



Union County Water Workshop

May 18th & 19th 2022

Presentation to the Union County Board of Commissioners Part III



Agenda

- I. Cost of Service // Rate Structures
- II. Rate Model and Scenarios
- III. System Development Fees and the Update Process



System Development Fee Update

- Analysis completed in April 2018
- SDF studies governed by HB 436
- Fee based on existing system, plus incremental costs/capacity related to:
 - Yadkin (phases 1 and 2)
 - City of Monroe WWTP
 - 12-Mile Creek WWTP, and
 - Lower Crooked Creek WWTP expansions



SDF Study is Governed by HB 436

- Public Water and Sewer System Development Fee Act, also known as House Bill 436 (“HB 436”) was approved in July 2017 and amended in 2018
- Some of HB 436’s requirements include:
 - ✓ Documentation of all facts and data used in fee calculation
 - ✓ Identification of assumptions and limiting conditions
 - ✓ Calculation of fee per service unit (ERU) based on generally accepted eng./planning standards
 - ✓ Include a credit calculation of at least 25% of aggregate cost of the system value
 - ✓ **Cover not less than 5 and no more than 20-year planning horizon**
 - ✓ New fees should have 45 days of public comments period
 - ✓ Public hearing required prior to formal adoption
 - ✓ Calculation / analysis update every 5 years



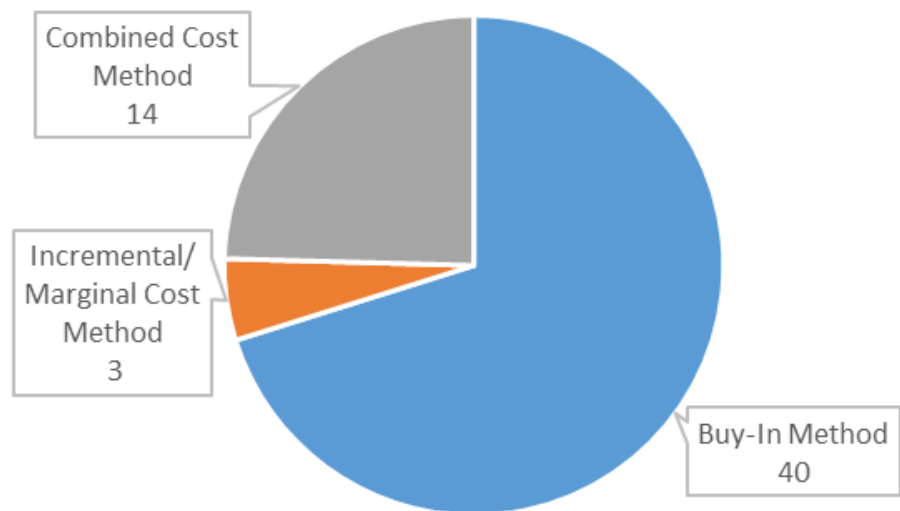
System Development Fee Methodologies

Methodology	Description	Use of System Dev. Fee Revenues	Appropriate For
Buy-In Method	Fees are based on cost of constructing existing utility system	Revenues can be used for reimbursement of existing costs for improvements with capacity & rehab	System with ample existing capacity to sell
Incremental Cost Method	Fees are based on planned capital improvements	First, expansion projects and second, debt service	System with no/very limited existing capacity to sell
Combined Method	Fees are based on cost of existing system and planned capital improvements	First expansion projects, second debt service, and also for reimbursement of existing costs for improvements with capacity & rehab	System with existing capacity to sell and with significant growth related capital projects



