

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Dylan Feik, City Manager
DATE: June 20, 2017
SUBJECT: Recommendation to Reduce to Water and Wastewater Connection Fees for Multi-Family Residential Units

APPROVAL FOR FORWARDING



Dylan Feik, City Manager

1 **ISSUE:** The City has hired Bartle Wells Associates (BWA) to conduct a water and
2 wastewater utility rate study and water and wastewater connection fee review. This
3 recommendation is to reduce water and wastewater connection fees for multi-family
4 residential units.

5 **RECOMMENDATION:** Provide guidance to City staff, if any. Next steps include public
6 notifications during the months of June/July, conducting a public hearing, and
7 introducing the ordinance on July 18th. Council may also consider waiving its first
8 reading.

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10 **BACKGROUND:** The City of Calistoga currently has 110 multi-family water/wastewater
11 accounts containing 600 housing units, accounting for 18% of total units in the City.
12 Total multi-family water usage in fiscal year 2016 was 33,536 hundred cubic feet (hcf),
13 or 77 AF. Each new multi-family development must pay a connection fee, which is a
14 valuation of current assets and growth-related capital projects per AF of estimated
15 impact on the water and wastewater systems.

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17 Water and wastewater connection fees were set by Ordinance #270 on October 19,
18 2010. Each year, fees are updated based on the Engineering Construction Index
19 Average of Cities, which is an estimate of inflation specifically related to the construction
20 industry. These fees can be found in Calistoga Municipal Code Chapter 13.18. As of
21 January 2017, these fees have been escalated to \$38,517 per AF consumption for
22 water and \$112,456 per AF consumption for wastewater. Acre foot consumption for
23 connection fees are determined by a Standard Use Table, established by the City of
24 Calistoga by Resolution 2015-029. This table provides an estimation of consumption for
25 each customer class. Estimated consumption is broken down between units containing
26 1-2 bedrooms and units containing 3 bedrooms.

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28 As part of the rate review, BWA also proposed three options to calculate the connection
29 fee including (1) calculating the capacity fee as a cost per fixture unit, (2) cost per
30 square foot area, and (3) updating the Standard Use Table for a new cost per bedroom
31 per apartment. BWA and City Staff analysis of these options concludes that an updated
32 cost per bedroom based on revised annual AF consumption will have the greatest
33 simplicity of implementation and will apply to all new multi-family units. A BWA
34 memorandum (Attachment 1) presents a recommendation for updated multi-family
35 consumption calculations, which similarly suggest an overall annual AF usage reduction
36 of about 30% for a one-bedroom multi-family unit.

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38 Through this analysis, Staff have concluded that reducing the multi-family usage per
39 bedroom in the Standard Use Table by approximately 30% provides a close estimate of
40 typical multi-family consumption while maintaining a reasonable assurance that new
41 developments will have sufficient baseline allocations to meet projected demands.
42 Furthermore, by establishing a per-bedroom baseline quantity, the connection charges
43 can be applied equitably to projects which have units with variable number of
44 bedrooms. Each additional bedroom would serve as a multiplier for estimated acre feet
45 usage. Creating a 1, 2, and 3 bedroom AF/year estimation allows for a more precise
46 estimation of usage than is currently available in the Standard Use Table.

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48 Both the City and BWA's approach to re-calculating annual AF consumption result in a
49 rounded reduction of 30% from the current Standard Usage Table's estimated annual
50 AF consumption per bedroom. The resulting capacity fees are shown in Attachment 1
51 (see Table 5 on pg. 6 of the memo).

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53 By updating the City's Standard Use Table to include the recommended 30% reduction
54 per multi-family bedroom, the City will be incorporating the latest data on multi-family
55 consumption. Reducing consumption estimates by 30% will reduce connection fees by
56 up to 67% for 1 bedroom units. Staff believes this connection fee reduction may
57 encourage multi-family housing development in the City. BWA and City Staff also
58 recommend that the Standard Use Table list estimated usage for 1, 2, and 3 bedroom
59 apartments. This will allow for more precise estimation of usage and can be applied
60 equitably to projects with a variable number of bedrooms.

61 **DISCUSSION:** Should Council agree to this new calculation methodology for multi-
62 family housing, staff will prepare appropriate public notices, reports and hearing items
63 for Council consideration at the July 18th Council meeting.

64 **CONSISTENCY WITH COUNCIL GOALS AND OBJECTIVES:**

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- 66 • Goal 1, Objective 1 Encourage, manage and advance key private development
and renovation projects to stimulate economic vitality and avoid stagnation
 - 67 • Goal 7, Objective 2 – Expanding housing opportunities, including workforce
68 housing

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70 **FISCAL IMPACTS:** The water and wastewater operating enterprise funds may receive
71 less connection fee revenue due. However, reducing connection fees may also provide
72 impetus for future multi-family residential projects which otherwise may not happen,
73 considering current impact fee rates.

ATTACHMENTS

1. Bartle Wells Associates Memo, June 12, 2017
2. Capacity Fee Study, Water/Wastewater Tables 05/19/17