SYSTEM DEVELOPMENT FEE ANALYSIS

June 13, 2023

System Development Fee Analysis

- Must be prepared in accordance with Article 8 of GS 162A-8 as amended by HB 436 and modified by HB 344
- The Town's Analysis was prepared by Raftelis Financial Consultants, Inc.
  - Served as a consultant to local governments in NC and across the US since 1993
  - General Statutes require the Analysis be prepared by a financial or licensed engineering professional qualified to do so by their experience, training and education
- The analysis must document the facts and data used, application of the costing methods to the facts and data, all assumptions and any limiting conditions
- Use a 5 to 20-year time horizon

System Development Fee Analysis

- Prior to adoption of the Analysis and the Fee, the provider must post the Analysis to its website for a period of 45 days
  - A means for readers to comment to the unit must be provided
  - All comments must be shared with the professional who prepared the Analysis
  - All comments must be evaluated to determine if a change in the Analysis or Fee is necessary
    - *No comments were received*
- Also, a public hearing must be held by the unit prior to adoption of the Analysis and Fee
- The Analysis and Fee must be reviewed and updated at least once every 5 years.

System Development Fees

- One time fees charged to new customers, developers or builders to recover a share of the cost of providing service availability and capacity
- HB 436 creates uniform ability for all public water and sewer providers to charge system development fees
- All system development fees charged on and after July 1, 2018 must be calculated in accordance with HB 436
- The Analysis must document the fee per service unit and include a table for various level of demand or an equivalent unit costs per unit of demand
- Fees are determined using one of three costing methods, the Buy-In Approach, the Incremental Cost Approach or the Combined Approach

Water System Development Fee Cost Method

- The Water Development Fee was determined using the Buy-In Method
  - The capacity for current and future customers during the 5- year planning horizon has already been constructed
- Based upon fixed assets in place on June 30, 2022
  - The depreciated value is adjusted to the replacement costs new less depreciation (RCNLD)
- Adjustments to the RCNLD
  - Add construction in progress and developer reimbursements
  - Deduct contributed assets and outstanding principal
- Costs per gallon per day are determined based upon treatment capacity and the adjusted RCNLD

Water System Development Fee

Buy-In Method	Water
Adjusted RCNLD	$90,038,989
Total Treatment Capacity (gallons)	12,880,000
Costs per Gallon per Day (GPD)	$6.99
GPD per ERU (1)	256
Calculated Fee per ERU	$1,788
Existing Fee per ERU	*$1,783*

(1) Based on information provided in the *Service Area Planning Forecast Technical Memorandum: Long Range Water Resources Plan* prepared by HDR in October of 2022.

Sewer System Development Fee Cost Method

- The Sewer System Development Fee was determined using the Combined Method, a combination of the Buy-In and Incremental Cost Methods
  - Big Branch 2 pump station and force main is needed over the next 5 years to serve new sewer customers
- The Buy-In Method calculation was prepared in the same manner as was used for the Water Development Fee calculation
- The Incremental Costs Method used the costs of assets whose construction was in progress or would begin during the 5-year planning horizon.
  - Incorporate 25% for a debt/revenue credit as required by HB 436
- The costs and capacity are then combined and an average cost per day calculated.

Sewer System Development Fee

Sewer Fee	Buy-In Method	Incremental Cost	Combined
Adjusted RCNLD/Cost of Improvements	$133,316,000	$36,720,000	$170,036,040
Less: Debt/Revenue Credit	-$39,982,689	-$2,526,321	-$42,509,010
Net Cost	$93,333,351	$34,193,679	$127,527,030
Treatment Capacity (1)			8,920,000
Weighted Average Cost per Day			$14.30
GPD per ERU (2)			300
Calculated Fee			$4,290
Current Fee			$3,675

(1) The Big Branch 2 pump station will provide additional pumping capacity of 1.44 MGD but will not add any additional treatment capacity.
(2) Reflects the amount of permitted capacity required by the state of North Carolina Department of Environmental Quality (NCDEQ) for planning and engineering design purposes and the sewer permitting flow reduction authorized by NCDEQ.

Comparison of Proposed System Development Fees to Other Local Governments

Local Government	Water Development Fee	Sewer Development Fee	Combined
Apex (proposed)	$1,788	$4,290	$6,078
Cary (1)	$2,548	$3,581	$6,129
Holly Springs (2)	$6,162	$5,538	$11,700
Fuquay-Varina (3)	$3,912	$3,891	$7,803
Chatham County	$3,431	Not Applicable	
Harnett County	$2,000	$2,500	$4,500
Hillsborough	$3,864	$3,243	$7,107

(1) Source: Town of Cary FY 2024 Recommended Budget – Schedule of Fees and Charges
(2) Source: Town of Holly Springs FY 2024 Recommended Budget – Fee Schedule
(3) Source: Town of Fuquay-Varina FY 2024 Recommended Budget – Fee Schedule