

A dynamic background image showing water being poured from a glass, creating a large splash with many bubbles. The water is clear and bright blue. The background is divided into sections of blue, white, and light blue.

Zone 7 Water Agency

Water Connection Fee Update

Developer's Meeting
January 12, 2017

Presented by

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Overview of Presentation

- **Overview of Connection Fee Methodology**
- **Key Program Targets & Assumptions**
- **Water Connection Fee Update**
 - ✓ Projected Growth & Demand
 - ✓ Fee Calculations
 - ✓ Study Recommendations
- **Next Steps**

Overview of Connection Fee Methodology

AWWA Manual M1* establishes guidelines for three approaches for connection fees:

1. **Buy-In Method**: based on the value of the existing system's capacity.
2. **Incremental Cost Method**: based on the value or cost to expand the existing system's capacity.
3. **Combined Approach**: based on a blended value of existing and expanded system capacity.

**Principles of Water Rates, Fees, and Charges, Chapter VI.2 (6th ed.). (2012). Denver, CO: American Water Works Association.*

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Zone 7 Conn. Fees are based on this approach

The Incremental Cost Method was used for Zone 7.

*Principles of Water Rates, Fees, and Charges, Chapter VI.2 (6th ed.). (2012). Denver, CO: American Water Works Association.

Overview of Connection Fee Methodology

Basis for Zone 7's Connection Fees:

- Value of System Facilities Needed to Serve Growth.
- Number of New Customers that could be Served by Available Capacity in the Water System through Buildout Period.
- Cost (Value) of Future System Assets = \$/DUE*
Projected New Connections (*DUEs*)*

*DUE = Dwelling Unit Equivalent

Key Assumptions & Background

Assumptions included in the Update Analysis:

1. System Buildout will occur by FY 2040/41.
2. Water Demand & Growth (as reported by Retailers and based on respective UWMP's) have been incorporated.
3. New Fees will normally be Effective January 1st Annually.

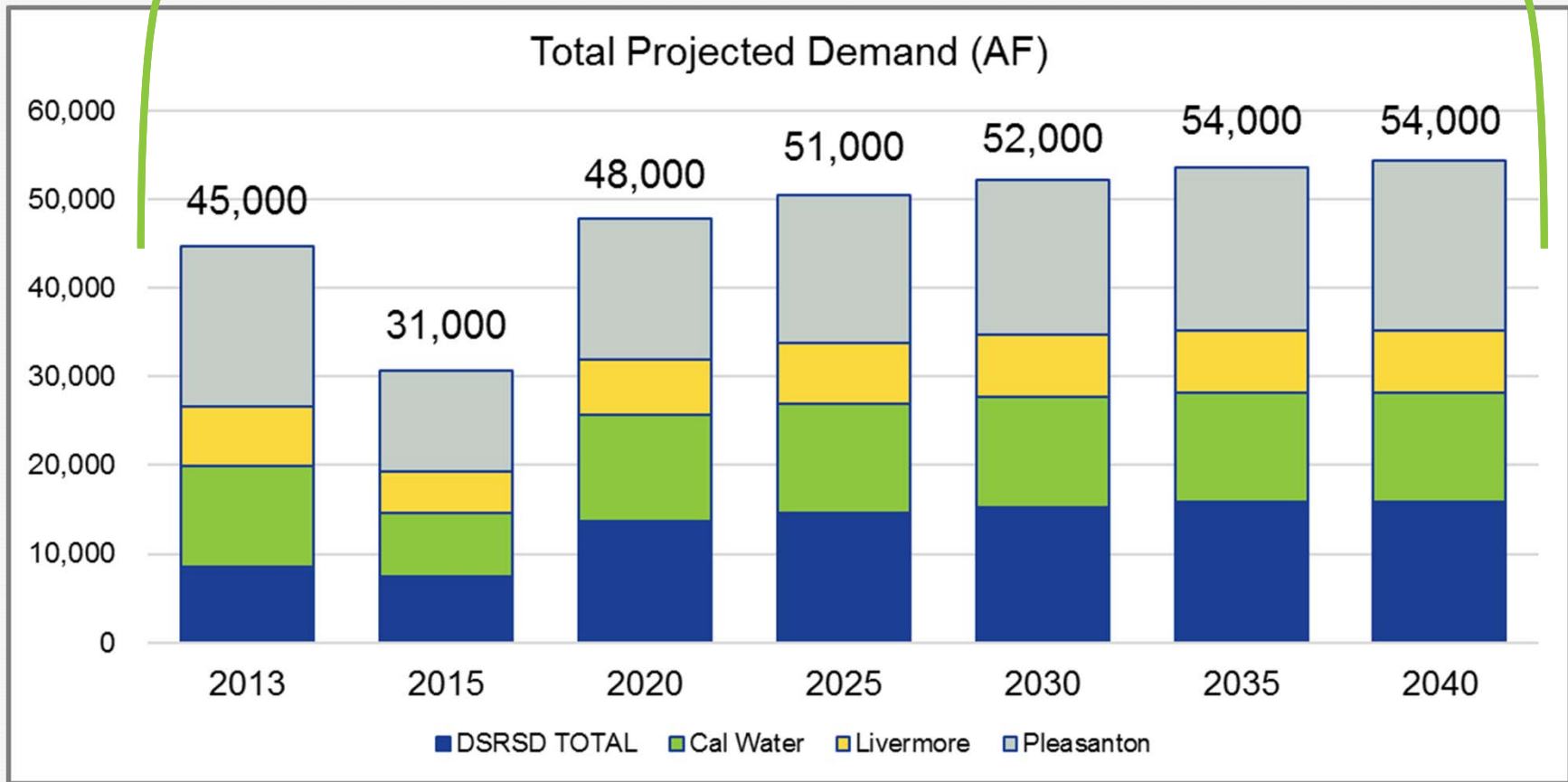
2017 difference: Fee increase is delayed to complete update (last connection fee update was in 2011)

