

STANDARD PROCEDURES OF THE WASHINGTON SUBURBAN SANITARY COMMISSION

Sponsor: Gary Gumm	SP Number REG-	Approve By/Date	Recurring Review Period	Effective Date	Page
Chief Engineer, Engineering & Construction Team	Supersedes ENG 04-01	Commissioners April 29, 2016	5 Years	June 15, 2016,	1 of 11

SDC CREDITS AND REIMBURSEMENTS

I. Purpose:

- 1.0** Define procedures for the issuance of a System Development Charge (SDC) Credit earned through private design and construction to serve the Applicant's property. These procedures pertain only to either an approved Capital Improvement Program (CIP) Project or a project that provides only local service, is 2,000 feet or less in length, is either a sewer main 15 inches or greater in diameter, or water main 16 inches or greater in diameter and is built to avoid unnecessary and uneconomical duplication when a major project is constructed.
- 1.1** Describe how the SDC Credit due an Applicant will be determined.
- 1.2** Describe when SDC credit and reimbursement will occur.

II. Definitions

- 2.0** Systems Development Charge (SDC) - A fee paid to the WSSC at the time of application for a plumbing permit intended to cover the cost of building CIP Projects needed to accommodate growth.
- 2.1** Applicant – Any firm, corporation, partnership, joint venture, municipality, agency, person or persons whom WSSC has authorized to design and construct a Qualified Project eligible for SDC credit or whom WSSC has required to provide eligible private funding of the Commission's costs to design and construct such a Project.
- 2.2** System Extension Permit (SEP) – A permit/agreement made between the WSSC and an Applicant pursuant to the Development Services Code or any subsequently adopted revisions. **A qualified project built under a System Extension Permit issued without a signed accompanying SDC Credit Agreement is not eligible for SDC applicant credits or reimbursement.**
- 2.3** Memorandum of Understanding (MOU) – A written agreement made between the WSSC and an Applicant which covers the Applicant's design and construction of a CIP Project and which identifies the estimated total Applicant costs eligible for SDC credit and/or

reimbursement. **A qualified project built without a signed MOU is not eligible for SDC applicant credits or reimbursement.**

- 2.4** Qualified Project – Any CIP facility, CIP line, sewer main 15 inches or greater, or water main 16 inches or greater in diameter necessary to serve the Applicant’s property, which is designed and constructed by and at the sole expense of an Applicant pursuant to an MOU or SEP or other agreement. Also, any CIP project which is constructed by WSSC that the Applicant is required to provide eligible private funding of WSSC design and construction costs.
- 2.5** Qualified Properties – The specific properties located within the geographic area which WSSC identifies as served by the Qualified Project, as defined in Section 3.2.
- 2.6** Eligible Private Funding – Payment required by and made to WSSC by an Applicant to cover WSSC costs to design and construct a CIP Project needed to accommodate growth.
- 2.7** SDC Credit – A dollar value which is credited to an Applicant against SDC payable in connection with Qualified Properties and which equals the total eligible costs as defined in Section 3.6 incurred by the Applicant in the Applicant’s design and construction of a Qualified Project or the amount of eligible private funding made by the Applicant to cover WSSC costs to design and construct a Qualified Project. An Applicant who designs a Qualified Project must also construct that Project in order to be eligible to receive SDC credits.
- 2.8** SDC Credit Agreement – An agreement that summarizes the eligible costs considered for SDC Credit (as described in Section 3.6). The SDC Credit Agreement is appended to an SEP). The credit agreement is included in the MOU as Attachment A.
- 2.9** SDC Ledger – The record of SDC credit authorized for an Applicant and the amount(s) of SDC credit issued or reimbursed to the Applicant for fixtures covered by plumbing permits obtained in the course of developing Qualified Properties associated with a Qualified Project.
- 2.10** Credit Voucher – The document (Attachment ‘B’), executed by the Applicant, which serves as the instrument to obtain SDC credit associated with an application for permit to install plumbing fixtures. Each Credit Voucher may apply only to a single application for plumbing permit and shall:
- identify the Qualified Project from which credit is derived; and
 - specify the Qualified Property for which the credit is requested; and
 - be signed by the Applicant or its authorized agent, be duly notarized; and
 - show the amount to be credited in lieu of SDC payment
- 2.11** Qualified Project Scope – The specific scope of the qualified project. For pipelines built

under an SEP, the specific scope will be included with the SDC Credit Agreement and will include pipeline lengths and diameters, valves, vaults and any other appurtenant structures. For facility projects, the specific scope of work will be included with the MOU.

