

Memorandum of Understanding between Hays Caldwell Public Utility Agency and the cities of Buda, Kyle and San Marcos for Water Supply Sharing

This Memorandum of Understanding (MOU) documents the mutual understanding between the Hays Caldwell Public Utility Agency (HCPUA), the City of Buda (Buda), the City of Kyle (Kyle) and the City of San Marcos (San Marcos) under which Kyle and San Marcos will commit and supply water to Buda on a temporary basis via existing and/or new facilities.

Background

Buda has existing contracts with the Guadalupe-Blanco River Authority (GBRA) for 1.5 million gallons per day (MGD) of raw and treated water supply and 1.5 MGD of capacity in GBRA's I-35 Treated Water Delivery System (the TWDS). Kyle has existing contracts with GBRA for 4.86 MGD of raw and treated water supply and 4.86 MGD of capacity in the TWDS. San Marcos has existing contracts with GBRA for 8.93 MGD of raw water supply to the San Marcos water treatment plant; these contracts also provide for San Marcos to deliver treated water to GBRA at the San Marcos water treatment plant.

Buda, Kyle and San Marcos are members of the HCPUA, which is developing a Carrizo aquifer groundwater project to supply water to its members. Phase 1 of this project is planned to be completed and operational by December 31, 2023. Buda anticipates the need for additional water supply during the period from January 1, 2016 until the HCPUA Phase 1 project is completed (the Interim Period). Kyle and San Marcos have supplies, including water from GBRA and other sources, that exceed their projected needs during the Interim Period, and Kyle and San Marcos are willing to commit and supply water to Buda from their existing GBRA contracted amounts during the Interim Period as described in this MOU. In addition, Kyle has contracted with GBRA for capacity in the TWDS in excess of its projected needs during the Interim Period, and Kyle is willing to commit and allow Buda to use a portion of this capacity for delivery of the added supply during the Interim Period as described in this MOU.

Phase 1A of the HCPUA project will provide a pipeline and pump station connecting the Kyle and Buda water systems, and is projected to be completed by December 31, 2017. The Phase 1A pipeline will allow for Kyle and San Marcos to share their respective GBRA water supplies with Buda during the Interim Period by delivery of the water through the TWDS to Kyle's delivery point, wheeling of the water through the Kyle water system to the Phase 1A pipeline connection with Kyle, and transmission of the water through the Phase 1A pipeline to its connection with Buda.

GBRA Letter Agreement

By separate letter agreement (the GBRA Letter Agreement) between GBRA, HCPUA, Buda, Kyle and San Marcos:

1. Kyle and San Marcos have each agreed to commit and supply to Buda 0.5 MGD of their respective GBRA water supplies during the Interim Period.
2. Kyle has agreed to commit and allow Buda to use 1.0 MGD of Kyle's contracted capacity in the TWDS during the Interim Period.
3. GBRA has agreed to the temporary sharing arrangements among Buda, Kyle and San Marcos described in the GBRA Letter Agreement.

4. Buda, Kyle and San Marcos have agreed that GBRA will continue to bill each of them for operation and maintenance costs based on metered delivery (including, for Buda, the added supplies provided by Kyle and San Marcos), and for fixed costs, all at rates determined under their respective existing contracts with GBRA.
5. The parties have agreed that the GBRA Letter Agreement is intended to be an enforceable agreement to satisfy the requirements of 30 TAC §290.45(f) for Buda's water system during the Interim Period.
6. HCPUA has agreed to provide notice to GBRA of the completion of the Phase 1 project.
7. HCPUA and Buda, Kyle and San Marcos are to execute and maintain in force a separate memorandum of understanding defining Buda's payment obligations to Kyle and San Marcos (through the HCPUA). This document constitutes the memorandum of understanding referenced in the GBRA Letter Agreement.

