



APRIL 6TH, 2021

WATER & WASTEWATER UTILITY RATE STUDY CITY OF BRECKENRIDGE, TX

NewGen
Strategies & Solutions



IMPORTANCE OF LOCAL OFFICIALS IN UTILITY MANAGEMENT

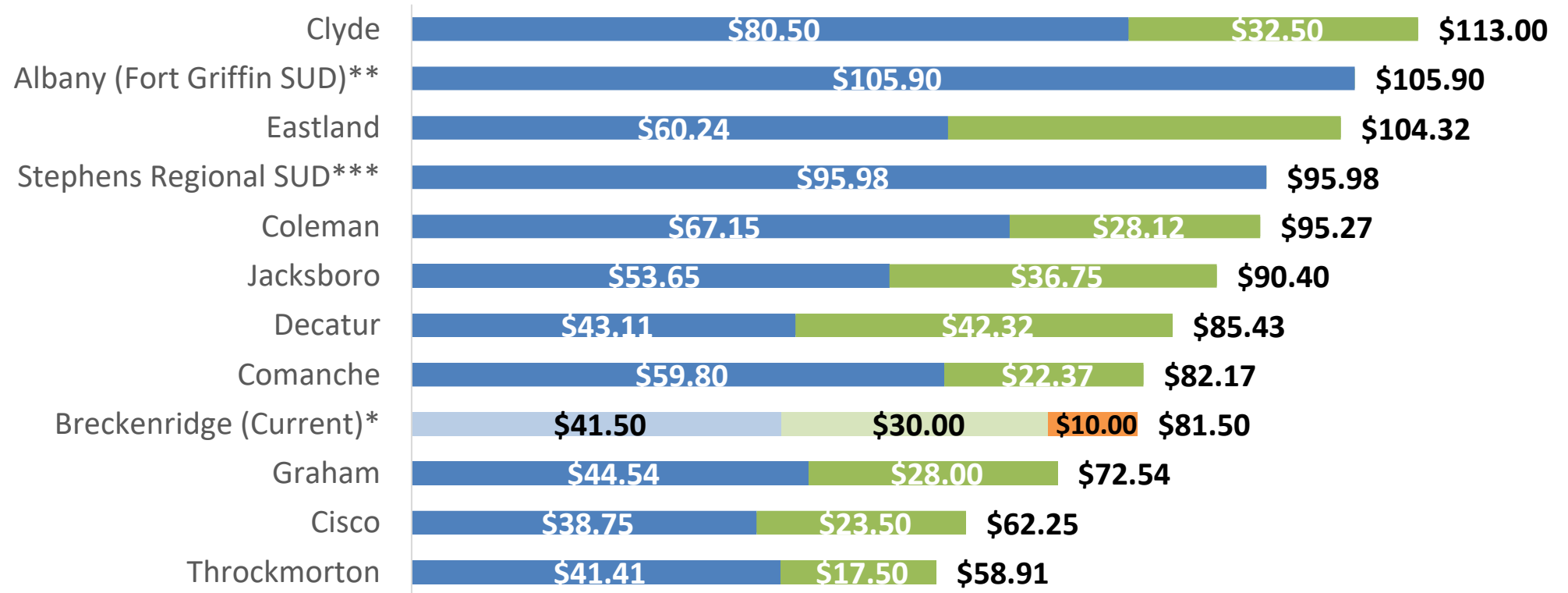
Utilities operate like a business, though the product being sold is a vital resource shared by all members of the community

Just like any business, Council is the “Board of Directors” who must be able to address complex industry challenges including rising costs, aging infrastructure, and customer affordability

The Board must ensure the viability of the business by ensuring revenues match or exceed expenses and financial metrics are met

REGIONAL BILL COMPARISON UNDER STATUS QUO

RESIDENTIAL @ 5,000 GALS



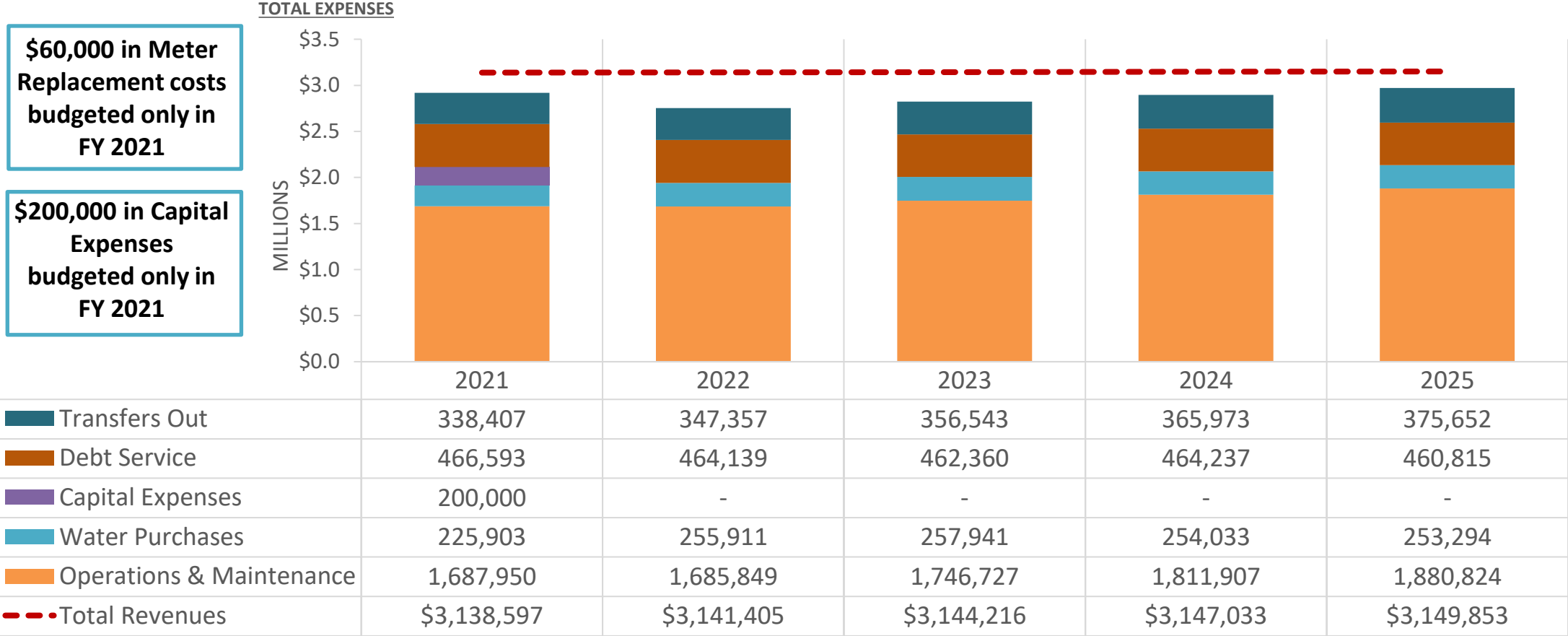
*Includes \$10 Revenue Deficit Surcharge

