

February 7, 2025

Melissa Westfall
Chief Financial Officer
Charlotte Water
4222 Westmont Drive
Charlotte, NC 28217

Subject: Calculation of Water and Sewer System Development Fees for FY 2026

Dear Ms. Westfall:

This letter report documents the water and sewer system development fee analysis completed by Raftelis Financial Consultants, Inc. (“Raftelis”) for fiscal year (“FY”) 2026 for consideration by Charlotte Water. The analysis was completed based on the specific scope of work agreed to by Raftelis and Charlotte Water in consideration of the approach for establishing system development fees set forth in North Carolina General Statute 162A Article 8 – “System Development Fees” and using common industry practices and industry standards. The purpose of this report is to summarize our system development fee calculations and results.

We provide no opinion on the legality of the system development fees implemented by Charlotte Water. It is the responsibility of Charlotte Water to ensure compliance of the system development fees with North Carolina General Statute 162A Article 8 – “System Development Fees.” The scope of work did not include any additional work other than the calculation associated with the system development fees. It did not address anything else associated with the system development fees, such as opinions or recommendations on the administration of these fees, the timing and use application of revenues from the collection of these fees, as that is the responsibility of Charlotte Water.

Background

System development fees are one-time charges assessed to new water and/or sewer customers for their use of system capacity and serve as a method by which to recover up-front system capacity costs from those using the capacity. North Carolina General Statute 162A Article 8 (“Article 8”) provides for the uniform authority to implement system development fees for public water and sewer systems in North Carolina and was passed by the North Carolina General Assembly and signed into law on July 20, 2017. According to the statute, system development fees are required to be adopted in accordance with the conditions and limitations of Article 8, and the fees are required to conform to the requirements set forth in the Article no later than July 1, 2018.¹ In addition, the system development fees must also be prepared by a financial professional or licensed professional engineer, qualified by experience and training or education, who, according to the Article, shall:

¹ Raftelis calculated system development fees for Charlotte Water for FY 2019 and for each subsequent fiscal year, through FY 2025, in accordance with the requirements set forth in Article 8.

1. Document in reasonable detail the facts and data used in the analysis and their sufficiency and reliability.
2. Employ generally accepted accounting, engineering, and planning methodologies, including the buy-in, incremental cost or marginal cost, and combined cost approaches for each service, setting forth appropriate analysis to the consideration and selection of an approach appropriate to the circumstances and adapted as necessary to satisfy all requirements of the Article.
3. Document and demonstrate 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 fee and the aggregate thereof.
4. Identify all assumptions and limiting conditions affecting the analysis and demonstrate that they do not materially undermine the reliability of conclusions reached.
5. Calculate a final system development fee per service unit of new development and include an equivalency or conversion table for use in determining the fees applicable for various categories of demand.
6. Consider a planning horizon of not less than five years, nor more than 20 years.
7. Use the gallons per day per service unit that the local government unit applies to its water or sewer system engineering for planning purposes for water or sewer, as appropriate, in calculating the system development fee.

This letter report documents the results of the calculation of water and sewer system development fees for FY 2026 in accordance with these requirements. In general, system development fees are calculated based on (1) a cost analysis of the existing or planned infrastructure that is in place, or will be constructed, to serve new capacity demands, and (2) the existing or additional capacity associated with these assets. Article 8 is relatively explicit in the identification of infrastructure assets that may be included as part of the system development fee calculation, as the Article defines allowable assets to include the following types, as provided in Section 201:

“A water supply, treatment, storage, or distribution facility, or a wastewater collection, treatment, or disposal facility providing a general benefit to the area that facility serves and is owned or operated, or to be owned or operated, by a local governmental unit. This shall include facilities for the reuse or reclamation of water and any land associated with the facility.”

In accordance with this provision, the method used to calculate system development fees for Charlotte Water included system facility assets that satisfied this definition.

