2013

Impact Fees for Water System

Final Report

City of Kalispell

3/21/2013

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Executive Summary

Introduction

Morrison Maierle, Inc (MMI) was retained by the City of Kalispell (City) to update the current cost-based impact fees for the City's water and wastewater systems that comply with Montana Code 7-6-1601 to 7-6-1604 based on the new facility plan adopted by the City. This Executive Summary is intended to provide an overview of the water study, along with a summary of the findings and conclusions from the study. In addition, a comparison of the cost-based fees calculated within this study has been compared to the previous water impact fee study conducted in 2006.

Impact fees are a one-time assessment against new development to pay for the cost of infrastructure required to provide service. Impact fees provide the means of balancing the cost requirements for new utility infrastructure between existing customers and new customers connecting to the City's water and wastewater systems. The portion of existing plant and future capital improvements that will provide service (capacity) to new customers is included in the impact fees. The objective of this report is to properly place in context the purpose of water impact fees, and to determine cost-based impact fees for the water systems that comply with Montana law.

Financial Objective of Impact Fees

An impact fee is a regulation and not a user fee or revenue raising device. To understand this perspective, one must view new development as creating the need for new or expanded facilities. As a result, without payment of impact fees, the utility would have insufficient revenues to provide the facilities, and therefore, the community is unable to accommodate new development. While on the surface it may appear as simply a means to extract revenue from new development, the reality is far more complicated. Impact fees help utilities achieve a number of different financial objectives. These objectives tend to lean more towards financial equity between customers as opposed to simply producing revenue. An impact fee establishes equity between existing (old) customers and new customers. Impact fees create equity within the system by addressing the issue of timing and the "value" of the assets and the "value" of the capacity.

Impact Fee Criteria

In the determination and establishment of the impact fees, a number of different criteria are often utilized. The criteria often used by utilities to establish impact fees are as follows:

- Customer understanding
- System planning criteria
- Financing criteria, and
- State/local laws

The use of system planning criteria is one of the more important aspects in the determination of impact fees. System planning criteria provides the "rational nexus" between the amount of infrastructure necessary to provide service and the charge to the customer. The rational nexus test requires that there be a connection (nexus) established between new development and the existing or expanded facilities required to accommodate new development; and appropriate apportionment of the cost to the new development in relation to benefits reasonably received.

An important consideration in establishing impact fees is any legal requirements at the state or local level. The legal requirements often establish the methodology around which the impact fees must be calculated or how the funds must be used. The Montana law enabling legislation for impact fees was enacted in 2005 via Senate Bill 185. The legal basis for the enactment of impact fees is found in Title 7, Chapter 6, and Part 1601 to 1604 of the Montana Code.

The Need for This Study

The current water impact fee is based on the 2006 Impact Fee Final Report and on an adjustment to the fees by City Council Resolution No. 5273 in April 2008. The City Council has directed staff to update the existing cost-based water impact fee based on current conditions and according to 2011 Montana Code Annotated 7-6-16.

In 2010, the City of Kalispell received the August 2010 Impact Fee Final Report for review and consideration by the Impact Fee Advisory Committee. No adjustments were made to the impact fee at that time. The *September 2012 Water Impact Fee Update Summary*, attached for reference in Appendix H, updates the information provided in the August 2010 impact fee report with the following information:

1) Change to the Kalispell Growth Policy: On March 7, 2011, City Council adopted an annexation policy that significantly revised the previous annexation policy boundary. This report accounts for the projected water improvements within the current annexation boundary.

2) Current Water Demands: The August 2010 report used 2006 water production volumes and projected these volumes to 2010 with a theoretical population growth rate. This current report uses measured historical water production volumes between 2006 and 2011 as a baseline volume, and projects future volumes based on a growth rate currently applied by the Kalispell Planning Department.

3) Projected Population Growth Rate: This report uses a population growth rate of 2.00% as projected by the 2011 Kalispell Growth Policy Update. This is lower than the projected population growth rates applied in the August 2010 report and in the 2008 Facility Plan Updates. The reduced 2011 annexation boundary also generates a lower projected population to be served by City utilities.

4) Updated Capital Improvement Plan: The Kalispell Public Works Department has updated the Capital Improvement Plan to reflect the current projected capital needs. The 2012/2013 Capital Improvement Plan shows projects to be completed over the next five years and future projects to be completed in approximately ten years. .

5) Key Financial Assumptions: In developing the impact fee for the City's water system, several key assumptions were used. These include the following:

    - The City's asset records were used to determine the existing assets and the value of those assets.

- The interest rate used for calculating interest on existing assets is the 10-year treasury note rate as reported by the US Department of the Treasury at closing on November 30th of each year.
- Up to fifteen years of interest is included in the cost of the existing improvements. The fifteen-year average interest rate is currently 4.25%. The August 2010 Impact Fee Final Report used an interest rate of 6.00%.

6) Administrative Fees: For the August 2010 Impact Fee Final Report, and subsequent Council workshops, the City Council directed staff to use the allowable administrative charge of 5% in the impact fee analysis. This 2012 report follows that same guidance from the City Council.

Development and Summary of the Water Impact Fee

The City currently services a population of approximately 21,000 customers with water services. This report uses a population growth rate of 2.00% as projected by the 2011 Kalispell Growth Policy Update. The reduced 2011 annexation boundary also generates a lower projected population to be served by City utilities.

The calculation of the water impact fee was based on the City's fixed asset records, future capital improvements as identified in the City's 2012 Capital Improvement Plan, and planning criteria and capital improvements from the master plan entitled, "City of Kalispell Water Facilities Plan Update", dated March 2008 prepared by HDR Engineering (the "Water Facility Plan"). On March 7, 2011 the City Council adopted an annexation policy that significantly revised the previous annexation boundary. This report uses the annexation policy boundary for the planning boundary and adjusted Capital Improvement Projects to meet the infrastructure needs in the expanded service area.

A number of key steps in the calculation of the water impact fees included the following:

Use of System Planning Criteria: The number of equivalent residential units (ERUs) was determined based on the planning criteria from the 2011 Kalispell Growth Policy which uses a projected growth rate of 2.00%. This planning criterion incorporated with water usage data from Kalispell water system establishes the average day flow and peak day flow for an ERU.

Calculation of Equivalent Residential Units: The planning horizon for the study was 2012 – 2035. The number of current and future (additional) water ERUs was determined within this step.

Calculation of the Impact Fee For the Major Water System Components: Each of the major functional components of the water system (e.g. source of supply, treatment, etc.) are reviewed to consider the existing plant assets, along with planned future capital improvements. This provides the basis for the value of capacity and when divided by the appropriate ERUs produces a cost per ERU for each major system component. When the cost per ERU for each major component is added together, it produces a "gross" impact fee.

Debt Service Credits: If impact fees are insufficient to pay growth-related debt service, then a debt service credit is provided against the "gross" water impact fees. The debt service credit is designed to avoid the potential "double payment" of debt service (i.e. once through the payment of the impact fee and again through rates). No water debt service credits are necessary in this current impact fee analysis.

Future Extensions: In determining the water impact fees, the City also considered significant future extension improvements to the transmission and distribution system. The impact fees were calculated "without future extensions" and "with future extensions." The distinction between these two categories being that "without future extensions" the impact fees are calculated in a manner consistent with the City's previous water impact fee analysis and include only the improvements within the City's 2012 Capital Improvement Plan. In contrast to this, "with future extensions" includes extensions/improvements needed to serve the expanded planning area as contained within the annexation boundary. The September 2012 Water Impact Fee Summary (Appendix H) provides a proportional cost of these "with future extensions" improvements based on the improvements that are shown within the 2011 Growth Policy annexation boundary. The total impact fee related to "with future extensions" to the existing system to accommodate future growth is $17,583,247, or $3,531 per ERU.

These "with future extensions" costs may be included in or excluded from the impact fee analysis based on recommendations from the Impact Fee Advisory Committee (IFAC) and as set by City policy. The extension costs were provided for discussion by the Impact Fee Advisory Committee. The IFAC reviewed the "with future extensions" costs and recommended not including the cost in the 2013 water impact fee total. The "with future extensions" costs are not included in this report's recommended water impact fee.

Determination of the "Net Allowable" Water Impact Fee: Based upon the steps noted above, a "net allowable" impact fee was developed. Shown below in Table ES-1 is a summary of the net allowable impact fee by major component for one (1) ERU.

Table ES-1

Allowable Water Impact Fees ($/ERU)

Description	Total
Source of Supply	$212
Pumping Facility	$239
Storage Facility	$417
Transmission and Distribution Mains	$1,577
Administrative Cost at 5%	$122
Total Impact Fee	$2,567

It should be noted that in the 2006 impact fee study, the calculated water impact fee was $2,154.72. The 2006 fee was adjusted in 2008 to reflect cost of construction to $2,213. Therefore, the recommended calculated fee within this report is slightly more ($354.00) than the current fee.

Water Impact Fee by Meter Size (Capacity): For ease of administration, the recommended charge for one (1) ERU is $2,567. The impact fees are then "weighted" by meter size to reflect potential capacity use of the larger sized meters. This "weighting" by meter size is based upon the safe operating capacity of the meter. Provided below in Table ES-2 is a comparison between the water impact fees by meter size as developed in the 2006 water impact fee study and subsequent 2008 increase and the water impact fee by meter size developed within this report.

Table ES-2

Allowable Water System Impact Fees By Meter Size
Comparison Between the Current Fee and the Proposed Fee

Meter Size	Current Water Impact Fee	Proposed Water Impact Fee
Residential	**$2,213**	**$2,567**
1"	**5,533**	**$6,418**
1-½"	**11,066**	**$12,835**
2"	**17,705**	**$20,536**
3"	**35,411**	**$41,072**
4"	***Calculated***	***Calculated***

[1] – Commercial customers with residential type usage pay the residential fee.

The City, as a matter of policy, may charge any amount up to the allowable water impact fee, but not over that amount. Charging an amount greater than the allowable impact fee would not meet the nexus test of a cost-based impact fee.

Consultant's Recommendations

Consultant's recommendations on the Water Impact Fee: Based on our review and analysis of the City's water system, MMI makes the following recommendations:

- The City should implement impact fees for new hookups to the water system that are no greater than the impact fees as set forth in this report. Using the current philosophy in place, the water impact fee would be $2,567/ERU.
- The City should update the actual calculations for the impact fees based on the methodology as approved by the resolution or ordinance setting forth the methodology for impact fees every two years as required by Montana law.

Impact Fee Advisory Committee (IFAC)

The Montana Annotated Code requires the establishment of an Impact Fee Advisory Committee (IFAC), which serves in an advisory capacity to the governing body of the City of Kalispell. The *September 2012 Water Impact Fee Update Summary* was reviewed and discussed with the IFAC at various meeting since October 2012. At the November 27, 2012 meeting the proposed methodology and impact fee as outlined in the *Update Summary* was motioned and approved by the committee members. This final report incorporates the *September 2012 Water Impact Fee Update Summary*, developed by MMI and approved by the Impact Fee Advisory Committee.

Conclusion

This concludes the executive summary of the development of the water impact fee study. A more detailed discussion of the various steps associated with the development of this fee can be found in Section 5 of this report and the appendices.

Section 1: Introduction and Overview

1.1 Introduction

Morrison Maierle, Inc (MMI) was retained by the City of Kalispell; Montana (City) to update the current cost-based impact fees for the City's water systems that comply with Montana Code 7-6-1601 to 7-6-1604 based on the facility plan adopted by the City, the change in annexation boundary, current water demands, newly projected growth rates and an updated Capital Improvement Plan (CIP). This final report incorporates the *September 2012 Water Impact Fee Update Summary*, developed by MMI and approved by the Impact Fee Advisory Committee and provides details of the development of cost-based impact fees for the City's water systems.

The current water impact fee is based on the 2006 Impact Fee Final Report and on an adjustment to the fees by City Council Resolution No. 5273 in April 2008. The City Council has directed staff to update the existing cost-based water impact fee based on current conditions and according to 2011 Montana Code Annotated 7-6-16.

In 2010, the City of Kalispell received the August 2010 Impact Fee Final Report for review and consideration by the Impact Fee Advisory Committee. No adjustments were made to the impact fee at that time. The *September 2012 Water Impact Fee Update Summary*, attached for reference in Appendix H, updates the information provided in the August 2010 impact fee report with the following information:

1) Change to the Kalispell Growth Policy: On March 7, 2011, City Council adopted an annexation policy that significantly revised the previous annexation policy boundary. This report accounts for the projected water improvements within the current annexation boundary. The current annexation boundary is attached to this report and provides a comparison to the pre-2011 annexation boundary (original study area boundary). See Figure 1-6, 2011 Annexation Boundary, at the end of Section 1.

2) Current Water Demands: The August 2010 report used 2006 water production volumes and projected these volumes to 2010 with a theoretical population growth rate. This current report uses measured historical water production volumes between 2006 and 2011 as a baseline volume, and projects future volumes based on a growth rate currently applied by the Kalispell Planning Department.

3) Projected Population Growth Rate: This report uses a population growth rate of 2.00% as projected by the 2011 Kalispell Growth Policy Update. This is lower than the projected population growth rates applied in the August 2010 report and in the 2008 Facility Plan Updates. The reduced 2011 annexation boundary also generates a lower projected population to be served by City utilities. For reference, historic population growth rates are listed below. The growth calculation is shown in Appendix A.
    - 1990 to 2000 1.78%
    - 2000 to 2010 3.43%
    - 1990 to 2010 2.60%
    - 1960 to 2010 1.36%

4) Updated Capital Improvement Plan: The Kalispell Public Works Department has updated the Capital Improvement Plan to reflect the current projected capital needs. The 2012/2013 Capital Improvement Plan shows projects to be completed over the next five years and future projects to be completed in approximately ten years. The updated Capital Improvement Plan is included in Appendix B.

5) Key Financial Assumptions: In developing the impact fee for the City's water system, several key assumptions were used. These include the following:

    - The City's asset records were used to determine the existing assets and the value of those assets.
    - The interest rate used for calculating interest on existing assets is the 10-year treasury note rate as reported by the US Department of the Treasury at closing on November 30th of each year.
    - Up to fifteen years of interest is included in the cost of the existing improvements. The fifteen-year average interest rate is currently 4.25%. The August 2010 Impact Fee Final Report used an interest rate of 6.00%.

6) Council Direction on Administrative Fees: For the August 2010 Impact Fee Final Report, and subsequent Council workshops, the City Council directed staff to use the allowable administrative charge of 5% in the impact fee analysis. This 2012 report follows that same guidance from the City Council.

Impact fees are a one-time assessment on new development to pay for the cost of infrastructure required to provide service. Impact fees provide the means of balancing the cost requirements for new utility infrastructure between existing customers and new customers connecting to the City's water systems. The portion of existing facilities and future capital improvements that will provide service (capacity) to new customers is included in the impact fees. In contrast to this, the City has future capital improvement projects that are related to renewal and replacement of existing facilities in service. These infrastructure costs are typically included within the rates charged to the City's customers, and are not included within the impact fee. By establishing cost-based impact fees, the City will be taking a policy

"The objective of this report is to properly place in context the purpose of impact fees, and to determine cost-based impact fees for the water systems that comply with Montana law."

action of having “growth pay for growth” and help existing utility customers be sheltered from the financial impacts of growth.

1.2 Overview of the Report

The development of cost-based water impact fees requires detailed analyses of each utility. To better understand the approach and methodology used, along with the development of the City’s impact fees, this report has been divided into a number of sections (chapters). This report is organized in the following manner:

- Section 1–Introduction and Overview
- Section 2 – Review of “generally accepted” practices related to impact fees
- Section 3 – Overview of the criteria and methodologies used to establish the impact fees
- Section 4 – Summary of the legal requirements for enactment of impact fees under Montana law
- Section 5 – Review of the development of the cost-based water impact fees

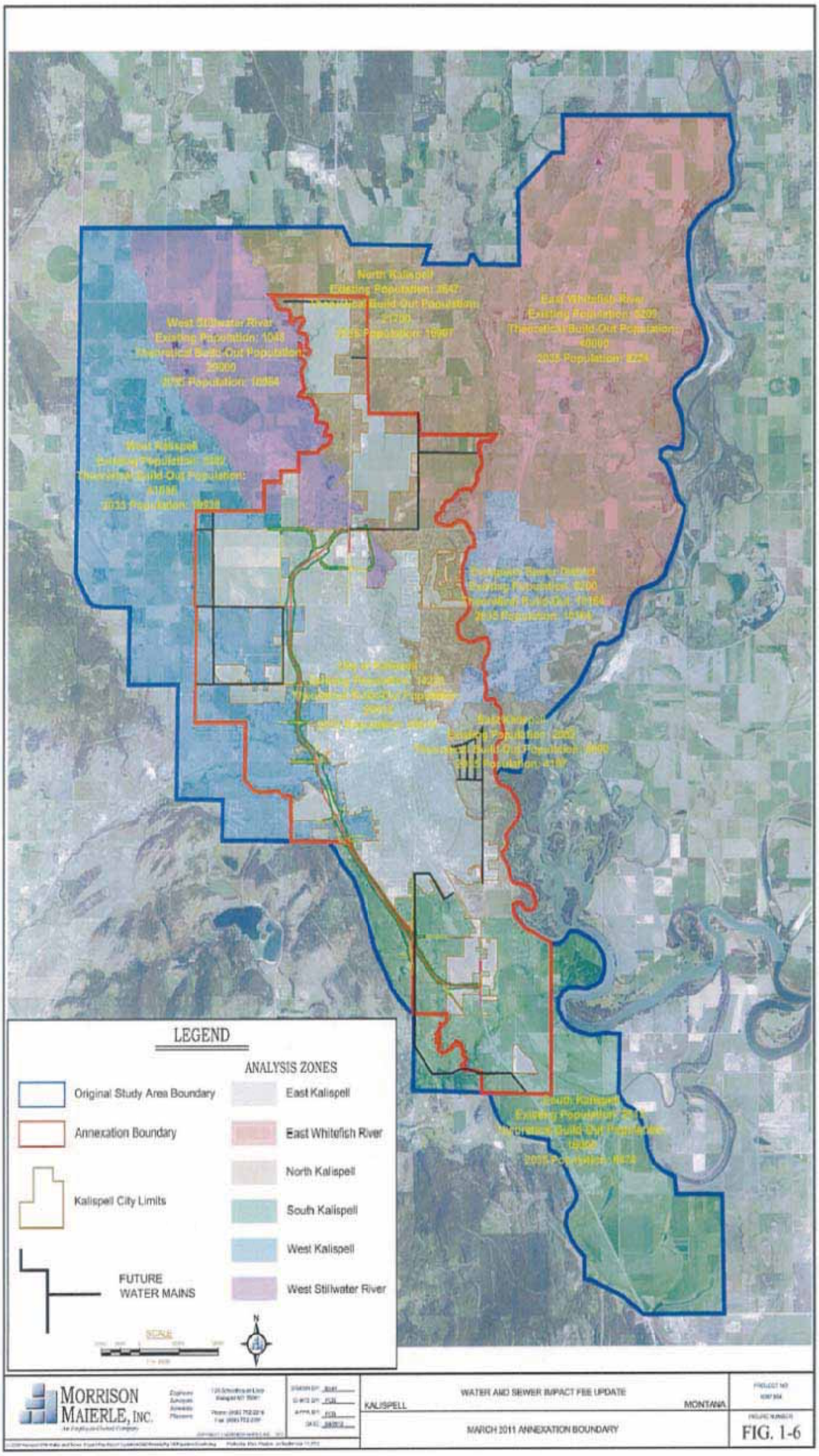
1.3 Disclaimer

Morrison Maierle, Inc, in its determination of impact fees presented in the *September 2012 Water Impact Fee Update Summary*, has relied upon data and information provided by the City. At the same time, Morrison Maierle, Inc used “generally accepted” engineering, accounting, and ratemaking principles in the development of these cost-based impact fees. This should not be construed as a legal opinion with respect to Montana law.

1.4 Summary

This section of the report has provided an overview of the water impact fee report developed by the City in coordination with Morrison Maierle, Inc. This report provides the basis for the establishment of cost-based impact fees by the City.

The next section of the report will discuss the “generally accepted” utility industry practices as they relate to impact fees


LEGEND
ANALYSIS ZONES
Original Study Area Boundary
Annexation Boundary
Kalispell City Limits
FUTURE WATER MAINS
East Kalispell
East Whitefish River
North Kalispell
South Kalispell
West Kalispell
West Stillwater River
SCALE
N
MORRISON MAIERLE, INC.
KALISPELL
WATER AND SEWER IMPACT FEE UPDATE
MONTANA
MARCH 2011 ANNEXATION BOUNDARY
FIG. 1-6

Section 2: Overview of Impact Fees and Generally Accepted Industry Practices

2.1 Introduction

An important starting point in discussing the City's continued implementation of water impact fees is an understanding of the purpose and concept of impact fees and the financial objective of those fees. This section of the report will discuss the concept of impact fees and the "generally accepted" practices of the industry.

2.2 Defining Impact Fees

One must first define an "impact fee" before beginning an assessment and review of the fees. Impact fees are also often called system development charges (SDCs), capacity charges, buy-in fees, facility expansion charges, plant investment fees, etc. Regardless of the name applied to the fee, the concept is still the same. Simply stated, impact fees are capital recovery fees that are generally established as one-time charges assessed on developers or new water and wastewater customers as a way to recover a part or all of the cost of system capacity constructed for their use. Their application has generally occurred in areas that are experiencing extensive new residential and/or commercial development.[1] The main objective of an impact fee is to assess the benefiting party, their proportionate share of the cost of infrastructure required to provide them service. Stated another way, impact fees imply that new development creates new or additional costs on the system, and the impact fee assesses that cost in an equitable manner to those customers creating the additional cost.

2.3 Historical Perspective

Historically, the financing of infrastructure was typically paid for via long-term debt and "pay as you go" rates. However, over the last twenty years, the use of impact fees as a method of financing growth and infrastructure has risen sharply. To the best of our knowledge, no clear surveys or data exists to show this change, however, there are a number of examples within the literature that point out this phenomena. As an example, a survey of 67 Florida communities was undertaken in 1986 and 1989. The number of communities in 1986 using impact fees was 15. By 1989, the number of communities using impact fees had more than doubled to 32.[2] As this funding mechanism gained popularity, legislatures across the U.S. were developing legislation to provide utilities with the authority to impose impact fees. Typical legislation generally provides the approach to be used to develop the fees and requires that the fees be used only for growth-related needs and not for current O&M requirements. At this time, the State of Montana has very specific legislation related to impact fees. This specific legislation regarding the fees provides the City with the authority to establish and collect impact fees. This authority is provided in Montana Code Section 7-6-1601 to 7-6-1604.

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[1] George A. Raftelis, 2nd Edition, Comprehensive Guide to Water and Wastewater Finance and Pricing (Boca Raton: Lewis Publishers, 1993), p. 73.

[2] James C. Nicholas, Arthur C. Nelson and Julian C. Juergensmeyer, A Practitioner's Guide to Development Impact Fees (Chicago: Planners Press, 1991) p. 3.

While many utility managers viewed impact fees as an important and alternative source of funding for new capital construction, these fees were also being rationalized from a number of different perspectives. Among these were the following:[3]

1. To shift the fiscal burdens from existing development to new development.
2. To synchronize the construction of new or expanded facility capacity with the arrival of new development.
3. To subject new development decisions to pricing discipline.

Each of these different perspectives is discussed in more detail below.

Historically, existing development was often subsidized by federal or state resources. As an example, in the early 1970s, many wastewater treatment plants in the U.S. were 90% grant funded by the Environmental Protection Agency (EPA). Today, grants are nearly extinct, often replaced instead by low-interest state revolving fund (SRF) loans. Therefore, as existing customers were being impacted by the cost of growth, local communities searched for methods to help minimize rates and the impacts of the cost of growth.

Unchecked growth and sprawling expansion is very costly on a per unit basis. In response to this dilemma, many legislative bodies created urban growth boundaries. At the same time, utilities moved towards impact fee and extension policies that assist in managing system growth in an orderly and coordinated manner. As a result, improved planning and cost-based fees have helped utilities manage the costs of growth, while stabilizing rates to existing customers.

Establishing the price of a commodity equal to its cost is a basic economic and market principle. In theory, consumers of a service will make "optimal" consumption decisions when the price of the commodity is set equal to its price. By establishing cost-based impact fees, developers should be in a position to make better and more rational decisions concerning new development. At the same time, proper pricing of impact fees also encourages "right sizing" of facilities to serve new development. In other words, given the proper price signal, the developer will properly size their service facilities to meet their needs, e.g., installing a ¾-inch meter versus a 2" meter.

In summary, the use of impact fees has changed over time, as historical funding sources such as grants have been reduced or eliminated. In response, many communities have moved towards adoption of cost-based impact fees, particularly in areas of high growth.

2.4 Impact Fees and "Generally Accepted" Practices

Impact fees are one input into the rate setting process. Therefore, it is important to understand how, within the context of "generally accepted" utility industry practices, impact fees may be used. In conducting a comprehensive water rate study, three interrelated analyses are typically conducted. They are a revenue requirement analysis, cost of service analysis and rate design analysis. Figure 2-1 provides an overview of each of these analyses.

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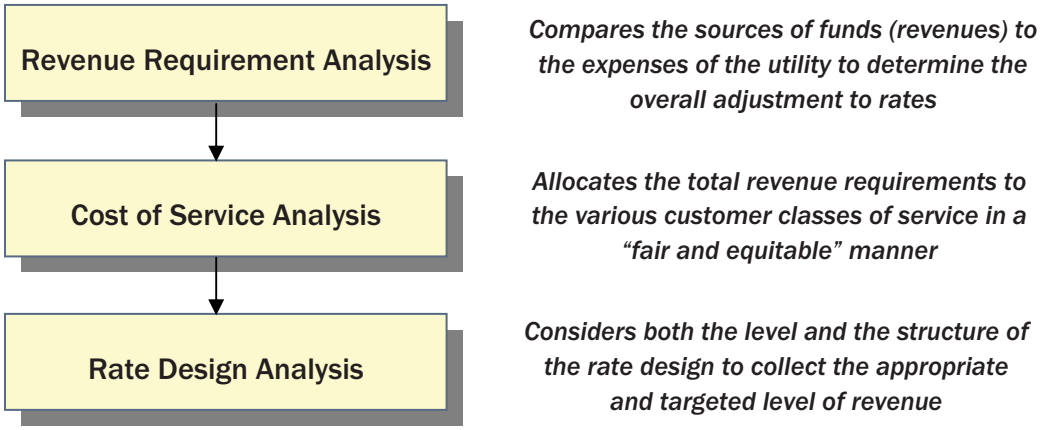
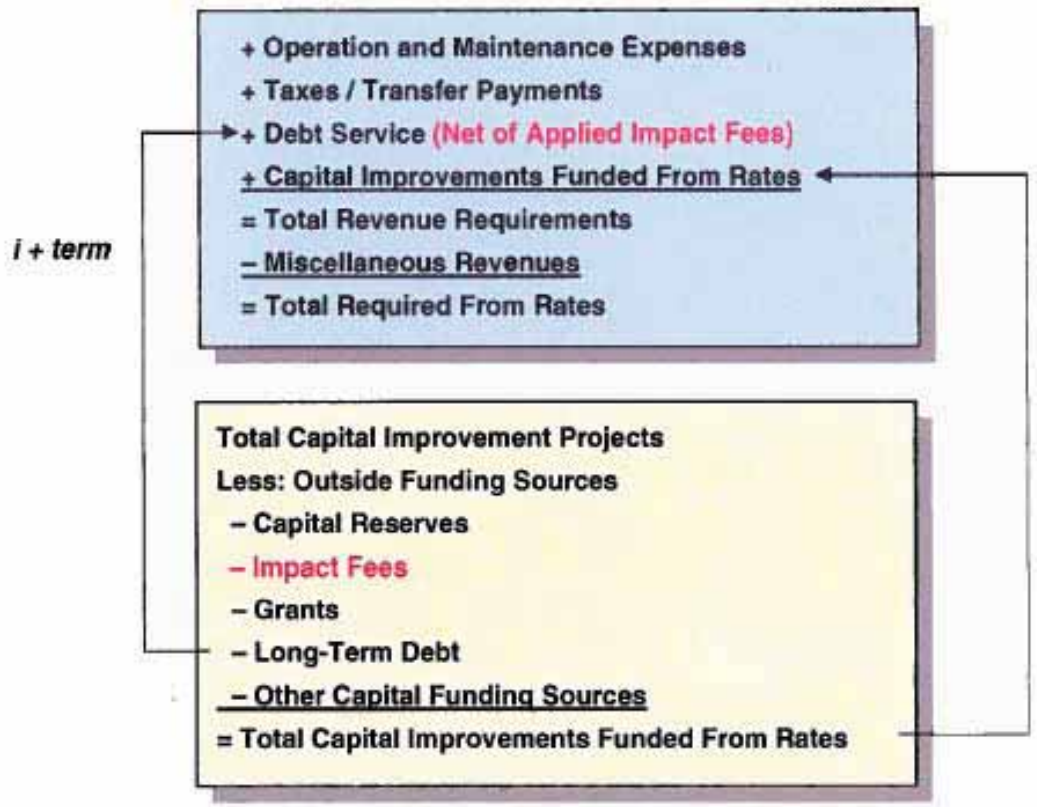
[3] Adapted from: Arthur C. Nelson, System Development Charges for Water, Wastewater and Stormwater Facilities (Boca Raton: Lewis Publishers, 1995) p. 6-7.

Figure 2-1
Overview of the Three-Interrelated Analyses to Review Rates



Impact fees are taken into account within the revenue requirement analysis. The revenue requirement analysis determines the overall funding needs of the utility, while considering prudent financial planning criteria, e.g., adequate reserves, meeting debt service coverage requirements, etc. For most municipal utilities, the methodology used to establish their revenue requirements is referred to as the "cash basis" approach. Figure 2-2, shown below, provides an overview of the key components of the "cash basis" approach to developing revenue requirements.

Figure 2-2
Overview of the "Cash-Basis" Approach



As can be seen in Figure 2-2, there are two elements to establishing the "cash basis" revenue requirements. The top or blue box shows the four basic cost components that are included within the "cash basis" revenue requirements. In contrast, the bottom or yellow box illustrates the various methods used to fund capital infrastructure projects.

It should be noted in Figure 2-2 that impact fees may be used (applied) in two different ways, each having a different impact upon the utility's revenue requirements and, ultimately, the utility's rates. The first possible use of impact fees is shown in the bottom or yellow box. In that particular case, the impact fees are applied directly to growth or expansion related capital projects. The effect of using the funds in this manner is it helps minimize long-term borrowing. For each dollar of impact fees applied in this manner, one less dollar of long-term borrowing is required. Typically, total capital improvements funded from rates is established and fixed in the financial planning process. Therefore, applying impact fees to capital projects typically will not have a significant impact upon the amount of capital improvements funded from rates.

The other potential use of impact fees is to apply the fees toward growth-related debt service. As shown in Figure 2-2, debt service is shown as net of any impact fees. In contrast to applying impact fees directly toward the capital project, in this particular case, for every dollar applied in this manner, there is

a corresponding dollar decrease in revenue requirements and the resulting rates. This is a very effective method to help minimize rates, but even better at matching the cost of growth to the gradual way in which customer growth occurs over time. In other words, a utility may build or expand a facility with sufficient capacity to handle growth over the next ten to twenty years. That growth doesn't occur in the first year, but rather, trickles in over a number of years. Therefore, applying the impact fees against the debt service associated with the project creates a better matching of the cost incurrence (debt payments) to the actual customer growth.

2.5 Financial Objectives of Impact Fees

An impact fee is a regulation and not a user fee or revenue raising device. To understand this perspective, one must view new development as creating the need for new or expanded facilities. As a result, without payment of impact fees, the utility would have insufficient funds to provide the facilities, and therefore the community is unable to accommodate new development. With this said, impact fees do have certain financial objectives associated with them. While on the surface it may appear as simply a means to extract revenue from new development, the reality is far more complex. Impact fees help utilities achieve a number of different financial objectives. These objectives tend to lean more towards financial equity between customers, as opposed to simply producing revenue.

"An impact fee is a regulation and not a user fee or revenue raising device. To understand this perspective, one must view new development as creating the need for new or expanded facilities."

One key financial/rate objective that is achieved from impact fees is equity. Equity is achieved in two different ways. First, an impact fee establishes equity between existing (old) customers and new customers. For example, assume that a water treatment plant is expanded by 5 million gallons per day (MGD) to accommodate growth and the facility is financed over a 20-year period. Without an impact fee, new customers connect to the system and pay for the debt service on the facility via their rates. The customer that connects to the system in year one will contribute to the cost of that facility for 20 years. In contrast, the person who connects in year 10 will only pay for debt service on the facility for ten years, even though the "value" of the capacity was the same for the person connecting in year 1 or year 10. Impact fees create equity within the system by addressing the issue of timing and the "value" of the assets and the "value" of the capacity.

". . . an impact fee is also a form of a financial reimbursement to existing ratepayers who paid for those facilities in advance of the new customer connecting to the system."

The second way in which impact fees help to create equity is after a facility is paid for. Continuing with the example above, after the debt service is fully paid off in year 20, and assuming that some capacity is still available, a new customer connecting to the system would "in theory" receive their capacity at zero cost, because the debt service is paid in full. All the existing customers connected to the system, over the past twenty years, paid for that customer's capacity. Therefore, an impact fee is also a form of a financial reimbursement to existing ratepayers who paid for those facilities in advance of the new customer connecting to the system.

Most commonly, impact fees are adopted in high growth areas where infrastructure expansion has strained existing financial resources. Philosophically, many utilities desire to have a policy of "growth paying for growth."

Based upon the above example, impact fees also have an equity perspective associated with the rate setting process. That is, impact fees are a form of "system buy-in." A properly established impact fee implies that a new customer connecting to the system has bought into the system at its current cost. Therefore, from a rate setting perspective the utility does not need to have rates for "old" and "new" customers. Again, existing customers have been equitably reimbursed for their past investments.

Even with the above discussion, not all communities have impact fees. Most commonly, impact fees are adopted in high growth areas where infrastructure expansion has strained existing financial resources. Philosophically, many utilities desire to have a policy of "growth paying for growth." Impact fees comport with that philosophy, and it is achieved by applying the impact fees either directly against the capital cost of the expansion facilities or against the debt service associated with it.

2.6 Relationship of Impact Fees and New Construction Activities

There are a number of myths surrounding impact fees. In a very broad sense, some may argue that impact fees are bad for economic development. These arguments center around two issues. These are as follows:

- Development will occur on those parcels with lower or non-existent impact fees.
- Impact fees raise the cost of doing business and hinder development.

Of the research conducted on these topics, just the opposite has been found. Provided below is a brief explanation of each.

Developers look at many factors before a parcel is developed. One myth concerns the selection of parcels for development and whether impact fees are applied to the land.

"The argument goes that if a developer is choosing between two parcels of land on which to build—where the first parcel is inside a city where SDCs (impact fees) are charged and the second is just outside where lower or no SDCs (impact fees) are charged—the developer will choose the second parcel.

The trouble is this means that the owner of the first parcel does not make a sale. The landowner must lower the land price to offset the fee in order to make a sale. However, if the landowner does not lower the price, this indicates that the value of future development may be higher on that parcel. Thus, be wary of developers who claim they will choose the second parcel. Chances are they would not have chosen the first parcel anyway. In the meantime, the land market will be holding the first parcel available for higher value development. In effect what might look like a loss in the short term may be a much higher level of development in the long-term."[4]

[4] Nelson. "System Development Charges for Water, Wastewater and Stormwater Facilities" P. 55.

The other argument and myth that one commonly hears about impact fees is that they are bad for economic development. The argument against this position is as follows:

"The argument goes that because SDCs (impact fees) raise the price of doing business, they frustrate economic development. However, just the opposite is really true. First, remember that SDCs (impact fees) will be offset by reduced land prices and by enabling the community to more easily expand the supply of buildable land relative to demand.

Now, consider what economic development really looks for: skilled labor, access to markets, and land with adequate infrastructure. Competitiveness for economic development will be stimulated by the new or expanded infrastructure paid in part by SDCs (impact fees). In the competition for certain kinds of development, it will be able to show developers the dollar value of SDCs (impact fees) waived as a solid demonstration of the local government's commitment to such development."[5]

As can be seen, at least in the opinion of Nelson, SDCs (impact fees) do not hinder growth, but in fact may help to spur growth. It must be remembered that an important concept associated with impact fees is that the fees are required to develop infrastructure in advance of the actual development.

"As can be seen, at least in the opinion of Nelson, SDCs (impact fees) do not hinder growth, but in fact may help to spur growth."

From the developer's perspective, absent impact fees (i.e. a moratorium on new connections) no new development can occur. Therefore, developers are generally supportive of cost-based impact fees, particularly when it provides available capacity and opportunities for development.

2.7 Summary

This section of the report has provided an overview of the financial objectives associated with impact fees and some of the issues surrounding them. This section should have provided a basic understanding of the fees such that when the City is ready to have a policy discussion concerning the continued implementation of impact fees and the imposition of new impact fees, they can be placed in proper perspective. The next section of the report will provide an overview of methodologies for the application of impact fees.

[5] Nelson, "System Development Charges for Water, Wastewater and Stormwater Facilities" P. 56.

3.0 Overview of Impact Fee Methodologies

3.1 Introduction

An important starting point in establishing impact fees is to have a basic understanding of the purpose of these charges, along with criteria and general methodology that is used to establish cost-based impact fees. Presented in the section of the report is an overview of impact fee criteria and the "generally accepted" methodologies that are used to develop cost-based impact fees.

3.2 Impact Fee Criteria

In the determination and establishment of the impact fees, a number of different criteria are often utilized. The criteria often used by utilities to establish impact fees are as follows:

- Customer understanding
- System planning criteria
- Financing criteria, and
- State/local laws

The component of customer understanding implies that the charge is easy to understand. This criterion has implications on the way that the fee is implemented, administered and assessed to the customer. Generally, for a water system, the fee is based on the size (capacity) of the meter. This makes it easy for the customer to understand the level of fee based on the size of a meter required to provide service. In some instances, larger meter sizes are calculated based on actual usage. While this is more complicated, it applies to very few customers and generally more sophisticated industrial customers. For wastewater systems, the charge can be based on meter size or the type of dwelling or business type being assessed. For example, a school could be assessed based on a per student basis corresponding to the sanitary sewer flow per student. The other implication of this criterion is that the methodology is clear and concise in its determination of the amount of infrastructure necessary to provide service.

The use of system planning criteria is one of the more important aspects in the determination of impact fees. System planning criteria provides the "rational nexus" between the amount of infrastructure necessary to provide service and the charge to the customer. The rational nexus test requires that there be a connection (nexus) established between new development and the existing or expanded facilities required to accommodate new development; and appropriate apportionment of the cost to the new development in relation to benefits reasonably received. An example of using system-planning criteria is the determination that a single-family residential customer requires 415 gallons of water distribution storage. The impact fee methodology then charges the customer for 415 gallons of water distribution storage at the per gallon cost of storage.

"The use of system planning criteria is one of the more important aspects in the determination of the impact fees. System planning criteria provides the "rational nexus" between the amount of infrastructure necessary to provide service and the charge to the customer."

One of the driving forces behind establishing cost-based impact fees is that "growth pays for growth." Therefore, impact fees are typically established as a means of having new customers pay an equitable share of the cost of their required capacity (infrastructure). The financing criteria for establishing impact fees relates to the method used to finance growth-related infrastructure of the system and assures that customers are not paying twice for growth-related infrastructure – once through impact fees and again through rates. The double payment can come in through the imposition of impact fees and then the requirement to pay debt service within a customer's rates. The financing criteria also reviews the basis under which main line and collection line extensions were provided and addresses the issue such that customers are not charged for infrastructure that was provided (contributed) by developers.

Many states and local communities have enacted laws which govern the calculation and imposition of impact fees. These laws must be followed in the determination of the impact fees. Most statutes require a "reasonable relationship" between the fee charged and the cost associated with providing service (capacity) to the customer. The charges do not need to be mathematically exact, but must bear a reasonable relationship to the cost burden imposed. As discussed above, the utilization of the planning criteria and the actual costs of construction and the planned costs of construction provide the nexus for the reasonable relationship requirement.

3.3 Growth, Risk and New Connections

One of the common phrases associated with impact fees is "growth paying for growth." While this is a simple and convenient phrase to convey the concept and purpose of impact fees, the reality of the transaction is far more complicated. As the recent downturn in the economy has demonstrated, customer growth is not assured or to be taken for granted. At the same time, it must be kept in mind that it is the existing customers that bear the risk of growth-related facilities that are built. If growth-related facilities are built in anticipation of future growth, and little or no connections occur, it will be the existing ratepayers that will bear the burden of any financial responsibility (e.g. long-term debt) associated with those growth-related facilities. Absent some form of an impact fee, existing ratepayers would likely be hesitant to fully support undertaking such risk.

3.4 Overview of the Impact Fee Methodology

There are "generally-accepted" methodologies that are used to establish impact fees. Within the "generally accepted" impact fee methodologies, there are a number of different steps undertaken. These steps are as follows:

- Determination of system planning criteria.
- Determination of equivalent residential units (ERUs).
- Calculation of system component costs.
- Determination of any credits.

The first step in establishing impact fees is the determination of the system planning criteria. This implies calculating the amount of water required to serve a single-family residential customer. Generally for a water system, two different criteria are determined due to differences in planning criteria. The first planning criterion is the peak day water usage per ERU and the second is a water

storage requirement per ERU. These two different planning criteria are developed since a majority of the water system infrastructure is sized to meet the peak day demand, and water storage is sized to meet equalizing, emergency and fire flow requirements.

