



**TOWN COUNCIL**  
**Work Session**  
**Cape Charles Civic Center**  
**July 31, 2014**  
**5:30 PM**

1. Call to Order: Roll Call
  
2. Order of Business
  - A. Commercial Connection Fees
  
3. Motion to Adjourn

  <b>TOWN OF CAPE CHARLES</b>	<b>AGENDA TITLE:</b> Commercial Connection Charges		<b>AGENDA DATE:</b> July 31, 2014
	<b>SUBJECT/PROPOSAL/REQUEST:</b> Review and discuss the proposed modifications to Town Code Sections 70-35 and 71-42		<b>ITEM NUMBER:</b> 2A
	<b>ATTACHMENTS:</b> Class II Connection Charges Presentation; Town Code Sections 70-35 and 71-42		<b>FOR COUNCIL:</b> Action ( ) Information (X)
	<b>STAFF CONTACT (s):</b> Bob Panek & Jeb Brady	<b>REVIEWED BY:</b> Heather Arcos Town Manager	

**BACKGROUND:**

The Town Council reviewed a commercial water and wastewater facility fee comparison at the February 8, 2014 Retreat. Commercial facility fees from towns ranging in population from 1,487 to 7,727 were reviewed along with their methods of determining the appropriate fees. The Town's formula to compute commercial facility fees, which had been in place for years, was also reviewed along with a number of alternative calculations.

The commercial connection charges were briefly reviewed again at the March 6, 2014 Budget Work Session, but the Town Council agreed that a more in depth study of the issue was needed and another work session would be scheduled to further review the issue and staff recommendations. The work session was held on June 5, 2014 and Council provided additional guidance concerning usage factors, formula, a minimum fee, etc.

**DISCUSSION:**

Based on the comments provided by Council at the last work session, staff has developed two alternatives for a new formula and incorporated additional changes into the proposed modifications to the Town Code §§ 70-35 and 71-42. A presentation and the black-lined and clean versions of the proposed modifications to the Town Code are attached for Council review.

**RECOMMENDATION:**

If Council feels that the staff recommendations are appropriate, this issue will be added to the August 21, 2014 regular meeting to schedule a public hearing for the necessary modifications to Town Code §§ 70-35 and 71-42.

# Class II Connection Charges

Council Work Session

July 31, 2014

# Class II Connection Charges

- Class II water and wastewater connection charges apply to construction of new commercial or industrial buildings.
- Most of it is the Facility Fee to generate funds for plant capacity.
- Developers view it as a barrier to bringing economic activity to town.
- Reviewed at Retreat (2-8-2014) and Work Sessions (3-6 & 6-5-2014).
- Consensus:
  - ✓ Use realistic usage factors with upward rounding.
  - ✓ Eliminate high and low volume inequity due to Class I floor.
  - ✓ Minimum fee equal to Class I with fewer than 2 bedrooms (\$5,300).
  - ✓ Town Manager to estimate usage for water incorporated into products.
  - ✓ Include provision for a significant change in building use.
  - ✓ Lingering concern over amount of fee for high volume user, e.g., hotel.

# Class II Connection Charges

## Proposed Factors Based on Current Usage (rounded up)

<u>Building Use</u>	<u>Gallons Per Day</u>
Food & Beverage, sit down	10 per seat
Food & Beverage, carry out	115
Lodging	45 per room
Retail Sales	20 up to 5,000 sq ft*
Office	25 up to 5,000 sq ft*
Medical Office	50 per provider
Manufacturing**, Distributing, Service	135 up to 30,000 sq ft*

\*plus an increment per additional 1,000 sq ft

\*\*excluding water incorporated into a product

# Class II Connection Charges

## Sample Facility Fee Calculations With Minimum (Class I, fewer than 2 BR)

		<u>Unadjusted</u>
• Retail store	\$ 5,300	(1,696)
• Accountant's office	\$ 5,300	(2,120)
• Doctor's office	\$ 5,300	(4,240)
• Ice cream parlor	\$ 9,752	
• Automotive service	\$ 11,448	
• 50 seat restaurant	\$ 42,400	
• 100 room hotel	\$381,600	

