BAY CITY

REVISED MINUTES • NOVEMBER 20, 2014

Council Chambers	**Special Meeting**	**6:00 PM**

1901 5TH STREET
BAY CITY, TX 77414

1. CALL TO ORDER & CERTIFICATION OF QUORUM

Attendee Name	Title	Status	Arrived
Chrystal Folse	Councilwoman	Present	
Steven Johnson	Councilman	Present	
Mark Bricker	Mayor	Present	
Carolyn Thames	Mayor Pro-Tem	Present	
Julie Estlinbaum	Councilwoman	Present	
William Cornman	Councilman	Late	6:11 PM

2. REGULAR ITEMS FOR DISCUSSION, CONSIDERATION AND/OR APPROVAL:

1. Report

PRESENTATION ON THE ADOPTION OF WATER, WASTEWATER AND ROADWAY IMPACT FEES BY CONSULTING ENGINEERS FREESE AND NICHOLS AND CONSIDERATION AND/OR ACTION TO DIRECT STAFF ON THE ESTABLISHMENT IMPACT FEES

Barry Calhoun, Director of Public Works
Mr. Calhoun introduced the representatives from Freese and Nichols.

Mr. Thomas Haster reviewed the Powerpoint presentation provided to Mayor and Council. He provided and overview of Freese and Nichols; Impact Fees; the Impact Fee process; and discussed who utilized Impact Fees.

Mr. Richard Weatherly of Freese and Nichols reviewed the history of Impact Fees. Mr. Weatherly explained what Impact Fees were, and the principles and purpose of Impact Fees.

Council had questions in regards to stopping Impact Fees and the process, as well as who would be responsible for paying the Impact Fess. Mr. Weatherly explained who paid for the fees; policy issues relating to Impact Fees; as well as what costs would be eligible for recovery.

Councilman Johnson asked if there were any exceptions with Impact Fees. Mr. Weatherly explained that there were exclusions that could be set. Mr. Haster explained how it would work. Mr. Hyde clarified who would be required to pay the Impact Fees.

Mr. Haster explained that they often received concerns from organizations wondering if Impact Fees would discourage developers from developing in certain areas. Mr. Haster stated that the organization usually suggested benchmarking other organizations, and Freese and Nichols would then provide that information to the organization, so that the organization could make a determination.

Mr. Haster moved on to discuss the Impact Fee process, which was an eight step process.

Councilman Cornman asked how much support the company would receive from the organizations staff. Mr. Haster stated that they would need to get information from the staff. There would be a meeting a month, with some homework afterwards. Approximately 85% of the work would be completed by the consultant.

Councilman Cornman asked what the approximate cost was. Mr. Haster stated that it cost the City of Webster $75,000, but they only had water and sewer and no roads.

Mr. Hyde stated that he believed what Council wanted to know from Freese and Nichols was who would comprise the committee.

It was the consensus of Council to see what other cities were doing.

Mayor Pro Tem Thames asked if cities and counties did Impact Fees, or was it just cities. Mr. Haster stated that it was only cities. Mr. Hyde added that counties did not have the authority to do them.

Councilman Cornman asked how many projects were they currently working on, and Mr. Haster stated that they were currently with League City. He added that they were working on Conroe's Master Plan, and it was very likely that they would add Impact Fees. Councilman Cornman asked what the payback was on the cost. Mr. Haster explained that it was tied into two things: 1.) What you chose to set them at; and 2.) The amount of growth. Councilman Cornman asked if Freese and Nicholse ever got into one where they said it was not worth it. Mr. Haster stated yes.

Mr. Kalkomey informed Mayor and Council that the City of Rosenberg has Impact Fees and it is in its second 5-year term. They spent about $100,000 for their initial study. They have collected approximately $2.5 million in fees since 2010.

3. ITEMS / COMMENTS & MAYOR AND COUNCIL MEMBERS

4. ADJOURNMENT

AGENDA NOTICES:

Action by Council Authorized:
The City Council may vote and/or act upon any item within this Agenda. The Council reserves the right to retire into executive session concerning any of the items listed on this Agenda, pursuant to and in accordance with Texas Government Code Section 551.071, to seek the advice of its attorney about pending or contemplated litigation, settlement offer or on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas conflict with the Open Meetings Act and may invoke this right where the City Attorney, the Mayor or a majority of the Governing Body deems an executive session is necessary to allow privileged consultation between the City Attorney and the governing body, if considered necessary and legally justified under the Open Meetings Act. The City Attorney may appear in person, or appear in executive session by conference call in accordance with applicable state law.

Attendance By Other Elected or Appointed Officials:
It is anticipated that members of other city board, commissions and/or committees may attend the meeting in numbers that may constitute a quorum of the other city boards, commissions and/or committees. Notice is hereby given that the meeting, to the extent required by law, is also noticed as a meeting of the other boards, commissions and/or committees of the City, whose members may be Agenda City Council August 8, 2013 in attendance. The members of the boards, commissions and/or

committees may participate in discussions on the same items listed on the agenda, which occur at the meeting, but no action will be taken by such in attendance unless such item and action is specifically provided for on an agenda for that board, commission or committee subject to the Texas Open Meetings Act.

Executive Sessions Authorized:
This agenda has been reviewed and approved by the City's legal counsel and the presence of any subject in any Executive Session portion of the agenda constitutes a written interpretation of Texas Government Code Chapter 551 by legal counsel for the governmental body and constitutes an opinion by the attorney that the items discussed therein may be legally discussed in the closed portion of the meeting considering available opinions of a court of record and opinions of the Texas Attorney General known to the attorney. This provision has been added to this agenda with the intent to meet all elements necessary to satisfy Texas Government Code Chapter 551.144(c) and the meeting is conducted by all participants in reliance on this opinion.

This is to certify that the above notice of a Workshop Meeting was posted on the front window of the City Hall of the City of Bay City, Texas on Monday, November 17, 2014, before 6:00 p.m. Any questions concerning the above items, please contact Mayor Mark A. Bricker at (979) 245-2137.

