PALMDALE WATER DISTRICT

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March 28, 2013

TO: ELECTED OFFICIALS AND GENERAL PUBLIC

RE: OVERVIEW OF PALMDALE WATER DISTRICT CAPITAL IMPROVEMENT FEE STRUCTURE AND POLICIES

The following is intended to provide an understanding of the District's Capital Improvement Fees (CIF). The first section explains the purpose, basis, and determination of the CIF and attachments provide detailed information. Enclosed is a table entitled "2001 Master Plan Recommended Improvements" showing the facilities funded by the CIF and summarizing the construction funds needed. A copy of the March 28, 2013 informational letter is also enclosed. It contains the current CIF schedule for residential services.

Palmdale Water District acts on behalf of the residents and business owners within its boundaries to obtain, treat, and deliver water for their use and fire protection. Facilities are needed to make this possible. The facilities fall into two general categories: existing and future. Existing customers support the maintenance activities and regulatory improvements for existing facilities through water rates. Future facilities required to serve new customers are funded by the new customers through the Capital Improvement Fee.

The Capital Improvement Fee structure provides construction funds for the facilities needed for safe, reliable water service to new customers. These facilities include new booster stations, water storage reservoirs, water transmission mains, expanding water treatment capabilities and the strengthening of Littlerock Dam. The number, nature, and location of the facilities are determined through a planning study. The study first evaluates the District's existing water treatment and distribution system. The projected number of new services and their water demand are then applied to the system and facilities are identified to meet the additional demands. The impact of constructing and operating the new facilities are examined by preparing an EIR. After the EIR is adopted, construction estimates for the facilities are tabulated and, finally, the CIF is determined. The CIF is then reviewed yearly and adjusted for changes in construction costs and number of new service connections.

The latest such study was the 2001 Water System Master Plan. It evaluated the facilities needed to respond to growth over the following ten years. The facilities include nearly nine miles of large water mains, water tanks totaling 26 million gallons of storage, four new or modified booster stations and a new ten million gallon per day water treatment plant. A complete list of the facilities is provided in the attached table.

Capital Improvement Fees for new connections are established in relation to the benefits received from the new facilities. The District's water distribution system is broken into service zones based on elevation. Each zone has specific facilities and new services associated with it. There are also facilities that benefit the entire District. The CIF in a particular zone is based on the cost of facilities in that zone, District-wide facilities, and facilities in other zones which benefit the zone. For example, the CIF in a high elevation zone includes facility costs in that zone, a portion of the facility costs in lower zones that move water up to it, and a contribution to system-wide projects like a water treatment plant or Littlerock Dam. The costs are then divided among the projected new services in the zone.

The Capital Improvement Fees also reflect the impact or capacity of a new connection to the water distribution system. The CIF in each service zone is established for 3/4" single family residential services in the manner described above. The CIF for tract housing is determined directly from this. The CIF for a larger service is based on the ratio of the service size cross-section area to that of a 3/4" service. For example, the CIF for a 1-1/2" service is four times that of a 3/4" service because the cross-sectional area is four times greater.

New commercial/industrial and multifamily residential connections are also determined based on the impact as compared to a single family connection. This applies to both the larger connections needed and the higher fire flow requirements of the projects. The method of determining the CIF in this manner was first established and used in the District's 1989 Master Plan Update EIR. The District's policy was later modified to reflect the lesser impact from smaller commercial projects. The CIF for commercial/industrial projects can only be determined after fire flow requirements are established by the Los Angeles County Fire Department.

