



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Mel Damewood, Engineering Manager
DATE: March 21, 2014
SUBJECT: 2014 System Development Charge Increase
OBJECTIVE: Board Action – Resolution No. 1407

Issue

Annual increase in Water System Development Charges (SDC's) for 2014.

Background

Effective July 1, 1997, EWEB adopted water SDC to fund capital improvements to meet increased demands of both new and existing customers. The total SDC consists of three separately calculated charges: 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's were developed in accordance with the requirement of 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 2000, 2005 and 2010.

In addition, per EWEB's Customer Service Policies and Procedures, SDC's may be adjusted annually by the application of an appropriate cost index to reflect annual increases in construction costs. The last annual increase, of 2.9%, became effective May 1, 2013. A summary of past SDC increases is presented below:

| | SDC Amount | % Increase |
|--|------------|------------|
| 1996 - Initial SDC <i>(Effective date July, 1997)</i> | \$1,760 | NA |
| 1999 Review <i>(Effective date January 3, 2000)</i> | \$1,800 | 2.3% |
| 2001 Increase <i>(Effective date January 2001)</i> | \$1,859 | 3.3% |
| 2005 Review <i>(Effective date December 2005)</i> | \$2,111 | 13.6% |
| 2007 Increase <i>(Effective date January 1, 2007)</i> | \$2,167 | 2.7% |
| 2010 Review <i>(Effective date July 1, 2011)</i> | \$2,613 | 20.6% |
| 2013 Increase <i>(Effective date May 1, 2013)</i> | \$2,689 | 2.9% |

Discussion

Staff proposes to increase the Water SDC by 2.4% as a result of inflationary pressure on construction costs. The percentage increase reflects the increase in construction costs as calculated by the Engineering News Record Construction Cost Index. Specifically the 20 City Cost Index increase from January 2013 to January 2014.

A tabulation of the proposed SDC by meter size is presented below along with the current SDC. SDCs for meter sizes above 5/8" are calculated using the estimated maximum day demand as expressed in meter equivalents.

| Meter Size | Meter Equivalence | Current SDC | 2014 Proposed SDC with 2.4% Increase | Current vs. Proposed |
|------------|-------------------|-------------|--------------------------------------|----------------------|
| 5/8" | 1 | \$ 2,689 | \$ 2,754 | \$ 65 |
| 3/4" | 1.5 | \$ 4,034 | \$ 4,130 | \$ 97 |
| 1" | 2.33 | \$ 6,265 | \$ 6,416 | \$ 150 |
| 1.5" | 5 | \$ 13,445 | \$ 13,768 | \$ 323 |
| 2" | 8 | \$ 21,512 | \$ 22,028 | \$ 516 |

The Lane County Home Builders Association has been notified of the proposed increase.

Recommendation

Staff recommends approval of Resolution 1407 attached to this memo and included on the April 1, 2014 Consent Calendar implementing a 2.4% increase in the Water System Development Charges to be effective May 1, 2014.

If you have any questions or concerns regarding this item, feel free to contact me, Mel Damewood at 541-685-7145 or at mel.damewood@eweb.org.

RESOLUTION NO. 1407
April 1st 2014

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-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 2013 SDC;

WHEREAS, the Engineering News-Record (ENR) 20-City Construction Cost Index is 2.4% for 2013;

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to increase the Water System Development Charges by 2.4 percent to \$2,754 for a 5/8" water service, with larger sizes also increasing at the same percent, effective May 1, 2014.

Dated this 1st day April 2014.

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

President

I, TARYN M. JOHNSON, 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 April 1, 2014 Regular Board Meeting.

Assistant Secretary



V. Water System Development Charges

This section covers information about EWEB’s policies and procedures pertaining to the assessment and collection of Water System Development Charges.

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A. Background

Effective July 1, 1997, EWEB will apply a Water System Development Charge (SDC) to fund capital improvements to meet increased demands on the system caused by new users. This System Development Charge is separate and in addition to any applicable line extension charges, service and meter installation fees.

EWEB's water SDC consists of reimbursement, improvement, and administration charges. The reimbursement charge is based on the value of unused system capacity and is determined by establishing the existing water system plant value and the current system capacity available for future development. The improvement charge is based on the projected water demand necessary to serve future growth and the projected cost of corresponding system improvements identified in EWEB's Water System Capital Improvement Plan. The administration charge covers costs associated with accounting, billing, collection, and periodic review.

