



IMPACT FEES

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REFRESHER - WHY ARE WE DOING THIS?

- Meter size is not an equitable capture of the impacts to the system.
 - Occupancy factor promotes demand-based fee rather than undersized meter-based fee.
- Why should we increase impact fees?
 - Increased asset costs (increasing pipe, pumps, facilities, etc.) for additional capacity
 - Future development drives additional required conveyance and treatment capacity.
- Overall, the purpose of impact fees is to appropriately assign growth-related infrastructure costs to new development and to reduce the cost burden on rate-payers to fund growth-related infrastructure.

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.

IMPACT FEES - TYPES

- Equity (Buy-In) Method – assesses new customers a fee to approximate the equity position of current customers. (AWWA M-1, 7th Edition, 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, 7th Edition, p202)
 - This approach was used on the Water Treatment Plant expansion and the Water Reclamation Facility expansion (Claude Yates Dr), and the potential South CWF.
- Used actual Franklin customer accounts to determine number of SFUEs, current expansion costs, and assumed future expansion costs.

UNIT OF MEASURE (SFUE)

- Distribution and conveyance systems are sized based upon available capacity, not daily demand.
 - Diurnal demands peak in morning and evening based upon typical residential usage.
 - Water consumption (i.e. utility bills) are based off total consumption throughout the month, does not account for the peaking times when demand (water & sewer) is the highest.
- WMD currently uses SFUE methodology to determine existing capacity & necessary offsite improvements for development.

QUESTIONS

- Clarify the nature of the identified use classifications and their associated demand impact that is utilized in assessing the relative impact of future development.
- Development of the SFUE Calculation Handbook will outline these “assumptions” and provides example calculations for correct fee determination.
- Methodology has been developed from International Building Code, TDEC Design Basis for Wastewater Flow & Loading, and Nashville/Davidson County Metropolitan Water Services Commercial Permit Handbook.
- Fees assessed at Building Permit issuance to capture most descriptive occupancy loading of structure.



WATER



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 – RECOMMEND FULL IMPLEMENTATION**
- Current Impact Fee = \$2,089
- **Change = + \$1,535**



SEWER



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, \$4.3M)
- Pilot plant construction cost (construction – Haren, \$1.65M)
- Preliminary Engineering Report/Permit Development (engineering – Hazen, \$3M)
- Anticipated Design Cost (engineering – TBD, \$7M)
- Anticipated construction inspection cost (inspection – TBD, \$12M)
- Anticipated construction cost (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	\$286,795,281
Projected Additional Capacity (8 MGD)	2,920,000,000
Annual Usage/Customer (Gals)	127,750
Percentage of Capacity	0.004375%
Average Cost / SFUE	\$10,755

SEWER – HYBRID RESULTS (TOTAL INVESTMENT)

- Equity (Buy-In) Method – Collection = \$2,391
- Incremental Method – Claude Yates Facility = \$3,573
- Incremental Method - Southeast Clean Water Facility = \$10,755
- **IMPACT FEE (TOTAL INVESTMENT) = \$16,719 per SFUE**

- Current Impact Fee = \$3,544

- **Change = + \$13,172**

- *Impact fees related to current treatment project and future treatment project total \$16,247 (~86% of total fee)

SEWER IMPACT FEE

- Recommend 4-year phased approach for full implementation
 - March 2023 = Current Impact Fee + 25% of Proposed Impact Fee = **\$6,837**
 - January 2024 = Current Impact Fee + 50% of Proposed Impact Fee = **\$10,130**
 - January 2025 = Current Impact Fee + 75% of Proposed Impact Fee = **\$13,423**
 - January 2026 = Current Impact Fee + 100% of Proposed Impact Fee = **\$16,719**

DISCUSSIONS

- Water Management presented to the Design Developers group in April 2022 – outlining this concept and methodology shift.
- Presenting to Development Services Advisory Commission tomorrow information presented this evening.
- Water Management discussing with Building & Neighborhood Services Dept to develop new business practices for implementation.

RECOMMENDATIONS

- WMD recommends increasing water impact fees to include projects already completed totaling \$3,624.
- WMD recommends 4-year phased approach for increasing impact fees 25% each year, totaling the full amount in 2026.

NEXT STEPS

- November 22, 2022 Work Session to present Ordinance change to Title 18 & Appendix A and the SFUE Calculation Handbook
- December 13, 2022 – first BOMA vote for Ordinance change
- January 10, 2023 – second BOMA vote on Ordinance change
- January 24, 2023 – third BOMA vote on Ordinance change
- March 1, 2023 – implementation

- Questions?