

Sewer User Fee Update August, 2008

Background

Prior to 2008, the net cost of providing sanitary sewer service of approximately \$7.1 million was included in the total municipal tax bill. More than \$6.0 million of this amount is paid directly to the Passaic Valley Sewerage Commission for sewerage treatment.

In 2008, as part of its ongoing efforts to apportion the costs of services based on actual usage, the City of Clifton implemented a new consumption-based sewer user fee. The rate established for 2008, \$1.39 per 100 cubic feet was based on 2006 water consumption data provided to the City by the Passaic Valley Water Commission. The total 2006 water consumption multiplied by \$1.39 was projected to generate enough revenue to provide for sanitary sewer service.

What changed?

The water consumption figures provided to the City by the Passaic Valley Water Commission for actual billing purposes in 2008 were significantly less than in 2006. The lower consumption figures meant that the rate of \$1.39 would not generate sufficient revenue to pay for sanitary sewer service.

Why the dramatic drop in water consumption?

Inquiries were made to the Passaic Valley Water Commission, various officials and the City's computer services vendor. The explanations provided were:

1. Passaic Valley creates two files per quarter, one containing gross consumption figures and a second file with "adjustments". The adjustment files were never transmitted to the City's computer vendor when the \$1.39 rate was established, resulting in a significantly higher reported consumption.
2. Passaic Valley is experiencing a decrease in water consumption overall.
3. Historically, when billing is shifted to a consumption basis, consumers tend to conserve more resulting in less consumption.

The Changes

To address this issue, the City revised the rate structure which will affect billing for the 3 remaining billing cycles in 2008:

1. There will be a single billing statement with 3 payment stubs for each of the 2nd, 3rd and 4th billing cycles. Payments will be due on October 1, November 1 and December 1. Payments received after these due dates will be subject to interest charges.* Remittance for all 3 quarters may be made in a single payment if desired.
2. A service fee of \$20.00 per quarter is charged to each user.
3. A rate of \$1.92 per 100 cubic feet of usage is billed based upon 2007 unbilled water consumption as provided by the Passaic Valley Water Commission.

Under the revised rate structure, based upon the most recent and available water consumption data from the Passaic Valley Water Commission, the revised rate structure will generate the revenue necessary to provide for sanitary sewer service.

The service fee of \$20.00 per quarter was instituted in recognition of the fact that all customers, regardless of consumption levels are connected to and utilize the sewer distribution system. The rate of \$1.92 per 100 cubic feet of usage is still based on water consumption, and individual property owners can control their sewer bill to some extent by changing their water consumption patterns. Conservation will not only reduce the individual owner's sewer bill, but lower the City's overall costs as well.

* Note that delinquent payments are subject to the same interest provisions as those in effect for property tax payments, and non-payment of sewer charges is subject to the same tax sale provisions as those of property taxes.

Will I be paying higher taxes as well as the sewer fee?

As part of its commitment to establish fairness in distributing the cost of municipal services, and recognizing that taxpayers will be responsible for the payment of the sewer user fee, ***the Mayor and Municipal Council stands by its commitment to no increase in the local portion of the tax rate in 2008.*** This does not mean that the cost of local government is not increasing. Overall, the proposed 2008 municipal budget is approximately 6.0% higher than in 2007.