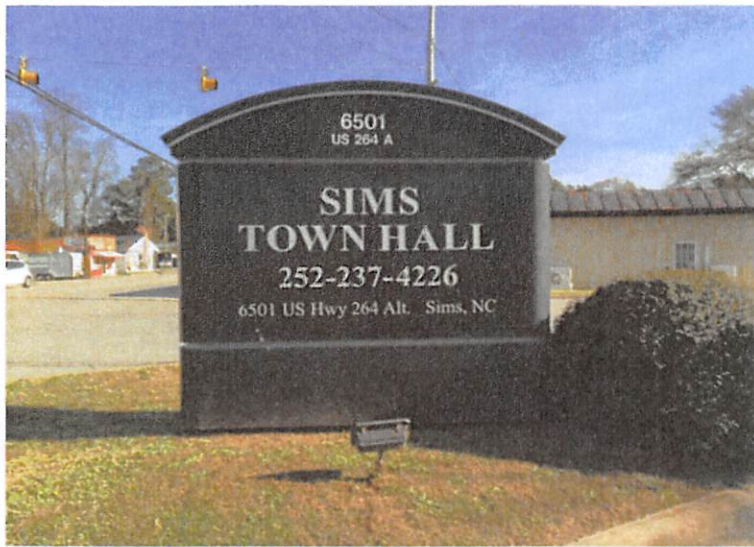




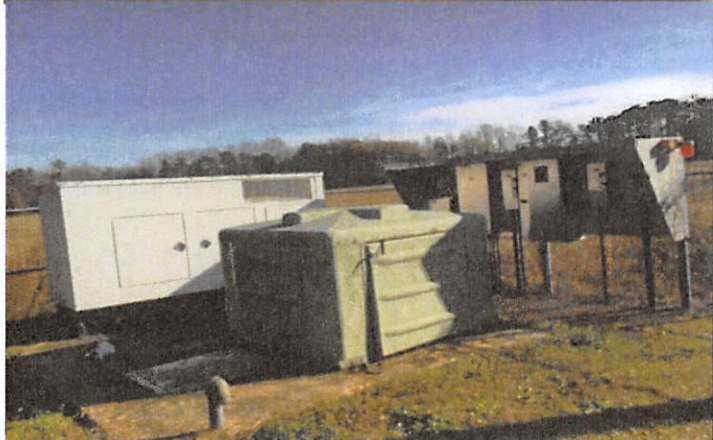
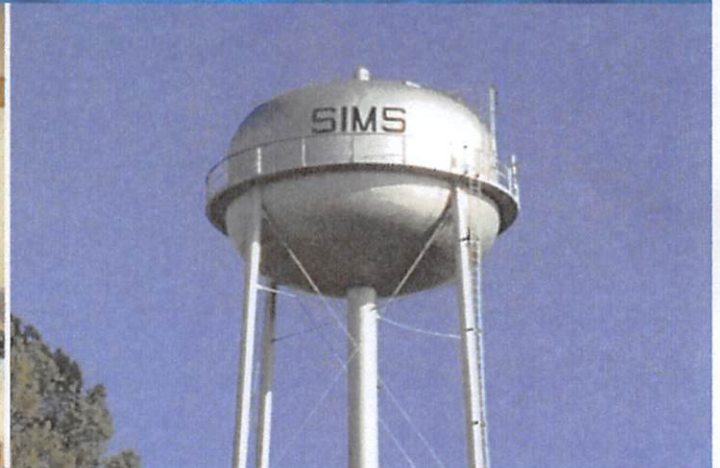
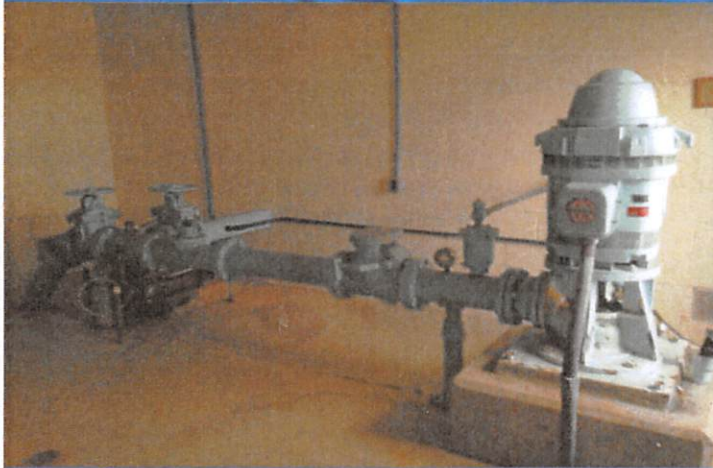
SYSTEM DEVELOPMENT FEE REPORT

Sims, North Carolina

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Project 19-047

Water Resources,
our Focus..... Your Future



Town of Sims
System Development Fee “SDF”
Report
December 23, 2020

Purpose of the Report

Green Engineering has been commissioned by the Town of Sims to analyze the Town’s Utility System(s) Assets and assist the Town with the development of Water and Sewer *System Development Fees* (SDF). This action is being initiated because of the Town’s need to address the impact of new growth development in and adjacent to the Town’s present corporate limits.

The schedule of fees presented in this *Report* is based on an approach for establishing utility system development fees as set forth in North Carolina General Statute 160A – Article 8 with related amendments in House Bills (HB) 436 and HB 873. These specific Bills were ratified to address inconsistencies among public water and sewer providers including calculation methodologies and implementation.

Background

System Development Fees (SDFs) are defined as one-time charges assessed against new development on a per lot basis to recover a proportional share of the costs of capital facilities when connecting to the Town’s system. Many utilities across the state have engaged in adopting these fees to assist the entity with new revenues essential to offset the impact of new growth on existing internal utility facilities.

According to information provided in the University of North Carolina Environmental Finance Center's latest survey regarding SDF's, about 39% of water and 44% of sewer rate structures include SDF's in North Carolina.

The above Bills provide specific guidelines that public water and sewer providers must follow to charge SDF's. In the past, these fees may have been generally collected at the time the Developer recorded the map; however, as referenced in HB 873, these fees now can only be collected at the time an individual lot receives a building permit.

Research

In order to determine the "cost of capacity fees" for the Town, Green Engineering reviewed the latest available fixed asset information and debt service costs of the utility systems as of June 30, 2020. Certain assumptions were made in developing this analysis that were necessary to establish appropriate fee levels for the different types of customers based on equivalent residential units. Green Engineering referred to the guidance as provided in the American Water Works Association (AWWA) System Buy In approach. This analysis documents the results of the various analyses and the Engineer's recommendations for implementing SDFs to be charged to new customers connecting to the Town of Sims water and sewer systems.

