

## City of Big Bear Lake, Department of Water and Power (DWP)

### Development Impact Fee Annual Report 2024

Description of fee – Capacity fees are charged to offset the cost of new development required system improvements within the City of Big Bear Lake, Department of Water and Power (DWP) service area. Capacity fees are charged when a new service connection is established or capacity is added at an existing service connection. Capacity fees are charged per equivalent dwelling unit (EDU) as determined by plumbing fixture type and count.

FY 2024 Capacity Fee - \$11,496 per EDU

#### 2024 Sources and Uses of Capacity Fee Revenues

Capacity Fees held/(excess built) by DWP - June 30, 2023		\$	825,920
Sources of funds			
Capacity Charges			879,987
Uses of funds			
Debt service			
2010 USDA Bonds <sup>1</sup>	\$	(60,845)	
2012 USDA Bonds <sup>2</sup>		(89,293)	
2013 USDA Bonds <sup>3</sup>		(131,000)	
2019 USDA Bonds <sup>4</sup>		<u>(276,614)</u>	
Total debt service			(557,752)
System Improvements			
Wolf Main Line	\$	(768,539)	
2023 Pipeline Replacement		(630,039)	
2022 Pipeline - North Shore		(382,326)	
Park Ave/Hampton Inn		(67,098)	
Grout Creek Main Line		(65,863)	
Circle Drive Main Line		(44,598)	
Division 9 Well		(599,692)	
Wolf Reservoir		(105,367)	
Wolf Booster		(23,240)	
Garstin Operations - Complex		<u>(166,479)</u>	
Total system improvements			(2,853,241)
Buy-in component unrestricted			<u>(101,902)</u>
Capacity Fees held/(excess built) by DWP - June 30, 2024		\$	<u>(1,806,988)</u>

In FY 2024 DWP completed \$2,853,241 in capacity increasing system improvements. The ending balance of \$(1,806,988) represents capacity increases available to new development paid for by DWP rate payers. The use of capacity fees is cumulative to account for the timing of improvement projects. As capacity fees are collected in subsequent years, the negative balance created in the current year will be reduced. Given the high dollar costs of capital improvement projects, it is customary for capacity fee balances to swing from positive to negative balances and vice versa.

<sup>1</sup> On September 8, 2010, DWP entered into a loan agreement in the amount of \$3,628,000 with the United States Department of Agriculture Rural Utility Services. The 2010 USDA loan has a term of 40 years and the interest rate is 2.375%. The proceeds were used for the construction and replacement of pipelines within DWP’s water systems. The loan is secured by the net revenues of DWP and the outstanding principal balance at June 30, 2023 was \$2,764,000. The new pipeline increased available capacity by 43%.

<sup>2</sup> On May 16, 2012 DWP entered into a loan agreement in the amount \$5,000,000 with the United States Department of Agriculture Rural Utility Services. The loan has a term of 40 years and the interest rate is 2.75%. Proceeds were used for the construction and replacement of pipelines within the DWP’s water systems. The loan is secured by the net revenues of DWP and the outstanding principal balance at June 30, 2023 was \$4,018,000. The new pipeline increased available capacity by 43%

<sup>3</sup> On July 25, 2013 DWP entered into a loan agreement in the amount \$3,157,000 with the United States Department of Agriculture Rural Utility Services for the proceeds of its 2013 USDA Bonds. The loan has a term of 40 years and the interest rate is 2.75%. Proceeds were used for the construction and installation of a new ground water well and to upgrade water storage capacity by adding another reservoir to the water system. The loan is secured by the net revenues of DWP and the outstanding principal balance at June 30, 2023 was \$2,654,000. All improvements were necessary to facilitate system expansion.

<sup>4</sup> On June 11, 2019 DWP entered into a loan agreement in the amount of \$12,000,000 with the United States Department of Agriculture Rural Utilities Services. The loan has a term of 40 years and the interest rate is 2.125%. The proceeds were used for the construction and installation of new pipeline and the outstanding principal balance at June 30, 2023 was \$11,201,700. The loan is secured by the net revenues of DWP. The new pipeline increased available capacity by 62%.

Water System Improvements

The table below shows scheduled system improvements that contain expansion related components to facilitate future development.

System Improvement	Estimated Improvement Cost	% Capacity Fee Funding	Capacity Fee Funding	2024 Facility Costs	2024 Capacity Fee Uses	Funded with	Funded from	% Complete
						Capacity Fees (project to date)	Other Sources (project to date)	
Wolf Main Line	1,895,760	43%	815,177	1,787,301	768,539	815,177	1,080,583	100.0%
2023 Pipeline Replacement	1,484,651	43%	638,400	1,465,207	630,039	638,400	846,251	100.0%
2022 Pipeline - North Shore	907,921	43%	390,406	889,131	382,326	390,406	517,515	100.0%
Park Ave/Hampton Inn	156,041	43%	67,098	156,041	67,098	67,098	88,943	100.0%
Grout Creek Main Line	153,169	43%	65,863	153,169	65,863	65,863	87,306	100.0%
Circle Drive Main Line	103,716	43%	44,598	103,716	44,598	44,598	59,118	100.0%
Division 9 Well	2,174,000	50%	1,087,000	1,199,383	599,692	704,879	704,878	64.8%
Wolf Reservoir	1,304,400	83%	1,082,652	126,948	105,367	238,482	48,845	22.0%
Wolf Booster	1,032,650	83%	857,100	28,000	23,240	59,855	12,259	7.0%
Garstin Operations Facility	15,393,561	57%	8,774,330	292,069	166,479	177,537	133,939	2.0%
Main Line Replacements	18,544,413	43%	7,913,939	-	-	-	-	0.0%
	\$ 43,150,282		\$ 21,736,561	\$ 6,200,965	\$ 2,853,241	\$ 3,202,294	\$ 3,579,637	

Findings Made Pursuant to Government Code Section 66001(b)

(A) DWP currently retains \$0 in capacity fees collected for the purpose of future capacity improvements required by new development. Capacity improvement projects are listed above in the 'Water System Improvements' section of this report. Future fees will be utilized to pay for facility improvements determined to represent new capacity. (B) All listed facilities provide additional capacity that is necessary for future development within the DWP service area. (C) Total public facility funding identified is \$43,150,282. Of this total \$21,736,561 is applicable to new development and will be funded by capacity fees. The remaining \$21,413,721 is expected to be funded by \$1,500,000 in grants, \$11,200,000 in borrowing and \$8,713,721 in rate payer fees. (D) funds are paid for project costs as the costs are incurred in the applicable proportion from applicable funding sources. Grant and borrowed funds are expected to be made available for the Garstin Operations Facility between project start in 2025 and project completion in 2028.