



Legislation Text

File #: 19-370, **Version:** 1

Staff Report for a City of San Leandro City Council Resolution to Receive a Report on Wastewater Utility Capacity Charges and to Amend the City of San Leandro Administrative Code Title 6, Chapter 4, Section 6.4.110 to Reflect Connection Fees Recommended by the Report

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council receive a report titled “Wastewater Utility Capacity Charges Study,” which analyzes the fees paid when adding new demand to the City sewer system. Staff further recommends that the City Council update the connection fees according to the recommendations in the report.

BACKGROUND

Capacity charges are assessed when new demands are put on the sewer and treatment system, such as new development or increases in production. They are meant to pay for facilities in existence and for facilities that will be constructed in the future. They can only be used for funding capital improvements. Sometimes, capacity charges are referred to as “connection fees.” For the purposes of this report, these terms are synonymous.

In 2018, the City contracted with Municipal Financial Services to evaluate current capacity charges and recommend changes to the schedule. The study calculated the value of the wastewater treatment system and the total capacity of the system in terms of flow, biochemical oxygen demand (BOD) and suspended solids. It then found unit costs for each of these measures.

For new residential construction, the capacity charge is calculated by using the expected average usage as found in the Wastewater Utility Financial Plan and Rates Study. For non-residential users, staff calculates the capacity charge when issuing the building permit by using estimates of expected discharge and multiplying by the unit costs. The fee may be adjusted at the end of one year for non-residential users that have a record of actual wastewater discharge.

Because average residential water usage has declined as a result of water conservation, the capacity charges would go down from the Fiscal Year 2018-19 rate of \$4,389 to \$3,920. Multiple family units, which means each unit in buildings with more than two units, would decrease from \$3,664 to \$3,270. Accessory dwelling units are similar in water usage to multiple family units and therefore are charged the same fee. Accessory dwelling units, therefore, will benefit from this proposed fee reduction.

These costs should be adjusted annually based on the “ENR 20-City Construction Cost Index” as published by the Engineering News-Record. This provides a more accurate value of the assets than the Consumer Price Index because it is focused on construction costs.

Staff recommends these rates be effective as of January 1, 2020.

Previous Actions

- At the May 6, 2019 City Council meeting, the City Council passed Resolution 19-235 to adjust user fees and service charges.
- At the May 6, 2019 City Council meeting, staff presented a draft of the Capacity Charges Study and previewed the rates as part of a discussion of sewer rates.

ATTACHMENTS

- Summary of Fiscal Year 2018-19, Fiscal Year 2019-20 as adopted, and Proposed Rates
- Wastewater Utility Capacity Charges Study

PREPARED BY: Justin Jenson, Plant Manager, Public Works Department and Hayes Morehouse, Administrative Analyst II, Public Works Department