

CITY COUNCIL MEMORANDUM

City Council Meeting: 03-13-25

Department: Admin/ Public Works

Subject: Proposal for Implementation of Impact Fees for Water, Sewer, and Drainage Infrastructure Upgrades

BACKGROUND

As the City of La Vernia continues to experience growth and development, it is essential that we ensure our infrastructure—specifically water, sewer, and drainage systems—can accommodate future needs while protecting existing residents. With several upcoming projects related to water and wastewater treatment plants, as well as drainage improvements, it is necessary to introduce a well-structured and fair method of financing these upgrades through the collection of **impact fees**.

At present, the City does not collect drainage impact fees, and while water and sewer upgrades are partially funded through other means, **impact fees** provide an opportunity to more effectively allocate the costs of these infrastructure improvements to those who benefit most from them: the new developments.

PROPOSAL

We propose introducing a **comprehensive impact fee structure** that will include **water, wastewater, and drainage** components, with customized fees for three major zones within the City: **West, Central, and East**. This method allows for targeted fee collection based on the specific needs of each zone and ensures that developments contribute fairly to infrastructure improvements. The impact fees will be structured to:

- **Customize Fees by Zone:**
The three zones (West, Central, and East) will each have tailored fees based on their specific infrastructure needs. For example, the Central zone may require more extensive water and sewer line upgrades, while the West zone may need more drainage improvements. This flexibility ensures that impact fees align with the unique needs of each area.
- **Flexibility and Protection for Long-Term Residents:**
The goal is to prevent placing undue financial burden on long-term residents while ensuring new developments contribute their fair share to necessary infrastructure upgrades. As Morgen suggested, we can also potentially negotiate credits on land purchases, such as for the new wastewater treatment plant, in exchange for impact fees.

Morgen's input: "You could potentially negotiate a credit on the purchase of the new WWTP site for their wastewater impact fee in exchange for the land, or whatever arrangement works best for you."

- **Large Capital Projects Prioritized After Impact Fee Collections:**
The large capital expenditures required for projects like the new WWTP and water system upgrades should be funded by the impact fees collected, ensuring the City has the necessary capital to move forward with these projects. As Morgen emphasized: "The

large capital expenses like building the WWTP and the water projects should wait until after impact fees are paid so you have the capital to work with to build the projects for the subdivisions."

- **Securing Long-Term Infrastructure:**

Impact fees will allow the City to maintain and improve its infrastructure over time, ensuring that new developments pay their fair share without burdening existing residents. This approach helps ensure La Vernia remains a well-managed, thriving community.

MORGEN'S FEEDBACK AND CONSIDERATIONS

In our ongoing discussions with Morgen, he raised several key points regarding impact fees, future upgrades, and the City's infrastructure planning:

- **Water and Wastewater Upgrades:**

Morgen pointed out the need to consider all improvements and upgrades that will be required for the incoming developments. For example, additional lines and capacity will need to be included, but we should also account for any required upgrades or communication systems.

Morgen's input: "Any improvements/upgrades that you know are going to be required to the water or wastewater system should be factored in. We will make sure the additional lines and capacity are included for the developments, but needed upgrades or communication systems can potentially be included."

- **Water Impact Fee Adjustments:**

Morgen noted that the water impact fee will likely need to increase, given the rising costs of infrastructure improvements compared to previous pricing.

Morgen's input: "The water impact fee will likely also increase just based on the current price of improvements compared to the previously included price."

- **Drainage Impact Fees:**

Regarding drainage, we should consider areas with existing issues that won't be addressed by current projects like the park project or Kip's property. Morgen also raised a question about whether bond projects can be included in the impact fee calculations and used to help repay those bonds.

Morgen's input: "Is there areas where you know there are issues that won't be fixed by the park project or the project on Kip's property? I am not knowledgeable enough on city bonds, so I will let you enlighten me on if you could include the bond projects and use the impact fees to help repay the bond projects?"

- **Well Capacity and Future Water Needs:**

Morgen also discussed the potential for delays in drilling Well 9 and emphasized the importance of documenting significant waterline breaks to help manage well capacity and avoid unnecessary drilling.

Morgen's input: "Do you document the days when major waterline breaks occurred? If not, we can calculate the alternate capacity and send you the days that are anomalies to shrink the days you have to look into."

- **Preliminary Sewer Map:**

Additionally, Morgen has prepared a preliminary map that outlines potential areas within the Sutherland Springs Water Supply Corporation (SSWSC) service area where La Vernia would likely serve sewer. This map has been designed to minimize the need for additional lift stations outside of the city limits. It focuses on areas that could gravity flow to the existing infrastructure.

IMPORTANCE OF IMPACT FEES

The collection of impact fees is crucial for securing the City's long-term infrastructure needs. Impact fees provide a sustainable funding source for infrastructure projects, protect existing residents from financial burdens, and ensure that new developments contribute to the costs of the systems they rely on. Furthermore, they allow the City to proactively plan for future growth and development, while ensuring that La Vernia remains a well-managed, thriving community.

RECOMMENDATION

We recommend that the City Council keep at the forward of their minds that the proposal to implement a comprehensive set of **impact fees** for water, wastewater, and drainage infrastructure, with customized fees for the West, Central, and East zones will likely be forthcoming. This approach will ensure that new developments pay their fair share of the necessary infrastructure upgrades while maintaining flexibility and protecting the interests of long-term residents.

We will continue to work with Morgen and other consultants to finalize the details of the impact fees and ensure that all required upgrades are considered.