

Water Connection Charges Public Hearing

HWD Board of Commissioners Workshop
August 23, 2016





RCW 57.08.005 (11)

A District shall have the following powers:

“...to fix rates and charges for water, sewer, reclaimed water, and drain service supplied and to charge property owners seeking to connect to the District’s systems, as a condition to granting the right to so connect, in addition to the cost of the connection, such reasonable connection charge as the board of commissioners shall determine to be proper in order that those property owners shall bear their equitable share of the cost of the system.”



HWD Connection Charges

HWDC 6.04 connection charges include:

- **General Facility Charge**
 - Applies to all new connections based on meter size
- **Site Facilities Charges**
 - Charge for the installation cost of meter and service line (service installation, meter drop fee, permitting if applicable)

(Current) 2016 General Facility Charge (GFC)

CURRENT GENERAL FACILITY CHARGES		
Meter Size	ERU Factor	General Facility Charge
3/4"	1	\$ 3,521.00
1"	2	\$ 7,042.00
1.5"	5	\$ 17,605.00
2"	8	\$ 28,168.00
3"	16	\$ 56,336.00
4"	25	\$ 88,025.00
6"	50	\$ 176,050.00
8"	80	\$ 281,680.00

A GFC is a one time charge imposed on new development (or existing expansion) to promote equity between new and existing customers. The revenue provides a source of funding for capital projects and cannot be used for M&O costs.

GFC based on meter size and Equivalent Residential Unit (ERU).

1 ERU = \$3,521.00

An ERU is a unit of measure used to equate non-residential or multi-family residential water usage to a specific number of single-family residences



HWD GFC Rates 2003-2017

- 1/2003 - \$2,100/ERU (GFC + \$0.40/sq. ft. LFC)
Changed GFC to meter base equivalency factor for non residential services
- 1/2009 - Raised to \$2,886/ERU
(GFC + \$0.65/sq. ft. LFC)
- 1/2014 – Combined GFC and Local Facilities Charge = \$3,521/ERU
- 1/2017 – Under Consideration



How is GFC Calculated?

- Cost recovery of GFC includes existing and future facility costs
- Charge allowed under RCW 57.08.005(11)
- Guidelines State:
 - Charge must be based on adopted Water System Plan
 - Allowed to include up to 10 years of future costs related to growth
 - Maximum of 10 years of interest on existing assets
 - Excludes replacement projects funded by rates
 - Deduct contributions in aid of construction (CIAC)
- Other Deductions:
 - Deduct outstanding debt service (net of cash balance) to recognize some existing assets paid for through debt and collected from rates
 - Resultant costs for existing/future cost basis is divided by the existing and future ERU
- HWD does not pass on the SPU Facility Charge because of credit for own wells (\$936/ERU in 2016)

