

Annual Report on Impact Fees
January 2004 – December 2004

Department of Impact Fees
Jefferson County Government

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Executive Summary

1.1. Fees Collected

Jefferson County uses a fiscal year which starts in July and runs through June of the next year. The accounting of fees collected to date is based on a calendar year since this report is due to the Commission in January of each year. Thus, these values reported below span Fiscal Years 2004 and 2005 and run from January 1st, 2004 through December 31st, 2004.

Table 1. Overall Impact Fee Accounting /1

Category	Number	Amount
County Impact Fees – single family	269	\$1,915,818.00
County Impact Fees – town house/duplex	4	\$22,248.00
Charles Town – Proffers /2		\$648,164.00
Charles Town – Arcadia Builders – single family /3	21	\$149,562.00
Interest Earned – Calendar Year 2004		\$5,839.11
Disbursements		\$0.00
End of Calendar Year Balance		\$2,741,631.11

Notes:

- /1 Information combined from accounts 3111776 (Department of Impact Fees general account) and 3107582 (Sheriff of Jefferson County School Impact Fee Account).
- /2 Charles Town had collected “proffers” in lieu of impact fee payments and delivered these collected fees to the County in December of 2004. Their proffer system includes a number of granted offsets in addition to a series of initial payments of \$490.00 for houses also included in the Huntfield proffer agreement. The monies handed over to the County were for 58 single family and 104 town house/duplex structures.
- /3 Arcadia Building Company established an escrow account for the 21 single family building permits issued by the Municipality of Charles Town. These monies were handed over to the County in December of 2004.

Table 2. Process Number Accounting

Type	Number /1
Single Family (includes manufactured homes)	269
Town house/Duplex	4
Commercial	4
Residential Exempt (all single family or manufactured)	49
Voided (0400255)	1
Total (030001 – 0400327)	327

Notes:

- /1 These are impact fee process numbers issued to new construction in the county and in the municipality of Bolivar. Neither Harpers Ferry nor Shepherdstown apparently issued any building permits for new residential or commercial construction. Process Numbers were not assigned to any of the building permits associated with Charles Town, although as of October 1st, 2004, all applicants for new construction in Charles Town are to be directed to the Department of Impact Fees for the purpose of determining whether an impact fee is due, and if so, for fee collection. Any new building permit applications from the Municipality of Charles Town with an application date after October 1st, 2004 will be issued an impact fee Process Number.

2. Annual Review

2.1. Recommended changes to ordinances or procedures

It is recommended that the School Impact Fee ordinance be amended in April of 2005 to accommodate index-adjusted costs for school buildings. Passage of the most recent bond for funding of the new high school will also require an adjustment of the General Credit for the school impact fee. This adjustment will necessitate an amendment to the School Impact Fee Ordinance. These changes are detailed beginning on page 4.

Presently, the School Impact Fee Ordinance levies fees which are 85% of the maximum justifiable impact fee for each of the residential land uses (single family detached, town house/duplex, and multi-family apartments). This 15% differential in the fee amount

creates a 15% deficit in the funding of the level of service demanded by new growth and this deficit must be taken up by general revenue funds, state school funding, or some alternative source. It is recommended that the County either adopt school impact fee values much closer to the maximum justifiable fee (for example, raise the amount to 95% of the maximum fee) or adopt a growth policy for schools that acknowledges that new growth is to be subsidized by some 15% from other, non-impact fee sources.

2.1.1. Ordinance Changes during 2004

There were recommendations to amend the Impact Fee Procedures Ordinance in July and December of 2004. Those recommendations were followed up by action of the County Commission and amendments were accepted on July 8th 2004 and January 20th, 2005. The Impact Fee Procedures Ordinance was amended in July of 2004 to correct some typographical and minor ministerial matters. Another set of amendments were made on January 20th 2005. This second amendment was to clarify the definitions of some non-residential land use categories in order to mesh definitions found in the Law Enforcement Impact Fee Ordinance with those found in the Procedures Ordinance.

