

Water & Wastewater Impact Fee Update

San Marcos City Council Work Session

May 5, 2026



PRESENTATION OVERVIEW

1

Impact Fee Introduction

2

Land Use Assumptions

3

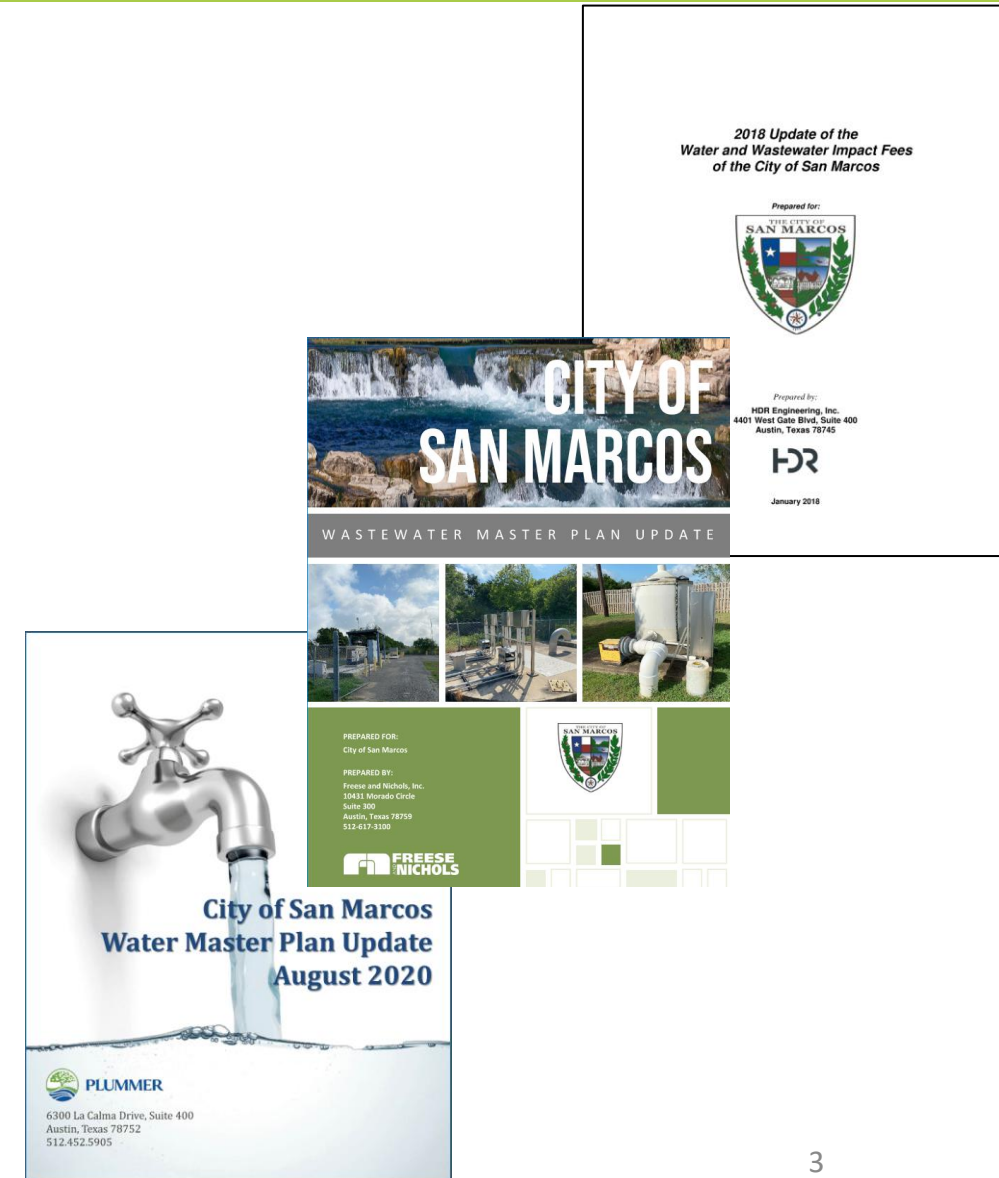
Capital Improvement Plans

4

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 August 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

