

PROPOSED SEWER ASSESSMENT ORDINANCE

April 29, 2021

Special Town Council Meeting

Town Council Mission Statement

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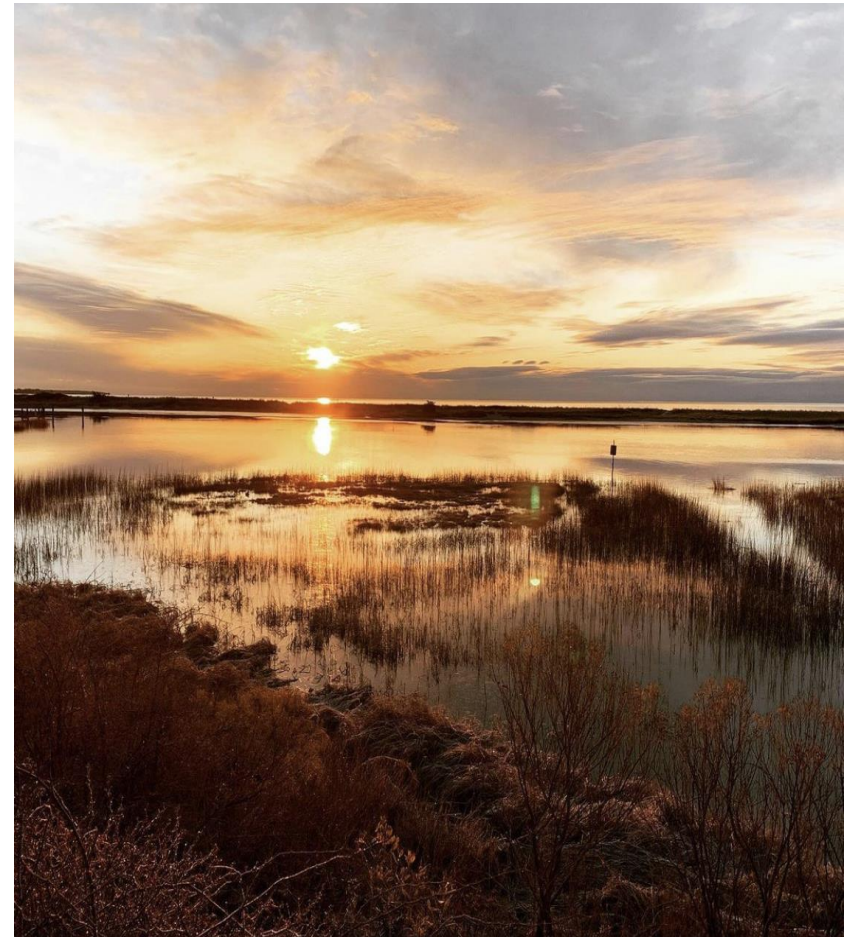
To protect the Town of Barnstable's quality of life and unique character, engage our citizens, and enact policies that respond to and anticipate the needs of our community.



Protecting Barnstable's Quality of Life

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- Perhaps no feature is more important to the quality of life and unique character of our community than the health of our water resources.
- We all benefit from our water resources being protected and preserved.
- Comprehensive Wastewater Management Plan is one tool we use to protect our water resources.



What is the Problem

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- ❑ Federal law – Clean Water Act – requires communities to meet water quality standards in coastal waters and some fresh water bodies
- ❑ Barnstable must meet Total Maximum Daily Loads (TMDL's) for nitrogen
- ❑ Failure to act swiftly
 - ❑ Further damage to water quality
 - ❑ Town at risk of court order or regulatory enforcement
 - ❑ Traditional Title V systems do not remove nutrient load necessary to meet TMDL standards. It is urine that is the primary source of nitrogen in wastewater

Ongoing Efforts

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- Since 2016 the Town staff led by our Department of Public Works has been meeting with our citizenry (approximately 90 meetings) on the development of our Comprehensive Wastewater Management Plan
- Often referred to as the “CWMP”, this is a regulatory required comprehensive plan that:
 - ▣ Identifies water quality requirements
 - ▣ Identifies solutions
 - Nontraditional – dredging, aquaculture, Permeable Reactive Barriers (PRBs), UD toilets, fertilizer plans, etc.
 - Traditional – sewer, treatment plant improvements, etc.
 - Management – zoning, health regulation, etc.
 - ▣ Requires regulatory review and approval
 - ▣ Recommends capital improvements
 - ▣ **Identifies funding/financing mechanisms**
 - ▣ Implements solutions once authorized by our Town Council

