



May 13, 2024

WATER & WASTEWATER COST OF SERVICE CITY OF MOUNT VERNON, TX

Presented by:
Grant Rabon, Partner



METHODOLOGY



- Development of Test Year
- Revenue Requirement Forecast
- Billing Data Reconciliation
- Revenue Under Current Rates
- Rate Design and Revenue Under Proposed Rates

KEY FINDINGS



- Insufficient revenues under current rates
- Funding for infrastructural improvements needed
- **Revenue requirement assumes support for capital projects from external sources**

WATER REVENUE REQUIREMENT FORECAST

	Year 1	Year 2	Year 3	Year 4	Year 5
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Total Water Expenses	\$ 1,052,988	\$ 1,092,797	\$ 1,134,167	\$ 1,177,162	\$ 1,221,844
Less: Revenue Offsets	\$ (35,725)	\$ (35,725)	\$ (35,725)	\$ (35,725)	\$ (35,725)
Water Net Revenue Requirement	\$ 1,017,263	\$ 1,057,072	\$ 1,098,442	\$ 1,141,437	\$ 1,186,119

SEWER REVENUE REQUIREMENT FORECAST

	Year 1	Year 2	Year 3	Year 4	Year 5
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Total Sewer Expenses	\$ 850,249	\$ 882,727	\$ 916,499	\$ 951,614	\$ 988,126
Less: Revenue Offsets	\$ (35,725)	\$ (35,725)	\$ (35,725)	\$ (35,725)	\$ (35,725)
Sewer Net Revenue Requirement	\$ 814,524	\$ 847,002	\$ 880,774	\$ 915,889	\$ 952,401

CURRENT AND PROPOSED WATER RATES – FIXED CHARGES

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential Inside	\$ 25.00	\$ 25.00	\$ 33.00	\$ 33.00	\$ 33.00	\$ 33.00
Commercial Inside	\$ 31.00	\$ 31.00	\$ 33.00	\$ 33.00	\$ 33.00	\$ 33.00
Residential Outside	\$ 35.00	\$ 35.00				
Commercial Outside	\$ 49.06	\$ 49.06				
<u>Multi-Unit/Hotel Meter Size (count)</u>						
5/8" (0)	\$ 34.19	\$ 34.19	\$ 33.00	\$ 33.00	\$ 33.00	\$ 33.00
3/4" (1)	34.19	34.19	49.50	49.50	49.50	49.50
1" (2)	39.63	39.63	82.50	82.50	82.50	82.50
1.5" (5)	77.70	77.70	165.00	165.00	165.00	165.00
2" (6)	99.45	99.45	264.00	264.00	264.00	264.00
3" (1)	175.59	175.59	495.00	495.00	495.00	495.00
4" (0)	300.67	300.67	825.00	825.00	825.00	825.00
Sprinklers	\$ -	\$ -	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50

CURRENT AND PROPOSED WATER RATES – VOLUMETRIC CHARGES

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential & Commercial (Inside)</u>						
0-1000 gals	\$ -	\$ -	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20
1001-8999 gals	3.75	3.75	5.25	5.25	5.25	5.25
9000 - 20999 gals	4.00	4.00	6.30	6.30	6.30	6.30
21000 - 40999 gals	4.25	4.25	7.25	7.25	7.25	7.25
41000+	4.50	4.50	7.97	7.97	7.97	7.97
<u>Residential & Commercial (Outside)</u>						
0-1000 gals	\$ -	\$ -				
1001-8999 gals	4.50	4.50				
9000 - 20999 gals	4.75	4.75				
21000 - 40999 gals	5.00	5.00				
41000+	5.25	5.25				

CURRENT AND PROPOSED WATER RATES – VOLUMETRIC CHARGES CONT'D

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Multi-Unit/Hotel</u>						
0-1000 gals	\$ -	\$ -	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20
1001-8999 gals	3.75	3.75	4.20	4.20	4.20	4.20
9000 - 20999 gals	3.75	3.75	4.20	4.20	4.20	4.20
21000 - 40999 gals	3.75	3.75	4.20	4.20	4.20	4.20
41000+	3.75	3.75	4.20	4.20	4.20	4.20
<u>Sprinklers</u>						
0-1000 gals	\$ -	\$ -	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
1001-8999 gals	3.75	3.75	6.25	6.25	6.25	6.25
9000 - 20999 gals	4.00	4.00	7.50	7.50	7.50	7.50
21000 - 40999 gals	4.25	4.25	8.63	8.63	8.63	8.63
41000+	4.50	4.50	9.49	9.49	9.49	9.49

