ARAPAHOE COUNTY
COLORADO'S FIRST

BOARD SUMMARY REPORT

Date: November 16, 2020

To: Board of County Commissioners

Through: Bryan D. Weimer, PWLF, PW&D Director

From: Charles V. Haskins, P.E., Engineering Services Division Manager

Subject: **C18-025; Oil and Gas Transportation Impact Fee , Adoption of Impact Fees General Business Item**

Request and Recommendation

The purpose of the Board Summary Report and General Business Agenda item is to request that the Board adopt a resolution imposing impact fees on new oil and gas facilities within unincorporated Arapahoe County in the amounts as provided in this Report, with the percentage reductions, and with the provision for increasing the reduced fee amounts as is also explained herein.

PWD engaged Felsburg, Holt and Ullevig (FHU) to conduct an Oil and Gas, transportation impact study and to calculate impact fees for Oil and Gas development within unincorporated Arapahoe County that fairly and proportionately defray the projected impacts such development has on County road infrastucture. Staff discussed this study and the need for the impact fees with the Board of County Commissioners (BoCC) at five prior study sessions. At the last study session held on September 28, 2020, the BoCC remained concerned with the amount of the proposed fees. In an effort to address this concern, staff is now proposing an alternative that takes into account the current economic conditions and the magnitude of the proposed fees relative to the current voluntary fee and proposes to initially adopt fees at a reduced fee schedule that is 60% of the amount recommended in the FHU Study, with "roto-paved" roads treated as asphalt.

PWD staff therefore recommends that the Board consider adoption of Oil and Gas Impact Fees in the reduced fee amounts as outlined starting on Page 14 of this BSR as an alternative for reducing the impact of the impact fees on the industry. This alternate reduced fee schedule would be applied to horizontal wells, vertical wells and re-fracked wells. However, the percentage reduction is not applied to the pad fees calculated in the FHU Study and shown on the "Proposal #1" as stated on Page 6 of this BSR. The proposed resolution for adoption would provide for the Board to increase the discounted fee amounts up to the amounts specified in the Proposal #1 for the horizontal, vertical and re-fracked wells if the Board determines that is appropriate.

If adopted, staff recommends that the adopted fees become effective on February 1, 2021 and that the applicable fee for a proposed oil and gas facility, in such reduced amount, would be collected prior to approval of the application for that proposed new oil and gas facility.

Background

Since 2011, Arapahoe County has been experiencing Oil and Gas development. An impact fee would provide an opportunity to obtain roadway funding to defray the impacts created by the increased use of the roads associated with Oil and Gas development in the rural portion of the County where such development is expected.

Within Colorado, Arapahoe County ranked seventh in crude oil production in 2017 and 5th in natural gas production in 2016. Many national and international factors shape levels of drilling activity, including Oil and Gas prices, national economic growth propects, and the merit of the Niobrara Shale relative to other production areas.

Oil and Gas drilling and production does affect roadway conditions. The study's purpose was to "better understand" and quantify roadway deterioration impacts from Oil and Gas development and to develop an impact fee, to offset the costs of capital improvements needed to support that development and to mitigate its impacts to County roads. Arapahoe County has authority derived from state statutes to layout, improve and regulate its public roads and, pursuant to CRS 29-20-104.5, to adopt impact fees to defray the impacts of new development on county capital facilities, such as roads.

In 2013, Arapahoe County established a Memorandum of Understanding (MOU) process for review of Oil and Gas development applications, and in accordance with that process negotiated a $7,500.00 per well *voluntary* fee with Operators.

On September 26, 2016, PWD staff presented to the Board of County Commissioners (BOCC) a recommendation to adopt the following fee schedule for mandatory impact fees to address roadway impacts related to Oil and Gas development within the County, and based on the study prepared at that time by Tischler Bise Consultants:

	1 Well 1 Pad	**2 Wells 1 Pad**	**3 Wells 1 Pad**	**4 Wells 1 Pad**	**5 Wells 1 Pad**	**6 Wells 1 Pad**	**Vert Well**	**Refrck Well**
Cost per Well	$13,453	$23,776	$34,166	$44,555	$54,878	$65,268	$5,328	$3,796

The BoCC did not support imposing the fee at that time and therefore, staff has continued to collect the $7,500.00 *voluntary* fee per well.

