

Residents could see water, sewer rate increase

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As the result of a policy change voted on by the Jacksonville City Council, residents could see another increase in their water and sewer rates in the future.

The council voted 4 to 2 to revise the city's current sewer allocation policy to make flow allocated for fiscal year 2011 available now because the city's new treatment site is expected to be completed in January and the allocation reserved for FY2011 would not be necessary. The revision also included the removal of a 12-month penalty for not using allocation due to current market challenges for securing project funding.

Council members Jerome Willingham, Reva Sullivan, Alva Williams and Fannie Coleman voted in favor of the revision and Randy Thomas and Mayor Pro-Tem Michael Lazzara voted against it.

City staff recommended the council revise the policy making the FY2011 flow reserve available after Jan. 18 so the city would receive more revenue since facility charges are due to increase Jan. 1 as part of the phase-in plan adopted by council in June.

As a result of the most recent policy change, developers whose projects were approved prior to Aug. 18 can apply for the newly released allocation now. If their building permits are approved by Dec. 31 they can pay for the allocation at the current rate as opposed to the higher rate effective Jan. 1.

"Our development community creates rate-payers. We have to be fair to both ... However, we were going to make developers stop their projects and wait to pay the impact fee when rates increase next year, notwithstanding that we now have ample water," Willingham said in an e-mail to The Daily News. "Further, we changed the rules in the middle of the game for some of the developers, making their cost increase exponentially."

According to information provided by city staff, five projects are eligible to take advantage of the policy change. The loss in revenue if all five developers apply and pay for the additional allocation by Dece. 31 is \$350,000.

That loss could end up being translated to a 1.75-percent increase across the board to residents' water and sewer rates, said acting City Manager Ron Massey.

"That's the potential, what it could be," he said. "There's a lot of factors. We're just going to watch what happens. It's not guaranteed that there would be any automatic need to go back and increase the rates."

Preliminary calculations estimate that every \$200,000 of revenue the city loses in facility charges equates to a 1-percent increase in fees for rate-payers, Massey said.

Thomas said while he appreciates what the development community does for the city in providing necessary housing, he could not vote for what could be a potential burden for current rate payers.

"I feel like we all want to encourage development, but on the other hand we worked hard to try to mitigate the effect of the impact fees earlier in the year," he said during the meeting. "Basically we're changing our mind. We're saying something different than we just decided back in June ... I want to help the development community ... but it's going to come back to the rate payers."

One of the developers who will benefit from the council's decision is Tom Taft, owner and developer of Arlington West Apartment Homes LLC.

Taft spoke to the council during the public hearing on the policy revision about the issues he faced as a result of the rate increases already in effect and the problems presented if he had to pay the rate going into effect Jan. 1.

If he had to wait until January for the additional allocation and pay the higher rate, Taft said he would be paying an additional \$181,000 he had not planned for. The council's decision has dropped that figure to somewhere between \$20,000 and \$30,000, he said.

Although his costs are going up overall, Taft said he understands the city's need to increase facility charges and would not have had an issue paying them had he budgeted for them in the first place or could have added it to his budget.

"I think the city is doing the right thing ... you need to do that in order to pay for your infrastructure," he said. "They just need to spread it out like they have done and give people a heads up on what's coming."

Massey said revenue lost on Taft's project alone as a result of the policy change could equate to 1 percent of the potential water and sewer rate increase for residents.

Taft said sometimes people forget that development projects such as his contribute to the city by providing ad valorem tax revenue as well as water and sewer rate payers and provide housing needed in the community.

"I think there was a fair balance reached in the community contributing some amount to the infrastructure cost and the developer contributing a significant amount to the development infrastructure costs," he said.

Lazzara said he doesn't think the distribution is fair.

"New development has to pay for new development," he said. "New development shouldn't cost taxpayers that have been here all these years in paying for expansion of services that only new residents benefit from."

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