

# Authorize City Manager Contracts for Purchase of Water Rights

Melinda Moritz  
Public Works Director  
City Council Meeting  
November 19, 2024

# Summary

- Question
  - City Council is being asked to authorize the City Manager to enter into contracts for the purchase of 105-acre feet (AF) of water rights
- Options
  - Approve
  - Deny
  - Other
- Declaration
  - These purchases will increase the amount of water rights owned to better provide a permanent & secure water source for future development

# Purpose

- To consider authorizing the City Manager to enter into contracts for the purchase of 105-acre feet (AF) of water rights

# Purpose/Background

- To prepare for future development & to provide a permanent water source, city should own approximately 300 additional AF of water rights
- The first contract is for the purchase of 75 AF & second contract (still pending) is for 30 AF
- The City currently owns 1780.378 AF of water rights, & these purchases will increase that to 1885.378 AF
  - Water rights are purchased with funds collected from developers from Impact Fees & from water supplies fees from customers

# Purpose/Background

- The 75 AF purchase includes a 2-yr lease to SAWS & mandates that SAWS pay the \$88 per AF annual fee to the Edwards Aquifer Authority (EAA)
  - City resumes responsibility for that payment after 2026
  - EAA fees will increase to \$90 per AF next year
- The lease payment to the city from SAWS would be \$9,000 per year for 2025 & 2026 (\$120 per AF)
- The 30 AF purchase is unrestricted
  - EAA fees paid through monthly water bills - \$0.62 per 1,000 gallons

# Purpose/Background

- Other option is to lease water rights in 1, 3, or 5-year increments
  - 1-yr lease limits are becoming more common
  - Is a stopgap - may not always be available in future, due to future new housing/business development demands in Edwards Aquifer supported areas & continuing drought conditions – not a permanent & reliable water source
- Leases are from \$100 - \$150 per AF
  - Cost for 100 AF @ \$150 would be \$15,000, plus EAA fees of \$8,800 = \$23,500
- May not satisfy terms of LGC Impact Fee regulations

# Impact Fee Regulations

- Local Government Code, Chapter 395 Impact Fees, Section 395.020. ENTITLEMENT TO SERVICES.
  - Any new development for which an impact fee has been paid is entitled to the **permanent use** and benefit of the services for which the fee was exacted & is entitled to receive immediate service from any existing facilities with actual capacity to serve the new service units, subject to compliance with other valid regulations

# Purpose/Background

- Local Government Code, Chapter 395 Impact Fees, Section 395.025. Refunds.
  - On the request of an owner of the property, political subdivision shall refund the impact fee if service is not available within a reasonable period considering the type of capital improvement or facility expansion to be constructed, but in no event later than 5 years from date of payment
  - Political subdivision shall refund any impact fee or part of it that is not spent as authorized within 10 years after date of payment

