



CITY COUNCIL CONSIDERATION ITEM

CITY OF FAIR OAKS RANCH, TEXAS

July 20, 2023

AGENDA TOPIC: Consideration and possible action approving the first reading of an ordinance amending the City of Fair Oaks Ranch Code of Ordinances Appendix A “Fee Schedule” Article A7.000 (a) and (b) “Wastewater Service Charges”

DATE: July 20, 2023

DEPARTMENT: Public Works Department

PRESENTED BY: Grant Watanabe, P.E., Director of Public Works & Engineering Services

PURPOSE:

On June 1, 2023, the City Council approved a proposed wastewater rate scenario (Scenario 2) which revises the wastewater service availability charge, maintains current fees, and establishes a volumetric rate based on average winter consumption. This ordinance amendment updates the wastewater service charges section of the City’s fee schedule to reflect those approved changes.

INTRODUCTION/BACKGROUND:

In early 2021, the City engaged a consultant to conduct a rate study for Fair Oaks Ranch Utilities. Rate studies are conducted as a best practice to ensure that a utility’s financial health is maintained and that the utility is well prepared to meet its future financial needs. The study included a financial policy review, development of a financial planning model, a cost-of-service analysis and customized rate structure options to meet our unique needs.

As part of the rate study process, the Council appointed a volunteer Rate Advisory Panel to represent various interests and customer classes (combined water/wastewater, water only, residential, commercial). The consultant held four meetings with the Panel during the summer and fall of 2021 to gain input on the rate structure options.

At the June 1, 2023, City Council meeting, a presentation on existing and proposed wastewater rate scenarios was provided. Details of each scenario, the debt service fee, winter averaging, and estimated bill impacts were also covered at that meeting. After discussion and consideration, the Council selected Scenario 2 (see chart below) for the following reasons:

1. Provides a balance between fixed and variable charges (no other utilities charge a flat fee across all customers),
2. Encourages conservation by charging low users less and high users more,
3. Ensures debt service payments can be made if volumetric revenue falls (debt service fee maintained), and
4. Is supported by the Rate Advisory Panel.

	Existing	Scenario 1	Scenario 2	Scenario 3
Service Availability (Base Charge)	\$40.86	\$62.99	\$28.94	\$28.94
Fees	\$6.47	\$6.47	\$6.47	\$0.05
Volumetric Rate (per kgal)			\$6.00	\$7.09

Accordingly, staff prepared a proposed ordinance amending the wastewater service charges section of the City's fee schedule. Upon approval of the ordinance, a public outreach plan will be finalized and implemented. The plan includes bill inserts, billing statement notifications, website and social media updates, a video clip, and an online bill calculator. Public outreach will occur during the months of August and September, and prior to the October 1, 2023 effective date specified in the ordinance.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

1. Supports Priority 1.4.10 of the Strategic Action Plan to Develop a Sustainable and Equitable Wastewater Rate.
2. Scenario 2 meets the top ranked pricing objectives identified by the Council and the Rate Advisory Panel.
3. Implementing a volumetric rate encourages conservation by charging low users less and high users more.

LONG-TERM FINANCIAL & BUDGETARY IMPACT:

The revised wastewater rates and fees will cover the cost of service. Water customers will no longer need to subsidize wastewater customers as each class will cover their own cost of service.

LEGAL ANALYSIS:

The ordinance was reviewed by legal and approved as to form and content.

RECOMMENDATION/PROPOSED MOTION:

I move to approve an ordinance amending the City of Fair Oaks Ranch Code of Ordinances Appendix A. "Fee Schedule" Article A7.000 (a) and (b) "Wastewater Service Charges."