

AS AMENDED ON JULY 23, 2012

ORDINANCE NO. 2213

AN ORDINANCE OF THE CITY OF SALISBURY ADJUSTING THE CAPACITY UNIT FEE IN ACCORDANCE WITH CHAPTER 13.02 OF THE CITY CODE.

WHEREAS, the City established the Comprehensive Connection Charges in Chapter 13.02 of the City Code by passage of Ordinance No. 1918 on December 20, 2004; and

WHEREAS, the Capacity Unit Fee is one of the Comprehensive Connection Charges; and

WHEREAS, Chapter 13.02.050 requires the Director of Public Works and the Director of Internal Services to provide the City Council with an annual recommendation of the proposed charges; and

WHEREAS, the Director of Public Works and the Director of Internal Services provided the City Council with a recommendation of the proposed Capacity Unit Fee adjustment at the April 23, 2012 City Council meeting; and

WHEREAS, the Director of Public Works has made a diligent effort to notify as many individuals and organizations as practicable that may be potentially impacted by the fee change.

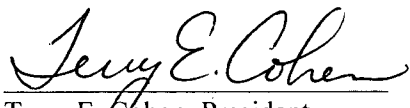
NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND that the new Capacity Unit Fee of \$3,392 per EDU, ~~as further detailed in~~ calculated pursuant to the attached memorandum to from the Director of Public Works, dated April 18, 2012, and its attachments, is approved as of July 1, 2012, and any amount collected on or after July 1, 2012, in excess of the new rate shall be refunded.

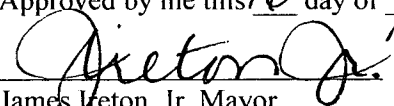
BE IT FURTHER ORDAINED that this ordinance shall take effect from the date of its final passage.

THIS ORDINANCE was introduced and read at a meeting of the Council of the City of Salisbury held on the 23rd day of July, 2012, and thereafter, a statement of the substance of the Ordinance having been published as required by law, was finally passed by the Council on the 13th day of August, 2012.

ATTEST


Kimberly R. Nichols, City Clerk


Terry E. Cohen, President
Salisbury City Council

Approved by me this 16th day of August, 2012

James Ireton, Jr. Mayor

City of Salisbury



MARYLAND

Salisbury



2010

125 NORTH DIVISION STREET
SALISBURY, MARYLAND 21801

Tel: 410-548-3170

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TERESA GARDNER, P.E.
DIRECTOR OF PUBLIC WORKS

JAMES IRETON, JR.
MAYOR

JOHN R. PICK
CITY ADMINISTRATOR

LORÉ L. CHAMBERS
ASSISTANT CITY ADMINISTRATOR

To: John Pick, City Administrator

From: Teresa Gardner

Subject: WATER AND SEWER CAPACITY UNIT FEE ADJUSTMENT

Date: April 18, 2012

Section 13.02.050 of the municipal code authorizes the City to annually adjust Comprehensive Connection Charges, including Capacity Unit Fees. The Capacity Unit Fee calculation is based on the growth-related projects contained in the current Capital Improvement Plan and the unpaid balances of recently constructed improvements.

The current Capacity Unit Fee is \$8,508. The proposed Fee is \$3,392. The revised Fee was discussed and tentatively approved by Council at the April 2, 2012 Work Session.

Unless you or the Mayor has further questions, please forward this memo and related attachments to the City Council.

A handwritten signature in cursive script, appearing to read "Teresa Gardner".

Teresa Gardner, P. E.
Director of Public Works

City of Salisbury



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Salisbury



2010

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JAMES IRETON, JR.
MAYOR

JOHN R. PICK
CITY ADMINISTRATOR

LORÉ L. CHAMBERS
ASSISTANT CITY ADMINISTRATOR

TERESA GARDNER, P.E.
DIRECTOR OF PUBLIC WORKS

TO: John Pick

FROM: Teresa Gardner

RE: Recommended 2012 Capacity Fees
Work Session

DATE: March 5, 2012

The capacity fee program was created in FY2005 and was intended to pay for capacity in the City's water and/or sewer system. The capacity fee is one of the fees that make up the comprehensive connection charges. The others are the facility fee, the line fee (Central system line fee) and the sewer - connection and water meter/tap fee. Attached are the codified language and an example for each fee for use during our capacity fee discussion. The actual codified language for the capacity fee is contained in **Section 13.02.070 Comprehensive connection charge, (B) Capacity Fee** and attached for reference.

