



General Facilities Charges





Why Now?

- **The Latah Valley moratorium was implemented to address infrastructure concerns around transportation and utilities.**
- **To lift the moratorium timely, the ordinance anticipates that the City update both Transportation Impact Fees AND General Facility Charges (GFCs) prior to the end of the moratorium.**
- **Construction cost increases over the last 20 years have significantly outpaced the fee amounts being charged**
 - » i.e. SIA Tank on the West Plains: Eng Est was \$9.3M; Bid came in at **\$13.3M**
 - Water GFCs collected (and Waived) = \$12.9M over FOUR years (2019-2022). GFCs actually collected = **\$9.8M**
- **GFCs are simply not keeping up with costs and the City's ability to keep pace with needed housing will depend on the City's ability to pay for the needed capacity improvements**
 - » one water facility for capacity needs every 5-6 years will not keep pace with expected growth.



GFC History

- **GFCs are charges that new development pays to connect to our Water and Wastewater Systems; promote “growth-pays-for-growth” policies**
- **GFCs implemented over 20 years ago in Spokane;**
 - » Has never been updated and had no inflationary index
 - » Has been waived (meaning we have been generating reduced funds from growth related projects and relying on Utility rates instead).
- **Without a GFC (or waiving the GFC)**
 - » All growth-related costs are paid for by existing ratepayers only
 - » Rates are higher as a result
- **Setting the GFC Below the Actual Costs (or waiving charges)**
 - » Shifts the burden between the fees and the costs to existing ratepayers
 - » Probably resulting in higher debts and higher rates to support the debt



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.**



General Facility Charge Overview

- **One-time charge imposed as a condition for a new utility connection.**
- **Represents a proportionate share of the capital investment made to provide system capacity.**
- **Can be used to fund capital projects or related debt service; may not be used to fund operation and maintenance costs**
- **Governing state law:**
 - » *RCW 35.92.025: In general, each connection shall bear a proportionate share of the cost of the system capacity required to serve it.*
- **Ensures future customers pay for the capacity that existing customers have already provided for them**



General GFC Methodology

$$\text{GFC} = \frac{\text{Allowable Cost}}{\text{System Capacity}}$$

Key steps:

- **Define the “cost of the system”**
 - » Existing assets (plus interest)
 - » Adopted Comprehensive Plan
- **Define System Capacity**
 - » Establish “unit of capacity”
 - » Determine number of units that can be served

Should only include costs funded by the utility

Spokane Existing GFCs

- **Water and Sewer GFCs assessed based on meter capacity equivalents (MCEs)**
 - » MCEs used are not currently aligned with flow-based capacity ratios
- **City hasn't updated their GFCs in several years**

Meter Size	Water GFC	Sewer GFC
1 inch or less	\$1,232	\$2,400
2 inches	\$3,485	\$6,787
3 inches	\$6,402	\$12,468
4 inches	\$9,857	\$19,194
6 inches	\$18,108	\$35,265
8 inches	\$27,878	\$54,299
10 inches	\$38,961	\$75,876
12 inches	\$51,216	\$99,753



Existing Cost Recovery

- **The City has historically provided waivers for GFCs in certain areas of the City**
- **Recommendation to discontinue waivers in Spring of 2023**
- **Need to consider how to incentivize certain priorities—like affordable housing—in another way. Current funding exists; need a permanent source.**

Year	Collected	Waived	% Waived
2019	\$2,315,342	\$530,197	19%
2020	\$2,455,644	\$1,090,761	31%
2021	\$2,447,261	\$619,366	20%
2022	\$2,567,149	\$901,688	26%
Total	\$9,785,396	\$3,142,012	24%

