



July 25, 2016

City of Killeen, Texas Water, Wastewater, and Drainage Fee Update



ECONOMICS

STRATEGY

STAKEHOLDERS

SUSTAINABILITY

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Agenda

- Water and Wastewater Utility Discussion
- Drainage Utility Discussion
- Questions and Discussion

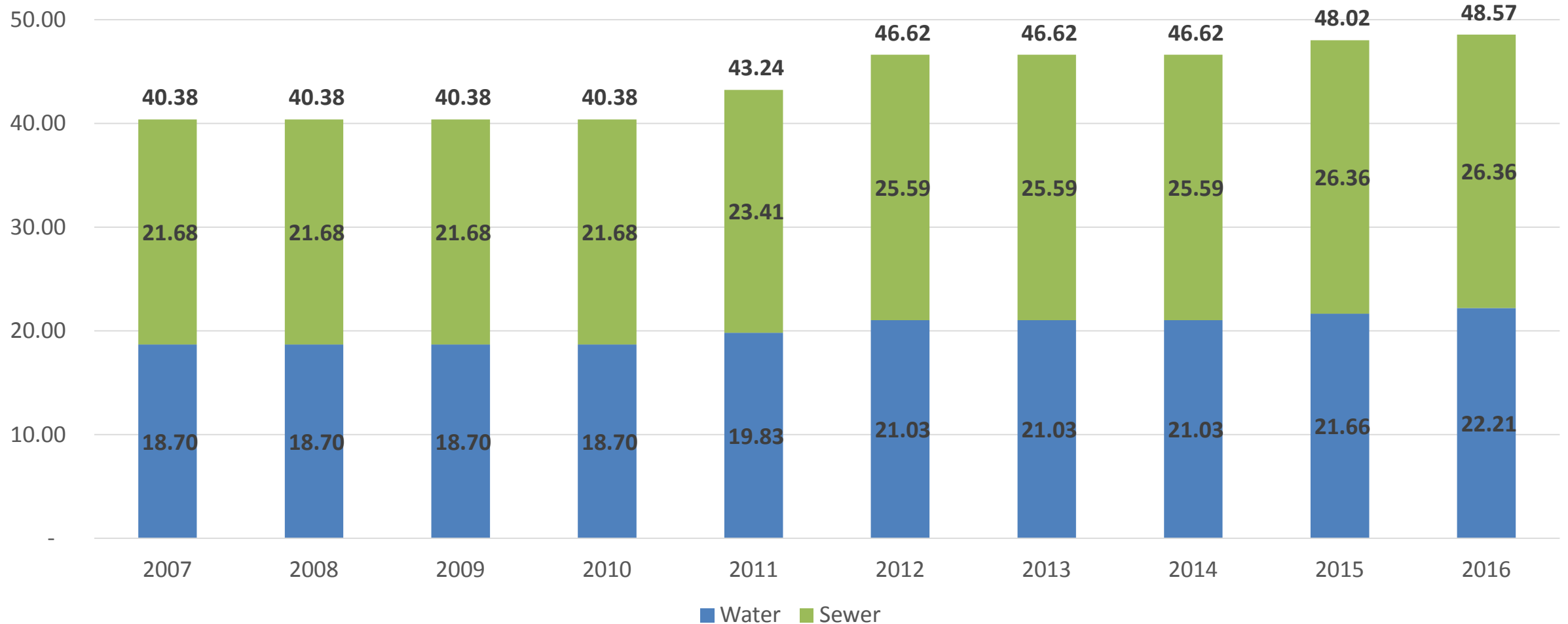


Water and Wastewater Utility Discussion

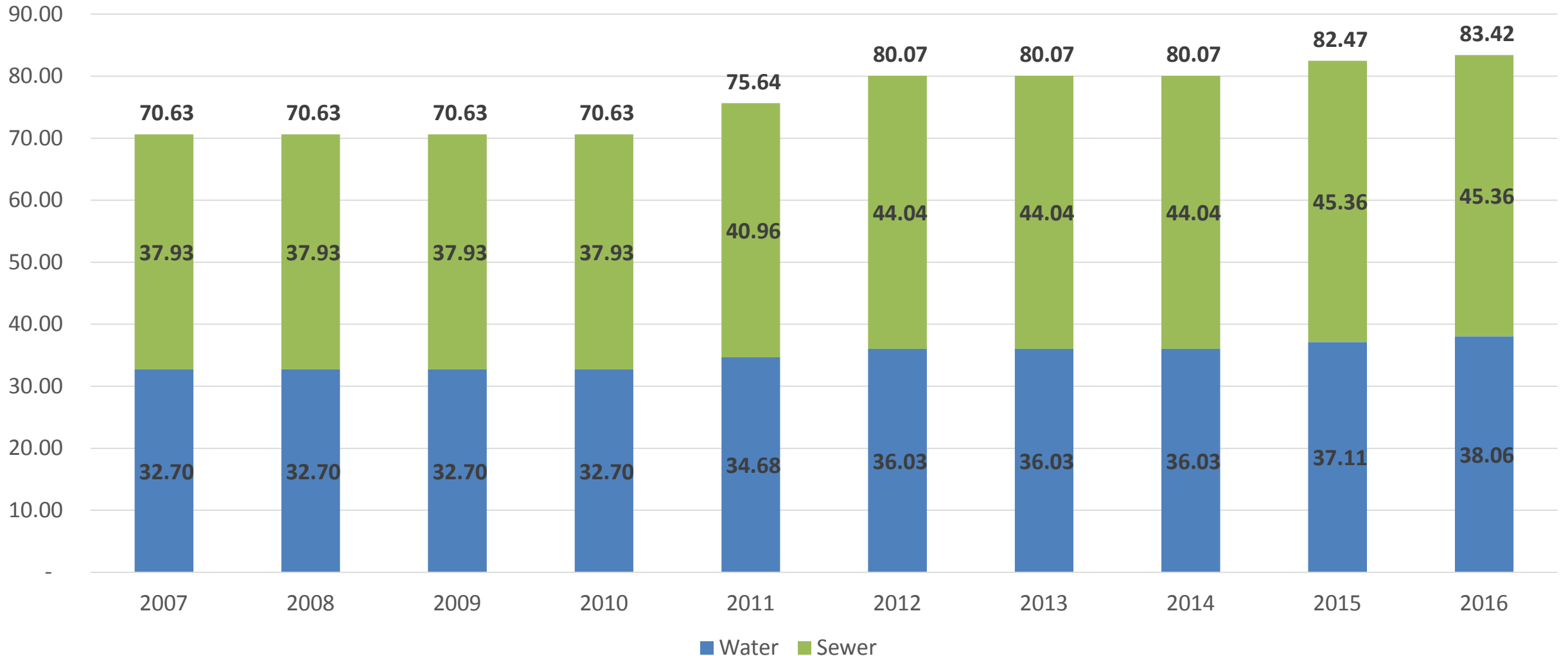
Key Issues – Water and Wastewater

- Finding from 2013 Water/Sewer Rate Study
 - “Assuming “normalized” consumption, the Utility’s revenues are insufficient, particularly revenues from wastewater customers”
 - “Recommend City continue to carefully evaluate overall utility revenue performance and ensure rates remain sufficient, particularly in light of future capital improvements
- Several Rate Structure Changes Recommended in 2013, No Action Taken

Historical Monthly Bill – (2.07% Effective Annual increase) 5,000 Gallon Water and Wastewater Customer



Historical Monthly Bill – (1.87% Effective Annual Increase) 10,000 Gallon Water and Wastewater Customer



Water and Wastewater Performance Under Current Rates

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues:					
Water	\$ 17,987,692	\$ 18,179,371	\$ 18,373,887	\$ 18,571,282	\$ 18,771,598
Wastewater	16,808,586	17,006,851	17,208,050	17,412,228	17,619,427
Other Revenue	5,550,712	3,758,000	3,964,674	4,010,211	4,056,195
Subtotal	\$ 40,346,990	\$ 38,944,222	\$ 39,546,612	\$ 39,993,721	\$ 40,447,220
Expenses:					
Operating	\$ 35,978,571	\$ 34,123,037	\$ 35,051,273	\$ 36,077,008	\$ 37,133,000
Non-Operating	9,039,253	8,337,951	8,339,350	8,375,661	7,700,478
Subtotal	\$ 45,017,824	\$ 42,460,988	\$ 43,390,623	\$ 44,452,669	\$ 44,833,478
