



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Katy Allen

SUBJECT: SEE BELOW

DATE: 11-23-09

Approved

Date

11/30/09

COUNCIL DISTRICT: Citywide

SUBJECT: STORM DRAINAGE, SANITARY SEWER CONNECTION, AND SEWAGE TREATMENT PLANT CONNECTION FEES STUDY

RECOMMENDATION

Approval of the first amendment to the consultant agreement with Financial Consulting Solutions Group, Inc. for the Storm Drainage, Sanitary Sewer Connection and Sewage Treatment Plant Connection Fees Study, extending the term of the agreement from December 27, 2009 to June 30, 2011, at no additional cost to the City.

OUTCOME

Council approval of an amendment to the agreement will allow Financial Consulting Solutions Group, Inc. (FCS) to continue to perform the connection fee study services associated with the Storm Drainage, Sanitary Sewer Connection and Sewage Treatment Plant Connection Fees Study.

BACKGROUND

The City of San José has been collecting sanitary and storm area connection fees since the 1950's. Prior to the mid 1950's, sewer construction was financed by the City's general fund. In 1976, the City began requiring all developers, businesses and individual property owners who applied for connection to the City's sanitary and storm sewer systems to pay a Sewage Treatment Plant fee in addition to the Sanitary and Storm connection fees. The collected fees are used to fund capital capacity expansion projects in accordance with projected growth within the General Plan.

The fees for Storm Drainage, Sewage Treatment Plant (STP), and Sanitary Sewer Connection fee programs were last evaluated in 1980, 1983, and 1990 respectively, and are therefore not capable of funding the necessary system capacity expansion projects. In addition, the current connection

fee structure does not include any components for the South Bay Water Recycling (SBWR) program.

On June 2, 2008, Council approved an agreement with FCS to provide consultant services to provide recommendations for updating the fees to current standards. The term of this agreement was from June 24, 2008 to June 30, 2009. Under the provisions of the agreement, the Director of Public Works extended the term through December 27, 2009.

In August 2009, FCS submitted a draft study which included preliminary fee amounts. This draft study was distributed to various stakeholders within the development community. During this outreach, staff decided to delay the study due to comments received asking for the Sanitary Sewer Master Plan to be completed so that new fees would lead directly to capacity-specific projects for growth areas identified in the Envision 2040 General Plan Update.

ANALYSIS

The 18-month time extension will allow the City to retain FCS as the City completes the Sanitary Sewer Master Plan and initiates internal discussions related to the implementation of the updated fee. The guiding principal for developing and adopting the connection fees is: "Growth pays for growth." In order for the City to better define the potential growth and refine the preliminary sanitary sewer connection fee amounts, it has been recommended that the City complete the sanitary sewer master plan which is currently in progress and is estimated to be complete by June 2010. The Sanitary Sewer Master Plan will be based on the recommended scenarios from the Envision 2040 General Plan, which is scheduled for Council approval in spring 2010.

Based on initial feedback on the draft study from the Chamber of Commerce and the development community, City staff requires additional time to discuss the implementation of the updated connection fee. Discussions will include timing of implementation and the feasibility of a tiered and/or geographical implementation. Staff recommends that the fee analysis be performed upon the completion of the work described above.

EVALUATION AND FOLLOW-UP

The amended agreement does not allow for any additional costs to the City.

POLICY ALTERNATIVES

Alternative #1: Perform the remaining portions of the study with in-house resources.

Pros: Increased work options for current staff.

Cons: Completion of the study will be delayed.

Reason for not recommending: Due to the specialized nature of the study, there is a lack of specialized experience among City in-house staff that will require significant time and training to gain the expertise required for a project of this magnitude and complexity. This would result in unnecessary project costs and delays.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The approval of this amendment does not meet any of the criteria identified by the Sunshine Reforms Work Plan. This memorandum will be posted on the City's website for the December 15, 2009 Council agenda.

COORDINATION

This agreement and memorandum have been coordinated with the Planning, Building and Code Enforcement Department, the City Attorney's Office, and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

1.	AMOUNT OF RECOMMENDATION: None	
	Study Delivery	\$15,000
	Consultant Agreement	<u>\$308,000</u> *
	TOTAL PROJECT COSTS	\$323,000
	Prior Year Expenditures	\$160,917
	REMAINING PROJECT COSTS	\$162,083

* \$308,000 funding for the consultant agreement was already encumbered in Fiscal Year 2007-2008.

- 2. **COST ELEMENTS OF AGREEMENT:** Consultant services are reimbursed based on an hourly rate schedule in the master agreement for the involved consultant personnel.

3. SOURCE OF FUNDING: 469 – Storm Sewer Capital Fund
540 – Sanitary Sewer Connection Fee Fund
539 – Sewage Treatment Plant Connection Fee Fund

4. OPERATING COSTS: The proposed operating and maintenance costs of this project have been reviewed, and staff has determined that the project will have no significant adverse impact on the General Fund operating budget.

BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	RC #	Total Appn.	Amt. For Contract	2009-2010 Adopted Budget (Page)	Last Budget Action (Date, Ord. No.)
Current Funding Available							
469	5960	Storm Drainage Fee Study	148799	\$ 0	\$ 0	Capital V-I04	n/a
539	3507	Connection Fee Study	148799	\$ 0	\$ 0	Operating XIII-66	n/a
540	4272	Miscellaneous Projects	148799	\$ 0	\$ 0	Capital V-62	n/a

CEQA

CEQA: Not a project.

/s/

KATY ALLEN
Director, Public Works Department

For questions please contact TIMM BORDEN, DEPUTY DIRECTOR, at 408-535-8300.