

Clackamas Water Environment Services

System Development Charges Overview

Definition and Purpose of System Development Charges

System Development Charges (SDCs) are one-time fees charged to new developments or changes to existing developments that increase demand, i.e., the use of a public wastewater and/or surface water system. SDCs provide dedicated funding for capacity-enhancing capital projects to ensure that new developments and changes in use contribute their fair share toward the costs of expanding and upgrading WES' infrastructure. The charges are solely used to fund WES' capital improvements or qualifying debt service payments.

Statutory Framework

SDCs are governed by Oregon state law (ORS 223.297-223.314). These statutes provide a uniform framework that ensures charges are assessed in a fair and equitable manner, and used solely for capital improvements. State statutes specify the guidelines for calculating and modifying SDCs that WES and other organizations must follow, as well as accounting requirements for tracking revenues.

Components of SDCs

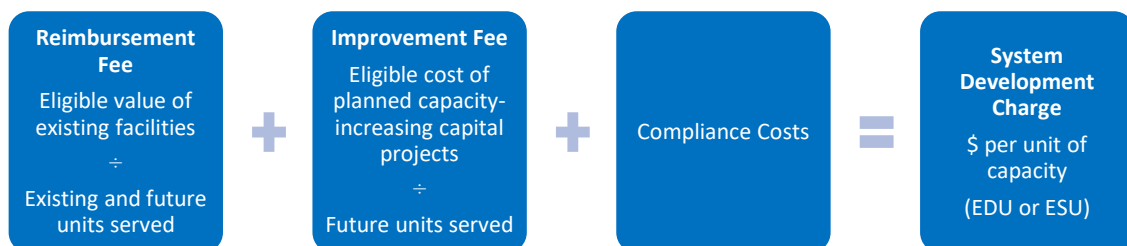
SDCs generally consist of the following components:

1. A Reimbursement Fee component recovers the costs for existing infrastructure that has available capacity to serve new development.
2. An Improvement Fee component funds planned capital improvements that will increase system capacity to meet future demands.
3. Compliance Costs are authorized by ORS and intended to cover the costs of developing the SDC methodology and required annual accounting.

Calculation

The calculation of SDCs involves the following steps:

1. **Determine Capacity Needs:** Assess current system capacity and project future demands based on anticipated growth. Growth projections are based on the most recent population study for WES' service area.
2. **Develop Cost Basis:** Estimate the costs of existing and planned infrastructure necessary to provide new capacity.
3. **Determine Unit Charge:** Calculate the unit charge by dividing the cost basis by the existing and/or future units of capacity. The calculated unit charge represents the maximum allowable charge and a reduced SDC amount may be adopted by a governing body.



WES' SDC methodology expresses existing and future system capacity in terms of Equivalent Dwelling Units (EDUs) for wastewater, and Equivalent Service Units (ESUs) for surface water. EDUs and ESUs are units of measurement assumed to be equivalent to the usage of an average single-family residential dwelling unit (EDUs) or parcel (ESUs), as determined by WES Rules and Regulations.

Application of SDCs

SDCs are assessed to new development, or changes in development that increase system demand, based on the type of development and its estimated impact to the system:

- **Wastewater EDUs** are assigned to single-family residential development based on the square footage of the living area as an indicator for projected system demand. EDUs are assigned to non-residential development based on demand factors that are specific to the class of service.
- **Surface Water ESUs** are assigned to development based on the square footage of impervious surface area for non-residential, multi-family, and attached SFR properties; detached SFR properties are assigned a single ESU.

WES' Rules and Regulations contain tables that specify the EDU and ESU assignments for each type and class of development.

Collection Timing

For developments in Happy Valley and unincorporated areas within Rate Zone 2, SDCs are typically collected at the time a building permit is issued. For wholesale city customers served by WES, SDCs are collected as part of each city's permitting process. The collected fees are then remitted to WES in accordance with the terms outlined in the Intergovernmental Agreements between WES and the respective cities.

Use of SDC Revenues

State statutes authorize the expenditure of SDCs revenues for the following:

Improvement fee revenues may only be spent on capital expenditures that increase system capacity, including:

- Expanding and/or upgrading wastewater treatment and collection facilities
- Expanding and/or upgrading surface water management infrastructure
- Principal and interest payments on debt that was used to pay for capacity-increasing capital improvements

Reimbursement fee revenues may be spent on any capital expenditures associated with the system for which the fees are assessed, including principal and interest on related debt.

An annual accounting of SDC revenues, including the total amount collected and the amount spent on each project funded by SDC revenues, is required by statute. WES accounts for wastewater and surface water SDC revenues and expenditures in dedicated funds to ensure compliance and transparency. WES' Rules and Regulations further require that revenues from reimbursement fees and improvement fees are tracked separately.

Establishment and Modification of SDCs

SDCs must be established or modified by an ordinance or resolution of WES' governing body:

- SDC Methodology updates require adoption by the governing body at a public hearing, 90 day's advance written notice to the list of persons requesting notice, and that the methodology is available for review at least 60 days prior to first hearing.
- SDC modifications may be made without changing the methodology if those modifications involve either indexing the SDC for inflation, or updating the capital project list or population projections that the SDC calculation is based on.

WES' SDC charges are generally indexed annually, in conjunction with the budget process, and based on the [Engineering News Record Construction Cost Index](#).

Additional Resources

WES' Current SDC Rates and FAQ: <https://www.clackamas.us/wes/sdc>

WES Rules & Regulations: <https://dochub.clackamas.us/documents/drupal/a8f6f51f-98eb-457d-98e2-92ba581352be>