HARLINGEN WATERWORKS SYSTEM

City of Harlingen Waterworks System
Utility Board of Trustees
Special Board Meeting

Monday, January 8, 2024
5:00 P.M.

Joint Special Meeting of the Harlingen City Commission and the Harlingen Waterworks System Utility Board of Trustees

Monday, January 8, 2024
5:30 P.M.

Meetings Held at City Hall
Town Hall Meeting Room
2nd Floor
Harlingen, TX 78550

HARLINGEN WATERWORKS SYSTEM
UTILITY BOARD OF TRUSTEES
SPECIAL MEETING AGENDA
Monday, January 08, 2024, at 5:00 P.M.
118 E Tyler, City Hall, Harlingen, Texas – Town Hall, 2nd Floor

The Harlingen Waterworks Utility Board of Trustees reserves the right to meet in Executive Session on any agenda item should the need arise, and if applicable, pursuant to authorization by Title 5, Chapter 551 of the Texas Government Code. This is not a Meeting of the Harlingen Elective Commission; however, a quorum of the City Commission may be present.

1. **OPEN MEETING AND WELCOME**
2. **CONFLICT OF INTEREST** – *Under State law, a conflict of interest exists if a Trustee, or certain members of that person's family, has a qualifying financial interest in an agenda item. A Trustee with a conflict of interest cannot participate in the discussion nor vote on the agenda item*.
3. **COMMUNICATION / INPUT FROM CUSTOMERS AND RESIDENTS OF HARLINGEN**
4. **OATH OF OFFICE**
   a) Newly appointed Board Member, Steve Brewer.
5. **APPROVAL OF MINUTES**
   a) From the Regular Board Meeting of December 18, 2023.
6. **ADJOURN**

I certify that a copy of this Agenda was posted on Friday, January 5, 2024, @ 5:00 PM at 134 E. Van Buren, City Hall and on the HWWS Website, and remained so posted for at least 72 hours preceding the time of said meeting.

HARLINGEN WATERWORKS SYSTEM

Nilda Sánchez – Board Secretary

CITY OF HARLINGEN WATERWORKS SYSTEM
Regular Board Meeting Minutes
Monday, December 18, 2023

The Regular Board Meeting of the Utility Board of Trustees was conducted on the 18th day of December 2023 at 5:00 P.M. at 118 E. Tyler Avenue City Hall, Town Hall, located on the second floor at, in the City of Harlingen, Texas.

Board Members Present:	Chris Bartnesky, Chairman Maru De La Paz, Trustee Michael Murphy, Trustee
Staff Present:	Tim Skoglund, General Manager Gene McCullough, System Attorney David Sanchez, Director of Water Services Jon Hedegard, Director of Wastewater Services Ron De La Garza, Director of Finances Florita Rodriguez, Customer Service Director Michael Chamberlain, Purchasing Manager Jose L. Rodriguez, Director of Information Technology Elizabeth Soto, Director of Human Resources

AGENDA ITEM NO. 1: OPEN MEETING AND WELCOME
Chris Bartnesky, Chairman, called the meeting to order at 7:38 P.M. and asked whether the agenda had been posted in accordance with the law; Nilda Sanchez responded affirmatively.

AGENDA ITEM NO. 2: CONFLICT OF INTEREST
Mr. Bartnesky read the conflict-of-interest disclosure and asked the Board if anyone had any known conflicts of interest for this Board Meeting. None of the trustees reported a conflict of interest.

*****OUT OF SEQUENCE**
AGENDA ITEM NO. 4: APPROVAL OF MINUTES – Regular Board Meeting of September 27, 2023.
With no corrections requested, a motion to approve the Board Minutes for the Regular Board Meeting of November 29, 2023, was made.

Motion:	Michael Murphy
Second:	Michael Garza

Motion to approve was carried by a vote of the Board (3-0).

AGENDA ITEM NO. 7: RESOLUTIONS
Because of the length of the preceding Joint Meeting with the City Commission and the late hour, resolutions were presented and approved by consent as follows:

a) **R2324-13: Awarding a professional services contract for SCADA System Integration for Water Treatment Operations.**
b) **R2324-14: Awarding a contract for purchase of SCADA Computer System Equipment for Water Treatment Operations.**
c) **R2324-15: Awarding a contract for Managed Detection and Response (MDR) Services for cybersecurity monitoring of networks, endpoints, and servers.**
d) **R2324-16: Awarding a contract for purchase of a Boom Truck.**
e) **R2324-17: Adopting the Harlingen Waterworks System Investment Policy.**

A motion was made to approve Resolution No. R2324-13 through 17.

Motion: Michael Garza
Second: Michael Murphy

Motion to approve was carried by a vote of the Board (3-0).

*****OUT OF SEQUENCE**
AGENDA ITEM NO. 3: COMMUNICATION / INPUT FROM CUSTOMERS AND RESIDENTS OF HARLINGEN
Desi Martinez commented on the failing lift stations located on the west side of Harlingen. He reported the southeast area in Harlingen did not need any improvements as much as the west end of town needing new sewer services. The growth of the City was on the northwest side of town and that was the target spot for new sewer infrastructure. He recommended Wholesale customers needed to report the amount of water and sewer accounts they serviced in an effort to collect more revenue from those accounts in conjunction to the $17 million needed for the future construction of sewer infrastructure to service the west side of Harlingen.

AGENDA ITEM NO. 10: ADJOURN
There being no further business to discuss, Chairman, Bartnesky, called for a motion to adjourn the meeting at 7:46 P.M.

Motion: Michael Garza
Second: Michael Murphy

Motion to approve was carried by a vote of the Board (3-0).

Attest: _____
Nilda Sanchez, Board Secretary

AGENDA ITEM
EXECUTIVE SUMMARY

Meeting Date: **January 8, 2024**

Agenda Item:

Presentation by Willdan Financial Services regarding draft water and wastewater rate plans

Prepared By (Print Name): Timothy E. Skoglund, P.E.
Title: General Manager
Signature: Timothy E. Skoglund

Brief Summary:

Based on the discussion at the December 18, 2023 Joint Meeting, HWWS's rate study consultant, Willdan Financial Services, has developed four (4) rate plan options for detailed consideration. The options include two scenarios for the total cost of capital improvements to be undertaken in the next five years and two rate structure alternatives. Willdan will give a detailed presentation on the rate plan options and considerations for possible elimination of winter averaging.

Funding (if applicable):

Are funds specifically designated in the current budget for the full amount for this purpose? [X] Yes [ ] No*
*If no, specify source of funding and amount requested:

Finance Director's approval: [ ] Yes [ ] No [ ] N/A

Staff Recommendation:

N/A

City Manager's approval: [X] Yes [ ] No [ ] N/A

Comments:

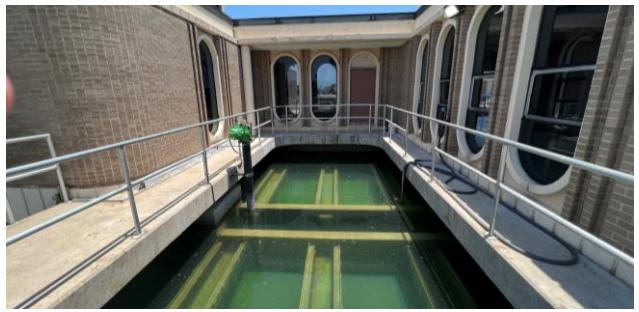
City Attorney's approval: [ ] Yes [ ] No [ ] N/A

Water & Wastewater Rate Study

Rate Alternatives Presentation

January 8, 2024

HARLINGEN WATERWORKS SYSTEM



WILLDAN

Business Confidential - Willdan

INTRODUCTION

HWWS Water and Wastewater Rate Study – Project Status

- Based on feedback from December 18th meeting, project team has prepared preliminary 5-year rate plan scenarios for review
- Key rate plan variables:
  - Amount of CIP to be funded
  - "Status Quo" vs. "Inverted Block" rate design
- 4 scenarios to be presented:
  - Scenario IA – "Long Delay" – Status Quo
  - Scenario IB – "Long Delay" – Inverted Block
  - Scenario IIA – "Moderate Delay" – Status Quo
  - Scenario IIB – "Moderate Delay" – Inverted Block

