of 1.5% of median household income. | To meet hardship criteria, a large pilot plant/rate surcharge would be required. |
| US Economic Development Administration (USEDA) | USEDA | \$1,000,000 | Program is similar to CERB | Projects are selected locally by an economic development district and submitted to Congress for competitive selection of other US regions. |
| US EPA State and Tribal Assistance Grant | Office of Local Congressional Representative | \$2,000,000 | | Apply through local congressional representative's office. |

Notes:

(1) Refer to www.co.pierce.wa.us/pc/Abtus/ourorg/comsvcs/cd/cdbgesg.htm for more information

(2) Refer to www.oted.wa.gov/ed/ceal/cerb/ for more information

Centennial Clean Water Fund (CCWF) grants are not considered likely because one of the grant eligibility thresholds is based on the overall level of sewer rates. A large pilot program/rate surcharge would be required to reach the grant eligibility threshold.

Although the possibility of significant amounts of grant funds is small, City staff will continue to monitor opportunities for grant funding and pursue grant funding as appropriate.

Developer Financing

Developer financing of sewer system extensions is a possible source of project funding. The City closely monitors development activities and the City does not know of any current plans for developer extensions in any of the Peck areas.

Direct Customer Funding

Peck Areas

Items that would typically be funded directly by the customer out of pocket include on-site costs and PCU connection charges. PCU capacity and area charges would be applicable to Peck area customers. The front footage and stub charges would not be, because the local collection system and stubs are included in the Peck area cost estimates. PCU capacity charges, PCU area charges, and on-site costs are estimated to be an average of \$6,200 per ERU. For the Peck areas, if PCU capacity charges, PCU area charges, and on-site costs are customer-funded, customers would contribute \$7,800,000 in funding.

Other Areas

As described in Section 4, the estimated cost of sewer extensions, on-site costs, and connection charges could range from \$10,000 to \$15,000 per ERU.

Debt Financing

Debt financing alternatives include the following, all of which would be repaid with pilot program/rate surcharge revenues:

- Public Works Trust Fund (PWTF) loans
- State Revolving Fund (SRF) loans
- Revenue bonds
- Community Economic Revitalization Board (CERB) loans

PWTF and SRF loans are issued by state agencies and combine low interest rates with a 20-year repayment period. The interest rate fluctuates with market conditions, and currently ranges from 0.5 percent to 1.5 percent, depending on the amount of local matching funds provided by the loan recipient. Revenue bonds can be issued with a wider range of repayment periods, but 20 years is common for financing sewer system

improvements. The CERB program also offers loans of up to \$1,000,000 which, as described above, are tied to job retention and job creation.

Debt financing does not significantly change the total number of projects that would be completed over the 20-year period. Debt financing means that you can do the projects sooner. With debt funding, the debt proceeds will fund several projects, and the debt service is repaid over the 20-year period. With pay-as-you-go funding, a similar amount of projects are completed, but they are built gradually over the 20-year period.

Alternative 1: Connect All Residents

Description

Alternative 1 involves the completion of the 21 Peck area sewer extensions over a 20-year period. A mandatory connection ordinance would also be adopted. The total estimated cost for Alternative 1 is shown in Table 5-3.

Table 5-3
Estimated Cost for Connecting All Residents

| Description | Estimated Cost, \$M (2003 Dollars) |
|---|---------------------------------------|
| Peck Areas | \$32.4 |
| Non-Peck Areas, with a 300 Foot Mandatory Connection Ordinance | <u>7.9</u> |
| Total | \$40.3 |

This alternative exceeds the City's Policy CF6C stated in the City's Comprehensive Plan (make sewers available to all properties in 20 years). Alternative 1 not only makes sewers available but requires connection to the sewer system.

Possible Funding Packages

Figure 5-1 and Table 5-4 shows a possible funding package to provide the required \$40.3 million. This funding package relies on a combination of the following funding sources: pilot program/rate surcharge of \$5.40/month/ERU; ULID assessments averaging \$4,000 per parcel; customer funding of on-site costs and connection charges; PCU funding, and a one-time General Fund transfer. Hardship assistance, provided through the pilot program/sewer rate surcharge, would fund the on-site costs and connection charges for qualifying customers.