Very truly yours,

Dennis D. LaMoreaux

DENNIS D. LaMOREAUX, General Manager
DDL/dd
Enclosures

2001 MASTER PLAN RECOMMENDED IMPROVEMENTS Description	2012 Costs (ENR index = 10299.55)	2006 Costs (ENR index = 8546.72)	2005 Costs (ENR index = 8299.28)	2004 Costs (ENR index = 7844.00)
A. Entire System				
1. Adjustments preceding 2001	$ 20,591,000	$ 20,591,000	$ 20,591,000	$ 20,591,000
2. 10 mgd Water Treatment Plant Conventional Plant with Ozone Disinfection (WTP) – 47th & Aqueduct	$ 22,519,831	$ 18,687,291	$ 18,146,267	$ 17,150,803
3. 4,000 ft of 20-inch pipe – 47th St. E. from Ditch to Aqueduct – raw water	$ 1,005,740	$ 834,578	$ 810,416	$ 765,958
4. Aqueduct Turn-Out	$ 1,093,194	$ 907,149	$ 880,886	$ 832,563
5. 5 MG Clearwell – New WTP	$ 2,623,669	$ 2,177,160	$ 2,114,128	$ 1,998,152
6. 120 hp booster pump – WTP to 3000 zone	$ 816,253	$ 677,339	$ 657,729	$ 621,647
7. 4,000 ft of 16-inch pipe – 47th St. E. from WTP to Pearblossom Highway	$ 815,442	$ 676,666	$ 657,076	$ 621,030
8. Engineering	$ 291,519	$ 241,907	$ 234,903	$ 222,017
9. Environmental	$ 291,519	$ 241,907	$ 234,903	$ 222,017
Sub-Total for Entire System	$ 50,048,167	$ 45,034,997	$ 44,327,308	$ 43,025,187
B. 2800 Zone				
1. Adjustments preceding 2001	$ (1,479,000)	$ (1,479,000)	$ (1,479,000)	$ (1,479,000)
2. One new well in Lancaster subbasin	$ 1,093,194	$ 907,149	$ 880,886	$ 832,563
3. 4MG Tank – 45th Street Tank site	$ *1,862,336*	$ *1,862,336*	$ 1,691,302	$ 1,598,521
Sub-Total for 2800 zone	$ 1,476,530	$ 1,290,485	$ 1,093,188	$ 952,084
C. 2850 Zone				
1. 4 MG Storage Tank – 50th St. E. & Ave. T-8	$ *2,849,506*	$ *2,849,506*	$ *2,849,506*	$ 1,598,521
2. 4 MG Storage Tank – 50th St. E. & Ave. T-8	$ *1,862,336*	$ *1,862,336*	$ 1,691,302	$ 1,598,521
3. 7,600 feet of 24-inch pipe – 47th St. E and 50th St. E between Ft. Tejon Rd. and Tank Site	$ *1,183,744*	$ *1,183,744*	$ *1,183,744*	$ 1,687,200
4. 120 hp booster pump from 2800 to 2850 zones – 45th St. Tank site	$ *2,252,250*	$ *2,252,250*	$ *2,252,250*	$ 1,764,000
5. 2,300 feet of 24-inch pipe – 45th St. E. from 45th St. Tanks to 50th St. E.	$ *394,581*	$ *394,581*	$ *394,581*	$ 510,800
6. 6,000 feet of 16-inch pipe – Ave. R-12, 55th St. E., and Ave. R-11	$ 1,472,170	$ 1,221,629	$ 1,186,261	$ 1,121,185
7. Four Pearland subbasin new wells	$ 3,498,226	$ *2,902,880*	$ 2,818,837	$ 2,664,202
Sub-Total for 2850 zone	$ 13,512,813	$ 12,666,926	$ 12,376,481	$ 10,944,229
2800 and 2850 Total	$ 14,989,343	$ 13,957,411	$ 13,469,669	$ 11,896,313
D. 2950 Zone				
1. Adjustments preceding 2001	$ 1,225,000	$ 1,225,000	$ 1,225,000	$ 1,225,000
2. 2 MG Storage Tank – Lower El Camino Tank site	$ 1,325,597	$ 1,100,000	$ 916,121	$ 865,865
3. 12-inch PRV at Well No. 20 (3000'-2950')	$ 152,025	$ *126,153*	$ *119,233*	$ 112,692
4. Four Pearland subbasin equip existing cased wells	$ 2,186,392	$ 1,814,301	$ 1,761,774	$ 1,665,127
5. One Pearland subbasin new well	$ 874,558	$ 725,721	$ 704,710	$ 666,051
Sub-Total for 2950 zone	$ 5,763,572	$ 4,991,175	$ 4,726,838	$ 4,534,735
E. 3000 Zone				
No improvements requiring capital expenditures.				
2950 and 3000 Total	$ 5,763,572	$ 4,991,175	$ 4,726,838	$ 4,534,735
F. 3200 Zone				
1. 2 MG Storage Tank –SW ¼, Sec. 11, T5N, R12W, W/o Sierra Hwy.	$ 1,325,597	$ 1,100,000	$ 916,121	$ 865,865
2. 2,900 ft. of 16-inch pipe – between Sierra Hwy & 2 MG Tank to the west	$ 581,215	$ 482,301	$ 468,338	$ 442,646
3. 6,200 ft. of 16-inch pipe – between Well No. 5 and end of item No. 2	$ 1,242,600	$ 1,031,128	$ 1,001,275	$ 946,347
Sub-Total for 3200 zone	$ 3,149,412.00	$ 2,613,429.00	$ 2,385,734	$ 2,254,858
G. 3250 Zone				
1. Adjustments preceding 2001	$ 3,219,000	$ 3,219,000	$ 3,219,000	$ 3,219,000
2. 3 MG Tank – College Park	$ 1,988,395	$ 1,650,000	$ 1,268,477	$ 1,198,891
3. 175 hp booster pump to 3 MG Tank – 47th St. E. Tank site	$ 1,049,469	$ 870,865	$ 845,652	$ 799,261
4. 8,000 ft of 16-inch pipe – Booster station to tank	$ 1,603,352	$ 1,330,485	$ 1,291,966	$ 1,221,092
Sub-Total for 3250 zone	$ 7,860,216	$ 7,070,350	$ 6,625,095	$ 6,438,244
3200 and 3250 Total	$ 11,009,628	$ 9,683,779	$ 9,010,829	$ 8,693,102
H. 3400 Zone				
1. Adjustments preceding 2001	$ 687,000	$ 687,000	$ 687,000	$ 687,000
2. 1 MG storage tank – Upper El Camino Tank site	$ 662,798	$ 550,000	$ 528,533	$ 499,539
3. 2 MG Tank – Mt. Emma Rd.	$ 1,325,597	$ 1,100,000	$ 916,121	$ 865,865
4. 55 hp booster pump to 2 MG Tank – College Park Tank site	$ 481,006	$ 399,146	$ 387,590	$ 366,328
5. 8,700 ft of 16-inch pipe – Booster Station to 2 MG Tank	$ 1,821,992	$ 1,511,916	$ 1,468,144	$ 1,387,605
Sub-Total for 3400 zone	$ 4,978,393	$ 4,248,062	$ 3,987,388	$ 3,806,337
Total Future (10-year CIP)	$ 86,789,103	$ 77,915,424	$ 75,522,032	$ 71,955,674

Notes:

1. Costs include 20% for contingencies and 25% for engineering, administration and legal costs.
2. LA ENR Construction Cost Index of 10299.55 (June, 2012)
3. *2001 Costs were based on 2000 ENR Index
4. Item B3 is constructed and actual cost included
5. Items C1 through C5 are constructed and actual costs included
6. One of Four of the wells is constructed and actual cost included
7. Item D3 is constructed and actual cost is included
8. Costs include adjusted estimates for storage tanks based on recent actual cost unit values

3/12/2013