



Water & Wastewater Line Cost Recovery Assessment Fee



Updated on: January 8, 2013
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Special Benefit Assumptions

- ▶ County has acquired and constructed a significant amount of water and wastewater line infrastructure that benefits both existing & future customers of the system
 - ▶ *This study was initially completed May 2011, but was updated January 2, 2013 to reflect the County's current investment in Water and Wastewater Distribution & Collection Lines or \$490 and \$740 per connection, respectively, which became effective April 2012*
- ▶ The line infrastructure creates a benefit for all contiguous properties within the utility system
 - ▶ Allows access to potable water and central wastewater treatment & disposal service
 - ▶ Enables properties to be developed
 - ▶ Protects & enhances the value and integrity of assessed properties within the service area
 - ▶ Promotes health, welfare, convenience & safety of all property owners which enhances the value of the property

Existing Conditions & Study Objectives

- ▶ County is currently recovering the costs to operate, maintain & finance the water and wastewater line infrastructure solely from existing utility customers
- ▶ County requested that PRMG develop line cost recovery fees to recover a proportionate share of such costs from vacant properties where water and/or wastewater lines have been installed and are contiguous to the property
- ▶ Revenues derived from the application of the proposed line cost recovery fees could then be used to reduce the costs collected from existing utility customers over time

Study Tasks

- ▶ Develop Apportionment Methodology
- ▶ Identify Line Distribution Costs
- ▶ Design Line Cost Recovery Assessment Fees
- ▶ Analyze Proposed Assessment Fees & Impact to Existing User Rates

Apportionment Methodology

- ▶ All parcels abutting water and/or wastewater lines benefit from the line infrastructure whether or not the property is developed or vacant
- ▶ Line costs were apportioned among both developed & undeveloped (vacant) parcels based on an equivalent residential connection (ERC) basis
- ▶ County staff has assumed that each parcel equals one (1) ERC for the purposes of this study
 - ▶ ERCs for commercial parcels should ultimately be based on the property use code assigned by the Property Appraiser and the size of the parcel

Line Distribution Costs

- ▶ PRMG identified the costs to operate, maintain & finance the capital needs allocable to the water distribution & wastewater collection systems
 - ▶ County's projected operating requirements for Fiscal Year 2012 served as the "Test Year" to determine the assessment costs
 - ▶ Costs related to treatment capacity, customer service, and administration were not included
- ▶ Identified costs were summarized into 3 components
 - ▶ Line Maintenance Fee to pay the annual fixed costs associated with line maintenance
 - ▶ Line Replacement Fee to fund a portion of the budgeted line replacement and rehabilitation costs over time
 - ▶ Line Capital Cost Fee to recover the County's initial capital investment in the distribution & collection system

Assessment Fee Design

Projected Annual Average ERCs [*]		
Existing ERCs with Available Service	Water	Wastewater
Active ERCs	66,366	42,011
Vacant ERCs – MSBU	14,790	21,107
Vacant ERCs – Other	44,396	13,911
Total Annual Average ERCs	125,552	77,029
[*] Provided by County Staff.		

- ▶ An Equivalent Residential Connection (ERC) is a unit of measure to estimate the average demands on a utility system based the average service requirements of a typical residential connection
 - ▶ The total ERCs of a utility system exceed the number of accounts, because many large commercial accounts exceed one (1) ERC based on individual service needs
 - ▶ For vacant parcels, County staff has assumed that each parcel equals one (1) ERC
 - ▶ ERCs for commercial parcels should ultimately be based on the property use code assigned by the Property Appraiser and the size of the parcel

Assessment Fee Design (cont.)

Proposed Water and Wastewater Line Maintenance Fees		
Description	Water	Wastewater
Projected Annual Maintenance Cost	\$ 3,293,946	\$ 3,472,462
Projected Annual Average ERCs	<u>125,552</u>	<u>77,029</u>
Projected Monthly Line Maintenance Fees per ERC	\$ 2.19	\$ 3.76

- ▶ The Line Maintenance Fees would no longer be charged after the units connects to each individual system since such costs will be recover through monthly user rates

Assessment Fee Design (cont.)

Proposed Line Renewal & Replacement Fees			
Description	Water		Wastewater
Projected Annual Replacement Cost	\$	350,000	\$ 1,045,000
Projected Annual Average ERCs		<u>125,552</u>	<u>77,029</u>
Projected Monthly Line Replacement Fees per ERC	\$	0.23	\$ 1.13

- ▶ The Line Renewal & Replacement Fees would no longer be charged after the units connects to each individual system since such costs will be recover through monthly user rates

Assessment Fee Design (cont.)

