

## MEMORANDUM

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

**From:** Melissa Reynolds, P.E., CFM – Director of Engineering & Capital Projects

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

**Subject:** Capital Improvements Advisory Committee's Discussion and Recommendations for the Proposed Updates to the Land Use Assumptions, Capital Improvements Plan, and Water/Wastewater Impact Fee Study

**Date:** September 5, 2023

In 2000, the City of Seguin adopted Capital Recovery Fees in accordance with Chapter 395 of the Local Government Code, "impact fees", in order to offset the cost of development to the water and wastewater system. Per the Texas Local Government Code Chapter 395.052.a, a municipality that imposes an impact fee shall update the Land Use Assumptions and the Capital Improvements Plan at least every five years, which has been conducted. Due to the potential increase in service area associated with the transfer of a portion of the Springs Hill Water Supply Corporation Service Area to the City as part of the on-going Certificate of Convenience and Necessity (CCN) Transfer, this effort was performed prior to the required 5-year update.

Since August 2022, staff has been working with the consultant, Freese and Nichols, Inc. (FNI), to perform an impact fee analysis on the City's water and wastewater systems (including a portion of the Springs Hill Water Supply Corporation Service Area that will be transferred to the City as part of the on-going Certificate of Convenience and Necessity (CCN) Transfer). This included analyzing the associated Land Use Assumptions and Capital Improvements Plan, which have been reviewed by the Capital Improvements Advisory Committee (the Planning & Zoning Commission).

The Advisory Committee met twice, March 14<sup>th</sup> and August 8<sup>th</sup>. At the August meeting, FNI made a presentation on the impact fee update and analysis, to include an overview, the update process, the impact fee components, and the calculated maximum fees for water and wastewater. FNI advised the Committee of their role, making recommendations on the updates to the land use assumptions, the capital improvement plan, and proposed effective

capital recovery rate.

Chapter 395 of the Texas Local Government Code states that the maximum impact fee may not exceed the amount determined by dividing the cost of capital improvements required by the total number of service units attributed to new development during the impact fee eligibility period less the credit to account for water and wastewater revenues used to fund capital improvement plans. Table 4-4 shows a summary of the maximum allowable impact fee calculations for the City of Seguin's water system. Table 4-5 shows a summary of the maximum allowable impact fee calculations for the City of Seguin's wastewater system. Table 4-6 presents the maximum allowable impact fee by meter size based on the corresponding service unit equivalent.

**Table 4-4: Maximum Water Impact Fee Calculation**

<b>Water Impact Fee</b>	
Total Eligible Capital Improvement Costs	\$173,881,062
Recoverable Costs for Impact Fee Planning Period	\$87,766,441
Credit for Utility Revenue	(\$317,704)
Total Eligible Impact Fee Costs	\$87,448,737
Growth in Service Units	11,965
<b>Maximum Impact Fee per Service Unit</b>	<b>\$7,308</b>
SSLGC Water Supply Impact Fee	\$354
<b>Total Maximum Impact Fee</b>	<b>\$7,662</b>

**Table 4-5: Maximum Wastewater Impact Fee Calculation**

<b>Wastewater Impact Fee</b>	
Total Eligible Capital Improvement Costs	\$339,567,626
Recoverable Costs for Impact Fee Planning Period	\$194,769,279
Credit for Utility Revenue	(\$1,593,272)
Total Eligible Impact Fee Costs	\$193,176,007
Growth in Service Units	20,884
<b>Maximum Impact Fee per Service Unit</b>	<b>\$9,250</b>

**Table 4-6: Maximum Allowable Impact Fee by Meter Size**

Meter Type	Meter Size	Safe Maximum Operating Capacity (gpm)	Recommended Service Unit Equivalent	Maximum Allowable Water Impact Fee <sup>(1)</sup>	Maximum Allowable Wastewater Impact Fee	Maximum Allowable Total Impact Fee
Ultrasonic	5/8" x 3/4"	15	1.0	\$7,662	\$9,250	\$16,912
Displacement	5/8" x 3/4"	15	1.0	\$7,662	\$9,250	\$16,912
Displacement	1"	40	2.7	\$20,687	\$24,975	\$45,662
Displacement	1 1/2"	50	3.3	\$25,285	\$30,525	\$55,810
Ultrasonic	2"	100	6.7	\$51,080	\$61,667	\$112,747
Compound	2"	160	10.7	\$81,983	\$98,975	\$180,958
Turbine	2"	160	10.7	\$81,983	\$98,975	\$180,958
Compound	3"	320	21.3	\$163,201	\$197,025	\$360,226
Turbine	3"	350	23.3	\$178,525	\$215,525	\$394,050
Compound	4"	500	33.3	\$255,145	\$308,025	\$563,170
Turbine	4"	630	42.0	\$321,804	\$388,500	\$710,304
Compound	6"	1,000	66.7	\$511,055	\$616,975	\$1,128,030
Turbine	6"	1,400	93.3	\$714,865	\$863,025	\$1,577,890
Compound	8"	1,600	106.7	\$817,535	\$986,975	\$1,804,510
Turbine	8"	2,400	160.0	\$1,225,920	\$1,480,000	\$2,705,920
Compound	10"	2,300	153.3	\$1,174,585	\$1,418,025	\$2,592,610
Turbine	10"	3,800	253.3	\$1,940,785	\$2,343,025	\$4,283,810
Turbine	12"	5,000	333.3	\$2,553,745	\$3,083,025	\$5,636,770

<sup>(1)</sup>Maximum allowable water impact fee includes \$354.54 for the SSLGC passthrough fee.

As a result of the CIAC meetings, the following are the findings and recommendations of the Committee:

- Adoption of the Land Use Assumptions and Capital Improvements Plans as presented in the Impact Fee Report dated June 2023.
- To assess and collect up to the maximum allowable impact fee per service unit, outlined as follows:

**Table ES-3: Maximum Allowable Impact Fees**

Service Area	Maximum Allowable Impact Fee Per Service Unit
Water	\$7,308
Wastewater	\$9,250
<b>Sub-Total</b>	<b>\$16,558</b>

Freese & Nichols, Inc. as well as City staff will be present for any questions.