



**It's real.**

## **City of Seguin**

### **Water/Wastewater Rate Study**

### **FY 2018 Rate Recommendations**

# Background on Rate Plan



- ◆ 2015 Rate Study identified need for City to implement a series of rate adjustments to ensure revenues covered all the costs of providing water and wastewater service
- ◆ Primary reasons identified in the study for rate adjustments:
  - ❖ To fund increasing operating costs and SSLGC costs
  - ❖ To fund new debt to pay for needed capital improvements and replacements

# Background on FY 2018 Update



- ◆ Council implemented first adjustment from 2015 rate study in October 2015
- ◆ 2016 adjustment was nominally modified to take into account the decision by SAWS to phase out the purchases of Tier 2 water, which led to increase in SSLGC costs
- ◆ Three new developments have resulted in need to re-evaluate adjustments required in FY 2018 and beyond:
  - ❖ Further changes in SSLGC costs
  - ❖ Water and wastewater usage is nominally below forecast
  - ❖ City is re-evaluating its CIP and debt needs

# SSLGC Water Costs Changes Since 2016



- ◆ Debt required for Guadalupe well field will not be paid for by City of Seguin
- ◆ Prudent budget management and cost reductions have resulted in an operating rate adjustment for FY 2018 below prior expectations
- ◆ SAWS has agreed to continue Tier 2 purchases, gradually decreasing usage each year before ending in 2021



