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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MONTANA
MISSOULA DIVISION

JEFF BECK, individually; AMY WEINBERG, individually; ZAC WEINBERG, individually; ALTA VIEWS, LLC; RIVERVIEW COMPANY, LLC; and on behalf of a class of similarly situated persons or entities, Plaintiffs, v. CITY OF WHITEFISH, a Montana municipality, and DOES 1-50, Defendants.	Cause No. CV-22-44-M-DLC-KLD **BRIEF IN SUPPORT OF FINANCIAL CONSULTING SOLUTION GROUP, INC.'S OPPOSITION TO MOTION FOR CLASS CERTIFICATION**

CITY OF WHITEFISH, a Montana municipality, Third-Party Plaintiff, v. FINANCIAL CONSULTING SOLUTIONS GROUP, INC., Third-Party Defendant.	

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I. INTRODUCTION[1]

Pursuant to Federal Rule of Civil Procedure 23, Third-Party Defendant Financial Consulting Solutions Group, Inc. ("FCS") requests that this Court deny Plaintiffs' Motion for Class Certification. As set out below, Plaintiffs bear the burden of satisfying the requirements of Rule 23. Because they cannot, this Court should deny their Motion.

II. PLAINTIFFS' PUTATIVE CLASS IDENTIFICATION

In their Motion, Plaintiffs identify the following class:

> All persons or entities who paid impact fees for water and wastewater services to Defendant City of Whitefish ("the City") from January 1, 2019 to the present.

(Doc. 40 at 7). Plaintiffs have excluded from this definition all past and present city officials and employees and mayors and city council members from January 1, 2019; the Judge and staff assigned to this case; all counsel in this matter; and the immediate family members of the same.

Notably absent from the class are current owners of the properties for which the impact fees were assessed, or the persons who owned the properties at whatever time the Court may, if ever, decide a refund was due.

[1] The City of Whitefish ("the City") has also filed a brief in opposition to Plaintiffs' Motion for Class Certification. Rather than simply repeat or rephrase those arguments, FCS adopts and incorporates the City's arguments by reference here.

III. FACTUAL BACKGROUND

An impact fee is a one-time fee imposed on new development to recover a fair share of the costs of existing and planned capital improvements of public facilities. *See* Mont. Code Ann. §§ 7-6-1601(5) (2021); 7-6-1603 (2021). Those improvements may include all improvements, land, and equipment with a useful life of 10 years or more that increase or improve the service capacity of a public facility. Mont. Code Ann. § 7-6-1601(1)(a). The impact fee is charged by a governmental entity as a part of the approval process for a development to fund the additional service capacity required by that development. Mont. Code Ann. § 7-6-1601(5)(a). A municipal government can also charge up to 5% of the total impact fee for administration. *Id.* The fee is designed to allow a municipal government to recover from a development the costs associated with that development's service demands and needs. Mont. Code Ann. § 7-6-1601(6).

The amount of the impact fee imposed "must be based upon the actual cost of the public facility expansion or improvements or reasonable estimates of the cost to be incurred . . . as a result of new development." Mont. Code Ann. § 7-6-1602(5). That calculation should be made in accordance with generally accepted accounting principles. *Id.* The fee must be "reasonably related" to the cost of infrastructure improvements made necessary by the new development, may not exceed the "proportionate share of the costs incurred or to be incurred" to accommodate the

new development, and cannot include costs for correcting existing deficiencies or for operations and maintenance. Mont. Code Ann. § 7-6-1602(7). Otherwise, the state has provided no other limitation on the methodology that a city must follow in calculating an impact fee, and in accordance with article XI of the Montana Constitution, a city has the power to choose the methodology that it will follow. *E.g.*, Mont. Const. art. XI, § 4(2) ("The powers of incorporated cities . . . shall be liberally construed."); Mont. Const. art. XI, § 6 (a city that adopts a self-government charter may exercise "any power not prohibited by this constitution, law, or charter"); Mont. Code Ann. § 7-1-103; *see also State ex rel. Swart v. Molitor*, 190 Mont. 515, 521, 621 P.2d 1100, 1104 (1981).

Here, the City of Whitefish, Montana, has charged impact fees since 2007. (Doc. 1, ¶ 8). In January of 2018, the City entered into an agreement with FCS for certain services related to the review and update of the City's impact fees. (Doc. 47, ¶ 3; Doc. 45-1). FCS did provide those services, and on August 27, 2018, FCS submitted an Impact Fee Update Final Report. Ex. 1: Impact Fee Update, Aug. 27, 2018. That report, using the information available to FCS at that time, set out the maximum defensible fees. *See id.* at 5.

The City subsequently prepared changes to the scope and costs of the capital improvements. (Doc. 1, ¶¶ 28-34). On November 19, 2018, the City passed and adopted Resolution No. 18-44, which set new impact fees. (Doc. 1, ¶ 9). That

resolution went into effect on January 1, 2019. *Id.* On July 15, 2019, the City passed and adopted Resolution No. 19-15, which set higher impact fees. (Doc. 1, ¶ 10). That resolution went into effect on September 1, 2019. *Id.*

Plaintiffs are allegedly all private property owners and building permit applicants in Whitefish, who at various points after January 1, 2019, were charged impact fees for water and wastewater. (Doc. 1, ¶ 12). Plaintiffs allege the City charges impact fees for water and wastewater based upon the size of a development's meter and the number of fixtures it would have. (Doc. 1, ¶ 18). They complain that the City has charged improper fees because the City did not conform to the Uniform Plumbing Code for its determination of the number of fixtures located in a development (Doc. 1, ¶¶ 21-26), that it has improperly included certain projects in its calculation of the fees (Doc. 1, ¶¶ 27-34), and charged for developments that did not impact the service demand on water or wastewater facilities (Doc. 1, ¶ 35). Additionally, in discovery, Plaintiffs have expanded their assertions of error, including alleging the City assessed fees citywide for projects that only served specific areas of town; the City "continues to charge" for projects it decided not to pursue at some point; and the impact fees "overestimate[] the impacts a 'New Single Family Residence (dwelling unit)' with a 3/4 inch water meter . . . has on water use and wastewater generation in the City." (Doc. 45-2 at 10–13).

IV. ARGUMENT

Class action certification constitutes an exception to the rule that litigation is conducted on behalf of individuals. *Comcast Corp. v. Behrend*, 569 U.S. 27, 33 (2013) (citation omitted). "To come within the exception, a party seeking to maintain a class action 'must affirmatively demonstrate his compliance' with Rule 23." *Id.* To determine whether certification of a class is appropriate, district courts must conduct a "rigorous analysis" of Rule 23's strict standards. *Wal-Mart Stores, Inc. v. Dukes*, 564 U.S. 338, 350-51 (2011).

"To receive class action treatment, the proposed lead plaintiff must meet the four requirements of Rule 23(a) and at least one requirement of Rule 23(b)." *Willis v. City of Seattle*, 943 F.3d 882, 885 (9th Cir. 2019). In the Complaint, the lead Plaintiffs assert two grounds for certification of a class action under Rule 23(b): predominance of common questions and superiority of a class action to adjudicate the claims. (Doc. 1, ¶ 43). Under Rule 23(a), the named Plaintiffs must also prove four threshold elements: (1) numerosity of the class; (2) commonality of factual or legal issues; (3) typicality of the claims and defenses relevant to the named plaintiffs; and (4) adequacy of representation.

For those reasons stated in the City's brief and as stated herein below, Plaintiffs cannot establish predominance or superiority under Rule 23(b) or

commonality, typicality, or adequacy of representation under Rule 23(a), and their Motion for Class Certification should be denied.

A. THE LEAD PLAINTIFFS FAIL TO ESTABLISH EITHER PREDOMINANCE OR SUPERIORITY UNDER RULE 23(b).

To certify a class, the proposed lead plaintiff must establish at least one of the requirements of Rule 23(b). *Willis*, 943 F.3d at 885. Plaintiffs plead, but cannot prove, two of the requirements: predominance and superiority. (Doc. 1, ¶ 43).

1. The Lead Plaintiffs Fail to Establish Predominance.

"The predominance inquiry tests whether proposed classes are sufficiently cohesive to warrant adjudication by representation." *Lara v. First Nat'l Ins. Co. of Am.*, 25 F.4th 1134, 1138 (9th Cir. 2022) (quoting *Tyson Foods Inc. v. Bouaphakeo*, 577 U.S. 442, 453 (2016)). The predominance standard "is even more demanding" than the requirements of Rule 23(a), and places an "exacting burden" on parties seeking class certification. *Comcast*, 569 U.S. at 34; *Olean Wholesale Grocery Coop., Inc. v. Bumble Bee Foods LLC*, 993 F.3d 774, 784 (9th Cir. 2021).

"Federal Rule of Civil Procedure 23(b)(3) only allows damages class actions if 'the court finds that questions of law or fact common to class members predominate over any questions affecting only individual members." *Lara*, 25 F.4th at 1138. A question affecting only individual members (or an "individual question") is defined as one "where members of a proposed class will need to present evidence

that varies from member to member." *Id.* (internal quotation marks omitted). A common question is one where "the same evidence will suffice for each member to make a prima facie showing [or] the issue is susceptible to generalized, class-wide proof." *Id*. (citation omitted). When the determination of the defendant's liability requires separate adjudication of each class member's individual claim, predominance is lacking, and class certification is appropriate. *See Zinser v. Accufix Rsch. Inst., Inc.*, 253 F.3d 1180, 1189 (9th Cir. 2001).

The damages analysis often distinguishes individual questions from common questions. To establish that common questions of law or fact predominate over individual questions, a party must show "that damages are capable of measurement on a classwide basis." *Comcast*, 569 U.S. at 34. "Otherwise 'questions of individual damage calculations will inevitably overwhelm questions common to the class.'" *Id*. "[T]he predominance inquiry asks whether the common, aggregation-enabling, issues in the case are more prevalent or important than the non-common, aggregation-defeating, individual issues." *Tyson Foods*, 577 U.S. at 453 (citation omitted).

a. Individualized questions predominate.

Plaintiffs seem to argue that the only question is whether the City improperly calculated the impact fees, but they acknowledge that the fees were charged based on "a number of different factors specific to individual developments[.]" (Doc. 40 at

16). Even this is an oversimplification of the issues that must be addressed. Even if the Plaintiffs can show the City improperly calculated or otherwise charged impact fees, they will be required to put on individualized proof to establish entitlement to and the amount of damages. Specifically, and assuming for the sake of this brief only that Plaintiffs succeed on their sundry allegations of error, each Plaintiff will be required to put on individualized evidence of the following:

1. The date when he or she paid an impact fee;
2. That he or she owns the property for which a fee was paid;
3. The size of the meter for the property;
4. The number and types of water and wastewater fixtures on the property;
5. The number of water and wastewater fixtures used in the calculation by the City;
6. Whether, based on the number of fixtures on the property, the City had already issued a refund;[2]
7. Whether the City had already decided not to pursue a project as of the date the impact fee was charged; and

[2] Prior to this suit being filed, the City acknowledged an issue in the way in which fixtures were being accounted for, and it was voluntarily addressing the issue. (*See* Doc. 20 at 3).

8. Whether the property is in an area of town served by each of the projects included in the impact fee.

b. Each Plaintiff must establish current ownership of the property.

