

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
November 6, 2017

- 1. Call to Order, Flag Salute, Invocation, and Roll Call**
- 2. Adoption and Adjustment of Agenda**
- 3. Public Comment:** Members of the public may address the Board at this time concerning items relating to any matter within the Agency's jurisdiction. To comment on specific agenda items, please complete a speaker's request form and hand it to the board secretary.
- 4. Consent Calendar:** If any board member requests that an item be removed from the Consent Calendar, it will be removed so that it may be acted upon separately.
 - A. Approval of the Minutes of the Regular Board Meeting, October 16, 2017* (p. 3)
 - B. Approval of the Minutes of the Finance and Budget Workshop, October 23, 2017* (p. 8)
 - C. Approval of the Finance and Budget Workshop Report, October 23, 2017* (p.11)
- 5. Reports:**
 - A. General Manager's Report
 1. Operations Report
 2. General Agency Updates
 - B. Directors' Reports
- 6. New Business:**
 - A. Public Hearing for Ordinance 15, Increasing the Number of Days per Month which will be Eligible for Director Compensation, Restating the Current Amount of Compensation, and Updating Compensation Guidelines* (p. 40)
 - B. Discussion and Possible Action on Ordinance 15, Increasing the Number of Days per Month which will be Eligible for Director Compensation, Restating the Current Amount of Compensation, and Updating Compensation Guidelines* (p. 47)
 - C. Discussion and Possible Action on Award of Construction Contract for Construction of Mountain View Connection and Beaumont Avenue Recharge Facility* (p. 50)
 - D. Discussion of Potential Methods of Funding Future Water Supplies* (p. 53)
- 7. Topics for Future Agendas**
- 8. Announcements:**
 - A. Office closed November 10, 2017 in observance of Veterans Day
 - B. Engineering Workshop, November 13, 2017 at 1:30 p.m.
 - C. Regular Board Meeting, November 20, 2017 at 1:30 p.m.

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Methodologies for Funding Additional Water Supplies

DATE: November 6, 2017

Summary:

Over the past several months, the Board has discussed numerous methods to fund the purchase of additional water supplies. Staff is providing this report to inform the Board that the Agency has other powers granted to it by the Legislature that it could use to fund additional water supplies. Staff is not recommending any particular method, but feels the Board should have all pertinent information prior to making such decisions. There is no action recommended in this report. It is for information and discussion only at this time.

Background:

For a number of years, the Agency's Board has envisioned a capacity fee as the largest, though not the only, source of revenue to make multiple large purchases of additional supplemental water supplies. The concept of a capacity fee is simple—a developer would make a one-time payment up front to fund the purchase of a long-term, or even permanent, water supply for its development. In recent years, the water industry has changed somewhat and now some owners of long-term water supplies prefer annual payments (such as the Nickel water) rather than a one-time up-front fee. Capacity fees can be used for these different types of water sources so long as the fee is reasonably related to the cost of providing service to the applicable new development.

The plan developed by the Agency a number of years ago also includes other revenue sources, including water rates, withdrawals from reserves, and general fund taxes. These would be used as needed and as appropriate to fund the additional supplies, but the bulk of the revenue, in regard to funding water supplies applicable to

new development, has always been anticipated to come from the proceeds of the capacity fee.

In discussing use of this fee to fund the recent Nickel water purchase, the Board learned that retail water agencies are reluctant to use a capacity fee to fund this water because it is not a permanent source. It is a twenty year source (required by California law) with an Agency right of first refusal for an additional 20 years. Even with this information, retail water agencies have indicated that they, for a number of reasons, do not currently plan on cooperating with the Agency to collect the fee to pay for this water. Such cooperation by retail agencies and/or land use agencies is necessary since only those types of agencies provide direct approvals to applicants for new development.

Staff has discussed this issue with retail agency General Managers in order to try to find common ground. A different mechanism was suggested by the BCVWD General Manager. Under this plan, the Agency would adopt a capacity fee, but it would have two components—one for “short-term” water such as Nickel water (which the Board believes is a long-term supply), and a separate component for “permanent” water supplies such as Sites Reservoir or the purchase of Table A water from other Contractors.

Staff has concerns about such a proposal, which will be discussed at the Board meeting. In general, Staff is concerned that such a proposal could substantially increase the amount of the fee, require a new and different nexus fee study, and require the Agency to define the difference between long-term water supplies and permanent water supplies. Staff does not believe that other State Water Project Contractors would be willing to “sell” their Table A water to the Agency. Thus, the only reasonable potential “permanent” water supply would be Sites Reservoir, which may or may not be constructed.

Staff believes that the Board needs to have all pertinent information in order to make a decision on the funding of new water supplies, so the purpose of this staff report is also to inform the Board of other powers granted by the SGPWA Act that the Board could use to fund new water supplies. Staff is not necessarily recommending any of these

alternative funding mechanisms, but the Board, in deciding on how to fund future water supplies, should have this information available to it.

Detailed Report:

Improvement Districts

The SGPWA Act empowers the Board to create Improvement Districts within its boundaries. The process for creating such districts is set forth in Section 33 of the Act. Staff will be prepared to explain during the Board meeting the extent to which such financing mechanisms may or may not be able available for the goals of obtaining additional water resources.

Standby Charge

Section 50 of the SGPWA Act empowers the Board to impose a Standby Charge on all land within the Agency's boundaries or within the boundaries of any Improvement Districts within the Agency. A standby charge is similar to the Agency's State Water Project tax in that it would be imposed on each property owner in the defined area. It is different in that it would not be a tax rate, but a single tax per acre or per parcel. This is used by other State Water Contractors as a revenue stream. The proceeds from such a fee are used for the benefit of those in the service area who could at some point in time have to depend on the Agency as a water supply. Standby Charges are subject to the assessment procedures under the law and would require two-thirds approval, which is commonly difficult to obtain.

State Water Project Tax

The tax rate adopted by the Board each year is restricted to paying for costs associated with the State Water Project. Thus, new water supplies that do not come from the State Water Project could not be funded with revenues from this tax (such as the Nickel water, or water purchased from South Mesa Water Company). However, should the Board procure additional water that is part of the State Water Project, it could choose to fund that water through the tax. For example, should an existing agricultural Contractor decide to lease a portion of its incremental Table A water to help defray costs of the California Water Fix, the Contractor who leases that water could use its tax rate to fund it, since the water would be part of the State Water Project. The Board may choose to use other methods to fund this water, but it

could use this tax, if desired. The General Counsel can provide more information and detail on this alternative.

Summary:

The purpose of this report is to inform the Board that it has alternative methods of funding new water supplies that we have not discussed in the past. The Board potentially has a number of financial tools in its tool box that it can use to pay for new water supplies. These “tools” include the following, some of which have been discussed previously and some of which are described in this report.

- A single-component capacity fee for long-term water supplies.
- A two-component capacity fee that would pay for interim supplies as well as a permanent supply (if it can be found).
- The water rate charged to retail water customers.
- Withdrawals from reserves.
- General fund tax revenues.
- State Water Project tax (if new supplies emanate from the State Water Project).
- Creation of a standby charge for the entire service area or various Improvement Districts within the service area.
- Creation of new Improvement Districts, along with a water rate or standby charge, that would place the burden of funding new supplies on newly developed areas.

Alternatively, the Board could choose to not fund any additional water supplies at all, leaving this task to retail water agencies and/or developers. This is not consistent with the Board’s past discussions and actions, and staff believes it is likely inconsistent with the spirit of the Urban Water Management Planning Act, but it is an option.