GFCs – Discussion

City of Spokane

PIES February 27, 2023

GFC Recommendation

Our recommendation:

- A Citywide update to the GFCs that represents current costs and anticipated projects over time and helps to keep monthly rates more affordable for everyone.
- Using a reasonable and rational approach to assign costs.
- Tying the GFCs to an inflationary index to avoid having the fees quickly get behind and avoid having to make such major changes in the future.
- Eliminating waivers of the GFCs to allow projects to get built. Economic development will look for other strategies to promote desired development.
- Implementing the new costs over time to allow our community time to adjust.
- Basing the fees on meter sizes that support our goals around water conservation.

Responding to concerns

- **What about projects that already have a building permit?**
  - For ease of implementation, the updated GFCs would apply to all projects that don't have a building permit or don't have a counter complete application for a building permit.
- **What about incentives for ADU's in infill areas?**
  - Council adopted legislation that exempts ADU's in certain zones from GFCs until the end of 2024. That exemption will remain in place.
- **What about incentives for elements like affordable housing units?**
  - Economic development has funding to assist certain projects with GFC costs currently, and we are committed to working together on a permanent approach.
- **What about Fire Flow?**
  - Fire protection meters would not have a GFC associated with them.

Responding to concerns- continued

- **Why do Meter Capacity Equivalent (MCE) instead of Equivalent Residential Unit (ERU)?**
  - Use of an ERU model is one that we did look at. We moved away from an ERU model for several reasons:
    - Administrative burdens. Would have to calculate every non-residential GFC.
    - ERUs provide less up-front clarity around expected costs.
    - Switching to ERUs would have been a major shift in methodology from what we have been using for 20 years for GFCs. Our GFC charges have consistently been based on connection sizes, not ERUs.
- **Was depreciation of the existing facilities (water and sewer) considered?**
  - Doesn't reflect a replacement value of the system so we did not depreciate the assets.
  - Used original costs for system assets. For example, the Shadle tank is in the model for the original construction cost of under $300,000—not for the $10 million+ in today's costs.
    - Our consultants tell us that depreciation isn't really used for GFC calculations in Washington state.
    - In Idaho, you would see depreciation. Idaho doesn't allow cities to use future costs for their GFCs. Instead, they use replacement costs for existing assets and back out accumulated original cost depreciation.

Responding to concerns- continued

- **In FCS calculations, did they add interest on our system to the fee increases?**
  - Yes, RCW's allow for interest to be accounted for.
  - The value of the existing system includes the original cost of the assets; many of these investments occurred decades ago and don't reflect inflation.
  - State law then allows us to add in "interest" –essentially to offset those inflation and carrying costs. Interest lets us account for the opportunity cost of investing in the water or wastewater system rather than in something else. We are allowed to include 10 years of interest only.
- **Are GFCs going to be used for capacity projects or maintenance related projects?**
  - Funds generated from GFCs will pay the proportionate share of capital projects that **ADD** capacity to the system.
    - Example: If we replace a 2 million gallon water tank with a 3 million gallon tank, funds from the water GFCs would pay 1/3rd of the project costs since the new capacity added was 1 million gallons.

Responding to concerns- continued

- **How was new capacity determined when a facility is upsized when it is replaced?**
- The proportionate share of capital projects as the upsized capacity minus the existing capacity.
  - Example: Hoffman Well Rehabilitation will replace the existing operating pump and add a new pump. The 2 pumps have the same capacity. New capacity was calculated as 50% for the new pump.
  - Example: Thorpe Reservoir #2 is a new facility and will serve growth in the water system. However, only 75% was assigned to new capacity because of existing deficiencies in the system based on DOH requirements.
  - Example: Broadway Avenue, Cedar to Post Street (6 blocks), Sewer Replacement new capacity was calculated as 25% based on the 2 blocks where there are no sewer and will be added.

