

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

Water Resources Division - November 10, 2014

<b>Item 10</b>
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### *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 <sup>1</sup>	\$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

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