



OFFICE OF THE TOWN MANAGER MEMORANDUM

TO: Kathleen Eagen, Town Manager
FROM: Steve Bartha, Special Projects Intern
RE: Sewer Ordinance Research Update
DATE: January 2, 2008

Goal 2.8 of the 2007-2008 Strategic Plan charges your office to “Research and make recommendations to the Town Council to update the Sewer Ordinance, including a full review of the history of sewer assessments based on municipal best practices.”

In order to achieve this goal and make recommendations to the Town Council, four areas of research needed to be complete. This memo will provide you with a final report, or an update, for each of these four research areas:

1. Review Farmington’s Current & Past Policies
2. Research “Best Practices” in Comparable CT Towns
3. Review Farmington’s “Big Picture” Issues, i.e. Future Sewer and Utility Needs
4. Identify Areas in the Sewer Ordinance in Need of Revision

In a 1997 report on municipal benefit assessment practices, the Connecticut Department of Environmental Protection (DEP) defines benefit assessments as:

...the charge a municipality or wastewater district places against a property to recover the cost of capital expenditures for the acquisition, construction, or upgrading of wastewater collection, conveyance, or treatment facilities. In simpler terms, a benefit assessment is how the costs for designing and building a sewer system (or treatment plant) are divided among the properties served.¹

Additionally, in regard to benefit assessments, the Connecticut General Statutes state that: “No assessment shall be made against any property in excess of the special benefit to accrue to such property.”²

Thus, by law, municipalities are allowed to assess property owners for the design and construction of sewer projects, but not in excess of the actual benefit accrued to their

¹ “Methods of Capital Cost Recovery on Water Pollution Control Projects: A Summary and Analysis of the 1995 Sewer Benefit Assessment Survey,” CT DEP (January 1997).

² Connecticut General Statutes: Chapter 103: Municipal Sewerage Systems

properties as a result of the new sewer. No guidelines or suggestions are made for determining the actual benefit accrued to a property.

As you may know, the Town Ordinance is silent on the Town's Benefit Assessment Policy.

1. Farmington's Current & Past Policies

Attachment A

Presents data with comments on nine Town of Farmington sewer projects, taken as a longitudinal cross-section of the total number of sewer projects undertaken by the Town. This list includes several of the Town's largest projects (such as Highlands I, Southwest Sewer IV, and Lake Garda) as well as several from each decade since the Treatment Plant was built in 1962. The following data sources were used:

- Final Sewer Assessments from the Engineering Department (1962-Present)
- Bond Sale Details from the Finance Department
- WPCA Minutes (1958-Present)
- Town Council Minutes (1958-Present)

Attachment B

Contains key excerpts from WPCA and Town Council Meeting Minutes, which provide some insight into how and why various assessment policies were set.

Constructing comparisons from these varied sources was challenging: just as no two-sewer projects are the same, neither has been the level of intergovernmental nor Town funding for sewer projects.

Key Findings:

Since 1962, the amount residents have paid in sewer benefit assessments has varied in both real dollars and as a portion of total project cost, as have the methods used to reach these assessments.

From 1962 to 1999, the nominal, or non-adjusted, amount paid by Farmington homeowners in benefit assessments has ranged from \$1,000 to \$10,000. In 2007 dollars, the real, or inflation-adjusted, amount paid by homeowners has ranged from \$3,427 to \$12,541. The average nominal benefit assessment across the nine projects analyzed for this report was \$3,172. In 2007 dollars, this average benefit assessment was \$6,909.

The estimated benefit assessment for the proposed Fairview-Orchard Project is \$24,107.

During the '60s and '70s, intergovernmental funds (grants) allowed the Town to control the benefit assessment amount paid by the individual homeowner. Today, towns like Farmington are still *eligible* for grant monies, but are largely *unreachable*, according to the CT-Department of Environmental Protection, based on need and income.

Without such grant monies, the Town is forced to makeup for their absence through either general taxation, higher sewer fees or higher benefit assessments.

The combined pressure of rising project costs and diminished intergovernmental funding contributed to the decision in January 1987 to establish the current assessment policy: 75% of project cost paid by the Benefiting Property Owners; 25% by the Town.

Conclusion:

Research has shown that it has been the Town's intent, both historically and currently, to have homeowners pay for the majority of sewer project costs. In 1987, this intent was formalized in the 75%/25% Policy. In reality, however, benefiting property owners have paid far less than that amount. Across the nine projects analyzed for this report, the average portion of project cost returned through assessment was 36%. Only one project, the 1999 Munson-Middle Road Project, has been complete using the 75%/25% Policy. The amount per homeowner for that project came to \$10,000, or \$12,541 in 2007 dollars.

