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Agenda Item: ID17-0013 (10:15 A.M. #1)

Date: 3/9/2017

2017 MAR 7 AM 10 57

FRESNO CITY COUNCIL

CITY CLERK, FRESNO CA



Supplemental Information Packet

Agenda Related Items – ID17-0013 (10:15 A.M. #1)

Contents of Supplement: Staff Presentation

Item(s)

Actions pertaining to proposed water capacity fees (Citywide):

1. Hold a public hearing regarding the proposed Water Capacity Fees.
2. Adopt findings that the proposed Water Capacity Fees and Municipal Code amendments are exempt from environmental review under a Statutory Exemption to the California Environmental Quality Act (CEQA) for rates, tolls, fares, and charges (pursuant to Public Resources Code section 21080(b)(8) and CEQA Guidelines section 15273(a)(4).
3. 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.
4. ***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.



Public Hearing and Bill Introduction for Recommended Water Capacity Fee

March 9, 2017

Clean, Safe, Reliable Drinking Water

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



Regional Water Supply Challenges

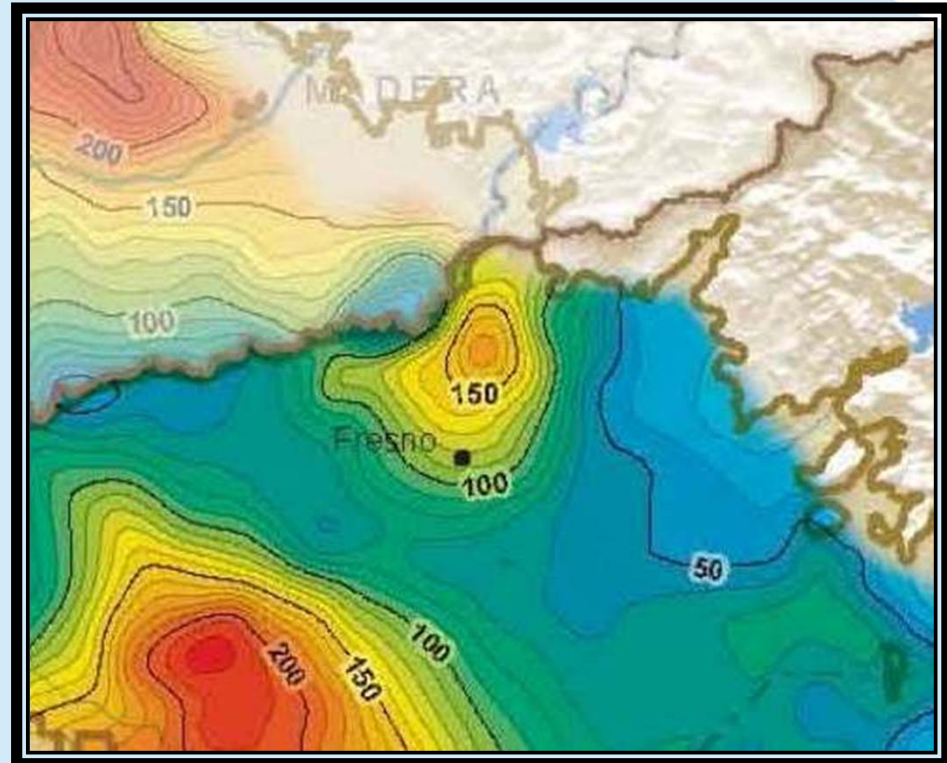
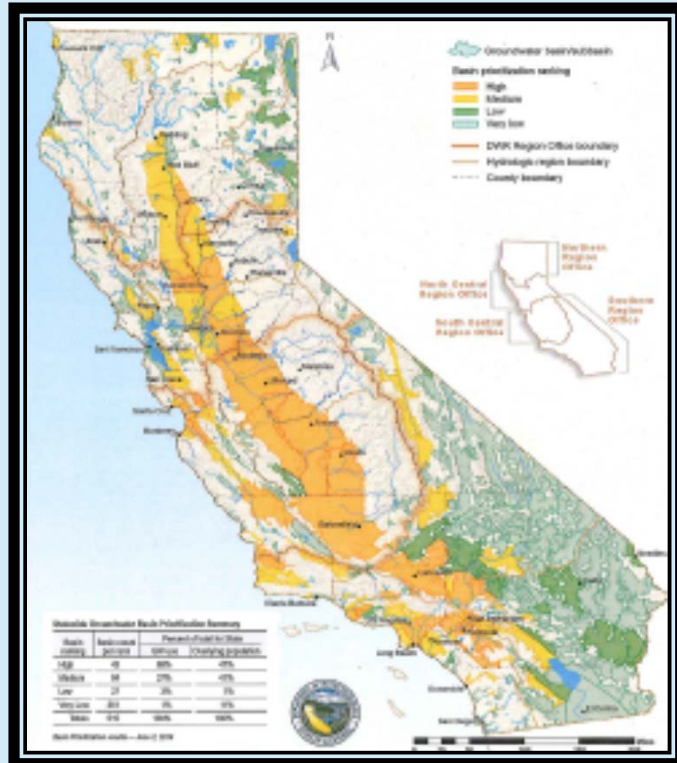