When the fee was developed the economy was booming and the City's position was that "growth should pay for growth". Because of the drastic decline of the economy, the slow recovery and the financial burden the wastewater treatment plant (WWTP) has placed on the city, Public Works has been re-evaluating how we do business. We have been examining our debt and developing a reduced CIP program that is based on a more realistic estimate of our ability to borrow. Attached is a memo from Dale Pusey (dated March 1, 2012) that outlines how we developed the updated capacity fee. The proposed 2012 Capacity Unit Fee is **\$3,392**.

The capacity fee debt currently includes two water engineering projects and two sewer construction projects. The "Capacity Fee Debt" information is attached. The current projects create an annual capacity fee debt payment of approximately \$876,000. To date, the capacity fee program has collected the following:

- Water \$ 1,379,026
- Sewer \$ 2,979,915

Section 13.02.070 Comprehensive connection charge, (B) Capacity Fee, (9) allows for capacity fee adjustments after a two year history is developed. The attached "Capacity Fee History" shows the funds that have been collected and refunded. It also shows the balance in the accounts. Again, because of the enormous burden of the WWTP (MDE 2008) payment, the sewer account will not be able to meet its payments and/or refunds in FY13 and will need to be supported by the enterprise funds. The water account continues to remain healthy. Per our calculations that are shown in the attached letter from Dale Pusey, we recommend reducing the sewer capacity fee portion of the debt payment for the WWTP (MDE 2008) from 33% to 20%. Even with the reduction, there will still be payments that need support from the enterprise fund.

The capacity fee program was developed to meet a need for the City and made sense in the economic climate of 2005. The issues the WWTP upgrade has created for the sewer portion of the program need to be addressed. We respectfully ask for input from Administration and Council to address these issues and provide direction to Public Works and Finance so that we can develop a path forward for the capacity fee program. We also request a review of our proposed fee.

Unless you or the Mayor has further questions, please forward a copy of this memo to the City Council.

Attachments:

COMPREHENSIVE CONNECTION CHARGES

13.02.070 Comprehensive connection charge

Dale Pusey letter, dated December 9, 2011

CAPACITY FEE DEBT

CAPACITY FEE HISTORY

City of Salisbury



MARYLAND



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JAMES IRETON, JR.
MAYOR

JOHN R. PICK
CITY ADMINISTRATOR

LORÉ L. CHAMBERS
ASSISTANT CITY ADMINISTRATOR

TERESA GARDNER, P.E.
DIRECTOR OF PUBLIC WORKS

To: Teresa Gardner

From: Dale Pusey

Subject: 2012 Capacity Unit Fee

Date: March 1, 2012

This memorandum provides a recommendation to revise the 2012 Capacity Unit Fee in accordance with Section 13.02.050 of the City code. The revised fee is based on the draft 2013 through 2017 Capital Improvement Plan and currently active or recently completed projects with unpaid balances.

The current Capacity Unit Fee, which has not been revised since early 2009, is \$8,508. The recommended proposed 2012 Capacity Unit Fee is \$3,392.

