

EXHIBIT A

PART III - THE CODE OF ORDINANCES
Chapter 55 - UTILITIES
ARTICLE III. WATER RATES AND CHARGES

ARTICLE III. WATER RATES AND CHARGES

Sec. 55-50. Schedule.

(a) *Base rates for water service.* The rates for water service are as follows:

(1) Monthly minimum charges.

a. *Metered treated water customers.*

1. Inside city limits ("ICL"):

Meter Size (Inches)	Effective January 1, 202 5 <u>6</u>
Residential	
½—¾	\$ 15.83 <u>17.25</u>
Commercial	
½—¾	\$ 15.83 <u>17.25</u>
Residential and Commercial	
1	\$ 39.58 <u>43.13</u>
1½	\$ 79.15 <u>86.25</u>
2	\$ 126.64 <u>138.00</u>
3	\$ 237.45 <u>258.75</u>
4	\$ 395.75 <u>431.25</u>
6	\$ 870.65 <u>948.75</u>
8	\$ 1,424.70 <u>1,552.50</u>
10	\$ 2,374.50 <u>2,587.50</u>
16 or larger	\$ 2,374.50 <u>2,587.50</u>
Large Volume	
Any size	\$35,092.90
Temporary construction	
1	\$ 39.58 <u>43.13</u>
1½	\$ 79.15 <u>86.25</u>
2	\$ 126.64 <u>138.00</u>

2. Outside city limits ("OCL"):

Meter Size (Inches)	Effective January 1, 202 5 <u>6</u>
Residential	
½—¾	\$ 15.83 <u>15.95</u>

Commercial	
¾—¾	\$ 15.83 <u>15.95</u>
Residential and Commercial	
1	\$ 39.58 <u>39.87</u>
1½	\$ 79.15 <u>79.73</u>
2	\$ 126.64 <u>127.56</u>
3	\$ 237.45 <u>239.17</u>
4	\$ 395.75 <u>398.61</u>
6	\$ 870.65 <u>876.93</u>
8	\$ 1,424.70 <u>1,434.98</u>
10	\$ 2,374.50 <u>2,391.63</u>
16 or larger	\$ 2,374.50 <u>2,391.63</u>
Large Volume	
Any size	\$35,092.90
Temporary construction	
1	\$ 39.58 <u>39.87</u>
1½	\$ 79.15 <u>79.73</u>
2	\$ 126.64 <u>127.56</u>

b. *Untreated water customers.*

	Effective January 1, 2020
Minimum monthly service charge, water districts/municipalities with raw water supply contracts executed after January 1, 1997	\$432.20
Minimum monthly service charge for public agency for resale untreated water without a raw water supply contract executed after January 1, 1997 ¹	\$263.23
Minimum monthly service charge, industrial	\$451.73
Minimum monthly service charge, domestic	\$15.04
Minimum annual service charge, domestic	\$150.57
Minimum monthly service charge, agricultural irrigation water service	\$225.71
Minimum monthly service charge, temporary construction water service	\$300.95
Minimum monthly service charge, temporary large volume industrial untreated water customers obtaining water, which is under contract to the city, from a reservoir under the exclusive control of a river authority	\$1,736.75

¹ Minimum monthly charge for public agency for resale untreated water customer without a raw water supply contract executed after January 1, 1997: If the charge based on the volume of water taken in a monthly billing period is less than \$263.23, the customer shall be billed \$263.23, unless a valid water supply contract between the customer and city that was executed prior to January 1, 1997, provides for a minimum annual payment. If a valid water supply contract between the customer and city executed prior to August 1, 2000, provides for a minimum annual payment, the customer shall pay the minimum annual payment under the contract.

(2) Monthly volume charges per 1,000 gallons.

a. Residential rate.

