



## **BOARD OF SUPERVISORS AGENDA ITEM REPORT**

**Requested Board Meeting Date:** August 17, 2015

**Title:** Proposed Sewer Connection Fee Increase

### **Introduction/Background:**

Proposed increase to existing sewer connection fees. Regional Wastewater Reclamation Department is proposing a three percent (3%) increase to become effective thirty days after adoption.

### **Discussion:**

Connection fees are paid by residents and businesses connecting to the public sewer. Revenues fund the conveyance and treatment capacity needed for these new connections. In May 2012, the Pima County Board of Supervisors adopted Ordinance No. 2012-27 and amended Pima County Code Chapter 13.20, Sanitary Sewer Construction, Connections and Fees. The change in methodology to water meter size instead of fixture equivalents reduced the typical residential connection fee from \$6,351 to a flat rate of \$4,066.

The Financial Projections were:

- 2012 Financial Plan estimated a less than \$300,000 reduction in FY 2012/13 connection fee revenue due to the connection fee change.
  - Actual FY 2012/13 connection fee revenue reduction was over \$5.1 million.
  - The FY 2012/13 budget for connection fee revenue was \$16.5 million, actual revenue was \$11.3 million.
- 2013 Financial Plan estimated FY 2013/14 connection fee revenue at \$13.5 million.
  - Actual FY 2013/14 connection fee revenue was \$11.4 million.

During the ensuing period, inflation has increased the cost of wastewater projects and services.

- 2012 - Average Inflation Rate was 2.1%
- 2013 - Average Inflation Rate was 1.5%
- 2014 - Average Inflation Rate was 1.6%

Since 2014, the additive inflation rate is approximately 5.2%, which is higher than the proposed three percent increase.

### **Conclusion:**

Every effort has been made to ensure the public was educated on this topic and fully aware that the Board of Supervisors is considering a connection fee increase of three percent. The proposed increase is less than the rate of inflation since 2012. The increase would generate approximately \$300,00 in revenue for the remaining three-quarters of Fiscal Year 2015-16. Connection fee increase does not alleviate the need for an increase in user fees.

### **Recommendation:**

Pima County Board of Supervisors approve the proposed sewer connection fee increase of three (3%) to become effective thirty days after adoption.

**Fiscal Impact:**

Should the Board of Supervisors approve the fee increase, the residential connection fee would increase by \$122. This increase would generate approximately \$300,000 in revenue based on the increase being effective for the remaining three quarters of Fiscal Year 2015/16. Connection fee increase does not alleviate the need for an increase in user fees.

**Board of Supervisor District:**

☐ 1                      ☐ 2                      ☐ 3                      ☐ 4                      ☐ 5                      ☒ All

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Department: Regional Wastewater Reclamation Department Telephone: 724-9517

Department Director Signature/Date: *John J. Jankin* 7/27/15

Deputy County Administrator Signature/Date: *John W. Seal* 7/28/15

County Administrator Signature/Date: *C. Duleebay* 7/29/15

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**REGIONAL WASTEWATER RECLAMATION DEPARTMENT**

201 NORTH STONE AVENUE  
TUCSON, ARIZONA 85701-1207

**JACKSON JENKINS**  
DIRECTOR

PH: (520) 724-6500  
FAX: (520) 724-9635

July 27, 2015

**TO:** C.H. Huckelberry, County Administrator

**THRU:** John Bernal, Deputy County Administrator for Public Works

**FROM:** Jackson Jenkins, Director, Regional Wastewater Reclamation

**SUBJECT:** **Proposed Connection Fee Increase –  
August 17, 2015 Board of Supervisors Meeting**

**Introduction**

On April 14, 2015 the Board of Supervisors directed staff to review a connection fee increase which would accompany the proposed user fee increases. On April 22, 2015, you instructed and followed up with a memorandum to the Department requesting RWRD to prepare the documents to increase sewer connection fees by three percent. The Regional Wastewater Reclamation Advisory Committee (RWRAC) held a public meeting to present and discuss the proposed sewer connection fee increase. The purpose of this meeting was to provide information to the public on the proposed fee increase as well as to give the public the opportunity to provide meaningful input into the process.

**Public Meeting**

A public meeting was held on Thursday, June 18, 2015, in the Board of Supervisors Hearing Room of the Pima County Administration East Building, 130 W Congress, Tucson, Arizona 85701. The meeting began at 8:30 a.m., and included a presentation on the proposed connection fee increase. RWRAC members and Pima County staff were available to accept questions and comments after the presentation.

The meeting was followed by the regularly scheduled RWRAC meeting that began at 9:30 a.m. during which the RWRAC voted on a recommendation to the Pima County Board of Supervisors. A letter of the RWRAC recommendation is attached.

The Regional Wastewater Reclamation Department provided parking validation for the El Presidio and Public Works parking garages for meeting attendees. The meeting location was also on a SunTran and SunLink route for easier accessibility.



