

Water & Wastewater Impact Fee Update

San Marcos City Council

Maximum Allowable Impact Fee

July 7, 2026



PRESENTATION OVERVIEW

1

Impact Fee Introduction

2

Land Use Assumptions

3

Capital Improvement Plans

- Will skip today
- Discussed at May 5th Meeting
- Slides are attached to end of presentation for reference

4

Impact Fee

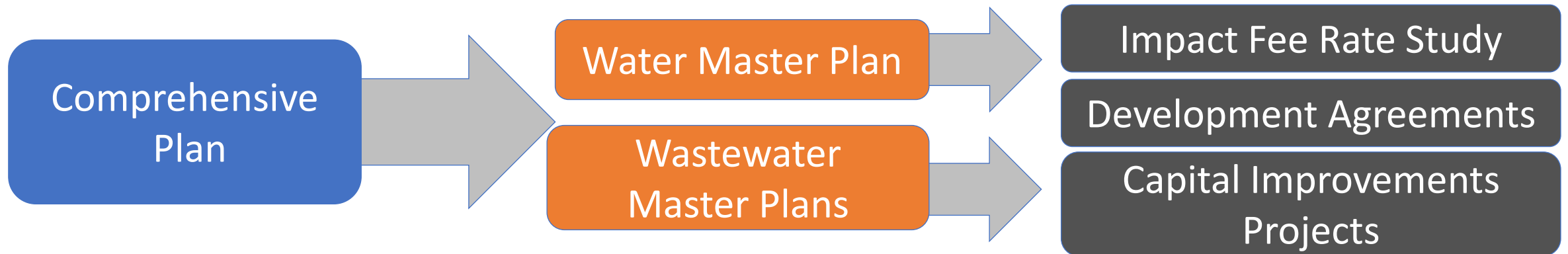
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Next Steps

HIGH LEVEL OVERVIEW – IMPACT FEES



- **Comprehensive Plan:** Indicates preferred growth
- **Master Plans**
 - **Document:** Existing system, capacity issues, assessments of existing system and identifies problem areas; “wellness visit”
 - **Projects:** Prioritized list of projects addressing gaps, deficiencies, and critical routes. Providing estimated costs for budgeting.
- **Products of Master Plan**
 - **Impact Fee Study:** Evaluates fee currently charged to new connections to the system
 - **DA:** Staff will evaluate if we should oversize with the development
 - **CIP:** Staff will build project that are needed in advance of development.



LINK TO CAPITAL IMPROVEMENTS PROGRAM



• Capital Improvements Program

- Projects recommend for construction within 10 years are added to the CIP
- Impact Fee Eligible Projects are identified in CIP

Category	Project ID	Project Name	Project Description	NEW Comp Plan Goals	Strategic Initiative	Total Rank	Funding Source	Previously Funded	2027
Multi	752	Downtown Alley Reconstruction Ph 2	The Alleys exceed their useful life cycle in FY 2015. Reconstruct the remaining Kissing Alley between Guadalupe and LBJ from Hutchison to University Dr., approx. 400 LF. The alley will be constructed with possible concrete pavement. All utilities will be replaced and overhead electric and telecom will be converted to underground along Kissing Alley between Hutchison and University Dr including UG conversion along University Dr to the riser pole just northwest of University/LBJ intersection. Possible TRIZ funding.		Downtown Vitalization, Stormwater	8	General T Water Wastewater Stormwater Electric		
Fire	801	Fire Station 1	Purchase land, design, and construct a new downtown Fire Station at S.LBJ and MLK, including soft-costs (permitting, material testing, A&E, utilities, and FF&E). Possible use for remodel and MS4 improvements if new station doesn't move forward.	PPS-4.1	Community Safety, City Facilities	8	General	\$ 7,000,000	
Water	660	Harris Hill Rd Water Line	Construct 12" water line along Harris Hill Rd from Hwy 21 at the San Marcos Airport to River Ridge Pkwy. 9800ft WMP#25. A developer is not anticipated to design or build this main.	ECD-3.5	Public Safety, Core Services, and Fiscal Excellence	10	Water I	\$ 550,000	\$ 3,000,000
Water	88	RR12 and Comanche Tank Replacements	Replacements on Comanche and RR12 tanks. Comanche tank install and Build new 1.0 Million Gallon Elevated/Ground storage tank, welded Steel, in place of Failing, leaking, leaning, Boiled Tank. Build to Correct Height for correlation and operations of cottonwood water station for distribution to COSM residents. RR12 tank replace leaking 1MG Boiled tank, with 1 MG Steel Welded in place tank, this will eliminate leak points and tank shifting to keep in compliance with TCEQ state regulations.		Public Safety, Core Services, and Fiscal Excellence	10	Water		\$ 2,500,000
Water	87	S. LBJ Upsize from Grove to IH-35	Upgrade small diameter line in S. LBJ from E. Grove St. to IH-35 Crossing with 1,630 LF of 12" water line per 2022 WMP #41.		Public Safety, Core Services, and Fiscal Excellence	8	Water		

