City of Santa Fe

Agenda

CITY CLERK'S OFFICE
DATE 6/4/14 TIME 11:42a
BY Reed Liming
BY

Capital Improvements Advisory Committee

Thursday, June 12, 2014
3:00 p.m.
City Hall, 200 Lincoln Avenue, 1st Floor
City Councilors' Conference Room

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES

   Meeting of April 10, 2014
5. INFORMATION ITEMS
6. DISCUSSION / ACTION ITEMS

   A. Impact Fee Capital Improvements Plan 2020 (proposed amendments)
   1. Reconsideration of New Fee Schedule set at 70% of Calculated Fees vs. 75% (page 4)
   2. Adding previously approved project, "Zia Station Infrastructure" (page 77, Table 80)

   B. Proposed Impact Fee Bill (ordinance amendment)

   C. Water & Wastewater Utility Expansion Charge (UEC) Report by Duncan Associates
7. MATTERS FROM THE CHAIR / COMMITTEE / STAFF
8. MATTERS FROM THE FLOOR
9. NEXT QUARTERLY MEETING DATE (**Thursday, July 10, 2014, 3:00 p.m.**)
10. ADJOURN

Persons with disabilities in need of accommodations, contact the City Clerk's office at (505) 955-6520, five (5) working days prior to meeting date.
For questions regarding this agenda, please contact the Long Range Planning Division at 955-6610.

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CAPITAL IMPROVEMENTS ADVISORY COMMITTEE
June 12, 2014

MINUTES OF THE

CITY OF SANTA FE

CAPITAL IMPROVEMENTS ADVISORY COMMITTEE

June 12, 2014

1. CALL TO ORDER

A regular meeting of the City of Santa Fe Capital Improvements Advisory Committee was called to order by Karen Walker, Chair at 3:05 p.m. on this date in the City Council Chambers, 1st Floor, City Hall, Santa Fe, New Mexico.

2. ROLL CALL

Roll call indicated a quorum was present for conducting official business as follows:

MEMBERS PRESENT:
Karen Walker, Chair
Edmundo Lucero
Kim Shanahan
Neva Van Peski
Marg Veneklasen

MEMBERS ABSENT:
Michael Chapman, Vice Chair, excused
Jack Hiatt, excused
Rick Martinez, excused
Maria Higuera Pope, excused

STAFF PRESENT:
Reed Liming, Long Range Planning Division Director
Richard McPherson, Long Range Planning Division

OTHERS PRESENT:
Jo Ann G. Valdez, Stenographer

3. APPROVAL OF AGENDA

Chair Walker requested to move "*Matters from the Chair/Committee/Staff*" up on the agenda after *Approval of Minutes*.

Ms. Veneklasen moved to approve the Agenda as amended. Ms. Van Peski seconded the motion. The motion passed unanimously by voice vote.

4. APPROVAL OF MINUTES:

- **Meeting of April 10, 2014**

The following change was made to the Minutes of the April 10, 2014 meeting:

Page 2, 2nd paragraph from the bottom, 1st sentence was changed to read: "*Mr. Liming briefly reviewed Exhibit 6A noting that the City brought in **$20,865.50*** in impact fees during this quarter.

Mr. Lucero moved to approve the Minutes of the April 10, 2014 meeting as amended. Ms. Van Peski seconded the motion. The motion carried.
(Chair Walker abstained from voting, having been absent at the April 10th meeting.)

*7. MATTERS FROM THE CHAIR/COMMITTEE/STAFF

Referring to the *Ordinance relating to Impact Fees,* Chair Walker and Commissioner Van Peski asked who the Land Use Administrator is, and what is the difference between a Land Use Administrator and an Impact Fee Administrator.

Mr. Liming explained that State Law traditionally said the "Impact Fee Administrator", assuming that someone would be chosen or selected as the Impact Fee Administrator; however, the City never selected an Impact Fee Administrator. He said he has been working and staffing the Committee and working with the Consultant on updating impact fees. He said it is probably an appropriate change because the Land Use Administrator will be the person dealing with issues and questions that come up with regards to impact fees. The change will identify a job title rather than an Impact Fee Administrator because there is no such job title in the City of Santa Fe.

Chair Walker referred to page 13, paragraph 3 of the Ordinance that states: "The independent fee calculation shall be based on the expected long-term occupancy of the

building or *development*, based on physical characteristics, and not on the characteristics of the proposed initial owner or occupant of the *building* or *development*.
She asked who creates this expectation of how long someone is going to occupy a building.

In response, Mr. Liming said in the 12 years of impact fees, he does not think that anyone has ever done an independent fee calculation. Therefore, this has not come into play but it is State law or State code.

Commissioner Van Peski said it will probably never happen because people would have to pay for this.

Chair Walker asked why this is in the Ordinance at all.

Commissioner Van Peski said she could see why this is in the Ordinance because there could be an instance where somebody comes in and does something that has never been done before, and this would give the City an option.

5. INFORMATION ITEMS

There were no information items.

6. DISCUSSION AND ACTION ITEMS

[Copies of the Memo {*Exhibit 6A*} to the Capital Improvements Advisory Committee from Reed Liming, Long Range Planning Division Director, regarding the Recommended Amendment of Impact Fee CIP 2020, Impact Fee Bill (Draft) and Analysis of Utility Expansion Charges for Water and Wastewater were distributed in the Members' packets.]

A. Impact Fee Capital Improvements Plan 2020 (proposed amendments)

1. Reconsideration of New Fee Schedule set at 70% of Calculated Fees vs. 75% (page 4)

Staff requests that the Committee consider the following changes to its recommended CIP document:

New Fee Schedule at 70% - Staff recommends that the new fee schedule to be set at 70%, instead of 75% level that was approved by the CIAC at its April 2014

meeting. By lowering the new fee schedule to 70% of the calculated fees, all residential permits and most non-residential permits would pay lower impact fees. By setting fees somewhat lower in the new fee schedule, subdivisions and development plans that would normally still pay according to the previous more detailed fee schedule, would chose to be charged according to the new, lower fee schedule. This would have the effect of moving the vast majority of permits onto the new more simplified fee schedule, thereby making administration of impact fees simpler for city staff and for applicants.

Mr. Liming said the idea of doing this is to get everybody on one simple fee schedule.

2. Adding previously approved project, "Zia Station Infrastructure" (page 77, Table 80)

Zia Station Infrastructure - Staff recommends that this be added as an eligible project to "Table 80" Planned Major Road Improvements, 2014-2020". This project was previously approved to be added as an eligible project for funding with impact fees by City Council Resolution 2011-2014. This project was overlooked when staff compiled the new eligible project list in "Appendix G: Capital Facility Plans" (all other projects approved by resolution and added to the eligible project list have been started and/or completed and accounted for in the new CIP.)

Commissioner Lucero asked for an update on the Zia Station project.

Mr. Liming said basically the State Department of Transportation has indicated that they would open the Zia Station but the City of Santa Fe and/or developer have to take care of some things first, like fencing off the St. Francis right-of-way and creating vehicular access off of Galisteo Road, to access this platform. The City would also have to connect electricity for this and come up with funds for the Zia station Infrastructure project.

The Committee discussed whether or not the Zia Station is necessary and if people would use it.

Mr. McPherson mentioned that many of the employees from CHRISTUS St. Vincent Regional Medical Center that travel from Albuquerque have indicated that they would use it. They would love to see a closer connection to the hospital.

Chair Walker noted that CHRISTUS St. Vincent Regional Medical Center is the second largest employer in Santa Fe.

Mr. Liming mentioned that there are also two State buildings at Rodeo Plaza and these employees may use the Zia Station.

Commissioner Shanahan moved to approve Items 6A -1 (*Reconsideration of New Fee Schedule set at 70% of Calculated Fees vs. 75% (page 4)* and 6A-2 (*Adding previously approved project, "Zia Station Infrastructure" (page 77, Table 80)*. Ms. Veneklasen seconded the motion. The motion carried with 1 in opposition.

B. Proposed Impact Fee Bill (ordinance amendment)

Staff recommended that the attached bill (with the proposed amendments) that is included in the Members' packets go forward to the Planning Commission and City Council. The Bill removes old language and the old fee schedule via strikethrough and adds new language and new fee schedule via underline. The Bill would amend sections (C) and (E) in the Impact Fees Ordinance (14-8.14), as well as Section (C) (2) of 14-8.15 of the Park dedication standards.

Mr. Liming noted that Councilor Bushee has indicated that she will sponsor this bill and she will be asking that the 50% reduction in impact fees for all residential permits for two years, be eliminated.

Mr. Liming said he has not had a discussion with Councilor Bushee but he will keep the Committee informed as this moves forward. He noted that the Ordinance in the Members' packets does not include Councilor Bushees' proposed amendment.

Commissioner Shanahan said by eliminating the 50% for residential permits for two years, it will overturn the previous Ordinance that was approved.

Commissioner Shanahan requested a copy of the Minutes of the City Council meeting of February 26th where the City Council approved the 50% reduction impact fees for all residential permits for two years.

*Of note: On June 13th, Mr. Liming e-mailed Commissioner Shanahan the Minutes of the February 26th City Council Meeting.

Commissioner Shanahan moved to approve the Proposed Impact Fee Bill as presented in the packet. Mr. Lucero seconded the motion. The motion passed unanimously by voice vote.

C. Water and Wastewater Utility Expansion Charge (UEC) Report by Duncan Associates

The Water and Wastewater Utility Expansion Charge report/analysis was discussed. The major conclusions of the report are:

- Water UEC Fees – Could be nearly doubled (82% increase) for all meter sizes, which is the basis for the city's Utility Expansion Charges for water.

- Wastewater UEC Fees – Could be increased by 8% for most non-residential meters (wastewater UEC fees are also charged according to water meter size). However, for residential sizes, wastewater UEC increases vary by unit size.

- Water and Wastewater UEC funds – It is recommended that the water UEC and wastewater UEC revenue be segregated from the water and wastewater funds and spent only for capacity-expanding improvements, which could include payment of debt on existing water and wastewater facilities with excess capacity. In essence, while acknowledging that the City may want to keep the current system of charging utility expansion charges, rather than creating water and wastewater impact fees, the report states that UEC revenues should and could be administered by the Utilities Department in much the same way as impact fees.

No action was taken on the report, as a whole, but the following motion was made:

Commissioner Shanahan moved that the Capital Improvement Advisory Committee recommends that City Council establish a citizen oversight committee (similar to the CIAC) to track the collection and expenditures of utility expansion charges as suggested by the Consultant in the report. Ms. Van Peski seconded the motion. The motion passed unanimously by voice vote.

***7. MATTERS FROM THE CHAIR / COMMITTEE / STAFF**

Chair Walker requested that Matters from the Chair be moved up on the agenda. She noted that this agenda item was initially following Approval of the Minutes and she would like to go back to that. This agenda item was moved after "*Approval of the Minutes*".

8. MATTERS FROM THE FLOOR

There were no matters from the floor.

9. NEXT QUARTERLY MEETING DATE:

The next quarterly meeting is scheduled for July 10, 2014 at 3:00 p.m.

10. ADJOURNMENT

Having no further business to discuss, Commissioner Shanahan moved to adjourn the meeting, and seconded by Commissioner Lucero, the meeting adjourned at 4:30 p.m.

Approved by:

Karen Walker, Chair

Respectfully submitted by:

Jo Ann G. Valdez, Stenographer

EXHIBIT
tabbies
6A

City of Santa Fe, New M

memo

DATE: CIAC Meeting of June 12, 2014

TO: Capital Improvements Advisory Committee

FROM: Reed Liming, Long Range Planning Division Director RL

SUBJECT: Recommended Amendment of Impact Fee CIP 2020, Impact Fee Bill (Draft) and Analysis of Utility Expansion Charges for Water and Wastewater.

