



**SANTA CLARITA VALLEY WATER AGENCY
REGULAR BOARD MEETING
AGENDA
27234 BOUQUET CANYON ROAD
SANTA CLARITA, CA 91350
RIO VISTA WATER TREATMENT PLANT BOARDROOM
TUESDAY, JANUARY 21, 2020 AT 6:30 PM**

6:00 PM DISCOVERY ROOM OPEN TO PUBLIC
Dinner for Directors and staff in the Discovery Room
There will be no discussion of Agency business taking place prior to the
Call to Order at 6:30 PM.

OPEN SESSION BEGINS AT 6:30 PM

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. PUBLIC COMMENTS – Members of the public may comment as to items not on the Agenda at this time. Members of the public wishing to comment on items covered in this Agenda may do so now or prior to each item as they arise. Please complete and return a comment request form to the Agency Board Secretary. (Comments may, at the discretion of the Board's presiding officer, be limited to three minutes for each speaker.) Members of the public wishing to comment on items covered in Closed Session before they are considered by the Board must request to make comment at the commencement of the meeting at 6:30 PM.

4. APPROVAL OF THE AGENDA

5. CONSENT CALENDAR

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5.1. *	Approve Minutes of the Santa Clarita Valley Water Agency January 7, 2020 Regular Board of Directors Meeting	3
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6. ACTION ITEM FOR APPROVAL

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6.1. *	Review and Discuss Revised Facility Capacity Fees	9
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7. GENERAL MANAGER'S REPORT ON ACTIVITIES, PROJECTS AND PROGRAMS

8. PRESIDENT'S REPORT

9. AB 1234 WRITTEN AND VERBAL REPORTS

9.1. AB 1234 Reports

10. **DIRECTORS' REPORT**

11. **CLOSED SESSION**

- 11.1. Conference with Legal Counsel – Anticipated Litigation – Significant Exposure to Litigation Pursuant to Paragraph (2) of Subdivision (d) of Section 54956.9, Claim of Monica Shive Against Santa Clarita Valley Water Agency, Claim for Personal Injury and Property Damage, Date of Claim October 16, 2019

12. **CLOSED SESSION ANNOUNCEMENTS**

13. **DIRECTOR REQUESTS FOR APPROVAL FOR EVENT ATTENDANCE**

14. **REQUESTS FOR FUTURE AGENDA ITEMS**

15. **ADJOURNMENT**

- * Indicates Attachment
- ◆ Indicates Handout

Note: The Board reserves the right to discuss or take action or both on all of the above agenda items.

NOTICES

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning April Jacobs, Secretary to the Board of Directors, at (661) 297-1600, or in writing to Santa Clarita Valley Water Agency at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that Agency staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the Agency to provide the requested accommodation.

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Santa Clarita Valley Water Agency, located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Website, accessible at <http://www.yourscvwater.com>.

Posted on January 15, 2020.

M65

DRAFT

ITEM NO.
5.1

Minutes of the Regular Meeting of the Board of Directors of the Santa Clarita Valley Water Agency – January 7, 2020

A regular meeting of the Board of Directors of the Santa Clarita Valley Water Agency was held at the Santa Clarita Valley Water Agency located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350 at 6:30 PM on Tuesday, January 7, 2020. A copy of the Agenda is inserted in the Minute Book of the Agency preceding these minutes.

DIRECTORS PRESENT: B. J. Atkins, Tom Campbell, Ed Colley, Robert DiPrimio, Jeff Ford, Jerry Gladbach, Maria Gutzeit, R. J. Kelly, Gary Martin and Lynne Plambeck.

DIRECTORS ABSENT: Kathy Colley, William Cooper and Dan Mortensen.

Also present: Matthew Stone, General Manager; Tom Bunn, General Counsel; April Jacobs, Board Secretary; Steve Cole, Assistant General Manager; Eric Campbell, Chief Financial and Administrative Officer; Keith Abercrombie, Chief Operating Officer; Rochelle Patterson, Director of Finance and Administration; Cris Perez, Director of Technology Services; Kathie Martin, Public Information Officer; Craig Larsen, IT Technician; Terri Bell, Administrative Assistant; and members of the public.