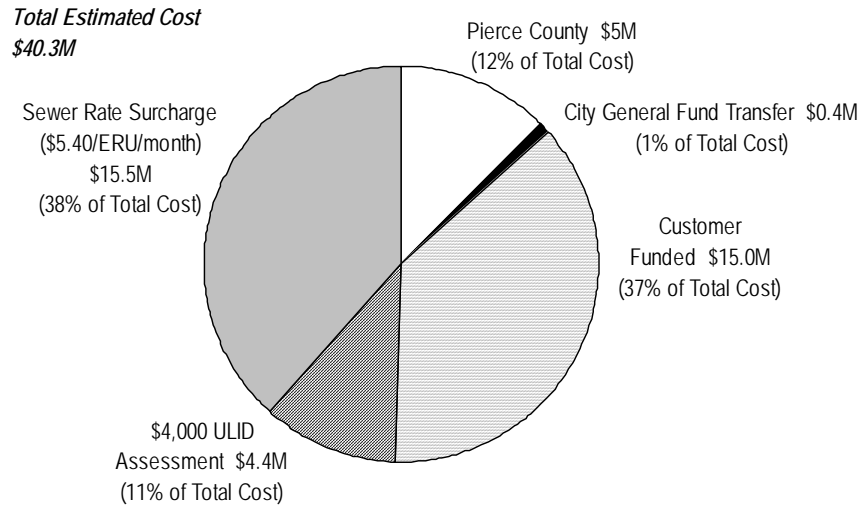


Figure 5-1. Alternative 1 (Connect All Residents) Possible Funding Sources

Table 5-4 also shows compares the tradeoff between funding provided by the pilot program/sewer rate surcharge and ULID assessments. An average ULID assessment of \$8,000 per parcel (instead of \$4,000) would reduce the required amount of revenue from the pilot program/rate surcharge.

Table 5-4
Alternative 1 (Connect All Residents) Possible Funding Sources

| Funding Source | Estimated Amount of Funding | |
|-----------------------------------|--------------------------------|--------------------------------|
| | \$8,000/Parcel ULID Assessment | \$4,000/Parcel ULID Assessment |
| PCU Funding | \$5.0 | \$5.0 |
| City General Fund Transfer | 0.4 | 0.4 |
| Customer Funding (Peck areas) | 7.4 | 7.4 |
| Customer Funding (Non-Peck areas) | 7.6 | 7.6 |
| ULID Assessment | 8.9 | 4.4 |
| Sewer Rate Surcharge | <u>11.0</u> | <u>15.4</u> |
| Total | \$40.3 | \$40.3 |

Table 5-5 summarizes the estimated financial impacts on a per ERU basis.

**Table 5-5
Alternative 1 (Connect All Residents) – Estimated Financial Impacts per ERU**

| Description | \$8,000/Parcel ULID Assessment | \$4,000/Parcel ULID Assessment |
|---|--------------------------------|--------------------------------|
| Unsewered Peck Area | | |
| PCU connection charge and on-site costs. Paid up front | \$6,200 | \$6,200 |
| ULID Assessment. Financed over 10-20 years | \$8,000 | \$4,000 |
| Monthly sewer rates | Increase from \$0 to \$24 | Increase from \$0 to \$25.40 |
| Unsewered Non-Peck Area | | |
| PCU connection charge and on-site costs. Paid up front. | \$10,000 – \$15,000 | \$10,000 – \$15,000 |
| Monthly sewer rates | Increase from \$0 to \$24 | Increase from \$0 to \$25.40 |
| Existing PCU Customers in UP | | |
| Monthly sewer rates | Increase from \$20 to \$24 | Increase from \$20 to \$25.40 |

Six-Year CIP

Table 5-6 shows a proposed six-year capital improvement plan beginning in 2005 and ending in 2010, corresponding to the implementation of Alternative 1. Four sewer extension projects are proposed over the six-year period.

Alternative 2: Make Sewers Available

Description

In Alternative 2, sewers would be extended to be within 300 feet of all City properties, and, as with current City policy, new development would be required to connect. Existing septic systems would not be required to connect to sewer systems except as currently required by City code. A mandatory connection ordinance would not be adopted for this alternative.

