

The background features a dense field of blue, three-dimensional, sans-serif letters and numbers scattered across the frame. Overlaid on this is a white, semi-transparent map of North Carolina with a slightly distressed, torn-paper edge. The text is centered within this white map area.

SDFs, MCs, CRFs, & Opioids

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UNC Chapel Hill School of Government

NCGFOA Summer Conference

July 2023

Something for Everyone

01

System
Development
Fees

02

Mandating
Connections &
Availability Fees



03

Capital
Reserve
Funds

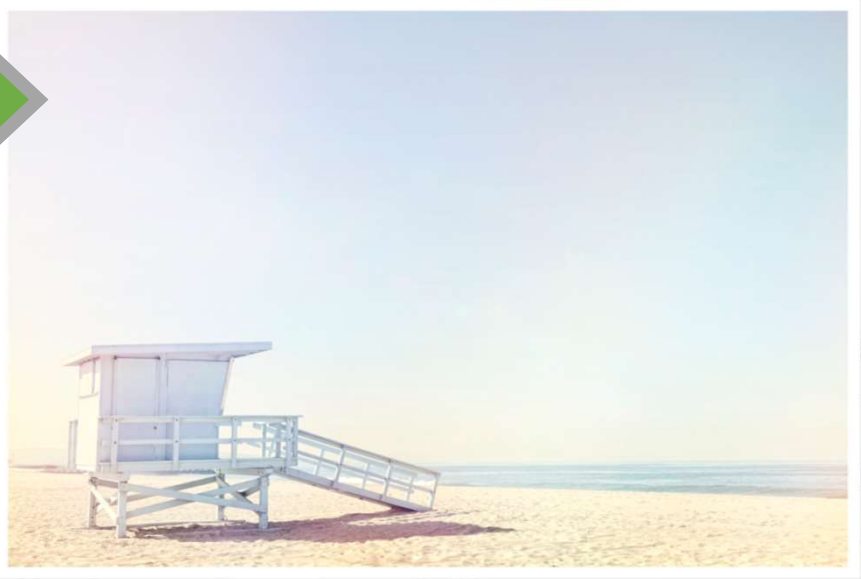


04

Budgeting &
Accounting
for Opioid
Settlement
Funds

For the Snoozers & Daydreamers

2



Water & Sewer can be keys to growth of a community and local governments are becoming **increasingly interdependent** in providing access to these enterprises services.

have to as **enalt** that has not been limited or pre-empted.

carefully. s nt e

Water & Sewer Charges

System Development Fees

Assessed on "new development" to cover past or future capital costs necessary to serve/continue to serve "new development"

Special Assessments

Reimbursement charges for capital projects that benefit assessed properties

Contractual Charges

Assessed pursuant to a contract with developer or property owner to extend water/sewer lines to property or fund specific system changes / expansions to serve property

Regulatory Fees

Assessed to cover costs of inspections, plan reviews, etc.

Availability Fees

Assessed on certain properties when water/sewer available but property owners choose not to connect

Connection / Tap Fees

Assessed on property owner at time of connection to cover costs of connection

User Fees

Assessed on water/sewer utility customers

A NETFLIX ORIGINAL SERIES

1 ORANGE 1

is
the
new

BLACK 1

A

LEGISLATIVE

ORIGINAL SERIES

System Development Fee

is
the
new

Impact Fee

System Development Fees

A local government utility may assess a system development fee on “**new development** to fund costs of [water and sewer] **capital improvements** necessitated by and attributable to such new development, to recoup costs of existing [water and sewer] **facilities** which serve such new development, or a combination of those costs....”

GS 162A, Art. 8

What is "New Development?"

