

REQUEST FOR CITY COUNCIL CONSIDERATION

Meeting Date: February 14, 2007

Agenda Item: 2 (A)

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Date: February 10, 2007

Agenda Section:
Business: DISCUSSION

Subject: SEWER ASSESSMENT CAPACITY CHARGE Department: Finance

BACKGROUND: Chairwoman DiSciullo has requested a workshop with the City Council to discuss the possibility of removing the Capacity Charge assessment from the Septic Tank Replacement Program (STRP).

One of the issues concerning the STRP is that the assessment program includes sewer assessments to provide funding for the expansion of the wastewater treatment plant from the current capacity of 3.5 million gallons per day (MGD) to 5.0 MGD. Once a new customer is connected to the system, the monthly sewer fees charged to all customers, including new customers from the STRP, will provide funding for the conversion of the existing plant to membrane technology.

By previous action, City Council addressed this issue by removing the costs of the roadway reconstruction from the assessment program and putting those costs on the rate base, to be paid by all water and sewer customers on the island. This action resulted in the reduction of sewer assessments by approximately 10%. Council has also taken action to reduce the Capacity Assessment from the initial level of \$6,800 to \$4,610 currently by applying grants received and increasing the wastewater impact fee.

Staff has been asked to analyze the financial impacts on the Water and Sewer Utility Fund if the decision was made to eliminate the \$4,610 Capacity Cost portion of the sewer assessment and to provide funding alternatives to meet the debt service requirements of bond issues to finance capital construction of those projects currently funded under the STRP. That financial analysis is attached for review.

RECOMMENDED ACTION: Discussion concerning the elimination of the \$4,610 Capacity Assessment portion of the STRP and alternatives for funding debt service requirements.

Reviewed by Department Director



Reviewed by City Manager