

City of Florence, SC
Questions and Answers
on the W/S Rate and Fee Increases
for Financing Water Reclamation Facility Construction

1. Why are water and sewer rates increasing?

The City's wastewater treatment plant will reach 90% capacity by 2009. The current facility has a capacity of 15 million gallons per day (MGD) and by 2009, will be at 13.5 MGD. The SC Department of Environmental Control (SCDHEC) which regulates the City's utility systems, requires completion of design and permitting for construction of facilities adequate to accommodate anticipated growth in demand for capacity. The only viable solution to this problem is the construction of a new water reclamation facility which is estimated to cost approximately \$100 million.

2. Why does the City need a new wastewater treatment facility?

The limited remaining capacity in the existing wastewater treatment plant is not sufficient to sustain any significant growth in the City's system. By 2012, the plant will have reached full capacity, and a moratorium on the issuance of additional connections to the system may be mandated by SCDHEC as early as 2009 if additional capacity is not made available. The plant, constructed in the early 1950's and dependent upon outdated technology, has gone through a series of expansions which has rendered it less efficient and difficult to operate. The facility has now surpassed its useful productive life.

3. Why are water and sewer tap fees being increased to finance the wastewater treatment plant? Why can't capital projects be funded only through water and sewer rates?

The City of Florence has traditionally imposed only nominal fees for connection to the City's water and sewer utility systems, due in large part to extended periods of time in which federal funding provided up to 75% of the costs related to increasing treatment capacity. Since the 1990's federal assistance has sharply declined, requiring a greater emphasis on growth financed capacity. The tap fee now can be defined as the purchase price of a portion of the system's capacity. Increased regulation and construction costs necessitate that the City's tap fees be increased.

While water and sewer rates have traditionally funded the largest proportion of capital costs and will continue to fund existing debt service as well as a share of future debt, with the loss of significant federal funds and the increased cost of construction, it is only appropriate that the tap fee schedule fund a larger portion of treatment capacity. The necessity of increasing treatment capacity is strictly tied to growth in the number and size of new connections to the wastewater system.

4. If the City is building a wastewater treatment plant, why are water rates and fees being increased?

The City of Florence has traditionally operated a combined water and sewer system in which costs for operations and capital are shared. Operations and debt have traditionally been supported by the combined utilities, regardless of the nature of the improvements. Planned water and sewer rate increases will be spread over 3 fiscal years.

5. Why are the proposed water and sewer rate increases higher for out-of-city customers?

Several factors make it necessary to divide customers into different classes for billing purposes. All factors have an economic basis and are not directed at any particular customer class.

First, customer densities inside the city limits are much higher than outside. In some areas of the city, for example, there are more than 25 houses per thousand feet of street. However, more rural areas which are typically located outside the city limits can have densities as low as five houses per mile or less. Fewer customers per mile of water and sewer lines equate to higher unit costs of operation and construction. In terms of cost per customer, most utility activities (meter reading, performing water quality testing, installing service lines, and responding to service disruptions) are less efficient, and therefore more costly, in more sparsely populated areas.

Second, businesses and residences inside the City limits are required by ordinance to connect to the City's available water and sewer systems, while connection by non-city businesses and residences is strictly voluntary.

Third, it is notable that in the 1990's the City of Florence reduced by approximately 25% the inside/outside rate differential.

6. Why are tap fees doubled for in-city customers and tripled for out-of-city customers?

The majority of the growth in demand on the City's utility systems is coming from areas located outside the City limits. However, the existing core infrastructure, including major interceptor lines and transmission mains, has already been purchased or financed primarily by customers inside the City. Extensive growth outside the City limits is largely responsible for capacity depletion, and it is equitable that outside customers bear a greater share of capacity replacement costs.

7. Why are service fees, reconnection fees, and late fees being increased? Why are they being increased more for out-of-city customers than in-city customers?

Like sewer tap fees, these fee categories have not been adjusted since 1974. Careful analysis of the City's fee structure indicates that costs associated with the related services far exceed the revenues derived.

While the City finds it necessary to increase all fee categories related to the water and sewer systems, only the inside customers (i.e., City taxpayers) have a legal liability through the tax structure should the utility systems ever experience financial difficulties or default. While the City does not anticipate such a scenario, should a default occur, the City could be forced to increase taxes to bridge the financial gap. Outside customers would not share this liability.

8. If a residential customer living inside the City uses an average of 4,000 gallons per month, how much will the water and sewer bill increase the first year?

