

National Impact Fee Roundtable 2004



Impact Fees with a Defined Short-Term Build-Out Horizon

Presented by:

Rick Giardina, President
Rick Giardina & Associates, Inc.



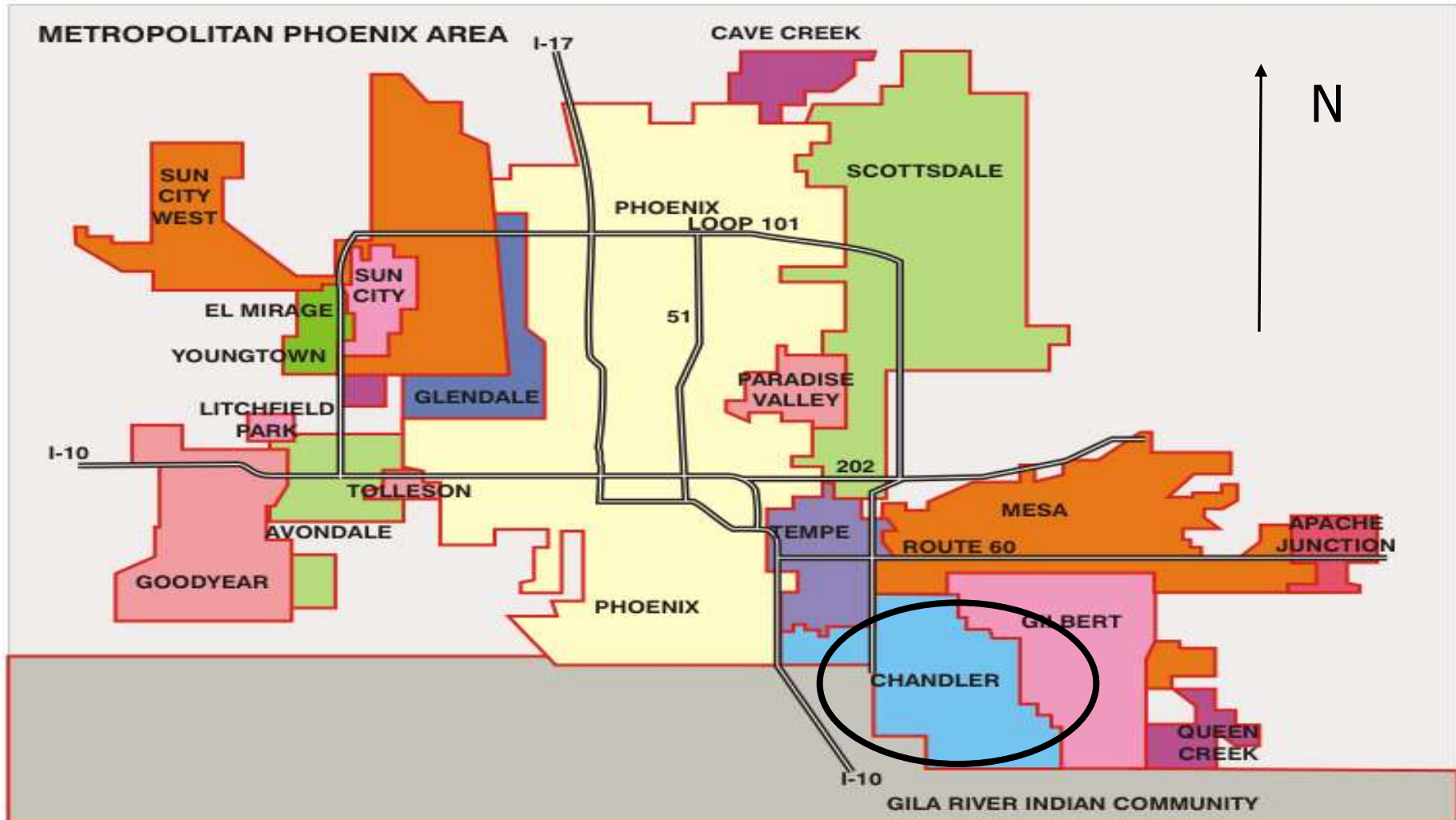
Case Study – Chandler, Arizona Water and Sewer System Development Charges

- Approach

Improvements – Based or Marginal
Cost Approach

WITH A TWIST!

