

WASTEWATER TREATMENT
IMPACT FEE FACILITIES PLAN (IFFP) AND
IMPACT FEE ANALYSIS (IFA)

LOGAN CITY ENVIRONMENTAL DEPARTMENT

NOTICE DRAFT

AUGUST 2019



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IMPACT FEE CERTIFICATION

IFFP CERTIFICATION

LYRB certifies that the attached impact fee facilities plan:

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;
 - 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;
 - 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,
3. complies in each and every relevant respect with the Impact Fees Act.

IFA CERTIFICATION

LYRB certifies 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;
 - 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;
 - 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;
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.

LYRB makes this certification with the following caveats:

1. All of the recommendations for implementations of the IFFP made in the IFFP documents or in the IFA documents are followed by City Staff and elected officials.
2. If all or a portion of the IFFP or IFA are modified or amended, this certification is no longer valid.
3. All information provided to LYRB is assumed to be correct, complete, and accurate. This includes information provided by the City as well as outside sources.



DEFINITIONS

The following acronyms or abbreviations are used in this document:

- AF:** Acre Foot
- ERU:** Equivalent Residential Unit
- GAL:** Gallons
- GPM:** Gallons per Minute
- GPD:** Gallons per Day
- IFA:** Impact Fee Analysis
- IFFP:** Impact Fee Facilities Plan
- LOS:** Level of Service
- LYRB:** Lewis Young Robertson and Burningham, Inc.
- MG:** Million Gallons
- MGD:** Million Gallons per Day

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SECTION 1: EXECUTIVE SUMMARY

The purpose of this Impact Fee Analysis (IFA), is to fulfill the requirements established in Utah Code Title 11 Chapter 36a, the "Impact Fees Act," and help Logan City (the "City") fund necessary capital improvements for future growth. This document will address the future sewer treatment infrastructure needed to serve new development through the next ten years, as well as the appropriate impact fees the City may charge to new growth to maintain the level of service.

- ☞ **Impact Fee Service Area:** The Service Area for the wastewater treatment impact fees includes the communities of Logan, Smithfield, Hyde Park, North Logan, River Heights, Providence, Nibley, and Utah State University.
- ☞ **Demand Analysis:** The demand unit utilized in this analysis is existing flow and equivalent residential units, or ERUs. Currently, the Service Area has an estimated flow of 13.7 Million Gallons Per Day (MGD), for a total of 55,918 ERUs. Based on a growth rate of 2.5 percent identified in the 2018 Sewer Collection Master Plan (see p.36), an additional 16,053 ERUs will be added to the System. A more moderate growth of 1.5 percent will produce another 9,112 ERUs. Regardless of the projected growth, the Sewer Treatment Facility has a defined capacity of 18 MGD annual average demand. Therefore, the impact fee analysis will allocate the available capacity based on the current level of service.
- ☞ **Level of Service:** The level of service identified in the Master Plan assumes each future ERU will contribute an average sanitary flow of 0.17 GPM, or 70 gallons per person per day. This equates to 245 GPD per ERU, assuming an average household size of 3.5 people for each.¹
- ☞ **Excess Capacity:** While the construction of the new treatment facility is needed to further treat for phosphorus and ammonia removal, existing facilities will continue to be utilized to provide storage facilities to existing and future ERUs to account for max day flows. This analysis includes a buy-in to existing facilities to account for this capacity. The existing sewer treatment infrastructure has an original value of \$16,561,911.
- ☞ **Capital Facilities Analysis:** A new treatment facility is anticipated to cost a total of \$162,146,550. \$38,735,009, or 24 percent of the total cost, is considered impact fee eligible capital cost.
- ☞ **Funding of Future Facilities:** This analysis assumes future growth-related facilities will be funded through a combination of wastewater revenues, debt financing, and impact fee revenues.

PROPOSED WASTEWATER TREATMENT IMPACT FEE

The wastewater treatment impact fees proposed in this analysis will be assessed within the Service Area. **Table 1.1** illustrates the appropriate fee associated with wastewater treatment projects occurring within the planning horizon.