# Class II Connection Charges

## Sample Facility Fee Calculations With Minimum & Discounted 25%

		<u>Unadjusted</u>
• Retail store	\$ 5,300	(1,696)
• Accountant's office	\$ 5,300	(2,120)
• Doctor's office	\$ 5,300	(4,240)
• Ice cream parlor	\$ 7,314	(9,752)
• Automotive service	\$ 8,586	(11,448)
• 50 seat restaurant	\$ 31,800	(42,400)
• 100 room hotel	\$286,200	(381,600)

# Class II Connection Charges

## Current vs. Proposed

	<u>Current</u>	<u>Alt. 1</u>	<u>Alt. 2</u>
• Retail store	\$ 21,200	\$ 5,300	\$ 5,300
• Accountant's office	\$ 11,448	\$ 5,300	\$ 5,300
• Doctor's office	\$ 14,840	\$ 5,300	\$ 5,300
• Ice cream parlor	\$ 19,080	\$ 9,752	\$ 7,314
• Automotive service	\$ 11,448	\$ 11,448	\$ 8,586
• 50 seat restaurant	\$ 31,800	\$ 42,400	\$ 31,800
• 100 room hotel	\$120,840	\$381,600	\$286,200

# Class II Connection Charges

- Both alternatives eliminate inequity between low and high volume uses and lower the entry bar for small businesses.
- Both alternatives are competitive with estimates for on-site sewage treatment and water supply for a hotel.
- Alternative 2 is more attractive for a potential hotel. Economic benefits would likely offset 25% discount.
- Infinite number of alternatives by changing discount factor.

# Class II Connection Charges

- Decide on the new formula.
- Draft revision of Town Code, redline & smooth, attached for review.
- Next steps:
  - ✓ Prepare ordinance with revisions.
  - ✓ Set public hearing at August 21 Council Meeting.
  - ✓ Hold public hearing; consider adopting ordinance at Sep. 18 Council Meeting.

**Sec. 70- 35. Connection Charges.**

- (a) Connection charges shall consist of a connection fee and a facility fee. The connection fee contributes to the costs associated with maintaining the waterworks. The facility fee covers the capital cost of creating waterworks capacity.
- (b) Class I - The connection fee shall be \$875 and the facility fee shall be \$4,000, for a total charge of \$4,875. For residences having fewer than two bedrooms, the charge shall be one-half of that amount. ~~Such charge, plus \$100 for inspection and review fees, shall be paid to the Building Department at the time of building permit issuance, or to the Town Treasurer pursuant to any payment programs authorized by Town Council, prior to the initiation of connection related construction activities.~~
- (c) Class II – The connection fee shall be \$875. The facility fee shall be calculated on a consumption based formula as follows: ~~Class I facility fee + (Class I facility fee x residential equivalent x 10%75%).~~ Residential equivalent shall be the estimated daily water consumption rate for the building, as ~~shown below defined by the Virginia Department of Health Waterworks Regulations,~~ divided by the residential daily water consumption rate of 125 gallons per day. For buildings with a proposed use not shown below, and for water incorporated into a manufactured or processed product, the Town Manager will develop an estimated daily water consumption rate for approval by the Town Council. In no case shall the facility fee be less than a Class I fee for a residence having fewer than two bedrooms.

<u>Building Use</u>	<u>Gallons Per Day</u>
<u>Food and Beverage, principally sit down</u>	<u>10 per seat</u>
<u>Food and Beverage, principally carry out</u>	<u>115</u>
<u>Lodging</u>	<u>45 per lodging room</u>
<u>Retail Sales</u>	<u>20 up to 5,000 sq. ft., 4 per 1,000 sq. ft. above 5,000</u>
<u>Office</u>	<u>25 up to 5,000 sq. ft., 5 per 1,000 sq. ft. above 5,000</u>
<u>Medical Office</u>	<u>50 per provider</u>
<u>Manufacturing*, Distributing, Servicing</u>	<u>135 up to 30,000 sq. ft., 5 per 1,000 sq. ft. above 30,000</u>
<u>*excluding water incorporated into a product</u>	

For buildings qualifying under chapter 66, article VIII of this Code, the facility fee used in the consumption based formula shall be \$1,375, rather than the Class I facility fee, if construction activity is commenced after the submission of the application or within the ten-year period of tax exemption. ~~The inspection and review fees above also apply to Class II permits.~~ For buildings being converted to a different use, a new facility fee shall be calculated and the increment shall be either charged if higher or refunded if lower than the previous use.

