

1
2 HUGHSON CITY COUNCIL

3 RESOLUTION NO. 07-198

4
5 A RESOLUTION OF THE HUGHSON CITY COUNCIL
6 ACCEPTING AND ADOPTING THE DEVELOPMENT IMPACT FEE NEXUS
7 STUDY PREPARED BY THE FIRM OF BARTLE WELLS

8 WHEREAS, the City Council seeks to ensure that new development pays for the
9 impacts of new development; and

10 WHEREAS, the City retained the firm of Bartle Wells to prepare a
11 Development Impact Fee Nexus Study; and

12 WHEREAS, the study has been presented for public comment at the regular
13 meeting of March 26, 2007, subsequently publicly noticed pursuant to Government
14 Code Section 66018 for, and considered at, a public hearing on August 13, 2007; and

15
16 NOW THEREFORE, BE IT RESOLVED that the Hughson City Council
17 accepts and adopts the Development Impact Fee Nexus Study prepared by the firm of
18 Bartle Wells.

19 PASSED AND ADOPTED by the Hughson City Council at a regular meeting
20 thereof held on August 13, 2007, by the following vote:

21
22 AYES: Council Members QUALLS, LEDERMANN, ADAMS, BAWANAN
and Mayor MOORE

23 NOES: None

24 ABSTENTIONS: None

25 ////

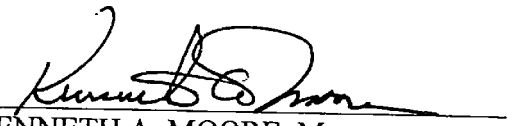
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ABSENT: None


KENNETH A. MOORE, Mayor

ATTEST:


MARY JANE CANTRELL, CMC, City Clerk

CITY OF HUGHSON

WASTEWATER DEVELOPMENT IMPACT FEE NEXUS STUDY

August 2007

BARTLE WELLS ASSOCIATES

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EXECUTIVE SUMMARY

Bartle Wells Associates (BWA) was retained by the City of Hughson to develop a financing plan for the upgrade and expansion of the City's wastewater treatment plant (the Project). A Wastewater Treatment Plant Master Plan, completed by Carollo Engineers in October of 2006, outlined approximately \$35.6 million in required improvements to correct deficiencies in operation and provide enough capacity to meet General Plan requirements. BWA was tasked to investigate the range of financing options available to the City, and recommend that option that allowed the City to complete the Project in a timely manner at a lowest possible cost to existing users. That study, completed in March of 2007, recommended that the City pursue a State Revolving Fund (SRF) loan to finance the project.

Another component of that study was to recommend an update to the sewer DIF, previously set in 2006, to reflect this new capital program. This report finds that, based on the most recent cost estimates and allocations provided by Carollo Engineering, the City should update its sewer development impact fee to \$13,755 per single family equivalent home (or 300 gpd discharge to the sanitary sewer). This increase is required to ensure that new growth is adequately mitigating its impacts on the City by providing for adequate capacity in the wastewater treatment plant.

BACKGROUND

The Mitigation Fee Act of 1987 (California Government Code Section 66000 et seq.) establishes requirements for setting and administering capacity and connection fees. Also known as "AB 1600," the act requires that local governments make certain findings when adopting such a fee. They include:

1. Identify the purpose of the fee;
2. Identify the use of fee revenues;
3. Determine a reasonable relationship between the fee's use and the type of development paying the fee;
4. Determine a reasonable relationship between the need for the fee and the type of development paying the fee; and
5. Determine a reasonable relationship between the amount of the fee and the cost of the facility attributable to development paying the fee.

In general, the fee may not exceed the cost of the facilities needed to accommodate the development paying the fee, and fee revenues can only be used to fund construction of the identified improvements.

For the purposes of a public utility such as the City's sewer enterprise, a local government must clearly show the nexus between the projects required to meet new development and the development paying the fee.