Summary

The Capital Improvements Advisory Committee (CIAC) is asked to consider the following:

1. ***Revised Impact Fee Capital Improvements Plan 2020 for Roads, Parks, Fire/EMS and Police.***

Staff requests that the committee consider the following changes to its recommended CIP document:

A. New Fee Schedule at 70% – Staff recommends that the new fee schedule to be set at 70%, instead of 75% level that was approved by the CIAC at its April, 2014 meeting. By lowering the new fee schedule to 70% of the calculated fees, all residential permits and most non-residential permits would pay lower impact fees (see amended page 4 of CIP "Executive Summary"). By setting fees somewhat lower in the new fee schedule, subdivisions and development plans that would normally still pay according to the previous more detailed fee schedule, would choose to be charged according to the new, lower fee schedule. This would have the effect of moving the vast majority of permits onto the new more simplified fee schedule, thereby making administration of impact fees simpler for city staff and for applicants.

B. Zia Station Infrastructure – Staff recommends this be added as an eligible project to "Table 80. Planned Major Road Improvements, 2014-2020". This project was previously approved to be added as an eligible project for funding with impact fees by city council resolution 2011-44. This project was overlooked when staff compiled the new eligible project list in "Appendix G: Capital Facility Plans" (all other projects approved by resolution and added to the eligible project list have been started and/or completed and accounted for in the new CIP.)

2. ***Proposed Impact Fee Bill (single, consolidated fee schedule set at 70%)***

Staff recommends the attached bill, with amendments, go forward to the Planning Commission and City Council. The Bill removes old language and the old fee schedule via ~~strikethrough~~ and adds new language and new fee schedule via <u>underline</u>. The bill would amend sections (C) and (E) in the impact fees ordinance (14-8.14), as well as Section (C)(2) of 14-8.15 of the Park dedication standards.

*3. **Analysis of Utility Expansion Charges for Water and Wastewater*** (Duncan Associates)

An analysis of the city's current UEC fees for water and wastewater was a part of Duncan Associate's contract with the city. The major conclusions of the report are:

- Water UEC Fees – Could be nearly doubled (82% increase) for all meter sizes, which is the basis for the city's Utility expansion charges for water. For example, a 5/8" meter which is typically used for single family homes could be increased from the current $2,013 to $3,670 (Table 19, p. 14 of report).

- Wastewater UEC fees – Could be increased by 8% for most non-residential meters (wastewater UEC fees are also charged according to water meter size). However, for residential sizes, wastewater UEC increases vary by unit size (Table 30, p. 22 of report).

- Water and Wastewater UEC funds – It is recommended that the water UEC and wastewater UEC revenue be segregated from the water and wastewater funds and spent only for capacity-expanding improvements, which could include payment of debt on existing water and wastewater facilities with excess capacity (top of page 4 in report). In essence, while acknowledging that the city may want to keep the current system of charging utility expansion charges, rather than creating water and wastewater impact fees, the report states that UEC revenues should and could be administered by the Utilities Department in much the same way as impact fees.

Table 3. Updated Fees at 70% Compared to Adopted Fees

Land Use Type	Unit	Roads	Parks	Fire	Police	Total
Single-Family Detached (avg.)	Dwelling	$2,106	$1,086	$173	$73	$3,438
1,500 sq. ft. or less	Dwelling	$1,894	$967	$154	$64	$3,079
1,501-2,000 sq. ft.	Dwelling	$2,064	$1,010	$161	$68	$3,303
2,001-2,500 sq. ft.	Dwelling	$2,141	$1,108	$176	$74	$3,499
2,501-3,000 sq. ft.	Dwelling	$2,245	$1,163	$186	$78	$3,672
3,001 sq. ft. or more	Dwelling	$2,377	$1,238	$197	$83	$3,895
Multi-Family	Dwelling	$1,299	$945	$150	$63	$2,457
Retail/Commercial	1,000 sq. ft	$4,006	$0	$269	$113	$4,388
Office	1,000 sq. ft	$2,402	$0	$126	$53	$2,581
Industrial	1,000 sq. ft	$1,856	$0	$55	$23	$1,934
Warehouse	1,000 sq. ft	$968	$0	$24	$10	$1,002
Mini-Warehouse	1,000 sq. ft	$375	$0	$22	$9	$406
Public/Institutional	1,000 sq. ft	$1,460	$0	$113	$48	$1,621
Percent Change from Adopted Fees						
Single-Family Detached						
1,500 sq. ft. or less	Dwelling	2%	-13%	23%	45%	-2%
1,501-2,000 sq. ft.	Dwelling	-2%	-17%	18%	42%	-6%
2,001-2,500 sq. ft.	Dwelling	-2%	-17%	17%	40%	-6%
2,501-3,000 sq. ft.	Dwelling	0%	-16%	20%	42%	-4%
3,001 sq. ft. or more	Dwelling	3%	-13%	24%	48%	-1%
Multi-Family	Dwelling	-16%	-3%	36%	62%	-8%
Retail/Commercial	1,000 sq. ft	-13%	n/a	22%	45%	-10%
Office	1,000 sq. ft	-1%	n/a	2%	20%	-1%
Industrial	1,000 sq. ft	15%	n/a	-26%	-12%	13%
Warehouse	1,000 sq. ft	-16%	n/a	-49%	-38%	-17%
Mini-Warehouse	1,000 sq. ft	-10%	n/a	-53%	-44%	-15%
Public/Institutional	1,000 sq. ft	8%	n/a	-9%	9%	7%

Source: 75% of updated fees from Table 2; percentage comparison to adopted fees from Table 1 (comparison uses shopping center for retail/commercial, general office for office and nursing home for public/institutional).

Potential Revenue

If the updated fees are adopted at 100% of the proportionate fair-share costs identified in this study, total impact fee revenues over the next seven years would be about $14 million, assuming no residential fee waivers or reductions, other than for affordable housing. The revenue effects of 100%, 70% and 60% adoption rates are summarized in Table 4, based on the growth projections contained in the updated Land Use Assumptions, and compared to revenue from current fees.

Table 4. Potential Impact Fee Revenue, 2014-2020

	Adoption Rates (No Waivers)			Current
Fee Type	100%	70%	60%	Fees
Roads	$10,352,347	$7,246,643	$6,211,408	$8,140,027
Parks/Trails	$2,674,647	$1,872,253	$1,604,788	$2,192,480
Fire/EMS	$774,244	$541,971	$464,546	$455,399
Police	$325,566	$227,896	$195,340	$162,915
Total	$14,126,804	$9,888,763	$8,476,082	$10,950,821

Source: Revenue for updated fees at 100% from Table 26 (roads), Table 38 (parks), Table 49 (fire/EMS) and Table 60 (police); revenue from current fees assumes single-family fee for 2,001-2,500 sq. ft. unit; 95% shopping center rate plus 5% fast-food restaurant rate (fast-food restaurant was actually 9% of retail square footage over the last two years) for retail, general office for office, average of industrial/warehouse for industrial/warehouse and nursing home for institutional.

APPENDIX G: CAPITAL FACILITY PLANS

Table 80. Planned Major Road Improvements, 2014-2020

Project Name	Location	Cost Estimate
Cerrillos Rd, Phase IIC	Camino Carlos Rey to St. Michaels Dr.	$10,300,000
Calle P'o Ae Pi	Airport Road to Rufina St.	$500,000
Bike Lanes/Sidewalks	Reconstruction / Expansion	$4,000,000
Rufina St.	Harrison Rd. to Camino Carlos Rey	$500,000
West Alameda St.	La Joya Road to Siler Road	$3,000,000
Zia Station Infrastructure	Zia Road Rail Station	$300,000
Total, Road Improvements		$18,600,000
Agua Fria / South Meadows		$1,000,000
Agua Fria / Cottonwood		$1,000,000
Airport Road / Ca P'o Ae Pi		$350,000
Airport Road / Jemez		$100,000
Cerrillos / Sandoval / Manhattan		$1,000,000
Galisteo / St. Michaels		$350,000
Galisteo / Rodeo		$350,000
Galisteo / San Mateo		$350,000
Paseo de Peralta / Marcy		$350,000
Rufina / Ca P'o Ae Pi		$350,000
Rufina / Lopez		$500,000
Sandoval / Montezuma		$500,000
Total, Intersection/Signalization Improvements		$6,200,000
Total, All Road Projects		$24,800,000

Source: Planned improvements and costs from City of Santa Fe Long Range Planning Division, November 5, 2013 and April 1, 2014.

CITY OF SANTA FE

BILL NO. 2014 – ___

INTRODUCED BY:

Councilor

AN ORDINANCE

RELATING TO IMPACT FEES, SECTION 14-8.14 AND PARK DEDICATION, SECTION 14-8.15 SFCC 1987; AMENDING SECTION 14-8.14 (C), (E) AND (F) AND SECTION 14-8.15 (C)(2) TO CLARIFY THE 50 PERCENT REDUCTION OF RESIDENTIAL IMPACT FEES, ADOPT A NEW FEE SCHEDULE, AMEND DEFINITIONS AND AMEND THE PARK DEDICATION SECTION.

BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF SANTA FE:

Section 1. Section 14-8.14 (C) SFCC 1987 (being Ord. No. ____, § __, as amended) is amended to read:

(C) Fee Assessment and Collection

(1) The assessment for impact fees occurs on the date a *plat* or *development* plan receives final approval, from the *city* or the *state* construction industries division or, in the absence of a *plat* or plan, the date of the *development permit application.* Impact fees collected within four years of the date of assessment shall be based on the impact fee schedule in

effect at the time of assessment. After the expiration of the four-year period, the new *development* shall be subject to the fee schedule in effect at the time of *application* for a construction *permit*. No action on the part of the city is required for assessment to occur. It shall be the responsibility of the applicant for a construction *permit* to present evidence of the date of *plat* or *development plan* approval in order for the fees to be based on the previous impact fee schedule. After the impact fee has been paid, no refunds will be provided based on the differences in the fee schedules. An applicant must pay all fees according to one fee schedule only and may not mix the various fees from the schedules.

(2) The collection of impact fees shall occur at the time of issuance of a construction *permit* according to the fee schedule in effect for the *development*.

Section 2. Section 14-8.14 (E) SFCC 1987 (being Ord. No. _____, § __, as amended) is amended to read:

(E) Fee Determination

(1) A person who applies for a construction *permit*, except those exempted or preparing an independent fee calculation study, shall pay impact fees in accordance with [~~one of~~] the following fee schedule[s]. If a credit is due pursuant to Section 14-8.14(I), the amount of the credit shall be deducted from the amount of the fee to be paid.

(2) Beginning February 27, 2014 and ending February 26, 2016, [~~*residential plats, development* plans and~~] construction *permits* for *residential developments* shall be charged [~~assessed impact fees. At the time of assessment,~~] fifty percent (50%) of the scheduled values in the Fee

Schedule in Subsection 14-8.14(E)(3) [~~shall be assessed~~]. Beginning [~~January 23~~] February 27, 2016, such *residential developments* shall be charged [~~assessed impact fees in accordance with Subsection 14-8.14 the time of assessment,~~] one hundred percent (100%) of the scheduled values in the Fee Schedule [~~shall be assessed~~].

(3) The fee schedule in this Subsection 14-8.14(E)(3) shall be used and its fees assessed on *plats* and *development* plans that receive final approval from the *city* or the *state* construction industries division [~~June30, 2008.~~] except where the *permit* is issued for a subdivision or for a *development* plan that is still subject to a prior fee schedule available and on file in the Land Use Department.

