

January 13, 2015

City of League City, Texas Water and Wastewater Rate Study Update



ECONOMICS

STRATEGY

STAKEHOLDERS

SUSTAINABILITY

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Agenda

- Review of Overarching Issues
- Projected Financial Performance
- Initial Rate Adjustment Recommendations
- Discussion / Further Policy Direction

Introduction

- Last action taken on water and wastewater rates was in November 2008
- Since November 2008, the City has experienced:
 - Increases in wholesale purchase cost
 - Increase in everyday Operations and Maintenance Expenses
 - Growth on the system and overall increase in service demand
 - Investment in significant capital program
- The City should consistently and regularly evaluate the pricing of water and wastewater service
 - Ensure revenues meet or exceed expenses
 - Ensure proper pricing signals are being provided to customers

Overarching Issues – Cost of Service

- **Continued pressure on Wholesale Water Rates**
 - City purchases water from City of Houston / Gulf Coast Water Authority
 - Suppliers experience cost inflation and have capital needs, which will inevitably result in annual rate adjustments to the City's cost of water
 - Failure to pass along this cost to customers reduces the City's ability to care for its own infrastructure

Overarching Issues – Cost of Service

- **Capital Improvement Needs**
 - City has focused tremendous resources on improving and renewing water and wastewater system
 - Funding these improvements is the single biggest contributor to needed revenue adjustments
 - Improvements are essential to:
 - Provide continuous and adequate service to meet the service needs of existing and new customers
 - Maintain regulatory compliance
 - Control long-term operations and maintenance costs
 - The cash needs of funding the program must be considered

League City's Past, Current, and Future Water/Wastewater System Needs

- League City continues to move forward with an aggressive Capital Improvement Program (CIP) that addresses known water and wastewater infrastructure deficiencies and provides the necessary capacity upgrades to meet the demands of current and future growth.
- Annual Sanitary Sewer Rehab project (\$1.5M/yr) based on mid-1990's Environmental Protection Agency (EPA) issued Administrative Order (AO) for excessive sanitary sewer overflows (SSO) caused by inflow and infiltration
 - AO was relieved in early 2000, after completing five years of mandated sewer rehabilitation.
 - Currently participate as a voluntary partner with the TCEQ in their Sanitary Sewer Overflow Initiative (SSOI) Program

League City's Past, Current, and Future Water/Wastewater System Needs

- Late 1990's – 2008: accelerated growth rate - number of new homes, businesses, and associated population out paced the ability to fund and construct the utility infrastructure
 - Wastewater treatment facilities reached the threshold limits of the TCEQ 75/90 Capacity Rule which mandates the initiation to construct additional capacity
 - A portion of the service area for the Countryside Wastewater Treatment Plant (CSWWTP) was diverted to the Dallas Salmon Wastewater Treatment Plant (DSWWTP), which allowed time for the funding, design, and construction, of DSWWTP expansion and the new SWWRF required to meet regulatory requirements.
 - October 2010: expansion of DSWWTP increased capacity from 7.5 MGD to 12 MGD
 - December 2012: new 4.0 MGD Southwest Water Reclamation Facility (SWWRF)
 - Also upgraded many lift stations, force mains, and gravity sewers

League City's Past, Current, and Future Water/Wastewater System Needs

- Droughts of 2009 & 2011 and new growth have shifted focus to water
 - Aug 2013: North Service Area Booster Pump Station, Ground Storage, and well completed which provides added distribution capacity of 5 MGD of purchased surface water and 2.1 MGD of groundwater capacity
 - October 2014: State Highway 3 Booster Pump Station and Ground Storage entered service and further enhances overall delivery reliability of the City's surface water supply
 - Currently constructing additional wells, ground storage, elevated storage, pump capacity, and site improvements of the major booster pump station facilities
 - Also improvements to multiple transmission and distribution water lines that enhance service reliability and the addition of ground water supply (wells) that will serve new growth and emergency needs, until future surface water supply is secured.

League City's Past, Current, and Future Water/ Wastewater System Needs

- Moving forward: continue on updating existing water/
wastewater infrastructure and increasing water
distribution, wastewater treatment/conveyance, and
overall water supply capacities to serve present and long
term needs for the City.
 - Two major components of the 10 year CIP includes:
 - securing and developing approx. 20 MGD of a sustainable
combination of surface, alternative source, and groundwater to
accommodate the ultimate build out of League City, and
 - replacement of process treatment components, underground
distribution and collection features, and other infrastructure that
has reached or exceeded their respective expected service life.

League City's Past, Current, and Future Water/Wastewater System Needs

- Operations, maintenance, and regulatory compliance aspect of water/wastewater system facilities will require increased resources over the next ten years to meet the service demands of our system.
- More stringent regulatory requirements and the associated efforts to maintain compliance will influence the need for an expanded workforce in both water production and wastewater departments.
- Chemical, electric, and support service costs are also forecast to escalate considerably, as the economy and resource demand continues to flourish.

Water CIP Projected Costs (FY 2015 – FY 2019)

Project Name	2015	2016	2017	2018	2019
Northside Water Booster Station	60,137	-	-	-	-
State Highway 3 Pump Station	347,500	-	-	-	-
36" WL SH3 to SSH Booster Station (Distribution)	11,017,505	-	-	-	-
Southeast Service area trucks	3,055,725	-	-	-	-
Waterline Upgrades & Replacement	2,255,680	2,000,000	2,000,000	2,000,000	2,000,000
SEWPP Treatment Improvements (Distribution)	216,333	734,225	510,905	-	-
60" Water Line Replace 42" Line on SH 3 (Distribution/Supply)	2,300,000	11,700,000	17,600,000	12,000,000	-
New East Side Elevated #1 and Well (Distribution)	4,905,000	-	-	-	-
Storz-Hydro Connectors	25,000	-	-	-	-
Annual Water System Improvements	138,100	510,000	150,000	33,750	225,000
DSWWTP Reclaimed Water Pump Station	264,000	-	2,636,000	-	-
Reclaimed Water Pipelines	-	1,370,000	-	-	13,730,000
Expansion of TMWTP	-	1,630,000	-	-	-
Transmission Waterline Assessment & Rehab	-	-	250,000	850,000	6,401,920
New West Side Elevated Tank and Well	-	-	-	850,000	200,000
New Water Well and GST - Westside	-	-	-	395,000	200,000
New Water Lines to West Side	-	-	-	275,000	100,000
Supplemental 24" Line from Calder Rd. to Walker Plant	-	-	-	-	200,000
Trunk Line from Walker WP to Louisiana	-	-	-	-	500,000
Total Estimated Project Costs	24,584,980	17,944,225	23,146,905	16,403,750	23,556,920

Water CIP Projected Costs (FY 2020 – FY 2024)

Project Name	2020	2021	2022	2023	2024
Waterline Upgrades & Replacement	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Expansion of TMWTP	-	-	8,185,000	8,185,000	-
Transmission Waterline Assessment & Rehab	7,501,920	-	-	-	-
New West Side Elevated Tank and Well	-	6,869,000	-	-	-
New Water Well and GST - Westside	4,616,000	-	-	-	-
New Water Lines to West Side	3,350,000	3,350,000	-	-	-
Supplemental 24" Line from Calder Rd. to Walker Plant	1,195,000	-	-	-	-
Trunk Line from Walker WP to Louisiana	-	4,920,000	-	-	-
18" WL to West Side Elevated	105,200	468,000	-	-	-
W Master Plan/ Model 0 year update (2021) CRF (2022)	-	150,000	100,000	-	-
8" WL from Cross Colony to Mary Ln.	82,450	283,000	-	-	-
18" Trunk Line from SSH BPS to Louisiana	170,000	861,000	-	-	-
North Service Area 16" WL along Grissom	144,700	598,000	-	-	-
North Service Area Water Line Extensions	1,053,500	1,845,000	1,845,000	-	-
South Shore Harbour (2) & Calder Rd. (1) GST Coating Replacement	-	-	575,000	-	-
South Shore Harbour Elevated Coating Replacement	-	-	-	1,318,000	-
Annual Water System Improvements (to be determined)	2,000,000	2,000,000	1,425,000	682,000	2,000,000
18" Trunk Line along Bay Area	-	-	-	880,450	4,703,000
Total Estimated Project Costs	22,718,770	23,844,000	14,630,000	13,565,450	9,203,000

