



TOWN COUNCIL AGENDA

SPECIAL MEETING

November 2, 2017 @ 6:30 p.m.

CALL TO ORDER – Mayor Swearingen

Purpose of the special meeting is to discuss matters related to the facility improvement project construction bids and budget and proposed water and sewer Systems Development fees.

Notice of the meeting was posted at Town Hall and on the website on October 30, 2017, thus meeting the 48 hour notice requirement.

DISCUSSION AND CONSIDERATION

Expansion, renovation of existing town hall, police and fire buildings; construction of new fire station

1. Bids and alternate bids (Project Manager/Dugan)
2. Recommendation of the architectural firm for award of contract (Project Manager/Dugan)
3. Amendments to the Capital Project Budget Ordinance (Copenhaver)
Requires motion to approve budget amendments 18-01, 18-02 and 18-03 as presented
Amendment 18-01 increases expenditures to increase construction related costs by net of \$208,809; establishes budget of \$100,000 for third party project management costs; increases budget for miscellaneous project costs by \$22,150 and for revenue increases budget for financing by \$250,000; increases budget for transfer from the GF by \$80,959
Amendment 18-02 transfers \$80,959 from GF appropriation 10-310-00-00 to increase Capital Project Fund Budget
Amendment 18-03 establishes line item 10-420-65-00 in Administration for relocation expenses and transfers \$176,000 from GF appropriation 10-310-00-00
4. Determination of the final loan amount (Council)
Requires motion to authorize Finance Officer to proceed with loan in amount of \$ ____
5. Award the contract for construction (Council)
Requires motion to award contract to (company name) at cost of \$ _____, contingent upon financing approval from Local Government Commission
6. Any other topics directly related to the facility improvement project

System Development Fees

Discussion and consideration of proposed fees and 45 day notice period (Copenhaver)

Requires motion to authorize Finance Officer Copenhaver to proceed with 45 day notice period on proposed system development fee assessment of \$592.26 for water and sewer connection for all new development, per unit.

ADJOURNMENT

BIDS

BID TABULATION

New Fire Station - Town Hall / Police Station Renovation for
Town of Kure Beach

Oakley Collier Architects, PA-Project No. 16026
Tuesday, October 24, 2017 at 3:00 pm

Page 1 of 2

CONTRACTOR	LIC #	Bonds	Addenda	MBE	Base Bid	Site Subcontractor	Plumbing Subcontractor	Mechanical Subcontractor	Electrical Subcontractor	Fire Station	Town Hall
Bordeaux Construction Company	9266-U	X	X	X	\$4,820,877.00	Landmark 18942	Anderson Plumber	CBS Mechanical 19710	Burgess Corp 31068-U	\$2,055,783.00	\$2,765,094.00
Clancy & Theys Construction Company	2077	X	X	X	\$4,683,278.00	Landmark 18942	Garrett Const. Svc. 16024	Coastal HVAC 22460	Laney Elec 24336-U	\$1,994,680.00	\$2,171,048.00
Group III Management LLC	22369										
NO BID											
Monteith Construction Corp	43319	X	X	X	\$4,853,000.00	Landmark 18943	Garrett Const. Svc. 16024	Harrelson Mech 29666	Burgess Corp 31068-U	\$1,997,914.00	\$2,417,619.00
*Thomas Construction Group LLC	57620	X	X	X	\$4,355,000.00	Evergreen Clearing	Garrett Const. Svc. 16024	Garrett Const. Svc. 16024	Laney Elec 24336-U	\$1,862,500.00	\$2,113,500.00

*Apparent Low Bidder with Accepted Alternates.

Signed: 
Tim Oakley, AIA, LEED® AP

Date: 10/25/2017



I hereby certify the above information to be correct and true to the best of my knowledge.

BID TABULATION

CONTRACTOR	LIC #	FIRE STATION ALTERNATES						TOWN HALL ALTERNATES					
		Alt No. FG-1: Generator	Alt No. FG-2: Impact Window Systems	Alt No. FG-3: Standing Seam Roofing	Alt No. FG-4 LVT	Alt No. FG-5: Overhead Doors	Alt No. FG-6: Fire Hydrant	Alt No. TG-1: Generator	Alt No. TG-2: Impact Window Systems	Alt No. TG-3: Standing Seam Roofing	Alt No. TG-4: LVT	Alt No. TG-5: Existing Window Replacement	Alt No. TG-6: Interior Renovations
Bordeaux Construction Company	9266-U	-\$44,190	-\$22,250	-\$51,300	-\$3,920	+\$32,550	+\$11,550	-\$88,500	-\$50,900	-\$23,360	-\$5,000	-\$10,660	+\$3,750
Clancy & Theys Construction Company	2077	-\$73,000	-\$14,000	-\$51,000	-\$6,600	-\$20,000	+\$20,000	-\$70,000	-\$35,000	-\$117,000	-\$9,500	-\$10,000	+\$5,700
Group III Management LLC	22369												
Monteith Construction Corp	43319	-\$40,000	-\$5,000	-\$30,000	-\$6,000	-\$15,000	+\$12,000	-\$75,000	-\$15,000	-\$70,000	-\$9,000	+\$15,000	+\$21,000
*Thomas Construction Group LLC	57620	-\$74,117	-\$11,261	-\$49,427	-\$7,147	-\$21,975	+\$25,194	-\$71,527	-\$29,530	-\$54,637	-\$10,158	-\$10,839	+\$6,613