**Includes \$20 debt service fee

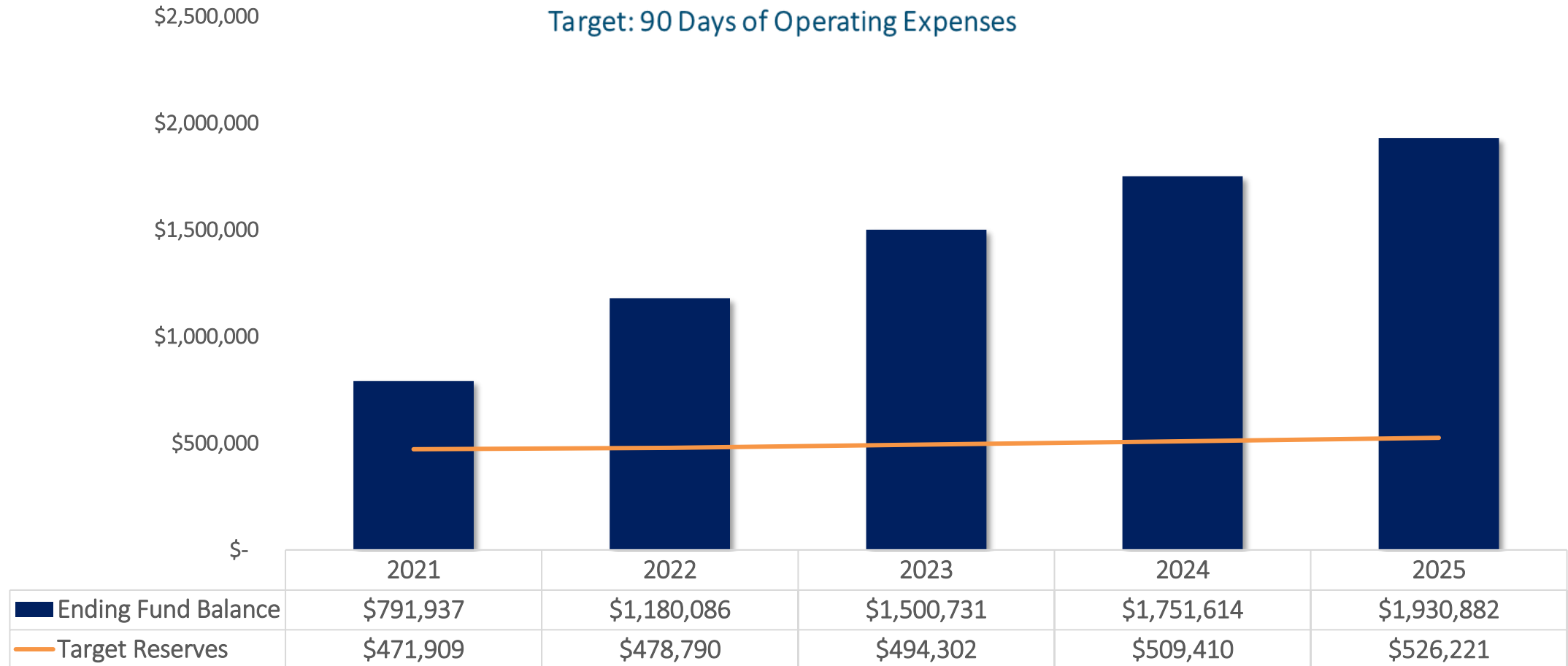
***Includes 0.5% state fee

■ Water Bill ■ Sewer Bill ■ Revenue Deficit

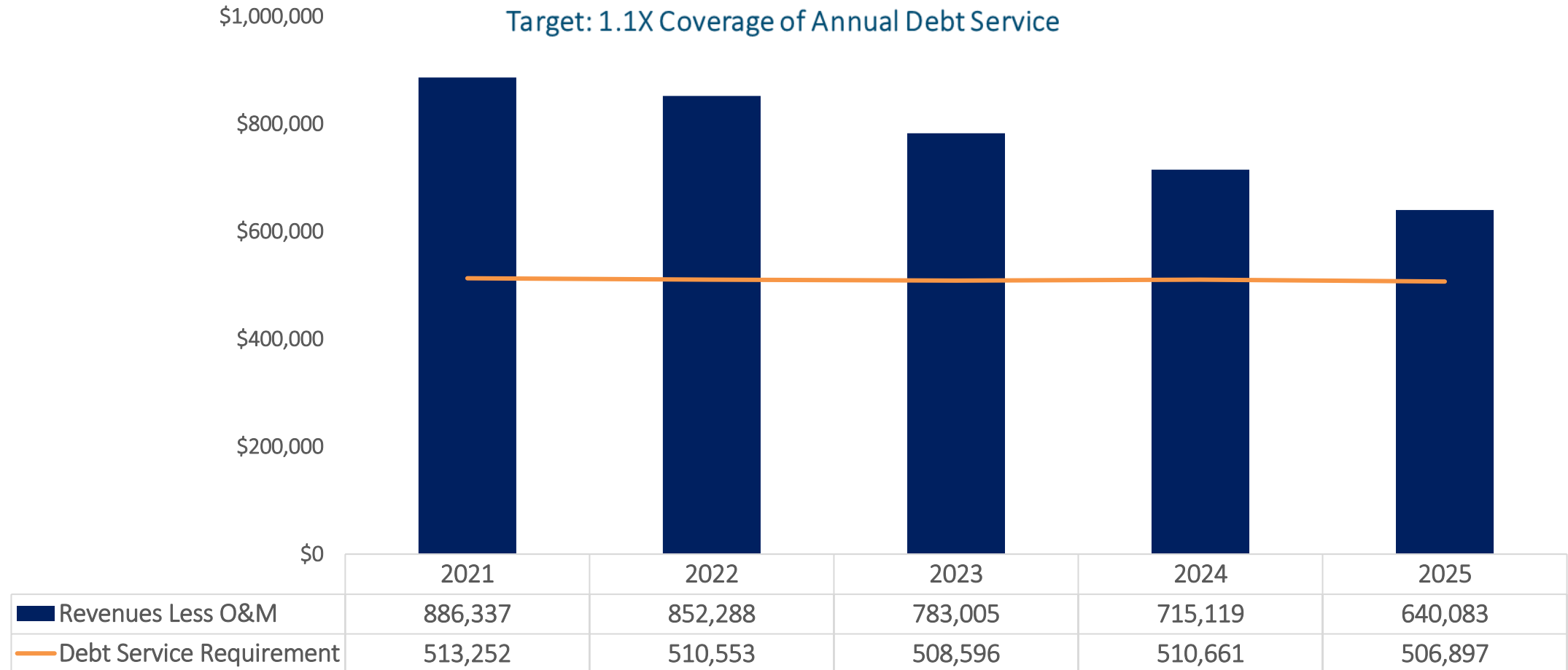
PROJECTED FINANCIAL SUMMARY BASED ON CURRENT RATES AND COSTS



PROJECTED FUND BALANCE PERFORMANCE BASED ON CURRENT RATES AND COSTS



PROJECTED DEBT SERVICE COVERAGE BASED ON CURRENT RATES AND COSTS



KEY ISSUES AND CONSIDERATIONS



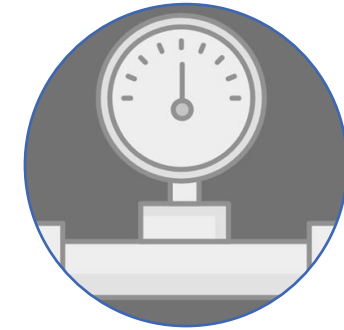
Additional Debt Service for Capital Expenses

- Funding needed to improve the Water Treatment Plant and rehabilitate lift stations, manholes, and collections lines
- ~\$200K annually beginning FY 2022 per Texas Water Development Board (TWDB)



Increase Salaries Closer to Market Pay

- Noncompetitive pay contributing to high turnover in personnel
- ~\$250K annual increase beginning FY 2022 to align salaries with market pay



Water Meters Replacement

- Outdated water meters may hinder City's ability to effectively collect revenues
- ~\$480K to replace 2,000 meters (~\$200 each) in FY 2022; \$60K budgeted for FY 2021

KEY ISSUES AND CONSIDERATIONS (CONT.)



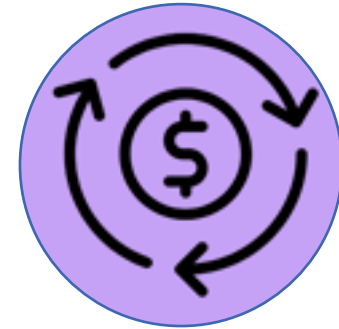
Additional Personnel

- Utility is significantly understaffed and overwhelmed
- ~\$170K annually for up to four full-time equivalents in Water department beginning FY 2023



Replacement of Trucks


















- Current vehicles are entirely depreciated and well beyond useful life
- ~\$180K to replace two dump trucks: one in FY 2023 and one in FY 2024



Transfer to General Fund

- Current Transfer to the General Fund includes payment for utility related debt (~\$467K), resulting in small amount for indirect costs and more need from Property Tax revenues
- ~\$705K total annual Transfer to General Fund in addition to paying existing debt service beginning FY 2023