FEE SCHEDULE

~~Land Use Type~~	~~Unit~~	~~Roads~~	~~Parks~~	~~Fire~~	~~Police~~	~~Total~~
~~Single-Family Detached Dwelling or Manufactured Home~~		-	-	-	-	
~~Heated Living Area:~~		-	-	-	-	-
~~(0 to 1,500 sq. ft.)~~	~~Dwelling~~	~~$1,850~~	~~$1,111~~	~~$125~~	~~$44~~	~~$3,130~~
~~(1,501 to 2,000 sq. ft.)~~	~~Dwelling~~	~~$2,100~~	~~$1,214~~	~~$136~~	~~$48~~	~~$3,498~~
~~(2,001 to 2,500 sq. ft.)~~	~~Dwelling~~	~~$2,183~~	~~$1,328~~	~~$150~~	~~$53~~	~~$3,714~~
~~(2,501 to 3,000 sq. ft.)~~	~~Dwelling~~	~~$2,248~~	~~$1,379~~	~~$155~~	~~$55~~	~~$3,837~~
~~(3,001 to 3,500 sq. ft.)~~	~~Dwelling~~	~~$2,309~~	~~$1,418~~	~~$159~~	~~$56~~	~~$3,942~~
~~(3,501 to 4,000 sq. ft.)~~	~~Dwelling~~	~~$2,359~~	~~$1,444~~	~~$163~~	~~$58~~	~~$4,024~~
~~(more than 4,000 sq. ft.)~~	~~Dwelling~~	~~$2,424~~	~~$1,495~~	~~$169~~	~~$59~~	~~$4,147~~
~~Accessory dwelling unit (attached or detached)~~		-	-	-	-	-
~~Heated Living Area:~~		-	-	-	-	-
~~(0 to 500 sq. ft.)~~	~~Dwelling~~	~~$518~~	~~$324~~	~~$37~~	~~$13~~	~~$892~~
~~(501 to 1,000 sq. ft.)~~	~~Dwelling~~	~~$1,036~~	~~$647~~	~~$73~~	~~$26~~	~~$1,782~~
~~(1,001 to 1,500 sq. ft.)~~	~~Dwelling~~	~~$1,554~~	~~$971~~	~~$110~~	~~$39~~	~~$2,674~~
~~Other (Apts., Condos, Townhomes)~~	~~Dwelling~~	~~$1,554~~	~~$971~~	~~$110~~	~~$39~~	~~$2,674~~
~~Land Use Type~~	~~Unit~~	~~Roads~~	~~Parks~~	~~Fire~~	~~Police~~	~~Total~~
~~Hotel/Motel~~	~~Room~~	~~$1,203~~	~~$0~~	~~$82~~	~~$29~~	~~$1,314~~
~~Retail/Commercial~~	~~G.F.A.~~					
~~Shopping Center/General Retail~~	~~1000 sq. ft.~~	~~$4,597~~	~~$0~~	~~$221~~	~~$78~~	~~$4,896~~

~~Auto Sales/Service~~	~~1000 sq. ft.~~	~~$2,180~~	~~$0~~	~~$221~~	~~$78~~	~~$2,479~~
~~Bank~~	~~1000 sq. ft.~~	~~$4,948~~	~~$0~~	~~$221~~	~~$78~~	~~$5,247~~
~~Convenience Store w/Gas Sales~~	~~1000 sq. ft.~~	~~$8,778~~	~~$0~~	~~$221~~	~~$78~~	~~$9,077~~
~~Health Club, Recreational~~	~~1000 sq. ft.~~	~~$4,394~~	~~$0~~	~~$221~~	~~$78~~	~~$4,693~~
~~Movie Theater~~	~~1000 sq. ft.~~	~~$10,412~~	~~$0~~	~~$221~~	~~$78~~	~~$10,711~~
~~Restaurant, Sit-Down~~	~~1000 sq. ft.~~	~~$5,083~~	~~$0~~	~~$221~~	~~$78~~	~~$5,382~~
~~Restaurant, Fast Food~~	~~1000 sq. ft.~~	~~$11,064~~	~~$0~~	~~$221~~	~~$78~~	~~$11,363~~
~~Restaurant, Packaged Food~~	~~1000 sq. ft.~~	~~$4,597~~	~~$0~~	~~$221~~	~~$78~~	~~$4,896~~
~~Office/Institutional~~	~~G.F.A.~~					
~~Office, General~~	~~1000 sq. ft.~~	~~$2,429~~	~~$0~~	~~$124~~	~~$44~~	~~$2,597~~
~~Medical Building~~	~~1000 sq. ft.~~	~~$3,903~~	~~$0~~	~~$124~~	~~$44~~	~~$4,071~~
~~Nursing Home~~	~~1000 sq. ft.~~	~~$1,354~~	~~$0~~	~~$124~~	~~$44~~	~~$1,522~~
~~Church~~	~~1000 sq. ft.~~	~~$1,521~~	~~$0~~	~~$124~~	~~$44~~	~~$1,689~~
~~Day Care Center~~	~~1000 sq. ft.~~	~~$3,202~~	~~$0~~	~~$124~~	~~$44~~	~~$3,370~~
~~Educational Facility~~	~~1000 sq. ft.~~	~~$586~~	~~$0~~	~~$124~~	~~$44~~	~~$754~~
~~Educational Facility Dorm Room~~	~~1000 sq. ft.~~	~~$1,203~~	~~$0~~	~~$82~~	~~$29~~	~~$1,314~~
~~Industrial~~	~~G.F.A.~~					
~~Industrial, Manufacturing~~	~~1000 sq. ft.~~	~~$1,610~~	~~$0~~	~~$74~~	~~$26~~	~~$1,710~~
~~Warehouse~~	~~1000 sq. ft.~~	~~$1,147~~	~~$0~~	~~$47~~	~~$16~~	~~$1,210~~
~~Mini-Warehouse~~	~~1000 sq. ft.~~	~~$417~~	~~$0~~	~~$47~~	~~$16~~	~~$480~~

Land Use Type	Unit	Roads	Parks	Fire	Police	Total
Single-Family Detached						
Heated Living Area:						
1,500 sq. ft. or less	Dwelling	$1,894	$967	$154	$64	$3,079
1,501-2,000 sq. ft.	Dwelling	$2,064	$1,010	$161	$68	$3,303
2,001-2,500 sq. ft.	Dwelling	$2,141	$1,108	$176	$74	$3,499
2,501-3,000 sq. ft.	Dwelling	$2,245	$1,163	$186	$78	$3,672
3,001 sq. ft. or more	Dwelling	$2,377	$1,238	$197	$83	$3,895
Accessory Dwelling Unit, 750 sq. ft. or less	Dwelling	$566	$413	$67	$28	$1,074

Multi-Family	Dwelling	$1,299	$945	$150	$63	$2,457
Land Use Type	**Unit**	**Roads**	**Parks**	**Fire**	**Police**	**Total**
Nonresidential	**G.F.A.**					
Retail/Commercial	1,000 sq. ft.	$4,006	$0	$269	$113	**$4,388**
Office	1,000 sq. ft.	$2,402	$0	$126	$53	**$2,581**
Industrial	1,000 sq. ft.	$1,856	$0	$55	$23	**$1,934**
Warehouse	1,000 sq. ft.	$968	$0	$24	$10	**$1,002**
Mini-Warehouse	1,000 sq. ft.	$375	$0	$22	$9	**$406**
Public/Institutional	1,000 sq. ft.	$1,460	$0	$113	$48	**$1,621**

(4) The [~~*impact fee administrator*~~] *land use director* will determine the fee to be collected as a condition of construction *permit* approval based on the applicable fee schedule in Subsection 14-8.14(E)(3) above and the provisions of this Subsection 14-8.14(E)(4), or on the basis of an independent fee calculation study pursuant to Subsection 14-8.14(F).

(a) The determination of the appropriate land use category shall be based on the following.

(i) Single-Family Detached means a *single-family dwelling*, which may consist of a *manufactured home* or *mobile home*.

(ii) Multi-Family means a *multiple-family dwelling*.

(iii) Retail/Commercial means an establishment engaged in the selling or rental of goods, services, lodging or entertainment to the general public. Such uses include, but are not limited to, shopping center or mall, *alcoholic beverage sales activities, antique shop, bed and breakfast*

inn, boarding house, commercial recreational use or structure, drive-in, equipment rental or leasing, filling station, flea market, florist, garden center, gift shop, grocery store, hotel, laundromat, motel, nightclub, personal service establishment, pet service establishment, pharmacy, repair garage, residential suite hotel or *motel,* or *retail establishment.*

(iv) Office means a building not located in a shopping center and exclusively containing establishments providing executive, management, administrative or professional services, and which may include ancillary services for office workers, such as a restaurant, coffee shop, newspaper or candy stand, or child care facilities. Such uses include, but are not limited to, real estate, insurance, property management, investment, employment, travel, advertising, secretarial, data processing, telephone answering, telephone marketing, music, radio and television recording and broadcasting studios; professional or consulting services in the fields of law, architecture, design, engineering, accounting and similar professions; interior decorating consulting services; medical and dental offices and clinics, including veterinarian clinics; and business offices of private companies, utility companies, trade associations, unions and nonprofit organizations. Specific examples include *business services* (excluding

equipment rental and leasing), *arts and crafts studio, clinic, funeral home, veterinary establishment* and *vocational school.*

(v) Industrial/Manufacturing means an establishment primarily engaged in the fabrication, assembly or processing of goods. Typical uses include manufacturing plants, welding shops, wholesale bakeries, commercial laundries, commercial greenhouses, food and drug manufacturing, dry cleaning plants, and bottling works. Specific uses include *light assembly and manufacturing* and *manufacturing.*

(vi) Warehouse means an establishment primarily engaged in the display, storage and sale of goods to other firms for resale, as well as activities involving significant movement and storage of products or equipment. Such uses include, but are not limited to, wholesale distributors, storage warehouses, moving and storage firms, trucking and shipping operations, and major mail processing centers. Specific uses include *commercial stable, junkyard, outdoor storage, salvage yard, warehouse* and *wholesale operations.*

(vii) Mini-Warehouse means *mini-storage units.*

(viii) Public/Institutional means a governmental, quasi-public or institutional use, or a non-profit recreational use, not located in a shopping center. Such uses include, but are not limited to, elementary, secondary or higher educational

establishments, day care centers, hospitals, mental institutions, nursing homes, assisted living facilities, fire stations, city halls, courthouses, post offices, jails, libraries, museums, places of religious worship, military bases, airports, bus stations, fraternal lodges, and parks and recreational buildings. Specific examples include *child day-care facility, club, college or university, community residential corrections program, continuing care community, electric facilities, extended care facility, group residential care facility, hospital, human services establishment, institutional building, museum, personal care facility for the elderly, private club or lodge, public utility, recreational facility, religious assembly, sheltered care facility* and *transportation terminal.*

(c) If the type of new *development* for which a construction *permit* is requested is not specified on the fee schedule, the [~~*impact fee administrator*~~] *land use director* shall determine the fee on the basis of the fee applicable to the most nearly comparable type of land use on the fee schedule. [~~The following shall be used as a guideline for impact fee determination when the specific use is not identified in the fee chart.~~]

[~~(a) Residential~~]

[~~(i) a *home occupation* business shall be charged according to the fee schedule for the appropriate *residential* category; and~~]

[~~(ii) the *hotel/motel* ancillary use fee shall apply to meeting rooms, lobby area and general use areas of the facility. Retail and restaurant square footage shall be charged under the commercial use category.~~]

[~~(b) Retail/Commercial~~]

[~~(i) the general retail fee shall be used for a hair salon, *laundromat*, dry cleaner, garden center/nursery retail display area, gas station without a convenience store and inventory storage for a retail *business*, including growing area for a garden center/nursery;~~]

[~~(ii) the bank fee assessment shall include the square footage of any drive-through kiosk and parking area with or without a roof;~~]

[~~(iii) the restaurant fast food fee shall include square footage for the drive-through kiosk and parking area with or without a roof; and~~]

[~~(iv) the packaged food restaurant fee shall be used for a restaurant or bar that does not have any food preparation facilities.~~]

[~~(c) Office/Institutional~~]

[~~(i) the *office* general fee shall be used for a studio that is not *residential* and not retail;~~]

[~~(ii) the *office* general fee shall be used for a medical office that does not have any medical equipment, such as an *office* for psychiatry;~~]

[~~(iii) the medical *office* fee shall be used for an animal hospital; and~~]

[~~(iv) the nursing home fee shall be used for an assisted living facility.~~]

[~~(d) Industrial~~]

[~~(i) the warehouse fee shall be used for an animal shelter, storage that is not inventory storage or maintenance equipment; and~~]

[~~(ii) the mini-warehouse fee shall be used for a single storage unit or for multiple storage units.~~]

[~~(e) Development Outside of Buildings~~]

([~~e~~]d) The impact fees for development of land outside of *buildings* that increases the demand for capital facilities is determined by application of the fee for the corresponding type of *building* [~~or by preparation of an independent fee calculation study~~]. In particular, the *building* square footage for a retail/commercial use shall include indoor or outdoor sales areas or inventory storage areas, growing area for a garden center/nursery, and any drive-through kiosk and associated queuing lane with or without a roof. If the *land use director* determines that *development* of land outside of *buildings* is intended for seasonal usage that reduces the increased demand for capital facilities, the *land use director* may reduce impact fees charged for the *development* of land outside of *buildings* by up to 75% of the original assessment.

