

# **NORTH VILLAGE SPECIAL SERVICE DISTRICT SEWER IMPACT FEE ANALYSIS**

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**DRAFT**

**Prepared for:**



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# IMPACT FEE ANALYSIS

## INTRODUCTION

North Village Special Service District (District or NVSSD) has retained Bowen Collins & Associates (BC&A) to prepare an impact fee analysis (IFA) for its sewer system based on a recently completed impact fee facilities plan. 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 impact of anticipated development activity on existing capacity
2. Identify the impact of anticipated development activity on system improvements required 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
  - 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. Manner of financing improvements
  - b. Dedication of system improvements
  - c. Extraordinary costs in servicing newly developed properties
  - 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 sewer demands 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 Sewer Capacity Units (SCUs). A SCU represents the demand that a typical single-family residence places on the system. Growth in SCUs projected for the service area is summarized in Table 1.

**Table 1: District Sewer Growth Projections**

Year	ERUs Total Projected	Design Total Sewer Flow (mgd)
2023	390	0.10
2024	428	0.11
2025	470	0.12
2026	516	0.27
2027	567	0.29
2028	623	0.32
2029	684	0.35
2030	750	0.37
2031	822	0.40
2032	900	0.44
2033	985	0.47
2034	1,076	0.50
2035	1,174	0.54

As shown in the table above, the expected growth within the 10-year planning window is 648 SCUs.

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

To satisfy the requirements of state law, demand placed upon system facilities by future development was projected using the process outlined below.

1. **Existing Demand** – The demand existing development places on the District's system was estimated based on Sewer Flow patterns and SCU's per area observed in similar systems.
2. **Existing Capacity** – The capacities of existing system collection facilities were estimated using size data provided by the District and a hydraulic computer model as part of the Sewer System Master Plan.
3. **Existing Deficiencies** – Existing deficiencies in the system were looked for by comparing defined levels of service against calculated capacities.
4. **Future Demand** - The demand that 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 District sewer system has several existing assets with excess capacity with costs that are eligible for recovery under impact fees. These existing assets and costs are summarized in Table 2.

### **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 development in the planning window.

**Table 2: NVSSD Sewer System Existing Assets**

Project ID	Project Description	Estimated Total Project Cost	Percent to Existing Users	Percent to 10-Year Growth-Bonded Users	Percent to 10-Year Growth-Unbonded Users	Percent to >10-Year Growth-Bonded Users	Percent to >10-Year Growth-Unbonded Users
<b>Conveyance Projects</b>							
LS1	Coyote Lift Station	\$1,400,688	6.9%	5.9%	5.8%	33.1%	48.3%
P2	HWY 40 (2021)	\$1,167,091	6.9%	5.9%	5.8%	33.1%	48.3%
P1	HWY 40/Sewer lines (2003 - 2006)	\$2,192,354	6.9%	5.9%	5.8%	33.1%	48.3%
<b>Building &amp; Administration</b>							
B&A-1	Existing Buildings	\$85,596	7.9%	5.8%	5.7%	32.7%	47.8%

**Table 3: Impact Fee Eligible Capital Projects**

Project ID	Project Description	Estimated Total Project Cost	Percent to Existing Users	Percent to 10-Year Growth-Bonded Users	Percent to 10-Year Growth-Unbonded Users	Percent to >10-Year Growth-Bonded Users	Percent to >10-Year Growth-Unbonded Users
<b>Conveyance Projects</b>							
*FM2	HDPE Force Main from UVU Lift Station to north of HWY 32	\$471,600	6.9%	5.9%	5.8%	33.1%	48.3%
*LS2	Install new UVU lift station	\$1,168,300	6.9%	5.9%	5.8%	33.1%	48.3%
<b>Treatment Projects</b>							
**T1	Purchased Phase 2 Treatment Plant Capacity	\$9,756,064	0.0%	14.6%	14.3%	28.9%	42.2%
<b>Building &amp; Administration</b>							
B&A-2	Future Shop Building	\$181,787	7.9%	5.8%	5.7%	32.7%	47.8%

\*Cost is NVSSD Portion of UVU Lift Station and Force Main

\*\* Cost is projected portion for Phase 2 Treatment improvements

**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. Calculated impact fees by component are summarized in Table 4.

**Table 4 - A**

System Components NVSSD Bonded	Total Cost of Component	% Serving 10- Year Growth	Cost Serving 10-year Growth	10-Year SCUs Served	Cost per SCU
<b>Collection</b>					
Existing Facilities	\$4,760,133	5.9%	\$281,204	327	\$859
10-year Projects	\$1,639,900	5.9%	\$96,877	327	\$296
Credit for User Fees Paid Toward Existing					-\$589
<i>Subtotal</i>	<b>\$6,400,033</b>		<b>\$378,080</b>		<b>\$566</b>
<b>Treatment</b>					
Existing Facilities					
10-year Projects Construction	\$9,756,064	14.6%	\$1,420,120	327	\$4,338
10-Year Financing	\$3,836,998	14.6%	\$558,524	327	\$1,706
Credit for User Fees Paid Toward Existing					
<i>Subtotal</i>	<b>\$13,593,062</b>		<b>\$1,978,645</b>		<b>\$6,045</b>
<b>Building &amp; Administration</b>					
Existing Facilities	\$85,596.12	5.8%	\$5,004.18	327	\$15.29
10-year Projects	\$181,787.17	5.8%	\$10,627.78	327	\$32.47
Credit for User Fees Paid Toward Existing					
<i>Subtotal</i>	<b>\$267,383.29</b>		<b>\$15,631.96</b>		<b>\$47.76</b>
<b>Studies</b>					
2029 Capital Facilities Plan	\$50,000	100.0%	\$50,000	164	\$305
2029 Impact Fee Facilities Plan	\$25,000	100.0%	\$25,000	164	\$153
2029 Impact Fee Analysis	\$15,000	100.0%	\$15,000	164	\$92
<i>Subtotal</i>	<b>\$90,000</b>		<b>\$90,000</b>		<b>\$550</b>
<b>Total</b>	<b>\$20,350,478</b>				<b>\$7,208</b>

