



## MEMORANDUM

**To:** Dale Rademacher, City Manager's Office

**CC:** Jim Angstadt, Engineering Services  
Chris Huffer, Engineering Services  
David Bell, Natural Resources  
Ken Huson, Natural Resources

**From:** Becky Doyle, Business Services

**Date:** August 13, 2021

**Subject:** Calculation of Windy Gap Surcharge

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The City of Longmont, Colorado Water Rate, Water and Wastewater System Development Fee Study (the Rate Study), completed in 2014, includes calculations for system development fees using an "Equity Buy-In" method. This method determines the value of existing infrastructure, and divides it across the residential equivalent units projected as of a specified "test year."

Previous rate studies included a calculation of a "Windy Gap Surcharge" using the same methodology (see Appendix C, 2007 Water and Wastewater Rate Study). The 2014 rate study did not include such a calculation, because the end of life of the surcharge was assumed to be 2017 (concurrent with the retirement of the debt held by the Municipal Subdistrict for the Windy Gap project). Additionally, the raw water infrastructure represented by the existing Windy Gap project was not included in the general water system development fee. The collection of a fee based on the value of this infrastructure is therefore not duplicative.

The calculation begins with the calculation of "Existing Backbone Facilities," which is composed of the book value of the Windy Gap "parent" project. This amount is \$53,558,688. Added to this is the value of "Scheduled Backbone Improvements" – in this case, the cost of construction of the Windy Gap Firming project. Longmont's contributions to the project are \$49,416,600 based on the participation at 7,500 acre-feet. This provides the total projected value of this portion of the infrastructure as of the end of 2021. This amount is \$102,974,688.

From this "Total Backbone System" amount, we subtract the outstanding principal of financed portions of the project. In this case, have issued \$28,740,000 in water revenue bonds. Because debt payments are made from rate revenues, new rate payers will participate in repayment of this amount. The net amount of the facilities funded by the prior payment of rates and fees is therefore \$74,234,688.

The "Total Single Family Equivalent Meters" for 2021 is 45,867. This figure, which can be found in Appendix D of the Rate Study, is based on projections of building permits provided by

the City's Planning and Development department. Meters are converted to "Single Family Equivalents" based on customer classification and meter size, using observed ratios of water use.

The "Total Net Backbone Facilities" is divided by the "Total Single Family Equivalent Meters." This provides an approximation of the value of the existing and scheduled infrastructure improvements per single-family equivalent meter. Thus, a potential surcharge should be set at or near this amount for a 5/8" x 3/4" single family residential meter. In this case, the calculated figure is \$1,618. Rounding to the nearest \$10, using \$1,620 as the basis of the fee is reasonable and defensible.

The fee is recommended to be set at \$1,620 per single family equivalent meter. The fee is set for other customer classes and meter sizes according to the ratios set forth in Appendix D of the Rate Study and in use for the Water System Development fees.

	<u>Meter Size</u>	<u>2021</u>
	Inches	\$
<b>Residential</b>	5/8 x 3/4	1,620
	3/4	2,440
	1	4,060
<b>Small Commercial</b>	5/8 x 3/4	2,220
	3/4	3,340
	1	5,560
	1-1/2	11,110
	2	17,790
	3	35,560
<b>Irrigation</b>	5/8 x 3/4	3,650
	3/4	5,480
	1	9,130
	1-1/2	18,260
	2	29,210
	3	58,430
<b>Multi-Family</b>	<u>Units</u>	
	First 4	720
	Next 8	470
	Next 22	300
	Next 29	270
	Over 63	130

**Exhibit 1 (Fee Calculation):**

## Windy Gap System Development Fee

**Existing Backbone Facilities**

Windy Gap	\$	53,558,688
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<b>Total Existing Backbone Facilities</b>	\$	53,558,688
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**Scheduled Backbone Improvements**

Windy Gap	\$	49,416,000
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<b>Total Scheduled Backbone Improvements</b>	\$	49,416,000
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<b>Previous Year Improvements Cost</b>	\$	-
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<b>Less Depreciation</b>	\$	-
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<b>Total Backbone System</b>	\$	102,974,688
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**Less Outstanding Principal**

Outstanding Principal Windy Gap	\$	28,740,000
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<b>Total Outstanding Principal Windy Gap</b>	\$	28,740,000
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<b>Total Net Backbone Facilities</b>	\$	74,234,688
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Total Capacity Served, Capacity Units		45,867
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<b>System Development Charge, \$ per capacity Unit</b>	<b>\$</b>	<b>1,618.48</b>
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