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Rhonda Clegg
City Secretary

City Council
1901 5Th Street
Bay City, TX 77414

SCHEDULED

Meeting: 11/20/14 06:00 PM
Department: City Secretary
Category: Report
Prepared By: Rhonda Clegg
Initiator: Rhonda Clegg
Sponsors:
DOC ID: 1699

DISCUSSION ITEM (ID # 1699)

PRESENTATION ON THE ADOPTION OF WATER, WASTEWATER AND ROADWAY IMPACT FEES BY CONSULTING ENGINEERS FREESE AND NICHOLS AND CONSIDERATION AND/OR ACTION TO DIRECT STAFF ON THE ESTABLISHMENT IMPACT FEES

FREESE AND NICHOLS

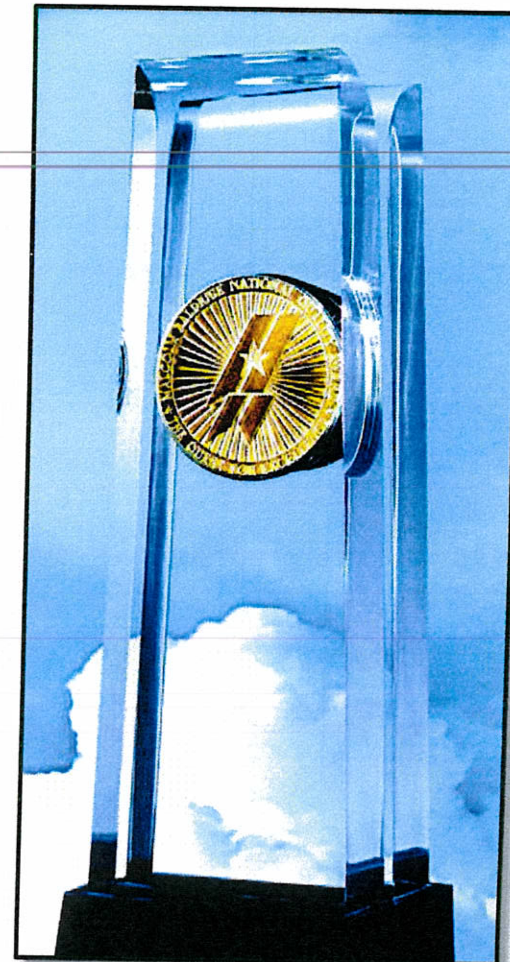
WATER, WASTEWATER & ROADWAY IMPACT FEES

November 20th, 2014

FNI Background

FREESE AND NICHOLS

- Texas Firm Established in 1894
  - Providing Water and Wastewater Engineering & Planning Services to Municipalities is our Core Business
  - 550 employees
  - 14 offices
- Brazoria County Office since 2000
- Malcolm Baldrige National Quality Award
- Houston Chronicle “Top Places to Work”



Overview

FREESE AND NICHOLS

- Overview of Impact Fees
- Impact Fee Process
  - Water/Wastewater
  - Roadways
- Who Uses Impact Fees?

Overview

FREESE AND NICHOLS

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History of Impact Fees

- Originally Developed in 1989 as part of Texas Local Government Code § 395.001(4).
- Recent Amendments:
  - September 2001 (Senate Bill 243)
    - Extended update period from 3 years to 5 years
    - Credit Analysis Required to Go Above 50% in Charges
    - Larger Service Areas for Roadways (3 miles to 6 miles)
  - September 2007 (80^{th} Texas Legislature)
    - Public school exempt from fees

Impact Fee Basics

FREESE AND NICHOLS

- What is an impact fee?
  - A one-time charge assessed to new development for a portion of costs related to a specific capital improvement program.
  - Impact fees are a mechanism for funding the infrastructure necessary to accommodate *new development*
    - Funding of certain new facilities or expansions
    - Recoupment of certain capital improvement costs
  - Impact fees are limited to water, wastewater, roadways and drainage facilities

Impact Fee Basics

- Fees updated every five years. Reasons for the update include:
  - Changes in land use assumptions
  - Changes in Impact Fee CIP
- Study determines the maximum fee allowed by state law; City Council sets the actual fee to be collected from new development

Principles and Purpose of Impact Fees

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- Facilitates “Growth paying for Growth”
- Alleviates burden of new facilities on existing customers
- Allows cities to recoup a portion of cost of providing improvements
- Provides a systematic, structured approach to assessment of fees
- Impact fees for a new development based on capacity consumed
  - Thoroughfare based on how much traffic the site generates

The Basic Question

FREESE AND NICHOLS

Who Pays for Growth ?

No Impact Fees:
Existing and future tax payers build all capital facilities.

Impact Fees:
New development shares in part of this responsibility.

Key Impact Fee Policy Issues

FREESE AND NICHOLS

- What rate to charge, if less than the maximum to offset other City objectives
- Credit the CIP 50% or conduct a credit analysis
- Contents of Capital Improvements Plan
- Application of Fee
  - Percent of maximum (i.e., 25% of max)
  - Across the Board fee ($1,500 SF everywhere)
  - Residential vs. Non-Residential Uses
  - Incremental Increase over Time
- Exemptions
  - As defined by policy

What Costs are Eligible for Recovery

FREESE AND NICHOLS

- Components that can be paid for through an impact fee program:
  - ✓ Recently constructed improvements with excess capacity to accommodate growth
  - ✓ Cost of new projects needed to serve growth
  - ✓ Study/Update Costs

- Components that ***cannot*** be paid for through an impact fee program:
  - × Projects not included in the CIP
  - × Repair, operation and maintenance of existing or new facilities
  - × Rehabilitation to serve existing development

Overview

- Overview of Impact Fees
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- Who Uses Impact Fees?

Impact Fee Process

FREESE AND NICHOLS

- **Step 1** • Establish the CIAC
- **Step 2** • Identify Service Areas
- **Step 3** • Develop Land Use Assumptions
- **Step 4** • Develop Capital Improvements Plan
- **Step 5** • Impact Fee Calculations & Report Preparation
- **Step 6** • CIAC Presentations
- **Step 7** • Public Hearings & Council Approval
- **Step 8** • Adopt Impact Fee Ordinance

Step 1: Establish the CIAC

FREESE AND NICHOLS

Role of the CIAC

- To guide the conduct of the study
- Provide input:
  - Land Use Assumptions
  - Capital Improvements Plans (CIP) for Water, Wastewater and Roadway
- Recommend impact fee rate to City Council
- CIAC Meetings
  - Scheduled meetings
  - Written recommendation to Council
  - Advise the need to update or revise Land Use Assumptions, Impact Fee CIP, and Impact Fee
- Public Hearing
  - Ordinance adoption within 30-days