Article 8 references three methodologies that could be used to calculate system development fees. These include the buy-in method, the incremental cost method, and the combined cost method. A description of each of these methods is included in the following paragraphs:

Capacity Buy-In Method:

Under the Capacity Buy-In Method, a system development fee is calculated based on the proportional cost of each user's share of existing system capacity. This approach is typically used when existing facilities can provide adequate capacity to accommodate future growth. The cost of capacity is derived by dividing the estimated value of existing facilities by the current capacity provided by existing facilities. Adjustments to the value of existing facilities are made for developer contributed assets, grant funds, and outstanding debt.

Incremental Cost Method:

Under the Incremental Cost (or Marginal Cost) Method, a system development fee is calculated based on a new customer's proportional share of the incremental future cost of system capacity. This approach is typically used when existing facilities have limited or no capacity to accommodate future growth. The cost of capacity is calculated by dividing the total cost of growth-related capital investments by the additional capacity provided as a result of the investments.

Combined Method:

Under the Combined Method, a system development fee is calculated based on the blended value of both the existing and expanded system capacity. As such, it is a combination of the Capacity Buy-In and Incremental Cost methods. This method is typically used when existing facilities provide adequate capacity to accommodate a portion of the capacity needs of new customers, but where significant investment in new facilities to address a portion of the capacity needs of future growth is also anticipated, or where some capacity is available in parts of the existing system, but incremental capacity will be needed for other parts of the system to serve new customers at some point in the future.

The Capacity Buy-In method was used to calculate the water and sewer system development fees for Charlotte Water, since in general, Charlotte Water's existing water and sewer treatment facilities have adequate capacity to accommodate anticipated future growth over the near term. The following steps were completed to calculate the fees under the Capacity Buy-In Method:

1. The reproduction cost of existing system facilities was calculated, and adjustments were made to derive a net reproduction cost estimate in accordance with Article 8. Adjustments to the calculated reproduction cost included deducting accumulated physical depreciation, developer contributions, and a portion of outstanding debt.
2. The unit cost of system capacity was estimated by dividing the net reproduction cost of existing system facilities by the current capacity of the system.
3. The amount of capacity assumed to be demanded by one service unit of new development was identified. One equivalent residential unit ("ERU") was defined as the smallest service unit of new development.
4. The system development fee for one service unit of development was calculated by multiplying the cost per unit of system capacity by the capacity associated with one ERU.
5. The calculated system development fee for one ERU was scaled for different categories of demand. Meter capacity ratios were used to scale system development fees from a base meter size, or the smallest unit of new development (one ERU), to different categories of demand, as defined by the different customer water meter sizes.

System Development Fee Calculation

Step 1 – Estimate the Reproduction Cost of System Facilities and Apply Adjustments

A listing of fixed assets was provided by Charlotte Water as of November 30, 2024, and the listing was reviewed by Raftelis. Each individual asset was categorized into one of the categories shown in Table 1. All assets included in the listing were assumed to be fully acquired, installed, and in service as of the date of the listing. General assets, such as those related to administrative buildings, certain rolling stock, and

certain equipment items were not directly attributable to either the water or sewer system. As a result, these assets were categorized as “Other – General.”

Table 1. Fixed Asset Categories by System

Water System	Sewer System
Right-of-Way	Right-of-Way
Land	Land
Source of Supply	Collection
Treatment	Conveyance
Pump Stations	Pump Stations
Transmission	Treatment
Distribution	Other – Sewer
Storage	
Other – Water	
Other - General	

Note: Assets not directly attributable to either the water or sewer system were categorized as “Other – General”.

Assets in categories identified as “Other - Water”, “Other - Sewer”, and “Other - General” were excluded from the calculation of system value as these assets were not specifically identified as allowable under Article 8. Excluded assets included those relating to administrative and miscellaneous type buildings, rolling stock, various types of equipment, and newly constructed assets related to the Stowe wastewater treatment facility, as the facility is not in service as of the date of this report.

