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Agenda Item: ID17-389 (10:15 A.M.#1)

Date: 3/23/17

2017 MAR 22 AM 8 11

CITY CLERK, FRESNO CA

FRESNO CITY COUNCIL



Supplemental Information Packet

Agenda Related Item(s) – ID17-389 (10:15 A.M.#1)

Contents of Supplement: PowerPoint Presentation

Item(s)

Actions pertaining to proposed water capacity fees (Citywide):

1. CONTINUED HEARING regarding the proposed Water Capacity Fees.
2. BILL - (For introduction) - Amending Article 5 of Chapter 6 of the Fresno Municipal Code and Article 4.5 of Chapter 12 to repeal various fees associated with providing water capacity for new and expanded connections to the water system and create a new Water Capacity Fee classification, and to adopt Water Capacity Fees as proposed by and justified in the nexus study prepared by Bartle Wells Associates.
3. ***RESOLUTION - 530th amendment to the Master Fee Resolution No. 80-420 adopting Water Capacity Fees under the Public Utilities Section.

Supplemental Information:

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

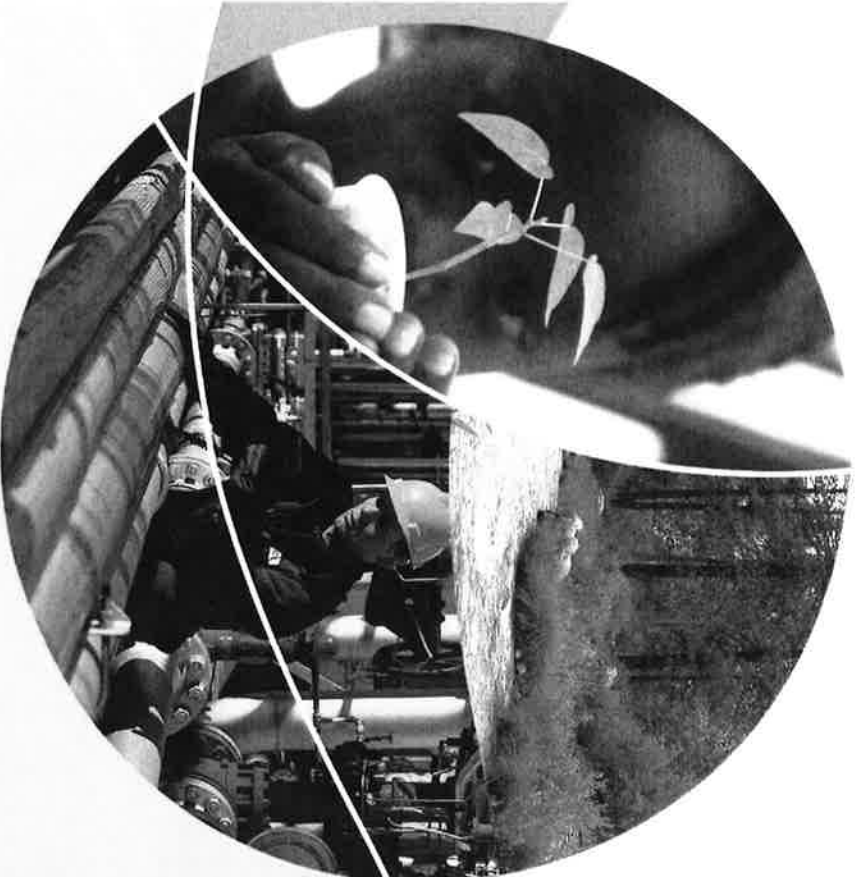
Americans with Disabilities Act (ADA):

The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Requests for additional accommodations for the disabled, sign language interpreters, assistive listening devices, or translators should be made one week prior to the meeting. Please call City Clerk's Office at 621-7650. Please keep the doorways, aisles and wheelchair seating areas open and accessible. If you need assistance with seating because of a disability, please see Security.