Wastewater CIP Projected Costs (FY 2015 – FY 2019)

Project Name	2015	2016	2017	2018	2019
Hobbs Rd. Lift Station/Force Main/Gravity Sewer	548,050	-	-	-	-
Force Main Upgrade from Bay Colony LS to Ervin St.	1,273,400	-	-	-	-
30" Gravity Sewer on Calder Rd.	1,846,759	-	-	-	-
CS & FW11 LS/FM Upgrades & WWTP Demo	2,680,650	-	-	-	-
Sanitary Sewer Annual Rehab 2012-2018	1,513,875	1,500,000	1,500,000	1,500,000	1,500,000
Re-use Improvements - Phase I	1,875,000	-	-	-	-
Re-use Utility System	460,000	3,870,519	-	-	-
MUD #6 Lift Station Rehabilitation	215,000	-	-	-	-
Annual Lift Station Improvements	437,500	287,500	-	-	-
West Main LS Odor Control	172,500	-	-	-	-
DSWWTP Odor Control	258,750	-	-	-	-
54" Gravity Sewer South from SWWRF to FW6	-	-	500,000	-	2,590,000
42" GS Trunk Extension South of SWWRF to FW6	-	-	-	500,000	2,651,000
FW5 Lift Station / Force Main to SWWRF	-	-	-	185,000	1,040,000
36" Gravity Sewer North from SWWRF to FW6	-	-	-	-	107,000
FW8 Lift Station / Force Main to SWWRF	-	-	-	-	240,000
FW9 Lift Station / Force Main to SWWRF	-	-	-	-	195,000
36" GS Trunk Ext South of SWWRF to FW 8 & 9	-	-	-	-	600,000
30" GS Trunk Ext South of SWWRF (FW3 to SWWRF)	-	-	-	-	105,000
27" & 24" GD Trunk Ext South of SWWRF (FW2&3 to SWWRF)	-	-	-	-	390,000
27" & 24" GS Trunk Ext North of SWWRF (FW4&5 to SWWRF)	-	-	-	-	450,000
FW4 Lift Station / Force Maint to SWWRF	-	-	-	-	165,000
Total Estimated Project Costs	11,281,484	5,658,019	2,000,000	2,185,000	10,033,000

Wastewater CIP Projected Costs (FY 2020 – FY 2024)

Project Name	2020	2021	2022	2023	2024
36" Gravity Sewer North from SWWRF to FW6	1,082,000	-	-	-	-
FW8 Lift Station / Force Main to SWWRF	1,500,000	-	-	-	-
FW9 Lift Station / Force Main to SWWRF	1,296,000	-	-	-	-
36" GS Trunk Ext South of SWWRF to FW 8 & 9	821,750	4,145,000	-	-	-
30" GS Trunk Ext South of SWWRF (FW3 to SWWRF)	-	155,300	702,000	-	-
27" & 24" GD Trunk Ext South of SWWRF (FW2&3 to SWWRF)	562,600	1,292,000	1,292,000	-	-
27" & 24" GS Trunk Ext North of SWWRF (FW4&5 to SWWRF)	661,400	1,538,000	1,538,000	-	-
FW4 Lift Station / Force Maint to SWWRF	-	273,550	1,157,000	-	-
SWWRF Odor Control	240,350	-	-	-	-
Glen Cove Lift Station Wet Well Rehab	412,850	-	-	-	-
Southwest Service Area Reuse Distribution (irrigation)	1,150,000	3,000,000	3,000,000	-	-
Sanitary Sewer Annual Rehab	2,000,000	2,000,000	2,500,000	2,500,000	2,500,000
Annual LS/ WW System Improvements (To be determined)	1,200,000	1,200,000	1,200,000	2,500,000	2,500,000
WW Master Plan/ Model 10 Year Update (2021) CRF (2022)	-	150,000	100,000	-	-
Meadowbend STP Lift Station- 16" Force Main Replacement	-	285,150	1,901,000	-	-
East Lift Station- 24" Force Main Replacement	-	-	767,600	2,610,000	-
DSWWTP Aeration & Clarifier Improvements	-	-	342,600	2,284,000	-
DSWWP UV Disinfection Improvements	-	-	-	504,000	3,360,000
SWWRF Phase 2	-	-	-	-	4,200,000
North Service Area Phase 2.1 GS/LS/FM	-	-	395,000	1,300,000	-
North Service Area Phase 2.2 GS/LS/FM	-	-	395,000	1,300,000	-
15" Gravity Sewer Trunk South from SWWRF to FW6	-	-	-	236,250	1,575,000
Total Estimated Project Costs	10,926,950	14,039,000	15,290,200	13,234,250	14,135,000

Projected CIP Funding (Millions)

	2015	2016	2017	2018	Total
Water:					
Capital Recovery Funds (No Rate Impact)	\$ 3.73	\$ 2.61	\$ 1.94	\$ 0.80	\$ 2.49
Existing Debt (P&I In Rates)	5.16				
Future Debt (P&I In Rates)	14.55	14.60	20.21	14.60	20.07
Existing Cash (No Rate Impact)	0.92				
Rate Funded (Cash from Rates)	0.23	0.73	1.00	1.00	1.00
Total	\$ 24.58	\$ 17.94	\$ 23.15	\$ 16.40	\$ 23.56
Wastewater					
Capital Recovery Funds (No Rate Impact)	\$ 1.16		\$ 0.50	\$ 0.64	\$ 4.69
Existing Debt (P&I In Rates)	6.54				
Future Debt (P&I In Rates)	2.60	5.37	1.50	1.55	5.34
Existing Cash (No Rate Impact)	0.27				
Rate Funded (Cash from Rates)	0.70	0.29			
Total	\$ 11.28	\$ 5.66	\$ 2.00	\$ 2.19	\$ 10.03

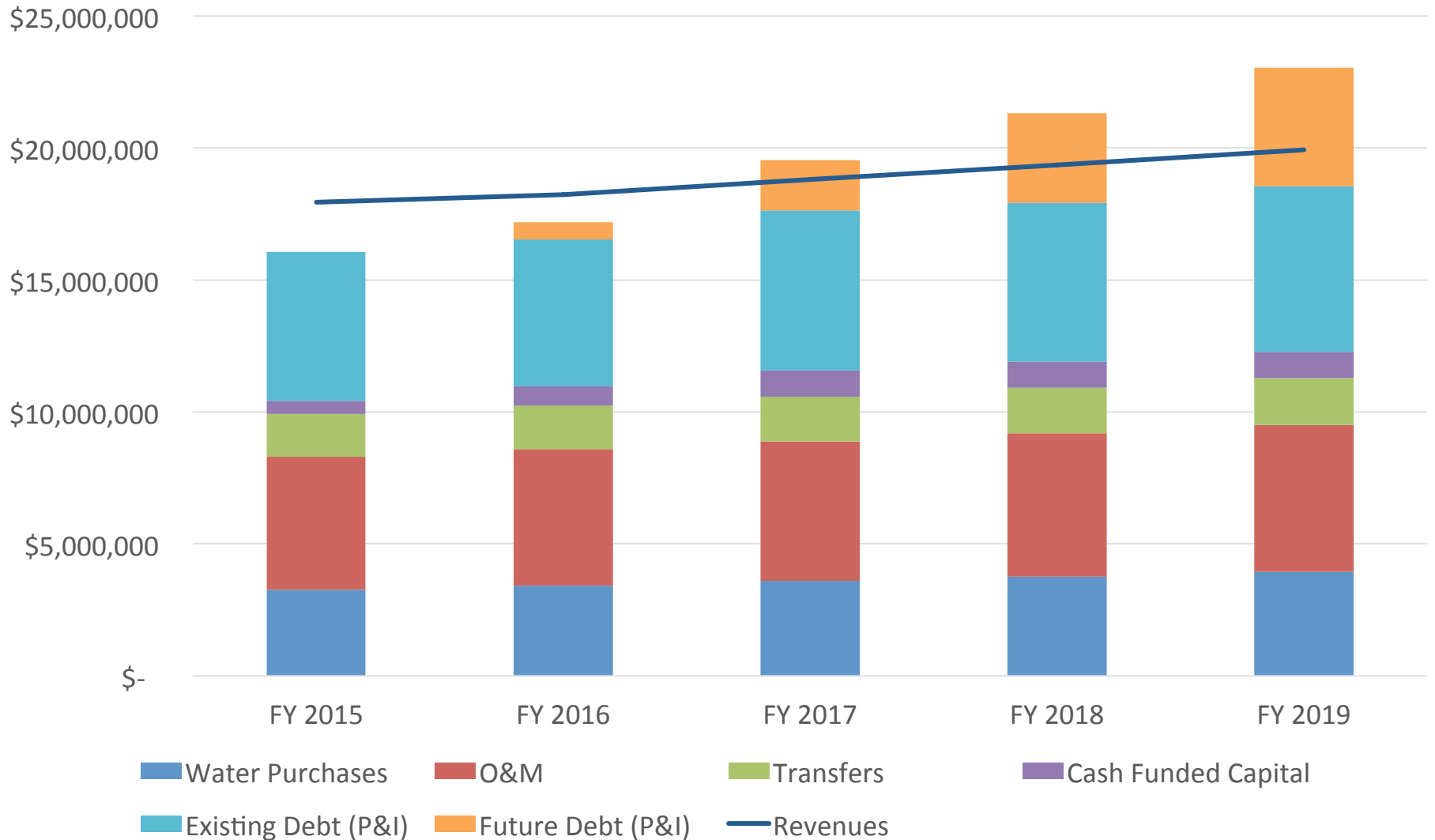
Projected Debt Service Payments (Millions)

