

Utilities Department

Work Session

**Water & Wastewater
Capital Charges**

September 24, 2024



Presentation Outline

- **Background**
- **2023 Update**
- **Capital Charges Survey**
- **Reclaimed Water Discount**
- **Affordable Housing Discounts**
- **Next Steps**



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Background

▪ Capital Charges

- Directed by the Board to review every 4 years
- Paid by new development for infrastructure to serve growth
- Mechanism for growth to “pay its own way”
- Used only for growth-related projects
- Cannot exceed full cost recovery



Background

- **Current Capital Charges**
 - Implemented in 2019
 - Calculated at a 7.8% increase over prior capital charges
 - Set at full cost recovery
 - **Water**
 - \$1,970 per Equivalent Residential Connection (ERC)
 - **Wastewater**
 - \$3,570 per Equivalent Residential Unit (ERU)
 - 10% discount on capital charges for installation of reclaimed water system in single-family homes subdivisions





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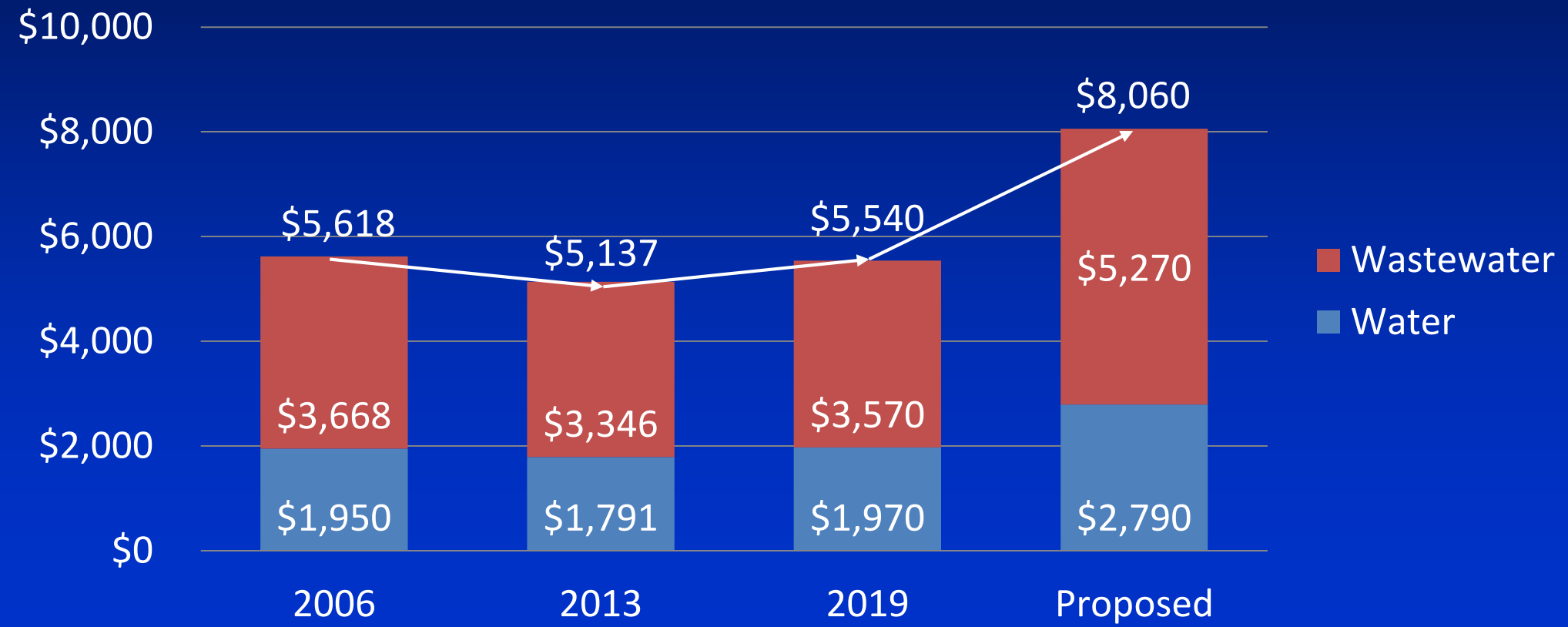
- Capital charges calculated as dollars per unit of capacity
- Evaluates the value of existing and future infrastructure
- Recognizes groundwater and alternative water as sources of supply
 - Standard 5-year planning horizon used for groundwater and wastewater
 - 10-year planning horizon used for alternative water projects



