

# Connection Charge Discussion Guide

March 6, 2020

Port Hadlock Wastewater Working Group (WWG) Meeting

**Question:** What method(s) should be used to determine connection charges?

## Introduction

Two overarching questions are: (1) How much can property owners afford to pay for sewer services; and (2) When should property owners be required to connect and pay for their share of the common elements of the system? The answers to these questions are important because they inform the County how much the community can contribute and how much outside financial assistance is needed.

For the WWG to address these questions, individuals will need to know what they will have to pay for and approximately what their overall cost will be. Understanding the method for determining connection charges is an important step in this process.

A connection charge, also known as system development charge, general facilities charge, etc. is paid by all new or upsized connections for the right to connect to and make use of the sewer system. For Port Hadlock, this includes the common and shared costs for the treatment plant and recharge facilities and other necessary costs to obtain approvals, permits, design, construction, construction management, administration, etc.

The attached document describes the method for how five local wastewater utilities determine connection charges, including Belfair, Sequim, Carlsborg, Port Townsend and Kitsap County.

## Simple vs. Complex Methods

On one hand, the fairest method to determine connection charges would be for the County to perform a case by case assessment of each property, but this would be complex and costly. On the other hand, the simplest method would be to charge all customers the same amount to connect regardless of the type of structure and use, which would not be as fair.

As a compromise, utilities often sort customers into categories to keep the method relatively simple and relatively fair. The goal is to be clear and straightforward so the method can be applied in an equitable manner to all connections, with consideration of the cost of administration. This question is how?

## Potential Methods for Calculating Connection Charges

The methods for determining a connection charge for single family, duplex, multifamily, mobile home parks, commercial, and industrial often use different approaches.

- Average winter water use
- Average water use from the previous year
- Water meter size with ERU factors
- Engineering design table with estimated water use by type of use
- Engineering design table with estimated ERU factors by type of use
- Dwelling/structure type (Residential, commercial, multi-family, etc.)
- Combination – one method for residential, different for commercial

### Three Sample Methods Compared for Port Hadlock

Three sample methods of determining sewer connection charges are compared for potential use in Port Hadlock:

1. By average winter water use from PUD,
2. By meter size for all customers, and
3. Combination of Residential by unit and Commercial by meter size.

Note that each method results in a different number of ERU's to share the cost. In other words, each method slices the pie or pizza a little differently. The total Connection Charges, assuming a minimum of 1 ERU per meter and \$5,000 per ERU, are different with \$1,846,000 (337 ERU) for winter water use, \$1,025,000 (205 ERU) for meter size only, and \$1,486,000 (297 ERU) for combined residential units and commercial meter size. If calculating toward a target collection dollar amount, the higher number of ERU's will result in a lower per ERU charge.

**Question:** With this background, what is your preferred method for calculating connection charges for residential (including duplexes), multifamily, commercial uses?

### Additional Considerations

The connection charge methodology will need to work for all new connections:

- Existing structures with water use history
- Existing structures with private wells
- New development without water use history

### Multifamily Types of Connections

There are numerous types of multifamily dwellings in the region. Please consider how these types of connections would be charged under your preferred method. Where is the line between residential and commercial for sewer connections? Plumbing is often a consideration – separate water meter per dwelling or one water meter with multiple dwellings.

- Duplex
- Mobile home (not in designated mobile home park)
- Townhome/condo
- ADU (on site with main residence)
- Apartment (3+units)
- Mobile home park
- Hotel/motel
- Institutional housing/church
- Mixed-use residential/commercial

### Jefferson County PUD #1– An additional factor to consider:

If the likely intent is to contract with the PUD for joint water/sewer billing, it may be helpful to be consistent where it makes sense.

- The PUD uses the term System Development Charge for this type of connection charge.
- Residential service is to a building, facility or structure associated with a residence and may be either single or multifamily type. This includes manufactured homes in parks with separate meters. Not included in this category are motels, hotels, and RV parks that have one meter or master meter for multiple units.
- Commercial service is to a building, facility, or structure that is owned and operated as part of a business.