2. Best Practices in Comparable CT Towns: Complete

Attachment C

Presents data with comments on Benefit Assessment Policies in other Connecticut Municipalities, similar in terms of population and median household income to Farmington. In a meeting with the CT-DEP, Sanitary Supervising Engineer Dennis Greci identified these municipalities as still actively carrying out sewer projects, which is important because some municipalities, despite having sewer systems, have not completed projects for decades.

Key Findings:

Among the nine municipalities that I contacted, no single best practice emerged. However, two patterns did emerge:

- 1) Two of the municipalities (Cheshire & Coventry) contract a real estate appraiser when a project is proposed to conduct theoretical pre- and post-sewer property valuations to approximate "benefits accrued" to the properties. These valuations are then used to determine what is a fair assessment amount.
- 2) Second, another two municipalities (Waterford & East Lyme) tie benefit assessments to a price index, adjusting a baseline assessment to present value, to ensure that homeowners pay the same assessment amount in terms of dollars.

In 2007 dollars, the average "last" (most recent) assessment across the contacted municipalities was \$8,995. This figure is slightly less than the appraised valuations determined in Cheshire, \$9,500, and Coventry, \$9,287, in 2003.

Attachment D

Presents key excerpts from a 1997 CT-DEP report titled "Methods of Capital Cost Recovery on Water Pollution Control Projects." This survey was issued to all CT municipalities and responded to by 80. This is the most recent survey that has been conducted on this issue.

Key Findings:

Based on the survey results, “extension of sanitary sewers into suburban areas today without the benefit of state or federal grant assistance often results in benefit assessments averaging \$9,000 - \$12,000, unless a portion is placed on the general tax base.”

This range is slightly higher than, but nonetheless consistent with, the assessments reported to me by the comparable municipalities.

3. Review Farmington’s “Big Picture” Issues, i.e. Future Sewer and Utility Needs: Ongoing

At the November 13, 2007 Town Council Meeting, the Town Council asked for identification and inventory of neighborhoods currently without sewer, water, gas or a combination of the three and to work with Town Staff to develop a list of priority areas. To date, with the help of Russ Arnold, Director of Public Works, I have compiled a list of 11 future sewer projects, based on the Master Plan, and listed in **Attachment E**. Presently, I am working with Development Services and the Farmington Valley Health District to identify utility (water & gas) needs as well as real or potential health issues.

I look forward to working with you and the Committee on details of this report and the process of updating the Town Ordinance.

Year	TOF Project Name	Total Properties Assessed	Total Assessments Levied	Total Project Cost	Assessment as % of Total Cost	Assessment Method for Median Residential Lot	Median Assessment**	Median Assessment (2007 Dollars)*
1962	Farmington Sewer	132	\$213,098	\$2,002,134	11%	Frontage: \$10 per foot	\$1,000	\$6,918
1965	Highlands I	145	\$171,360	\$171,360	100%	Flat \$1,179 per lot	\$1,179	\$7,820
1975	Southwest Sewer IV	19	\$94,851	\$158,376	60%	\$2,100 + \$5 per foot excess (R-20)	\$2,100	\$8,155
1977	Lake Garda	379	\$1,033,332	\$1,777,554	58%	\$2,100 + \$5 per foot excess (R-20)	\$2,100	\$7,240
1982	Southwest Sewer V	80	\$225,791	\$610,000	37%	\$2,500 + \$5 per foot excess (R-20)	\$2,500	\$5,412
1983	Middle Rd.-Cedar Heights	136	\$414,694	\$936,000	44%	\$2,500 + \$5 per foot excess (R-20)	\$2,500	\$5,244
1990	South Road	10	\$36,255	\$82,500	44%	\$3,600 + \$5 per foot excess (R-40*)	\$3,600***	\$5,754***
1995	Oakland Gardens	124	\$310,997	\$1,435,000	22%	\$2,500 + \$5 per foot excess (R-20)	\$2,500	\$3,427
1999	Munson-Middle Road	9	\$90,000	\$120,000	75%	(75% Project Cost)/ No. of Lots	\$10,000	\$12,541
			\$2,590,378	\$7,292,924	36%		\$3,172	\$6,909
* Using BLS Inflation Calculator								
2008	Orchard-Fairview Road	70	\$1,687,496	\$2,249,995	75%	(75% Project Cost)/ No. of Lots	\$24,107	\$24,107

** These figures do not include (1) interest on financing, (2) cost of improvements to lots, or (3) Town connection charge.

