



SULTAN CITY COUNCIL

AB 20-31

SUBJECT	Sewer General Facility Charge Update
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DATE:	DEPT:	CONTACT:	PRESENTER:	ITEM:
6/25/2020	Public Works	Nate Morgan	Nate Morgan	Public Hearing 2

Dates Presented: CM 3/12/2020, CM 6/11/2020, CM 6/25/2020

Attachments:

- A. 3/12/2020 Power Point Presentation**
- B. Sewer GFC Financial Plan Update 3-9-20 By Katie Isaksen and Associates**
- C. Ordinance 1322-20 – Sewer GFC Update**

REQUESTED ACTION: Close the Public Hearing regarding the changes to Sewer General Facility Charge Update.
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DESCRIPTION/BACKGROUND

The last time the sewer general facility's charge was updated was in 2011. In 2011 the rate was based on 2010 existing facilities & 2011 capital improvements. This charge was intended for 2012 and was supposed to be updated annually with costs & improvements, however, no updates have been made. Staff believes this annual update was overlooked due to the decrease in development.

What is the GFC Used For?

The general facilities charge is one of the revenue sources used to pay for capital projects. Capital projects are investments to maintain, repair, replace and enhance the existing sewer plant and conveyance system to serve current and future customers.

Why is staff asking to update the GFC?

In 2018 Skyridge was the first big development being approved. The hydraulic model for sewer showed that the Main Street sewer line was at capacity. For the development to be approved the city was required by code to have the developer replace a section of Main Street sewer from 4th Street to 8th Street in order to allow them to construct their development.

In 2019 the city continued to receive new development applications and each one continued to add to the Main Street sewer capacity problem. The staff had to continue

requiring each development to pay its reasonable share of the improvements to the Main Street sewer line.

Staff soon realized that requiring each development to install their own share of sewer improvements on Main Street would not be a good idea. Each development has their own time frame and the construction improvements to Main Street would occur at different times. This would mean that the citizens would have to deal with Main Street being under construction for years.

Therefore, staff determined that if we updated the general facility charge (GFC or connection fee) for sewer to include the Main Street projects, the city could work with one of the developers to have them construct all the required improvements to the Main Street sewer line in one project. This would make the impacts to the community a much shorter period. Changing the GFC to include the Main Street projects also makes it possible to credit the developers their general facility's charges for the actual cost of the work completed on Main Street.

The work required to develop a new General Facility's Charge has already been done. In late 2019 and early 2020 staff worked with Katy Isaksen to figure out what the increase would be when adding the Main Street projects. Katy presented this information to council on March 6th, 2020 and staff had planned to bring the adoption of the new sewer general facility's charge to council in late April but due to COVID-19, we were unable to do so.

How is the General Facilities Charge Calculated?

The method used to determine the general facilities charge includes provisions for both the City's investment in existing system capacity and its planned investments in system expansion. The resulting system cost is then spread proportionally over the total customer base served. The components that can be included in the general facilities charge are described below.

- Existing Cost Basis – The original cost of the existing system is determined from utility records. In accordance with statute, interest costs are added at the rate of interest applicable at the time of construction for up to a 10-year period, not to exceed 100 percent of the construction costs. This cost is net of donated facilities and non-utility cash payments, whether from grants, developers or through Utility Local Improvement District assessments.
- Future Cost Basis – Future facilities needed to serve growth and improve the system for regulatory compliance are also included in the general facilities charge. The 10-year capital improvements have been updated to reflect current anticipated growth, with cost estimates in year end 2019 dollars. The WWTP estimates and schedule are from the Facilities Plan engineering report that is currently underway. After reviewing the list and timing of improvements, it is reasonable to include the near term improvements, up to WWTP Phase II, scheduled through 2024. By focusing on the improvements in this 5-year time frame, it is not too far in the future and there is a clear match to the capacity available in the WWTP to calculate an equitable share.

This allows predictability in the GFC for 5 years and does not require annual recalculations.

- Customer Base/System Capacity – The sum of the existing cost basis and future cost basis is divided by the total customer base to determine the maximum allowable general facilities charge. The customer base represents ERUs that can be supported by the planned system capacity. The customer base was determined based on projected future capacity of each phase of the WWTP improvements. Existing cost basis and Other Growth Related Future Capital is divided by the maximum ERUs supported based on the capacity available the year the charge is calculated. The growth portion of the sewer system Improvements is divided by the growth ERUs from the existing system capacity through the WWTP Phase II capacity
 - Current NPDES Permit capacity at the WWTP – 2,535 ERUs
 - After WWTP Phase I – 2,624 ERUs
 - After WWTP Phase II – 3,387 ERUs

Attachment B summarizes the connection charge analysis and results done By Katy Isaksen

What is the Current GFC and how will it change?

The current Sewer GFC is \$12,895, this is based on existing sewer assets in 2010, plus one year planned capital improvements. This should have been reevaluated annually, but it was not. Now due to adding the past 9 years of capital improvements made to the system, moving some of the developer funded projects in to the calculation and to updated cost estimates for the WWTP upgrades, staff is proposing an increase of \$2,990.00 to the general facilities charge making the new cost per ERU \$15,885.00.