WATER IMPACT FEE ANALYSIS

FEBRUARY 2024

DRAFT

Prepared for:

JORDANELLE SPECIAL SERVICE DISTRICT

Prepared by:

BOWEN COLLINS & ASSOCIATES

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INTRODUCTION

An impact fee is a one-time fee, not a tax, imposed upon new development activity as a condition of development approval to mitigate the impact of the new development on public infrastructure. The purpose of the Impact Fee Analysis (IFA) is to calculate the allowable impact fee that may be assessed to new development in accordance with Utah Code.

WHY ASSESS AN IMPACT FEE?

Until new development utilizes the full capacity of existing facilities, the District can assess an impact fee to recover its cost of latent capacity available to serve future development. The general impact fee methodology divides the available capacity of existing and future capital projects between existing and future users. Capacity is measured in terms of Water Capacity Units, or WCUs, which represents the demand that a typical single family residence places on the system.

HOW ARE IMPACT FEES CALCULATED?

A fair impact fee is calculated by dividing the cost of existing and future facilities by the amount of new growth that will benefit from the unused capacity. Only the capacity that is needed to serve the projected growth within in the next ten years is included in the fee. Costs used in the calculation of impact fees include:

- New facilities required to maintain (but not exceed) the proposed level of service identified in the Impact Fee Facilities Plan (IFFP); only those expected to be built within ten years are considered in the final calculations of the impact fee;
- Historic costs of existing facilities that will serve new development; and
- Cost of professional services for engineering, planning, and preparation of the impact fee facilities plan and impact fee analysis.

Costs not used in the impact fee calculation:

- Operational and maintenance costs;
- Cost of facilities constructed beyond 10 years;
- Cost associated with capacity not expected to be used within 10 years;
- Cost of facilities funded by grants, developer contributions, or other funds which the District is not required to repay; nor
- Cost of renovating or reconstructing facilities which do not provide new capacity or needed enhancement of services to serve future development.

IMPACT FEE CALCULATION

Impact fees for this analysis were calculated by dividing the proportional cost of facilities required to service 10-year growth by the amount of growth expected over the next 10-years based on WCUs. This is done for both collection and treatment facilities, as well as applicable planning costs. Where applicable, a credit for future user fee payments benefiting existing users has also been included. Calculated impact fees by component are summarized in Table ES-1.

Table ES-1
Impact Fee Calculation Per WCU

System Components	Total Cost of Component	Percent Serving 10-yr Unbonded Growth	Cost Serving 10-yr Unbonded Growth	10-yr Unbonded WCUs	Cost per Unbonded WCU
Production / Treatment Improvements					
Existing Facilities	$0	-	$0	399	$0
Existing Facility Interest Costs	$0	-	$0	399	$0
10-year Projects	$17,965,190	10.42%	$1,872,507	399	$4,693
10-Year Project Interest Cost	$2,010,995	9.07%	$182,342	399	$457
Credit for User Fees Paid Toward Existing					$0
Subtotal	**$19,976,185**		**$2,054,849**		**$5,150**
Storage Improvements					
Existing Facilities	$964,600	25.34%	$244,409	399	$613
Existing Facility Interest Costs	$0	-	$0	399	$0
10-year Projects	$2,529,859	24.86%	$629,001	399	$1,576
10-Year Project Interest Cost	$0	-	$0	399	$0
Credit for User Fees Paid Toward Existing					$0
Subtotal	**$3,494,459**		**$873,410**		**$2,189**
Transmission / Distribution Improvements					
Existing Facilities	$1,274,496	10.84%	$138,138	399	$346
Existing Facility Interest Costs	$0	-	$0	399	$0
10-year Projects	$17,669,947	7.61%	$1,343,876	399	$3,368
10-Year Project Interest Cost	$0	-	$0	399	$0
Credit for User Fees Paid Toward Existing					$0
Subtotal	**$18,944,443**		**$1,482,014**		**$3,714**
Studies					
Master Planning	$115,436	4.95%	$5,718	399	$14
Impact Fee Studies (IFFP / IFA)	$19,000	100.00%	$19,000	200	$95
Subtotal	**$134,436**		**$24,718**		**$109**
TOTAL	**$42,549,523**		**$4,434,992**		**$11,162**

Per Table ES-1, the calculated impact fee is $11,162/WCU.