PRELIMINARY & SUBJECT TO CHANGE

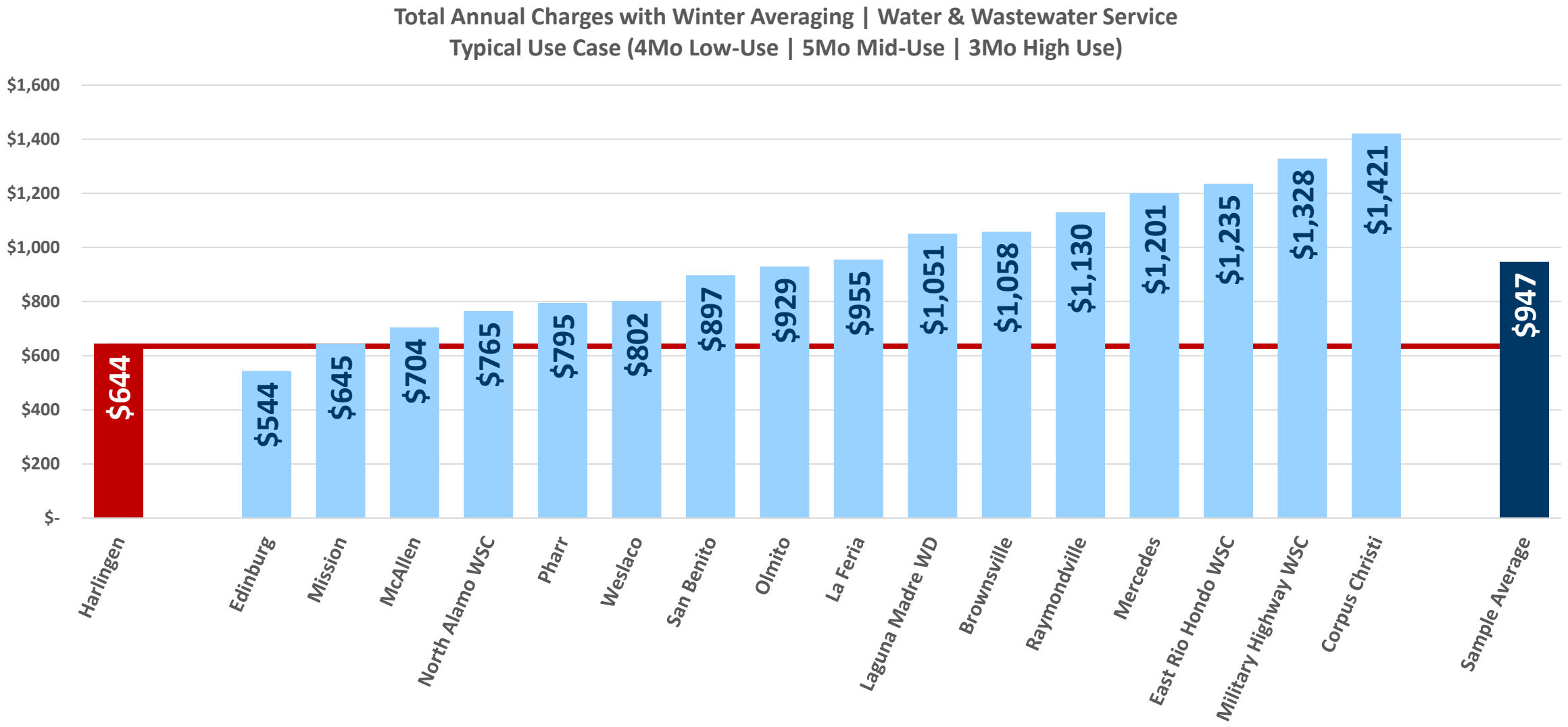
Current Water and Wastewater Rate Structure

WATER RATE STRUCTURE	Inside City	Outside City
Base Charge by Meter Size		
3/4”	$7.93	$12.49
1”	10.07	15.09
1½”	14.56	21.86
2”	33.02	49.17
3”	49.17	73.77
4”	112.87	169.32
6”	231.80	346.97
8”	426.15	639.24
Volume Rate per kGal	**$1.65**	**$2.48**
Fuel Cost Adjustment (per kGal)		**$0.06**

WW RATE STRUCTURE	Inside City	Outside City
Base Charge by Meter Size		
3/4”	$6.18	$20.50
1”	9.44	20.50
1½”	21.41	21.41
2”	25.77	25.77
3”	52.97	52.97
4”	134.60	134.60
6”	276.08	276.08
8”	439.33	439.33
Volume Rate per kGal	**$3.66**	**$3.66**
Fuel Cost Adjustment (per kGal)		**$0.11**

PRELIMINARY & SUBJECT TO CHANGE

Typical Residential Use Case | Total Annual Charges



PRELIMINARY & SUBJECT TO CHANGE

ACCOUNTS AND COST OF SERVICE

Water and Wastewater Accounts | Test Year 2024

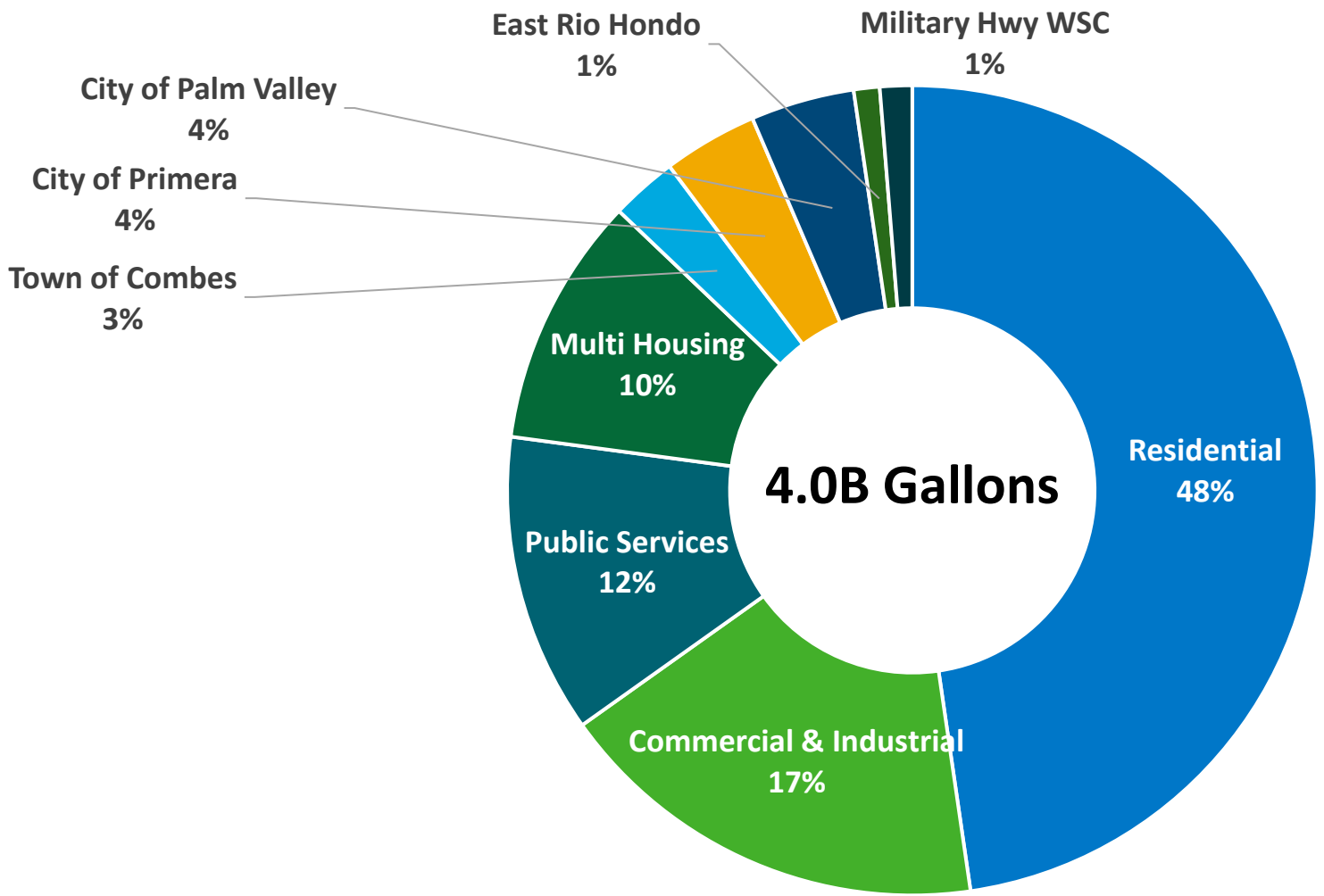
Water Accounts	Inside	Outside
Residential	20,860	3,207
Commercial & Industrial	2,408	106
Multi Housing Apts/Condos	752	69
Public Services/Institutional	635	8
Town of Combes	1	1
City of Primera		1
City of Palm Valley		1
East Rio Hondo		1
Military Hwy WSC		1
	24,656	3,395
	TOTAL	**28,051**

Wastewater Accounts	Inside	Outside
Residential	17,933	1,194
Commercial & Industrial Inside	1,882	22
Multi Housing Apts/Condos Inside	670	54
Public Services/Institutional Inside	393	7
Town of Combes		1
City of Primera		1
	20,878	1,279
	TOTAL	**22,157**

10 year forecast likely to show annual growth rate in both water and wastewater accounts of 1-1.5% (300-400 per year)