Next, the reproduction cost of existing assets in allowable categories was estimated. Each asset’s original cost, as contained in the fixed asset listing provided by Charlotte Water, was escalated to current year (2025) dollars based on the year the asset was purchased and the corresponding escalation factor for that year. Escalation factors for each year were developed using the Engineering News Record’s Construction Cost Index (“ENR CCI”), which provides an annual index value representing the relative change in construction costs for each year from 1908 to 2025. Using the ENR’s CCI to estimate asset reproduction cost is an industry accepted method by which to derive a current cost estimate of system facilities.

The reproduction cost of the assets was adjusted by their indexed accumulated depreciation to derive the reproduction cost new less accumulated depreciation (“RCNLD”) amounts. The estimated RCNLD values for water and sewer system assets allowable under Article 8 are summarized in Tables 2 and 3, respectively.

Table 2. Water System RCNLD

Description	RCNLD Value
Right-of-Way	\$16,224,122
Land	51,804,813
Source of Supply	84,119,970
Treatment	278,930,932
Pump Stations	66,913,249
Transmission	606,173,077
Distribution	1,282,775,616
Storage	30,309,797
Total	\$2,417,251,577

Table 3. Sewer System RCNLD

Description	RCNLD Value
Right-of-Way	\$54,443,902
Land	46,231,567
Collection	1,978,012,481
Conveyance	950,972,923
Pump Stations	314,438,187
Treatment	1,309,924,956
Total	\$4,654,024,016

As shown in Tables 2 and 3, the RCNLD values of the water and sewer systems were estimated to be approximately \$2.4 billion and \$4.7 billion, respectively. Several additional adjustments were made to the estimated water and sewer system RCNLD values in accordance with Article 8, which included adjustments for developer contributed assets and a portion of outstanding debt, as described below.

Developer Contributed Assets:

The listing of fixed assets was reviewed to identify assets that were contributed, or paid for, by developers. Charlotte Water tracks assets that were contributed by developers and identifies them in the fixed asset register as such. These assets were subtracted from the RCNLD value, as these assets do not represent an investment of Charlotte Water’s own funds in system capacity. The total RCNLD value of contributed water and sewer system assets was estimated to be approximately \$740.2 million and \$1.1 billion, respectively.

Debt Credit:

Article 8 specifies that the buy-in calculation should be determined using generally accepted methods, including the consideration of debt credits and other generally accepted valuation adjustments. Article 8 also states that in applying the incremental cost or the combined cost methods to calculate a system development fee, the analysis must include a credit against the projected aggregate cost of capital improvements and that in no case shall the credit be less than 25 percent of the aggregate cost of capital improvements. In calculating the system development fees for Charlotte Water, a debt credit was

included in the calculation as described below. Note that while the system development fee methodology used for Charlotte Water was neither the incremental cost method nor the combined cost method, rather the buy-in method was used, a debt credit of at least 25 percent of the individual net RCNLD values of the water system and the sewer system was incorporated into the fee calculation.

The debt credit was applied to reflect that a portion of the outstanding debt associated with system facilities will be repaid with water and sewer user charges and a portion will be repaid with system development fee revenues. An adjustment was made to prevent recovering the cost of the assets twice, once when assessing system development fees to new customers, and then again when these customers pay user charges.

The amount of the credit was calculated by first identifying the amount of existing outstanding debt attributable to both the water and sewer systems that funded qualifying assets. Then, the existing outstanding debt anticipated to be funded with system development fee revenues and the portion anticipated to be funded with water and sewer user charges was estimated. The portion of outstanding debt anticipated to be funded with water and sewer user charges was then credited in the system development fee calculation.