Brown Highlight
TIRZ Funding

Blue Highlight
Potential Future Bond Projects

Pink Highlight
Impact Fee Eligible

White Highlight
Means Nothing

Gray Highlight
Means Nothing

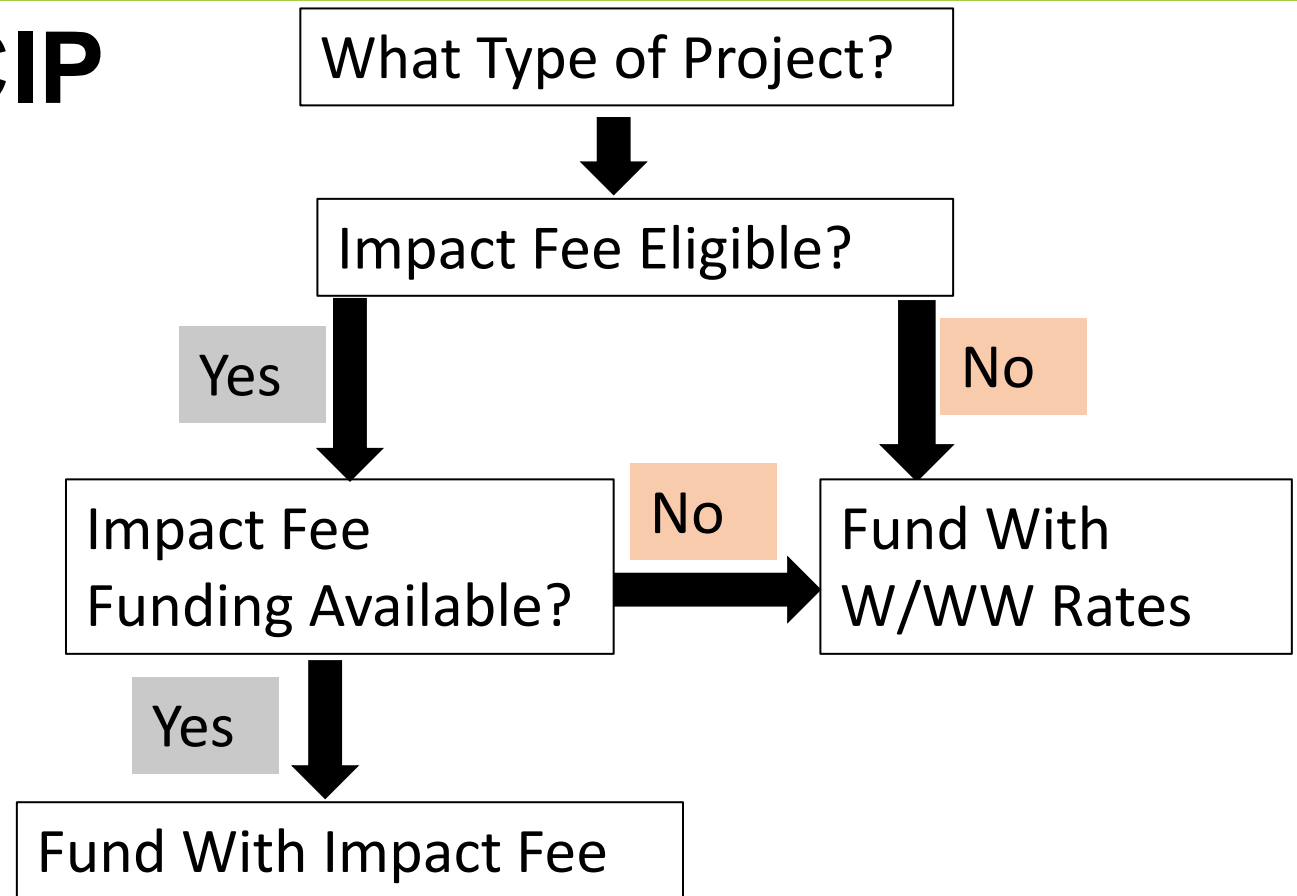
• Funding Sources for CIP

• Revenue from W/WW Rates

- Expansion Projects
- Replacement Projects
- Operations
- Maintenance

• Impact Fees

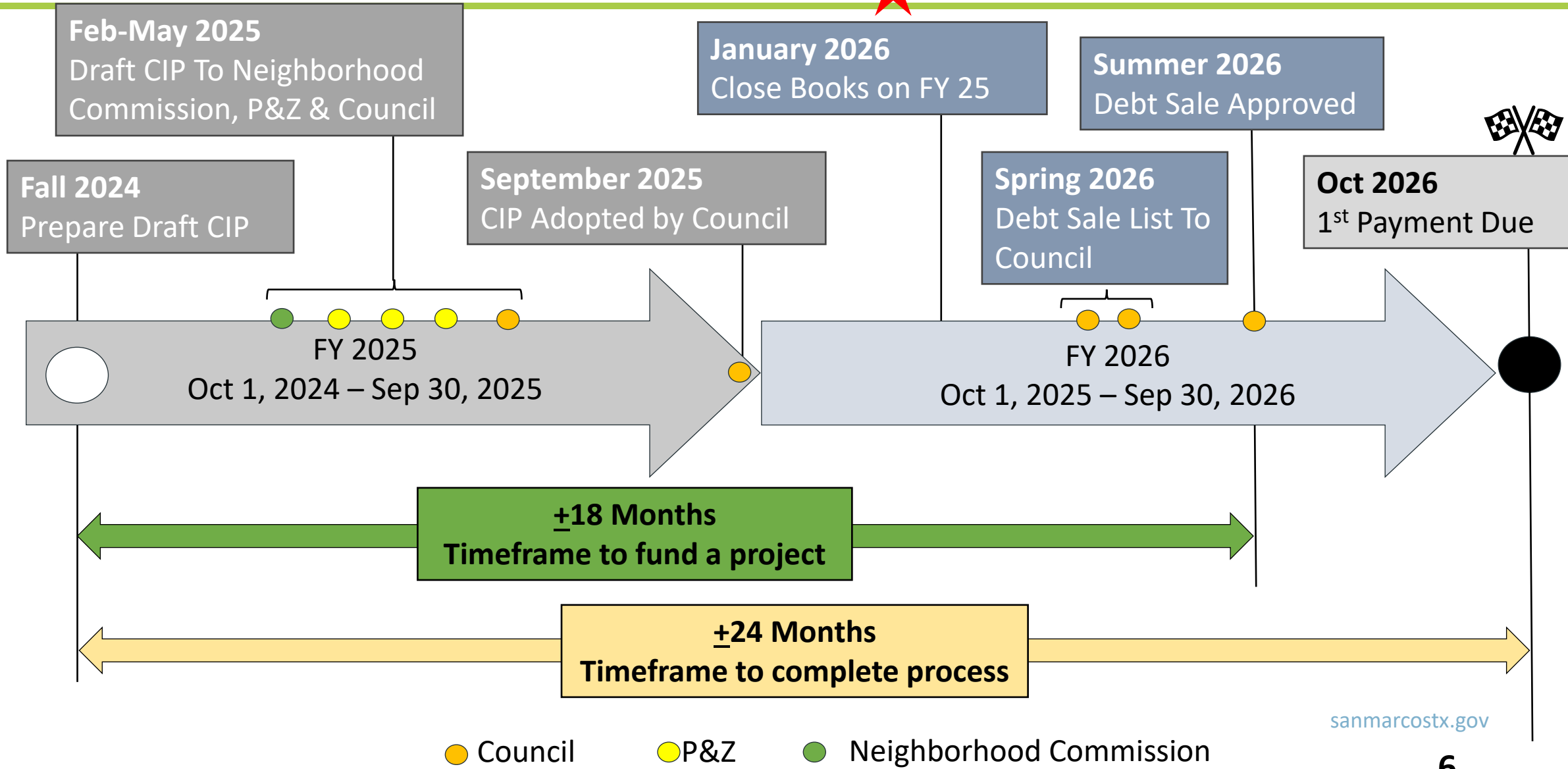
- Expansion Projects



If there are no available Impact Fees, the project is funded though debt paid by the W/WW Rates

