



City of San Antonio

Agenda Memorandum

File Number: 14-1055

Agenda Item Number: 5.

Agenda Date: 5/29/2014

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICT(S) IMPACTED: City Wide

SUBJECT:

An Ordinance Authorizing an update to SAWS Impact Fees

SUMMARY:

On May 8, 2014, the City Council held a public hearing to consider public comments on updated impact fees applicable to the San Antonio Water System (SAWS) service area. City Council received the updated Land Use Assumptions Plan (LUAP) and Capital Improvements Plan (CIP) from SAWS on April 3, 2014. Notice of the public hearing was published in the San Antonio Express News on April 5, 2014. A "B" Session briefing was presented to City Council on April 2, 2014. The proposed Ordinance authorizes updates to the LUAP, CIP, and SAWS impact fees by service category.

BACKGROUND INFORMATION:

Chapter 395 of the Texas Local Government Code (Chapter 395) establishes the requirements and process that must be followed if a municipality is to assess and collect impact fees. One of the requirements is that the LUAP and CIP be updated every five years. The LUAP sets out a description of the service area and forecasts changes in land uses, densities, intensities, and population in the service area over the next 10-year period. Generally, the CIP describes the parts of capital improvements and facility expansions, and their associated costs, attributed to new development in the service area based on the approved LUAP. In addition, Chapter 395 requires the establishment of a Capital Improvements Advisory Committee (CIAC or Committee) to advise City Council on the development and implementation of impact fees. Chapter 395 requires the CIAC to oversee and comment on the impact fee process. The Committee has eleven members who are appointed by the City Council. The current LUAP, CIP and impact fees for water delivery, water supply and wastewater were last

approved by City Council on May 19, 2011. Due to the integration of SAWS and BexarMet, new impact fees were required to be calculated since the last BexarMet calculation was completed in June 2009.

An impact fee is a one-time charge imposed on a new development to help recover capital costs associated with infrastructure and facility expansion necessary to provide service to that new development. Impact fees provide SAWS with a mechanism to ensure new development pays its equitable portion of required capital costs for these infrastructure projects. The goal of impact fees is to protect ratepayers from subsidizing new growth.

SAWS began the current process to update all of its impact fees in February, 2013 by engaging Red Oak Consulting, a professional engineering firm, to conduct a Capital Improvements Plan and an Impact Fee Study. SAWS staff and Red Oak Consulting have been providing technical support to the CIAC since May 2013. During this time period, the CIAC held approximately 17 meetings to review the updated LUAP, CIP, and impact fees and made its independent written recommendations to the City Council.

The CIAC developed findings and comments to present to City Council as part of its report (copy attached). On March 26, 2014, the CIAC accepted and recommended for adoption by City Council the proposed updated 2014-2023 LUAP; the water delivery, water supply, and wastewater CIPs; and the water delivery and wastewater impact fee calculations. The CIAC did not agree with SAWS staff regarding the calculation of the water supply impact fee. As indicated in the section 4(h) of the Committees report, "The Committee determined that it was inappropriate to allocate 100% of the Capital Costs of new water supply projects to new development as this did not reflect the benefit to existing customers of the diversification of our water supply as well as the reduced drought risk provided by the increased, non-Edwards supply. Thereafter, the Committee recommends the Water Supply Impact Fee be calculated by using the total capital costs of existing and new water supplies divided by the total number of firm yield EDU's available during the planning period." The CIAC recommended that the water supply impact fee be set at \$1,590 per EDU.

Separately, the SAWS Board of Trustees ("Board") approved a resolution recommending the adoption of the updated LUAP, CIP, and impact fees on May 5, 2014 (copy attached). The Board did not recommend approval of the CIAC's alternative approach for calculation the water supply impact fee.

City Public Utilities Staff ("Staff") attended all CIAC meetings and SAWS Policy and Planning meetings regarding discussions on impact fees. Throughout the process, staff completed analysis to validate the updates to the LUAP, CIP, and impact fees. Staff has reviewed the work of SAWS staff and the SAWS' consultant. Staff concurs with the calculation of the impact fees.

Staff is working with SAWS on a proposed phase-in of the water supply impact fee and adjustments to the impact fee waiver allocation. Those recommendations will be forwarded to City Council prior to Thursday, May 29.

On February 21, 2013, Council approved an ordinance that authorized adjustments to the annual allocation of SAWS funding for impact fee waivers. The ordinance approved a total allocation of \$16 million at various levels ranging from \$1 million to \$4 million from 2013 -2020. SAWS had previously committed \$2 million per year over the eight year period in impact fee waivers to be used in the City's infill and reinvestment, and economic development programs. Uncommitted portions are carried over to the next year, subject to a \$5 million cap for any given year. Due to the proposed adjustments to the impact fees, it will be necessary for the annual impact fee waiver allocations to be increased in order to support projects that are currently being considered.

ISSUE:

The proposed Ordinance authorizes the following:

- Approval of the updated LUAP;
- Approval of the updated Water Delivery, Water Supply, and Wastewater CIP and the impact fee calculations; and
- Approval of the proposed impact fees for all the water and wastewater categories (schedule of fees attached)

ALTERNATIVES:

City Council could approve impact fees that are less than the proposed fees or choose not to update the impact fees.

FISCAL IMPACT:

Impact fees are not subject to the City's payment from SAWS of 2.7% of gross revenues. As such, there is no fiscal impact to the City's budget resulting from the adoption of the proposed impact fees.

RECOMMENDATION:

Staff recommends approval of the proposed Ordinance which allows for an update of the 2014-2023 Land Use Assumptions Plan (LUAP); the Water Delivery, Water Supply, and Wastewater Capital Improvements Plan (CIP); and the proposed impact fees for all water and wastewater categories.

As stated above, staff will forward recommendations on the proposed phase-in of the water supply impact fee and adjustments to the impact fee waiver allocation prior to Thursday, May 29.