“Adaptive and Changing Plan”

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The CWMP needs to be adaptive to change

□ Flexible

- Led by in-house staff using consultants to augment where needed
- Able to adapt to changes in technology, regulation, finance and of our community
 - Financial adaptability shall be illustrated later in our presentation by our Director of Finance,
 - Technical adaptability as innovative onsite technologies evolve,
 - Regulatory adaptability as challenges such as emerging contaminants are better understood and regulated in our water resources
- This is a 30 year plan and reviewed in 5 year increments to allow for such adaptation
- We have proceeded with both traditional and non-traditional projects in our CWMP with approvals by Town Council of approximately \$30 M

Fiscal Policy

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- The Fiscal Policy under review by Town Council
 - ▣ Special Town Council meeting was held on October 29, 2020 to discuss proposed fiscal policy considerations in support of implementation of the CWMP
 - ▣ Fiscal policy under consideration would establish how to equitably distribute the cost of the CWMP
 - The Town has established significant revenue sources in the last decade to offset more than one-half of the estimated cost of the CWMP
 - The policy under discussion is how to pay for the remaining costs
 - Town Manager's proposal to Town Council included the following:
 - First, review and approve the proposed Sewer Assessment Ordinance which includes a sewer assessment to each individual property receiving the planned sewer; and
 - Second discuss the use of general funds to pay for the remaining portion of cost associated with proceeding with the CWMP

Public Outreach On Draft Ordinance

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- Town's Comprehensive Financial Advisory Committee reviewed the draft ordinance
- Town Manager has conducted 5 Public Forums
 - ▣ Forums on Zoom and Facebook
 - Approximately 400 participants and 3800 viewings
 - ▣ Aired live on Channel 18
 - ▣ Posted on Town web site
- Met with Civic and Village Associations, Youth Commission, Environmental Groups, Board of Health, Fire Districts, abutting Towns, Board of Realtors, to name a few
- Cape Cod Chamber did a Policy Podcast

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Proposed Sewer Assessment Ordinance

Notable Changes From Original Draft

Notable Changes From Original Draft

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- Expanded to include property outside those identified in the CWMP.
- Commercial sewer unit equivalent to 330 gallons of actual or reasonably anticipated daily sewage volume.
- Added definition of Unbuildable Lot
 - ▣ If lot subsequently becomes buildable it is subject to Compensatory Sewer Privilege Fee.

Notable Changes From Original Draft

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- **Compensatory Sewer Privilege Fee:** A fee that is assessed in lieu of a sewer assessment to reflect the increased use of a property in situations where:
 - ▣ a sewer assessment has been assessed to an undeveloped property based on the number of potential Sewer Units and the property is developed to accommodate a greater number of Sewer Units than that originally assessed;
 - ▣ a sewer assessment has been assessed to a developed parcel and subsequently the use of that parcel has changed or intensified to accommodate a greater number of Sewer Units than that originally assessed, or;
 - ▣ no sewer assessment was assessed to an Unbuildable Lot and that lot subsequently is issued a building permit.

Notable Changes From Original Draft

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- Residential Dwelling Unit (RDU) – expanded definition identifying Accessory Dwelling Unit's (ADU) as RDU. ADU's not in existence at time of sewer assessment are subject to Compensatory Sewer Privilege Fee.
- Definition of a dwelling unit changed such that complete living facilities that contain one bedroom or fewer shall be a Half Dwelling Unit.

Notable Changes From Original Draft

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- Lots capable of subdivision
 - ▣ Added option to defer sewer assessment until developed at 4% interest rate;
 - ▣ Upon development sewer assessment is due within 3 months.
- Added a deferred sewer assessment option for eligible elderly low income property owners.
- Added an abatement process.
- Eliminated the System Development Charge.

Additional Town Council Action Identified

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- The proposed ordinance includes two items that require adoption of certain sections of the Mass General Laws by the Town Council if they remain an approved ordinance
 - 30 year amortization of sewer assessment requires the adoption of Chapter 83 Section 15D
 - Deferral of Sewer Assessment for eligible elderly low income individuals requires the adoption of Chapter 83 Section 16G

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Proposed Sewer Assessment Ordinance

Assessment Methodology, Recommended Amount,
Application and Financial Implications

Sewer Assessment Determination

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- 2 options available
 - ▣ Fixed Uniform Rate
 - ▣ Uniform Unit Method
- Cannot allocate cost based upon
 - ▣ Property value
 - ▣ Size of structure
 - ▣ Number of potential inhabitants
 - ▣ Number of structures on the property

Fixed Uniform Rate

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- Based upon the estimated average cost of all the sewers according to the frontage or area within a fixed depth from a road, or according to both frontage and area.
- Each sewer expansion project would result in various sewer assessment amounts for properties included in the project – no uniformity.
- Could have significant financial impacts on smaller structures with larger frontage.