Net Change	(\$ 4,670,834)	(\$ 3,516,766)	(\$3,844,011)	(\$4,458,948)	(\$4,386,258)

** Assumes \$15 mil in New Debt in FY 2017, 2.5% Interest, 20-Year Term - First Payment in 2018

Water and Wastewater Performance Under Current Rates

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Net Change	(\$ 4,670,834)	(\$ 3,516,766)	(\$3,844,011)	(\$4,458,948)	(\$4,386,258)
Working Capital					
Beginning Balance		\$ 11,340,170	\$ 7,823,404	\$ 3,979,393	(\$ 479,556)
Ending Balance		\$ 7,823,404	\$ 3,979,393	(\$ 479,556)	(\$ 4,865,814)
Working Capital Reserve %		22.93%	11.35%	(1.33%)	(-13.10%)

Current Rate Structure Evaluation

- Two Part Water Rate:

- Fixed Meter Charge based on Size

- 2,000 gallons in Fixed Bill

- Volumetric Charge which increases with use

Meter Charge (Includes 2,000 gal)	
3/4 inch	\$ 12.70
1 inch	14.06
1 1/2 inch	17.47
2 inch	21.55
3 inch	31.09
4 inch	44.74
6 inch	79.83
8 inch	119.68
10 inch	167.40
Volumetric Charge (per 1,000 gal)	
2,000 – 25,000	\$ 3.17
25,000 +	3.78

Current Rate Structure Evaluation

- Two Part Sewer Rate

- Fixed Base Charge

- 3,000 gallons in Fixed Bill

- Single Volumetric Charge, capped at 10K gallons for Residential, no cap for Commercial

Base Charge (Includes 3,000 gal)	
Residential	\$ 18.76
Volumetric Charge (per 1,000 gal)	
3,000 – 10,000 gallons	\$ 3.80

Rate Amendments Previously Identified

Remove Volumes from Minimum

- Best Management Practice
- Impact on low volumes/low income customers
- Additional Water Revenue, \$2.5 mil
- Additional Sewer Revenue, \$4.2 mil

Increase Percentage between Rate Blocks

- Best Management Practice
- Stronger Conservation Signal
- Additional Water Revenue, \$1.1 mil

