

Capacity Fee Study

November 21, 2023



Capacity Fees

- **What are Capacity Fees?**
 - *One-time capital charges assessed against new development as a way to provide or cover a proportional share of the costs of capital facilities constructed or to be constructed for its use*
 - *Address equity concerns between current and future users*
 - *Commonly known as connection fees, capacity fees, system development charges, impact fees, etc.*



LVMWD Current Capacity Fees

- 2016 Study updated rates set in 2004
- 2023 Study
- Update needed to reflect
 - Growth patterns
 - Infrastructure needs



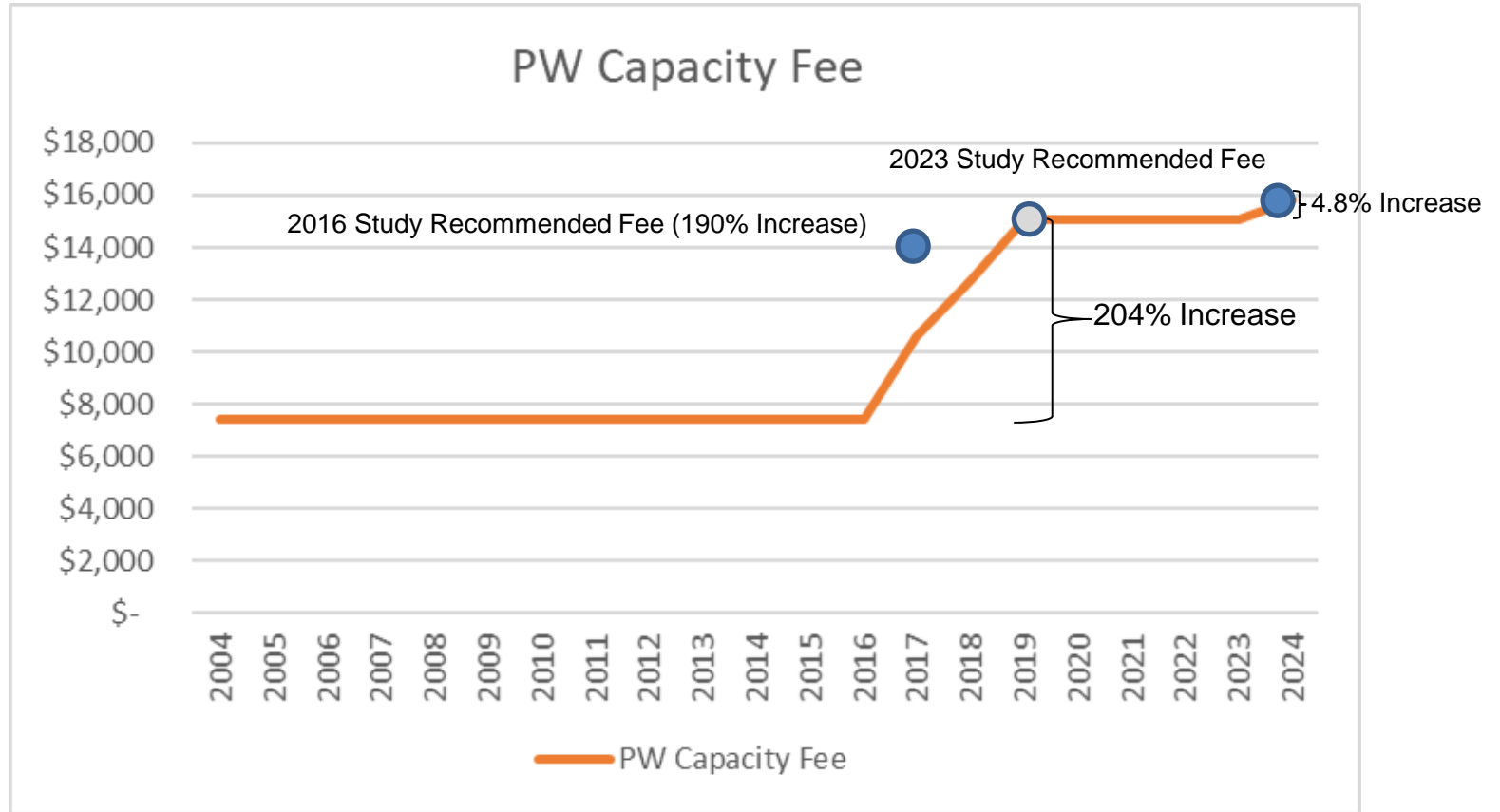
LVMWD Current Capacity Fees

		2023 Study	Percent
	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>
Potable Water*	\$ 15,091	\$ 15,821	4.8%
Sanitation (ERU)	\$ 12,645	\$ 15,336	21.3%

