

# REQUEST FOR CITY COUNCIL CONSIDERATION

Meeting Date: March 5, 2007

Agenda Item: 7C	Prepared By: William P. Harrison Date: February 28, 2007
Agenda Section: Business: DISCUSSION	
Subject: STRP Construction Assessment Reduction	Department: Finance

**BACKGROUND:** City Council is requested to consider a reduction in the Sewer Assessment Construction Charge as a means of crediting new sewer customers for costs relating to the upgrade of the existing sewer plant and collection network.

At the City Council Workshop held on February 14<sup>th</sup>, Council discussed the issue of a reduction in the STRP Sewer Assessment to offset sewer plant upgrades that are funded through the monthly utility bill. City Council directed staff to finalize the impact on assessments with the assistance Public Resources Management Group.

\$32 million in projects are related to upgrades to the current wastewater system, primarily for the upgrades to new technology at the wastewater treatment plant. Debt service would amount to approximately \$1.6 million annually or \$14.81 monthly for a single-family residential customer. For a new customer, the \$14.81 monthly that should not be paid equates to a net present value amount of \$2,758. A reduction in the Sewer Assessment Construction Charge in each assessment area of \$2,758 will eliminate the costs of upgrading the current system for that new customer.

To offset this loss of revenue to the sewer system, a rate increase of 33.7% of the Marco Island sewer rate base or an increase of 7.75% to the combined Marco Island water and sewer rate base would be required. This increase would be in addition to the 8% water and sewer rate increase to finance the road resurfacing at the end of neighborhood construction directed by the City Council and would also be in addition to inflation increases.

If directed by the City Council, staff will immediately reduce the Sewer Assessment Construction Charge for each assessment area by \$2,758.

**RECOMMENDED ACTION:** Consider a reduction in the Sewer Assessment Construction Charge and provide direction to staff. This policy option would take effect if City Council does not pursue the property tax option, or if the property tax referendum does not receive voter approval.

Reviewed by Department Director	Reviewed by City Manager
Council Action: Motion by:	Second by: