



City of Liberty Hill

Water and Wastewater Impact Fee Study Advisory Board Presentation

December 2019

What is an Impact Fee?

- Definition: “one time charge paid by new development to finance the construction of public facilities needed to serve it”
- Fees are calculated using a defined methodology that is endorsed by industry experts and used by local government entities nationwide
- By implementing impact fees, government entities ensure that existing ratepayers are not funding the entire cost of new development
- Revenues from impact fees cannot be used for personnel or operating expenses – only for capital costs to serve new development

Chapter 395

Texas Local Government Code*

- Adopted in 1987; outlines strict mandates for Municipalities to follow in determining and implementing Impact Fees
- Requires a strict adoption process:
 - Development and approval of Land Use Assumptions and a Capital Improvement Plan
 - Calculation of Maximum Fee per Service Unit
 - Properly noticed Public Hearings
 - Formal adoption by governing body through ordinance
- Statute requires fee to be reviewed every 3-5 years

* Texas Local Government Code Title 12; Subtitle C

Chapter 395

Review and Approval Requirements

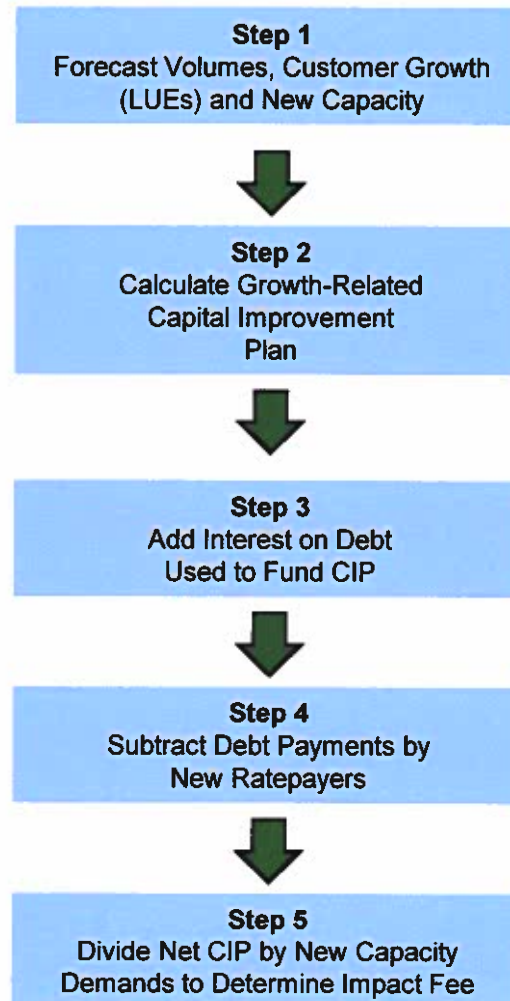
- City establishes an Impact Fee Advisory Committee (IFAC)
- City engineer prepares water and wastewater Land Use Plan/Assessment (LUA) and Capital Improvement Plan (CIP)
- Council issues 30 day notice for a public hearing on LUA and CIP
- Council holds public hearing to review LUA and CIP
- Council approve or disapprove LUA and CIP within 30 days after public hearing

Chapter 395

Review and Approval Requirements

- City calculates impact fee for IFAC review
- Council issues 30 day notice for public hearing on maximum impact fees
- Council holds public hearing to review maximum impact fee calculation
- Council approve or disapprove an impact fee, not to exceed the calculated maximum impact fee, within 30 days of after public hearing

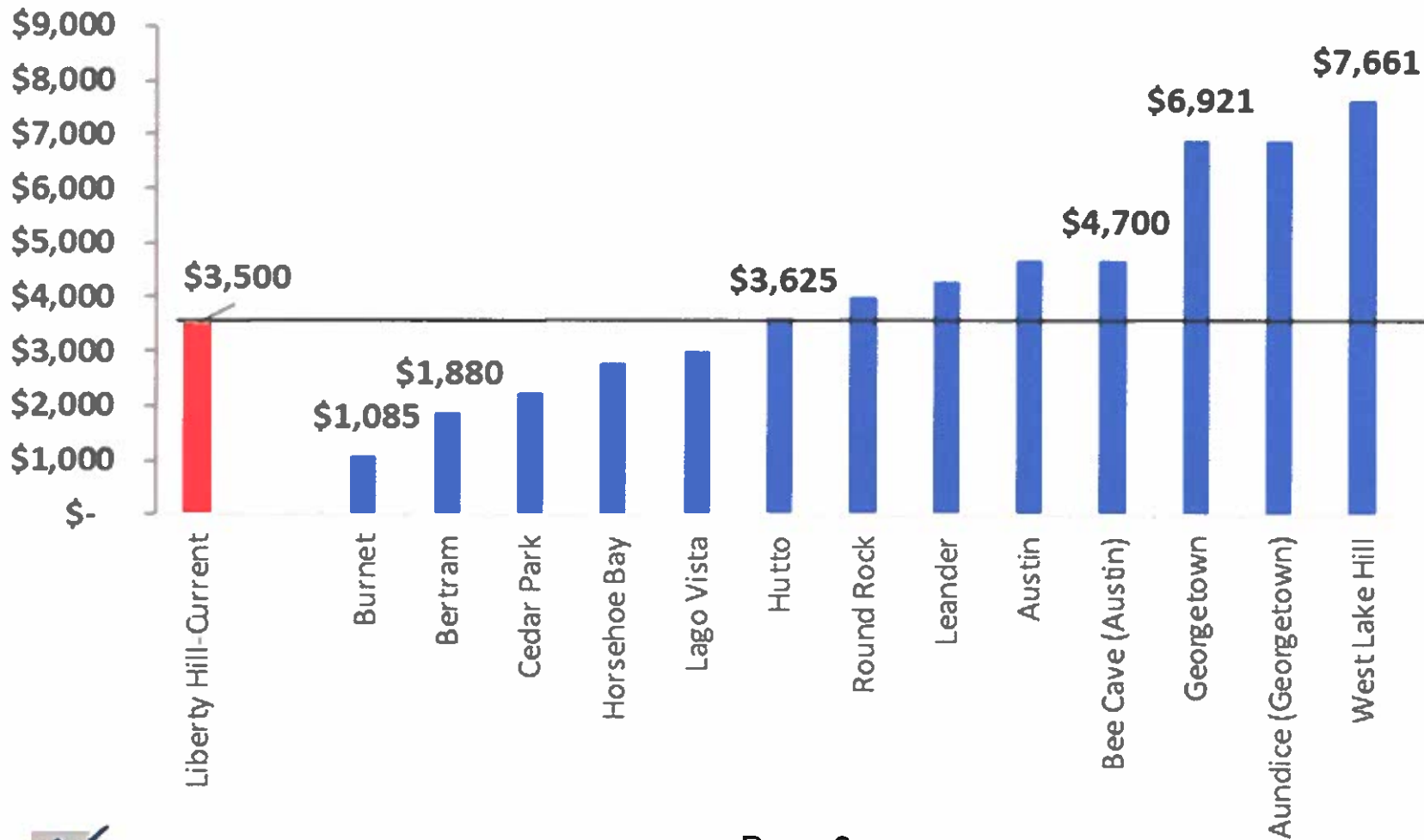
Impact Fee Calculation Methodology



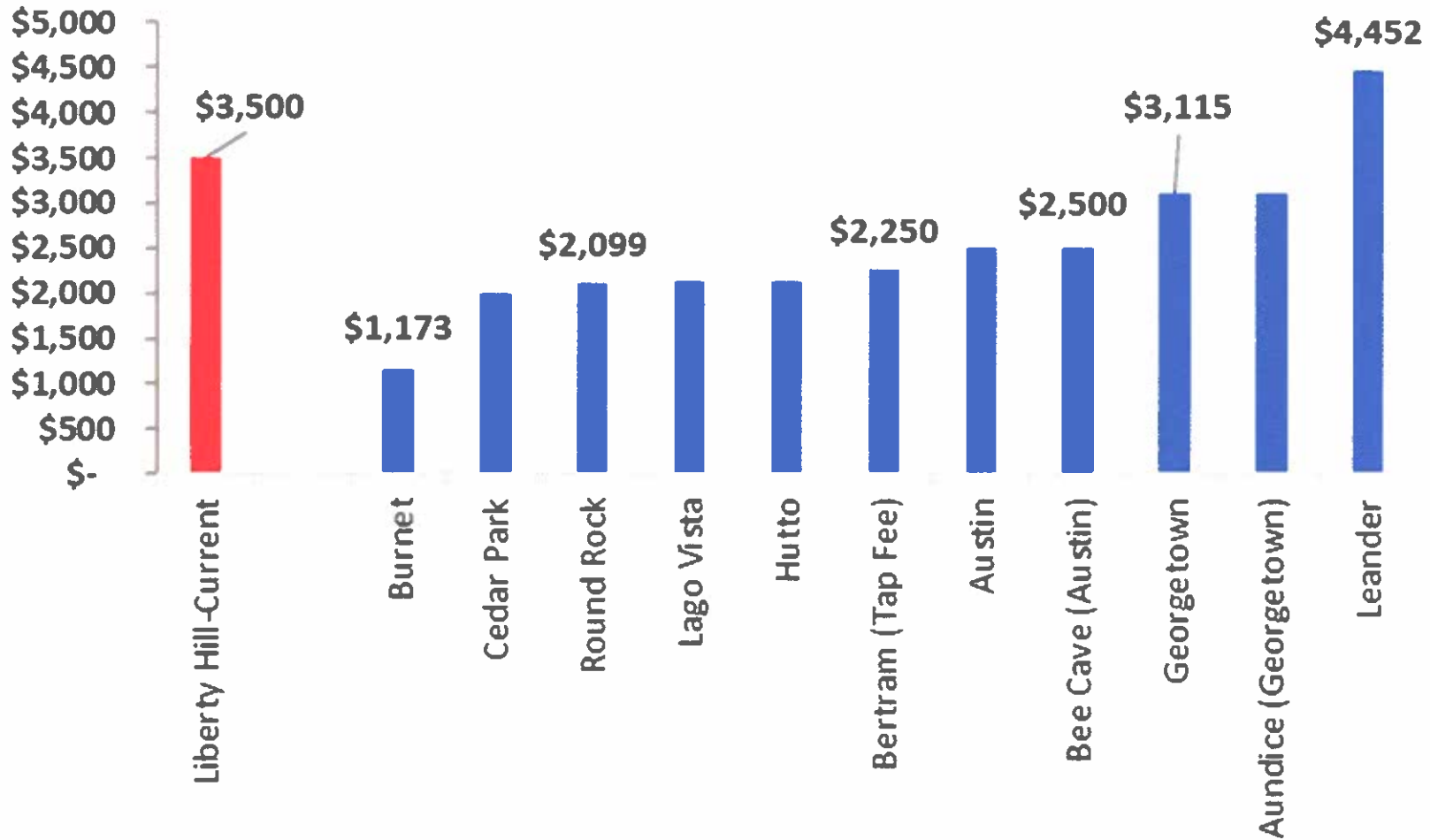
Note on Impact Fee Calculations

- Methodology and computations in this study result in the calculation of a **maximum** impact fee
- This represents the legal limit at which the fee can be set
- Therefore **the City has right to set fee at any level from \$0 to the maximum allowable amount**
- Many government entities in Texas and elsewhere have chosen to set fees at less than the maximum level in order to avoid discouraging development
- Utilities must set an appropriate balance between making growth pay for itself and not driving away development

Water Impact Fee Survey \$ per Residential Meter/EDU/LUE



Wastewater Impact Fee Survey \$ per Residential Meter/EDU/LUE





Maximum Water Impact Fee Calculations

Water Impact Fee Forecast New Treatment Capacity



	Water Capacity (gallons/day)	Water Capacity (LUEs)
Gallons Per Day Per LUE		250
2019	530,000	2,120
2020	655,000	2,620
2021	655,000	2,620
2022	655,000	2,620
2023	655,000	2,620
2024	655,000	2,620
2025	655,000	2,620
2026	655,000	2,620
2027	655,000	2,620
2028	655,000	2,620
2029	1,233,750	4,935
Ending Capacity	1,233,750	4,935
Beginning Capacity	530,000	2,120
Total Increase	703,750	2,815

