Santa Clarita Valley Water Agency

Valencia Service Area
Water Capacity Charge

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Presentation Overview

- Background & Objectives
- Study Fee Methodology
- Fee Calculation
- Questions/Discussion

Background & Objectives

SCV Water Background

- **Santa Clarita Valley Water Agency (SCV Water) was created January 2018 through the merger of the three water agencies in the Santa Clarita Valley.**
  - **Castaic Lake Water Agency**
  - **Newhall County Water District**
  - **Valencia Water Company**
- **SCV Water serves a population of approximately 273,000 through about 70,000 retail water connections.**
  - **~31,200 existing connections in the Valencia Service Area**

Current Valencia Customer Base

Regular Meter (excludes private fire)	Number of Customers	AWWA* Meter Ratio 1"	Meter Equivalents
5/8" x 3/4"	41	0.40	16
3/4"	26,224	0.60	15,734
1"	2,135	1.00	2,135
1 1/2"	446	2.00	892
2"	2,160	3.20	6,912
3"	91	6.00	546
4"	51	10.00	510
6"	21	20.00	420
8"	12	32.00	384
10"	7	46.00	322
12"	1	86.00	86
	31,189		27,958

*American Water Works Association

Projected Valencia Customer Base

Regular Meter (excludes private fire)	Number of Customers	2022 1" Meter Equivalents	*Projected New Customers*	*Projected New 1" Meter Equivalents*	*Projected Total Customers*	*Projected Total 1" Meter Equivalents*
5/8" x 3/4"	41	16	0	0	41	**16**
3/4"	26,224	15,734	4,486	2,691	30,710	**18,426**
1"	2,135	2,135	18,887	18,887	21,022	**21,022**
1 1/2"	446	892	0	0	446	**892**
2"	2,160	6,912	236	755	2,396	**7,667**
3"	91	546	0	0	91	**546**
4"	51	510	0	0	51	**510**
6"	21	420	0	0	21	**420**
8"	12	384	0	0	12	**384**
10"	7	322	0	0	7	**322**
12"	1	86	0	0	1	**86**
Total	31,189	27,958	23,609	22,334	54,798	**50,292**

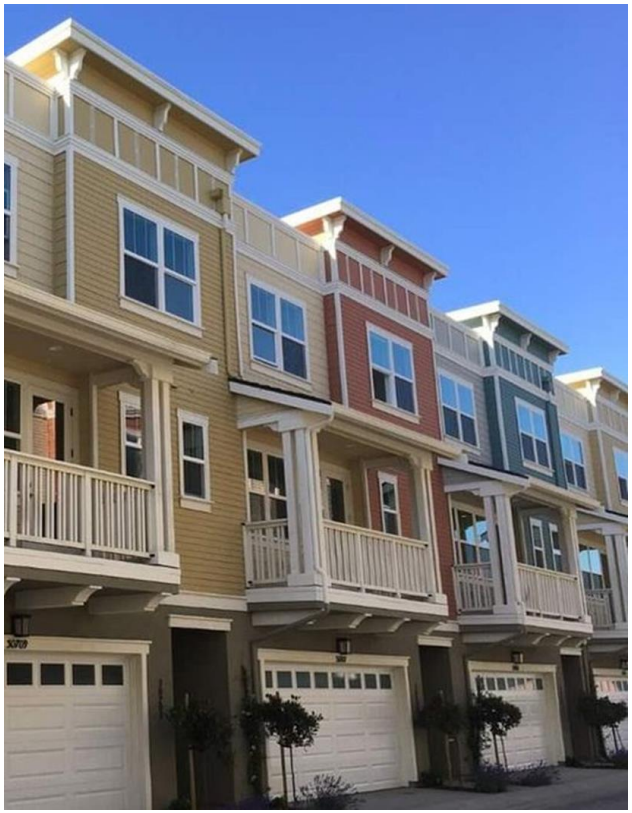
New development in the Valencia Service Area through 20-year buildout based on the Westside Communities Land Use Plan.

What are Capacity Charges?

