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Agenda Item: ID17-458 (11:00 A.M.#2)

Date: 4/6/17

2017 APR 5 AM 11 53



Supplemental Information Packet

Agenda Related Item(s) – ID17-458 (11:00 A.M.#2.)

Contents of Supplement: PowerPoint – Response to Council questions.

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.

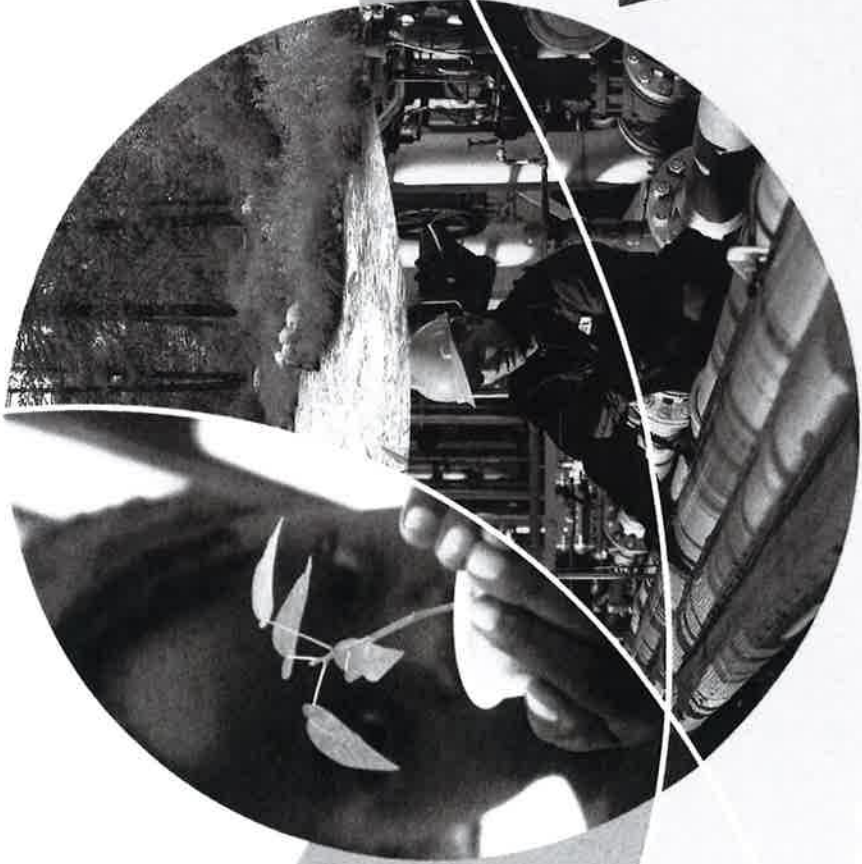
Americans with Disabilities Act (ADA):