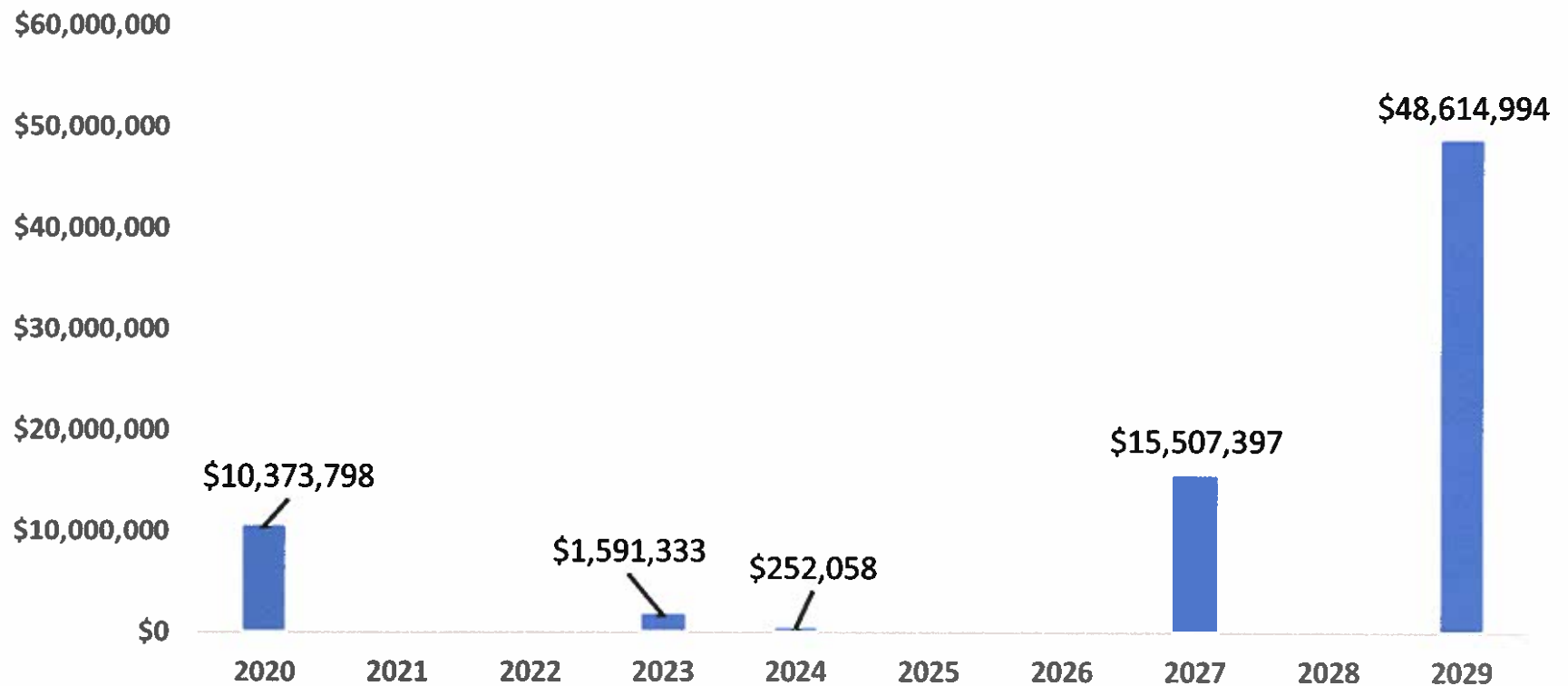
Water Impact Fee Forecast New Water LUEs

