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Lehi City

DRAFT Amended Wastewater Impact Fee Analysis



ZIONS PUBLIC FINANCE, INC.

February 2024

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EXECUTIVE SUMMARY

Lehi City (“City”) commissioned Bowen Collins & Associates to draft the City’s Wastewater Treatment and Collection System Impact Fee Facilities Plan (“IFFP”) and Zions Public Finance, Inc. (ZPFI) to draft a Wastewater Treatment and Collection System Impact Fee Analysis (“IFA”) in accordance with Utah law. An impact fee is a payment of money imposed upon new development activity to mitigate the impact of new development on public infrastructure.

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 City may assess. The City 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

Level of service (LOS) defines the wastewater demands that a new residential user, expressed as an Equivalent Residential Unit (ERU), will typically require and should pay for through impact fees. The City intends to maintain existing performance standards as described in more detail in the body of this analysis and as taken from the IFFP.

In 2016 the City served 17,849 ERUs and is anticipated to grow to approximately 23,523 ERUs by 2026, for an increase of 5,674 ERUs over the 10-year period. A residential unit is equated to one ERU and non-residential properties are charged based on meter size.

Wastewater Service Area

The Service Area covers the boundaries of Lehi City.

Existing Excess Capacity

The IFFP identifies 4.93 percent of excess capacity in its collection system that will serve new development through 2026. With an actual cost of facilities (as of 2016) of \$19,756,574, the amount attributable to new development through 2026 is \$973,999.

New Construction Costs

The IFFP identifies a total of \$10,840,129 in new construction costs; new development through 2026 is responsible for \$4,204,427 of these costs. A portion of the new construction costs (\$1,628,571) will benefit existing development. The existing fund balance of \$57,362 can be used to offset a portion of the costs benefitting existing development, thereby reducing their obligation to \$1,571,209.

Wastewater Impact Fee Calculation

The impact fee calculation shown in Table 1 below results in a gross fee of \$917.27 per ERU before credits are made for the portion of new construction projects that will benefit existing development.

TABLE 1: PROPORTIONATE SHARE

Description	Amount
Existing Excess Capacity	\$171.66
New Construction	\$740.97
Consultant Costs	\$4.64
Fund Balance Credit*	\$0.00
Gross Fee	\$917.27

*The fund balance of \$57,362 is used to offset a portion of the new construction costs

Because a portion of the new construction projects will benefit existing development, a credit must be made so that new development does not pay twice – once through an impact fee and then, over time, through increased sewer rates.

TABLE 2: MAXIMUM FEE PER ERU BY YEAR

Year	Payment	ERUs	Cost per ERU	NPV*	Maximum Fee 3/4"
2024	\$157,121	22,329	\$7.04	\$49.39	\$867.88
2025	\$157,121	22,918	\$6.86	\$44.82	\$872.44
2026	\$157,121	23,523	\$6.68	\$40.21	\$877.06
2027	\$157,121	24,068	\$6.53	\$35.54	\$881.73
2028	\$157,121	24,625	\$6.38	\$30.79	\$886.48
2029	\$157,121	25,195	\$6.24	\$25.95	\$891.32
2030	\$157,121	25,779	\$6.09	\$21.01	\$896.26
2031	\$157,121	26,294	\$5.98	\$15.97	\$901.30
2032	\$157,121	26,820	\$5.86	\$10.79	\$906.48
2033	\$157,121	27,355	\$5.74	\$5.47	\$911.80

*NPV = net present value discounted at 5 percent

All single-family and multi-family residential wastewater fees will be charged based on one ERU. All non-residential development will be charged based on the meter sizes shown in Table 3 below.