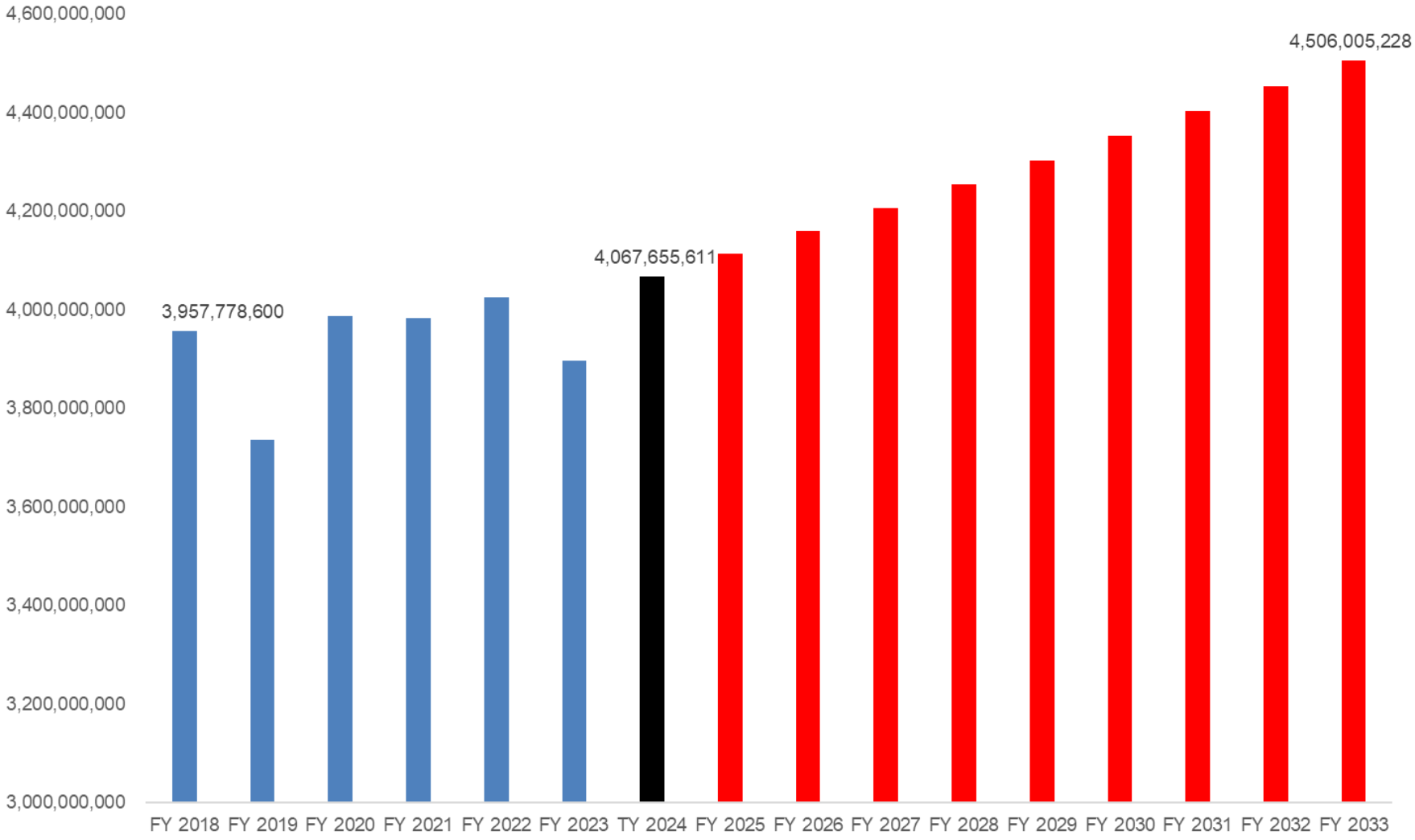
PRELIMINARY & SUBJECT TO CHANGE

Test Year Water Consumption by Customer Class



PRELIMINARY & SUBJECT TO CHANGE

Historical and Forecast Water Consumption



PRELIMINARY & SUBJECT TO CHANGE

Forecast Cost of Service

- Most operating expenses forecast to increase 3-5% per year
- Certain expenses increase at higher rate due to growth and/or type of expense
- Biggest single factor in COS and rate plan: **total debt required to fund Capital Improvements**

PRELIMINARY & SUBJECT TO CHANGE

CIP ALTERNATIVE SPEEDS OF IMPLEMENTATION

SCENARIO DESCRIPTIONS

1. **Long Delay:** 5-Year CIP focused on eliminating all but immediate needs to overcome pre-existing system issues.
2. **Moderate Delay:** 5-Year CIP focused on overcoming pre-existing system issues and immediate known system limitations.

WORKING ASSUMPTIONS (All Scenarios)

1. Initial 2-Year CIP consistent across scenarios and allows for $18M - $24M EDAP implementation.
2. Existing rate structure used for all forecasts and customer impact analyses.
3. Cost increases generally assumed 3-5%, with some line items differing
4. Working Capital, Debt Service Coverage Ratio, use of impact fees, and other financial metrics roughly equivalent to current practice (see next slide)

PRELIMINARY & SUBJECT TO CHANGE

Financial Metrics

- Scenario IA – Long Delay – Status Quo

	2024	2025	2026	2027	2028
Water & Sewer Ending Fund Balance	23,219,375	23,726,025	23,293,220	21,626,779	22,483,194
Debt Coverage Ratio	2.32	2.40	1.45	1.06	1.32
Use of Impact Fees to Fund CIP	1,100,000	2,800,000	2,800,000	2,800,000	2,800,000

- Scenario IIA – Moderate Delay – Status Quo

	2024	2025	2026	2027	2028
Water & Sewer Ending Fund Balance	23,222,925	23,687,078	24,000,169	22,370,962	21,874,931
Debt Coverage Ratio	2.32	2.40	1.56	1.12	1.18
Use of Impact Fees to Fund CIP	1,100,000	2,800,000	2,800,000	2,800,000	2,800,000

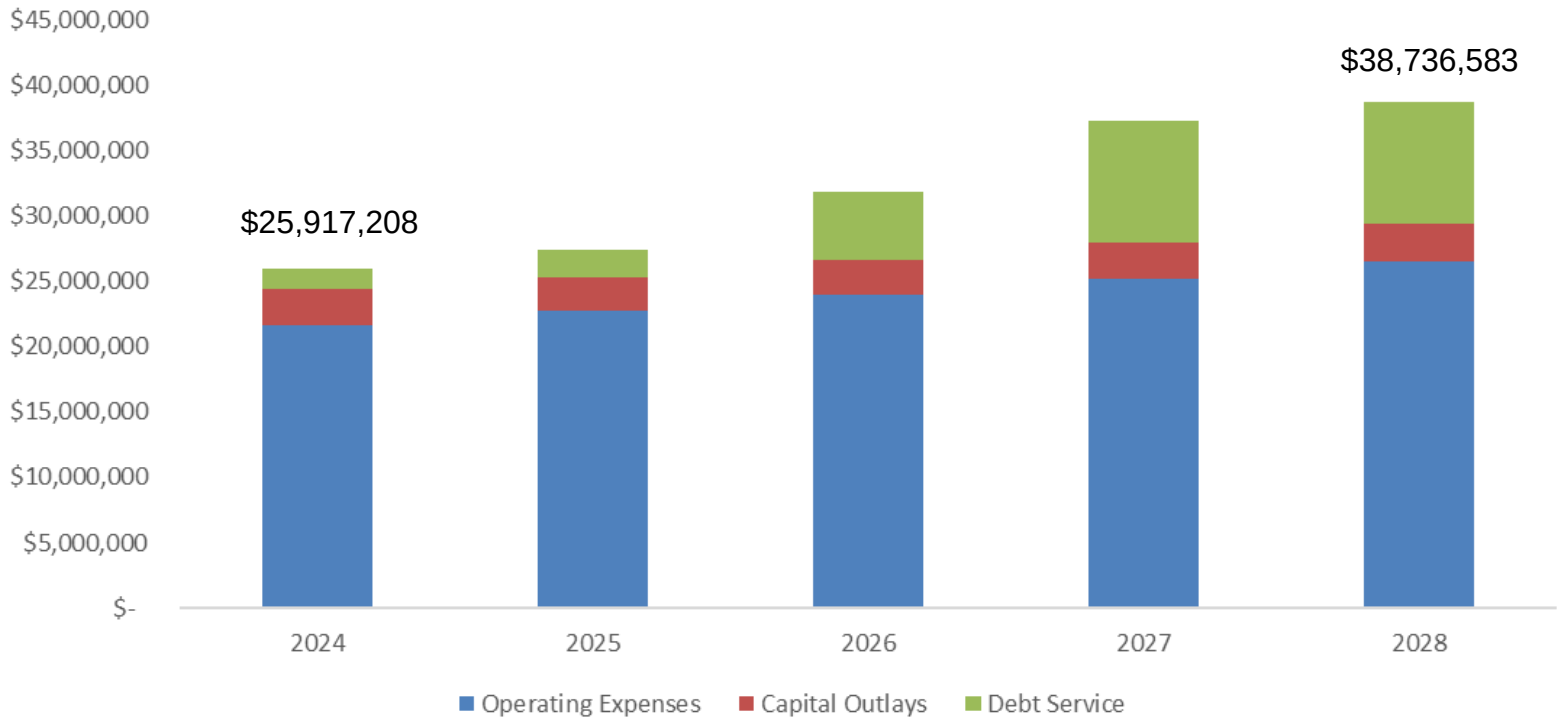
- Scenario IB – Long Delay – Inverted Block

	2024	2025	2026	2027	2028
Water & Sewer Ending Fund Balance	22,113,159	22,516,644	21,998,152	20,301,407	21,129,677
Debt Coverage Ratio	1.61	2.35	1.43	1.05	1.32
Use of Impact Fees to Fund CIP	1,100,000	2,800,000	2,800,000	2,800,000	2,800,000

- Scenario IIB – Moderate Delay – Inverted Block

	2024	2025	2026	2027	2028
Water & Sewer Ending Fund Balance	22,120,730	22,492,070	22,733,225	21,093,837	20,592,646
Debt Coverage Ratio	1.62	2.36	1.55	1.12	1.18
Use of Impact Fees to Fund CIP	1,100,000	2,800,000	2,800,000	2,800,000	2,800,000

Forecast Cost of Service – Scenario I – "Long Delay"



