



Yucaipa Valley Water District

Notice and Agenda of a Board Workshop Tuesday, May 24, 2011 at 4:00 p.m.

MEETING LOCATION: District Administration Building
12770 Second Street, Yucaipa

MEMBERS OF THE BOARD: Director Ian Cuthbertson, Division 1
Director Bruce Granlund, Division 2
Director Jay Bogh, Division 3
Director Lonni Granlund, Division 4
Director Hank Wochholz, Division 5

- I. Call to Order
 - II. Public Comments: At this time, members of the public may address the Board of Directors on matters within its jurisdiction; however, no action or significant discussion may take place on any item not on the agenda. To provide comments on specific agenda items, please complete a speaker's request form and provide that form to the Board Secretary prior to the commencement of the Board meeting.
 - III. Staff Comments
 - IV. Presentations
 - A. Overview of the Adopted Capacity Fee Study for the San Gorgonio Pass Water Agency [[Workshop Memorandum No. 11-074 - Page 3 of 57](#)]
 - B. Overview of the Yucaipa Valley Water District Urban Water Management Plan [[Workshop Memorandum No. 11-075 - Page 43 of 57](#)]
 - V. Development Related Issues
 - A. Pre-Development Agreement for the Construction of Off-Site Water and Sewer Infrastructure related to the Cherry Valley Plaza Shopping Center [[Workshop Memorandum No. 11-076 - Page 44 of 57](#)]
 - VI. Administrative Issues
 - A. Overview of the Draft Operating Budget and Capital Improvement Program for Fiscal Year 2012 [[Workshop Memorandum No. 11-077 - Page 55 of 57](#)]
 - VII. Director Comments
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Any person with a disability who requires accommodation in order to participate in this meeting should telephone Chelsie Fogus at (909) 797-5118, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Materials related to an item on this agenda submitted to the Board of Directors after distribution of the workshop packet are available for public inspection during normal business hours at the District office located at 12770 Second Street, Yucaipa. Meeting material may also be available on the District's website at www.yvwd.dst.ca.us

VIII. Closed Session

- A. Conference with Labor Negotiator (Government Code 54957.6)
District Negotiator: Joseph Zoba, General Manager
Employee Organization: IBEW Local Union 14356 - YVWD Employees Association
- B. Conference with Labor Negotiator (Government Code 54957.6)
District Negotiator: Joseph Zoba, General Manager
Employee Organization: Supervisor Bargaining Unit
- C. Conference with Labor Negotiator (Government Code 54957.6)
District Negotiator: Joseph Zoba, General Manager
Employee Organization: Confidential Employee Bargaining Unit
- D. Conference with Labor Negotiator (Government Code 54957.6)
District Negotiator: Joseph Zoba, General Manager
Employee Organization: Exempt Employee Bargaining Unit
- E. Conference with Labor Negotiator (Government Code 54957.6)
Unrepresented Employee: Joseph Zoba, General Manager

IX. Adjournment



Date: May 24, 2011

Subject: Overview of the Adopted Capacity Fee Study for the San Gorgonio Pass Water Agency

On Monday, May 16, 2011, the Board of Directors of the San Gorgonio Pass Water Agency adopted a Capacity Fee Study (attached) which will serve as the basis for a one-time charge on new development within the service area of the Pass Agency. For the Yucaipa Valley Water District, this fee would potentially be levied on new development in the Calimesa and Riverside County portion of our service area. The proposed capacity fee for new development would include the following components:

Capacity Fee Component	Total Cost Estimate	Cost Allocation to New Development
Banning Pipeline Extension	\$2,410,800	\$1,238,375
Cabazon Pipeline Extension	\$18,228,000	\$9,363,321
Beaumont Basin Recharge Facility	\$3,753,500	\$3,753,500
Beaumont Recharge Land Acquisition	\$3,200,000	\$3,200,000
Cabazon Basin Recharge Facility	\$14,347,000	\$7,369,737
Cabazon Recharge Land Acquisition	\$1,020,000	\$523,951
16 cfs Capacity from SBVMWD	\$30,000,000	\$30,000,000
Total Facility Costs	\$72,959,300	\$55,448,884
Additional Imported Water Purchase (\$/Acre-foot)		\$5,500.00

With the addition of administrative overhead costs, the fee structure applied to new development would be as follows:

- Facility Capacity Charge \$1,055.74 per EDU
- New Imported Water Capacity Charge \$5,527.50 per acre foot

Prior to the adoption of the report, the Building Industry Association of Southern California, Riverside County Chapter provided several objections which included:

- A recommendation to wait for the completion of the Urban Water Management Plans by the local water retailers to obtain updated planning information;
- Contradictions between the Pass Water Agency Urban Water Management Plan and the Capacity Fee Study;
- Reliance on outdated development data;
- Lack of planning for a Cabazon Recharge Basin;
- Failure to recognize existing groundwater recharge basins operated by the Beaumont Cherry Valley Water District;
- Failure to account for conservation and reliability;
- Inappropriate assumptions on the purchase of new imported water sources; and
- Failure to demonstrate a need for additional imported water.

The points raised by the BIA were generally dismissed as a difference of opinion.

Over the past several months, the District staff met with the staff of the San Gorgonio Pass Water Agency to discuss the proposed development fee. From the beginning, the District's primary concern has been the lack of an implementation strategy. To date, there is no plan as to how to implement the development fee, especially related to the dual plumbed homes required by the District.

Furthermore, Section 101-27.1(e) of the San Gorgonio Pass Water Agency Law states:

In making its determination as to how to allocate the costs of the plan or plans within the water service area of the agency, the board of directors shall determine the amount of the facility capacity fee to be imposed for and upon each new connection to the delivery facilities of the retail water distributors that will supply those lands with water. The facility capacity fee shall be fixed and determined at an amount reasonably related to the benefit to the land, when the volume of water to be delivered to the new retail connection is considered. [emphasis added]

The proposed projects included in the adopted capacity fee report fails to establish a reasonable nexus, between the cost of the development fee and the benefit received by future customers within our service area.

The District staff believes it is important for the board members to review and become familiar with the adopted capacity fee study. While no action is requested at this time, the District staff will keep you informed of any further activity related to this issue.

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Acceptance of Nexus Study for Capacity Fee

DATE: May 16, 2011

Summary:

Development of the capacity fee has evolved since work was started in 2009. The initial analysis was based on a total “buildout” scenario that conservatively maximized the location and size of facilities needed to meet the ultimate buildout assumed to be 2050 (a commonly-used planning date). Several factors and events have taken place since the initial work was presented to the Board at workshops in 2009 and 2010. First, the downturn in the economy brought into question the 2050 buildout scenario and whether it would be more fair to use a 2030 planning horizon and defer facilities needed for the 2050 buildout to a later time when more information is developed about the economy.

Second, a lot of valuable information was provided by the water retailers which resulted in the adoption of the December 2010 UWMP. The 2010 UWMP incorporated the water retailers’ water demands and water supplies that apply to their specific regions.

Third, more focus and analysis has been devoted to regional water supply reliability with a strong emphasis on conjunctive use that spreads the beneficial use of the Agency’s imported water supplies to all areas of planned development in the Agency’s service area.

Consequently, the Nexus Study has been adjusted to be consistent with the 2010 UWMP, using 2030 as the planning horizon, and allocating costs of water facilities and new imported water supplies consistent with the beneficial use of imported water between existing users and new development. As a result of these adjustments, the facility capacity fees have been significantly reduced from \$6,962 per EDU in 2009 to \$1,055.74 per EDU for facilities and \$5,527.50 AFY of demand for water, which is

estimated to be \$3,018 for a typical single family dwelling, for a total fee of approximately \$4,073 for an average home.

The Staff recommendation is for the Board to accept the final draft Nexus Study as the first step to implement the fee. Acceptance of the Study will not implement the fee. Staff will begin preparing the documentation for consideration by the Board for adoption of the capacity fee in July 2011.

Background:

David Taussig and Associates (DTA) was hired in 2009 to develop the Nexus Study for a capacity fee. The purpose of the Nexus Study is to ensure that the capacity fee does not exceed the estimated reasonable cost of providing the service for which the fee is imposed and to provide a clear and concise document as a basis for the proposed fee structure. An initial draft Nexus Study was published in December 2009 and presented to the Board. The fee proposed in that study was \$6,962 per EDU.

After receiving input from both water retailers and the building community at that meeting, Staff and DTA developed a second draft Nexus Study. A workshop presentation was made to the Board in September 2010. At that workshop, the Board responded, at the request of Staff, on a number of issues, including changing the analysis from a dwelling unit to per acre-foot basis, using a shorter planning horizon.

In November 2010, another workshop presentation was made to the Board based on input received at the September workshop. The fee proposed at that meeting was developed on an acre-foot basis, which resulted in a fee of \$1,994 per acre-foot (approximately \$1,627 for an average single family home). This included meeting demands through 2030, not through ultimate buildout, thus deferring some facilities and water purchases to a later time.

The Board received comments from at least one retail agency that the revised fee did not accurately represent the true cost of constructing facilities and purchasing new water rights for new homes. In effect, the input received was that the fee might be too low because it did not reflect the actual cost of water for each new development.

In light of the comments, the Board directed staff to revise the Nexus Study to more accurately reflect these concerns.

In January 2011, a revised draft Nexus Study was presented to the Board. The revised fee included two components—a facility component per EDU and a water component per acre-foot of water use. The revised Study recommended that retail agencies make the decision as to how much additional water would be required for each new development approved, in accord with input received at the previous Board workshop. This approach resulted in a facility fee of \$1,618 per EDU and \$5,528 per acre-foot for new water rights. This represented a fee of approximately \$4,035 for an average home. Comments on this draft report centered on uniform fairness to all developers in the Agency's service area depending on the water demand of each development.

Since that time, Staff and DTA have prepared a final draft Nexus Study that incorporates input from stakeholders and that is as fair as possible to all parties.

Detailed Report:

This draft report differs from the previous draft in two key substantive areas.

First, the current and projected demands have been revised to reflect the current and projected demands in the Agency's Urban Water Management Plan. The previous water demands were based on a Webb study prepared before there was a UWMP. Once the UWMP was developed and published which incorporated retailers' information, it became the key document for defining water demands in the service area and, hence, became appropriate to use in the Nexus Study. Since the UWMP projected water demands differ from the water demands used in the previous Study, these changes have an impact on the capacity fee.

Second, the breakdown of who pays for various components of the backbone water system has been changed. The proposed recharge facility in the Beaumont Basin would be the fourth facility in the Basin (in addition to two existing and one planned recharge facility). Thus, the proposed recharge facility would only be needed if growth continues, and 100% of its cost is assigned to be paid for by the capacity fee (previously, only a portion of this was to be paid for by the fee). The proposed Cabazon Pipeline was previously identified as being 100% paid for through the capacity fee, while the recharge facility in the Cabazon Basin was proposed to be only partially paid for through the fee. Since these two facilities are

inextricably linked, the revised draft study proposes paying the same portion of each of them through the capacity fee (51.37%).

The net result of these changes is that the proposed facility component of the fee has been reduced from approximately \$1,600 per EDU to approximately \$1,055 per EDU.

There are other, less substantive revisions in this final draft. A Definitions section has been added. There have been a number of editorial changes to make the document easier to read and more consistent in its references.

The revised water demands, which now agree with the UWMP, show more EDU's will be constructed over the next 20 years; thus the costs would be spread over more units, lowering the per-unit cost and consequently the fee. It should be noted that the UWMP was developed in close cooperation with retail agencies that had input into the process. The Agency also held a public hearing on the draft UWMP prior to its adoption.

Staff had previously recommended that 100% of the Cabazon Pipeline be funded through the capacity fee, but only a portion of the Cabazon recharge facility be funded through the fee. After a thorough discussion between Staff and Agency consultants, it became clear that this element needed further refinement in the nexus between development and the fee. As a result of this discussion, this draft Nexus Study concludes that the two facilities benefit both existing residents and new development, and therefore recommends that the capacity fee fund only the portion of both the Cabazon pipeline and recharge facility that would benefit new growth, while the remaining portion be paid by current residents.

This revised percentage is proposed because these facilities would in fact benefit existing residents, as they would improve the reliability of the State Water Project by providing additional storage that could be used in wet years. Staff felt that this refinement was fair. Staff is recommending that both the Cabazon Pipeline and the Cabazon Basin be funded 51.37% by new development.

An alternative board action would be to fund both facilities solely through the capacity fee, thus increasing the fee above the amount presented in this Nexus Study.

The proposed fee, as presented in this draft of the Nexus Study, is \$1,055.74 per EDU (equivalent dwelling unit) for the facility component. The water component remains \$5,527.50 per acre-foot for the water component. As explained at the last capacity fee workshop, each local retailer would define how much water is required by each new development, and that decision would set the water component of the fee for that development.

Fiscal Impact:

Acceptance of the Nexus Study in this agenda package would not by itself implement a capacity fee. The Board, once the Nexus Study is accepted, would still have to approve a capacity fee resolution. Such a resolution has other requirements, including public notification. Should the Board accept the Study at this meeting, Staff would begin assembling the documents required to bring the adoption of the fee to the Board within 60 days.

If a capacity fee is adopted by the Board, the Agency would begin negotiating cooperative agreements with retail water agencies and the County to ensure that the fee would be collected by the Agency. Staff is currently working with County staff on such an agreement, and has also worked with retail agencies to develop the basis of an agreement.

Once these steps are completed, including adoption of the cooperative agreements by all parties, the fiscal impact to the Agency would be positive, once development starts up. As fees are collected, they would be set aside to construct the identified facilities or to purchase the identified water rights in order to ensure that future water demands can be met.

If the Board accepts the fee as proposed, the Agency would have to implement a funding mechanism for the portion of the Cabazon Pipeline and recharge facility not funded through the proposed fee. This could include a component in the water rate at some point. It could also include setting aside a portion of the Agency's general fund revenues each year for the specific purpose of constructing the Cabazon facilities in the future.

Recommendation:

Staff recommends that the Board accept the Nexus Study as presented and authorize Staff to begin the process of bringing the adoption of the fee to the Board within 60 days.

DAVID
TAUSSIG
& Associates, Inc.

DRAFT

CAPACITY FEE STUDY
FOR
SAN GORGONIO PASS WATER
AGENCY

MAY 13, 2011

Public Finance
Facilities Planning
Urban Economics

Newport Beach
Riverside
San Francisco
Chicago

**CAPACITY FEE STUDY
FOR
SAN GORGONIO PASS WATER
AGENCY**

MAY 13, 2011

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I. Introduction

The San Geronio Pass Water Agency (“SGPWA”), a State Water Project (“SWP”) Contractor, authorized David Taussig & Associates, Inc. (“DTA”) to prepare a nexus study for proposed capacity fees that the appropriate retail water agencies and/or land use planning agencies would collect from new development on behalf of SGPWA to provide a source of revenue needed to mitigate the regional water related impacts of such new development. This study will meet the requirements of California Government Code Section 66013, and will achieve the following goals related to said Section:

- Ensure that the capacity fee does not exceed the estimated reasonable cost of providing the service for which the fee is imposed; and
- Provide a clear and concise document that will serve as the basis for the proposed fee levels.

A capacity fee is a one-time charge imposed by a local agency on new development to recover the estimated reasonable cost of providing water to the person or property being charged for new or acquired capital facilities, land, water rights or entitlements and capacity contracts with other purveyors. SGPWA is authorized, pursuant to Section 27.1 of the San Geronio Pass Water Agency Law (“Section 27.1”), to establish and impose a facility capacity fee. Further discussion of the legal parameters imposed on facility capacity fees can be found in Appendix A.

