

Potential Revisions to Capacity Charges

SPMUD Board Meeting
May 7, 2026

Background & Purpose

- Definitions
 - Capacity Charge
 - EDU
- Progress Report
- Review options that:
 - Align impact with use
 - Support necessary revenue

Category	Option	Recommendation
A. Planning and Cost Assumptions	1. Evaluate SECAP Assumptions	Pursue Further
	2. Exclude Certain Projects from SECAP	Do Not Pursue
B. EDU Methodology	1. MFR & Age-Restricted	Further Consideration
	2. Fixture Unit / Bathroom-Kitchen Counts	Further Consideration
	3. Square Footage	Do Not Pursue
C. Geographic Differentiation	1. Differentiate Infill vs. Expansion	Do Not Pursue
	2. Differentiate by Sewershed	Do Not Pursue
D. Revenue Substitution	1. Use Unrestricted Revenue to Offset	Do Not Pursue
E. Alternative Charge Structures	1. Base on Water Consumption	Do Not Pursue
F. Policies	1. Transfer of Capacity Charges	Completed
	2. Commercial / Industrial Capacity Charge Reconciliation	Completed
	3. Deferred Payment	Completed

A1 – Evaluate SECAP Assumptions

- Background
 - SECAP is the basis of the Nexus Study to set capacity charge
 - Updated every ~five years
- Description
 - Examine SECAP assumptions
- Benefits
 - Potentially eliminate / reduce the scope of required projects
- Challenges / Risks
 - Underfund capacity projects

A2 – Exclude Certain Projects from SECAP

- Background
 - Credit/Reimbursement
- Benefits
 - Lower cost of expansion in SECAP
- Description
 - Remove certain projects from SECAP
 - Make project a condition of development
- Challenges / Risks
 - SPMUD is not a land use agency
 - Delayed development on a “critical” parcel impacts capacity

B1 – MRF & Age-Restricted EDUs

- Background
 - All residential units = 1 EDU
 - Other agencies, MFR < 1 EDU
 - Recent SPWA consideration
- Benefits
 - Lower barriers to development of higher density housing products
 - Confirm alignment of charge with impacts
- Description
 - Assess MRF and Age-Restricted units less than 1 EDU
- Challenges / Risks
 - Valid nexus is required
 - Requires comprehensive study
 - Shift costs to other users

B2 – Fixture Unit / Bathroom-Kitchen Counts

- Background
 - 1976, SPMUD decided not to count fixtures to assess EDUs
- Description
 - Differentiate residential units by counting
 - Fixtures
 - Bathrooms and Kitchens
- Benefits
 - May improve alignment of charges with the impact
 - Ease development of different housing product types
- Challenges / Risks
 - Valid nexus is required
 - Difficult enforcement
 - Track separate SPWA/SPMUD EDUs

B3 – Square Footage

- Background
 - Square footage used for comm.
 - Water agencies use lot sq. ft.
- Description
 - Use residential sq. ft. for EDU
- Benefits
 - May improve alignment of charges with the impact
 - Ease development of different product types
- Challenges / Risks
 - Valid nexus is required, which may be difficult logistically
 - Additional administrative burden

C1 – Differentiate Infill vs. Expansion

- Background
 - One other local sewer agency uses this method
- Description
 - Differentiate capacity charges by parcel
 - Infill areas vs Expansion areas
- Benefits
 - Potentially lower capacity charges for infill areas
- Challenges / Risks
 - SPMUD to designate infill and expansion areas
 - Valid nexus to justify two charges

C2 – Differentiate Charges by Sewershed

- Background
 - Two major sewersheds
 - Dry Creek
 - Pleasant Grove
- Benefits
 - Align charge with the impact by location
- Description
 - Set charges by sewershed
 - One would increase, One would decrease
- Challenges / Risks
 - This would impact the ability for property owners to transfer EDUs
 - Big cost differences for projects separated by small distances

D1 – Use Unrestricted Revenue to Offset

- Background
 - Currently, only capacity charges are used to fund expansion
- Description
 - Use other unrestricted revenue to offset capacity charges
- Benefits
 - Offset the capacity charge for selected uses
- Challenges / Risks
 - Options to raise revenue are limited
 - Reduced flexibility for funding services (i.e., increase rates)

E1 – Base on Water Consumption

- Background
 - Many agencies use consumptive water use in monthly rates
 - SPMUD has no access to water use
- Benefits
 - Provides a strong nexus based on proportionate impact
- Description
 - Based capacity charge on
 - Consumptive water use
 - Water meter size
- Challenges / Risks
 - Reliance on data from outside of SPMUD

Thank
you

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