- **How were stormwater facilities addressed?**
  - Stormwater facilities, including CSO functions were removed from the GFC calculations

Proposed Ordinance changes

- Creates an Upper and Lower Zone for **Water** GFC fee
  - Aligns where new facilities are needed
- **Sewer** GFC fee is one charge City wide
- Removes waiver areas
  - The Lower Zone overlays with 90-95% of where waivers would have been
  - The City can choose to fund a program that helps pay for developer's GFCs to encourage development in specific areas
- Accurately reflects the capacity of the different meter sizes
  - AWWA M2 standard for capacity
- Uses ¾-inch meter as the basis for the fees
  - Conservation

Proposed Ordinance changes- continued

- Allows meters 8 inches and larger to have a GFC calculated based on type of meter used to align with its full potential to move water
- Includes an Inflationary Index
  - The Index is the same as for Transportation Impact Fees
- Suggests GFCs be reviewed every 3 to 5 years to ensure they are consistent with system costs

Look at Meter Sizes in our System

Meter Size	Existing Meters in Use	Percentage
3/4" or less	54,311	71%
1"	17,814	23%
2" & 1.5"	3,382	4%
3"	231	0.30%
4"	289	0.38%
6"	263	0.34%
8"	165	0.22%
10"	51	0.07%
	Total meters ->	76,506

Proposed Fees

Meter Size	Maximum-Rated Safe Operating Flow (gpm)*	Meter Equivalency Ratio	Water Lower Zone	Water Upper Zone
3/4"	30	1.00	$ 2,823	$ 10,407
1"	50	1.67	4,705	17,345
1.5"	100	3.33	9,409	34,690
2"	160	5.33	15,055	55,503
3"	350	11.67	32,932	121,413
4"	600	20.00	56,455	208,137
6"	1,350	45.00	127,025	468,309
8"	Based on needed flow rates		Will be calculated	Will be calculated
10"				