Pursuant to Section 27.1, SGPWA may impose a facility capacity fee, which is in the nature of a connection fee, for the right to make new retail connection to the water distribution system of any retail water distributor that is located within the boundaries of the SGPWA and that obtains all or any portion of its water supplies from SGPWA. The Board of Directors of the SGPWA may contract with the counties in which SGPWA is located, or with cities located within the boundaries of SGPWA, for the collection of the facility capacity fee along with building permit fees or other fees related to the improvement of property, or may contract for the collection of the facility capacity fee by the retail water distributors. At the time of the preparation of this study, SGPWA is in discussions with member water retailers and the County of Riverside regarding the implementation of the capacity fee program. SGPWA water made available through facilities built, and/or water rights acquired, with capacity fee revenue will be sold to retail water distributors who in turn serve this SGPWA water to new water users.

This study and the resulting fee structure will focus on the use of the SGPWA capacity fee to fund (1) pipelines to provide additional water conveyance capacity, (2) purchase of capacity in existing pipeline systems owned by others, (3) additional basin recharge projects for underground water storage in both the Beaumont and Cabazon groundwater basins, including land purchases associated with such basin facilities, and (4) purchase of new water and/or water rights to meet future water demand. The underlying principal that supports the identification and allocation of costs to new development for these facilities is that they are components of a Backbone Water System that distributes the benefit of access to imported water supplies through conjunctive use during times of shortage. This is more fully discussed in Section V, “Facility Capacity Fee Component”.

The capacity fee will consist of two components:

- a **facility capacity fee** component that will fund the facilities identified in items (1), (2), and (3) above; and
- a **water capacity fee** component that will fund the purchase of new water and/or water rights, as identified in item (4) above.

The facility capacity fee will be charged to all new development within the SGPWA service area (except the Morongo Tribal Land as discussed in Section IV, “Demographics”) and is designed to fund the cost of facilities needed to meet the anticipated needs of such new development through the year 2030. The steps followed in calculating the facility capacity fee include:

- **Demographic Assumptions:** Identify future development through 2030 that represents the increased demand for facilities. The demographic assumptions are discussed in Section IV, “Demographics.”
- **Facility Needs and Costs:** Identify the public facilities required to support the new development through 2030 and the costs of such facilities. The needs list and estimate of costs are presented in Section V.1, “Facility Costs.”
- **Cost Allocation:** Allocate costs per equivalent dwelling unit (“EDU”) based on expected water usage. A discussion of existing and future EDUs is included in Section V.2, “Methodology.”
- **Fee Schedule:** Calculate the fee per residential unit or per non-residential square foot based on weighted average water usage factors, providing a uniform fee structure for the SGPWA service area. The resulting facility fee structure is presented in Section V.3, “Fee Structure.”

The water capacity fee component will be charged to new development based upon the amount of new water capacity needed to serve such development. The calculation of the water capacity fee component is discussed in Section VI, “Water Capacity Fee Component.”

It is important to note that all new development will be required to pay the facility capacity fee component regardless of the amount of the water capacity fee component paid. This revenue is necessary for SGPWA to build the Backbone Water System that is needed to provide reliable water deliveries to all water retailers.

It is expected that the SGPWA will review both the facility capacity fee component and water capacity fee component at reasonable intervals to incorporate changes in prices, facility requirements, water demands and demographics in order to ensure that the capacity fees are allocated fairly and continue to generate sufficient revenues.

The capacity fee program will work in conjunction with SGPWA’s other sources of revenue to play a part in a coordinated financing plan that provides a balance of rates and charges needed to fund current and future costs of service. For instance, the current commodity rate structure – the amount charged for actual water deliveries – includes an allocation to partially fund the purchase of new water needed to enhance the reliability of water deliveries for existing development. Thus the commodity rates will work in conjunction with capacity fee revenues to fund the purchase of new water rights over time that are needed to provide an ongoing reliable water source for both new and existing development.

II. Definitions

The following key defined terms are used throughout this report.

Acre-foot (“AF”) – a volumetric unit of measurement commonly used for water supply purposes. It is the amount of water required to cover one acre of land one foot deep, one acre being equal to 43,560 square feet. For illustrative purposes, it is the amount of water required to cover a football playing field, including end zones, 9 inches deep.

AFY – Acre-feet per year. A unit of measurement commonly used for large scale water supply purposes to represent flow, or volume of water over a period of time.

Backbone Water System – the interconnected system of pipelines, basins, pumps and other storage and conveyance facilities required in order to deliver water to retail water purveyors within the SGPWA service area on a reliable basis, as discussed in more detail in Section V. The revenue from facility capacity fees recommended in this study will partially finance the following Backbone Water System components: Banning Pipeline Extension; Cabazon Pipeline Extension; Beaumont Basin; Cabazon Basin; additional capacity in the SBVMWD water conveyance system; and land acquisition costs for the Beaumont Basin and the Cabazon Basin.

BSU - the Beaumont Storage Unit, an adjudicated groundwater basin underlying a portion of the SGPWA service area.

Build Out or Build Out Condition – The state of development within the SGPWA service area in which there are no longer any undeveloped parcels or lots identified as residential or non residential uses on approved local land use plans from which capacity fees can be collected.

Capacity Fee – a one-time charge imposed by a local water agency on new development to fund or to recover the estimated reasonable cost of providing water to the person or property being charged.

Conjunctive Use – the interactive use of SWP supplemental water and local groundwater for potable water deliveries. The recharge of groundwater basins with SWP and local surface water during years of surplus and the pumping of stored groundwater to augment SWP allocations during years of deficit assist SGPWA in providing potable water deliveries on a reliable basis.

DWR - State of California (“State”) Department of Water Resources, the agency that contracts on behalf of the State with SGPWA to deliver water through the SWP under the terms of “Contract Between the State of California Department of Water Resources and San Geronio Pass Water Agency, For Water Supply.”

EDU Factor – the ratio of the water demand for a unit of a given land use to the baseline water demand for a single family residential unit.

Equivalent Dwelling Unit (“EDU”) – for given land uses, a method of comparison of that land use to a baseline land use, using a common demand variable. For the purposes of this study the demand variable used is water demand and the baseline land use is a single family residential unit.

Floor Area Ratio (“FAR”) –the ratio of useable non-residential building square feet to the area, in square feet, of the property within whose boundaries the building resides. For the purposes of this study a FAR of 0.40 for commercial/retail uses and an FAR of 0.20 for industrial uses was assumed, these ratios being common industry norms and generally accepted where site specific local investigations related to non-residential densities do not exist.

KSF – the unit of measurement used for non-residential building size equal to one thousand square feet.

State Water Project (“SWP”) – the system of dams, reservoirs, channels, pipelines, pumping stations, delivery structures and all other conveyance systems whose purpose is to convey and deliver water from the Sacramento-San Joaquin Delta to the various water contractors, including SGPWA. Specific to SGPWA such deliveries are in accordance with the terms of “Contract Between the State of California Department of Water Resources and San Gorgonio Pass Water Agency, For Water Supply.”

Table A Water - The total annual amount of SWP water, entitled by DWR to SGPWA under the terms of “Contract Between the State of California Department of Water Resources and San Gorgonio Pass Water Agency, For Water Supply”, Amendment No. 18 dated December 26, 2007. Table A of that contract, as amended by Amendment No. 18, indicates that the current maximum annual entitlement to SGPWA is 17,300 Acre-feet.

Water Use Factor (“WUF”) – a measure of average water demand for a given land use within a given area, expressed as Acre-feet per year per acre (AFY/acre).

III. Background

In 1961 SGPWA was formed pursuant to Chapter 101 of the California Water Code Appendix as a result of the approval by the voters of California of the Burns-Porter Act, which authorized the financing and construction of the SWP. SGPWA entered into a contract with the Department of Water Resources (“DWR”) in 1962 for Table A Water capacity in the SWP, which is currently 17,300 acre-ft per year (“AFY”), to bring supplemental water to the SGPWA service area. The SWP system originates at Oroville Reservoir in Northern California and water is delivered through a series of dams, pipelines, rivers, Sacramento Delta canals, sloughs, reservoirs and pumping stations to the SGPWA turnout at Devil Canyon in San Bernardino County. From that point it is delivered by pipeline, pump stations and reservoir to the SGPWA SWP terminus at Cherry Valley, in Northern Riverside County. The Supplemental Water Supply Planning Study (“Water Supply Study”) by Albert A. Webb Associates (“Webb Associates”)¹ describes in detail the existing and proposed conveyance systems from Devil Canyon into the SGPWA service area.

The primary source of local water supply to the SGPWA service area at the present time is natural surface runoff and groundwater basins. The major groundwater basin is the Beaumont Storage Unit (“BSU”), which serves the City of Beaumont through the Beaumont-Cherry Valley Water District (“BCVWD”), the City of Calimesa and the community of Yucaipa through the Yucaipa Valley Water District (“YVWD”), the City of Banning and the South Mesa Water Company (“SMWC”). The BSU was determined by the Riverside Superior Court in 2004 to be in overdraft and a watermaster was appointed to manage the BSU through controlled overdraft (temporary surplus) through 2013.² The Beaumont Basin Adjudication is an official document of the State of California, on file with the Riverside County Superior Court as Case No. RIC 389197, and on file with SGPWA.

A detailed discussion of various issues relating to imported water deliveries, basin storage, and water reliability is set forth in Appendix B “Detailed Background.”

Increased demand from new growth and decreasing reliability will continue to exert pressure on the ability of SGPWA to deliver wholesale water on a reliable basis. Revenue from the proposed SGPWA capacity fee program is necessary to provide reliable water supplies to new development by helping fund new capacity in delivery pipelines, new recharge basins, related land acquisitions and the purchase of new water rights. These investments are necessary to continue to provide the same level of service and reliability to retail customers over time. No revenues from this capacity fee program will be used to fund the correction of existing deficiencies in the system.

¹ Supplemental Water Supply Planning Study, Albert A. Webb and Associates, October 2009, prepared for SGPWA.

² See also, San Geronio Pass Water Agency Report on Water Conditions (Reporting Period 2006-2007), dated December 2008.

IV. Demographics

The SGPWA boundary includes the area within the Cities of Banning, Beaumont, and Calimesa, the communities of Cabazon, Cherry Valley, and Poppet Flat, the Morongo Indian Reservation, and other portions of the unincorporated area of Riverside County (“County”). A small area of undeveloped land within the service area at the headwaters of the Whitewater River extends into San Bernardino County. Water is provided or is planned to be provided to retail customers by various retail water agencies, including the City of Banning, Beaumont Cherry Valley Water District, Cabazon Water District, South Mesa Water Company, Banning Heights Mutual Water Company, High Valleys Water District, and Yucaipa Valley Water District. Note that, for purposes of this study, any property designated as Morongo Tribal Land has been excluded from our analysis because the Morongo Band of Mission Indians is a sovereign nation and as such has chosen not to participate in the SGPWA system. Property within the Morongo Tribal lands will not be subject to the capacity fee. Therefore, the demographics analysis as described below reflects the property located within the three cities mentioned above and the unincorporated area excluding the Morongo Tribal Land.

For purposes of this study, David Taussig & Associates, Inc. (“DTA”) categorized developed residential land uses as Single Family Residential and Multi-Family Residential units. Single Family Residential units include detached and attached residential units, while Multi-Family Residential units include those units with two or more living units on one Assessor’s parcel as well as mobile homes. Developed non-residential land uses are categorized as Commercial/Retail or Industrial.

As part of this study, DTA estimated the amount of existing development within the SGPWA service area by reviewing data from various local, state and federal sources, SGPWA’s 2010 Urban Water Management Plan³ (“UWMP”) prepared by CDM, and a study by Webb Associates that provided an exhaustive research of zoning and development activity within the service area. A discussion of existing demographics is found in Section IV.1 below. DTA also estimated the amount of future development through 2030 based on data included in the UWMP, along with supporting documentation from its various sources. A discussion of future development projections is found in Section IV.2 below.

Demographic projections based on trends observed from the various federal, state and local sources, and exhaustive research of local zoning and development activity within the service area are valid and reliable to the extent that socio-economic patterns can be accurately predicted. Clearly the same can be said of the data regarding residential units and non residential population growth provided in the UWMP. Because the UWMP is the adopted planning document for the service area, it is essential that the recommended rate structure be constructed from the same base demographic assumptions from which the area-wide planning document is developed. For consistency and fairness, this report uses demographic data provided in the UWMP as the core demographic data in this analysis.

³ 2010 Urban Water Management Plan for the San Gorgonio Pass Water Agency, CDM, December 2010. The 2010 Urban Water Management Plan was adopted by resolution of the SGPWA Board of Directors in December 2010, is an official document of SGPWA, and is on file with SGPWA. It is available on the SGPWA website and upon request of the SGPWA staff.

In order to match up capacity of facilities and demographics for a specific year in the future, the year 2030 was determined to present a reasonable horizon to achieve funding and construction goals. The SGPWA Board of Directors was presented with a range of reasonable options and directed that the facility sizing and the facility capacity fees be based on growth through the year 2030. In order to maintain consistency with the UWMP, housing unit data presented in the UWMP is used as a residential demographic basis, and employed population data presented in the UWMP was utilized to estimate the amount of non-residential building square feet and used as the basis for non-residential growth through 2030. A detailed discussion regarding the steps necessary to convert this core data into the formats required to calculate the capacity fee is found in Appendix C.

1. Existing Residential Units and Non-Residential Square Feet

Table 1-4 of the UWMP indicates that there were 36,297 housing units in the service area as of 2010. Backup data provided by CDM indicates the allocation of these units between the Cities of Banning, Beaumont, and Calimesa, as well as the unincorporated areas of Riverside County that are in the SGPWA service area. In order to estimate the number of Single Family and Multi-Family dwelling units, DTA used State of California Department of Finance (“DOF”) data that breaks out existing dwelling units by city and by Single Family and Multi-Family categories. These data were used to calculate the percentage split between Single Family and Multi-Family units for each jurisdictional area. These percentages were then applied to the unit counts for the various jurisdictional areas as provide by CDM to determine existing Single Family and Multi-Family units, as shown in Table 1 below:

TABLE 1
Existing Residential Units as of January 1, 2010

Residential Land Use	City of Banning	City of Beaumont	City of Calimesa	Unincorporated Area	Total Residential Units
Single Family	9,927	11,421	2,161	6,201	29,710
Multi-Family	2,281	1,463	1,480	1,363	6,587
Total	12,208	12,884	3,641	7,564	36,297

A more detailed discussion of the analysis used to estimate the number existing residential units can be found in Appendix C.

Table 1-5 of the UWMP indicates that there were 20,270 employees within the service area as of 2010. Backup data provided by CDM indicates the allocation of the employed population between the Cities of Banning, Beaumont, and Calimesa, as well as the unincorporated areas of Riverside County that are in the SGPWA service area. In order to estimate the amount of Commercial/Retail and Industrial building square feet, DTA first allocated the number of employees in each jurisdiction to the appropriate land use based on weighted acreage data from other sources. DTA then applied appropriate square footage

per employee factors from a study by The Natelson Company⁴. The estimated existing non-residential building square feet by jurisdictional agency and by Commercial/Retail and Industrial land uses is shown in Table 2 below:

TABLE 2
Existing Non-Residential Square Feet

Non-Residential Land Use	City of Banning (sq ft)	City of Beaumont (sq ft)	City of Calimesa (sq ft)	Unincorporated Area (sq ft)	Total Non Residential Sq Ft
Commercial/Retail	4,502,050	3,624,128	1,481,505	3,471,228	13,078,912
Industrial	4,231,142	1,981,594	411,725	60,081	6,684,542
Total	8,733,192	5,605,722	1,893,231	3,531,309	19,763,454

A detailed discussion of the analysis used to estimate the amount of existing non-residential square feet can be found in Appendix C.

