

## Sacramento Suburban Water District

**Capacity Fee Setting Policy**

Adopted: September 15, 2014

Approved with Changes: November 20, 2023

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**100.00 Purpose of the Policy**

The purpose of this policy is to establish how the District will establish and approve Capacity Fees. Capacity Fees provide the means of balancing the District's cost requirements for new infrastructure between existing customers and new customers. A portion of the costs of buying into existing infrastructure that will provide service (capacity) to new customers is included in the District's Capacity Fees. In contrast, the District has future capital improvement projects that are related to renewal and replacement of existing infrastructure. These infrastructure costs are typically included within the rates charged to the District's customers, and are not included in the Capacity Fees. By establishing cost-based Capacity Fees, the District will continue its policy of having "growth pay for growth" and existing District customers, for the most part, be sheltered from the financial impacts of growth. The establishment of Capacity Fees will include consideration of the following:

- A. Growth-Related Capital Projects – Within the District's capital improvement plans and rate studies, growth-related capital projects will be clearly identified.
- B. Growth Related Capital – The District's intent is for the cost of growth-related assets to be paid for by the use of Capacity Fees. In other words, growth should pay for growth, and existing customers should be sheltered from the costs of serving growth.
- C. Use of Capacity Fee Proceeds – Capacity Fee revenues will only be used for two purposes – to pay for growth-related debt service or to directly pay for growth-related capital improvements.
- D. Limitation on the Use of Capacity Fees to Pay Debt Service – The use of Capacity Fee revenues to pay for growth-related debt service will be limited in any year, for planning and rate setting purposes, to fifty percent (50%) of the annual Capacity Fee revenue projected to be collected. If growth and the corresponding Capacity Fee revenue is less than projected, the District should still have sufficient Capacity Fee revenue to make the annual debt service payments associated with the growth-related capital projects.

**200.00 Policy**

Capacity Fees are intended to reflect the cost of growth and capacity expansion to serve new customers and additional capacity requirements. Capacity Fees are a common method of assessing the cost of expansion and its additional capacity requirements. In

establishing Capacity Fees, and in concert with Regulation No. 7, “New or Additional Service Connections”, the following will be considered:

- A. Meeting Legal Requirements – Capacity Fees will be established and administered to comply with applicable legal requirements.
- B. Methodologies – Capacity Fees will be established using “generally accepted” methodologies and will include a debt service credit to fairly account for the method of financing used for growth and expansion projects.
- C. Determination of Cost-Basis – As appropriate, Capacity Fees will be calculated to determine the cost-based levels for new customers seeking connections to the District’s water system.
- D. Establishing Final Capacity Fees – The Board will establish the final Capacity Fees, taking into consideration the cost-based levels of the charges and the Board’s policy as it relates to the sharing of growth-related costs between existing ratepayers and new customers connecting to the water system. At no time will the Board establish or adopt Capacity Fees greater than the calculated cost-based Capacity Fees except as permitted under Government Code section 66013.
- E. Adjustments – In accordance with Regulation No. 7, section H. 5 - Capacity Fees will be adjusted annually utilizing the model used in the most recent capacity fee study. Further, “a comprehensive review and update of the Capacity Fee methodology shall occur at least every five years.”
- F. Master Plan and Capacity Fees – Every three to five years, or whenever the Water System Master Plan is updated, the Capacity Fees will be updated to reflect the changes in planning, infrastructure, and capital financing.

**300.00 Capacity Fee Consideration and Approval Process**

California Government Code sections 66013 and 66016 require that new or updated Capacity Fees or similar charges be properly noticed. Under section 66016, the District must agendaize consideration of the proposed new or increased fees on the agenda of at least one regular Board meeting and permit the public to present oral or written comments on the proposal. In addition, the District must mail written notice of the meeting at which the matter will be heard, including a “general explanation of the matter to be considered, and a statement that the data required by this section is available”, at least 14 days before the meeting to all parties that have filed a written request with the District for mailed notice of meetings at which new or increased fees and charges will be considered (any such request is valid for one year from the date on which it is filed and any renewal request must be filed by April 1 of the following year).

Also, the District must make publicly available the capacity fee study and any related data at least 14 days before the meeting at which a proposal to adjust Capacity Fees will be considered. If the Board proposes to adopt the proposed Capacity Fees, with or without change, the Board may take that action only by ordinance or resolution. A formal public hearing on the issue is not required.

**400.00 Authority**

The General Manager and District Treasurer are responsible for compliance with this policy and regular reporting of the District's financial status, including the Capacity Fees accounting required under Government Code section 66013, subdivisions (c) through (f). Board oversight will be accomplished through regular reporting of financial status and review of this Policy.

**500.00 Policy Review**

This Policy will be periodically reviewed by the Board of Directors in accordance with its established policy review schedule.