



ROOT CREEK WATER DISTRICT

2021 Connection Fee Update

REPORT

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SECTION 1: Background and Executive Summary

Introduction

The Root Creek Water District (Root Creek WD, RCWD, or District), which is located in southern Madera County, was formed in 1996 to address the declining groundwater table in southeastern Madera County and to ensure a long term reliable water supply for all water users within RCWD. Although Root Creek WD was formed in 1996, only its agricultural water supply powers were used until the District applied to the Madera County Local Agency Formation Commission to activate RCWD's latent powers to provide potable municipal water supply, wastewater, and stormwater services for the Riverstone Development in 2013. At buildout, RCWD will provide municipal water, sewer, and storm drain service to 6,790 equivalent dwelling units in the Riverstone Development.

The District last completed a Rate Study and Financial Plan in 2016. This plan, which was approved by landowners in the District, determined a Community Facilities District tax, connection fees, utility rates, and charges to fairly recover costs for agricultural water service and municipal utility services for the Riverstone Development. This report serves to update the financing assumptions for the Community Facilities District (CFD) Bonds and the costs recovered by each municipal connection fee for the remaining equivalent dwelling units in the Riverstone Development. Revenue generated from bonds and connection fees fund the capital costs to construct municipal water, sewer, and storm drain systems.

Connection Fee Legal Requirements

Connection fees are also commonly referred to as development impact fees or capacity fees. Connection fees are governed by California Government Code Section 66000 et. Seq. This section of the Code was initially established by Assembly Bill 1600 (AB 1600) and is commonly referred to as the Mitigation Fee Act. Pursuant to the Code, a connection fee is not a tax or special assessment but is instead a voluntary charge levied to defray the cost of public facilities needed to serve a new development.

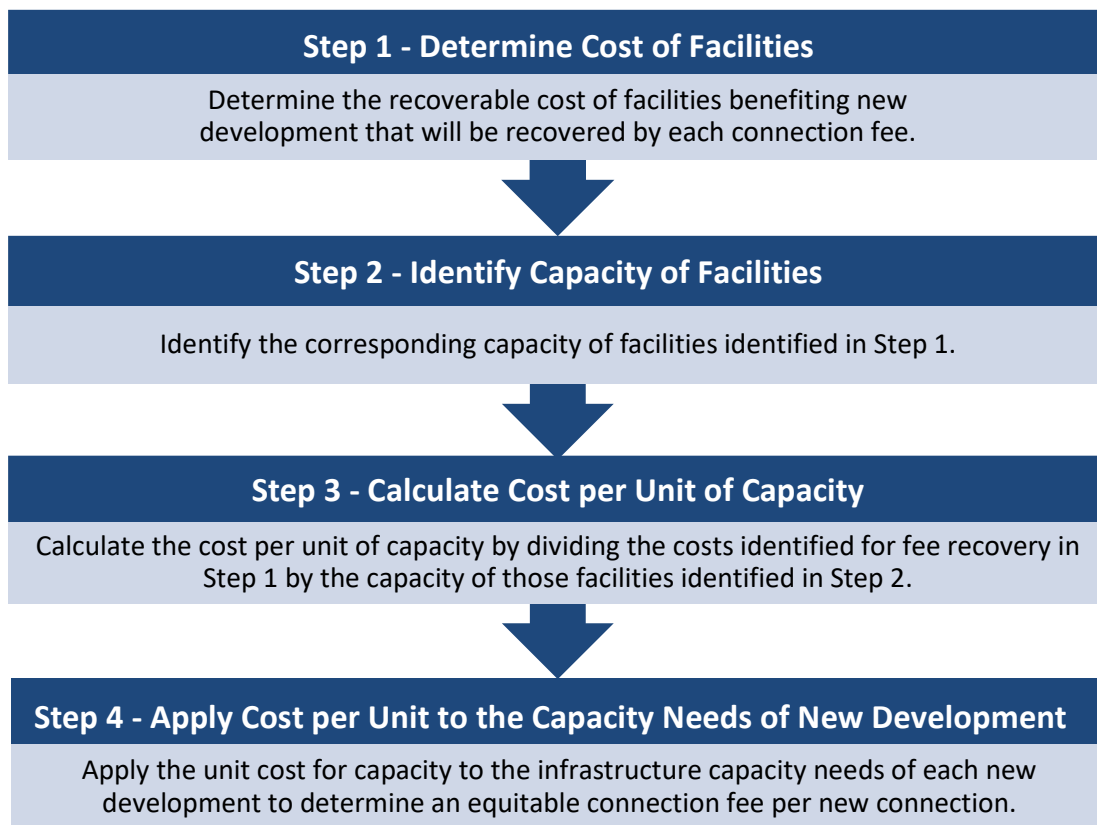
Section 66013 of the Code specifically governs water and sewer capacity charges. This section of the Code defines a "capacity charge" (connection fee) to mean "a charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged."

According to Section 66013, a water or sewer capacity charge/connection fee "shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed" unless approved by a two-thirds vote. Section 66013 does not detail any specific methodology for calculating capacity charges/connection fees.

Connection Fee Methodology

The method used to calculate the Root Creek WD connection fees is summarized in Figure 1. In general, the cost to construct infrastructure is divided by the capacity of the infrastructure. That calculation results in the cost to develop each unit of capacity. Costs can include design, engineering, construction, financing costs (including legal and financial advisors to execute the bonds), and costs to secure water supply. The unit cost of capacity is multiplied by the typical capacity needed to serve different types of development (single family residential, apartments, commercial, etc.) to determine the final connection fee.

Figure 1: Connection Fee Methodology



Summary of Proposed Fees

The updated fees for proposed water, wastewater, and storm drain connection fees were developed to fairly recover costs, adhere to California statute, and be affordable to customers. Current and proposed connection fees are provided in Table 1. The total combined water, sewer, and storm drain connection fee for a typical single family home is proposed to increase from \$17,554 (current) to \$23,026 (2023). This fee includes the 2023 Madera Irrigation District (MID) rooftop fee of \$1,400.