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



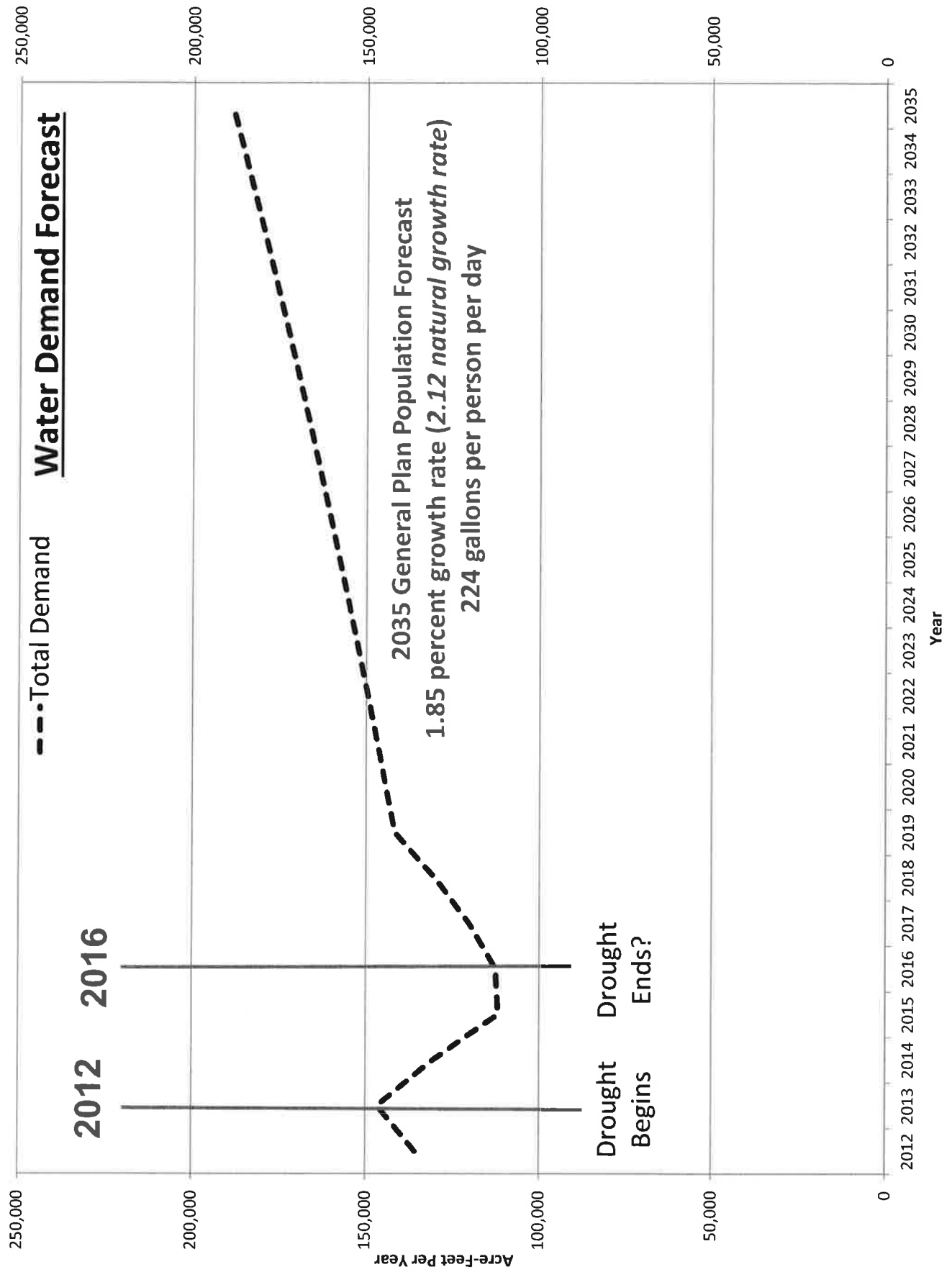
Water Capacity Fee Bill Adoption

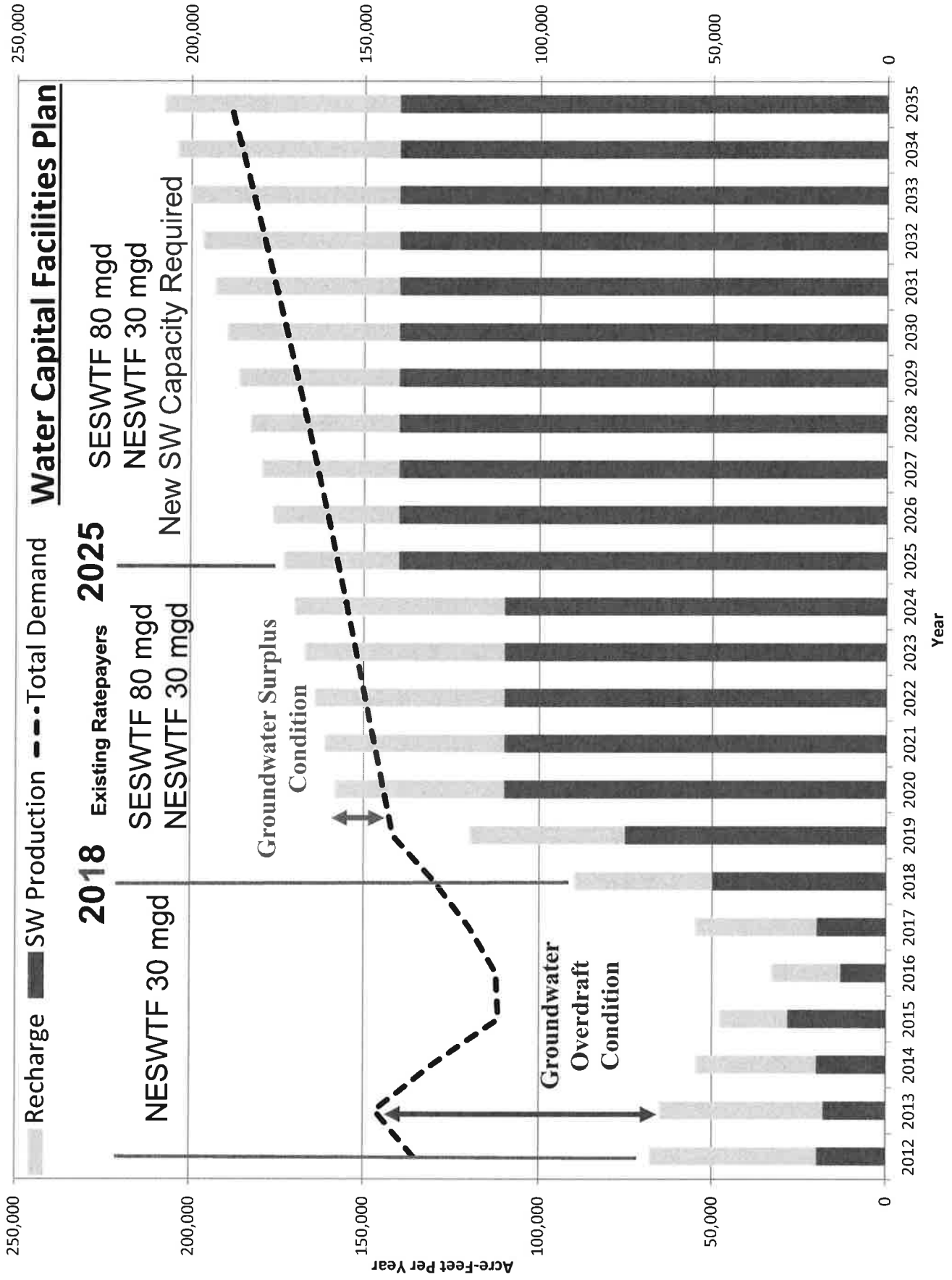
Response to Council Questions and Additional Information

