



Agenda Action Form Overview

The Board is requested to conduct a public hearing to receive comments on the draft sewer system development fee analysis performed by WR Martin.

Background/Justification

The draft sewer system development fee (SDF) analysis was performed by WR Martin to comply with North Carolina House Bill 436 (HB 436). The purpose of HB 436 is to provide uniform authority of local governments to implement system development fees for public water and sewer systems. The bill also clarifies the applicable statute of limitations for claims for refunds of unlawfully collected fees for water and/or sewer service. The limitation set is 3 years.

HB 436 requires that local governments utilize a financial or engineering professional to prepare a written analysis to calculate system development fees. System development fees cannot exceed the amount derived from the written analysis. The study must be posted on the County's website for a comment period of 45 days. Local governments are then required to hold a public hearing prior to setting the fee. The system development fee study must be published in its annual budget or rate plan and adopted by resolution or ordinance. The analysis supporting the fee must be updated every 5 years or whenever the fee is to be changed. The development fee rates are required to be in place effective July 1, 2018.

Revenue from system development fees using the buy-in method may be expended for previously completed capital improvements for which capacity exists and for capital rehabilitation projects. The system development fees using the buy-in method cannot be used for operational costs, costs associated with expanding treatment capacity, plan review costs, or for inspection costs. The basis for the buy-in method is to value the actual or replacement cost of the capital improvement for which the fee is being collected minus depreciation, debt credits, grants, and other accepted valuation adjustments.

Fees can be collected for new development when sewer service is committed by the local government. WR-Martin was selected in November of 2017 as part of RFQ 18-010 to develop system development fees for Durham County. WR-Martin completed a draft SDF report for staff review in February of 2018. Upon receipt of staff comments, WR-Martin completed a draft SDF analysis for public comment. Durham County staff published the draft SDF analysis on the County website on April 6, 2018. Additionally, the County announced the public comment period on April 12, 2018 on social media. The public comment period ends on May 27, 2018.

Policy Impact

Historically, Durham County has charged a capital recovery fee for new development. For FY18, the capital recovery charge for a two-bedroom home was \$696. The draft SDF analysis calculates a maximum fee of \$1,542 for a two-bedroom home. This draft analysis indicates Durham County has been historically undercharging for new development tributary to the Triangle Wastewater Treatment Plant.

Procurement Background

N/A



Fiscal Impact

The SDFs collected will be used by Durham County to repair and rehabilitate existing sanitary sewer infrastructure. These fees are necessary to maintain a well-functioning wastewater system. SDF fees will contribute to approximately 7% of revenue generated within the Enterprise Fund.

Recommendation

The County Manager recommends that the Board conduct a public hearing and receive any comments on the draft sewer system development fee analysis performed by WR Martin.