- **Costs brought to present value**
- **Credit for debt funded projects applied to avoid double recovery from capital charges and user fees**
- **5% reduction as allowance for estimates and contingencies**
- **Evaluates capacity of water and wastewater systems**
 - Capacity expressed as ERCs for water and ERUs for wastewater
 - Uses updated levels of service adopted by the Board last month
- **Results**
 - \$2,790 per ERC for water
 - \$5,270 per ERU for wastewater



Capital Charges History



- **Increases mitigated by reduction in Level of Service (LOS)**
 - Water LOS reduced from 275 gallons per day (gpd) to 225 gpd
 - Wastewater LOS reduced from 225 gpd to 200 gpd
 - Combined reduction of \$1,280 or 13.7%
- **Three key factors in the calculation have increased since the current capital charges were calculated**

Factor	2019	2023	Increase
Water Supply Facility (\$/gallon)	\$2.00	\$3.87	94%
WW Treatment Facility (\$/gallon)	\$15.00	\$20.19	35%
Pipeline Costs (\$/foot/inch pipe diameter)	\$10.00	\$25.57	156%

▪ **Increases caused by significant inflation in construction costs**

Index Category	Index Value Prior Study	Index Value Current Study	% Change
Concrete & Cement	163.02	211.44	30%
Ductile Iron Pressure Pipe & Fittings	304.37	417.42	37%
Brass	493.19	681.88	38%
Non-residential Construction	122.30	182.50	49%
PVC Water Pipe	98.90	245.71	148%
Diesel Fuel	185.63	524.22	182%
Proposed Capital Charges (Combined)	\$5,540.00	\$8,060.00	45%

▪ Incremental Capital Charges Cost Analysis

Water Capital Charge	2019 Factor	2023 Factor	Updated Charge	Incremental Increase
Charge with 2019 Values for Key Factors			\$1,400.00	
Updated Water Supply Facility Factor	\$2.00	\$3.87	\$1,760.00	\$360.00
Updated Pipeline Factor	\$10.00	\$25.57	\$2,790.00	\$1,030.00

Wastewater Capital Charge	2019 Factor	2023 Factor	Updated Charge	Incremental Increase
Charge with 2019 Values for Key Factors			\$3,410.00	
Updated WW Treatment Facility Factor	\$15.00	\$20.19	\$4,230.00	\$820.00
Updated Pipeline Factor	\$10.00	\$25.57	\$5,270.00	\$1,040.00



2023 Update

- **Increasing capital charges necessary for financial health of the Water & Wastewater System**
 - Projected capital charge revenues through FY 2029 are \$258M
 - Projected CIP expenditures on expansion projects are \$286M
 - \$28M shortfall with the updated capital charges
 - \$109M shortfall with no increase to capital charges
- **Funding not available from capital charges must be borrowed or funded through System rates**
 - 6.6% additional rate increase with no debt funding
 - 2.3% additional rate increase for added debt service, if debt funded



