



MEMORANDUM

To: Mayor Atwood Kenjura and Brenham City Council

From: Capital Improvements Advisory Committee
Stephanie Doland, Director of Development Services

CC: Carolyn Miller, City Manager
Debbie Gaffey, General Manager of Public Utilities
Dane Rau, Public Works Director
Timothy McRoberts, Strategic Budget Officer
Daniel McCracken, Utility Compliance Manager

Subject: Written Comments, Capital Improvements Advisory Committee

Date: January 24, 2024

During their regular Council meeting on May 4, 2023 the Brenham City Council approved a Professional Services Agreement with Strand Associates to perform an Impact Fee Study in accordance with Chapter 395 of the Texas Local Government Code. Impact fees for water, wastewater and roadways have since been evaluated to help finance infrastructure improvements needed in response to growth and new development. Impact fees reduce the economic burden on existing rate payers by imposing a fee with new development for capital improvements necessitated and attributable to the new development.

As per Local Government Code Chapter 395, the formation of a Capital Improvements Advisory Committee (CIAC) is required to review, advise, and recommend adoption of assessing impact fees following the results of the study. The CIAC was appointed by Council on July 13, 2023 and is comprised of the seven (7) member Planning and Zoning Commission as well as a Council representative – Dr. Paul LaRoche, III, a representative of the extraterritorial jurisdiction (ETJ) – Blake Brannon, and two real estate representatives – Lindi Braddock and Randy Hodde.

Following the appointment of the Committee, City Staff, Strand Associates and the CIAC began the steps outlined in Chapter 395 of the Texas Local Government Code to fully review and consider necessary infrastructure improvements for a twenty-year period. To summarize, the work of the CIAC was spread across five workshop-like meetings which included consideration of the following:

- Review of the City of Brenham Comprehensive Plan and associated Future Land Use Map.

- Review of population projections as outlined in the Comprehensive Plan and Water Study.
- Prepared Land Use Assumptions in conjunction with 10-year development projections and population growth models.
- Reviewed planned development projects in conjunction with anticipated infrastructure needs for water, wastewater and roadway facilities.
- Developed a Capital Improvement Plan for Water amounting to three (3) Water Treatment Projects, two (2) Water Storage Projects, 11 Water Main Projects and one (1) Water Impact Fee Study with a total cost (in 2023 dollars) of \$65,490,1000 and a 10 year escalated cost (inflation adjustment) of \$45,131,575.
- Developed a Capital Improvement Plan for Wastewater amounting to one (1) Wastewater Treatment project, 16 Wastewater Pumping Projects, six (6) Wastewater Collection Projects and one (1) Wastewater Impact Fee Study with a total cost (in 2023 dollars) of \$34,264,000 and a 10 year escalated cost (inflation adjustment) of \$24,590,935.
- Developed a Capital Improvement Plan for Roadways which includes 18 Roadway Capacity Increase projects and one (1) Intersection Capacity Increase project with a total cost (in 2023 dollars) of \$78,099,000 and a 10 year escalated cost (inflation adjustment) of \$90,380,835.

In accordance with the procedures outlined by Texas Local Government Code Chapter 395 and to present the work of the CIAC, a Public Hearing at a Special City Council meeting was held on December 7, 2023. During the meeting, Strand Associates presented the aforementioned Land Use Assumptions and the Capital Improvement Plans for water, wastewater and roadways. Following the Public Hearing portion of the meeting, the City Council accepted the recommendation of the CIAC and adopted via Resolution (R-23-044) the Land Use Assumptions and Capital Improvement Plans attached hereto as Exhibit A.

Following the Public Hearing and adoption of the Land Use Assumptions and Capital Improvement Plans, the CIAC met again to review the final calculations prepared by Strand Associates and consider the Maximum Assessable Impact Fees as included below (Table 1).

On January 23, 2024 the CIAC met to deliberate and determine a recommendation to City Council concerning the rate of Impact Fees to be assessed on water, wastewater and roadways. The committee received feedback during a Developer Workshop hosted on January 10, 2024 and additional Citizen Comments during the final CIAC meeting. Over the more than four (4) hours the CIAC met, the Committee carefully deliberated the findings of the Impact Fee Study and feedback received from the community. Following presentations by City Staff and Strand Associates, the **CIAC recommended to Council the assessment of the following:**

- **Impact Fees for Water at ninety percent (90%) the Maximum Assessable Rate;**
- **Impact Fees for Wastewater at twenty percent (20%) the Maximum Assessable Rate;**
- **To accept the results of the Roadway Impact Fee Study and adopt an Impact Fee of \$0 for Roadways.**

The motion to adopt the above-stated Impact Fee percentages received a passing vote of 5-2 with Committee Members Dr. Paul LaRoche, III and Ms. Cayte Neil in opposition in general due to a desire for an increased percentage in the water and roadway impact fees.

