



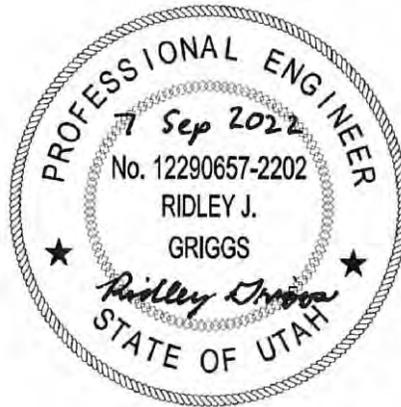
WATER SYSTEM IMPACT FEE FACILITY PLAN AND IMPACT FEE ANALYSIS

(HAL Project No.: 299.09.100)

September 2022

SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT
WATER IMPACT FEE
FACILITY PLAN AND ANALYSIS

(HAL Project No.:299.09.100)



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SEPTEMBER 2022

ACKNOWLEDGEMENTS

Hansen, Allen & Luce thanks the following individuals for their contributions to this project:

SMSSD Government

Craig Godwin, Chairman
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Beca Mark, Clerk
Gene Nielsen, Secretary
David Weber, SMSSD/SMR Liaison
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IMPACT FEE CERTIFICATION

The Utah Impact Fee Act requires certifications for the Impact Fee Facilities Plan (IFFP) and the Impact Fee Analysis (IFA). Hansen, Allen & Luce provides these certifications with the understanding that the recommendations in the IFFP and IFA are followed by District Staff and elected officials. If all or a portion of the IFFP or IFA are modified or amended, or if assumptions presented in this analysis change substantially, this certification is no longer valid. All information provided to Hansen, Allen & Luce, Inc. is assumed to be correct, complete, and accurate.

IFFP Certification

Hansen, Allen & Luce, Inc. certifies that the Impact Fee Facilities Plan (IFFP) prepared for the water system:

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.

HANSEN, ALLEN & LUCE, INC.

IFA Certification

Hansen, Allen & Luce, Inc. certifies that the Impact Fee Analysis (IFA) prepared for the water system:

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

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IMPACT FEE SUMMARY

The **purpose** of the Impact Fee Facility Plan (IFFP) and Impact Fee Analysis (IFA) is to comply with the requirements of the Utah Impact Fees Act by identifying demands placed on the existing water system by new development and by identifying the means by which the District will meet these new demands. The Skyline Mountain Special Service District (SMSSD) Water System Master Plan has been used in support of this analysis. There are several growth-related capital facilities anticipated to be needed in the next 10 years, so the calculated impact fee is based on anticipated capital facility projects as well as existing excess capacity and documented historic costs.

The impact fee **service area** is the water system service area, which includes the current district boundary and future areas anticipated to be annexed into the district.

The existing and proposed **level of service** for the water system includes the following:

Water Supply

- Peak Day Indoor Source Capacity: 270 gallons per day per equivalent residential connection (gpd/ERC)
- Indoor Source Volume: 0.30 acre-feet/ERC (Annual Demand)
- Indoor Storage Capacity: 270 Gallons/ERC
- Peak Day Outdoor Source Capacity: 10,800 gallons per day per irrigated acre
- Outdoor Source Volume: 3.0 acre-feet per irrigated acre (Annual Demand)
- Outdoor Storage Volume: 2,680 gal/irr-ac
- Fire Storage Capacity: 378 Gallons/ERC
- Transmission Capacity: 40 pounds per square inch (psi) minimum during peak day demand conditions and 30 psi minimum during peak instantaneous conditions

Fire Suppression

- Minimum Fire Flow: 1,000 gpm for 2 hours (120,000 gallons) for existing infrastructure and 1,500 gpm for 2 hours (180,000 gallons) for future infrastructure.
- Minimum Pressure: 20 psi residual during peak day + fire flow event

The existing system served about 247 equivalent residential connections and 8 irrigated acres at the end of 2021. Additionally, 311 improved lots exist in Areas 2 and 3 of the District but are not connected to the water system. Projected **growth** adds 276 equivalent residential connections and 9.3 irrigated acres in the next 10 years for a total of 834 connections or equivalent and 17.3 irrigated acres.

This IFFP and IFA does not consider projects needed to correct existing deficiencies. The costs calculated for the capacity required for growth in the next 10 years comes from the proportional historical buy-in costs of **excess capacity** and **new projects** required entirely to provide capacity for new development.

The **water impact fee** is calculated based on the buy-in cost for facilities which have capacity remaining, and the estimated cost of projects required to support future growth. These costs were added together and divided by the number of equivalent residential connections (ERCs) that are projected to be added within the next 10 years.

Components of the impact fee are presented in the table below. The maximum allowable water system impact fee for one ERC is **\$29,881** for indoor use only.

MAXIMUM ALLOWABLE IMPACT FEE BY COMPONENT

Component	Per Typical Residential Connection (Indoor Use)	Per Irrigated Acre
Source	\$1,495.24	\$59,809.73
Storage	\$525.46	\$5,215.64
Transmission	\$27,800.32	\$0.00
Planning	\$59.87	\$0.00
Total	\$29,881	\$65,025

1. It is assumed that any irrigated acreage will be associated with indoor ERCs. Planning costs are accounted for in the indoor fees

Impact fees for irrigated acreage should be charged to users who plant irrigated landscaping and are not connected to the separate irrigation system. The maximum water system impact fee for one irrigated acre is **\$65,025**. For example, the proposed water system impact fee for a residential connection with 0.15 irrigated acres is **\$39,635** ($\$29,881 + (0.15 \times \$65,025)$).

SMSSD may choose to charge an initial impact fee less than the maximum allowable fee and recover the remainder of project costs through rates or other means.

SECTION 1 INTRODUCTION

1.1 Background

Skyline Mountain Special Service District serves a 480-acre portion of Sanpete County, Utah. Its service area includes the resort and cabins up the mountain to the east. In 2021 SMSSD reported a service population of 96. SMSSD's primary water source is three existing wells.

1.2 Purpose

The District has recognized the need to plan for increased demands on its water system as a result of growth. To do so, an Impact Fee Facility Plan (IFFP) and Impact Fee Analysis (IFA) were completed to allow the District to charge an impact fee to help pay for capital projects necessary to support future growth.

This report identifies those items that the Utah Impact Fees Act specifically requires, including demands placed upon existing facilities by new development and the proposed means by which the municipality will meet those demands. This analysis was based on the Water Master Plan that was prepared in 2022. The master plan identified several growth-related projects needed within the 10-year planning window. Therefore, the calculated impact fee is based on excess capacity and documented historic costs, as well as future capital projects.

1.3 Impact Fee Collection

Impact fees enable local governments to finance public facility improvements necessary for growth, without burdening existing customers with costs that are exclusively attributable to growth.

An impact fee is a one-time charge on new development to pay for that portion of a public facility that is required to support that new development.

In order to determine the appropriate impact fee, the cost of the facilities associated with future development must be proportionately distributed. As a guideline in determining the "proportionate share," the fee must be found to be roughly proportionate and reasonably related to the impact caused by the new development.

1.4 Master Planning

A Water System Master Plan was prepared in 2022 and used in conjunction with this analysis. The master plan for the District's water system is more comprehensive than the IFFP and IFA. It provides the basis for the IFFP and IFA and identifies all capital facilities required for the water system inside the 20-year planning range, including maintenance, repair, replacement, and growth-related projects.

The recommendations made within the master plan are in compliance with current District policies and standard engineering practices.

A hydraulic model of the water system was used to complete the Water System Master Plan. The model was used to assess existing performance, level of service, to establish a proposed level of service and to confirm the effectiveness of the proposed capital facility projects to maintain the proposed level of service over the next 10 years.

SECTION 2 EXISTING SYSTEM AND REMAINING CAPACITY

2.1 General

The purpose of this section is to provide information regarding the existing water system, identify the current level of service, and analyze the remaining capacity of the existing system's facilities.

SMSSD's existing water system is comprised of a pipe network, water storage facilities, and water sources. Figure 2-1 illustrates the existing water system that services the entire District.

2.2 Service Areas

SMSSD is comprised of three service areas. Connections to the existing system presently exist only in Area 1. Areas 2 and 3 currently consist of a mixture of improved and unimproved lots with no water service except at District fill stations. The master plan identified the proper capital facilities projects to serve those existing users and support future anticipated growth.

2.3 Existing Equivalent Residential Connections and Irrigated Acreage

The majority of SMSSD is residential users that are counted as one Equivalent Residential Connection (ERC). The use of ERCs is a common engineering practice used to describe the entire system's usage based on a common unit of measurement. An ERC is equal to the average demand of one residential connection. Using ERCs for analysis is a way to allocate existing and future demands over non-residential land uses.

A separate irrigation system exists that serves the golf course and adjacent properties in the "A" and "GC" sections of the resort. In the future, customers in these areas will be allowed to connect to the irrigation system if they convey shares in Birch Creek Irrigation Company to the irrigation system. Customers without shares in Birch Creek Irrigation Company would either irrigate from the drinking water system or not irrigate at all.

At the end of 2021, the District was estimated to have 247 ERCs and 8 irrigated acres served by the water system.