1



Subdivision of Land

2



Construction, reconstruction, redevelopment, conversion, structural alteration, relocation, or enlargement of any structure which increases the number of service units

3



Any use or extension of the use of land which increases the number of service units

**New
Development is
the trigger for
assessing SDF**

**Can incorporate
all 3 triggers in
fee schedule**

**Cannot double
charge**

Timing of Assessment & Collection

Trigger / Fee Assessed	Fee Collected
Subdivision of land	<p>Must collect the SDFs either</p> <ul style="list-style-type: none"> (1) at the time of the application for a building permit or (2) when water or wastewater service is committed by the local government utility, <p style="text-align: center;">whichever occurs later.</p>
Construction, reconstruction, redevelopment, conversion, structural alteration, relocation, or enlargement of any structure which increases the number of service units.	<p>Must collect SDFs either</p> <ul style="list-style-type: none"> (1) When property owner applies for connection of individual unit of development; or (2) When local unit commits to provide water/wastewater service <p style="text-align: center;">whichever occurs sooner</p>
Any use or extension of the use of land which increases the number of service units	<p>Must collect SDFs either</p> <ul style="list-style-type: none"> (1) When property owner applies for connection of individual unit of development; or (2) When local unit commits to provide water/wastewater service <p style="text-align: center;">whichever occurs sooner</p>

When is Service Committed & For How Long?

Local government utility must specify in water / sewer ordinance at what point in the process service is legally committed and capacity is reserved.

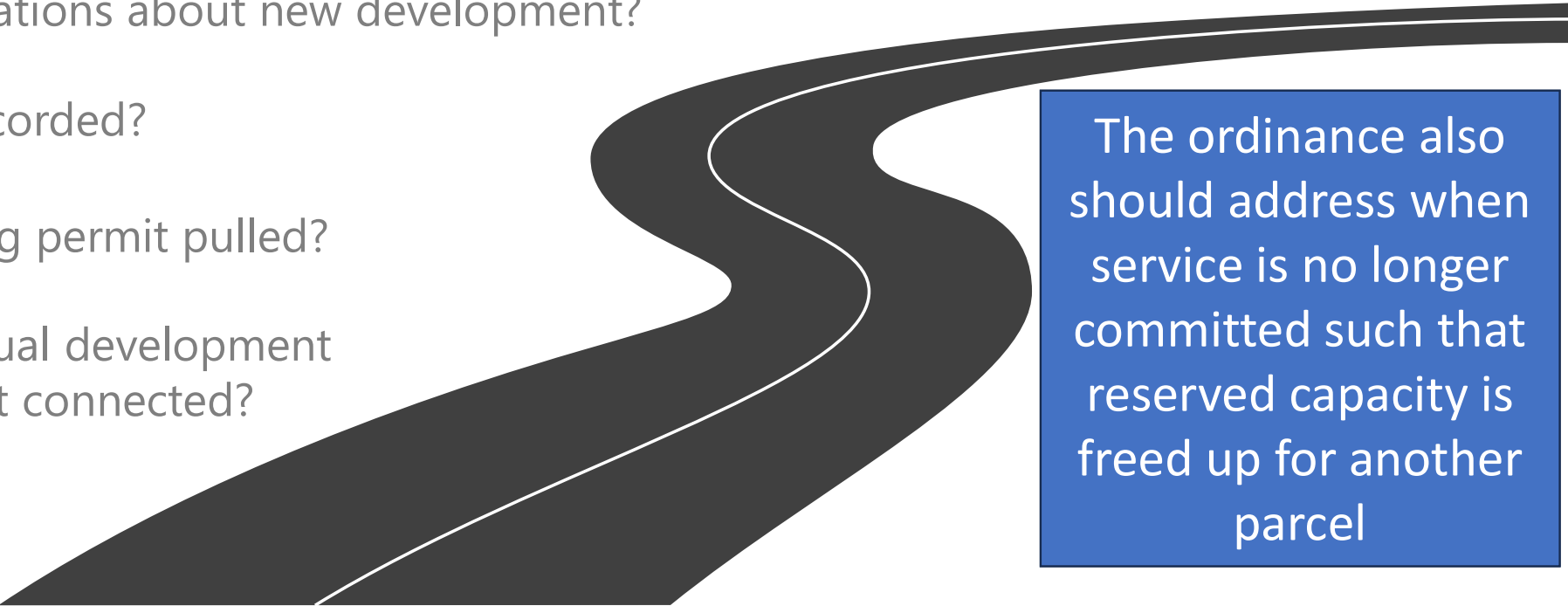
1 Negotiations about new development?

