

CITY OF PLACERVILLE

Water and Wastewater Capital Improvement Charges (CICs)



June 9, 2009



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS



Project Recap

- BWA retained to update water and wastewater capital improvement charges
- Presented initial draft CIC findings to City Council on May 26, 2009
- Received feedback from Council and City staff
- Worked closely with City staff to develop updated analysis





Study Objectives

- Provide City with clear, defensible nexus to justify water and wastewater capital improvement charges
- Ensure that future connections to utilities pay “fair share” of cost of *existing* and *future* capital facilities
- Assess fees in a fair and equitable manner to new connections *proportional to impact*
- Meet all statutory and legal requirements for fees (GC 66000, Health and Safety Code 5471)



Initial Findings - Water

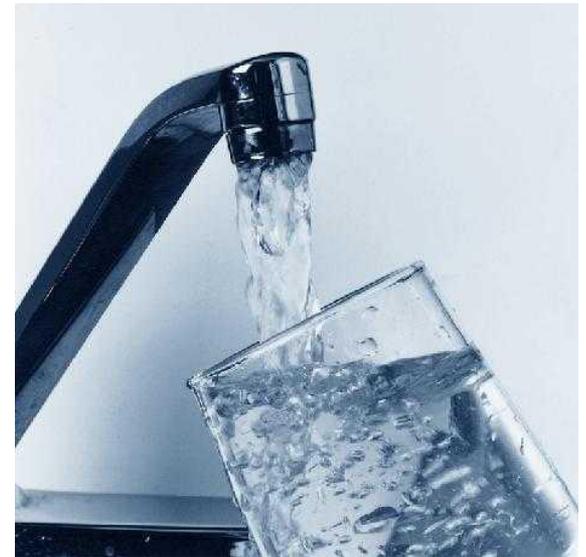
- Recommended “buy-in” to net system investment only
 - Calculated based on total investment in existing system / total existing meter equivalent connections
 - After paying, new connections have same equity in system as existing connections
- Initial recommendation: **\$6,625** per 5/8” meter





Updated Findings - Water

- **Updated** valuation of water system
 - Calculated Replacement Cost New Less Depreciation for “buy-in” component
 - Used fixed asset detail and inventory of distribution lines by length
 - Less accumulated depreciation
 - **Updated** estimate of total existing system valuation (net of debt):
 - **\$22.0M (was \$22.8M)**





Updated Findings - Water

- **Updated** basis of fee to **full build-out** conditions
 - Based build-out calculations on K/J Water Master Plan (2005)
 - Estimate additional 779 meter equivalents between now and build-out
- **Added** capital improvements from Water Master Plan required to reach build-out (~\$1.9M)
 - Mainly upsizing for new demand and fire flow
 - **All users** share benefit; costs allocated to existing and future in proportion to demand