1. Inside city limits:

	Effective January 1, 202 5 <u>6</u>
First 2,000 Gallons	Minimum* \$0.75
Next 4,000 Gallons	\$3.94 <u>4.06</u>
Next 9,000 Gallons	\$5.91 <u>7.11</u>
Next 10,000 Gallons	\$7.88 <u>11.17</u>
Over 25,000 Gallons	\$11.82 <u>16.24</u>

~~*Use the minimum charges in subsection (a)(1).~~

2. Outside city limits:

	Effective January 1, 202 5 <u>6</u>
First 2,000 Gallons	Minimum* \$0.75
Next 4,000 Gallons	\$3.94 <u>4.06</u>
Next 9,000 Gallons	\$5.91 <u>7.11</u>
Next 10,000 Gallons	\$7.88 <u>11.17</u>
Over 25,000 Gallons	\$11.82 <u>16.24</u>

~~*Use the minimum charges in subsection (a)(1).~~

b. Commercial rate.

1. Inside city limits:

	Effective January 1, 202 5 <u>6</u>
First 2,000 Gallons	Minimum* \$0.75
Over 2,000 Gallons	\$3.94 <u>4.06</u>

~~*Use the minimum charges in subsection (a)(1).~~

2. Outside city limits:

	Effective January 1, 202 5 <u>6</u>
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First 2,000 Gallons	Minimum* <u>\$0.75</u>
Over 2,000 Gallons	\$3.94 <u>4.06</u>

~~*Use the minimum charges in subsection (a)(1).~~

c. *Irrigation water inside and outside city limits.*

	Effective January 1, 202 5 <u>6</u>
First 2,000 Gallons	Minimum* <u>\$11.17</u>
Over 2,000 Gallons	\$7.88 <u>11.17</u>

~~*Use the minimum charges in subsection (a)(1) for ICL customer.~~

d. *Residential irrigation water on separate meter.*

1. Inside city limits:

Meter Size (Inches)	Effective January 1, 202 5 <u>6</u>
First 2,000 Gallons	Minimum* <u>\$11.17</u>
Over 2,000 Gallons	\$7.88 <u>11.17</u>

2. Outside city limits

Meter Size (Inches)	Effective January 1, 202 5 <u>6</u>
First 2,000 Gallons	Minimum* <u>\$11.17</u>
Over 2,000 Gallons	\$7.88 <u>11.17</u>

e. *Resale treated water rates.*

1. Treated water rates purchased for resale where the water is taken and metered at the site of treatment are hereby set as follows:

	Effective January 1, 202 5 <u>6</u>
First 2,000 Gallons	Minimum* <u>\$1.80</u>
Over 2,000 Gallons	\$2.09 <u>1.80</u>

~~*Use the minimum charges in subsection (a)(1).~~

2. Treated water rates purchased for resale where the water is delivered to the resale entity through city facilities are hereby set as follows:

	Effective January 1, 202 5 <u>6</u>
First 2,000 Gallons	Minimum* <u>\$2.55</u>

Over 2,000 Gallons	\$2.49 <u>2.55</u>
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~~*Use the minimum charges in subsection (a)(1).~~

- f. *Large volume treated water customers.* A commercial treated water customer who agrees to pay for a minimum of ten million (10,000,000) gallons of treated water per month is considered a large volume treated water customer. Once a customer has elected to become a large volume treated water customer, the customer will be billed as a large volume treated water customer until the customer notifies the city and requests reclassification as a commercial customer in writing. However, a commercial customer may not elect to become a large volume treated water customer more than once in any twelve-month period.

1. Inside city limits:

	Effective January 1, 202 5 <u>6</u>
First 10,000,000 Gallons	Minimum* <u>\$45,500</u>
Each Additional 1,000 Gallons	\$3.94 <u>4.34</u>

~~*Use the minimum charges in subsection (a)(1).~~

2. Outside city limits:

	Effective January 1, 202 5 <u>6</u>
First 10,000,000 Gallons	Minimum* <u>\$45,500</u>
Each Additional 1,000 Gallons	\$3.94 <u>4.34</u>

~~*Use the minimum charges in subsection (a)(1).~~

3. Peaking factor. [To be determined.]

- g. *Temporary water service.*

1. Treated water.

- A. Inside city limits:

	Effective January 1, 202 5 <u>6</u>
First 2,000 Gallons	Minimum* <u>\$0.75</u>
Over 2,000 Gallons	\$3.94 <u>4.06</u>

~~*Use the minimum charges in subsection (a)(1).~~

- B. Outside city limits:

	Effective January 1, 202 5 <u>6</u>
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First 2,000 Gallons	Minimum* <u>\$0.75</u>
Over 2,000 Gallons	\$3.94 <u>4.06</u>

~~*Use the minimum charges in subsection (a)(1).~~

2. Untreated water.

A. Inside city limits:

	Effective January 1, 202 6
First Per 21,000 Gallons	Minimum* <u>\$1.13</u>
Over 2,000 Gallons	2 x RWCA

~~*Use the minimum charges in subsection (a)(1).~~

B. Outside city limits:

	Effective January 1, 202 6
First Per 21,000 Gallons	Minimum* <u>\$1.13</u>
Over 2,000 Gallons	2 x RWCA

~~*Use the minimum charges in subsection (a)(1).~~

h. *Agricultural irrigation water outside city limits.*

	Effective January 1, 202 6
First Per 21,000 Gallons	Minimum* <u>\$1.13</u>
Over 2,000 Gallons	2 x RWCA

~~*Use the minimum charges in subsection (a)(1).~~

- i. *Public agency for resale untreated water rates.* The rates for the purchase of untreated water purchased by a public agency, which does not have a raw water supply contract with the city executed after January 1, 1997, is the average of the monthly raw water cost adjustments, established under subsection (b) of this section, for the period used to determine the composite cost of untreated water under the city's current contract with the public agency.
- j. Temporary large volume industrial untreated water customers obtaining water, which is under contract to the city, from a reservoir under the exclusive control of a river authority.

	Effective January 1, 2020
First acre foot or fraction thereof	Minimum*
Over acre foot	\$1,248.02 per acre foot or fraction thereof

*Use the minimum charges in subsection (a)(1).

- (b) *Raw water cost adjustment (RWCA)*. In addition to the charges for the base rates for water service, established in subsection (a), a separate charge for the costs of raw water, the RWCA, will be added to each consumer's bill, except public agency for resale untreated water customers without a raw water supply contract executed after January 1, 1997. (A public agency for resale untreated water customer without a raw water supply contract executed after January 1, 1997, will pay the lower of the composite cost, as defined in its contract with the city or the rate for public agency for resale untreated water customers without a raw water supply contract executed after January 1, 1997, specified in subsection (a)(2)g. of this section.) The RWCA will be based on projected system-wide raw water sales, adjusted for water losses. The RWCA will be calculated every year no later than October 1 to be effective the following January using the adopted utility rate model.
- (1) Use projected system-wide water sales based on historical consumption and projected growth, with adjustments for water losses.
 - (2) Include the annual budgeted cost of debt service. Bond payments, amortization of deferred losses on refundings, and other debt service costs shall be applied to the RWCA in the same proportion as the raw water activities proportion of the original bond proceeds.
 - (3) Include budgeted expenditures for purchases of water.
 - (4) Include purchases of water rights, amortized over the duration of the water right agreement.
 - (5) Budgeted expenditures for capital items shall be included as follows:
 - a. The expense of acquiring a capital item that costs not more than five hundred thousand dollars (\$500,000.00) shall be charged in the year in which it is acquired.
 - b. The expense of acquiring a capital item that costs more than five hundred thousand dollars (\$500,000.00) shall be amortized over the number of years used to calculate depreciation expenses, with the half-year convention used in the year of acquisition.
 - (6) All operating and maintenance expenditures shall be charged based on annual budgeted amounts. These expenditures include operation and maintenance of dams, reservoirs, pipelines, wells, pumping stations, and related interfund charges.
 - (7) All expenses for consultants, engineering, legal services, and administration shall be charged based on annual budgeted amounts in the proportion to which they apply to raw water issues.
 - (8) Expenses related to the acquisition and transportation of emergency water supplies shall be included in the RWCA for the following fiscal year, unless foreseen and budgeted in advance, in which case they are included in the year budgeted.
 - (9) Miscellaneous revenues related to raw water activity, such as oil and gas lease revenues and rentals, is applied as an offset based on annual budgeted amounts.
 - (10) Apply the credit for levelized Choke Canyon debt payments to city rate payers' RWCA. (The escalating payment schedule on the Choke Canyon debt was levelized through the creation of a reserve fund. In the initial years, payments greater than the debt service were made, with the excess going into the reserve fund. This excess was paid through a rate surcharge on ICL and OCL metered treated water customers. Now that bond payments exceed the levelized payment amount, the reserve fund is drawn on to make up the difference. Since only ICL and OCL metered treated water customers participated in building the reserve fund, the drawing on the reserve fund is only credited to the RWCA assessed against ICL and OCL metered treated water customers.)
 - (11) Include funds necessary to collect coverage required on current annual debt service in order to comply with bond covenants, and improve the financial position and bond ratings of the city's water fund.