	2015	2016	2017	2018	2019
Existing Debt (Principal & Interest)					
Water	\$ 5.66	\$ 5.57	\$ 6.06	\$ 6.01	\$ 6.27
Wastewater	6.91	6.46	6.12	5.82	5.55
Total	\$ 12.57	\$ 12.03	\$ 12.18	\$ 11.83	\$ 11.82
New Debt (Principal & Interest)					
Water	\$ 0.00	\$ 0.65	\$ 1.90	\$ 3.38	\$ 4.48
Wastewater	0.00	0.28	0.56	0.86	1.15
Total	\$ 0.00	\$ 0.93	\$ 2.46	\$ 4.24	\$ 5.63
Total Principal and Interest Payments					
Water	\$ 5.66	\$ 6.22	\$ 7.96	\$ 9.39	\$ 10.75
Wastewater	6.91	6.74	6.68	6.68	6.70
Total	\$ 12.56	\$ 12.96	\$ 14.64	\$ 16.07	\$ 17.45

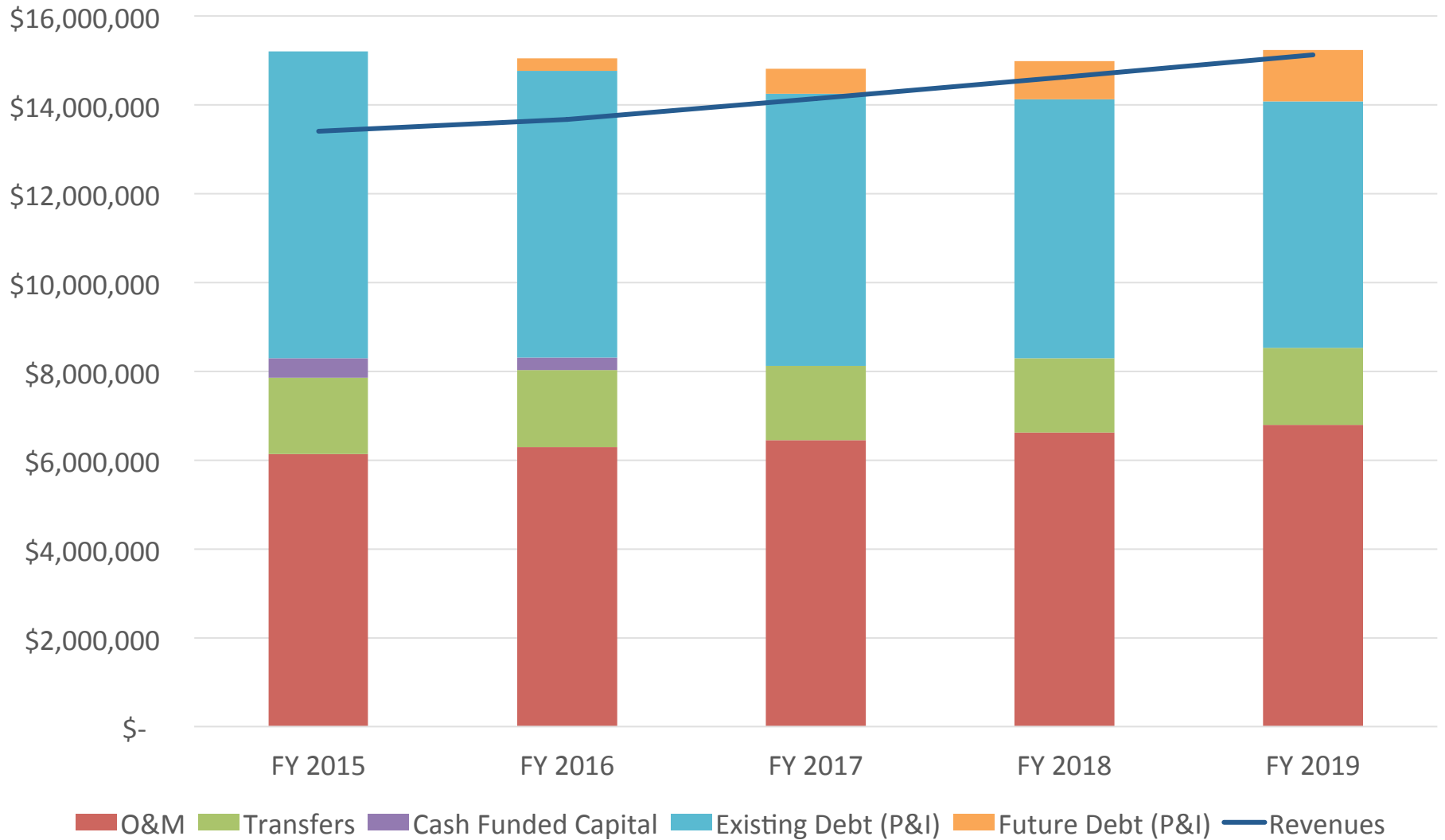
Anticipated Financial Performance

- **Cost Inflation Assumptions**
 - Cost Inflation figures align with City's most recent Long-Term Financial Forecast
 - Project Team reviewed factors as compared to Industry Standards and found factors to be reasonable
 - Municipal Cost Index, Energy Information Administration, Produced Price Index
 - Variable Cost escalated based on unit cost escalation factor and customer growth
- **Customer Growth (Approximately 3%)**
 - 1,000 new Residential Connections annually
 - 300 New Multi-family units
 - 3% growth in Commercial Connections