Key Study Findings & Recommendations

- **Current water connections fees fall short of meeting financial plan projections due to:**
 1. Expansion Program Capital Projects Schedule
 2. Need to Maintain Minimum Fund Balance
 3. Projected Cost Inflation
- **Increasing Fees effective May 1, 2017 is recommended, with annual inflationary increases thereafter (effective January 1st of each subsequent year).**

Projected Water Demand

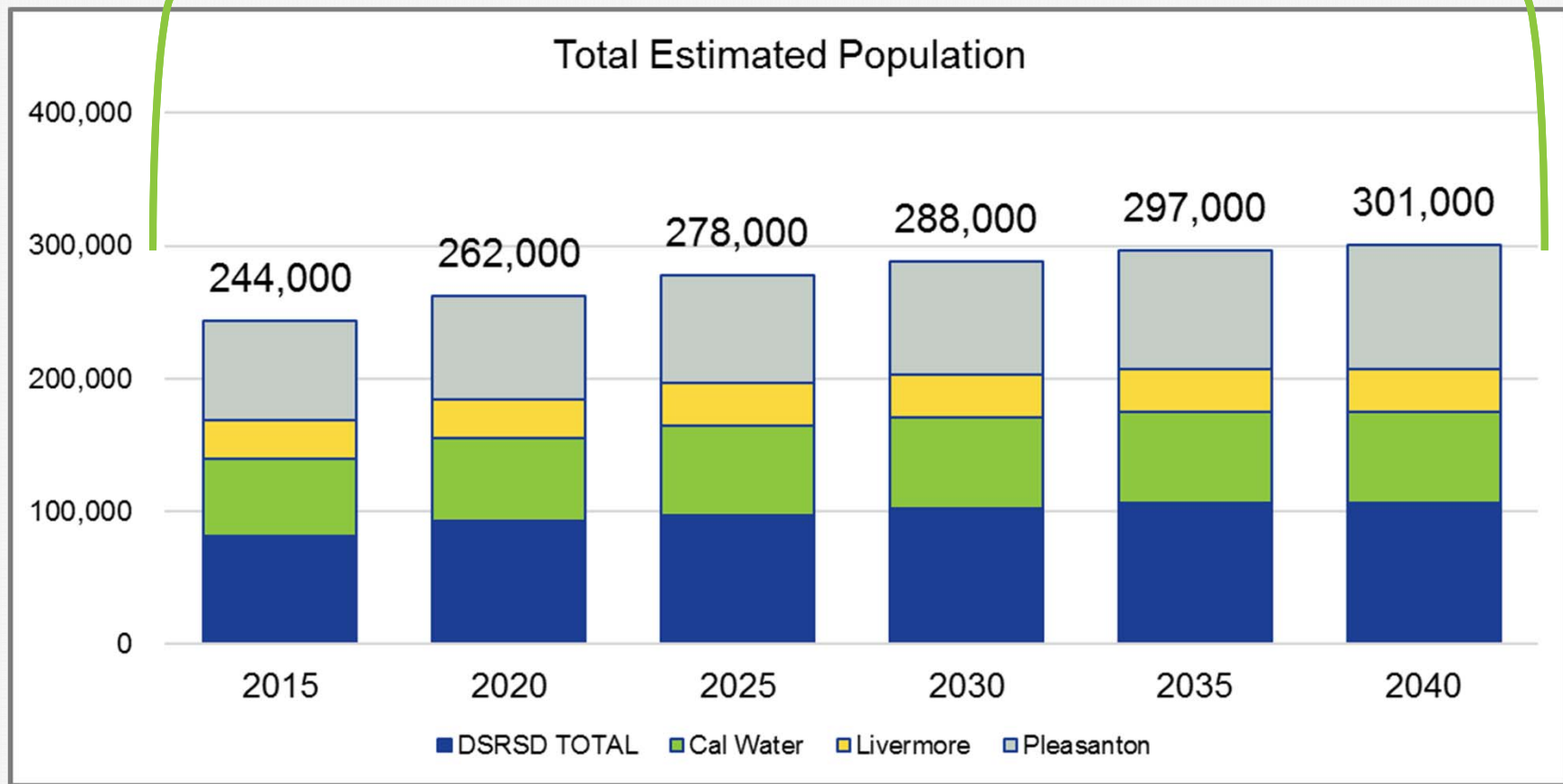
20% Increase In Demand (2013-2040)