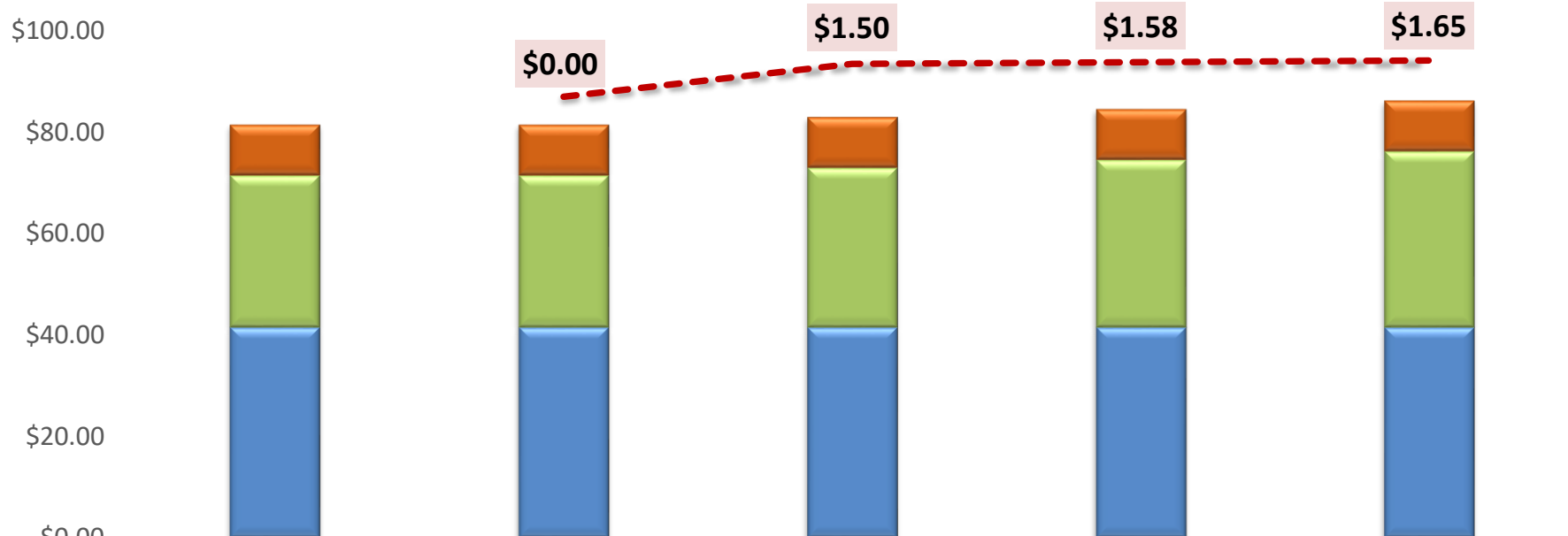
POTENTIAL FUNDING SCENARIOS

Status Quo	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
<input checked="" type="checkbox"/> Debt Service (~\$467K in FY21)	 TWDB Debt	 TWDB Debt	 TWDB Debt	 TWDB Debt	 TWDB Debt
<input checked="" type="checkbox"/> Replace Meters (~\$60K in FY21)		 Market Pay	 Market Pay	 Market Pay	 Market Pay
<input checked="" type="checkbox"/> Transfer to GF (~\$238K in FY21)			 Replace Meters (~\$420K remainder)	 Replace Meters (~\$420K remainder)	 Replace Meters (~\$420K remainder)
<input checked="" type="checkbox"/> Capital Expenses (~\$200K in FY21)				 New Personnel	 New Personnel
				 Dump Trucks	 Dump Trucks
					 Transfer to GF (~\$705K)

