City of Shelton

Stormwater Utility General Facilities Charges (GFCs)

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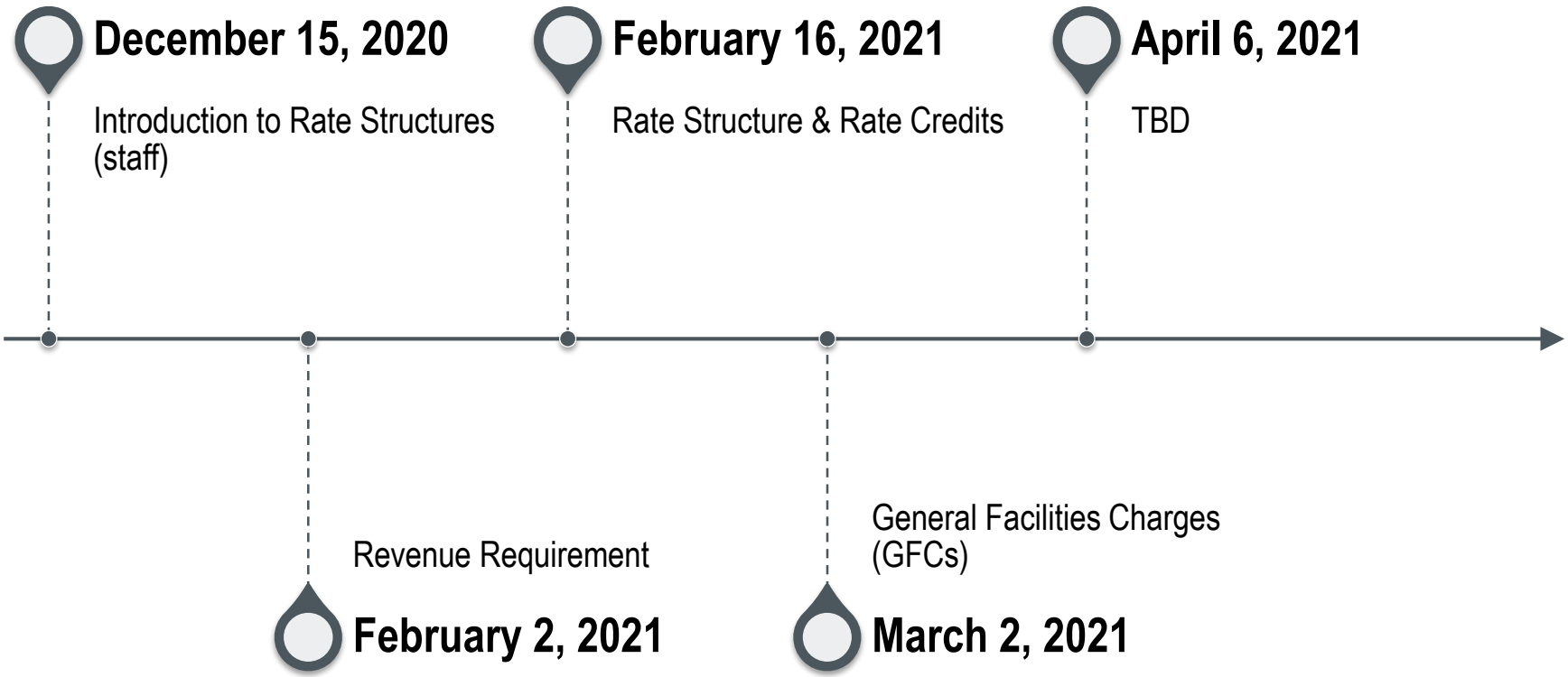
Introduction



March 2 Discussion Topics

GFC Background

GFC Calculation

GFC Survey

Characteristics of GFCs

One-time charges, not ongoing rates

For general facilities, not "local" facilities

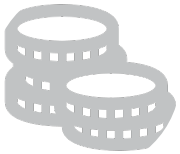
Include future & existing infrastructure costs

For capital only, in both calculation and in use

Properties which are already developed do not pay GFCs unless they "redevelop"

What should GFCs do?

