Salt Lake City
Department of Public Utilities

Impact Fee Analysis

September 25, 2025

Agenda

- Purpose and Need
- Utah State Code
- Methodology
- Impact Fee Analysis
  - Water
  - Sewer
  - Stormwater
- Summary
- Discussion

Purpose and Need

What is an impact fee and who pays it?

- One time charge to account for the additional capacity anticipated for new connection to the utility system
- Fee is typically collected:
  - At time of connection, or
  - When building permit is issued
- Recovers capital investments (past and/or planned) to serve growth
- More than half the states currently have enabling legislation

Why now?

- Current impact fee has been in place for over 20 years
- SLCDPU has extensive capital needs for all three systems analyzed
  - Existing system has capacity to serve new growth and costs are being carried by existing users
  - “Growth pays for growth”
- Current impact fees are low when compared to other communities in Utah and neighboring states

Utah State Code

Utah State Code

- The requirements for the development of impact fees are outlined in Title 11, Chapter 36a of the Utah Code (the Impact Fees Act).
- A local political subdivision or private entity wanting to implement an impact fee must develop both an Impact Fee Facility Plan (IFFP) and an Impact Fee Analysis.
- The Utah Code allows for impact fees for water, wastewater, and stormwater systems, as well as other public services.

Utah State Code

- The preparation of the Impact Fee Facilities Plan (IFFP) is a key step in the process and must include the following:
  - Identify the existing and proposed level of service for the utility.
  - Identify available capacity in the existing facilities and planned improvements to accommodate growth.
  - Identify the demands of new development for the next 6 years and beyond.
- This Impact Fee Study takes the results of the IFFP and applies the anticipated demands placed on each system to calculate proposed unit costs per equivalent residential unit and then develops proposed impact fee schedules for each system.

Impact Fee Methodology

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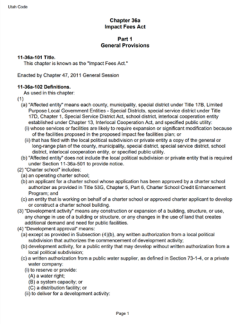
Impact Fee Methodology

- The proposed impact fees are composed of two components: a recoupment fee and an improvement fee.
- Recoupment fee: recovers the capital investment associated with available capacity to serve new users in the existing system.
- Improvement fee: recovers the capital investment in planned improvements that provide capacity to serve new users.
- Impact fees may consist of a recoupment fee, an improvement fee, or a combination of the two


Utah Code

Chapter 36a
Impact Fees Act

Part 1
General Provisions

11-36a-101 Title.
This chapter is known as the "Impact Fees Act."

Enacted by Chapter 47, 2011 General Session

11-36a-102 Definitions.
As used in this chapter

(1)
(a) "Affected entity" means each county, municipality, special district under Title 17B, Limited Purpose Local Government Entities - Special Districts, special service district under Title 17D, Chapter 1, Special Service District Act, school district, interlocal cooperation entity established under Chapter 13, Interlocal Cooperation Act, and specified public utility:
(i) whose services or facilities are likely to require expansion or significant modification because of an increase in the demand created by proposed development in the area;
(ii) that has filed with the local political subdivision or private entity a copy of the general or long-range plan of the county, municipality, special district, special service district, school district, interlocal cooperation entity, or specified public utility;
(b) "Affected entity" does not include the local political subdivision or private entity that is required under Section 11-36a-501 to provide notice.
(2) "Charter school" includes:
(a) a public school charter school;
(b) an applicant for a charter school whose application has been approved by a charter school authorizer as provided in Title 53G, Chapter 5, Part 6, Charter School Credit Enhancement Program; and
(c) an entity that is working on behalf of a charter school or approved charter applicant to develop or construct a charter school building.
(3) "Development activity" means any construction or expansion of a building, structure, or use, any change in use of a building or structure, or any changes in the use of land that creates additional demand and need for public facilities.
(4) "Development approval" means:
(a) except as provided in Subsection (4)(b), any written authorization from a local political subdivision that authorizes the commencement of development activity;
(b) development activity, for a public entity that may develop without written authorization from a local political subdivision;
(c) a written authorization from a public water supplier, as defined in Section 73-1-4, or a private water company:
(i) to reserve or provide:
(A) a water right;
(B) a system capacity; or
(C) a distribution facility; or
(ii) to deliver for a development activity:

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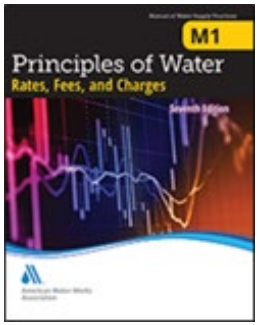

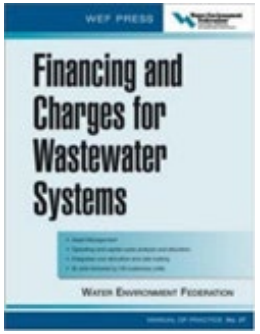

Water Impact Fee

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Water Impact Fee

- Water service area consists of both within and outside the city boundaries
- Treatment (production), storage and transmission and distribution systems assets allocated to existing customers, next 6-year growth and beyond 6-year growth based on available capacity
- Share of existing facilities to Existing Customers and Growth:

System	Existing Customers	Growth Next 6 Years	Growth Beyond 6 Years
Treatment (Production)	46.8%	2.0%	51.2%
Storage	80.7%	3.4%	15.9%
Transmission and Distribution	89.0%	3.8%	7.2%

Water Impact Fee

- Planned improvements were allocated to existing customers and growth based on professional judgement
- Capital investment in treatment plants, distribution mains and reservoirs
  - $122.4 million projects as work in process and integral component of the recoupment fee

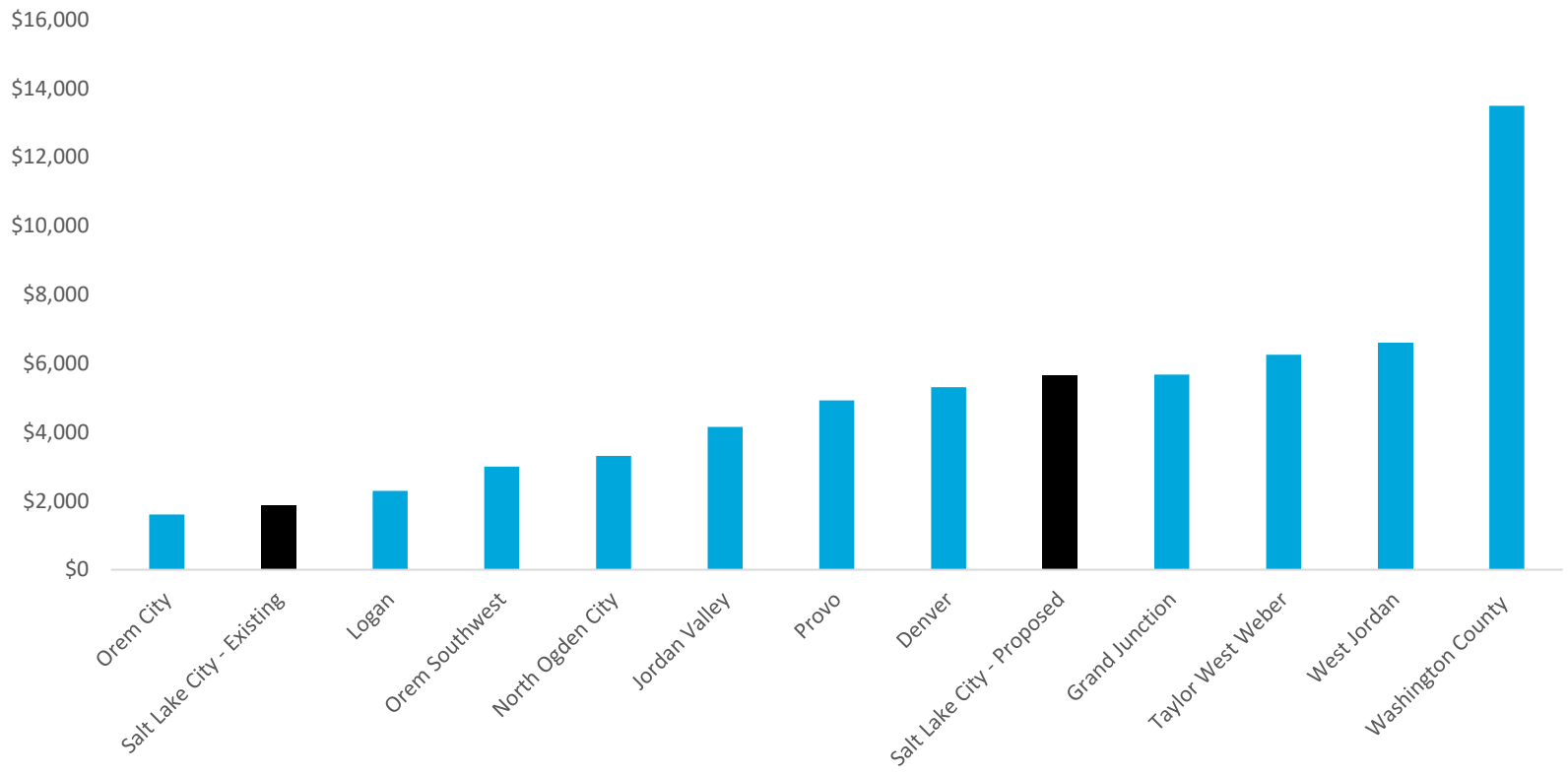
Impact Fee Components	$/ERU
Recoupment Fee	$2,528
Improvement Fee	$3,135
Total Impact Fee	$5,664

