Legislation Details (With Text)

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Title:	An Ordinance to Amend Sections 1:272, 1:274, 1:277, and 1:278 of Chapter 12 (Financing Local Public Improvements) of Title I of the Code of the City of Ann Arbor (Ordinance No. ORD-13-06)				
Sponsors:	Sabra Briere, Sumi Kailasapathy, Stephen Kunselman				
Indexes:					
Code sections:					
Attachments:	1. 13-06 Financing Local Public Improvements Ordinance Briefed and Approved, 2. Chapter 12 as amended 060313, 3. Chapters 12 rev - 5-6-13 Briefed, 4. Chapters 12 rev - 5-6-13, 5. Improvement Charge Comparisons.pdf				

Date	Ver.	Action By	Action	Result
6/3/2013	1	City Council	Held and Closed	
6/3/2013	1	City Council	Adopted as Amended on Second Reading	Pass
5/13/2013	1	City Council	Approved on First Reading	Pass
5/6/2013	1	City Council	Continued	

An Ordinance to Amend Sections 1:272, 1:274, 1:277, and 1:278 of Chapter 12 (Financing Local Public Improvements) of Title I of the Code of the City of Ann Arbor (Ordinance No. ORD-13-06)
The proposed amendments to Chapter 12 would amend the calculation of the water and sanitary improvement charges for properties connecting to City water mains or sanitary sewer improvements during the period July 1, 2013, through June 30, 2015. This period of time coincides with two City fiscal years. This two year period also allows time for the City to retain a consultant to review the City's water and sanitary sewer fees and charges and make recommendations for revision.

The desire to implement the proposed changes for this two year period stemmed from concern over the improvement charges currently charged under Chapter 12 for new connections to the water and sanitary sewer systems. Although the principle underlying the calculation of those charges, to make sure appropriate costs are recovered from new customers so that current rate payers are not improperly burdened, appears to be sound, the formula in effect has raised concerns about the dollar amounts calculated for these improvement charges.

As background and to explain the need to retain a consultant, when making future changes to Chapter 12, specifically improvement charges and to some degree connection fees, it is important that various competing elements are satisfied. The fees must be easy to explain and easy to understand in order to be accepted by the users. The fees must recover costs equitably. The fees must not result either in an undue burden on existing rate payers of the systems or an undue burden on new customers connecting to the systems. In other words, the fees must be easily understood, neither over recover costs nor under recover costs. Any under recovery of costs would place undue and inequitable financial burdens on current rate payers. In order to meet these goals and gain the

experiences of other utilities, it is desirable to plan on using a firm that has nationwide experience in this area.

The proposed calculation for improvement charges during this interim period would still serve to recover capital repair costs that have not been paid by the connecting property between the time the water or sanitary sewer line was constructed and the time the property connects to the line. However, the proposed calculations will generally result in improvement charges that are less than the improvement charges as currently calculated. The change is for properties connecting to water and sanitary sewer lines for which construction was begun prior to January 21, 2004.

Instead of requiring a property that is connecting to pay the Fixed Charge Improvement Charge for water or sewer, less any offset if the property had previously paid a special assessment or improvement charge amount, the property would instead pay an amount to cover the capital repair costs portion of the average or mean commodity charge for a residential property for the number of years between the year construction of the main was begun and the date of connection, using the amount in effect at the time of connection. This amount is only a portion of the commodity charges per unit for water and sanitary sewer.

For purposes of this calculation, the mean number of units (1 unit = 100 cubic feet) for a residential property that will be used is 19 per quarter (or 76 per year).

A property that was assessed for and paid the assessment for a water main that was constructed in 1972 and connects in 2013 would pay for 41 years of capital repair costs based on the amount in the 2013 commodity charge per unit for water based on 76 units per year: (41)(76)(capital repair cost share of 2013 commodity charge for water per unit). Based on the mean number of units of 76 per year, the calculation of the current annual capital repair cost share of the commodity charge for water is $86.12 per year and for sanitary sewer is $156.56 per year. For a connection to the 1972 water line, this results in an improvement charge of $3,530.92. For a connection to the 1972 sanitary sewer line, this results in an improvement charge of $6,418.96.

The capital repair cost portion of the water and sanitary sewer commodity charges may change when the rates for water and sanitary sewer commodity charges change.

If the connection is to a water or sanitary sewer line and related improvements that were privately financed, and if the connection is after the 10 year post-construction window during which a different calculation is already provided for (which is not being amended), the calculation would be the same as the calculation for a property that previously paid a special assessment or improvement charge for the facilities to which the connection is being made.

If there is an outstanding special assessment or improvement charge for the water or sanitary sewer improvements to which the connection is being made because the property has not previously paid an improvement charge or special assessment for those improvements, the outstanding special assessment or improvement charge will be added to and become part of the improvement charge. The improvement charge will otherwise be calculated in the same manner as for a property that had previously paid an improvement charge or special assessment. The most common use of this formula would be for a property that was in a township at the time of construction and to which a share of the construction costs was allocated, to be charged to the property upon annexation - and now upon connection.

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For any water and sanitary sewer constructed by the City and for which construction was begun on or after January 21, 2004, the existing Fixed Charge Improvement Charge calculation still will be used to calculate the cost to each benefitted property and the Fixed Charge Improvement Charge in effect at the time of connection will be charged at the time of connection. In other words, there will be no change to the current calculation of improvement charges for these properties.

The proposed ordinance includes a couple of other amendments. In Section 2:174 the change in the table corrects a drafting error in a prior amendment and the change in the first paragraph after the table clarifies that City Council's ability to reallocate or change the division of costs does not apply to Fixed Charge Improvement Charges because they are not a division or allocation of costs.
Prepared by: Abigail Elias, Chief Assistant City Attorney
Reviewed by: Craig Hupy, Public Services Area Administrator
Approved by: Steven D. Powers, City Administrator
(See Attached Ordinance as Amended by Ann Arbor City Council on June 3, 2013)

Sponsored by Councilmembers Sabra Briere, Sumi Kailasapathy and Stephen Kunselman