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Title: 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 water connection and capacity issues 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 (MFS) No. 80-420 adopting Water Capacity Fees under the Public Utilities Section.

Sponsors: Department of Public Utilities

Indexes:

Code sections:

Attachments: 1. Att 1 Fresno Water Capacity Fee Study - Revised 8-26-16.pdf, 2. Att 2 Water Capacity Fee Ordinance and Exhibit A.pdf, 3. 530th Amend to MFS_DPU FINAL Water Connection.pdf, 4. Supplement - Letter from BIA.pdf, 5. Supplement - Letter from John Bonadelle.pdf, 6. Received During Meeting from Jeff Reid 16-1385.pdf

Date	Ver.	Action By	Action	Result
12/8/2016	1	City Council	continued as noted	Pass

REPORT TO THE CITY COUNCIL

December 8, 2016

FROM: THOMAS C. ESQUEDA, Director
Department of Public Utilities

BY: MICHAEL CARBAJAL, Planning Manager
Department of Public Utilities - Water Division

SUBJECT

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).

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4. ***RESOLUTION - 530th amendment to the Master Fee Resolution (MFS) No. 80-420 adopting Water Capacity Fees under the Public Utilities Section.

RECOMMENDATIONS

Staff recommends City Council hold a public hearing regarding the proposed Water Capacity Fees; adopt findings that the proposed Water Capacity Fees are exempt from environmental review under CEQA pursuant to a statutory exemption; approve a bill (for introduction) adopting Water Capacity Fees as proposed by and justified in the nexus study prepared by Bartle Wells Associates and amending Article 5 of Chapter 6 of the Fresno Municipal Code and Article 4.5 of Chapter 12 to repeal various fees associated with water connection and capacity issues and create a new Water Capacity Fee classification; and approve a Resolution adopting the 530th Amendment to the Master Fee Resolution No. 80-420 adopting Water Capacity Fees under the Public Utilities Department section.

EXECUTIVE SUMMARY

The City's existing Urban Growth Management (UGM) water-related capacity and treatment fees include a range of fees that vary widely by development areas along the perimeter of the City's boundaries. The current fees include (1) UGM Water Supply Fees (21 areas); (2) Well Head Treatment Fees (5 areas); (3) Transmission Grid Main (TGM) Charges; (4) Transmission Grid Main Bond Debt Service Charges; (5) Recharge Area Fees, and (6) 1994 Bond Debt Service Fees. The City does not impose water-related capacity fees in the City's downtown core or other non UGM areas.

These fees are more than 10 years old and (1) do not fully recover the costs of capacity available for new development in the City's existing water supply infrastructure; (2) do not fully recover the costs to provide water supply infrastructure needed to meet the demands of new or expanded development; (3) do not recover any costs from non-Urban Growth Management areas to provide water supply infrastructure needed to meet the demands of new or expanded development; and (4) are administratively burdensome with almost 150 separate Urban Growth Management funds, predominantly for water and sewer services.

There are multiple reasons for which the current fees are insufficient. The City's reliance on groundwater as its primary water supply source for more than 100 years is coming under increasingly difficult and expensive challenges, including groundwater depletion and contamination, and implementing the requirements of the Sustainable Groundwater Management Act (SGMA), which the Governor signed in September 2014. To meet these challenges, the City must develop new water supply and management systems, including new surface water supplies which will allow the City to reduce reliance on groundwater. The current fees are insufficient to meet the City's needs.

The City's consultant, Bartle Wells Associates, prepared a Water Capacity Fee Study (dated August 26, 2016) to establish a proposed fee schedule based on a nexus between the water supply facility impacts associated with a new or expanded connection to the City's public water supply system, and the costs associated with those impacts. The Water Capacity Fee Study proposes new Water Capacity Fees that are one-time fees charged to new or expanded connections to the City's water system designed to recover the costs of infrastructure, assets, and water supply benefiting new or expanding development. The Water Capacity Fee Study proposes Water Capacity Fees to be imposed on new development at amounts that do not exceed the estimated reasonable cost of providing the service, as required by the Mitigation Fee Act (Government Code § 66000 *et seq*, including § 66013).

The proposed Water Capacity Fees would replace various water-capacity related fees currently imposed by the City. Thus, to enact the proposed Water Capacity Fees, staff recommends the City Council revise the Fresno Municipal Code to repeal several water-capacity related fees and to replace those fees with the proposed, universal Water Capacity Fees, and adopt the Water Capacity Fees in the amounts proposed and justified by the Water Capacity Fee Study. Staff also recommends that the Council update the Master Fee Schedule to reflect the new fees.

