



CITY OF UNIVERSITY PLACE

City Manager Department

TO: Mayor Ken Grassi
Mayor Pro Tem Gehring
City Councilmembers

FROM: John Caulfield, Deputy City Manager

DATE: May 31, 2005

SUBJECT: *Sewer Services Strategy Update*

As a follow up to the City Council's May 16, 2005 study session to discuss a proposed sewer surcharge and mandatory connection ordinance, we are preparing the following resolution and ordinance for a July 11, 2005 public hearing and Council consideration:

Resolution by the City Council requesting the Pierce County Council to enact a sewer surcharge on current and future Pierce County Public Works and Utilities (PCPWU) customers in University Place for the purpose of funding sewer extensions to unsewered areas of University Place.

Mandatory Connection Ordinance requiring property owners to connect to sewer line extensions that are funded either wholly or partially with the new surcharge. Those properties that are within the service area of a newly constructed sewer line funded with surcharge revenue and are provided sewer service through the extension and installation of a side sewer stub will be required to abandon their septic system (functioning or failing) and connect to the new sewer line.

Based upon the direction provided by the City Council on May 16, 2005, we are coordinating with Pierce County on the following issues for possible incorporation into the sewer services strategy:

1. Can a corresponding charge be applied to existing septic system owners within the Pierce County sewer service area in University Place to ensure "equity" between current ratepayers and future ratepayers?

Yes. We have identified 3 possible options, though we have not had an opportunity to discuss these options with either the Pierce County Sewer Utility or Tacoma-Pierce County Health Department (TPCHD). We will be pursuing the following option:

Connection Fee/Capital Facilities Charge: Currently, the Pierce County Sewer Utility collects connection charges averaging approximately \$2,000 per parcel, which represents the cost of wastewater treatment plant capacity and the cost of collection system capacity. The City could also request the Pierce County Council to enact a basin specific capital facilities charge equal to \$5.54/month or approximately \$67 per year to those University Place properties currently served by septic systems. The additional charge would then be added to the County's connection charges at time of connection whether it occur in 2006 or later. This charge would then be set-aside in the City's capital account along with the surcharge revenue collected from current ratepayers for investment in sewer extensions. For example, a current septic system property owner who decides to connect in 3 years

would pay the connection charge required by the County at that time plus an additional \$201 (\$67 times 3 years) that would be deposited into the City's sewer capital account.

2. Can there be differential sewer rates within UP sewer service area?

Yes. The Pierce County Council can enact differential rates so long as all ratepayers within a specified class are treated equally. For example, a surcharge of \$5.54/month or 25% applied to all University Place sewer ratepayers served by Pierce County as currently proposed may be requested by the City and enacted by the County. Likewise, the Pierce County Council may allow a property specific surcharge to finance a particular property owner's fair share of sewer improvements. **Not recommending the latter option at this time.**

3. Definition of "surcharge"?

A surcharge is defined as "an additional sum added to the usual charge." The definitions of surcharge do not insinuate a particular period of time or a particular purpose. The proposed change could be called a "University Place capital facilities charge" or "basin specific capital facilities charge" among other things. **Recommend "University Place capital facilities charge" that is applied to both current ratepayers and existing septic system owners?**

4. Will this revenue source be in place in perpetuity or can a sunset provision be included?

As proposed, an end date is not included - once the surcharge is implemented (by the Pierce County Council at the request of the University Place City Council), the County shall continue to collect the surcharge at the enacted rate until officially requested otherwise by the City. However, the City Council can include a sunset provision establishing a termination date. **Not recommending a sunset provision at this time.**

5. Can we establish a minimum financial contribution from each private property owner, which would cover private property/on-site costs before the City provides surcharge in support of project? Or can we establish a maximum financial contribution that the City will provide from the surcharge to fund sewer extensions, leaving the balance of costs to the homeowners?

The answer is yes; however such a minimum or maximum may impact the effectiveness of the program and may be more difficult to administer. The current proposal is to pay for construction within the public ROW with the surcharge and to require the private property owner to finance all on-site costs.

City Council seemed to prefer minimum contribution from property owner equaling the economic enhancement per property as determined by an economic appraisal. The Economic Enhancement/Feasibility Study for Proposed Sewer Expansion Project prepared by Macauley and Associates, LTD, in November 2001 concluded that on average this economic benefit totals approximately \$8,000 to \$10,000 per parcel. This option may allow ULIDs to be more easily formed.

In the meantime, attached is a draft resolution requesting the Pierce County Council to enact a sewer surcharge and mandatory connection ordinance requiring property owners to connect to sewer line extensions that are funded either wholly or partially with the new surcharge.

cc: Bob Jean, City Manager
Janean Polkinghorn, City Attorney
Robin Ordonez, P.E., Wastewater Utility Engineering Manager, Pierce County