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TO: Mayor and Council

FROM: Tom Crawford, Interim City Administrator

DATE: March 21, 2016

SUBJECT: Ordinance No. ORD-16-03 – Water and Sanitary Capital Recovery Charges

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We are providing this in response to questions raised on March 10, 2016 during the second reading on the above ordinance. The initial ordinance proposal provided for those customers who have connected between January 1, 2016 and March 31, 2016 to receive a refund if the new capital charges result in a lower amount for that connection.

Council requested information on revenue impacts if the window was extended back into the 2015 calendar year. Staff's recommendation is to extend this window back to July 1, 2015 as this coincides with the start of the fiscal year as well as the effective date for rate changes. For consistency, if the window is extended back into calendar year 2015, staff recommends that a customer be required to choose either the old charges or the new capital recovery charges for all of the customer's connections.

Below is a breakdown of staff's initial analysis on potential refunds if the July 1, 2015, date and a unified choice requirement are approved.

Residential Connections (i.e., single-family or duplex homes)

- 10 connections since 7/1/15
- 6 of the 10 will qualify for refund
- Total refund amount = \$64k

Non-Residential Connections

- 19 project sites have made connections since 7/1/15
- 3 of the 19 project sites will qualify for refund
- Total refund amount = \$9k

The reduction in revenue as a result of these refunds will not have a significant impact to the projected water/sewer connection charge revenues for this fiscal year.

Suggested amendment language for City Council to use if it wishes to amend Sections 2:22b(4), 2:22c(4) and 2:42.4(5) to change the date and to require a unified choice of charge method are attached.

Staff will be available during the second reading to answer any additional questions on the above ordinance.