	Annual New LUEs	Total LUEs
2019		833
2020	125	958
2021	125	1,083
2022	125	1,208
2023	125	1,333
2024	125	1,458
2025	125	1,583
2026	125	1,708
2027	125	1,833
2028	125	1,958
2029	125	2,083

Water Capital Improvement Plan FY 2020 – FY 2029



Total = \$76,339,580*



* Adjusted for Time Value of Money



Water Capital Improvement Plan*



Maximum Water Impact Fee Per LUE

	<u>Treatment</u>	<u>Distribution</u>	<u>Total</u>
CIP Value of 2020 - 2029 Growth-Related Improvements	\$ 4,152,214	4,927,380	\$ 9,079,594
Impact Fee Study Preparation Expenses	15,000	15,000	30,000
Interest Expense Allocated to Planning Period	<u>2,409,526</u>	<u>2,218,219</u>	<u>4,627,744</u>
Sub-Total	\$ 6,576,739	\$ 7,160,599	\$ 13,737,338
Less Credit for Debt Paid by New Accounts	<u>2,967,837</u>	<u>1,972,645</u>	<u>4,940,482</u>
New Value of CIP to be Paid from Impact Fees	\$ 3,608,903	\$ 5,187,954	\$ 8,796,856
Forecast New LUE Growth 2020 - 2029	1,250	1,250	1,250
Net Water Maximum Impact Fee Per LUE	\$ 2,887	\$ 4,150	\$ 7,037



Maximum Wastewater Impact Fee Calculations

Wastewater Impact Fee Forecast Treatment Capacity

	Capacity (gallons/day)	Capacity (LUEs)
Gallons Per Day Per LUE		200
2019	1,200,000	6,000
2020	1,200,000	6,000
2021	2,000,000	10,000
2022	2,000,000	10,000
2023	2,000,000	10,000
2024	3,200,000	16,000
2025	3,200,000	16,000
2026	3,600,000	18,000
2027	3,600,000	18,000
2028	3,600,000	18,000
2029	5,000,000	25,000
Ending Capacity	5,000,000	25,000
Beginning Capacity	1,200,000	6,000
Total Increase	3,800,000	19,000

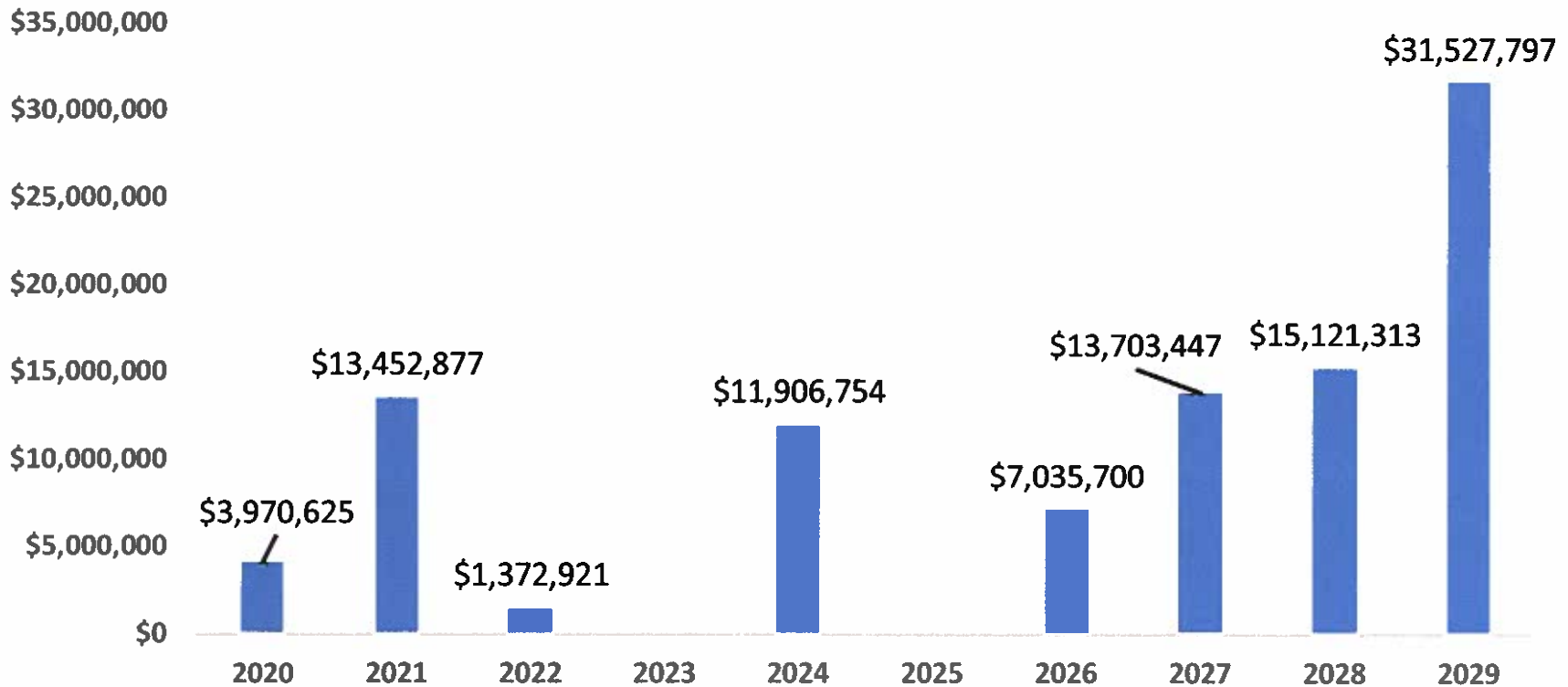
Wastewater Impact Fee Forecast New Wastewater LUEs

