



**Date of Council Meeting:** December 8, 2014

**TOWN OF LEESBURG  
TOWN COUNCIL WORK SESSION**

**Subject:** Financing of Water and Sewer Availability Fees

**Staff Contact:** Amy Wyks, Director of Utilities

**Council Action Requested:** Work session discussion.

**Staff Recommendation:** Staff does not recommend Town Code revision to the existing conditions for financing water and sewer availability fees.

**Commission Recommendation:** Not applicable at this time.

**Fiscal Impact:** Not evaluated. Analysis to be provided based on Council direction.

**Executive Summary:** Town Code Sections 34-29 and 34-127 provide for financing (installment payments) of availability fees in excess of \$10,000 for water and \$15,000 for sewer. This information is provided for discussion at Council's request.

**Background:** At the October 11, 2006 Council meeting, Council adopted an amendment to the Town Code to allow water and sewer service availability fees, meeting certain cost thresholds, to be paid in installments. (Ordinance 2006-O-66)

The Town Code addresses the water availability fees and sewer availability fees separately. In addition, sewer availability fees are approximately 50% higher (per gallon) than water availability fees. The current minimum water availability fee for a new business is \$4,683. The current minimum sewer availability fee is \$7,292. The current total combined minimum water and sewer availability fee is \$11,975.

Council adopted the threshold for eligibility to pay availability fees in installments at \$10,000 for water availability fees and \$15,000 for sewer availability fees. Any amount over the minimum thresholds may be financed through the town for a period of time not to exceed five years. The Town charges six percent interest on the financed amount of fees owed the Town and the utility customer must provide surety in a form acceptable to the Town Manager to guarantee payment of the financed portion of the fees.

Ordinance amended the Town Code as follows:

***§ Sec. 34-29. - Availability charges for water service.***

- (b) *The water connection and water service availability fees shall be paid prior to the issuance of a zoning permit or, where no zoning permit is required, before extension of water service to any new or additional use on the premises, provided however that in the event the availability fee per connection is in excess of \$10,000.00, the amount owed exceeding \$10,000.00 may be paid in installments pursuant to a contract that has been approved by the town manager. Such contract*

*shall coincide with a commercial lease but for not more than 60 monthly installments and shall provide for interest to be paid on the unpaid balance at the legal judgment rate or six percent per annum, whichever is greater. Surety to the satisfaction of the town manager shall be required. The unpaid principal may be paid in full without penalty at any time. If any installment is not paid when due, the entire remaining balance shall be immediately due and payable. The town manager shall discontinue water service to the premises for which the fees required in this article remain unpaid for ten days from the date of notice of the amount of such fees to the owner or contract holder. Should the water service availability fee be delinquent, any sums paid on the account for any charges shall be applied to the availability fee charge first, then any remaining balance to other charges.*

**§ 34-127. - Availability charge for sewer service.**

- (b) *The sewer connection and sewer service availability fees shall be paid prior to the issuance of a zoning permit or, where no zoning permit is required, before extension of sewer service to any new or additional use on the premises, provided however that in the event the availability fee per connection is in excess of \$15,000.00, the amount owed exceeding \$15,000.00 may be paid in installments pursuant to a contract that has been approved by the town manager. Such contract shall coincide with a commercial lease but for not more than 60 monthly installments and shall provide for interest to be paid on the unpaid balance at the legal judgment rate or six percent per annum, whichever is greater. Surety to the satisfaction of the town manager shall be required. The unpaid principal may be paid in full without penalty at any time. If any installment is not paid when due, the entire remaining balance shall be immediately due and payable. The town manager shall discontinue sewer service to premises for which the fees required in this article remain unpaid for ten days from the date of notice of the amount of such fees to the owner or contract holder. Should payment not be made on said contract ten percent of the monies paid to the town for water and sewer service shall be applied to the availability fee contract until such contract is paid in full. Should the sewer service availability fee be delinquent, any sums paid on the account for any charges shall be applied to the availability fee charge first, then any remaining balance to other charges.*

**Attachments:** PowerPoint Presentation

# Financing Availability Fees

Council Work Session

December 8, 2014

# Definition

- Availability fees are designed to promote cost sharing between existing customers and future customers in order to recover the costs incurred by a utility for construction of facilities.
- Otherwise known as:
  - Impact Fees
  - Tap Fees
  - Capacity Charge
- Philosophy is that growth pays for growth.

# Town Availability Fee Overview

- Ordinance (95-O-14) adopted by Town Council.
- Town Code Section 34-29 and 34-127.
- Fees set by Town Council (Last increase FYo8).
- Calculation of fee is based on type of use and estimated gallons per day.
- Fees and corresponding purchased capacity convey with the property.
- Change in use can trigger payment of additional fees.
- Council adopted Portability of fees for eligible parcels.
- Fee financing is available if meet Town Code qualifications.