CURRENT AND PROPOSED SEWER RATES – FIXED CHARGES

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential Inside	\$ 26.00	\$ 26.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00
Commercial Inside	\$ 28.00	\$ 28.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00
Residential Outside	\$ 38.00	\$ 38.00				
Commercial Outside	\$ 40.00	\$ 40.00				
<u>Multi-Unit/Hotel Meter Size (count)</u>						
5/8" (0)	\$ 37.41	\$ 37.41	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00
3/4" (1)	37.41	37.41	51.00	51.00	51.00	51.00
1" (2)	45.51	45.51	85.00	85.00	85.00	85.00
1.5" (5)	86.03	86.03	170.00	170.00	170.00	170.00
2" (6)	117.45	117.45	272.00	272.00	272.00	272.00
3" (1)	215.69	215.69	510.00	510.00	510.00	510.00
4" (0)	375.75	375.75	850.00	850.00	850.00	850.00

CURRENT AND PROPOSED SEWER RATES – VOLUMETRIC CHARGES

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential, Multi-Unit/Hotel & Commercial (Inside)</u>						
0-1000 gals	\$ -	\$ -	\$ 4.55	\$ 4.55	\$ 4.55	\$ 4.55
1001-8999 gals	4.00	4.00	4.78	4.78	4.78	4.78
9000 - 20999 gals	4.05	4.05	5.02	5.02	5.02	5.02
21000 - 40999 gals	4.10	4.10	5.27	5.27	5.27	5.27
41000+	4.15	4.15	5.53	5.53	5.53	5.53
<u>Residential & Commercial (Outside)</u>						
0-1000 gals	\$ -	\$ -				
1001-8999 gals	5.00	5.00				
9000 - 20999 gals	5.05	5.05				
21000 - 40999 gals	5.10	5.10				
41000+	5.15	5.15				

CURRENT AND PHASE-IN WATER RATES – FIXED CHARGES

Alternative Phase-In

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential Inside	\$ 25.00	\$ 25.00	\$ 27.00	\$ 29.00	\$ 31.00	\$ 33.00
Commercial Inside	\$ 31.00	\$ 31.00	\$ 27.00	\$ 29.00	\$ 31.00	\$ 33.00
Residential Outside	\$ 35.00	\$ 35.00				
Commercial Outside	\$ 49.06	\$ 49.06				
<u>Multi-Unit/Hotel Meter Size (count)</u>						
5/8" (0)	\$ 34.19	\$ 34.19	\$ 27.00	\$ 29.00	\$ 31.00	\$ 33.00
3/4" (1)	34.19	34.19	38.02	41.85	45.67	49.50
1" (2)	39.63	39.63	50.35	61.07	71.78	82.50
1.5" (5)	77.70	77.70	99.53	121.35	143.18	165.00
2" (6)	99.45	99.45	140.59	181.73	222.86	264.00
3" (1)	175.59	175.59	255.44	335.30	415.15	495.00
4" (0)	300.67	300.67	431.75	562.84	693.92	825.00
Sprinklers	\$ -	\$ -	\$ 13.50	\$ 14.50	\$ 15.50	\$ 16.50

CURRENT AND PHASE-IN WATER RATES – VOLUMETRIC CHARGES

Alternative Phase-In

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential & Commercial (Inside)</u>						
0-1000 gals	\$ -	\$ -	\$ 3.30	\$ 3.60	\$ 3.90	\$ 4.20
1001-8999 gals	3.75	3.75	4.13	4.50	4.88	5.25
9000 - 20999 gals	4.00	4.00	4.95	5.40	5.85	6.30
21000 - 40999 gals	4.25	4.25	5.69	6.21	6.73	7.25
41000+	4.50	4.50	6.26	6.83	7.40	7.97
<u>Residential & Commercial (Outside)</u>						
0-1000 gals	\$ -	\$ -				
1001-8999 gals	4.50	4.50				
9000 - 20999 gals	4.75	4.75				
21000 - 40999 gals	5.00	5.00				
41000+	5.25	5.25				

CURRENT AND PHASE-IN WATER RATES – VOLUMETRIC CHARGES CONT'D

Alternative Phase-In

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Multi-Unit/Hotel</u>						
0-1000 gals	\$ -	\$ -	\$ 3.30	\$ 3.60	\$ 3.90	\$ 4.20
1001-8999 gals	3.75	3.75	3.30	3.60	3.90	4.20
9000 - 20999 gals	3.75	3.75	3.30	3.60	3.90	4.20
21000 - 40999 gals	3.75	3.75	3.30	3.60	3.90	4.20
41000+	3.75	3.75	3.30	3.60	3.90	4.20
<u>Sprinklers</u>						
0-1000 gals	\$ -	\$ -	\$ 4.00	\$ 4.30	\$ 4.70	\$ 5.00
1001-8999 gals	3.75	3.75	5.00	5.38	5.88	6.25
9000 - 20999 gals	4.00	4.00	6.00	6.45	7.05	7.50
21000 - 40999 gals	4.25	4.25	6.90	7.42	8.11	8.63
41000+	4.50	4.50	7.59	8.16	8.92	9.49

