

Memorandum

To: Mayor and City Council Members
Douglas Faseler, City Manager

From: Rick Cortes, Assistant City Manager

Subject: Proposed Water and Wastewater Rate Adjustment

Date: July 31, 2015

On March 3, 2015 City staff was authorized to enter into an agreement with Willdan Financial Services/Economist.com to provide a water and wastewater rate study for the City of Seguin. Willdan Financial Services/Economist.com is an economic and financial consulting firm with offices throughout the United States; their principal clients are national, state and local governments.

Mr. Dan Jackson with Willdan Financial Services/Economist.com has worked closely with city staff in the development of the study. The study provides much needed information which will allow staff to continue in its efforts to more equitably distribute costs within the Water and Wastewater departments. The previous study was conducted in 2009 by Rimrock Consulting from Austin, Texas. These studies help ensure that the rates charged for service cover all costs of providing these services.

One objective of this study was to develop a long-term rate plan which coincides with the Water Model recently submitted for Council review. The long-term rate plan will enable the City to recover sufficient funds to meet all operating and capital expenses, meet all debt service and coverage requirements, while at the same time minimizing the impact on the ratepayers.

On June 30, 2015, the proposed water & wastewater recommendations were submitted to Council for review and consideration; the study recommended increases to both the base and volumetric rates for both water and wastewater. The initial report recommended a 15.6% increase in residential rates for usage below 5,000/gals for both water and wastewater user; an increase of 14% in for residential water users under 10,000/gals and wastewater usage of under 8,000/gals; and increase of 17.9% for commercial users for usage below 30,000/gals for both water and wastewater usage.

In an effort to mitigate the impact of the proposed water and wastewater recommendation, staff considered several options which included but were not limited to providing funding for engineering service the year prior to construction, phasing-in

several of the recommendation infrastructure improvements recommended in the Water Model report to various bonding options.

Based on this review and adjustments, staff is recommending an increase to the base rates for both water and wastewater services in addition to a 8.4% increase in residential rates for usage below 5,000/gals for both water and wastewater user instead of the initial 15.6% recommendation; an increase of 7.4%% for residential water users under 10,000/gals and wastewater usage of under 8,000/gals instead of the originally proposed 14% increase; and increase of 10.1% for commercial users for usage below 30,000/gals for both water and wastewater usage instead of the 17.9% increase as originally proposed. Staff recommends approval and will be available to answer any questions.

Scenario 1 - Rate Plan								
				Effective	Effective	Effective	Effective	Effective
			Current	Oct-15	Oct-16	Oct-17	Oct-18	Oct-19
WATER Rates								
Base Charge								
	Residential		\$ 19.00	\$ 20.14	\$ 20.95	\$ 21.57	\$ 22.22	\$ 22.89
	Outside Residential		25.00	26.50	27.56	28.39	29.24	30.12
	Commercial		41.00	43.46	45.20	46.55	47.95	49.39
	Outside Commercial		41.00	43.46	45.20	46.55	47.95	49.39
	City Com & Res		41.00	43.46	45.20	46.55	47.95	49.39
	Surface Tyson		39.00	43.46	45.20	46.55	47.95	49.39
	Surface Rio Nogales		-	-	-	-	-	-
Volume Rate								
Residential								
	-	10,000	3.50	3.50	3.64	3.75	3.86	3.98
	10,001	35,000	3.50	4.00	4.16	4.28	4.41	4.55
	35,001	Above	4.10	4.50	4.68	4.82	4.97	5.11
Commercial								
	-	12,000,000	3.75	3.98	4.13	4.26	4.39	4.52
	12,000,001	Above	3.20	3.39	3.53	3.63	3.74	3.85
Outside Commercial								
	-	Above	4.05	4.29	4.46	4.60	4.74	4.88
City Com & Res								
	-	12,000,000	3.75	3.98	4.13	4.26	4.39	4.52
	12,000,001	Above	3.20	3.39	3.53	3.63	3.74	3.85
	-	12,000,000	2.81	2.98	3.10	3.19	3.29	3.38
	12,000,001	Above	2.81	2.98	3.10	3.19	3.29	3.38
Surface Rio Nogales								
	-	Above	2.81	2.98	3.10	3.19	3.29	3.38
Niagra								
	-	Above	NA	2.98	3.10	3.19	3.29	3.38

			Current	Effective Oct-15	Effective Oct-16	Effective Oct-17	Effective Oct-18	Effective Oct-19
WASTEWATER Rates								
Base Charge								
Residential			\$ 20.00	\$ 23.00	\$ 25.53	\$ 27.32	\$ 28.41	\$ 29.55
Commerical			33.00	37.95	42.12	45.07	46.88	48.75
Niagra			33.00	37.95	42.12	45.07	46.88	48.75
Fixed Sewer Comm			48.00	37.95	42.12	45.07	46.88	48.75
Contracted Rate Metered CPS			33.00	37.95	42.12	45.07	46.88	48.75
Industrial			31.00	37.95	42.12	45.07	46.88	48.75
Continental Metered Sewer			33.00	37.95	42.12	45.07	46.88	48.75
City Meters			33.00	37.95	42.12	45.07	46.88	48.75
Springs Hill Residential S2			34.00	23.00	25.53	27.32	28.41	29.55
Springs Hill Comm S3 & S4			106.00	37.95	42.12	45.07	46.88	48.75

			Current	Effective Oct-15	Effective Oct-16	Effective Oct-17	Effective Oct-18	Effective Oct-19
WASTEWATER Rates								
Volume Rate per 1,000 Gallons								
Residential								
2,001	Above		\$ 3.00	\$ 3.45	\$ 3.83	\$ 4.10	\$ 4.26	\$ 4.43
Commerical								
-	8,000,000		3.10	3.57	3.96	4.23	4.40	4.58
8,000,001	Above		2.40	2.76	3.06	3.28	3.41	3.55
Niagra								
-	8,000,000		3.10	3.57	3.96	4.23	4.40	4.58
8,000,001	Above		2.40	2.76	3.06	3.28	3.41	3.55
Fixed Sewer Comm								
2,001	Above		-	3.57	3.96	4.23	4.40	4.58
Contracted Rate Metered CPS								
-	8,000,000		3.10	3.45	3.83	4.10	4.26	4.43
8,000,001	Above		2.40	2.65	2.94	3.14	3.27	3.40
Industrial								
-	8,000,000		3.00	3.45	3.83	4.10	4.26	4.43
8,000,001	Above		2.30	2.65	2.94	3.14	3.27	3.40
City Meters								
-	8,000,000		3.10	3.57	3.96	4.23	4.40	4.58
8,000,001	Above		2.40	2.76	3.06	3.28	3.41	3.55
Springs Hill Residential S2								
2,001	Above		-	3.45	3.83	4.10	4.26	4.43
Springs Hill Comm S3 & S4								
2,001	Above		-	3.57	3.96	4.23	4.40	4.58