

Wastewater capacity charges are proposed to decrease by 3.6%. The primary factors for the decrease are predicted vs actual inflation and capital project funding. The last capacity charge schedule escalated the capacity charges by 5% each year. Actual annual inflation over that period was slightly less than the assumed amount. The Wastewater Fund supported significant capital projects over the past five years, but most were funded through low-interest rate loans. The value of these debt-financed projects does not add to the value of the wastewater system capital valuation used to compute capacity charges until payments begin on this debt.

Multi-Family Dwelling Units

The City's General Plan policies promote smaller, high-density multi-family dwelling units, and State legislation requires that to the extent capacity charges are allowed on Accessory Dwelling Units (ADUs), the charges be based on the size of the unit, or the number of plumbing fixtures. To account for the fact that most multi-family units do not require the entire capacity of the City's smallest water meter offering, and for State regulations on charges affecting ADUs, the City adopted a \$/fixture unit approach for multi-unit dwellings and ADUs served by a dedicated water meter. The California Plumbing Code ascribes fixture unit values to common plumbing fixtures and based on Plumbing Code, the capacity of one 5/8" meter is equal to 30 fixture units. Staff and HDR recommend continuing with this \$/fixture unit approach.

Multi-Family Dwelling Unit Capacity Charges (\$/Fixture Unit)

Service	Current Capacity Charge (\$/Fixture Unit)	Proposed FY23 Capacity Charge (\$/Fixture Unit)	Difference
Water	\$318.70	\$341.60	\$22.90
Wastewater	\$129.51	\$124.81	-\$4.70

Multi-Year Charge Schedule

HDR's scope of work includes developing a multi-year capacity charge schedule. HDR and staff propose a five-year capacity charge schedule, with annual escalating charges being based on the change in the March ENR CCI from the previous year. For example, if the March 2023 ENR CCI is 3% higher than the March 2022 ENR CCI, then capacity charges will increase by 3% in July 2023 (start of FY24).

BUDGET/FINANCIAL INFORMATION:

The revenue received from capacity charges varies with development activity in the City. The Water and Wastewater Funds have budgeted capacity charge revenue at \$412,000 and \$102,000 in Fiscal Year 2023, respectively. Over the last three years, capacity charges have made up less than 1% of total revenues for both the Water and Wastewater Fund.

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