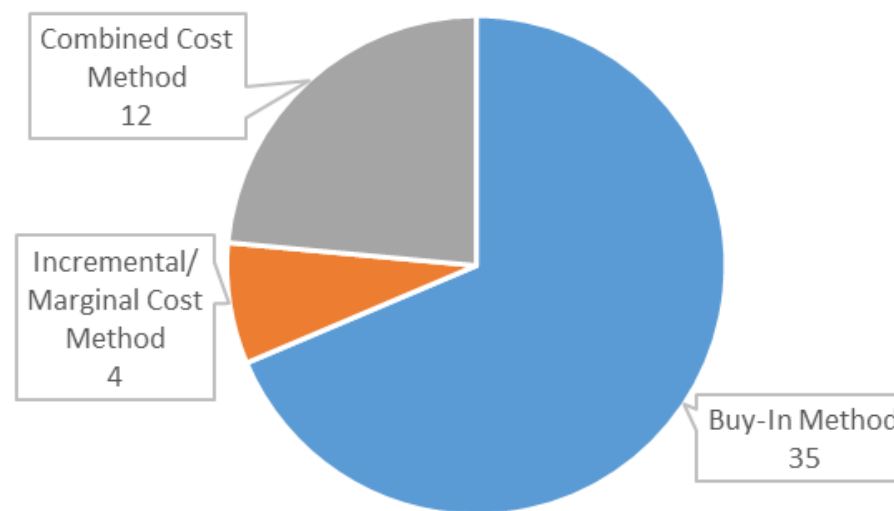
Survey of SDF Calculation Methodologies

SDF Calculation Methods - Water



n = 57

SDF Calculation Methods - Wastewater



n = 51

Union County used the combined cost method

$$\text{System Development Fee} = \frac{\text{Value of System} - \text{Credit}}{\text{System Capacity}}$$

1) Value of Utility System

- Depreciated value escalated to current replacement cost, and/or
- **Future capital investment**

2) Credit

- Outstanding principal on existing utility debt, grants, **contributions (including present value of revenue for same capital investment)**

