



EL PASO · DISTRICT 1

PLATFORM NO. 05 · AUGUST 2026

CITY OF EL PASO - WATER & RATEPAYER POLICY PLAN

Not Your Subdivision

El Paso Water Ratepayers Are Financing Capacity for Homes They Do Not Live In.

**Leadership that is not afraid
to fight for its people.**

PRINCIPLED. EXPERIENCED. PROVEN.

It's time to elect leadership that will make the city work for its people again.



MJK26

MATTHEW JAMES KOZIK · DISTRICT 1

“Your water bill went up about \$10 a month this year. Part of what it pays for is the pipe and treatment capacity that new subdivisions on the edge of town require — and El Paso Water’s own consultants say developers should be covering about \$15.6 million a year more of that than they do. This project closes that gap so the bill stops rising to cover somebody else’s new subdivision. We are asking them to pay their share.”

Executive Summary

El Paso Water is a self-funded utility. It receives no property tax money — every dollar it spends comes from ratepayer bills or from bonds that ratepayer bills repay. That is why this project exists: when the cost of serving new development is not covered by developers, there is no other pocket, and it lands on the monthly bill of everyone already here. The typical residential bill rose \$9.99 a month, about 12%, under the FY2026-27 budget approved January 14, 2026 and effective March 1, 2026, on a utility budget of about \$1.2 billion — roughly \$204 million above the prior year, including about \$770 million in capital against a five-year capital plan near \$3.3 billion. The Public Service Board approved it 5–2, with Mayor Renard Johnson voting against on affordability grounds and calling for cost controls and alternative funding. Meanwhile, El Paso Water's own consultants calculated that the utility should be collecting roughly \$17.6 million a year in impact fees and is collecting about \$2 million — a shortfall of about \$15.6 million every year, which is roughly the entire annual increase just imposed on ratepayers. That money does not disappear. It gets borrowed and repaid by ratepayers with interest over twenty years; across a single ten-year capital planning horizon that is on the order of \$156 million of growth capacity financed on the backs of existing customers, before interest.

The 2024 update was a start and not a finish. On May 7, 2024, Council voted 5–3 to raise water and wastewater impact fees 28% — the first update since February 2009, roughly half of a 56% inflation-adjustment option, against a calculated maximum far above both. In the Northeast service area the study-supported figure was about \$5,684 per service unit after the statutory 50% credit, roughly three times the rate actually adopted. This project picks up where that left off, moving fees materially closer to full cost recovery at the next update. The timing is fixed by law: state law bars increasing an impact fee for three years from the last increase, so nothing can take effect before May 2027 — which is precisely why the study should be commissioned now rather than on the 2028 schedule, since a study takes the better part of a year, notice periods add another quarter, and a newly required independent audit adds more. Chapter 395 was substantially amended in 2025 and the changes cut both ways: a new independent-audit requirement and a 60-day disclosure clock running from the notice rather than the hearing, but also express authority to phase a fee in over as long as ten years, and a plausible reading that raising an existing fee remains a simple-majority vote while adopting a new one now requires two-thirds. Senate Bill 14's mandatory conservation credit, effective January 1, 2026, means a higher headline fee will not convert one-for-one into collections — so the study must model credit uptake and present Council with net rather than gross revenue, and the credit procedures should be written in the same cycle rather than by whoever objects loudest after the fee is set.

1. What This Saves You on Your Water Bill

WHAT THIS SAVES YOU ON YOUR WATER BILL

READ THIS SECTION FIRST. EVERYTHING AFTER IT IS MECHANISM.

WHY THE WATER BILL IS THE RIGHT TARGET

El Paso Water is a self-funded utility. It receives no property tax money. Every dollar it spends comes from ratepayer bills or from bonds that ratepayer bills repay. That is the whole reason this project exists: when the cost of serving new development is not covered by developers, there is no other pocket. It lands on the monthly bill of everyone already here.

