

Water and Wastewater Demand Fee Study

Santa Rosa Water – BPU Budget Subcommittee

April 19, 2021



Agenda

1. Demand Fee Framework and Methodology
2. Water Use Factors and Demand Fees
3. Wastewater Use Factors and Demand Fees
4. Combined Water and Wastewater Demand Fees
5. Next Steps

Demand Fees

Demand Fees

- Demand fees (capacity charges) are the one-time fees charged to new development for capacity in the water and wastewater systems.
- Fee calculations were last updated in 2014; fee amounts have been adjusted annually for inflation.

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 the charges are imposed.

System Buy-In Methodology

Basic Formula

$$\frac{\text{Present Value of Existing Facilities}}{\text{Total Existing Units of Development}}$$

Attributes of Methodology

- Methodology is best applied in areas that are largely built out with infrastructure largely in place (i.e., capacity is available for new development)
- 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

Demand Fee Calculations

	Water System	Wastewater System	
		Local Collection	Regional Reuse
Summary of Fixed Asset Valuation (1)			
Land and Land Rights	\$ 3,740,000	\$ 4,575,000	\$ 27,454,000
Buildings	\$ 19,485,000	\$ 15,770,000	\$ 151,602,000
Capital Improvements	\$ 172,652,000	\$ 195,519,000	\$ 169,790,000
Equipment	\$ 7,173,000	\$ 2,326,000	\$ 12,286,000
Construction in Progress	\$ 20,937,000	\$ 13,263,000	\$ 4,943,000
Infrastructure Assets	\$ 18,120,000	\$ 1,028,000	\$ 10,587,000
Current Value of Existing Facilities	\$ 242,107,000	\$ 232,481,000	\$ 376,662,000
Adjustments of Financial Valuation			
Plus Present Value of Past Debt Issuance Costs	\$ 780,000	\$ 681,000	\$ 11,779,000
Plus Present Value of Past Debt Interest Costs	\$ 30,149,000	\$ 8,893,000	\$ 121,191,000
Minus Outstanding Principal on Debt	\$ (18,813,000)	\$ (16,098,000)	\$ (149,563,000)
Plus Capital Funds Available	\$ 40,463,000	\$ 62,372,000	\$ 22,465,000
Total System Buy-In Valuation	\$ 294,686,000	\$ 288,329,000	\$ 382,534,000
Current System Demands (MGD) (2)	21.26	10.43	14.03
Base Demand Fee (\$/TGD)	\$ 13,860	\$ 27,644	\$ 27,265
Base Demand Fee (\$/TGM)	\$ 456	\$ 909	\$ 896
Proposed Base Demand Fee (\$/TGM)	\$456	\$1,805	
Change from Current Demand Fees (3)	55%	15%	

MGD = Millions of gallons per day
TGD = Thousands of gallons per day
TGM = Thousands of gallons per month

Notes:

- (1) From fixed asset records as of June 30, 2019.
- (2) Based on the average of annual values from 2016 through 2019. Peak month water production was reduced by 8.0% for system losses to reflect water demand. Average dry weather flows (ADWF) based on data from City's wastewater collection system and regional water reuse treatment plant values.
- (3) Fee increases are offset by reductions in the usage factors.

Demand Fee – Water Use Factors (1)

Type of Development	Avg. Day Demand During Peak Month	
	(GPD)	(TGM)
Single Family Residential		
Lot over 1 acre	598	18.2
Lot over 6,000 sq ft up to 1 acre	381	11.6
Lot up to 6,000 sq ft	260	7.9
Duplex and Triplex Units	204	6.2
Condominium, Apartment, and Mobile Home Units		
with Separate Irrigation	122	3.7
without Separate Irrigation	158	4.8
Large ADUs, SROs, Senior Housing, and Small, High-Density Apartment Units	99	3.0
Commercial, Industrial, and Irrigation (per TGM) (2)	33	1.0

GPD = Gallons per day
TGM = Thousands of gallons per month

Notes:

- (1) Based on analysis of peak month water usage from 2016 through 2019.
- (2) Peak usage for each commercial, industrial, and irrigation account is estimated on a case-by-case basis.

