

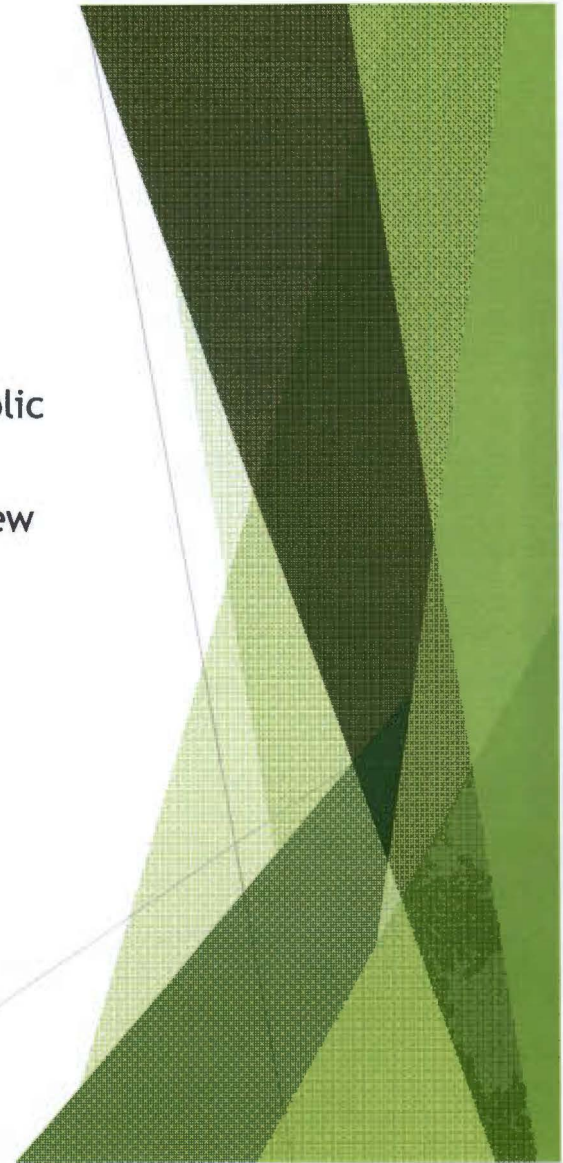


# Proposed Connection Fee Increase

June 18, 2015

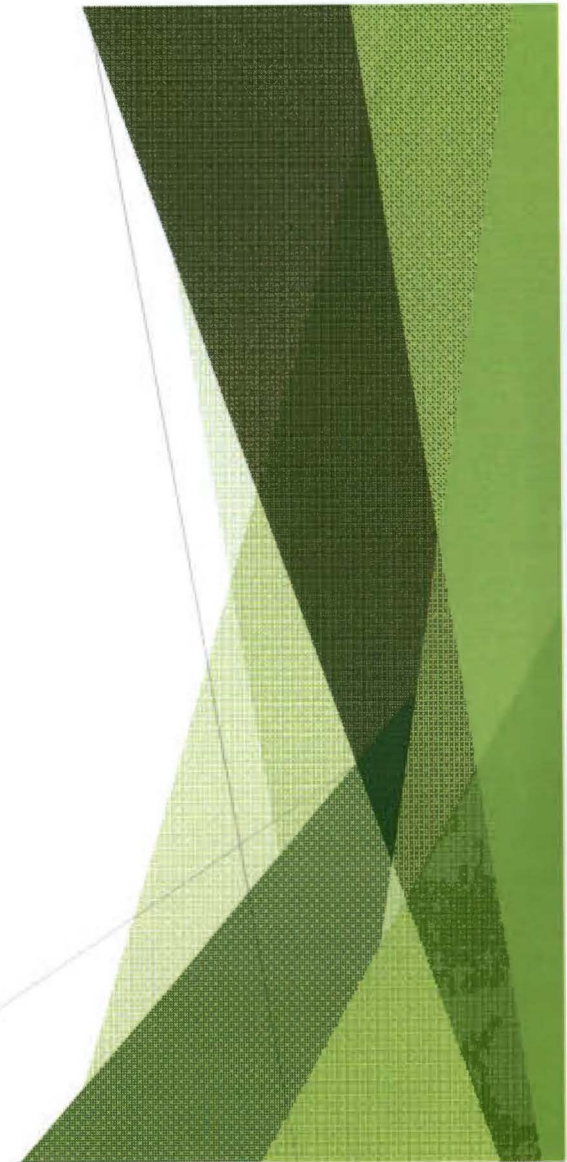
# Introduction

- ▶ 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



# 2012 Connection Fee Methodology Change

- ▶ May 15, 2012, the Pima County Board of Supervisors adopted Ordinance No. 2012-27
- ▶ Amended Pima County Code Chapter 13.20, Sanitary Sewer Construction, Connections, and Fees
- ▶ Projected an average reduced connection fee by changing methodology to water meter size instead of fixture unit equivalents
- ▶ Typical residential connection fee decreased from \$6,351 to a flat rate of \$4,066
- ▶ \$1.5 million was issued as credits and rebates to qualifying customers for connection fees paid by the old method





# Financial Projections

- ▶ 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.
  - ▶ Indicated that unless the number of connections increase, the County will need to increase the fee structure in the near future.