Water Impact Fee Schedule

Meter Size	Existing Impact Fee	Proposed Impact Fee
3/4-inch	$1,871	$5,664
1-inch	$3,830	$11,327
1.5-inch	$7,584	$23,221
2-inch	$11,776	$35,681
3-inch	$23,678	$71,928
4-inch	$27,359	$82,688
6-inch	$54,718	$165,377
8-inch	$87,549	$265,056
10-inch	$125,851	$381,160

- 1 ERU = Single Family Home = ¾-inch meter size

Water Impact Fee Comparison, ¾-inch Meter, Residential



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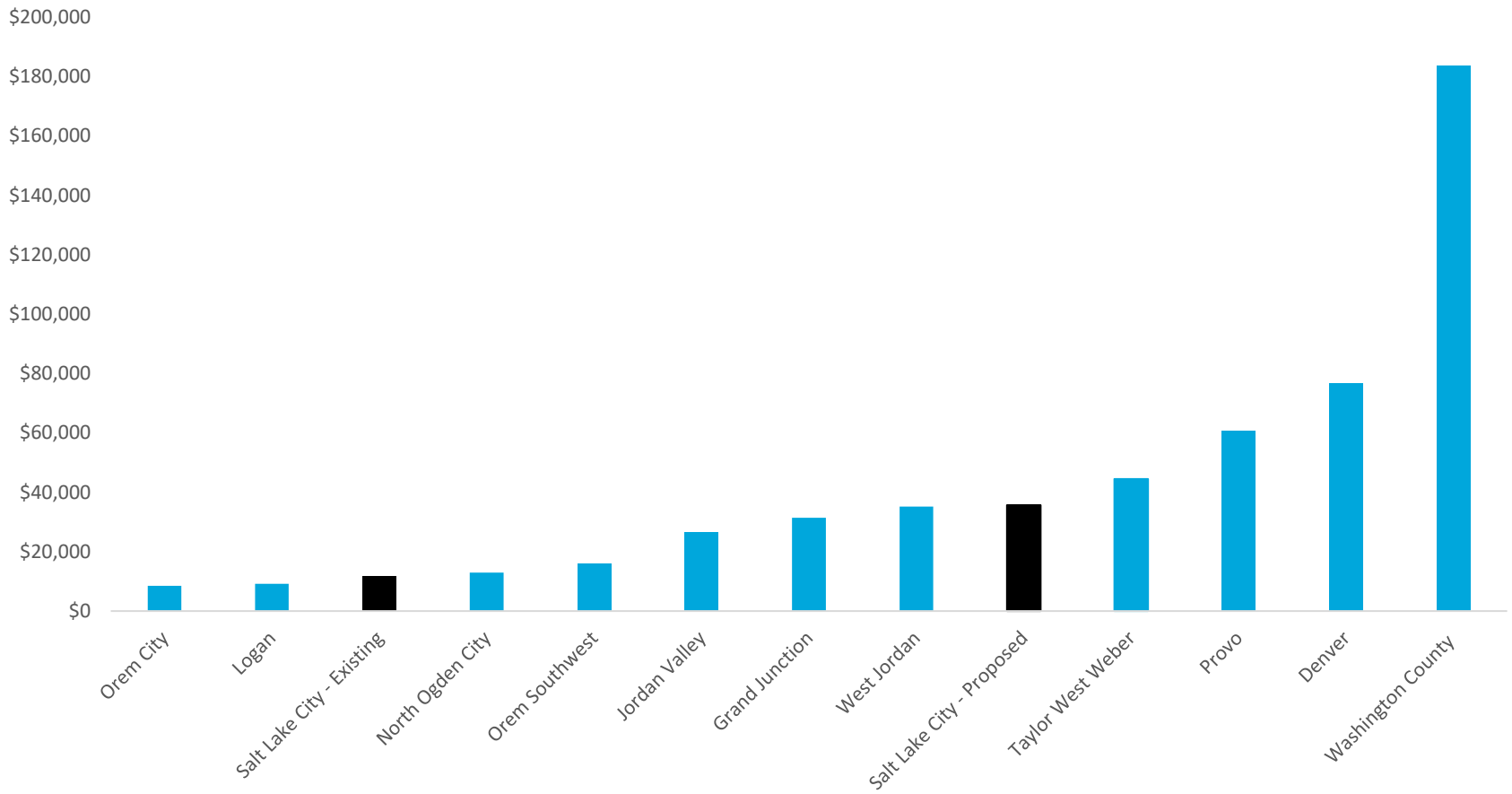
Water Impact Fee Comparison, 2-inch Meter, Commercial