2. Future Residential and Non-Residential Development

As previously discussed, the SGPWA Board of Directors determined that the appropriate planning horizon for the purposes of implementing a capacity fee would be the year 2030. Although projections for build-out conditions can be found in studies by various other sources, it was felt that the year 2030 provides a period from which a reasonable prediction of new development growth may be estimated. This quantified estimate of growth may then be used to estimate the size and cost of facilities required to mitigate the impacts of this growth.

Webb Associates determined the size, scope and cost of facilities needed to meet the water demands through 2030, consisting of pipeline extensions, recharge basins and purchase of additional capacity in existing water lines. These facilities are shown in Table 5, Section V of this report.

Table 1-4 of the UWMP projects 77,239 total housing units in 2030. Source data from CDM further breaks this total down by jurisdictional agencies. However, the data provided was not broken down by Single Family and Multi-Family uses. As used in Section 1 above existing housing data from DOF was used to determine the split between Single Family and Multi-Family uses. This assumes that the current trends in residential densities will continue through the 2030 planning horizon. A detailed discussion of the analysis used to estimate the number future residential units can be found in Appendix C. Table 3 below summarizes the expected residential units within the study area at year 2030.

⁴ Employment Density Study Summary Report, The Natelson Company, October 2001. See Appendix D.

TABLE 3
Total Residential Units at 2030

Residential Land Use	City of Banning	City of Beaumont	City of Galimesa	Unincorporated Area	Total Residential Units
Single Family	18,846	24,804	5,926	13,196	62,772
Multi-Family	4,331	3,178	4,058	2,900	14,467
Total	23,177	27,982	9,984	16,096	77,239

Total employed population in the service area in 2030 is found in Table 1-5 of the UWMP and is further broken down by jurisdiction in additional data provide by CDM. Employed population was split between Commercial/Retail and Industrial land uses in a manner similar to the method used in Section 1 above for existing non-residential square footage. Projected building square footage was then determined by multiplying the expected employed population for each jurisdiction and each land use by the Natelson employee density factors used in Section 1 above. A detailed discussion of the analysis used to estimate the amount of future non-residential square feet can be found in Appendix C. The estimated future non-residential building square feet by jurisdictional agency and by Commercial/Retail and Industrial land uses is shown in Table 4 below:

TABLE 4
Total Non-Residential Building Square Feet at 2030

Non-Residential Land Use	City of Banning	City of Beaumont	City of Galimesa	Unincorporated Area	Total Building Square Feet
Commercial/Retail	7,959,952	7,773,153	2,839,974	6,667,706	25,240,785
Industrial	7,480,966	4,250,189	789,257	115,406	12,635,818
Total	15,440,918	12,023,342	3,629,232	6,783,113	37,876,604

V. Facility Capacity Fee Component

The estimated reasonable cost to SGPWA of providing water supplies to new development is divided into two components: the facility capacity fee component and the water capacity fee component. This section of the study will address the identification, the cost, the method of cost allocation, and the fee structure for new water facilities.

Section 66013 of the Government Code governs the charge of fees by local agencies on new development within their service areas to pay “for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged.” New public facilities are further defined in Section 66002 as “facilities for the storage, treatment and distribution of non-agricultural water.” The facility capacity fee component recommended in this study will generate a source of revenue to help pay for new water transmission pipelines, purchase of additional capacity in existing transmission pipelines owned by others, new groundwater recharge basins, land purchases for the recharge basins, and purchase of additional water rights for future deliveries.

The Backbone Water System provides a benefit to all lands within SGPWA boundaries by providing access to an imported water supply through the SWP. Each backbone facility provides for delivery of water for groundwater basin replenishment, storage for local use when imported water is in short supply, or direct delivery to retail agencies. Thus, imported water stored in the Beaumont Basin, Cabazon Basin, or any other groundwater basin by SGPWA can be locally used, as part of a conjunctive use program in times of shortage, allowing SGPWA imported water supplies to be beneficially used by water users within the SGPWA service area. The Backbone Water System will provide the central core access to a water supply for lands that would not otherwise have such access during prolonged periods of limited imported water deliveries and during years of surplus. For example, the Beaumont Basin Recharge Facility, Cabazon Basin Recharge Facility, the Banning Pipeline Extension, and the Cabazon Pipeline Extension, more fully described in Section V.1 herein, provide an interconnected system of water delivery to local water agencies that overlie the Cabazon, Beaumont and Banning groundwater basins. The Beaumont Basin Recharge Facility adds recharge capacity to an overdrafted basin in order to provide reliable water supplies to new development. However, the Cabazon Recharge Facility is a new facility that will benefit both new and existing development through expanded capacity for new growth as well as enhanced reliability throughout the SGPWA service area.

A detailed description of the Backbone Water System facilities to be financed as well as supporting maps, tables and figures can be found in the Implementation Plan for Capacity Fee prepared by Webb Associates (“Implementation Plan”)⁵ which is included as Appendix E. Webb Associates also provided a summary of the justification for the projects to be financed by the Facility Capacity Fee and how these projects interact in a service area wide Backbone Water System in a letter report with subject line: “San Gorgonio Pass Water Agency, Summary of Justification for the Agency’s Proposed “Backbone Water System”, (“Backbone Justification Report”)⁶, which is included as Appendix F.

⁵ Albert A. Webb Associates, “Implementation Plan for Capacity Fee, San Gorgonio Pass Water Agency”, October 2010. See Appendix E.

⁶ Albert A. Webb Associates, letter report to Jeff Davis with subject line: San Gorgonio Pass Water Agency, Summary of Justification for the Agency’s Proposed “Backbone Water System”, dated March 2, 2011. See Appendix F.

The fair share allocation of facility costs to new development for the pipelines, additional capacity and recharge basins is based on an equivalent development methodology, discussed in detail in Section V.2, "Methodology" herein.

1. Facility Costs

For purposes of the facility capacity fee calculation, SGPWA decided to include only the facilities expected to be needed through the year 2030 based on projected demands for that year. The facilities to be financed consist of (1) pipelines to provide additional water conveyance capacity, (2) purchase of additional capacity in existing pipeline systems owned by others, and (3) additional basin recharge projects for underground water storage in both the Beaumont and Cabazon basins, including land purchases associated with such basin facilities. Itemized facility costs totaling \$72,959,300 were provided by Webb Associates in the Implementation Plan and by SGPWA.

Banning Pipeline Upsizing - The City of Banning proposes to construct an extension of the DWR East Branch pipeline project. The proposed pipeline is sized at 24 inches in diameter. SGPWA has the opportunity to purchase additional capacity in this line by contributing the cost to upsize the line to 36 inches. The incremental cost, as indicated in the Implementation Plan, is \$2,410,800 .

Cabazon Pipeline Extension – SGPWA proposes to further extend the 36-inch diameter Banning Pipeline from the Pardee Homes terminus to a future recharge basin located at the Robertson's Ready Mix site. The total cost would be born by SGPWA. The estimated cost to extend this pipeline, as indicated in the Implementation Plan, is \$18,228,000 . Such a facility would also provide an opportunity to recharge the Banning Basin.

Beaumont Basin Recharge Facility – SGPWA proposes to construct a 54.53 acre recharge basin at the intersection of Beaumont Avenue and Brookside Avenue for the purpose of capturing SWP water conveyed through the Mountain View Channel. The captured water will be used to recharge the Beaumont Basin, thereby replenishing water used to meet the demands of expected development. The estimated cost to improve the site, not including land purchase costs, as indicated in the Implementation Plan, is \$3,753,500 . This facility will provide additional storage that can be filled in wet years and drawn down in dry years.

The land cost for Beaumont Basin Recharge Facility is estimated to be \$3,200,000 based on the most recent appraisals and on-going negotiations with the current owner for purchase.

Cabazon Basin Recharge Facility – SGPWA proposes to construct a recharge basin at the Robinson's Ready Mix site for the purpose of receiving SWP water. The facility will be used to recharge the groundwater basin with SWP water. The estimated cost to improve the site, not including land purchase costs, as indicated in the Implementation Plan, is \$14,347,000 . This facility will provide additional storage that can be filled in wet years and drawn down in dry years.

The land cost for Cabazon Basin Recharge Facility, as indicated in the Implementation Plan, is estimated to be approximately \$1,020,000 , based on market prices of unimproved land under similar conditions and within the general area.

The East Branch Extension Phase II project by DWR will include pipelines, pump station additions and expansions, and a reservoir that will convey the full 17,300 acre-ft/year allocation (48cfs) of SWP water from Devil Canyon to the SGPWA service area. SGPWA is negotiating with San Bernardino Valley Municipal Water District (“SBVMWD”) for the purchase of an additional 16 cubic feet per second (“cfs”) capacity in the SBVMWD pipeline. This purchase will provide additional capacity rights for SGPWA, increasing its rights from 48 cfs to 64 cfs. It has been determined by SGPWA that the full additional 16 cfs capacity will be needed to meet the demands of expected development. The estimated cost of this capacity, as indicated in the Implementation Plan, is \$30,000,000 .

Table 5 below provides a summary of the list of facilities and the respective estimated costs that will be financed, or partially financed, by the revenue from the facility capacity fee recommended in this study. Maps showing the location of each facility can be found in Appendix E. The Beaumont basin recharge facility and the additional capacity from SBVMWD are required exclusively to serve the needs of new development. However, the Banning pipeline extension, Cabazon pipeline extension and Cabazon recharge facility will also provide a benefit to existing development. Therefore, a portion of the costs of the Cabazon pipeline and recharge facility are allocated to existing development, as more fully described in Section V.2, “Methodology”.

TABLE 5
Needs List and Estimate of Costs

Facility Name	Cost Estimate	% Allocated To New Development	Cost to New Development
Banning Pipeline Extension	\$ 2,410,800	51.37%	\$ 1,238,375
Cabazon Pipeline Extension	\$ 18,228,000	51.37%	\$ 9,363,321
Beaumont Basin Recharge Facility	\$ 3,753,500	100.00%	\$ 3,753,500
Cabazon Basin Recharge Facility	\$ 14,347,000	51.37%	\$ 7,369,737
16 cfs capacity from SBVMWD	\$ 30,000,000	100.00%	\$ 30,000,000
Sub Totals	\$ 68,739,300		\$ 51,724,932
Land	Cost Estimate	% Allocated To New Development	Cost to New Development
Beaumont Basin Recharge Facility	\$ 3,200,000	100.00%	\$ 3,200,000
Cabazon Basin Recharge Facility	\$ 1,020,000	51.37%	\$ 523,951
Sub Totals	\$ 4,220,000		\$ 3,723,951
Total Facility and Land Cost	\$ 72,959,300		\$ 55,448,884
Administrative fee @ 0.50%			\$ 277,244
Grand Total			\$ 55,726,128

An Administrative Cost Component is included in the total cost to be financed in order to cover the costs incurred by SGPWA associated with the administration of the facility capacity fee program. Administrative costs include staff time associated with fee collection, maintenance of trust funds into which the fees are deposited, preparation of annual reports, and negotiation and implementation of agreements between SGPWA and the retail agencies. A budget of 0.50% of the total facility cost is a reasonable number to spread over the next nineteen years of development, amounting to \$277,244. The revenue to fund these activities will be collected as a component of the facility capacity fees collected.

2. Methodology

Facility costs will be allocated by, and facility capacity fees will be based on an Equivalent Dwelling Unit ("EDU") methodology where water demand will serve as the unit of comparison. The water demand for a residential dwelling or one thousand square feet ("KSF") of building floor area is compared as a ratio of that value to the demand for a single family residential unit. This ratio is defined as the EDU factor and is used to calculate the total existing EDUs, as shown in Table 6, and the increase in EDUs through 2030, as shown in Table 7.

For facilities that will be needed only to mitigate the impacts of new development, 100% of the facility cost will be allocated to the various land uses for new development. Where facilities, such as the Banning pipeline, Cabazon pipeline and Cabazon recharge basin, will be needed to mitigate the impacts of new development and also to meet the responsibilities of existing development, such as replenishment of groundwater overdraft, the costs of these facilities will be allocated to both existing and new development based on the percentage of new EDUs to total number of EDUs at year 2030. This percentage is used in Table 5 to allocate shared facility costs to new development.

Table 6 below shows the calculation for total existing EDUs, while Table 7 below shows similar calculations for future EDUs through 2030. Water use factors (“WUF”), in acre-ft of water demand per year (“AFY”) per acre, are shown in column (1) of both tables and the values are taken from Table 1-7 of the Webb Implementation Plan⁷, where the value entered for “Unincorporated Areas and Others” is the average of the values shown for “Riverside County” and “Cabazon Area”. In column (2) of both tables, “Density (DU per acre or FAR)”, the residential densities are assumed to be the higher end of the range given for “Residential Low” and “Residential High” given in Table 1-7 of the Webb Implementation Plan for Single Family and Multi-Family land use designations, respectively. The densities for Commercial/Retail and Industrial categories use floor area ratios (“FARs”) of 0.20 and 0.40 respectively. In column (3) of both tables the unit water use, in AFY per DU for residential uses or AFY per KSF for non-residential uses, for each land use category was then calculated from the values in the columns (1) and (2).

For example, for the City of Banning, Single Family land use for existing development, as shown in Table 6, the WUF shown in column (1) is divided by the density shown in column (2). Thus 2.73 AFY/acre divided by 5 DU per acre equals 0.546 AFY per DU. In a similar manner, for City of Banning, Commercial/Retail land use in Table 6, the WUF shown in column (1) is divided by the density in column (2), the result then divided by the 43.560 KSF per acre conversion factor⁸. Thus 5.76 AFY per acre divided by 0.20, the result then divided by 43.560 KSF per acre equals 0.662 AFY per KSF, as shown in column (3). The EDU factor in column (4) was determined by dividing each unit water use in column (3) by the unit water use for a Single Family dwelling unit in the City of Banning, Beaumont or Calimesa (0.546). For example, the unit water use calculated above for Commercial/Retail use, 0.662 in column (3) is divided by 0.546 for single family also shown in column (3) to produce an EDU factor of 1.21, shown in column (4).

In Table 6, the total existing residential dwelling units or the total existing non-residential building area in KSF shown in column (5) was taken from Tables 1 and 2. For instance, for the City of Banning, Single Family land use, the value of 9,927 DUs corresponds to the same value shown for the City of Banning, Single Family land use in Table 1. The total EDUs for existing development for the various agencies and land uses shown in column (6) were calculated by multiplying the residential dwelling units and commercial/industrial KSF shown in column (5) by the corresponding EDU factors shown in column (4).

⁷ Albert A. Webb Associates, “Implementation Plan for Capacity Fee, San Geronio Pass Water Agency”, October 2010. See Appendix E

⁸ 1 acre = 43,560 square feet, or 43.560 KSF

TABLE 6
EDU Calculation - Existing Development

	(1)	(2)	(3)	(4)	(5)	(6)
Land Use	Water Use Factor (AFY/Ac)	Density (DU per acre or FAR)	Water Use (AFY per DU or KSF)	EDU Factor	DU or KSF	EDU
City of Banning:						
Single Family	2.73	5	0.546	1.00	9,927	9,927
Multi-Family	5.34	20	0.267	0.49	2,281	1,115
Commercial/Retail	5.76	0.20	0.662	1.21	4,502	5,455
Industrial	1.27	0.40	0.073	0.13	4,231	565
Total						17,062
City of Beaumont:						
Single Family	2.73	5	0.546	1.00	11,421	11,421
Multi-Family	5.34	20	0.267	0.49	1,463	715
Commercial/Retail	5.76	0.20	0.662	1.21	3,624	4,392
Industrial	1.27	0.40	0.073	0.13	1,982	265
Total						16,793
City of Calimesa:						
Single Family	2.73	5	0.546	1.00	2,161	2,161
Multi-Family	5.34	20	0.267	0.49	1,480	724
Commercial/Retail	5.76	0.20	0.662	1.21	1,482	1,795
Industrial	1.27	0.40	0.073	0.13	412	55
Total						4,735
Unincorporated Areas & others						
Single Family	2.85	5	0.570	1.04	6,201	6,474
Multi-Family	5.44	20	0.272	0.50	1,363	679
Commercial/Retail	5.79	0.20	0.664	1.22	3,471	4,222
Industrial	1.29	0.40	0.074	0.14	60	8
Total						11,383
Total Existing EDUs =						49,973

The total EDUs for new development shown in Table 7 below are calculated in a similar manner as Table 6 while using future development to 2030. The new development (“growth”) value is the difference between 2030 and existing residential DUs or non-residential square feet from Tables 1 through 4.

