



City of Santa Barbara
Public Works Department

Interoffice Memorandum

ITEM 6B

DATE: December 8, 2015
TO: Board of Water Commissioners
FROM: Bill Ferguson, Project Manager 
SUBJECT: City Water and Wastewater Capacity Fees

The City's water and wastewater capacity fees for new connections were most recently updated in 2013 based on a capacity fee report prepared by the City's rate consultant, Raftelis Financial Consultants (Raftelis). In November 2014, staff presented to the Commission a conceptual proposal (attached) to modify the method of calculating capacity fees for new multi-family residential connections to more accurately reflect the capacity requirements of proposed projects. At the meeting, the Commission suggested that staff have Raftelis review the concept. We have contracted with Raftelis to prepare an updated capacity fee report, which is underway and is primarily related to the proposed multi-family residential process, which is discussed in more detail in the attachment.

The City Plumbing Code requires individual metering for dwelling units as an important water conservation tool. The 5/8" meter (the smallest offered for City water service) has a capacity of 20 gallons per minute (GPM), which is often significantly greater than the capacity requirements of individual multi-family units, particularly for many of the projects proposed under the City's most recent General Plan policies. However, the current fee resolution establishes one fee for all 5/8" meters. The proposed concept would establish a variable capacity fee for multi-family projects served by 5/8" meters based on an estimate of the actual demand of the proposed units. The estimate would be based on the number and type of plumbing fixtures proposed and is aimed at more accurately charging for the actual demand.

Raftelis has reviewed and concurred with the proposed concept, including the following specific elements:

1. It is reasonable for capacity fees for multi-family units served by 5/8" meters to be determined on a variable scale, since the applicant does not have the option of a smaller meter.
2. "Fixture units," established in the Plumbing Code to quantify demand, are an appropriate starting point for determining multi-family project demands.
3. A mechanism is needed to ensure that larger projects are not provided a reduced fee as a result of having relatively more proposed dwelling units. A conversion factor of 33 fixture units per 5/8" meter capacity (20 GPM) is an appropriate mechanism for accomplishing this, since 33 fixture units is the Plumbing Code value associated with a flow rate of 20 GPM.

Staff will give a presentation at the December 14, 2015 meeting and take input from the Commission on the proposed multifamily capacity fee calculation for consideration in completing the updated fee report.

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Attachment: Proposed Update to Multi-Family Water & Sewer Buy-in Fee (November 10, 2014)

Proposed Update to Multi-Family Water & Sewer Buy-In Fee Calculation

Water Resources Division - November 10, 2014

Background

Buy-in fees are compensation paid by new customers, upon connection, to reimburse existing customers for the costs they have paid to construct the utility system. Payment of this fee to “buy into” the existing equity of the system makes it equitable for new customers to be charged at the same rates as existing customers. The City’s buy-in fees were most recently updated in June 2013 for FY 2014, pursuant to a study performed for the City by Raftelis Financial Consultants. Raftelis calculated an updated water buy-in fee of \$6,070 for 5/8” meters, with higher fees for larger meters in proportion to the meter size and corresponding flow capacity, as shown in the table of current water buy-in fees below.

FY 2015 Water Buy-n Fees			
	Meter Size	Buy-In Fee	Max. Operating Capacity (gpm)
Single and Multi-Family Residential Dwelling Units and All Non-Residential Potable Water Connections	5/8”	\$6,070	20
	¾”	\$9,105	30
	1”	\$15,174	50
	1 ½”	\$30,350	100
	2”	\$48,560	160
	3”	\$97,120	350
	4”	\$151,750	630
	6”	\$303,499	1,300
	8”	\$485,599	2,400
	10”	\$698,048	3,800

The current fees are based strictly on meter size. Prior to the adoption of the current fee structure, new Multi-Family Residential 5/8” meter connections were assessed a buy-in fee of about half the standard 5/8” meter fee, based on their usage per dwelling unit compared to Single Family Residential accounts served by a 5/8” meter. This was to recognize that demands in this sector are generally lower than Single Family Residential, since Multi-Family Residential dwelling units typically have less landscape and fewer water using fixtures than Single Family Residential dwelling units. Also, these accounts do not have the option of requesting a smaller meter to reflect the lower demand since a 5/8” meter is the smallest meter available. As a part of the 2013 study, it was recommended that this distinction be eliminated. Staff has re-evaluated the issue and is proposing to institute a new procedure for Multi-Family Residential accounts, as described below.

Proposed Procedure for Multi-Family Residential Connections

Multi-Family Residential units are dwelling units that are part of a structure that includes other dwelling units or non-residential space (i.e., they are “attached”). The City requires individual metering of all dwelling units as an important part of its conservation efforts. Under the current fee resolution, the 5/8” meter triggers a Multi-Family buy-in fee that is the same as a Single Family Residential buy-in fee for a connection served by a 5/8” meter. The proposed procedure aims to separate the issue of individual dwelling unit metering from the buy-in fee calculation, by serving each Multi-Family unit with a standard sized meter (usually 5/8”), but calculating buy-in fees based on the estimated maximum demand as determined by a Fixture Unit count. Fixture Units measure the rate of water flow required by a plumbing fixture and are listed in the City Plumbing Code to properly size piping systems.

