

Town of Dallas

Agenda

APRIL 23, 2019

5:00 PM

BOARD OF ALDERMEN – WORK SESSION MEETING

Rick Coleman, Mayor

Allen Huggins

Darlene Morrow

Stacey Thomas

Jerry Cearley, Mayor Pro-Tem

E. Hoyle Withers

ITEM	SUBJECT	Pages
1.	Pledge of Allegiance to the Flag	
2.	Approval of Agenda with Additions Or Deletions	
3.	New Business	
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4.	Closed Session - To establish, or to instruct the public body's staff or negotiating agents concerning the position to be taken by or on behalf of the public body in negotiating (i) the price and other material terms of a contract or proposed contract for the acquisition of real property by purchase, option, exchange, or lease	

TOWN OF DALLAS, NORTH CAROLINA

REQUEST FOR BOARD ACTION

DESCRIPTION: Extension of Electric Utilities Policy

AGENDA ITEM NO. 3A

MEETING DATE: 4/23/2019

BACKGROUND INFORMATION:

At the February 9th Board of Aldermen meeting, a policy governing the extension of water and sewer lines. The Electric Director and Contract Electrical Engineer have made modifications to the approved policy to incorporate language to include the electric utility in the policy.

This policy is attached for review before being brought before the Board for final approval and implementation.

MANAGER RECOMMENDATION:

BOARD ACTION TAKEN:

Town of Dallas Policy for Extensions of Utilities

- (a) All **electric**, water and sewer extensions **shall** be made by the Town's Utility Department or approved licensed utility contractor. All cost associated with this utility extensions including but not limited the following; construction cost, permit fees, engineer cost, review fees, all **electric**, water and sewer user charges, and any applicable system development fees shall be the responsibility of the developer or owner. All procedures set forth in this policy shall be followed for all such extensions.
- (b) Any person desiring to install any electric, water or sewer line within the Town's service area to be connected to and served by the **electric**, water and sewer system of the Town shall make application therefore to the Town and with the Town approval to the North Carolina Department of Environmental Quality on forms designated by the North Carolina Department of Environmental Quality and shall furnish such information or exhibits as are required by such application forms. With such application, the applicant shall:
 - (1) Pay to the Town the nonrefundable application fee set forth in the Town's schedule of fees and any fees required by North Carolina Department of Environmental Quality.
 - (2) Submit 5 copies of engineering plans, profiles and specifications of such electric line, water main or sewer line, including those for any required **electric lines including all electric equipment**, fire hydrants, valves, manholes, sewer lift stations, force mains or collector sewer lines necessary in connection therewith, to the Town for approval.

During plan review the Town may determine upsizing and/or changes of utilities would benefit the Town future system requirements. The Town may request these plan revisions and may require estimates to be prepared and submitted for review to determine cost of construction. The Town may require these revisions and shall reimburse the developer or owner for the difference in the construction for the required upsizing and/or changes at the agreed upon prices. If the application is approved, and if the developer and/or owner and the Town shall agree, the Town Attorney shall prepare a written contract between the Town and the applicant in accordance with this policy.

- (c) No **electric**, water main or sewer line may be installed and connected to the Town electric, water or sewer system except after the permit required has been obtained and a written contract approved by the Town and executed by the Town and the applicant. The Town manager shall be authorized to execute any contract provided for herein according to the limits established in the Town's standard bidding procedures. All contracts shall incorporate the substance of the following provisions:
 - (1) Installation of any **electric line or electrical equipment**, water main or sewer line, including any required fire hydrants, valves, manholes, sewer lift stations, force mains or collector sewer lines necessary in connection therewith, shall be done by the applicant, if the applicant under the laws of North Carolina is permitted to make such installations, or by a contractor of the applicant licensed by the State of North Carolina and **approved by the Town**, to make such installations. Such installations shall be done in accordance with engineering plans, profiles and specifications approved by the Town and a copy of the same shall be endorsed as to such approval for the applicant's use. The applicant shall be responsible, at his own expense, for the preparation of any such required plans, profiles and specifications, for obtaining approval for **electric line**, sewer line and water line extensions from the North Carolina Department of Environmental Quality and/or any other review agencies so designated, and for any other engineering fees in connection with the installation of such utilities.
 - (2) The installation of the utilities shall be subject to the inspection and supervision of the Town during construction, and the connection thereof to the Town **electric**, water or sewer system shall not be made or maintained until the same shall have been tested under supervision of and the written approval and acceptance of such installation given by the Town. After such approval and acceptance, the Town shall thereafter repair and maintain the same, except the applicant shall be responsible for defects in workmanship or materials or any noncompliance with the plans and specifications that appear within one year after such acceptance.