TABLE 3: MAXIMUM IMPACT FEE PER 1 ERU AND METER SIZE, 2024-2029

Meter Size	Ratio	2024	2025	2026	2027	2028	2029
per dwelling unit	1.00	\$867.88	\$872.44	\$877.06	\$881.73	\$886.48	\$891.32
3/4"	1.00	\$867.88	\$872.44	\$877.06	\$881.73	\$886.48	\$891.32
1"	2.71	\$2,347.60	\$2,359.96	\$2,372.44	\$2,385.07	\$2,397.92	\$2,411.02
1 1/2"	3.37	\$2,927.63	\$2,943.04	\$2,958.61	\$2,974.36	\$2,990.38	\$3,006.71
2"	10.75	\$9,328.21	\$9,377.30	\$9,426.90	\$9,477.09	\$9,528.15	\$9,580.19
3"	23.63	\$20,510.79	\$20,618.73	\$20,727.78	\$20,838.13	\$20,950.41	\$21,064.82
4"	40.52	\$35,166.31	\$35,351.37	\$35,538.35	\$35,727.54	\$35,920.06	\$36,116.21
6"	94.54	\$82,052.56	\$82,484.36	\$82,920.63	\$83,362.05	\$83,811.25	\$84,268.94
8"	162.08	\$140,665.98	\$141,406.22	\$142,154.15	\$142,910.89	\$143,680.97	\$144,465.60

Non-Standard Demand Adjustments

The City 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 City's infrastructure.

CHAPTER 1: OVERVIEW OF THE WASTEWATER IMPACT FEES

Summary

An impact fee is intended to recover the City'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 City 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 Level of Service (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 level of service above that which is currently provided;
- Operations and maintenance costs;
- Costs of facilities funded by grants or other funds that the City 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 City 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:

- (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.

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CHAPTER 2: IMPACT FROM GROWTH UPON THE CITY’S FACILITIES AND LEVEL OF SERVICE

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

Service Area

The service area includes all areas within Lehi City’s boundaries.

Wastewater Demands

The table below shows Equivalent Residential Unit (ERU) growth projections as obtained from the City’s IFFP.

TABLE 4: GROWTH IN DEMAND

Total ERUs by Year	TOTAL ERUs
2016	17,849
2017	18,391
2018	18,950
2019	19,526
2020	20,119
2021	20,650
2022	21,195
2023	21,755
2024	22,329
2025	22,918
2026	23,523
Growth in ERUs, 2016-2026	5,674

Source: IFFP, p. ES-2

Existing and Proposed LOS Analysis

The level of service designated for the wastewater collection system has been established by the City to provide adequate wastewater collection capacity.

TABLE 5: EXISTING AND PROPOSED SERVICE LEVELS

	Existing Performance Standard	Existing Level of Service	Proposed Performance Standard	Proposed Level of Service
Pipeline Capacity				
Maximum Ratio of Flow ¹ to Pipeline Capacity	0.75	0.72	0.75	0.75

Source IFFP, pp. 2-2 and 2-3

Excess Capacity

With growth of 5,674 ERUs over the 10-year time frame of this study (2016-2026), the IFFP identifies 4.93 percent of capacity that will be consumed by new development. With a total actual cost of \$19,756,754, new development will be responsible for \$973,999.

TABLE 6: EXISTING EXCESS CAPACITY—COLLECTION SYSTEM

Timeframe	Excess Capacity Consumed
Existing Use	41.55%
10-Year Use	4.93%
Use by Growth Beyond 10 Years	53.52%
Source: IFFP, p. 4-2	

CHAPTER 4: SYSTEM IMPROVEMENTS REQUIRED FROM DEVELOPMENT ACTIVITY

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

Future 10-Year Wastewater Capital Projects

The City intends to build the following projects within the impact fee planning horizon to serve the demands of new growth.