BILL IMPACT - RESIDENTIAL CUSTOMERS (5,000 GALLONS) SCENARIO 1 UNDER PROJECTED RATES

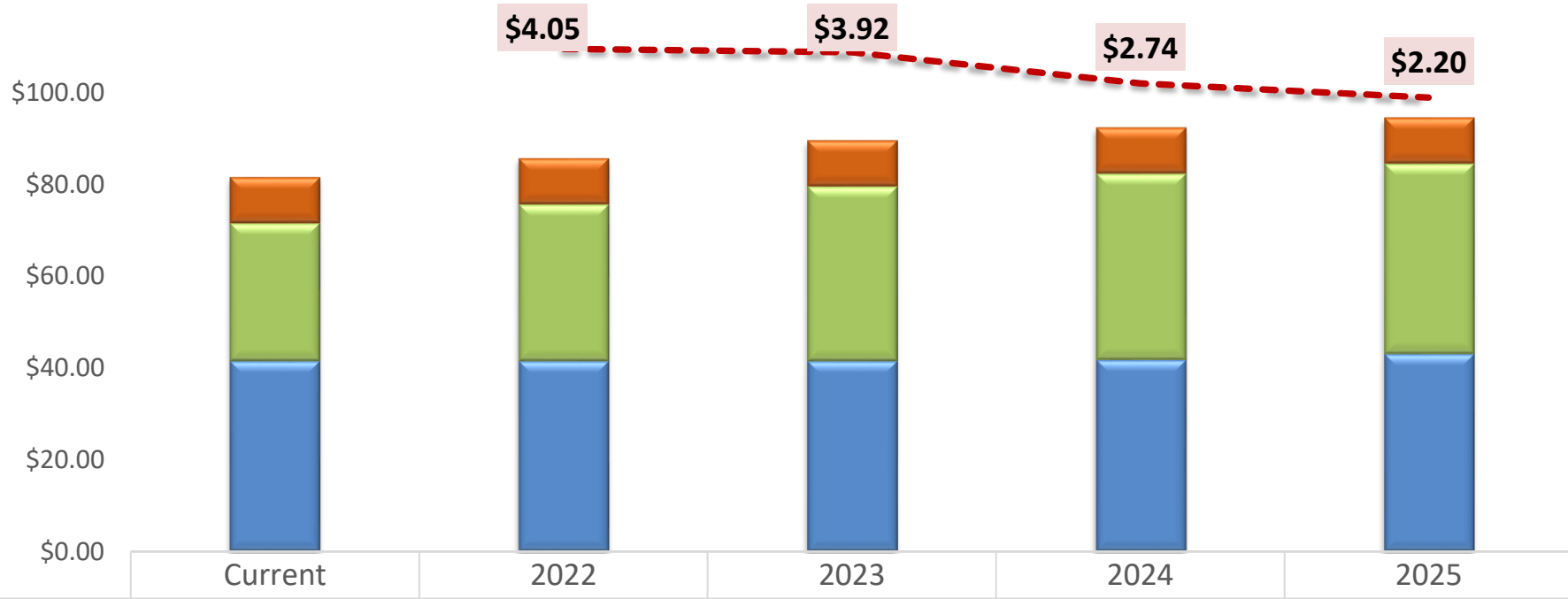


TWDB Debt



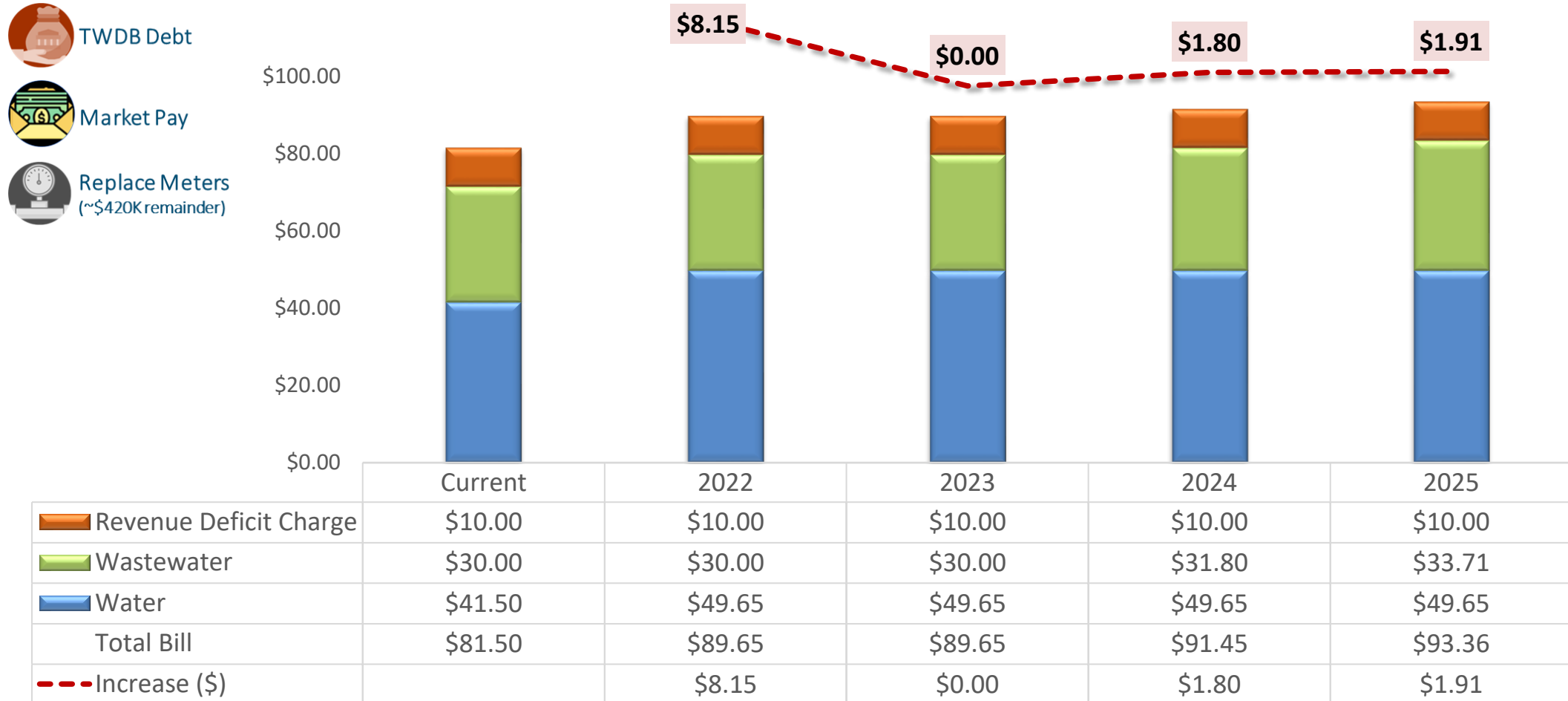
	Current	2022	2023	2024	2025
Revenue Deficit Charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Wastewater	\$30.00	\$30.00	\$31.50	\$33.08	\$34.73
Water	\$41.50	\$41.50	\$41.50	\$41.50	\$41.50
Total Bill	\$81.50	\$81.50	\$83.00	\$84.58	\$86.23