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CITY CLERK, FRESNO CA



**Public Hearing and
Bill Introduction
for**

Recommended Water Capacity Fee

March 23, 2017

Clean, Safe, Reliable Drinking Water

**WATER . . .
Can't live without it . . .**



Regional Water Supply Challenges



Pine Flat Reservoir

**“Our regional
groundwater basin
loses the equivalent of
1.5 times the size of
Pine Flat Reservoir
every year.”**

- *Jonathan Traum, P.E.
US Geologic Survey
Sept 29, 2014*

2014 Sustainable Groundwater Management Act (SGMA)

- Mandates “the management and use of groundwater ... without causing **undesirable results**”
- Sustainable groundwater management depends upon creating more opportunities for **robust conjunctive management of surface water and groundwater resources**

“The State's primary role is to provide guidance and technical support ...and to step in on an interim basis when, but only when, local agencies fail to exercise their responsibilities as set forth in this legislation.”

- Department of Water Resources

“**Undesirable Result**”

- Chronic **lowering** of groundwater levels
- Significant and unreasonable **reduction** of groundwater storage
- Significant and unreasonable **degraded** water quality

The New Normal for Development Planning



FRESNO COUNTY REEDLEY GROWTH PLAN PROMPTS WATER FIGHT

Blossoms and dirt will transform into homes and business as under the proposed Blossom Trail project. (KFSN)

By Colin Hoggard

Monday, February 21, 2017 9:28 AM

REEDLEY, Calif. (KFSN) -- The city of Reedley is facing a fight over its plans to grow and water is the main sticking point. Blossoms and dirt will transform into homes and businesses under the proposed Blossom Trail project. But the city is meeting resistance in the waterways.

"Did they work with us on the plan?" asked P. Scott Browne, an attorney for the Consolidate Irrigation District. "No. They cut us out completely, because I guess they don't want to hear what we have to say." CID, representing about 7,000 farmers, filed a lawsuit against the city this month, trying to stop the development for taking

FRESNO COUNTY

Authorities investigate a series of fires in Selma

Some farmers in Fresno County given 100-percent water allocation, others still waiting to find out

Nonhate to go for Fresno County sexually violent predator

Fresno County asks for aid to help with emergency declaration focusing on Tranquility levees

MORE FRESNO COUNTY

NEWS

Trump to address sailors aboard aircraft carrier in Virginia

- Local government wants to approve a new development project;
- Local government has no access to surface water to support new development project;
- Development proposes to rely on groundwater extractions for water supply;
- Local government acknowledges that overdraft will occur with extractions required for new development;
- Irrigation District wants local government to replace extracted groundwater or pay a fee to compensate for extractions;
- Resolution will be determined through litigation.

Fresno's New Normal for Development Planning



FRESNO COUNTY REEDLEY GROWTH PLAN PROMPTS WATER FIGHT

NEW VIDEO
 editto > more news videos >
 Blossoms and dirt will transform into homes and businesses under the proposed Blossom Trail project. (KFNS)

By Corin Hoggard

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- New development in the City of Fresno will result in additional groundwater extractions;
- The City of Fresno has surface water allocations to compensate for additional groundwater extractions associated with new development;
- The City's surface water allocations are sufficient to bank surplus water in the aquifer for both current and future connections (drought resiliency);
- The Water Capacity Fee will provide the revenue required to construct the water system improvements needed to compensate for additional groundwater extractions required by new development.

