

INFORMATION REGARDING THE TRANSITION OF WATER, WASTEWATER, SOLID WASTE, AND RECYCLING SERVICES

Dear District Residents,

As you may know, Lakeside WCID Nos. 1, 2A, 2B, 2C, or 2D (the "**Districts**") provide your retail water and wastewater services. That being said, you typically interact with the City of Pflugerville ("**City**") for such services, because the Districts have contracted with the City through Professional Services Agreements ("**PSAs**") to (1) operate and maintain the Districts' water and wastewater systems, (2) conduct the billing and customer services for such water and wastewater services on behalf of the Districts, and (3) provide municipal solid waste and recycling ("**MSW**") services through the City's contract with Waste Connections. While it may not be apparent, this Districts-City relationship has existed for over a decade. However, due to some new challenging circumstances, the Districts and City have decided to terminate their PSAs, and this letter is intended to provide some background on that situation and explain the positive future ahead for the Districts and you, their residents.

In short, in 2022, the City decided to significantly increase its rates/charges to provide such services to the Districts, and the Districts, after an extensive search, have decided to contract with an alternate service provider that will furnish the same services at a much lower cost than the proposed City rates/charges. This will result in the Districts being able to provide those same services to the residents of the Districts with only a modest rate increase. The Districts are excited about this transition and the benefits to their residents.

City of Pflugerville's Proposed Rate and Fee Increases

In the last eight months you may have noticed changes in your monthly utility bills for water and wastewater. This all goes back to the City's plans in 2021 to increase its wholesale wastewater rates for 2022 through 2026.

In October 2021, the City approved an ordinance that would have increased the Districts' wholesale wastewater rates to \$56.00 in 2022 for residential customers with a standard 5/8" meter, to increase \$3.00 each year through 2026. This meant that the District's retail wastewater rate would need to increase from \$40.00 to at least \$56.00. However, the Districts believed that the City did not follow the procedures for rate increases that are specified in their wholesale wastewater contract. After reviewing data from the City, the Districts concluded that the City's new wholesale wastewater rate was based on costs that are not permitted under the Districts' wholesale wastewater contract. The Districts notified the City that they opposed the rate increase, and after some back and forth, the City ultimately did not impose the change on the Districts.

Then, on December 12, 2022, the Districts received a notice from the City of its intent to increase its wholesale wastewater rates and professional service fees for the operation and maintenance of the Districts' water/wastewater systems and billing/customer services, to take effect on January 1, 2023, as follows:

- a \$1.67 increase in wholesale wastewater rates;
- a \$41.17 water professional service flat fee (currently calculated as a portion of your volumetric rate); and
- a new \$14.21 wastewater professional service flat fee.

The Districts strongly believe that these changes would have resulted in increases to your monthly water and wastewater bills of \$47.34 for homes that use 5,000 gallons of water/month (+60%), and \$44.19 for homes that use 10,000 gallons of water/month (+43%).

Rates for a Standard Residential 5/8" Meter

	Districts' 2022 Rates	City's Proposed Rates
Wastewater Base Rate	\$40.00	\$55.88
Water Base Rate	\$16.00	\$49.71
Volumetric Rate (per 1,000 gallons of water)		
0-7,000 gal	\$4.65	\$4.20
7,001-15,000 gal	\$4.85	\$4.10
15,001+ gal	\$5.55	\$4.05

Water & Wastewater Bills

	Districts' 2022 Rates	City's Proposed Rates
for 5,000 gallons	\$79.25	\$126.59
for 10,000 gallons	\$103.10	\$147.29

Consequently, between December 2022 to March 2023, the Districts evaluated the rate changes, and given the extreme increases, decided to look for another water and wastewater system operator. Since the City's water and wastewater professional services are tied to the PSAs—which also provide for MSW/recycling services—termination of the PSAs would mean losing MSW services, too. So, the Districts searched for an MSW service provider, as well.

The Path Forward – Transition of Services

In the first half of 2023, the Districts conducted a thorough search for water and wastewater system operators and MSW/recycling service providers to assess whether the costs to get new service providers would be less expensive, more expensive, or the same as staying with the City at the City's proposed rates. Ultimately, the Districts found that it would be far less expensive to transition to new service providers, and over this summer, each District decided to engage **Crossroads Utility Services ("Crossroads")** for water and wastewater operations and maintenance, billing, and customer services; and **Central Texas Refuse ("CTR")** for MSW/recycling

services. Simultaneously, the Districts and City agreed to (1) terminate their PSAs, (2) transition operations and billing from the City to Crossroads, and (3) transition MSW/recycling services from the City's contractor (Waste Connections) to CTR.

