

**CITY OF LOMPOC
FIVE-YEAR FINDINGS COMPLIANCE REPORT FOR
WATER SYSTEM IMPACT FEES
Fiscal Year Ending June 30, 2019**

For the purpose of compliance with Government Code subsection 66001(d)(1), the following information regarding Development Impact Fees is presented:

For the fifth fiscal year following the first deposit into the account or fund, and every five years thereafter, the local agency shall make all of the following findings with respect to that portion of the account or fund remaining unexpended whether committed or uncommitted:

(A) Identify the purpose to which the fee is to be put.

Water System Impact Fees – The purpose of these fees is to provide funds for a safe supply of water to the City for residential and commercial consumption use and for fire suppression. These fees provide the facilities for the above-described services to accommodate the demands generated by future development within the City as identified in the following tables:

Table 22.1
Water System improvements

Improvement Project	Total Cost ¹	Paid From 1998 Bonds ²	Paid From 2004 Bonds ³	Paid From 2011 Bonds ⁴
Well No. 9 (Completed 2003)	\$ 793,617	\$ 793,617		
4 MG Reservoir (Compl. 2002)	\$ 3,903,019	\$ 3,903,019		
Well No. 10	\$ 1,700,000		\$ 1,700,000	
* Well No. 11	\$ 1,200,000			\$ 1,200,000
Water Quality Imprvmt Projects	\$ 8,315,000		\$ 1,465,000	\$ 6,850,000
* WTP Filter Addition	\$ 2,800,000	\$ 1,144,000	\$ 1,656,000	
Sludge Dewatering (1997)	\$ 2,228,292	\$ 2,228,292		
* Other WTP Improvements	\$ 688,000		\$ 688,000	
* Booster Station Improvements	\$ 2,390,000		\$ 2,390,000	
* New WTP Admin Building	\$ 1,659,569		\$ 1,659,569	
Total	\$ 25,677,497	\$ 8,068,928	\$ 9,558,569	\$ 8,050,000

¹ Actual or Estimated cost provided by the City of Lompoc Finance Department. See Capital Improvement Plan (CIP).

² Share of total cost funded by 1998 bond issue; includes refinancing of 1992 bonds.

³ Share of total cost funded by a new 2004 bond issue.

⁴ Costs to be covered by future bond issue anticipated in approximately 2011.

* Identified projects completed with bond and other funding resources after November 5, 2003 and before June 30, 2014.

[Table 22.1 obtained from *City of Lompoc – Impact Fee Study – Final Report* dated November 5, 2003. Dollar amounts identified are unadjusted for inflation.]

Since 1992 through 2003 (the date of publishing the impact fee study) and from 2003 to 2014, Lompoc has undertaken major improvements to the water system. Some improvements were needed entirely to serve future development (e.g., new wells), while others serve the needs of both existing and future development (e.g., treatment plant upgrades). Thus, it was necessary to evaluate each improvement to determine the share of its cost that should be attributed to future development. To further complicate matters, most of the cost of those improvements has been funded by bonds, and the bonds will be repaid largely from increases in water service charges. Because newcomers start contributing to those water service charges once they connect to the system, the impact fees need to reflect that contribution.

(B) Demonstrate a reasonable relationship between the fee and the purpose for which it is charged.

The impact fees calculated for the water system are based on the amount of the service charges implicitly deferred from the point at which City begins budgeting service charge revenue for debt service to the point at which a particular user pays the impact fee. The impact fee report of 2003 recommended the deferred amount be adjusted annually to account for inflation. In effect, the City borrows from current users to cover debt service on the share of system capacity that is reserved for future users. When those future users connect to the system, they repay the loan through the impact fee.

Table 22.2 identifies the reasonable relationship between the impact of new development and the costs attributable to new development for each improvement project identified in Table 22.1.

