

Task Force on Consolidation - JEA

1. What commitment, if any, exists on the part of the City of Jacksonville or JEA to fund water or sewer infrastructure to areas where issues may exist with the quality of well service or in areas with failing septic tanks?

I. Summary

Neither the City nor JEA is committed to fund water infrastructure to areas where issues exist with the quality of well service. For existing neighborhoods permitted for development based on well water and septic tank utilization the costs associated with installing water infrastructure is the responsibility of the users benefiting from the conversion. *The office of OGC is reviewing the requirement that may exist if an area has a designation of nuisance verses failure in reference to the state of septic tanks in the neighborhood.*

II. Before Consolidation.

The majority of central water and sewer services were within the old City limits or urban core before consolidation. Many citizens believe that Consolidation was partly sold based on the promise to receive central services in the expanded municipal limits. Within the written consolidation history in Blueprint (footnote), there is discussion that the new government could bring more central services to greater areas of the county with the exception of the municipalities that were excluded at Consolidation (the three beaches and Baldwin). While there was discussion in the pre-consolidation studies, there is no specific requirement within the Charter for the City to provide such services at cost to the City.

III. Post Consolidation.

A. City of Jacksonville - The Public Utilities department of the City of Jacksonville operated the water and sewer utility as an enterprise fund prior to 1997. Public Utilities generally underfunded renewals and replacements in the utility because its rates did not provide adequate funding to proactively upgrade the system. When the City did undertake capital water and/or sewer infill projects, the funding came from the general fund, not from revenues generated by the utility operations. This is an important point because it demonstrates that the utility revenues were needed to fund the on-going utility operations and did not provide enough to fund new water and sewer expansion or infill capital projects. (Fact check) The City did fund infill water and sewer projects in existing urban core neighborhoods, primarily through Septic tank superfund ordinance (87-485-660), Community Development Block Grants funding and additional bond funding in the River City Renaissance (fact check).

In July of 1997 JEA acquired the water and sewer systems from the City. The system transfer also provided for an increase in the annual contribution from JEA to the City from JEA's water and sewer revenues. It was acknowledged that JEA's existing water and sewer utility rates did not cover the expansion of water and sewer lines into existing areas of existing development where such public utility lines are not currently available and could not be done without inequitable burden on existing ratepayers. Over the next several years, JEA upgraded much of the existing water and sewer system. Between 1997 and 2007 \$2 billion were invested in the water and sewer system to improve deteriorating infrastructure and drastically reduce waste water pollutants. Improvements were conducted by replacing or rehabilitating water and sewer lines,

upgrading plants, enhancing the distribution system, and, early on, continuing the City's practice of systematically acquiring private water and sewer systems with the goal that citizens would have uniform service and rates.

In 1999, there was a septic tank superfund ordinance that outlined the City's responsibility to fund septic tank phase out in neighborhoods that were ranked by the City and Health Department as "septic tank nuisance" areas. These areas were in contrast to septic tank failure areas. The idea was that some areas were at a higher level of failure or "nuisance" to the environment. The ordinance obligated the City to fund the installation of central systems for those areas that were identified as nuisance areas. The ordinance also discussed that if other neighborhoods were "failure" areas, it was the option of the property owners to fund installation of central systems, not a City obligation. At the time of the ordinance, several neighborhoods were categorized as "nuisance areas". Neighborhoods not reaching the "nuisance" threshold would be classified as "failure areas" but would continue to be assessed and ranked in future years. The Better Jacksonville Plan ("BJP") funded the phase out of six neighborhoods that were initially ranked as "nuisance areas".

In early 2000, the City undertook a study to look at funding of septic tank phase out. At the time, aside from the City funded BJP nuisance area phase outs, there was no option for property owners to get on central sewer systems except for individually funding the cost in advance of construction. In 2003 the Water Sewer Expansion Authority was created.

B. Water Sewer Expansion Authority (WSEA): Older neighborhood developers chose not to install water or sewer infrastructure as those neighborhoods developed. The WSEA was established to allow an opportunity for property owners in those neighborhoods to finance water and/or sewer infrastructure in their neighborhoods on a voluntary basis. The WSEA was not sufficiently funded nor was it meant to provide infrastructure at no cost to property owners or at the cost of the City or JEA.

In new neighborhoods, developers install the infrastructure and include or pass those costs to the new home buyers. The City rates when it managed the water and sewer utility and JEA's current water and sewer rates do not include money to build new neighborhood infrastructure. However, in stead of funding resources the WSEA was allowed to draw from JEA and other City agencies for expertise in areas such as engineering, construction, financing, communications, operations and maintenance and billing, to create efficiencies, minimize staff and maximize financial economies of scale.

