

Town of Boiling Springs, North Carolina

System Development Fee Study





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PREPARED FOR

Justin Longino
Town Manager
Town of Boiling Springs
Post Office Box 1014
Boiling Springs, NC 28017

PREPARED BY

McGill Associates, PA
1240 19th Street Lane NW
Hickory, NC 28601
828.328.2024
mcgillassociates.com

December 16, 2022

Justin Longino, Town Manager
Town of Boiling Springs
Post Office Box 1014
Boiling Springs, NC 28017

RE: Statement of Qualifications
System Development Fee Study

Dear Justin:

The Town of Boiling Springs is taking a proactive approach to managing its utility systems by performing a system development fee (SDF) study. McGill Associates, PA (McGill) has completed numerous SDF analyses across the state and will work with the Town to complete an accurate study based on clear methodology. Further, our local presence, background, and history in the area positions our team to understand the priorities of the Town and prepares us well to complete this effort. We have experience that demonstrates our capabilities specifically related to the Town's request. Please consider the following points demonstrated within our Statement of Qualification (SOQ):



Familiarity: We look forward to continuing our relationship with the Town of Boiling Springs — building on our recent award to complete both water and sewer asset inventory and assessment (AIA) projects for the Town through which McGill will become intimately familiar with the Town's utility systems. Having worked with the Town for years now, we have unique knowledge of the community and familiarity with Boiling Spring's staff.



Technical Resources: Our team is highly qualified to complete SDF studies. Our Financial Services Analyst Dale Schepers works with communities like yours to develop a cost-justified fee schedule using industry-standard methodology and calculations in strict accordance with legislative rules.



Experience with Similar Projects: McGill has a history of achieving successful results for similar project types, and we are committed to achieving the same results for the Town on this project. Please see our project references for similar evaluations and other relevant project experience.

We are sincere in our desire to continue serving and partnering with the Town of Boiling Springs on water and wastewater projects. Our team would be honored to discuss our qualifications with you. Please do not hesitate to contact us with any questions.

Sincerely,
MCGILL ASSOCIATES, PA

A handwritten signature in blue ink that reads 'RJ Mozeley'.

RJ MOZELEY, PE
Senior Project Manager / Client Liaison

01 | Firm Overview

Contact



RJ Mozeley, PE

Senior Project Manager

rj.mozeley@mcgillassociates.com

How We're Different

McGill serves public and private clients throughout the Southeast. The range and depth of McGill's expertise includes a wide spectrum of engineering services, land planning and recreation, as well as consulting services.

Our foundation is built on creating comprehensive solutions in a personal way. Collaboration is the key to our success and clients are an integral part of every project at McGill. By building lasting relationships with communities, we understand our clients' visions and project goals. Our dedicated project team focuses on delivering a customized solution for each unique community.

We help our clients identify challenges, formulate responsive solutions, and manage successful project completion. Through partnership, we shape the best results for each client and community.

At a Glance

Legal Name: McGill Associates, PA

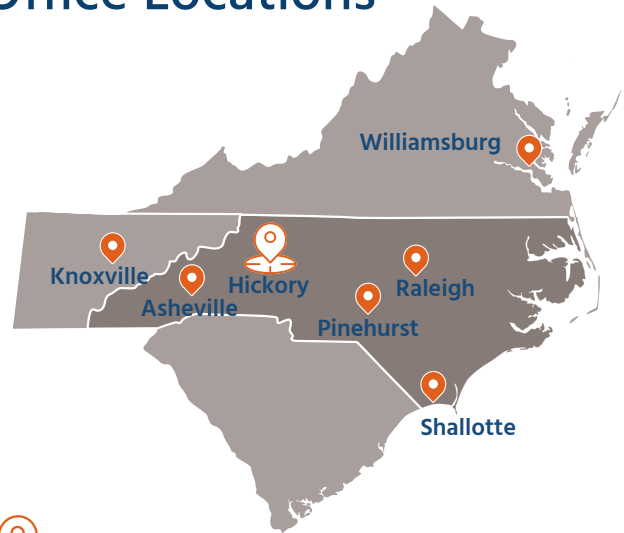
Incorporated / Year: 1984

Business Type: Corporation

Number of Offices: 7

Number of Employees: 140

Office Locations



Local Office:

1240 19th Street Lane NW, Hickory, NC 28601
828.328.2024

What We Do



Water and Wastewater



Civil Engineering



Water Resources



Solid Waste



Electrical Engineering



Mechanical, Electrical, and Plumbing



Construction Administration



Land Planning and Recreation



Environmental



Consulting Services



McGill's Hickory team at Union Square

Why Hire McGill



Local Office to Serve Your Community

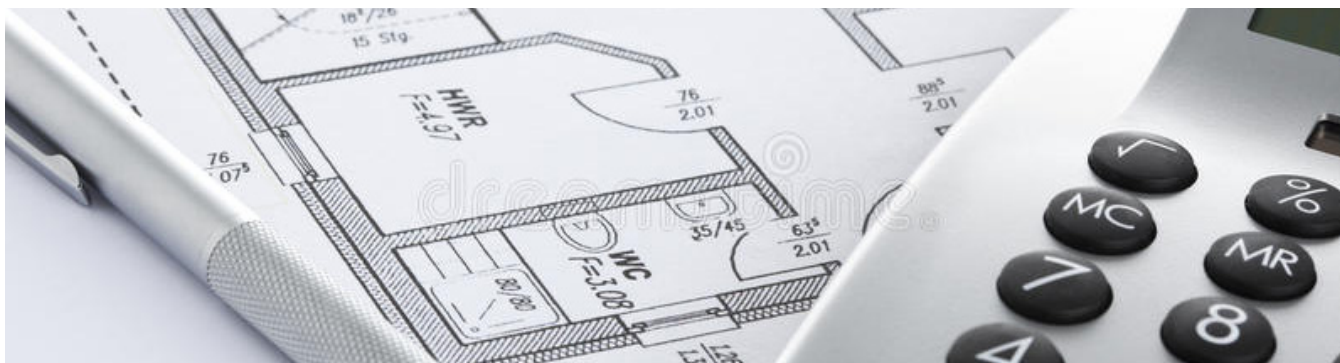
- McGill has operated in Hickory for 23 years, with over 30 employees.
- McGill has worked with the Town of Boiling Springs since 2016, providing land planning and recreation services for park, streetscape, and greenway projects, as well as funding assistance.
- Our Hickory office includes the following practice areas: water / wastewater, civil / site, land planning and recreation, environmental, electrical, construction administration, management consulting, and marketing.
- RJ Mozeley, PE, has a strong understanding of the Town's needs related to water and wastewater projects. He has built relationships with funding agencies and has the experience to assist the Town with future funding applications.



Project Familiarity and Reputation

- McGill understands the need to update the Town's SDFs.
- McGill will soon begin working with the Town on an asset inventory and analysis (AIA) of the community's water and sewer system.
- McGill has completed numerous water and sewer SDF projects, making our team familiar with the methodology and legislative requirements.
- McGill has an extensive record of success regarding SDF projects.
- We understand the intricacies of projects like this and the pitfalls to avoid to meet the Town's needs within the specified schedule and budget.

02 | Previous Similar Work



Assistance with HB 436 Compliance

McGill has assisted 19 public water and sewer utilities in North Carolina with the development of and establishment of SDFs (SDFs) that are in compliance with House Bill (HB) 436. This legislation established a uniform approach and associated methodology required for local governmental units to calculate and implement SDFs for public water and sewer systems. The SDFs must be determined by a qualified engineer or financial professional using industry standard practices. SDFs are collected for the purpose of offsetting capital costs of facilities that serve new development, typically defined as impact fees, capital recovery fees, capacity charges, etc., and are required to conform to HB 436. Fees that did not conform after July 1, 2018, are considered invalid.