Once the system planning criteria is determined, the number of ERUs can be determined. For the water system, this is determined by utilizing the peak day water system demand and dividing it by served ERUs. This is a very important calculation since it provides the linkage between the amounts of infrastructure necessary to provide service to a set number of customers. This implies that if the system is designed to provide service to demands up to the year 2035, then the infrastructure costs are divided by the ERUs in 2035 to determine the cost per ERU.

Once the number of ERUs has been determined, a component by component, e.g., source of supply, treatment, storage, etc., analysis is undertaken to determine the component impact fee in dollar per ERU. Individual facility components are analyzed separately for the water systems given that the planning criteria for the design of the various system components differ. The calculation of the component impact fee includes both historical assets and planned future assets. Historical assets can be valued in a number of different ways. These include original cost plus interest, replacement cost and depreciated replacement costs.

1. The original cost plus interest method includes original cost plus fifteen (15) years worth of interest. This calculation is done to reflect the fact that existing customers have provided for excess capacity in the system and hence need to be reimbursed for not only their initial investment, but also the "carrying cost" on that investment. The reimbursement to existing customers is accomplished by the fact that without an impact fee, rates would otherwise be higher than they would be without impact fees.
2. The replacement cost method values existing assets based on the cost to replace the assets in today's dollars. This is done by escalating the original cost by the Engineering News Record Construction Cost (ERN) index. The theory behind the use of replacement cost is that customers are indifferent since they would have to pay replacement cost if the infrastructure was built today to serve their needs.
3. The use of depreciated replacement cost reflects the fact that the assets have been used and hence their value to the new customer is less that the replacement cost. Caution needs to be exercised in the use of depreciated replacement cost, since the book or accounting lives used by many utilities are not reflective of the actual life of the asset and may result in the assets being undervalued. An example is using a useful life for a storage reservoir of 40 years, when in reality, with maintenance, the actual life may be between 60 to 80 years.

MMI recommends and used the original cost with interest method, since it will reflect the actual cost of the City's system, to calculate the impact fee in this report. The City's system is developed to serve future development through existing capacity and planned future capacity additions. This has been accomplished by the City building excess capacity and using borrowing to finance this capacity and the City building future capacity. Therefore, the use of the original cost with interest method will reflect the actual costs that have been incurred or will be incurred by the City in providing capacity to new development. This is also the most commonly used method to value capacity in water systems. This

method also appears to comply with the requirements under Montana law wherein in the actual cost of infrastructure is required.

Once the total cost of the capital infrastructure is determined, it is then divided by the appropriate number of equivalent residential units the infrastructure will serve to develop the cost per ERU for the specific facility component.

After each plant component is analyzed and a cost per ERU is determined, the cost per ERU for each of the facility components is added together to determine the "gross impact fee." The "gross impact fee" is calculated before any credits for debt service.

The last step in the calculation of the impact fee is the determination of any debt credits. This is generally a calculation to assure that customers are not paying twice – once through impact fees and again through debt service included within the water rates. A crediting mechanism is also utilized if general obligation or tax revenue has been used to finance the infrastructure.

The final cost-based impact fee is determined by taking the "gross impact fee" and subtracting any credits. This results in a "net impact fee" stated in dollar per ERU. The general basis of this calculation for a water system is the assumption that an ERU is equivalent to a single family residential customer. Larger meter sizes are then imposed fees based on the number of ERUs for a given meter size based on its safe operating capacity. The number of ERUs per meter size is generally based on the safe operating capacity of the meter.

3.5 Summary

This section has provided a discussion of the criteria typically used in the determination of impact fees. In addition, an overview of the "generally accepted" methodology used in the calculation of the water impact fees has been provided. Given this background, the next section of the report discusses any specific legal criteria that must be used by the City in the establishment of its impact fees.

4.0 Legal Consideration in Establishing Impact Fees for the City

4.1 Introduction

An important consideration in establishing impact fees is any legal requirements at the state or local level. The legal requirements often establish the methodology around which the impact fees must be calculated or how the funds must be used. Given that, it is important for the City to understand these legal requirements. This section of the report provides an overview of the legal requirements for establishing impact fees under Montana law.

The discussion within this section of the report is intended to be a summary of our understanding of the relevant Montana law as it relates to establishing impact fee. It in no way constitutes a legal interpretation of Montana law.

4.2 Requirements Under Montana Law

In establishing impact fees, an important requirement is they be developed and implemented in conformance with local laws. In particular, many states have established specific laws regarding the establishment, calculation, and implementation of capacity fees. The main objective of most state laws is to assure that these charges are established in such a manner that they are fair, equitable, and cost-based. In other cases, state legislation may have been needed to provide the legislative powers to the utility to establish the charges.

> ***"The laws for the enactment of impact fees in Montana are found in 7-6-1601 to 7-6-1604 of the Montana Code.***

The Montana law enabling legislation for impact fees was enacted in 2005 via Senate Bill 185. This was comprehensive legislation allowing public entities in the State of Montana to enact impact fees for various services. The legal basis for the enactment of impact fees is found in Title 7, Chapter 6, and Part 1601 to 1604 of the Montana Code. A copy of the code is summarized in Appendix C.

4.3 Summary

This section of the report has reviewed the legal basis for establishing impact fees in Montana. MMI concludes that the City has the authority to establish cost-based impact fees and the proposed methodology to be used within this study, in the opinion of MMI and the City, meets the requirements of Montana law.

5.0 Determination of the City's Water Impact Fees

5.1 Introduction

This section of the report presents the development of the City's 2013 water impact fee. The calculations of the water impact fee presented in this section are based on:

1. The City's fixed asset records
2. Future capital improvements as identified in the City's current Capital Improvement Plan (Appendix B)
3. Planning criteria projected by the 2011 Kalispell Growth Policy

5.2 Overview of the City's Water System

The City currently provides water services for a population of approximately 21,000 customers. This report uses a population growth rate of 2.00% as projected by the 2011 Kalispell Growth Policy Update. This is lower than the projected population growth rates applied in the August 2010 report and in the 2008 Facility Plan Updates.

The City obtains 100% of its water supply from wells. The City's source of supply is provided by eight active well sites. (The Noffsinger Spring, located at the north end of the Lawrence Park complex, will be considered a well for discussion purposes, as it does not have sufficient artesian pressure to contribute to the system without additional pumping, and it was recently classified as a well by the Montana Department of Environmental Quality.) The City also has four storage reservoirs including the recently constructed Sheepherders Hill reservoir. The capital improvement plan calls for the construction of a new well, upgrades to the distribution and transmission system, and new storage.

5.3 Overview of the City's Water Facility Plan

The water facility plan provides an update to the water system portions of the *City of Kalispell Water, Sewer, and Storm Drainage System Facility Plan*, completed in July 2002. Since completion of the 2002 report, the City has continued to experience population growth and the expansion of infrastructure; therefore, in 2006 and 2008 the City chose to update their facility plan to analyze potential growth and effectively plan for growth while protecting water and environmental resources.

The area studied in the 2006 and 2008 Water Facility Plan is represented in Section 1, Figure 1-6 – Water and Sewer Impact Fee Update. The basis of planning was to determine the requirements for the next 50 years in areas that the City will have to provide water service as growth continues.

On March 7, 2011 the City Council adopted an annexation policy that significantly revised the previous annexation boundary. This report uses the annexation policy boundary for the planning boundary and adjusted Capital Improvement Projects to meet the infrastructure needs in the expanded service area.

5.4 Present Impact Fees

The City currently assesses an impact fee for connection to the water system. The current water impact fees are shown in Table 5-1.

Table 5-1 Current Water Impact Fees		
Meter Size	**ERU Factor**	**Charge**
3/4"	1.0	$2,213
1"	2.5	5,533
1-1/2"	5.0	11,066
2"	8.0	17,705
3"	16.0	35,411
Over 3"	*Calculated*	*Calculated*

5.5 Calculation of the City's Impact Fees

As was discussed in Section 3, the process of calculating impact fees is based upon a four-step process. In summary form, these steps were as follows:

- Determination of system planning criteria
- Determination of equivalent residential units (ERU)
- Calculation of the impact fee for system component costs
- Determination of any impact fee debt credits

Each of these areas is discussed in more detail below.

5.5.1 System Planning

The number of equivalent residential units (ERUs) was determined based on the planning criteria from the 2011 Kalispell Growth Policy which uses a projected growth rate of 2.00%. Kalispell water usage data calculates a 166 gallons per capita day average flow and an assumed typical peaking factor of 2.67. An averaged 2.5 persons per household or ERU was utilized to develop a peak day flow of 1,108 gallons per day per ERU. A summary of the ERU conversion factors is presented below in Table 5-2.

Table 5-2 Water System Planning Criteria	
Planning Criteria	**Gallons/Day/ERU Planning Criteria**
Average Day Flow [1]	415 Gallons/Day/ERU
Peak Day Flow [2]	1,108 Gallons/Day/ERU

(1) *From the Kalispell water production reports.*
(2) *Based on a peaking factor of 2.67x*

As discussed previously, certain facilities may be planned and sized around different planning criteria. Therefore, the system planning criteria shown above will be used for different facility components to determine the cost per ERU for that specific facility component.

5.5.2 Calculation of Equivalent Residential Units

The planning horizon of this study was 2012 – 2035. Other impact fee components were based on the number of ERUs in 2035 or additional ERUs from 2012 to 2035

As a part of this study, a projection of the number of new/additional ERUs per year must be determined, along with the total number of ERUs at 2035. The City's total number of residential ERUs for each year was determined by dividing the peak day usage factor per ERU into total peak day demand. The number of ERUs added during each year of the study period was made based on a 2% growth rate as set forth 2011 Kalispell Growth Policy. The ERU calculation in correspondence with the 2% growth rate is located in Appendix A. A summary of the ERUs for 2012 and 2035 are presented in Table 5-3.

Table 5-3
Water System Equivalent Residential Units

Year	ERUs
Equivalent Residential Units – 2012	8,632
Equivalent Residential – 2035	13,612

Given the development of the total water ERUs for each year of the planning period, the focus can shift to the calculation of the impact fee for each facility component. This aspect of the analysis is discussed in detail below.

5.5.3 Calculations of the Impact Fee for the Major System Components

The next step of the analysis is to review each major functional component of facility in service and determine the impact fee for that component. In calculating the water impact fee for the City, both existing facility assets, along with planned future CIP were included within the calculation. The major components of the City's water system that were reviewed for purposes of calculating impact fee were as follows:

- Source of Supply
- Pumping Facilities
- Storage Facilities
- Transmission and Distribution Mains
- Administrative Charge

A brief discussion of the impact fee calculated for each of the functional plant components is provided below.

Source of Supply

The City's source of supply is provided entirely from wells. (The Noffsinger Spring, located at the north end of the Lawrence Park complex, will be considered a well for discussion purposes, as it does not have sufficient artesian pressure to contribute to the system without additional pumping, and it was recently classified as a well by the Montana Department of Environmental Quality.) The sources of supply consist of eight active well sites. Details of the calculations for source of supply are provided in Appendix D, with present costs.

The current wells have a firm capacity of 10.195 million gallons per day (mgd). This firm capacity assumes all wells, except the single largest, are on 24 hours per day. The firm capacity provides a characterization of the system, but does not constrain the system to operate under such conditions; the system should not operate with all pumps turned on 24 hours per day, as this would create obvious problems with operation and maintenance of equipment.

> An Equivalent Residential Unit, or ERU, is a standard way to measure capacity within a utility system. An ERU is the water flow demand arising from an average single-family home. Within the Kalispell water system, an ERU is 415 gallons per day, or 166 gallons per person with 2.5 persons per single-family residence. A facility that consumes 830 gallons per day would have the impact of two ERUs. This unit creates the equitable distribution of costs across residential, commercial and industrial demands.

The current pumping capacity of the system is sufficient to meet current 2012 peak day demands (9.560 mgd) and to meet peak day demands into 2015 (10.150 mgd). Between 2012 and 2015, the City should consider developing additional supply capacity in the system. This will likely be accomplished through development of the Grossweiler well (2.880 mgd). The Grossweiler well is located adjacent to the DNRC/DEQ/911 Center complex on Stillwater Road. The costs associated with this well development are included in this impact fee analysis, and are shown in Appendix D.

The addition of the Grossweiler well will bring the peak day capacity to 13.075 mgd. This is the approximate peak day demand at the 2028 planning year, or 13.130 mgd.

Note on Planning Period: The 2008 Water Facility Plan Update uses the design year 2035 for facility planning. This same design year is used as the planning year in this report. Extending the planning year further into the future will increase the number of ERUs over which to distribute the impact fees. This will decrease the impact fee, but will also create a greater risk to the City of not collecting sufficient impact fee when the improvements are needed. Conversely, bringing the planning year closer to the present year will decrease the number of ERUs and will increase the per-ERU impact fee. For these reasons, the 2035 planning year is used for this water impact fee update.

By following the 2011 Montana Code Annotated 7-6-1602 (2 k iv), regarding the update of the impact fee analysis, the City will be able to respond to changes in the actual population growth rates and development patterns. This response will allow the City to modify future capital improvement plans to meet changing population growth rates.

The total current cost for source of supply equipment is $2,879,260. This total cost is divided by the ERUs at the 2035 planning year, or 13,612 ERUs. This generates a per-ERU supply cost shown below. Details of this calculation are shown in Appendix D.

Total Impact 2012 Source of Supply Costs:	$ 2,879,260
Total Projected ERUs at 2035 Planning Year:	13,612
Impact Fee (Source of Supply) per ERU:	$ 212

Pumping Facilities

The City currently has pumping facilities at all well sites. No future capital improvements were identified as part of the 2012 Capital Improvement Plan. The costs of future pumping facilities associated with the Grossweiler Well are included in the source of supply costs in the previous section. The total cost of existing pumping facilities are shown in Appendix E. Details of the pumping facilities calculation are also provided in Appendix E.

The total 2012 cost for pumping facilities is $3,250,836. This total cost is divided by the ERUs at the 2035 planning year, or 13,612 ERUs. This generates a per-ERU cost shown below:

Total 2012 Pumping Facilities Costs:	$ 3,250,836
Total Projected ERUs at 2035 Planning Year:	13,612
Impact Fee (Pumping Facilities) per ERU:	$ 239

Storage Facilities

The City currently has four storage reservoirs with a total storage volume of 6.5 million gallons. Each reservoir contains the following components of storage volume:

Operational Storage: this is the water that is stored between the pump "on" and pump "off" settings. This is a relatively small component of the storage system, and allows the well pumps to cycle and alternate rather than run continuously during average demand conditions. This is currently approximately 0.880 million gallons.

Equalization Storage: This is the water used when the supply system cannot provide sufficient water at peak system flows, e.g., summer watering patterns and daily peak demands. The use of this equalization water does not indicate a deficiency in the system; rather, this component of storage allows the system to function more cost-effectively by not requiring additional wells and pumps to meet peak day demands; the storage tanks are in place to meet these peak day demands. The storage facilities contain 1.625 million gallons of equalization storage, or 25% of the total storage volume.

Fire Storage: This water is used for fire suppression activities and is determined by the size of the community and the land uses within the community. The City of Kalispell applies a 4000 gpm fire flow over a period of four hours to develop the fire storage volume. This equates to 960,000 gallons of fire storage.

Emergency Storage: This component is used to provide water to the community during extraordinary events such as prolonged supply failures. The City's water system contains redundancies in the system,

which minimize the probability of an emergency scenario. These redundancies include multiple wells, multiple tanks, auxiliary power, upper/lower zone connections and comprehensive monitoring by means of the SCADA system (Supervisory Control and Data Acquisition). The current emergency storage volume is approximately 2.720 million gallons.

Remaining storage is water that may be unavailable due to outlet levels or low pressures as the system empties. This component is not considered in Kalispell storage calculations, as it comprises an insignificant volume of water in the Kalispell system.

The total available operational and equalizing water storage is 2.820 million gallons. The City currently utilizes approximately 0.880 million gallons of this available storage. Discussions with water department staff have indicated the City intends to study the viability of optimizing the water system to use approximately 1.195 of this storage. The full amount of this storage is not currently used due to low pressures that develop when the tanks are drawn to lower levels. When the tanks are drawn to lower levels in an attempt to use the full storage capacity, the water pressure (near the top of the lower pressure zone) drops below what citizens typically expect.

The total cost of existing storage facilities was divided by the planning year 2035 ERUs to develop the cost for storage facilities per ERU. Details of the storage facilities calculation are provided in Appendix F.

The total 2012 cost for storage facilities is $5,672,604. This total cost is divided by the ERUs at the 2035 planning year, or 13,612 ERUs. This generates a per-ERU cost shown below:

Total 2012 Storage Facilities Costs:	$ 5,672,604
Total Projected ERUs at 2035 Planning Year:	13,612
Impact Fee (Storage Facilities) per ERU:	$ 417

Transmission and Distribution Mains

The City's transmission/distribution network consists of numerous lines of 8-inch, 10-inch, 12-inch, 16-inch, and 20-inch diameter mains. To determine the impact fee for transmission mains and booster pumps, an inventory of the existing system was undertaken as well as those planned improvements as identified in the capital improvement program. The historical investments of the City were adjusted for interest charges up to a maximum of fifteen years and allocated to growth based on the capacity of the assets to provide service to new development.

Recoupment Costs and Capital Projects within the Existing System

A significant component of the water impact fee arises from recoupment costs associated with existing transmission and distribution facilities that have excess capacity. The total 2012 cost of these facilities is $20,196,005. The impact fee related costs were determined by considering the additional ERUs that are projected to connect to the system during the planning period (2012 to 2035), and then dividing this number of ERUs by the total ERUs projected at the 2035 planning year. All existing mains that were contributed by developers, financed through improvement districts, or contributed by grants were excluded from the analysis. All mains less than six inches were also excluded from the analysis since these would not be able to provide capacity to new development. Water main replacements were also

excluded since these are not growth-related and should be paid for through rates. The total impact fee related to existing transmission and distribution facilities is $6,416,138, or $1,288 per ERU. A summary of these costs and this calculation is shown in Appendix G.

A second component of the transmission and distribution facility impact fee is the cost related to capital improvement projects (CIP) within the existing system that are necessary to accommodate future growth. The total impact fee related to capital improvements to the existing system is $1,438,603, or $289 per ERU. These costs are also summarized in Appendix G.

The two components of the transmission and distribution facilities impact fee are shown below with the associated per-ERU impact fee.

Transmission and Distribution Recoupment Impact Fee:	$ 6,416,138	($1,288 / ERU)
Transmission and Distribution CIP Impact Fee:	$ 1,438,603	($ 289 / ERU)
Total Projected Additional ERUs at 2035 Planning Year:	4,980	
Impact Fee (Trans. & Dist.) per ERU:	**$ 1,577**	

Extensions to the Existing System

A third component of the transmission and distribution facility impact fee is the cost related to extensions to the existing system that are necessary to accommodate future growth. The costs of these extensions were calculated based on the pre-2011 Kalispell Growth Policy Update. The *September 2012 Water Impact Fee Summary* (Appendix H) provides a proportional cost of these improvements based on the improvements that are shown within the 2011 Growth Policy annexation boundary. A summary of these costs and this calculation is shown in the summary report. The total impact fee related to extensions to the existing system to accommodate future growth is $17,583,247, or $3,531 per ERU.

These extension costs were provided for discussion by the Impact Fee Advisory Committee (IFAC). These costs may be included in or excluded from the impact fee analysis based on recommendations from the Impact Fee Advisory Committee and as set by City policy. The IFAC reviewed the extension costs and recommended not including the cost in the 2013 water impact fee total.

Administrative Charge

Under Montana statute, an impact fee may include a fee for the administration of the impact not to exceed 5% of the impact fee collected. For the August 2010 Impact Fee Final Report, the City Council guided staff to use the allowable administrative charge of 5% in the impact fee analysis. The same guidance from the City Council is followed for this report, and therefore the water administrative charge of $122 per ERU equal to 5% is included as a part of the collected water impact fee.

5.5.4 Debt Service Credits

The final step in calculating the water impact fees was to determine if a credit for payment on debt service for the City's outstanding bonds. Based on current growth projections, the water impact fee will collect sufficient funds to cover the debt service related to growth. For example, the average annual debt service payments for the drinking water loans is $235,259, and the projected annual water impact fee revenue is $516,000. No water debt service credits are necessary in this current impact fee analysis.

5.6 Net Allowable Water Impact Fees

Based on the sum of the component costs calculated above, the net allowable water impact fee can be determined. "Net" refers to the "gross" impact fee, net of any debt service credits. "Allowable" refers to concept that the calculated impact fee as shown in Table 5-4 is the City's cost-based impact fee. The City, as a matter of policy, may charge any amount up to the allowable impact fee, but not over that amount. Charging an amount greater than the allowable impact fee would not meet the nexus test of a cost-based impact fee. A summary of the calculated net allowable water impact fee for the City is shown in the Table 5-4.

