

Introduction

In an attempt to provide a single source of information about unsewered areas in the City and the development of a policy by the City Council to bring sewers to these areas, this Frequently Asked Questions (FAQs) document was developed. While it aims to provide answers to the questions most frequently encountered, it does not answer every possible question. If you have a question not covered here, please contact the Utilities Department located at 433 N. Virginia Street, Prescott (777-1130).

This document was updated to include some of the questions in the “*Presentation and Questions About the Proposed Sewer Installation to Unsewered Areas in the City of Prescott*” presented during the public comment period of the Unsewered Areas Policy Public Workshop on Tuesday, June 3, 2008.

Reviewed by Mayor Jack D. Wilson and the Prescott City Council

Program Basics and Terms

1. What is an unsewered area?

“Unsewered area” means a neighborhood located within the Prescott city limits that is already developed with residences, but which relies upon septic tanks or other individual wastewater disposal systems (alternate systems) rather than being connected to the City sewer system.

2. Why is this an important issue?

In some areas due to soil conditions and/or terrain, septic systems are not working properly. Property owners experiencing problems are looking to the City for action, to explore extending the City sewer system into their neighborhoods. Due to public health concerns about untreated sewage accumulating in creeks and lakes, there is also a more general, community-wide interest in dealing with the problem.

3. Who has the responsibility for dealing with the public health aspects?

The Yavapai County Health Department and Arizona Department of Environmental Quality administer and enforce public health regulations. All citizens have the responsibility to contribute to maintaining public health in our community, including keeping their sewage disposal systems in proper working order and complying with health and safety code requirements.

4. If county and state agencies are directly responsible for public health matters, why is the City involved with unsewered areas?

As a matter of local health and safety, the City operates a public sewer system for the benefit of its residents; if the system is to be extended into unsewered areas, it will be the City, not county or state, which accomplishes it. Additionally, the City operates Watson and Willow Lakes as recreational facilities, and relies upon them as water resource supplies for recharge of the Little Chino aquifer. The City is committed to meeting water quality standards in these reservoirs.

5. What could occur if the City takes no action regarding unsewered areas?

As has occurred elsewhere, upon a determination by state or federal authorities that a public health hazard exists due to untreated sewage and/or unacceptable water quality in our creeks or lakes, they could require that the City correct the problem. The City prefers to avoid potential public health problems and find local solutions, rather than be subjected to state or federal violations, sanctions, and penalties.

Areas Being Considered for Sewer Retrofit Projects

1. What areas are now being looked at for bringing in City sewer service?

Four areas: North Prescott, Antelope Hills, White Oak Circle, and White Cloud Lane.

2. Are these all the areas on septic systems?

No. Problems with individual septic systems within these four areas have been persistently encountered. Other neighborhoods which are not on City sewer generally have larger lots and/or terrain more favorable to satisfactory septic system performance.

3. How can I obtain a list of all these areas, and maps of the four which are being actively considered for sewer retrofit projects?

This information is available from the Utilities Department located at 433 N. Virginia Street, Prescott (777-1130).

Funding Operation and Extension of the City Sewer System

1. Where does the money come from to do this?

Wastewater (sewer) is an enterprise fund

The City Sewer Fund is a separate account from which costs of operating and extending the system are paid. This is an “enterprise fund”, meaning that it cannot be used for any purposes other than the sewer system. Monies within the Sewer Fund come from two principal types of charges: monthly bills for service to existing sewer customers; and impact fees paid when new customers are connected to the system.

16,800 customers (residential and nonresidential) pay for operation and maintenance of the wastewater collection, reclamation, and treated effluent recharge system, as well as capital projects for repairs, rehabilitation, and capacity upgrades required to correct existing system deficiencies.

New connections pay for their demand on the system infrastructure (increment of new capacity required) through impact fees.

The Wastewater Fund is not supported by property tax or sales tax.

“The City should pay for sewer retrofit projects” really means that existing customers would have to pay higher sewer bills for little or no direct benefit.

