

Subject

Local Sewer Connection Fees

Action

Adopt Resolution to Adjust Local Sewer Connection Fees

Background

DSRSD periodically reviews its connection fees to ensure that the fees will generate the necessary revenue to adequately fund infrastructure projects to meet future growth-related needs of the Local Collection system. This process also ensures that the required infrastructure to service new customers is provided in a cost-based, fair and equitable manner.

Currently the Local Sewer Connection fee is \$1,572. This amount is based on the 2005 HDR, Inc. (HDR) study plus annual CPI increases applied since adoption.

Discussion

Due to the relative simplicity of this model and in order to save consulting costs, District staff calculated the proposed fee based on the methodology previously utilized by HDR in 2005 (Exhibit A-2).

To ensure that staff used a consistent methodology in preparing the proposed fee, the work was reviewed by HDR (Exhibit A-3). The Engineering Department performed a detailed review of the total DUEs for the system based on the review of the current land use and the approved general plans for Dublin and South San Ramon. The CIP reflects only those projects required to serve the projected DUEs.

The 2010 Local Connection fee study indicates that the local connection fee should be set at \$1,637, which is a nominal increase of 4% (\$65) over the current rate.

	Current	New	% Change
Buy-in Component	\$ 822.16	\$ 830.00	1%
Expansion Component	\$ 749.84	\$ 807.00	8%
Total Fee	\$1,572.00	\$ 1,637.00	4%

As expected, the buy-in component continues to increase as more assets are completed and placed in service. Since 2005, over \$3.5 million in new assets have been added.

Staff identified two material changes since the previous study:

- The 2005 study estimated total DUEs at build out as 41,727; DUEs are now estimated at 45,674 (Exhibit A-1).
- A new project, Dublin Trunk Relief- East of Johnson Drive, is included in the current project list. This project results in an additional \$3.2 million in costs which was not included in the previous fee study. This cost increase is partially offset by other CIP decreases.

The overall connection fee has not increased significantly as the increase in future DUEs has offset the CIP cost increase.

Recommendations

Staff recommends that the Board adopt the new Local connection fee of \$1,637, and adjust this fee annually by the percentage increase in the ENR Construction Cost Index until the next time this fee is reviewed.

Exhibits

- A-1 Future Estimated DUEs
- A-2 Connection Fee Calculation
- A-3 Letter from HDR, Inc.

Exhibit A-1

Future Estimated DUEs

220.00 GDP per DUE

Year	DUEs	Additional DUEs
2009	29,983	
2010	30,103	120
2011	30,260	157
2012	30,494	234
2013	30,881	386
2014	31,431	550
2015	31,974	544
2016	34,202	2228
2017	35,504	1302
2018	36,902	1398
2019	38,317	1415
2020	39,753	1436
2021	40,740	987
2022	41,652	912
2023	42,564	912
2024	43,158	594
2025	43,724	566
2026	44,265	541
2027	44,711	446
2028	44,910	200
2029	45,024	113
2030	45,137	113
Future	45,674	537
Total Additional DUEs		15,691

