



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Carlson, Barofsky, McRae, Schlossberg, and Brown

FROM: Karen Kelley, Chief Operations Officer; Deborah Hart, Chief Financial Officer; Mike Masters, Water Operations Manager; and Wally McCullough, Water Engineering Supervisor

DATE: May 22, 2023

SUBJECT: Water System Development Charges – Change in Charge Basis

OBJECTIVE: Information

Issue

Housing affordability is an issue statewide and several legislative efforts are under way to reduce the costs associated with home ownership. An item discussed in several of these efforts is System Development Charges (SDCs) and how/when they are applied. In Eugene, SDCs are applied to new development by EWEB for water service, and by the City for stormwater, wastewater, parks, and transportation.

The SDC methodology review currently underway at EWEB provides an opportunity to not only update the fee with respect to current capital improvements but also review the basis for the charges to ensure alignment with current Board direction.

Background

EWEB currently applies SDCs to all new water services and additional demands placed on the water system. The SDC consists of reimbursement, improvement, and administration charges. The reimbursement charge is based on the value of unused system capacity and is determined by establishing the existing water system plant value and the current system capacity available for future development. The improvement charge is based on the projected water demand necessary to serve future growth and the projected cost of corresponding system improvements identified in EWEB's Water System Capital Improvement Plan. The administration charge covers costs associated with accounting, billing, collection, and periodic review. These SDC charges are reviewed and adjusted periodically per Oregon Revised Statutes requirements.

Since 1997 these charges have been based on meter size with the thought that the larger the meter the higher the charge due to the greater demand placed on the system. The SDC calculations are based on a standard 5/8-inch meter and charges for other meter sizes determined on the flow capacity equivalency to a 5/8-inch meter.

Other than periodic changes in charge amounts, little changed with the way EWEB charged SDCs between 1997 (when they were first implemented) and 2016 (the time of the last comprehensive SDC methodology update). As a result of the 2016 update, higher charges were added for the upper-level

zones in the system. Minor changes were made in 2019 when the 5/8-inch and 3/4-inch meter charges were combined into a single <1-inch meter charge due to the characteristics of the new AMI meters. In addition, in 2019, given an interest in housing affordability the Board approved the ability to calculate SDC charges for accessory dwelling units less than 800 sf – resulting in a lower charge for these small units where a new service is provided.

Discussion

Meter size, is not particularly effective in recognizing the diversity of water use within the single-family residential class, given that most homes are served by the smallest standard meter. A home's square footage is a closer proxy for demand on the water system.

In addition to better reflecting actual water demand, going to a scaled SDC structure will support housing affordability. The result would be lower SDC charges for smaller homes and higher charges for larger homes. Charges calculated on home square footage balance affordability and equity objectives, with the need to fund infrastructure.

Numerous alternatives are available to accomplish this, however, changing to residential square foot basis for single family residential would be consistent with the City of Eugene and the application of their wastewater SDCs. This change will require little extra effort as EWEB will use the same data set as the City uses for their wastewater SDCs.

This change in SDC structure will only impact the single-family residential class. SDC charges for all other classes (commercial, industrial, apartments, multi-family residential) will continue to be based on meter size.

Requested Board Action

There is no requested board action at this time. Management will bring changes to the SDC rate structure to the board in the fall in conjunction with the regularly scheduled rates hearings.