

Memo

To: Mayor and Members of City Council
From: Don Ferguson, City Administrator
Date: November 14, 2016
Re: Aqua Texas Retail Service Proposal

I am writing this memo to provide you with some additional information that was made available to me regarding the Aqua Texas retail wastewater service proposal for central Wimberley.

In the course of analyzing the Aqua Texas wastewater service proposal, I contacted Aqua Texas President Robert Laughman on November 4, 2016, to seek clarification on several points regarding the Aqua Texas proposal that was recently presented to City Council. In response to my inquiry, Mr. Laughman provided me with the following additional information relating to the Aqua Texas proposal.

1. Rather than constructing the entire proposed collection system at one time, Aqua Texas is interested in the phased development of the collection system in central Wimberley. The City would construct the collection system for the immediate downtown area while the proposed CCN transfer is in process. Upon transfer of the CCN, Aqua Texas would reimburse the City for cost of the collection system constructed to serve the immediate downtown area. Aqua Texas would fund future expansion of the collection system in the service area. If the phase development of the collection system is not agreeable to all parties, Aqua Texas would be open to the City constructing the entire proposed collection system at one time, with Aqua Texas reimbursing the City for the construction cost upon transfer of the CCN.
2. Should the actual construction cost exceed the engineer's current construction cost estimate for the collection system, Aqua Texas will not reimburse the City for costs above ten (10) percent of the engineer's current construction cost estimate.
3. As long as the City is responsible for actual construction costs that exceed ten (10) percent of the engineer's current construction cost estimate for the collection system, Aqua Texas will stand by its previous commitment to

maintain current retail rates for central Wimberley customers for a period of five (5) years.

4. Aqua Texas will not reimburse the City or a private property owner for any property connection cost over two hundred (200) feet from the main. This is in accordance with Aqua's current wastewater tariff that is on file with the PUC.
5. Aqua Texas will waive all Aqua Texas CIAC fees (impact fees) for all initial customers in the central Wimberley service area.
6. Financing provided by Aqua Texas' parent company would be offered in the form of a "Prime Plus" short-interest loan. Assuming minimal risk on the loan, the premium above Prime is not expected to be more than 100 basis points.
7. In order to justify the offer Aqua Texas has made, Aqua Texas will insist that the City limit restrictions on future growth within the City's jurisdiction, as Aqua must depend on additional growth within the granted CCN area.
8. Aqua Texas will require the City mandate connection of properties in the service area to the collection system once constructed. For those customers with recently installed septic systems, Aqua Texas is willing to allow those customers to connect to the collection system no later than ten (10) years following construction of the collection system.
9. Aqua Texas will not reimburse the City for any planning and design costs relating to the collection system.
10. Aqua Texas will not pay the City for the City's wastewater CCN.
11. Both the City and Aqua Texas would be responsible for their own legal expenses incurred in transferring the City's wastewater CCN to Aqua Texas. This includes legal expenses incurred as a result of any protest that may be filed relating to such a CCN transfer.
12. Aqua Texas would be responsible for the cost of preparing the actual CCN transfer filing with PUC.
13. Aqua Texas is willing to remove the Blue Hole Regional Park and Deer Creek of Wimberley from the boundaries of the CCN proposed to be transferred.

It is worth noting the above-mentioned information regarding cost overrun responsibility, private property connection cost responsibility, and Aqua Texas' insistence on limiting regulations on future growth is new.

To date, the Aqua Texas proposal has been largely an oral presentation. Prior to City Council making a formal decision on the Aqua Texas proposal, I would strongly encourage the City Council request a detailed comprehensive written retail service proposal from Aqua Texas, along with a detailed written short-term financing proposal, for review and consideration.

It is important to understand that there will need to be a formal agreement negotiated with Aqua Texas should the Council desire to pursue Aqua Texas as a retail wastewater service provider. A written proposal from Aqua Texas would establish a starting point for such contract negotiations.

Please let me know if you have any questions.