Five-Year Capital Plan

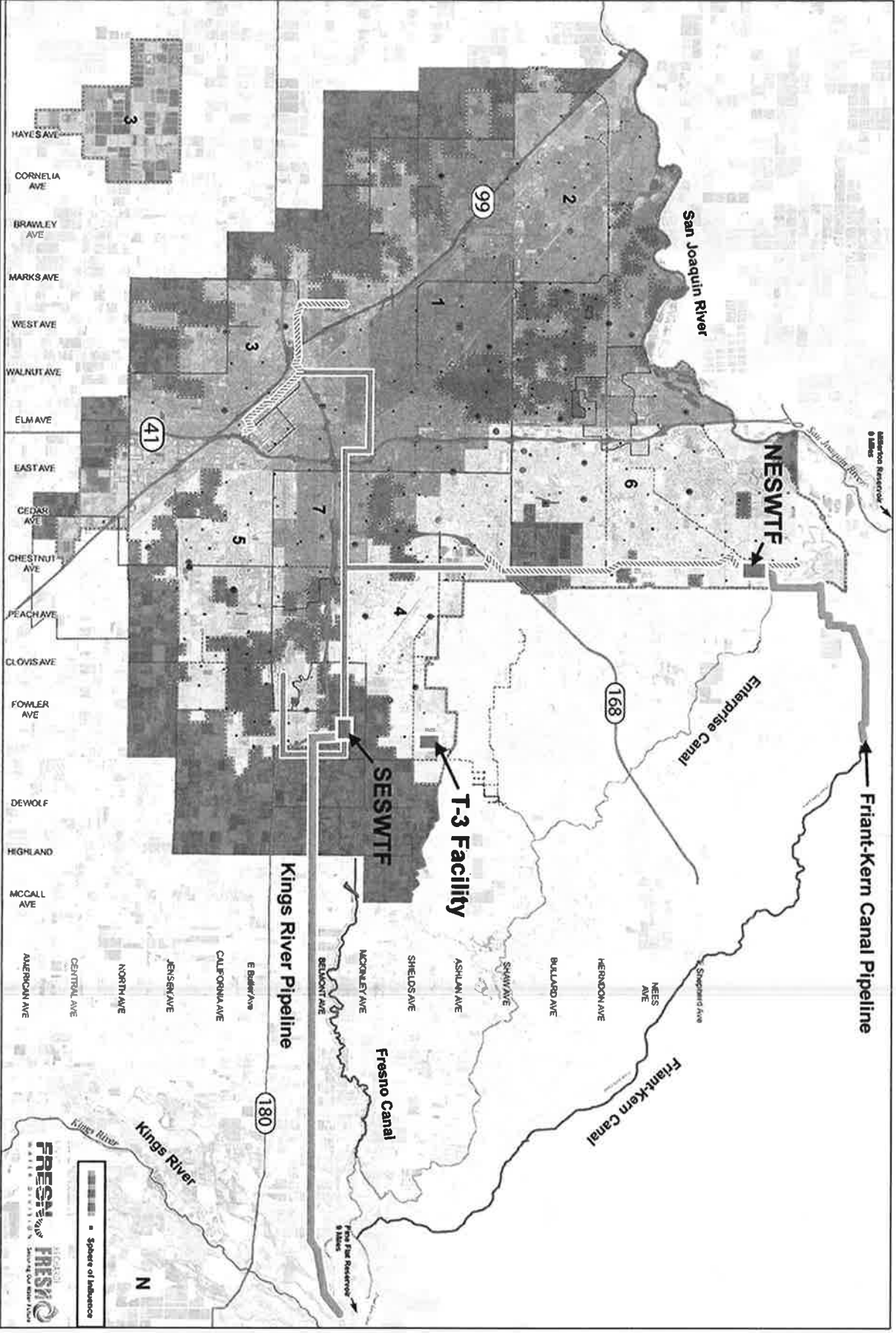
Existing Ratepayers' Contribution to SGMA Compliance