The chain from an impact fee to a lower bill is short:

1 A developer pays the fee for the water and wastewater capacity the new subdivision requires.	2 That capacity is paid in cash rather than bonded. El Paso Water funds capital largely through revenue bonds — debt repaid entirely from customer bills.	3 Debt not issued is debt service never owed, and debt service is one of the largest upward pressures on the rate.	4 The bill rises more slowly.
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The consultant who ran the 2024 study put it in one line: impact fees and debt offset each other.

THE HONEST MAGNITUDE

\$17.6M a year El Paso Water should be collecting	\$2M a year it is actually collecting	\$15.6M the shortfall, every year	The number that actually lands is the cumulative one. That money does not disappear. It gets borrowed, and ratepayers repay it with interest over twenty years. Left uncollected across a single ten-year capital planning horizon, that is on the order of \$156 million of growth capacity financed on the backs of existing customers — before interest.
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WHAT YOUR BILL IS ACTUALLY DOING

The argument does not depend on the impact fee being large. It depends on the direction of the bill, which is not in dispute.

	WHAT HAPPENED
Typical residential bill	Rose \$9.99 a month — about 12% — under the budget approved January 14, 2026 and effective March 1, 2026
Stormwater component	\$7.42 a month, unchanged this cycle, and only because flood-control construction was delayed
Utility budget	About \$1.2 billion for FY2026-27, an increase of roughly \$204 million over the prior year, including about \$770 million in capital
Five-year capital plan	Roughly \$3.3 billion
The vote	5-2 at the Public Service Board, with Mayor Renard Johnson voting against on affordability grounds and calling for cost controls and alternative funding

The Mayor's dissent is the opening. He asked, from the Public Service Board dais, for alternative funding so

WHAT THIS PROJECT DOES NOT DO

It cannot happen before mid-2027. State law now bars increasing an impact fee for three years from the last increase. El Paso Water's fees were increased May 7, 2024. See Section 5.

2. The Problem

THE PROBLEM

El Paso Water is a self-funded, non-property-tax utility. Every dollar comes from ratepayer bills. When new-growth infrastructure costs are not covered by developers, the shortfall lands directly on existing residents' monthly bills.

THE NUMBER

\$15.6M a year is not small. It is roughly the entire annual increase the utility just imposed on ratepayers, and it recurs every year. Sized honestly it is still the strongest fact in this project.

WHAT IS DRIVING THE BILL

The typical residential bill rose \$9.99 a month, about 12%, under the FY2026-27 budget approved January 14, 2026 and effective March 1, 2026.

The utility's budget is about \$1.2 billion, roughly \$204 million above the prior year, with about \$770 million of capital and a five-year capital plan near \$3.3 billion.

Named cost drivers include the roughly \$431 million Bustamante wastewater plant rehabilitation and expansion, the desalination plant expansion, and growth-area capital such as the Northwest development waterline, the east waterline extension and northeast wastewater main upgrades.

Capital is financed with revenue bonds — debt that does not require voter approval, does not touch the property tax rate, and is repaid entirely by ratepayers.

Net effect: existing El Paso Water ratepayers are financing water and sewer capacity for subdivisions they do not live in — every month, on every bill, with interest.

3. What Changed in 2024 — and Why It Wasn't Enough

WHAT CHANGED IN 2024 — AND WHY IT WASN'T ENOUGH

On May 7, 2024, City Council voted 5–3 to raise water and wastewater impact fees 28% — the first update since February 2009, and roughly half of a 56% inflation-adjustment option, against a calculated maximum far above both.

SERVICE AREA	2009 RATE	ADOPTED 2024 (+28%)	INCREASE
Eastside / Far East	\$1,617	about \$2,070	+\$453
West Side	\$1,586	about \$2,030	+\$444
Northeast	\$1,469	about \$1,880	+\$411

It was calculated that El Paso Water needed roughly \$15.6 million more per year in impact fee revenue to cover growth-driven construction costs. The 28% compromise closed only part of that. For the Northeast service area the study-supported figure was about \$5,684 per service unit after the statutory 50% credit — roughly three times the rate actually adopted.

