

Alameda County Water District

Facilities Connection Charge Study Update

ACWD Board Meeting
February 8, 2024

Presenters: Sydney Oam, Financial Analysis Supervisor
Rick Simonson, Senior Vice President, HF&H Consultants

Presentation Overview

- Facilities Connection Charge Study Update
- SB 330 Housing Crisis Act of 2019 Compliance
- Development Policy Update
- Staff Recommendation



ALAMEDA COUNTY WATER DISTRICT

FACILITIES CONNECTION CHARGE UPDATE



Board Meeting

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AGENDA

Introduction to Facilities Connection Charge/Capacity Fees

Current Charges

Approach

Proposed Charges

- Buy-In Component
- Incremental (Growth) Component
- Facilities Connection Charge

Next Steps

INTRODUCTION

- Connection fees are development impact fees authorized by the Mitigation Fee Act
 - Government Code Section 66013 – “... those fees or charges shall not exceed the estimated reasonable cost of providing service ...”
- One-time charges on new development
- Set according to “nexus” establishing a reasonable relationship between new development and the impacts of new development on the District’s water system; requires a Nexus Study to adopt

CURRENT FACILITIES CONNECTION CHARGE

Customer Class	Incremental Portion	Equity buy-In Portion	Total
Residential (per dwelling unit)			
Single Family	\$6,194	\$3,734	\$9,928
Multi Family	\$5,202	\$3,137	\$8,339
Dormitory	\$3,715	\$2,241	\$5,956
Non-Residential (meter size)			
5/8"	\$6,194	\$3,734	\$9,928
3/4"	\$9,291	\$5,603	\$14,894
1"	\$15,487	\$9,340	\$24,827
1.5"	\$30,977	\$18,681	\$49,658
2"	\$49,563	\$29,889	\$79,452
3"	\$108,423	\$65,385	\$173,808
4"	\$185,872	\$112,091	\$297,963
6"	\$418,216	\$252,207	\$670,423
8"	\$495,663	\$298,912	\$794,575

NEXUS STUDY

- Four steps in determining the nexus
 - Step 1: Identify facilities that benefit growth
 - Step 2: Derive the value of those facilities
 - Step 3: Determine capacity provided by those facilities
 - Step 4: Calculate Facilities Connection Charges

APPROACH

- Approach we used is consistent with the American Water Works Association M-1 Manual
 - **Buy-in Method.** The buy-in method is based on the value of the existing system's capacity. This method is typically used when the existing system has remaining capacity to serve new development now and into the future.
 - **Incremental Cost Method.** The incremental cost method is based on the value or cost to expand the existing system's capacity, to accommodate growth. This method is typically used when the existing system has no capacity to serve new development.
 - **Combined Method.** The combined approach is based on a blended value of both the existing and expanded system's capacity. This method is typically used where some capacity is available in parts of the existing system and new or incremental capacity will need to be built in other parts to serve new development at some point in the future.

PROPOSED FACILITIES CONNECTION CHARGE BUY-IN COMPONENT

SYSTEM VALUE

Assets	RCNLD
Total Assets Value	\$697,866,153
Less: Services	(\$64,384,601)
Less: Meters & Meter Installations	(\$27,305,834)
Less: Total Outstanding Debt Principa	(\$64,910,000)
Value of Existing System	\$541,265,718

CAPACITY IN EXISTING SYSTEM

Total EMUs	
SFR EMUs	74,431
MFR EMUs	41,612
RDU	68
Non-Residential EMUs	32,128
Total	148,239

BUY-IN COMPONENT

Equity Buy-In Charge per EMU	
Value of Existing System	\$541,265,718
Current Demand (EMUs)	148,239
Equity Buy-In Charge (Per EMU)	\$3,651

PROPOSED FACILITIES CONNECTION CHARGE INCREMENTAL (GROWTH) COMPONENT

GROWTH RELATED CIP

	Current
Total Growth CIP	\$419,670,412
Less FIF Balance	<u>(\$77,577,131)</u>
Incremental Cost	\$342,093,281

PROJECTED GROWTH IN EMUs (BY CLASS)

Projected Growth EMUs	
SFR EMUs	6,147
MFR EMUs	25,009
Non-Residential EMUs	<u>14,420</u>
Growth EMUs (2024 - 2048)	45,576

INCREMENTAL (GROWTH) COMPONENT

Incremental Cost Charge per EMU	
Incremental Cost	\$342,093,281
Growth EMUs (2024 - 2048)	<u>45,576</u>
Incremental Cost Charge (Per EMU)	\$7,506

