



National Impact Fee Roundtable

Calculating Revenue Credits

October 21, 2004

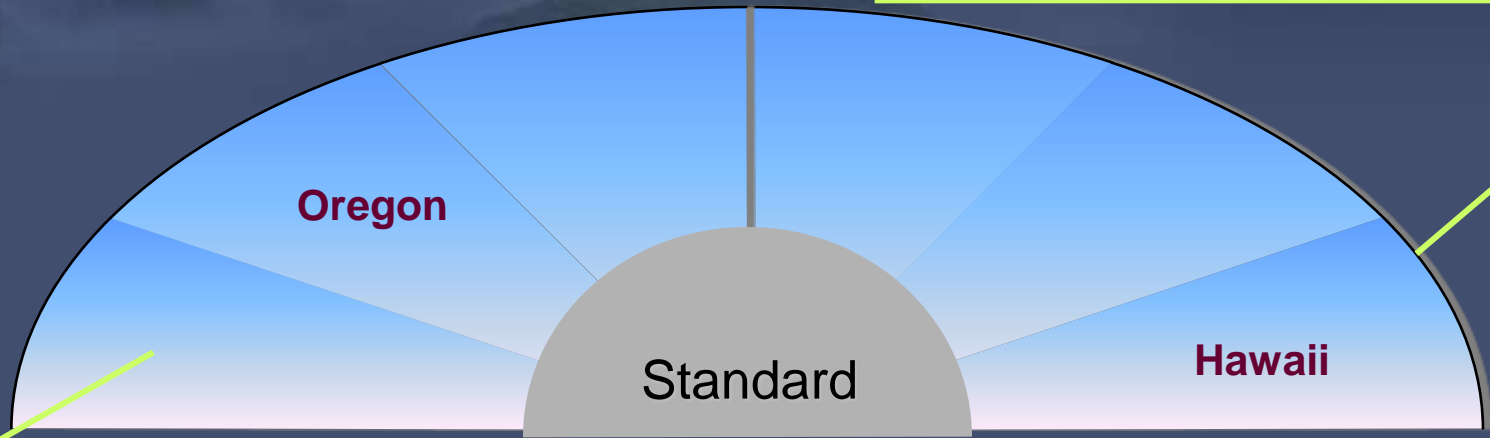
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Are Credits Required?

“...present value of past or future payments or contributions....”

Hawaii Impact Fee Act



Good Practice

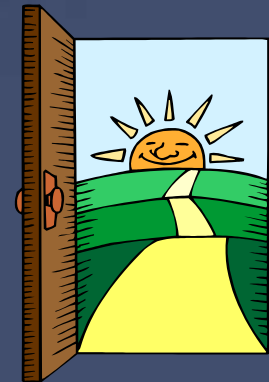
Legal Requirement

“...prior contributions by existing users...gifts or grants...other relevant factors...equitable share”

Oregon SDC Statutes

In a Perfect World.....

- Timing of improvements are known
- Specific funding sources have been identified
 - Grants
 - Developer contributions
 - Debt vs. pay-as-you go
 - Reimbursement/recoupment fees
- We know the cost of borrowing
- We know when and where growth will occur



Life is Good!

In Reality.....

- We make it up as we go along
 - Historical funding trends
 - “Professional judgment”
 - Reasonable assumptions
- We ignore credits because:
 - It's not required
 - If it can't be perfect, why bother?



Rules of Good Practice*

- Existing debt principal
 - Deduct outstanding debt if related to system components included in the fee
 - Consider whether undeveloped land has already paid a portion
- Grants and contributions
 - Past improvement: Deduct
 - Future improvements: Balance risk

*According to Galardi



Rules of Good Practice*

- Other capacity funding sources
 - Adjust cost basis
- Improvements to remedy deficiencies
 - Work with what you do know
 - Make the rest up

*According to Galardi



Future Deficiency Credit Example #1

	Input Variables	2005			2006			2007		
Sources of Funds										
Beginning Fund Balance	\$12,600,000	\$12,600,000			\$10,796,450				\$4,369,448	
Reimbursement Fee Revenue		\$245,086			\$251,948				\$259,003	
Interest Earnings		\$378,000			\$323,893				\$131,083	
Total Sources of Funds		\$13,223,086			\$11,372,292				\$4,759,534	
Uses of Funds										
Capital Projects		\$2,426,636			\$7,002,844				\$6,458,199	
Ending Balance		\$10,796,450			\$4,369,448				(\$1,698,664)	
Rate Funded Contribution				\$0			\$0		\$1,698,664	
Debt Service Payment				\$0			\$0		\$136,305	
Cumulative Debt Service Payment				\$0			\$0		\$136,305	
PV Credit per Unit										
Average Flow (\$/gallon)	\$	0.65	\$	0.65	\$	0.68	\$	0.72		
Peak Flow	\$	-	\$	-	\$	-	\$	-		
BOD	\$	145	\$	145	\$	153	\$	160		
TSS	\$	132	\$	132	\$	139	\$	146		

Future Payment Examples #2 and #3

- **Single Debt Issue to fund deficiency cost**
 - Credit limited to principal
 - Equal to present value of future stream of principal payments/EDU
- **No credit**
 - It's a wash
 - Financing costs, other revenues available to fund deficiency portion

Final Thoughts

- Know what's required
- Balance risk
 - Identify full cost of growth
 - Give credit where credit is due
- More complicated does not necessarily mean more equitable