Montana Code Annotated § 7-6-1603(1)(c) is controlling on the issue of a refund. If a refund is owed, it must be paid to the current owners of the property for which a fee was charged at the time the refund is due. *Id.* Plaintiffs appear to argue that the refund was due at the time of payment and, therefore, the original owner is due the refund. This argument ignores the plain language of the statute and Plaintiffs' own allegations related to the impropriety of the fees. Their argument also ignores the overwhelming authority that impact fee refunds are due to current property owners, regardless of whether the current property owner paid the impact fee in question. *See, e.g., Town of Londonderry v. Mesiti Dev., Inc.*, 129 A.3d 1012, 1017 (N.H. 2015) (citing to *K.L.N. Constr. Co., Inc. v. Town of Pelham*, 107 A.3d 658, 665 (N.H. 2014)) (to find impact fee refunds are owed to current property owners); *DeSoto Wildwood Dev., Inc. v. City of Lewisville*, 184 S.W.3d 814, 822 (Tex. Ct. App. 2006) (interpreting a similar Texas statute to require refunds be made to present property owners); *Raintree Homes, Inc. v. Vill. of Long Grove*, 807 N.E.2d 439, 447-48 (Ill. 2004) (developers lacked standing to request refund of impact fees because cost of impact fees had been passed on to purchasers of developed land).

The statute requires the refund to be made to the owner of the property at the time the refund is due. Mont. Code Ann. § 7-6-1603(1)(c). No such refund has been determined to be due at this time. In addition, part of Plaintiffs' Complaint is that certain impact fees collected are for projects that were originally appropriate for use in the impact-fee calculation but for which there have been changes made and no money spent. (*See* Doc. 1, ¶¶ 28-34). Because at least some of those scope changes and lack of spending occurred after the Plaintiffs paid their individual impact fee assessment and potentially after they transferred ownership of the property, the law must require either that a refund be issued to the current owner of the property or that an individualized analysis be performed to determine who the owner of the property was at the time the refund became due.

c. Each Plaintiff must establish an individualized injury.

As set out above, even if Plaintiffs can show that the City charged an improper fee and that they are the proper party to receive a refund, each must show an individual entitlement to that refund and its amount. As stated in their Complaint, Plaintiffs allege that the impact fees for water and wastewater were charged "by applying the base rates for a specific sized meter and multiplying any excess fixture units, above a base level of fixture units determined for that meter size, by a cost per fixture." (Doc. 1, ¶ 18). To establish damages, then, each property owner will be required to prove the size of the meter on the property, the number of fixtures on the

property, the number of fixtures for the property used by the City in its calculation, and the amount of any previously administered refund, if any. Because each Plaintiff must provide individualized evidence on each of those issues, individualized questions predominate over any common issues.

The Ninth Circuit Court of Appeal's recent decision in *Lara* is dispositive of this certification question. In that case, the Ninth Circuit addressed the predominance inquiry with respect to an insurer's method of valuing totaled vehicles pursuant to a Washington state regulation. Plaintiffs sued Liberty Mutual ("Liberty"), an auto insurer, and CCC Intelligent Solutions ("CCC"), a company that Liberty engages to value auto losses. The Court explained Liberty's valuation process:

> A car is 'totaled' when it makes more sense to salvage the car than to fix it. When that happens, the insurance company has to figure out how much the car was worth before the accident, so it knows how much to pay the insured. In Washington, the insurer only has to pay the 'actual cash value' of the car—the 'fair market value.' Wash. Admin. Code § 284-30-320(1). Paying the actual cash value requires the insurer to figure out how much the car would have been sold for before the accident. Looking at the car after the accident doesn't always indicate its worth before, so Liberty values the totaled car with a multi-step process involving a separate company (CCC, the other defendant).

Lara, 25 F.4th at 1136. The valuation process used by Liberty involves multiple factors, including CCC's valuation of comparable autos. CCC provides a report to Liberty, and Liberty's adjuster then makes an offer to the insured which is usually but not always based on the CCC report. If the insured accepts the offer based on

Liberty's valuation of "actual cash value," the process is concluded. If the insured does not agree with the valuation, either party may invoke an appraisal process. *Id.*

The Court in *Lara* acknowledged that "whether Liberty and CCC's condition adjustment violates the Washington state regulation is a common question." However, the Court noted that plaintiffs must also establish injury, which "would require an individualized determination for each plaintiff." *Id.* The Court reasoned:

> [F]iguring out whether each individual putative class member was harmed would involve an inquiry specific to that person. More particularly, it would involve looking into the actual pre-accident value of the car and then comparing that with what each person was offered, to see if the offer was less than the actual value. **Because this would be an involved inquiry for each person, common questions do not predominate.**

Lara, 25 F.4th at 1139 (emphasis added).

Plaintiffs' claims involve multiple factual determinations specific to each claim. According to the Plaintiffs' own allegations, the timing of when each impact fee was paid, the location of the property and whether it was served by each of the projects underlying the impact fee, and which fees each putative class member paid are all pertinent to the amount of refund they are allegedly entitled to. Moreover, it is still not clear what the basis is for some of the Plaintiffs' allegations of error (e.g., that the City overestimated the impact a dwelling using a 3/4 meter has on the water or wastewater system) and these allegations may require yet more individualized

inquiry. Because of that, like in *Lara*, this Court should find that common questions do not predominate and deny Plaintiffs' Motion for Class Certification.

2. The Lead Plaintiffs Fail to Establish Superiority.

As held by the Ninth Circuit in *Lara*, the assertion of superiority fails for the same reason as the assertion of predominance. "A class action here would involve adjudicating issues specific to each class member's claim, and that would be unmanageable. Individual trials would be a better way to adjudicate these issues." *Id.* In *Lara*, the claims required individual adjudication of the actual cash value of totaled automobiles, which required analysis of multiple factors. The same is true in determining Plaintiffs' damages here.

"In considering the superiority requirement, a district court must . . . consider how a trial on the alleged causes of action would be tried." *Robinson v. Tex. Auto. Dealers Ass'n*, 387 F.3d 416, 425 (5th Cir. 2004) (citations and internal quotation marks omitted). Courts should not certify classes based on "a figure-it-out-as-we-go-along approach." *Robinson*, 387 F.3d at 426. When "each class member has to litigate numerous and substantial separate issues to establish his or her right to recover individually, a class action is not superior." *Zinser*, 253 F.3d at 1192 (citations and internal quotation marks omitted). Such is the case here. To establish damages, each Plaintiff would be required to put on individualized proof, and certification of the class would require a multitude of mini-trials in each claim.

Having failed to establish either predominance or superiority, certification of the classes must be denied in accordance with Rule 23(b). *Schwartz v. Upper Deck*, 183 F.R.D. 672, 675 (S.D. Cal. 1999) (citations omitted).

B. LEAD PLAINTIFFS FAIL TO SATISFY 23(a)'S REQUIREMENTS.

Federal Rule of Civil Procedure 23(a) requires lead Plaintiffs to prove threshold elements for certification: (1) numerosity of the class; (2) commonality of factual or legal issues; (3) typicality of claims and defense relevant to the named plaintiff; and (4) adequacy of representation. If even one of these four requirements is not met, the Plaintiffs cannot serve as representative parties, and the Court should not certify the proposed class. Here, because at least some of the Plaintiffs' claims are subject to unique defenses and because they are not adequate representatives, Plaintiffs cannot satisfy the standards of Rule 23(a), and this Court should deny their Motion for Class Certification.

1. Plaintiffs' claims are subject to unique defenses and are not typical.

Typicality requires proof that the named plaintiff's action "is based on conduct which is not unique to named plaintiffs" and that "other class members have been injured by the same course of conduct." *Hanon v. Dataproducts Corp.*, 976 F.2d 497, 508 (9th Cir. 1992) (citation omitted). Typicality is also lacking where the named plaintiff's claim is subject to a unique defense. *See Coughlin v. Sears*

Holdings Corp., No. SACV 80-00015-CJC(RBNx), 2010 WL 4403089, at *5-6 (C.D. Cal, Oct. 26, 2010); *Aberdeen v. Toyota Motor Sales, U.S.A. Inc.*, 422 F. App'x 617, 618 (9th Cir. 2011) (citations omitted).

Here, the Plaintiffs cannot meet the typicality requirement because several of them (Beck, Weinbergs, Alta Views[3]) either do not own any or all the properties for which they claim entitlement to a refund. As set out above, Montana law requires that a refund be made to the property owner at the time the refund was due. Because at least four of the named Plaintiffs have claims that are subject to a unique defense, they do not meet the typicality requirement of Rule 23(a), and the Court should deny their Motion for Class Certification.

2. Adequacy

To determine adequacy of the lead plaintiffs, courts consider two questions: "'(1) do the named plaintiffs and their counsel have any conflicts of interest with other class members and (2) will the named plaintiffs and their counsel prosecute the action vigorously on behalf of the class[.]'" *In re Hyundai & Kai Fuel Econ. Litig.*, 926 F.3d 539, 566 (9th Cir. 2019) (citation omitted). Plaintiffs aver that they

[3] Please see exhibits (Docs. 75-2 to 75-4) attached to the City's brief opposing class certification. (Dec. 28, 2022 Email (showing Beck does not own property for which they have paid the impact fee); Deed of 748 Cottonwood Ct. (showing that the Weinbergs do not own any property for which he has paid the impact fee); Nov. 9, 2022 Email (showing that Alta Views now owns only two of the properties for which it has paid the impact fee)).

will adequately and fairly protect the interests of the class. However, lead plaintiffs are inherently unable to represent the broadly defined class.

Rule 23(a)'s requirements "effectively limit the class claims to those fairly encompassed by the named plaintiff's claims." *Dukes*, 564 U.S. at 349 (citation and internal quotation marks omitted).

Here, as set out herein, at least a portion of lead Plaintiffs no longer own property for which the subject impact fees were imposed. Because Montana law (Mont. Code Ann. § 7-6-1603(1)(c)) dictates that any refund be paid to the property owner at the time the refund is due, lead Plaintiffs have a conflict of interest with other potential class members.

In summary, lead Plaintiffs have failed to satisfy requirements of Rule 23(a). Class certification is inappropriate because they have not established typicality and adequacy. "Failure to prove any one of Rule 23's requirements destroy the alleged class action." *Schwartz*, 183 F.R.D. at 675 (citation omitted). Because of that, this Court should deny Plaintiffs' Motion for Class Certification.

V. CONCLUSION

Plaintiffs bear the burden of satisfying the requirements of Federal Rule of Civil Procedure 23. To do so, this Court must find that Plaintiffs have proven the requirements of (1) numerosity; (2) commonality; (3) typicality; and (4) adequacy. *See* Fed. R. Civ. P. 23(a). As set out in the City's opposition brief and herein,

Plaintiffs have not met their burden as to each of these elements, and the Court should not certify the class. Moreover, even if Plaintiffs can satisfy the requirements of Rule 23(a), they must also establish that common questions of law predominate over questions involving individual members and that a class action is a superior means of resolving this matter. Plaintiffs have not met their burden as to each of these elements providing further support for the Court to deny Plaintiffs' Motion for Class Certification.

Respectfully submitted this 3rd day of March 2023.

HALL BOOTH SMITH, P.C.
Attorneys for Financial Consulting Solutions Group, Inc.

/s/ Jori Quinlan
Jori Quinlan

CERTIFICATE OF COMPLIANCE

Pursuant to L. R. 7.1(d)(2)(E), I certify that this brief is printed with proportionately spaced, 14-point Times New Roman typeface; is double-spaced; and the word count, calculated by Microsoft Word for Microsoft 365 MSO, is 3,991 words, excluding the Caption, Certificate of Compliance, Table of Contents, Table of Authorities, and Exhibit Index.

