



STAFF REPORT

Meeting Type: Finance & Administration Committee/Board of Directors
Title: Capacity Charge Study
From: Bret Uppendahl, Finance Director *BU*
Through: Ben Horenstein, General Manager *BH*
Meeting Date: August 22, 2024

TYPE OF ACTION: Action X Information Review and Refer

RECOMMENDATION: Receive an update on the District's Capacity Charge Study

SUMMARY: Capacity charges, also referred to as Connection Fees, are one-time fees paid by new customers in order to connect a new water service to the District's water system. Capacity charges are also paid by existing customers who have a change in property use that requires increased water usage. The charge is levied to recover costs for the District's capacity to meet the demands of new customers or increased demand of existing customers. The District will be working with Bartle Wells Associates, and independent public financial advisory firm, to evaluate the District's current capacity fee methodology and to recommend updates where appropriate. The District's capacity charge was last updated in 2018.

DISCUSSION: The legal framework for capacity charges is governed by Government Code Section 66013, which provides that local agency fees for water connections shall not exceed the estimated cost of providing service for which the fee or charge is imposed. Within this framework, public agencies can recover costs for existing or future facilities necessary to meet the new or increased water demands placed on the system.

Over the coming weeks, District staff will work with Bartle Wells Associates to review the current capacity charge methodology, consider alternative methodologies as needed, update the underlying cost of facilities and assets and recalculate the cost per unit of capacity under the selected methodology. It is anticipated that the updated capacity charge calculations will be presented for Board consideration in October 2024.

ENVIRONMENTAL REVIEW: Not Applicable.

FISCAL IMPACT: The District currently budgets for \$600,000 annually in capacity fee charges. Actual revenues depend on the level of development activity and have varied from \$300,000 to \$1,500,000 in

recent years. All of the revenues received from capacity fees are deposited in the capital fund and are allocated to the District's capital improvement program (CIP).

ATTACHMENT(S): None.