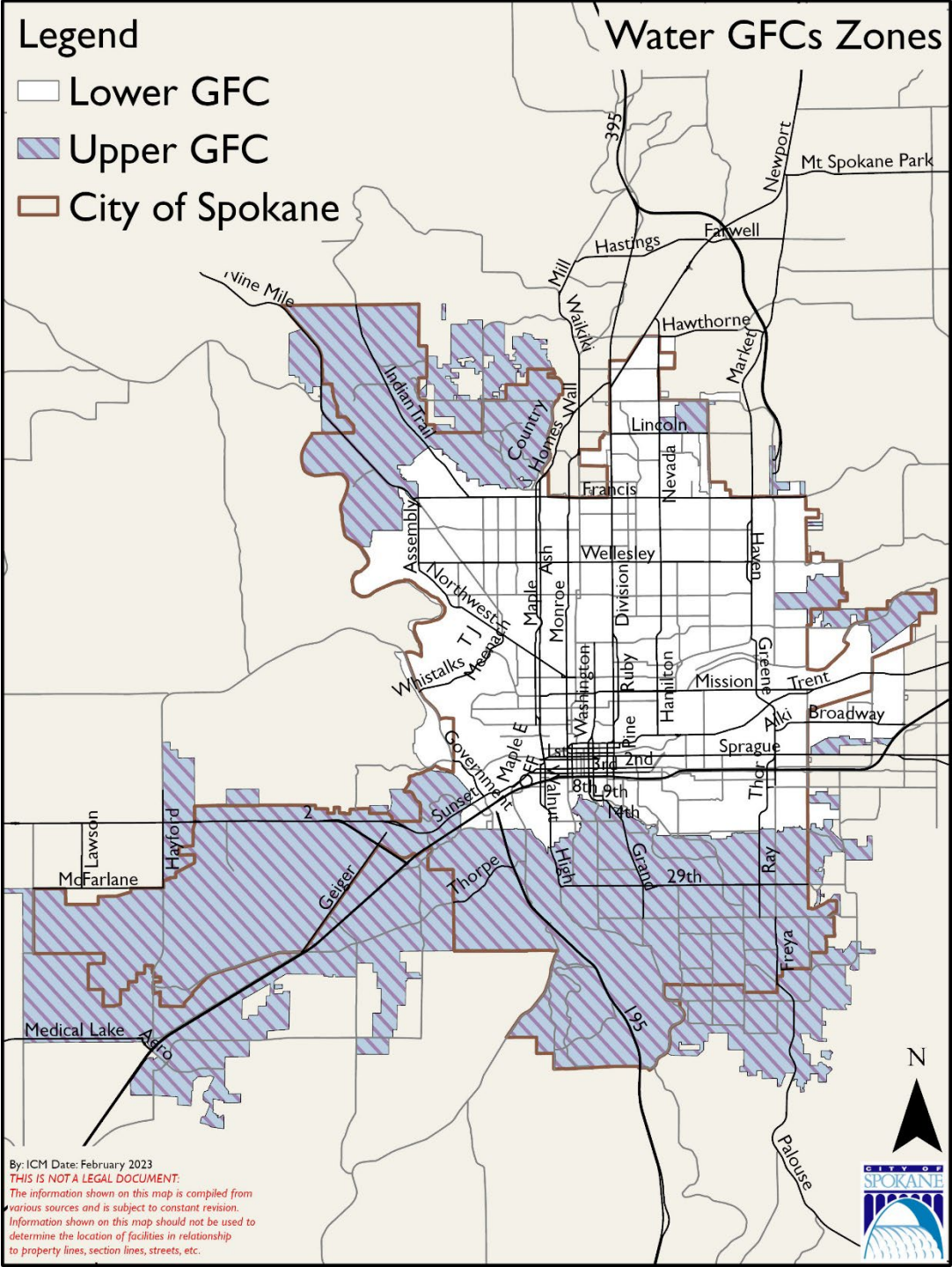


Water General Facilities Charge



Water GFC Methodology

- Looking to discontinue GFC waivers in 2023
- Looking to have existing GFCs updated to reflect two zones:
 - » Lower Zone
 - » Upper Zone



By: ICM Date: February 2023
THIS IS NOT A LEGAL DOCUMENT.
The information shown on this map is compiled from various sources and is subject to constant revision. Information shown on this map should not be used to determine the location of facilities in relationship to property lines, section lines, streets, etc.





Water – Existing & Future Cost Basis

Existing Cost Basis	Lower Zone	Upper Zone	Total
Facilities in Service	\$335.3 M	\$30.2 M	\$365.4 M
plus: interest on net assets	149.8 M	13.5 M	163.3 M
less: contributions in aid of construction	(53.3 M)	-	(53.3) M
Total Existing Cost Basis	\$431.7 M	\$43.6 M	\$475.4 M

Future Cost Basis	Lower Zone	Upper Zone	Total
Total Project Costs	\$426.1 M	\$219.4 M	\$645.5 M
less: Non-expansion related project costs	(200.1 M)	(80.7 M)	(280.8 M)
less: developer contributions/grants	(24.0 M)	(12.4 M)	(36.4 M)
Total Future Cost Basis	\$202.1 M	\$126.3 M	\$328.4 M