- (3) Installation of such utilities shall be done and completed at the sole expense and responsibility of the applicant, free and clear of all claims or encumbrances. Any and all pre-agreed upon reimbursements shall be paid at the completion and acceptance of the work by the Town. Permitted utilities shall be under construction within 12 months of the approval or contract date. If for any reason substantial progress is not attained within a 12-month period, the contract shall become null and void and reapplication may be required.
- (4) The applicant shall, at his expense (including attorney's fees and recording expenses) obtain for or provide to the Town such perpetual rights-of-way or deeds as shall be specified by the Town for the construction, maintenance and operation of such utilities, including any encroachment agreements that may be required from the North Carolina Department of Transportation, railroad, or any other public utility.
- (5) Upon completion of the utilities and the connection thereof to the Town's electric, water and sewer system, the **electric line and electric equipment**, water main or sewer line and any fire hydrants, valves, manholes, sewer lift stations, force mains or collector sewer lines required in connection therewith shall thereupon and thereafter be the entire and sole property of the Town and under the sole and exclusive control of the Town.
- (6) Neither the applicants nor any other person shall be entitled to any service laterals from any **electric line**, water main or sewer line installed by the applicant except upon permission of the Town and the payment of any water meter or any other water or sewer service connection charges therefore as required by the ordinances or regulations of the Town, including, but not limited to, the system development fee.
- (7) If a water main, sewer line, sewer force main or collector line shall be required by the Town in excess of eight inches in size to provide for the expansion of water or sewer service to other properties, then the Town may agree to reimburse the applicant the difference in the cost of the pipe material for any such water main, sewer line, sewer force main or collector line in excess of eight inches in size and the cost of eight-inch pipe for any such water main or sewer line, such difference in cost to be determined by the Town from whatever source deemed appropriate by the Town. However, the Town will not agree to refund any such difference if any such water main or sewer line in excess of eight inches is necessary to serve the property intended to be then served thereby. In addition, if in order to provide for system expansion, the Town determines a pump station should be oversized, the developer shall install the required system. The additional cost associated with the upsizing of the system will be agreed upon between the Town and the developer or owner prior to construction. The Town shall reimburse the developer or owner that agreed upon amount as detailed within this policy. Any such cost differences which the Town agrees to refund shall be due and payable without interest to the applicant in August following the first April after the date on which the utilities to be installed under the contract have been completed, accepted and approved by the Town.
- (8) The applicant shall agree to indemnify and save harmless the Town from any and all loss, cost, damages, expense and liability (including attorney's fees) caused by accident or occurrence causing bodily injury or property damage arising from the installation of such utilities by the applicant or the contractor of the applicant. The applicant or the contractor of the applicant shall maintain workers' compensation coverage as well as general liability insurance with a contractual coverage endorsement and automobile liability insurance with policy limits of not less than \$1,000,000.00 per occurrence for bodily injury and \$1,000,000.00 for property damage. The applicant will furnish certificates of such insurance to the Town with the provision that the Town will be given 30 days' written notice of any intent to terminate such insurance by either the applicant or the insuring company.
- (9) The contract shall be conditioned on the applicant complying with all zoning and subdivision ordinances and regulations of the Town that are applicable to any properties to be serviced by the utilities, and also any ordinances or regulations of the Town for the operation, control, maintenance and protection of the **electric**, water and sewer systems of the Town.

- (10) In the event the applicant violates any of the terms of the contract, the Town shall have the right to declare all or any of the rights of the applicant under the contract forfeited, and to remove and disconnect any connections that might have been made to the Town's **electric**, water or sewer system.
- (d) Without limiting the right of the Town to disapprove for any reason whatsoever the execution of any written contract between an applicant and the Town prepared in accordance with this policy, the Town will not approve any contract for the installation of any **electric line**, water main or sewer line to be connected to and served by its **electric**, water or sewer system if in the judgment of the board the projected volume of water that would be used by any properties to be serviced thereby would unduly tax the available, **electric system**, water supply and/or sewage treatment capacity of the Town, or it would not be financially feasible for the Town to commit itself to such cost.