The recommended modifications to the Capacity Unit Fee are as follows:

1. **The Water Capacity Unit Fee** has been revised to eliminate the planned 6.0 mgd upgrade to the Paleo Water Treatment Plant. That upgrade will be delayed beyond the period covered by the CIP due to the lack of growth in the City. However, the CIP includes a planned 1.0 mgd upgrade to the Park Water Treatment Plant to replace aging infrastructure and to accommodate future growth. This capacity increase is used in the Water Capacity Unit Fee calculation.
2. **The Wastewater Treatment Plant Upgrade/Expansion** increased the hydraulic capacity rating of the Plant from 6.8 to 8.5 million gallons per day. This difference is the amount of capacity available for growth and is used in the Sewer Capacity Unit Fee calculation. However, much of the improved treatment capability related to improved processes and equipment that did not contribute directly to the increased hydraulic capacity. It is therefore reasonable to divide the outstanding balance of the upgrade costs proportionally between rates and capacity fees. That proportional calculation is the End State Rated Capacity minus the Previous Rated Capacity divided by the End State Capacity. Mathematically, the calculation is $[(8.5 \text{ mgd} - 6.8 \text{ mgd}) / 8.5 \text{ mgd}] = 0.20$.
3. **Improvements to the Water Treatment Plants and the Water Storage Tanks (Paleo, Milford St, and Marine Road locations)** are split 50/50 between rates and capacity fees due to the need to replace aging infrastructure and to address the current deficit of finished water storage in the distribution system versus the need to accommodate future growth.
4. **The Water Distribution Mains** are split 50/50 between rates and capacity fees due to the need to replace aging mains versus the need for greater transmission capacity to accommodate future

growth. New transmission mains are also split 50/50 due to the need for redundancy in the distribution system versus the increase in water conveyance capacity that those mains will provide to accommodate future growth.

5. **The Sewer Collection Mains** are split 50/50 between rates and capacity fees because of the need for replacement of the existing mains due to age and maintenance costs. These mains are trunk sewer mains that will be increased in size to also accommodate future growth.

The Capacity Unit Fee breakdown is:	<u>Current</u>	<u>Recommended</u>
Water Production:	\$ 1,830	\$1,369 per EDU
Water Distribution and Storage:	\$ 552	\$ 81 per EDU
Waste Water Collection:	\$ 1,996	\$ 896 per EDU
Waste Water Treatment:	+ \$ 4,130	\$1,046 per EDU
Total:	\$ 8,508	\$3,392 per EDU

The recommended \$3,392 Capacity Unit Fee represents a 60.1 % decrease from the 2009 figure of \$8,508. The projects used in the Capacity Unit Fee calculation are itemized with their proportionate growth related costs on the last two sheets of this memo.

The capacity unit fees per EDU for other municipalities in the region are as follows:

Municipality	Capacity Fee Charged
Berlin	\$16,686
Cambridge	\$2,285
Crisfield	\$5,000
Delmar	\$8,000
Dover DE	\$5,763
Easton	\$7,050
Fruitland	\$9,000
Georgetown DE	\$9,262
Milford DE	\$4,978
Pocomoke	\$9,000

CAPACITY FEE HISTORY

	<u>Total Collected by Fiscal Year</u>			<u># of w/s applications</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
FY 2005	\$ 3,600	\$ 9,000	\$ 12,600	4
FY 2006	\$ 102,440	\$ 290,890	\$ 393,330	24
FY 2007	\$ 140,743	\$ 327,557	\$ 468,301	64
FY 2008	\$ 584,934	\$ 1,019,912	\$ 1,604,846	39
FY 2009	\$ 151,331	\$ 314,578	\$ 465,909	40
FY 2010	\$ 236,771	\$ 615,050	\$ 851,821	38
FY 2011	\$ 75,666	\$ 188,077	\$ 263,743	26
FY 2012	\$ 32,090	\$ 82,529	\$ 114,620	15
FY 2013	\$ -	\$ -	\$ -	0
FY 2014	\$ -	\$ -	\$ -	0
FY 2015	\$ -	\$ -	\$ -	0
Total	\$ 1,327,575	\$ 2,847,594	\$ 4,175,169	250

	<u>Capacity Fee Refunds</u>			<u># of w/s applications</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
FY 2010	\$ 1,816	\$ 4,199	\$ 6,015	1
FY 2011	\$ 26,632	\$ 44,551	\$ 71,183	2
FY 2012	\$ 13,810	\$ 35,516	\$ 49,326	1
Total	\$ 42,258	\$ 84,266	\$ 126,525	4

Balance as of 12/9/2011

Water 1,354,496
 Sewer 851,516

COMPREHENSIVE CONNECTION CHARGES

(Note: verbiage from code is shown in italic)

"Comprehensive connection charge" means the charge to new customers connecting to the system that includes the capacity fee, facility fee, line fee, and sewer-connection and water-meter/tap fee.

