



## Impact Fee Advisory Committee Agenda

**City Hall – Whitefish Conference Room – 418 E. 2<sup>nd</sup> Street  
Monday, December 20, 2021 5 p.m.**

1. Call to order.
2. Welcome new Committee Member - Steve Riter.
3. Review and approve minutes from September 1, 2021 Meeting.
4. Member terms expiring in December 2021
5. Review rates and policy changes.
6. Review annual report for FY21.
7. Public comment
8. Other
9. Items for next agenda or schedule follow-up meeting, if necessary.
10. Adjournment

### Committee Members:

Steve Riter	Development Community	Term Expires: 12/31/2023
Tony Veseth	Chair - Member at Large	12/31/2021
Ryan Hennen	Vice Chair - City Councilor	12/31/2021
Ben Dahlman	Secretary - City Finance Director	12/31/2022
Charles Stearns	Member at Large	12/31/2022

**Impact Fee Advisory Committee Meeting Minutes**  
**City Hall – Whitefish City Council Conference Room – 418 E. 2<sup>nd</sup> Street**  
**Wednesday, September 1, 2021, 5:00 p.m.**

1. CALL TO ORDER – 5:02 p.m.

Committee members: Tony Veseth, Charles Stearns, Benjamin Dahlman, Ryan Hennen, the Developer position is currently vacant. Dana Smith was in attendance as well. Steve Riter, who is an applicant for the vacant Developer Position on the Committee was also in attendance as a public attendee for the meeting. There were no other public attendees.

2. APPOINT CHAIR AND OTHER POSITIONS –

MOTION - Tony Veseth was nominated Chairperson by Charles Stearns and Tony accepted. There were no other nominations for Chair (Charles made the Motion and Ryan seconded the Motion). Tony was unanimously approved as Chair

MOTION – Ryan Hennen was nominated as Vice Chair by Charles Stearns and Ryan accepted. Charles made the Motion and Tony seconded the Motion. Ryan was unanimously approved as Vice Chair.

Charles began the discussion for the secretary and Benjamin Dahlman was nominated to fill the role of Secretary and he accepted the nomination. Tony made the Motion which was seconded by Ryan. Ben was unanimously approved as Secretary.

3. REVIEW AND APPROVE MINUTES –

MOTION – a Motion to approve the Minutes from the October 28, 2019, meeting was made by Charles Stearns and Seconded by Tony Veseth. The Minutes were that old due to a meeting not being held since then due to Covid-19 and staff transition. The Minutes were approved unanimously.

4. REVIEW ANNUAL REPORT FOR FY20 –

Committee reviewed the annual report for FY20 presented by Ben.

Chuck inquired about the WTP and WWTP impact fee amount and status of projects. Dana gave a brief update the WTP would be completed soon and the WWTP later this fall. The WTP has about \$1.2 M budgeted from impact fees in FY22.

Reviewed how impact fees are assessed with Committee, which is generally per sq. ft or by meter size/fixture count.

Discussed continued development in Whitefish and that is has not slowed down. Ben shared that his preliminary look at FY21 shows higher water with others staying relatively close as the prior year.

Discussed City Hall Impact Fees and how those will likely be removed in the future due to the debt for City Hall being paid off.

Charles made a Motion to recommend approval of the report for City Council, Tony seconded the Motion, and all voted in favor.

5. PUBLIC COMMENT –

Steve Riter was in attendance as a public attendee and an applicant for the vacant Developer position on the committee. Steve discussed that he moved to Whitefish and has been in public/private home building, land acquisitions and low- income housing for years and has real world experience and thoughts about the fee structure. He mentioned that he loves this town and believe there are some imbalances. In comparison to what California does a \$500-600K home would typically have \$70-\$80K in fees, sounds like there is a nexus here and fair treatment and they are much more aggressive there. He asked if there are impact fee limitations? He noted that these few categories (Water, Wastewater, Stormwater, City Hall, Paved Trails, Parks Maintenance Building, and the Emergency Services Center) are not the only areas impacted. He asked if the City could have impact fees on areas like Parks? If someone moves into a town the fee would be sorted out in a land residual. If it's a loss, it's really on the landowners on the side of the table. He said that impact fees don't hurt buyers or the City and the way land values are escalating there is still residual value to the landowner's benefit. The development community can help. Overall, he is excited to be part of this community.

Dana presented some information related to and the Committee reviewed a complaint the City received from Mr. Gillman and Mr. Burg with Committee about impact fees. Some Committee members have also received calls from the two individuals. There was a discussion about fixture counts, fee structures on meter sizes and capital improvements that were included in the Impact Fees update and study. The City is looking into the items.

6. ITEMS FOR NEXT AGENDA –

There was a discussion that there will be another meeting a month or two for the FY21 report to get back on schedule. A meeting is anticipated in October or November.

A time for a Council interview for the Developer position is anticipated in an upcoming Council Meeting.

7. ADJOURNMENT – Meeting adjourned by Tony Veseth at 5:59 p.m.

# Staff Report



To: Mayor Muhlfeld and City Councilors  
From: Benjamin Dahlman/Finance Director  
Date: December 16, 2021  
Re: Annual Impact Fee Report to the City Council

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## 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, 2021.

## Current Report

### **Impact Fee Cash Balance**

The following table details the cash balance for each type of impact fee as of June 30, 2020, and June 30, 2021, and the corresponding dollar amount change from the prior year:

Impact Fee Description	Cash Balance 6/30/20	Cash Balance 6/30/21	Dollar Change
Paved Trails	\$141,541	\$225,238	\$ 83,698
Park Maintenance Bldg.	21,688	43,523	21,835
Emergency Services Ctr.	251,971	348,808	96,837
City Hall	82,495	92,620	10,125
Stormwater	162,792	199,501	36,709
Water	1,631,695	2,396,017	764,323
Wastewater	1,081,266	1,334,245	252,979
<b>Total</b>	<b>\$3,373,448</b>	<b>\$4,639,953</b>	<b>\$1,266,504</b>

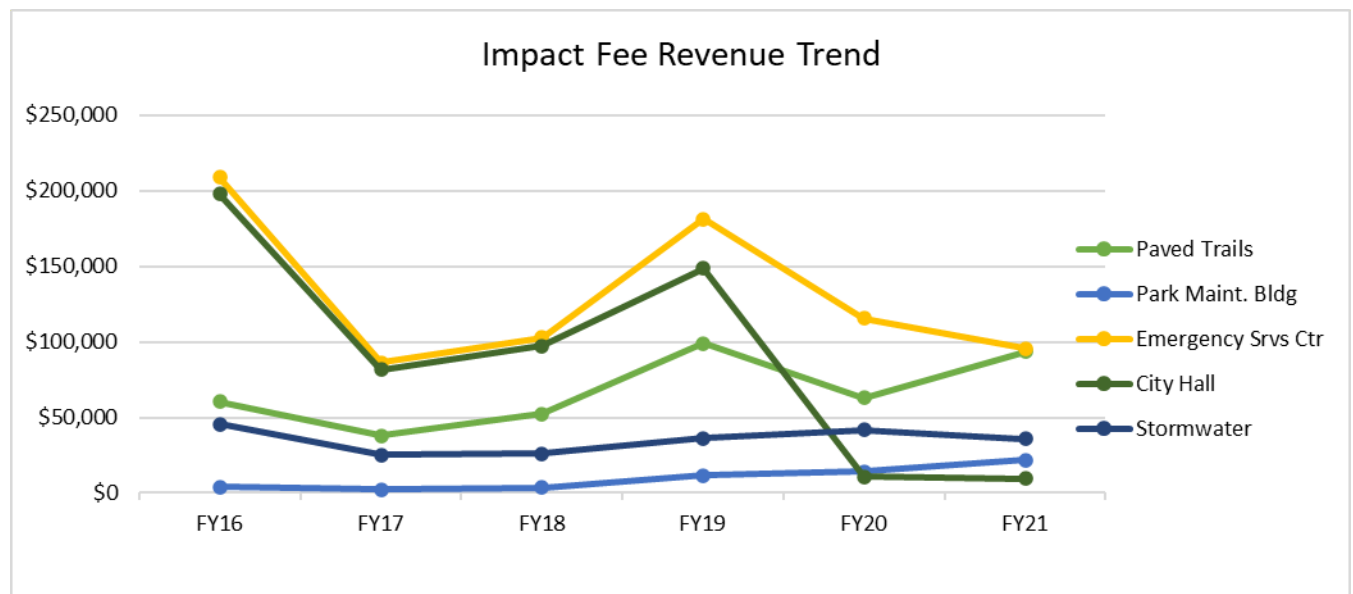
Cash reserves increased by \$1,266,504 from FY20 to FY21. As depicted above, every impact fee category increased cash reserves. This occurred even though the City allocated a significant amount of fees toward the Wastewater Treatment Plant project. While increasing cash reserves is appropriate when projects 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. Large investment 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):

