IMPACT FEES – PART 2
IMPACT FEE FINANCIAL PRESENTATION

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AGENDA

- Background
- Definitions & Types of Impact Fees & Process Overview
- Water: Equity Buy In & Incremental
- Sewer: Equity Buy-In & Incremental (total investment)
- Project Schedule
- Sewer: Incremental Cost (current work)
- Recommendations & Timeline Moving Forward

BACKGROUND

- Current impact fees determined based upon water meter size (both City customers and non-City residents).
- Meter size is not an equitable capture of the impacts to the system based upon wastewater flow received in the collection system and water reclamation facility and the level of required treatment.
- How do we **accurately** and **equitably** predict the impact to the system?
- Impact fees not increased in 13-years.

IMPACT FEE - DEFINITION

- A contribution of capital toward existing or planned future plant facilities necessary to meet the service needs of new customers to which such fees apply.
- Two methods used to determine the amount of these charges are the buy-in method and the incremental-cost pricing method.
- Charges are intended to provide funds to be used to finance all or part of capital improvements necessary to serve new customers.

*AWWA's, Principles of Water Rates, Fees and Charges, p328

IMPACT FEES - TYPES

- Equity (Buy-In) Method – this approach This approach attempts to assess new customers a fee to approximate the equity position of current customers. (AWWA M-1, p199)
  - This approach was used on the water distribution and sewer collection system.
- Incremental Cost Method – assigns new development the incremental cost of system expansion needed to serve the new development. (AWWA M-1, p202)
  - This approach was used on the Water Treatment Plant expansion and the Water Reclamation Facility expansion (Claude Yates Dr).

PROCESS OVERVIEW FOR CALCULATING IMPACT FEES

- Develop Single Family Unit Equivalent
- Equity Buy-In – determine existing customer's "equity" position in the distribution or collection system
- Equity Buy-In – calculate the average cost per SFUE on the existing distribution and collection system.
- Incremental Cost – determine projected capacity expansion related investments at the WTP and WRF.
- Incremental Cost – calculate the average cost per SFUE on the expanded treatment facilities for both water and wastewater.
- Both approaches are added together for water and again for sewer to arrive at the calculated Impact Fee for each system.

WATER

WATER – EQUITY BUY-IN (DEVELOPMENT OF SFUE)

EQUITY (BUY-IN) METHOD

	12 Mos Ended 9/30/2019
Annual Residential Billings	199,330
Monthly Usage/Residential Customer (350 Gals/day)	10,646
Annual Usage/Residential Customer (350 Gals/day)	127,750
Residential Class Code Capacity (Gals)	2,122,033,958
Actual Non-Residential Class Usage (Gals)	445,005,381
Total Design Based Capacity	2,567,039,339
Single Family Unit Equivalent (SFUE) (Total Design Capacity/Annual Usage/Residential Customer)	**20,094**

WATER – DETERMINE CUSTOMERS INVESTMENT IN EXISTING DISTRIBUTION SYSTEM

EQUITY (BUY-IN) METHOD

	FY 2019
Distribution Plant Valuation	$ 59,575,401
Less: Contributed Capital	$ 19,918,384
Less: Distribution Bonds/Grants	$ 2,639,704
Current Investment in Distribution Plant	**$ 37,017,313**

WATER – CALCULATE AVERAGE INVESTMENT/SFUE IN EXISTING DISTRIBUTION SYSTEM

EQUITY (BUY-IN) METHOD

	FY 2019
Distribution Plant Valuation	$ 59,575,401
Less: Contributed Capital	$ 19,918,384
Less: Distribution Bonds/Grants	$ 2,639,704
Current Investment in Distribution Plant	$ 37,017,313
Average Cost/SFUE (Dist. Plant Investment/SFUE)	**$ 1,842**

WATER – INCREMENTAL COST

INCREMENTAL COST METHOD	
Capacity Investment	
Projected Treatment Capacity Investment	$ 2,545,582
Projected Additional Capacity (500,000/day)	182,500,000
Annual Usage/Customer (Gals)	127,750
Percentage of Capacity	0.070000%
Average Cost/SFUE	**$ 1,782**

WATER – HYBRID RESULTS

HYBRID CONSOLIDATION	
Equity (Buy-In) Method - Distribution	$ 1,842
Incremental Cost - Treatment	$ 1,782
Hybrid Approach - Cost per SFUE	**$ 3,624**