- 2.12** Wet Weather Project – Proposed developments connecting into or upstream of CIP size trunk sewer stretches that have projected sanitary sewer overflows based on existing dry weather flow (including ground water) and rainfall dependent infiltration and inflow from a 2 year design storm (specified by WSSC.)

All other proposed developments projected to generate flows over 100,000 gallons per day (gpd) connecting into or upstream of CIP size trunk sewer stretches that have projected sanitary sewer overflows based on existing dry weather flow (including ground water) and rainfall dependent infiltration and inflow from a 10-year design storm (specified by WSSC.)

III. General Procedures

- 3.0** An Applicant shall declare a desire to design and construct a Qualified Project eligible for SDC credit either as an element of its request for a Hydraulic Planning Analysis filed with the Development Services Group or in a written response to the Letter of Findings prepared by the Development Services Group. For projects that were previously authorized, but have not yet been issued an SEP or MOU, the Applicant may request an authorization amendment to allow the Applicant to design and construct a Qualified Project eligible for SDC credit.
- 3.1** The Applicant agrees to pay WSSC all review fees normally due WSSC. Letter of credit are not acceptable in lieu of fees.
- 3.2** When an Applicant has requested that it be permitted to design and construct a CIP Project, the Development Services Group shall prepare a map during its hydraulic planning analysis that identifies the Qualified Properties to be served by the CIP Project which the Applicant has requested to design and construct. SDC Credit will only be issued to properties within the geographic boundaries identified in the map as Qualified Properties. A copy of the prepared map will be sent to the Applicant.
- 3.3** If WSSC either authorizes the Applicant to design and construct a Qualified Project or requires eligible private funding from the Applicant of WSSC's design and construction costs, then the properties identified as served by the Project will receive credit and/or be subject to SDC Payments which may be reimbursed to the Applicant up to the total eligible amount. The Permit Services Unit will establish an Applicant's SDC Ledger following either 1) execution of a MOU or SEP covering Applicant design and construction of the Qualified Project or 2) WSSC receipt of eligible private funding of the Qualified Project from the Applicant. Prior to establishing the Applicant's SDC Ledger, the Permit Services Unit requires a map identifying all Qualified Properties to be served by the Qualified Project from the Development Services Group. **Please note that for pipeline jobs, the Applicant will not receive SDC credit or reimbursement unless the SDC credit agreement is signed before the SEP is issued.**

3.4 The SDC Ledger will reflect the total amount of SDC credit/reimbursement that the Applicant is eligible to receive. If the Applicant is designing and constructing the Qualified Project, the Ledger will initially reflect the Applicant's SDC credit based upon the estimated total eligible costs agreed upon in the MOU or SEP. The Applicant's initial Ledger credit amount will be adjusted to reflect the actual total eligible costs for the Qualified Project, as determined by the WSSC's Internal Audit Manager (as discussed in Sections 3.5, 3.6, 3.7, 3.8 and 3.12), after the Qualified Project has been accepted and placed in service by WSSC. If WSSC is designing and constructing a Qualified Project, the Ledger will reflect the total amount of eligible private funding received from the Applicant.

3.5 SDC credits may not exceed 50% of the estimated total eligible project cost (not to include contingency for increase in scope items (see Section 3.8) until such time as final audit is completed and the actual total eligible project cost is determined. Once the actual total eligible project cost is determined, SDC credits are available up to the eligible project cost and quarterly refunds (based upon SDC collected for qualified properties) will commence. Prior to the final audit, the Credit Voucher is the only method of reimbursement to the Applicant.