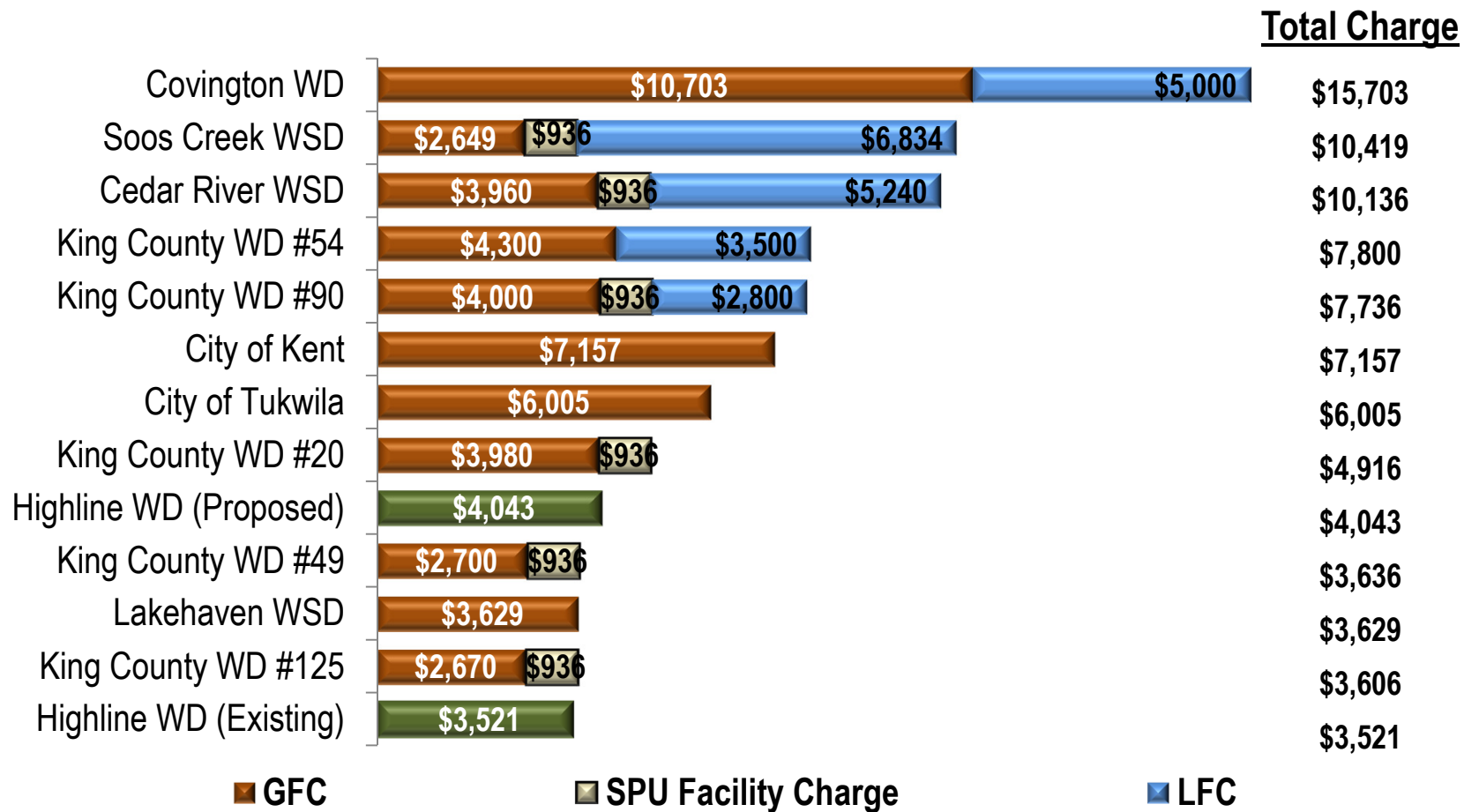
GFC Calculation (FCSG 1/26/16)

$$\text{GFC} = \frac{\text{Existing Cost Basis}}{\text{Existing + Future MEs}} + \frac{\text{Future Cost Basis}}{\text{Future MEs}} = \$4,043 \text{ per ME (ERU)}$$

Existing Cost Basis: \$125,776,558
 Future Cost Basis: \$307,607
 Existing + Future MEs: 28,946 + 2,981 = 31,927 MEs
 Future MEs: 2,981 MEs

Meter Size	MCE Flow Factor	GFC
5/8" / 3/4"	1.00	\$ 4,043
1"	2.00	8,085
1.5"	5.00	20,213
2"	8.00	32,342
3"	16.00	64,683
4"	25.00	101,067
6"	50.00	202,135
8"	80.00	323,416

GFC Comparison (FCSG 1/26/16)





Staff GFC Recommendation

- Board may select any cost up to \$4,043/ERU
- Recommend increase from \$3,521 to \$4,000/ERU effective Jan 1, 2017
 - (net increase of \$479/ERU)
 - Easier to determine, predictable for developers, less than maximum authorized amount
- For small developers requiring a new $\frac{3}{4}$ -inch meter, the reduced cost for the new meter/radio read device will help to offset some of the GFC increase (by approx. \$200)



 **QUESTIONS ?**