

# **City of Rialto**

## **Water and Wastewater Development Impact Fee Update**

**Utilities Commission Meeting, 10/16/18**

**Art Griffith and Debi Fortin, FG Solutions, LLC**



# Tonight's Presentation

- What is a Development Impact Fee (DIF)?
- How much are Rialto's current DIFs?
- Development Impact Fee Update: Project Schedule
- Methodology
- Results
- Comparisons: current, proposed, and other jurisdictions

# What is a Development Impact Fee (DIF)?

- One-time fee payable when obtaining a building permit for a new water or wastewater system connection.
  - Proportionate share of the cost of infrastructure that provides system capacity to future development.
  - California Government Code Sections 66000 et seq, charges “cannot exceed the reasonable cost of providing the service for which the fee or charge is imposed”.
- Water and wastewater DIFs were calculated in 2002, and are updated for inflation on an annual basis.

# Current Water DIFs

- For 5/8"x3/4" meters: \$8,421.34
- Higher for larger water meters

| Water Meter Size and Type | Current DIF Effective 7/1/2018 |
|---------------------------|--------------------------------|
| 5/8" x 3/4" Displacement  | \$8,421.34                     |
| 1" Displacement           | \$13,938.76                    |
| 1 1/2" Displacement       | \$27,877.51                    |
| 2" Displacement           | \$44,139.40                    |
| 3" Displacement           | \$84,213.33                    |
| 3" Displacement Compound  | \$89,440.37                    |
| 3" Class I & II Turbine   | \$98,152.09                    |
| 4" Displacement Compound  | \$139,387.60                   |
| 4" Class I Turbine        | \$168,426.68                   |
| 4" Class II Turbine       | \$174,234.48                   |
| 6" Displacement Compound  | \$278,775.18                   |
| 6" Class I Turbine        | \$348,468.99                   |
| 6" Class II Turbine       | \$383,315.87                   |
| 8" Displacement Compound  | \$441,394.03                   |
| 8" Class I Turbine        | \$505,280.02                   |
| 8" Class II Turbine       | \$667,898.87                   |

# Current Wastewater DIFs: Collection and Treatment

- Residential (per unit):
  - Single Family: Collection = \$1,974.65; Treatment = \$3,577.61
  - Multi-Family: Collection = \$1,974.65; Treatment = \$2,785.43
- Non-Residential:
  - Collection: \$78.99 per front foot
  - Treatment: Varies depending on type of customer

# Current Wastewater Treatment DIFs

## Notes:

(1) Car wash area is the tunnel area and restaurant area is the gross customer area.

(2) Calculated separately for (a) a hotel without restaurant and (b) a restaurant.

| Customer Class                              | Unit       | Current DIF Effective 7/1/2018 |
|---|------------|--------------------------------|
| <b>Group I - Residential Uses</b>           |            |                                |
| Residential                                 |            |                                |
| Estate / Single Family                      | EDU        | \$3,577.61                     |
| Multi Family/Mobile Home                    | EDU        | \$2,785.43                     |
| <b>Group II - Commercial (Low Strength)</b> |            |                                |
| Auto Parking                                | 1000 sq ft | \$276.46                       |
| Barber Shop                                 | 1000 sq ft | \$1,382.26                     |
| Beauty Parlor                               | 1000 sq ft | \$3,871.49                     |
| Car Wash (1)                                | 1000 sq ft | \$45,757.47                    |
| Church                                      | fixed seat | \$54.60                        |
| Commercial Use                              | 1000 sq ft | \$1,105.80                     |
| Dental Office/Clinic                        | 1000 sq ft | \$3,203.58                     |
| Department and Retail Store                 | 1000 sq ft | \$1,382.26                     |
| Film Processing (1 hour)                    | 1000 sq ft | \$1,382.26                     |
| Health Club/Spa                             | 1000 sq ft | \$11,059.24                    |
| Hospitals                                   | bed        | \$1,293.98                     |
| Indoor Theatre                              | 1000 sq ft | \$7,472.33                     |
| Laundromats                                 | 1000 sq ft | \$61,529.17                    |
| Laundromats                                 | machine    | \$2,274.34                     |
| Library: Public Area                        | 1000 sq ft | \$1,105.80                     |
| Lumber Yard                                 | 1000 sq ft | \$493.66                       |
| Membership Organizations                    | 1000 sq ft | \$2,563.57                     |
| Motion Pictures (Studios)                   | 1000 sq ft | \$320.60                       |
| Professional Offices                        | 1000 sq ft | \$2,563.57                     |
| Social Services                             | 1000 sq ft | \$2,563.57                     |
| Softwater Service                           | 1000 sq ft | \$2,222.08                     |
| Theater (Cinema)                            | Seat       | \$54.60                        |
| Warehouse                                   | 1000 sq ft | \$276.46                       |