*** This project served lots (R-40) that were larger than those of the other analyzed projects (R-20), thus the Zone Charge of \$3,600.

- Assessment as % of Total Cost has fluctuated over the past four decades. This is attributable to a host of factors, including availability of intergovernmental funding, number of assessable properties, ground composition, need for pumping stations, rising cost of materials, etc. Historically, the policy has been to back into a dollar amount for assessments, as seen in the **Median Assessment Column** above. By tying assessments to project cost (as done in 1999 and planned in 2008), the funding burden shifts to the homeowner.
- The Method for Assessment has also varied since the completion of the Treatment Plant, from Frontage Based and Per-Lot Methods in the 1960s, to the Zone Charge used from the 1970s to the early 1990s (tied to R-20, 40, etc., zoning), to the 75%/25% Policy now used.
- Former Town Manager Steve Flis explained that early Assessment Methods, while yielding wide-ranging Total Assessment to Total Cost Ratios, generally allowed the Town to collect 70% of Net Project Costs, after intergovernmental funding was deducted from the Total Cost, e.g. Net Cost of the 1977 Lake Garda project was \$1.462 million, which brings the Assessment/Net Cost Ratio to 71%, rather than 58%.
- In 2007 dollars, TOF residents have paid between \$3,427 and \$12,541 in assessments since the inception of the Treatment Plant.

- **Intergovernmental Funding**

No complete list of the intergovernmental funds used for Town Sewer Projects exists. However through my research and by speaking with the Supervising Sanitary Engineer at the CT Department of Environmental Protection, I did learn that (1) federal monies were available to the Town for Projects during the '60s and '70s, (2) the Town was able to use these monies to reduce the costs to both individual homeowners and the Town's general population, and (3) by the early 1980s, Towns like Farmington were still *eligible* for these monies, but essentially *unreachable* based on income and need.

At a Public Hearing on January 29, 1963, former Town Manager Steve Flis discussed the impact of federal grant on a Town sewer project:

“So that you may understand our procedures a little bit, I would like to take up our financing first. In the last three years the Town is committed to spend about \$2,010,000 for sewers. We will receive \$250,000 back from the Federal Government in the form of a grant; through direct assessments - \$385,000... This leaves a balance of \$1,325,000 to be obtained through general taxation.”¹

Fourteen years later, Steve Flis explained how intergovernmental funding factored into project financing and Sewer Authority decision-making:

“Also, I would like to include this cost of \$1,777,554 [Lake Garda Project], a certain amount is going to come in federal grants. There is already an assigned grant other than the one I described to you so that the net cost to the Town is expected to be \$1,462,000. That is what the assessment is based on, which is a 70-30% ratio. What that means is that 70% is assessed back to the property owners and 30% is picked up by the general taxpayer. The Sewer Authority likes to keep these sewer projects at this ratio.”²

As these transcripts reveal, the Town was able to use intergovernmental funding to control the cost of sewers to both end users and the general population.

- **System Wide Expenses**

Historically, the Town has treated the cost of portions of sewer projects as “not returnable through assessment,”³ including trunk lines, pumping stations, and oversized pipes (to handle anticipated future needs). These portions have been paid for through general taxation.

- **Lot Based Assessment vs. Project Based Assessment**

As the table in **Attachment A** depicts, Total Assessments as % of Project Cost has varied from 11% to 100% during the past four decades. These wide variations can be attributed to two things: first, benefit assessment amounts were historically reached based on the type of lot assessed, e.g. an R-20 lot in 1975 paid a base assessment of \$2,100, and in 1983, of \$2,500; second, project cost is influenced by a variety of factors, including the number of assessable properties, the need for system-improvements (such as pumping stations), required trunk line (pipe) depth, ground composition, the increasing cost of materials, etc. As a result, the amount returned through fixed assessments could be a very small or very large portion of total cost.

In 1987, in the face of generally increasing project costs and the absence of intergovernmental funding, the Water Pollution Control Authority decided to transition from a fixed, lot based assessment formula to a project based assessment, which would allow the Town to recoup a fixed percent (75%) of the project cost, compared to the lower and varying historical average (approximately 36%):

“...due to escalating costs, the Authority approved a new rate schedule effective January, 1987 whereby those property owners benefiting will be required to pay 75% of the project costs. In addition to spiraling costs, federal and state grants are no longer available to assist in sewer construction.”⁴

This shift in policy resulted in higher assessments to property owners, as shown in Attachment A (Munson-Middle Project, 1999, and Fairview-Orchard Project, anticipated 2008).