Chandler, Arizona

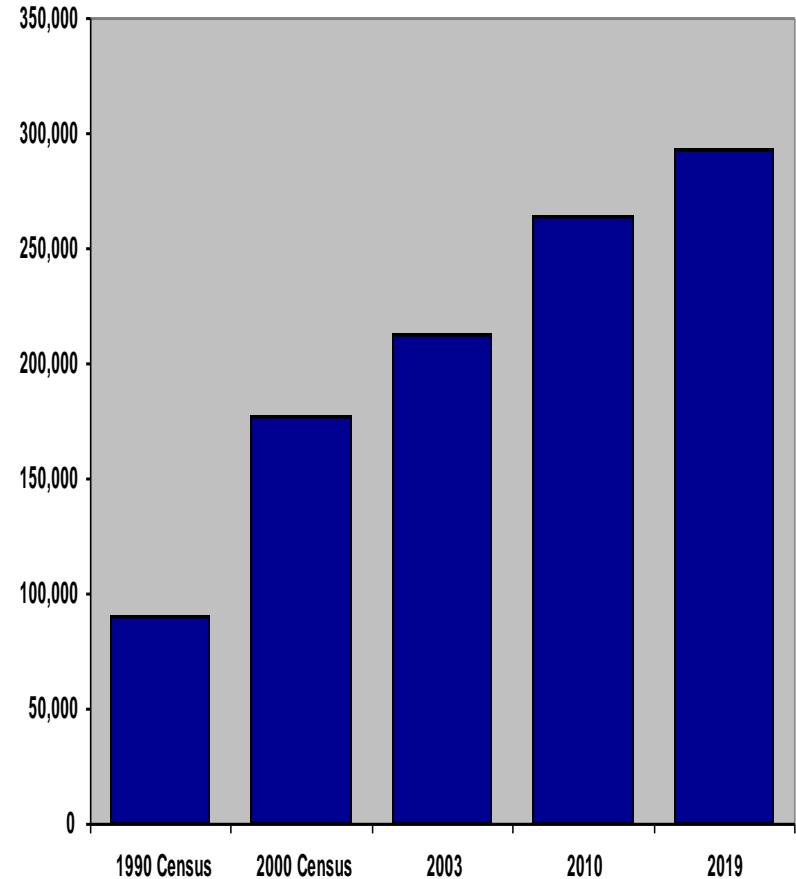


Chandler, Arizona

General Information

1990 Census	91,000
2000 Census	177,000
2003	213,000
90% Build-Out @ 2010	264,000
Build-Out @ 2019	294,000

Building Area - 2003	50.5 million SF
- 2019	115.2 million SF





Water Utility – 25 Year Capital Improvements Plan (\$ millions)

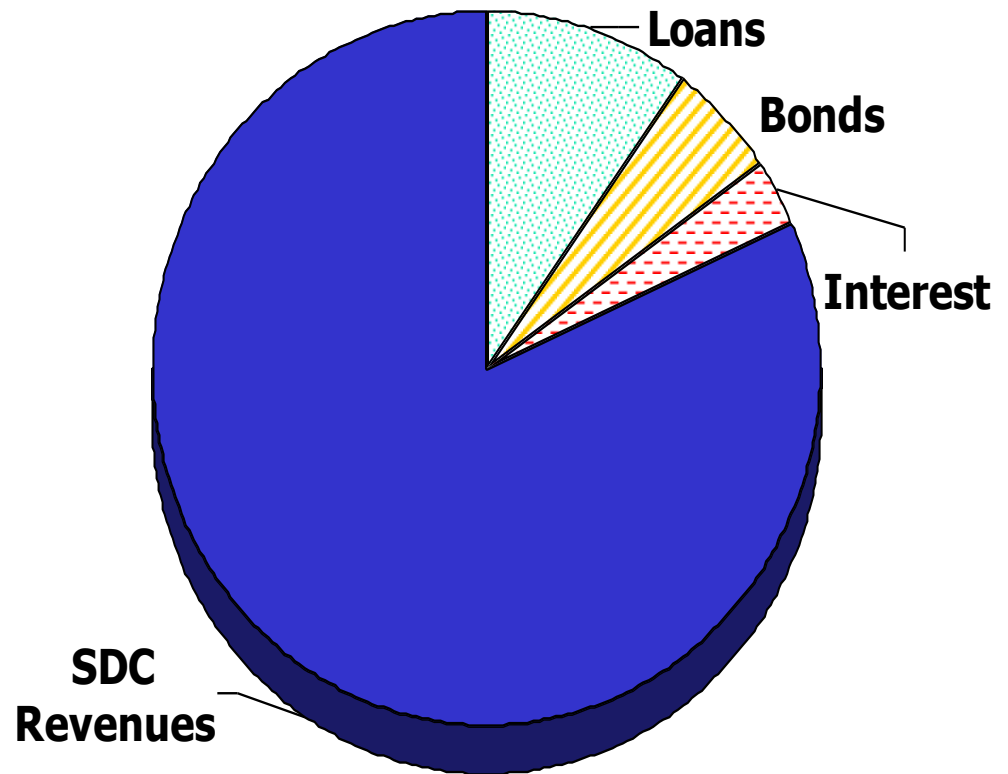
<u>Year</u>	<u>Growth</u>	<u>Non-Growth</u>	<u>Total</u>
03 - 07	\$ 91.3	\$ 59.7	\$151.0
08 - 12	59.9	30.1	90.0
13 - 17	64.5	25.8	90.3
18 - 27	<u>8.0</u> (1)	<u>85.6</u>	<u>93.6</u>
Total - \$	\$223.7	\$201.2	\$424.9
- %	53%	47%	100%

