



Water System Development Charges

Purpose: To refresh system development charges.

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Public Outreach | August 12 & 13, 2019

Executive Summary



Background

System Development Charge (SDC)

- One-time charge
- Fixed schedule for customers with 2" meters or smaller
- Based on growth factors

Analysis

Objective

- To refresh system development charges

Goals

- Analyze current system costs
- Draft proposed changes
- Ensure internal alignment
- Communicate proposal
- Implement revisions

Proposed Revision

System Development Charge (SDC)

- Adjust charges to reflect current system costs
- Combine Peak Day and 4-Day Peak Demand unit costs
- Conduct analysis on a 5 year cycle

Projected Timeline

Public Information Sessions

- August 12 & 13
- Informational briefing

PUB Study Session

- August 14
- Informational briefing

GPFC

- August 20
- Request formal recommendation

PUB Meeting

- September 11 (tentative)
- Request for approval

City Council Meetings

- September 24 (tentative)
- October 1 (tentative)
- Request for approval

What is a system development charge?

System development charge (SDC) is a charge for a water service connection.



One-Time Charge

One-time charge for new water service connection to the water system, service upgrade requiring a larger meter, or existing service for larger meters that exceed usage thresholds



Growth

Based on an equitable share of the cost of entire existing water system and future facilities necessary to accommodate growth



Cost Recovery

Purpose is to recover costs of building capacity from customers that need it

How is the charge currently assessed?

For meters 2" or smaller, the SDC is determined based on the following schedules:



Residential

Meter Size	Inside City Residential Charges		Inside City Commercial/Industrial Charges	
	Effective			
	1/1/03	1/1/04	1/1/03	1/1/04
5/8-inch	\$1,443	\$1,485	\$1,928	\$1,984
3/4-inch	2,166	2,229	2,894	2,978
1-inch	3,610	3,715	4,823	4,963
1-1/2-inch	7,218	7,427	9,647	9,927
2-inch	11,548	11,883	15,433	15,881
3-inch & Larger	Individually calculated based on consumption			



Commercial

Meter Size	Outside City Residential Charges		Outside City Commercial/Industrial Charges	
	Effective			
	1/1/03	1/1/04	1/1/03	1/1/04
5/8-inch	\$1,732	\$1,782	\$2,315	\$2,382
3/4-inch	2,599	2,674	3,473	3,574
1-inch	4,330	4,456	5,786	5,954
1-1/2-inch	8,661	8,912	11,575	11,911
2-inch	13,860	14,262	18,520	19,057
3-inch & Larger	Individually calculated based on consumption			

How is the charge currently assessed?

For meters 3" or larger, the SDC is determined based on the following schedules:

“The SDC will be the sum of the average day use multiplied by the average day cost/gallon, the peak day use minus average day use multiplied by the peak day cost/gallon, and the four-day maximum use minus average day use multiplied by the four- day maximum cost/gallon.”

Demand Characteristic	Inside	Outside	Example	Inside	Estimated GPD	SDC
Average Day Demand	\$2.64	\$3.17	Average Day Demand	\$2.64	7,500	\$19,800
Peak Day Demand	\$0.28	\$0.34	Peak Day Demand	\$0.28	10,000	\$ 700
4-Day Peak Demand	\$2.36	\$2.83	4-Day Peak Demand	\$2.36	9,000	\$ 3,540
					Total SDC	\$24,040

Why is the charge being updated?

Updating our analysis for system capacity, Tacoma's RWSS share of assets, capital projects, and debt.



System Capacity

Supply and treatment, pumping, transmission, and storage changes



RWSS Assets

Previously excluded Tacoma's RWSS assets since it did not exist



Capital Projects

Ten year Capital Improvement Plan (CIP) changes



Debt & Interest

Debt and interest changes

What was the analysis?

Refreshing many components of our cost structure in order to draft a new proposal.



Higher Costs

Growth Related Plant Cost



Lowered Costs

Growth Related Debt

Growth Related CIP (2019 – 2028)

Average Demand

Available System Capacity

What was the result?

Inside City	2004	2019	Difference	% Change
Unit Capacity Cost				
Base	\$ 2.64	\$ 2.09	\$ (0.55)	
Max	\$ 0.28	\$ 2.09	\$ (0.55)	-21%
4-Day Max	\$ 2.36			
Residential				
5/8"	\$ 1,485	\$ 809	\$ (676)	
3/4"	\$ 2,229	\$ 1,213	\$ (1,016)	
1 inch	\$ 3,715	\$ 2,022	\$ (1,693)	-46%
1 1/2 inch	\$ 7,427	\$ 4,043	\$ (3,384)	
2 inch	\$ 11,883	\$ 6,469	\$ (5,414)	
Commercial & Other				
5/8"	\$ 1,984	\$ 1,061	\$ (923)	
3/4"	\$ 2,978	\$ 1,592	\$ (1,386)	
1 inch	\$ 4,963	\$ 2,653	\$ (2,310)	-47%
1 1/2 inch	\$ 9,927	\$ 5,306	\$ (4,621)	
2 inch	\$ 15,881	\$ 8,489	\$ (7,392)	

Outside City	2004	2019	Difference	% Change
Unit Capacity Cost				
Base	\$ 3.17	\$ 2.51	\$ (0.66)	
Max	\$ 0.34	\$ 2.51	\$ (0.66)	-21%
4-Day Max	\$ 2.83			
Residential				
5/8"	\$ 1,782	\$ 970	\$ (812)	
3/4"	\$ 2,674	\$ 1,456	\$ (1,218)	
1 inch	\$ 4,456	\$ 2,426	\$ (2,030)	-46%
1 1/2 inch	\$ 8,912	\$ 4,852	\$ (4,060)	
2 inch	\$ 14,262	\$ 7,763	\$ (6,499)	
Commercial & Other				
5/8"	\$ 2,382	\$ 1,273	\$ (1,109)	
3/4"	\$ 3,574	\$ 1,910	\$ (1,664)	
1 inch	\$ 5,954	\$ 3,183	\$ (2,771)	-47%
1 1/2 inch	\$ 11,911	\$ 6,367	\$ (5,544)	
2 inch	\$ 19,057	\$ 10,187	\$ (8,870)	

What's the difference?

Comparing the existing charge to the proposed charge.

Example	Estimated GPD	Before	After
Average Day Demand	7,500	\$19,800	\$15,675
Peak Day Demand	10,000	\$ 700	\$ 5,225
4-Day Peak Demand	9,000	\$ 3,540	
Total SDC		\$24,040	\$20,900

What is the impact?

Understanding how the proposed charges will affect system development charges.



Combined Peak Costs

Simplify peak costs by combining Peak Day and Four Day Maximum into one unit capacity cost



Reduced Charges

Reduce overall charges for all customers



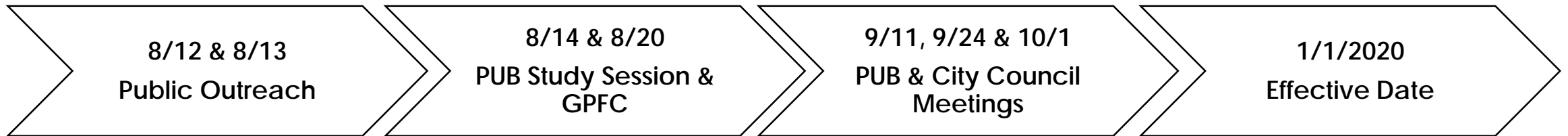
Proposal

Request approval for new charge effective 2020

Conduct analysis on a 5 year cycle

What's next?

Formal approval will be requested of the PUB and City Council with a target implementation date of 01/01/2020.



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