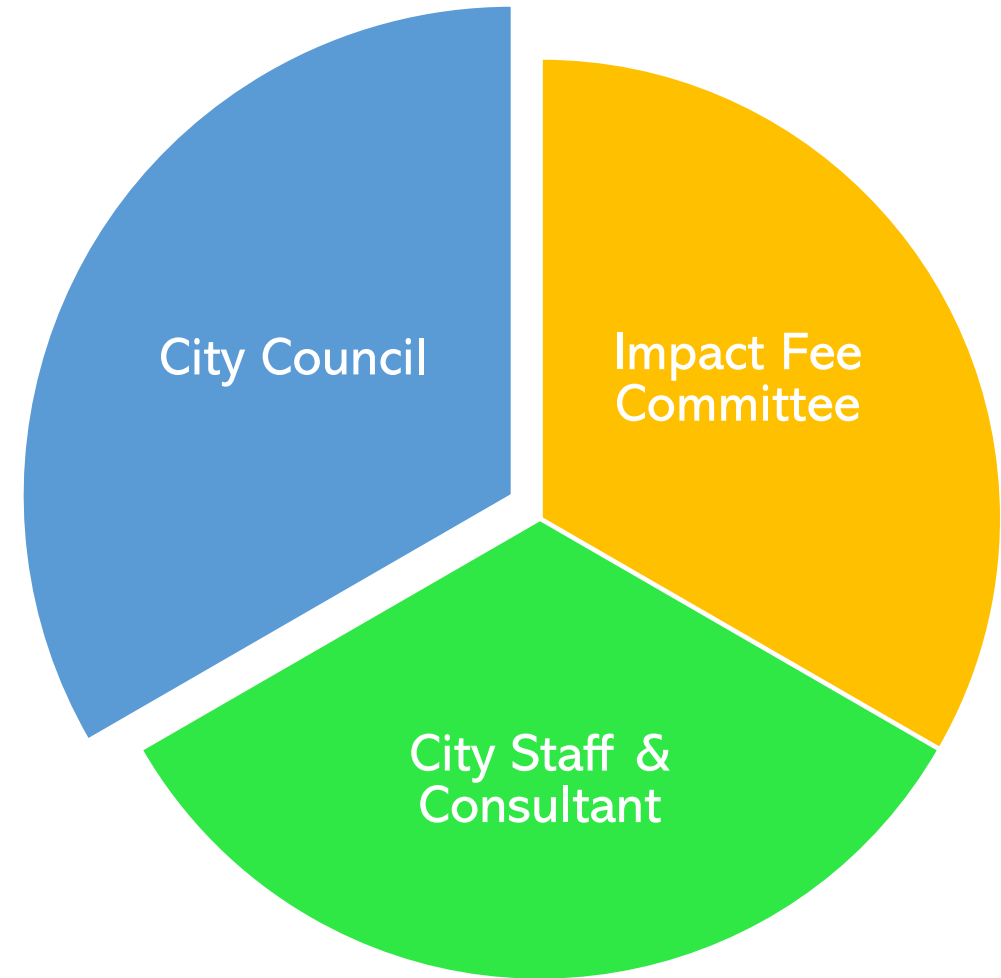
Items cannot be paid for through impact fees:

- 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 Equivalentents (SUEs)**
- Calculate maximum allowable impact fee

