

City of Santa Rosa

Water and Wastewater Demand Fee Study

August 26, 2014

The Reed Group, Inc.



2014 Demand Fee Study

- Legal framework for demand fees
- Fee methodology and rationale
- Key aspects of 2014 calculations
- Proposed fee schedules



Legal Standard

Section 66013 of the Government Code states that capacity charges shall not exceed the ***estimated reasonable cost*** of providing the service for which they are imposed.

Capacity Charge Methodologies

- System buy-in methodology

PV of Existing Facilities

Total Existing Units of Development

- Incremental cost methodology

PV of Facilities Needed to Serve Growth

Total Units of New Development

- Future system buy-in methodology

PV of Existing and Planned Facilities

Total Units of Development to be Served



System Buy-In Methodology

- Common and well-accepted methodology
- Incorporates cost of existing facilities, rather than relying on plans and estimates
- Does not rely on capacity analyses or assessment of future needs
- Buy-in fee is a reimbursement for past investments in system capacity, and can be used for any capital project



Changes Since 2007 Study

- Financial crisis and subsequent recession
 - Economic recovery still underway
- Demands well below pre-recession levels
 - Future trends uncertain
- Major projects deferred or eliminated
- Emphasis shifting to rehabilitation and replacement of aging infrastructure
- Master plan updates incomplete



Demand Fee Calculations

	Water	Wastewater System	
	System	Local	Subregional
Summary of Fixed Asset Valuation (1)			
Land and Land Rights	\$ 16,839,000	\$ 3,550,000	\$ 22,781,000
Buildings	\$ 15,236,000	\$ 14,728,000	\$ 180,794,000
Capital Improvements	\$ 130,408,000	\$ 147,063,000	\$ 170,729,000
Equipment	\$ 15,189,000	\$ 3,191,000	\$ 20,824,000
Construction in Progress	\$ 11,840,000	\$ 11,309,000	\$ 29,505,000
Infrastructure Assets	\$ 1,184,000	\$ 557,000	\$ 478,000
Current Value of Existing Facilities	\$ 190,696,000	\$ 180,398,000	\$ 425,111,000
Adjustments to Financial Valuation			
Plus Present Value of Past Debt Issuance Costs	\$ 613,000	\$ 722,000	\$ 12,192,000
Plus Present Value of Past Debt Interest Costs	\$ 13,107,000	\$ 5,354,000	\$ 109,802,000
Minus Outstanding Principal on Debt	\$ (60,536,000)	\$ (29,171,000)	\$ (215,099,000)
Plus Capital Funds Available	\$ 27,056,000	\$ 35,845,000	\$ 10,485,000
Total System Buy-In Valuation	\$ 170,936,000	\$ 193,148,000	\$ 342,491,000
Current System Demands (mgd)	23.00	11.46	15.08
Buy-In Demand Fee (\$/tgd)	\$ 7,432	\$ 16,854	\$ 22,712
Buy-In Demand Fee (\$/TGM)	\$ 244	\$ 554	\$ 747
Proposed Demand Fees (\$/TGM)	\$244	\$1,301	
Change from Current Demand Fees	-60%	-53%	



Residential Water Use Factors

Type of Development	Avg. Day Demand During Peak Month	
	(tgd)	(TGM)
Single Family Residential		
Small Lot (6,000 sq. ft. and under)	0.322	9.8
Large/Medium Lot (over 6,000 sq. ft. to 1 acre)	0.631	19.2
Very Large Lot (over 1 acre)	0.907	27.6
Condos, Apartments, Mobile Homes	0.296	9.0
Second Unit or Senior Housing Units	0.148	4.5
Comm., Indus, and Irrigation (per TGM)	0.033	1.0

Notes:

(1) Based on analysis of peak month water usage from 2010 through 2013.



