

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 19, 2005
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER
SUBJECT: BUDGET MEMO # 86: SANITARY SEWER EXPENSES (COUNCILMAN MACDONALD'S REQUEST)

This is in response to Councilman Macdonald's questions related to the sanitary sewer system.

What has the City spent since the early 1980's to repair and replace sanitary sewer lines?

The current accounting system contains data for the past eight years, beginning with FY 1998. In the period from FY 1998 to present, the City spent \$9.4 million in the CIP for sanitary sewer construction projects (assuming for ease of analysis that these CIP costs were paid by cash capital and not, in part, by borrowing). Approximately \$1.5 million per year in the operating budget was also spent for a total of \$21.4 million over eight years.

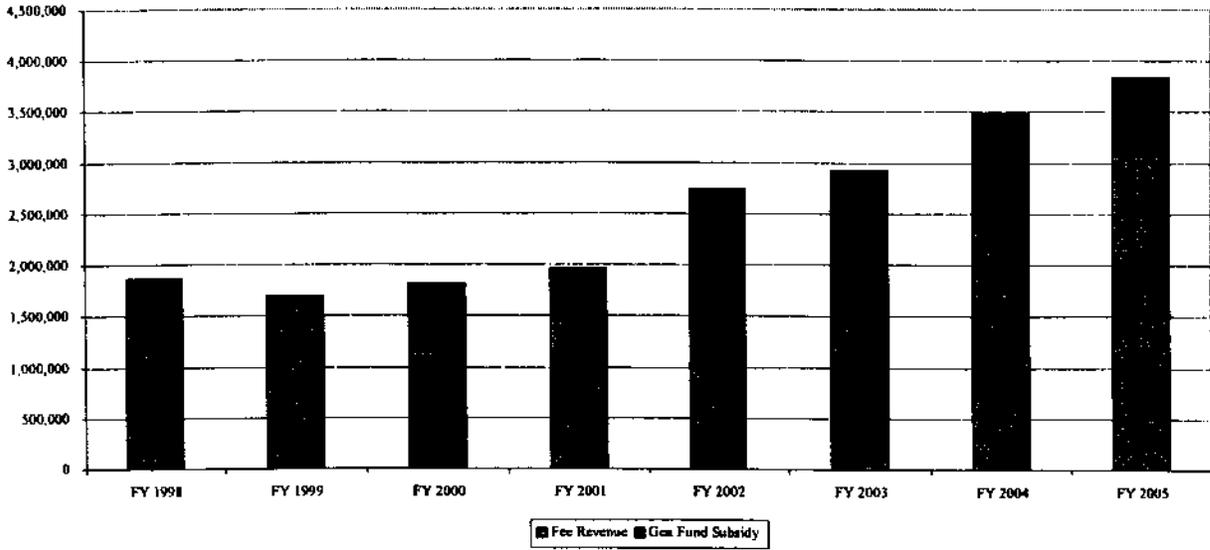
Prior to FY 1998, the City completed the following major sanitary sewer projects in the 1980s and early 1990s.

- Sewer separation in the Hooff's Run area of Duke Street, King Street and Prince Street; the 100 - 300 blocks of N. West Street; and 1400 Princess Street;
Sanitary sewer relining in the areas of Rosemont Avenue, Mill Road, S. Pitt Street, Duke Street, Taft Avenue, Ramsay Street, Calvert Street, Tyler Place, E. Alexandria Avenue, and Key Drive;
Replacement of a sanitary sewer siphon on Mount Vernon Avenue;
Realignment of the sanitary sewer line adjacent to I-395 at Braddock Road;
Replacement of the Myrtle Street sewer;
Realignment of the sewer at King Street and Scroggins Road

What portion of these repairs has been paid for by fees?

During the eight year period, from FY 1998 to present, in which the City spent approximately \$21.1 million on sanitary sewers (operating, capital and debt service), the sewer line maintenance charge and sanitary sewer connection fee generated \$14.5 million in revenues. The following chart illustrates sanitary sewer operating and capital expenditures by source for FY 1998 through FY 2005 year-to-date.

Sanitary Sewer Expenditures



Can we legally increase the fees beyond \$1.00 per 1,000 gallons in order to recapture some of this lost subsidy? Can fees be used to pay for infrastructure repairs beyond that related to the maintenance of the sanitary system?

A major difference between fees and a taxes is that fees must have some reasonable nexus to the estimated cost of the service they are intended to recover. Fees cannot be used to recover costs incurred in the past which have been covered out of other revenue sources. Staff has calculated the cost recovery point for FY 2006 and future fiscal years to be \$1.00 per 1,000 gallons based on estimated expenditures in the FY 2006 operating budget and the FY 2006 -2011 CIP. If future costs increase beyond what is currently projected, or if the \$1.00 rate fails to generate the amount of revenue necessary to recover costs, the rate could be increased. However, any expenditures used to justify a fee increase beyond what has been identified would have to be reasonably attributable to estimated sanitary sewer capital, debt service and operating costs.