On July 3, 2018, pursuant to direction from the BoCC, Arapahoe County entered into an agreement for services with FHU to update the 2013 Oil and Gas Transportation Impact Fee study. The update incorporated several changes to the 2013 study, including:

- Update County roadway information
- Define characteristics of recent oil and gas development within the County

- Develop and use an analytical methodology that FHU has used in similar recent studies for Boulder County, Thornton, and Adams County
- Explore the potential incorporation of other energy-related uses including injection wells, solar farms, bio-farms, wind farms and landfills

The full amount of the fees calculated in the August 2019 Oil and Gas Transportation Impact fee draft report is presented below.

O&G Impact Fee Proposal – Horizontal Wells (Study Recommendation)

Pipeline Scenario					
Fresh Water Pipeline	Produced Water Pipeline	Product Pipeline	West	East-Central	Far East
			Per Pad Fees		
n/a	n/a	n/a	$1,112	$2,495	$468
			Per Well Fees		
-	-	-	$61,960	$176,345	$48,976
✓	-	-	$59,840	$172,258	$46,739
-	-	✓	$35,448	$117,259	$36,224
-	✓	-	$34,789	$115,911	$34,909
✓	-	✓	$33,327	$113,171	$33,986
✓	✓	-	$32,668	$111,823	$32,671
-	✓	✓	$7,369	$33,486	$22,157
✓	✓	✓	$5,113	$25,087	$19,920

During the study sessions held on this matter, staff addressed the Board's questions related to the following:

- Fee variation based on location and availability of pipeline infrastructure
- Other energy uses that generate truck traffic
- Fee increases since the last oil and gas study
- Impact fees collected by adjacent jurisdictions
- *Ad valorem* and other tax revenues
- Shoulder fee component

Additionally, the inclusion of roto-paved roads and the costs to pave those roads with asphalt, in the calculated fees shown in the above table significantly increased the amount of the fees, especially in the East Central area where the County has the most roto-paved roads. Moreover, including the roto-paved roads could be subject to challenge that the roto-paving is an existing deficiency for which impact fees would not be available under CRS 29-20-104.5. Accordingly, PWD staff calculated an amount for the fees proposed in the Study that treats the roto-paved roads as asphalt and thereby reduced the recommended fees to those shown in the Proposal #1.

At the December 2019 session and again at a subsequent study session subsequent held in July 2020, staff presented the Proposal #1 option as well as some other options to the Board. The Board directed staff to conduct additional outreach with industry Stakeholders, which staff accomplished at a meeting held June 4, 2020. Prior outreach meetings with Stakeholders were also held on December 13, 2018 and March 26, 2019.

The recalculated fee amounts with roto-paved roads treated as asphalt are set forth in the following table for Proposal #1:

O&G Impact Fee – Horizontal Well Base Proposal #1 (removed Rotopave effects)

Pipeline Scenario			12-17-19 BOCC Guidance Version		
			West	East-Central	Far East
Fresh Water Pipeline	Produced Water Pipeline	Product Pipeline			
Per Pad Fees					
n/a	n/a	n/a	$ 1,112	$ 2,495	$ 468
Per Well Fees					
-	-	-	$ 35,835	$ 51,663	$ 48,976
x	-	-	$ 34,322	$ 49,355	$ 46,739
-	-	x	$ 20,928	$ 31,078	$ 36,224
-	x	-	$ 20,421	$ 29,999	$ 34,909
x	-	x	$ 19,414	$ 28,769	$ 33,986
x	x	-	$ 18,907	$ 27,690	$ 32,671
-	x	x	$ 4,606	$ 9,414	$ 22,157
x	x	x	$ 2,958	$ 7,105	$ 19,920

In this Proposal #1, FHU and staff were able to reduce the amount of the proposed fees by treating the “roto-pave” roads within the study area as asphalt (removing the cost of replacing those roads as a factor in the fee calculation). Essentially assuming that the “roto-pave” roads would have a greater strength value than assumed in the study and sustain a longer “asset life” which reduced the fee.