Adjust Meter Charge to Recognize Demand

- AWWA Standard
- Impact on Schools, Commercial Business
- Additional Water Revenue, \$612,000

Recommended Residential Water Rate Action

Meter Charge (Includes 2,000 gal)	<u>Current</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
3/4 inch	\$ 12.70	\$ 12.70	\$ 13.75	\$ 14.26
1 inch	14.06	14.06	15.22	15.79
1 1/2 inch	17.47	17.47	18.91	19.62
2 inch	21.55	21.55	23.33	24.20
3 inch	31.09	31.09	33.65	34.91
4 inch	44.74	44.74	48.43	50.24
6 inch	79.83	79.83	86.41	89.64
8 inch	119.68	119.68	129.55	134.39
10 inch	167.40	167.40	181.20	187.98
Volumetric Charge (per 1,000 gal)				
2,000 – 10,000	\$ 3.17	\$ 3.17	\$ 3.43	\$ 3.56
10,000 – 25,000	3.17	3.96	4.29	4.45
25,000 +	3.78	4.95	5.36	5.56
<i>Overall Rate Increase</i>		0.00%	8.25%	3.74%

Recommended Commercial Water Rate Action

Meter Charge (Includes 2,000 gal)	<u>Current</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
3/4 inch	\$ 13.15	\$ 13.15	\$ 14.23	\$ 14.77
1 inch	14.60	14.60	15.80	16.39
1 1/2 inch	18.13	18.13	19.62	20.36
2 inch	22.38	22.38	24.23	25.13
3 inch	32.30	32.30	34.96	36.27
4 inch	46.49	46.49	50.32	52.21
6 inch	82.98	82.98	89.82	93.18
8 inch	124.56	124.56	134.83	139.87
10 inch	174.06	174.06	188.41	195.46
Volumetric Charge (per 1,000 gal)				
2,000 – 10,000	\$ 3.28	\$ 3.28	\$ 3.55	\$ 3.68
10,000 – 25,000	3.28	3.28	3.55	3.68
25,000 +	3.28	3.28	3.55	3.68
<i>Overall Rate Increase</i>		0.00%	8.25%	3.74%

Recommended Sewer Rate Action

Base Charge (Includes 3,000 gallons)	<u>Current</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Residential	\$ 18.76	\$ 18.76	\$ 20.31	\$ 21.07
Commercial	19.15	19.15	20.73	21.50
Volumetric Charge (per 1,000 gal)				
3,000 – 10,000	\$ 3.80	\$ 3.80	\$ 4.11	\$ 4.27
10,000 + (Com Only)	3.80	3.80	4.11	4.27
<i>Overall Rate Increase</i>		0.00%	8.25%	3.74%

Water and Wastewater Performance Under Proposed Rates

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues:					
Water	\$ 17,987,692	\$ 18,727,576	\$ 20,489,258	\$ 21,486,380	\$ 21,270,655
Wastewater	16,808,586	17,006,851	18,626,875	19,552,767	19,785,438
Other Revenue	5,550,712	3,758,000	3,964,674	4,010,211	4,056,195
Subtotal	\$ 40,346,990	\$ 39,492,427	\$ 43,080,807	\$ 45,049,358	\$ 45,562,287
Expenses:					
Operating	\$ 35,978,571	\$ 34,123,037	\$ 35,051,273	\$ 36,077,008	\$ 37,133,000
Non-Operating	9,039,253	8,337,951	8,339,350	8,375,661	7,700,478
Subtotal	\$ 45,017,824	\$ 42,460,988	\$ 43,390,623	\$ 44,452,669	\$ 44,833,478
Net Change	(\$ 4,670,834)	(\$ 2,968,561)	\$ (309,816)	\$ 596,689	\$ 728,809

** Assumes \$15 mil in New Debt in FY 2017, 2.5% Interest, 20-Year Term - First Payment in 2018

Water and Wastewater Performance Under Proposed Rates

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Net Change	(\$ 4,670,834)	(\$ 2,968,561)	\$ (309,816)	\$ 596,689	\$ 728,809
Working Capital					
Beginning Balance		\$ 11,340,170	\$ 8,371,609	\$ 8,061,793	\$ 8,658,482
Ending Balance		8,371,609	8,061,793	8,658,482	9,387,291
Working Capital Reserve %		24.53%	23.00%	24.00%	25.28%

Monthly Residential Customer Bill Impact

	<u>Current</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
2,000 Gallons				
Water	\$ 12.70	\$ 12.70	\$ 13.75	\$ 14.26
Wastewater	18.76	18.76	20.31	21.07
Total	\$ 31.46	\$ 31.46	\$ 34.06	\$ 35.33
<i>Monthly Increase over Current</i>		\$ 0.00	\$ 2.60	\$ 1.27
5,000 Gallons				
Water	\$ 22.21	\$ 22.21	\$ 24.04	\$ 24.94
Wastewater	26.36	26.36	28.53	29.61
Total	\$ 48.57	\$ 48.57	\$ 52.57	\$ 54.55
<i>Monthly Increase over Current</i>		\$ 0.00	\$ 4.00	\$ 1.98