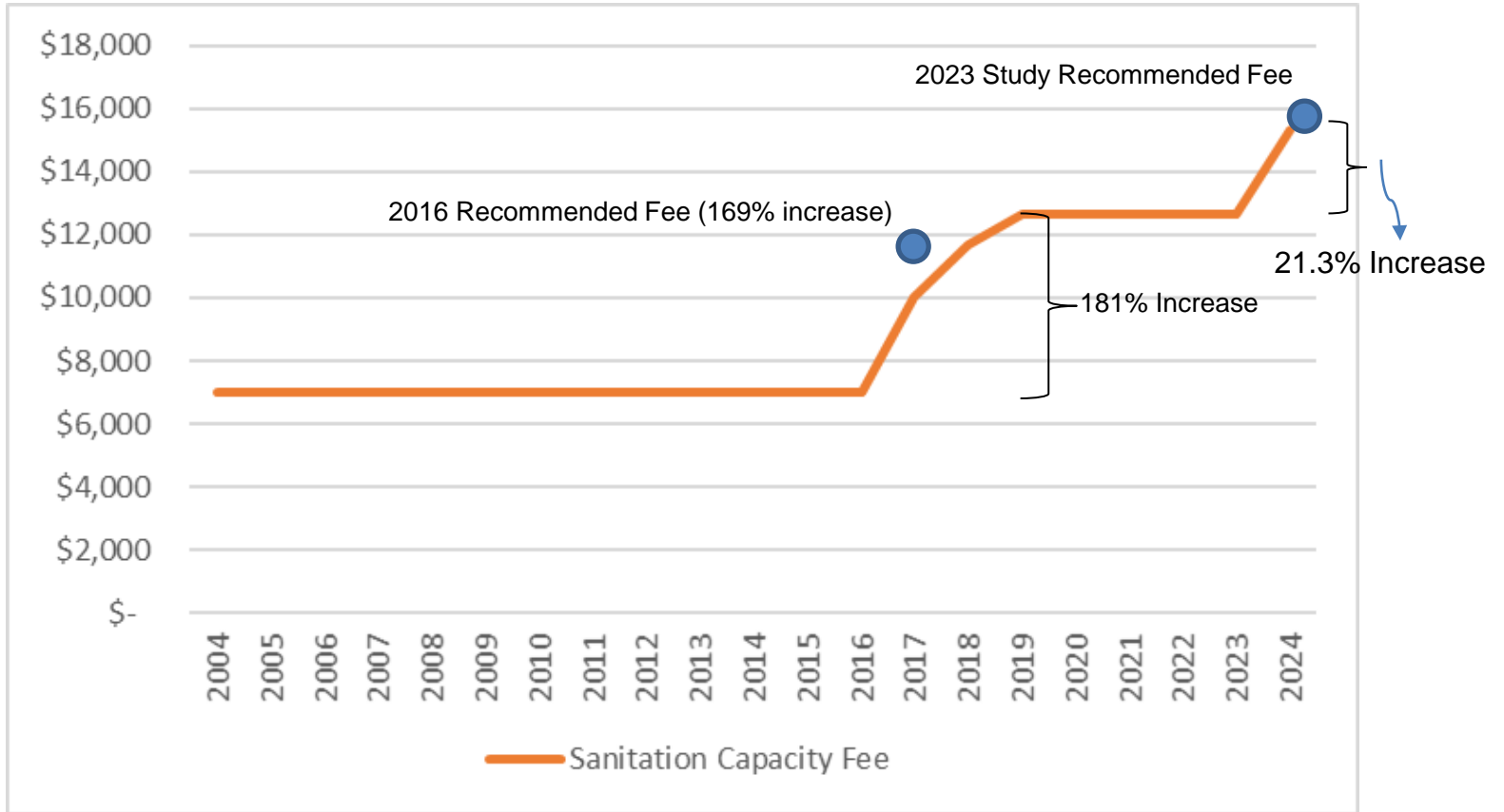
* 3/4" meter size, excluding administration fees



