



# Staff Report

**TO:** Board of Directors

**FROM:** Doug Roderick, P.E., Engineering Manager

**DATE:** December 8, 2021

**SUBJECT: Rules & Regulations Section 10.07 - Prepayment of Capacity Charges**

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## ***ENGINEERING***

### **RECOMMENDATION:**

Consider modification of Section 10.07 Prepayment of Capacity Charges and direct staff as appropriate.

### **BACKGROUND:**

There have been multiple requests from developers, engineering firms, and the Nevada County Contractors Association to review and potentially modify the existing NID Section 10.07 Prepayment of Capacity Charges (attached for reference).

Currently, NID requires the prepayment of a minimum size meter capacity charge when a new waterline extension will serve five or more parcels. The proposed modification is to collect capacity charges when meter installation is requested, similar to other agencies and jurisdictions.

Collecting capacity charges at the time a meter is requested would result in current fees being paid at the time service is provided. Accepting developer constructed waterlines into the District's distribution system without collecting capacity charges has minor impacts to the Operations department with additional flushing and very little maintenance and operation of the new pipes.

The following project is a typical scenario for reference and discussion:

Timberwood Estates created 45 new parcels in 2019. The developer was required to pay capacity charges in the amount of \$483,120. Currently, only 22 meters have been installed (10 meters in 2019, five meters in 2020, and seven meters in 2021). The following tables show the comparison of the 22 meters if the District had collected capacity charges at the time service was requested.

Fees Collected At Acceptance of System

Year	Capacity Charge	Number of meters	Fees Collected
2019	\$10,736	22	\$236,192

Fees if Capacity Fees Collected at Time of Service

Year	Capacity Charge	Number of Meters	Fees Collected
2019	\$10,736	10	\$107,360
2020	\$10,929	5	\$54,645
2021	\$11,164	7	\$78,148
		Total	\$240,153

The difference between these two scenarios would be \$3,961 in fees collected. It should be noted that the District does generate some investment money on the capacity fee reserve, although only until those capacity fees are used. In 2019, the capacity fee reserve had a return of 1.91% and in 2020 a return of 1.24%.

The following is a recent history of subdivision developments and upcoming subdivisions demonstrating the variety of projects that NID serves.

Completed (2011-2021)

- Deer Creek Park Phase 1 – 7 lots
- Timberwood Estates – 45 lots
- Ridge Meadows – 36 lots
- Cascade Crossing – 83 lots
  - Phase 1 – 18 lots
  - Phase 2 – 22 lots
  - Phase 3 – 39 lots
  - Phase 4 – 4 lots
- Buck Mountain Phase 4 – 10 lots

In Progress

- American Hill Subdivision – 9 lots total
  - American Hill Phase 1 – 4 lots
  - American Hill Phase 2 – 2 lots
- Ridge Village – 34 lots

Upcoming

Loma Rica Ranch – 234 lots  
 Towntalk Village – 11 lots  
 Gracie Commons – 12 lots

Based on direction from the Board, staff would make changes to Section 10.07 of the District’s Rules and Regulations and bring back to the Board for consideration.

**BUDGETARY IMPACT:** Minimal, if any. Potential loss of investment returns partially offset by increases in capacity fees at time of service.