

# City of Manor

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## 2023 Water and Wastewater Rate Study

February 15, 2023





# Agenda



**Rate Study Process**



**Financial Plan Assumptions**



**Utility Financial Plan**



**Rate and Typical Bill Comparison**

# Themes



# City of Manor's rates and fees must:



# How we'll get there



**Fund Operations**



**Fund Capital Projects**



**Maintain Reserves and DSC**



**Fund Growth**



**Ensure Customer Rate Equity**



**Rate Revenue**



**Impact Fees**

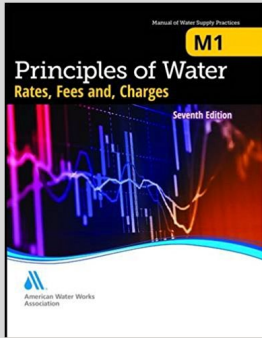


**Financial Plan**



**Rate Design**

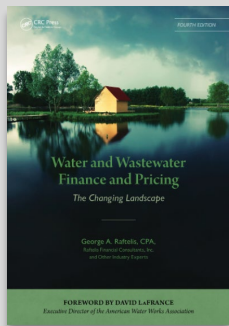
# Guided by industry-standard financial planning and rate-setting approaches



American Water Works Association,  
Manual M-1, Principles of Rates, Fees, and Charges

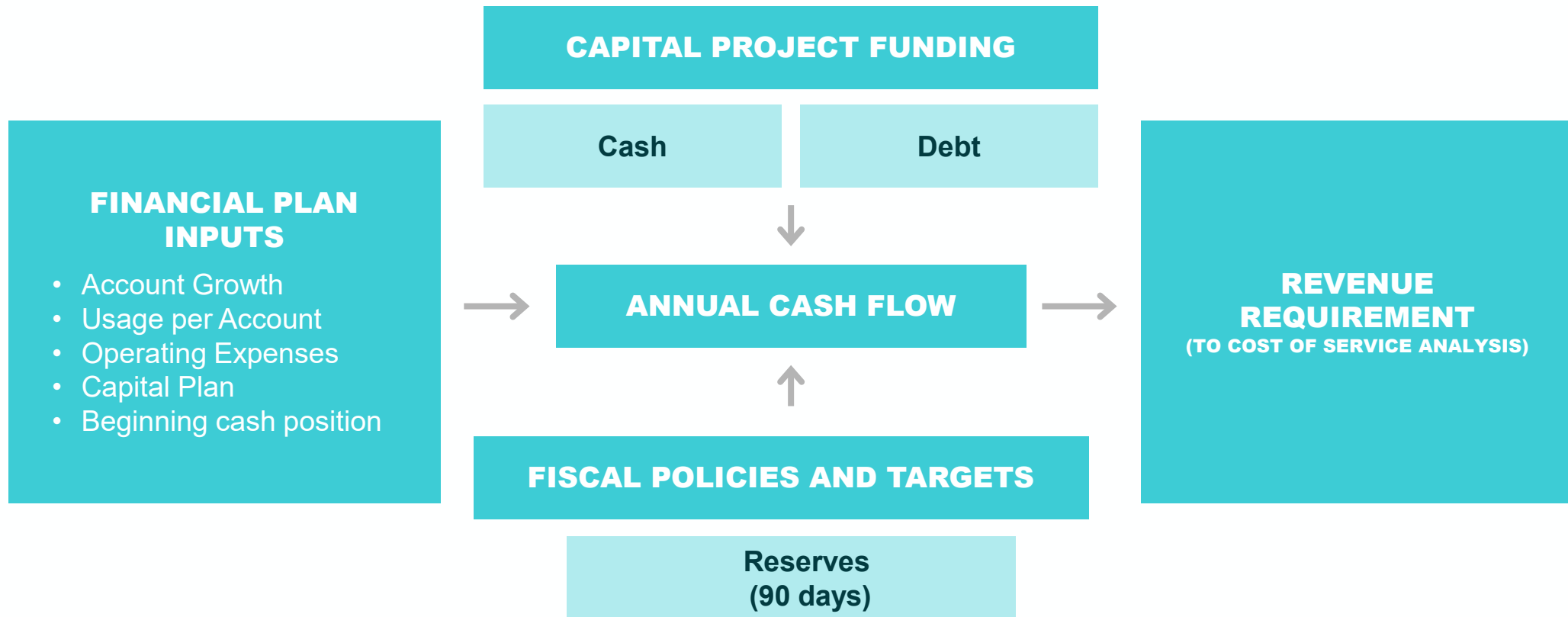


Water Environment Federation  
Financing and Charges for Wastewater Systems



Raftelis Financial Consultants  
Water and Wastewater Finance and Pricing

# Financial Planning Process



# Financial Plan Assumptions





# Expenses

- Inflationary pressure on Capital, Personnel, and Critical Operations expenses.
- Capital Improvements Plan \$66 Million over next 5 years
  - › WWTP Regional Plant, WWTP Expansions, and Rehabs
  - › Water and Wastewater Lines and Improvements
- Water Supply Costs
- **No Rate Increase since FY 2019 for Water & Sewer**

# Assumptions

- O&M Inflation 4% for FY 2024 & FY 2025
- Maintain Operating Balance 90 days
- Debt Issuance
  - › \$16.7 Million FY 2024
  - › \$38 Million FY 2025 – 2027

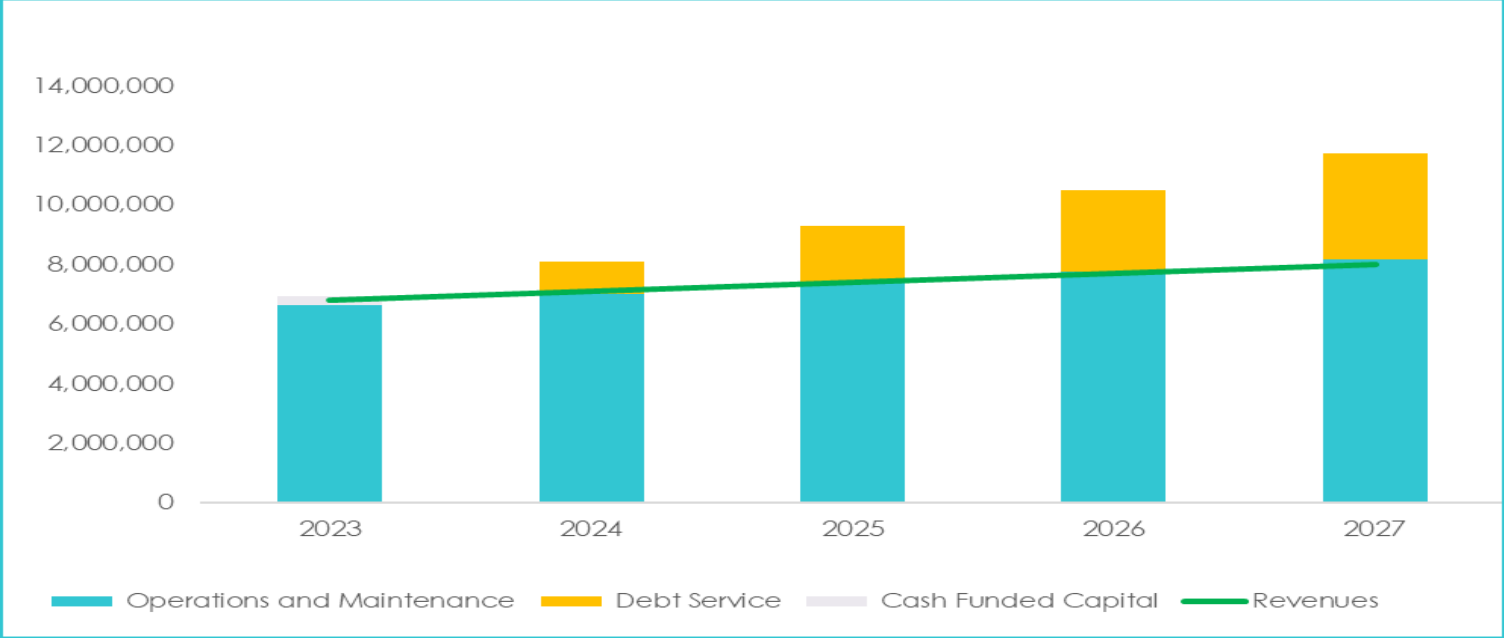
# Utility Financial Plan



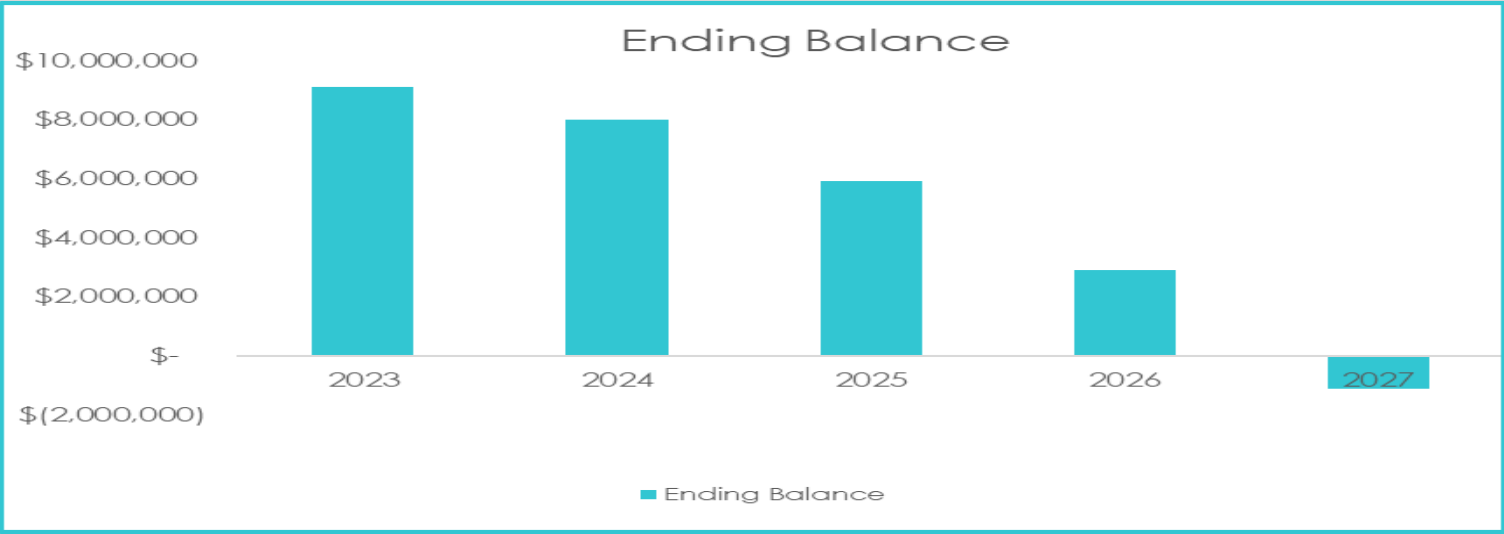
# 5-year Combined Cashflow Results

*No Annual Increases*

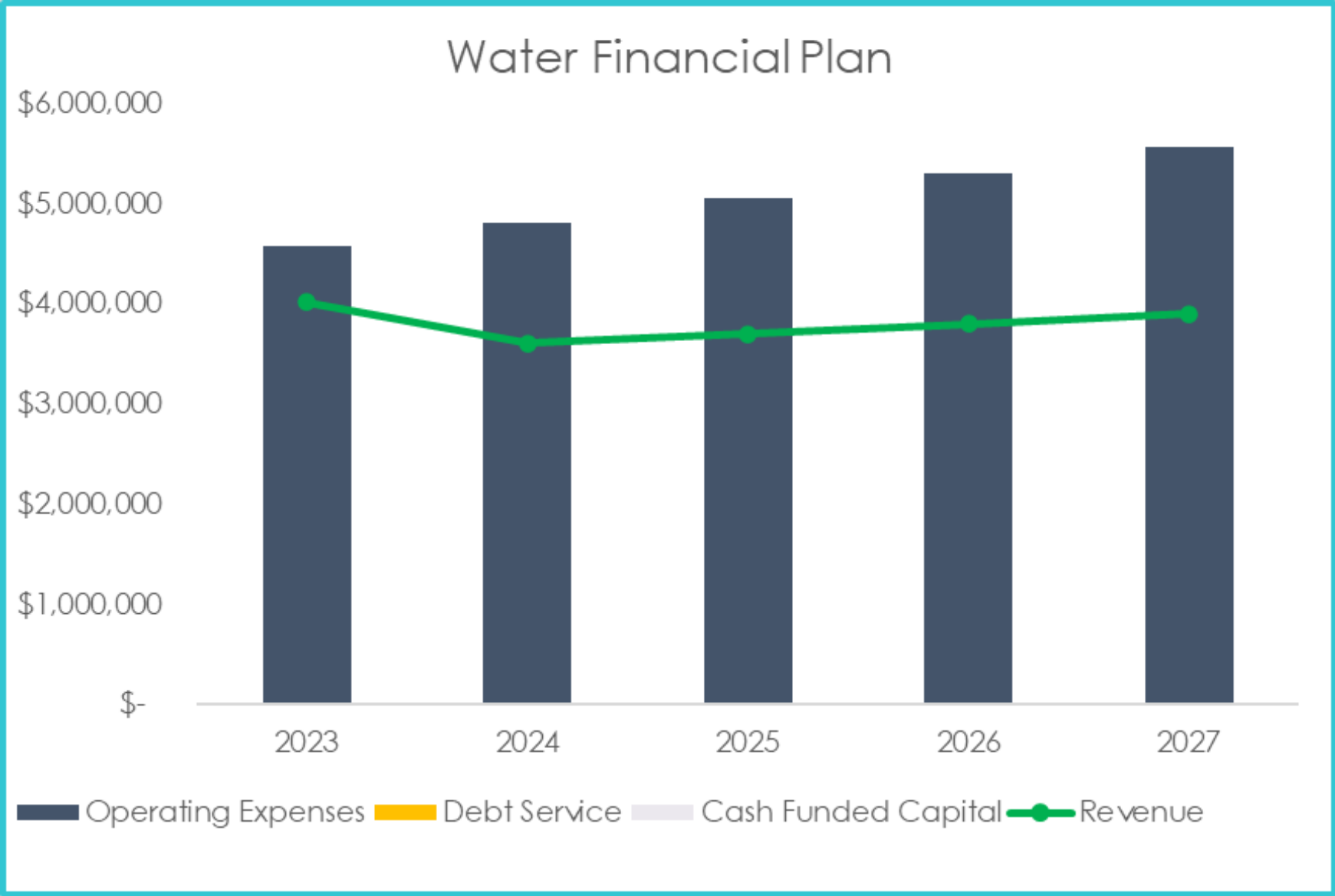
