



STAFF REPORT

AGENDA ITEM #: 17-143
COUNCIL MTG OF: October 17, 2017
FROM: David Caron, Town Administrator
OFFERED BY: Michael Fowler, Public Works Director
PREPARED BY: T. Carrier, Public Works Deputy Director
SUBJECT: Municipal Water Betterment Assessment Policy

PURPOSE

The purpose of this document is to request review and approval by the Town Council of a Water Betterment Assessment Policy.

TOWN ADMINISTRATOR COMMENTS – The Council is encouraged to adopt Resolution #2017-071

BACKGROUND

Since 1987, the Town of Derry has applied betterment assessments against properties throughout Derry to offset the capital costs to extend public water and sewer. The calculation and billing of these assessments has varied throughout the years. To provide some direction and consistency, the Town Council, in 2007, adopted a Sewer Betterment Assessment Policy. The policy, while not binding, was to provide a basis for how sewer betterments would be calculated and billed. The intent was to promote sewer extensions to areas identified in the Master Plan as in need of sewer by making it affordable to the abutters who, in many cases, would be required by ordinance to connect to the new sewers.

Whereas the Sewer Betterment policy provides financing options for sewer assessments, the Council has not adopted such a policy for financing water betterment assessments. To date, the Council has approved 3 water betterment assessments: Scobie Pond in 1987, Tsienneto Rd. in 1999, and most recently in 2015, Route 28. The Council has permitted financing of the Scobie assessment over 40 years at 6.067 % and Tsienneto Rd for 15 years at 7.0%. The Council has not set financing terms for the Route 28 Water Improvements project.

DISCUSSION

A request was made to the Town Council to finance the Route 28 Water Assessment (Zone 3) which was set at \$2,900 per residential living unit or commercially zoned acre. The Council directed staff to prepare a policy, consistent with the Sewer Betterment Policy, to provide consistency and guidance in approving betterment assessments and financing options. A copy of the Water Betterment Policy is attached for Council review and adoption. It has been reviewed by the Town's legal counsel.

It is important to stress that this policy is intended to provide guidance and is not an ordinance. Individual assessments and financing terms must still be formally adopted by the Town Council on a project by project basis.

If the Council approves the Water Betterment Policy, it is recommended that the policy be applied to the 2015 Route 28 Zone 3 Betterment Assessments approved by the Town Council for properties not yet permitted for connection.

FISCAL IMPACT

The intent of the policy is to promote affordable connections to the water system thereby increasing revenues to the Water Division which will help to offset the project cost and stabilize rates. The precise fiscal impact will depend on the specific terms of financing and may vary for each project.

RECOMMENDED ACTION BY COUNCIL

It is recommended that the Council adopt the Municipal Water Betterment Assessment Policy as presented. It is further recommended that the Council amend its November 15, 2011 Water improvements resolution (Item 11-83) such that *“all properties in the Water System Master Plan Zone 3 improvements area (Route 28 south of Island Pond Road) shall be assessed **in accordance with the Town of Derry Municipal Water Betterment Assessment Policy** at the time of the notice of availability their calculated share of the gross costs for Zone 3 improvements.”*

RECOMMENDED MOTION

See Resolution #2017-071

Municipal Water Betterment Assessment Policy

1. Purpose:

The Town of Derry recognizes the economic, environmental and public health importance of public water to the community and has adopted a Municipal Water System Master Plan. In an effort to promote the expansion of municipal water in the Town of Derry in accordance with its Municipal Water System Master Plan, dated April 1989 (the "Master Plan"), the Town of Derry shall specially assess properties so benefited by such water extensions and may make available to its residents financing for such assessments as described in this policy. Water extensions may be constructed incrementally. Each project shall require a public hearing and an affirmative vote of the sitting Town Council. The adoption of this policy and its terms will remain in force until amended or rescinded by vote of the Town Council. This policy is intended to serve as guidance to the Town administration and future Town Councils and to establish a process, where the Council determines it to be in the public interest for affected property owners to finance the special assessments for such extensions.

2. Authority:

In accordance with Section 38:27 of the NH RSA's and Section 9.11 of the Derry Town Charter, the following Special Assessment Policy is adopted by the Town Council with respect to municipal water extensions.

3. Cost Allocation:

The Derry Town Council may, at its sole discretion and without prejudice, provide up to 20% or more of the gross costs related to the extension of its water system including engineering, easement acquisition and construction to the areas described in its vote to authorize an extension project under the Master Plan, including subsequent revisions made thereto, or to other areas where the extension of municipal water is in the interest of public health and safety. Any such cost share is extended only to the main distribution lines and service laterals within the public right of way. All costs associated with the connection of a building to the service lateral at the property line is the sole responsibility of the property owner. The remaining costs shall be assessed to all abutting properties including vacant buildable lots. The assessment formula shall be:

Residential Assessment =

Gross Project Cost / (total number of abutting residential units + total number of abutting vacant buildable lots)

Non-Residential Assessment =

Gross Project Cost / (total number of abutting acres of nonresidential lots + total number of abutting acres of vacant, buildable lots)

4. Payment Options and Financing:

If the town Council votes to allow lot owners to finance the cost of the Special Assessment, payment arrangements must be made at the time of connection to the new water mains. Payment options include:

- I. Payment in Full
- II. 1 year , 4 quarterly payments, at 0% interest
- III. For Projects funded through Capital Reserves or other existing funds invested by the Town:
 - a. 5 years, 20 quarterly payments, at a rate of interest to be determined by the Council at the time the assessment is made or.
 - b. 10 years, 40 quarterly payments, at a rate of interest to be determined by the Council at the time the assessment is made.
 - c. The minimum interest rate so established by the Council shall be the overnight interest rate earned on the Town's investment funds, recognizing that such rate is highly variable. The Council may determine that such interest rate shall be adjusted annually in the same manner as the original interest rate was set.
- IV. For Projects funded through bonds or otherwise borrowed by the Town:
 - a. 5 years, 20 quarterly payments, at the rate of the most recently issued bond or other interest rate charged to the Town for funds borrowed.
 - b. 10 years, 40 quarterly payments, at the rate of the most recently issued bond or other interest rate charged to the Town for funds borrowed

All applications shall include a \$500.00 down-payment which will be deducted from the assessment amount.

5. Notice of Assessments:

Any property with an assessment not paid in full shall have a "Notice of Assessment" recorded on the property at the Rockingham County Registry of Deeds.

6. Late Payments and Interest Charges:

In addition to the loan interest, an additional interest charge of 1.5% per month will be charged on all billed installment balances more than 30 days past due. All overdue loan installments, plus any accrued and unpaid interest, are due on demand. Any unpaid installment balances as of March 1 of each year shall be remanded to the Tax Collector and shall become a lien against the property assessed and collected in accordance with RSA 80.1 et. seq.

7. Connection Deferment:

For vacant lots and properties which choose to defer connection to the municipal water, the Special Assessment may be increased by a factor equal to the change in the Consumer Price Index for All Urban Consumers (CPI-U) as published by the United States Department of Labor, Bureau of Labor Statistics, from the date in which the original Special Assessment was approved by the Town Council to the date the application for connection is approved.

8. Nontransferable:

The obligation to pay Special Assessments is non-delegable and any such Special Assessments must be paid in full prior to the sale or transfer of title to the assessed property by the original obligee or any foreclosing mortgagee.