**Table 1: Summary of Current and Proposed Medium Density Residential Connection Fees
Root Creek Water District
2021 Connection Fee Update**

Category	RCWD Current [1]	RCWD Proposed + MID [2]	City of Clovis [3]	Difference (Proposed less Clovis)
Water	\$4,580	\$7,328	\$10,943	(\$3,615)
Wastewater	\$11,684	\$13,217	\$10,285	\$2,932
Storm Drain	<u>\$1,290</u>	<u>\$2,481</u>	<u>\$1,851</u>	<u>\$630</u>
Total	\$17,554	\$23,026	\$23,079	(\$53)

MID - Madera Irrigation District rooftop fee (\$1,200 in “RCWD Current” and \$1,400 “in RCWD Proposed”)

1 - 2021 connection fees for medium density residential connections

2 - The water fee shown here assumes an MID fee of \$1,400. As MID increases its fee by \$100 every five years after 2023, RCWD should recover the increased amount from new connections.

3 - City of Clovis storm drain fee is charged by the Fresno Metropolitan Flood Control District; fee shown here is the average medium residential fee across multiple basins.

To provide affordability it is suggested that the proposed fees be phased-in as shown in Table 2.

**Table 2: Proposed Phase-in of Residential Connection Fees
Root Creek Water District
2021 Connection Fee Update**

Year	Water + MID Fee [1]	Wastewater	Storm Drain	Total
Current	\$4,580	\$11,684	\$1,290	\$17,554
2022	\$5,954	\$12,451	\$1,886	\$20,290
2023	\$7,328	\$13,217	\$2,481	\$23,026
Thereafter		+ annual inflationary cost increases		

1 - The 2023 proposed water fee includes the MID fee of \$1,400. As MID increases its fee in the future, RCWD should recover the increased amount from new connections.

Proposed fees for various types of development are provided in the following tables.

**Table 3: Summary of Current and Proposed Multi Family Connection Fees (per unit)
Root Creek Water District
2021 Connection Fee Update**

Year	Water + MID Fee [1]	Wastewater	Storm Drain	Total
2021 Current	\$2,405	\$7,600	\$466	\$10,471
2022	\$3,107	\$8,228	\$681	\$12,016
2023	\$3,808	\$8,855	\$896	\$13,559
Thereafter	+ annual inflationary cost increases			

1 - The 2023 proposed water fee includes the MID fee of \$1,400. As MID increases its fee in the future, RCWD should recover the increased amount from new connections.

**Table 4: Summary of Current and Proposed Lodge Connection Fees
Root Creek Water District
2021 Connection Fee Update**

Year	Water (2.58 acres) [1]	Wastewater (5,000 sq ft office)	Storm Drain (2.58 acres)	Total
2021 Current	\$76,817	\$33,418	\$29,580	\$139,815
2022	\$86,205	\$33,561	\$43,243	\$163,009
2023	\$95,592	\$33,703	\$56,905	\$186,200
Thereafter	+ annual inflationary cost increases			

1 - Does not include any potential MID fees.

**Table 5: Summary of Current and Proposed School Connection Fees
Root Creek Water District
2021 Connection Fee Update**

Year	Water (15.92 acres)	Wastewater (61,699 sq ft office)	Storm Drain open area (9.7 acres)	Storm Drain developed area (6.22 acres)	Total
2021					
Current	\$503,172	\$412,376	\$41,704	\$71,313	\$1,028,565
2022	\$570,106	\$414,135	\$60,967	\$104,252	\$1,149,460
2023	\$637,040	\$415,893	\$80,230	\$137,190	\$1,270,353
Thereafter	+ annual inflationary cost increases				

1 - Does not include any potential MID fees.

Table 6: Summary of Current and Proposed Phase 1 Riverwalk Connection Fees
Root Creek Water District
2021 Connection Fee Update

Year	Water (8.4 acres)	Wastewater (22,100 sq ft retail)	Storm Drain (8.4 acres)	Total
2021 Current	\$250,102	\$117,500	\$96,307	\$463,909
2022	\$280,666	\$121,551	\$140,790	\$543,007
2023	\$311,229	\$125,601	\$185,272	\$622,102
Thereafter		+ annual inflationary cost increases		

1 - Does not include any potential MID fees.

SECTION 2: CFD Revenues Netted from Revenue Requirements

The Root Creek Water District has two sources of funding for the construction of its municipal utility systems – connection fees and Community Facilities District taxes. Annual tax revenues are planned to be used to support bond issuances, the proceeds of which will be used to fund major capital improvements. The CFD was approved for Riverstone Villages A and B upon completion of the 2016 Financial Plan and Rate Study. This section determines the likely amount of revenue provided by CFD taxes which directly reduces the connection fee revenue requirements.

CFD Overview

Community Facilities Districts are formed to fund infrastructure needs of a specific area, often a new development or group of developments. Bonds issued by a CFD are known as Mello-Roos or Special Tax Bonds. The bonds are secured by a special tax levied on the Riverstone property within the CFD boundary. The special tax, in turn, is secured by a lien on the Riverstone property and the threat of foreclosure if there is a payment delinquency.

Infrastructure costs can be allocated to property within the CFD boundary by any reasonable method. The measure approved by the voters must specify a maximum tax rate and the method in which the tax will be apportioned. The Riverstone CFD has a maximum tax rate of \$0.20 per square foot of development or a maximum charge of \$526 per parcel which has not been issued a building permit for Village A. Village B has a maximum tax rate of \$0.20 per square foot of development or a maximum charge of \$440 per parcel which has not been issued a building permit. This report assumes a tax rate of \$0.20 per square foot of development will be adopted for Villages C, D, and E.

