## Revised methodology for Special District annexation buy-in charges.

Proposed buy-in charges would be based on calculations which include the following considerations:

1. The current depreciated replacement value of the infrastructure system.

2. The existing demand on the infrastructure system.

3. Projected demand by the proposed annexation.

4. The ultimate capacity of the infrastructure system, as well as any pending system upgrades, including:

   a. The current district boundaries
   b. The system delivery capacity
   c. The system treatment/source capacity
   d. System limitations from jurisdictional authorities

5. Any offsets due to existing encumbrances that have been levied on the subject property with regard to the specific type of infrastructure.

PROCEDURE TO CALCULATE A BUY-IN CHARGE
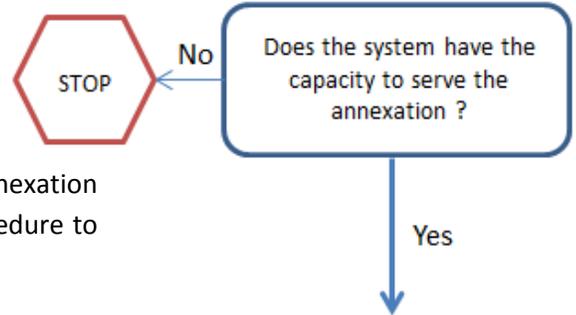
Preliminary Steps – Will Serve and annexation application

Make a determination on the ability of the system to serve the annexation based on the projected demand (issue will serve) and outline the procedure to complete the annexation application process.

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                    No   ┌─────────────────────┐
        ⬡ STOP ◄────     │ Does the system have│
                         │ the capacity to serve│
                         │ the annexation ?    │
                         └─────────────────────┘
                                   │
                                  Yes
                                   ▼
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Step 1:   Determine existing capacity of the infrastructure system
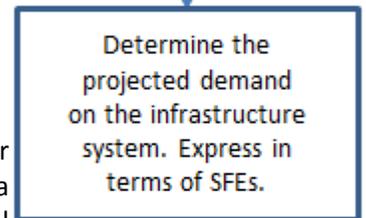
Explanation/Basis:

> The ultimate, total capacity of the system shall be determined based on the various components providing the service (e.g. pump capacities, treatment device capacities, basin size, pipeline sizes, etc.). Capacity is typically expressed as a metric; for example, water systems may express capacity as single family equivalent (SFE).

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┌─────────────────┐
│ Determine total │
│ capacity of the │
│ system.         │
└─────────────────┘
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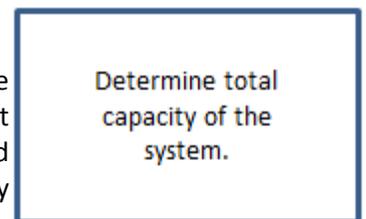
Step 2:   Projected demand on the system by the annexation
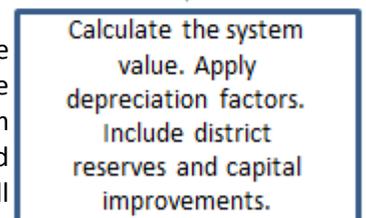
Explanation/Basis:

> Calculate the projected demand by the annexation in terms of the metric. For example, in the case of water systems, the metric is SFE. Projected demand on a for a residential annexation may be 1.0 SFE while commercial or industrial developments may result in multiple SFEs.

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┌─────────────────────┐
│ Determine the       │
│ projected demand    │
│ on the infrastructure│
│ system. Express in  │
│ terms of SFEs.      │
└─────────────────────┘
```

Step 3:   Establish current depreciated system value

Explanation/Basis:

> The current depreciated system value is the value of all components of the infrastructure system. In the case of water systems, the components may be comprised of pipelines, pumps, valves, hydrants, and all other water system appurtenances for the particular district. The inventory is determined and depreciated through the use of the asset management program. This value will vary with time and will be determined for each annexation application. This determination may also take into consideration district reserve funds and short term capital improvement costs.

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┌─────────────────────┐
│ Calculate the system│
│ value. Apply        │
│ depreciation factors.│
│ Include district    │
│ reserves and capital│
│ improvements.       │
└─────────────────────┘
```

Step 4:   Calculate "preliminary" buy-in charge per SFE

Explanation/Basis:

By dividing the current depreciated system value, calculated in step 3, by the ultimate capacity of the system, calculated in step 1, a "preliminary" buy-in charge per SFE is determined.