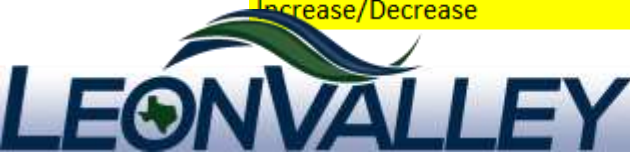


# SAWS Water

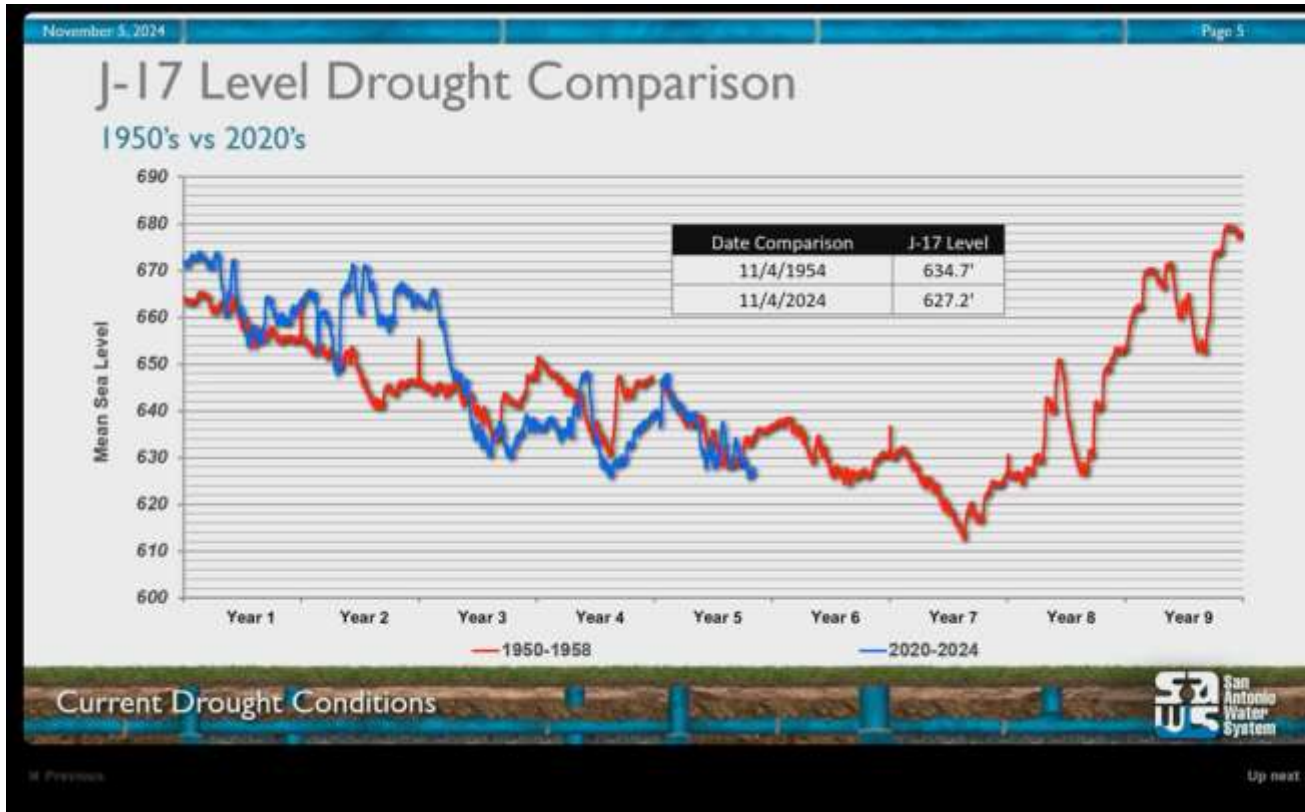
- SAWS is not selling or leasing water rights – they are planning on purchasing 4,000 AF of Edwards Aquifer water rights over the next 5 years
- City could consider wholesale water purchase through SAWS
  - Requires one-time payment of \$662,580 impact fees
  - Includes water availability, EAA, TCEQ fees

# SAWS Wholesale 2023

<b>Leon Valley Wholesale Rate Estimates</b>				
<b>2023 Proposed Rates</b>				
<b>Actual Annual Volume Consumed (AF)</b>	<b>100</b>	<b>Input Consumption Volume</b>		
<b>Meter Charges</b>				
Monthly Service Availability for 10" Meter	\$ 591.14	\$ 591.14	\$ 591.14	\$ 591.14
Number of Meters		0	0	0
Monthly Service Availability for 8" Meter	\$ 473.94	\$ 473.94	\$ 473.94	\$ 473.94
Number of Meters		0	0	0
Monthly Service Availability for 6" Meter	\$ 298.14	\$ 298.14	\$ 298.14	\$ 298.14
Number of Meters	1	1	1	1
<b>Annual Cost for Meter</b>	<b>\$ 3,577.68</b>	<b>\$ 3,577.68</b>	<b>\$ 3,577.68</b>	<b>\$ 3,577.68</b>
<b>Volumetric Charges</b>				
	<b>No Reduction</b>	<b>10% Reduction</b>	<b>20% Reduction</b>	<b>30% Reduction</b>
Annual Base Commitment (AF)	<b>100</b>	<b>90</b>	<b>80</b>	<b>70</b>
Annual Base Gallons Conversion:	32,585,100	29,326,590	26,068,080	22,809,570
<b>Water Delivery Volumetric Total</b>	<b>\$ 88,729.23</b>	<b>\$ 79,856.30</b>	<b>\$ 70,983.38</b>	<b>\$ 62,110.46</b>
Base Consumption (per 100 gallons)	\$ 0.2723	\$ 0.2723	\$ 0.2723	\$ 0.2723
<b>Water Supply Volumetric Total</b>	<b>\$ 116,231.05</b>	<b>\$ 104,607.95</b>	<b>\$ 92,984.84</b>	<b>\$ 81,361.74</b>
Base Consumption (per 100 gallons)	\$ 0.3567	\$ 0.3567	\$ 0.3567	\$ 0.3567
<b>Annual Volumetric Charges for Base Consumption</b>	<b>\$ 204,960</b>	<b>\$ 184,464</b>	<b>\$ 163,968</b>	<b>\$ 143,472</b>
<b>Pass-Through Charges</b>				
Edwards Aquifer Authority (EAA) Fee Rate (per 100 gallons)	\$ 0.03385	\$ 0.03385	\$ 0.03385	\$ 0.03385
EAA Fee Annual Charges	\$ 11,030	\$ 9,927	\$ 8,824	\$ 7,721
Texas Comm. on Env. Quality (TCEQ) Fee (per month per meter)	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21
Number of Meters	1	1	1	1
TCEQ Fee Annual Charges	\$ 2.52	\$ 2.52	\$ 2.52	\$ 2.52
<b>Annual Pass-Through Charges</b>	<b>\$ 11,033</b>	<b>\$ 9,930</b>	<b>\$ 8,827</b>	<b>\$ 7,724</b>
<b>TOTAL ANNUAL CHARGES</b>	<b>\$ 219,570.54</b>	<b>\$ 197,971.50</b>	<b>\$ 176,372.47</b>	<b>\$ 154,773.43</b>
<b>Annual Cost per Acre-Foot</b>	<b>\$ 2,195.71</b>	<b>\$ 1,979.72</b>	<b>\$ 1,763.72</b>	<b>\$ 1,547.73</b>
<b>Increase/Decrease</b>	<b>3.22%</b>	<b>3.06%</b>	<b>2.86%</b>	<b>2.61%</b>