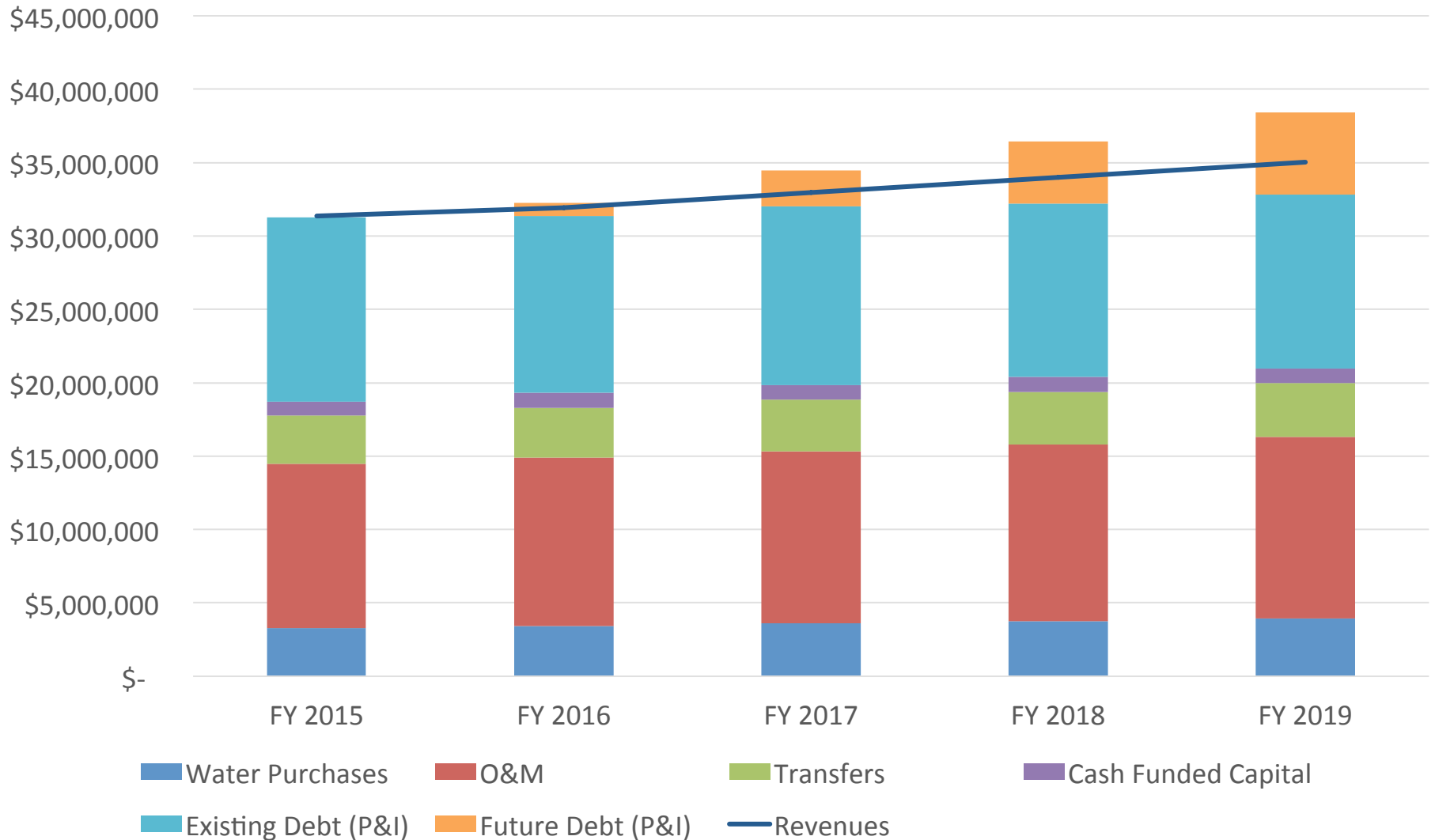
Anticipated Financial Performance Under Current Rates (Water)



Anticipated Financial Performance Under Current Rates (Sewer)



Anticipated Financial Performance Under Current Rates (Water and Sewer)



Anticipated Financial Performance - Rates

- **WATER**

- Water Rates should be adjusted to ensure sufficient money to fund the City's capital program, with emphasis on FY 2017 to FY 2019
- Current rate structure changes and amendments are warranted to improve equity in customer charges

- **WASTEWATER**

- Current Wastewater Rates are projected to be insufficient in the current Fiscal Year
- Due to a leveling off of capital spending and debt service requirements, Wastewater revenue needs are relatively flat over the study period

Overarching Issues – Rate Design

- **Weaknesses in Current Rate Design**
 - Two-Part Rate Design
 - Base (Meter) Charge – Includes 3,000 gallons of use
 - Volumetric Charge – Flat charge per 1,000 gallons above minimum
 - Sewer Capped at 11,000 gallons for Residential
 - Multi-family customers charged at 90% of total units
 - Proper Rate Design dictated by:
 - City Council's Goals and Objectives
 - Conservation
 - Affordability
 - American Water Works Association Standards
 - Texas Water Conservation Implementation Task Force (TWCITF)
 - No volumes in minimum bill
 - Increasing (Inclining) Block Rate Design

Overarching Issues – Rate Design

- **Weaknesses in Current Rate Design**

- Flat Base (Meter) Water Charge for All Customers

- Does not reflect impact of meeting instantaneous water demand in infrastructure investment

Meter Size	Flow (GPM)	Multiplier	Residential Connections	Commercial Connections
1" or Less	50	1.00	28,121	536
1 ½ Inch	100	2.00	3	81
2 inch	160	3.20	2	211
3 inch	300	6.00	0	17
4 inch	500	10.00	0	27
6 inch	1,000	20.00	0	10
8 inch	1,600	32.00	0	1

Overarching Issues – Rate Design

- **Weaknesses in Current Rate Design**
 - Flat Volumetric Charge for Water Service
 - Does not promote conservation
 - Preliminary Inclining Block (Conservation Rate) Design
 - Seeks to minimize impact on average Residential usage
 - Must monitor customer response to design (elasticity of demand)

Rate Block	% of Customers Reaching Block	# of Customers Reaching Block
0 – 2,000	100%	28,626
2,000 – 10,000	71%	20,464
10,000 – 25,000	12%	3,333
25,000 +	1%	194

Overarching Issues – Rate Design

- **Weaknesses in Current Rate Design**
 - 3,000 Gallons of Consumption in Minimum Bill
 - TWCITF BMP recommends no volumes in minimum bill as it does not encourage efficient use
 - Considered a “Take or Pay” Charge
 - Some minimum level typically included as a “lifeline” rate
 - Beneficial to lower volume users / fixed income customers who have minimum usage
 - Recommend lowering to 2,000 gallons as part of the City’s long-term rate strategy

Overarching Issues – Rate Design

- **Weaknesses in Current Design**
 - Multi-family customer bills assume only 90% of actual connections to the City in calculating charges
 - Could be considered a discount for service
 - Rate structure possibly based on an occupancy assumption of less than 100%
 - Regardless of occupation, City must still have sufficient infrastructure to serve each connection to the system
 - Texas Commission on Environmental Quality defines an apartment “unit” as a connection to the System

Initial Rate Adjustment Recommendations for FY 2015

- **NewGen Recommendation**

- Phase-in plan for rates which will provide needed funding and maintain the City's financial metrics
- Initial Rate Action effective March 1, 2015
- Make changes over the long-term to City's Rate Structure:
 - FY 2015
 - Establish increasing (inclining) block rate structure for water
 - Reduce gallons in minimum sewer bill to 2,000
 - Reduce 11,000 gallon cap on sewer to 10,000 gallons for Residential Customers
 - Eliminate 90% billing assumption for Multi-Family Customers

Initial Rate Adjustment Recommendations for FY 2017 – FY 2019

- **NewGen Recommendation**

- Make changes over the long-term to City's Rate Structure:

- FY 2017

- Begin phase-in of higher base water meter charge determined by water meter size
- Reduce gallons in minimum water bill to 2,000

- FY 2018 and FY 2019

- Continue phase-in of higher base water meter charge determined by water meter size
- Adjust volumetric rates as necessary to provide needed funds to cover costs and attain key financial metrics

Projected Residential Water Rates

	Current	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Base Charge (Includes 2,000 gallons):						
1" inch or less	\$ 7.13	\$ 7.13	\$ 7.13	\$ 7.13	\$ 7.13	\$ 7.13
1 ½ inch	7.13	7.13	7.13	8.56	9.98	11.41
2 inch	7.13	7.13	7.13	10.27	13.40	16.54
Consumption Charge (per 1,000 gallons)						
0 – 2,000 gal	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2,001 – 3,000 gal	0.00	0.00	0.00	5.90	5.90	5.90
3,001 – 10,000 gal	5.90	5.90	5.90	5.90	5.90	5.90
10,001 – 25,000 gal	5.90	6.79	6.79	6.79	6.79	6.79
25,001 + gal	5.90	7.80	7.80	7.80	7.80	7.80

Change in Monthly Customer Bill (Residential Water – 1” or Less Meter)

	Current	FY 2015 Proposed
5,000 Gallons	\$ 18.93	\$ 18.93
Increase over Current (\$)		0.00
7,000 Gallons (Class Average)	\$ 30.73	\$ 30.73
Increase over Current (\$)		0.00
10,000 Gallons	\$ 48.43	\$ 48.43
Increase over Current (\$)		0.00
15,000 Gallons	\$ 77.93	\$ 82.38
Increase over Current (\$)		4.45

