



Meeting Date: August 25, 2022 **Agenda Type:** Action Items

From: John Warren **Reviewed by:** Dawn Schriewer
Finance Manager Chief Financial Officer

Submitted by: Dawn Schriewer **Approved by:** Ian Taylor
Chief Financial Officer Chief Executive Officer

RECOMMENDED ACTION: Discuss and Consider Rescinding Resolution #2022-158 Relating to Water and Wastewater Impact Fees and Adopting Resolution #2022-162 Recommending Updated Water and Wastewater Impact Fees, Amendments to Article VI, Chapter 130 of the City of New Braunfels Code of Ordinances, and Other Matters in Connection Therewith

BACKGROUND

On May 24, 2022, the NBU Board of Trustees adopted Resolution #2022-158 recommending an update to the water and wastewater impact fees described in Chapter 130, Article VI of the City of New Braunfels Code of Ordinances based upon the impact fee study performed by Freese and Nichols, Inc. (the “2022 Impact Fee Study”). The Resolution recommended increasing the water impact fee from \$7,989 to \$17,512 and the wastewater impact fee from \$3,251 to \$5,712, with an effective date of November 1, 2022. The 2022 Impact Fee study also included changing the living unit equivalent (“LUE”) for multifamily developments from .5 to 1.0 to align with certain Texas Commission on Environmental Quality (“TCEQ”) requirements.

After the Board meeting, NBU received feedback from the development community stating that the change in the impact fees is considerable, puts financial strain on projects, and will slow down or halt growth. The multifamily developers also indicated that the change in LUE for multifamily developments causes a disproportionate burden on multifamily developments. NBU staff evaluated these concerns and presents an alternative option to the Board that includes (i) revising the LUE for multifamily developments from 1.0 to 0.5, which aligns more accurately to multifamily water usage and consumption than the TCEQ requirements; (ii) phasing in the collection of maximum allowable impact fees at a rate of 70%, 85%, and 100% over three years; and (iii) delaying the effective date of the new impact fee program from November 1, 2022, to February 1, 2023. Proceeding with the alternative option will involve going back to the IFAC and resetting a hearing date with the City. At this time, NBU has not presented the recommended maximum allowable impact fees in Resolution #2022-158 to the City.

The original assumptions in the 2022 Impact Fee study were also considered in the financial operating plan approved by the Board on June 30, 2022. The assumptions in the financial operating plan included

assessing and collecting 100% of the maximum allowable impact fee, beginning November 1, 2022. If the Board moves forward with these changes, the financial impact will include a \$3.1M increase to the total debt in the financial operating plan approved by the Board on June 30, 2022.

NBU staff requests that the Board provide direction regarding whether to utilize the original assumptions or the alternative option for the 2022 Impact Fee Study. If the Board decides to move forward with the alternative option, NBU staff requests that the Board approve resolution #2022-162 (i) rescinding Resolution #2022-158 relating to water and wastewater impact fees; (ii) recommending updates to water and wastewater impact fees for 2022 through 2032; and (ii) recommending amendments to the Chapter 130, Article VI of the City Code of Ordinances.

Based on Board direction, NBU will present the approved recommendations to the impact fees, including the updated land use assumptions and CIP, to the IFAC, if the alternative option is recommended, and the City Council. NBU will also request that City Council hold a public hearing on the updates to the land use assumptions, CIP, and impact fees. If the City Council approves the amendments to Chapter 130, Article VI of the City Code of Ordinances, NBU staff anticipates presenting a revised Impact Fee Policy to the Board for consideration at its Board meeting on December 8, 2022.

FINANCIAL IMPACT

Under the alternative option presented above, the water impact fee will increase from \$7,989 to \$19,448, and the wastewater impact fee will increase from \$3,251 to \$6,244. If the Board moves forward with the alternative option presented above, the financial impact will include a \$3.1M increase to the total debt in the financial operating plan approved by the Board on June 30, 2022.

LINK TO STRATEGIC PLAN

Maintain a Competitive Bond Rating

EXHIBITS

1. Resolution #2022-162
2. Impact Fee Study