This is the legal maximum amount that may be charged as an impact fee at this time. A lower amount may be adopted if desired, but a higher fee is not allowable under the requirements of Utah Code. This is separate from any additional charges levied by the District for plan review or inspection costs or for other reasonable permit and application fees.

IMPACT FEE ANALYSIS

INTRODUCTION

Jordanelle Special Service District (JSSD or District) has retained Bowen Collins & Associates (BC&A) to prepare an Impact Fee Analysis (IFA) for its water system based on a recently completed Impact Fee Facilities Plan (IFFP). An impact fee is a one-time fee, not a tax, imposed upon new development activity as a condition of development approval to mitigate the impact of the new development on public infrastructure. The purpose of an IFA is to calculate the allowable impact fee that may be assessed to new development in accordance with Utah Code.

SERVICE AREAS

For the purpose of impact fee calculations, the District system will be treated as a single service area.

REQUIREMENTS

Requirements for the preparation of an IFA are outlined in Title 11, Chapter 36a of the Utah Code (the Impact Fees Act). Under these requirements, an IFA shall accomplish the following for each facility:

1. Identify the anticipated impact on or consumption of existing capacity by anticipated development activity.
2. Identify the anticipated impact on system improvements required by anticipated development activity to maintain the established level of service.
3. Demonstrate how the impacts are reasonably related to anticipated development activity.
4. Estimate the proportionate share of:
    a. Costs of existing capacity that will be recouped; and
    b. Costs of impacts on system improvements that are reasonably related to the new development activity.
5. Identify how the impact fee was calculated.
6. Consider the following additional issues:
    a. Other than impact fees, the manner of financing for each public facility;
    b. Dedication of system improvements;
    c. Extraordinary costs in servicing newly developed properties; and
    d. Time-price differential.

The following sections of this report have been organized to address each of these requirements.

IMPACT ON SYSTEM - 11-36A-304(1)(A)&(B)

Growth within the District's service area, and projections of water flows resulting from said growth is discussed in detail in the District's Impact Fee Facilities Plan. For the purposes of impact fee calculation, growth in the system has been expressed in terms of Water Capacity Units (WCUs). A WCU represents the demand that a typical single family residence places on the system. Growth in WCUs projected for the service area is summarized in Table 1.

Table 1
JSSD Service Area Water System Growth

Year	Connected WCUs	Peak Day Production Requirement (MGD)
2023	1,645	3.0
2033	3,515	6.4
2040	5,461	9.9
2050	8,663	15.7
2060	11,090	20.2
2070	12,397	22.5
2080	12,997	23.6
Buildout	13,490	24.5

As indicated in the table, projected growth for the 10-year planning window of this impact fee analysis is 1,870 WCUs. However, it is important to understand that this growth comes in two components. 399 WCUs are those WCUs of growth which are not expected to be entitled to existing capacity through participation in previous bonds (aka "unbonded"). The remaining 1,471 WCUs are expected to already be entitled to capacity via participation in previous bonds. See the IFFP for additional discussion of the previous bonds. In order to maintain the established level of service, projected future growth will be met through a combination of available excess capacity in existing facilities and construction of additional capacity in new facilities. Use of excess capacity and required system improvements are detailed in the IFFP.

RELATION OF IMPACTS TO ANTICIPATED DEVELOPMENT - 11-36A-304(1)(C)

To satisfy the requirements of state law, it is necessary to show that all impacts identified in the impact fee analysis are reasonably related to the anticipated development activity. This has been documented in detail in the Impact Fee Facilities Plan. In short, only that capacity directly associated with demand placed upon existing system facilities by future development has been identified as an impact of the development. The steps completed to identify the impacts of anticipated development are as follows.

1. **Existing Demand** – The demand existing development places on the system was estimated based on historic demand records.
2. **Existing Capacity** – The capacities of existing facilities were calculated based on the level of service criteria established for each type of facility in the Impact Fee Facilities Plan.