FY 2026 CIP SCHEDULE

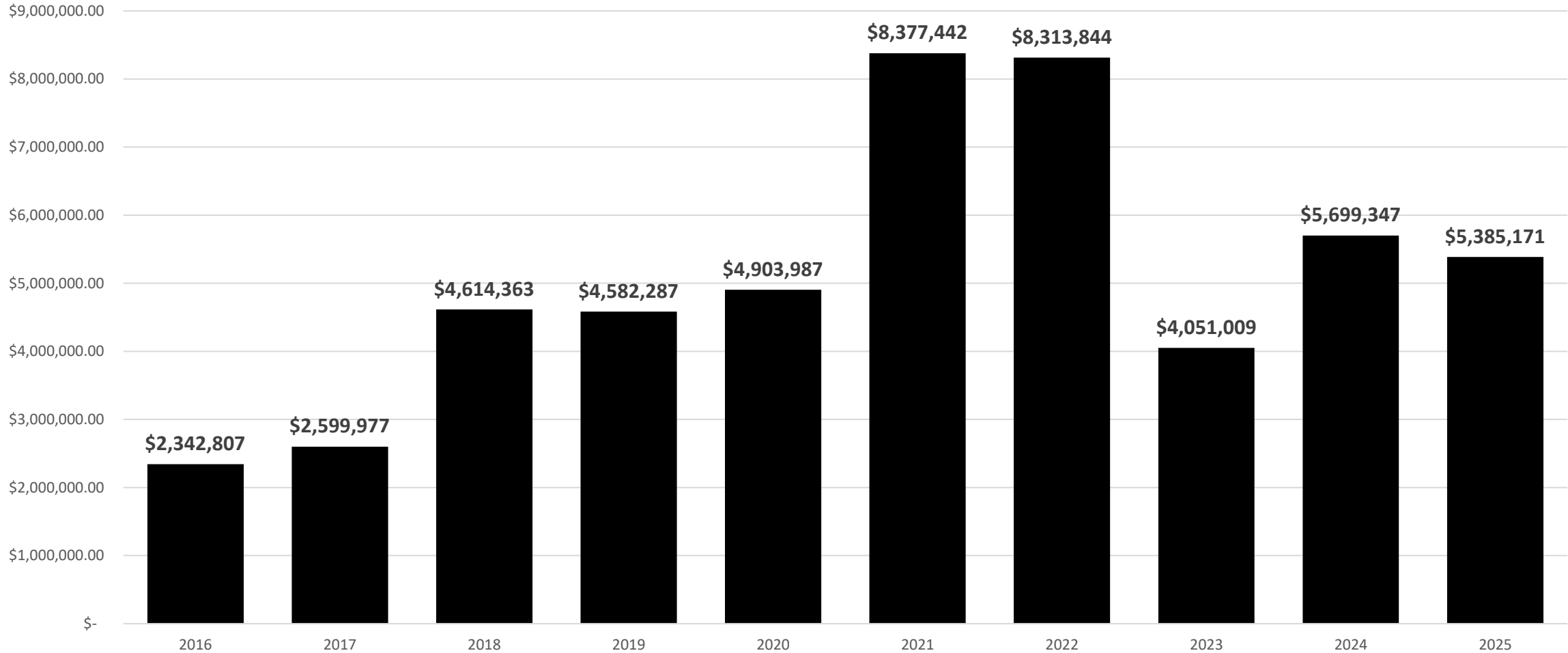
Impact Fees Allocated To Projects, if available



WATER/WASTEWATER UTILITY SUMMARY



• Impact Fees Collected Since 2016



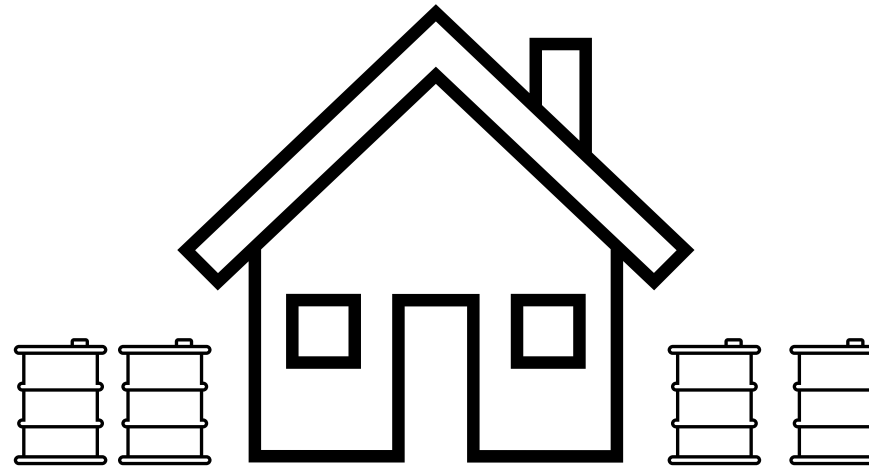
LINK TO CIP – IMPACT FEES



- **Analogy: Like using a rain barrel for watering landscaping**
 - You don't know how often it will rain; but you can guess
 - You don't know if drought occurs and you have to water more
 - If the barrel is dry, then you have to fill it with the water hose
 - Use rainwater first, and supplement with the hose if needed
 - **Rainwater:** Can not be used for drinking water
 - **Drinking Water:** Can be used for rainwater



How many rain barrels do you need?



- **For 2027 or 2028 CIP**

- May not be enough impact fee reserve to cover all the project costs
- Depends on development occurs between now and January 2027
- Depends if we get grants to offset water/wastewater costs
- Depends on how fast some developments occur that we are participating in oversizing

- **As of today, we “may” need an addition \$3M to fund the FY 2027 CIP**

- We are applying for a grant for the Blanco Vista Elevated Storage Tanks
- We are still collecting impact fees monthly

- **Impact Fee Rate: To Be Set at the September 1st meeting**

- We can't set it higher than the maximum rate, but you can set it lower
- If you set it lower, the W/WW rates will have to increase to offset the cost
- **Maximum Rate** = May discourage future development, but will help offset future rate increase
- **Lower Rate** = May encourage future development, but will impact future rate increase



IMPACT FEE CALCULATION

- Impact Fees Calculated by Dividing Eligible CIP Cost/Growth in SUEs
- Credit for future rate payments
- Fee collected can be less than maximum



$$\text{Impact Fee Per SUE} = \frac{\text{Eligible CIP Cost}}{\text{New SUEs}}$$

WATER IMPACT FEE

Total Eligible Impact Fee Costs	\$140,775,867
Total Impact Fee Rate Credits	(\$5,878,851)
Maximum Allowable Costs	\$134,897,016
Growth in Service Units (LUE) 2025-2035	9,291
Maximum Allowable Water Impact Fee	\$14,519