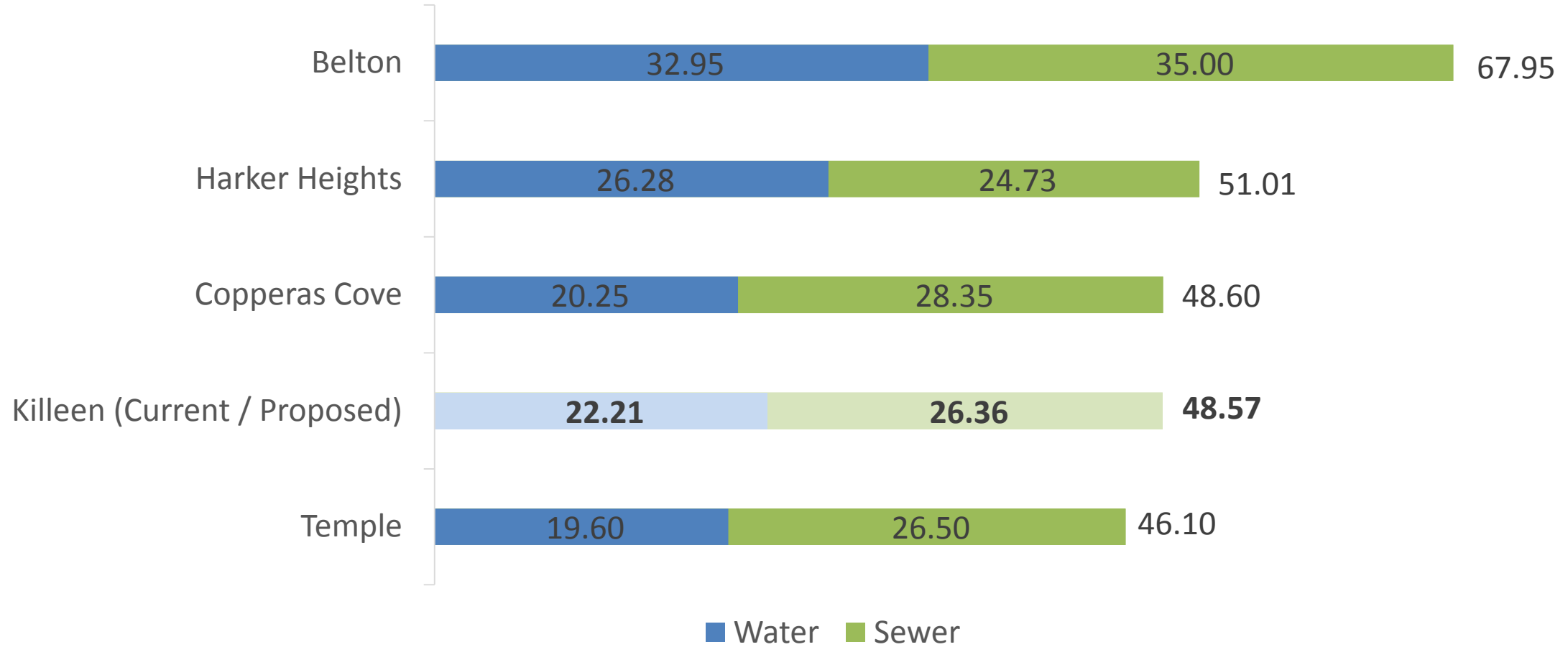
Monthly Residential Customer Bill Impact

	<u>Current</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
10,000 Gallons				
Water	\$ 38.06	\$ 38.06	\$ 41.20	\$ 42.74
Wastewater (Capped at 10k)	45.36	45.36	49.08	50.96
Total	\$ 83.42	\$ 83.42	\$ 90.28	\$ 93.26
<i>Monthly Increase over Current</i>		<i>\$ 0.00</i>	<i>\$ 6.86</i>	<i>\$ 3.42</i>
20,000 Gallons				
Water	\$ 69.76	\$ 77.69	\$ 84.09	\$ 87.24
Wastewater (Capped at 10k)	56.76	56.76	61.44	63.74
Total	\$ 126.52	\$ 134.45	\$ 145.53	\$ 150.97
<i>Monthly Increase over Current</i>		<i>\$ 7.92</i>	<i>\$ 11.09</i>	<i>\$ 5.44</i>