2.4 Level of Service

The proposed level of service provided by the water system has been established by the District to provide a reasonable supply of water to their residents. This level of service establishes the sizing criteria for the District's distribution (pipelines), source, storage facilities, and water rights for the water system. The proposed level of service standards are provided below:

Water Supply

- Indoor Source Capacity: 270 gpd/ERC (Peak Day)
- Indoor Source Volume: 0.30 ac-ft/ERC (Annual Demand)
- Indoor Storage Capacity: 270 Gallons/ERC
- Outdoor Source Capacity: 10,800 gpd/irr-ac (Peak Day)
- Outdoor Source Volume: 3.0 ac-ft/irr-ac (Annual Demand)
- Outdoor Storage Capacity: 2,680 Gallons/irr-ac
- Fire Storage Capacity: 378 Gallons/ERC
- Transmission Capacity: 40 psi minimum during peak day demand conditions and 30 psi minimum during peak instantaneous conditions

Fire Suppression

- Minimum Fire Flow: 1,000 gpm for 2 hours (120,000 gallons) for existing infrastructure and 1,500 gpm for 2 hours (180,000 gallons) for future infrastructure.
- Minimum Pressure: 20 psi residual during peak day + fire flow event

2.5 Methodology Used to Determine Existing System Capacity

Each component of the water system was assessed a capacity in terms of gallons per minute (for peak day source), acre-feet per year (for annual source), or gallons (for storage). Demands on each component were computed by applying the level of service to the amount of ERCs and irrigated areas served by each component. The difference between the capacity of the component and the demand on the component is the component's remaining capacity, which can be used to serve either ERCs or irrigated acres. A hydraulic model was developed for the purpose of assessing system operation and transmission capacity.

2.6 Water Source & Remaining Capacity

SMSSD's primary source of water comes from several wells. Table 2-1 summarizes the information of each source and all sources total.

**Table 2-1
Existing Water Sources**

Source	Available Flow (gpm)	Existing Demand (ERCs)	Existing Demand (irr-ac)	Existing Demand (gpm)	Remaining Capacity (gpm)
Golf Course Well	65	247	8	106	14
Clubhouse Well	55				
Thad's Peak Well	38	0	0	0	38
Total	158	247	8	106	52

Projections for source requirements indicate that the SMSSD water system will require additional source capacity to support growth within the 10-year planning window. Existing source projects have been completed in the last several years to provide source for that window and are impact fee eligible. Several future projects required to accommodate growth are shown in Table 2-2 below with their respective capacities.

**Table 2-2
Future Source Projects and Capacity**

Project	Capacity (gpm)
Area 1 Cottonwood Spring Connection	100
Area 2 Proposed Well	50
Area 3 Colledge Well Purchase	75
Total	225

2.7 Storage Facilities & Remaining Capacity

SMSSD currently operates two water storage tanks totaling 325,000 gallons. The storage level of service is 270 gallons of storage per ERC plus fire flow storage. The fire flow storage requirements were provided by the Fairview City Fire Chief during the 2022 master planning effort as per IFC. A summary of each tank is shown below in Table 2-3.

**Table 2-3
Existing Water Storage**

Tank	Capacity (gallons)	Existing Equalization Demand (gallons)	Fire Storage (gallons)	Emergency Storage (gallons)	Existing Storage Demand (gallons)	Remaining Capacity (gallons)
Booster	55,000	88,130	93,403	0	181,533	143,467
Upper	270,000					
Total	325,000	88,130	93,403	0	181,533	143,467

Projections indicate that the SMSSD water system will require more storage capacity to support growth within the 10-year planning window. Existing storage projects have been completed in the last several years to provide source for that window and are impact fee eligible. The future storage projects required to accommodate growth with their proposed capacities are shown in Table 2-4.

**Table 2-4
Future Storage Projects and Capacity**

Project	Capacity (gallons)	Capacity Added (gallons)
Area 1 Tank ¹	250,000	195,000
Area 2 Tank	310,000	310,000
Area 3 Tank	225,000	225,000
Total	785,000	730,000

1. The Area 1 tank project will replace the existing 55,000 gallon tank with a 250,000 gallon tank for a total increase in capacity of 195,000 gallons.

2.8 Water Rights & Remaining Capacity

The District owns a total of 222.35 acre-feet (AF) of water rights that are available to the water system. The level of service for water rights is 0.30 ac-ft/ERC and 3.0 ac-ft/irr-ac.

2.9 Distribution System

Pipe diameters range from 2 inches to 12 inches in diameter, with the majority being 6 inches in diameter. The larger pipes in the system were provided as transmission lines to fill the storage tanks and meet peak day and fire flow demands. Figure 2-1 illustrates the existing distribution pipelines. More pipes will be needed to support future growth.

2.10 Capital Facilities to Meet System Deficiencies

The existing water system meets the proposed level of service.

SECTION 3 IMPACT FEE FACILITY PLAN AND ANALYSIS

3.1 General

This section relies on the data presented in the previous sections to calculate a proposed impact fee based on an appropriate buy-in cost of available existing excess capacity previously purchased by the District, and the cost of projects needed to support projected growth.

The costs of the water system facility projects are presented. Also included in this section are the possible revenue sources that the District may consider to fund the recommended projects.

3.2 Growth Projections

The development of impact fees requires growth projections over the next ten years. Growth projections for SMSSD were made by incorporating the growth rate presented in the Master Plan. Total growth projections for the District through 2032 are summarized in Table 3-1.