COMPARISON OF WATER IMPACT FEES

Utility	Date	Water Impact Fee	Other Fees	Total
New Braunfels Utilities	2023	\$19,448	-	\$19,448
Maxwell SUD	2025	\$12,940	\$3,326	\$16,266
Pflugerville	2023	\$14,713	-	\$14,713
San Marcos - New Maximum	2026	\$14,519	-	\$14,519
County Line SUD	2025	\$11,705	\$2,739	\$14,444
Goforth SUD	2025	\$12,657	\$811	\$13,468
Crystal Clear SUD	2024	\$2,500	\$10,895	\$13,395
Leander	2023	\$8,762	-	\$8,762
Seguin	2023	\$7,308	\$355	\$7,663
Hutto	2025	\$6,808	-	\$6,808
Kyle	2023	\$6,169	-	\$6,169
San Antonio Water System	2024	\$5,470	-	\$5,470
Round Rock	2024	\$4,912	-	\$4,912
Austin Water	2023	\$4,882	-	\$4,882
San Marcos - Current	2018	\$4,464	-	\$4,464

WASTEWATER IMPACT FEE

Wastewater Impact Fee	
Total Eligible Improvement Project Costs	\$568,158,364
Recoverable Costs for Impact Fee Planning Period	\$335,386,773
Credit for Utility Revenue	(\$39,897,575)
Total Eligible Impact Fee Costs	\$295,489,198
Growth in Service Units	26,475
Maximum Allowable Impact Fee per Service Unit	\$11,161

COMPARISON OF WASTEWATER IMPACT FEES

Utility	Year	Wastewater Impact Fee	Other Fees	Total
Pflugerville (2)	2023	\$15,136	-	\$15,136
San Marcos	2026	\$11,161	-	\$11,161
Seguin	2023	\$9,250	-	\$9,250
Hutto	2024	\$7,600	-	\$7,600
County Line SUD	2022	\$2,500	\$5,000	\$7,500
Kyle	2024	\$6,345	-	\$6,345
NBU	2023	\$6,244	-	\$6,244
SAWS (Upper)	2024	\$5,541	-	\$5,541
Buda	2026	\$5,239	-	\$5,239
Cedar Park	2023	\$3,170	-	\$3,170
Round Rock	2024	\$2,921	-	\$2,921
Austin Water	2023	\$2,900	-	\$2,900
San Marcos	2018	\$2,684	-	\$2,684
Leander	2023	\$2,301	-	\$2,301

COMPARISON OF 2018 CHANGES

<i>City/Utility</i>	<i>Water</i>	<i>Wastewater</i>	<i>Total</i>
New Braunfels	\$5,322	\$4,081	\$9,403
San Antonio	\$4,597	\$3,306	\$7,903
Austin	\$5,400	\$2,200	\$7,600
Buda	\$3,595	\$3,515	\$7,110
Pflugerville	\$4,241	\$2,725	\$6,966
San Marcos – New Maximum	\$3,801	\$2,684	\$6,485
Kyle	\$3,535	\$2,826	\$6,361
Round Rock	\$4,025	\$2,099	\$6,124
San Marcos – Current	\$2,285	\$3,506	\$5,791
Hutto	\$3,625	\$2,128	\$5,753
Leander	\$3,880	\$1,615	\$5,495
Cedar Park	\$2,250	\$2,000	\$4,250
Seguin	\$1,875	\$2,374	\$4,249

IMPACT FEE BENCHMARKING

Utility	Year	Water Impact Fee	Wastewater Impact Fee	Other Fees	Total
Pflugerville (2)	2023	\$14,713	\$15,136	-	\$29,849
NBU	2023	\$19,448	\$6,244	-	\$25,692
San Marcos	2026	\$14,519	\$11,161	-	\$25,680
County Line SUD	2022	\$11,705	\$2,500	\$7,739	\$21,944
Seguin	2023	\$7,308	\$9,250	\$355	\$16,913
Maxwell SUD	2023	\$12,940	-	\$3,326	\$16,266
Crystal Clear SUD	2024	\$2,500	\$2,500	\$10,895	\$15,895
Hutto	2024	\$6,808	\$7,600	-	\$14,408
Goforth SUD	2017	\$12,657	-	\$811	\$13,468
Kyle	2024	\$6,169	\$6,345	-	\$12,514
Buda	2026	\$7,188	\$5,239	-	\$12,427
SAWS (Upper)	2024	\$5,987	\$5,541	-	\$11,528
Leander	2023	\$8,762	\$2,301	-	\$11,063
Round Rock	2024	\$4,912	\$2,921	-	\$7,833
Austin Water	2023	\$4,800	\$2,900	-	\$7,700
San Marcos	2018	\$3,801	\$2,684	-	\$6,485
Cedar Park	2023	\$3,160	\$3,170	-	\$6,330

IMPACT FEE BY METER SIZE

Meter Size	Recommended Service Unit Equivalent	Maximum Allowable Impact Fee		
		Water	Wastewater	Total
5/8-inch	1.0	\$14,519	\$11,161	\$25,680
3/4-inch	1.5	\$21,779	\$16,742	\$38,520
1-inch	2.5	\$36,298	\$27,903	\$64,200
1.5-inch	5.0	\$72,595	\$55,805	\$128,400
2-inch	8.0	\$116,152	\$89,288	\$205,440
3-inch	17.5	\$254,083	\$195,318	\$449,400
4-inch	30.0	\$435,570	\$334,830	\$770,400
6-inch	67.5	\$980,033	\$753,368	\$1,733,400
8-inch	240.0	\$3,484,560	\$2,678,640	\$6,163,200
10-inch	350.0	\$5,081,650	\$3,906,350	\$8,988,000

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UPCOMING MILESTONES



Date	Description
March 2026	Final Impact Fee Reports
April 13, 2026	IFAC Presentation: Land Use Assumptions and CIP
May 5, 2026	Work Session: History, Procedural Rules
June 4, 2026, July 13 Follow-up	IFAC Presentation: Maximum Allowable Impact Fee
June 16, 2026	Resolution by City Council establishing Public Hearing date to consider possible adoption of impact fee
July 7, 2026	City Council Presentation
August 5, 2026	City Council Presentation and Public Hearing on Financial Audit and Impact Fee Study
September 1, 2026	Resolution/Ordinance approving impact fee (adoption within 30 days of Public Hearing)