Table 5-4

Allowable Water Impact Fees ($/ERU)

Description	Total
Source of Supply	$212
Pumping Facility	$239
Storage Facility	$417
Transmission and Distribution Mains	$1,577
Administrative Cost at 5%	$122
Total Impact Fee	$2,567

Based on the impact fee for 1 ERU, the charges for a residential customer with a ¾" meter and various sized meters results in the following impact fees as shown in Table 5-5. One (1) ERU is defined as the usage for a single family residential customer. Other meter sizes are then weighted based on their safe operating capacity.

Table 5-5 Allowable Water System Impact Fees By Meter Size		
Meter Size	**ERU Factor [1]**	**Charge**
3/4"	1.0	$2,567
1"	2.5	$6,418
1-1/2"	5.0	$12,835
2"	8.0	$20,536
3"	16.0	$41,072
Over 3"		*Calculated*

[1] – Commercial customers with residential type usage pay the residential fee.

In Table 5-5 the impact fees for the larger meter sizes are determined by multiplying the impact fee for an ERU by the meter capacity weighting factors for up to 3 inches. The weighting factors are determined based on the American Water Works Association (AWWA) safe operating capacities for the type and size of meter. For meter sizes over 3 inches, the impact fee is calculated based on the actual usage of the customer.

5.7 Key Financial Assumptions

In the development of the impact fees for the City's water system, a number of key assumptions were utilized. These are as follows:

- The City's asset records were used to determine the existing assets and the value of those assets.
- The interest rate used for calculating interest on existing assets is the 10-year Treasury Note Rate as reported by the US Department of the Treasury at closing on November 30th of each year.
- Up to fifteen years of interest is included in the cost of the existing improvements. The fifteen-year average interest rate is currently 4.25%. The August 2010 Impact Fee Final Report used an interest rate of 6.00%.

5.8 Implementation of the Impact Fees

The methodology used to calculate the impact fees takes into account the cost of money or interest charges and inflation. Therefore, consultants recommend the City adjust the impact fees each year by an escalation factor to reflect the cost of interest and inflation. The most frequently used source to escalate impact fees is the ENR index which tracks changes in construction costs for municipal utility projects. This method of escalating the City's impact fee should be used for no more than a two-year period. After this time period, as required by Montana law, the City should update the charges based on

the actual cost of infrastructure and any new planned facilities that would be contained in an updated master plan or capital improvement plan.

5.9 Summary

The water impact fees developed and presented in this report are based on the engineering design criteria of the City's water system, the value of the existing assets, future capital improvements and "generally accepted" ratemaking principles. Adoption of the proposed impact fees will provide multiple benefits to the City and create equitable and cost-based charges for new customers connecting to the City's water system.

References

1. September 2012 Water Impact Fee Summary
2. Impact Fees for Water and Wastewater system August 2010 (non-adopted impact fee report)

Appendix A: ERU Projections

City of Kalispell
Water System Impact Fees
ERU Projections

Year	Water Production			
	Peak[2] Day Flow (MGD)	Average[1] Day Flow (MGD)	Total ERUs	Additional ERUs
2005	9.02	3.38		
2006	9.93	3.72		
2007	10.79	4.04		
2008	10.01	3.75		
2009	10.51	3.94		
2010	9.09	3.40	8,204	
2011	9.38	3.51	8,463	
2012	9.56	3.58	8,632	169
2013	9.76	3.65	8,804	173
2014	9.95	3.73	8,981	176
2015	10.15	3.80	9,160	180
2016	10.35	3.88	9,343	183
2017	10.56	3.96	9,530	187
2018	10.77	4.03	9,721	191
2019	10.99	4.11	9,915	194
2020	11.21	4.20	10,114	198
2021	11.43	4.28	10,316	202
2022	11.66	4.37	10,522	206
2023	11.89	4.45	10,733	210
2024	12.13	4.54	10,947	215
2025	12.37	4.63	11,166	219
2026	12.62	4.73	11,389	223
2027	12.87	4.82	11,617	228
2028	13.13	4.92	11,850	232
2029	13.39	5.02	12,087	237
2030	13.66	5.12	12,328	242
2031	13.93	5.22	12,575	247
2032	14.21	5.32	12,826	251
2033	14.50	5.43	13,083	257
2034	14.79	5.54	13,345	262
2035	15.08	5.65	13,612	267
2036	15.38	5.76	13,884	272

	Water Production			
Year	Peak[2] Day Flow (MGD)	Average[1] Day Flow (MGD)	Total ERUs	Additional ERUs
2037	15.69	5.88	14,161	278
2038	16.01	5.99	14,445	283
2039	16.33	6.11	14,734	289
2040	16.65	6.24	15,028	295
2041	16.99	6.36	15,329	301
2042	17.32	6.49	15,635	307
2043	17.67	6.62	15,948	313
2044	18.02	6.75	16,267	319
2045	18.39	6.89	16,592	325
2046	18.75	7.02	16,924	332
2047	19.13	7.16	17,263	338
2048	19.51	7.31	17,608	345
2049	19.90	7.45	17,960	352
2050	20.30	7.60	18,319	359

1 2005 through 2011 Actual Water Production, 2012 through 2050 are projected flows based on growth rate by Kal. Planning Department

2 Average Day Water Production with Peaking Factor Applied

2.00%	Growth Rate from Kalispell Planning Department (Growth Policy Update 05/26/2011)
1108	gallons per day per ERU (from 2.5 persons per dwelling unit X 166 gallons pp/day X 2.67 peaking factor)
415	gallons per day per ERU actual without peaking factor (from 2.5 persons per dwelling unit X 166 gallons pp/day)
166	gallons per day per capita without peaking factor
2.67	peaking factor

Appendix B: Capital Improvement Plan

Kalispell

2012/13 Council Proposed Water Capital Improvement Plan

Original CCI	Current CCI	Multiplier
8007.48	9273	1.158042231

Project Number	Funding Designation	Project Description		Estimated Cost FY 12-13	Estimated Cost FY 13-14	Estimated Cost FY 14-15	Estimated Cost FY 15-16	Estimated Cost FY 16-17	Estimated Cost Future
W-EX-3	D	Greenacres NW							$ 355,090.49
W-EX-5	R	8th Ave W. Main Replacement					$ 1,288,310.40		
W-EX-6	R	6th Ave. West Main Replacement					$ 402,697.61		
W-EX-8	I	Conway Drive and Highway 93 Loop							$ 207,416.94
W-EX-10	D	S. Woodland Dr. to 5th Ave. E.							$ 301,820.55
W-EX-11	D	Sylvan Ct. Loop							$ 158,142.25
W-EX-12	R	Grandview Drive Loop							$ 503,736.79
W-EX-15	R	6th St Water Main Improvements							$ 747,110.95
W-EX-17	R	3rd Ave. WN Water Main Replacement							$ 328,779.77
W-EX-21	R	4th Avenue East Main Replacement			$ 735,125.21				
W-EX-22	D	Northridge Drive to Four Mile Drive Loop						$ 1,232,041.13	
W-EX-23	R	Meridian Road to Sunnyside Drive Loop (30% of prj completed in 2005)							$ 749,438.61
W-EX-24	R	Kelly Road to Woodland Ave Loop (Lehi Ln to Woodland)		$ 312,000.00					
W-EX-26	R	Hwy 93 Loop to Airport Rd							$ 948,042.85
W-EX-28	TIF	Colorado Street Loop		$ 204,800.00					
W-EX-29	R	Sunset Boulevard Loop							$ 247,369.40
W-EX-30	R	First Avenue NE Loop		$ 165,000.00					
W-EX-32	R	7th Avenue W.N. Loop							$ 336,932.39
W-EX-38	R	Third Ave. W. Loop				$ 83,413.78			
W-EX-40	R	Second Ave. E Loop				$ 166,468.57			
W-EX-45	D	Liberty Street Loop							$ 459,789.09
W-EX-109	R	Noffsinger Spring Maintenance (misc. repairs/roof replcmnt)							$ 80,625.97
W-EX-110	R	Washington St. Main Replacement (4th Ave to 5th Ave)							$ 78,909.00
W-EX-115	R	Vulnerability assessment security upgrades (will do only if mandated)							$ 169,074.17
W-EX-119	I	Misc Contract Main Upsize		$ 50,000.00	$ 75,000.00	$ 75,000.00	$ 75,000.00	$ 75,000.00	$ 375,000.00
W-EX-123	I	Meters		$ 65,000.00	$ 65,000.00	$ 65,000.00	$ 65,000.00	$ 65,000.00	$ 325,000.00
W-EX-124	R	Meters - Replacements		$ 130,000.00	$ 130,000.00	$ 130,000.00	$ 130,000.00	$ 130,000.00	$ 130,000.00
W-EX-128	R	Connect existing 6-inch piping on 6th Ave. East and 7th Ave. East with an 8-inch pipe on 10th St. East				$ 99,082.09			
W-EX-130	R	Replace 6-inch pipe on E Oregon St. between 7th Ave. EN and 8th Ave. EN with an 8-inch pipe							$ 110,268.78
W-EX-132	R	Replace 2-inch and 4-inch pipe in E Arizona At and 1st Ave. EN with 6-inch and 8-inch pipe		$ 195,000.00					
W-EX-133	R	Replace 6-inch pipe in 4th Ave. WN from W California St. to W Wyoming St with 8-inch pipe			$ 276,471.00				
W-EX-135	R	Replace 6-inch pipe in W Arizona St. with 8-inch pipe			$ 330,806.34				
W-EX-136	R	Replace 8-inch pipe in Highway 2 from Meridian Rd to the entrance to the Hampton Inn with 10-inch pipe							$ 105,474.49
W-EX-137	R	Replace 8-inch pipe to commercial area adjacent to Corporate Drive with 10-inch (rescope)							$ 174,192.71
W-EX-139	R	Renewal and Replacement		$ 445,846.26	$ 445,846.26	$ 445,846.26	$ 445,846.26	$ 445,846.26	$ 445,846.26
W-EX-141	D	Glacier Street					$ 140,632.65	-	
W-EX-142	R	Hawthorn Drive West							$ 132,642.16
W-EX-143	R	Hilltop Avenue							$ 214,145.17
W-EX-144	R	6th Avenue North West				$ 364,366.41			
W-EX-145	R	1st Avenue West North							$ 284,461.49
W-EX-147	I	Develop Grosswieller Water Supply (FY 12-13) & Construct Grosswieller Well (FY 14-15)		$ 46,000.00		$ 518,740.21			
W-EX-150	R	Armory Well Generator		$ 90,000.00					
W-EX-153	R	Abandon 2" line betwn 3rd Ave E & 5th Ave E (reconnect services to existing main-to be completed by City		$ 45,000.00					
W-EX-154	R	2nd Ave WN Waterline Replacement		$ 248,000.00					
W-EX-155	R	SCADA System Upgrade/Improvements		$ 40,000.00					
W-EX-156	D/TIF	Liberty Street Water Main Prj							$ 338,796.83
W-EX-158	R	Lower Zone Reservoir Upgrades		$ 120,000.00					
W-EX-159	R	Utility Asset Management Program		$ 34,000.00					
W-EX-160	R	Noffsinger Spring Emergency Generator Replacement (Applied for FEMA Grant to pay 25% cost)		$ 90,000.00					
W-EX-161	R	Sheepherder Tank Backup Power (Applied for FEMA Grant to pay 25% cost)		$ 16,000.00					
		Total Cost/Year		**$ 2,296,646.26**	**$ 2,058,248.81**	**$ 1,947,917.32**	**$ 2,547,486.91**	**$ 1,947,887.39**	**$ 8,308,107.10**

2013 Water CIP - Added Projects W-EX-158 - W-EX-161

Total Current Prjs - FY 13 thru Future **$ 19,106,293.79**

FY 09 - FY 12 *Completed* Projects - $6,351,428

W-EX-13 - Upper Zone Storage	W-EX-127 - Mach & Equip moved to Equip CIP
W-EX-19 - 11th St E Water Main	W-EX-138 - Upper & Lower Zone Interconnect
W-EX-115 - Security Upgrades	W-EX-140 - 1st Ave E Idaho St Crossing
W-EX-117 - Upper Zone Production	W-EX-146 - System Distribution Imprv
W-EX-119 - Annual Allocation	W-EX-149 - US 93 Bypass Water Utility Relocate
W-EX-123 - Annual Allocation	W-EX-152 - Parkway Dr Water main Replc.
W-EX-124 - Annual Allocation	W-EX-157 - Section 36 Water Main Extension

Funding Designation

	R = Rates	$ 13,768,023.65
	I = Impact Fees	$ 2,147,157.15
	D = Developer / SID / TIF	$ 3,191,112.98
	Combination of Funds	$ -
		$ 19,106,293.79

Montana Code Annotated 2011

7-6-1601. Definitions. As used in this part, the following definitions apply:

(1) (a) "Capital improvements" means improvements, land, and equipment with a useful life of 10 years or more that increase or improve the service capacity of a public facility.

(b) The term does not include consumable supplies.

(2) "Connection charge" means the actual cost of connecting a property to a public utility system and is limited to the labor, materials, and overhead involved in making connections and installing meters.

(3) "Development" means construction, renovation, or installation of a building or structure, a change in use of a building or structure, or a change in the use of land when the construction, installation, or other action creates additional demand for public facilities.

(4) "Governmental entity" means a county, city, town, or consolidated government.

(5) (a) "Impact fee" means any charge imposed upon development by a governmental entity as part of the development approval process to fund the additional service capacity required by the development from which it is collected. An impact fee may include a fee for the administration of the impact fee not to exceed 5% of the total impact fee collected.

(b) The term does not include:

(i) a charge or fee to pay for administration, plan review, or inspection costs associated with a permit required for development;

(ii) a connection charge;

(iii) any other fee authorized by law, including but not limited to user fees, special improvement district assessments, fees authorized under Title 7 for county, municipal, and consolidated government sewer and water districts and systems, and costs of ongoing maintenance; or

(iv) onsite or offsite improvements necessary for new development to meet the safety, level of service, and other minimum development standards that have been adopted by the governmental entity.

(6) "Proportionate share" means that portion of the cost of capital system improvements that reasonably relates to the service demands and needs of the project. A proportionate share must take into account the limitations provided in 7-6-1602.

(7) "Public facilities" means:

(a) a water supply production, treatment, storage, or distribution facility;

(b) a wastewater collection, treatment, or disposal facility;

(c) a transportation facility, including roads, streets, bridges, rights-of-way, traffic signals, and landscaping;

(d) a storm water collection, retention, detention, treatment, or disposal facility or a flood control facility;

(e) a police, emergency medical rescue, or fire protection facility; and

(f) other facilities for which documentation is prepared as provided in 7-6-1602 that have

been approved as part of an impact fee ordinance or resolution by:

(i) a two-thirds majority of the governing body of an incorporated city, town, or consolidated local government; or

(ii) a unanimous vote of the board of county commissioners of a county government.

History: En. Sec. 1, Ch. 299, L. 2005.

Provided by Montana Legislative Services

Montana Code Annotated 2011

7-6-1602. Calculation of impact fees -- documentation required -- ordinance or resolution -- requirements for impact fees. (1) For each public facility for which an impact fee is imposed, the governmental entity shall prepare and approve a service area report.

(2) The service area report is a written analysis that must:

(a) describe existing conditions of the facility;

(b) establish level-of-service standards;

(c) forecast future additional needs for service for a defined period of time;

(d) identify capital improvements necessary to meet future needs for service;

(e) identify those capital improvements needed for continued operation and maintenance of the facility;

(f) make a determination as to whether one service area or more than one service area is necessary to establish a correlation between impact fees and benefits;

(g) make a determination as to whether one service area or more than one service area for transportation facilities is needed to establish a correlation between impact fees and benefits;

(h) establish the methodology and time period over which the governmental entity will assign the proportionate share of capital costs for expansion of the facility to provide service to new development within each service area;

(i) establish the methodology that the governmental entity will use to exclude operations and maintenance costs and correction of existing deficiencies from the impact fee;

(j) establish the amount of the impact fee that will be imposed for each unit of increased service demand; and

(k) have a component of the budget of the governmental entity that:

(i) schedules construction of public facility capital improvements to serve projected growth;

(ii) projects costs of the capital improvements;

(iii) allocates collected impact fees for construction of the capital improvements; and

(iv) covers at least a 5-year period and is reviewed and updated at least every 2 years.

(3) The service area report is a written analysis that must contain documentation of sources and methodology used for purposes of subsection (2) and must document how each impact fee meets the requirements of subsection (7).

(4) The service area report that supports adoption and calculation of an impact fee must be available to the public upon request.

(5) The amount of each impact fee imposed must be based upon the actual cost of public facility expansion or improvements or reasonable estimates of the cost to be incurred by the governmental entity as a result of new development. The calculation of each impact fee must be in accordance with generally accepted accounting principles.

(6) The ordinance or resolution adopting the impact fee must include a time schedule for periodically updating the documentation required under subsection (2).

(7) An impact fee must meet the following requirements:

(a) The amount of the impact fee must be reasonably related to and reasonably attributable to the development's share of the cost of infrastructure improvements made necessary by the new development.

(b) The impact fees imposed may not exceed a proportionate share of the costs incurred or to be incurred by the governmental entity in accommodating the development. The following factors must be considered in determining a proportionate share of public facilities capital improvements costs:

(i) the need for public facilities capital improvements required to serve new development; and

(ii) consideration of payments for system improvements reasonably anticipated to be made by or as a result of the development in the form of user fees, debt service payments, taxes, and other available sources of funding the system improvements.

(c) Costs for correction of existing deficiencies in a public facility may not be included in the impact fee.

(d) New development may not be held to a higher level of service than existing users unless there is a mechanism in place for the existing users to make improvements to the existing system to match the higher level of service.

(e) Impact fees may not include expenses for operations and maintenance of the facility.

History: En. Sec. 2, Ch. 299, L. 2005; amd. Sec. 1, Ch. 358, L. 2009.

Provided by Montana Legislative Services

Montana Code Annotated 2011

7-6-1603. Collection and expenditure of impact fees -- refunds or credits -- mechanism for appeal required. (1) The collection and expenditure of impact fees must comply with this part. The collection and expenditure of impact fees must be reasonably related to the benefits accruing to the development paying the impact fees. The ordinance or resolution adopted by the governmental entity must include the following requirements:

(a) Upon collection, impact fees must be deposited in a special proprietary fund, which must be invested with all interest accruing to the fund.

(b) A governmental entity may impose impact fees on behalf of local districts.

(c) If the impact fees are not collected or spent in accordance with the impact fee ordinance or resolution or in accordance with 7-6-1602, any impact fees that were collected must be refunded to the person who owned the property at the time that the refund was due.

(2) All impact fees imposed pursuant to the authority granted in this part must be paid no earlier than the date of issuance of a building permit if a building permit is required for the development or no earlier than the time of wastewater or water service connection or well or septic permitting.

(3) A governmental entity may recoup costs of excess capacity in existing capital facilities, when the excess capacity has been provided in anticipation of the needs of new development, by requiring impact fees for that portion of the facilities constructed for future users. The need to recoup costs for excess capacity must have been documented pursuant to 7-6-1602 in a manner that demonstrates the need for the excess capacity. This part does not prevent a governmental entity from continuing to assess an impact fee that recoups costs for excess capacity in an existing facility. The impact fees imposed to recoup the costs to provide the excess capacity must be based on the governmental entity's actual cost of acquiring, constructing, or upgrading the facility and must be no more than a proportionate share of the costs to provide the excess capacity.

(4) Governmental entities may accept the dedication of land or the construction of public facilities in lieu of payment of impact fees if:

(a) the need for the dedication or construction is clearly documented pursuant to 7-6-1602;

(b) the land proposed for dedication for the public facilities to be constructed is determined to be appropriate for the proposed use by the governmental entity;

(c) formulas or procedures for determining the worth of proposed dedications or constructions are established as part of the impact fee ordinance or resolution; and

(d) a means to establish credits against future impact fee revenue has been created as part of the adopting ordinance or resolution if the dedication of land or construction of public facilities is of worth in excess of the impact fee due from an individual development.

(5) Impact fees may not be imposed for remodeling, rehabilitation, or other improvements to an existing structure or for rebuilding a damaged structure unless there is an increase in units that increase service demand as described in 7-6-1602(2)(j). If impact fees are imposed for

remodeling, rehabilitation, or other improvements to an existing structure or use, only the net increase between the old and new demand may be imposed.

(6) This part does not prevent a governmental entity from granting refunds or credits:

(a) that it considers appropriate and that are consistent with the provisions of 7-6-1602 and this chapter; or

(b) in accordance with a voluntary agreement, consistent with the provisions of 7-6-1602 and this chapter, between the governmental entity and the individual or entity being assessed the impact fees.