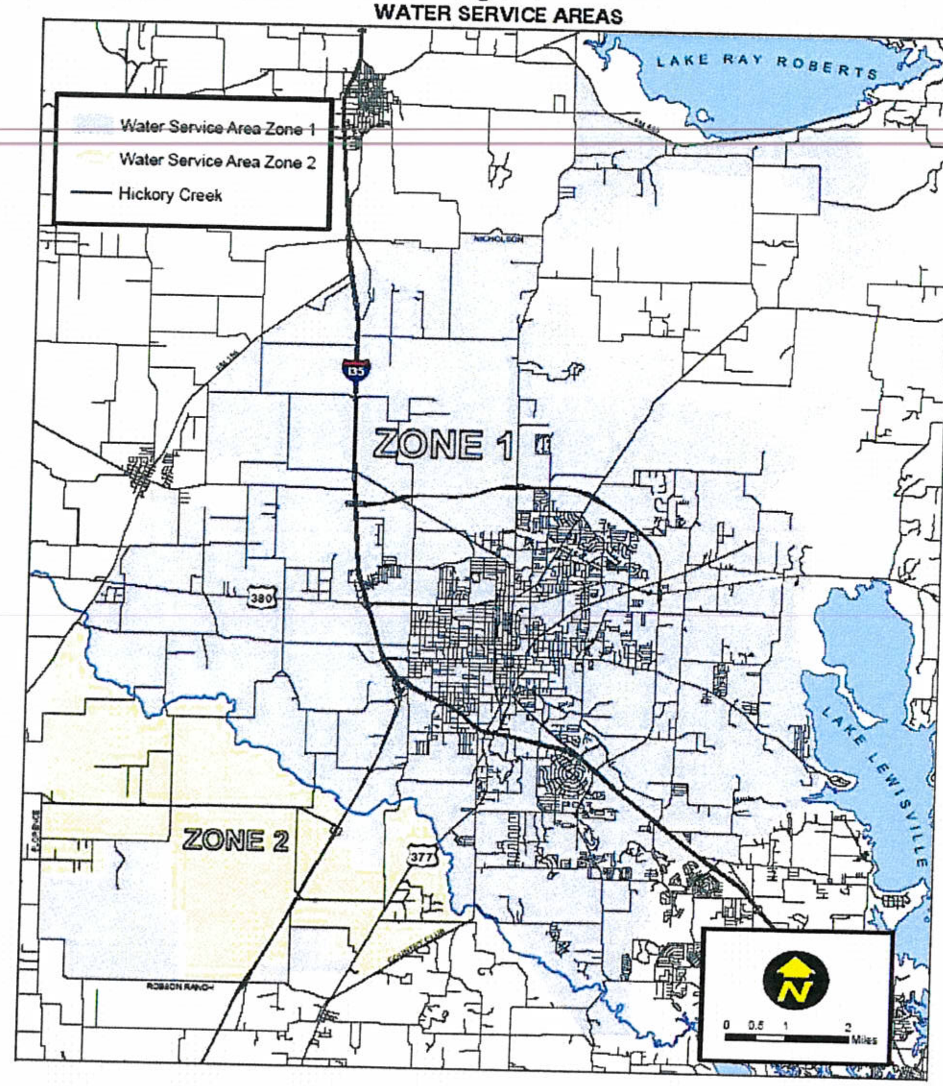
Step 2: Identify Service Areas

FREESE AND NICHOLS

Water & Wastewater

- Maximize Service Areas for Implementation Flexibility
- Consider Use of Zoned Impact Fees for Areas with Tremendous Growth Differentials
- Evaluate ETJ areas for Water & Wastewater Needs

Figure 4
WATER SERVICE AREAS

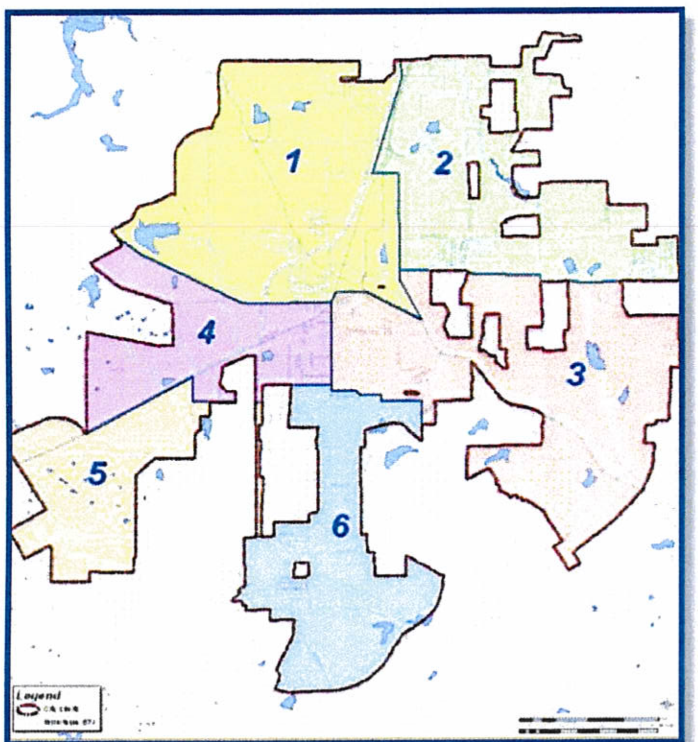


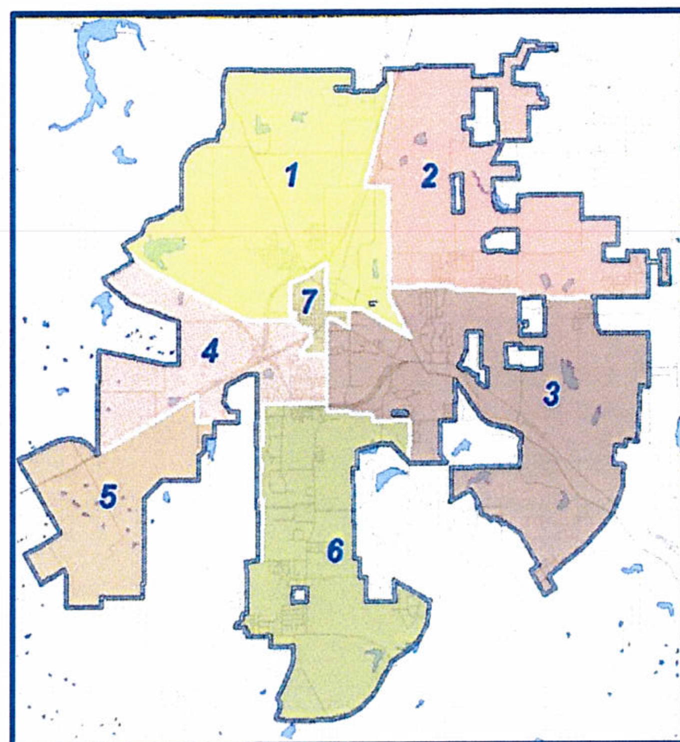
Step 2: Identify Service Areas

FREESE AND NICHOLS

Roadway

- Evaluate Service Area Structure
  - Maximum Size is 6 Mile Diameter
  - Limited to City Limits
  - Money Collected Must Be Used Within Service Area