Projected Commercial Water Rates

	Current	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Base Charge (Includes 2,000 gallons):						
1" inch or less	\$ 7.13	\$ 7.13	\$ 7.13	\$ 7.13	\$7.13	\$ 7.13
1 ½ inch	7.13	7.13	7.13	8.56	9.98	11.41
2 inch	7.13	7.13	7.13	10.27	13.40	16.54
3 inch	7.13	7.13	7.13	14.26	21.39	28.52
4 inch	7.13	7.13	7.13	19.96	32.80	45.63
6 inch	7.13	7.13	7.13	34.22	61.32	88.41
8 inch	7.13	7.13	7.13	51.34	95.54	139.75
Consumption Charge (per 1,000 gallons)						
0 – 2,000 gal	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2,001 – 3,000 gal	0.00	0.00	0.00	5.90	5.90	5.90
3,001 + gal	5.90	5.90	5.90	5.90	5.90	5.90

Change in Monthly Customer Bill (Commercial Water – 2” Meter)

	Current	FY 2015 Proposed
5,000 Gallons	\$ 18.93	\$ 18.93
Increase over Current (\$)		0.00
8,000 Gallons (Class Average)	\$ 36.63	\$ 36.63
Increase over Current (\$)		0.00
10,000 Gallons	\$ 48.43	\$ 48.43
Increase over Current (\$)		0.00
15,000 Gallons	\$ 77.93	\$ 77.93
Increase over Current (\$)		0.00
50,000 Gallons	\$ 284.43	\$ 284.43
Increase over Current (\$)		0.00

Irrigation Water Rates

	Current	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Base Charge (Includes 2,000 gallons):						
1" inch or less	\$ 7.13	\$ 7.13	\$ 7.13	\$ 7.13	\$7.13	\$ 7.13
1 ½ inch	7.13	7.13	7.13	8.56	9.98	11.41
2 inch	7.13	7.13	7.13	10.27	13.40	16.54
3 inch	7.13	7.13	7.13	14.26	21.39	28.52
4 inch	7.13	7.13	7.13	19.96	32.80	45.63
6 inch	7.13	7.13	7.13	34.22	61.32	88.41
Consumption Charge (per 1,000 gallons)						
0 – 2,000 gal	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2,001 – 3,000 gal	0.00	0.00	0.00	6.79	6.79	6.79
3,001 + gal	5.90	6.79	6.79	6.79	6.79	6.79

Change in Monthly Customer Bill (Irrigation – 1” Meter)

	Current	FY 2015 Proposed
10,000 Gallons	\$ 48.43	\$ 54.66
Increase over Current (\$)		6.23
25,000 Gallons	\$ 136.93	\$ 156.51
Increase over Current (\$)		19.58
50,000 Gallons	\$ 284.43	\$ 326.26
Increase over Current (\$)		41.83
64,000 Gallons (Class Average)	\$ 367.03	\$ 421.32
Increase over Current (\$)		54.29
100,000 Gallons	\$ 579.43	\$ 665.76
Increase over Current (\$)		86.33

Projected Residential Sewer Rates

	Current	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Base Charge	\$ 13.88	\$ 13.88	\$ 13.88	\$ 13.88	\$ 13.88	\$ 13.88
Volumetric Charge (per 1,000 gallons)						
0 – 2,000	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2,001 – 3,000	0.00	4.62	4.62	4.62	4.62	4.62
3,001 – 10,000	4.62	4.62	4.62	4.62	4.62	4.62
10,001 – 11,000	4.62	0.00	0.00	0.00	0.00	0.00
11,000 +	0.00	0.00	0.00	0.00	0.00	0.00

Change in Monthly Customer Bill (Residential Sewer)

	Current	FY 2015 Proposed
5,000 Gallons	\$ 23.12	\$ 27.74
Increase over Current (\$)		4.62
7,000 Gallons (Class Average)	\$ 32.36	\$ 36.98
Increase over Current (\$)		4.62
10,000 Gallons	\$ 46.22	\$ 50.84
Increase over Current (\$)		4.62
15,000 Gallons	\$ 50.84	\$ 50.84
Increase over Current (\$)		0.00

Projected Commercial Sewer Rates

	Current	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Base Charge	\$ 13.88	\$ 13.88	\$ 13.88	\$ 13.88	\$ 13.88	\$ 13.88
Volumetric Charge (per 1,000 gallons)						
0 – 2,000	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2,001 – 3,000	0.00	4.62	4.62	4.62	4.62	4.62
3,001 +	4.62	4.62	4.62	4.62	4.62	4.62

Change in Monthly Customer Bill (Commercial Sewer)

	Current	FY 2015 Proposed
5,000 Gallons	\$ 23.12	\$ 27.74
Increase over Current (\$)		4.62
8,000 Gallons (Class Average)	\$ 36.98	\$ 41.60
Increase over Current (\$)		4.62
10,000 Gallons	\$ 46.22	\$ 50.84
Increase over Current (\$)		4.62
15,000 Gallons	\$ 69.32	\$ 73.94
Increase over Current (\$)		4.62
50,000 Gallons	\$ 231.02	\$ 235.64
Increase over Current (\$)		4.62

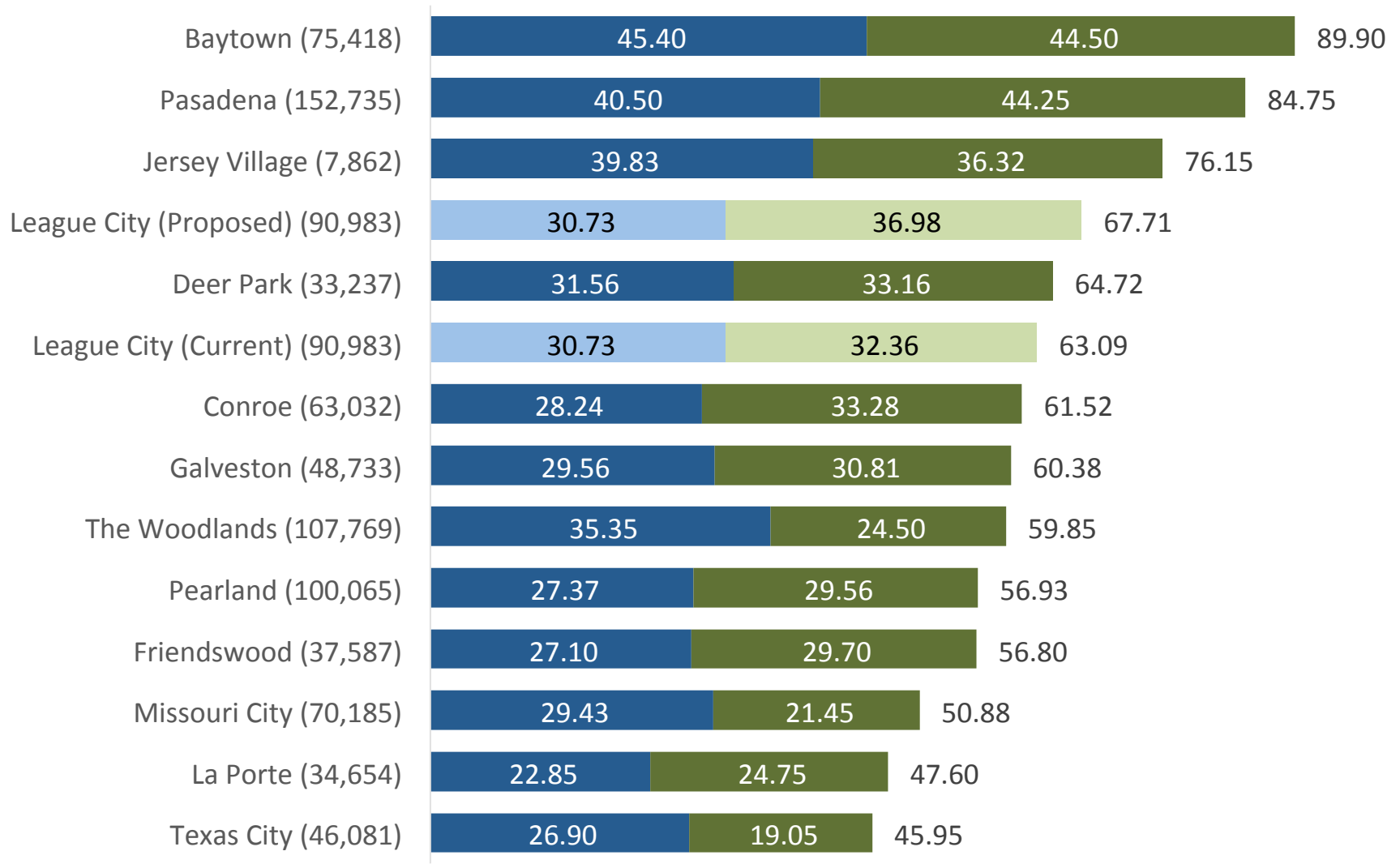
Change in Monthly Customer Bill (Residential Water and Sewer Total)