Recover the costs of growth from growth



Reimburse existing customers who have paid for available capacity

Provides revenue for capital, while not being a reliable source of revenue

Recover costs equitably

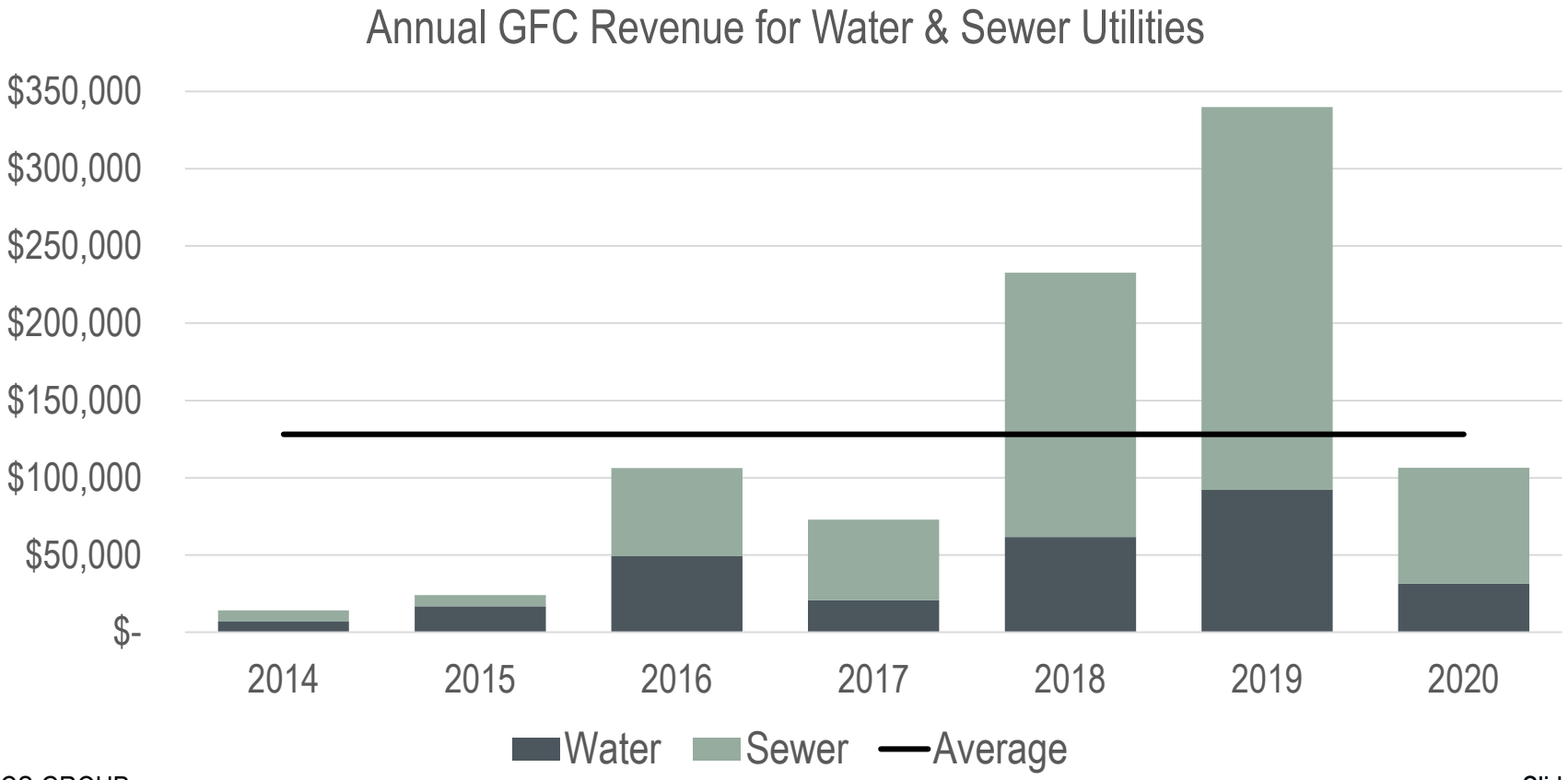
Shelton's Existing GFCs

- Water and sewer utilities already have GFCs
- Stormwater utility does not have a GFC

