

# IMPACT AND CAPACITY FEES – OUTSTANDING POLICY ISSUES

Town Council Meeting  
February 6, 2019

# IMPACT AND CAPACITY FEES -GOALS

- Calculate the Maximum Allowable Fee Amount Per State Law
- Set the Fee Amount Such that New Development Pays Its Proportionate Share of New Infrastructure



# APPROACH

- Update All 8 Fees at Once
  - 6 Impact Fees (2014)
  - 2 Capacity Fees (2014)
- Water and Wastewater Rate Study
  - Water (2010)
  - Wastewater (2014)

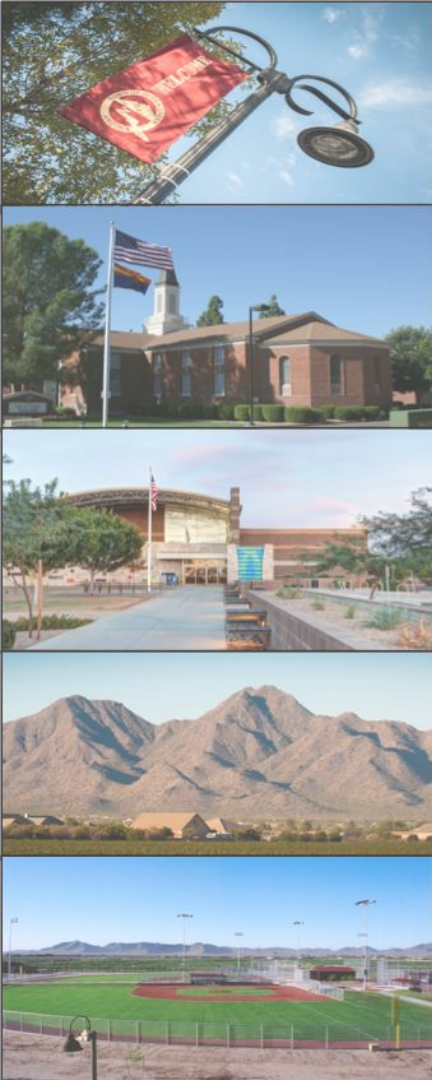


# POLICY ISSUES

## 1. Wastewater to Pay for the Costs of Treating Effluent Water

- Accepted Practice
- “Its Effluent Until It Is Recharged Into the Ground – Then It Becomes Water Again”
- Financial Impact
  - Operating: \$38K Annually
  - Capital Projects: \$9.9M





# Policy Issues (continued)

## 2. Recharged Effluent Water – Valuable Water Resource

- Treatment Process Returns Wastewater to a Usable Condition to be Recharged Into the Ground
- Water System is Required to Meet 100-Year Assured Water Supply Requirements
- Recharged Water Has Value: \$650K Annually
  - Water Fund “Purchases” from Wastewater Fund

# POLICY ISSUES (CONTINUED)

## 3. Combine the Water and Wastewater Utility for the Purposes of Issuing Debt

- Stronger, Larger Revenue Pledge for the Debt Service Calculation
- Less Likely to Increase Rates – All Other Issues Being Equal



# POLICY ISSUES (CONTINUED)

## Debt Coverage Calculations

	Water Only	Wastewater Only	Combined Utility
Annual Net Revenues* (A)	\$11.2M	\$8.2M	\$19.4M
Annual Debt Payments (B)	\$5.6M	\$3.2M	\$8.8M
Coverage Ratio (A / B)	2.0x	2.5x	2.2x
Minimum Requirement	1.5x	1.5x	1.5x

\* Includes All Revenues (including Capacity Fees) less operating expenses.

# POLICY ISSUES (CONTINUED)

## 4. Water and Wastewater Reserves

- Eliminate WIFA Bond Reserves: \$6.4M
  - WIFA has Approved the Town's Request to Eliminate the Reserves Based on Improved Financial Condition
- Establish Operating / Repair and Replacement Reserves: \$20M (Near-Term Goal)
  - Approximately \$10M Available Today





# POLICY ISSUES (CONCLUDED)

## 5. Water Rights

- Staff Recommends Funding the Purchase of Water Rights from Rates, Not Capacity Fees
- \$49M of Extinguishment Credits and \$20M of Surface Water Rights can be Funded from Existing Water Rates





# QUESTIONS AND COMMENTS