Based on expected development in each Village, maximum tax rates, and conservative estimated bond financing terms and conditions, Table 7 projects the maximum CFD bond proceeds for each Village at buildout. Financing assumptions are provided in Table 8. It is projected that RCWD could issue \$44.75 million of bonds and receive about \$40.6 million in proceeds net of issuance costs. The total annual estimated debt service expense for the bonds is about \$2.83 million and requires a coverage ratio of 110%. Thus, RCWD's annual CFD tax revenue would need to be about \$3.11 million or more to service bonds of \$44.75 million. It should be noted that the difference in actual debt service costs and the 110% coverage requirement (i.e. about \$283,000 annually: the coverage requirement of \$3.11 million less \$2.83 million of debt service costs) will be used to fund annual administrative expenses (estimated at \$25,000 per Village) and other capital improvements for the benefit of the taxpayers.

**Table 7: CFD Maximum Annual Tax Revenues
Root Creek Water District
2021 Connection Fee Update**

Village	Maximum Annual Tax Revenues	Max CFD Bond Proceeds to RCWD at 4.75% Interest
Village A Residential + 450k sq ft commercial [1]	\$495,141	\$6,419,411
Village B Residential + 295k sq ft commercial [1], [2]	\$921,413	\$11,945,956
Village C Residential [2]	\$584,362	\$7,576,148
Village D Residential [2]	\$388,615	\$5,038,317
Village E Residential [2]	\$600,370	\$7,783,682
Village C, E, F Commercial [2], [3]	<u>\$142,500</u>	<u>\$1,847,486</u>
Total	\$3,132,401	\$40,611,000

1 - From Koppel & Gruber Public Finance

2 - \$0.20/sqft of development times 95%

3 - Based on 1,495,000 square feet less square feet for Village A and B

**Table 8: CFD Financing Assumptions
Root Creek Water District
2021 Connection Fee Update**

Term of bonds (years)	30
Interest Rate	4.75%
Financing Costs	
Reserve Fund [1]	6.0%
Cost of Issuance	2.0%
Underwriter's Discount	1.25%
Proceeds	91%
Bond Amount	\$44,750,000
Proceeds to RCWD	\$40,611,000
Annual Payment	\$2,829,000
Annual Admin Expense [2]	<u>\$125,000</u>
Total Annual Cost	\$2,954,000
Coverage Requirement 110%	\$3,111,900

1 - Roughly equal to one debt service payment

2 - \$25,000 per improvement area

Allocation of CFD Bond Proceeds

As shown in Table 8, the maximum estimated proceeds RCWD will receive from the CFD bonds are approximately \$40.6 million. Table 9 illustrates how these proceeds are proposed to be allocated between each of the municipal utilities to fund construction of facilities. The allocation shown below was calculated to provide affordability for each utility's connection fee.

It should be noted that the proposed allocation totals about \$40.6 million and leaves about \$11,000 unallocated. Any unallocated portion provides a slight financial safety net in case interest rates exceed the estimates shown in this report, Riverstone does not fully develop and thus cannot support the maximum estimated bond proceeds, and/or Root Creek WD does not issue the maximum proceeds to maintain a lower tax burden for the residents.

**Table 9: Allocation of CFD Bond Proceeds
Root Creek Water District
2021 Connection Fee Update**

Maximum CFD Bond Proceeds	\$40,611,000
Utility Allocation	
M&I Water Proceeds	\$28,750,000
Sewer Proceeds	\$0
Storm Drain Proceeds	<u>\$11,850,000</u>
Total Allocation	\$40,600,000
Unallocated	\$11,000

SECTION 3: Water Connection Fee

Table 10 provides a detailed description of costs proposed to be recovered by the water connection fee and notes which costs have been updated since the 2016 Financial Plan. The Village A Partial System and water infrastructure construction costs are updated. The number of domestic wells is adjusted, and the wellhead treatment project is added to construction costs. Updated costs are also shown for pipes, appurtenances, land, and easements. In total, the water system construction cost is estimated at \$72.6 million. This amount is reduced to about \$39.9 million by connection fee revenues already paid by 1,247 dwelling units and the CFD bond proceeds allocated to the municipal water system.

The Riverstone landowner is constructing municipal infrastructure on behalf of RCWD and RCWD is repaying the Riverstone landowner over time through the issuance of CFD bonds and connection fees received from development. To account for the Riverstone landowner's carrying cost, the connection fees are calculated to include interest payments to the Riverstone landowner. The calculations assume a 15-year term at 3% interest. The water connection fee is calculated to recover about \$50.2 million total between municipal water system construction costs and interest payments.

**Table 10: Municipal Water System Construction Cost
Root Creek Water District
2021 Connection Fee Update**

Line	Description	Total Cost	Notes
1	Past Costs		
2	District formation, legal fees, start up	\$2,100,000	same as 2016 Financial Plan
3	Past District operating costs	\$424,000	same as 2016 Financial Plan
4	Water purchase, legal, & enviro costs	\$500,000	same as 2016 Financial Plan
5	Prepaid Water	\$2,827,400	Through end of 2017
6	In-lieu Pipeline (local share)	<u>\$1,038,000</u>	same as 2016 Financial Plan
7	Subtotal Past Costs	\$6,889,400	same as 2016 Financial Plan
8			
9	Districtwide Costs		
10	MID Water Supply Contract	\$100,000	
11	Add'l Imported Water Supply Infrastructure	<u>\$1,900,000</u>	2021 New Estimate
12	Subtotal Districtwide Costs	\$2,000,000	2021 New Estimate
13			
14	Municipal Water System Construction Costs		
15	Village A Partial System	\$10,336,700	Update (actual) \$182k pump for Well 2 (actual cost March 2021) and \$600k to abandon Well 4
16	Pump for Well 2 & Abandon Well 4	\$782,000	
17	Domestic wells (8)	\$10,000,000	2021 New Estimate
18	Wellhead treatment (11)	\$20,000,000	2021 New Estimate
19	Storage Tank	\$5,000,000	2021 New Estimate
20	Pipe & Appurtenances		
21	Village A	\$557,600	Actual Cost
22	Village B	\$2,435,500	
23	Village C	\$750,400	2021 New Estimate
24	Village D	\$450,000	2021 New Estimate
25	Village E	\$1,607,600	2021 New Estimate
26	24 inch pipeline	\$4,200,000	2021 New Estimate
27	12 inch pipeline	<u>\$628,300</u>	2021 New Estimate
28	Subtotal Construction Costs	\$56,748,100	Conveyance pipeline not included
29			
30	Land and easements		
31	9 Well Sites (4.32 acres, developed land)	\$930,001	2021 New Estimate
32	Treatment site (10 acres)	\$2,152,770	2021 New Estimate
33	Village A Well sites (2 X 0.298 acres)	\$12,000	2021 New Estimate
34	Village A tank site (1.5 acres)	\$314,000	2021 New Estimate
35	Direct Recharge site (80 acres)	<u>\$3,520,000</u>	2021 New Estimate
36	Subtotal Land and easements	\$6,928,771	
37			
38	Subtotal Past Costs, Districtwide, Construction Costs, and Land	\$72,566,271	Does not include MID Rooftop Fee
39	Net of Connection Fees Already Paid	(\$3,900,481)	All Village A lots and Village B lots paid through September 2021
40	Less Future Estimated CFD Proceeds	<u>(\$28,750,000)</u>	
41	Total	\$39,915,790	
42	Financing		
43	Interest Rate	3%	
44	Term (years)	15	
45	Total Revenue Requirement	\$50,154,138	
46			