The Districts' rate consultants recommend a 10% increase in water and wastewater rates to cover the Districts' new costs of services. The new water and wastewater rates will not be finalized until the Boards have adopted new Rate Orders, which should happen by August 15, 2023. Below is a comparison of your current water/wastewater rates, as compared to the City's proposed rates and the Districts' anticipated/new rates with Crossroads:

Comparing Water and Wastewater Bills

	Districts' Current Rates*	Districts' New Rates	City's Proposed Rates
for 5,000 gallons	\$83.42	\$91.76	\$126.59
for 10,000 gallons	\$109.77	\$120.75	\$147.29

*The Districts amended their rates in March 2023 to reflect increases in Manville WSC's wholesale water rates (+\$0.50 for every 1,000 gallons) and the City's wholesale wastewater rate (+\$1.67 per account), so these calculations are greater than the 2022 Rates in the table on Page 1.

As you can see, while the District's New Rates would be 10% higher than the Districts' Current Rates, when comparing the District's New Rates vs. the City's Proposed Rates, the City's Proposed Rates would still cost \$34.83 more per month for homes that use 5,000 gallons/month (+38%), and \$26.54 more for homes that use 10,000 gallons/month (+22%).

What Does This Mean for District Residents?

Transition of Services

Water, wastewater, and trash/recycling services will transition sometime in late September/early October depending on the District. The Transition Schedule for each District is attached as Exhibit A.

- As of the Transition Dates (see Exhibit A), District Residents will receive their water and wastewater service from Crossroads and MSW services from CTR.
- **There will be no interruption to your water, wastewater, or MSW services during this transition.**
- **Your trash/recycling pick up day will not change.**
- CTR will deliver new CTR trash and recycling carts to all District Residents the week of September 11, 2023.
- **Waste Connections will continue to be your MSW service provider up to the Transition Date even though the new CTR carts will be delivered early.**

- Waste Connections should remove the old trash and recycling carts after the Transition Date.
- Crossroads will send each District Resident one monthly bill for water, wastewater, and MSW services.
- After the Transition Dates, questions or problems with water/wastewater should be directed to Crossroads, and questions or problems with MSW services should be directed to CTR.

Rate Changes

Districts' new Rate Orders will take effect on each District's respective Transition Date (provided in Exhibit A, attached hereto). The current Rate Orders are available on the Districts' websites now. The new Rates Orders will be available on the Districts' websites by Tuesday, August 15, 2023:

- Lakeside WCID No. 1: <https://www.lakesidewcid1.com/water-wastewater-and-trash>
- Lakeside WCID No. 2A: <https://lakesidewcid2a.com/water-wastewater-and-trash>
- Lakeside WCID No. 2B: <https://www.lakesidewcid2b.com/water-wastewater-and-trash>
- Lakeside WCID No. 2C: <https://lakesidewcid2c.com/water-wastewater-and-trash>
- Lakeside WCID NO. 2D: <https://lakesidewcid2d.com/water-wastewater-and-trash>

Water and Wastewater Rates.

Again, the Districts anticipate that your water and wastewater rates **will increase** in comparison to your current rates by about 10%, **but will still cost far less than the City's proposed rates.**

Standard Residential 5/8" Meter			Water Volumetric Rates (per 1,000 gallons)		
	Current	New*	Usage	Current	New*
Water	\$16.00	\$17.60	0-7,000 gallons	\$5.15	\$5.67
Wastewater	\$41.67	\$45.84	7,001-15,000 gallons	\$5.35	\$5.89
			15,001+ gallons	\$6.05	\$6.66

*Based on the anticipated 10% increase, to be approved by the Districts by August 15, 2023.

Trash and Recycling Rates.

Your MSW/recycling service rates **will decrease** in comparison to your current rates.

Residential MSW Services Rates		
	City's Current Rates	Districts' Current Rate
Base Rate	\$22.64	\$17.45
Extra Trash Cart	\$7.44	\$6.00
Extra Recycling Cart	\$4.34	\$6.00

Questions about the transition process?

You may reach out to Crossroads if you have any questions about the transition of services.
pflugerville@crossroadsus.com or (512) 246-1400 Ext. 2

Thank you,
Lakeside WCID Nos. 1, 2A, 2B, 2C, and 2D

EXHIBIT A

TRANSITION SCHEDULE

District	Transition Date
Lakeside WCID No. 1 – Group A (customers with bills due on the 25th of the month/account numbers starting with 50)	October 10, 2023
Lakeside WCID No. 1 – Group B (customers with bills due on the 5th of the month/account numbers starting with 60)	September 20, 2023
Lakeside WCID No. 2A	October 5, 2023
Lakeside WCID No. 2B	September 20, 2023
Lakeside WCID No. 2C	September 20, 2023
Lakeside WCID No. 2D	September 20, 2023