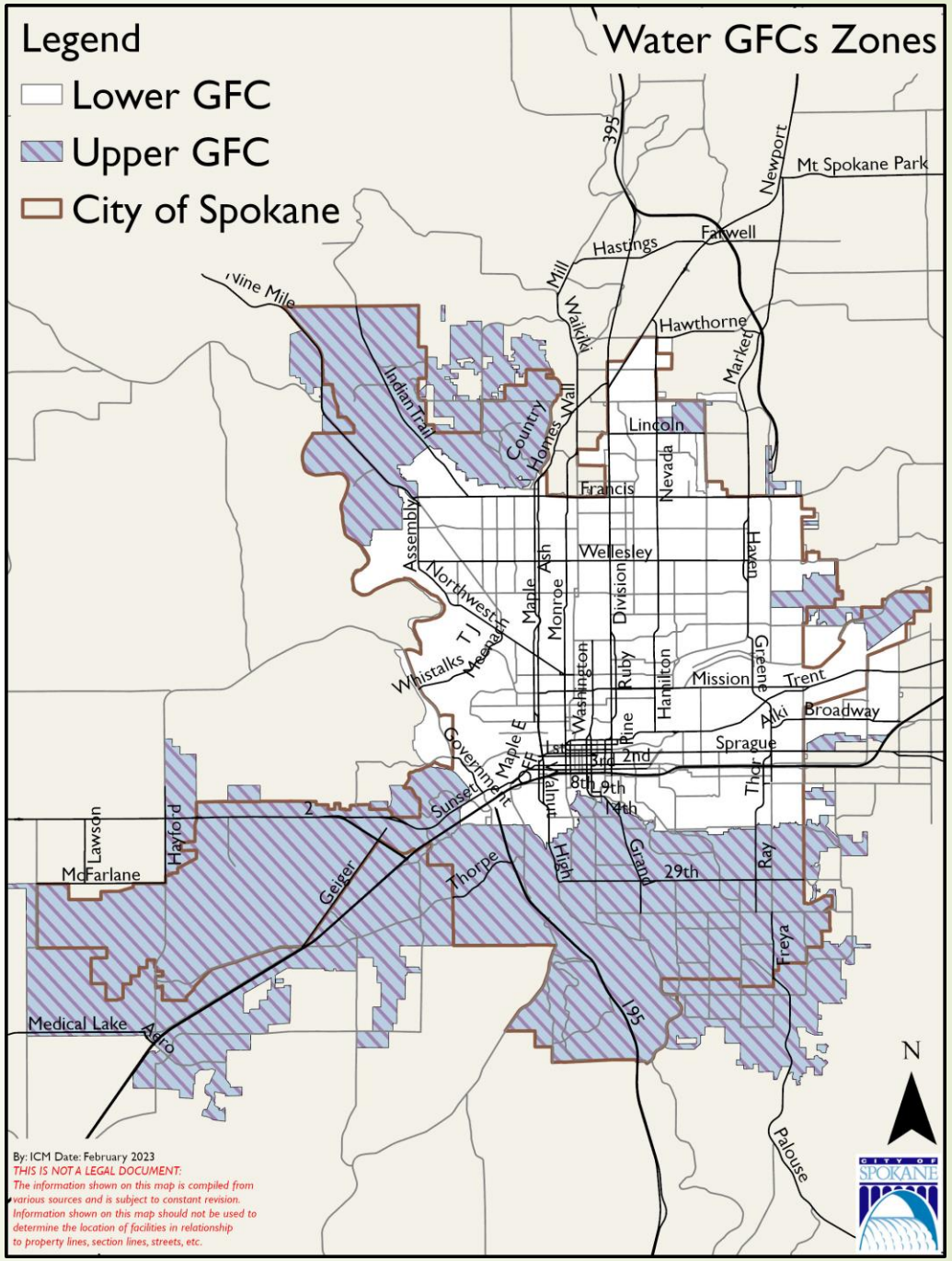
*per AWWA M22 Table 6-1

Meter Size	Maximum-Rated Safe Operating Flow (gpm)*	Meter Equivalency Ratio	Sewer City Wide
3/4"	30	1.00	$ 7,461
1"	50	1.67	12,435
1.5"	100	3.33	24,870
2"	160	5.33	39,792
3"	350	11.67	87,046
4"	600	20.00	149,221
6"	1,350	45.00	335,747
8"			
10"	Based on needed flow rates		Will be calculated