Typically, the cost basis for setting capacity fees is based on the system components that are necessary to serve, and that provide benefit to, all customers. These components typically include land, treatment works, storage tanks, booster stations, lift stations, lines, and other related system components and equipment.

In this type analysis, there are *three approaches* for calculating water and sewer SDF's outlined in HB 436. They include the following:

The *Buy-In (Equity) Approach* is used when a system has enough capacity to serve new development, so each new customer buys in to existing infrastructure that the rate base has built and maintained.

The *Incremental Cost Approach* is used when new facilities must be built to serve new development.

The *Combination Method* is chosen when a system foresees a blend of existing and new infrastructure to serve anticipated development over the applicable planning horizon.

The Method Selected for Determining Sims SDF's

Having researched the Town of Sims infrastructure records, available capacity, and debt records, Green Engineering recommends that the Town of Sims SDF's program be based upon the *Buy-In Method*. The principle of the *Buy-In Method* is that each new customer, in paying his SDF, "buys into" his proportional share of the overall cost of the system. These contributions then help to fund future Capital Rehabilitation Projects, as defined in the SDF Act (§162A-201(2)) as "Any repair, maintenance, modernization, upgrade, update, replacement, or correction of deficiencies of a facility, including any expansion or other undertaking to increase the preexisting level of service for existing development."

Once this method is determined, a replacement cost of the system must be developed at current market cost which is expressed as RCN, (replacement cost new). §162A-211(b) (first sentence) includes the following (bold emphasis added):

“The basis for the buy-in calculation for previously completed capital improvements shall be determined by using a generally accepted method of valuing the actual or replacement costs of the capital improvement for which the buy-in fee is being collected less depreciation, debt credits, grants, and other generally accepted valuation adjustments.”

Green Engineering has used the Replacement Cost (New), Less Depreciation, or RCNLD method to establish the total value of the system, as of the date of this report. This includes in-place infrastructure projects which have been completed.

A worksheet entitled “Water System Valuation Summary and SDF Computation” is provided in the Appendix of this Report wherein the total value of treatment, storage, distribution system and supporting facilities less credits to be **\$341,586.32**. A separate worksheet entitled “Wastewater System Valuation Summary and SDF Computation” is also provided in the Appendix of this Report wherein the total value of collection, pumping, transmission, and treatment capacity less credits is **\$634,992.69**.

According to NC Administrative Code 15A NCAC 02T.0114, the amount of capacity required for a new customer is 360 gallons per day for a three-bedroom home. This amount assumes 120 gallons per day per bedroom. The current water production capacity is **56,240 gallons per day** and the wastewater treatment capacity is **75,000 gallons per day**.

Having determined water system-wide asset value and capacity, the SDF Analysis determines the **Water System's Cost per Unit of Capacity is \$6.07 per gallon** ($341,582.36 \div 56,240 = \6.07).

Similarly, the **Wastewater System's Cost Per Unit of Capacity is \$8.47 per gallon** ($\$634,992.69 \div 75,000 = \8.47).

Determining the System Development Fee

Once the cost per gallon has been established, a SDF unit charge is to be determined by multiplying the unit cost per gallon times the volume of gallons assigned to one residential unit. Therefore, the following calculation is applicable:

One SDF = (capital cost per gallon x flow allocation per resident)

Once a cost per gallon is established, a SDF unit charge is to determine by multiplying the unit cost per gallon times the volume of gallons assigned to one residential unit. Therefore, the following calculation is applicable:

$$\text{SDF} = \text{Cost per gallon} \times 360 \text{ gallons per day for one 3-bedroom Residence}$$

A standard equivalent residential unit will be an Ordinary Single-Family/three-bedroom home using 360 gpd as referenced above in NC Administrative Code 15A NCAC 02T.0114.

This will be hereinafter designated as an **Equivalent Residential Unit** and will refer to it as an **ERU**.

Water SDF Cost Per Bedroom

Bedroom Size	Flow Allocation	Cost Per Gallon	SDF Charge
1	120 gpd	\$6.07	\$728.40
2	240 gpd	\$6.07	\$1,456.80
3	360 gpd	\$6.07	\$2,186.54

Wastewater SDF Cost Per Bedroom

Bedroom Size	Flow Allocation	Cost Per Gallon	SDF Charge
1	120 gpd	\$8.47	\$1,016.40
2	240 gpd	\$8.47	\$2,032.80
3	360 gpd	\$8.47	\$3,049.20

SDF Fees for Larger Services The above Tables of SDF charges is based upon standard $\frac{3}{4}$ -inch residential service connections. Establishment requiring services larger than $\frac{3}{4}$ -inch will be referred to Town's Engineer for SDF computation.

Appendix

NCGS 162A - Article 8

Article 8.

System Development Fees.

§ 162A-200. Short title.

This Article shall be known and may be cited as the "Public Water and Sewer System Development Fee Act." (2017-138, s. 1.)

§ 162A-201. Definitions.

The following definitions apply in this Article:

- (1) Capital improvement. – A planned facility or expansion of capacity of an existing facility other than a capital rehabilitation project necessitated by and attributable to new development.
- (2) Capital rehabilitation project. – Any repair, maintenance, modernization, upgrade, update, replacement, or correction of deficiencies of a facility, including any expansion or other undertaking to increase the preexisting level of service for existing development.
- (3) Existing development. – Land subdivisions, structures, and land uses in existence at the start of the written analysis process required by G.S. 162A-205, no more than one year prior to the adoption of a system development fee.
- (4) Facility. – A water supply, treatment, storage, or distribution facility, or a wastewater collection, treatment, or disposal facility, including for reuse or reclamation of water, owned or operated, or to be owned or operated, by a local governmental unit and land associated with such facility.
- (5) Local governmental unit. – Any political subdivision of the State that owns or operates a facility, including those owned or operated pursuant to local act of the General Assembly or pursuant to Part 2 of Article 2 of Chapter 130A, Article 15 of Chapter 153A, Article 16 of Chapter 160A, or Articles 1, 4, 5, 5A, or 6 of Chapter 162A of the General Statutes.
- (6) New development. – Any of the following occurring after the date a local government begins the written analysis process required by G.S. 162A-205, no more than one year prior to the adoption of a system development fee, which increases the capacity necessary to serve that development:
 - a. The subdivision of land.
 - b. The construction, reconstruction, redevelopment, conversion, structural alteration, relocation, or enlargement of any structure which increases the number of service units.
 - c. Any use or extension of the use of land which increases the number of service units.
- (7) Service. – Water or sewer service, or water and sewer service, provided by a local governmental unit.
- (8) Service unit. – A unit of measure, typically an equivalent residential unit, calculated in accordance with generally accepted engineering or planning standards.
- (9) System development fee. – A charge or assessment for service imposed with respect to new development to fund costs of capital improvements necessitated by and attributable to such new development, to recoup costs of existing

facilities which serve such new development, or a combination of those costs, as provided in this Article. The term includes amortized charges, lump-sum charges, and any other fee that functions as described by this definition regardless of terminology. The term does not include any of the following:

- a. A charge or fee to pay the administrative, plan review, or inspection costs associated with permits required for development.
 - b. Tap or hookup charges for the purpose of reimbursing the local governmental unit for the actual cost of connecting the service unit to the system.
 - c. Availability charges.
 - d. Dedication of capital improvements on-site, adjacent, or ancillary to a development absent a written agreement providing for credit or reimbursement to the developer pursuant to G.S. 153A-280, 153A-451, 160A-320, 160A-499 or Part 3A of Article 18, Chapter 153A or Part 3D of Article 19, Chapter 160A of the General Statutes.
 - e. Reimbursement to the local governmental unit for its expenses in constructing or providing for water or sewer utility capital improvements adjacent or ancillary to the development if the owner or developer has agreed to be financially responsible for such expenses; however, such reimbursement shall be credited to any system development fee charged as set forth in G.S. 162A-207(c).
- (10) System development fee analysis. – An analysis meeting the requirements of G.S. 162A-205. (2017-138, s. 1.)

§ 162A-202: Reserved for future codification purposes.

§ 162A-203. Authorization of system development fee.

(a) A local governmental unit may adopt a system development fee for water or sewer service only in accordance with the conditions and limitations of this Article.

(b) A system development fee adopted by a local governmental unit under any lawful authority other than this Article and in effect on October 1, 2017, shall be conformed to the requirements of this Article not later than July 1, 2018. (2017-138, s. 1.)

§ 162A-204: Reserved for future codification purposes.

§ 162A-205. Supporting analysis.

A system development fee shall be calculated based on a written analysis, which may constitute or be included in a capital improvements plan, that:

- (1) Is prepared by a financial professional or a licensed professional engineer qualified by experience and training or education to employ generally accepted accounting, engineering, and planning methodologies to calculate system development fees for public water and sewer systems.
- (2) Documents in reasonable detail the facts and data used in the analysis and their sufficiency and reliability.

- (3) Employs generally accepted accounting, engineering, and planning methodologies, including the buy-in, incremental cost or marginal cost, and combined cost methods for each service, setting forth appropriate analysis as to the consideration and selection of a method appropriate to the circumstances and adapted as necessary to satisfy all requirements of this Article.
- (4) Documents and demonstrates the reliable application of the methodologies to the facts and data, including all reasoning, analysis, and interim calculations underlying each identifiable component of the system development fee and the aggregate thereof.
- (5) Identifies all assumptions and limiting conditions affecting the analysis and demonstrates that they do not materially undermine the reliability of conclusions reached.
- (6) Calculates a final system development fee per service unit of new development and includes an equivalency or conversion table for use in determining the fees applicable for various categories of demand.
- (7) Covers a planning horizon of not less than five years nor more than 20 years.
- (8) Is adopted by resolution or ordinance of the local governmental unit in accordance with G.S. 162A-209. (2017-138, s. 1; 2018-34, s. 1(a).)

§ 162A-206: Reserved for future codification purposes.

§ 162A-207. Minimum requirements.

(a) **Maximum.** – A system development fee shall not exceed that calculated based on the system development fee analysis.

(b) **Revenue Credit.** – In applying the incremental cost or marginal cost, or the combined cost, method to calculate a system development fee with respect to water or sewer capital improvements, the system development fee analysis must include as part of that methodology a credit against the projected aggregate cost of water or sewer capital improvements. That credit shall be determined based upon generally accepted calculations and shall reflect a deduction of either the outstanding debt principal or the present value of projected water and sewer revenues received by the local governmental unit for the capital improvements necessitated by and attributable to such new development, anticipated over the course of the planning horizon. In no case shall the credit be less than twenty-five percent (25%) of the aggregate cost of capital improvements.

(c) **Construction or Contributions Credit.** – In calculating the system development fee with respect to new development, the local governmental unit shall credit the value of costs in excess of the development's proportionate share of connecting facilities required to be oversized for use of others outside of the development. No credit shall be applied, however, for water or sewer capital improvements on-site or to connect new development to water or sewer facilities. (2017-138, s. 1.)

§ 162A-208: Reserved for future codification purposes.

§ 162A-209. Adoption and periodic review.

(a) For not less than 45 days prior to considering the adoption of a system development fee analysis, the local governmental unit shall post the analysis on its Web site and solicit and furnish a means to submit written comments, which shall be considered by the preparer of the analysis for possible modifications or revisions.

(b) After expiration of the period for posting, the governing body of the local governmental unit shall conduct a public hearing prior to considering adoption of the analysis with any modifications or revisions.

(c) The local governmental unit shall publish the system development fee in its annual budget or rate plan or ordinance. The local governmental unit shall update the system development fee analysis at least every five years. (2017-138, s. 1.)

§ 162A-210: Reserved for future codification purposes.

§ 162A-211. Use and administration of revenue.

(a) Revenue from system development fees calculated using the incremental cost method or marginal cost method, exclusively or as part of the combined cost method, shall be expended only to pay:

- (1) Costs of constructing capital improvements including, and limited to, any of the following:
 - a. Construction contract prices.
 - b. Surveying and engineering fees.
 - c. Land acquisition cost.
 - d. Principal and interest on bonds, notes, or other obligations issued by or on behalf of the local governmental unit to finance any costs for an item listed in sub-subdivisions a. through c. of this subdivision.
- (2) Professional fees incurred by the local governmental unit for preparation of the system development fee analysis.
- (3) If no capital improvements are planned for construction within five years or the foregoing costs are otherwise paid or provided for, then principal and interest on bonds, notes, or other obligations issued by or on behalf of a local governmental unit to finance the construction or acquisition of existing capital improvements.

(b) Revenue from system development fees calculated using the buy-in method may be expended for previously completed capital improvements for which capacity exists and for capital rehabilitation projects. The basis for the buy-in calculation for previously completed capital improvements shall be determined by using a generally accepted method of valuing the actual or replacement costs of the capital improvement for which the buy-in fee is being collected less depreciation, debt credits, grants, and other generally accepted valuation adjustments.

(c) A local governmental unit may pledge a system development fee as security for the payment of debt service on a bond, note, or other obligation subject to compliance with this section.

(d) Except as otherwise provided in subsection (e) of this section, system development fee revenues shall be accounted for by means of a capital reserve fund established pursuant to Part 2 of Article 3 of Chapter 159 of the General Statutes and limited as to expenditure of funds in accordance with this section.