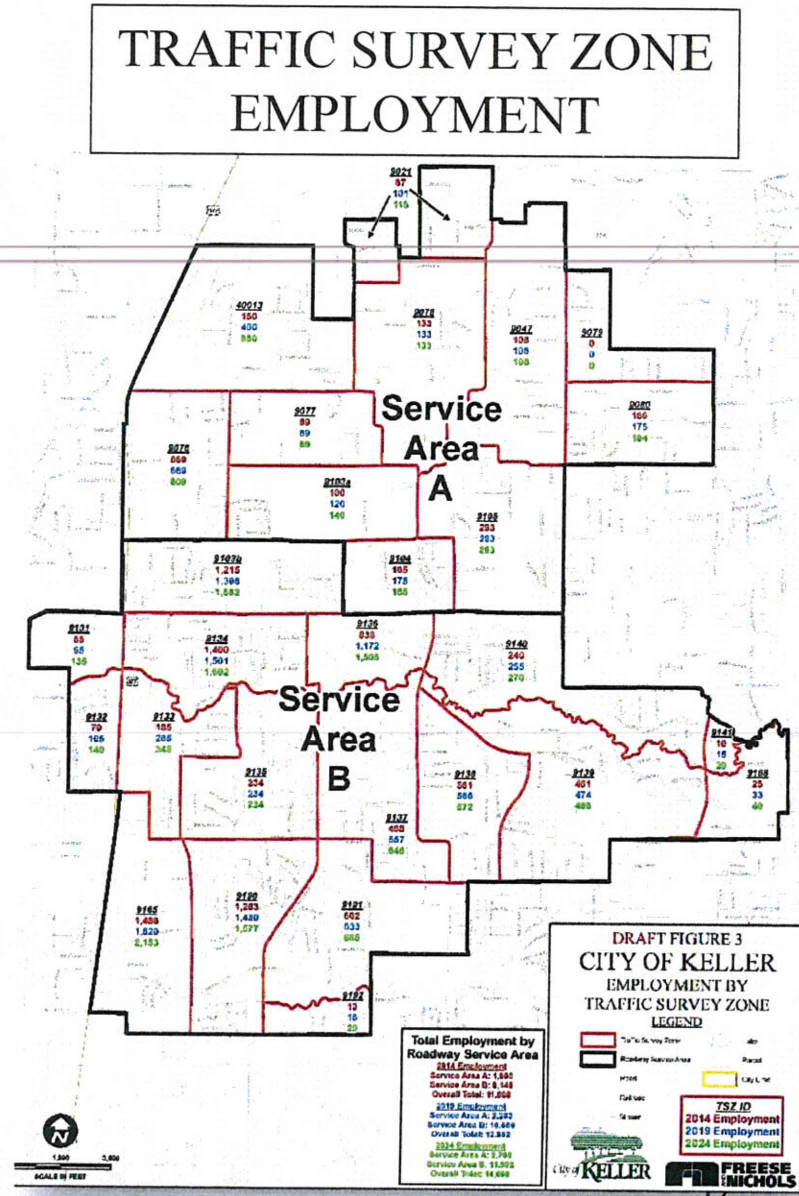


Step 3: Develop Land Use Assumptions

FREESE AND NICHOLS

- 10-year growth projections for impact fees
- Based on trend/forecasted community growth
  - Residential Growth: Added population/dwelling units
  - Non-Residential Growth: Basic, Service, Retail Employment

Roadway Service Area	2014 Employment	2024 Employment
A	1,860	2,706
B	9,148	11,992
Total	**11,008**	**14,698**



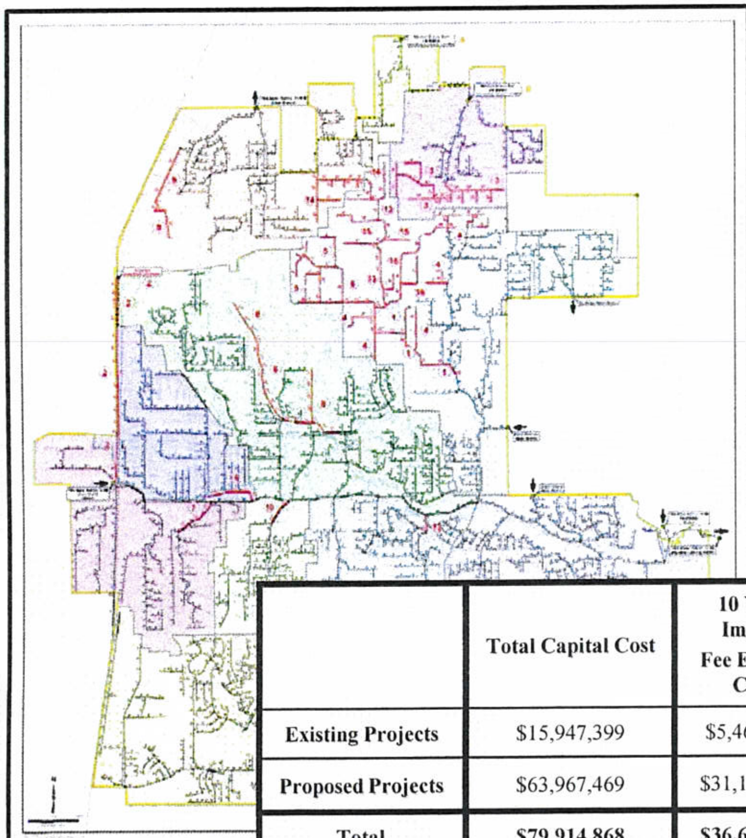
Step 4: Develop Capital Improvement Plans