In almost all cases, engineering master plans and associated capital improvement programs form the basis of the fee calculation. All projects to be constructed by the sewer utility are listed, along with the overall "user benefit" of the project. The user benefit ratio—a percentage split between existing users and future users—determines how the costs of a project will be recovered. If, for example, a project gives 100% user benefit to existing users, that project should not be paid for with impact fees and should instead be paid for from service charges. A project allocated 100% to future users should be paid for completely with impact fees.

THE WASTEWATER SYSTEM

The current Wastewater System Master Plan, completed in October of 2006, projects current and future wastewater treatment requirements for the City. Using 300 gpd as the design flow for one equivalent dwelling unit, the City currently has approximately 3,333 EDUs in service. The plant expansion will provide capacity for an additional 3,000 EDUs.

Table 1 summarizes the existing and expected use of the City's wastewater capacity.

Table 1
City of Hughson
Existing and Projected Wastewater Capacity

Wastewater	Current (2008)	Growth	Build-out
Average flow (mgd)	1.00	0.90	1.90
EDUs ¹	3,333	3,000	6,333
Proportion	53%	47%	100%

1- Assumes 300 gpd per EDU.

Source:

Wastewater Treatment Plant TM, Carollo Engineers, 2006.

THE PROJECT

To accommodate the capacity requirements outlined above, the City's General Plan calls for necessary upgrades and improvements to expand its wastewater plant's operational capacity to 1.9 mgd.

The existing pump station will be demolished and a new influent pump station and headworks will be installed on site at the treatment plant. Secondary process facilities will be upgraded as well, with the construction of two new trapezoidal-section oxidation ditches, two new 70-ft clarifiers, and a new RAS/WAS pump system. A new sludge

processing facility with gravity belt thickeners will be constructed as well as a new operations center with both laboratory and meeting facilities. Electrical upgrades and a Supervisory Control and Data Acquisition (SCADA) system will be installed to improve system operations and to allow remote monitoring of field equipment.

The 2009 upgrades are expected to take three and half years and cost an estimated \$35,640,000, escalated to mid-point of construction.

The 2006 Wastewater Treatment Plant Master Plan allocates the benefit of this expansion between current and future users. Since a portion of the project is related to mitigating existing deficiencies in the treatment plan, the entire cost of the project is not allocated to future users. According to the user benefit allocation in the Wastewater Treatment Plant Master Plan, 19.8% of project costs provide benefit to existing users. 80.2% of project costs provide benefit to future users in the form of capacity expansion.

Table 2 outlines the capital improvement program, allocated between funds. All project costs allocated to the Fixed Asset Replacement Fund should be met by existing users and all project costs allocated to the sewer DIF fund should be recovered through impact fees.

Table 2

City of Hughson
2005-15 Sewer/WWTP Capital Improvement Program

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Fund 61 Projects¹ (Fixed Asset Replacement Fund)										
Charles Street										0
Treatment plant upgrades ²	20,000		3,528,000	3,528,000						7,076,000
Ground water study										0
Water recycling study										0
CEQA study										0
Ongoing capital replacements		200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	1,600,000
Total Fund 61 projects	20,000	200,000	3,728,000	3,728,000	200,000	200,000	200,000	200,000	200,000	8,676,000
Fund 62 Projects³ (Sewer DIF Fund)										
Treatment plant upgrades ²			14,292,000	14,292,000						28,584,000
Ground water study										0
Water recycling study										0
CEQA study										0
Total Fund 62 projects	0	0	14,292,000	14,292,000	0	0	0	0	0	28,584,000
Total CIP	20,000	200,000	18,020,000	18,020,000	200,000	200,000	200,000	200,000	200,000	37,260,000

Source: City of Hughson

1- Fund 61 projects funded by existing users

2- Costs and allocations for WWTP based on Carollo Engineers Master Plan, October 2006 and Alternative 1 Cost Allocation Memo, escalated to mid-point