As discussed below, in order to achieve an even further reduction from the calculated fee amounts, PWD staff recommends that the Proposal #1 fees be further reduced by 40% and adopt an impact fee at 60% of these Proposal #1 amounts, with similar percentage reductions for the vertical and re-fracked wells (the reduced fees). However, staff recommends and has provided in the draft resolution that the Board reserve the right to raise the fees up to the amounts specified in the Proposal #1 and to the amounts for vertical and re-fracked wells upon consideration of the then existing economic market for oil and gas, the amount of oil and gas development that occurs in the fee areas, and such other factors as the Board finds relevant.

This amounts of the reduced fee alternatives are set forth in the tables starting at page 14 of this BSR and includes reduced fee schedules for horizontal wells, vertical wells and re-fracked wells.

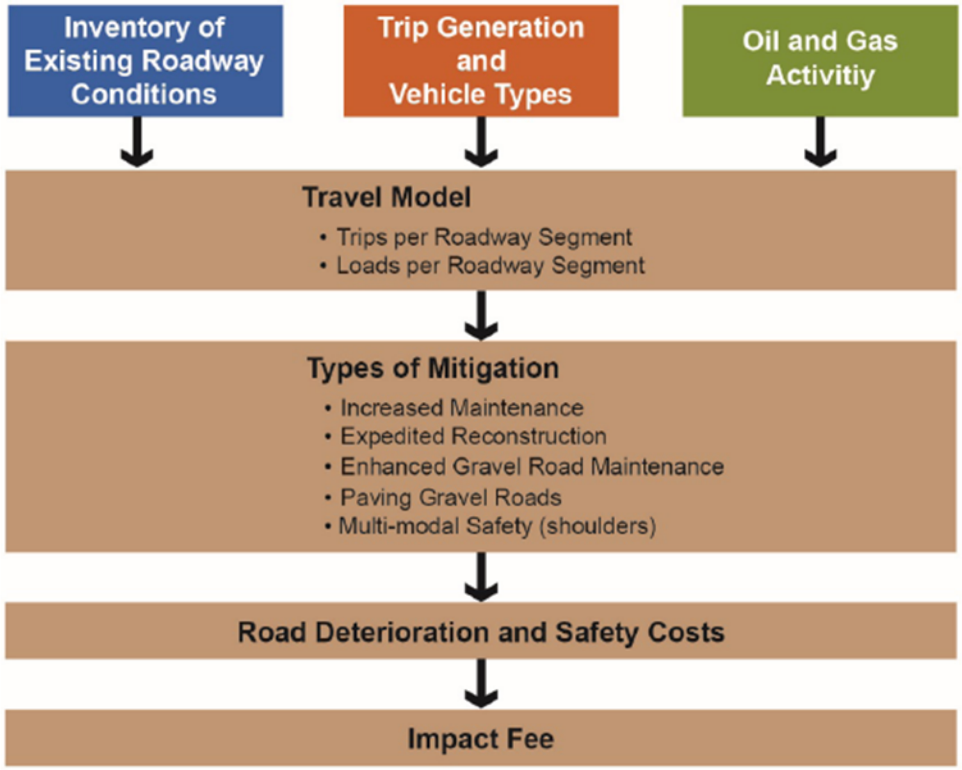
Links to Align Arapahoe

Service First –
Implementation of a fee helps in addressing the impacts of Oil and Gas development in eastern Arapahoe County to improve or maintain the same level of service to those citizens that reside and/or use the transportation network and to safely accommodate the use of such roads by the oil and gas related traffic.