**TABLE 3-1
GROWTH PROJECTIONS OVER NEXT TEN YEARS**

Year	ERCs	Irrigated Acres
2022	558 ¹	8.0
2023	587	8.6
2024	617	9.3
2025	648	10.1
2026	682	10.9
2027	716	11.8
2028	741	12.7
2029	763	13.7
2030	785	14.8
2031	809	16.0
2032	834	17.3

1. Accounts for 311 existing users in Areas 2 and 3 not currently connected into existing water system

The existing system served about 247 ERCs and 8 irrigated acres at the end of 2021. An additional 311 users exist in Areas 2 and 3 but are not currently connected to the water system. Projected growth adds 279 ERCs and 9.3 irrigated acres in the next 10 years for a total of 834 ERCs and 17.3 irrigated acres.

3.3 Cost of Existing and Future Water Facilities

Future growth can be served either by excess capacity in existing facilities or by constructing new facilities. Projected growth will necessitate the construction of more facilities. Both excess capacity and future projects were considered when developing impact fees.

Previously constructed water projects which have remaining capacity to support growth are shown in Table 3-2 and included in Appendix A. The impact fee eligible cost for each existing facility is also shown. These values are based on the remaining capacity for each facility. The remaining cost is attributable to growth and can be counted towards the impact fee.

**Table 3-2
Impact Fee Eligible Cost of Existing Facilities**

Project	Total Cost	% Eligible	Eligible Cost
Area 1 Transmission	\$2,425,826.46	23.05% ¹	\$559,224.79
Area 1 Source	\$264,292.38	32.72% ²	\$86,480.48
Area 1 Storage	\$316,881.17	44.14% ³	\$139,882.69
Total	\$3,007,000.00	-	\$785,587.97

1. Distribution infrastructure is sized to accommodate future users through buildout (321) in Area 1. A remaining capacity of 74 ERCs was calculated as the projected year buildout ERCs (321) minus ERCs existing at the beginning of year 2021 (247). This was then divided by 321 ERCs to obtain an eligible percent.
2. Calculated as the difference between peak day level of service (106.3 gpm) and peak day capacity for existing sources (158 gpm) divided by total source capacity.
3. Calculated as the remaining capacity in the entire system (143,467 gallons) divided by the total capacity of the system (325,000 gallons).

Future facilities needed to support growth are shown in Table 3-3 and on Figure 3-1. Estimated costs for these facilities are included as Appendix B.

**Table 3-3
Estimated Impact Fee Eligible Cost of Future Facilities**

Project	Map ID	Source	Transmission	Storage	Total
Area 1 Storage Capacity	1	\$0.00	\$0.00	\$410,000.00	\$410,000.00
Equip Cottonwood Springs for Use	2	\$1,300,000	\$0	\$0	\$1,300,000
Area 2 Transmission Upgrades	3	\$0	\$13,340,000.00	\$0	\$13,340,000
Area 2 Source Capacity Upgrade	4	\$710,000.00	\$0	\$0	\$710,000
Area 2 Storage Capacity Upgrade	5	\$0	\$0	\$680,000.00	\$680,000
Area 3 Transmission Upgrade	6	\$0	\$5,700,000.00	\$0	\$5,700,000
Area 3 Source Capacity Upgrade	7	\$110,000.00	\$0	\$0	\$110,000
Area 3 Storage Capacity Upgrade	8	\$0	\$0	\$470,000.00	\$470,000
Totals		\$2,120,000.00	\$19,040,000.00	\$1,560,000.00	\$22,720,000.00

3.4 Impact Fee Unit Calculation

Only those costs attributed to the new growth in the next 10 years can be included in the impact fee. The following sections describe the impact fee calculation for each component.

Source

The District has recently funded the construction of several source projects to meet the demands in the Water System (See Table 3-2). The impact fee eligible costs as well as the costs for future sources projects is shown in Table 3-4.

**Table 3-4
Source Impact Fee Unit Calculation**

	Existing ¹	Future ²	Total
Eligible Cost	\$86,480.00	\$2,120,000.00	\$2,206,480.48
Capacity (gpm)	52	225	277
Source Impact (per gpm) ³ :			\$7,974.63
Source Impact (per ERC) ⁴ :			\$1,495.24
Source Impact (per irr-ac) ⁵			\$59,809.73

1. See Tables 2-1 and 3-2
2. See Table 2-2 and 3-3
3. Calculated as the sum of existing and future eligible costs divided by the sum of existing and future eligible capacity
4. Calculated at a proposed level of service of 270 gpd/ERC or 0.1875 gpm/ERC
5. Calculated at a proposed level of service of 10,800 gpd/irr-ac or 7.5 gpm/irr-ac

The portion of the source impact fee attributable to growth within 10 years was calculated considering additional capacity created by future projects and the remaining capacity in the water system. These results are shown in Table 3-5.