Increase (\$)		\$0.00	\$1.50	\$1.58	\$1.65

BILL IMPACT - RESIDENTIAL CUSTOMERS (5,000 GALLONS) SCENARIO 2 UNDER PROJECTED RATES

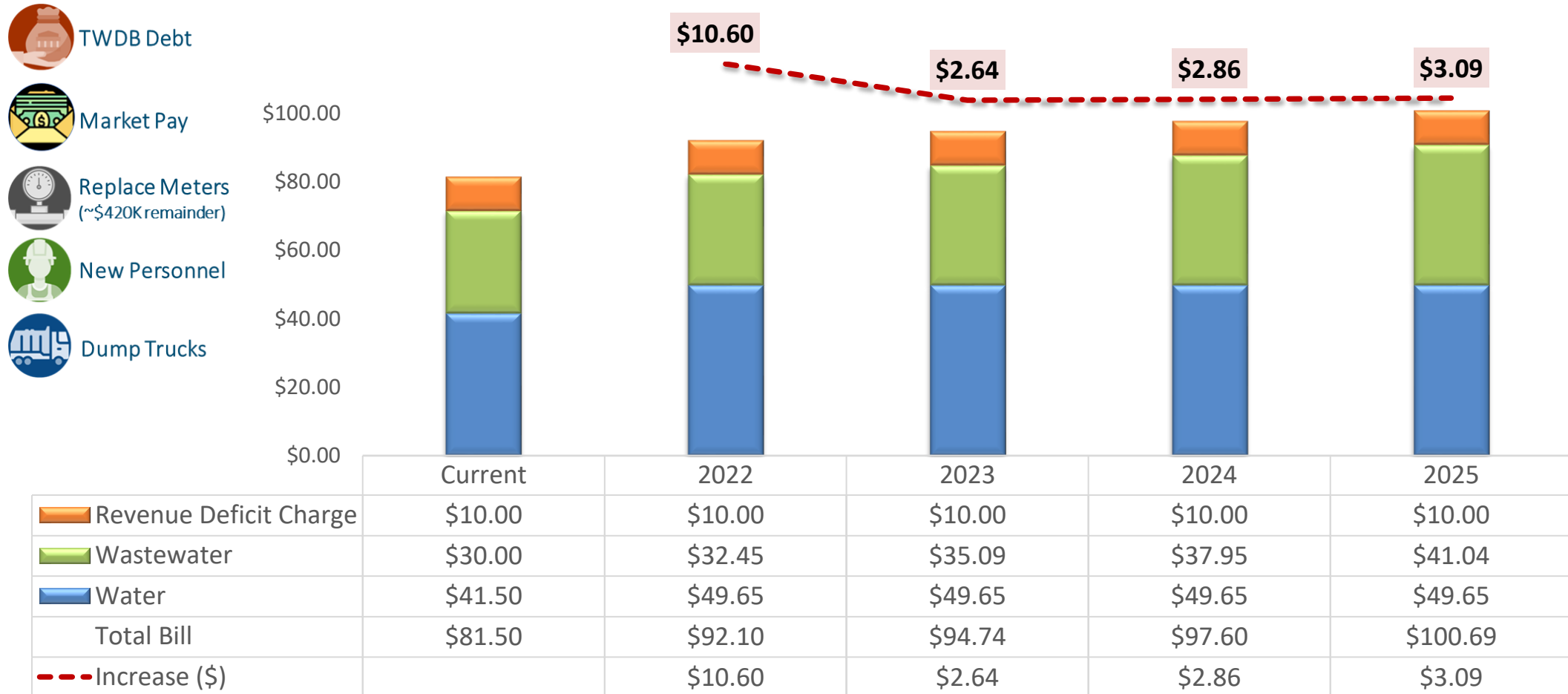


	Current	2022	2023	2024	2025
Revenue Deficit Charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Wastewater	\$30.00	\$34.05	\$37.97	\$40.43	\$41.34
Water	\$41.50	\$41.50	\$41.50	\$41.77	\$43.06
Total Bill	\$81.50	\$85.55	\$89.47	\$92.20	\$94.40
Increase (\$)		\$4.05	\$3.92	\$2.74	\$2.20