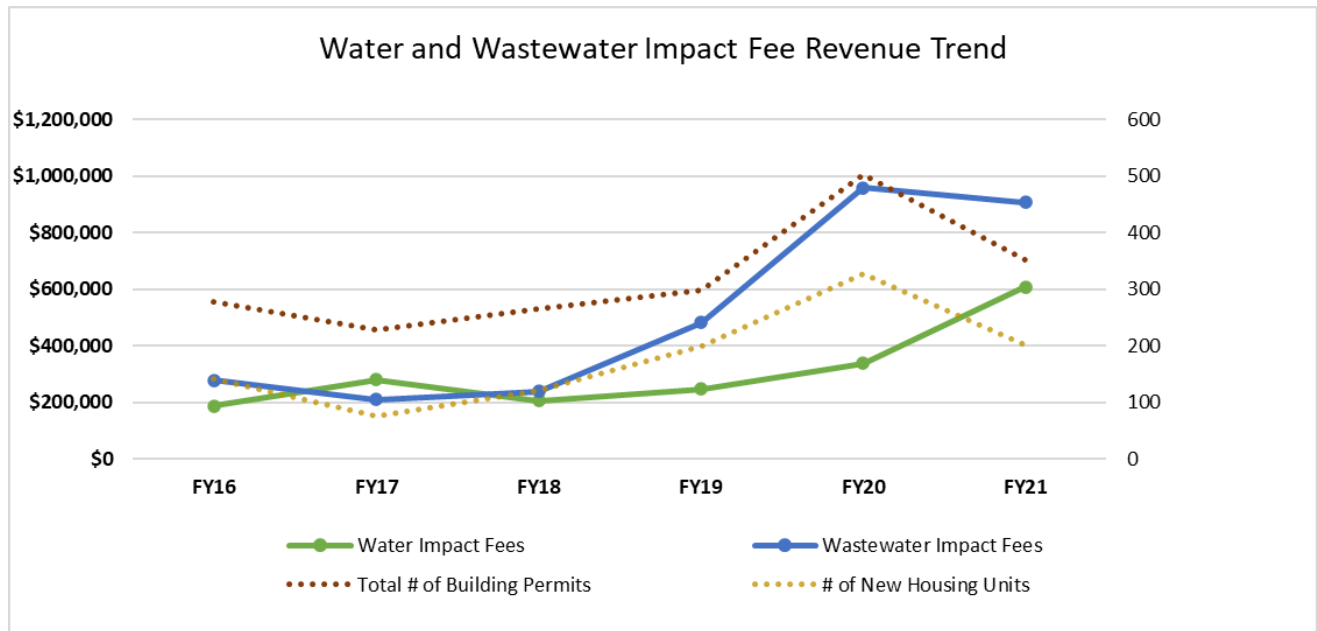
Impact Fee Description	FY08-FY15	FY16	FY17	FY18	FY19	FY20	FY21	Total Revenue
Paved Trails	164,611	\$ 60,203	\$ 37,838	\$ 52,237	\$ 98,965	\$ 62,794	\$ 93,305	569,953
Park Maint. Bldg	10,108	\$ 4,004	\$ 2,184	\$ 3,452	\$ 11,716	\$ 14,103	\$ 21,681	67,248
Emergency Srvs Ctr	398,344	\$ 208,862	\$ 86,073	\$ 103,004	\$ 181,044	\$ 115,635	\$ 95,413	1,188,376
City Hall	376,904	\$ 197,839	\$ 81,526	\$ 97,480	\$ 148,565	\$ 10,697	\$ 9,713	922,725
Stormwater	113,314	\$ 45,355	\$ 25,154	\$ 26,046	\$ 36,197	\$ 41,571	\$ 35,854	323,491
<b>Total</b>	<b>1,063,282</b>	<b>\$ 516,263</b>	<b>\$ 232,775</b>	<b>\$ 282,219</b>	<b>\$ 476,487</b>	<b>\$ 244,800</b>	<b>\$ 255,966</b>	<b>3,071,792</b>
<i>Interest - Fund Total</i>	16,724	\$ 1,359	\$ 1,692	\$ 2,631	\$ 9,018	\$ 7,358	\$ 3,723	42,506
<b>Total Fund Revenue</b>	<b>1,080,006</b>	<b>\$ 517,622</b>	<b>\$ 234,467</b>	<b>\$ 284,850</b>	<b>485,505</b>	<b>252,157</b>	<b>259,689</b>	<b>3,114,298</b>



