



MEMORANDUM

TO: CITY COUNCIL

FROM: NICOLE VALENTINE, ACCOUNTING MANAGER

SUBJECT: CONSIDERATION OF ADJUSTMENT OF SEWER CONNECTION FEES
BASED ON CHANGES IN THE ENGINEERING NEWS RECORD
CONSTRUCTION COST INDEX

DATE: JANUARY 28, 2020

SUMMARY OF ACTION:

Adoption of a Resolution approving the annual adjustment of Sewer Connection Fees.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

The adoption of the Resolution will adjust the Sewer Connection Fees charged for new development projects for 2020. The revenue generated from this adjustment is dependent on the amount of new development in the community during the coming year.

RECOMMENDATION:

It is recommended the City Council adopt a Resolution approving an adjustment to the City's Sewer Connection Fees based on changes in the Engineering News Record (ENR) Construction Cost Index (CCI).

BACKGROUND:

Ordinance 528 C.S. amended Section 13.12.190 of the Arroyo Grande Municipal Code to provide that for each connection of a building to a public sewer, a connection fee will be charged and that the amount of the fee shall be set by Resolution. Resolution No. 4507 set sewer connection fees for 2013 and authorized that the sewer connection fees be adjusted each year in accordance with the percentage increase based on changes in the annual average Engineering News Record Construction Cost Index.

ANALYSIS OF ISSUES:

Sewer Connection Fees, enacted pursuant to Section 13.12.190 of the City Municipal Code, are collected to help pay for improvements and future sewer system capacity as necessary to meet the needs of the City resulting from growth and expansion.

The calculation shown below provides documentation that a 1.98% increase in the ENR CCI warrants an adjustment in the City's Sewer Connection Fees.

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The calculation adjusts the fees as follows:

$$\text{Factor} = 1 + \frac{\text{Current Index} - \text{Base Index for Date of Adoption}}{\text{Base Index for Date of Adoption}}$$

The calculation is as follows:

$$1.0198 = 1 + \frac{11,281 - 11,062}{11,062}$$

ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Adopt the Resolution;
2. Do not adopt the Resolution and request further information; or
3. Provide direction to staff.

ADVANTAGES:

By approving the recommended fees, the City will be able to recover the estimated cost of providing services to new development.

DISADVANTAGES:

The only disadvantage identified in relation to this recommendation is an increased cost to new development.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE ADJUSTING SEWER CONNECTION FEES BY THE CHANGE IN THE ENGINEERING NEWS RECORD CONSTRUCTION COST INDEX

WHEREAS, the City Council adopted Ordinance No. 528 C.S. amending Section 13.12.190 of the Municipal Code regarding sewer connection fees; and

WHEREAS, pursuant to Section 13.12.190, the City Council may by Resolution establish the amount of the sewer connection fees; and

WHEREAS, Resolution No. 4507 authorizes an annual adjustment in the sewer connection fees based on the changes in the annual average Engineering News Record Construction Cost Index.

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Arroyo Grande hereby adopts the sewer connection fees set forth in Exhibit "A" attached hereto and incorporated herein by this reference as though set forth in full. In accordance with Government Code Section 66017, this Resolution shall take effect sixty (60) days after its adoption.

On motion of Council Member _____, seconded by Council Member _____, and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

the foregoing Resolution was passed and adopted this 28th day of January, 2020.

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CAREN RAY RUSSOM, MAYOR

ATTEST:

KELLY WETMORE, CITY CLERK

APPROVED AS TO CONTENT:

JAMES A. BERMAN, CITY MANAGER

APPROVED AS TO FORM:

TIMOTHY J. CARMEL, CITY ATTORNEY

EXHIBIT A

**SEWER CONNECTION FEES
EFFECTIVE 03/30/2020**

For each connection of a building sewer to a public sewer, a connection fee shall be collected by the City before the permit for the connection work is issued. The amount of the fee collected is as follows:

	Connection Fee				
	2011	2012	2013-2019	2019	2020
ENR Index	8802	9070	9308	11062	11281
Residential - per dwelling unit					
Single Family	\$ 1,029	\$ 1,056	\$ 1,084	\$ 1,288	\$ 1,313
Multifamily (a)	763	783	804	955	974
Trailer Park/Mobile Home	844	866	889	1,056	1,077
Non-Residential - per water meter size (b)					
5/8 inch	\$ 1,029	\$ 1,056	\$ 1,084	\$ 1,288	\$ 1,313
3/4 inch	1,543	1,583	1,625	1,931	1,969
1 inch	2,575	2,642	2,712	3,223	3,286
1 1/2 inch	5,150	5,285	5,423	6,445	6,573
2 inch	8,240	8,456	8,677	10,312	10,516
3 inch	15,451	15,856	16,271	19,337	19,720
4 inch	25,752	26,427	27,119	32,228	32,866
6 inch	51,503	52,852	54,237	64,455	65,732
8 inch	103,007	105,706	108,475	128,912	131,464
10 inch	154,510	158,558	162,712	193,367	197,196
12 inch	226,614	232,551	238,644	283,605	289,220

(a) Multifamily includes duplex, triplex, apartments, and condominiums

(b) For meter sizes larger than shown, connection fee determined based on the ratio of the maximum safe operating capacity of the meter to that of a 5/8 inch meter.

The connection fees shall be increased each year with the annual percentage increase of the annual average ENR Construction Cost Index as established in the Engineering News Record publication.

Adjustment Formula:

$$\text{Adjusted Fee} = (\text{Current Fee}) \times (\text{Current Year ENR index}) / (\text{Prior Year ENR index})$$

$$\text{Adjusted Fee} = (\text{Current Fee}) \times (11,281) / (11,062)$$

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