



WATER & SEWER RATE AMENDMENT

DS-21-094

July 17, 2021

Background

- On July 7, 2020, NewGen Strategies and Solutions presented the results of the 2020 Water & Sewer Rate Study to City Council
 - ▣ Rate study showed that water revenues are insufficient to fully fund the projected expenses over the next five years;
 - Sewer funds are sufficient
- In September 2020 City Council did not increase rates due to the pandemic
- Rates included debt service for projects required to maintain TCEQ compliance
 - ▣ Due to low interest rate, the actual debt service payments were significantly less than estimated
 - ▣ Some existing bonds were refinanced, resulting in additional savings

Background (cont'd)

3

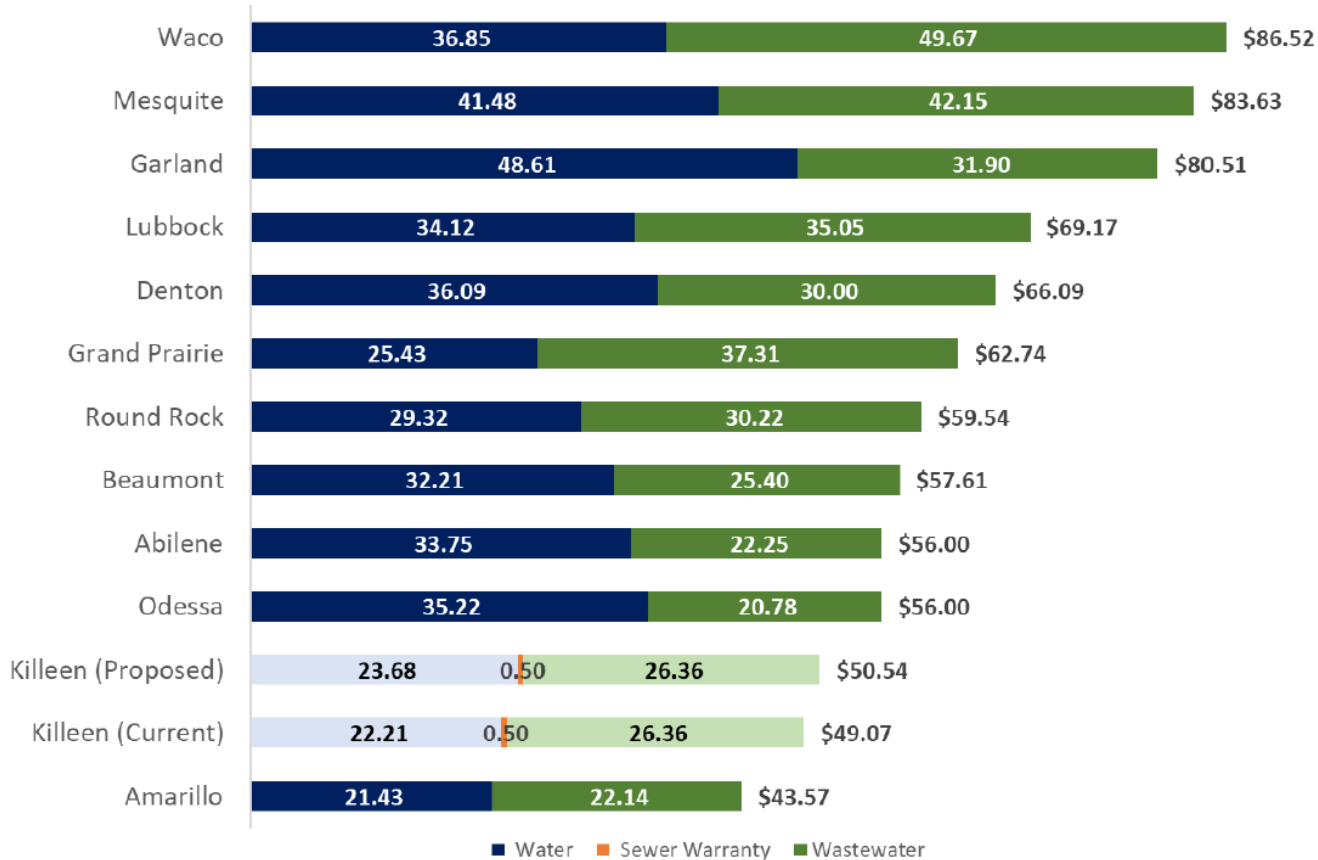
- NewGen updated rate study based on new assumptions
 - ▣ Revised rates are less than originally proposed
- Water rate increase and volumetric changes recommended
 - ▣ Increase of \$1.47 per month for a customer using 5,000 gallon per month (average user)
 - ▣ Added additional volumetric rate to encourage conservation
 - Heavy users pay more
- Proposed budget includes recommended rate increase

Rate Structure

	<u>Residential</u>		<u>Commercial</u>	
	<u>Current</u>	<u>FY 2022</u>	<u>Current</u>	<u>FY 2022</u>
Meter Charge (includes 2,000 gal)				
3/4 inch	\$ 12.70	\$ 13.54	\$ 13.15	\$ 14.02
1 inch	14.06	14.99	14.60	15.57
1 1/2 inch	17.47	18.63	18.13	19.33
2 inch	21.55	22.98	22.38	23.86
3 inch	31.09	33.15	32.30	34.44
4 inch	44.74	47.70	46.49	49.57
6 inch	79.83	85.11	82.98	88.47
8 inch	119.68	127.60	124.56	132.80
Volumetric Charge (per 1,000 gal)				
2,000 – 15,000	\$ 3.17	\$ 3.38		
15,000 – 25,000	3.17	4.03		
25,000 – 30,000	3.78	4.03		
30,000 +	3.78	4.81		
2,000 +			\$ 3.28	\$ 3.50

Monthly Residential Water Rates

	Current	FY 2022
2,000 Gallons		
Water	\$ 12.70	\$ 13.54
Wastewater	19.26	19.26
Total	\$ 31.96	\$ 32.80
<i>Monthly Increase over Current</i>		\$ 0.84
5,000 Gallons		
Water	\$ 22.21	\$ 23.68
Wastewater	26.86	26.86
Total	\$ 49.07	\$ 50.54
<i>Monthly Increase over Current</i>		\$ 1.47



5,000 Gallon Monthly Bill Comparison (Benchmark)

5,000 Gallon Monthly Bill Comparison (Local)



Out-of-City Rates

- Review showed several customers outside of the City Limits being charged in-city rates
 - ▣ Currently, no customers charged out-of-city rates
- City is currently exploring options to expand service area further outside of the City Limits
 - ▣ Certificate of Convenience and Necessity negotiations are ongoing
- Out-of-city water and sewer rates are twice the rate for customers inside the City Limits
- Higher out-of-city rates reflect costs to serve customers in more remote areas

Alternatives

9

- Direct staff to reduce revenues and expenses in proposed budget to not include a water rate increase
 - ▣ Remove \$1.5M from water and sewer maintenance projects
- Direct staff to prepare an ordinance to update water rates

Recommendation

10

- Direct staff to prepare an ordinance to update water rates based on the recommended rates