Obtaining a precise cost estimate for this alternative is beyond the scope of this report, and as a placeholder, the sewer system extension costs for the Peck areas are used. The on-site and PCU connection charges applicable to the Peck areas are not included in the estimated cost for this alternative because connection to the sewers is voluntary. Because of financial considerations, it is assumed that few people will connect unless they are required to. The total estimated cost of Alternative 2 is \$24.6 million.

This alternative meets the City’s Policy CF6C, “make sewers available to all properties in 20 years.”

Possible Funding Package

Figure 5-2 shows a possible funding package to provide the required \$24.6 million. This funding package relies almost entirely on the pilot program/rate surcharge at a level of \$8.50/month/ERU. Formation of ULIDs is not proposed because this alternative doesn't actually require anyone to connect. Without a connection, there is no special benefit and therefore no assessment is possible. No Pierce County funding would be expected because a mandatory connection ordinance would not be adopted.

For this alternative, connection to the sewer system is voluntary. Where the property owner chooses to connect, the estimated on-site and connection charges of approximately \$10,800 per ERU would apply, but are not shown in Figure 5-2. Hardship assistance is not proposed, because connection is voluntary and qualifying parcels are assumed to choose not to connect.

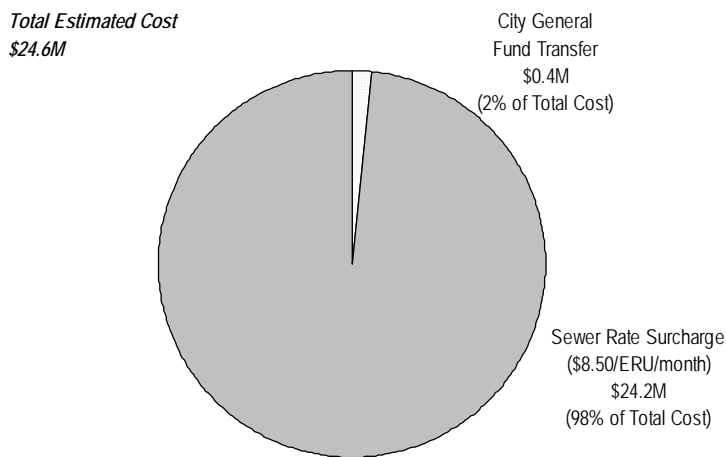


Figure 5-2. Alternative 2 (Make Sewers Available) Possible Funding Sources

Table 5-7 summarizes the financial impacts on a per ERU basis.

Table 5-7
Alternative 2 (Make Sewers Available) – Estimated Financial Impacts per ERU

| Description | Estimated Financial Impact |
|---|-------------------------------|
| New Connections (Voluntary) | |
| PCU connection charge and on-site costs. Paid up front. | \$10,000 – \$15,000 |
| Monthly sewer rates | Increase from \$0 to \$28.50 |
| Existing PCU Customers in UP | |
| Monthly sewer rates | Increase from \$20 to \$28.50 |

Alternative 3: Adopt Mandatory Connection Ordinance

Description

A mandatory connection ordinance is described in Section 4. Alternative 3 (Adopt Mandatory Connection Ordinance) would limit the City's activity to adopting the ordinance. A pilot program/UP sewer rate surcharge would not be enacted.

The total cost associated with the mandatory connection ordinance depends on the distance specified in the ordinance. As described in Table 4-4, for an ordinance with a 200-foot distance, an estimated 741 developed parcels would be affected, and the total cost for these parcels is estimated to range between \$7.7 and \$9.2 million.

This alternative does not meet the City's Policy CF6C, "make sewers available to all properties in 20 years", because this alternative does not ensure that sewers are extended to within 300 feet of all properties.

Possible Funding Package

Table 5-8 shows a possible funding package for Alternative 3. Customers would still be responsible for on-site costs and PCU connection charges. PCU funding would be available because of the adoption of the mandatory connection ordinance and would fund extensions and construction of new stubs. A range of costs is shown for PCU funding and customer funding because a precise estimate of the cost of extensions and stub construction is not yet available.

The City's one-time General Fund transfer could be used to provide some hardship assistance for qualifying properties.