Proposed Line Capital Cost Fees		
Description	Water	Wastewater
Cost per ERC	\$ 490.00	\$ 740.00
Proposed Assessment Period	20 yr.	20 yr.
Projected Annual Capital Costs	\$ 24.50	\$ 37.00
Projected Monthly Line Capital Cost Fee per ERC	\$ 2.04	\$ 3.08

- ▶ The Capital Cost Fees are recommended to replace 100% of the water distribution and wastewater collection impact fees, which are currently collected at the time of connection
 - ▶ A customer who connects to the utility system will pay the treatment and transmission components of the utility impact fees only, while the Capital Cost Fees associated with the distribution and/or collection lines will continue for the remainder of the 20 year assessment period

Summary of Proposed Assessment Fees

Summary of Proposed Line Cost Assessment Fees		
Description	Water	Wastewater
Proposed Annual Fees per ERC		
Monthly Line Maintenance Fee per ERC	\$ 2.19	\$ 3.76
Monthly Line Replacement Fee per ERC	0.23	1.13
Monthly Line Capital Cost Fee per ERC	<u>2.04</u>	<u>3.08</u>
Total Proposed Monthly Line Cost Assessment Fee per ERC	\$ 4.46	\$ 7.97
Total Proposed Annual Line Cost Assessment Fee per ERC	\$ 53.52	\$ 95.64

Summary of Assessment Revenues

Summary of Proposed Line Cost Assessment Revenues		
Projected Assessment Fee Revenues	Water	Wastewater
Vacant ERCs – MSBU (Excludes the Capital Fee)		
Total Proposed Annual Line Cost Assessment Fee per ERC	\$ 29.04	\$ 58.68
Total Vacant ERCs with Service Availability	<u>14,790</u>	<u>21,107</u>
Projected Assessment Fee Revenues from MSBUs	\$429,502	\$1,238,559
Vacant ERCs - Other		
Total Proposed Annual Line Cost Assessment Fee per ERC	\$ 53.52	\$ 95.64
Total Vacant ERCs with Service Availability	<u>44,396</u>	<u>13,911</u>
Projected Assessment Fee Revenues from Other	\$2,376,074	\$1,330,448
Total Projected Assessment Fee Revenues	\$2,805,576	\$2,569,007

Only 75% Assumed Collectible

Estimated Impact to Existing User Rates

Analysis of Estimated Decreases to Monthly Base Facility Charges				
Description	Monthly Charges		Decrease in Existing Charge	
	Existing	Calculated	Amount	Percent
Water System	\$ 18.27	\$ 15.63	\$ (2.64)	(14.4%)
Wastewater System	\$ 27.70	\$ 23.88	\$ (3.82)	(13.8%)
Total Combined Systems	\$ 45.97	\$ 39.51	\$ (6.46)	(14.1%)

Analysis of Monthly Bill Impacts [*]				
Description	Monthly Charges		Decrease in Existing Charge	
	Existing	Calculated	Amount	Percent
Water Bill	\$ 40.45	\$ 37.81	\$ (2.64)	(6.5%)
Wastewater Bill	\$ 43.14	\$ 39.32	\$ (3.82)	(8.9%)
Total Combined Bill	\$ 83.59	\$ 77.13	\$ (6.46)	(7.7%)

[*] Based on a 5/8" residential meter using 4,000 monthly gallons.

Only 75% Assumed Collectible

Other Assessment Related Costs

- ▶ Additional Costs will be applied to the proposed assessments:
 - ▶ Tax Collector Costs Estimated at 2%
 - ▶ Other Costs^[*] Estimated at 2%
 - ▶ Statutory Reduction of 5%

- ▶ Total proposed annual assessments including the above pass-through charges
 - ▶ Water System: \$58.81 per ERC
 - ▶ Wastewater System: \$105.10 per ERC

[*] May include MSBU Department Costs and Postage Expenses.

Conclusions & Recommendations

- ▶ County has acquired and constructed water & wastewater line infrastructure that benefits both existing and future customers of the system
 - ▶ County is currently recovering the costs for this infrastructure primarily from existing utility customers
- ▶ County should consider adopting the proposed Line Cost Recovery Assessment Fees outlined in this study
 - ▶ If adopted, the Capital Cost Fees replace the water distribution and wastewater collection impact fees

Conclusions & Recommendations

- ▶ Revenues derived from the application of the recommended fees will shift a proportionate share of the costs to future customers and can potentially be used to reduce the rates of monthly water & wastewater service
- ▶ Because of the risk associated with collecting assessments, it is recommended that the County implement the proposed assessment program for at least one (1) year before attempting to reduce any existing user rates so that the County may better estimate the level of fees that will be realized over time

Conclusions & Recommendations

- ▶ The County should consider using the ad valorem tax collection process to collect the proposed fees beginning in Fiscal Year 2014 with the following four (4) guidelines:
 1. The fee would be applied to all parcels abutting utility lines that do not contain a structure connected to the utility system & for parcels that contain an unconnected structure
 2. The fee should be expressed on an ERC basis consistent with the assessment programs designed to recover the capital cost associated with new water & wastewater line extensions within the MSBU service areas

Conclusions & Recommendations

3. The fee components associated with maintenance and renewal & replacement costs should cease to be applied once utility service is activated
4. The owners of the parcels for which the line abuts should be responsible for payment of the fees

Discussion & Questions