FREESE AND NICHOLS

Water & Wastewater CIP Development

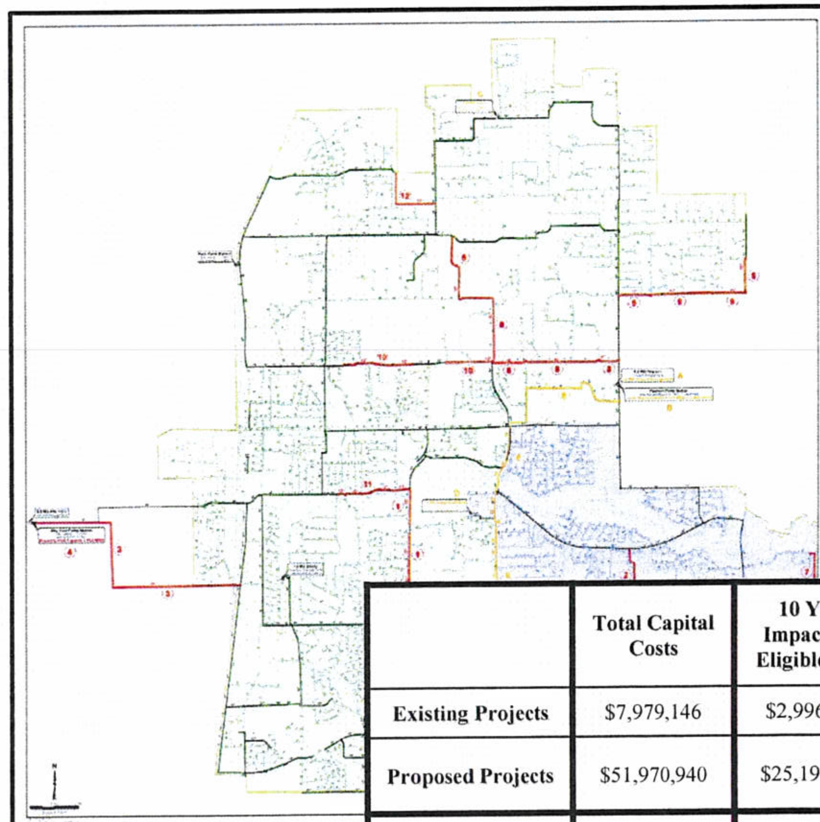
- Utilize water and wastewater hydraulic models to determine improvements needed to meet growth

Wastewater



	Total Capital Cost	10 Year Impact Fee Eligible Cost
Existing Projects	$15,947,399	$5,461,661
Proposed Projects	$63,967,469	$31,191,269
Total	**$79,914,868**	**$36,652,929**

Water



	Total Capital Costs	10 Year Impact Fee Eligible Cost
Existing Projects	$7,979,146	$2,996,723
Proposed Projects	$51,970,940	$25,198,236
Total	**$59,950,086**	**$28,194,959**

Step 4: Develop Capital Improvement Plans

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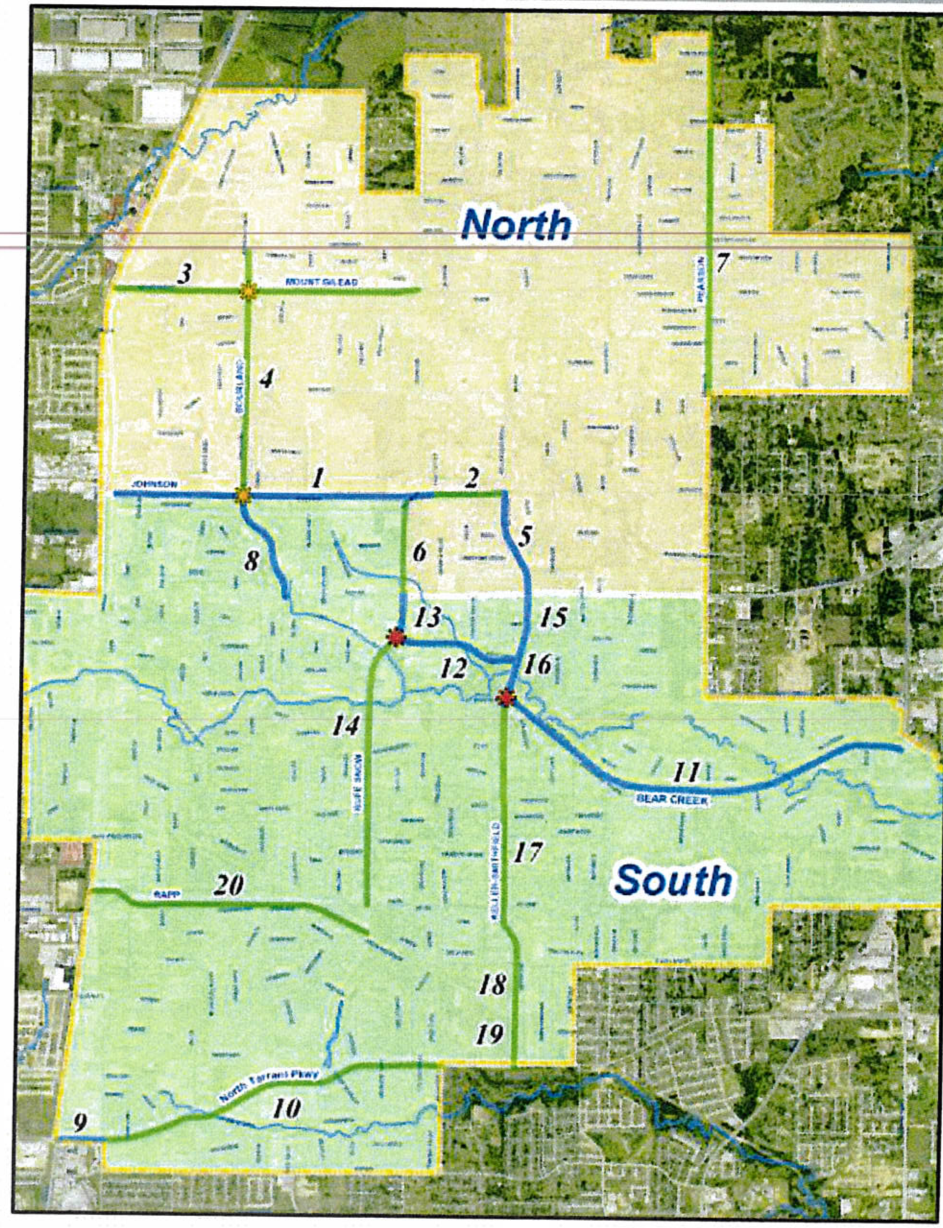
Roadway CIP Development

- Projects eligible include Arterial or Collector roads on Thoroughfare Plan
- Assess for excess capacity
  - PM Peak Hour
  - Traffic volume counts
- 10-year VMT based on LUA



Step 5: Impact Fee Calculations & Report Preparation

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Determine Utilization Percentages

10-Year Cost = 10-Year Utilization * Capital Project Cost

		Percent Utilization				Costs Based on 2014 Dollars		
No.	Description	2014**	2024	2014 – 2024	Capital Cost	Current Development	10-Year (2014 – 2024)	Beyond 2024
	EXISTING							
A	Wastewater Impact Fee Study	0%	100%	100%	$50,000	$0	**$50,000**	$0
B	Quinlan Creek Trunk Main & Lift Station	75%	85%	10%	$742,162	$556,622	**$74,216**	$111,324
	PROPOSED							
1	New Birkdale Lift Station & New Force Main	50%	70%	20%	$5,595,900	$2,797,950	**$1,119,180**	$1,678,770

Existing Utilization is >0% for projects meeting deficiencies and existing projects serving existing customers.

Not included in impact fee – used by existing customers.