CIP = $136,521,000

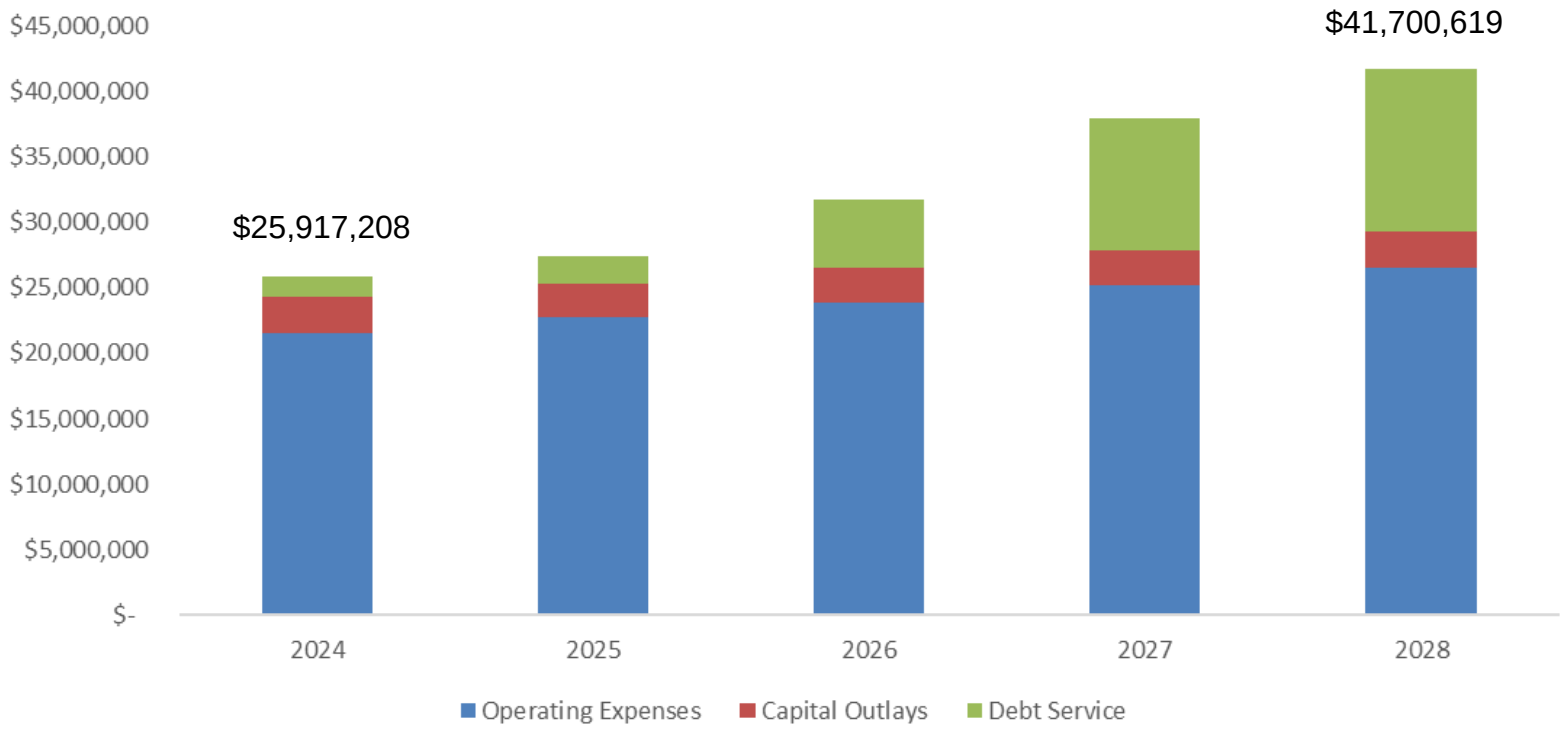
Debt = $100,050,000

Term = 20 Years
Interest = 4.5%

Most operating costs increase 3-5% per year

PRELIMINARY & SUBJECT TO CHANGE

Forecast Cost of Service – Scenario II – "Moderate Delay"



CIP = $181,748,000

Debt = $144,250,000

Term = 20 Years
Interest = 4.5%

Most operating costs increase 3-5% per year

PRELIMINARY & SUBJECT TO CHANGE

CAPITAL IMPROVEMENT PLAN (CIP)
ALTERNATIVE SPEEDS OF IMPLEMENTATION

Rate Plan Scenarios

- **"Status Quo" Rate Plan**
  - Uniform percentage adjustments on minimum charges and volume rates
  - Elimination of fuel cost adjustment
- **"Inverted Block" Rate Plan**
  - Applies only to residential customers
  - 4 Rate blocks
    - 0 – 3,000 (lifeline rate)
    - 3,001 – 10,000
    - 10,001 – 20,000
    - 20,001 – Above

PRELIMINARY & SUBJECT TO CHANGE

Rate Plan Scenarios

- **Scenario I – "Long Delay"**
  - IA – Status Quo Rate Plan
  - IB – Inverted Block Rate Plan
- **Scenario II – "Moderate Delay"**
  - IIA – Status Quo Rate Plan
  - IIB – Inverted Block Rate Plan

- NOTE: fuel charge eliminated under all scenarios

PRELIMINARY & SUBJECT TO CHANGE

Scenario IA – "Long Delay" – Status Quo Rate Plan

	Current	Proposed Rate Plan Effective Mar-24	Proposed Rate Plan Effective Jan-25	Forecast Rates Effective Oct-25	Forecast Rates Effective Oct-26	Forecast Rates Forecast Oct-27
Water Rates -- Residential & Commercial Inside						
Monthly Minimum Charge						
3/4"	$ 7.93	**$ 8.88**	**$ 9.77**	$ 10.84	$ 12.04	$ 13.36
1"	10.07	**11.28**	**12.41**	13.77	15.29	16.97
1 1/2"	14.56	**16.31**	**17.94**	19.91	22.10	24.53
2"	33.02	**36.98**	**40.68**	45.16	50.12	55.64
3"	49.17	**55.07**	**60.58**	67.24	74.64	82.85
4"	112.87	**126.41**	**139.06**	154.35	171.33	190.18
6"	231.80	**259.62**	**285.58**	316.99	351.86	390.56
8"	426.15	**477.29**	**525.02**	582.77	646.87	718.03
Volume Rate Per 1,000 Gal						
Volume Charge	1.65	**1.85**	**2.03**	2.26	2.50	2.78
Fuel Cost Adjustment	0.06	**-**	**-**	-	-	-
Wastewater Rates - Residential & Comm Inside						
Monthly Minimum Charge						
3/4"	6.18	**6.74**	**7.34**	8.15	9.05	10.04
1"	9.44	**10.29**	**11.22**	12.45	13.82	15.34
1 1/2"	21.41	**23.34**	**25.44**	28.24	31.34	34.79
2"	25.77	**28.09**	**30.62**	33.99	37.72	41.87
3"	52.97	**57.74**	**62.93**	69.86	77.54	86.07
4"	134.60	**146.71**	**159.92**	177.51	197.04	218.71
6"	276.08	**300.93**	**328.01**	364.09	404.14	448.60
8"	439.33	**478.87**	**521.97**	579.38	643.12	713.86
Volume Rate Per 1,000 Gal						
Volume Charge	3.66	**3.99**	**4.35**	4.83	5.36	5.95
Fuel Cost Adjustment	0.11	**-**	**-**	-	-	-

NOTE: Outside city rates set at 50.0% premium

PRELIMINARY & SUBJECT TO CHANGE

NOTE: Highly preliminary and subject to potentially significant revision

Scenario IA – "Long Delay" – Status Quo – Impact on Monthly Charges

		Current	Proposed Rate Plan Effective Mar-24	Proposed Rate Plan Effective Jan-25	Forecast Rates Effective Oct-25	Forecast Rates Effective Oct-26	Forecast Rates Forecast Oct-27
Residential Monthly Charge							
3,000 Gal W	Total	$ 30.55	$ 33.13	$ 36.26	$ 40.24	$ 44.67	$ 49.58
3,000 Gal WW	Increase -- $		**2.58**	**3.13**	**3.99**	**4.43**	**4.91**
	Increase -- %		8.4%	9.4%	11.0%	11.0%	11.0%
7,000 Gal W	Total	44.93	48.50	53.08	58.92	65.40	72.60
5,000 Gal WW	Increase -- $		**3.57**	**4.58**	**5.84**	**6.48**	**7.19**
	Increase -- %		7.9%	9.4%	11.0%	11.0%	11.0%
20,000 Gal W	Total	67.16	72.52	79.51	88.26	97.96	108.74
5,000 Gal WW	Increase -- $		**5.36**	**6.99**	**8.75**	**9.71**	**10.78**
	Increase -- %		8.0%	9.6%	11.0%	11.0%	11.0%
Commercial Monthly Charge							
40,000 Gal W	Total	277.99	298.57	326.55	362.47	402.34	446.60
40,000 Gal WW	Increase -- $		**20.58**	**27.98**	**35.92**	**39.87**	**44.26**
	Increase -- %		7.4%	9.4%	11.0%	11.0%	11.0%

