



City of Marco Island, Florida
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Water and Sewer Impact Fee Study

GovRates

Utility, Financial, Rate, and Management
Consultants for Governments

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Background on Impact Fees



- **Support Policy of "Growth Paying for Growth"**
 - Help to Reduce Need for Monthly User Rate Increases

- **Common in Utility Industry**
 - Used to Pay for Growth-Related Capital Projects and Growth-Related Debt Service

- **Dual Rational Nexus Requirements Established Through Case Law**
 - Must Relate Capital Expenditures to Growth
 - Fee Must Be Proportionate to Benefit Received

- **City's Water and Sewer Impact Fees Were Last Formally Reviewed in 2006 (17 Years Ago)**

Water and Sewer Impact Fee Calculation Methodology



- **Considered Costs of Existing Capacity Available to Serve Growth**
 - No Grant-Funded, Contributed, or "Cost-Free" Infrastructure Included in Calculations

- **Considered Costs Reflected in Most Recent Multi-Year Capital Improvement Program**

- **Level of Service Standards for One Equivalent Residential Connection (ERC) in Calculations**
 - Water: 200 gallons per capita per day (gpcd) per City's Comprehensive Plan * 1.96 persons per house per U.S. Census = 392 gallons per day (gpd)

 - Wastewater: 100 gpcd per City's Comprehensive Plan * 1.96 persons per house per U.S. Census = 196 gpd

Proposed Water and Sewer Impact Fees Per ERC



Existing and Proposed Water and Sewer Impact Fees Per ERC

Description	Existing	Proposed	Difference	
			Amount	Percent
Water	\$3,740	\$4,380	\$640	17%
Wastewater	4,610	5,220	610	13%
Combined	<u>\$8,350</u>	<u>\$9,600</u>	<u>\$1,250</u>	<u>15%</u>

ERC = Equivalent Residential Connection

- Engineering News-Record (ENR) Construction Cost Index (Measures Inflation in Costs of Construction Materials for Infrastructure Improvements) Has Increased by 68% Since City's Water and Sewer Impact Fees Were Last Reviewed in 2006**

Recommend Meter Equivalent Basis for Determining Fees for All Customers



■ **Current Methodology for Determining Impact Fee Amounts**

- Residential: Square Feet of Living Unit
- Nonresidential: Estimated Average Dependable Daily Capacity or ERC Factors Based on Customer Attributes If Capacity Estimate Is Unavailable
- Requires Specific Usage Data for Customer Attributes That Is Not Readily Available and May Quickly Become Outdated (e.g., Per Seat for Restaurant, Per Bed for Hospital, etc.)
- Possible Difficulties with Calculating ERC's for Mixed-Use Properties
- Greater Probability of Challenges

■ **Meter Equivalent Basis Is Common in Utility Industry**

- Widely Referenced in American Water Works Association (AWWA) Manuals of Practice
- Reflects Service Capacity Based on Meter Size
- Easy to Calculate and Administer
- Rarely Challenged

