

WORKING DOCUMENT FOR PUBLIC REVIEW AUGUST 2012

ASSESSED AND COLLECTED FEES INCLUDING VARIOUS OPTIONS

I. INTRODUCTION

The 2012 update takes a new look at the Land Use Assumptions (LUA) and Capital Improvements Plan (CIP) that will serve new development for the next 10 years. The basic requirements for determining the costs “necessitated by and attributable to” new development are prescribed in the Impact Fee Act, Section 395.016 of the Texas Local Government Code. Facility capacity that will be used by new growth and its cost are determined by projecting the demand on the system, the LUA, and then deriving the plan for serving that demand, the CIP. The end-products are the maximum allowable impact fees for water and wastewater. The law also includes the aspect called fee assessment that sets the terms of fee applicability to a given tract of land.

The actual fees collected, up to the maximum allowable fee, are the purview of the City Council. This is one of many components of policy-making regarding development in the city’s service area. AWU in concert with the Impact Fee Advisory Committee is making a larger effort than in past updates to gather public input on setting collected fees as part of the 2012 update. Several factors motivate the larger effort, including the maximum allowable fees being higher than before, and increased interest in the question of “how much should growth pay for itself”. The overall goal of the update process is to carry through to Council adoption of a new collected fees ordinance based on the information developed in the update and the results of public input.

Austin continues to be one of the fastest growing cities in the country. With continuation of this trend the projected magnitude of growth detailed in the LUA is not changed significantly from the last update in 2007. The service area is little changed. A comparison of population and service unit growth for the water system is shown below:

2007 Update				2012 Update			
Population			Service Units	Population			Service Units
2005	2015	10-year Growth	10-year Growth	2010	2020	10-year Growth	10-year Growth
799,965	971,363	171,398	78,208	875,936	1,050,991	175,055	70,292

What is changing is the way people use water. The City’s conservation programs have lowered and are projected to continue lowering the amount of water used per person and per meter service unit in the system. To account for this in the 2012 update, the City goal of reaching 140 gallons per capita formed the basis of the 2020 flow projection. With less flow per service unit, the capacity of individual facilities expressed in service units is increased, so the cost per service unit is lowered which in turn acts to lower the impact fee.

The great majority of facilities that will serve new growth are part of the CIP plans developed over the past 30 years. Major changes from 2007 regarding the water facility plan are the addition of the South IH35 projects and the increase in WTP 4 related growth costs. The top three facility change factors for wastewater are the new South IH35 projects, the proposed Parmer Interceptor serving northwest Austin and the updated cost of the Downtown Tunnel. Both water and wastewater plans include CIP projects serving SH130 corridor growth, including city-funded facility components related to service in the areas of the three new utility districts. Total project costs and the 10-year growth impact costs are shown below.

2007 Update				2012 Update			
Total Project Cost With Interest		10-yr Growth Project Cost		Total Project Cost With Interest		10-yr Growth Project Cost	
Water	\$1,599,866,000		\$517,342,000	Water	\$2,057,353,000		\$591,088,000
Wastewater	\$950,630,000		\$275,145,000	Wastewater	\$1,050,393,000		\$248,365,000

One change factor in calculating the new maximum allowable fees is the rate revenue credit. To avoid double charging, the law requires that monies paid by new users toward the growth projects in the form of rates be subtracted from the 10-year growth project costs. In the 2012 update the rate revenue credit amount is calculated for Austin conditions for the first time. Previously the default option provided in the law was used which is a credit equal to 50% of growth impact costs. Since the Austin-specific rate revenue credits equate to about 35% of the growth impact costs, the new method acts to increase the maximum allowable fee. A comparison of maximum allowable fees is shown below.