For each study, McGill provided assistance with the adoption process, including presenting the SDF to governing bodies, posting information for public viewing, responding to comments, attending public hearings, and assisting with ordinance and resolution language. All SDF studies were completed on schedule, including those requiring adoption to meet the legislative deadline, and within budget.

SDF Study

Clay County

Clay County was experiencing increased interest from developers in recent years and identified that capital investments were needed to address the potential demands new development would have on its water utility. SDFs were determined to be an equitable mechanism to ensure that the cost of available and additional capacity would not fall completely on the existing customers. Clay County has made significant investments in water and sewer infrastructure and plans to build additional capacity to be available for new development, and also desires to use SDFs to recover a portion of the costs associated with providing capacity.

Client Reference

Debbie Mauney
County Manager
828.389.0089
dmauney@claync.us

Year Completed

2022

Staff Involved

Dale Schepers
(Financial Services Analyst)

SDF Study

South Granville Water and Sewer Authority (SGWASA)

In response to HB 436, SGWASA retained McGill to complete an SDF analysis and update its capacity charges prior to the July 1, 2018 deadline. Concurrently, SGWASA had not yet finished a Sewer Master Plan that would have a significant impact on the SDF calculation. Our staff used SGWASA’s records and data to assist in the development of a reasonable fee to be assessed to new developments that would reflect the actual costs of system capacity depletion and expansion, as well as ongoing capital construction expenditures. McGill completed the study in time to meet the legislative deadline, then later updated the analysis to allow SGWASA to include the incremental capacity related projects from the Master Plan to be included in the fee calculation.

Client Reference

Richard Balmer
Finance Director
919.575.3367
rbalmer@sgwasa.org

Year Completed

2018

Staff Involved

Dale Schepers
(Financial Services Analyst)

SDF Study

City of Southport

In late 2017, McGill began working with the City of Southport to prepare a public water and sewer SDF analysis to satisfy requirements of HB 436 and allow the City to recover a portion of the cost of capacity that is demanded by new development and thereby reducing some of the burden of constructing additional capacity to support new development from the existing rate payers. McGill reviewed many City records, such as:

- Capital Improvements Plans (CIPs)
- Building permits
- Past requests for water and sewer extensions in the City limits
- Rate schedules
- Past requests for additional water and sewer services from the City and subdivision plats
- Relative GIS data

McGill utilized this documentation and the report generated by the team, relative to facts and data, to demonstrate the sufficiency and reliability of the method chosen and to meet other technical requirements of the legislation.

Client Reference

Melanie Trexler
Finance Director
910.457.7906
mtrexler@cityofsouthport.com

Year Completed

2018

Staff Involved

Dale Schepers
(Financial Services Analyst)

SDF Study

City of Bessemer City

McGill generated a cost-justified fee schedule and public water and sewer SDF analysis for the City of Bessemer City using industry-standard methodology and calculations in strict accordance with the legislative rules set forth in HB 436. The fee calculation addressed the City's desire to recover a portion of the capital costs of existing facilities that currently provide available capacity to new development. Bessemer City is also experiencing interest from developers and recognizes the need to begin planning for future capacity expansions. SDFs will be used to help to lessen the full burden of capacity costs from the existing customers.

Client Reference

Joshua Ross
City Manager
704.629.5542
jross@bessemercity.com

Year Completed

2021

Staff Involved

Doug Chapman, PE
(Principal)
Dale Schepers
(Financial Services Analyst)
Chad Hull
(Grants Administrator)

SDF Study

Town of Waynesville

McGill was retained by the Town of Waynesville to conduct an SDF study to establish a cost-justified fee schedule for its water and sewer utility using industry-standard methodology and calculations in strict accordance with legislative rules set forth in HB 436 prior to the July 1, 2018 legislative deadline. The fee calculation addressed the Town's desire to recover a reasonable portion of the capital costs of existing facilities that currently provide available capacity to new development, and future costs of planned capacity-related capital projects that will ensure capacity is available to meet the demands of future development. Waynesville is planning for significant capital investment to rehabilitate aging infrastructure and recognizes the need to establish fees that help to lessen the full burden of constructing additional capacity from the existing rate payers.