WATER HYBRID CALCULATION (EQUITY BUY-IN + INCREMENTAL COST)

- Equity Buy-In Method = $1,842
- Incremental Method = $1,782
- **PROPOSED TOTAL = $3,624 per SFUE**
- Current Impact Fee = $2,089
- **Change = + $1,535**

SEWER

SEWER – EQUITY BUY-IN (DEVELOPMENT OF SFUE)

EQUITY (BUY-IN) METHOD

	12 Mos Ended 9/30/2019
Annual Residential Billings	283,476
Monthly Usage/Customer (350 Gals/day)	10,646
Annual Usage/Customer (350 Gals/day)	127,750
Residential Class Code Capacity (Gals)	3,017,838,250
Actual Non-Residential Class Usage	870,109,582
Total Design Based Capacity	3,887,947,832
Single Family Unit Equivalent (SFUE) (Total Design Capacity/Annual Usage/Residential Customer)	**30,434**

SEWER – DETERMINE CUSTOMERS IN EXISTING COLLECTION SYSTEM

EQUITY (BUY-IN) METHOD

	FY 2019
Collection Plant Valuation	$ 156,078,134
Less: Contributed Capital	$ 73,891,602
Less: Collection Bonds/Grants	$ 9,413,088
Current Investment in Collection Plant	**$ 72,773,444**

SEWER – CALCULATE AVERAGE INVESTMENT/SFUE IN EXISTING SYSTEM

Single Family Unit Equivalent (SFUE) (Total Design Capacity/Annual Usage/Residential Customer)		30,434

	FY 2019	
Collection Plant Valuation	$	156,078,134
Less: Contributed Capital	$	73,891,602
Less: Collection Bonds/Grants	$	9,413,088
Current Investment in Collection Plant	$	72,773,444
Average Cost/SFUE (Coll. Plant Investment/SFUE)	**$**	**2,391**

SEWER – INCREMENTAL COST (CLAUDE YATES FACILITY)

- Additional capacity = 4 MGD
- Cost = $33 M plus interest costs @ 1.47% for 30 yrs

INCREMENTAL COST METHOD		
Capacity - North Plant		
Projected Treatment Investment	$	40,829,262
Projected Additional Capacity (4 MGD)		1,460,000,000
Annual Usage/Customer (Gals)		127,750
Percentage of Capacity		0.008750%
Average Cost/SFUE	**$**	**3,573**

SEWER – INCREMENTAL COST (SE CLEAN WATER FACILITY)

- Cost include (8 MGD facility) – Total Investment:
  - Current Southeast Wastewater Capacity Evaluation PSA (engineering – Hazen, $3.64M)
  - Pilot plant construction cost (construction – TBD, $3.58M)
  - Anticipated design cost for SE Clean Water Facility (engineering – TBD, $10M)
  - Anticipated construction inspection cost for SE Clean Water Facility (inspection – TBD, $12M)
  - Anticipated construction cost for SE Clean Water Facility (construction – TBD, $150M)
  - Anticipated interest cost for SE Clean Water Facility (bond – 3.5% for 30 years)

INCREMENTAL COST METHOD	
South Plant Capacity - 8 MGD	
Projected Treatment Investment	$ 289,683,932
Projected Additional Capacity (8 MGD)	2,920,000,000
Annual Usage/Customer (Gals)	127,750
Percentage of Capacity	0.004375%
Average Cost/SFUE	**$ 12,674**

SEWER – HYBRID RESULTS (TOTAL INVESTMENT)