(7) An impact fee represents a fee for service payable by all users creating additional demand on the facility.

(8) An impact fee ordinance or resolution must include a mechanism whereby a person charged an impact fee may appeal the charge if the person believes an error has been made.

History: En. Sec. 3, Ch. 299, L. 2005; amd. Sec. 2, Ch. 358, L. 2009.

Provided by Montana Legislative Services

Montana Code Annotated 2011

7-6-1604. Impact fee advisory committee. (1) A governmental entity that intends to propose an impact fee ordinance or resolution shall establish an impact fee advisory committee.

(2) An impact fee advisory committee must include at least one representative of the development community and one certified public accountant. The committee shall review and monitor the process of calculating, assessing, and spending impact fees.

(3) The impact fee advisory committee shall serve in an advisory capacity to the governing body of the governmental entity.

History: En. Sec. 4, Ch. 299, L. 2005.

Provided by Montana Legislative Services

Appendix D: Source of Supply

Source of Supply

Year	Equipment List	Original Cost	Cost 2012
2002	Source Water Delineation Study	$ 94,868	$ 169,894
2002	Noffsinger Springs Chlorine Room	10,398	18,621
Total Existing Source		**$ 105,266**	**$ 188,515**
Existing Wells			
1913	Lawrence Park Well (Noffsinger Spring)	$ 9,835	$ 18,362
1956	Depot Park Well	38,306	$ 71,517
1966	Armory Well	34,251	$ 63,946
1979	Buffalo Hill Well	94,577	$ 176,574
1982	Buffalo Hill Well to Res	11,042	$ 20,615
1956	Northridge Well Site	10	$ 19
1997	Northside Water Wells (Grandview 1 and 2)	306,028	$ 571,350
2007	Old School Water Well (Wells 1 and 2)	90,106	$ 110,952
2009	West View Water Project	853,355	$ 966,847
2011	Grosswieler Well Development	92,626	$ 96,563
2011	Silverbrook Well (by Developer)	-	-
Total Existing Wells		***$ 1,530,136***	***$ 2,096,744***
Future Wells			
2012-2023	Grosswieller Water Supply	$ 575,000	$ 594,000
Total Future Wells		***$ 575,000***	***$ 594,000***
Total Wells			**$ 2,879,260**
2035 ERUs			13,612
Source of Supply Impact Fee per ERU			**$ 211.53**

Appendix E: Pumping Plant Facility

Pumping Plant Facility

Year	Equipment List	Original Cost	Cost 2012
Existing Pumping Plant			
1913	Lawrence Park Pump & Springhouse	$ 112,024	$ 209,147
1966	Lawrence Park Pump # 1 & Motor	4,025	9,646
1964	Lawrence Park Pump # 2 & Motor	3,302	7,913
1959	Lawrence Park Pump # 3 & Motor	7,785	18,657
1971	Lawrence Park Chlorine Injector	1,073	2,572
1965	Lawrence Park Furnace	2,129	5,102
1987	L. Park-2 Cylinder Chlorine Scale	3,820	9,155
1951	Depot Park Pump house	3,000	7,190
1951	Depot Park Pump house Elec. & meter	6,780	16,249
2000	Chlorine Room Addition	7,550	15,192
1951	Depot Pump # 1	4,644	11,130
1959	Buffalo Hill Booster Station	2,150	5,153
1956	Buffalo Hill Booster Motor	4,870	11,671
1965	Armory Well Pump house	2,744	6,576
2000	Chlorine Room Addition	7,839	15,774
1965	Armory Pump/ Motor	7,293	17,478
1965	Armory Well Flow Meter	1,972	4,726
1975	Armory Well Muesco Valve	4,995	11,971
1967	Telemetry System	30,140	72,232
1974	Buffalo Hill Booster Station	22,678	54,349
1999	Buffalo Hill Fuel Tank	8,117	17,313
1986	B.H. Pressure Transducer System	5,330	12,774
1979	B.H. Well Turbine Pump	107,930	258,661
1985	Buffalo Hill Flow meter	1,979	4,743
1990	Remodel Lawrence Park Pump house	37,130	88,984
1991	Buffalo Hill Flow meter	2,467	5,912
1992	Buffalo Hill Telemetry System	60,276	144,455
1999	Telemetry System Upgrade	3,945	8,414
1998	Northside Pump house and Telemetry	501,757	1,134,424
2001	Noffsinger/Chlorine Room	6,249	11,862
2001	2002 Noffsinger Upgrade	4,148	7,874
2002	Standby Power Upgrade	249,924	447,576
2005	Wtr Supply Electrical Safety Syst Upgrade	346,497	521,003
2008	Grandview System Improvements	33,105	41,794
2011	Telemetry System wide upgrades	31,286	33,163
Total Existing Pumping Plant		***$ 1,640,953***	***$ 3,250,836***
Total ERUs 2035			13,612
Pumping Plant Impact Fee per ERU			**$ 238.83**

Appendix F: Storage

Storage

Year	Equipment List	Original Cost	Cost 2012
Existing Storage Plant			
1958	Buffalo Hill Standpipe	$ 48,117	$ 89,834
1914	Reservoir # 1	24,031	$ 44,866
1952	Reservoir # 2	73,691	$ 137,580
1957	Reservoir Covers	97,577	$ 182,175
1965	Buffalo Hill Elevated Storage Tank	111,970	$ 209,046
1982	Buffalo Hill to Reservoir pipe	11,042	$ 20,615
2001	Water Reservoir Roof	420,128	$ 664,077
1914	Reservoir # 1 Land	715	$ 1,335
1935	Noffsinger Land	1,500	$ 2,800
1939	Monteath Land	650	$ 1,214
1952	Reservoir # 2 Land	1	$ 2
2009	Sheepherder's Hill	3,812,072	$ 4,319,060
Total Existing Storage Plant		***$ 4,601,494***	***$ 5,672,604***
Future Storage Plant			
beyond 2035	North Kalispell Reservioir [1]	~~$ 3,374,100~~	~~$ 3,907,350~~
beyond 2035	West Kalispell Reservior [2]	~~3,277,500~~	~~3,795,483~~
beyond 2035	South Kalispell Reservior [3]	~~3,277,500~~	~~3,795,483~~
Total Future Storage Plant		~~***$ 9,929,100***~~	~~***$ 11,498,317***~~
Total Storage Plant			**$ 5,672,604**
Total ERUs 2035			13,612
Distribution Storage Plant Impact Fee per ERU			**$ 416.75**

1 - See Table 5-16 City of Kalispell Water Facility Plan Update - 2008
2 - See Table 5-18 City of Kalispell Water FacilityPlan Update - 2008
3 - See Table 5-20 City of Kalispell Water FacilityPlan Update - 2008

Appendix G: Transmission and Distribution

Year	Equipment List	Original Cost	Cost 2012	Percent Impact Fee Related	Impact Fee Eligible [1]
Existing Transmission/Distribution Plant					
1967	2200 8 inch	$ 13,455	$ 25,120	0.0%	$ -
1911	3180 20 inch	10,838	$ 20,234	36.6%	$ 7,403
1911	101 12 inch	251	$ 469	36.6%	$ 171
1924	4204 18 inch	30,224	$ 56,428	36.6%	$ 20,644
1924	1776 16 inch	11,349	$ 21,188	36.6%	$ 7,752
1924	19599 8 inch	50,136	$ 93,603	36.6%	$ 34,244
1925	2046 12 inch	11,016	$ 20,567	36.6%	$ 7,524
1925	11693 6 inch	21,874	$ 40,838	0.0%	$ -
1928	294 12 inch	1,278	$ 2,386	36.6%	$ 873
1930	13169 6 inch	21,428	$ 40,006	0.0%	$ -
1932	1311 12 inch	5,158	$ 9,630	36.6%	$ 3,523
1935	10853 6 inch	18,462	$ 34,468	0.0%	$ -
1938	1988 8 inch	12,786	$ 23,871	36.6%	$ 8,733
1938	15678 6 inch	31,309	$ 58,453	0.0%	$ -
1948	11019 6 inch	3,667	$ 6,846	0.0%	$ -
1948	3145 6 inch	11,624	$ 21,702	0.0%	$ -
1949	3290 8 inch	15,573	$ 29,075	36.6%	$ 10,637
1950	1452 6 inch	5,447	$ 10,169	0.0%	$ -
1952	630 20 inch	10,109	$ 18,873	36.6%	$ 6,905
1952	969 18 inch	14,578	$ 27,217	36.6%	$ 9,957
1953	125 12 inch	1,476	$ 2,756	36.6%	$ 1,008
1955	6274 6 inch	29,235	$ 54,581	0.0%	$ -
1956	1266 8 inch	7,983	$ 14,904	36.6%	$ 5,453
1958	1884 6 inch	10,102	$ 18,860	0.0%	$ -
1959	5245 8 inch	36,994	$ 69,067	36.6%	$ 25,268
1960	2122 6 inch	12,006	$ 22,415	0.0%	$ -
1961	1098 12 inch	17,964	$ 33,539	36.6%	$ 12,270
1961	1575 12 inch	26,910	$ 50,241	36.6%	$ 18,380
1962	4720 8 inch	35,749	$ 66,743	36.6%	$ 24,417
1962	5871 6 inch	34,739	$ 64,857	0.0%	$ -
1965	3225 12 inch	55,101	$ 102,873	36.6%	$ 37,635
1965	2451 6 inch	14,956	$ 27,923	0.0%	$ -
1966	544 8 inch	249,924	$ 466,604	36.6%	$ 170,704
1967	1060 12 inch	133,249	$ 248,774	0.0%	$ -
1967	590 8 inch	158,707	$ 296,304	36.6%	$ 108,401
1968	1157 12 inch	1,192,190	$ 2,225,801	36.6%	$ 814,296
1968	2795 8 inch	80,000	$ 149,359	36.6%	$ 54,642
1968	1059 6 inch	133,249	$ 248,774	0.0%	$ -
1969	1830 6 inch	18,588	$ 34,704	0.0%	$ -
1969	3724 8 inch	24,327	$ 45,418	36.6%	$ 16,616
1969	7021 6 inch	45,023	$ 84,057	0.0%	$ -
1970	1070 8 inch	18,245	$ 34,063	0.0%	$ -
1970	1635 8 inch	13,517	$ 25,236	36.6%	$ 9,232
1970	3728 6 inch	24,079	$ 44,955	0.0%	$ -
1971	1866 6 inch	13,266	$ 24,767	0.0%	$ -
1972	Airport 8 inch	40,418	$ 75,460	36.6%	$ 27,607
1972	858 10 inch	10,385	$ 19,389	36.6%	$ 7,093
1972	1070 8 inch	9,419	$ 17,585	36.6%	$ 6,433
1972	2122 6 inch	15,212	$ 28,401	0.0%	$ -
1973	5674 16 inch	129,932	$ 242,581	36.6%	$ 88,747
1973	2318 14 inch	49,763	$ 92,907	36.6%	$ 33,989
1973	1769 12 inch	36,636	$ 68,399	36.6%	$ 25,023
1973	1592 12 inch	31,899	$ 59,555	36.6%	$ 21,788
1973	316 10 inch	3,979	$ 7,429	36.6%	$ 2,718
1973	217 8 inch	2,064	$ 3,853	36.6%	$ 1,410
1973	5930 8 inch	54,317	$ 101,409	36.6%	$ 37,100
1973	50 8 inch	457	$ 853	36.6%	$ 312
1973	2589 6 inch	18,527	$ 34,590	0.0%	$ -
1973	743 6 inch	5,523	$ 10,311	0.0%	$ -
1973	178 6 inch	1,273	$ 2,377	0.0%	$ -
1974	3097 12 inch	78,563	$ 146,676	0.0%	$ -
1975	4334 6 inch	48,188	$ 89,966	0.0%	$ -
1976	3097 12 inch	103,559	$ 193,343	36.6%	$ 70,733
1976	414 12 inch	410	$ 765	36.6%	$ 280
1976	2196 12 inch	10,882	$ 20,317	36.6%	$ 7,433

1976	3682 8 inch	55,845	$	104,262	36.6%	$	38,144
1976	845 6 inch	10,012	$	18,692	0.0%	$	-
1977	922 6 inch	12,400	$	23,151	0.0%	$	-
1981	Idaho Street Main	79,872	$	149,120	36.6%	$	54,555
1982	SID 328	24,646	$	46,014	0.0%	$	-
1983	Main Street	150,540	$	281,056	36.6%	$	102,823
1983	6th Avenue Water Main	4,216	$	7,871	36.6%	$	2,880
1983	SID 326	4,511	$	8,422	0.0%	$	-
1983	370 8 inch	11,101	$	20,725	36.6%	$	7,582
1983	230 8 inch	6,873	$	12,832	36.6%	$	4,694
1983	125 12 inch	1,475	$	2,754	36.6%	$	1,007
1984	SID 326 Kenway Addition	3,781	$	7,059	0.0%	$	-
1984	859 6 inch	19,566	$	36,529	0.0%	$	-
1984	722 8 inch	32,507	$	60,690	0.0%	$	-
1984	1375 6 inch	14,722	$	27,486	0.0%	$	-
1984	220 12 inch	1,980	$	3,697	36.6%	$	1,352
1984	2350 12 inch	43,968	$	82,088	16.2%	$	13,304
1984	650 12 inch	6,455	$	12,051	0.0%	$	-
1984	240 12 inch	8,094	$	15,111	36.6%	$	5,528
1984	360 6 inch	5,520	$	10,306	0.0%	$	-
1984	2520 6 inch	17,317	$	32,331	0.0%	$	-
1984	JD 510B Backhoe	43,350	$	80,934	36.6%	$	29,609
1985	3050 6 inch	37,708	$	70,400	0.0%	$	-
1985	1080 8 inch	32,400	$	60,490	36.6%	$	22,130
1985	385 8 inch	11,550	$	21,564	36.6%	$	7,889
1985	400 8 inch	12,000	$	22,404	36.6%	$	8,196
1985	1250 8 inch	37,500	$	70,012	36.6%	$	25,613
1985	320 8 inch	9,600	$	17,923	36.6%	$	6,557
1985	360 8 inch	10,800	$	20,163	36.6%	$	7,377
1986	2270 8 inch	99,300	$	185,392	8.8%	$	16,278
1986	610 8 inch	15,300	$	28,565	36.6%	$	10,450
1987	5197 12 inch	302,513	$	564,787	23.5%	$	132,653
1987	157 8 inch	9,486	$	17,710	36.6%	$	6,479
1987	211 6 inch	15,121	$	28,231	0.0%	$	-
1987	400 8 inch	17,158	$	32,034	36.6%	$	11,719
1987	300 8 inch	9,008	$	16,818	36.6%	$	6,153
1987	457 8 inch	15,084	$	28,162	3.3%	$	927
1987	272 8 inch	9,881	$	18,448	18.3%	$	3,374
1987	600 8 inch	18,079	$	33,753	36.6%	$	12,348
1987	1540 12 inch	70,434	$	131,499	36.6%	$	48,108
1987	1454 12 inch	51,759	$	96,633	36.6%	$	35,353
1987	396 12 inch	17,679	$	33,006	36.6%	$	12,075
1988	599 8 inch	18,145	$	33,876	36.6%	$	12,393
1988	1657 12 inch	68,322	$	127,556	36.6%	$	46,666
1989	SW Kal Project	257,827	$	481,359	25.6%	$	123,272
1989	660 12 inch	24,318	$	45,401	36.6%	$	16,610
1989	300 8 inch	8,516	$	15,899	36.6%	$	5,817
1990	2701 12 inch	162,689	$	303,738	36.6%	$	111,121
1991	2619 12 inch	197,416	$	368,573	36.6%	$	134,840
1991	400 6 inch	16,000	$	29,872	0.0%	$	-
1991	430 8 inch	18,700	$	34,913	36.6%	$	12,773
1991	700 8 inch	30,120	$	56,234	36.6%	$	20,573
1991	366 8 inch	35,605	$	66,474	27.8%	$	18,483
1992	Trav-L-Vac 80	13,652	$	25,488	36.6%	$	9,325
1992	713 8 inch	21,648	$	40,417	36.6%	$	14,786
1992	6th St W	66,480	$	124,117	36.6%	$	45,408
1992	14th St and 5th Ave	65,709	$	122,678	36.6%	$	44,881
1993	Cat 426B Backhoe	46,932	$	87,621	36.6%	$	32,056
1993	Windward Upsize	15,000	$	28,005	36.6%	$	10,245
1994	LN-8000 Tandem	58,108	$	108,487	36.6%	$	39,689
1994	Greenbrier Upsize	15,903	$	29,691	36.6%	$	10,862
1994	Kelly Road Upsize	14,023	$	26,181	36.6%	$	9,578
1994	8th Ave and Cal St	34,605	$	64,607	36.6%	$	23,636
1995	Hydraulic shoring system	6,700	$	12,509	36.6%	$	4,576
1995	Lawrence Park	36,525	$	68,192	36.6%	$	24,948
1995	Utah Street	19,521	$	36,445	36.6%	$	13,333
1995	Ave of Arts/2nd Ave	24,923	$	46,531	36.6%	$	17,023
1996	E Arizona	15,750	$	29,405	36.6%	$	10,758
1997	Tapping Machine	12,320	$	23,001	36.6%	$	8,415
1997	Woodland	169,225	$	315,941	36.6%	$	115,585
1997	Liberty/Two Mile	314,628	$	587,406	36.6%	$	214,899
1997	14th St	28,798	$	53,765	36.6%	$	19,670
1997	West Wyoming	88,130	$	164,537	36.6%	$	60,195
1997	Backhoe Jackhammer	12,000	$	22,404	36.6%	$	8,196
1998	Buffalo Com	145,201	$	260,037	36.6%	$	95,133
1998	Telemetry Upgrade	8,438	$	15,111	36.6%	$	5,528

1999	5th Ave NW Water		91,657	$ 157,454	36.6%	$	57,604
2000	John Deere Loader		34,490	$ 56,834	36.6%	$	20,792
2001	Cat 430D Backhoe		58,361	$ 92,249	36.6%	$	33,749
2001	MN St/Cntr-Sunst		612,454	$ 968,078	36.6%	$	354,165
2001	Willow Glen and Woodland		17,525	$ 27,701	36.6%	$	10,134
2002	Meter Test Bench		12,737	$ 19,312	36.6%	$	7,065
2002	Meridian Rd to 3 Mile Drive		158,707	$ 240,634	7.3%	$	17,607
2002	Facility Plan		93,000	$ 141,008	36.6%	$	51,587
2004	Northern Lights Blvd-Water Main installatior		281,859	$ 393,225	36.6%	$	143,859
2004	Washington St. btwn 7th & 8th		26,585	$ 37,089	36.6%	$	13,569
2005	Ingersoll Rand Roller		13,572	$ 18,163	36.6%	$	6,645
2005	Meters - New Services		205,703	$ 275,279	0.0%	$	-
2005	US Highway 93 South Utilities		1,904,905	$ 2,549,211	33.3%	$	847,798
2006	West View Upsize		12,407	$ 15,927	36.6%	$	5,827
2007	Sterling Tandem		94,387	$ 116,223	36.6%	$	42,520
2007	Meridian Road Water Main		203,561	$ 250,654	36.6%	$	91,700
2007	Westwood Upsize		28,923	$ 35,614	36.6%	$	13,029
2007	Lone Pine Meadows Upsize		58,275	$ 71,757	36.6%	$	26,252
2008	Spring Prairie Upsize		18,187	$ 21,482	36.6%	$	7,859
2008	Holiday Inn Upsize		6,072	$ 7,172	36.6%	$	2,624
2008	Gardner Extension Upsize		32,631	$ 38,542	36.6%	$	14,100
2008	Reserve Loop Extension		15,592	$ 18,416	36.6%	$	6,738
2008	Hutton Ranch Phase 1 Upsize		12,500	$ 14,764	36.6%	$	5,401
2008	Buffalo Hills Water Main Replacement Proje		100,275	$ 118,440	36.6%	$	43,330
2009	Bobcat		52,881	$ 59,914	7.3%	$	4,384
2009	Trail King Tilt Deck Trailer		20,895	$ 23,674	36.6%	$	8,661
2009	Upper Zone Production		853,355	$ 966,847	36.6%	$	353,715
2010	93 Bypass		100,724	$ 109,467	36.6%	$	40,048
2010	1st Ave E & Idaho St - 140' 12 inch		32,385	$ 35,196	36.6%	$	12,876
2010	Parkway Dr - 360' 8 inch		69,818	$ 75,879	36.6%	$	27,760
2011	11 St E/7th Ave E to Woodland -1,016 8 inc		167,942	$ 175,080	36.6%	$	64,052
2011	Cat Backhoe		106,232	$ 110,747	36.6%	$	40,516
2011	Airport Rd & Merganser - 220' 8 inch		7,651	$ 7,976	36.6%	$	2,918
2011	Owl Corporation Settlement		313,467	$ 313,467	100.0%	$	313,467
Total Existing Transmission and Distribution Plant		**$**	**12,592,251**	**$ 20,196,005**		**$**	**6,416,138**
New ERUs 2012 to 2035							4,980
Existing Transmission/Distribution Plant Impact Fee per ERU						**$**	**1,288.46**
Future Transmission/Distribution Plant - CIP Projects [2]							
W-EX-8	Conway Drive and Highway 93 Loop	$	191,558	$ 207,417	100.0%	$	207,417
W-EX-119	Misc Contract Main Upsize		875,000	875,000	100.0%	$	875,000
W-EX-123	Meters - New Services		356,186	356,186	100.0%	$	356,186
Total Future Transmission/Distribution Plant - CIP Projects		**$**	**1,422,744**	**$ 1,438,603**		**$**	**1,438,603**
New ERUs 2012 to 2035 [3]							4,980
Future Transmission/Distribution Plant CIP Projects Impact Fee per ERU						**$**	**288.89**
Future Transmission/Distribution Plant - Extension Projects [4]							
					2011 Annexaton Boundary		
2012-2035	East Whitefish River Extensions		13,544,300	15,684,871	0%		-
2012-2035	North Kalispell Extensions		23,367,000	27,059,973	32%		8,639,131
2012-2035	West Stillwater River Extensions		11,519,800	13,340,415	15%		1,988,483
2012-2035	West Kalispell Extensions		40,114,200	46,453,938	7%		3,435,837
2012-2035	East Kalispell Extensions		1,392,000	1,611,995	60%		970,335
2012-2035	South Kalispell Extensions		6,455,100	7,475,278	34%		2,549,461
Total Future Transmission/Distribution Plant Extension Projects		***$***	***96,392,400***	***$ 111,626,470***		***$***	***17,583,247***
New ERUs 2012 to 2035							4,980
Future Transmission/Distribution Plant Impact Fee per ERU						**$**	**3,530.99**
Total Transmission/Distribution Plant Impact Fee per ERU						**$**	**5,108.35**

1- Allocation for existing projects based on new ERUs from 2012 to 2035 divided by total ERUs in 2035.
Some plant is excluded or reduced based on the amount from developer contributions and or the amount which was for replacement.
2 - See City of Kalispell Water Capital Improvement Plan (Appendix F) for project details
3- Assumes that CIP projects provide service capacity through planning horizon.
4 - See Chapter 5 of the Water Facility Plan Update - 2008 and Appendix F of this report
Projects are adjused to 2012 dollars from the 2007 plan values based on changes in the ENR Construction Cost Index.

