

A workshop meeting of the City Commission was held on March 8, 2011 at 6:00 p.m. in the Commission Chambers at the Municipal Administration Building. The meeting was called to order by Mayor L. Jack Van Sickle.

COMMISSIONERS PRESENT: Michael S. Carter; Jonathan Thornhill; Terrye Y. Howell; John Paul Rogers; Mayor L. Jack Van Sickle, Mayor.

COMMISSIONERS ABSENT: None.

CITY REPRESENTATIVES PRESENT: Judith H. Delmar, City Manager; Albert C. Galloway, Jr., City Attorney; Clara VanBlargan, City Clerk; Jacquie Hawkins, Deputy City Clerk

Agenda Item 1. Roll Call

Agenda Item 2 Impact Fee Discussion

Planning and Development Director Margaret Swanson introduced Dwayne Guthrie who was hired in association with Clarion Associates to update the City's impact fee study. She said he would give a presentation on preliminary work that has been done on the update.

Mr. Guthrie explained that the update would be done in two steps. He would give the general overview at the present meeting and then present the revised numbers in May. He then gave a PowerPoint presentation on the preliminary work, which included the ground rules, reasons for having impact fees, what impact fees can be spent on, what data is studied to determine the amount that can be charged so as to be compliant with the law, and the options available to the City for adjusting the fees. He explained that impact fees cannot generate general revenue as taxes do, but are restricted to pay for capital costs to provide services necessary for growth. Impact fees are now collected for water, sewer, police, fire, parks and libraries. The amount of impact fee charged must be the proportionate share of the cost of the improvement attributable to the development. The needs and projected costs specific to the City of Lake Wales must be determined in order to set the defensible amount of impact fee for each type of service. Impact fees must be used to benefit the developments that pay them. With impact fees, growth pays for itself rather than requiring tax payers to foot the bill for expanding facilities for new development.

He showed the impact fee revenues and expenditures since the 2005 study. In FY05/06, over \$1.2 million was raised during a period of high development activity. When development rates dropped in the following years, revenues also dropped, hitting a low of \$200,000 in FY08/09. In FY09/10, revenues recovered to around \$600,000. Expenditures made with impact fees were highlighted, including the south side force main, a new fire truck, wastewater reuse system, and water line extensions. The balance of almost \$1 million in the sewer impact fee account is slated in the capital plan for wastewater projects. A plan is being formulated to expand library service using the \$200,000 in the library account.

Mr. Guthrie said that having impact fees assists the community by providing planned expansion of facilities and gives the City a competitive advantage in having facilities available to serve growth. He emphasized that reducing or eliminating impact fees does not cause new development. In regard to adjusting the fees, he said that Florida law requires the calculation of impact fees based on recent and localized data, regardless of whether the update actually increases fees or not.

He reviewed the three common methods of impact fee calculation: cost recovery (collecting fees to pay for completed projects that expanded facilities for future growth), incremental expansion (basing the fee on cost per unit of expansion), and plan-based (basing fees on the cost of planned projects to expand capacity). Most of the current Lake Wales fees are calculated based on "incremental expansion." "Cost recovery" is used for the south fire station, and the "plan-based" method is used for the proposed north fire station, major water lines, and sewer collection and treatment capacity expansions.

Preliminary changes to the non-residential impact fees were reviewed. Eliminating different fees for small and large commercial and office categories is proposed. This will reduce fees somewhat for smaller businesses. The medical-dental office classification is proposed for elimination. Updating trip generation rates will reduce fees for hospitals and warehouses. For residential fees, changes in U. S. Census practices on classifying various housing types will probably reduce fees for single-family but slightly increase fees for multi-family.

Data from the U.S. Census of 2010 shows that most of the population growth in Lake Wales in the past decade has been in the northern area of the City, while population in the core area has decreased slightly. Population projections will be drastically different from those in the last study because of the downturn in the economy. The 2005 study projected there would be 25,000 people in the City by 2020, but new projections are in the 15,000 range. He noted that U. S. Census data has been slow coming out, but data he is awaiting should be available within the month.