Agreements

In consideration of the mutual covenants contained in this MOU, the parties agree as follows:

- A. Starting in January 2017, HCPUA will bill Buda monthly for fixed expenses (take-or-pay water reservation fees and debt service costs) incurred by Kyle and San Marcos for the water supply and facilities capacity committed to Buda in the GBRA Letter Agreement, whether or not Buda takes any water under this MOU. Paragraph E.1 describes the rates for the fixed expenses.
- B. Buda may elect to begin taking water under this MOU for delivery during the 2016 calendar year by giving written notice to HCPUA, Kyle and San Marcos. If Buda does so, HCPUA will bill Buda monthly for the fixed expenses described in paragraph A above for the full 2016 year, dividing the annual amount by the number of months remaining in the year.
- C. In addition to the amounts described in paragraphs A and B above, HCPUA will bill Buda monthly based on the volume of water delivered to Buda under this MOU. Of the amounts delivered to Buda each day, the first 500,000 gallons will be deemed to be shared by San Marcos, and the next 500,000 gallons will be deemed to be shared by Kyle for the purpose of determining the rates.
 1. For water delivered via the TWDS to Buda's delivery point on the TWDS (the Buda-TWDS connection), the rate(s) will be charged as described in paragraph E.2.
 2. For water delivered to Buda's connection to the Phase 1A pipeline (the Buda-Phase 1A connection), the rate(s) will be charged as described in paragraph E.3.
- D. Water shared under this MOU will be delivered to Buda either at the Buda-TWDS connection or at the Buda-Phase 1A connection. The amount to be delivered at each of these two connections will be determined by Buda in its sole discretion. The maximum total daily water amount that may be delivered under this MOU via the two connections is 1,000,000 gallons. Buda will coordinate with GBRA and HCPUA to ensure appropriate monitoring of delivered amounts and management of flow controls at the Buda-TWDS connection and at the Buda-Phase 1A connection, respectively, so that the limit on the total daily water amount is not exceeded.

- E. The HCPUA Board of Directors approved the rates to be utilized for water purchased from Kyle and San Marcos and sold to Buda as part of the Agency Water Sharing Program through the adoption of Resolution 20160323-001, included as Attachment A. The rates and corresponding annual adjustments are described below.
1. For 2016 the monthly rates for fixed expenses will be \$21,669 for Kyle and \$13,234.17 for San Marcos. HCPUA will notify Buda each year of any changes in these rates for the subsequent year. The changes will be based on the then-current GBRA raw water rate and the actual debt service for the subsequent year.
 2. For water delivered to the Buda-TWDS connection in 2016, the volume rates will be \$1.56/1,000 gallons for water shared by Kyle, and \$1.34/1,000 gallons for water shared by San Marcos. For 2017 and succeeding years, the volume rates will be adjusted up or down based on annual changes in the Consumer Price Index – All Urban Consumers Index, subject to a maximum annual increase of 2.0%.
 3. For water delivered to the Buda-Phase 1A connection, in addition to the volume rate described in paragraph E.2, a wheeling rate will be charged, along with operations and maintenance rates for the TWDS and the Phase 1A pipeline. In 2016 the wheeling rate will be \$0.30/1,000 gallons. The TWDS operations and maintenance rate will be the then-current rate set annually by the GBRA Board. The Phase 1A pipeline operations and maintenance rate will be the rate set annually by the HCPUA Board. For 2017 and succeeding years, the wheeling rate will be adjusted up or down based on annual changes in the Consumer Price Index – All Urban Consumers Index, subject to a maximum annual increase of 2.0%.
- F. Within five (5) days of the end of each calendar month, Buda shall provide to the HCPUA daily meter readings for the Buda-TWDS connection. The HCPUA will collect the daily readings for the Buda-Phase 1A connection and will utilize both readings to determine monthly invoice amounts in accordance with the calculations provided for in this agreement.
- G. Buda agrees to pay the monthly amounts billed under this MOU to HCPUA within 20 days of receipt. HCPUA agrees in turn to pay these amounts to Kyle and San Marcos (as applicable) within 20 days of receipt of payments from Buda.
- H. Title to all water delivered to Buda at the Buda-TWDS connection under this MOU will transfer to Buda upon delivery. For water delivered to the Kyle delivery point on the TWDS for sharing with Buda, title will be in Kyle from that point to the Phase 1A pipeline connection with Kyle, at which point title will transfer to the HCPUA. Upon delivery to the Phase 1A pipeline connection with Buda, title to the water will transfer to Buda. Kyle will be responsible for maintaining the quality of water while title to the water is in Kyle, and the HCPUA will be responsible for maintaining the quality of water while title to the water is in the HCPUA.
- I. This MOU is intended be an enforceable agreement to satisfy the requirements of 30 TAC §290.45(f) for Buda’s water system during the Interim Period.
- J. This MOU will take effect on the date it is signed by HCPUA, Buda, Kyle and San Marcos, and it will continue in effect until the date of completion of the HCPUA Phase 1 project.