One characterization to get right

Advocates at the May 2024 hearing are often described as having demanded “a 100% increase.” They sought adoption of 100% of the calculated fees, which is a much larger step than doubling the 2009 rate. Getting this wrong understates the remaining gap.

This project picks up where the 2024 increase left off.

4. The Goal

THE GOAL

Move El Paso Water's impact fees **materially closer to full cost recovery at the next update**, so existing ratepayers **stop financing capacity for new subdivisions on the city's fringes**.

ELEMENT	DETAIL
Pays for	Water and wastewater capacity necessitated by and attributable to new development. Not operations, not maintenance, not upgrades serving existing customers.
Who pays	Developers only, in the three existing designated growth service areas — Northeast, West Side, and Eastside / Far East Side. Paid once , by the developer.
Who benefits	Every El Paso Water ratepayer, through slower growth in the monthly bill as less growth capacity is borrowed.
Who pays nothing new	Every existing household and business. No rate increase, no new charge, and no fee on infill or redevelopment inside already-served areas.
Legal basis	Texas Local Gov't Code Ch. 395. The program already exists — this is a rate update, not a new fee .
Earliest possible adoption	Mid-2027 . State law bars increasing an impact fee for three years from the last increase , which was May 7, 2024.

5. Legal Framework

LEGAL FRAMEWORK

Water and wastewater impact fees are already authorized and in use in El Paso under Chapter 395. No new legal authority is needed — only a rate update. But the chapter was substantially amended in 2025, and the changes cut both ways for this project.

5.1

The timing constraint is now hard

This is the single most important scheduling fact in the project, and it argues for commissioning the study now rather than later. A study takes the better part of a year, the notice periods add roughly another quarter, and an independent audit adds more.

Starting in 2026 targets adoption in 2027 or 2028. Starting in 2028 targets 2029 and concedes another two years of the gap.

5.2

A vote-threshold distinction that favors this project

§395.051, as amended by SB 1883, requires a two-thirds vote of the governing body to approve the imposition of an impact fee. The amendment provisions at §§395.054–395.057, which govern modifying an existing fee, do not state that threshold.

If that reading holds, raising an existing fee remains a simple-majority vote while adopting a new one requires two-thirds.

5.3

New procedural requirements

An independent financial audit is required before any increase.

§395.059 mandates it, and it must be performed by a licensed accountant who has not been under contract to provide any other service to the City in the preceding twelve months. That means the audit cannot be folded into the study consultant's scope — Raftelis can do the study or the audit, not both. The audit must be posted online at least 30 days before the hearing notice is published, and Council must hold a public hearing on its results.

The 60-day disclosure runs from the notice, not the hearing.

§395.054 requires the land use assumptions, the capital improvements plan, and the amount of any proposed amended fee per service unit to be public at least 60 days before the first publication of the hearing notice — and the notice itself must run at least 30 days before the hearing. Budget roughly 90 days, not 60.

Phase-ins are now expressly authorized for up to ten years.

§395.0515 permits a collection schedule below the adopted maximum, ramping toward it over as long as a decade, and that ramp is not an “increase” restarting the three-year clock.

The drafting lesson: adopt the full study-supported maximum, then set a lower collection rate. Adopting a low maximum locks the wrong number in for three years.

The advisory committee is half development industry by statute.

§395.058 requires not less than 50 percent of the capital improvements advisory committee to be representatives of the real estate, development or building industries. Expect its written comments, due five business days before the hearing, to reflect that.