The debt used to finance qualifying assets was comprised of Revenue Bonds, Revenue Bond Anticipation Notes, Federal Revolving Loans, and State Revolving Loans. The total outstanding debt used to fund qualifying assets was approximately \$2.1 billion as of June 30, 2024, according to the City of Charlotte's FY 2024 Annual Comprehensive Financial Report, which included audited financial information for Charlotte Water. The total amount of outstanding debt was allocated between the water and sewer systems in proportion to the net book value (original cost, less accumulated depreciation) of each system, excluding developer contributed assets and non-infrastructure assets, such as administrative/other buildings, rolling stock, and equipment. The net book value of assets was used to reflect the actual cost incurred to acquire the asset and to exclude assets that are fully depreciated, as the debt used to finance these assets has been repaid and is no longer outstanding. A summary of the outstanding debt allocation is provided in Table 4. Note that outstanding debt used to fund the construction of assets related to the Stowe wastewater treatment facility was excluded from the calculation.

Table 4. Allocation of Outstanding Debt to the Water and Sewer Systems

Description	Amount
Total Outstanding Debt	\$2,143,436,000
Water System Net Book Value (NBV)	\$1,168,427,413
Sewer System NBV	<u>2,637,000,824</u>
Total	\$3,805,428,237
Water System NBV (%)	30.7%
Sewer System NBV (%)	<u>69.3%</u>
Total	100.0%
Estimated Water System Outstanding Debt	\$658,125,505
Estimated Sewer System Outstanding Debt	<u>1,485,310,495</u>
Total Outstanding Debt	\$2,143,436,000

Estimated Sewer System Outstanding Debt	\$1,485,310,495
Less: Stowe Related Debt	<u>-160,647,956</u>
Adjusted Sewer Outstanding Debt	\$1,324,662,539

The historical annual system development fee revenues collected by Charlotte Water over a five-year period from FY 2019 through FY 2023 were compared to the historical annual debt principal payments made by Charlotte Water over the same time-period. This information was obtained from past Annual Comprehensive Financial Reports for the City of Charlotte. The system development fee revenues collected over this period were estimated to have been used to make principal payments on outstanding debt. Any principal payments made over this time period in excess of the amount of system development fee revenues collected were estimated to have been funded with water and sewer user charges.

Based on this method, it was estimated that water system development fee revenues from FY 2019 to FY 2023 were sufficient to pay for 66.7 percent of the principal payments on outstanding water system debt. The remaining portion, approximately 33.3 percent, was estimated to have been funded with water user charges. Therefore, the revenue credit for the outstanding debt of the water system was calculated to be approximately \$219.3 million ($33.3\% \times \$658,125,505$).

The calculated water system's debt credit in comparison to the RCNLD value was calculated to be roughly 13.1 percent ($\$219.3 \text{ million} \div \$1.7 \text{ billion} = 13.1 \text{ percent}$). The debt credit was adjusted upward by roughly \$200.0 million so that the debt credit was no less than 25 percent of the water system's aggregate cost of capital improvements as measured by the water system's net RCNLD value ($[\$219.3 \text{ million} + \$200.0 \text{ million}] \div \$1.7 \text{ billion} = 25 \text{ percent}$).²

For sewer, it was estimated that sewer system development fee revenues from FY 2019 to FY 2023 were sufficient to pay for 40.0 percent of the principal payments on outstanding sewer system debt. The remaining portion, approximately 60.0 percent, was estimated to have been funded with sewer user charges. The revenue credit for outstanding debt of the sewer system was calculated to be approximately \$794.7 million ($60.0\% \times \$1,324,662,539$). A debt credit of approximately \$794.7 million was equal to 22.5 percent of the sewer system's net RCNLD value ($\$794.7 \text{ million} \div \$3.5 \text{ billion} = 22.5 \text{ percent}$). The debt credit was adjusted upward by roughly \$90.0 million so that the debt credit was no less than 25 percent of the sewer system's aggregate cost of capital improvements as measured by the sewer system's net RCNLD value ($\$794.7 \text{ million} + \$90.0 \text{ million}] \div \$3.5 \text{ billion} = 25 \text{ percent}$). The resulting adjustments to the water and sewer RCNLD values for developer contributions and a portion of outstanding debt are shown in Table 5.