Summary of Projects and Financing

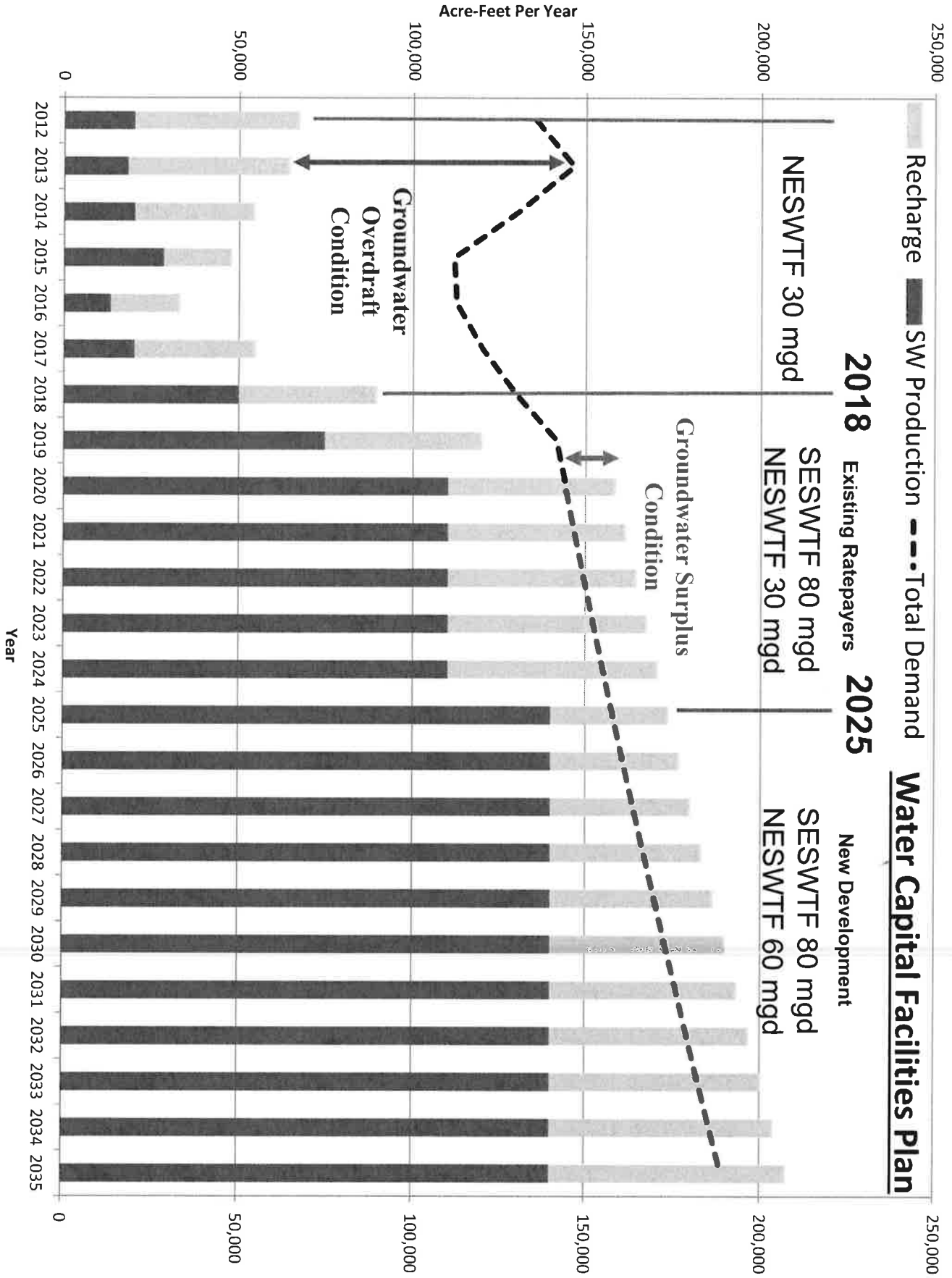
PROJECTS

Southwest Surface Water Treatment Facility	\$186.4 million
Raw Water Pipelines	\$ 98.4 million
Finished Water Pipelines	\$ 55.4 million
Water System Renewal and Replacement	\$ 82.5 million
Groundwater Recharge	\$ 6.4 million
TOTAL =	\$429.1 million

Recharge Fresno Projects



Water Capital Facilities Plan



Five-Year Capital Plan

Existing Ratepayers' Contribution to SGMA Compliance

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5-Year Water Rate Plan approved by City Council February 26, 2015 to fund \$429.1 million capital investment plan to achieve compliance with SGMA.

