

Town of Hillsborough

System Development Fee Study Overview

August 28, 2023



1

Agenda

1. Description of System Development Fees (SDFs)
2. Impetus of study
3. Process to adopt fee
4. Overview of fee calculation and resulting fees
5. Questions

2

2

WHAT ARE SYSTEM DEVELOPMENT FEES?

One-time charge assessed against “**new development**” as a way to pay for “**facilities**” needed to support growth or to recoup costs for existing **facilities**.

3

3

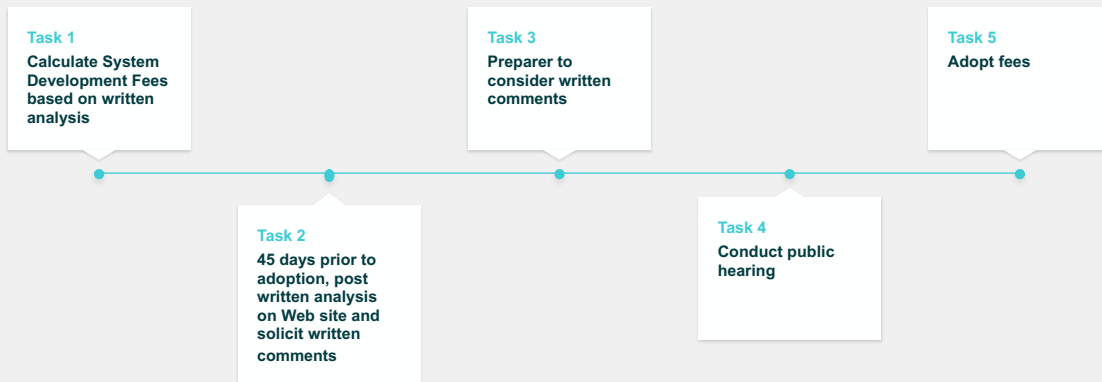
Impetus of the Study

- Ratification of House Bill 436 – “An Act to provide for uniform authority to implement system development fees for public water and sewer systems in North Carolina...”
 - › Signed into law on July 20, 2017
 - › Amended Chapter 162A, Article 8 of the General Statutes “System Development Fees”
 - › Sets forth process for establishing system development fees
 - › Requires preparation by a “financial professional or licensed professional engineer...”
 - › Requires update of the study every 5 years
- **Revisions have been made to original legislation since 2017**

4

4

Process to Adopt Fees



5

5

Allowed Methodologies for Fee Calculation

1. Capacity Buy-In Approach



- › Focus on existing facilities with available capacity to serve new customers
- › Analysis based on fixed asset records

2. Incremental/Marginal Cost Approach



- › Focuses on additional facilities required to meet anticipated growth
- › Analysis based on capital improvement plan

3. Combined Approach



6

6

Methodology Used

- **Capacity Buy-In** for both the Water System & Sewer System
 - Existing assets have enough capacity to serve new customers for both systems for the next several years



7

7

Overview of Fee Calculation

1

Determine methodology to be used

Buy-In Approach

2

Identify cost of facilities

Use fixed asset records

3

Consider/make adjustments as necessary

Remove contributed capital, non-core assets

4

Derive system development fee per residential service unit

ERU based on NC regulations

5

Establish equivalency or conversion table for various categories of demand

Scale fee based on ERU

8

8

Steps 2-3: Cost of Facilities *(with Adjustments)*

- Start with net book value (NBV) of all fixed assets
- Escalate NBV to today's dollars based on service date
- Calculate replacement cost new less depreciation
- Remove non-core assets (meters, equipment, vehicles, etc.), contributed/grant funded capital and annexation contributions
- Remove outstanding debt principal related to core assets

Replacement Cost New Less Depreciation (RCNLD)		
Asset Category	Water	Sewer
Total Assets	\$50,399,287	\$43,002,342
Less: Contributed assets	-\$8,830,157	-\$10,331,494
Less: Debt Credit	-\$14,301,994	-\$10,712,524
Total Net Assets (RCNLD)	\$27,267,136	\$21,958,324

9

9

COST PER UNIT (GALLON)

	Water	Sewer
Net System Value	\$27,267,136	\$21,958,324
Total Capacity (MGD)	3.00	2.259
Cost per gallon per day (GPD)	\$9.09	\$9.72

10

10

Conversion Table – NC Administrative Code 15A NCAC 02T.0114

	Gallons per day	Water Fee	Sewer Fee	Total
Residential				
One-bedroom	120	\$1,091	\$1,166	\$2,257
Two-bedroom	240	\$2,181	\$2,333	\$4,514
Three-bedroom	260	\$3,272	\$3,499	\$6,771
Four-bedroom	480	\$4,363	\$4,666	\$9,029
Five-bedroom	600	\$5,453	\$5,832	\$11,286
Six-bedroom	720	\$6,544	\$6,999	\$13,543
Non-Residential				
General business/office facilities	25 gal/employee	\$227	\$243	\$470
Restaurant – Full Service	40 gal/seat	\$364	\$389	\$752
Store – Without Food Service	100 gal/1,000 sq. ft.	\$909	\$972	\$1,881
Hotel (without in-room cooking)	120 gal/room	\$1,091	\$1,166	\$2,257

11

11



Thank you!

Contact:

Melissa Levin / 704.936.4441 / mlevin@raftelis.com

Vanessa Waller / 704.912.1363 / vwaller@raftelis.com

12

12