  - ▶ Actual FY 13/14 connection fee revenue was \$11.4 million.

# Financial Impacts

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

Year	Average Inflation Rate for Each Year
2012	2.1%
2013	1.5%
2014	1.6%
Inflation since new connection fee established	5.2%

- ▶ April 14, 2015, Board of Supervisors directed staff to prepare documents to increase sewer connection fees by 3%
- ▶ Increase would generate approximately \$300,000 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

*Source: U.S. Department of Labor Bureau of Labor Statistic, All Urban Consumers - 1913 - 2015*



# Proposed Connection Fee Increase

## ► Residential

Water Meter Size	Amount
5/8" or ¾", or 1"	<del>\$4,066</del> \$4,188

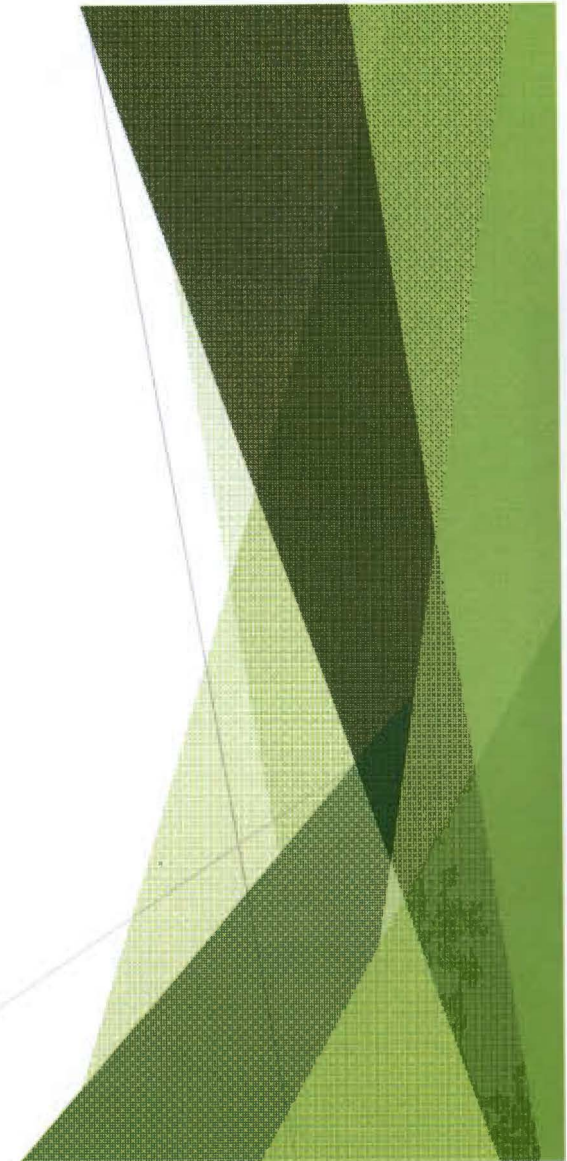
## ► Commercial, Industrial, or Multi-Family

Water Meter Size	Amount
5/8" or ¾"	<del>\$4,066</del> \$4,188
1"	<del>\$8,480</del> \$8,735
1½"	<del>\$27,030</del> \$27,841
2"	<del>\$69,790</del> \$71,884
3"	<del>\$162,510</del> \$167,386
4"	<del>\$363,690</del> \$374,601

