



CITY COUNCIL WORK SESSION

448 E. 1st Street, Room 190 Salida, Colorado 81201

February 20, 2024 - 5:00 PM

AGENDA

Please register for the City Council Work Session

<https://attendee.gotowebinar.com/register/8054749917914710285>

After registering, you will receive a confirmation email containing information about joining the webinar.

1. Judge Cheryl Hardy-Moore Introduction
2. Ehler's Rate Study

DISCUSSION ITEMS



CITY COUNCIL WORKSESSION MEMO

DEPARTMENT	PRESENTED BY	DATE
Finance	Aimee Tihonovich - Finance Director	February 20, 2024

ITEM

Framework for System Development Fees for Water and Wastewater

BACKGROUND

Periodically the City reviews the fee structure in place for System Development Fees (SDF). Ehler's Inc, the City's municipal advisors, is working with us to evaluate best practices and to construct a fee structure that best meets the City's affordable housing goals while still raising sufficient funds to address the demands that new development places on our important water and wastewater infrastructure. The Ehler's team will present some conceptual ideas for the structure of the fees and after receiving direction from Council will continue moving forward on developing a fee structure.



Framework for Water and Wastewater System Development Fees

City of Salida
February 20, 2024

What is a System Development Fee (SDF)?

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- Fee charged to developers when they hook up to water and wastewater
- Fees help pay for
 - ✓ Trunk lines and interceptors
 - ✓ Lift stations
 - ✓ Treatment plant capacity
- Best practice: fees based on demand new development will place on utility systems

Steps in Setting System Development Fees

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1. Review City goals and framework with Council
2. Financial analysis
3. Analysis for Poncha Springs Interceptor
4. City Council consideration

Goals for City System Development Fees

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- Growth pays for growth
- Equity between customer classes
- Promote certain types of development
 - ✓ Affordable housing
 - ✓ Higher density housing
- Sustainability
- Simplicity in administration

Existing Salida System Water Development Fees

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Fees charged per unit for owner-occupied residential units

	Single-Family & Duplexes	Owner-Occupied Multifamily	Accessory Dwelling Units	Legally Restricted Affordable Housing
Water System Development Fee	\$8,512	\$6,384	\$3,405	\$3,405
Water High Zone Surcharge	\$1,936	\$1,452	\$774	\$774
Irrigation Meter (plus 50% of surcharge)	\$4,256	\$4,256	-	\$4,256
Wastewater System Development Fee	\$5,206	\$3,905	\$2,082	\$2,082

Existing Salida System Water Development Fees

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Fees charged based on water meter for multifamily rental and commercial properties

	¾" line	1.0" line	1.5" line	2.0" line	3.0" line	4.0" line
Water System Development Fee	\$8,512	\$14,270	\$28,316	\$52,472	\$106,472	\$217,534
Water High Zone Surcharge	\$1,936	\$2,904	\$4,352	\$6,530	\$9,797	\$14,695
Irrigation Meter (plus 50% of surcharge)	\$4,256	\$7,135	\$14,158	\$26,236	\$53,371	\$108,767
Wastewater System Development Fee	\$7,808	\$16,918	\$30,190	\$42,199	\$79,834	\$132,732

Water SDFs for Various Housing Developments

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Property	Meter Size	Total Fee	Fee per Unit
4-Unit Condo	1"	\$ 34,048	\$ 8,512
4-Unit Apartment	1"	\$ 14,270	\$ 3,568
20-Unit Apartment	1"	\$ 14,270	\$ 714
20-Unit Apartment	1.5"	\$ 28,316	\$ 1,416

Pros and Cons of Existing Fee Structure

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Pros	Cons
<ul style="list-style-type: none">• Easily understood by and familiar to developers• Relatively easy to administer	<ul style="list-style-type: none">• Based on ownership type vs. water consumption/ wastewater discharge• Does not incent affordability for owner-occupied housing• All single-family homes pay the same fee, regardless of size• Developers push for smaller meter size - limits property re-use

Alternative Rate Structure

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All fees based on
Equivalent
Residential Units

- 1 ERU = 280 gal/day

SDFs Based on Equivalent Residential Units

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- One Equivalent Residential Unit (ERU) = 280 gallons per day
 - ✓ Based on City of Salida engineering data
- Multifamily properties assumed to use 45% of single-family use
 - ✓ One multifamily unit = 0.45 ERU
 - ✓ Will be refined with analysis of billing data

SDFs Based on Equivalent Residential Units

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- Commercial property would be estimated based on potential future water use
 - ✓ Count fixtures or assign a certain number of ERUs to common property types (i.e., 1 hotel room = 0.5 ERUs)

Sample ERUs and Fees

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Property	Sample Calculation of ERU's	Total ERU's	Fee Per ERU	Total Fee	Sample Fee Per Housing Unit
Single Family Home	2+ bathrooms	1	\$ 8,512	\$ 8,512	\$ 8,512
4-Unit Condo	4 units x 0.45	1.8	\$ 8,512	\$ 15,322	\$ 3,830
4-Unit Apartment	4 units x 0.45	1.8	\$ 8,512	\$ 15,322	\$ 3,830
20-Unit Apartment	20 units x 0.45	9	\$ 8,512	\$ 76,608	\$ 3,830
Commercial	1.5" meter	5	\$ 8,512	\$ 42,560	N/A

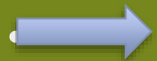
The 0.45 ERU for multifamily is for illustration purposes and will be refined based on actual billing data.
The \$8,512 is the current fee and is for example only.

Examples: Flexibility to Achieve Policy Goals

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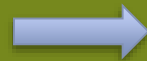
Encourage small lots (less irrigation) or small homes (less bathrooms)



Assign an ERU of 0.75



Encourage accessory dwelling units or legally restricted affordable housing



Assign an ERU of 0.25

Summary of Pros and Cons

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Option	Pros	Cons
Leave the structure as is	<ul style="list-style-type: none">• Easily understood by and familiar to developers• Relatively easy to administer	<ul style="list-style-type: none">• Based on ownership type vs. water consumption/ wastewater discharge• Does not incent affordability for owner-occupied housing• All single-family homes pay the same fee, regardless of size• Developers push for smaller meter size, limiting property re-use
Fees based on Equivalent Residential Units	<ul style="list-style-type: none">• Based on water/wastewater use• Flexible to achieve policy goals• Easier to manage "water accounting" for tracking raw water use and water rights	<ul style="list-style-type: none">• More administratively complex to calculate charge for commercial properties

Next Steps

Item 2.

- Discussion of City goals
- Conceptual discussion on preferred approach
- Develop and model preferred approach
- Propose fees
- Analyze impacts
- Poncha Springs Interceptor fees analyzed
- Council consideration



Important Disclosures

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