

# DRAPER IRRIGATION COMPANY

## SUMMARY CULINARY WATER CAPITAL FACILITIES PLAN AND IMPACT FEE ANALYSIS

FEBRUARY 2003

We are holding a public hearing regarding our capital facilities plan and impact fees on March 11, 2003, at 8:30 p.m. at the Salt Lake Community College Miller Campus, 9750 South 300 West, Sandy, Utah. This summary of our Culinary Water Capital Facilities Plan and Impact Fee Analysis is presented to comply with the requirements of the Impact Fees Act, which require us to prepare a summary designed to be understood by a lay person. It is impossible to convey all of the information from our Capital Facilities Plan and Impact Fee Analysis in this summary format, however, and we encourage you to review the Capital Facilities Plan and Impact Fee Analysis for more information.

### **What is an impact fee?**

According to Utah law, an impact fee is a charge imposed, other than a tax, assessment, hookup fee, project improvement fee or other allowable fee, as a condition of development approval. In plain language, an impact fee is the fee we charge a developer to ensure that the costs of developing and operating our system are shared fairly among our existing customers and our new customers.

### **Why do we charge an impact fee?**

Over the last 114 years, our existing customers and their predecessors have gone to considerable effort and expense to acquire water rights and to develop our culinary water system, including water treatment and storage facilities and buying land for watershed protection. We are also planning for the future and evaluating our needs over the next ten years. We charge an impact fee to ensure that the costs for our existing facilities and the costs for system improvements are shared fairly among our existing customers and our new customers.

### **Are we raising our impact fee?**

No. Our impact fees are staying the same as they have been since our Board of Directors conducted a thorough review and set the impact fee in 2000.

### **If we are not changing our impact fee, why is there a public hearing?**

The 2002 Utah Legislature revised the Impact Fees Act, which had previously applied only to governmental entities, to apply to private irrigation companies like Draper Irrigation Company. Although the revised Impact Fees Act is unclear about whether we are required to hold a hearing on our existing impact fees or only on any changes to our impact fees, we have decided to hold a hearing on our existing impact fees.

## **How have we determined our culinary water impact fees?**

The following is a description of the impact fee calculations for a ¾-inch water meter, our most common size. Larger meter sizes are calculated in a substantially similar manner. Please remember that this is merely a summary. We encourage you to review our Culinary Water Capital Facilities Plan and Impact Fee Analysis for a detailed presentation of this process.

We have divided our impact fees into two parts. The first is based on the cost of our existing facilities that provide extra capacity for the benefit of future connections. We have determined the present-day value of these existing facilities, which include capital improvements, water rights, and watershed property. That value is \$16,620,800. We have then determined that it is appropriate that 50% of that cost be allocated to impact fees. That results in a value of \$8,310,400. We then divided that number by 11,872, which is the number of water connections we anticipate having when our franchise area is fully developed. The result is an existing facilities component of \$700 per connection.

The second part is based on the cost of system improvements we anticipate will be necessary to accommodate growth over a ten-year period. In making this calculation, we have determined the expenses for system improvement that we anticipate will be required by new development between 2000 and 2010. That number is \$6,503,463. We have then divided that number by the number of new connections we anticipate servicing during that ten-year period, which is 3,329. The result is a system improvement component of \$1,813 per connection.

When we combine the existing facility component and the system improvement component, we have a total impact fee of \$2,513 for each ¾-inch meter connection.

## **What will happen at the public hearing?**

At the public hearing, our Board of Directors will hear comments from the public on our capital facilities plan and impact fees. The Board may then choose to adopt the plan and culinary water impact fees as they are, may amend the plan or the impact fees, or may choose to take the plan and fees under consideration for later action. Under the Impact Fees Act, the only thing the Board cannot do is adopt an impact fee higher than it has proposed in the Impact Fee Enactment.