The Wastewater Fund doesn't make a profit

Sewer rates are set to provide adequate funding for operation and maintenance, and the capital projects for repairs, rehabilitation, and capacity upgrades required to correct existing deficiencies.

2. I've lived in Prescott for years, and paid property taxes. Shouldn't the City recognize this and pay for extending the system into my unsewered area?

None of the property tax paid has gone to the Sewer Fund. As previously stated, only customers connected to the City system have paid for and are entitled to service. Asking the City to pay for extending the system into an unsewered area really means having existing sewer customers who have already paid for their connections and service to pay a second time, and without receiving any direct benefit, to provide service to new customers in unsewered areas. Clearly, this is a significant equity issue.

Effluent Value

- Some property owners in unsewered areas have proposed a credit for the “value” of the quantity of treated effluent generated by each new sewer connection. That argument is flawed for the following reason:
 - Existing customers have received no such credit, though effluent is produced from their wastewater too.
 - Revenue from effluent sales partially offsets the cost of funding operation and maintenance and capital projects—without it, rates would have to be higher.
 - Conclusion: a credit for the “value” of effluent would serve no beneficial purpose, and be both insufficient and inappropriate to “trade” for the cost of sewerage a property via a retrofit project.

The revenue derived from the sale of treated effluent is in line with the market value of water

- The price of treated effluent ranges from \$250 to \$291 per acre-foot.
- Pledging treated effluent for assured water supply (to serve new development) requires a 100 year supply.
- $[\$250 - \$291 \text{ per acre-foot}] \times 100 = \$25,000 - \$29,100$ for 100 yr supply.

Grants

Are loans and grants available? Grants and loans were discussed with the Arizona Department of Environmental Quality and the City of Prescott does not qualify for the type of grants obtained by Chino Valley. The federal funding has now shifted to reducing the interest rate on loans through the Arizona Water Infrastructure Finance Authority (WIFA). These loans are typically about two (2) percent below market rates. The City of Prescott has proposed using WIFA financing if Improvement Districts are formed.

Mechanisms for Accomplishing Sewer Retrofit Projects

1. How could a sewer retrofit project be accomplished, to bring City sewer into my neighborhood?

Three mechanisms are formation of an improvement district; establishment of a reimbursement district; and the Sewer Fund. These are summarized below.

2. How does an improvement district work?

1. A design and cost estimate for the system is prepared to the 30% level of detail.
2. The City Council approves a Resolution of Intention to form the district.
3. If 50% +1 of the owners within the proposed district object in writing, formation cannot proceed for a period of six months. Protests are mailed or delivered to the City Clerk.
4. Public system, on-lot connection, and impact fees can be wrapped in low cost, 25-year financing.
5. Liens are placed upon properties to assure payment of assessments.
6. After bids for final constructions costs are received, the city will publish a Resolution Ordering Work (ROW). This provides another opportunity for residents of an improvement district to protest out (as in 3, above).

3. How does a reimbursement district work?

- The City establishes the district; no votes or protest periods are involved.
- Existing residences can connect at any time provided, however, that connection will be required if the on-site septic or other disposal system fails.
- New residences are connected prior to occupancy.
- All connections to the system pay a connection charge which is adjusted annually by a construction cost index (i.e., future charges are higher).
- No public financing is provided for on-lot connections or impact fees.
- No property liens are involved.

4. How about the Sewer Fund?

- No district is involved; existing sewer customers finance and/or contribute to system extensions (but receive no direct benefit).
- Property owner must obtain own financing for on-lot connection and impact fee costs.

5. What provision could be made for those on a fixed income who simply cannot afford to pay an assessment for sewer service?

Other communities have adopted policies where assessments for those persons meeting established income criteria are deferred until their property is sold. The benefit to the property conferred by City sewer service is reflected in the sale price of the property.

Connection Policy Alternatives

1. What are the alternatives, and why are they such an important consideration?

There are two connection alternatives: mandatory and non-mandatory. As a matter of policy, these are crucial from both the property owner and Sewer Fund perspectives.