([~~5~~]e) Impact fees shall be assessed and collected based on the primary

use of the *building* as determined by the [~~*impact fee administrator*~~] *land use director*. Uses that are distinct and separate from the primary use, which are not merely ancillary to the primary use and are one thousand (1,000) square feet or greater, will be charged the impact fee category based on the distinct and separate use.

([~~6~~]f) Where a permit is to be issued for a *building* "shell" and the [~~*impact fee administrator*~~] *land use director* is unable to determine the intended use of the *building*, the [~~*impact fee administrator*~~] *land use director* shall assess and collect impact fees according to the zoning district in which the *building* is to be located as follows:

([~~a~~]i) C-2 and all SC zones – "Retail/Commercial" [~~"Shopping Center/General Retail" fee rate~~];

([~~b~~]ii) HZ zone – "Office" [~~"Medical *Building*" fee rate~~]; [~~and~~]

([~~c~~]iii) C-1[~~,~~] and C-4 [~~and all other *nonresidential* zones~~] - "Office"; and [~~"*Office*, General" fee rate.~~]

(iv) I-1 and I-2 – "Industrial/Manufacturing".

([~~7~~]g) If there is an increase in the amount of the impact fee calculation once a tenant improvement *permit* is submitted, the difference from what was paid at the time of the shell *permit* and the tenant improvement fee calculation shall be paid prior to issuance of the construction *permit*. If the fee schedule determination for the square footage of the use identified in the tenant improvement construction *permit* results in a net decrease from what was paid at the time of the shell *permit*, there shall be no refund of impact fees previously paid.

([~~8~~]h) Live/work *developments* containing *dwelling units* in combination with *nonresidential* floor area in a common *building* shall pay impact fees for each *dwelling unit* according to the *residential* fee rate for "Multi-Family" [~~"Other"~~] and for the *gross floor area* intended for *nonresidential* use according to the "*Office*" [~~, General"~~] fee rate. If the initial Live/Work construction *permit* application is for a shell construction *permit*, the [~~*impact fee administrator*~~] *land use director* shall collect impact fees at the "Office" [~~"*Office, General*"~~] fee rate. If *dwelling units* are added as a use within the *building* after the *building* has been charged impact fees at a *nonresidential* fee rate, and there is no increase in *gross floor area*, the [~~*impact fee administrator*~~] *land use director* shall collect only the required park impact fees for the *dwelling units* at the [~~*residential*~~] fee rate for "Multi-Family" ~~"Other"~~ at the time of the *dwelling unit permit application*.

([~~9~~]i) If a construction *permit application* changes or intensifies the use of an existing *building*, increases the *gross floor area* of an existing *building*, or replaces an existing *building* with a new *building* and new use, the fee shall be based on the net increase in the fee for the new use or increase as compared to what the current fee would be for the previous use or floor area. If the proposed change results in a net decrease in the fee there shall be no refund of impact fees previously paid.

(j) "G.F.A." in the fee schedule refers to *gross floor area.*

Section 3. Section 14-8.14 (F) SFCC 1987 (being Ord. No. _____, § __, as amended) is amended to read:

(F) Independent Fee Calculation

(1) The [~~*impact fee administrator*~~] *land use director* may require an independent fee calculation for any proposed *development* interpreted by the [~~*impact fee administrator*~~] *land use director* as not one of those types listed on the fee schedule or as one that is not comparable to any land use on the fee schedule.

(2) The preparation and cost of the independent fee calculation study is the sole responsibility of the *applicant*.

(3) The independent fee calculation study shall be based on the same service standards and facility costs used in the impact fee *capital improvements plan* and shall document the methodologies and assumptions used. The independent fee calculation shall be based on the expected long-term occupancy of the *building* or *development*, based on physical characteristics, and not on the characteristics of the proposed initial owner or occupant of the *building* or *development*.

(4) An independent fee calculation study submitted by an *applicant* to calculate a road impact fee shall address all three factors relevant to the generation of service units, namely, trip generation rates, primary trip factors and average trip lengths.

(5) After review, the [~~*impact fee administrator*~~] *land use director* shall approve or reject the conclusions of the independent fee calculation study.

Section 4. Subsection (C)(2) of Section 4-8.15 (Dedication and Development of Land for Parks, Open Space, Trails and Recreation Facilities) shall be amended to read as follows.

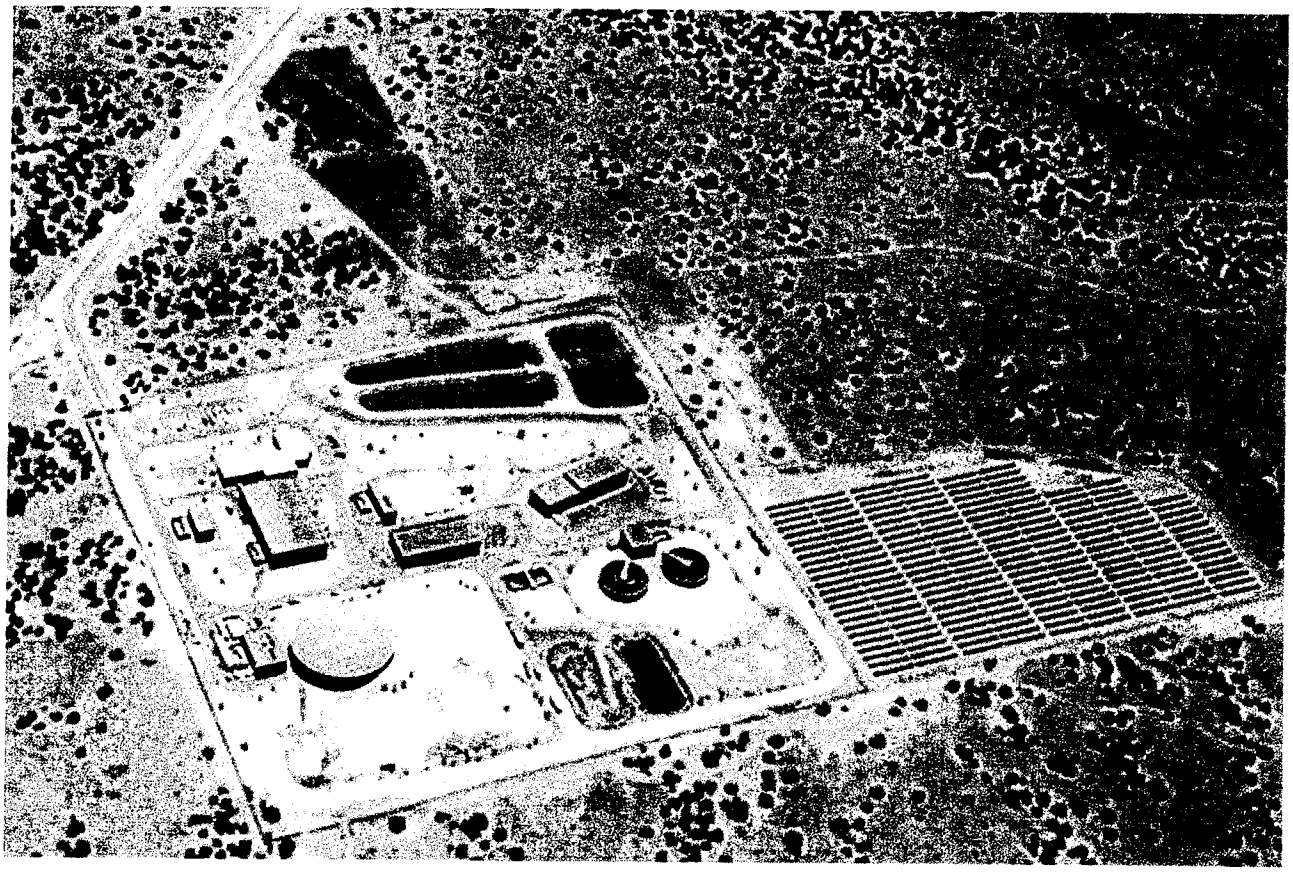
(2) For any other *development* proposing *dwelling units*, the *city* shall require land to be dedicated for either neighborhood parks or regional parks or both, unless the amount of land or type of land is not suitable for public parks, *open space* or *recreation facilities*. Where the *city* determines that no land is to be dedicated for [~~neighborhood~~] parks, then [~~neighborhood~~] park impact fees shall be collected according to Section 14-8.14. [~~Where the *city* determines that no land is to be dedicated for regional parks, then regional park impact fees shall be collected according to Section 14-8.14.~~]

APPROVED AS TO FORM:

_____

KELLEY A. BRENNAN, INTERIM CITY ATTORNEY

RL/Impact Fees Update/two fee schedules



Analysis of Utility Expansion Charges

for Water and Wastewater

City of Santa Fe, New Mexico

June 2014

PUBLIC REVIEW DRAFT

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EXECUTIVE SUMMARY

Duncan Associates has been retained by the City of Santa Fe to update the City's Utility Expansion Charges (UECs) for water and wastewater. UECs are similar to impact fees, but are adopted under authority provided in state law to assess charges for water and wastewater facilities, rather than under the authority of the *Development Fees Act* that regulates impact fees. The current UECs are based on studies that are at least 10 years old. This study provides the analysis to update the fees based on current data and costs.

Background

The City's current UECs are summarized in Table 1. The water UECs have not been updated since January 2000, and are based solely on the size of the water meter. The wastewater UECs were revised in 2003, and the fees are identical to those calculated in the 2003 impact fee study,[1] which included the calculation of potential water and wastewater impact fees. The wastewater UEC charges single-family based on unit size, multi-family units and mobile home park spaces based on a flat fee per unit, and nonresidential based on meter size. The difference in assessment stems from the fact that the water UECs are collected by the Water Division at time of meter sale, while the wastewater UECs are collected by the Land Use Department at the time of building permit issuance. Unlike the road, parks, fire and police impact fees, the UECs have not been suspended or reduced for residential uses. While the wastewater UEC is waived for affordable housing as it is with impact fees, a lower water UEC of $800 per residential unit is assessed on affordable units.