What We Heard During 2014 Community Forums for 5-Year Rate Plan

- ✓ Water affordability and equity are important.
- ✓ What happens if we don't advance the capital plan and rate plan (What is Plan B)?
- ✓ The City has credibility issues (delivery of projects, transparency, compliance with adopted plans).
- ✓ What is the reliability of the City's surface water entitlements?
- ✓ What happens if we get additional financial support from the State of CA?
- ✓ Are we certain that the Recharge Fresno plan will meet the State's requirements in the Sustainable Groundwater Management Act?
- ✓ What is the status of the Conveyance Agreement?
- New development should pay its fair share of program costs.

Property Owner Protections for Water Charges

- **New or Expanded Connections to Water System (Mitigation Fee Act)**
 - Capacity charge means:
 - A charge for public facilities in existence at the time a charge is imposed, or
 - A charge for new public facilities to be acquired or constructed in the future, that are of proportional benefit to the property being charged
 - Capacity charges shall not exceed the estimated reasonable cost of providing the service for which the charge is imposed
 - Capacity charges shall be deposited in a separate capital facilities fund to avoid any commingling with other moneys of the local agency
 - Capacity charges shall be expended solely for the purposes for which the charges were collected.

Recommendation & Objectives

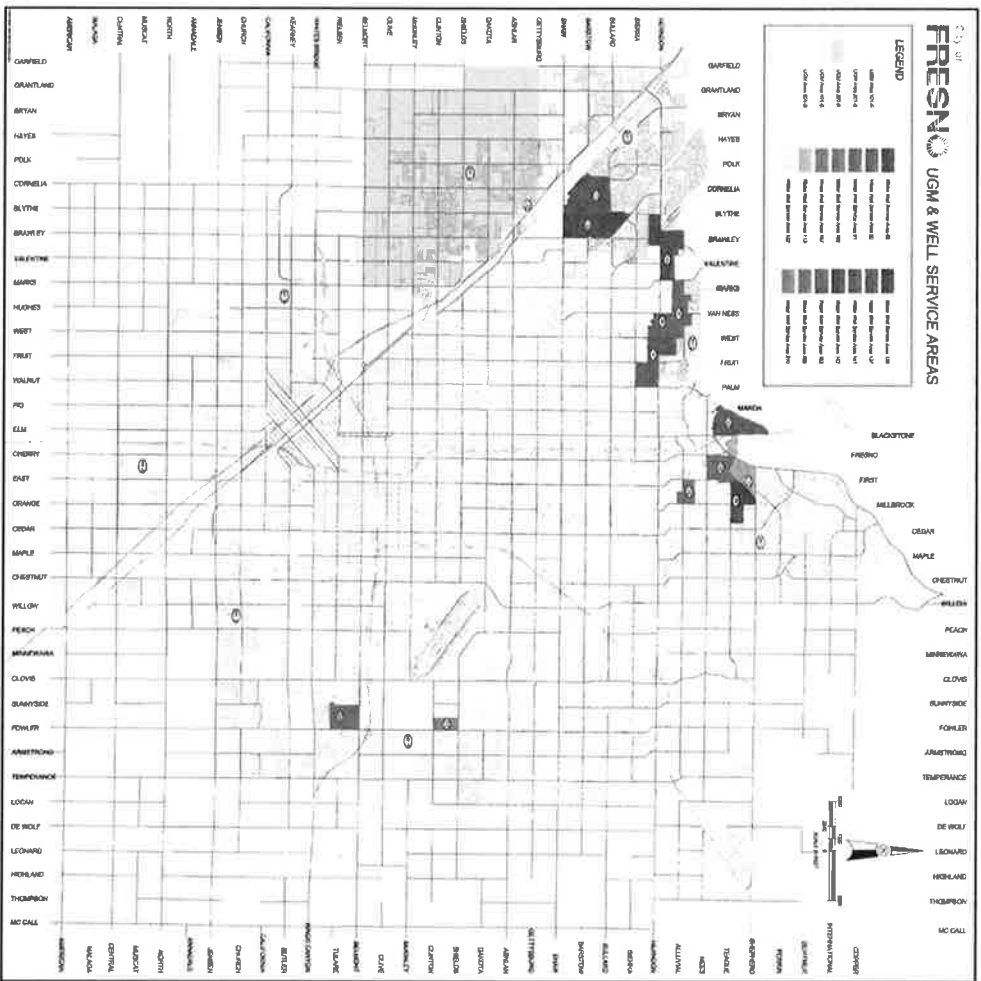
Recommendation

- Transition to a single consistent water capacity fee applied uniformly to all new or expanded connections to the water system, regardless of where the connection is made to the system.

Objectives

- To ensure water supply availability, reliability and drought resiliency for new and expanded connections to the City water system.
- To equitably recover the proportionate share of costs for infrastructure, assets, and water supply facilities and resources that benefit new and expanded connections to the water system.
- To not exceed the estimated reasonable cost of providing water supply availability, reliability, and drought resiliency for new or expanded connections to the water system.