### **Public Awareness**

The following activities have been completed or are scheduled in a comprehensive public awareness effort:

- Pima County Proposed Taxes and Fees webpage, RWRD webpage, and the RWRD intranet webpage postings are active
- Daily Territorial, Friday, May 29, 2015 and Tuesday, July 28, 2015
- Arizona Daily Star, Sunday, May 31, 2015 and Friday, July 31, 2015
- Press Release to local media on Thursday, June 11, 2015 and Tuesday, June 16, 2015
- Worked with Pima County Communications Department for social media updates
- Notification was given to local stakeholders, including: Arizona Builders Alliance, Arizona Multi-housing Association, Metropolitan Pima Alliance, and Southern Arizona Homebuilders Association. A comment letter is attached from Amber Smith, Metropolitan Pima Alliance.

### **Conclusion**

We have made every effort to ensure the public was educated on this topic and fully aware the Board of Supervisors is currently scheduled to consider this connection fee increase at the August 17, 2015 public hearing.

I have attached the Board of Supervisors Agenda Item Report, the public notices to include the Daily Territorial and Arizona Daily Star, the public meeting Agenda, PowerPoint presentation, a comment letter, Regional Wastewater Reclamation Advisory Committee's recommendation, and a blackline and clean version of the updated Ordinance.

Please do not hesitate to contact me if you or the Board of Supervisors have any questions.

CC: Eric Wieduwilt, Deputy Director, Planning and Engineering, Wastewater Reclamation  
Jennifer C. Coyle, Special Assistant to the Director, Wastewater Reclamation  
Jody Watkins, Regional Wastewater Reclamation Advisory Committee Program Coordinator, Wastewater Reclamation  
Members, Regional Wastewater Reclamation Advisory Committee



**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE**  
201 NORTH STONE AVENUE  
TUCSON, ARIZONA 85701-1207

July 6, 2015

The Honorable Chair and Members  
Pima County Board of Supervisors  
130 West Congress Street, 11<sup>th</sup> Floor  
Tucson, Arizona 85701

**RE: Proposed Sewer Connection Fee Increases**

Dear Honorable Chair and Members:

The Pima County Regional Wastewater Reclamation Advisory Committee (RWRAC) was established by the Pima County Board of Supervisors, in part, to act as the official advisory body on the Regional Wastewater Reclamation Department's (RWRD) Capital Improvement Program planning and rate structure formulation to County government; annually review the proposed RWRD Capital Improvement Program and recommend to the governing body an annual and five-year Capital Program; and annually review the revenue requirements of the sanitary sewerage system and recommend to the governing body rate adjustments as required.

**Background**

On April 14, 2015 the Board of Supervisors directed staff to review a connection fee increase which would accompany the proposed user fee increases. On April 22, 2015, Mr. Chuck H. Huckelberry, County Administrator, Pima County, followed up with a memorandum to the Department requesting RWRD to prepare the documents to increase sewer connection fees by three percent. Both the user fee and connection fee proposed increases are currently anticipated to be considered by the Board of Supervisors on Monday, August 17, 2015.

**Connection Fee Financial Impacts**

Connection fees are paid by residents and businesses connecting to the public sewer. Revenues fund the conveyance and treatment capacity needed for these new connections. In May 2012, the Pima County Board of Supervisors adopted Ordinance No. 2012-27 and amended Pima County Code Chapter 13.20, Sanitary Sewer Construction, Connections and Fees. The change in methodology to water meter size instead of fixture equivalents reduced the typical residential connection fee from \$6,351 to a flat rate of \$4,066.

The Financial Projections were:

- 2012 Financial Plan estimated a less than \$300,000 reduction in FY 2012/13 connection fee revenue due to the connection fee change.
  - Actual FY 2012/13 connection fee revenue reduction was over \$5.1 million.
  - The FY 2012/13 budget for connection fee revenue was \$16.5 million, actual revenue was \$11.3 million.
- 2013 Financial Plan estimated FY 2013/14 connection fee revenue at \$13.5 million.
  - Actual FY 2013/14 connection fee revenue was \$11.4 million.

During the ensuing period, inflation has increased the cost of wastewater projects and services.

- 2012 – Average Inflation Rate was 2.1%
- 2013 – Average Inflation Rate was 1.5%
- 2014 – Average Inflation Rate was 1.6%

Since 2014, the additive inflation rate is approximately 5.2%, which is higher than the proposed three percent increase.

Should the Board of Supervisors approve the fee increase, the residential connection fee would increase by \$122. This increase would generate approximately \$300,000 in revenue based on the increase being effective for the remaining three quarters of Fiscal Year 2015/16. The Connection Fee Increase does not alleviate the need for an increase in User Fees.

