

Meeting Date (?) 03/22/2016

Subject Matter* (?) Water Purchase Agreement – Wellborn
This must match rolling agenda entry

Department of Origin* WATER SERVICES

Submitted By* Charles Rhodes

Type of Meeting* BCD Special Regular

Classification* Public Hearing Consent Statutory Regular

Ordinance* None First Read Second Read First & Only Read

Strategic Initiative* Public Safety Service
 Economic Development Infrastructure
 Quality of Life

Agenda Item Description* Consider approving payment to Wellborn Special Utility District, formerly OSR Water Supply Corporation, 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.

Summary Statement *

On April 13, 2010, the City of Bryan closed on a CCN transaction with OSR Water Supply Corporation (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 Highway 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 happened in December 2011. Of the 96 accounts purchased, 87 are currently supplied water by Wellborn Special Utility District (formerly OSR).

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 the range of 0 to 30,000 gallons, \$4.50 per 1,000 gallons for the range of 30,001 to 50,000 gallons, and \$5.25 per 1000 gallons for anything over 50,000 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 customers and then calculate the amount owed to Wellborn based on the consumption of each customer.

In 2015, the City of Bryan paid OSR an average amount of \$2,334.78 per month more than it billed to the customers for a total loss in 2014 of \$28,017.41. 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 9,800 and 49,350 gallons (55 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 our loss (32 accounts in this class).

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 engaged a rate consultant to evaluate the feasibility of adopting a separate rate for this group of customers to mitigate the operating deficit. The rate consultant's preliminary findings did not substantiate taking this action. Water Services is currently in the design phase of a Capital Improvement Project to extend infrastructure into this area. Once the construction phase is complete, there will no longer be a need to purchase water from Wellborn to service these customers.

Staff Analysis & Recommendation *

Water Services respectfully requests City Council approve this payment. This transaction provides an economical service solution until the City of Bryan can extend infrastructure into this area. This transaction may require the water fund to subsidize the sale of water to these customers that is provided 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

Funding Source *

Water Operating Fund

Attachments

Attachments A_B.pdf

1.29MB

Please detail attachments and note attachments available for viewing in City Secretary's Office:

****Both attachments are in a single pdf file****

1. Attachment A: Receipt and Acknowledgement of Compensation to Wellborn (formerly OSR Water Supply Corporation)
2. Attachment B: Water Supply Agreement with Wellborn (formerly OSR Water Supply Corporation).

Dept. Head Signature

JAYSON E. BALFNECHT 03/7/16

Deputy City Manager
Signature

Hugh R. Walker

City Manager Signature

Hugh R. Walker

City Attorney Signature

Janis K. Hampton