

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES
FROM: KIMBERLY ZUNINO, DEPUTY DIRECTOR – ADMINISTRATION
SANTA ROSA WATER
SUBJECT: 2021 DEMAND FEE UPDATE - RECOMMENDATION TO CITY
COUNCIL

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Board of Public Utilities Budget Subcommittee and Santa Rosa Water Staff that the Board of Public Utilities, by resolution, recommend that, based on the 2021 Water and Wastewater Demand Fee Study, the City Council adopt the revised Demand Fees, re-adopt the annual escalator and make related revisions to the City Code.

EXECUTIVE SUMMARY

Water and wastewater demand fees, one-time fees charged for new development, are updated periodically to adjust the fees based on current system valuation and customer usage. On August 26, 2014 the 2014 Water and Wastewater Demand Fee Study and the current demand fee schedule were adopted by City Council.

Santa Rosa Water's consultant, The Reed Group, Inc., performed a detailed analysis to develop a new fee schedule and update the Water and Wastewater Demand Fee Study using the same methodology as the previous study, which is the system buy-in methodology. This methodology uses a system valuation including the additions of assets, depreciation, changes in debt financing, and reserves designated for capital projects as well as updated water use and sewer flow factors based on data collected over the past four years from Santa Rosa customer accounts. In addition to updating the current categories, new categories were created based on usage data, recent regulations for accessory dwelling units and new types of development in Santa Rosa.

The proposed 2021 demand fee update will increase the demand fee per one thousand gallons of water and wastewater. However, fees for residential categories, based on more efficient Santa Rosa customer usage, have been reduced resulting in the combined 2021 water and wastewater fees remaining less than the current combined demand fees.

BACKGROUND

Demand fees are the one-time fees charged for new service connections to the City's water and wastewater systems or for an expansion of existing use. The fees are intended to recover costs attributable to new development. Water and wastewater demand fees were last calculated in 2014 resulting in the 2014 Water and Wastewater Demand Study (2014 Study) and development of a new fee schedule that was adopted, with an annual inflationary adjustment.

In 2020, Santa Rosa Water contracted with The Reed Group, Inc. to complete an update of the 2014 Study and the adopted Demand Fees.

The adopted Demand Fees were developed using the system buy-in methodology and the proposed update is based on the same methodology.

The proposed update to the 2014 Study incorporates the water and wastewater systems' updated valuation including additions of assets, depreciation, changes in debt financing, and reserves designated for capital projects; some modifications to the various customer categories; as well as updated water use and sewer flow factors based on data collected over the past four years.

These updates result in the recommended fees being higher per one thousand gallons for both water and wastewater but due to decreased water use and sewer flows of Santa Rosa customers, the combined total water and wastewater fees for residential uses are decreasing because of the reduced water usage characteristics. Commercial usage factors are dependent on each type of use and the fees are calculated based on the estimated peak demand for the size and type of use of the commercial development.

In addition to updating the current fee schedule, some categories have been added to accommodate newer types of development in Santa Rosa such as high density apartments, as well as some grouped categories being separated such as duplexes and triplexes being removed from the multi-family category based on data identifying them as a clear and separate category.

ANALYSIS

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.

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. Based on those factors the most appropriate method for Santa Rosa is

the ‘system buy-in’ methodology, which is what was used for the proposed 2021 demand fee schedule. This is the same methodology that was used for the previous 2014 Study.

Under the 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.

Staff believes the proposed Demand Fees reflect the appropriate current impact of new system connections and will provide sufficient funding.

Existing and proposed demand fees:

**Santa Rosa Water
 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 (1) 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) (2)	\$ 1,858	\$ 2,261	n/a (3)	n/a (3)
Notes:				
(1) Includes complexes with 4 or more dwelling units.				
(2) 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 average dry weather flow (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. TGM = Thousands of gallons per month.				
(3) Change will depend on the demand characteristics of each proposed development.				

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.

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Category	**Type of Uses	Average Monthly Flow (gallons per month per 1000 square feet)
1	Warehouse	130
2	Retail; Schools; Office; Church; Playhouses; Gym without shower; Self-Serve Frozen Yogurt	730
3	Auto Repair	670
4	Dental Office	2,950
5	Auto Sales	1,540
6	Halls	1,440
7	Movie Theaters	1,700
8	Surgery Centers	4,400
9	Convenience Store; Grocery without food preparation; Gas Station (car wash calculated separately)	2,730
10	Barber; Beauty Salon	3,970
11	Bakery	2,890
12	Deli; Grocery with food preparation	5,160
13	Veterinary Clinic	5,210
14	Motels; Hotels (restaurant and conference center areas calculated separately)	7,350
15	Gym with showers	8,250
16	Hospital	11,840 gallons per month per bed
17	Bar	6,940
18	Coffee shop	9,460
19	Restaurant	9,900
20	Skill Nursing; Assisted Living; Residential Care	2,307 gallons per month, per bed
21	Commercial Laundry	70% of water use based on comparable operations
22	Car wash	40% of water use based on comparable operations
<p>** The usage for categories not shown in this table, such as coin laundry facilities, wineries, breweries and distilleries, will be determined based on comparable uses and data submitted by applicant.</p>		

FISCAL IMPACT

The current budgets and proposed rates are designed to accommodate the proposed demand fee schedule. Demand fees are conservatively projected based on fluctuation in development and therefore, no significant financial impact is expected.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The proposed 2021 Water and Wastewater Demand Fee Study Update was reviewed by the Board of Public Utilities Budget Subcommittee on December 15, 2020, January 19, 2021 and April 19, 2021. The Board of Public Utilities Budget Subcommittee unanimously recommended the proposed 2021 Water and Wastewater Demand Fee Study Update and Fee Schedule.

ATTACHMENTS

- Attachment 1 – Draft Council Resolution
- Attachment 2 - Draft Council Ordinance

CONTACT

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