Not included in impact fee – used by new customers beyond 10-year period.

Step 5: Impact Fee Calculations & Report Preparation

Impact Fee Summary Calculation

Impact Fee Per Service Unit = $\dfrac{\textbf{Eligible CIP Cost - Credit}}{\textbf{New Service Units}}$

- Service Unit = Typically used to represent a single family home
- Service Unit Growth = Derived from land use assumptions for 10-year growth in meter equivalents
- Credit = Rules require 50% credit or credit analysis to represent percent of utility bill use for growth CIP

Step 5: Impact Fee Calculations & Report Preparation

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Example Impact Fee Calculation

Total Capital Improvement Costs	$10,292,998
Financing Costs	$3,135,362
Total Eligible Costs	$13,428,360
10-year Projected Growth in Service Units	3,675
Base Maximum Calculated Water Impact Fee Per Service Unit	$3,653
Water Impact Fee Credit (50% without Credit Analysis)	$1,826
Base Maximum Calculated Water Impact Fee Per Service Unit With Credit	$1,826

Step 6: CIAC Presentations

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Present Water & Wastewater Impact Fee

Impact Fee
Per Service Unit

Meter Size	Water Impact Fee	Wastewater Impact Fee
5/8"	$ 1,826	$ 1,958
3/4"	$ 2,406	$ 2,675
1"	$ 4,384	$ 4,645
2"	$ 10,960	$ 11,712
3"	$ 16,440	$ 17,568
4"	$ 21,920	$ 23,424
6"	$ 54,800	$ 58,560

Step 6: CIAC Presentations

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Present Roadway Impact Fee

- Equivalency Table
  - From Trip Generation Data
  - Utilized to Allocate Impact Fees

Source: Institute of Transportation Engineers (ITE) 8th Edition

CATEGORY	LAND USE	DEVELOPMENT UNITS (X)	PEAK HOUR TRIP RATE	TRIP LENGTH (MI)	TOTAL SERVICE UNITS (VEH-MI / DEV UNIT)
RESIDENTIAL					
	SINGLE-FAMILY DETACHED*	D.U.	.98(X)	1.2	1.17
	MULTI-FAMILY	D.U.	.62(X)	1.2	0.74
	RETIREMENT HOUSING	D.U.	.27(X)	1.2	0.32
OFFICE					
	GENERAL OFFICE BLDG*	1000 GFA	1.49(X)	1.3	1.94
	MEDICAL OFFICE BLDG	1000 GFA	3.35(X)	1.3	4.36
COMMERCIAL/RETAIL					
	RETAIL*	1000 GFA	2.71(X)	1.1	2.98
	COMMERCIAL	1000 GFA	2.42(X)	1.1	2.66
	RESTAURANT	1000 GFA	5.16(X)	1.1	5.68
	FAST FOOD RESTAURANT	1000 GFA	13.39(X)	0.8	10.71
	CONVENIENCE STORE /GAS STATIONS	1000 GFA	19.41(X)	0.7	13.59
	BANK	1000 GFA	14.79(X)	0.8	11.83
	HOTEL/MOTEL	ROOMS	.60(X)	1.1	0.66
	FURNITURE STORE	1000 GFA	.45(X)	1.1	0.49
	GOLF COURSE	HOLE	2.74(X)	1.1	3.01
	GOLF DRIVING RANGE	TEE POSITION	1.19(X)	1.1	1.31
	MOVIE THEATER	SEAT	.11(X)	1.1	0.12
	MINI-WAREHOUSE	1000 GFA	.26(X)	1.1	0.29
INDUSTRIAL					
	GENERAL INDUSTRIAL*	1000 GFA	.72(X)	1.4	1.01
	MANUFACTURING	1000 GFA	.61(X)	1.4	0.85
	WAREHOUSING	1000 GFA	.51(X)	1.4	0.71
INSTITUTIONAL					
	ELEMENTARY SCHOOL	STUDENTS	.015(X)	0.8	0.01
	HIGH SCHOOL / COMMUNITY COLLEGE	STUDENTS	.15(X)	0.8	0.11
	DAY CARE CENTER	STUDENTS	.21(X)	0.8	0.16
	HOSPITAL	BEDS	1.05(X)	1.4	1.47
	NURSING HOME	BEDS	.17(X)	1.2	0.20
	RELIGIOUS FACILITIES	1000 GFA	.47(X)	0.8	0.36
	ACTIVITY CENTER	1000 GFA	1.75(X)	1.0	1.75
	U.S. POST OFFICE	1000 GFA	9.71(X)	1.0	9.71
	OTHERS NOT SPECIFIED*	1000 GFA	.47(X)	0.8	0.36

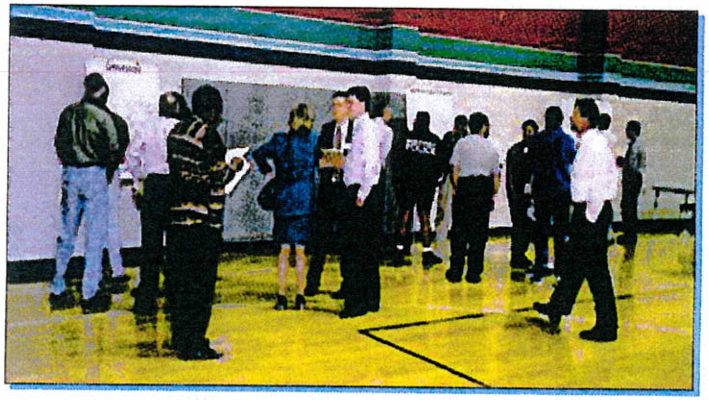
* THIS CATEGORY ALSO REPRESENTS SERVICE UNIT EQUIVALENCY FOR LAND USES NOT SPECIFIED IN THIS CATEGORY. ACTUAL EQUIVALENCY MAY VARY AND MAY BE DEMONSTRATED BY PROPERTY OWNER TO BE DIFFERENT PURSUANT TO CITY GUIDELINES.