Proposed Water Demand Fees

Type of Development	Current Water Demand Fee	Proposed Water Demand Fee
Single Family Residential		
Small Lot (6,000 sq. ft. and under)	\$ 6,353	\$ 2,391
Large/Medium Lot (over 6,000 sq. ft. to 1 ac)	\$ 9,076	\$ 4,685
Very Large Lot (over 1 acre)	\$ 19,967	\$ 6,734
Condos, Apartments, Mobile Homes	\$ 2,904	\$ 2,196
Second Unit or Senior Housing Units	\$ 1,815	\$ 1,098
Comm., Indus, and Irrigation (per TGM) (1)	\$ 605	\$ 244

Notes:

(1) Applied to estimated average day demand during peak month in TGM for each non-residential water connection.



Residential WW Use Factors

Type of Development	Average Dry Weather Flow (1)	
	(tgd)	(TGM)
Single Family Residential		
Small Lot (6,000 sq. ft. and under)	0.141	4.3
Large/Medium Lot (over 6,000 sq. ft. to 1 acre)	0.161	4.9
Very Large Lot (over 1 acre)	0.187	5.7
Condos, Apartments, Mobile Homes	0.158	4.8
Second Unit or Senior Housing Units	0.118	3.6
Commercial and Industrial (per TGM)	0.033	1.0

Notes:

(1) Based on analysis of winter water usage (sewer cap) from 2010 through 2013.



Proposed Wastewater Demand Fees

Type of Development	Current Wastewater Demand Fee	Proposed Wastewater Demand Fee
Single Family Residential		
Small Lot (6,000 sq. ft. and under)	\$ 11,034	\$ 5,594
Large/Medium Lot (over 6,000 sq. ft. to 1 ac)	\$ 15,172	\$ 6,375
Very Large Lot (over 1 acre)	\$ 17,103	\$ 7,416
Condos, Apartments, Mobile Homes	\$ 9,931	\$ 6,245
Second Unit or Senior Housing Units	\$ 5,518	\$ 4,684
Commercial and Industrial (per TGM) (1)	\$ 2,758	\$ 1,301

Notes:

(1) Applied to estimated average dry weather flow (ADWF) in TGM for each proposed non-residential wastewater connection.

Combined Demand Fees

Type of Development	Combined Water and Wastewater Demand Fees			
	Current	Proposed	\$ Change	% Change
Single Family Residential				
Small Lot (6,000 sq. ft. and under)	\$ 17,387	\$ 7,986	\$ (9,402)	-54.1%
Large/Medium Lot (over 6,000 sq. ft. to 1 acre)	\$ 24,248	\$ 11,060	\$ (13,188)	-54.4%
Very Large Lot (over 1 acre)	\$ 37,070	\$ 14,150	\$ (22,920)	-61.8%
Condos, Apartments, Mobile Homes	\$ 12,835	\$ 8,441	\$ (4,394)	-34.2%
Second Unit or Senior Housing Units	\$ 7,333	\$ 5,782	\$ (1,551)	-21.2%
Comm., Indus., Irrig. (per TGM)	▲ (1)	▲ (2)	▲ (3)	▲ (3)

Notes:

- (1) Current non-residential water demand fee is \$605/TGM of average demand in the peak month.
Current non-residential wastewater demand fee is \$2,758/TGM of ADWF.
- (2) Proposed non-residential water demand fee is \$244/TGM, an decrease of about 60 percent.
Proposed non-residential wastewater demand fee is \$1,301/TGM, a decrease of about 53 percent.
- (3) Change will depend on the demand characteristics of each proposed development.



Additional Code Changes

- Table 15-1, Commercial, Industrial and Institutional flow factors
- Added 'Time of Payment' language consistent with City Code Chapter 21
 - Makes wastewater demand fees consistent with all other development impact fees



Lowering Demand Fees

- Capital Improvement Program anticipated to stay at or above Board or Public Utilities specified 'baseline' level
- No effect on rates
 - Rates and demand fee developed independently
- Potential future increase or separate fee possible for water supply or offset



Administrative Adjustment

- Will allow persons or entities to apply to the Director of Utilities for a fee adjustment for fees paid since August 7, 2014 until the new fees take effect

Public Hearing



Recommendation

- Ordinance adoption
 - Wastewater Demand Fees

- Resolution
 - Water Demand Fees