Table 1. Current Utility Expansion Charges

Land Use/Meter Size	Water	Wastewater	Total
Single-Family Unit (heated living area):			
1,500 sq. ft. or less	n/a	$499	n/a
1,501-2,000 sq. ft.	n/a	$735	n/a
2,001-2,500 sq. ft.	n/a	$911	n/a
2,501-3,000 sq. ft.	n/a	$1,052	n/a
3,001-3,500 sq. ft.	n/a	$1,169	n/a
3,501-4,000 sq. ft.	n/a	$1,269	n/a
4,001-4,500 sq. ft.	n/a	$1,357	n/a
4,501 sq. ft. or more	n/a	$1,435	n/a
Multi-Family Unit	n/a	$561	n/a
Mobile Home Pad	n/a	$902	n/a
5/8" Meter	$2,013	$876	$2,889
3/4" Meter	$3,019	$876	$3,895
1" Meter	$5,032	$2,190	$7,222
1½" Meter	$10,065	$4,380	$14,445
2" Meter	$16,104	$7,008	$23,112
3" Meter	$31,402	$14,016	$45,418
4" Meter	$50,325	$21,900	$72,225
6" Meter	$100,650	$43,800	$144,450
8" Meter	$161,040	$70,080	$231,120

Source: Water from City Code, Ch 25: Water, Exhibit B: Water Service Rate Schedules; wastewater from City Code, Ch 22: Sewers, Exhibit A: Sanitary Sewer Rate, Fee and Penalty Schedule.

[1] Duncan Associates, *Impact Fees Capital Improvements Plan for Water, Wastewater, Roads, Parks, Fire and Police*, adopted by the Santa Fe City Council on August 13, 2003.

Potential Fees

The potential utility expansion charges (UECs) are summarized and compared to current fees in Table 2. The potential water UECs are about 82% higher than current fees. The potential wastewater fees are about 8% higher than current fees. The variability in the percentage changes for residential wastewater UECs is due to updated estimates on average household size by size and type of dwelling. The significant increase in wastewater fees for nonresidential ¾" meters is due to the fact that the current fees are the same for the two smallest meter sizes, while the capacities of these meters are significantly different. The slightly larger increase in the water UEC for 3" meters is due to a correction to that meter capacity ratio. Combined water and wastewater UECs would be about 60% higher than current fees if adopted at the maximum levels calculated in this analysis.

Table 2. Potential Utility Expansion Charges

Land Use/Meter Size	Water	Wastewater	Total
Single-Family Unit (heated living area):			
1,500 sq. ft. or less	n/a	$843	n/a
1,501-2,000 sq. ft.	n/a	$881	n/a
2,001-2,500 sq. ft.	n/a	$966	n/a
2,501-3,000 sq. ft.	n/a	$1,013	n/a
3,001 sq. ft. or more	n/a	$1,080	n/a
Guest Unit, 750 sq. ft. or less	n/a	$720	n/a
Multi-Family Unit	n/a	$824	n/a
5/8" Meter	$3,670	$947	$4,617
3/4" Meter	$5,505	$1,421	$6,926
1" Meter	$9,175	$2,368	$11,543
1½" Meter	$18,350	$4,735	$23,085
2" Meter	$29,360	$7,576	$36,936
3" Meter	$58,720	$15,152	$73,872
4" Meter	$91,750	$23,675	$115,425
6" Meter	$183,500	$47,350	$230,850
8" Meter	$293,600	$75,760	$369,360
Percent Change from Current Fees			
Single-Family Unit (heated living area):			
1,500 sq. ft. or less	n/a	69%	n/a
1,501-2,000 sq. ft.	n/a	20%	n/a
2,001-2,500 sq. ft.	n/a	6%	n/a
2,501-3,000 sq. ft.	n/a	-4%	n/a
3,001 sq. ft. or more	n/a	-8%	n/a
Guest Unit, 750 sq. ft. or less	n/a	n/a	n/a
Multi-Family Unit	n/a	47%	n/a
5/8" Meter	82%	8%	60%
3/4" Meter	82%	62%	78%
1" Meter	82%	8%	60%
1½" Meter	82%	8%	60%
2" Meter	82%	8%	60%
3" Meter	87%	8%	63%
4" Meter	82%	8%	60%
6" Meter	82%	8%	60%
8" Meter	82%	8%	60%

Source: Potential fees from Table 18 (water) and Table 29 (wastewater); percentage changes are from current fees in Table 1.

LEGAL FRAMEWORK

There are no specific statutory requirements for utility expansion charges (UECs) comparable to those for impact fees. The City Code specifies the amounts of the UECs, but does not contain rules governing the accounting for and expenditure of the funds. Like impact fees, the UECs are intended to fund growth-related capacity expansion improvements. While the UECs are not subject to all of the detailed requirements of the New Mexico *Development Fees Act* (Sec. 5-8-1, et. seq., New Mexico Revised Statutes), they should be calculated and administered according to the general legal framework that governs impact fees.

Impact fees are a way for local governments to require new developments to pay a proportionate share of the infrastructure costs they impose on the community. In contrast to traditional "negotiated" developer exactions, impact fees are charges that are assessed on new development using a standard formula based on objective characteristics, such as the number and type of dwelling units constructed. The fees are one-time, up-front charges, with the payment usually made at the time of building permit issuance. Impact fees require each new development project to pay its pro-rata share of the cost of new capital facilities required to serve that development.

Impact fees were pioneered by local governments in the absence of explicit state enabling legislation. Consequently, such fees were originally defended as an exercise of local government's broad "police power" to protect the health, safety and welfare of the community. The courts gradually developed guidelines for constitutionally-valid impact fees, based on a "rational nexus" that must exist between the regulatory fee or exaction and the activity that is being regulated. To date, 28 states have adopted impact fee enabling legislation. These acts have tended to embody the constitutional standards that have been developed by the courts.

The courts have developed guidelines for constitutionally-valid impact fees, based on "rational nexus" standards. The standards essentially require that the fees must be proportional to the need for additional infrastructure created by the new development, and must be spent in such a way as to provide that same type of infrastructure to benefit new development. A Florida district court of appeals described the dual rational nexus test in the 1983 Hollywood, Inc. case as follows, and this language was quoted and followed by the Florida Supreme Court in its 1991 St. Johns County decision:

> *In order to satisfy these requirements, the local government must demonstrate a reasonable connection, or rational nexus, between the need for additional capital facilities and the growth in population generated by the subdivision. In addition, the government must show a reasonable connection, or rational nexus, between the expenditures of the funds collected and the benefits accruing to the subdivision. In order to satisfy this latter requirement, the ordinance must specifically earmark the funds collected for use in acquiring capital facilities to benefit the new residents.*[2]

To comply with rational nexus requirements, impact fees are placed in separate accounts and spent only for capacity-expanding improvements that will benefit new development. This is necessary to ensure the nexus between fee payment and benefit. The wastewater UECs, which are collected along with road, park, fire and police impact fees, are tracked in this way. However, the water UEC

[2] *Hollywood, Inc. v. Broward County*, 431 So. 2d 606, 611 12 (Fla. 4th DCA), review denied, 440 So. 2d 352 (Fla. 1983), quoted and followed in *St. Johns County v. Northeast Florida Builders Ass'n*, 583 So. 2d 635, 637 (Fla. 1991).

revenue is simply placed in the overall water fund. It is recommended that the water UEC revenue be segregated from the water fund and spent only for capacity-expanding improvements, which could include payment of debt on existing water facilities with excess capacity.

One of the most fundamental principles of impact fees, rooted in both case law and norms of equity, is that impact fees should not charge new development for a higher level of service than is provided to existing development. While impact fees can be based on a higher level of service than the one existing at the time of the adoption or update of the fees, two things are required if this is done. First, another source of funding other than impact fees must be identified and committed to fund the capacity deficiency created by the higher level of service. Second, the impact fees must generally be reduced to ensure that new development does not pay twice for the same level of service, once through impact fees and again through general taxes that are used to remedy the capacity deficiency for existing development. In order to avoid these complications, the general practice is to base the impact fees on the existing level of service.

A corollary principle is that new development should not have to pay more than its proportionate share when multiple sources of payment are considered. As noted above, if impact fees are based on a higher-than-existing level of service, the fees should be reduced by a credit that accounts for the contribution of new development toward remedying the existing deficiencies. A similar situation arises when the existing level of service has not been fully paid for. Outstanding debt on existing facilities that are counted in the existing level of service will be retired, in part, by revenues generated from new development. Given that new development will pay impact fees to provide the existing level of service for itself, the fact that new development may also be paying for the facilities that provide that level of service for existing development could amount to paying for more than its proportionate share. Consequently, impact fees should be reduced to account for future payments that will retire outstanding debt on existing facilities.

The issue is less clear-cut when it comes to other types of revenue that may be used to make capacity-expanding capital improvements of the same type being funded by impact fees. Arguably, no credit is warranted in most cases, since, while new development may contribute toward such funding, so does existing development, and both existing and new development benefit from the higher level of service that the additional funding makes possible.

Credit has also sometimes been provided for outside grants for capacity improvements that can reasonably be anticipated in the future. In addition to the argument presented above (i.e., grants raise the level of service and benefit new development as well as existing development), two additional arguments can be made against applying credit for grants. First, new developments in a community do not directly pay for State and Federal grants in the same way they pay local gasoline and property taxes. Second, future grant funding is far more uncertain than dedicated revenue streams. On the other hand, local governments have less discretion about whether to spend grant funding on capacity-expanding capital improvements.

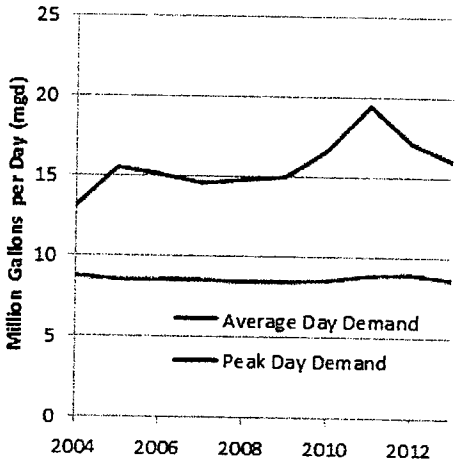
WATER

Currently, the City has a water Utility Expansion Charge (UEC). It is a connection charge assessed upon new customers to recover growth-related capital costs. In January 2000, the City increased the water UEC from $181 to $2,013 per typical residential connection. The fee increases with the size and capacity of the water meter. New residential development meeting the City's affordable housing criteria is charged $800 per unit. The water UEC does not include the cost of the meter, which is charged separately, nor does it include the cost of water rights, which are addressed through required transfer of water rights to the City or the payment of a separate "offset fee."[3] The updated UEC is based on the cost of major water system components, excluding water rights, which are charged for separately, and water distribution lines (12" in diameter or less), which are typically installed by developers.

Water System Overview

Water service for nearly all Santa Fe residents is provided by the City of Santa Fe through the Sangre de Cristo Water Company. The City purchased the Sangre de Cristo Water Company in 1995 from the Public Service Company of New Mexico (PNM Water Services). Raw water in Santa Fe is obtained from multiple sources, forming a supply and delivery system that has evolved over time as the City's service base has grown and constraints on local resources have become more evident. The City of Santa Fe has undertaken significant planning efforts to ensure the long-term viability of the water supply system. In 2009, the City prepared a *Water Transmission and Storage System Master Plan.*

Santa Fe's water system must be capable of meeting both average and peak day demand. Peak flows are important to evaluate existing infrastructure capacity adequacy and to determine how to size infrastructure and estimate capital costs. Average and peak day water demands for the last ten years are graphically represented to the right, and the data are presented in Table 3 on the following page. While average daily flows have been essentially flat over the period, a testament to the City's water conservation efforts, peak day demand has been increasing.