	Current	FY 2015 Proposed
5,000 Gallons	\$ 42.05	\$ 46.67
Increase over Current (\$)		\$ 4.62
<i>Increase over Current (%)</i>		<i>11.0%</i>
7,000 Gallons (Class Average)	\$ 63.09	\$ 67.71
Increase over Current (\$)		4.62
<i>Increase over Current (%)</i>		<i>7.3%</i>
10,000 Gallons	\$ 94.65	\$ 99.27
Increase over Current (\$)		4.62
<i>Increase over Current (%)</i>		<i>4.9%</i>
15,000 Gallons	\$ 128.77	\$ 133.22
Increase over Current (\$)		4.45
<i>Increase over Current (%)</i>		<i>3.5%</i>

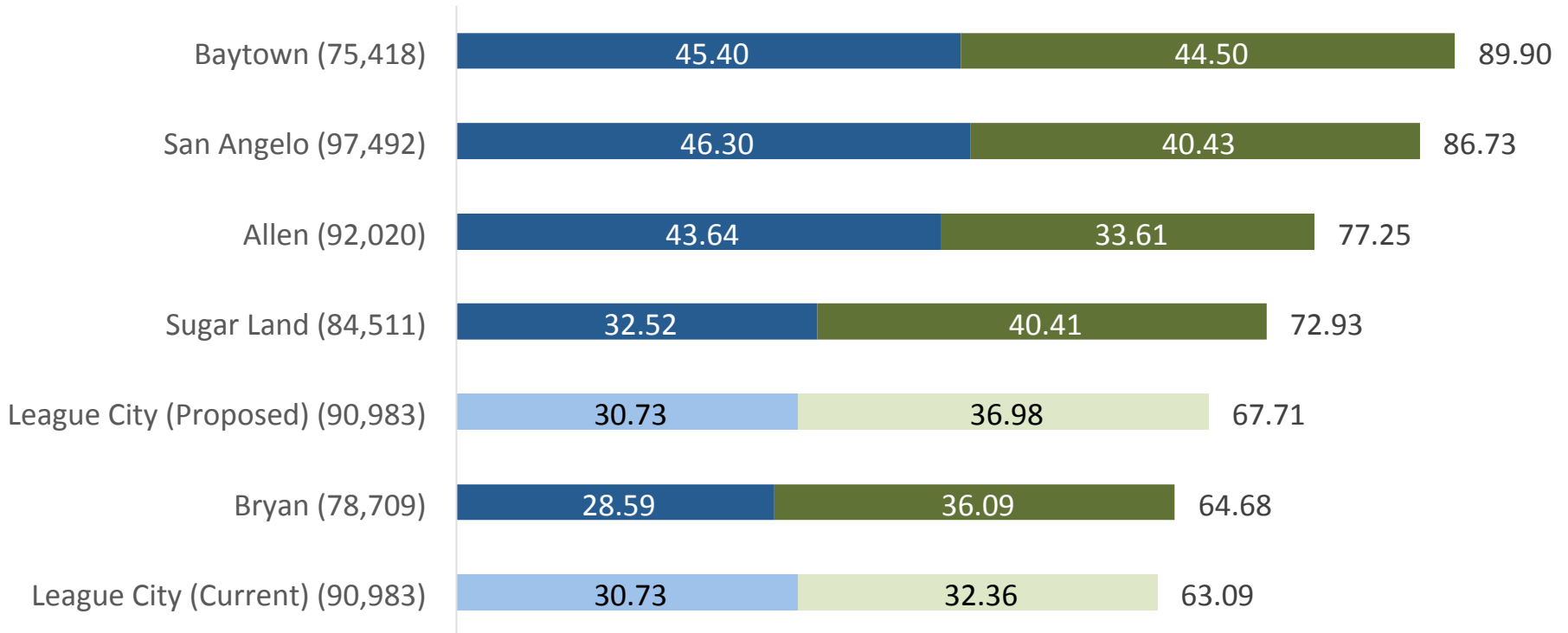
Change in Monthly Customer Bill (Commercial Water and Sewer Total)

	Current	FY 2015 Proposed
5,000 Gallons	\$ 42.05	\$ 46.67
Increase over Current (\$)		4.62
<i>Increase over Current (%)</i>		<i>11.0%</i>
8,000 Gallons (Class Average)	\$ 73.61	\$ 78.23
Increase over Current (\$)		4.62
<i>Increase over Current (%)</i>		<i>6.3%</i>
10,000 Gallons	\$ 94.65	\$ 99.27
Increase over Current (\$)		4.62
<i>Increase over Current (%)</i>		<i>4.9%</i>
15,000 Gallons	\$ 147.25	\$ 151.87
Increase over Current (\$)		4.62
<i>Increase over Current (%)</i>		<i>3.1%</i>
50,000 Gallons	\$ 515.45	\$ 520.07
Increase over Current (\$)		4.62
<i>Increase over Current (%)</i>		<i>0.9%</i>

Regional Comparison - Average Residential Customer Bill (1" Meter, 7,000 gallons)



TML Comparison Group (70,000 - 100,000 population) Average Residential Customer Bill (1" Meter, 7,000 gal.)



Monthly Residential Total Water and Sewer Customer Bill Projection

	Current	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
5,000 Gallons	\$ 42.05	\$ 46.67	\$ 46.67	\$ 52.57	\$ 52.57	\$ 52.57
Annual Increase (\$)		4.62	0.00	5.90	0.00	0.00
<i>Annual Increase (%)</i>		<i>11.0%</i>	<i>0.0%</i>	<i>12.6%</i>	<i>0.0%</i>	<i>0.0%</i>
7,000 Gallons (Class Average)	\$ 63.09	\$ 67.71	\$ 67.71	\$ 73.61	\$ 73.61	\$ 73.61
Annual Increase		4.62	0.00	5.90	0.00	0.00
<i>Annual Increase (%)</i>		<i>7.3%</i>	<i>0.0%</i>	<i>8.7%</i>	<i>0.0%</i>	<i>0.0%</i>
10,000 Gallons	\$ 94.65	\$ 99.27	\$ 99.27	\$ 105.17	\$ 105.17	\$ 105.17
Annual Increase		4.62	0.00	5.90	0.00	0.00
<i>Annual Increase (%)</i>		<i>4.9%</i>	<i>0.0%</i>	<i>5.9%</i>	<i>0.0%</i>	<i>0.0%</i>
15,000 Gallons	\$ 128.77	\$ 133.22	\$ 133.22	\$ 139.12	\$ 139.12	\$ 139.12
Annual Increase		4.45	0.00	5.90	0.00	0.00
<i>Annual Increase (%)</i>		<i>3.5%</i>	<i>0.0%</i>	<i>4.4%</i>	<i>0.0%</i>	<i>0.0%</i>

