

Heber Valley Special Service District



DRAFT Wastewater Impact Fee Analysis



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EXECUTIVE SUMMARY

Heber Valley Special Service District (“HVSSD” or the “District”) commissioned Zions Public Finance, Inc. (Zions) to calculate the District’s impact fees in accordance with Utah State Law. An impact fee is a payment of money imposed upon new development activity to mitigate the impact of new development on public infrastructure. In conjunction with this project, Aqua Engineering prepared the Wastewater Impact Fee Facilities Plan (“IFFP”) dated September 2021.

The recommended impact fee structure presented in this analysis has been prepared to satisfy the Impact Fees Act, Utah Code Ann. § 11-36a-101 et. seq., and represents the maximum impact fees that the District may assess. The District will be required to use revenue sources other than impact fees to fund any projects identified in the IFFP that constitute repair and replacement, cure any existing deficiencies, or increase the level of service for existing users.

Wastewater System Overview

Level of Service – Equivalent Residential Unit

The IFFP states that “the existing level of service at this facility includes treatment for BOD, TSS, ammonia, E.Coli, and total inorganic nitrogen as regulated by the State of Utah Department of Water Quality.”¹ Impact fee law prohibits the use of impact fees to increase the level of service (“LOS”) above the current demands. At times, a wastewater system may need to increase the LOS to cure an existing deficiency, but projects that fix deficiencies must be paid for through non-impact fee revenues and a credit must be provided to the impact fee payer. In this analysis, a credit has been calculated to offset the portion of the future capital projects that will benefit existing users.

In 2021 the District serves 12,685 ERUs and is anticipated to grow to approximately 16,619 ERUs by 2030, for an increase of 3,934 ERUs over the time period.

A residential unit is equated to one ERU and non-residential properties are converted to the appropriate number of ERUs.

Wastewater Service Area

The Service Area covers the entire District which included Midway City, portions of Heber City and portions of unincorporated Wasatch County for the purpose of calculating impact fees.

Existing Excess Capacity

The IFFP identifies existing excess capacity in the wastewater system. Acquired at an actual cost of \$33,000,908, the wastewater system has capacity to serve 18,931 ERUs and serves 12,685 ERUs in 2021. Therefore, there is excess capacity in the existing system.

New Construction Costs

Although there is excess capacity in the existing system, the District still needs to construct some new facilities in order to maintain service levels. The IFFP identifies a total of \$30,750,775 in new construction costs with \$14,590,740 of those costs attributable to new development through 2030. The IFFP also notes

¹ HVSSD Wastewater Impact Fee Facilities Plan, p.40.

construction projects in the amount of \$1,176,401 that are necessary to cure existing deficiencies. Credits must be made for the cost of the projects that cure deficiencies so that new development does not pay twice.

Wastewater Impact Fee Calculation

The maximum impact fee calculation is shown in the table below and results in a maximum fee of \$4,170.45 per ERU.

TABLE 1: PROPORTIONATE SHARE ANALYSIS

Description	Amount
Buy-In to Excess Capacity	\$1,743.22
New Construction	\$3,708.94
Consultant Costs	\$7.88
Impact Fee Fund Balance	(\$1,252.79)
Credits for Deficiencies	(\$36.81)
TOTAL MAXIMUM IMPACT FEE PER ERU	\$4,170.45

Non-Standard Demand Adjustments

The District reserves the right under the Impact Fees Act (Utah Code Ann. § 11-36a-402(1)(c, d)) to assess an adjusted fee to respond to unusual circumstances and to ensure that the impact fees are assessed fairly. The impact fee ordinance should include a provision that permits adjustment of the fee for a development based upon studies and data submitted by the developer that indicate a more realistic and accurate impact upon the District's infrastructure.

CHAPTER 1: OVERVIEW OF THE WASTEWATER IMPACT FEES

Summary

An impact fee is intended to recover the District's costs of building excess wastewater capacity from new residential or non-residential development rather than passing these growth-related costs on to existing users through rates.

The Utah Impact Fees Act allows only certain costs to be included in an impact fee so that only the fair cost of expansionary projects or existing unused capacity paid by the District is assessed through an impact fee. Eligible costs include future projects, historic costs of existing assets that still have capacity available to serve growth, future or outstanding debt related to these eligible projects, and certain professional expenses related to planning for growth. Project improvements that only serve a specific development or subdivision cannot be included. System improvements that cure a deficiency or enhance the LOS cannot be included without an appropriate credit.

The impact fee analysis provides documentation of a fair comparison, or rational nexus, between the impact fee charged to new development and the demands that new growth will have on the system.