Table 5. Calculation of Net Water and Sewer System RCNLD

Description	Amount
<u>Water System:</u>	
System Facilities RCNLD	\$2,417,251,577
Less: Developer Contributed Assets	-740,186,462

²Article 8 does not specifically state that it requires Charlotte Water to apply a debt credit of not less than 25 percent of the aggregate cost of the capital improvements when using the buy-in method. However, for conservativeness Charlotte Water instructed Raftelis to apply a minimum credit of 25 percent to the system development fee calculations.

Description	Amount
Less: Credit for Outstanding Debt	-219,283,651
Less: Adj to Meet Min Debt Credit	<u>-199,982,627</u>
Net System Value	\$1,257,798,836
<u>Sewer System:</u>	
System Facilities RCNLD	\$4,654,024,016
Less: Developer Contributed Assets	-1,115,408,145
Less: Credit for Outstanding Debt	-794,678,869
Less: Adj to Meet Min Debt Credit	-89,975,099
Net System Value	<u>\$2,653,961,903</u>

Step 2 – Calculate the Unit Cost of System Capacity

The cost per unit of system capacity was calculated by dividing the adjusted RCNLD values (derived in Step 1) by the water and sewer system capacities. The combined treatment capacity of the water system (including the Dukes, Franklin, and Vest WTP's) is currently 242 million gallons per day (“MGD”). Therefore, the cost per unit of system capacity for the water system was calculated to be \$5.20 per gallon, per day (\$1,257,798,836 ÷ 242.0 MGD).

The wastewater treatment capacity of the sewer system is 123 MGD, based on the known individual treatment capacities of Charlotte Water’s five wastewater treatment plants (Irwin Creek, Mallard Creek, McAlpine Creek, McDowell Creek, and Sugar Creek). Therefore, the cost per unit of system capacity for the sewer system was calculated to be \$21.58 per gallon, per day (\$2,653,961,903 ÷ 123.0 MGD).

Step 3 – Estimate the Amount of Capacity Per Service Unit of New Development

Section 205 of Article 8 states that the system development fee calculation “...use the gallons per day per service unit that the local governmental unit applies to its water or sewer system engineering for planning purposes for water or sewer, as appropriate, in calculating the system development fee.” In accordance with this provision, one ERU of peak day capacity for the water system was defined to be 269 gallons per day (“GPD”). This amount was estimated based on information contained in Charlotte Water’s Water Distribution System Master Plan.³ The Master Plan stated that the average consumption per account per day for single family residential customers from 2008 to 2014 was estimated to be 188 GPD. The Master Plan also documented that on average, from 2007 to 2014, the system’s maximum day level of demand was 1.43 times its average day demand. Therefore, the peak day capacity requirement associated with one service unit of new residential development was estimated to be 269 GPD based on the following calculation:

$$\begin{aligned}
 & \text{Single-family residential average day consumption per account of 188 GPD} \\
 & \times \text{System peak day factor of 1.43} \\
 & = \text{Maximum-day capacity for single-family residential of 269 GPD}
 \end{aligned}$$

³ Water Distribution System Master Plan - Demand Projections Technical Memorandum, Black & Veatch, March 21, 2016.

For the sewer system, one ERU of capacity demand was defined as 250 GPD. This amount was estimated based on the requirements for permittees of wastewater systems as included in Chapter 143 of the North Carolina General Statutes, which states that permittees “shall calculate its wastewater flows for new dwelling units discharging to wastewater systems serving two or more dwelling units that have yet to be connected and for which the permittee has not allocated capacity at 75 gallons per day per bedroom, or at a lower rate approved by the Department.”⁴ One single-family residential dwelling unit was assumed to represent one service unit of new development. The typical number of bedrooms for a single-family dwelling was estimated to be 3.33, which was based on the average number of bedrooms within owner-occupied residential dwellings in the City of Charlotte according to recent data from the U.S. Census Bureau’s American Community Survey.⁵ Therefore, the amount of capacity per service unit of new development was estimated to be 250 GPD (75 GPD per bedroom × 3.33 bedrooms).

