# SPRINGVILLE CITY

## CULINARY WATER IMPACT FEE ANALYSIS (IFA)

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## IMPACT FEE CERTIFICATION

IFA Certification

Lewis Young Robertson & Burningham, Inc. certifies that the Impact Fee Analysis ("IFA") prepared for culinary water facilities:

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;
    d. offsets costs with grants or other alternate sources of payment; and
3. complies in each and every relevant respect with the Impact Fees Act.

Lewis Young Robertson & Burningham, Inc. makes this certification with the following caveats:

1. All of the recommendations made in the Impact Fee Facilities Plan (IFFP) 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 If all or a portion of the IFFP or IFA are modified or amended, this certification is no longer valid.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.

LEWIS YOUNG ROBERTSON & BURNINGHAM, INC.

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## SECTION 1: EXECUTIVE SUMMARY

The purpose of the Culinary Water Impact Fee Analysis ("IFA") is to fulfill the requirements established in Utah Code Title 11 Chapter 36a, the "Impact Fees Act," and help Springville City (the "City") plan necessary capital improvements for future growth. The Springville City Culinary Water Master Plan (including Chapter 9: Impact Fee Facilities Plan ("IFFP")), along with information from the City, serves as the IFFP and provides the information utilized in the analysis for the purposes of calculating impact fees.

- Service Area: The service area for the culinary water system consists of the Springville municipal boundary shown in the Culinary Water Master Plan.
- Demand Analysis: Growth in Equivalent Residential Connections (ERCs) is expected to reach 16,741 by end of the IFFP planning horizon. This represents an increase of 4,632 ERCs.
- Level of Service (LOS): The existing and proposed LOS is as follows - Water Rights LOS based on yearly average usage per ERC, with indoor usage at 0.45 acre feet (ac. ft.) and outdoor (per irrigated acre) of 1.87 ac. ft. Source LOS based on peak usage per ERC with indoor at 800 gallons per day (gpd) and outdoor (per irrigated acre) at 3.96 gallons per minute (gpm). Storage LOS is based on four components: 400 gallons per ERC for indoor use, 2,848 per irrigated acre for outdoor use, fire storage of 180,000 gallons per tank group, and 1,000,000 gallons of emergency storage.
- Excess Capacity: The City requires that water rights be turned over to the City as a condition of issuing a building permit on an undeveloped parcel of land, thus a buy-in is not included for water rights. Due to the negligible amount of latent capacity, approximately 1.3 percent, a buy-in for source is not contemplated in the calculation of the impact fee. Based on existing demand, there is approximately 1.285 million gallons (MG) of latent storage capacity. Approximately 1.092 MG of storage will be needed to maintain the LOS.
- Debt Expense Related to Buy-In: The total interest cost for the 2008 bonds by year 2028 will be $3,008,034. Interest costs are an eligible cost that can be paid for with impact fees. A total of 61.8 percent of the 2008 Bonds were used for treatment facilities, with 23.2 percent used for the collection system. The remaining 15 percent was used for culinary water distribution improvements. The interest cost associated with these bonds is applied to the original value of the respective system improvements.
- Capital Facilities Analysis: According to the Master Plan, $3.4 million in cost is identified within the next 10 years related to growth (See Table 5.2).
- Funding of Future Facilities: This analysis assumes future growth related facilities will be funded through a combination of utility revenues and impact fee revenues. Future debt to fund facilities is not included in this analysis.
- Impact Fee Fund Balance: As of the date of this analysis, there is no outstanding impact fee fund balance.

### PROPOSED CULINARY WATER IMPACT FEE

The culinary water impact fees proposed in this analysis will be assessed within the entire service area. The table below illustrates the maximum allowable impact fee per ERC.