TABLE 7: IMPACT-FEE ELIGIBLE CAPITAL PROJECTS - COLLECTION SYSTEM

Project Identifier	Project Name	Total City Cost	Percent to Existing	Percent to 10-Year	Cost to Existing	Cost to 10-Year	Cost to Growth Beyond 10-Year
S-2	Dry Creek Way	\$120,000	0.00%	16.74%	\$0	\$20,088	\$99,912
S-3	I-15 & Ashton Blvd.	\$474,000	0.00%	16.74%	\$0	\$79,348	\$394,652
S-4	Main St. 1700 W	\$55,000	0.00%	100.00%	\$0	\$55,000	\$0
S-5	West of Jordan River, North of 2100 N	\$60,022	0.00%	68.41%	\$0	\$41,061	\$18,961
S-6a	West of Jordan River, South of 2100 N - Completed	\$159,702	0.00%	15.69%	\$0	\$25,057	\$134,645
S-6b	West of Jordan River, South of 2100 N - Remainder	\$121,500	0.00%	15.69%	\$0	\$19,063	\$102,437
S-7	Jordan Willows Bypass	\$7,600,000	21.43%	45.46%	\$1,628,571	\$3,454,960	\$2,516,469
S-9	3600 W River Crossing and Pump Station	\$936,466	0.00%	15.69%	\$0	\$146,932	\$789,534
S-10	100 E 500 S	\$19,000	0.00%	16.74%	\$0	\$3,181	\$15,819
S-13	500 W 1250 S	\$45,000	0.00%	16.74%	\$0	\$7,533	\$37,467
S-18	East Frontage & Triumph	\$155,000	0.00%	16.74%	\$0	\$25,947	\$129,053
S-19	East Frontage Diversion	\$95,000	0.00%	16.74%	\$0	\$15,903	\$79,097

Project Identifier	Project Name	Total City Cost	Percent to Existing	Percent to 10-Year	Cost to Existing	Cost to 10-Year	Cost to Growth Beyond 10-Year
S-26	Jordan Willows Lift Station	\$143,345	0.00%	100.00%	\$0	\$143,345	\$0
S-27	2100 N Freeway to 1700 West	\$500,000	0.00%	19.49%	\$0	\$97,436	\$402,564
S-28	1200 West Freeway to North	\$356,094	0.00%	19.49%	\$0	\$69,393	\$286,701
TOTAL		\$10,840,129			\$1,628,571	\$4,204,247	\$5,007,311

CHAPTER 5: PROPORTIONATE SHARE ANALYSIS

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 that can be recouped through impact fees. The impact fee for existing assets must be based on the 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 existing excess capacity to be consumed over the next ten years is \$973,999. With projected growth of 5,674 ERUs between 2016 and 2026, the cost per ERU is \$171.66 for buy-in to the existing collection system.

TABLE 8: PROPORTIONATE SHARE ANALYSIS-EXCESS CAPACITY BUY-IN TO COLLECTION SYSTEM

Existing Excess Capacity	
Cost of Existing System	\$19,756,574
Percent of Cost to 10-Year Growth	4.93%
Cost to 10-Year Growth	\$973,999
Growth in ERUs, 2016-2026	5,674
Cost per ERU	\$171.66

New Construction

Table 7 summarizes the cost of future collection system improvements to be constructed between 2016 and 2026 and what portion of these costs is attributable to 10-year growth. The total projected cost of new collection facilities is \$10,840,129, with \$4,204,247 of these costs attributable to the demands of new development between 2016 and 2026.

TABLE 9: PROPORTIONATE SHARE ANALYSIS- NEW CONSTRUCTION OF COLLECTION FACILITIES

New Development	Amount
New Construction Cost 10-Yr Growth	\$4,204,247
Growth in ERUs, 2016-2026	5,674
Cost per ERU	\$740.97

Consultant Fees

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

TABLE 10: PROPORTIONATE SHARE ANALYSIS – CONSULTANT FEES

Consultant Costs	
Consultant Costs for IFFP and IFA	\$26,330
Growth in ERUs, 2016-2026	5,674
Cost per ERU	\$4.64

Summary of Gross Impact Fee

The gross impact fee is the impact calculated before a credit is made for the portion of the new projects that benefits existing development.