NO BID

RECOMMENDATION FROM ARCHITECT

October 25, 2017



Ms. Nancy Avery, Town Clerk
Town of Kure Beach
117 Settlers Lane
Kure Beach, NC 28449

Reference: Kure Beach – Town Hall & Fire Department
Project No. 16026

Dear Nancy:

Enclosed is our official Bid Tabulation in regard to the above project. Based on the bids received, the apparent low bidder is Thomas Construction Group with a base bid amount of \$4,355,000. On Affidavit A-Listing of Good Faith Efforts, the Contractor had a total of 90 points. Also, the Contractors Minority Participation was 5%. The subcontractors included on the Bid Form were:

- Evergreen Clearing - Site
- Garrett Construction Services - Plumbing
- Garrett Construction Services - Mechanical
- Laney Electric - Electrical

Additionally, there were twelve alternates included in the bid. Based on available funding and the desire of Board of Commission, we recommend award of:

Alternate #	Description	Amount
FG-6	Fire Hydrant	+\$25,194.00
TG-6	Interior Renovation	+\$6,613.00

It is our recommendation that you award the project to Thomas Construction Group in acceptance of the base bid and both alternates for a total of \$4,386,807.00.

After your review and Board approval, we shall prepare the construction contract for award.

Should you have any questions, please do not hesitate to call.

Sincerely,

Timothy D. Oakley, AIA, LEED AP
Enclosure

Nancy Avery

From: Arlen Copenhaver
Sent: Monday, October 30, 2017 4:19 PM
To: Phillip Anderson
Cc: Nancy Avery
Subject: RE: Kure Beach application

Phillip,

The breakdown between Town Hall and the Fire Station is as follows:

Town Hall (52.4%)	\$2,882,000
Fire Station (47.6%)	\$2,618,000

Please let me know if you have any questions or require additional information.

Thank you.

Arlen Copenhaver, CPA
Finance & Budget Officer
Town of Kure Beach
117 Settlers Lane
Kure Beach, NC 28449
Tel: (910) 458-8216
Fax: (910) 458-7421
a.copenhaver@tokb.org

From: Phillip Anderson [mailto:Phillip.Anderson@nctreasurer.com]
Sent: Monday, October 30, 2017 2:11 PM
To: Arlen Copenhaver <a.copenhaver@townofkurebeach.org>
Subject: Kure Beach application

Arlen,

We received the Town's application today for the Town Hall & Fire Station project. Would you let me know how much of the \$5,500,000 is for the Town Hall ? How much of it is for the Fire Station?

Thanks

Phillip Anderson
Financial Analyst
Debt Management Section
State and Local Government Finance
Division
Phone: (919) 814-4275
Fax: (919) 855-5812

3200 Atlantic Avenue, Raleigh, NC 27604

www.NCTreasurer.com



**CAPITAL PROJECT BUDGET ORDINANCE
AMENDMENTS**



REVISED CAPITAL PROJECT ORDINANCE

TOWN HALL EXPANSION AND NEW FIRE STATION

Be it ordained by the Town Council of Kure Beach, North Carolina, that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following capital project ordinance is hereby adopted:

Section 1. The project authorized is the expansion of Town Hall and construction of a new fire station to be financed by a transfer from the General Fund and installment financing.

Section 2. The officers of this unit are hereby directed to proceed with the capital project within the terms of the installment financing agreements and the budget contained herein.

Section 3. The following amounts are appropriated for the project:

Feasibility Study	\$ 28,500
Architectural Services	386,757
Miscellaneous Project Costs	30,000
Construction – Town Hall	1,656,597
Construction – Fire Station	2,716,084
Project Contingency & Third-Party	
Project Management	<u>182,062</u>
Total Project Costs	<u>\$5,000,000</u>

Section 4. The following revenue sources are anticipated to be available to complete this project:

Transfer from the General Fund	\$ 250,000
Installment Financing	<u>4,750,000</u>
Total Revenue Sources	<u>\$5,000,000</u>

Section 5. The Finance Officer is hereby directed to maintain within the Capital Project Fund sufficient detailed accounting records to satisfy the requirements of any installment financing agreements and State and Federal regulations.

