PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

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January 21, 2020

TO: ELECTED OFFICIALS AND GENERAL PUBLIC

RE: PALMDALE WATER DISTRICT CAPITAL IMPACT FEE STRUCTURE AND POLICIES

On behalf of the residents and business owners within its boundaries, Palmdale Water District acts to obtain water supplies which it treats and delivers for domestic, irrigation, and fire protection. Both existing and future water infrastructure is needed to make this feasible. Existing customers support the maintenance activities and regulatory improvements for existing facilities through water rates. Future water supply and facilities required to serve new customers are funded by the new customers through the Capital Impact Fee (CIF).

The Capital Impact Fee has two components: infrastructure and water supply. It is based on the District's infrastructure master plan, currently the 2016 Water System Master Plan (2016 Master Plan) and the Strategic Water Resources Plan. The "2016 Master Plan Recommended Improvements" show the facilities funded by the CIF and the construction funds needed. Master plans are typically updated every five (5) years with a ten (10) year planning horizon. The 2016 Master Plan and Strategic Water Resources Plan can both be found on the District's website at www.palmdalewater.org. The CIF is updated annually based on any changes in inflation, construction costs, and completed projects.

The District's water system is divided into a main zone, which benefits all customers within the District, and several service zones based on elevation. The CIF in a service zone is based on the costs, which include District-wide facilities and facilities in other zones needed to deliver water to that zone and facilities in that zone. For example, the CIF in a high elevation zone includes facility costs in that zone, a portion of the facility costs in the lower zone(s) that are needed to move water up to it, and a contribution to system-wide projects like the water treatment plant or Littlerock Dam. The costs are then divided among the projected new services in the zone. Capital Impact Fees for new connections are established in relation to the benefits received from the new facilities and the projected growth in each service zone to account for the required water supply to support the new development.

Below is a brief explanation of the CIF for each type of development. Fire impact of the CIF is determined by fire flow requirements established by the Los Angeles County Fire Department for all below-mentioned types of development.

- **Single Family Residential Developments:**

CIF for single family residence developments is determined based on the total number of lots being served multiplied by the total Capital Impact Fees (**Table 1, Enclosure A**) in the subject service zone. The enclosed calculations are shown in **Figure 1, Enclosure A**.

- **Multifamily Residential Developments:**

CIF for domestic water demand for multifamily residential developments is established by the greater between one-half the total number of units in a multifamily residential development or the ratio of the requested metered water service connection(s) to a ¾-inch water service connection, whichever is greater. The enclosed calculations are shown on **Figure 2, Enclosure A**.

- **Commercial Projects:**

CIF for commercial/industrial developments for domestic services require a calculated forecasted demand in AFY, to be determined by the development's project engineer then reviewed and approved by the District. CIF for irrigation needs will be determined by the finalized landscaping plans, which identify the quantity and size of the service(s) and the Maximum Applied Water Allowance (MAWA) calculations prepared by a licensed landscape architect. The enclosed calculations are shown in **Figure 3, Enclosure A**.

Very truly yours,

SCOTT ROGERS
Engineering/Grant Manager

SR/cmv

Enclosures: Enclosure A **Table 1** – Capital Impact Fees by Zone
Figure 1 – Single Family Residential Capital Impact Fee Calculations
Figure 2 – Multifamily Residential Capital Impact Fee Calculations
Figure 3 – Commercial Capital Impact Fee Calculations

ENCLOSURE A

CAPITAL IMPACT FEE

1. *Capital Improvement Fee per Article 10.07C:*

Table 1

CAPITAL IMPACT FEE (EFFECTIVE FEBRUARY 1, 2020-DECEMBER 31, 2020) (PER SINGLE-FAMILY DWELLING UNIT) (FEES BASED ON JULY 2018 COSTS)			
SERVICE ZONE	PROPOSED		
	INFRASTRUCTURE ($/EDU)	WATER SUPPLY ($/SFDU)	TOTAL
2800' & 2850'	$3,541	$8,128	$11,669
2950' & 3000'	$9,816	$8,196	$18,012
3200' & 3250'	$12,028	$7,852	$19,880
3400' & 3600'+	$14,316	$7,852	$22,168
CAPITAL IMPACT FEE (EFFECTIVE FEBRUARY 1, 2020-DECEMBER 31, 2020) (COMMERCIAL /INDUSTRIAL) (FEES BASED ON JULY 2018 COSTS)			
SERVICE ZONE	PROPOSED		
	INFRASTRUCTURE ($/EDU)	WATER SUPPLY ($/AFY)	TOTAL
2800' & 2850'	$3,541	$12,234	BASED ON EDU'S & AFY
2950' & 3000'	$9,816	$12,234	
3200' & 3250'	$12,028	$12,234	
3400' & 3600' +	$14,316	$12,234	

Subsequent updates to the Capital Impact Fee (CIF) will modify the fees shown in Table 1, plus a percentage increase based on the published Construction Cost Index (CCI) from data provided by Engineering-News Record (ENR). The frequency of updates will depend on the growth in water demands in the District service areas, the CIF collected and the need for additional facilities.

