

# **City of Fulshear**

## Review of Proposed Utility Rates for FY 2019-2020

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September 2019



# Guiding Principles of Rate Making

- Cover Cost of Service
- Support Capital Plan
- Incentivize Conservation
- Provide Operational Contingencies
- React to Rate Changes



# What We Hope to Accomplish

- Create a rate structure that works for the next several years
  - Base and volumetric rates
  - Establish relationship between meter size, flow rates, cost of services and system capacity
  - Tiered volumetric rate to incentivize conservation
- Create a Rate Model that works for the next several years
  - Cost assumptions (O/M, transfers, debt, current revenue to CIP)
  - Revenue assumptions (consumption scenarios)
  - Create a rational relationship between costs and revenues



# Council Priorities

- Ensuring that the existing public infrastructure and facilities are reviewed, evaluated, and maintained to the highest possible standard...
  - Ensure that streets, sanitary and storm sewers, and water lines are constructed and maintained using state of the art methods...
  - Systematically replace failing infrastructure
- Ensuring the continued development of sound fiscal policies and effective budget oversight
  - Evaluate costs vs. benefits of all City services and programs
  - Proactively protect City's asset value
  - Prepare to take on regional wastewater treatment



# Rate Making

- The model uses the following variables:
  - Meter Inventory
  - Anticipated Usage By Meter Size
    - Billed Usage
    - Non-Billable Usage
      - Includes Contingency
    - Based on Historical Usage
  - Tiered Pricing For Base Rate By Size
    - Uses 5/8 & 3/4" residential standard as starting point
  - Combined Revenue Projections
    - Base Rates
    - Volumetric Rates



# Current Meter Count

| Meter Type/Size | Residential  | Commercial | Irrigation / Builder | TOTAL        |
|-----------------|--------------|------------|----------------------|--------------|
| 5/8 & 3/4       | 3,682        | 130        | 296                  | 4,108        |
| 1               | 362          | 48         | 77                   | 487          |
| 1 1/2           | 1            | 33         | 1                    | 35           |
| 2               | 0            | 73         | 1                    | 74           |
| 3               |              | 2          |                      | 2            |
| 4               |              | 3          |                      | 3            |
| 6               |              | 6          | 1                    | 7            |
| 8               |              | 8          |                      | 8            |
| 10              |              | 2          |                      | 2            |
| <b>TOTAL</b>    | <b>4,045</b> | <b>305</b> | <b>376</b>           | <b>4,726</b> |



# Current Rates

## BASE RATE

|                 | EXISTING    |             |            |
|-----------------|-------------|-------------|------------|
| Meter Type/Size | Residential | Commercial  | Irrigation |
| 5/8 & 3/4       | \$ 13.00    | \$ 15.00    | \$ 6.00    |
| 1               | \$ 32.50    | \$ 37.50    | \$ 15.00   |
| 1 1/2           | \$ 65.00    | \$ 75.00    | \$ 30.00   |
| 2               | \$ 104.00   | \$ 120.00   | \$ 48.00   |
| 3               | \$ 195.00   | \$ 225.00   | \$ 90.00   |
| 4               | \$ 325.00   | \$ 375.00   | \$150.00   |
| 6               | \$ 650.00   | \$ 750.00   | \$300.00   |
| 8               | \$1,040.00  | \$ 1,200.00 | \$480.00   |
| 10              | \$1,495.00  | \$ 1,725.00 | \$690.00   |



# Proposed Rates

## BASE RATE

| Meter Type/<br>Size  | PROPOSED    |            |            |
|----------------------|-------------|------------|------------|
|                      | Residential | Commercial | Irrigation |
| <b>5/8 &amp; 3/4</b> | \$ 5.50     | \$ 5.50    | \$ 5.50    |
| <b>1</b>             | \$ 13.75    | \$ 13.75   | \$ 13.75   |
| <b>1 1/2</b>         | \$ 27.50    | \$ 27.50   | \$ 27.50   |
| <b>2</b>             | \$ 44.00    | \$ 44.00   | \$ 44.00   |
| <b>3</b>             | \$ 82.50    | \$ 82.50   | \$ 82.50   |
| <b>4</b>             | \$ 137.50   | \$ 137.50  | \$ 137.50  |
| <b>6</b>             | \$ 275.00   | \$ 275.00  | \$ 275.00  |
| <b>8</b>             | \$ 440.00   | \$ 440.00  | \$ 440.00  |
| <b>10</b>            | \$ 632.50   | \$ 632.50  | \$ 632.50  |