# Texas Drought of Record



SAWS Board Meeting - Nov. 5, 2024

23 hours ago

Mr. Steven Siebert  
Manager  
Water Resources

Comparison 1950's drought to the start of the current drought of 2020  
Well level on 11/4/24 lower than same date in 1954



# EAA Reductions

**1780.378 AF Owned Water with EAA Restrictions (365 days)**

<b>Owned AF</b>	<b>Stage</b>	<b>% Reduction</b>	<b>Restriction AF</b>
1780.378	1	20%	1424 AF
1780.378	2	30%	1246 AF
1780.378	3	35%	<b>1157 AF</b>
1780.378	4	40%	1068 AF
1780.378	5	44%	997 AF

SAWS is predicting 36% reduction to end of 2024

Bold text is current stage for LV



# EAA Reductions

## With Additional 105 AF Water Rights

Stage	Owned AF	% Reduction	Restriction AF
1	1885.378	20%	1508.30
2	1885.378	30%	1319.76
3	1885.378	35%	1225.50
4	1885.378	40%	1131.23
5	1885.378	44%	1055.81

# Leon Valley Water Usage

Annual Pumping in Acre Feet (AF) – Last 10 Years (Fiscal Year)

Year	Water Pumped (AF)	Water Pumped (Gallons)
2024	1040	338,974,000
2023	1145	373,113,000
2022	1123	365,930,673
2021	1007	328,131,957
2020	987	321,614,937
2019	963	313,794,513
2018	938	305,648,238
2017	986	321,289,086
2016	1056	344,098,656
2015	1082	352,570,782
2014	1098	357,784,398

# Fiscal Impact

• 75-Acre Feet @ \$10,600 per AF	\$ 795,000
• Closing costs	\$ 6,700 +/-
• <i>Total</i>	\$ 801,700 +/-
• 30-Acre Feet @ \$11,000 per AF	\$ 330,000
• Closing Costs	\$ 6,700 +/-
• <i>Total</i>	\$ 336,700
• Total for both purchases	<b>\$1,138,400 +/-</b>
• Approved Budget	\$1,210,000
• Remaining Balance	\$ 71,600

# Fiscal Impact

- Approved budget funding sources for these purchases
  - Impact fees \$ 696,758 \*
  - Water Supply Fees \$ 280,000
  - General Fund \$ 233,242
- Anticipate collection of \$2,022,720 in Impact Fees over next several years at current rate (new development)
  - Current fee \$3,612 per meter x 560 meters
  - \$4,997 per meter Impact Fee being proposed
  - \* Impact fees may not be used for anything other than improvements to the water system *due to new development*
- Collect approximately \$140,000 in water supply fees annually which is restricted to water acquisition



# Recommendation

- Staff recommends the City Council authorize the City Manager to enter into contracts to purchase 105-acre feet of water rights
- Water rights are real property & typically increase in value over time (just like land)