Vice President Martin called the meeting to order at 6:32 PM. A quorum was present.

Upon motion of Director Gladbach, seconded by Director Atkins and carried, the Agenda was approved by the following electronic votes (Item 4):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Absent
President Cooper	Absent	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
Vice President Martin	Yes	Director Mortensen	Absent
Director Plambeck	Yes		

Upon motion of Director Kelly, seconded by Director Atkins and carried, the Board approved the Consent Calendar including Resolution No. SCV-133 by the following electronic votes (Item 5):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Absent
President Cooper	Absent	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
Vice President Martin	Yes	Director Mortensen	Absent
Director Plambeck	Yes		

RESOLUTION NO. SCV-133

JOINT RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES ACTING IN BEHALF OF

Los Angeles County General Fund

Los Angeles County Consolidated Fire Protection District

Los Angeles County Flood Control

THE BOARD OF DIRECTORS OF SANTA CLARITA VALLEY SANITATION DISTRICT OF
LOS ANGELES COUNTY, AND THE GOVERNING BODIES OF

Greater Los Angeles County Vector Control District

Antelope Valley Resource Conservation District

City of Santa Clarita

Santa Clarita Library

Santa Clarita Valley Water Agency

APPROVING AND ACCEPTING NEGOTIATED EXCHANGE OF PROPERTY TAX
REVENUES RESULTING FROM ANNEXATION TO SANTA CLARITA VALLEY SANITATION
DISTRICT.

"ANNEXATION NO. 1094"

WHEREAS, pursuant to Section 99 and 99.01 of the Revenue and Taxation Code, prior to the effective date of any jurisdictional change which will result in a special district providing a new service, the governing bodies of all local agencies that receive an apportionment of the property tax from the area must determine the amount of property tax revenues from the annual tax increment to be exchanged between the affected agencies and approve and accept the negotiated exchange of property tax revenues by resolution; and

WHEREAS, the governing bodies of the agencies signatory hereto have made determinations of the amount of property tax revenues from the annual tax increments to be exchanged as a result of the annexation to Santa Clarita Valley Sanitation District entitled *Annexation No. 1094*;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The negotiated exchange of property tax revenues resulting from the annexation of territory to Santa Clarita Valley Sanitation District in the annexation entitled *Annexation No. 1094* is approved and accepted.

2. For each fiscal year commencing on and after July 1, 2019 or after the effective date of this jurisdictional change, whichever is later, the County Auditor shall transfer to Santa Clarita Valley Sanitation District a total of 0.9561918 percent of the annual tax increment attributable to the land area encompassed within *Annexation No. 1094* for Tax Rate Areas 00507 and 15430 as shown on the attached Worksheet.

3. No additional transfer of property tax revenues shall be made from any other tax agencies to Santa Clarita Valley Sanitation District as a result of annexation entitled *Annexation No. 1094*.

4. No transfer of property tax increments from properties within a community redevelopment project, which are legally committed to a Community Redevelopment Agency, shall be made during the period that such tax increment is legally committed for repayment of the redevelopment project costs.

5. If at any time after the effective date of this resolution, the calculations used herein to determine initial property tax transfers or the data used to perform those calculations are found to be incorrect thus producing an improper or inaccurate property tax transfer, the property tax transfer shall be recalculated and the corrected transfer shall be implemented for the next fiscal year.

The foregoing resolution was adopted by the Board of Supervisors of the County of Los Angeles, the Board of Directors of Santa Clarita Valley Sanitation District of Los Angeles County, and the governing bodies of Greater Los Angeles County Vector Control District, Antelope Valley Resource Conservation District, City of Santa Clarita, Santa Clarita Library, and Santa Clarita Valley Water Agency, signatory hereto.

Upon motion of Director Gladbach, seconded by Director Kelly and carried, the Board approved receiving and filing of the public notification of PFOS and PFOA notification level exceedances by the following electronic votes (Item 6.1):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Absent
President Cooper	Absent	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
Vice President Martin	Yes	Director Mortensen	Absent
Director Plambeck	Yes		

General Manager's Report on Activities, Projects and Programs (Item 7).