TABLE 1.1: IMPACT FEE PER ERC

| | ESTIMATED OR ACUTAL COST | PERCENT TO GROWTH | COST TO GROWTH | % TO IFFP | COST TO IFFP | ERCS SERVED | FEE PER ERC |
|---|---|---|---|---|---|---|---|
| Source (Future Facilities) | 5,284,412 | 100.0% | 5,284,412 | 16.7% | 880,736 | 4,632 | 190 |
| Storage (Buy-In) | 891,476 | 10.2% | 90,931 | 85.0% | 77,291 | 4,632 | 17 |
| Distribution (Buy-In) | 19,255,295 | 55.5% | 10,686,689 | 30.6% | 3,270,127 | 4,632 | 706 |
| Distribution (Future Facilities) | 13,798,635 | 70.3% | 9,700,202 | 26.1% | 2,533,993 | 4,632 | 547 |
| Impact Fee Fund Balance | - | 100% | - | 100% | - | 4,632 | - |
| Professional Expense | 6,722 | 100% | 6,722 | 100% | 6,722 | 4,632 | 1 |
| Total | $39,236,540 | | $25,768,956 | | $6,768,868 | | $1,461 |

TABLE 1.2: IMPACT FEE BY METER SIZE

| CONNECTION SIZE | MULTIPLIER | IMPACT FEE PER METER | EXISTING FEE | CHANGE |
|---|---|---|---|---|
| 1 | 1.0 | $1,461 | $1,849 | -21% |
| 1 1/2 | 3.3 | $4,865 | $6,163 | -21% |
| 2 | 5.3 | $7,787 | $9,861 | -21% |

For meters not listed, the fee will be calculated on a case by case basis using the fee per ERC of $755.

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### NON-STANDARD 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.[1] This adjustment could result in a different impact fee if the City determines that a particular user may create a different impact than what is standard for its land use.

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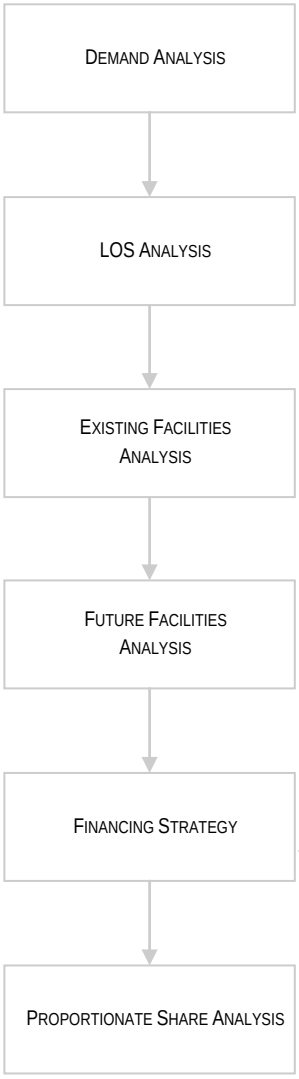
[1] 11-36a-402(1)(c)

## 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 IFA. The City has completed the Impact Fee Facilities Plan (IFFP), as part of the Master Plan, which 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. The IFFP is also intended to outline the improvements which are intended to be funded by impact fees. The IFA is designed 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. Each component must consider the historic level of service provided to existing development and ensure that impact fees are not used to raise that level of service. The following elements are important considerations when completing an IFFP and IFA.

### DEMAND ANALYSIS

The demand analysis serves as the foundation for the IFFP. 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 public facilities.

### LEVEL OF SERVICE ANALYSIS

The demand placed upon existing public facilities by existing development is known as the existing "Level of Service" ("LOS"). The IFFP must establish a proposed level of service. Through the inventory of existing facilities, combined with the growth assumptions, this analysis identifies the level of service 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 Impact Fee Facilities Plan provides an inventory of the City's existing system facilities. To the extent possible, the inventory valuation should consist of the following information:

- Original construction cost of each facility; and,
- Estimated useful life of each facility.

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 – CONSIDERATION OF ALL REVENUE SOURCES

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.[2] 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.[3]

[2] 11-36a-302(2)
[3] 11-36a-302(3)

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### 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 to the costs borne in the past and to be borne in the future (UCA 11-36a-302).

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# 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.[4] The impact fees identified in this document will be assessed to a single, city-wide service area. It is anticipated that the growth projected over the next six years and through build-out, will impact the City's existing services. Culinary water infrastructure will need to be expanded in order to maintain the existing level of service. Impact fees have become an ideal mechanism for funding growth-related infrastructure. This analysis is designed to accurately assess the true impact of a particular user upon the City's infrastructure and prevent existing users from subsidizing new growth. This analysis also ensures that new growth isn't paying for existing system deficiencies.