HALL BOOTH SMITH, P.C.
Attorneys for Financial Consulting Solutions Group, Inc.

/s/ Jori Quinlan
Jori Quinlan

City of Whitefish

IMPACT FEE UPDATE

FINAL REPORT

August 27, 2018

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FCS GROUP
Solutions-Oriented Consulting

August 27, 2018

Dana Smith, Finance Director
City of Whitefish
418 E Second St.
Whitefish, MT 59937

Subject: Impact Fees Update

Dear Ms. Smith:

FCS GROUP is pleased to submit this report summarizing the results of the Impact Fee study for the City of Whitefish's water, wastewater and stormwater utilities, as well as City Hall, the Emergency Services Center, the Park Maintenance Building, and the Trail System. Our findings indicate that Whitefish can adopt:

- **A Water Impact Fee of $1,163 per Equivalent Residential Unit (ERU)**
- **A Wastewater Impact Fee of $3,384 per Equivalent Residential Unit (ERU)**
- **A Stormwater Impact Fee of $181 per Equivalent Residential Unit (ERU)**
- **A City Hall Impact Fee of $47 per dwelling or $0.023 per SF**
- **An Emergency Service Facility Impact Fee of $446 per dwelling or $0.219 per SF**
- **A Park Maintenance Building Impact Fee of $134 per dwelling, $49 per lodging room and $0.013 per SF of other residential and non-residential SF**
- **A Trail System Impact Fee of $2,579 per Dwelling, $950 per lodging room and $0.25 per SF of other residential and non-residential development SF**

It has been a pleasure to work with you and other City of Whitefish staff on this effort. Please let me know if you have any questions or need additional information on this report. I can be reached at (503) 374-0676.

Yours very truly,

Todd Chase, AICP, LEED
Principal

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Section I. INTRODUCTION

The City of Whitefish is a growing city with increasing demands for services. In 2018, the City of Whitefish, Montana ("City") contracted with FCS GROUP to calculate updated impact fees for its water, wastewater, and stormwater utilities, as well as its City Hall, Emergency Services building, Park Maintenance building, and Trails system.

These fees recover an equitable share of system costs from growth, recognizing the investments in infrastructure that the City has made (as well as the future investments that it will have to make) to provide capacity to serve growth. Consistent with these objectives, this study included the following key elements:

- **Overview of Montana Laws and Methodology Alternatives.** We worked with City staff to examine previous Impact Fee methodologies, and develop alternative approaches in compliance with Montana law.
- **Develop Policy Framework.** We worked with City staff to identify, analyze, and agree on key assumptions and policy issues.
- **Technical Analysis.** In this step, we worked with City of Whitefish staff to resolve technical issues, isolate the recoverable portion of existing and planned facility costs, and calculate fee alternatives. The most important technical consideration involves the inclusion of planned capacity improvements and their unique relationship to growth.
- **Documentation and Presentation.** In this step, we presented preliminary findings to the City Council and summarized findings and recommendations in this report.

Section II. Impact Fee Calculation Overview

II.A. Legal Authority and Conceptual Basis

An Impact Fee is a one-time fee imposed on new development (and redevelopment resulting in a net increase in capacity requirements) to recover a fair share of the cost of existing and planned facilities. Montana Code Annotated 7-6-1602 as well as 7-6-1603 provides specific instructions on the methodology for calculating impact fees. These can be broken down into three main categories:

1. Reimbursement component: the ability to recover cost for existing excess capacity in capital facilities

> Montana Code allows for a government entity to "recoup costs of excess capacity in existing capital facilities" (7-6-1603 (3)). This means that existing investments in capacity beyond the level of service needs for existing customers can be recovered through impact fees. Government entities can recoup investments made in preparation for growth.
>
> However, this calculation requires specific data from the governmental entity. In particular, the report must describe existing facility conditions (7-6-1602 (2a)). This could show current assets and the excess (or limited) capacity for growth within these assets. Reimbursement fee proceeds may be spent on any capital improvements related to the systems for which the Impact Fee is applied – i.e., water Impact Fees must be spent on water improvements.

2. Improvement component: the ability to recover anticipated future cost for meeting additional capacity needs from growth.

> The improvement fee methodology must include only the cost of projected capital improvements or portions of improvements needed to increase system capacity for future users. In other words, the cost(s) of planned projects or portions of projects that correct existing deficiencies, or do not otherwise increase capacity for future users, may not be included in the improvement fee calculation.

3. Customer base: the calculation used for determining the impact fee unit, timing, and growth potential.

The prior two components (reimbursement and improvement) describe the recoverable costs allowed for in the Montana State Code. The customer base component defines the unit and growth through which the fee is ultimately calculated.

II.B. REIMBURSEMENT FEE METHODOLOGY

The reimbursement fee calculation divides the dollar value of unused system capacity by the capacity it will serve. The unit of capacity used becomes the basis of the fee – e.g., meter equivalents, water fixture units, or equivalent residential units (ERUs). Important factors in this calculation include:

1. **Determining the appropriate reimbursement fee cost basis**. Montana Code 7-6-1603 (3) states that "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". We use an *original cost* approach to calculating the cost basis, considering the original cost of existing facilities at the time they were constructed. This approach fully compensates existing customers for their investments in facilities that can serve growth.

2. **Deductions from the reimbursement fee cost basis**. The reimbursement fee calculation excludes gifted or grant-funded portions of assets since they do not represent a direct investment by the City. We also deduct a portion of outstanding debt principal from the reimbursement fee cost basis to recognize the share of debt expected to be paid by new customers for their share of assets funded by outstanding debt through the debt service included in their monthly rates or property taxes.

II.C. IMPROVEMENT FEE METHODOLOGY

The improvement fee calculation divides the total cost of capacity-increasing capital projects by the projected growth in "units" of demand for each public facility type. The key issue to consider in this calculation is to separate costs related to projects that increase system capacity from those that do not. Some projects are partially attributable to existing needs/deficiencies, but also increase capacity to serve growth – it is important to allocate these costs between growth and existing customers. For this purpose, we use the most directly applicable measure of capacity (supply capacity, storage capacity, etc.).

II.D. CUSTOMER BASE METHODOLOGY

This begins with establishing a level-of-service standard (7-6-1602 (2b)). The level-of-service reflects the defined level of service a customer would receive for the utility or service in question. For example with trails, the level of service is measured in linear feet per capita. With sewer, level of service can be measured by treatment capacity per equivalent residential unit. Unless otherwise

noted, the future customer base calculation escalates the last documented value (population, number of households, employment, etc.) by 2.0% annually. This growth rate was selected by City staff based upon historical growth rates.

II.E. ADMINISTRATIVE COSTS

Montana Code 7-6-1601 (5a) authorizes the inclusion of "a fee for the administration of the impact fee not to exceed 5% of the total impact fee collected." To avoid spending monies for compliance that might otherwise have been spent on growth-related projects, this report includes an estimate of administrative costs in its Impact Fees.

II.F. CALCULATION SUMMARY

An Impact Fee is calculated by adding the reimbursement fee component to the improvement fee component. Each separate component is calculated by dividing the eligible cost by the appropriate measure of growth in capacity. The unit of capacity used becomes the basis of the charge. A sample calculation is shown below.

Equation II-1: Simplified Impact Fee Equation

Reimbursement Fee		Improvement Fee		Administrative Cost		Impact Fee
Eligible costs of available capacity in existing facilities / Growth in equivalent units	+	Eligible costs of capacity-increasing capital improvements / Growth in equivalent units	+	Administrative costs of complying with Montana Impact Fee Law	=	Impact Fee ($/unit)

II.G. IMPACT FEE IMPROVEMENT FEE CREDITS

The law states that credits may be provided against the improvement fee for the construction of qualified public facilities. Montana Code 7-6-163-03 (4) states that credits may be provided against the impact fee for:

(a) "the need for the dedication or construction is clearly documented"

(b) "the land proposed for dedication is determined to be appropriate"

(c) "formulas or procedures for determining the worth of proposed dedications or constructions are established"

The challenge is to design a credit approach that meets statutory requirements and the City's objectives for cash flow, prioritization of capital projects, and orderly but sustained development. We believe it is important for the City of Whitefish to retain as much control as possible over the prioritization and implementation of its capital plans, which address total system needs (existing customers and growth). Without control over how and when those needs are addressed, the re-prioritization of projects over time can leave important capacity needs unmet.

To avoid this outcome, the City should only offer credits upon the completion of a "qualified public improvement" that has been identified in the City's capital improvement program and other adopted long-range public facility plans. Credits should not be transferable to other developers, and should be limited to the portion of the agreed-upon or planned cost of capacity in excess of that needed to serve the particular development.

II.H. IMPACT FEE COMPARISONS—MONTANA CITIES

As indicted in **Table II-1**, the City of Whitefish, which has not materially increased its impact fees since 2007, now has the lowest aggregate fees among the cities surveyed (survey as of March 1, 2018). The maximum defensible fee per this impact fee update would result in an overall fee increase from $5,561 (current) to $7,934 (proposed) for a typical new single family detached home.

Table II-1. Total Impact Fees for a New Single Family Residence (dwelling unit)*

	Water	Wastewater	Stormwater	City Hall/ General	ESC/Fire	Parks/Trails	Police	Streets	Total
Whitefish (current)	$1,641	$1,654	$210	$771	$814	$29 + $442	$0	$0	$5,561
Whitefish (new maximum defensible)	$1,163	$3,384	$181	$47	$446	$134 + $2,579	$0	$0	$7,934
Missoula	$2,000	$2,100	$0	$270	$128	$480	$23	$1,359	$6,360
Bozeman	$2,547	$1,179	$0	$0	382	$0	$0	$5,037	$9,145
Kalispell	$2,567	$5,757	$1,121	$0	$483	$0	$41	$0	$9,969

*charges for water and sewer assume base rate for a ¾ inch meter.

Section III. WATER IMPACT FEE UPDATE

This section provides detailed calculations supporting the recommended Water Impact Fee.

III.A. SYSTEM CAPACITY & CUSTOMER BASE

The Water Impact Fee calculation expresses the customer base in terms of Equivalent Residential Units (ERUs), recognizing the potential demand that each meter imposes on the City's water system. 2018 customer data provided by the City, indicates that the City currently serves 4,644 ERUs. Table ES-1 of the City's 2006 Water Master Plan provides a planned capacity of 5.5 million gallons per day (MGD). Data provided by the city indicates that the current Maximum Daily Demand on the system is 3.46 (MGD). The average ERU within the city thus consumes 744 gallons per day (3,460,000 / 4,644 ERUs). Assuming this remains constant, the future supported capacity of the system will be 7,391 ERUs, leaving 2,747 ERUs in remaining planned capacity.

III.B. REIMBURSEMENT FEE COST BASIS

The water system reimbursement fee calculation divides the eligible cost of unused capacity in the existing system by the capacity for additional ERUs to compute the reimbursement fee per ERU. The reimbursement fee cost basis includes the following elements:

- **Original Cost of Existing Assets:** The water utility's fixed asset schedule indicates that as of October 1, 2017, the utility had a total of $17,807,521 in assets.
- **Deduction – Contributed Capital:** The reimbursement fee cost basis excludes contributed assets since they do not represent infrastructure investments made by current ratepayers. Information from the City's 2012 Impact Fees update indicates that $2,380,005 of contributed capital exists for the water utility. This estimate does not apply to equipment, vehicles, and miscellaneous (other) assets, which this analysis assumes have been fully funded by the utility.
- **Deduction – Debt Principal Outstanding:** Debt principal represents liabilities incurred by previous users of the system that must be paid by both existing and new customers. Therefore, it is not Impact Fee eligible. The water utility currently has outstanding debt principal of approximately $9.69 million of which $122,114 (1.26%) is considered to be capacity related and eligible as an impact fee deduction.
- **Adjustment – Unused Capacity:** The final adjustment to the reimbursement fee cost basis involves allocating the eligible cost between existing customers (used capacity) and growth (unused capacity). **Table III-1** summarizes the calculation used to estimate the share of existing system capacity that is available to serve growth.