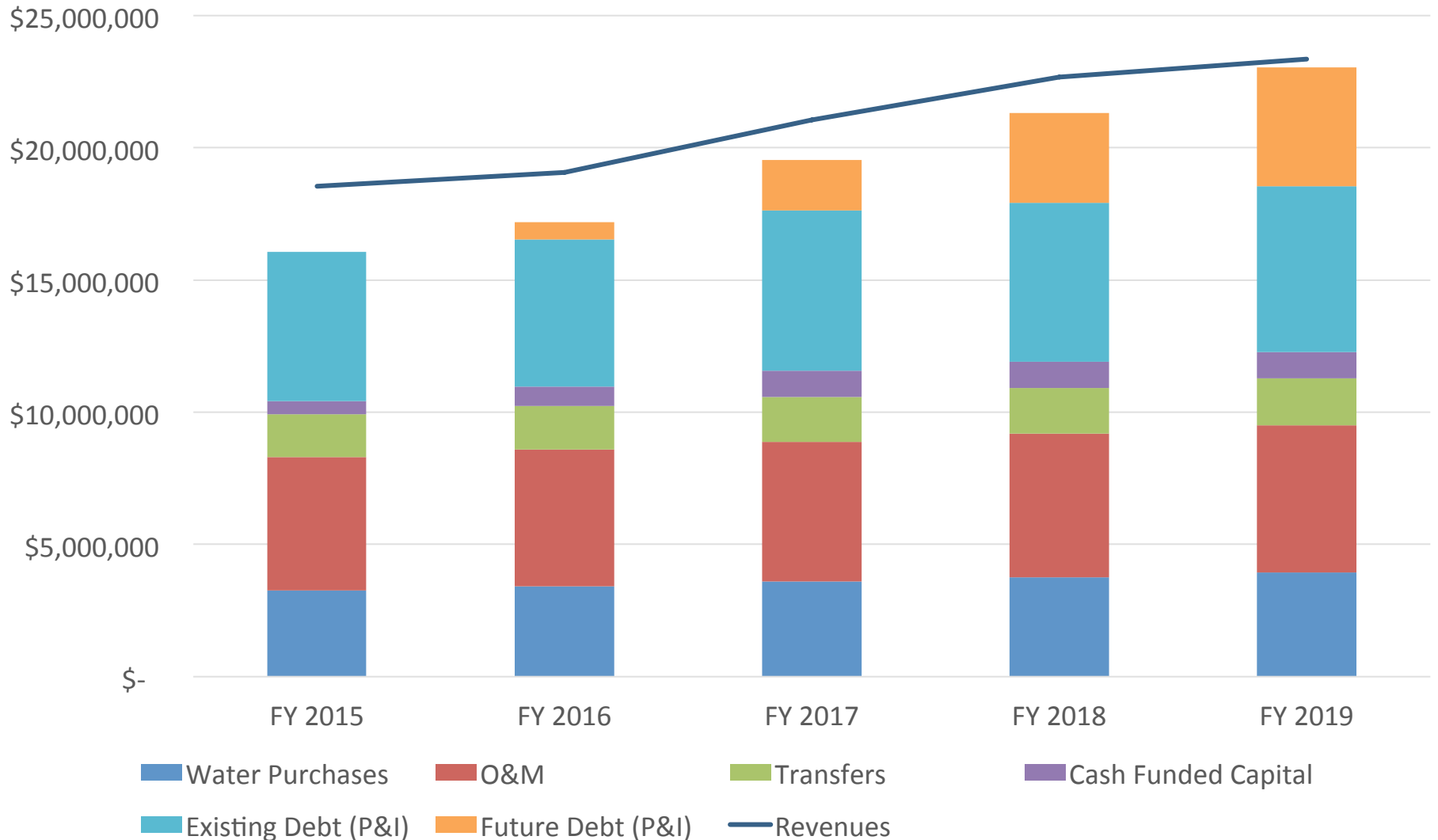
Monthly Commercial Total Water and Sewer Customer Bill Projection

	Current	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
5,000 Gallons	\$ 42.05	\$ 46.67	\$ 46.67	\$ 55.71	\$ 58.84	\$ 61.98
Annual Increase (\$)		4.62	0.00	9.04	3.13	3.14
<i>Annual Increase (%)</i>		<i>11.0%</i>	<i>0.0%</i>	<i>19.4%</i>	<i>5.6%</i>	<i>5.3%</i>
8,000 Gallons (Class Average)	\$ 73.61	\$ 78.23	\$ 78.23	\$ 87.27	\$ 90.40	\$ 93.54
Annual Increase		4.62	0.00	9.04	3.13	3.14
<i>Annual Increase (%)</i>		<i>6.3%</i>	<i>0.0%</i>	<i>11.61%</i>	<i>3.6%</i>	<i>3.5%</i>
10,000 Gallons	\$ 94.65	\$ 99.27	\$ 99.27	\$ 108.31	\$ 111.44	\$ 114.58
Annual Increase		4.62	0.00	9.04	3.13	3.14
<i>Annual Increase (%)</i>		<i>4.9%</i>	<i>0.0%</i>	<i>9.1%</i>	<i>2.9%</i>	<i>2.8%</i>
15,000 Gallons	\$ 147.25	\$ 151.87	\$ 151.87	\$ 160.91	\$ 164.04	\$ 167.18
Annual Increase		4.62	0.00	9.04	3.13	3.14
<i>Annual Increase (%)</i>		<i>3.1%</i>	<i>0.0%</i>	<i>6.0%</i>	<i>1.9%</i>	<i>1.9%</i>
50,000 Gallons	\$ 515.45	\$ 520.07	\$ 520.07	\$ 529.11	\$ 532.24	\$ 535.38
Annual Increase		4.62	0.00	9.04	3.13	3.14
<i>Annual Increase (%)</i>		<i>0.9%</i>	<i>0.0%</i>	<i>1.7%</i>	<i>0.6%</i>	<i>0.6%</i>

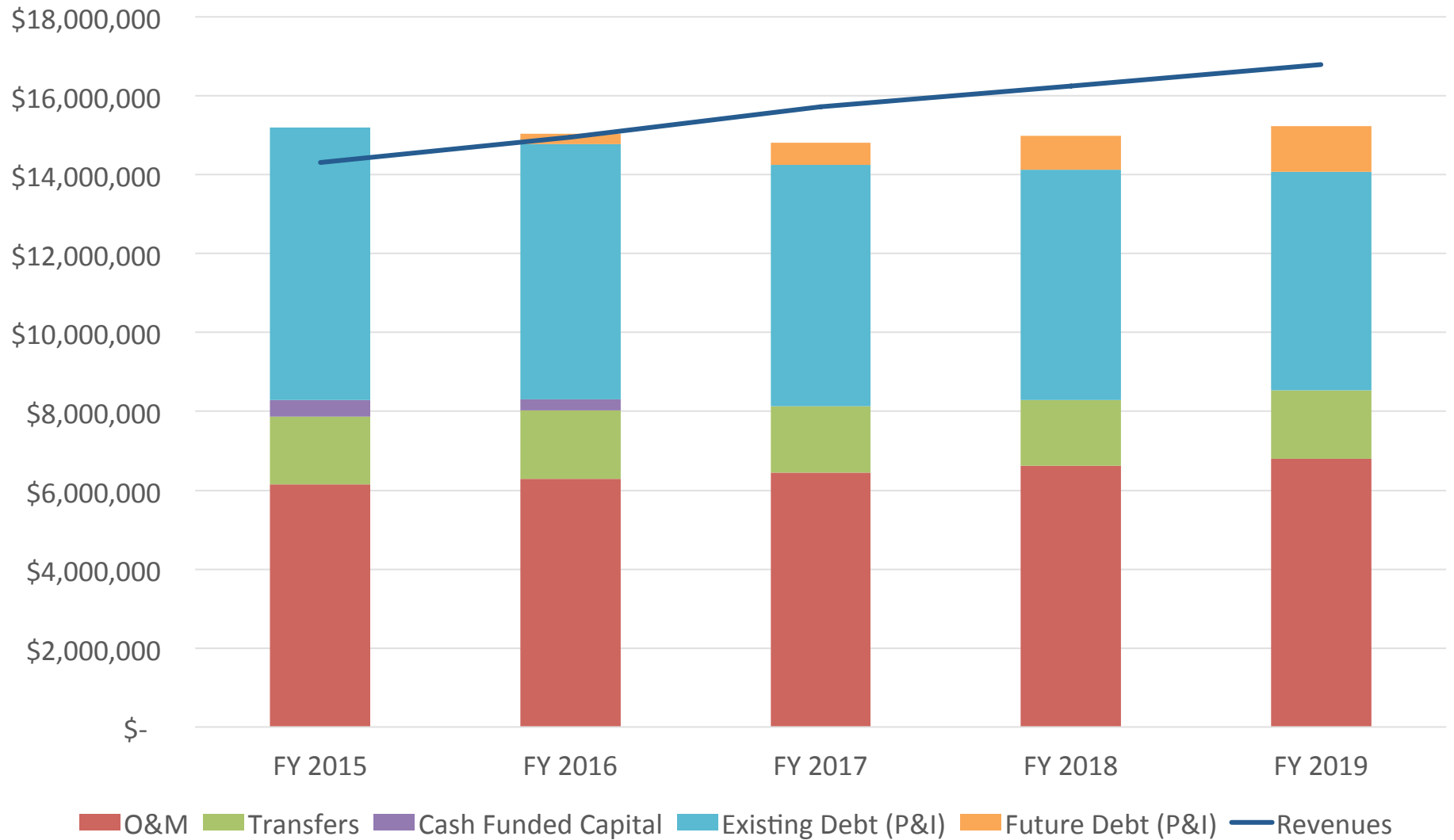
Monthly Irrigation Customer Bill Projection