Step 5:   Calculate "preliminary" buy-in charge

Explanation/Basis:

Multiply the resulting charge per SFE by the project demand to determine the "preliminary" buy-in charge for the annexation.

Step 6:   Subtract any existing encumbrances affecting the proposed annexation
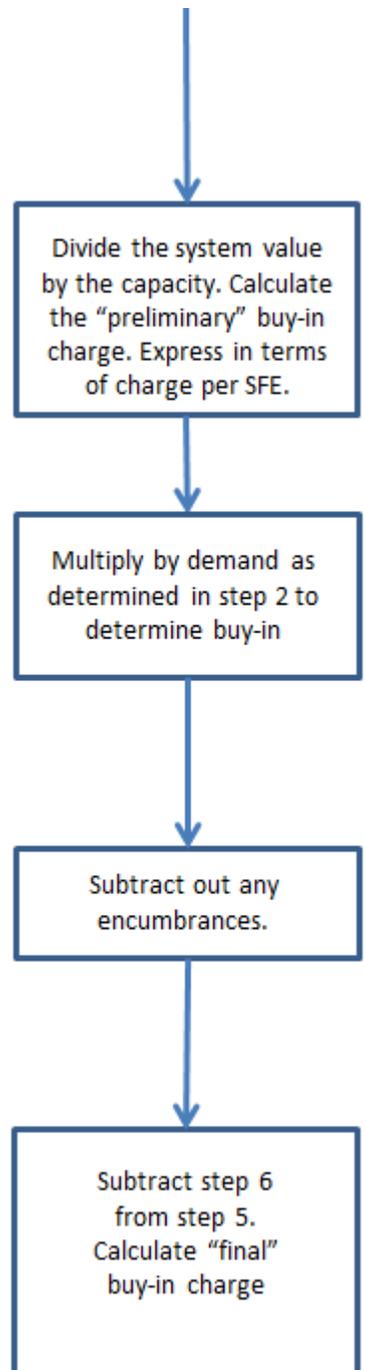
Explanation/Basis:

"Area of benefit" type encumbrances are typically placed on a property in anticipation of the property utilizing an existing improvement that was previously paid for by others. In these scenarios, the encumbrance may result in the annexation property paying all or a portion of the buy-in charge.

Step 7:   Calculate the "final" buy-in charge for the annexation

Explanation/Basis:

Subtract any encumbrances, determined in step 6, from the "preliminary" buy-in charge calculated in step 5.

Divide the system value by the capacity. Calculate the "preliminary" buy-in charge. Express in terms of charge per SFE.

Multiply by demand as determined in step 2 to determine buy-in

Subtract out any encumbrances.

Subtract step 6 from step 5. Calculate "final" buy-in charge

EXAMPLE CALCULATION OF A BUY-IN CHARGE

Preliminary Steps – Will Serve and annexation application

Applicant Name:	ABC Inc.
APN:	130-145-02
APN Acreage:	0.30 acres
Utility Type:	Sewer Treatment
District:	CSA 87

Result: Yes, capacity exists. Proceed with buy-in charge determination.

