



STAFF REPORT

MEETING DATE:	February 3, 2025
MEETING TYPE:	City Council
SUBMITTED BY:	Maria Joyner, Director of Finance
AGENDA CAPTION:	2025 Water & Wastewater Rate Study

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.

**A representative from NewGen will present the results of the
Water/WasteWater Rate Study.**