Before submitting a formal application under this policy an applicant may request from the Board of Aldermen an informal advisory opinion on its willingness to allow such service line extension. Such request shall be filed with the Town, together with such documentation as the Town deems necessary, and the Town shall thereafter bring such request before the Board of Aldermen pursuant to normal agenda procedures. An advisory opinion given by the Board of Aldermen shall not bind the Board of Aldermen to approve an application submitted thereafter or to execute any contract prepared under this policy.

- (e) Whenever offsite **electric**, water and sewer line extensions are made at the developer's expense, the Town may refund to the developer of the property served by such extension an amount agreed upon and included in the contract prior to construction. The maximum reimbursement amounts will be included in the contract. Reimbursements are to be made by the Town to the developer from budgeted funds in annual payments in August of each calendar year based on certificates of compliance issued by April 1 of the preceding fiscal year and the percentage of development completed in accordance with site plans/subdivision plans approved by the Town.
- (f) Reimbursements under this policy shall be limited as follows:
- (1) Notwithstanding the provisions of this policy, the developer will be eligible for reimbursements only during the first five years after the contract has been approved.
 - (2) An applicant shall submit a request for reimbursement to the Town manager by April 1 preceding the fiscal year in which he wishes to be paid those reimbursements he is eligible for under the terms of the contract. No reimbursements shall be paid unless the applicant has complied with the above procedure.
 - (3) No reimbursements shall be made until the Town receives and approves the engineer's certification, as-built drawings and dedications or conveyances of necessary easements and rights-of-way. If such drawings, easements and rights-of-way are not received by the Town within 90 days of the tentative approval for acceptance of the **electric**, water and sewer line extensions by the Town, 20 percent of the eligible refund will be retained by the Town for the preparation of as-built drawings, easements and rights-of-way.

TOWN OF DALLAS, NORTH CAROLINA

REQUEST FOR BOARD ACTION

DESCRIPTION: System Development Fees

AGENDA ITEM NO. 3B

MEETING DATE: 4/23/2019

BACKGROUND INFORMATION:

In July 2017, the North Carolina General Assembly authorized public water and sewer systems to implement system development fees to provide for capital improvements in those systems. These fees must be calculated and prepared by a financial professional or licensed professional engineer. Dallas contracted with Raftelis to complete the analysis required to calculate system development fees for the water and sewer utilities.

Implementation of these fees would be assessed for any new development and would be used to improve and expand the water and sewer infrastructure as growth occurs.

Attached is G.S. 162A Article 8, which outlines the development, implementation, and maintenance of system development fees. Also attached is the report received from Raftelis containing the calculated system development fees for Dallas. In order to implement these fees, there must be a 45 day public comment period, followed by a public hearing and vote to implement.

To be considered for inclusion in the upcoming FY 2019/2020 budget, the public comment period would need to begin no later than Friday, April 26, 2019 and public hearing scheduled for Tuesday, June 11, 2019.

MANAGER RECOMMENDATION: Begin the public comment period on April 26, 2019.

BOARD ACTION TAKEN:

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 governmental 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.)

April 11, 2019

Ms. Maria Stroupe
Town Manager
Town of Dallas
210 N. Holland St.
Dallas, NC 28034

Dear Ms. Stroupe,

Raftelis has completed an evaluation to develop cost-justified water and sewer system development fees for consideration by the Town of Dallas (Town). This letter documents the results of the analysis, which is based on an approach for establishing system development fees set forth in North Carolina General Statute 162A Article 8 – “System Development Fees.” As one of the largest and most respected utility financial, rate, management, and operational consulting firms in the U.S., and having prepared system development fee calculations for utilities in North Carolina and across the U.S. since 1993, Raftelis is qualified to perform system development fee calculations for water and sewer utilities in North Carolina.