General Manager Stone reported on his recent attendance at the Agenda Planning meeting on December 30, 2019 and his attendance at the State Water Contractors (SWC) Strategic Planning session which focused on the years 2020 and 2021. Some items of interest from the Planning Session were discussions on:

- DWR's business processes, which has been an ongoing dialogue between the Department of Water Resources (DWR) and the agencies on how they account for and bill the projects to the contractors.
- Energy – SWC are looking at, sometime down the road, do they want DWR to still be just a purchaser of power or should they be taking on a little bit more of the reins, given the amount of power they use and the renewable power goals of the state, would it be better to look at renewable power behind the meter instead of buying it through the ISO.

- Conveyance, which has had many names over the years, and has been downsized and reconfigured, is still ongoing. The draft Water Resiliency Plan was released late last week and SWC are anticipating a Notice of Preparation for the Delta Conveyance Facility project soon.
- Permitting, a big issue right now, due to both state and federal environmental regulations and state and federal projects, each has a system that shares facilities and pumps out of the same area of the Delta and both have their own requirements.
- On Science, is an ongoing program, which the SWC participates in. They now have an in-house science manager who is looking over a variety of research topics, as well as a group that vets potential studies to see if the SWC want to fund them for the potential value those studies could bring to the environment and eco system of the Delta.

He also mentioned briefly the SWC yearly dues and how it is proportionately funded by participants based on their share of the project.

He also informed the Board of the upcoming All Employee meeting that would be taking place on January 8, 2020.

Director Plambeck had concerns about the last Finance and Administration Committee meeting being scheduled so close to Christmas and the lack of public notice. Director Gutzeit mentioned that there was public notice given for the meeting and members of the public were present. General Manager Stone stated that in an effort to meet staff's commitment made in a Settlement Agreement between SCV Water and the Building Industry Association of Los Angeles and Ventura County, back in July or August of 2018, one of the elements of that agreement was that SCV Water would complete an updated FCF Study by the end of 2019, staff was trying to meet that deadline. It was mentioned that the public will have two more opportunities to hear about the FCF's, one at the January 21, 2020 regular Board meeting where the Board will review and discuss the FCF's and the other at the February 4, 2020 regular Board meeting where the Board will consider approving the FCF's. General Manager Stone mentioned that FCF's would not go up until the Board has approved those fees (Item 8.3).

There was no further discussion on Item 8.

There was no discussion on Item 9.

President's Report (Item 10).

Vice President Martin reminded the Board of upcoming events.

AB 1234 Reports (Item 11).

Vice Presidents Gutzeit and Martin and Director Atkins reported that they attended the SCV GSA Board Meeting held at Rio Vista Water Treatment Plant on January 6, 2020.

Director Reports (Item 12).

Director Gladbach reported that ACWA Director of Federal Relations in Washington DC David Reynolds mentioned that the Bureau of Reclamation Commissioner Brenda Berman would make a great Secretary of Interior.

Upon motion of Vice President Gutzeit, seconded by Director DiPrimio and carried, the Board tabled Item 13.1 pertaining to Director Kelly's request to attend the May 5-8, 2020 ACWA Spring Conference and asked the Compensation and Reimbursement Ad Hoc Committee to review the policy on multi/single day events and bring this item back once the Ad Hoc Committee has met by the following voice votes (Item 13.1):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Absent
President Cooper	Absent	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	No
Vice President Gutzeit	Yes	Director Kelly	Abstained
Vice President Martin	Yes	Director Mortensen	Absent
Director Plambeck	Yes		

There were no other Director requests for approval for event attendance (Item 13.2).

There were no requests for Future Agenda Items (Item 14).