The capacity of the municipal water system is designed to serve the calculated average annual demand of the parcels within the Riverstone development. Average annual demand is estimated to be about 3,900 acre feet (AF), see Table 11. For calculating connection fees, design capacity is often used in place of actual or observed water use to reflect how water systems are engineered and constructed. Actual water use may be lower due to efficient plumbing fixtures, low demand landscaping, and/or water conservation or drought conditions. However, Root Creek WD is sizing its municipal water system and incurring the construction costs based on the capacity shown below. This capacity is reserved in the water system facilities and will be available at any time for connected customers.

**Table 11: Estimated Municipal Water Demand at Buildout
Root Creek Water District
2021 Connection Fee Update**

Land Use Density	Dwelling Units per Acre	Gross Acres	Annual Demand (acre feet per acre)	Annual Demand (AF)
Ultra Low	<1.7	254.4	2.50	636.0
Very Low	>1.7 to 2.5	57.6	2.40	138.3
Low	>2.5 to 3.5	184.0	2.20	404.8
Medium Low	>3.5 to 4.5	166.5	2.10	349.5
Medium	>4.5 to 6.0	350.8	2.00	701.6
Medium High	>6.0 to 9.0	174.4	2.30	401.1
High	>9.0 to 15.0	135.0	3.00	405.1
Very High	>15.0	18.5	3.25	60.1
Townhouse	To be evaluated on a case-by-case basis			
Warehouse	To be evaluated on a case-by-case basis			
Commercial	NA	77.6	2.50	194.0
Parks/Civic/Utilities	NA	80.9	2.80	226.5
School	NA	129.1	2.70	348.6
Roads, misc.	NA	<u>479.7</u>	0.00	<u>0.0</u>
Total Gross Acres		2,108.5		3,865.8

Table 12 presents the unit cost of water capacity. The connection revenue requirement of \$50.2 million divided by the average annual demand calculates a unit cost of \$14,820 per acre foot. Table 12 also provides the water connection fee for various land use classifications on a \$/acre basis and on a \$/dwelling unit basis. The connection fees are proportional to the estimated demand of each type of customer. The water connection fees only apply to potable water customers. Non-potable customers do not contribute to the need to construct and maintain water treatment and distribution facilities. Thus, non-potable customers are excluded from paying connection fees. The connection fees of potable water irrigation customers should be evaluated on a case-by-case basis and should be proportional to estimated water demand of those customers.

**Table 12: Water Connection Fee Schedule
Root Creek Water District
2021 Connection Fee Update**

Water Connection Fee Revenue Requirement			\$50,154,138			
Total Average Annual Demand (AF)			3,865.8			
Less Capacity Already Purchased (AF)		(458.4)		1,146 medium density dwelling units		
Less Capacity Already Purchased (AF)		<u>(23.2)</u>		101 medium high density dwelling units		
Remaining Demand			3,384.1			
Unit Cost (\$/AF)			\$14,820			
	Dwelling Units per Acre (midpoint)	Annual Demand (acre feet per acre)	RCWD Fee per Acre	Total Fee per Acre (RCWD + MID)	RCWD Fee per Dwelling	Total Fee per Unit (RCWD + \$1,400 MID)
Ultra Low	1	2.50	\$37,051	\$38,451	\$37,051	\$38,451
Very Low	2	2.40	\$35,569	\$38,369	\$17,784	\$19,184
Low	3	2.20	\$32,605	\$36,805	\$10,868	\$12,268
Medium Low	4	2.10	\$31,123	\$36,723	\$7,781	\$9,181
Medium	5	2.00	\$29,641	\$36,641	\$5,928	\$7,328
Medium High	10	2.30	\$34,087	\$48,087	\$3,409	\$4,809
High	12	3.00	\$44,461	\$61,261	\$3,705	\$5,105
Very High	20	3.25	\$48,166	\$76,166	\$2,408	\$3,808
Townhouse	NA	To be evaluated on a case-by-case basis				
Warehouse	NA					
Commercial	NA	2.50	\$37,051			
Parks/Civic/Utilities	NA	2.80	\$41,497			
School	NA	2.70	\$40,015			

The most common customer is a single family residential dwelling unit on 1/5 of an acre parcel (medium density land use), which is bolded in Table 12. This customer is defined as an equivalent dwelling unit (EDU) and will pay the proposed water connection fee of \$7,328 including the \$1,400 MID rooftop fee. The demand of other customer types is scaled to the demand of the typical single family dwelling unit and is expressed as multiple EDUs. Table 13 provides a comparison between the Root Creek WD proposed water connection fee for one residential medium density EDU and the current fee charged to development within the City of Clovis. Root Creek WD's current fee is lower than the fee in the City of Clovis and will remain as such following this update. The Clovis water connection fee consists of a water major facilities fee, an oversize fee, front footage fees, and a Fresno Irrigation District fee.

