

Kennedy/Jenks Consultants

18 June 2003

Memorandum

To: Ms. Tina Johnson, General Manager
Twentynine Palms Water District

From: Lynn M. Takaichi/Kristine McCaffrey

Subject: Technical Analysis in Support of Capital Impact Fees (Capital Facility Charges)
Twentynine Palms Water District
K/J 024715.00

In accordance with our agreement dated 3 September 2002, we have prepared a technical analysis to support the District's Capital Impact Fees. Our analysis is based on information provided by the District and conformance to the requirements of Government Code 66000 through 66024.

Background

The Twentynine Palms Water District (District) utilizes groundwater to supply approximately 3,300 AF/yr of potable water to its customers. The District's 1992 Water Facilities Master Plan projected that the District's water demands would increase to approximately 4,680 AF/yr in 2015, an increase of 40 percent over 1990 water demands. The District needs to construct additional water facilities, including wells, pipelines, pump stations, and reservoirs in order to meet the increase in demand.

Under AB 1600 (Government Code 66000 through 66024), connection fees, such as the District's Capital Impact Fees, must be developed based on an established incremental impact that new developments have on available capacity. To accommodate this requirement, the costs of existing and proposed facilities must be segregated by their benefits to new or existing users. This cost to benefit nexus is the fundamental criterion of AB 1600. Additionally, the term connection fee is no longer appropriate terminology due to the adoption of AB 1600. This bill renamed the connection fee to Capital Facility Charge (CFC) and specified that CFCs must be used for capital expansions and cannot be used for operating expenses. In addition, a capital facility charge often includes the value of a new customer's purchase of capacity in a utility's existing facilities.

For the purpose of establishing the District's CFC, the water system is separated into two components, primary and secondary infrastructure. The following defines these two components:

- **Primary Infrastructure:** This component includes wells, reservoirs, water treatment plants, large transmission pipelines, and booster stations. For the purpose of this report, "primary" transmission pipeline is defined as 12-inch-diameter (and larger) pipeline. The impact of new or larger service connections on the primary infrastructure is primarily based on the water flow of that new or enlarged service.

