



Establishing a Valencia Service Area Retail Capacity Fee

Finance & Administration Committee Meeting

May 16, 2022

Agenda

What is a retail capacity fee?

- How is this different from a Facility Capacity Fee?

Why is there currently no capacity fee in place for the Valencia service area?

How is the capacity fee calculated?

Project timeline

Terminology

(Source: American Waterworks Association M1 manual)

- A *system development charge* (SDC) is a one-time charge paid by a new water system customer for system capacity. It is also assessed to existing customers requiring increased system capacity. The receipts from this charge are used to finance the development of growth-related or capacity-related water facilities and are an important funding/financing source for these facilities.
- Other names used for system development charge(s) include:
 - impact fees or development impact fees,
 - system capacity charges or **capacity fees**,
 - capital facility fees,
 - development fees,
 - general facility charges,
 - expansion charges,
 - plant investment fees,
 - system buy-in charges,
 - capital charges,
 - capital recovery fees, and
 - dedicated capacity charges



What is a Retail Capacity Fee?

A one-time charge paid by a new water system customer for system capacity. It is also assessed to existing customers requiring increased system capacity.

- Example 1: For new development, the fee is a buy-in to existing local infrastructure that serves as the connection to regional water supply.
- Example 2: For established development, this fee is triggered when an upgrade in service meter connection size is requested, as the larger service connection uses more capacity
 - A warehouse building repurposed to a brewery

How is this different from a Facility Capacity Fee (“FCF”)?

- An FCF recovers the cost of the **regional** service assets that supply the distribution system

Why is there currently no capacity fee in place for the Valencia service area?



Pre-merger, the Valencia Water Company funded local distribution infrastructure projects from capital investment of ownership. Ownership received a return on this investment in the form of a dividend generated from retail rates.

The Castaic Lake Water Agency (Now, the merged Santa Clarita Valley Water Agency) purchased the assets of the Valencia Water Company. The Agency's business model is that growth should pay for growth. Establishing a capacity fee is a leading practice to achieve this.

Existing Retail Distribution Capacity Fees

Newhall Service Area
(Resolution 2008-02)

Meter Size	FCF
1" or less	\$4,865.00
1 1/2"	\$9,730.00
2"	\$15,568.00
4"	\$48,650.00
6"	\$97,300.00
8"	\$155,680.00
10"	\$223,790.00

Pinetree Service Area
(Resolution 2008-04)

Meter Size	FCF
1" or less	\$6,987.00
1 1/2"	\$13,974.00
2"	\$22,358.40
4"	\$69,870.00
6"	\$139,740.00
8"	\$223,584.00
10"	\$321,402.00

Castaic Service Area
(Resolution 2008-03)

Meter Size	FCF
1" or less	\$4,112.00
1 1/2"	\$8,224.00
2"	\$13,158.40
4"	\$41,120.00
6"	\$82,240.00
8"	\$131,584.00
10"	\$189,152.00

Tesoro Service Area
Outside Tract 51644
(Resolution 2008-05)

Meter Size	FCF
1" or less	\$5,073.00
1 1/2"	\$10,146.00
2"	\$16,233.60
4"	\$50,730.00
6"	\$101,460.00
8"	\$162,336.00
10"	\$233,358.00

Tesoro Service Area
Within Tract 51644
(Resolution 2008-05)

Meter Size	FCF
1" or less	\$440.00
1 1/2"	\$880.00
2"	\$1,408.00
4"	\$4,400.00
6"	\$8,800.00
8"	\$14,080.00
10"	\$20,240.00

Santa Clarita Water Division

Santa Clarita Service Area
(Resolution 3118)

Meter Size	FCF
3/4"	\$2,549.00
1"	\$4,248.00
1.5"	\$8,497.00
2"	\$13,505.00
3"	\$27,191.00
4"	\$42,484.00
6"	\$84,972.00
8"	\$135,953.00

Los Angeles County Water Works District #36 has their own separate retail connection fees. *SCVWA Regional FCFs are assessed for this area.*