(e) If and to the extent that revenues derived from system development fees are pledged to secure revenue bonds or notes issued by a local government unit under the provisions of Article 5 of Chapter 159 of the General Statutes, such revenues may be deposited in such funds, accounts or subaccounts, and applied in such manner, as set forth in the bond order, resolution, trust agreement or similar instrument authorizing and securing such bonds or notes until all such revenue bonds or notes are no longer outstanding. (2017-138, s. 1; 2018-34, s. 2(a).)

§ 162A-212: Reserved for future codification purposes.

§ 162A-213. Time for collection of system development fees.

(a) Land Subdivision. – For new development involving the subdivision of land, the system development fee shall be collected by a local governmental unit at the later of either of the following:

- a. The time of plat recordation.
- b. When water or sewer service is committed by the local governmental unit.

(b) Other New Development. – For all other new development, the local governmental unit shall collect the system development fee at the earlier of either of the following:

- a. The time of application for connection of the individual unit of development to the service or facilities.
 - b. When water or sewer service is committed by the local governmental unit.
- (2017-138, s. 1; 2018-34, s. 3(a).)

§ 162A-214: Reserved for future codification purposes.

§ 162A-215. Narrow construction.

Notwithstanding G.S. 153A-4 and G.S. 160A-4, in any judicial action interpreting this Article, all powers conferred by this Article shall be narrowly construed to ensure that system development fees do not unduly burden new development. (2017-138, s. 1.)

House Bill 436

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

SESSION LAW 2017-138
HOUSE BILL 436

AN ACT TO PROVIDE FOR UNIFORM AUTHORITY TO IMPLEMENT SYSTEM DEVELOPMENT FEES FOR PUBLIC WATER AND SEWER SYSTEMS IN NORTH CAROLINA AND TO CLARIFY THE APPLICABLE STATUTE OF LIMITATIONS.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 162A of the General Statutes is amended by adding a new Article to read:

"Article 8.

"System Development Fees.

"§ 162A-200. Short title.

This Article shall be known and may be cited as the "Public Water and Sewer System Development Fee Act."

"§ 162A-201. Definitions.

The following definitions apply in this Article:

- (1) Capital improvement. – A planned facility or expansion of capacity of an existing facility other than a capital rehabilitation project necessitated by and attributable to new development.
- (2) Capital rehabilitation project. – Any repair, maintenance, modernization, upgrade, update, replacement, or correction of deficiencies of a facility, including any expansion or other undertaking to increase the preexisting level of service for existing development.
- (3) Existing development. – Land subdivisions, structures, and land uses in existence at the start of the written analysis process required by G.S. 162A-205, no more than one year prior to the adoption of a system development fee.
- (4) Facility. – A water supply, treatment, storage, or distribution facility, or a wastewater collection, treatment, or disposal facility, including for reuse or reclamation of water, owned or operated, or to be owned or operated, by a local governmental unit and land associated with such facility.
- (5) Local governmental unit. – Any political subdivision of the State that owns or operates a facility, including those owned or operated pursuant to local act of the General Assembly or pursuant to Part 2 of Article 2 of Chapter 130A, Article 15 of Chapter 153A, Article 16 of Chapter 160A, or Articles 1, 4, 5, 5A, or 6 of Chapter 162A of the General Statutes.
- (6) New development. – Any of the following occurring after the date a local government begins the written analysis process required by G.S. 162A-205, no more than one year prior to the adoption of a system development fee, which increases the capacity necessary to serve that development:
 - a. The subdivision of land.



- b. The construction, reconstruction, redevelopment, conversion, structural alteration, relocation, or enlargement of any structure which increases the number of service units.
 - c. Any use or extension of the use of land which increases the number of service units.
- (7) Service. -- Water or sewer service, or water and sewer service, provided by a local governmental unit.
- (8) Service unit. -- A unit of measure, typically an equivalent residential unit, calculated in accordance with generally accepted engineering or planning standards.
- (9) System development fee. -- A charge or assessment for service imposed with respect to new development to fund costs of capital improvements necessitated by and attributable to such new development, to recoup costs of existing facilities which serve such new development, or a combination of those costs, as provided in this Article. The term includes amortized charges, lump-sum charges, and any other fee that functions as described by this definition regardless of terminology. The term does not include any of the following:
 - a. A charge or fee to pay the administrative, plan review, or inspection costs associated with permits required for development.
 - b. Tap or hookup charges for the purpose of reimbursing the local governmental unit for the actual cost of connecting the service unit to the system.
 - c. Availability charges.
 - d. Dedication of capital improvements on-site, adjacent, or ancillary to, a development absent a written agreement providing for credit or reimbursement to the developer pursuant to G.S. 153A-280, 153A-451, 160A-320, 160A-499 or Part 3A of Article 18, Chapter 153A or Part 3D of Article 19, Chapter 160A of the General Statutes.
 - e. Reimbursement to the local governmental unit for its expenses in constructing or providing for water or sewer utility capital improvements adjacent or ancillary to the development if the owner or developer has agreed to be financially responsible for such expenses; however, such reimbursement shall be credited to any system development fee charged as set forth in G.S. 162A-207(c).
- (10) System development fee analysis. -- An analysis meeting the requirements of G.S. 162A-205.

"§ 162A-202. Reserved.

"§ 162A-203. Authorization of system development fee.

(a) A local governmental unit may adopt a system development fee for water or sewer service only in accordance with the conditions and limitations of this Article.

(b) A system development fee adopted by a local governmental unit under any lawful authority other than this Article and in effect on October 1, 2017, shall be conformed to the requirements of this Article not later than July 1, 2018.

"§ 162A-204. Reserved.

"§ 162A-205. Supporting analysis.

A system development fee shall be calculated based on a written analysis, which may constitute or be included in a capital improvements plan, that

- (1) Is prepared by a financial professional or a licensed professional engineer qualified by experience and training or education to employ generally accepted accounting, engineering, and planning methodologies to calculate system development fees for public water and sewer systems.
- (2) Documents in reasonable detail the facts and data used in the analysis and their sufficiency and reliability.
- (3) Employs generally accepted accounting, engineering, and planning methodologies, including the buy-in, incremental cost or marginal cost, and combined cost methods for each service, setting forth appropriate analysis as to the consideration and selection of a method appropriate to the circumstances and adapted as necessary to satisfy all requirements of this Article.
- (4) Documents and demonstrates the reliable application of the methodologies to the facts and data, including all reasoning, analysis, and interim calculations underlying each identifiable component of the system development fee and the aggregate thereof.
- (5) Identifies all assumptions and limiting conditions affecting the analysis and demonstrates that they do not materially undermine the reliability of conclusions reached.
- (6) Calculates a final system development fee per service unit of new development and includes an equivalency or conversion table for use in determining the fees applicable for various categories of demand.
- (7) Covers a planning horizon of not less than 10 years nor more than 20 years.
- (8) Is adopted by resolution or ordinance of the local governmental unit in accordance with G.S. 162A-209.