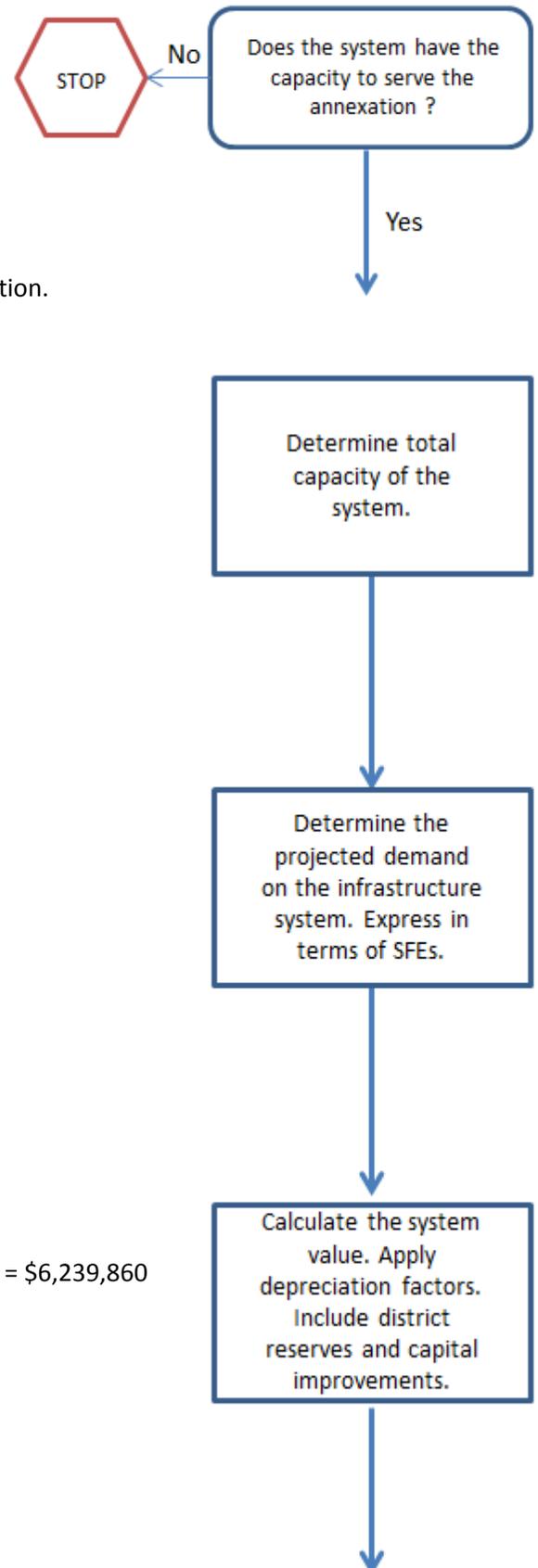Step 1: Determine existing capacity of the infrastructure system

Result: Existing system capacity = 2,676 SFEs

Step 2: Projected demand on the system by the annexation

Result: Requested annexation demand = 1.50 SFEs

Step 3: Establish current depreciated system value

Result: Using asset database valuations, system depreciated value = $6,239,860

No — Does the system have the capacity to serve the annexation? → STOP

Yes ↓

Determine total capacity of the system.

↓

Determine the projected demand on the infrastructure system. Express in terms of SFEs.

↓

Calculate the system value. Apply depreciation factors. Include district reserves and capital improvements.

↓

Step 4:   Calculate "preliminary" buy-in charge per SFE

        Result: $2,331.79 / SFE

Divide the system value by the capacity. Calculate the "preliminary" buy-in charge. Express in terms of charge per SFE.

Step 5:   Calculate "preliminary" buy-in charge.

        Result: $2,331.79 / SFE
                 X 1.50 SFE's
                 $3,497.68

Multiply by demand as determined in step 2 to determine buy-in

Step 6:   Subtract any existing encumbrances affecting the proposed annexation

        Result: An existing area of benefit (encumbrance) of $561.00 will be paid
                 to the area of benefit beneficiary.

Subtract out any encumbrances.

Step 7:   Calculate the "final" buy-in charge for the annexation

        Result::
                 $3,497.68
                 < $561.00>
                 $2,936.68

Subtract step 6 from step 5. Calculate "final" buy-in charge