

Impact Fees: Existing Capacity Value Calculation

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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 $\geq 12''$
- 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)

2009	<u>\$ millions</u>
Total Wastewater Collection CWIP	\$131.10
Proportion of Large Mains to all Mains	43.5%
Wastewater Collection CWIP Applied to Impact Fee Equity Calculation	\$57.05

Wastewater Collection Lines

(Continued)

2012	<u>\$ millions</u>
Total Wastewater Collection CWIP	\$ 249.56
Governmental Portion of Wastewater Collection CWIP	\$ 43.44
Proportion of Large Mains to all Mains	44.0%
Pro rata share of Governmental CWIP	\$ 19.09
Collection Portion of Wastewater Collection CWIP	\$ 139.40
Wastewater Collection CWIP Applied to Impact Fee Equity Calculation	\$ 158.49

2012 (Using 2009 Method)	<u>\$ millions</u>
Total Wastewater Collection CWIP	\$249.56
Proportion of Large Mains to all Mains	44.0%
Wastewater Collection CWIP Applied to Impact Fee Equity Calculation	\$109.71

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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