Client Reference

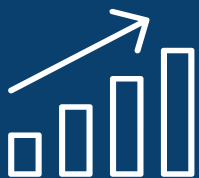
Rob Hites
Town Manager
828.452.2491
rhites@waynesvillenc.gov

Year Completed

2018

Staff Involved

Dale Schepers
(Financial Services Analyst)



There is a direct and reasonable connection between the impact of the new development and need of new or expanded infrastructure.

SDF Study

Town of Shallotte

In response to HB 436, the Town of Shallotte retained McGill to complete an SDF analysis prior to the July 1, 2018 deadline. The Town was experiencing significant interest in development and desired to establish fees to offset a reasonable amount of the related capital costs associated with existing and future capacity-related capital improvements. SDFs will be used to help to reduce the full burden of existing and future capacity costs from the existing customers.

Client Reference

Mimi Gaither
Town Administrator
910.754.4032
mgaither@townofshallotte.org

Year Completed

2018

Staff Involved

Doug Chapman, PE
(Principal)
RJ Mozeley, PE
(Senior Project Manager)
Dale Schepers
(Financial Services Analyst)

SDF Study

Town of Oak Island

McGill developed a cost-justified fee schedule using industry-standard methodology and calculations in strict accordance with legislative rules set forth in HB 436 and assisted the Town with adopting the SDFs prior to the July 1, 2018 deadline. Oak Island has made a significant investment in water and sewer capacities and desires to offset a reasonable amount of the financial burden to construct available capacity. SDFs will be used to help to reduce the full burden of existing and future capacity costs from the existing rate payers.

Client Reference

David Kelly
Town Manager
910.201.8002
dkelly@ci.oak-island.nc.us

Year Completed

2020

Staff Involved

Dale Schepers
(Financial Services Analyst)



Experience with Financial Studies for Utilities

Our team has a substantial amount of experience with financial evaluations for municipal systems. The team includes both engineers with experience in capital planning and staff with management and fiscal experience that understand the requirements for municipal budgeting. This team has worked together on several projects for a variety of clients and can develop a unique scope to meet specific needs economically.

Below is a list of recent financial planning documents that our financial services team performed with in the last five years:

- 2016–2021 Annual Water and Sewer CIP Update and Utility Rate Analysis, Town of Valdese
- 2018–2020 Water and Sewer CIP and Utility Rate Review, Town of Beech Mountain
- Water and Sewer Utility CIP and Rate Analysis, Anson County
- Water and Sewer Rate Study, City of Emporia, VA
- CIP Updates, Jellico Electric and Water System, TN
- CIP, Clay County
- Water and Sewer Asset Management Plan (AMP) and Preliminary CIP, Town of Forest City
- CIP and AMP, Town of Stanley
- Gray's Creek Rate Study and Cost Allocation Plan, Cumberland County
- SDF studies completed for 19 public water and sewer utilities in North Carolina
- 2021 Water and Sewer CIP and Financial Analysis Update, Town of Valdese

Team Qualifications

The McGill team selected for this project has worked together on many other successful financial studies. The projects that each team member worked on are also listed on each of their resumes. RJ Mozeley, PE, will serve as the Senior Project Manager and primary contact for this project and lead other staff members assigned to the project. RJ has more than 15 years of experience in planning, design, and financial studies of similar facilities across Western North Carolina.