Current Water-Related Capacity and Treatment Charges



- Urban Growth Management (UGM) Water Supply Fees
 - 21 Areas
- Well Head Treatment Fees
 - 5 Areas
- Recharge Area Fees
- 1994 Bond Debt Service
- Transmission Grid Main Charges
- Transmission Grid Main Bond Debt Service

Current Water-Related Capacity and Treatment Charges

1. Have not been updated in over 10 years, and some as long as 20 years;
2. Do not recover the costs to provide capacity for new or expanded connections to the existing water system;
3. Do not fully recover the costs to build new water system infrastructure to meet the demands of new or expanded connections to the water system;
4. Do not recover any costs from non-Urban Growth Management areas to provide water system infrastructure needed to meet the demands of new or expanded connections to the water system; and
5. Are administratively burdensome with almost 150 separate Urban Growth Management funds, predominantly for water and sewer services.

Facilities Required for New Growth

- **Water Demands**
 - Existing Water Demands = 130,428 acre-feet per year (AF/Year)
 - Future Water Demands (2035 General Plan) = 190,500 AF/Year
 - New Growth Water Demands = 60,072 AF/Year
- **Facilities Required to Serve New Growth (2014 Metro Plan Update)**
 - New groundwater wells, groundwater recharge facilities, water distribution pipelines
 - \$12.7 million (proportionate share of facilities previously financed [2010 Revenue Bonds] by existing ratepayers that benefit new growth)
 - \$143.9 million (new facilities that benefit new growth only)
 - New surface water treatment facilities and finished water transmission facilities
 - \$161.0 million (expansion of NE SWTF [82.4 million] and new transmission mains [78.6 million] that benefit new growth only)

Proposed Water Capacity Fee Calculation

1) GROUNDWATER & DISTRIBUTION SYSTEM ASSETS BENEFITTING GROWTH	
Proportionate Share of Existing Infrastructure Benefitting Growth	\$12,725,024
New Infrastructure Benefitting Growth	\$143,865,079
Total Groundwater and Distribution System Infrastructure Benefitting Growth	\$156,590,103
Projected New Growth Demand to 2035 (AF)	60,072
Cost per Unit	
\$/AF	\$2,607
\$/HCF	\$5.984