The 2011 Connection Fee Update projected an increase in retailer water demands by 35% to a buildout demand of 56,600 AF (between 2010 and 2040).

Projected Area Population

23% Increase In Population (2015-2040)



The 2011 Connection Fee Update projected a 32% population growth in the service area (2010 to 2040) to a buildout population of 299,000.

Projected Growth (DUEs)

Demographic Statistics	Total Existing DUEs	Projected Total DUEs (thru 2040/41)	Cumulative Change: Number of Units (thru 2040/41)	% of Total New DUEs
Dougherty Valley (via DSRSD)	7,972	8,169	197	1%
Dublin-San Ramon Services District (DSRSD)	23,524	31,663	8,139	34%
California Water Service Company - Livermore District	33,620	39,201	5,581	23%
City of Pleasanton	52,968	58,881	5,913	25%
City of Livermore	13,911	18,165	4,254	18%
Total	131,995	156,079	24,084	100.0%
New Growth:			18.2%	

The 2011 Connection Fee Update projected 30,446 new DUEs; of those, 5,405 were received from FY 2011/12 through FY 2015/16.

There are 25,061 remaining 2011 Study DUEs (FY 2016/17 through FY 2040/41).

Current new DUE projections from Retailers are 977 lower compared to the remaining 2011 Study DUEs.

Total Expansion Program Cost Basis

Future Year Program Expenses	Total Fund 130 (FY 2016/17 - 2040/41)
<u>Expansion Program Projects</u>	
Buildings & Grounds	\$ 1,648,419
Program Management	1,962,858
Transmission & Distribution	40,652,179
Water Supply & Conveyance	216,282,839
Water Treatment Facilities	156,456,674
Wells	140,170,609
Subtotal Expansion Program Projects	\$ 557,173,579
<u>Debt Service Payments through Buildout</u>	
Total Debt Service Payments	\$ 245,966,379
<u>Other Expenditures through Buildout</u>	
Other Expenditures	53,207,052
Contingency	18,229,632
Sinking Fund Contributions	32,153,009
TOTAL	\$ 906,729,651

<u>Exclude from Dougherty Valley Fee</u>	
Additional Entitlements	\$ 19,000
Additional Storage	\$ 25,767,566
Other Projects	\$ 955,000
	<u>\$ 26,741,566</u>
Dougherty Valley Exclusion	95.93%