	Current	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
10,000 Gallons	\$ 48.43	\$ 54.66	\$ 54.66	\$ 61.45	\$ 61.45	\$ 61.45
Annual Increase (\$)		6.23	0.00	6.79	0.00	0.00
<i>Annual Increase (%)</i>		<i>12.9%</i>	<i>0.0%</i>	<i>12.4%</i>	<i>0.0%</i>	<i>0.0%</i>
25,000 Gallons	\$ 136.93	\$ 156.51	\$ 156.51	\$ 163.30	\$ 163.30	\$ 163.30
Annual Increase		19.58	0.00	6.79	0.00	0.00
<i>Annual Increase (%)</i>		<i>14.3%</i>	<i>0.0%</i>	<i>4.3%</i>	<i>0.0%</i>	<i>0.0%</i>
50,000 Gallons	\$ 284.43	\$ 326.26	\$ 326.26	\$ 333.05	\$ 333.05	\$ 333.05
Annual Increase		41.83	0.00	6.79	0.00	0.00
<i>Annual Increase (%)</i>		<i>14.7%</i>	<i>0.0%</i>	<i>2.1%</i>	<i>0.0%</i>	<i>0.0%</i>
64,000 Gallons (Class Average)	\$ 367.03	\$ 421.32	\$ 421.32	\$ 428.11	\$ 428.11	\$ 428.11
Annual Increase		54.29	0.00	6.79	0.00	0.00
<i>Annual Increase (%)</i>		<i>14.8%</i>	<i>0.0%</i>	<i>1.6%</i>	<i>0.0%</i>	<i>0.0%</i>
100,000 Gallons	\$ 579.43	\$ 665.76	\$ 665.76	\$ 672.55	\$ 672.55	\$ 672.55
Annual Increase		86.33	0.00	6.79	0.00	0.00
<i>Annual Increase (%)</i>		<i>14.9%</i>	<i>0.0%</i>	<i>1.0%</i>	<i>0.0%</i>	<i>0.0%</i>

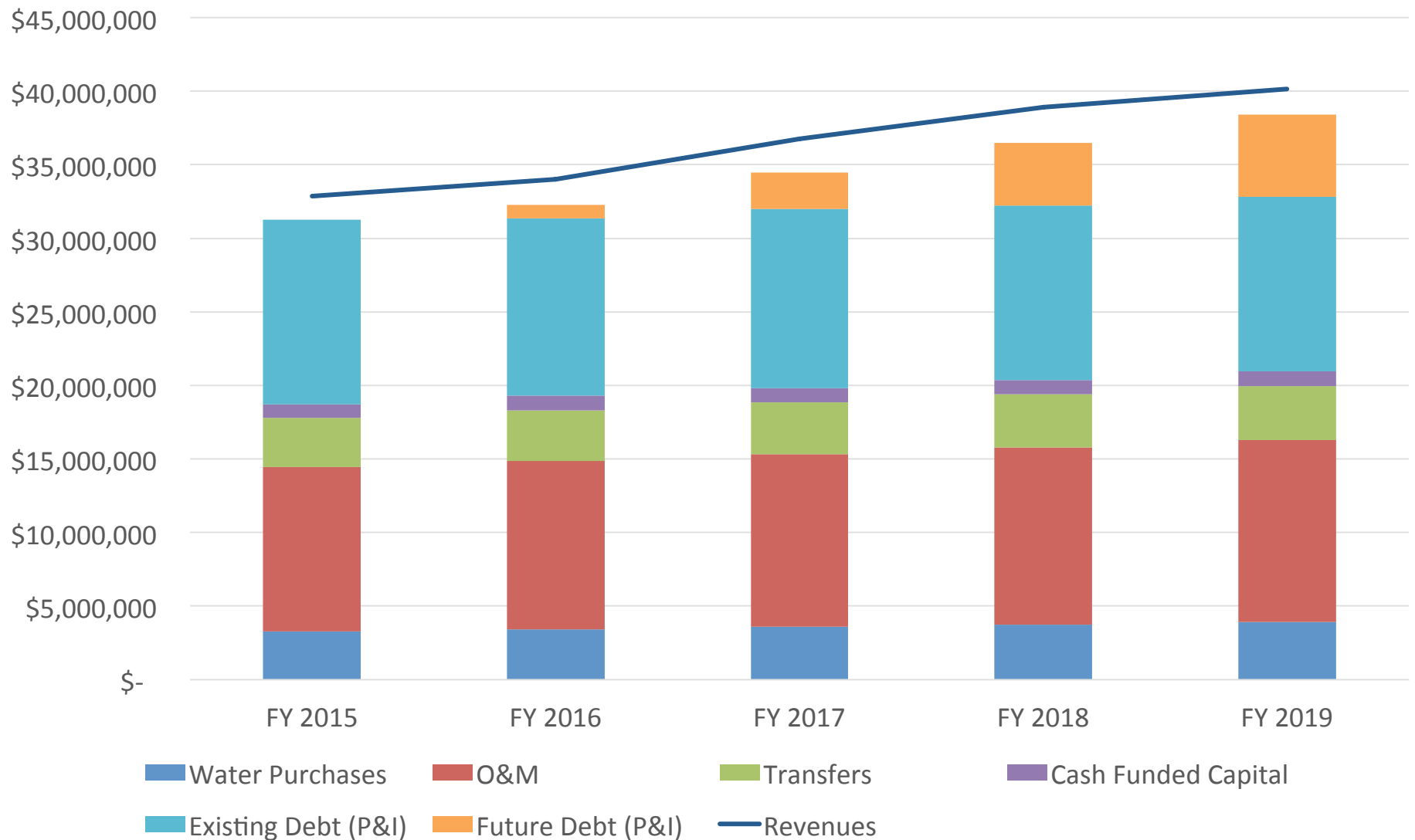
Projected Financial Performance Under Proposed Rate Plan (Water)



Projected Financial Performance under Proposed Rate Plan (Sewer)



Projected Financial Performance under Proposed Rate Plan (Water and Sewer)

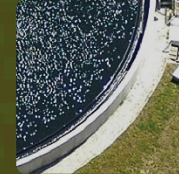
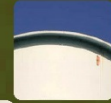
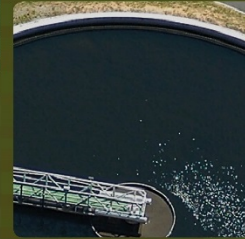


Miscellaneous Service Fees

- Project Team performed an analysis of the cost of providing miscellaneous services
 - Meter Testing and Reading, Same-Day Service, New Service
- At minimum, cost must be recovered but some fees merit a punitive penalty
 - Tamper Fee, Theft, Backflow Non-Compliance Fee
- Changes to Fees and Ordinance language will be presented with new rate ordinance

Path Forward

- Desired Rate Action for FY 2015
 - At minimum, must pass-through wholesale increase to maintain financial position of the Utility
 - Delay in action now will result in more significant rate action later
- Monitor Consumption / Revenue Performance on Annual Basis. Adjust as necessary based on funding needs.
 - Critically important to support planned capital program
 - Rate Model produced as part of this study will be an important budgeting tool for the City



Questions and Discussion

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