

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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HOUSE BILL DRH10156-STf-21

Short Title: System Development Fees Update. (Public)

Sponsors: Representatives Arp, Hardister, Hanig, and Meyer (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO CLARIFY THE PROCESS WITH WHICH A LOCAL GOVERNMENTAL UNIT
3 MAY IMPOSE AND COLLECT SYSTEM DEVELOPMENT FEES.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 162A-201(4) reads as rewritten:

6 "(4) Facility. – A water supply, treatment, storage, or distribution facility, or a
7 wastewater collection, treatment, or disposal ~~facility, including for reuse or~~
8 ~~reclamation of water, facility providing a general benefit to the area that~~
9 facility serves and is owned or operated, or to be owned or operated, by a local
10 governmental ~~unit and land associated with such facility-unit.~~ This shall
11 include facilities for the reuse or reclamation of water and any land associated
12 with the facility."

13 **SECTION 2.** G.S. 162A-205 reads as rewritten:

14 "§ 162A-205. **Supporting analysis.**

15 A system development fee shall be calculated based on a written analysis, which may
16 constitute or be included in a capital improvements plan, that:

- 17 (1) Is prepared by a financial professional or a licensed professional engineer
18 qualified by experience and training or education to employ generally
19 accepted accounting, engineering, and planning methodologies to calculate
20 system development fees for public water and sewer systems.
- 21 (2) Documents in reasonable detail the facts and data used in the analysis and their
22 sufficiency and reliability.
- 23 (3) Employs generally accepted accounting, engineering, and planning
24 methodologies, including the buy-in, incremental cost or marginal cost, and
25 combined cost methods for each service, setting forth appropriate analysis as
26 to the consideration and selection of a method appropriate to the
27 circumstances and adapted as necessary to satisfy all requirements of this
28 Article.
- 29 (4) Documents and demonstrates the reliable application of the methodologies to
30 the facts and data, including all reasoning, analysis, and interim calculations
31 underlying each identifiable component of the system development fee and
32 the aggregate thereof.
- 33 (5) Identifies all assumptions and limiting conditions affecting the analysis and
34 demonstrates that they do not materially undermine the reliability of
35 conclusions reached.



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- 1 (6) Calculates a final system development fee per service unit of new
2 development and includes an equivalency or conversion table for use in
3 determining the fees applicable for various categories of demand.
4 (7) Covers a planning horizon of not less than five years nor more than 20 years.
5 (8) Is adopted by resolution or ordinance of the local governmental unit in
6 accordance with G.S. 162A-209.
7 (9) Uses the gallons per day per service unit that the local governmental unit
8 applies to its water or sewer system engineering or planning purposes for
9 water or sewer, as appropriate, in calculating the system development fee."

10 **SECTION 3.** G.S. 162A-207 reads as rewritten:

11 "**§ 162A-207. Minimum requirements.**

12 (a) Maximum. – A system development fee shall not exceed that calculated based on the
13 system development fee analysis.

14 (b) Revenue Credit. – In applying the incremental cost or marginal cost, or the combined
15 cost, method to calculate a system development fee with respect to ~~water or sewer~~ capital
16 improvements, the system development fee analysis must include as part of that methodology a
17 credit against the projected aggregate cost of ~~water or sewer~~ capital improvements. That credit
18 shall be determined based upon generally accepted calculations and shall reflect a deduction of
19 either the outstanding debt principal or the present value of projected water and sewer revenues
20 received by the local governmental unit for the capital improvements necessitated by and
21 attributable to such new development, anticipated over the course of the planning horizon. In no
22 case shall the credit be less than twenty-five percent (25%) of the aggregate cost of capital
23 improvements.

24 (c) Construction or Contributions Credit. – In calculating the system development fee
25 with respect to new development, the local governmental unit shall credit the value of costs in
26 excess of the development's proportionate share of connecting facilities required to be oversized
27 for use of others outside of the development. No credit shall be applied, however, for ~~water or~~
28 ~~sewer~~ capital improvements on-site or to connect new development to ~~water or sewer~~ facilities."

29 **SECTION 4.** G.S. 162A-211(b) reads as rewritten:

30 "(b) Revenue from system development fees calculated using the buy-in method may be
31 expended for previously completed capital improvements for which capacity exists and for
32 capital rehabilitation projects. The basis for the buy-in calculation for previously completed
33 capital improvements shall be determined by using a generally accepted method of valuing the
34 actual or replacement costs of the capital improvement for which the buy-in fee is being collected
35 less depreciation, ~~debt credits,~~ outstanding debt principal, grants, and other generally accepted
36 valuation adjustments."

37 **SECTION 5.** This act is effective when it becomes law and clarifies existing law
38 with minimum standards employed by all generally accepted accounting, engineering, and
39 planning methodologies used to calculate system development fees for public water and sewer
40 systems.