2 Plat recorded?

3 Building permit pulled?

4 Individual development unit connected?

5 Other?



The ordinance also should address when service is no longer committed such that reserved capacity is freed up for another parcel

Charging Other Local Government for Reserved Capacity

General Rate Statute + Interlocal Government Agreement Statutes

Allow a local government utility to enter into a contract and charge a fee to another local government to reserve capacity supplied by the local government's water and/or sewer systems



SL 2023-55 (applies retroactively) clarifies that the “reserve capacity” fee charged to another local government does not have to be part of the charging local government utility’s SDF.

Explicitly allows the paying local government to include the fees paid for reserved capacity in its SDF calculation

If use marginal cost or hybrid methodology, may use SDF fee proceeds to pay contractual fees for reserved capacity (but not buy-in method)

Expending SDF Proceeds

Buy-in Method

Reimburse share of costs previously completed capital improvements for which capacity exists and for capital rehabilitation projects

Combined / Hybrid Method

Everything here



Everything here

Incremental / Marginal Cost Method

- Costs of constructing capital improvements limited to any of the following: Construction contract prices.; Surveying and engineering fees; Land acquisition cost; Principal and interest on bonds, notes, or other obligations issued by or on behalf of the local governmental unit to finance any of these costs.
- Professional fees incurred by the local governmental unit for preparation of the SDF fee analysis
- If no capital improvements are planned for construction within 5 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.
- Contract fees for reserved capacity





A man with short, wavy brown hair, wearing a white t-shirt, is shown from the chest up. He is looking slightly to his right with a thoughtful or questioning expression. The background is a clear blue sky and a field of tall green corn plants. The text "If you build it, will they come?" is overlaid in white on the left side of the image.

If you build it,
will they come?

Mandating Connections & Availability Fees

Overview and Recent Changes (SL 2023-90)

Local government utilities authorized to mandate connection to water & sewer lines located within a reasonable distance of developed properties

			
Counties	Municipalities	Sanitary Districts	Certain Water & Sewer Authorities
G.S. 153A-284	G.S. 160A-317	G.S. 130A-55(16)	G.S. 162A-6a(14)(d)
S.L. 2023-90 made some changes			

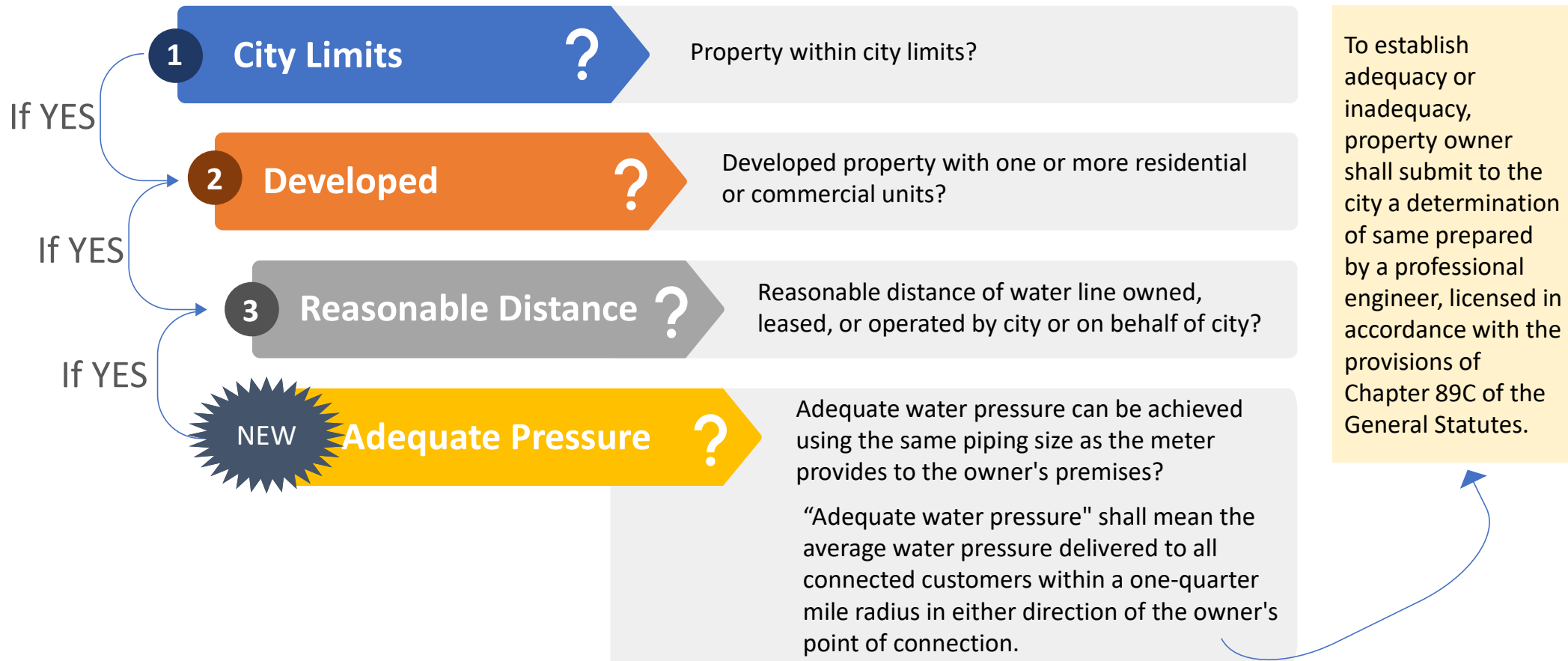
But cannot mandate connection to water system if valid well permit issued to property.