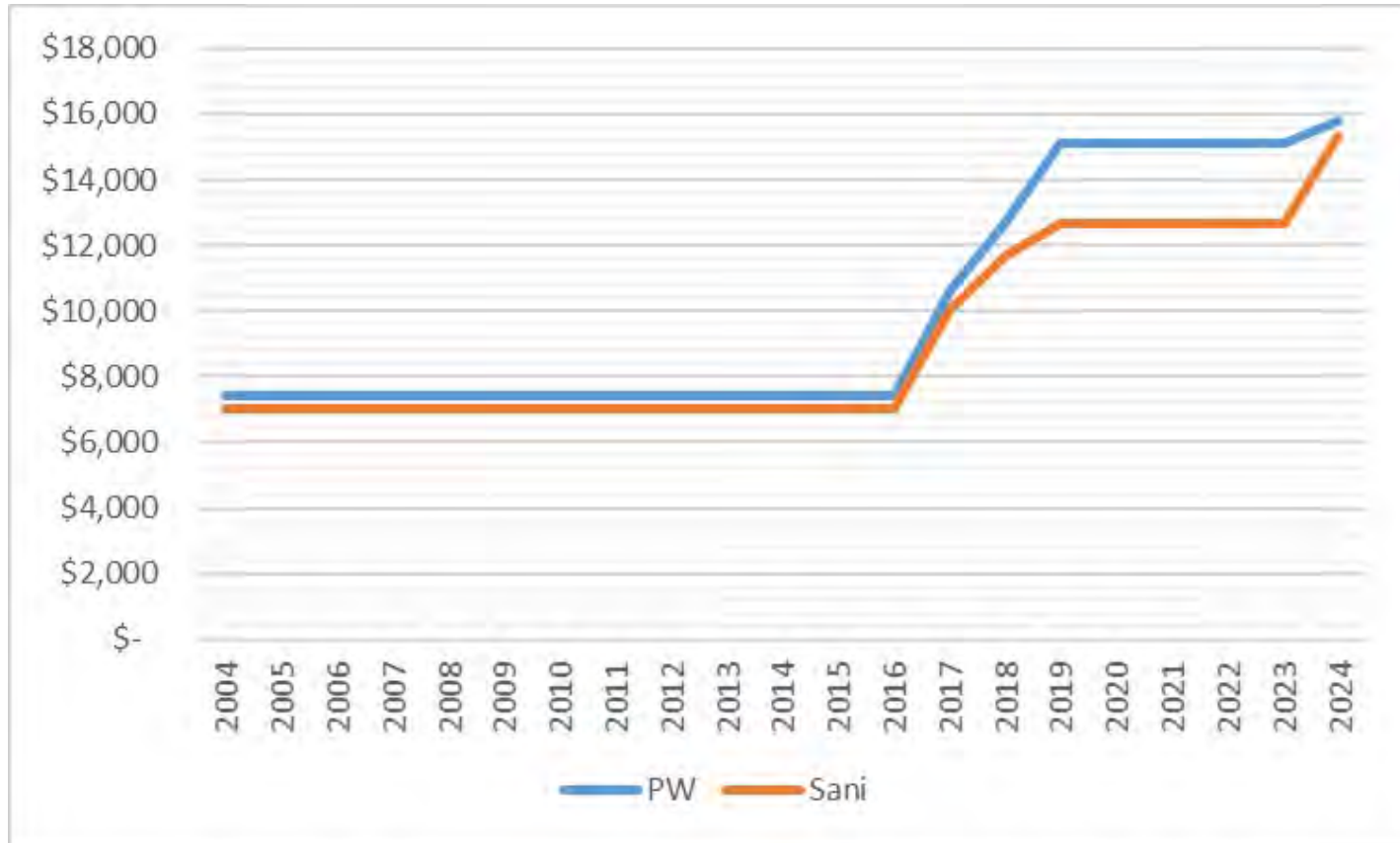
Potable Water (PW) Capacity Fees



Sanitation Capacity Fees



PW & Sanitation



Capacity Fee Study: 2023

- District hired Raftelis Financial Consultants to update capacity fees
- Evaluated Capital Improvement Program (CIP)
- Potable Water, Reclaimed Water and Sanitation Service assets



Capacity Fee Calculation

- “Buy-In” Method
 - Recognizes that existing users have developed and maintained a system that can accommodate growth
- “Incremental Cost” Method
 - Focuses on growth portion of CIP and the cost of additional facilities needed to provide incremental growth
- “Hybrid” Method
 - Combination of “Buy-In” and “Incremental” Methods



Legal Requirements

- **CAPACITY FEES MUST:**
 - Reflect the link between fees and benefits received by new customers
 - Not exceed the proportional share of costs associated with providing service

per **Assembly Bill (“AB”) 1600** (codified as California Government Code §66000 – 66008) as well as §66013, 66016, 66022, and 66023



Implementation Details

- Publication of proposed capacity fees and 2023 Study
- Notification to developers, cities, LA County, engineering firms, contractors and the Building Industry Association of Southern California
- Notification via letter to customers with capacity fee deposits
- Notification to customers at the Engineering and Customer Service public counters
- Implementation target of July 1, 2024