TABLE 7
EDU Calculation - New Growth Between 2010 and 2030

	(1)	(2)	(3)	(4)	(5)	(6)
Land Use	Water Use Factor (AFY/Ac)	Density (DU per acre or FAR)	Water Use (AFY per DU or KSF)	EDU Factor	DU or KSF	EDU
City of Banning:						
Single Family	2.73	5	0.546	1.00	8,919	8,919
Multi-Family	5.34	20	0.267	0.49	2,050	1,002
Commercial/Retail	5.76	0.20	0.662	1.21	3,458	4,190
Industrial	1.27	0.40	0.073	0.13	3,250	434
Total						14,545
City of Beaumont:						
Single Family	2.73	5	0.546	1.00	13,383	13,383
Multi-Family	5.34	20	0.267	0.49	1,715	839
Commercial/Retail	5.76	0.20	0.662	1.21	4,149	5,028
Industrial	1.27	0.40	0.073	0.13	2,269	303
Total						19,553
City of Calimesa:						
Single Family	2.73	5	0.546	1.00	3,765	3,765
Multi-Family	5.34	20	0.267	0.49	2,578	1,261
Commercial/Retail	5.76	0.20	0.662	1.21	1,358	1,646
Industrial	1.27	0.40	0.073	0.13	378	50
Total						6,722
Unincorporated Areas & others						
Single Family	2.85	5	0.570	1.04	6,995	7,302
Multi-Family	5.44	20	0.272	0.50	1,537	766
Commercial/Retail	5.79	0.2	0.664	1.22	3,196	3,888
Industrial	1.29	0.4	0.074	0.14	55	8
Total						11,964

Total Future EDUs = 52,784

Based on the numbers shown in Table 6 and Table 7, it is anticipated that in the year 2030 there will be 102,757 EDUs within the SGPWA service area (49,973 existing EDUs plus 52,784 future EDUs). Therefore, the growth through 2030 represents 51.37% of the total development at 2030.

The summary of existing EDUs and growth EDUs at 2030 by land use, is shown below in Table 8, "EDU Summary at 2030":

TABLE 8
EDU Summary at 2030

Land Use	Existing EDUs	New Growth Between 2010 and 2030 EDUs	Total EDUs at 2030
Single Family	29,983	33,369	63,352
Multi-Family	3,233	3,868	7,101
Commercial/ Retail	15,864	14,752	30,616
Industrial	893	795	1,688
Totals	49,973	52,784	102,757
% of Total EDU's at 2030	48.63%	51.37%	100.00%

It is SGPWA’s view that all new growth will benefit equally from the proposed facilities since these facilities will be part of the essential Backbone Water System that benefits and serves the entire SGPWA service area. Further, SGPWA has determined that the Beaumont basin recharge facility and the additional capacity from SBVMWD will be needed solely to mitigate the impacts of new growth. However, since the SGPWA has determined that the Banning pipeline extension, Cabazon pipeline extension and Cabazon recharge facility benefit both existing and new development, these costs are allocated based on the proportionate use of the facilities as determined based upon the total number of EDUs in year 2030.

3. Fee Structure

As indicated in Table 5 in this Section, the estimated total facility cost allocated to new development is \$55,448,884 . This amount is divided by the total EDUs assigned to new development through 2030 to arrive at a cost per EDU of \$1,050.49 . The administrative cost component is calculated in a similar fashion to be \$5.25 per EDU. These unit costs are shown in Table 9 below:

TABLE 9
Facilities Cost Per EDU

Item	Cost	EDUs for New Development	Cost per EDU
New Water Facilities	\$ 55,448,884	52,784	\$ 1,050.49
Administrative Overhead	\$ 277,244	52,784	\$ 5.25
Totals	\$ 55,726,128	52,784	\$ 1,055.74

The proposed facility capacity fee for the respective land uses is determined by multiplying the cost per EDU by the appropriate EDU factor. Because the EDU factors and the WUFs upon which the EDUs are based do not vary appreciably between local service areas, as shown in Table 10, weighted average WUFs were used to calculate uniform SGPWA service area EDU factors. This will result in one fee structure to be used by all water retailers within the service area. Table 10 also shows the method for determining weighted average WUF for each land use. The WUF for each agency is weighted by the ratio of future EDUs for such agency to the total future EDUs. For example the City of Banning has 14,545 future EDUs, which represents 27.56% of the total future EDUs (refer to Table 7, "EDU Calculation – Growth at 2030" for EDU totals). Each land use within a given agency has its own specific WUF, which is multiplied by the weighting ratio specific to that agency (27.56% for the City of Banning). The weighted average WUF for each land use within the SGPWA service area is calculated by summing the weighted average WUF for each agency, by land use, and this value is shown in bold in the extreme right column labeled "Total" in Table 10.

Since EDUs are based on water demand, weighting based on EDUs presents a fair and rational means of determining service area wide EDU factors. For any of the four land use designations, the variation between EDU factors calculated by this weighted average method and the EDU factor determined on an individual retail agency basis, as shown in Table 10, is less than 4%, therefore use of the weighted average is reasonable. The calculation of the weighted average WUF for each land use designation is shown in Table 10 below:

TABLE 10
Weighted Average Water Use Factors

WUF by LandUse	City of Banning	City of Beaumont	City of Calimesa	Unincorporated Areas and Other	Total
Weighting Factors:					
subtotal of EDUs	14,545	19,553	6,722	11,964	52,784
% of total EDUs	27.56%	37.04%	12.73%	22.67%	100.00%
Single Family:					
Water Use Factor ("WUF")	2.73	2.73	2.73	2.85	
Weighted WUF	0.75	1.01	0.35	0.65	2.76
Multi-Family:					
Water Use Factor ("WUF")	5.34	5.34	5.34	5.44	
Weighted WUF	1.47	1.98	0.68	1.23	5.36
Commercial/Retail:					
Water Use Factor ("WUF")	5.76	5.76	5.76	5.79	
Weighted WUF	1.59	2.14	0.73	1.31	5.77
Industrial:					
Water Use Factor ("WUF")	1.27	1.27	1.27	1.29	
Weighted WUF	0.35	0.47	0.16	0.29	1.27

If future data show that water use within the SGPWA service area is significantly different than the WUFs used in this study, it is recommended that SGPWA update the capacity fee study to reflect such changes.

In Table 11 below the weighted average WUFs, the densities, the resulting water uses and EDU factors were used to calculate a uniform fee structure. The calculations to arrive at an EDU factor are similar to the calculations used to arrive at an EDU factor in Table 10. The fee for each of the four land uses was calculated by multiplying the unit facility cost of \$1,050.49 by the service area wide EDU factor. For instance, the facility capacity fee for a multi-family dwelling unit is found by multiplying the unit facility cost by 0.49, the EDU factor.

TABLE 11
Facility Capacity Fee Structure

Land Use	Weighted Ave. WUF (AFY/Ac)	Density (DU per acre or FAR)	Water Use (AFY per DU or KSF)	EDU Factor	Facility Component (\$ Unit or KSF)	Admin Component (\$ per Unit or KSF)	Total Facility Capacity Fee per DU or KSF
Single Family	2.76	5	0.551	1.00	\$ 1,050.49	\$ 5.25	\$ 1,055.74
Multi-Family	5.36	20	0.268	0.49	\$ 513.70	\$ 2.57	\$ 516.27
Commercial/Retail	5.77	0.20	0.662	1.20	\$ 1,272.93	\$ 6.36	\$ 1,279.29
Industrial	1.27	0.40	0.073	0.13	\$ 140.23	\$ 0.70	\$ 140.94

This facility capacity fee structure represents a reasonable charge to new development to pay the estimated reasonable cost of providing reliable water supplies to that development. A comparative study of fees charged by other wholesale agencies was not made since there is no common basis of comparison to provide any meaningful information, as each wholesale agency is unique, with differing customer bases, water sources, funding sources, capital improvement programs, and political environments.

It is recommended that SGPWA include in its fee resolution a provision to automatically increase the facility capacity fee on July 1st of each year, beginning July 1, 2012, by a percentage equal to the change in Construction Cost Index for Los Angeles as published by Engineering News Record for the preceding twelve months. It is also recommended that SGPWA review the facility capacity fee levels at reasonable intervals to incorporate changes in unit prices, facility requirements, water demands and demographics in order to ensure that facility capacity fee cost allocations are reasonable and that collections over time will fund the required facilities. Finally, the facility capacity fee is a requirement of all new development in the SGPWA service area, irrespective of whether a water capacity fee (discussed in Section VI below) is required.

VI. Water Capacity Fee Component

The task of meeting the demands of new growth with scarce water sources is exacerbated by the significant reduction in reliability of imported water deliveries from the SWP due to periodic drought conditions and regulatory cutbacks in allocations. SGPWA will need to purchase new water rights to insure that additional water supplies will be available for purchase in the future as the SGPWA service area experiences new development. As shown in Table D-4 in Appendix C of this report, Webb Associates estimated a total water demand at build-out of over 109,600 AFY. This demand is expected to be in excess of local supplies and existing imported SWP water, with allowances for reduced reliability. This deficit will need to be balanced by new water purchases. The water rights to expected new water sources that are needed to meet the demands of new development must be purchased with funds provided by new development.

TABLE 12
Water Capacity Fee

Item	units	Fee
Fee for New Water Rights	\$ per ac-ft	\$ 5,500.00
Administrative Overhead	\$ per ac-ft	\$ 27.50
Total		\$ 5,527.50

SGPWA has appraisal information (see Appendix G “Water Rights Appraisal”) that supports the cost of additional water rights at \$5,500 per acre-ft. The amount charged to new development as a water capacity fee will be determined based on water demand, on a project by project basis, by SGPWA in cooperation with the permitting agency that has jurisdiction over the project. Administrative overhead is estimated to be 0.50% of the fee revenue, or \$27.50 per acre-ft.

For example, using an annual water use amount of 0.549 AFY as indicated in Table 11, a hypothetical single family dwelling unit would pay a water capacity fee of \$3,034.60 (0.549 AFY x \$5,527.50 per acre-foot).

It is recommended that SGPWA include in its fee resolution a provision to review the water capacity fee on July 1st of each year, beginning July 1, 2012, and adjust the water capacity fee by a reasonable percentage based on the cost of actual water purchases, an updated water rights appraisal, or comparisons of recent purchases of additional water rights by statewide municipalities and special districts over the preceding twelve months.

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May 13, 2011

President John Jeter
Board of Directors
San Gorgonio Pass Water Agency
1210 Beaumont Ave.
Beaumont, CA 92223

Re: Capacity Fee Study Dated May 6, 2011 (Nexus Study for Proposed Facility and Water Capacity Fees)

Dear President Jeter and Honorable Board Members:

We are writing to you today to urge you not to approve the Capacity Fee Study for the proposed capacity fee to be imposed upon new development (Draft dated May 6, 2011, hereinafter "Nexus Study"), which is slated for consideration at the regular board meeting of May 16, 2011. We believe the Nexus Study is fundamentally flawed and must be substantially revised before adoption is considered.

The Building Industry Association of Southern California is a nonprofit trade association representing more than 1,200 member companies involved in planning and building Southern California's communities. Our members are involved in all aspects of construction and green building—from architecture to roofing to landscape design. We are *the* voice of contractors, remodelers and homebuilders in Southern California

Per the San Gorgonio Pass Water Agency ("SGPWA") Law (Cal. Water Code §101-27.1 ("SGPWA Law")) and the California Government Code (Cal. Gov't Code §66001) prior to the Nexus Study being utilized to support a capacity fee such as is discussed in the Nexus Study, the Study must demonstrate a reasonable relationship between the need for the fee and the type of development upon which the fee is to be imposed, a reasonable relationship between the fee's use and the type of development project upon which the fee is to be imposed, a reasonable relationship between the amount of the fee and the cost of the facilities to be constructed attributable to the development upon which the fee is to be imposed, and a reasonable relationship between the amount of the fee and the benefit to the development upon which the fee is imposed. We assert that the Nexus Study fails in most if not all of these areas.

Importantly, to accurately reflect the projected demand by each retail agency and overall within its boundaries, and, accordingly, to reflect the projected need for additional supplies and facilities, if any, the SGPWA should wait to finalize the Nexus Study until all of its retail water providers publish their 2010 Urban Water Management Plans ("UWMPs") in July 2010 (as they are required to do by law). These forthcoming UWMPs will contain updated demand information for each retailer, which will allow the SGPWA to incorporate accurate projections of growth in its jurisdiction based upon recent trends and historical water use in the region. SGPWA presents no justification as to why the Nexus Study should be adopted in advance of, and in the absence of, this updated planning information. And as is presented in greater detail below, the demand information contained in the Nexus Study is dated and flawed. In its current state, the



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Nexus Study, and any future fees relying upon it, are and would be erroneous and defective.

We request that the Nexus Study be revised to address the issues raised below and that the SGPWA not consider adoption of a revised Nexus Study until the study abides by all of the requirements of the SGPWA Law and the California Government Code.

A. Conflicts with SGPWA's Urban Water Management Plan

Although the Nexus Study claims to be consistent with the SGPWA's 2010 UWMP (issued in December 2010) (Nexus Study at 6), fundamentally the Nexus Study conflicts with the UWMP. Although the Nexus Study utilizes demographic data also used in the UWMP, the notion that additional water supply, pipelines and recharge basins are needed in the SGPWA service area is not supported by the UWMP. The following is a non-exclusive list of these contradictions:

- Local sources of water are sufficient to meet 100 percent of current water demands, and retail water agencies plan in the future to increase local sources such that local supplies will be at greater levels than realized during the temporary surplus in the Beaumont Basin. UWMP, at 3-12. With such predicted high levels of local supplies, it is unclear how the Nexus Study can properly justify purchase of additional imported water supplies.
- With the completion of the East Branch Extension Phase II project (already approved, permitted, and expected to be completed by 2013), the SGPWA will have sufficient facilities to convey its full Table A allotment of State Water Project water. UWMP, at 3-18. Furthermore, with an assumed purchase of an additional 16 cubic feet per second ("cfs") of capacity from the San Bernardino Valley Municipal Water District, SGPWA's existing facilities (inclusive of the East Branch Extension Phase II) will be sufficient to meet regional demand through 2035. UWMP, at 3-18. Thus, if the SGPWA will have the pipeline capacity with the completion of the East Branch Extension Phase II to convey all necessary water to meet regional needs through 2035, then the additional Beaumont and Cabazon pipelines and recharge facilities discussed in the Nexus Study lack justification in terms of need.
- Predictions made in the UWMP for average hydrologic conditions, single-dry year conditions, and multiple-dry year conditions do not show any water supply deficits for the years 2025, 2030, or 2035. UWMP, Tables 5-2, 5-3, & 5-4, at 5-3-5-5. Yet, the Nexus Study (and the UWMP in various textual locations) presumes there will be water supply shortages in the future; thereby attempting to justify a massive purchase of additional water supplies, estimated to cost \$30 million. Nexus Study, at 12-13, 20. It is unclear how the SGPWA would rationalize such an enormous expense when there are no apparent deficiencies in water supply according to its own UWMP. Without any clear need for the additional water supplies, purchase of such water supplies as part of the proposed capacity fee would not meet the requirements of either the SGPWA Law or the California Government Code.