[3] According to administrative regulations adopted pursuant to Sec. 14-8-13, Development Water Budget, of the Land Development Code, projects with smaller water demand (less than 5 acre-feet per year (AFY) for residential, 7.5 AFY for mixed use and 10 AFY for commercial) may dedicate privately-owned conservation credits, pay an offset fee for dedication of City-owned conservation credits or dedicate water rights; larger projects may only dedicate water rights to offset their water requirement. According to City utilities staff, offset fees are currently based on a cost of $16,600 per AFY, and for a typical market-rate single-family detached unit would be about $2,460.

Table 3. Water Demand, 2004-2013

Year	Avg. Day (mgd)	Peak Day (mgd)	Peaking Factor
2004	8.760	13.152	1.50
2005	8.530	15.553	1.82
2006	8.560	15.129	1.77
2007	8.530	14.646	1.72
2008	8.450	14.779	1.75
2009	8.460	15.034	1.78
2010	8.600	16.652	1.94
2011	8.870	19.480	2.20
2012	8.980	17.115	1.91
2013	8.660	16.104	1.86
Average Peaking Factor			1.82

Source: City of Santa Fe Water Division, May 22, 2014.

Service Area

A service area is an area subject to a uniform fee schedule. Despite the division of the system into multiple pressure zones, the entire water system functions as an integrated system. It is recommended that the City's entire water service area should be treated as a single service area. Santa Fe County owns and operates a small water system, and purchases its water from the City. Since both City and County water customers generally utilize the same water supply, water treatment and water conveyance facilities, the UECs will be based on the costs for the overall system.

A single service area can be justified from several perspectives. First, from the perspective of an individual customer, the lay-out of the utility system and the customer's geographic relationship to components of the system, including location of treatment plants and size and placement of lines, are discretionary decisions made by the utility. Moreover, water systems are designed with features to ensure system-wide reliability. This is illustrated by the fact that special mains are often installed to allow treatment facilities to serve several areas. Also, many systems are "looped" to provide redundant distribution facilities. These system reliability aspects make it difficult or impossible to assign certain costs by geographic area. Additionally, there are facilities that serve various geographic areas and therefore present geographically unallocable costs. Finally, the utility's entire rate revenue is pledged as security for the repayment of revenue bonds, making it impossible to allocate debt payment costs to subgroups of customers. In summary, because: (1) many siting and design decisions are discretionary rather than locational, (2) systems are often designed with redundant facilities for system reliability, (3) some facilities have no geographic-specific service area and (4) revenue bonds are backed by system-wide revenues, it can be argued that the utility operates as a complete, integrated system.

Service Unit

To calculate water UECs, the water demand associated with different types of customers must be expressed in a common unit of measurement, called a "service unit." The service unit proposed to be used for water and wastewater UECs for Santa Fe is the "Single-Family Equivalent" meter, or "SFE." An SFE is the water demand associated with a typical single-family residence.

Water and wastewater UECs for new residential customers can be assessed in several ways, including by size of the water meter or by characteristics of the dwelling. For nonresidential uses, water and wastewater UECs are almost universally charged based on the size of the water meter, irrespective of land use. Table 4 is the recommended equivalency table, showing the capacity of water meters of various sizes and the equivalency factors.

Table 4. Meter Capacity Ratios

Meter Size	Capacity (gpm)	SFEs/ Meter
5/8" Meter	10	1.0
3/4" Meter	15	1.5
1" Meter	25	2.5
1½" Meter	50	5.0
2" Meter	80	8.0
3" Meter	160	16.0
4" Meter	250	25.0
6" Meter	500	50.0
8" Meter	800	80.0
10" Meter	1,450	145.0

Source: Midrange of normal operating flow rates in gallons per minute for simple (less than 3"), compound (3-8") and turbine (10") meters from American Water Works Association, AWWA Standards C700-95, C702-01, C701-88.

The City of Santa Fe directly serves most customers in the service area. The two exceptions are customers within the Las Campanas subdivision and those served through the County water system. As of 2014, the County serves those areas outside the city limits. Both Las Campanas and the County are provided water from the City through water meters based on existing water wheeling agreements each has with the City. The total water demands for the City and County may be thought of as for one entity. The City currently has 26,889 active water connections, including wholesale customers, with meters ranging in size up to ten inches in diameter. Based on the meter equivalency factors, the City currently has 39,939 single-family equivalent water customers, as shown in Table 5.

Table 5. Existing Water Service Units

Meter Size	No. of Customers	SFEs/ Meter	SFEs
5/8" Meter	24,793	1.0	24,793
3/4" Meter	83	1.5	125
1" Meter	989	2.5	2,473
1½" Meter	421	5.0	2,105
2" Meter	369	8.0	2,952
3" Meter	86	16.0	1,376
4" Meter	72	25.0	1,800
6" Meter	61	50.0	3,050
8" Meter	14	80.0	1,120
10" Meter	1	145.0	145
Total	26,889		39,939

Source: Number of active water connections as of March/April 2014 from City of Santa Fe, April 25, 2014; SFEs per meter from Table 4.

In order to calculate the cost to provide adequate water facilities to future residents, it is necessary to determine the peak day demand of a typical single-family unit. Multiplying current average day demand by the peaking factor yields a good estimate of how many gallons per day are going to be needed to serve a single-family equivalent during times of peak usage. These calculations are summarized in Table 6.

Table 6. Water Demand per Service Unit

Average Day Demand (gal.), 2013	8,660,000
x Peaking Factor	1.82
Existing Peak Day Demand (gpd)	15,761,200
÷ Existing Single-Family Equivalent s (SFEs)	39,939
Peak Day Demand per SFE (gpd)	395

Source: 2013 average day demand and peaking factor from Table 3; existing SFEs from Table 5.

Cost per Service Unit

The City's existing water supply is a combination of surface water from the Santa Fe River, collected and stored in reservoirs and treated in the Canyon Road Water Treatment Plant (CRWTP), ground water from the City Well Field near the Santa Fe River, and the Buckman Well Field and Buckman Direct Diversion Project near the Rio Grande.

Water Production/Treatment

With the CRWTP and the Buckman Direct Diversion plant operating at full capacity and with all of the pumps at the City and Buckman well fields in service, Santa Fe's water system is capable of producing 37.2 million gallons per day (mgd), as shown in Table 7.

Table 7. Water Production/Treatment Capacity

Facility	Capacity (mgd)
Canyon Road WTP	8.0
City Well Field	5.3
Buckman Well Field	8.9
Buckman Direct Diversion WTP	15.0
Total Capacity	37.2

Source: Brown and Caldwell, *Water Transmission and Storage System Master Plan*, March 2009, Table ES-1 (corrected capacity of Buckman well field from city of Santa Fe Water Division, May 28, 2014).

The marginal cost to add production/treatment capacity is represented by the cost of the recently-completed Buckman Direct Diversion Project. Based on this cost, the cost per gallon per day (gpd) of water production/treatment capacity is $9.53 per gpd, as shown in Table 8.

Table 8. Water Production/Treatment Cost

Total City Cost of Buckman Direct Diversion Project	$107,230,876
÷ City's Share of Capacity of Diversion Project (gpd)	11,250,000
Water Production Cost per gpd	$9.53

Source: City cost share and City capacity share from City of Santa Fe, May 28, 2014.

Water Storage Tanks

In addition to storage tanks associated with the major water supply and production facilities (i.e., the Canyon Road Treatment Plant, City Well Field, Buckman Well Field and Buckman pipeline), the City of Santa Fe water system includes numerous storage tanks scattered throughout the service area to ensure the delivery of adequate water supply and pressure. As shown in Table 9, the existing storage volume associated with the distribution system is approximately 22.6 million gallons (mg).

Table 9. Water Distribution Storage

Storage Tank	Capacity (mg)
Summit	0.5
Dempsey	1.0
East High Level (S.E. Quad)	0.6
St. John's	6.0
Hydro	5.0
Hospital	4.0
Southwest	5.5
Distribution System Storage (mg)	22.6

Source: Brown and Caldwell, *Water Transmission and Storage System Master Plan*, March 2009, Table 2-8.

Additional storage will need to be added to the system as the customer base grows. The existing ratio of storage capacity to customers (expressed in peak day gallons) is a reasonable way of approximating the cost of growth-related storage needs. As shown in Table 10, the cost of distribution storage is $4.30 per peak day gallon per day.

Table 10. Water Storage Cost

Existing Distribution Storage (gal.)	22,600,000
x Cost per Gallon	$3.00
Distribution Storage Replacement Cost	$67,800,000
÷ Existing Peak Day Demand (gpd)	15,761,200
Distribution Storage Cost per gpd	$4.30

Source: Existing storage capacity from Table 9; cost per gallon from City of Santa Fe Water Division, May 22, 2014; existing peak day demand from Table 6.

Water Transmission Lines

The replacement cost of the City's existing water transmission lines is about $37 million, as summarized in Table 11. Dividing the cost by existing peak day water demand yields a cost of $2.37 per gallon per day (gpd).

Table 11. Water Transmission Line Cost

Line Size	Linear Feet	Cost/ Foot	Replacement Cost
14"	46,400	$120	$5,568,000
16"	110,800	$125	$13,850,000
18"	2,500	$130	$325,000
20"	106,400	$140	$14,896,000
24"	13,900	$150	$2,085,000
30"	900	$175	$157,500
36"	2,100	$200	$420,000
Total Transmission Line Cost			$37,301,500
÷ Existing Peak Day Demand (gpd)			15,761,200
Transmission Line Cost per gpd			$2.37

Source: Linear feet and costs per foot from City of Santa Fe Water Division, May 14 and May 22, 2014; existing peak day demand from Table 6.

Booster Pumps

The water transmission system also requires booster pumps to maintain proper pressure. The existing booster pump stations have a combined capacity of about 72 million gallons per day (mgd), as summarized in Table 12 on the following page.

Table 12. Booster Pump Stations

Booster Station	Pump #	Capacity gpm	Capacity mgd
BWF BS-1	1	2,075	2.99
	2	2,075	2.99
	3	2,550	3.67
BWF BS-2	1	2,075	2.99
	2	2,075	2.99
	3	2,550	3.67
BWF BS-3	1	2,075	2.99
	2	2,075	2.99
	3	2,550	3.67
BWF BS-4	1	2,075	2.99
	2	2,075	2.99
	3	2,550	3.67
Buckman Transfer	1	8,000	11.52
NW Quad	1A-1D	0 - 400	n/a
	2	870	1.25
	3	870	1.25
	4	1,750	2.52
	5	3,500	5.04
St. Johns	1	1,400	2.02
	2	1,400	2.02
	3	2,100	3.02
East High Level	1	242	0.35
	2	242	0.35
Dempsey	1	850	1.22
	2	850	1.22
	3	850	1.22
Summit	1	200	0.29
	2	200	0.29
Total			72.18

Source: Brown and Caldwell, *Water Transmission and Storage System Master Plan*, March 2009, Table ES-6.

At the current estimated cost to add booster station capacity, the replacement cost of the existing capacity is about $25.3 million. Dividing by existing peak day demand yields a cost of $1.60 per gallon per day (gpd), as shown in Table 13.

Table 13. Booster Station Cost

Total Booster Station Capacity (gpd)	72,180,000
x Cost per gpd	$0.35
Total Booster Station Replacement Cost	$25,263,000
÷ Existing Peak Day Demand (gpd)	15,761,200
Distribution Storage Cost per gpd	$1.60

Source: Booster station capacity from Table 12; cost per gpd from City of Santa Fe Water Division, May 22, 2014; existing peak day demand from Table 6.

Cost per Service Unit Summary

The cost per gallon per day (gpd) of peak day water demand is multiplied by the peak day water demand per service unit (single-family equivalent or SFE) to determine the cost per service unit. As summarized in Table 14, the cost per service unit is $7,031 per SFE.