Uniform Unit Method

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- Based upon sewerage construction costs divided among the total number of existing and potential sewer units to be served.
- Improved Residential Lots:
 - ▣ For developed residential lots each sewer unit shall be equal to a single family residence.
- Unimproved Residential Lots:
 - ▣ Residentially zoned land which is capable of being divided or sub-divided according to the Zoning Ordinance shall be assessed as currently used plus one additional Sewer Unit for each lot which could be created in accordance with the Zoning Ordinance.

Uniform Unit Method

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- Improved commercial, industrial, business, and semi-public lots:
 - ▣ shall be assessed according to the reasonably anticipated sewage volume to be generated from the use. 330 gallons of actual or anticipated daily sewage volume shall equal one Commercial Sewer Unit.
- Unimproved Commercial, industrial, business, and semi-public lots which could be divided or sub-divided according to the Zoning Ordinance
 - ▣ shall be assessed as currently used plus one additional Commercial Sewer Unit for each additional 330 gallons of reasonably anticipated daily sewage volume which could be generated from the use in accordance with the Zoning Ordinance.

Proposed Sewer Assessment Amount

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- Proposed ordinance maintains \$17,000 maximum initial assessment; could be less in some circumstances
 - ▣ Reflects 4.4% of current median assessed residential value and 3.1% of the average assessed residential value;
 - ▣ Recognizes potential increase in market value of 6% to 13% and increased marketability of property;
 - ▣ Recognizes the future cost avoidance of replacing existing system;
 - ▣ Recognizes property owner is provided a permanent solution that is more reliable;
 - ▣ Recognizes that property owner will receive an improved roadway, and;
 - ▣ Provides an option for a low interest loan with no credit check, and relieves the property owner of assembling connection and financing contracts.

Application of Sewer Assessment

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- ❑ Only applies to new sewer customers; existing customers and those that currently have the ability to connect are exempt.
- ❑ Assessed at the time the property has the ability to connect and not when the property connects.
- ❑ Can be paid in full at time of assessment; partially paid with balance apportioned for up to 30 years or full amount apportioned for up to 30 years.
- ❑ If apportioned, an interest rate of 2% above the town's borrowing rate is applied annually to unpaid balance.
- ❑ No prepayment penalty

Illustrative Sewer Assessment Options

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Sewer Assessment	Connection Cost	Total Cost	Annual Amount Added to Tax Bill	Cost Per Day
\$10,000	\$5,000	\$15,000	\$861	\$2.36
\$13,000	\$5,000	\$18,000	\$1,033	\$2.83
\$17,000	\$5,000	\$22,000	\$1,263	\$3.46

Assumes 4% interest rate on assessment and 30 year amortization.

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Funding The Remaining Gap

An Adaptive Financing Plan

Key Financial Assumptions

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State Revolving Loan Fund Principal Subsidy	Growth Rate in Short-term Rental Tax
Town's Borrowing Rate on Bonds	Rate of Return on Investments
Bond Amortization Period	Construction Cost Inflation Factor
Minimum Reserve Level to Maintain	Project Management Inflation Factor
Proposed Initial Sewer Assessment	Baseline Short-term Rental Tax Revenue
Inflation Factor on Sewer Assessment Charge	Cape & Islands Water Protection Fund Subsidies
Interest Rate on Sewer Assessments	System Development Charge (SCD)
Sewer Assessment Amortization Period	Average Connection Cost Estimate (CCE)
Growth Rate in Rooms Tax Revenue	Current Average Residential Sewer Utility Bill
Growth Rate in Meals Tax Revenue	Annual Increase in Sewer Utility Rates
Project Implementation Date	New Sewer Connections Per Year

