March 2, 2020

Dear Stakeholders:

CFPUA is soliciting comments on the proposed written analysis and calculation of the water and sewer system development charges (SDCs) that are planned to become effective July 1, 2020. Based on our analysis, we are proposing an increase in the water SDC from $1,880 to $1,920 and an increase in the sewer SDC from $1,930 to $2,070.

The objective of CFPUA's system development charge is to assess new customers their proportionate share of the cost of infrastructure improvements benefitting the new customer that were paid for by past or existing customers. In other words, the SDC is the fee new customers pay to "buy-in" to the water and sewer system.

To this end, CFPUA's SDC calculation seeks to allocate the equity in existing infrastructure assets to new water and sewer customers. "Equity in existing infrastructure" is defined as the assets funded with rate revenues that will benefit new customers less outstanding debt used to acquire or construct those assets.

Infrastructure assets that will benefit new customers should only include those assets that were funded with rate revenues and have a remaining useful life. Assets that were conveyed to the Authority or funded with developer contributions and/or grants are removed. Assets that have been acquired or constructed but have exceeded their useful lives are excluded because these assets will not benefit new customers.

The depreciated value of infrastructure assets is reduced by the outstanding debt used to acquire or construct infrastructure assets. Outstanding debt will be paid in the future. Failure to reduce the value of infrastructure assets by outstanding debt would result in new customers paying twice for debt funded infrastructure: once through the SDC and again through rates when the related debt is paid.

SDC's are calculated separately for water and sewer using the following formula:

$$System\ Development\ Charge = \frac{[(A-B)C][1-D]}{E}$$

Where,
A = the Net Investment in Capital Assets found on the Statement of Net Position from the most recently audited Comprehensive Annual Financial Report
B = Depreciated Value of Conveyed Assets
C = Allocation of Equity in Existing Infrastructure to Water and Wastewater – SDCs are calculated separately for water and sewer; however, the equity in existing infrastructure as measured by the Net Investment in Capital Assets less the depreciated value of conveyances is for the system as a whole. Consequently, an allocation to water and sewer is necessary. The allocations to water and sewer shall be proportional to the cumulative capital investment in the water and sewer systems, respectively. Cumulative capital investment is defined as the total capital expenditures since inception of the Authority through the end of the most recently audited fiscal year. Capital investment in system-wide improvements will be allocated equally between water and sewer.
D = The proportion of water and sewer non-rate-payer-funded sources including developer contributions, cost sharing participation by the City and County, and grants since inception of the Authority.
E = Equivalent Residential Units assumed in the determination of the water and sewer fixed charge for the upcoming budget year.

CFPUA values the views and opinions of our customers and partners. Please review and provide written comments via CFPUA’s website no later than Thursday, April 30, 2020. Comments can also be provided at the public hearing on May 13, 2020 prior to the Board considering adoption of the SDC analysis and calculation.