

FISCAL IMPACT NOTE

Legislation No: O-2-14

First Reader Date:

04-07-14

Note Date:

05-05-14

Legislation Title: Water Service to the Chesapeake Harbour Subdivision

Description: For the purpose of authorizing and approving an agreement regarding the provision of water service to the Chesapeake Harbour Subdivision.

Analysis of Fiscal Impact: The City provides water to Chesapeake Harbour pursuant to the Water Agreement dated August 6, 1984. The Agreement states that the Owners in Chesapeake Harbour are to pay the City two (2) times the rate charged to similar City users of City water. In 2006, the City Council amended Section 16.08.050.B of the City Code, to require water customers outside of the City to pay an amount that is three (3) times the rate charged to similar City users of City water.

This legislation produces a significant negative financial impact, as it requires that the City change the water rate charged for Chesapeake Harbour effective July 1, 2014 from three (3) times the rate charged to similar City users to two (2) times such rate, as agreed to in the Water Agreement. In addition, the City shall pay to the Association the sum of Twenty-Five Thousand Dollars (\$25,000.00) as reimbursement of attorney's fees, plus the sum of all overpayments paid by the Owners in Chesapeake Harbour from July, 1 2011 to June, 1 2014. Total billing charged to Chesapeake Harbour between July 1, 2011 and June 1, 2014 was \$510,899.09. Reimbursing these residents for overpayments due to paying three (3) times the rate rather than two (2) times the rate would amount to a reimbursement of \$170,299.70. Overall, the City would be at a loss of \$195,299.70 during FY 2014, and approximately \$15,500 per quarter or \$62,000 annually in future fiscal years.