

MEMORANDUM

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: CITY MANAGER JERALD P. TAYLOR

RE: UPDATED WATER SYSTEM DEVELOPMENT CHARGES

DATE: JULY 26, 2010

RECOMMENDED ACTIONS:

1. Conduct public hearing to receive comments on updated methodology for water SDCs
2. Motion to adopt **“A RESOLUTION INCREASING WATER SYSTEM DEVELOPMENT CHARGES AND REPEALING RESOLUTION NO. 96-4 AND RESOLUTION NO. 08-13”**

BACKGROUND INFORMATION:

Since the early 1990s, the City has used system development charges (called “impact fees” in other states) to recover some of the costs of new development on the City’s water system. The system development charges (SDCs) are made up of two components: the reimbursement fee and the improvement fee. The reimbursement fee is intended to pay back the City for improvements made in the past that were designed to accommodate new growth as it occurred. The improvement fee is intended to reflect the cost of future improvements that need to be built to keep up with new growth.

By State law governing system development charges, the City must develop a capital improvement program for the water system, identify the portion of these projects that are needed for growth and then develop a methodology for allocating the costs between current users and new development.

The water SDCs charged up to this time were based on a 1990 Water System Plan and a methodology developed in 1995. As the Water System Plan was updated in 2006, it was clear that the SDC methodology needed to be revised and updated. The engineering firm of Curran-McLeod, Inc. was retained to develop a new methodology. The firm’s recommendation will be presented to the City Council at the August 4, 2010 meeting.

Using the methodology of the previous plan, the water SDCs had grown to \$4,000 per dwelling unit with the amount raised each year based on a national construction cost index. The total SDCs recommended by the new study are \$6,040 per dwelling unit. This figure is not surprising given that the previous study did not envision the water treatment plant and well system built in 2003. The new methodology takes these new improvements into consideration.

Notice of a public hearing on this methodology was placed in the Headlight Herald on May 5, 2010 which was at least 90 days from the hearing date as required by State law. Staff recommends that public comment be taken and then the resolution adopting the new water system development charges methodology should be approved.