Commissioner Howell asked Mr. Guthrie to explain how impact fees could be used for cost recovery. Mr. Guthrie gave the example of the main fire station on Central Avenue where the debt service was being paid off with impact fees. He said if impact fees were not used to help pay that debt service, taxes would have to be raised or the budget would have to be cut somewhere to allow the use of the general fund. Ms. Delmar said they also talked about using impact fees to reimburse the CRA bond proceeds that were expended on the south-side water tank because the tank will serve new growth, thereby allowing the CRA funds to be used elsewhere. Commissioner Howell asked for confirmation that you could not reimburse the general fund with impact fees for repairs or debts that have been paid off. Mr. Guthrie said that impact fees cannot be used for operation and maintenance but can be used for growth-related infrastructure to accommodate new development.

Commissioner Rogers said he realized it was a preliminary study but asked Mr. Guthrie if in his opinion, impact fees would increase or decrease. Mr. Guthrie said once the study is complete, he will be able to tell them what fees can be charged, but not what fees should be charged. In order to make that decision, the City Commission would need to weigh in things like economic conditions and what surrounding communities were charging, but also realizing that there is a tradeoff because if growth infrastructure, especially in utilities, is not paid for with impact fees, it most likely will have to be paid from citizens' monthly utility bills. Ms. Delmar explained that one of the components of the sewer impact fee was a \$24 million dollar wastewater treatment plant expansion that will no longer happen within the next five-year timeframe, which will affect the total impact fee. When that assumption is removed, there will probably be some downward changes. Where we end up will depend on what has to be added along with the very large component that will be coming out. Commissioner Rogers asked Mr. Guthrie if the bad shape the City's infrastructure is in had been taken into consideration, especially the sewer plant and some of the sewer lines, and asked him what would be needed to improve them for future growth. Ms. Delmar said those were M & R issues and were not growth related. Mr. Guthrie said impact fees can't be used, for example, to replace an old lift-station, but can be used for a new lift-station that would open up a new area for sewer service, or to cover part of the expansion cost if capacity were increased so as to service a new area.

Commissioner Carter asked the following questions:

- Commissioner Carter asked if there was a reason for not collecting road and drainage impact fees even though they are as much growth related as sewer and water. Mr. Guthrie explained that the Florida Impact Fee Act is short and does not list the impact fees you can or can't collect. For example, the County has a very high road impact fee, which is part of the issue. The study group had considered it the last time they did the Lake Wales study but decided not to pursue it. He said many communities restrict their impact fees to storm-water and utilities because most of the road issues are not growth related. Ms. Delmar added that most storm-water issues are handled on site by developers so we would be looking at creating a storm-water utility to address existing drainage, which would not be affected as much by growth. She said that they had considered a road impact fee but most of the roads that were growth impacted were on major state or country roads like Burns Avenue, Buck Moore Road, Highway 17, SR 60, or US 27, or

roads within subdivisions that are handled by developers. Ms. Swanson said that road impact user fees would only apply to a very limited number of roads because the developer builds them inside the development, and the County collects the fees and builds those outside the development. Mr. Guthrie added that road impact fees are usually very high for non-residential use, especially for commercial.

