

**OLYMPIA WORKING GROUP SUMMARY
FINANCE**

Date: July 26, 2021

Time: 3:00 p.m. – 4:45 p.m.

Attendees: Jared Henderson, Steven Shields, Nathan Cherpeski, Alan Rae, Chase Andrizzi, Blake Thomas, Justun Edwards, Tami Moody, Justin Sorenson

This meeting primarily focused on a review of the City’s financial projections (presented in a February 2021 City Council meeting) of one-time/ongoing revenue and costs stemming from Olympia, comparing scenarios if the development property is annexed into Herriman City and if it is not. As an update, the working groups are identifying infrastructure improvements and comparing to the City’s master plans, and are working to identify costs associated with those improvements. It’s anticipated that the group will have an initial idea of those improvements within a week or two, and will then continue to work identifying exact proportional costs for those improvements.

Olympia Hills Affect on Herriman City Streets

	Total Cost	% Attributable to		Impact Fee Eligible	Impact Fee Eligible OH annexed
		10-Year Growth	10-Year Growth OH Annexed		
6900 W Main Street to City Boundary	3,800,000	33.00%	100.00%	1,254,000	3,800,000
Silver Sky - 7900 West to City Boundary	9,500,000	14.00%	75.00%	1,330,000	7,125,000
7300 West North Segment	7,500,000	4.00%	95.00%	300,000	7,125,000
Main Street - 6225 West to 7900 West	7,700,000	0.00%	60.00%	-	4,620,000
Herriman Blvd - 6000 West to 6400 West	2,100,000	0.00%	50.00%	-	1,050,000
				2,884,000	23,720,000
Additional Impact Fee on Existing Herriman Roads if Olympia Hills is Annexed				20,836,000	

First, the group analyzed impact fee-eligible roads in existing Herriman City boundaries (noted in image above). If Olympia is not annexed, these road segments, which are already in Herriman City, are eligible for approximately \$2.9 million in impact fees. If Olympia is annexed, an additional \$20.8 million would be available. These calculations are based on Herriman City’s existing impact fee structure (though the group is continuing to analyze whether a contract fee might be a better option). The percentage attributable to 10-year growth numbers are based on Herriman City’s transportation study and considered as if Olympia remains outside City and constructed as approved. It was stated that, essentially, the \$20.8 million difference is money the City would not have access to if Olympia remains outside City boundaries.

The next discussion point (see chart on following page) was regarding one-time revenue in both unrestricted money (building permit revenue) and restricted money (impact fees). The estimated amount of unrestricted funds stemming from Olympia is approximately \$31 million, while restricted funds—based on the current impact fee structure—is anticipated around \$61 million.

**One Time Revenue Summary
Olympia Hills Building Permits**

	Single Family Residential	Multi-Family Residential	Commercial	Total
Unrestricted				
Site Plan	77,805	20,020	35	97,860
Building Permits	7,555,046	9,721,352	14,099	17,290,497
Plan Review	4,910,780	6,318,879	9,164	11,238,823
Electrical Permit	104,481	187,060	47	291,588
Mechanical Permits	37,791	67,660	17	105,468
Plumbing Permits	37,791	67,660	17	105,468
Grading Fee	53,352	20,000	20,000	93,352
Water Hook-up Fee	667,200	1,316,386	150,000	2,133,586
	13,444,245	17,719,017	193,379	31,356,642

Olympia Hills Impact Fees

	Single Family Residential	Multi-Family Residential	Commercial	Total
Restricted				
Public Safety Impact Fee	642,447	1,778,900	119,000	2,540,347
Fire Impact Fee	987,012	1,316,386	64,260	2,367,658
Park Impact Fee	6,455,592	10,328,266		16,783,858
Road Impact Fee	4,668,300	6,608,000	1,035,300	12,311,600
Water Right Impact Fee	4,890,600	4,113,121	119,075	9,122,796
Water Impact Fee	6,375,564	7,737,024	684,494	14,797,082
Storm Drain	-	-	-	3,277,890
	24,019,515	31,881,698	2,022,129	61,201,231
	37,463,760	49,600,714	2,215,508	92,557,873

Change in Current Herriman Roads **20,836,000**

It was noted that the Olympia development team has stated in previous meetings they are comfortable with being overcharged (but not excessively) on contract fees to ensure costs are being covered by the contract fee. The finance group agreed that the master development agreement should be structured so that Olympia is to cover 100% of costs within the development and a complete proportional share of costs for offsite impacts directly related to Olympia. Current City estimates are that the City will be about \$70 million short in road costs if Olympia is constructed outside City boundaries, and about \$20 million short if Olympia is annexed. It was noted that some of that \$20 million shortfall can be covered by the potential \$11 million infrastructure bond, which brings the shortfall (if annexation occurs) closer to \$10 million.

The group discussed a concern about future city councils potentially using the one-time money for anything other than Olympia-related capital projects. It was concluded the current city council cannot restrict unrestricted funds, but it does have some ability to bind processes to use that money to discourage non-Olympia-related use. One potential option discussed was to have multiple capital projects funds—one for each major capital project, i.e. a fund for 6000 West improvements, another for 6400 West improvements, etc. Then, each year, a certain amount of funds are allocated

to that certain capital project until the target is reached and money is expended. It was noted that the method may be easier to allocate funds from the developer for proportional offsite impacts as well. This would be an internal City process and wouldn't be related to the MDA or developer's responsibilities.

The group then discussed ongoing revenue and expenditures projections (see following chart). All five major expense categories (Herriman City, police, fire, water, and storm drain) are sustained, though police and storm drain come in somewhat low in revenue vs. expenses. Total projected ongoing revenue over expenditures is approximately \$2.9 million (considering services for the Olympia area only).

Ongoing Revenue and Expenditures						
	Herriman City	Police	Fire	Water	Storm Drain	Total
Revenue						
Property Tax						
Single Family Residential	89,573	607,817	549,275			1,246,665
Multi-Family Residential	251,804	1,708,670	1,544,098			3,504,572
Commercial	22,500	237,500	214,625			474,625
Sales Tax						
Point of Sale	435,789					435,789
Population	1,743,155					1,743,155
County Option	218,499					218,499
Franchise Tax	803,785					803,785
Class C Road Funds	471,677					471,677
Park Fee	287,108					287,108
Other Revenues	1,661,124					1,661,124
Water				3,691,386		3,691,386
Storm Drain					411,204	411,204
Total Revenue	5,985,013	2,553,987	2,307,998	3,691,386	411,204	14,949,588
Expenditures						
Parks	1,558,585					1,558,585
Streets	612,569					612,569
Snow Plow	57,839					57,839
Police		2,390,082				2,390,082
Fire			1,312,493			1,312,493
Water				2,666,001		2,666,001
Storm Drain					389,646	389,646
Overhead	3,055,647					3,055,647
Total Expenditures	5,284,640	2,390,082	1,312,493	2,666,001	389,646	12,042,862
Revenue Over (Under) Expenditures	700,373	163,906	995,505	1,025,385	21,558	2,906,726

A conversation arose about how to protect the City and residents if the developer doesn't perform. The group discussed writing in governing document of a public infrastructure district (PID)—if one is to be used—that PID funds must be spent on infrastructure within the Olympia development (and not some other way). The intent of this would be to protect the City from all possible angles, but the group doesn't necessarily anticipate the PID funds would be used in any other way. It was again noted that a PID is amenable to the City as long as the PID bond isn't repaid by a property tax mill levy, but only by contract fees.