(1) For years 2018 and 2019.

Growth - Related Capital Improvements – \$223.7 Million

Funding Plan

Loans	\$ 22.1
Bonds	12.0
Interest	7.2
SDC Revenues	<u>182.4</u>
Total Capital Funding	\$223.7



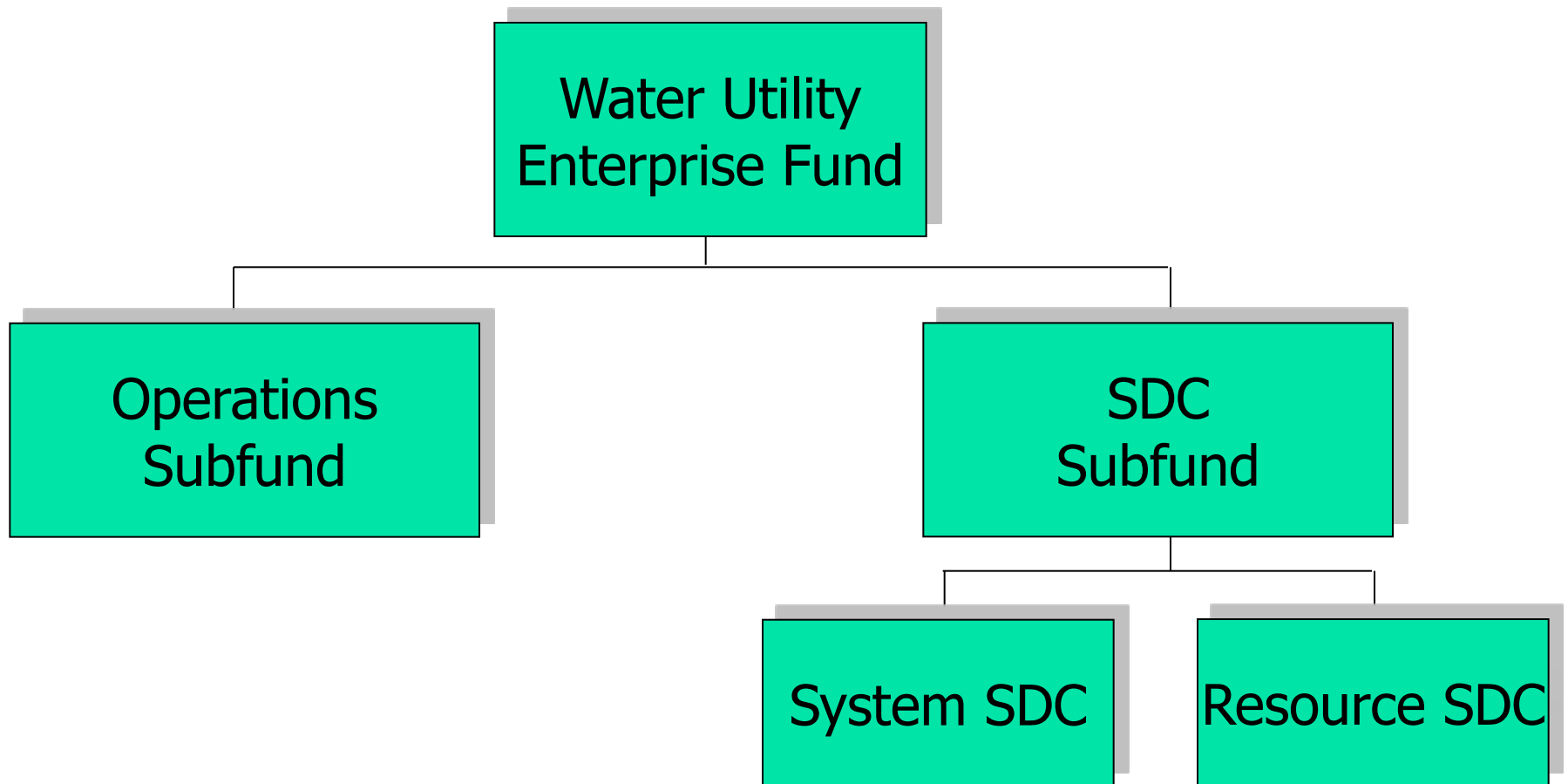


System Development Charge (SDC) Approach Should:

- Meet Financial Planning Goals
- Achieve Council Objective – “Growth Pays for Growth”
- Mitigate User Charge Rate Increases



Water Utility Fund Organization





Cashflow Projection

Operations Subfund

Cash Inflows

User Charge Revenue
Miscellaneous Fees
Interest
Bond Proceeds
Payments From SDC Subfund

Cash Outflows

O&M Expenses
Non-Growth: Capital Expenditures
 : Debt Service
Loans to SDC Subfund

SDC Subfund

Cash Inflows

SDC Revenue
Interest
Bond Proceeds
Loans from Operations Subfund

Cash Outflows

Growth : Capital Expenditures
 : Debt Service
Payments to Operations Subfund



Intrafund Loans Repayment Terms

- Interest at Same Rate as External Borrowings
- 10-Year Repayment Period
- No Debt Service Coverage Requirement
- No Debt Service Reserve Requirement



Financial Planning Parameters

- Subfunds Operate as Stand-Alone Entities
- Maintain Positive End-of-Year Cash Balances
- Resources of the Total Water Fund Used to Meet Debt Service Coverage Ratio of:
 - 1.2 on Revenue Bonds
 - 1.0 on All Debt
