

# State funding plan could lessen impact of Lake Ralph Hall on water rates

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It appears the significant water rate hike that Flower Mound officials had feared was looming because of the Lake Ralph Hall project might not be as steep as they once thought.

Tom Taylor, executive director of the Upper Trinity Regional Water District (UTRWD), said the district and the Texas Water Development Board (TWDB) have reached an agreement that will secure state funding to help support the lake, which is set to be constructed in Fannin County. Upper Trinity's board of directors approved the plan last week.

In November 2013, Texas voters approved the use of \$2 billion from the state's rainy day fund to be used for water projects.

Upper Trinity's portion of that is projected to be about \$45 million in the first set of loans, which is expected to cover the cost of all the steps leading up to construction of the lake, such as land purchase, permitting and design.

Taylor said Upper Trinity is using two programs offered by the TWDB that allow principal and interest payments to be made later. As a result, water rates aren't expected to increase as much or as soon, Taylor said.

"We want to defer the payments so we can get more customers to help pay for it," Taylor said. "This is a good example of planning on the state's part."

Flower Mound officials have opposed the lake for years. Ken Parr, Flower Mound's director of public works and the town's representative on the Upper Trinity board, has said the population projections don't support the need for the lake.

Mayor Tom Hayden said the lake could double Upper Trinity's already-large debt, and since Flower Mound is Upper Trinity's largest customer, the town would pay the largest portion of that debt. Hayden said an independent study projected the cost of the lake to be \$450 million.

But Taylor said the total cost of the project, which is expected to be complete in the mid-2020s, is likely to cost \$282 million in current dollars or \$369 million when factoring in inflation.

Taylor said he never thought the water rates would increase dramatically because of the lake.

“Even if we didn't do anything, we were still looking at a 12- to 15-percent increase,” Taylor said. “But with all of the programs, we intend to make it to where there is no visible impact.”

Taylor said the impact of the lake project alone could be a 1-percent increase in water rates. That's on top of the annual rate increases, which has been around 3 percent since 2012. The rate hikes were higher in previous years.

He said this year's rate is expected to be 5.6 percent higher to cover the 48-percent increase Upper Trinity had to pay to get water from Dallas Water Utilities (DWU).

One of the programs Upper Trinity is using is a deferred loan program in which maturities range from 20-30 years. Principal and interest payments are deferred up to eight years or the end of the construction.

Another is the board participation program in which TWDB would temporarily own the project. Upper Trinity would then repurchase TWDB's interest under a repayment schedule that allows for structured deferral of principal and interest.

Both are part of the State Water Implementation Fund for Texas (SWIFT) program.

With the delay in payments, Parr and Taylor hope that buys time to get more customers on board.

“The best thing that can happen, and it's starting to, is the accelerated development in the northeast portion of their service area,” Parr said, referring to area north of Frisco. “Having more of that, our percentage will drop.”

Parr said the delay should also provide more time for Flower Mound to benefit from the town's own water-saving efforts.

That includes installing lines for reuse water in the western side of town as new projects come on board.

With the plan, the town would use treated water from its wastewater treatment plant primarily for irrigation in non-residential developments, parks, athletic fields and public facilities.

The town has already begun installing the pipes at Canyon Falls, and the plan is to do that for the residential project Trailwood, which is going through the development plan phase now.

Pipes are also in place in the Lakeside Business District.

Parr said that plan could initially provide a supplement of at least 2.16 mgd with plans to expand later.

He said the town's master plan calls for 61.48 million gallons of water per day (mgd) for the town's build-out. It has 41 mgd contracted – 30 mgd from Upper Trinity and 11 from DWU.

“This allows us more time to instigate reuse,” Parr said. “However much we get from reuse, that's less that we have to get from Upper Trinity.”

Parr said the goal is to rely less on Upper Trinity and DWU because of increasing rates.

According to statistics provided by the town, Upper Trinity's average rate from 2003 to 2012 increased from \$2.19 per 1,000 gallons to \$3.76 per 1,000 gallons. That's a 71.7-percent cumulative increase and a 5.6-percent annual increase.

Parr said Upper Trinity's demand charge per million gallons has increased 215 percent from 2003, from \$180,000 per million gallons to \$388,110 per million gallons.

But Taylor said Flower Mound's decision to purchase more water than it needed years ago, along with increased water costs and supply costs, is a big reason the town's water rates are so high.