Section 6. Funds may be advanced from the General Fund for the purpose of making payments as due.

Section 7. The Finance Officer is directed to report, on a quarterly basis, on the financial status of each project element in Section 3 and on the total revenues received.


Section 8. The Budget Officer is directed to include a detailed analysis of past and future costs and revenues related to this capital project in every budget submission made to this Board.

Section 9. Copies of this capital project ordinance shall be furnished to the Town Clerk, the Budget Officer and the Finance Officer for direction in carrying out this project.

This ordinance being duly passed and adopted this 30th day of May, 2017.




Emilie Swearingen, Mayor


Nancy Avery, Town Clerk

**TOWN HALL EXPANSION AND NEW FIRE STATION
REVISED PROJECT BUDGET
AS OF 11/02/2017**

EXPENSES:

Feasibility Study **\$28,500**

Architect Fees **\$386,757**

Third Party Project Management **\$100,000**

Construction - Town Hall:

Construction \$2,309,613

Technology Wiring & Equipment \$23,750

Furnishings \$47,500

Contingency (5% of construction costs) \$115,480

Total Construction - Town Hall **\$2,496,343**

Construction - Fire Station:

Construction \$2,077,194

Technology Wiring & Equipment \$38,300

Furnishings \$89,400

Contingency (3% of construction costs) \$62,315

Total Construction - Fire Station **\$2,267,209**

Miscellaneous Project Costs:

Survey \$6,500

LGC Loan Application Fee \$1,250

Bank Loan Fees \$2,900

Legal fees \$25,000

Special Inspections \$16,000

Other \$500

Total Miscellaneous Project Costs **\$52,150**

TOTAL PROJECT EXPENSES **\$5,330,959**

REVENUE:

Transfer From General Fund **\$330,959**

Installment Financing **\$5,000,000**

TOTAL PROJECT REVENUE **\$5,330,959**

CALCULATION OF CONSTRUCTION BUDGET

TOWN HALL

Original Bid	\$2,113,500
Site Work (1/2 of total)	\$189,500
Alternative TG-6: Interior Renovation	<u>\$6,613</u>
	<u><u>\$2,309,613</u></u>

FIRE STATION

Original Bid	\$1,862,500
Site Work (1/2 of total)	\$189,500
Alternative FG-6: Fire Hydrant	<u>\$25,194</u>
	<u><u>\$2,077,194</u></u>

BUDGET AMENDMENT
FISCAL YEAR ENDING JUNE 30, 2018
AMENDMENT DATE: 11/02/2017

Budget Amendment No.: 18-01

DESCRIPTION/PURPOSE OF AMENDMENT

Based on the contractor bids received for the new Fire Station and Town Hall expansion/renovation project, as well as other changes to the project, the Town Hall Expansion and New Fire Station Capital Project Ordinance requires revision. The changes to the Capital Project Ordinance are as follows:

Expenditures

- Increase construction-related costs by a net of \$208,809 determined as follows:
 - Town Hall construction \$724,266
 - Fire Station construction (511,190)
 - Construction contingency (4,267)
 - Total \$208,809

- Establish a budget of \$100,000 for third party project management costs (Constructive Building Solutions, LLC)

- Increase the budget for miscellaneous project costs by \$22,150 determined as follows:
 - Additional survey costs \$ 3,250
 - Bank loan fees 2,900
 - Special inspections 16,000
 - Total \$22,150

Revenue

- Increase the budget for financing by \$250,000 (from \$4,750,000 to \$5,000,000)

- Increase the budget for transfers from the General Fund by \$80,959 (from \$250,000 to \$330,959)

ACCOUNTS AFFECTED

<u>Account No.</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
42-580-02-00	Construction Expenses	\$208,809	
42-580-04-00	Project Management Expenses	\$100,000	
42-580-05-00	Other Project Costs	\$22,150	
42-320-00-00	Loan Proceeds		\$250,000
42-315-00-00	Transfer In From General Fund		\$80,959

NOTE: (a) Budget Officer may transfer between line item expenditures without limitation and without a report being required up to \$10,000 at any one time. (b) The Budget Officer may transfer amounts within departments and of the same fund and reported as part of the financial statements. He/She shall make an official report immediately to Council on such transfers. (c) The Budget Officer may not transfer amounts between funds without prior Council action.

Requested By: Arlen Copenhaver, Finance/Budget Officer Date: 11/02/17

Approved By: Arlen Copenhaver, Finance/Budget Officer Date: 11/02/17

(Copies of actions/directives from Council Meeting to be attached, if required as per NOTE above).