## DEMAND UNITS

As shown in Table 3.1, the growth in ERCs is expected to reach 16,741 by end of the IFFP planning horizon. This represents an increase of 4,632 ERCs.

TABLE 3.1: CITY-WIDE ERC GROWTH PROJECTIONS

| AREA (ACRES) | EXISTING CURRENT CITY BOUNDARY | 10-YR W/PI SYSTEM CURRENT CITY BOUNDARY | BO W/PI SYSTEM MASTER PLAN STUDY AREA |
|---|---|---|---|
| Gross Area | 9,220 | 9,220 | 10,088 |
| Irrigable area | 1,686 | 1,419 | 1,392 |
| Connections (ERCs) | | | |
| Residential | 9,112 | 12,800 | 20,430 |
| Non-residential | 1,537 | 2,481 | 5,349 |
| Large User | 1,460 | 1,460 | 1,460 |
| TOTAL | 12,109 | 16,741 | 27,239 |

Source: 2013 Springville Culinary Water Master Plan and IFFP, p.7

## 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 existing and proposed culinary water level of service to ensure that the new capacities of projects financed through impact fees do not exceed the established standard. As defined in the Culinary Water Master Plan and IFFP (p.10-11), the following summarizes the existing and proposed LOS.

TABLE 3.2: LOS STANDARDS

| WATER RIGHTS | PEAK (GPM) | AVERAGE (AC. FT.) |
|---|---|---|
| Indoor (per ERC) | 0.56 | 0.45 |
| Outdoor (per Irr. Acre) | 3.96 | 1.87 |
| LOS based on yearly average usage | | |
| SOURCE | PEAK (GPD) | PEAK (GPM) |
| Indoor (per ERC) | 800 | 0.56 |
| Outdoor (per Irr. Acre) | | 3.96 |
| LOS based on peak usage | | |
| STORAGE | | |
| Indoor | 400 | 400 gal per ERC |
| Outdoor | 2,848 | 2,848 gal per Irr Acre |
| Fire | 180,000 | Per Tank Group, Determined by Local Fire Suppression Authority |
| Emergency | 1,000,000 | Total gallons, Determined by the City |

Source: 2013 Springville Culinary Water Master Plan and IFFP p.10-11

[4] UC 11-36a-402(a)

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# SECTION 4: EXISTING CAPACITY ANALYSIS

## EXISTING SYSTEM VALUE

Based on information provided by the City, the existing system is valued as shown below. These values represent the total value of all assets related to the culinary water system. In the following analysis, the amounts that can be included in any excess capacity calculations will be identified.

TABLE 4.1: EXISTING SYSTEM VALUE

| EXISTING CULINARY WATER SYSTEM VALUE | |
|---|---|
| Lands | $201,267 |
| Building and Improvements | $51,218 |
| System Improvements | $28,310,328 |
| Debt Related Expense | $449,883 |
| Vehicles and Equipment | $457,389 |
| Water Shares | $1,199,919 |
| Work in Progress | $654,691 |
| Total Value | $31,324,695 |
| Source: Springville City, Depreciation Statement ending June 30, 2013 | |

## MANNER OF FINANCING EXISTING PUBLIC FACILITIES

The City has funded its existing capital infrastructure through a combination of different revenue sources, including general utility fund revenues and the issuance of debt. This analysis has removed all known funding related to project improvements that cannot be included in the calculation of the impact fee.

The analysis includes one piece of outstanding debt related to the system's capacity: the 2008 Amended Water and Sewer Revenue Bonds. This outstanding debt was issued for the purpose of constructing the treatment facility expansion and other sewer system improvements.

### 2008 AMENDED SEWER REVENUE BONDS

In 2008, the City issued $15,135,000 in Water and Sewer Revenue Bonds. These bonds were amended in 2013 to capitalize on interest savings. Approximately 61.8 percent of the proceeds were used to fund the expansion to the sewer treatment facility, with 23.2 percent used to funded collection improvements. The remaining 15 percent of the bond proceeds were used for water distribution projects. The principal and interest payments for the Amended 2008 bonds are shown in the table below. The total interest cost for the 2008 bonds is $3,008,034. The interest costs are an eligible cost that can be paid for with impact fees, as included below.

