

# Highline Water District



## General Facility Charge (GFC) Update July 23, 2013

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# Outline

- Overview & Background of District “Connection Charges”
  - ✓ **General Facility Charges (GFCs)** ← **Focus of this Study**
  - ✓ Local Facility Charges (LFCs)
- GFC Methodology
- GFC Calculation
- Connection Charge Survey
- Questions/Discussion

# Overview

- The District imposes GFCs and LFCs on new development or redevelopment as a condition of service
- Section 57.08.005 of the Revised Code of Washington (RCW) authorizes these charges based on an equitable share of:
  - ✓ The cost of existing system facilities
  - ✓ The cost of facilities planned for construction in the next 10 years

# Current HWD Connection Charges

Charge	Description
General Facility Charge	<ul style="list-style-type: none"><li>▪ Based on cost of facilities of general system benefit (e.g. storage reservoirs, pump stations)</li><li>▪ Applies to all connections based on meter size</li></ul>
Local Facility Charge	<ul style="list-style-type: none"><li>▪ Based on cost of service extension to local properties (e.g. adjacent water mains); capped at \$10,000 per lot</li><li>▪ Applies to connections where:<ul style="list-style-type: none"><li>✓ No new (donated) facilities are required</li><li>✓ Property has not been assessed by ULID or latecomer agreement</li></ul></li></ul>