2.2. Proposed changes to CIP

Several changes were made to the Capital Improvement Plan in the Fall of 2004. Undoubtedly as both the County's financial planning processes become more complex and additional fee categories are adopted, there will be the need for further modification of the CIP.

2.2.1. Background

The CIP for FY 2005 was a paper-based document with forms designed by members of the Capital Improvement Plan Committee. In the Fall of 2004, the Impact Fee Coordinator undertook an effort to update the CIP. Changes included:

- Development of an additional form to report impact a proposed capital improvement may have on the County general budget.
- A new form to assist department heads prioritize multiple projects. Use of this form is entirely optional.
- Development of electronic versions of the most commonly used CIP forms. Each form is now available in Microsoft Word and Microsoft Excel files. The Department of Impact Fees developed automated processes to convert any CIP submissions using Microsoft Excel into their Microsoft Word counterpart. All entries to the County Commission are therefore standardized prior to presentation to the Commission.

2.2.2. Future Changes to the CIP

The Impact Fee Coordinator recommends continued development of electronic forms for CIP processing. Ideally, forms should be web-enabled to remove any application-specific file types. Using web-based forms, anyone with access to an Internet-connected computer would be able to complete and submit a CIP form. The Impact Fee Coordinator also recommends providing the members of the County Commission with the training and tools to use analysis tools such as pivot tables and/or data cubes to facilitate analysis and presentation of the CIP.

2.3. Identification of Fee-Fundable Projects

The Capital Improvement Plan for the Jefferson County Board of Education was received by the County Commission on January 6th, 2005. A revised copy was received by the County Commission on January 13th, 2005. Staff have conducted an analysis of this document and WV Code §7-20 (especially §7-20-8) and have the following recommendations. Details supporting these statements are included in Appendix 1.

The Board of Education has indicated that with the majority of funding for the new Southern High School secured, the seat deficit for the entire school system will disappear upon opening of this facility (see Appendix 1 for details). With the seating deficit addressed, impact fee monies may be spent on any project intended to expand the current system. Projects intended to increase the quality of service (such as the Field Houses, see below), may not be funded by impact fees.

- **Southern High School. Priority 1.** This project is almost entirely funded from non-impact fee sources. Additional funding by impact fees is permitted as the majority of the project, designed to address an overall seating deficit within the system, was obtained from non-impact fee sources.
- **Field Houses.** This project is not eligible for impact fee funding and the Board of Education has not requested funding from this source. This project represents an increase in the quality of service and therefore may not be funded as per State Law.
- **Southern/Central County Elementary School and Central/Southern Elementary School.** Both projects are such that current increase in growth will be accommodated by these new facilities.
- **County wide expansion of administrative and maintenance facilities.** If this project by design represents an expansion of current facilities without increasing the quality of service, it may be fully funded by impact fees.
- **County wide expansion of school facilities.** As above.

2.4. Proposed fee boundary districts

The School Impact Fee Ordinance does not recognize any fee boundaries, and the Board of Education has made a convincing case regarding the application of a single educational fee district throughout the county.

The law enforcement impact fee will utilize a county-wide fee district that recognizes the five municipal boundaries as law enforcement fee-free areas. This is justified since each municipality maintains its own police department.

2.5. Proposed fee schedule changes

2.5.1. Overview

The School Impact fee was enabled on January 26th, 2004. The original fee calculation was conducted by Tischler & Associates of Bethesda, Maryland in June of 2003. Justification for a change in the School Impact Fee would be based on any of the following criteria:

- **Changes in Capital Inventory.** There are no significant inventory changes to the school system, although the new high school is scheduled for completion in the summer of 2007. *It is not recommended to make changes to the capital inventory component of the fee calculation unless there is a significant change to the inventory.*
- **Changes in Base Demand.** Calendar year 2004 saw a calculated value of 223 new students resulting from building permit issuance between the County and all Municipalities except Ranson (Ranson has yet to turn over building permit information or any collected impact fees to the County). When these “new” students are figured into the base data which underlies the impact fee calculation for schools, the fee is reduced by some 1% of the maximum justifiable fee (refer to the tables in the Appendix for details). *No change in the school impact fee due to the increase in base demand over the past year is recommended.*
- **Changes in General Credits.** In May of 2004 voters approved a construction bond to fund much of the construction of the new high school and improvements and renovations to Jefferson High School. Annual property tax increases to accommodate this bond will take effect in July of 2005. Failure to account for the principle portion of this bond over its 16 year lifetime will result in a potential double-taxation which is specifically prohibited by WV Code §7-20. *It is recommended that a general credit for this bond be calculated and that the School Impact Fee and the enabling ordinance be adjusted to take effect on July 1st, 2005.*
- **Changes in the Price Index for this category.** This is discussed in the following section.
- **Changes in general adjustment.** This is discussed in section 2.1, on page 2.

2.5.2. Annual Adjustment for School Impact Fee

The Impact Fee Procedures Ordinance provides for an annual cost-of-living adjustment to an impact fee (c.f. 6(B)). The index for public facilities is the Quantity and Price Indexes for Gross Government Fixed Investment by Type and is published by the United States Bureau of Economic Analysis¹. The most recent two years for this index are 2002 and 2003 and the ratio between 2003 and 2002 is 1.022 (or 102% increase). Tischler & Associates used valuation data for the school system physical inventory which dates to 2000, so it is appropriate to use these index years to make an annual adjustment. *It is therefore recommended that the School Impact Fee be adjusted by 102% of its current value.*

2.6. Proposed Changes to Level of Service Standards

2.6.1. Overview

West Virginia Code §7-20 requires that the County maintain, as part of its capital improvement program, level of service standards for impact fee-applicable categories. The County maintains its level of service standards as the base data used to conduct impact fee calculations and these standards are documented in the report *Impact Fees* which is authored by Tischler and Associates. This document was originally produced in

¹ Source is Table 5.8.4B, line 35.

June of 2003 and has been subsequently modified for parks & recreation and law enforcement. Many jurisdictions update their LOS data once every three years, unless there are significant changes to a particular inventory or base demand data.

2.6.2. Schools

The school Level of Service standard is the 2003 *Impact Fees* consultant report. Construction on the new high school and renovations to Jefferson High School are anticipated to begin soon. Although property for the new high school was deeded to the Board of Education, and is valued at \$1,440,000², it is recommended that the current LOS remain in effect until 2007 when the new high school is completed.

2.6.3. Law Enforcement

In preparation for implementation of a law enforcement impact fee, the County engaged Tischler & Associates to recalculate the law enforcement impact fee during the Fall of 2004. This recalculation involved updating the sheriff's capital inventory. The updated law enforcement component of the *Impact Fees* report was received in December of 2004.

2.6.4. Fire & EMS

The County anticipates that a Fire and Emergency Medical Services impact fee will be implemented sometime in 2005. The Department of Impact Fees is presently coordinating an effort with the 5 volunteer fire departments and the county Ambulance Authority to update the capital inventories of these entities. Once the inventory data has been updated, it will be delivered to Tischler & Associates for a recalculation of the Fire & EMS impact fee. Once completed, the county will have an official update of the LOS for this category as well.

2.6.5. Parks & Recreation

In preparation for implementation of a parks & recreation impact fee, the County engaged Tischler & Associates to recalculate this fee during the Fall of 2004. This recalculation involved updating the sheriff's capital inventory. The updated law enforcement component of the *Impact Fees* report was received in October of 2004.

2.7. Proposed Changes to Fee Calculation Methodology

At present there are no proposed changes to the fee calculation methodology. If the county moves toward formalizing commitment to the emergency communications center it may be advised to include the sheriff's component of that project using the plan-based methodology (similar to the approach used to incorporate the planned improvements at Sam Michaels Park – see the *Impact Fees* report by Tischler & Associates). Alternatively, the County could wait until this project is complete and simply include it in the next recalculation of the law enforcement impact fee. The Impact Fee Coordinator recommends that the Department of Impact Fees assume the responsibility of conducting

² Source: Real Estate Appraisal – Complete Summary Analysis-60 Acre Hunt Field Site. Prepared by Professional Appraisal Corporation, 6 June 2002, for the Jefferson County Board of Education.

any re-calculations of impact fees for the categories of schools, parks & recreation, law enforcement, and fire & EMS. The Impact Fee Coordinator will continue to monitor standard practices of consultants in this field for the purposes of identifying situations where use of a consultant to conduct a reappraisal of the present methodology may be necessary.