THINGS TO CONSIDER



- **Approval of Land Use Assumptions and Capital Improvements Plans**
 - Approved Comprehensive Plan including these Land Use Assumptions
 - Approved 10-Year Capital Improvement Plans completed annually
- **Approve/Deny Maximum Allowable Impact Fee**
 - Could be less than the Max
 - Can affect future utility rates
- **Set an Effective Date**
 - Proposed October 1, 2026
 - Different date?
- **Impact Fee Update Website**
 - <https://www.sanmarcostx.gov/4742/Impact-Fee-Update>



sanmarcostx.gov

QUESTIONS & DISCUSSION



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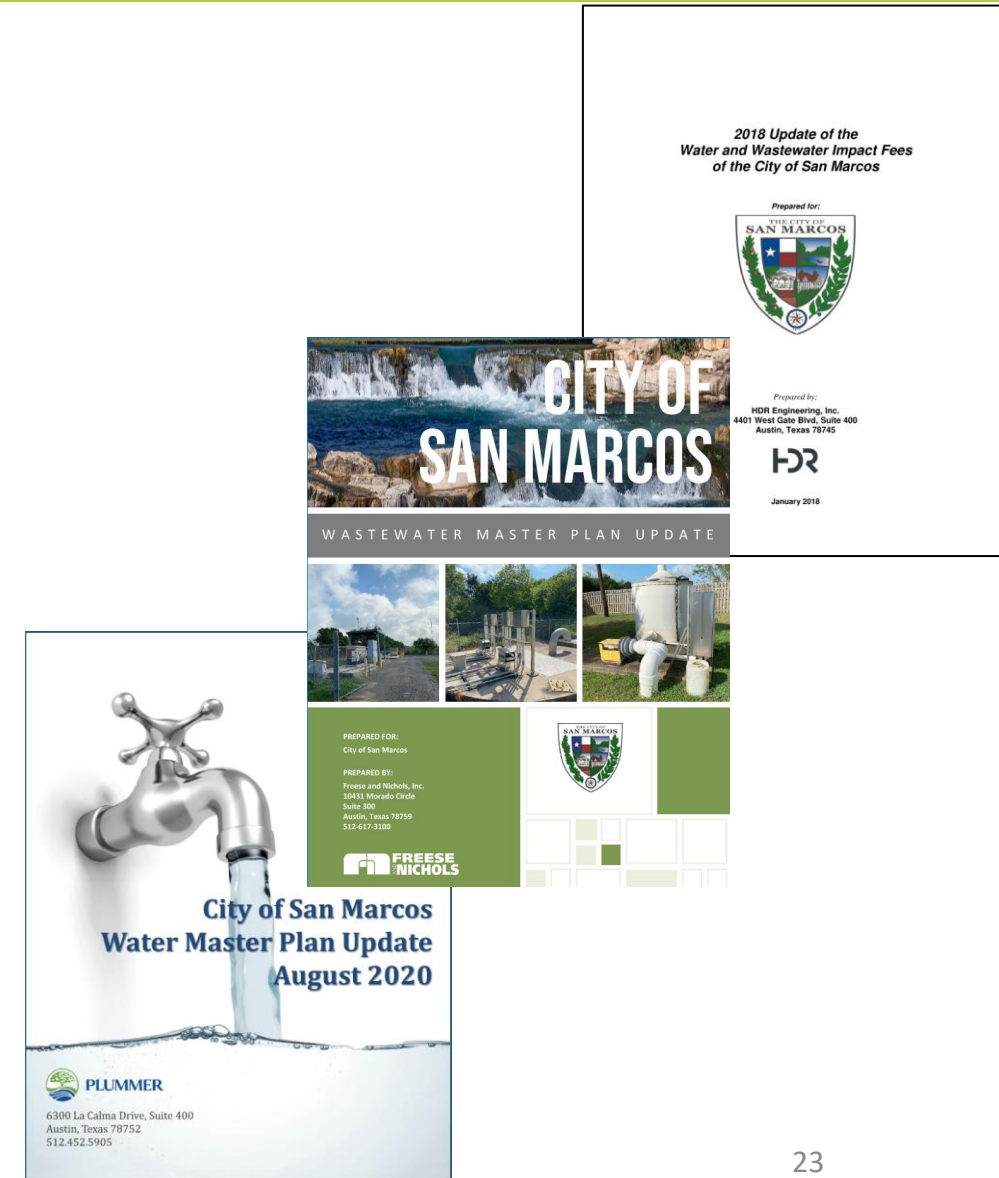
Impact Fee

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Next Steps

IMPACT FEE HISTORY

- Master Plan Updates
 - Final Wastewater Master Plan in March 2025
 - Final Water Master Plan Update in August 2020
 - Water CIP Update in September 2024
- Water and Wastewater Impact Fees last updated in 2018
- Why update?
 - Required at least every five years
 - Adjust for changes in growth
 - Stay current with capital improvements plan
- Current update expected to take effect October 2026



IMPACT FEE BASICS

An impact fee is...

- A *one-time charge* against new development to pay for all or a portion of costs associated with *new or expanded infrastructure* needed to serve growth
- Mechanism to *recoup funding* for the infrastructure necessary to accommodate *new development*
- Developed based on requirements in *Chapter 395* of the Texas Local Government Code
- This study focuses on *water and wastewater*. *Reclaimed water* will be addressed in future studies as demand increases.

IMPACT FEE BASICS

Items can be paid for through impact fees:

- Construction of capital improvements on Impact Fee CIP
- Existing infrastructure with excess capacity to serve growth
- Engineering and surveying fees
- Land acquisition costs
- Debt service on impact fee CIP projects