Agreed to and accepted:

Hays Caldwell Public Utility Agency

By: Graham M. Moore, Executive Director

Date

City of Buda

By: Kenneth Williams, City Manager

Date

City of Kyle

By: Scott Sellers, City Manager

Date

City of San Marcos

By: Jared Miller, City Manager

Date

Attachment A

**Hays Caldwell Public Utility Agency
Resolution No. 20160323-001**



RESOLUTION NO. 20160323-001

A RESOLUTION OF THE HAYS CALDWELL PUBLIC UTILITY AGENCY BOARD OF DIRECTORS APPROVING THE RATES TO BE UTILIZED FOR WATER PURCHASED FROM KYLE AND SAN MARCOS AND SOLD TO BUDA AS PART OF THE AGENCY WATER SHARING PROGRAM; AND DECLARING AN EFFECTIVE DATE

RECITALS:

1. The Hays Caldwell Public Utility Agency (the "Agency") approved the Water Sharing Rules and Procedures in April 2014 through the approval of Resolution 20140423-003.
2. The Agency entered into a letter agreement dated August 26, 2015 with the Guadalupe-Blanco River Authority, the City of Buda (Buda), the City of Kyle (Kyle) and the City of San Marcos (San Marcos) that made available water to Buda on a temporary basis via existing facilities.
3. The Agency is currently designing a pipeline and pump station, jointly the "Phase 1A facilities", to allow water to be shared between Kyle and Buda through new facilities.
4. The Agency retained HDR Engineering, Inc. in August 2015 to develop water rates in support of the Agency's water sharing program.
5. The Agency will develop a Memorandum of Understanding between the Agency, Buda, Kyle and San Marcos to document the water commitments and procedure for shared water.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE HAYS CALDWELL PUBLIC UTILITY AGENCY:

SECTION 1. The Agency Board of Directors (the "Board") approves the following rates for water purchased in 2016 from San Marcos and Kyle and sold to Buda as detailed in the HCPUA Interim Rate Study Memo dated March 17, 2016 by HDR Engineering:

- a. Annual take-or-pay charge, for Kyle = \$260,028, for San Marcos = \$158,810
- b. Volume rate based on actual metered water used, for Kyle = \$1.56 per 1,000 gallons, for San Marcos = \$1.34 per 1,000 gallons
- c. Wheeling rate based on actual metered water utilized to the Agency's Phase 1A facilities by Kyle = \$0.30 per 1,000 gallons

- d. The operations and maintenance rate for GBRA for water delivered by Kyle to the Agency's Phase 1A facilities will be at the then current rate set by GBRA
- e. The Agency will set a rate for operations and maintenance of water delivered via the Phase 1A facilities once this infrastructure is in use

SECTION 2. The following annual adjustments will be made to the rates noted in Section 1:

- a. Annual take-or-pay charges: updated annually based on the then current GBRA raw water rate and the actual debt service for that year
- b. Volume rates: updated annually based upon the Consumer Price Index (CPI) – All Urban Consumers index with a maximum annual increase not to exceed 2.0%
- c. Wheeling rate: updated annually based upon the Consumer Price Index (CPI) – All Urban Consumers index with a maximum annual increase not to exceed 2.0%
- d. GBRA O&M rate – based on then current rate set by GBRA
- e. Agency O&M rate – set annually by the Agency Board

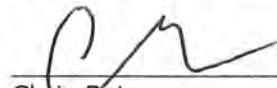
SECTION 3. This Resolution shall be in full force and effect immediately upon its passage.

ADOPTED: March 23, 2016



David Wilson
Chair, Board of Directors

ATTEST:



Chris Betz
Secretary, Board of Directors