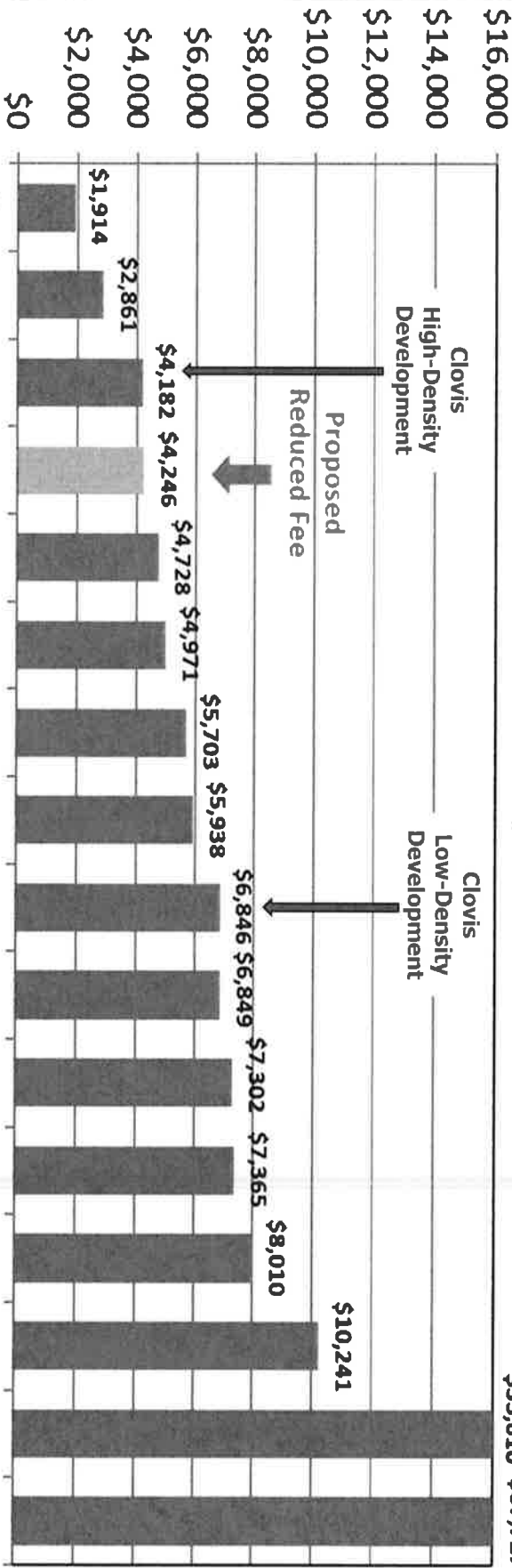
Proposed Water Capacity Fee Calculation

2) SURFACE WATER IMPROVEMENTS FOR GROWTH	
Surface Water Treatment Capacity Expansion (30 mgd to 60 mgd)	\$82.4 million
Regional Transmission Mains	\$78.6 million
Total Surface Water Treatment and Transmission	\$161,000,000
Projected New Growth Demand (2035), acre-feet	33,604
Cost per Unit	
\$/AF	\$4,792
\$/HCF	\$11,000
3) TOTAL WATER CAPACITY FEE	
Groundwater and Distribution System Improvements, \$/HCF	\$5.984
Surface Water Treatment and Transmission Improvements, \$/HCF	\$11.000
Total Capacity Fee, \$/HCF	\$16.984

Proposed Water Capacity Fees

Meter Size	Water Capacity Ratio	Annual Water Demand (hcf/year)	Water Capacity Fee
Capacity Fee Unit Cost (\$ per hcf)			
Up to 3/4"	0.625	156.25	\$2,654
1"	1.00	250.00	4,246
1-1/2"	1.25	312.50	5,308
2"	2.50	625.00	10,615
3"	4.00	1,000.00	16,984
4"	6.25	1,562.50	26,538
6"	12.50	3,125.00	53,076
8"	60.00	15,000.00	254,763

