



Capital Recovery Fees Public Hearing

Thursday, May 31, 2018

6:00 PM

Gateway Conference Center

Richburg, SC

ATTENDEES: Fred Castles, Andy Litten, Becky Moon, Susan Roddey, Delaney Ridgely, Rachel Johnson, Phillip Thompson-King.

The public hearing was called to order at 6:03 PM. Executive Director Fred Castles made the introductions for CMD and CWR – Becky Moon, Andy Litten, Susan Roddey, Delaney Ridgely, Phillip Thompson-King. The single member of the public was a guest of CMD staff.

With no members of the public in attendance, the meeting was recessed for fifteen minutes. *The recorder was paused at 6:05 PM.*

A copy of the presentation is attached to the minutes.

The recorder was restarted at 6:20 PM.

With no members of the public in attendance, the meeting was adjourned.

Chester Metropolitan District

Capital Recovery Fees Public Hearing Agenda

**Thursday, May 31, 2018
6:00 – 7:00 PM**

**Gateway Conference Center
3200 Commerce Drive
Richburg, SC 29729**

- I. Welcome & Introduction
- II. Presentation
- III. Public Comment
- IV. Closing



CHESTER METROPOLITAN DISTRICT

CAPITAL RECOVERY FEES

PUBLIC HEARING

Thursday, May 31, 2018
6:00 PM

Gateway Conference Center
3200 Commerce Drive
Richburg, South Carolina 29729

INTRODUCTION

- **PURPOSE:** a fair and equitable way to recover costs for allocated capacity and plan for future water system expansion to serve new growth.
- CMD is planning for future growth in Chester County.
- Study performed by Raftelis Financial Consultants in Charlotte, North Carolina.
 - Reviewed CMD's historical data, actual production costs, fixed assets, and estimated future demand.
- Results compared against the Rational Nexus test, established by the courts on the following parameters:
 - The need for the fee is a result of new growth;
 - The amount of the fee does not exceed the reasonable cost to provide capacity to accommodate growth;
 - The funds collected are earmarked for the sufficient benefit of new customers required to pay the fee.

WHAT IS A CAPITAL RECOVERY FEE?

- Capital Recovery Fees (also known as System Development Charges, Capacity Fees, Facility Investment Fees, or Impact Fees) are defined as one-time charges assessed against new development as a way to recover a proportional share of the costs of capital facilities constructed to provide service capacity for new customers connecting to the water and wastewater utility systems.
- The fees are collected from new business, industry, developers, and residents who build new structures which require a new water tap, or from established customers who expand and require an additional tap.
- They are charged to every new service connection.

WHY CHARGE A CAPITAL RECOVERY FEE?

- CRFs are used to pay construction costs and financing repayments for new capacity.
- They help stabilize water rates and protect established customers from construction-based rate increases by requiring new developments to help pay for the capacity they plan to use.
- They help CMD plan for the future with funds earmarked specifically for expansion.

HOW ARE CRFS CALCULATED?

- Cost Per Gallon Per Day = The cost to provide one gallon of water capacity per day
 - Current value of core assets divided by existing system capacity
 - Adjusted for depreciation and replacement costs
 - Cost per Gallon per Day = \$1.99
- ERU = "Equivalent Residential Unit" = The estimated demand of a single residential customer with a $\frac{3}{4}$ " water meter. In other words, estimated usage of an "average customer". CMD's average customer uses 300 gallons per day (GPD).
 - This average is adjusted based on a "system peaking factor" of 1.4 and a "water loss factor" of 1.25.
 - Formula: $300 \text{ GPD} \times 1.4 \text{ (System Peaking Factor)} \times 1.25 \text{ (Water Loss Factor)} = 525 \text{ GPD}$
 - Current ERU = 525 GPD.
- CRF Formula = $\$1.99 \text{ (RC)} \times 525 \text{ (ERU)} = \$1,044.75$.

$$\text{CRF} = \$1,045 \text{ per ERU}$$

HOW ARE CRFS CALCULATED?

For Service Sizes up to 2":

- Capacity Ratio = the ratio of water flow between a $\frac{3}{4}$ " service and a larger service.
 - A 1" service flows 1.6667 times more water than a $\frac{3}{4}$ " service.
 - 1" Capacity Ratio = 1.6667
 - A 2" service flows 5.3333 times more water than a $\frac{3}{4}$ " service.
 - 2" Capacity Ratio = 5.3333
- Formula = Capacity Ratio x Capital Recovery Fee
 - 1" Calculation = $1.6667 \times \$1,045.00 = \$1,741.70$
 - 2" Calculation = $5.333 \times \$1,045.00 = \$5,573.30$

$$1'' \text{ CRF} = \$1,740.00$$

$$2'' \text{ CRF} = \$5,575.00$$

HOW ARE CRFS CALCULATED?

For Larger Line Sizes:

- Based on anticipated water demand, not line size.
 - Example: A customer requires 100,000 GPD.
- Formula = : 100,000 GPD x 1.4 (System Peaking Factor) x 1.25 (Water Loss Factor) x \$1.99 (RC)

$$\text{CRF} = \$348,250.00$$

CRF COLLECTION SCHEDULE

- **SINGLE ¾" WATER SERVICE CONNECTION** – Capital Recovery Fees will be paid when the tap fees are paid.
- **RESIDENTIAL SUBDIVISIONS** – 50% of the Capital Recovery Fees will be paid up front based on the number of lots on the approved plat and 50% paid at the time that the tap fees are paid.
- **COMMERCIAL/INDUSTRIAL WATER CONNECTIONS** – 100% of the Capital Recovery Fee will be paid at the time of the issuance of the Willingness and Capability Letter by Chester Metropolitan District. Fees will be based on daily water demands provided by the owner/developer's design engineer. If, after one year, the actual daily water demands are in excess of the design engineer's estimation which were used to determine CRF's, the owner/developer will be assessed additional CRF's to cover the excess water demand.
- **FIRE SUPPLY LINE CONNECTIONS** – 100% of the Capital Recovery Fee will be paid at the time of the issuance of the Willingness and Capability Letter by Chester Metropolitan District. Fees will be based on the quantity of water required over the specified period of time necessary to meet fire code requirements.

QUESTIONS OR COMMENTS?



Chester Metropolitan District

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