



# Walnut Valley Water District

## WATER STANDBY CHARGE REPORT

FISCAL YEAR 2019/2020

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## EXECUTIVE SUMMARY

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Walnut Valley Water District (the “District”), requested Willdan Financial Services to conduct a fiscal analysis to support its standby charges. The District may allocate the revenue generated from the standby charge for the construction of the District’s fire related storage requirements and its terminal storage facilities to procure alternate sources of supply, to defray the ordinary operation or maintenance expenses incurred in providing fire protection facilities, and for any other lawful District purpose.

Four major costs were identified that are associated with providing fire facility services:

1. **Direct Hydrant Costs** - Used to provide outside services for public hydrants and to cover materials and supplies for public and private hydrants.
2. **Distribution of Fire Related Facilities** - Used to provide for the operation and maintenance of water supply, pumping, and transmission facilities.
3. **General and Administrative Services** - Used to provide services such as human resources, risk management, workers compensation, miscellaneous management activities, etc.
4. **Purchased Water** - Used as a water source for fire facilities.

Based on these components, we have calculated the total annual cost for fire facilities to be approximately \$1,414,390.

The District will assess standby charges using the following three categories of acreage size:

- ◆ Parcel sizes that are equal to  $\frac{1}{4}$  acre or less
- ◆ Parcel sizes that are greater than  $\frac{1}{4}$  acre, but less than 1 acre
- ◆ Parcel sizes that are 1 acre or more

The standby charge assessments are expected to generate \$943,533 for Fiscal Year 2019/2020.

Our analysis determined that a shortfall of approximately \$470,857 would need to be covered by other revenue sources. Since the total cost of approximately \$1,414,390 exceeds the total revenue from the assessments, it is evident that these standby charges are justified.

## INTRODUCTION

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Pursuant to the provisions of Section 35470 et seq. of the Water Code of the State of California, and in accordance with Resolution No. 07-10-561 of the Board of Directors (the "Board") of the District, establishing a Water Standby Charge Assessment, I, Richard Kopecky, P.E., duly authorized representative of Willdan Financial Services, consultant to the District, submit this Standby Charge Report for Fiscal Year 2019/2020 consisting of the following parts and exhibits:

### Section I

A description of each parcel of property and the boundaries of the area proposed to be subject to the levy of the uniform standby charge assessment.

### Section II

An estimate of the fire facilities costs to be financed from the proceeds of a standby charge assessment.

### Section III

A description of the uniform standby charge assessment including:

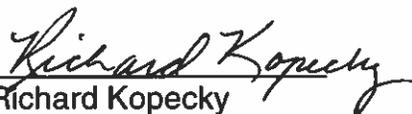
- a. A description of each lot or parcel of property proposed to be subject to the assessment.
- b. The amount of the assessment for each lot or parcel.
- c. The assessment methodology describing the basis of the assessment.
- d. A description specifying the requirements for written and oral protests and the protest thresholds necessary for requiring a vote on, or abandonment of, the proposed assessment.

Dated: May 15, 2019

Willdan Financial Services



BY:   
Susana Hernandez  
Project Manager

BY:   
Richard Kopecky  
R. C. E. # 16742

## **SECTION I: PROPOSED PARCELS AND SECTION BOUNDARIES**

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The proposed uniform standby charge assessment is entitled:

### **WALNUT VALLEY WATER DISTRICT WATER STANDBY CHARGE ASSESSMENT**

The boundaries of the area proposed to be subject to the levy of the Water Standby Charge Assessment are completely contiguous with the boundaries of the District. The lines and dimensions of each lot or parcel within the District Boundaries are those lines and dimensions shown on the maps of the Assessor of the County of Los Angeles for the year when this report was prepared and are incorporated herein by reference and made part of this Standby Charge Report.

All future annexations to the District shall, subsequent to such annexation, be included in the Water Standby Charge Assessment. In future years, if any new parcels are created as a result of the division or consolidation of land, re-computation of the assessments will be conducted and the new parcels will be included within the area of assessment.

## **SECTION II: ESTIMATE OF COSTS**

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The water standby charge assessment revenues may be used for the construction of the District's fire related storage requirements and its terminal storage facilities to procure alternate sources of supply, to defray the ordinary operation or maintenance expenses incurred in providing fire protection facilities, and for any other lawful District purpose. Four major costs were identified as follows:

- ◆ Direct Hydrant Costs
- ◆ Distribution of Fire Related Facilities
- ◆ General and Administrative Services
- ◆ Purchased Water

## A. DIRECT HYDRANT COSTS

Direct hydrant costs include expenses associated with outside services and materials for public and private hydrants. Table 1 shows the calculation for annual direct hydrant costs.

**Table 1: Annual Direct Hydrant Costs**

Description	Estimated FY 19/20 Costs
Outside Services for Private Hydrant	\$0
Outside Services for Public Hydrant	85,000
Materials and Supplies for Private Hydrant	250
Materials and Supplies for Public Hydrant	37,500
<b>Total</b>	<b>\$122,750</b>

Source: Walnut Valley Water District.