Water – Future System Capacity

Capacity Analysis	Lower Zone
Water Supply Production Capacity	287.5 MGD
less: unsubscribable and intertie capacity	(13.87 MGD)
less: Existing Max Day consumption	(150.18 MGD)
Available Lower Zone Capacity	123.45 MGD

% available

45%

Capacity Analysis	Upper Zone
Water Supply Production Capacity	106.3 MGD
less: unsubscribable and intertie capacity	(7.87 MGD)
less: Existing Max Day consumption	(67.43 MGD)
Available Upper Zone Capacity	31.01 MGD

% available

32%

- **Water System capacity: represented in meter capacity equivalents (MCEs)**
 - » Existing Connections: 2021 detailed customer statistics and pressure zone analysis

System Capacity (MCEs)	Lower Zone	Upper Zone
Total Capacity (less interties)	187,485	44,573
less: Existing Connections	102,902	30,533
Available System Capacity (MCEs)	84,583	14,040

% of total

45%

32%



Water – Calculated GFC

Cost Components	Lower Zone	Upper Zone
<i>Total Existing Cost Basis</i>	\$431.7 M	\$43.6 M
<i>Capacity of Existing Assets Available</i>	94%	31%
Residual Existing Cost Basis	\$407.4 M	\$13.7 M
Expansion Related Future Cost Basis	202.1 M	126.3 M
Total Cost Basis Allocable to Growth	\$609.5 M	\$140.0 M
Future Capacity Available for Growth (MCEs)	164,217	10,232
Total Water GFC per MCE	\$3,711	\$13,683

Note: MCE = Meter Capacity Equivalent based on AWWA M2 Manual - Safe Operating Flow

Water Calculated GFC for Lower Zone = \$3,711 per MCE

Water Calculated GFC for Upper Zone = \$13,683 per MCE



Existing and Calculated Water GFC

Meter Size	Existing Water GFC	Calculated Lower Zone	Calculated Upper Zone
1 inch or less	\$1,232	\$3,711	\$13,683
2 inches	\$3,485	\$11,877	\$43,787
3 inches	\$6,402	\$25,980	\$95,783
4 inches	\$9,857	\$44,538	\$164,200

- **Calculated charges represent total system costs**
- **Charges would increase by meter size – with ratios tied to AWWA safe operating capacities**
- **Phase in plans can be developed to ease into updated charge**



1" Base vs. 3/4" Base

- Current practice is to use a 1" base – treats all meters from 1" and below as the same flow rate
- Moving towards a 3/4" base would reduce charges for the lower meter sizes, but would align the 3/4" meter with their lower flow rate

Proposal # 1 – No 3/4" vs. 1" Differentiation

Meter Size	Lower Zone	Upper Zone
3/4 inch	\$3,711	\$13,683
1 inch	\$3,711	\$13,683
1.5 inches	\$7,423	\$27,367
2 inches	\$11,877	\$43,787
3 inches	\$25,980	\$95,783
4 inches	\$44,538	\$164,200

Proposal # 2 – With 3/4" vs. 1" Differentiation

Lower Zone	Upper Zone
\$2,823	\$10,407
\$4,705	\$17,345
\$9,409	\$34,690
\$15,055	\$55,503
\$32,932	\$121,413
\$56,455	\$208,137