Following WSSC receipt of eligible private funding, SDC credits against the ledger amount may be granted. However in the SDC credits toward the private funding may not exceed 50% of the total estimated project cost.

3.6 When an Applicant is designing and constructing a Qualified Project, SDC Credit is the total eligible Project cost incurred and paid by the Applicant. The SDC Credit is subject to the general guidelines that 1) eligible costs will be the types of costs that WSSC would have incurred had WSSC designed and constructed the Qualified Project, and 2) the SDC Credit will not exceed the maximum amount mutually agreed upon in the SDC Credit Agreement. Eligible costs must be directly allocable to the Qualified Project. Examples include but are not limited to:

Engineering Costs: Design, reprographics, survey (topo), soil borings, As-built drawing preparation and bonding fees.

Permit Costs: Costs for permits that WSSC would have had to acquire had WSSC built the project.

WSSC Fees for Pipelines: Fees for extra WSSC reviews or re-testing will be considered only if non-eligible portions of the job do not require extra reviews or re-testing. Unless mentioned otherwise, fees will be allocated to the Qualified Project based on estimated costs and overall water and sewer project cost for the project number.

WSSC Fees for Facilities: All WSSC direct costs and overhead associated with the qualified project as stated in the MOU.

Construction Costs: Contractors bid price, survey (stake out), Geotech (compaction testing), off-site restoration and construction management.

Interest Costs: Interest costs for funds used during design and construction, at an average interest rate not to exceed the rate paid by WSSC on short-term construction notes outstanding during the period beginning with the date of WSSC signature on the SEP or MOU agreement and ending when the Qualified Project is substantially complete.

Off-Property Rights of Way: Acquisition costs are eligible up to amount appraised by WSSC for purchase of off-Applicant's property right-of-way and construction strips, plus up to 25 percent of the appraised amount for direct costs associated with purchase of off-site rights-of-way and construction strips.

3.7 Examples of costs that are **not eligible** include but are not limited to:

Area wide planning not directly related to the Qualified Project;

Attorney Fees;

The WSSC Hydraulic Review Fee;

Costs for negotiation of SDC Credit Agreement or MOU;

Bonus payments or acceleration costs paid to the contractor for completion of construction;

Third party inspection costs for facility projects;

Applicant's overhead costs not directly attributable to the Qualified Project;

Costs outside the scope of the Qualified Project;

Permit costs associated with a development rather than the Qualified Project;

Site acquisition costs beyond what WSSC would have paid;

Facilities capital cost of money;

Fines and penalties;

Maintenance Costs;

Maintenance Bond Costs that are beyond both two years after substantial completion and beyond one year after release of service or final acceptance;

Grading of rights of way;

Sediment control for grading;

Clearing and grubbing for public rights-of-way in which the Qualified Project will be installed;

Federal and state income taxes;

Administrative or Management Fees not directly associated with the Qualified Project; and

Personal injury compensation or damages.

- 3.8** The maximum SDC reimbursement shall not exceed 110 percent of the contractor bid price plus other eligible costs.
- 3.9** The SDC Credit Agreement will not provide payment to the Applicant for costs the Applicant did not incur or for costs reimbursed to the Applicant from other sources. The SDC Credit Agreement will not provide any premiums for expedited work.
- 3.10** Prior to SDC Credit Agreement or MOU approval, the WSSC project manager for the project is responsible to have components of the SDC Credit Agreement or MOU reviewed by other offices. The Contract Technical Services Unit should review the Applicant's construction costs using a copy of the signed plans. Internal Audit is to review any item that the WSSC project manager proposes which is contrary to items 3.6 or 3.7. Other appropriate WSSC offices should be consulted such as the Land Acquisition Unit for additional land acquisition costs and the Planning Group for planning costs.
- 3.11** For qualified Projects, the SEP or MOU agreements should indicate that the Maintenance Bond should remain in effect at least two years beyond the date of release for service for SEP projects or at least one year beyond the date of final acceptance for MOU projects. The Applicant will submit a written request for audit to WSSC's Internal Audit Manager after the Qualified Project built by the Applicant has been released for service (pipelines) or finally accepted (facilities). Along with the request, the Applicant must submit an itemized listing of eligible Qualified Project costs, incurred and paid, supporting the total amount of SDC Credit claimed. **It should be emphasized that the Applicant should retain all the contracts, invoices and payments for WSSC Internal Audit to inspect and review to determine the SDC credits.**
- 3.12** In compliance with Maryland Annotated Code, Public Utilities Article (PUA) § 25-405(d), WSSC's Internal Audit Manager shall review and approve the costs incurred by the Applicant. The Internal Audit Manager will strive to initiate the audit within 90 days of the Applicant's request, if the request includes the required itemized cost listing. The Internal Audit Report will be the formal document that communicates the final results of the audit to WSSC and the Applicant. When an audit is complete, prior to the final Internal Audit Report, the Internal Audit Manager will issue to the Applicant an unsigned DISCUSSION DRAFT to allow the Applicant an opportunity to discuss with Internal Audit any concerns the Applicant has with the proposed SDC Credit. Subsequently, the Internal Audit Manager will issue to the Applicant its final Report on the SDC Credit to be provided the Applicant.