Background

System development fees are one-time charges assessed to new water and/or sewer customers for their use of system capacity and serve as an equitable method by which to recover up-front system capacity costs from those using the capacity. North Carolina General Statute 162A Article 8 (“Article 8”) provides for the uniform authority to implement system development fees for public water and sewer systems in North Carolina and was passed by the North Carolina General Assembly and signed into law on July 20, 2017 and amended on June 22, 2018. According to the statute, system development fees must be adopted in accordance with the conditions and limitations of Article 8, and those fees in effect as of October 1, 2017 must conform to the requirements set forth in the Article no later than July 1, 2018. In addition, the system development fees must also be prepared by a financial professional or licensed professional engineer, qualified by experience and training or education, who, according to the Article, shall:

- Document in reasonable detail the facts and data used in the analysis and their sufficiency and reliability.
- Employ generally accepted accounting, engineering, and planning methodologies, including the buy-in, incremental cost or marginal cost, and combined cost approaches for each service, setting forth appropriate analysis to the consideration and selection of an approach appropriate to the circumstances and adapted as necessary to satisfy all requirements of the Article.

- Document and demonstrate 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.
- Identify all assumptions and limiting conditions affecting the analysis and demonstrate that they do not materially undermine the reliability of conclusions reached.
- Calculate a final system development fee per service unit of new development and include an equivalency or conversion table for use in determining the fees applicable for various categories of demand.
- Consider a planning horizon of not less than 5 years, nor more than 20 years.

This letter report documents the results of the calculation of water and sewer system development fees for the Town in accordance with these requirements.

Article 8 references three methodologies that can be used to calculate system development fees. These include the buy-in method, the incremental cost method, and the combined cost method. A description of each of these methods follows:

Capacity Buy-In Approach

The Capacity Buy-In Methodology is most appropriate in cases where the existing system assets provide adequate capacity to provide service to new customers. This approach calculates a fee based upon the proportional cost of each user's share of existing plant capacity. The cost of the facilities is based on fixed assets records and usually includes escalation of the depreciated value of those assets to current dollars.

Incremental Cost Approach

The second method used to calculate water and sewer system development fees is the Incremental Cost (or Marginal Cost) Methodology. This method focuses on the cost of adding additional facilities to serve new customers. It is most appropriate when existing facilities do not have adequate capacity to provide service to new customers, and the cost for new capacity can be tied to an approved capital improvement plan (CIP) that covers at least a 5-year planning period.

Combined Approach

A combined approach, which is a combination of the Buy-In and Incremental Cost approaches, can be used when the existing assets provide some capacity to accommodate new customers, but where the capital improvement plan also identifies significant capital investment to add additional infrastructure to address future growth and capacity needs.

Summary of Results

To perform the System Development Fee calculation, Raftelis requested and was provided with the following data from Town staff:

- Water and sewer fixed asset data;
- Outstanding utility debt and associated debt service;
- Contributed or grant funded capital;
- Capacity in water and sewer systems; and,
- Five-year capital improvement plan.

The Buy-In Approach was chosen as the method to calculate the System Development Fees for the Town, since the Town does not currently develop a long-term capital improvement plan (of at least five years).

Using the Buy-In approach, Raftelis calculated the estimated cost, or investment in, the current capacity available to provide utility services to existing and new customers. This analysis was based on a review of fixed asset records and other information as of June 30, 2018. The depreciated value of the assets was first adjusted to reflect an estimated replacement cost to determine the “replacement cost new less depreciation” (RCNLD) value for the assets. The asset values were escalated using the Handy Whitman Index of Public Utility Construction Costs (for the South Atlantic Region).

The RCNLD value of the water assets includes water supply, treatment, transmission and distribution facilities and land, but excludes small, non-core equipment including vehicles and meters. The RCNLD value of the sewer assets includes sewer treatment, collection system facilities, disposal facilities and land, but excludes small equipment and vehicles.

Results of the asset escalation by asset category are shown in Exhibits 1 and 2.