**Table 3-5
Source Cost by Time Period**

Time Period	ERCs served	Irr-ac Served	Buy-in Cost	Growth Cost	Total Cost
Existing Area 1	247	8	\$177,811.90	\$0.00	\$177,811.90
Existing Areas 2 and 3	311	0	\$18,225.95	\$446,794.67	\$465,020.62
Next 10 Years	276	9.3	\$37,975.62	\$930,941.95	\$968,917.56
Beyond 10 Years	118	0	\$30,278.91	\$742,263.38	\$772,542.30
Total	952	17.3	\$264,292.38	\$2,120,000.00	\$2,384,292.38

Storage

SMSSD's existing storage tanks have remaining capacity that is eligible for impact fees (See Table 3-2); however, future storage tanks will be required to maintain the level of service while accommodating projected growth. The eligible cost of these projects and the impact fee unit calculation is shown in Table 3-6.

**Table 3-6
Storage Impact Fee Unit Calculation**

	Existing ¹	Future ²	Total
Eligible Cost	\$139,882.69	\$1,560,000.00	\$1,699,882.69
Capacity (gal)	143,467	730,000	873,467
Storage impact (per gal) ³			\$1.95
Storage impact (per ERC) ⁴			\$525.46
Storage Impact (per Irr-ac) ⁵			\$5,215.64

1. See Table 2-3 and 3-2
2. See Table 2-4 and 3-3
3. Calculated as the sum of existing and future eligible costs divided by the sum of existing and future eligible capacity
4. Calculated at the proposed level of service of 270 gal/ERC.
5. Calculated at the proposed level of service of 2,680 gal/irr-ac.

The portion of the storage impact fee attributable to growth within 10 years was calculated considering additional capacity created by future projects and the remaining capacity in the water system. These results are shown in Table 3-7.

**Table 3-7
Storage Cost by Time Period**

Time Period	ERCs served	Irr-ac Served	Buy-in Cost	Growth Cost	Total Cost
Existing Area 1	247	8	\$176,998.47	\$0.00	\$176,998.47
Existing Areas 2 and 3	311	0	\$32,281.55	\$360,010.39	\$392,291.94
Next 10 Years	276	9.3	\$32,640.07	\$364,008.69	\$396,648.76
Beyond 10 Years	118	0	\$74,961.07	\$835,980.92	\$910,941.99
Total	952	17.3	\$316,881.17	\$1,560,000.00	\$1,876,881.17

Transmission

Several transmission projects will be required to support projected growth through the 10-year planning period. The portion of the impact fee for these projects is shown in Table 3-8. This includes projects that the District has recently funded and have remaining capacity for growth.

**Table 3-8
Transmission Impact Fee Unit Calculation**

	Existing¹	Future²	Total
Eligible Cost	\$559,224.79	\$19,040,000.00	\$19,599,224.79
Capacity (ERCs) ³	705	705	705
Transmission Impact (per ERC)⁴			\$27,800.32

1. See Table 3-2
2. See Table 3-3
3. Transmission infrastructure is sized to accommodate future users through buildout (705 ERCs).
4. Calculated as the sum of existing and future eligible costs divided by the sum of existing and future eligible capacity

Expected transmission costs by time period are listed in Table 3-9. Transmission facilities are expected to support growth for more than 10 years. The portion of their costs attributable to growth outside of the 10-year planning window is not impact fee-eligible.

**Table 3-9
Transmission Cost by Time Period**

Time Period	ERCs served	Buy-in Cost	Growth Cost	Total Cost
Existing Area 1	247	\$1,866,601.67	\$0.00	\$1,866,601.67
Existing Areas 2 and 3	311	\$246,693.49	\$8,399,205.67	\$8,645,899.16
Next 10 Years	276	\$218,930.56	\$7,453,957.45	\$7,672,888.00
Beyond 10 Years	118	\$93,600.75	\$3,186,836.88	\$3,280,437.62
Total	952	\$2,425,826.46	\$19,040,000.00	\$21,465,826.46

Planning

The planning portion of the impact fee was calculated as shown in Table 3-10. Portions of SMSSD's 2022 master plan study that are attributable to growth (approximately 60% of total expenditures) are impact fee eligible. 100% of costs associated with the Impact Fee Facility Plan and Impact Fee Analysis are impact fee eligible.

**Table 3-10
Planning Component of Impact Fee**

Planning Document	Cost	% of Plan Associated with Growth	Cost Associated with Growth	ERCs Served	Cost per ERC
2022 Master Plan	\$13,045.57	60%	\$7,827.34	276	\$28.36
2022 IFFP and IFA	\$8,697.04	100%	\$8,697.04	276	\$31.51
Total	\$21,742.61	-	\$16,524.38	-	\$59.87

3.5 Total Impact Fee Calculation

The maximum allowable water system impact fee for one ERC is **\$29,881** for indoor use only. See Table 3-11. The maximum allowable water system impact fee for one for one irrigated acre is \$65,025. For example, the maximum allowable water system impact fee for one residential connection with 0.15 acres irrigated with the system is **\$39,635** (\$29,881 + (0.15 x \$65,025)).

**Table 3-11
Maximum Allowable Impact Fee**

Component	Per Typical Residential Connection (Indoor Use)	Per Irrigated Acre
Source	\$1,495.24	\$59,809.73
Storage	\$525.46	\$5,215.64
Transmission	\$27,800.32	\$0.00
Planning	\$59.87	\$0.00
Total	\$29,881	\$65,025

* It is assumed that any irrigated acreage will be associated with indoor ERCs. Planning costs are accounted for in the indoor fees.