"§ 162A-206. Reserved.

"§ 162A-207. Minimum requirements.

(a) Maximum. – A system development fee shall not exceed that calculated based on the system development fee analysis.

(b) Revenue Credit. – In applying the incremental cost or marginal cost, or the combined cost, method to calculate a system development fee with respect to water or sewer capital improvements, the system development fee analysis must include as part of that methodology a credit against the projected aggregate cost of water or sewer capital improvements. That credit shall be determined based upon generally accepted calculations and shall reflect a deduction of either the outstanding debt principal or the present value of projected water and sewer revenues received by the local governmental unit for the capital improvements necessitated by and attributable to such new development, anticipated over the course of the planning horizon. In no case shall the credit be less than twenty-five percent (25%) of the aggregate cost of capital improvements.

(c) Construction or Contributions Credit. – In calculating the system development fee with respect to new development, the local governmental unit shall credit the value of costs in excess of the development's proportionate share of connecting facilities required to be oversized for use of others outside of the development. No credit shall be applied, however, for water or sewer capital improvements on-site or to connect new development to water or sewer facilities.

"§ 162A-208. Reserved.

"§ 162A-209. Adoption and periodic review.

(a) For not less than 45 days prior to considering the adoption of a system development fee analysis, the local governmental unit shall post the analysis on its Web site and solicit and furnish a means to submit written comments, which shall be considered by the preparer of the analysis for possible modifications or revisions.

(b) After expiration of the period for posting, the governing body of the local governmental unit shall conduct a public hearing prior to considering adoption of the analysis with any modifications or revisions.

(c) The local governmental unit shall publish the system development fee in its annual budget or rate plan or ordinance. The local governmental unit shall update the system development fee analysis at least every five years.

"§ 162A-210. Reserved.

"§ 162A-211. Use and administration of revenue.

(a) Revenue from system development fees calculated using the incremental cost method or marginal cost method, exclusively or as part of the combined cost method, shall be expended only to pay:

- (1) Costs of constructing capital improvements including, and limited to, any of the following:
 - a. Construction contract prices.
 - b. Surveying and engineering fees.
 - c. Land acquisition cost.
 - d. Principal and interest on bonds, notes, or other obligations issued by or on behalf of the local governmental unit to finance any costs for an item listed in sub-subdivisions a. through c. of this subdivision.
- (2) Professional fees incurred by the local governmental unit for preparation of the system development fee analysis.
- (3) If no capital improvements are planned for construction within five years or the foregoing costs are otherwise paid or provided for, then principal and interest on bonds, notes, or other obligations issued by or on behalf of a local governmental unit to finance the construction or acquisition of existing capital improvements.

(b) Revenue from system development fees calculated using the buy-in method may be expended for previously completed capital improvements for which capacity exists and for capital rehabilitation projects. The basis for the buy-in calculation for previously completed capital improvements shall be determined by using a generally accepted method of valuing the actual or replacement costs of the capital improvement for which the buy-in fee is being collected less depreciation, debt credits, grants, and other generally accepted valuation adjustments.

(c) A local governmental unit may pledge a system development fee as security for the payment of debt service on a bond, note, or other obligation subject to compliance with the foregoing limitations.

(d) System development fee revenues shall be accounted for by means of a capital reserve fund established pursuant to Part 2 of Article 3 of Chapter 159 of the General Statutes and limited as to expenditure of funds in accordance with this section.

"§ 162A-212. Reserved.

"§ 162A-213. Time for collection of system development fees.

For new development involving the subdivision of land, the system development fee shall be collected by a local governmental unit either at the time of plat recordation or when water or sewer service for the subdivision or other development is committed by the local governmental unit. For all other new development, the local governmental unit shall collect the system development fee at the time of application for connection of the individual unit of development to the service or facilities.

"§ 162A-214. Reserved.

"§ 162A-215. Narrow construction.

Notwithstanding G.S. 153A-4 and G.S. 160A-4, in any judicial action interpreting this Article, all powers conferred by this Article shall be narrowly construed to ensure that system development fees do not unduly burden new development."

SECTION 2. G.S. 130A-64 reads as rewritten:

"§ 130A-64. Service charges and rates.

(a) A sanitary district board shall apply service charges and rates based upon the exact benefits derived. These service charges and rates shall be sufficient to provide funds for the maintenance, adequate depreciation and operation of the work of the district. If reasonable, the service charges and rates may include an amount sufficient to pay the principal and interest maturing on the outstanding bonds and, to the extent not otherwise provided for, bond anticipation notes of the district. Any surplus from operating revenues shall be set aside as a separate fund to be applied to the payment of interest on or to the retirement of bonds or bond anticipation notes. The sanitary district board may modify and adjust these service charges and rates.

(b) The district board may require system development fees only in accordance with Article 8 of Chapter 162A of the General Statutes."

SECTION 3. G.S. 153A-277 reads as rewritten:

"§ 153A-277. Authority to fix and enforce rates.

(a) A county may establish and revise from time to time schedules of rents, rates, fees, charges, and penalties for the use of or the services furnished or to be furnished by a public enterprise. Schedules of rents, rates, fees, charges, and penalties may vary for the same class of service in different areas of the county and may vary according to classes of service, and different schedules may be adopted for services provided outside of the county. A county may include a fee relating to subsurface discharge wastewater management systems and services on the property tax bill for the real property where the system for which the fee is imposed is located

...

(a2) A county may require system development fees only in accordance with Article 8 of Chapter 162A of the General Statutes.

...."

SECTION 4.(a) G.S. 160A-314 reads as rewritten:

"§ 160A-314. Authority to fix and enforce rates.

(a) A city may establish and revise from time to time schedules of rents, rates, fees, charges, and penalties for the use of or the services furnished or to be furnished by any public enterprise. Schedules of rents, rates, fees, charges, and penalties may vary according to classes of service, and different schedules may be adopted for services provided outside the corporate limits of the city.

...

(e) A city may require system development fees only in accordance with Article 8 of Chapter 162A of the General Statutes."

SECTION 4.(b) G.S. 160A-317 is amended by adding a new subsection to read:

"(a4) System Development Fees. – A city may require system development fees only in accordance with Article 8 of Chapter 162A of the General Statutes."

SECTION 5.(a) G.S. 162A-6(a) is amended by adding a new subdivision to read:

"(9a) To impose and require system development fees only in accordance with Article 8 of this Chapter."

SECTION 5.(b) G.S. 162A-9 is amended by adding a new subsection to read:

"(a5) An authority may require system development fees only in accordance with Article 8 of this Chapter."

SECTION 6.(a) G.S. 162A-36(a) is amended by adding a new subdivision to read:

"(8a) To impose and require system development fees only in accordance with Article 8 of this Chapter."