Whitefish has continued to see strong building and growth over the past few years, which has continued into FY21. Overall revenues in the Impact Fees fund exceeded budgeted expectations for each category for FY21 by 183% but was still down by 46% compared to the recent high occurring in FY19. It is important to note that FY20 included a full year of adjusted impact rates which were effective beginning on January 1, 2019, per Resolution 18-44. Several of the impact fees were reduced with the updated fee schedule. Looking at the growth of FY21 over FY20, overall fees were nearly 5% higher. FY16 continues to be the highest year out of the past six years due to the higher impact fee rates and several large commercial projects, including two hotels and the city hall/parking structure project, and a large residential development. FY22 activity continues to look strong compared to FY21 due to continued 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-FY15	FY16	FY17	FY18	FY19	FY20	FY21	Total Revenue
Water Impact Fees	\$1,096,349	\$ 280,349	\$ 206,657	\$ 247,821	\$ 338,180	\$ 608,104	\$ 754,738	\$ 3,532,199
<i>Interest</i>	\$ 19,722	\$ 3,104	\$ 6,783	\$ 11,930	\$ 18,834	\$ 17,507	\$ 9,584	\$ 87,464
<b>Total Fund Revenue</b>	<b>\$1,116,071</b>	<b>\$ 283,453</b>	<b>\$ 213,441</b>	<b>\$ 259,751</b>	<b>\$ 357,014</b>	<b>\$ 625,611</b>	<b>\$ 764,323</b>	<b>\$ 3,619,663</b>
Wastewater Impact Fees	\$1,174,274	\$ 278,569	\$ 211,219	\$ 239,793	\$ 481,703	\$ 959,816	\$ 907,985	\$ 4,253,359
<i>Interest</i>	\$ 18,755	\$ 732	\$ 2,245	\$ 6,019	\$ 14,813	\$ 21,108	\$ 6,956	\$ 70,629
<b>Total Fund Revenue</b>	<b>\$1,193,029</b>	<b>\$ 279,301</b>	<b>\$ 213,464</b>	<b>\$ 245,812</b>	<b>\$ 496,516</b>	<b>\$ 980,924</b>	<b>\$ 914,942</b>	<b>\$ 4,323,988</b>



The water and wastewater impact fees completed the year with revenues totaling 335% and 227% of the FY21 Budget, respectively. The FY21 Budget was developed conservatively as it was not known how the Covid pandemic would affect building activity in the City. Actual building activity surpassed those expectations. Water impact fees for FY21 increased \$146,635 or 24% more than FY20. Wastewater impact fees decreased \$51,830 or just over 5% compared to a year earlier. The City is expecting strong building activity to continue. As depicted in the Water and Wastewater Impact Fee Revenue Trend Graph above, data show that revenues received by the City continue to grow. The increase in these impact fees is not only due to strong building permit activity but also a result of increases in impact fee rates that became effective January 1, 2019, with an additional adjustment for water impact fees beginning on September 1, 2019.

