Amador Water Agency

Capacity Fee Development Charge Setting Policy

Reviewed and Adopted
10-08-20

100.00 Purpose of the Policy

Capacity Fee Charges (CFCs) are one time charges that provide the means of balancing the Agency'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 computation of the Agency's CFCs. (In contrast, the Agency 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 Agency's customers, and are not included in the CFCs.) By establishing cost-based CFCs, the Agency will continue its policy of having "growth pay for growth" and existing Agency customers, for the most part, be sheltered from the financial impacts of growth. The establishment of CFCs will include consideration of:

A. Growth-Related Capital Projects – Within the Agency's capital improvement plans and rate studies, growth-related capital projects and portions of projects that are attributable to growth will be clearly identified.
B. Growth Related Capital – The Agency's intent is for the cost of growth related assets to be paid for by the use of CFCs.
C. Use of CFC Proceeds – CFC revenues will only be used for two purposes – to pay for growth-related debt service or to directly pay for growth-related capital improvements.

200.00 Policy

CFCs are intended to reflect the cost of growth and capacity expansion to serve new customers and additional capacity requirements. CFCs are a common method of assessing the cost of expansion and its additional capacity requirements. In establishing CFCs, the following factors will be considered:

A. Meeting Legal Requirements – CFCs will be established and administered to cover the infrastructure cost associated with new system demands according to a current cost of service study and rates adopted in compliance with Proposition 218, and in consultation with legal counsel.
B. Methodologies – CFCs 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, CFCs will be calculated to determine the cost-based levels for customers seeking to connect to the Agency's water and wastewater system
D. Establishing Final CFCs – The Board will establish the final CFCs, taking into consideration the cost-based levels of the charges and the Board's policy or decisions as it relates to the sharing of growth-related costs between existing rate payers and new customers connecting to the water or wastewater system. At no time will the Board establish or adopt CFCs greater than the calculated cost-based CFCs.
E. Adjustments – CFCs will be adjusted annually to reflect cost changes in materials, labor or real property applied to projects or project capacity using the Engineering News-Record Construction Cost Index. A comprehensive review and update of the CFC methodology shall occur at least every five years.
F. Master Plan and CFCs – Every three to five years, or whenever the Water and or Wastewater System Master Plan is updated, the CFCs will be updated to reflect the changes in planning, infrastructure, and capital financing.

300.00 Authority

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

400.00 Policy Review

This Policy will be reviewed at least every two years.