Exhibit A-2
 Connection Fee Calculation

YEAR	ITEM DESCRIPTION	ORIGINAL COST	COST IN 2005 (MAR)	Beginning ENR	ENR TODAY (JUN 2009)	COST 2009 (with ENR Increase)	CF ELIGIBLE (%)	CF ELIGIBLE (\$)
1961	SEWER LINES	2,007,207	3,428,600	8,227.12	9,735.67	4,057,279	0%	-
1978	SEWER LINES	4,534,350	7,745,325	8,227.12	9,735.67	9,165,532	0%	-
1986	SEWER LINES	9,140,670	15,613,585	8,227.12	9,735.67	18,476,540	100%	18,476,540
1991	SEWER LINE DAVONA SEWER REHAB	25,005	42,712	8,227.12	9,735.67	50,544	100%	50,544
1991	42" TRUNK SEWER REPLACEMENT	485,664	829,584	8,227.12	9,735.67	981,699	100%	981,699
1992	DUBLIN LIFT MCC PANEL	47,605	81,316	8,227.12	9,735.67	96,226	100%	96,226
1992	DUBLIN LIFT SUBMERSIBLE PUMPS	81,881	139,865	8,227.12	9,735.67	165,511	100%	165,511
1995	ISCO 4150 FLOW LOGGER	6,673	11,399	8,227.12	9,735.67	13,489	100%	13,489
1996	1100 LF OF 12" PIPE (CAROLINE CT)	255,725	414,043	8,227.12	9,735.67	489,963	100%	489,963
1996	SEWER LINES	2,979,240	4,823,670	8,227.12	9,735.67	5,708,153	0%	-
1997	MANHOLE @ CARL'S JR	3,587	5,505	8,227.12	9,735.67	6,514	100%	6,514
1997	EL NIDO RANCH # 7781 SANITARY SEWER	71,500	109,730	8,227.12	9,735.67	129,850	0%	-
1997	EL NIDO RANCH # 7781 SANITARY SEWER	121,550	186,541	8,227.12	9,735.67	220,746	0%	-
1997	EL NIDO RANCH # 7891 SANITARY SEWER	153,950	236,265	8,227.12	9,735.67	279,587	0%	-
1997	EL NIDO RANCH # 7918 SANITARY SEWER	33,327	51,146	8,227.12	9,735.67	60,524	0%	-
1997	GREYSTONE RANCH # 7781 SANITARY SEWER	84,700	129,988	8,227.12	9,735.67	153,823	0%	-
1997	GREYSTONE RANCH # 7781 SANITARY SEWER	12,860	19,736	8,227.12	9,735.67	23,355	0%	-
1997	GREYSTONE RANCH # 7961 SANITARY SEWER	114,980	176,458	8,227.12	9,735.67	208,814	0%	-
1997	GREYSTONE RANCH # 7962 SANITARY SEWER	44,525	68,332	8,227.12	9,735.67	80,862	0%	-
1997	TMX 412 GAS DETECTOR AND SAMPLE PUMP	2,130	3,268	8,227.12	9,735.67	3,867	100%	3,867
1997	SEWER COLLECTIONS IMPROVEMENTS	33,955	52,110	8,227.12	9,735.67	61,665	100%	61,665
1997	SLIDE GATE FOR FS	1,389	2,132	8,227.12	9,735.67	2,523	100%	2,523
1998	ALACO AREA WIDE FACILITIES - 36" PIPE	810,840	1,179,512	8,227.12	9,735.67	1,395,791	100%	1,395,791
1998	ALACO AREA WIDE FACILITIES - 36" PIPE	1,237,195	1,799,722	8,227.12	9,735.67	2,129,725	100%	2,129,725
1998	ALACO AREA WIDE FACILITIES SUPP AGMT NO 1	27,000	39,276	8,227.12	9,735.67	46,478	0%	-
1998	ALACO AREA WIDE FACILITIES SUPP AGMT NO 1	98,539	143,343	8,227.12	9,735.67	169,627	0%	-
