



MEMORANDUM

TO: City Council

FROM: Nicole Valentine, Administrative Services Director

BY: Lynda Horejsi, Accounting Manager

SUBJECT: Consideration of a Resolution Approving the Annual Adjustment of Sewer Connection Fees

DATE: January 24, 2023

SUMMARY OF ACTION:

Adoption of a Resolution approving the annual adjustment of Sewer Connection Fees to increase fees by 7.2%, consistent with the Engineering News Record (ENR) Construction Cost Index (CCI).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Adoption of the Resolution will increase the Sewer Connection Fees charged for new development projects, effective March 27, 2023. The revenue generated from this adjustment is dependent on the amount of new development in the community during the coming year.

RECOMMENDATION:

Adopt a Resolution approving the annual adjustment to the City's Sewer Connection Fees based on changes in the Engineering News Record Construction Cost Index.

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 in the annual average Engineering News Record (ENR) Construction Cost Index (CCI).

The previous rate increase of 5.92% was approved by Council on January 25, 2022, and became effective on March 28, 2022. Any rate increase becomes effective no sooner than 60 days after the City Council has approved the adjustment pursuant to State law.

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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 the ENR CCI warrants a 7.2% increase in the City's Sewer Connection Fees.

The calculation adjusts the fees as follows:

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

For the current year, the calculation is as follows:

$$1 + \frac{13,007 - 12,133}{12,133} = 1.072 = 7.2\%$$

The existing and proposed fees implementing a 7.2% ENR CCI increase are set forth in Exhibit A to the attached Resolution. If approved, the effective date of the new fees will be March 27, 2023.

ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Adopt the Resolution approving the annual adjustment to the City's Sewer Connection Fees based on changes in the Engineering News Record Construction Cost Index;
2. Do not adopt the Resolution and request further information; or
3. Provide other direction to staff.

ADVANTAGES:

By approving the recommended fees, the City will be able to recover the estimated cost of providing infrastructure and 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.

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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.

Attachments:

1. Proposed Resolution
2. Exhibit A – Sewer Connection Fees Effective 3/27/2023