

CITY OF ALAMO HEIGHTS  
CITY COUNCIL  
May 11, 2026

A Work Session of the City Council of the City of Alamo Heights, Texas was held at the Council Chambers, located at 6116 Broadway, San Antonio, Texas, at 3:30 p.m. on Monday, May 11, 2026.

Composing a quorum were:  
Mayor Albert Honigblum  
Mayor Pro Tem Trey Jacobson  
Councilmember Lawson Jessee  
Councilmember Karl P. Baker  
Councilmember Blake M. Bonner  
Councilmember Lynda Billa Burke

Also attending were:  
City Manager Buddy Kuhn  
Assistant City Manager Phillip Laney

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Mayor Albert Honigblum opened the meeting at 3:47 p.m.

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*Item # 1* Mayor Honigblum read the following caption.

**Discussion of the 2026 Water and Wastewater Rate Study presented by Willdan Financial Services.**

City Manager Buddy Kuhn announced Mr. Jason Gray of Willdan Financial Services would be presenting on the water and wastewater rate study.

Mr. Gray stated he would be presenting an abbreviate version representing three different water rate plan scenarios. He provided some background information on current water and wastewater rate facts taken into consideration when creating each scenario.

- Average utility has been increasing rates 5-6% per year, a trend that is expected to continue since the COVID-19 pandemic
- American Water Works Association (AWWA) forecasts that water and wastewater rates across the U.S. will triple over the next 15 years
- SAWS considering up to 32% increase through FY29
- Rate adjustments are primarily due to reasons beyond a utility's direct control – inflation, Capital Improvement Plans, wholesale costs, etc.
- 30-40% of utilities charge rates that do not cover their full costs of providing service

Mr. Gray noted there were key issues driving substantial water rate increases which were identified; the need to offset reduced consumption, funding for requisite capital improvements and paying increasing SAWS WW treatment charges. He stated alternative scenarios were prepared for Council’s consideration to address these issues and accomplish the city’s general goals.

- Scenario I – All Capital Improvement Projects (CIP) funded with annual rate revenue (PAYGO), except for FY26 bond issue (\$8.0M)
- Scenario II – All CIP funded with bond issues, except for \$500k annual PAYGO payments
- Scenario III – CIP funded with a balance of bond issues and PAYGO

Mr. Gray stated each scenario has an alternative CIP schedule (Scenarios IA, IIA and IIA) that eliminates Water Rights procurement by \$1M each year FY 27 through FY31. Scenarios IA and IIIA reduces proposed rate increase from Scenarios I and III by 5% - 10% in FY27 & FY28. There are no differences in Scenarios II and IIA rate increases.

Council discussed monthly utility rates of surrounding municipalities (San Antonio & Terrell Hills, both SAWS customers) using 1,500 CF (11.2K GAL) water and 800 CF (6K GAL) wastewater and found discrepancy in the data provided. Mr. Gray commented they would review and provide further detailed information to City Council and discussed costs of proposed CIP Projects for FY2026-2027.

	Total 2026 -- 2031	TY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Water</b>							
Water Rights and Treatment	\$ 5,140,000	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,140,000
Distribution	5,865,248	4,022,302	959,170	641,126	242,650	-	-
Admin/Customer	2,396,330	2,396,330	-	-	-	-	-
<b>Total</b>	<b>13,401,578</b>	<b>6,418,632</b>	<b>1,959,170</b>	<b>1,641,126</b>	<b>1,242,650</b>	<b>1,000,000</b>	<b>1,140,000</b>
<b>Wastewater</b>							
Treatment	-	-	-	-	-	-	-
Collection	10,104,703	1,330,000	1,588,000	1,667,400	1,750,770	1,838,309	1,930,224
Admin/Customer	-	-	-	-	-	-	-
<b>Total</b>	<b>10,104,703</b>	<b>1,330,000</b>	<b>1,588,000</b>	<b>1,667,400</b>	<b>1,750,770</b>	<b>1,838,309</b>	<b>1,930,224</b>
<b>Total CIP</b>	<b>23,506,281</b>	<b>7,748,632</b>	<b>3,547,170</b>	<b>3,308,526</b>	<b>2,993,420</b>	<b>2,838,309</b>	<b>3,070,224</b>
<b>Funded by:</b>							
Long-Term Debt	8,000,000	8,000,000	-	-	-	-	-
Rates	15,844,649	87,000	3,547,170	3,308,526	2,993,420	2,838,309	3,070,224
<b>Total</b>	<b>23,844,649</b>	<b>8,087,000</b>	<b>3,547,170</b>	<b>3,308,526</b>	<b>2,993,420</b>	<b>2,838,309</b>	<b>3,070,224</b>

Mr. Kuhn stated these projects enable the City to be proactive instead of reactive.

Mr. Gray reviewed current Lower Broadway Project assumptions. The Capital Improvement Plan includes limited funds for Lower Broadway water and sewer replacement - \$640,000 for project engineering. The remaining costs for project management and construction estimated to be \$9.2M and are not included in rate study. The costs associated with water and sewer installation have been confirmed by City’s bond counsel to be eligible expense for 2021 General Fund Obligation Bond issued to fund Lower Broadway improvements.