Upon motion of Director Gladbach, seconded by Director E. Colley and carried, the meeting was adjourned at 7:43 PM by the following electronic votes (Item 15):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Absent
President Cooper	Absent	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
Vice President Martin	Yes	Director Mortensen	Absent
Director Plambeck	Yes		


April Jacobs, Board Secretary

ATTEST:

President of the Board



BOARD MEMORANDUM

DATE: January 13, 2020
TO: Board of Directors
FROM: Eric Campbell 
Chief Financial and Administrative Officer
SUBJECT: Review and Discuss Revised Facility Capacity Fees (FCF)

SUMMARY

The Agency has concluded its 2020 Facility Capacity Fee (FCF) study, which is updated every 2-3 years. The last FCF study was completed in 2017 with new fees taking effect on January 1, 2018. The results pursuant to the settlement agreement with the Los Angeles/Ventura County Building Industry Association (BIA) were modified in 2018 by implementing a prorated adjustment for meter connections smaller than one inch. The Agency also agreed at that time to complete a new FCF study by the end of 2019. The updated FCF study has been completed and staff recommendations have been presented to key stakeholders, the Ratepayer Advocate, and the Finance and Administration (F&A) Committee.

DISCUSSION

With a new Finance team in place at the Agency, there were some changes to the process of engaging key stakeholders during the FCF study process. A group of stakeholders comprised of the Building Industry Association, Santa Clarita Valley Economic Development Corporation, Santa Clarita Valley Chamber of Commerce, FivePoint Holdings, and JSB Development met with Agency staff seven times over the eleven months of the FCF study. The purpose of these meetings was to inform, educate, and collaborate ideas and concerns over the determination of the FCF. At the final meeting in October 2019, staff and the Ratepayer Advocate presented their recommendations to the key stakeholders.

In November 2019, the F&A Committee was presented the respective FCF recommendations by staff and the Ratepayer Advocate. The Committee requested additional time to discuss the FCF recommendations before the issue went to the Board. The Committee met again on December 23, 2019 to finalize their recommendation.

The FCF provides funds to pay for the cost of expanding the existing infrastructure costs related to new users. The proposed FCF will provide the funds to pay for the cost of approximately \$111 million in capital expenditures through system build-out (estimated to be 2050) related to new users. Note that this is the portion of the Capital Improvement Program (CIP) that is allocated to major capital projects that support growth. A portion of these major capital projects is also allocated to existing users and is not included in the FCF calculation. Additional components of the CIP including minor capital projects and replacement projects are allocated to and funded by existing users and are not included in the FCF calculations.

FCFs are calculated by using a simple formula:

$$\frac{\text{Costs Allocated to Growth}}{\text{\# of Equivalent Meter Units}}$$

The cost components that are included in the FCFs are:

1. Existing debt service that has been allocated to growth
 - a. The portion of prior bond issuances that were allocated to fund project cost allocated to growth that is currently outstanding. This includes both bond principle and interest. Only the remaining debt service is included in the calculation even though annual FCF revenue collections do not cover this annual obligation. Table 1 is a list of the remaining portion of existing debt that was allocated to growth in prior studies. Note, this table includes the Principal and Interest amounts that remain to be paid (\$355,835,080) and the portion that has been attributable to growth (\$248,848,079).

Table 1 Existing Debt Allocated to Growth

Line	Loan	Outstanding Debt Service (All)	Outstanding Debt Service (Growth Only)	Percentage of Debt Svc Allocated to Growth
1	1999 COP	\$104,450,000	\$80,896,525	77.45%
2	2004A COP/ 2014A	\$6,293,250	\$4,933,908	78.40%
3	2008A COP	\$12,147,587	\$9,523,708	78.40%
4	2010A COP	\$63,015,568	\$55,264,653	87.70%
5	2015A Revenue Bonds	\$84,733,575	\$53,127,952	62.70%
6	2016AN Revenue Bonds	\$55,025,750	\$21,735,171	39.50%
7	2016AR Revenue Bonds	\$30,169,350	\$23,366,162	77.45%
	Total	\$355,835,080	\$248,848,079	69.93%

2. Future costs to finance the portion of remaining major capital projects required to serve growth.
 - a. Capital projects benefit all Water Service Areas (WSAs) (General Benefit) except for recycled water projects as WSA 3 is constructing its own source of recycled water. In addition, there are currently three projects that benefit specific WSAs only; these are labeled as Local Benefit projects (Table 2).
 - b. Future capital projects have been identified and are in various stages of development. The portion of each of the remaining projects that is attributable to growth has been identified. Table 3 includes the ongoing and future major capital projects for General Benefit projects and the percentage allocated to growth.
 - c. Buildout is planned to be complete in 2050. At buildout, there will be remaining debt service obligations attributable to growth. These remaining costs have not been included in this FCF calculation.