Stakeholder Meetings

- Three staff meetings
- Two IFC 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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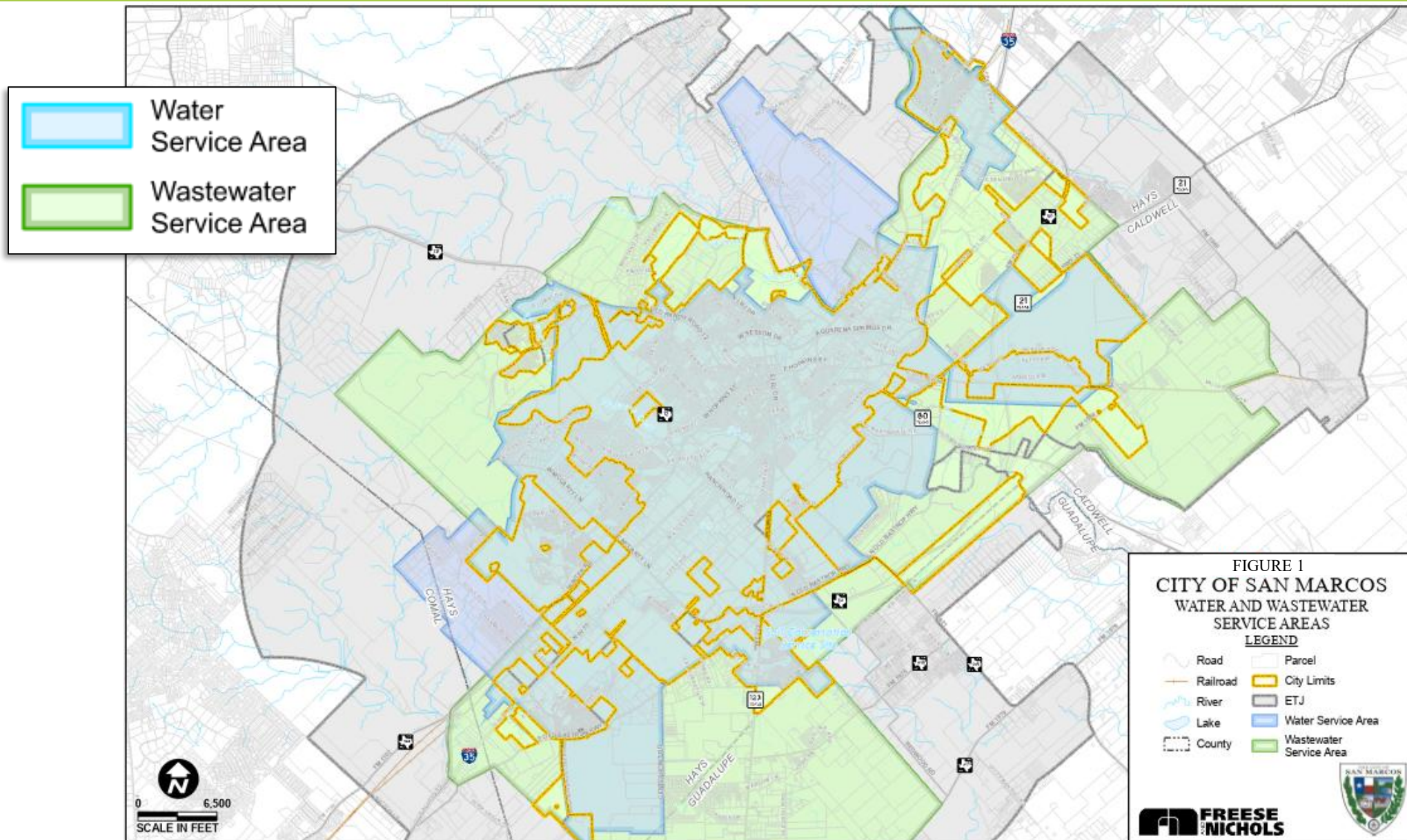