13.02.020 Legislative intent.

A. **Overview.** The city of Salisbury desires to establish a consistent comprehensive connection charge. The city will establish a methodology for the comprehensive connection charge calculation. A comprehensive connection charge policy will be adopted which will specify funding of improvements and appropriate reimbursements.

B. **Goals.** The goals of the comprehensive connection charge are as follows:

1. To establish a consistent methodology for calculating a comprehensive connection charge;
2. Capital costs due to growth are paid by new or increased water or sewer usage; The "Growth Pays for Growth" concept;
3. New or increased water or sewer usage will be charged a portion of the cost of the central or core system through a "capacity fee";
4. Property owners shall fund water and sewer extension projects when they desire to extend the city's water and sewer infrastructure into new service areas;
5. Property owners that fund such projects may be reimbursed through connections according to the city of Salisbury's adopted extension reimbursement policy;
6. To establish policy flexibility to allow for periodic review and adjustments of fees and terms of agreements;
7. The facility fees are to be indexed yearly in order to cover the costs of inflation impacting the costs of past improvements;
8. Basis of proposed methodology for capacity fee is that the "value of service" is equal to all users;
9. In appropriate cases, to provide incentive for development and redevelopment within the city's central system.

(Ord. 1983 (part), 2006)

"Capacity fee" (Currently \$8,508) is based on the number of EDUs that the customer is projected to generate at total build-out of the development project. It is calculated by multiplying the capacity unit fee by the projected EDU value (average daily water) for a particular development project. The fee shall be charged for each new connection to the city's system, regardless of location, to pay for the systems' growth and expansion projects as outlined in the city's water and sewer CIP. **(The capacity fee is also charged for increased water usage by existing customers.)**

The capacity unit fee is based on the ten-year water and sewer capital improvement plan approved by the mayor and city council.

EXAMPLE:

- A. A single family dwelling is constructed on a vacant lot in the corporate limit. One EDU will be charged.
- B. A business expands its building to accommodate an increase in sales. The capacity fee will be estimated on the additional water/sewer usage.

"Facility fee" is based on the number of EDUs that the customer is projected to generate at total build-out of the development project. It is calculated by multiplying the facility unit fee by the projected EDU value (average daily water) for a particular development project. The fee shall be charged to properties connecting to water/sewer extensions outside of the city's core or central system.

The **facility unit fee** shall be calculated by dividing the capital costs of capacity by the incremental capacity of the proposed sewer main improvement (in gallons) which results in a capital cost per gallon of capacity. At the city's discretion, the facility unit fee may be calculated by dividing the capital costs of capacity by the estimated ultimate flow in the proposed sewer main. Such costs may be expressed in terms of capital costs per equivalent dwelling unit (EDU). This cost shall be defined to be the capital cost per gallon of capacity multiplied by two hundred fifty (250).

EXAMPLE:

Sassafras Meadows extended 12" water and sewer mains outside the central system. The sewer main provided 920 edu's of capacity. The mains cost \$994,139.00 to construct resulting in a cost of \$1,080.59 per edu (Water \$828.81 / Sewer \$251.78)

This project was approved for construction of 130 single family homes. Their facility fee would be \$140,476.70 (\$1,080.59 X 130). Since the water and sewer mains were oversized to accommodate future construction in the area the developer may be reimbursed from future developers for the additional 790 edu's of capacity provided (\$853,662.30).

Victoria Park extended water and sewer mains to their project from the mains Sassafras Meadows installed. Victoria Park was estimated to use 25.6 edu's. Therefore they would owe Sassafras Meadows \$27,663.10 (\$1,080.59 X 25.6).