The current 2021 Lower Broadway bond proceeds total approx. \$17M with interest earned. Mr. Gray explained, if \$9-10M is committed for water/sewer, \$7-8M will remain for other Lower Broadway improvements. If Lower Broadway water/sewer improvements are not funded by 2021 Bond proceeds, total debt obligation for the Utility Fund will increase an additional \$9-10M, requiring additional future rate increases.

Mr. Kuhn stated he had consulted with Bond counsel, McCall, Parkhurst & Horton L.L.P., who confirmed this project is an allowable expense should City Council choose to do so; however, the remaining funds would have to be used specifically in the Lower Broadway corridor.

Mr. Gray reviewed proposed Scenarios I & IA rate adjustments for the next five years. There would be significant increases required to fund CIP through PAYGO. There would be no change to the existing water and wastewater rate structure. The adjustments would be in October of each year 2026 through 2030. Water meter charges would increase at twice the rate of wastewater during 2027 and 2028. He stated the project teams recommend the adoption of a 5-year plan considering low or no growth expectations. These scenarios have estimated net revenues deficiencies in FY27: Scenario I = \$(2.0M) and Scenario IA = \$(1.4M). He reviewed an example bill impact analysis for a residential and commercial customer.

Mr. Gray discussed proposed Scenarios II & IIA rate adjustments for the next five years. The use of long-term debt decreases magnitude of rate adjustments. The adjustments would also be in October of each year 2026 through 2030. The water base charges double in October 2026 and increase at same percentage as volume charges in 2027-2030. These scenarios will increase fixed monthly base charge vs. volume charge and increase revenue stability and match fixed debt payments requirements. There is a larger increase to base charge and impacts low volume users more than large volume users. These scenarios have estimated positive net revenues in FY27. He reviewed an example bill impact analysis for a residential and commercial customer.

Council requested clarification on the actual cost difference between scenarios. Mr. Kuhn added the cost is minimal across the city at about \$80K per year.

Mr. Gray continued with proposed Scenarios III & IIIA rate adjustments for the next five years. The use of long-term debt & PAYGO decreases magnitude of rate adjustments in Scenarios I & IA. The water base charges double in October 2026 and increase at same percentage as volume charges in 2027-2030. Adjustments are also in October of each year 2026 through 2030. It increases the fixed monthly base charge vs. volume charge, increases revenue stability and matches fixed debt payments requirements. There is a larger increase to base charge and impacts low volume users more than large volume users. These scenarios have estimated positive net revenues in FY27. He reviewed an example bill impact analysis for a residential and commercial customer.

In closing, Mr. Gray discussed the primary areas for consideration.

1. **CIP FUNDING SOURCE(S)**

The difference between Scenarios I-III is how the CIP is funded:

- a. Scenario I: Fully Cash Funded
- b. Scenario II: Fully Debt Funded
- c. Scenario III: \$4M Cash & \$18M Debt

CONSIDERATION POINTS:

- The more cash funding, the higher the short & midterm rates need to be.
- The more debt funding, the higher the long-term cost to the system.

AVERAGE RESIDENTIAL IMPACT:

- Year 1 Variance: \$23.39/month
- Year 5 Variance: \$12.32/month

**2. ADDITIONAL WATER RIGHTS**

Primary scenarios (I-III) all include \$1M per year for purchase of additional water rights. Scenario variations (A) remove this \$1M.

CONSIDERATION POINTS:

- Current cost-of-service is \$5.1M
- \$1M annually is  $\pm 20\%$  of current costs

AVERAGE RESIDENTIAL IMPACT:

- Each \$1M costs the average residential customer  $\pm$  \$5 to \$7 monthly, depending on cash/debt funding of water rights purchases.

**3. DISTRIBUTION OF COSTS**

Current scenarios essentially maintain the existing rate structure; however, all scenarios increase the monthly base charge faster (by percentage) than the volume charges.

CONSIDERATION POINTS:

- Other structural changes are available for analysis and consideration:
  - Different volume within existing four tiers
  - Restructuring of tiers

AVERAGE RESIDENTIAL IMPACT:

- Changes to rate structures will produce different impacts for different customers

After some discussion, Mayor Pro Tem Jacobson stated he preferred Scenario III because it offered the flexibility of having cash readily available. Councilmember Bonner suggested Scenario II because the cost of the acquisition rights is minimal to purchase water rights. Councilmember Baker stated Council should focus on how much the rate increase will be and noted he also leaned toward Scenario II which increased rates 25%.

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With no further discussion, Mayor Honigblum closed the work session at 5:08 p.m.

**PASSED AND APPROVED THIS 08<sup>th</sup> DAY OF JUNE, 2026.**

  
Elsa T. Robles, TRMC  
City Secretary



  
Albert Honigblum  
Mayor