Table 2 Ongoing and Future Capital Projects: Local Benefit

Project Name	Start Year	End Year	Total/Remaining Project Cost	Allocation to Growth	Project Cost (Growth Only)
Honby Parallel (Phase 2 -ext of Phase 1)	2020	2025	\$22,953,000	30.00%	\$6,885,900
Castaic Conduit	2020	2025	\$14,189,000	30.00%	\$4,256,700
NR WSA Integration	2025	2025	\$6,000,000	100.00%	\$6,000,000
Subtotal			<u>\$43,142,000</u>		<u>\$17,142,600</u>
Financing Costs					<u>\$12,092,160</u>
Total Cost					<u><u>\$29,234,760</u></u>

Table 3 Ongoing and Future Capital Projects: General Benefit

Project Name	Start Year	End Year	Total/Remaining Project Cost	Allocation to Growth	Project Cost (Growth Only)
Water Supply Banking (10,000 AF)	2030	2030	\$16,390,400	30.00%	\$4,917,120
Stored Water Recovery Unit Replacement	2045	2050	\$8,195,200	30.00%	\$2,458,560
Saugus Formation Dry Year Reliability Wells	2021	2024	\$11,155,000	30.00%	\$3,346,500
ESFP Storage Expansion	2045	2050	\$3,721,645	30.00%	\$1,116,494
Rio Vista Reservoir Expansion	2045	2050	\$6,957,725	30.00%	\$2,087,318
Sand Canyon Reservoir Expansion I	2021	2045	\$18,124,000	30.00%	\$5,437,200
Sand Canyon Reservoir Expansion II	2045	2050	\$8,575,252	30.00%	\$2,572,576
Magic Mountain Pipelines 4	2020	2020	\$3,562,000	30.00%	\$1,068,600
Magic Mountain Pipelines 5	2020	2020	\$5,339,000	30.00%	\$1,601,700
Magic Mountain Pipelines 6	2020	2021	\$13,160,000	30.00%	\$3,948,000
Magic Mountain Reservoir	2020	2024	\$29,865,000	30.00%	\$8,959,500
Magic Mountain Reservoir II	2021	2027	\$46,600,000	30.00%	\$13,980,000
Southern Service Area Storage, Pipeline and Pump Station 12 MG	2020	2027	\$63,273,000	30.00%	\$18,981,900
Southern Service Area Expansion	2045	2050	\$6,782,552	30.00%	\$2,034,766
Subtotal			<u>\$284,842,774</u>		<u>\$72,510,234</u>
Financing cost					<u>\$28,406,408</u>
Total cost					<u><u>\$100,916,642</u></u>

- Cost to build recycled water infrastructure. All customers benefit from the development of recycled water as this source can be used for certain irrigation requirements, freeing up potable water for other uses and enhancing overall water supply reliability. All WSAs except for WSA 3 share in recycled water infrastructure costs. WSA 3 is exempt as this service area is constructing its own source and related infrastructure for recycled water. Table 4 lists the Recycled Water Projects, their construction cost, cost to finance and total cost that was allocated between current and future users.