"Line fee" means the cost of extending water distribution and sewage collection mains to exclusively serve a specific geographic area, development or neighborhood.

EXAMPLE:

Victoria Park extended 12" & 8" sewer and 8" water mains to their project from the mains Sassafras Meadows installed. The 8" water and sewer mains that were extended to serve only their property are line fees and no reimbursements are available.

"Central system line fee" means the line fee for new water and sewer users within the city's central system where there are existing mains from which the property is to be served. This fee reimburses the city for the construction costs of the existing mains that serve the property and is proportional to the size of the property to be served.

A specific property's central system line fee is calculated by taking the square root of the property's area in square feet and then multiplying the result by the central system line unit fee.

EXAMPLE:

Brad White has a vacant residential lot located at 506 Anywhere St. and built a single family dwelling. The property is 8,334 square feet. The water and sewer mains were constructed by the City in 1979. The central system line fee was calculated as:

$$\sqrt{8,334} = 91.29 \text{ feet}$$

$$91.29 \text{ feet} \times \$64.50 \text{ per foot} = \$5,888.21$$

\$2,551.56 for water and \$3,336.65 for sewer

In this case, the sewer installation cost was higher than the water.

Sewer-connection and water-meter/tap fee

1. *Sewer-Connection and Water-Meter/Tap Fee's Purpose. This fee is intended to cover the cost of tapping the water and sewer mains and providing the water meter, corporation stop, and stub out for the user water and sewer connections.*
2. *The cost of this fee should be proportional to the projected domestic water demands, which will be reflected in the required meter size.*
3. *These fees shall be reviewed annually by the department of public works to ensure that actual costs are being captured.*
4. *All other tap sizes, including combinations of meter sizes and service line size, shall be computed by Salisbury public works for that particular application. The cost shall be based on time, equipment and material involved with a thirty (30) percent markup on direct labor costs and fifteen(15) percent markup on equipment and materials.*

EXAMPLE:

Brad White has a vacant residential lot located at 506 Anywhere St. and built a single family dwelling. The City installed a ¾" water tap and 6" sewer tap. The cost for the water tap including meter is \$3,850 and the 6" sewer tap is \$3,320.

**CAPACITY FEE DEBT
12/2011**

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	LAST PAYMENT	
Gen: Ob. Bonds 2008 (\$500,000)											
Paleo Water Tank Eng.											
Milford Street Water Tank Eng.											
Principal Balance		\$500,000	\$481,379	\$459,788	\$437,500	\$414,515	\$390,834	\$366,457	\$341,383	FY2028	
Water Capacity Fee Portion		\$41,857	\$41,276	\$9,380	\$40,874	\$40,631	\$40,359	\$40,058	\$39,729		
Principal Payment		\$18,621	\$21,592	\$22,288	\$22,985	\$23,681	\$24,378	\$25,074	\$25,771		
Interest Payment		\$23,236	\$19,684	\$18,801	\$17,890	\$16,950	\$15,981	\$14,984	\$13,959		
MDE 2010 (\$2,756,400)											
Naylor Mill Pump Station											
Principal Balance			\$2,756,400	\$2,756,400	\$2,755,400	\$2,610,379	\$2,465,358	\$2,320,337	\$2,175,316	FY2021	
Sewer Capacity Fee Portion			\$0	\$500	\$72,511	\$72,511	\$72,511	\$72,511	\$72,511		
Sewer Portion			\$0	\$500	\$72,511	\$72,511	\$72,511	\$72,511	\$72,511		
Principal Payment			\$0	\$1,000	\$145,021	\$145,021	\$145,021	\$145,021	\$145,021		
Interest Payment			\$0	\$0	\$0	\$0	\$0	\$0	\$0		
MDE 2008 (\$42,009,341.00)											
Principal Balance	\$42,009,341	\$42,009,341	\$42,009,341	\$37,810,978	\$37,506,322	\$35,466,545	\$33,418,609	\$31,362,482	\$29,298,130	\$27,225,521	FY2028
Sewer Capacity Fee Portion			\$763,208	\$763,207	\$763,208	\$763,208	\$763,208	\$763,208	\$763,208	\$763,208	
Sewer Portion		\$205,036	\$1,528,556	\$1,518,753	\$1,526,417	\$1,526,417	\$1,526,417	\$1,526,417	\$1,526,417	\$1,526,417	
Principal Payment	\$0	\$0	\$2,021,764	\$2,029,851	\$2,039,776	\$2,047,936	\$2,056,127	\$2,064,352	\$2,072,609	\$2,080,900	
Interest Payment	\$126,301	\$205,036	\$270,000	\$252,109	\$249,849	\$241,690	\$233,498	\$225,273	\$217,016	\$208,726	
				WATER	\$9,380	\$40,874	\$40,631	\$40,359	\$40,058	\$39,729	
				SEWER	\$763,708	\$835,719	\$835,719	\$835,719	\$835,719	\$835,719	
				TOTAL	\$773,088	\$876,593	\$876,350	\$876,078	\$875,777	\$875,448	