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Sewer Impact Fee

Sewer Impact Fee

- Sewer service area closely aligns with City boundaries
- Existing treatment and collection assets allocated to existing customers, growth over next 6 years, and growth beyond 6 years based on available capacity
  - Based on the analyses conducted for this study, most of collection system allocated to existing customers

System Component	Existing Customers	Growth Next 6 Years	Growth Beyond 6 Years
Treatment	71.4%	3.2%	25.4%
Collection	96.3%	3.7%	0.0%

Sewer Impact Fee

- Planned improvements were allocated to existing customers and growth based on professional judgement
- Large capital investment in water reclamation facility
  - $850 million project considered a work in process and is a key component of the recoupment fee
  - New WRF is not increasing plant capacity

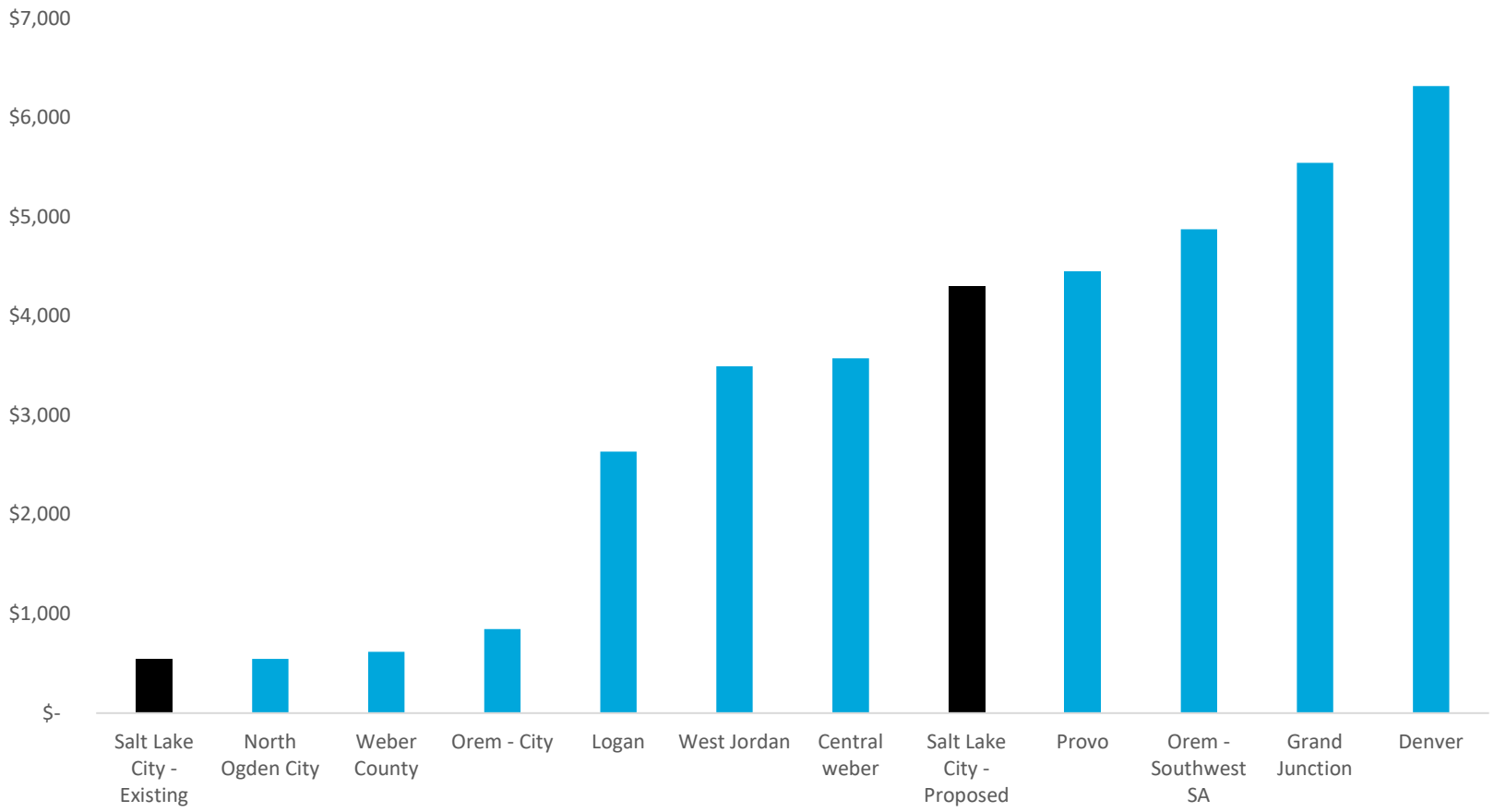
Impact Fee Components	$/ERU
Recoupment Fee	$3,550
Improvement Fee	$750
Total Impact Fee	$4,300

