



DATE: April 1, 2015

TO: Honorable Mayor and City Councilmembers

FROM: Water Utilities Department

SUBJECT: **INTRODUCTION OF AN ORDINANCE AMENDING CHAPTER 29 OF THE OCEANSIDE CITY CODE BY ESTABLISHING WASTEWATER SYSTEM CAPACITY FEE INCREASES AND INTRODUCTION OF AN ORDINANCE AMENDING CHAPTER 37 OF THE OCEANSIDE CITY CODE BY ESTABLISHING WATER SYSTEM CAPACITY FEE INCREASES**

SYNOPSIS

Staff and the Utilities Commission recommend that the City Council introduce an ordinance amending Chapter 29 of the Oceanside City Code by establishing wastewater system capacity fee increases; introduce an ordinance amending Chapter 37 of the Oceanside City Code by establishing water system capacity fee increases; and direct staff to implement the capacity fee increases.

BACKGROUND

The Water Utilities Department obtained the services of Carollo Engineers to prepare the Financial Plan. This plan included a long-range funding strategy for the system improvements and the development of updated water and wastewater monthly rates, in order to equitably recover the cost of providing ongoing service, and updated capacity fees designed to recover the cost of providing capacity necessary to serve new development.

The draft Integrated Water Utilities Master Plan (IWUMP) is nearing completion and preparation of an environmental assessment will be required prior to final approval by the City Council. The IWUMP creates a roadmap for the water and wastewater infrastructure improvements required to continue to meet regulatory requirements, maintain the physical integrity of system assets, and provide additional capacity to serve projected growth within the Water Utilities' service boundaries. The IWUMP defines the operational and maintenance requirements of the water and wastewater systems and the capital improvement necessary to meet known new health, security, safety, and legal requirements and to support planned Oceanside growth.

The draft IWUMP has indicated that water and wastewater system buy-in fees need to be increased for the following reasons:

- Higher costs to operate and maintain healthy infrastructures;

- More stringent regulatory requirements for both the water and wastewater utilities;
- Replacement of 4" and 6" sewer lines that have been found to be insufficient based on the Master Plan Hydraulic Model;
- Replacement of 4" and 6" water lines that have been found to be insufficient for fire flows based on the Master Plan Hydraulic Model; and
- Expansion of the City's recycled water production, transmission, and distribution systems providing increased capacity and contributing to meeting the City Council's 2030 goal of 50 percent of water from local supplies.

The updated rates were adopted by Council on December 3, 2014, through a Proposition 218 process. (Ordinances 14-OR0727-1 and 14-OR0728-1) Capacity fees are not subject to Proposition 218 although a public hearing is recommended.

ANALYSIS

Wastewater and Water System Capacity Fees

System capacity fees are charged to new developments or modifications to existing developments resulting in a property requiring additional water or wastewater system capacity. The proposed wastewater and water system capacity fees were calculated by calculating the value of available capacity in the wastewater or water systems and dividing by the number of new developments that will occur during the planning horizon. The value of available capacity within the water and wastewater system is defined as the value of the existing assets less outstanding debt principal and contributed capital (grants and developer contributions) plus the cost of new capital improvements that will be undertaken to provide capacity for future users. Available capacity is defined as the total number of meter equivalents served by the system.

Wastewater System

The majority of wastewater system capacity fees are projected to be paid for by single-family residences with a 5/8-inch meter. The current and proposed wastewater system capacity fees for this type of customer are below:

Wastewater System Buy-in Fees				
Meter size	Current	Proposed	Increase	Percentage
5/8-inch	\$6,313	\$7,768	\$1,455	23.05

Exhibit C is a comparison of wastewater buy-in fees for a 5/8-inch meter from other cities in San Diego County.

In addition to the proposed wastewater capacity fee increase for customers with normal strength discharge, industrial and high-strength customers pay a calculated capacity fee based on the loading parameters of flow, biochemical oxygen demand (greater than 300 parts per million), total suspended solids (greater than 300 parts per million) and ammonia (greater than 25 parts per million). Users with higher than normal strengths

use a higher proportion of the system capacity at the wastewater treatment plants and these calculated rates recover the associated costs. The following table lists the capacity fees for each loading parameter:

Proposed Wastewater Capacity fees - Industrial and High-Strength Dischargers⁽¹⁾		
Parameter	Proposed Buy-In Cost	Current Buy-In Cost
Per meter equivalent (customer costs)	\$143.28	\$116.44
Per unit (748 gallons) of wastewater discharged	\$ 60.70	\$ 49.33
Per pound of Biochemical Oxygen Demand Discharged	\$ 8.28	\$ 6.73
Per pound of Total Suspended Solids Discharged	\$ 4.43	\$ 3.60
Per pound of Ammonia Discharged	\$ 5.57	\$ 4.53
Note: (1). Applies to higher-than-normal-strength wastewater.		