B. Flawed Development Data

The Nexus Study significantly overstates future demand for facilities and water supplies by relying on outdated information. As noted above, the Nexus Study should not be finalized or approved without the most recent demand projections available from each of the SGPWA's retail agencies.

By overstating demand, the claims made in the Nexus Study that additional infrastructure and water supplies are needed are also overstated; therefore, costs associated with these unnecessary facilities and water supplies are not reasonable. Additionally, overstating demand skews the proportion of total demand attributed to new development. For example, if current demand is 7X and the SGPWA predicts future demand is 10X, then the Nexus Study allocates 3X/10X or 30% of the costs of all future capital needs to new development. However, if future demand is really only 9X then, assuming additional facilities and water supplies would be necessary, the Nexus Study should only allocate 2/9 or 22.2% of all future capital needs to new development.

The Nexus Study errs on page 6 in its analysis for Demographics. The study states that it is relying upon demographic data used in the SGPWA's 2010 UWMP, which, in turn, acknowledges that demographic data was "developed prior to the recent economic recession." 2010 UWMP, at 1-9. The figures used in the Nexus Study must be updated to reflect the current economic downturn being experienced in the region, state, and nation. Furthermore, the Nexus Study must provide existing and future development figures that have been updated for 2010-2011, as any figures prior to this time are now outdated.

Appendix C of the Nexus Study, entitled "Demographic Background," does not adequately justify 2030 as the "reasonable horizon to achieve funding and construction goals," as stated on page 6 of the Nexus Study. The Nexus Study must include a better explanation as to why the year 2030 is a representative year for build out demand projections.

Many of the problems with the overstated demand in the Nexus Study can be demonstrated by comparison to development data and predictions made relative to the City of Banning—the largest city in the SGPWA's jurisdiction. For example:

- The Nexus Study relies too heavily upon the City of Banning's 2005 Urban Water Management Plan (UWMP). Appendix F of the Nexus Study includes the 2005 Banning UWMP in its entirety as an exhibit. Further, many of the figures in Appendix F appear to derive from the 2005 Banning UWMP, such as projected water demands and current water supplies. The City of Banning's 2005 UWMP was released before the California housing bubble increased foreclosure rates in 2006–2007 in Riverside County, and slowed growth. As a result, actual, realized demand for the period 2005–10 was less than projected.¹ Accordingly, future projections based on the 2005 projections for the City of Banning appearing in the Nexus Study are too high.

¹ See State of California, Natural Resources Agency, Department of Water Resources Form 38, Pu8blic Water System Statistics, as filed by the City of Banning, Calendar Years 2005–10.

- The Nexus Study improperly relies upon outdated residential growth projections without factoring in the economic downturn. From 2006, when the Banning's General Plan was adopted, through 2010, new housing starts in the Riverside/San Bernardino/Ontario metropolitan decreased 83.4%.² In other words, homebuilders are developing less than 17% of the number of homes that they were when the City of Banning's General Plan was adopted. To graphically illustrate this point for the three primary metropolitan areas in the SGPWA's jurisdiction, a graphic and table have been included with this comment letter showing the steep decline in single family residential building permits during the current economic downturn, with first quarter 2011 permits plummeting to extremely low levels, not seen since the mid 1980s.³ The Nexus Study must be revised to account for updated growth data included in each of the water retailers' forthcoming UWMPs.
- The Nexus Study also does not account for differentials in growth rates between the City of Banning and the Cities of Beaumont and Calimesa. The growth rates used in the City of Banning's 2005 UWMP⁴ reflect the higher growth rates experienced in Riverside County and nearby cities such as Beaumont and Calimesa during that period, but do not reflect the lower growth rates within Banning, as explained in Banning's Housing Element of its General Plan.⁵ The Nexus Study must be revised to more accurately reflect the differential in growth rates amongst the water retailers.

The Nexus Study also does not address the revised 2010 federal Census results since the initial draft of the Nexus Study was released; rather, the Nexus Study Appendix C acknowledges that the 2000 census was used to develop the demographic data. Nexus Study, Appx. C., at C-1. These census figures inform existing population figures as well as future population projections and must be examined and included as appropriate in a revised study.

Without updating the figures related to projected growth in and around the City of Banning as well as growth projected in the other areas of the SGPWA's jurisdiction, the demographic projections contained in the Nexus Study will remain fundamentally unsound. As such, the current figures cannot be realistically used to justify any new facilities or new water supplies that are discussed in the Nexus Study. To do so would violate the SGPWA Law and the California Government Code.

² Housing data provided by the California Building Industry Association ("CBIA") (Aug. 16, 2010) ("2010 CBIA Housing Data").

³ Data used to develop the enclosed chart and graphic were provided by the Construction Industry Research Board.

⁴ The City of Banning's 2005 UWMP population estimates for years 2000 to 2030 were based on Southern California Association of Governments' ("SCAG") outdated 2004 Regional Transportation Plan ("RTP") Population Growth Forecast, which is higher than what is projected in Banning's and the Department of Finance's more recent reports. The 2004 SCAG RTP forecasts are indicative of the higher growth rate that the region experienced in 2004.

⁵ The City of Banning 2008-2014 Draft Housing Element of the General Plan (Dec. 2008).

C. Inappropriate Proposal for Groundwater Recharge Facility in Cabazon Basin

The Nexus Study proposes a groundwater recharge facility be built in the Cabazon Basin at a total cost in excess of \$14.3 million, with a pipeline to carry water to this recharge facility proposed at a cost of over \$18.2 million. (Nexus Study, at 13) Placement of a recharge facility in this basin appears to be misguided at best and wasteful at worst. The SGPWA does not appear to have studied the feasibility of a recharge facility in the Cabazon Basin as it acknowledges that the safe yield of the basin is unknown to the SGPWA and no such analysis is reflected in the Nexus Study. SGPWA website at <http://www.sgpwa.com/projects.htm>. Of note is that the Nexus Study presumes the Cabazon Basin is in overdraft without reference to any studies supporting this conclusion. Nexus Study, Appx. E, at 2-4. Furthermore, the UWMP concludes that the Cabazon Basin leaks, losing 10,000 acre-feet per year (“AFY”) of water. UWMP at 3-4.

Without any evidence of the feasibility of such a recharge facility in the Cabazon Basin, much less whether the cost of such a facility would be reasonably related to any benefit, it defies reason that the SGPWA would propose to locate a recharge basin in the Cabazon area and construct a pipeline to serve this recharge facility—at a combined cost of \$32,575,000. The Nexus Study assumes that water stored in the Cabazon Basin would be available in dry years to water purveyors in the Cabazon (and by extension Banning and Beaumont Basins). Nexus Study, Appx. F, at 6. However, the Nexus Study provides absolutely no foundation to support a belief that water stored by the SGPWA in the Cabazon Basin would indeed be available at any given time—wet or dry year.

D. Failure to Acknowledge Existing Groundwater Recharge Facilities

The groundwater recharge facilities operated by the Beaumont Cherry Valley Municipal Water District (“BCVWD”) within the City of Beaumont are used for recharge of State Water Project water as well as storm water runoff and recycled water. The SGPWA’s UWMP acknowledges the existence of these facilities (UWMP, at 3-20) and notes that only a portion of the recharge facilities are being used currently. The UWMP assumes that the recharge facilities available on the eastern side of Nobel Creek will only be used to recharge storm flows and recycled water; however, such a limitation does not appear to be correct. It does not appear that the BCVWD will limit the easterly portion of these recharge ponds to exclude potential SWP water recharge. See BCVWD’s web site regarding the recharge facilities at <http://www.bcvwd.org/recharge.asp>.

The BCVWD recharge facilities currently recharge water across approximately 23 acres of recharge ponds, with a another 30 to 35 acres of recharge ponds planned for the eastern portion of the facility. Thus the recharge capacity of the facility once built out could more than double the 20,000 AFY of water referenced in the SGPWA’s UWMP (at p. 3-20). The existence of the potential recharge facilities for the SGPWA’s SWP waters is not discussed in the Nexus Study. Should the SGPWA contract with the BCVWD to make use of these existing facilities, some if not all of the proposed recharge facilities and accompanying pipelines could be unnecessary. Thus, the costs

for the Beaumont and Cabazon facilities and pipelines do not appear to be fully reasonable.

E. Failure to Properly Account for Conservation and Reliability

In an attempt to justify additional needs for water supplies, the Nexus Study does not take into account conservation measures that all of the water retailers are required by law to consider and implement. Failure to account for this conservation leads to overly-inflated water demand projections, which as discussed previously, consequently leads to flawed analysis and a failure to properly justify the need for the future infrastructure and water supplies discussed in the Nexus Study.

For example, the Nexus Study uses higher water duties than the City of Banning. On page 12 of the Nexus Study, calculations are presented that state water use for single-family residential as 0.546 AFY per equivalent dwelling unit (“EDU”). The City of Banning’s average water use per residential unit pursuant to recent City records is lower than the water duty used in the Nexus Study.⁶ Further, average residential water use will continue to decrease over time as a result of new and existing conservation measures. The Water Conservation Act of 2009 requires urban retail water suppliers to develop urban water use targets in order to achieve a 20% reduction in per capita water use by 2020, and interim use targets to achieve a 10% reduction in per capita water use by 2015. Cal. Water Code §10608, *et. seq.* The Nexus Study does not clearly demonstrate application of this 20% demand reduction that the water retailers are required to comply with, and thus Nexus Study’s projections of water use rates for City of Banning as well as other water retailers are too high.

Generally, the Nexus Study does not adequately explain how its water demand figures factored in water efficiency and new landscape regulations that all municipalities had to adopt in the interim from the first draft of the Nexus Study and the present draft in 2011. E.g., Model Water Efficient Landscape Ordinance, 2010 Revised California Green Building Standards Code (CGBSC), etc.⁷ For example, under the 2010 CGBSC, indoor potable water consumption must be reduced by 20% for new residences beginning on January 1, 2011. 24 Cal. Code Regs. §4.303.1. These standards apply to the planning, design, operation, construction, use and occupancy of every newly constructed building or structure. 24 Cal. Code Regs. §101.3. In 2009, new rules were also imposed to require residential and commercial development built prior to 1994 to replace all non-compliant plumbing fixtures with water-conserving fixtures starting in 2014 in a phased approach through 2019. Cal. Civ. Code §§1101.4(a), 1101.5(d). Accordingly, the Nexus Study fails to adequately address how these numerous conservation mandates will further reduce water demand within each water retailer’s service area.

⁶ See State of California, Natural Resources Agency, Department of Water Resources Form 38, Public Water System Statistics, as filed by the City of Banning, Calendar Years 2005-10.

⁷ See e.g. Cal. Civ. Code §1101 *et seq.*; 24 Cal. Code Regs. §101 *et seq.*; Cal. Water Code §10608, *et seq.*; 24 Cal. Code Regs. §4.303; 23 Cal. Code Regs. §492 *et seq.*

F. Inappropriate Assumptions of Surplus Water Purchase Price

The Nexus Study claims that a \$5,527.50 per acre-foot cost for additional water supplies to be purchased through the water capacity fee is reasonable. Nexus Study, at 20. However, such a high figure for water supply does not appear to be sufficiently supported by the Nexus Study's Appendix G "Water Rights Appraisal."

In Appendix G, 14 water transfers are listed as comparable sales and used to establish a presumed market value for the 16 cfs of future water supply that the Nexus Study claims is necessary. The sales prices of the water transfers used to develop the water capacity fee ranged from \$394 per acre-foot to \$5,250 per acre-foot. All of the sales considered were below the proposed \$5,527.50 proposed by the Nexus Study. Furthermore, of the 14 sales considered, only 2 of the sales exceeded \$2,200 per acre-foot. Thus, it would appear that the appraisal is slanted in favor of very high predicted purchase prices for the 16 cfs of future water supplies, when even the "comparable sales" used in the appraisal do not support such a high price. It is shocking that the appraisal notes that a range of \$3,028 to \$3,844 per acre foot would be appropriate, but then states that "a new price point has developed" and a figure of \$5,500 per acre-foot is appropriate. (Nexus Study, Appx. G, at 4.) Nothing in Appendix G supports this new price point. None of the comparable sales reaches \$5,500 per acre foot. Only one of the "comparable sales" used in the appraisal even approaches this exorbitant number. Without additional and substantial evidence in a revised Nexus Study, the proposed water capacity fee of \$5,250 is not only unreasonable, but is also unsupported by the evidence currently contained in the Nexus Study.

G. Failure to Demonstrate Need for Additional Water Supplies

Page 12 of the Nexus Study states: "It has been determined by the GPWA that the full additional 16 cfs capacity will be needed to meet the demands of expected development." Nowhere it mentioned where this determination was previously made. Without an understanding of the underlying facts and findings that would support such a determination, it cannot be accurately stated that the SGPWA has legally made such a determination or that any such determination would support the facilities and water supplies discussed in the Nexus Study. As is stated in several of the above discussions, based upon critical errors made in the calculations of future demand, it not very likely that an additional 16 cfs of water supply is needed. Furthermore, given the discussions contained in this comment letter, any prior determination made by the SGPWA, should it exist, that an additional 16 cfs of water supply was necessary is unlikely to be supportably or reasonable currently in light of the economic downturn and the across-the-board reductions made in future development and water demand predictions being made by local governments and water retailers throughout the SGPWA's jurisdiction.

H. Conclusion

It appears that the Nexus Study contains numerous flaws, some of which are fundamental to both the Nexus Study and the overall concept behind the infrastructure elements and additional water supplies that the SGPWA seeks to develop. Additionally, approval of the Nexus Study at this time would not be justified, given that so much of the information on water demands for the SGPWA's retailers will be issued in the next few weeks as the retailers issue their 2010 UWMPs. We urge the SGPWA

board members to not approve the Nexus Study, but rather to require that the Nexus Study be revised to correct the deficiencies noted herein. Without doing so, it is our belief that any proposed capacity fee for new infrastructure or water supplies relying upon the Nexus Study will not be justified legally per the SGPWA Law or the California Government Code, as the fee would not be necessary given the underlying water supplies and infrastructure do not appear to be necessary, no reasonable relationship would exist between the proposed fee amount and the facilities to be constructed attributable to the development upon which the fee would be imposed, and there would be no reasonable relationship between the amount of the fee and the benefit to the development upon which the fee is imposed.

