



March 20, 2025

Melinda Moritz  
 Public Works Director  
 City of Leon Valley  
 6400 El Verde Rd.  
 Leon Valley, TX 78238

**RE: Leon Valley Rates Increase Proposal – Per City’s Request**

Dear Ms. Moritz,

The City has requested Ardurra and team to evaluate existing water and wastewater customer rates for sustainability and potential rate adjustments to cover system operating costs. City of Leon Valley Water & Sewer Capital Improvement Plan (in process), has potential to require an additional ~\$500,000 per year to water and sewer budgets once enacted. (\$1,000,000 total). Ardurra had previously provided an assessment of the City of Leon Valley’s water and wastewater rates and gave examples of changes the city could adopt to update them. Existing rates for a standard 5/8” residential meter are shown below:

	Base Rate	\$/1,000 gallons				
		0-3,000	3,001-6,000	6,001-10,000	10,001-17,000	17,001+
<b>Water</b>	\$11.76	\$3.56	\$5.06	\$6.56	\$8.06	\$9.56
<b>Sewer</b>	Base Rate	Per 1,000 gallons over 1,000 gallons				
	\$15.08	\$6.24				

In order to evaluate any changes to the rates, we have developed a way to estimate revenue projected to be made given a set charge structure. The projections below are based on usage data from 2022. In 2022, the system billed for 301,245,000 gallons of water while serving 2,643 meters. This gives an average usage of 9,500 gallons/month. The average usage cost per 1,000 gallons for a customer that uses 9,500 gallons in a month would be \$5.14 per 1,000 gallons. The city provided counts for the number of meters and meter sizes so we can accurately predict revenue gained from meter charges (base rate in above table). The below table shows revenue projections for current rates juxtaposed against actual reported revenue from 2022-2023 and expected revenue for 2025. This reflects that the City’s revenue projections are somewhat conservative.

	<b>WATER REVENUE</b>	<b>SEWER REVENUE</b>
Meter Fee	\$444,463.32	\$455,657.28
Usage Charge	\$1,548,082.20	\$1,691,220.96
<b>Revenue Estimate</b>	<b>\$1,992,545.52</b>	<b>\$2,146,878.24</b>
<b>Actual Sales (22-23)</b>	<b>\$2,020,985.00</b>	<b>\$2,563,039.00</b>
<b>Budgeted Sales (2025)</b>	<b>\$2,119,100.00</b>	<b>\$2,508,000.00</b>

City Council requested Ardurra to evaluate changing the water billing usage tiers to match San Antonio Water System’s (SAWS) charge tiers. When this was first presented to the city, it was shown that adjusting usage billing tiers to match SAWS tiers would likely impact projected revenue for the water

system negatively. City council requested Ardurra to evaluate changing the billing rates for each usage tier to avoid losing revenue. The following table shows a rates proposal formulated based on this request.

Proposed Rates – Year 1						
	Base Rate	\$/1,000 gallons				
		0-4,000	4,001-7,000	7,001-12,000	12,001-20,000	20,001+
<b>Water</b>	\$12.00	\$3.75	\$5.55	\$7.00	\$8.70	\$10.25
<b>Sewer</b>	Base Rate	\$/1,000 gallons				
		\$15.38	\$5.50			

The usage charge rates were set with intention to keep billing within a reasonable proximity to current bills and to retain total revenue projection within 0.15% of existing. The projected revenue estimate for the above rate structure is shown in the table below:

	Existing	Year 1
<b>Proj Rev Water</b>	\$1,992,464.52	\$2,011,794.99
<i>% Change from Existing</i>		+0.97%
<b>Proj Rev Sewer</b>	\$2,146,878.24	\$2,121,617.93
<i>% Change from Existing</i>		-1.18%
<b>Proj Rev Total</b>	\$4,139,342.76	\$4,133,412.91
<i>% Change from Existing</i>		+/-0.14%

Now that a rate structure that matches SAWS and keeps revenue projections in line with current has been defined, one needs to address how to fund the additional \$1,000,000 annual expense due to the CIP as mentioned at the top of this memo. It was calculated that raising the usage billing charges 6.6% per year for 4 years and raising base rates 2% per year (following adoption of the new billing tier system as shown above), the city is projected to raise enough revenue to address this additional funding need. The proposed rates at the end of year 5 are shown below:

Proposed Rates – Year 5						
	Base Rate	\$/1,000 gallons				
		0-4,000	4,001-7,000	7,001-12,000	12,001-20,000	20,001+
<b>Water</b>	\$13.00	\$4.84	\$7.17	\$9.04	\$11.16	\$13.24
<b>Sewer</b>	Base Rate	\$/1,000 gallons				
		\$16.65	\$7.10			

The projected revenue estimate for the above rate structure is shown in the table below:

	<b>Existing</b>	<b>Year 5</b>	<b>\$ Difference Year 5 to Existing</b>
<b>Proj Rev Water</b>	\$1,992,464.52	\$2,503,147.82	<b>\$510,683.30</b>
<i>% Change from Existing</i>		+25.63%	
<b>Proj Rev Sewer</b>	\$2,146,878.24	\$2,642,577.85	<b>\$495,699.61</b>
<i>% Change from Existing</i>		+23.09%	
<b>Proj Rev Total</b>	\$4,139,342.76	\$5,145,725.67	<b>\$1,006,382.91</b>
<i>% Change from Existing</i>		+24.31%	

In reviewing billing data from 2024, it was determined median monthly usage for a standard residential customer was about 5,000 gallons. To give a better understanding of how these rate changes will affect an average residential customer, a comparison was made for a 5,000 gallon usage month bill utilizing existing rates, proposed rates at the end of 5 years, and 2024 SAWS outside city limits billing rates. See table below.

<b>5,000 GAL/MONTH</b>	<b>Existing</b>	<b>Year 1</b>	<b>Year 5</b>	<b>SAWS Outside City Limits 2024</b>
Water – Base Fee	\$11.76	\$12.00	\$12.00	\$14.30
Water – Usage Charge	\$20.80	\$20.55	\$26.54	\$17.09
EAA Fee	\$3.10	\$3.50	\$3.50	\$1.50
Sewer – Base Fee	\$15.08	\$15.38	\$15.38	\$12.00
Sewer – Usage Charge	\$24.96	\$27.50	\$36.00	\$18.27
TCEQ Fee	\$0.38	\$0.39	\$0.47	\$0.27
<b>TOTAL</b>	<b>\$76.08</b>	<b>\$79.32</b>	<b>\$93.88</b>	<b>\$63.43</b>
<i>% Change from Existing</i>	-	+4%	+23%	-16%

Adopting a similar rate structure to the one proposed shows the city can fund the \$1,000,000 per year required to enact the Water and Sewer Capital Improvements Plan.

We appreciate the opportunity to assist you in this matter. If you have any questions, please contact us at (210) 822-2232 or e-mail us at [jhoelscher@ardurra.com](mailto:jhoelscher@ardurra.com).

Sincerely,



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**James Hoelscher, PE**  
Project Engineer

DRAFT