# Current Rates

## VOLUMETRIC RATES

| Vol. Rate Cat. | Cat. Amt  | Residential | Commercial | Irrigation |
|----------------|-----------|-------------|------------|------------|
| Res Base       | 0 - 5000  | \$13.00     |            |            |
| Res 2          | 5k-10k    | \$2.00      |            |            |
| Res 3          | 10k - 20k | \$2.50      |            |            |
| Res 4          | 20k+      | \$3.00      |            |            |
| Irr Base       | 0 - 1000  |             |            | \$6.00     |
| Comm Base      | 0 - 5000  |             | \$15.00    | \$1.75     |
| C-I 2          | 5k-10k    |             | \$2.75     | \$2.75     |
| C-I 3          | 10k - 20k |             | \$3.00     | \$3.00     |
| C-I 4          | 20k+      |             | \$3.25     | \$3.25     |
| Sew Base       | 0 -5000   | \$13.00     | \$15.00    |            |
| Sew 2          | 5k-10k    | \$2.00      | \$2.75     |            |
| Sew 3          | 10k-20k   | \$2.00      | \$3.00     |            |
| Sew 4          | 20k-30k   | \$2.00      | \$3.25     |            |
| Sew 5          | 30k+      | \$0.00      | \$3.25     |            |



# Proposed Rates

## VOLUMETRIC RATES

| Vol. Rate Cat.    | Cat. Amt        | Residential        | Commercial        | Irrigation        |
|-------------------|-----------------|--------------------|-------------------|-------------------|
| <b>WATER BASE</b> | 0 - 5000        | \$5.50             | \$5.50            | \$5.50            |
| Tier 1            | 5k-10k          | \$2.50             | \$2.50            | \$2.50            |
| Tier 2            | 10k - 15k       | \$3.00             | \$3.00            | \$3.00            |
| Tier 3            | 15k -20k        | \$3.50             | \$3.50            | \$3.50            |
| Tier 4            | 20k-25k         | \$4.00             | \$4.00            | \$4.00            |
| Tier 5            | 25k-30K         | \$4.50             | \$4.50            | \$4.50            |
| Tier 6            | 30k+            | \$5.00             | \$5.00            | \$5.00            |
| <b>SEWER BASE</b> | <b>Cat. Amt</b> | <b>Residential</b> | <b>Commercial</b> | <b>Irrigation</b> |
|                   | 0 -5000         | \$5.50             | \$5.50            | \$5.50            |
| Tier 1            | 5k-10k          | \$2.50             | \$2.50            | \$2.50            |
| Tier 2            | 10k - 15k       | \$3.00             | \$3.00            | \$3.00            |
| Tier 3            | 15k -20k        | \$3.50             | \$3.50            | \$3.50            |
| Tier 4            | 20k-25k         | \$4.00             | \$4.00            | \$4.00            |
| Tier 5            | 25k-30K         | \$4.50             | \$4.50            | \$4.50            |
| Tier 6            | 30k+            | \$5.00             | \$5.00            | \$5.00            |



# Existing vs. Proposed Rates

| Existing Rates                                 |                 |         |                 |                 |                |               |                |                |                |
|--|-----------------|---------|-----------------|-----------------|----------------|---------------|----------------|----------------|----------------|
|  |                 | Rate    | Base            | \$2.00          | \$2.50         | \$2.50        | \$3.00         | \$3.00         | \$3.00         |
| Current Rates                                  | Mininum         | Gallons | 5,000           | 10,000          | 15,000         | 20,000        | 25,000         | 30,000         | 40,000         |
| Water (Incls 0 Gals)                           | \$13.00         |         | \$13.00         | \$23.00         | \$35.50        | \$48.00       | \$65.50        | \$78.00        | \$108.00       |
| Sewer (Incls 0 Gals)                           | \$13.00         |         | \$13.00         | \$23.00         | \$35.50        | \$48.00       | \$65.50        | \$78.00        | \$78.00        |
|  |                 |         |                 |                 |                |               |                |                |                |
| <b>Total Bill</b>                              | <b>\$26.00</b>  |         | \$26.00         | \$46.00         | \$71.00        | \$96.00       | \$131.00       | \$156.00       | \$186.00       |
| Proposed Rates                                 |                 |         |                 |                 |                |               |                |                |                |
|  |                 | Rate    | Base            | \$2.50          | \$3.00         | \$3.50        | \$4.00         | \$4.50         | \$4.50         |
| Recommend Rates                                | Minimum         | Gallons | 5,000           | 10,000          | 15,000         | 20,000        | 25,000         | 30,000         | 40,000         |
| Water (incls 0 gals)                           | \$5.50          |         | \$5.50          | \$18.00         | \$33.00        | \$50.50       | \$70.50        | \$93.00        | \$138.00       |
| Sewer (incls 0 gals)                           | \$5.50          |         | \$5.50          | \$18.00         | \$33.00        | \$50.50       | \$70.50        | \$93.00        | \$138.00       |
|  |                 |         |                 |                 |                |               |                |                |                |
| <b>Total Bill</b>                              | <b>\$11.00</b>  |         | \$11.00         | \$36.00         | \$66.00        | \$101.00      | \$141.00       | \$186.00       | \$276.00       |
| <b>Percentage Increase</b>                     | <b>-58%</b>     |         | <b>-58%</b>     | <b>-22%</b>     | <b>-5%</b>     | <b>5%</b>     | <b>8%</b>      | <b>19%</b>     | <b>48%</b>     |
| <b>Dollar Increase/ Decrease</b>               | <b>-\$15.00</b> |         | <b>-\$15.00</b> | <b>-\$10.00</b> | <b>-\$5.00</b> | <b>\$5.00</b> | <b>\$10.00</b> | <b>\$30.00</b> | <b>\$90.00</b> |
| <b>AVERAGE OVER 30 DAYS</b>                    | <b>-\$0.50</b>  |         | <b>-\$0.50</b>  | <b>-\$0.33</b>  | <b>-\$0.17</b> | <b>\$0.17</b> | <b>\$0.33</b>  | <b>\$1.00</b>  | <b>\$3.00</b>  |
| * Does not include NFBWA fee of \$3.65 / K gal |                 |         |                 |                 |                |               |                |                |                |