April 6, 2017

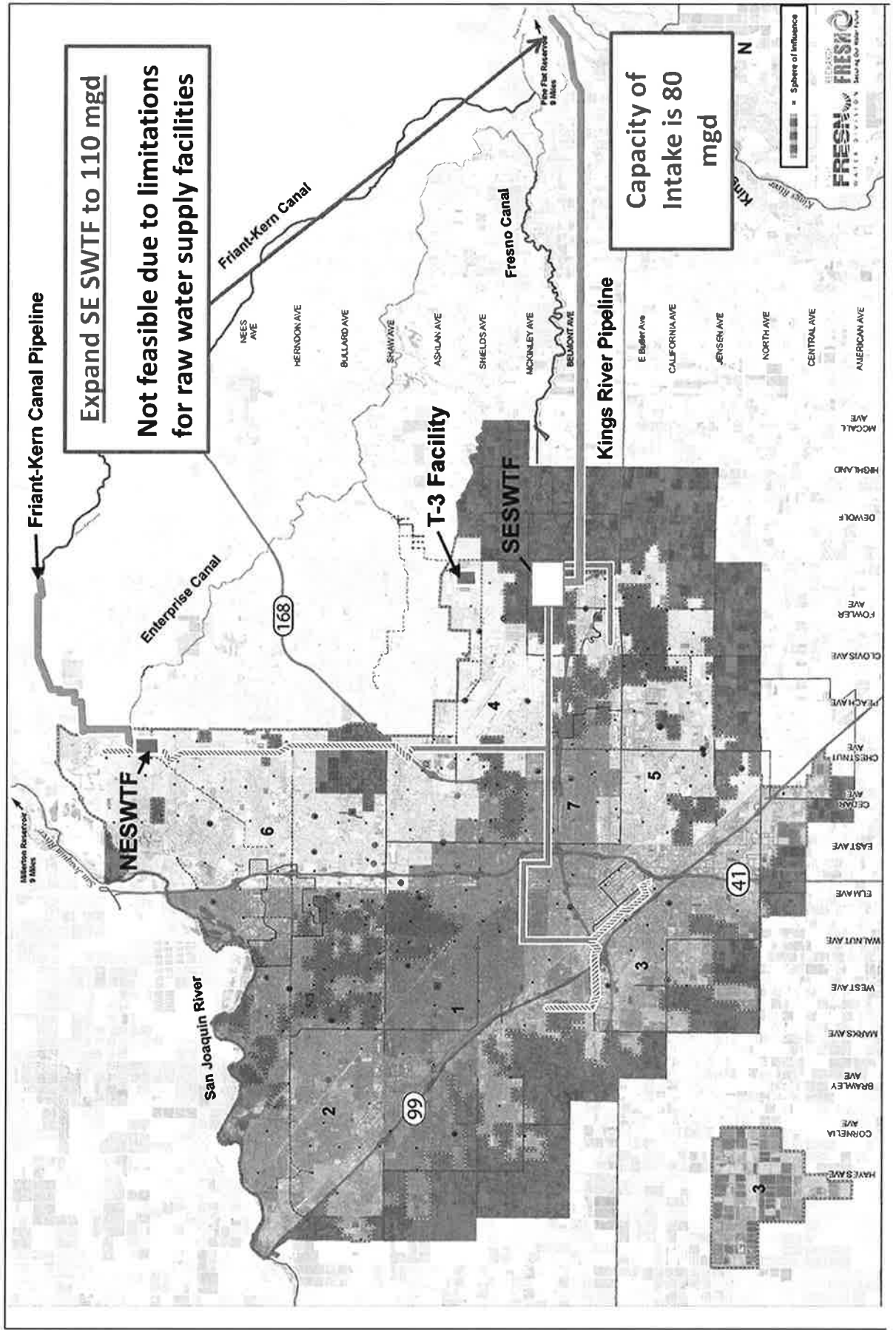
Council Request for Additional Information