Costs to be Included in the Impact Fee

The impact fees proposed in this analysis are calculated based upon:

- Buy-in to existing, excess capacity;
- New capital infrastructure that will serve new development; and
- Professional and planning expenses related to the construction of system improvements that will serve new development.

The costs that cannot be included in the impact fee are as follows:

- Projects that cure system deficiencies for existing users;
- Projects that increase the LOS above that which is currently provided;
- Operations and maintenance costs;
- Costs of facilities funded by grants or other funds that the District does not have to repay;
- Interest costs related to outstanding or future bonds that have been issued to fund non-impact fee eligible projects such as repair and replacement and curing deficiency; and
- Costs of reconstruction of facilities that do not have capacity to serve new growth.

Utah Code Legal Requirements

Utah law requires that entities prepare an Impact Fee Analysis (IFA) before enacting an impact fee. Utah law also requires that entities give notice of their intent to prepare and adopt an IFA. This IFA follows all legal requirements as outlined below. The District has retained Zions Public Finance, Inc. (ZPFI) to prepare this Impact Fee Analysis in accordance with legal requirements.

Notice of Intent to Prepare Impact Fee Analysis

A local political subdivision must provide written notice of its intent to prepare an IFA before preparing the Plan (Utah Code §11-36a-503). This notice must be posted on the Utah Public Notice website.

Preparation of Impact Fee Analysis

Utah Code requires that each local political subdivision, before imposing an impact fee, prepare an impact fee analysis. (Utah Code 11-36a-304).

Section 11-36a-304 of the Utah Code outlines the requirements of an impact fee analysis which is required to:

- (1) An impact fee analysis shall:
 - (a) identify the anticipated impact on or consumption of any existing capacity of a public facility by the anticipated development activity;
 - (b) identify the anticipated impact on system improvements required by the anticipated development activity to maintain the established level of service for each public facility;
 - (c) demonstrate how the anticipated impacts described in subsections (1)(a) and (b) are reasonably related to the anticipated development activity;
 - (d) estimate the proportionate share of:
 - (i) the costs for existing capacity that will be recouped; and
 - (ii) the costs of impacts on system improvements that are reasonably related to the new development activity; and
 - (e) identify how the impact fee was calculated.
- (2) In analyzing whether or not the proportionate share of the costs of public facilities are reasonably related to the new development activity, the local political subdivision or private entity, as the case may be, shall identify, if applicable:
 - (a) the cost of each existing public facility that has excess capacity to serve the anticipated development resulting from the new development activity;
 - (b) the cost of system improvements for each public facility;
 - (c) other than impact fees, the manner of financing for each public facility, such as user charges, special assessments, bonded indebtedness, general taxes, or federal grants;
 - (d) the relative extent to which development activity will contribute to financing the excess capacity of and system improvements for each existing public facility, by such means as user charges, special assessments, or payment from the proceeds of general taxes;
 - (e) the relative extent to which development activity will contribute to the cost of existing public facilities and system improvements in the future;
 - (f) the extent to which the development activity is entitled to a credit against impact fees because the development activity will dedicate system improvements or public facilities that will offset the demand for system improvements, inside or outside the proposed development;

- (g) extraordinary costs, if any, in servicing the newly-developed properties; and
- (h) the time-price differential inherent in fair comparisons of amounts paid at different times.

Certification of Impact Fee Analysis

Utah Code states that an Impact Fee Analysis shall include a written certification from the person or entity that prepares the Impact Fee Analysis. This certification is included at the conclusion of this analysis.

CHAPTER 2: IMPACT FROM GROWTH UPON THE DISTRICT'S FACILITIES AND LEVEL OF SERVICE

Utah Code 11-36a-304(1)(a)(c)

Service Area

The service area includes all areas within the District boundaries which included Midway City, portions of Heber City and portions of unincorporated Wasatch County.

Wastewater Demands

The table below shows ERU growth projections.

TABLE 2: GROWTH IN DEMAND

Year	ERUs
2020	12,310
2021	12,685
2022	13,072
2023	13,470
2024	13,880
2025	14,303
2026	14,739
2027	15,188
2028	15,651
2029	16,128
2030	16,619

Source: HVSSD Impact Fee Facilities Plan, Table 1

Existing and Proposed LOS Analysis

Level of Service (LOS) defines how much of the wastewater system a typical residential user, defined as an Equivalent Residential Unit (ERU), will use and can fairly fund through impact fee revenue. The IFFP states that “the existing level of service at this facility includes treatment for BOD, TSS, ammonia, E.Coli, and total inorganic nitrogen as regulated by the State of Utah Department of Water Quality.”² Impact fee law prohibits the use of impact fees to increase the LOS above the current demands. At times, a wastewater system may need to increase a LOS to cure an existing deficiency, but projects that fix deficiencies must be paid for by non-impact fee revenues and a credit must be provided to the impact fee payer. In this analysis, a credit has been calculated to offset the portion of the future capital projects that will benefit existing users.