Quality of Life –
The fee will provide the traveling public of the eastern Arapahoe County roadway network with safer driving conditions through the improvements of the roadway network.

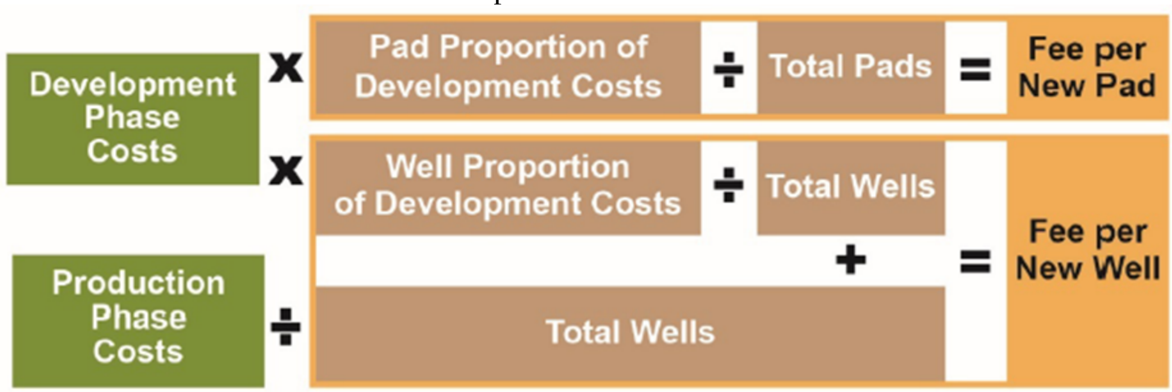
Discussion
Study Methodology

FHU conducted an inventory of existing road conditions to establish a baseline roadway network for the Study area. Study assumptions consisted of three distinct zones within the Study area (west, east central and far east zones) in which different pad and well densities were modeled. Next, they developed trip generation rates and projected vehicle types used in oil and gas development. To evaluate the the load impacts, Equivalent Single Axial Load (ESAL) factors were developed for each type of truck type used in oil and gas development. They assigned these trips to the County's roadway network, which created the travel model.



Generally, the methodology considers the number of wells that "could likely be constructed" in each zone. The timing of well development is dependent upon many variables, primarily the economy, and as such the projected number of wells that will be completed and when, will vary. The results of the travel model were then used to categorize mitigation strategies. These mitigation strategies, necessary to accommodate increased oil and gas traffic, consist of:

- Fees to offset costs for overlays on paved roads
- Reconstruction
- Gravel roads, increased cost of maintenance
- Paving Gravel Roads
- Addition of shoulder improvements



To account for the use of pipelines, the consultant reduced the truck traffic associated with each well for the use of fresh water, produced water and product pipelines at a well site. Although, extensive pipelines are not currently available, Industry projects that this infrastructure may be viable depending on the success of oil and gas development within the Niobrara formation. Pipelines will significantly reduce truck traffic and hence the roadway impacts and this reduced truck traffic associated with a well served by pipelines allows for lower calculated impact fees for that well. Wells completed in the last several years have all included temporary water pipelines. If this practice continues, a credit will be applied to those applications under the "fresh water pipeline" scenario.

Factors Contributing to Higher fees in 2019 vs. 2013

1. **Construction Cost Inflation**: The largest unit cost item in calculating improvement costs is asphalt, which increased from $60/ton in 2013 to $85/ton in 2019, an approximate **42% increase.**

2. **Widening, Shoulders and Paving Gravel Road Costs**: A component was added to the 2019 Arapahoe County fees using the existing Eastern Plains Road Impact Fee cost/vehicle miles of travel (VMT). This component added $3,260/well or approximately **6% to the fee**.