# Forecast Water/Wastewater Debt Issues

## City of Seguin

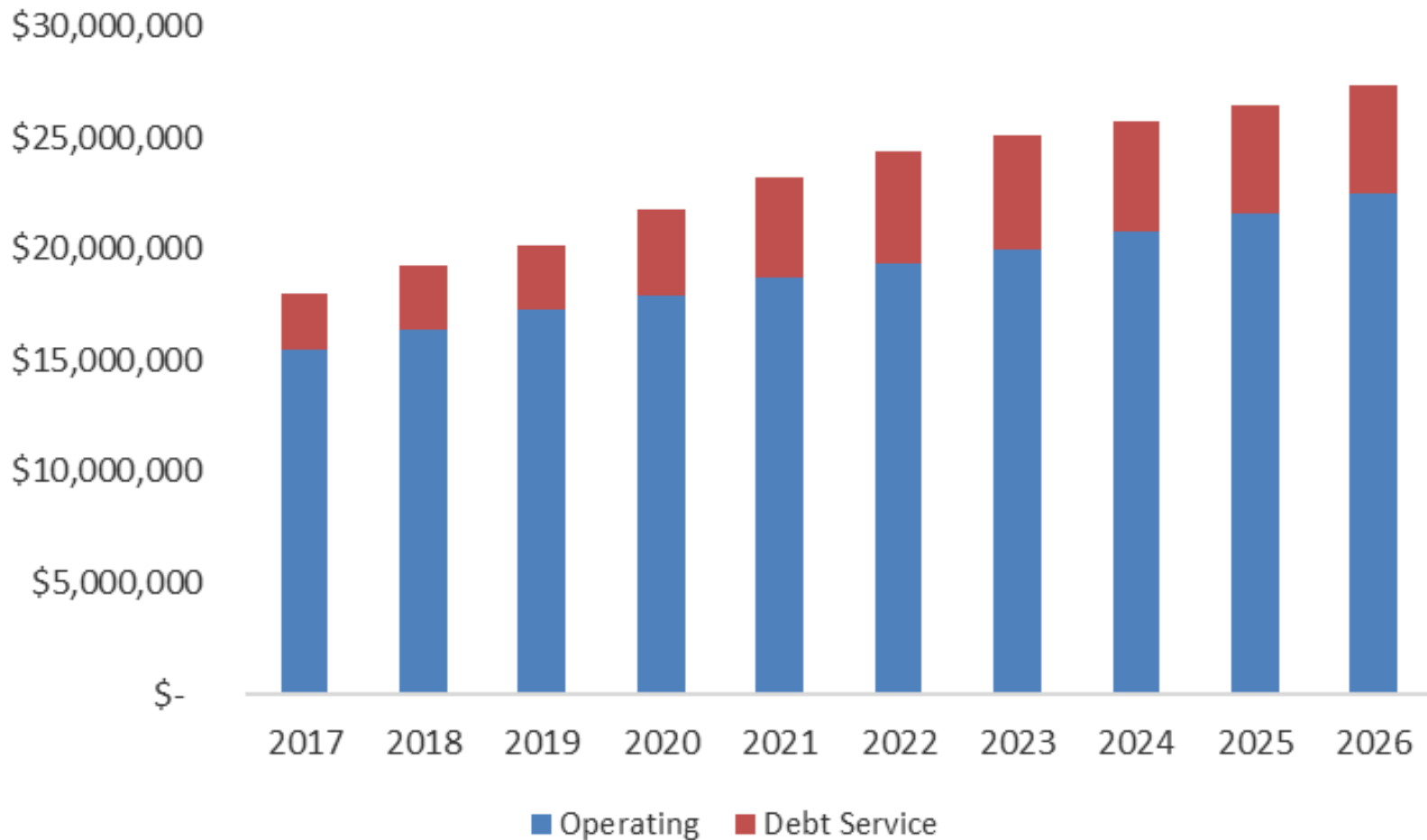


	2015 Rate Study	FY 2018 Update
2017	4,500,000	\$ 8,500,000 *
2018	5,250,000	3,200,000
2019	5,000,000	9,500,000 **
2020	10,000,000	8,500,000
2021	-	6,500,000
<b>Total</b>	<b>24,750,000</b>	<b>36,200,000</b>

\* \$3,500,000 towards Springs Hill purchase, offset by cost savings

\*\* Assumes \$1,000,000 of CIP funded from Impact Fees

# Water and Wastewater Cost of Service FY 2016 – FY 2024



# Rate Proposal



- ◆ Rate adjustment for FY 2018 can stay at same level as forecast last year
- ◆ If City issues additional debt beyond that forecast in 2015 rate study, then rate plan for FY 2019 and beyond may have to be adjusted
- ◆ City will re-evaluate CIP and debt funding options in the coming months

# Proposed Rate Plan FY 2018



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		Current	Jul 2016 Council Effective Oct-17	Jun 2017 Update Effective Oct-17
<b>WATER Rates</b>				
<b>Base Charge</b>				
	Residential	\$ 21.55	\$ 22.30	\$ 22.30
	Non-Residential	46.50	48.13	48.13
<b>Volume Rate</b>				
<b>Residential</b>				
-	10,000	3.75	3.88	3.88
10,001	35,000	4.28	4.43	4.43
35,001	Above	4.82	4.99	4.99
<b>Commercial/Multi Family</b>				
-	12,000,000	4.25	4.40	4.40
12,000,001	Above	3.63	3.76	3.76
<b>Surface Water</b>				
-	Above	3.19	3.30	3.30



# Proposed Rate Plan FY 2018



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		Current	Jul 2016 Council Effective Oct-17	Jun 2017 Update Effective Oct-17
<b>WASTEWATER Rates</b>				
<b>Base Charge</b>				
Residential		\$ 25.53	\$ 27.32	\$ 27.32
Non-Residential		42.12	45.07	45.07
<b>Volume Rate per 1,000 Gallons</b>				
<b>Residential</b>				
2,001	Above	3.83	4.10	4.10
<b>Commercial</b>				
-	8,000,000	3.96	4.23	4.23
8,000,001	Above	3.06	3.28	3.28
<b>Metered Rate</b>				
-	8,000,000	3.83	4.10	4.10
8,000,001	Above	2.94	3.14	3.14

# Revised Rate Plan Impact on Monthly Charges



Water	WW	Current	Effective Oct-17
<b>Residential</b>			
5,000	5,000	\$ 77.32	\$ 81.32
			<b>4.00</b>
			5.2%
<b>Residential</b>			
10,000	8,000	107.56	113.02
			<b>5.46</b>
			5.1%
<b>Commercial</b>			
30,000	30,000	334.92	351.97
			<b>17.05</b>
			5.1%