Appendix H: *September 2012 Water Impact Fee Update Summary*

SEPTEMBER 2012 WATER IMPACT FEE UPDATE SUMMARY

(Update to the August 2010 Impact Fee Final Report)

SUBMITTED TO:

City of Kalispell
201 1st Avenue East
P.O. Box 1997
Kalispell, MT 59901

September 2012

PREPARED BY:
Morrison-Maierle, Inc.
125 Schoolhouse Loop
P.O. Box 8057
Kalispell, MT 59901
(406) 752-2216

MMI PROJECT # 0387.054.010.000411

CITY OF KALISPELL
2012 WATER IMPACT FEE UPDATE SUMMARY

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September 2012 Water Impact Fee Update Summary (Update to the August 2010 Impact Fee Final Report)

1.0 INTRODUCTION AND BASIS OF REPORT

The current water impact fee is based on the 2006 Impact Fee Final Report and on an adjustment to the fees by City Council Resolution No. 5273 in April 2008. The City Council has directed staff to update the existing cost-based water impact fee based on current conditions and according to 2011 Montana Code Annotated 7-6-16.

In 2010, the City of Kalispell received the August 2010 Impact Fee Final Report for review and consideration by the Impact Fee Advisory Committee. No adjustments were made to the impact fee at that time. This September 2012 Water Impact Fee Update Summary updates the information provided in the August 2010 impact fee report with the following information:

1) **Change to the Kalispell Growth Policy**: On March 7, 2011, The City Council adopted an annexation policy that significantly revised the previous annexation policy boundary. This September 2012 report accounts for the projected water improvements within the current annexation boundary. The current annexation boundary is attached to this report, and provides a comparison to the pre-2011 annexation boundary (original study area boundary). See Figure 1-6, 2011 Annexation Boundary, at the end of Section 6.

2) **Current Water Demands**: The August 2010 report used 2006 water production volumes and projected these volumes to 2010 with a theoretical population growth rate. This current report uses measured historical water production volumes between 2006 and 2011 as a baseline volume, and projects future volumes based on a growth rate currently applied by the Kalispell Planning Department.

3) **Projected Population Growth Rate**: This report uses a population growth rate of 2.00% as projected by the 2011 Kalispell Growth Policy Update. This is lower than the projected population growth rates applied in the August 2010 report and in the 2008 Facility Plan Updates. The reduced 2011 annexation boundary also generates a lower projected population to be served by City utilities. For reference, historic population growth rates are listed below. The growth calculation is shown in Appendix A.

   1990 to 2000 1.78%
   2000 to 2010 3.43%
   1990 to 2010 2.60%.
   1960 to 2010 1.36%

4) **Updated Capital Improvement Plan**: The Kalispell Public Works Department has updated the Capital Improvement Plan to reflect the current projected capital needs. The 2012/2013 Capital Improvement Plan shows projects to be completed over the next five years and future projects to be completed in approximately ten years. The updated Capital Improvement Plan is included in Appendix F.

5) **Key Financial Assumptions**: In developing the impact fee for the City's water system, several key assumptions were used. These include the following:

- The City's asset records were used to determine the existing assets and the value of those assets.
- The interest rate used for calculating interest on existing assets is the 10-year treasury note rate as reported by the US Department of the Treasury at closing on November 30th of each year.
- Up to fifteen years of interest is included in the cost of the existing improvements. The fifteen-year average interest rate is currently 4.25%. The August 2010 Impact Fee Final Report used an interest rate of 6.00%.

6) **Council Direction on Administrative Fees**: For the August 2010 Impact Fee Final Report, the City Council directed staff to use the allowable administrative charge of 5% in the impact fee analysis. This 2012 report follows that same guidance from the City Council.

By addressing the points listed in this introduction, this report provides an up-to-date analysis of the water impact fee.

The water impact fee comprises four utility components: (Section 2.0) source of supply, (Section 3.0) pumping facilities, (Section 4.0) storage facilities and (Section 5.0) transmission and distribution facilities.

2.0 SOURCE OF SUPPLY (WELLS)

The City's source of supply is provided entirely from wells. (The Noffsinger Spring, located at the north end of the Lawrence Park complex, will be considered a well for discussion purposes, as it does not have sufficient artesian pressure to contribute to the system without additional pumping, and it was recently classified as a well by the Montana Department of Environmental Quality.) The sources of supply consist of eight active well sites. Details of the calculations for source of supply are provided in Appendix B, with present costs.

The current wells have a **firm capacity** of 10.195 million gallons per day (mgd). This firm capacity assumes all wells, except the single largest, are on 24 hours per day. The firm capacity provides a characterization of the system, but does not constrain the system to operate under such conditions; the system should not operate with all pumps turned on 24 hours per day, as this would create obvious problems with operation and maintenance of equipment.

> An Equivalent Residential Unit, or ERU, is a standard way to measure capacity within a utility system. An ERU is the water flow demand arising from an average single-family home. Within the Kalispell water system, an ERU is 415 gallons per day, or 166 gallons per person with 2.5 persons per single-family residence. A facility that consumes 830 gallons per day would have the impact of two ERUs. This unit creates the equitable distribution of costs across residential, commercial and industrial demands.

The current pumping capacity of the system is sufficient to meet current 2012 peak day demands (9.560 mgd) and to meet peak day demands into 2015 (10.150 mgd). Between 2012 and 2015, the City should consider developing additional supply capacity in the system. This will likely be accomplished through development of the Grossweiler well (2.880 mgd). The Grossweiler well is located adjacent to the DNRC/DEQ/911 Center complex on Stillwater Road. The costs associated with this well development are included in this impact fee analysis, and are shown in Appendix B.

The addition of the Grossweiler well will bring the peak day capacity to 13.075 mgd. This is the approximate peak day demand at the 2028 planning year, or 13.130 mgd.

> **Note on Planning Period**: The 2008 Water Facility Plan Update uses the design year 2035 for facility planning. This same design year is used as the planning year in this report. Extending the planning year further into the future will increase the number of ERUs over which to distribute the impact fees. This will decrease the impact fee, but will also create a greater risk to the City of not collecting sufficient impact fee when the improvements are needed. Conversely, bringing the planning year closer to the present year will decrease the number of ERUs and will increase the per-ERU impact fee. For these reasons, the 2035 planning year is used for this water impact fee update.

By following the 2011 Montana Code Annotated 7-6-1602 (2 k iv), regarding the update of the impact fee analysis, the City will be able to respond to changes in the actual population growth rates and development patterns. This response will allow the City to modify future capital improvement plans to meet changing population growth rates.

The total current cost for source of supply equipment is $2,879,260. This total cost is divided by the ERUs at the 2035 planning year, or 13,612 ERUs. This generates a per-ERU supply cost shown below. Details of this calculation are shown in Appendix B.

Total 2012 Source of Supply Costs:	$	2,879,260
Total Projected ERUs at 2035 Planning Year:		13,612
Impact Fee (Source of Supply) per ERU:	**$**	**212**

3.0 PUMPING FACILITIES

The City currently has pumping facilities at all well sites. No future capital improvements were identified as part of the 2012 capital improvement plan. The cost of future pumping facilities associated with the Grossweiler Well are included in the source of supply costs in the previous section. The total cost of existing pumping facilities are shown in Appendix C. Details of the pumping facilities calculation are also provided in Appendix C.

The total 2012 cost for pumping facilities is $3,250,836. This total cost is divided by the ERUs at the 2035 planning year, or 13,612 ERUs. This generates a per-ERU cost shown below:

Total 2012 Pumping Facilities Costs:	$	3,250,836
Total Projected ERUs at 2035 Planning Year:		13,612
Impact Fee (Pumping Facilities) per ERU:	**$**	**239**

4.0 STORAGE FACILITIES

The City currently has four storage reservoirs with a total storage volume of 6.5 million gallons. Each reservoir contains the following components of storage volume:

Operational Storage: this is the water that is stored between the pump "on" and pump "off" settings. This is a relatively small component of the storage system, and allows the well pumps to cycle and alternate rather than run continuously during average demand conditions. This is currently approximately 0.880 million gallons.

Equalization Storage: this is the water used when the supply system cannot provide sufficient water at peak system flows, e.g., summer watering patterns and daily peak demands. The use of this equalization water does not indicate a deficiency in the system; rather, this component of storage allows the system to function more cost-effectively by not requiring additional wells and pumps to meet peak day demands; the storage tanks are in place to meet these peak day demands. The storage facilities contain 1.625 million gallons of equalization storage, or 25% of the total storage volume.

Fire Storage: this water is used for fire suppression activities and is determined by the size of the community and the land uses within the community. The City of Kalispell applies a 4000 gpm fire flow over a period of four hours to develop the fire storage volume. This equates to 960,000 gallons of fire storage.

Emergency Storage: this component is used to provide water to the community during extraordinary events such as prolonged supply failures. The City's water system contains redundancies in the system, which minimize the probability of an emergency scenario. These redundancies include multiple wells, multiple tanks, auxiliary power, upper/lower zone connections and comprehensive monitoring by means of the SCADA system (Supervisory Control and Data Acquisition). The current emergency storage volume is approximately 2.720 million gallons.

Remaining storage is water that may be unavailable due to outlet levels or low pressures as the system empties. This component is not considered in Kalispell storage calculations, as it comprises an insignificant volume of water in the Kalispell system.

The total available operational and equalizing water storage is 2.820 million gallons. The City currently utilizes approximately 0.880 million gallons of this available storage. Discussions with water department staff have indicated the City intends to study the viability of optimizing the water system to use approximately 1.195 of this storage. The full amount of this storage is not currently used due to low pressures that develop when the tanks are drawn to lower levels. When the tanks are drawn to lower levels in an attempt to use the full storage capacity, the water pressure (near the top of the lower pressure zone) drops below what citizens typically expect.

It is recommended the water department consider utilizing more of the 2.820 million gallons of operational and equalizing storage prior to constructing additional storage facilities. If the City utilizes the full 2.820 million gallons of operational and equalizing storage, no additional storage capacity is necessary within the planning period. While the full use of the 2.820 million gallons may not be feasible, due to citizens' expectations for water pressure, the City should determine how much of the storage may be reasonably used for current demands. This will allow the City to determine what additional storage may be necessary during subsequent impact fee analyses.

The total cost of existing storage facilities was divided by the planning year 2035 ERUs to develop the cost for storage facilities per ERU. Details of the storage facilities calculation are provided in Appendix D.

The total 2012 cost for storage facilities is $5,672,604. This total cost is divided by the ERUs at the 2035 planning year, or 13,612 ERUs. This generates a per-ERU cost shown below:

Total 2012 Storage Facilities Costs:	$	5,672,604
Total Projected ERUs at 2035 Planning Year:		13,612
Impact Fee (Storage Facilities) per ERU:	**$**	**417**

5.0 TRANSMISSION AND DISTRIBUTION FACILITIES

5.1 Recoupment Costs and Capital Projects within the Existing System

A significant component of the water impact fee arises from **recoupment costs** associated with existing transmission and distribution facilities that have excess capacity. The total 2012 cost of these facilities is $20,196,005. The impact fee related costs were determined by considering the additional ERUs that are projected to connect to the system during the planning period (2012 to 2035), and then dividing this number of ERUs by the total ERUs projected at the 2035 planning year. The total impact fee related to existing transmission and distribution facilities is $6,416,138, or $1,288 per ERU. A summary of these costs and this calculation is shown in Appendix E.

A second component of the transmission and distribution facility impact fee is the cost related to **capital improvement projects (CIP) within the existing system** that are necessary to accommodate future growth. The total impact fee related to capital improvements to the existing system is $1,438,603, or $289 per ERU. These costs are also summarized in Appendix E.

The two components of the transmission and distribution facilities impact fee are shown below with the associated per-ERU impact fee.

Transmission and Distribution Recoupment Impact Fee:	$ 6,416,138	($1,288 / ERU)
Transmission and Distribution CIP Impact Fee:	$ 1,438,603	($ 289 / ERU)
Total Projected Additional ERUs at 2035 Planning Year:	4,980	
Impact Fee (Trans. & Dist.) per ERU:	**$ 1,577**	

5.2 Extensions to the Existing System

A third component of the transmission and distribution facility impact fee is the cost related to **extensions to the existing system** that are necessary to accommodate future growth. The costs of these extensions were originally calculated based on the pre-2011 Kalispell Growth Policy Update. This impact fee update provides a proportional cost of these improvements based on the improvements that are shown within the 2011 Growth Policy annexation boundary. A summary of these costs and this calculation is shown in Appendix E. The total impact fee related to extensions to the existing system to accommodate future growth is $17,583,247, or $3,531 per ERU.

These extension costs are provided for further discussion by the Impact Fee Advisory Committee. These costs may be included in or excluded from the impact fee analysis based on recommendations from the Impact Fee Advisory Committee and as set by City policy.

6.0 TOTAL WATER IMPACT FEE CALCULATION

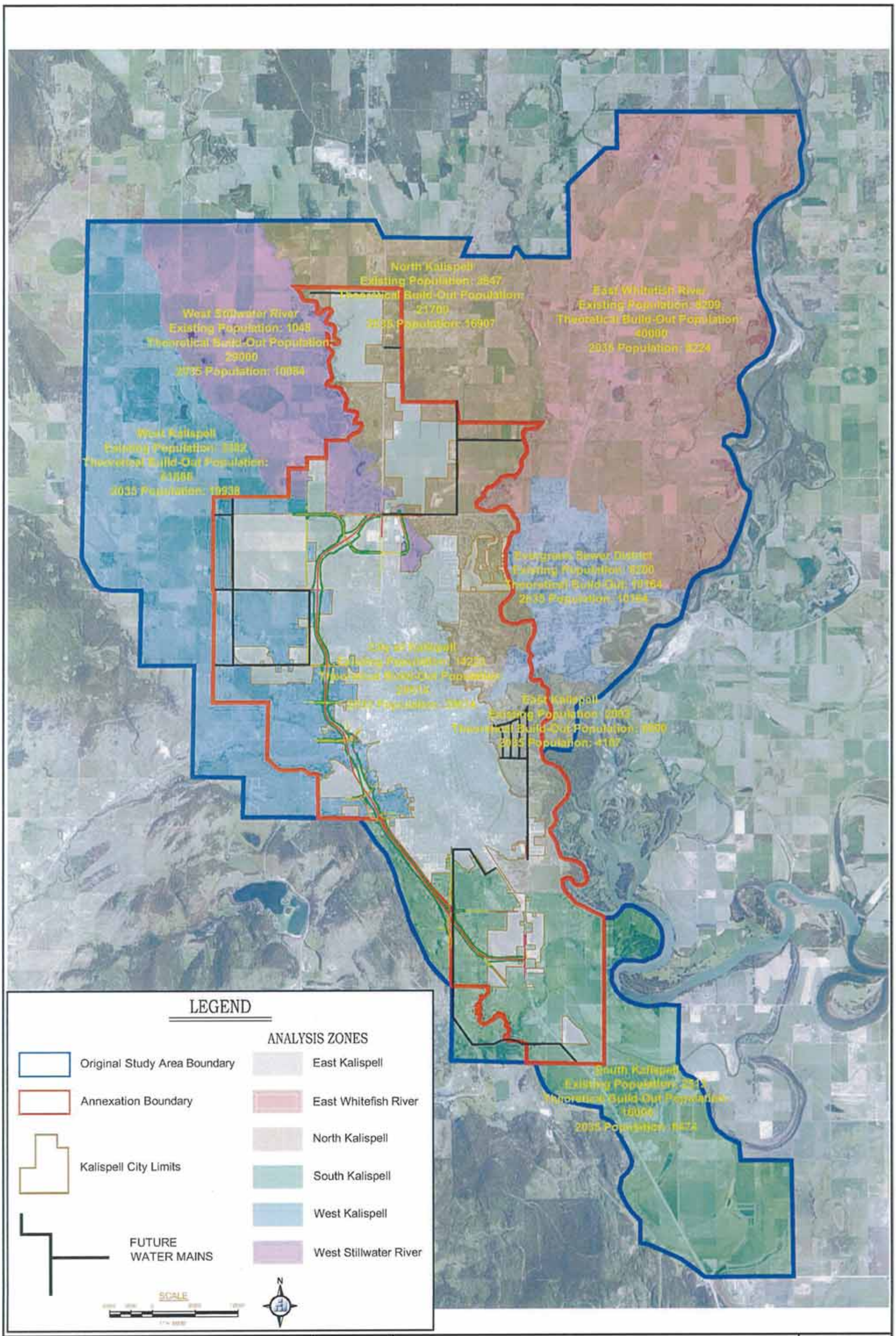
The total water impact fee is shown below. This calculation includes impact fee components for the source of supply (wells), pumping facilities, storage facilities, and transmission and distribution facilities.

Impact Fee (Source of Supply) per ERU:	$	212
Impact Fee (Pumping Facilities) per ERU:	$	239
Impact Fee (Storage Facilities) per ERU:	$	417
Impact Fee (Trans. & Dist.) per ERU:	$	1,577
Administrative Charge (5%)	$	122
TOTAL WATER IMPACT FEE	**$**	**2,567**

As shown in Section 5.2, the costs related to extensions are provided for further discussion by the Impact Fee Advisory Committee. These costs may be included in or excluded from the impact fee analysis based on recommendations from the Impact Fee Advisory Committee and as set by City policy.

Note on Water Debt Service Credits: Based on current growth projections, the water impact fee will collect sufficient funds to cover the debt service related to growth. For example, the average annual debt service payments for the drinking water loans is $235,259, and the projected annual water impact fee revenue is $516,000. No water debt service credits are necessary in this current impact fee analysis.

This impact fee report update meets the requirements of the 2011 Montana Code Annotated 7-6-16, regarding the calculation of impact fees. This document is provided as a guide for the City of Kalispell to use in determining the appropriate charges for water impact fees.