² HVSSD Wastewater Impact Fee Facilities Plan, p.40.

CHAPTER 3: IMPACT ON CAPACITY FROM DEVELOPMENT ACTIVITY

Utah Code 11-36a-304(1)(a)

Excess Capacity

The IFFP identifies the excess capacity in the existing system which was acquired over the years at an actual cost of \$33,000,908. The existing system has the capacity to serve 18,931 ERUs and currently serves only 12,685 ERUs.

TABLE 3: COST OF EXISTING EXCESS CAPACITY

Description	Current Design Capacity (MGD)	Design Capacity (Population)	Design Capacity (ERU)	Cost
Existing investment	4.43	59,067	18,931	\$33,000,908

With growth of 3,934 ERUs from 2021 to 2030, new growth represents 20.8 percent of the 18,931 ERU total capacity of the existing wastewater system. This means that new development between 2021 and 2030 is responsible for 20.8 percent of the costs of the existing system, or for \$6,857,714.

TABLE 4: EXISTING EXCESS CAPACITY CONSUMED BY NEW DEVELOPMENT 2021-2030

Buy-In to Existing Excess Capacity	
Actual System Cost	\$33,000,908
Capacity ERUs	18,931
Growth in ERUs, 2021-2030	3,934
% to New Development in 10 Years	20.8%
Amount to New Development	\$6,857,714

CHAPTER 4: SYSTEM IMPROVEMENTS REQUIRED FROM DEVELOPMENT ACTIVITY

Utah Code 11-36a-304(1)(b)(c), (2)(b)

Future 10-Year Wastewater Capital Projects

The District has the right to increase the established LOS in the future by constructing facilities that will provide greater capacity per ERU, but such LOS increases cannot be funded through impact fees. If the proposed LOS is higher than the existing LOS, then a deficiency exists and will be cured through sources of funding other than impact fees. Each of the future projects identified in the IFFP will serve existing residents, as well as new development, which means a credit must be included in the impact fee calculation to offset the cost of constructing infrastructure that cures deficiencies for existing users.

The District intends to build the following projects within the impact fee planning horizon to serve the demands of new growth. Of the \$30.7 million in projects identified as necessary over the next 10 years, the cost to new development over the same time period is calculated at nearly \$14.6 million.

TABLE 5: IMPACT-FEE ELIGIBLE CAPITAL PROJECTS – NEW CONSTRUCTION

Cost of New Construction	Cost	% to New Dev	% to New Development in 10 Years	Cost to New Development - 10 Years	New Development Costs	Amount to Existing Development
New Farm Shop	\$699,000	26%	100%	\$185,141	\$185,141	\$513,859
Lab	\$620,000	34%	100%	\$209,932	\$209,932	\$410,068
Generator	\$160,000	75%	61%	\$73,643	\$120,000	\$40,000
Upgrade HVSSD Lift Station	\$638,025	67%	100%	\$425,551	\$425,551	\$212,474
Land Disposal	\$13,083,750	100%	50%	\$6,510,322	\$13,083,750	\$0
Winter Storage	\$3,080,000	100%	47%	\$1,446,575	\$3,080,000	\$0
Mechanical Plant Aeration Upgrade	\$12,470,000	100%	46%	\$5,739,576	\$12,470,000	\$0
TOTAL	\$30,750,775			\$14,590,740	\$29,574,374	\$1,176,401

The IFFP also identifies a portion of some future projects that will benefit existing development. The proportionate share of the new projects that will benefit existing development is \$1,176,401. Credits against the gross impact fee must be calculated for these projects so that new development does not pay twice.

CHAPTER 5: PROPORTIONATE SHARE ANALYSIS

Utah Code 11-36a-304(1)(d)(e)

The Impact Fees Act requires the Impact Fee Analysis to estimate the proportionate share of the future and historic cost of existing system improvements that benefit new growth and can be recouped through impact fees. The impact fee for existing assets must be based on actual costs while the fees for construction of new facilities must be based on reasonable future costs of the system. This chapter will show that the proposed impact fee for system improvements is reasonably related to the impact on the wastewater system from future development activity.

Maximum Legal Wastewater Impact Fee per ERU

Existing Projects with Excess Capacity

The capacity to be consumed over the next ten years is \$6,857,714. With projected growth of 3,934 ERUs through 2030, the cost per ERU is \$1,743.22 for buy-in to the wastewater system.