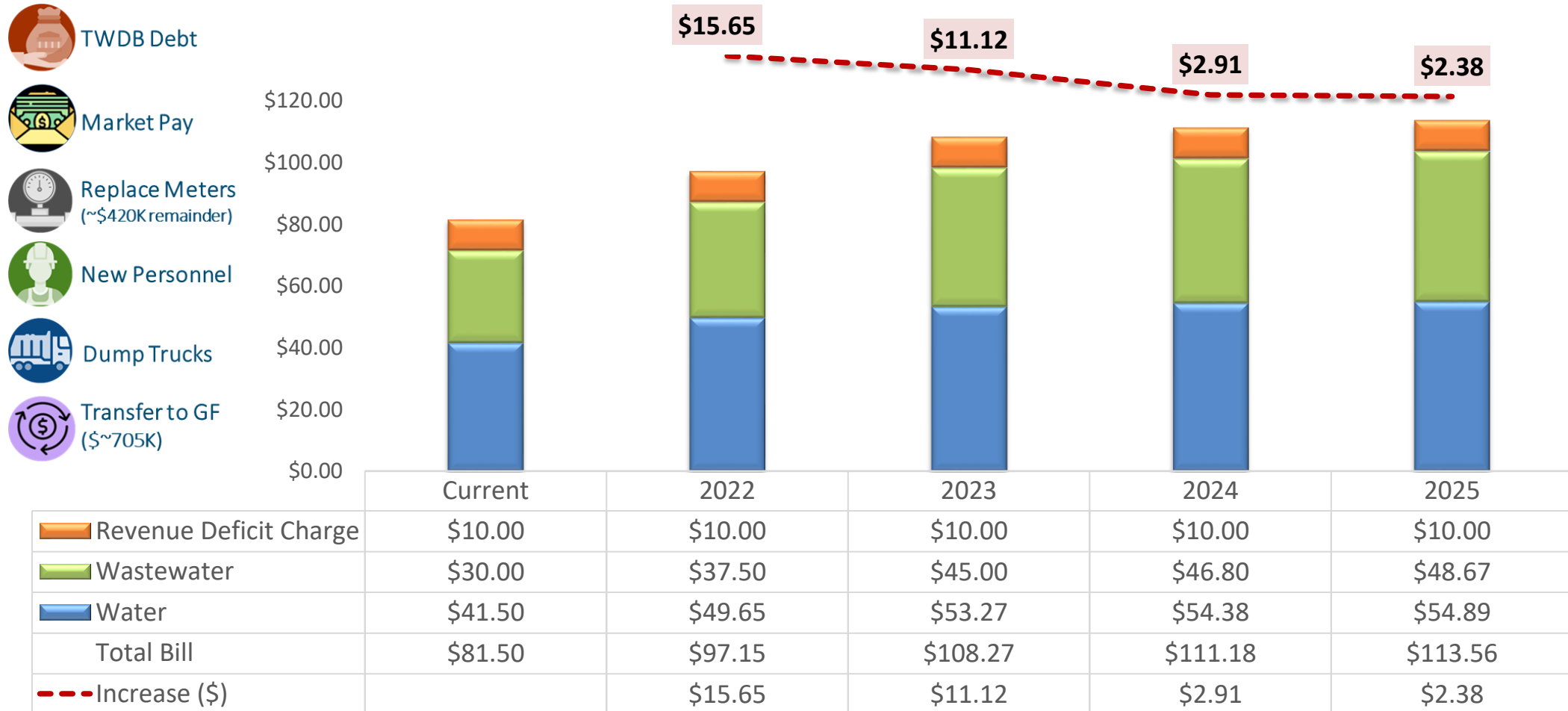
BILL IMPACT - RESIDENTIAL CUSTOMERS (5,000 GALLONS) SCENARIO 3 UNDER PROJECTED RATES



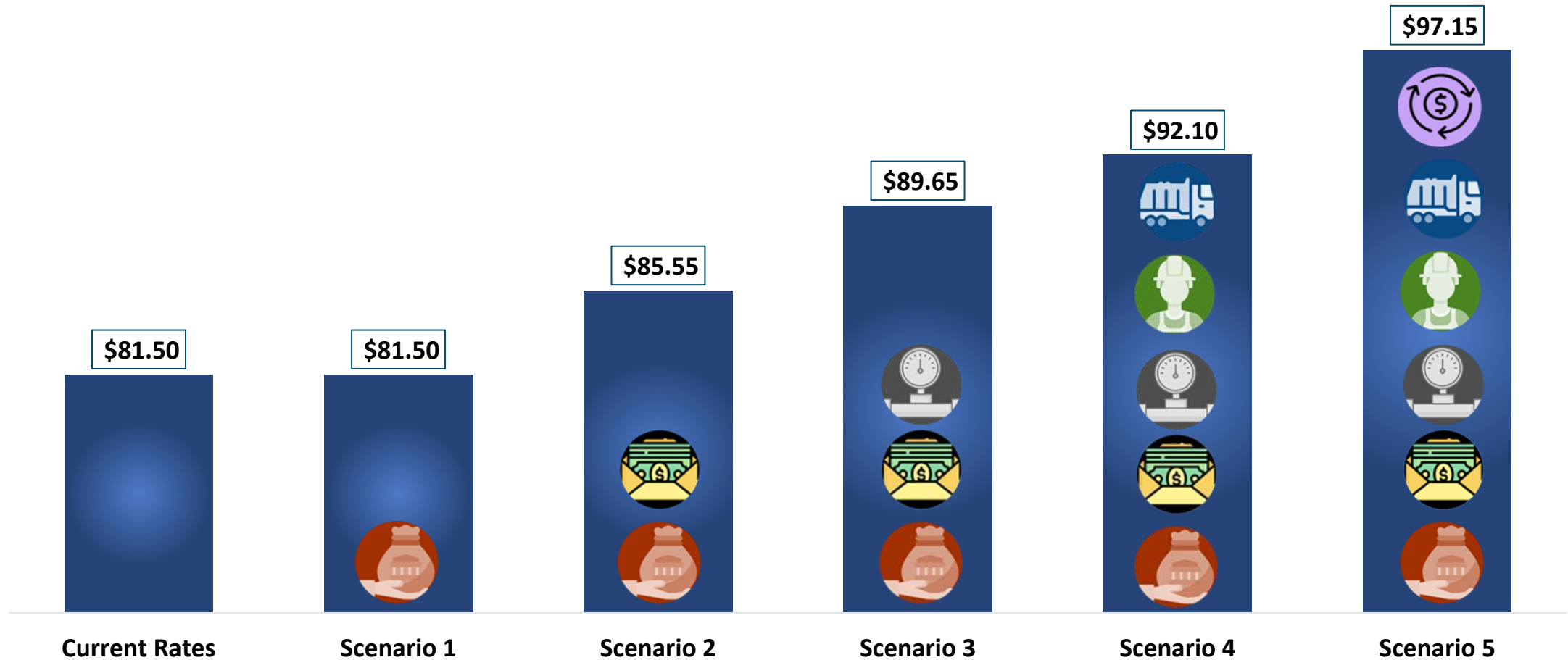
BILL IMPACT - RESIDENTIAL CUSTOMERS (5,000 GALLONS) SCENARIO 4 UNDER PROJECTED RATES