Water System

The majority of water system capacity fees are projected to be paid for by new single-family residences with a 5/8-inch meter. The current and proposed water system capacity fees for this type of customer are below:

Water System Capacity fees				
Meter size	Current	Proposed	Increase	Percentage
5/8-inch	\$4,597	\$5,500	\$903	19.64

Exhibit D is a comparison of water buy-in fees for a 5/8-inch meter from other cities in San Diego County. Exhibit E shows the combined wastewater and water capacity fees for other cities.

The proposed rate and buy-in fee increases are exempt from California Environmental Quality Act requirements.

Wastewater and Water System Capacity fees

The City's IWUMP effort has identified CIP projects for the water and wastewater systems through 2050. Many of the projects will provide benefits to both existing and future users. The proposed increase in wastewater and water system capacity fees will generate revenue needed for construction and expansion of facilities and projects. The table below summarizes the CIP projects that have been considered.

CIP Benefitting New and Existing Users Through Planning Period (2050)			
Project Type	Water ⁽¹⁾	Wastewater ⁽¹⁾	Total ⁽¹⁾
Expansion CIP Costs	\$ 45.62	\$ 3.95	\$ 49.57
Pipeline Replacements	82.55	47.08	129.63
Recycled Water Expansion	49.48	N/A	49.48
Total CIP	\$ 177.65	\$ 51.03	\$ 228.68
(1) Costs stated in \$ millions			

FISCAL IMPACT

The proposed increase in wastewater and water system capacity fees will generate appropriate revenue needed for construction and expansion of facilities and projects. The increase in capacity fees will generate an additional estimated \$104,040 for a total of \$555,412 in wastewater and an additional estimated \$88, 481 for a total of \$494,984 in water based on the historical development data for FY 13/14.

COMMISSION OR COMMITTEE REPORT

The Utilities Commission reviewed and approved staff's recommendation at its meeting on January 20, 2015.

CITY ATTORNEY'S ANALYSIS

The ordinances have been reviewed by the City Attorney and approved as to form.

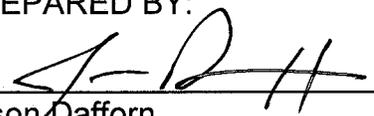
INSURANCE REQUIREMENTS

Does not apply.

RECOMMENDATIONS

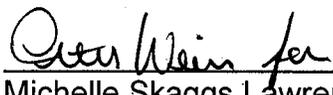
Staff and the Utilities Commission recommend that the City Council introduce an ordinance amending Chapter 29 of the Oceanside City Code by establishing wastewater system capacity fee increases; introduce an ordinance amending Chapter 37 of the Oceanside City Code by establishing water system capacity fee increases; and direct staff to implement the capacity fee increases.

PREPARED BY:



Jason Dafforn
Interim Water Utilities Director

SUBMITTED BY:

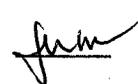


Michelle Skaggs Lawrence
Interim City Manager

REVIEWED BY:

Peter Weiss, Assistant City Manager

Jane M. McPherson, Interim Financial Services Director



- Exhibit A: Proposed Ordinance amending Chapter 29
- Exhibit B: Proposed Ordinance amending Chapter 37
- Exhibit C: Wastewater Buy-in Fee Comparison
- Exhibit D: Water Buy-in Fee Comparison
- Exhibit E: Combined Buy-in Fee Comparison

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING
OCEANSIDE CITY CODE, CHAPTER 29, WASTEWATER
SYSTEM BUY-IN FEE INCREASES

WHEREAS, the City of Oceanside through its Water Utilities Department Wastewater Division provides essential public health and safety services to its residents;

WHEREAS, on February 11, 2009, the City Council approved Ordinance No. 09-OR0092-1 related to establishing wastewater system buy-in fees;

WHEREAS, Section 29.11.1 of the Oceanside City Code established wastewater system buy-in fees to be paid as a condition precedent to connection to the City wastewater treatment and disposal system;

WHEREAS, wastewater system buy-in fees are evaluated periodically to maintain an adequate fee structure to recover costs for constructing public wastewater collection, treatment and disposal facilities; and

WHEREAS, the wastewater system buy-in fees established have been analyzed and found to be insufficient to pay for the capital costs of constructing public wastewater collection, treatment and disposal facilities necessary for the future;

NOW, THEREFORE, the City Council of the City of Oceanside DOES ORDAIN as follows:

SECTION 1. Section 29.11.1 is hereby amended to read as follows:

“Sec. 29.11.1 Wastewater system buy-in fees.

