

among the total number of equivalent meter units at build-out, to ensure that new development would pay its proportionate share of the capacity being provided. In addition, these proposed capacity fees include the full cost of obtaining additional water from Nacimiento for new development.

9. The City wishes to ensure the ability to produce water to meet peak demands, extend water reliability, and improve water quality. A phased connection fee will provide the necessary funding to provide a reliable, well-maintained, infrastructure system and reliable water resource to serve the needs of future customers; water consumption rates will provide the funds necessary to assure the same benefits for existing customers.

ANALYSIS & CONCLUSION:

Since the August 19th Council meeting, staff met again with representatives of the Home Builders' Association of the Central Coast and responded to their comments. Relevant correspondence is attached.

The water capacity charges are based on new development's share in the cost of the existing community water system, future facilities such as the City's Nacimiento Water Supply Project entitlement and the planned water treatment plant; share in conveyance costs, and additional future water supply needed to support growth. The following table lists the proposed capacity charges by connection (meter) size:

Meter Size	Current Charge as of:		Proposed Charge as of			
	Jul 1, 2008	Jan 1, 2009 ¹	Jan 1, 2010 ²	Jan 1, 2011 ³	Jan 1, 2012 ⁴	Jan 1, 2013
5/8" and 3/4"	\$9,119	\$15,142	\$20,481	\$27,617	\$27,905	\$28,208
1"	\$15,226	\$25,287	\$34,203	\$46,120	\$46,601	\$47,107
1 1/2"	\$30,364	\$50,423	\$68,202	\$91,965	\$92,922	\$93,933
2"	\$48,601	\$80,707	\$109,164	\$147,199	\$148,731	\$150,349
3"	\$97,292	\$151,420	\$204,810	\$276,170	\$279,046	\$282,080
4"	\$152,002	\$252,417	\$341,418	\$460,375	\$465,170	\$470,227
6"	\$303,914	\$504,683	\$682,632	\$920,475	\$930,060	\$940,173
8"	\$486,280	\$807,523	\$1,092,252	\$1,472,815	\$1,488,152	\$1,504,333
10"	\$699,100	\$1,160,937	\$1,570,278	\$2,117,395	\$2,139,445	\$2,162,708

¹Water capacity charge do not include the water treatment plant and additional future water supply components.

²Charges include the water treatment plant component.

³Charges include additional future water supply.

⁴Beginning on January 1, 2012 and each January 1 thereafter, fees shown in the table shall be adjusted based on the change in the Engineering News Cost Record construction cost index (or equivalent publication) as reported for the twelve month period ending October 31st of the prior year.

Details regarding the derivation of the proposed water capacity charges are addressed in the attached report, "Water Capacity Charge Study – Revised Final" by HF&H Consultants dated August 27, 2008.

Several aspects of the study have been revised and refined since the publication of the draft dated June 2008. For one, debt service is not impacted by inflation. Secondly, the capital improvement program was updated to include land acquisition of a storage tank site. Additionally a proportional share of the central support system for a remote read meter system project (software and computer equipment) was incorporated. Last, the estimated value of existing facilities was adjusted to omit developer-installed in-tract pipelines on the basis that City/customer funds were not used to install that portion of the existing water system in the first place.

As for implementation of the water capacity charges, the following are recommended:

- a. That City Council approve and adopt the schedule of water connections fees (water capacity charges) reflect in the attached resolution as Exhibit 'A' September 2, 2008, to become effective January 1, 2009.
- b. That beginning January 1, 2012 and each January 1 thereafter, the fees shown on Exhibit A shall be adjusted based on the change in the Engineering News Cost Record construction cost index (or equivalent publication) as reported for the twelve month period ending October 31st of the prior year. Further, that said water connection fees (water capacity charges) shall be reviewed no less than biennially (every two years) in conjunction with the update of the City's four-year financial plan to ensure that the water connection fees (water capacity charges) then in existence do not exceed the estimated reasonable cost of providing the public facilities and services for which they are imposed.
- c. That building permits approved and obtained by December 31, 2008 shall be subject to the capacity charges currently in effect, and those obtained on or after January 1, 2009 shall be subject to the capacity charges set forth in Exhibit A of the proposed resolution. Applications shall be processed on a first-come, first-served basis, in accordance with the City's standard policies.

POLICY

REFERENCE: General Plan, Economic Strategy; Urban Water Management Plan; Integrated Water Resource Plan; Nacimiento Water Project Entitlement Contract.

FISCAL IMPACT: The need to implement new water capacity charges to increase revenues is directly related to the requirement to make new development pay for its share of the Nacimiento bond debt payments, treatment plant construction, and other conveyance system improvements. If revenues through new capacity charges to pay for new development's share of those costs are not sufficient, the General Fund will ultimately have to make up any shortfall. The General Fund funds operations such as, library services, children's and senior programs, parks, as well as police and fire, and other City amenities. Serious budget cuts and significant reductions in some programs would result.

- OPTIONS:**
- a. Approve Resolution No. 08-XX establishing the Water Capacity Charges (i.e. water connection fees).
 - b. Amend, modify, or reject the above option.