Table 14. Water Cost per Service Unit

Water System Component	Cost/ gpd	gpd/ SFE	Cost/ SFE
Water Production/Treatment	$9.53	395	$3,764
Distribution Storage Tanks	$4.30	395	$1,699
Transmission Lines	$2.37	395	$936
Booster Pump Stations	$1.60	395	$632
Total	$17.80		$7,031

Source: Costs per gpd of peak day demand from Table 8, Table 10, Table 11, and Table 13; peak day gpd per SFE from Table 6.

Net Cost per Service Unit

The capital cost to serve new development should be reduced to account for outside revenue sources and for payments that new development will make toward outstanding debt on existing facilities or for future improvements needed to remedy existing deficiencies. The City's water system has adequate capacity to meet current demand, so there are no existing deficiencies.

The City does have a significant amount of outstanding debt on its existing water facilities. The rationale for providing a credit for outstanding debt is to ensure that new customers do not pay twice for the same type of facilities (i.e., once for growth-related facilities through the impact fee and again through rates that go to pay for facilities serving existing development). The City has over $190 million in outstanding debt, of which $81 million is estimated to be attributable to facilities that are serving existing customers. The most straight-forward way to calculate a debt credit is to divide the outstanding debt attributable to existing customers by existing service units. This puts new customers on an equal footing with existing customers in terms of the share of their capital costs that are funded with debt paid by all system users. As shown in Table 15, the debt credit per service unit is $2,022 per single-family equivalent.

Table 15. Water Debt Credit per Service Unit

Outstanding Water Bonds/Loans	$190,500,587
x Ratio of Existing Demand to Capacity	0.424
Outstanding Debt for Existing Capacity	$80,772,249
÷ Existing Water Service Units (SFEs)	39,939
Debt Credit per SFE	$2,022

Source: Amount of outstanding water debt as of June 30, 2013 from City of Santa Fe, April 22, 2014; ratio of demand to capacity is peak day demand from Table 6 divided by capacity from Table 7; existing service units from Table 5.

The City has received a significant amount of grant funding over the last six years. Although future grant funding is difficult to predict, it is reasonable to assume that the level of funding received over the next six years will continue to the extent that growth rates are constant. Based on this assumption, the City should receive the current present value equivalent of $1,339 in grant funding

for each new single-family home or water service unit equivalent over the next 25 years, as shown in Table 16.

Table 16. Water Grant Funding Credit

Grant Funding for Capacity, FY 2008-2013	$21,311,973
÷ Years in Funding Period	6
Annual Grant Capacity Funding	$3,551,996
÷ Existing Water Service Units (SFEs)	39,939
Annual Grant Capacity Funding per SFE	$88.94
x Net Present Value Factor (25 years)	15.06
Grant Funding Credit per SFE	$1,339

Source: Grant funding from City of Santa Fe Finance Department, February 20, 2014; existing SFEs from Table 5; discount rate for present value factor is the average interest rate on state and local bonds for April 2013 (4.35%) from the Federal Reserve at http://www.federalreserve.gov/releases/h15/data/Monthly.

After deducting the credits for outstanding debt and grants, the water net cost per service unit is $3,670 per single-family equivalent, as shown in Table 17.

Table 17. Water Net Cost per Service Unit

Cost per Service Unit (SFE)	$7,031
– Debt Credit per Service Unit	-$2,022
– Grant Funding Credit per Service Unit	-$1,339
Net Cost per Service Unit	$3,670

Source: Cost per SFE from Table 14; debt credit from Table 15; grant credit from Table 16.

Potential Fees

The maximum water UECs that may be charged by the City of Santa Fe, based on the methodology, data and assumptions used in this report, are shown in Table 18.

Table 18. Water Net Cost Schedule

Meter Size	SFEs/ Meter	Net Cost per SFE	Net Cost per Meter
5/8" Meter	1.00	$3,670	$3,670
3/4" Meter	1.50	$3,670	$5,505
1" Meter	2.50	$3,670	$9,175
1½" Meter	5.00	$3,670	$18,350
2" Meter	8.00	$3,670	$29,360
3" Meter	16.00	$3,670	$58,720
4" Meter	25.00	$3,670	$91,750
6" Meter	50.00	$3,670	$183,500
8" Meter	80.00	$3,670	$293,600
10" Meter	145.00	$3,670	$532,150

Source: SFEs per meter from Table 4; net cost per SFE from Table 17.

The maximum water UECs calculated in this study are about 82% higher than the current fees, as shown in Table 19. The percent change is somewhat higher for 3" meters, due to the fact that this update corrects the meter capacity ratio for 3" meters.

Table 19. Comparative Water Fees

Meter Size	Current Fee	Potential Fee	Percent Change
5/8" Meter	$2,013	$3,670	82%
3/4" Meter	$3,019	$5,505	82%
1" Meter	$5,032	$9,175	82%
1½" Meter	$10,065	$18,350	82%
2" Meter	$16,104	$29,360	82%
3" Meter	$31,402	$58,720	87%
4" Meter	$50,325	$91,750	82%
6" Meter	$100,650	$183,500	82%
8" Meter	$161,040	$293,600	82%
10" Meter	$291,885	$532,150	82%

Source: Current fees from Table 1; updated fees from Table 18.

WASTEWATER

The City currently imposes a wastewater Utility Expansion Charge (UEC) of $876 for a nonresidential customer using the smallest water meter, and roughly that amount for a typical single-family home (although single-family fees vary by the size of the dwelling unit). The City's current wastewater impact fee, which was updated in 2003, addresses only the cost of the treatment plant. The updated wastewater UECs calculated in this study are based on the cost of all major system facilities, which exclude sewer collection lines typically installed by developers.

Wastewater System Overview

The City has owned and operated the wastewater system since the inception of wastewater collection and treatment within the corporate limits. The City's wastewater treatment facility, the Santa Fe Paseo Real Wastewater Treatment Plant (WWTP), was originally built in 1963 on a site just north of the Municipal Airport. The plant was originally designed as a 6.5 million gallon per day (mgd) extended aeration-activated sludge treatment plant. The plant has undergone several modifications to increase the maximum monthly flow to 13.5 mgd. The WWTP is composed of several unit processes, and the facility includes headworks, grit chambers, primary clarifiers, rapid mix tanks, aeration basins, secondary clarifiers, sand filters, ultra violet disinfection, effluent water reuse, dissolved air flotation, anaerobic sludge digesters, lime stabilization, sludge storage tanks, and a sludge composting facility, all of which work together to produce an effluent that meets or exceeds federal and state discharge requirements. The wastewater collection system consists of approximately 67 miles of interceptor lines (10" and larger).

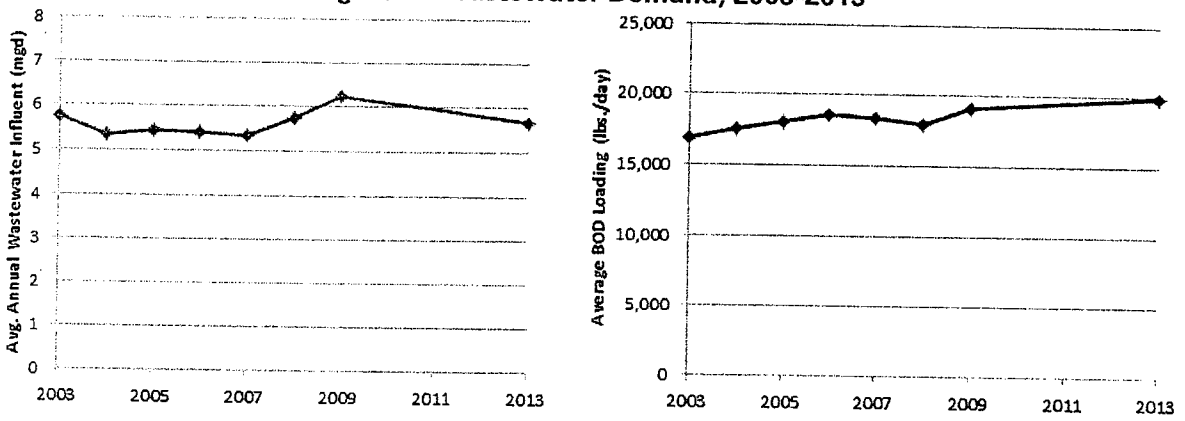
Wastewater flows to the WWTP are recorded regularly. As shown in Table 20 (and illustrated in Figure 1 on the following page), the volume of wastewater flow has remained essentially constant in Santa Fe over the last ten years, evidence of the success of local water conservation efforts. However, while flows have remained relatively constant, biochemical oxygen demand (BOD) has increased significantly. Therefore, when evaluating current and future demand, it is more appropriate to look at the increasing levels of BOD in the influent rather than the actual volume of the flow.

Table 20. Wastewater Demand, 2003-2013

Year	Volume (mgd)	Strength (mg/liter)	BOD (lbs/day)
2003	5.76	353	16,947
2004	5.34	394	17,559
2005	5.44	398	18,046
2006	5.40	412	18,550
2007	5.34	413	18,398
2008	5.74	376	17,992
2009	6.25	367	19,134
2013	5.68	420	19,909

Source: City of Santa Fe Wastewater Management Division, May 8, 2014 (data for 2010-2012 unreliable due to obstruction in intake structure).

Figure 1. Wastewater Demand, 2003-2013



The capacity of the wastewater treatment plant is determined by the average daily BOD loading during the peak month. Based on BOD loadings by month for 2013, the peaking factor for Santa Fe's wastewater system is about 1.14, as shown in Table 21.

Table 21. Wastewater Peaking Factor

Month	BOD (lbs/day)
January	18,776
February	19,863
March	22,756
April	19,934
May	21,078
June	19,312
July	19,753
August	18,622
September	18,294
October	16,916
November	21,679
December	19,804
Peak Month Loading (March 2013)	22,756
÷ Average Daily Loading, 2013	19,909
Peaking Factor	1.14

Source: Average monthly BOD loadings for 2013 from City of Santa Fe Wastewater Management Division, May 19, 2014; average daily loading for 2013 from Table 20.

Service Area

A service area is an area subject to a uniform fee schedule. The wastewater service area generally includes lands whose sewage can drain by gravity to the treatment plant. This includes all lands within the corporate limits, plus some outside of it. It is recommended that the City's entire wastewater service area should be treated as a single service area for UEC purposes. The City's current wastewater service area covers most of the incorporated area and is generally confined to the Urban Area. Santa Fe County already requires development outside the City limits but within the City's wastewater service area to connect to City sewer service if it is available. Because the City controls access to its wastewater system, it does not need to have a joint powers agreement with the

County to collect the wastewater fee from new City wastewater customers in the Extraterritorial Zone.

A single wastewater service area can be justified from several perspectives. First, from the perspective of an individual customer, the lay-out of the utility system and the customer's geographic relationship to components of the system, including location of treatment plants, size and placement of lines, and so forth, are discretionary decisions made by the utility. Additionally, there are facilities, such as the treatment plant, that serve multiple geographic areas and therefore present geographically unallocable costs. Finally, the utility's entire rate revenue is pledged as security for the repayment of revenue bonds, making it impossible to allocate debt payment costs to subgroups of customers. In summary, because (1) many siting and design decisions are discretionary rather than locational; (2) some facilities have no geographic-specific service area; and (3) revenue bonds are backed by system-wide revenues, it is clear that the wastewater utility operates as a complete, integrated system.

Service Unit

To calculate wastewater UECs, the wastewater demand associated with different types of customers must be expressed in a common unit of measurement, called a "service unit." The service unit proposed to be used for water and wastewater impact fees for Santa Fe is the "Single-Family Equivalent" customer, or "SFE." A wastewater SFE is the wastewater demand associated with a typical single-family residence.