¹ Public Hearing, Farmington Sewer Authority, January 29, 1963

² Public Hearing, Lake Garda Sewer Project, March 23, 1976

³ Sewer Authority Minutes, November 14, 1961.

⁴ Public Hearing, WPCA, June 14, 1989.

Attachment C: Best Practices

Town	Median Family Income (2005)	Population (2005)	% Sewered (Approx.)	Last Project	Last Assessment	Last Assessment (2007 Dollars)	Assessment Policy
Avon	\$101,558	16,812	50%	2004	\$6,000	\$6,676	Project Cost / No. of Homes
Cheshire	\$88,389	29,395	65%	2003	\$9,500	\$10,852	Lesser of either 80% Project Cost / No. of Homes or Appraised Value Increase
Coventry	\$71,764	12,319	25%	2007	\$12,000	\$12,000	Real Estate Appraiser calculates accrued benefits
East Lyme	\$74,022	18,610	30%	2007	\$9,500	\$9,500	Base figure of \$7,838.89 (1990) brought forward using CPI calculator
Plainville	\$52,558	17,786	90%	1992	N/A	N/A	No formal policy. Initial Assessments based on Property Acreage/ Project Sewer Shed.
Southington	\$66,654	41,367	50%	2002	\$10,373	\$12,119	(Total Cost / Total Number of Linear Feet) * Frontage (\$76.98 p/f in 2002)
Stonington	\$58,204	18,298	50%	Early 1990's	N/A	N/A	50% Town and 50% Residents (Resident share uses EDU+Lot Size+Frontage+Assessed Value)
Wallingford	\$63,973	45,309	95%	1980's	N/A	N/A	Number of Equivalent Dwelling Units on Property * PV of Original Assessment
Waterford	\$61,386	20,249	85%	2005	\$2,620	\$2,820	Base figure of \$1,000 (1970) brought forward using CCI calculator
Average	\$70,945	24,461	60%	~	\$8,332	\$8,995	
Farmington	\$74,979	24,739	80%	1999	\$10,000	\$12,541	75%/25%
				(2008)	(\$24,107)	(\$24,107)	75%/25%

- **Use of Appraisers**

Cheshire uses an appraiser to conduct a theoretical pre-sewer/post-sewer property valuation survey (of homes to be served by the new sewer) and also calculates 80% of the project cost divided by the number of homes served. The lesser of the two figures is assessed to homeowners. The appraised property value increase, \$9,500, was the assessment used for the 2003 project.

Similarly, in 2003 Coventry had an appraiser conduct a theoretical pre-sewer/post-sewer property valuation survey (of homes to be served by the new sewer) for a specific project, which came out \$9,287 per home. When the project was complete in 2007, that figure was inflated by 19% (to reflect the average market value increase between 2004 and 2006) to \$12,000.

- **Use of Price Indices**

In 1970, Waterford set its benefit assessment at \$1,000 per dwelling (regardless of structure) and now updates that figure for each project using the Construction Cost Index, as published by the Engineering News Record. In 2005, that figure was \$2,620. Waterford “views sewers as a capital improvement” and recoups, on average, 13-18% of sewer project costs through assessments.

In 2006, East Lyme undertook a \$3.5 million project serving 170 homes. The cost of the project per homeowner came out to \$20,580. The Town chose to use the Consumer Price Index to update its original assessment figure of \$7,838.89, from 1990, to 2006 dollars, which came out to \$9,500 for each property served by the project.

Attachment D: 1995 DEP Survey¹ Summary

In 1995, the Connecticut Department of Environmental Protection issued surveys to all Connecticut municipalities to determine the “what, why and how” of benefit assessment practices in the State. Eighty municipalities responded to the survey and their responses were aggregated, analyzed and published in January 1997.

Below are excerpts from this report:

Who’s doing what?

The one consistent thing that we discovered doing this survey is that there is no consistency among communities of any one method or combination of methods being used to recover capital costs from wastewater projects.

How much is the typical assessment?

Based on the results of the survey, the average benefit assessment is about \$5200. This number varies substantially with the community. Communities where the sewers were built with federal funds in the late 1970s and early 1980s will have a very low cost due to the extensive grants that were given out during that era. This resulted in a very low local cost. Conversely, extension of sanitary sewers into suburban areas today without the benefit of state or federal grant assistance often results in benefit assessments averaging \$9,000 - \$12,000, unless a portion is placed on the general tax base.