Initially, the WSEA, through start up funding contributed by the City, subsidized or cost participated up to 30% of the cost of the main infrastructure in the public rights of way for voluntary residential neighborhood projects. This meant property owners could borrow 100% of the project cost and be required to repay only 70% of the costs for the main infrastructure. Generally residents and customers of the WSEA were required to pay for all costs associated with connecting to the system. The project cost participation was available so long as funding was available.

The WSEA was initially funded by seed money from the City for capital projects and JEA paid for the WSEA's annual operation and maintenance budget. The WSEA also began developing funding sources to cover the investments associated with additional

projects but had limited success given the scarcity of other funding mechanisms. Options pursued and in some cases achieved included state and federal grants, federal appropriations, low interest rate loans, local contributions and customer payments for new services received. Project costs varied depending on the type of system installed, the number of participants, the distance from existing utility line connections, the size of properties, and the amount of participation, if any, from the WSEA or environmental grant participation. Example: (monthly payments financed for 30 years at 6%)

Sewer System Construction Cost	\$360,000
Number of Participants (30)	
Cost per participant	\$ 12,000
Less WSEA participation (30%)	<u>- 4,000</u>
Owner cost for system	\$ 8,000
Plus average connection costs	<u>5,000</u>
Total estimated costs	\$ 13,000

In 2011 the City Council determined that the City of Jacksonville would be better served by consolidating the responsibilities of the WSEA within the City and JEA. The City of Jacksonville received all interests in mortgages, leases and other interests established through making of loans, as well as undisbursed funds from grants, and payments collected by JEA from recipients of WSEA issued loans. JEA received all real property easements and physical assets, such as pipes, manholes, meters and related items. In a Memorandum of Agreement between the City and JEA, JEA retained responsibility for the collection of payment on outstanding WSEA customer loans. The City holds executive and managerial responsibilities associated with the former program.

C. Post WSEA: JEA and the City have become the point of contact for the implementation of voluntary water and sewer expansion. Inquiries generally begin with discussions about septic tank removal. JEA welcomes the opportunity to connect additional homeowners to our system, however, funding for phasing out existing septic systems is not included in JEA's rate structure so funding for expansion continues to be a barrier. Typically, homeowners or developers incur the cost to bring central systems to areas currently on septic systems or wells. With respect to failing septic tanks neither the City nor JEA is committed or obligated to fund infrastructure to areas where issues exist with the quality of well service or sewer [See my comment in your section I]. Presently, for existing neighborhoods permitted for development based on well water and septic tank utilization the costs associated with installing water infrastructure is the responsibility of the users benefiting from the conversion. *The office of OGC is reviewing the requirement that may exist if an area has a designation of nuisance verses failure in reference to the state of septic tanks in the neighborhood.*

D. JEA's Support: The City established a program to reduce pollution from septic systems proximate to water bodies throughout the JEA water and sewer service territory. The program seeks to meet certain total maximum daily loading requirements (TMDL) and Tributary Remediation as required by the State of Florida. The City provides regular funding for such sewer projects through the Utility Trust Fund, other internal sources as made available and from outside funding such as grants secured by the City. The City designated the City's Stormwater Management Utility to programmatically support septic tank phase out actions for the program to include prioritization and selection of sewer projects.

JEA has agreed through various mechanisms to participate in limited portions of the program, including, for specific sewer projects, providing for engineering design services, construction project management services, and associated JEA internal support services on those TMDL and Tributary Remediation purpose projects funded with capital dollars provided directly by the City, with a JEA annual cap on a fiscal year basis not to exceed one million dollars (\$1,000,000). Additionally, in those sewer projects where the City undertakes to meet its TMDL and Tributary Remediation obligations, and where the City provides capital funding or obtains grants to fund the capital components for construction of new sewer systems in existing developed neighborhoods and for those other projects where the City pays for the customer side connection costs out of project funding, JEA has agreed to fund sewer capacity fees only from its Environmental Fund, with an annual cap on such funding not to exceed \$650,000 dollars.

When JEA receives an inquiry on septic tank failures or water or sewer expansion the following actions are taken with the customer:

- Obtain the customers address to determine closest location of water/sewer system.
- Reference customer to COJ to determine qualification for Utility Tap-In Program (UTIP) help to replace septic tank.
- Call PublicWorks/Environmental Quality Division to determine if customer area is on a list for future STPO project.

JEA is also finalizing a bill language to present to COJ Council to offer a special assessment option to neighborhoods that choose to voluntarily install central water or sewer systems that will allow possible access to a loan repayment plan via special non ad valorem tax assessment.