



System Development Charges Annual Accounting Report Frequently Asked Questions

What are System Development Charges (SDCs)?

System Development Charges (SDCs) are one time fees imposed on new or some types of re-development at the time of development. The purpose of the fee is to help pay a portion of the costs associated with infrastructure associated with the demands created by the new development. Such as, new parks, streets and water and wastewater capacity to meet growth related needs.

Who pays SDCs?

SDCs are paid by the developer, not by taxpayers. Fees are assessed to new development and to those persons who are increasing the capacity of an existing building or facility.

How are SDCs authorized?

The Oregon legislature passed laws allowing SDC programs in 1991, permitting and regulating SDCs through [Oregon Revised Statute Chapter 223.297 to 223.314 - System Development Charges](#). Oregon local governments are authorized to enact SDCs for capital facilities for transportation, water, wastewater, storm water drainage and parks and recreation facilities. At this time, Redmond does not charge a stormwater SDC. The Oregon Systems Development Act provides for the imposition of two types of SDCs; reimbursement fee SDC and improvement fee SDC.

What is the difference between Reimbursement and Improvement SDCs?

Reimbursement SDCs compensate ratepayers for their prior funding of capital improvements because excess capacity in existing infrastructure is available to accommodate growth.

Reimbursement SDCs help fund system repairs and replacements, and may not be tied to particular projects. Revenues from reimbursement fees may be used on any project included in the City's Capital Improvement Plan (CIP), including major repairs, upgrades, renovations or debt service. In the City of Redmond, transportation, water, and wastewater SDC fees have a reimbursement component.

Improvement SDCs may only be spent on capacity increasing capital improvements identified in approved CIPs. In the City of Redmond, transportation, parks, water and wastewater SDC fees are improvement based.

Why is the ending balance of funds on hand so large?

Capital improvements are typically large, costly projects that take multiple years to design and construct. Therefore, the City may accumulate large sums of SDCs to fund large improvement projects. To learn more about upcoming capital projects, please see the [Fiscal Year 2016-2017 5-Year Capital Improvement Plan](#).

Does the SDC Annual Report include all costs associated with a capital improvement project?

No, the SDC Annual Report includes only SDC-eligible costs, meaning the total cost of the capital improvement may exceed the amount listed on the SDC Annual Report. Other sources of funding typically used to pay for capital improvements include grants, urban renewal or maintenance funds. Therefore, total project costs shown on the SDC Annual Accounting Report have been reduced for any related debt-issuance, grant or other contribution revenues.

What are administration and program management and design costs?

Administrative costs include the City's costs for collecting, managing and reporting SDCs.

Program management and design costs include the City's costs for planning, surveying, designing, bidding and managing construction of current and future capital improvement projects. Whenever feasible, the City will design and manage projects in-house as it is a more cost-effective use of SDC funds. In some years, much of the effort is spent on planning and designing future projects while in other years construction management of current projects is the primary focus.

Why do debt service costs appear on the SDC Annual Report?

From time to time, the City may issue debt to fund a capital improvement project. To the extent the project is SDC eligible, the debt may be repaid from SDC funds. Therefore, projects funded with debt proceeds will not appear on the annual report, however the subsequent debt repayments will be listed on the report until the debt is paid in full.