**Table 13: Water Connection Fee Comparison
(1 EDU - Residential Medium Density)
Root Creek Water District
2021 Connection Fee Update**

Document	RCWD (w/MID Fee)	City of Clovis
2016 Financial Plan	\$4,447	\$6,078
2021 Current	\$4,580	\$10,943
2023 Proposed [1]	\$7,328	

1 - The 2023 proposed water fee includes the MID fee of \$1,400. As MID increases its fee in the future, RCWD should recover the increased amount from new connections.

Current and proposed water connection fees for various types of development are provided in Table 14.

**Table 14: Proposed 2023 Water Connection Fees
Root Creek Water District
2021 Connection Fee Update**

Customer Type	Current Fee	Proposed
Single Family per unit	\$4,580	\$7,328
Multi Family (very high density) per unit	\$2,405	\$3,808
Lodge (Highway Commercial) per acre	\$29,774	\$37,051
School per acre	\$31,606	\$40,015
Phase 1 Riverwalk (Highway Commercial) per acre	\$29,774	\$37,051

SECTION 4: Wastewater Connection Fee

The wastewater connection fee recovers the construction cost of the wastewater system plus financing costs over a 15-year term at 3% interest. Table 15 provides a detailed description of costs proposed to be recovered by the wastewater connection fee less the value of developer contributed facilities and connection fees already paid for 1,247 EDUs (plus 8 EDUs of equivalent contributed facilities). In total, the wastewater connection fee is calculated to recover about \$73.2 million from 5,535 EDUs. One equivalent dwelling unit equals 186 gallons per day of domestic strength wastewater flow. The wastewater connection fee is proposed to be updated to \$13,217 per equivalent dwelling unit (EDU), see Table 15.

Table 16 compares the Root Creek WD current and proposed wastewater connection fees for one EDU to the current fee charged to development within the City of Clovis. The City of Clovis has lowered its wastewater connection fee since 2016.

**Table 15: Wastewater System Construction Cost
Root Creek Water District
2021 Connection Fee Update**

Line	Description	Total Cost	Notes
1	Collection System		
2	Sewer Backbone	\$6,212,521	
3	Retrofit ag 12" line to RCWD	<u>\$689,000</u>	
4	Subtotal Collection System	\$6,901,521	
5			
6	Treatment		
7	Initial WWTP (65,000 gpd)	\$7,598,068	Actual Cost
8	Expansion from 65,000 to 130,000 gpd	\$1,841,024	Actual Cost
9	Initial 400K gpd	\$12,000,000	
10	Expansion to 500K	\$2,500,000	
11	Expansion from 500K to 1.0 MGD	\$20,000,000	
12	Expansion from 1.0 to 1.5 MGD	\$15,000,000	
13	Reclaimed water system	<u>\$1,600,000</u>	
14	Subtotal Treatment	\$60,539,092	
15			
16	Land		
17	Village A WWTP site (urban 0.72 acres)	\$155,000	appraisal
18	Village A WWTP ponds (39.3 acres)	\$806,004	appraisal
19	Village B WWTP site (5 acres)	\$1,076,390	
20	Village C WWTP site (4.28 acres)	\$921,390	
21	Village D WWTP site (5 acres)	\$1,076,390	
22	Village E WWTP site (5 acres)	<u>\$1,076,390</u>	
23	Subtotal Land	\$5,111,564	
24			
25	Subtotal Collection, Treatment, and Land	\$72,552,176	
26	Less Connection Fees Already Paid	(\$14,240,488)	All Village A lots and Village B lots paid through September 2021
27	Less Developer Contributed Facilities	(\$91,456)	
28	Less Future Estimated CFD Bond Proceeds	<u>\$0</u>	
29	Total	\$58,220,232	
30			
31	Financing		
32	Interest Rate	3%	
33	Term (years)	15	
34	Total Revenue Requirement	\$73,153,647	
35			
36	Total System Capacity (EDUs)	6,790	
37	Less EDUs Already Paid	<u>(1,255)</u>	
38	EDUs for Connection Fee	5,535	
39			
40	PROPOSED Wastewater Connection Fee (\$/EDU)	\$13,217	

**Table 16: Wastewater Connection Fee Comparison (1 EDU)
Root Creek Water District
2021 Connection Fee Update**

Document	RCWD	City of Clovis [1]
2016 Financial Plan	\$11,344	\$11,347
2021 Current	\$11,684	\$10,285
2023 Proposed	\$13,217	

1 - Sewer major facilities fee + oversize fee/acre + 100 LF front footage; Clovis lowered its Sewer Major Facilities Fee between 2016 and 2021

To comply with California state law, the amount of the wastewater connection fee levied on any customer must be proportional to the cost of facilities used to provide service to that customer. Wastewater service is defined as conveyance and disposal of wastewater flow (expressed as gallons per day – gpd) and treatment of wastewater pollutants. Wastewater pollutants consist of biochemical oxygen demand (BOD), and total suspended solids (TSS). The wastewater connection fee for non-residential customers is scaled to the flow and pollutant strength of a single family residential customer. First, a cost allocation to flow and strength based on the wastewater system construction costs is developed. Second, the cost allocation is used to scale the connection fee of non-residential customers based on typical pollutant loading factors.

Table 17 provides the cost allocation of wastewater system costs to flow, biochemical oxygen demand and total suspended solids. Wastewater treatment costs are assumed to include both primary and secondary treatment streams. Wastewater treatment costs are allocated based on industry-typical allocation to flow, BOD, and TSS. The final allocation attributes about 59% of system capital costs to flow, 18% to BOD, and 23% to TSS.