Consideration was given to sizing a master meter based on the calculated maximum demand and charging a buy-in fee based on the size of master meter. However, for most Multi-Family projects, fire flow requirements exceed the capacity required for domestic/landscape needs, and it would be inequitable to base buy-in fees for Multi-Family projects on fire flow requirements when this is not done for other customer classes. It is therefore proposed that the buy-in fee for the Multi-Family Residential portion of a project served by 5/8” meters be based on total interior Fixture Units served by the domestic meters, plus the standard buy-in fee by meter size for the irrigation meter(s), up to a maximum fee per dwelling unit equal to the standard 5/8” meter buy-in fee, currently \$6,070. Interior Fixture Units would be converted to an equivalent number of 5/8” meters based on 1 equivalent meter per 33 Fixture Units, and multiplied by the 5/8” meter fee to determine the portion of the fee associated with the interior demand. The ratio of 33 Fixture Units per equivalent meter is derived from a chart in the Plumbing Code that converts Fixture Units to gallons per minute. While irrigation meters are currently exempt from buy-in fees for Multi-Family projects, it is recommended that the standard buy-in fee be charged for irrigation meters associated with a Multi-Family project because the above calculation includes only the domestic demand associated with a project and it is calculated specifically for a given project.

Sewer buy-in fees would be based on the same methodology, except that irrigation demand would not be included in the calculation of total demand, since irrigation demand does not impact the wastewater collection system.

The use of the proposed methodology means little change to the physical aspects of meter and fire system installations. Individual dwellings would continue to be served and billed by a separate meter, with no need for increased submetering. Fire flow would come from public mains, private firelines, or private mains, as it does currently.

Appendix A provides a summary of assumptions and water buy-in fee calculations for several examples of different Multi-Family Residential project types. The examples cover a range of Multi-Family units, from affordable projects to up-scale condominiums. A typical small Single Family Residential example is included for comparison. The examples illustrate that the proposed method more closely tailors the buy-in fee to the demand associated with a given project.

Effective Date of Buy-in Fees

When the City Council approves an increase in buy-in fees for new water and sewer connections, typically effective July 1, the Buy-In Fee Resolution authorizes the Public Works Director to establish criteria for eligibility to pay the previous fiscal year's buy-in fees, in lieu of the new fiscal year's buy-in fees, for projects that have achieved specific milestones in the development review process.

Accordingly, it is proposed that buy-in fees collected on or after the effective date of the new buy-in fees be charged at the new rates, except for those projects that have achieved any of the following milestones prior to the effective date of the new buy-in fees:

1. An application and fees have been accepted for Building Permit plan check prior to six months from the effective date of new buy-in fees;
2. An application and fees have been accepted for Public Works Permit review prior to six months from the effective date of the new buy-in fees; or
3. Such other milestone as the Public Works Director may determine to represent a comparable measure of progress toward completion of development review.

Projects meeting the above criteria would be eligible for payment of the previous fiscal year's buy-in fees. It would be the applicant's responsibility to demonstrate such eligibility at the time of fee payment. It is proposed that projects in the Planning Review process (Development Application Review Team, Pre-Application Review Team, etc.) would not be eligible for previous year's fees.

Appendix A – Summary of Assumptions & Fee Calculations for Various Project Examples (Water Buy-in)

	#1	#2	#3	#4	#5
Project Type	Affordable Project: Studio/1 Bath w/ Shower, Common Laundry	Student/Workforce Apartment Project: 2 BR/1 Bath w/ Tub/Shower, Dishwasher, Common Laundry	Mid-Market Apartment Project: 2BR/2.5 Bath w/ Master Bath, Dishwasher, In- Unit Laundry	Upscale Condo Project: 3BR/3.5 Bath, w/ Master Bath, Dishwasher, In- unit Laundry, Bar Sink	Small S.F. Residence: 3 BR/2 Bath (For Reference Only)
Number of Dwelling Units	12	12	12	12	1
Total FU's (interior)	100	172	360	474	30
Fixture Units per Dwelling Unit (interior)	8.3	14.3	30.0	39.5	30.0
# of Equivalent Meters (interior)	3.03	5.21	10.91	14.36	0.89
Common Area Irrigation Meter Size	1"	1"	1"	1"	None
Fee Per Proposed Method	\$33,568	\$46,812	\$72,840	\$109,260 ¹	\$6,070
Fee Per Current Method	\$72,840	\$72,840	\$72,840	\$72,840	\$6,070
Fee Per Prior MFR Discount	\$37,148	\$37,148	\$37,148	\$37,148	\$6,070

¹ Fixture Units in excess of 33 would trigger a ¾" meter and corresponding increased fee.