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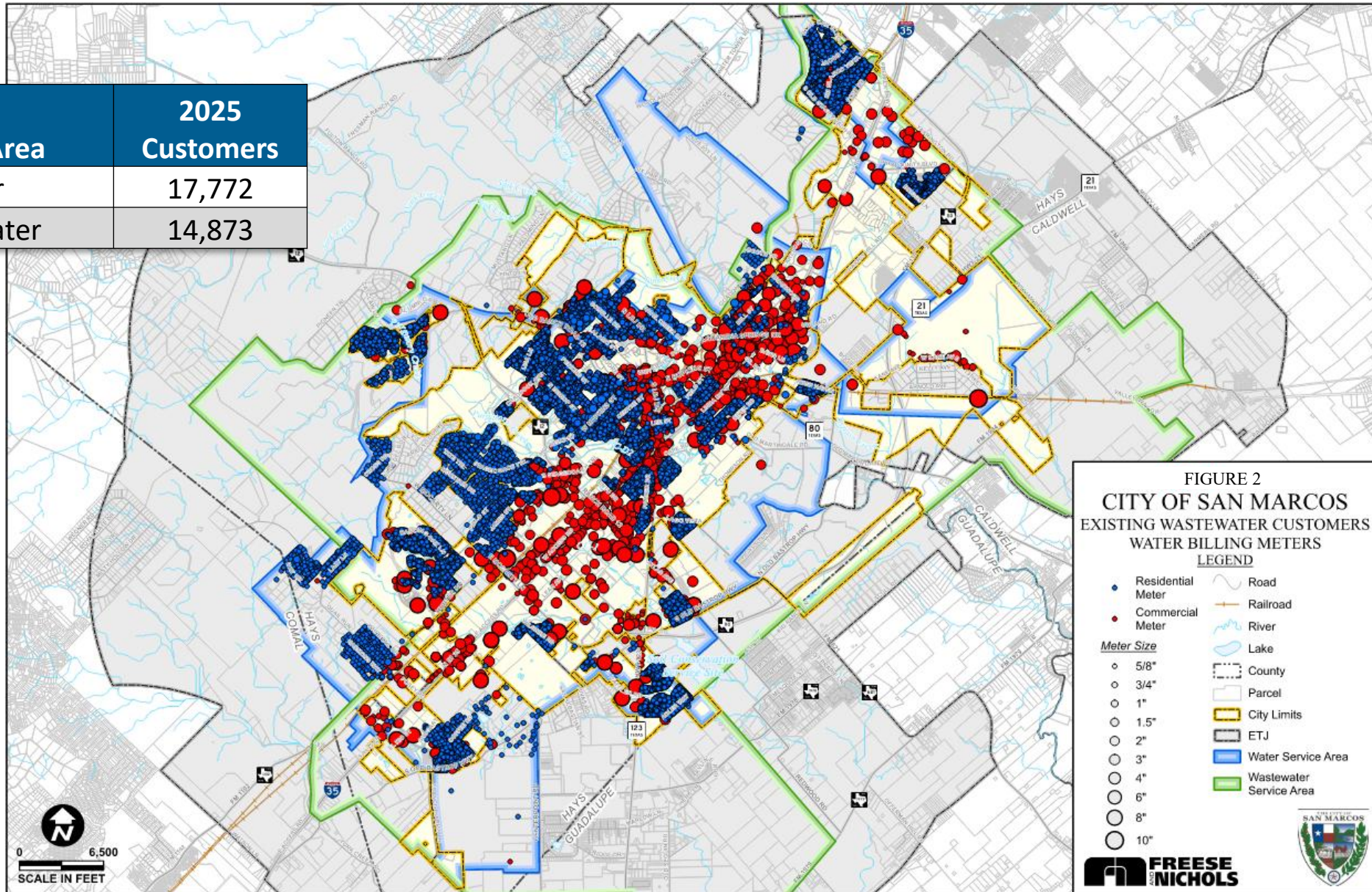
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WATER AND WASTEWATER SERVICE AREAS