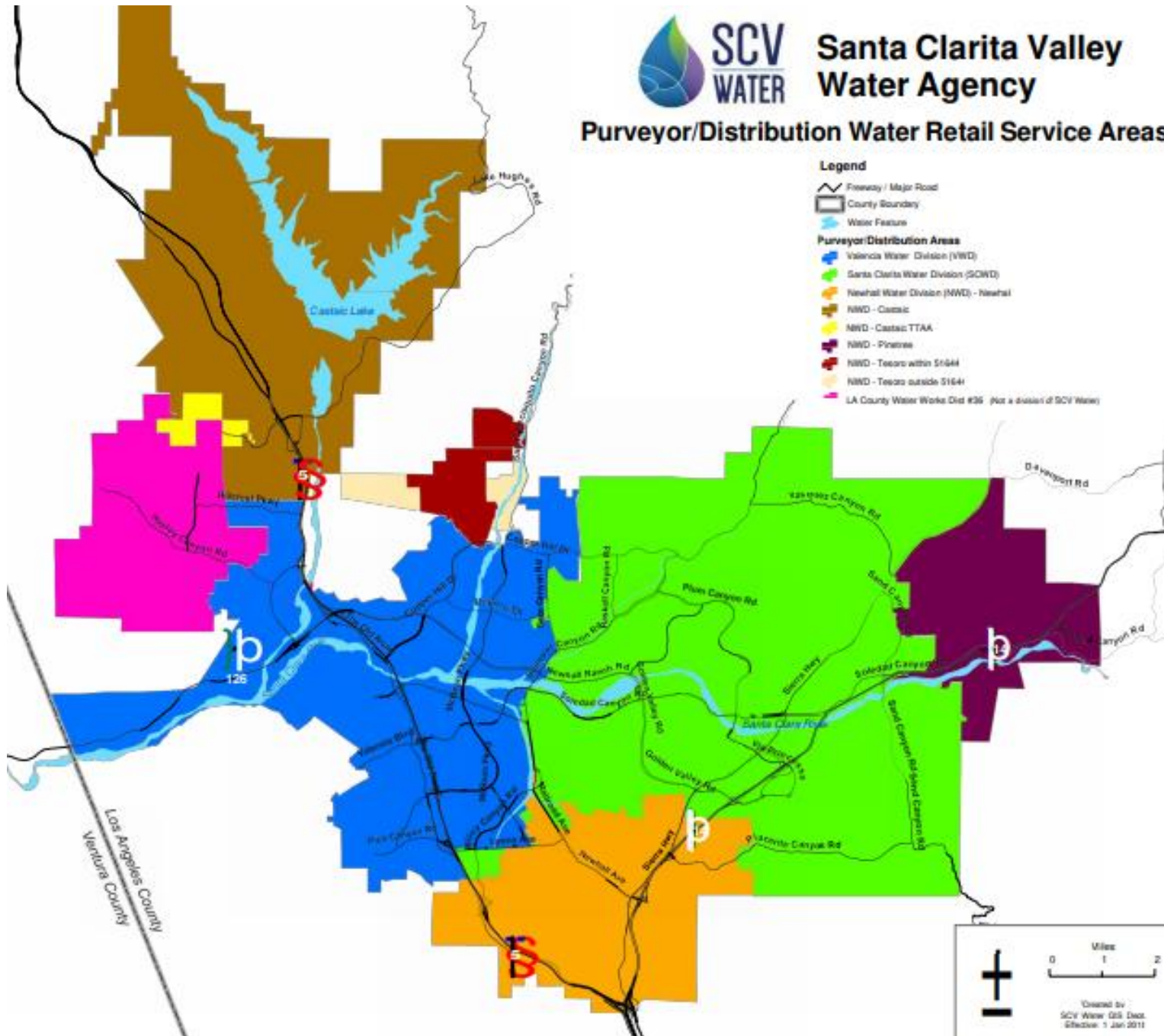


Santa Clarita Valley Water Agency

Purveyor/Distribution Water Retail Service Areas

Legend

- Freeway / Major Road
- County Boundary
- Water Feature
- Purveyor/Distribution Areas**
- Valencia Water Division (VWD)
- Santa Clarita Water Division (SCWD)
- Newhall Water Division (NWD) - Newhall
- NWD - Classic
- NWD - Classic TTAA
- NWD - Pinetree
- NWD - Teares within 51644
- NWD - Teares outside 51644
- LA County Water Works Dist #36 (Not a division of SCV Water)



How is the Capacity Fee Calculated?

Three common approaches:

- Equity buy-in: based on the value of existing system's capacity
- Incremental cost: based on the value or cost to expand the existing system's capacity
- Hybrid (combination)

Expert consultants will recommend the approach to be used

Potential Issues

- From AWWA M1 Manual “...Therefore, an important starting point in determining SDCs is to understand any applicable and current legislation or laws related to SDCs to help ensure that the utility’s SDCs are calculated and administered in a defensible manner...”
- Check on the CLWA/NLF 2012 settlement agreement
 - Nickel water
 - \$6 million cap on FCFs for Newhall ranch specific plan

Project Estimated Timeline



RFP Issued: Thursday May 19, 2022

Proposal Submittals Due: June 20, 2022

Contract to Board through the F&A Committee

- F&A July 18
- Board August 2

Anticipated Start Date: August 3

Study conducted, stakeholder communications

Estimated Completion Date: December 2022

F&A Committee Presentation January 2023

Board Decision February 2023