- Operations Subfund Maintain Cash Reserve Ratio of 25%, (End-of-Year Cash Balance Divided by Annual Cash O&M Expenses)
- External Borrowings Occur As Needed But No More Frequent Than Every Other Year

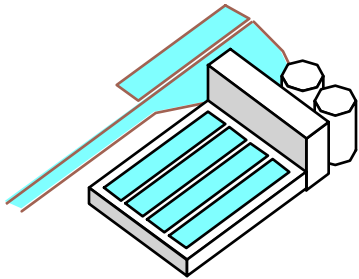


Financial Planning Parameters (continued)

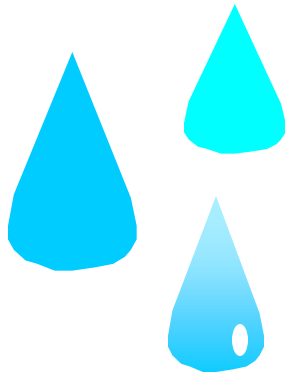
- Intrafund Borrowings Occur As Needed (as funds are available in the Operations Subfund), and Before External Borrowings
- In Last Year of Loan or Debt Service Payment, SDC Subfund Ending Cash Balance Should Approximate \$0
- No SDC Subfund Borrowings Beyond 2019 - the Build-Out Year
- Annual Increase in SDC Amount Should Not Exceed 3%



Current Water SDC



System - \$1,514 Per Equivalent Residential Unit (ERU)



Resource - \$595 Per ERU



Cashflow/SDC Results

	<u>2004</u>
Water System SDC	\$ 2,337
Water Resource SDC	628
Combined SDC Per ERU	<u>\$ 2,965</u>
Annual SDC Growth Rate	2.3%
<i>Beginning-of-Year Cash Balance</i>	\$ 4,485,803
Revenues	
SDC Revenue	16,310,373
Interest Earnings	134,574
Bond Proceeds	0
Loan From Operating Fund	600,000
Total Revenues	<u>17,044,947</u>
Expenditures	
Water Growth - Related Capital	21,439,150
Loan Repayment to Operating Fund	0
Debt Service Payments	53,157
Total Expenditures	<u>21,492,307</u>
Increase/(Decrease) in Cash Balance	<u>(4,447,360)</u>
<i>End-of-Year Cash Balance</i>	<u>\$38,443</u>