Table III-1 indicates that the City has 3.50 MGD (2,431 GPM) of water treatment cell capacity, and that 0.04 MGD of that capacity (1.26%) is available to meet additional demands from growth. This represents the share of the net cost of the existing system that the City can include in the reimbursement fee.

Table III-1: Analysis of Water System Capacity Available for Growth

Water	
Supply & Treatment	
2018 Max Day Demand	3.46 MGD
2018 Existing Capacity	3.50 MGD
Capacity Remaining	**0.04 MGD**
Capacity Remaining (%)	**1.26%**
Storage	
2015 Estimated Demand	0.41 MGD
2018 Escalated Demand	0.43 MGD
2018 Existing Capacity	2.05 MGD
Capacity Remaining	**1.62 MGD**
Capacity Remaining (%)	**79.19%**
Distribution	
2018 Escalated Demand	3.46 MGD
2018 Existing Capacity	3.50 MGD
Capacity Remaining	**0.04 MGD**
Capacity Remaining (%)	**1.26%**
General Plant	
2018 Escalated Demand	3.46 MGD
2018 Existing Capacity	3.50 MGD
Capacity Remaining	**0.04 MGD**
Capacity Remaining (%)	**1.26%**

Table III-2 summarizes the reimbursement fee cost basis.

Table III-2: Water System Reimbursement Fee Cost Basis

Reimbursement Fee Cost Basis	
Original Cost of Assets	$ 17,807,521
less: Contributed Capital	(2,380,005)
Multiplied by: Remaining Capacity	x 1.26%
Subtotal:	$357,814
Less: Debt Principal Outstanding	(122,114)
Reimbursement Total:	$ 235,699

III.C. IMPROVEMENT FEE COST BASIS

The calculation of the improvement fee divides the eligible cost of capacity-increasing capital projects by the estimated growth in ERUs. The improvement fee cost basis includes:

- **Current (Uninflated) Cost of Capital Projects:** The water utility capital improvement program (CIP) includes $11,595,000 in capital project costs.
- **Deduction – Outside Sources:** The cost basis excludes expected funding from resources external to the water utility, recognizing that this funding does not represent infrastructure investments made by current ratepayers. The City does not currently plan on funding any future capital project with outside sources.
- **Deduction – Projects Funding Existing Needs:** Consistent with Montana requirements, the improvement fee cost basis excludes projects that do not expand capacity to serve growth. The total value of growth eligible projects is $4,109,462.

- **Deduction – Impact Fee Fund Balance:** The improvement fee cost basis includes a deduction for the amount of cash that the City has in its Impact Fee Fund to offset the cost of growth-related projects.

Table III-3 summarizes the improvement fee cost basis; which equates to $2,806,538 or 24.3% of the projected total future capital improvement cost.

Table III-3: Water Improvement Fee Cost Basis

Capital Project	Year	Current Cost (Uninflated)	% Utility-Funded	% Allocable to Growth	Amount In Cost Basis
South Water Reservoir	2018	$ 3,500,000	100.0%	42.9%	$ 1,500,000
Water Treatment Plant Expansion	2018	5,000,000	100.0%	50.0%	2,500,000
Reinstate First Creek Supply	2019	100,000	100.0%	37.2%	37,164
Central Avenue	2018	200,000	100.0%	0.0%	-
Park Avenue (E 8th St. to E 10th)	2018	150,000	100.0%	33.3%	50,000
Cast Iron Water Main Replacement	2018	500,000	100.0%	0.0%	-
Karrow Avenue Loop – Design & Construct	2020	1,000,000	100.0%	0.0%	-
Whitefish Urban Project – US 93 – Design and Construct	2022	1,000,000	100.0%	0.0%	-
Armory Road Watermain Railroad Crossing	TBD	TBD	100.0%	0.0%	-
Flathead Watermain Extension	2019	60,000	100.0%	37.2%	22,298
Suncrest Conversion Pumping Station	2018	50,000	100.0%	0.0%	-
Whitefish Lake Pump Station	2018	TBD	100.0%	0.0%	-
Lower Grousse Pumps	2019	15,000	100.0%	0.0%	-
Emergency Services Center / Public Works Expansion	2018	20,000	100.0%	0.0%	-
Less: Existing Water Impact Fee Fund Balance					(1,302,924)
Total		**$11,545,000**			**$2,806,538**

III.D. ADMINISTRATIVE COSTS

Montana Code allows the Impact Fee cost basis to include annual administrative costs and the (amortized) cost of developing Impact Fees. The maximum charge is 5%.

III.E. SUMMARY OF IMPACT FEE CALCULATION

Table III- provides a summary of the updated Impact Fee calculation.

Table III-4: Summary of Updated Water Impact Fee

Water Impact Fee Calculation	Reimbursement Fee	Improvement Fee	Administrative Fee	Total
Total Costs	$235,699	$2,806,538	5%	$3,194,349
Growth in ERUs	2,747	2,747		2,747
Charge per ERU	**$86**	**$1,022**	**$55**	**$1,163**
			Existing Impact Fee per ERU	**$1,563**
			Difference	**($400)**

III.F. RESIDENTIAL AND NON-RESIDENTIAL CHARGES

It is recommended that the City retain its current water impact fee charge procedure, which calculates residential and non-residential water impact fees based on meter size and plumbing fixture counts. As such, the impact fee per ERU is to be assessed as shown in **Table III-5**.

Table III-5: Summary of Updated Water Impact Fee by Meter Size

Meter Size (inches)	Weighting Factor	Base Impact Fee	Base # of Fixture Units	Additional Cost per Fixture Unit Above Base
5/8	1.0	$1,163	-	
3/4	1.0	$1,163	21	$38.75
1	1.5	$1,744	36	$38.75
1.5	2.5	$2,907	66	$25.27
2	5.0	$5,813	181	$19.38
3	8.0	$9,301	361	$18.50
4	15.0	$17,439	801	$11.63
6	25.0	$29,066	1,801	$10.38

Section IV. WASTEWATER IMPACT FEE UPDATE

This section provides detailed calculations supporting the recommended Wastewater Impact Fee.

IV.A. SYSTEM CAPACITY & CUSTOMER BASE

The Wastewater Impact Fee calculation expresses the customer base in terms of Equivalent Residential Units (ERUs), recognizing the potential demand that each meter imposes on the City's wastewater system. 2018 customer data provided by the City, indicates that the City currently serves 4,644 ERUs. The 2016 Wastewater Treatment Plant plan (pg. 3) indicates that the Average Day Demand per ERU for the City is 218 gallons. Information provided by the City indicates the planned capacity of the Wastewater Treatment plant is 1.59 MGD, supporting a capacity of 7,278 ERUs. This leaves a planned capacity of 2,634 additional ERUs.

IV.B. REIMBURSEMENT FEE COST BASIS

The wastewater system reimbursement fee calculation divides the eligible cost of unused capacity in the existing system by the capacity for additional ERUs to compute the reimbursement fee per ERU. The reimbursement fee cost basis includes the following elements:

- **Original Cost of Existing Assets:** The wastewater utility's fixed asset schedule indicates that as of October 1, 2017, the utility had a total of $25,772,499 in assets.
- **Deduction – Contributed Capital:** The reimbursement fee cost basis excludes contributed assets since they do not represent infrastructure investments made by current ratepayers. Information from the City's 2012 Impact Fees update indicates that $7,845,391 of contributed capital exists for the wastewater utility.
- **Deduction – Debt Principal Outstanding:** Debt principal represents liabilities incurred by previous users of the system that must be paid by both existing and new customers. Therefore, it is not Impact Fee eligible. The wastewater utility currently has outstanding debt principal of approximately $3.4 million of which $640,291 (18.84%) is considered to be capacity related and eligible as an impact fee deduction.
- **Adjustment – Unused Capacity:** The final adjustment to the reimbursement fee cost basis involves allocating the eligible cost between existing customers (used capacity) and growth (unused capacity). **Table IV-1** summarizes the calculation used to estimate the share of existing system capacity that is available to serve growth.

Table IV-1: Analysis of Wastewater System Capacity Available for Growth

Wastewater Capacity Analysis	
Treatment Plant	
2015 Estimated Demand	0.96 MGD
2018 Escalated Demand	1.01 MGD
2018 Existing Capacity	1.25 MGD
Capacity Remaining	**0.24 MGD**
Capacity Remaining (%)	**18.84%**
Collection Plant	
2018 Escalated Demand	1.01 MGD
2018 Existing Capacity	1.25 MGD
Capacity Remaining	**0.24 MGD**
Capacity Remaining (%)	**18.84%**
General Plant	
2018 Escalated Demand	1.01 MGD
2018 Existing Capacity	1.25 MGD
Capacity Remaining	**0.24 MGD**
Capacity Remaining (%)	**18.84%**

Table IV-1 indicates that the City has 1.25 MGD (868 GPM) of treatment capacity, and that 0.24 MGD of that capacity (18.84%) is available to meet additional demands from growth. This represents the share of the net cost of the existing system that the City can include in the reimbursement fee.

Table IV-2 summarizes the reimbursement fee cost basis.

Table IV-2: Wastewater Utility Reimbursement Fee Cost Basis

Reimbursement Fee Cost Basis	
Original Cost of Assets	$ 25,772,499
less: Contributed Capital	(7,845,391)
Multiplied by: Remaining Capacity	x 18.84%
Subtotal:	$3,377,254
Less: Debt Principal Outstanding	(640,291)
Reimbursement Total:	$ 2,736,963

IV.C. IMPROVEMENT FEE COST BASIS

The calculation of the improvement fee divides the eligible cost of capacity-increasing capital projects by the estimated growth in ERUs. The improvement fee cost basis includes:

- **Current (Uninflated) Cost of Capital Projects:** The wastewater utility capital improvement program (CIP) includes $24,475,000 in capital project costs.
- **Deduction – Outside Sources:** The cost basis excludes expected funding from resources external to the wastewater utility, recognizing that this funding does not represent infrastructure investments made by current ratepayers. The City currently plans on funding $236,250 for its future capital project with outside sources.
- **Deduction – Projects Funding Existing Needs:** Consistent with Montana requirements, the improvement fee cost basis excludes projects that do not expand capacity to serve growth. The total value of growth eligible projects is $6,248,000.
- **Deduction – Impact Fee Fund Balance:** The improvement fee cost basis includes a deduction for the amount of cash that the City has in its Impact Fee Fund to offset the cost of growth-related projects.

Table IV-3 summarizes the improvement fee cost basis; which equates to $5,753,095 or 23.5% of the projected total future capital improvement cost.