- **One-time fee paid by new customers as a condition of development.**
- **Levied to recover costs for capacity in facilities benefiting growth.**
- **Also collected for changes in property use that result in increased capacity needs.**

Purpose of Study Update

- Valencia service area is the only service area that does not have an existing capacity fee.
- The Valencia service area has substantial planned growth in new development.
- Goal of the study is to develop Valencia service area water capacity charges that are appropriate, legal, and fair.



Key Criteria for New Fees

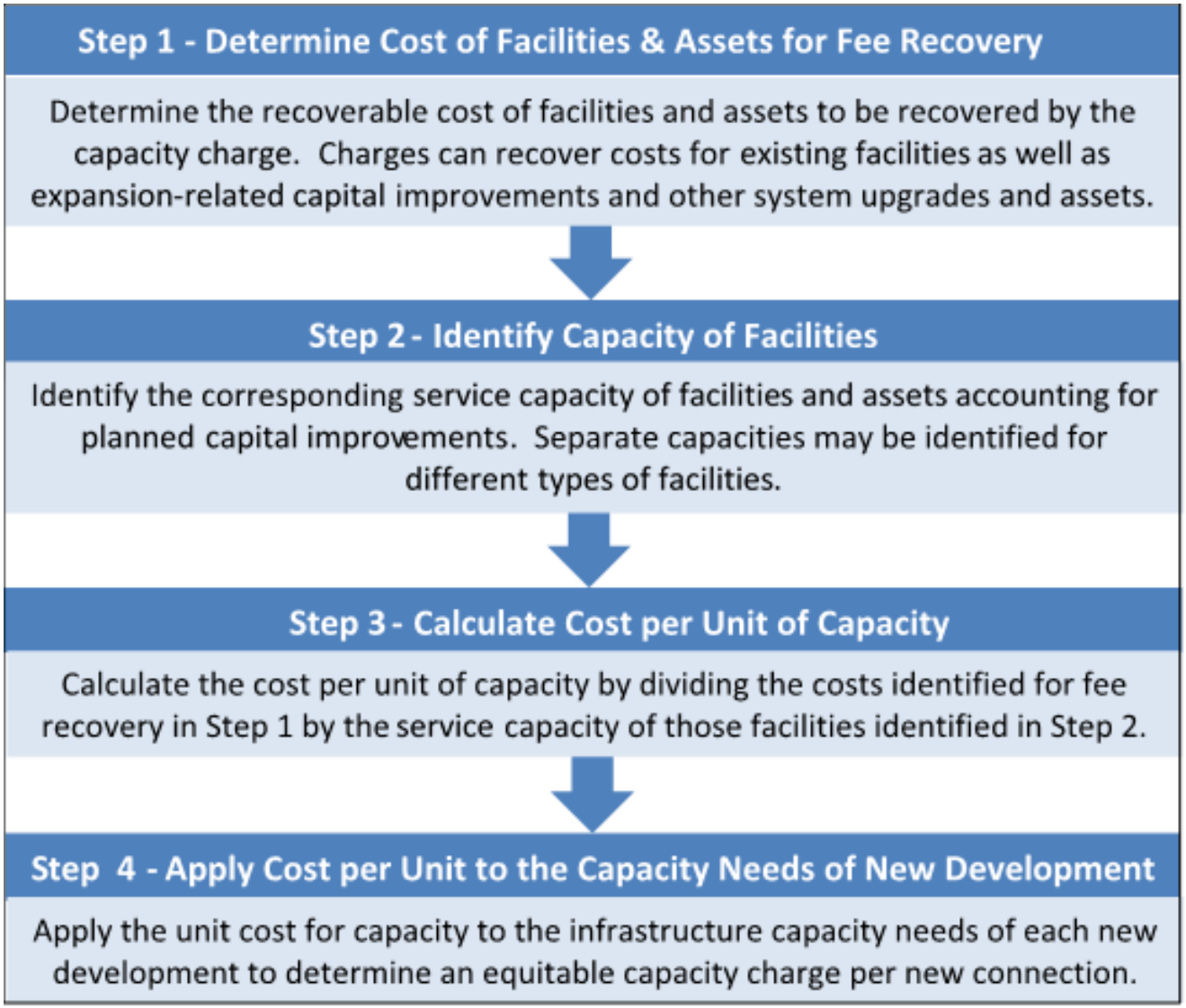
- Comply with government code
- Based on industry-standard methodology
- Recover costs of existing facilities benefitting growth
- Fair and equitable to existing & future customers