3. **Existing Deficiencies** – Existing deficiencies in the system were looked for by comparing defined levels of service against calculated capacities. If existing deficiencies exist, projects were identified to eliminate the deficiencies. Costs associated with existing deficiencies were not assigned to impacts of development.
4. **Future Demand** - The demand future development will place on the system was estimated based on development projections as discussed in the Impact Fee Facilities Plan.
5. **Future Demand Use of Existing Capacity** – Whenever possible, excess capacity in existing facilities has been used to serve future demands. Where this occurs, the amount of capacity used by future growth has been calculated as described in detail in the Impact Fee Facilities Plan.
6. **Future Deficiencies** – Where excess capacity is inadequate to meet projected demands, future deficiencies in the system were identified using the same established level of service criteria used for existing demands.
7. **Recommended Improvements** – Needed system improvements were identified to meet demands associated with future development.

PROPORTIONATE SHARE ANALYSIS - 11-36A-304(D)

A comprehensive proportionate share analysis associated with anticipated future development and its impact on the system was completed as part of the Impact Fee Facilities Plan. A summary of that analysis is contained here with additional discussion of the costs of facilities impacted by growth.

Excess Capacity to Accommodate Future Growth

The amount of existing capacity used by each type of user was analyzed in detail as part of the Impact Fee Facilities Plan. Based on the analysis, the calculated percentage of existing capacity in system facilities used by growth during the 10-year planning window, and the associated cost for existing District facilities are summarized in Table 2.

Table 2
Use of Existing Capacity

Project Description	Impact Fee Eligible Project Cost[1]	Percent to 10-yr Unbonded Growth	Percent to 10-yr Unbonded Growth
Storage Improvements			
6800 Tank	$964,600	21.73%	$244,409
Subtotal	**$964,600**		**$244,409**
Transmission / Distribution Improvements			
HWY 40 Crossing (boring, casings, pipeline)	$976,872	2.94%	$11,413
6800 Pipeline	$297,624	2.94%	$126,724
Subtotal	**$1,274,496**		**$138,138**
Total	**$2,239,096**		**$382,547**

1. Project funding varies by project. Some projects were funded with the system level portion being restricted to only the upsize of the project. Other projects have alternative funding mechanisms such as grant funding which are not impact fee eligible. The amounts shown in this table are only those portions of projects which are impact fee eligible.

Reimbursement Agreements

There are no current reimbursement agreements existing within the system which will affect impact fee calculations. The District has a couple of reimbursement agreements which require repayment upon receipt of impact fees.

Future Improvements

In addition to using available existing capacity, demand associated with projected future development will be met through the construction of additional capacity in new facilities. A primary focus of the Impact Fee Facilities Plan was the identification of projects required to serve new development. The results of the Impact Fee Facilities Plan are summarized in Table 3. Included in the table are the costs of each required project and the portion of costs associated with growth during the 10-year planning window.

Table 3
Impact Fee Eligible Future Capital Projects

Project Description	Estimated Impact Fee Eligible JSSD Cost (2023 Dollars)1	Percent to 10-yr Unbonded Growth	Percent to 10-yr Unbonded Growth
Production / Treatment Improvements			
SP-7.1, FRWTP Phase 1	$17,609,529	10.54%	$1,856,383
SP-7.2b, CUWCD Raw Water	$355,661	4.53%	$16,124
Subtotal	**$17,965,190**		**$1,872,507**
Storage Improvements			
ST-3, Benloch Ranch Tank	$1,125,000	42.75%	$480,902
ST-6 (SP-8.3), Ventana Tank	$1,404,859	10.54%	$148,099
Subtotal	**$2,529,859**		**$629,001**
Transmission / Distribution Improvements			
T-1.1, 6800 to Lady Monument Transmission	$388,000	8.28%	$32,145
T-1.2, Lady Monument to Benloch Transmission	$4,308,000	8.28%	$356,913
T-1.3, Benloch Transmission Line	$340,000	8.28%	$28,169
T-1.4, Benloch to VR Transmission Line	$421,000	8.28%	$34,879
T-5, HWY 32 Benloch Ranch Transmission Line #1	$2,662,000	8.28%	$220,544
T-6, HWY 32 Transmission Line #2	$492,000	8.28%	$40,762
T-9 (SP-8.2), Ventana Piping	$676,000	8.28%	$56,006
PS-1, 6800 to Lady Monument Pump Station	$1,919,000	8.28%	$158,987
PS-2, Add Deer Canyon Preserve Pump Station	$1,285,000	8.28%	$106,461
PS-5, Benloch Pump Station	$930,000	8.28%	$77,050
PS-8, HWY 40 Pump Station	$2,126,000	8.28%	$176,137
PS-9, Deer Mountain Pump Station	$896,000	0.00%	$0
R-1, Deer Canyon Preserve Back Up Generator	$100,000	0.00%	$0
Operations Shop Building (Water Portion)	$1,126,947	4.95%	$55,823
Subtotal	**$17,669,947**		**$1,343,876**
TOTAL	**$38,164,996**		**$3,845,384**