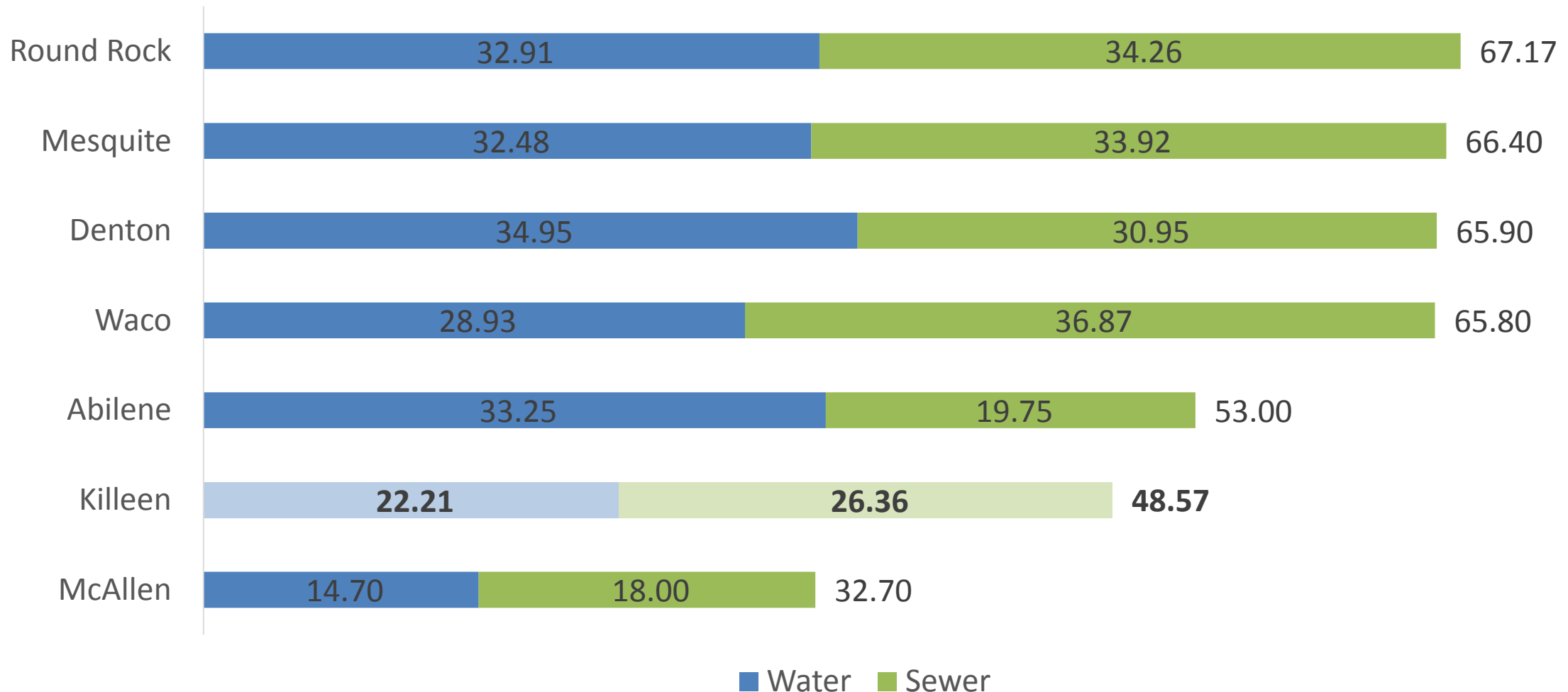
Monthly Residential Customer Bill Impact

	<u>Current</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
25,000 Gallons				
Water	\$ 88.66	\$ 102.45	\$ 110.90	\$ 115.05
Wastewater (Capped at 10k)	56.76	56.76	61.44	63.74
Total	\$ 145.42	\$ 159.21	\$ 172.34	\$ 178.78
<i>Monthly Increase over Current</i>		<i>\$ 13.79</i>	<i>\$ 13.13</i>	<i>\$ 6.45</i>
30,000 Gallons				
Water	\$ 107.56	\$ 127.22	\$ 137.71	\$ 142.86
Wastewater (Capped at 10k)	56.76	56.76	61.44	63.74
Total	\$ 164.32	\$ 183.98	\$ 199.15	\$ 206.59
<i>Monthly Increase over Current</i>		<i>\$ 19.66</i>	<i>\$ 15.17</i>	<i>\$ 7.45</i>

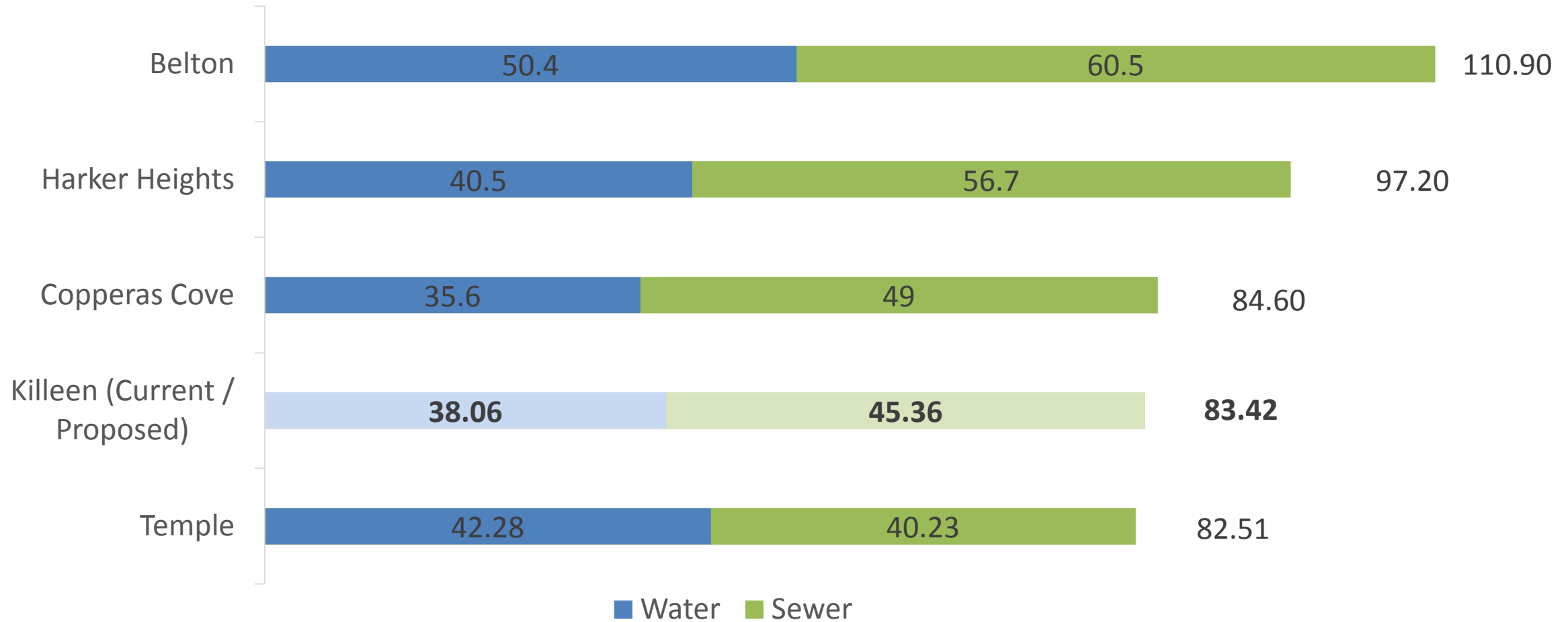
5,000 Gallon Monthly Bill Comparison (Local)



