

Connection Charge in Lieu of Assessment

Related to Local Utility Districts (LUDs)

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Why are we here?

- Review Local Utility Districts (LUDs) and Connection Charges in Lieu of Assessments
 - Discuss challenges
 - Recommend policy changes for all LUDs
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- **NO ACTION REQUESTED TODAY**

What are....

Local Utility Districts (LUDs) follow RCW 54.16.120 and Board approved District policy:

- Are a funding mechanism for utility improvements;
- Increase appraised value to benefited properties (special assessment);
- Paid over the term of the LUD;
- Establish a service area boundary;
- Require development of a Connection Charge in Lieu of Assessment associated with the LUDs.

Connection Charge in Lieu of Assessment are costs paid to connect a property to an improvement (such as a water system) that was financed by a LUD, where that property was not originally subject to a LUD assessment.

Current PUD LUDs

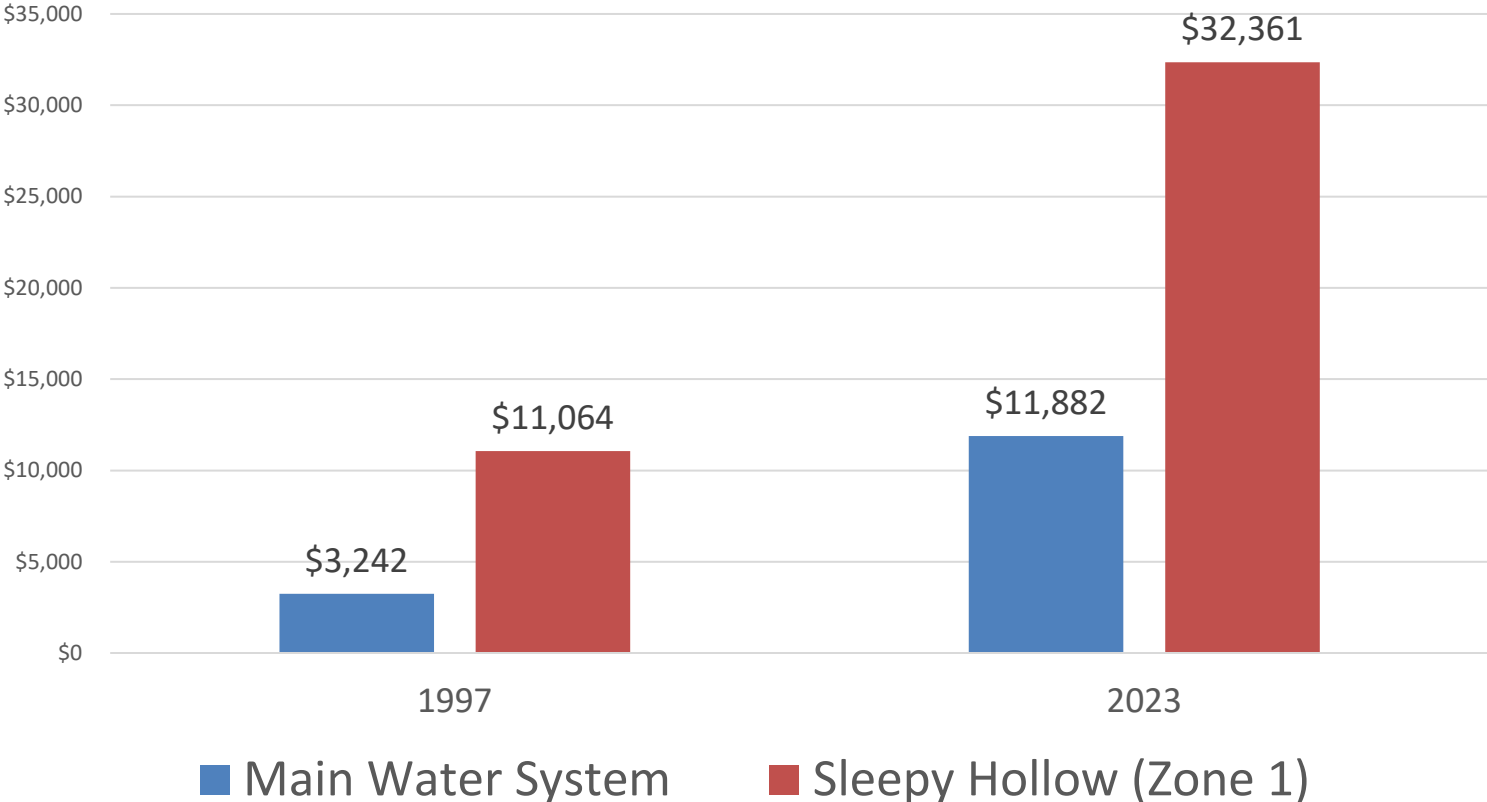
LUD	Type	Formed	Term (years)	Original Repayment Term - Years Remaining	In Lieu of Assessment Amount Established	Original number of properties paying assessments	Active properties paying assessments (as of 3/31/2023)
Sleepy Hollow #5	Water	1995	30	5 (2028)	Yes	50	0 Paid off 9/2019
Monitor #10	Water	2007	20	6 (2029)	No	280	84
Olalla Canyon #6	Water	1995	20	0	No	30	0 Paid off 3/2017
Peshastin #7	Wastewater	1995	30	5 (2028)	No	190	11
Lake Wenatchee #4	Wastewater	1991	20	0	No	500	0 Paid off ~5/2014

