

REVIEW FACILITY CAPACITY FEE REVENUES AND STUDY COMPONENTS

**Finance and Administration Committee Meeting
December 11, 2023**

AGENDA

- ❑ What is a Facility Capacity Fee “FCF”?
- ❑ Facility Capacity vs Retail Capacity Fee
- ❑ Overview of Prior and Current Studies
- ❑ Current FCF Challenges
- ❑ Analysis of FCF Revenues
- ❑ Next Steps

REGIONAL FACILITY CAPACITY FEES

BENEFITS

70% Current Users
30% Future Users

DEFINITION

Cover portion of project costs for upgrading, expanding, or providing additional water system capacity.

The fee, developed under CLWA, addresses regional water treatment, distribution projects, emergency storage, water banking, water rights acquisition, water supply projects and other projects, including the development of recycled water systems.

PROJECTS

They supply water to multiple entities, typically at a larger scale, through centralized transmission and distribution.

- * Water supply banking
- * Recycled water backbone system
- * Treatment plant expansion
- * Regional storage
- * Pipeline

REGIONAL FACILITY CAPACITY FEES

Surface Water & Treatment Plants



Regional Water Storage



Pump Stations



Pump Stations



Retail Storage



Distribution piping

Hydrants



Meters



Service lateral



Service lateral



Wells



Water Banking

Transmission piping



Recycled Water

Dry Year Reliability Wells

RETAIL CAPACITY FEES

PRIOR AND CURRENT STUDIES

2017 & 2018 Amendment

FCFs are charged based on meter equivalents, rather than estimated water usage.

CLWA used four Water Service Areas (WSA) instead of 10 WSA's.

CLWA modified its methodology, using a more easily understood model, charging capacity fees similarly to retail connection fees, streamlining the application process and better aligning it with the basis for retail capacity fees (meter size).

2018 Amendment added a prorated adjustment for meter connections smaller than one inch.

2019

Agency's facility capacity charges are "based on the incremental cost approach.

The fee calculation was based primarily on projected equivalent meter units ("EMUs") at buildout, using population from the 2015 UWMP.

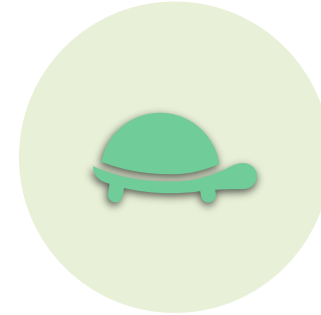
Applied future interest rates for project financing, future construction projects needed to accommodate growth.

The fees are escalated annually by an index (ENR or CPI) up to 3% until new study is available.

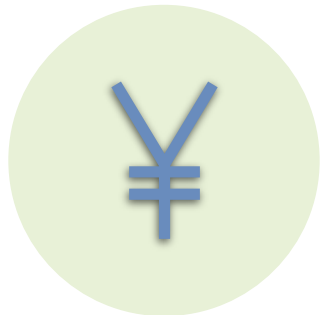
CURRENT FCF CHALLENGES



Delays in new development brought on by COVID challenges, timing of regulatory or legal approval of projects.



Slow growth movements in comparison to projection.



The **FCF's** paid do not match the number of connection forecasts.



Rising interest rates are impacting new development and home sales.

Facility Capacity Fees Analysis

	A	B	C	D	E						
Period Ending	Total FCF Share Recovery	FCF Revenues (Based on # Connections)	FCF Revenues Received	FCF +/- Revenues - Connections (C-B)	FCF +/- Revenues - FCF Share Debt (C-A)	Projected # EMU's	Actual # EMU's	Projected # Connections	Actual # Connections		
FCF DS Allocation											
Actuals	6/30/2021	\$ 4,672,843	\$ 20,963,369	\$ 12,234,202	\$ (8,729,167)	\$ 7,561,359	2,121	1,188	1,104	1,254	
	6/30/2022	\$ 20,222,326	\$ 21,491,487	\$ 8,523,169	\$ (12,968,318)	\$ (11,699,157)	2,175	860	1,114	948	
	6/30/2023	\$ 20,832,724	\$ 21,674,814	\$ 3,636,187	\$ (18,038,627)	\$ (17,196,536)	2,193	365	1,096	314	
	6/30/2024	\$ 21,191,651	\$ 21,898,618						1,081	-	
	6/30/2025	\$ 25,780,951	\$ 21,694,313						1,032	-	
	6/30/2026	\$ 25,823,225	\$ 22,485,456						1,057	-	
	6/30/2027	\$ 25,853,274	\$ 22,021,118						988	-	
	6/30/2028	\$ 25,401,810	\$ 22,177,270						1,629	-	
	6/30/2029	\$ 26,108,837	\$ 22,391,091						1,644	-	
	6/30/2030	\$ 26,110,861	\$ 22,961,663						1,686	-	
	6/30/2031	\$ 26,094,843	\$ 20,039,197						1,472	-	
	6/30/2032	\$ 16,583,774	\$ 20,431,619						1,500	-	
Projected	6/30/2033	\$ 16,567,520	\$ 20,734,176						1,523	-	
	6/30/2034	\$ 17,170,589	\$ 20,501,908						1,506	-	
	6/30/2035	\$ 18,196,063	\$ 20,399,854						1,498	-	
	6/30/2036	\$ 18,149,931	\$ 9,479,535						696	-	
	6/30/2037	\$ 15,161,290	\$ 10,196,254						749	-	
	6/30/2038	\$ 10,601,991	\$ 10,345,330						760	-	
	6/30/2039	\$ 10,526,580	\$ 9,412,271						691	-	
	6/30/2040	\$ 10,433,225	\$ 9,758,984						717	-	
	6/30/2041	\$ 10,372,826	\$ 10,811,236						794	-	
	6/30/2042	\$ 10,446,434	\$ 10,150,743						745	-	
	6/30/2043	\$ 10,303,805	\$ 10,274,636						755	-	
	6/30/2044	\$ 10,408,724	\$ 10,008,493						735	-	
	6/30/2045	\$ 10,226,457	\$ 10,630,294						781	-	
	6/30/2046	\$ 10,024,459	\$ 10,710,843						787	-	
	6/30/2047	\$ 10,147,486	\$ 10,450,047						767	-	
	6/30/2048	\$ 9,134,367	\$ 11,115,178						816	-	
	6/30/2049	\$ 8,850,757	\$ 10,012,413						735	-	
		6/30/2050	\$ 6,934,851	\$ 10,512,830						772	-
		6/30/2051	\$ 1,682,119	\$ -						n/a	-
		\$ 480,016,593	\$ 475,735,040	\$ 24,393,558	\$ (39,736,112)	\$ (21,334,334)	6,489	2,413	31,230	2,516	
								Projected Connections FY 21-23	3,314		



NEXT STEPS

- No recovery of uncollected revenue and cumulative interest charges
- Account for assets built by incorporating a Buy-in Fee component
- Complete the Agency-wide Master Plan
- Potentially combine the Regional & Retail Capacity Fees

QUESTIONS