**Table 17: Wastewater Cost Allocation
Root Creek Water District
2021 Connection Fee Update**

Component	Construction Cost	Allocation		
		Flow	BOD	TSS
Collection system	\$6,901,521	100%	0%	0%
Treatment	\$60,539,092	55%	20%	25%
Land	<u>\$5,111,564</u>	<u>55%</u>	<u>20%</u>	<u>25%</u>
	\$72,552,176	\$43,009,381	\$13,130,131	\$16,412,664
Allocation	100%	59%	18%	23%

An equivalent dwelling unit is defined as a residential customer discharging 186 gpd of wastewater flow at 200 milligrams per liter (mg/l) BOD and 200 mg/l TSS. Non-residential customer classes have various flow and loading characteristics. Offices, for example, are typically both low flow (no washing machines or showers) and low pollutant loading (minimal food preparation). To calculate wastewater connection fees for non-residential customers, the typical flow and loading of each customer type should be scaled to the flow and loading of a single family dwelling unit based on the wastewater cost allocation calculated in Table 17. The formula used to scale non-residential connection fees is provided below.

$$WW \text{ equivalent} = \frac{\text{flow gpd}}{186 \text{ gpd}} \times \left[59\% + 18\% \times \frac{BOD \text{ mg/L}}{200 \text{ mg/L}} + 23\% \times \frac{TSS \text{ mg/L}}{200 \text{ mg/L}} \right]$$

Typically, connection fees are charged to new development as permits are issued for construction. For low and domestic strength customers, it is recommended that RCWD adopt this billing procedure. For high strength wastewater customers such as restaurants, butcher shops, food processors, and industrial customers, it is proposed that an alternate procedure for collecting the connection fees be established called the Commercial Sewer Fee Program. Under the program, RCWD would calculate the sewer connection fee based on the formula described above. Sample scaling for non-residential customers is provided in Table 18. The EDUs estimated in Table 18 can be used to assess initial sewer connection fees which can then be trued-up at a later date when RCWD has actual metered water use data from the customer. However, at permit issuance, the high strength customer would only pay a sewer connection fee based on general commercial flow and pollutant loading. The difference between the RCWD calculated fee based on high strength and the general commercial fee would be paid over a ten-year period as a surcharge on the customer’s monthly sewer bill. Moreover, RCWD should require that restaurants install grease traps or other pretreatment devices to reduce fats, oils, and grease that flow into the sewer system. Although grease traps represent an up-front cost to new businesses, they reduce sewer system operating and treatment costs.

**Table 18: Non-Residential Wastewater EDUs
Root Creek Water District
2021 Connection Fee Update**

Customer	Unit	Flow (gpd)	BOD (mg/l)	TSS (mg/l)	Proposed EDUs
Cost Allocation		59%	18%	23%	
Single Family Residence	Each	186	200	200	1.00
Non-Residential					
Animal Kennel	1,000 SF	120	200	200	0.65
Auto Repair	1,000 SF	60	180	280	0.35
Auto Sales	1,000 SF	100	130	80	0.43
Car Wash (Tunnel Type)	1,000 SF	3200	20	150	13.43
Car Wash (Wand Type)	1,000 SF	700	20	150	2.94
Day Care	Students	10	130	100	0.04
Dry Goods Retail	1,000 SF	15	150	150	0.07
Financial Institution	1,000 SF	120	130	80	0.52
Fueling Station	1,000 SF	100	180	280	0.58
Fueling Station w/convenience store	1,000 SF	160	180	280	0.92
Gym / Fitness w/showers	1,000 SF	280	180	150	1.39
Hospital	Beds	200	250	100	1.00
Hotel / Motel w/ Kitchen	Rooms	100	200	180	0.53
Hotel / Motel w/out Kitchen	Rooms	80	225	180	0.43
Laundromat	Washing Machines	130	150	110	0.60
Light Industrial	1,000 SF	40	180	150	0.20
Light Manufacturing	1,000 SF	25	130	80	0.11
Manufacturing	1,000 SF	200	180	150	0.99
Medical Office	1,000 SF	120	225	180	0.65
Meeting Facility	1,000 SF	100	130	80	0.43
Night Club	1,000 SF	250	200	200	1.34
Nursery / Greenhouse	1,000 SF	80	130	80	0.34
Nursing Home	Beds	200	225	180	1.08
Office Building	1,000 SF	110	130	130	0.51
Open Storage	1,000 SF	15.2	130	80	0.07
Pub / Bar / Brewery / Winetasting	1,000 SF	350	225	180	1.88
Public Shower	Each	141	130	80	0.61
Restaurant	1,000 SF	320	400	240	2.11
Restaurant 24-hour	1,000 SF	680	400	240	4.48
Restaurant - Fast Food	1,000 SF	520	400	240	3.43
Restaurant Quick-Serve	1,000 SF	480	400	240	3.16
Retail Store	1,000 SF	80	200	200	0.43
School	Students	15.0	150	150	0.07
Shopping Center	1,000 SF	200	180	150	0.99
Supermarket	1,000 SF	120	400	240	0.79
Theater	1,000 SF	125	200	200	0.67
Warehousing	1,000 SF	15.2	130	80	0.07
Other Commercial / Industrial	Employees	15.0	130	100	0.07

Current and proposed wastewater connection fees for various types of development are provided in Table 19.

**Table 19: Proposed 2023 Wastewater Connection Fees
Root Creek Water District
2021 Connection Fee Update**

Customer Type	Current Fee	2023 Proposed
Single Family (1 EDU)	\$11,684	\$13,217
Multi Family (.67 EDUs)	\$7,600	\$8,855
Lodge (5,000 sq ft office)	\$33,418	\$33,703
School (61,699 sq ft office)	\$412,376	\$415,893
Phase 1 Riverwalk (22,100 sq ft retail)	\$117,500	\$125,601

SECTION 5: Storm Drain Connection Fee

The function of the storm drain system is to collect runoff during wet weather events, including flows from the upstream water shed, to prevent flooding. Storm drain infrastructure consists of tributaries and catchment basins to collect and store runoff. Captured storm water is retained and percolates into the groundwater basin. The storm drain connection fee is proposed to recover about \$16.1 million in construction and interest expenses net of developer contributed facilities, connection fees already paid, and estimated future CFD bond proceeds, see Table 20.

