

Impact Fee Advisory Committee Agenda



**Council Chambers Conference Room
Whitefish City Hall – 418 E. 2nd Street
Wednesday, September 1, 2021, 5:00p.m.**

1. Call to order.
2. Appoint Chairperson, Vice Chairperson, and Secretary.
3. Review and approve minutes (as available).
4. Review annual report for FY20.
5. Public comment
6. Other Items and topics for next agenda
7. Adjournment

Committee Members:

Vacant	Development Community
Ryan Hennen	City Councilor
Tony Veseth	Member at Large
Benjamin Dahlman	City Finance Director
Charles Stearns	Member at Large

Staff Report



To: Mayor Muhlfeld and City Councilors
From: Benjamin Dahlman/Finance Director
Date: May 28, 2021
Re: Annual Impact Fee Report to the City Council

Introduction

According to Section 10-2-7(c) of the City Code on Impact Fees, the Finance Director shall provide an annual report to the Council on the impact fee funds showing the source and amount of all monies collected, earned, or received, the public improvements that were financed in whole or in part by impact fees, and any administrative expenses incurred by the impact fee funds. Following is the annual report for Fiscal Year Ended June 30, 2020.

Current Report

Impact Fee Cash Balance

The following table details the cash balance for each type of impact fee as of June 30, 2019 and June 30, 2020, and the corresponding dollar amount change from the prior year:

Impact Fee Description	Cash Balance 6/30/19	Cash Balance 6/30/20	Dollar Change
Paved Trails	\$127,119	\$141,541	\$ 14,422
Park Maintenance Bldg.	9,327	21,688	12,361
Emergency Services Ctr.	133,840	251,971	118,131
City Hall	70,792	82,495	11,703
Stormwater	119,385	162,792	43,407
Water	1,102,467	1,631,695	529,228
Wastewater	1,100,342	1,081,266	(19,076)
Total	\$2,663,272	\$3,373,448	\$ 710,176

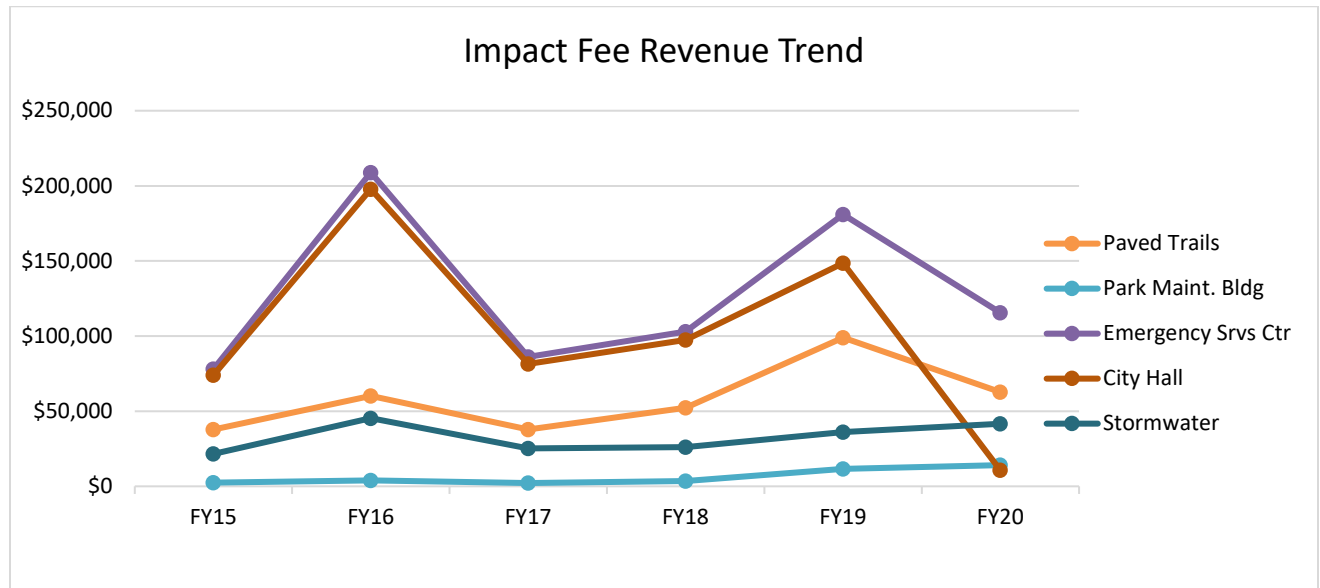
Overall cash reserves increased from FY19 to FY20. As depicted above, most impact fees have increased cash reserves, however, the wastewater impact fee reserves decreased due to expected spending in the FY20 Budget for allocation to the Wastewater Treatment Plant project. While increasing cash reserves is appropriate when projects are planned within a reasonable timeframe, it is generally accepted that the revenue generated from impact fees be spent within five years or shortly thereafter. This generally accepted practice is based on developers paying impact fees to help fund capital improvements related directly to their developments' increased demand on public facilities. Therefore, it is important to identify projects that expand capacity in a reasonable time after receipt of the impact fee payments. The City's Capital Improvements Program (CIP) accomplishes this by including impact fees as a source of funding for eligible projects during the next five-years. Significant amounts of water and wastewater impact fees are and have been allocated to the Water Treatment Plant Expansion Project and the Wastewater Treatment Plant Project.

Impact Fee Revenue

Impact fees are collected from new construction and remodels that expand the number of dwelling units or usable square footage space. In addition, water and wastewater impact fees are also collected on new connections to the system.

The following table details the revenue and interest earned for those impact fees accounted for in the Impact Fees Fund (2399):

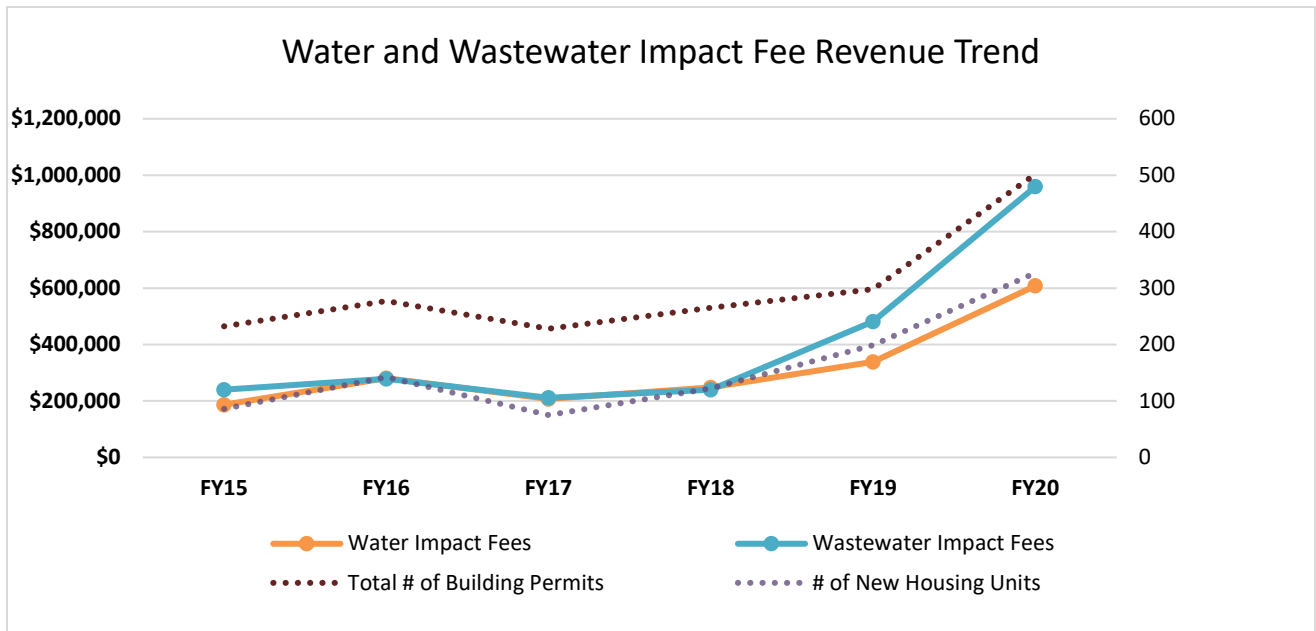
Impact Fee Description	FY08-FY14	FY15	FY16	FY17	FY18	FY19	FY20	Total Revenue
Paved Trails	126,721	37,890	\$ 60,203	\$ 37,838	\$ 52,237	\$ 98,965	\$ 62,794	413,854
Park Maint. Bldg	45,709	2,520	\$ 4,004	\$ 2,184	\$ 3,452	\$ 11,716	\$ 14,103	31,464
Emergency Srvs Ctr	251,668	78,050	\$ 208,862	\$ 86,073	\$ 103,004	\$ 181,044	\$ 115,635	977,328
City Hall	239,977	74,082	\$ 197,839	\$ 81,526	\$ 97,480	\$ 148,565	\$ 10,697	902,314
Stormwater	109,507	21,576	\$ 45,355	\$ 25,154	\$ 26,046	\$ 36,197	\$ 41,571	246,067
Total	773,582	214,118	\$ 516,263	\$ 232,775	\$ 282,219	\$ 476,487	\$ 244,800	2,571,027
<i>Interest - Fund Total</i>	53,732	1,891	\$ 1,584	\$ 1,692	\$ 2,631	\$ 9,018	\$ 7,358	31,648
Total Fund Revenue	827,314	216,010	\$ 517,847	\$ 234,467	\$ 284,850	485,505	252,157	2,602,675



Whitefish has continued to see strong building and growth over the past few years, which has continued into FY21. Impact fee revenues exceeded budgeted expectations overall in FY20 but was down 48.6% compared to FY19. FY20 included a full year of implementation of adjusted rates for fees which were updated on Resolution 18-44 and were effective beginning on January 1, 2019. Several of the impact fees were reduced with the updated fee schedule. FY16 continues to be the strongest year out of the past six years due to the significant commercial projects, including two hotels and the city hall/parking structure project, and a large residential development. FY21 activity looks to be strong compared to FY20 due to the significant amount of building activity seen in the City.

In addition to the impact fees discussed above, the City also charges water and wastewater impact fees that are accounted for separately in the Water and Wastewater funds. The following table details the water and wastewater impact fees collected and interest earned:

Impact Fee Description	FY08-14	FY15	FY16	FY17	FY18	FY19	FY20	Total Revenue
Water Impact Fees	\$ 734,057	\$ 186,708	\$ 280,349	\$ 206,657	\$ 247,821	\$ 338,180	\$ 608,104	\$ 2,501,464
<i>Interest</i>	\$ 240,425	2,140	\$ 3,618	\$ 6,783	\$ 11,930	\$ 18,834	\$ 17,507	\$ 297,789
Total Fund Revenue	\$ 974,481	\$ 188,849	\$ 283,967	\$ 213,441	\$ 259,751	\$ 357,014	\$ 625,611	\$ 2,799,253
Wastewater Impact Fees	\$ 757,594	\$ 239,754	\$ 278,569	\$ 211,219	\$ 239,793	\$ 481,703	\$ 959,816	\$ 2,739,860
<i>Interest</i>	\$ 240,902	1,099	\$ 864	\$ 2,245	\$ 6,019	\$ 14,813	\$ 21,108	\$ 280,479
Total Fund Revenue	\$ 998,496	\$ 240,853	\$ 279,433	\$ 213,464	\$ 245,812	\$ 496,516	\$ 980,924	\$ 3,020,339



The water and wastewater impact fees completed the year with revenues totaling 270% and 267% of the FY20 Budget, respectively. These trends and results for FY20 are expected due to the increase in building permits compared to FY19 and the increase in impact fee rates effective January 1, 2019 and an additional adjustment for water impact fees beginning on September 1, 2019.

In addition to the different type of impact fees charged, administrative expenses incurred when collecting the impact fees are charged to developers at a rate of 5%. The administrative charges are deposited into the General Fund or the respective enterprise funds (Water/Wastewater). Below are the admin fee collections since the impact fees were established:

Fund	FY08-14	FY15	FY16	FY17	FY18	FY19	FY20	Total Admin Fees Collected
General	\$ 43,445	\$ 10,714	\$ 25,489	\$ 11,388	\$ 14,219	\$ 23,715	\$ 12,734	\$ 141,705
Water	\$ 36,887	\$ 9,395	\$ 14,016	\$ 10,276	\$ 12,578	\$ 17,490	\$ 31,275	\$ 131,917
Wastewater	\$ 39,130	\$ 12,163	\$ 13,821	\$ 10,478	\$ 12,052	\$ 24,083	\$ 47,814	\$ 159,541
Total 5% Admin Fees	\$ 119,462	\$ 32,272	\$ 53,327	\$ 32,142	\$ 38,849	\$ 65,288	\$ 91,823	\$ 433,163

Most impact fee revenues are trending significantly higher for FY21. Only the stormwater impact fee is lower than the previous year through April though it is down only 2.2%. Impact fees have a high correlation with building activity and the revenues the City is receiving reflect the amount of construction seen throughout the community. It is anticipated that this trend will continue throughout the remainder of the year into FY22.

Impact Fee Uses

Impact fees may be spent for public improvements including, but not limited to, planning, land acquisition, right of way acquisition, site improvements, necessary off-site improvements, construction, engineering, architectural services, permitting, financing, administrative expenses, applicable impact fees or mitigation costs, and any other expenses which can be capitalized with a useful life of 10 years or more. Impact fees may also be used to recoup public improvement costs previously incurred by the City to the extent that new growth and development will be served by the previously constructed improvements or incurred costs (MCA 7-6-1603).

Impact fees may not be used for the operation or maintenance of public facilities. Remodeling, rehabilitation or other improvements to an existing structure or for rebuilding damaged structures is not allowed unless there is an increase in units that service demand and the impact fees are used only for the net increase between the old and new demand.

FY20 Impact Fee Expenditures

The following table details the FY08-FY20 impact fee expenditures:

Expenditures/Transfers	FY08 -FY14	FY15	FY16	FY17	FY18	FY19	FY20	Total Expenditures
Paved Trails	\$ -	\$3,913	\$184,460	\$63,095	\$3,838	\$11,693	\$50,190	\$317,189
Park Maintenance Bldg.	4,900	2,000	5,250	4,013	2,194	3,968	-	22,325
Emergency Services Ctr.	194,535	90,000	207,834	199,373	43,481	116,549	-	851,772
City Hall	-	384,356	90,055	188,098	71,965	107,878	-	842,352
Stormwater	-	-	80,538	-	-	79,946	-	160,484
Total Impact Fee Fund	\$199,435	\$480,269	\$568,137	\$454,579	\$121,478	\$320,034	\$50,190	\$2,194,122
Water Impact Fee	-	3,333	146,946	965	510,491	333,408	69,921	1,065,064
Wastewater Impact Fee	198,388	495,715	208,954	7,012	-	136,973	1,000,000	2,047,042
Total Enterprise Funds	\$198,388	\$499,048	\$355,900	\$7,977	\$510,491	\$470,381	\$1,069,921	\$3,112,106

For FY20, paved trail impact fees continued to be expended for expansion of the City's trail system. The investment in paved trails totaling \$50,189 was primarily for the Monegan and Voerman Trail Project. No impact fee costs were incurred for the Parks Maintenance Building, City Hall, Emergency Services Center or Stormwater in FY20. As the Tax Increment Financing District sunset in 2020 and all debt obligations have been repaid, the park maintenance building, ESC, and city hall impact fees will begin to accumulate within the Impact Fees Fund and be available for projects in the City's CIP.

The FY20 allocation for water impact fees included water main replacements throughout the City. Additionally, expenditures were incurred for the South Whitefish Water Storage and Production Project. The

FY21 Budget and the Capital Improvements Program identified \$200,000 for the Armory Road Water Main Project and \$250,000 for the Cast Iron Watermain Project. There are more projects that are eligible for water impact fees and planned within the next five years most notably the Water Treatment Plant Expansion Project. Other projects anticipated in the next five years include continued work on the South Whitefish Water Storage and Production Project and increased capacity for as part of the Cast Iron Watermain Project.

For wastewater impact fees, the FY20 Budget provided for funds to be expended on the new Wastewater Treatment Plant Project totaling \$1,000,000.

Recommendation

The Impact Fee Committee and Staff respectfully requests that the City Council review and accept the annual report on impact fees.