

**CITY OF BRENHAM
CAPITAL IMPROVEMENT ADVISORY COMMITTEE
January 23, 2024**

The meeting minutes herein are a summarization of meeting procedures, not a verbatim transcription.

A regular meeting of the Capital Improvements Advisory Committee (CIAC) was held on January 23, 2024, at 1:00 pm in the Brenham Municipal Building, Conference Room 2A, at 200 West Vulcan Street, Brenham Texas.

Committee Members present:

M. Keith Behrens, Chairman	Darren Heine, Vice-Chairman
Blake Brannon	Chris Cangelosi
Calvin Kossie	Cayte Neil
Dr. Paul LaRoche	Cyndee Smith

Committee Members absent:

Randy Hodde
Dr. Deanna Alfred

Staff present:

Stephanie Doland	Daniel McCracken
Shauna Laauwe	Tim McRoberts
Debbie Gaffey	Carolyn Miller
Kim Hodde	Dane Rau

Strand Associates:

Ryan Tinsley
Jared Engelke

Citizens / Media present:

Rick Kenjura	Walt Edmunds
Katie Burch	Dolly Edmunds
Kirk Hanath	Camaron Pruiett
Troy Gardner	Blyss McGinley
Dustin Majewski	Gregg Appel
Arlen Thielemann	Jon Hill
Clayton Collier	Sherry A.A. Toy
Brad Tegeler	

1. Call Meeting to Order

Chairman Behrens called the meeting to order at 2:05 pm with a quorum of eight (8) Committee Members present.

2. Public Comments

Multiple community members expressed the following concerns/comments:

Kirk Hanath

- Kirk is a County Commissioner and his brother is a local developer.
- Although, he is not in complete opposition to Impact Fees, the numbers presented are alarming (high).
- How will this affect Economic Development?
- Will the County be charged these fees as well?
- More housing is needed but this will have a negative impact on Affordable Housing.
- This is essentially a tax – a tax that the Developers will not pay. It will be passed on to the consumers.
- If a future project is going to be incentivized, would the impact fees be the City's contribution?

Walt Edmunds

- Local resident for over 30 years.
- The impact fees will greatly impact the local businesses/developers.
- He has been working on a possible apartment project for several years. He was not informed about the proposed impact fees. The project will be done in phases so he does not agree with the fees being assessed and payable for the entire project instead of doing a phased approach.
- Would like the fees to be fair to all.
- The Baker Katz development received incentives and no impact fee although the City knew that we were nearing capacity.

Arlen Thielemann

- These impact fees are unfair, especially to small and local developers, by putting the burden on the few (developers) instead of the entire community.
- Numbers are astounding.

Brad Tegeler

- He understands assessing the fees on property that is not currently platted but City needs to find a balance between small businesses and new construction.
- Smaller and local developers will be the most impacted.
- Most people will not have the money to rebuild their property and pay the fees in the event of a fire or other catastrophe.
- The fees will urge people to move their developments to the County instead of building in the City and paying the fees.
- Urge the City to take a break and re-evaluate.

Katie Burch

- Owner of a local architectural firm.
- Urge Committee/City to take a step back and re-review project by project.
- Can Council rely on the projected growth rate?
- Does the Committee understand what they are saying when they sign a written comment to Council?
- Six figure fees are out of the question in Brenham. Her clients will not pay these fees and they will go elsewhere with their developments. It would negatively impact their business.
- Why was the community and local developers not notified about upcoming fees?

Greg Appel

- Caution the City when they go out for debt anticipating development then enact the impact fees and development comes to a halt; however, the debt will still be due and payable.

Jon Hill

- Why would affordable development developers be excluded from this fee?
- Why would they continue versus abandon the project?

Sherry Toy

- One of her clients has a 162-apartment development in the works but this may halt the project.

In response to questions, Ryan Tinsley from Strand Associates stated the following:

- The Capital Improvement project costs included in the presentation are the projects that are attributable to new development.
- A lot of the projects will have to happen regardless of impact fees. These projects are not listed.
- The Water Treatment Plant is at the threshold capacity. If we were not in the Engineering/Design phase, there would be a development moratorium.
- Impact fees can only cover 50% of the attributable projects.

During the extensive public comments, the following questions were raised:

- How will this affect Economic Development?
- Will County Government buildings be required to pay the impact fees?
- Did the Board feel the same way when the numbers were initially presented to them?
- Why not have these expenses paid for by all of the community?
- If my building burns down and I have to rebuild, do I even want to rebuild in this community?
- Where did the Service Unit come from?
- Will this fee be part of the City's Economic Development Incentive Package?

At this point, Chairman Behrens and City staff felt most questions would be answered by the presentation scheduled in Agenda Item Number 4 so, Chairman Behrens closed the public comment portion of the meeting and moved onto the Consent Agenda and Regular Session.

CONSENT AGENDA

3. Statutory Consent Agenda

The Statutory Agenda includes non-controversial and routine items that the Committee may act on with one single vote. A Committee Member may pull any item from the Consent Agenda in order that the Committee discuss and act upon it individually as part of the Regular Agenda.