PROPOSED FACILITIES CONNECTION CHARGE

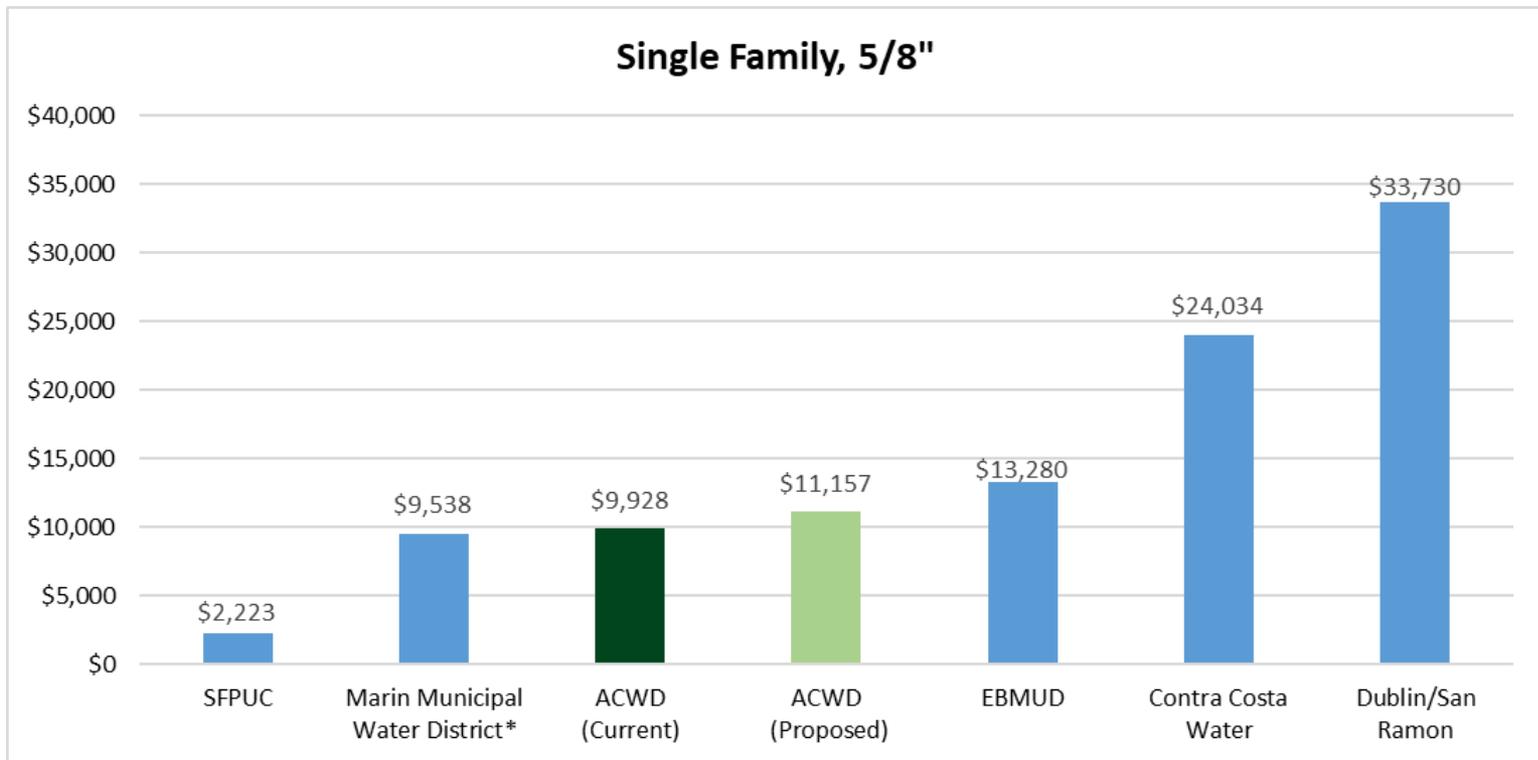
FACILITIES CONNECTION CHARGE (\$ per EMU)

SFR Connection Charge	
Equity Buy-In Charge (Per EMU)	\$3,651
Incremental Cost Charge (Per EMU)	7,506
Facilities Connection Charge (Per EMU)	\$11,157