Table IV-3: Wastewater Improvement Fee Cost Basis

Capital Project	Year	Current Cost (Uninflated)	% Utility-Funded	% Allocable to Growth	Amount In Cost Basis
WWTP Improvements – Design	2018	$ 1,000,000	100.0%	27.0%	$ 270,000
WWTP Improvements	2019	17,725,000	95.0%	27.0%	4,428,000
Manhole & Pipe Rehab	2018	250,000	100.0%	0.0%	-
Flathead Ave. Sewer	2018	100,000	100.0%	100.0%	100,000
Sewer Main Upgrade N of Hospital – Greenwood to Columbia	2018	125,000	100.0%	0.0%	-
Piping – Future Capacity Enhancements	2019	400,000	100.0%	30.0%	120,000
Whitefish Urban Project – US 93 – Design & Construct	2021	200,000	100.0%	0.0%	-
Cow Creek Sewer Extension	2022	880,000	100.0%	28.41%	250,000
Generator (Emergency Power) & Access Improvements	2018	110,000	100.0%	0.0%	-
Glenwood Lift Station	2018	15,000	100.0%	0.0%	-
Houston Point Lift Station	2019	100,000	100.0%	0.0%	-
Emergency Services Center / Public Works Expansion	2018	20,000	100.0%	0.0%	-
Solar Array	2018	4,000,000	100.0%	27.0%	1,080,000
Less: Existing Wastewater Impact Fee Fund Balance					(494,905)
Total		**$24,475,000**			**$5,753,095**

IV.D. ADMINISTRATIVE COSTS

Montana Code allows the Impact Fee cost basis to include annual administrative costs and the (amortized) cost of developing Impact Fees. The maximum charge is 5%.

IV.E. SUMMARY OF IMPACT FEE CALCULATION

Table III- provides a summary of the updated Impact Fee calculation.

Table IV-4: Summary of Updated Wastewater Impact Fee

Wastewater Impact Fee Calculation	Reimbursement Fee	Improvement Fee	Administrative Fee	Total
Total Costs	$2,736,963	$5,753,095	5%	$8,490,058
Growth in ERUs	2,634	2,634		2,634
Charge per ERU	**$1,039**	**$2,184**	**$141**	**$3,348**
			Existing Impact Fee per ERU	**$1,654**
			Difference	**+$1,694**

IV.F. RESIDENTIAL AND NON-RESIDENTIAL CHARGES

It is recommended that the City retain its current wastewater impact fee charge procedure, which calculates residential and non-residential impact fees based on meter size and plumbing fixture counts. As such, the impact fee per ERU is to be assessed as shown in **Table IV-5**.

Table IV-5: Summary of Updated Sewer Impact Fee by Meter Size

Meter Size (inches)	Weighting Factor	Base Impact Fee	Base # of Fixture Units	Additional Cost per Fixture Unit Above Base
5/8	1.0	$3,384	-	
3/4	1.0	$3,384	21	$112.80
1	1.5	$5,076	36	$112.80
1.5	2.5	$8,460	66	$73.56
2	5.0	$16,919	181	$56.40
3	8.0	$27,071	361	$53.83
4	15.0	$50,758	801	$33.84
6	25.0	$84,597	1,801	$30.21

Section V. Stormwater Impact Fee Update

This section provides detailed calculations supporting the recommended Stormwater Impact Fee.

V.A. System Capacity & Customer Base

The Stormwater Impact Fee calculation expresses the customer base in terms of Equivalent Residential Units (ERUs), recognizing the potential impact that impervious surface has on the city's stormwater utility. Data from the American Community Survey indicates that in 2015, there were 4,389 Residential ERUs within the City. 2012 data provided by the City indicates that was 5,749,337 sq. ft. of commercial impervious area within the City. Updated to 2015, and with an assumed standard of 2,400 sq. ft. of impervious surface = 1 ERU, there were 6,857 total ERUs within the City in 2015. Projecting forward at a rate of 2% growth annually, this leads to a total of 9,879 total ERUs in 2038, or 2,776 projected ERUs in growth over the next 20 years.

V.B. Reimbursement Fee Cost Basis

The stormwater system reimbursement fee calculation divides the eligible cost of unused capacity in the existing system by the capacity for additional ERUs to compute the reimbursement fee per ERU. The reimbursement fee cost basis includes the following elements:

- **Original Cost of Existing Assets:** The stormwater utility's fixed asset schedule indicates that as of October 1, 2017, the utility had a total of $496,475 in assets.
- **Deduction – Contributed Capital:** The reimbursement fee cost basis excludes contributed assets since they do not represent infrastructure investments made by current ratepayers. This analysis assumes that all assets have been fully funded by the utility.
- **Deduction – Debt Principal Outstanding:** Debt principal represents liabilities incurred by previous users of the system that must be paid by both existing and new customers. Therefore, it is not Impact Fee eligible. The stormwater utility currently has no outstanding debt principal.
- **Adjustment – Unused Capacity:** The final adjustment to the reimbursement fee cost basis involves allocating the eligible cost between existing customers (used capacity) and growth (unused capacity). **Table V-1** summarizes the calculation used to estimate the share of existing system capacity that is available to serve growth.

Table V-1: Analysis of Stormwater System Capacity Available for Growth

Stormwater Capacity Analysis	
2018 Estimated ERUs	7,103 ERUs
2038 Estimated ERUs	9,879 ERUs
Growth Share Capacity Remaining	**39.08%**

Table V-1 indicates that the City has 7,103 ERUs, and a future projected demand of 9,879 ERUs, or growth of 39.08%. This represents the share of the net cost of the existing system that the City can include in the reimbursement fee.

Table V-2 summarizes the calculation of the reimbursement fee cost basis:

Table V-2: Stormwater System Reimbursement Fee Cost Basis

Reimbursement Fee Cost Basis	
Original Cost of Assets	$ 496,475
less: Contributed Capital	-
Multiplied by: Remaining Capacity	x 39.08%
Subtotal:	$194,023
Less: Debt Principal Outstanding	-
Reimbursement Total:	$194,023

V.C. IMPROVEMENT FEE COST BASIS

The calculation of the improvement fee divides the eligible cost of capacity-increasing capital projects by the estimated growth in ERUs. The improvement fee cost basis includes:

- **Current (Uninflated) Cost of Capital Projects:** The stormwater utility capital improvement program (CIP) includes $1,010,000 in capital project costs.

- **Deduction – Outside Sources:** The cost basis excludes expected funding from resources external to the stormwater utility, recognizing that this funding does not represent infrastructure investments made by current ratepayers. The City does not currently plan to fund any capital projects through external sources.

- **Deduction – Projects Funding Existing Needs:** Consistent with Montana requirements, the improvement fee cost basis excludes projects that do not expand capacity to serve growth. Projects funding existing needs represent $619,473 of the Capital Improvement Projects.

- **Deduction – Impact Fee Fund Balance:** The improvement fee cost basis includes a deduction for the amount of cash that the City has in its Stormwater Impact Fee fund to offset the cost of growth-related projects.

Table V-3 summarizes the improvement fee cost basis; which equates to $283,943 or 28.11% of the projected total future capital improvement cost.

Table V-3: Stormwater Improvement Fee Cost Basis

Capital Project	Year	Current Cost (Uninflated)	% Outside Funding	% Impact Fee Eligible	Amount In Cost Basis
Armory Road Drainage Improvements	2018	$20,000	0%	39.1%	$ 7,816
Riverside Pond	2018	25,000	0%	39.1%	9,770
Shady River Outfall Stabilization & Overflow	2018	27,500	0%	20.0%	5,500
Cow Creek Nutrient Trading	2019-2021	135,000	0%	39.1%	52,758
Crestwood & Parkway Drive Stormwater Improvements	2019	165,000	0%	39.1%	64,482
Edgewood Place Drainage Improvements	2021	150,000	0%	10.0%	15,000
Monegan Road Phase II	Unscheduled	200,000	0%	50.0%	100,000
Whitefish Avenue Storm Sewer	Unscheduled	37,500	0%	100.0%	37,500
Sump Pump Collection	Unscheduled	250,000	0%	39.1%	97,701
less: Stormwater Impact Fee Fund Balance					(106,584)
Total		**$1,010,000**			**$283,943**

V.D. ADMINISTRATIVE COSTS

Montana Code allows the Impact Fee cost basis to include annual administrative costs and the (amortized) cost of developing Impact Fees. The maximum charge is 5%.

V.E. SUMMARY OF IMPACT FEE CALCULATION

Table III- provides a summary of the updated Impact Fee calculation.

Table V-4: Summary of Updated Stormwater Impact Fee

Stormwater Impact Fee Calculation	Reimbursement Fee	Improvement Fee	Administrative Fee	Total
Total Costs	$194,023	$283,943	5%	
Growth in ERUs	2,776	2,776		
Charge per ERU	**$70**	**$102**	**$9**	**$181**
Charge per Square Foot of Impervious Surface Area (ISA) @2,400 SF per ERU				**$0.08**
			Existing Impact Fee per ERU	**$210**
			Difference	**($29)**

V.F. RESIDENTIAL AND NON-RESIDENTIAL FEES

The City's current impact fee policy includes a unit-based charge for dwellings; with single family dwellings and condominiums charges based on 1 ERU per unit; and duplexes charged based on 1.8 ERUs (for two dwelling units).

It is recommended that the City retain its current impact fee charge procedure for single family residential dwellings which assumes each new single family detached dwelling unit equates to 1 ERU ($181). To avoid confusion over how to classify other types of residential and non-residential developments (such as apartments, condos, duplexes, triplexes, etc.), it is recommended that all other (non-single family detached) residential and non-residential developments be charged on the basis of net new impervious surface area added (@$0.08 per square foot).

Section VI. City Hall Impact Fee Update

This section provides detailed calculations supporting the recommended City Hall Impact Fee.

VI.A. System Capacity & Customer Base

The City Hall Impact Fee calculation expresses the customer base in terms of square feet of total development. 2007 data provided by the city indicates that 11,232,257 sq. ft. of total development existed in the city at that time. Upon city input, this was escalated at a growth rate of 1.0% per year until 2015, and 2.0% per year afterwards. This yields a total of 13,828,979 sq. ft. of total development in 2018, and 20,549,136 sq. ft. of total development in 2038.

VI.B. Reimbursement Fee Cost Basis

The City Hall reimbursement fee calculation divides City Hall by the assumed Level of Service in 2038 to yield City Hall's remaining capacity. The reimbursement fee cost basis includes the following elements:

- **Original Cost of Existing Assets:** The city's fixed asset schedule indicates that as of October 1, 2017, the original cost of City Hall assets was $7,805,766.

- **Deduction – Contributed Capital:** The reimbursement fee cost basis excludes contributed assets since they do not represent infrastructure investments made by current ratepayers. No contributed capital was indicated by the city.

- **Adjustment – Unused Capacity:** The capacity of City Hall is not expected to increase within this study's timeframe. Thus the 18,137 sq. ft. of City Hall divided by the projected 20,549,136 sq. ft. of total development in 2038 yields a projected future Level of Service of 0.00088 sq. ft. of City Hall per sq. ft. of total development. When multiplied by the current sq. ft. of total development, this yields 12,206 sq. ft. of City Hall utilized by current customers, and 5,931 sq. ft. (32.70%) of capacity remaining for future growth. **Table VI-1** summarizes the calculation used to estimate the share of existing system capacity that is available to serve growth.

- **Deduction – Debt Principal Outstanding:** Debt principal represents liabilities incurred by previous users of the system that must be paid by both existing and new customers. Therefore, it is not Impact Fee eligible. City Hall currently has outstanding debt principal of approximately $7.33 million of which $2,397,120 (32.7%) is considered to be capacity related and eligible as an impact fee deduction.