Table 22.2
New Development Share of Water System Improvement Costs

Improvement Project	Total Cost ¹	New Dev % ²	New Dev Cost ³	Paid From 1998 Bonds ⁴	Paid From 2004 Bonds ⁵
Well No. 9 (Completed 2003)	\$ 793,617	25.0%	\$ 198,404	\$ 198,404	
4 MG Reservoir (Compl. 2002)	\$ 3,903,019	42.0%	\$1,639,268	\$ 1,639,268	
Well No. 10	\$ 1,700,000	100.0%	\$1,700,000		\$ 1,700,000
* Well No. 11	\$ 1,200,000	100.0%	\$1,200,000		
Groundwater Recharge Project	\$ 8,315,000	14.1%	\$1,172,415		\$ 1,172,415
* WTP Filter Addition	\$ 2,800,000	28.2%	\$ 789,600		\$ 789,600
Sludge Dewatering (1997)	\$ 2,228,292	14.1%	\$ 314,189	\$ 314,189	
* Other WTP Improvements	\$ 688,000	14.1%	\$ 97,008		\$ 97,008
* Booster Station Improvements	\$ 2,390,000	14.1%	\$ 336,990		\$ 336,990
* New WTP Admin Building	\$ 1,659,569	14.1%	\$ 233,999		\$ 233,999
Total	\$ 25,677,497	29.9%	\$ 7,681,874	\$ 2,151,861	\$ 4,330,012

- ¹ Actual or Estimated cost provided by the City of Lompoc Finance Department. See Capital Improvement Plan (CIP).
- ² Percentage of total cost attributed to future development – % estimated based on shares of demand.
- ³ Improvement cost attributed to future development.
- ⁴ Amount paid from 1998 bond issue toward new development cost share.
- ⁵ Amount paid from 2004 bond issue toward new development cost share.
- * Identified projects completed with bond and other funding resources after November 5, 2003 and before June 30, 2014.

[Table 22.2 obtained from *City of Lompoc – Impact Fee Study – Final Report* dated November 5, 2003. Dollar amounts identified are unadjusted for inflation.]

Table 22.3 shows the calculation of the Impact Fee per unit as included in the impact fee study published in 2003.

Table 22.3
Impact Fee per EDU by Fiscal Year – Water System Improvements

Fiscal Year	Debt Svc - 1998 Bonds ¹		Debt Svc - 2004 Bonds ²		New Dev Debt Service ³		Debt Svc per EDU ⁴	CPI Change ⁵	Impact Fee Per EDU ⁶
	Total	New Dev	Total	New Dev	Total	per GPD			
1998-99	\$ 482,394	\$ 108,867			\$ 108,867	0.1599	\$ 46.36		
1999-00	\$ 556,094	\$ 125,499			\$ 125,499	0.1843	\$ 53.44	3.4%	\$ 46.36
2000-01	\$ 558,369	\$ 126,013			\$ 126,013	0.1850	\$ 53.66	2.8%	\$ 101.10
2001-02	\$ 559,953	\$ 126,370			\$ 126,370	0.1856	\$ 53.81	1.6%	\$ 156.38
2002-03	\$ 556,628	\$ 125,620			\$ 125,620	0.1845	\$ 53.49	2.5%	\$ 214.10
2003-04	\$ 561,780	\$ 126,783			\$ 126,783	0.1862	\$ 53.99	2.5%	\$ 272.95

Terms:

GPD = Gallons per day

EDU = Equivalent Dwelling Unit

CPI = Consumer Price Index as published by the U.S. Bureau of Labor Statistics.

- ¹ Actual debt service on water system portion of 1998 bonds; new development share = 22.6% of total.
- ² Estimated debt service on water system portion of 2004 bonds; new development share = 45.3% of total.
- ³ Total debt service from 1998 and 2004 bonds attributable to new development. Debt service per GPD = Total / 681,000 GPD.
- ⁴ Debt service per EDU = debt service per GPD multiplied by 290 GPD per EDU.
- ⁵ CPI change included to offset inflation. Numbers after 2002-03 are assumed. Future changes should be inserted in table year-by-year.
- ⁶ Impact fee per EDU *in nominal dollars* = previous year cost per EDU plus sum of earlier years' costs plus inflation adjustment.

[Table 22.3 obtained from *City of Lompoc – Impact Fee Study – Final Report* dated November 5, 2003. Dollar amounts identified are unadjusted for inflation beyond 2003-04.]

Lompoc collects water impact fees based on installed meter size, a recognized standard practice. Meter size is used based on the relative capacity of the delivery of water for each size of meter. The impact fee is expressed per EDU (equivalent dwelling unit)

converted based on meter size in Table 22.4 below.