In addition to the different type of impact fees paid, administrative expenses incurred when collecting the impact fees are charged to developers at a rate of 5% as allowed by law. 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	FY08-15	FY16	FY17	FY18	FY19	FY20	FY21	Total Admin Fees Collected
General	\$ 53,440	\$ 25,489	\$ 11,388	\$ 14,219	\$ 23,715	\$ 12,734	\$ 12,843	\$ 153,828
Water	\$ 46,185	\$ 14,016	\$ 10,276	\$ 12,578	\$ 17,490	\$ 31,275	\$ 37,905	\$ 169,726
Wastewater	\$ 51,293	\$ 13,821	\$ 10,478	\$ 12,052	\$ 24,083	\$ 47,814	\$ 44,477	\$ 204,018
<b>Total 5% Admin Fees</b>	<b>\$ 150,918</b>	<b>\$ 53,327</b>	<b>\$ 32,142</b>	<b>\$ 38,849</b>	<b>\$ 65,288</b>	<b>\$ 91,823</b>	<b>\$ 95,225</b>	<b>\$ 527,572</b>

Most impact fee revenues are trending strong for FY22. 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 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.

### FY21 Impact Fee Expenditures

The following table details the FY08-FY21 impact fee expenditures:

Expenditures/Transfers	FY08 -FY15	FY16	FY17	FY18	FY19	FY20	FY21	Total Expenditures
Paved Trails	\$3,913	\$184,460	\$63,095	\$3,838	\$11,693	\$50,190	\$55,676	\$372,864
Park Maintenance Bldg.	6,899	5,250	4,013	2,194	3,968	-	-	\$22,324
Emergency Services Ctr.	284,535	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
<b>Total Impact Fee Fund</b>	<b>\$679,703</b>	<b>\$568,137</b>	<b>\$454,579</b>	<b>\$121,478</b>	<b>\$320,034</b>	<b>\$50,190</b>	<b>\$55,676</b>	<b>\$2,249,796</b>
Water Impact Fee	3,333	146,946	965	510,491	333,408	69,921	22,264	\$ 1,087,329
Wastewater Impact Fee	801,882	208,954	7,012	-	136,973	1,000,000	661,963	\$ 2,816,784
<b>Total Enterprise Funds</b>	<b>\$805,215</b>	<b>\$355,900</b>	<b>\$7,977</b>	<b>\$510,491</b>	<b>\$470,381</b>	<b>\$1,069,921</b>	<b>\$684,227</b>	<b>\$3,904,112</b>

For FY21, paved trail impact fees continued to be expended for expansion of the City’s trail system. The majority of the allocation was for the paved trail on Voerman Road near the intersection with Monegan Road, which also included a pedestrian crossing signal. The total investment in paved trails totaled \$55,676. No impact fee costs were incurred for the Parks Maintenance Building, City Hall, Emergency Services Center or Stormwater in FY21. 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 future projects in the City’s CIP.

The FY21 allocation for water impact fees included \$22,264 in costs allocated to the Water Treatment Plant project. FY21 expenditures were amounts accrued from cash spent in FY22 but the work was performed in FY21. Looking forward, the FY22 budget included \$1,200,000 in impact fees for the Water Treatment Plant project of which the aforementioned \$22,264 has been spent. Other areas where impact fees are currently allocated include the South Water Storage & Production and Cast Iron Water Main Replacement projects.

The City also allocated \$661,963 in wastewater impact fees for the ongoing Wastewater Treatment Plant project. For wastewater impact fees, the FY22 Budget includes another \$1,000,000 allocation for the Wastewater Treatment Plant and \$150,00 for the Whitefish Urban Project - US93 Design and Construct projects.

**Recommendation**

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