1. What other options have been considered to add surface water treatment capacity to the City's water system?
2. Provide a clarification regarding the various capital cost estimates that have been prepared for the NESWTF expansion.
3. Conduct a financial impact analysis for the Water Impact Fee if new growth was required to repay 100 percent of bond debt for the NESWTF Expansion.
4. What other public agencies complete CEQA to adopt Water Capacity Fees?
5. Confirm that the City will conduct the required CEQA analysis in the future, once additional growth requires the City to define a specific project to add surface water treatment capacity to the City's water system?
6. Did Clovis complete CEQA to adopt Water Capacity Fees?
7. Review the options available to the City if the Water Capacity Fee revenues are insufficient to add needed surface water treatment capacity?
8. What if the capital costs to add surface water treatment capacity are less than currently estimated?

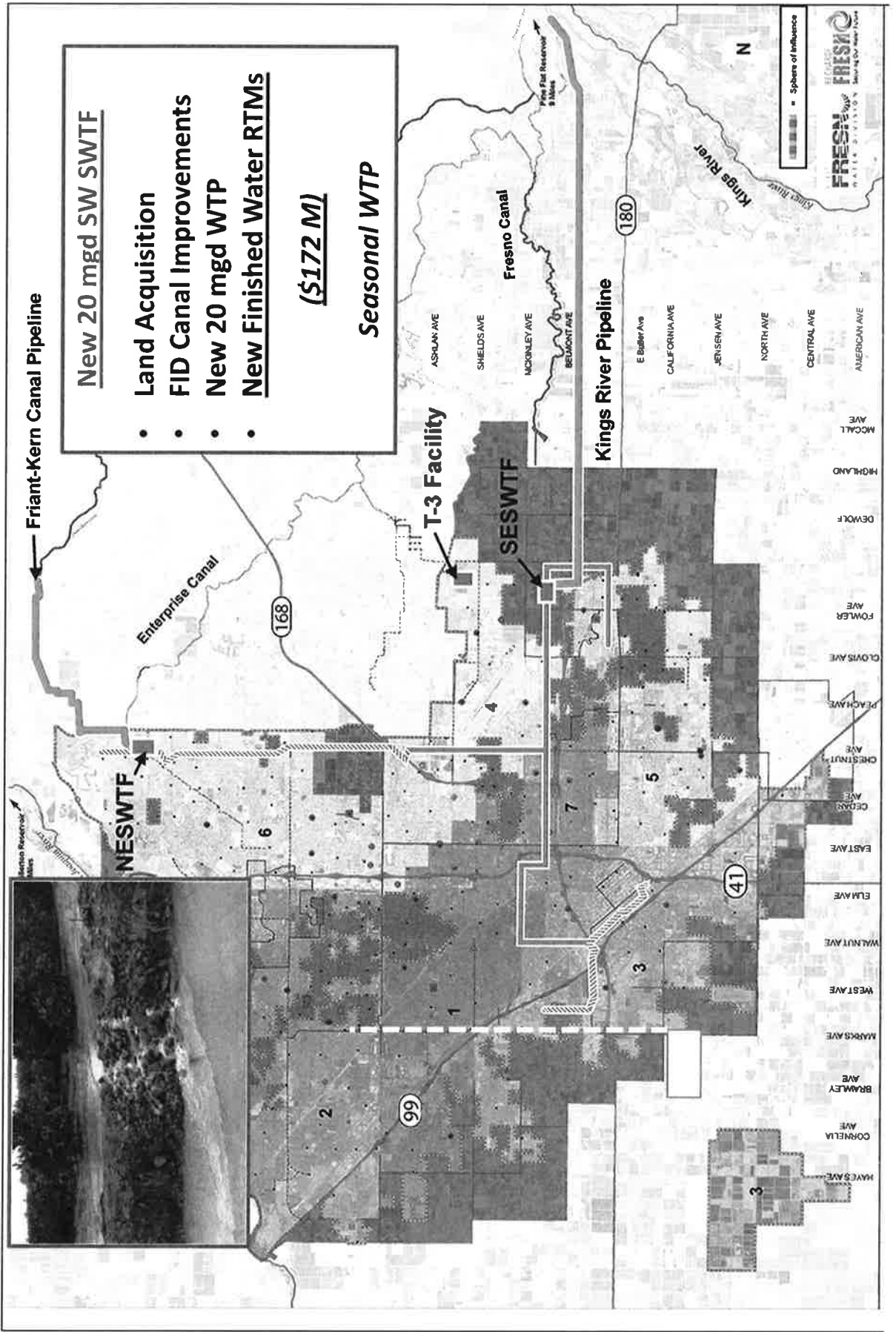




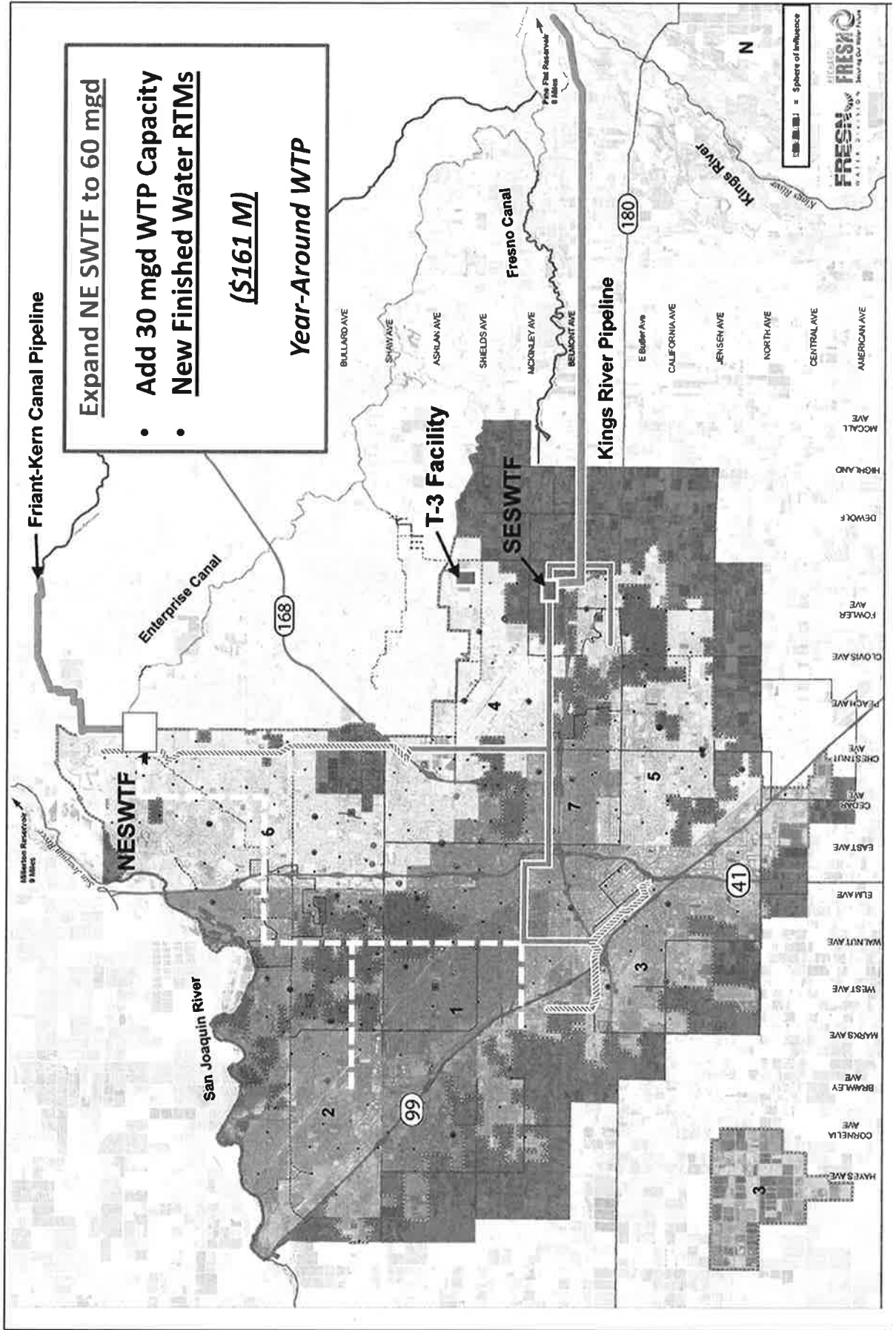
Options to Add Additional Surface Water Treatment Capacity (Expand SE SWTF to 110 mgd)



