**ORANGE WATER AND SEWER AUTHORITY**

REIMBURSEMENT POLICY FOR
WATER AND SEWER FACILITY EXTENSIONS

**Purpose:** The Reimbursement Policy establishes a process for providing reimbursements to applicants who, at their own expense, install and extend water and sewer facilities that will provide services to areas beyond their project's boundaries in support of future orderly development within the Orange Water and Sewer Authority (OWASA) service area, and which have been dedicated to and accepted by OWASA.

**Background:** All extensions of water and sewer facilities must be in accordance with the policies and standards of OWASA. The extension of service may consist of an individual, partnership, or corporation constructing water and sewer mains, service lines, pump stations and other appurtenances necessary to serve a property. For the purposes of this Policy, any individual, partnership, or corporation constructing such facilities shall be defined as a "developer." In some cases, a developer may extend the system into an unserved area in a manner which allows subsequent developers to benefit from that extension (i.e., future benefiting parties). The OWASA Board of Directors has determined that it is appropriate to allow these initial developers to be reimbursed by future benefiting parties.

**Eligibility**

A development reimbursement applies when OWASA requires, or the developer installs, a main extension that may serve properties outside of the developer's project boundaries. Only costs associated with the portion of the extension outside the developer's parcel boundaries ("offsite"), and which directly enables future connections will be eligible for reimbursement. No reimbursements will be approved for facilities within the developer's parcel boundaries ("onsite").

To be eligible for reimbursement, improvements must have been constructed in accordance with OWASA policies and regulations, including policies on extension of water and sewer lines or service into the University Lake watershed, and construction standards.

To qualify for reimbursement the water and sewer lines must meet the following minimum lengths:

- 8-inch main: >500 ft
- 12-inch main: >250 ft
- 16-inch or larger: >100 ft

A developer may apply for **either** an excess capacity credit as outlined in that policy **or** a reimbursement outlined in this policy, but not both.

**Reimbursement Pre-application Meeting**

A developer wishing to apply for reimbursement under this policy must request a pre-application meeting with OWASA as early as possible during design, but in any case prior to receiving Plan Approval. Following the pre-application meeting OWASA will provide a letter outlining the procedure, documentation required for cost verification, and other information to facilitate the developer's future preparation of an application under this Policy.

**Reimbursement Application and Development Reimbursement Agreement**

After OWASA accepts the facilities and the warranty period begins, a developer seeking reimbursement must submit an *Application for Development Reimbursement.* OWASA will review the application and may enter into a *Development Reimbursement Agreement* with a developer who builds an eligible extension.

The application must be submitted within **90 days** of OWASA's acceptance of the improvements and will include:

- Final certified construction quantities and costs
- A lien waiver certifying under oath that all payments paid to the suppliers and contractors have been made and that there are no liens on the water and/or sewer system.
- Any additional documentation OWASA needs to evaluate costs or benefits.

The reimbursement period starts at the time when OWASA has an executed reimbursement agreement and ends after 20 years or when the developer has been fully reimbursed, whichever occurs first.

**Assignment or Transfer of Reimbursement Rights**

The right to receive reimbursement payment(s) pursuant to a *Development Reimbursement Agreement* may be assigned or transferred by the Developer to a third party (the "Developer's Assignee") upon written notice to and approval by OWASA. If the Developer desires to assign such payment(s), the Developer shall complete and submit a notarized Assignment Form, the form of which will be included with the *Development Reimbursement Agreement*.

**Basis for Payment**

The developer is only eligible to recover the costs associated with the offsite portions of an extension. The reimbursement shall never exceed the original costs.

Eligible reimbursable costs include:

- Engineering and design
- Permitting and easements
- Construction (labor and materials)
- Inspections and testing

Interest paid is not reimbursable.

Calculations

Reimbursement fees will be calculated using an equivalent residential units (ERU) methodology.

1. Total Costs: Eligible costs for the offsite portions of an extension as determined from the information provided by the applicant and verified by OWASA.
2. Total ERUs: The service area and the corresponding totalized equivalent residential units are defined for the extension based on information provided by the planning jurisdiction.

   *Total ERUs = Sum of ERUs for the area served by the extension.*
3. Cost per ERU: The total eligible project cost is divided by the total equivalent residential units to establish the cost per unit.

   *Cost per ERU = Total costs/Total ERUs*
4. Maximum Reimbursable Amount: A total amount eligible for reimbursement to the original developer is calculated by deducting the costs associated with only the developer's project from the total costs.

   *Maximum Reimbursable Amount = Total Costs - (Developers ERUs x Cost per ERU)*
5. Reimbursement Fee: Each future benefiting party repayment obligation is calculated by multiplying the cost per equivalent residential unit by that benefiting party's equivalent residential unit.

   *Reimbursement Fee = Benefiting Party ERUs x Cost per ERU*

For non-residential units ERU will be determined based on meter size using the table below.

| Meter Size | ERU |
|---|---|
| 5/8" | 1 |
| 1" | 2.5 |
| 1.5" | 5 |
| 2" | 8 |
| 3" | 16 |
| 4" | 25 |
| 6" | 50 |
| 8" | 80 |

The reimbursement fee for each subsequent benefiting party shall be calculated and collected at the time of connection until total reimbursement amount is achieved or the agreement expires.

Administrative Fee

OWASA will assess administrative fees to recover costs for managing the program:

- OWASA staff time associated with developing a reimbursement agreement under this program, from pre-application discussions through execution of the *Development Reimbursement Agreement,* will be charged to the applicant on an actual cost of service basis and recovered upon completion of the agreement.
- OWASA staff time associated with processing each reimbursement fee from a subsequent benefiting party will be charged a flat rate, as outlined in OWASA's rates and fees schedule, and recovered from that reimbursement fee.

**Authority and Interpretation**

The Executive Director manages implementation, interpretation, and enforcement of this policy.

**Appeals**

Appeals must be submitted in writing to OWASA's Board of Directors. The Board's decision is final.

**References**

- OWASA Schedule of Rates, Fees, and Charges
- OWASA Manual of Standards, Specifications, and Design
- OWASA Water Extension Policy
- OWASA Sewer Extension Policy
- OWASA Excess Capacity Credit Policy

Reviewed by General Counsel: 9/14/26 (Date) Robert Epting (General Counsel)

Adopted by the Board: 9/10/26 (Date) Bayce (Clerk to the Board)