Financial services team

03 | Qualifications of Key Staff

Team Overview

Our goal in assembling the proposed team outlined below is matching the individual and team qualifications with the expertise and experience appropriate for this project. Our comprehensive project team approach is particularly appropriate for projects where coordination, scheduling, and efficiency are important considerations.



Availability

McGill works within strict schedules to meet project deadlines and objectives. We want to work on this important project and are prepared to adjust our work program to meet your project's scheduling needs. We understand how important it is to stay on schedule and on budget. This proposal is intended to demonstrate that:

- We have the qualifications and expertise to execute this project.
- We have the capability and availability to achieve the tasks outlined in our proposal, within a prescribed time frame.
- Our personnel and resources are accessible and our proximity to the project can facilitate timely and efficient working conditions and communication.



Doug Chapman, PE

Principal / Vice President / Regional Manager

Years of Experience: 31

Doug Chapman has practiced engineering in North Carolina for more than 31 years. His experience includes a wide range of public projects, such as streets systems, parks and recreation, and community facilities and planning. Doug has worked in a variety of professional environments, including both public and private sector positions, which have contributed positively toward developing his capacity to solve complex problems and understand the needs of public clients. He is an innovator and a leader in infrastructure and facility planning and design. Doug has worked on numerous projects and is well versed in public bidding requirements and project funding opportunities.

Education

BS, Mechanical Engineering, North Carolina State University (NCSU)

Professional Associations

- AWWA
- WEF

Specializations

- Client communication
- Utility planning

Professional Licensure

PE: NC #020622

Related Experience

- SDF Study, City of Bessemer City
- SDF Study, Cumberland County
- SDF Study, Town of Shallotte
- 2022 CIP Updates, Town of Valdese



RJ Mozeley, PE

Senior Project Manager / Client Liaison

Years of Experience: 15

RJ Mozeley oversees McGill's financial services team. He is a dedicated and talented engineer who has developed a strong knowledge of funding opportunities for public projects. He enjoys seeing a project from conception to completion and understands the importance of assisting clients with the funding process along the way. He is a valued team member, not only for his technical and strategic expertise, but also for his knowledge and attention to detail in preparing documents.

Education

BS, Civil Engineering, NCSU

Professional Associations

- AWWA
- WEF

Specializations

- Project management
- Client communication

Professional Licensure

PE: NC #037937

Related Experience

- SDF Study, City of Marion
- SDF Study, Town of Shallotte
- 2023 Water and Sewer CIP, Town of Valdese
- CIP and AMP, Town of Stanley
- CIP Update, City of Lenoir



Education

BS, Engineering and Engineering Technology, Northern Illinois University

Professional Certifications

- Public Water Supply Operator – Class A
- Wastewater Treatment Works Operator – Class 1

Specialization

- Financial Analysis

Dale Schepers

Financial Services Analyst

Years of Experience: 35

Dale Schepers has over 30 years of hands-on municipal experience and 24 years managing public infrastructure and services in 2 states, serving communities ranging in population from 3,300 to 78,000. He gained hands-on experience as a wastewater plant operator and quickly progressed to positions of responsibility, including water / sewer division manager and public works director. Dale has extensive experience with creating and managing budgets, capital planning, engineering design and construction administration, finance, asset management, rate analysis and rate-setting, customer service, operation and maintenance, contracted services, utility regionalization and long-term purchase agreements, inter-governmental agreements, labor contracts, multi-jurisdictional coordination, and regulatory compliance. His practical set of operational and administrative skills provide exceptional value to McGill's clients.

Related Experience

- SDF Study, City of Bessemer City
- SDF Study, Clay County
- SDF Study, City of Southport
- SDF Study, Town of Shallotte



Education

MPA, Appalachian State University

BS, Political Science, Appalachian State University

Specializations

- Funding assistance
- Financial analysis

Chad Hull

Grants Administrator

Years of Experience: 1

Chad Hull works on a variety of grant applications and programs that offer grant and loan funding for planning on construction of water and wastewater systems. He has experience performing administrative tasks for the life of grants by processing invoices into requisitions and working on program-specific items to comply with regulatory requirements. Chad is detail-oriented, understands the complex nature of state and federal funding, and prioritizes customer communication and support. Chad brings a unique perspective to financial services thanks to his education and background in public administration, and he has a deep understanding of the world of local government.

