

**VALLEY MUNICIPAL UTILITY DISTRICT #2
ORDER 13-01**

**ORDER ADOPTING
DISTRICT FEES, RATES, PENALTIES, AND CHARGES**

THE STATE OF TEXAS

COUNTY OF CAMERON

WHEREAS, Valley Municipal Utility District #2 (District) is a duly created and existing political subdivision of the State of Texas operating in accordance with Chapters 49 and 54, Texas Water Code; and,

WHEREAS, Section 49.212 of the Texas Water Code authorizes a district to adopt and enforce all necessary charges, fees, or rentals, in addition to taxes, for providing or making available any district facility or service; and,

WHEREAS, Section 49.004 of the Texas Water Code authorizes a water district to set reasonable civil penalties for the breach of any rule of the district; and

WHEREAS, the Board of Directors of the District finds and determines that it is to the best interest of the District to amend its current schedule of rates, fees, and charges for the availability of certain District facilities and services, and penalties for the violation of certain District rules.

NOW THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF VALLEY MUNICIPAL UTILITY DISTRICT #2 THAT:

1. The facts and recitations found in the preamble of the Order are hereby found and declared to be true and correct, and are incorporated by reference herein and expressly made a part hereof, as if copied verbatim.
2. The revised Schedule of Rates, Fees, Charges and Penalties set forth on Exhibit "A" attached hereto of this Order.
3. The revised rates and fees set forth on the schedule Exhibit "A", attached hereto shall be effective immediately upon adoption of this Order.

EXHIBIT "A"

- 1) Development/Improvement Plan Review Fee: \$1,500.00 plan review fee. Include up to 25 pages of plans. The fee for review of each additional page of plans shall be \$40.00 per additional page.
- 2) Customer Service Inspection Fee - \$100.00 per inspection
- 3) Hose Bib Vacuum Breaker - \$10.00
- 4) New home or addition Permit Fee - \$50.00
- 5) Irrigation Permit Fee - \$50.00
- 6) Seawall Permit Fee - \$25.00
- 7) Driveway Permit Fee - \$25.00
- 8) Construction Water Permit - \$25.00 plus \$500 deposit for meter (installed and uninstalled by VMUD#2 Personnel)
- 9) Replace broken or cut lock - \$35.00
- 10) Change the variable rate structure and policy pertaining to the Water first tier Rate to a fixed-variable rate.

Current Tier 1: \$19.00 for the first 1,000 gallons

Current policy is to not charge water or sewer when someone requests to lock their meter when they are living in another area or on vacation. We place a lock on for free and a charge of \$25.00 to remove it when service is started again.

Proposed rate change for Tier 1 (base Rate) would be \$19.00 which includes 1,000 gallons of water, regardless of its use.

Customer would still be charged the base (flat) rate when the service is locked out.

Reasoning:

Rate Design

i. Principles of Rate Design – Rates should be designed and schedules developed to yield the necessary cost revenue requirement. That may sound simple, but the revenue requirement is not guaranteed to the utility. Just because a rate design indicates that the revenues may be generated, it doesn't always equate to those revenues being collected or received. However, when rates are designed to reflect the true cost of service, the more consistent the cash flow. There are at least eight attributes of a good rate design:

1. Yield total revenue requirements;
2. Practical to implement;
3. Freedom from controversy of interpretation;
4. Revenue stability from year to year;
5. Stability of rates themselves;
6. Fairness of rates in recovering cost of service;
7. Avoid undue discrimination; and
8. Efficiency of rates in discouraging wasteful use (Conservation).

Basic Rate Structures

1. Fixed or flat rates – There is one charge no matter how much water is used. This design is typically used by sewer systems. It is also used by some small water systems that do not have customer meters but it is strongly discouraged by TCEQ because it does not encourage water conservation.

2. Variable rates – There is no base charge. This design does not include a “demand” component, so water is paid for as it is used. This rate structure does encourage conservation, but also causes large revenue fluctuations for the utility.

3. Fixed-variable – The fixed costs are used to calculate a base monthly charge, which represents the demand the customer can put on the system (by meter size or customer class), and may include some water. The variable costs are used to calculate a volume charge for the actual water usage. This structure is the most commonly used and also encourages conservation. Many water utilities that use this type of design are moving toward a base charge with no amount of water included in the bill, and incorporating an increasing block rate structure for the volume charge. Increasing block consumption rate structures include higher gallonage charges for the higher gallon block tiers, but they can increase financial risk and revenue fluctuations, during winter/summer season or wet/dry seasons, and do not always change customer usage patterns.

Customer: Why do I have to pay a monthly rate, whether or not I use any water?

Answer: The monthly rate is designed to recover a portion of the fixed costs incurred in providing water service to your home or business. These include the cost of maintaining the supply, treatment, distribution and service facilities, e.g. vehicles, fuel, and equipment. These are costs that we incur whether the customer uses any water or not.

4. This Order shall supersede all prior Orders or Resolutions adopted by the Board of Directors with respect to those rates, fees, charges, and penalties referenced on Exhibit "A".
5. The President and Secretary of the Board are hereby authorized and directed to execute this Order. After this Order is executed, an original Order shall be filed in the permanent records of the District.

PASSED AND APPROVED this the 19 day of MARCH 2013.

R. J. Lindeman

President
Board of Directors

ATTEST:

Chris Partridge

Secretary
Board of Directors

(DISTRICT SEAL)