PRELIMINARY & SUBJECT TO CHANGE

NOTE: Highly preliminary and subject to potentially significant revision

Scenario IB – "Long Delay" – Inverted Block Rate Plan

		Current	Proposed Rate Plan: Effective Mar-24	Proposed Rate Plan: Effective Jan-25	Forecast Rates: Effective Oct-25	Forecast Rates: Effective Oct-26	Forecast Rates: Forecast Oct-27
Water Rates -- Residential & Commercial Inside							
Monthly Minimum Charge							
	3/4"	$ 7.93	**$ 8.64**	**$ 9.42**	$ 10.46	$ 11.61	$ 12.89
	1"	10.07	**11.47**	**13.05**	15.09	17.41	19.33
	1 1/2"	14.56	**17.31**	**20.43**	24.41	29.02	32.21
	2"	33.02	**37.80**	**43.17**	50.10	58.04	64.43
	3"	49.17	**57.48**	**66.90**	78.96	92.87	103.08
	4"	112.87	**167.90**	**231.93**	311.74	406.29	450.99
	6"	231.80	**329.96**	**443.90**	586.25	754.55	837.55
	8"	426.15	**650.91**	**912.67**	1,238.59	1,625.18	1,803.94
Volume Rate Per 1,000 Gal							
-	3,000	1.65	**1.50**	**1.64**	1.81	2.01	2.24
3,001	10,000	0.06	**2.00**	**2.18**	2.42	2.69	2.98
10,001	20,000	-	**2.50**	**2.73**	3.02	3.36	3.73
20,001	Above	-	**3.00**	**3.27**	3.63	4.03	4.47
Wastewater Rates - Residential & Comm Inside							
Monthly Minimum Charge							
	3/4"	6.18	**6.74**	**7.34**	8.15	9.05	10.04
	1"	9.44	**10.29**	**11.22**	12.45	13.82	15.34
	1 1/2"	21.41	**23.34**	**25.44**	28.24	31.34	34.79
	2"	25.77	**28.09**	**30.62**	33.99	37.72	41.87
	3"	52.97	**57.74**	**62.93**	69.86	77.54	86.07
	4"	134.60	**146.71**	**159.92**	177.51	197.04	218.71
	6"	276.08	**300.93**	**328.01**	364.09	404.14	448.60
	8"	439.33	**478.87**	**521.97**	579.38	643.12	713.86
Volume Rate Per 1,000 Gal							
	Volume Charge	3.66	**3.99**	**4.35**	4.83	5.36	5.95
	Fuel Cost Adjustment	0.11	**-**	**-**	-	-	-

NOTE: Outside city rates set at 50.0% premium

PRELIMINARY & SUBJECT TO CHANGE

Scenario IB – "Long Delay" – Inverted Block – Impact on Monthly Charges

			Proposed Rate Plan		Forecast Rates		
		Current	Effective Mar-24	Effective Jan-25	Effective Oct-25	Effective Oct-26	Forecast Oct-27
Residential Monthly Charge							
3,000 Gal W	Total	$ 30.55	$ 31.85	$ 34.71	$ 38.53	$ 42.77	$ 47.48
3,000 Gal WW	Increase -- $		**1.30**	**2.87**	**3.82**	**4.24**	**4.70**
	Increase -- %		4.2%	9.0%	11.0%	11.0%	11.0%
7,000 Gal W	Total	44.93	47.83	52.13	57.87	64.23	71.30
5,000 Gal WW	Increase -- $		**2.90**	**4.30**	**5.73**	**6.37**	**7.07**
	Increase -- %		6.4%	9.0%	11.0%	11.0%	11.0%
20,000 Gal W	Total	67.16	78.83	85.92	95.37	105.86	117.51
5,000 Gal WW	Increase -- $		**11.67**	**7.09**	**9.45**	**10.49**	**11.65**
	Increase -- %		17.4%	9.0%	11.0%	11.0%	11.0%
Commercial Monthly Charge							
40,000 Gal W	Total	277.99	297.40	326.14	364.20	406.69	451.42
40,000 Gal WW	Increase -- $		**19.41**	**28.74**	**38.06**	**42.49**	**44.74**
	Increase -- %		7.0%	9.7%	11.7%	11.7%	11.0%

PRELIMINARY & SUBJECT TO CHANGE

NOTE: Highly preliminary and subject to potentially significant revision

Scenario IIA – "Moderate Delay" – Status Quo Rate Plan

	Current	Proposed Rate Plan Effective Mar-24	Proposed Rate Plan Effective Jan-25	Forecast Rates Effective Oct-25	Forecast Rates Effective Oct-26	Forecast Rates Forecast Oct-27
Water Rates -- Residential & Commercial Inside						
Monthly Minimum Charge						
3/4"	$ 7.93	**$ 8.88**	**$ 9.77**	$ 11.14	$ 12.70	$ 14.47
1"	10.07	**11.28**	**12.41**	14.14	16.12	18.38
1 1/2"	14.56	**16.31**	**17.94**	20.45	23.31	26.58
2"	33.02	**36.98**	**40.68**	46.38	52.87	60.27
3"	49.17	**55.07**	**60.58**	69.06	78.73	89.75
4"	112.87	**126.41**	**139.06**	158.52	180.72	206.02
6"	231.80	**259.62**	**285.58**	325.56	371.14	423.10
8"	426.15	**477.29**	**525.02**	598.52	682.31	777.84
Volume Rate Per 1,000 Gal						
Volume Charge	1.65	**1.85**	**2.03**	2.32	2.64	3.01
Fuel Cost Adjustmen	0.06	**-**	**-**	-	-	-
Wastewater Rates - Residential & Comm Inside						
Monthly Minimum Charge						
3/4"	6.18	**6.74**	**7.34**	8.30	9.38	10.41
1"	9.44	**10.29**	**11.22**	12.67	14.32	15.90
1 1/2"	21.41	**23.34**	**25.44**	28.74	32.48	36.05
2"	25.77	**28.09**	**30.62**	34.60	39.10	43.40
3"	52.97	**57.74**	**62.93**	71.12	80.36	89.20
4"	134.60	**146.71**	**159.92**	180.71	204.20	226.66
6"	276.08	**300.93**	**328.01**	370.65	418.84	464.91
8"	439.33	**478.87**	**521.97**	589.82	666.50	739.82
Volume Rate Per 1,000 Gal						
Volume Charge	3.66	**3.99**	**4.35**	4.91	5.55	6.16
Fuel Cost Adjustment	0.11	**-**	**-**	-	-	-

NOTE: Outside city rates set at 50.0% premium

PRELIMINARY & SUBJECT TO CHANGE

Scenario IIA – "Moderate Delay" – Status Quo – Impact on Monthly Charges

			Proposed Rate Plan		Forecast Rates		
		Current	Effective Mar-24	Effective Jan-25	Effective Oct-25	Effective Oct-26	Forecast Oct-27
Residential Monthly Charge							
3,000 Gal W	Total	$ 30.55	$ 33.13	$ 36.26	$ 41.13	$ 46.66	$ 52.41
3,000 Gal WW	Increase -- $		**2.58**	**3.13**	**4.87**	**5.53**	**5.75**
	Increase -- %		8.4%	9.4%	13.4%	13.4%	12.3%
7,000 Gal W	Total	44.93	48.50	53.08	60.22	68.33	76.78
5,000 Gal WW	Increase -- $		**3.57**	**4.58**	**7.14**	**8.10**	**8.45**
	Increase -- %		7.9%	9.4%	13.5%	13.5%	12.4%
20,000 Gal W	Total	67.16	72.52	79.51	90.35	102.67	115.93
5,000 Gal WW	Increase -- $		**5.36**	**6.99**	**10.84**	**12.32**	**13.26**
	Increase -- %		8.0%	9.6%	13.6%	13.6%	12.9%
Commercial Monthly Charge							
40,000 Gal W	Total	277.99	298.57	326.55	370.22	419.74	470.67
40,000 Gal WW	Increase -- $		**20.58**	**27.98**	**43.67**	**49.52**	**50.93**
	Increase -- %		7.4%	9.4%	13.4%	13.4%	12.1%

PRELIMINARY & SUBJECT TO CHANGE

NOTE: Highly preliminary and subject to potentially significant revision

Scenario IIB – "Moderate Delay" – Inverted Block Rate Plan

		Current	Proposed Rate Plan Effective Mar-24	Proposed Rate Plan Effective Jan-25	Forecast Rates Effective Oct-25	Forecast Rates Effective Oct-26	Forecast Rates Forecast Oct-27
Water Rates -- Residential & Commercial Inside							
Monthly Minimum Charge							
	3/4"	$ 7.93	**$ 8.64**	**$ 9.42**	$ 10.74	$ 12.24	$ 13.96
	1"	10.07	**11.47**	**13.05**	15.49	18.37	20.94
	1 1/2"	14.56	**17.31**	**20.43**	25.07	30.61	34.90
	2"	33.02	**37.80**	**43.17**	51.46	61.22	69.79
	3"	49.17	**57.48**	**66.90**	81.09	97.95	111.67
	4"	112.87	**167.90**	**231.93**	320.16	428.55	488.55
	6"	231.80	**329.96**	**443.90**	602.10	795.88	907.31
	8"	426.15	**650.91**	**912.67**	1,272.07	1,714.21	1,954.20
Volume Rate Per 1,000 Gal							
-	3,000	1.65	**1.50**	**1.64**	1.86	2.12	2.42
3,001	10,000	0.06	**2.00**	**2.18**	2.49	2.83	3.23
10,001	20,000	-	**2.50**	**2.73**	3.11	3.54	4.04
20,001	Above	-	**3.00**	**3.27**	3.73	4.25	4.84
Wastewater Rates - Residential & Comm Inside							
Monthly Minimum Charge							
	3/4"	6.18	**6.74**	**7.34**	8.30	9.38	10.41
	1"	9.44	**10.29**	**11.22**	12.67	14.32	15.90
	1 1/2"	21.41	**23.34**	**25.44**	28.74	32.48	36.05
	2"	25.77	**28.09**	**30.62**	34.60	39.10	43.40
	3"	52.97	**57.74**	**62.93**	71.12	80.36	89.20
	4"	134.60	**146.71**	**159.92**	180.71	204.20	226.66
	6"	276.08	**300.93**	**328.01**	370.65	418.84	464.91
	8"	439.33	**478.87**	**521.97**	589.82	666.50	739.82
Volume Rate Per 1,000 Gal							
	Volume Charge	3.66	**3.99**	**4.35**	4.91	5.55	6.16
	Fuel Cost Adjustment	0.11	**-**	**-**	-	-	-