Table 4 Recycled Water Costs

Project Name	Start Year	End Year	Total/Remaining Project Cost	Allocation to Growth	Project Cost (Growth Only)
Recycled Water Program Phase II, 2A (Center Park)	2020	2024	\$15,657,000	15.00%	\$2,348,550
Recycled Water Program Phase II, 2B (Vista Canyon)	2020	2021	\$4,820,584	15.00%	\$723,088
Recycled Water Program Phase II, 2C (South End)	2020	2025	\$11,869,000	15.00%	\$1,780,350
Recycled Water Program Phase II, 2D (West Ranch)	2020	2020	\$886,378	15.00%	\$132,957
Recycled Water Projects (Alignments A-H)	2030	2035	\$105,885,000	15.00%	\$15,882,750
Subtotal			<u>\$139,117,962</u>		<u>\$20,867,695</u>
Financing Costs					<u>\$3,502,666</u>
Total Cost					<u>\$24,370,361</u>

- The Agency currently has a water acquisition agreement with the Buena Vista Water Storage District (BV) and the Rosedale-Rio Bravo Storage District (RRB) to increase the water supply availability. The BV/RRB payments reflect the acquisition of water supply based on this agreement. The 30-year payment stream that is divided between existing and future users. Table 5 contains the annual remaining payment amounts and the amounts allocated to growth.

Table 5 Rosedale-Rio Bravo Storage District Obligation

Year	Total BV/RRB Costs	Total Demand (AF)	Annexation Contribution (AF)	Current Use Portion (AF)	Future Use Portion (AF)	Future Use Costs
FY 2020	\$7,990,482	11,000	3,000	4,560	3,324	\$2,414,585
FY 2021	\$8,390,006	11,000	3,000	4,560	3,324	\$2,535,314
FY 2022	\$8,809,507	11,000	3,000	4,560	3,204	\$2,566,003
FY 2023	\$9,249,982	11,000	3,000	4,560	3,094	\$2,601,396
FY 2024	\$9,712,481	11,000	3,000	4,560	2,983	\$2,633,913
FY 2025	\$10,198,105	11,000	3,000	4,560	2,873	\$2,663,179
FY 2026	\$10,708,011	11,000	3,000	4,560	2,762	\$2,688,786
FY 2027	\$11,243,411	11,000	3,000	4,560	2,652	\$2,710,297
FY 2028	\$11,805,582	11,000	3,000	4,560	2,541	\$2,727,236
FY 2029	\$12,395,861	11,000	3,000	4,560	2,431	\$2,739,093
FY 2030	\$13,015,654	11,000	3,000	4,560	2,320	\$2,745,319
FY 2031	\$13,666,436	11,000	3,000	4,560	2,210	\$2,745,319
FY 2032	\$14,349,758	11,000	3,000	4,560	2,099	\$2,738,455
FY 2033	\$15,067,246	11,000	3,000	4,560	1,989	\$2,724,042
FY 2034	\$15,820,608	11,000	3,000	4,560	1,878	\$2,701,342
FY 2035	\$16,611,639	11,000	3,000	4,560	1,768	\$2,669,562
FY 2036	\$17,442,221	11,000	3,000	4,560	1,657	\$2,627,850
FY 2037	\$18,314,332	11,000	3,000	4,560	1,547	\$2,575,293
FY 2038	\$19,230,048	11,000	3,000	4,560	1,436	\$2,510,910
FY 2039	\$20,191,551	11,000	3,000	4,560	1,326	\$2,433,652
FY 2040	\$21,201,128	11,000	3,000	4,560	1,215	\$2,342,390
FY 2041	\$22,261,185	11,000	3,000	4,560	1,105	\$2,235,917
FY 2042	\$23,374,244	11,000	3,000	4,560	994	\$2,112,942
FY 2043	\$24,542,956	11,000	3,000	4,560	884	\$1,972,079
FY 2044	\$25,770,104	11,000	3,000	4,560	773	\$1,811,848
FY 2045	\$27,058,609	11,000	3,000	4,560	663	\$1,630,663
FY 2046	\$28,411,540	11,000	3,000	4,560	552	\$1,426,830
FY 2047	\$29,832,117	11,000	3,000	4,560	442	\$1,198,537
FY 2048	\$31,323,723	11,000	3,000	4,560	331	\$943,848
FY 2049	\$32,889,909	11,000	3,000	4,560	221	\$660,694
FY 2050	\$34,534,404	11,000	3,000	4,560	110	\$346,864
Total	\$565,412,842					\$69,434,157

The costs identified as attributable to growth are summarized in Table 6.