1998	ALACO AREA WIDE FACILITIES SUPP AGMT NO 1	241,306	351,023	8,227.12	9,735.67	415,388	0%	-
1998	ALACO AREA WIDE FACILITIES SUPP AGMT NO 1	88,104	128,163	8,227.12	9,735.67	151,663	0%	-
1998	ALACO AREA WIDE FACILITIES SUPP AGMT NO 1	99,718	145,058	8,227.12	9,735.67	171,656	0%	-
1998	ALACO AREA WIDE FACILITIES SUPP AGMT NO 1	54,893	79,852	8,227.12	9,735.67	94,494	0%	-
1998	REPLACEMENT OF MANHOLES	7,282	10,593	8,227.12	9,735.67	12,535	100%	12,535
1998	AUTOMATIC GAE FOR DO (EAST)	7,864	11,440	8,227.12	9,735.67	13,538	100%	13,538
1999	OUTBACK REST - SEWER LINE IMPROVEMENTS	13,440	18,532	8,227.12	9,735.67	21,930	0%	-
1999	BJ DUBLIN COMMON SEWER LINE IMPROVTS	50,820	70,073	8,227.12	9,735.67	82,922	0%	-
1999	SEWER MAIN IMPROVEMENTS CITY OF SAN RAMO	113,934	157,097	8,227.12	9,735.67	185,903	0%	-
1999	1100 LF OF 12" PIPE (CAROLINE CT)	1,256,976	1,733,172	8,227.12	9,735.67	2,050,972	100%	2,050,972
1999	SEWER SCREEN - CAMP PARTSK	160,000	220,615	8,227.12	9,735.67	261,068	100%	261,068
1999	CREEKSIDE BUSINESS PART	1,597	2,202	8,227.12	9,735.67	2,606	0%	-
2000	PARK SIERRA PHASE 1	104,320	136,342	8,227.12	9,735.67	161,342	0%	-
2000	STONERIDGE CYSLER PLYMOUTH	10,650	13,919	8,227.12	9,735.67	16,471	0%	-
2000	CROWN RIDGE PHASE I	239,050	312,429	8,227.12	9,735.67	369,717	0%	-
2000	CROWN RIDGE PHASE II	89,384	116,821	8,227.12	9,735.67	138,242	0%	-
2000	JEFFERSON AT DUBLIN APTS	81,580	106,622	8,227.12	9,735.67	126,173	0%	-
2000	MINOR SUBDIVISION TRACT 6985	5,250	6,862	8,227.12	9,735.67	8,120	0%	-
2000	LARGE DIA PIP TRANSPORTER CCTV INSPET	21,109	27,588	8,227.12	9,735.67	32,647	100%	32,647
2000	TV CAMERA W/ TWO UNDERWATER LIGHTHEADS	9,497	12,412	8,227.12	9,735.67	14,688	100%	14,688
2000	PARK SIERRA PHASE II - CONTRIP CAPITAL	46,280	60,486	8,227.12	9,735.67	71,577	100%	71,577
2001	AREA G BACKBONE IMPROVEMENTS	920,320	1,140,115	8,227.12	9,735.67	1,349,170	100%	1,349,170
2001	CIRCLE RANCH TRACT 8013 & 8183	325,571	403,325	8,227.12	9,735.67	477,280	0%	-
2001	HANSEN HOLLS PHASE II	439,928	544,994	8,227.12	9,735.67	644,926	100%	644,926
2001	CARLINE COURT AREA SEWER EXPANSION	1,490,710	1,846,728	8,227.12	9,735.67	2,185,350	100%	2,185,350
2001	EASTERN DUBLIN TRUNK III	544,247	674,227	8,227.12	9,735.67	797,855	100%	797,855
2003	CAMP PARKS WASTEWATER UTILITY IMPROV	1,758,328	1,957,063	8,227.12	9,735.67	2,315,916	100%	2,315,916
2003	MISCELLANEOUS SEWER ASSETS	344,956	383,945	8,227.12	9,735.67	454,346	100%	454,346
1996	SEALING HOSE REEL	4,417	7,151	8,227.12	9,735.67	8,462	100%	8,462