Table 5-8
Alternative 3 (Adopt Mandatory Connection Ordinance) Possible Funding Sources

| Description | Amount (\$M, 2003 \$) |
|----------------------------|-----------------------|
| PCU Funding (1) | \$2.8 - 5.0 |
| City General Fund Transfer | 0.4 |
| Customer Funding (1) | <u>7.3 - 8.8</u> |
| Total | \$9.7 - \$12.2 |

(1) PCU may offset some of the customer-funded costs. The amount of this possible offset would depend on the amount of sewer main extensions required.

Table 5-9 summarizes the estimated financial impacts on a per ERU basis.

Table 5-9
 Alternative 3 (Adopt Mandatory Connection Ordinance) – Estimated Financial Impacts per ERU

| Description | Estimated Financial Impact |
|--|----------------------------|
| New Connections | |
| PCU connection charge and on-site costs. Paid up front | \$10,000 – \$15,000 |
| Monthly sewer rates | Increase from \$0 to \$20 |
| Existing PCU Customers in UP | |
| | Not affected |

Alternative 4: Establish a Revolving Loan Fund

Description

The City could establish a revolving loan program to assist property owners finance the cost of connecting private property to the sanitary sewer system. A revolving loan fund would allow customers who must pay connection charges and on-site costs to pay these costs over time instead of as a one-time up front payment.

The following types of sewer connections have been identified as those that may benefit from a revolving loan fund:

1. “Fircrest Acres.” This term is used to describe an area where multiple septic failures have occurred and installing replacement septic systems is considered expensive. Fircrest Acres is one neighborhood in the city where this has occurred.
2. “Willert.” This term is used to describe a localized single failure of a septic system that is within 300 feet of a sewer line and therefore must connect. Willert is the last name of a city resident whose septic system has recently failed. The cost to extend sewers to this area is relatively inexpensive compared with the cost to extend sewers to other portions of the city. However since “Willert’s” unsewered neighbors are not required to connect when sewers become available, the cost for “Willert” to connect becomes very expensive.
3. “438 lots.” This term refers to the approximately 438 lots, currently on septic, that front existing sewer mains.
4. Hardship assistance. Alternatives for providing hardship assistance are described in Section 4.

Possible Funding Packages

The City has \$400,000, originally set aside for sewer investment in the Fircrest Acres area, which could be reallocated to establish a revolving loan fund. Assuming each loan averages \$10,000 (the approximate estimated cost of connection charges and on-

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site facilities), the revolving loan fund could expect to finance 40 projects at any one time.

Two types of loan programs, each with two alternatives, have been identified. The first type would finance on-site facilities and the second type would finance connection charges.

On-Site Facilities Loans

The City could offer loans to help finance on-site costs. Two alternatives are shown in Table 5-10. One alternative has a low-income focus, and in the other alternative, all properties would be eligible for loans. The low-income focus alternative would defer repayment of the loan until the property is transferred. As a result, fewer loans would be available because of the longer interval between the date of the loan and its repayment.

Table 5-10
On-Site Facilities Loans: Potential Alternatives

| | Low-Income Focus | All Customers Are Eligible |
|-------------------------------------|---|---|
| Eligible borrower | Low income homeowners | All property owners without qualification |
| Eligible project | On-site costs (i.e., side sewer from building to right-of-way line, interior changes to plumbing, landscape restoration, septic tank pumping & filling, etc.) | On-site costs (i.e., side sewer from building to right-of-way line, interior changes to plumbing, landscape restoration, septic tank pumping & filling, etc.) |
| Maximum loan amount | \$5,000 | \$5,000 |
| Term of loan | Indefinite | 5 years |
| Interest rate | Simple interest at prime rate index | Simple interest at prime rate index |
| Loan origination and recording fees | 2% | 2% |
| Repayment | No installment payments. The loan is repaid when property is sold or ownership is transferred. | Monthly or semi-annual installment payments. |
| Collateral/security | Secured by a lien on property, which cannot be assumed by a new owner. | Secured by a lien on property, which cannot be assumed by a new owner. |

Connection Charge Loans

The City could offer loans to help finance sewer system connection charges. Two alternatives are shown in Table 5-11, one having a low-income focus, and the other available for all properties. Fewer loans would be available under the low-income focus alternative because of the longer interval between the date of the loan and its repayment. Table 5-12 shows the financial impacts to a loan recipient.

