



## CITY OF WASILLA

290 E. HERNING AVE.  
WASILLA, ALASKA 99687  
PHONE: (907) 373-9050  
FAX: (907) 373-0788

COUNCIL MEMORANDUM NO. 90-16

FROM: Deputy Administrator  
DATE: February 5, 1990  
RE: Sewer Connection Charges (PILA)

Administration has been trying to develop a method for determining a fair and appropriate fee for new customers, not in the original assessment district, to connect to the sewer system. If we select a method which causes a large sum to be charged to a prospective customer, we will discourage growth of the system and perhaps of the City. We must keep in mind that new residential customers adjacent to the existing system will face an on-site construction cost of about \$6,000. If the new customer is part of a Local Improvement District, an additional main line construction cost of \$8,000 to \$10,000 (such as in Overlook Extension) is likely. However, we must begin accumulation of depreciation revenue in the form of Payments in Lieu of Assessment (PILA) to pay for future capital expansion/replacement costs.

One of the customary methods of determining the proper fee is as follows:

\$10,301,752	Cost of Sewer System Construction
- <u>200,000</u>	Gallon Capacity/Day
= 51.50	Cost per Gallon
x <u>200</u>	Gallon Average Residential Per Day
\$ 10,300	Connection Fee (PILA)

This is obviously too costly and would effectively stop growth of the system.

An alternative is to consider the treatment facility as the portion of the system that is most affected by adding customers (increased flow). If only the cost of the treatment facility is used as a basis for connection fees (PILA) the numbers are as follows:

\$3,585,372	Treatment Plant Cost
- <u>200,000</u>	Gallon Capacity/Day
= 17.92	Cost per Gallon/Day
x <u>200</u>	Average Household Gallon/Day
\$ 3,584	PILA


A third method of determining a fair and affordable cost could be by using the cost per square footage of the benefitted property, similar to the original assessment district. These costs work out to be 27¢/sq.ft. for the treatment plant and 25.5¢/sq.ft. for the collection system (excluding on site). At 27¢ per square foot, a 200 foot frontage and 150 foot deep lot (30,000 sq.ft.) would have a fee of \$8,100.

According to publications on financing and charges for wastewater systems, the net plant value is "the total investment in plant facilities less federal grants, developer contributions, and the accumulated depreciation reserve for the remaining investment". In our case the net plant value is \$750,000, the amount to be paid by locally generated revenue from the original assessment district. If we base future PILA charges on the original system assessment base of \$750,000 the numbers are as follows:

\$750,000	Cost of Construction (Net Plant Value)
- <u>200,000</u>	Gallons/Day Capacity
= \$ 3.75	Cost Per Gallon of Capacity
x <u>200</u>	Average Residential Daily Usage
\$ 750	Connection Fee (PILA)

The connection fee (PILA) should be standardized for new residential customers (Class I), and computed on individual water usage estimates for Class II customers.

Recommend that Council approve a connection fee be established by Council policy that uses \$750,000 as the net plant value and that fees be computed as described above and recommend that Administration be authorized to set up payment schedules for the PILA to assist new customers.

  
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 Robert E. Harris  
 Deputy Administrator

REH/sbh