Sincerely,

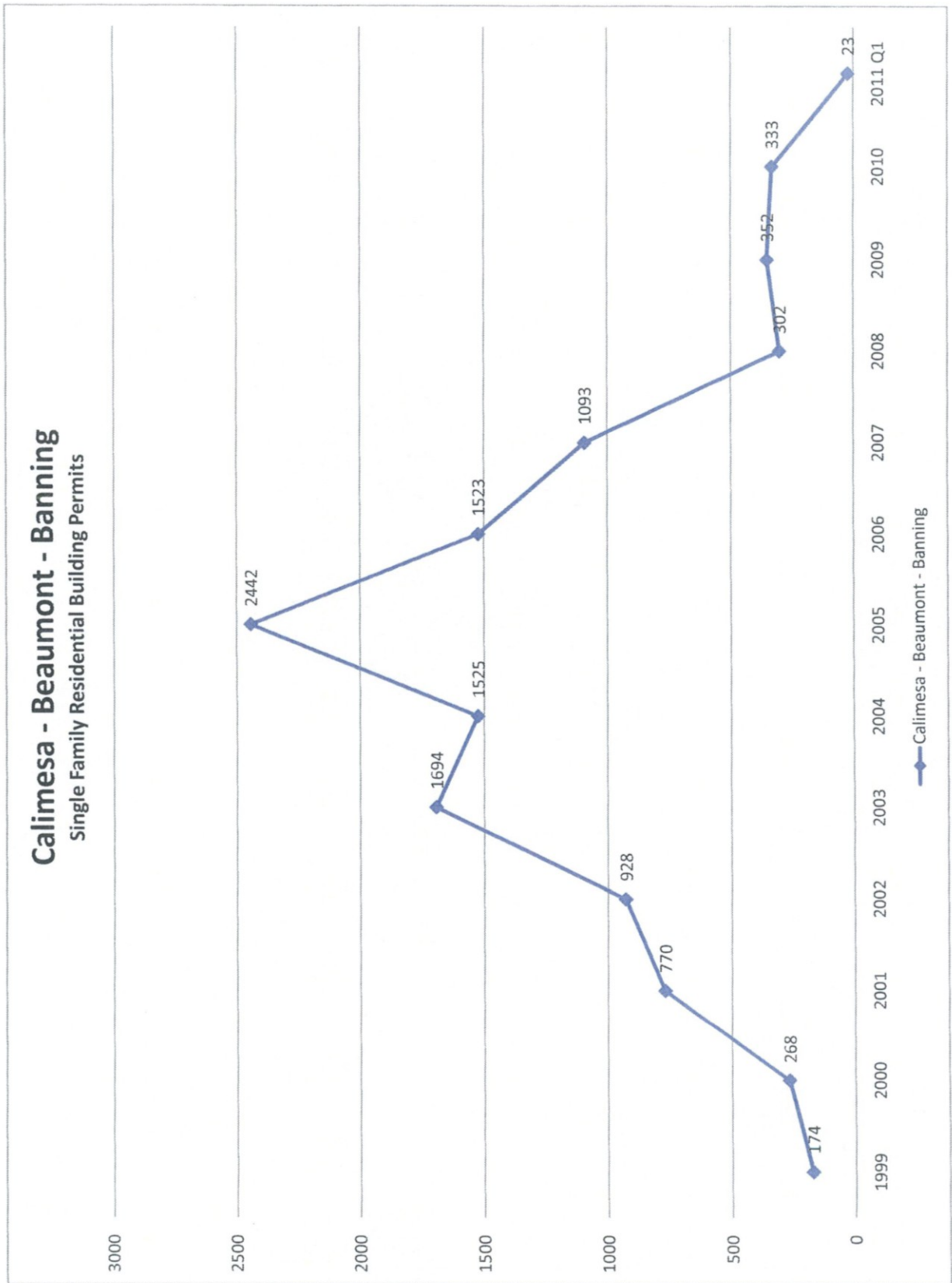
Building Industry Association of Southern California
Riverside County Chapter



Mark Knorrington
Chief Executive Officer

Enclosures

C: Jeff Davis, SGPWA

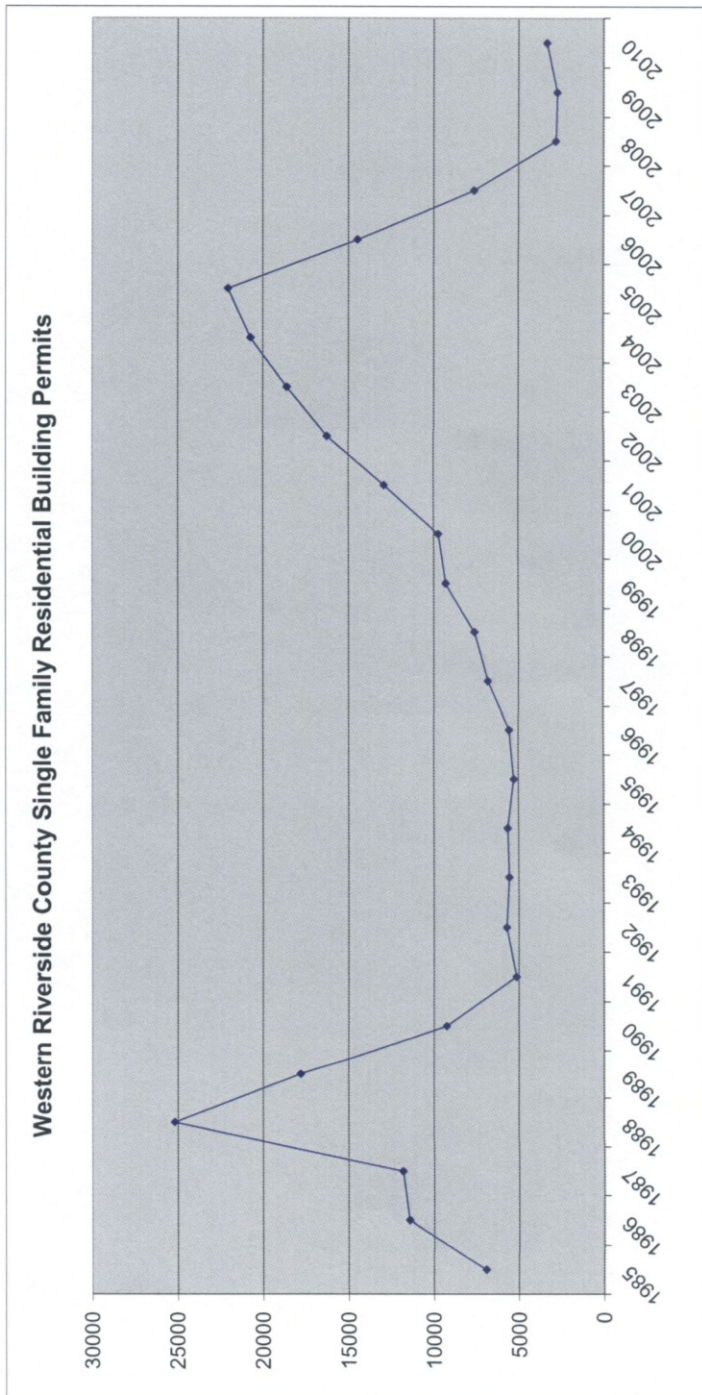


Western Riverside County Single Family Permits

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total	Average
Banning	11	27	373	207	598	268	199	115	147	103	136	146	158	138	147	156	319	388	548	310	77	54	13	1	1	0	4640	178
Beaumont	21	79	124	100	138	5	6	30	5	1	0	13	2	8	15	97	447	522	1137	1206	2353	1454	1036	300	350	333	9782	376
Calimesa	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	317	17
Canyon Lake	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	662	41
Corona	324	783	1615	3230	1764	380	142	373	467	824	1339	1790	1977	1483	1657	1323	1090	699	366	629	588	353	76	6	33	31	23342	898
Eastvale	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	29	29
Hemet	93	239	207	254	638	1030	180	164	94	116	113	141	91	200	299	585	451	338	798	804	1489	409	395	121	143	130	9502	365
Lake Elsinore	167	233	266	383	156	191	259	232	335	262	338	226	347	284	304	275	301	844	550	766	1322	1362	479	86	106	318	10392	400
Menifee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	724	362
Moreno Valley	17	3810	2068	3506	3862	868	299	436	173	291	202	158	234	245	259	323	602	1152	2010	2109	1152	849	356	116	114	91	25302	973
Murrieta	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14268	749
Norco	65	126	54	50	102	131	16	8	8	57	46	43	21	29	102	149	137	28	67	375	99	8	4	5	0	2	1732	67
Perris	93	334	414	1149	933	805	337	322	600	83	20	114	113	85	186	9	145	491	1269	1573	1745	713	605	117	176	207	12638	466
Riverside	984	1084	1130	1441	1826	646	683	438	385	361	166	244	421	630	749	1017	1237	1113	689	820	1442	847	342	69	56	107	18927	728
San Jacinto	108	146	87	280	515	697	291	318	108	61	101	54	77	184	376	153	205	343	453	943	1970	993	275	14	9	37	8798	338
Temecula	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15403	753
Riv. Co.	5018	4547	5453	14557	7223	4135	2190	2387	1982	1772	1280	1142	1786	2643	3161	3605	5814	7903	8005	7679	7428	6525	3176	1640	953	1198	113202	4354
Wildomar	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	141	71
Total	6901	11408	11791	25157	17775	9228	5131	5699	5546	5639	5265	5532	6786	7592	9277	9701	12894	16243	18591	20708	22028	14457	7611	2794	2717	3321	263764	10377

21-Mar-11

* Western Riverside County is calculated at 90% of full County per CIRB.





Date: May 24, 2011

Subject: Overview of the Yucaipa Valley Water District Urban Water Management Plan

An Urban Water Management Plan (UWMP) is prepared by a water purveyor to ensure the appropriate level of reliability in water service is sufficient to meet the needs of its various categories of customers over a 20-year planning horizon during normal, dry, and multiple dry years.

In addition, the Water Conservation Bill of 2009 requires urban water suppliers to report baseline daily per capita water use, urban water use target, interim urban water use target, and compliance daily per capita water use. Changes to California law require that, beginning in 2016, water suppliers comply with water conservation requirements established by the Water Conservation Bill of 2009 in order to be eligible for State water grants and loans.

The Yucaipa Valley Water District's 2010 Urban Water Management Plan has been prepared in compliance with the requirements of the California Urban Water Management Planning Act. And the Water Conservation Bill of 2009.

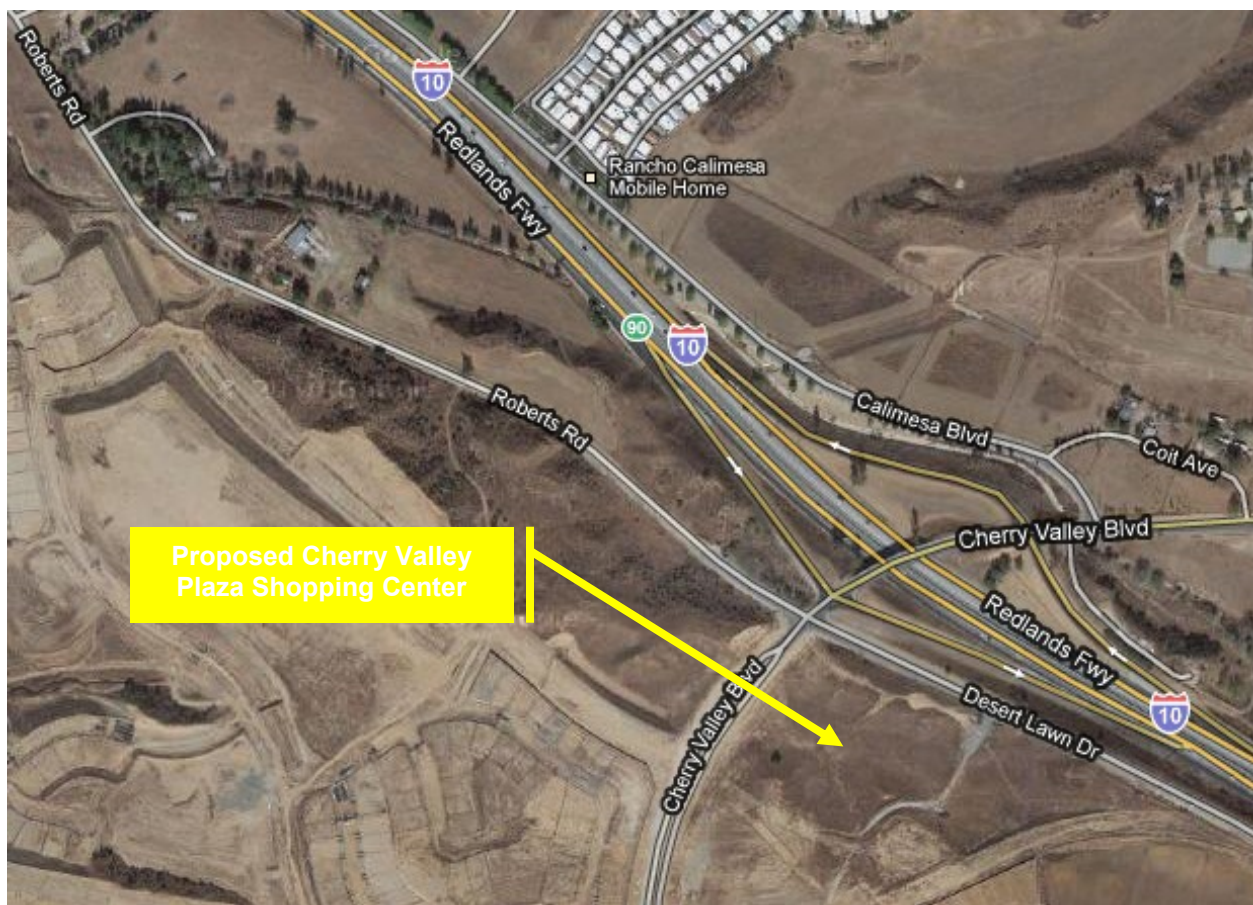
An overview of the District's Urban Water Management Plan will be provided at the board workshop. Adoption of the Plan is scheduled for June 15, 2011.



Date: May 24, 2011

Subject: Pre-Development Agreement for the Construction of Off-Site Water and Sewer Infrastructure related to the Cherry Valley Plaza Shopping Center

The District staff has received an executed copy of the pre-development agreement for the Cherry Valley Plaza Shopping Center.



The District staff will schedule the attached agreement for consideration at the regular board meeting on June 1, 2011.



Yucaipa Valley Water District

12770 Second Street • P. O. Box 730 • Yucaipa, California 92399-0730
 (909) 797-5117 • Fax: (909) 797-6381 • www.yvwd.dst.ca.us

August 27, 2010

Farman Shir
 GreenbergFarrow
 1920 Main Street, Suite 1150
 Irvine, California 92614

Subject: Water and Sewer Infrastructure for the Proposed Retail Project on Cherry Valley Boulevard, Calimesa (Assessor Parcel Number 413-290-043)

Dear Mr. Shir:

I have received and reviewed your preliminary investigation related to water and sewer service to property located on Cherry Valley Boulevard, Calimesa (APN 413-290-043). While the existing water and sewer infrastructure near your project is limited at this time, the Yucaipa Valley Water District has prepared a master plan for water and sewer infrastructure that will eventually provide service to the area. I have attached a portion of the master plan that illustrates the water infrastructure improvements needed to serve your area.

The District staff has reviewed the proposed commercial project and recognizes the difficulty in developing a parcel over a mile away from existing water facilities. These situations typically require broad solutions that protect both the interests of the existing Yucaipa Valley Water District customers and the interests of property owners desiring to develop their property beyond the close proximity of existing infrastructure.