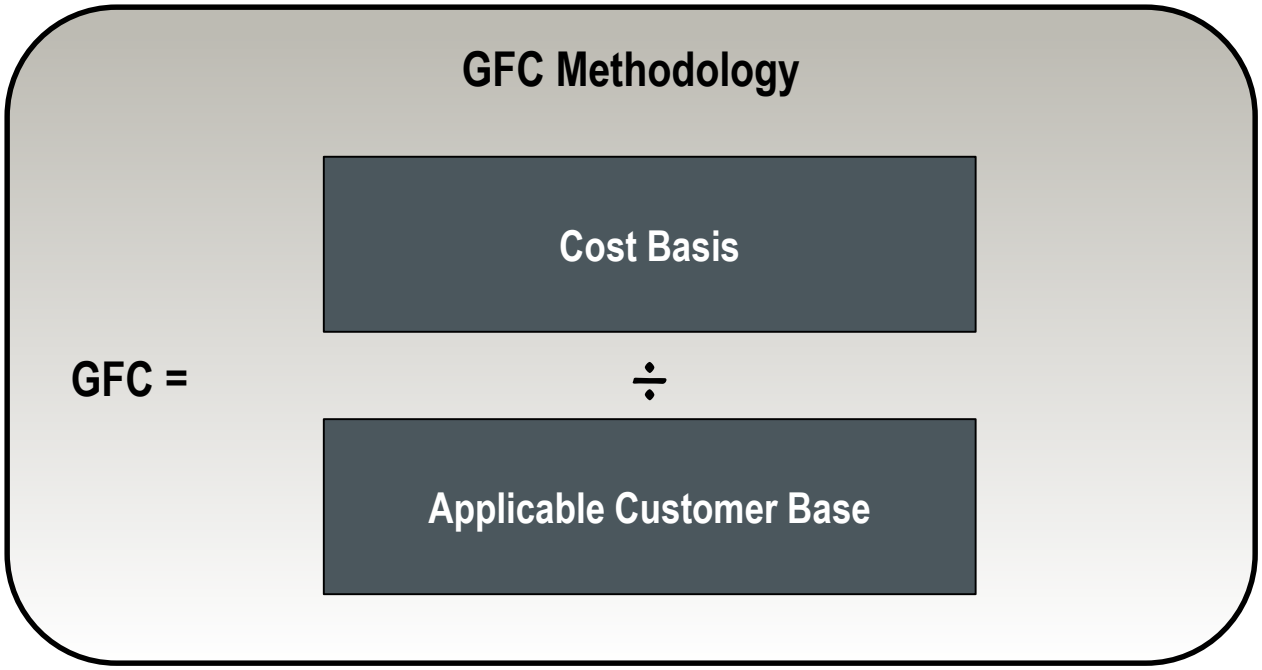
Utility	Single-family GFC (3/4" Meter)
Water	$1,260
Sewer	$3,258
Stormwater	$0
Total	**$4,518**

Historical Water & Sewer GFC Revenue

- GFC revenues tend to fluctuate year-to-year; tied to development patterns
- Helpful, but not a reliable source of revenue for capital projects