3-a. Minutes from the December 19, 2023 Capital Improvements Advisory Committee (CIAC) Meeting.

Chairman Behrens called for any corrections or additions to the minutes as presented. A motion was made by Cayte Neil and seconded by Calvin Kossie to approve the Consent Agenda (minutes from the December 19, 2023 meeting), as presented. The motion carried unanimously.

REGULAR SESSION

4. Discussion and Possible Action to File the Written Comments of the Capital Improvements Advisory Committee on the Proposed Impact Fees for Water, Wastewater, and Roadway Facilities.

In response to concerns about water availability Debbie Gaffey, General Manager of Public Utilities, and former Budget Manager, stated that the City of Brenham currently has two water contracts with the Brazos River Authority. One is for 4,200-acre feet and it will expire in 2047. The second is for 774-acre feet and it will expire in 2045. To address redundancy, Ms. Gaffey replied that the City of Brenham has multiple well sites planned. The additional of water wells will add capacity as well as a backup, emergency water source. There will be a mini water treatment plant at each well site. Water well improvements are favorable, as the last estimate for an additional lake line was \$70 million for just the pipe. The water wells will be added to the overall water system as growth occurs.

In addition to water well improvements, an expansion to the water treatment plant is required to remain in good standing with TCEQ. The expansion will require a multiple-year bond issuance to fund the project. When the bonds are issued, \$5 million will be issued for the design and engineering for the water treatment plant. Currently, all water improvements are paid by the water rate payers. If impact fees are not done, water rates will increase about 50%. Tim McRoberts, Budget Manager, stated that approximately 33% of our customers are senior citizens and another 10% are below the poverty level. He further stated that increased rates could start pushing people out of their homes.

Debbie Gaffey gave a brief overview of Government Finance Fundamentals. She explained that the basic financial statement shows the following:

- Revenues & Other Sources
MINUS
- Expenditures & Other costs
EQUALS
- Surplus or (Loss) and Increases or (Decreases) Fund Balance

Impact Fees are an “other source.”

Ms. Gaffey explained about the complexities of Fund Accounting. The General Fund consists of Police, Fire, Animal Shelter, Development Services, Parks, Aquatics, Streets, Library, Courts, Airport, IT, Finance, HR, etc. as well as related debt service and are eligible for tax support.

General Fund Revenues include property taxes (O&M and I&S), sales tax, franchise tax, and other charges. Other sources of revenue are Transfers-in (e.g. Utility shared cost reimbursement), and Roadway Impact Fees. General Fund Expenditures include O&M (Personnel, supplies, maintenance, etc.), and Capital – Revenue and Debt Funded (debt payment) as well as Transfers-out (e.g. City share of matching grants).

In contrast, the Utility Funds such as Electric, Gas, Water, and Wastewater are all Enterprise Funds and are not eligible for tax support. Utility Fund revenue sources are rate (consumption) revenues and other charges. Other sources are Transfers-in (from other utilities), and Water and Wastewater Impact Fees. Utility Fund Expenditures include O&M (Personnel, supplies, maintenance, franchise tax, etc.), and Capital – Revenue and Debt Funded (debt payment) as well as Transfers-out (e.g. Utility shared cost reimbursement)

Ms. Gaffey explained that a true structurally balanced budget is one that supports financial sustainability for multiple years in the future and meets the GFOA Best Practices.

Debbie Gaffey presented the Water Fund Financial Statement and explained the various expense scenarios with the proposed projects. She also explained about the debt service payments. She reiterated that the Water Fund and the Wastewater Fund are separate funds.

Ms. Gaffey presented the Waste Water Fund Financial Statement. She further stated the following:

- The wastewater plant currently has extra capacity due to an industrial customer going out of business a few years back. It should be adequate for the next 10-years.
- A study has been done to re-rate the plant back to its original capacity.
- We need to plan for its expansion at least 10-years in advance.
- Most of the wastewater projects are new lift stations or expansions of existing lift station.

Ms. Gaffey presented a couple scenarios regarding possible water bill and wastewater bill rate increases depending on the level of impact fee adopted.

Tim McRoberts briefly reviewed the General Fund debt model which included various Street projects and a model of how they could be paid for. He explained the debt payments needed. These projects are currently funded by the property tax (debt portion) only. There is no way that the General Fund can pay for the current maintenance on the existing street network and the roadway Capital Improvement Projects list.

Carolyn Miller reviewed the Impact Fee Waterfall of neighboring communities impact fees. She stated that she recently met with the Mayor and the County Judge, John Durrenberger, who confirmed that the cost of a well, septic system, and roadway improvements in the County will cost more than \$7,145 per single-family lot. Judge Durrenberger said a well will cost approximately \$5,000, plus you have to put in your own septic system and roadway, which is maintained by you. Judge Durrenberger stated that \$7,145 is not an unreasonable amount per single-family home.