- 3.13** SDC credits against an Applicant's SDC Credit balance will be issued by WSSC upon receipt of a complete and fully executed Credit Voucher submitted at the time of plumbing permit application. The application must be made in connection with a Qualified Property served by the Qualified Project (being) built by the Applicant. Also, the amount specified in the Credit Voucher shall not exceed the calculated SDC for plumbing fixtures covered by the permit application. Credit Vouchers reflecting and specifying an amount in excess of calculated SDC for the requested permit will not be accepted. The plumbing permit will be issued after verification that a sufficient credit balance remains to cover the Credit Voucher Amount. Insofar as possible, Credit Vouchers will be considered on a 'first come – first served' basis. For a plumbing permit application accompanied by a Credit Voucher for which an Applicant's credit balance has been exhausted, the credit voucher and the associated application will be returned to the applicant. WSSC is not responsible for managing or assisting the Applicant in managing the issuance of Credit Vouchers. Managing the issuance of Credit Vouchers is not an eligible cost of reimbursement.
- 3.14** In the event an issued Plumbing Permit expires or is cancelled by the owner or plumber, no SDC reimbursement to the Applicant will be approved for that permit. In such cases, any Credit Voucher will be voided and the credit amount added to the Applicant's outstanding Ledger balance.
- 3.15** In conformance with Section 3.18, SDC payments received in association with applications for plumbing permits for Qualified Properties will be identified as eligible for reimbursement (after the Internal Audit Report has been completed – see Section 3.12) to the Applicant who has constructed the Qualified Projects serving those Qualified Properties.
- 3.16** For those situations where more than one Qualified Project serves a Qualified Property, SDC reimbursement payments shall be made in proportional shares to the Applicants who have built or funded the Qualified Projects. A proportional share is calculated based upon a Qualified Project's actual eligible costs or funding expressed as a percentage of the sum of all actual eligible costs and/or funding of Qualified Projects serving the Qualified Property.
- 3.17** At the conclusion of each calendar quarter, the Permit Services Unit will determine the total SDC receipts eligible for reimbursement made for each previously identified Qualified Property. Only those SDC receipts filed in association with plumbing permits under which all covered work has received an approved final inspection are eligible for reimbursement.
- 3.18** Based upon the quarterly reconciliation, the Permit Services Unit will prepare and forward to the Accounting Group a Payment Request to be made to the appropriate Applicant in an amount equal to the sum of qualifying SDC receipts not yet reimbursed, and a memorandum recommending reimbursement of SDC receipts and identifying the maximum amount recoverable. The memorandum shall be accompanied by a statement detailing eligible plumbing permits.
- 3.19** Following review of the recommended reimbursement, the Accounting Group will forward the Payment Request and supporting documentation to the Disbursements Group which will issue payment to the Applicant.

