

1.0 Service Area Background

1.1 General Background

The proposed Los Amigos Water District (District) will provide water service to the following properties/entities: Elk Springs HOA, Pinyon Mesa, Auburn Ridge, Eagle Ridge, Elk Mesa, School District, and Elk Springs Commercial.

Table 1-1 Equivalent Unit (EU) Schedule

		EQR (%)	GAL/YR	GAL/YR (%)	EQUIVALENT UNIT (EU)	EQUIVALENT UNIT (EU) IN DISTRICT
ELK SPRINGS	249	55.85%	39,546,232	59.36%	249	249
PINYON MESA	80	17.95%	12,705,655	19.07%	80	80
AUBURN RIDGE	29.5	6.62%	3,277,011	4.92%	20.6	20.6
EAGLE RIDGE	29.5	6.62%	3,277,011	4.92%	20.6	20.6
ELK MESA	28	6.28%	3,569,563	5.36%	22.5	22.5
SCHOOL DISTRICT	26.8	6.01%	3,895,875	5.85%	24.5	0
ELK SPRINGS COMMERCIAL	3	0.67%	344,692	0.52	2.2	2.2
TOTAL	445.8	100.00%	66,616,038	100.00%	419.4	394.9

Equivalent Units(EU) are used to account for the differences between water contract for domestic and irrigation water for each user group. The RE-1 School District has decided to forgo joining the District at this time. All calculations related to capital reserve fees and system development fees do not included the RE-1 School District.

1.2 Proposed Monthly User Fees

To support the \$285,000 of projected water revenue within the proposed budget, the following rate schedule is recommended.

Table 1-2 Monthly User Fees

TIERS			PAYMENT	
BASE	0	10,000 GALLONS	\$50.00	
1	10,001	15,000	\$6.00	PER 1,000 GALLONS
2	15,001	25,000	\$7.50	PER 1,000 GALLONS
3	25,001	+	\$9.75	PER 1,000 GALLONS

To help define these rates, water usage data from Elk Springs, Pinyon Mesa, and Auburn Ridge were analyzed for 2024 and 2025. This data helped set the tier structure in terms of gallons used on a monthly basis, with over 80% of users in the base tier or tier 1. Fees increase in each tier, from 20%, 25%, and 30% for each additional 1,000 gallons of water usage. These proposed rates generated approximately \$295,000.

It should be noted that a significant portion of the projected revenue was generated in tier 3, and mostly in the summer months during peak irrigation season. This proposed rate structure is to help promote water conservation.

1.3 Capital Reserve Fee

The current water system is relatively young, in terms of age of the infrastructure. With a young system, there are no identified capital improvements projects, therefore to establish



a capital reserve amount needed, we “created” a capital reserve project based on the following assumptions.

Waterline Replacement Portion

- 5% of the total LF of waterline in the water system to be replaced
- 5% of the total number of valves in the water system to be replaced
- Waterline fittings assumed to be twice the number of valves to be replaced
- 5% of the total number of fire hydrants in the water system to be replaced
- Waterline tie ins/connections to existing water system
- Asphalt removal and replacement
- Restoration
- Erosion control

Water Tank Rehab Portion

- Tank rehabilitation (assumes some structural rehab and assumed sand blasting)
- Interior tank coating
- Exterior tank coating

Only one of the water tanks was included in this capital reserve project as the smaller 300,000-gallon water tank was recently relined, inside and out.

Additional construction costs were added including mobilization/demobilization, contractor overhead and profit, bonds, project management, general conditions, design engineering, construction engineering, and contingencies. With contingency of 20% removed, the final capital reserve amount needed is \$2,462,000. Attached spreadsheet shows additional breakdown.

Through preliminary work with the District steering committee, we assumed a starting capital reserve amount of \$1,400,000 coming from existing capital reserves attributed to Elk Springs, Pinyon Mesa, and Auburn Ridge. A target balance for the capital reserve was set at \$1,800,000. This results in a difference of \$662,000 that needs to be generated by a capital reserve fee applied equally to all properties within the District Boundaries.