Exhibit 1: RCNLD of Existing Water Assets

Existing Water Assets	
Asset Category	RCNLD
Building and Fence	\$ 129,927
Distribution	7,303,006
Equipment	100,930
Land	72,881
Water Plant	1,286,147
Total: Existing Water Assets	\$ 8,892,891

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Exhibit 2: RCNLD of Existing Sewer Assets

Existing Sewer Assets	
Asset Category	RCNLD
Building and Fence	\$ 129,927
Distribution	2,223,197
Equipment	95,787
Land	44,381
Sewer Plant	1,055,871
Total: Existing Sewer Assets	\$ 3,549,162

Several adjustments were then made to the estimated water and sewer RCNLD values in accordance with Article 8, which included adjustments for contributed assets, non-core assets, and outstanding debt service as described below.

Contributed Assets

The listing of fixed assets provided was reviewed to identify assets that were contributed or paid for by developers, and these assets were subtracted from the RCNLD value, as these assets do not represent an investment in system capacity by the Town. In addition, assets that were grant funded were also subtracted from the RCNLD value.

Non-Core Fixed Assets

The RCNLD value excludes non-core assets such as small equipment, vehicles, and meters.

Outstanding Debt Service Credit

Utilities often borrow funds to construct assets, and revenues from retail rates and charges can be used to make the payments on these borrowed funds. To ensure that new customers are not being double charged for these assets, once through the System Development Fees and again through retail rates and charges, the outstanding debt that is paid for through retail rates and charges should be deducted from the calculation.

The RCNLD values for water and sewer assets with the adjustments as described above are shown in Exhibits 3 and 4 below.

Exhibit 3: Determination of Water Assets for System Development Calculation

Adjustments to Water Assets	
Total Water Assets	\$ 8,892,891
Less:	
Contributed and Grant Funded Assets (1)	(75,000)
Vehicles, Non-core Equipment, Computers	(59,625)
Meters	(7,705)
Admin	-
Total: Net Water Assets	\$ 8,750,561
Less:	
Outstanding Principal Debt	(2,771,979)
Water Assets for System Development Fee Calculation	\$ 5,978,582

(1) A grant was obtained to fund a portion of a waterline project.

Exhibit 4: Determination of Sewer Assets for System Development Calculation

Adjustments to Sewer Assets	
Total Sewer Assets	\$ 3,549,162
Less:	
Contributed and Grant Funded Assets (1)	-
Vehicles, Non-core Equipment, Computers	(59,625)
Meters	-
Admin	-
Total: Net Sewer Assets	\$ 3,489,537
Less:	
Outstanding Principal Debt	-
Sewer Assets for System Development Fee Calculation	\$ 3,489,537

The adjusted RCNLD values for water and sewer were then converted to a unit cost of capacity by dividing the RCNLD value by current capacity available (Capacity) to yield a basic unit of measure of cost per gallon per day (GPD) for water and sewer capacity, as shown in Exhibit 5.

Exhibit 5: Cost per GPD of Core Utility Assets

	Water	Sewer
Adjusted RCNLD	\$5,978,582	\$3,489,537
Capacity [MGD]	1.0	0.6
Cost per GPD	\$5.98	\$5.82

This measure becomes the basic building block or starting point for determining the *maximum cost-justified level* of the water and sewer System Development Fees. The next step is to define the level of demand associated with a typical residential customer often referred to as an Equivalent Residential Unit, or ERU. For determining the level of residential demand, the Town uses the water and wastewater design flow rates as specified by state guidelines¹, which reflect typical water and sewer demand. Based on discussions with Town staff, this analysis assumes an average of a two-bedroom and three-bedroom home. Applying the State standards to the average number of bedrooms, it is determined that an ERU requires a standard level of service of 300 gallons per day of capacity each for water and sewer.

Exhibit 6: Water and Sewer Equivalent Residential Unit

	Water - GPD per ERU	Sewer - GPD per ERU
Equivalent Residential Unit	300	300

Assessment Methodology

The analysis provides a maximum cost-justified level of System Development Fees that can be assessed by the Town. For residential customers, the calculation of the System Development Fee is based on the cost per gallon per day multiplied times the number of gallons per day required to serve each ERU, as shown below in Exhibit 7.

¹ Sewer guidelines -Administrative Code Title 15A (Department of Environment and Natural Resources) Subchapter 2T, which states that the sewage from dwelling units is 120 gallons per day per bedroom.

