

Municipal Corporation of Cape Charles Water and Sewer Connection Charges

On June 12, 2007, the Cape Charles Town Council increased the cost to make a new connection to the water and sewer services. The increase is associated with the “facility fee” component of the overall connection charge. This increase was required to provide the funds to expand our facilities sufficiently to cover our expected growth. By taking this step now, Council has chosen to spread the burden over all new users anticipated in our system. Delay would reduce the number of new users available to absorb the cost of facility expansion and therefore increase even further the cost to the remaining new users or to existing customers.

Currently the projections from the facility fee will provide \$18.0M Net Present Value for capital improvements to our systems over the next 25 years. To arrive at this number, there are assumptions as to the total remaining residences (3568) and commercial structures (1642 residential equivalents) to be built within the boundaries of the town over the next 25 years. There are also assumptions on the timing of those additional units and the availability of grants to partially offset the cost. The capital investment includes developing new water sources, new water plant, a new sewer plant, solving inflow and infiltration problems, all within the next five years. There is also an assumption of modest additional capital requirements over the remaining 20 years. While all of these costs are also estimates, historical experience would indicate that the eventual costs are unlikely to be less than the current estimates.

Periodically, the Town will need to revisit both the projected costs for our required infrastructure and the realization of expected facility fees. Timing of both the expenditures and the receipt of facility fee revenue could significantly impact the results and suggest periodic adjustment to the fee to match the infrastructure needs.

The new connection charge totals \$10,047 for a residence effective July 1, 2007. This compares favorably with the average connection charge for localities with less than 5,000 equivalent residential connections within the state of Virginia.

The final formula adopted for commercial connections did not change the percentage factor used as a multiplier for equivalent residential connections. It remains at the 10% that has been used since 2004. The base has changed reflecting the increase in the residential fees.

To continue to encourage rehabilitation of our existing commercial structures, the new rates will not apply to any building that will be approved for the rehabilitation tax credit.