General Taxation: Many municipalities place a percentage of the total cost of a municipal wastewater project on the general tax base. Because this doesn’t always show up in the actual assessment policy, it is suspected that the number of communities that actually place a portion of the cost of a wastewater project on the tax base is much higher than what the survey data shows. One fourth of the towns responding indicated that a portion of the project cost (generally about 25%) was placed on the general tax base, although several towns placed a substantial (67% - 100%) portion of the project cost on the tax base.

The rationale for placing a portion of the cost on the general tax base varies, but may include such items as:

Quality of Life: In a number of communities, the installation or extension of sanitary sewers constitutes an improvement in the quality of life for the entire town, not just the affected residents, especially where water pollution previously had an adverse impact on the reputation of the affected area.

Future Needs: There may be properties along the sewer route which are not yet developed, but which may develop in the near future. Since the properties cannot be assessed for their future benefit, the town may choose to carry the burden until such time as the property is developed.

Directed Development: The provision of sanitary sewers to a portion of town may be used to encourage concentrated commercial development in an area suited for it, rather than scattered throughout the community. This preserves and protects other portions of town, while encouraging needed services and allowing the development of a commercial tax base.

Assistance to Disadvantaged: The town may choose to reduce or defer the benefit assessment against the property if the owner is elderly or in a low-income bracket. The town may carry the debt until the property changes hands, or forgive some or all of the debt.

Maximum Assessments: The town may set an “equitable upper limit” on the assessment on any given property. This is particularly true when dealing with low or moderate-income residential areas. Project costs beyond that limit are borne by the town as a whole.

Community Responsibility: As mentioned in the introduction, many town projects (schools, roads, senior centers, etc.) are funded through the town’s general tax base, because they are seen as a general improvement to the town, even though they don’t necessarily serve every person in the town. Some towns in the state view water pollution control as being in the same category.

¹ “Methods of Capital Cost Recovery on Water Pollution Control Projects: A Summary and Analysis of the 1995 Sewer Benefit Assessment Survey,” Connecticut Department of Environmental Protection (January 1997).

Attachment E: Future Needs (Incomplete)

When complete, this table (and a corresponding map) will identify possible Future Sewer Projects in Farmington, the existence or absence of other utilities within the scope of these projects, as well as real or potential health risks as identified by the Farmington Valley Health District.

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
Plainville Ave from approximately Coppermine to Morea	1	Coppermine Road	No			
		Plainville Ave	No		Yes	Yes
		Twin Ponds	No			

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
Fairview-Orchard Project	2	Fairview Drive	No		No	No
		Orchard Road	No		No	No
		Elon Drive	No		No	No

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
Area near the intersection of Red Oak Hill and New Britain Ave	3	Apple Tree Lane	No			
		Carriage Drive	No			
		Coppermine Rd	No			
		Indian Hill	No			
		Meadow Lane	No			
		Meadow Road	No			
		New Britain Ave	No			
		Penfield Place	No			
		Red Oak Hill Road	No			
		Rocky Ridge Lane	No			
		Trotters Glenn	No			
		White Circle	No			

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
Forest Hills-South Ridge-Pinnacle (near Plainville)	4	Forest Hills Road	No			
		South Ridge	No			
		Hawthorne	No			
		Barberry	No			
		Pinnacle Road	No			
		Suncrest Lane	No			

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
Main & Hotchkiss	5	Main Street	No			
		Hitchkiss Road	No			

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
Reservoir-Dunham-Diamond Glenn-Mountain	6	Reservoir Road	No			
		Dunham Lane	No			
		Diamond Glenn	No			
		Hilltop Road	No			
		Poplar Hill Drive	No			
		Mountain Road	No			

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
Woodpond-Ridgeview-Woodruff	7	Woodpond Road	No		Yes	
		Woodruff Road	No		No	
		Ridgeview Road	No		No	
		Helm Drive	No			
		Shady Lane	No			
		Blue Ridge Drive	No			

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
Girard-Town Farm	8	Town Farm Road	No			
		Girard Ave	No			

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
Taine Mountain	9	Taine Mountain Road	No			
		River Road	No			
		Hendrickson Lane	No			

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
West Avon-Keyes	10	West Avon Road	No			
		Keyes Street	No			
		Chaucer Court	No			

Project Description	Map No.	Road(s)	Sewer	Health	Water	Gas
Edgewood-Progress-Extension	11	Edgewood Street	No			
		Progress Street	No			
		Extension Street	No			
		Sylvan Avenue	No			