Ryan Tinsley presented some hypothetical numbers for various developments and at various connection sizes and the corresponding impact fees. He stated that Sealy has adopted the maximum rate amount. Hempstead did not adopt the maximum but they can increase it whenever necessary. Bellville is just starting the process of implementing Impact Fees. Keith Behrens stated that the roadway impact fees are the most expensive fees and a lot of the neighboring communities did not adopt roadway fees.

Stephanie Doland stated that in 2017, the City of College Station adopted impact fees at a lower than maximum level. In July 2023, they looked at an increase and doing a stair-step increase by having it increase annually. This example was provided to show how a stair-step recommendation could be done and actually worked into the ordinance so that it would not have to come back to the CIAC for the approved increases. Any deviation from the Ordinance would require CIAC re-evaluation and approval as well as City Council approval.

Mr. Tinsley discussed Municipal Utility Districts (MUD's) being considered to meet infrastructure needs:

- Municipal Utility Districts (or MUD's) are special taxing districts formed under specific circumstances to provide utility services to a designated area.
- More common in larger developments that cannot be served effectively by a municipality.
- MUDs issue bonds to construct infrastructure needed to serve the development.
- MUDs use their taxing authority to collect funds and pay off bonds over time.
- MUD taxes are higher initially, but then lower as bonds are paid down and the payment amount is spread across a growing tax-base within the development.
- Example, Fort Bend County:
 - MUD tax rates are up to 0.82 per \$100 in appraised value, depending on MUD.
 - SFR with an appraised value of \$350,000 would result in a MUD tax of \$2,780 annually.
 - Homeowner also pays Fort Bend County, Fort Bend ISD, and Levee Improvement District Taxes.

Mr. Tinsley stated that the purpose of this meeting is to take a formal recommendation from the CIAC to City Council. City Council will hold a public hearing on February 1, 2024 then February 15th is the scheduled date for adoption of an Impact Fee Ordinance on its first reading with the second reading scheduled for March 7, 2024.

Keith Behrens stated that the CIAC is taking all the comments into account to determine what amount they are comfortable with recommending to City Council.

Ryan Tinsley stated or clarified the following:

- In the event of a fire or forced relocation, no new impact fees would be assessed since the impact to the system has already been accounted for.
- The City Council will hold a public hearing on February 1, 2024 following by Council's possible adoption of the Impact Fee Ordinance.
- The CIAC will need to meet twice a year to review and evaluate any assessed impact fees.
- If the CIAC identifies a need to increase the impact fees in the future, a recommendation would need to be given to City Council, have a public hearing with 30-days' notice, then adoption.
- The fees can be changed at any time in the future.
- Every 10-years the complete Impact Fee process will have to be redone.

Blake Brannon and Keith Behrens suggested that in the future, the City look at some incentives for residential development, including smaller lot sizes, reduced street width, and reimbursement options to help lower housing costs.

After much discussion, a motion was made by Chris Cangelosi and seconded and seconded by Calvin Kossie for a recommendation to City Council for adoption of 90% of the maximum Water Impact Fees, 20% of the maximum Wastewater Impact Fees, and 0% of the Roadway Impact Fees. The motion carried by a vote of 5-2. Dr. Paul La Roche and Cayte Neil voted against the motion and stated they were both in favor of having some percentage of impact fee for the roadways and a higher water rate.

The deliberations leading to the motion and vote included:

Water Impact Fee:

- The City is behind on this issue.
- The bond issuance needs to be done as soon as possible for the water treatment plant expansion and well redundancy project.
- Adopting a water impact fee will allow increases on water rates for existing customers minimal.
- Adopting a water impact fee will help avoid a moratorium on development.
- Adopting a water impact fee will distribute the cost of infrastructure improvements required by new development between existing rate payers and new connections, promote growth, and maintain the cost of living.

Wastewater

- Taking a proactive approach instead of being reactive.
- The rates are in the bottom 1/3 of the comparison of cities on the waterfall chart.

Roadway

- Roadway impact fees are not as dire of an immediate need as water and even wastewater; therefore, roadway impact fees should be reconsidered in a few years when additional debt capacity is achieved.
- The CIAC urged City Staff to re-evaluate additional funding sources and development standards associated with the construction and expansion of roadways adopted on the Thoroughfare Plan.

- Consider talking with the County about a potential roadway fee since the County residents drive on the City streets as well.

5. Adjourn.

A motion was made by Calvin Kossie and seconded by Cyndee Smith to adjourn the meeting at 6:01 pm. The motion carried unanimously.

The City of Brenham appreciates the participation of our citizens, and the role of the Capital Improvements Advisory Committee (CIAC) in this decision-making process.

Certification of Meeting Minutes:

M. Keith Behrens
Capital Improvements Advisory Committee

M. Keith Behrens
Chair

December 16, 2024
Meeting Date

Kim Hodde
Attest

Kim Hodde
Staff Secretary

December 16, 2024
Meeting Date