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- (12) Include funds necessary to establish and maintain an operating reserve fund with a target amount of twenty-five (25) per cent (or three (3) months) of annual operating expenses for the fiscal year.
- (13) Include funds necessary to establish and operate a water capital reserve fund with a target amount of two (2) per cent of the respective annual water capital improvements program for the fiscal year or two million dollars (\$2,000,000.00) (whichever is greater).
- (14) ~~Include funds necessary to establish and maintain a future water resources reserve fund (water supply development reserve) with an ultimate target balance of thirty million dollars (\$30,000,000.00), and an annual contribution of approximately two million dollars (\$2,000,000.00) per fiscal year. Revenue from this water supply development reserve will be deposited into a fund set aside for this purpose.~~
- (15) The minimum operating or capital reserves amounts are intended to provide for unplanned, unbudgeted expenses and revenue shortfalls, and will not be used for routine expenses.
- (16) Determine the amount of over or under collections that have resulted from difference between budgeted and actual expenses and offsetting revenues and the difference between projected and actual volume of water sold for the prior two (2) years. Any funds realized in excess of annual expenses are available for either supplementing minimum operating or capital reserves, for addition to the capital funds for discretionary cash capital funding of the water utility, or to create and maintain a reserve to level out large fluctuations in raw water charges is authorized. Apply any remaining amount as an adjustment to the RWCA.

(17) Raw water cost adjustment

(a) Inside and Outside City Limit Residential, Commercial and Large Volume

	<u>Effective January 1, 2026</u>
<u>Per 1000 gallons</u>	<u>\$1.13</u>

(b) Resale treated water customers

	<u>Effective January 1, 2026</u>
<u>Per 1000 gallons</u>	<u>\$1.28</u>

(c) Wholesale customers (raw water only)

	<u>Effective January 1, 2026</u>
<u>Per 1000 gallons</u>	<u>\$1.31</u>

(c) *Definitions.*

Costs of raw water is the total of all costs of acquiring, producing, storing, conserving, and transporting untreated water from its source to the city's treatment facility and all other points of diversion. These costs include, but are not limited to, the costs of:

Construction, including debt service, operation, and maintenance of dams and reservoirs.

Construction, including debt service, operation, and maintenance of raw water supply transmission pipelines.

Construction, including debt service, operation, and maintenance of wells.

Construction, including debt service, operation, and maintenance of facilities capable of converting wastewater effluent, salt water, and brackish ground water into water suitable for municipal, industrial, or agricultural uses.

Acquisition of new water supplies and water rights, including the establishment and funding of a reserve dedicated to offset the costs of acquisition of additional water rights and the implementation of long-range water resource development and related capital improvements.

Construction, operation, and maintenance of facilities to reduce water losses from water resources due to evaporation or the release of water from a reservoir due to the operation of law.

Acquisition and transportation of emergency water supplies, including the costs of transporting water by vessel or pipelines from other regions.

Water supply development and protection, including consultants' studies and reports, investigations, legal fees, court costs, and any other costs related to the development or protection of the water supply.