Table 6 Summary of FCF Revenue Requirement

Line	Benefit Type	Existing Debt Service	BV/RRB Payments	Proposed Debt Service for CIP	Total Revenue Requirement
1	General Benefit	\$194,941,376	\$69,434,157	\$102,657,606	\$367,033,139
2	Recycled Water	\$0	\$0	\$25,595,281	\$25,595,281
3	WSA 1: West Valley	\$12,011,032	\$0	\$11,746,690	\$23,757,723
4	WSA 2: East Valley	\$38,306,718	\$0	\$4,212,233	\$42,518,951
5	WSA 3: Newhall Ranch	\$1,153,817	\$0	\$13,015,914	\$14,169,731
6	WSA 4: Whittaker -Bermite	\$2,435,140	\$0	\$227,413	\$2,662,553
7	Total	\$248,848,083	\$69,434,157	\$157,455,137	\$475,737,376

There are two major challenges regarding the determination of a fair and reasonable FCF. One is that while there is a degree of certainty in the timing of the debt service and capital costs incurred, there is less certainty in the timing of new service connections and hence the FCF revenue generation. The second major challenge is the uncertainty of the number of meters and their size, that will be added during the buildout. These are influenced by economic, housing market, and regulatory trends. As a result of these challenges a financial model was developed that considered the concept of uncertainty in future population growth (influences the number of meter connections). The model produced 5,000 independent scenarios, each resulting in a cost to be recovered by a specific number of equivalent meter units. The model takes these 5,000 scenarios and creates a frequency distribution that is used to select a set of fees that would generate the required revenue for a stated level of confidence. That is to say that in consideration of the identified uncertainty in the number and sizes of meters that will be added, higher fees increase the likelihood that the fees will recover the costs associated with growth. The more meters that are expected to be added, the lower the fee per meter will be. The fewer the equivalent meter units (EMU) expected to be added, the higher the fee per meter must be.

Figure 1 shows the model results at various levels of confidence for each WSA. After lengthy discussion with the Committee and Ratepayer Advocate, Staff is recommending FCF from their model that corresponds with the 80% level of confidence that the FCF fees will collect the identified revenue requirement. This is effectively placing the risk of under collecting fees attributable to growth on growth rather than existing customers.