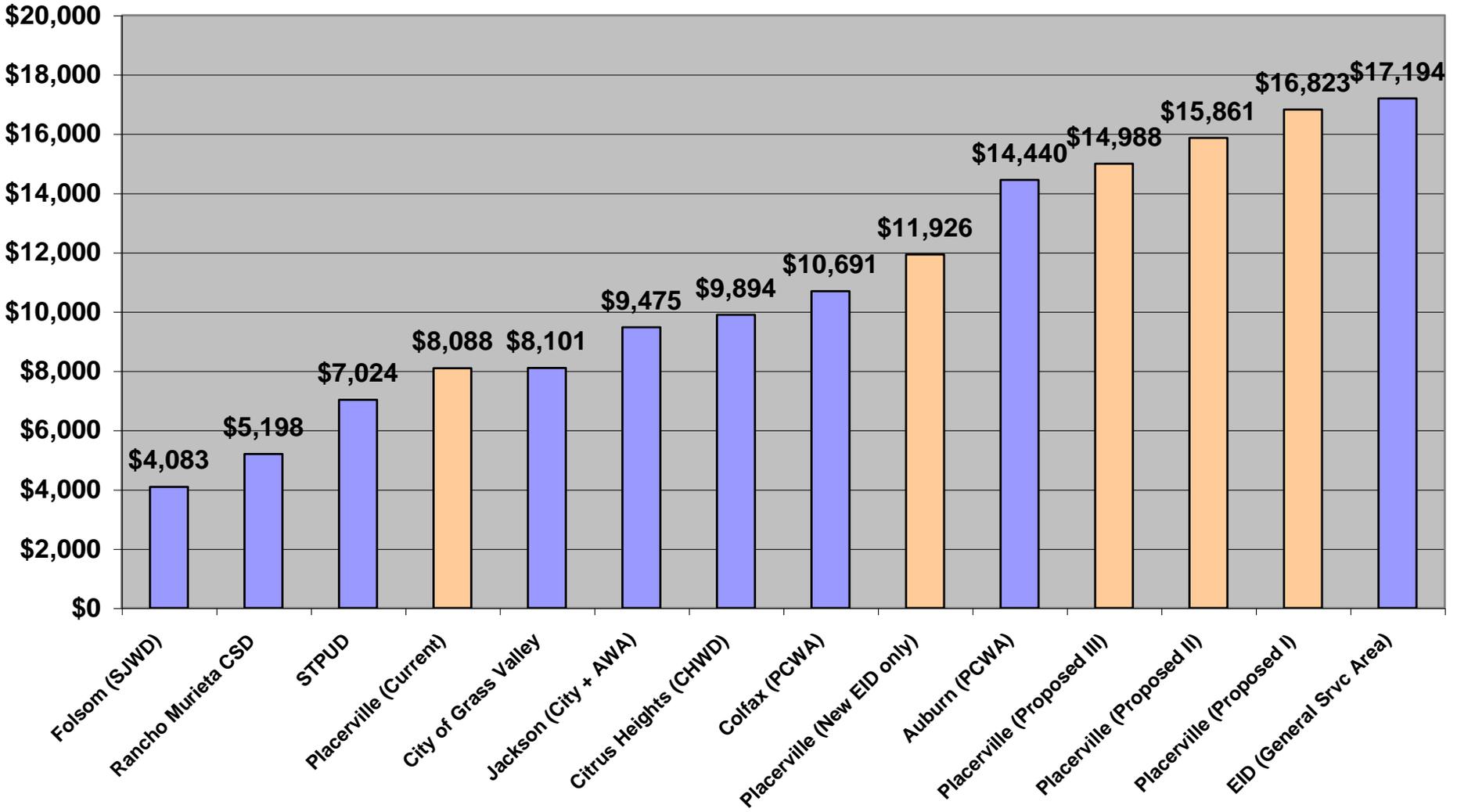
Updated Findings - Water

- Summary of findings
 - Total net investment in existing and future capital improvements ~ \$23.9M
 - BWA calculated fee based on both “meter equivalents” and “peak day demand” methods
 1. **\$5,663 per 5/8” meter** using meter equivalents method
 2. **\$5.93 per gallon of peak day** capacity used
 - **\$4,790 per single family home**
 - (Initial fee was \$6,625 per 5/8” meter)

City of Placerville (w/ EID pass-through)

Regional Survey of Water Capital/Connection Fees

One 5/8" meter or one single family equivalent





Initial Findings - Wastewater

- Recommended elimination of \$1,000 “connection fee”
- Used “buy-in plus incremental cost” method
 - Net existing system investment of \$26.1M by 3,241 existing EDUs
 - Per EDU equity buy-in of **\$8,060**
 - Improvements of \$3.9M
 - Initial estimate of 2,500 new units to build-out
 - Per EDU expansion component: **\$1,565**
- Initial recommendation: **\$9,625 per EDU**

Updated Findings - Wastewater

- **Updated** valuation of wastewater system
 - Calculated Replacement Cost New Less Depreciation for “buy-in” component
 - Used fixed asset detail and inventory of collection lines by length
 - Less accumulated depreciation
 - **Updated** estimate of total existing system valuation (net of debt):
 - **\$26.1M (unchanged)**

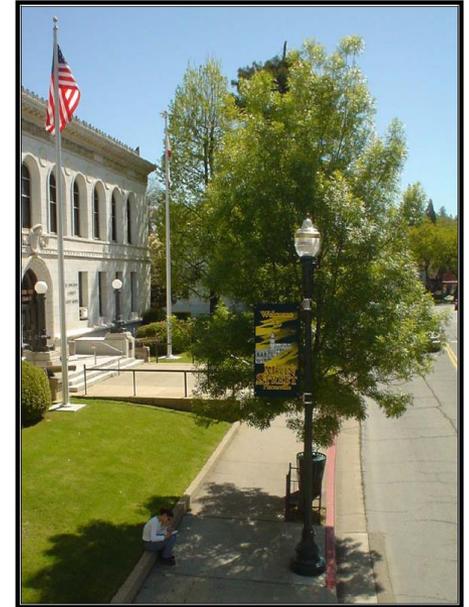




Updated Findings - Wastewater

- **Updated** basis of fee to **full build-out** conditions
 - Based build-out calculations on Sewer System Master Plan (2006)
 - Estimate additional 1,142 EDUs between now and full build-out
- **Unchanged** capital improvements from Sewer System Master Plan (~\$3.9M)
 - These improvements solely required for new flows from growth; completely recovered in CIC