Administrative costs, including overhead and the portion of the city's general administrative costs applicable to the activities enumerated in this definition.

- (d) The raw water cost adjustment shall be calculated on an annual basis for those large volume wholesale customers with contracts containing such provisions.

(e) Raw water supply development fund. In addition to the charges for the base rates for water service, established in subsection (a), and the raw water cost adjustment established in subsection (b), a separate charge is established to include funds necessary to establish and maintain a future water resources reserve fund (Water Supply Development Reserve) with an ultimate target balance of thirty million dollars (\$30,000,000.00), and an annual contribution of approximately two million dollars (\$2,000,000.00) per fiscal year. Revenue from this Water Supply Development Reserve will be deposited into a fund set aside for this purpose. The target balance for the future water resources reserve fund was established by Ordinance 028686 effective August 1, 2010 which equated to \$0.05 per 1000 gallons, and the fund was formally named the Water Supply Development Reserve in Ordinance 029158 in 2011. Ordinance 029118 in 2011 established a Water Supply Development Reserve and provided that it will be used to pay a portion of the costs of implementing the future acquisition of water rights and implementation of water supply strategies in the Coastal Bend Regional Water Plan.

Raw water supply development fee

	<u>Effective</u> <u>January 1, 2026</u>
<u>Per 1000 gallons</u>	<u>\$0.05</u>

(Ord. No. 9472, 8-27-1969; Ord. No. 11613, 8-8-1973; Ord. No. 12208, §§ 1, 2, 8-7-1974; Ord. No. 14140, §§ 1—3, 1-25-1978; Ord. No. 16446, §§ 1, 2, 8-12-1981; Ord. No. 16593 § 1, 10-14-1981; Ord. No. 17166, §§ 1—3, 7-28-1982; Ord. No. 17762, §§ 1, 2, 8-3-1983; Ord. No. 18351, §§ 1, 2, 7-24-1984; Ord. No. 18587, §§ 1, 2, 12-4-1984; Ord. No. 20411, §§ 1, 2, 7-26-1988; Ord. No. 21001, § 1, 10-9-1990; Ord. No. 21438, §§ 1—4, 7-21-1992; Ord. No. 21814, § 1(a)—(c), 12-14-1993; Ord. No. 22741, § 1, 11-12-1996; Ord. No. 22832, § 1, 1-28-1997; Ord. No. 22879, § 1, 3-25-1997; Ord. No. 23706, § 1, 7-20-1999; Ord. No. 23910, § 1, 1-11-2000; Ord. No. 24132, § 1, 7-25-2000; Ord. No. 24531, § 1a, 7-24-2001; Ord. No. 24969, § 1, 7-23-2002; Ord. No. 25386, § 1, 7-22-2003; Ord. No. 025866, § 1,

7-27-2004; Ord. No. 026368, § 1, 7-26-2005; Ord. No. 026900, § 1, 7-25-2006; Ord. No. 027355, § 1, 7-24-2007; Ord. No. 027781, § 1, 7-22-2008; Ord. No. 028256, § 1, 7-28-2009; Ord. No. 028686, § 1, 7-20-2010; Ord. No. 029158, § 1, 7-26-2010; Ord. No. 029386, § 1, 2-28-2012; Ord. No. 029584, § 1, 7-31-2012; Ord. No. 029917, § 1, 7-30-2013; Ord. No. 030242, § 2(Exh. A), 7-29-2014; Ord. No. 030295, § 1, 9-23-2014; Ord. No. 030605, § 1, 9-8-2015; Ord. No. 030718, § 1, 12-15-2015; Ord. No. 031028, § 1, 12-20-2016; Ord. No. 031244, § 1, 9-12-2017; Ord. No. 031632, § 1, 12-11-2018; Ord. No. 031873, § 1, 9-17-2019; Ord. No. 032307, § 1, 12-8-2020; Ord. No. 032552, § 1, 9-7-2021; Ord. No. 032853, § 1, 9-6-2022; Ord. No. 033149, § 1, 9-5-2023; Ord. No. 033466, § 2(Exh. A), 9-17-24)