If the property is undeveloped or unimproved, the local government must issue the permit even if the property could be served by a government utility. If the property is developed or improved, the local government must issue the permit, only if the government utility has not yet installed water lines directly available to the property or if the government utility cannot provide water service to the property at the time the property owner desires service.

Can City Mandate Connection to Sewer System?



Can City Mandate Connection to Water System?



Can County Mandate Connection to Sewer System?

1 Developed ?

Developed property with one or more residential or commercial units?

2 Reasonable Distance ?

Reasonable distance of sewer line owned, leased, or operated by city or on behalf of city?

NEW Adequate Capacity ?

County has adequate capacity to transport and treat proposed new wastewater from premises at time of connection?

If YES

If YES

Can County Mandate Connection to Water System?

1 Developed



Developed property with one or more residential or commercial units?

2 Reasonable Distance



Reasonable distance of water line owned, leased, or operated by city or on behalf of city?

If YES



Availability Fees

Minimum periodic
charge for properties
NOT connected

Counties
Water & Sewer Authorities
Sanitary Districts

In the case of improved property that would qualify for the issuance of a building permit for the construction of one or more residential dwelling units or commercial establishments and where the county has installed water or sewer lines or a combination thereof directly available to the property, the county may require payment of a periodic availability charge, not to exceed the minimum periodic service charge for properties that are connected.

Municipalities

In lieu of requiring connection under this subsection and in order to avoid hardship, the city may require payment of a periodic availability charge, not to exceed the minimum periodic service charge for properties that are connected.

Saving for the Future

Restricted Revenues

Restricted revenues remain restricted in fund balance until appropriated and expended for authorized purpose



1



2

Contingency Appropriations

A governing board may include up to 5% contingency appropriation in each fund.