Exhibit 7: System Development Fee Calculation for Water and Sewer Systems

System Development Fee Calculation		
Water Calculation		
Cost per GPD	\$	5.98
GPD per ERU		300
Maximum System Development Fee for 3/4" Meter	\$	1,794
Sewer Calculation		
Cost per GPD	\$	5.82
GPD per ERU		300
Maximum System Development Fee for 3/4" Meter	\$	1,745

For non-residential customers (or customers with larger meters), the Town could develop a conversion table using two options. The first option is to estimate each customer's water or sewer flow and then divide it by 300 gallons per day to determine the number of ERUs. The number of ERUs could then be multiplied by the fee for residential customers to derive the system development fee the non-residential customers. For example, a commercial customer with an estimated use of 3,750 per day equate to 12.50 ERUs (3,750 divided by 300). Multiplying the 12.50 ERUs by the residential water and sewer system development fees results in a water system development fee of approximately \$22,425 and a sewer system development fee of approximately \$21,812.

The second option is to use the fees for the smallest residential meter and then scale the fee up by the flow ratios for each meter size, the results of which are shown in Exhibit 8.² This method provides a straightforward approach that is simple to administer. Assuming the commercial customer in the example provided above has a 4" meter, the system development fee for the 4" meter would be \$59,786 for water and \$58,159 using the meter size approach.

² See the AWWA M-1 Manual – Appendix B- Equivalent Meter Ratios; pp.326 for meter sizes

Exhibit 8: Calculated Maximum System Development Fees for Water and Sewer Customers

Meter Size	Meter Ratio	Water	Sewer
3/4"	1.00	\$ 1,794	\$ 1,745
1"	1.67	2,989	2,908
1.5"	3.33	5,979	5,816
2"	8.33	14,946	14,540
3"	16.67	29,893	29,079
4"	33.33	59,786	58,159
6"	53.33	95,657	93,054
8"	93.33	167,400	162,845
10"	183.33	328,822	319,874

The fees documented in the report represent the maximum cost-justified System Development Fees. The Town may elect to charge a cost per gallon that is less than the maximum cost-justified charge documented in this report. If the Town elects to charge a fee that is less, all customers must be treated equally, meaning the same reduced cost per gallon per day must be used for all customers.

We appreciate the opportunity to assist the Town of Dallas with this important engagement. Should you have questions, please do not hesitate to contact me at (704) 373-1199.

Very truly yours,

RAFTELIS



Elaine Conti,
Vice President

DRAFT

Appendix

Supporting Schedules From the System Development Fee Model

Supporting Schedule 1 – Water Buy-In Approach

Water System (1)	Calculated RCNLD
Building and Fence	\$ 129,927
Distribution	7,303,006
Equipment	100,930
Land	72,881
Right of Ways	-
Water Plant	1,286,147
Sewer Plant	-
Total Eligible Assets	\$ 8,892,891
Less:	
Grant Funded/Contributed Capital (2)	\$ (75,000)
Vehicles, Non-core Equipment, Computers (3)	(59,625)
Meters	(7,705)
Admin	-
Subtotal: Water System Costs	\$ 8,750,561
Adjustments:	
Less:	
Outstanding Principal (4)	\$ (2,771,979)
Net Water System Assets	\$ 5,978,582
Existing System Capacity (in MGD)	1
Cost per Unit of Capacity (GPD)	\$ 5.98
Daily ERU (in GPD) (5)	300
Calculated System Development Fee per ERU	\$ 1,794

- (1) The net book value as of June 30, 2018 is escalated to today's dollars to calculate the replacement cost new less depreciation (RCNLD) value.
- (2) All assets that were contributed/donated by developers (or grant funded) have to be removed.
- (3) Equipment, vehicles and small computer systems are removed.
- (4) Outstanding principal paid through user rates/charges is subtracted from the analysis.
- (5) For calculating the capacity fee for a typical residential customer or ERU, the flow for a 2.5-bedroom home was assumed. Per NCAC 02T.0114, flow rate is 120 gallons per day per bedroom. The 2.5-bedroom home was used to derive an ERU of 300 gallons per day.