Approved by Council 11/02/17 _____ Emilie Swearingen, Mayor

ATTEST: _____ Nancy Avery, Town Clerk

BUDGET AMENDMENT
FISCAL YEAR ENDING JUNE 30, 2018
AMENDMENT DATE: 11/02/2017

Budget Amendment No.: 18-02

DESCRIPTION/PURPOSE OF AMENDMENT

As a result of Budget Amendment 18-01 to increase the Town Hall Expansion and New Fire Station Capital Project Fund Budget, an additional transfer of \$80,959 from the General Fund is required. The revenue source for this transfer is an appropriation of the General Fund balance.

ACCOUNTS AFFECTED

<u>Account No.</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
10-580-99-99	Transfers Out	\$80,959	
10-310-00-00	Appropriate GF Balance		\$80,959

NOTE: (a) Budget Officer may transfer between line item expenditures without limitation and without a report being required up to \$10,000 at any one time. (b) The Budget Officer may transfer amounts within departments and of the same fund and reported as part of the financial statements. He/She shall make an official report immediately to Council on such transfers. (c) The Budget Officer may not transfer amounts between funds without prior Council action.

Requested By: Arlen Copenhaver, Finance/Budget Officer Date: 11/02/17

Approved By: Arlen Copenhaver, Finance/Budget Officer Date: 11/02/17

(Copies of actions/directives from Council Meeting to be attached, if required as per NOTE above).

Approved by Council 11/02/17 _____ Emilie Swearingen, Mayor

ATTEST: _____ Nancy Avery, Town Clerk

BUDGET AMENDMENT

FISCAL YEAR ENDING JUNE 30, 2018

AMENDMENT DATE: 11/02/2017

Budget Amendment No.: 18-03

DESCRIPTION/PURPOSE OF AMENDMENT

As a result of the capital project to expand/renovate Town Hall and construct a new Fire Station, the Town Hall complex must be vacated during the construction. The initial estimate is for a period of one year beginning in late November 2017 or early December 2017. The current estimate for relocation-related expenses for the entire one-year period is \$212,500. The portion pertaining to FY 2018 is estimated to be \$176,000. Although an expense relating to the Town Hall/Fire Station project, relocation expenses are not a part of the actual capital expenditures that will be recorded as a capital asset of the Town upon project completion. As a result, this Budget Amendment is to establish a relocation budget line item, within the Administration Department, that will be used to account for relocation expenses incurred in FY 2018. A relocation budget line item will also be required in the FY 2019 operating budget for relocation-related expenses that will be incurred in that year

ACCOUNTS AFFECTED

<u>Account No.</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
10-420-65-00	Relocation Expenses	\$176,000	
10-310-00-00	Appropriate GF Balance		\$176,000

NOTE: (a) Budget Officer may transfer between line item expenditures without limitation and without a report being required up to \$10,000 at any one time. (b) The Budget Officer may transfer amounts within departments and of the same fund and reported as part of the financial statements. He/She shall make an official report immediately to Council on such transfers. (c) The Budget Officer may not transfer amounts between funds without prior Council action.

Requested By: Nancy Avery, Town Clerk Date: 11/02/17

Approved By: Arlen Copenhaver, Finance/Budget Officer Date: 11/02/17

(Copies of actions/directives from Council Meeting to be attached, if required as per NOTE above).

Approved by Council 11/02/17 _____ Emilie Swearingen, Mayor

ATTEST: _____ Nancy Avery, Town Clerk

RELOCATION ESTIMATED COSTS

RELOCATION BUDGET - covers set up, move to the trailers and return move to Town Hall and Police		
ITEM	COST	NOTES
		Expenses are for Administration & Recreation, Finance, Building Inspections and Police Departments with some expenses to set up temporary phone, electric and internet services for remaining Fire Department while these services are re-located to temporary site for other departments 16 rooms of furniture & files in Town Hall and 11 rooms of furniture & files in PD
Trailers	\$90,000.00	includes delivery, set up, monthly rent, breakdown and return of trailers for 12 months
Duke Energy	\$36,000.00	this is a 'not to exceed' estimate - includes providing electric service with separate meter for and adding streetlight
EWE electric	\$14,000.00	includes providing electric service to trailers
Spectrum	\$10,000.00	best guess - includes internet account in town's name, connecting to National Guard (NG) fiber & monthly billing for 12 months
Moving company	\$7,000.00	move all of town hall (TH) and police department (PD) to temporary location
Mover back to town hall	\$7,000.00	move all of TH and PD back to finished site
Signs	\$3,000.00	best guess - signage for current TH & PD and temporary location to notify of new location
Spirit	\$19,000.00	includes set up of temporary phone service for current FD and temporary TH and PD via NG fiber
VC3	\$10,000.00	best guess - set up of IT network via NG fiber
concrete	\$5,000.00	best guess - repair broken parts of sidewalk at temporary location and connect ADA ramp to sidewalk
striping - PW	\$1,500.00	re-striping parking spaces and adding ADA space & signage at temporary location
Satellite Army cabling	\$10,000.00	best guess - run cabling for trailers and temporary PD building
	\$212,500.00	