Capital Reserve Funds

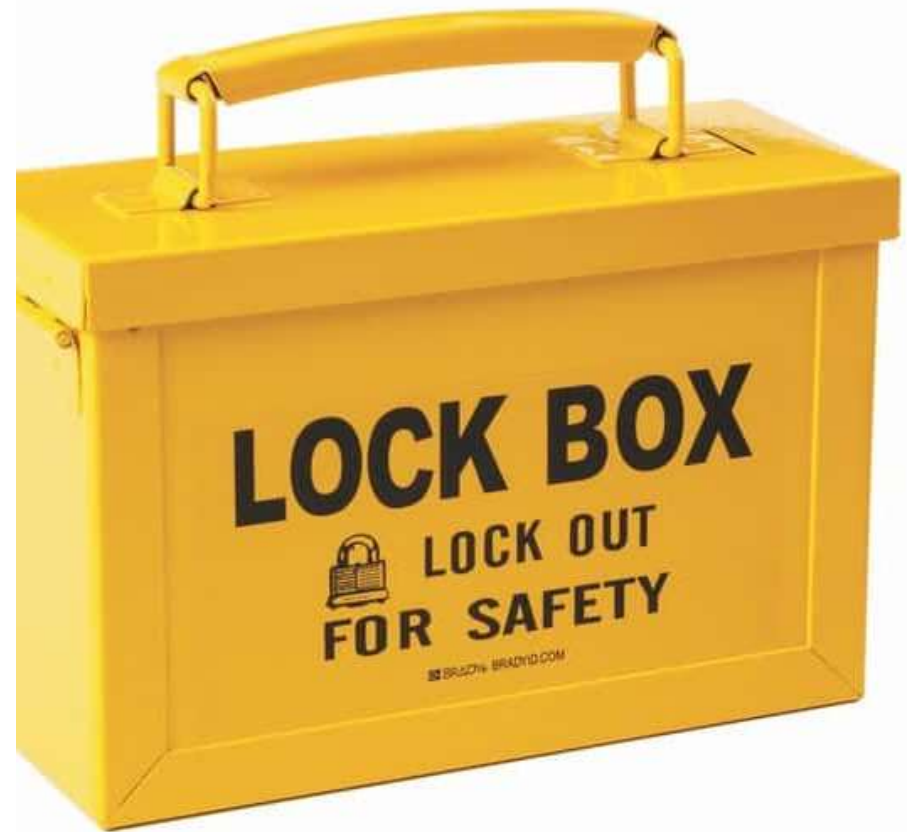
A governing board may appropriate funds to a capital reserve fund for specific future capital projects.



3

Capital Reserve Fund

- Savings account
- Board must establish by resolution or ordinance
- Board must appropriate money to specific capital projects
- Monies appropriated to CRF legally restricted to capital (but board can change type of capital project)
- Board may not make automatic appropriations to CRF in future years
- Specific procedural requirements to appropriate money to and withdraw money from CRF



CRF Requirements

SPECIFIC PROJECT(S)

A board may accumulate moneys for multiple capital projects within a single capital reserve fund, but it must list each project separately.



APPROXIMATE AMOUNTS FOR EACH PROJECT

A board must provide a rough estimate of the total amounts it intends to save for each capital project. After initial appropriation, to add new money to capital reserve fund, board must make the appropriation specifically to the CRF.

PROJECT TIMING

A board must provide a rough estimate of when moneys will be expended from the capital reserve fund for each capital project.

REVENUE SOURCE(S)

A board must indicate the revenue sources it intends to allocate to the capital reserve fund to finance each project (e.g. property tax proceeds, utility fees, local sales and use tax proceeds, grant proceeds, etc.).

CAPITAL RESERVE FUND RESOLUTION

WHEREAS, there is a need in the Town of Bluesky to provide funds for future capital projects related to its combined water and wastewater system, and to make debt service payments on existing debt related to past capital projects for its water and wastewater system, and WHEREAS, NCGS 159-18 authorizes the creation of a capital reserve fund, and WHEREAS, NCGS 162A, Art. 8 requires that all system development fee proceeds be accounted for in a capital reserve fund,

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD THAT

Section 1. The Governing Board hereby creates a Capital Reserve Fund for the purpose of funding the following capital projects related to the town's water and wastewater system:

Water Treatment Plant Upgrade. The existing plant on Fuller Avenue is designed to serve a population equivalent (PE) of 10,000, but is currently operating above its capacity at 11,200 PE, calling for an upgrade to meet current and projected future requirements. The estimated cost of the project is \$1.2 million. The town expects to complete the project in FY 2024, and intends to appropriate approximately \$300,000 of system development fee revenues to the CRF for this purpose. The town anticipates receiving a zero-interest loan from the state to fund the remainder of the cost. It will use future system development fee collections to make debt service payments on the loan.

The 2022-2023 appropriation from the budget ordinance to the CRF of SDF proceeds for this purpose is \$100,000.