2007 Update				2012 Update			
Maximum Allowable Fee Using 50% Rate Revenue Credit				Maximum Allowable Fee Using 35% Rate Revenue Credit			
Water		\$3,307		Water		\$5,415	
Wastewater		\$1,852		Wastewater		\$2,284	

II. ASSESSED FEES

The Impact Fee Act provides what is called fee assessment in order to set the timing for establishing fees for a given tract of land. It states that impact fees must be assessed on all property no later than the time of subdivision (with certain exceptions where development occurs without the need for subdivision). Accordingly, the assessed fees for a particular lot are those in effect at the time of subdivision recordation. After 1990 the impact fee update reports and ordinances included the assessed fee separate from the maximum allowable and collected fees. The assessed fee remained constant after 1990 at \$1,700 for water per service unit and \$1,300 for wastewater per service unit until the 2007 update. Since then the assessed fee is deemed to be the maximum allowable amount, thereby keeping open the option of setting collected fees up to the maximum allowable fee in effect at the time a subdivision plat is recorded.

III. COLLECTED FEES

Council adoption of the LUA and CIP updates is followed by Council adoption of the ordinance that sets the impact fees actually collected at the time of tap sale for water meter purchase and/or wastewater service. These collected fees are generally referred to as Austin's impact fees. Historically, these collected amounts have been set by ordinance at amounts lower than the maximum allowable fees. The current fees are shown on the left hand side of Table 1.

Table 1 shows the City Council-adopted impact fee structure, originally adopted in 1999, for collected fee amounts that varied according to location in 7 areas. This was intended to incentivize development in central city and Desired Development Zone areas. In subsequent years the adopted annual budget has included this fee structure. The zone percentages and current fee amounts established in the 2007 update and City-wide Rate Ordinance with this structure remain in effect today for lots platted on or after October 1, 2007.

With existing computer databases, City staff can readily find the date when a subdivision plat is recorded. The scanned image of the recorded plat is available to personnel in the subdivision review and tap sales offices allowing them to inform customers in a timely fashion what the collected fee is for a specific lot. Based on past fee updates and ordinance actions there are only two fee schedules in effect, one for before October 1, 2007, and one from that date forward. A change in the collected fees as part of this 2012 update could institute a new third schedule.

The Utility has developed 3 options to aid in looking at changes in collected fees. The question of how existing lots could be affected should be addressed in considering these options. These are listed below, from smallest fee increase to largest.

Option 1 - Keep the current 7-area development zone structure and use the default 50% rate revenue credit:

With the increased maximum allowable fees calculated in this update, keeping the present development zone fee structure and percentages of maximum allowable, and using the default 50% rate revenue credit, would result in the increased collected fees shown as Option 1 of Table 1. Dollar value increases and percentage fee increases associated with this approach are shown.

Option 2 - Keep the current 7-area development zone structure and use the Austin-specific rate revenue credit:

The dollar value and percentage increase results of this approach are shown as Option 2 of Table 1.

Option 3 - Eliminate the 7-area development zones in favor of a uniform percentage of the maximum allowable fee, and use the Austin-specific rate revenue credit:

In Option 3, the current zone discount structure is eliminated and the collected fee calculation includes a uniform percent of the maximum allowable throughout the service area. The effect of making this change to a uniform percentage of the maximum allowable, and using the Austin-specific credit, is shown as the Option 3 group on Table 1, with three different uniform percentages given for comparison:

- Option 3A shows the resulting fees and increase amounts for a uniform percentage of 75%. This reflects the current maximum percentage in the Drinking Water Protection Zone.
- Option 3B shows the resulting fees and increase amounts for a uniform percentage of 80%.
- Option 3C shows the results for a uniform percentage of 85%. This is the highest percentage looked at based on the idea that it is desirable to have collected fees below the maximum allowable since there are inherently some uncertainties and estimates used in the analysis to determine the maximum allowable.

Option 3 reflects the recommendation of the Joint Committee on Austin Water Utility's Financial Plan. The committee made up of members from the Resource Management Commission, the Water and Wastewater Commission, and the Impact Fee Advisory Committee was tasked with crafting a financial stability framework, including impact fee policy. The Joint Committee's recommendation item 3.1 made in May of 2012 states:

"Adopt an impact fee that calculates the maximum impact fee allowed by law. Consider the elimination of the current zone discount policy that has the effect of subsidizing infrastructure for new development."