TABLE 1.1: IMPACT FEE PER ERU

	TOTAL COST	% TO GROWTH	COST TO IFFP	ERUS SERVED	COST PER ERU
Existing Facilities (Buy-In)	\$16,561,911	24%	\$3,956,456	17,551	\$225
Future Facilities	\$162,146,550	24%	\$38,735,009	17,551	\$2,207
Professional Expense	\$13,050	100%	\$13,050	17,551	\$1
Impact Fee Fund Balance	-	100%	-	17,551	-
Total per ERU			\$42,704,516		\$2,433

NON-STANDARD WASTEWATER TREATMENT IMPACT FEES

The City reserves the right under the Impact Fees Act to assess an adjusted fee that more closely matches the true impact that the land use will have upon public facilities.² This adjustment could result in a lower impact fee if the City determines that a particular user may create a different impact than what is standard for its land use. The formula for a non-standard impact fee calculation is shown below.

NON-STANDARD IMPACT FEE FORMULA

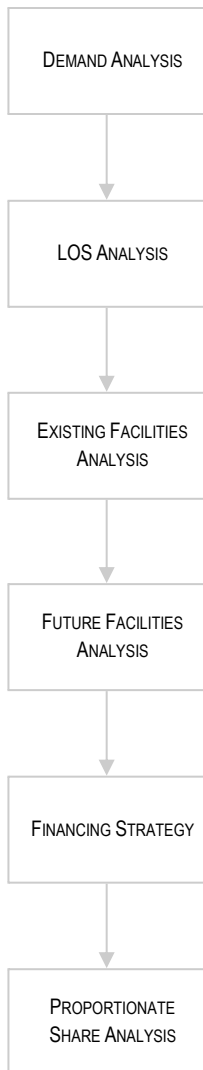
$$\text{Estimated Flow}/245 \text{ GPD} \times \$2,433 = \text{Impact Fee}$$

¹ 2018 Wastewater Collection Master Plan IFFP, p. 36.

² 11-36a-402(1)(c)

SECTION 2: GENERAL IMPACT FEE METHODOLOGY

FIGURE 2.1: IMPACT FEE METHODOLOGY



The purpose of this study is to fulfill the requirements of the Impact Fees Act regarding the establishment of an IFA³. The IFFP, completed by Gardner Engineering, is designed to identify the demands placed upon the City’s existing facilities by future development and evaluate how these demands will be met by the City, as well as the future improvements required to maintain the existing LOS. The purpose of the IFA is to proportionately allocate the cost of the new facilities and any excess capacity to new development, while ensuring that all methods of financing are considered. The following elements are important considerations when completing an IFA.

DEMAND ANALYSIS

The demand analysis serves as the foundation for this analysis. This element focuses on a specific demand unit related to each public service – the existing demand on public facilities and the future demand as a result of new development that will impact system facilities.

LEVEL OF SERVICE ANALYSIS

The demand placed upon existing public facilities by existing development is known as the existing LOS. Through the inventory of existing facilities, combined with the growth assumptions, this analysis identifies the LOS which is provided to a community’s existing residents and ensures that future facilities maintain these standards. Any excess capacity identified within existing facilities can be apportioned to new development. Any demand generated from new development that overburdens the existing system beyond the existing capacity justifies the construction of new facilities.

EXISTING FACILITY INVENTORY

In order to quantify the demands placed upon existing public facilities by new development activity, the analysis provides an inventory existing **system** facilities. The inventory of existing facilities is important to properly determine the excess capacity of existing facilities and the utilization of excess capacity by new development.

FUTURE CAPITAL FACILITIES ANALYSIS

The demand analysis, existing facility inventory and LOS analysis allow for the development of a list of capital projects necessary to serve new growth and to maintain the existing system. This list includes any excess capacity of existing facilities, as well as future **system improvements** necessary to maintain the level of service. Any demand generated from new development that overburdens the existing system beyond the existing capacity justifies the construction of new facilities.