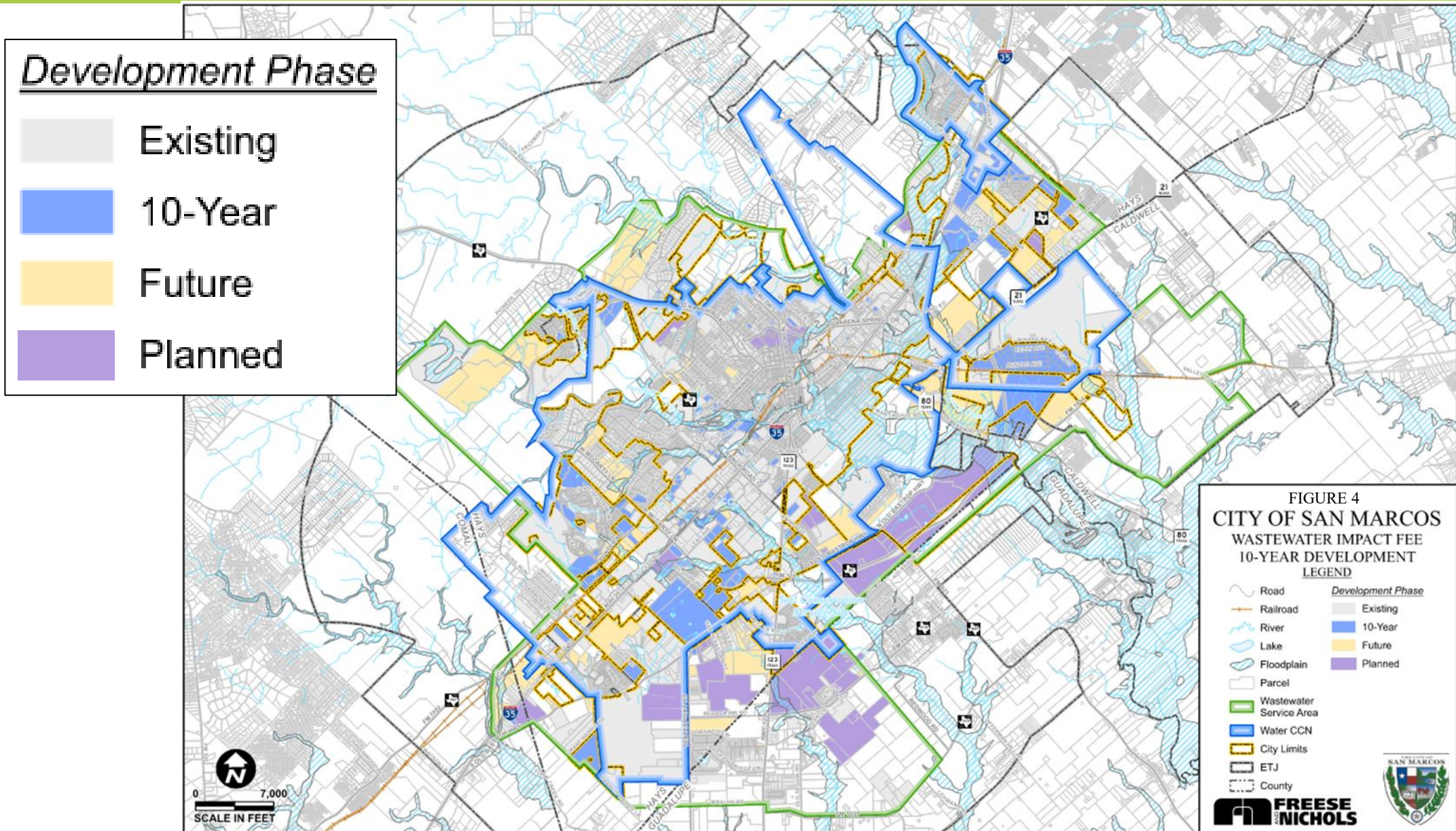


EXISTING CUSTOMERS

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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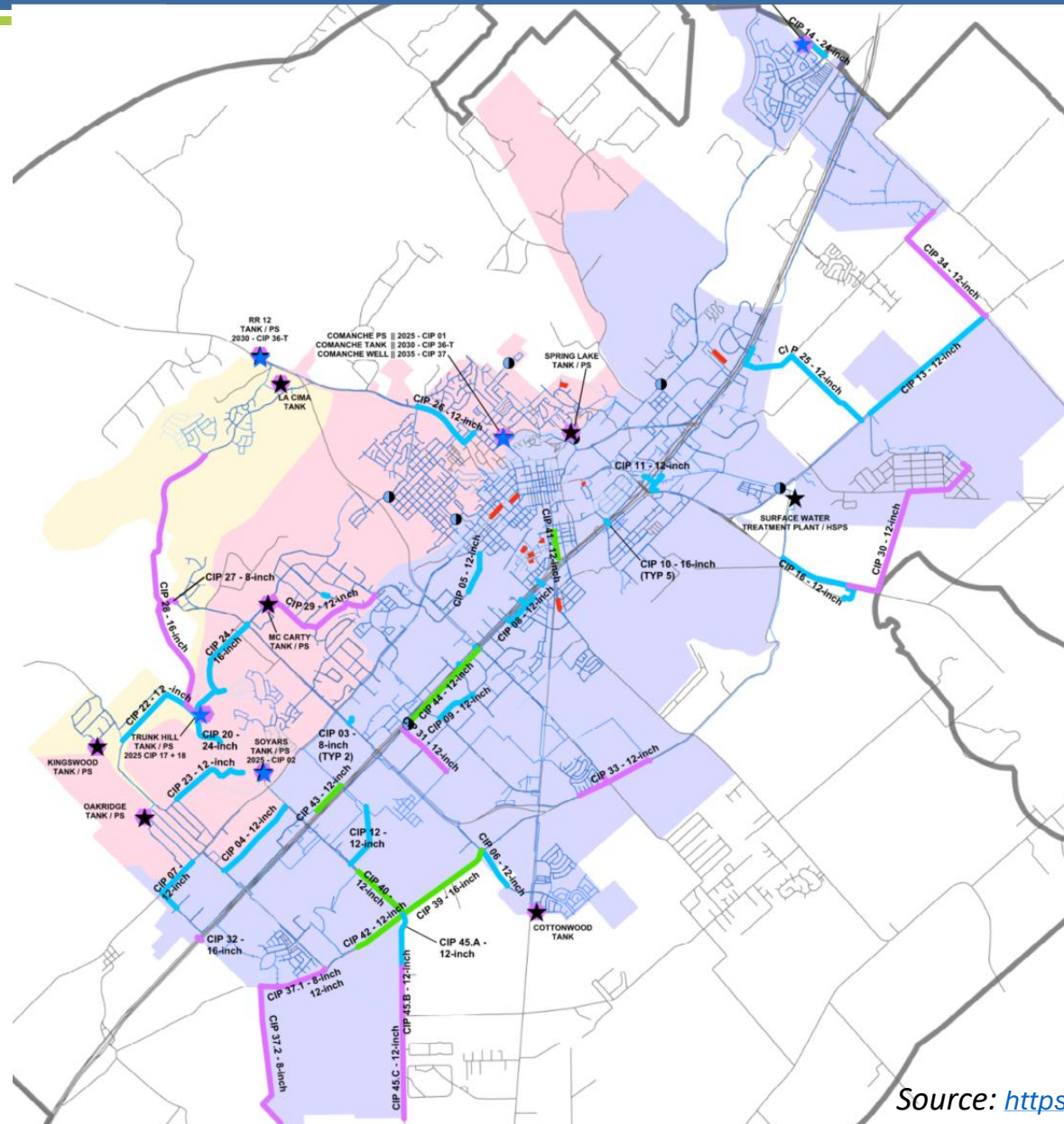
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Next Steps

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

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



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

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UPCOMING MILESTONES



Date	Description
March 2026	Final Impact Fee Reports
April 2026	IFAC Presentation: Land Use Assumptions and CIP
May 5, 2026	Work Session: History, Procedural Rules
June 2, 2026	Public Hearing Financial Audit; Resolution by City Council establishing Public Hearing date to consider possible adoption of impact fee
June 2026	IFAC Presentation: Maximum Allowable Impact Fee
July 7, 2026	City Council Presentation and Public Hearing on Impact Fee;
August 4, 2026	Resolution/Ordinance approving impact fee (adoption within 30 days of Public Hearing)

QUESTIONS & DISCUSSION



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