Cape Cod & Islands Water Protection Fund

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- Total contingent subsidies awarded are \$71.3M
 - ▣ 2020 & 2021 IUP Projects - \$30.9M – Barnstable \$11.2M
 - ▣ Pre-existing Debt - \$16.5M – Barnstable \$990,000
 - ▣ Paid out over a 4 year period
- Total revenue collected by the Water Protection Fund from July 2019 – Feb 2021 was \$21 million; \$2.55 million generated in Barnstable (12%)
- Need to generate another \$50 over next 4 years

Cape Cod & Islands Water Protection Fund

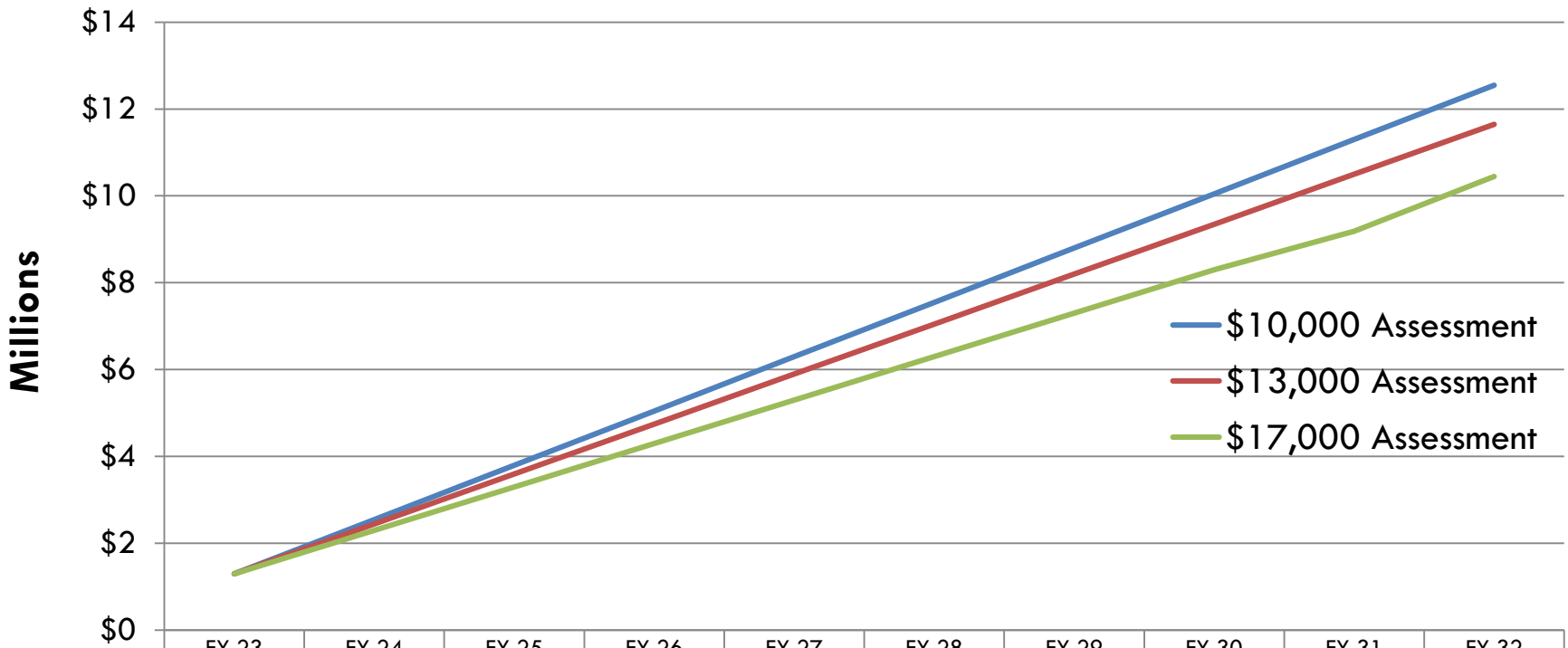
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	IUP Year	Project Amount	Total Subsidy
Barnstable (CW-20-18)	2020	\$1,000,000	\$500,000
Barnstable (CW-20-23)	2020	\$13,275,023	\$3,318,756
Barnstable (CW-20-24)	2020	\$1,853,762	\$463,441
Barnstable (CW-20-43)	2020	\$8,495,050	\$2,123,763
Barnstable (Route 28 sewer)	2021	\$17,106,000	\$4,276,500
Barnstable (pump stations)	2021	\$2,000,000	\$500,000

- CW-20-18, CW-20-43 and 2021 pump stations are Sewer Enterprise Fund projects; therefore, subsidy will flow to enterprise fund.
- Subsidies on pre-existing debt will flow to enterprise fund as well.
- CWMP subsidies will be \$2,250,000 over next 4 years.