**Operating Revenues and Expenditures**



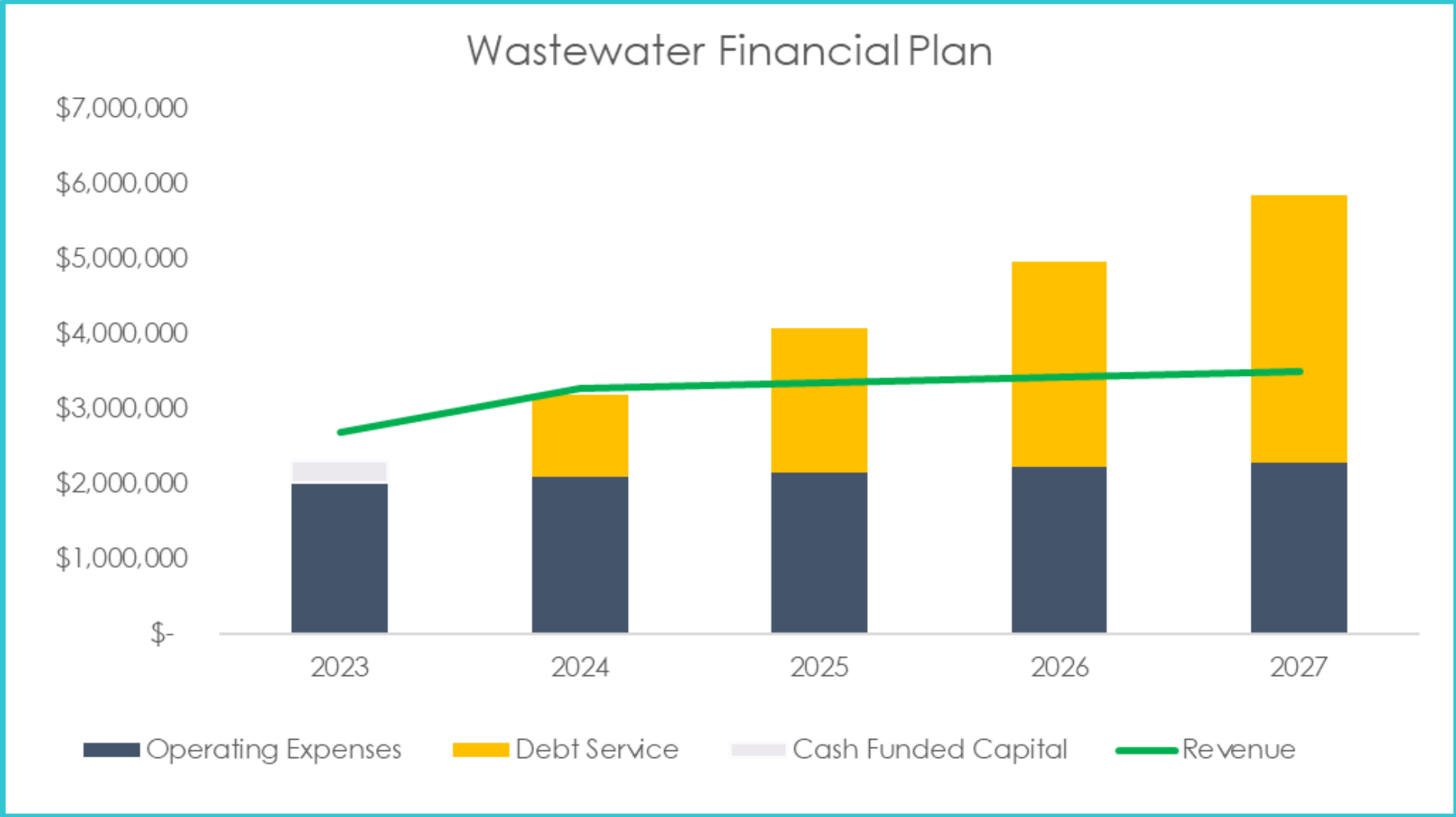
**Operating Ending Fund Balance**



# Water 5 Year (No Increase)



# Wastewater 5 Year (No Increase)



# Current State



# Residential Rates

Water	
Description	Charge
Monthly Charge	\$ 27.16
Volume Charge	
Tier 1 (0-2 kgal)	\$ 0.56
Tier 2 (2-5 kgal)	3.02
Tier 3 (5-10 kgal)	3.36
Tier 4 (10-15 kgal)	3.64
Tier 5 (15-25 kgal)	3.92
Tier 5 ( > 25kgal)	4.76

Wastewater	
Description	Charge
Monthly Charge	\$ 19.00
Volume Charge	
Tier 1 (0-8 kgal)	\$ 3.75
Tier 2 (>8 kgal)	4.40



# Commercial Rates

Water	
Description	Charge
Monthly Charge	
3/4"	\$ 15.12
1"	45.36
1-1/2"	50.40
Volume Charge	
All usage	\$ 6.30

Wastewater	
Description	Charge
Monthly Charge	
3/4"	\$ 22.50
1"	37.50
1-1/2"	75.00
Volume Charge	
All usage	\$ 6.00