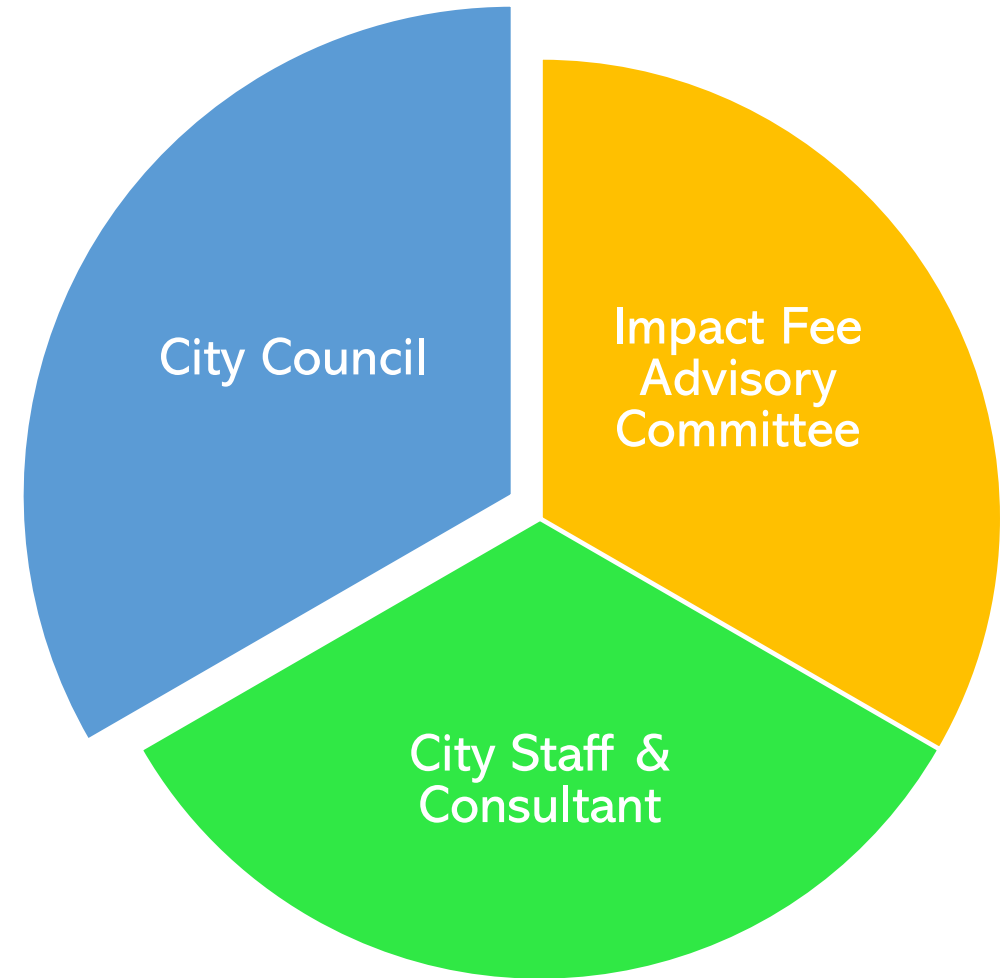
Items cannot be paid for through impact fees:

- Capital improvements not identified in the Impact Fee CIP
- Operations and maintenance costs
- Improvements to remedy existing deficiencies
- Administrative costs to manage the IF program
- Debt service on ineligible items

CITY COUNCIL

Roles of City Council

- Approve impact fees
 - Land use assumptions
 - CIP development
 - Maximum allowable impact fees
- Set assessed impact fee



IMPACT FEE PROCESS

Develop Land Use Assumptions

- Determine existing customer base
- Estimate growth over next 10 years
- Develop water demand and wastewater flow projections

Update Capital Improvement Plan

- Utilize Land Use Assumptions to determine required system improvements to serve 10-year growth

Conduct Impact Fee Calculations

- Determine 10-year capacity utilization for projects
- Establish growth in Service Unit Equivalents (SUEs)
- Calculate maximum allowable impact fee

Stakeholder Meetings

- Three staff meetings
- Two IFAC meetings
- One City Council Work Session

Public Hearing and Adoption of Ordinance

- One presentation to City Council at same meeting as Public Hearing
- Public Hearing requires 30-day public notice
- Ordinance update requires two readings at City Council meeting

