



W/S Gap Analysis: CFC Update City of Port Orchard

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W/S Gap Analysis – Capital Facilities Charge Update
Council Work Study Session, 11/15/16



W/S Gap Analysis Summary

- Water Sewer Gap Analysis 2014/15
- Recommended Water & Sewer Rates Adopted Nov 2015 for 2016-2020
- Comprehensive Plan Adopted 2016
- Last Piece: Capital Facilities Charge (CFC) Update



Where Are We?

- Council approved Contract to prepare Water/ Sewer Financial Gap Analysis: May 27, 2014
- Council approved Ordinance No. 020-15 with water & sewer rates for 2016-2020: Nov 24, 2015
- CFC Calculation Update – Utilities Committee, Oct. 17, 2016
- CFC Calculation Update – Work Study Session, Tonight (Nov 15, 2016)

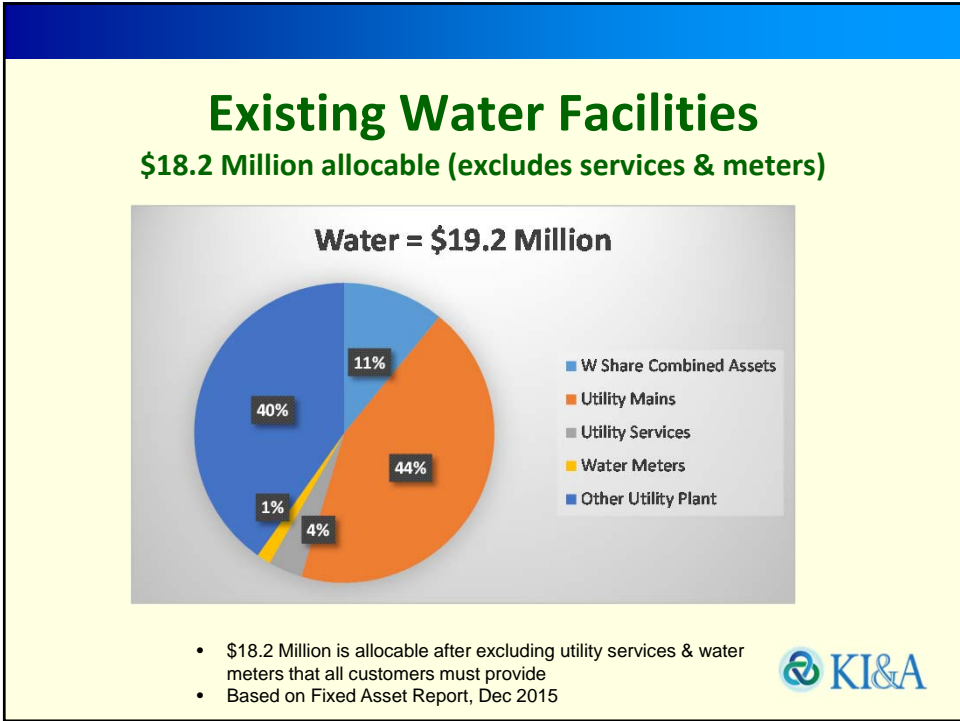


Capital Facilities Charges

Also called system development or general facilities charges

- New development & upsized redevelopment pays an equitable share of the cost for the right to connect to the water & sewer systems
- Based on:
 - Cost of the system in place
 - Growth's share of six-year improvements
 - City's adopted Comprehensive Plan, Chapter 7 Utilities





Six-Year Water Improvements

\$13.0 Million of \$16.8 Million Allocated for Growth

Six-Year Water CIP		Estimated		CFC Future
CIP No.	Project	Project Cost	Percent CFC	Improvements
1	Telemetry Upgrades	\$100,000	50%	\$50,000
2	Water Mains Replacement Program	\$1,500,000	25%	\$375,000
3	Pressure Reducing Valve Stations	\$900,000	25%	\$225,000
4	Well 7 Treatment/City Hall PS Removal	\$1,300,000	25%	\$325,000
5	Well 9 Treatment Facility	\$1,400,000	50%	\$700,000
	Well 10 Supply:	TBD	100%	TBD
6	- Site Development & Construction	TBD		
7	- Treatment Facility	TBD		
8	- Transmission Main	TBD		
9	Well 11 Project & Treatment Upgrade	\$1,200,000	100%	\$1,200,000
10	Well 11 Reservoir Upgrade	TBD		TBD
11	Well 12 Construction	TBD		TBD
12	Well 13 Development and Construction	\$6,000,000	100%	\$6,000,000
13	Melcher Street Pump Station Upgrade	TBD		TBD
	Sedgwick Service Area - WSUD connection or			
14	Sedgwick Booster Pump Station	TBD		TBD
15	390 to 580 Zone Booster Pump Station	\$300,000	100%	\$300,000
16	390 to 580 Transmission Main-Sedgwick Rd	\$1,500,000	100%	\$1,500,000
	390 to 580 Zone Transmission Main-Old			
17	Clifton Road	\$2,000,000	100%	\$2,000,000
	McCormick Pump Station to 580 Zone			
18	Reservoir Water Main	\$600,000	50%	\$300,000
	Total Six-Year Water Improvements	\$16,800,000		\$12,975,000