CITY OF PLACERVILLE
2007/2008



PROPOSED
CAPITAL IMPROVEMENT
PROGRAM BUDGET



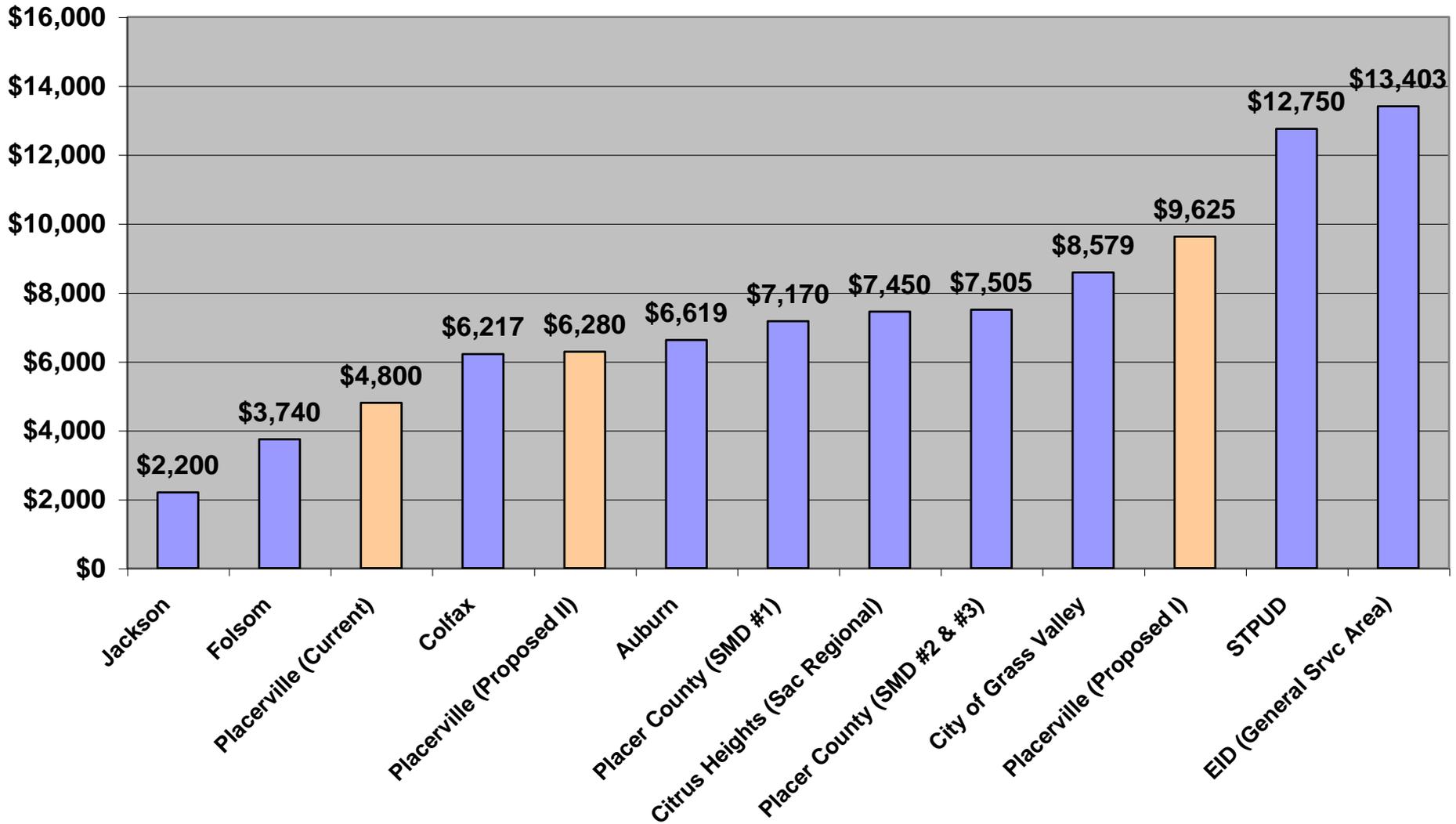
Updated Findings - Wastewater

- Summary of findings
 - Total net investment in existing capital improvements ~ \$26.1M
 - Divided into **full build-out** demand, \$16.32 per gallon per day or **\$2,856 per EDU** “buy-in”
 - \$3.9M in improvements required
 - Provides for build-out to 1.6 mgd (from 1.4 mgd)
 - \$19.57 per gpd, or **\$3,424 per EDU** “expansion” component
 - Total wastewater CIC: **\$6,280 per EDU (was \$9,625)**

City of Placerville

Regional Survey of Wastewater Capital/Connection Fees

One EDU or single family equivalent





Other Considerations

- Recommend indexing both charges to change in either ENR-CCI or Caltrans construction index
- Recommend City discuss procedures for “crediting” new development for in-kind improvements
 - New improvements must substantially benefit all users, and improve or add capacity to meet build-out
- City may “phase-in” these new fees over two to three years to limit impact on development
 - Institute 33-50% of the recommended change in 09/10
 - 100% of the recommended fee by 10/11 or 11/12

Questions/Discussion