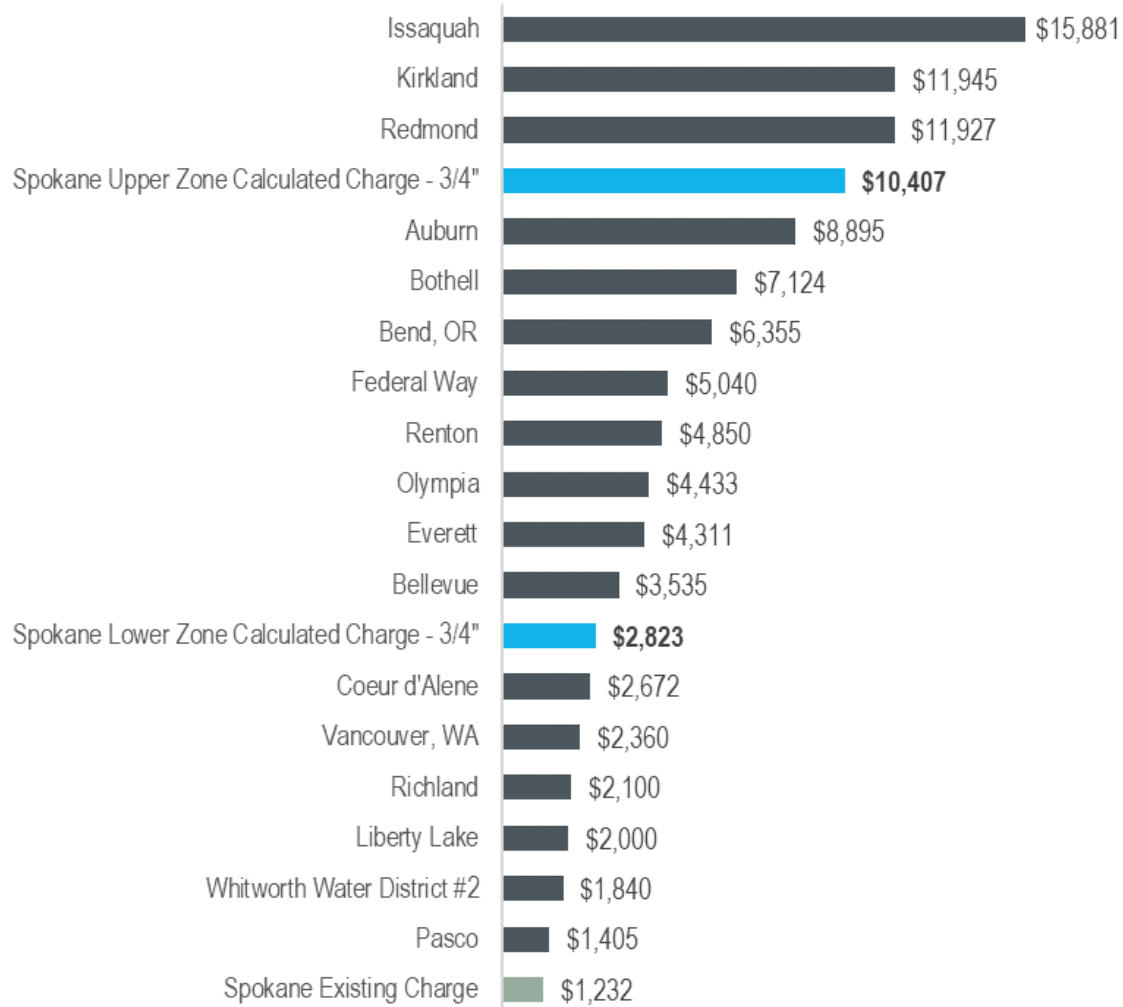


ENR Index – Inflationary Adjustment

- **Calculated charges must utilize today's dollars for future capital costs**
- **For future years, GFCs may be increased annually by an accredited index**
 - » Engineering News Record Construction Cost Index (CCI) is commonly used
 - » This annual CCI update aims to recognize construction cost inflation between more comprehensive GFC studies
- **Historical increases have ranged from 1.6% to 7.1% over last ten years**
 - » Currently seeing higher than average construction inflation
 - 2022 Full year: 7.1% (20-City Average)



Water – Jurisdictional Comparison



Note: Assumes 3/4 inch or smallest meter size available



Sewer General Facilities Charge



Sewer – Existing & Future Cost Basis

Existing Cost Basis	Treatment	Collection	Total
Facilities in Service	\$520.0 M	\$259.8 M	\$779.8 M
plus: interest on net assets	151.8 M	69.3 M	221.1 M
less: contributions in aid of construction	-	(27.2 M)	(27.2) M
less: net debt principal outstanding	(120.5 M)	(39.5 M)	(160.0) M
Total Existing Cost Basis	\$551.3 M	\$262.3 M	\$813.7 M

Future Cost Basis	Treatment	Collection	Total
Total Project Costs	\$41.2 M	\$64.0 M	\$105.2 M
less: Non-expansion related project costs	(40.6 M)	(42.9 M)	(83.5) M
less: developer contributions/grants	-	(2.9 M)	(2.9) M
Total Future Cost Basis	\$0.6 M	\$18.1 M	\$18.8 M



Sewer – Future System Capacity

Treatment

Capacity Analysis	Treatment
Next Level of Treatment - Permitted Capacity	50.0 MGD
less: Spokane County Reserved Capacity	(10.0 MGD)
less: Existing max month flow (less Spokane)	(33.0 MGD)
Available Treatment Capacity	7.0 MGD

