REQUEST FOR BOARD ACTION

ITEM NO. 9.

DATE OF REQUEST: January 12, 2009

REQUESTED BY: Michael G. Mack, Utilities Director, PCU

SHORT TITLE: Resolution to Consider Establishing the Rocky Point-Topsail Water and Sewer District Connection Fee Hardship Payment Plan

BACKGROUND: At the December 1, 2008 Board of County Commissioners meeting, Pender County Utilities (PCU) was requested to present options for a Connection Fee Hardship Payment Plan for the Rocky Point-Topsail Water & Sewer District and bring back a plan at the next meeting based on the feedback of the Board.

In order to better determine the extent of financial hardship that may exist in Pender County, PCU staff collected U.S Census Bureau data from 2004 (the latest available). The data revealed that Pender County has the 3rd lowest percentage of its population "below poverty" compared to the 7 surrounding Counties and is only .4% below the North Carolina State-wide average.

2004	Columbus	Bladen	Duplin	Sampson	Onslow	Pender	New Hanover	Brunswick
Persons below poverty (%)	21.1	20.2	17.9	17.5	15.8	14.2	13.9	13.2

U.S. Census Bureau – State & County Quickfacts - 2004

PCU also surveyed several of the local County, Municipal, and/or Authority water purveyors requesting information about their connection requirements, rate structures, and payment plan options. 9 of the 11 purveyors contacted charge some form of Tap, Capacity, or System Development Fee at the time of application. Of those 9 entities, 6 offered no payment or

financing options and 3 were found to offer a payment plan; but all 3 required the Tap Fee to be paid in full prior to tap installation.

The proposed Rocky Point-Topsail Connection Fee Hardship Payment Plan is for water system residential customers only with the purpose of assisting those that cannot afford to pay the Capacity, Tap, and Inspection Fees at the time of application and those with documented hardships a more affordable option to connect to the water system. Currently, the Capacity Fee for a standard residential ¾" water service is $1,440.00 ($4.00 per gallon/360 gallon minimum). The Tap Fee is $850.00 and the required Inspection Fee is $25.00 for a total of $2,315.00 at the time of application.

The Connection Fee Hardship Payment Plan will be made available to **residential property owners** in Pender County (excluding developers, building contractors, and new construction) who provide a documented "Letter of Hardship" from the Pender County Department of Social Services verifying the applicant qualifies under U.S. Department of Housing and Urban Development guidelines for the Low to Moderate income classification in Pender County. The 2008 Median Income for a 4-person household is $49,400.

Income Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Median	$34,600	$39,500	$44,500	$49,400	$53,400	$57,300	$61,300	$65,200
Low	$27,650	$31,600	$35,550	$39,500	$42,650	$45,800	$49,000	$52,150
Moderate	$33,150	$37,100	$41,050	$45,000	$48,150	$51,300	$54,500	$57,650

Once the applicant submits a Letter of Hardship from the Pender County Department of Social Services and a completed *Connection Fee Hardship Application Form*, they will be eligible for a no-interest payment and financing plan.

PCU will provide 12 months interest free to make partial payments of $72.92 per month towards the Tap Fee of $850.00 and Inspection Fee of $25.00. Upon payment in full of the $875.00, the water tap will be installed and water service can begin. The pre-payment of the Tap and Inspection Fee prior to installation allows PCU to recover the actual cost of the tap and reduces the risk of default for all the ratepayers of the RPTWSD.

Once the Tap and Inspection Fees are paid, the applicant may finance the Capacity Fee amount of $1,440.00 interest free in 36 equal monthly payments of $40.00 **in addition** to their regular water bill each month. There is a 3-year statute of limitation on the collection of debt associated with a contract (PCU Application Agreement), thereby, limiting the maximum length of the finance period. However, the applicant may pay off the balance at any time without penalty.

	Amount of Payment	Number of Months	Total of Payments
Tap & Inspection Fee	$72.92	12	$875.00
Capacity Fee	$40.00	36	$1,440.00

In the event the applicant defaults in the payment of the financed amount **and/or** their regular water bill, it is understood that water service shall be suspended until all arrears are paid in full, plus any applicable reconnection service charges.

The advantages of providing a Connection Fee Hardship Payment Plan are to provide an affordable option for water service to those meeting enduring a financial hardship; create additional revenue from water sales and Community Goodwill. However, there are disadvantages staff requests the Board consider. There is a risk of default on the account if the resident sells/moves; staff has no collection personnel; inequity to current ratepayers who paid in full up front; standard utility enterprise fund practice is payment in full; delays the departmental and Capital Projects cash flow; presents difficulty in budgeting projected revenues; and creates an additional logistics burden on staff of PCU and DSS office staff.

PCU is highly concerned about the disadvantages listed above and requests the Board exercise caution in considering the impacts of this plan. In addition, staff requests that if implemented, the plan be monitored and revaluated after one year.

SPECIFIC ACTION REQUESTED: Consider the Resolution establishing the Rocky Point-Topsail Water and Sewer District Connection Fee Hardship Payment Plan.

COUNTY MANAGER'S RECOMMENDATION

I respectfully recommend approval of the proposed payment plan, however cautiously, with concern for the disadvantages listed, but primarily for the potential negative impact on enterprise fund revenues and collections. I suggest the plan be monitored closely and evaluated after one year.

RB
Initial

RESOLUTION

NOW, THEREFORE BE IT RESOLVED by the Pender County Board of Commissioners that:

the Rocky Point-Topsail Water and Sewer District Connection Fee Hardship Payment Plan is hereby established effective the date of this resolution. The Chairman and/or County Manager are authorized to execute any documents necessary to implement this resolution.

AMENDMENTS:

MOVED_____ SECONDED_____

APPROVED_____ DENIED_____UNANIMOUS

YEA VOTES: Tate___ Brown ___ Blanchard ___ Rivenbark ___ Williams ___

_____ 1/21/09
Jimmy T. Tate, Chairman Date

_____ 1/21/09
ATTEST Date