Cashflow/SDC Results

	<u>2004</u>	<u>2027</u>
Water System SDC	\$ 2,337	\$ 3,300
Water Resource SDC 887	628	
Combined SDC Per ERU	\$ 2,965	\$ 4,187
Annual SDC Growth Rate	2.3%	
<i>Beginning-of-Year Cash Balance</i>	\$ 4,485,803	\$414,822
Revenues		
SDC Revenue	16,310,373	0
Interest Earnings	134,574	18,667
Bond Proceeds	0	0
Loan From Operating Fund	600,000	0
Total Revenues	17,044,947	18,667
Expenditures		
Water Growth - Related Capital	21,439,150	0
Loan Repayment to Operating Fund	0	400,776
Debt Service Payments	53,157	0
Total Expenditures	21,492,307	400,776
Increase/(Decrease) in Cash Balance	(4,447,360)	(382,109)
<i>End-of-Year Cash Balance</i>	\$38,443	\$ 32,713



Cashflow/SDC Results

Build-out Year

	<u>2004</u>	<u>2019</u>
Water System SDC	\$ 2,337	\$ 3,300
Water Resource SDC	628	887
Combined SDC Per ERU	\$ 2,965	\$ 4,187
Annual SDC Growth Rate	2.3%	
Beginning-of-Year Cash Balance	\$ 4,485,803	\$ 5,482,547
Revenues		
SDC Revenue	16,310,373	11,840,836
Interest Earnings	134,574	246,715
Bond Proceeds	0	0
Loan From Operating Fund	600,000	0
Total Revenues	17,044,947	12,087,551
Expenditures		
Water Growth - Related Capital	21,439,150	4,005,165
Loan Repayment to Operating Fund	0	1,224,592
Debt Service Payments	53,157	882,981
Total Expenditures	21,492,307	6,112,738
Increase/(Decrease) in Cash Balance	(4,447,360)	5,974,813
End-of-Year Cash Balance	\$38,443	\$11,457,360



Cashflow/SDC Results

	<u>2004</u>	<u>2019</u>	<u>2027</u>
Water System SDC	\$ 2,337	\$ 3,300	\$ 3,300
Water Resource SDC	628	887	887
Combined SDC Per ERU	\$ 2,965	\$ 4,187	\$ 4,187
Annual SDC Growth Rate	2.3%		
Beginning-of-Year Fund Balance	\$ 4,485,803	\$ 5,482,547	\$414,822
Fund Revenues			
System Development Charges	16,310,373	11,840,836	0
Interest Earnings	134,574	246,715	18,667
Bond Proceeds	0	0	0
Loan From Operating Fund	600,000	0	0
Total Revenues	17,044,947	12,087,551	18,667
Fund Expenditures			
Water Growth - Related Capital	21,439,150	4,005,165	0
Loan Repayment to Operating Fund	0	1,224,592	400,776
Debt Service Payments	53,157	882,981	0
Total Expenditures	21,492,307	6,112,738	400,776
Increase/(Decrease) in Fund Balance	(4,447,360)	5,974,813	(382,109)
End-of-Year Fund Balance	\$38,443	\$11,457,360	\$ 32,713



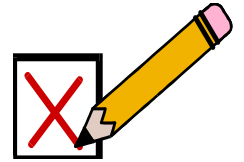
SDC Comparison

	<u>Current</u>	<u>2004 Proposed</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Water - System	\$1,514	\$2,337	\$ 823	54%
- Resource	595	628	33	6%
- Total	<u>2,109</u>	<u>2,965</u>	821	41%
Sewer - Treatment	958	1,554	596	62%
- Trunkline	239	239	0	0%
- Reclaimed	899	1,114	215	24%
- Total	<u>2,096</u>	<u>2,907</u>	811	39%
Combined	<u>\$4,205</u>	<u>\$5,872</u>	<u>\$1,667</u>	40%



Were Objectives Achieved?

#1 Financial Planning Goals



#2 Growth Pay for Growth?

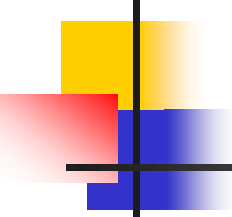


#3 Mitigate User Charge Rate Increases
- No Increases Until
2017 for Water
2009 for Sewer



Questions and Discussion





For Additional Information Contact:

Rick Giardina, President
Rick Giardina & Associates
3300 S. Parker Road, Suite 305
Aurora, CO 80014
(303) 369-3535
(303) 369-3540 (Fax)
rgiardina@rgiardinaassoc.com
www.rgiardinaassoc.com