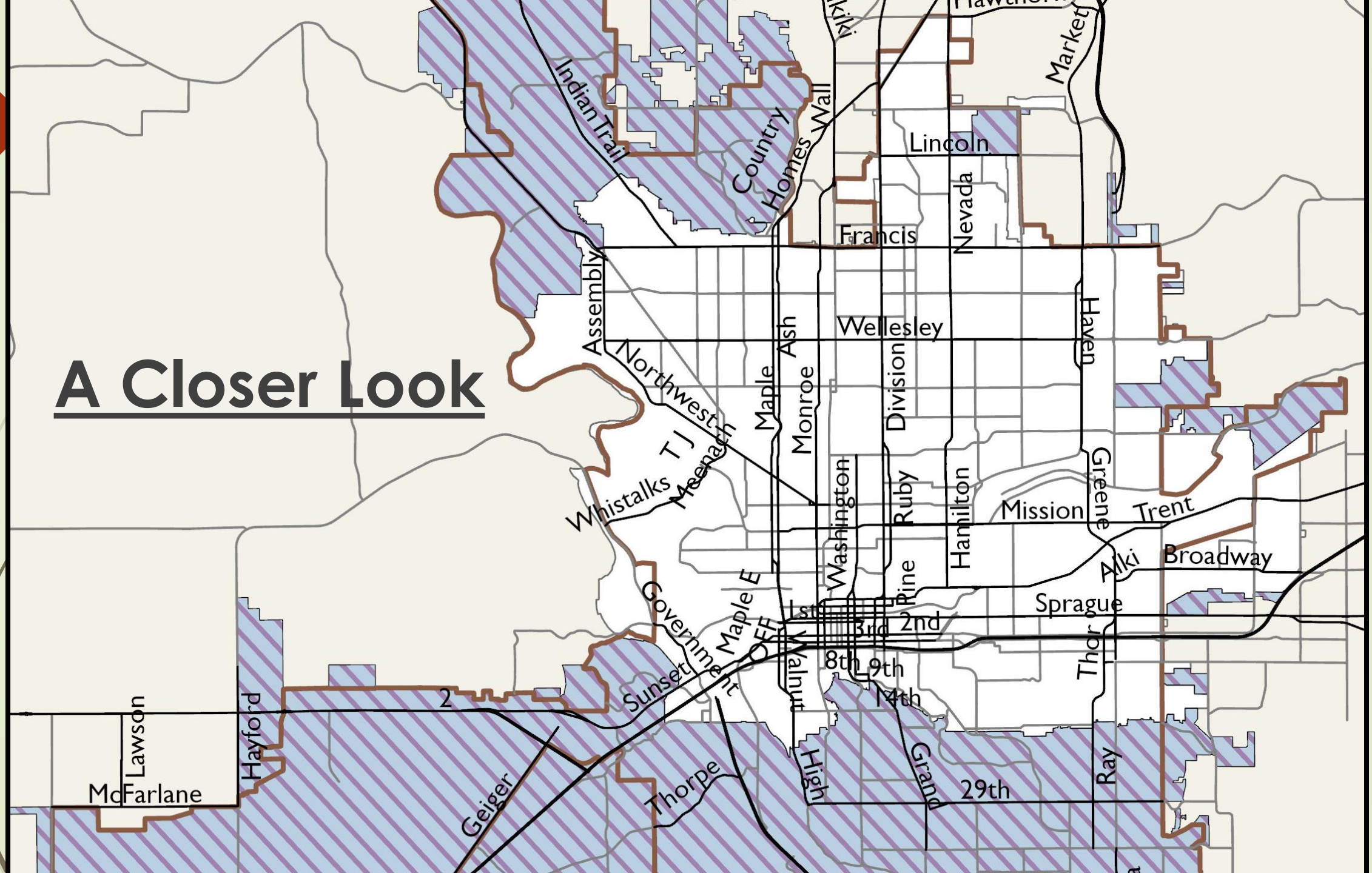
*per AWWA M22 Table 6-1

Lower Zone: Water is fed directly from wells