Remaining Funding Gap

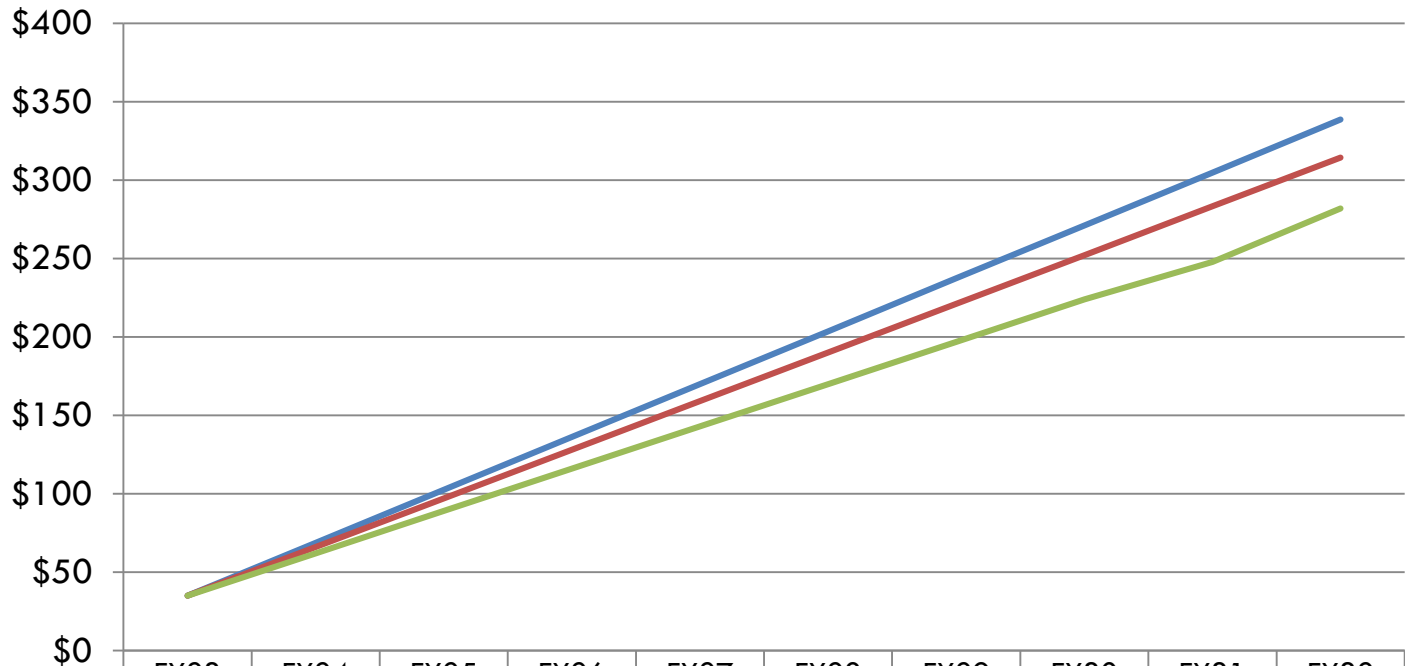
Estimated Annual General Fund Contribution



	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32
\$10,000 Assessment	\$1,297,136	\$2,547,136	\$3,797,136	\$5,047,136	\$6,297,136	\$7,547,136	\$8,797,136	\$10,047,13	\$11,297,13	\$12,547,13
\$13,000 Assessment	\$1,297,136	\$2,447,136	\$3,597,136	\$4,747,136	\$5,897,136	\$7,047,136	\$8,197,136	\$9,347,136	\$10,497,13	\$11,647,13
\$17,000 Assessment	\$1,297,136	\$2,297,136	\$3,297,136	\$4,297,136	\$5,297,136	\$6,297,136	\$7,297,136	\$8,297,136	\$9,185,815	\$10,446,48

Tax Bill Impact

\$500,000 Assessed Valuation



	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
— \$10,000 Assessment	\$35	\$69	\$102	\$136	\$170	\$204	\$237	\$271	\$305	\$339
— \$13,000 Assessment	\$35	\$66	\$97	\$128	\$159	\$190	\$221	\$252	\$283	\$314
— \$17,000 Assessment	\$35	\$62	\$89	\$116	\$143	\$170	\$197	\$224	\$248	\$282