BACKGROUND

The City of Fresno owns, operates, and maintains surface water treatment facilities, groundwater recharge facilities, groundwater pumping facilities, water storage reservoirs, and water distribution pipelines, valves, fire hydrants, and water meters. The City relies on both groundwater and surface water to serve the daily water supply needs of approximately 130,000 existing ratepayers. During calendar years 2013, 2014, and 2015, the City delivered 47.8, 42.5, and 36.4 billion gallons of water to existing ratepayers, respectively.

WATER-RELATED RATES FEES AND CHARGES

The City's water utility is operated as an enterprise fund within the City's general government operations. As an enterprise fund, the City's water utility is funded by an independent schedule of rates, fees, and charges that ensures that all current and future users of the City's public water system pay their proportionate share of the management, administration, operations, maintenance, and capital facilities required to deliver potable water service to existing and future connections to the system.

The Water Capacity Fees proposed for adoption here are one-time fees, separate from the water rates adopted by Council in February 2015.

Water Capacity Fees for Connecting to Public Water Supplies

Water capacity fees are one time fees charged to new or expanded connections to the City's public water supply system, and they are designed to recover the costs of water supply infrastructure, assets, and facilities that benefit new or expanded connections to the public water supply system. The City has a system of disparate water-related capacity and treatment fees, which fees are imposed on new development. The City's existing fees vary widely among different development areas along the perimeter of the City's boundaries, with no capacity fees levied in the City's

downtown core or other non UGM areas. The existing fees include a range of overlapping charges:

1. UGM Water Supply Fees (21 areas)
2. Well Head Treatment Fees (5 areas)
3. Transmission Grid Main (TGM) Charges
4. TGM Bond Debt Service Charges
5. Recharge Area Fees, and
6. 1994 Bond Debt Service Fees

The existing UGM water capacity fees are based upon capital infrastructure estimates and rates adopted during the 1990's, except for the fees associated with southeast portion of the City, which were updated in 2005. Given changes to the City's water supply conditions (particularly, to the City's groundwater resources, including quality and quantity changes), and new regulatory requirements imposed by the State (particularly the SGMA), these fees are an insufficient revenue source for the City to provide and manage water supplies for new development, as discussed below.

EXISTING GROUNDWATER AQUIFER CONDITIONS

The City of Fresno has relied on groundwater as its primary water supply source for more than 100 years. The City currently owns, operates, and maintains 237 well sites, and during the past 10 years the City has removed 48 wells from service due to quantity issues, quality issues, or both.

Groundwater Overdraft

The City of Fresno is located within the Kings Subbasin of the Tulare Lake Hydrologic Region (Region), and the United States Geological Survey (USGS) reports that groundwater extractions in the Region currently exceed the Region's groundwater recharge by approximately 1.5 million acre-feet per year. For comparison purposes, Pine Flat Reservoir has a storage capacity of approximately 1 million acre feet; thus, the annual groundwater overdraft in the region is equivalent to 1.5 times the storage capacity of Pine Flat Reservoir. Further, as documented by the California Department of Water Resources (DWR) in Bulletin 118, the Kings Subbasin is one the most critically overdrafted groundwater basins in the State of California based on groundwater data collected and evaluated by DWR for 515 basins throughout the State. Specifically, the Kings Subbasin is one of 21 top-priority basins (out of 515 basins) identified by DWR in Bulletin 118 requiring corrective action for overdraft conditions.

Based on historical records, the groundwater levels in the City have fallen at an annual average rate of approximately 1.0 to 1.5 feet per year for approximately 80 years. However, during calendar year 2014, the City's groundwater levels declined an average of 4.0 feet. Further, during calendar year 2015, the City pumped 83,360 acre-feet of groundwater to meet system demands, intentionally recharged 19,778 acre-feet of surface water at Leaky Acres and other recharge basins in the area, and, therefore, overdrafted the groundwater aquifer by 63,582 acre-feet. The overdraft recorded during calendar year 2015 contributes to the 1.5 million acre-feet that is overdrafted in the Tulare Lake Hydrologic Region on an annual basis.

If groundwater levels continue to decline, the City expects to lose the service of 22 wells due to dry-well conditions.

