

⇔ Agenda

- 1. Introduction
- 2. Legal Background
- 3. Methodology Options
- 4. Sample Calculations
- 5. Policy Considerations

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☆ Introduction

Why are we talking GFCs?

- What other sources of funding are available to cities to complete projects?
 - Ensuring that cities are responsibly charging for development
 - Development paying for development
- What is a General Facility Charge?
 - Connection charge paid by the property owner seeking to connect to the utility system – the charge includes not only the physical connection to the system, but the "equitable share of the cost of such system".
 - Examples include standard housing development, non-profit housing developments, industrial/commercial development
- Political Resistance Council, Commissioners, Development Community

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Key Characteristics

- General facilities charges are one-time charges, not ongoing rates.
- Properties which are already developed do not pay general facilities charges unless they "redevelop".
- General facilities charges are for capital only, in both their calculation and in their use.
- General facilities charges may include both future and existing cost components.
- General facilities charges are for general facilities, not "local" facilities.

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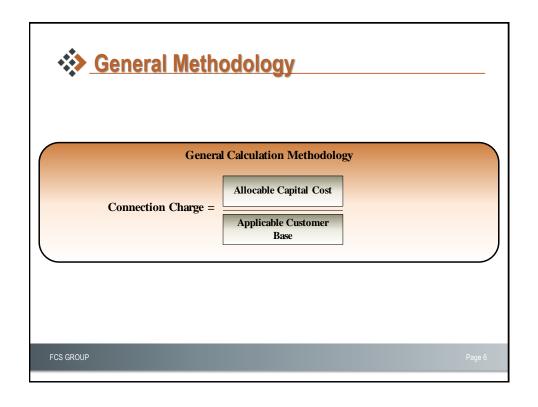
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⇔ General Facilities Charges, AKA

- Impact Fees
- System Development Charges
- Capital Facilities Charges
- Connection Charges
- Plant Investment Fees
- Capital Investment Fees
- Improvement Charges

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Key Considerations

Numerator

- Allocable Capital Cost
 - Existing Facilities Costs
 - Inclusion of interest carrying, financing cost
 - Deduction of debt outstanding (rate portion)
 - Deduction of contributions (donated, grant-funded)
 - · Exclusion of tax-funded facilities
 - · Deduction of available cash balances
 - Future Facilities Costs
 - · Future financing costs, interest
 - Deduction of other prospective funding (e.g., grants)
 - · Planning period

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Key Considerations

Denominator

- Applicable Customer Base
 - Existing customers, growth only, total future
 - Planning period
 - · Match numerator
 - Units
 - Water / Wastewater
 - Meter equivalents
 - Usage-based ERUs
 - Fixture units
 - Stormwater
 - Impervious surface (ESUs)

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General Facilities Charge Legal Background

⇔ GFC Legal Authority

	Washington	Oregon	California	
Water	RCW 35.92.025 RCW 57.08.005	ORS 223.297	CGC 66000	
Wastewater	RCW 35.92.025 RCW 57.08.005	ORS 223.297	CGC 66000	
Stormwater	RCW 35.92.025 RCW 57.08.005	ORS 223.297	CGC 66000	
Transportation	RCW 82.02	ORS 223.297	CGC 66000	
Parks	RCW 82.02	ORS 223.297	CGC 66000	
Other	Schools, Fire RCW 82.02	Schools (CET) ORS 320.170	Public Facilities CGC 66000	

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For Cities

RCW 35.92.025

Authority to make charges for connecting to water or sewerage system -- Interest charges.

Cities and towns are authorized to charge property owners seeking to connect to the water or sewerage system of the city or town as a condition to granting the right to so connect, in addition to the cost of such connection, such reasonable connection charge as the legislative body of the city or town shall determine proper in order that such property owners shall bear their equitable share of the cost of such system. The equitable share may include interest charges applied from the date of construction of the water or sewer system until the connection, or for a period not to exceed ten years, at a rate commensurate with the rate of interest

applicable to the city or town at the time of construction or major rehabilitation of the water or sewer system, or at the time of installation of the water or sewer lines to which the property owner is seeking to connect but not to exceed ten percent per year: PROVIDED, That the aggregate amount of interest shall not exceed the equitable share of the cost of the system allocated to such property owners. Connection charges collected shall be considered revenue of such system.





For Special Districts

RCW 57.08.005 Powers.

(10) To fix rates and charges for water, sewer, 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. For the purposes of calculating a connection charge, the board of commissioners shall determine the pro rata share of the cost of existing facilities and facilities planned for construction within the next ten years and contained in an adopted comprehensive plan and other costs borne by the district which are directly attributable to the improvements required by property owners seeking to connect to the system. The cost of existing facilities shall not include those portions of the system which have been donated or which have been paid for by grants. The connection charge may include interest charges applied from the date of construction of the system until the connection, or for a period not to exceed ten years, whichever is shorter, at a rate commensurate with the rate of interest applicable to the district at the time of construction or major rehabilitation of the system, or at the time of installation of the lines to which the property owner is seeking to connect...