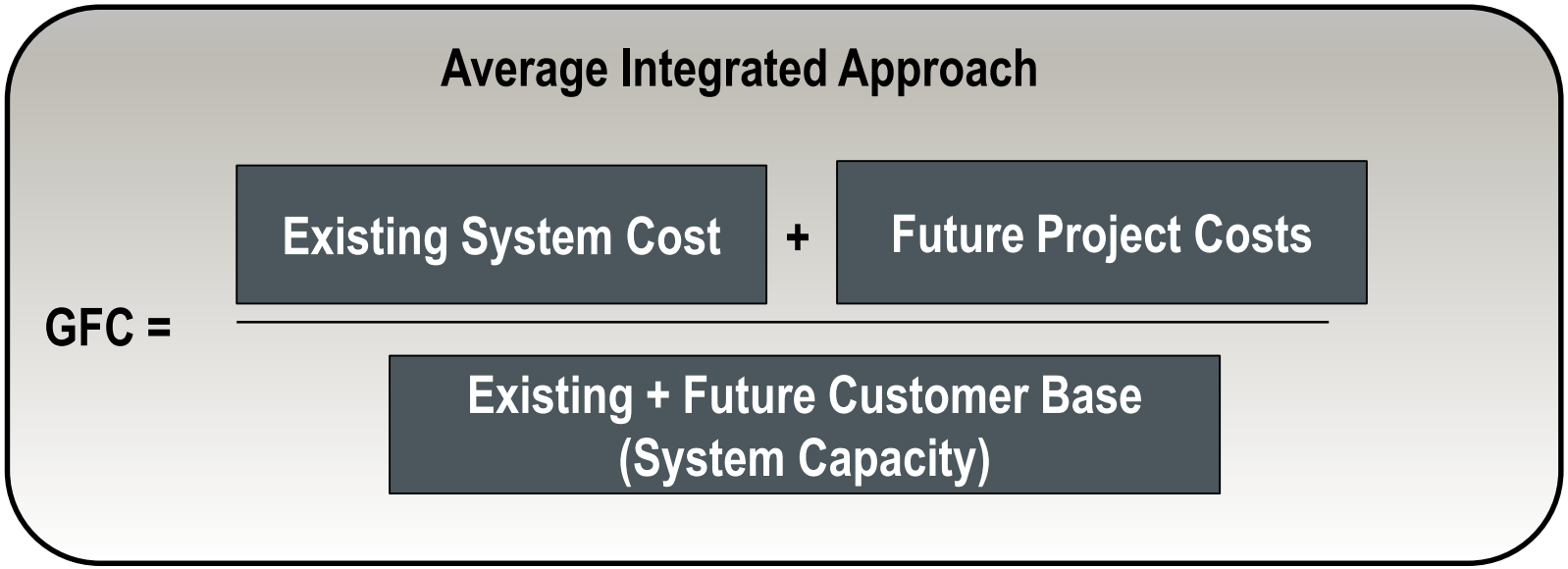


General GFC Methodology



- Eligible capital costs are called the “cost basis”; numerator in calculation
- Cost basis divided by applicable customer base; denominator in calculation

Recommended GFC Methodology



- Methodology typically stable over time
- Tends to avoid large increases or decreases
- Equitable between existing customers and new connections