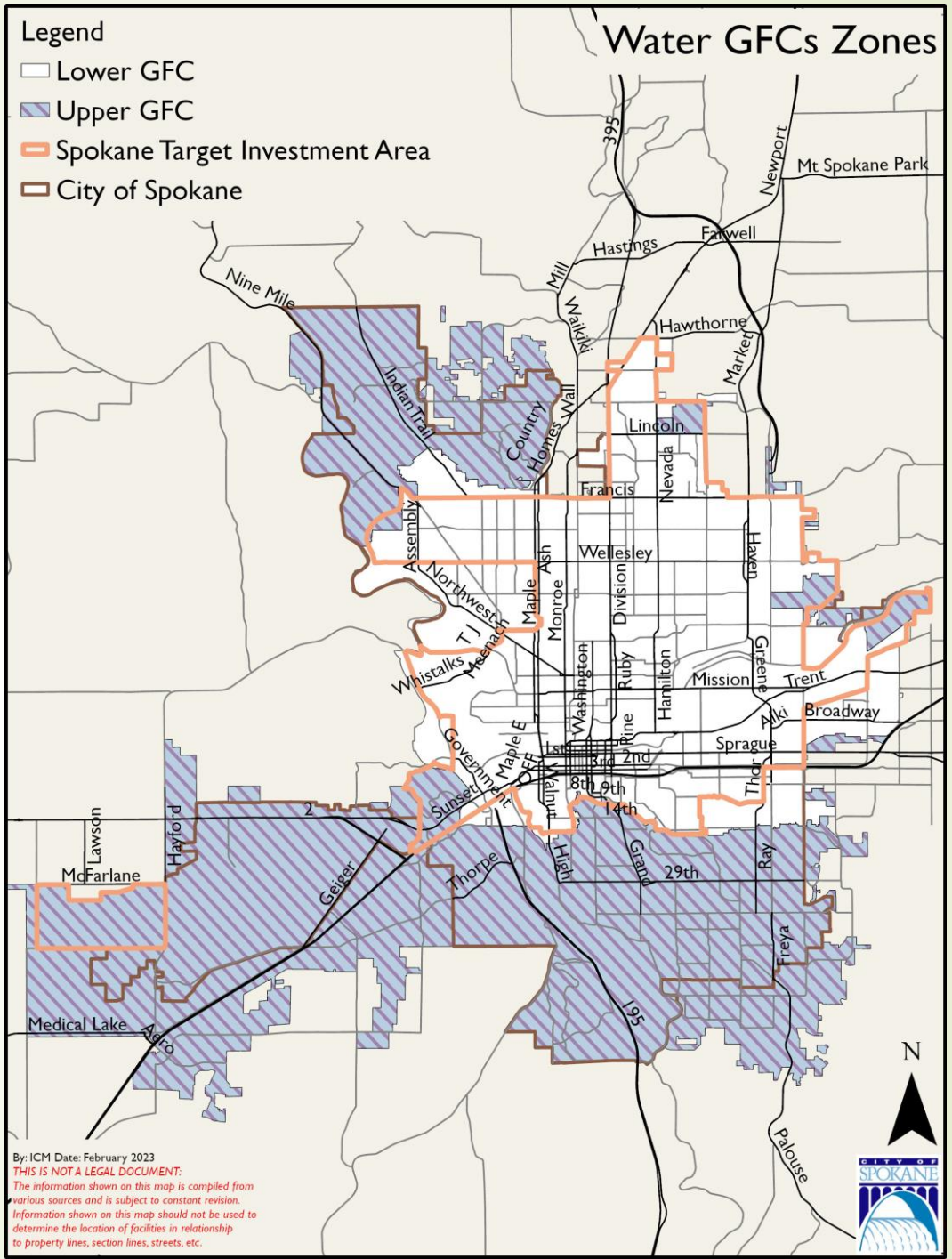
Upper Zone: Water goes through booster stations



