

# MEMORANDUM

**TO:** CHATTANOOGA CITY COUNCIL MEMBERS  
**FROM:** Bill Raines  
**RE:** CHATTANOOGA WATER QUALITY FEES  
**DATE:** March 15, 2010

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Briefly, these are the current proposals:

ADMINISTRATION	2010	2011	2012	2013	2014
Residential	\$9.60	\$9.60	\$9.60	\$9.60	\$9.60
Non residential	\$6.50	\$7.25	\$8.00	\$8.75	\$9.60
Credits are capped at 50%					
<b>BLUE RIBBON COMMITTEE</b>					
Residential	<del>\$9.50</del> <i>\$9.60</i>	\$8.50	\$8.50	\$8.50	\$8.50
Nonresidential	\$5.00	\$5.25	\$5.50	\$5.75	\$6.00
Credits are capped at 75%					

The following information is provided for your deliberation for a final decision:

1. The current Fiscal year ends 30 June 2010. There is not enough time to spend the increase of funds this year properly.
2. There are possible "reductions" in the Administration's Budget:
  - a. From the \$5.6 million delinquent fees excluding the governmental fees (45%), if 10% were collected of the remaining \$3 million an additional \$300,000 would be realized.
  - b. From the newly annexed areas, if not this year, there are approximately 3000 residences whose fees would add \$345,000 of revenue.
  - c. The 4% uncollectible rate is higher than the consultants rate of 1%.
  - d. The 4% inflation rate is high versus the most recent and current rates in the 2% range.
  - e. What do the \$1.3 – 2.3 million "Capital/Transfers out" relate to?
  - f. Many unanswered questions relate to the Debt Coverage Ratio: why so high (40%); why each year; how is the money used, saved, etc.?

There are many reasons why a much-reduced first two years rate should be considered:

1. The community is in a serious Recession and was given no forewarning for planning/savings.
2. More time would allow the Economy to recover.
3. There are too many variables that are new and unknown. More time would allow validation of assumptions.
4. Additional time would allow the Council to review how Nashville and Memphis have tiered and truncated systems.
5. The increase recommended by the Blue Ribbon Committee allows an increase, allows \$4.1 million to remain in the General Funding to lessen the pressure for a tax increase and demonstrates "Good Faith" to EPA, DOC and TDEC.

Other factors for a lower rate:

1. The nine largest Tennessee municipalities have an average rate of \$3.31 per ERU.
2. The highest rate per the 2007 Southeast Stormwater Utility Survey was Charleston at \$6.00 per ERU. (Charlotte \$5.15; Greenville \$2.85; Spartanburg County \$4.00; were some of the highest) We are competing with these cities for JOBS.
3. Increased rates, need increased Credits.

In closing, the Blue Ribbon Committee was asked to look for ideas for a sound, compassionate and business-like recommendation. I feel we have met your request.