GFC Calculation

Average Integrated Approach

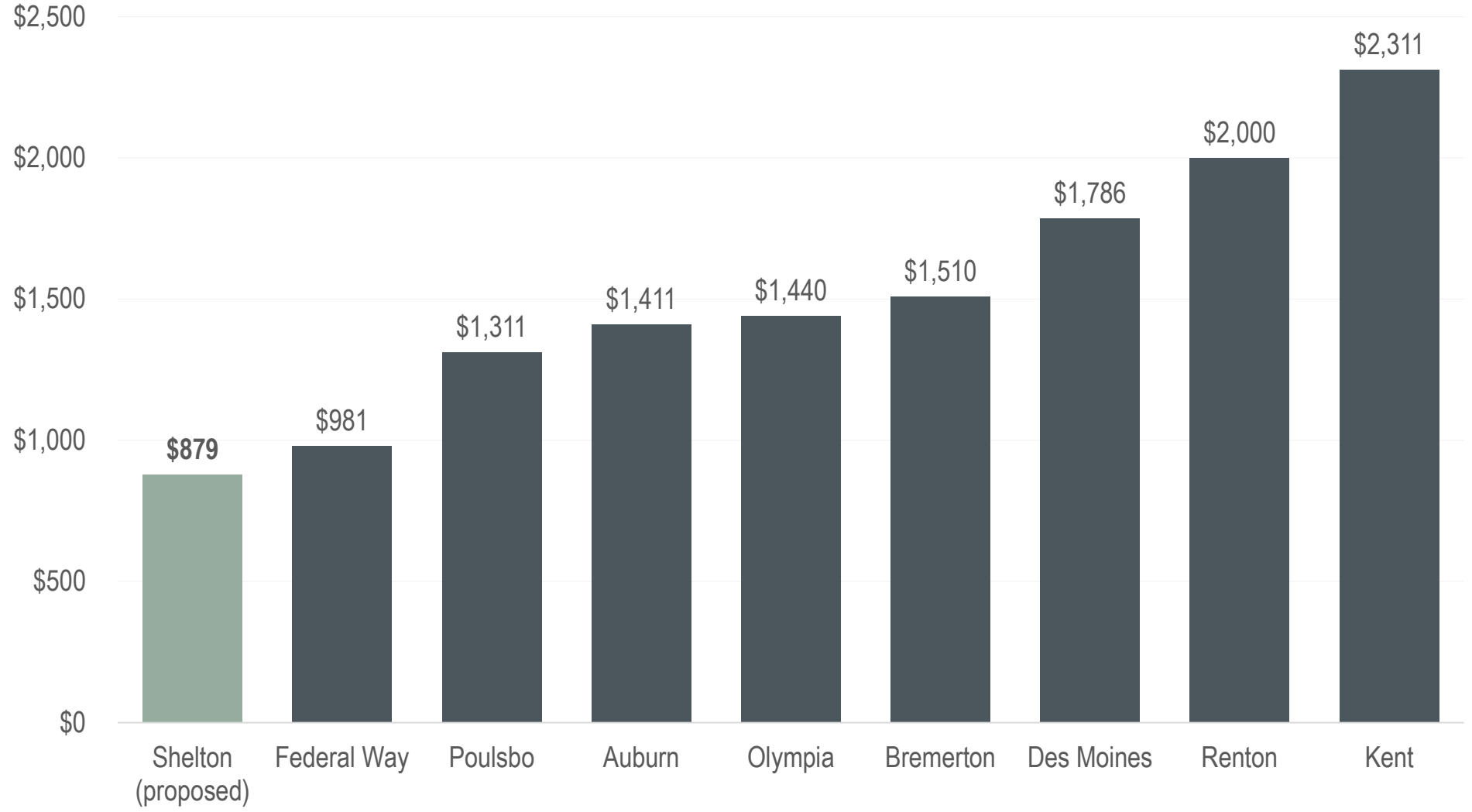
$$GFC = \frac{\text{Existing System Cost: \$7.8 million} + \text{Future Project Costs: \$1.2 million}}{\text{Existing + Future Customer Base: 10,301 equivalent service units}}$$

GFC = $879 / ESU

Comparison of Existing vs. Calculation

Description	Existing	With Stormwater
Water	$1,260	$1,260
Sewer	$3,258	$3,258
Stormwater	$0	$879
New Total	**$4,518**	**$5,397**