Table VI-1: Analysis of City Hall Capacity Available for Growth

City Hall Capacity Analysis	
	Revised Future LOS
2018 Existing Capacity (sq. ft.)	18,137
2038 Planned Capacity (sq. ft.)	18,137
Level of Service (sq. ft. / Dev)	0.00088
2018 LOS Demand (sq. ft.)	12,206
Capacity Remaining (sq. ft.)	**5,931**
Capacity Remaining (%)	**32.70%**

Table VI-1 indicates that the City has 5,931 sq. ft. of City Hall capacity, representing 32.70% of City Hall. This represents the share of the net cost of the existing City Hall that the City can include in the reimbursement fee.

Table VI-2 summarizes the calculation of the reimbursement fee cost basis:

Table VI-2: City Hall Reimbursement Fee Cost Basis

Reimbursement Fee Cost Basis	
Original Cost of Assets	$ 7,805,766
less: Contributed Capital	-
Multiplied by: Remaining Capacity	x 32.70%
Subtotal:	$2,552,485
Less: Debt Principal Outstanding	(2,397,120)
Reimbursement Total:	$155,589

VI.C. IMPROVEMENT FEE COST BASIS

There are no impact fee eligible improvements currently planned for City Hall.

VI.D. ADMINISTRATIVE COSTS

Montana Code allows the Impact Fee cost basis to include annual administrative costs and the (amortized) cost of developing Impact Fees. The maximum charge is 5%.

VI.E. SUMMARY OF IMPACT FEE CALCULATION

Table VI-3 provides a summary of the updated Impact Fee calculation. A single family residential unit is assumed to have an average of 2,040 sq. ft. of total development (floor area living space).

Table VI-3: Summary of Updated City Hall Impact Fee

City Hall Impact Fee Calculation	Reimbursement Fee	Improvement Fee	Administrative Fee	Total
Total Costs	$155,589	$0	5%	$163,368
Growth in square feet of total development	6,720,156	6,720,156		
Charge per sq. ft.	**$0.023**	**$0**	**$0**	**$0.023**
Charge per Residential unit	**$47.23**	**$0**	**$0**	**$47.23**
			Existing Impact Fee per Dwelling	**$771**
			Difference	**$(723)**

VI.F. RESIDENTIAL AND NON-RESIDENTIAL FEES

It is recommended that the City retain its current impact fee charge procedure for single family residential dwellings which assumes each new single family detached dwelling unit equates to 1 ERU ($47.23).

For all other types of residential and non-residential development, the City Hall impact fee should be on the basis of net new square feet of floor area added (@$0.023 per square foot).

Section VII. EMERGENCY SERVICES FACILITY IMPACT FEE UPDATE

This section provides detailed calculations supporting the recommended Emergency Services Facility Impact Fee.

VII.A. SYSTEM CAPACITY & CUSTOMER BASE

The Emergency Services Facility Impact Fee calculation expresses the customer base in terms of square feet of total development. 2007 data provided by the city indicates that 11,232,257 sq. ft. of total development existed in the city at that time. Upon city input, this was escalated at a growth rate of 1.0% per year until 2015, and 2.0% per year afterwards. This yields a total of 13,828,979 sq. ft. of total development in 2018, and 20,549,136 sq. ft. of total development in 2038.

VII.B. REIMBURSEMENT FEE COST BASIS

The Emergency Services Facility reimbursement fee calculation divides the Emergency Services building by the assumed Level of Service in 2038 to yield the Emergency Services building's remaining capacity. The reimbursement fee cost basis includes the following elements:

- **Original Cost of Existing Assets:** The city's fixed asset schedule indicates that as of October 1, 2017, the original cost of Emergency Service assets was $8,700,162.
- **Deduction – Contributed Capital:** The reimbursement fee cost basis excludes contributed assets since they do not represent infrastructure investments made by current ratepayers. The Emergency Services building includes $650,280 of contributed assets.[1]
- **Adjustment – Unused Capacity:** The capacity of the Emergency Services building is not expected to increase within this study's timeframe. Thus the 33,400 sq. ft. of the Emergency Services building divided by the projected 20,549,136 sq. ft. of total development in 2038 yields

[1] This amount reflects City staff estimates based on grants awarded by Montana State ($144,869) and the City's share of federal Department of Homeland Security grants received in 2010.

a projected future Level of Service of 0.00163 sq. ft. of Emergency Services building per sq. ft. of total development. When multiplied by the current sq. ft. of total development, this yields 22,477 sq. ft. of Emergency Services building taken by current residents, and 10,923 sq. ft. (32.70%) of capacity remaining. **Table VII-1** summarizes the calculation used to estimate the share of existing system capacity that is available to serve growth.

- **Deduction – Debt Principal Outstanding:** Debt principal represents liabilities incurred by previous users of the system that must be paid by both existing and new customers. Therefore, it is not Impact Fee eligible. The Emergency Services building currently has outstanding debt principal of approximately $4.33 million of which $1,415,341 (32.7%) is considered to be capacity related and eligible as an impact fee deduction.

Table VII-1: Analysis of Emergency Services Facility Capacity Available for Growth

Emergency Services Capacity Analysis	
	Revised Future LOS
2018 Existing Capacity (sq. ft.)	33,400
2038 Planned Capacity (sq. ft.)	33,400
Level of Service (sq. ft. / Dev)	0.00163
2018 LOS Demand (sq. ft.)	22,477
Capacity Remaining (sq. ft.)	**10,923**
Capacity Remaining (%)	**32.70%**

Table VII-1 indicates that the City has 10,923 sq. ft. of Emergency Services capacity remaining, representing 32.70% of the Emergency Services building. This represents the share of the net cost of the existing Emergency Services building that the City can include in the reimbursement fee.

Table VII-2 summarizes the calculation of the reimbursement fee cost basis:

Table VII-2: Emergency Services Facility Reimbursement Fee Cost Basis

Reimbursement Fee Cost Basis	
Original Cost of Assets	$ 8,700,162
less: Contributed Capital	($650,280)
Multiplied by: Remaining Capacity	x 32.70%
Subtotal:	$ 2,632,311
Less: Debt Principal Outstanding	(1,217,201)
Reimbursement Total:	$1,415,341

VII.A. IMPROVEMENT FEE COST BASIS

The calculation of the improvement fee divides the eligible cost of capacity-increasing capital projects by the estimated growth in total development. The improvement fee cost basis includes:

- **Current (Uninflated) Cost of Capital Projects:** The Emergency Services building capital improvement program (CIP) includes $60,000 in capital project costs.
- **Deduction – Outside Sources:** The cost basis excludes expected funding from resources external to the City, recognizing that this funding does not represent infrastructure investments made by current ratepayers. The City does not currently plan to fund any capital projects through external sources.
- **Deduction – Projects Funding Existing Needs:** Consistent with Montana requirements, the improvement fee cost basis excludes projects that do not expand capacity to serve growth. Projects funding existing needs represent none of the Capital Improvement Projects.

- **Deduction – Impact Fee Fund Balance:** The improvement fee cost basis includes a deduction for the amount of cash that the City has in its Emergency Services Impact Fee Fund to offset the cost of growth-related projects.

Table VII-3 summarizes the improvement fee cost basis; which equates to $53,452 or 89% of the projected total future capital improvement cost.

Table VII-3: Emergency Services Improvement Fee Cost Basis

Capital Project	Year	Current Cost (Uninflated)	% Outside Funding	% Impact Fee Eligible	Amount In Cost Basis
Emergency Services Center / Public Works Storage Expansion	2018	$60,000	0%	100.0%	$ 60,000
less: Emergency Services Impact Fee balance					(6,548)
Total		**$60,000**			**$53,452**

VII.B. ADMINISTRATIVE COSTS

Montana Code allows the Impact Fee cost basis to include annual administrative costs and the (amortized) cost of developing Impact Fees. The maximum charge is 5%.

VII.C. SUMMARY OF IMPACT FEE CALCULATION

Table VII-4 provides a summary of the updated Impact Fee calculation. A single family residential unit is assumed to have an average of 2,040 sq. ft. of total development (floor area living space).

Table VII-4: Summary of Updated Emergency Services Facility Impact Fee

Emergency Services Impact Fee Calculation	Reimbursement Fee	Improvement Fee	Administrative Fee	Total
Total Costs	$1,415,341	$53,452	5%	$1,468,793
Growth in square footage of total development	6,720,156	6,720,156		
Charge per sq. ft.	**$0.21**	**$0.01**	**$0**	**$0.22**
Charge per Residential unit	**$429.65**	**$16.23**	**$0**	**$445.87**
			Existing Impact Fee per Dwelling	**$814**
			Difference	**$(368)**

VII.D. RESIDENTIAL AND NON-RESIDENTIAL FEES

It is recommended that the City retain its current impact fee charge procedure for single family residential dwellings which assumes each new single family detached dwelling unit equates to 1 ERU ($445.87).

For all other types of residential and non-residential development, the Emergency Services Facility impact fee should be on the basis of net new square feet of floor area added (@$0.22 per square foot).

Section VIII. Park Maintenance Building Impact Fee Update

This section provides detailed calculations supporting the recommended Park Maintenance Building Impact Fee.

VIII.A. CUSTOMER BASE

In order to recognize the demand from residents as well as day-time workers and overnight visitors at establishments inside the City, the Park Maintenance Building Impact Fee calculation expresses the customer base in terms of Equivalent Units. 2016 data from the American Community Survey indicates that the City's 2015 population was 6,692. Data provided by U.S. Census On-the-Map indicates that there were 4,250 workers in the City, of which 3,248 lived outside the City. **Table VIII-1** summarizes these findings.

Table VIII-1. Whitefish Population and Employment, 2015

Population and Employment, 2015	Living inside Whitefish	Living outside Whitefish	Total
Working inside Whitefish	1,002	3,248	4,250
Working outside Whitefish	1,866		
Other Residents (population not working)	3,824		
Total	6,692		

VIII.B. EMPLOYEE DEMAND FACTOR

The calculation of parks-related employee demand takes into account the total hours within a week in which park access is provided to local residents and workers. **Table VIII-2** summarizes the hours per week of park availability for residents and workers of Whitefish.

Table VIII-2. Park Availability for Whitefish Residents by Place of Work

Hours per Week of Park Availability per Person, Residential Demand	Living inside Whitefish
Working inside Whitefish	112
Working outside Whitefish	72
Other Residents (not working)	112

Table VIII-3 summarizes the hours of park availability for employees who work inside the City, but live outside it.

Table VIII-3. Park Availability for Employees in Whitefish

Hours per Week of Park Availability per Person, Non-Residential Demand	Living outside Whitefish
Working inside Whitefish	40

Table VIII-4 summarizes the aggregate amount of weekly hours available for parks for workers and residents. The findings indicate that the aggregate weekly parks time available for employees (129,929 hours) equates to 30% of the residential time available (674,864 hours). Thus, the employee parks demand factor equates to 0.30 residents. In other words, the parks facility demand generated by 1 resident equates to the demand generated by approximately 3.3 employees [1.0 resident/0.3 employees = 3.3 residents per employee].

Table VIII-4. Calculation of Employee Demand Factor

Total Hours per Week of Park Availability, 2015 est.	Residential Hours	Non-Residential Hours	Total Hours
Working inside Whitefish	112,224	129,920	242,144
Working outside Whitefish	134,352		134,352
Other Residents (not working)	428,288		428,288
Total	**674,864**	**129,920**	**804,784**
Hours per resident	101		
Hours per employee		31	
Employee demand factor			**0.30**

VIII.C. LODGING UNIT DEMAND FACTOR

Data from hotels.com and the Whitefish Chamber of Commerce indicates that there are 880 total lodging rooms in the City (inclusive of rooms provided by hotels, motels, and bed and breakfast facilities). Data from Smith Travel Research (STR, Inc.) for the City of Whitefish indicates that the average annual occupancy of hotel rooms was 50.38% in 2017. It is estimated that the average people per room is 1.59, leading to an average of 0.80 people per room per night, or 705 average daily lodging visitors in the City. **Table VIII-5** summarizes this calculation.