Figure 1 Fee Sensitivity to Modeled Level of Confidence

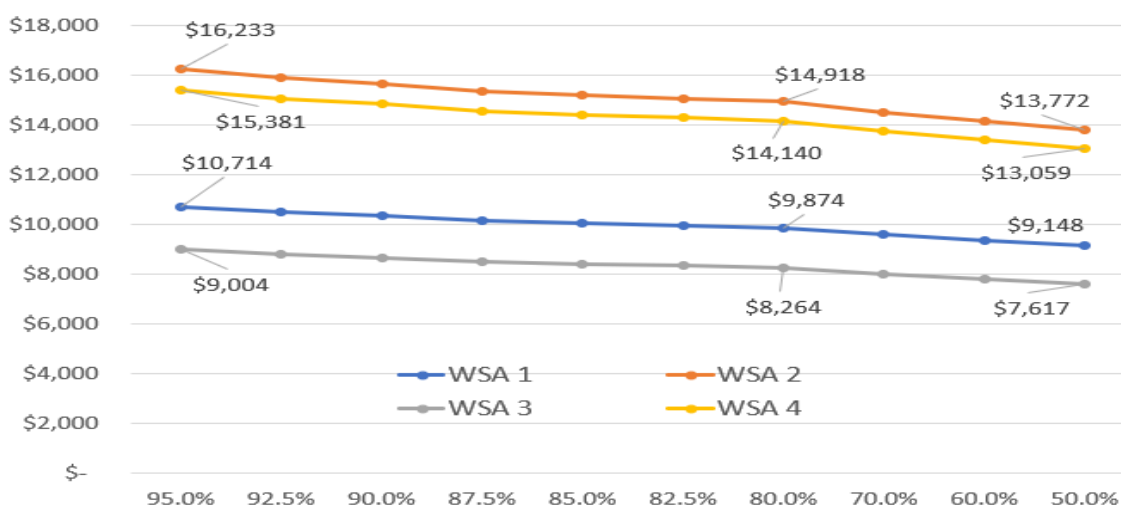


Table 7 is a comparison of the staff recommended FCFs against the existing fees. Table 8 has the recommendation of the Ratepayer Advocate. Note that the revenue requirement is nearly identical compared to staff. The difference is attributable to slightly differing assumptions about future interest rates. The other minor difference between staff and ratepayer advocate's recommendation is the amount of growth in EMUs (equivalent meter units). Neither of the recommendations are technically wrong, the two approaches used are reasonable.

Table 7 Staff Recommended Facility Capacity Fee Update by WSA

Staff Recommendation						
WSA	Total Revenue Requirement	Growth in EMUs	Proposed Fee for 1"	Current Fee for 1"	Change %	
WSA 1: West Valley	\$ 185,386,128	18,775	\$9,874	\$11,476	-14.0%	
WSA 2: East Valley	\$ 100,539,404	6,740	\$14,918	\$16,124	-7.5%	
WSA 3: Newhall Ranch	\$ 183,004,974	22,144	\$8,264	\$9,745	-15.2%	
WSA 4: Whittaker -Bermite	\$ 6,806,871	481	\$14,140	\$18,192	-22.3%	
	475,737,376	48,140				

Table 8 Ratepayer Advocate Recommendation

Ratepayer Advocate Recommendation						
Line	WSA	Total Revenue Requirement	Growth in EMUs	FCF Per EMU 1" as a base	Current Fee for 1"	Change %
1	WSA 1: West Valley	\$183,828,708	18,719	\$9,821	\$11,476	-14.4%
2	WSA 2: East Valley	\$99,980,328	6,720	\$14,879	\$16,124	-7.7%
3	WSA 3: Newhall Ranch	\$182,228,069	22,078	\$8,254	\$9,745	-15.3%
4	WSA 4: Whittaker -Bermite	\$6,766,898	480	\$14,009	\$18,192	-23.0%
		\$472,804,003	47,997			

In addition to the FCF recommendation, consistent with input offered by the Ratepayer Advocate, staff also recommends modification to the FCFs annually in years in between FCF study updates, by applying the ENR City of Los Angeles Construction Cost Index to the fees with annual changes limited to no more than a 3% increase or reduction in fees. The value of the annual index adjustment is to keep the fees in line with changing construction costs, minimizing the likelihood of a full update study which would result in a significant change in fees.

Table 9 Comparison of FCF Update Recommendations

	(A)	(B)	(C)=(A)-(B)	(D) = ((B) / (A)) - 1
WSA	Staff Recommendation	Ratepayer Advocate Recommendation	\$ Difference	% Difference
WSA 1: West Valley	\$ 9,874	\$ 9,821	\$ (53)	-0.5%
WSA 2: East Valley	\$ 14,918	\$ 14,879	\$ (39)	-0.3%
WSA 3: Newhall Ranch	\$ 8,264	\$ 8,254	\$ (10)	-0.1%
WSA 4: Whittaker-Bermite	\$ 14,140	\$ 14,099	\$ (41)	-0.3%

On December 23, 2019, the Finance and Administration Committee considered staff's recommendation to approve revised Facility Capacity Fees.

FINANCIAL CONSIDERATIONS

\$475,737,376 in Facility Capacity Fees need to be generated to recover the cost of infrastructure attributable to growth between 2020 and 2050 as currently planned. Selecting a set of fees to charge and cost index to adjust the FCFs until the next FCF study update, is a complex issue.

RECOMMENDATION

The Finance and Administration Committee recommends that the Board of Directors review and discuss the staff and Ratepayer Advocate FCF recommendations. At the December 23, 2019 Finance and Administration Committee, members selected the updated fees from staff's model that are shown in Table 7.

EC

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