Options to Add Additional Surface Water Treatment Capacity (Construct New SW SWTF 20 mgd)



Options to Add Additional Surface Water Treatment Capacity (Expand NE SWTF to 60 mgd)



Review of Builder-Provided Cost Estimate Data March 23, 2017

PLANT EXPANSION CONSTRUCTION COSTS - CITY OF FRESNO

FEB 2015 CH2MHill
 FEB 2017 UPDATE Carollo
 FEB 2007 DRAFT Carollo
 OCT 2006 FINAL Carollo

COST ESTIMATE DESCRIPTION:	QTY	FEB 2015 CH2MHill	FEB 2017 UPDATE Carollo	FEB 2007 DRAFT Carollo	OCT 2006 FINAL Carollo
1 General Conditions			5,650,000	4,400,000	
2 Civil Site Work - Yard Piping		1,790,000	4,520,000	5,600,000	
3 Raw Water Pump Station			2,100,000	100,000	
4 Pretreatment - Actiflo		9,356,000	6,370,000		
5 Interim Ozonation		11,613,000	5,340,000	1,400,000	
6 Filters	6	13,641,000	7,670,000	3,900,000	4,600,000
7 Treated Water Reservoir	5MG	6,426,000	4,750,000	2,900,000	4 MG
8 Treated Water Pump Station			3,680,000	25,000	1,000,000
9 Residuals Handling			2,470,000		
10 Chemical Facilities		4,109,000	3,200,000		
11 Electrical		6,340,000	8,470,000		
12 Instrumentation and Controls			2,260,000		
13 Inline Rapid Mix		1,475,000			
14 Finished Water Pumping	2	2,971,000			
15 Backwash Equalization - Pumping		1,916,000			
16 Sludge Dewatering Beds		1,820,000			
17 Wastewater Recycle Pumping		857,000			
18 Plant Computer System		1,085,000			
19 Submittals - Approvals - Fabrication - Delivery				8,500,000	
20 Clarification Basins				1,500,000	
21 Chemical Storage Building				2,300,000	
22 Plaza - Tunnel - Meter Facility				42,000	
23 Waste Wastewater Reclamation				500,000	500,000
					**
		\$63,399,000	\$56,480,000	\$31,167,000	\$38,000,000
SUBTOTAL:					
Contingency:	0%	\$0.00	\$16,940,000	\$0.00	\$13,000,000
Engineering - Legal - Admin (Soft Cost):	30%	\$19,020,000	\$11,030,000	\$3,700,000	\$10,000,000
TOTAL:		\$82,419,000	\$84,430,000	\$34,867,000	\$61,000,000

Engineering - Legal - Admin (Soft Cost):

Review of Builder-Provided Cost Estimate Data

March 23, 2017

Feb-15	Feb-17	Mar-06	Oct-06
CH2MHILL	Carollo	Carollo	Carollo
\$82,419,000	\$84,430,000	\$34,867,000	\$61,000,000
TOTAL			

DRAFT

Review of Builder-Provided Cost Estimate Data

March 23, 2017

Feb-15 CH2MHILL	Feb-17 Carollo	Mar-06 Carollo	Oct-06 Carollo
\$82,419,000	\$84,430,000	\$34,867,000	\$61,000,000

TOTAL

DRAFT

7,883 ENR CCI October 2006

10,532 ENR CCI January 2017

1.34 Inflation Factor

Inflated Construction Price
\$81,498,414

Review of Builder-Provided Cost Estimate Data

March 23, 2017

Feb-15	CH2MHILL	Feb-17	Mar-06	Oct-06
		Carollo	Carollo	Carollo
TOTAL	\$82,419,000	\$84,430,000	\$34,867,000	\$61,000,000

DRAFT

Current Cost Estimate to Expand NE SWTF from 30 mgd to 60 mgd is **\$82.4 million**

Data Sources:

- Grade 1 Cost Estimate for SESWTF
- Bid Forms Received for SESWTF
- Contractor Schedule of Values for SESWTF
- Monthly Pay Requests for SESWTF