Supporting Schedule 2 – Sewer Buy-In Approach

Sewer System (1)	Calculated RCNLD
Building and Fence	\$ 129,927
Distribution	2,223,197
Equipment	95,787
Land	44,381
Right of Ways	-
Water Plant	-
Sewer Plant	1,055,871
Total Eligible Assets	\$ 3,549,162
Less:	
Grant Funded/Contributed Capital (2)	\$ -
Vehicles, Non-core Equipment, Computers (3)	(59,625)
Meters	-
Admin	-
Subtotal: Sewer System Costs	\$ 3,489,537
Adjustments:	
Less:	
Outstanding Principal (4)	\$ -
Net Sewer System Assets	\$ 3,489,537
Existing System Capacity (in MGD)	0.6
Cost per Unit of Capacity (GPD)	\$ 5.82
Daily ERU (in GPD) (5)	300
Calculated System Development Fee per ERU	\$ 1,745

- (1) The net book value as of June 30, 2018 is escalated to today's dollars to calculate the replacement cost net less depreciation (RCNLD) value.
- (2) All assets that were contributed/donated by developers (or grant funded) have to be removed.
- (3) Equipment, vehicles and small computer systems are removed.
- (4) Outstanding principal paid through user rates/charges is subtracted from the analysis.
- (5) For calculating the capacity fee for a typical residential customer or ERU, the flow for a 2.5-bedroom home was assumed. Per NCAC 02T.0114, flow rate is 120 gallons per day per bedroom. The 2.5-bedroom home was used to derive an ERU of 300 gallons per day.

Supporting Schedule 3 – Debt Service

Debt Title	Issue Amount	Interest Rate	Allocation		Total Outstanding Principal 2019-Beyond
			Water	Sewer	
2013 Dallas W&S BB&T Loan	\$ 3,600,000		100%	0%	\$ 2,922,430

DRAFT

TOWN OF DALLAS, NORTH CAROLINA

REQUEST FOR BOARD ACTION

DESCRIPTION: Portable Restrooms at Town Events

AGENDA ITEM NO. 3C

MEETING DATE: 4/23/2019

BACKGROUND INFORMATION:

Alderman Cearley requested a discussion concerning discontinuing rental of portable restrooms at Town Events. He would like to discuss the possibility of paying Town Staff overtime to monitor the public use of the restrooms in the Courthouse.

Items to consider when opening the Courthouse restrooms to the public for Town Concerts:

- The musical acts that play at Town events request a private area to get ready, place their personal items, and access a restroom. This has historically been the Courthouse.
- There would need to be at a minimum 2 Town employees to monitor the restroom access and prevent access to other areas of the Courthouse.
- Extra cleaning of the Courthouse may be necessary after events to restock and clean the restrooms after increased public use.

MANAGER RECOMMENDATION:

BOARD ACTION TAKEN:

TOWN OF DALLAS, NORTH CAROLINA

REQUEST FOR BOARD ACTION

DESCRIPTION: Coal Ash Costs

AGENDA ITEM NO. 3D

MEETING DATE: 4/23/2019

BACKGROUND INFORMATION:

At the March 26th Budget Work Session, there was discussion concerning the continuing cost of Coal Ash Remediation to Duke Energy. Currently, Dallas is absorbing this cost, while most other electric providers are passing the cost along to their customers. The projected Coal Ash Recovery (CCR) costs are currently approximately \$12,500 per month for FY2019/20, but are subject to change.

The Board requested information concerning CCR costs and the potential impact on account holders. There are 3198 Residential Electric Customers and 465 Commercial/Industrial Electric Customers on the Town's electric system, for a total of 3663 electric accounts. Based on the number of accounts, the average cost per account is \$3.41 per month. Should the CCR cost charged to Dallas change, the resulting monthly average would also change accordingly. There are also options to base the cost per account on actual usage through the billing system, which would distribute the costs more equitably.

If the Coal Ash Recovery Costs were passed along to the account holders, the costs collected would not be retained by Dallas, but would be submitted to Duke Energy.

There are no electric rate increases being requested for FY2019/20.