Construction of new elevated water storage tanks. Estimated to be 0.650 million gallons, this new tank is planned for the distribution system near North Ponds Park, at a cost of \$2.2 million. Construction of the tank is expected in FY 2026. The town anticipates funding approximately 40 percent of the cost of the tank with system development fee proceeds. The remaining cost will be funded through existing fund balance in the water fund.

The 2022-2023 appropriation from the budget ordinance to the CRF is \$550,000, comprised of \$150,000 in SDF proceeds from the water and sewer enterprise fund, and \$400,000 in water and sewer enterprise fund balance.

Regional Pump Station and Force Main: One regional pump station project and one force main replacement project are already under design, to be complete by FY 2023. The estimated cost is \$900,000. The town anticipates funding 100 percent of the cost with SDF proceeds.

The 2022-2023 appropriation from the budget ordinance to the CRF is \$156,000 in SDF proceeds.

Expansion of the Town of Bluesky Wastewater Treatment Plant: Capacity expansion by 1.4 MGD is estimated to cost \$30 million. The project will occur in phases, with an expected completion date of 2030. Within the town's 10-year CIP planning period (FY 2018-19 through FY 2028-29), approximately \$20 million or 67% of the total cost, is anticipated to be expended. The town expects to issue revenue bonds to fund this project, to be repaid from both SDF proceeds and general wastewater user fees.

The 2022-2023 appropriation from the budget ordinance to the CRF is \$75,000 in SDF proceeds.

Section 2. This CRF shall remain effective until all the above-listed projects, and any projects added in the future, are completed. The CRF may be amended by the governing board as needed to add additional appropriations, modify or eliminate existing capital projects, and/or add new capital projects.

Section 3. This Resolution shall become effective and binding upon its adoption.

Adopted this [day] of [month year].

CFR Transactions



**ADD FUNDS
TO CFR**

Appropriate funds to CFR in annual budget ordinance or project/grant ordinance (or do a budget amendment)

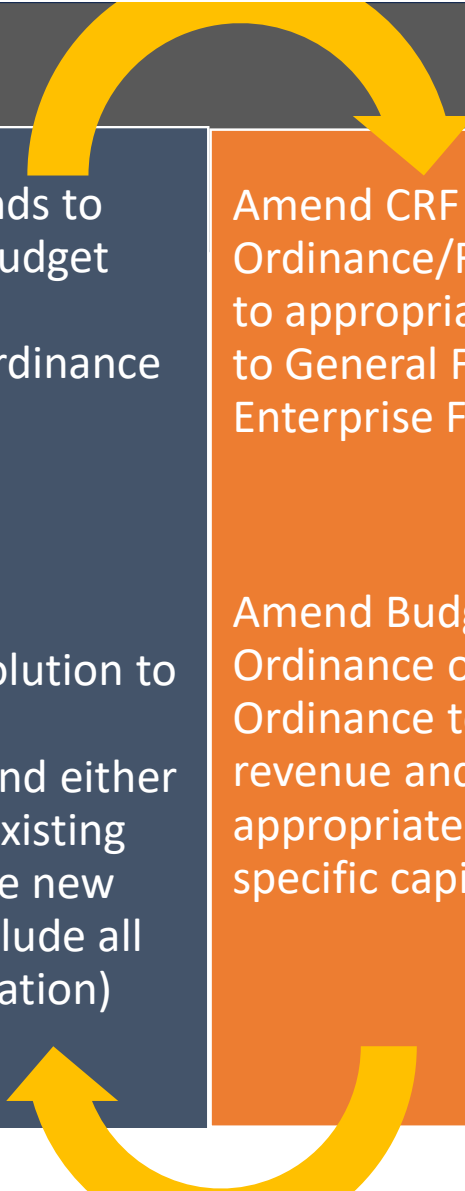
Amend CRF Ordinance/Resolution to recognize new appropriation and either add money to existing project or create new project (and include all relevant information)

Amend CRF Ordinance/Resolution to appropriate money to General Fund or Enterprise Fund

Amend Budget Ordinance or Project Ordinance to recognize revenue and appropriate it to specific capital project



**REMOVE
FUNDS
FROM CFR**



Budgeting, Accounting, Reporting for Opioid Settlement Funds

\$1.369 Billion

Opioid Settlements



Projected
Amounts for
Each LG



General
Resources



FAQs



Data
Dashboards

A Memorandum of Agreement (MOA) between the State and local government directs how opioid settlement funds are distributed and used in our state. The MOA allocates 15 percent of settlement funds to the State and sends the remaining 85 percent to NC's 100 counties and 17 municipalities.

