

Memorandum



Water Utilities Department

Date: July 8, 2008
To: Mayor and Council
From: Don Hawkes - Water Utilities Manager (x-2660)
Through: Jeff Kulaga – Assistant City Manager (x-8844)
Cc: Charlie Meyer - City Manager (x-8884)

Subject: Water and Sewer Development Fee

Water and sewer development fees were last adjusted effective September 1, 2007. In 2006, the Water Utilities Department (WUD) retained Red Oak Consulting, a subsidiary of Malcolm Pirnie to perform the development fee analysis. As indicated during last year's development fee overview with Council, WUD has committed to reviewing the development fees on annual basis. This review was conducted by Red Oak and presented to WUD in June 2008.

WUD staff will be available at the Issue Review Session on July 22, 2008, to address any questions the Council may have on the report and recommendations.

Staff recommends that we move forward with the process to implement these recommended adjustments to the water and sewer development fees. The required Notice of Intention that starts this process and sets the date for the public hearing will be on the regular Council session agenda on July 22, 2007.

If you have any questions about this issue or the Red Oak report, please call me at 480-350-2660.



City of Tempe, Arizona

Water and Wastewater Development Fees Executive Summary

July 3, 2008

Report Prepared By:



1. Executive Summary

1.1. Introduction

The City of Tempe, Arizona (City) provides water and wastewater service to approximately 41,000 customer accounts. The City's water and wastewater utilities are funded primarily from water and wastewater rates and development impact fees (DIF).

The City authorized Red Oak Consulting to update the City's water and wastewater DIFs. This study includes:

- Identification of the growth-related water and wastewater capital improvement plan (CIP) for the 20-year period, beginning in fiscal 2007-08;
- Determination of the number of new capacity units provided through the CIP;
- Calculation of the unit growth capital cost per capacity unit; and
- Calculation of the DIF per capacity unit for 2008-09.

1.2. Proposed Fees

The DIF is a one-time charge to new connectors to finance capital expansion and enlargement of the City's water and wastewater systems. Red Oak Consulting used the incremental method to calculate the proposed 2008-09 water and wastewater DIFs. The proposed DIFs will allow new users to pay for their proportionate share of the growth-related portion of the CIP. To assure that "growth pays for growth," the recommended fees should be adjusted annually based on construction cost inflation and to reflect any changes to growth-related CIP.

Table 1-1 compares existing and proposed 2008 development fees. Existing fees have been in effect since September 2007.

**Table 1-1.
Comparison of Existing and Proposed 2008 Development Fees**

Meter Size	Existing Fees			Proposed Fees		
	Water	Wastewater	Total	Water	Wastewater	Total
5/8"	\$ 2,621	\$ 2,202	\$4,823	\$ 3,045	\$ 2,848	\$ 5,893
3/4"	3,932	3,303	7,235	4,568	4,272	8,840
1"	6,553	5,505	12,058	7,613	7,120	14,733
1½"	13,105	11,010	24,115	15,225	14,240	29,465
2"	36,694	30,828	67,522	42,630	39,872	82,502
3"	65,525	55,050	120,575	76,125	71,200	147,325
4"	131,050	110,100	241,150	152,250	142,400	294,650
6"	183,470	154,140	337,610	213,150	199,360	412,510