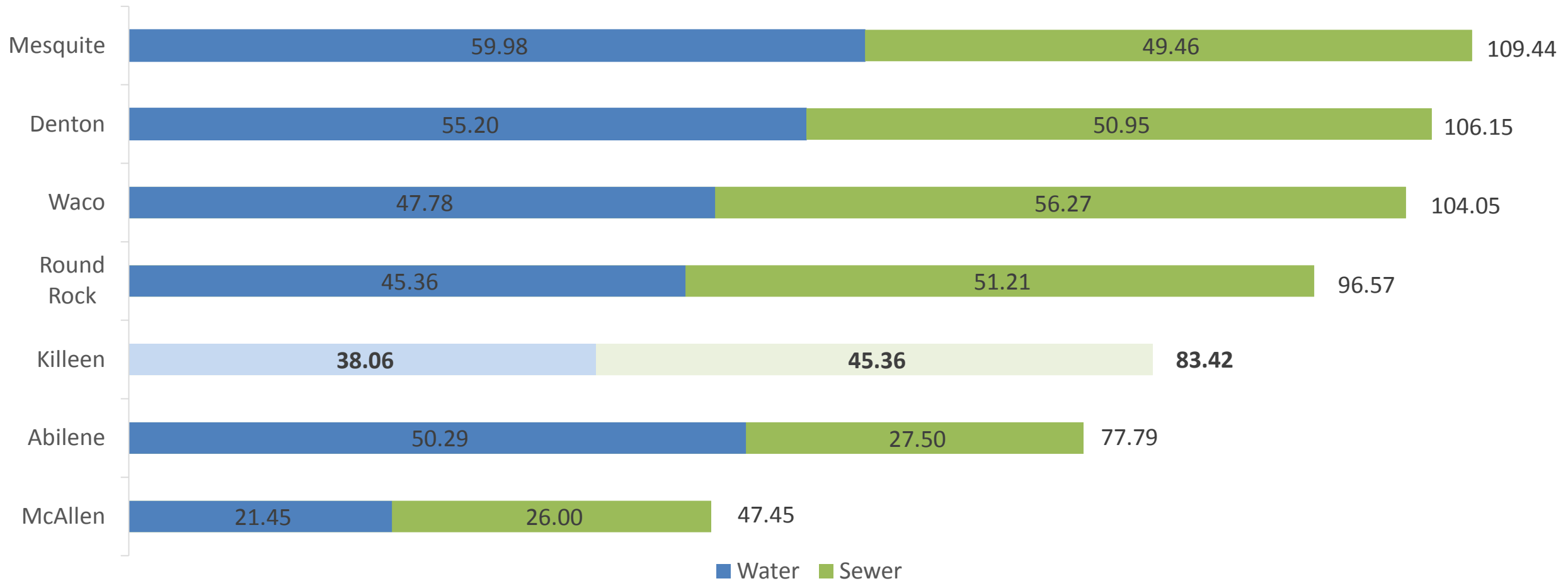
5,000 Gallon Monthly Bill Comparison (Benchmark)



10,000 Gallon Monthly Bill Comparison (Local)



10,000 Gallon Monthly Bill Comparison (Benchmark)





Drainage Utility Discussion

Key Issues – Drainage Utility

- Findings from 2013 Drainage Utility Study
 - “It is our opinion that the City’s current drainage utility fee revenues will not generate sufficient revenue to meet the City’s forecasted needs as early as Fiscal Year 2014”
 - “[while the current billing] method is compatible with the City’s utility billing system,. . .it does not represent the most equitable fee structure in terms of recognizing the level of service received, particularly for the City’s commercial customers.”