**Table 20: Storm Drain System Construction Cost
Root Creek Water District
2021 Connection Fee Update**

Line	Description	Total Cost	Notes
1	Existing System Costs	\$3,105,145	
2			
3	Village A		
4	Pipelines	\$909,877	
5	Land (5 acres)	<u>\$570,000</u>	Appraisal
6	Subtotal Village A	\$1,479,877	
7			
8	Village B		
9	Pipelines	\$3,671,109	
10	Land (20 acres)	<u>\$2,352,000</u>	Appraisal
11	Subtotal Village B	\$6,023,109	
12			
13	Village C		
14	Pipelines	\$1,826,737	
15	Land (8.5 acres)	<u>\$1,829,863</u>	Appraisal
16	Subtotal Village C	\$3,656,600	
17			
18	Village D		
19	Pipelines	\$2,044,856	
20	Land (4 acres)	<u>\$861,112</u>	Appraisal
21	Subtotal Village D	\$2,905,968	
22			
23	Village E		
24	Pipelines	\$3,458,765	
25	Land (8 acres)	<u>\$1,722,224</u>	Appraisal
26	Subtotal Village E	\$5,180,989	
27			
28	Parkway Basins for Storm Water Capture and Groundwater Recharge		
29	Facilities Construction	\$1,523,900	
30	Land	<u>\$2,477,100</u>	Appraisal
31	Subtotal Parkway Storm Basins	\$4,001,000	
32			
33	Fencing	\$227,240	
34			
35	Subtotal Pipelines and Land	\$26,579,928	
36	Less Developer Contributed Facilities	(\$86,141)	122.6 EDUs medium high density
37	Less Developer Contributed Facilities	(\$86,141)	68.8 EDUs medium density
38	Less Developer Contributed Facilities	(\$236,000)	183 EDUs medium density
39	Less Connection Fees Already Paid	(\$1,522,021)	All Village A lots and Village B lots paid through September 2021
40	Less Future Estimated CFD Proceeds	<u>(\$11,850,000)</u>	
41	Total	\$12,799,626	
42			
43	Financing		
44	Interest Rate	3%	
45	Term (years)	15	
46	Total Revenue Requirement	\$16,082,714	

Storm drain fees vary by land use type and amount of impervious area per parcel. During wet weather events, soil and vegetation absorb precipitation and/or percolate rainfall into the groundwater basin. In contrast, buildings, paved and other impervious areas have no capability to absorb rainfall and instead generate runoff, which the District must collect and store. Thus, the storm drain connection fee is apportioned based on runoff acreage (i.e. impervious area), which is a proxy for the capacity each parcel requires in the storm drain system. Table 21 provides the runoff acreage for Riverstone. Each land use type is multiplied by a runoff coefficient to estimate the amount of impervious area.

**Table 21: Storm Drain Runoff Acreage
Root Creek Water District
2021 Connection Fee Update**

Land Use Density	Acreage [1]	Runoff Coefficient [2]	Runoff Acreage
Ultra Low	254.4	0.30	76.3
Very Low	57.6	0.35	20.2
Low	184.0	0.40	73.6
Medium Low	166.5	0.42	69.9
Medium (one EDU)	350.8	0.45	157.9
Medium High	174.4	0.55	95.9
High	135.0	0.65	87.8
Very High	18.5	0.80	14.8
Townhouse			
Warehouse			
Highway Commercial	77.6	0.80	62.1
Parks/Civic/Utilities	80.9	0.30	24.3
School	<u>129.1</u>	0.30	<u>38.7</u>
Total Buildout	1,628.8		721.4
Medium In-Lieu Parcels	(50.4)	0.45	(22.7)
Medium High In-Lieu Parcels	(12.3)	0.55	(6.7)
Medium Paid Parcels [3]	(229.2)	0.45	(103.1)
Medium High Paid Parcels [4]	<u>(10.1)</u>	0.55	<u>(5.6)</u>
Total Parcels Paid	(301.9)		(138.1)
Remaining Parcels to Buildout	1,326.9		583.3

1 - Gross acres shown above do not include planned undeveloped acres, open space, roads, and easements for utilities

2 - Estimate based on a survey of other California storm drain agencies

3 - 1,146 medium density residential homes that have paid connection fees

4 - 101 medium density residential homes that have pre-paid connection fees

It should be noted that the development plan for Riverstone includes a 100 acre park that will serve a recreational function as well as a storm drain function. The park will have little to no impervious area and will serve as a storm drain basin. Thus, the park should not be charged a storm drain connection fee. RCWD should evaluate the impervious area of low density land uses and consider foregoing the storm drain connection fee as appropriate.

Table 22 updates the storm drain unit cost to \$27,570 per runoff acre. The connection fees for example customers are provided below. The unit cost of storm drain capacity is multiplied by the acreage and the runoff coefficient to calculate the storm drain fee. The typical customer, a single family residential customer on a 1/5 acre medium density parcel, would pay a storm drain connection fee of \$2,481.

**Table 22: Storm Drain Connection Fee Schedule
Root Creek Water District
2021 Connection Fee Update**

Revenue Requirement				\$16,082,714
Buildout Runoff Acres				721.4
Less Capacity Already Purchased				<u>(138.1)</u>
Remaining Acres				583.3
Unit Cost (\$/runoff acre)				\$27,570
Example Customers	Acres	Runoff Coefficient	Runoff Acreage	Example Storm Drain Connection Fee
Residential - Very Low	0.50	0.35	0.18	\$4,825
Residential - Low	0.33	0.40	0.13	\$3,676
Residential - Medium	0.20	0.45	0.09	\$2,481
Residential - Medium High	0.10	0.55	0.06	\$1,516
Residential - High to Very High	0.05	0.65	0.03	\$896
Highway Commercial	3.00	0.80	2.40	\$66,169
Parks/Civic/Utilities	5.00	0.30	1.50	\$41,355

Table 23 compares the current and proposed storm drain connection fees for the typical single family residential customer in Root Creek WD to the City of Clovis. Storm drain fees in the City of Clovis are assessed by the Fresno Metropolitan Flood Control District.