2021 Stormwater GFC Survey for Single Family



Some cities included in rate survey do not charge Stormwater GFCs

GFC Summary

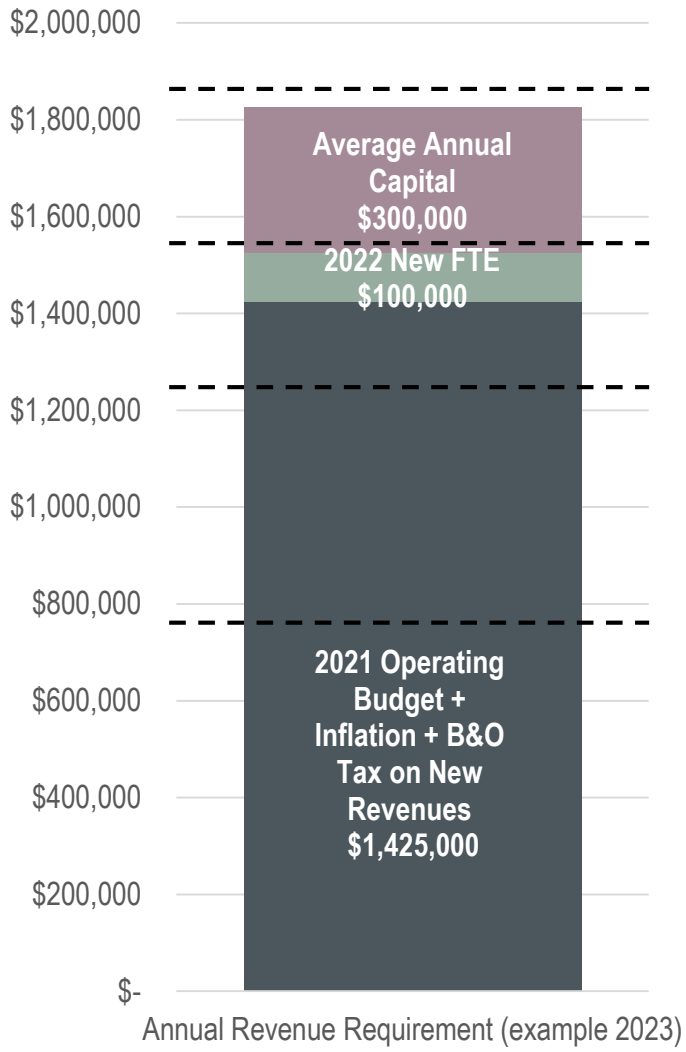
- **Adopt GFC of $879 per ESU**
  - Single-family would pay $879
  - Duplex would pay twice that amount
  - Other developed parcels would pay $879 per 2,900 impervious square feet

- **Other notes**
  - Increase GFC by construction cost inflation annually
  - Legally, GFC may be less but not more than calculated amount
  - Helps protect existing ratepayers from impacts of growth

Next Steps & Recommendations

- **Revenue requirement**
  - Adopt rates funding operating and capital revenue requirements
- **Rate structure**
  - Adopt equivalent service unit rate structure; 1 ESU = 2,900 impervious sq. ft.
- **Rate credits**
  - 20% for low-income seniors or disabled customers (was 17%)
  - 10% for non-residential w/ on-site mitigation measures (same)
  - 40% for individual NPDES permit holders (to be discussed)
- **General facilities charge**
  - Adopt GFC of $879 per ESU
  - Increase GFCs for each utility by construction cost inflation each year

ESU Rate Implementation Options



Annual rate revenue under **ESU** rate structure @ **$18 / month:** $1,875,000

Annual rate revenue under **ESU** rate structure @ **$15 / month:** $1,550,000

Annual rate revenue under **ESU** rate structure @ **$12 / month:** $1,250,000

Existing annual rate revenue under **existing** rate structure: $765,000

- ESU rate of $15 per month needed to fund operating costs
- An additional $3 per month would supply funding for capital projects

Questions?

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GFC Calculation – Backup Detail

- **Cost Basis**

Utility Plant-in-Service	$7,662,516
Less: Contributed Capital	($1,879,859)
Plus: Interest on Non-Contributed Plant	$2,057,851
Plus: Cost of Future Upgrade / Expansion Projects	$1,263,981
Less: Provision for Repair & Replacement	($49,143)
Total GFC Cost Basis	**$9,055,346**

- **Applicable Customer Base**

Current ESUs (before rate credits / adjustments)	9,323
Future ESUs (assumes 0.5% growth for 20-years)	978
Current plus Future (ESUs)	**10,301**

$879 / ESU