Step 4 – Calculate the System Development Fee for One ERU

The system development fee for one ERU was calculated by multiplying the unit cost of capacity from Step 2 by the capacity demanded by one ERU from Step 3. The calculations are provided in Table 6.

Table 6. Calculation of Water and Sewer System Development Fees for One ERU

Description	Amount
Water System:	
Net System Value	\$1,257,798,836
System Capacity (MGD)	242
Unit Cost of Capacity (\$ / gallon per day)	\$5.20
Capacity Required for 1 ERU (gallons per day)	269
System Development Fee per ERU	\$1,398.13
Sewer System:	
Net System Value	\$2,653,961,903
System Capacity (MGD)	123
Unit Cost of Capacity (\$ / gallon, per day)	\$21.58
Capacity Required for 1 ERU (gallons per day)	250
System Development Fee per ERU	\$5,388.84

Step 5 – Scale the System Development Fees for Various Categories of Demand

The system development fees for various categories of demand were scaled using water meter capacity ratios. The scaling factors were based on rated meter capacities for each meter size, as published by the American Water Works Association in Principles of Water Rates, Fees, and Charges.⁶ The meter capacity ratings for ultrasonic meter types were provided by Charlotte Water. The meter capacity ratings

⁴ North Carolina General Statutes Chapter 143-215.1(f3)(2).

⁵ U.S. Census Bureau, American Community Survey, City of Charlotte, North Carolina, Occupied Housing Units, Table B25042, 1-year estimates from 2019 to 2023.

⁶ Manual of Water Supply Practices (M1), Principles of Water Rates, Fees, and Charges, American Water Works Association, 7th Edition, Table VII.2-5 on p. 338.

for private fire line meters were obtained from manufacturer ratings and Charlotte Water policy on scaling for these meters. The meter scaling factors are shown in Table 7.

Table 7. Meter Capacities and Scaling Factors by Meter Size

Meter Size	Rated Meter Capacity (gpm)	Scaling Factor
5/8" Displacement	20	1.0
1" Displacement	50	2.5
1-1/2 Displacement	100	5.0
2" Displacement	160	8.0
3" Singlejet	320	16.0
3" Compound, Class I	320	16.0
3" Compound, Class II	350	17.5
3" Turbine, Class I	350	17.5
3" Ultrasonic	500	25.0
4" Compound, Class I	500	25.0
4" Singlejet	500	25.0
4" Compound, Class II	600	30.0
4" Turbine, Class I	630	31.5
4" x 1" FMCT	Water – 700; Sewer – 50	Water – 35; Sewer – 2.5
4" Ultrasonic	880	44.0
6" Singlejet	1,000	50.0
6" Compound, Class I	1,000	50.0
6" Compound, Class II	1,350	67.5
6" Turbine, Class I	1,300	65.0
6" x 1.5" FMCT	Water – 1,600; Sewer – 100	Water – 80.0; Sewer – 5.0
6" x 2" FMCT	Water – 1,600; Sewer – 160	Water – 80.0; Sewer – 8.0
6" Ultrasonic	1,400	70.0
8" Compound, Class I	1,600	80.0
8" Compound, Class II	1,600	80.0
8" Turbine, Class II	2,800	140.0
8" x 2" FMCT	Water – 2,800; Sewer – 160	Water – 140; Sewer – 8.0
8" Ultrasonic	2,800	140.0
10" Turbine, Class II	4,200	210.0
10" x 2" FMCT	Water – 4,400; Sewer - 160	Water – 220; Sewer – 8.0
10" x 12" x 2" FMCT	Water – 5,000; Sewer – 160	Water – 250; Sewer 8.0
10" Ultrasonic	4,500	225.0
12" FMCT w/ 2 inch at Crossover	4,400	220.0
12" Turbine, Class II	5,300	265.0
12" Ultrasonic	5,500	275.0
2" Fire Line	160	8.0