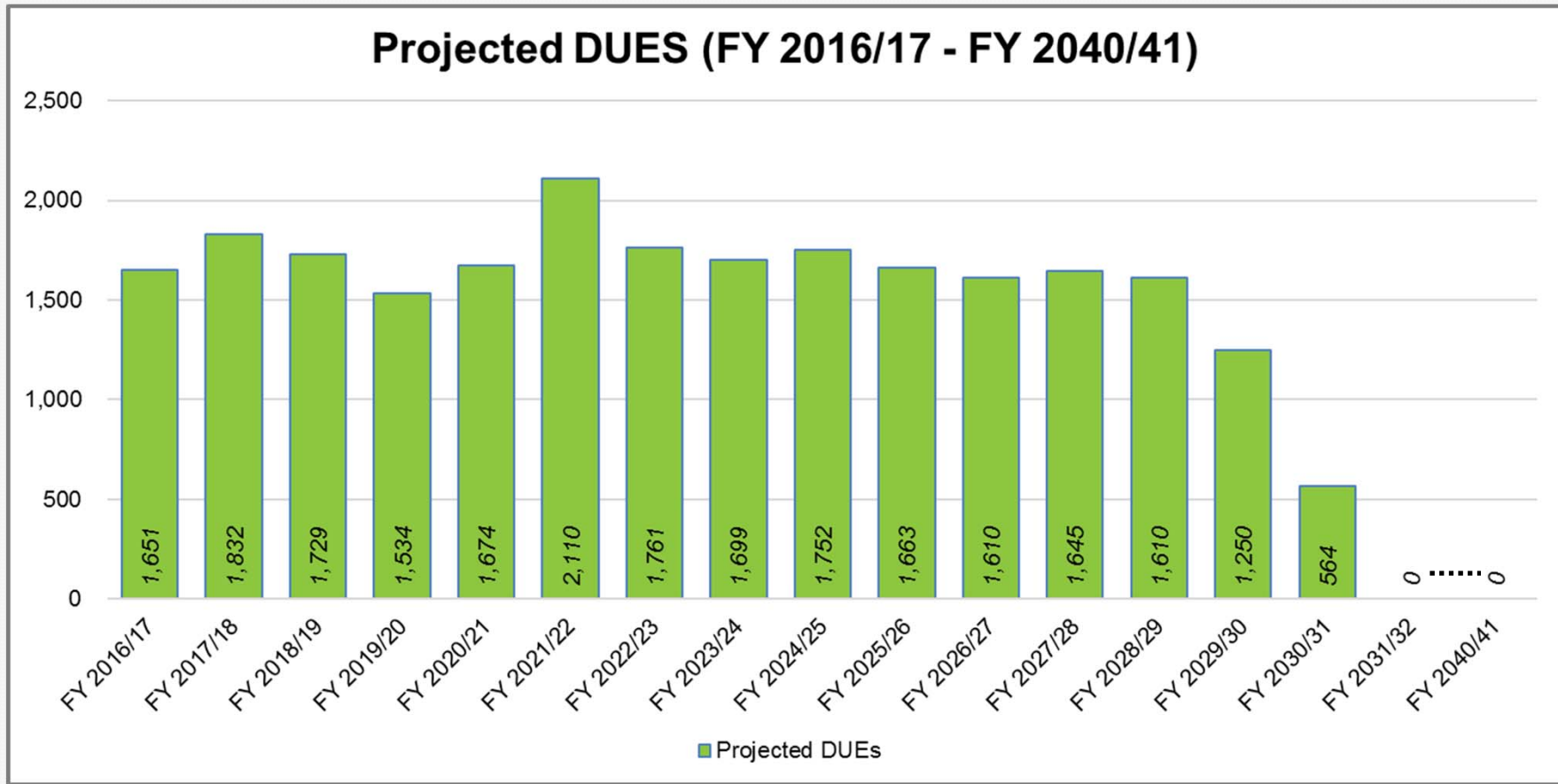
Connection Fees

- **Pay-Go Funding**
- **New fees include 3.4% ENR CCI inflationary increase.**
- **Zone 7 Connection Fee: \$27,185**
 - **Additional 4.0% adjustment**
- **Dougherty Valley Connection Fee: \$26,080**
 - **Additional 7.9% adjustment**