Table 1-3 Capital Reserve Fees

ITEMS	AMOUNT
CAPITAL RESERVE INITIAL TARGET BALANCE	\$1,800,000.00
RESERVE AMOUNT START	\$1,400,000.00
CAPITAL RESERVE AMOUNT PROPOSED	\$2,462,000.00
CAPITAL RESERVE STILL NEEDED (DIFFERENCE)	\$662,000.00
TOTAL RESERVE CHARGE PER USER/EU	\$1,676.33
RESERVE CHARGE PER USER/EU/MONTH	\$139.69
RESERVE COST (SPREAD OVER 15 YEARS)	\$9.31

1.4 System Development Fees

Additional system development fees would apply to entities that are not currently connected to the water system and have not contributed towards the \$1,800,000 target balance for the capital reserves. Values were assigned based on water agreements. System development fees could be paid via one lump sum payment or over time.



Table 1-4 System Development Fees

	EU	AMOUNT
PINYON MESA	80.0	\$265,018.40
EAGLE RIDGE	20.6	\$88,546.54
Elk Mesa	22.5	\$0
ELK SPRINGS COMMERCIAL	2.2	\$0
INTEREST RATE		3.5%
TOTAL SYSTEM DEVELOPMENT FEE PER USER/EU		\$4,291.43
RESERVE COST (SPREAD OVER 15 YEARS)		\$30.68
TOTAL SYSTEM DEVELOPMENT FEE PER USER/EU (FOR PINYON MESA)		\$3,312.74
RESERVE COST (SPREAD OVER 15 YEARS) (FOR PINYON MESA)		\$23.68

1.5 Summary of Monthly Charges

For active users (assumes using 10,000 gallons or less per month), they'd pay the Base User Fee and Capital Reserve Fee/month/EU.

- Elk Springs: \$50/month/EU + \$9.31/month/EU = \$59.31
- Pinyon Mesa: \$50/month/EU + \$9.31/month/EU = \$59.31
- Auburn Ridge: \$50/month/EU (20.6) + \$9.31/month/EU = \$1,221.79/month

For inactive users with Elk Springs and Pinyon Mesa (assumes vacant lot without water use), they'd pay the Capital Reserve Fee. Base User Fee charges would be added once a dwelling unit is connected to the water system.

- Elk Springs: \$9.31/month/EU
- Pinyon Mesa: \$9.31/month/EU

For inactive users within areas not currently connected to the water system (Eagle Ridge, Elk Mesa, School District, and Elk Springs Commercial), they'd pay Capital Reserve Fee and the System Development Fee. Base Use Fee charges would be added once a dwelling unit is connected to the water system.

- Eagle Ridge: \$9.31/month/EU (20.6) + \$30.68/month/EU = \$823.79/month
- Elk Mesa: \$9.31/month/EU, Elk Mesa to pay system development fees in one lump sum payment
- Elk Springs Commercial: \$9.31/month/EU, Elk Springs Commercial to pay system development in one lump sum payment

The RE-1 School District will not be included in the District at this time. The School District parcel will be a "Future Inclusion Area" and will pay equivalent capital reserve and system development fees at the time of inclusion.

Pinyon Mesa is currently connected to the water system, however system development are still due from this development.

- Pinyon Mesa: \$9.31/month/EU (80.0) + \$23.68/month/EU = \$2,639.20/month

1.6 Recommended Fees/Monthly Charges

All recommended fees/monthly charges have been rounded up to the nearest nickel.

1.6.1 Recommended Monthly User Fees

Table 1-5 Monthly User Fees

TIERS			PAYMENT	
BASE	0	10,000 GALLONS	\$50.00	
1	10,001	15,000	\$6.00	PER 1,000 GALLONS
2	15,001	25,000	\$7.50	PER 1,000 GALLONS
3	25,001	+	\$9.75	PER 1,000 GALLONS

1.6.1 Recommended Capital Reserve Fee

Capital reserve fee would be charged to all EUs in the District, active or inactive, over a 15-year period.

$$\text{Capital Reserve Fee} = \$9.35/\text{month}/\text{EU}$$

1.6.2 Recommended System Development Fee

System development fees would be charged to select developments and their corresponding EUs. This fee would include an interest rate of 3.5% and would be collected over a 15-year period.

$$\text{Pinyon Mesa System Development Fee} = \$23.70/\text{month}/\text{EU}$$

$$\text{All other Parcels} = \$30.70/\text{month}/\text{EU}$$