

## Sacramento Suburban Water District

**Facility Development Charge Setting Policy**

Adopted: September 15, 2014

Approved with Changes: June 17, 2019

**100.00 Purpose of the Policy**

Facility Development Charges (FDCs) provide the means of balancing the District's cost requirements for new infrastructure between existing customers and new customers. The portion of existing infrastructure that will provide service (capacity) to new customers is included in the District's FDCs. 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 FDCs. By establishing cost-based FDCs, 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 FDCs will include consideration of:

- 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 FDCs. In other words, growth should pay for growth, and existing customers should be sheltered from the costs of serving growth.
- C. Use of FDC Proceeds – FDC 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 FDCs to Pay Debt Service – The use of FDC 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 FDC revenue projected to be collected. If growth and the corresponding FDC revenue is less than projected, the District should still have sufficient FDC revenue to make the annual debt service payments associated with the growth-related capital projects.

**200.00 Policy**

FDCs are intended to reflect the cost of growth and capacity expansion to serve new customers and additional capacity requirements. FDCs are a common method of assessing the cost of expansion and its additional capacity requirements. In establishing FDCs, and in concert with Regulation No. 7, "New or Additional Service Connections", the following will be considered:

- A. Meeting Legal Requirements – FDCs will be established and administered to conform and meet any legal requirements.
- B. Methodologies – FDCs 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, FDCs will be calculated to determine the cost-based levels for customers seeking to connect to the District’s water system.
- D. Establishing Final FDCs – The Board will establish the final FDCs, taking into consideration the cost-based levels of the charges and the Board’s policy or philosophy as it relates to the sharing of growth-related costs between existing rate payers and new customers connecting to the water system. At no time will the Board establish or adopt FDCs greater than the calculated cost-based FDCs.
- E. Adjustments – In accordance with Regulation No. 7, section H. 5 - FDCs will be adjusted annually “to reflect cost changes in materials, labor or real property applied to projects or project capacity” using an appropriate cost index. Further, “a comprehensive review and update of the FDC methodology shall occur at least every five years.”
- F. Master Plan and FDCs – Every three to five years, or whenever the Water System Master Plan is updated, the FDCs will be updated to reflect the changes in planning, infrastructure, and capital financing.

**300.00 FDC Consideration and Approval Process**

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 agendize 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 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.

**400.00 Authority**

The General Manager and District Treasurer are responsible for adherence to this policy and regular reporting of the District's financial status. Board oversight will be accomplished through regular reporting of financial status and review of this Policy.

**500.00 Policy Review**

This Policy will be reviewed at least biennially.