3.6 Costs by Time Period

Table 3-12 is a summary of the existing and future facility costs by water system component and by time period. Existing costs are those costs attributed to capacity currently being used by existing connections. Costs attributed to the next 10 years are costs for the existing capacity or new capacity for the assumed growth in the next 10 years (including impact fee eligible planning costs expected to be collected). Costs attributed to beyond 10 years are costs for the existing capacity or new capacity for the assumed growth beyond 10 years.

**Table 3-12
Facility Cost by Time Period**

	Existing Area 1	Existing Areas 2 and 3	Next 10 Years	Beyond 10 Years	Total
Source	\$177,811.90	\$465,020.62	\$968,917.56	\$772,542.30	\$2,384,292.38
Storage	\$176,998.47	\$392,291.94	\$396,648.76	\$910,941.99	\$1,876,881.17
Transmission	\$1,866,601.67	\$8,645,899.16	\$7,672,888.00	\$3,280,437.62	\$21,465,826.46
Planning	\$0.00	\$0.00	\$16,524.38	\$0.00	\$16,524.38
Total Cost	\$2,221,412.03	\$9,503,211.73	\$9,054,978.71	\$4,963,921.91	\$25,743,524.38

3.7 Revenue Options

Revenue options for the recommended projects include: general obligation bonds, revenue bonds, State/Federal grants and loans, user fees, and impact fees. Although this analysis focuses on impact fees, the District may need to consider a combination of these funding options. The following discussion describes each of these options.

General Obligation Bonds through Property Taxes

This form of debt enables the District to issue general obligation bonds for capital improvements and replacement. General Obligation (G.O.) Bonds would be used for items not typically financed through the Water Revenue Bonds (for example, the purchase of water source to ensure a sufficient water supply for the District in the future). G.O. bonds are debt instruments backed by the full faith and credit of the District which would be secured by an unconditional pledge of the District to levy assessments, charges or ad valorem taxes necessary to retire the bonds. G.O. bonds are the lowest-cost form of debt financing available to local governments and can be combined with other revenue sources such as specific fees, or special assessment charges to form a dual security through the District's revenue generating authority. These bonds are supported by the District as a whole, so the amount of debt issued for the water system is limited to a fixed percentage of the real market value for taxable property within the District. For growth related projects this type of revenue places an unfair burden on existing residents as they had previously paid for their level of service.

Revenue Bonds

This form of debt financing is also available to the District for utility related capital improvements. Unlike G.O. bonds, revenue bonds are not backed by the District as a whole, but constitute a lien against the water service charge revenues of a Water Utility. Revenue bonds present a greater risk to the investor than do G.O. bonds, since repayment of debt depends on an adequate revenue stream, legally defensible rate structure /and sound fiscal management by the issuing jurisdiction. Due to this increased risk, revenue bonds generally require a higher interest rate than G.O. bonds, although currently interest rates are at historic lows. This type of

debt also has very specific coverage requirements in the form of a reserve fund specifying an amount, usually expressed in terms of average or maximum debt service due in any future year. This debt service is required to be held as a cash reserve for annual debt service payment to the benefit of bondholders. Typically, voter approval is not required when issuing revenue bonds. For growth related projects this type of revenue places an unfair burden on existing residents as they had previously paid for their level of service.

State/Federal Grants and Loans

Historically, both local and county governments have experienced significant infrastructure funding support from state and federal government agencies in the form of block grants, direct grants in aid, interagency loans, and general revenue sharing. Federal expenditure pressures and virtual elimination of federal revenue sharing dollars are clear indicators that local government may be left to its own devices regarding infrastructure finance in general. However, state/federal grants and loans should be further investigated as a possible funding source for needed water system improvements.

It is also important to assess likely trends regarding federal / state assistance in infrastructure financing. Future trends indicate that grants will be replaced by loans through a public works revolving fund. Local governments can expect to access these revolving funds or public works trust funds by demonstrating both the need for and the ability to repay the borrowed monies, with interest. As with the revenue bonds discussed earlier, the ability of infrastructure programs to wisely manage their own finances will be a key element in evaluating whether many secondary funding sources, such as federal/state loans, will be available to the District.

Not charging impact fees or significantly lowering them could be viewed negatively from the perspective of State/Federal funding agencies. Charging a proper impact fee signals to these agencies that the community is using all possible means to finance the projects required to provide vital services their residents.

User Fees

Similar to property taxes on existing residents, user fees to pay for improvements related to new growth-related projects places an unfair burden on existing residents as they had previously paid for their level of service.

Impact Fees

As discussed in Section 1, an impact fee is a one-time charge to a new development for the purpose of raising funds for the construction of improvements required by the new growth and to maintain the current level of service. Impact fees in Utah are regulated by the Impact Fee Statute and substantial case law. Impact fees are a form of a development exaction that requires a fee to offset the burdens created by the development on existing municipal services. Funding the future improvements required by growth through impact fees does not place the burden on existing residents to provide funding of these new improvements.

