



STAFF REPORT

MEETING DATE:	February 17, 2025
MEETING TYPE:	City Council
SUBMITTED BY:	Maria Joyner
AGENDA CAPTION:	Discuss and consider Ordinance 2025-02-1205 OF THE CITY OF HUTCHINS, TEXAS AMENDING THE CODE OF ORDINANCES BY AMENDING APPENDIX A TITLED "FEE SCHEDULE" BY AMENDING ARTICLE A13.000 TITLED "UTILITIES" BY AMENDING DIVISION 4 TITLED "WATER AND SEWER CHARGES" BY AMENDING SECTION A13.095 TITLED "WATER RATES" AND BY AMENDING SECTION A13.098 TITLED "SEWER RATES AND CHARGES" BY AMENDING THE WATER AND SEWER RATES PREVIOUSLY ADOPTED BY ORDINANCE NO. 2019- 1086; PROVIDING A REPEALING CLAUSE; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE. Presented by: Maria Joyner, Director of Finance

Background Information

On February 19, 2024, the City of Hutchins entered into an agreement with NewGen Strategies & Solutions to provide a Rate Study and Financial Forecast for Water and Wastewater Fund.

The scope of services provided by NewGen included the following:

- Data collection and assessment of financial and operating information;
- Benchmarking of City's current rate structure compared to other similar municipal providers;
- Conducting meetings with City staff to present the results of the analysis and discuss potential rate adjustments over the next five years; and
- Preparing a presentation and supporting materials to present to City Council for consideration.

The City purchases water and pays for the treatment of wastewater to the City of Dallas. The water and wastewater utility expenses are accounted for in the Water/Wastewater enterprise fund. Expenses for the utilities are made up of both operations and capital projects to either enhance or maintain the system. Revenues for operations and capital projects to maintain the system are generated through the utility rates.

The City has been working to maintain the financial stability of the Water and Wastewater Fund. City staff has worked with NewGen to review the rates for water and wastewater, taking into account the increased cost for water and wastewater service passed onto the City from the City of Dallas. NewGen also took into consideration the City's capital plan, which includes \$22.9 million of projects over the next 5-years. Both new debt and cash from reserves were considered as funding sources for the capital projects. In addition to expenses, NewGen also developed rates to maintain a 1.25x Debt Service Coverage Ratio and 25% of Operations and Maintenance expenses in the Fund Balance Reserve.

During the February 19, 2024, City Council meeting Ordinance 2024-02-1188 was approved authorizing the staff to pass increase rates charged by the City of Dallas to water and wastewater customers of the City. On July 26, 2023, Dallas Water Utilities sent a notice that as of October 1, 2023, the rate for treated

water would increase by 14.27% and the rate for wastewater treatment would increase by 4.34%. On November 21, 2024, Dallas Water Utilities sent a notice that as of October 1, 2024, the rate for treated water would decrease by (1.3%) and the rate for wastewater treatment would increase by 5.1%. The City has absorbed the increases and has not made any adjustments to the rates.

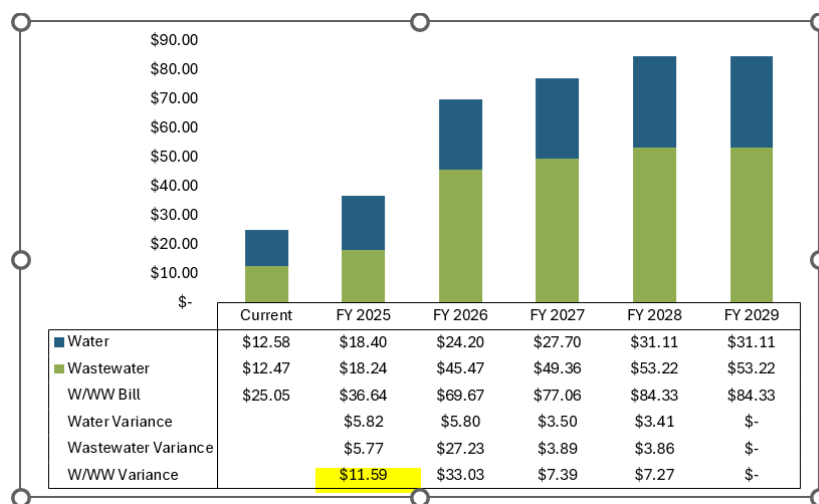
The Utility Rate Study completed by NewGen was presented during the February 3, 2025, City Council meeting. The study recommends the following rates over the next five year period:

Residential Water Rates					
Meter Size	Mar 2025 Rate	Jan 2026 Rate	Jan 2027 Rate	Jan 2028 Rate	Jan 2029 Rate
3/4"	\$18.40	\$24.20	\$27.70	\$31.11	\$31.11
1"	30.67	40.34	46.17	51.85	51.85
1 1/2"	61.33	80.66	92.33	103.7	103.7
2"	98.13	129.06	147.73	165.92	165.92
4"	375.12	493.36	564.71	634.23	634.23
Minimum charges includes 2,000 gallon					

Residential Water Rates						
From Gallon	To Gallon	Mar 2025 Rate	Jan 2026 Rate	Jan 2027 Rate	Jan 2028 Rate	Jan 2029 Rate
2,001	10,000	\$6.47	\$6.90	\$7.03	\$7.19	\$7.19
10,001	Above	8.09	8.63	8.79	8.99	8.99
Volume Rate/1,000 gallon						

Budget Implications

The proposed rates based on a minimum usage of 2,000 gallons will increase a monthly bill by approximately \$11.59.



Staff Recommendation

In order to ensure to ensure cost recovery of annual operating expenses, debt service coverage and adherence to the Water Fund reserve requirements, it is recommended that the City implement the rates proposed in the cost allocation study.

Supporting Documentation and Attachments

Ordinance 2025-02-1205