Groundwater Contamination

Existing groundwater contamination plumes have become more problematic for the City with increased groundwater pumping and an accelerating decline in groundwater levels. Groundwater contamination hazards in the City of Fresno are significant, and the contaminants currently known to exist in the City's groundwater supply system include, but are not limited to, 1,1-DCE (Dichloroethane); 1,2-DCP (Dichloropropane); 1,2,3-TCP (Trichloropropane); 1,2-DCE (Dichloroethene); DBCP (Dibromo-3-chloropropane); EDB (Dibromoethane); MTBE (Methyl tert-butyl ether); PCE (Tetrachloroethylene); TCE (Trichloroethylene); nitrates, and arsenic.

The City currently has 33 wells that extract contaminated groundwater and have active treatment systems installed to ensure the groundwater meets established water quality standards before it is distributed to the City's existing ratepayers. An emerging groundwater contamination issue facing the City's is 1,2,3-trichloropropane (TCP). In 1999, TCP was added to the list of chemicals known to the State of California to cause cancer. The State is currently developing a maximum contaminant level (MCL) for TCP, which is expected to be released for public comment in late 2016 or early 2017. Based on water quality sampling conducted from 2011 through 2014, TCP has been identified in 35 wells, and 7 wells are at or above, the public health goal of 0.0007 parts per billion (ppb).

While the City has made progress toward controlling the migration of contamination plumes, plume management and control requires maintaining steady-state conditions of the groundwater aquifer in terms of the direction and rate of groundwater flow. While the direction and rate of groundwater flow will fluctuate seasonally based on natural conditions, rapid and significant changes in the direction and rate, as caused by excessive groundwater pumping and continued overdraft of the aquifer, have made plume management and control difficult.

It is important to note, that the water quality conditions of any well with contamination can change abruptly under severe drought conditions or if overdraft conditions become more pronounced.

Summary of Groundwater Conditions

While the City's groundwater aquifer has served the community well for more than 100 years, the groundwater aquifer is severely strained and, without corrective action, the City's groundwater supply will no longer be able to serve as a safe, reliable, and resilient water supply source for existing rate payers. The City is concerned that the continued groundwater overdraft will result in (a) the migration of existing contamination plumes, (b) an increase in the number of wells requiring treatment, and (c) an increase in the number of wells that will need to be removed from service due to quality or quantity issues, or both.

SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA)

In September 2014, the Governor of California signed into law three bills collectively referred to as the Sustainable Groundwater Management Act (SGMA). The SGMA recognizes that excessive groundwater extraction can cause overdraft, failed wells, deteriorated water quality, environmental damage, and irreversible land subsidence - all conditions which currently exist in the City of Fresno and require state-mandated corrective action.

In accordance with the SGMA, a group of water supply agencies and local governments within the Kings Subbasin, including the City of Fresno, have agreed to form a Joint Powers Authority

designated as the North Kings Groundwater Sustainability Agency (NKGSA). As a joint powers authority, the NKGSA has been established to sustainably manage the groundwater resources within a portion of the Kings Subbasin (Subbasin Number 5-22.08), which is located within the greater San Joaquin Valley Basin (Basin Number 5-22). The San Joaquin Valley Basin has been identified by the State Department of Water Resources as a “high-priority” groundwater basin for corrective action. As required by the SGMA, the City of Fresno, in collaboration with the NKGSA member agencies, will be responsible for developing and implementing a groundwater sustainability plan (“GSP”) for the NKGSA boundary. The GSP will define the corrective action measures that the NKGSA member agencies will implement to address the current overdraft, failed well, and deteriorated water quality conditions that exist.

The SGMA requires that by January 31, 2020, all basins designated as high- or medium-priority basins subject to critical overdraft conditions shall be managed under a GSP or coordinated GSP to achieve sustainable groundwater management by implementing measures targeted to ensure that the groundwater basin is operated within its sustainable yield. GSPs must include measurable objectives to achieve the sustainability goal in the basin within 20 years of the implementation of the plan, mitigation of overdraft, replenishment of groundwater extractions, measures addressing groundwater contamination cleanup, and consideration of surface water supply used or available for use for groundwater recharge or in-lieu use.

If the City fails to adopt a GSP by January 31, 2020, or adopts an inadequate GSP, the DWR may place the City on a probationary status and prepare an interim GSP for the City, which could include restrictions on the City's groundwater extractions, physical solutions, and principles and guidelines for the administration of the City's surface water supplies.