SYSTEM DEVELOPMENT FEES

TOWN OF KURE BEACH
SYSTEM DEVELOPMENT FEES
AS OF OCTOBER 31, 2017

SUMMARY OF HOUSE BILL 436 (SESSION LAW 2017-138)

House Bill 436 (Session Law 2017-138) entitled “An Act to Provide for Uniform Authority to Implement System Development Fees for Public Water and Sewer Systems in North Carolina and to Clarify the Applicable Statute of Limitations” was signed by Governor Cooper on July 20, 2017. This bill clarifies a local government utility’s authority to assess upfront charges for water and sewer. This new law grants local government utilities specific authority to assess one type of upfront charge called a system development fee.

In the bill, a system development fee is defined as follows:

“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 the Article.”

The system development fee must be calculated based on a written analysis that:

1. Is prepared by a financial professional or a licensed 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 general accepted accounting, engineering, and planning methodologies, including 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 House Bill 436.
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 fees 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 10 years nor more than 20 years.

8. Is adopted by resolution or ordinance of the local government unit in accordance with G.S. 162A-209.

Adoption and Review Process

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.

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.

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.

Use and Administration of Revenue

Revenue from system development fees calculated using the incremental 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 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.

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.

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.

Time for Collection of System Development Fees

For new development involving the subdivision of land, the system development fee shall be collected by a local governmental unit either at the time of plat recordation or when water or sewer service for the subdivision or other development is committed by the local governmental unit. For all other new development, the local governmental unit shall collect the system development fee at the time of application for connection of the individual unit of development to the service or facilities.

**PROCESS FOR DETERMINING WATER AND SEWER
SYSTEM DEVELOPMENT FEES FOR KURE BEACH**

A common legal consideration (Rational Nexus) related to system development costs (SDC) that are used to calculate system development fees is establishing a reasonable relationship between the amount of the SDC and the cost associated with serving the new development. The Rational Nexus test considers the following elements:

1. A connection between new development and the new or expanded facilities required to accommodate such development.
2. Identification of the cost of new or expanded facilities.
3. Apportionment of the cost to new development in relation to the benefits it receives.

For element number one, Kure Beach Public Works Department evaluates capital improvement needs relating to water and sewer operations considering the need for new facilities to accommodate growth. These needs are incorporated into capital improvement plans. The water and sewer infrastructure has been constructed taking into account projected future growth and system demands.

Element number two, relating to the cost of new or expanded facilities, is satisfied by maintaining records of capital asset additions, disposals and improvements that are then used for financial reporting purposes and follow generally accepted accounting principles.

Element number three, apportionment of the cost to new development, is accomplished by using one of the permitted calculation methodologies.

Calculation Methodology

House Bill 436 identified three possible methodologies to use in calculating the system development fees. They are the buy-in method, cost or marginal cost method, or a combined cost method. Based on the planning philosophies and practices followed by Kure Beach that provide for increased capacity in advance of the actual demand, the buy-in method was determined to be the best method to calculate the system development fees. The buy-in method is based on the value of the system's existing capacity. This methodology is typically used when the existing system has adequate capacity for current and future development. With this method, new development "buys" a proportionate share of capacity at the cost of the existing facilities. The buy-in methodology is based on the concept of achieving capital equity between existing and new customers.

Data, Assumptions and Limitations

The capital asset data used in valuing the system capacity was obtained from the capital asset accounting records that are the basis of capital asset financial reporting in accordance with generally accepted accounting principles. These records detail the original cost, accumulated depreciation and net asset (book) value of each asset. The net book value of water and sewer capital assets as of June 30, 2017 was used in the calculation and updated with capital asset additions and disposals through October 31, 2017.

Additionally two types of valuation adjustments were applicable to determine the value of capacity. First is the debt credit. The outstanding debt relating to water and sewer operations must be deducted from the value of net assets. This is necessary because the debt service for the loans used to acquire the capital assets is included in the water and sewer operating budget and therefore are paid from revenue generated from the monthly water and sewer fees that are based on usage. As of October 31, 2017, the total outstanding debt for water and sewer operations was \$1,098,324.69.