FINANCING STRATEGY

This analysis must also include a consideration of all revenue sources, including impact fees, future debt costs, alternative funding sources and the dedication of system improvements, which may be used to finance system improvements.⁴ In conjunction with this revenue analysis, there must be a determination that impact fees are necessary to achieve an equitable allocation of the costs of the new facilities between the new and existing users.⁵

PROPORTIONATE SHARE ANALYSIS

The written impact fee analysis is required under the Impact Fees Act and must identify the impacts placed on the facilities by development activity and how these impacts are reasonably related to the new development. The written impact fee analysis must include a proportionate share analysis, clearly detailing each cost component and the methodology used to calculate each impact fee. A local political subdivision or private entity may only impose impact fees on development activities when its plan for financing system improvements establishes that impact fees are necessary to achieve an equitable allocation of the costs borne in the past and to be borne in the future (UCA 11-36a-302).

³UC 11-36a-301,302,303,304

⁴ UC 11-36a-302(2)

⁵ UC 11-36a-302(3)

SECTION 3: OVERVIEW OF SERVICE AREA, DEMAND, AND LOS

SERVICE AREAS

Utah Code requires the impact fee enactment to establish one or more service areas within which impact fees will be imposed.⁶ The Service Area for the wastewater impact fees includes the following areas:

- ☐ Logan
- ☐ River Heights
- ☐ Smithfield
- ☐ Providence
- ☐ Hyde Park
- ☐ Nibley
- ☐ North Logan
- ☐ Utah State University

Logan City is in the process of updating the lagoons to a mechanical plant in order to accommodate more stringent ammonia and phosphorous standards as well as future total nitrogen limits. Construction is estimated to be completed and the plant operational by the end of the year 2022.

TABLE 3.1: SERVICE AREA ERU GROWTH PROJECTIONS

	FLOW (MODERATE GROWTH RATE 1.5%)	ERUs	FLOW (HIGH GROWTH RATE 2.5%)	ERUs
2018	13,700,000	55,918	13,700,000	55,918
2019	13,905,500	56,757	14,042,500	57,316
2020	14,114,083	57,609	14,393,563	58,749
2021	14,325,794	58,473	14,753,402	60,218
2022	14,540,681	59,350	15,122,237	61,723
2023	14,758,791	60,240	15,500,293	63,267
2024	14,980,173	61,144	15,887,800	64,848
2025	15,204,875	62,061	16,284,995	66,469
2026	15,432,948	62,992	16,692,120	68,131
2027	15,664,443	63,937	17,109,423	69,834
2028	15,899,409	64,896	17,537,158	71,580
2029	16,137,900	65,869	17,975,587	73,370
2030	16,379,969	66,857	18,424,977	75,204
IFFP Growth (2019-2029)	2,232,400	9,112	3,933,087	16,053

Source: LYRB projections, based on data from Logan City, and the 2018 Wastewater Collection Master plan.

DEMAND UNITS

The demand unit utilized in this analysis is existing flow and equivalent residential units, or ERUs. The primary impact on the system will be growth in residential and commercial ERUs through development. As development occurs within the Service Area, it generates increased demand on the wastewater treatment system, above the current demand. The system improvements identified in this study are designed to maintain the existing level of service for any new or redeveloped property within the Service Area. If growth assumptions change substantially, the impact fee analysis should be updated to reflect these changes.

Currently, the Service Area has an estimated flow of 13.7 Million Gallons Per Day (MGD), for a total of 55,918 ERUs. Based on a growth rate of 2.5 percent

identified in the 2018 Sewer Collection Master Plan (see p.36), an additional 16,053 ERUs will be added to the System. A more moderate growth of 1.5 percent will produce another 9,112 ERUs. Regardless of the projected growth, the Sewer Treatment Facility has a defined capacity of 18 MGD annual average demand. Therefore, the impact fee analysis will allocate the available capacity based on the current level of service.

LEVEL OF SERVICE STANDARDS

Impact fees cannot be used to finance an increase in the level of service to current or future users of capital improvements. Therefore, it is important to identify the wastewater level of service to ensure that the new capacities of projects financed through impact fees do not exceed the established standard. The 2018 Sewer Collection Master Plan identifies the existing level of service on a per ERU basis. According to the Impact Fee Act, the proposed level of service may diminish or equal the existing level of service. The existing level of service identified in the Master Plan assumes each future ERU will contribute an average sanitary flow of 0.17 GPM, or 70 gallons per person per day. This equates to 245 GPD per ERU, assuming an average household size of 3.5 people for each.⁷

⁶ UC 11-36a-402(1)(a)

⁷ 2018 Wastewater Collection Master Plan IFFP, p. 36.