SECTION 6.(b) G.S. 162A-49 reads as rewritten:

"§ 162A-49. Rates and charges for services.

(a) The district board may fix, and may revise from time to time, rents, rates, fees and other charges for the use of land for the services furnished or to be furnished by any water system or sewerage system or both. Such rents, rates, fees and charges shall not be subject to supervision or regulation by any bureau, board, commission, or other agency of the State or of any political subdivision. Any such rents, rates, fees and charges pledged to the payment of revenue bonds of the district shall be fixed and revised so that the revenues of the water system or sewerage system or both, together with any other available funds, shall be sufficient at all times to pay the cost of maintaining, repairing and operating the water system or the sewerage system or both, the revenues of which are pledged to the payment of such revenue bonds, including reserves for such purposes, and to pay the interest on and the principal of such revenue bonds as the same shall become due and payable and to provide reserves therefor. If any such rents, rates, fees and charges are pledged to the payment of any general obligation bonds issued under this Article, such rents, rates, fees and charges shall be fixed and revised so as to comply with the requirements of such pledge. The district board may provide methods for collection of such rents, rates, fees and charges and measures for enforcement of collection thereof, including penalties and the denial or discontinuance of service.

(b) The district board may require system development fees only in accordance with Article 8 of this Chapter."

SECTION 7.(a) G.S. 162A-69 is amended by adding a new subdivision to read:

"(8a) To impose and require system development fees only in accordance with Article 8 of this Chapter."

SECTION 7.(b) G.S. 162A-72 reads as rewritten:

"§ 162A-72. Rates and charges for services.

(a) The district board may fix, and may revise from time to time, rents, rates, fees and other charges for the use of and for the services furnished or to be furnished by any sewerage system. Such rents, rates, fees and charges shall not be subject to supervision or regulation by any bureau, board, commission, or other agency of the State or of any political subdivision. Any such rents, rates, fees and charges pledged to the payment of revenue bonds of the district shall be fixed and revised so that the revenues of the sewerage system, together with any other available funds, shall be sufficient at all times to pay the cost of maintaining, repairing and operating the sewerage system the revenues of which are pledged to the payment of such revenue bonds, including reserves for such purposes, and to pay the interest on and the principal of such revenue bonds as the same shall become due and payable and to provide reserves therefor. If any such rents, rates, fees and charges are pledged to the payment of any general obligation bonds issued under this Article, such rents, rates, fees and charges shall be fixed and revised so as to comply with the requirements of such pledge. The district board may provide methods for collection of such rents, rates, fees and charges and measures for enforcement of collection thereof, including penalties and the denial or discontinuance of service.

(b) The district board may require system development fees only in accordance with Article 8 of this Chapter."

SECTION 8. G.S. 162A-85.13 is amended by adding a new subsection to read:

"(a) The district board may require system development fees only in accordance with Article 8 of this Chapter."

SECTION 9. G.S. 162A-88 reads as rewritten:

"§ 162A-88. District is a municipal corporation.

(a) The inhabitants of a county water and sewer district created pursuant to this Article are a body corporate and politic by the name specified by the board of commissioners. Under that name they are vested with all the property and rights of property belonging to the corporation; have perpetual succession; may sue and be sued; may contract and be contracted with; may acquire and hold any property, real and personal, devised, sold, or in any manner conveyed, dedicated to, or otherwise acquired by them, and from time to time may hold, invest, sell, or dispose of the same; may have a common seal and alter and renew it at will; may establish, revise and collect rates, fees or other charges and penalties for the use of or the services furnished or to be furnished by any sanitary sewer system, water system or sanitary sewer and water system of the district; and may exercise those powers conferred on them by this Article.

(b) The district board may require system development fees only in accordance with Article 8 of this Chapter."

SECTION 10.(a) G.S. 1-52(15) reads as rewritten:

"(15) For the recovery of taxes paid as provided in ~~G.S. 105-381~~ G.S. 105-381 or for the recovery of an unlawful fee, charge, or exaction collected by a county, municipality, or other unit of local government for water or sewer service or water and sewer service."

SECTION 10.(b) This section is to clarify and not alter G.S. 1-52.

SECTION 11. Sections 1 through 9 of this act become effective October 1, 2017, and apply to system development fees imposed on or after that date. Section 10 of this act, being a clarifying amendment, has retroactive effect and applies to claims accrued or pending prior to and after the date that section becomes law. Nothing in this act provides retroactive authority for any system development fee, or any similar fee for water or sewer services to be furnished, collected by a local governmental unit prior to October 1, 2017. The remainder of this act is effective when it becomes law and applies to claims accrued or pending prior to and after that date.

In the General Assembly read three times and ratified this the 29th day of June, 2017.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Roy Cooper
Governor

Approved 4:13 p.m. this 20th day of July, 2017

House Bill 873

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

SESSION LAW 2020-61
HOUSE BILL 873

AN ACT TO CLARIFY THE TIMING OF COLLECTION OF SYSTEM DEVELOPMENT FEES AND TO REQUIRE THE DEPARTMENT OF ENVIRONMENTAL QUALITY TO AMEND A RULE THAT CURRENTLY ALLOWS A SEWER THAT SERVES A SINGLE BUILDING TO BE DEEMED PERMITTED, TO ALLOW A SEWER SHARED WITH AN ACCESSORY BUILDING ON THE SAME PROPERTY TO BE DEEMED PERMITTED AS WELL.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 162A-213(a)a. is recodified as G.S. 162A-213(a)(1).

SECTION 1.(b) G.S. 162A-213(a)b. is recodified as G.S. 162A-213(a)(2).

SECTION 1.(c) G.S. 162A-213(b)a. is recodified as G.S. 162A-213(b)(1).

SECTION 1.(d) G.S. 162A-213(b)b. is recodified as G.S. 162A-213(b)(2).

SECTION 2.(a) G.S. 162A-213, as amended by Section 1 of this act, reads as

rewritten:

"§ 162A-213. Time for collection of system development fees.

(a) Land Subdivision. – For new development involving the subdivision of land, the system development fee shall be collected by a local governmental unit at the later of either of the following:

(1) The time of ~~plat recordation~~ application for a building permit.

(2) When water or sewer service is committed by the local governmental unit.

(b) Other New Development. – For all other new development, the local governmental unit shall collect the system development fee at the earlier of either of the following:

(1) The time of application for connection of the individual unit of development to the service or facilities.

(2) When water or sewer service is committed by the local governmental unit.

(c) If the system development fee is collected under subdivision (a)(1) of this section and the local governmental unit that charges or assesses the system development fee is different from the local governmental unit that issues the building permit, the local governmental unit issuing the building permit shall require proof of collection of the system development fee prior to issuance of the building permit.