PRELIMINARY & SUBJECT TO CHANGE

NOTE: Highly preliminary and subject to potentially significant revision

Scenario IIB – "Moderate Delay" – Inverted Block – Impact on Monthly Charges

			Proposed Rate Plan		Forecast Rates		
		Current	Effective Mar-24	Effective Jan-25	Effective Oct-25	Effective Oct-26	Forecast Oct-27
Residential Monthly Charge							
3,000 Gal W	Total	$ 30.55	$ 31.85	$ 34.71	$ 39.37	$ 44.65	$ 50.12
3,000 Gal WW	Increase -- $		**1.30**	**2.87**	**4.66**	**5.28**	**5.47**
	Increase -- %		4.2%	9.0%	13.4%	13.4%	12.3%
7,000 Gal W	Total	44.93	47.83	52.13	59.14	67.09	75.37
5,000 Gal WW	Increase -- $		**2.90**	**4.30**	**7.01**	**7.95**	**8.28**
	Increase -- %		6.4%	9.0%	13.4%	13.4%	12.3%
20,000 Gal W	Total	67.16	78.83	85.92	97.66	111.00	125.43
5,000 Gal WW	Increase -- $		**11.67**	**7.09**	**11.74**	**13.34**	**14.43**
	Increase -- %		17.4%	9.0%	13.7%	13.7%	13.0%
Commercial Monthly Charge							
40,000 Gal W	Total	277.99	297.40	326.14	372.00	424.33	475.90
40,000 Gal WW	Increase -- $		**19.41**	**28.74**	**45.86**	**52.33**	**51.57**
	Increase -- %		7.0%	9.7%	14.1%	14.1%	12.2%

PRELIMINARY & SUBJECT TO CHANGE

NOTE: Highly preliminary and subject to potentially significant revision

Scenario Comparison – 3,000 Gallons Monthly Charges

	Current	Effective Mar-24	Effective Jan-25	Effective Oct-25	Effective Oct-26	Forecast Oct-27
Residential Monthly Charge -- 3,000 Gal Water, 3,000 Gal WW						
Total						
Scen IA -- Long Delay -- Status Quo	$ 30.55	$ 33.13	$ 36.26	$ 40.24	$ 44.67	$ 49.58
Scen IB -- Long Delay -- Inverted Block	30.55	31.85	34.71	38.53	42.77	47.48
Scen IIA -- Moderate Delay -- Status Quo	30.55	33.13	36.26	41.13	46.66	52.41
Scen IIB -- Moderate Delay -- Inverted Block	30.55	31.85	34.71	39.37	44.65	50.12
Increase -- Dollars						
Scen IA -- Long Delay -- Status Quo		$ 2.58	$ 3.13	$ 3.98	$ 4.43	$ 4.91
Scen IB -- Long Delay -- Inverted Block		1.30	2.86	3.82	4.24	4.71
Scen IIA -- Moderate Delay -- Status Quo		2.58	3.13	4.87	5.53	5.75
Scen IIB -- Moderate Delay -- Inverted Block		1.30	2.87	4.66	5.28	5.47
Increase -- Percentage						
Scen IA -- Long Delay -- Status Quo		8.4%	9.4%	11.0%	11.0%	11.0%
Scen IB -- Long Delay -- Inverted Block		4.3%	9.0%	11.0%	11.0%	11.0%
Scen IIA -- Moderate Delay -- Status Quo		8.4%	9.4%	13.4%	13.4%	12.3%
Scen IIB -- Moderate Delay -- Inverted Block		4.2%	9.0%	13.4%	13.4%	12.3%

PRELIMINARY & SUBJECT TO CHANGE

Scenario Comparison – 20,000 Gallons Monthly Charges

	Current	Effective Mar-24	Effective Jan-25	Effective Oct-25	Effective Oct-26	Forecast Oct-27
Residential Monthly Charge -- 20,000 Gal Water, 5,000 Gal WW						
Total						
Scen IA -- Long Delay -- Status Quo	$ 67.16	$ 72.52	$ 79.51	$ 88.26	$ 97.96	$ 108.74
Scen IB -- Long Delay -- Inverted Block	67.16	78.83	85.92	95.37	105.86	117.51
Scen IIA -- Moderate Delay -- Status Quo	67.16	72.52	79.51	90.35	102.67	115.93
Scen IIB -- Moderate Delay -- Inverted Block	67.16	78.83	85.92	97.66	111.00	125.43
Increase -- Dollars						
Scen IA -- Long Delay -- Status Quo		$ 5.36	$ 6.99	$ 8.75	$ 9.70	$ 10.78
Scen IB -- Long Delay -- Inverted Block		11.67	7.09	9.45	10.49	11.65
Scen IIA -- Moderate Delay -- Status Quo		5.36	6.99	10.84	12.32	13.26
Scen IIB -- Moderate Delay -- Inverted Block		11.67	7.09	11.74	13.34	14.43
Increase -- Percentage						
Scen IA -- Long Delay -- Status Quo		8.0%	9.6%	11.0%	11.0%	11.0%
Scen IB -- Long Delay -- Inverted Block		17.4%	9.0%	11.0%	11.0%	11.0%
Scen IIA -- Moderate Delay -- Status Quo		8.0%	9.6%	13.6%	13.6%	12.9%
Scen IIB -- Moderate Delay -- Inverted Block		17.4%	9.0%	13.7%	13.7%	13.0%

PRELIMINARY & SUBJECT TO CHANGE

Other Rate Structure Related Issues

- **Wholesale Rates**
  - Ensure just and reasonable rates based on rate-making principles
  - Utility-basis approach
  - Desire or need for contract conformity
- **Outside City-Limits Rates**
  - Rate-making principles justify higher outside rates in many circumstances
  - However, these premiums are becoming increasingly controversial in Texas

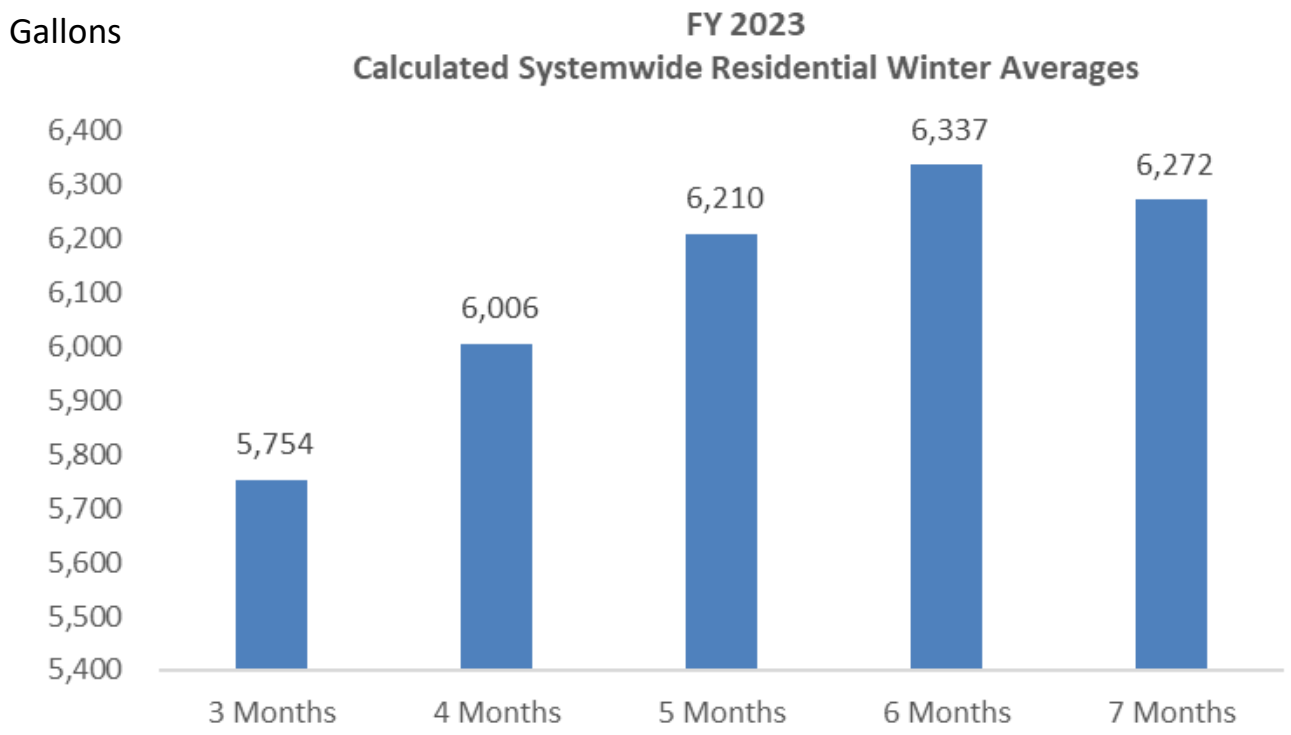
PRELIMINARY & SUBJECT TO CHANGE

Other Rate Structure Related Issues

- **Winter Average**
  - Most common form of charging for wastewater service in USA
  - Advantages: attempts to correlate monthly charges to customer's actual contribution to wastewater system
  - Challenges: not as effective in temperate climates; uncommon in RGV
- **Alternative wastewater charge methodologies:**
  - Uniform monthly charge
  - Percentage of actual water usage
  - Actual water usage with cap at certain level
- Project team **does not recommend** abandoning winter average at this time