**Table 4 - B**

System Components NVSSD Unbonded	Total Cost of Component	% Serving 10- Year Growth	Cost Serving 10-year Growth	10-Year SCUs Served	Cost per SCU
<b>Collection</b>					
Existing Facilities	\$4,760,133	5.8%	\$275,729	321	\$859
10-year Projects	\$1,639,900	5.8%	\$94,991	321	\$296
Credit for User Fees Paid Toward Existing					\$0
<i>Subtotal</i>	<b>\$6,400,033</b>		<b>\$370,720</b>		<b>\$1,155</b>
<b>Treatment</b>					
Existing Facilities					
10-year Projects Construction	\$9,756,064	14.3%	\$1,392,472	321	\$4,338
10-Year Financing	\$3,836,998	14.3%	\$547,650	321	\$1,706
Credit for User Fees Paid Toward Existing					
<i>Subtotal</i>	<b>\$13,593,062</b>		<b>\$1,940,122</b>		<b>\$6,045</b>
<b>Building &amp; Administration</b>					
Existing Facilities	\$85,596	5.7%	\$4,907	321	\$15
10-year Projects	\$181,787	5.7%	\$10,421	321	\$32
Credit for User Fees Paid Toward Existing					
<i>Subtotal</i>	<b>\$267,383</b>		<b>\$15,328</b>		<b>\$48</b>
<b>Studies</b>					
2029 Capital Facilities Plan	\$50,000	100.0%	\$50,000	160	\$312
2029 Impact Fee Facilities Plan	\$25,000	100.0%	\$25,000	160	\$156
2029 Impact Fee Analysis	\$15,000	100.0%	\$15,000	160	\$93
<i>Subtotal</i>	<b>\$90,000</b>		<b>\$90,000</b>		<b>\$561</b>
<b>Total</b>	<b>\$20,350,478</b>				<b>\$7,808</b>

**Planning and Engineering Costs**

Utah Code allows for the cost of planning and engineering associated with impact fee calculations to be recovered as part of an impact fee. The cost of applicable studies completed by the District directly associated with planning for future growth have been included in Table 4. Only the actual costs, incurred by the District, related to planning and engineering for new growth have been included in this document. No future costs or projections have been added.

Included in the table is the calculated portion of the studies dedicated to planning for future growth (based on hours spent) and the number of SCUs served during the expected useful life of the planning documents (five years).

**Credit for User Fees**

In some cases, an impact fee facility plan may include some portion of bonding being used for projects that have at least a portion of their costs that benefit existing users. For projects where this is the case, future users will pay for their portion of capacity via impact fees. They cannot also be expected to pay through user rates the portion of future bonds that will be used to build capacity or remedy deficiencies for existing users. This often creates the need for a credit for future users.

This is not the case for NVSSD. NVSSD has no debt. Thus, there is no need to create a credit in the impact fee for future users.

However, there are a group of future users who participated in previous special assessment infrastructure bonds for sewer conveyance infrastructure. These are known as “bonded” users in the NVSSD lexicon. The value of system level infrastructure constructed by these bonds on an SCU basis was determined for the 2015 impact fee calculations and has not changed. The credit for NVSSD Bonded Users is \$589.00.

### **Recommended Impact Fee**

Per Table 4, the calculated impact fees for secondary water in North Village Special Service District varies per service area and whether the user is Bonded or Unbonded. Given that impact fees are as follows:

- NVSSD Bonded: \$ 7,208
- NVSSD Unbonded: \$ 7,808

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 allowed under the requirements of Utah Code. This is separate from any additional charges levied by the District for hookup costs or for other reasonable permit and application fees.

## **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.

### **Bonds**

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 was the case for the second phase of expansion of the Water Reclamation Facility. A bond term of 15 years at 5% was assumed.

### **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.

### **Planned Improvement District (PID) Dedication**

Credit must be incorporated to the impact fee when costs are funded by PID bond proceeds. PID funding is currently not planned or incorporated in this analysis. If PID funding becomes available for constructing facilities, impact fees will need to be recalculated and appropriate credit given.

### **Dedication of System Improvements - 11-36a-304(2)(f)**

Developer exactions are not the same as grants. As identified in the IFFP, if a developer constructs a system improvement or dedicates land for a system improvement identified in this 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, if any, is based on actual historical costs without adjustment.

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

This IFA 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 City and its designees.

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

1. I certify that the attached impact fee analysis:
2. 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
  - d. impact fee is paid;
3. Does not include:
  - a. costs of operation and maintenance of public facilities;
  - b. costs of 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; or
  - c. an expense for overhead, unless the expense is calculated pursuant to a methodology that is consistent with generally accepted cost accounting practices and the methodological standards set forth by the federal Office of Management and Budget for federal grant reimbursement; and
4. Complies in each and every relevant respect with the Impact Fees Act.



Justin Dietrich, P.E.