**Table 5-11
Connection Charge Loans: Potential Alternatives**

| | Low-Income Focus | All Customers Are Eligible |
|-------------------------------------|--|--|
| Eligible borrower | Low income homeowners | All property owners without qualification |
| Eligible project | Connection charges (e.g., capacity charges, area charges, front footage, and stub charges) | Connection charges (e.g., capacity charges, area charges, front footage, and stub charges) |
| Maximum loan amount | \$10,000 | \$10,000 |
| Term of loan | Indefinite | 5 years |
| Interest rate | Simple interest at prime rate index | Simple interest at prime rate index |
| Loan origination and recording fees | 2% | 2% |
| Repayment | No installment payments. The loan is repaid when property is sold or ownership is transferred. | Monthly or semi-annual installment payments. |
| Collateral/security | Secured by a lien on property, which cannot be assumed by a new owner. | Secured by a lien on property, which cannot be assumed by a new owner. |

**Table 5-12
Alternative 4 (Revolving Loan Fund) –
Estimated Financial Impacts per Loan Type**

| Loan Alternative | Estimated Financial Impact to Loan Recipient |
|--|---|
| On-Site Facilities Loans | |
| Low-Income Focus (\$5,000, indefinite, prime rate) | Up-front cost reduced by up to \$5,000, replaced by one-time accrued principal and interest, due on sale of property or transfer of title. |
| All Customers Are Eligible (\$5,000, 5 years, prime rate) | Up-front cost reduced by up to \$5,000, replaced payment of up to \$92/month plus 2% origination fees for five years. (1) |
| Connection Charge Loan | |
| Low-Income Focus (\$10,000, indefinite, prime rate) | Up-front cost reduced by up to \$10,000, replaced by one-time accrued principal and interest, due on sale of property or transfer of title. |
| All Customers Are Eligible (\$10,000, 5 years, prime rate) | Up-front cost reduced by up to \$10,000, replaced payment of up to \$194/month plus 2% origination fees for five years. (1) |

(1) Monthly loan payment based on interest rate of 4%, the prime rate as of October 23, 2003.

Alternative 5: Maintain the Status Quo

With no action by the University Place City Council, the requirements of the current City Code will continue. It is unlikely that sewer system extensions would happen unless spurred by development.

There may be occasional instances where localized public support could result in the formation of ULIDs. Since 1983, however, only two ULIDs have been formed in University Place related to sewer extensions. The most recent was formed in 1992 to finance extension of sewer mains to 26 residential properties near 44th Street West. A 1983 ULID financed the extension of sewer services to approximately 189 residential properties north and south of Cirque Drive West on the west side of Bridgeport Way West. Figure 5-3 shows sewer extension ULIDs in University Place.

Where sewer extensions occur to address failing septic systems, the cost would be borne by the affected property owner. Adjacent parcels would not be required to connect and wouldn't share in the cost of the extension.

Without sewer extensions, economic development efforts and redevelopment in some areas of the City may be delayed, and the risk of environmental damage due to failing septic systems may be increased. The specific amount of increased risk of environmental damage, if any, is not yet known and is beyond the scope of this report to quantify.

As described in Section 1, there are approximately 1,833 developed parcels that are served by septic systems. Approximately 946 of these are within 300 feet of a sewer main, and are in compliance with the city's policy having sewer "availability." Approximately 887 parcels are not within 300 feet of a sewer.

It is unlikely that this alternative will meet the City's Policy CF6C, "make sewers available to all properties in 20 years." Over a 20-year period, sewer extensions in some areas of the City are likely, spurred by new development and redevelopment opportunities. Sewer extension in other locations, particularly residential areas with little or no anticipated redevelopment and few or no known septic failures, are less likely.

Ultimately, the community must decide either to make a financial investment via a sewer services strategy to accomplish this Comprehensive Plan goal or if a strategy is not developed, change the Comprehensive Plan goal.

Alternative 6: Change Policy

The financial impacts of this alternative are the same as for the status quo alternative.