Pine Flat Reservoir

**“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*

Regional Water Supply Challenges



“In the final prioritization, Kings Sub-basin ranks as the ninth highest priority basin in the DWR South Central Region, and ranks 21st among the 515 basins that were prioritized statewide.”

- Kings Basin Water Authority

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.”

- Mark Cowin, Director, Division of Water Resources

“Undesirable Result”

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

Fresno's *New Normal* for Development Planning

Reedley growth plan prompts water fight | abc30.com

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REEDLEY GROWTH PLAN PROMPTS WATER FIGHT

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

By  **Corin Hoggard**

Monday, February 27, 2017 06:23PM

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

 Nowhere to go for Fresno County sexually violent predator

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

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NEWS

 Trump to address sailors aboard aircraft carrier in Virginia

Reedley growth plan prompts water fight _ abc30.com.html[3/2/2017 9:30:53 AM]

- 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.

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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

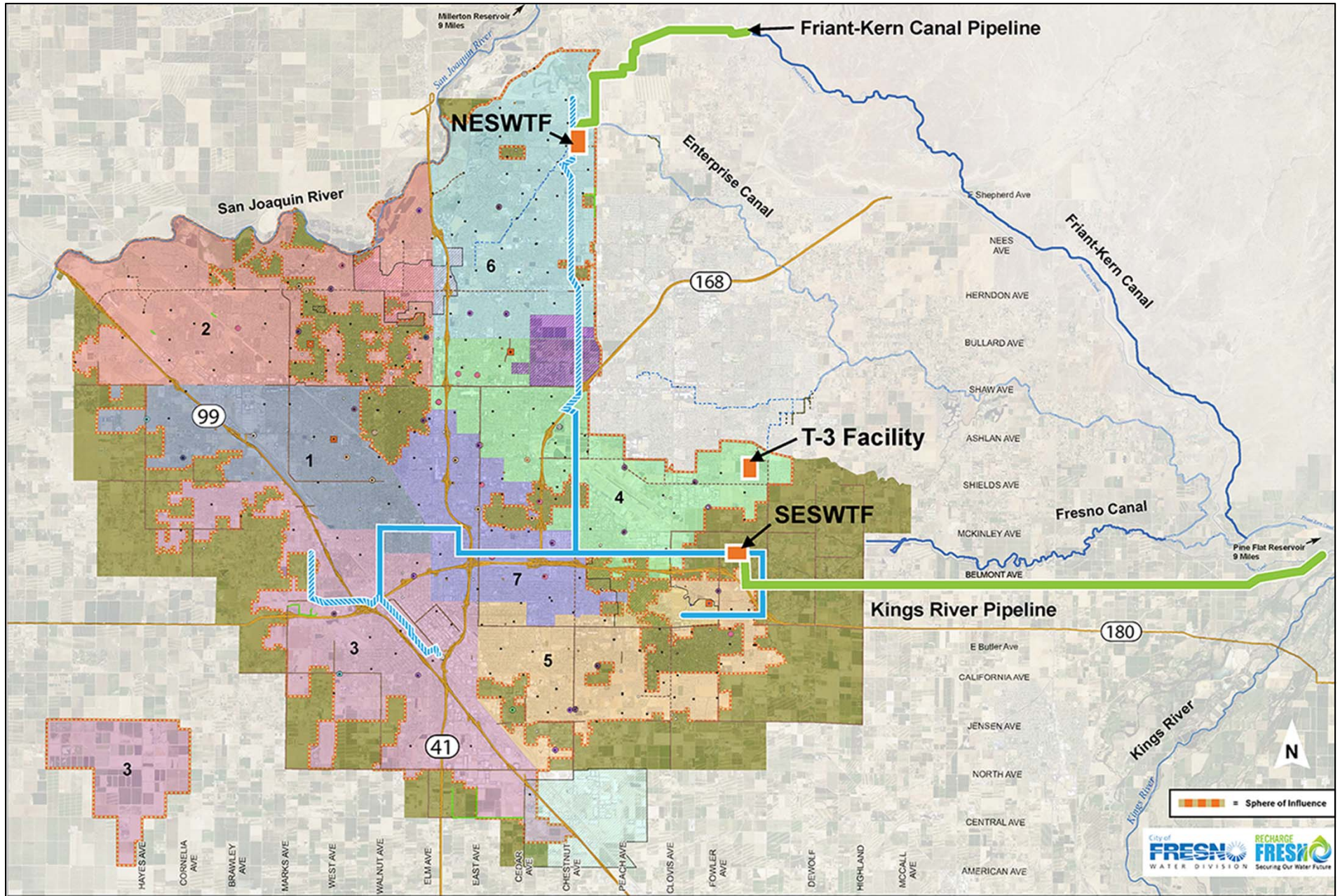
Summary of Projects and Financing

PROJECTS

Southeast 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



City of Fresno Water System

Existing Conditions for Ratepayers

2014 Water Budget Analysis

Total Demand = 128,067 AF

Surface Water Use = 19,683 AF

Groundwater Use = (108,384 AF)

Recharge = 40,469 AF

2014 Impact = (67,915 AF)

NE SWTF
(30 mgd)

M

M

Groundwater Loss

2006 to 2013 = ~1 ft/yr

2013 to 2014 = ~4 feet

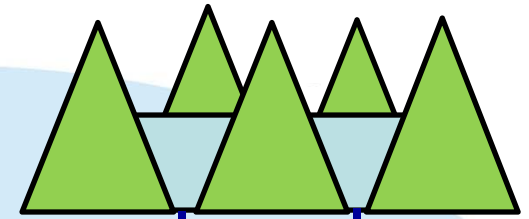
Recharge
Basins

132 wells (56,050 AF) no current quality or quantity issues

23 wells (8,135 AF) soon to be dry due to dropping water levels

82 wells (32,281 AF) contaminated, not currently treated (pending)