Once the modified Capital Infrastructure Fee and Water Supply Fee is in place, the District will segregate the revenues derived from said fees and hold and

account for them as specified in Government Code Sections 66001 and 66006. The revenue generated by these CIF fees will only be used on water supply acquisitions and projects associated with new water supply related to new development.

2. *Commercial/Industrial, Multifamily Residential, and Single Family Residential Developments per Article 10.07:*

For all projects proposing new water service connections, including domestic, irrigation, or fire protection, or projects with no new connections but conditioned with fire flow demands which exceed the original project demands, the capital improvement fees for commercial/industrial, multifamily residential, and single family residential developments shall be calculated as follows:

The capital impact fee shall be calculated by adding the fire flow demand based on the ratio of fire flow requirements above and beyond that required for a single family residence, 1,250 gpm for 2 hours, and the domestic water demand. The result of these two components represent the total number of equivalent dwelling units of the development. It is then multiplied by the infrastructure portion of the capital impact fee in the subject water service zone as shown in Table 1.

The CIF for single family residential developments is determined by the total number of single family lots multiplied by the total capital impact fees in the subject zone as shown in Table 1.

The CIF for multifamily residential developments is established as one-half the total number of units in a multifamily residential development or the ratio of the requested metered water service connection(s) to a ¾" water service connection, whichever is greater, multiplied by the total capital impact fees in the subject zone as shown in Table 1.

The CIF for commercial/industrial is determined by multiplying the forecasted annual demand, in acre-feet per year, by the water supply portion of capital impact fees in the subject water service zone as shown in Table 1 and adding the size ratio of the requested metered water service connection(s) to a ¾" water service multiplied by the capital impact fees in the subject water service zone as shown in Table 1.

The water demand for requested water service connections with no fire flow requirements, such as irrigation services, is established as the ratio of the requested metered water service connection(s) to a ¾" water service connection multiplied by infrastructure portion of the capital impact fee. There will be no fire flow demand included for these water service connections.

3. *Calculations*

Definition of Formulae Terms

AFY	=	Acre Feet Per Year
C.I.F.	=	Capital Improvement Fee
DSD	=	Domestic Service Diameter
ISD	=	Irrigation Service Diameter
MFU	=	Multifamily Residential Units
EDU	=	Equivalent Dwelling Units
DOM	=	Domestic Demand in AFY
IRR	=	Irrigation Demand in AFY
X	=	Infrastructure C.I.F. in the Subject Zone
Y	=	Water Supply C.I.F. in the Subject Zone
Z	=	Total C.I.F. in the Subject Zone
PFFD	=	New Public Fire Flow Demand = (GPM)(HR)
OSFFD=		New On-Site Fire Flow Demand = (GPM)(HR)
pffd	=	Previous Public Fire Flow Demand = (GPM)(HR)
osffd	=	Old On-Site Fire Flow Demand = (GPM)(HR)

The following formulae summarize the procedure for single family residential, multifamily residential, commercial/industrial, and developments:

Single Family Residential Development CIF Calculation

$$CIF = \left(\frac{PFDD \times 2}{1250 \times 2} + \sum_{ISD=0}^{\infty} \frac{ISD^2}{0.75^2}\right) \times X + SF \times Z$$

Multifamily Residential Development CIF Calculation

$$CIF = \left(\frac{(PFDD + OSFFD) - (pffd + osffd)}{1250 \times 2} + \sum_{ISD=0}^{\infty} \frac{ISD^2}{0.75^2}\right) \times X + MFU \times 0.5 \times Z$$

or

$$CIF = \left(\frac{(PFDD + OSFFD) - (pffd + osffd)}{1250 \times 2} + \sum_{ISD=0}^{\infty} \frac{ISD^2}{0.75^2}\right) \times X + \left(\frac{DSD^2}{0.75^2}\right) \times Z$$

Commercial/Industrial

$$CIF = (DOM + IRR) \times Y$$

and

$$CIF = \left(\frac{(PFDD + OSFFD) - (pffd + osffd)}{1250 \times 2} + \sum_{DSD=0}^{\infty} \frac{DSD^2}{0.75^2} + \sum_{ISD=0}^{\infty} \frac{ISD^2}{0.75^2} \right) \times X$$

Below are some examples of potential CIF costs for three scenarios:

Figure 1 -Single Family Residential CIF Calculations:

If a single family residential development in the 2800' Zone has a public fire flow requirement of 1,250 gpm for 2 hours, no irrigation services, and 100 single family residential lots, the capital impact fee would be calculated as follows:

$$CIF = \left(\frac{1250 \times 2}{1250 \times 2} + \frac{0^2}{0.75^2} \right) \times (\$3{,}541) + 100 \times \$11{,}669$$