#### **Public Outreach**

A Public meeting was held on Thursday, June 18, 2015 at 8:30 A.M. in the Board of Supervisors Hearing Room. Jackson Jenkins presented a PowerPoint presentation, which included the *2012 Connection Fee Methodology Change, Financial Projections, Financial Impacts, Proposed Connection Fee Increase and Comparable Connection Fees* in other municipalities. In an effort to give the public an opportunity to provide meaningful input into this process, the Regional Wastewater Reclamation Advisory Committee (RWRAC) held the public meeting during the daytime and solicited public comments in person, via email, and in writing. The public meeting was advertised in the Territorial Newspaper, the Arizona Daily Star, and through several press releases. Parking was validated for both the El Presidio and Public Works Building garages and the meeting location was accessible to those utilizing public transportation.

#### **Recommendation**

Immediately following the Public meeting on May 18, 2015, the RWRAC held their regular meeting, in which they voted 4-3 in favor of recommending to the Pima County Board of Supervisors the approval of the proposed sewer connection fee increases. The approved motion recommended that the sewer connection fee be pegged to the increase in inflation and included a friendly amendment to include other factors determined by RWRD that may require a connection fee increase.

The RWRAC looks forward to continuing its close working relationship with the Board of Supervisors and RWRD. The Committee members and I are available at your convenience for any questions or further discussion.

Sincerely,



Ann Marie Wolf, Chair  
Regional Wastewater Reclamation Advisory Committee

cc: C.H. Huckelberry, County Administrator, Pima County  
Robin Brigode, Clerk of the Board, Pima County  
John M. Bernal, Deputy County Administrator for Public Works, Pima County  
Tom Burke, Deputy County Administrator, Pima County  
Jackson Jenkins, Director, Regional Wastewater Reclamation Department  
Keith Dommer, Director, Finance and Risk Management Department  
Charles Wesselhoft, Attorney, Pima County Attorney's Office  
Members, Regional Wastewater Reclamation Advisory Committee

**ORDINANCE 2015-\_\_\_\_\_**

**AN ORDINANCE OF THE BOARD OF  
SUPERVISORS OF PIMA COUNTY, ARIZONA,  
RELATING TO SEWER CONNECTION FEES;  
AMENDING THE PIMA COUNTY CODE,  
CHAPTER 13.20**

**The Board of Supervisors of Pima County Arizona finds that:**

1. On May 15, 2012, the Pima County Board of Supervisors adopted Ordinance No. 2012-27 amending, among other things, capacity fees for connecting to County sewers.
2. During the ensuing period, inflation has increased the County's cost of providing wastewater treatment and conveyance capacity.
3. It is in the best interest of the County to increase the connection fee rates to adjust for inflation.

**BE IT ORDAINED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA:**

**SECTION 1.** Subsection 13.20.045(A) of the Pima County Sanitary Sewer Construction, Connections and Fees code is hereby amended as follows:

A. Connection Fee Rates. Except as otherwise provided in this section, persons connecting to the public sanitary sewer system shall pay the following connection fee:

1. Residential:

Water Meter Size	Amount
5/8", 3/4", or 1"	<del>\$4,066.00</del> <u>4,188.00</u>

2. Commercial/Industrial/Multi-family:

Water Meter Size	Amount
5/8" or 3/4"	<del>\$4,066.00</del> <u>4,188.00</u>
1"	<del>\$8,480.00</del> <u>8,735.00</u>
1 1/2"	<del>\$27,030.00</del> <u>27,841.00</u>
2"	<del>\$69,790.00</del> <u>71,884.00</u>
3"	<del>\$162,510.00</del> <u>167,386.00</u>
4"	<del>\$363,690.00</del> <u>374,601.00</u>

Connection fees for commercial/industrial dischargers with water meters greater than four inches in size will be calculated on a case-by-case basis using the following formula where "C" represents the cost of capacity factor of sixteen dollars and ~~two~~ fifty cents per gallon to convey and treat wastewater, "G"

represents the estimated number of gallons of wastewater produced during a peak flow day, and "I" represents a system inflow and infiltration rate factor of 1.175.

Connection fee in dollars = C x G x I

**SECTION 2.** The various County officers and employees are authorized and directed to perform all tasks necessary or desirable to give effect to this Ordinance.

**SECTION 3.** This Ordinance is effective 31 days after the date of its adoption.

PASSED AND ADOPTED by the Board of Supervisors, Pima County, Arizona, this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

PIMA COUNTY BOARD OF SUPERVISORS

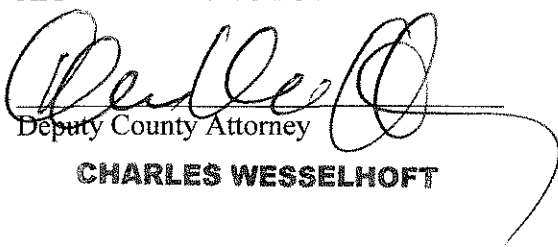
\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Clerk of the Board

Dated: \_\_\_\_\_

APPROVED AS TO FORM:

  
Deputy County Attorney  
**CHARLES WESSELHOFT**