

Memorandum

REPORT TO: City Commission

FROM: Chris Saunders, Community Development Manager
Erin George, Community Development Director

SUBJECT: Authorize the City Manager to Sign an Agreement Between the City of Bozeman and Montana State University to Update the Water and Wastewater Impact Fee Declining Balance Program Established by Resolution 4939

MEETING DATE: August 18, 2026

AGENDA ITEM TYPE: Agreement - Agency/Non-profit

RECOMMENDATION: **Consider the Motion:** *I move to authorize the City Manager's signature on the water and sewer impact fee declining balance agreement with Montana State University.*

STRATEGIC PLAN: 1.3 Public Agencies Collaboration: Foster successful collaboration with other public agencies and build on these successes.

BACKGROUND: Montana State University is the City's largest utility customer. As described in the attached agreement, MSU has an unusual water system that connects differently to the municipal system than the typical utility customer. In recognition of this, the Commission passed Resolution [4939](#) [external pdf] on July 23, 2018, action item I.2. The resolution, and this agreement, identify and recognize the uniqueness of the MSU utility connections and create procedures for the review of water and sewer demand and associated impact fees.

In addition, MSU has made great efforts to conserve water within the campus with numerous retrofit projects to improve efficiency of water fixtures and operational equipment. Impact fees are charged when there is an increase in demand for service. The conservation efforts of MSU have reduced demand for water and wastewater services. This saves costs for both new construction and continued operations. The City's Integrated Water Resources Plan and Water Conservation Division strongly support investments in water efficiency. The City's impact fee regulations identify the opportunity to not incur impact fees when an applicant demonstrates there is no increase in service demand, see 2.06 [Division 9](#) (external link), paragraphs 2.06.1670.G and 2.06.1680.G, BMC.

The program adopted in 2018 addresses the reduction in water and sewer demand resulting from the conservation measures, and how that interacts with new construction on campus. MSU has constructed 10 new facilities

since then. Some are in the documentation and reconciliation period. More are in planning stages. To date, MSU has used approximately 62% of the documented demand offset balance. The demand offset created by the conservation of water has enabled MSU to not incur impact fee charges for water and sewer services and enabled the City to avoid capital expenditures to expand the capital equipment to provide water and sewer services to MSU.

Due to the passage of time, draw down of demand offsets, and identification of needed clarifications, it is appropriate to provide an update to the City Commission on the status of the program and to update the documents to reflect the actions taken to date. The new agreement also provides greater clarity on how new demand offsets are documented, added to the program, tracked over time, and how reconciliation of expected and actual demand occurs. These are refinements to the existing system. The proposed agreement continues the existing program.

UNRESOLVED ISSUES: None.

ALTERNATIVES: As identified by the City Commission.

FISCAL EFFECTS: This action does not expend any funds.

Attachments:

[Impact Fee MSU Credit Balance Program Update Agreement for 8-18-2026 CC meeting.pdf](#)

[Tables 1 and 2 Tracking Demand Offset Program 7-28-2026.pdf](#)

Report compiled on: August 10, 2026