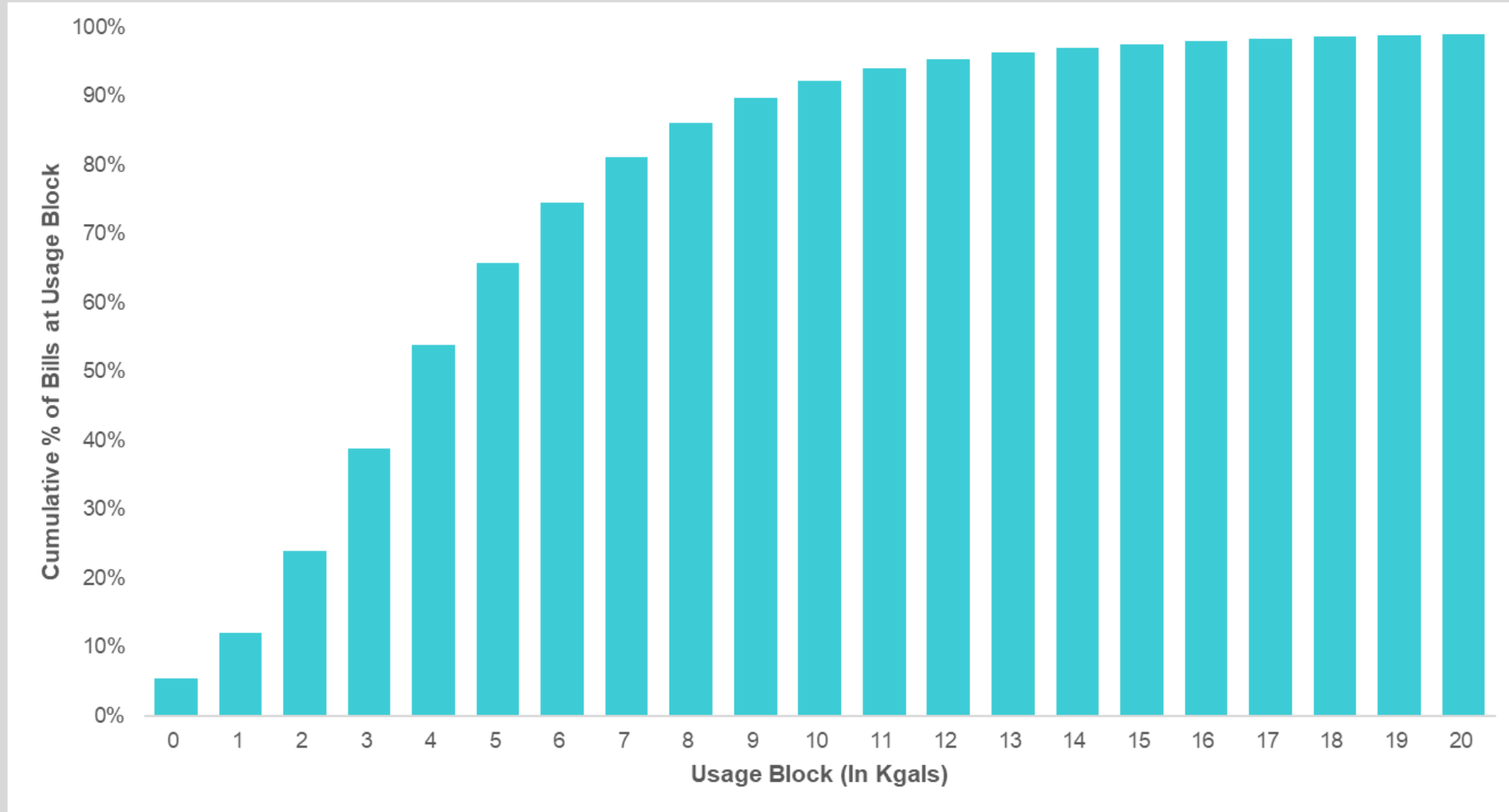
# Recommendations



# Recommendations Summary

- Increase Rates (Base Case) FY 2023 & FY 2024
  - › Two Scenarios: Base Case / Worst Case
- Rate Design Change for Water Conservation
- Implement Irrigation Class Rate (Highest Peaking Class)
- Financial Plan and Full Cost-of-Service Study for FY 25
  - › Reassess growth and Water Supply Contract Assumptions
  - › Rate Equity (Is everyone paying their fair share?)

# Water Bill Frequency Analysis



# Water Rate Structure Changes

	Current	Proposed
Description	Charge	Charge
Monthly Charge	\$ 27.16	\$ 29.06
Volume Charge		
Tier 1 (0-2 kgal)	\$ 0.56	\$ 0.56
Tier 2 (2-5 kgal)	3.02	3.02
Tier 3 (5-10 kgal)	3.36	3.78
Tier 4 (10-15 kgal)	3.64	4.72
Tier 5 (15-25 kgal)	3.92	5.90
Tier 5 ( > 25kgal)	4.76	7.37

# Financial Plan Rate Increases Worst Case (3% Growth, High Supply Cost)

	2023	2024	2025
<b>Water Rate Increase</b>	7.00%	7.00%	7.00%