29 wells (17,525 AF) contaminated (DBCP, nitrates, etc.), currently treated



City of Fresno Water System

Future Conditions for Ratepayers

2014 Water Budget Analysis

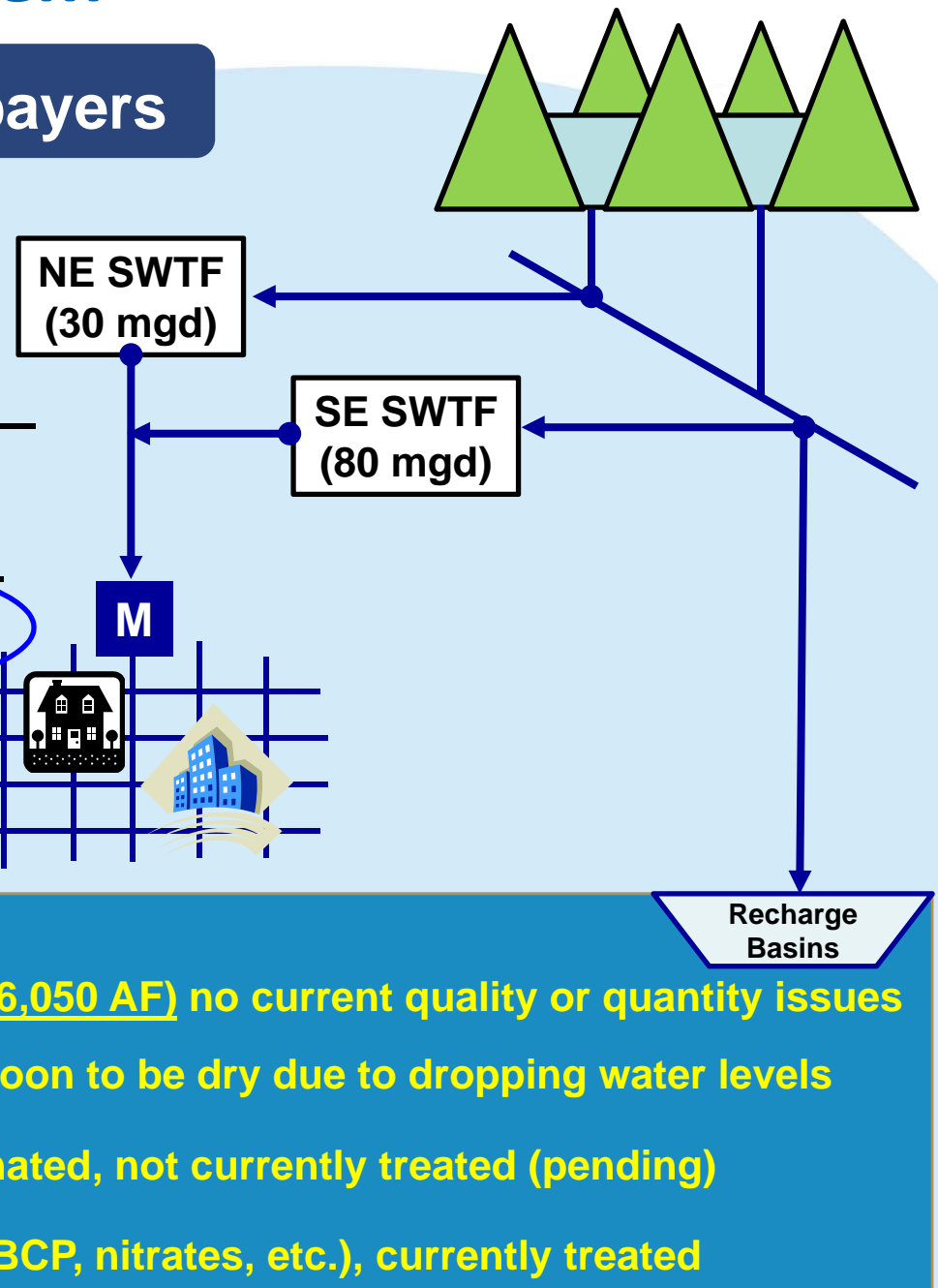
Total Demand = 128,000 AF

Surface Water Use = 110,000 AF

Groundwater Use = (18,000 AF)

Recharge = 32,000 AF

2014 Impact = 14,000 AF



Five-Year Capital Plan

Existing Ratepayers' Contribution to SGMA Compliance

Summary of Projects and Financing

PROJECTS

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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

