

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
SUBJECT: 2014 WATER AND WASTEWATER DEMAND FEE UPDATE
STAFF PRESENTER: LINDA REED, DEPUTY DIRECTOR – UTILITIES
ADMINISTRATION
SANTA ROSA WATER UTILITIES

AGENDA ACTION: RESOLUTION AND INTRODUCTION OF ORDINANCE

ISSUE(S)

Shall the City Council adopt the revised fees, re-adopt the annual escalator and make related revisions to the City Code?



COUNCIL GOALS/STRATEGIES

This action supports City Council Goal 1, **Create a Strong, Sustainable Economic Base** by charging appropriate and defensible fees for new development or new connections to the water and or wastewater systems to 'buy into' the City's existing robust infrastructure.

BACKGROUND:

1. Demand fees are the one-time fees charged for new service connections to the City's water and wastewater systems. The fees are intended to recover costs attributable to new development. Water and wastewater demand fees were last updated in 2007, with an annual inflationary adjustment to the amount of the fees since that time.
2. In 2012, the City of Santa Rosa retained The Reed Group, Inc. to update the Demand Fees adopted in 2007. As a result of the preliminary update, the Board of Public Utilities (BPU) Budget Subcommittee, City staff, and the consultant decided to perform a more comprehensive review and update.
3. Based on this comprehensive study, the BPU Budget Subcommittee, the Board of Public Utilities, City staff, and the consultant recommend revising the fees using the 'system buy-in' methodology.
4. New data was used to determine peak demands based on revised building code and landscape installation standards for new development that have been adopted after 2007.

5. These changes result in the recommended fees being significantly lower than fees established by the previous study which was based on a 'combined future system buy-in' methodology.

ANALYSIS:

1. Demand fees are charged to new development to recover costs of providing capacity in the existing and future water and wastewater systems. They are primarily a means of equitably sharing the cost of system capacity among development projects that are expected to benefit from the capacity being provided.
2. There are a number of accepted and widely used methods of determining demand fee amounts to be charged to new development. The major methodologies vary between entities, mostly depending on the stage of build-out and the future capacity needs of their systems.
3. The proposed 2014 fees have been calculated using the 'system buy-in' methodology. This differs from the 2007 study which used a 'combined future system buy-in' methodology due to a variety of circumstances:
 - a. The City's Water and Wastewater Master Plans, last updated in 2007, are in the process of being updated and final drafts or technical memos were received early in 2014. There are no major growth-related projects identified in these updates. The Wastewater Master Plan has eliminated future growth related capital improvement projects due to innovative improvements in the way staff operates the system and lower demand projections.
 - b. Projections for Phase 1 of the Recycled Water Project include slower phasing and potential alternate funding assumptions compared to 2007.
 - c. Growth has slowed since 2007 and is not expected to resume at prior levels in the near future.
 - d. New development is being built to revised building code and landscaping standards which reduces peak demand factors.
4. Under the proposed system buy-in methodology, costs are collected for new connections to the water and wastewater system to reimburse the City for existing infrastructure. The City has sized the existing water and wastewater systems based on General Plan build-out and has sufficient capacity to accommodate planned new development.
5. New draft Master Plans are focused on repair and rehabilitation of the existing water and wastewater infrastructure.

6. New development is required to install infrastructure to support development if it does not currently exist. For example, new subdivisions install water and sewer mains, booster pumps, fire hydrants and storage necessary to support the impacts of the new development. Existing homeowners must install water or sewer mains to serve their property to replace failing wells or septic systems if mains are not currently available.
7. The proposed demand fees are significantly lower than the current fees. Depending on the type of development, proposed water demand fees are 24 to 66 percent lower than current fees and proposed wastewater demand fees are 15 to 58 percent lower than current fees.
8. Staff believes the proposed revised methodology and reduced fees reflect the appropriate current impact of new system connections and will not adversely affect the existing or proposed Utilities Capital Improvement Program.
9. Because the impact of lower fees is significant for new development, the BPU Budget Subcommittee and the Board recommend that Council add a provision to the sewer ordinance and water resolution that persons or entities paying demand fees beginning August 7, 2014 (the date the Board determined to recommend the proposed revised demand fees) and ending when this ordinance and/or resolution take effect may apply to the Director of Utilities for an administrative adjustment of the fees in accordance with the fees established by the adopted ordinance and resolution.
10. Existing and proposed demand fees:

Exhibit 9
City of Santa Rosa
Current and 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 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.

Exhibit 11
City of Santa Rosa
Current and 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 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.

Exhibit 2
City of Santa Rosa
Comparison of Current and Proposed 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 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.

11. The proposed change to Title 15 of the City Code, Table 15.1, will also update the current average sewer flows for various Commercial, Industrial and Institutional users. The proposed table has been expanded to include a wider variety of business types, which will streamline the process of computing demand fees for new or expanding Commercial, Industrial and Institutional operations.
12. Changes to the Guide to Potable Water, Recycled Water, and Wastewater Policy are also recommended to correct minor and typographical errors and to revise the Best Available Technology program. The Best Available Technology program provides the opportunity for commercial operations to lower their demand fees by implementing and continuously operating the most efficient technologies, not already required by the Building Code, for reducing potable water and wastewater volumes. The program is currently only available to restaurant and coin laundry facilities. The proposed changes to the Guide to Potable Water, Recycled Water and Wastewater Policy will expand the program to cover any non-residential or industrial uses that would be able to achieve reductions with the installation of such technologies.
13. Proposed amendments to City Code Sections 15-16.030 (C) and 15-16.050 will allow wastewater demand fees to be paid according to the terms of any fee deferral agreement pursuant to Chapter 21-01 of the City Code per the City's Aggressive Economic Development Policy. This proposed amendment makes wastewater demand fees consistent with all other Development Impact Fees regarding time of payment. .

RECOMMENDATION:

It is recommended by the Board of Public Utilities and the Department of Utilities that Council, by resolution, adopt the revised water demand fees and re-adopt the annual escalator and introduce an ordinance adopting the revised water and wastewater demand fees, re-adopting the annual escalator and making related revisions to the City Code.

Attachments:

Attachment 1: 2014 Water and Wastewater Demand Fee Study and Appendix B

Attachment 2: Red-line of proposed changes to City Code Title 15 (Sewers)