- 3.20** When an Applicant has designed and constructed a Qualified Project, the sum of SDC Credits and Reimbursements pursuant to this procedure will be made only to the maximum determined by the Internal Audit Report and only to the Applicant identified in the MOU or SEP.
- 3.21** The Applicant may issue credit vouchers to multiple builders to facilitate construction of residential or non-residential structures within the Qualified Property and reimbursement of Qualified Project costs. If the Applicant wishes to transfer its right and title to any remaining SDC credit from a Qualified Project, the Applicant shall notify the Permit Services Unit of the requested transfer. Such notification shall be in writing and shall identify the single entity to receive the entire remaining balance of SDC credit from a Qualified Project. The Permit Services Unit will acknowledge the credit transfer and forward the written request for inclusion in the Qualified Project's MOU or SEP as an amendment. Thereafter, all Qualified Property SDC credits or reimbursements will be issued to the last designated entity in the MOU or SEP as amended.
- 3.22** Notwithstanding any other provision of the Procedure, SDC Credit or reimbursements for costs identified in Section 3.3 of this Procedure are limited to SDC transactions for Qualified Properties served by the Qualified Project within a twenty-year period, or until the sum of credits and reimbursements equals the total approved SDC Credit. The twenty-year period will commence for SEP, MOU, or eligible funding projects on the day of release for service. At the conclusion of the twenty-year period, the Permit Services Unit will close the SDC Reimbursement Ledger and will provide written notification of exhaustion or termination of the SDC Credit to the last designated recipient.

IV. Procedures for Wet Weather Projects

- 4.1** Notwithstanding any other provision of this Standard Procedure, for Wet Weather Projects only, WSSC may issue SDC reimbursements to the Applicant from SDC funds collected from the entire County in which the Qualified Project is located.
- 4.2** Prior to the final audit, the developer may submit quarterly invoices for reimbursement (less any SDC vouchers for the Developer's Project) for up to 80% of the estimated total eligible costs agreed upon in the MOU or SEP. All invoices submitted shall be subject to review and approval by the Development Services Group Project Manager assigned to the Project, or another staff member as designated by the Development Services Group Leader.
- 4.3** WSSC shall reimburse the Developer for quarterly invoices submitted pursuant to Section 4.2 by first drawing from the eligible SDC receipts from properties served by the Qualified Project as set forth in Sections 3.17 and 3.18. Should the SDC receipts from the Qualified Project become insufficient to cover the invoices, WSSC shall reimburse the Developer from SDC funds from the entire county.
- 4.4** Following the final audit conducted pursuant to Section 3.12, additional reimbursements and credits will be made by WSSC, up to maximum eligible costs as set forth in Section 3.8.

V. Authority

The General Counsel certifies that this Standard Procedure was adopted pursuant to the authority as set forth in the Maryland Annotated Code, Public Utilities Article §17-403 and §25-405.

ATTACHMENT A

SDC CREDITS ESTIMATE

ESTIMATED AMOUNT

Design

Permits

Administration

Interest

WSSC's Fees

Construction Costs

TOTAL ESTIMATED ELIGIBLE COSTS

ATTACHMENT B

**WASHINGTON SUBURBAN
SANITARY COMMISSION**

**System Development Charge
Credit Voucher**

I, _____ hereby affirm under penalty of perjury that I am the Developer
(name printed)
or its authorized agent, entitled to an SDC credit pursuant to an approved System Extension Permit
or Memorandum of Understanding for _____, a Qualified Project.

Pursuant to the current

(WSSC Contract No. & C.I.P No.)

WSSC Standard Operating Procedure, I hereby request that \$_____ be charged against the
remaining eligible SDC credit balance for the specified Qualified Project. The above credit amount
shall be applied against SDC due in connection with an application for plumbing permit to install
fixtures in an improvement on property described as:
_____ which is a "Qualified Property" served by the above named
"Qualified Project."

I agree to indemnify and hold harmless the Washington Suburban Sanitary Commission to whom
this request is presented and its agents and employees, from and against all claims, damages, losses
and expenses, including reasonable attorneys' fees, arising out of or by reason of complying with this
request.

(Developer's Signature)

Subscribed and sworn to before me this _____ day of _____, 20____.

(Notary Public)

(Name Printed)

My Commission Expires