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Water Growth Related Capital Improvement Projects (FY 2013 - FY2017) unless otherwise noted

Program and System Improvements		Total Cost	Growth Percentage	Cost Attributed to Growth
Water Production & Storage				
Paleo Well # 3	WP0011	\$3,150,000	50%	\$1,575,000
Marine Road Elevated Water Tower	WP0030	\$3,850,000	50%	\$1,925,000
New Park Wells & Raw Water Lines	WP0033	\$180,000	50%	\$90,000
Park Water Treatment Plant Evaluation	WP0038	\$200,000	50%	\$100,000
Paleo and Milford St Tank Engineering	WP0011 & WP0028*	\$437,499	50%	\$218,750
Milford St Tank Construction	WP0028*	\$3,130,560	50%	\$1,565,280
- Total Water Production & Storage		\$10,948,059		\$5,474,030
- 1.0 MGD Increased Capacity				4,000 EDU's
- Cost per EDU (250 gpd)				\$1,369
Water Distribution				
24" W in Gordy Rd	WM0003	\$280,000	50%	\$140,000
24" W in Naylor Mill Rd from Scenic to Northwood	WM0005	\$250,000	50%	\$125,000
12" W in W. College Ave from Rt 13 to Riverside Dr	WM0015	\$70,000	50%	\$35,000
12" W in College Ave from Rt 13 to Spring Ave	WM0016	\$47,000	50%	\$23,500
- Total Water Distribution		\$647,000		\$323,500
- 1.0 MGD Increased Capacity				4,000 EDU's
- Cost per EDU (250 gpd)				\$81
Total Water Capacity Unit Fee				\$1,450

*Currently active projects

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Wastewater Growth Related Capital Improvement Projects (FY 2013 - FY2017) unless otherwise noted

Program and System Improvements	Estimated Cost	Growth Percentage	Cost Attributed to Growth
WWTP			
Expand WWTP to 8.5 MGD Capacity *	\$35,575,418	20%	\$7,115,084
Expansion Problems and Corrective Measures SP0041	\$2,000,000		
- Total Waste Water Collection	\$ 37,219,664		\$7,115,084
- 1.7 MGD Increase in Capacity			6,800 EDU's
- Cost per EDU (250 gpd)			\$1,046
Sewer Collection			
Naylor Mill Rd Lift Station SL0008*	\$2,756,400	50%	\$1,378,200
Parkside Lift Station SL0008	\$1,200,000	50%	\$600,000
Hampshire Rd Lift Station SL0051	\$1,400,000	50%	\$700,000
Glen Avenue Lift Station Upgrade SL0052	\$120,000	50%	\$60,000
36" S in N. Division St Ph I, II and III SM0004	\$4,210,000	50%	\$2,105,000
42" S Isabella St/Phase II SM0008	\$2,200,000	50%	\$1,100,000
8" S in Mt Hermon Road SM0009	\$100,000	50%	\$50,000
42" S in Isabella/Phase III SM0012	\$200,000	50%	\$100,000
- Total Waste Water Collection	\$12,186,400		\$6,093,200
- 1.7 MGD Increase in Capacity			6,800 EDU's
- Cost per EDU (250 gpd)			\$896
Total Sewer Capacity Unit Fee			\$1,942

*Currently active projects

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13.02.070 Comprehensive connection charge.