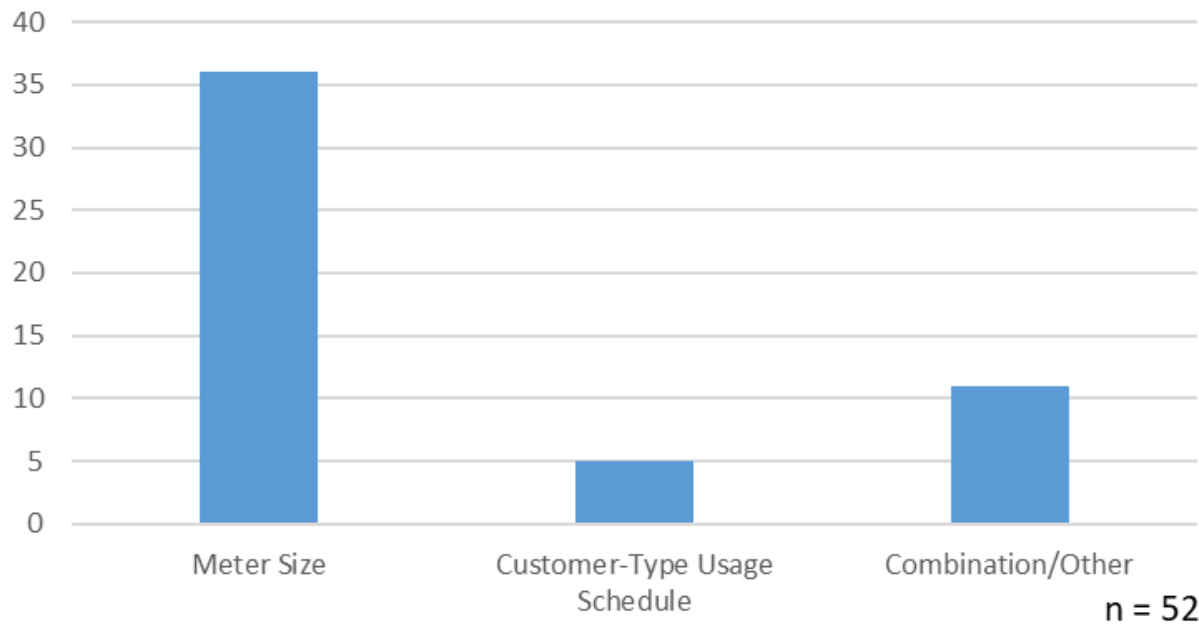
3) System Capacity

- Total capacity in utility system, and/or
- Future capacity

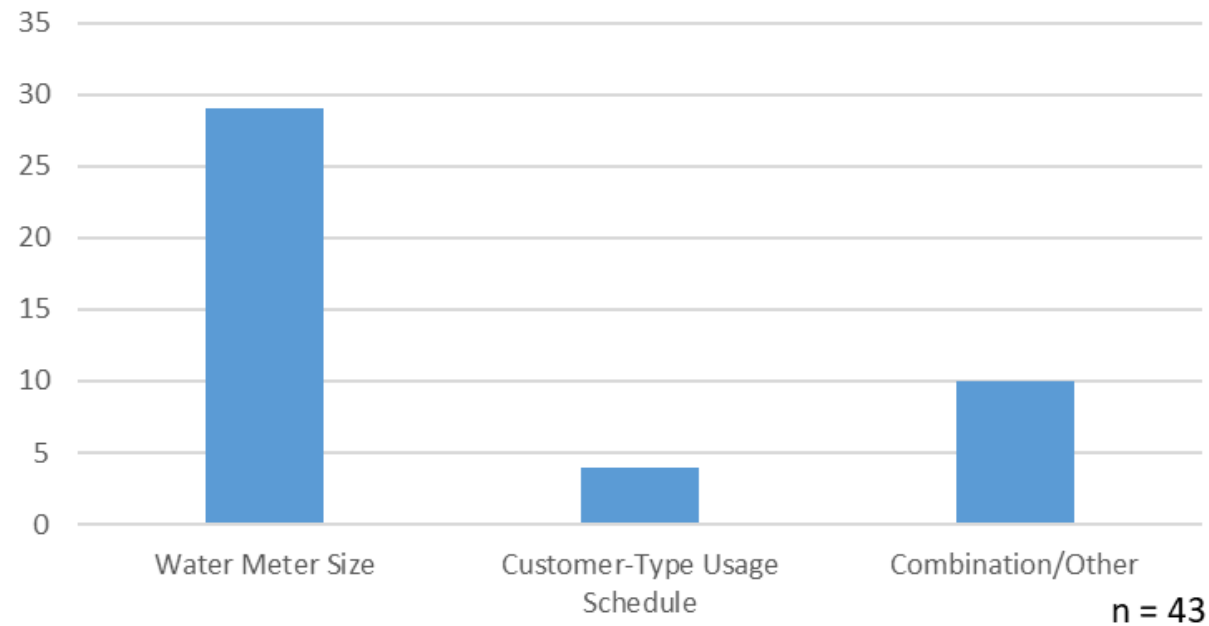


Survey of SDF Calculation Basis

Fee Basis for Water SDFs



Fee Basis for Wastewater SDFs



Union County Uses Meter Size method for Water and Wastewater



Union County Current Fees – Adopted February 2020

Current Fees		
Meter Size	Water Fee	Sewer Fee
¾"	\$3,200	\$4,200
1"	\$5,300	\$7,000
1 ½"	\$10,600	\$14,000
2"	\$17,000	\$22,400
3"	\$32,000	\$42,100
4"	\$53,300	\$70,100
6"	\$106,600	\$140,300

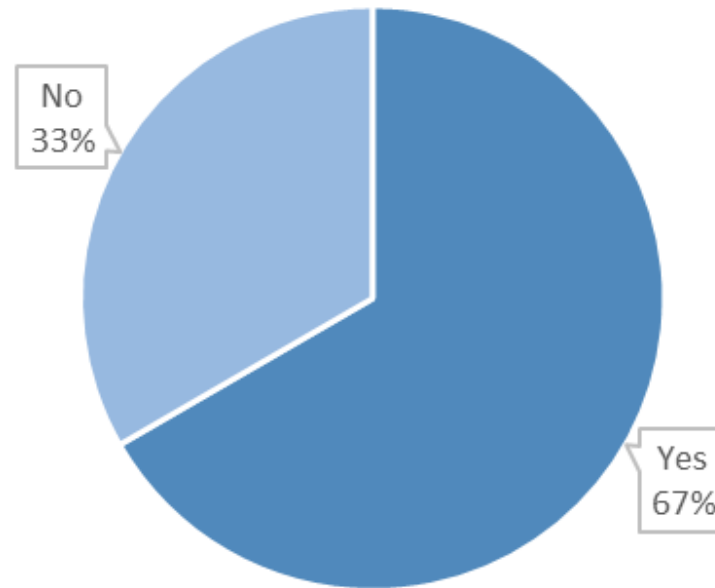
Timeline of current Union County fee adoption:

- SDF analysis performed in April 2018; methodology adopted
- Fees updated November 2019
- Fees implemented February 2020



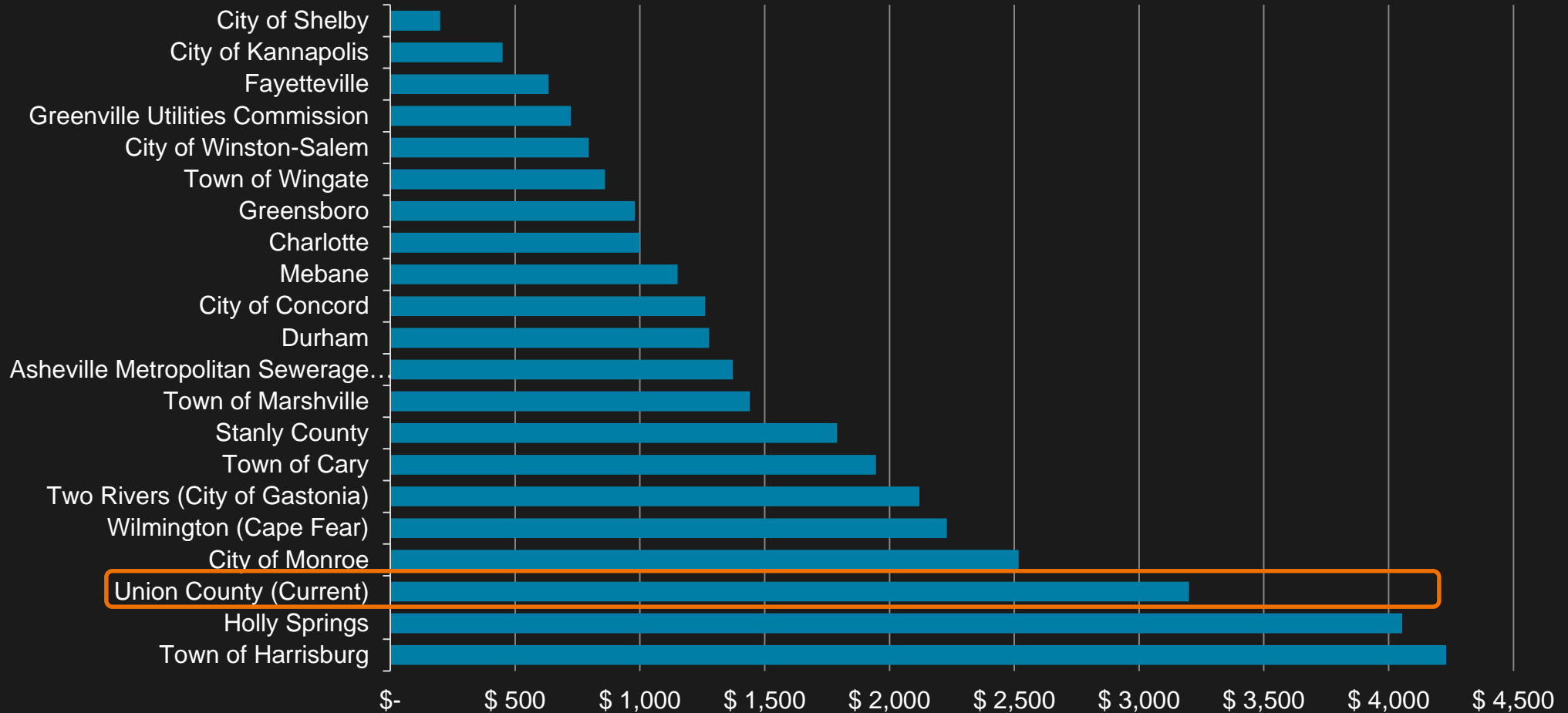
Survey of SDF Maximum Charges

Did the Utility Charge the Analysis Maximum?