Effective sixty (60) days after this ordinance is adopted, all new connections to the city’s wastewater system shall be assessed a wastewater system buy-in fee based on water meter size, except residential single-family connections, which will be charged for a 5/8-inch meter regardless of water meter size. Such fee shall be as follows:

Meter Size	Buy-In Fee
Residential Single Family:	
Regardless of meter size	\$7,768

Multi-Family and Non-Residential:	
5/8" & 3/4"	\$ 7,768
1"	\$ 15,782
1½"	\$ 31,563
2"	\$ 50,501
3"	\$ 96,689
4"	\$157,815
6"	\$315,631
8"	\$505,009
10"	\$725,950

SECTION 2. Section 29.11(a) is hereby amended to read as follow:

“Sec. 29.11.1(a). Special User Wastewater system buy-in fees.

Effective sixty (60) days after this ordinance is adopted, an additional wastewater system buy-in fee may be imposed based on excess water usage and strength characteristics. Water usage and strength characteristics will be reviewed to determine the loading parameters of flow, biochemical oxygen demand (greater than 300 parts per million), total suspended solids (greater than 300 parts per million) and ammonia (greater than 25 parts per million). Such fee shall be as follows:

Wastewater Capacity fees - Industrial and High-Strength Dischargers⁽¹⁾	
Parameter	Buy-In Cost
Per meter equivalent (customer costs)	\$143.28
Per unit of wastewater discharged	\$ 60.70
Per pound of Biochemical Oxygen Demand Discharged	\$ 8.28
Per pound of Total Suspended Solids Discharged	\$ 4.43
Per pound of Ammonia Discharged	\$ 5.57
Note: (1). Applies to higher-than-normal-strength wastewater.	

1 SECTION 3. The City Clerk of the City of Oceanside is hereby directed to publish this
2 ordinance, or the title hereof as a summary, pursuant to state statute, once within fifteen (15)
3 days after its passage in the San Diego Union Tribune, North County edition, a newspaper of
4 general circulation published in the City of Oceanside.

5 SECTION 4. Severability.

6 If any section, sentence, clause or phrase of the Ordinance is for any reason held to be
7 invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision
8 shall not affect the validity of the remaining portions of this Ordinance. The City Council
9 hereby declares that it would have adopted this Ordinance and each section, sentence, clause or
10 phrase thereof, irrespective of the fact that any one or more section, subsections, sentences,
11 clauses or phrases be declared invalid or unconstitutional.

12 INTRODUCED at a regular meeting of the City Council of the City of Oceanside held
13 on the _____ day of _____, 2015, and, thereafter,

14 PASSED, AND ADOPTED by the City Council of the City of Oceanside, California
15 this _____ day of _____, 2015, by the following vote:

16 AYES:

17 NAYS:

18 ABSENT:

19 ABSTAIN:

20
21 _____
MAYOR, CITY OF OCEANSIDE

22 ATTEST:

APPROVED AS TO FORM:

23
24 _____
CITY CLERK

25
26 _____
CITY ATTORNEY

27 AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING OCEANSIDE CITY
28 CODE, CHAPTER 29, WASTEWATER SYSTEM BUY-IN FEE INCREASES

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING
OCEANSIDE CITY CODE, CHAPTER 37, ESTABLISHING
WATER SYSTEM BUY-IN FEES

WHEREAS, on February 11, 2009, the City Council adopted Ordinance No. 09-OR0093-1 related to establishing water system buy-in fees;

WHEREAS, these water buy-in fees have been analyzed and found to be insufficient to pay for the costs of improving and upgrading necessary public water transmission, treatment storage and distribution facilities;

WHEREAS, Section 37.56.1 of the Oceanside City Code established water system buy-in fees to be paid as a condition precedent to connection to the City water system;

WHEREAS, these water system buy-in fees have been analyzed and found to be insufficient to pay for the capital costs of constructing public water transmission, treatment, storage and distribution facilities necessary for the future.

NOW, THEREFORE, the City Council of the City of Oceanside DOES ORDAIN as follows:

SECTION 1. Section 37.56.1 is hereby amended to read as follows:

“Sec. 37.56.1 Water system buy-in fees.