IV. STAKEHOLDER AND PUBLIC INPUT

The Impact Fee Act provides for public hearings on the LUA, CIP, and the imposition of the impact fee. Because the maximum allowable fee amounts calculated in this update are larger than before, and because the issue of growth paying for itself has received more attention this year than before, the Utility seeks to make a larger effort to gather stakeholder and public input in concert with the Impact Fee Advisory Committee before making a recommendation to City Council on new collected fee amounts. The role of the Advisory Committee is especially important in this activity owing to its role under sections 395.050 and 395.058 of the law in advising and assisting the city regarding the land use assumptions and capital improvements plan and in making comments on proposed impact fees.

To gather stakeholder input the Utility plans to notify parties in the community known to be interested in impact fee policy and offer the opportunity for discussion of setting new fees as part of this 2012 update process. At the same time the meetings of the Advisory Committee will offer opportunities for public input and discussion. Discussion is expected to touch on the various aspects of development fees including community thinking on:

- How much growth should pay for itself regarding water and wastewater infrastructure.
- Position in the Texas market for development growth as compared to other cities.
- The total package of fees and requirements placed on the development community.
- Incentivizing growth in certain areas of the city.

The goal of the stakeholder and public input process is to gather further input from the community prior to Council taking action to adopt new impact fees. The three options presented above provide a framework for the discussion. The Utility will develop a website to make information developed in this 2012 update process available, including this working report. The website will include a component for receiving input and answering questions.

Table 1: Impact Fee Comparison - 2012 Update Options

DRAFT - SUBJECT TO CHANGE

2012 Update Options - Continued on next page									
OPTION 1:					OPTION 2:				
Water:					Water:				
Max Allow. Calc. Method: 50% Rate Rev. Credit Collected Fee: current zone structure					Max Allow. Calc. Method: Austin-Specific Rate Rev. Credit Collected Fee: current zone structure				
Compared to Current Fees:					Compared to Current Fees:				
\$ Increase/ (\$ Decrease)	% Change	\$ per Service Unit	% of Maximum Allowable Fee	Collected fee:	\$ Increase/ (\$ Decrease)	% Change	\$ per Service Unit	% of Maximum Allowable Fee	\$ Increase/ (\$ Decrease)
\$898	27%	\$4,205	100%		\$2,108	64%	\$5,415	100%	
\$700	28%	\$3,200	75%		\$1,600	64%	\$4,100	75%	
\$700	28%	\$3,200	75%		\$1,600	64%	\$4,100	75%	
\$500	23%	\$2,700	65%		\$1,300	59%	\$3,500	65%	
\$500	28%	\$2,300	55%		\$1,200	67%	\$3,000	55%	
\$300	30%	\$1,300	30%		\$600	60%	\$1,600	30%	
\$300	38%	\$1,100	25%		\$600	75%	\$1,400	25%	
\$100	14%	\$800	20%		\$400	57%	\$1,100	20%	
Wastewater:					Wastewater:				
Max Allow. Calc. Method: 50% Rate Rev. Credit Collected Fees: current zone structure					Max Allow. Calc. Method: Austin-Specific Rate Rev. Credit Collected Fees: current zone structure				
Compared to Current Fees:					Compared to Current Fees:				
\$ Increase/ (\$ Decrease)	% Change	\$ per Service Unit	% of Maximum Allowable Fee	Collected fee:	\$ Increase/ (\$ Decrease)	% Change	\$ per Service Unit	% of Maximum Allowable Fee	\$ Increase/ (\$ Decrease)
-\$85	-5%	\$1,767	100%		\$432	23%	\$2,284	100%	
-\$100	-7%	\$1,300	75%		\$300	21%	\$1,700	75%	
-\$100	-7%	\$1,300	75%		\$300	21%	\$1,700	75%	
-\$100	-8%	\$1,100	65%		\$300	25%	\$1,500	65%	
\$0	0%	\$1,000	55%		\$300	30%	\$1,300	55%	
-\$100	-17%	\$500	30%		\$100	17%	\$700	30%	
-\$100	-20%	\$400	25%		\$100	20%	\$600	25%	
\$0	0%	\$400	20%		\$100	25%	\$500	20%	

Note: In the tables above, collected fee amounts are rounded to the nearest \$100

DWPZ: Drinking Water Protection Zone
DDZ: Desired Development ZoneSU: Service Unit
ETJ: Extraterritorial Jurisdiction

An Impact Fee Service Unit (SU) represents a standard 5/8-inch meter - for service unit equivalents of larger meters, see SU equivalency table

Current impact fees are for lots that were platted on or after October 1, 2007. For lots platted prior to this date see previous fee schedules in effect at time of platting.