# Effect of Rate Changes

3/4" & 5/8" meters account for 88% of the meter inventory and over 75% of total water usage

- ✓ Average use for a 3/4" residential meter is 9,250 gal / mo
- ✓ Average use for an irrigation meter is 3,150 gal / mo



| EXISTING     |        |            |           |          |         |                |
|--------------|--------|------------|-----------|----------|---------|----------------|
| Service Type | Volume | Meter Size | Base rate | Vol Rate | NFBWA   |                |
| Water        | 9,250  | 3/4"       | \$13.00   | \$9.50   | \$33.76 |                |
| Sewer        | 9,250  | 3/4"       | \$13.00   | \$9.50   |         |                |
|              |        |            | \$26.00   | \$19.00  | \$33.76 | <b>\$78.76</b> |

| PROPOSED     |        |            |           |          |         |                |
|--------------|--------|------------|-----------|----------|---------|----------------|
| Service Type | Volume | Meter Size | Base rate | Vol Rate | NFBWA   |                |
| Water        | 9,250  | 3/4"       | \$5.50    | \$10.63  | \$33.76 |                |
| Sewer        | 9,250  | 3/4"       | \$5.50    | \$10.63  |         |                |
|              |        |            | \$11.00   | \$21.25  | \$33.76 | <b>\$66.01</b> |

# Revenue Projections

**(Revenue Needed Per Budget - \$2.425M)**

## Proposed Rates - No Winter Averaging

|                     | Total Usage        | # of Meters | Base Rate Rev       | Volume Rev            | Total Revenue         |
|---------------------|--------------------|-------------|---------------------|-----------------------|-----------------------|
| <b>WATER</b>        |                    |             |                     |                       |                       |
| Residential         | 492,360,000        | 3,682       | \$ 303,072.00       | \$ 576,412.50         | \$ 879,484.50         |
| Commercial          | 96,040,000         | 130         | \$ 150,084.00       | \$ 184,830.00         | \$ 334,914.00         |
| Irrigation/ Builder | 11,330,000         | 300         | \$ 36,399.00        |                       | \$ 36,399.00          |
| <b>SEWER</b>        |                    |             |                     |                       |                       |
| Residential         |                    | 3,682       | \$ 303,072.00       | \$ 576,412.50         | \$ 879,484.50         |
| Commercial          |                    | 130         | \$ 150,084.00       | \$ 184,830.00         | \$ 334,914.00         |
| <b>TOTAL</b>        | <b>599,730,000</b> | <b>4112</b> | <b>\$942,711.00</b> | <b>\$1,522,485.00</b> | <b>\$2,465,196.00</b> |

## Proposed Rates - With Winter Averaging

|                     | Total Usage        | # of Meters | Base Rate Rev       | Volume Rev            | Total Revenue         |
|---------------------|--------------------|-------------|---------------------|-----------------------|-----------------------|
| <b>WATER</b>        |                    |             |                     |                       |                       |
| Residential         | 492,360,000        | 3,682       | \$ 303,072.00       | \$ 576,412.50         | \$ 879,484.50         |
| Commercial          | 96,040,000         | 130         | \$ 150,084.00       | \$ 184,830.00         | \$ 334,914.00         |
| Irrigation/ Builder | 11,330,000         | 300         | \$ 36,399.00        | \$ -                  | \$ 36,399.00          |
| <b>SEWER</b>        |                    |             |                     |                       |                       |
| Residential         |                    | 3,682       | \$ 303,072.00       | \$ 140,766.00         | \$ 443,838.00         |
| Commercial          |                    | 130         | \$ 150,084.00       | \$ 184,830.00         | \$ 334,914.00         |
| <b>TOTAL</b>        | <b>599,730,000</b> | <b>4112</b> | <b>\$942,711.00</b> | <b>\$1,086,838.50</b> | <b>\$2,029,549.50</b> |



# Summary

- Consolidating the Utility Fund allows the City to provide a reduced cost of service to its residents
- Allows the City to plan for continued transition to in-house staffing and services
- Provides for long-term flexibility to provide increased capital improvements



# Next Steps

- Schedule Adoption of New Rate Schedule

OR

- Identify Changes for the New Rate Schedule
- Plan for Process of Informing Residents
- Assume Rates are Increased Beginning Oct 2019



# Questions?