Fiscal Impact on Water Capacity Fee Debt Financing versus Pay-Go Financing

Staff Recommendation

Pay-Go = \$4,246

Capital Cost - NESWTF Expansion to 60 mgd Firm Capacity	\$ 82,400,000
Capital Cost - Regional Transmission Mains for NESWTF Expansion	\$ 78,600,000
Bond Issuance Costs (2%)	\$ 3,220,000
Bond Service Reserve Fund (10%)	\$ 16,100,000
Total Bond Debt Issue	\$ 180,320,000
Revenue Bond Term, Years	30
Revenue Bond Interest Rate, %	5.50%

Annual Debt Service Payment	\$ 12,406,988
Number of 1-inch Meter Equivalents Per Year (3-Year Average)	940
WCF Charge for NESWTF Expansion (per 1-inch meter equivalent)	\$ 13,199
WCF Charge for Groundwater Supply, Recharge, and Distribution Facilities	\$ 1,496
Total Water Capacity Fee Charge (Debt Financed)	\$ 14,695

Which other public agencies completed CEQA prior to adopting Water Capacity Fees?

- Water Capacity Fees are not a project and not subject to CEQA.
 - CEQA will be completed once the nature, scope, scale and timing of a specific water system project required to accommodate new growth is confirmed.
- We have yet to identify an agency that has completed a CEQA process as a condition precedent to adopting Water Capacity Fees
 - The City's staff (*no CEQA conducted for 12/2016 fee adoption*)
 - The City's Financial Consultant (*conducts fee assessments for agencies throughout the state*)
 - The City's Outside Legal Counsel (*provides legal counsel on fee assessments to agencies throughout the state*)

Which other public agencies completed CEQA prior to adopting Water Capacity Fees?

- San Diego County Water Authority
- San Francisco Public Utilities Commission
- Los Angeles Department of Water and Power
- East Bay Municipal Utilities District
- City of San Diego
- Contra Costa Water District
- Metropolitan Water District of Southern California

City Survey:

These large water utilities DO NOT conduct CEQA before establishing or adjusting capacity charges.

Did Clovis Perform CEQA for Water Capacity Fees?

“We have not done a CEQA process for fees in the past and do not intend to going forward.”

- 75 percent of Clovis Water Plant paid for by developers
- 25 percent of Clovis Water Plant paid for by existing rate payers

The 25% assessed to existing ratepayers is the Clovis version of Recharge Fresno, whereby existing ratepayers contribute to correcting groundwater overdraft conditions (*Recharge Fresno = \$429 million*).

What if Water Capacity Fee revenues are insufficient to build required facilities?

1. Reduce the scope of capital project prior to award of construction contract
 - *Less money available, construct less facilities*
 - *This has been a historical practice of the City (e.g. NE SWTF)*
2. Assess the additional cost to ratepayers
 - *This has been a historical practice of the City (e.g. NE SWTF)*
3. Assess the additional cost to the General Fund
4. Declare a building moratorium until sufficient funds can be secured from new development to construct the water supply facilities required to meet the water demands of new development.

What if the capital costs to add surface water treatment capacity are less than currently estimated?

- The Water Capacity Fee will be adjusted annually based on ENR Construction Cost Index:
 - If the construction cost index rises, the Water Capacity Fee will be increased proportionately; and
 - If the construction cost index falls, the Water Capacity Fee will be decreased proportionately.
- The Water Capacity Fee will be reviewed every five years to ensure that the capital facilities and cost estimates required to serve new development remain current, accurate and valid.
- If the capital costs are less than required to complete projects providing water capacity service for new growth, any available fund balance will be used to reduce level of future Water Capacity Fees.

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

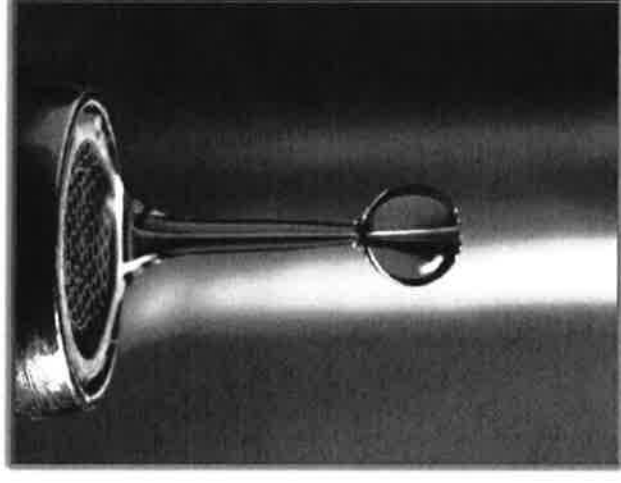
- ✓ Water affordability and equity are important.
- ✓ What happens if we don't advance the capital plan and rate plan (What is Plan B)?
- ✓ The City has credibility issues (delivery of projects, transparency, compliance with adopted plans).
- ✓ What is the reliability of the City's surface water entitlements?
- ✓ 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.

