



Legislation Text

File #: ID 17-503, **Version:** 1

Agenda Information Sheet

DEPARTMENT: Utility Administration

CM/ ACM: Jon Fortune

Date: April 18, 2017

SUBJECT

Receive a report hold a discussion and give staff direction regarding fire sprinkler tap fees.

BACKGROUND

During February 14, 2017 Council session, a request was made for staff to prepare a work session item on fire sprinkler tap fees. Fire sprinkler taps are a type of water line tap fee, and are considered as a part of the water tap and meter fees used in the Water Utilities cost of service analyses. Tap fees are based on categories that include the size of the tap and whether the tap installation involves street work. The amount of each tap fee category is based on actual costs averages for installations, and are assessed as part of the Utility Fee Schedule each fiscal year. If fees deviate substantially from these averages due to specific site circumstances, the cost of service methodology indicates that the actual cost of the installation should be charged.

Prior to 1991, the Water Department charged for the installation of fire sprinkler taps like other water tap fees. During the process of changing the Fire Department's Sprinkler System Ordinance in 1991, the City Water Utility agreed to install fire sprinkler taps at no charge to the customer requesting the tap for a brief time. The reason for subsidizing this connection fee was that the City of Denton Fire Sprinkler System Ordinance was perceived to be more stringent than other fire ordinances in the area since it exceeded the requirements of the Uniform Building Code (UBC) and Uniform Fire Code (UFC) when it was introduced in 1991. In April 1991 a modification to the Tap and Loop fees section was proposed and was approved by the City Council via Ordinance 91-063. This ordinance introduced language for Fire Sprinkler Tap Fees in Section 25-8, subsection e, which states "upon written request to the Superintendent, the Utility Department shall waive installation charges for water taps exclusively dedicated to fire sprinkler systems. The Superintendent shall have sole discretion in the application of this subsection". Similar language has been included in the Utility Rate Schedule since this time.

By approximately 2000, communications between the Water Department and Denton Fire Department officials indicated that the City of Denton Fire Sprinkler System Ordinance had become generally consistent with requirements of other cities within the Dallas and Fort Worth area as regulations for other entities "caught up" with Denton's 1991 ordinance. In March 2001, the City of Denton Water Department provided a report and sought direction from the Public Utility Board regarding charging a tap fee for fire sprinkler taps. At the time, a survey of 41 cities was conducted to determine if free fire taps were provided. Twenty-one of these cities were in Texas (nine of these were in the Dallas-Fort Worth area), and the remaining 20 were distributed around

the United States. The survey results indicated that either the developer or the owner of the building paid the cost associated with the connection for a fire sprinkler system tap for all surveyed utilities. The information presented to the Public Utility Board in March 2001 was informational only, but did seek direction from the Board. Staff was unable to locate information indicating that this information was presented to Council.

Based on the recommendations of the Public Utility Board during the March 2001 meeting, staff began assessing fire tap fees for all taps in 2001, and have been collecting those fees since that time. Generally, staff charges the tap fees established in the Utility Rate Schedule each year. For circumstances involving unusual site conditions and / or Fire Department requirements related to extension of service, staff assesses a tap only fee and requests the applicant to pay the fee associated with extension of the service to the facility. Staff always attempts to minimize the fiscal impact to the applicant, but also adheres to the cost of service approach to ensure that the rest of the rate payers are not subsidizing the installation of a specific individual's fire tap and extension.

Since the information from the prior survey was quite dated, staff recently (March 2017) surveyed 19 local municipalities to determine current policies associated with fire tap fees. The municipalities surveyed were Allen, Arlington, Azle, Carrollton, Corinth, Dallas, Euless, Fort Worth, Frisco, Garland, Grand Prairie, Highland Village, Keller, Lewisville, Mansfield, McKinney, Mesquite, New Braunfels, and Plano. Eighteen of these municipalities charge for fire tap fees as a part of their regular tap fees. The City of New Braunfels requires customers to pay for the installation of the connection box, pay a tap fee to cover the City's tap cost, and pay a one-time demand charge based on the size of the service line.

Staff recommends continuing to collect Fire Tap fees as has been done since 2001. This recommendation is consistent with policies used by national and local Water service providers, and maintains the cost of service approach by ensuring the customer rate base does not subsidize individual fire sprinkler tap requests. For consistency, however, there are several components of the City of Denton's codes that need to be revised. This language was codified around the time when the 1991 Denton Fire Sprinkler System was adopted and contains references to waiving fees for fire sprinkler system taps. Although this language has remained unchanged since the early 1990s, it is important to note that the language of the Rate ordinance stating that the "installation charges may be waived by the Utility Department for a request to install taps exclusively dedicated to fire sprinkler systems" has been in place since 1992, and since the rate ordinance is adopted each year it is considered the controlling ordinance language regarding fire tap installations. For consistency and clarity, staff recommends removing the language regarding waiving fire tap fees from other sections of Denton code. Specifically, staff recommends revising Section 26-126.1 of the Denton Code of Ordinances (Utilities) to delete references to waiving of fees for fire sprinkler system taps. Staff also recommends removing the language in the Water Line Tap and Meter Fee section of the Utility Rate Schedule that states "the installation charges may be waived by the Utility Department for a request to install taps exclusively dedicated to fire sprinkler systems".

OPTIONS

1. Direct staff to take actions to delete references to waiving fees for fire sprinkler system taps in Section 26-126.1 of the Denton Code of Ordinances and remove the language from the Water Line Tap and Meter Fee section of the Utility Rate Schedule stating "the installation charges may be waived by the Utility Department for a request to install taps exclusively dedicated to fire sprinkler systems". These revisions will be taken to the Public Utility Board for recommendation, and then brought forward for Council approval.

2. Direct staff to take other action.

FISCAL INFORMATION

This is a variable cost related to development activity. In 2015, total fees collected were \$35,500, and 2016 fees are estimated at approximately \$40,800.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Public Infrastructure

Related Goal: 2.3 Promote superior utility services and facilities

EXHIBITS

1. Fire Sprinkler Tap presentation

Respectfully submitted:
Jon Fortune
Assistant City Manager, Utilities

Prepared by:
Kenneth Banks
Director of utilities