CURRENT VS PROPOSED FACILITIES CONNECTION CHARGE

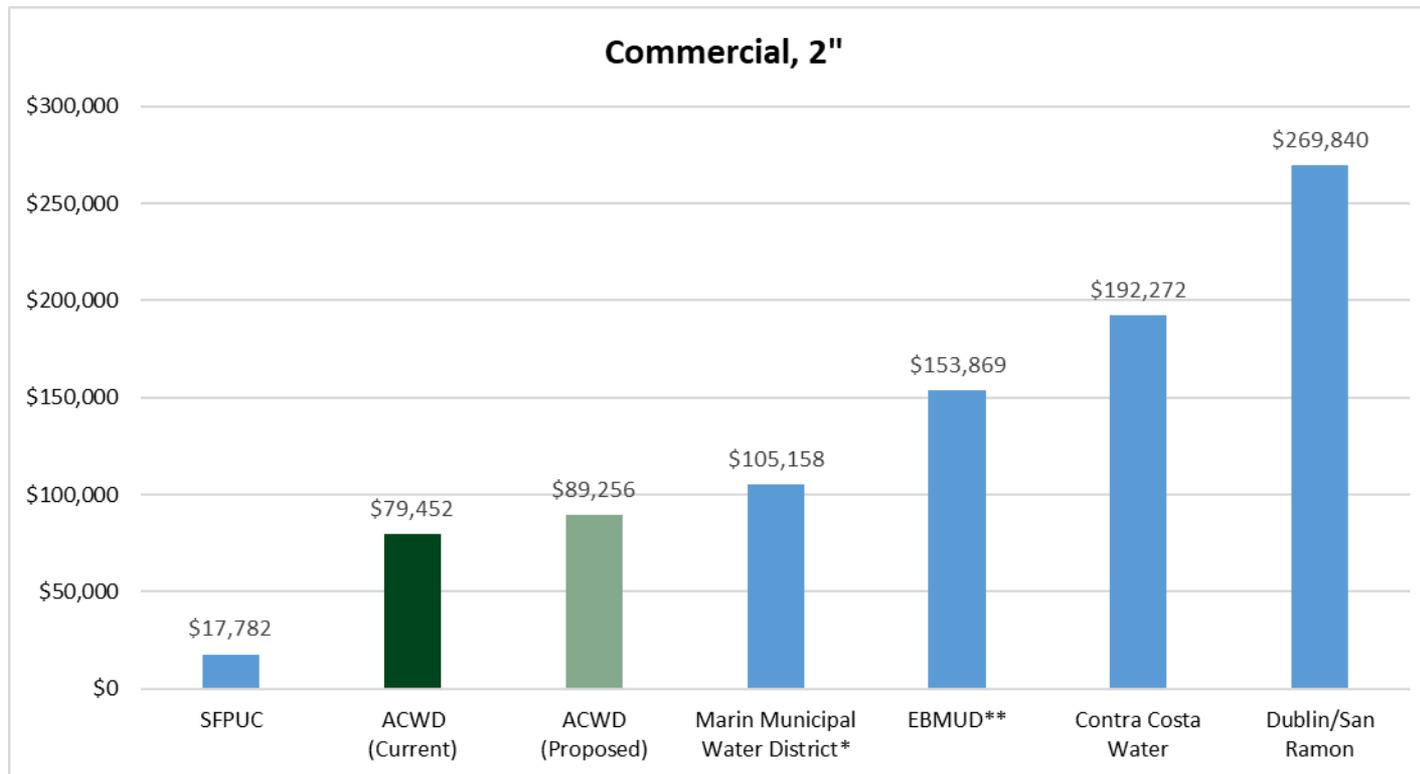
Customer	Current	Proposed Charge (per EMU)	Capacity Multiplier	Proposed
Residential (per dwelling unit)				
SFR	\$9,928	\$11,157	1.00	\$11,157
MFR	\$8,339	\$11,157	0.84	\$9,372
Dorm	\$5,956	\$11,157	0.60	\$6,694
Non-Residential (meter size)				
5/8"	\$9,928	\$11,157	1.00	\$11,157
3/4"	\$14,894	\$11,157	1.50	\$16,736
1"	\$24,827	\$11,157	2.50	\$27,893
1.5"	\$49,658	\$11,157	5.00	\$55,785
2"	\$79,452	\$11,157	8.00	\$89,256
3"	\$173,808	\$11,157	17.50	\$195,248
4"	\$297,963	\$11,157	30.00	\$334,710
6"	\$670,423	\$11,157	67.50	\$753,098
8"	\$794,575	\$11,157	80.00	\$892,560

SINGLE FAMILY FACILITIES CONNECTION CHARGE COMPARISON



* Marin Municipal Water District's connection charge is based on estimated annual water demand. For this comparison, 200gpd was used.