## B. DISTRIBUTION OF FIRE RELATED FACILITIES

There are many different services that use the pumping, transmission and distribution system of the District. An industry standard, which is based on Insurance Service Office guidelines, is used to calculate the allocation factor for fire facilities. The following formula is used to calculate the allocation factor:

$$\frac{\text{Required Fire Flow}}{\text{Required Fire Flow} + \text{Maximum Day Demand}}$$

The District estimates the maximum daily demand is 24,240 gallons per minute (gpm). The District has designed the distribution system to deliver the maximum fire flow for its service area of 5,000 gpm. Table 2 shows the allocation factor for fire related facilities.

**Table 2: Allocation Factor for Fire Related Facilities**

Maximum Day Demand (gpm)	Required Fire Flow (gpm)	Allocation Factor
24,240	5,000	17%

Source: Walnut Valley Water District.

Three components comprise the cost of distribution:

- ◆ **General Operations** - Provides the general management and oversight of the District's facilities.
- ◆ **Production & Storage** - Provides for the operation and maintenance of the District's 28 reservoirs that provide 88 million gallons of water storage within the District. The majority of costs related to the operation and maintenance of

the District's pump plants are recovered through the District's pump zone surcharges.

- ◆ **Valve Maintenance/Field Services/Customer Service Field** - Provides for the operation and maintenance of the District's 370 miles of distribution water mains, nearly 3,000 fire hydrants, and over 26,000 metered services.

Table 3 presents the estimated cost of general operations, production and storage, and valve maintenance/field services/customer service related to the fire facilities based on the allocation factor provided in Table 2.

**Table 3: Annual Cost for Distribution**

Description	Estimated FY 19/20 Budget	Allocation Factor	Estimated Costs*
General Operations	\$552,362	17%	\$93,902
Production & Storage	\$1,563,944	17%	265,870
Valve Maint/Field Svcs/Cust. Svc Field <sup>(1)</sup>	\$2,229,628	17%	294,037
<b>Total Estimated Costs</b>			<b>\$653,809</b>

\* Differences due to rounding.

<sup>(1)</sup> Outside Costs of \$85,000 were reduced after the 17% allocation.

Source: Table 2; Walnut Valley Water District.

### C. GENERAL AND ADMINISTRATIVE SERVICES

The District allocates funds to provide for general and administrative services such as human resources, risk management, workers compensation, property/liability insurance, water conservation/education, community outreach, computer network, and miscellaneous management activities. The following table presents the cost of providing general services for fire facilities at an estimated three percent (3%) of the total general and administrative services fund.

**Table 4: Annual Cost for General and Administrative Services**

Description	Estimated FY 19/20 Budget	Percentage Allocation	Estimated Costs
General and Administrative	\$8,699,725	3%	\$260,992
<b>Total Estimated Costs</b>			<b>\$260,992</b>

Source: Walnut Valley Water District.

### D. PURCHASED WATER

The District allocates funds for the purchase of more than 5.7 billion gallons of imported drinking water and payment of charges and assessments levied by the District's wholesale water provider, Three Valleys Municipal Water District. Industry standards estimate that about two percent of the total purchased water is used for fire related facilities, as illustrated in the following table.

**Table 5: Annual Cost for Purchased Water**

Description	Estimated FY 19/20 Budget	Percentage Allocation	Estimated Costs
Purchased Water	\$18,841,953	2%	\$376,839
<b>Total Estimated Costs</b>			<b>\$376,839</b>

Source: Walnut Valley Water District.

**E. TOTAL ANNUAL COST FOR FIRE FACILITIES**

Table 6 summarizes the total annual cost for fire related facilities.

**Table 6: Total Annual Costs for Fire Related Facilities**

Description	Cost
Direct Hydrant Costs	\$122,750
Distribution	653,809
General and Administrative Services	260,992
Purchased Water	376,839
<b>Total Annual Cost for Fire Facilities</b>	<b>\$1,414,390</b>

Source: Table 1; Table 3; Table 4; Table 5.

**SECTION III: DESCRIPTION OF ASSESSMENT**

This section of the report describes the methodology developed to establish the basis of Assessment for apportioning the cost of providing fire facilities. The basis of Assessment is developed using information provided by the District, standard and member agency design criteria, and the requirements of Section 54984.2 of the Uniform Standby Charge Procedures Act. The following sections review the requirements of the California Government Code and describe the recommended Assessment methodology.

**A. LEGAL REQUIREMENTS**

Section 35470 of the California Water Code states that any local agency that provides water services may, by resolution adopted after notice and hearing, determine and levy an assessment for water services pursuant to this chapter.

The California Government Code further requires that the agency establish a methodology, which is related to the benefit received from the water services for calculating the assessment to be levied on each parcel. Section 54984.2 provides that:

“...The governing body of the agency which fixes the charge may establish schedules varying the charge according to land uses, benefit derived or to be derived from the use or availability of facilities to provide water, sewer, or water

and sewer service, or the degree of availability or quantity of the use of the water, sewer, or water and sewer services to the affected lands, and may restrict the assessment to one or more improvement districts or zones of benefit established within the jurisdiction of the agency. The charge may be imposed on an area, frontage, or parcel basis, or a combination thereof.”