Historical Rate Action – Drainage Utility

	2001	2005	2006	2007	2010
Residential	\$ 2.00	\$ 3.00	\$ 4.00	\$ 5.00	\$ 6.00
Duplex – One Meter	2.00	5.11	7.11	8.89	9.89
Duplex – Two Meters	2.00	5.11	7.11	8.89	5.45
Multi-Family 3 - 71	2.00	2.10	3.10	3.88	4.88
Multi-Family-Flat 72+	2.00	150.00	200.00	250.00	300.00
Commercial-First Group	4.00	5.41	5.84	7.30	8.30
Commercial-Second Group 10,000 - 50,000 SF	4.00	10.81	11.67	14.59	17.51
Commercial-Third Group 50,001 - 100,000 SF	4.00	16.22	17.52	21.90	26.28
Commercial-Fourth Group 100,000 - 200,000 SF	4.00	32.44	35.04	43.80	52.56
Commercial-Fifth Group 200,000 - 350,000 SF	4.00	59.48	64.24	80.30	96.36
Commercial-Sixth Group 350,000 - 700,000 SF	4.00	86.52	93.44	116.80	140.16
Commercial-Seventh Group 700,001 - 1,000,000 SF	4.00	118.96	128.48	160.60	192.72
Commercial-Eighth Group > 1,000,000 SF	4.00	189.25	204.39	255.49	306.59

Drainage Performance Under Current Rates

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$ 3,931,102	\$ 3,961,437	\$ 4,002,767	\$ 4,043,751	\$ 4,085,354
Expenses	3,973,052	4,329,032	4,689,136	5,365,596	5,419,610
Net Change	(\$41,950)	(\$367,595)	(\$686,369)	(\$1,321,818)	(\$1,334,256)
Projected Debt Service Coverage	0.92	0.33	(0.27)	(0.42)	(0.44)
<i>(Less than 1 indicates revenues insufficient to service debt)</i>					

** Assumes \$6 mil in New Debt in FY 2018, 2.5% Interest, 20-Year Term - First Payment in 2019

Current Fee Structure Evaluation

- Residential Fee Structure is Appropriate
- Commercial Fee Structure should be revised in the future
 - Current “bands” of charges are not fully reflective of service provided and benefit received

Group	Band Side	Fee
Commercial-Second Group 10,000 - 50,000 SF	40,000 SF	17.51
Commercial-Third Group 50,001 - 100,000 SF	50,000 SF	26.28
Commercial-Fourth Group 100,000 - 200,000 SF	100,000 SF	52.56
Commercial-Fifth Group 200,000 - 350,000 SF	150,000 SF	96.36
Commercial-Sixth Group 350,000 - 700,000 SF	350,000 SF	140.16
Commercial-Seventh Group 700,001 - 1,000,000 SF	300,000 SF	192.72

Proposed FY 2017 Drainage Fees

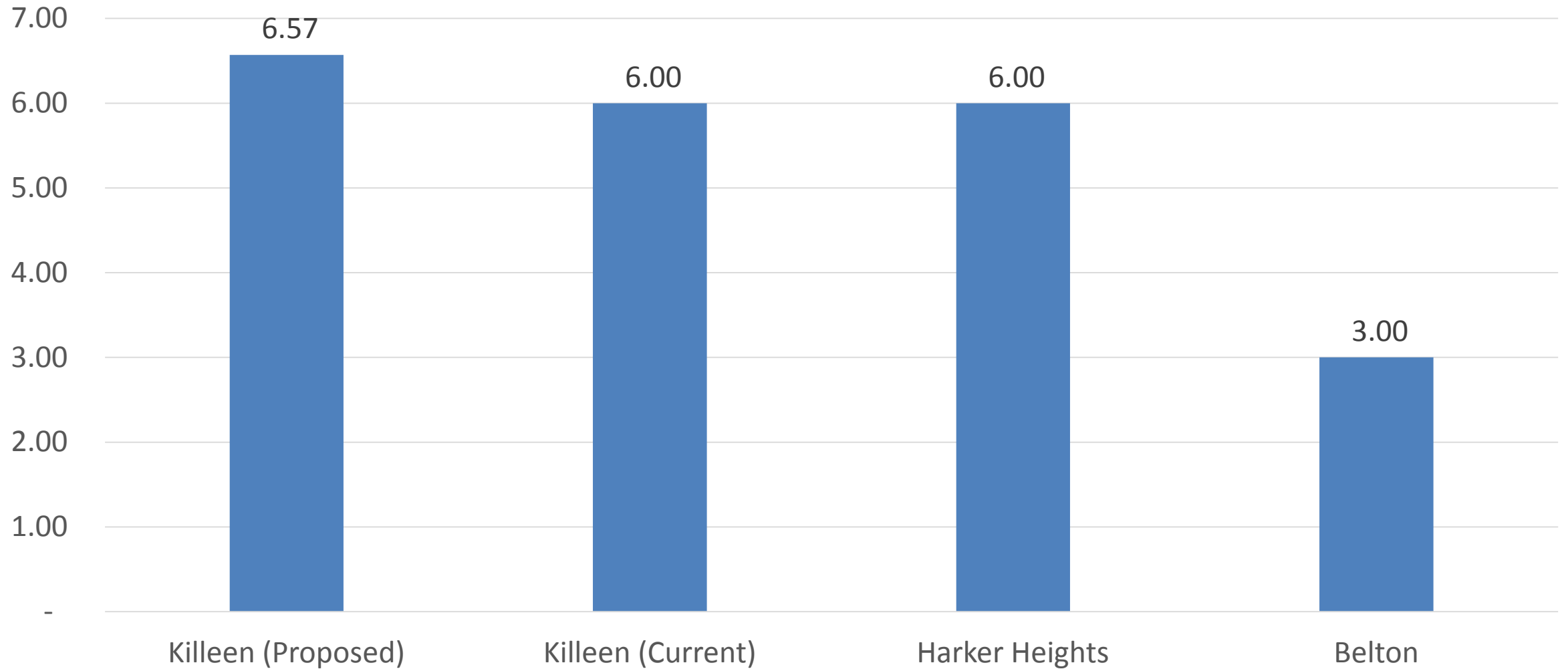
	Current	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Residential	\$ 6.00	\$ 6.57	\$ 7.05	\$ 7.98	\$ 7.98	\$ 9.06
Duplex – One Meter	6.89	10.83	11.61	13.15	13.15	14.93
Duplex – Two Meters	5.45	5.97	6.40	7.25	7.25	8.23
Multi-Family 3 - 71	4.88	5.34	5.73	6.49	6.49	7.37
Multi-Family-Flat 72+	300.00	328.50	352.32	399.00	399.00	452.86
Commercial-First Group	8.30	9.09	9.75	11.04	11.04	12.53
Commercial-Second Group 10,000 - 50,000 SF	17.51	19.17	20.56	23.29	23.29	26.43
Commercial-Third Group 50,001 - 100,000 SF	26.28	28.78	30.86	34.95	34.95	39.67
Commercial-Fourth Group 100,000 - 200,000 SF	52.56	57.55	61.73	69.90	69.90	79.34
Commercial-Fifth Group 200,000 - 350,000 SF	96.36	105.51	113.16	128.16	128.16	146.46
Commercial-Sixth Group 350,000 - 700,000 SF	140.16	153.48	164.60	186.41	186.41	211.58
Commercial-Seventh Group 700,001 - 1,000,000 SF	192.72	211.03	226.33	256.32	256.32	290.92
Commercial-Eighth Group > 1,000,000 SF	306.59	335.71	360.05	407.76	407.76	462.81
<i>Overall Rate Increase</i>		<i>9.50%</i>	<i>7.25%</i>	<i>13.25%</i>	<i>0.00%</i>	<i>13.50%</i>