COMMERCIAL FACILITIES CONNECTION CHARGE COMPARISON



* Marin Municipal Water District's connection charge is based on estimated annual water demand. For this comparison, 2.47 AF is the annual water demand.

** EBMUD calculates meters greater than 1.5" by using estimated water use. For this comparison, 2.47 AF is the annual water demand.

SB 330 Impact on FCCs

- SB 330 Housing Crisis Act of 2019
 - Locking the FCCs at time the application deemed complete.
 - FCCs can still be adjusted annually for inflation up until the applicant pays the FCC when seeking water service.
 - SB 330 eligible projects include:
 - Residential only (not including hotels) projects that create two or more new dwelling units.
 - Mixed-use development consisting of residential and nonresidential uses with at least two-thirds of the square footage of the project designated for residential use (not including hotels), including dwelling units and any uses accessory to the residential units.
 - Transitional housing or supportive housing projects.

Rate and Fee Schedule

- Single-family home FCC effective May 1, 2024 for SB 330 Projects with Applications Completed Prior to the Listed Date

<u>Category</u>	<u>Prior to May 1, 2020</u>	<u>Prior to May 1, 2021</u>	<u>Prior to May 1, 2022</u>	<u>Prior to May 1, 2023</u>	<u>Prior to May 1, 2024</u>
SFR Incremental Portion	\$6,091	\$6,090	\$6,090	\$6,090	\$6,089
SFR Equity Buy-In Portion	\$2,865	\$3,066	\$3,268	\$3,469	\$3,671
1. SFR Comprehensive FCC	\$8,956	\$9,157	\$9,358	\$9,559	\$9,759

- FCC for Non-SB 330 Projects and for SB 330 Projects with Applications Completed on or after May 1, 2024

<u>Category</u>	<u>Effective May 1, 2024</u>
SFR Incremental Portion	\$7,506
SFR Equity Buy-In Portion	\$3,651
1. SFR Comprehensive FCC	\$11,157

Phase-in of FCC Increase

- Example of a five-year phase-in of the FCC increase

Example: Five-year phase-in of FCC increase						
	Proposed Eff. May 1, 2024	Eff. May 1, 2024	Eff. May 1, 2025	Eff. May 1, 2026	Eff. May 1, 2027	Eff. May 1, 2028
SFR Comprehensive FCC	\$11,157	\$10,174	\$10,420	\$10,665	\$10,911	\$11,157

- Note that fees would be updated annually for inflation regardless of a phase-in

Phase-in of FCC Increase

- **A phase-in isn't recommended due to:**
 - a. Relatively modest dollar increase relative to home values
 - b. Fees still being less than other comparable East Bay agencies
 - c. SB 330 provided protection from increases for many developments

SB 330 Impact on FCCs Examples

- a. SB 330 projects with applications complete prior to May 1, 2024 are unaffected by a phase-in of the new fees because they pay under the current fee structure.

- b. Example: SB 330 project with application complete April 1, 2023
 - i. Ready to install meters and pay FCC April 1, 2025
 - ii. Pays an FCC of \$9,559 (compared to the FCC of \$11,157 for non-SB 330)
 - iii. If they don't pay the FCC until April 1, 2026, the cost is \$9,559 plus one year of inflation.

SB 330 Impact on FCCs Examples

- c. SB 330 project with application complete May 1, 2024
 - i. Ready to install meters and pay FCC before May 1, 2025: pays an FCC of \$11,157 (established FCC at time their initial application was complete)
 - ii. Not ready to install meters and pay FCC until on or after May 1, 2025: pays an FCC of \$11,157 plus inflation (i.e., FCC at time of application plus inflation)

- d. SB 330 project with application complete April 2025 with a phase-in of proposed FCCs
 - i. Pays an FCC of \$10,174 plus inflation from time of completing the application until the FCC is paid.
 - ii. A typical project can take 2-3 years from application until they pay the FCC; would not be subject to continued phase-in of the fees during that time period.