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B. Capacity Fee.

1. Capacity Fee's Purpose. This fee is intended to pay for capacity in the city's water and/or sewer system. The fee shall be charged for each new connection or increased usage to the city's system, regardless of location, to pay for the systems' growth and expansion projects as outlined in the city's water and sewer capital improvements plan. This fee will include payment for primarily two types of costs, which are:
 - a. Costs of "recent improvements" where "recent" would be defined by the city and would include debt service on prior improvements not currently retired in the water/sewer rate structure.
 - b. Costs of "planned future improvements" in the system, such as treatment plant upgrades/expansions, new water storage tanks, new and/or replacement mains, pumping station improvements, etc. These costs are growth projects outlined in the city's ten-year capital improvement plan.
2. New or increase water and/or sewer usage by a property owner shall pay a one-time adjustable capacity fee that is intended to recover the capital costs of capacity in the water and sewer system that is used by or reserved for new or increased usage.
3. The capacity unit fee shall be based on recent improvements and a ten-year water and sewer capital improvement plan approved by the city council. The CIP includes proposed major projects and equipment expenditures for the next ten budget years. The department of public works will identify the "capacity expansion" vs. "maintenance and replacement" components of all water and sewer capital improvement plan projects and equipment. The capacity expansion component is solely for additional capacity to accommodate growth and will be paid through the capacity unit fee. All water and sewer users will fund the maintenance and replacement components through user rates.
4. The capacity unit fee shall be calculated by dividing the capital costs of capacity by the incremental capacity of the improvement (in gallons) which results in a capital cost per gallon of capacity. Such costs may be expressed in terms of capital costs per equivalent dwelling unit (EDU). This cost shall be defined to be the capital cost per gallon of capacity multiplied by two hundred fifty (250).
5. Capacity fees may be expressed in multiples of EDUs for various size water meters, using equivalent meters as defined by the American Water Works Association Manual M1, Water Rates, or some other generally recognized industry standard.
6. The cost of the wastewater treatment plant improvement project will be broken down into "expansion" vs. "regulatory" based on the city's rationale of cost distribution funding sources, etc. Expansion costs shall be paid through the capacity fee. All sewer users shall share regulatory costs through the sewer usage rate structure or some other billing surcharge.
7. The director of public works shall define and establish capacity fees for unique customer needs, or to affect other policy goals of the city government.

8. The capacity unit fee is based on dollars per gallon derivation for all planned water/sewer projects, which provide expansion capacity. Therefore, the capacity fee at the time of connection is two hundred fifty (250) gal/EDU × \$/gal for expansion projects. Commercial or industrial users requiring larger service will be charged for the equivalent number of EDUs used.
9. The projected EDU value (average daily water usage) for a particular property owner will be determined initially by the city and a capacity fee collected, and the property owner may request one subsequent adjustment, based on actual daily water usage as measured and recorded by water meter. When the project/building is fully occupied, the capacity fee may then be adjusted and additions or deductions applied accordingly based on an average of a minimum two consecutive years of water meter billings and other documentation as required by Salisbury public works. The capacity fee may be increased based on average of two consecutive years of water meter billings and other documentation. Any reimbursement of capacity fee shall be without interest.
10. Capacity Fee Waiver for Public Sponsored or Affordable Housing.
 - a. "Public sponsored or affordable housing" means any dwelling unit built or financed under a government program, regulation, or binding agreement that limits for at least ten years the price or rent charged for the unit in order to make the unit affordable to households earning less than sixty (60) percent of the area median income, adjusted for family size.
 - b. Requests for a public sponsored or affordable housing capacity fee waiver are submitted to the director of public works for review. After review, Salisbury public works shall submit the waiver request as a resolution for city council approval.