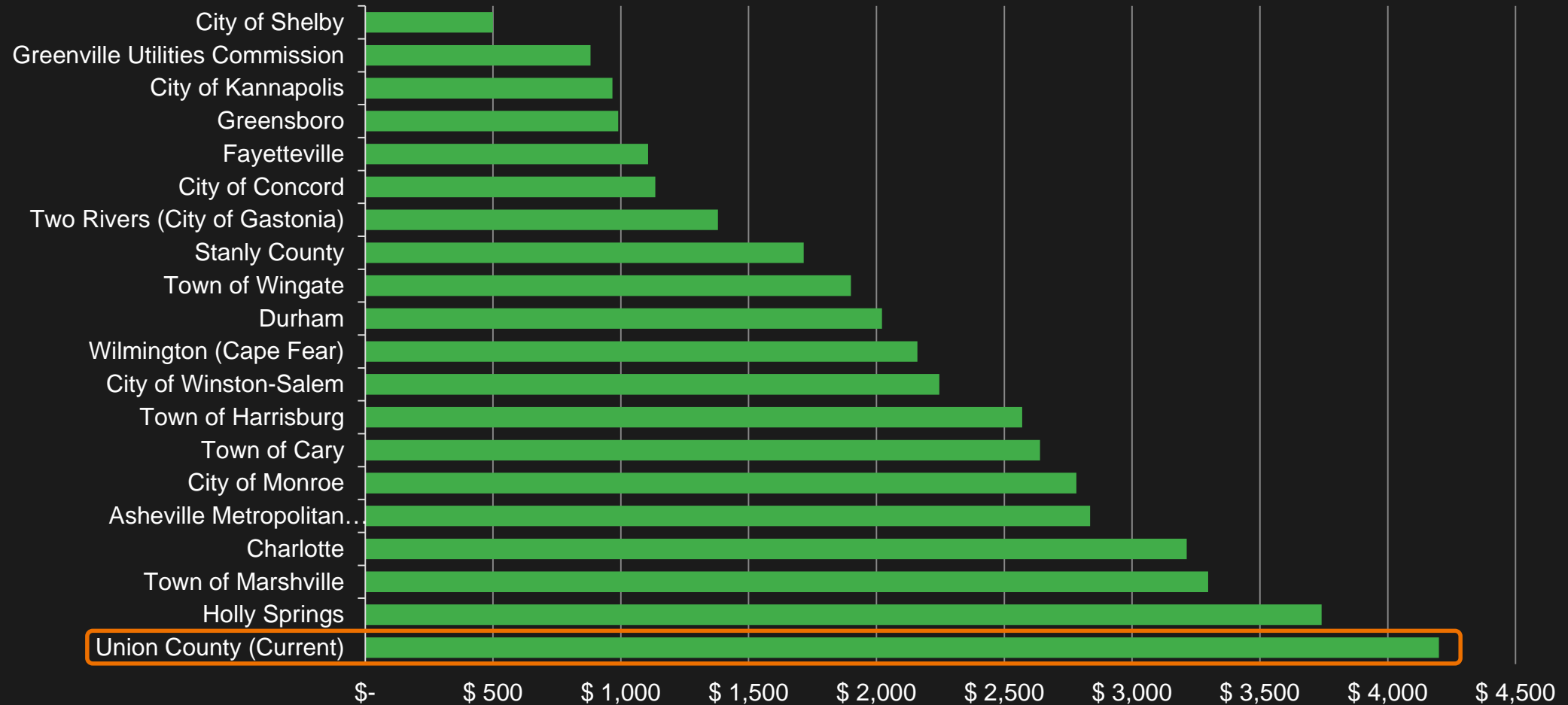


Union County charged the analysis maximum

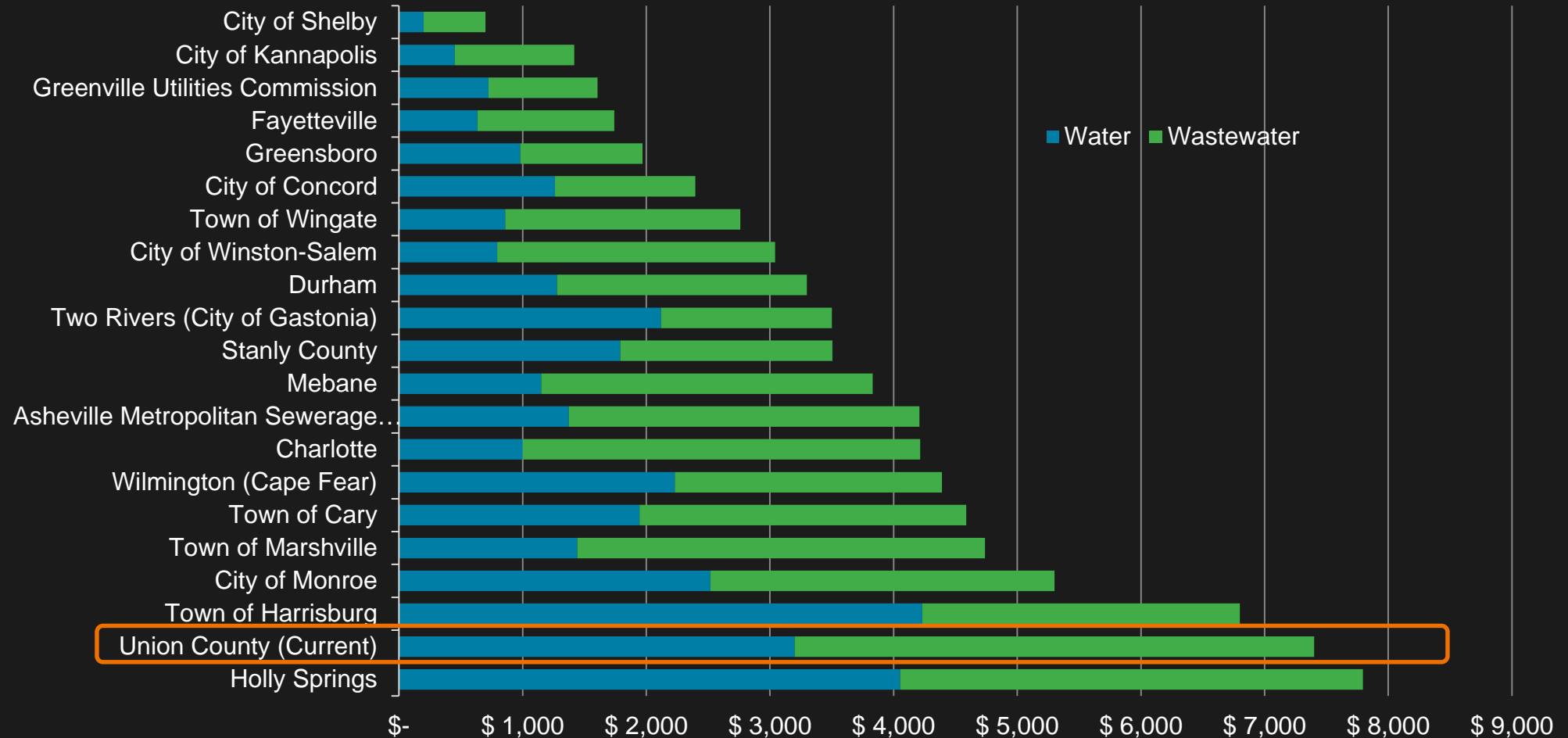
2022 survey of local community **Water** SDFs vs. current Union County SDFs



2022 survey of local community Sewer SDFs vs. current Union County SDFs



2022 survey of local community **Water & Sewer** SDFs vs. current Union County SDFs





Key Update Considerations – System Development Fees

1. Updated calculation of fees this year (FY 2023 implementation)
2. Current adopted fees is based on combined methodology and includes incremental costs and capacity related to:
 - Yadkin (phases 1 and 2)
 - City of Monroe WWTP
 - 12-Mile Creek WWTP, and
 - Lower Crooked Creek WWTP
3. In FY 2023 update, these expansionary costs could fall under the “buy-in” methodology which is less restrictive on use of revenues
4. Maximum allowable fee under new calculation will be impacted by both Total System Value and Total System Capacity