Meter Size	Rated Meter Capacity (gpm)	Scaling Factor
4" Fire Line	400	20.0
6" Fire Line	900	45.0
8" Fire Line	1,800	90.0
10" Fire Line	2,250	112.5
12" Fire Line	3,525	176.3

gpm = Gallons per minute

Table 8. Water and Sewer System Development Fees by Meter Size

Meter Size	Water Fee	Sewer Fee
5/8" Displacement	\$1,398	\$5,389
1" Displacement	\$3,495	\$13,472
1-1/2 Displacement	\$6,991	\$26,944
2" Displacement	\$11,185	\$43,111
3" Singlejet	\$22,370	\$86,221
3" Compound, Class I	\$22,370	\$86,221
3" Compound, Class II	\$24,467	\$94,305
3" Turbine, Class I	\$24,467	\$94,305
3" Ultrasonic	\$34,953	\$134,721
4" Compound, Class I	\$34,953	\$134,721
4" Singlejet	\$34,953	\$134,721
4" Compound, Class II	\$41,944	\$161,665
4" Turbine, Class I	\$44,041	\$169,748
4" x 1" FMCT	\$48,935	\$13,472
4" Ultrasonic	\$61,518	\$237,109
6" Singlejet	\$69,907	\$269,442
6" Compound, Class I	\$69,907	\$269,442
6" Compound, Class II	\$94,374	\$363,747
6" Turbine, Class I	\$90,879	\$350,274
6" x 1.5" FMCT	\$111,851	\$26,944
6" x 2" FMCT	\$111,851	\$43,111
6" Ultrasonic	\$97,869	\$377,219
8" Compound, Class I	\$111,851	\$431,107
8" Compound, Class II	\$111,851	\$431,107
8" Turbine, Class II	\$195,738	\$754,437
8" x 2" FMCT	\$195,738	\$43,111
8" Ultrasonic	\$195,738	\$754,437
10" Turbine, Class II	\$293,608	\$1,131,656
10" x 2" FMCT	\$307,589	\$43,111
10" x 12" x 2" FMCT	\$349,533	\$43,111

Meter Size	Water Fee	Sewer Fee
10" Ultrasonic	\$314,580	\$1,212,488
12" FMCT w/ 2 inch at Crossover	\$307,589	\$1,185,544
12" Turbine, Class II	\$370,505	\$1,428,042
12" Ultrasonic	\$384,486	\$1,481,930
2" Fire Line	\$11,185	n/a
4" Fire Line	\$27,963	n/a
6" Fire Line	\$62,916	n/a
8" Fire Line	\$125,832	n/a
10" Fire Line	\$157,290	n/a
12" Fire Line	\$246,491	n/a

The water and sewer system development fees shown in Table 8 represent the maximum cost justified level of system development fees that can be assessed by Charlotte Water per Article 8. If Charlotte Water chooses to assess fees that are less than those shown in the table, the adjusted fee amounts should still reflect the scaling factors by meter size, as shown in Table 7.

In developing the conclusions contained within this report, Raftelis has relied on certain assumptions and information provided by Charlotte Water, who is most knowledgeable of the water and sewer system and its finances. Raftelis has not independently verified the accuracy of the information provided by Charlotte Water. We believe such sources are reliable and the information obtained to be reasonable and appropriate for the analysis undertaken and the conclusions reached. The conclusions contained in this report are as of the stated date, for a specific use and purpose, and made under specific assumptions and limiting conditions. The reader is cautioned and reminded that the conclusions presented in this report only apply to the effective date indicated. Raftelis makes no warranty, expressed or implied, with respect to the opinions and conclusions contained in this report.

We appreciate the opportunity to assist Charlotte Water with the calculation of its water and sewer system development fees. Should you have questions or need any additional information, please do not hesitate to contact me at 518-391-8944.

Sincerely,



John M. Mastracchio, ASA, CFA, P.E.
Executive Vice President



Philip Sapone
Manager