A Closer Look



The lower zone overlays with the Target Investment Area



Impact Fee Option 4 overlayed with GFC zones

Water GFC Lower Zone

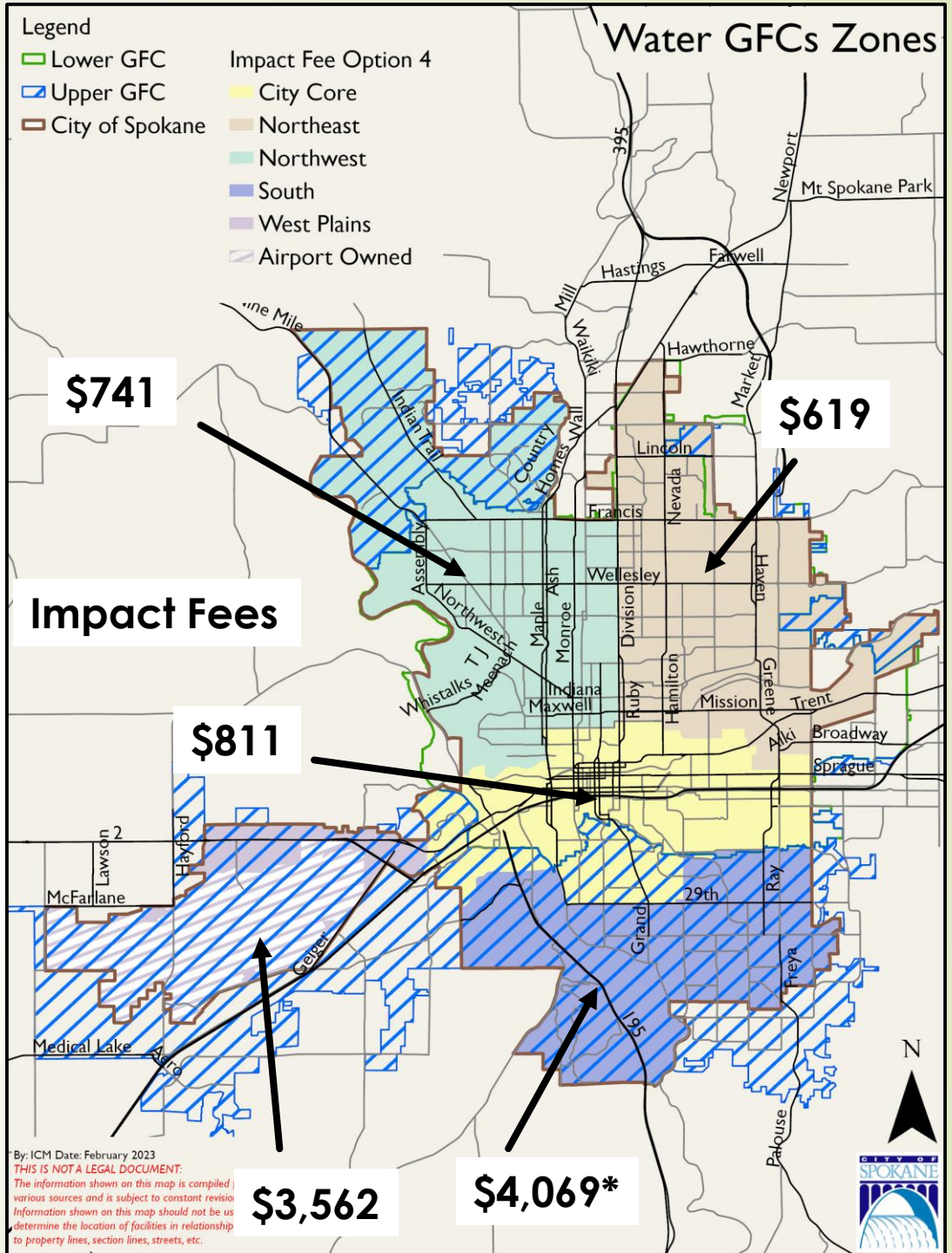
Meter Size	Maximum-Rated Safe Operating Flow (gpm)*	Meter Equivalency Ratio	Water Lower Zone	Year 1	Year 2	Year 3
3/4"	30	1.00	$ 2,823	$1,232	$2,000	$2,823
1"	50	1.67	4,705	$1,800	$2,500	$4,705

