

From: [Manny Moreno](#)
To: [City Clerk](#)
Cc: [Hernandez, Cassandra](#)
Subject: CIAC Letter on Raising Impact Fees
Date: Wednesday, February 21, 2024 3:30:14 PM
Attachments: [Impact Fees Meeting 2-8-2024 \(4\).pdf](#)
Importance: High

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To Whom It May Concern:

My name is Manuel (Manny) Moreno and I am the Vice Chair for the Capital Improvements Advisory Committee (CIAC) on Land Use Assumptions & Capital Improvement Plan for Water & Wastewater Impact Fees. A Special Meeting was held on February 8, 2024 with City Planning and El Paso Water on the aforementioned topic and the CIAC was asked to consider, prepare, and file written comments on the proposed amendments to the Land Use Assumptions, Capital Improvements Plan, and Impact Fees to the Mayor and City Council. Attached is a letter fulfilling that requirement.

The Letter is to be put on record and made available to the Mayor & City Council members by the Monday, February 26, City Council Working Session of which the above topic is to be on the Agenda. I also need to be put on record to speak during the discussion on Impact Fees relative to the contents of the Letter. Thank you for addressing this request and let me know if you have any questions.

Sincerely,

Manuel (Manny) Moreno
Vice Chair – Capital Improvement Advisory Committee
Land Use Assumptions & Capital Improvement Plan for Water & Wastewater Impact Fees

February 26, 2024

Manuel (Manny) Moreno
144 Elder Rd
El Paso, TX 79915

El Paso City Mayor Oscar Leeser
El Paso City Council Members Brian Kennedy, Josh Acevedo, Cassandra Hernandez, Joe Molina,
Isabel Salcido, Art Fierro, Henry Rivera, Chris Canales

Dear Mayor Leeser and City Council:

On February 8, 2024 the Capital Improvements Advisory Committee (CIAC) met for a presentation on updated Land Use Assumptions, Capital Improvements Plan, and Impact Fee Structure as required by Chapter 395 of the Texas Local Government Code. Out of the eight (8) CIAC members, six (6) were present: Manny Moreno, Sebastian Alcazar, Donald Brown, Juan Carlos Gomez, David W. Marino, and Duane El Murphy. Mr. Moreno chaired the CIAC and conducted the meeting.

A presentation was made by Andrew Rheam of Raftelis Consultants, a Local Government and Utility Management Consulting Firm, that summarized the El Paso Water's Draft Water and Wastewater Study (DWWS) - January 3, 2024. The DWWS was made available to all CIAC members several days prior to the February 8th meeting. The Raftelis presentation was very informative and highlighted and summarized the main points outlined in the DWWS. There was also information in the Raftelis presentation that was not reflected in the DWWS. The bottom line of the presentation was that El Paso Water needs an increase in Impact Fees to cover the costs of the various Capital Improvement Projects taking place in the Northeast, Westside, and Eastside concerning new Water & Wastewater infrastructure related to new builds, developments, and expansion. The current Fees and the increased Fees recommended by the DWWS are reflected below:

- Northeast
 - Current Impact Fees \$1,469
 - DWWS Recommended Impact Fees \$5,684 (287% increase)
- Westside
 - Current Impact Fees \$1,586
 - DWWS Recommended Impact Fees \$3,258 (105% increase)
- Eastside
 - Current Impact Fees \$1,617
 - DWWS Recommended Impact Fees \$17,981 (1012% increase)

The significant difference between current and proposed Impact Fees on the Eastside was reflected in the numbers showing greater investment is required in that area relative to Water Supply & Treatment and Wastewater Collection.

There was a considerable amount of discussion, questions, answers, opinions, and clarifications that took place during the course of the Raftelis presentation, with several members of El Paso Water and City Planning answering several of the CIAC's questions. The meeting lasted approximately two (2) hours and at the end one conclusion was very obvious: Yes, Impact Fees need to be increased. The ultimate question: How much?

One significant point made in the Raftelis presentation was that of the approximately \$150M that has already been spent on Capital Improvement costs relative to Water & Wastewater, only approximately \$18M (12%) has come from collected revenue funding, Impact Fees. The remainder (88%), comes from EP Water's revenue from general consumer water bills. The obvious point here is that it appears that a very substantial number of El Paso Water customers are paying for Capital Improvement projects that do not benefit them directly. I have heard that comment and complaint many times from the general public when this topic comes up.