TABLE 6: PROPORTIONATE SHARE ANALYSIS-EXCESS CAPACITY BUY-IN

Description	Amount
Actual System Cost	\$33,000,908
Capacity ERUs	18,931
Growth in ERUs, 2021-2030	3,934
% to New Development in 10 Yrs	20.8%
Amount to New Development	\$6,857,714
Cost per ERU	\$1,743.22

New Construction

The IFFP estimates a total of \$14,590,740 in new construction costs necessary to offset the demands created by new development over the next 10 years. With anticipated growth of 3,934 ERUs, the cost per ERU is \$3,708.94.

TABLE 7: PROPORTIONATE SHARE ANALYSIS FOR NEW CONSTRUCTION

Description	Amount
New Construction Costs through 2030	\$14,590,740.36
Growth in ERUs, 2021-2030	3,934
Cost per ERU	\$3,708.94

Consultant Fees

The Impact Fees Act allows for fees charged to include the reimbursement of engineering and consultant costs incurred in the preparation of the IFFP and IFA.

TABLE 8: PROPORTIONATE SHARE ANALYSIS – CONSULTANT FEES

Description	Amount
Aqua Engineering	\$25,000

Description	Amount
Zions	\$6,000
Growth in ERUs, 2021-2030	3,934
Cost per ERU	\$7.88

Impact Fee Fund Balance

A credit needs to be made for unspent funds in the impact fees account that can be used to offset the costs of the future capital improvements. These funds were collected to meet the needs of new growth and development.

TABLE 9: PROPORTIONATE SHARE ANALYSIS – IMPACT FEE FUND BALANCE

Description	Amount
Fund Balance	\$4,928,376
Growth in ERUs, 2021-2030	3,934
Cost per ERU	(\$1,252.79)

Summary of Gross Impact Fee

The gross impact fee is the impact calculated before credits for deficiencies (i.e., the portion of future projects that will benefit existing development) are taken into account.

TABLE 10: PROPORTIONATE SHARE ANALYSIS – GROSS FEE

Description	Amount
Buy-In to Excess Capacity	\$1,743.22
New Construction	\$3,708.94
Consultant Costs	\$7.88
Impact Fee Fund Balance	(\$1,252.79)
Total Gross Fee per ERU	\$4,207.26

Credits Against Impact Fees

Because there are existing deficiencies of \$1,176,401.48³ based on the LOS, a portion of the cost of the new facilities is needed to make up for these existing deficiencies. New development cannot be expected to pay the full impact fees and then also contribute to existing deficiencies in the system through user rate revenues or other sources. Therefore, credits have been made for the portion of the projects that will be used to cure existing deficiencies. The table below shows these credits and the maximum fee that may be charged each year.

This analysis assumes that costs are spread equally over 10 years.

TABLE 11: CREDIT AMOUNT FOR NEW DEVELOPMENT

Year	Payment per Year	ERUs	Payment per ERU	NPV*
2021	\$117,640.15	12,685	\$9.27	\$66.60

³ HVSSD *Impact Fee Facilities Plan*, Table 22

Year	Payment per Year	ERUs	Payment per ERU	NPV*
2022	\$117,640.15	13,072	\$9.00	\$59.99
2023	\$117,640.15	13,470	\$8.73	\$53.39
2024	\$117,640.15	13,880	\$8.48	\$46.79
2025	\$117,640.15	14,303	\$8.22	\$40.19
2026	\$117,640.15	14,739	\$7.98	\$33.57
2027	\$117,640.15	15,188	\$7.75	\$26.93
2028	\$117,640.15	15,651	\$7.52	\$20.26
2029	\$117,640.15	16,128	\$7.29	\$13.56
2030	\$117,640.15	16,619	\$7.08	\$6.81

*NPV = net present value discounted at 4%

The average impact fee credit for deficiencies for 2021 through 2030 is \$36.81. Therefore, the maximum impact that can be charged per ERU is calculated by subtracting \$36.81 from the gross fee of \$4,207.26 to arrive at a **maximum fee of \$4,170.45 per ERU.**

Non-Standard Demand Adjustments

The District reserves the right under the Impact Fees Act (Utah Code Ann. § 11-36a-402(1)(c, d)) to assess an adjusted fee to respond to unusual circumstances and to ensure that the impact fees are assessed fairly. The impact fee ordinance should include a provision that permits adjustment of the fee for a development based upon studies and data submitted by the developer that indicate a more realistic and accurate impact upon the District's infrastructure.

CERTIFICATION

In accordance with Utah Code Annotated, 11-36a-306(2), Zions Public Finance, Inc., makes the following certification:

Zions Public Finance, Inc. certifies that the attached impact fee analysis:

1. includes only the cost 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. cost 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;
 - 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. offset costs with grants or other alternate sources of payment; and
4. complies in each and every relevant respect with the Impact Fees Act.

ZIONS PUBLIC FINANCE, INC.