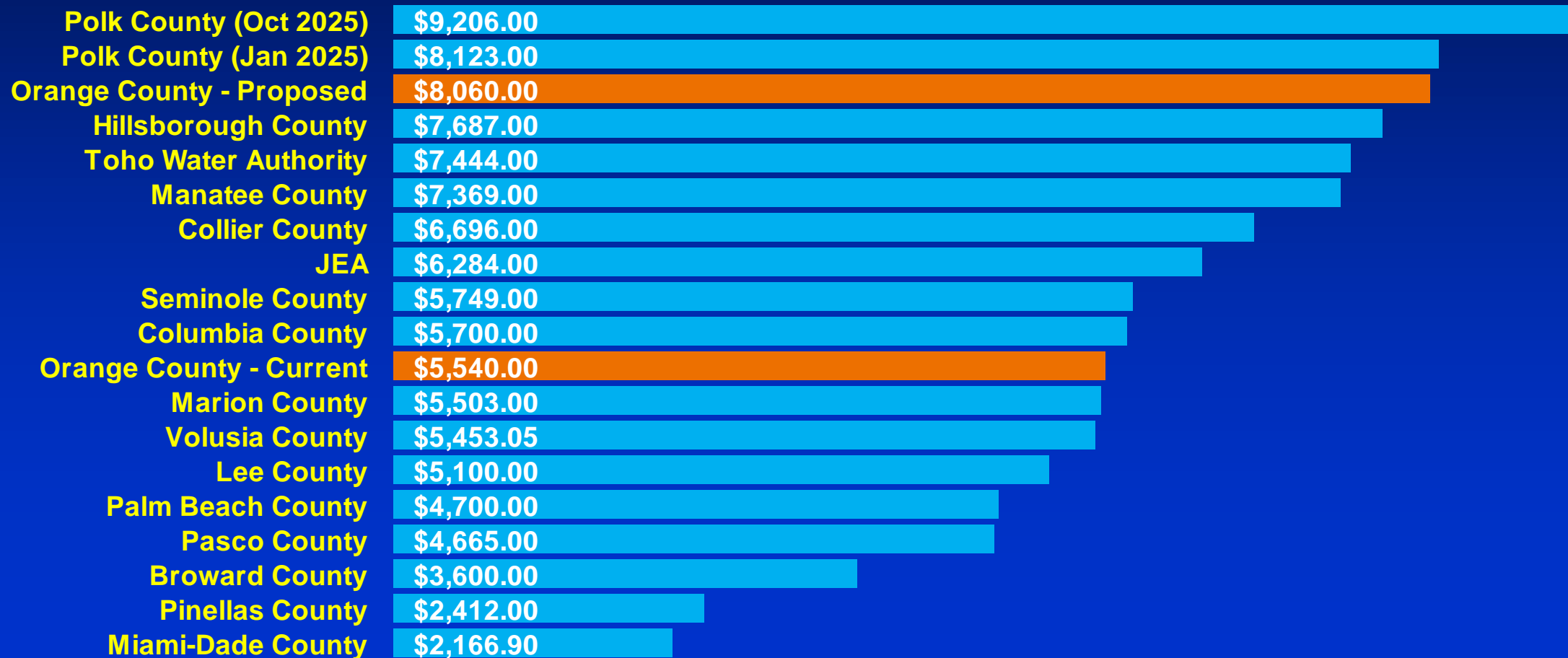
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Capital Charges Survey

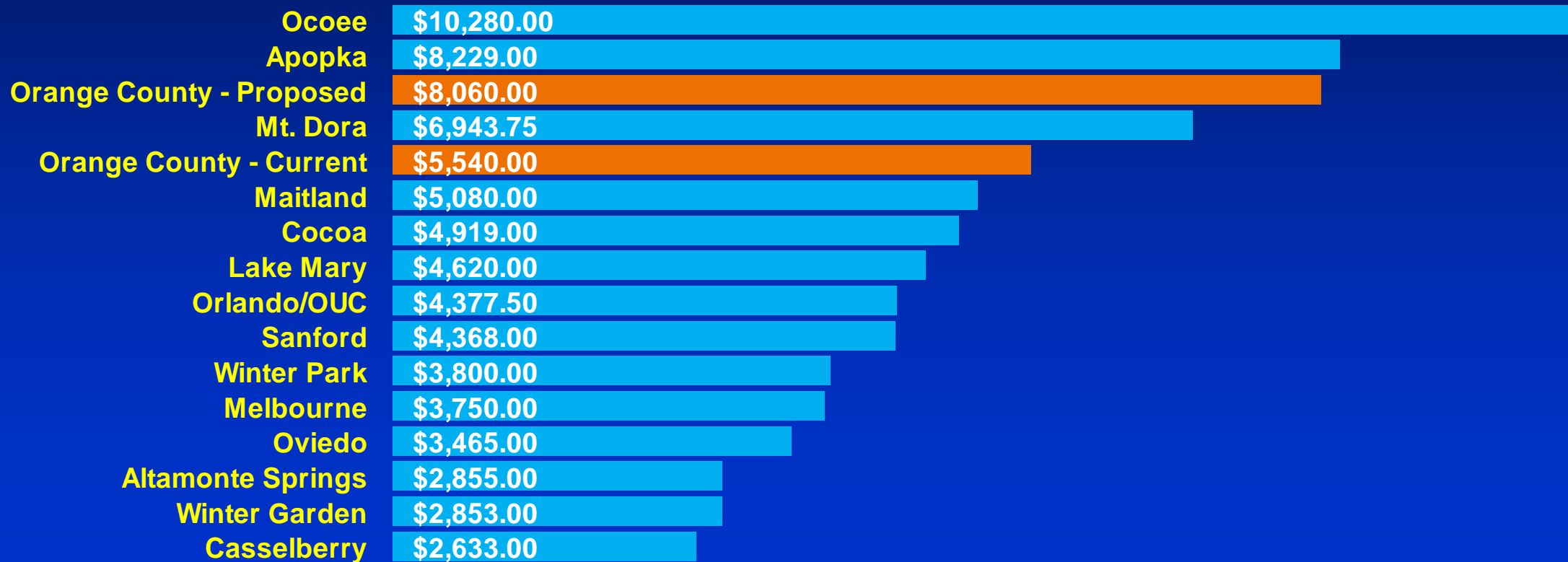
Combined Water and Wastewater Capital Charges Counties & Authorities