The second valuation adjustment is the grant credit. This credit represents grant proceeds that were received for water or sewer capital additions and improvements. As a result, the capital assets of the Town were increased without using Town funds. The grant credit totals \$402,493.25 and pertains to sewer operations.

Regarding other assumptions, certain older water and sewer capital assets were identified only as "Infrastructure". Therefore, there was no clear delineation between which assets were water capital assets and which were sewer capital assets. In these instances, the assumption used was to equally divide these assets between water and sewer operations.

Finally, a limitation in performing the calculations was whether the water and sewer capital asset listings were complete. Without any other information available relating to water and sewer capital assets, the assumption was made that the capital asset records were sufficient and, therefore, the capital asset records did not contain any material omissions.

Kure Beach Use and Administration of System Development Fees

The system development fees collected by the Town will be accounted for in the Sewer Expansion Reserve Fund (SERF), which is an existing capital reserve fund. Use of the system development fee revenue will require Town Council action to move the funds from the SERF to the Water and Sewer Fund. As a result of using the buy-in method, the associated revenue can be used for previously completed capital improvements for which capacity exists and for capital rehabilitation projects.

Qualifications of Preparer of the Written Analysis

The system development fee analysis was prepared by Arlen Copenhaver, Finance & Budget Officer for the Town of Kure Beach. Arlen has been a Certified Public Accountant (CPA) for over 33 years and has over 36 years of finance-related experience. Included in his experience is over seven years of North Carolina local government finance experience that includes water and sewer financial operations, budgeting, accounting, financial reporting and rate analysis and determination for water and sewer operations.

SYSTEM DEVELOPMENT FEE ANALYSIS

Page 6 of this document summarizes the calculation of the system development fees for Kure Beach. The system development fee is divided into two components, water and sewer. Refer to page 6 for specifics of the calculation. In summary the calculated fees are:

CATEGORY	VALUE OF GALLONS PER DAY OF CAPACITY	AVERAGE DAILY USAGE (gals.)	SYSTEM DEVELOPMENT FEE
Water	\$1.83	137.5	\$251.63
Sewer	\$2.49	136.8	\$340.63
Total			\$592.26

The remaining pages of the analysis contain the documentation supporting the system development fees calculated on page 6.

**TOWN OF KURE BEACH
WATER AND SEWER
SYSTEM DEVELOPMENT FEES
AS OF 10/31/2017**

	(a)	(b)	(c) = (b)/30	(a) x (c)
CATEGORY	VALUE OF GALLONS PER DAY OF CAPACITY (EXHIBIT 1)	AVERAGE MONTHLY USAGE (gals.)	AVERAGE DAILY USAGE (gals.)	SYSTEM DEVELOPMENT FEE
Water	\$1.83	4,124	137.5	\$251.63
Sewer	\$2.49	4,103	136.8	\$340.63
TOTAL				\$592.26

NOTE: Average monthly usage for the three year period of 7/1/14 to 6/30/17 from the ICS Accounting System.

EXHIBIT 1

**TOWN OF KURE BEACH
CALCULATION OF THE VALUE OF
GALLONS PER DAY OF CAPACITY FOR WATER AND SEWER**

		WATER	SEWER
Total Net Book Value of Capital Assets	EXHIBIT 2	\$2,509,220.34	\$3,629,063.42
Less:			
Debt Credit	EXHIBIT 3	(\$391,853.34)	(\$706,471.35)
Grant Credit	EXHIBIT 4	\$0.00	(\$402,493.25)
Value of Capacity	(a)	\$2,117,367.00	\$2,520,098.82
Current Total Capacity (mgd)	(b)	1,157,000	1,012,784
Value of Gallons Per Day Capacity	(a)/(b)	\$1.83	\$2.49

Note: Current total capacity (million gallons per day) obtained from the Kure Beach Public Works Department.

EXHIBIT 2

**TOWN OF KURE BEACH
CAPITAL ASSET SUMMARY
FOR CALCULATION OF SYSTEM DEVELOPMENT FEES**

	<u>ORIGINAL COST</u>	<u>ACCUMULATED DEPRECIATION AS OF 6/30/17</u>	<u>NET BOOK VALUE AS OF 10/31/17</u>	<u>COMMENTS</u>
WATER				
Equipment & Vehicles	\$354,168.60	\$291,883.89	\$62,284.71	EXHIBIT 2-A
Infrastructure	\$4,165,159.00	\$1,785,477.59	\$2,379,681.41	EXHIBIT 2-B
Buildings	\$96,581.08	\$39,675.36	\$56,905.72	EXHIBIT 2-C
Land	\$10,348.50	\$0.00	\$10,348.50	EXHIBIT 2-C
Total Water Capital Assets	\$4,626,257.18	\$2,117,036.84	\$2,509,220.34	
SEWER				
Equipment & Vehicles	\$374,731.97	\$259,245.19	\$115,486.78	EXHIBIT 2-A
Infrastructure	\$5,251,338.81	\$1,805,016.39	\$3,446,322.42	EXHIBIT 2-B
Buildings	\$96,581.08	\$39,675.36	\$56,905.72	EXHIBIT 2-C
Land	\$10,348.50	\$0.00	\$10,348.50	EXHIBIT 2-C
Total Sewer Capital Assets	\$5,733,000.36	\$2,103,936.94	\$3,629,063.42	

