

## PIPELINE

Newsletter for residents of the South Texas Water Authority • 3Q 2014



### STWA approves deficit budget, passing along Corpus water increase

The South Texas Water Authority Board of Directors has approved a budget that will have to dip into reserves to make ends meet.

The Board approved a total tax rate of 8.5409 cents per \$100 of taxable value. The maintenance-and-operation component of the tax rate – 6.189 cents per \$100 – remains unchanged.

The interest-and-sinking component rose only slightly – three-hundredths of a penny per \$100 – to make payments on the bonds that voters approved in November 2012.

The budget also contemplates a more-than-40-cents per thousand gallons increase in the rate that the City of Corpus Christi charges STWA for water. Under an estimate from a rate consultant, the City's per-thousand-gallon charge will rise

*Continued on Page 4, "Budget"*

### MAKING PROGRESS

#### *Authority, customers find common ground at meeting*

In a meeting with representatives of the wholesale customers served by the South Texas Water Authority, participants addressed and seemed to reach a preliminary agreement on many of the issues that have been dogging the Authority for years.

The Authority and its customers have been served year-to-year without contracts because of Texas Commission on Environmental Quality (TCEQ) staff interpretations that will dramatically alter the way that the Authority delivers water.

#### **'Under Direct Pressure'**

In the Aug. 18 meeting, STWA customers generally agreed that they will take over ownership of the Authority's pumps and equipment that had been serving them.

The issue is pumping capacity for STWA customers. TCEQ rules specify how much pumping capacity – "under direct pressure" – a utility has to provide per customer.

If STWA owns the pumps at a station, TCEQ requires more than three times the pumping capacity (2.0 gallons-per-minute per connection, compared to 0.6 gallons-per-minute per connection). That additional pumping capacity would require costly upgrades that STWA would have difficulty paying for, given its limited reserves.

TCEQ has agreed that one way to fix that is to transfer ownership from STWA to its customer-utility. Same pumps; different owner.

When the pump ownership is transferred, one TCEQ complaint will go away.

*Continued on Page 2, "Progress"*

## Questions and Answers

about

# South Texas Water Authority

### What is South Texas Water Authority?

South Texas Water Authority was created by the Legislature in 1979 to provide water to residents in central Kleberg County and western Nueces County.

### Who's in charge of the Authority?

The Authority is overseen by a nine-member Board of Directors. Five directors are named by the Kleberg County Commissioners Court, and four are named by the Nueces County Commissioners Court. Day-to-day operations are overseen by an Executive Director with 12 staff members.

### What does the Authority do?

The Authority purchases surface water from the City of Corpus Christi and brings it 28 miles to Kingsville through a 42-inch water line and to western Nueces County through a smaller spurline. It provides water resources to communities in the area it serves. The Authority also manages the Nueces Water Supply Corporation and the Ricardo Water Supply Corporation through contracts with those entities.

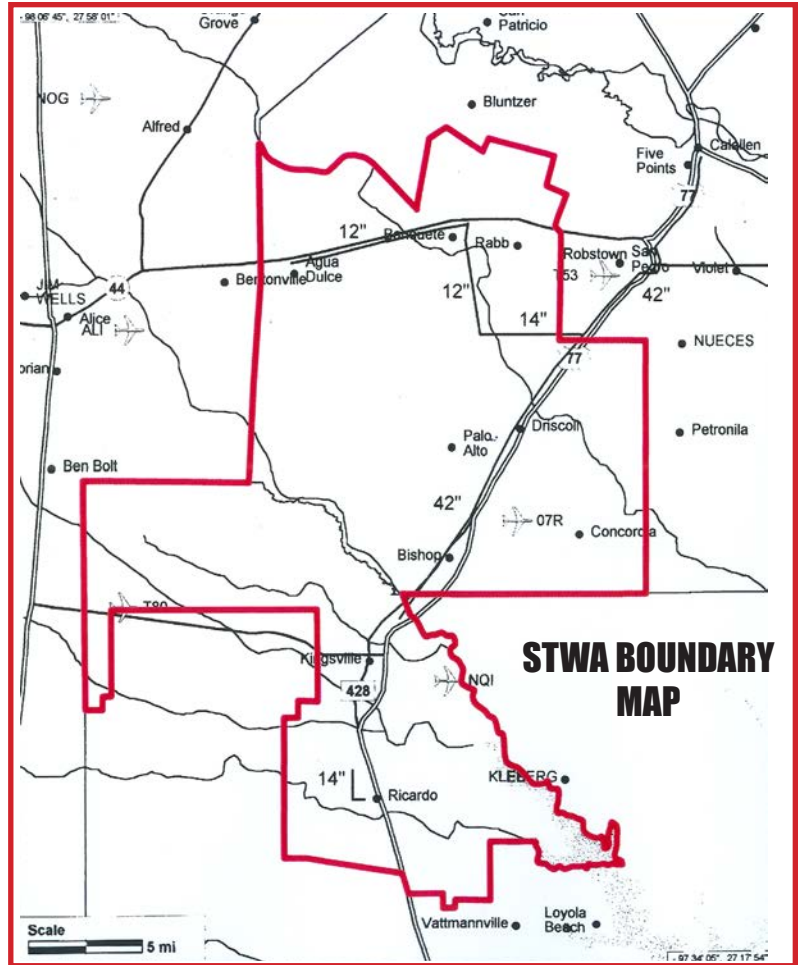
### Where does the Authority get its money?

