



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning, and Mital
FROM: Mel Damewood, Water Engineering Manager, Debra Smith, Assistant General Manager
DATE: March 5, 2013
SUBJECT: 2013 System Development Charge Increase

Issue

Should EWEB increase Water System Development Charges (SDC) to keep pace with the increases in construction costs?

Background

Effective July 1, 1997, EWEB adopted water SDC to fund capital improvements to meet the increased demands on the water system as new development occurs. The total SDC consists of three separately calculated charges: a reimbursement charge, the improvement charge, and the administrative charge.

The funds collected for the reimbursement charge are based on the value of unused system capacity effectively “reimbursing” the utility for previously installed infrastructure. Revenues collected under the reimbursement portion of the SDC are directed toward paying the debt service of previously issued bonds.

The improvement charge is based on the projected capital investment necessary to serve future growth and is directed partially towards current capital projects and is partially reserved for future capital expansion.

The administration charge covers the costs associated with accounting, billing, collection, and periodic review.

EWEB’s SDC were developed in accordance with ORS 223.297 to 223.314 and are required to be formally reviewed not less than every five years. Staff conducted full methodology reviews in 2005 and 2010 and has periodically increased the rate based on the construction cost index as allowed under the statutes. The 2010 review resulted in an increase of 12.7% effective July 1, 2011.

At the request of the Homebuilders Association (HBA) and with the approval of the Board, the increase to the administration portion of the fee was deferred until January 1, 2012. The request was primarily driven by the impact to homebuilders from the recession.

Discussion

Staff proposes to increase the water SDC by 2.9% as a result of inflationary pressure on construction costs. The percentage increase reflects the average increase in construction costs as calculated by the Engineering News-Record Construction Cost Index. EWEB is using an average index rather than a City specific index to provide a smoother trend, avoiding City specific susceptibility to price spikes.

The last time the Board approved an ENR Index increase was in 2007. That increase was 2.7% and was based on Seattle's Construction Cost Index provided by the Engineering News-Record (ENR).

Although no formal public notice is required for routine adjustments to the SDC, the Homebuilders Association has been notified of the proposed increase.

The following table shows the current SDC and the proposed SDC effective May 1, 2013.

Meter Size	Meter Equivalence	2007 SDC	2012 SDC	2013 SDC Including 2.9% CPI	2012 vs 2013
5/8"	1	\$2,167	\$2,613	\$2,689	\$76
3/4"	1.5	\$3,251	\$3,919	\$4,033	\$114
1"	2.33	\$5,051	\$6,087	\$6,265	\$178
1.5"	5	\$10,817	\$13,063	\$13,445	\$382
2"	8	\$17,341	\$20,900	\$21,512	\$612

Construction Cost Index published by ENR: <http://enr.construction.com/economics/>

SDCs for meter sizes above 5/8" are calculated using the estimated maximum day demand as expressed in meter equivalents.

Recommendation

Staff recommends approval of Resolution No.1302 implementing a 2.9% increase in the Water System Development Charges to be effective May 1, 2013.

As stated in EWEB's Customer Service Policies and Procedures, Water SDC's may be adjusted annually by the application of an appropriate cost index to reflect annual increases in construction costs. Annual increases are also allowed by the Oregon Revised Statutes that govern the SDC process.

If you have any questions or concerns please contact me Mel Damewood, Engineering Manager, at (541) 685-7145.

**RESOLUTION NO. 1302
FEBRUARY 2013**

**EUGENE WATER & ELECTRIC BOARD
SYSTEM DEVELOPMENT CHARGE REVISION**

WHEREAS, the Eugene Water & Electric Board (EWEB) sets its System Development Charge (SDC) based primarily on a system methodology study and in accordance with ORS 223.297–223.314;

WHEREAS, ORS 223.304 (8) (b) allows for a periodic application of one or more specific cost indexes or other periodic data.

WHEREAS, EWEB has experienced increases in construction costs associated with the provision of water service;

WHEREAS, EWEB’s Customer Service Policies & Procedures W-V-2 to W-V-4 provide for adjusting the SDC calculation using an appropriate cost index to reflect annual increases;

WHEREAS, the most recent methodology study formed the basis for the 2011 SDC;

WHEREAS, the Engineering News-Record (ENR) Construction Cost Index is 2.9% for 2012;

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to increase the Water System Development Charges by 2.9 percent to \$2,689 for a 5/8” water service, with larger sizes also increasing at the same percent, effective with May 1, 2013.

Dated this 5th day of March 2013.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, DEBRA J. SMITH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its March 5, 2013 Regular Board Meeting.

Assistant Secretary