3. **Roto-Paved Roads:** The County's roto-paved roads were not considered in any special way in the previous study. For this study the increased overlay costs that would be required for the 13.2% of the roadway network that is roto-paved was considered. If roto-paved roads were treated as typical asphalt roads the west zone, the no-pipeline fee would have been $35,800/well. However, considering the overlay costs for roto-paved roads **added more than 70%** and increased the fee to $61,960/well fee level in the w**est zone**. Due to the large proportion of roto-paved roads in the **east-central zone**, this consideration for roto-paved roads resulted in a fee of **$176,345 compared with $51,663 if roto-paved roads were treated as typical asphalt roads**. The far-east zone fee is not affected because there are no roto-paved roads in that zone.

4. **Development Phase Trip Generation:** Based on new national and local data obtained since the previous study, the trip generation estimates for a one pad/1 well configuration in the development phase have increased from 2,024 in the 2013 study to 3,138 in the 2019 study. The 730 trips/well/year estimate in the production phase has not changed. This trip generation increase led to a more than 50% trip increase in the development phase or approximately a **12% increase** in all trips (development plus 10-years of production). It is not known if the 12% trip increase translated to more or less than a 12% increase in ESAL loads.

5. **Pavement Condition:** In the 2013 study, only one short roadway segment, a fraction of 1% of the network, was rated as being in "poor condition" and there were no "very poor"

ratings. **For the current study, approximately 13% of the asphalt-paved network is rated as being in "very poor" condition and approximately 15% is rated as "poor**." These substandard conditions increase overlay costs per ESAL loading.

6. **Development Scenarios:** One change in methodology may have contributed to the increase in fee amounts but cannot be specifically quantified is the construction of the oil and gas development scenarios. In the 2013 study, low, medium and high development scenarios appear to have been created generally developing in a systematic fashion from west to east. This may have resulted in lower per-well costs to improve roads compared with the more dispersed method used in the current study to assess average costs in all parts of the Study area.

<u>Oil and Gas Fee Comparisons</u>

As part of this project, oil and gas impact fees of Adams County and the City of Aurora were benchmarked against the proposed fees developed for Arapahoe County.

The 2018 Adams County Oil and Gas Roadway Impact Fee is set forth below and was based on a study prepared by FHU that utilizes a similar methodology as FHU used for the Arapahoe County study.

Pipeline Scenario			West	East
Fresh Water Pipeline	Produced Water Pipeline	Product Pipeline		
Per Pad Fees				
n/a	n/a	n/a	$753	$1,767
Per Well Fees				
-	-	-	$36,523	$61,827
✓	-	-	$35,034	$61,122
-	-	✓	$21,112	$37,781
-	✓	-	$20,227	$38,019
✓	-	✓	$19,623	$37,076
✓	✓	-	$18,738	$37,313
-	✓	✓	$4,816	$13,973
✓	✓	✓	$3,327	$13,268

The City of Aurora has implemented an impact fee that is flat and is captured in this "Excerpt from Road Maintenance Agreement for Well Pad Development Oil and Gas Well Development":

> *Operator will pay to the City of Aurora via Certified Check a one-time impact fee for each Well upon the commencement of any operations. The Impact Fee shall be in the amount of **$40,000.00 per new** Well spud and*

shall be made payable to: City of Aurora (agreement includes a provision that may include improvements to haul route).

Other Energy Uses in Study Area

At a previous study session on this topic, the Board directed staff to evaluate the application of impact fees for other energy uses that generate truck traffic within the rural portion of the County such as Injection Wells, Solar Farms, Wind Farms and Biosolids facility applications. While we do not have the ability to retroactively assess existing energy uses, staff can make recommendations on impact fees for future applications for new such energy development based on our "average per ESAL costs of road deterioration fees" provided in the FHU Study.

Public Involvement

On December 13, 2018, staff met with Oil and Gas Stakeholders to discuss study assumptions and methodology. We received comments from both Colorado Oil and Gas Association (COGA) and Colorado Petroleum Council (see attached comments). We subsquently met with COGA and their Consultant on 3/26/2019 to discuss study parameters.