Sewer Impact Fee Schedule

- Current Residential Impact Fee = $545/unit
- Current Commercial Fee based on Equivalent fixture units
- Proposed Fee charges residential based on number of Equivalent Residential Units
  - Single Family Residential = 1 ERU
  - Apartment and other multi-unit buildings: 0.75 ERU per unit
  - Mobile homes = 1 ERU
- Commercial based on meter size
  - Charge based on meter capacity ratios (similar to water)

Customer Class	Proposed Impact Fee
Single-family Residential , $/unit	$4,300
Multifamily Residential $/unit	$3,225
Other Residential (Trailer/Recreation Park), $/unit	$4,300
Non-Residential, Meter Size	
3/4-inch	$4,300
1-inch	$8,802
1.5-inch	$17,430
2-inch	$27,064
3-inch	$54,418
4-inch	$62,877
6-inch	$125,755
8-inch	$201,208
10-inch	$289,235

Sewer Impact Fee Comparison, Residential



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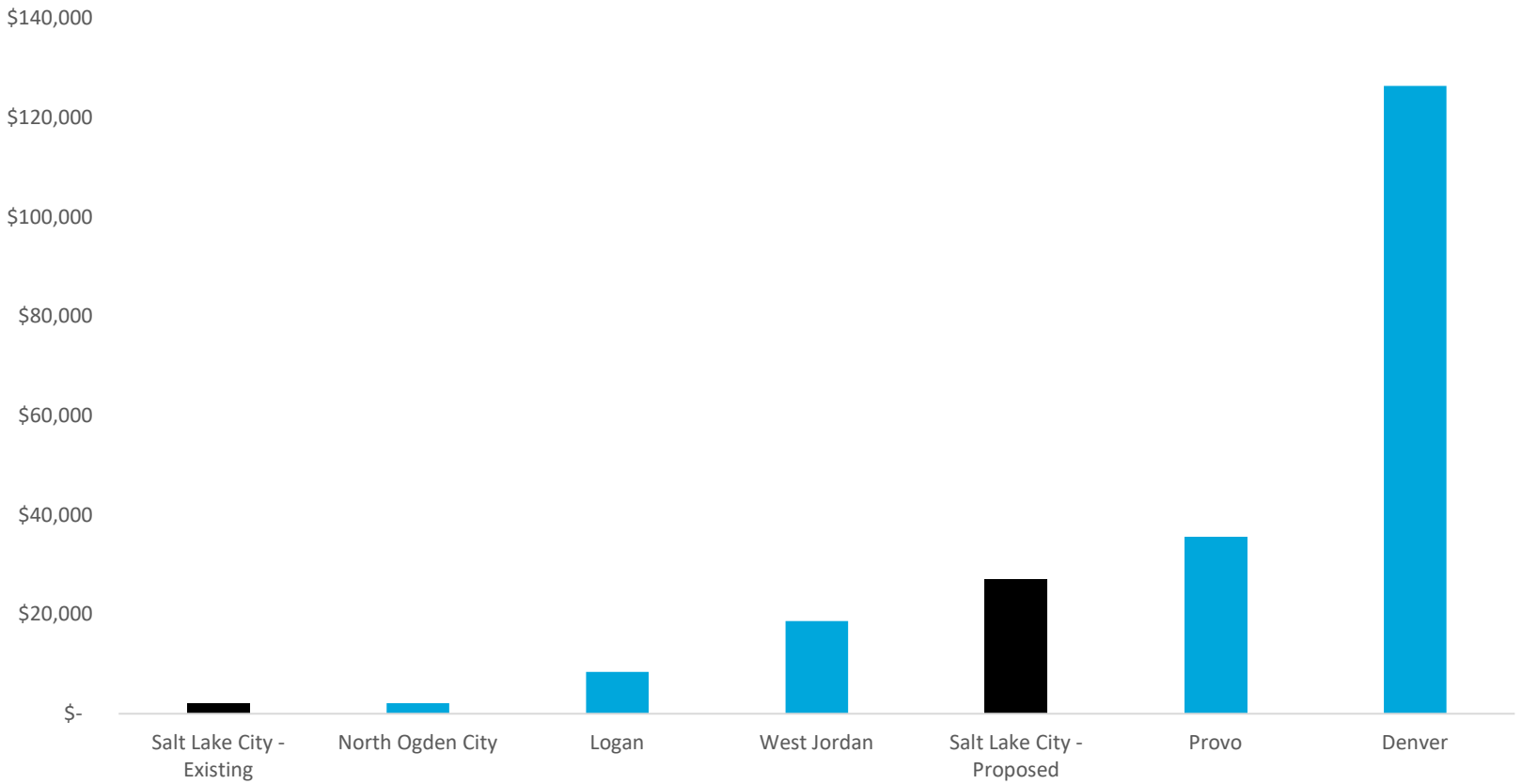
Sewer Impact Fee Comparison, Commercial 2”



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Stormwater Impact Fee

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Stormwater Impact Fee

- Stormwater service area closely aligns with City boundaries
- All stormwater assets allocated to existing customers, growth over next 6 years, and growth beyond 6 years based on available capacity
- Existing customers use approximately 78% of existing capacities of stormwater infrastructure.