5.4

The new risk this project has to plan around

Senate Bill 14 created a mandatory credit against water and wastewater impact fees, effective January 1, 2026. §395.0231 provides that a political subdivision shall grant a credit to a builder or developer for constructing, contributing or dedicating a facility, system or product that results in water reuse, conservation or savings — including measures that reduce per-service-unit water consumption or supply requirements, decrease wastewater treatment needs, diminish stormwater demand, or exceed standard efficiency compliance. The credit is not discretionary, and the City must adopt procedures for calculating and approving it.

The practical consequence is that raising the headline fee will not translate one-for-one into collections. A developer installing genuine reuse or high-efficiency systems is entitled to an offset.

Two responses belong in the strategy: direct the study to model credit uptake explicitly so Council sees net rather than gross revenue, and design the credit procedures so that measures already required by code or already publicly committed to do not qualify as new conservation. Building the fee update and the §395.0231 procedures in the same cycle is more efficient than doing them separately, and it prevents the credit rules being written by whoever objects loudest after the fee is set.

5.5

Constraints that have not changed

Service areas are fixed to the three designated growth zones — Northeast, West Side, and Eastside. Fees may not be charged citywide.

The statutory credit under §395.014(a)(7) is why the calculated maximum is roughly half the gross cost figure — either a credit for ad valorem and utility revenue generated by new service units, or a flat 50 percent. This is the difference between the roughly \$11,368 gross and roughly \$5,684 net figures in the Northeast.

The fee must rest on a cost-of-service study. Council cannot pick a higher number without study support. *Sheetz v. County of El Dorado* (2024) confirmed that legislatively adopted permit conditions face the same essential-nexus and rough-proportionality scrutiny as individually negotiated ones. A challenge must be filed within 90 days of adoption under §395.077(b).

6. What Comparable Texas Cities Charge

WHAT COMPARABLE TEXAS CITIES CHARGE

El Paso's number has to come from El Paso's study. Peer cities establish that the current rate is low, not what the right rate is.

CITY	SINGLE-FAMILY FEE	NOTE
San Antonio	About \$7,343 – \$11,528	SAWS raised fees an average of 23% in 2024, by zone, after finding its 2019 schedule of \$5,902–\$8,548 outdated. Use the post-2024 range — the older figures understate the gap.
Houston	About \$3,837 combined	Roughly \$2,091 water plus \$1,746 wastewater per service unit, escalating most years by the Producer Price Index. Low- and moderate-cost single-family homes at or below the citywide median purchase price are exempt entirely — a model worth copying alongside any increase.
El Paso, adopted	About \$1,880 – \$2,070	Lowest of the group even after the 2024 increase.
El Paso, study-supported	About \$5,684 in the Northeast	The calculated maximum after the statutory 50% credit — roughly three times the adopted rate, and still below San Antonio.

Takeaway for Council: even at the full study-supported maximum, El Paso would sit below San Antonio and in Houston's neighborhood. The argument is not that El Paso should be aggressive. It is that El Paso is not close to the middle of the pack, and existing ratepayers are covering the difference. Pull each city's current published schedule before quoting a figure, since several escalate annually.

7. Proposed Structure

PROPOSED STRUCTURE

- Commission the next impact fee study now, ahead of the 2028 schedule**
So an adoption vote is ready as soon as the three-year lock lifts in May 2027. Use a consultant with continuity from the 2024 work for credibility — but see item 2.
- Retain a separate independent auditor**
§395.059 requires an auditor with no other City contract in the preceding twelve months. Scope this as a distinct procurement early; discovering it late costs a quarter.
- Require the study to model SB 14 conservation credits**
And present Council with net expected collections, not a gross fee schedule. Adopt the §395.0231 credit procedures in the same cycle.
- Adopt the full calculated maximum, then set a lower collection rate**
And ramp it under the ten-year phase-in authority. Two to three years is a reasonable ramp; the point is that the maximum and the collection rate are separate decisions.
- Pair the increase with an affordability measure**
§395.016(g) permits waiving or reducing the fee for qualifying affordable housing, and Houston exempts homes at or below its median purchase price. Adopting an exemption alongside the increase removes the strongest objection before it is made.
- Publish the ratepayer arithmetic every year**
Report, each budget cycle: impact fee revenue collected, growth capital funded from it, and revenue-bond issuance avoided. This is what converts a technical fee into a visible ratepayer win and keeps the program alive between updates.
- Publish land use assumptions, the capital improvements plan and the proposed fee per service unit**
At least 60 days before the first publication of the hearing notice,