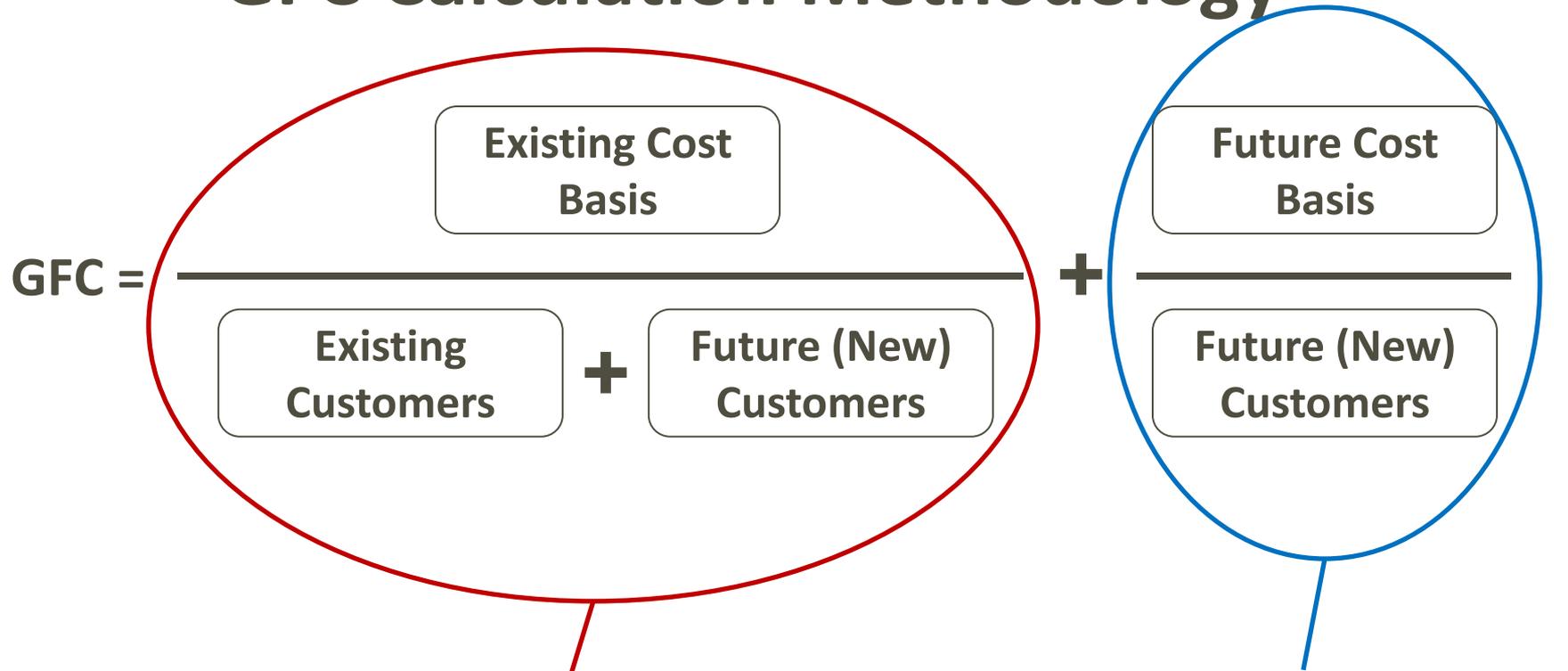
# Background

- The District held a Board Workshop in 2012 to discuss GFCs/LFCs
  - ✓ Overview of existing charges
  - ✓ Comparative survey of GFC/LFC structures imposed by other utilities
- The District has engaged FCS GROUP to:
  - ✓ Update the GFC calculation to reflect the District's current capital plan and existing assets added since 2008
  - ✓ Consolidate the GFC and LFC into a single charge

# Why Consolidate the Charges?

- Enhance revenue stability for the District
  - ✓ Various factors impact LFC revenues, making them difficult to predict
  - ✓ LFC revenue collections have fallen below projections in recent years
  - ✓ Increased revenue from development will benefit existing customers
- Make charges easier for developers to predict/understand
  - ✓ GFC/LFC for a 3/4" meter currently varies from \$2,886 – \$12,886 depending on how much of the LFC has previously been paid
- Simplify administration of connection charge structure
- Acknowledge industry trends regarding connection charges
  - ✓ Increasing number of utilities moving toward a GFC-only structure