- Commercial and Industrial dischargers with water meters greater than 4" in size will be calculated on a case-by-case basis
- Cost of capacity factor of ~~\$16.02~~ \$16.50 per gallon to convey and treat wastewater

## Comparable Connection Fees

- ▶ Gilbert Utilities Department \$5,866
- ▶ Chandler Municipal Utilities Department \$5,272
- ▶ Town of Marana \$4,241
- ▶ Town of Sahuarita
  - ▶ Per Sewer Service Agreement, follows Pima County, currently \$4,066
  - ▶ Should BOS approve increase, similar increase would go to Town Council
- ▶ Buckeye Wastewater Treatment Division \$3,902
- ▶ City of Surprise Department of Public Works \$3,826







# Questions





## *Metropolitan Pima Alliance*

Jackson Jenkins, Director  
Pima County Regional Wastewater Reclamation Department  
201 N. Stone Ave., 8<sup>th</sup> Floor  
Tucson, AZ 85701-1207

May 27, 2015

Mr. Jenkins,

As you are aware, Metropolitan Pima Alliance represents more than 130 companies primarily within the commercial real estate industry to include multi-family housing. The MPA membership are those at the ground level of land development working on both infill development projects, as well as in new growth areas. We were very active in the process in which connection fees were reevaluated and the methodology was drastically changed in an effort to more fairly assess the fee to better correlate with actual use and impact of new connections to the system. This significant change was over a year long process in which we ultimately were able to grow consensus to support this change.

Regarding the first fee proposal, MPA submitted an initial letter of concern regarding the multiple 4% fee increases. The concern was related to the impact of this increase would have on local businesses. Specifically, the request was to delay the fee implementation later than July to give businesses a longer opportunity to adjust their internal operations to accommodate the unexpected higher expense. The second proposal was a more moderate user fee increase adjusting for lower department expenses. This fee increase reflected a much more reasonable change having less of a negative impact on local businesses while resolving the Department's projected shortfall.

Presently, there is now discussion to increase connection fees so to offset the user fee increase. MPA cannot support this recommendation. The revenue generated from this action is minor, and yet the burden on incoming businesses is large. Sewer connection fees are many thousands of dollars with a 2" sewer line largely the standard for new businesses. Using this standard, a 3% fee increase would cost a moderately sized business an additional \$2000 in fees. Furthermore, acknowledging that a higher user fee is still also necessary to offset the budget deficit, this new business owner would also pay a higher user fee. This seems unjust and inequitable for new businesses that have enormous start up costs in just getting their doors opened.

Currently RWRD has acknowledged that the anticipated revenue from connection fees is lower than budgeted which is contributing to this need for a revenue increase. To create the solution in which growth is relied upon to address a shortfall partially created by a lack of growth is simply setting the department up for more shortfalls and the need for future increases outside of what is already requested. The connection fees created are based on scientific data and analysis of the cost to connect to the system. An arbitrary fee increase ignores the

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quantitative analysis that went into the establishment of these fees. The methodology change righted a wrong in which connection fees were assessed on fixture units and not actual sewer usage. For years prior to this change, businesses were unjustifiably paying a disproportionate amount of fees to connect into the system. The change to meter size was the beginning of correcting this issue. The most recent fee assessment on users that legitimately burden the system more so than standard users is an action supported by MPA. The proposed connection fee increase only serves to set the system backwards again in assessing businesses and multi-family housing projects unnecessarily after the system was reset in 2012. Businesses and multi-family housing projects cannot be expected to continuously shoulder the expense of sewer users. Increased connection fees ultimately end up harming the business in which they are challenged to absorb yet another expense, or it is passed on to the user- Both scenarios are certainly not considered economically sound.

While fee increases are never popular, it is important that they achieve the goal set forth. In reviewing the materials set forth by RWRD, MPA cannot advocate for a connection fee increase knowing it does not solve the budgetary issue, nor is there data identifying how new connections are generating an additional cost to the system over the amount already assessed. MPA remains dedicated to working with RWRD on issues adversely impacting the department. Please feel free to contact me regarding any questions, comments or concerns as related to this important issue.

Sincerely yours,



Amber Smith, MPA  
Executive Director

CC: Chuck Huckelberry  
Board of Supervisors  
RWRAC