DU = Dwelling Unit
GFA = Gross Floor Area

Step 7: Public Hearings & Council Approval

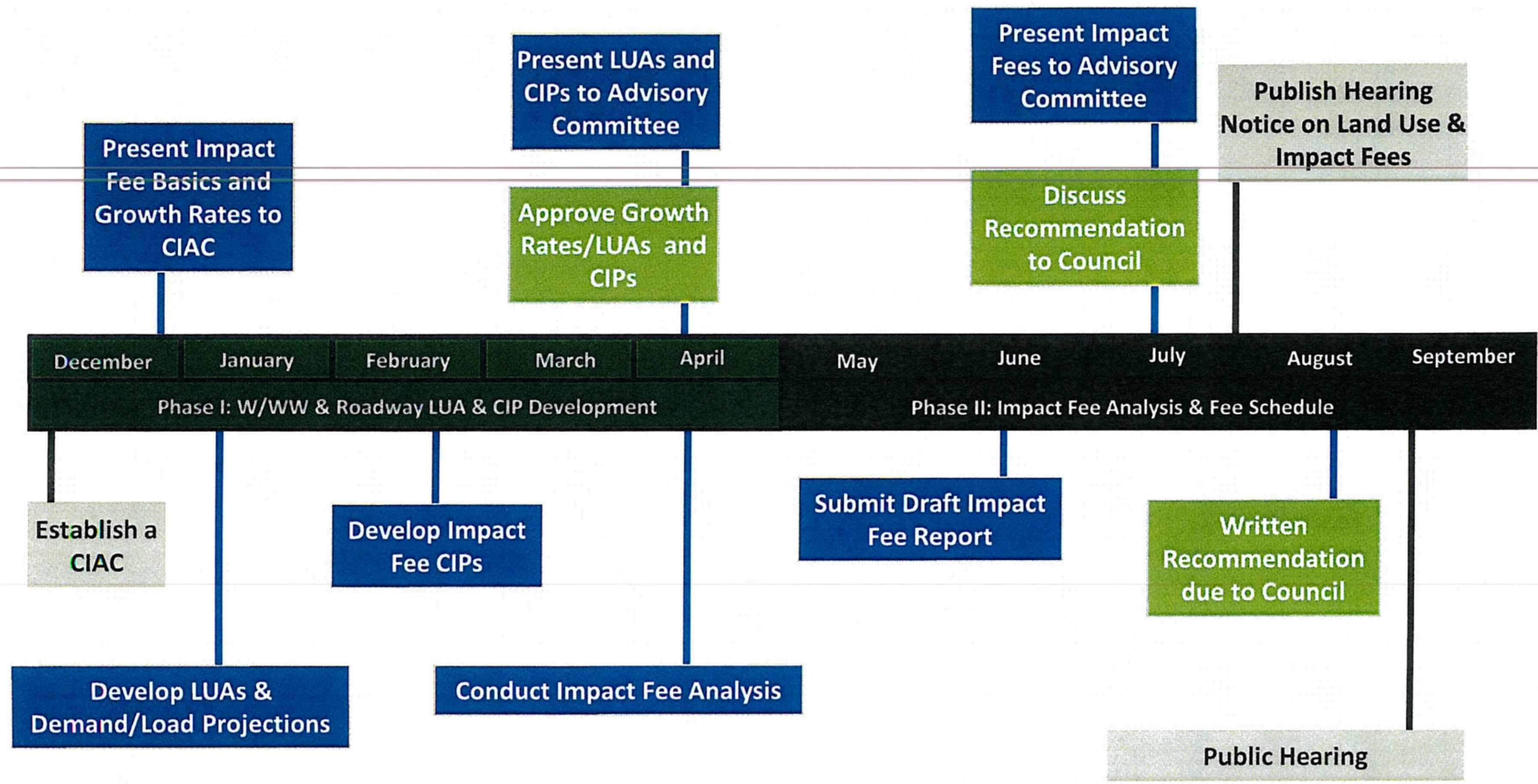
FREESE AND NICHOLS

- Two Public Hearings
  - Land Use Assumptions & CIP
  - Impact Fees
- Advertise Notice of Public Hearing 30 days prior
- Council will review Impact Fees and make recommendations for setting of Impact Fees



Example of Impact Fee Schedule

FREESE AND NICHOLS



CIAC Task

Freese and Nichols Task

City of Bay City Task

Explanation
LUA = Land Use Assumption
CIP = Capital Improvement Plan
CIAC= Capital Improvements Advisory Committee

