



Agenda Report

Agenda of: June 24, 2025

Department: Administration

Subject: Discuss and take appropriate action regarding the City of Castroville's sewer rate winter averaging methodology.

Recommended Motion: N/A Staff seeks City Council direction regarding potential modifications to the City's winter sewer averaging policy in order to ensure a more equitable rate structure for customers.

Background: At the June 10, 2025 City Council meeting, staff was directed to evaluate alternatives to the City's current **winter averaging** methodology for residential sewer billing. The primary concern was that unusually dry weather during the most recent averaging period led many residents to irrigate their lawns, resulting in inflated water usage and disproportionately high sewer charges.

Under **Ordinance No. 2024-003**, the City calculates sewer charges based on a customer's average water consumption during the months of **November through February**. This method assumes that most water usage during this period reflects indoor use, which discharges into the sanitary sewer system. However, customers who irrigate during the averaging period may be charged for water that never enters the sewer system, leading to inequities.

OPTIONS UNDER CONSIDERATION:

Option 1: Modify Averaging Method to Use Lowest Two of Four Months

Instead of averaging all four winter months, calculate the average based on the **two lowest months of water usage**.

- **Pros:**
 - Mitigates effects of temporary spikes due to irrigation or leaks.
 - Reduces customer frustration by reflecting more conservative usage patterns.
- **Cons:**
 - May increase administrative complexity in billing software.
 - Reduces predictability for utility revenue projections.

Option 2: Allow Reversion to Prior Year Average Upon Request

Permit customers to revert to their **previous year's winter average** if they experienced unusual water usage during the averaging period (e.g., leaks or excessive irrigation).

- **Pros:**
 - Offers targeted relief to impacted customers.
 - Maintains broader structure of existing policy.
 - **Cons:**
 - Requires manual review and verification, increasing staff workload.
 - May lead to inconsistent treatment if not applied uniformly.
-

Option 3: Establish a Maximum Monthly Sewer Charge (Cap)

Set a cap on monthly sewer charges to limit the financial impact of unusually high winter water usage.

- **Pros:**
 - Provides a clear upper limit for customer bills.
 - Easy to implement and communicate.
 - **Cons:**
 - May disproportionately benefit higher-use customers.
 - Could result in revenue shortfalls unless offset elsewhere.
-

Option 4: Promote or Require Separate Irrigation Meters

Encourage or require customers to install separate irrigation meters to segregate outdoor use from sewer billing.

- **Pros:**
 - Most accurate method for separating sewer and non-sewer water use.
 - Encourages responsible water usage.
- **Cons:**
 - Regulatory complications: The **Public Utility Commission** and **TCEQ** consider each meter a separate connection, which could affect reporting, classifications, and compliance.
 - Installation costs could be burdensome for customers.

Staff Recommendation

Staff requests direction from Council regarding preferred modifications to the winter averaging policy.

Fiscal Impact: Changes to the averaging methodology are not expected to affect overall revenue but will reallocate costs among customers. Individual bills may increase or decrease depending on usage patterns.

☐ **Budgeted** ☐ **Requires Budget Amendment**

Source of Funding: N/A

Attachments: None.

Urgency (0-5 = Low Urgency to High Urgency): 3

Impact (0-5 = Low Impact to High Impact): 3

Submitted by: R. Scott Dixon