APPENDIX A

Cost of Existing Facilities



State of Utah

GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

Department of
Environmental Quality

Amanda Smith
Executive Director

DIVISION OF DRINKING WATER
Kenneth H. Bousfield, P.E.
Director

Drinking Water Board
Paul Hansen, P.E., *Chair*
Ken Bassett, *Vice-Chair*
Terry Beebe
Russell Donoghue
Daniel Fleming
Tage Flint
Heather Jackson
Betty Naylor
Amanda Smith
David Stevens, Ph.D.
James Webb
Kenneth H. Bousfield, P.E.
Executive Secretary

January 19, 2012

Everett Taylor, President
Skyline Mountain Service District
2201 SMR
Fairview, Utah 84629

Dear Mr. Taylor:

Subject: Federal SRF Loan Authorization and Procedures for
Committal of Funds (Project No. 3F186, System #20043)

On January 18, 2012, the Drinking Water Board (hereinafter called the "Board") authorized a **loan of \$3,007,000.00** to Skyline Mountain Service District (hereinafter called the "Applicant") for the construction of a new 235,000 gallon storage tank, a new 150 gpm well with chlorinator and approximately 5.5 miles of water line (hereinafter called the "Project"). The loan from the Board will be secured by General Obligation bond(s), Non-voted Water Revenue bond(s), or a combination thereof; issued by the Applicant as incremental disbursement bond(s) (hereinafter referred to as Bonds) disbursed on a monthly or quarterly basis. The Board has determined the retirement period for the Bonds to be no more than **thirty (30) years**, with interest/fee assessment payable on the unpaid principal from the date of each advance of loan funds. The annual **Interest Rate/Fee is 2.50%**. The Board will require annual principal payments on the Bonds, plus interest assessments totaling approximately \$144,000. Enclosed is the proposed bond repayment schedule (Attachment #1). If a revenue bond is used, a debt service reserve fund equal to this annual amount must be established by no more than ten equal annual deposits.

Special Conditions

This financial assistance was authorized subject to the availability of funds. The assistance represented by this authorization will be funded, in whole or in part, from the proceeds of a federal SRF Capitalization Grant (Section 1452 SDWA) to the State of Utah. Under the SRF Capitalization Grant Program, federal funds are to be made available to the State by way of authorized draws on a letter of credit over the construction period of the Project. Therefore, this authorization is expressly subject to the continued availability of federal funds through the SRF Capitalization Grant and the letter of credit related thereto.

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Neither the Board nor the State of Utah shall be bound by this authorization or by any obligation to provide further loan funds to or purchase any bonds from the Applicant if the SRF Capitalization Grant funds to which this authorization relates are not awarded or if payments under the letter of credit are withheld for any reason.

As a condition of this authorization, the Board will require the Applicant to provide a schedule of estimated engineering and construction time for the Project within ninety (90) days of the date of this letter. If the Project has not progressed sufficiently for the Board to purchase the first of the incremental disbursement bond(s) within twelve months of the date of authorization, authorized funding may be withdrawn.

As a condition of this loan, the Board will require the Applicant to establish a capital facilities replacement reserve account. Deposits to that account shall be made at least annually in the amount of five percent (5%) of the Applicant's annual drinking water system budget, including depreciation, and must continue until the Bonds are redeemed. Failure to maintain the reserve account will constitute a technical default on the Bonds and may result in penalties being assessed.

The Bonds may be prepaid, in whole or in part, at any time in minimum amounts of \$1,000 or any integral multiple thereof, with the prepayments applied against the Bond principal in inverse order of maturities. In addition, if any Bond proceeds remain after the Project is completed, those remaining proceeds shall be used to redeem Bond principal in inverse order of maturities. The Bond documents must contain the following provisions:

- i] The Bonds will initially be in the form of a single, fully-registered bond with provisions for incremental advances quarterly, based on a schedule that coincides with the rate at which engineering/construction related costs are expected to be incurred for the Project.
- ii] If revenue bonds are used the Bonds must be secured by a pledge by the Applicant of 100% of the net revenue produced by the Applicant's water system, and the Applicant will be required to warrant and demonstrate that those net revenues equal or exceed 125% of the total annual debt service requirements on the Bonds and any other obligations secured by a pledge of those revenues.
- iii] If interest is payable on the Bonds, that interest must be tax-exempt, and delivery of the Bonds must be accompanied by an opinion of recognized bond counsel that the interest is not subject to state or federal income taxes.
- iv] If a revenue bond is used, and if the Applicant has previously issued bonds or other obligations secured by a pledge of water system revenues, the Bonds to be purchased by the Board should be issued on a parity with those prior bonds or obligations with respect to the revenue. If it is not possible for the Bonds to be issued on a parity basis, the Applicant should contact Michael J. Grange immediately at (801) 536-4200.