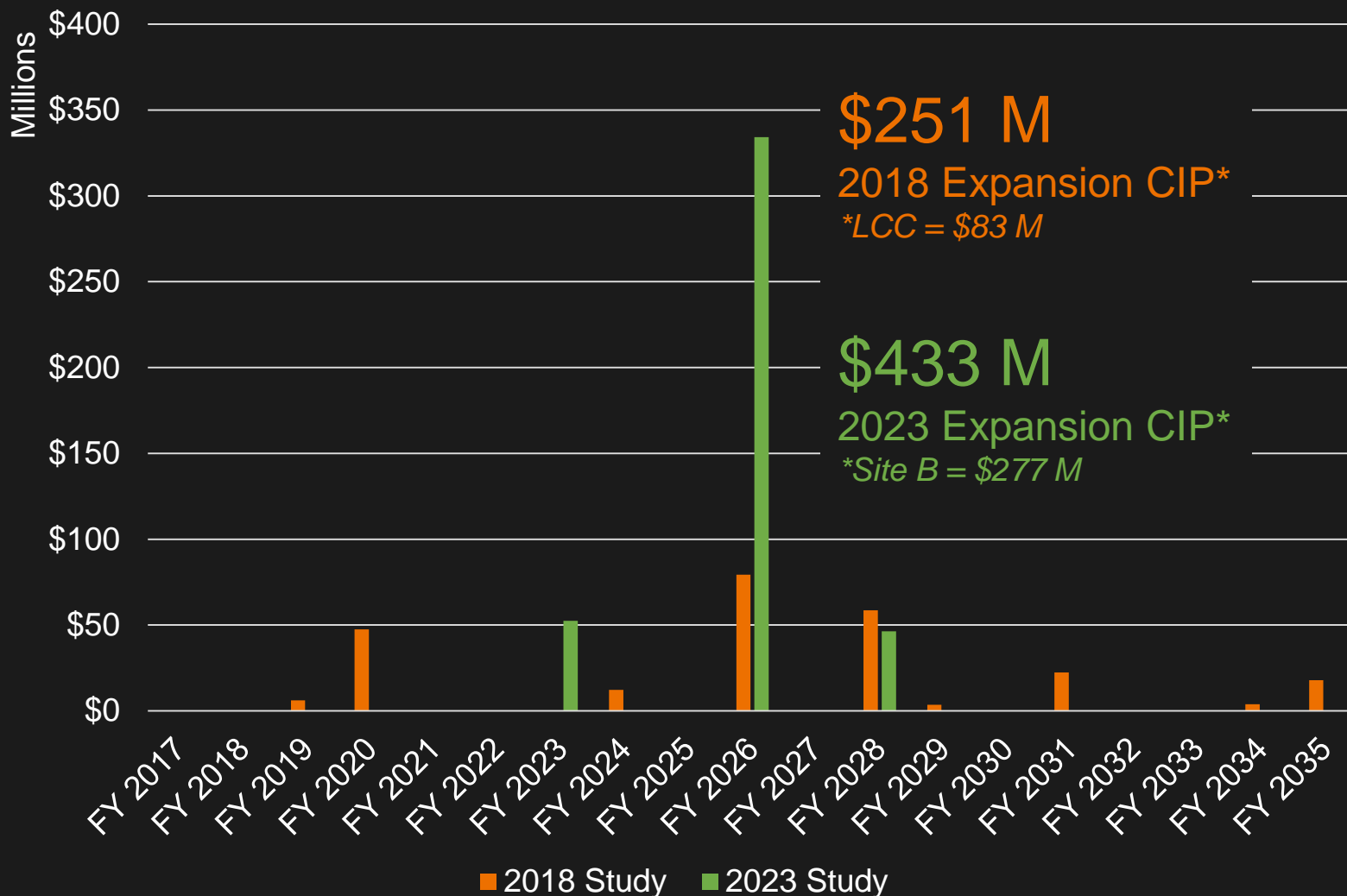
Union County incremental costs: \$251 million; incremental capacity: 20 MGD (Water)



2018 vs. 2023 Expansion Capital Projects

Capital Project Costs		
Project	2018	2023
Yadkin WTP	\$54 M	Completed
Monroe WWTP	\$67 M	\$76 M*
12 M Creek WWTP (7.5 to 9)	\$22 M	\$26 M
12 M Creek WWTP (9 to 12)	\$26 M	\$ 55 M
LCC	\$83 M	
Site B		\$277 M
Total	\$251 M	\$433 M

*Expansion funded with operations





Questions & Discussion

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