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

<table>
<thead>
<tr>
<th>Charge</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Facility Charge</td>
<td>• Based on cost of facilities of general system benefit (e.g. storage reservoirs, pump stations)</td>
</tr>
<tr>
<td></td>
<td>• Applies to all connections based on meter size</td>
</tr>
<tr>
<td>Local Facility Charge</td>
<td>• Based on cost of service extension to local properties (e.g. adjacent water mains); capped at $10,000 per lot</td>
</tr>
<tr>
<td></td>
<td>• Applies to connections where:</td>
</tr>
<tr>
<td></td>
<td>✓ No new (donated) facilities are required</td>
</tr>
<tr>
<td></td>
<td>✓ Property has not been assessed by ULID or latecomer agreement</td>
</tr>
</tbody>
</table>
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

\[ \text{GFC} = \frac{\text{Existing Cost Basis}}{\text{Existing Customers}} + \frac{\text{Future Cost Basis}}{\text{Future (New) Customers}} + \text{"Buy-in" charge based on the cost of facilities designed to serve existing customers and growth} + \text{"Growth pays for growth" charge based on the cost of projects needed to expand system capacity to serve growth} \]
Existing Cost Basis

**Total Included in GFC Cost Basis: $132.5 m**

- Utility-Funded Assets ($90.1 m)
- Interest on Utility-Funded Assets ($35.6 m)
- Construction in Progress ($6.8 m)

**Total Excluded from GFC Cost Basis: $30.7 m**

- Externally-Funded Assets ($30.7 m)
  - Contributions in Aid of Construction: $25.2 m
  - Grants: $3.7 m
  - ULIDs: $1.8 m

**Existing System Assets** ($120.8 m)

- General Facilities
- Local Facilities

Change for this study; historically incorporated into separate LFC
Future Cost Basis

Capital Improvement Plan ($53.2 m)

Capacity-Expanding Projects ($3.1 m)

Repair & Replacement Projects ($50.1 m)

Note: Capacity-expanding projects funded by external sources (grants, developer contributions) are excluded from the GFC 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

\[
\text{GFC} = \frac{\text{Existing Cost Basis}}{\text{Existing + Future ERUs}} + \frac{\text{Future Cost Basis}}{\text{Future ERUs}} = \$3,521 \text{ per ERU}
\]

- **Existing Cost Basis**
  - \$132,509,593

- **Future Cost Basis**
  - \$3,059,646

- **Existing + Future ERUs**
  - 43,734 ERUs

- **Future ERUs**
  - 6,224 ERUs

- **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

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Number of ERUs</th>
<th>Current GFC</th>
<th>Proposed GFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8” or 3/4”</td>
<td>1</td>
<td>$2,886</td>
<td>$3,521</td>
</tr>
<tr>
<td>1”</td>
<td>2</td>
<td>$5,772</td>
<td>$7,042</td>
</tr>
<tr>
<td>1-1/2”</td>
<td>5</td>
<td>$14,430</td>
<td>$17,605</td>
</tr>
<tr>
<td>2”</td>
<td>8</td>
<td>$23,088</td>
<td>$28,168</td>
</tr>
<tr>
<td>3”</td>
<td>16</td>
<td>$46,176</td>
<td>$56,336</td>
</tr>
<tr>
<td>4”</td>
<td>25</td>
<td>$72,150</td>
<td>$88,025</td>
</tr>
<tr>
<td>6”</td>
<td>50</td>
<td>$144,300</td>
<td>$176,050</td>
</tr>
<tr>
<td>8”</td>
<td>80</td>
<td>$230,880</td>
<td>$281,680</td>
</tr>
</tbody>
</table>
### Survey of Water Connection Charges

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>GFC</th>
<th>SPU Facility Charge</th>
<th>LFC</th>
<th>Total Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cedar River WSD</td>
<td>$3,960</td>
<td>$936</td>
<td>$6,600</td>
<td>$11,496</td>
</tr>
<tr>
<td>Soos Creek WSD</td>
<td>$2,444</td>
<td>$936</td>
<td>$6,834</td>
<td>$10,214</td>
</tr>
<tr>
<td>King County WD #90</td>
<td>$3,700</td>
<td>$936</td>
<td>$3,500</td>
<td>$8,136</td>
</tr>
<tr>
<td>Highline WD (Existing)</td>
<td>$2,886</td>
<td>-</td>
<td>$4,680</td>
<td>$7,566</td>
</tr>
<tr>
<td>City of Kent</td>
<td></td>
<td>$6,676</td>
<td>-</td>
<td>$6,676</td>
</tr>
<tr>
<td>City of Tukwila</td>
<td></td>
<td>$6,505</td>
<td>-</td>
<td>$6,505</td>
</tr>
<tr>
<td>King County WD #20</td>
<td>$3,980</td>
<td>$936</td>
<td>-</td>
<td>$4,916</td>
</tr>
<tr>
<td>King County WD #49</td>
<td>$2,700</td>
<td>$936</td>
<td>-</td>
<td>$3,636</td>
</tr>
<tr>
<td>King County WD #125</td>
<td>$2,670</td>
<td>$936</td>
<td>-</td>
<td>$3,606</td>
</tr>
<tr>
<td>Lakehaven WSD</td>
<td>$3,232</td>
<td>-</td>
<td>-</td>
<td>$3,232</td>
</tr>
<tr>
<td>Highline WD (Proposed)</td>
<td>$3,521</td>
<td>-</td>
<td>-</td>
<td>$3,521</td>
</tr>
</tbody>
</table>

#### Assumptions:
- **3/4” Meter**
- **80 LF of Frontage**
- **7,200 SF Lot**

#### 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