



Legislation Details (With Text)

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Title:	Approve establishment of new Water and Sewer Fund capital projects and transfers to provide project funding.				
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Attachments:	1. 2. Establish New Cap Projects & Funding Transfer Summary				

Date	Ver.	Action By	Action	Result
4/25/2017	1	City Council		

SUBJECT/RECOMMENDATION:

Approve establishment of new Water and Sewer Fund capital projects and transfers to provide project funding.

SUMMARY:

Based upon review of the existing capital project budget, and in conjunction with an upcoming rate study and proposed future bond issue, the Public Utilities department proposes to reorganize the capital project budget titles and fund projects for upgrades and improvements separate from repair and replacement (R&R) projects. In preparation for the upcoming rate study, staff would like to establish and fund these new projects as soon as possible.

Staff has provided a Water and Sewer Fund Capital Project summary worksheet that lists all newly proposed projects and proposed funding transfers. The proposed changes have a net zero effect on the capital improvement fund, utilizing funding available in existing projects to create the budget for the newly established projects. The worksheet also details the establishment of funding for bond construction projects. All proposed funding changes will be detailed as part of mid-year budget amendments.

Resolution 17-10 was approved by Council on March 16, 2017, authorizing expenditures which total \$77,560,763 in fiscal year 2017 (\$24,825,763) and fiscal year 2018 (\$52,735,000) to be reimbursed by the proceeds of the bond issue in 2018. The fiscal year 2017 adopted capital improvement budget included bond funding of \$4,631,700 in one project. This approved budget is being reallocated based on the new project structure and the remaining budget available for bond reimbursement based on the resolution (\$20,194,063).

One reprioritization that is being made is the reallocation of Sanitary Sewer Extension account funds (previously targeted for Septic to Sewer projects) to increase funding of higher priority projects (such as Sanitary Sewer Upgrades, Pump Station R&R, WPC R&R, Sanitary Sewer R&R, etc.).

The Septic to Sewer program has been demoted in priority for a number of reasons. The original feasibility study that was completed for the project, completed in January 2011, was based on a number of assumptions that over time have been shown to no longer apply.

Firstly, the feasibility study anticipated that the USEPA Numeric Nutrient Criteria (NNC) rules would be implemented. These rules would have greatly increased the level of treatment that would have been required at our wastewater treatment plants so as to remove far greater quantities of nutrients than our plants were designed to remove currently. The feasibility study anticipated that part of the increased need to reduce nutrients at our plants could be offset by credits for removing the nutrients discharged by septic tanks located in the watershed. However, subsequently, the NNC rules were never implemented due to legal challenges and the science used to justify the rules was updated such that implementation of the rules in the future is very unlikely. Staff has recently renewed the FDEP Operating Permits at all three wastewater plants and the level of nutrient removal has remained as it has been for many years. These permits will not expire for five years and staff does not anticipate any change in the nutrient removal requirements at the time of the next renewal. Therefore, one of the most compelling reasons to undertake the Septic to Sewer program is no longer valid.

Secondly, the feasibility study anticipated that at some point in time 100% of all septic tanks within a project area would annex into the City and connect to the sewer system. It was believed many residents of the unincorporated area to be served by the new sewer line would initially take advantage of the low cost to connect to the new city system (a small fraction of the actual cost of each connection) and that the remainder would connect as their septic tanks failed in the future. This would result in 100% annexation of all potential customers and the reduction of all the septic tanks (and their associated nutrient loads on the environment). This turned out to be an incorrect assumption. Only approximately 350 of the potential 500 residents in the unincorporated project area annexed (or agreed to annex when their property became contiguous) initially. Since that time, few others have annexed and requested service from the city. The Pinellas County Health Department (PCHD) is issuing permits for residents in that area to repair or replace their failing septic systems instead of requiring them to connect to the new city sewer. Staff has met with the PCHD and learned that it is Florida Health Department policy to not require those with failing septic tanks to connect to city sewer systems if the City requires the property owner to annex into the city as a condition of service. This policy creates a situation where the actual cost per connection is much higher than it was estimated to be when the feasibility study was completed. It also creates a situation where we have areas where some residents are within the city, some are not and some who now receive service are not annexed into the city because they are not contiguous even though they receive city services. These higher costs per unit served, inconsistent annexation potential and the PCHD policies regarding septic tank repair and replacement make the conclusions of the feasibility study invalid.

Staff has recently completed a phase one review of the infrastructure age, repair and replacement needs in preparation to complete formal Utility System Master Plans. The phase one review indicated that funding priorities must be shifted going forward from new facility projects to repair and replacement of aging infrastructure. This is consistent with what many other utilities in our area and across our country are finding as they also complete similar analyses. The shift or repair, renewal and replacement is consistent with systems that have components that are still serviceable but are approaching the end of their useful life. The changes in the budget accounts presented here today reflect those changing priorities.

APPROPRIATION CODE AND AMOUNT: N/A

USE OF RESERVE FUNDS: N/A