SECTION 4: EXISTING FACILITIES INVENTORY

EXCESS CAPACITY

The Environmental Department's existing regional wastewater treatment consists of 460 acres of lagoons, and 240 acres of wetlands to treat and further polish wastewater. While the construction of the new treatment facility is needed to further treat for phosphorus and ammonia removal, existing facilities will continue to be utilized to provide storage facilities to existing and future ERUs to account for max day flows. This analysis includes a buy-in to existing facilities to account for this capacity. The existing sewer treatment infrastructure has an original value of \$16,561,911. This includes pump stations, land, and improvements. The capacity of the lagoon system is applied to the total treatment capacity of the system, or 18 MGD.

MANNER OF FINANCING EXISTING PUBLIC FACILITIES

There is currently no outstanding debt related to the wastewater treatment system. This analysis assumes future growth-related facilities will be funded through a combination of utility revenues, impact fee revenues and debt financing.

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SECTION 5: CAPITAL FACILITY ANALYSIS

The estimated costs attributed to new growth were analyzed based on existing development versus future development patterns. From this analysis, a portion of future development costs were attributed to new growth and included in this impact fee analysis as shown in **Table 5.1**. Capital projects related to curing existing deficiencies were not included in the calculation of the impact fees. The costs of projects related to curing existing deficiencies cannot be funded through impact fees.

Based on capacity of the proposed improvements, the treatment facility can serve an additional 4.3 MGD, which represent 24 percent of the total capacity of the facility. Based on the existing LOS, this will serve an additional 17,551 ERUs.

TABLE 5.1: ILLUSTRATION OF CAPITAL IMPROVEMENTS SCHEDULED TO BE COMPLETED

FUTURE FACILITIES	TOTAL CONSTRUCTION YEAR COST	% TO GROWTH	COST TO GROWTH	% CITY FUNDED	TOTAL IMPACT FEE ELIGIBLE COST
New Treatment Facility	\$150,271,315	24%	\$35,898,147	100%	\$35,898,147
Interest	\$11,875,235	24%	\$2,836,862	100%	\$2,836,862
Total	\$162,146,550		\$38,735,009		\$38,735,009

The treatment facility is anticipated to cost a total of \$162,146,550. \$38,735,009, or 24 percent of the total cost, is considered impact fee eligible capital cost.

SYSTEM VS. PROJECT IMPROVEMENTS

System improvements are defined as existing and future public facilities designed to provide services to service areas within the community at large.⁸ Project improvements are improvements and facilities that are planned and designed to provide service for a specific development (resulting from a development activity) and considered necessary for the use and convenience of the occupants or users of that development.⁹ To the extent possible, this analysis only includes the costs of system improvements related to new growth within the proportionate share analysis.

FUNDING OF FUTURE FACILITIES

The IFFP must also include a consideration of all revenue sources, including impact fees and the dedication of system improvements, which may be used to finance system improvements.¹⁰ In conjunction with this revenue analysis, there must be a determination that impact fees are necessary to achieve an equitable allocation of the costs of the new facilities between the new and existing users.¹¹

Other revenues such as utility rate revenues will be necessary to fund non growth-related projects and to fund growth-related projects when sufficient impact fee revenues are not available. In the latter case, impact fee revenues will be used to repay utility rate revenues for growth related projects. A brief description of alternative financing options is included below.

- ☞ **Utility Rate Revenues:** Utility rate revenues serve as the primary funding mechanism within enterprise funds. Rates are established to ensure appropriate coverage of all operations and maintenance expenses, debt service coverage, and capital project needs. Impact fee revenues are generally considered non-operating revenues and help offset future capital costs.
- ☞ **Grants, Donations and Other Contributions:** Grants and donations are not expected as a future funding source. The impact fees should be adjusted if grant monies are received. New development may be entitled to a reimbursement for any grants or donations received for growth related projects, or for developer funded IFFP projects.
- ☞ **Debt Financing:** The City will utilize debt financing to fund future capital facility projects.