In advance of the regulatory deadlines, the City's existing ratepayers are funding Recharge Fresno, which is an SGMA Corrective Action Plan as described below. The primary objective of Recharge Fresno is to reduce the pumping of groundwater by constructing \$429 million in capital improvements to deliver surface water in-lieu of groundwater to the City's existing ratepayers.

Recharge Fresno - an SGMA Corrective Action Plan

In response to the City's current groundwater overdraft and contamination conditions, as well as the compliance requirements of the SGMA, the City in cooperation with the State Water Resources Control Board, has developed a \$429 million capital investment plan that implements corrective action to address groundwater quality and quantity issues that exist for the City's public water supply system, and in accordance with the SGMA. In recognition of the critical importance of implementing correction action as soon as practicable, the State of California has agreed to provide 100-percent financing for the City's correction action plan (Recharge Fresno) to address the critical overdraft and contamination conditions that currently exist in the City of Fresno.

The City's SGMA corrective action plan is to use more surface water than groundwater to meet system water demands by relying on the City's surface water entitlements at Pine Flat Reservoir and Millerton Lake, which total 180,000 acre-feet per year during a normal precipitation year. By delivering surface water in-lieu of groundwater to the City's 130,000 water accounts, the City will reduce groundwater pumping from 84,000 acre-feet per year to 18,000 acre feet per year. The City's SGMA corrective action plan, financed by the State of California and paid for by existing ratepayers, includes the construction of raw water pipelines to deliver surface water to two of the City's surface water treatment facilities, a new 80 million gallon per day surface water treatment facility, and finished

water distribution facilities to deliver treated surface water to the community's existing 130,000 water accounts.

The current water demands in the City of Fresno total approximately 128,000 acre-feet per year. Based on this demand, the ratepayer funded SGMA corrective action plan will allow the City to increase surface water production to 110,000 acre-feet per year; reduce groundwater extractions to 18,000 acre-feet per year; and allow the City to recharge approximately 32,000 acre-feet per year. This will result in a net positive contribution to the groundwater aquifer of 14,000 acre-feet per year. If no new connections are allowed to be made to the City's public water supply system, then the \$429 million investment by the City's existing ratepayers will create a surplus of 14,000 AF per year to recharge the aquifer.

The annual net-positive contribution to the groundwater aquifer will serve as the foundation for the City's SGMA corrective action plan. The SGMA corrective action plan is specifically intended to recharge and restore the City's groundwater aquifer on an annual basis when surface water supplies are available, so that when drought conditions exist, and surface water supplies are reduced or unavailable, the City's existing ratepayers can then rely on banked groundwater to meet water demands. It is important to note that the SGMA allows for overdrafting during periods of drought, provided that groundwater extractions and recharge are managed as necessary to ensure that reductions in groundwater levels during periods of drought are offset by increases (net-positive contributions) in groundwater levels during other periods when surface water is available in sufficient quantities. The SGMA corrective action plan, funded by existing ratepayers, is consistent with the requirements of the SGMA.

If the City allows new or expanded connections to the public water supply system, without collecting a proportionate share of the costs required to maintain the 14,000 AF per year net-positive contribution to groundwater aquifer (which is funded by existing ratepayers), then those new or expanded connections will consume some portion of the 14,000 AF per year of net positive contribution to the groundwater aquifer. Under this scenario, the City will not be managing groundwater extractions and recharge as necessary to ensure that reductions in groundwater levels during periods of drought are offset by increases (net-positive contributions) in groundwater levels during other periods when surface water is available in sufficient quantities. As required by the SGMA, the City must make every effort to create a net-positive contribution to the groundwater aquifer on an annual basis.

PROPOSED WATER CAPACITY FEES

As discussed above, the City has a range of water capacity related fees that are imposed unevenly to different UGM areas (and with no capacity fees levied in the City's downtown core or other non UGM areas). The SGMA's requirements, the age of the City's existing water-related capacity and treatment fees (in excess of 10 years), and the City's need for new water supply infrastructure all necessitate the City's need to recover the costs of water supply facilities citywide. The City's current system of UGM water-related capacity fees and treatment fees (1) do not fully recover the costs of capacity available for new or expanded connections to the City's existing public water supply system; (2) do not fully recover the costs to provide new or expanded water supply infrastructure needed to meet the demands of new or expanded connections; (3) do not recover any costs from non-Urban Growth Management areas to provide water supply infrastructure needed to meet the demands of new or expanded connections; and (4) are administratively burdensome with almost 150 separate Urban Growth Management funds, predominantly for water and sewer services.