Current Inside Water Bill @ 4,000 gallons:	\$16.31
Current Inside Sewer Bill @ 4,000 gallons:	<u>\$24.40</u>
Current Inside Total Bill @ 4,000 gallons:	\$40.71

Proposed Inside Water Bill @ 4,000 gallons:	\$17.30
Proposed Inside Sewer Bill @ 4,000 gallons:	<u>\$25.88</u>
Proposed Inside Total Bill @ 4,000 gallons:	\$43.18

Per Month Difference = \$2.47

The increases for the second and third years would be comparable.

9. If a residential customer living outside the City uses an average of 4,000 gallons per month, how much will the water and sewer bill increase the first year?

Current Outside Water Bill @ 4,000 gallons:	\$22.66
Current Outside Sewer Bill @ 4,000 gallons:	<u>\$34.49</u>
Current Outside Total Bill @ 4,000 gallons:	\$57.15

Proposed Water Bill @ 4,000 gallons:	\$24.71
Proposed Sewer Bill @ 4,000 gallons:	<u>\$37.58</u>
Proposed Total Bill @ 4,000 gallons:	\$62.29

Per Month Difference = \$5.14

The increases for the second and third years would be comparable.

10. If a property owner wishes to annex into the City how much more will the water and sewer taps cost under the new fee structure (City installs taps)?

Current Inside Water Tap Fee:	\$ 440
Current Inside Sewer Tap Fee:	<u>\$ 365</u>
Current Inside Combined Tap Fee:	\$ 805

Proposed Inside Water Tap Fee:	\$ 880
Proposed Inside Sewer Tap Fee:	<u>\$ 730</u>
Proposed Inside Combined Tap Fee:	\$1,610

Combined Tap Fee Difference = \$805.00

11. If a property owner remaining outside the City wishes to connect to the water and sewer systems, how much more will the water and sewer taps cost under the new fee structure (city installs taps)?

Current Outside Water Tap Fee:	\$ 850
Current Outside Sewer Tap Fee:	<u>\$ 575</u>
Current Outside Combined Tap Fee:	\$1,425
Proposed Outside Water Tap Fee:	\$2,550
Proposed Outside Sewer Tap Fee:	<u>\$1,725</u>
Proposed Outside Combined Tap Fee:	\$4,275

Combined Tap Fee Difference = \$2,850.00

12. If a contractor builds a house inside the City, how much more would the water and sewer tap fees be under the new fee structure (developer installs taps)?

Current Inside Water Tap Fee:	\$ 140
Current Inside Sewer Tap Fee:	<u>\$ 90</u>
Current Inside Combined Tap Fee:	\$ 230
Proposed Inside Water Tap Fee:	\$ 280
Proposed Inside Sewer Tap Fee:	<u>\$ 180</u>
Proposed Inside Combined Tap Fee:	\$ 460

Combined Tap Fee Difference = \$230.00

13. If a contractor builds a house outside the City, how much more would the water and sewer tap fees be under the new fee structure (developer installs taps)?

Current Outside Water Tap Fee:	\$ 550
Current Outside Sewer Tap Fee:	<u>\$ 300</u>
Current Outside Combined Tap Fee:	\$ 850
Proposed Outside Water Tap Fee:	\$1,650
Proposed Outside Sewer Tap Fee:	<u>\$ 900</u>
Proposed Outside Combined Tap Fee:	\$2,550

Combined Tap Fee Difference = \$1,700.00

14. If a property owner, either inside or outside the City, wishes to connect to the water and sewer systems, how much will the water and sewer taps cost, if they hired a private contractor to install the taps? How does this amount compare with the City installed taps for inside City connections? How does this amount compare with the City installed taps for outside city connections?

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Contractor installation – inside (estimated)	
Water Tap Cost	\$1,895
Sewer Tap Cost	<u>\$2,540</u>
Total	\$4,435

Contractor installation – outside (estimated)	
Water Tap Cost	\$2,615
Sewer Tap Cost	<u>\$3,260</u>
Total	\$5,875

City installation – inside	
Water Tap Cost	\$ 880
Sewer Tap Cost	<u>\$ 730</u>
Total	\$1,610

City installation – outside	
Water Tap Cost	\$2,550
Sewer Tap Cost	<u>\$1,725</u>
Total	\$4,275

15. If a property owner outside the City decided to provide for water and sewer service through the use of a private well and septic system, how much will these services cost the property owner (under optimum soil conditions)?

Private well (residential)	\$2,300
Septic System (residential)	<u>\$1,700</u>
	\$4,000