...Revenues from connection charges excluding permit fees are to be considered payments in aid of construction as defined by department of revenue rule. Rates or charges for on-site inspection and maintenance services may not be imposed under this chapter on the development, construction, or reconstruction of property.

₩ Washington GFCs

- City Law provides comparatively little in the way of a calculation framework.
 - 10 years of interest at prevailing rate on existing system costs.
 - What is an equitable share?
 - What is "such system"?
- District law is more specific -- explicitly allows for the inclusion of 10 years of future facilities costs.

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Washington GFCs

Legal opinions support this process for cities:

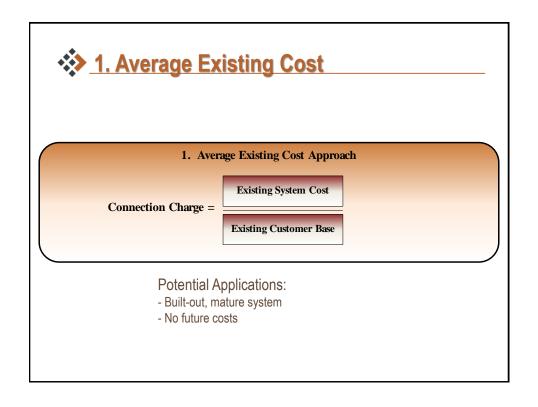
- Project the overall cost of improvements;
- · Project the capacity of the improvements;
- Determine the necessity of the improvements to serve new customers; and
- Demonstrate a direct linkage between the cost of improvements and the necessity of those facilities to serve the customers who are being charged for their development.

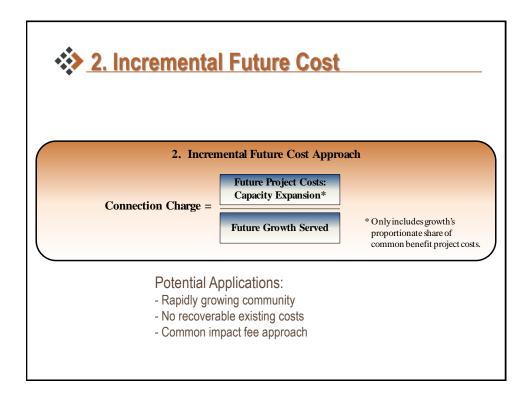
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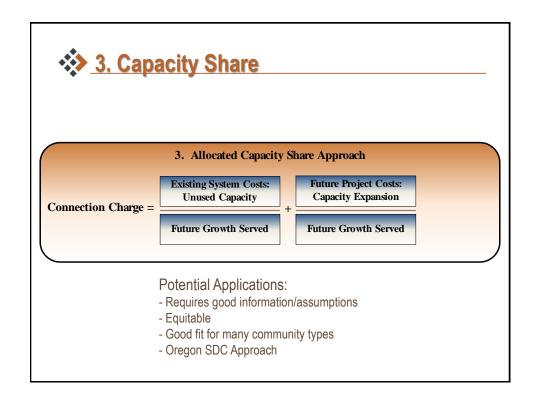
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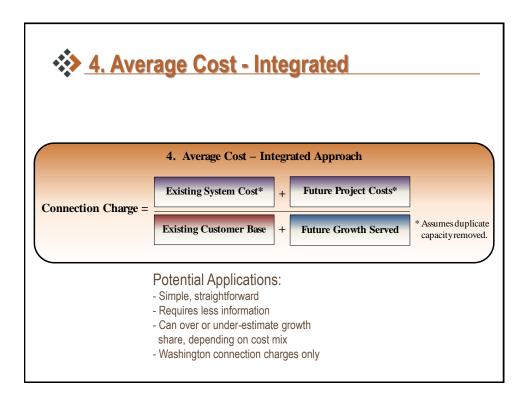