Effective sixty (60) days after adoption of this ordinance, all new connections to the city’s water system shall be assessed a water system buy-in fee based on meter size as follows:

<u>Meter Size</u>	<u>Buy-In Fee</u>	<u>Meter Size</u>	<u>Buy-In Fee</u>
5/8”	\$5,500	4”	\$114,923
1”	\$11,492	6”	\$229,845
1½”	\$22,985	8”	\$367,753
2”	\$36,775	10”	\$528,645
3”	\$68,954		

1 SECTION 2. The City Clerk of the City of Oceanside is hereby directed to publish this
2 ordinance, or the title hereof as a summary, pursuant to state statute, once within fifteen (15)
3 days after its passage in the San Diego Union Tribune, a newspaper of general circulation
4 published in the City of Oceanside.

5 SECTION 3. Severability.

6 If any section, sentence, clause or phrase of the Ordinance is for any reason held to be
7 invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision
8 shall not affect the validity of the remaining portions of this Ordinance. The City Council
9 hereby declares that it would have adopted this Ordinance and each section, sentence, clause or
10 phrase thereof, irrespective of the fact that any one or more section, subsections, sentences,
11 clauses or phrases be declared invalid or unconstitutional.

12 INTRODUCED at a regular meeting of the City Council of the City of Oceanside held
13 on the _____ day of _____, 2015, and, thereafter,

14 PASSED, AND ADOPTED by the City Council of the City of Oceanside, California
15 this _____ day of _____, 2015, by the following vote:

16
17 AYES:
18 NAYS:
19 ABSENT:
20 ABSTAIN:

21 _____
MAYOR, CITY OF OCEANSIDE

22 ATTEST:

APPROVED AS TO FORM:

23
24 _____
CITY CLERK

25
26 
27 _____
CITY ATTORNEY

28
AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING OCEANSIDE CITY
CODE, CHAPTER 37, ESTABLISHING WATER SYSTEM BUY-IN FEES

Wastewater System Buy-in Fees in San Diego County - January 2015	
Single Family Residential / Highest to Lowest	
City or Agency	Sewer Connection Fee
Rainbow MWD	17,090
Santee (Padre Dam MWD)	14,163
Ramona	13,280
San Marcos (Vallecitos WD)	9,039
Valley Center	8,935
Oceanside - proposed	7,768
Escondido	7,500
Fallbrook	6,575
Del Mar	6,444
Oceanside - current	6,313
La Mesa (Helix WD)	5,290
San Diego	4,124
Carlsbad (Leucadia WW District)	4,006
Vista	3,956
Carlsbad MWD	842
Median:	6,575

Median

Water System Buy-in Fees in San Diego County - January 2015 Single Family Residential / Highest to Lowest	
City or Agency	Water Connection Fee
Santee (Padre Dam MWD)	16,686
Rainbow MWD	13,097
Carlsbad (Olivenhain MWD)	12,095
Ramona	7,850
San Marcos (Vallecitos WD)	7,036
Valley Center	6,966
La Mesa (Helix WD)	6,842
Oceanside - proposed	5,500
Fallbrook	5,340
Vista	4,956
Escondido	4,690
Oceanside - current	4,597
Carlsbad MWD	3,931
Del Mar	3,493
Encinitas (San Dieguito WD)	3,300
San Diego	3,047
Median:	5,420

Median

Water / Sewer Combined Connection Fees in San Diego County - January 2015 Single Family Residential / Highest to Lowest			
City or Agency	Water Connection Fee	Sewer Connection Fee	Total Combined Connection Fees
Santee (Padre Dam MWD)	16,686	14,163	30,849
Rainbow MWD	13,097	17,090	30,187
Ramona	7,850	13,280	21,130
Carlsbad (Olivenhain MWD, Leucadia WW District)	12,095	4,006	16,101
San Marcos (Vallecitos WD)	7,036	9,039	16,075
Valley Center	6,966	8,935	15,901
Oceanside - proposed	5,500	7,768	13,268
Escondido	4,690	7,500	12,190
La Mesa (Helix WD)	6,842	5,290	12,132
Fallbrook	5,340	6,575	11,915
Oceanside - current	4,597	6,313	10,910
Del Mar	3,493	6,444	9,937
Vista	4,956	3,956	8,912
Encinitas (San Dieguito WD)	3,300	4,006	7,306
San Diego	3,047	4,124	7,171
Carlsbad MWD	3,931	842	4,773
Median:			12,161

Median