PRELIMINARY & SUBJECT TO CHANGE

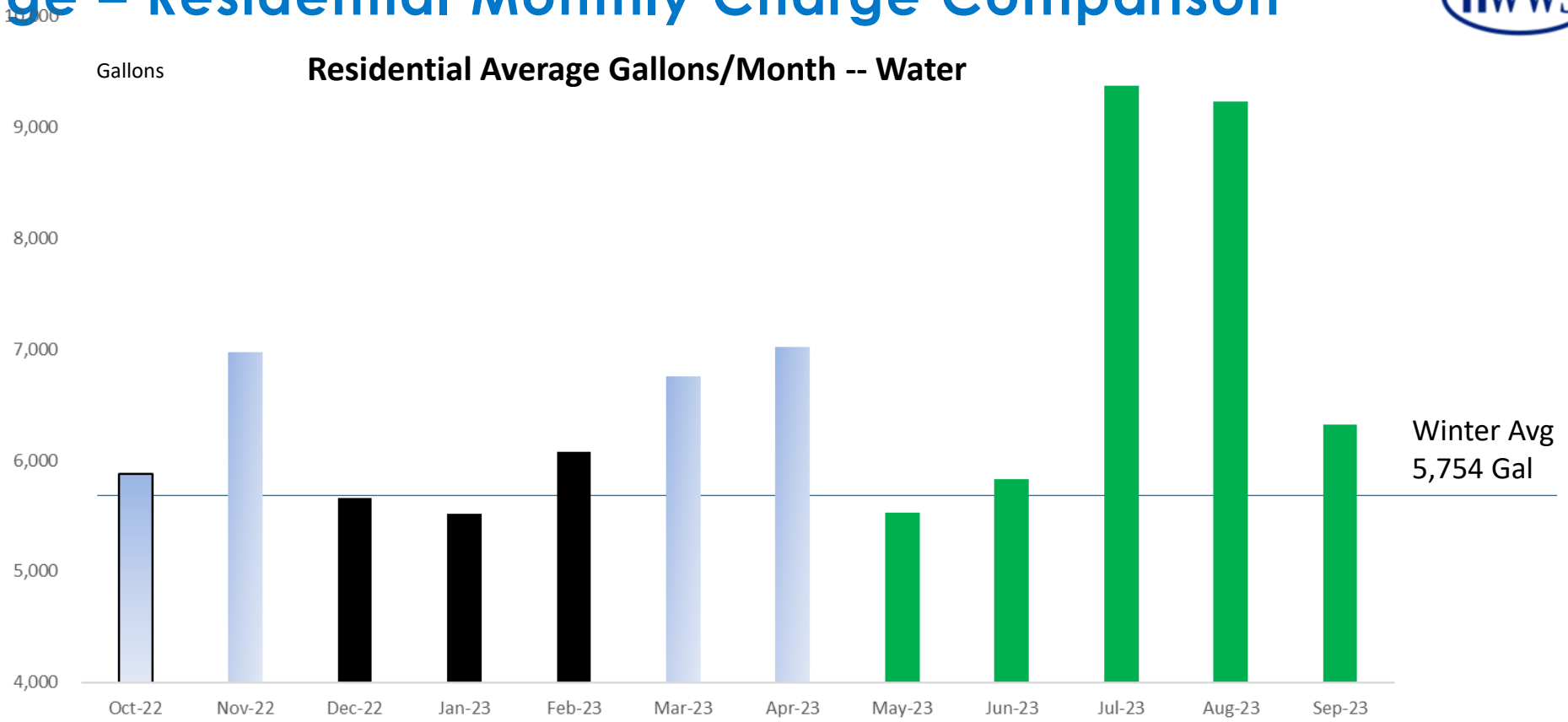
Winter Average – Calculated Systemwide Winter Average



Percent Difference		4.4%	7.9%	10.1%	9.0%

PRELIMINARY & SUBJECT TO CHANGE

Winter Average – Residential Monthly Charge Comparison



	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Total
Winter Avg	$ 27.24	$ 27.24	$ 27.24	$ 27.24	$ 27.24	$ 27.24	$ 27.24	$ 27.24	$ 27.24	$ 27.24	$ 27.24	$ 27.24	**$ 326.86**
No Winter Avg	24.63	28.23	23.94	23.49	25.30	27.51	28.37	23.50	24.51	36.04	35.59	26.08	**327.19**
Difference	**(2.61)**	**0.99**	**(3.30)**	**(3.75)**	**(1.94)**	**0.27**	**1.13**	**(3.74)**	**(2.73)**	**8.80**	**8.35**	**(1.16)**	**0.32**
	-9.6%	3.6%	-12.1%	-13.8%	-7.1%	1.0%	4.2%	-13.7%	-10.0%	32.3%	30.7%	-4.3%	0.1%

PRELIMINARY & SUBJECT TO CHANGE

Winter Average Elimination – Impact on Monthly Charges

- Elimination of winter average could result in minimum charges and volume rates 10% less than forecast under Scenario I & II
- Residential users of 6,000 gallons or less would have lower monthly charges with elimination of winter average
- However, users above 6,000 gallons could have potential significant increases in monthly charges if winter average is eliminated

Monthly Wastewater Charges -- Winter Average vs. No Winter Average

Gallons	Winter Average	No Winter Average	Difference
3/4" Min Charge	$ 6.74	$ 6.18	
Volume Rate	3.99	3.77	
-	$ 6.74	$ 6.18	$ (0.56)
1,000	10.73	9.95	(0.78)
2,000	14.72	13.72	(1.00)
3,000	18.70	17.49	(1.21)
4,000	22.69	21.26	(1.43)
5,000	26.68	25.03	(1.65)
6,000	30.67	28.80	(1.87)
7,000	30.67	32.57	1.90
8,000	30.67	36.34	5.67
9,000	30.67	40.11	9.44
10,000	30.67	43.88	13.21
11,000	30.67	47.65	16.98
12,000	30.67	51.42	20.75
13,000	30.67	55.19	24.52
14,000	30.67	58.96	28.29
15,000	30.67	62.73	32.06
16,000	30.67	66.50	35.83
17,000	30.67	70.27	39.60
18,000	30.67	74.04	43.37
19,000	30.67	77.81	47.14
20,000	30.67	81.58	50.91

PRELIMINARY & SUBJECT TO CHANGE

SUMMARY

Summary and Next Steps

- Review operating and CIP funding assumptions and revise if necessary
- Recommend most appropriate rate design
  - Status Quo
  - Inverted Block
  - Another Alternative
- Schedule workshop with City Commission to present recommended rate scenario(s)

PRELIMINARY & SUBJECT TO CHANGE

WILLDAN

QUESTIONS & DISCUSSION

AGENDA ITEM
EXECUTIVE SUMMARY

Meeting Date: **January 8, 2024**

Agenda Item:

Consideration and adoption of a resolution by the Harlingen Waterworks System Utility Board of Trustees authorizing submission of a financial application to Texas Water Development Board under the Drinking Water State Revolving Fund Program for financial assistance in an amount not to exceed $2,185,000 to fund physical survey and inventory of water service line materials in compliance with EPA's 2021 Lead and Copper Rule Revisions.

Prepared By (Print Name): Timothy E. Skoglund, P.E.
Title: General Manager
Signature: Timothy E. Skoglund

Brief Summary:

The Infrastructure Investment and Jobs Act of 2021 appropriated funds through the Drinking Water State Revolving Fund program for lead service line replacement projects and associated activities directly connected to the identification, planning, design, and replacement of lead service lines. EPA's Lead and Copper Rule Revisions published in December 2021 requires community water systems to categorize all water services lines as either lead, non-lead, galvanized requiring replacement, or lead status unknown. Of Harlingen's roughly 30,000 domestic water service lines, all but approximately 9,000 have been categorized as non-lead based on historical records and building codes that prohibited lead pipe. The regulation requires that these service lines be inventoried by exposing the lines on both side of the customer water meter to identify and inventory the pipe material type. Based on a preliminary application submitted in May 2023 for $2,185,000 to fund this obligation, HWWS has been invited to submit a formal financial application for the physical survey and inventory of its water service lines that have not been ruled out. TWDB requires a resolution of the HWWS Board of Trustees authorizing the submission of the application.

Funding (if applicable):

Are funds specifically designated in the current budget for the full amount for this purpose? [X] Yes [ ] No*
*If no, specify source of funding and amount requested:

Finance Director's approval: [ ] Yes [ ] No [ ] N/A

Staff Recommendation:

Approval of resolution authorizing submission of the financial application to TWDB.

City Manager's approval: [ ] Yes [ ] No [X] N/A

Comments:

City Attorney's approval: [ ] Yes [ ] No [X] N/A

TWDB-0201A
Rev 11/16

RESOLUTION NO. R2324-19

Application Filing and Authorized Representative Resolution

A RESOLUTION by the Utility Board of Trustees of the Harlingen Waterworks System requesting financial assistance from the Texas Water Development Board; authorizing the filing of an application for assistance; and making certain findings in connection therewith.