TABLE 11: PROPORTIONATE SHARE ANALYSIS- GROSS IMPACT FEE PER ERU

Gross Fee Summary	
Existing Excess Capacity	\$171.66
New Construction	\$740.97
Consultant Costs	\$4.64
Fund Balance Credit	\$0.00
Gross Fee	\$917.27

Credits for New Projects that Benefit Existing Development

The IFFP identifies \$1,628,571 of new projects that will benefit existing development. Therefore, a credit needs to be made so that new development does not pay twice. The credit is made by taking the fair share for existing development (\$1,628,571) and reducing by a fund balance of \$57,362 to arrive at a total of \$1,571,209 that must be credited. This is done by spreading the costs over 10 years to arrive at an estimated \$157,121 per year that will benefit existing development.

TABLE 12: CREDITS FOR NEW PROJECTS THAT BENEFIT EXISTING DEVELOPMENT

Description	Amount
Cost to Existing	\$1,571,209
Years	10
Cost per Year	\$157,120.90

The impact per year per ERU is calculated by dividing the annual payments by the total projected ERUs in the City and calculating a net present value of those future payments.

TABLE 13: CREDITS FOR NEW PROJECTS THAT BENEFIT EXISTING DEVELOPMENT

Year	Payment	ERUs	Cost per ERU	NPV*
2024	\$157,121	22,329	\$7.04	\$49.39
2025	\$157,121	22,918	\$6.86	\$44.82
2026	\$157,121	23,523	\$6.68	\$40.21
2027	\$157,121	24,068	\$6.53	\$35.54
2028	\$157,121	24,625	\$6.38	\$30.79
2029	\$157,121	25,195	\$6.24	\$25.95
2030	\$157,121	25,779	\$6.09	\$21.01
2031	\$157,121	26,294	\$5.98	\$15.97
2032	\$157,121	26,820	\$5.86	\$10.79
2033	\$157,121	27,355	\$5.74	\$5.47

*NPV = net present value discounted at 5 percent

Summary of Fees

The maximum fee per ERU is calculated by subtracting the credit amount per year from the gross fee calculated in Table 11 above.

TABLE 14: MAXIMUM FEE PER ERU

Year	Credit Amount	Maximum Fee 3/4"
2024	\$49.39	\$867.88
2025	\$44.82	\$872.44
2026	\$40.21	\$877.06
2027	\$35.54	\$881.73
2028	\$30.79	\$886.48
2029	\$25.95	\$891.32
2030	\$21.01	\$896.26
2031	\$15.97	\$901.30
2032	\$10.79	\$906.48
2033	\$5.47	\$911.80

All single-family and multi-family residential wastewater fees will be charged based on one ERU. All non-residential development will be charged based on the meter sizes shown in Table 15 below.

TABLE 15: MAXIMUM IMPACT FEE PER 1 ERU AND METER SIZE, 2024-2029

Meter Size	Ratio	2024	2025	2026	2027	2028	2029
per dwelling unit	1.00	\$867.88	\$872.44	\$877.06	\$881.73	\$886.48	\$891.32
3/4"	1.00	\$867.88	\$872.44	\$877.06	\$881.73	\$886.48	\$891.32

Meter Size	Ratio	2024	2025	2026	2027	2028	2029
1"	2.71	\$2,347.60	\$2,359.96	\$2,372.44	\$2,385.07	\$2,397.92	\$2,411.02
1 1/2"	3.37	\$2,927.63	\$2,943.04	\$2,958.61	\$2,974.36	\$2,990.38	\$3,006.71
2"	10.75	\$9,328.21	\$9,377.30	\$9,426.90	\$9,477.09	\$9,528.15	\$9,580.19
3"	23.63	\$20,510.79	\$20,618.73	\$20,727.78	\$20,838.13	\$20,950.41	\$21,064.82
4"	40.52	\$35,166.31	\$35,351.37	\$35,538.35	\$35,727.54	\$35,920.06	\$36,116.21
6"	94.54	\$82,052.56	\$82,484.36	\$82,920.63	\$83,362.05	\$83,811.25	\$84,268.94
8"	162.08	\$140,665.98	\$141,406.22	\$142,154.15	\$142,910.89	\$143,680.97	\$144,465.60

Non-Standard Demand Adjustments

The City 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 City's infrastructure.

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; or
 - b. cost 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;
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.