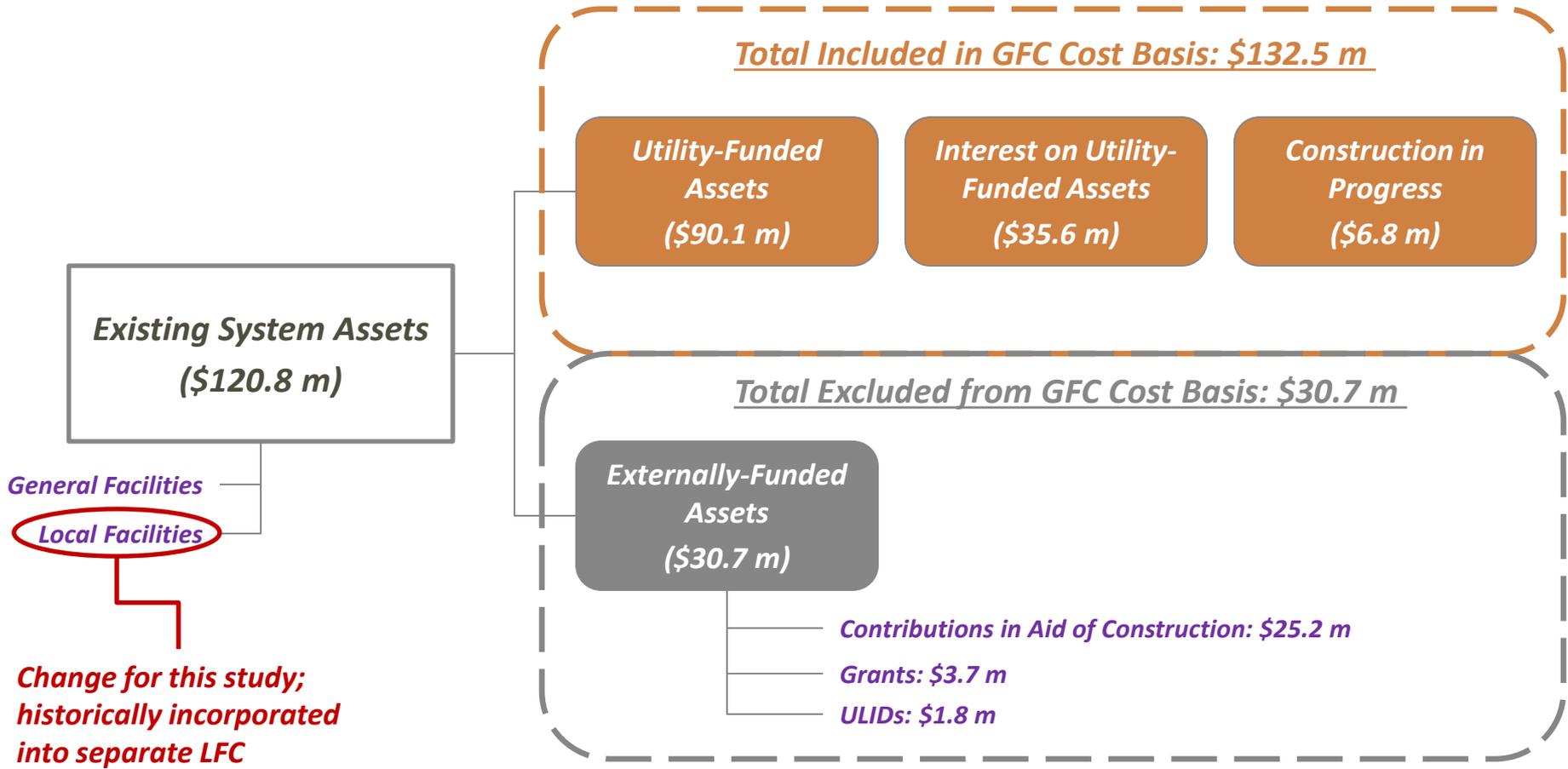
# GFC Calculation Methodology



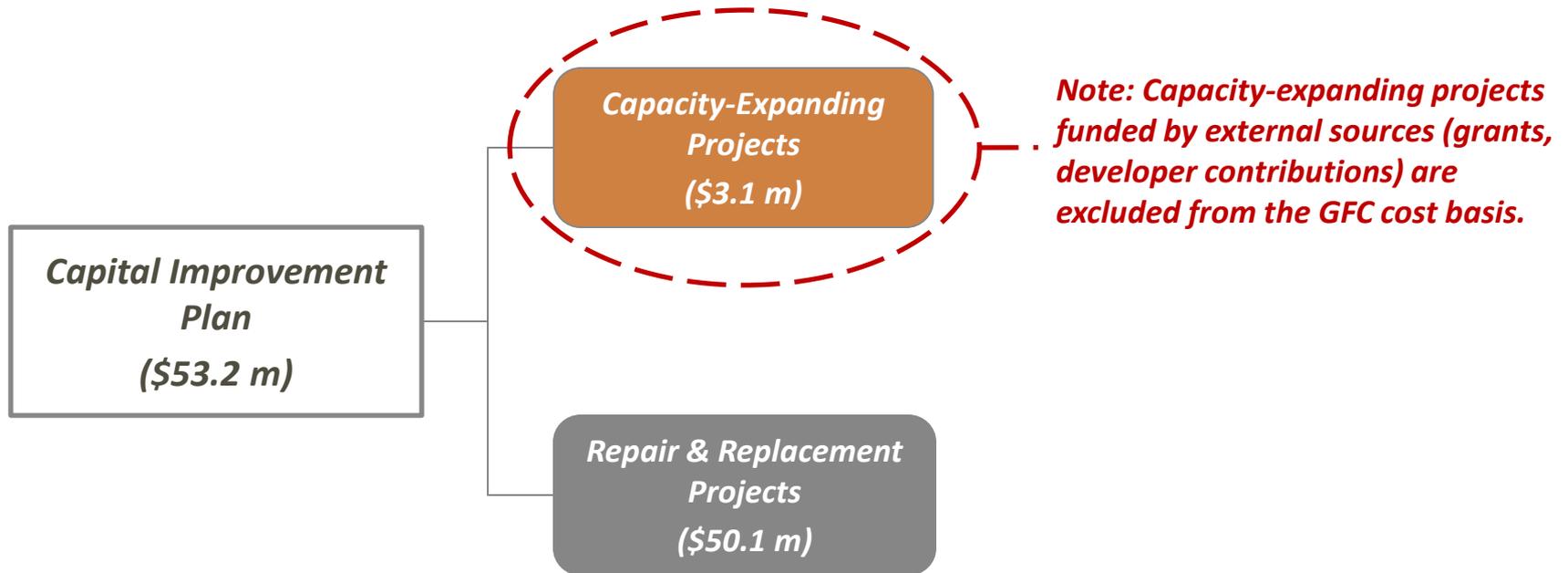
*“Buy-in” charge based on the cost of facilities designed to serve existing customers and growth*

