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PUBLICATION
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A. TO 1-27-87

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DEPARTMENT OF
PUBLIC WORKS

WATER DIVISION

January 20, 1987

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Water System Development Fee

SUMMARY

Expansion of water treatment, storage and transmission capacity is necessary to meet requirements for anticipated growth. In 1985, a water resources management plan was prepared by the consulting firm of Metcalf and Eddy for the City, County and Arcade Water District. The consultant recommended that new facilities be financed by an increase in water development fees charged at the time of each new connection. This report presents a proposed fee structure with staff's recommendation for adoption.

BACKGROUND

Water use during summer months has increased to the point where new growth cannot be accommodated without an expansion of water treatment, storage and transmission facilities. In anticipation of this situation, the City, County and Arcade Water District authorized a joint study and report to define alternative water management options for the metropolitan area.

This report, prepared in 1985 by Metcalf and Eddy, Consulting Engineers, addressed the major issues of water rights, groundwater depletion, systems facilities expansion, and financing alternatives. Expansion would be financed primarily from a system development fee. A \$1,500 development fee for a one-inch residential connection, with a schedule of fees for other connection sizes was recommended. The fee would be collected at the time of application for a building permit. Water use studies by City staff and other consultants support this figure as representing a major portion of the cost of providing expanded facilities to meet the water demand of new customers.

A significant component of the existing water rate schedule does, and will continue to, contribute to capital improvement projects. Rate payers have continued to amortize indebtedness since 1960, and net revenues from water system operations are utilized for capital improvements to the water system on a

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CALIFORNIA

CITY MANAGER'S OFFICE

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1391-35TH AVENUE
SACRAMENTO, CA
95822-2911

916-449-5271

B. APPROVED
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continuing basis.

Recent examples have included: Design and construction of Robla Reservoir, transmission main additions, and engineering consultants for expansion studies. Also, Riverside Water Treatment Plant was reactivated at considerable expense in 1986 to provide interim treatment capacity required by current growth.

A water rate study in 1978 by the consulting firm of Brown and Caldwell included a schedule of water development fees for service connections in addition to one-inch. The City's current water development fee schedule follows the Brown and Caldwell recommendations. These rates have been adjusted periodically to meet inflation-generated cost increases; however, the present schedule recovers only a fraction of actual capital costs.

Since the City and County have been working together to develop a management plan along the lines of the 1985 Metcalf and Eddy study, the County has adopted a groundwater management plan. This plan provides for development of surface water supplies to reduce dependence on groundwater in unincorporated areas. The plan is to be financed for the most part by County water system development fees as proposed by Metcalf and Eddy. A water development fee schedule has been adopted by the County along the lines of the Metcalf and Eddy recommendation.

The increases proposed in the City development fee essentially follow the same Metcalf and Eddy recommendation. A one-inch connection for a single-family dwelling unit has a fee of \$1,500. Non-residential fees are based on size of service, with an added fee of \$2,500 per acre, since commercial water demands are generally higher and less predictable than residential demand. Even with the development fee, it is estimated that monthly water rates will provide from 25 to 40 percent of the debt service for system expansion. For instance, the cost of a 30 MGD system expansion is estimated at \$30,000,000. This expansion would last about 7 years at the City's recent rates of growth, about 2700 new single-family equivalents (SFE) per year. Debt service for 7 year amortization would be around \$5.8 million/year. Revenue from the proposed development fee of \$1,500 per SFE would be \$4.05 million/year, leaving \$1.75 million/year, or 30%, to be borne by ratepayers. This figure will vary with the rate of growth, but would probably range from 25% to 40%.

In 1983, the City Council adopted the Infill Incentive Program section of the General Plan Growth Policy. The proposed water development fee ordinance would exempt infill sites as defined in this incentive program from the water development fee.


FINANCIAL

The proposed fee schedule is expected to provide adequate revenues to finance the water system expansion needed to meet new growth. This fee schedule, as shown in the attached Ordinance, is based on the City's current schedule and the Metcalf and Eddy recommendation.

RECOMMENDATION

It is recommended that the attached Ordinance, amending City Code Section 47.321, and Resolution establishing a new water development fee, be approved for adoption.