On June 23, 2010, the Yucaipa Valley Water District received your request to agree to specific water and sewer improvements to provide service to your property (attached w/o appendices). The concepts presented in the Water and Sewer Service Concurrence Requests dated June 23, 2010, generally meet the basic service needs for your project, however, I would suggest you also consider the following issues:

- General Issues:
 - The Water Service Concurrence Request is silent with respect to reimbursements and participation in the ultimate water and sewer facilities needed to serve your project. The District will require the execution of a development agreement that will, among other things, address the specific facilities needed to provide water/sewer service to your property, facility capacity charges, and an evaluation of facilities needed to provide service to your Project. The development agreement will be prepared after your project has received environmental clearance from the City of Calimesa.
- Water Service Issues:
 - Water service to your project will be provided by the Yucaipa Valley Water District Pressure Zone 12. The District owns the site and has completed the

Directors and Officers

IAN CUTHBERTSON
Division 1

BRUCE GRANLUND
Division 2

JAY BOGH
Division 3

LONNI GRANLUND
Division 4

HANK WOCHHOLZ
Division 5

JOSEPH B. ZOBA
General Manager
and Secretary

Water and Sewer Infrastructure for APN 413-290-043
August 27, 2010
Page 2

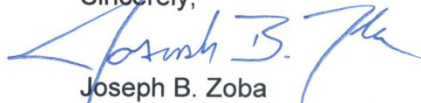
- design of the new 4.1 million gallon R-12.4 Reservoir which will ultimately be needed to provide service to your property. The details of participation in this facility will be included in the development agreement for your property.
- The Water Service Concurrence Request relies upon for the operation of certain water pipelines currently installed but not owned by the District. The development agreement will provide an updated and current analysis of the infrastructure needed to provide service to your project.
 - The Water Service Concurrence Request cites fire flow requirements that cannot be validated by the Yucaipa Valley Water District. The specific fire flow requirements will be established by the Riverside County Fire Marshal representing the City of Calimesa. Once you have obtained specific fire flow requirements for your project, please forward this information to the District for review.
 - The Water Service Concurrence Request relies on water service from the existing potable water distribution system that terminates approximately one mile north of your property. Several water pipelines are provided in your documentation that will be extended to provide water service to your Project, including fire flow. Without the construction of the proposed R-12.4 Reservoir, the nearest reservoir supporting your project is located approximately four miles to the north. The development agreement will evaluate the impacts associated with this proposal in greater detail.
 - As discussed above, the construction of an on-site tank to provide fire protection for your project may provide a suitable alternative, however, the District staff will need to validate the sizing, operational configuration and final fire flow requirements prior to considering this alternative. This topic will also be included within the proposed development agreement.
- Sewer Service Issues:
 - The Sewer Service Concurrence Request correctly shows the installation of a sewer lift station for your project. Be advised that the Yucaipa Valley Water District will participate in the actual location of this facility and require a parcel conveyed to the Yucaipa Valley Water District in fee title for the operation and maintenance of this facility.

While the concepts presented in the Water and Sewer Concurrence Requests dated June 23, 2010, represents a general understanding of the water/sewer needs for your project, it will be necessary to insure that the proposed project does not materially impact service to existing customers or create any unreasonable liabilities for the Yucaipa Valley Water District.

Because of the foregoing the District is unable to make any commitments at this time.

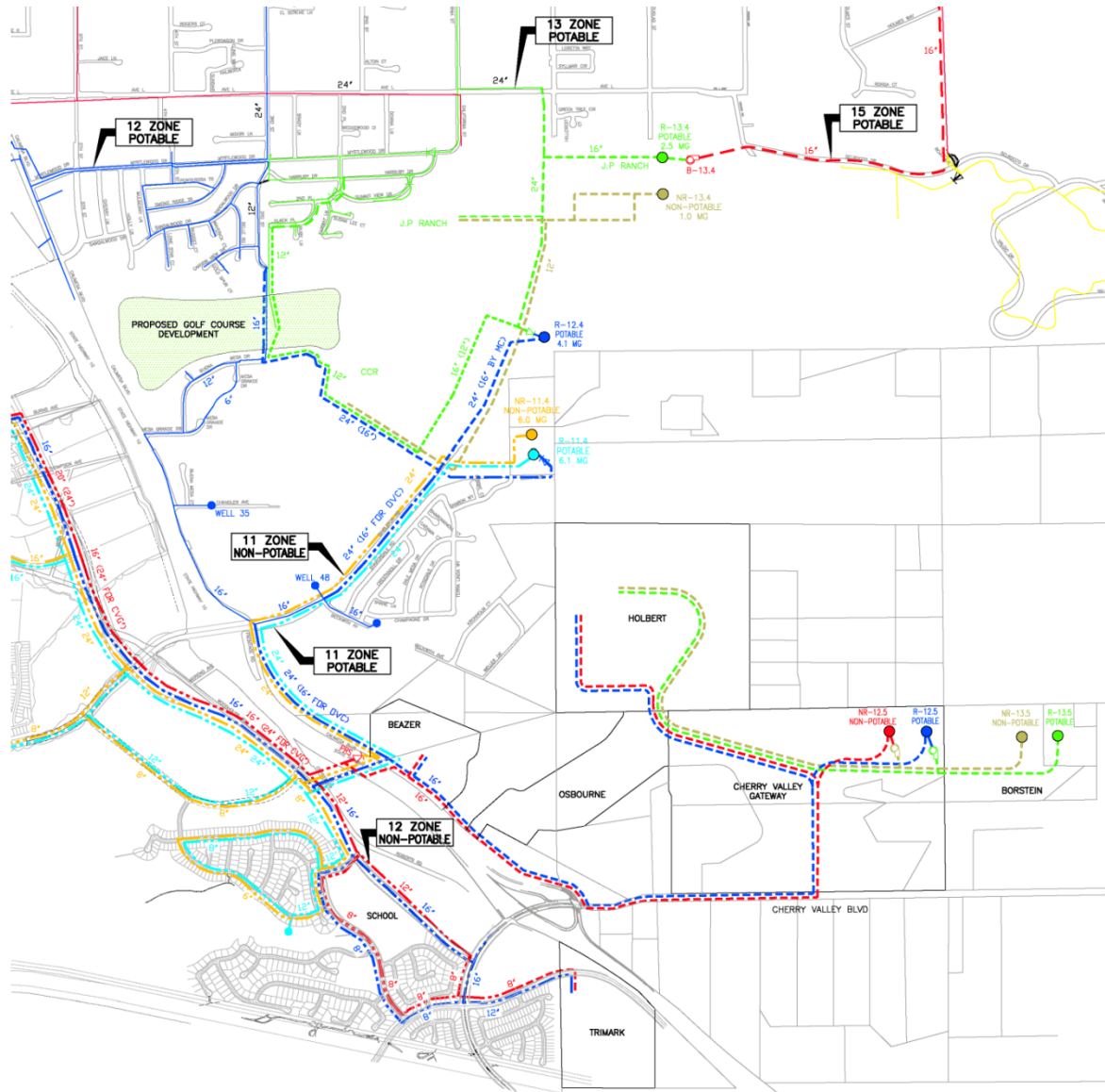
Should you have any questions, please call.

Sincerely,



Joseph B. Zoba
General Manager

Water and Sewer Infrastructure for APN 413-290-043
 August 27, 2010
 Page 3



DRAFT

YUCAIPA VALLEY WATER DISTRICT				EXHIBIT A
SOUTH DISTRICT SERVICE STUDY				
POTABLE AND NON-POTABLE BACKBONE FACILITIES				
SCALE: 1"=1000'	DATE: 04/23/07	DRAWN BY: PMD	CHECKED BY: PMW	W.O.: 818-32

Yucaipa Valley Water District - Agreement No. 02-2011

**PRE-DEVELOPMENT AGREEMENT FOR THE CONSTRUCTION OF OFF-SITE
WATER AND SEWER INFRASTRUCTURE RELATED TO THE
CHERRY VALLEY PLAZA SHOPPING CENTER (PARCEL MAP 35691)**

This Agreement is made and effective this _____ day of _____, 2011 by and between the YUCAIPA VALLEY WATER DISTRICT, a public agency ("District") and WAL-MART STORES, INC., a Delaware corporation ("Developer")

The District and the Developer are sometimes referred to herein individually as a "Party" and jointly as the "Parties".

Contact information for the Parties is as follows:

DISTRICT:

Yucaipa Valley Water District
12770 Second Street
Yucaipa, California 92399-0730
Attn: Joseph B. Zoba, General Manager

Telephone: (909) 797-5119
Facsimile (909) 797-6381

DEVELOPER:

Wal-Mart Stores, Inc.
2001 SE 10th Street
Bentonville, Arkansas 72716-0550
Attn: Real Estate Manager - Jason Sheridan
(Calimesa Store 5933-00)
Telephone: (479) 273-8659
Facsimile (479) 273-8380

PROJECT OVERVIEW

The proposed project consists of a retail commercial center upon approximately 16 acres in the City of Calimesa at the intersection of Cherry Valley Boulevard and Desert Lawn Drive, as the Cherry Valley Plaza Shopping Center (the "Project").

The Yucaipa Valley Water District has been involved in the preliminary development plans of the subject property and has established a project file of P-65-166 / PM 35691 for this development.



Yucaipa Valley Water District - Agreement No. 02-2011

RECITALS

WHEREAS, Developer is proposing to develop a retail commercial center upon approximately 16 acres in the City of Calimesa ("Project") and within the District's service area.

WHEREAS, the District is responsible for water (potable and recycled) and sewer service that will ultimately serve the Project.

WHEREAS, the Project is located within the Oak Valley Specific Plan Area No. 1, Summerwind Ranch at Oak Valley and part of the Cherry Valley Plaza Shopping Center, all of which are located within Water Pressure Zone 12 of the District's service area.

WHEREAS, there is currently no potable water service or sewer service to the Project site and if Developer decides to proceed with its Project, Developer plans to construct certain regional improvements and participate in construction of the R-12.4 Reservoir which is required to provide adequate service to the Project ("Regional Improvements").

WHEREAS, the Parties intend that this Pre-Development Agreement sets forth the general and preliminary understanding of the Parties concerning the parameters by which the Parties will enter into a written development agreement for the Regional Improvements if and when the Developer acquires the underlying property for the Project.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the DEVELOPER and the DISTRICT agree as follows:

1. **Entitlement Process by the City of Calimesa.** The Developer intends to initiate the steps necessary to receive approval of the Project by the City of Calimesa. The District and Developer agree that the following non-exclusive elements will be included as part of the conditions of approval established by the District and the City of Calimesa for the Project:

A. The Developer and District will execute a project specific development agreement ("Developer Agreement") as generally described in Section 2, and

B. The Developer will provide financial participation in the R-12.4 Reservoir as generally described in Section 3 ("Fair Share Payment").

2. **Project Specific Development Agreement.** The Developer has prepared two alternative conceptual pipeline configurations, alignments, sizes and other related facilities for the Regional Improvements necessary to provide water and sewer service to the Project. The conceptual plans on Attachment "A" to this Agreement were provided to the District in the form of Water and Sewer Concurrence Requests as prepared by Greenberg Farrow on behalf of the Developer dated June 23, 2010. The conceptual plans on Attachment "B" to this Agreement reflect the use of existing pipelines not currently owned by the District, which is intended to be used to the extent feasible.

Yucaipa Valley Water District - Agreement No. 02-2011

The District intends to utilize, to the extent feasible, the non-exclusive general concepts presented in Attachments "A" and "B" to this Agreement as the foundation for all Regional Improvements which will be more fully described in "Part G: Special Conditions" of the future Development Agreement between the Parties. An executed Development Agreement will be required prior to approval of the Regional Improvements by the District. The Developer will execute the Development Agreement upon obtaining all final, non-appealable entitlements and approvals for the Project from the City of Calimesa.

3. Participation in the R-12.4 Reservoir. The District has identified and provided an estimated cost allocation methodology and financial contribution amount that represents the Developer's required participation for the R-12.4 Reservoir (Attachment "C", identified as the 'Evans Company' allocation). The Parties acknowledge that the participation in this water storage reservoir was not identified in the Water Service Concurrence Request dated June 23, 2010. The Developer agrees to provide funding in the amount of \$637,928.00 for the R-12.4 Reservoir upon obtaining all final, non-appealable entitlements and approvals from the City of Calimesa. The Parties understand and agree that this amount may increase or decrease by the time that a development agreement is entered into inasmuch as the estimated contribution of \$637,928.00 is based on construction bids made in 2007. The Parties further understand that it is not the intent of the Parties that the Developer shall pay for the full cost of the R-12.4 Reservoir, and that others will contribute toward the funding of the Reservoir.

4. Participation in Off-Site Pipelines and Facilities to the Project Property. The Parties understand and agree that the Developer shall pay for the entire cost of the potable and recycled water service and sewer service pipelines and facilities necessary for the district to provide such water and sewer service to the Developer. However, it is understood by the Parties that such water and sewer pipelines and facilities may benefit other developers during or after construction and that the District will endeavor to use its best efforts to obtain an appropriate pro-rata reimbursement from such other developers to the extent that they receive a pro-rata benefit from the water and sewer pipelines and facilities. Nevertheless, Developer understands that such facilities shall be provided by the Developer at no cost or expense to the District even if such pro-rata reimbursement is not obtained from other developers

5. Term and Termination. Unless extended by mutual agreement of the parties in writing, this Agreement shall terminate at 5:00 p.m., on the day before the third (3rd) anniversary date of this Agreement. Should any legal action be filed challenging any of the Development Approvals, the term of this Agreement shall be tolled during the period of any such litigation. The tolling period shall extend from the date an action is filed by a third party until a final, non-appealable judgment is entered in the litigation. Should any party to the litigation file an appeal of the judgment, the term of this Agreement shall be tolled during the pendency of any appeal.

6. Status of the Parties. This Agreement is not intended to create, and nothing herein contained shall be construed to create, an association, a trust, a joint venture, a partnership or other entity of any kind, or to constitute either party as the agent, employee or partner of the other.

7. Amendment; Assignment.

A. Amendment. This Agreement may be amended by mutual agreement of the District and the Developer, in writing signed by both parties. The District and the Developer further agree that the Parties may meet and negotiate in good faith, to execute a written amendment or supplement to this Agreement.

Yucaipa Valley Water District - Agreement No. 02-2011

B. Assignment. This Agreement may not be assigned, whether in whole or in part, by the Developer. Notwithstanding, nothing in this Agreement shall preclude the construction of all, or portion of the regional improvements by the District or by any other party.

8. Incorporation of Prior Agreements. This Agreement contains all of the agreements of the parties with respect to any matter covered or mentioned in this Agreement, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose.

9. Severance. If any provision of this Agreement is determined to be void by any court of competent jurisdiction then such determination shall not affect any other provision of this Agreement provided that the purpose of this Agreement is not frustrated.

10. District's Disclaimer. Once acceptable water and wastewater facilities are provided to the District by the Developer, the District will supply potable water, recycled water, and wastewater collection and treatment services to the Developer's Property and development thereon in accordance with the District's rules and regulations and at the District's rates, fees, and charges for such services. The District shall not be obligated to utilize public funds to subsidize the Developer's Project.

11. Preparation of This Agreement. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared it.

12. Dispute Resolution. All disputes arising from this Pre-Development Agreement shall first be submitted to nonbinding mediation conducted by a neutral and impartial mediation service that the Parties mutually agree upon in writing.

IN WITNESS WHEREOF, the parties have executed is Agreement to be effective on the day and year first above written.

YUCAIPA VALLEY WATER DISTRICT

Dated: _____

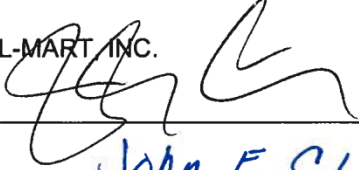
By: _____

Print Name

Print Title

WAL-MART INC.