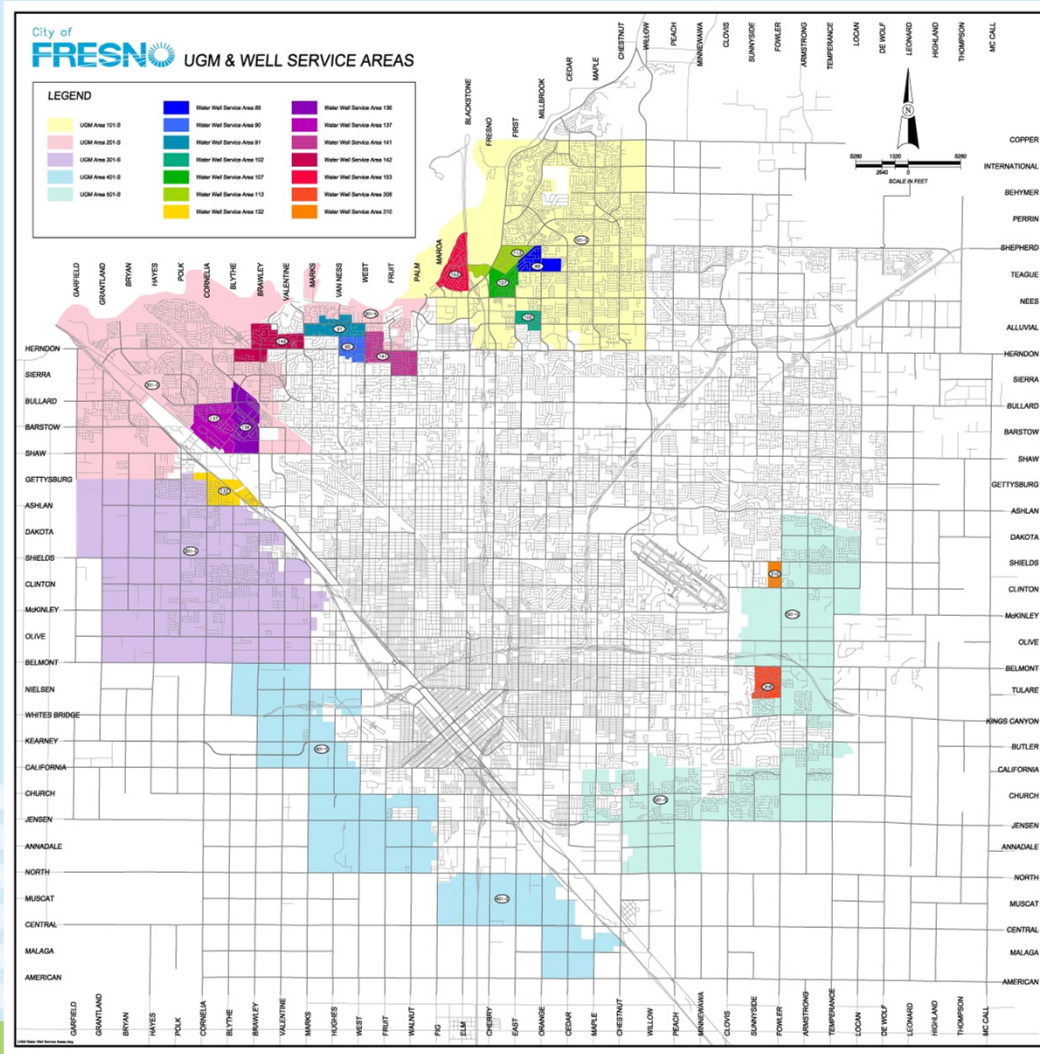
Recommendation

- 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

<i>Present Value of Future 2010 Water Bond Payments</i>	\$40,353,528
<i>Share Allocable to Growth, % (based on demand)</i>	31.5%
<i>Share Allocable to Growth, \$</i>	\$12,725,024

New Infrastructure Benefitting Growth	\$143,865,079
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Total Infrastructure Benefitting Growth	\$156,590,103
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Projected New Growth Demand to 2035 (AF)	60,072
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Cost per Unit