TOWN OF KURE BEACH
 ALLOCATION OF EQUIPMENT AND VEHICLE
 CAPITAL ASSETS BETWEEN
 WATER AND SEWER OPERATIONS

	ORIGINAL COST	ACCUMULATED DEPRECIATION AS OF 6/30/17	NET BOOK VALUE AS OF 6/30/17	COMMENTS
Equipment & Vehicles				Total Water & Sewer Fund Equipment & Vehicle Capital Assets From 6/30/2017 Audited Financial Statements
Less Water only assets:				
Meyers Plunger Pump	\$5,852.19	\$5,852.19	\$0.00	
Assembly Road Tank Altitude Value	\$46,803.09	\$46,803.09	\$0.00	
Less Sewer only assets:				
O'Brien Hydrojetter	\$40,472.48	\$15,514.45	\$24,958.03	
Generator - Riggings lift station	\$22,510.63	\$4,502.13	\$18,008.50	
Additions:				
Compact Excavator purchased on 7/21/17	\$31,957.73	\$0.00	\$31,957.73	
Equipment & Vehicles to be divided equally between water & sewer	\$603,026.63	\$478,457.22	\$124,569.41	
Allocation of Equipment & Vehicles:				
Water:				
Assets shared with sewer	\$301,513.32	\$239,228.61	\$62,284.71	
Meyers Plunger Pump	\$5,852.19	\$5,852.19	\$0.00	
Assembly Road Tank Altitude Value	\$46,803.09	\$46,803.09	\$0.00	
Total Equipment & Vehicles - Water	\$354,168.60	\$291,883.89	\$62,284.71	
Sewer:				
Assets shared with water	\$301,513.32	\$239,228.61	\$62,284.71	
O'Brien Hydrojetter	\$40,472.48	\$15,514.45	\$24,958.03	
Generator - Riggings lift station	\$22,510.63	\$4,502.13	\$18,008.50	
Scanning Camera purchased on 8/10/17	\$10,235.54	\$0.00	\$10,235.54	
Total Equipment & Vehicles - Sewer	\$374,731.97	\$259,245.19	\$115,486.78	

EXHIBIT 2-B

**TOWN OF KURE BEACH
ALLOCATION OF INFRASTRUCTURE
CAPITAL ASSETS BETWEEN
WATER AND SEWER OPERATIONS**

	ORIGINAL COST	ACCUMULATED DEPRECIATION AS OF 6/30/17	NET BOOK VALUE AS OF 6/30/17	COMMENTS
Infrastructure				Total Water & Sewer Fund Infrastructure Capital Assets From 6/30/2017 Audited Financial Statements
Less Water only assets:				
Ft. Fisher Water Line Extension	\$8,604,766.81	\$3,590,493.98	\$5,014,272.83	
Less Sewer only assets:				
Ft. Fisher Water Line Extension	\$30,792.00	\$4,105.60	\$26,686.40	
Less Sewer only assets:				
Sewer System Improvements (3/8/11)	\$73,752.79	\$9,342.05	\$64,410.74	
Sewer System Improvements (1/6/12)	\$5,000.00	\$550.00	\$4,450.00	
Sewer Treatment Dechlorification	\$14,169.69	\$11,317.36	\$2,852.33	
SeaView Sewer Infrastructure	\$8,000.00	\$306.67	\$7,693.33	
Bypass Force Main	\$204,318.33	\$2,128.32	\$202,190.01	
Infrastructure to be divided equally between water & sewer	\$8,268,734.00	\$3,562,743.98	\$4,705,990.02	
Allocation of Infrastructure:				
Water:				
Assets shared with sewer	\$4,134,367.00	\$1,781,371.99	\$2,352,995.01	
Ft. Fisher Water Line Extension	\$30,792.00	\$4,105.60	\$26,686.40	
Total Infrastructure - Water	\$4,165,159.00	\$1,785,477.59	\$2,379,681.41	
Sewer:				
Assets shared with water	\$4,134,367.00	\$1,781,371.99	\$2,352,995.01	
Sewer System Improvements (3/8/11)	\$73,752.79	\$9,342.05	\$64,410.74	
Sewer System Improvements (1/6/12)	\$5,000.00	\$550.00	\$4,450.00	
Sewer Treatment Dechlorification	\$14,169.69	\$11,317.36	\$2,852.33	
SeaView Sewer Infrastructure	\$8,000.00	\$306.67	\$7,693.33	
Bypass Force Main	\$204,318.33	\$2,128.32	\$202,190.01	
KB Pump Station #1 (completed 10/17)	\$811,731.00	\$0.00	\$811,731.00	
Total Infrastructure - Sewer	\$5,251,338.81	\$1,805,016.39	\$3,446,322.42	

