

## **MEMORANDUM**

**To:** Mayor and City Council Members  
Steve Parker, City Manager

**From:** David Rabago, P.E., CFM, City Engineer

**Through:** Rick Cortes, Deputy City Manager

**Subject:** Five Year Update – Water and Wastewater Impact Fees

**Date:** January 13, 2021

Impact fees are charged to new customers for connecting to the City's water and wastewater utilities. The fees are typically not charged to existing utility customers, unless the customer submits a request to increase the size of their existing meter, at which point the customer will be required to pay the difference between the two impact fees. Impact fees collected by cities are used to pay for a portion of the costs necessary to provide services for new development. This may include installation of new transmission lines or the upgrades of existing line. Fees can also be utilized for the upgrade/installation of pumps, storage tanks, and treatment plants. Impact fees help reduce the burden on existing utility customers' utility rates when new growth and development generate the need for system wide improvements and/or expansions. Without impact fees, existing customers would bear the burden of the costs to serve new developments.

State laws require that cities conduct an update to their Impact Fee Study every five years. State laws also regulate the process in which the update is conducted. City staff, in conjunction with TRC Engineers and Willdan Financial, recently completed an update to the City's water and wastewater impact fees. The results of these analysis will be submitted for Council review and adoption at the January 19<sup>th</sup> regular Council meeting. The updates include future population growth and land use projections within the water and wastewater service areas. These projections combined with the capital improvements plans are used to calculate the maximum impact fees the City can charge to tie into the City's water and wastewater systems.

Utilities typically establish a maximum impact fee and an effective fee. Maximum fees are the maximum amount a Utility can charge for tying into the system. Effective Fees are typically set below the maximum amount to provide some relief to new home buyers. Please note that maximum fees cannot be changed until the next update is conducted. Effective fees can be evaluated and changed every six months as long they do not exceed the maximum fees. Staff is recommending the adoption of separate maximum and effective fees in order to allow the Council to amend the fees as needed over the next five years before the next update is conducted. The following maximum fees for a typical single-family residence on a 5/8" x 3/4" water meter based on the Impact Fee Study are recommended:

	<b>Water</b>	<b>Wastewater</b>
<i>Current Effective Fees</i>	<i>\$ 1,073</i>	<i>\$ 3,692</i>
<i>Current Maximum Fees</i>	<i>\$ 1,568</i>	<i>\$ 4,592</i>
<b>Proposed Maximum Fees</b>	<b>\$ 1,132</b>	<b>\$ 7,757</b>

Moreover, Staff completed a comparison for the surrounding cities and will be presenting the following two options for effective fees at the January 19<sup>th</sup> City Council meeting:

	<b>Water</b>	<b>Other</b>	<b>Wastewater</b>	<b>Total</b>
Seguin (current effective)	\$1,073.00	\$354.54*	\$3,692.00	\$5,119.54
<b>Seguin (proposed effective)</b>	<b>\$1,073.00 (0% increase)</b>	<b>\$354.54*</b>	<b>\$5,192.00 (41% increase)</b>	<b>\$6,619.54 (32% increase + SSLGC fees)</b>
<b>Seguin (proposed effective)</b>	<b>\$1,073.00 (0% increase)</b>	<b>\$354.54*</b>	<b>\$6,074.00 (65% increase)</b>	<b>\$7,501.54 (50% increase + SSLGC fees)</b>
Seguin (2020 Maximum)	\$1,132.32	\$354.54*	\$7,757.77	\$9,244.63
Schertz	\$2,934.00	\$1607.27*	\$1,668.00	\$6,209.27
San Marcos	\$2,285.00	-	\$3,506.00	\$5,791.00
New Braunfels Utilities	\$7,989.00	-	\$3,251.00	\$11,240.00
Kyle	\$3,535.00	-	\$2,826.00	\$6,361.00
Cibolo	\$3,595.00	\$1,800.00**	\$1,770.00	\$7,165.00
Springs Hill WSC/Seguin Wastewater	\$2,325.00	-	\$3,692.00	\$6,017.00

\*SSLGC water impact fee

\*\*CCMA wastewater impact fee

The above fees are calculated for one Living Unit Equivalency (LUE). The impact fees charged for larger water meters are based on the conversion chart in the Impact Fee Study.