

HELIX WATER DISTRICT
Setting standards of excellence in public service

BOARD REPORT

TO: Board of Directors

FROM: Mark S. Weston, General Manager *MSW*

INITIATED BY: Carlos V. Lugo, Director of Engineering/Chief Engineer *[Signature]*
Tim Smith, Principal Engineer *[Signature]*

DATE: March 4, 2009

SUBJECT: Accept the Helix Water District Final Capacity Fee Study and Set Date for Public Hearing on Helix Capacity Fees

Recommendation:

- a. The Board accept the Helix Water District Final Capacity Fee Study, WO 1945.
- b. The Board set April 15, 2009 as the date for the public hearing on Helix Capacity Fees.
- c. The Board conceptually approve changes to the Policies and Procedures Manual for Helix Capacity Fees.

Background:

At the February 4, 2009 Board Meeting, the Board received the Draft Capacity Fee Study, WO 1945, to consider capacity fees for new water connections to the Helix Water District (District). Currently, the District does not charge a Helix Capacity Fee. The District does collect capacity fees for new or upgraded water connections for the San Diego County Water Authority (Water Authority). At the February 18, 2009 Board Meeting, the Board received additional information on Helix Capacity Fees and scaling factors were adjusted.

The District's boundaries encompass a highly urbanized service area with a population of approximately 260,000 residents with 55,000 water service connections. Covering an area of nearly 50 square miles, the District serves the cities of La Mesa, Lemon Grove, El Cajon, as well as various unincorporated communities of San Diego County, including portions of Spring Valley and Lakeside. The District is 95 percent built-out with mostly in-fill of vacant lots and redevelopment comprising the new connections. The attached report presents the Final Capacity Fee Study for the District.

The Final Capacity Fee Study provides background on capacity fee basics, capacity fee methodologies, capacity fee calculations, and the plan to implement capacity fees for the District including a Buy-in Capacity Fee and a New Water Capacity Fee. Information is also provided on the estimated revenue from the capacity fees and a comparison of re-

gional agency capacity fees. The process to implement the new capacity fees will include public notices, outreach to the Building Industry Association and cities, setting a hearing date, holding a public hearing, and adopting a resolution for Helix Capacity Fees.

Based on water supply availability projections by the Water Authority, the District's water supplies have become less reliable. As part of approval of the District's Capacity Fees, the Board would be adopting a policy in which the District enacts a "no new net water demand" position on new water service connections. This approach will require new water service connections to pay their share of existing infrastructure and provide funds for a new water supply to offset their demand.

As part of the implementation of Helix Capacity Fees, changes to the District's Policies and Procedures Manual will be required. A draft of the recommended changes is attached. All changes are presented in red ink, with the old (strike-out) and proposed (underlined) for review. The final changes to the District's Policies and Procedures Manual will be included as part of adopting a resolution for Helix Capacity Fees. The recommended schedule of implementation of the Helix Capacity Fees is shown below.

Schedule

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| March 4, 2009 | Board: Final Capacity Fee Study, set Public Hearing for April 15, 2009, and conceptual changes to Policies and Procedures Manual. |
| March 5-April 10, 2009 | Meetings with cities of La Mesa, El Cajon, Lemon Grove, Santee, County of San Diego, and Building Industry Association (BIA). |
| March 12, 2009 | Publish in Newspaper. |
| March 19, 2009 | Publish in Newspaper. |
| April 15, 2009 | Board: Public Meeting, Board adopt a Resolution for Helix Capacity Fees, and Board adopt changes to Policies and Procedures Manual. |
| Rates Effective: | May 1, 2009 |