Water GFC Upper Zone

Meter Size	Maximum-Rated Safe Operating Flow (gpm)*	Meter Equivalency Ratio	Water Upper Zone	Year 1	Year 2	Year 3
3/4"	30	1.00	$ 10,407	$2,000	$5,000	$10,407
1"	50	1.67	17,345	$2,500	$10,000	$17,345

SEWER GFC

Meter Size	Maximum-Rated Safe Operating Flow (gpm)*	Meter Equivalency Ratio	Sewer City Wide	Year 1	Year 2	Year 3
3/4"	30	1.00	$ 7,461	$2,400	$4,900	$7,461
1"	50	1.67	12,435	$3,000	$6,000	$12,435



$4,069*- this amount reflects engineering only for tunnels

Impact Fee Option 6 overlayed with GFC zones

Water GFC Lower Zone

Meter Size	Maximum-Rated Safe Operating Flow (gpm)*	Meter Equivalency Ratio	Water Lower Zone	Year 1	Year 2	Year 3
3/4"	30	1.00	$ 2,823	$1,232	$2,000	$2,823
1"	50	1.67	4,705	$1,800	$2,500	$4,705

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1"	50	1.67	17,345	$2,500	$10,000	$17,345

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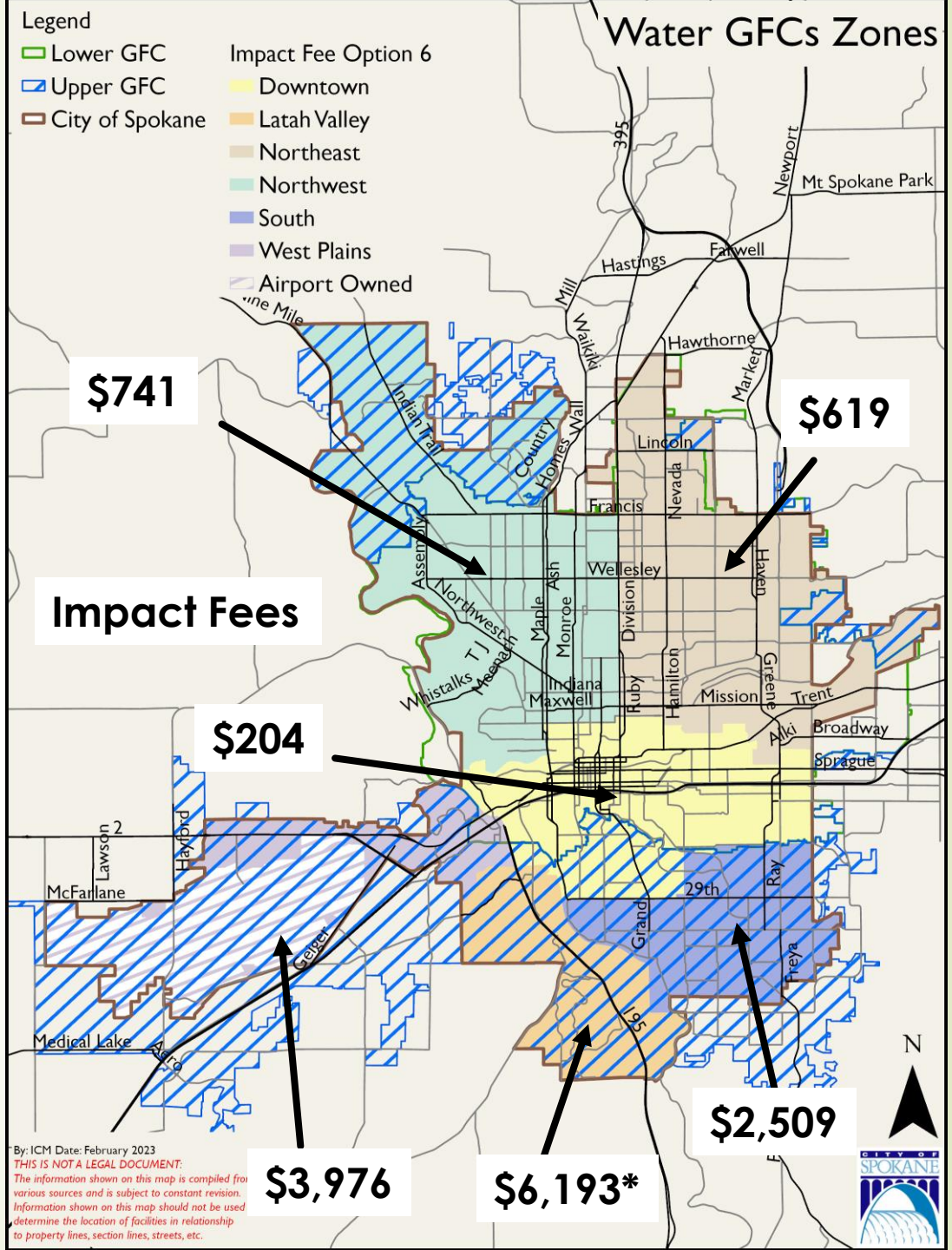
Meter Size	Maximum-Rated Safe Operating Flow (gpm)*	Meter Equivalency Ratio	Sewer City Wide	Year 1	Year 2	Year 3
3/4"	30	1.00	$ 7,461	$2,400	$4,900	$7,461
1"	50	1.67	12,435	$3,000	$6,000	$12,435

$6,193*- this amount reflects engineering only for tunnels



Impact Fee Option 7 overlayed with GFC zones

Water GFC Lower Zone

Meter Size	Maximum-Rated Safe Operating Flow (gpm)*	Meter Equivalency Ratio	Water Lower Zone	Year 1	Year 2	Year 3
3/4"	30	1.00	$ 2,823	**$1,232**	$2,000	$2,823
1"	50	1.67	4,705	$1,800	$2,500	$4,705