Water Capacity Fee Survey Single Family Residence



1 Higher-density lot, assumes 1/8-acre lot (5,445 sf) with 50 feet of frontage
 2 CPI-adjusted through December 2015
 3 Lower density lot, assumes 1/4-acre lot (10,890 asf) with 75 feet of frontage
 4 Includes "Delta Water Supply Project Water Supply Fee" and 3.5% administrative charge
 5 Includes regional water supply capacity charge from the San Diego County Water Authority
 6 Based on new home with 0.35 Acre-Feet of water demand (approx. 312 gpd)

Comments Expressed on Water Capacity Fee

1. City proposes to deny fee credits or reimbursements.
2. City proposes to limits the term of reimbursement agreements to 10 years.
3. City should not apply Water Capacity Fee to approved (vested) tentative tract maps.
4. City should not present the maximum fee in Water Capacity Fee Study.
5. City's adoption of the Water Capacity Fee would violate CEQA.
6. City should not include NESWTF expansion in the Water Capacity Fee because timing is uncertain and actual construction has not been approved by City Council.

1. City will reimburse, and issue fee credits to, developers required to install water supply facilities as a condition precedent to project approval.
2. City will not impose time limitations on reimbursement agreements with developers.
3. City will not apply Water Capacity Fees to approved (vested) tentative tract maps.
4. Staff recommends "reduced fee" for Council adoption - maximum fee served as reference point for "reduced fees."
5. Water Capacity Fees are not a project and not subject to CEQA.
 - CEQA is completed for individual projects before approved by Council.
6. Fees must be calculated based on City's reasonable estimated costs to meet service demands.
 - Project components will be approved by Council when projects ready to construct.

General Administration of Water Capacity Fee

- If approved, Water Capacity Fee will become effective June 5, 2017;
- Water Capacity Fee will be charged for only one meter, when two meter connections are required for reliability and redundancy (*multi-family, commercial, mixed-use*);
- Water Capacity Fee will be charged based on underlying water demands for project, with fire flow excluded (*multi-family, commercial, mixed-use*);
- Water Capacity Fee revenues will be deposited into a separate capital facilities fund and not comingled with other Water Division revenues;

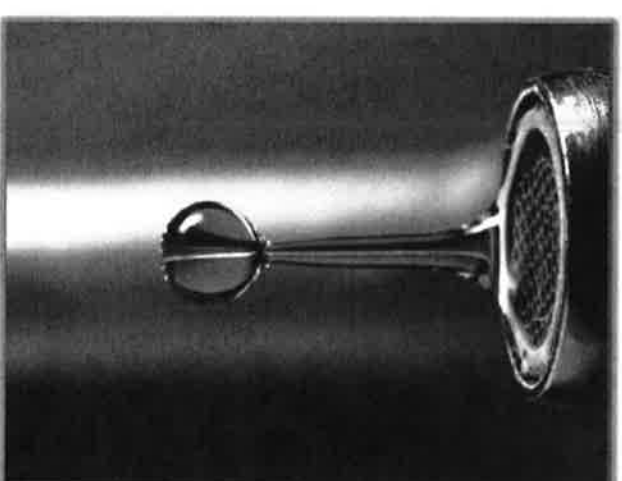
General Administration of Water Capacity Fee

- Allocation of Water Capacity Fee Revenue
 - Debt service payments (50%)
 - Developer reimbursements (50%)
 - Existing tentative tract maps
 - New tentative tract maps
 - Water system facility improvements to benefit new growth
- Annual reports of revenues and expenditures will be published for the community to review;
- Water Capacity Fee shall be reviewed and updated every five years as necessary;
- Water Capacity Fee shall be increased annually based on ENR CCI.

Purpose and Need

Long-Range Vision for Water System

- Safe and Reliable Water System
- Sustainable and Resilient Water Supply
- Equitable and Affordable Financial Plan
 - Protect the financial interests of existing connections to the water system
 - Protect the financial interests of new and expanded connections to the water system



Questions