Engagement with the BIA

- Staff has corresponded with the Building Industry Association of the Bay Area (BIA) throughout the FCC study process
- Staff had several meetings with the BIA and their rates consultant, Development & Financial Advisory (DFA)
- Staff and our consultant HF&H also met with BIA and DFA
- Staff received comments and a peer review report from the BIA, considered the comments, and made an adjustment to growth projections for single-family residential
 - The net effect of this change is a reduction in the proposed FCC by around 1.5% from what was discussed at the December 14, 2023, Board meeting

Development Policy Update

- District's Development Policy
 - Includes procedures related to the assessment and collection of fees and charges as well as the basis of certain fees and reimbursements.
 - Includes requirements for new and modified water services and extensions of the public water distribution system.
 - Last amended in February 2019.
- Development Policy must be updated to:
 - Reflect changed statutes and regulations and current best practices
 - Align with the revisions to the Rate and Fee Schedule

Staff Recommendation

- 1) Conduct a Public Hearing to receive and hear comments on the proposed revisions to the District's development-related charges and the facility connection charge report; and
- 2) by motion, adopt a resolution to amend the District's Rate and Fee Schedule and find that the amendments are exempt from the California Environmental Quality Act; and
- 3) adopt a resolution amending the District's Policy Governing Water Services and the Extension and Improvement of the Water Distribution System and Facilities of the Alameda County Water District.

Next Steps

- Conduct Public Hearing and Board consideration of proposed FCCs
- If approved, the fees are effective May 1, 2024 (at least 60 days after Board adoption)
- Staff would bring annual inflationary adjustments for Board consideration until the next study is completed (would expect to be in five years)
 - Inflationary adjustments would be based on the Engineering News Record – Construction Cost Index for the San Francisco Area based on the July – July change

Questions?

Alameda County Water District

Miscellaneous Fees and Charges Update

ACWD Board Meeting
February 8, 2024

Presenter: Sydney Oam, Financial Analysis Supervisor

Overview

- The District annually conducts a review of various fees and charges
- Fees and charges are revised as appropriate to cover the costs of service for which the fee or charge is imposed
- The proposed fees and charges are based on the cost and operational data for FY 2022/23

No change is proposed for fees not included in the presentation

Proposed Changes

Fee/Charge	Current	Proposed Effective March 1, 2024	FY 2022/23 General Fund Revenue
Metered Jumper Assembly Charges (6" Meter + RP Device)			
Deposit (6" Meter + RP Device)	\$5,240	\$5,748	
Monthly Rental	\$237	\$278	
Hydrant Flow Test Charges	\$247	\$251	
Fire Hydrant Meter Charges			
Deposit (3" Meter + RP Device)	\$2,320	\$2,340	
Electric Vehicle Charging Fee	\$0.43 per kilowatt hour	\$0.41 per kilowatt hour	\$2,004

Proposed Changes

Fee/Charge	Current	Proposed Effective March 1, 2024	FY 2022/23 General Fund Revenue
A. Permits for Wells, Other Excavations, and Exploratory Holes			\$120,925
1. Wells*			
• Construction or Deconstruction of Well	\$670	\$725	
• Repair or Reconstruction of Existing Well	\$475	\$515	
• Classify Well as Inactive (Per Year)	\$80	\$90	

*Except Vapor Wells with casing <2 inches in diameter, see Exploratory Holes

Proposed Changes

Fee/Charge	Current	Proposed Effective March 1, 2024	FY 2022/23 General Fund Revenue
A. Permits for Wells, Other Excavations, and Exploratory Holes			
2. Other Excavations			
<ul style="list-style-type: none"> Construction or Deconstruction of Cathodic Protection Well, Inclinometer, Vibrating Wire Piezometer, or Elevator Shaft 	\$670	\$725	
<ul style="list-style-type: none"> Repair or Reconstruction of an Existing Cathodic Protection Well, Inclinometer, Vibrating Wire Piezometer, or Elevator Shaft 	\$475	\$515	
<ul style="list-style-type: none"> Construction, Repair, Reconstruction, or Destruction of Dewatering Wells, Cleanup Site Excavations, Shafts, Tunnels, Directional Boreholes, Support Piers, Piles, Caissons, Wick Drains, or Other Excavations <ul style="list-style-type: none"> 10 or fewer Each over 10 	\$475	\$515	
<ul style="list-style-type: none"> Classify Other Excavation as Inactive (Per Year) 	\$80	\$90	

Proposed Changes

Fee/Charge	Current	Proposed Effective March 1, 2024	FY 2022/23 General Fund Revenue
A. Permits for Wells, Other Excavations, and Exploratory Holes			
3. Exploratory Holes and Vapor Wells (casing <2 inches in diameter)			
• Construction and/or Destruction			
○ 4 or fewer	\$475	\$515	
○ Each over 4	\$80	\$90	

Staff Recommendation

By motion, adopt a resolution approving revised miscellaneous fees and charges and updating the District's Rate and Fee Schedule, and finding that the amendments are exempt from the California Environmental Quality Act.

Questions?