Based on the information presented to the Board, the following sources of funding will be available for the construction of the Project:

Agency	Share	% of Total
Drinking Water Board (Loan)	\$3,007,000.00	97%
System contribution	\$95,000.00	3%
Total Project Cost	\$3,102,000.00	100.0%

As a condition to the purchase of the Bonds by the Board, the Applicant must make arrangement for all loan proceeds and all other Project funds to be available for deposit into the escrow account described below at the time the Board delivers funds unless other acceptable arrangements have been previously made.

The financial assistance is conditioned upon the availability of funds at the time of closing, satisfaction of the conditions specified in this letter, and adherence to the project schedule approved at that time. If the Project does not proceed according to the project schedule, the Board may withdraw project authorization, so that projects ready to proceed, can obtain necessary funding. The Board may consider extensions to the project schedule. Any extension requested must be fully justified. After the Project's construction bids have been opened and the below listed requirements have been met, and if the project remains substantially as approved, loan closing will proceed subject to funds available at that time. But, if substantial changes in the project are required, they must be considered by the Board for committal of funds.

As the Applicant you will need to complete the following items before the Board will purchase your Bonds:

1. The State of Utah has assigned Special Assistant Attorney General William L. Prater Esq. the responsibility of reviewing all proceedings and documents relating to the sale of bonds to the Board. His address is:

William L. Prater, L.L.C.
6925 Union Park Center, Suite 265
Midvale, Utah 84047
Telephone number (801) 566-8882
or mail to:
P.O. Box 71368
Salt Lake City, Utah 84171

The Applicant's bond counsel should submit the following items to his office at the times indicated below. A copy of the transmittal letter for the items indicated below must also be sent to the Division of Drinking Water to document project progress.

APPENDIX B

Estimated Cost of Future Facilities

**SMSSD Drinking Water Projects
Water Recommended Improvements
Preliminary Engineers Cost Estimates**

	Item	Unit	Unit Price	Quantity	Total Price
1-1	Area 1 Storage Capacity Upgrade				
	Tank	GAL	\$ 1.75	250000	\$ 437,500
				Engineering & Admin. (10%)	\$ 43,750
				Contingency (10%)	\$ 43,750
	Total to Area 1 Storage Capacity Upgrade				\$ 530,000
1-2	Equip Cottonwood Springs for Use				
	4" Water Line	LF	\$ 135	5800	\$ 784,648
	Develop Springs and Construct Connection	LS	\$ 300,000	1	\$ 300,000
				Engineering & Admin. (10%)	\$ 108,465
				Contingency (10%)	\$ 108,465
	Total to Equip Cottonwood Springs for Use				\$ 1,300,000
	Total Costs for Area 1				\$ 1,830,000
2-1	Area 2 Transmission Upgrades				
	8" Water Line	LF	\$ 170	62500	\$ 10,640,188
	6" PRV	EA	\$ 30,000	16	\$ 480,000
				Engineering & Admin. (10%)	\$ 1,112,019
				Contingency (10%)	\$ 1,112,019
	Total to Area 2 Transmission Upgrades				\$ 13,340,000
2-2	Area 2 Source Capacity Upgrade				
	Well Drilling and Development (50 gpm)	EA	\$ 192,000	1	\$ 192,000
	Well Equipment and Well House	EA	\$ 400,000	1	\$ 400,000
				Engineering & Admin. (10%)	\$ 59,200
				Contingency (10%)	\$ 59,200
	Total to Area 2 Source Capacity Upgrade				\$ 710,000
2-3	Area 2 Storage Capacity Upgrade				
	Tank	GAL	\$ 1.75	325000	\$ 568,750
				Engineering & Admin. (10%)	\$ 56,875
				Contingency (10%)	\$ 56,875
	Total to Area 2 Storage Capacity Upgrade				\$ 680,000
	Total Costs for Area 2				\$ 14,730,000
3-1	Area 3 Transmission Upgrades				
	8" Water Line	LF	\$ 170	26500	\$ 4,511,440
	6" PRV	EA	\$ 30,000	8	\$ 240,000
				Engineering & Admin. (10%)	\$ 475,144
				Contingency (10%)	\$ 475,144
	Total to Area 3 Transmission Upgrades				\$ 5,700,000
3-2	Area 3 Source Capacity Upgrade				
	Purchase of Colledge Well, upgrade to public drinking water source and re-equip to provide 75 gpm	EA	\$ 95,000	1	\$ 95,000
				Engineering & Admin. (10%)	\$ 9,500
				Contingency (10%)	\$ 9,500
	Total to Area 3 Source Capacity Upgrade				\$ 110,000
3-3	Area 3 Storage Capacity Upgrade				
	Tank	GAL	\$ 1.75	225000	\$ 393,750
				Engineering & Admin. (10%)	\$ 39,375
				Contingency (10%)	\$ 39,375
	Total to Area 3 Storage Capacity Upgrade				\$ 470,000
	Total Costs for Area 3				\$ 6,280,000
	Total Costs				\$ 22,840,000