

## Memorandum

**To:** David Vaughn, City Manager, City of Burnet  
**From:** Chris Ekrut, Chief Financial Officer, NewGen Strategies and Solutions, LLC  
**Date:** September 13, 2024  
**Re:** 2024 Water and Wastewater Impact Fee Update

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In July 2024, NewGen Strategies and Solutions, LLC (NewGen) was retained by the City of Burnet, Texas (City) to conduct a Water and Wastewater Impact Fee Update. The goal of this engagement was to prepare an update of water and wastewater impact fees for the City based on a methodology that satisfies the requirements of the Texas Local Government Code (LGC) Chapter § 395.052 or, in the alternative, determine that no update is needed in accordance with LGC § 395.0575.

The City has not changed its impact fees since 2004 but has performed period updates, as required, in accordance with LGC requirements. Due to lower than anticipated population growth, and the City's continued evaluation of alternative water and wastewater projects, each of the past required updates have followed the requirements of LGC § 395.0575 amidst a determination that no update was needed. Based on NewGen's review of the City's current Land Use Assumptions and Capital Improvements Plan (CIP) for wastewater, no update to wastewater impact fees is found necessary or recommended at this time.

Specific to water, the City is constructing a water well project that will add critical water supply capacity to support new growth. Based on our understanding of this Project, the NewGen Project Team recommends that the City consider an update to its water related Impact Fee CIP, as discussed below, to include recovery of this project in water impact fees.

Based on information provided by the City, the new well project is anticipated to cost \$3,135,000. Assuming capacity of 1,000 gallons per minute (gpm), the project is expected to support 1,667 new connections in total, based on TCEQ requirements. The growth in the 10-year period for the impact fees is estimated to be 489 new connections based on population growth estimates obtained from the Texas Water Development Board (TWDB). Based on these growth assumptions, capacity from the new water well project is estimated to be 29.3% utilized in the 10-year period, which results in impact fee eligible costs for this project to be \$919,344.

In accordance with the requirements of LGC § 395.012, the Project Team has calculated the water impact fee to include not only the cost of construction, but also the cost of financing of the project. The project is assumed to be funded fully through debt proceeds with an interest rate of 5.0% and 20-year term. Also, as part of calculating the fee, the Project Team has provided an offset to reflect available existing monies the City currently maintains in its water impact fee fund. Our Team has also reflected a 50% credit, as required in LGC § 395.014(7)(b), within the calculations.

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Table 1 below illustrates the calculation of the updated water impact fee. The resulting maximum assessable fee is \$1,111, which is only \$27 more than the current fee of \$1,085. Based on this result, NewGen recommends a change to the Water CIP to include the well project but does not recommend any change to the water impact fee at this time.

**Table 1. Water Impact Fee Calculations**

<b>Description</b>	<b>Calculation</b>
Water Impact Fee Eligible Cost	\$ 919,344
Add: Financing Costs	556,067
Less: Available Fund Balance	(388,967)
Pre-Credit Recoverable Water Impact Fee Eligible Cost	\$ 1,086,444
Less: 50% Credit	(543,222)
Recoverable Water Impact Fee Eligible Cost	\$ 543,222
Divide: Additional Service Units Added During Planning Period	489
Maximum Assessable Fee	\$ 1,111
Current Water Impact Fee	\$ 1,085
<i>Variance</i>	\$ 27

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As part of NewGen’s analysis, a comparison of water impact fees was also prepared with surrounding municipalities which service similar areas. The results of the comparison are provided in Figure 1 below. As shown, the City’s water impact fee is extremely competitive when compared with other surrounding providers.

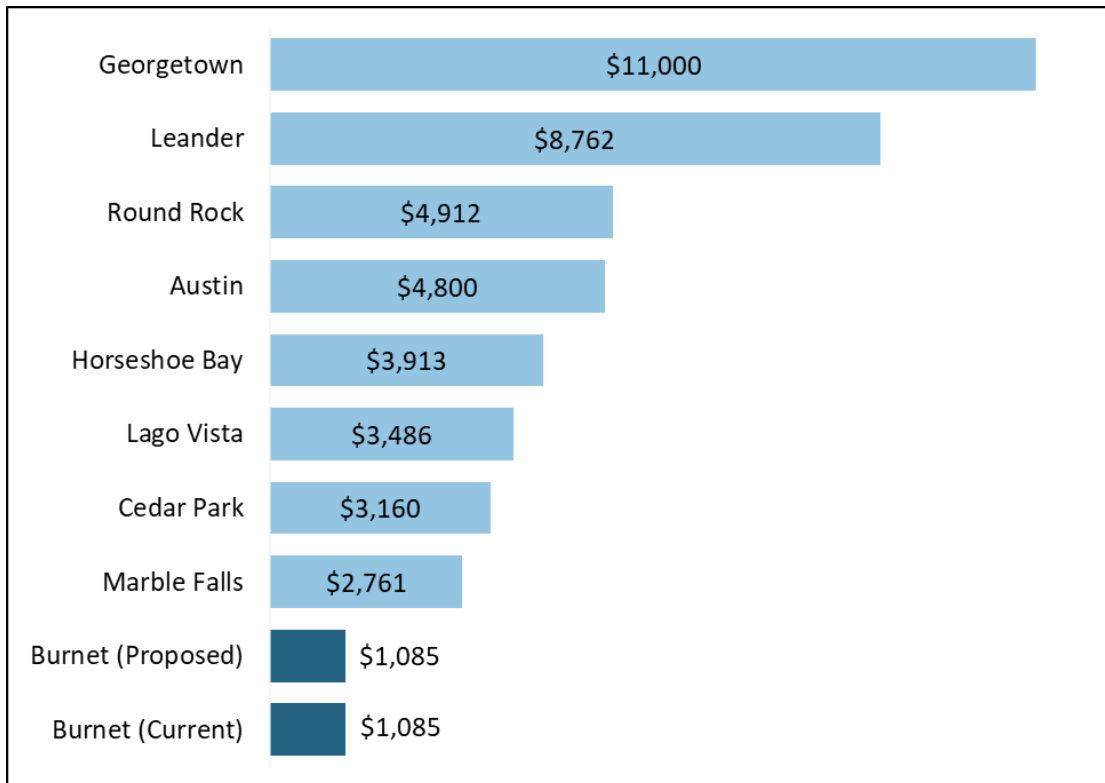


Figure 1. Regional Comparison – Impact Fees (3/4” meter)

We appreciate the opportunity to assist the City with this important update and look forward to working with the City to implement the recommendations discussed above in accordance with the requirements of LGC § 395. On review of this memorandum, should you have any questions regarding the information detailed here-in, please feel free to contact me at (972) 232-2234 or [cekrut@newgenstrategies.net](mailto:cekrut@newgenstrategies.net).

Sincerely,  
**NewGen Strategies and Solutions, LLC**

Chris D. Ekrut  
Partner, Chief Financial Officer