BILL IMPACT - RESIDENTIAL CUSTOMERS (5,000 GALLONS) SCENARIO 5 UNDER PROJECTED RATES

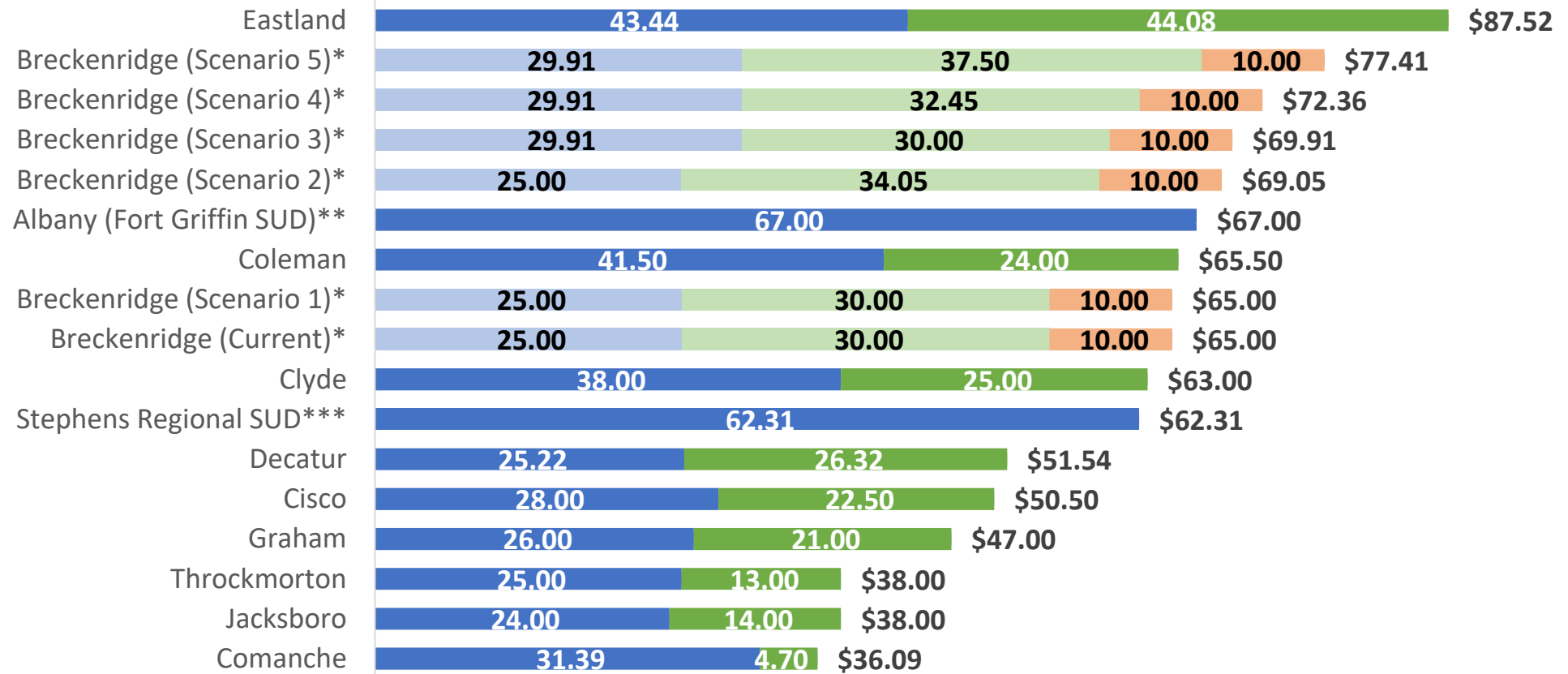


BILL IMPACT - RESIDENTIAL CUSTOMERS (5,000 GALLONS) SCENARIO COMPARISON – PROJECTED FY 2022



REGIONAL BILL COMPARISON

RESIDENTIAL MINIMUM CHARGE



*Includes \$10 Revenue Deficit Surcharge

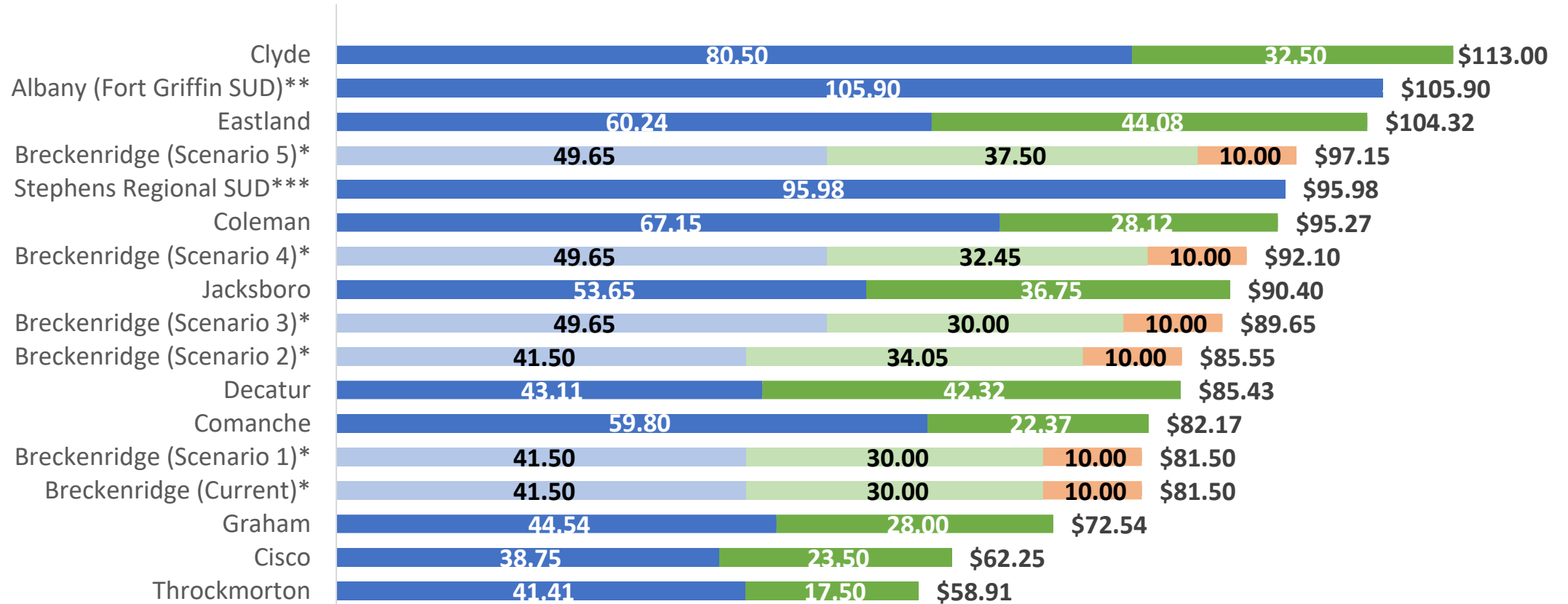
**Includes \$20 debt service fee

***Includes 0.5% state fee

■ Water ■ Wastewater ■ Revenue Deficit

REGIONAL BILL COMPARISON

RESIDENTIAL @ 5,000 GALS



*Includes \$10 Revenue Deficit Surcharge

**Includes \$20 debt service fee

***Includes 0.5% state fee

■ Water ■ Wastewater ■ Revenue Deficit

POTENTIAL WATER RATE DESIGN CHANGES

RATE DESIGN ALTERNATIVE #1

REMOVE REVENUE DEFICIT SURCHARGE



\$10 Revenue Deficit
Surcharge

The Revenue Deficit Surcharge is a significant part of the Utility's revenue stream and is still needed to recover costs; however, this surcharge should instead be built into base utility rates.

RATE DESIGN ALTERNATIVE #2

METER-EQUIVALENT DEMAND CHARGE

Water Meter Sizes	Current Commercial Rates	AWWA Factor* (based on ¾")	Meter Equivalent Charge	Count of Meters by Size**
¾" or less	\$33.00	1.00	\$33.00	244
1"	\$33.00	1.67	\$55.11	16
1 ½"	\$33.00	3.33	\$109.89	22
2"	\$33.00	5.33	\$175.89	21
3"	\$33.00	10.00	\$330.00	3
4"	\$33.00	16.67	\$550.11	2
6"	\$33.00	33.33	\$1,099.89	-
8"	\$33.00	53.33	\$1,759.89	-
10"	\$33.00	76.67	\$2,530.11	-
12"	\$33.00	143.33	\$4,729.89	-

*Per American Water Works Association; factor based on Operating Capacity (gallons per minute)

**Based on count of active water connections as of February 2021

RATE DESIGN ALTERNATIVE #3