The Authority currently provides service to seven customers – Kingsville, Bishop, Ricardo WSC, Nueces WSC, Agua Dulce, Driscoll and Banquete. The Authority passes through the cost-per-thousand-gallons rate from the City of Corpus Christi and adds a Fiscal Year 2015 Handling Charge of 42.6386 cents per thousand gallons.

In 2001, voters approved a tax up to 12 cents per \$100 of property value. The operation-and-maintenance tax rate adopted in August remained the same at 6.189 cents per \$100.

In 2012, voters approved issuance of bonds for three major projects. To pay off those bonds, the Authority levies an interest-and-sinking tax rate of 2.3519 cents per \$100. Even with the new tax, a home on the tax rolls at \$100,000 pays about \$7 a month.

About half of the Authority's salary costs are covered by its management contracts with the Nueces WSC and the Ricardo WSC.



## Progress *From Page 1*

### Costs of Service Delivery

The Authority and its customers generally agreed that the customers should assume the cost of operations and maintenance, including electricity and chemicals, at the facilities that receive STWA water. This would be in addition to what customers pay for pass-through for City of Corpus Christi water. Future handling charges would be calculated on the costs of service for the 42-inch transmission line and facilities common to all wholesale customers.

### Fiscal Responsibility

On a difficult third issue, the Authority stressed that its new round of contracts with wholesale customers could not include provisions to limit the Authority's financial duties, such as setting rates, adopting a budget or establishing a sufficient reserve. The Authority's attorney has advised that to do so would violate laws that prevent a political subdivision from negotiating away its governmental responsibility and also run afoul of the legislation that established STWA.

"The meeting was a very positive step forward," said STWA Executive Director Carola Serrato. "We appreciate all our customers' willingness to address these complex issues."

# STWA-Kingsville pact could ease woes with residual

The South Texas Water Authority and the City of Kingsville are negotiating a pilot one-year agreement that could determine how the city uses STWA water.

Engineers believe that more flow-through in STWA's system could ease or remove the complaints from the Texas Commission on Environmental Quality.

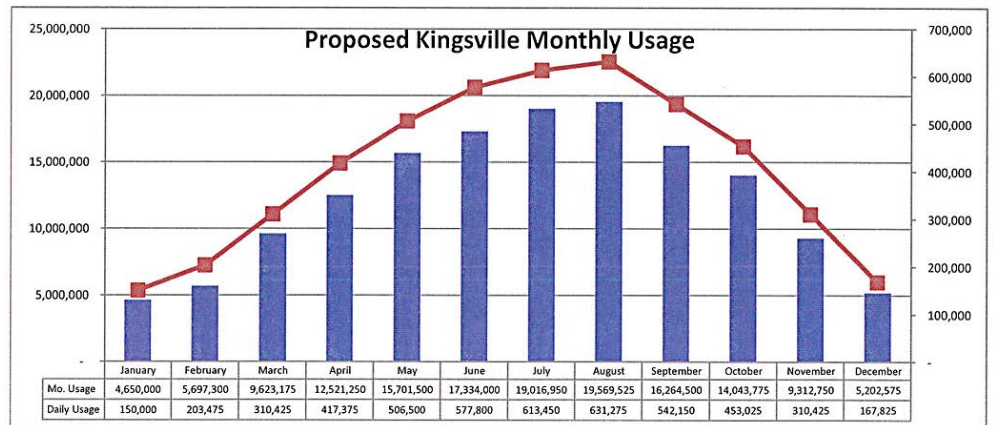
TCEQ staff wants to impose fines, claiming that STWA's residual disinfectant dissipates to lower-than-permissible levels.

STWA receives water – already treated with disinfectant by the City of Corpus Christi – through a 28-mile pipeline. At TCEQ's urging, STWA added a \$125,000 booster station to keep disinfectant levels high. And STWA boosts the residual before it reaches its wholesale customers. TCEQ staff said that wasn't good enough.