BE IT RESOLVED BY THE Utility Board of Trustees OF THE Harlingen Waterworks System:

SECTION 1: That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not to exceed $ 2,185,000 to provide for the costs of Water Service Line Survey and Inventory.

SECTION 2: That Timothy E. Skoglund, P.E. be and is hereby designated the authorized representative of the Harlingen Waterworks System for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

SECTION 3: That the following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the City of Harlingen Waterworks System before any hearing held by the Texas Water Development Board on such application, to wit:

Financial Advisor: Anne Burger Entrekin
Hilltop Securities, Inc.

Engineer: N/A

Bond Counsel: William Avila
Bracewell LLP

PASSED AND APPROVED, this the 8th day of January 2024.

ATTEST: _____ By: _____

(Seal)

AGENDA ITEM
EXECUTIVE SUMMARY

Meeting Date: **January 8, 2024**

Agenda Item:

Consideration and adoption of a resolution by the Harlingen City Commission authorizing submission of a financial application to Texas Water Development Board under the Drinking Water State Revolving Fund Program for financial assistance in an amount not to exceed $2,185,000 to fund physical survey and inventory of water service line materials in compliance with EPA's 2021 Lead and Copper Rule Revisions.

Prepared By (Print Name): Timothy E. Skoglund, P.E.
Title: General Manager
Signature: Timothy E. Skoglund

Brief Summary:

The Infrastructure Investment and Jobs Act of 2021 appropriated funds through the Drinking Water State Revolving Fund program for lead service line replacement projects and associated activities directly connected to the identification, planning, design, and replacement of lead service lines. EPA's Lead and Copper Rule Revisions published in December 2021 requires community water systems to categorize all water services lines as either lead, non-lead, galvanized requiring replacement, or lead status unknown. Of Harlingen's roughly 30,000 domestic water service lines, all but approximately 9,000 have been categorized as non-lead based on historical records and building codes that prohibited lead pipe. The regulation requires that these service lines be inventoried by exposing the lines on both side of the customer water meter to identify and inventory the pipe material type. Based on a preliminary application submitted in May 2023 for $2,185,000 to fund this obligation, HWWS has been invited to submit a formal financial application for the physical survey and inventory of its water service lines that have not been ruled out. TWDB requires a resolution of the Harlingen City Commission authorizing the submission of the application.

Funding (if applicable):

Are funds specifically designated in the current budget for the full amount for this purpose? [X] Yes [ ] No*
*If no, specify source of funding and amount requested:

Finance Director's approval: [ ] Yes [ ] No [ ] N/A

Staff Recommendation:

Approval of resolution authorizing submission of the financial application to TWDB.

City Manager's approval: [X] Yes [ ] No [ ] N/A

Comments:

City Attorney's approval: [ ] Yes [ ] No [ ] N/A

TWDB-0201A
Rev 11/16

Application Filing and Authorized Representative Resolution

A RESOLUTION by the Elective Commission of the City of Harlingen requesting financial assistance from the Texas Water Development Board; authorizing the filing of an application for assistance; and making certain findings in connection therewith.

BE IT RESOLVED BY THE Elective Commission OF THE City of Harlingen:

SECTION 1: That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not to exceed $ 2,185,000 to provide for the costs of Water Service Line Survey and Inventory.

SECTION 2: That Timothy E. Skoglund, P.E. be and is hereby designated the authorized representative of the Harlingen Waterworks System for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance and the rules of the Texas Water Development Board.

SECTION 3: That the following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the City of Harlingen Waterworks System before any hearing held by the Texas Water Development Board on such application, to wit:

Financial Advisor: Anne Burger Entrekin
Hilltop Securities, Inc.

Engineer: N/A

Bond Counsel: William Avila
Bracewell LLP

PASSED AND APPROVED, this the 8th day of January 2024.

ATTEST: _____ By: _____

(Seal)

AGENDA ITEM
EXECUTIVE SUMMARY

Meeting Date: **January 8, 2024**

Agenda Item:

Consideration and adoption of a resolution appointing a capital improvements advisory committee (CIAC) as required under Chapter 395 of the Texas Local Government Code for the redevelopment of water and wastewater impact fees.

Prepared By (Print Name): Timothy E. Skoglund, P.E.
Title: General Manager
Signature: Timothy E. Skoglund

Brief Summary:

Tex. Loc. Govt Code ch. 395 stipulates the appointment of a capital improvements advisory committee (CIAC) as part of the development / redevelopment process for water and wastewater impact fees. Harlingen's Planning & Zoning Commission meets most requirements for the committee's composition, but to enable the continued assessment of impact fees within extraterritorial jurisdiction (ETJ) portions of HWWS's service area, the CIAC must include a resident of the ETJ. The P&Z Commission does not meet this requirement; however, an ad hoc representative from the ETJ may be appointed to serve with P&Z on the CIAC. As defined in the Code, the purpose of the CIAC is to: (1) advise and assist the political subdivision in adopting land use assumptions; (2) review the capital improvements plan and file written comments; (3) monitor and evaluate implementation of the capital improvements plan; (4) file semiannual reports with respect to the progress of the capital improvements plan and report to the political subdivision any perceived inequities in implementing the plan or imposing the impact fee; and (5) advise the political subdivision of the need to update or revise the land use assumptions, capital improvements plan, and impact fee.

Funding (if applicable):

Are funds specifically designated in the current budget for the full amount for this purpose? [X] Yes [ ] No*
*If no, specify source of funding and amount requested:

Finance Director's approval: [ ] Yes [ ] No [ ] N/A

Staff Recommendation:

Staff recommends adoption of a resolution appointing the P&Z Commission and an ad hoc ETJ resident as the CIAC for water and wastewater impact fee redevlopment.

City Manager's approval: [X] Yes [ ] No [ ] N/A

Comments:

City Attorney's approval: [ ] Yes [ ] No [ ] N/A

RESOLUTION NO. _____

STATE OF TEXAS δ

COUNTY OF CAMERON δ

WHEREAS, the City of Harlingen Waterworks System currently imposes impact fees for water and wastewater facilities pursuant to its authority under Tex. Loc. Govt Code ch. 395 and pursuant to Chapter 48 of the City Code of Ordinances; and

WHEREAS, the City of Harlingen Waterworks System has need to update its capital improvements plans and impact fees for water and wastewater facilities pursuant to the procedures in Tex. Loc. Govt Code ch. 395, as amended; and

WHEREAS, the City of Harlingen Planning and Zoning Commission may serve as the capital improvements advisory committee as required under Ch. 395 ; and

WHEREAS, at least one member of the Planning and Zoning Commission is a member of the real estate, development, or building communities; and

WHEREAS, in addition to the Planning and Zoning Commission, one ad hoc member from the Extraterritorial Jurisdiction of Harlingen may be added to the capital improvements advisory committee to enable the assessment of updated impact fees in the extraterritorial jurisdiction, and

WHEREAS, it has been determined that the use of impact fees facilitates development in accordance with the Harlingen's Code of Ordinances and policies and promotes the health, safety, and general welfare of the City of Harlingen its citizens and the citizens of its extraterritorial jurisdiction; and

BE IT RESOLVED BY THE CITY OF HARLINGEN:

That the Planning and Zoning Commission and _____[ad hoc ETJ resident nominee's name]_____ are hereby appointed as the advisory committee for impact fees and are authorized to undertake the functions set forth in Tex. Loc. Govt Code ch. 395.

CONSIDERED AND ADOPTED this 8th day of January 2024, at a joint meeting of the Elective Commission of the City of Harlingen, Texas, and the Harlingen Waterworks System Utility Board of Trustees at which a quorum was present and which was held in accordance with TEXAS GOVERNMENT CODE, TITLE 5, SUBTITLE A, CHAPTER 551.

CITY OF HARLINGEN

BY: _____
Norma Sepulveda, Mayor

ATTEST:

_____
Amanda C. Elizondo, City Secretary

a) **R2324-13: Awarding a professional services contract for SCADA System Integration for Water Treatment Operations.**
b) **R2324-14: Awarding a contract for purchase of SCADA Computer System Equipment for Water Treatment Operations.**
c) **R2324-15: Awarding a contract for Managed Detection and Response (MDR) Services for cybersecurity monitoring of networks, endpoints, and servers.**
d) **R2324-16: Awarding a contract for purchase of a Boom Truck.**
e) **R2324-17: Adopting the Harlingen Waterworks System Investment Policy.**

A motion was made to approve Resolution No. R2324-13 through 17.

Motion: Michael Garza
Second: Michael Murphy

Motion to approve was carried by a vote of the Board (3-0).

*****OUT OF SEQUENCE**
AGENDA ITEM NO. 3: COMMUNICATION / INPUT FROM CUSTOMERS AND RESIDENTS OF HARLINGEN
Desi Martinez commented on the failing lift stations located on the west side of Harlingen. He reported the southeast area in Harlingen did not need any improvements as much as the west end of town needing new sewer services. The growth of the City was on the northwest side of town and that was the target spot for new sewer infrastructure. He recommended Wholesale customers needed to report the amount of water and sewer accounts they serviced in an effort to collect more revenue from those accounts in conjunction to the $17 million needed for the future construction of sewer infrastructure to service the west side of Harlingen.

AGENDA ITEM NO. 10: ADJOURN
There being no further business to discuss, Chairman, Bartnesky, called for a motion to adjourn the meeting at 7:46 P.M.

Motion: Michael Garza
Second: Michael Murphy

Motion to approve was carried by a vote of the Board (3-0).

Attest: _____
Nilda Sanchez, Board Secretary