TABLE 4.4: OUTSTANDING DEBT INCLUDED IN ANALYSIS

| $12,440,000 WATER & SEWER REVENUE BONDS SERIES 2008 (AMENDED) (RE-DATED: MAY 23, 2013 ) | | | | | |
|---|---|---|---|---|---|
| | PRINCIPAL | COUPON | INTEREST | TOTAL P+I | FISCAL TOTAL |
| Total | $12,440,000.00 | 2.80% | $3,008,033.78 | $15,448,033.78 | $15,448,033.78 |

## IMPACT ON OR CONSUMPTION OF EXCESS CAPACITY

The current culinary water system consists of water rights, source improvements, storage facilities and distribution improvements. Many of these improvements have existing capacity available for future growth. As such, a buy-in component is contemplated for existing improvements.

### WATER RIGHTS

According to the Master Plan and IFFP, the City projects it will have sufficient water rights for future culinary uses.[5] The City requires that water rights be turned over to the City as a condition of issuing a building permit on an undeveloped parcel of land (see Springville City Code 11-3-307 and 11-6-124). This is to help ensure that the City acquires sufficient water rights to meet the water needs of its residents. City code requires building permit applicants to transfer one equivalent share of Springville Irrigation Company water for each acre applicable to the building permit.

[5] Culinary Water Master Plan p.21

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### SOURCE

The City has only a small percentage of surplus water source capacity. Based on the existing and proposed LOS, approximately 1.3 percent of existing source capacity is available for future development. As a result, additional water sources need to be developed in order to meet projected growth both at buildout and within the IFFP planning window. Due to the negligible amount of latent capacity, a buy-in for source is not contemplated in the calculation of the impact fee.

TABLE 4.2: SOURCE EXCESS CAPACITY CALCULATION

| | EXISTING | 10 YR DEMAND | BO DEMAND |
|---|---|---|---|
| Indoor Demand (gpm) | 6,727 | 9,301 | 15,133 |
| Outdoor Demand (gpm) | 6,677 | 5,619 | 5,512 |
| Total Peak | 13,404 | 14,920 | 20,645 |
| | EXISTING | 10 YR DEMAND | BO DEMAND |
| Current Available Source (gpm) | 13,586 | 13,586 | 13,586 |
| Latent Capacity (gpm) | 182 | (1,334) | (7,059) |
| % Latent Capacity | 1.3% | | |
| Total New Source Needed in IFFP Horizon | 1,516 | | |
| Source: Culinary Water Master Plan and IFFP, p.25 | | | |

### STORAGE

As shown in Table 4.3, the City will have sufficient excess storage capacity to serve new development projected in the IFFP planning horizon. Based on the existing and proposed LOS, the City must reserve 11.365 million gallons (MG) of storage capacity for existing development. Total storage capacity is 12.650 MG, leaving 1.285 MG for new development. Based on growth projections, approximately 1.092 MG, or 8.6 percent of the total capacity, will be needed to maintain the LOS.

TABLE 4.3: TREATMENT SYSTEM EXCESS CAPACITY CALCULATION

| | EXISTING | 10 YR DEMAND | BO DEMAND |
|---|---|---|---|
| Indoor | 4,843,667 | 6,696,400 | 10,895,776 |
| Outdoor | 4,801,537 | 4,041,312 | 3,964,964 |
| Fire | 720,000 | 720,000 | 720,000 |
| Emergency | 1,000,000 | 1,000,000 | 1,000,000 |
| TOTAL | 11,365,204 | 12,457,712 | 16,580,740 |
| Existing Storage | 12,650,000 | 12,650,000 | 12,650,000 |
| Latent Capacity | 1,284,796 | 192,288 | (3,930,740) |
| Total New Storage Needed in IFFP Horizon | 1,092,508 | | |
| % Latent Capacity | 8.6% | | |
| Source: 2013 Springville Culinary Water Master Plan and IFFP, p. 28 | | | |

Based on the City's existing financial statements, storage facilities are valued at $891,476. A portion of this value will be included in the impact fee as a buy-in to new development for the latent storage capacity calculated above.