RESOLUTION NO. 08-XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
MODIFYING AND ADOPTING WATER CONNECTION AND CAPACITY CHARGES

WHEREAS, improvements to the City water system are needed, primarily to supplement the limited ground water supply, and also to provide adequate distribution, staffing, and water storage capacity; and

WHEREAS, the planned improvements as outlined in the 2007 Integrated Water Resources Plan and Capital Improvement Program amount to approximately \$210 million over the coming decade, including Nacimiento supply and treatment capital costs as well as other distribution system capital costs plus financing and operations costs; and

WHEREAS, on January 15, 2008, Council directed that studies of water rates and water connection fees (water capacity charges) be prepared in light of both the Nacimiento project and other planned water system improvements; and

WHEREAS, the City retained the firm of HF&H Consultants, LLC to analyze the City's costs for existing and future facilities as well as the proportional share of such costs that should be borne by new development through water capacity charges; and

WHEREAS, HF&H determined that the revenues generated by the existing connection fees (water capacity charges) are inadequate to pay for new development's proportional costs of those improvements set forth in the Integrated Water Resources and Capital Improvement Plan which are necessary to sustain water system operations and water production in compliance with State Dept of Public Health, local fire code, and other requirements; and

WHEREAS, the City wishes to ensure the ability to produce water to meet peak demands, extend water reliability and improve water quality; and

WHEREAS, a phased connection fee will provide the necessary funding to provide a reliable, well-maintained, infrastructure system and reliable water resource to serve the needs of its existing and future customers; and

WHEREAS, notices and information regarding the August 19, 2008 public hearing on the adoption of the proposed capacity charges, in compliance with the requirements of Government Code section 66016, were sent to interested parties, and

WHEREAS on August 19, 2008 the public hearing was continued to September 2, 2008.

THEREFORE, BE IT RESOLVED AS FOLLOWS:

SECTION 1. The City Council of the City of El Paso de Robles hereby finds and determines that the proposed water connection and capacity charges do not exceed the estimated reasonable

cost of providing the service for which the fee is to be charged. This finding is based on the study conducted by HF&H, dated August 27, 2008, as amended to date, and incorporated herein by reference, the staff report and other testimony and information presented at the public hearing.

SECTION 2. The City Council of the City of El Paso de Robles does hereby approve and adopt the schedule of water connections fees (water capacity charges) attached hereto as Exhibit 'A' and incorporated herein by reference, to become effective January 1, 2009.

SECTION 3. Beginning January 1, 2012 and each January 1 thereafter, the fees shown on Exhibit A shall be adjusted based on the change in the Engineering News Cost Record construction cost index (or equivalent publication) as reported for the twelve month period ending October 31st of the prior year. Further, that said water connection fees (water capacity charges) shall be reviewed no less than biennially (every two years) in conjunction with the update of the City's four-year financial plan to ensure that the water connection fees (water capacity charges) then in existence do not exceed the estimated reasonable cost of providing the public facilities and services for which they are imposed.

SECTION 4. Building permits approved and secured by the project owner or agent on or before December 31, 2008, shall be subject to the connections fees in effect immediately prior to the adoption of this Resolution. Permits secured January 2, 2009 or later shall be subject to the fees adopted by this Resolution. All building permit applications received after September 2, 2008, shall be processed on a first-come, first-served basis, in accordance with the City's standard policies.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 2nd day of Septmeber 2008 by the following votes:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

Frank R. Mecham, Mayor

Deborah D. Robinson, Deputy City Clerk

EXHIBIT 'A'
TO RESOLUTION 08- XX

Water Connection and Capacity Charges

Current Charge as of:		Proposed Charge as of				
Meter Size	Jul 1, 2008	Jan 1, 2009 ¹	Jan 1, 2010 ²	Jan 1, 2011 ³	Jan 1, 2012 ⁴	Jan 1, 2013
5/8" and 3/4"	\$9,119	\$15,142	\$20,481	\$27,617	\$27,905	\$28,208
1"	\$15,226	\$25,287	\$34,203	\$46,120	\$46,601	\$47,107
1 1/2"	\$30,364	\$50,423	\$68,202	\$91,965	\$92,922	\$93,933
2"	\$48,601	\$80,707	\$109,164	\$147,199	\$148,731	\$150,349
3"	\$97,292	\$151,420	\$204,810	\$276,170	\$279,046	\$282,080
4"	\$152,002	\$252,417	\$341,418	\$460,375	\$465,170	\$470,227
6"	\$303,914	\$504,683	\$682,632	\$920,475	\$930,060	\$940,173
8"	\$486,280	\$807,523	\$1,092,252	\$1,472,815	\$1,488,152	\$1,504,333
10"	\$699,100	\$1,160,937	\$1,570,278	\$2,117,395	\$2,139,445	\$2,162,708

¹Water capacity charge do not include the water treatment plant and additional future water supply components.

²Charges include the water treatment plant component.

³Charges include additional future water supply.

⁴Beginning on January 1, 2012 and each January 1 thereafter, fees shown in the table shall be adjusted based on the change in the Engineering News Cost Record construction cost index (or equivalent publication) as reported for the twelve month period ending October 31st of the prior year.