Mandatory connection assures a revenue stream for financing the capital cost to construct the sewer retrofit project. Bonds for long term financing cannot be sold without a revenue stream.

2. How mandatory connection works

- When service is available to a property, connection is required within a specified period of time.
- Some communities require connection upon sale of the property.

3. Non-mandatory connection

- Property owner determines when to connect.
- Operation of some types of systems is problematic when flows within the mains are unpredictable.

Legal Questions

1. If the City adopted a policy requiring mandatory connection to the municipal sewer system (at property owner expense) when that system became available to a property, could this be challenged as a "taking" under Proposition 207?

Answer: Proposition 207 relates to land use regulation, and requires a showing of diminution in value. There are no cases which apply it to improvement districts and because of the express language of Prop 207 it is very unlikely that proposition 207 is applicable to improvement districts. Similar, because in forming a district through statutory processes which fully provide due process and does not result in the government acquiring property, there is no constitutional taking.

2. Does the City or County Environmental Services have the right to enter upon private property to determine whether a septic disposal system is functioning properly?

Answer: As with all properties, the County or City may request a *voluntary* inspection. As a general rule, government cannot intrude or interfere though, with an owner's property and privacy interests if such a request to inspect is denied. In that instance, unless there is some legal basis which would allow an inspection, such as some evidence or indication of a leaking septic system, the City or County cannot compel inspection. If there is evidence of a failure, however, the County can require inspection and if necessary, obtain an administrative warrant to inspect. If this is done and where warranted, the County may require replacement or repair of failing systems.

I will also comment that entering upon some properties, where permission has been granted by the property owner, to collect information will undoubtedly lead to incomplete, unscientific survey results.

Estimated Costs

1. What are the estimated costs for extending service into these unsewered areas, typical on-lot connection, and impact fees?

The “Public System Construction Cost per Lot” and “Owner On-Lot Connection Cost” estimates below were developed from previously completed preliminary design reports. Actual costs would not be available until completion of final engineering and successful bidding for construction of these system extensions.

	Public System Construction Cost per Lot	Owner On-Lot Connection Cost	Impact Fee¹	Total Cost	Cost per Year²	Monthly equivalent
White Oak Circle (18 lots)	\$35,750	\$5,000	\$3,273	\$44,023.00	\$2,987.05	\$248.92
White Cloud Lane and Addl. Lots to Estrella (42 lots)	\$20,000	\$5,000	\$3,273	\$28,273.00	\$1,918.37	\$159.86
Antelope Hills (117 lots)	\$10,100	\$5,000	\$3,273	\$18,373.00	\$1,246.63	\$103.89
North Prescott (440 lots)	\$11,500	\$9,700	\$3,273	\$24,473.00	\$1,660.53	\$138.38

¹ Impact fee recommended by 2008 study; adoption pending Summer 2008; indicated fee is for most customers (with 5/8 x 3/4 water meter; impact fees are higher for larger water meters)

² Based on 25 year bonding at 4.0 percent interest with 15% WIFA subsidy

Estimated Debt Service

Assumptions

- 1) 4% was used considering rates on 5/6/2008 and assuming qualification for WIFA subsidy of 15%.
- 2) Total Cost was used assuming that it would qualify for inclusion in the improvement district.
- 3) As required by law capitalized Interest was included.

	White Oak Circle	White Cloud Lane	Antelope Hills	North Prescott
Term (years)	25	25	25	25
Rate	4%	4%	4%	4%
Total Cost	\$44,023	\$28,273	\$18,373	\$24,473
Capitalized Interest (18 months)	\$2,641	\$1,696	\$1,102	\$1,468
Bonded Amount	\$46,664	\$29,969	\$19,475	\$25,941
First Year Payment				
May (½ interest only)	\$933.28	\$599.38	\$389.50	\$518.82
October (½ interest + principal)	\$2,053.77	\$1,318.99	\$857.13	\$1,141.71
Total First Year	\$2,987.05	\$1,918.37	\$1,246.63	\$1,660.53