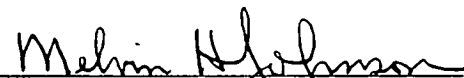
Respectfully submitted,


James G. Sequeira
Acting Water Division Manager

Recommendation Approved:

Approved:


For: Walter J. Slipe
City Manager


Melvin H. Johnson
Director of Public Works

January 20, 1987
ALL DISTRICTS



ORDINANCE NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

AN ORDINANCE AMENDING SECTION 47.321 OF THE SACRAMENTO CITY CODE RELATING TO WATER SYSTEM DEVELOPMENT FEES

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1

Section 47.321 of the Sacramento City Code is amended to read as follows:

47.321 Water System Development Fee

- (a) General. Every lot, parcel or tract of land not connected to the City water system prior to January 1, 1980, shall be subject to a water system development fee. No water service from such system shall be furnished thereto unless such charge has been paid. Such charge shall not apply if the fee established by the section, or the equivalent thereof, has been previously paid by the owner, or a predecessor of such owner, of such property, or if the property meets the qualifications for an Infill Site as currently defined in the City's Infill Incentive Program section of the General Plan Growth Policy.
- (b) Amount of Water System Development Fee. The fee established by this section shall be determined by reference to a schedule of rates set by resolution of the City Council.

MAYOR

ATTEST:

CITY CLERK

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(b) Amount of Water System Development Fee. The fee established by this section shall be determined by reference to a schedule of rates set by resolution of the City Council. Is/as follows/

<u>Water/Service/or/Meter/Size</u>	<u>Fee/in/Dollars</u>
3/4/inch	///104/50
1/inch	///169/00
1+1/4/inch	///242/00
1+1/2/inch/	///319/00
2/inch	///506/00
3/inch	///933/00
4/inch	///1518/00

<u>Water/Service/or/Meter/Size</u>	<u>Fee/in/Dollars</u>
8/Inch	///3/188/00
8/Inch	///3/412/00
///10/Inch	///8/118/00

If//an/existing/water/service/or/meter/is/replaced
 by//one//of//a/larger/size/at/the/owner/s/request/
 the//fee//shall/be/equal/to/the/difference/between
 the//fee/for/the/original/service/size/and/that/for
 the//replacement//service//size//in//the/foregoing
 schedule/

Payment///of//said//connection//fee//shall//be//in
 addition//to//payment/of/all/other/applicable/fees
 and/charges//{Ord//4288//1}

RESOLUTION NO. 87-037

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

APPROVED
BY THE CITY COUNCIL

JAN 20 1987

OFFICE OF THE
CITY CLERK

RESOLUTION ESTABLISHING WATER
DEVELOPMENT FEES FOR WATER PURSUANT
TO SECTION 47.321 OF THE SACRAMENTO
CITY CODE

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

That the fees shown on Exhibit A, attached hereto and incorporated herein by reference, are hereby established for water development fee services pursuant to Section 47.321 of the Sacramento City Code. This resolution shall take effect on March 1, 1987.

MAYOR

ATTEST:

CITY CLERK

January 20, 1987

EXHIBIT A

VIII. WATER DEVELOPMENT FEE

<u>Water Service or Meter Size, Inches</u>	<u>Rate</u>
3/4"	\$1,200.00
1"	1,500.00
1 1/4"	2,250.00
1 1/2"	3,000.00
2"	4,800.00
3"	9,000.00
4"	15,000.00
6"	30,000.00
8"	48,000.00
10"	69,000.00

Non-residential

In addition to the above fee based on size, a fee of \$2,500 per acre will be charged. Acreage is to be based on parcel size, not developed area.

If an existing water service or meter is replaced by one of a larger size at the owner's request, the fee shall be equal to the difference between the fee for the original service size and that for the replacement service size in the foregoing schedule.

Payment of said development fee shall be in addition to payment of all other applicable fees and charges. (Ord. 4268, 1).

January 20, 1987

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VIII. WATER DEVELOPMENT FEE

<u>Water Service or Meter Size, Inches</u>	<u>Rate</u>
3/4"	\$ 104/50 1,200.00
1"	169/00 1,500.00
1 1/4"	242/00 2,250.00
1 1/2"	319/00 3,000.00
2"	506/00 4,800.00
3"	693/00 9,000.00
4"	1,518/00 15,000.00
6"	3,168/00 30,000.00
8"	5,412/00 48,000.00
10"	8,118/00 69,000.00

Non-residential

In addition to the above fee based on size, a fee of \$2,500 per acre will be charged. Acreage is to be based on parcel size, not developed area.

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