Current and Proposed Water Demand Fees

Type of Development	Current Water Demand Fee	Proposed Water Demand Fee
Single Family Residential		
Lot over 1 acre	\$ 8,114	\$ 8,299
Lot over 6,000 sq ft up to 1 acre	\$ 5,645	\$ 5,290
Lot up to 6,000 sq ft	\$ 2,881	\$ 3,602
Duplex and Triplex Units	\$ 2,646	\$ 2,827
Condominium, Apartment, and Mobile Home Units		
with Separate Irrigation	\$ 1,411	\$ 1,687
without Separate Irrigation	\$ 2,646	\$ 2,189
Large ADUs, SROs, Senior Housing, and Small, High-Density Apartment Units	\$ 1,323	\$ 1,368
Commercial, Industrial, and Irrigation (per TGM) (2)	\$ 294	\$ 456

Notes:

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

Demand Fee – Wastewater Use Factors

Type of Development	Average Dry Weather Flow	
	(GPD)	(TGM)
Single Family Residential		
Lot over 1 acre	128	3.9
Lot over 6,000 sq ft up to 1 acre	108	3.3
Lot up to 6,000 sq ft	105	3.2
Duplex and Triplex Units	92	2.8
Condominium, Apartment, and Mobile Home Units	92	2.8
Large ADUs, SROs, Senior Housing, and Small, High-Density Apartment Units	72	2.2
Commercial and Industrial (per TGM) (2)	33	1.0

GPD = Gallons per day
TGM = Thousands of gallons per month

Notes:

- (1) Based on analysis of winter water usage (sewer cap) from 2016 through 2019.
- (2) Wastewater flow for each commercial and industrial account is estimated on a case-by-case basis.

Current and Proposed Wastewater Demand Fees

Type of Development	Current Wastewater Demand Fee	Proposed Wastewater Demand Fee
Single Family Residential		
Lot over 1 acre	\$ 8,915	\$ 7,040
Lot over 6,000 sq ft up to 1 acre	\$ 7,664	\$ 5,957
Lot up to 6,000 sq ft	\$ 6,725	\$ 5,776
Duplex and Triplex Units	\$ 7,507	\$ 5,054
Condominium, Apartment, and Mobile Home Units	\$ 7,507	\$ 5,054
Large ADUs, SROs, Senior Housing, and Small, High-Density Apartment Units	\$ 5,630	\$ 3,971
Commercial and Industrial (per TGM) (1)	\$ 1,564	\$ 1,805

Notes:

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

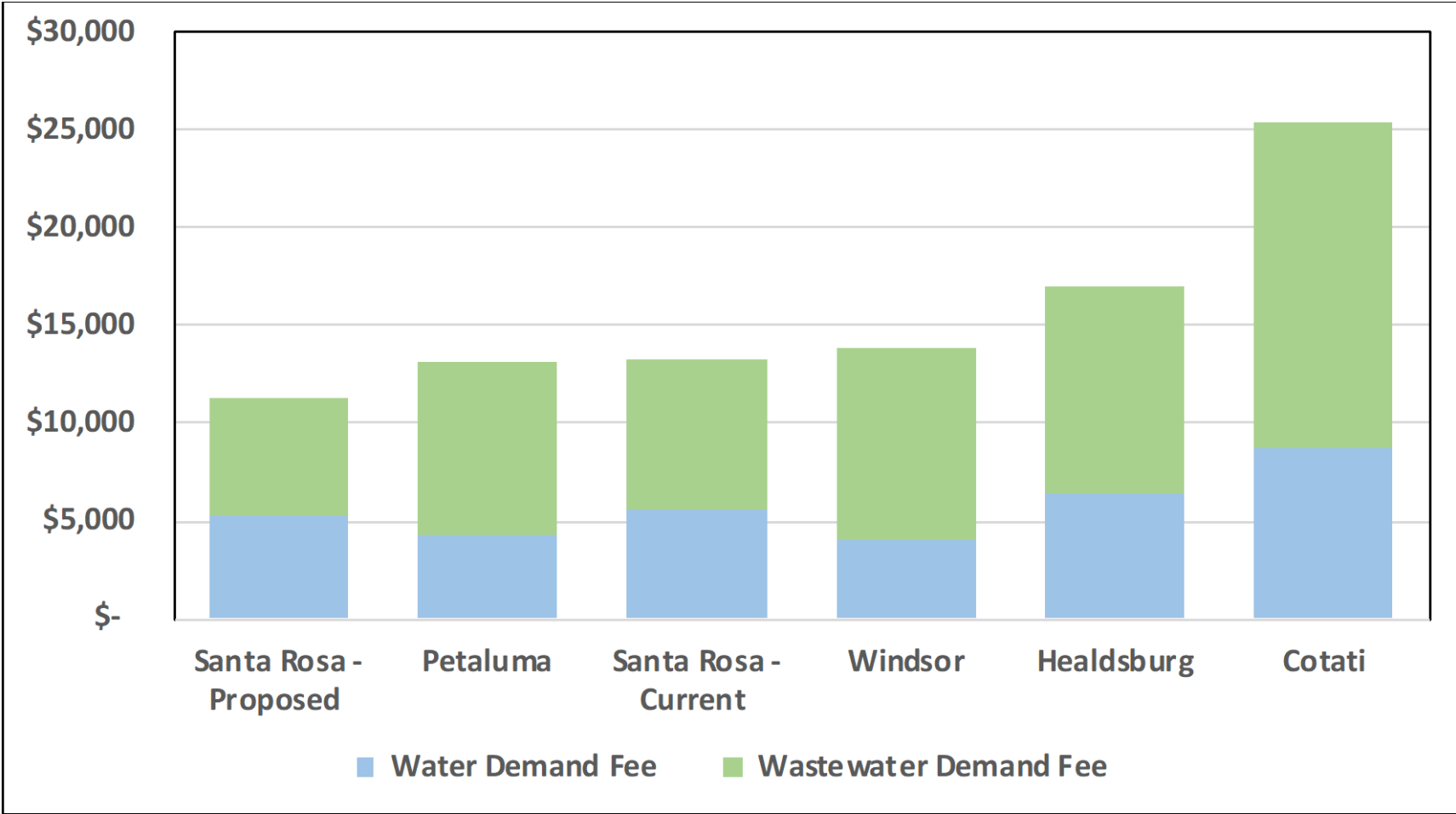
Comparison of Current and Proposed Demand Fees

