

## MEMORANDUM

**TO:** Steve Parker, City Manager  
Honorable Mayor and City Council

**FROM:** Mark D. Kennedy, City Attorney

**DATE:** March 17, 2026

**RE:** Memorandum of Understanding with Texas Lutheran University regarding Water Connection Impact Fees

### Background

TLU is currently constructing the "Verne Lundquist Student Athletic Center" located at 815 Fritz Street. The development of this project required the payment of Water Connection impact fees totaling \$194,858.50. At the time of building permit approval, TLU's general contractor, the Koehler Company, paid this full amount to the City on TLU's behalf. TLU was unaware of the timing of this payment and missed an opportunity to request a payment plan, which it intended to do.

Following this initial lump-sum payment, TLU leadership requested the City's consideration in transitioning these fees into a structured payment plan. In the interest of working collaboratively with one of our major institutional partners, City staff has negotiated the attached MOU to formalize a mutually agreeable reimbursement and installment schedule.

### Key Terms of the Agreement

To convert the lump-sum payment into a phased plan, the MOU outlines the following financial mechanics:

- **Initial Retainage:** The City will keep one-third of the initial payment (\$64,952.83), which will be applied as TLU's first installment.
- **Refund:** The City will refund the remaining balance of \$129,905.67 to TLU no later than March 31, 2026.
- **Future Installments:** The City will invoice TLU to recover the remaining balance in two equal installments of \$64,952.93. These invoices will be issued on June 1, 2027, and June 1, 2028.
- **City Protections:** The agreement formally obligates TLU to this repayment schedule and expressly reserves the City's right to impose reasonable late fees if payment deadlines are not met. TLU is permitted to pay the balance off early without penalty.

### Recommendation

This MOU provides a reasonable financial accommodation to TLU while securing the City's receipt of the full impact fee amount over a defined three-year timeline. Staff recommends that the City Council approve the MOU and authorize the City Manager to execute the agreement on behalf of the City.