



District News

November 17, 2011

112 N. First Street
La Puente, CA 91744
Tel: (626) 330-2126
Fax: (626) 330-2679

www.lapuentewater.com

Board of Directors to Consider Adopting a Water System Connection Fee

At the regular scheduled Board of Directors meeting to be held on November 28, 2011 the La Puente Valley County Board of Directors will consider adopting a fee for new potable water service connections. The proposed Water System Connection Fee has been developed to ensure those who request new connections to the District's existing Water System infrastructure will not unfairly benefit from previous infrastructure investments made by the District and funded by its current customers. In effect, by this policy new connections are required to "buy-in" to the existing Water System.

The Water System Connection Fee Policy was presented to the Board of Directors for discussion at the November 14, 2011 regular meeting of the Board, copies of the policy and supporting documentation are available upon request at the District's office located at 112 N. First Street.

La Puente Valley County Water District

Memo

To: Honorable Board of Directors
From: Greg B. Galindo, General Manager
Date: November 17, 2011
Re: Proposed Water System Connection Fee

Background

To connect a new service to the District's Water System, our current Rules and Regulations require the customer to complete an application and provide payment for the service installation and any additional costs that may be needed to provide adequate service to the location. Over the years, these new connections have created a greater demand on the Water System's distribution and supply facilities. Most of the District's Water System was constructed decades ago and the cost to improve and maintain the Water System's infrastructure has been paid for by the vast majority of the District's current customer's, primarily through water use and service charges.

Over the last few years District staff has installed several new services for various "in-fill" projects. These installations have been located primarily in the vicinity of existing District waterlines and do not, if factored alone, require water system improvements other than the service line and meter installation. However, as more in-fill projects are developed the demand placed on the District's System will eventually require additional improvements and/or increased maintenance to support these services.

A Water Rate Study was completed in March of this year; during this process staff projected the cost for capital improvements to the District's System over the next ten years. A majority of the capital costs identified are for projects that replace or maintain existing District facilities, such as reservoirs, booster pumps and well facilities. It was also identified, that based on the District's current policies, very little revenue received annually from developer fees can be used to off-set the costs for future capital improvement projects that may be needed as a result of the effects new service connections may have on the District's Water System facilities. Therefore, costs for maintaining or replacing the District's infrastructure would only be recovered through the service charges from the new connections, which are estimated to be less than that of the actual costs.

Discussion

As a result of this identified disparity, staff developed the Water System Connection Fee Policy, which is provided as Attachment 1 for the Board's consideration. This fee would ensure that all new connections (excluding new connections for fire suppression purposes), to the District's existing Water System infrastructure that were developed, operated and maintained at the expense of the District's existing customers, will not be unfairly benefitted by previous investments in infrastructure utilized to provide

water service. In effect, with this policy, new connections will be required to “buy-in” to the existing Water System.

The Water System Connection Fee shall be applied to new connections so that they bear a proportionate share of the cost of Water System facilities. The Water System Connection Fee is structured so that the fee from a new connection will make an investment to the Water System equivalent to the benefit it will receive from the existing Water System. The revenues generated from these fees will be deposited into a separate capital facilities fee fund and used solely by the District to fund the cost of operating, maintaining, repairing, replacing and upgrading the District’s Water System.

The calculation of this fee is based on the net book value of the District’s capital assets and the proportionality of the size of service being requested. The District’s net capital asset value is reported annually in the District’s financial statement, specifically its “Statement of Net Assets”. Provided as supporting documentation (Attachment 2) are copies of the District’s Statement of Net Assets for the last five fiscal years (2006-2010). The District’s net capital asset value for year ending December 31, 2011 is \$11,954,401.00.

To calculate the proportionality of a new connection, staff uses the same methodology as it did in the 2011 Water Rate Study to calculate the bi-monthly water service charge. In the Study, capacity related costs were allocated to customers by meter size using the American Water Works Association hydraulic capacity factors. These factors relate to the potential flow that may be conveyed through each meter size. These factors are important in determining the overall capacity and demands on the District’s Water System, which is measured in hydraulically equivalent meters (HEM). In short, by dividing costs by the number of HEMs of the entire Water System result in a cost per HEM. Factoring the cost for a single customer is done by multiplying the cost per HEM by the hydraulic capacity of the Customer’s meter.

Below is a table that details the hydraulic capacity factor for each meter size and the current number of equivalent meters in the District’s System:

Meter Size	# of Meters	Hydraulic Capacity Factor	Hydraulically Equivalent Meters
5/8"	1552	1	1552
3/4"	644	1.5	966
1"	168	2.5	420
1.5"	25	5	125
2"	103	8	824
3"	7	16	112
4"	10	25	250
6"	4	50	200
8"	0	80	0
Total	2513		4449

To calculate the Water System Connection Fee, staff will take the current net book value of the District’s capital assets and divide that amount by the total number of existing equivalent meters within the District’s Water System. The fee calculation method will be performed during the processing of each application for a new connection for water service under the District’s Rules and Regulations for Water Service. An example of the current calculation for a 5/8” meter is shown below, along with a table detailing the current connection fee for meter sizes 5/8” to 8”.

Example:

(Net book value / total equivalent meters) x hydraulic equivalent meter of service requested.

$(\$11,954,401/4,449) \times 1 = \$2,686.99$

Meter Size	Hydraulic Equivalent Meter	Water System Connection Fee
5/8"	1	\$ 2,686.99
3/4"	1.5	\$ 4,030.48
1"	2.5	\$ 6,717.47
1.5"	5	\$ 13,434.93
2"	8	\$ 21,495.89
3"	16	\$ 42,991.78
4"	25	\$ 67,174.65
6"	50	\$ 134,349.30
8"	80	\$ 214,958.89

In the event that the meter size of an existing service is increased, or the use of the property changes increasing the demand for water, a Water System Connection Fee should be assessed at the current rate, less the amount of the connection fee set for the size of meter in place on the existing service.