Next Steps

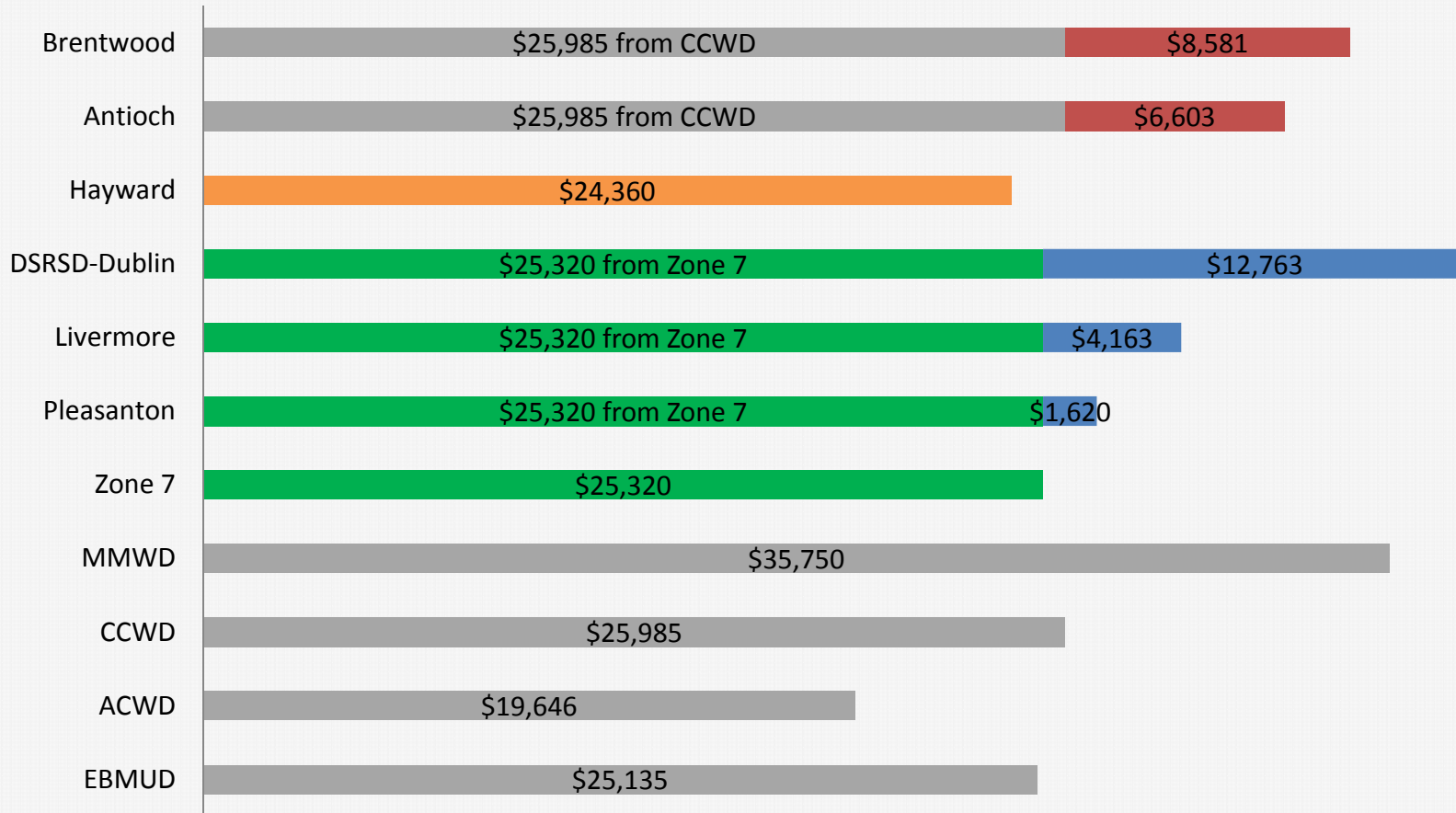
- 1. Meet with Retailers to discuss findings and new fees**
- 2. Meet with Finance Committee (to be scheduled in early February)**
- 3. Adopt Fees at February 15, 2017 Board Meeting**
- 4. New Connection Fees Effective May 1, 2017**

Projected Growth



Connection Fee Comparison

Current Water Connection Fees for 5/8" Meter



QUESTIONS and COMMENTS