Included below is a summary of the findings and deliberations of the Committee:

- The City of Brenham, specifically in the past five (5) years, has seen an increase in the number of annual single-family home permits and construction in general.
- Due to increased development in all areas of the Community without the shared cost of necessary improvements to infrastructure between the development community and existing City of Brenham rate payers, the City is required to “catch-up” in terms of funding projects such as the expansion of the water treatment plant.
- The Committee further discussed that Impact Fees to the Water Utility were a top priority due to the requirement to expand the Water Treatment plant within the next five (5) years and remain in good standing with TCEQ without adopting a moratorium on development. For these reasons, the Committee determined that the rate associated with the Water Impact Fee should be set at the largest amount when compared to wastewater and roadways.
- If Impact Fees were previously implemented prior to the addition of the 600+ single-family homes that have been permitted over the course of the previous five-years, the Impact Fee study would have resulted in a lesser Maximum Assessable Impact Fee and more balanced approach to cost sharing between developers and existing rate payers.
- Even with the addition of Impact Fees, rate payers are expected to experience an increase in the water utility rate, the percentage of which will depend on the amount of Impact Fees collected.
- As further detailed in the work of the Housing Task Force and the 2021 ResIntel Housing Study, the need for additional housing options throughout Brenham remains a top priority of the community. Therefore, the Committee was cognizant of the balance between setting an Impact Fee that would assist in the costs associated with the Capital Improvement Plans identified, while remaining competitive against area cities to not stifle or slow growth within Brenham.
- Additionally, the committee considered the need for development to contribute revenue to pay off debt on the multi-year bond issuance already underway to fund the water infrastructure improvements outlined in the adopted Capital Improvement List.
- Following a ‘City Finance 101’ discussion and understanding that sales tax revenue and ad valorem tax do not contribute to the Utility Funds, the Committee understood that while the Water Impact Fee was the prevailing priority, the need to begin to contribute to the Wastewater fund is essential to avoid a situation similar to the water system in the next five to ten years.
- Again, the CIAC weighed the cost of adopting an Impact Fee that would increase revenues to fund necessary improvements against the added cost to developers in an economy with increasing interest rates and significant inflation. Therefore, the Committee determined that Roadway Impact Fees, while a priority, would be reconsidered in future years. In conjunction with deliberations on the Roadway Impact Fee, 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.
- Finally, the Committee reviewed the proposed Impact Fees adopted by area cities and to remain competitive desired a total Impact Fee amount that would remain in the bottom third of neighboring communities.

In conclusion, the CIAC accepted all findings of the Impact Fee Study and determined that the Maximum Assessable Rate for water, wastewater and roadways was a significant expense. The Committee was united in the determination to prioritize assessing Impact Fees on water and

wastewater to spread the cost of required infrastructure improvements between existing City of Brenham rate payers and future development. The CIAC carefully considered the roadway Impact Fee and ultimately determined that adopting too costly of an Impact Fee may deter growth in both residential and commercial development. Texas Local Government Code 395 requires the CIAC to meet on an annual basis and the Committee determined that additional consideration of adopting a roadway impact fee would be re-evaluated at that time.

Next Steps:

- Thursday February 1, 2024: Public Hearing Considering the Adoption of Impact Fees
- Thursday February 15, 2024: First Reading of an Ordinance Considering the Adoption of Impact Fees
- Thursday March 7, 2024: Second and Final Reading of an Ordinance Considering the Adoption of Impact Fees

Exhibits:

- Resolution (R-23-044)

	Water	Wastewater	Roadway
10-Year Escalated CIP Costs:	\$ 45,131,575	\$ 24,590,935	\$ 90,380,835
Financing Cost (+):	\$ 8,874,838	\$ 7,312,484	\$ 27,486,907
Existing Fund Balance (-):	-	-	-
Interest Earnings (-):	(2,121, 935)	\$ (1,687,373)	\$ (5,761,522)
Pre-Credit Recoverable Costs:	\$ 51,884,478	\$ 30,216,047	\$ 112,106,220
Pre-Credit Recoverable Costs:	\$ 51,884,478	\$ 30,216,047	\$ 112,106,220
50% Credit:	\$ (25,942,239)	\$ (15,108,023)	\$ (56,053,110)
Maximum Recoverable Costs:	\$ 25,942,239	\$ 15,108,023	\$ 56,053,110
Service Units	\$ 4,870	\$ 4,870	\$ 52,435
Maximum Assessable Impact Fee per Service Unit:	\$ 5,327	\$ 3,102	\$ 1,069
CIAC Recommended Impact Fee per Service Unit:	\$ 4,794	\$ 620	-