All cost estimates contained in this IFA have been taken directly from the IFFP. The basis of these estimates is documented in the IFFP.

Impact Fee Calculation - 11-36a-304(1)(e)

Using the information contained in the previous sections, impact fees can be calculated by dividing the proportional cost of facilities required to service 10-year growth by the amount of growth expected over the next 10 years. This is done for production/treatment, storage, and transmission/distribution system components as discussed previously. Calculated impact fees by component are summarized in Table 4.

Table 4
Impact Fee Calculation per WCU

System Components	Total Cost of Component	Percent Serving 10-yr Unbonded Growth	Cost Serving 10-yr Unbonded Growth	10-yr Unbonded WCUs	Cost per Unbonded WCU
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Bonding Interest Costs

In addition to construction costs, Table 4 includes the cost of bond interest expense where applicable. This includes both interest costs on existing facilities where new growth will benefit from excess capacity and future interest costs for bonds required to build projects needed for growth as identified in the Impact Fee Facilities Plan. Similar to project construction costs, only that portion of interest expense associated with capacity for growth is included in the impact fee calculation.

Credit for User Fees

Even though the District does have bonding interest cost, none of the debt is being used toward existing users' needs. The District also has adequate cash on hand to fund existing deficiencies as identified here. Therefore, no credit for user fees is included in this IFA.

Recommended Impact Fee

Based on this analysis, the appropriate overall impact fee is $11,162 (see Table 4). This is the legal maximum amount that may be charged as an impact fee. A lower amount may be adopted if desired, but a higher fee is not allowable under the requirements of Utah Code.

Calculation of Non-Standard Impact Fees

The calculations above have been based on an WCU. The Impact Fee Enactment should include a provision that allows for calculation of a fee for customers other than typical residential connections. Consistent with the level of service standards established in the Impact Fee Facilities Plan, the following formula may be used to calculate an impact fee for a non-standard user based on the calculated peak day indoor and outdoor water use for an average residential connection.

$$\frac{Peak\ Day\ Water\ Use}{1{,}818\ gallons\ per\ day}\ X\ \ Impact\ Fee\ per\ WCU\ =\ Impact\ Fee$$

Impact Fee Accounting

An important part of the Impact Fee Act is the future accounting of impact fees received and spent. As detailed in the Act, all collected funds must be spent or encumbered within six years after the impact fee is collected. A detailed ledger must be assembled to identify when and where the funds were collected and when and where they will be spent.

As discussed in the Act, a significant portion of the impact fee may be attributable to excess capacity in the existing system. Receipt of funds collected for this purpose should be documented in accordance with the Act but should then be transferred out of the impact fee fund account to reimburse the District for the benefit of existing users associated with the value of the excess capacity. This should also be documented in accordance with the Act. As with the overall fee, the value of the reimbursement will vary slightly depending on any remaining user fee credit (i.e. the reimbursement value should be reduced by any user fee credit associated with bonding on the existing infrastructure). The appropriate portion of the impact fee to be reimbursed for existing excess capacity is $959 per WCU (see Table 4).

ADDITIONAL CONSIDERATIONS - 11-36A-304(2)

Manner of Financing - 11-36a-304(2)(a-e)

As part of this Impact Fee Analysis, it is important to consider how each facility has been or will be paid for. Potential infrastructure funding includes a combination of different revenue sources.

User Charges. Because infrastructure must generally be built ahead of growth, there often arises situations in which projects must be funded ahead of expected impact fee revenues. In some cases, the solution to this issue will be bonding. In others, funds from existing user rate revenue will be

loaned to the impact fee fund to complete initial construction of the project and will be reimbursed later as impact fees are received. Interfund loans should be considered in subsequent accounting of impact fee expenditures.