EXHIBIT 2-C

**TOWN OF KURE BEACH
ALLOCATION OF BUILDINGS AND LAND
CAPITAL ASSETS BETWEEN
WATER AND SEWER OPERATIONS**

	ORIGINAL COST	ACCUMULATED DEPRECIATION AS OF 6/30/17	NET BOOK VALUE AS OF 6/30/17	COMMENTS
Buildings	\$193,162.16	\$79,350.71	\$113,811.45	Total Water & Sewer Fund Buildings Capital Assets From 6/30/2017 Audited Financial Statements
Less Water only assets:	\$0.00	\$0.00	\$0.00	
Less Sewer only assets:	\$0.00	\$0.00	\$0.00	
Buildings to be divided equally between water & sewer	\$193,162.16	\$79,350.71	\$113,811.45	
Allocation of Buildings:				
Water:				
Assets shared with sewer	\$96,581.08	\$39,675.36	\$56,905.73	
Total Buildings - Water	\$96,581.08	\$39,675.36	\$56,905.73	
Sewer:				
Assets shared with water	\$96,581.08	\$39,675.36	\$56,905.73	
Total Buildings - Sewer	\$96,581.08	\$39,675.36	\$56,905.73	
Land	\$20,697.00	\$0.00	\$20,697.00	Total Water & Sewer Fund Land Capital Assets From 6/30/2017 Audited Financial Statements
Less Water only assets:	\$0.00	\$0.00	\$0.00	
Less Sewer only assets:	\$0.00	\$0.00	\$0.00	
Land to be divided equally between water & sewer	\$20,697.00	\$0.00	\$20,697.00	
Allocation of Land:				
Water:				
Assets shared with sewer	\$10,348.50	\$0.00	\$10,348.50	
Total Land - Water	\$10,348.50	\$0.00	\$10,348.50	
Sewer:				
Assets shared with water	\$10,348.50	\$0.00	\$10,348.50	
Total Land - Sewer	\$10,348.50	\$0.00	\$10,348.50	

**TOWN OF KURE BEACH
CALCULATION OF DEBT CREDIT
AS OF 10/31/2017**

EXHIBIT 3

<u>LOAN DESCRIPTION</u>	<u>WATER PORTION</u>	<u>SEWER PORTION</u>	<u>TOTAL OUTSTANDING BALANCE AT 10/31/17</u>
Sewer Rehabilitation Project	\$0.00	\$137,224.32	\$137,224.32
Kure Beach Pump Station #1	\$0.00	\$475,000.00	\$475,000.00
Water Tower/Well House	\$336,264.84	\$0.00	\$336,264.84
2016 John Deere Backhoe	\$21,247.81	\$21,247.82	\$42,495.63
Compact Excavator	\$15,978.75	\$15,978.75	\$31,957.50
O'Brien Hydrojetter	\$0.00	\$24,856.35	\$24,856.35
FY 2016 Equipment:			
Polaris	\$3,271.15	\$3,271.15	\$6,542.30
Service Truck - 2016 Silverado	\$10,932.00	\$10,932.00	\$21,864.00
Riggings Lift Station Generator	\$0.00	\$13,802.17	\$13,802.17
2015 Ford F-250 Utility Truck	\$4,158.79	\$4,158.79	\$8,317.58
TOTAL	\$391,853.34	\$706,471.35	\$1,098,324.69

EXHIBIT 4

**TOWN OF KURE BEACH
CALCULATION OF GRANT CREDIT
AS OF 10/31/2017**

<u>FISCAL YEAR</u>	<u>G/L ACCT. NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>AMOUNT</u>
2010	30-392-00-00	CWMTF Grants Sewer Rehab	\$268,717.07
2010	30-392-00-01	Financing Sewer Rehab/ARRA Funding	\$305,836.00
2011	30-392-00-00	CWMTF Grants Sewer Rehab	\$44,270.18
		TOTAL	\$618,823.25
		Less: Portion of proceeds processed as grant revenue that is actually debt and included in the outstanding debt calculation	(\$216,330.00)
		Total Grants - Sewer	\$402,493.25