There wasn't much discussion relative to the numbers showing the increase in Land Use Assumptions (LUA), population growth, increase in residential and non-residential units, and total service units reflected in the DWWS and Raftelis presentation for the time period 2024 thru 2033. These numbers are projected as best as possible based on available and current data. Unanticipated incidents such as the Covid-19 Pandemic can never be predicted and their impact on the aforementioned factors. The bottom line is that El Paso is growing and the Northeast, Westside, and Eastside will be the areas most impacted by this growth.

One point that was made by M. Moreno of the CIAC was the numbers reflected in "Flow per Equivalent Service Unit" in gallons per day (gpd). The respective numbers, 688 for Water and 341 for Wastewater appeared rather high. It was clarified that the equivalent service unit flow represents flow to a residential, commercial, and industrial users with a water meter size of less than 1-inch, not just a residential unit.

Finally, all the discussions led to the answering of the ultimate question of how much the Impact Fees should be raised. The CIAC considered and voted on the following options:

- **Option 1: Raise the Impact Fees as recommended by the DWWS**
 - Northeast - **\$5,684** (287% increase to current fees)
 - Westside - **\$3,258** (105% increase to current fees)
 - Eastside - **\$17,981** (1012% increase to current fees)
- **Option 2: Raise the Impact Fees to 75% of the Fees recommended by the DWWS**
 - Northeast - **\$4,263** (190% increase to current fees)
 - Westside - **\$2,443** (54% increase to current fees)
 - Eastside - **\$13,486** (734% increase to current fees)
- **Option 3: Make an Inflationary Adjustment to the Current Impact Fees of 56%**
 - Northeast - **\$2,292** (56% increase to current fees)
 - Westside - **\$2,474** (56% increase to current fees)
 - Eastside - **\$2,552** (56% increase to current fees)

- **Option 4: Make an Inflationary Adjustment to the Current Impact Fees of 150%**
 - Northeast - **\$3,673** (150% increase to current fees)
 - Westside - **\$3,965** (150% increase to current fees)
 - Eastside - **\$4,043** (150% increase to current fees)

The four (4) Options were presented to the CIAC members and the results were the following:

- **Option 1: Motion made to vote on this Option** **3 – For 3 - Against**
- **Option 2: A motion was not made to vote on this Option**
- **Option 3: A motion was not made to vote on this Option**
- **Option 4: Motion made to vote on this Option** **3 – For 3 - Against**

Bottom line – none of the Options acquired a Majority Vote. However, as mentioned earlier, the subtle conclusion is that Impact Fees do need to be increased – but how much?

On November 30, 2023, The CIAC met for the semi-annual EI Water Report on the Water & Wastewater Impact Fee Program. This was for the period of March1, 2023 thru August 31, 2023. One of the observations made on Water & Wastewater Capital Improvement Projects was that of the 29 Projects currently in work or completed, 12 were over budget. Essentially, the Cumulative Costs from November 2009 to August 31, 2024 exceeded Total Project Costs originally set. Bottom line – **41%** of the projects are over the original budgeted project costs. It was stated that the original projected Project Costs included a 15% contingency.

As mentioned earlier, without a doubt the Covid-19 Pandemic had a very sizeable impact on these costs due to lack of available labor, increase in labor costs, increase in material costs, delay in material availability, and other factors. This phenomena impacted many similar projects worldwide. The ultimate question has to be: Will there be enough money to cover the completion of these projects and if not, where will the extra money be coming from?

In conclusion, the Capital Improvements Advisory Committee for Water & Wastewater Impact Fees voting suggests that the current Impact Fees that were implemented in 2009 need to be considered for an increased. Although the CIAC could not agree on what that increase should be, the four (4) options that were considered could offer a starting point for the El Paso City Council in making their decision.

Sincerely,

Manuel (Manny) Moreno

Vice Chair – Capital Improvement Advisory Committee

Land Use Assumptions & Capital Improvement Plan for Water & Wastewater Impact Fees