If STWA and Kingsville reach an

agreement, Kingsville would purchase water on a bell-curve schedule so that more water is taken during summer months when disinfectant remaining in the STWA pipeline is more vulnerable to dissipation in the heat.

Kingsville would spend about the same annual amount – \$350,000 – for STWA water augmenting the groundwater it uses.



## Bond Proposition Report Card

*Editor's Note: In November 2012, voters approved issuing up to \$5.2 million in bonds for STWA projects.*

### Proposition 1:

**What it will do:** The Texas Department of Transportation (TXDOT) is expanding U.S. 77 between FM 892 to County Road 28. With bond proceeds, STWA will relocate a portion of its 42-inch water line, the main artery for water to customers.

**Status:** Completion of the project is awaiting relocation of an AEP fiber optic line above part of the old 42-inch line that has been abandoned now that a new pipe is carrying water.

### Proposition 3:

**What it will do:** Install more efficient pumps at the Bishop Westside Pump Station.

**Status:** At its June meeting, the STWA Board approved a bid of \$109,000 for the project from Mercer Controls. The bid was about \$165,000 less than the projection used for the Bond Election because the need to expand the City's pump station was eliminated.

### Proposition 2:

**What it will do:** Replace the five-million gallon water tank in Kingsville with a one-million gallon tank and install smaller pumps.

**Status:** On the tank project, engineers have performed tests and determined the existing foundation will be sufficient to sustain the weight of the new tank.

To use the existing foundation, the existing tank must be demolished and water rerouted for use by Kingsville during construction. This requires approval from TCEQ.

TCEQ denied approval of the two projects and cited the lack of a contract between the Authority and the City of Kingsville.

## **SOUTH TEXAS WATER AUTHORITY**

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### **BOARD OF DIRECTORS**

Kathleen Lowman, President  
Filiberto Treviño, Vice President  
Rudy Galvan, Secretary-Treasurer  
Lupita Perez  
Patsy Rodgers  
Dr. Alberto Ruiz  
Steve Vaughn  
(two positions vacant)

Carola G. Serrato, Executive Director

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favor llame a telefono 361-592-9323*

## **Budget** *From Page 1*

from slightly more than \$1.88 this year to an estimated \$2.33.

“Right now, the numbers from the City of Corpus Christi are preliminary as they’ve changed their fiscal year to begin Oct. 1 instead of Aug. 1,” said Executive Director Carola Serrato, “We realize this is a substantial increase, but that’s a straight pass-through. STWA receives nothing from Corpus Christi’s increase, and our Board has held the line on its handling charge.”

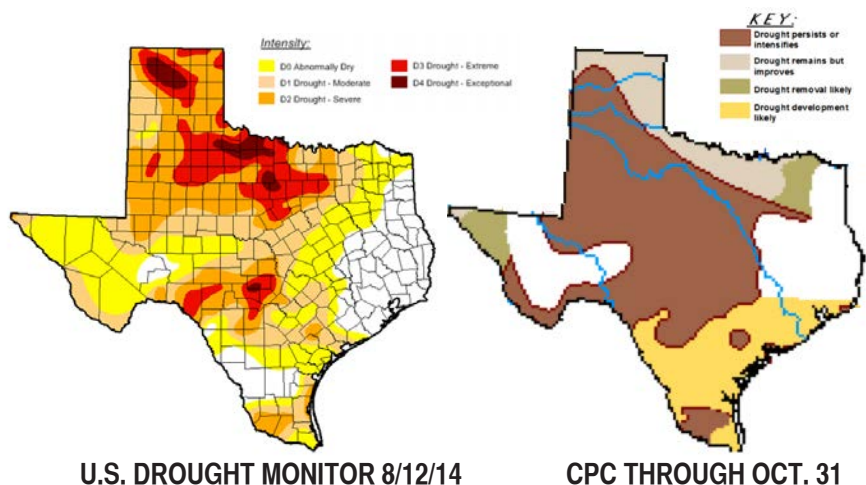
The handling charge of 42.6386 cents per thousand gallons goes toward STWA’s expenses. STWA has not increased the charge in the past five years.

The budget adopted by the STWA Board on Aug. 11 calls for total spending for fiscal year beginning Oct. 1 of \$2,739,729. Projected revenues are \$2,659,867 from taxes, water sales and other categories. The Authority will dip into its limited reserves for \$79,862 to balance the budget.

## **Drought predicted to worsen in the fall**

The U.S. Climate Prediction Center has issued a forecast that drought conditions will persist or worsen in much of Texas through Oct. 31.

Much of South Texas along the Gulf Coast is already in moderate drought. “Dry times like these show the importance of being able to rely on multiple water sources,” said STWA Executive Director Carola Serrato.



U.S. DROUGHT MONITOR 8/12/14

CPC THROUGH OCT. 31