# TOWN OF PARADISE VALLEY, ARIZONA

## IMPACT FEE STUDY

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- Overview of impact fees
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# Purpose of the Impact Fee Study

- Update Town's sewer impact fee to:
  - Recognize the impact new development places on the system
  - Ensure growth is paying it's proportionate share of costs
  - Provide funding for ongoing growth-related costs

# Impact Fees

- One-time payments
- Reflect the demands and costs created by new development for additional utility capacity
- Will be used to fund outstanding debt service and applicable infrastructure capacity that will benefit new development as well as make system overall more robust
- Must be a rational nexus between the amount of the fee and the cost to serve new development
- Policy; Growth pays for Growth

# Impact Fee Methodologies

Each component of each utility system is evaluated

What is the best measure of the demand created by new development for additional infrastructure capacity? 3 methodologies considered:

**Buy-in**
- Existing infrastructure which has capacity available for new development

**Plan based**
- Planned projects which add capacity to serve new development

**Hybrid**
- Combination of buy-in and plan based methodologies

*Planned projects which are for routine maintenance and replacement or are to serve only existing development are not eligible for capacity fee funding and are included in the rates.*

**Capacity (gallons)**
- Buy-in: Capacity of completed project
- Plan-based: Planned capacity or years of capacity to be provided

**Cost**
- Buy-in: Original cost
- Plan-based: Planned costs
- Minus credit for "double payment"

Cost/capacity (gallons) = cost per gallon

- Gallons consumed per residential connection multiplied by
- Total cost per gallon for capacity multiplied by
- Capacity ratio for different size and type of water meter equals
- **Capacity fee by size and type of water meter**

# Fee Calculation

- Buy-In Approach:
  - Sufficient available capacity to serve new development in next 10-years
  - No new capacity is anticipated to be purchased over 10-year study period
  - Fee is based on existing assets and outstanding growth-related debt

# System Valuation

- 3 Components
  - Capacity purchased from City of Scottsdale
  - Adjusted acquisition cost of sewer lines
    - Adjusted for current day costs
    - Adjusted to reflect depreciation
  - Outstanding financing costs associated with growth related debt

# System Valuation

| Component | Value |
|---|---|
| Purchased Capacity | $14,349,766 |
| Sewer Lines | 23,165,685 |
| Financing Costs on Outstanding Growth-Related Debt | 696,884 |
| **Total System Value** | **$38,212,335** |

# Units to be Served

- Based on use per equivalent dwelling unit (EDU)
  - Total purchased capacity is 1,026,479 gallons per day (gpd)
  - Flows per average residential customer is 211 gpd
  - 211 gpd = 1 EDU

# UNITS TO BE SERVED

| Metric | Capacity |
|---|---|
| Purchased Capacity | 1,026,479 |
| Use per EDU | 211 |
| **EDUs to be Served** | **4,870** |

# Fee Calculation

| Component | Metric |
|---|---|
| System Value | $38,212,335 |
| Units to be Served | 4,870 |
| **Fee per EDU** | **$7,847** |

# Sewer Impact Fees

| Meter Size | Current | Proposed |
|---|---|---|
| 1-inch or less | $6,541 | $7,847 |
| 1.5-inch | 13,083 | 15,963 |
| 2 –inch | 20,932 | 25,109 |
| 3-inch | 41,865 | 50,218 |
| 4-inch (compound meter) | 65,415 | 78,466 |
| 4-inch (turbine meter) | 78,498 | 94,159 |
| 6-inch (compound meter) | 130,831 | 156,932 |
| 6-inch (turbine meter) | 163,539 | 196,165 |
| 8-inch meter | 209,329 | 251,091 |

# Next Steps

- Must approve/disapprove fees 30 days after today's hearing (January 12, 2017 meeting)
- Fees become effective 75 days after formal approval (April 1, 2017)
- All publications must be published on municipal website
- Annual report due 90 days after the end of the fiscal year

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# QUESTIONS & DISCUSSION