1996	TV REEL ASSEMBLY	9,884	16,004	8,227.12	9,735.67	18,939	100%	18,939
1991	8000 RODDER	101,558	173,476	8,227.12	9,735.67	205,285	100%	205,285
1996	RIGID COLEMAN SEE SNAKE CAMERA	4,970	8,046	8,227.12	9,735.67	9,521	100%	9,521
1996	SAND SEPARATOR W/ ATTACHMENTS	2,704	4,377	8,227.12	9,735.67	5,180	100%	5,180
1997	STO-AWAY CRANE	1,733	2,660	8,227.12	9,735.67	3,148	100%	3,148
2000	AGITATOR MOTOR W/ CABLE AND IMPELLER	6,115	7,992	8,227.12	9,735.67	9,457	100%	9,457
2006	24" TRUNK SEWER LINE KEEGAN TO LOCKHART	109,947	109,947	8,440.73	9,735.67	126,815	100%	126,815
2007	24" TRUNK SEWER LINE LOCKHART TO FALLON	401,375	401,375	9,063.41	9,735.67	431,147	100%	431,147
2007	5565 12" SEWER LINE TO DUBLIN BLVD	2,785,695	2,785,695	9,063.41	9,735.67	2,992,318	100%	2,992,318

Total Existing Collection System **37,888,916**

DUEs at 2030 45,674

	Current	% Change
Existing Collection System CF	\$ 830.00	1%

Future Collection System Additions

2015	OSH Sewer Replacement		315,400	32%	100,928	
2012-2018	Wastewater Collection Master Plan Update and Connection Fee Study		982,500	75%	736,875	
2018-Future	Dublin Trunk Relief Sewer- East of Johnson Drive Across FSLs		14,008,000	50%	7,004,000	Anticipated completion after 2019
2010	Maintenance Building Security		75,000	1%	750	
2017-Future	Corp Yard and Admin Facilities		32,000,000	5%	1,600,000	
2017-2018	Admin Building Expansion		7,500,000	5%	375,000	
Future	Fixed Base Meter Reading		1,900,000	6%	114,000	

Total Future Collection Additions **9,931,553**

Additional Future Direct Cost **2,736,256**

Additional DUEs 15,691

	Current	% Change
Future Collection CF	\$ 749.84	8%

Total Collection Fee \$ 1,637.00 \$ 1,572.00 4%



June 8, 2010

Mr. John Archer
Dublin San Ramon Services District
7051 Dublin Blvd.
Dublin, California 94568

Subject: Technical Review and Opinion of DSRSD's Local Wastewater Connection Fee Analysis

Dear Mr. Archer:

HDR Engineering Inc. (HDR) was retained to provide professional and technical assistance to the Dublin San Ramon Services District (District) with regard to the development of the District's local wastewater connection fee analysis. As a part of our scope of services, HDR was requested to provide a technical review and opinion letter to the District concerning the review of the local wastewater connection fee analysis update developed by the District's staff. This letter summarizes our technical review and provides our professional and technical opinion of the District's analysis.

Overview of the District's Analysis

For the last several years HDR has provided technical assistance to the District on rates and fees related to its water and wastewater utilities. As part of those services HDR originally developed the methodology and analysis for the District's local wastewater connection fee. The most recent analysis conducted by District staff utilized the same model and methodology that was developed by HDR and has been used in past connection fee analyses.

Review Provided By HDR

The objective of a connection fee is to bring equity between existing and new customers to the system. The objective of District's study was to develop an update of the cost-based local sewer connection fee for new customers connecting to the District's system to reflect future capital improvements and upgrades to the existing system. The portion of existing plant and future capital improvements that will provide service (capacity) to new customers is included in the connection fee. Connection fees must be implemented according to the capacity requirement or impact each new development has on the sewer system. This way, the connection fee is related to the impact the customer has on the system, and to the benefit they derive from the service provided. By updating the cost-based connection fee, the District is attempting to have "growth pays for growth" and, for the most part, shelter existing utility customers from the financial impacts of growth. As the recent slow-down in new connections has demonstrated, this philosophy may not hold true in the short-run, but over the long-term, the philosophy should, for the most part, hold true.

Mr. John Archer
June 8, 2010
Page 2

HDR reviewed the technical analysis developed by District staff to determine if “generally accepted” principles and methodologies were followed in the development of the local connection fee update. In addition, HDR staff that developed the original model compared the current analysis to the prior analysis developed by HDR as part of the review to determine if additional changes to the model had been made. As part of the review, HDR discussed with District staff the determination of the dwelling unit equivalencies (DUEs) used in the updated analysis, as well as the determination of the growth-related percentage of future capital projects. The analyses developed by District staff was also reviewed for accuracy and correctness from a calculation perspective.

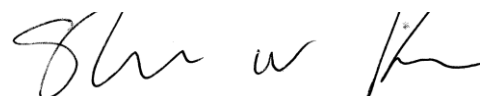
In providing professional and technical assistance to the District and in providing this review, HDR provided a limited review. Our review did not audit the data sources for the inputs into the model, included the data inputs as they relate to the calculation of DUEs or the growth percentage related to future capital improvements. HDR relied on District assumptions and analysis for this review and focused on the overall methodology of the analysis.

HDR Technical Opinion

In our opinion, the local wastewater connection fee analysis conducted by the District conforms to “generally accepted” principles in establishing these types of growth-related fees. In addition, HDR is of the opinion that the methodology used is consistent with past connection fee studies conducted for the District. Prior to adoption of the proposed local wastewater connection fees, HDR would recommend that the District have the proposed fees reviewed by its legal counsel for compliance with California law.

We appreciate the opportunity to provide this assistance to the District. Should you have any questions about this opinion letter or our review, please do not hesitate to contact me.

Sincerely yours,
HDR Engineering, Inc.



Shawn Koorn
Senior Financial Analyst