# Current Availability Fees

Type	Water Fee	Sewer Fee	Total
Single Family/Duplex	\$4683	\$7292	\$11,975
Multi-Family/Townhouse	\$3744	\$5852	\$9,596
Commercial (Non-Residential)	\$13.33/gpd	\$20.20/gpd	\$33.53/gpd
Note: Minimum Commercial	\$4683	\$7292	\$11,975

- Comparable to other jurisdictions and water/sewer authorities.
- Gallons per day = gpd

# Town Financing

- Financing is option when fee is greater than \$10,000 for water and/or \$15,000 for sewer.
- Amount exceeding \$10,000 for water and/or \$15,000 for sewer may be paid in installments.
- Contract for installment payments shall:
  - Be approved by Town Manager.
  - Not exceed 60 monthly installments.
  - Provide for interest to paid on the unpaid balance.
  - Require a surety.
  - Not impose a pre-payment penalty.
- If installment is not paid, entire remaining balance shall be immediately due. Discontinue of water service will occur if balance remains unpaid after 10 days from date of notice.

# Revisions to Financing Considerations

- Not a significant demand for financing. Only one known restaurant financed and recently paid off early.
- Approximately 5 establishments have considered financing but did not proceed.
  - Applicants have expressed concern with interest rate.
- Fees and corresponding purchased capacity convey with property and potential portability of fees for eligible parcels.
  - If tenant unable to pay fees, recommend coordination with landlord since fees will convey if business closes
- Impact on Utility Fund with availability fee projections being paid in installments.
- Additional staff need for collections and delinquent account tracking.

# Question and Answer

Work Session Discussion

# Why Establish

- Fees collected are the source of financing for capital improvements.
- One time charge assessed for the cost to cover the additional system capacity required for the development.
- A nationwide industry practice as fees can provide equity to the financing and pricing system.
- Philosophy is that growth pays for growth.
- Promotes cost sharing between existing customers and unconnected customers who derive benefits from the facilities.

# Existing Process

- Department of Planning and Zoning forwards copy of zoning application to Utilities.
- Fees are calculated and applicant contacted.
- Payment is made and zoning permit issued.
  
- Staff surveys and compares usage from existing facilities to the established gpd benchmarks to ensure fair and equitable availability fees.

# Availability Fee Structure

- Department of Planning and Zoning forwards copy of zoning application to Utilities.
- Fees are calculated and applicant contacted.
- Payment is made and zoning permit issued.
  
- Staff surveys and compares usage from existing facilities to the established gpd benchmarks to ensure fair and equitable availability fees.

# Water and Sewer Availability Fees by Meter Size (As of January 2014)

Utility	5/8"	3/4"	1"	1.5"	2"
Loudoun Water	\$14,410	\$21,615	\$43,230	\$93,665	\$179,920
Town of Purcellville	\$47,354	\$71,031	\$118,385	\$236,770	\$378,832
Prince William Service Authority	\$15,400	\$30,800	\$61,600	\$107,800	\$184,800
Fairfax Water	\$11,600	\$15,450	\$20,600	\$33,450	\$48,850
Town of Leesburg	\$11,975	\$11,975	\$29,506	\$31,833	\$51,502

- Town examples are based on specific permit calculated and paid by applicant.

# Methods of Accessing Capital Recovery Charges

Assessment Method	Advantages	Disadvantages
Meter Size	<ul style="list-style-type: none"> <li>• Easily understood by customers.</li> <li>• Generally easy to implement.</li> <li>• Encourages proper meter sizing by customers (larger meters would require higher capital recovery charges).</li> <li>• The customer's meter size identifies the potential demand placed on system by the customer.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant loading differences can exist among customers within a specific meter size class.</li> <li>• For wastewater, meter size may have little relevance to the customer's wastewater loading.</li> </ul>
Equivalent Residential Units	<ul style="list-style-type: none"> <li>• Attempts to recognize loading differences among different classes of customers—provides additional equity when compared with the meter size approach.</li> <li>• Can be used effectively for both water and wastewater capital recovery charges.</li> </ul>	<ul style="list-style-type: none"> <li>• Bases the charge on usage class characteristics rather than the precise plumbing configuration of the customer.</li> <li>• Is more difficult to explain and administer than meter size approach.</li> </ul>
Drainage Fixture or Supply Fixture Units	<ul style="list-style-type: none"> <li>• Generally provides the most equitable capital recovery charge in that the unique plumbing configuration of the customer is used.</li> <li>• Can be effectively used for both water and wastewater capital recovery charges.</li> </ul>	<ul style="list-style-type: none"> <li>• Can be the most costly and administratively difficult to implement in that each customer's building plan must be individually reviewed.</li> </ul>

Source: The Arthur Young Guide to Water and Wastewater Finance and Pricing by George A. Raftellis

# Fee Structure and Financing Should Consider:

- Equity
- Revenue Potential
- Potential for Litigation
- Implementation
- Simplicity
- Legality
- Impact of economic development