**Table 23: Storm Drain Connection Fee Comparison
(1 EDU - Residential Medium Density)
Root Creek Water District
2021 Connection Fee Update**

Document	RCWD	City of Clovis [1]
2016 Financial Plan	\$1,252	\$1,227
2021 Current	\$1,290	\$1,851
2023 Proposed	\$2,481	

1 - Mid-range or average fee across multiple basins charged by the Fresno Metropolitan Flood Control District

Current and proposed wastewater connection fees for various types of development are provided in Table 24.

**Table 24: Proposed 2023 Storm Drain Connection Fees
Root Creek Water District
2021 Connection Fee Update**

Customer Type	Current Fee	Proposed
Single Family per unit	\$1,290	\$2,481
Multi Family (very high density) per unit	\$466	\$896
Lodge (Highway Commercial) per acre	\$11,465	\$22,056
School per acre - open area	\$4,299	\$8,271
School per acre - developed area	\$11,465	\$22,056
Phase 1 Riverwalk (Highway Commercial) per acre	\$11,465	\$22,056

SECTION 6: Combined Connection Fee and Fee Implementation

Combined Connection Fee

Root Creek WD's updated connection fees for a typical single family residential customer are proposed to total \$23,026 including water, wastewater, and storm drain connection fees and the MID rooftop fee. The proposed Root Creek WD fee update is \$53 lower than the City of Clovis fee of \$23,079, see Table 25.

**Table 25: Summary of Medium Density Residential Connection Fees
Root Creek Water District
2021 Connection Fee Update**

Category	RCWD 2023		
	Proposed	City of Clovis	Difference
Water + MID [1]	\$7,328	\$10,943	(\$3,615)
Wastewater	\$13,217	\$10,285	\$2,932
Storm Drain [2]	<u>\$2,481</u>	<u>\$1,851</u>	<u>\$630</u>
Total	\$23,026	\$23,079	(\$53)

1 - The water fee shown here assumes an MID fee of \$1,400. As MID increases its fee by \$100 every five years after 2023, RCWD should recover the increased amount from new connections.

2 - City of Clovis storm drain fee is charged by the Fresno Metropolitan Flood Control District; fee shown here is the average medium residential fee across multiple basins

Adoption, Implementation, and Updates

Connection fees are subject to a public approval process as described below.

Connection Fee Adoption

In order to adopt connection fees, public agencies in California must 1) develop a justification for the connection fee, 2) conduct a public hearing, and 3) adopt an ordinance or resolution. The adoption of connection fees requires the Board of Directors to vote to approve the ordinance or resolution and does not require a public vote.

- 1) This report provides an administrative record of the cost of providing infrastructure capacity to new development and the reasonable and proportional benefit received by new connections. This report must be made accessible to the public ten days before the Root Creek WD Board of Directors votes on the fee.
- 2) A notice of public hearing must be published or posted advising of the Board's proposed action to implement the connection fees. The notice must generally describe the basis for the fees. Mailed notice must be given to any person who asks 14 days ahead of the hearing. A noticed public hearing must be held (Gov. Code, § 66016.) and members of the public should be given the opportunity to comment and address the Board.

- 3) The new connection fees should be adopted via ordinance or resolution. The District will include the language provided below in the ordinance or resolution to provide for inflationary cost increases.

Connection Fee Implementation

Connection fee revenues may only be used for the benefit of new connections and may not be used for other purposes. To that end, public agencies are required to account for connection fee revenues separately from other agency revenues. Within 180 days of the end of fiscal year, Root Creek WD must make available to the public:

- 1) A description of the charges deposited into the connection fee or capital fund
- 2) The beginning and ending balance of the fund and interest earned
- 3) The amount of the charges collected that fiscal year
- 4) An identification of all the following:
 - a. Each public improvement on which charges were expended and the details
 - b. Each public improvement completed
 - c. Each public improvement anticipated to begin the next year
- 5) A description of any interfund transfers

Connection Fee Updates

Connection fees should be adjusted regularly to prevent them from falling behind the costs of constructing new facilities. Several methods can be used to adjust the fees, including:

- ENR Construction Cost Index: ENR (Engineering News-Record) magazine publishes construction cost indices monthly. This index can be used to estimate the change in the construction cost of facilities. If the ENR Index has increased by three percent since the last fee adjustment, the fee should be increased by three percent.
- U.S., California, or regional consumer price index.
- Interest rate and borrowing costs: The interest and borrowing costs for debt issued to finance sewer capital projects can be added to the capacity fee annually.

L&T recommends that the Root Creek Water District adjust its fee annually by the change in the ENR Construction Cost Index 20-cities average. This is the most appropriate index because it directly reflects construction costs. Suggested language for implementing this policy is:

Each year, commencing on (m/d/y) and continuing thereafter on each (m/d) , the connection fees shall be adjusted by an increment based on the change in the Engineering News-Record Construction Cost Index for the 20-cities average over the prior year.

However, the Root Creek WD Board of Directors may at its option determine, by resolution adopted prior thereto, that such adjustment shall not be effective for the next succeeding year, or may determine other amounts of adjustment as appropriate.

Going forth, it is also recommended that RCWD account for the MID rooftop fee as a passthrough charge. As the rooftop fee increases, the fee is directly passed onto and collected from new development regardless of RCWD's intent to raise or maintain its connection fees in a given year.

In general, it is recommended that public agencies re-evaluate their connection fees every ten years or concurrent with the development of master plans.

Phase-in

To provide affordability it is suggested that the proposed fees be phased-in as shown in Table 26.

**Table 26: Proposed Phase-in of Residential Connection Fees
Root Creek Water District
2021 Connection Fee Update**

Year	Water + MID Fee [1]	Wastewater	Storm Drain	Total
2021 Current	\$4,580	\$11,684	\$1,290	\$17,554
2022	\$5,954	\$12,451	\$1,886	\$20,290
2023	\$7,328	\$13,217	\$2,481	\$23,026
Thereafter	+ annual inflationary cost increases			

1 - The proposed water fees shown here assume an MID fee of \$1,400. As MID increases its fee by \$100 every five years after 2023, RCWD should recover the increased amount from new connections.