

EXHIBIT C

Impact Fee Advisory Committee Recommendations

December 10, 2014
(REVISED December 15, 2014)

Mr. Larry Fox, President
West Travis County Public Utility Agency
12117 Bee Cave Road, Building 3, Suite 120
Bee Cave, Texas 78738

RE: Recommendations of the West Travis County Public Utility Agency (WTCPUA) Impact Fee Advisory Committee regarding potential amendments to the water and wastewater land use assumptions, capital improvements plans, and impact fees

Dear President Fox:

The purpose of this letter is for the WTCPUA Impact Fee Advisory Committee (IFAC) to provide the WTCPUA Board of Directors with its written comments to the proposed amendments to the WTCPUA's water and wastewater land use assumptions, capital improvements plans, and impact fees. As you know, the IFAC consists of (i) myself (Chair), representing retail rate payers; (ii) Don Walden (Vice Chair), representing developers; (iii) Dan Roark, representing retail ratepayers; (iv) Chet Palesko, representing wholesale water customers; and (v) Michael Slack, representing developers. Four of the five members attended all of the meetings. One member attended just the final meeting.

The IFAC met on August 11, September 5, October 3, October 8, and November 17, 2014 to consider and evaluate potential amendments to WTCPUA's 2014 proposed water and wastewater land use assumptions and capital improvements plans, and water and wastewater impact fees. In completing its assessment of the proposed impact fees, the IFAC reviewed Land Use Assumptions, Capital Water and Wastewater Improvements and Projected Impact Fee Calculations/Reports and other supplemental materials received from WTCPUA Staff; Dennis Lozano P.E., Murfee Engineering; and Nelisa Heddin, Nelisa Heddin Consulting. In addition, the Committee on August 11, 2014 received a detailed Demographic Study of the WTCPUA service area and held discussions with representatives from Population and Survey Analysts. The IFAC thoroughly discussed and considered these materials and arrived at the following recommendations:

I. Recommendations Regarding Land Use Assumptions and Capital Improvements Plan

For background purposes, the IFAC unanimously makes the following general assertions and recommendations:

1. The IFAC believes that it is good public policy for the West Travis County Water and Wastewater Systems ("Systems") to be owned and operated by a public entity, as opposed to an investor-owned utility.
2. The IFAC believes that existing PUA customers should not be saddled with all of the PUA's capital improvement program debt obligations incurred to expand the system. It should be shared with future customers as well.

3. The IFAC agrees with (i) the formulas used by the WTCPUA's consultants to calculate the maximum water and wastewater impact fee amounts, and (ii) the dollar amounts, flow rates, and other factors used in those formulas.
4. The IFAC approved the reports submitted by Murfee Engineering, Land Use Assumption and Capital Improvement Plan, dated November 18, 2014 and Nelisa Heddin Consulting, Land Use Assumption and Impact Fee Report, dated November 17, 2014.
5. The IFAC believes that the 2014 Demographic Study provides a high projection of growth within the WTCPUA service area. The study does not project an occurrence of a dip in the housing market which generally occurs every 6-8 years. The IFAC believes this is the more conservative financial assumption since higher growth means higher funding sooner for which the WTCPUA should be prepared.
6. The IFAC strongly recommends that the WTCPUA reconsider its water and wastewater land use assumptions, capital improvements plan, and impact fees every two years. The IFAC should be included in this review, in accordance with Chapter 395 of the Texas Local Government Code.

With this baseline understanding, the IFAC provides the following recommendations regarding the WTCPUA's proposed water and wastewater impact fees:

II. Recommendations Regarding Water and Wastewater Impact Fees for the Highway 71 and 290 Water Impact Fee Service Areas

1. The water impact fee for the Highway 290 Water Impact Fee Service Area should be set at 60% of the maximum allowable amount (\$17,251.00), which is \$10,370.00 per living unit equivalent ("LUE"). A LUE is the service unit equivalent approved in the PUA's water capital improvements plan. Currently it is 50% of the maximum allowable amount, \$8,809.
2. The water impact fee for the Highway 71 Water Impact Fee Service Area should be set at 60% of the maximum allowable amount (\$9,968.00), which is \$5,992.00 per LUE. Currently it is 50% of the maximum allowable amount, \$5,992.
 - a. The financial burden resulting from the purchase of the Systems should be shared in part by current and future WTCPUA customers through rates paid by retail and wholesale customers.
 - b. The proposed maximum allowable water impact fees for both the Highway 71 and 290 Systems significantly exceed the amount of the water impact fees assessed by other water utilities in the region, and if the WTCPUA assessed the maximum allowable water impact fees, it could impair growth within these impact fee service areas. Further, if growth within the WTCPUA was impaired, then there could be additional, negative unintended consequences on all retail and wholesale WTCPUA customers where the WTCPUA's expenses would be spread across a smaller customer base.
 - c. If a landowner desired to drill a water well (if legally possible), the IFAC estimates that cost would be greater than \$15,000, and the quality and reliability of the water is uncertain. In short, the 60% impact fee should entice landowners

to become future WTCPUA customers instead of drilling such wells if WTCPUA water is available. Some communities are on centralized well water (West Cypress Hills) and have lower impact fees.

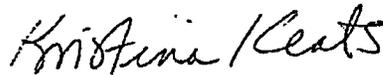
- d. The committee recognizes that water impact fees in the 290 system are higher than water impact fees in the 71 system due to required capital improvements that are needed to serve each respective system. As such, the committee recommends that the percentage amounts of the maximum allowable impact fees be the same with the dollar amounts adjusted accordingly.
3. The wastewater impact fee should be set at 74% of the maximum allowable amount (\$15,525.00), which is \$11,500.00 per LUE. It is currently 66% of the maximum allowable amount, \$11,500.
4. The committee recommends that WTCPUA Staff provide to the Board of Directors a quantitative summary of contractual obligations and recommends that the board consider these obligations in setting fees for the 290 and 71 systems, if applicable.

The dissenting IFAC members, D. Walden and M. Slack, do not support the recommendation of implementing rates at 74% of the maximum allowable wastewater impact fee amounts for the Highway 71 System because the increase in the impact fees could cause harm to the housing market in the WTCPUA service area. Rocky Creek Ranch, Sweetwater Ranch and West Cypress Hills each have significantly lower fees. They want to keep the rate at 66% of the maximum allowable wastewater impact fees.

This letter corrects clerical errors from the letter dated December 10, 2014.

We appreciate the opportunity to assist the WTCPUA with this important initiative. If you have any questions, do not hesitate to contact me at kalkeats@gmail.com.

Sincerely,



Kristina Keats, Chair
WTCPUA IFAC

cc: Mike Murphy, Vice-President of WTCPUA
Honorable Ray Whisenant, Secretary of WTCPUA
Bill Goodwin, Director of WTCPUA
Scott Roberts, Director of WTCPUA
Don Walden, Vice Chair of IFAC
Michael Slack, IFAC member
Dan Roark, IFAC member
Chet Palesko, IFAC member
Don Rauschuber, PUA General Manager
Nelisa Heddin, PUA Rate Analyst
Lauren Kalisek, PUA General Counsel
George Murfee, PUA Engineer