Type of Development	Combined Water and Wastewater Demand Fees			
	Current	Proposed	\$ Change	% Change
Single Family Residential				
Lot over 1 acre	\$ 17,029	\$ 15,339	\$ (1,690)	-9.9%
Lot over 6,000 sq ft up to 1 acre	\$ 13,309	\$ 11,246	\$ (2,063)	-15.5%
Lot up to 6,000 sq ft	\$ 9,606	\$ 9,378	\$ (228)	-2.4%
Duplex and Triplex Units	\$ 10,153	\$ 7,881	\$ (2,272)	-22.4%
Condominium, Apartment, and Mobile Home Units with Separate Irrigation	\$ 7,507	\$ 5,054	\$ (2,453)	-32.7%
Large ADUs, SROs, Senior Housing, and Small, High-Density Apartment Units	\$ 6,953	\$ 5,339	\$ (1,614)	-23.2%
Commercial, Industrial, and Irrigation (per TGM) (1)	\$ 1,858	\$ 2,261	n/a (2)	n/a (2)

Notes:

- (1) Current non-residential water demand fee is \$288/TGM of average demand in the peak month.
 Current non-residential wastewater demand fee is \$1,532/TGM of ADWF.
 Proposed non-residential water demand fee is \$456/TGM, an increase of about 55 percent.
 Proposed non-residential wastewater demand fee is \$1,805/TGM, an increase of about 15.4 percent.
- (2) Change will depend on the demand characteristics of each proposed development.

Comparison of Single Family Water/Wastewater Demand Fees with Neighboring Communities



Based on lot size from 6,000 sq. ft. to 1 acre with a ¾" water meter. Fees for Rohnert Park not shown due to the complexity of their fee structure.

Outreach to Development Community

- FAQ's Developed
- Website updated with current information
- FAQ's provided to internal departments
- Letters and FAQ's sent to contractors and developers
- Emailed local associations to offer presentations at meetings

Timeline and Next Steps for Demand Fee Adoption

- ❖ BPU Budget Subcommittee Meetings – December 15, 2020 and January 19, 2021
- ❖ BPU Budget Subcommittee (Today) – Consider Demand Fee recommendation
- ❖ BPU Study Session – May 6
- ❖ BPU Recommendation to Council – May 20
- ❖ City Council Study Session – June 8 (still confirming)
- ❖ City Council Considers Fees – June 29 (still confirming)

Recommendation

- It is recommended by Santa Rosa Water Staff and Consultants that the Board of Public Utilities Budget Subcommittee recommend the proposed Water and Wastewater Demand Fee Update and proposed Demand Fee Schedule to the Board of Public Utilities