Water Capacity Fee Study

The Mitigation Fee Act (Gov. Code §§ 66000 et seq.) requires that when a local agency, such as a city, imposes fees for water connections or sewer connections, or imposes capacity charges, those fees or charges must not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed (Gov. Code § 66013). The City has hired a consultant, Bartle Wells Associates, who prepared a Water Capacity fee Study in compliance with the Mitigation Fee Act.

The Water Capacity Fee Study is Attachment 2 herein. The objective of the Water Capacity Fee Study is to establish a proposed fee schedule based on a nexus between the water supply facility impacts associated with a new or expanded connection to the City's public water supply system, and the costs associated with those impacts. The City retained an independent consultant to prepare a Water Capacity Fee Study to define the water supply facility impacts and costs associated with new or expanded connections to the City's public water supply system. The methodology and approach used for the Water Capacity Fee Study are based on common and well-established cost-of-service principles that promote equity among all users of the City's public water supply system.

Based on the findings of the independent consultant, it is recommended that the City transition to a citywide water capacity fee that can be applied uniformly and consistently to all new or expanded connections to the City's public water supply system, regardless of the geographic location of the development within the City's water service area. The proposed water capacity fee will recover an equitable and proportionate share of water supply facility costs that benefit new or expanded connections to the public water supply system. In addition, the proposed water capacity fees fully consider the groundwater quality and quantity issues that currently exist for the City's public water supply system, and the compliance requirements of the SGMA.

Table 1 shows the proposed citywide water capacity fees as prepared by the independent consultant. These fees will replace existing UGM water-related capacity and treatment fees.

Table 1 - Proposed Water Capacity Fees

Meter Size	Meter Capacity Ratio	Annual Water Demand (hcf/year)	Water Capacity Fee
Capacity Fee Unit Cost (\$ per hcf)			\$25.493
Up to ¾"	0.625	156	\$3,983
1"	1.00	250	\$6,373
1-1/2"	1.25	313	\$7,967
2"	2.50	625	\$15,933
3"	4.00	1,000	\$25,493
4"	6.25	1,563	\$39,833
6"	12.50	3,125	\$79,666
8"	60.00	15,000	\$382,398

PROPOSED MUNICIPAL CODE AMENDMENTS

The adoption of the proposed Water Capacity Fees requires the City to amend the Municipal Code to repeal various water capacity related fees and to replace them with the new Water Capacity Fee classification.

Specifically, staff proposes to repeal and delete the following fees from the Fresno Municipal Code (FMC): the transmission grid main charge, UGM water supply fee, well head treatment fee, recharge fee, transmission grid main bond debt service charge, and bond debt service fee. The fees proposed for repeal are set forth in the revisions to the FMC in the proposed amendments, including the amendments to section 6-501 [definitions]; section 6-507, subdivisions (a)(1), (a)(5), (a)(6), (a)(7) and (a)(8); and sections 6-510 through 6-512 [repealing provisions regarding calculation of, and uses for, repealed fees]. (See Attachment 2, section 8.)

The proposed Water Capacity Fee is defined at section 6-501 and described at sections 6-507(a)(9) and 6-513 of the proposed amendments. (See Attachment 2, section 8.) Section 6-513(a) of the proposed amendments describes the purpose of the proposed Water Capacity Fee as follows: “The purpose of this section is to ensure water supply availability, reliability and drought resiliency for new and expanded connections to the City water system, and to provide a means for levying and collecting fees to finance the planning, permitting, designing, acquiring of and constructing of water supply facilities required to serve new and expanded connections to the City water system.” (See Attachment 2, section 8.)

Section 6-513(d) establishes a Water Capacity Fund and sets forth how they will be allocated in subdivision (d)(3):

- a. 50-percent of the Water Capacity Fees shall be allocated to repay loans or other debt financing instruments used by the City to plan, permit, design, and construct water supply facilities to serve new or expanded connections to the City water system. The priority for applying this 50-percent Water Capacity Fee allocation to existing loans or debt financing instruments shall be based on the date Council approved the loan or debt financing instrument. The highest priority shall be assigned to the oldest loans and debt financing instruments.
- b. 50-percent of the Water Capacity Fees shall be allocated to reimburse developers, or their heirs and successors, who as a condition precedent to approval of development, were required to construct water supply facilities. Developer reimbursements from the Water Capacity Fund shall be completed in accordance with 6-513(f).
- c. In the event no payments are required for loans or debt instruments, and no reimbursements are due to developers who constructed water supply facilities as a condition precedent to approval of development, then all Water Capacity Fees paid shall be deposited in the Water Capacity Fund and designated for planning, permitting, designing, and construction water supply facilities, or purchasing water supply sources, to accommodate new or expanded connections to the city water system.