Existing Ratepayer Comments
New development should pay its fair share

Video Summary of Resident Comments

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



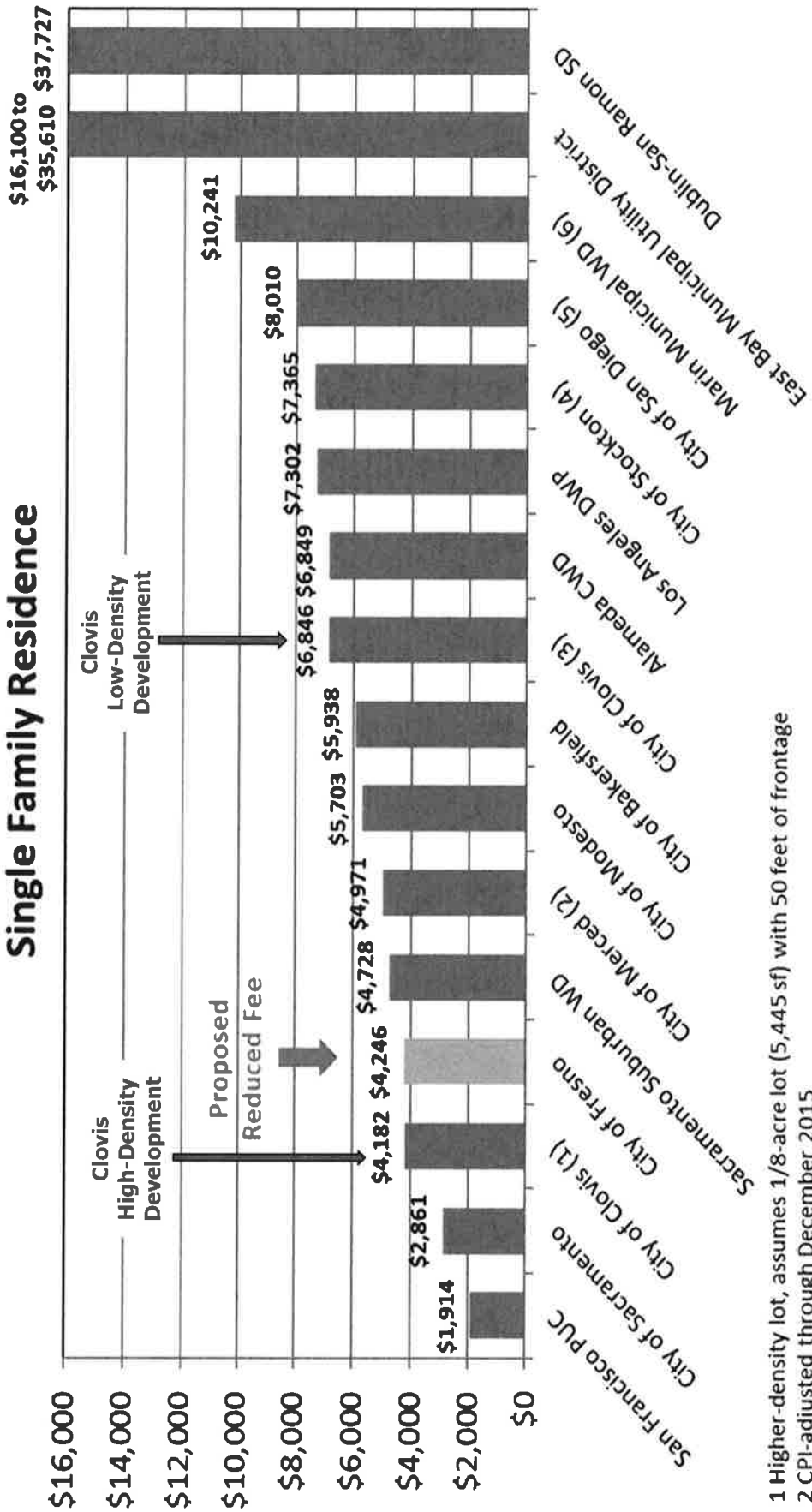
Staff Recommendation for Water Capacity Fees

Equitable Financial Plan for Water System

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	\$16.984
1"	1.00	250.00	\$2,654
1-1/2"	1.25	312.50	4,246
2"	2.50	625.00	5,308
3"	4.00	1,000.00	10,615
4"	6.25	1,562.50	16,984
6"	12.50	3,125.00	26,538
8"	60.00	15,000.00	53,076
			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-Foot of water demand (approx. 312 gpd)

Questions