Overview

FREESE AND NICHOLS

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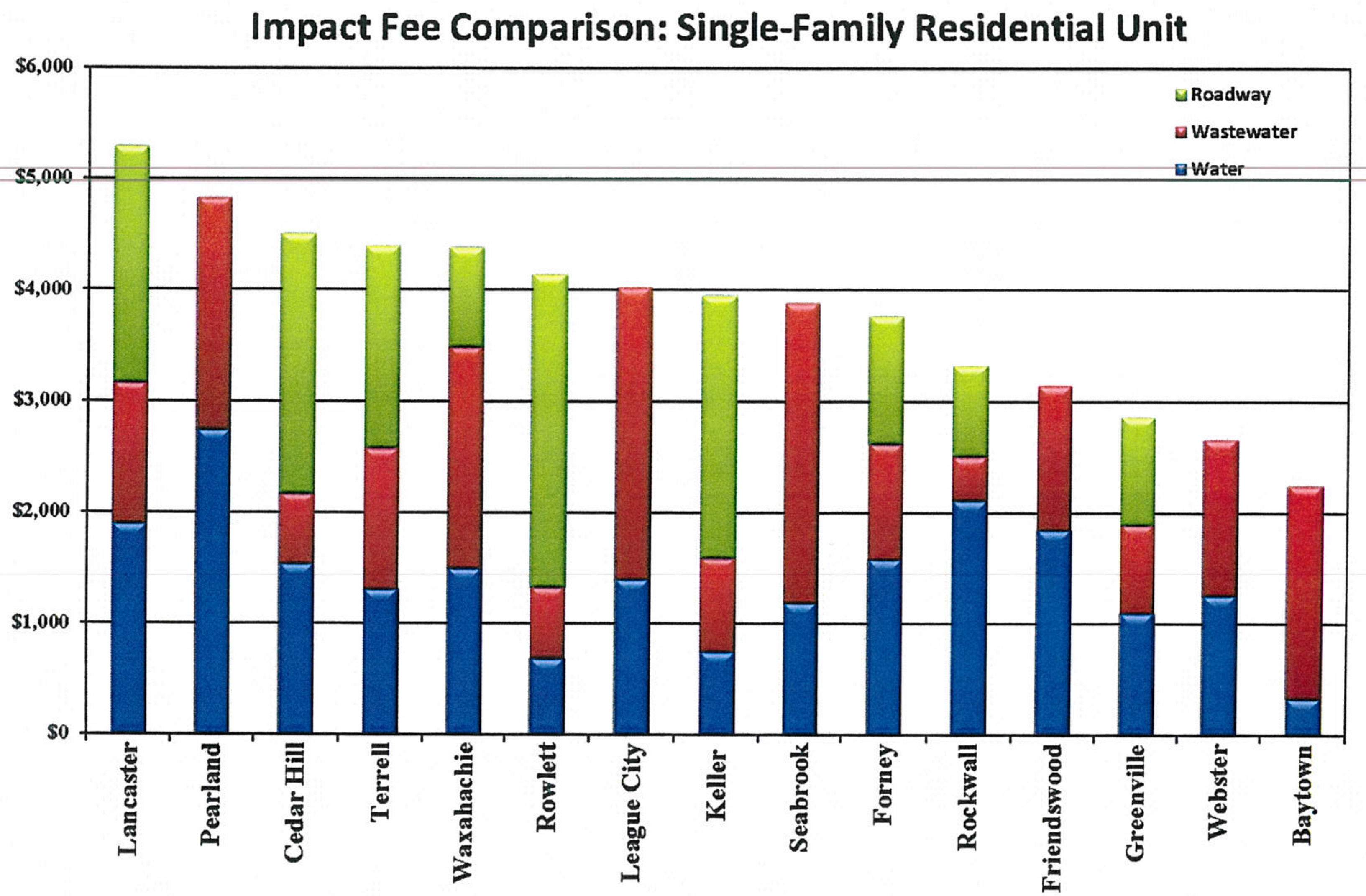
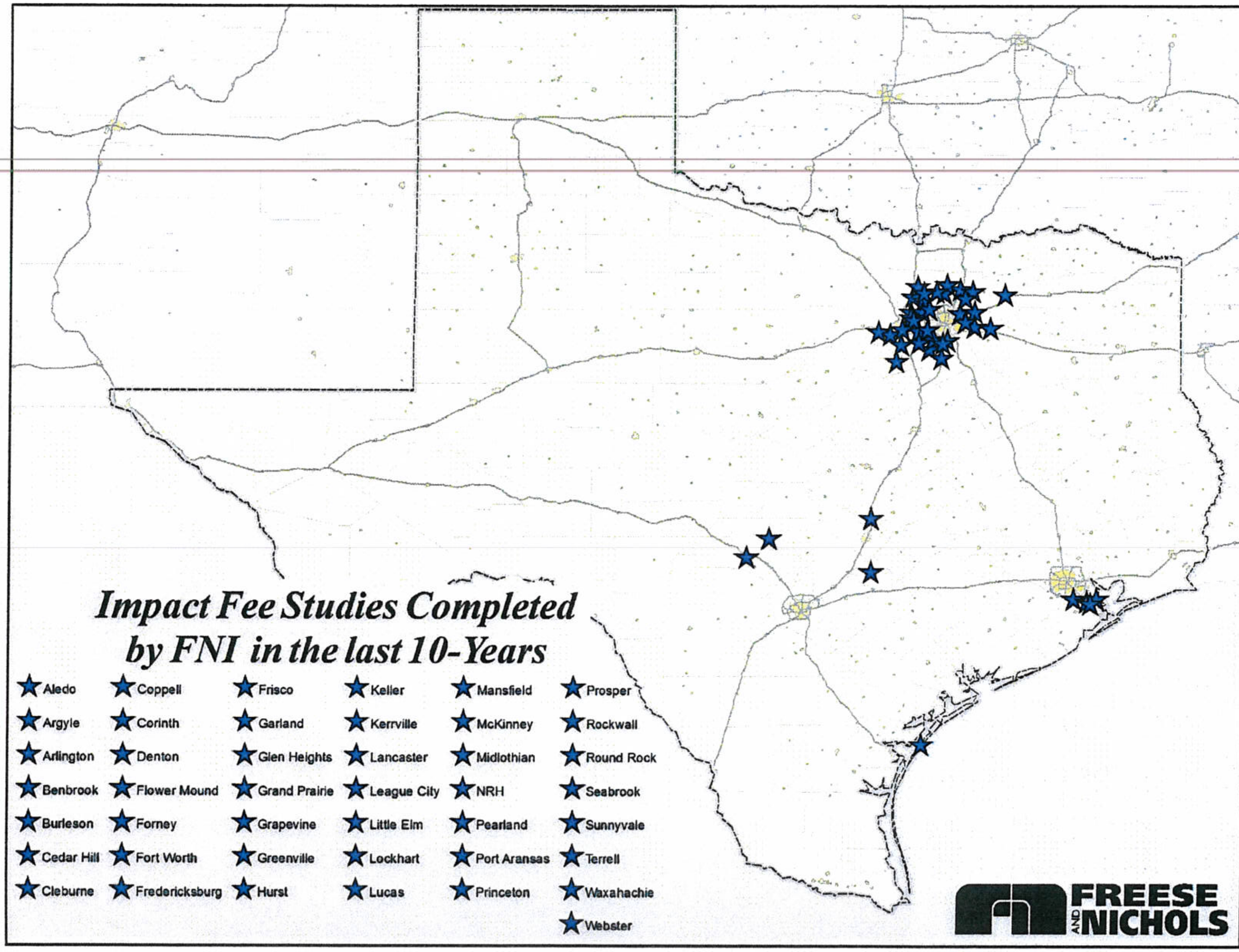
- Who Uses Impact Fees?

Who Uses Impact Fees?

FREESE AND NICHOLS



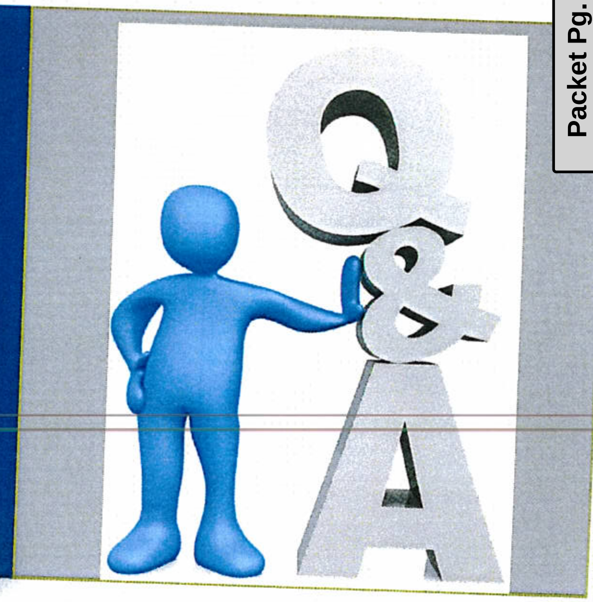
FNI Impact Fee Experience



Why Choose FNI?

- Extensive Experience with Texas Municipalities
  - Comprehensive Planning
  - Infrastructure Planning
  - Infrastructure Design
  - Construction Management
- Extensive Impact Fee Experience
  - Freese & Nichols has performed impact fee studies since the 1990's
  - Experience with both land use based and meter based impact fee studies
  - Experience with water, wastewater, stormwater & roadway impact fees

FREESE AND NICHOLS



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