



Agenda Item: 4

Date: March 15, 2021

Subject: Resolution No. 21-02 Amending Regulation No. 7 of the Regulations Governing Water Service

Staff Contact: Jeffery S. Ott, Director of Finance and Administration

Recommended Board Action:

Adopt Resolution No. 21-02 Amending Regulation No. 7, part H.5 of the Regulations Governing Water Service as shown in Attachment 1, effective April 1, 2021.

Background:

The primary purpose for Facility Development Charges (FDCs) is to recoup from new customers the capital outlay necessary to buy-in to the District's existing system capacity at an equitable cost with current customers. The District updates its FDCs annually on April 1 in accordance with Regulation 7, Part H.5, to reflect cost changes in materials, labor, or real property applied to projects or project capacity. In addition, Regulation 7, Part H.5 states that a comprehensive review and update of the FDC methodology shall occur at least every five years. The last comprehensive review and update of the District's FDCs occurred in 2019. During the intervening years, the FDCs are updated annually by applying a specific cost index or periodic data source (Regulation 5, Part H.5). Since 2015, the District has utilized the Engineering News Record (ENR) 20-Cities Cost Index for the annual update.

Discussion:

Use of the ENR cost index as of December 31, 2020, will serve as the basis for public disclosure and discussion at the March 15, 2021, Board Meeting. If adopted by the Board, these FDCs will be effective April 1, 2021.

As described in District Policy PL – Fin 010 Facility Development Charge Setting Policy section 300.00, California Government Code sections 66013 and 66016 require that new or updated FDCs or similar charges be properly noticed. Under section 66016, the District must place 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. Also, the District must make publicly available the FDC fee study and any related data

at least 10 days before the meeting at which the fee proposal will be considered. If the Board proposes to adopt the new or increased FDCs, 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.

The District has no current record of any party requesting to be notified of meetings at which new or increased fees and charges will be considered. The 2019 FDC fee study and this staff report recommending approval of the new 2021 FDC amounts have been posted on the District’s web site and are available at the customer service counter.

As described in Regulation 7, Part H.5 the annual cost adjustment shall be made applying one or more specific cost indexes or other periodic data sources. Utilizing the ENR 20-Cities Cost Index, the same Index used since 2015, the proposed 2021 FDC charges for new development are as follows:

Exhibit 1

Meter Size	2020 Facilities Development Charge	Proposed 2021 Facilities Development Charge	Change
5/8”	\$4,056	\$4,143	\$87
3/4”	\$6,085	\$6,216	\$131
1”	\$10,141	\$10,359	\$218
1 ½”	\$20,282	\$20,719	\$437
2”	\$32,452	\$33,151	\$699
3”	\$64,903	\$66,300	\$1,397
4”	\$101,411	\$103,594	\$2,183
6”	\$202,823	\$207,189	\$4,366
8”	\$365,081	\$372,940	\$7,859
10”	\$486,775	\$497,254	\$10,479
12”	\$684,527	\$699,263	\$14,736

The new amounts represent an approximate 2.15% increase in the FDCs from 2020.

Additional changes made to Regulation 7 consist of updated references in Section H and K to related Regulations and minor structural changes to parts 1, 2, 3, 4, and 6 of Section H. See Attachment 2 for redline version.

Fiscal Impact:

Increases in FDC’s will potentially increase District revenue. However, as the District is substantially built-out, increases are expected to be minimal. For example, in 2020 and 2019, FDC revenue totaled \$469,993 and \$287,209, respectively.

Strategic Plan Alignment:

Goal C: Ensure Fiscal Responsibility and Affordable Rates

Provide rates and connection fees that are fair, simple to understand, logical, and meet the revenue requirements, including bond rate covenants of the District.

Approval of this amendment to the Regulations Governing Water Service will improve staff's ability to operate efficiently and allow District customers to better understand the regulations upon which staff bases decisions while implementing Board policy.

Attachment:

- 1 – Resolution No. 21-02, A Resolution of the Board of Directors of the Sacramento Suburban Water District amending Regulation No. 7 of the Regulations Governing Water Service.
- 2 – Regulation No. 7 of the Regulations Governing Water Service. Redline