MANAGER RECOMMENDATION:

BOARD ACTION TAKEN:

TOWN OF DALLAS, NORTH CAROLINA

REQUEST FOR BOARD ACTION

DESCRIPTION: Stormwater Fee

AGENDA ITEM NO. 3E

MEETING DATE: 4/23/2019

BACKGROUND INFORMATION:

At the March 26th Budget Work Session, there was discussion concerning the Stormwater Fund and the ability to address needed projects. The current stormwater ERU rate is \$3.10. Dallas is a Phase II jurisdiction. The weighted average stormwater rate for a Phase II system is \$5.13. In order to address current issues, as well as to continue to meet ongoing needs in the Stormwater Fund, we are presenting a request to increase the Stormwater ERU rate to \$4.52. Attached is information provided by Mr. Trudnak, Public Works Director, outlining the proposal.

The proposed increase would be incorporated into the FY2019/20 budget and the new rate would be reflected on bills covering July 2019.

MANAGER RECOMMENDATION:

BOARD ACTION TAKEN:

Proposed Stormwater Fees

Current Rate \$3.10 Per ERU = Annual Budget 137,428.00

Proposed Rate 4.52 Per ERU = Annual Budget 200,644.88

Increase 1.42 Per ERU= 46% with a net gain of 63,216.88

With the following increase we could do

1. Approximately two small projects per year.
2. One medium to large project per year.
3. The first year of increase access all our needs with the funds and prioritize them in order.
4. Use the increase as a debt service payment which would yield approximately 850,000 in projects
And 150,000 in engineering fees over a 20-year period.

TOWN OF DALLAS, NORTH CAROLINA

REQUEST FOR BOARD ACTION

DESCRIPTION: VIPER Implementation Options

AGENDA ITEM NO. 3F

MEETING DATE: 4/23/2019

BACKGROUND INFORMATION:

In light of the transition to the VIPER communications systems, the dispatching function at the Police Department has been evaluated. There are currently three Dispatchers and one Records Clerk/Dispatcher. In order to implement the VIPER system, a new console and desk must be purchased, in addition to purchasing an annual license. The cost of the console and desk will be \$127,500 and the recurring annual cost of the VIPER license will be \$12,000 per year. The budgetary impact for FY2019/2020 for implementation of the VIPER system, including radios, will be \$259,500.

Gaston County Communications has offered to take over dispatching for the Police Department (the Fire Department is already being dispatched through County Communications). They have also guaranteed jobs to all Dallas dispatching staff. Upon evaluation, we are presenting a recommendation to transfer three dispatchers and the dispatching function to County Communications. The recommendation is to retain the Records Clerk position and to transition that position to a 40 hour week, Monday through Friday from 8:00 am until 5:00 pm.

Using currently year salary and benefit figures, the three dispatch positions account for \$170,190 in the budget. Coupled with the cost of the console, desk, and license; the budget reduction for FY2019/2020 in the General Fund would be \$309,690.

This recommendation has been presented to the Police Committee.

Attached is a summary of the costs associated with implementation of the VIPER communications system and the costs associated with the above recommendation.

MANAGER RECOMMENDATION:

BOARD ACTION TAKEN:

COSTS ASSOCIATED WITH VIPER RADIO SYSTEM UPGRADE

* DECEMBER 2019 – JANUARY 2020 ALL GASTON COUNTY EMERGENCY SERVICES AGENCIES WILL BE OPERATING ON AN 800 VIPER RADIO SYSTEM.

* EQUIPMENT IS TO BE PURCHASED BY EACH JURISDICTION AND AVAILABLE FOR PROGRAMMING BY NOVEMBER 1, 2019.

- * COSTS FOR DALLAS
 - \$120,000 FOR RADIOS, SOFTWARE, ETC.
 - \$127,500 FOR DISPATCHING CONSOLE AND DESK
 - \$12,000 ANNUAL COST FOR LICENSE TO CONNECT TO SYSTEM
 - **TOTAL PROJECTED COSTS - \$259,500**
-

- * COST SAVING OPTIONS
 - TRANSFER 3 DISPATCHERS TO GASTON COUNTY WHERE THEY ARE GUARANTEED JOBS
 - CURRENT ANNUAL PERSONNEL COST SAVINGS= \$170,190
 - ELIMINATE NEED FOR CONSOLE, DESK, AND LICENSE = \$139,500
 - **TOTAL PROJECTED GENERAL FUND EXPENDITURE REDUCTION = \$309,690**

REVISED VIPER UPGRADE COST TO DALLAS = \$120,000