Special Assessments. Where special assessments exist, the impact fee calculation must take into account funds contributed. No special assessments contributing to capital improvement funding currently exist in the District water system.

Pioneering Agreements. Where pioneering agreements exist that affect system-level improvements, the impact fee calculation must take into account payback requirements under each pioneering agreement. No pioneering agreements currently exist in the District water system which are supplemental to the impact fees as calculated herein.

Bonds. None of the costs contained in the IFFP included bonding. Where District financial plans identify bonding will be required to finance impact fee eligible improvements, the portion of bond cost and interest expense attributable to future growth has been added to the calculation of the impact fee. This includes a new bond in 2023.

General Taxes. If taxes are used to pay for infrastructure, they should be accounted for in the impact fee calculation. Specifically, any contribution made by property owners through taxes should be credited toward their available capacity in the system. In this case, no taxes are proposed for the construction of infrastructure.

Federal and State Grants and Donations. Impact fees cannot reimburse costs funded or expected to be funded through federal grants and other funds that the District has received for capital improvements without an obligation to repay. Grants and donations are not currently contemplated in this analysis. If grants become available for constructing facilities, impact fees will need to be recalculated and an appropriate credit given. Any existing infrastructure funded through past grants has been removed from the system cost.

DEDICATION OF SYSTEM IMPROVEMENTS - 11-36a-304(2)(f)

Developer exactions are not the same as grants. If a developer constructs a system improvement or dedicates land for a system improvement identified in the IFFP, or dedicates a public facility that is recognized to reduce the need for a system improvement, the developer may be entitled to an appropriate credit against that particular developer's impact fee liability or a proportionate reimbursement.

If the value of the credit is less than the development's impact fee liability, the developer will owe the balance of the liability to the District. If the recognized value of the improvements/land dedicated is more than the development's impact fee liability, the District may be required to reimburse the difference to the developer.

It should be emphasized that the concept of impact fee credits pertains to system level improvements only. Developers will be responsible for the construction of project improvements (i.e. improvements not identified in the impact fee facilities plan) without credit against the impact fee.

EXTRAORDINARY COSTS - 11-36a-304(2)(g)

The Impact Fees Act indicates the analysis should include consideration of any extraordinary costs of servicing newly developed properties. In cases where one area of potential growth may cost significantly more to service than other growth, a separate service area may be warranted. No areas with extraordinary costs have been identified as part of this analysis.

TIME-PRICE DIFFERENTIAL - 11-36a-304(2)(h)

Utah Code allows consideration of time-price differential in order to create fairness for amounts paid at different times. To address time-price differential, this analysis includes a conversion to present value cost for future expenditures. In the case of future construction costs, it has been assumed that the return rate on investment will be roughly equivalent to construction inflation and current construction estimates have been used in the calculation of impact fees. Per the requirements of the Code, existing infrastructure cost is based on actual historical costs without adjustment.

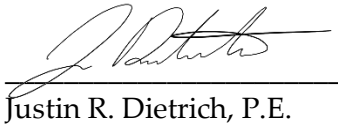
IMPACT FEE CERTIFICATION - 11-36A-306(2)

This report has been prepared in accordance with Utah Code Title 11, Chapter 36a (the "Impact Fees Act"), which prescribes the laws pertaining to the imposition of impact fees in Utah. The accuracy of this IFFP relies in part upon planning, engineering, and other source data, provided by the District and its designees.

In accordance with Utah Code Annotated, 11-36a-306(2), Bowen Collins & Associates makes the following certification:

I certify that the attached impact fee analysis:

1. Includes only the costs of public facilities that are:
    a. allowed under the Impact Fees Act; and
    b. actually incurred; or
    c. projected to be incurred or encumbered within six years after the day on which each impact fee is paid;
2. Does not include:
    a. costs of operation and maintenance of public facilities; or
    b. costs for qualifying public facilities that will raise the level of service for the facilities, through impact fees, above the level of service that is supported by existing residents;
3. Offsets costs with grants or other alternate sources of payment; and
4. Complies in each and every relevant respect with the Impact Fees Act.



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