

Council OKs steep hike in water rates

By BRADLEY OLSON Copyright 2010 HOUSTON CHRONICLE
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City Council voted this morning to raise water and sewer rates by nearly 30 percent on an average household, one of the largest increases in the city's history and one that places Houston's rates at a higher level than many major U.S. cities.

The increases for single-family homeowners will be phased in over three years, bringing the bill of an average single-family household using 6,000 gallons of water a month from \$47 to \$60 after the rate hike is fully implemented.

"It's important that we take this system and make it a more equitable system," said Councilman Edward Gonzalez, who successfully pushed for increases that would force all users – single-family, apartment and commercial – to pay what it costs for the city to provide water and sewer service. "It's really critical for the long term sustainability for our water system."

Gonzalez warned that the city risked having its debt downgraded if it continued to run multi-million dollar deficits in the system, including a \$102 million shortfall this fiscal year.

Council members Mike Sullivan, Oliver Pennington and C.O. Bradford voted against the plan. Pennington, Bradford and several council members who voted for the increases expressed concerns that the rate hikes would violate city charter provisions limiting annual rate increases to a maximum of the combined rate of inflation and population growth.

City Attorney Arturo Michel and Mayor Annise Parker said the increases would not violate those charter provisions, passed by voters in a 2004 election, because the increases are vital to the health of the city's water sewer system. Provisions exist in the charter, Michel said, allowing for increases to exceed those limits if they are necessary to meet bonding and contractual requirements.

Pennington, a former partner at Fulbright and Jaworski specializing in municipal finance, said the legality of the rates would, in all likelihood, be decided by a court, suggesting a lawsuit against the city for the increase was likely.

"The amount of the increase in this environment is very unfortunate and unfair," he said.

The ordinance also will allow the city to raise rates annually according to the producer price index, a measure of inflation that will more closely follow cost increases to the water-sewer system, as opposed to previous increases that were tied to inflation based on costs to consumers.

bradley.olson@chron.com

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