

**RESOLUTION OF THE CITY OF AUSTIN WATER AND WASTEWATER COMMISSION
RECOMMENDING ACTION ON AUSTIN WATER UTILITY'S
REVISED WATER AND WASTEWATER IMPACT FEE PROGRAMS**

Whereas, Austin Water Utility must update its water and wastewater impact fee programs at least every five years in conformance with Chapter 395 of the Texas Local Government Code; and

Whereas, City Council Resolution 20120112-063 charged the Austin Water Utility Staff to work with the Joint Committee on Austin Water Utility's Financial Plan ("Joint Committee"), among other responsibilities, to develop recommendations regarding "Discount policies for water and wastewater impact fees"; and

Whereas, the Joint Committee expressed concerns regarding (a) identification of the maximum allowable fees under Chapter 395 requirements, and (b) effectiveness of discounted impact fee zones in influencing locational decisions by new growth ; and

Whereas, academic research published by national experts, unaffiliated with particular interests, has found over a period of years that in cities which are attractive for development, the amount of impact fees has little impact on locational decisions but rather may have the effect of reducing land costs for development; and

Whereas, the Joint Committee recommended to the City Council that Austin Water Utility "Adopt an impact fee policy that calculates the maximum impact fee allowed by law" and "Consider the elimination of the current zone discount policy that has the effect of subsidizing infrastructure for new development"; and

Whereas, Austin Water Utility currently projects sharply increasing debt service costs prior to the end of the 2013-2023 impact fee program period, which will result in higher rates for customers; and

Whereas, the Impact Fee Advisory Committee and City Staff have worked diligently and conscientiously to respond to Joint Committee recommendations; and

Whereas, the updated impact fee program, at maximum, is expected to produce \$414 million in revenue during the several decade lifetime of the 2013-2023 impact fee program (\$307 million more than current fees), assuming a total program cost of \$541 million and projected waivers of \$127 million; and

Whereas, the updated impact fees at the fair maximum allowable fee calculation is expected to produce \$282 million of the \$414 million lifetime total revenue during the first 10 years of the program (\$175 million more than current fees), and

Whereas, increases in impact fees will provide an additional source of revenue to help stabilize available revenue sources, partially offset revenue reductions from reduced consumption caused by drought or conservation efforts, reduce debt service, and thus will be used to offset the need for utility rate increases; and

Whereas, Chapter 395 provides remedies to feepayers for any perceived deficiency of performance by the City;

NOW, THEREFORE,

BE IT RESOLVED BY THE AUSTIN WATER AND WASTEWATER COMMISSION:

The Impact Fee Advisory Committee and Staff of the Austin Water Utility are to be commended for their high level of professional skill and diligence in responding to the recommendations of the Joint Committee involved in bringing forward their recommendations for updated impact fee programs.

The impact fee programs presented by Staff are found to be calculated in a conservative manner, including only facilities which are already constructed, in the process of being constructed, or in advanced planning stages. Feepayers are thus protected from excessive fees.

City Staff has calculated the actual cost to Austin Water Utility to serve growth during the next ten years by using an Austin-specific credit against capital costs, which gives feepayers credit for future rate payments for the same facilities funded by the water and wastewater service revenue. This addresses the concern of the Joint Committee to calculate the maximum allowable fee under Chapter 395, and also represents more correctly and fairly the actual growth-related costs to Austin Water Utility than the previous practice of applying a non-specific 50% fee credit.

BE IT FURTHER RESOLVED:

The Staff recommended option (Option 4i, page ACF-15, WATER & WASTEWATER IMPACT FEE REPORTS, August 28, 2013) is expected to offer fee reductions to builders and other impact fee payers, at maximum, of \$165 million over the lifetime of the 2013-2023 program (\$94.6 million in the first ten years), which will impose growth-related costs on ratepayers and require higher rates than would occur with the maximum allowable impact fees. Of that \$165 million, \$65 million would be for a "risk management reduction" and \$100 million would be for geographic reductions.

Because of the conservative construct of the fee calculations, and because fee payers may utilize remedies provided in Chapter 395 if they perceive any deficiencies in calculation or application of impact fees, there is no reason to reduce the maximum allowable fees by a blanket 15% as a "risk management reduction". Such a reduction would reduce fee revenues by approximately \$65 million and impose higher costs and utility rates on existing customers for growth.

Because there is little credible evidence that reductions of impact fees will significantly influence locational decisions, and because providing blanket reductions to various areas proposed by different stakeholders and the Austin Water Utility's recommendation would reduce impact fee collections by \$100 million over the lifetime of the 2013-2023 impact fee program, thus causing additional increases in utility rates, no discounts should be provided to any geographic area.

BE IT FURTHER RESOLVED:

The Water and Wastewater Commission recommends the adoption of the following fee amounts (Option 5, page ACF-15, WATER & WASTEWATER IMPACT FEE REPORTS, August 28, 2013):

	<u>Maximum Allowable Fair Fee</u>	<u>Recommended Collected Fee</u> (Option 5)
Water Impact Fee:	\$5,415	\$5,400
Wastewater Impact Fee:	\$2,284	\$2,200

PASSED AND APPROVED:

September 11, 2013


Dale Gray, Chairperson
Austin Water and Wastewater Commission