The City has acquired low interest loans from the Utah Division of Water Quality, the State of Utah's Community Impact Board, and cash reserves or tax-exempt bonding in the public markets for the balance of the project. In addition, utility rate revenue and fund balances will be used to fund the project. Impact fees can be used to pay the proposed debt service, pay back existing rate payers and replenish the fund balance for the growth-related portions of the project. Future financing costs are illustrated in **Table 5.2**. A total of \$11.8M in interest cost is included in this analysis and added to the total cost found in **Table 5.1**.

⁸ 11-36a-102(21)

⁹ 11-36a-102(14)

¹⁰ 11-36a-302(2)

¹¹ 11-36a-302(3)

TABLE 5.2: ILLUSTRATION OF PROPOSED FINANCING MECHANISMS

FISCAL YEAR	2016 TAXABLE SEWER TREATMENT REVENUE BONDS		2018A STATE SEWER REVENUE BONDS		2018B CIB SEWER REVENUE BONDS	
	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL
2019-20	-	-	23,504	-	94,941	-
2020-21	-	-	300,000	532,000	150,000	430,000
2021-22	-	3,257,000	292,020	540,000	143,550	435,000
2022-23	500,573	3,282,000	283,920	549,000	137,025	440,000
2023-24	475,958	3,306,000	275,685	557,000	130,425	445,000
2024-25	451,163	3,331,000	267,330	565,000	123,750	455,000
2025-26	426,180	3,356,000	258,855	574,000	116,925	465,000
2026-27	401,010	3,381,000	250,245	582,000	109,950	470,000
2027-28	375,653	3,406,000	241,515	591,000	102,900	480,000
2028-29	350,108	3,432,000	232,650	600,000	95,700	490,000
2029-30	324,368	3,458,000	223,650	609,000	88,350	495,000
2030-31	298,433	3,484,000	214,515	618,000	80,925	500,000
2031-32	272,303	3,510,000	205,245	627,000	73,425	510,000
2032-33	245,978	3,536,000	195,840	637,000	65,775	520,000
2033-34	219,458	3,563,000	186,285	646,000	57,975	530,000
2034-35	192,735	3,589,000	176,595	656,000	50,025	535,000
2035-36	165,818	3,616,000	166,755	666,000	42,000	545,000
2036-37	138,698	3,643,000	156,765	676,000	33,825	550,000
2037-38	111,375	3,671,000	146,625	686,000	25,575	560,000
2038-39	83,843	3,698,000	136,335	696,000	17,175	570,000
2039-40	56,108	3,726,000	125,895	707,000	8,625	575,000
2040-41	28,163	3,755,000	115,290	718,000	-	-
2041-42	-	-	104,520	729,000	-	-
2042-43	-	-	93,585	740,000	-	-
2043-44	-	-	82,485	751,000	-	-
2044-45	-	-	71,220	762,000	-	-
2045-46	-	-	59,790	774,000	-	-
2046-47	-	-	48,180	785,000	-	-
2047-48	-	-	36,405	797,000	-	-
2048-49	-	-	24,450	809,000	-	-
2049-50	-	-	12,315	821,000	-	-
Total	\$5,117,925	\$70,000,000	\$5,008,469	\$20,000,000	\$1,748,841	\$10,000,000

PROPOSED CREDITS OWED TO DEVELOPMENT

The Impact Fees Act requires a local political subdivision or private entity to ensure that the impact fee enactment allows a developer, including a school district or a charter school, to receive a credit against or proportionate reimbursement of an impact fee if the developer: (a) dedicates land for a system improvement; (b) builds and dedicates some or all of a system improvement; or (c) dedicates a public facility that the local political subdivision or private entity and the developer agree will reduce the need for a system improvement.¹² The facilities must be considered system improvements or be dedicated to the public, and offset the need for an improvement identified in the IFFP.