| Customer Class                                  | Unit        | Current DIF Effective 7/1/2018 |
|---|-------------|--------------------------------|
| <b>Group III - Commercial (Medium Strength)</b> |             |                                |
| Gas Station - 4 Bays Max                        | per station | \$6,716.16                     |
| Manufacturing (domestic)                        | 1000 sq ft  | \$1,105.80                     |
| Hotels/Motels (w/o restaurants)                 | room        | \$1,986.27                     |
| Manufacturing                                   | 1000 sq ft  | \$3,942.35                     |
| Repair and Service Stations                     | 1000 sq ft  | \$1,562.30                     |
| <b>Group IV - Commercial (High Strength)</b>    |             |                                |
| Bakeries (wholesale) Doughnut Shop              | 1000 SF     | \$7,950.91                     |
| Banquet Room/Ball Room                          | 1000 SF     | \$22,715.53                    |
| Cafeteria                                       | seat        | \$851.42                       |
| Doughnut Shop                                   | 1000 SF     | \$7,950.91                     |
| Hotels/Motels (w restaurants) (2)               | 1000 SF     |                                |
| Mortuary - Embalming Area                       | 1000 SF     | \$141.70                       |
| Restaurant - Take-out (1)                       | 1000 SF     | \$8,518.90                     |
| Restaurant - Drive-thru/Fast Food               | per seat    | \$569.16                       |
| Restaurant - Fast food/Outdoor seat             | per seat    | \$340.34                       |
| Restaurant - Full service/Indoor seat           | per seat    | \$851.42                       |
| Restaurant - Full service/Outdoor seat          | per seat    | \$511.08                       |
| Supermarkets                                    | 1000 SF     | \$2,840.03                     |
| <b>Group V - Institutional Uses</b>             |             |                                |
| Church School Day Care/Elementary               | occupant    | \$104.54                       |
| Church School One Day Use                       | 1000 SF     | \$2,607.71                     |
| Schools - Elementary/Junior                     | per student | \$102.22                       |
| Schools - High                                  | per student | \$156.81                       |

Values in this table are prior to any temporary adjustments made by the City Council effective through December 2018

# DIF Update Project Schedule

- Began project: late 2017
- Updated calculations: late 2017 through summer 2018
- Draft report: summer 2018
- Council Economic Development Committee: 9/26/18
- Utilities Commission: 10/16/18
- Notice Public Hearing at Council meeting: projected 11/13/18
- Public Hearing/Council vote: projected late November or early December

# DIF Calculation Methodology

## Proportionate Share of the Cost of Infrastructure That Provides Capacity to New Development

- “Cost basis” is the sum of:
  - Existing facilities: cost in today’s dollars, less depreciation; include designated capital reserves
  - Subtracted developer funded and grant funded facilities
  - Include new facilities that provide additional capacity but only if they aren’t funded by future debt service
    - New connections will pay for their share of these facilities through rate-supported debt service
- Subtract outstanding debt



# DIF Calculation Methodology

## Proportionate Share of the Cost of Infrastructure That Provides Capacity to New Development

- Unit cost of capacity = cost basis / system capacity
  - System capacity:
    - Water: data from City's water master plan
    - Wastewater treatment: treatment plant capacity
    - Wastewater collection: length of City's collection system

# DIF Calculation Methodology

## Proportionate Share of the Cost of Infrastructure That Provides Capacity to New Development

- $\text{DIF} = \text{capacity requirement of user} * \text{unit cost}$ 
  - Capacity requirement of user:
    - Water: data from City's water master plan
    - Wastewater treatment: flow, Biochemical Oxygen Demand, and Total Suspended Solids data from California utilities and agencies (including LA County Sanitation Districts, San Diego County Sanitation Districts, State Water Resources Control Board)
    - Wastewater collection: projected frontage length

# Proposed Water DIF

| Water Meter Size         | Proposed DIF |
|--------------------------|--------------|
| 5/8" x 3/4" Displacement | \$3,107.07   |
| 1" Displacement          | \$5,188.79   |
| 1 1/2" Displacement      | \$10,346.55  |
| 2" Displacement          | \$16,560.69  |
| 3" Displacement          | \$33,152.40  |
| 3" Displacement Compound | \$33,152.40  |
| 3" Class I & II Turbine  | \$36,259.46  |
| 4" Displacement Compound | \$51,794.80  |
| 4" Class I Turbine       | \$65,248.42  |
| 4" Class II Turbine      | \$65,248.42  |
| 6" Displacement Compound | \$103,558.58 |
| 6" Class I Turbine       | \$134,629.25 |
| 6" Class II Turbine      | \$134,629.25 |
| 8" Displacement Compound | \$165,699.93 |
| 8" Class I Turbine       | \$289,982.63 |
| 8" Class II Turbine      | \$289,982.63 |

# Proposed Wastewater Treatment DIF

## Notes:

(1) Hotels with restaurants: sum of separately calculated DIF for hotel and for restaurant.

