November 14, 2019

Dan Mortensen, Chair
B. J. Atkins
Ed Cooley
Robert DiPrimio
Maria Gutzeit
R. J. Kelly
Finance and Administration Committee
Santa Clarita Valley Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350

Subject: Revised Facility Capacity Fee Rates

Dear Chair Mortensen and Committee Members,

We would first like to thank staff and acknowledge the robust communication and review process that has been undertaken to work toward a credible and defensible Facility Capacity Fee update. Based upon this process, many potential disputes have been eliminated. However, there are a couple of remaining items that prevent us from being able to support the staff recommended update. We have listed our specific areas of concern below where we feel there is a lack of information to properly establish the required nexus between the fee and the benefit provided to future growth.

<u>Proposed Fees Not Equitable</u>

Staff is proposing to use the 95th percentile value for calculated Facility Capacity Fees. We feel this is not equitable to future growth and would exceed the estimated reasonable cost of providing the service. Using the 95th percentile value assumes that 95% of the time the fee amounts would be over-collected and 5% of the time the fee amounts would be under-collected. This would also mean that existing users are shouldering 5% of the risk and future users are shouldering 95% of the risk.

We feel this is in violation of Government Code Section 66013 that requires local agencies to not impose fees for water connections or capacity charges that exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed.

Therefore, we recommend support of the ratepayer advocates approach of using the 50th percentile value which is mathematically considered the "most likely scenario". This would be equitable to both future users and existing users since it would mean that 50% of the time the fee amounts would be over-collected and 50% of the time the fee amounts would be under-collected. This would place an equal risk level on both existing and future users.

Not Adequate Justification for Using Extremely High Confidence Interval

Existing Debt – There may be an attempt to justify a 95th percentile value by claiming that new users are responsible for an existing debt of more than $300,000,000. To our knowledge there does not exist a summary of projects or any listing of actual facilities or rights which have been constructed or bought with this debt. Without a description of the facility or right acquired by the debt, we find no nexus between this debt and new users. This existing debt should not be considered as justification for an unequitable distribution to future users.

Over Inflation of Future Portion of the CIP - Facility Capacity Fees (FCFs) are likely already inflated because the future portion of the CIP is being funded exclusively with FCFs and credit is not given for property tax from undeveloped land or for homes built after the future/existing allocations were established. FCFs and associated interest are the only revenue sources to pay for future users' share of debt from the Capital Improvement Program. All revenue from the 1% property tax fund is assigned to pay for the existing users' portion of the CIP. Undeveloped land and subdivided, vacant lots pay into the 1% fund through property taxes. These revenues are used to pay the existing users' portion of the CIP, not the future users' portion.

Thank you for your consideration of these suggestions and comments. Should you have any questions, please contact me at (213) 797-5967 or at tpiasky@bialav.org.

Sincerely,

Tim Piasky

Tim Piasky
Chief Executive Officer
BIA-Los Angeles/Ventura

Sent via e-mail