Table 22.4
Impact Fees per Unit of Development – Water System Improvements

Water Meter Size	EDU Factor ¹	Impact Fee per EDU ²	Impact Fee per Meter ³
5/8"	1.0	\$ 272.95	\$ 272.95
3/4"	1.0	\$ 272.95	\$ 272.95
1"	1.7	\$ 272.95	\$ 464.02
1-1/2"	3.3	\$ 272.95	\$ 900.74
2"	5.3	\$ 272.95	\$ 1,446.64
3"	10.7	\$ 272.95	\$ 2,920.59
4"	16.7	\$ 272.95	\$ 4,558.30
* 6"	31.0	\$ 272.95	\$ 8,461.51
* 8"	54.8	\$ 272.95	\$ 14,957.76
* 10"	85.6	\$ 272.95	\$ 23,364.68
* 12"	97.4	\$ 272.95	\$ 26,585.51

Terms:

EDU = Equivalent Dwelling Unit

- ¹ EDU factor based on relative capacity of various meter sizes with 5/8" and 3/4" meters set equal to 1.0 EDU.
² See Table 22.3.
³ Impact fee per meter = EDU factor multiplied by impact fee per EDU.
* Meter sizes not in the original report dated November 5, 2003, EDU factors based on relative capacity for each meter size.

[Table obtained from *City of Lompoc – Impact Fee Study – Final Report* dated November 5, 2003. Dollar amounts identified are unadjusted for inflation.]

(C) Identify all sources and amounts of funding anticipated to complete financing in incomplete improvements identified in paragraph (2) of subdivision (a).

See below for subdivision (a), paragraph (2).

Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in Section 65403 or 66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the public facilities for which the fee is charged.

As water system impact fees are based on meter size, development type is not relative but rather water meter sizes connected are relevant. Accordingly, projected water system impact fees are presented in total by fiscal year, based on an assumed straight-line development progression. Table 22.5 shows the projected revenue for water system improvement impact fees, based on a 2.5% discount for inflation through 2023-24.

Table 22.5
Projected Revenue - Impact Fees for Water System Improvements

Fiscal Year	Projected Revenue ¹
2003-04	\$ 31,935
2004-05	\$ 38,098
2005-06	\$ 53,923
2006-07	\$ 69,356
2007-08	\$ 84,403
2008-09	\$ 99,070
2009-10	\$ 113,406
2010-11	\$ 127,370
2011-12	\$ 141,007
2012-13	\$ 154,315
2013-14	\$ 167,296
2014-15	\$ 179,986
2015-16	\$ 192,347
2016-17	\$ 204,415
2017-18	\$ 216,188
2018-19	\$ 227,698
2019-20	\$ 238,878
2020-21	\$ 249,797
2021-22	\$ 260,452
2022-23	\$ 270,874
2023-24	\$ 278,897
Total	\$ 3,399,712

¹ Projected revenue assumes new development represents added demand of 117 EDU's per year. Revenue projections are discounted at 2.5% per year.

[Table 22.5 obtained from *City of Lompoc – Impact Fee Study – Final Report* dated November 5, 2003. Dollar amounts identified are unadjusted for actual inflation but are based on a projection of 2.5% inflation per year.]

As shown in Table 22.2, the cost of water system improvements needed to be provided by new development in the City was \$7,681,874 (unadjusted for inflation) at the time of

the City of Lompoc – Impact Fee Study – Final Report’s publication date of November 5, 2003. As the City secured bonds to construct the improvements, all collected impact fees offset already expended funds for new development. The rate at which new development occurs compared with the straight-line projection of development will dictate how much funding has been returned to the water utility from development for previously constructed improvements. A positive amount indicates the repayment (and thus development) has outpaced the presumed rate of growth. A negative amount indicates development has not outpaced the presumed rate of growth. The City of Lompoc has a cumulative (\$5,705,253.79) deficit (in current dollars) in impact fees (less cumulative payments for related improvements) for Water System improvements as of June 30, 2019. Table 22.5 identifies the estimated collection of Water System impact fees throughout the entire period of build-out anticipated in the impact fee study dated November 5, 2003 discounted by 2.5% annually.

As the existing water system improvements are for both existing and new development, new development provides a portion of the resources necessary to provide for all water system improvements anticipated by the City at the time of the 2003 impact fee study publication. Additional resources in the form of customer service charges provide the remaining funding of the water system improvements through build-out.

(D) Designate the approximate dates on which the funding referred to in paragraph (C) is expected to be deposited into the appropriate account or fund.

Funds for water system improvements are expected to be deposited into the appropriate accounts between inception in 2003 and the build-out date of the then existing General Plan, adopted in 1997, or approximately 2027-2044.