Legal Framework

- Water & wastewater capacity fees governed by *Government Code Section 66013 (AB1600)*
- Key provision: *The fee "shall not exceed the estimated reasonable cost of providing service for which the fee or charge is imposed"*
- Can recover costs for existing facilities or future facilities
  - "charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future"
- Capacity charges must be segregated from other funds
- Fee methodology used to update capacity charges complies with industry standards

Study Fee Methodology

Fee Methodology



Study Approach

- **Valencia Existing Water System Assets Valuation:**
  - Land
  - Boosters
  - Communications Equipment
  - Furniture and Fixtures
  - Hydrants
  - Office, Warehouse Building
  - Reservoir Tanks & Wells
  - Water Mains
  - Water Treatment Equipment

Study Approach

- **Excluded Valencia Existing Water System Assets:**
  - Vehicles
  - Large Tools and Equipment
  - Water Meters
  - Services
  - Power Operated Equipment
  - Stores Equipment
  - Other Intangibles

Study Approach

- **Cost recovery basis:**
  - Cost of existing facilities escalated for construction cost inflation
  - Fees based on replacement cost less depreciation in current dollars
  - Excludes Valencia debt related to existing facilities
- **Projected Valencia water system capacity:**
  - Current water system capacity estimated based on current 1” meter equivalents plus projected future development.
- **(Valencia Existing System Valuation) / (Current + Projected Future Valencia Water System Capacity)**

Valencia Outstanding Debt

- **Series 2018A Installment Loan**
  - **Total Outstanding Principal: $26,735,000**
- **Valencia Acquisition Loan**
  - **Total Outstanding Principal $58,500,000**

Total Outstanding Principal Related to Valencia Assets & Subtracted From Fee: $85,235,000

Fee Calculation

Description	Original Cost	Replacement Cost Estimate (2022)*	Replacement Cost New Less Depreciation**	Percent Depreciated
Land Valuation	$1,366,286	$3,369,935	$3,369,935	***0%***
Depreciable Fixed Assets				
Boosters	$9,555,650	$20,644,447	$1,663,385	***92%***
Communications Equipment	2,087,704	2,723,622	1,062,258	***61%***
Furniture and Fixtures	2,990,943	3,990,448	463,383	***88%***
Hydrants	11,018,225	26,417,803	5,228,002	***80%***
Office, Warehouse Building, & Improvement	2,599,940	5,190,283	2,332,979	***55%***
Reservoir Tanks & Wells	38,906,223	78,229,728	37,861,414	***52%***
Water Mains	82,038,406	196,245,062	87,570,991	***55%***
Water Treatment Equipment	2,199,936	3,495,726	1,846,712	***47%***
Subtotal	$151,397,028	$336,937,119	$138,029,124	***59.0%***
Total	**$152,763,314**	**$340,307,055**	**$141,399,060**	***58.4%***
Financial Adjustments				
Subtract: Series 2018A Installment Principal			($26,735,000)	
Subtract: Valencia Acquisition Loan Principal			($58,500,000)	
			($85,235,000)	
Total Asset Valuation for Capacity Fee			**$56,164,060**	

*Cost adjusted by the Engineering News-Record Construction Cost Index, 20 City Average

**Assumes no residual value on assets that are beyond their useful life

Customer Base Projection	2022	Ultimate
1" Meter Equivalents	27,958	50,292

Additional 1" Meter Equivalents to Buildout **22,334**

Valencia Water System Existing Asset Value **$56,164,060**

$ per 1" Meter Equivalent **$1,117**

Meter Size	AWWA Meter Ratios	Proposed Fee
3/4"	0.60	$670
1"	1.00	$1,117
1 1/2"	2.00	$2,234
2"	3.20	$3,574
3"	6.00	$6,701
4"	10.00	$11,168
6"	20.00	$22,335
8"	32.00	$35,736
10"	46.00	$51,371
12"	86.00	$96,041

Questions / Discussion