TABLE 4.4: VALUE OF EXISTING STORAGE SYSTEM IMPROVEMENTS

| SYSTEM VALUATION | DESCRIPTION | COST |
|---|---|---|
| 7/1/2000 | 2 Million Gallon Water Tank | $766,228 |
| 7/1/2003 | Upper Spring Creek Tank Repair | $20,506 |
| 7/1/2012 | Hobble Creek Tanks Interconnect | $104,742 |
| | Total | $891,476 |

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### DISTRIBUTION

A total of $19,255,295 in distribution system improvement value is included as a buy-in value, including debt related expense. This value excludes developer contributions, transmission lines related to the secondary water system and any SID improvements. The City's existing system is designed to serve new development through buildout, along with future improvements to maintain the level of service. As a result, approximately 17 percent of the existing value of the distribution system is applied to new development in the next ten years.

TABLE 4.5: DISTRIBUTION SYSTEM EXCESS CAPACITY CALCULATION

| CONNECTIONS (ERCS) | EXISTING | 10-YR SYSTEM | MASTER PLAN STUDY AREA |
|---|---|---|---|
| TOTAL | 12,109 | 16,741 | 27,239 |
| New ERCs | 0 | 4,632 | 15,130 |
| Percent of Build-Out Total | 0% | 17% | 56% |

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## SECTION 5: CAPITAL FACILITY ANALYSIS

This document will address the future culinary water infrastructure needed to serve the City through the next six to ten years, as well as calculate the appropriate impact fees the City may charge to new growth to maintain the level of service ("LOS"). The Springville City Culinary Water Master Plan (including Chapter 9: Impact Fee Facilities Plan ("IFFP")), along with information from the City, provides much of the information utilized in the analysis for the purposes of calculating impact fees. Table 5.1 summarizes the cost identified in the Master Plan.

TABLE 5.1: SUMMARY OF IFFP AND IFA CAPITAL IMPROVEMENTS

| | TOTAL | EXISTING COST | 10-YR COST | BEYOND 10-YR COST |
|---|---|---|---|---|
| Source | 5,284,412 | - | 880,736 | 4,403,677 |
| Storage | 6,000,000 | - | - | 6,000,000 |
| Distribution | 13,798,635 | 4,098,433 | 2,533,993 | 7,166,209 |
| Total | $25,083,048 | $4,098,433 | $3,414,728 | $17,569,886 |
| Source: Springville City Culinary Water Master Plan p.45 | | | | |

Some of the projects identified above are to cure existing deficiencies, while others will occur beyond the IFFP planning timeframe. According to the Master Plan, $3.4 million in cost is identified within the next 10 years related to growth. A detail of the growth related costs are shown in Table 5.2.

TABLE 5.2: FUTURE IFFP CAPITAL IMPROVEMENTS

| ID | LOCATION | COST | PROJECT TIMING | % EXISTING | % 10-YR GROWTH | % BEYOND 10-YR GROWTH | 10-YR COST | COMPONENT |
|---|---|---|---|---|---|---|---|---|
| 12 | City wide Pipe Upsizing | $4,316,314 | ONGOING | 0% | 31% | 69% | $1,321,425 | Distribution |
| 13 | 1000 E 900 S | $1,761,471 | < 5 YEARS | 0% | 50% | 50% | $880,736 | Source |
| 14 | 900 S (from 1000 E to Hobble Creek Tanks) | $5,743,267 | < 10 YEARS | 58% | 21% | 21% | $1,212,567 | Distribution |
| | Total | $11,821,053 | | | | | $3,414,728 | |

Table Notes:
Project #12: This is the upsize cost only for distribution lines throughout the City. As you will see in the cost estimate break down, the $4,316,314 is the upsize cost only (i.e. cost to upsize lines over the 8" developer cost). The percentage breakdown is shown in the future projects table as follows: Existing = 0%, 10-year = 31%, Beyond 10-year = 69%. The % attributed to each was calculated based on the amount of new ERCs projected vs. total build-out.
Project #13: This was based on the need for 1,334 gpm of new source during the 10-year period and the assumption that the new well will deliver approximately the same flows (yield) as the existing wells, or in other words, between 2500-3000 gpm. Since 1334/2500 = 53% and 1334/3000 = 44%, an average figure of 50% was used.
Project #14: This project (new 900 S transmission line) will replace and upsize the existing 16" line. Since future growth should not have to pay for replacement of the existing 16" line, we attributed the cost of replacement of the 16" line ($3,818,133) to the City and then divided the remainder ($5,743,267 - $3,318,133 = $2,425,135) using the same percentages as project #13 (new 900 South well) since this transmission line will convey the water generated from that source.