<b>Wastewater Rate Increase</b>	7.00%	7.00%	7.00%
<b>Water Surplus/(Deficit)</b>	\$ (93,971)	\$ (790,204)	\$ (1,164,159)
<b>Wastewater Surplus/(Deficit)</b>	\$ 560,810	\$ 443,242	\$ (156,128)
<b>Surplus/(Deficit)</b>	\$ 466,839	\$ (346,962)	\$ (1,320,286)
<b>Ending Balance</b>	\$ 9,769,062	\$ 9,422,100	\$ 8,101,814

# Financial Plan Rate Increases

## Base Case

### (5% Growth)

	2023	2024	2025
<b>Water Rate Increase</b>	7.00%	7.00%	7.00%
<b>Wastewater Rate Increase</b>	7.00%	7.00%	7.00%
<b>Water Surplus/(Deficit)</b>	\$ (325,511)	\$ (695,672)	\$ (520,528)
<b>Wastewater Surplus/(Deficit)</b>	\$ 610,155	\$ 553,064	\$ 27,192
<b>Surplus/(Deficit)</b>	\$ 284,644	\$ (142,608)	\$ (493,336)
<b>Ending Balance</b>	\$ 9,586,867	\$ 9,444,258	\$ 8,950,923

# Peer Utility Survey





# Peer utility survey

## Typical monthly bill comparison

3/4" residential customer ( 5 kgal water, 4 kgal ww)





# Thank you!

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