(d) No system development fee shall be charged or assessed with respect to any new development for which a system development fee under this Article has been collected at the time of plat recordation involving the subdivision of land and the amount of capacity associated with that payment of the system development fee has not increased at the time of application for the building permit. If the amount of capacity is increased at the time of application for a building permit, then a system development fee may be charged for the difference in the amount of the increased capacity minus the system development fee previously paid under this Article."

SECTION 2.(b) This section becomes effective January 1, 2021, and applies to system development fees collected on or after that date.

SECTION 3.(a) G.S. 162A-211 is amended by adding a new subsection to read:



"(a1) Revenue from system development fees calculated using the combined cost method may be expended for previously completed capital improvements for which capacity exists and for capital rehabilitation projects."

SECTION 3.(b) This section becomes effective July 1, 2020, and applies to system development fees expended or encumbered on or after that date.

SECTION 4.(a) Definitions. – For purposes of this section and its implementation, the following definitions apply:

- (1) "Permitting by Regulation for Building Sewer Systems Rule " means 15A NCAC 02T .0303 (Permitting by Regulation).
- (2) "Accessory building" means in one- and two-family dwellings not more than three stories above grade plane in height with a separate means of egress, a building, the use of which is incidental to that of the main building and which is detached and located on the same lot. An accessory building is a building that is roofed over and more than fifty percent (50%) of its exterior walls are enclosed. Examples of accessory buildings are garages, storage buildings, workshops, boat houses, treehouses, and dwelling units, etc. For purposes of this section, "main building" shall only include one- and two-family dwellings.
- (3) "Building sewer" means that part of the drainage system that extends from the end of the building drain and conveys the discharge by gravity or under pressure to a public sewer, private sewer, individual sewage disposal system, or other point of disposal.
- (4) "Lot" means a portion or parcel of land considered as a unit.

SECTION 4.(b) Permitting by Regulation for Building Sewer Systems Rule. – Until the effective date of the revised permanent rule that the Environmental Management Commission is required to adopt pursuant to subsection (d) of this section, the Commission shall implement the Permitting by Regulation for Building Sewer Systems Rule as provided in subsection (c) of this section.

SECTION 4.(c) Implementation. – Notwithstanding the requirements of General Permit No. WQG100000 and the limitation on applicability of 15A NCAC 02T .0303(a)(1), (a)(2), and (a)(3) to a building sewer that serves a single building, if a building sewer that serves a main building is deemed permitted pursuant to 15A NCAC 02T .0113, then a building sewer that serves an accessory building on the same lot that is connected to the building sewer for the main building, and a sewer shared between a main building and an accessory building, shall also be deemed permitted if the building sewer that serves the accessory building, and the sewer shared between the main building and the accessory building, meet the criteria in 15A NCAC 02T .0113 and all criteria required for that system in 15A NCAC 02T .0303, and no additional permit shall be required. This section shall only apply to sewers that serve one main building and one accessory building on the same lot.

SECTION 4.(d) Additional Rule-Making Authority. – The Commission shall adopt a rule to amend the Permitting by Regulation for Building Sewer Systems Rule consistent with subsection (c) of this section. Notwithstanding G.S. 150B-19(4), the rule adopted by the Commission pursuant to this section shall be substantively identical to the provisions of subsection (c) of this section. Rules adopted pursuant to this section are not subject to Part 3 of Article 2A of Chapter 150B of the General Statutes. Rules adopted pursuant to this section shall become effective as provided in G.S. 150B-21.3(b1), as though 10 or more written objections had been received as provided in G.S. 150B-21.3(b2).

SECTION 4.(e) Applicability and Sunset. – This section and rules adopted pursuant to this section shall apply to common sewer lines in existence on, or constructed on or after, the effective date of this act, which are shared by accessory dwelling units or accessory residential

buildings and a primary residence. This section expires when permanent rules adopted as required by subsection (d) of this section become effective.

SECTION 5. Except as otherwise provided, this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 24th day of June, 2020.

s/ Philip E. Berger
President Pro Tempore of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Roy Cooper
Governor

Approved 12:23 p.m. this 30th day of June, 2020

Water System Inventory

Town of Sims Water System									
Water Distribution System Improvements									
	Asset		Year	Expected Useful Life	Age	Remaining Useful Life	Comments	Replacement Cost	Asset Value RC*RUL/UL
Part A									
ITEM									
NO.	DESCRIPTION	UNITS							
1	LF 8" Dia. PVC Water Main	11,850.0	2002	50	18	32		\$201,450.00	\$128,928.00
2	LF 8" Dia. DI Water Main	100.0	2002	50	18	32		\$3,500.00	\$2,240.00
3	LF 6" Dia. PVC Water Main	2,550.0	2002	50	18	32		\$34,425.00	\$22,032.00
4	LF 6" Dia. Hydrant Leg	300.0	2002	50	18	32		\$7,800.00	\$4,992.00
5	LF 2" Dia. PVC Water Main	360.0	2002	50	18	32		\$2,700.00	\$1,728.00
6	EA 8" Dia. Gate Valve w/Box	40.0	2002	50	18	32		\$52,000.00	\$33,280.00
7	EA 6" Dia. Gate Valve w/Box	23.0	2002	50	18	32		\$23,000.00	\$14,720.00
8	EA 2" Dia. Gate Valve	2.0	2002	50	18	32		\$900.00	\$576.00
9	EA 2" Dia. Blow-Off	1.0	2002	50	18	32		\$1,500.00	\$960.00
10	EA 6" x 6" Tapping Sleeve and Valve	1.0	2002	50	18	32		\$2,500.00	\$1,600.00
11	EA Fire Hydrant	19.0	2002	50	18	32		\$57,000.00	\$36,480.00
12	LBS Compact Fittings	6,000.0	2002	50	18	32		\$30,000.00	\$19,200.00
13	EA 5/8" x 3/4" Water Service Reconnection	85.0	2002	50	18	32		\$46,750.00	\$29,920.00
14	LF 3/4" Water Service Line (Open Cut)	1,400.0	2002	50	18	32		\$10,500.00	\$6,720.00
15	LF 3/4" Water Service Line (Bore)	1,000.0	2002	50	18	32		\$25,000.00	\$16,000.00
16	LF 16" Dia. Steel Casing (Dry Bore & Jack)	100.0	2002	50	18	32		\$22,500.00	\$14,400.00
	TOTAL CONSTRUCTION							\$ 521,525.00	\$333,776.00

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Water Valuation Summary Work Sheet