- (d) Such charges, plus \$100 for inspection and review fees, shall be paid to the Building Department at the time of building permit issuance, or to the Town Treasurer pursuant to any payment programs authorized by Town Council, prior to the initiation of connection related construction activities.

**Sec. 71- 42. Connection Charges.**

- (a) Connection charges shall consist of a connection fee and a facility fee. The connection fee contributes to the Town's costs associated with maintaining the treatment works. The facility fee covers the capital cost of creating treatment works capacity.
- (b) Class I - The connection fee shall be \$875 and the facility fee shall be \$6,600, for a total charge of \$7,475. For residences having fewer than two bedrooms, the charge shall be one-half of that amount. ~~Such charge, plus \$100 for inspection fees and review fees, shall be paid to the Building Department at the time of building permit issuance, or to the Town Treasurer pursuant to any payment programs authorized by Town Council, prior to the initiation of connection related construction activities.~~
- (c) Class II – The connection fee shall be \$875. The facility fee shall be calculated on a consumption based formula as follows: ~~Class I facility fee + (Class I facility fee x residential equivalent x 10%75%)~~. Residential equivalent shall be the estimated daily water consumption rate for the building, as ~~shown below defined by the Virginia Department of Health Waterworks Regulations~~, divided by the residential daily water consumption rate of 125 gallons per day. For buildings with a proposed use not shown below, and for water incorporated into a manufactured or processed product, the Town Manager will develop an estimated daily water consumption rate for approval by the Town Council. In no case shall the facility fee be less than a Class I fee for a residence having fewer than two bedrooms.

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For buildings qualifying under chapter 66, article VIII of this Code, the facility fee used in the consumption based formula shall be \$1,375, rather than the Class I facility fee, if construction activity is commenced after the submission of the application or within the ten-year period of tax exemption. ~~The inspection and review fees above also apply to Class II permits. For buildings being converted to a different use, a new facility fee shall be calculated and the increment shall be either charged if higher or refunded if lower than the previous use.~~

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**Sec. 70- 35. Connection Charges.**

- (a) Connection charges shall consist of a connection fee and a facility fee. The connection fee contributes to the costs associated with maintaining the waterworks. The facility fee covers the capital cost of creating waterworks capacity.
- (b) Class I - The connection fee shall be \$875 and the facility fee shall be \$4,000, for a total charge of \$4,875. For residences having fewer than two bedrooms, the charge shall be one-half of that amount.
- (c) Class II – The connection fee shall be \$875. The facility fee shall be calculated on a consumption based formula as follows: Class I facility fee x residential equivalent x 75%. Residential equivalent shall be the estimated daily water consumption rate for the building, as shown below, divided by the residential daily water consumption rate of 125 gallons per day. For buildings with a proposed use not shown below, and for water incorporated into a manufactured or processed product, the Town Manager will develop an estimated daily water consumption rate for approval by the Town Council. In no case shall the facility fee be less than a Class I fee for a residence having fewer than two bedrooms.

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- (a) Connection charges shall consist of a connection fee and a facility fee. The connection fee contributes to the Town’s costs associated with maintaining the treatment works. The facility fee covers the capital cost of creating treatment works capacity.

- (b) Class I - The connection fee shall be \$875 and the facility fee shall be \$6,600, for a total charge of \$7,475. For residences having fewer than two bedrooms, the charge shall be one-half of that amount.
- (c) Class II – The connection fee shall be \$875. The facility fee shall be calculated on a consumption based formula as follows: Class I facility fee x residential equivalent x75%. Residential equivalent shall be the estimated daily water consumption rate for the building, as shown below, divided by the residential daily water consumption rate of 125 gallons per day. For buildings with a proposed use not shown below, and for water incorporated into a manufactured or processed product, the Town Manager will develop an estimated daily water consumption rate for approval by the Town Council. In no case shall the facility fee be less than a Class I fee for a residence having fewer than two bedrooms.

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