% available 18%

Collection

Capacity Analysis	Collection
Interceptor Pipe Capacity	83.2 MGD
less: Spokane County Reserved Capacity	(6.4 MGD)
less: Existing peak hour flow (less Spokane)	(61.3 MGD)
Available Collection Capacity	15.5 MGD

% available 20%

- **Sewer System capacity: represented in meter capacity equivalents (MCEs)**
 - » Existing Connections: 2021 detailed customer statistics

System Capacity (MCEs)	Treatment	Collection
Total Capacity	105,310	108,731
less: Existing Connections	(86,802)	(86,802)
Available System Capacity (MCEs)	18,508	21,929

% of total 18% 20%



Sewer – Calculated GFC

Cost Components	Treatment	Collection	Total
<i>Total Existing Cost Basis</i>	\$551.3 M	\$262.3 M	\$813.7 M
<i>Capacity of Existing Assets Available</i>	18%	20%	18%
Residual Existing Cost Basis	\$96.9 M	\$52.9 M	\$149.8 M
Expansion Related Future Cost Basis	0.6 M	18.1 M	18.8 M
Total Cost Basis Allocable to Growth	\$97.5 M	\$71.0 M	\$168.6 M
Future Capacity Available for Growth (MCEs)	18,508	21,929	
Total Sewer GFC per MCE	\$5,269	\$3,239	\$8,509

Calculated System Wide GFC for Sewer = \$8,509 per MCE



Existing and Calculated Sewer GFC

Meter Size	Existing Sewer GFC	Calculated Sewer GFC
1 inch or less	\$2,400	\$8,509
2 inches	\$6,787	\$27,228
3 inches	\$12,468	\$59,560
4 inches	\$19,194	\$102,103

- **Calculated charge is maximum allowable charge**
- **Charges would increase by meter size – with ratios tied to AWWA safe operating capacities**
- **GFCs would increase annually by the Engineering News Record Construction Cost Index thereafter**

1" Base vs. 3/4" Base

- Similar to water, current practice is to use a 1" base – treats all meters from 1" and below as the same flow rate
- Moving towards a 3/4" base would reduce charges for the lower meter sizes, but would align the 3/4" meter with their lower flow rate

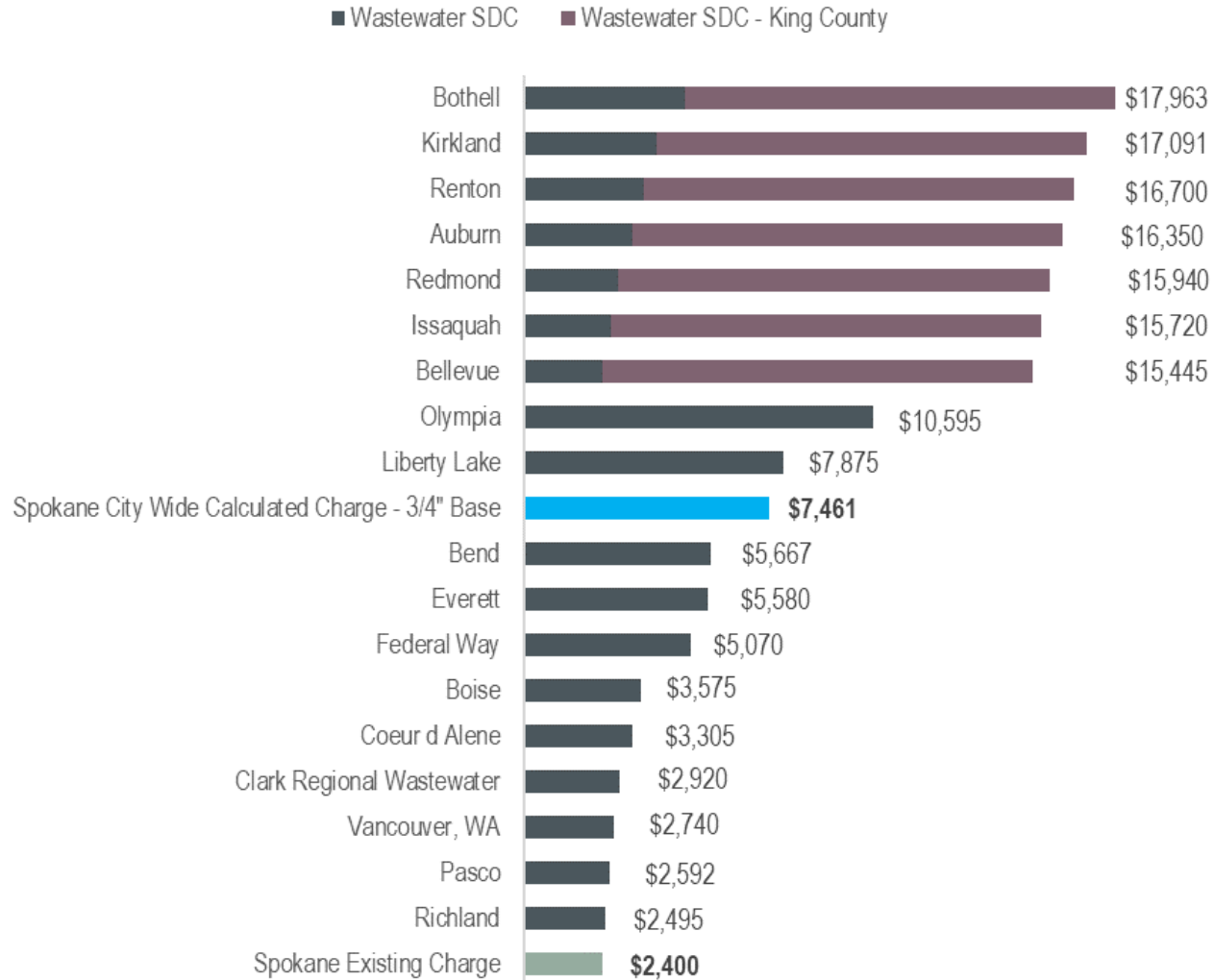
Proposal # 1
No 3/4" vs. 1" Differentiation