8. Anticipated Opposition — and Responses

ANTICIPATED OPPOSITION — AND RESPONSES

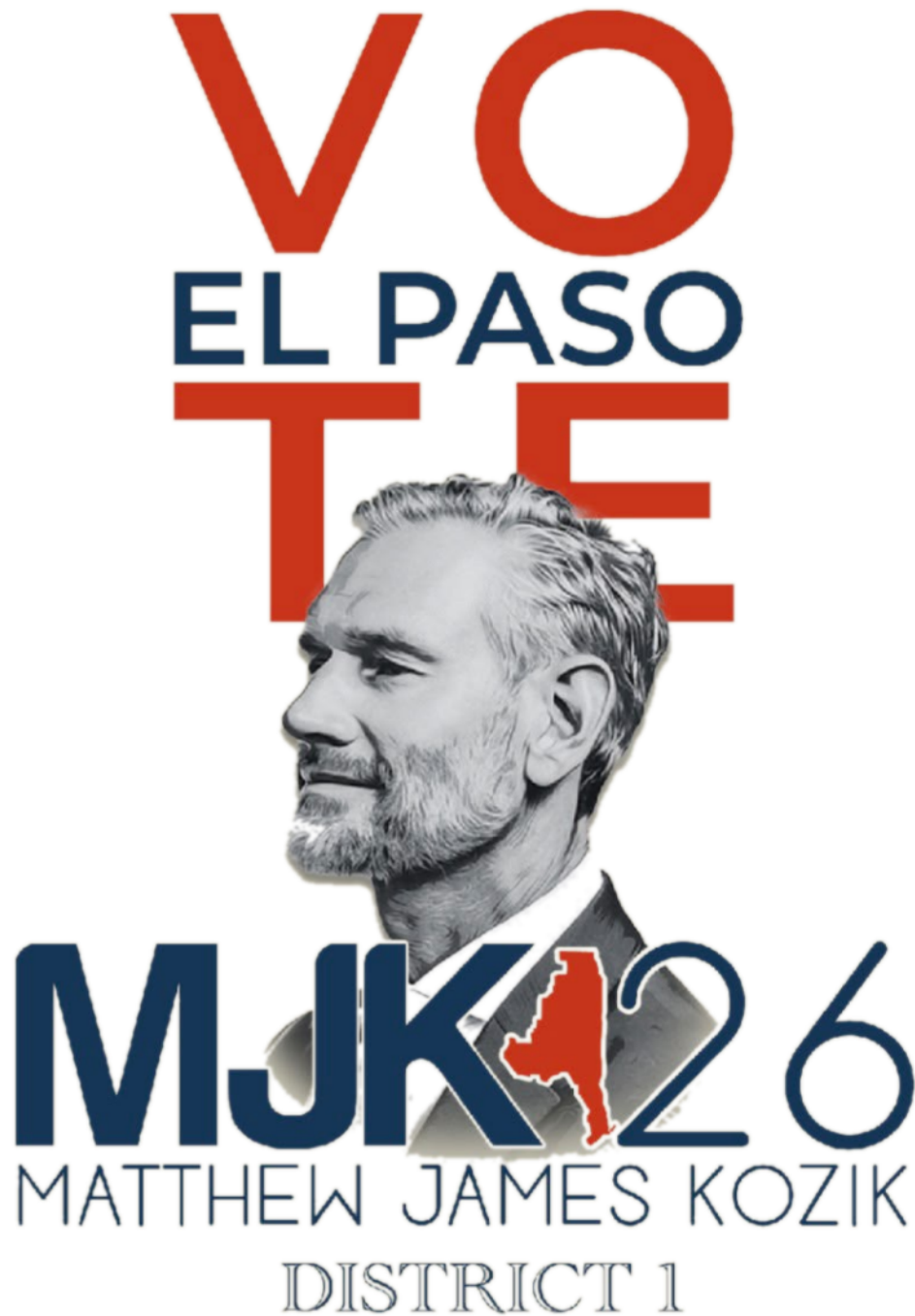
OBJECTION	RESPONSE
<i>“This will get passed along in the price of new homes.”</i>	The fee is charged to the developer , and any pass-through reflects the actual cost of the infrastructure that home requires — the same principle Council accepted in 2024. The alternative is that existing customers pay it instead, forever, with interest. This plan also recommends adopting an affordable-housing exemption alongside the increase, which state law expressly permits and Houston already does.
<i>“El Paso already raised these fees in 2024. This is too much too soon.”</i>	The 2024 increase was 28% — the first update since 2009 , and roughly half of an inflation-adjustment option , against a calculated maximum roughly three times the adopted rate . It closed part of a \$15.6 million annual gap . And state law bars any increase before May 2027 regardless , so this is not a request to move quickly. It is a request to be ready when the law allows.
<i>“How much will this actually take off my bill?”</i>	Not much in any single month , and this plan says so rather than inflating it — the utility’s own CEO said pennies for the 2024 change and its CFO estimated about a dollar a month even at the full maximum. The case is cumulative: \$15.6 million a year uncollected is borrowed and repaid by ratepayers with interest over twenty years. The bill just rose \$9.99 a month. The question is what it does over the next decade.
<i>“Developers will build outside the service areas.”</i>	Impact fees apply only within the designated service areas — a known tradeoff shared by every Texas city using this tool, including San Antonio and Houston , both of which charge substantially more than El Paso does . Land outside those areas also does not receive utility service on the same terms.