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### 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.[6] 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.[7] 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

According to the Impact Fees Act[8], the City has determined the portion of future projects that will be funded by impact fees as growth-related, system improvements.

#### GRANTS, DONATIONS AND DEVELOPER CONTRIBUTIONS

The City does not currently anticipate receiving grants or donations for the impact fee improvements included in this analysis.

[6] UC 11-36a-102(20)
[7] UC 11-36a102(13)
[8] 11-36a-302

### UTILITY AND IMPACT FEE REVENUES

Future system improvements will be funded through a combination of impact fee and utility rate revenues. Utility rates are established to ensure appropriate coverage of all operations and maintenance expenses, debt service coverage, and repair and replacement capital project needs. Impact fee revenues are generally considered non-operating revenues and help offset future capital costs. At the time of this study, the City did not have a culinary water impact fee fund balance.

### DEBT FINANCING

This analysis assumes the City will not issue new debt to finance future capital improvements.

## 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.[9]

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.

## 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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[9] 11-36a-402

## SECTION 6: CULINARY WATER IMPACT FEE CALCULATION

The calculation of impact fees relies upon the information contained in this analysis. Impact fees are calculated based on many variables centered on proportionality and level of service. As a result of new growth, the culinary water system will need additional expansion to provide the proposed level of service that the City will offer.

## PROPOSED CULINARY WATER IMPACT FEE

### PLAN BASED (FEE BASED ON DEFINED CIP)

Impact fees can be calculated based on a defined set of costs specified for future development. The improvements are identified in a capital plan as growth related projects. 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.

### CULINARY WATER IMPACT FEE CALCULATION

The culinary water impact fees proposed in this analysis will be assessed within the entire service area. The table below illustrates the maximum allowable impact fee per ERC. A total of $6,768,868 is identified as the buy-in, future capital cost, and professional expense costs to maintain the level of service for new development activity. The professional expense includes the current cost to complete this analysis.

TABLE 6.1: CALCULATION OF PROPORTIONATE IMPACT FEE

| | ESTIMATED OR ACUTAL COST | PERCENT TO GROWTH | COST TO GROWTH | % TO IFFP | COST TO IFFP | ERCS SERVED | FEE PER ERC |
|---|---|---|---|---|---|---|---|
| Source (Future Facilities) | 5,284,412 | 100.0% | 5,284,412 | 16.7% | 880,736 | 4,632 | 190 |
| Storage (Buy-In) | 891,476 | 10.2% | 90,931 | 85.0% | 77,291 | 4,632 | 17 |
| Distribution (Buy-In) | 19,255,295 | 55.5% | 10,686,689 | 30.6% | 3,270,127 | 4,632 | 706 |
| Distribution (Future Facilities) | 13,798,635 | 70.3% | 9,700,202 | 26.1% | 2,533,993 | 4,632 | 547 |
| Impact Fee Fund Balance | - | 100% | - | 100% | - | 4,632 | - |
| Professional Expense | 6,722 | 100% | 6,722 | 100% | 6,722 | 4,632 | 1 |
| Total | $39,236,540 | | $25,768,956 | | $6,768,868 | | $1,461 |

TABLE 6.2: IMPACT FEE BY METER SIZE

| CONNECTION SIZE | MULTIPLIER | IMPACT FEE PER METER | EXISTING FEE | CHANGE |
|---|---|---|---|---|
| 1 | 1.0 | $1,461 | $1,849 | -21% |
| 1 1/2 | 3.3 | $4,865 | $6,163 | -21% |
| 2 | 5.3 | $7,787 | $9,861 | -21% |

For meters not listed, the fee will be calculated on a case by case basis using the fee per ERC of $755.

### NON-STANDARD IMPACT FEES

The City reserves the right under the Impact Fees Act[10] to assess an adjusted fee that more closely matches the true impact that the land use will have upon the culinary water system. This adjustment could result in a different impact fee if evidence suggests a particular user will create a different impact than what is standard for its category.

## OTHER CONSIDERATIONS

- 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 with 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 LOS.

[10] UC 11-36a-402(1)(c)

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- 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, it is not considered in the cost estimates in this study.

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