

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board Capacity Fee Workshop
Agenda
September 8, 2010 at 9:00 a.m.

1. Call to Order, Flag Salute and Roll Call

2. Adoption and Adjustment of Agenda

3. Public Comment

Members of the public may address the Board at this time concerning items not on the agenda. To comment on specific agenda items, please complete a speaker's request form and hand it to the Board secretary.

4. Review of Recent Capacity Fee Activities and Discussion of Direction Required from Board of Directors* (Page 2)

5. Announcements

- A. Board Engineering Workshop, Friday, September 17, 2010 at 1:30 p.m.
- B. Regular Board Meeting, September 20, 2010 at 1:30 p.m.
- C. Board Finance and Budget Workshop, September 27, 2010 at 1:30 p.m.
- D. Regular Board Meeting, October 20, 2010 at 1:30 p.m.

6. Adjournment

*Information included in Agenda Packet

(1) Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Agency's office at 1210 Beaumont Avenue, Beaumont during normal business hours.

(2) 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 Agency's office, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at <http://www.sgpwa.com>.

(3) Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency (951 845-2577) at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Capacity Fee Workshop

September 8, 2010

Summary of December 9 Workshop

- Presented a draft nexus study with a proposed fee of \$6,900 per EDU.
- Fee included (approximately):
 - New permanent water rights (\$3000)
 - New recharge in Beaumont Basin (\$70)
 - New recharge in Cabazon Basin (\$150)
 - New capacity in Foothill Pipeline (\$500)
 - New conveyance pipeline after EBX is full (\$3200)

Summary of Workshop, cont.

- No implementation details were presented.
- Draft nexus study proposed fee as postage stamp rate (same fee throughout service area).
- Staff and Board pledged to listen to input from stakeholders.

Input Received Since December

- Retailers want:
 - Implementation details
 - Some type of allocation of our Table A water
 - Non-postage stamp rate
 - Collaboration and cooperation
- BIA wants:
 - Fairness for green building methods
 - Transparency
 - Postponement or phasing of fee

Goals at the end of the workshop

- Incorporate ideas and thoughts from stakeholders.
- Provide a transparent process.
- Ensure the fee structure is fair to all stakeholders.
- Collaborative process leading to cooperative agreements with retailers.

Actions since workshop

- Monthly meetings with retail managers and consultants, including discussions on:
 - Allocation
 - Cooperation
 - Implementation
 - Fairness
 - Fee structure
 - Building trust
 - UWMP and Watermaster issues

Actions since workshop, cont.

- Meeting with BIA to discuss
 - Amount of fee
 - Components of fee
 - Water use factors
 - Fairness
 - Current state of the industry
 - Building trust

Actions since workshop, cont.

- Preliminary UWMP demand projections indicated additional conveyance capacity pushed out to over 25 years from now.
- Board advised staff to eliminate additional conveyance costs from proposed fee.

Actions since workshop, cont.

- Reviewed how other State Water Contractors and wholesale agencies implemented capacity fees.
- Identified draft implementation actions.
- Developed principles of a “soft” or “flexible” allocation plan.
- Reviewed water use factors in light of AB 1881 and local conservation ordinances.

Where do we stand now?

- We are working cooperatively with retail managers on a flexible allocation plan.
- We have identified many elements of a draft implementation plan.
- We have revised our calculation of water use factors to make them reflect current water conservation ordinances.

Basis of Fee

- We have revised the methodology of how the proposed fee is calculated.
 - Deleted new conveyance pipeline due to revised demand projections.
 - Fee is proposed to be on an acre-foot basis instead of an EDU basis.
 - Proposed fee could be different in each retail service area, as water use factors are different and need for new water is different.

Flexible Allocation Plan

- Still working out details with retail managers.
- For now, keep
 - 2000 AF for Beaumont Basin
 - 500 AF for potential annexations
 - 1200 AF for unserved areas
 - Total of 21.4% of 17,300 AF.
- Allocate the other 78.4% to three retailers.
- Re-allocate after next UWMP.

Implementation Concept

- Retailer sends developer to Agency for approvals.
- Agency hires engineer to review plans, set fee based on defined factors.
- Agency writes letter to retailer assuring retailer that homes will be covered in Agency's UWMP and long-term water supply made available.
- Retailer issues will-serve letters.

Incomplete Implementation Issues

- How to account for single homes or additions to homes?
- How to get cooperation from areas not currently served?
- The exact content of cooperative agreements
- Will there be a written set of rules and procedures for developers and retailers?

Water Use Factors

- Indoor water use to be per AWWARF standards
- Outdoor water use to be per city ordinances (primarily ET)
- Common areas will be included, such as open spaces, slopes, etc.
 - This is new and the reason for a proposed fee in dollars per acre-foot instead of per EDU.

Items to be included in fee

- New permanent water rights*
 - Portion of new BSU recharge facility*
 - Portion of new Cabazon recharge facility*
 - Additional capacity in Foothill Feeder*
 - New Cabazon pipeline**
- * Same as previously proposed fee
** Previously included in new conveyance pipeline

Board Policy Issues to Consider

1. Should we calculate fee based on ultimate buildout or some date prior to ultimate buildout?
2. Should fee be imposed on a per EDU basis or per acre-foot basis?
3. Who pays for Cabazon Pipeline, Cabazon recharge, and BSU recharge facilities?
4. Phase in fee?

Buildout Period (1)

- Planning for full buildout period means using ultimate water demands and including costs of additional conveyance.
- It is difficult to plan more than 25 years out due to changing technologies, growth patterns, and other issues.
- Planning for 25 years is reasonable and has a large impact on the fee.

Buildout Period (2)

- A decision to calculate the fee based on a 25-year outlook would reduce the fee for now but it may have to be increased at some point in the future to account for additional conveyance capacity if needed.
- This decision has a large impact on the final nexus study.
- Recommendation: Use 25-30 year outlook as opposed to ultimate buildout.

AF vs. EDU (1)

- EDU is commonly used—easy to understand and calculate.
- AF is a more realistic and fairer standard—includes common spaces and accounts for large vs. small lots.
- EDU doesn't cover commercial and industrial areas—separate calculations are needed for these.

AF vs. EDU (2)

- Other water wholesalers use AF as a fee basis.
- Most of the projected growth will be via large developments with common space, greenbelts, and slope areas.
- Calculation of fee based on total AF demand of a development makes sense.
- Recommendation: Use AF instead of EDU.

Who Pays for What? (1)

- Most water fees are based on the “beneficiary pays” principle.
- Who benefits from storage in the BSU?
- Who benefits from storage in Cabazon?
- Proposal: The entire service area benefits from more storage in the service area.
- Draft nexus study followed this principle.

Who Pays for What? (2)

- Options:
 1. Calimesa, Beaumont, Banning pay for BSU storage, Banning and Cabazon pay for Cabazon storage.
 2. Calimesa, Beaumont, Banning, Cabazon pay for all storage.
- Recommendation: All users benefit from all storage, so Option 2 is recommended.

Phase in Fee?

- Not a decision that has to be made today.
- Advantages:
 - Easier on development community
 - Probably not a huge financial sacrifice
- Disadvantages
 - Some financial sacrifice
 - More difficult on some developments
- Staff will develop a plan to do so; Board can decide later if it wants to implement.

Proposed Timeline

- Week of October 11—Workshop with draft nexus study. Make any final policy decisions required.
- October-November—Make presentations to retailers' boards.
- November 23-Workshop with final nexus study.
- December 20—Vote on implementation of fee.

Discussion