Impact Fees: Existing Capacity Value Calculation

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December 5, 2013
Impact Fee Categories with Equity Basis

• Water Flow (Distribution Lines) (SAWS & DSP)
• System Development (SAWS & DSP)
  – Includes Transmission Lines
• Wastewater Collection Lines (SAWS Only)
• Wastewater Treatment (SAWS Only)
Basic Value Determination Process

- Start with overall value available as of end of previous year in annual Comprehensive Annual Financial Report (CAFR) - 2012
- Reduce overall value to proportion that is eligible for impact fees
- Add eligible Construction-Work-in-Progress (CWIP) projects as of end of 2012
- Reduce resulting impact fee eligible value by contributed capital
Differences in Existing Value Calculations: 2009 vs. 2012

- Values down in Water Flow and System Development
- Values up in Wastewater Collection and Treatment
- Large wastewater projects since 2010 have increased values
  - Medina River Sewer Outfall
  - C-33 Broadway Corridor
  - C-01 Central Watershed Sewer Relief Line
- Improved CWIP allocation resulted in higher values in wastewater collection and treatment
- Corrections in underlying assumptions
  - Exclusion of meters and services infrastructure in 2012
  - Distance of transmission pipelines no longer influenced by ASR pipeline distance
  - Exclusion of impact fee credits in 2012 calculation
Water Flow

Distribution Lines

• Covers pipeline identified as distribution lines >= 12”

• 2009 Value
  – $603,237,641: SAWS-only value

• 2012 Value
  – $610,839,391: combined value
    • SAWS-Only: $512,661,439
    • DSP-Only: $98,177,952
Water Flow
Distribution Lines (Continued)

• Meters & Services
  – 2009: meters and services infrastructure included
  – 2012: meters and services excluded

• CWIP Allocation
  – 2009: across-the-board proportion of distribution lines applied on all CWIP categories
  – 2012: proportion applied to Governmental and Distribution CWIP only
Water Flow
Distribution Lines (Continued)

• Difference in calculation method:
  – In 2009, balance of impact fee credits was used to offset value of contributed capital
    • In equity calculation, contributed capital is deducted from total book value so that impact fees are not assessed on assets already contributed by developers
  – In 2012, impact fee credits are not used to reduce the value of contributed capital
    • Credits are not reflected on books; assets created as a result of impact fee transactions are already on books
System Development

• Transmission Lines
  – Equity calculated in manner similar to Distribution Lines
• Well Pumps
• High Service & Booster Pumps
• Elevated Storage Tanks
• Ground Storage Tanks
System Development

• 2009 Value
  – $337,472,086: SAWS-only value

• 2012 Value
  – $329,085,417: combined value
    • SAWS-Only: $250,254,437
    • DSP-Only: $78,830,980

• Difference influenced mostly by how Transmission lines equity component is estimated

• Also excluded in 2012 are any Water Supply Fee-funded infrastructure values related to System Development functions
System Development

Transmission Lines

• 2009 Value
  – $100,517,164: SAWS-only value

• 2012 Value
  – $52,861,863: combined value
    • SAWS-Only: 49,703,302
    • DSP-Only: $3,158,561
System Development
Transmission Lines (Continued)

• Meters & Services
  – 2009: meters and services infrastructure included
  – 2012: meters and services excluded

• CWIP Allocation
  – 2009: across-the-board proportion of transmission lines applied on all CWIP categories
  – 2012: proportion applied to Distribution CWIP only

• Impact Fee credits also no longer included
System Development
Transmission Lines (Continued)

• Change in definition of Transmission lines
  – 2009: 7.66% of all pipelines assumed to be Transmission lines
    • ASR transmission line distance included as part of 7.66%; should be omitted from calculation
  – 2012: With exclusion of ASR transmission line distance, proportion of all pipelines assumed to be Transmission lines is 4.57%
    • Reduces Transmission line value by $36.4 million
Wastewater Collection Lines

- Collection lines $\geq$ 10 inches valued only
- 2009 Value
  - $445,432,906$: full value
- 2012 Value
  - $619,499,463$: full value
Wastewater Collection
(Continued)

• Increased construction activity and calculation of eligible CWIP
  – 2009: across-the-board proportion of distribution lines applied on all CWIP categories
  – 2012:
    • Proportion applied to Governmental CWIP only
    • All of Collection CWIP included (includes Medina River Sewer Outfall Project)
    • Collection Mains CWIP excluded

• Impact Fee credits also no longer included
Wastewater Collection Lines (Continued)

<table>
<thead>
<tr>
<th>2009</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Wastewater Collection CWIP</td>
<td>$131.10</td>
</tr>
<tr>
<td>Proportion of Large Mains to all Mains</td>
<td>43.5%</td>
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<tr>
<td><strong>Wastewater Collection CWIP Applied to Impact Fee Equity Calculation</strong></td>
<td><strong>$57.05</strong></td>
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## Wastewater Collection Lines

(Continued)

### 2012

<table>
<thead>
<tr>
<th></th>
<th>$ millions</th>
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</thead>
<tbody>
<tr>
<td>Total Wastewater Collection CWIP</td>
<td>$ 249.56</td>
</tr>
<tr>
<td>Governmental Portion of Wastewater Collection CWIP</td>
<td>$ 43.44</td>
</tr>
<tr>
<td>Proportion of Large Mains to all Mains</td>
<td>44.0%</td>
</tr>
<tr>
<td>Pro rata share of Governmental CWIP</td>
<td>$ 19.09</td>
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<tr>
<td>Collection Portion of Wastewater Collection CWIP</td>
<td>$ 139.40</td>
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<tr>
<td><strong>Wastewater Collection CWIP Applied to Impact Fee Equity Calculation</strong></td>
<td>$ 158.49</td>
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</table>

### 2012 (Using 2009 Method)

<table>
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<th>$ millions</th>
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<td>Total Wastewater Collection CWIP</td>
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<tr>
<td><strong>Wastewater Collection CWIP Applied to Impact Fee Equity Calculation</strong></td>
<td>$109.71</td>
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</table>
Wastewater Treatment

• Dos Rios / Leon Creek
  – 2009 Value
    • $278,834,316: full value
  – 2012 Value
    • $317,556,894: full value

• Medio Creek
  – 2009 Value
    • $62,770,361: full value
  – 2012 Value
    • $62,212,053: full value

• Higher proportion calculation of contributed capital leads to greater discount on equity value
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Value Calculation

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