<i>“Why should new fees pay for infrastructure that benefits the whole system?”</i>	They do not. The study isolates costs necessitated by and attributable to new development, and the statute bars using impact fees for operations, maintenance, or upgrades serving existing customers. The Bustamante expansion and the desalination plant remain funded through general ratepayer bills, unaffected by this project.
<i>“The conservation credit will wipe this out anyway.”</i>	It will reduce it, which is why the study must model credit uptake and why the City should write the \$395.0231 procedures in the same cycle rather than after the fact. A credit for genuine reuse infrastructure is sound policy; a credit for measures already required by code is not, and the procedures decide which happens.

9. Suggested Timeline

SUGGESTED TIMELINE

BUILT BACKWARD FROM THE MAY 2027 DATE ON WHICH AN INCREASE FIRST BECOMES LAWFUL

1	Now – Month 2	Council and the Public Service Board direct staff to scope and fund the next impact fee study ahead of the 2028 schedule. Separate procurement opened for the \$395.059 independent auditor. Written City Attorney opinion requested on the vote threshold for an increase.
2	Month 3–10	Consultant updates land use assumptions and the capital improvements plan , calculates the new maximum, and models SB 14 conservation credit uptake against net collections.
3	Month 10–11	Independent financial audit completed and posted online.
4	Month 11	Public release of land use assumptions, capital improvements plan and proposed fee per service unit. The 60-day clock begins.
5	Month 13	Hearing notice published; 30-day clock begins . Advisory committee comments due five business days before the hearing.
6	Month 14	Public hearing; stakeholder engagement with developers and homebuilders.
7	Month 15–16, not before May 2027	Council vote to adopt the amended maximum and the phase-in collection schedule , plus the \$395.0231 credit procedures and an affordable-housing exemption.
8	Ongoing	Annual public report on impact fee revenue, growth capital funded, and bond issuance avoided. Next statutory update due within five years.



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