

**DISTRICT OF COLUMBIA**

**WATER AND SEWER AUTHORITY**

# Board of Directors

DC Retail Water and Sewer Rates Committee

## Tuesday, February 24 2015

9:30 a.m.

 MEETING MINUTES

**Committee Members in Attendance**

 **DC Water Staff**  DC WATER STAFF PRESENTM

Alan Roth, Chairperson

Matthew Brown

Rachna Butani

Howard Gibbs

Robert Mallett

 George Hawkins, General Manager

 Mark Kim, Chief Financial Officer

 Randy Hayman, General Counsel

Ellen Boardman

Brenda Richardson

**Call to Order**

Chairman Roth called the DC Retail Water and Sewer Rates Committee meeting to order at 9:37 a.m.

Mr. Roth initiated the meeting by noting that the two main items on the agenda for discussion would be the proposed Fire Protection Cost of Service Fee and Development Impact Fee. He also indicated that the Committee would be updated on the DCGIS Flyover and the Committee workplan.

Fire Protection Fee Cost of Service Study

Mr. Kim stated that the purpose of the presentation is to review the 2015 Cost of Service Study (COS) for fire protection services and recommend the appropriate fees for recovering those costs from the District.

In 2013, DC Water signed a new MOU with the District Fire Emergency Medical Services (FEMS). According to the MOU, DC Water is required to inspect all public fire hydrants annually in accordance with National Fire Protection Association (NFPA) guidelines, identify and install new hydrants, perform preventive maintenance, conduct flow tests once every six years and provide water supply personnel on scene to FEMS when requested for 2 alarm fires or greater.

The Amawalk Consulting Group performed a cost of service study to determine the costs of providing fire protection service to the District. They reviewed the historical fire service costs of DC Water for the period FY 2006 - 2013, compared the costs with the revenues received from the District, developed projections for operating and capital costs for FY 2014 – 2017 and recommended fees for recovering those costs from the District for FY 2015 - FY 2017.

Ms. Butani questioned why full time assigned personnel costs grow at a slower rate than the burden on the personnel costs. Mr. Kim stated that the increase is due in part to the costs of DC Water’s benefit program, which includes the total compensation package (overhead rates and fringe benefits).

Mr. Kim explained that from FY 2006 to FY 2014, DC Water expended approximately $47 million to provide fire protection services to the District. The District has reimbursed DC Water approximately $40 million for the same period leaving approximately $7 million unrecovered. The $7 million shortfall will be spread over the next three years (FY 2015 – FY 2017) resulting in a new fire protection service fee of approximately $10.8 million per year, paid quarterly.

Ms. Boardman asked if DC Water can bill the District annually instead of every three years. Mr. Kim stated that from a practical standpoint it is harder to do a true-up in full on an annual basis as opposed to the current practice of conducting a COS every three years and spreading the true-up over several years.

The Board approved Action Item 1, “Fire Protection Service Fee,” subject to the Committee’s suggestion to move the date of the required Public Hearing if at all possible to May 13, 2015, when the Retail Water and Sewer Rates, Fees and Charges will be presented for Public Hearing.

Development Impact Fee

Mr. Kim presented to the Committee an overview of the proposed Development Impact Fee. The fee would be assessed to new development (or redevelopment) to recover the investment in available system capacity. The Development Impact Fee will ensure developers pay their fair share of the cost of system assets.

Currently, DC Water is not charging a Development Impact Fee. Mr. Kim referred to 2013 Raftelis Financial Consultant (RFC) Survey of regional utilities showing comparison for Single Family Residential (SFR) and noted that besides Baltimore City, DC Water was the only local jurisdiction not charging a Development Impact Fee. He stated that under the proposal, all SFR customers with meters 1” or smaller will be charged the same fee. All SFR customers with meters larger than 1” and Multi-Family and Non-Residential customers will have the Development Impact Fee charged based on their meter sizes. This fee does not apply to remodeling of existing property maintaining the current meter size.