2.8. *Proposed Changes to Base Data for Fee Calculation*

2.8.1. Background

Currently, the County lacks a specific policy to guide the frequency with which impact fees are recalculated. The recalculation process should be triggered by some time period, or major change to a fee category inventory or base data. While it is undesirable to recalculate fees annually (this involves staff resources and public hearings), it is also undesirable to wait too long between fee recalculation events. As the base demand grows while the fee remains static, the percentage by which new growth pays for its own capital demands drops and this drop shifts the cost of growth back to the general population.

2.8.2. Recommendations

It is recommended that the County consider recalculation of each fee category at a minimum of 3 year intervals. If there is no significant change in the capital inventory or in the underlying base demand for the service, the County should opt to recalculate again in 3 years with the possibility of annual re-inspections of the base data. This 3 year frequency is based upon an analysis of the projected growth rates as presented to the County by Tischler and Associates in 2003. Their data project a population increase of roughly 5% every three years through this decade (see Appendix 2 for the source data).

Appendix 1. Impact Fee Report – Board of Education

This document was submitted by the Superintendent of Schools, Jefferson County Board of Education. It outlines the role of the new Southern High School in removing the present seating deficit.

Impact Fee Report

At the time the impact fee was instituted in January 2004, the school system had a seat deficit of 690 seats. This seat deficit is calculated using the total volume of seating capacity less the total number of students enrolled in the system. The following calculation was used:

Total System Capacity	6,782
Total Number of Students as of January 2004	7,472
Seating Deficit	690

This seating deficit is calculated system-wide and includes all grade levels. As a countywide system, adding seats at the high school level will affect seat numbers at the middle school and elementary level and therefore, the impact fee is viewed across the k-12 system.

The data in this regard were presented to Tischler Associates (the County Commission's Consultant on Impact Fees), and they have agreed to view the school system as countywide in their recommendations. The County Commission also took this position at the passage of the School Impact Fee ordinance in January 2004.

At this time, the school system is using non-impact fee money per the Local Powers Act (7-20) to make up this deficit. Based on the countywide nature of the school system, the existing seating deficit, and the authority granted by both the Local Powers Act and the local Impact Fee ordinance it is the contention of the school system that impact fee monies may be spent on all projects listed on the Board of Education's Capital Improvement Plan (CIP) as submitted.

Dr. Steven Nichols
Superintendent

Appendix 2. 2004 Changes in Base Demand

Only additions to base demand for Schools is included as that was the only category for which impact fees were collected during calendar year 2004.

**Table 2. 2004 Additions to Base Demand /1
Students /2**

County	Permits	ES	ES Total	MS	MS Total	HS	HS Total	Total Students
single family	269.0	0.2	64.6	0.1	35.0	0.1	35.0	134.5
single family exempt	49.0	0.2	11.8	0.1	6.4	0.1	6.4	24.5
town house/duplex	4.0	0.2	1.0	0.1	0.2	0.1	0.2	1.4
Charles Town								
single family	54.0	0.2	13.0	0.1	7.0	0.1	7.0	27.0
town house/duplex	104.0	0.2	25.4	0.1	5.2	0.1	5.2	35.8
Category Totals			115.6		53.8		53.8	223.2

2004 Enrollment /3 7806

Percent Change 2.9%

/1 Source: impact fee collection data multiplied by school students per housing unit type, T&A June 2003 Impact Fee Study.

/2 Within each school grouping (e.g. elementary, middle, high) the first column is the pupil generation rate, by housing type. Source: Impact Fee Methodology Report, Tischler & Associates, June 2003.

/3 Superintendent's State of the Schools Report.

Abbreviations: ES, Elementary School; MS, Middle School; HS, High School.