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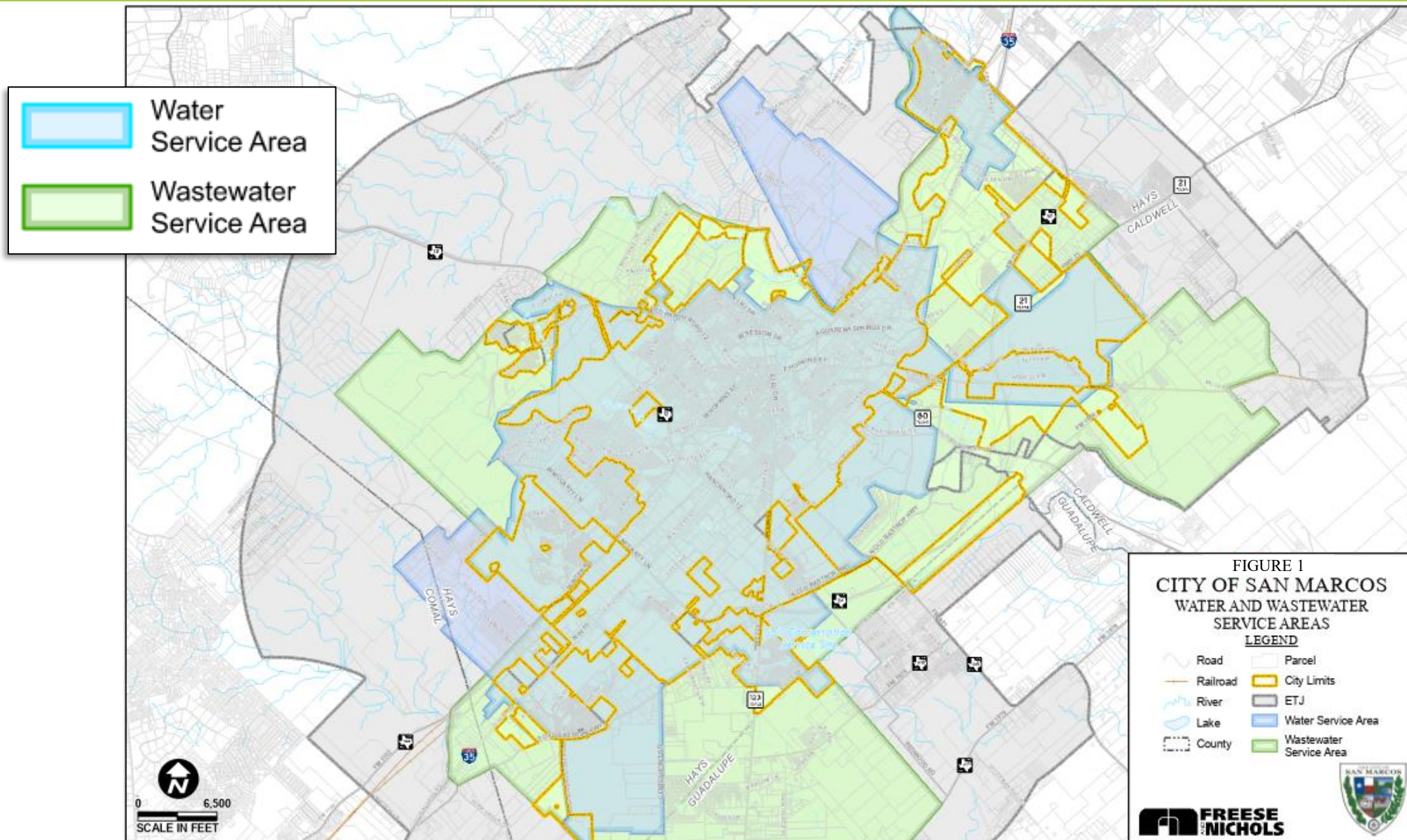
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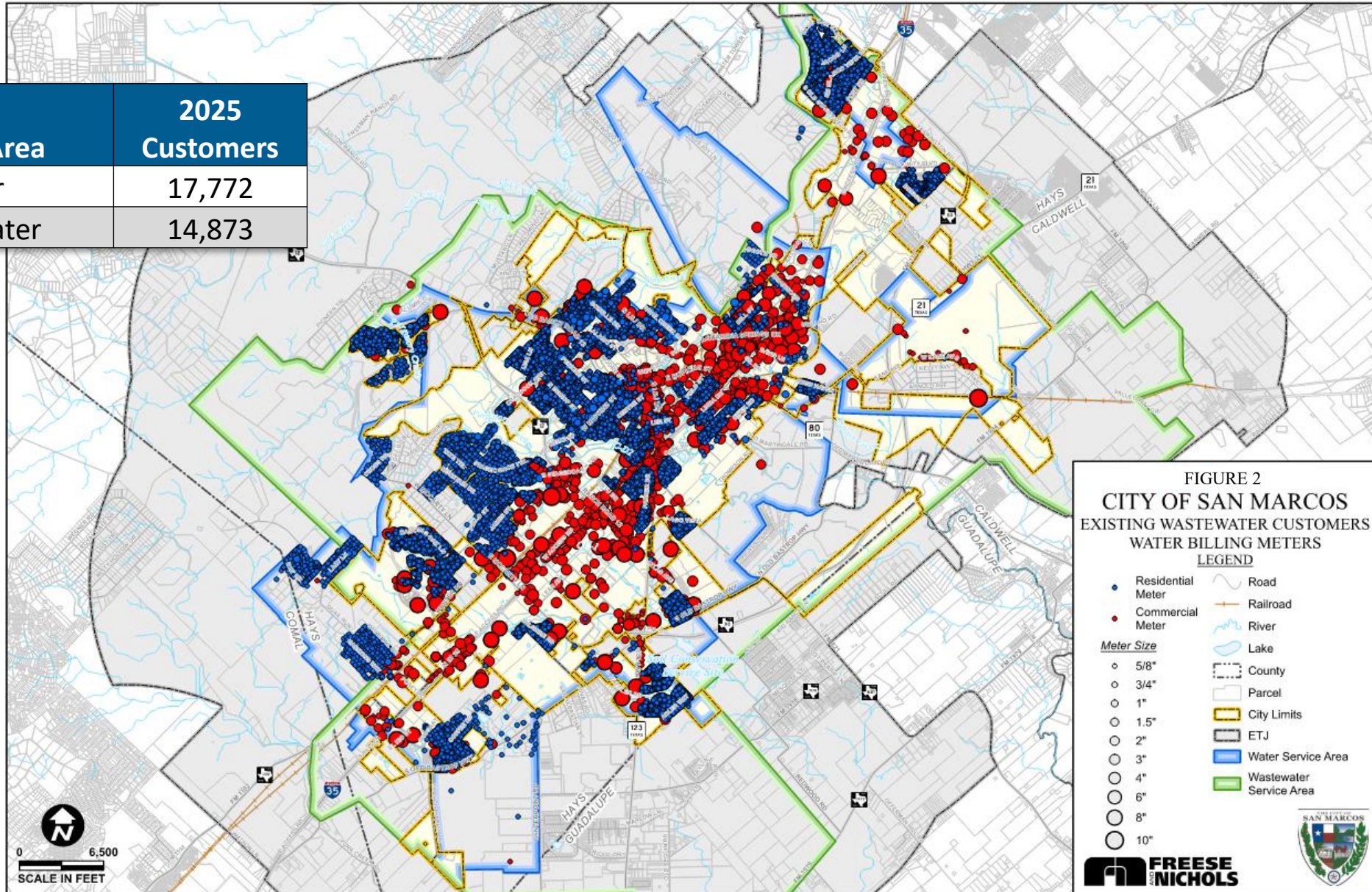
Next Steps