Expending Opioid Funds

The NC MOA offers local governments two options:

Option A

A local government may fund one or more strategies from a [shorter list](#) of high-impact strategies to address the epidemic.

Option B

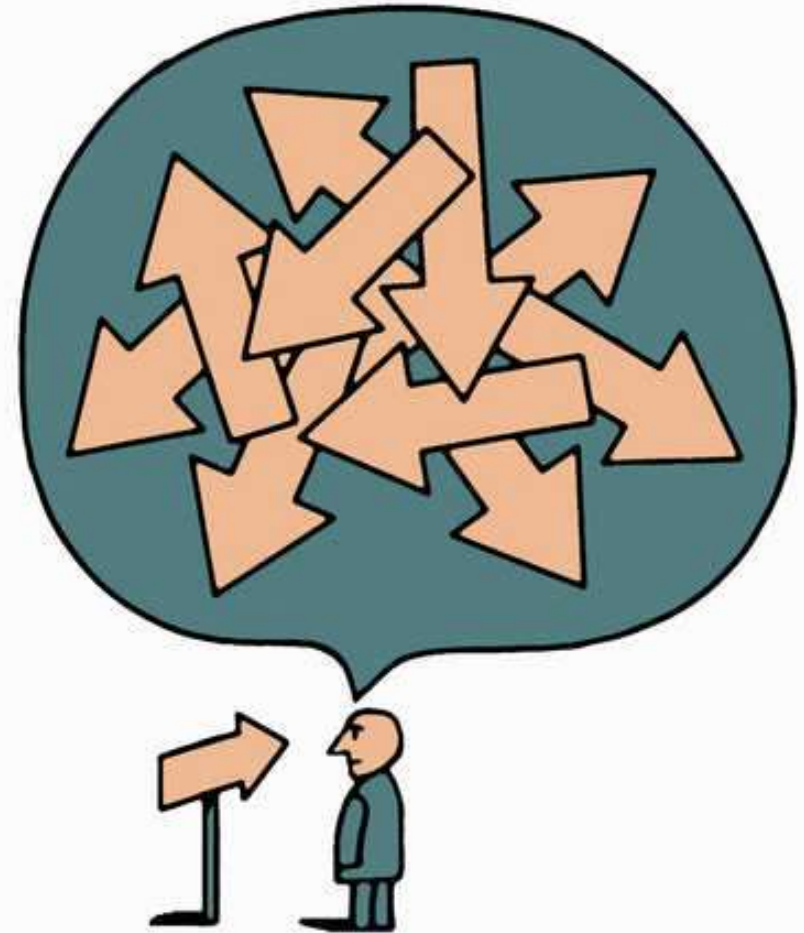
A local government first undertakes a collaborative [strategic planning process](#) and then chooses a strategy from the [shorter list](#) of Option A strategies or a [longer list](#) of strategies included in the national settlements.

The NC MOA offers a high level of transparency into how local governments use opioid settlement funds, including special revenue funds subject to audit, annual financial and impact reports, and a public dashboard showing how funds are being used.

MOA: Opioid Settlement Funds can be used for a purpose when the Governing Body includes in its budget or passes a separate resolution authorizing the expenditure of a stated amount of Opioid Settlement Funds for that purpose or those purposes during a specified period of time.

State Law: All funds must be appropriated in a budget ordinance before they can be spent. G.S. 159-8.