Town of Sims

Tabulation of REPLACEMENT COST (NEW), LESS DEPRECIATION

WATER System Valuation Summary & SDF Computation

Estimated System Value	RCN	RCNLD	Life Cycle	Asset Age	RUL
Water Production Facility	\$316,000.00	\$165,900.00	40	19	21
Vehicles & Equipment	\$0.00	\$0.00			
Transmission & Distribution Lines	\$541,120.00	\$346,316.80	50	18	32
The Reserve Subdivision	\$69,800.00	\$69,800.00	50	0	50
Stapleton Park Subdivision	\$71,496.00	\$71,496.00	50	0	50
Elevated Storage Facilities	\$450,000.00	\$202,500.00	100	55	45
Technical	\$196,068.00	\$125,483.52	50	18	32
Legal and Land	\$30,000.00	\$19,200.00	50	18	32
Total Estimated System Value =	\$1,674,484.00	\$1,000,696.32			

Total Infrastructure RCNLD	\$1,000,696.32
Less Grants	\$517,814.00
Less Loan Balance	\$0.00
Less developer - contributed assets	\$141,296.00
	\$341,586.32

Total System Value for SDF Computations: \$341,586.32

Total System Capacity: 56,240 gpd

Value per gpd: \$6.07

gpd per ERU: 360 gpd

Value per ERU: \$2,186.54

Wastewater System Inventory

Town of Sims Wastewater										
Tabulation of REPLACEMENT COST (New), LESS DEPRECIATION										
	Asset	Units		Year	Expected Useful	Age	Remaining Useful Life	Comments	Replacement Cost	Asset Value RC*RUL/UL
ITEM										
NO.	DESCRIPTION	UNITS								
1	LF 12" PVC Sanitary Sewer w/Stone Bedding	680.0		2002	50	18	32		\$67,320.00	\$43,084.80
2	LF 12" PVC Sanitary Sewer w/Stone Bedding	2,250.0		2002	50	18	32		\$234,000.00	\$149,760.00
3	LF 12" PVC Sanitary Sewer w/Stone Bedding	1,350.0		2002	50	18	32		\$149,850.00	\$95,904.00
4	LF 12" PVC Sanitary Sewer w/Stone Bedding	40.0		2002	50	18	32		\$4,840.00	\$3,097.60
5	LF 12" DI Sanitary Sewer (0-6)	1,000.0		2002	50	18	32		\$150,000.00	\$96,000.00
6	LF 12" DI Sanitary Sewer (6-8)	185.0		2002	50	18	32		\$30,525.00	\$19,536.00
7	LF 12" DI Sanitary Sewer (8-10)	545.0		2002	50	18	32		\$95,375.00	\$61,040.00
8	LF 12" DI Sanitary Sewer (10-12)	40.0		2002	50	18	32		\$7,600.00	\$4,864.00
9	LF 8" PVC Sanitary Sewer w/Stone Bedding (0-6)	3,170.0		2002	50	18	32		\$158,500.00	\$101,440.00
10	LF 8" PVC Sanitary Sewer w/Stone Bedding (6-8)	6,625.0		2002	50	18	32		\$397,500.00	\$254,400.00
11	LF 8" PVC Sanitary Sewer w/Stone Bedding (8-10)	1,580.0		2002	50	18	32		\$118,500.00	\$75,840.00
12	LF 8" PVC Sanitary Sewer w/Stone Bedding (10-12)	1,060.0		2002	50	18	32		\$95,400.00	\$61,056.00
13	LF 8" PVC Sanitary Sewer w/Stone Bedding (12-14)	425.0		2002	50	18	32		\$42,500.00	\$27,200.00
14	LF 8" Sanitary Sewer DI (0-6)	195.0		2002	50	18	32		\$12,187.50	\$7,800.00
15	LF 8" Sanitary Sewer DI (6-8)	825.0		2002	50	18	32		\$61,875.00	\$39,600.00
16	LF 8" Sanitary Sewer DI (8-10)	1,000.0		2002	50	18	32		\$94,000.00	\$60,160.00
17	LF 8" Sanitary Sewer DI (10-12)	480.0		2002	50	18	32		\$54,240.00	\$34,713.60
18	LF 8" Sanitary Sewer DI (12-14)	125.0		2002	50	18	32		\$15,625.00	\$10,000.00
19	24" Steel Casing w/12" Dia. DI Carrier Pipe	40.0		2002	50	18	32		\$12,000.00	\$7,680.00
20	16" Steel Casing w/8" Dia. DI Carrier Pipe	410.0		2002	50	18	32		\$92,250.00	\$59,040.00
21	EA Manhole (0-6)	18.0		2002	50	18	32		\$72,000.00	\$46,080.00
22	EA Manhole, Watertight (0-6)	2.0		2002	50	18	32		\$8,500.00	\$5,440.00
23	EA Manhole, Watertight & Vented (0-6)	1.0		2002	50	18	32		\$4,500.00	\$2,880.00
24	EA Manhole (6-8)	26.0		2002	50	18	32		\$123,500.00	\$79,040.00
25	EA Manhole, Watertight & Vented (6-8)	1.0		2002	50	18	32		\$5,000.00	\$3,200.00
26	EA Manhole (8-10)	21.0		2002	50	18	32		\$110,250.00	\$70,560.00
27	EA Manhole (10-12)	15.0		2002	50	18	32		\$90,000.00	\$57,600.00
28	EA Manhole, Watertight (10-12)	1.0		2002	50	18	32		\$6,250.00	\$4,000.00
29	EA Manhole (12-14)	2.0		2002	50	18	32		\$13,000.00	\$8,320.00

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Wastewater Valuation Summary Work Sheet

Town of Sims

WASTEWATER System Valuation Summary & SDF Computation

Tabulation of REPLACEMENT COST (NEW), LESS DEPRECIATION

Estimated System Value	RCN	RCNLD	Life Cycle	Asset Age	RUL
Waste Water Pumping Facility	\$325,000.00	\$178,750.00	40	18	22
Vehicles & Equipment	\$0.00	\$0.00			
Collection System & Force Mains	\$2,723,337.50	\$1,742,936.00	50	18	32
The Reserve Subdivision	\$73,684.00	\$73,684.00	50	0	50
Stapleton Park Subdivision	\$115,850.00	\$115,850.00	50	0	50
Master Meter Vault	\$18,052.00	\$7,220.80	30	18	12
Land and Legal	\$100,000.00	\$64,000.00	50	18	32
WWTP Capacity	\$306,750.00	\$168,712.50	40	18	22
Technical	\$459,958.43	\$294,373.39	50	18	32
Total Estimated System Value =	\$4,122,631.93	\$2,645,526.69			

Total Infrastructure RCNLD	\$2,645,526.69
Less Grants	\$1,821,000.00
Less Loan Balance	\$0.00
Less developer - contributed assets	\$189,534.00
	\$634,992.69

Total System Value for SDF Computations: \$634,992.69

Total System Capacity: **75,000** gpd

Value per gpd: **\$8.47**

gpd per ERU: **360** gpd

Value per ERU: **\$3,049.20**