WATER AND WASTEWATER SERVICE AREAS

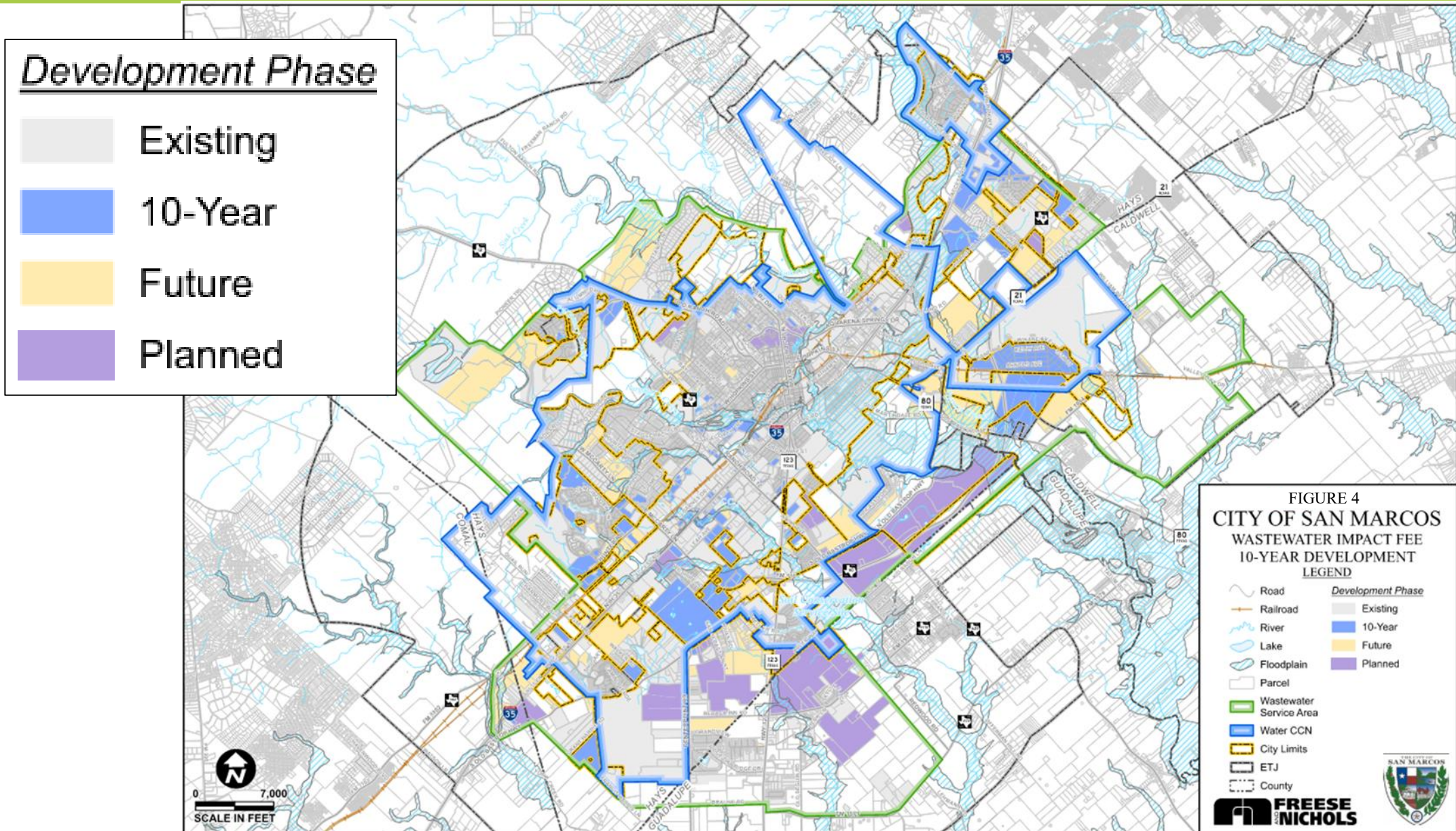


EXISTING CUSTOMERS

Service Area	2025 Customers
Water	17,772
Wastewater	14,873



ANTICIPATED 10-YEAR DEVELOPMENT



SERVICE UNIT EQUIVALENTS

Meter Size	Recommended Service Unit Equivalent
5/8-inch	1.0
3/4-inch	1.5
1-inch	2.5
1 1/2-inch	5.0
2-inch	8.0
3-inch	17.5
4-inch	30.0
6-inch	67.5
8-inch	240.0
10-inch	350.0

10-YEAR WATER AND WASTEWATER SERVICE UNITS

Water

Year	SUE
2025	42,426
2027	44,140
2029	45,923
2031	47,779
2033	49,709
2035	51,717

Wastewater

Year	SUE
2025	34,348
2027	38,508
2029	43,173
2031	48,402
2033	54,266
2035	60,823

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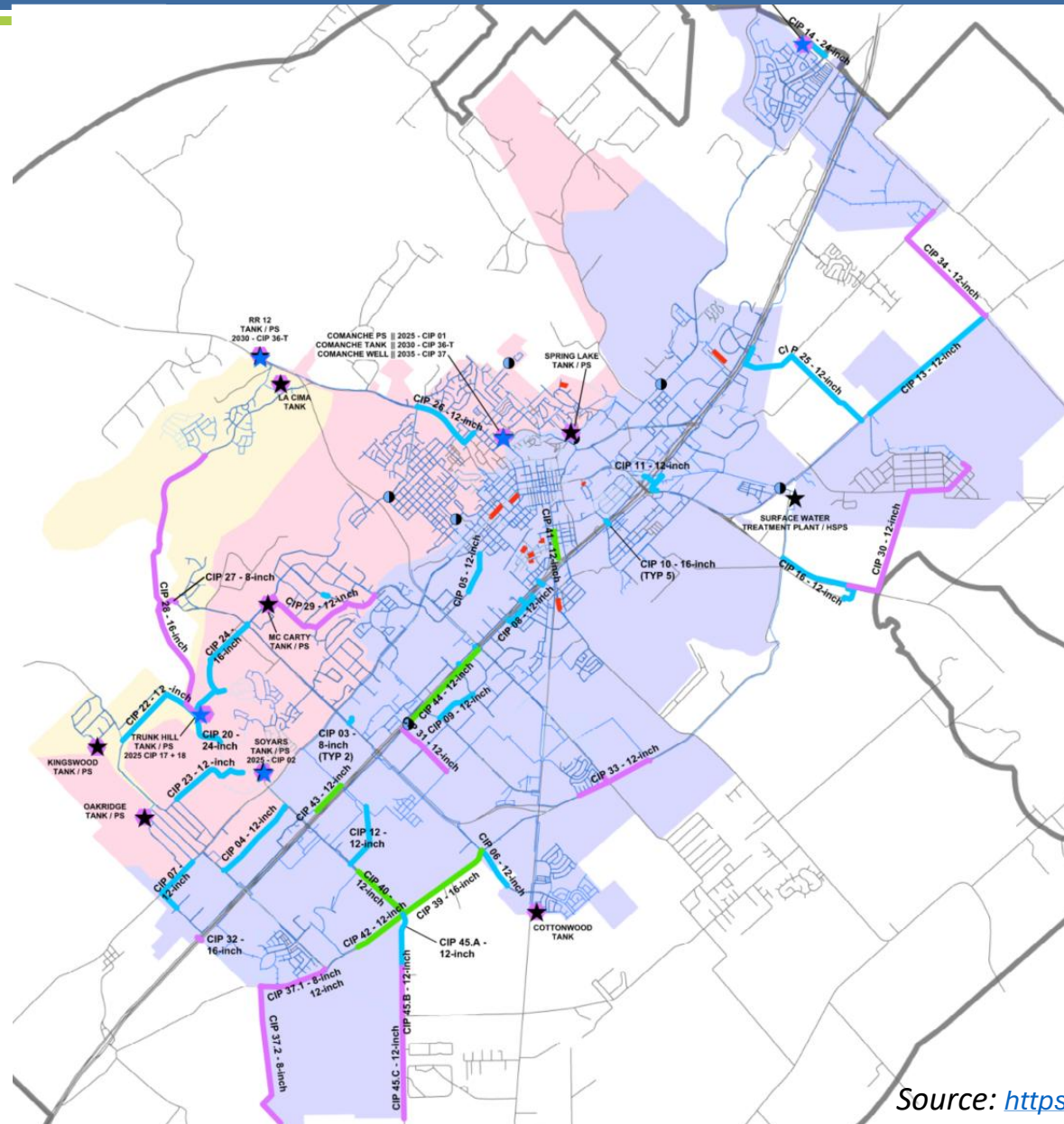
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Impact Fee

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Next Steps

WATER CAPITAL IMPROVEMENT PLAN



- Pressure Reducing Valves (PRVs)
 - Maintenance Projects
 - ★ Existing Water Facilities
 - ★ CIP Water Facilities
- CIP Pipe Lines
- 2025
 - 2030
 - 2035
- Future Pressure Planes
- 810
 - 936
 - 1060

WASTEWATER CAPITAL IMPROVEMENT PLAN

CIP PROJECTS

Existing Eligible Projects

- Gravity Main

Proposed Eligible Projects

- LS Lift Station
- LS Lift Station (Decommission)
- Force Main
- Gravity Main
- WWTP Wastewater Treatment Plant