Fiscal Impact

Over the last five years there has been an average of 2 to 4 new connections installed by the District for private developments. If this fee was in effect over the last five years the District would have received over \$30,000 in developer fee revenue. By adopting this new fee, staff projects approximately \$5,000 to \$10,000 of developer fee revenue will be generate on an annual basis. All revenues received will be recorded in the Developer Fee revenue account no. 4955 and placed into a capital facilities reserve fund until used. The level of these funds will be reported annually and will only be used for capital improvements of the District's Water System.

Recommendation

Staff strongly recommends the Board adopt the Water System Connection Fee Policy as set forth in Resolution 202 provided herein for consideration.

I look forward to discussing this item at the November 28, 2011 Board Meeting, if you have any questions beforehand, please contact me.

RESOLUTION NO. 202

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE LA PUENTE VALLEY COUNTY WATER DISTRICT
ESTABLISHING ITS WATER SYSTEM CONNECTION FEE

WHEREAS, the Board of Directors desires to adopt guidelines for new connections to the District's Water System; and

WHEREAS, the Board of Directors wishes to ensure that any new connection to the District's Water System do not unfairly benefit by connecting to Water System facilities previously paid for by the current District customers: and

WHEREAS, the Board of Directors believes new customers should pay their fair share of the cost of the Water System they will be receiving service from; and

WHEREAS, the Board of Directors also wishes for the revenue generated from these fees be deposited in a separate capital facilities fund and be used solely for the purpose of operating, maintaining, repairing, replacing and upgrading the District's Water; and

WHEREAS, the Board of Directors is adopting this resolution and establishing the Water System Connection Fee Policy set forth herein to help the District meet the foregoing objectives.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the La Puente Valley County Water District does hereby adopt and enact the Water System Connection Fee Policy set forth in Exhibit A attached hereto, and authorizes and directs District staff to take all necessary actions to implement it forthwith.

PASSED, APPROVED AND ADOPTED at a Regular Meeting of the Board of Directors of La Puente Valley County Water District held on the 28th day of November, 2011 was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

President, Board of Directors
La Puente Valley County Water District

ATTEST:

Secretary of the Board of Directors

EXHIBIT “A”

LA PUENTE VALLEY COUNTY WATER DISTRICT WATER SYSTEM CONNECTION FEE

PURPOSE

The La Puente Valley County Water District’s (LPVCWD) Water System Connection Fee is established to ensure that all new connections (excluding fire service connections) to the District’s existing Water System infrastructure that has been developed, operated and maintained at the expense of the District’s existing Customers, will not be unfairly benefitted by those previous investments and infrastructure utilized to provide them service. In effect, by this policy new connections are required to “buy-in” to the existing Water System.

The Water System Connection Fee is assessed for property (or premises) newly served by the District to bear that property’s proportionate share of the cost of the Water System facilities in relation to the benefit that the property receives. The Water System Connection Fee is structured so that the fee from a new connection will make an investment in the Water System that is equivalent to the benefit that it will receive from the existing Water System facilities. The revenues generated from these fees shall be deposited into a separate capital facilities fee fund and used solely by the District to fund the cost of operating, maintaining, repairing, replacing and upgrading the District’s Water System.

The calculation of this fee is based on the net book value of the District’s capital assets and the proportionality of the size of service being requested. Below is the net book value of the District’s Capital Assets for the last three years as reported in its annual financial statements prepared by an independent certified public accountant.

Year Ending December 31, 2008 = \$12,096,003.00

Year Ending December 31, 2009 = \$12,547,097.00

Year Ending December 31, 2010 = \$11,954,401.00

To calculate the Water System Connection Fee, staff will take the current net book value of the District’s capital assets and divide that amount by the total number of existing equivalent meters within the District’s Water System. Below is a table that details the hydraulic capacity factor for each meter size and the current number of equivalent meters in the District’s System:

Meter Size	# of Meters	Hydraulic Capacity Factor	Hydraulically Equivalent Meters
5/8"	1552	1	1552
3/4"	644	1.5	966
1"	168	2.5	420
1.5"	25	5	125
2"	103	8	824
3"	7	16	112
4"	10	25	250
6"	4	50	200
8"	0	80	0
Total	2513		4449

The fee calculation shall be performed during processing of each new application for new water service under the District’s Rules and Regulations for Water Service. An example of the current calculation for a 5/8” meter is shown below along with a table detailing the current connection fee for meter sizes 5/8” to 8”:

Example:

(Net book value / total equivalent meters) x hydraulic equivalent meter of service requested.

$$(\$11,954,401/4,449)X 1 = \$2,686.99$$

Meter Size	Hydraulic Equivalent Meter	Water System Connection Fee
5/8"	1	\$ 2,686.99
3/4"	1.5	\$ 4,030.48
1"	2.5	\$ 6,717.47
1.5"	5	\$ 13,434.93
2"	8	\$ 21,495.89
3"	16	\$ 42,991.78
4"	25	\$ 67,174.65
6"	50	\$ 134,349.30
8"	80	\$ 214,958.89

In the event the meter size for an existing service is increased, or the use of the property changes, increasing the demand for water, a Water System Connection Fee will be assessed at the then current rate, less the amount of any connection fee previously paid or given credit to the Customer for the fee amount already set for the size of meter in place on the existing service. The Water System Connection Fee is only one requirement to establish a new service connection to the District’s Water System and does not substitute for or forgo any of the other requirements to establish water service with the District as stated in the District’s Rules and Regulations for Water Service.