Mr. Kim referred to another chart showing a comparison of fees for regional utilities for Non-Residential customers, showing much higher fees as compared to DC Water’s proposed fee. For example, for 2” meter size, the fee for Fairfax County and Loudoun County were higher as compared to DC Water by $31,025 and $67,043 respectively.

Ms. Boardman asked whether existing customers have already paid for the system capacity, then why do they have to pay it instead of getting reimbursement from DC Water? Mr. Kim explained that the system capacity is still being paid for through debt service. However, future rate increases will be lower if DC Water charges the Development Impact Fee.

The proposed Development Impact Fee will be assessed for all new buildings, structures or properties under development and properties under redevelopment. For properties under redevelopment, DC Water will determine the net system impact fee by determining the property’s proposed capacity requirements and applying a credit for the capacity of accounts being removed from the system. However, if the associated credit for capacity removed is equal to or greater than the future impact fee, the net impact fee shall be zero. Properties under redevelopment shall not receive a credit for accounts that are inactive for more than 12 months.

The Development Impact Fee is projected to generate revenue of $8.1 million per year. Mr. Brown asked whether DC Water has budgeted these amounts in its FY 2016 revenue projections. Mr. Kim responded that the revenues are included in the FY 2016 proposed budget, but that the source of these revenues are from DC Water’s water and sewer rates rather than from the proposed development impact fee. Mr. Kim added that if the Board were to adopt the development impact fee, the Authority would be able to develop more accurate projections based upon actual revenues realized during the first year of the program. The expectation would then be that the revenues generated from the development impact fee would be “backed out” of future water and sewer rates in future budgets and that projected water and sewer rate increases would be moderated.

Committee members had an extensive discussion with each other and with the staff regarding the potential pros and cons of the proposal. A public notice will be published on the new proposed fees. Mr. Mallett asked whether the development impact fee is subject to the same public hearing process as DC Water’s rates. Mr. Hope of DC Water’s Office of the General Counsel responded that the development impact fee is not subject to the same public hearing process as the DC Water’s rates.

After discussion among Committee members about the most appropriate process to follow before implementing this proposal, Chairman Roth suggested that the Authority gather comments on the proposed fees and share a summary of the comments with the Board members, with Board members also given full access to the comments themselves if desired. Board members can then decide how to proceed. Subject to that procedural understanding, the Committee recommended approval of Action Item 2, “Development Impact Fee.”

**Other Business**

Ms. Preston updated the Committee on the status of DCGIS Flyover. Mr. Hawkins mentioned that the flyover is tremendously important. The same dollar figure will be recovered but the reallocation of the impervious area for property owners will be increased or decreased based on the new flyover data. Chairman Roth asked whether the flyover would be able to determine the type of materials used on the properties. Mr. Javed explained that the staff would use Google Earth and site plans to determine sidewalk, driveway and any other composition of materials.

Ms. Preston indicated that as part of the process of “refreshing and recalibrating” the Authority’s impervious area database, DC Water is doing a procurement that contemplates a May 1initiation and four months to complete. The Customer Service department hopes to have the new data loaded in time for the October 1, 2015 rate changes.

**DC Retail Water and Sewer Rates Committee Workplan**

Mr. Kim provided the Committee with an update on the workplan. The Committee asked staff to provide an update on the progress of the DCGIS 2014 flyover and database update project at the July 2015 committee meeting.

**Executive Session**

No executive session was held.

**Adjournment**

The meeting was adjourned at 11:11 a.m.

**FOLLOW-UP ITEMS – DC Retail Water and Sewer Rates Committee Meeting (February 24, 2015)**

1. Prepare CAP customers average usage analysis. (Mr. Gibbs) Status: Completed
2. Are most of the low-income CAP customers seniors? (Ms. Richardson) Status: Completed
3. DCGIS Flyover update. (Mr. Gibbs) Status: July 2015