



It's real.

MEMORANDUM

To: City of Seguin Mayor and Council

From: Andy Quittner, City Attorney *AQ*
Tim Howe, Director Water / Wastewater Utilities

Date: October 13, 2022

Re: Resolution Approving a Water Service Transfer Agreement

The rapid growth of both residential and commercial property in parts of the City created an immediate need for potable water to serve the growth. Springs Hill Water Supply Corporation ("Springs Hill") was having difficulty supplying the growing number of customers in parts of its service area. Over the last ten months, the City and Springs Hill have been working towards the goal of transferring some of Springs Hill's service area to the City. Any transfer would need to provide developers with adequate, timely water supplies, while freeing up Springs Hill's existing capacity to better serve its customers and growth in other parts of the City.

The final agreement, which is under Council's consideration, accomplishes the objectives through a two-stage transfer. The first stage is an area that is roughly 3,163 acres that is mostly under various stages of development (but not yet receiving any water service). The Agreement includes a payment of \$500,000.00 as consideration for the area (and any infrastructure that may be in place in that area). The funds for this consideration will be placed in escrow to be paid when the Public Utility Commission approves the transfer.

The second-stage comprises an area that is roughly 6,314 acres containing areas with active accounts (such as the Mill Creek Subdivision). Full connection to this area is more complex as it involves prior notice to the Customers (with an opportunity for a hearing) and must also be accomplished in a seamless manner so customer's water supply is not interrupted. These transfers will also need to be integrated into the City's existing billing system. The City is going to pay Springs Hill \$2,500,000.00, for this area including infrastructure with the funds being placed into escrow until closing on the facilities and client contracts.

All CCN transfers (service areas) must be approved by the Public Utility Commission of Texas through an application filed in accordance with the governing laws and regulations. There are separate applications for each of the two stages. The first (and easiest) is for the area that is not currently served by active Springs Hill Customers. Filing of this application will be done quickly as all the documents and GIS mapping can be put together without a lot of effort.

The active area application will be initiated by Springs Hill within the next 120 days. The active customers will get actual notice of the proposed transfer, and city staff will likely provide public outreach to the neighborhood associations to explain what is going on and how the existing customers may be affected. For example, one effect is that Springs Hill customers within the City limits, when transferred to the City, will pay the same rates as everyone else in the City, which in most cases will be less than their current rate.

A number of city infrastructure projects are currently under design to provide water service to the new area. To the extent feasible, these projects will include eventual connection to existing Springs Hill infrastructure. Some of these projects will be necessary to serve the new and existing customers.