DRAFT - SUBJECT TO CHANGE

Table 1 (continued): Impact Fee Comparison - 2012 Update Options

2012 Update Options - Continued									
OPTION 3A: Uniform 75%			OPTION 3B: Uniform 80%			OPTION 3C: Uniform 85%			
Water:			Water:			Water:			
Max Allow. Calc. Method: Austin-Specific Rate Rev. Credit			Max Allow. Calc. Method: Austin-Specific Rate Rev. Credit			Max Allow. Calc. Method: Austin-Specific Rate Rev. Credit			
Collected Fees: uniform 75% of max allow., no zone reductions			Collected Fees: uniform 80% of max allow., no zone reductions			Collected Fees: uniform 85% of max allow., no zone reductions			
\$ per Service Unit	% of Maximum Allowable Fee	Compared to Current Fees:	\$ per Service Unit	% of Maximum Allowable Fee	Compared to Current Fees:	\$ per Service Unit	% of Maximum Allowable Fee	Compared to Current Fees:	
\$5,415	100%	\$ Increase/ (\$ Decrease)	\$5,415	100%	\$ Increase/ (\$ Decrease)	\$5,415	100%	\$ Increase/ (\$ Decrease)	
Collected fee:			Collected fee:			Collected fee:			
All Areas:	All Areas:		All Areas:	All Areas:		All Areas:	All Areas:		
\$4,100	75%	\$2,108	\$4,300	80%	\$2,108	\$4,600	85%	\$2,108	
		\$1,600			\$1,800			\$2,100	64%
		\$1,600			\$1,800			\$2,100	84%
		\$1,900			\$2,100			\$2,400	84%
		\$2,300			\$2,500			\$2,400	109%
		\$3,100			\$3,300			\$3,600	156%
		\$3,300			\$3,500			\$3,600	360%
		\$3,400			\$3,600			\$3,800	475%
								\$3,900	557%
Wastewater:			Wastewater:			Wastewater:			
Max Allow. Calc. Method: Austin-Specific Rate Rev. Credit			Max Allow. Calc. Method: Austin-Specific Rate Rev. Credit			Max Allow. Calc. Method: Austin-Specific Rate Rev. Credit			
Collected Fees: uniform 75% of max allow., no zone reductions			Collected Fees: uniform 80% of max allow., no zone reductions			Collected Fees: uniform 85% of max allow., no zone reductions			
\$ per Service Unit	% of Maximum Allowable Fee	Compared to Current Fees:	\$ per Service Unit	% of Maximum Allowable Fee	Compared to Current Fees:	\$ per Service Unit	% of Maximum Allowable Fee	Compared to Current Fees:	
\$2,284	100%	\$ Increase/ (\$ Decrease)	\$2,284	100%	\$ Increase/ (\$ Decrease)	\$2,284	100%	\$ Increase/ (\$ Decrease)	
Collected fee:			Collected fee:			Collected fee:			
All Areas:	All Areas:		All Areas:	All Areas:		All Areas:	All Areas:		
\$1,700	75%	\$432	\$1,800	80%	\$432	\$1,900	85%	\$432	23%
		\$300			\$400			\$500	36%
		\$300			\$400			\$500	36%
		\$500			\$600			\$700	58%
		\$700			\$800			\$900	90%
		\$1,100			\$1,200			\$1,300	217%
		\$1,200			\$1,300			\$1,400	280%
		\$1,300			\$1,400			\$1,500	375%

Note: In the tables above, collected fee amounts are rounded to the nearest \$100

DWPZ: Drinking Water Protection Zone

DDZ: Desired Development Zone

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