Result: Governing board must adopt an Authorizing Resolution **and** follow state law budgeting requirements to obligate and expend Opioid Settlement Funds



Multi-step Process for Opioid Expenditures

★	Step 1	LG places funds in Special Revenue Fund
★	Step 2	Board adopts Authorizing Resolution
	Step 3	LG reports to <u>CORE-NC</u> within 90 days
★	Step 4	Board adopts or amends annual budget ordinance or capital project ordinance
	Step 5	LG obligates and disburses funds
	Step 6	LG completes required annual financial and impact reports

The **Authorizing Resolution** must:

- (1) Indicate that it is an authorization for expenditure of opioid settlement funds.
- (2) State the specific strategy or strategies the county or municipality intends to fund pursuant to Option A or Option B (using the item letter and/or number in Exhibit A or Exhibit B to identify each funded strategy); *and*
- (3) State the amount dedicated to each strategy for a stated period of time.



Follow state law budgeting, fiscal control, and contracting processes.



These are NOT federal funds. No federal compliance requirements.



All obligations and expenditures must be in accordance with MOA.

Opioid Settlement Funds

1.5 Budgeting Choices



Annual Budget Ordinance

Local government may budget all its opioid settlement funds that it expects to expend this fiscal year in the annual budget ordinance. Budget appropriations are made by department, function, or project. Actual expenditures must match more detailed projects in Opioid Resolution



Capital Project Ordinance

FOR CAPITAL PROJECTS ONLY. Local government may budget opioid settlement funds for capital projects only in a capital project ordinance. The budget is for the life of the project. The project must be listed in the Opioid Resolution.

What About a Project Ordinance?

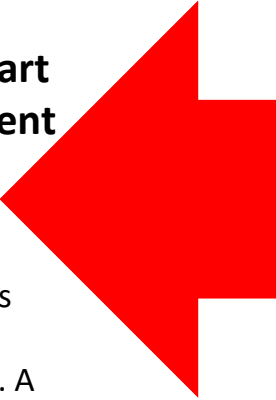
§ 159-13.2. Project ordinances.

(a) Definitions. –

(1) In this section "capital project" means a project financed in whole or in part by the proceeds of bonds or notes or debt instruments or a project involving the construction or acquisition of a capital asset.

(2) "Grant project" means a project financed in whole or in part by revenues received from the federal and/or State government or other grant or settlement funds for operating or capital purposes as defined by the grant contract.

(b) Alternative Budget Methods. – A local government or public authority may, in its discretion, authorize and budget for a capital project or a grant project either in its annual budget ordinance or in a project ordinance adopted pursuant to this section. A project ordinance authorizes all appropriations necessary for the completion of the project and neither it nor any part of it need be readopted in any subsequent fiscal year. Neither a bond order nor an order authorizing any debt instrument constitutes a project ordinance.



The Opioid Settlement MOA is NOT a grant contract so a grant project ordinance is NOT currently* a lawful budgeting option.

*But there may be a legislative fix coming



What if we Already Budgeted in Grant Project Ordinance?

If LG adopted grant project ordinance for Opioid Settlement funds and disbursed any Opioid monies before July 1, 2023



Technical budget violation. But LGC is aware of issue and unit will not be penalized.

If LG adopted grant project ordinance for Opioid Settlement Funds and did not disburse Opioid monies before July 1, 2023



LG must re-budget funds in annual budget ordinance or capital project ordinance before obligating/ disbursing.

ARPA / Opioid Settlement Office Hours

ARP Office Hours

Thursday, July 20, 8:30-9:30am

— ***Focus on Procurement***

Friday, July 28, 12-1pm

— ***Focus on Program Income for Water/Wastewater Projects***

Wednesday, August 2, 8:30-9:30am

— ***Opioid Budgeting/Accounting***

Friday, August 11, 8:30-10:30am

— ***ARP BASICS***

Wednesday, August 16, 12-1pm

— ***Focus on Property Management***

Friday, August 25, 8:30-9:30am

— ***Focus on DEQ grants***

ZOOM LOG IN:

[https://zoom.us/j/95481909044?pwd=UIE2VH
NhN2luS0JEYTJqeTZTMFRWdz09](https://zoom.us/j/95481909044?pwd=UIE2VHNhN2luS0JEYTJqeTZTMFRWdz09)

Meeting ID: 954 8190 9044

Passcode: 779726

One tap mobile

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