



MEMORANDUM

To: Board of Directors
From: Gary W. Fern, P.E., Executive Director
Date: February 11, 2010
Re: Connection Fees
cc: James M. Bowling, IV

In March 2009, the ACSA Board of Directors authorized the advertisement of volume rates and connection charges for FY 2010. At a meeting on June 4, 2009 the Board agreed that connection fees would not go into effect until September 1, 2009. In a Public Hearing on August 20, 2009, the Board of Directors approved a motion which increased connection fees, except the RWSA Capacity Charge for wastewater, by 15% to become effective September 1, 2009. In addition, the Board approved increasing the same connection fees an additional 85% to be effective on March 1, 2010.

Over the last few months, the Board has conducted a dialogue with area developers, engineers, and contractors, regarding the collection of connection fees. Specifically, the Board has discussed the Old Trail Assisted Living Facility with Mr. David Hilliard, and Arden Place with Mr. Andrew McGinty. The Board agreed to discuss the collection of connection fees prior to March 1, 2010.

In October 2009, the ACSA staff prepared a memorandum discussing the current Pre-Payment Policy. Attached is a copy of that memorandum. At that time, the ACSA staff did not propose any revisions to the Pre-Payment Policy.

Board Action

No Board action is required at this time.

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MEMORANDUM

To: Board of Directors
From: Gary W. Fern, P.E., Executive Director
Date: October 7, 2009
Re: Prepayment Policy
cc: James M. Bowling, IV

The Board of Directors, at the August meeting, requested that staff review the Prepayment Policy. The current policy requires that an applicant obtain a building permit from the County of Albemarle before being allowed to pay connection fees.

The ACSA, City of Charlottesville, and Rivanna Water and Sewer Authority (RWSA) administer a “first come, first serve” policy in regards to the water and wastewater systems. The “first come, first serve” policy is in lieu of an “allocation of capacity” policy. The reason for the “first come, first serve” policy is to ensure that neither the ACSA nor the City control capacity within the RWSA water and wastewater systems. The “first come, first serve” policy also prevents larger developers from having an unfair advantage over smaller developers, thus creating a more level playing field. The “first come, first serve” policy has worked well for the area and has alleviated potential legal problems.

To maintain a policy which is not subject to capacity allocation, the time period between the granting of allocation and system use must be minimized. The longer the time period, the greater the potential for control of system capacity by private developers. A capacity allocation policy could potentially restrict growth within the Jurisdictional Area. The County of Albemarle Board of Supervisors has been clear on their position that they do not wish to deter growth in the Jurisdictional Area.

In identifying a point in time where a developer can be assured of system capacity and bring his project to fruition, the developer relies on the time it takes for County approval. As stated previously, minimizing this time period assures less of a “capacity allocation” and a greater “first come, first serve” practice. In

the County's process, the next logical point prior to building permit approval, is final approval of a site plan. During the Public Hearing in August, developers stated that this could be a two-to three-year process. Currently, developers are allowed eighteen months by the ACSA to act upon their projects after receiving construction plan approval. By increasing the time period between granting capacity and use of facilities, a greater potential exists for rezoning to a denser development, requiring greater capacity.

Currently, within the water and wastewater systems, excess capacity is paid for by existing customers since potential new customers have not paid connection fees. The sooner new customers are brought online and using facilities, the less existing customers have to pay for this excess capacity.

In reviewing the Prepayment Policy, the staff sees no benefit to increasing the time between the guaranteeing of capacity and the use of facilities. In fact, revising the policy to extend the time period is detrimental to the ACSA's "growth pays for growth" philosophy. Extending the period allows for a greater number of prepaid connection fees, reducing the revenues contributed, and placing a greater burden on existing customers to generate required revenues.

The current process of paying for connection fees upon receipt of a building permit is appropriate to reduce the cost to existing customers and to maintain the "first come, first serve" policy.

Board Action

No Board Action is required at this time.

GWF/anw/dmg

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