

**ASSISTANT CITY
MANAGER**

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 18, 2017

The City of Seguin has been working with Dan Jackson of Willdan Financial Services since March 3, 2015; on this date city staff was authorized to enter into an agreement with Willdan Financial Services to develop a water and wastewater (W/WW) rate study for the City of Seguin. These studies help ensure that rates charged for service will cover the costs of providing these services. One objective of these type of studies is to develop a long-term rate plan that 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.

The 2015 study resulted in a scheduled set of rates for both water and wastewater customers through FY 2019-20. Rates were recommended based on projected SSLGC rates, direct and indirect costs, and a Capital Improvement Program that would allow the City to make much needed infrastructure improvements to the City's water distribution, collection, and treatment systems.

During the summer of 2016, staff began working with Mr. Jackson to determine if any W/WW rate adjustments would be necessary for the upcoming 2016-17 fiscal year. Unforeseen impacts such as the loss of SSLGC Tier 2 water sales to SAWS, and the City's participation in the Guadalupe Project were considered. Based on that review, the wastewater rates increased in accordance to the 2015 Water & Wastewater rates presentation. However, due to the unforeseen loss of Tier 2 sales and movement on the Guadalupe project, an increase in water rates above the initial rates recommended in the 2015 rate study were adopted.

City staff has once again reached out to Mr. Jackson to assist in determining if any W/WW rate adjustments are needed above the rates recommended/approved in the August 16, 2016 W/WW Study update to City Council. Based on this analysis, which included a review of projected SSLGC charges, the Guadalupe Project and adjusted W/WW Capital Improvement Program, it was determined that no increase above the recommended rates for FY 2017-18 will be required. However, in future years, the W/WW rates are scheduled to increase above the recommended rates outlined in the 2016 update. In an effort to mitigate these future increases, the Utility Rate Committee is recommending to add a \$1 charge to each residential customer divided equally between W/WW rates. This charge will be in addition to the rates recommended in the 2016 update.

The following pages present 2 Alternatives. The first alternative assumes the same rate adjustment effective October 2017 as was proposed to Council last year. The second alternative incorporates the Utility Committee's recommendation of an additional \$1 increase. Staff recommends Alternative 2.

Alternative 1

2017 PROPOSED WATER RATE SCHEDULE

		Current	Effective Oct-17	Effective Oct-18	Effective Oct-19	Effective Oct-20
WATER Rates						
Base Charge						
	Residential	\$ 21.55	\$ 22.30	\$ 23.42	\$ 24.59	\$ 25.33
	Non-Residential	46.50	48.13	50.53	53.06	54.65
Volume Rate						
Residential						
	- 10,000	3.75	3.88	4.08	4.28	4.41
	10,001 35,000	4.28	4.43	4.65	4.88	5.03
	35,001 Above	4.82	4.99	5.24	5.50	5.67
Commercial/Multi Family						
	- 12,000,000	4.25	4.40	4.62	4.85	5.00
	12,000,001 Above	3.63	3.76	3.94	4.14	4.27
Surface Water						
	- Above	3.19	3.30	3.47	3.64	3.75

2017 PROPOSED WASTEWATER RATE SCHEDULE

		Current	Effective Oct-17	Effective Oct-18	Effective Oct-19	Effective Oct-20
WASTEWATER Rates						
Base Charge						
Residential		\$ 25.53	\$ 27.32	28.96	30.98	32.22
Non-Residential		42.12	45.07	47.77	51.12	53.16
Volume Rate per 1,000 Gallons						
Residential						
2,001	Above	3.83	4.10	4.34	4.65	4.83
Commercial						
-	8,000,000	3.96	4.23	4.48	4.79	4.99
8,000,001	Above	3.06	3.28	3.48	3.72	3.87
Metered Rate						
-	8,000,000	3.83	4.10	4.34	4.65	4.83
8,000,001	Above	2.94	3.14	3.32	3.56	3.70

2017 PROPOSED WATER & WASTEWATER MONTHLY IMPACT

Water	WW	Current	Effective Oct-17	Effective Oct-18	Effective Oct-19	Effective Oct-20
Residential 5,000	5,000	\$ 77.32	\$ 81.32	\$ 85.78	\$ 90.91	\$ 94.09
			4.00	4.46	5.13	3.18
			5.2%	5.5%	6.0%	3.5%
Residential 10,000	5,000	96.07	100.72	106.16	112.31	116.13
			4.65	5.44	6.15	3.82
			4.8%	5.4%	5.8%	3.4%
Commercial 30,000	30,000	334.92	351.97	371.29	393.50	407.26
			17.05	19.32	22.21	13.75
			5.1%	5.5%	6.0%	3.5%

Alternative 2 – Utility Committee Recommendation

2017 PROPOSED WATER RATE SCHEDULE

		Current	Effective Oct-17	Effective Oct-18	Effective Oct-19	Effective Oct-20
WATER Rates						
Base Charge						
	Residential	\$ 21.55	\$ 22.80	\$ 24.40	\$ 25.37	\$ 26.39
	Non-Residential	46.50	48.13	52.03	54.12	56.28
Volume Rate						
Residential						
	- 10,000	3.75	3.88	4.15	4.32	4.49
	10,001 35,000	4.28	4.43	4.74	4.93	5.13
	35,001 Above	4.82	4.99	5.34	5.55	5.77
Commercial/Multi Family						
	- 12,000,000	4.25	4.40	4.71	4.89	5.09
	12,000,001 Above	3.63	3.76	4.02	4.18	4.35
Surface Water						
	- Above	3.19	3.30	3.53	3.67	3.82

2017 PROPOSED WASTEWATER RATE SCHEDULE

		Current	Effective Oct-17	Effective Oct-18	Effective Oct-19	Effective Oct-20
WASTEWATER Rates						
Base Charge						
Residential		\$ 25.53	\$ 27.82	29.77	30.96	31.89
Non-Residential		42.12	45.07	48.76	50.71	52.23
Volume Rate per 1,000 Gallons						
Residential						
2,001	Above	3.83	4.10	4.38	4.56	4.70
Commercial						
-	8,000,000	3.96	4.23	4.52	4.70	4.85
8,000,001	Above	3.06	3.28	3.51	3.65	3.76
Metered Rate						
-	8,000,000	3.83	4.10	4.38	4.56	4.70
8,000,001	Above	2.94	3.14	3.36	3.49	3.59

2017 PROPOSED WATER & WASTEWATER MONTHLY IMPACT

Water	WW	Current	Effective Oct-17	Effective Oct-18	Effective Oct-19	Effective Oct-20
Residential						
5,000	5,000	\$ 77.32	\$ 82.32	\$ 88.08	\$ 91.61	\$ 94.82
			5.00	5.76	3.52	3.22
			6.5%	7.0%	4.0%	3.5%
Residential						
10,000	5,000	96.07	101.72	108.85	113.20	117.28
			5.65	7.13	4.35	4.08
			5.9%	7.0%	4.0%	3.6%
Commercial						
30,000	30,000	334.92	352.98	377.69	392.79	406.59
			18.06	24.71	15.11	13.79
			5.4%	7.0%	4.0%	3.5%