

System Development Fees Frequently Asked Questions – FAQs

What are system development fees?

System development fees (SDF) are often referred to by a number of different terms including impact, capacity expansion, connection, facility or capital connection fees or charges. An SDF is a one-time charge implemented to recover costs associated with the upfront capital investments required to make services such as water and sewer available to new homes, subdivisions, and retail/commercial developments. These costs generally include the construction of facilities as well as land, engineering, surveys, rights-of-way acquisition and other related costs.

What is the difference between a system development fee and a tap fee?

System development fees help recover capital cost of new water and sewer lines, water and wastewater treatment plants, tanks, pump stations, and other facilities to provide water and sewer to new customers. Tap fees recover the County's cost related to construction of the individual service lines from water and sewer mains in the street to the customer's property line and include the costs for labor, equipment, and materials.

Why are SDFs necessary?

Water and wastewater operators use SDFs to fund capital projects that will provide service to new or future users of the system. This practice helps mitigate the need for the system's existing customers to pay for the system growth and expansion through increased monthly rates. In essence, a SDF assigns growth-related costs primarily to the new customers responsible for creating those additional costs.

How much are SDFs and who pays for them?

SDFs is project specific and can depend on the customer tap size. A tap is the individual service lines from water and sewer mains in the street to the customer's property line. An SDF is paid when a new tap is placed and the customer applies for service. The fee can vary. A SDF fee schedule is available on the County's website for more specific information.

How does the County's system development fees compare with those of nearby towns or towns of similar size?

Clay County fees are comparable and competitive with other regional and statewide water and sewer providers. The County also conducts regular surveys of other municipalities to ensure our fees remain comparable on both a regional and statewide basis.

Will only Clay County customers pay these fees?

No, any customer that connects to the County's systems pays these fees.

Do SDFs apply to existing development?

No. SDFs only apply to new connections to the County's water and/or sewer system.

Why don't current property taxes or future taxes paid by new home and business owners cover system expansion costs?

The water and sewer utility does not operate using property taxes. The water and sewer utility operates as an enterprise fund, that is, it uses water and sewer rates and fees to cover the operating capital, and debt service costs for the utility rather than property tax revenue.

EXECUTIVE SUMMARY and PURPOSE STATEMENT

Executive Summary:

The North Carolina General Assembly passed House Bill 436 (HB 436) in July 2017 amending Chapter 162A of the General Statutes by adding "Article 8, System Development Fees." This amendment was enacted as "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" which requires compliance with designated calculation methodology.

In response to the HB 436, Clay County retained McGill Associates (McGill) to complete a system development fee analysis on behalf of the Clay County Water and Sewer District (District). The District's development fee is based on existing water and sewer system capacities. The development fee, in accordance with HB 436 rules for an Equivalent Residential Unit (ERU) for water and sewer, was calculated to be \$7,569. ERU is defined using 15A NCAC 02T .0114, wastewater design flow rates, as the sewer flow generated and water demand needed by the most typical user type, which is a three-bedroom single-family dwelling.

The fee for other types of development can be calculated by applying the calculated cost of capacity per gallon of flow per day for various uses as defined by NC Administrative Code 15A NCAC 02T .0114 using the following cost per unit volume value.

Table 0.0.1 – System Development Fee Calculation: Cost per Gallon per Day (\$/GPD)

Clay County WSD: Cost per Gallon per Day Calculation		
Item	Cost-Justified System Development Fee Calculation	Cost of Capacity \$/ GPD
1	Water System	\$ 8.33
2	Sewer System	\$ 11.87