\$/AF	\$2,607
\$/HCF	\$5.984

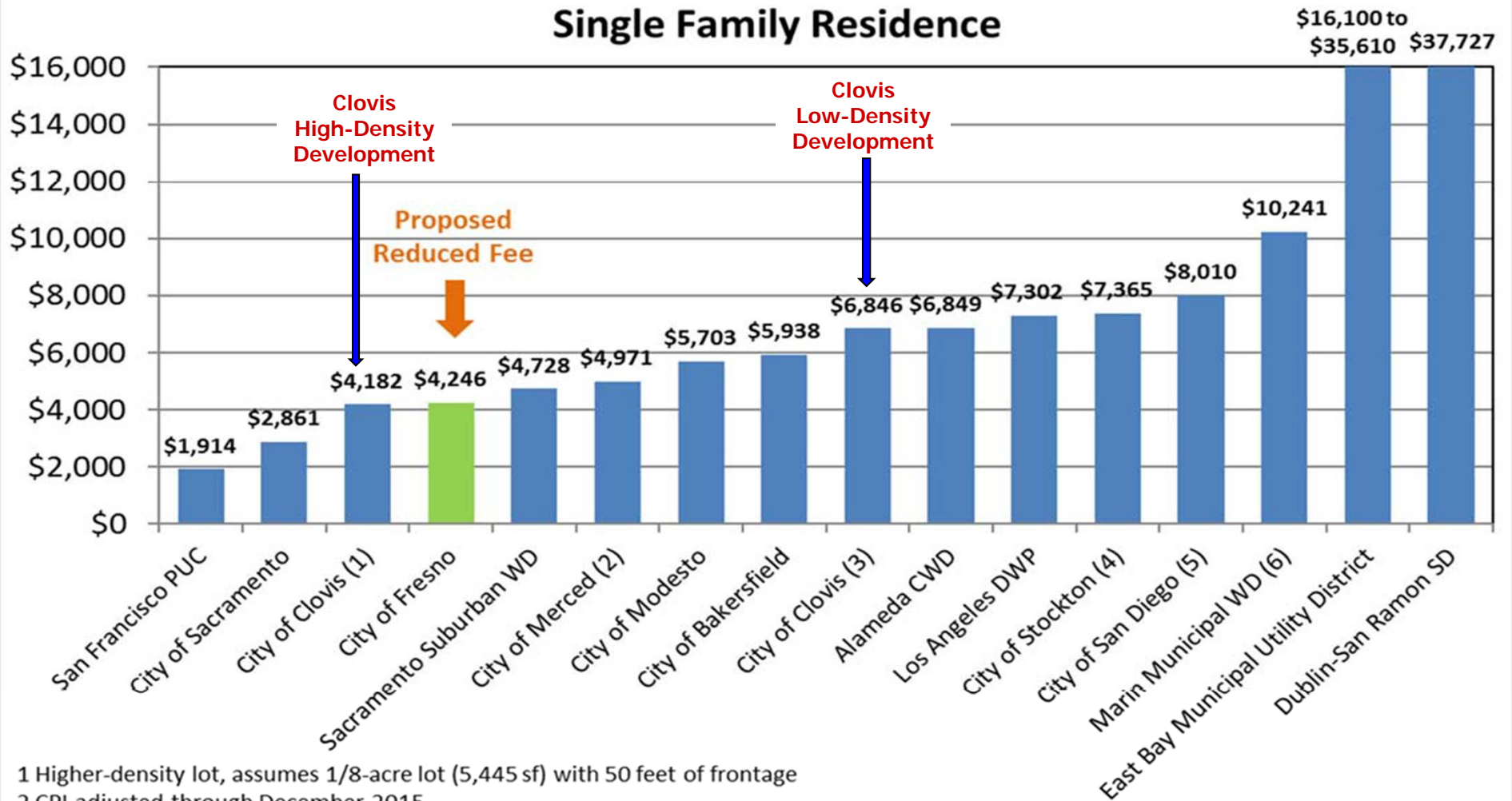
Proposed Water Capacity Fee Calculation

2) SURFACE WATER IMPROVEMENTS FOR GROWTH	
Surface Water Treatment Capacity Expansion (30 mgd to 60 mgd)	\$161,019,000
Share Allocable to New Growth, %	100
Projected New Growth Demand, mgd	30
Projected New Growth Demand, 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 Improvements, \$/HCF	\$11.00
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)			\$16.984
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)

Fees Effective January 2016

General Administration of Water Capacity Fee

- If approved, Water Capacity Fee will become effective May 15, 2017;
- Water Capacity Fee will not apply to existing, approved tentative tract maps until they expire;
- Water Capacity Fee will be charged for only one meter, when two meter connections are required for reliability and redundancy (*multi-family*);
- 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 revenue will be used to honor and repay developers that installed water supply facilities as a condition precedent to approving the development, provided reimbursement agreements have not expired;

General Administration of Water Capacity Fee

- Water Capacity Fee revenues will be deposited into a separate capital facilities fund and not comingled with other Water Division revenues
- 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

