

Water Supply Sales and Leasing Discussion

May 17, 2015



Baseline Commitments



- 300 AF are pledged into the conservation effort for Habitat Conservation Plan (7-8 yrs. remain)
- 1100 AF Pledged as possible water sharing Sale to HCPUA (Buda). This pledge is not likely to be exercised until 2020. Sales by 1000 gallons.
- 1600 AF over next five years pledged in conjunction with reuse Grant from EAA (Planned at full amount in 2015)



Water Supply Available for Leasing/Sales

(Acre ft)



2015 Available Approximately 4,300 AF

Source	Total Firm	Est. Demand 2015	Available	Commitment	Use
Surface Water (HCPUA)	10,000	7,800	2,200	1,100 *	
Edwards GW	4,873 (5/1/15)	873	4,000	300	HCP
				1,600 (5 YR.)	HCP
			6,200	3,000	

* Unlikely to be used until 2020

Summary of Groundwater Leases



LESSEE	AMOUNT (AF)	LEASE TERM	LEASE RATE (\$/AF)	% INCREASE	LEASE NET REVENUE
Martin Marietta	300	2012	\$284	n/a	\$85,200
Martin Marietta	250	2012	\$284	0%	\$71,000
Martin Marietta	875	2012	\$304	7%	\$266,000
Martin Marietta	450	2013	\$324	6%	\$145,800
Martin Marietta	1,000	2013	\$324	0%	\$324,000
Martin Marietta	1,000	2014	\$324	0%	\$324,000
Martin Marietta (pending)	885	2014	\$393	18%	\$347,805
TOTAL	4,760				\$1,563,805

Advantages of Water Sales



- Revenue stream will reduce/offset rate pressures that will occur for development of future supplies
- We have agreed to water sharing which Defers construction of expensive infrastructure by HCPUA partners (including us)
- Helps neighboring communities meet their water needs
- Sales or leases may have beneficial environmental or conservation effects



Disadvantages of Water Sales



- May be seen as less environmentally conservative since more of the EAA groundwater permitted to the City will be pumped sooner than our demand would require
- Citizens may be concerned about leases to others while conservation/Drought Restrictions in effect



Policy Decision Needed from City Council



- If surplus water available, should we market surplus water?
- Should we consider environmental/conservation benefits in entering leases and favor those options if financial benefits comparable or other compelling reasons exist?



Financial Analysis



LEASES	PRODUCTION COST OF WATER (\$4.03/1000)	LEASE NET REVENUE	SCENARIO 1 – MOST LIKELY (average of tier 1 and tier 2 water rates)			SCENARIO 2 – CONSERVATIVE (highest tier water rates: \$9.30 - \$9.58)		
			RETAIL SALES REVENUE	RETAIL NET REVENUE	LEASE- RETAIL DELTA	RETAIL SALES REVENUE	RETAIL NET REVENUE	LEASE- RETAIL DELTA
MM-1	\$393,954	\$85,200	\$417,415	\$23,461	\$61,739	\$909,124	\$515,170	-\$429,970
MM-2	\$328,295	\$71,000	\$347,846	\$19,551	\$51,449	\$757,604	\$429,309	-\$358,309
MM-3	\$1,149,032	\$266,000	\$1,217,461	\$68,429	\$197,571	\$2,651,613	\$1,502,580	-\$1,236,580
MM-4	\$590,931	\$145,800	\$626,123	\$35,192	\$110,608	\$1,363,686	\$772,756	-\$626,956
MM-5	\$1,313,180	\$324,000	\$1,391,384	\$78,204	\$245,796	\$3,030,414	\$1,717,235	-\$1,393,235
MM-6	\$1,313,180	\$324,000	\$1,430,486	\$117,306	\$206,694	\$3,121,653	\$1,808,473	-\$1,484,473
MM-7	\$1,162,164	\$347,805	\$1,265,980	\$103,816	\$243,989	\$2,762,663	\$1,600,499	-\$1,252,694
TOTAL		\$1,563,805		\$445,960	\$1,117,845		\$8,346,022	-\$6,782,217