

## Utility discusses future of impact fees

By EMMA PEREZ-TREVIÑO Valley Morning Star | Posted: Wednesday, December 25, 2013 10:30 pm

HARLINGEN — Alternatives to impact fees that the Harlingen WaterWorks System assesses builders and developers are under review.

The fees are used to fund capital improvements to the city utility to meet demands of the new growth.

The review includes eliminating the assessment or shifting it from developers to customers, according to a system report.

The review, according to a Nov. 21 report from system General Manager Darrell Gunn to the Utility Board of Trustees, follows the board and the City Commission “major desire” to promote development in the city.

Revenues from impact fees assessed on new developments since 1991 have been funding an array of major projects to meet the demands that the new initiatives bring.

In addition to eliminating the fees or shifting the burden, another option is to phase out the fees, Gunn pointed out to the board in a Dec. 19 report.

Gunn noted that since 1991, the city has collected nearly \$10 million in water and sewer impact fees. Of these, nearly \$8 million has been collected from 8,314 new connections to the system, while the balance of nearly \$2 million came from the cities of Palm Valley, Combes and Primera as wholesale customer impact fees.

In reviewing the alternatives, Gunn said eliminating the fees would result in a significant loss of revenue to the system to fund capital improvements, and would require an increase in consumption. Furthermore, he said, this would lead to demands for rebates or refunds of impact fees by customers.

“Since 1990 approximately, 8,000 new customers have paid impact fees on their new connections. The more recent customers would certainly request consideration for their fees,” he said in the report.

If fees were phased out, Gunn said a lull in building activity could be expected until the fees are significantly reduced or eliminated.

He said that past experience here and elsewhere has shown that there is a significant increase in building activity just prior to imposing an increase in impact fees, and that a reversed action could be expected from a phase-out approach.

Shifting the burden from builders and developers to the customer and allowing for term payments also is noted as an alternative.

Gunn said that the monthly payment of impact fees on the future retail customers’ monthly bill could be an option.

For a normal residential account with both water and sewer, Gunn said that a monthly charge of \$50 would need to be applied for about 53 months to satisfy the impact fee requirements.

Gunn suggested that performing another impact fee study would not be a sound option. The system's most recent impact study was completed in 2004. "It is very unlikely that a new study would result in a reduction or elimination of fees, but it could provide more justification for the current program," he said.

Reviews and discussions continue.

[eperez-trevino@valleystar.com](mailto:eperez-trevino@valleystar.com)