	Annual New LUEs	Total LUEs
2019		4,989
2020	900	5,889
2021	900	6,789
2022	900	7,689
2023	900	8,589
2024	900	9,489
2025	900	10,389
2026	900	11,289
2027	900	12,189
2028	900	13,089
2029	900	13,989

Wastewater Capital Improvement Plan FY 2020 – FY 2029



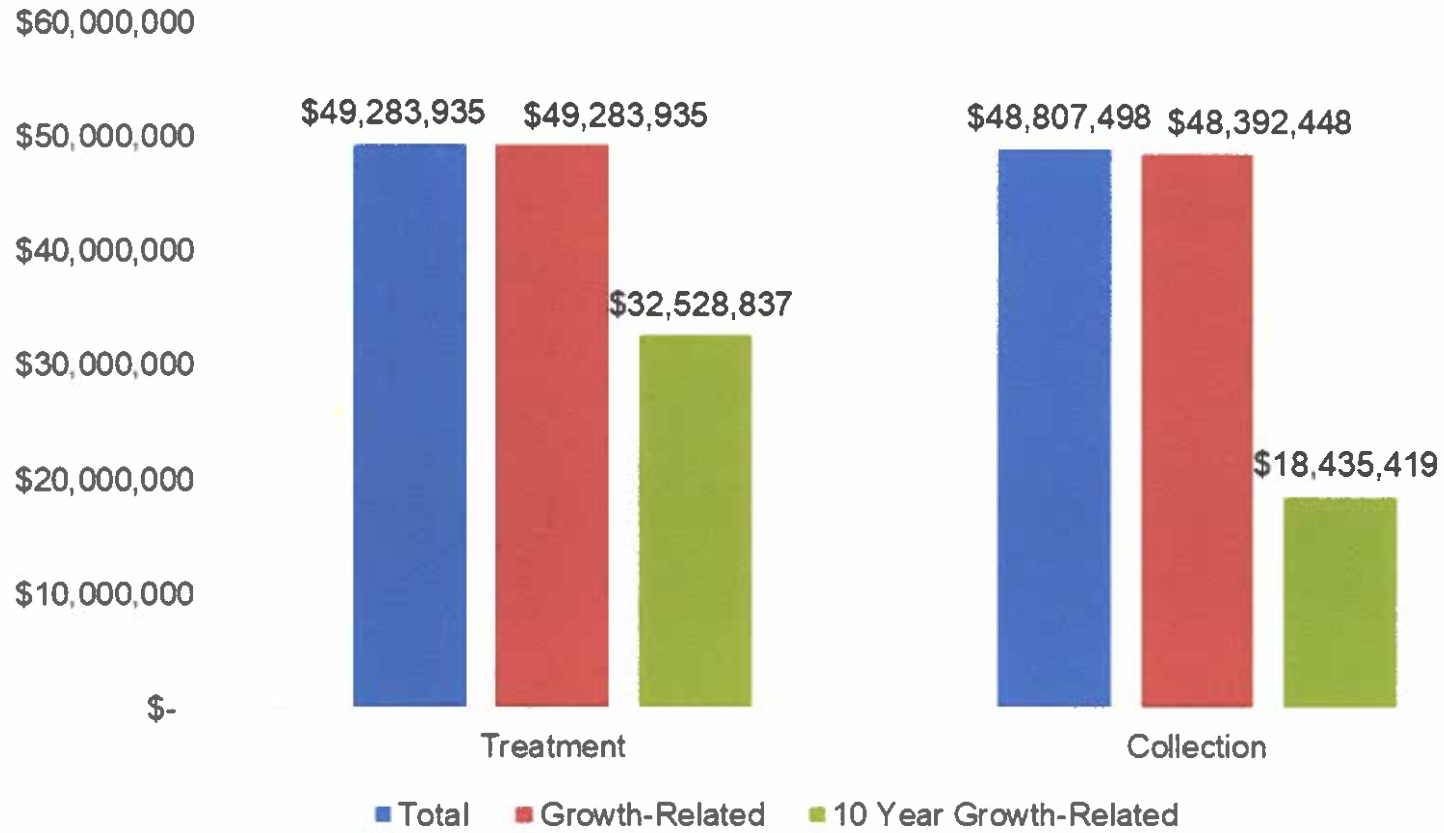
Total = \$98,091,433*



* Adjusted for Time Value of Money



Wastewater Capital Improvement Plan*



* Adjusted for Time Value of Money

Maximum Wastewater Impact Fee Per LUE

	<u>Treatment</u>	<u>Collection</u>	<u>Total</u>
CIP Value of 2020 - 2029 Growth-Related Improvements	\$ 32,528,837	\$ 18,435,419	\$ 50,964,256
Impact Fee Study Preparation Expenses	15,000	15,000	30,000
Interest Expense Allocated to Planning Period	<u>7,174,617</u>	<u>7,777,649</u>	<u>14,952,266</u>
Sub-Total	\$ 39,718,454	\$ 26,228,068	\$ 65,946,522
Less Credit for Debt Paid by New Accounts	<u>10,589,140</u>	<u>8,013,310</u>	<u>18,602,450</u>
New Value of CIP to be Paid from Impact Fees	\$ 29,129,314	\$ 18,214,758	\$ 47,344,072
Forecast New LUE Growth 2020 – 2029	9,000	9,000	9,000
Net Wastewater Maximum Impact Fee Per LUE	\$ 3,237	\$ 2,024	\$ 5,260

Forecast Impact Fee Revenue FY 2020 - 2029

	Treatment	Distribution/ Collection	Total
Water	\$ 3,608,750	\$ 5,187,954	\$ 8,796,704
Wastewater	<u>29,133,000</u>	<u>18,214,758</u>	<u>47,347,758</u>
Total	32,741,750	23,402,712	56,144,462

Wholesale Customer Monthly Charges

MUD 12 = \$6,300

MUD 13 = \$4,400

MUD 19 = \$4,000

MUD 19A = \$6,300

- Wholesale monthly charges were evaluated as part of this study
- Due to additional revenue from impact fee, and treatment of MUDs as retail customers, recommend these fees be eliminated effective at time new impact fee is implemented

Presentation Summary

- High maximum fees represent a combination of increasing cost of capacity and superior quality of City's utility assets
- City Council has ability to set fee at any level from \$0 to the maximum allowed
- Many Texas government entities have implemented low or nominal impact fees
- In setting fees, City Council must balance the competing objectives of making growth pay for itself and not discouraging future development



Questions?