In response to specific details itemized in the attached letters from COGA and CPC, staff would offer the following points:

- Methods used in study- staff agreed to include alternate trip generation rates provided by Industry in developing average trip rates.
- Pad density in west zone- staff agreed to reduce density from 1pad/2 sq. mile.
- Resiliency Modulus- while Industry did not agree with the Study use of a design subgrade resilent modulus, staff consulted with an independent geotechnical engineer, evaluated Industry's assertions, and concluded that the resilent modulus was appropriately used in the Study
- Ad Valorem Tax and other sources of revenue- see attached memo from Todd Weaver Budget Manager.
- Including costs for the addition of shoulders to certain roads is a safety item and capital improvement to mitigate the impact of Oil and Gas traffic on those roads. The oil and gas impact fees, however, will not be the sole contribution for that funding and instead is calculated to be the industries' share of those costs. Impact fees for these costs are also collected from new residential and non-residential development under the County's Rural Transportation Impact fees adopted in 2016.
- The County is required by law to collect and account for impact fees in compliance with Sections 29-1-801, et seq., CRS, and that is the County practice for other adopted County impact fees.
- Impact fees are authorized under Section 29-20-104.5, CRS, and as provided in that statute, must be quantified at a level no greater than necessary to defray the cost of the impacts of new development as a whole and averages those costs to establish a proportional fee that is attributed to the specific impacts on capital facilities by that new development. Impact

fees, however, are not calculated individually for each specific development application.

Staff met with industry again on June 4, 2020 and they submitted additional comments (see attached).

The industry comment was received that questioned the inclusion of paved shoulders for roads as the impact of Oil and Gas development and staff received additional questions from the Board on the shoulder improvements component included in the fee.

The shoulder component of the fee adds approximately 6% to the amount of the fees set forth in the Proposal #1 table above and proposed for impact fees. The County staff feels that improvements to shoulders in the rural area will enhance safety of the roadway and that the oil and gas truck traffic over the life cycle of an oil and gas well contributes significantly to the need for shoulder improvements to such roads. Wider shoulders provide safety benefits for all roadway uses: they serve as a countermeasure to run-off road crashes and provide stopping area for breakdowns or other emergencies, as well as space for bicyclists or pedestrians separate from the travel lanes. A Transportation Research Board Study identified that with road shoulders reductions in the frequency of single-vehicle accidents were found to be 55 percent for ADT levels of 1,000 to 3,000, 21.4 percent for ADTs of 3,000 to 5,000, and 0 percent for ADTs of 5,000 to 7,000. The majority of the roadway in rural Arapahoe County have low ADT levels so the potential for improving safety is high with widened paved shoulders. In addition, we also see an increase cost of pavement deterioration on the edge of roadways that requires patching when shoulders are not in place. This is due to truck traffic and not having a shoulder to support the loads. The cost to the county over the last two several years to perform patching before we can resurface the roadway has been roughly $400,000.

Moreover, if these proposed impact fees are adopted, the oil and gas industry will not be the only type of development that is required to pay impact fees that will be used for shoulder improvements. The shoulder component of the fee originated in the existing Rural Transportation Impact Fee (RUTIF) assessed in eastern Arapahoe County for new residential and non-residential development. As such, other new commercial and residential development is currently paying an impact fee that will contribute funding for road shoulders through the RUTIF. In this regard, contrary to any assertion otherwise, it is not just oil and gas that would pay towards shoulder improvements if the proposed fees are adopted. Instead, the industry would be paying its share as calculated in the study based on the typical amount of truck traffic associated with the development of an oil and gas well and the other factors as described in the study.

Also, consistent with the impact fee governing legislation, the industry would be paying only for its share of the impacts and not burdened with 100% of the cost for improvements. The methodology used in the development of the Impact Fee recognizes three elements of rational nexus: “Need”, “Benefit”, and “Proportionality”. The need was established in the Study. Proportionality is established through the procedures used to quantify the oil and gas development-related infrastructure costs, and in the methods used to calculate impact fees for various types of facilities and categories of development (pipelines, paving, shoulders, etc.). Benefit relationship requires that impact fee revenues be segregated from other funds and expended only on the infrastructure for which the fees were charged. While the County has the ability to institute an Impact Fee, they have limitations and therefore should not be regarded as the total solution for infrastructure financing needs.