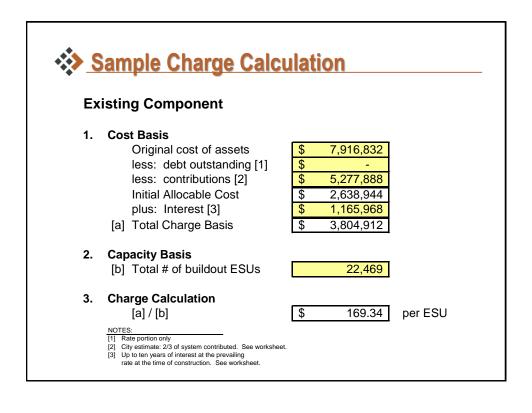
GFC Methodology Options

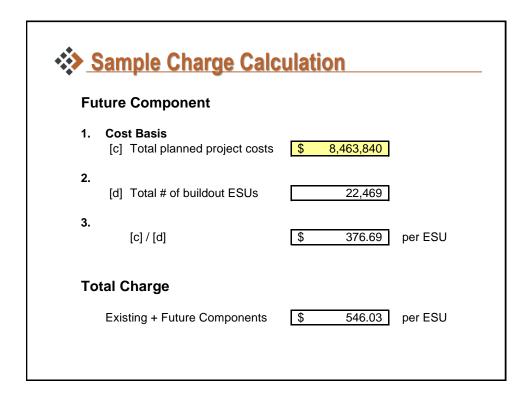


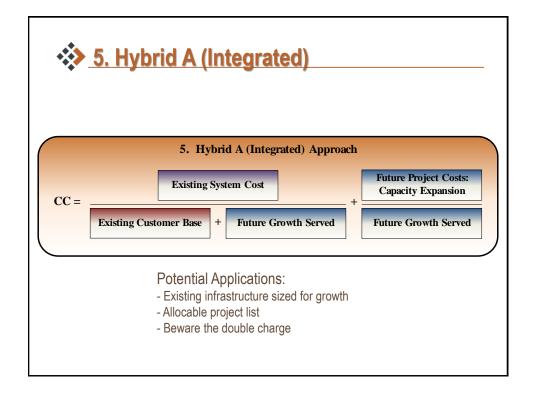














Connection Charge Policy Considerations

Key Policy Issues

- 1. Existing facilities cost basis
- 2. Future facilities cost basis
- 3. Unit bases for the charges
- 4. Credit approaches
- 5. Area-specific charges
- 6. Functional charges



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* Area-Specific Charges

Cost Basis

Basin	Cost Type	%	Unescalated Cost
Basin 1 - South	SDC-eligible	24.8%	\$1,805,777
	Other source	75.2%	<u>5,474,223</u>
			\$7,280,000
Basin 2 – South	SDC-eligible	48.9%	\$1,436,559
	Other source	51.1%	1,501,441
			\$2,938,000
Basin 3 – South	SDC-eligible	26.8%	\$1,151,278
	Other source	73.2%	3,144,722
			\$4,296,000
Basin 4 – South	SDC-eligible	72.2%	\$1,725,529
	Other source	27.8%	664,471
			\$2,390,000
subtotal	SDC-eligible	36.2%	\$6,119,143
	Other source	63.8%	<u>10,784,857</u>
			\$16,904,000
Basin 5 - North	SDC-eligible	87.6%	\$15,770
	Other source	12.4%	2,230
			\$18,000
Total	SDC-eligible	36.3%	\$6,134,913
	Other source	63.7%	10,787,087
			\$16,922,000

* Area-Specific Charges

Resulting Calculations

Basin	SDC			
Basin 1 – South	\$412 per ESU			
Basin 2 – South	\$451 per ESU			
Basin 3 – South	\$924 per ESU			
Basin 4 – South	\$268 per ESU			
Basin 5 – North	\$5 per ESU			
South Basins (1-4)	\$401 per ESU			
Uniform Citywide Charge	\$335 per ESU			

* Functional Charges

	SFR, Duplex, Trailer Court, Public Authority										
Meter	Flow		Storage								
Size	Factor	Customer	Fire-Base	Fire-Com.	Equalizing	Emergency	Supply	T&D	Treatment	Total	
5/8"	1	\$28	\$143	\$0	\$241	\$340	\$321	\$916	\$1	\$1,989	
1"	2.5	\$28	\$143	\$0	\$603	\$850	\$802	\$2,289	\$1	\$4,716	
1.5"	5	\$28	\$143	\$0	\$1,206	\$1,701	\$1,604	\$4,579	\$1	\$9,261	
2"	8	\$28	\$143	\$0	\$1,929	\$2,722	\$2,567	\$7,326	\$1	\$14,715	
3"	16	\$28	\$143	\$0	\$3,858	\$5,443	\$5,134	\$14,652	\$1	\$29,258	
4"	25	\$28	\$143	\$0	\$6,028	\$8,505	\$8,022	\$22,894	\$1	\$45,619	
6"	50	\$28	\$143	\$0	\$12,056	\$17,010	\$16,043	\$45,788	\$1	\$91,068	
8"	80	\$28	\$143	\$0	\$19,289	\$27,216	\$25,669	\$73,261	\$1	\$145,606	

	Multiplex/Commercial										
Meter	Flow			Storage							
Size	Factor	Customer	Fire-Base	Fire-Com.	Equalizing	Emergency	Supply	T&D	Treatment	Total	
5/8"	1	\$28	\$143	\$2,179	\$241	\$340	\$321	\$916	\$1	\$4,168	
1"	2.5	\$28	\$143	\$2,179	\$603	\$850	\$802	\$2,289	\$1	\$6,895	
1.5"	5	\$28	\$143	\$2,179	\$1,206	\$1,701	\$1,604	\$4,579	\$1	\$11,440	
2"	8	\$28	\$143	\$2,179	\$1,929	\$2,722	\$2,567	\$7,326	\$1	\$16,894	
3"	16	\$28	\$143	\$2,179	\$3,858	\$5,443	\$5,134	\$14,652	\$1	\$31,437	
4"	25	\$28	\$143	\$2,179	\$6,028	\$8,505	\$8,022	\$22,894	\$1	\$47,799	
6"	50	\$28	\$143	\$2,179	\$12,056	\$17,010	\$16,043	\$45,788	\$1	\$93,247	
8"	80	\$28	\$143	\$2,179	\$19,289	\$27,216	\$25,669	\$73,261	\$1	\$147,785	

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