

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA 92223
Minutes of the
Capacity Fee Workshop
March 30, 2015

Directors Present: John Jeter, President
Bill Dickson, Vice President
Blair Ball, Director
Ron Duncan, Director
Mary Ann Melleby, Director
Leonard Stephenson, Director

Director Absent: Ray Morris, Director

Staff and Consultants Present:
Jeff Davis, General Manager
Russ Behrens, General Counsel
Ken Falls, Operations and Maintenance Manager
Cheryle Rasmussen, Executive Assistant
Andrea Roess, Taussig & Associates

1. Call to Order, Flag Salute and Roll Call. The Capacity Fee workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by President John Jeter at 1:30 p.m., March 30, 2015 in the Agency Board room at 1210 Beaumont Avenue, Beaumont, California. Director Dickson led the Pledge of Allegiance to the flag. A quorum was present.

2. Adoption and Adjustment of Agenda. President Jeter asked if there were any adjustments to the agenda. There being none the agenda was adopted as presented.

3. Public Comment. No members of the public wished to address the Board at this time. Present Jeter called upon the General Manager Davis to introduce the agenda item.

4. Presentation of Draft Capacity Fee Study for Potential Facility Capacity Fee. A copy of the Draft Capacity Fee Study for SGPWA Report, dated 03/20/2015, authored by David Taussig & Associates, Inc., was included in the agenda packet. A copy of DTA's PowerPoint presentation was provided to the board members and to the public. General Manager Davis stated that the purpose of today's workshop is to hear a presentation on the draft nexus study that could potentially lead to a facility capacity fee being adopted by the Board, as well as receive input from the public, which will be considered in the final nexus study. On February 18, 2014, the Board set a policy (Resolution No. 2014-02) to meet future water demands in the Agency's service area. Without an

adoption of a capacity fee it would be difficult to fulfill said policy. Many public agencies in California have a capacity fee; it is the preferred financing method for construction of new infrastructure in California. The viewpoint is that growth should pay its fair share of resources of what growth will require, including new infrastructure and new water. The Agency will begin preparing its 2015 Urban Water Management Plan. The Agency would like to include in its UWMP plans for funding additional water supplies in the future. With the adoption of the fee the Agency will be able to develop a specific financial plan for purchasing additional water supplies to meet the continuing expanding water needs of the service area. The legislature had foreseen the Agency need for this financing mechanism, as the Act explicitly gives the Agency the authority to adopt a capacity fee. General Manager Davis stated that a capacity fee works, at the wholesale water level; he provided an example of another water wholesaler who has implemented a capacity fee and how well it has been received.

General Manager Davis introduced Andrea Roess, Vice-President for David Taussig and Associates, Inc. Ms. Roess thanked the Board for the opportunity to present a PowerPoint illustrating the elements of the updated study. In 2011, a nexus study was prepared that proposed the implementation of a facility capacity fee to be imposed on new development. The SGPWA Board approved the nexus study; however the fee was not adopted at that time. This current nexus study serves as an update to the 2011 study, reflecting updated demographics, updated facility lists and updated facility costs. The proposed capacity fee has two components: the Facility component, and the Water component. The Facility component will fund new infrastructure and the Water component will fund the purchase of new long term water rights. Ms. Roess topics included: legal authorization, fee structure, the steps to calculate facility capacity fee, demographics (existing and 2035), facilities costs allocation methodology and fee calculations – facility component, fee calculations – new water component and hypothetical capacity fee for a typical single family unit. At the conclusion of Ms. Roess' presentation, President Jeter requested comments from the public, stating that any questions will not be answered until after all public comments have been received. Questions/Comments were as follows:

- Lonnie Granlund (YVWD Board Member) – Question on cost of water rights
- Bill Blankenship (BIA) – Needs more time to review the study. Commented on the future unit development. He had questions relating to the recent legislation for water relief, demographic questions, growth projections, and questions related to Ad Valorem rate. He also had concerns relating to overlapping charges.
- Bruce Granlund (YVWD Board Member) – Question regarding facilities cost allocation of 32.46% for Cabazon-related infrastructure.
- Nathan Miller (BIA) – Commented on the housing industry not recovering. Requested more information on the support for the capacity fee at Castaic. Commented on how many times a new home owner will

be charged a fee for water. Commented on how the capacity fee will affect the economy.

- Joe Zoba (YVWD – General Manager) – Commented on implementation strategy, financing charges, water availability, timing on implementation, allocation for Calimesa, infrastructure for Cabazon, additional costs to YVWD due to location of its plant, and truth checking. He suggested using the term infrastructure instead of facility.

General Manager Davis requested President Jeter for a brief recess to compile and review the questions and comments.

President Jeter adjourned the meeting for a brief recess at 2:10 p.m.

President Jeter reconvened the meeting to open session at 2:20 p.m.


President Jeter requested comments from General Manager Davis. General Manager Davis thanked the members of the public for their input. He stated that not every single comment will be addressed at today's meeting, however each comment will be considered in the final report. General Manager Davis commented on a number of questions/comments. He provided an explanation on the cost allocation that Mr. Granlund questioned. General Manager Davis invited Joe Zoba and Bill Blankenship to meet with him to review how the numbers were achieved and by what method. He also opened the same invitation to anyone that would like to meet with him. He stated that the Board is anxious to consider other funding sources, including bond funds. He agreed that no one should pay twice for the same thing. President Jeter requested comments/questions from the Board.

- Director Dickson – Stated that the Board has been discussing this option for a number of years and that a decision will not be made in haste.
- Director Ball – Had a question on a commercial unit fire flow needs and who would receive the fees on behalf of the Agency.
- Director Melleby – Commented on water bonds and matching funds. She has concerns regarding the implementation procedures.
- Director Ball – Asked a question of the BIA regarding double charging. Bill Blankenship clarified the statement that was made by Nathan Miller pertaining to double charging.

5. Announcements:

- A. Regular Board Meeting, April 6, 2015 at 1:30 p.m.
- B. Engineering Workshop, April 13, 2015 at 1:30 p.m.
- C. Regular Board Meeting, April 20, 2015 at 1:30 p.m.

6. **Adjournment:** *President Jeter adjourned the meeting at 2:30 p.m.*



Jeffrey W. Davis, Secretary to the Board
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