MORRISON MAIERLE, INC.
An Employee-Owned Company
Engineers Surveyors Scientists Planners
125 Schoolhouse Loop
Kalispell MT 59901
Phone: (406) 752-2216
Fax: (406) 752-2291

DRAWN BY: MHP
CHKD. BY: RCB
APPR. BY: RCB
DATE: 04/2012

WATER AND SEWER IMPACT FEE UPDATE

KALISPELL MONTANA

MARCH 2011 ANNEXATION BOUNDARY

PROJECT NO. 1987.004

FIGURE NUMBER
FIG. 1-6

APPENDIX A

City of Kalispell Water System Impact Fees

ERU Projection

Appendix A
City of Kalispell
Water System Impact Fees
ERU Projection

Year	Water Production: Peak[2] Day Flow (MGD)	Average[1] Day Flow (MGD)	Total ERUs	Additional ERUs	
2005	9.02	3.38			
2006	9.93	3.72			
2007	10.79	4.04			
2008	10.01	3.75			
2009	10.51	3.94			
2010	9.09	3.40	8,204		
2011	9.38	3.51	8,463		
2012	9.56	3.58	8,632	169	
2013	9.76	3.65	8,804	173	
2014	9.95	3.73	8,981	176	
2015	10.15	3.80	9,160	180	
2016	10.35	3.88	9,343	183	
2017	10.56	3.96	9,530	187	
2018	10.77	4.03	9,721	191	
2019	10.99	4.11	9,915	194	
2020	11.21	4.20	10,114	198	
2021	11.43	4.28	10,316	202	
2022	11.66	4.37	10,522	206	
2023	11.89	4.45	10,733	210	
2024	12.13	4.54	10,947	215	
2025	12.37	4.63	11,166	219	
2026	12.62	4.73	11,389	223	
2027	12.87	4.82	11,617	228	
2028	13.13	4.92	11,850	232	
2029	13.39	5.02	12,087	237	
2030	13.66	5.12	12,328	242	
2031	13.93	5.22	12,575	247	
2032	14.21	5.32	12,826	251	
2033	14.50	5.43	13,083	257	
2034	14.79	5.54	13,345	262	
2035	15.08	5.65	13,612	267	Planning Year
2036	15.38	5.76	13,884	272	
2037	15.69	5.88	14,161	278	
2038	16.01	5.99	14,445	283	
2039	16.33	6.11	14,734	289	
2040	16.65	6.24	15,028	295	
2041	16.99	6.36	15,329	301	
2042	17.32	6.49	15,635	307	
2043	17.67	6.62	15,948	313	
2044	18.02	6.75	16,267	319	
2045	18.39	6.89	16,592	325	
2046	18.75	7.02	16,924	332	
2047	19.13	7.16	17,263	338	
2048	19.51	7.31	17,608	345	
2049	19.90	7.45	17,960	352	
2050	20.30	7.60	18,319	359	

1 2005 through 2011 Actual Water Production, 2012 through 2050 are projected flows based on growth rate by Kal. Planning Department
2 Average Day Water Production with Peaking Factor Applied

2.00% Growth Rate from Kalispell Planning Department (Growth Policy Update 05/26/2011)
1108 gallons per day per ERU (from 2.5 persons per dwelling unit X 166 gallons pp/day X 2.67 peaking factor)
415 gallons per day per ERU actual without peaking factor (from 2.5 persons per dwelling unit X 166 gallons pp/day)
166 gallons per day per capita without peaking factor
2.67 peaking factor

APPENDIX B

City of Kalispell Water System Impact Fees

Source of Supply

Appendix B
City of Kalispell
Water System Impact Fees
Source of Supply

Year	Equipment List	Original Cost	Cost 2012
2002	Source Water Delineation Study	$ 94,868	$ 169,894
2002	Noffsinger Springs Chlorine Room	10,398	18,621
Total Existing Source		**$ 105,266**	**$ 188,515**
Existing Wells			
1913	Lawrence Park Well (Noffsinger Spring)	$ 9,835	$ 18,362
1956	Depot Park Well	38,306	$ 71,517
1966	Armory Well	34,251	$ 63,946
1979	Buffalo Hill Well	94,577	$ 176,574
1982	Buffalo Hill Well to Res	11,042	$ 20,615
1956	Northridge Well Site	10	$ 19
1997	Northside Water Wells (Grandview 1 and 2)	306,028	$ 571,350
2007	Old School Water Well (Wells 1 and 2)	90,106	$ 110,952
2009	West View Water Project	853,355	$ 966,847
2011	Grosswieller Well Development	92,626	$ 96,563
2011	Silverbrook Well (by Developer)	-	-
Total Existing Wells		***$ 1,530,136***	***$ 2,096,744***
Future Wells			
2012-2023	Grosswieller Water Supply	$ 575,000	$ 594,000
Total Future Wells		***$ 575,000***	***$ 594,000***
Total Wells			**$ 2,879,260**
2035 ERUs			13,612
Source of Supply Impact Fee per ERU			**$ 211.53**

APPENDIX C

City Of Kalispell Water System Impact Fees

Pumping Facilities

Appendix C
City of Kalispell
Water System Impact Fees
Pumping Plant

Year	Equipment List	Original Cost	Cost 2012
Existing Pumping Plant			
1913	Lawrence Park Pump & Springhouse	$ 112,024	$ 209,147
1966	Lawrence Park Pump # 1 & Motor	4,025	9,646
1964	Lawrence Park Pump # 2 & Motor	3,302	7,913
1959	Lawrence Park Pump # 3 & Motor	7,785	18,657
1971	Lawrence Park Chlorine Injector	1,073	2,572
1965	Lawrence Park Furnace	2,129	5,102
1987	L. Park-2 Cylinder Chlorine Scale	3,820	9,155
1951	Depot Park Pump house	3,000	7,190
1951	Depot Park Pump house Elec. & meter	6,780	16,249
2000	Chlorine Room Addition	7,550	15,192
1951	Depot Pump # 1	4,644	11,130
1959	Buffalo Hill Booster Station	2,150	5,153
1956	Buffalo Hill Booster Motor	4,870	11,671
1965	Armory Well Pump house	2,744	6,576
2000	Chlorine Room Addition	7,839	15,774
1965	Armory Pump/ Motor	7,293	17,478
1965	Armory Well Flow Meter	1,972	4,726
1975	Armory Well Muesco Valve	4,995	11,971
1967	Telemetry System	30,140	72,232
1974	Buffalo Hill Booster Station	22,678	54,349
1999	Buffalo Hill Fuel Tank	8,117	17,313
1986	B.H. Pressure Transducer System	5,330	12,774
1979	B.H. Well Turbine Pump	107,930	258,661
1985	Buffalo Hill Flow meter	1,979	4,743
1990	Remodel Lawrence Park Pump house	37,130	88,984
1991	Buffalo Hill Flow meter	2,467	5,912
1992	Buffalo Hill Telemetry System	60,276	144,455
1999	Telemetry System Upgrade	3,945	8,414
1998	Northside Pump house and Telemetry	501,757	1,134,424
2001	Noffsinger/Chlorine Room	6,249	11,862
2001	2002 Noffsinger Upgrade	4,148	7,874
2002	Standby Power Upgrade	249,924	447,576
2005	Wtr Supply Electrical Safety Syst Upgrade	346,497	521,003
2008	Grandview System Improvements	33,105	41,794
2011	Telemetry System wide upgrades	31,286	33,163
Total Existing Pumping Plant		***$ 1,640,953***	***$ 3,250,836***
Total ERUs 2035			13,612
Pumping Plant Impact Fee per ERU			**$ 238.83**

APPENDIX D

City of Kalispell Water System Impact Fees

Storage

Appendix D
City of Kalispell
Water System Impact Fees
Storage

Year	Equipment List	Original Cost	Cost 2012
Existing Storage Plant			
1958	Buffalo Hill Standpipe	$ 48,117	$ 89,834
1914	Reservoir # 1	24,031	$ 44,866
1952	Reservoir # 2	73,691	$ 137,580
1957	Reservoir Covers	97,577	$ 182,175
1965	Buffalo Hill Elevated Storage Tank	111,970	$ 209,046
1982	Buffalo Hill to Reservoir pipe	11,042	$ 20,615
2001	Water Reservoir Roof	420,128	$ 664,077
1914	Reservoir # 1 Land	715	$ 1,335
1935	Noffsinger Land	1,500	$ 2,800
1939	Monteath Land	650	$ 1,214
1952	Reservoir # 2 Land	1	$ 2
2009	Sheepherder's Hill	3,812,072	$ 4,319,060
Total Existing Storage Plant		***$ 4,601,494***	***$ 5,672,604***
Future Storage Plant			
beyond 2035	North Kalispell Reservioir [1]	~~$ 3,374,100~~	~~$ 3,907,350~~
beyond 2035	West Kalispell Reservior [2]	~~3,277,500~~	~~3,795,483~~
beyond 2035	South Kalispell Reservior [3]	~~3,277,500~~	~~3,795,483~~
Total Future Storage Plant		~~***$ 9,929,100***~~	~~***$ 11,498,317***~~
Total Storage Plant			**$ 5,672,604**
Total ERUs 2035			13,612
Distribution Storage Plant Impact Fee per ERU			**$ 416.75**

1 - See Table 5-16 City of Kalispell Water Facility Plan Update - 2008
2 - See Table 5-18 City of Kalispell Water FacilityPlan Update - 2008
3 - See Table 5-20 City of Kalispell Water FacilityPlan Update - 2008

APPENDIX E

City of Kalispell Water System Impact Fees

Transmission/Distribution Mains

Appendix E
City of Kalispell
Water System Impact Fees
Transmission/Distribution Mains

Year	Equipment List	Original Cost	Cost 2012	Percent Impact Fee Related	Impact Fee Eligible [1]
Existing Transmission/Distribution Plant					
1967	2200 8 inch	$ 13,455	$ 25,120	0.0%	$ -
1911	3180 20 inch	10,838	$ 20,234	36.6%	$ 7,403
1911	101 12 inch	251	$ 469	36.6%	$ 171
1924	4204 18 inch	30,224	$ 56,428	36.6%	$ 20,644
1924	1776 16 inch	11,349	$ 21,188	36.6%	$ 7,752
1924	19599 8 inch	50,136	$ 93,603	36.6%	$ 34,244
1925	2046 12 inch	11,016	$ 20,567	36.6%	$ 7,524
1925	11693 6 inch	21,874	$ 40,838	0.0%	$ -
1928	294 12 inch	1,278	$ 2,386	36.6%	$ 873
1930	13169 6 inch	21,428	$ 40,006	0.0%	$ -
1932	1311 12 inch	5,158	$ 9,630	36.6%	$ 3,523
1935	10853 6 inch	18,462	$ 34,468	0.0%	$ -
1938	1988 8 inch	12,786	$ 23,871	36.6%	$ 8,733
1938	15678 6 inch	31,309	$ 58,453	0.0%	$ -
1948	11019 6 inch	3,667	$ 6,846	0.0%	$ -
1948	3145 6 inch	11,624	$ 21,702	0.0%	$ -
1949	3290 8 inch	15,573	$ 29,075	36.6%	$ 10,637
1950	1452 6 inch	5,447	$ 10,169	0.0%	$ -
1952	630 20 inch	10,109	$ 18,873	36.6%	$ 6,905
1952	969 18 inch	14,578	$ 27,217	36.6%	$ 9,957
1953	125 12 inch	1,476	$ 2,756	36.6%	$ 1,008
1955	6274 6 inch	29,235	$ 54,581	0.0%	$ -
1956	1266 8 inch	7,983	$ 14,904	36.6%	$ 5,453
1958	1884 6 inch	10,102	$ 18,860	0.0%	$ -
1959	5245 8 inch	36,994	$ 69,067	36.6%	$ 25,268
1960	2122 6 inch	12,006	$ 22,415	0.0%	$ -
1961	1098 12 inch	17,964	$ 33,539	36.6%	$ 12,270
1961	1575 12 inch	26,910	$ 50,241	36.6%	$ 18,380
1962	4720 8 inch	35,749	$ 66,743	36.6%	$ 24,417
1962	5871 6 inch	34,739	$ 64,857	0.0%	$ -
1965	3225 12 inch	55,101	$ 102,873	36.6%	$ 37,635
1965	2451 6 inch	14,956	$ 27,923	0.0%	$ -
1966	544 8 inch	249,924	$ 466,604	36.6%	$ 170,704
1967	1060 12 inch	133,249	$ 248,774	0.0%	$ -
1967	590 8 inch	158,707	$ 296,304	36.6%	$ 108,401
1968	1157 12 inch	1,192,190	$ 2,225,801	36.6%	$ 814,296
1968	2795 8 inch	80,000	$ 149,359	36.6%	$ 54,642
1968	1059 6 inch	133,249	$ 248,774	0.0%	$ -
1969	1830 6 inch	18,588	$ 34,704	0.0%	$ -
1969	3724 8 inch	24,327	$ 45,418	36.6%	$ 16,616
1969	7021 6 inch	45,023	$ 84,057	0.0%	$ -
1970	1070 8 inch	18,245	$ 34,063	0.0%	$ -
1970	1635 8 inch	13,517	$ 25,236	36.6%	$ 9,232
1970	3728 6 inch	24,079	$ 44,955	0.0%	$ -
1971	1866 6 inch	13,266	$ 24,767	0.0%	$ -
1972	Airport 8 inch	40,418	$ 75,460	36.6%	$ 27,607
1972	858 10 inch	10,385	$ 19,389	36.6%	$ 7,093
1972	1070 8 inch	9,419	$ 17,585	36.6%	$ 6,433
1972	2122 6 inch	15,212	$ 28,401	0.0%	$ -
1973	5674 16 inch	129,932	$ 242,581	36.6%	$ 88,747
1973	2318 14 inch	49,763	$ 92,907	36.6%	$ 33,989
1973	1769 12 inch	36,636	$ 68,399	36.6%	$ 25,023
1973	1592 12 inch	31,899	$ 59,555	36.6%	$ 21,788
1973	316 10 inch	3,979	$ 7,429	36.6%	$ 2,718
1973	217 8 inch	2,064	$ 3,853	36.6%	$ 1,410
1973	5930 8 inch	54,317	$ 101,409	36.6%	$ 37,100
1973	50 8 inch	457	$ 853	36.6%	$ 312
1973	2589 6 inch	18,527	$ 34,590	0.0%	$ -
1973	743 6 inch	5,523	$ 10,311	0.0%	$ -
1973	178 6 inch	1,273	$ 2,377	0.0%	$ -
1974	3097 12 inch	78,563	$ 146,676	0.0%	$ -
1975	4334 6 inch	48,188	$ 89,966	0.0%	$ -
1976	3097 12 inch	103,559	$ 193,343	36.6%	$ 70,733
1976	414 12 inch	410	$ 765	36.6%	$ 280
1976	2196 12 inch	10,882	$ 20,317	36.6%	$ 7,433

1976	3682 8 inch	55,845	$	104,262	36.6%	$	38,144
1976	845 6 inch	10,012	$	18,692	0.0%	$	-
1977	922 6 inch	12,400	$	23,151	0.0%	$	-
1981	Idaho Street Main	79,872	$	149,120	36.6%	$	54,555
1982	SID 328	24,646	$	46,014	0.0%	$	-
1983	Main Street	150,540	$	281,056	36.6%	$	102,823
1983	6th Avenue Water Main	4,216	$	7,871	36.6%	$	2,880
1983	SID 326	4,511	$	8,422	0.0%	$	-
1983	370 8 inch	11,101	$	20,725	36.6%	$	7,582
1983	230 8 inch	6,873	$	12,832	36.6%	$	4,694
1983	125 12 inch	1,475	$	2,754	36.6%	$	1,007
1984	SID 326 Kenway Addition	3,781	$	7,059	0.0%	$	-
1984	859 6 inch	19,566	$	36,529	0.0%	$	-
1984	722 8 inch	32,507	$	60,690	0.0%	$	-
1984	1375 6 inch	14,722	$	27,486	0.0%	$	-
1984	220 12 inch	1,980	$	3,697	36.6%	$	1,352
1984	2350 12 inch	43,968	$	82,088	16.2%	$	13,304
1984	650 12 inch	6,455	$	12,051	0.0%	$	-
1984	240 12 inch	8,094	$	15,111	36.6%	$	5,528
1984	360 6 inch	5,520	$	10,306	0.0%	$	-
1984	2520 6 inch	17,317	$	32,331	0.0%	$	-
1984	JD 510B Backhoe	43,350	$	80,934	36.6%	$	29,609
1985	3050 6 inch	37,708	$	70,400	0.0%	$	-
1985	1080 8 inch	32,400	$	60,490	36.6%	$	22,130
1985	385 8 inch	11,550	$	21,564	36.6%	$	7,889
1985	400 8 inch	12,000	$	22,404	36.6%	$	8,196
1985	1250 8 inch	37,500	$	70,012	36.6%	$	25,613
1985	320 8 inch	9,600	$	17,923	36.6%	$	6,557
1985	360 8 inch	10,800	$	20,163	36.6%	$	7,377
1986	2270 8 inch	99,300	$	185,392	8.8%	$	16,278
1986	610 8 inch	15,300	$	28,565	36.6%	$	10,450
1987	5197 12 inch	302,513	$	564,787	23.5%	$	132,653
1987	157 8 inch	9,486	$	17,710	36.6%	$	6,479
1987	211 6 inch	15,121	$	28,231	0.0%	$	-
1987	400 8 inch	17,158	$	32,034	36.6%	$	11,719
1987	300 8 inch	9,008	$	16,818	36.6%	$	6,153
1987	457 8 inch	15,084	$	28,162	3.3%	$	927
1987	272 8 inch	9,881	$	18,448	18.3%	$	3,374
1987	600 8 inch	18,079	$	33,753	36.6%	$	12,348
1987	1540 12 inch	70,434	$	131,499	36.6%	$	48,108
1987	1454 12 inch	51,759	$	96,633	36.6%	$	35,353
1987	396 12 inch	17,679	$	33,006	36.6%	$	12,075
1988	599 8 inch	18,145	$	33,876	36.6%	$	12,393
1988	1657 12 inch	68,322	$	127,556	36.6%	$	46,666
1989	SW Kal Project	257,827	$	481,359	25.6%	$	123,272
1989	660 12 inch	24,318	$	45,401	36.6%	$	16,610
1989	300 8 inch	8,516	$	15,899	36.6%	$	5,817
1990	2701 12 inch	162,689	$	303,738	36.6%	$	111,121
1991	2619 12 inch	197,416	$	368,573	36.6%	$	134,840
1991	400 6 inch	16,000	$	29,872	0.0%	$	-
1991	430 8 inch	18,700	$	34,913	36.6%	$	12,773
1991	700 8 inch	30,120	$	56,234	36.6%	$	20,573
1991	366 8 inch	35,605	$	66,474	27.8%	$	18,483
1992	Trav-L-Vac 80	13,652	$	25,488	36.6%	$	9,325
1992	713 8 inch	21,648	$	40,417	36.6%	$	14,786
1992	6th St W	66,480	$	124,117	36.6%	$	45,408
1992	14th St and 5th Ave	65,709	$	122,678	36.6%	$	44,881
1993	Cat 426B Backhoe	46,932	$	87,621	36.6%	$	32,056
1993	Windward Upsize	15,000	$	28,005	36.6%	$	10,245
1994	LN-8000 Tandem	58,108	$	108,487	36.6%	$	39,689
1994	Greenbrier Upsize	15,903	$	29,691	36.6%	$	10,862
1994	Kelly Road Upsize	14,023	$	26,181	36.6%	$	9,578
1994	8th Ave and Cal St	34,605	$	64,607	36.6%	$	23,636
1995	Hydraulic shoring system	6,700	$	12,509	36.6%	$	4,576
1995	Lawrence Park	36,525	$	68,192	36.6%	$	24,948
1995	Utah Street	19,521	$	36,445	36.6%	$	13,333
1995	Ave of Arts/2nd Ave	24,923	$	46,531	36.6%	$	17,023
1996	E Arizona	15,750	$	29,405	36.6%	$	10,758
1997	Tapping Machine	12,320	$	23,001	36.6%	$	8,415
1997	Woodland	169,225	$	315,941	36.6%	$	115,585
1997	Liberty/Two Mile	314,628	$	587,406	36.6%	$	214,899
1997	14th St	28,798	$	53,765	36.6%	$	19,670
1997	West Wyoming	88,130	$	164,537	36.6%	$	60,195
1997	Backhoe Jackhammer	12,000	$	22,404	36.6%	$	8,196
1998	Buffalo Com	145,201	$	260,037	36.6%	$	95,133
1998	Telemetry Upgrade	8,438	$	15,111	36.6%	$	5,528