Challenges

- Lack of standard charge in lieu calculation methodology
- Charge in lieu expiration timelines are not established
- Lost institutional knowledge and infrequent use
- Cost barrier to new connections and future ongoing revenue

System Connection Costs

(includes approx. chamber costs)



Note: National average for a customer installed well including pump is ~\$5000-\$16,000.



What do we want to achieve for all LUDs?

Develop practices that are:

- Fair, equitable, non-discriminatory.
- Easy to explain, understand, and administer.
- Encourage new utility connections – improve system financial sustainability.
- Enhance overall customer experience.

Current method

Increasing balance

No sunset date

Sleepy Hollow Example

Connection Charge In Lieu Of Assessment

Areas benefitting from Sleepy Hollow water system improvement

YEAR	ZONE 1	ZONE 2	ZONE 3 +water line costs
1997	\$7,613	\$7,107	\$2,636
2017	\$17,510	\$16,346	\$6,063
2018	\$18,005	\$16,808	\$6,234
2019	\$18,500	\$17,270	\$6,405
2020	\$18,994	\$17,732	\$6,577
2021	\$19,489	\$18,194	\$6,748
2022	\$19,984	\$18,656	\$6,920
2023	\$20,479	\$19,118	\$7,091
2024	\$20,974	\$19,580	\$7,262
2025	\$21,469	\$20,042	\$7,434
2026	\$21,964	\$20,504	\$7,605
2027	\$22,458	\$20,966	\$7,776
2028...	\$22,953	\$21,428	\$7,947

Fee is per connection, not per parcel Interest Rate = ~6.5%

Sleepy Hollow LUD

DECLINING BALANCE SCHEDULE EXAMPLE

Alternative Charge in Lieu of Assessment Evaluation

Declining balance schedule based on terms similar to Sleepy Hollow LUD assessments per Resolution 98-10962.

