

## ACTION FORM BRYAN CITY COUNCIL

<b>DATE OF COUNCIL MEETING:</b> March 10, 2015		<b>DATE SUBMITTED:</b> February 10, 2015	
<b>DEPARTMENT OF ORIGIN:</b> Water Services		<b>SUBMITTED BY:</b> J. Barfknecht	
<b>MEETING TYPE:</b>	<b>CLASSIFICATION:</b>	<b>ORDINANCE:</b>	<b>STRATEGIC INITIATIVE:</b>
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input checked="" type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> STATUTORY		<input checked="" type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input checked="" type="checkbox"/> INFRASTRUCTURE
			<input type="checkbox"/> QUALITY OF LIFE
<b>AGENDA ITEM DESCRIPTION:</b> Consider approving payment to Wellborn Special Utility District, formerly OSR Water Supply Corporation (OSR), for water supplied to City of Bryan customers acquired through a Certificate of Convenience and Necessity (CCN) transaction for a not to exceed annual amount of \$115,000.00.			
<b>SUMMARY STATEMENT:</b> On April 13, 2010, the City of Bryan closed on a CCN transaction with OSR for \$308,832.00 for 96 customers. This concluded a long negotiation with OSR that began when the City filed to expand its water CCN territory in 2001. These customers are primarily west and southwest of the intersection of Hwy 21 (west of Bryan) and Pleasant Hill Road. As part of this transaction, if customers conveyed without the infrastructure to serve them, OSR agreed to supply water to customers purchased by the City so long as the City paid OSR their individual customer rate. This portion of the agreement was to go into effect once the City of Bryan installed their meters at the customer locations. This installation occurred in December 2011. Of the 96 accounts purchased, 81 are currently supplied water by Wellborn Special Utility District (a.k.a Wellborn and formerly the particular area served by OSR).			
<p>The current base rate for Wellborn is \$25.00, which includes the first 2,000 gallons, \$3.40 per 1,000 gallons for the range of 2,001 to 10,000 gallons, \$3.65 per 1,000 gallons for the range of 10,001 to 20,000 gallons, \$3.95 per 1,000 gallons for the range of 20,001 to 30,000 gallons, \$4.90 per 1,000 gallons for the range of 30,001 to 40,000 gallons, \$5.40 per 1,000 gallons for the range of 40,001 to 50,000 gallons, and \$5.90 per 1000 gallons for anything over 50,000 gallons. Since some of these customers are outside the City limits, they pay the City of Bryan's outside the City rate. This rate is 1.5 times the City rate or \$4.14 per 1,000 gallons for residential customers and \$3.57 per 1,000 gallons for commercial customers. The customer charge is \$8.31 for residential customers and a minimum of \$13.74 for commercial customers. The City of Bryan will bill the customers and then calculate the amount owed to Wellborn based on the consumption of each customer.</p>			
<p>In 2014, the City of Bryan paid OSR an average amount of \$2,249.70 per month more than it billed to the customers for a total loss in 2014 of \$26,996.40. With current rate structures in place, positive revenue exists only in residential customers outside the City limits and within defined consumption ranges. Positive revenue occurs for residential accounts billing outside the City limits when usage is between 15,100 and 35,675 gallons (50 accounts in this class). Either side of those consumption markers and the City runs a deficit. Residential accounts inside the City limits and commercial accounts either inside or outside the City limits are operated at an escalating deficit; the more water used, the larger the City's loss (32 accounts in this class).</p>			
<p>This Council Action Form is to make City Council aware of the payment to Wellborn based on an agreement signed in 2006 and transaction closed in 2010. Total annual payments to Wellborn SUD are approximately \$115,000, which is the not to exceed amount considered by the City Council with this Council Action Form (CAF). Staff will continue to monitor the deficit due to these payments to Wellborn. Once enough history on these accounts has been</p>			

obtained, staff will bring back a solution(s) to reduce the deficit. One such solution may be to adopt a rate structure for these customers that mirrors what Wellborn is charging the City. Staff is currently discussing a scope of services with a firm to conduct a cost of service study. Since the Public Utility Commission recently took over regulatory control of the rate setting process for water and sewer, a cost of service study will help defend against any challenges to our rate structure and is necessary to establish a different rate for these customers should the City choose that option. Staff is also working with a consultant to develop a scope of services for the design of a waterline to be built in 2018 that would extend from Leonard Rd north along Hwy 47 and then east along Hwy 21 to Pleasant Hill Rd. This project would end the need for this agreement and allow for development opportunities in the corridor.

**STAFF ANALYSIS AND RECOMMENDATION:** This transaction may provide a more economical solution than the City of Bryan extending infrastructure into this area. Depending on customers' water usage throughout the year, this transaction may require the Water Fund to subsidize the sale of water to these customers who are provided water by Wellborn.

**OPTIONS (In Suggested Order of Staff Preference):**

- 1) Approve payment to Wellborn
- 2) Do not approve payment, which may be in violation of the contract, and provide direction to staff

**ATTACHMENTS:** (both attachments are in a single pdf file)

- 1) OSR Bill of Sale (pdf file)
- 2) Water Supply Agreement (pdf file)

**FUNDING SOURCE:** Water Operating Fund

**APPROVALS:** Jayson E. Barfknecht 02/10/15; Hugh R. Walker, 02/13/2015

**APPROVED FOR SUBMITTAL: CITY MANAGER** Kean Register, 02-17-2015

**APPROVED FOR SUBMITTAL: CITY ATTORNEY**