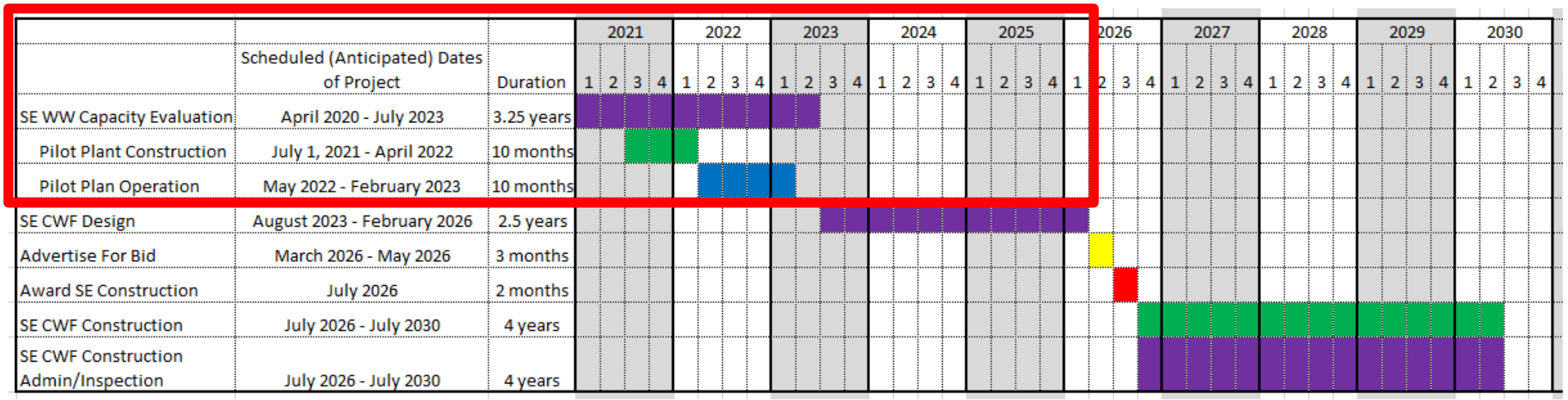
- Equity (Buy-In) Method – Collection = $2,391
- Capacity – Claude Yates Facility = $3,573
- Southeast Clean Water Facility = $12,674
- **IMPACT FEE (TOTAL INVESTMENT) = $18,638 per SFUE**

- Current Impact Fee = $3,544

- **Change = + $15,094**

- *Impact fees related to current treatment project and future treatment project total $16,247 (87% of total fee)

SE WASTEWATER CAPACITY - TIMELINE



	Scheduled (Anticipated) Dates of Project	Duration
SE WW Capacity Evaluation	April 2020 - July 2023	3.25 years
Pilot Plant Construction	July 1, 2021 - April 2022	10 months
Pilot Plan Operation	May 2022 - February 2023	10 months
SE CWF Design	August 2023 - February 2026	2.5 years
Advertise For Bid	March 2026 - May 2026	3 months
Award SE Construction	July 2026	2 months
SE CWF Construction	July 2026 - July 2030	4 years
SE CWF Construction Admin/Inspection	July 2026 - July 2030	4 years

INCREMENTAL COST – SE WW CAPACITY

- Include cost for currently incurred cost & those that will be incurred in near future:
  - Current Southeast Wastewater Capacity Evaluation PSA (engineering – Hazen, $3.64M)
  - Pilot plant construction cost (construction – TBD, $3.58M)
  - Anticipated interest cost for existing work (bond – 3.5% @ 30 yrs)

INCREMENTAL COST METHOD	
South Plant Capacity - 8 MGD	
Existing Treatment Investment	$ 11,671,417
Projected Additional Capacity (8 MGD)	2,920,000,000
Annual Usage/Customer (Gals)	127,750
Percentage of Capacity	0.004375%
Average Cost/SFUE	**$ 511**

SEWER HYBRID CALCULATION (EQUITY BUY-IN + INCREMENTAL COST)

- Equity Buy-In Method = $2,391
- Incremental Method = $3,573
- Incremental Method = $511
- **PROPOSED TOTAL = $6,475 per SFUE**

- Current Impact Fee = $3,544

- **Change = + $2,391**

- *Impact fees related to current treatment project and future treatment project total $4,084 (63% of total fee)

RECOMMENDATIONS

- WMD recommends increasing water impact fees to include projects already completed totaling $3,624.
- WMD recommends increasing sewer impact fees to recapture project costs currently in progress totaling $6,475.
  - Increasing impact fees now will allow for an incremental increase in cost to allow for full recapture of costs incurred due to development.
  - Increasing impact fees now will result in larger financial reserves, reducing the amount of additional debt needed for construction of new facility.
    - Reduce future impacts to existing rate-payers for debt service repayment.

TIMELINE MOVING FORWARD

- July 1, 2021 implementation of revised impact fees (water and sewer)
- Develop methodical approach for increasing sewer impact fees to recapture current project costs.
  - Concepts include:
    - Incremental cost increase each year (similar to rate structure).
    - Stair step increase as new costs are introduced.
    - Additional impact fee studies at strategic points.
- Discussion?