Wastewater UECs for new single-family customers will continue to be charged on a per unit basis, with the fee based on the anticipated wastewater demand compared to a typical single-family dwelling. Residential wastewater demand is directly related to the number of people residing in the household. Consequently, the service units per residential dwelling will be based on average household size relative to the average household size of the typical single-family detached home in Santa Fe.

The analysis of average household size by housing type is presented in the separate impact fee study.[4] That analysis indicates that for single-family detached units, the number of residents increases with the size of the dwelling. It also indicates that multi-family units have fewer residents per unit than single-family units. Since the park service units calculated in that study are also based on average household size, the park EDUs per unit calculated in the impact fee study will be used as the residential wastewater SFEs per unit.

For nonresidential uses, water and wastewater expansion fees are almost universally charged based on the size of the water meter, irrespective of land use. The recommended equivalency table, showing the capacity of water meters of various sizes and the equivalency factors, is presented in Table 4 in the Water section of this report.

In the Water section, the total number of water service units was estimated by multiplying the number of customers with each size of water meter by the water SFEs associated with that meter. This procedure cannot be replicated for wastewater, because the City does not have data on wastewater customers by water meter size. The data that are available are the total number of

[4] City of Santa Fe, New Mexico, *Impact Fee Capital Improvements Plan 2020, for Roads, Parks, Fire/EMS and Police*, May 21, 2014 Revised CIAC Draft.

wastewater customers. The number of existing wastewater service units can be estimated by taking the ratio of total wastewater to water customers and multiplying that ratio by the number of water SFEs associated with water customers. This analysis is summarized in Table 22.

Table 22. Existing Wastewater Service Units

Total Wastewater Customers	32,494
÷ Total Water Customers	26,889
Ratio of Wastewater/Water Customers	1.208
x Total Water Service Units (SFEs)	39,939
Estimated Wastewater Service Units (SFEs)	48,246

Source: Wastewater customers from City of Santa Fe, April 25, 2014; water customers and total water SFEs from Table 5.

A wastewater service unit generates about one-half pound per day of biochemical oxygen demand (BOD) during the peak month, as shown in Table 23.

Table 23. Wastewater Demand per Service Unit

Average BOD Daily Loading, 2013 (lbs./day)	19,909
÷ Wastewater Service Units (SFEs)	48,246
Average Daily BOD per SFE (lbs./day)	0.413
x Peaking Factor	1.14
Peak Month BOD per SFE (lbs./day)	0.471

Source: Average day BOD and peaking factor from Table 21; existing service units from Table 22.

Cost per Service Unit

The City is planning several major capacity-expanding improvements to the wastewater treatment plant totaling about $5.7 million, including dewatering equipment (belt press), an aeration basin for the dewatering facility, and a new digester. While these improvements will add capacity to various components of the facility, it is not possible to identify the overall capacity that is being added. Generally, a long-term master plan is required to determine the marginal cost to add capacity to a facility as complex as a wastewater treatment plant. While the City is in the process of developing a new master plan, it will not be completed for another year. Consequently, a different approach is required to determine the cost per service unit.

One of the most common methodologies used in water and wastewater expansion fee analysis is the "system buy-in" approach. This methodology uses fixed asset listings, including original costs and year of acquisition, and a construction inflation factor to determine the estimated current replacement cost of system assets. The total cost is divided by total system capacity to determine the cost per service unit. This is the methodology that will be used in this update of the wastewater UECs. The total replacement cost of current system assets, excluding sewer lines smaller than 10 inches in diameter, which are typically installed by developers, along with associated manholes and the third of administrative building and equipment value estimated to be related to collection lines, is $105.6 million, as summarized in Table 24.

Table 24. Existing Wastewater Replacement Cost

Facility Component	Total Facilities	Major Facilities
Wastewater Treatment Plant	$63,145,944	$63,145,944
Interceptor Lines (10" or more)	$14,892,231	$14,892,231
Collection Lines (8" or less)	$42,738,467	$0
Manholes	$25,748,125	$8,971,941
Administrative Buildings and Equipment	$37,232,488	$18,616,244
Total Replacement Value	$183,757,255	$105,626,360

Source: Based on original costs and acquisition dates from City of Santa Fe fixed asset listings for wastewater, May 8, 2014, adjusted by the *Engineering News-Record* Construction Cost Index, 1913 = 100, for May 2014 (9,796); major facilities exclude collection lines, collection line share of manholes based on interceptor and collector line replacement costs, and one-third of administrative buildings and equipment value.

The wastewater cost per service unit is derived by first dividing total major facility replacement value by existing capacity to determine the cost per demand unit, then multiplying by the demand per service unit. The result is a cost of $1,238 per SFE, as shown in Table 25.

Table 25. Wastewater Cost per Service Unit

Total Major Facility Replacement Value	$105,626,360
÷ Existing BOD Capacity (lbs./day)	40,195
Cost per Pound per Day of BOD	$2,628
x Peak Month BOD per SFE (lbs./day)	0.471
Cost per SFE	$1,238

Source: Total replacement value from Table 24; existing capacity from City of Santa Fe Wastewater Division, May 8, 2014; demand per SFE from Table 23.

Net Cost per Service Unit

The capital cost to serve new development should be reduced to account for outside revenue sources and for payments that new development will make toward outstanding debt on existing facilities or for future improvements needed to remedy existing deficiencies. The City's wastewater system has adequate capacity to meet current demand, so there are no existing deficiencies.

The City does have a significant amount of outstanding debt on its existing wastewater facilities. The rationale for providing a credit for outstanding debt is to ensure that new customers do not pay twice for the same type of facilities (i.e., once for growth-related facilities through the UEC and again through rates that go to pay for facilities serving existing development). The City has over $23 million in outstanding debt, of which $13 million is estimated to be attributable to facilities that are serving existing customers. The most straight-forward way to calculate a debt credit is to divide the outstanding debt attributable to existing customers by existing service units. This puts new customers on an equal footing with existing customers in terms of the share of their capital costs that are funded with debt paid by all system users. As shown in Table 26, the debt credit per service unit is $272 per single-family equivalent.

Table 26. Wastewater Debt Credit per Service Unit

Outstanding Wastewater Bonds	$23,182,950
x Ratio of Existing Demand to Capacity	0.566
Outstanding Debt for Existing Capacity	$13,121,550
÷ Existing Wastewater Service Units (SFEs)	48,246
Debt Credit per SFE	$272

Source: Amount of outstanding wastewater debt as of June 30, 2013 from City of Santa Fe, April 22, 2014; ratio of demand to capacity is peak month demand from Table 21 divided by capacity from Table 25; existing service units from Table 22.

The City has received a small amount of grant funding over the last six years. Although future grant funding is difficult to predict, it is reasonable to assume that the level of funding received over the next six years will continue to the extent that growth rates are constant. Based on this assumption, the City should receive the current present value equivalent of $19 in grant funding for each new single-family home or wastewater service unit equivalent over the next 25 years, as shown in Table 27.

Table 27. Wastewater Grant Funding Credit

Grant Funding for Capacity, FY 2008-2013	$368,114
÷ Years in Funding Period	6
Annual Grant Capacity Funding	$61,352
÷ Existing Wastewater Service Units (SFEs)	48,246
Annual Grant Capacity Funding per SFE	$1.27
x Net Present Value Factor (25 years)	15.06
Grant Funding Credit per SFE	$19

Source: Grant funding from City of Santa Fe Finance Department, February 20, 2014; existing SFEs from Table 22; discount rate for present value factor is the average interest rate on state and local bonds for April 2013 (4.35%) from the Federal Reserve at http://www.federalreserve.gov/releases/h15/data/Monthly.

After deducting the credits for outstanding debt and grants, the wastewater net cost per service unit is $947 per single-family equivalent, as shown in Table 28.

Table 28. Wastewater Net Cost per Service Unit

Cost per Service Unit (SFE)	$1,238
– Debt Credit per Service Unit	-$272
– Grant Funding Credit per Service Unit	-$19
Net Cost per Service Unit	$947

Source: Cost per SFE from Table 25; debt credit from Table 26; grant credit from Table 27.

Potential Fees

The maximum wastewater UECs that may be charged by the City of Santa Fe, based on the methodology, data and assumptions used in this report, are shown in Table 29.

Table 29. Wastewater Net Cost Schedule

Land Use/Meter Size	Unit	SFEs/ Unit	Net Cost per SFE	Net Cost per Unit
Single-Family Unit (average)	Dwelling	1.00	$947	$947
1,500 sq. ft. or less	Dwelling	0.89	$947	$843
1,501-2,000 sq. ft.	Dwelling	0.93	$947	$881
2,001-2,500 sq. ft.	Dwelling	1.02	$947	$966
2,501-3,000 sq. ft.	Dwelling	1.07	$947	$1,013
3,001 sq. ft. or more	Dwelling	1.14	$947	$1,080
Guest Unit, 750 sf or less	Dwelling	0.76	$947	$720
Guest Unit, more than 750 sf	Dwelling	0.87	$947	$824
Multi-Family Unit	Dwelling	0.87	$947	$824
5/8" Meter	Meter	1.00	$947	$947
3/4" Meter	Meter	1.50	$947	$1,421
1" Meter	Meter	2.50	$947	$2,368
1½" Meter	Meter	5.00	$947	$4,735
2" Meter	Meter	8.00	$947	$7,576
3" Meter	Meter	16.00	$947	$15,152
4" Meter	Meter	25.00	$947	$23,675
6" Meter	Meter	50.00	$947	$47,350
8" Meter	Meter	80.00	$947	$75,760
10" Meter	Meter	145.00	$947	$137,315

Source: Residential SFEs per unit are same as park EDUs per unit from Table 27 in City of Santa Fe, New Mexico, *Impact Fee Capital Improvements Plan 2020, for Roads, Parks, Fire/EMS and Police*, May 21, 2014 Revised CIAC Draft; nonresidential SFEs per meter are same as for water from Table 4; net cost per SFE from Table 28.

The maximum wastewater UECs calculated in this study are about 8% higher than the current fees, as shown in Table 30. However, the changes for residential fees are highly variable, ranging from a 69% increase for the smallest single-family size category to a 25% decrease for the largest single-family size category. This is due to the updated analysis on the average household size for residential units contained in the impact fee study. The significant increase for ¾" meters is due to the fact that the City currently charges the same fee for the two smallest meter sizes, even though their capacities are significantly different.

Table 30. Comparative Wastewater Fees

Land Use/Meter Size	Unit	Current Fee	Potential Fee	Percent Change
Single-Family Unit				
1,500 sq. ft. or less	Dwelling	$499	$843	69%
1,501-2,000 sq. ft.	Dwelling	$735	$881	20%
2,001-2,500 sq. ft.	Dwelling	$911	$966	6%
2,501-3,000 sq. ft.	Dwelling	$1,052	$1,013	-4%
3,001-3,500 sq. ft.	Dwelling	$1,169	$1,080	-8%
3,501-4,000 sq. ft.	Dwelling	$1,269	$1,080	-15%
4,001-4,500 sq. ft.	Dwelling	$1,357	$1,080	-20%
4,501 sq. ft. or more	Dwelling	$1,435	$1,080	-25%
Multi-Family Unit	Dwelling	$561	$824	47%
5/8" Meter	Meter	$876	$947	8%
3/4" Meter	Meter	$876	$1,421	62%
1" Meter	Meter	$2,190	$2,368	8%
1½" Meter	Meter	$4,380	$4,735	8%
2" Meter	Meter	$7,008	$7,576	8%
3" Meter	Meter	$14,016	$15,152	8%
4" Meter	Meter	$21,900	$23,675	8%
6" Meter	Meter	$43,800	$47,350	8%
8" Meter	Meter	$70,080	$75,760	8%
10" Meter	Meter	$127,020	$137,315	8%

Source: Current fees from Table 1; potential fees from Table 29.