(2) See formula on next slide.

| Customer Class                           | Unit of Measure | Total       |
|--|-----------------|-------------|
| Single-Family Residential                | SF DU           | \$1,968.69  |
| Multi-Family Residential                 | MF DU           | \$1,672.53  |
| Barber Shop/Beauty Parlor                | per station     | \$260.16    |
| Car Wash                                 | 1000 sf         | \$17,831.22 |
| Church                                   | 1000 sf         | \$352.99    |
| General Commercial                       | 1000 sf         | \$769.46    |
| Department and Retail Store              | 1000 sf         | \$769.46    |
| Health Club/Spa                          | 1000 sf         | \$5,690.33  |
| Hospitals, Dental Office, Clinic         | 1000 sf         | \$2,420.24  |
| Indoor Theatre                           | 1000 sf         | \$1,225.85  |
| Laundromats                              | 1000 sf         | \$28,003.16 |
| Lumber Yard                              | 1000 sf         | \$310.95    |
| Professional Offices                     | 1000 sf         | \$1,374.55  |
| Warehouse/Manufacturing (domestic)       | 1000 sf         | \$191.83    |
| Hotels/Motels (1)                        | room            | \$1,094.67  |
| Manufacturing (2)                        |                 |             |
| Repair and Service Stations, Gas Station | 1000 sf         | \$917.85    |
| Bakeries (wholesale) Doughnut Shop       | 1000 sf         | \$5,346.17  |
| Banquet Room/Ball Room                   | 1000 sf         | \$15,274.68 |
| Mortuary - Embalming Area                | 1000 sf         | \$1,930.70  |
| Restaurant/Full Service and Cafeteria    | seat            | \$477.57    |
| Restaurant/Fast Food                     | seat            | \$286.14    |
| Restaurant, Take Out                     | 1000 sf         | \$5,728.02  |
| Supermarkets                             | 1000 sf         | \$2,893.92  |
| Schools - Elementary/Junior/Day Care     | per student     | \$70.35     |
| Schools - High School/College            | per student     | \$141.83    |

# Proposed Wastewater Treatment DIF, Manufacturing Customers

- Two-Step Calculation:
  - Warehouse Customer for Domestic Wastewater,  
Plus
  - Formula for Process Water:  
$$\text{flow (gpd)} * \$5.02 + \text{BOD (lb/day)} * \$1,007.38 + \text{TSS (lb/day)} * \$1,128.90.$$

# Proposed Wastewater Collection DIF

| Customer Class                | Unit of Measure   | DIF      |
|-------------------------------|-------------------|----------|
| All Single-Family Residential | Dwelling Unit     | \$834.00 |
| Multi-Family and Mobile Homes | Dwelling Unit     | \$708.90 |
| All Non-Residential           | Lineal Front Foot | \$8.34   |

# Comparison, Single-Family Residence

| Service Area Within Rialto         | Current DIF (1) | Proposed DIF (1) |
|------------------------------------|-----------------|------------------|
| Rialto Water Service Area          | \$13,974        | \$5,910          |
| West Valley Water Service Area (2) | \$12,561        | \$9,812          |

| Other Neighboring Cities | Current DIF |
|--------------------------|-------------|
| Colton                   | \$7,860     |
| Riverside                | \$6,393     |
| San Bernardino           | \$6,669     |

- (1) Customer Assumptions: most common residential water meter size; 3 bedrooms
- (2) Rialto's wastewater DIF and West Valley's water DIF

# Comparison, Example Full-Service Restaurant (Water + Wastewater DIF)

| Service Area Within Rialto         | Current DIF (1) | Proposed DIF (1) |
|------------------------------------|-----------------|------------------|
| Rialto Water Service Area          | \$64,409        | \$29,901         |
| West Valley Water Service Area (2) | \$62,385        | \$36,627         |

| Other Neighboring Cities | Current DIF |
|--------------------------|-------------|
| Colton                   | \$28,650    |
| Riverside                | \$35,138    |
| San Bernardino           | \$26,688    |

- (1) Customer Assumptions: 1" water meter; 50 seats with 75 max occupancy; 3,000 square feet, 100 lineal feet of front footage. Existing = prior to Rialto's temporary adjustments
- (2) Rialto's wastewater DIF plus West Valley's water DIF



# Comparison, Example Hotel (Water + Wastewater DIF)

| Service Area Within Rialto         | Current DIF (1) | Proposed DIF (1) |
|------------------------------------|-----------------|------------------|
| Rialto Water Service Area          | \$320,361       | \$146,581        |
| West Valley Water Service Area (2) | \$318,152       | \$195,434        |

| Other Neighboring Cities | Current DIF |
|--------------------------|-------------|
| Colton                   | \$217,438   |
| Riverside                | \$177,100   |
| San Bernardino           | \$211,250   |

- (1) Customer Assumptions: 3" water meter (except 4" for Colton); 100 rooms; 475 lineal feet of front footage. Existing = prior to Rialto's temporary adjustments
- (2) Rialto's wastewater DIF plus West Valley's water DIF

# Questions/Discussion