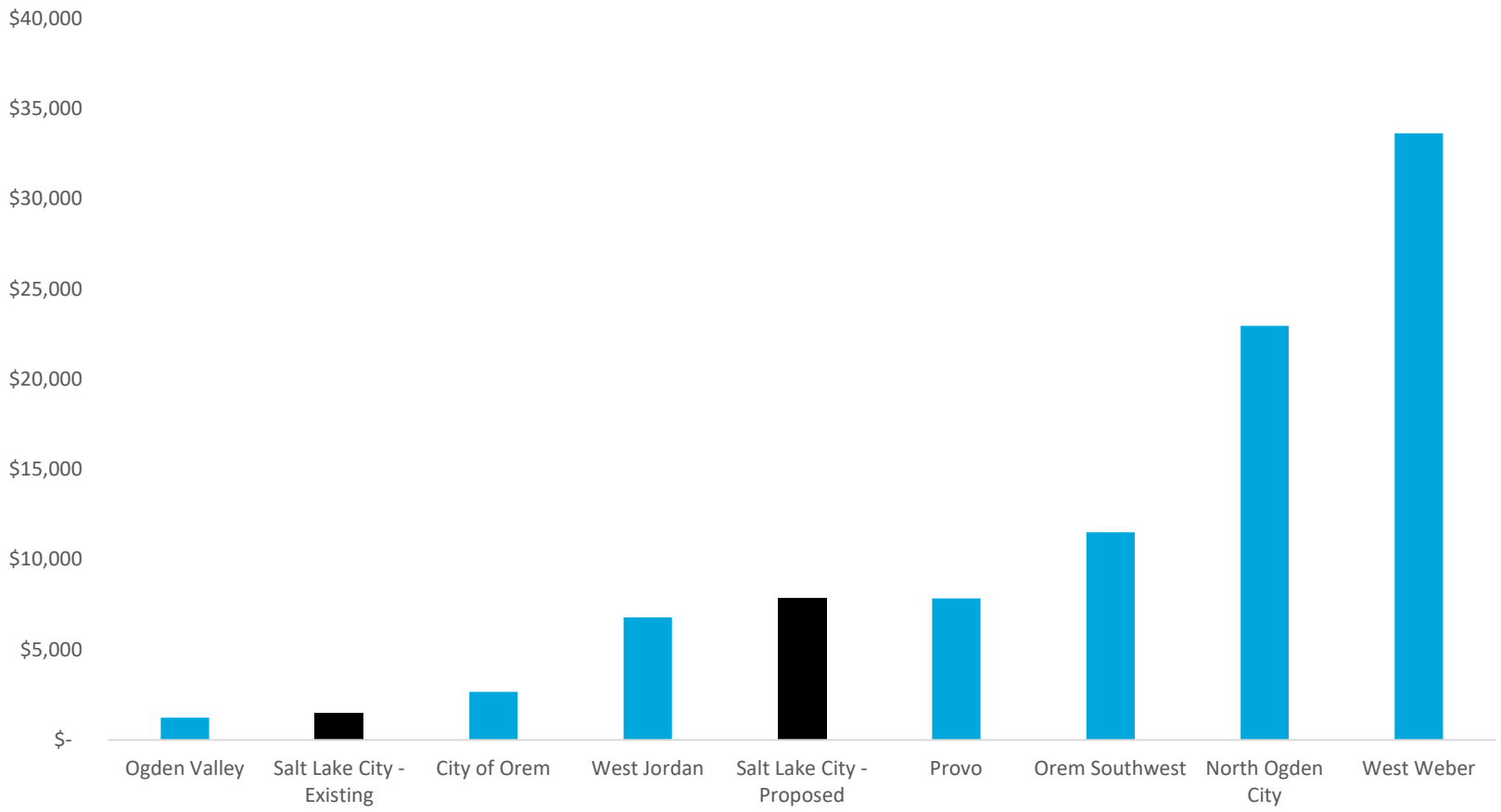
System	Existing Customers	Growth Next 6 Years	Growth Beyond 6 Years
Assets	78.1%	5.4%	16.5%

Stormwater Impact Fee

- Planned improvements were allocated to existing customers and growth based on professional judgement
- Capital investment in lift stations, detention basins, collection mains, landscaping and more.
  - Nearly $1m in projects as work in process and $14.2m in existing depreciated assets.
- Residential and commercial customers pay same impact fee per ¼ acre basis
- Current fee: $374 per ¼ acre

Impact Fee Components	$/Lot (1/4 acre)
Recoupment Fee	$1,864
Improvement Fee	$99
Total Impact Fee	$1,963

Stormwater Impact Fee Comparison, per acre



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Summary

Summary

- Impact fees for SLCDPU have not been updated for over 20 years
- Utility systems have substantial capital investment needs
- Existing system has capacity to serve new growth and costs are being carried by existing users
- Proposed Residential Impact Fee

System	Existing	Proposed	% Change
Water ($ per 3/4" meter)	$1,871	$5,664	203%
Sewer ($ per 3/4" meter)	$545	$4,300	689%
Stormwater ($ per ¼ acre)	$374	$1,963	425%
Total	$2,790	$11,927	327%

