

Kalispell considers boosting some impact fees

By TOM LOTSHAW/Daily Inter Lake | Posted: Sunday, February 19, 2012 8:03 pm

Two weeks after killing off the short-lived transportation impact fees, Kalispell City Council members are staring at a whopping \$2,846 proposed increase to more than double the city's wastewater impact fee.

The proposal would push the fee from \$2,499 to \$5,345 per single-family home or "equivalent residential unit" for new construction.

Also on the table is a reduction to the base water impact fee, from \$2,213 to \$1,930.

A 122-page study completed in August 2010 makes the case for the impact fees, which are charged to new construction, additions and renovation projects that put more demand on infrastructure and services.

The study lays out service demand projections and lists of costs and system needs - some moving targets - that arise based on how growth materializes in five, 10 and 20 years.

The fees aren't rocket science. But in a staff report to council members, Public Works Director Bill Shaw explains the proposed adjustments simply: starship Kalispell needs them.

"A city's infrastructure could be analogous to the confines of a spaceship," Shaw wrote in the two-page memo.

"No matter how you look at it, you can reside on the spaceship for the cost of rent, monthly fees and taxes, but if you want to develop a new unit or demand, it's going to cost something additional," Shaw wrote.

"The rules are specific about how that cost is calculated and the [impact] fee applied."

Impact fees are dedicated to help pay for growth-related infrastructure costs, keeping those costs off customer rates that provide for maintenance and operations.

Wastewater and water are the city's longest-running impact fees. Before, they were known as connection fees or system development charges.

State law says impact fees must be reviewed and adjusted every two years. These proposals are coming out almost two years behind schedule.

THE PROPOSED impact fee adjustments for wastewater and water have been sitting on a shelf in City Hall for 19 months, as Kalispell first worked out five years of annual sewer rate increases that go into effect in July.

"Equivalent residential unit" is the basic measurement used to calculate fees for larger development projects. For wastewater, that's 265 gallons of sewage per day, the typical usage of a single-family home.

A new school, for example, would be charged .03 equivalent residential units per student. Hospitals are charged 1 equivalent residential unit per bed.

Hotels and motels are charged .25 of an equivalent residential unit per room with additional charges for restaurant, tavern and laundry areas and fractions of a unit for their various plumbing fixtures.

Kalispell's wastewater impact fee is split into two components, one for the collection system and one for the treatment plant. To calculate the fees, growth-related system costs past, present and future are tallied up and divided by the projected number of future customers.

The proposed fee has the collection component increasing from \$1,064 to \$1,901 and the treatment component increasing from \$1,435 to \$3,444.

For wastewater treatment, between 2009 and 2035, Kalispell is projected to grow from 15,933 to 37,359 equivalent residential units and to see its average daily sewage flows increase from 4.22 to 9.9 million gallons.

The proposed \$5,345 wastewater impact fee per equivalent residential unit can be broken down further:

- \$185 per equivalent residential unit for \$157,786 of administrative costs;
- \$244 per equivalent unit for \$1.77 million of future capital improvements to the collection system;
- \$1,029 per equivalent residential unit for \$21.3 million of committed collection system expansions;
- \$561 per equivalent residential unit for \$4.5 million of existing collection system costs eligible for impact fee reimbursement, including lines dating back to 1940; and
- \$3,325 per unit for \$41.4 million of past work and future projects at the wastewater treatment plant.

That includes \$16 million of the \$21.6 million expansion completed in 2009, the biggest driver of the fee increase.

THE PROPOSED water impact fee of \$1,930 would be paid for a 3/4-inch water meter connection.

Following that basic rate, "weighted" fees would be \$4,825 for a 1-inch meter, \$9,650 for a 1.5-inch meter, \$15,440 for a 2-inch meter and \$30,880 for a 3-inch meter. Fees would be calculated individually for larger connections.

Demand for water is projected to grow from 12,462 equivalent residential units and peak demand of 15.31 million gallons a day in 2009 to 34,139 equivalent residential units and peak demand of 41.93 million gallons a day in 2035.

The water impact fee can be broken down as:

- \$80 per equivalent residential unit for \$2.76 million of existing and future well costs, including construction of one new well;
- \$92 per unit for \$112,241 of administrative costs;
- \$134 per equivalent residential unit for \$4.6 million of existing pumping plant costs eligible for impact fee reimbursement, going back as far as 1913;

- \$219 per equivalent residential unit for \$1.59 million of future transmission system capital improvements costs;
- \$460 per unit for \$15.7 million of existing and future storage costs, including construction of three new reservoirs.
- \$945 per equivalent residential unit for \$7.6 million of existing transmission costs eligible for impact fee reimbursement, including lines dating back to 1911 and 1924.

At Tuesday's meeting, council members will consider resolutions that would set a March 19 public hearing for the proposed wastewater and water impact fee adjustments.

Charles Harball, city attorney and interim city manager, said a work session on the issue will likely be set for Feb. 27, if council members agree.

"We would spend that going over everything with the council and the public, sort of a primer on the methodology," he said.

Kalispell also charges impact fees for stormwater, police and fire services. With the proposed adjustments for wastewater and water, the total amount of impact fees charged for construction of a single-family home would increase from \$6,357 to \$8,920.

In his report, Shaw defended the total as about 5 percent of Kalispell's median home price, \$187,000. He said the costs to install a septic system and well for a similar home in the county would likely be higher, closer to 9 percent.

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