1999	5th Ave NW Water		91,657	$	157,454	36.6%	$ 57,604
2000	John Deere Loader		34,490	$	56,834	36.6%	$ 20,792
2001	Cat 430D Backhoe		58,361	$	92,249	36.6%	$ 33,749
2001	MN St/Cntr-Sunst		612,454	$	968,078	36.6%	$ 354,165
2001	Willow Glen and Woodland		17,525	$	27,701	36.6%	$ 10,134
2002	Meter Test Bench		12,737	$	19,312	36.6%	$ 7,065
2002	Meridian Rd to 3 Mile Drive		158,707	$	240,634	7.3%	$ 17,607
2002	Facility Plan		93,000	$	141,008	36.6%	$ 51,587
2004	Northern Lights Blvd-Water Main installatior		281,859	$	393,225	36.6%	$ 143,859
2004	Washington St. btwn 7th & 8th		26,585	$	37,089	36.6%	$ 13,569
2005	Ingersoll Rand Roller		13,572	$	18,163	36.6%	$ 6,645
2005	Meters - New Services		205,703	$	275,279	0.0%	$ -
2005	US Highway 93 South Utilities		1,904,905	$	2,549,211	33.3%	$ 847,798
2006	West View Upsize		12,407	$	15,927	36.6%	$ 5,827
2007	Sterling Tandem		94,387	$	116,223	36.6%	$ 42,520
2007	Meridian Road Water Main		203,561	$	250,654	36.6%	$ 91,700
2007	Westwood Upsize		28,923	$	35,614	36.6%	$ 13,029
2007	Lone Pine Meadows Upsize		58,275	$	71,757	36.6%	$ 26,252
2008	Spring Prairie Upsize		18,187	$	21,482	36.6%	$ 7,859
2008	Holiday Inn Upsize		6,072	$	7,172	36.6%	$ 2,624
2008	Gardner Extension Upsize		32,631	$	38,542	36.6%	$ 14,100
2008	Reserve Loop Extension		15,592	$	18,416	36.6%	$ 6,738
2008	Hutton Ranch Phase 1 Upsize		12,500	$	14,764	36.6%	$ 5,401
2008	Buffalo Hills Water Main Replacement Proje		100,275	$	118,440	36.6%	$ 43,330
2009	Bobcat		52,881	$	59,914	7.3%	$ 4,384
2009	Trail King Tilt Deck Trailer		20,895	$	23,674	36.6%	$ 8,661
2009	Upper Zone Production		853,355	$	966,847	36.6%	$ 353,715
2010	93 Bypass		100,724	$	109,467	36.6%	$ 40,048
2010	1st Ave E & Idaho St - 140' 12 inch		32,385	$	35,196	36.6%	$ 12,876
2010	Parkway Dr - 360' 8 inch		69,818	$	75,879	36.6%	$ 27,760
2011	11 St E/7th Ave E to Woodland -1,016 8 inc		167,942	$	175,080	36.6%	$ 64,052
2011	Cat Backhoe		106,232	$	110,747	36.6%	$ 40,516
2011	Airport Rd & Merganser - 220' 8 inch		7,651	$	7,976	36.6%	$ 2,918
2011	Owl Corporation Settlement		313,467	$	313,467	100.0%	$ 313,467
Total Existing Transmission and Distribution Plant		**$**	**12,592,251**	**$**	**20,196,005**		**$ 6,416,138**
New ERUs 2012 to 2035							4,980
Existing Transmission/Distribution Plant Impact Fee per ERU							**$ 1,288.46**
Future Transmission/Distribution Plant - CIP Projects [2]							
W-EX-8	Conway Drive and Highway 93 Loop	$	191,558	$	207,417	100.0%	$ 207,417
W-EX-119	Misc Contract Main Upsize		875,000		875,000	100.0%	$ 875,000
W-EX-123	Meters - New Services		356,186		356,186	100.0%	$ 356,186
Total Future Transmission/Distribution Plant - CIP Projects		**$**	**1,422,744**	**$**	**1,438,603**		**$ 1,438,603**
New ERUs 2012 to 2035 [3]							4,980
Future Transmission/Distribution Plant CIP Projects Impact Fee per ERU							**$ 288.89**
Future Transmission/Distribution Plant - Extension Projects [4]							
						2011 Annexaton Boundary	
2012-2035	East Whitefish River Extensions		13,544,300		15,684,871	0%	-
2012-2035	North Kalispell Extensions		23,367,000		27,059,973	32%	8,639,131
2012-2035	West Stillwater River Extensions		11,519,800		13,340,415	15%	1,988,483
2012-2035	West Kalispell Extensions		40,114,200		46,453,938	7%	3,435,837
2012-2035	East Kalispell Extensions		1,392,000		1,611,995	60%	970,335
2012-2035	South Kalispell Extensions		6,455,100		7,475,278	34%	2,549,461
Total Future Transmission/Distribution Plant Extension Projects		***$***	***96,392,400***	***$***	***111,626,470***		***$ 17,583,247***
New ERUs 2012 to 2035							4,980
Future Transmission/Distribution Plant Impact Fee per ERU							**$ 3,530.99**
Total Transmission/Distribution Plant Impact Fee per ERU							**$ 5,108.35**

1- Allocation for existing projects based on new ERUs from 2012 to 2035 divided by total ERUs in 2035.
Some plant is excluded or reduced based on the amount from developer contributions and or the amount which was for replacement.
2 - See City of Kalispell Water Capital Improvement Plan (Appendix F) for project details
3- Assumes that CIP projects provide service capacity through planning horizon.
4 - See Chapter 5 of the Water Facility Plan Update - 2008 and Appendix F of this report
Projects are adjused to 2012 dollars from the 2007 plan values based on changes in the ENR Construction Cost Index.

APPENDIX F

2012/2013 Water Capital

Improvement Plan

Kalispell
2012/13 Council Proposed Water Capital Improvement Plan

Original CCI	Current CCI	Multiplier
8007.48	9273	1.158042231

Project Number	Funding Designation	Project Description		Estimated Cost FY 12-13	Estimated Cost FY 13-14	Estimated Cost FY 14-15	Estimated Cost FY 15-16	Estimated Cost FY 16-17	Estimated Cost Future
W-EX-3	D	Greenacres NW							$ 355,090.49
W-EX-5	R	8th Ave W. Main Replacement					$ 1,288,310.40		
W-EX-6	R	6th Ave. West Main Replacement					$ 402,697.61		
W-EX-8	I	Conway Drive and Highway 93 Loop							$ 207,416.94
W-EX-10	D	S. Woodland Dr. to 5th Ave. E.							$ 301,820.55
W-EX-11	D	Sylvan Ct. Loop							$ 158,142.25
W-EX-12	R	Grandview Drive Loop							$ 503,736.79
W-EX-15	R	6th St Water Main Improvements							$ 747,110.95
W-EX-17	R	3rd Ave, WN Water Main Replacement							$ 328,779.77
W-EX-21	R	4th Avenue East Main Replacement			$ 735,125.21				
W-EX-22	D	Northridge Drive to Four Mile Drive Loop						$ 1,232,041.13	
W-EX-23	R	Meridian Road to Sunnyside Drive Loop (30% of prj completed in 2005)							$ 749,438.61
W-EX-24	R	Kelly Road to Woodland Ave Loop (Lehi Ln to Woodland)		$ 312,000.00					
W-EX-26	R	Hwy 93 Loop to Airport Rd							$ 948,042.85
W-EX-28	TIF	Colorado Street Loop		$ 204,800.00					
W-EX-29	R	Sunset Boulevard Loop							$ 247,369.40
W-EX-30	R	First Avenue NE Loop		$ 165,000.00					
W-EX-32	R	7th Avenue W.N. Loop							$ 336,932.39
W-EX-38	R	Third Ave. W. Loop				$ 83,413.78			
W-EX-40	R	Second Ave. E Loop				$ 166,468.57			
W-EX-45	D	Liberty Street Loop							$ 459,789.09
W-EX-109	R	Noffsinger Spring Maintenance (misc. repairs/roof replcmnt)							$ 80,625.97
W-EX-110	R	Washington St. Main Replacement (4th Ave to 5th Ave)							$ 78,909.00
W-EX-115	R	Vulnerability assessment security upgrades (will do only if mandated)							$ 169,074.17
W-EX-119	I	Misc Contract Main Upsize		$ 50,000.00	$ 75,000.00	$ 75,000.00	$ 75,000.00	$ 75,000.00	$ 375,000.00
W-EX-123	I	Meters		$ 65,000.00	$ 65,000.00	$ 65,000.00	$ 65,000.00	$ 65,000.00	$ 325,000.00
W-EX-124	R	Meters - Replacements		$ 130,000.00	$ 130,000.00	$ 130,000.00	$ 130,000.00	$ 130,000.00	$ 130,000.00
W-EX-128	R	Connect existing 6-inch piping on 6th Ave. East and 7th Ave. East with an 8-inch pipe on 10th St. East				$ 99,082.09			
W-EX-130	R	Replace 6-inch pipe on E Oregon St. between 7th Ave. EN and 8th Ave. EN with an 8-inch pipe							$ 110,268.78
W-EX-132	R	Replace 2-inch and 4-inch pipe in E Arizona At and 1st Ave. EN with 6-inch and 8-inch pipe		$ 195,000.00					
W-EX-133	R	Replace 6-inch pipe in 4th Ave. WN from W California St. to W Wyoming St with 8-inch pipe			$ 276,471.00				
W-EX-135	R	Replace 6-inch pipe in W Arizona St. with 8-inch pipe			$ 330,806.34				
W-EX-136	R	Replace 8-inch pipe in Highway 2 from Meridian Rd to the entrance to the Hampton Inn with 10-inch pipe							$ 105,474.49
W-EX-137	R	Replace 8-inch pipe to commercial area adjacent to Corporate Drive with 10-inch (rescope)							$ 174,192.71
W-EX-139	R	Renewal and Replacement		$ 445,846.26	$ 445,846.26	$ 445,846.26	$ 445,846.26	$ 445,846.26	$ 445,846.26
W-EX-141	D	Glacier Street					$ 140,632.65		
W-EX-142	R	Hawthorn Drive West							$ 132,642.16
W-EX-143	R	Hilltop Avenue							$ 214,145.17
W-EX-144	R	6th Avenue North West				$ 364,366.41			
W-EX-145	R	1st Avenue West North							$ 284,461.49
W-EX-147	I	Develop Grosswieller Water Supply (FY 12-13) & Construct Grosswieller Well (FY 14-15)		$ 46,000.00		$ 518,740.21			
W-EX-150	R	Armory Well Generator		$ 90,000.00					
W-EX-153	R	Abandon 2" line betwn 3rd Ave E & 5th Ave E (reconnect services to existing main-to be completed by City		$ 45,000.00					
W-EX-154	R	2nd Ave WN Waterline Replacement		$ 248,000.00					
W-EX-155	R	SCADA System Upgrade/Improvements		$ 40,000.00					
W-EX-156	D/TIF	Liberty Street Water Main Prj							$ 338,796.83
W-EX-158	R	Lower Zone Reservoir Upgrades		$ 120,000.00					
W-EX-159	R	Utility Asset Management Program		$ 34,000.00					
W-EX-160	R	Noffsinger Spring Emergency Generator Replacement (Applied for FEMA Grant to pay 25% cost)		$ 90,000.00					
W-EX-161	R	Sheepherder Tank Backup Power (Applied for FEMA Grant to pay 25% cost)		$ 16,000.00					
		Total Cost/Year		**$ 2,296,646.26**	**$ 2,058,248.81**	**$ 1,947,917.32**	**$ 2,547,486.91**	**$ 1,947,887.39**	**$ 8,308,107.10**

2013 Water CIP - Added Projects W-EX-158 - W-EX-161

Total Current Prjs - FY 13 thru Future **$ 19,106,293.79**

FY 09 - FY 12 *Completed* Projects - $6,351,428

W-EX-13 - Upper Zone Storage	W-EX-127 - Mach & Equip moved to Equip CIP
W-EX-19 - 11th St E Water Main	W-EX-138 - Upper & Lower Zone Interconnect
W-EX-115 - Security Upgrades	W-EX-140 - 1st Ave E Idaho St Crossing
W-EX-117 - Upper Zone Production	W-EX-146 - System Distribution Imprv
W-EX-119 - Annual Allocation	W-EX-149 - US 93 Bypass Water Utility Relocate
W-EX-123 - Annual Allocation	W-EX-152 - Parkway Dr Water main Replc.
W-EX-124 - Annual Allocation	W-EX-157 - Section 36 Water Main Extension

Funding Designation

R = Rates	$ 13,768,023.65
I = Impact Fees	$ 2,147,157.15
D = Developer / SID / TIF	$ 3,191,112.98
Combination of Funds	$ -
	$ 19,106,293.79

APPENDIX G

2011 Montana Code Annotated

7-6-16

Montana Code Annotated 2011

7-6-1601. Definitions. As used in this part, the following definitions apply:

(1) (a) "Capital improvements" means improvements, land, and equipment with a useful life of 10 years or more that increase or improve the service capacity of a public facility.

(b) The term does not include consumable supplies.

(2) "Connection charge" means the actual cost of connecting a property to a public utility system and is limited to the labor, materials, and overhead involved in making connections and installing meters.

(3) "Development" means construction, renovation, or installation of a building or structure, a change in use of a building or structure, or a change in the use of land when the construction, installation, or other action creates additional demand for public facilities.

(4) "Governmental entity" means a county, city, town, or consolidated government.

(5) (a) "Impact fee" means any charge imposed upon development by a governmental entity as part of the development approval process to fund the additional service capacity required by the development from which it is collected. An impact fee may include a fee for the administration of the impact fee not to exceed 5% of the total impact fee collected.

(b) The term does not include:

(i) a charge or fee to pay for administration, plan review, or inspection costs associated with a permit required for development;

(ii) a connection charge;

(iii) any other fee authorized by law, including but not limited to user fees, special improvement district assessments, fees authorized under Title 7 for county, municipal, and consolidated government sewer and water districts and systems, and costs of ongoing maintenance; or

(iv) onsite or offsite improvements necessary for new development to meet the safety, level of service, and other minimum development standards that have been adopted by the governmental entity.

(6) "Proportionate share" means that portion of the cost of capital system improvements that reasonably relates to the service demands and needs of the project. A proportionate share must take into account the limitations provided in 7-6-1602.

(7) "Public facilities" means:

(a) a water supply production, treatment, storage, or distribution facility;

(b) a wastewater collection, treatment, or disposal facility;

(c) a transportation facility, including roads, streets, bridges, rights-of-way, traffic signals, and landscaping;

(d) a storm water collection, retention, detention, treatment, or disposal facility or a flood control facility;

(e) a police, emergency medical rescue, or fire protection facility; and

(f) other facilities for which documentation is prepared as provided in 7-6-1602 that have

been approved as part of an impact fee ordinance or resolution by:

(i) a two-thirds majority of the governing body of an incorporated city, town, or consolidated local government; or

(ii) a unanimous vote of the board of county commissioners of a county government.

History: En. Sec. 1, Ch. 299, L. 2005.

Provided by Montana Legislative Services

Montana Code Annotated 2011

7-6-1602. Calculation of impact fees -- documentation required -- ordinance or resolution -- requirements for impact fees. (1) For each public facility for which an impact fee is imposed, the governmental entity shall prepare and approve a service area report.

(2) The service area report is a written analysis that must:

(a) describe existing conditions of the facility;

(b) establish level-of-service standards;

(c) forecast future additional needs for service for a defined period of time;

(d) identify capital improvements necessary to meet future needs for service;

(e) identify those capital improvements needed for continued operation and maintenance of the facility;

(f) make a determination as to whether one service area or more than one service area is necessary to establish a correlation between impact fees and benefits;

(g) make a determination as to whether one service area or more than one service area for transportation facilities is needed to establish a correlation between impact fees and benefits;

(h) establish the methodology and time period over which the governmental entity will assign the proportionate share of capital costs for expansion of the facility to provide service to new development within each service area;

(i) establish the methodology that the governmental entity will use to exclude operations and maintenance costs and correction of existing deficiencies from the impact fee;

(j) establish the amount of the impact fee that will be imposed for each unit of increased service demand; and

(k) have a component of the budget of the governmental entity that:

(i) schedules construction of public facility capital improvements to serve projected growth;

(ii) projects costs of the capital improvements;

(iii) allocates collected impact fees for construction of the capital improvements; and

(iv) covers at least a 5-year period and is reviewed and updated at least every 2 years.

(3) The service area report is a written analysis that must contain documentation of sources and methodology used for purposes of subsection (2) and must document how each impact fee meets the requirements of subsection (7).

(4) The service area report that supports adoption and calculation of an impact fee must be available to the public upon request.

(5) The amount of each impact fee imposed must be based upon the actual cost of public facility expansion or improvements or reasonable estimates of the cost to be incurred by the governmental entity as a result of new development. The calculation of each impact fee must be in accordance with generally accepted accounting principles.

(6) The ordinance or resolution adopting the impact fee must include a time schedule for periodically updating the documentation required under subsection (2).

(7) An impact fee must meet the following requirements:

(a) The amount of the impact fee must be reasonably related to and reasonably attributable to the development's share of the cost of infrastructure improvements made necessary by the new development.

(b) The impact fees imposed may not exceed a proportionate share of the costs incurred or to be incurred by the governmental entity in accommodating the development. The following factors must be considered in determining a proportionate share of public facilities capital improvements costs:

(i) the need for public facilities capital improvements required to serve new development; and

(ii) consideration of payments for system improvements reasonably anticipated to be made by or as a result of the development in the form of user fees, debt service payments, taxes, and other available sources of funding the system improvements.

(c) Costs for correction of existing deficiencies in a public facility may not be included in the impact fee.

(d) New development may not be held to a higher level of service than existing users unless there is a mechanism in place for the existing users to make improvements to the existing system to match the higher level of service.

(e) Impact fees may not include expenses for operations and maintenance of the facility.

History: En. Sec. 2, Ch. 299, L. 2005; amd. Sec. 1, Ch. 358, L. 2009.

Provided by Montana Legislative Services

Montana Code Annotated 2011

7-6-1603. Collection and expenditure of impact fees -- refunds or credits -- mechanism for appeal required. (1) The collection and expenditure of impact fees must comply with this part. The collection and expenditure of impact fees must be reasonably related to the benefits accruing to the development paying the impact fees. The ordinance or resolution adopted by the governmental entity must include the following requirements:

(a) Upon collection, impact fees must be deposited in a special proprietary fund, which must be invested with all interest accruing to the fund.

(b) A governmental entity may impose impact fees on behalf of local districts.

(c) If the impact fees are not collected or spent in accordance with the impact fee ordinance or resolution or in accordance with 7-6-1602, any impact fees that were collected must be refunded to the person who owned the property at the time that the refund was due.

(2) All impact fees imposed pursuant to the authority granted in this part must be paid no earlier than the date of issuance of a building permit if a building permit is required for the development or no earlier than the time of wastewater or water service connection or well or septic permitting.

(3) A governmental entity may recoup costs of excess capacity in existing capital facilities, when the excess capacity has been provided in anticipation of the needs of new development, by requiring impact fees for that portion of the facilities constructed for future users. The need to recoup costs for excess capacity must have been documented pursuant to 7-6-1602 in a manner that demonstrates the need for the excess capacity. This part does not prevent a governmental entity from continuing to assess an impact fee that recoups costs for excess capacity in an existing facility. The impact fees imposed to recoup the costs to provide the excess capacity must be based on the governmental entity's actual cost of acquiring, constructing, or upgrading the facility and must be no more than a proportionate share of the costs to provide the excess capacity.

(4) Governmental entities may accept the dedication of land or the construction of public facilities in lieu of payment of impact fees if:

(a) the need for the dedication or construction is clearly documented pursuant to 7-6-1602;

(b) the land proposed for dedication for the public facilities to be constructed is determined to be appropriate for the proposed use by the governmental entity;

(c) formulas or procedures for determining the worth of proposed dedications or constructions are established as part of the impact fee ordinance or resolution; and

(d) a means to establish credits against future impact fee revenue has been created as part of the adopting ordinance or resolution if the dedication of land or construction of public facilities is of worth in excess of the impact fee due from an individual development.

(5) Impact fees may not be imposed for remodeling, rehabilitation, or other improvements to an existing structure or for rebuilding a damaged structure unless there is an increase in units that increase service demand as described in 7-6-1602(2)(j). If impact fees are imposed for

remodeling, rehabilitation, or other improvements to an existing structure or use, only the net increase between the old and new demand may be imposed.

(6) This part does not prevent a governmental entity from granting refunds or credits:

(a) that it considers appropriate and that are consistent with the provisions of 7-6-1602 and this chapter; or

(b) in accordance with a voluntary agreement, consistent with the provisions of 7-6-1602 and this chapter, between the governmental entity and the individual or entity being assessed the impact fees.

(7) An impact fee represents a fee for service payable by all users creating additional demand on the facility.

(8) An impact fee ordinance or resolution must include a mechanism whereby a person charged an impact fee may appeal the charge if the person believes an error has been made.

History: En. Sec. 3, Ch. 299, L. 2005; amd. Sec. 2, Ch. 358, L. 2009.

Provided by Montana Legislative Services

Montana Code Annotated 2011

7-6-1604. Impact fee advisory committee. (1) A governmental entity that intends to propose an impact fee ordinance or resolution shall establish an impact fee advisory committee.

(2) An impact fee advisory committee must include at least one representative of the development community and one certified public accountant. The committee shall review and monitor the process of calculating, assessing, and spending impact fees.

(3) The impact fee advisory committee shall serve in an advisory capacity to the governing body of the governmental entity.

History: En. Sec. 4, Ch. 299, L. 2005.

Provided by Montana Legislative Services