# Impact on Monthly Charges Assuming June 2017 Debt Assumptions



Water	WW	Current	Effective Oct-17	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21
<b>Residential</b>							
5,000	5,000						
July 2016 Council		\$ 77.32	\$ 81.32	\$ 84.13	\$ 87.06	\$ 90.11	\$ 93.25
June 2017 Update		77.32	81.32	85.78	90.91	94.09	97.38
Difference			0.00	1.65	3.85	3.98	4.13
<b>Residential</b>							
10,000	8,000						
July 2016 Council		\$ 107.56	\$ 113.02	\$ 116.88	\$ 120.92	\$ 125.11	\$ 129.45
June 2017 Update		107.56	113.02	119.19	126.25	130.63	135.16
Difference			0.00	2.31	5.33	5.52	5.71

# Potential Alternative Rate Plan



- ◆ Given potentially higher capital expenditures required in future years, Council may want to consider higher adjustments
- ◆ This would “smooth out” the size of the future increases
- ◆ This could be done by adding \$1/month per residential customer to recommended rate structure would ease the burden of future rate adjustments
  - ❖ Add \$0.50 to minimum water charge and \$0.50 to minimum wastewater charge for all residential customers

# Alternative Rate Plan FY 2018



It's real.

		Current		Jul 2016 Council Effective Oct-17	Jun 2017 Alt 2 Effective Oct-17
<b>WATER Rates</b>					
<b>Base Charge</b>					
	Residential	\$	21.55	\$	22.30
	Non-Residential		46.50		48.13
<b>Volume Rate</b>					
<b>Residential</b>					
-	10,000		3.75	3.88	3.88
10,001	35,000		4.28	4.43	4.43
35,001	Above		4.82	4.99	4.99
<b>Commercial/Multi Family</b>					
-	12,000,000		4.25	4.40	4.40
12,000,001	Above		3.63	3.76	3.76
<b>Surface Water</b>					
-	Above		3.19	3.30	3.30

# Alternative Rate Plan FY 2018



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		Current	Jul 2016 Council Effective Oct-17	Jun 2017 Alt 2 Effective Oct-17
<b>WASTEWATER Rates</b>				
<b>Base Charge</b>				
Residential		\$ 25.53	\$ 27.32	\$ 27.82
Non-Residential		42.12	45.07	45.07
<b>Volume Rate per 1,000 Gallons</b>				
<b>Residential</b>				
2,001	Above	3.83	4.10	4.10
<b>Commercial</b>				
-	8,000,000	3.96	4.23	4.23
8,000,001	Above	3.06	3.28	3.28
<b>Metered Rate</b>				
-	8,000,000	3.83	4.10	4.10
8,000,001	Above	2.94	3.14	3.14

# Impact on Monthly Charges Alternative 2 Rate Plan



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Water	WW	Current	Effective Oct-17	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21
<b>Residential</b>							
5,000	5,000						
July 2016 Council		\$ 77.32	\$ 81.32	\$ 84.13	\$ 87.06	\$ 90.11	\$ 93.25
June 2017 Update		77.32	81.32	85.78	90.91	94.09	97.38
June 2017 Alt 2		77.32	82.32	88.08	91.61	94.82	97.67
<b>Residential</b>							
10,000	8,000						
July 2016 Council		\$ 107.56	\$ 113.02	\$ 116.88	\$ 120.92	\$ 125.11	\$ 129.45
June 2017 Update		107.56	113.02	119.19	126.25	130.63	135.16
June 2017 Alt 2		107.56	114.02	122.00	126.88	131.37	135.32

# Presentation Summary



- ◆ Rate plan is necessary to ensure that water and wastewater revenues cover all costs of providing service
- ◆ Plan is designed to enable City to continue to invest millions in infrastructure to replace aging system
- ◆ Further rate adjustments will be necessary as City continues to issue debt
- ◆ Recommend rate plan be reviewed every year to incorporate any changes in usage estimates or operating/CIP costs