C.I.F. = $3,541 + $1,166,900 = $1,170,441

Figure 2 - MultiFamily Residential CIF Calculations:

If a multifamily residential development in the 2800' Zone has a 100 units, 1-inch irrigation service, public fire flow requirement of 2,500 gpm for 2 hours, an on-site fire flow requirement of 1,250 gpm for 2 hours, and the development had no previous public or on-site fire flow demands, the capital impact fee would be calculated as follows:

$$CIF = \left(\frac{(2{,}500 \times 2 + 1{,}250 \times 2) - (0 + 0)}{1250 \times 2} + \frac{1^2}{0.75^2} \right) \times \$3{,}541 + 100 \times 0.5 \times \$11{,}669$$

C.I.F. = (4.78)($3,541) + 583,450 = $594,073

Figure 3 – Commercial/Industrial CIF Calculations:

If a commercial/industrial development in the 2800' Zone has a public fire flow requirement of 2,500 gpm for 2 hours, an on-site fire flow requirement of 1,250 gpm for 2 hours, and a 2-inch domestic service with a forecasted demand of 5 acre feet per year, a 1-inch irrigation service with a MAWA demand of 4 acre feet per year, and the development had no previous public or on-site fire flow demands, the capital impact fee would be calculated as follows:

Water Supply

$$CIF = (5 + 4) \times \$12{,}234 = \$110{,}106$$

Infrastructure

$$CIF = \left(\frac{(2{,}500 \times 2 + 1{,}250 \times 2) - (0 + 0)}{1250 \times 2} + \frac{2^2}{0.75^2} + \frac{1^2}{0.75^2}\right) \times \$3{,}541$$

$$(3.00 + 7.11 + 1.78) \times \$3{,}541 = \$42{,}102.49$$

Total
C.I.F = $110,106 + $42,102.49 = $152,208.49

Figure 4 – Additional CIF Calculations:

If a 1.5-inch irrigation service is requested in the 2800' zone with a MAWA demand of 4-acre feet per year, the capital impact fee would be calculated as follows:

Water Supply
C.I.F = (4AFY) (12,234) = $48,936

Infrastructure

$$CIF = \left(\frac{1.5^2}{0.75^2}\right) \times \$3{,}541$$

= 4.00 × $3,541 = $14,164

Total
C.I.F = $48,936 + $14,164 = $63,100

If an existing commercial/industrial, multifamily residential or single family residential development in the 2800 zone is conditioned with a new public fire flow requirement which has been increased or upgraded to 2,500 gpm for 2 hours from 1,250 gpm for 2 hours but having no new or upgraded service connection, the capital impact fee would be calculated as follows:

$$CIF = \left(\frac{(2{,}500 \times 2) - (1{,}250 \times 2)}{1250 \times 2}\right) \times \$3{,}541$$

C.I.F. = (1.00) × $3,541 = $3,541

4. *Reactivation of Inactive Service.*

1) Reactivation of Inactive Service Connection with Same Size Connection or Smaller Connection – Capital Improvement Fee Previously Paid: In the event an inactive service connection (i.e., a service connection that has not received water service from the District for over 5 years) that previously paid a Capital Improvement Fee to the

District desires to reactivate service with the same size service connection as initially installed, or a smaller size connection, that service connection shall pay to the District the current Capital Improvement Fee for that size connection, as determined in accordance with the formula set forth in this Appendix H, less a credit in the amount of the Capital Improvement Fee previously paid with respect to that service connection; provided, however, that if a smaller connection is requested, in no event shall that service connection be entitled to a refund of any portion of the previously paid Capital Improvement Fee.

2) Reactivation of Inactive Service Connection With Larger Connection – Capital Improvement Fee Previously Paid for Existing Size Connection: In the event an inactive service connection, as defined in Paragraph 1), above, that previously paid a Capital Improvement Fee to the District desires to reactivate service with a larger size connection than initially installed, that service connection shall pay to the District the current Capital Improvement Fee for that larger connection, as determined in accordance with the formula set forth in this Appendix H, less a credit in the amount of the Capital Improvement Fee previously paid with respect to that service connection.

3) Reactivation of Inactive Service Connection – Capital Improvement Fee Not Previously Paid: In the event an inactive service connection, as defined in Paragraph 1), above, desires to reactivate service, but no Capital Improvement Fee has ever been paid to the District with respect to that service connection, that service connection shall pay to the District the current Capital Improvement Fee for the size connection being reactivated.

4) Payment of Additional Capital Improvement Fees: Pursuant to Rule 10.11 of these Rules and Regulations, the District shall not be obligated to provide service to any service connection until any supplemental Capital Improvement Fees payable under subparagraphs 1 through 3, above, have been paid in full.