Table VIII-5. Lodging to Overnight Visitor Conversion

Lodging to Overnight Visitor Conversion	
Total lodging rooms, 2017 (Whitefish)*	880
Average Annual Occupancy**	50.4%
People per Room**	1.59
Occupancy/People per Room Adjustment	0.80
Average Overnight Lodging Visitors (per Day)	705

Source: *Whitefish Chamber of Commerce (room count); STR, Inc. (occupancy rate); and American Hotel & Lodging Association 2014 Lodging Industry Profile (avg. people per room).

VIII.D. TOTAL EQUIVALENT UNITS

Table VIII-6 shows the calculation of total Equivalent Units, which is comprised of City residents, employees (factored by 0.30 employee demand factor) and overnight lodging visitors. The total estimated number of Equivalent Units was 9,132 in 2018. After projecting forward at a rate of 2.0% annually, there will be 13,400 Equivalent Units by 2038. This results in a growth of 4,268 Equivalent Units over the study's timeframe.

Table VIII-6. Calculation of Equivalent Units

Growth	2018	2038	Growth from 2018 to 2038
Residents	7,066	10,500	3,434
Employees * Demand Factor	1,361	2,023	661
Visitors (in hotels/motels)	705	877	172
Customer Units	**9,132**	**13,400**	**4,268**

***Source**: Previous tables.*

VIII.E. REIMBURSEMENT FEE COST BASIS

The Park Maintenance building reimbursement fee calculation divides the eligible cost of unused capacity in the existing building by the capacity for additional EUs to compute the reimbursement fee per EU. The reimbursement fee cost basis includes the following elements:

- **Original Cost of Existing Assets:** The Park Maintenance building's fixed asset schedule indicates that as of October 1, 2017, the utility had a total of $724,422 in assets.

- **Deduction – Contributed Capital:** The reimbursement fee cost basis excludes contributed assets since they do not represent infrastructure investments made by current ratepayers. No contributed assets were included in the Park Maintenance building fee.

- **Deduction – Debt Principal Outstanding:** Debt principal represents liabilities incurred by previous users of the system that must be paid by both existing and new customers. Therefore, it

is not Impact Fee eligible. The Park Maintenance building does not have any debt principal outstanding.

- **Adjustment – Unused Capacity:** The Park Maintenance building is 5,000 sq. ft. This capacity is not anticipated to increase over the study's planning period. Therefore, the anticipated 2038 Level of Service is 0.374 customer units per sq. ft. Based on this Level of Service, the current sq. ft. needed for existing capacity is 3,408, leaving 1,592 sq. ft. available for growth (31.85%). **Table VIII-7** summarizes this calculation.

Table VIII-7: Analysis of Park Maintenance Building Capacity Available for Growth

Park Maintenance Building Capacity Analysis	
	Revised Future LOS
2018 Existing Capacity (sq. ft.)	5,000
2038 Planned Capacity (sq. ft.)	5,000
Level of Service (sq. ft. / ERU)	0.373
2018 LOS Demand	3,408
Capacity Remaining	**1,592**
Capacity Remaining (%)	**31.85%**

[1] Using revised ERU values including commercial and lodging.

Table VIII-7 indicates that the City has 1,592 sq. ft. of capacity remaining, or 31.85%. This represents the share of the net cost of the existing system that the City can include in the reimbursement fee.

Table VIII-8 summarizes the calculation of the reimbursement fee cost basis:

Table VIII-8: Park Maintenance Building Reimbursement Fee Cost Basis

Reimbursement Fee Cost Basis	
Original Cost of Assets	$ 724,422
less: Contributed Capital	-
Multiplied by: Remaining Capacity	x 31.85%
Reimbursement Total:	$230,728

VIII.F. IMPROVEMENT FEE COST BASIS

The calculation of the improvement fee divides the eligible cost of capacity-increasing capital projects by the estimated growth in EUs. The improvement fee cost basis includes:

- **Current (Uninflated) Cost of Capital Projects:** The Park Maintenance building capital improvement program (CIP) includes $2,358,398 in capital project costs.
- **Deduction – Outside Sources:** The cost basis excludes expected funding from resources external to the City, recognizing that this funding does not represent infrastructure investments made by current ratepayers. The City does not plan to fund any portion of the capital improvements with outside funding sources.
- **Deduction – Projects Funding Existing Needs:** Consistent with Montana requirements, the improvement fee cost basis excludes projects that do not expand capacity to serve growth. Projects funding existing needs represent almost all of the Capital Improvement Projects.
- **Deduction – Impact Fee Fund Balance:** The improvement fee cost basis includes a deduction for the amount of cash that the City has in its Impact Fee fund to offset the cost of growth-related projects. The City does not currently have an existing balance in its Impact Fee fund.

Table VIII-9 summarizes the improvement fee cost basis, which equates to $20,413.

Table VIII-9: Park Maintenance Bldg. Improvement Fee Cost Basis

Capital Project	Year	Current Cost (Uninflated)	% Utility-Funded	% Allocable to Growth	Amount In Cost Basis
Depot Park Master Plan Improvements Ph. 1-4	2018	$1,703,811	100%	0%	$0
City Beach Parking Lot at 55 Woodland Place	2018	210,000	100%	0%	0
Park Maintenance Shop Back Parking Lot	2019	60,000	100%	34%	20,413
City Beach Stairs	2018	15,000	100%	0%	0
Boom Sprayer	2018	5,000	100%	0%	0
Walker Mower with Broom Attachment	2018	25,000	100%	0%	0
Commercial Mower	2018	10,000	100%	0%	0
Grouse Mountain Parking Lot Overlay	2019	20,000	100%	0%	0
Kubota Tractor	2019	40,000	100%	0%	0
City Beach Decking	2019	25,000	100%	0%	0
Armory Building – Replace Roof System	2021	40,000	100%	0%	0
Mini Excavator	2021	50,000	100%	0%	0
Bucket Truck	2022	100,000	100%	0%	0
Chipper	2022	25,000	100%	0%	0
City Beach Swim Lines	2022	10,000	100%	0%	0
Portable Compressor	2022	30,000	100%	0%	0
Man Lift	2022	10,000	100%	0%	0
Less Park Maintenance Building Impact Fee Fund Balance					0

Capital Project	Year	Current Cost (Uninflated)	% Utility-Funded	% Allocable to Growth	Amount In Cost Basis
Total		$2,378,811			$20,413

VIII.G. ADMINISTRATIVE COSTS

Montana Code allows the Impact Fee cost basis to include annual administrative costs and the (amortized) cost of developing Impact Fees. The maximum charge is 5%.

VIII.H. SUMMARY OF IMPACT FEE CALCULATION

Table III-10 provides a summary of the updated Impact Fee calculation.

Table VIII-10: Summary of Updated Park Maintenance Building Impact Fee

Park Maintenance Building Calculation	Reimbursement Fee	Improvement Fee	Administrative Fee	Total
Total Costs	$230,728	$20,413	5%	
Growth in EUs	4,268	4,268		
Charge per EU	$54.06	$4.78	$2.94	$61.78
Charge per ERU	($61.78 x 2.17 Average People per Dwelling Unit)			$134
Charge per sq. ft. of Commercial Development	($61.78 x 0.3 Employee Demand Factor x 0.0007 Employment per sq. ft. of Development)			$0.013
Impact Fee per Lodging Unit	($61.78 x 0.8 EU per Lodging Unit)			$49
			Existing Impact Fee per ERU	$29
			Difference	+$105

VIII.I. RESIDENTIAL AND NON-RESIDENTIAL FEES

It is recommended that the City amend its current impact fee procedures to include Park Building Impact Fee charges for residential dwellings, non-residential buildings, and lodging facilities. This would entail charges as follows:

- New residential dwellings: $134 per dwelling unit
- Lodging development: $49 per room
- All other residential and non-residential structures: $0.013 per square foot of floor area

Section IX. Trail System Impact Fee Update

This section provides detailed calculations supporting the recommended Trail system Impact Fee.

IX.A. CUSTOMER BASE

The Trail System Impact Fee calculation expresses the customer base in terms of Equivalent Units in a manner described in the prior Section. **Table IX-1** summarizes findings regarding current population and employment estimates for the City of Whitefish. Equivalent Units include calculations based on estimates and projections of City residents, employees and overnight visitors.

Table IX-1. Population and Employment, 2015

Population and Employment, 2015	Living inside Whitefish	Living outside Whitefish	Total
Working inside Whitefish	1,002	3,248	4,250
Working outside Whitefish	1,866		
Other Residents (not working)	3,824		
Total	6,692		

IX.B. EMPLOYEE DEMAND FACTOR

The calculation of an employee demand takes into account the total hours within a week in which access to City park facilities is provided to local workers. **Table IX-2** summarizes the hours per week of park availability for residents and workers of Whitefish.

Table IX-2. Park Availability for Whitefish Residents

Hours per Week of Park Availability per Person, Residential Demand	Living inside Whitefish
Working inside Whitefish	112
Working outside Whitefish	72
Other Residents (not working)	112

Table IX-3 summarizes the hours of park availability for employees who work inside the City, but live outside it.

Table IX-3. Park Availability for Employees Working in Whitefish

Hours per Week of Park Availability per Person, Non-Residential Demand	Living outside Whitefish
Working inside Whitefish	40

Table IX-4 summarizes the aggregate amount of weekly hours available for parks for workers and residents. The findings indicate that the aggregate weekly parks time available for employees (129,929 hours) equates to 30% of the residential time available (674,864 hours). Thus, the employee demand factor equates to 0.30 residents. In other words, the parks facility demand generated by 1 resident equates to the demand generated by approximately 3.3 employees.

Table IX-4. Calculation of Employee Demand Factor

Total Hours per Week of Park Availability, 2015 est.	Residential Hours	Non-Residential Hours	Total Hours
Working inside Whitefish	112,224	129,920	242,144
Working outside Whitefish	134,352		134,352
Other Residents (not working)	428,288		428,288
Total	**674,864**	**129,920**	**804,784**
Hours per resident	101		
Hours per employee		31	
Employee demand factor			**0.30**

IX.C. LODGING UNIT DEMAND FACTOR

Data from hotels.com and the Whitefish Chamber of Commerce indicates that there are 880 total lodging rooms in the City (inclusive of rooms provided by hotels, motels, and bed and breakfast facilities). Data from the STR, Inc. study indicates that the average annual occupancy of hotel rooms in Whitefish is 50.4%, and the average people per room is 1.59, leading to an average of 0.8 people per room per night, or 705 visitors in the City. **Table IX-5** summarizes this calculation.

Table IX-5. Lodging to Overnight Visitor Conversion

Lodging to Overnight Visitor Conversion	
Total lodging rooms, 2017 (Whitefish)*	880
Average Annual Occupancy**	50.4%
People per Room**	1.59
Occupancy/People per Room Adjustment	0.80
Average Overnight Lodging Visitors (per Day)	705

Source: *Whitefish Chamber of Commerce (room count); STR, Inc. (occupancy rate); and American Hotel & Lodging Association 2014 Lodging Industry Profile (avg. people per room).