(See Attachment 2, section 8.)

Section 6-513(d)(4) provides for the City to annually review and report on the Water Capacity Fund.

(See Attachment 2, section 8.)

Section 6-513(f) sets forth the process by which a developer may seek reimbursement for the construction of a water supply facility, which the developer was required to construct, after acceptance by the City. (See Attachment 2, section 8.)

Section 6-513(g) explains how the City will handle the balance in the Urban Grown Management Funds:

As of December 15, 2016, the City has a fund balance remaining from the collection of Urban Growth Management (UGM) water-related capacity and treatment fees. The fund balances shall remain in separately designated UGM accounts. These funds shall remain available for (i) reimbursing developers that were required to construct water supply facilities as a condition precedent to approval of the development project, and (ii) use by the City for the designated purposes defined for the UGM account. Reimbursements from existing UGM water-related capacity and treatment accounts shall be completed in accordance with 6-513(f). Any funds remaining in the existing UGM water-related capacity and treatment accounts as of December 15, 2025, shall be deposited into the Water Capacity Fund, and the City may use those funds in accordance with the priorities described in 6-513(d).

(See Attachment 2, section 8.)

The proposed ordinance includes several other associated amendments, as reflected in Attachment 2, section 8.

NOTICE AND PUBLIC HEARING

Pursuant to the Mitigation Fee Act (specifically, Gov. Code § 66016), the City provided notice of a public hearing regarding the proposed Water Capacity Fees, including by publication in The Business Journal on November 21 and 28, 2016, both of which are more than ten days prior to today's public hearing. In addition, this Staff Report, the proposed Ordinance and Resolution, and attachments were available as part of the City Council meeting Agenda at least 72 hours prior to the meeting in accordance with the Brown Act.

As described in the notice, at least 10 days before the public hearing, the City made available to the public data indicating the amount of cost, or estimated cost, required to provide the service for which the fee or service charge is levied and the revenue sources anticipated to provide the service, including General Fund revenues.

RECOMMENDATION

The City has conducted a technical, regulatory and financial analysis of the water supply facilities required to meet the water demands of new or expanded connections to the City's public water supply system. The analyses have considered the existing groundwater overdraft issues, groundwater contamination issues, and the compliance requirements of the SGMA. Based on these analyses, the City has determined that the existing UGM water-related capacity fees and treatment fees are insufficient to provide the necessary funding to address existing groundwater overdraft issues, groundwater contamination issues, and maintain a net-positive, annual contribution to the groundwater aquifer in accordance with the SGMA. Therefore, for the protection of public health and

safety, and to comply with regulatory requirements related to groundwater overdraft and contamination, it is necessary for the City to repeal the UGM water-related capacity fees and treatment fees, and replace those fees with a single, citywide water capacity fee that will apply to all new or expanded connections to the City's public water supply system.

Failure to recover the appropriate level of funding from new or expanded connections to the public water supply system will compromise public health and safety by increasing groundwater overdraft; creating dry-well conditions; exacerbating groundwater contamination plume migration; and rendering the City non-compliant with the SGMA.

The Administration recommends that the Fresno City Council hold a public hearing and, after considering comments and testimony and adopting the environmental findings set forth below, adopt the new, citywide Water Capacity Fees and amend the Municipal Code so that these new Water Capacity Fees will be imposed in lieu of various to-be-repealed water-related capacity fees, along with associated amendments.

ENVIRONMENTAL FINDINGS

The proposed Ordinance and related Master Fee Resolution amendment 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).

LOCAL PREFERENCE

Local preference was not implemented because the proposed Bill and Master Fee Resolution amendment do not include an award of construction or services contract.

FISCAL IMPACT

Approval of the proposed water capacity fees will not impact to the General Fund. Pursuant to Government Code, revenues generated by the water capacity fee can only be used for the purpose that the fee was collected. Water capacity fee revenues will be deposited in the Water Capacity Fund established for the purpose of financing the construction of water supply facilities, to reimburse developers for the construction of water supply facilities, and to accumulate funds for future water supply facility construction.

Attachments:

Water Capacity Fee Study (Attachment 1)

Bill for Introduction (Attachment 2)

Resolution Amending the Master Fee Resolution (Attachment 3)