



AGENDA ITEM COMMENTARY

MEETING NAME:	City Council
MEETING DATE:	August 5, 2024
ITEM TITLE:	Consider and take appropriate action on report from Newgen Strategies and staff regarding implementation of Water Impact Fees.
STAFF INITIATOR:	Randy Criswell, City Manager

BACKGROUND:

On July 18, 2022, Council approved a proposal from Newgen Strategies for a Water Impact Fee study. The information gathering portion of this project took quite some time, and of course the analysis and calculations are complex. Approximately 11 months later, we received the first draft of that study (attached as an exhibit) and Newgen presented it to Council on July 10, 2023. NewGen presented a second time at the July 31, 2023, Council meeting, and City Council appointed the Planning and Zoning Commission as the Capital Improvements Advisory Committee (The CIAC). The CIAC met August 8, 2023, and considered the Capital Improvements Plan (CIP) and Land Use Assumptions (LUAs). They agreed with the components of the CIP and the LUAs, and recommended their approval to the City Council, which occurred on September 12, 2023. On September 18, 2023, Council conducted a public hearing, and because of comments received, directed staff to engage in conversation with our local development community and involve them in the process of bringing forth a final recommendation.

Meetings were held with the developers on October 11, 2023, December 20, 2023, and February 28, 2024), and the developers ultimately appointed Mr. Jordan Wheatley and Mr. Chris Berry as their representatives/spokesmen. Meetings were then held on June 27, 2024 and August 1, 2024. There were two primary concerns raised by the developers, and those were our focus as we worked toward a mutually agreeable and beneficial solution. One was the cost of the Impact Fee (calculated at the maximum amount of \$4372/lot), and the other was the concern of a negative effect on lot/home sales if the impact fee were implemented fully and all at once.

Throughout the course of these meetings, Newgen was asked to provide various iterations of their calculations so we could see multiple scenarios.

We worked together toward a compromise that would be mutually beneficial and with little to no negative impact on our system rate payers. We have two options for your consideration. Option 1 is to implement the full impact fee of \$4372. Option 2 is to start with a fee of \$2000 in FY 2025, and phase in the full fee over a five-year period through FY 2029. The full presentation packet is attached as an exhibit.

When we started this effort, I was of the opinion the fee should be full and immediate. However, as we continued the conversation, our developers/builders shared thoughts that made me reconsider my initial opinion. One of their key points and requests was that we phase in the fee implementation and not create the shock factor of going, literally, from zero one day to \$4372 the next day. They believe an increase of this size and this immediate would cause many builders and potential buyers to simply take their business elsewhere. If there is truth to that possibility, I urge caution in taking that risk. Our

situation is different than a city considering impact fees so they can build the infrastructure to *start* the growth; we're already growing and need the infrastructure now. If we implement impact fees, then take out the debt to fund the first portion of the CIP (we need the impact fees to help pay that debt) and the growth stops after we've started some of the projects, then servicing the debt will look much different. We would have to raise all system rates to service our debt at that point. Our development partners tell us the five-year phase in is one they can work with, seems fair, and one that won't cause our momentum to stop.

One of the primary concerns expressed by the Council was, if the impact fee isn't implemented fully and immediately, what is the impact on the other customers in town? Based on the calculations from Newgen, the impact of a phased in approach on the average water customer using 8,000 gallons per month is \$0.00 in FY 2025, \$8.09/month in FY 2026, and \$0.98/month in FY 2027 when we anticipate the Loop 88 water to come online. We also expect the Lubbock North water connection to be completed by mid-2026, so proposed rates in 2027 rise regardless of the impact fee implementation.

Our meetings with our development partners have been fruitful and positive, and I believe it is in the overall best interest of Wolfforth to support the phased-in approach to Water Impact Fees.

Mr. Chris Ekrut of Newgen Strategies will be present virtually to present his final report. I've also asked Mr. Wheatley and Mr. Berry to attend, as I think it could be beneficial for you to hear their thoughts, too.

EXHIBITS:

COUNCIL ACTION/STAFF RECOMMENDATION:

The next step of the process is to conduct a public hearing on the proposed impact fees, so the **action needed today is a motion to Call for a Public Hearing on the proposed Impact Fees, to be held on September 16, 2024.** After that public hearing is held, an ordinance will need to be adopted to formally implement the fees. It is important to note today's action is not adopting the fees, only taking the next step.