EQUITY OF IMPACT FEES

Impact fees are intended to recover the costs of capital infrastructure that relate to future growth. The impact fee calculations are structured for impact fees to fund 100 percent of the growth-related facilities identified in the proportionate share analysis as presented in the impact fee analysis. Even so, there may be years that impact fee revenues cannot cover the annual growth-related expenses. In those years, other revenues such as general fund revenues will be used to make up any annual deficits. Any borrowed funds are to be repaid in their entirety through impact fees.

¹² 11-36a-402(2)



NECESSITY OF IMPACT FEES

An entity may only impose impact fees on development activity if the entity's plan for financing system improvements establishes that impact fees are necessary to achieve parity between existing and new development. This analysis has identified the improvements to public facilities and the funding mechanisms to complete the suggested improvements. Impact fees are identified as a necessary funding mechanism to help offset the costs of new capital improvements related to new growth. In addition, alternative funding mechanisms are identified to help offset the cost of future capital improvements.

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SECTION 6: WASTEWATER TREATMENT IMPACT FEE CALCULATION

Impact fees are calculated based on many variables centered on proportionality and level of service. The previous sections identified the future demand, the existing and proposed level of service, the availability of excess capacity and the needed future facilities to serve new development. The following section identifies the appropriate impact fee to be assessed to new development to maintain the existing level or service.

PROPOSED WASTEWATER TREATMENT IMPACT FEE

Impact fees can be calculated based on a defined set of costs specified for future development, usually defined within the Master Plan, Capital Improvement Plan and IFFP. The total project costs are divided by the total demand units the projects are designed to serve. Under this methodology, it is important to identify the existing level of service and determine any excess capacity in existing facilities that could serve new growth. Impact fees are then calculated based on many variables centered on proportionality share and level of service.

The wastewater treatment impact fees proposed in this analysis will be assessed within the Service Area. The table below illustrates the appropriate impact fee to maintain the existing level or service, based on the assumptions within this document. The fee below represents the maximum allowable impact fee assignable to new development. The total fee per ERU is **\$2,433**.

TABLE 6.1: IMPACT FEE PER ERU

	TOTAL COST	% TO GROWTH	COST TO IFFP	ERUS SERVED	COST PER ERU
Existing Facilities (Buy-In)	\$16,561,911	24%	\$3,956,456	17,551	\$225
Future Facilities	\$162,146,550	24%	\$38,735,009	17,551	\$2,207
Professional Expense	\$13,050	100%	\$13,050	17,551	\$1
Impact Fee Fund Balance	-	100%	-	17,551	-
Total per ERU			\$42,704,516		\$2,433

NON-STANDARD IMPACT FEES

The City reserves the right under the Impact Fees Act¹³ to assess an adjusted fee that more closely matches the true impact that the land use will have upon the wastewater system. This adjustment could result in a lower impact fee if evidence suggests a particular user will create a different impact than what is standard for its category. The formula for a non-standard impact fee calculation is shown below.

NON-STANDARD IMPACT FEE FORMULA

Estimated Flow/245 GPD x \$2,433 = Impact Fee

CONSIDERATION OF ALL REVENUE SOURCES

The Impact Fees Act requires the proportionate share analysis to demonstrate that impact fees paid by new development are the most equitable method of funding growth-related infrastructure. See Section 5 for further discussion regarding the consideration of revenue sources.

EXPENDITURE OF IMPACT FEES

Legislation requires that impact fees should be spent or encumbered within six years after each impact fee is paid. Impact fees collected in the next five to six years should be spent only on those projects outlined in the IFFP as growth related costs to maintain the level or service.

GROWTH-DRIVEN EXTRAORDINARY COSTS

The City does not anticipate any extraordinary costs necessary to provide services to future development.

SUMMARY OF TIME PRICE DIFFERENTIAL

The Impact Fees Act allows for the inclusion of a time price differential to ensure that the future value of costs incurred at a later date are accurately calculated to include the costs of construction inflation. While an inflation component may be included in the impact fee analysis to reflect the future cost of facilities, at the request of the City it is not considered in the cost estimates in this study. However, the impact fee analysis should be updated regularly to account for changes in costs estimates over time.

¹³ 11-36a-402(1)(c)