Capital Charges Survey

Combined Water and Wastewater Capital Charges *Local Municipalities*





Capital Charges Survey

Top 10 combined capital charges from surveyed utilities

Utility	Current Rate		Prior Rate	\$ Increase	% Increase
	Established	Current Rate			
JEA	Apr-2023	\$6,284	\$1,614	\$4,670	289%
Hillsborough County	Jun-2022	\$7,687	\$3,550	\$4,137	117%
Seminole County	Jun-2021	\$5,749	\$3,283	\$2,466	75%
Manatee County	Oct-2019	\$7,369	\$4,997	\$2,372	47%
Ocoee	Feb-2024	\$10,280	\$8,012	\$2,268	28%
Collier County	Mar-2020	\$6,696	\$5,263	\$1,433	27%
Toho Water Authority	Oct-2022	\$7,444	\$5,865	\$1,579	27%
Polk County (Jan 2025)	Jan-2025	\$8,123	\$7,039	\$1,084	15%
Polk County (Oct 2025)	Oct-2025	\$9,206	\$8,123	\$1,083	13%
Mt. Dora	Apr-2019	\$6,944	\$6,331	\$613	10%
Apopka	Feb-2023	\$8,229	\$7,564	\$665	9%
Orange County Proposed*		\$8,060	\$5,540	\$2,520	45%

*Orange County current rate \$5,540 established Feb 2019



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Reclaimed Water Discount

- **Discount established in the mid-90s**
 - Reclaimed water viewed as a disposal issue
 - Implemented as a cost offset for developers for the new requirement to install reclaimed water infrastructure
 - 10% discount on both water and wastewater capital charges
 - \$7.5 million in discounts for capital charges given since FY 2017





Reclaimed Water Discount

- **Now viewed as a valuable commodity that is in demand**
 - Lowers water usage costs for customers
 - An asset to a development
- **Discount is not common**
- **Propose removing discount from Chapter 37**





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Affordable Housing Discounts

- Discounts on capital charges for affordable housing authorized in Chapter 37
 - Single-family, multi-family, or mobile home residential units
 - Must receive a certificate of affordability
 - Specific guidelines in Administrative Regulation 4.08





Affordable Housing Discounts

- **Administrative Regulation 4.08 – Threshold Criteria for Affordable Housing, Single- and Multi-family Developments**
 - Provides guidelines for discounts on capital charges
 - 62% discount for single- and multi-family housing units to be sold
 - 25% discount for multi-family housing units to be rented
- **Since FY 2017, 25% discounts on capital charges were granted for 1,687 housing units for \$1.3M**
- **Updated discounted capital charges**
 - At 62%: \$1,060.20 for water and \$2,002.60 for wastewater
 - At 25%: \$2,092.50 for water and \$3,952.50 for wastewater



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Next Steps

- **Recommendation to proceed to update capital charges**
 - Meet with the Development Advisory Board
 - Meet with the local planning agency (P&Z Commission)
 - Conduct public hearing with the Board to adopt updated capital charges

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