



City of Granite Shoals

Administration

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Wednesday, October 03, 2018

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Council Member
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Council Member
Place 2

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Place 1

Terry Scott
Council Member
Place 4

Todd Holland
Council Member
Place 5

Will Skinner
Council Member
Place 6

Jeff Looney
City Manager

Peggy Smith
Assistant City
Manager

To Granite Shoals Citizens Concerning a Water Rate Increase

On September 25th, Granite Shoals City Council voted to approve an increase in water rates charged to both in-city and out-of-city water customers. The increase for in-city water users will raise the minimum water rate for 2,000 gallons by \$3.50, from \$36.86 to \$40.36, and for water usage above 2,000 gallons by \$2.00 per 1,000 gallons for each of the rate levels for in-city customers. Listed below are answers to questions that you might have.

Why do we need an increase now?

The last increase in the minimum base rate for 2,000 gallons was November 23, 2012. As the City approaches the end of its 2017-2018 fiscal year on September 30th, the City is anticipating budgeted revenues from water sales will be approximately \$100,000 below targeted levels. The \$3.50 increase in the base minimum rate represents 9.5% increase over a six-year period, or approximately 1.6% annually.

When will the water rates be changed?

Water rates will change with the beginning of the first billing cycle in October, 2018.

How did the City determine the amount of the increase?

In 2017, the City Council considered an increase in water rates, but decided to solicit third party rate studies to help clarify the amount of increase needed. Two different rate studies were completed using historical data. The studies were updated using data from the 2018-2019 fiscal year budget, determining that a \$3.50 increase in minimum rates was needed along with a \$2.00 rate increase per 1,000 gallons for additional water usage.

What happens if the new rates generate more revenue than expected?

The ordinance that the council passed, No. 748, has very specific language reserving excess revenues with the statement that "Water sale revenue in excess of budgeted water sales from City and Sherwood Shores III water users, as well as any other out-of-City water users, shall be placed in a Utility Capital Equipment Fund for capital equipment purchases necessary for the operation of the City's water system."

Will the City use the revenue received to make improvements to the water system? Yes, as previously stated, "Water sale revenue in excess of budgeted water sales ... shall be placed in a Utility Capital Equipment Fund for capital equipment purchases..." This is in agreement with the Street and Water Advisory Group (SWAG), an advisory committee to the City Council, recommendation that all funds from a rate increase should be allocated to the water department. The SWAG committee also made a recommendation supporting Texas Commission on Environmental Quality (TCEQ) directive to increase water storage compacity with a new water tower in the City and a new pressure tank for the Sherwood Shores III water system.

What are the City's plans for improving the water system?

A list of improvements based on preliminary estimates in excess of \$16,000,000 have been identified for the water system within the City. Four projects listed totaling \$9,200,000 have been submitted to the Texas Water Development Board for evaluation. If these projects are approved, options for grants and project financing maybe available. Included in the submission is the new water tower that the Texas Commission on Environmental Quality (TCEQ) gave notice to the City to initiate planning for installation. The City also anticipates being eligible for a \$275,000 Community Development Block Grant during the 2018-2019 fiscal year. One or more listed projects identified will be submitted for approval. The City Council is committed to making significant improvements to the water system. In support of that commitment, the Council has agreed to designate \$225,000 from this year's budget toward water system improvements. It is also considering having an outside engineering firm complete a system wide study.

Similarly, a list of improvements for the Sherwood Shores III water system have been identified with preliminary estimates totaling \$900,000.



Carl Brugger, Mayor