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MEMORANDUM

TO: Rockville Mayor and City Council
c/o Martin Bode

FROM: Dave Blommel, PE
Rockville City Engineer

DATE: February 11, 2016

RE: WAC and SAC Fees
SEH No. ROCKV GEN 14.00

As requested, I have reviewed the past practice regarding the escalation of WAC and SAC fees associated with adoption of the annual fee schedule at your January Meeting.

The original comprehensive water study completed in 2004 broke the City into 4 districts and reviewed water availability, pressure zones, and briefly discussed cost of improvements. Financing calculations for the ultimate system all included escalation of WAC charges at 5% on an annual basis.

If the original escalation of rates was adhered to from the 2004 study, the 2016 proposed WAC would be \$3,322.33. This cost was assuming a very large central water system serving both Pleasant and Grand Lakes, in addition to the downtown Rockville areas.

Revised calculations made following the improvements to the Pleasant Lake Portion of the water system maintained the 5% WAC increase beginning in 2005. It appears that this schedule was followed until 2008 (\$1,944.81) when the increases were stopped, likely due to economic concerns. These calculations more accurately reflect what was built and are a better basis for WAC fees than the 2004 study.

Without the bond refinancing, the scheduled WAC rate for 2016 would have been \$2,873.37. Since the bonds have been refinanced the rate may differ from the schedule, but would certainly be higher than the current rate of \$1,944.81.

I would recommend the council consider increasing the WAC fee to the \$2,873.37 figure, or perhaps slowly regain the planned gains over the next few years by selecting a rate between the current rate and the target rate.

SAC fees appear to have mimicked the WAC fees, but the calculations for those fees were unavailable. As there is significant debt on both systems, maintaining the matching rates would likely be in the best interest of the City.

I will be unable to attend your meeting due to an unavoidable conflict, but I would be happy to help with further evaluation of the WAC and SAC fees, likely in cooperation with your financial advisor.

dwb/mrb

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