

SYSTEM DEVELOPMENT CHARGE

The West Central Conservancy District, at its regular meeting on May 17, 2004, approved an increase in its fees that affects the cost of connecting to the sewer system of the District. This action by the Board taken after a public hearing was held pursuant to Indiana Statute and public notice of such hearing.

The increase is a result of a study conducted by H. J. Umbaugh that identified a shortage in expected capital when planning for sewer infrastructure construction that developers and potential sewer customers can utilize.

The new System Development Charge (SDC) will take effect July 1, 2004. Essentially, the SDC differs from the current way the District considers rates and charges:

1. No longer will there be Facility Utilization Fees and Interceptor Charges. These charges are combined into one SDC charge.
2. The study conducted by H. J. Umbaugh indicated that the equity portion of the SDC to be \$2,432.00 per EDU instead of the current charge per EDU of \$2,000.00.
3. The study also indicated that the incremental cost to serve new development to be \$1,498.00 per EDU based upon the Master Infrastructure Plan and anticipated system usage measured by new EDU's instead of the current Interceptor Charge of \$1,000.00. Thus the cost of the SDC of \$3,900.00 (\$2,432 plus \$1,498).
4. Effective July 1, 2004, to connect to the WCCD sewer system, the SDC's must be paid or committed as outlined below. 1 SDC equates to 1 Equivalent Dwelling Unit for calculation purposes. Payment for SDC's and contractual commitments must be taken care of when the IDEM Allocation Letter is issued.
5. Payment for the SDC's and consideration of contract note is contingent on the number of EDU's contained in the IDEM Allocation Letter as follows:
 - a) Number of units less than 75 requires full payment.
 - b) Number of units from 76 – 200 requires, at a minimum, ½ total payment with financing availability possible for the remainder of units for no more than three (3) calendar years from the date of issuance of the IDEM Allocation Letter.
 - c) Number of units over 200 requires, at a minimum, 1/3 total payment with financing availability possible for the remaining units for no more than three (3) years from the date of the IDEM Allocation Letter.

6. Contract Note will be at terms and conditions of the West Central Conservancy in effect at the time the IDEM Allocation Letter is issued.
7. The SDC Fee will be adjusted 3.4%/yr based on a ten (10) year average cost index per Engineering News Record:

2004	\$3,900
2005	\$4,033
2006	\$4,170
2007	\$4,312
2008	\$4,459
2009	\$4,611
2010	\$4,768
2011	\$4,930
2012	\$5,098
2013	\$5,271
2014	\$5,450

8. There are two considerations of the contractual note:

- a) the Construction Cost Index above, and
- b) 10% Interest on the unpaid balance/year

9. EXAMPLES:

- 1) 500 unit development requiring IDEM Allocation Letter for 150 units in Section 1. Payment of no less than 75 units times \$3,900 = \$292,500; then the remaining 75 units can be “financed” over the next three (3) years at the prices indicated:

2004	Current Year	Year 1	Year 2	Year 3
	3,900	4,290	4,719	5,190

- 2) Same development requiring IDEM Allocation Letter for 50 units (Section 2) in 2004. Payment of 50 times \$3,900 = \$195,000.

- 3) Same development requiring IDEM Allocation Letter for 150 units (Section 2) in 2005. Payment of no less than 75 units times \$4,033 = \$302,475; then the remaining 75 units can be financed over the next three (3) years at the prices indicated:

2005	Current Year	Year 1	Year 2	Year 3
	4,033	4,436	4,880	5,368

- 4) Same development requiring IDEM Allocation Letter for remaining 200 units in subdivision (Section 3) in 2006. Payment of no less than 100 units times \$4,170 = \$417,000; then remaining 100 units can be financed over the next three (3) years at the prices indicated:

2006	Current Year	Year 1	Year 2	Year 3
	4,170	4,587	5,046	5,550

10. Putting the issues into perspective as to the actions of the Board:

- 1) The Board's responsibility is to fund infrastructure for sewers for those that want it while not affecting the rates and charges of the existing customers.
- 2) Prior to the rate change, the rate per EDU was \$3,000.00 of which the developer could contractually obligate the development by paying a third of the cost at the time of the IDEM Allocation Letter. Now, the entire rate and charge is due at the time of the IDEM Letter.
- 3) While the District will remain in a position to work with developers in paying the rates and charges for the development, the District does not want to "be the bank". The District will now be compensated for the "lost revenue" by collecting interest on the owed funds.
- 4) The District, by setting the term of the note to three (3) years, can now more effectively plan the construction of infrastructure based on known income received.