Based on Table 7-2 Water System Improvements, Near-Term Future (2016-2021), Utilities Chapter, City Comprehensive Plan. Includes only anticipated city portion where shared with developers.

Summary CFC Alternatives

Water Alt. C Recommended

Water Capital Facilities Charge Alternatives	3/4" Meter
Existing CFC	\$5,011.81
A. CFC With Existing Facilities	\$3,464
B. CFC With Existing & Future Facilities	\$5,252
C. CFC With Existing, Future & 50% Interest Allowed	\$5,945
D. CFC With Existing, Future & 100% Interest Allowed	\$6,639



CFC with Existing, Future & 50% Allowable Interest

Water Alternative C:

- \$18.2 Million Applicable Existing Facilities
- + \$13.0 Million Allocated Six-Year Improvements
- + \$4.1 Million Allowable Interest (50%)
- = \$35.3 Million divided among 6,030 ERU's (2021)
- + State B&O Tax 1.5%
- = **\$5,945 per ERU**



Recommended Water CFC By Meter Size

By Meter Size	Existing Charge	ERU Equivalents*	Recommended Charge
3/4" Meter	\$5,011.81	1.00	\$5,945
1" Meter	\$8,358.58	1.67	\$9,928
1-1/2" Meter	\$16,667.04	3.33	\$19,797
2" Meter	\$26,677.31	5.33	\$31,687
3" Meter	\$53,354.59	10.00	\$59,450
4" Meter	\$84,499.10	16.67	\$99,103
Irrigation	No fee		

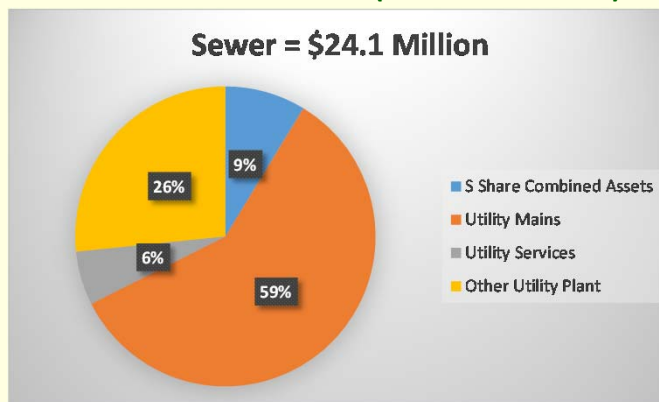
**Based on American Water Works Association meter equivalency factors*

- Recommend Alt. C with existing, future & 50% allowable interest
- Current Water CFC based on meter size with similar meter equivalencies
- A typical residence in Port Orchard = 3/4" Meter



Existing Sewer Facilities

\$22.7 Million allocable (excludes services)



- Utility services are the connection from home/business to sewer stub
- City sewer does not include wastewater treatment facilities
- Based on Fixed Asset Report, Dec 2015



Six-Year Sewer Improvements

\$4.5 Million of \$7.7 Million Allocated for Growth

Six-Year Sewer CIP		Estimated		2016 CFC
CIP No.	Project	Project Cost	Percent CFC	Amount
1	Marina Pump Station Improvements	\$3,800,000	75%	\$2,850,000
2	Bay Street Pump Station Improvements	\$1,100,000	25%	\$275,000
3	McCormick Pump Station 2	\$1,300,000	50%	\$650,000
4	McCormick Pump Station 1	\$1,300,000	50%	\$650,000
5	Eagle Crest Pump Station Generator Set	\$200,000	50%	\$100,000
Total Six-Year Sewer Improvements		\$7,700,000		\$4,525,000

Based on Table 7-1 Sewer System Improvements, Near-Term Future (2016-2021), Utilities Chapter, City Comprehensive Plan