IX.D.TOTAL EQUIVALENT UNITS

Table IX-6 shows the calculation of total Equivalent Units, which is comprised of City residents, employees (factored by 0.30) and overnight lodging visitors. The total estimated number of Equivalent Units was 9,132 in 2018. After projecting forward at a rate of 2.0% annually, there will be 13,400 Equivalent Units by 2038. This results in a growth of 4,268 Equivalent Units over the study's timeframe.

Table IX-6. Calculation of Equivalent Units

Growth	2018	2038	Growth from 2018 to 2038
Residents	7,066	10,500	3,434
Employees * Demand Factor	1,361	2,023	661
Visitors (in hotels/motels)	705	877	172
Customer Units	**9,132**	**13,400**	**4,268**

Source: *Previous tables.*

IX.E. REIMBURSEMENT FEE COST BASIS

The Trail system building reimbursement fee calculation divides the eligible cost of unused capacity in the existing building by the capacity for additional EUs to compute the reimbursement fee per EU. The reimbursement fee cost basis includes the following elements:

- **Original Cost of Existing Assets:** The Trail system's fixed asset schedule indicates that as of October 1, 2017, the Trail system had a total of $8,588,801 in assets.

- **Deduction – Contributed Capital:** The reimbursement fee cost basis excludes contributed assets since they do not represent infrastructure investments made by current ratepayers. No contributed assets were included in the Trail system Impact Fee.

- **Deduction – Debt Principal Outstanding:** Debt principal represents liabilities incurred by previous users of the system that must be paid by both existing and new customers. Therefore, it is not Impact Fee eligible. The Trail system does not have any debt principal outstanding.

Adjustment – Unused Capacity: The Trail system's existing capacity is 71,808 linear feet. This capacity is anticipated to increase to 236,446 li. ft. over the study's planning period. Therefore, the anticipated 2038 Level of Service is 17.65 li. ft. per Equivalent Unit. Based on this Level of Service, the current li. ft. needed for existing capacity is 161,142, leaving a shortfall of 89,334 li ft. **Table IX-7 summarizes this calculation.** As there is considered to be no remaining capacity, there is no reimbursement fee cost basis.

Table IX-7: Analysis of Trail System Capacity Available for Growth

Trails Capacity Analysis:	
	Revised Future LOS [1]
2015 Existing Capacity (ft)	71,808
2038 Planned Capacity (ft)	236,446
Level of Service (LF / ERU)	17.65
2018 LOS Demand	161,142
Capacity Remaining	**(89,334)**
Capacity Remaining (%)	**-124.41%**

[1] Using revised ERU values including commercial and lodging.

IX.F. IMPROVEMENT FEE COST BASIS

Table IX-7 indicates that the City has a shortfall of 89,334 li. ft. of capacity remaining. Hence, of the planned 164,638 li. ft. increase in trails, 89,334 li. ft. (54%) cannot be funded using impact fees. The remaining share (46%) of future trail improvement costs is impact fee eligible. This represents the share of the net cost of the existing system that the City can include in the improvement fee.

The calculation of the improvement fee divides the eligible cost of capacity-increasing capital projects by the estimated growth in CUs. The improvement fee cost basis includes:

- **Current (Uninflated) Cost of Capital Projects:** The Trail system capital improvement program (CIP) includes $2,351,822 in capital project costs. In addition, the 2017 Bike and Pedestrian Master Plan (Tier 1 and Tier 2 project priorities only) includes $8,392,000 (or $8,731,037 in 2018 dollars) in additional projects over the next ten years. The combined cost of CIP and Master Plan trail projects is estimated at $11,082,859 (in 2018 dollars).

- **Deduction – Outside Sources:** The cost basis excludes expected funding from resources external to the water utility, recognizing that this funding does not represent infrastructure investments made by current ratepayers. The City plans on funding 5% of future Bike & Pedestrian projects with outside sources, as well as $751,822 of its capital improvement program.

- **Deduction – Projects Funding Existing Needs:** Consistent with Montana requirements, the improvement fee cost basis excludes projects that do not expand capacity to serve growth. The City has a shortfall of 89,334 li. ft., representing approximately 54% of total future projects. Thus, about 46% of capital costs are allocated towards funding existing needs.

- **Deduction – Impact Fee Fund Balance:** The improvement fee cost basis includes a deduction for the amount of cash that the City has in its Impact Fee Fund to offset the cost of growth-related projects. The City does not currently have an existing balance in its Impact Fee fund.

Tables IX-9 & IX-10 summarizes the improvement fee cost basis; which equates to $4,829,180 or about 46% of the projected total future capital improvement cost.

Table IX-9: Trail System Improvement Fee Cost Basis (CIP)

Capital Project	Year	Current Cost (Uninflated)	% City-Funded	% Allocable to Growth	Amount In Cost Basis
Baker Avenue Underpass	Unscheduled	$1,151,822	35.73%	100%	$411,546
Kay Beller Park to BNSF Loop Trail	Unscheduled	500,000	100%	100%	500,000
Skye Park to State Park Road (West Lakeshore & Birch Pt.)	Unscheduled	100,000	100%	100%	100,000
Springs Path Extension	Unscheduled	100,000	100%	100%	100,000
Skye Park River Trail	Unscheduled	500,000	100%	100%	100,000
Total		**$2,351,822**			**$1,211,546**

Table IX-10. Trail System Improvement Fee Cost Basis (Bike & Pedestrian Master Plan)

Capital Project	Year	Current Cost (Uninflated)	% Utility-Funded	% Allocable to Growth	Amount In Cost Basis
Whitefish River Trail – Stumptown Inn to Pine Lodge	Tier I	$182,000	95%	100%	$172,900
Whitefish River Trail - Walgreens to Duck Inn	Tier I	13,000	95%	100%	12,350
Whitefish River Trail - Duck Inn to Old Hospital	Tier I	7,000	95%	100%	6,650
Whitefish River Trail - Spokane Ave Bridge	Tier I	905,000	95%	100%	859,750
Whitefish River Trail - Old Hospital	Tier I	212,000	95%	100%	201,400
Whitefish River Trail - Rocksund Bridge to River's Edge Park	Tier I	19,000	95%	100%	18,050
Wisconsin Ave Viaduct	Tier I	272,000	95%	100%	258,400
Whitefish Promenade - Baker Ave to Spokane Ave	Tier I	108,000	95%	100%	102,600
Birch Point Dr to West Lakeshore Dr	Tier I	111,000	95%	100%	105,540
State Park Road Trail	Tier I	788,000	95%	100%	748,600
Whitefish River Trail - River Lakes Parkway	Tier I	141,000	95%	100%	133,950
93 Trail - Lion Mountain Rd to Twin Bridges Rd	Tier I	2,292,000	95%	100%	2,177,400
City Beach Loop - Skye Park to Dakota Ave	Tier I	91,000	95%	100%	86,450
13th St Cutoff Trail	Tier I	16,000	95%	100%	15,200
Railway St Pedestrian Connection	Tier I	12,000	95%	100%	11,400
E. 1st/Mill/Fir Sidewalks	Tier I	140,000	95%	100%	133,000
Veteran's Peace Park Trail	Tier II	373,000	95%	100%	354,350
Texas Ave	Tier II	586,000	95%	100%	556,700
Karrow Ave - 7th St to 2nd St	Tier II	401,000	95%	100%	380,950
Denver St - Wisconsin to Texas	Tier II	323,000	95%	100%	306,850
Mountain Trails Park Cutoff	Tier II	251,000	95%	100%	238,450
Dakota Ave Trail Extension	Tier II	138,000	95%	100%	131,100
Monegan Rd Trail	Tier II	203,000	95%	100%	192,850
Cow Creek Trail	Tier II	131,000	95%	100%	124,450
Baker Park Connection	Tier II	51,000	95%	100%	48,450
Whitefish Promenade - 2nd St to Railway St	Tier II	100,000	95%	100%	95,000
Whitefish Promenade - 7th St to 2nd St	Tier II	272,000	95%	100%	258,400
Fir Ave Sidewalks	Tier II	47,000	95%	100%	44,650
E. 4th St Sidewalks	Tier II	37,000	95%	100%	35,150
E. 6th St Sidewalks	Tier II	76,000	95%	100%	72,200
Park Ave Sidewalks	Tier II	94,000	95%	100%	89,300
Less Trail system Impact Fee balance					(40,102)
Total		**$8,392,000**			**$7,932,298**
2018 Dollars		**$8,731,037**			**$8,254,383**
Grand Total (including CIP projects)		**$11,082,859**			**$10,606,205**
Adjustment: Projects Funding Existing Needs					**x 45.53%**
Improvement Fee Cost Basis					**$4,829,180**

IX.G. ADMINISTRATIVE COSTS

Montana Code allows the Impact Fee cost basis to include annual administrative costs and the (amortized) cost of developing Impact Fees. The maximum charge is 5%.

IX.H. SUMMARY OF IMPACT FEE CALCULATION

Table III-11 provides a summary of the updated Impact Fee calculation.

Table IX-11: Summary of Updated Trail System Impact Fee

Park Maintenance Building Calculation	Reimbursement Fee	Improvement Fee	Administrative Fee	Total
Total Costs	$0	$4,829,180	5%	
Growth in EUs	4,268	4,268		
Charge per EU	**$0**	**$1,131.49**	**$56.57**	**$1,188.06**
Charge per ERU	**($1,188 x 2.179 Average People per Dwelling Unit)**			**$2,579**
Charge per sq. ft. of Other Types of Development	**($1,188 x 0.3 Employee Demand Factor x 0.0007 Employment per sq. ft. of Development)**			**$0.25**
Impact Fee per Lodging Unit	**($1,188.06 x 0.8 EU per Lodging Unit)**			**$950**
			Existing Impact Fee per Dwelling	**$442**
			Difference	**+$,2,137**

IX.I. RESIDENTIAL AND NON-RESIDENTIAL FEES

It is recommended that the City amend its current impact fee procedures to include Trail System Impact Fee charges for new residential dwellings, non-residential buildings, and lodging facilities. This would result in charges as follows:

- New residential dwellings: $2,579 per dwelling unit
- Lodging development: $950 per room
- All other residential and non-residential structures: $0.25 per square foot of floor area

Section X. CONCLUSION

Table X-1 shows the proposed Impact Fee schedule, and compares it with the existing charges. As noted, the new aggregate impact fees would increase from approximately $5,561 to $7,934 per typical single family detached home under the proposed new methodology.

Table X-1. Impact Fee Schedule

	Existing Impact Fees		Maximum Defensible Impact Fees	
	Residential	Commercial	Residential	Commercial
Water Base Fee	$1,641 per ERU	$1,641 per ERU	$1,163 per ERU	$1,163 per ERU
Wastewater Base Fee	$1,654 per ERU	$1,654 per ERU	$3,384 per ERU	$3,384 per ERU
Stormwater	$210 per ERU	$210 per ERU	$181 per ERU	$181 per ERU
City Hall	$771 per Dwelling	$0.38 per SF	$47 per Dwelling	$0.023 per SF
Emergency Service Center	$814 per Dwelling	$0.40 per SF	$446 per Dwelling	$0.219 per SF
Park Maintenance Bldg.	$29 per Dwelling	N/A	$134 per Dwelling	$0.013 per SF $49 per Hotel room
Trails	$442 per Dwelling		$2,579 per Dwelling	$0.251 per SF $950 per Hotel room
Total Existing Charges	**$5,561 per Dwelling**	**$0.777 per SF $3,505 per ERU $0 per Hotel room**	**$7,934 per Dwelling**	**$0.506 per SF $4,728 per ERU $999 per Hotel room**