Considering that Oil and Gas development also adds significant traffic to the existing network, it seems logical to assess the impact of that traffic to County roads as was done for the proposed impact fees. As described in the study and as presented to the Board, the calculated fees are intended to establish the amount of impact fees needed to proportionally defray the cost of impacts to the County road system caused by a new oil and gas well within that “district” or area of unincorporated Arapahoe County. The fees are based on the amount of traffic typically associated with a well and the expected density of new oil and gas development within each of the established districts. Further explanation of the methodology is set forth in the study.

The alternative fee amount that staff is recommending represents a 42% reduction from the amount of impact fees originally established in the study prior to the reductions for “roto-paved” roads as discussed at the past study sessions.

At the September 28, 2020 study session, staff presented other alternatives that would eliminate certain other components of the proposed fees to reduce the amounts. These alternatives did not fully address the Board’s concern. Therefore, based on prevailing economic conditions and the magnitude of the increase relative to the existing voluntary fee, staff is proposing a new alternative that reduces the fees to 60% of Proposal #1 (remove roto-pave effects). This reduced fee alternative with the fees reduced to 60% of the proposed amount is as follows:

Reduced Fee Alternatives

Horizontal Wells

			60% of Fee Recommendation					
Pipeline Scenario			11-09-20 BOCC Desire					
			West		East-Central		Far East	
Fresh Water Pipeline	Produced Water Pipeline	Product Pipeline						
Per Pad Fees								
n/a	n/a	n/a	$	1,112	$	2,495	$	468
Per Well Fees								
-	-	-	$	21,501	$	30,998	$	29,386
x	-	-	$	20,593	$	29,613	$	28,043
-	-	x	$	12,557	$	18,647	$	21,734
-	x	-	$	12,253	$	17,999	$	20,945
x	-	x	$	11,648	$	17,261	$	20,392
x	x	-	$	11,344	$	16,614	$	19,603
-	x	x	$	2,764	$	5,648	$	13,294
x	x	x	$	1,775	$	4,263	$	11,952

In addition fees for vertical wells, re-fracking and a potential per ESAL amount for other energy uses have been adjusted to 60% of the proposal number one amounts.

Vertical Wells:

Vertical Well - 60% of Fee Recommendation

Pipeline Scenario			Aug 2019 Report Version		
			West	East-Central	Far East
Fresh Water Pipeline	Produced Water Pipeline	Product Pipeline	Tot		
Per Pad Fees					
n/a	n/a	n/a	$ 1,085	$ 2,434	$ 457
Per Well Fees					
-	-	-	$ 17,482	$ 24,877	$ 23,825
X	-	-	$ 16,592	$ 23,463	$ 22,736
-	-	X	$ 10,174	$ 15,401	$ 17,621
-	X	-	$ 9,985	$ 14,660	$ 16,982
X	-	X	$ 9,403	$ 13,763	$ 16,533
X	X	-	$ 9,217	$ 13,600	$ 15,893
-	X	X	$ 2,258	$ 4,561	$ 10,778
X	X	X	$ 1,442	$ 3,417	$ 9,690

Refracking:

Re-Frack Well - 60% of Fee Recommendation

Pipeline Scenario			Aug 2019 Report Version		
			West	East-Central	Far East
Fresh Water Pipeline	Produced Water Pipeline	Product Pipeline	Total		
Per Pad Fees					
n/a	n/a	n/a	$ 210	$ 472	$ 89
Per Well Fees					
-	-	-	$ 16,984	$ 24,168	$ 23,145
x	-	-	$ 16,119	$ 23,608	$ 22,088
-	-	x	$ 9,884	$ 14,962	$ 17,119
-	x	-	$ 9,700	$ 14,242	$ 16,498
x	-	x	$ 9,135	$ 13,371	$ 16,061
x	x	-	$ 8,954	$ 13,211	$ 15,440
-	x	x	$ 2,194	$ 4,401	$ 10,471
x	x	x	$ 2,416	$ 3,320	$ 9,414

These percentage reductions, however, are applied only to the per well fees and not to the per pad fees also set forth in the recommended fee amounts.