FIXED VS VARIABLE REVENUE RECOVERY

Current Water Revenue Recovery

Base
Revenues
47%

Volumetric
Revenues
53%



Recovering more costs from fixed charges enhances revenue stability

Recovering more costs from variable charges may increase water conservation

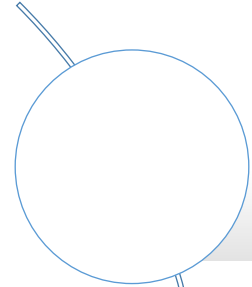
Must assess impact related to conservation, operational costs, and customer affordability

RATE DESIGN ALTERNATIVE #4

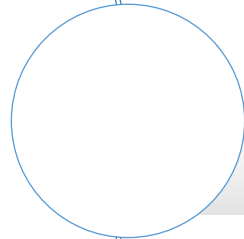
OUTSIDE CITY MULTIPLIER

Current
Outside City
Multiplier:
200%

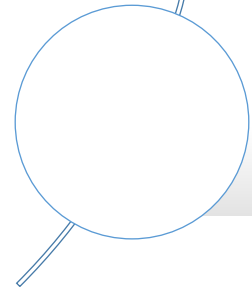
Current
Outside City
Customers:
209*



Rates must be defensible, equitable, and reasonable



Simple multiplier may be arbitrary



Outside City rates subject to potential appellate action

**Based on count of active outside water connections as of February 2021*

RATE DESIGN ALTERNATIVE #5

EVALUATE INCLINING BLOCK RATE FOR INDUSTRIAL

Current Industrial Water Rates

Volumetric Rates

0 - 2,000	\$-
2,000 - 5,000	\$5.50
5,000 - 10,000	\$5.85
10,000 - 20,000	\$6.80
20,000+	\$7.80

Inclining block rates suggest a water conservation signal, though industrial customers may have limited means to conserve

Inclining block rate may be punitive to industrial customers and hamper economic growth and development

A better alternative for industrial customers is a flat, uniform volumetric rate



NEXT STEPS

- Determine path forward on capital and O&M needs of the utility
- Determine desired rate structure amendments
- Develop final rates for consideration and adoption
- Anticipated implementation: October 2021



QUESTIONS AND DISCUSSION

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