Related Experience

- SDF Study, City of Bessemer City
- American Water Infrastructure Act (AWIA) Risk and Resilience Assessment, Town of Siler City
- AWIA Risk and Resilience Assessment, City of Bessemer City
- AIA Funding Applications for SGWASA, City of Oxford, and Clay County

04 | Project Approach

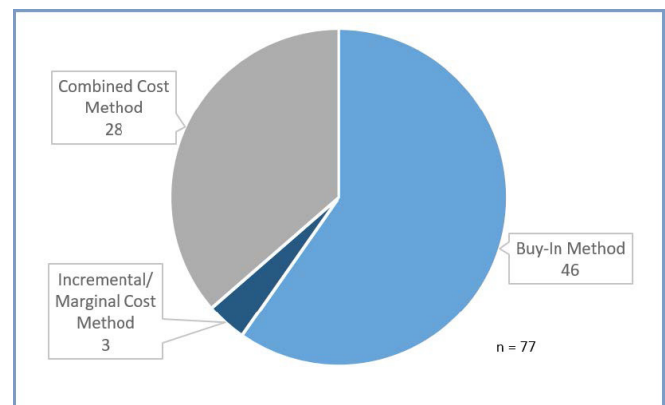


Financial services team members — RJ Mozeley and Dale Schepers

System Development Fee Methodology and Defense

The McGill team understands the managerial and financial aspects of operating and forecasting a public utility system. Through our team's experience working in local government and assisting clients, we are keenly aware of the need to have thorough and defensible calculations for water and sewer SDFs. Our team will approach this project from a proven methodology of gathering pertinent data and organizing that data (categorized by funding source, capacity, timing, etc.) in a manner that will effectively and efficiently translate into elements contributing to SDFs.

We have participated in calculating SDFs in a number of communities across North Carolina in the last six years. We have also assisted in supporting legal defense for other communities. Consequently, we are familiar with the types of items that often derail an SDF analysis.



Number of Water SDFs Based on Calculation Methods (2019)

Hughes, J., Fialko, K., Farmer, B., Eskaf, S. (2019). *System Development Fees in North Carolina*. Environmental Finance Center at the University of North Carolina at Chapel Hill



Our team will choose the most defensible methodology based on the conditions, our knowledge, and experience with SDFs.

Project Approach

This approach incorporates and expands upon the scope of services outlined in the Request for Qualifications.

1. Meet With Town Staff

- Gather information, establish schedules, and review aspects of the SDF analysis
- Review project goals and objectives, relevant policies, procedures, and overall approach to developing and adopting SDFs

2. Review Data

- Review all data provided by the Town, including existing water and sewer assets and previous expenditures and debt service requirements, CIPs, building permits, requests for water and sewer extensions, rate schedules, requests for additional water and sewer services, existing and planned capacity of the water and sewer system, Comprehensive Development Plans, and relevant GIS data

3. Determine Methodology

- Consider and select the appropriate methodology for the calculation of the fee
- Present the best approach to maximize what the Town could charge for SDFs, if it chooses to do so

4. Prepare Analysis

- Prepare and document the analysis to calculate the SDF and fee schedule for the public water and sewer system
- Review any other related development fees and charges to identify possible overlap of charges that may require adjustment as required by HB 436

5. Develop a Fee Schedule

- Calculate a fee schedule, including a service unit rate and a conversion table that applies some multiple or derivative of the service unit rate to the various categories of demand that will become the fee schedule recommendations for consideration and other applicable requirements of the legislation