Recommended method

Declining balance

Depreciated/used asset
value declines over time

Sunset at end of term

Sleepy Hollow Example

2023 assessment:

From: \$20,479 current

To: \$ 1,269 proposed

<i>Hypothetical Schedule:</i>		Zone 1 (~25 ERUs)	Zone 2 (~14 ERUs)	Zone 3 (~38 ERUs) +water line cost
	<i>Year Due</i>	<i>Balance</i>	<i>Balance</i>	<i>Balance</i>
Initial Balance	4/20/1998	\$7,613	\$7,107	\$2,636
1	4/20/1999	\$7,359	\$6,870	\$2,548
2	4/20/2000	\$7,106	\$6,633	\$2,461
3	4/20/2001	\$6,852	\$6,396	\$2,373
4	4/20/2002	\$6,598	\$6,159	\$2,285
5	4/20/2003	\$6,344	\$5,923	\$2,197
6	4/20/2004	\$6,091	\$5,686	\$2,109
7	4/20/2005	\$5,837	\$5,449	\$2,021
8	4/20/2006	\$5,583	\$5,212	\$1,933
9	4/20/2007	\$5,329	\$4,975	\$1,845
10	4/20/2008	\$5,075	\$4,738	\$1,758
11	4/20/2009	\$4,822	\$4,501	\$1,670
12	4/20/2010	\$4,568	\$4,264	\$1,582
13	4/20/2011	\$4,314	\$4,027	\$1,494
14	4/20/2012	\$4,060	\$3,790	\$1,406
15	4/20/2013	\$3,807	\$3,554	\$1,318
16	4/20/2014	\$3,553	\$3,317	\$1,230
17	4/20/2015	\$3,299	\$3,080	\$1,142
18	4/20/2016	\$3,045	\$2,843	\$1,055
19	4/20/2017	\$2,792	\$2,606	\$967
20	4/20/2018	\$2,538	\$2,369	\$879
21	4/20/2019	\$2,284	\$2,132	\$791
22	4/20/2020	\$2,030	\$1,895	\$703
23	4/20/2021	\$1,776	\$1,658	\$615
24	4/20/2022	\$1,523	\$1,421	\$527
25	4/20/2023	\$1,269	\$1,185	\$439
26	4/20/2024	\$1,015	\$948	\$351
27	4/20/2025	\$761	\$711	\$264
28	4/20/2026	\$508	\$474	\$176
29	4/20/2027	\$254	\$237	\$88
30	4/20/2028			\$0

Charge In Lieu of Assessment Comparison

	Current	Recommended
Calculation Methodology	Increasing Balance	Declining Balance
Sunset Date	None	End of Loan Term

Next Steps

- Gather feedback from today
- Return with resolution for Board consideration to:
 - Establish a standardized charge in lieu of assessment calculation methodology for all LUDs
 - Establish sunset dates for all charges in lieu of assessments

APPENDIX

Fees and Charges / Rates

Chelan County PUD – Sleepy Hollow LUD area				
	1997	1997	2023	2023
Fees and Charges (Connection)	<u>Without In Lieu of Connection Charge</u>	<u>With In Lieu of Connection Charge</u>	<u>Without In Lieu of Connection Charge</u>	<u>With In Lieu of Connection Charge</u>
5/8" Meter	\$200`	\$200`	\$510	\$510
System Development Charge	\$1,710`	\$1,710`	\$3,372	\$3,372
Sleepy Hollow In Lieu of Connection Charge (Zone 1)	-	\$7,613	-	\$20,479
Basic New Service Cost	\$1,910	\$9,523	\$3,882	\$24,361
If a chamber is needed	\$1,532~	\$1,532~	\$8,000*	\$8,000*
Basic New Service Cost with Chamber	\$3,242	\$11,064	\$11,882*	\$32,361*

*Varies – estimated

`Fee is approximate

~Fee includes meter fee

Chelan County PUD		
Residential Water Rates (per month)	1997	2023^
Basic Monthly Charge (5/8" meter)	\$14.00	\$36.00
Per 1,000 gallons	\$1.30	-
First 3,000 gallons	-	\$3.10
3,001-10,000 gallons	-	\$4.10
Over 10,000 gallons	-	\$5.10

^Effective 6/1/2023

Payment Options

Local Utility District original contributors can:

- Payoff during prepayment period
 - About 5-10% customers
- Payoff during the repayment term
 - About 60% payoff within first 10 years
 - Often related to a property sale or loan refinance
 - Banks will not subordinate the LUD Lien