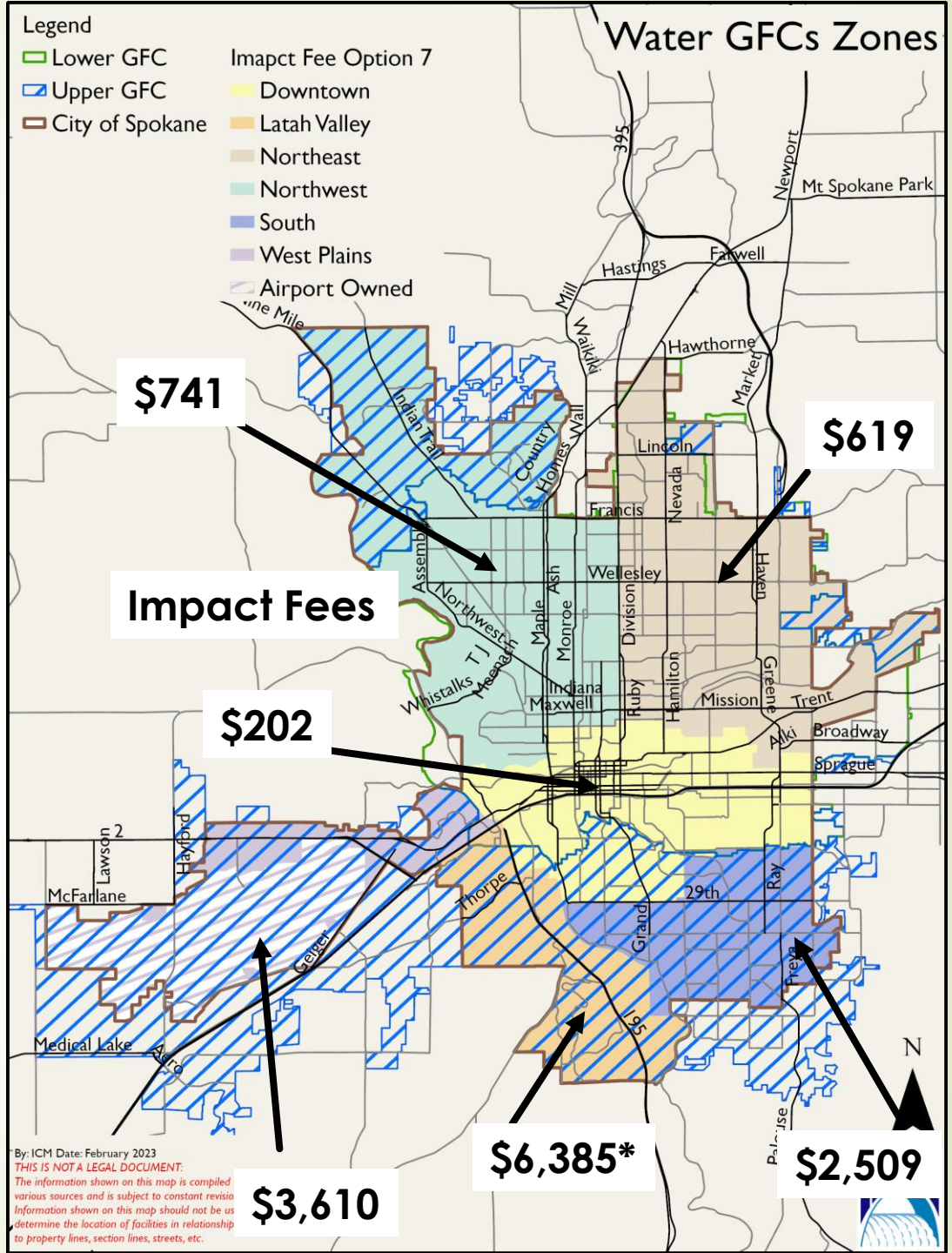
Water GFC Upper Zone

Meter Size	Maximum-Rated Safe Operating Flow (gpm)*	Meter Equivalency Ratio	Water Upper Zone	Year 1	Year 2	Year 3
3/4"	30	1.00	$ 10,407	$2,000	$5,000	$10,407
1"	50	1.67	17,345	$2,500	$10,000	$17,345

SEWER GFC

Meter Size	Maximum-Rated Safe Operating Flow (gpm)*	Meter Equivalency Ratio	Sewer City Wide	Year 1	Year 2	Year 3
3/4"	30	1.00	$ 7,461	**$2,400**	$4,900	$7,461
1"	50	1.67	12,435	$3,000	$6,000	$12,435

$6,385*- this amount reflects engineering only for tunnels



Questions?