All assessments described in this Report and approved by the Board are prepared in accordance with the Act and are in compliance with the provisions of the *California Constitution Article XIID* (enacted by the passage of Proposition 218 in November 1996).

Pursuant to the *California Constitution Article XIID Section 5*, certain assessments that were existing on July 1, 1997, the effective date of *Article XIID*, are exempt from the substantive and procedural requirements of *Article XIID Section 4* and property owner approval of the assessments is not required unless the assessments are increased.

## B. ASSESSABLE PARCELS

The District will assess standby charges using three different categories of acreage size. They are:

- ◆ Parcel sizes that are equal to ¼ acre or less
- ◆ Parcel sizes that are greater than ¼ acre, but less than 1 acre
- ◆ Parcel sizes that are 1 acre or more

All assessments will be levied in accordance with these three categories.

The following table summarizes the number of parcels by acreage size. This information is based on the records of the Assessor of the County of Los Angeles.

**Table 7: Composition of Parcel Size by Acreage**

	Number of Parcels
1/4 Acre or less	22,425
Greater than 1/4, but less than 1 Acre	6,714
1 Acre or more	1,897
<b>Total Number of Parcels</b>	<b>31,036</b>

Source: Los Angeles County Assessor.

The following table shows the total acreage subject to the standby charge.

**Table 8: Total Acreage by Parcel Size**

	<b>Total Acreage*</b>
1/4 Acre or less	5,411
Greater than 1/4, but less than 1 Acre	2,861
1 Acre or more	8,382
<b>Total Acreage</b>	<b>16,654</b>

\* Rounded to the nearest whole acre.  
Source: Los Angeles County Assessor.

### C. ASSESSMENT RATES AND BUDGETS

The District will continue to use the current Standby Charge, which is shown in the following table.

**Table 9: Standby Charge**

	<b>Standby</b>	<b>Units</b>
1/4 Acre or less	\$14.00	Per Parcel
Greater than 1/4, but less than 1 Acre	\$56.00	Prorated based on acreage
1 Acre or more	\$56.00	Per Acre and fraction thereof

Source: Walnut Valley Water District.

Note that parcels with  $\frac{1}{4}$  of an acre or less will be charged a flat fourteen dollars (\$14.00) per parcel per year. Parcels larger than this amount will be charged fifty-six dollars (\$56.00) per acre and fraction thereof per year. To determine the level of revenue generated by the Standby Charge we performed the following analyses:

- ◆ For Parcels  $\frac{1}{4}$  of an acre or less, we multiply the number of parcels (as shown in Table 7) by fourteen dollars (\$14.00).
- ◆ For Parcels that are greater than  $\frac{1}{4}$  of an acre, we multiply the sum of acreage (as shown in Table 8) by fifty-six dollars (\$56.00).

The following table shows the revenue generated by parcel size.

**Table 10: Revenue Generated by Parcel Size**

	<b>Standby Charge*</b>
1/4 Acre or less	\$313,984
Greater than 1/4, but less than 1 Acre	160,135
1 Acre or more	469,414
<b>Total</b>	<b>\$943,533</b>

\* Differences due to rounding.  
Source: Willdan Financial Services.

The last table in this section calculates the difference between the revenue generated from the Standby Charges and the cost of providing fire facilities as calculated in Section II. Note that there is an approximate shortfall of \$470,856. The District will use other revenue sources to fund this shortage.

**Table 11: Revenue and Cost for Fire Facilities**

	<b>Annual</b>
Revenue Generated by Standby Charge	\$943,533
Cost of Fire Facilities	1,414,390
<b>Surplus/(Deficit)</b>	<b>(\$470,857)</b>

Source: Table 6; Table 10.

#### **D. AMOUNT OF ASSESSMENT**

The amount of the proposed Assessment for Fiscal Year 2019/2020 is based on the acreage as apportioned to each parcel as reported in the latest roll of the Los Angeles County Assessor. The description of each parcel is part of the records of the County Assessor and these records are, by reference, made a part of this Standby Charge Report.

#### **E. ACCURACY OF DATA**

The data utilized in developing the Assessment rate calculations have been taken directly from the Los Angeles County Assessor's Roll.

Should a property owner find a discrepancy regarding a parcel, it is recommended that the owner notify and contact the District. If warranted, the District will assist the owner in processing a correction with the County Assessor's Office. The District will be responsible for revisions to the Water Standby Charge Assessment for the property for the current fiscal year if the change in amount is greater than five percent (5%). If the change is less than or equal to five percent (5%), then the adjustment for the following year will be made at the time the annual assessments are determined for the next fiscal year, and no refund will be made for the previous year's assessment.

## **EXHIBIT A**

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### **Walnut Valley Water District Water Standby Charge Assessment**

#### **Assessment Roll - Fiscal Year 2019/2020**

Each Assessor's Parcel Number and its Assessment to be levied for Fiscal Year 2019/2020 can be provided by Willdan Financial Services or the Los Angeles County Assessor. Reference is made to the Los Angeles County Assessor's office for further description of the parcels in the District.