- Commissioner Carter asked if the County curtailed all impact fees for 2012 and Ms. Swanson said all but school impact fees. She explained that we could not collect the fees for County roads and if the County does not have the money, they just don't improve them. Commissioner Carter said he had thought there was more leeway on what impact fees could be used for. He said he realized now that, for example, impact fees could be used to purchase a new fire truck to service an expanded area, but it could not be used to replace an existing fire truck that also serves the same newly developed area. Mr. Guthrie confirmed but said if the water capacity of the new fire truck increased, for example from 1,000 to 1,500 gallons, you may be able to use impact fees to pay for the increment.
- Commissioner Carter asked if the impact fee policy for residential and commercial growth were addressed separately. Mr. Guthrie said they look at the community's population and job projections but basically the fees have to be proportionate. You can decide that impact fees are too high and therefore reduce them or even phase them in, but they all have to be treated the same. Therefore, you can't for example charge impact fees for residential development and ignore non-residential. If you think impact fees are too high, he suggested taking out a whole category, for example dropping the police impact fee, or funding some of the planned impact fee projects with utility funds instead. Commissioner Carter asked if in their study the residential information would be separated from commercial or if they would be co-mingled. Mr. Guthrie said they would be together on every page for comparison purposes. Ms. Delmar said for example, a business would not be charged parks and recreation or library impact fees.

Commissioner Thornhill commented that we were nowhere near the million in impact fees we once had and he doubted we'd ever get there again. He said his main concern was turning off development because our impact fees were too high. He said there is still new development going on, but just not as massively as there once was. The older population who already paid for the existing infrastructure like the fire station does not want to be taxed again to build a new one on the other side of town. So, impact fees are necessary to enable growth to pay for itself, though they are not perfect. Some people say they are too high and others say they are too low but as long as we are consistent, so no one can say we are picking on one particular group, they are necessary. He asked Mr. Guthrie if they have an idea yet what the impact fees will be and Mr. Guthrie said they would not know until they get the census data.

Commissioner Rogers asked if giving a prospective business an impact fee break or waiver because they would be hiring a lot of people would cause legal problems. Ms. Delmar said it would not be a waiver because the general fund, the CRA fund, or some other source would have to cover the tab. She said an incentive had been used in the past at the business park where CRA dollars had been used to pay the impact fees. Mr. Guthrie said it was best not to use things like expected sales tax money to cover it because you might not get the expected revenue from the sales tax. Ms. Swanson said that fees except sewer and water are waived in the Core Improvement Area to encourage infill and redevelopment in the older areas of the City where infrastructure is already in place.

Mayor Van Sickle said it was his understanding that the north-side fire district pays twice the impact fee as the south-side. Ms. Delmar said it was not twice as much but the south-side is paying the debt on the fire station in town while the north-side is paying for a future building on that side of town. The Mayor said he did not understand the logic because they were not paying more for police impact though police patrol the north end. Ms. Delmar explained that there had been no calculation in the police fee for a building. If there had been plans for a sub-station for the north-end, it would have been different. The Mayor said it seemed to him to be unfair for the City to have two separate impact fee calculations. Ms. Delmar said in the Whispering Ridge area they were paying capacity for the main fire station as opposed to paying for a new fire station, from which they will receive no benefit, and that was the logic behind separating the two. Mayor Van Sickle said the north-end of the City is paying for both the non-existing fire station to be built in

the north-end and the main fire station in town because right now, if there is a fire, they receive service from the main station. Ms. Delmar said they were two separate accounts. The money collected for the fire station in the north goes into a separate account and can only be spent for the building of the station. Mr. Guthrie said the sub-station would reduce the response time and therefore would lower the resident's insurance and the Mayor said it was already lower because of the temporary substation located there. The problem is that the substation has to rely on the main station to transfer personnel and equipment to the north when there is a fire. He added that the substation was also covering a lot of the County and people may not be aware of that.

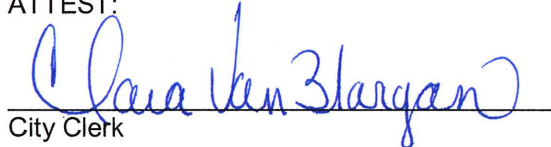
Mayor Van Sickle said they appreciated the update and they were looking forward to seeing how the numbers come out. Hopefully, he said, it will be good news for those who want to build.

There being no further business, the meeting was adjourned.



Mayor/Commissioner

ATTEST:



City Clerk