*“Growth pays for growth” charge based on the cost of projects needed to expand system capacity to serve growth*

# Existing Cost Basis



# Future Cost Basis



# Customer Base

- Customer base defined in terms of equivalent residential units (ERUs):
  - ✓ 1 ERU is equivalent to 1 single-family household
  - ✓ ERUs for this calculation are based on demand projections in the 2008 Comprehensive Water System Plan (WSP):
    - 2013 ERUs 37,510
    - 2033 ERUs 43,736
    - ERU Capacity 6,224
  - ✓ RCW 57.08.005 allows the District to recover costs associated with projects planned over the next 10 years
    - Calculation considers growth over a 20-year period to reflect the customer base that the planned facilities will be able to serve.

# GFC Calculation

$$\text{GFC} = \frac{\begin{array}{c} \textit{Existing Cost Basis} \\ \$132,509,593 \end{array}}{\begin{array}{c} \textit{Existing + Future ERUs} \\ 43,734 \text{ ERUs} \end{array}} + \frac{\begin{array}{c} \textit{Future Cost Basis} \\ \$3,059,646 \end{array}}{\begin{array}{c} \textit{Future ERUs} \\ 6,224 \text{ ERUs} \end{array}} = \$3,521 \text{ per ERU}$$

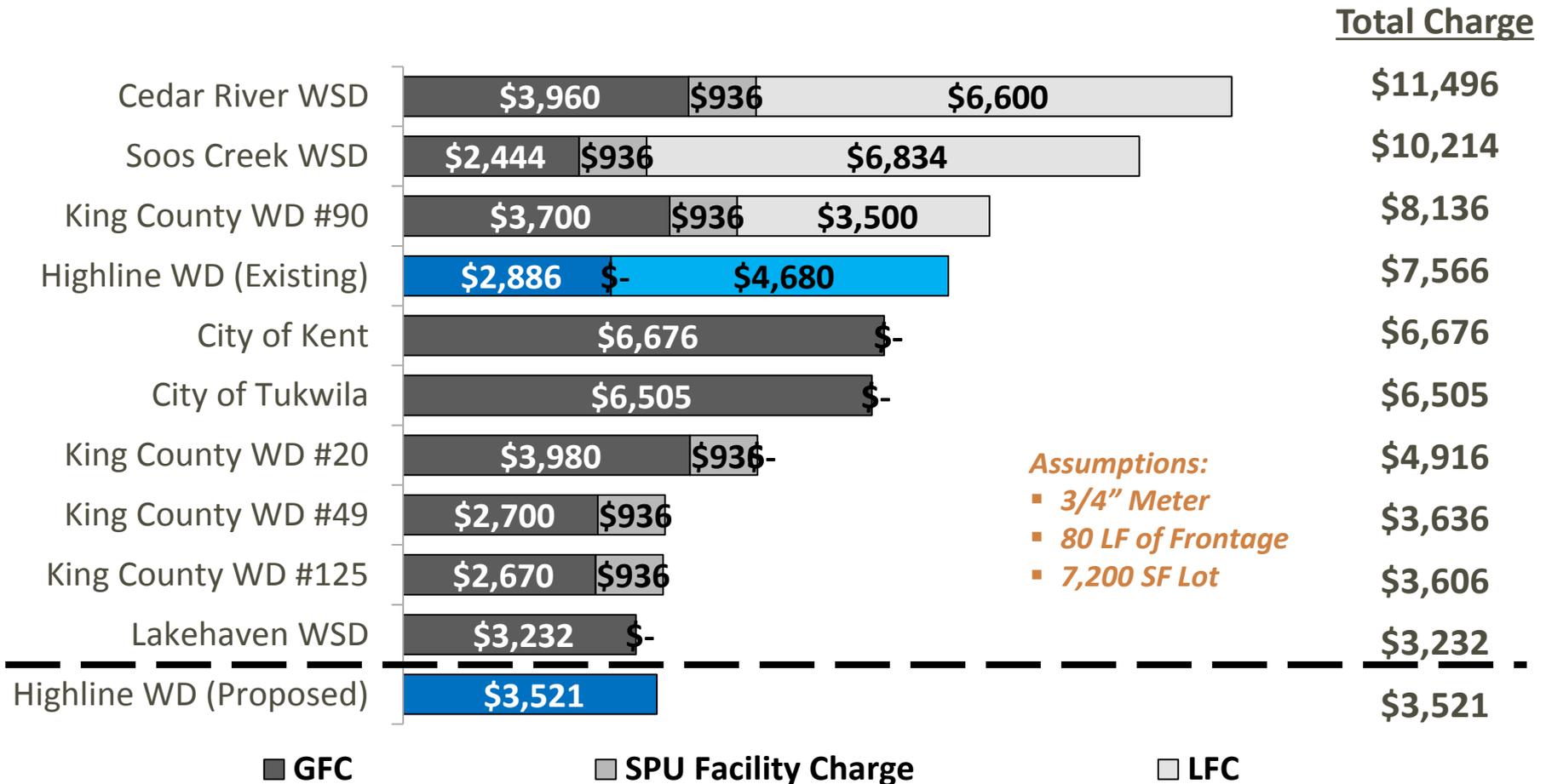
- Existing GFC is \$2,886 per ERU
  - ✓ Adjusting for inflation since 2008, current GFC would be \$3,289 per ERU (*\$403 increase*)
- GFC of \$3,521 (\$635 increase) due to:
  - ✓ Addition of general facilities
  - ✓ Consolidation of local facilities into GFC cost basis
  - ✓ Accrual of interest

***Net increase of \$42.8 million in GFC cost basis since 2008 calculation***

# GFC Summary

Meter Size	Number of ERUs	Current GFC	Proposed GFC
5/8" or 3/4"	1	\$2,886	\$3,521
1"	2	\$5,772	\$7,042
1-1/2"	5	\$14,430	\$17,605
2"	8	\$23,088	\$28,168
3"	16	\$46,176	\$56,336
4"	25	\$72,150	\$88,025
6"	50	\$144,300	\$176,050
8"	80	\$230,880	\$281,680

# Survey of Water Connection Charges



**Notes:**

1. Highline (Existing) – assumes 100% of LFC is paid.
2. City of Kent and Tukwila includes installation of water service & meter (approx. \$2,000 T&M extra cost for others).
3. Lakehaven WSD may charge additional GFC's after meter install based on water usage.

# Recommendations

- Adopt proposed 2014 GFC structure
  - ✓ Consolidate GFC/LFC into a single charge based on meter size
  - ✓ The Board can choose to either:
    - Adjust the charge to reflect current costs determined by this study (\$3,521 per ERU); or
    - Adjust charge to some amount below current costs, but at minimum keep up with inflation (≈\$3,289 per ERU)
- Update GFC calculation when updated WSP data is available

# Questions/Discussion