3- Fund 62 projects funded by future users through DIFs

SEWER DEVELOPMENT IMPACT FEE

BWA developed the current sewer DIF as part of the development impact fee study completed in August of 2006. The current sewer DIF is \$5,710. Since that time, the estimated cost of the wastewater treatment plant upgrade and expansion (formerly estimated at approximately \$10M) has increased significantly. As discussed in The Project section above, the recently completed wastewater treatment plant master plan, finished in October of 2006, estimated the total cost of design and construction of the upgrade at \$35.6 million (escalated to the mid-point of construction). Approximately \$28.6 million of this construction cost is allocated to future user benefit and should be recovered by impact fees.

Table 3 details the current insured assets for the City's sewer enterprise, totaling approximately \$4.8 million. These assets are allocated relative to the ratio of existing to future users (to build-out), or, approximately 53% to current users and 47% reserved for future users. This adds another \$2.15 million in costs recoverable from impact fees.

Table 3
City of Hughson
Summary Insured Capital Assets

	Insured Value
Sewer	
Public works garage (1)	39,644
Admin & lab building	265,800
Chlorine contact building and equipment	257,285
Generator building	117,415
Sludge building	95,182
Headworks	356,044
Shop buildings	269,690
Clarifier	676,791
Aeration basin	1,541,646
Drying beds	39,622
RAS pump station	404,329
Lift stations	415,868
Contractor's equipment (1)	7,196
Vehicles (1)	48,940
Storage sheds and other	1,911
Total sewer	\$4,537,363

1- Allocated 20% each to sewer, water, storm drainage, streets, and parks.

Source: PEPIP-CA Property Schedule, 2005.

Table 4 calculates the updated sewer DIF. Importantly, because the City is required to finance this project, that portion of total interest cost resulting from the financing that can be allocated to future users (80.2%, the same user benefit as the project itself) is included in the sewer DIF calculation. Total project costs that provide benefit to future users are \$30.73 million. Interest cost associated with the financing (assumed for these purposes to be an SRF loan for 20 years at 2.5% per year, plus carrying cost during project construction) adds another \$10.5 million. These costs are assigned to future demand to build-out, or approximately 3,000 dwelling units.

Table 4
City of Hughson
Sewer Development Impact Fee

	Value	Allocation to Growth ¹	Allocated Value
Existing facilities			
Existing assets	\$4,537,363	47.4%	\$2,149,277
Future planned facilities			
Draft CIP planned facilities	<u>37,260,000</u>	<u>76.7%</u>	<u>28,584,000</u>
Total value of wastewater facilities	41,797,363	73.5%	30,733,277
Interest & Financing Costs ²			10,530,600
Total Cost Allocated to New Growth			41,263,877
Number of new EDUs ³			3,000
Recommended sewer DIF			
Single family residence (one EDU)			\$13,755
Multi-family residence ⁴			9,628
Retail/services (per 1000 square feet) ⁴			11,967
Offices (per 1,000 square feet) ⁴			7,290
Service Commercial (per 1,000 square feet) ⁴			6,877
Industrial (per 1,000 square feet) ⁴			6,465

1- Based on Carollo Technical Memorandum, October 2006

2- Defined as interest cost for SRF financing

3- Uses Wastewater System Master Plan 300 gpd design flow for one EDU

4- Uses flow factors from 1992 study

The new updated sewer DIF is \$13,755. At this amount, the 3,000 new connections estimated for the system will completely mitigate their impacts on the sewer system. BWA further recommends that this fee be indexed to the Engineering News Record Construction Cost Index (ENR-CCI) so that it keeps pace with the rising cost of construction.

BWA recommends that the City move to adopt this updated DIF as soon as possible. It is extremely important that new development, which is largely driving the need to expand the treatment plant by 3,000 equivalent dwelling units, pay its fair share of the future cost of the plant. Revenue generated from these sewer DIFs can and should be used to meet a significant portion of the loan repayments when they come due.