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Next Steps

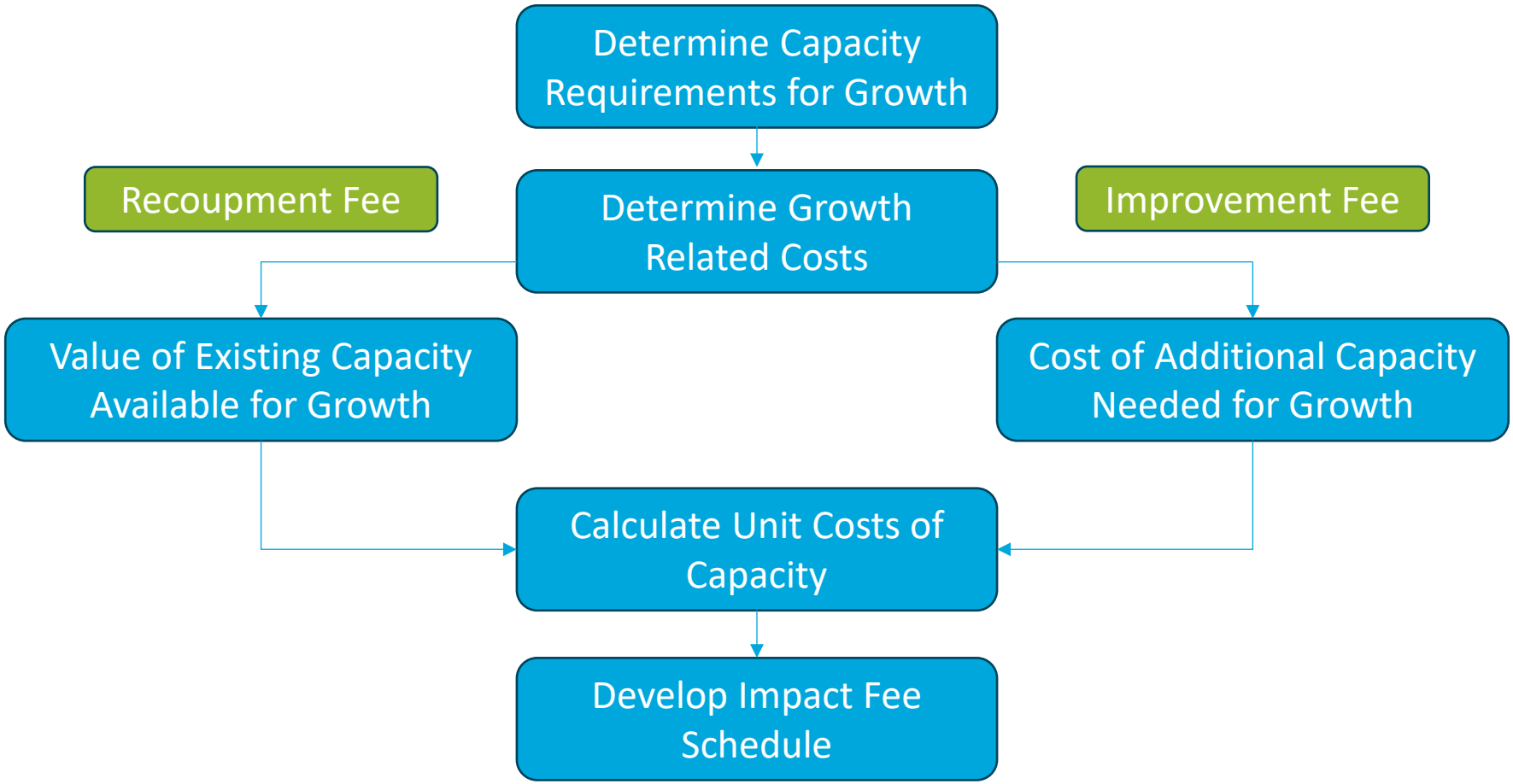
- Incorporate comments from advisory committee into analysis
- Revise Impact Fee
  - Consider phased approach to implement proposed fees
- Presentation to City Council
  - Adoption of Impact Fee Facility Plan and Impact Fee Report
  - Adoption of Impact Fee Schedules

Recommendations

- Follow appropriate process to adopt the IFFP and Impact Fee Analysis
- City may wish to consider phasing in the updated impact fees to reduce fee shock

Extra Slides

Impact Fee Methodology



Recoupment Investment

- Value of Existing Assets, Less:
  - -Developer Contributions
  - -Outstanding Debt
  - -Credit for replacement of existing assets
  - -Improvements funded by grants

→ Allocate to Existing Customers and Growth

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Improvement Investment

- Planned Capital Improvements, Less:
  - -Projected principal on new debt

→ Allocate to Existing Customers and Growth

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Number of New Connections

- Equivalent Residential Units (ERUs) over the next 6 years
- Stormwater based on Acreage

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Impact Fee ($/ERU)

Impact Fee Methodology

- The net capital investment in each system is then broken down into the respective system components.
  - Water: treatment, storage, and distribution components.
  - Wastewater: treatment and collection and transmission.
  - The stormwater system is treated as one component.

Impact Fee Methodology

- Adjustments are made to the existing capital investment and cost of the planned improvements in the system to reflect:
  - the outstanding debt on each system
  - developer contributions
  - improvements funded from grants
  - assets that will be retired or replaced by the planned improvements.

- The net capital investment in each system is then broken down into the respective system components.
  - Water: treatment, storage, and distribution components.
  - Wastewater: treatment and collection and transmission.
  - The stormwater system is treated as one component.