Other Energy Uses

The FHU Study, in order to evaluate the load impacts of truck traffic for oil and gas development, developed Equivalent Single Axial Load (ESAL) factors for each type of truck used in oil and gas development. With some further evaluation, these per ESAL costs developed for oil and gas truck traffic can be applied to other energy uses, such as solar, wind, injection well, and bio-solid facilities that utilize significant truck traffic in the construction of those facilities or in their operations. Provided that these same per ESAL costs will apply similarly to the truck traffic associated with these other energy uses, these amounts could be utilized to develop an impact fee for these other energy uses.

The per ESAL costs for the oil and gas traffic at 60% of the calculated numbers would be as show below and impact fees could be determined from these amounts based on the truck traffic associated with the facility.

Potoential ESAL Cost for other Energy Uses:

per ESAL Scenario	Aug 2019 Report Version		
	West	East-Central	Far East
Base O&G Wells	$ 2.66	$ 3.91	$ 3.53
Vertical Wells	$ 2.19	$ 3.23	$ 2.91
Re-Frack Wells	$ 1.96	$ 2.88	$ 2.60

ESAL Charge - 60% of Fee Recommendation

per ESAL Scenario	Aug 2019 Report Version		
	West	East-Central	Far East
	$ 2.66	$ 3.91	$ 3.53

Alternatives

1. Consider adopting the fees as calculated in FHU Study and shown on page 6 of this BSR as Proposal #1, with the reduction for treating roto-paved roads as asphalt.

2. If the Board is inclined to reduce the fees from the amounts stated in Proposal #1, the BOCC may choose to lower the fees to an amount they feel is appropriate or to an amount that they believe the market could bear. Staff recommends utilizing as a base fee schedule, the impact fee amounts set forth in Proposal #1; however, due to

economic conditions and the magnitude of the Proposal #1 relative to the current voluntary fee, PWD Staff recommends a 40% reduction in those fees (collect the fee at 60% of the recommended amount) as the reduced impact fees that would be collected prior to approval of an application for an oil and gas facility. The reduced fee amounts could be later increased by the Board up to the amounts specified in the Proposal #1 fees for horizontal wells and the amounts for vertical and re-fracked wells as appropriate considering the economic conditions for oil and gas or other pertinent factors.

3. Do not adopt the Oil and Gas impact fees calculated in the report and continue with voluntary fee process currently in place.

Fiscal Impact

A complete fiscal analysis was not conducted. Staff is confident that the payment of the current voluntary fee of $7,500 is not sufficient to address the impacts of oil and gas development. Furthermore, the recommended fee as set forth in Proposal #1, and not discounted by 40%, is intended to address at a level no greater than necessary to defray the projected impacts on the County road system associated with oil and gas development. It should be noted that if a fee is adopted, the expectation from those paying the fee would be that the fee be used for improvements stated in the FHU Study and therefore, the County will be expected to provide its share of funds to construct those projects as the fee amounts represent only the industry's proportionate share of those impacts.

If the impact fees or other funding increases are not pursued, the County will continue to fall further behind the funding needed to address the oil and gas industry development and their associated impacts to the County's road infrastructure.

Concurrence

Arapahoe County's PWD, Finance and County Attorney office concur with this staff's recommendation for adoption of an alternate fee schedule.

Attorney Comments

The County Attorney's office has reviewed this BSR and has no additional comments.

Reviewed By

________________________,
Chuck Haskins, ESD Manager

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James Katzer, Transportation Manager

____________________________,
Byran D. Weimer, PWD Director

_________________,
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