Drainage Performance Under Proposed Fees

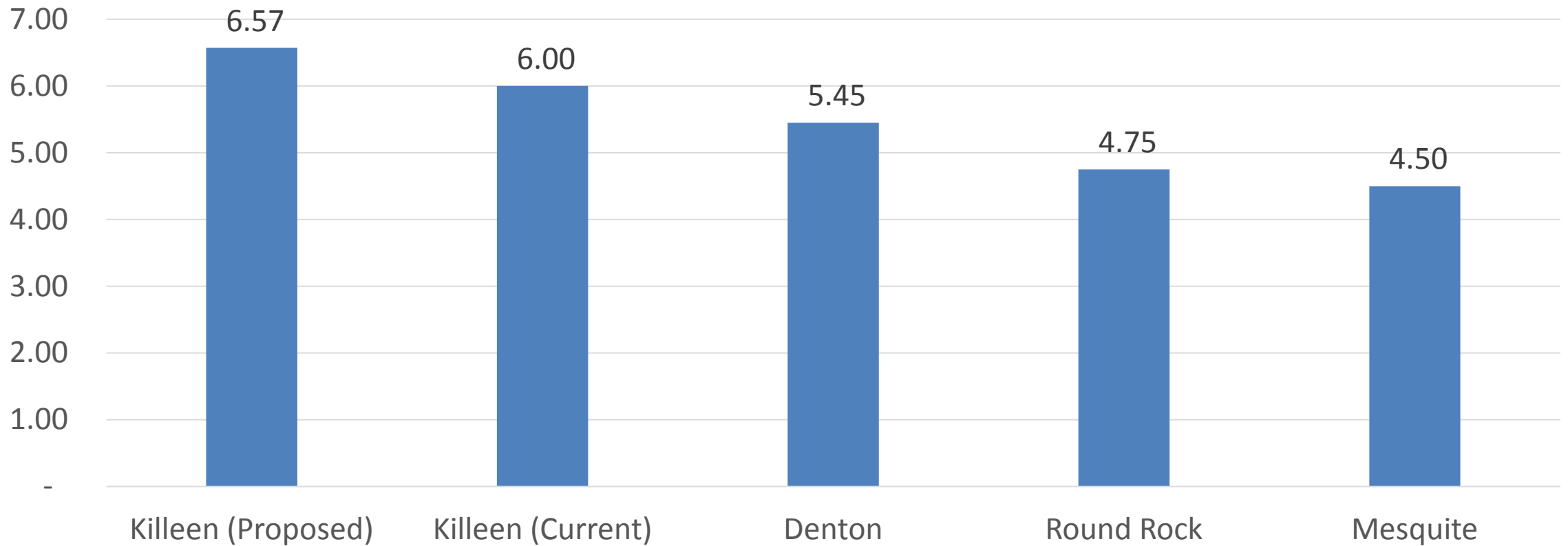
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$ 3,931,102	\$ 4,336,481	\$ 4,698,257	\$ 5,373,344	\$ 5,428,665
Expenses	3,973,052	4,329,032	4,689,136	5,365,596	5,419,610
Net Change	(\$41,950)	\$ 7,449	9,121	7,775	9,055
Projected Debt Service Coverage	0.92	1.01	1.02	1.01	1.01
<i>(Less than 1 indicates revenues insufficient to service debt)</i>					

** Assumes \$6 mil in New Debt in FY 2018, 2.5% Interest, 20-Year Term - First Payment in 2019

Residential Drainage Fee Comparison (Local)



Residential Drainage Fee Comparison (Benchmark)





Questions / Discussion