

## **PROPOSED AMENDMENTS FOR AUSTIN CITY CODE CHAPTER 25-9 RELATING TO SERVICE EXTENTION REQUESTS (SERs)**

In 2005 the Texas Legislature amended the Local Government Code to require that a developer's portion of costs for municipal infrastructure improvements not exceed an amount roughly proportionate to the proposed development. The adoption of this state law prompted Austin Water Utility to review and propose modifications to the City Code regarding the manner in which the City shares the costs with developers for water and wastewater infrastructure. In addition, Utility staff found that there are several City Code provisions concerning the service extension request process which required updating or could be improved upon based on experience. The following is a brief summary of the key amendments proposed. A draft ordinance showing all proposed changes to the current City Code is attached.

1. § 25-9-32 Definitions

The addition of definitions for the key terms hard cost, soft cost, cost participation and cost reimbursement has been proposed. The proposed definitions clearly set forth the current practices and understanding regarding hard costs and soft costs in reimbursement agreements with developers, and their addition simplifies the process of modifying the current City Code provisions to meet state law requirements.

2. § 25-9-34 Review and Approval Process

This proposed section is added to comply with a state law adopted in 2005, which amended Local Government Code Chapter 245 to mandate the response time for a service extension application.

3. § 25-9-35 Approval of a Service Extension Request

A proposed change to improve the administrative process would authorize the Director to administratively approve an SER associated with cost participation or reimbursement, with approval of the cost participation or reimbursement still given by Council. The proposed changes in this section also clarify that the director may approve an amendment of an unexpired, already-approved service extension request under the same given circumstances.

4. § 25-9-61 Eligible Projects

The portion of this section relating to Facilities Eligible for Cost Reimbursement is deleted because basing the maximum reimbursement amount for each facility on living unit equivalents (LUEs) is no longer an applicable method.

5. § 25-9-62 Amount of Cost Participation

Proposed changes to this section are in response to the 2005 amendment to the Local Government Code adding Section 212.904 which requires that costs imposed by the City on a development for infrastructure improvements be "roughly proportionate" to the infrastructure costs associated with the development.

In this section currently, cost participation is based on a flat rate of \$3.00 per inch of oversized water pipe and \$3.50 per inch of oversized wastewater pipe, multiplied by the length in feet of the oversized pipe. This rate, established many years ago, is

impractical not only because of inflation, but also because the construction costs vary based on several factors including the area, the soil conditions, the existing infrastructure, the amount of development in the area and the amount of traffic in the right-of-way.

For the purpose of determining the best way to allocate cost participation, Utility staff reviewed the actual construction cost for various water and wastewater projects with different pipe sizes in various areas in the City during the past 4 years. This review found that construction cost for each pipe size changes greatly from one project to another depending on the factors mentioned above. In addition, the average costs for different pipe sizes are not proportional to their size.

Utility staff also examined the option of basing cost participation based on pipe capacity. The percentage of pipe capacity increases greatly with a smaller percentage increase in the pipe diameter and consequently, increases in pipe capacity do not result in a proportional increase in construction costs. For example, with an oversizing increase in a water pipe of one size from 8" to 12", the 12" water pipe capacity is 225% of the 8" water pipe capacity. As expected, and as the data reveals, the construction cost of a 12" water pipe is not 225% of the construction cost of an 8" water pipe.

After carefully considering various options, Utility staff established the charts contained in proposed Section 25-9-62 setting forth the amount of cost participation based on the increase in pipe diameter resulting from the oversizing. As outlined in the charts, for example, when the oversizing of a water pipe is one size from 8" to 12", there is a 50% increase (i.e. the 4" increase to 12" is 50% of the original 8") and overall the 12" water pipe diameter is 150% of the 8" water pipe diameter. Dividing the 50% increase by the 150% yields 33%. The City will thus reimburse applicant 33% of the construction cost. The percentage will be calculated based on the final construction cost determined through the City bidding process and the change orders, of the 12" line to cover the hard cost and an additional 15% of that hard cost to cover the soft cost for the project.

6. § 25-9-63 Amount of Cost Reimbursement

This section amends cost reimbursement, which is proposed strictly based on the bidding construction cost plus 15% of the construction cost to cover the soft cost. It does not have a maximum limit based on the living unit equivalent (LUE) that the facility serves.

7. § 25-9-67 Cost Participation and Cost Reimbursement Payment

This section is amended to shorten the time period for cost reimbursement payment for projects in the desired development zone to 90 days after the acceptance by the City. The current time period is on March 1 of the second year after the year in which the City accepts the improvement.