

# Brazosport Water Authority (BWA) Agreement, Subsidence Fund and GRP Fees

February 3, 2015

# Water Supply Agreement

- On December 2, 2014, City Council authorized the execution of a Water Supply Agreement with the Brazosport Water Authority (BWA).
- Allows for compliance with the Fort Bend Subsidence District unfunded mandate of 30% reduction of groundwater withdrawal by October 1, 2016.
- The Texas Department of Criminal Justice decided not to participate in the project leaving an additional 2.7 million gallons of water per day available.
- This Amendment allows the City to acquire the additional 2.7 million gallons of water per day which satisfies the City's 2025 mandate and keeps the overall project feasible for both BWA and the City.

# Cost of BWA Contract

## Capital Costs

- Start paying prior to the delivery of water – one month after approval of agreement and the bond resolution.
- Amount paid is calculated using the same formula as used for the Participating Cities.
- Capital cost rate is based on the amount of BWA debt and amount of water contracted by BWA.
- The City will pay the capital cost rate on the full 5.7 million gallons per day.

# Cost of BWA Contract

## **Operational and Maintenance Costs (O&M)**

- Start paying after the delivery of water – one month after BWA delivers water to Rosenberg, they will provide an invoice including the O&M costs.
- The O&M rate for Rosenberg is the rate paid by Participating Cities plus \$0.18 per thousand gallons.
- The O&M rate is based on BWA's System Operational and Maintenance Costs and amount of water contracted by BWA.
- The City will pay the O&M rate on 3 million gallons per day.
- The City may request additional quantities and pay the O&M rate for up to 5.7 millions gallons per day.

# Estimated Cost for BWA Water

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Delivered Water (MGD)	-	-	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Reserved Water (MGD)	5.7	5.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Rate for Delivered (O&M & Capital)	-	-	\$2.76	\$2.81	\$2.86	\$2.91	\$2.96	\$3.01	\$3.06	\$3.11
Rate for Reserved (Capital Costs)	\$0.54	\$0.86	\$1.07	\$1.17	\$1.17	\$1.33	\$1.33	\$1.33	\$1.33	\$1.32
Cost for Delivered Water	-	-	\$3,022,200	\$3,076,950	\$3,131,700	\$3,186,450	\$3,241,200	\$3,295,950	\$3,350,700	\$3,405,450
Cost for Reserved Water	\$655,358	\$1,789,230	\$1,054,485	\$1,153,035	\$1,153,035	\$1,310,715	\$1,310,715	\$1,310,715	\$1,310,715	\$1,300,860
<b>Total Annual Costs</b>	\$655,358	\$1,789,230	\$4,076,685	\$4,229,985	\$4,284,735	\$4,497,165	\$4,551,915	\$4,606,665	\$4,661,415	\$4,706,310

MGD – Million Gallons per Day

Rates are per one-thousand gallons

FY2015 includes 7 months of payments (March – September)

# Capital Improvement Projects

FM 2977 16-inch Water Line	\$827,000
FM 2977 Elevated Storage Tank	\$3,902,200
Benton Road 16-inch Water Line (A Meyer Road to Irby Cobb)	\$265,000
A Meyer Road 16-Inch Water Line Upgrade	\$385,000
A Meyer Road 20-Inch Water Line Upgrade	\$303,000
A Meyer Road Water Plant Improvements	\$5,233,000
Chloramines Conversion	<u>\$1,171,500</u>
Total Project Costs	\$12,086,700

Project estimates include engineering, design and construction costs.

# Capital Improvement Funding

Impact Fees	\$1,978,000
Subsidence Fees (GRP Fees)	\$4,000,000
Water/Wastewater Funds	\$2,108,700
Issue Debt – (Use future water impact fees to fund the annual debt requirements.)	<u>\$4,000,000</u>
Total Funding Sources	\$12,086,700

# Current Surface Water (GRP) Rates

Entity	Current Rate
North Fort Bend Water Authority	\$ 2.80
San Jacinto River Authority	\$ 2.44
Sugar Land	\$ 1.88
Missouri City	\$ 1.82
Richmond	\$ 1.50
Rosenberg	\$ 1.40

Rates based per 1,000 gallons



# Subsidence (GRP) Fees

## History

Year	Rate
2007-08	\$0.25
2008-09	\$0.35
2009-10	\$0.40
2010-11	\$0.50
2011	\$0.60
2012	\$0.75
2013	\$1.00
2014	\$1.20

## Current/ Projected

Year	Rate
2015	\$1.40
Mid 2015	\$1.80
2016	\$2.20

Rates based per 1,000 gallons

# Cash Flow for Subsidence (GRP) Fund

	2015	2016	2017	2018	2019
Beginning Balance	\$4,500,000	\$1,944,642	\$3,095,412	\$2,098,727	948,742
Subsidence Fee (GRP) Revenues	\$2,100,000	\$2,940,000	\$3,080,000	\$3,080,000	\$3,080,000
BWA Payments	(\$655,358)	(\$1,789,230)	(\$4,076,685)	(\$4,229,985)	(\$4,284,735)
Internal Capital Costs	(\$4,000,000)	-	-	-	-
Ending Balance	\$1,944,642	\$3,095,412	\$2,098,727	\$948,742	(\$255,993)

Subsidence Fee Revenues are based on increasing rates to \$1.80 in July 2015 and to \$2.20 in January 2016. Subsidence Fee Revenues are also based on the current water sales of 1.4 billion gallons annually.

# Benefits

- Secures water supply not only to meet needs through mandated 60% conversion in 2025; but also to support continued growth and economic development (5.7 MGD contract)
- Saves an estimated \$12.6 million over next 35 years when compared to City-owned and operated surface water treatment plant
- Provides additional advantages including:
  - A stable, predetermined rate structure that includes costs for capital improvements
  - Flexibility for use of additional 2.7 MGD based on City needs
  - Potential for reduced costs through future growth of customer base
  - Sustainability of supply due to Dow Chemical's senior water rights and reservoirs, and potential sources for future water supply