Proposal # 2
With 3/4" vs. 1" Differentiation

Meter Size	1" Base	3/4" Base
3/4 inch	\$8,509	\$7,461
1 inch	\$8,509	\$12,435
1.5 inches	\$17,017	\$24,870
2 inches	\$27,228	\$39,792
3 inches	\$59,560	\$87,046
4 inches	\$102,103	\$149,221



Sewer – Jurisdictional Comparison



Note: Assumes 3/4 inch or smallest meter size available



Proposed Implementation Strategy

- **Capital plans are being finalized for each utility**
- **General facility charges can be phased in over a two-to-five-year period**
 - » Recommendation to phase in over time
 - » City will finalize capital plans in year 2 to update charge calculations
- **2-Year Phase in (3/4" option):**

Water GFC	Existing Charge	Year 1	Year 2
Lower Zone 3/4"	\$ 1,232	\$ 2,028	\$ 2,823
Upper Zone 3/4"	\$ 1,232	\$ 5,820	\$ 10,407

Sewer GFC	Existing Charge	Year 1	Year 2
System Wide - 3/4"	\$ 2,400	\$ 4,931	\$ 7,461

Note: Charges will also include an annual increase based on ENR index



Historical GFC Comparison

- **Assuming ENR indices had been applied since 2005, existing GFCs would be:**
 - » Water: \$2,670 (\$2,823 proposed for lower zone)
 - » Sewer: \$5,202 (\$7,461 proposed for city wide)
- **Trade off between existing rates and GFCs**
 - » Affordability
- **Examples of other jurisdictions**
 - » Covington Water District
 - » City of Redmond
 - » City of Oak Harbor
 - » City of Seattle



Historical GFC Comparison (cont.)

- **Housing price comparison**

- » In 2005 the median home price was \$167,500
 - Existing water GFC (\$1,232) was 0.74% of median home price in 2005
 - Existing sewer GFC (\$2,400) was 1.43% of median home price in 2005
- » Current median home price is \$413,000
 - Existing water GFC is now 0.30% of median home price
 - Existing sewer GFC is now 0.58% of median home price
- » Proposed GFCs (3/4" meter base) are:
 - Water Lower Zone = 0.68% of median home price
 - Water Upper Zone = 2.52% of median home price
 - Sewer system wide = 1.81% of median home price



Next Steps:

- **Send Comments or questions:** gfcs@spokanecity.org
- **February 27th:** PIES Council Committee Meeting
- **March 6th :** Advanced Briefing
- **March 13th:** Hearing & Anticipated Action by Council



Questions/Discussion