- Incorporate a credit calculation for the value of costs of the capital improvement that exceeds the new development's proportionate share of connecting facilities required to be oversized for use by others outside the new development
- Cover a planning horizon between 10 and 20 years

6. Assemble Documentation

- Assemble documentation that will demonstrate the sufficiency and reliability of the method chosen and other technical requirements of the legislation by providing facts and data
- Identify all assumptions and limiting conditions affecting the analysis and demonstrate that they do not materially undermine the reliability of the conclusions

7. Assist With Public Notice and Comment

- Assist the Town with guidance for the public comment period
- Review the comments for consideration of possible modifications and present the analysis at the public hearing

8. Develop Final Report

- Develop a final report for publication (if there is any desired modifications based on the public hearing, we will make those changes and publish the final report)

9. Assist With Adoption

- Assist with development of the resolution or ordinance to be adopted and assist with any documentation for the annual budget
- Make presentations to the Town council at the direction of the staff

Project Management

Budget and Schedule Control

McGill works with roughly 300 units of local government across North Carolina, Tennessee, and Virginia and many of our clients are very similar in size and complexity to the Town of Boiling Springs. Like the Town of Boiling Springs, our other clients are bound to a number of project constraints which must be observed for the project's success. Budget and schedule are almost always paramount concerns and so they regularly receive appropriate attention from the McGill team. Our work plan always includes early budget development based on our experience as professionals in the design and construction industry.

Developing a project schedule to identify the tasks of importance throughout the project helps to then also prepare a manageable plan for accomplishing those same tasks and that in turn also assists in keeping the project budgets in control.

Quality Management

In addition to regular updates to the budget and feedback from our progress, our project approach utilizes the institutional knowledge and experience of RJ and Doug through quality assurance / quality control (QA / QC) review of the SDF calculation.

Expectations of Town During This Process

McGill will only expect that the Town continue to operate in the same successful manner as past projects with McGill, where Town objectives are provided clearly and access and information to relevant matters are secured and added to the project records.

Project Management Approach

Our experience has led us to develop and embrace a standardized approach to project management. Your project manager stays in tune with every aspect of the project, as well as in touch with each person or team involved. McGill has standardized systems in place and tools to keep each aspect of the project on track.



Communication

Microsoft Teams unifies communication and collaboration among our staff.



Financial

Our highly trained managers use Deltek Vision software to track progress relative to scope and schedule.



Technical

McGill staff use cloud storage for all files, as well as the latest software programs for design.



Internal Expertise

Practice areas across the firm keep our projects running smoothly. We have in-house resources to address the majority of issues we may encounter during the life of a project.

Typical Project Schedule

McGill has many years of collective experience and a lengthy record of accurate project scheduling, effective cost control, quality work, and innovative design capabilities. We consistently plan and design projects within the client’s budget and schedule. Our internal procedures were established 38 years ago and have been evolving ever since to allow for successful development of project schedules and milestones.

Schedule																											
Month		1		2		3		4		5		6		7													
Task																											
Initial work session with staff																											
Information due from staff																											
Develop SDF analysis and draft recommendations																											
Work session with staff to review preliminary findings and recommendations																											
Final report and posting of analysis and fee recommendations																											
45-day notice period and public hearing																											
Final recommendations to the Town council on fees with appropriate supporting analysis																											
Council action																											

05 | Project Cost



Project Cost

Based on the proposed scope of services as outlined in the Request for Qualifications, McGill proposes to assist the Town of Boiling Springs with an SDF study for the lump sum fee of **\$18,700**.

We appreciate the opportunity to present this proposal to the Town of Boiling Springs and would be honored to work with Town staff on this assignment.



Our goal is to provide you with the key information you need to adopt a fee structure that meets all regulatory guidelines and supports necessary enhancements to the Town's infrastructure due to growth.



McGill Associates, PA

1240 19th Street Lane NW, Hickory, NC 28601

828.328.2024 | mcgillassociates.com