Summary CFC Alternatives

Sewer Alt. C Recommended

Sewer Capital Facilities Charge Alternatives	Cost per ERU
Existing CFC	\$3,597.37
A. CFC With Existing Facilities	\$4,128
B. CFC With Existing & Future Facilities	\$4,382
C. CFC With Existing, Future & 50% Interest Allowed	\$5,157
D. CFC With Existing, Future & 100% Interest Allowed	\$5,932



CFC with Existing, Future & 50% Allowable Interest

Sewer Alternative C:

- \$22.7 Million Applicable Existing Facilities
- + \$4.5 Million Allocated Six-Year Improvements
- + \$4.8 Million Allowable Interest (50%)
- = \$32.0 Million divided among 6,305 ERU's (2021)
- + State B&O Tax 1.5%
- = **\$5,157 per ERU**



Recommended Sewer CFC By ERU

Component	Existing Charge		Recommended Charge
WW Treatment Facilities**	\$3,597.37	per ERU	\$3,597
City Sewer Facilities	\$3,085.04	per ERU	\$5,157
Combined Sewer Facilities	\$6,682.41	per ERU	\$8,754

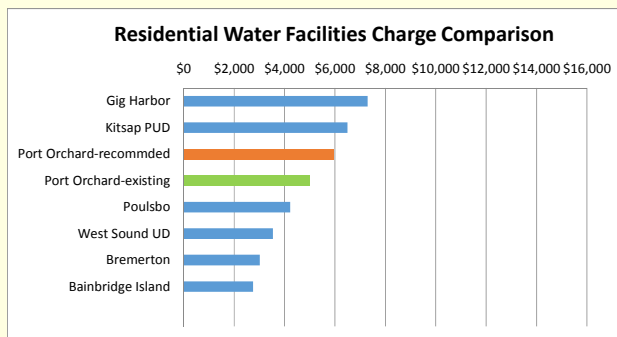
***WW Treatment Facility Fee passed-through, not set by City Council*

- Recommend Alt. C with existing, future & 50% allowable interest
- Current Sewer CFC based on equivalent residential units (ERU's)
- Residential = 1 ERU per dwelling unit
- Non-residential ERU = 180 gallons per day



Comparable 2016 Water CFC

Caution: each system is different & must be self-sufficient

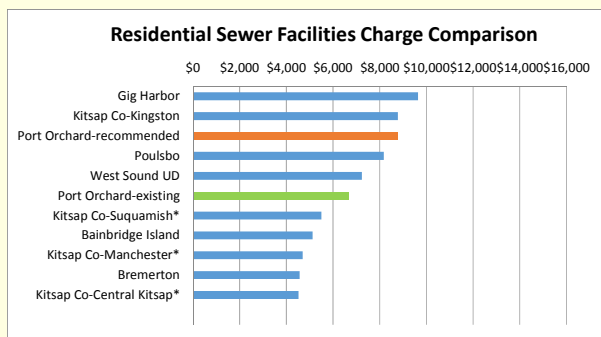


- Bremerton water GFC increases to \$4,449 in 2017 and \$5,880 in 2018
- Excludes design review, permit or inspection fees, water meter installation/ connection fees, separate local facilities charge, LID assessments, latecomer recovery or developer extensions



Comparable 2016 Sewer CFC

Caution: each system is different & must be self-sufficient



* Treatment only

- Current Port Orchard = city sewer \$3,085 + wastewater treatment \$3,597 = \$6,682
- Bremerton sewer GFC increases to \$5,715 in 2017 and \$7,086 in 2018
- Excludes design review, permit or inspection fees, water meter installation/ connection fees, separate local facilities charge, LID assessments, latecomer recovery or developer extensions



Impact on Sample New Residence

Port Orchard Residential CFC	Existing Charge		Recommended Charge
Water	\$5,011.81	3/4" Meter	\$5,945
City Sewer	\$3,085.04	per ERU	\$5,157
Sewer Treatment	\$3,597.37	per ERU	\$3,597
Total CFC	\$11,694.22		\$14,699
<i>Combined Increase</i>			\$3,005
<i>Combined Percent Increase</i>			26%



Recommended Future Updates

- Update CFC annually to keep current with construction costs
 - Consumer Price Index (CPI) is common published measure of inflation
- Recalculate CFC with a water/sewer plan update
 - To be based on improvements in an adopted plan



Sustainable Utilities

**It is up to us to protect the ratepayers
investment for future generations**