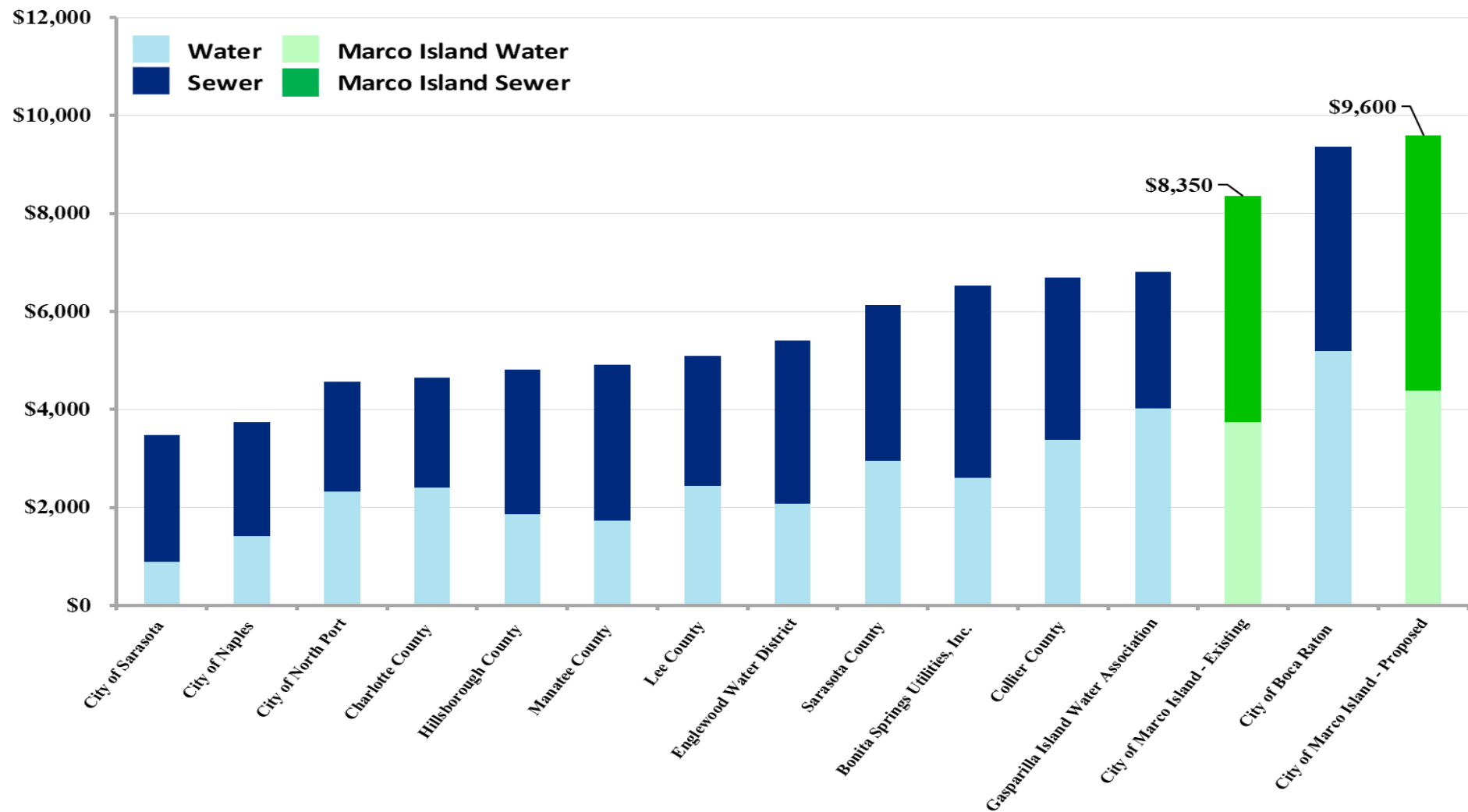
Proposed Water and Sewer Impact Fees Schedule



Description	Meter Equivalent			
	Factor [*]	Water	Sewer	Combined
All Customer Classes				
<u>Meter Size (Inches)</u>				
5/8" x 3/4"	1.00	\$4,380	\$5,220	\$9,600
1"	2.50	10,950	13,050	24,000
1.5"	5.00	21,900	26,100	48,000
2"	8.00	35,040	41,760	76,800
3"	16.00	70,080	83,520	153,600
4"	25.00	109,500	130,500	240,000
6"	50.00	219,000	261,000	480,000
8"	80.00	350,400	417,600	768,000
10"	115.00	503,700	600,300	1,104,000

[*] Reflects meter equivalent factors implied by the size of the meter serving the premises based on information published by the American Water Works Association (AWWA) regarding meter capacities.

Water and Sewer Impact Fee Per ERC Comparison



Comparison Not a "Report Card" on How Well Utility Is Performing



■ Some Reasons Why Impact Fees Differ Among Utilities

- Source of Supply and Proximity to Source of Supply
- Type / Complexity of Treatment
- Effluent Disposal Method
- Historical Grant Funding of Infrastructure
- Availability of Grant Funding for Capital Program
- Time Elapsed Since Last Impact Fee Review
- Impact Fee Calculation Approach (Many Accepted Methods)
- Density Within Service Area / Size of System
- Utility Life Cycle (Growth-Oriented vs. Mature)
- Level of Service Per ERC Standards
- Administrative Policies



Recommendations

- **Recommendation to Adopt Proposed Water and Sewer Impact Fees and Associated Policies**
 - Support "Growth Paying for Growth"
 - "Right-Sized" Based on Most Recent and Local Data
 - Help to Reduce Need for Future User Rate Adjustments
 - Help to Reduce Need to Finance Capital Improvements (Lower Interest and Issuance Costs)
 - Help Meet Debt Service Coverage Requirement on Utility's Outstanding Bonds
(Two Coverage Tests: Net Revenues Alone at Least 110% OR Net Revenues at Least 105% AND Net Revenues Plus Impact Fees at Least 120% of Bond Service Requirement)



Recommendations (cont.)

- **Recommendation to Adopt Proposed Meter Charges and Service Installation Charges**
 - Last Adjusted in 2009 and Substantially Under-Recovering Costs to Provide Services
 - "Right-Sized" Based on Current Costs
 - Eliminate Subsidization By All Customers
 - Help to Reduce Need for Future User Rate Adjustments

- **Update Impact Fees Whenever Capital Plans, Costs, or Funding Change Significantly**

QUESTIONS AND DISCUSSION