Dated: 5-18-2011

By: 

John E. CLARKE

Print Name

Vice President of Real Estate

Print Title

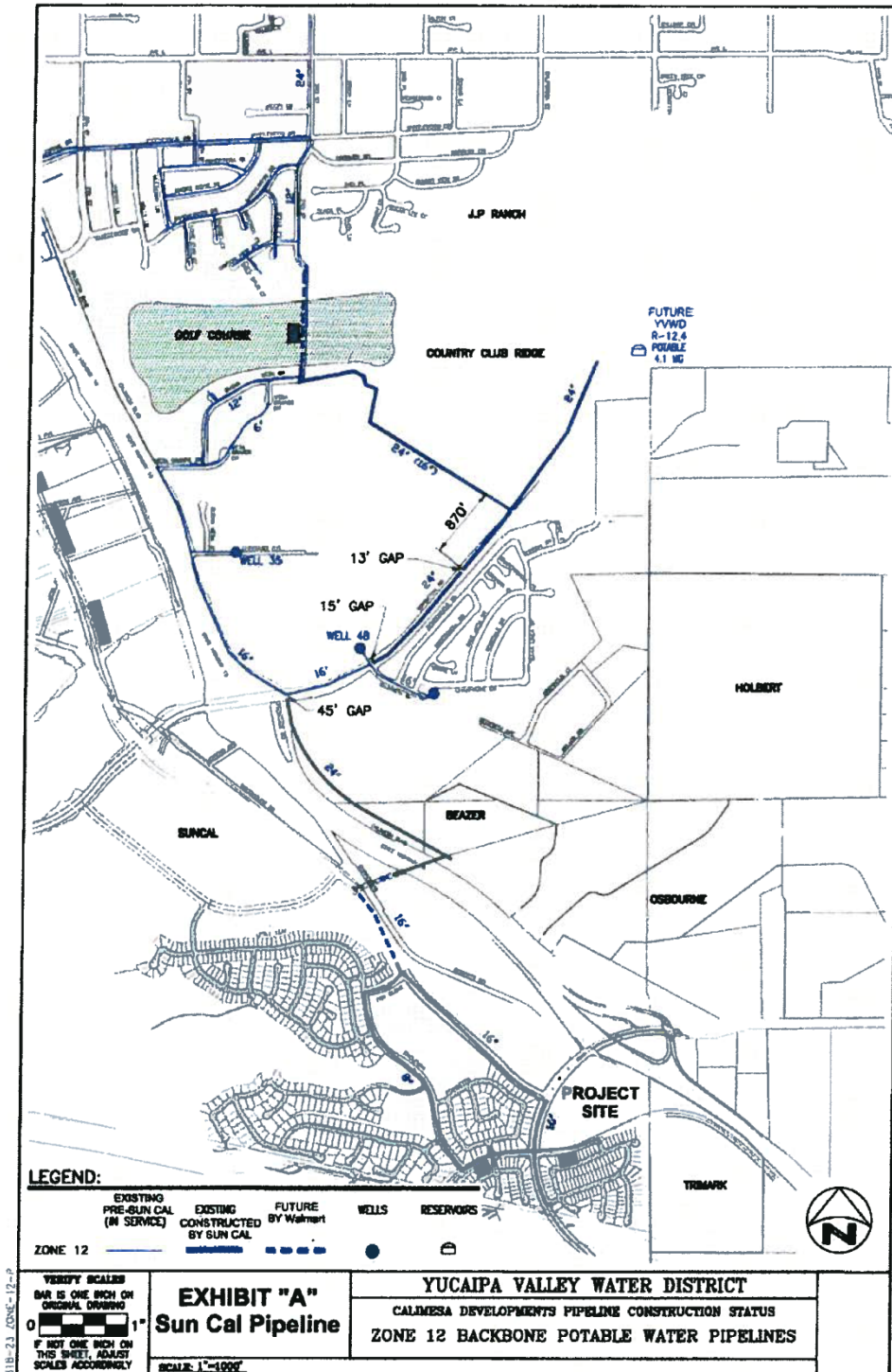
Yucaipa Valley Water District - Agreement No. 02-2011

Attachment "A"



Yucaipa Valley Water District - Agreement No. 02-2011

Attachment "B"



Yucaipa Valley Water District - Agreement No. 02-20111

Attachment "C"

ZONE 12 POTABLE WATER STORAGE
DEVELOPER ALLOCATION

DEVELOPER	TOTAL EDU'S	MDD (GALLONS)	FIREFLOW STORAGE (GALLONS)	OPERATIONAL/ EMERGENCY STORAGE (GALLONS)	SHARE OF FIRE STORAGE	TOTAL STORAGE (GALLONS)	% OF TOTAL TO EACH DEVELOPER	ESTIMATED COST TO EACH DEVELOPER
Suncal	1,301	728,560	540,000	969,000	135,000	1,104,000	27.6%	\$1,680,840
Oak Valley Partners	149	83,440	960,000	111,000	345,000	456,000	11.4%	\$694,260
Fiesta	1,100	616,000	540,000	819,000	135,000	954,000	23.9%	\$1,452,465
Evans Company	50	56,000	960,000	74,000	345,000	419,000	10.5%	\$637,928
Tank Replacement				1,067,000		1,067,000	26.7%	\$1,624,508
TOTAL	2,600	1,484,000	960,000	3,040,000	960,000	4,000,000	100.0%	\$6,090,000

Based on November 2007 Bid Results

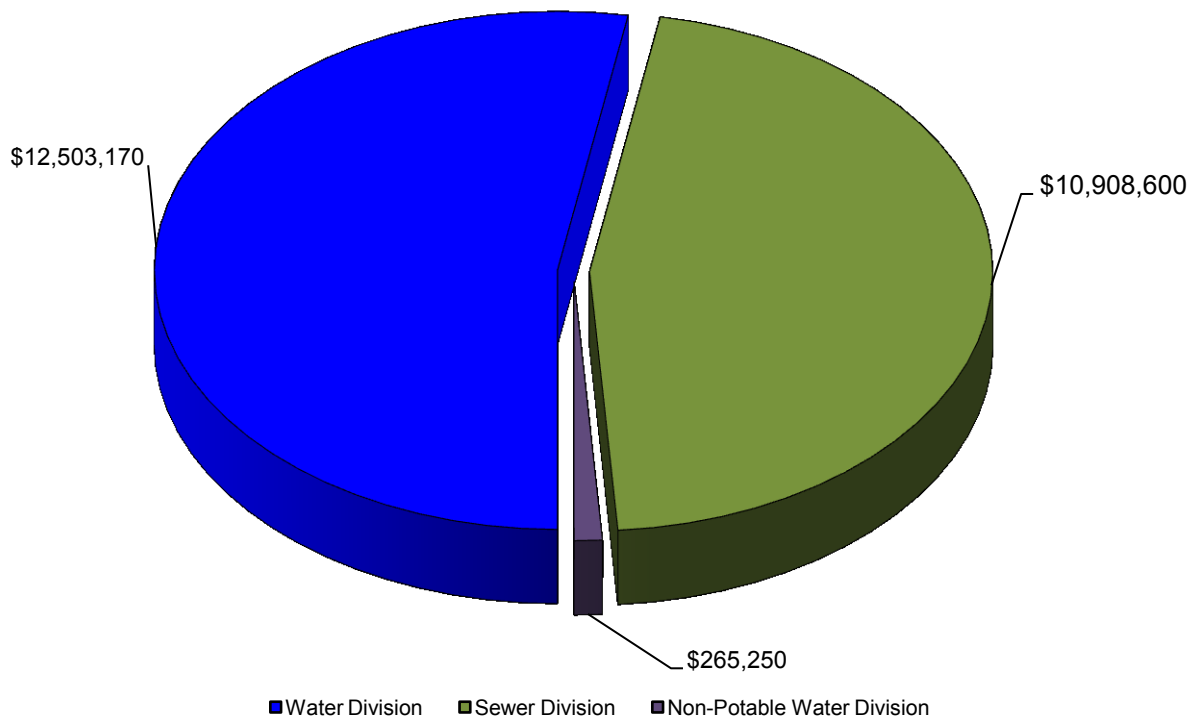


Date: May 24, 2011

Subject: Overview of the Draft Operating Budget and Capital Improvement Program for Fiscal Year 2012

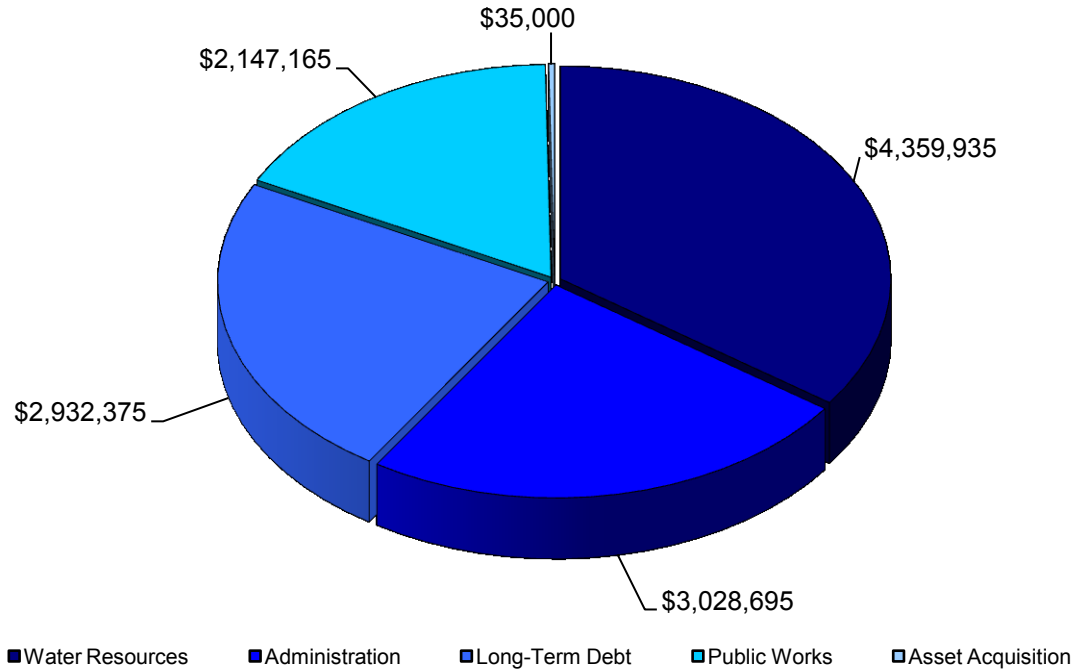
The District staff has prepared the proposed operating budget for Fiscal Year 2012. Excluding capital improvement projects, the proposed balanced budget involves total operational costs of \$23,677,020 divided between three enterprise funds: water division, sewer division and the recycled water division.

Total Fund Breakdown by Division

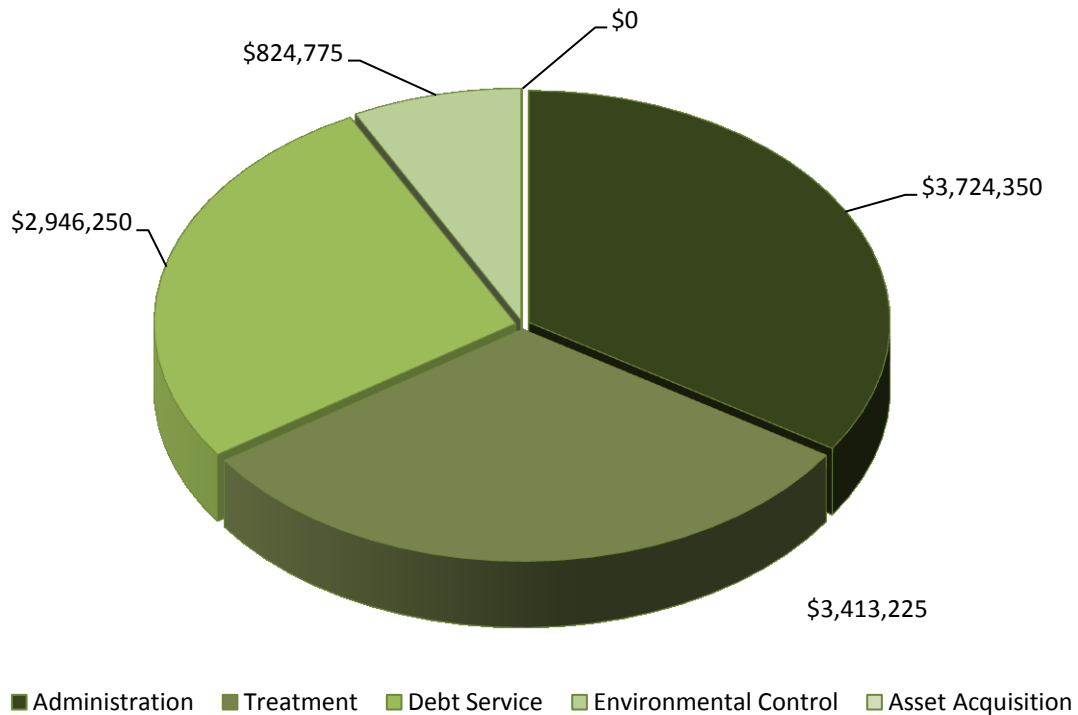


The departmental expenses for each of the enterprise funds are provided below:

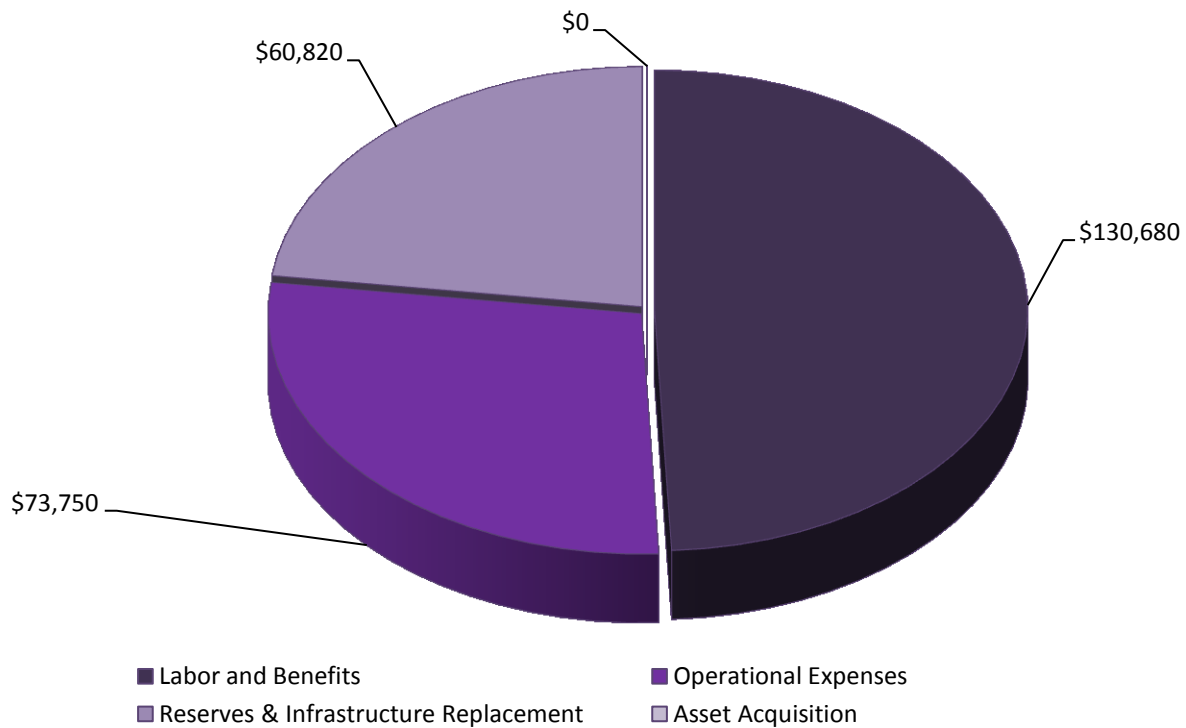
Water Division Expenditures



Sewer Division Expenditures



Non-Potable Water Division Expenditures



The purpose of the workshop agenda item will be to review each line item of the proposed budget.

A digital copy of the draft budget is available online at the District's [website](#).