These Water System Development Charges have been developed and approved by EWEB in accordance with the requirements of ORS 223.297 to 223.314. EWEB's SDC methodology and calculations shall be formally reviewed no less than once every five years, and updated to reflect changes in capital requirements, growth projections, and other material factors that affect determination of the charge. Between each formal review cycle, the rates incorporated herein may be adjusted by application of an appropriate cost index to reflect annual increases in construction costs.

Copies of the technical methodology and other information concerning the basis for this charge are available for public inspection at the EWEB offices.

B. Application

A System Development Charge shall apply to all new water services installed and additional demands placed on the water system on and after July 1, 1997 unless otherwise exempted by the provisions of this policy. Assessment and collection of the charge shall occur at the time a completed new service and/or meter installation order is placed by the customer/developer, or in the case of a change in use or occupancy, at such time that a building permit is issued for an improvement or modification which results in a new or increased demand on the water system.

C. General Provisions and Requirements

The schedule of charges is based on the size of the meter installed. The larger the meter, the higher the cost since a greater demand is placed on the system. The SDC is based on a standard 5/8 inch meter having a typical peak day maximum demand of 871 gallons per



day. Charges for all other meter sizes are determined on flow capacity equivalent to a 5/8 inch meter.

Installation of water services and meters will not proceed until all SDC's and other applicable charges have been billed to and/or paid by the customer/developer in accordance with EWEB's established billing and collection procedures.

D. Schedule of Charges

The table below shows the adjusted SDC charges effective May 1, 2014. The 2.4 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.

| <u>Meter Size</u> | <u>Meter Equivalence</u> | <u>System Development Charge</u> |
|-------------------|--------------------------|----------------------------------|
| 5/8" | 1 | \$ 2,754.00 |
| 3/4" | 1.5 | \$ 4,130.00 |
| 1" | 2.33 | \$ 6,416.00 |
| 1.5" | 5 | \$13,768.00 |
| 2" | 8 | \$22,028.00 |

(Resolution No. 1407)

E. Calculated Charges

System Development Charges for meter sizes above 2 inches will be calculated manually based on the estimated maximum day demand expressed in 5/8 inch meter equivalents. EWEB reserves the right to calculate manually the SDC for any service or meter size which in EWEB's determination will exhibit demand characteristics inconsistent with assumptions made for purposes of establishing the above schedule of charges. Such instances may include, but are not limited to, individually metered multi-family residential units, large irrigation services, and other applications which fall outside the typical use patterns of EWEB's various customer classifications.

In cases where the SDC is calculated manually, EWEB may review subsequent actual water demands of the customer/developer, and retroactively adjust the SDC charge up or down to reflect deviations from the estimated water demand used to determine the original SDC amount. Such adjustments will typically be made within 24 months of the service installation, unless a longer period is required to establish the customer's water use characteristics due to partial occupancy, operation, or production.

Approved: 11/00
Adopted: 04/14

Revision Date Effective: 5/01/14
Revision: 8



F. Changes in Use and/or Occupancy

When a new use or change in occupancy occurs that is an expansion or replacement of an existing development, the customer/developer shall pay an SDC for any increase in water demands placed on the system. Such charge shall be calculated and assessed on the additional increment of capacity required, or the incremental difference between the new larger service and the original service.

G. Credits

Credits against the improvement fee portion of the system development charge will be granted for qualified public improvements. An example of a qualifying improvement would be when a developer is required to install and pay for a water main sized larger than necessary for that development to serve future system demands. The credit applies only to the improvement fee portion of the SDC, and cannot be larger than the original calculated improvement fee.

H. Exemptions

Unmetered fire lines, hydrant connections, and other water services installed solely for the provision of fire protection do not place routine demands on the water system, and therefore are not subject to a System Development Charge.

Temporary water services of a short-term, transient nature shall not be assessed an SDC, until such time that they may be converted to service of a permanent nature, in which case the applicable SDC shall be assessed at that time. Water services provided to vacant properties or unimproved parcels shall be considered temporary until such time buildings or other improvements associated with a permanent occupancy are constructed.

I. Abandonment of Services

When property has been previously served and the service has been abandoned, SDC's will not be assessed if the service being requested is the same size or smaller than the original service and the associated water demands are comparable. In this case, the customer/developer must demonstrate that either a previous SDC was paid, or that the original service was installed prior to implementation of this policy.