CURRENT AND PHASE-IN SEWER RATES – FIXED CHARGES

Alternative Phase-In

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential Inside	\$ 26.00	\$ 26.00	\$ 28.00	\$ 30.00	\$ 32.00	\$ 34.00
Commercial Inside	\$ 28.00	\$ 28.00	\$ 28.00	\$ 30.00	\$ 32.00	\$ 34.00
Residential Outside	\$ 38.00	\$ 38.00				
Commercial Outside	\$ 40.00	\$ 40.00				
<u>Multi-Unit/Hotel</u> <u>Meter Size (count)</u>						
5/8" (0)	\$ 37.41	\$ 37.41	\$ 28.00	\$ 30.00	\$ 32.00	\$ 34.00
3/4" (1)	37.41	37.41	40.81	44.21	47.60	51.00
1" (2)	45.51	45.51	55.38	65.26	75.13	85.00
1.5" (5)	86.03	86.03	107.02	128.02	149.01	170.00
2" (6)	117.45	117.45	156.09	194.73	233.36	272.00
3" (1)	215.69	215.69	289.27	362.85	436.42	510.00
4" (0)	375.75	375.75	494.31	612.88	731.44	850.00

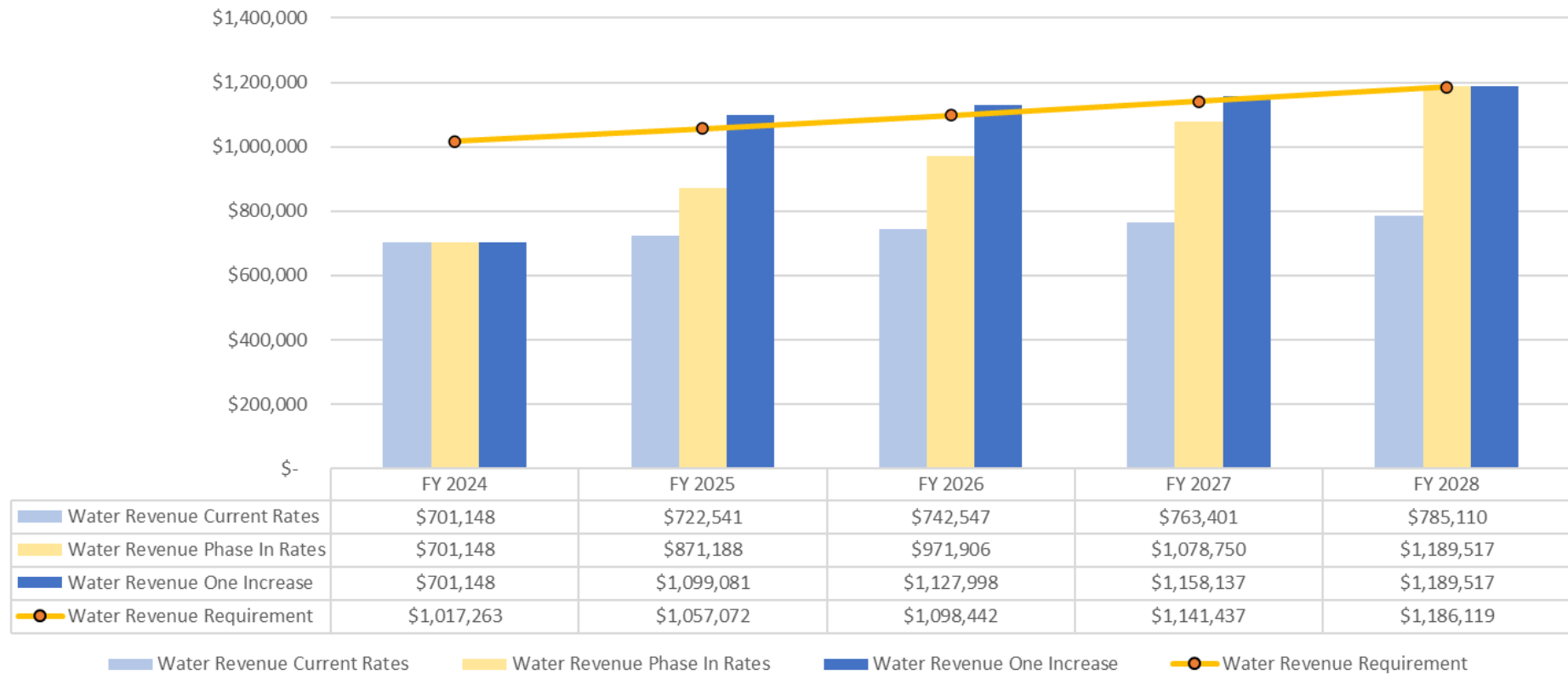
CURRENT AND PHASE-IN SEWER RATES – VOLUMETRIC CHARGES

Alternative Phase-In

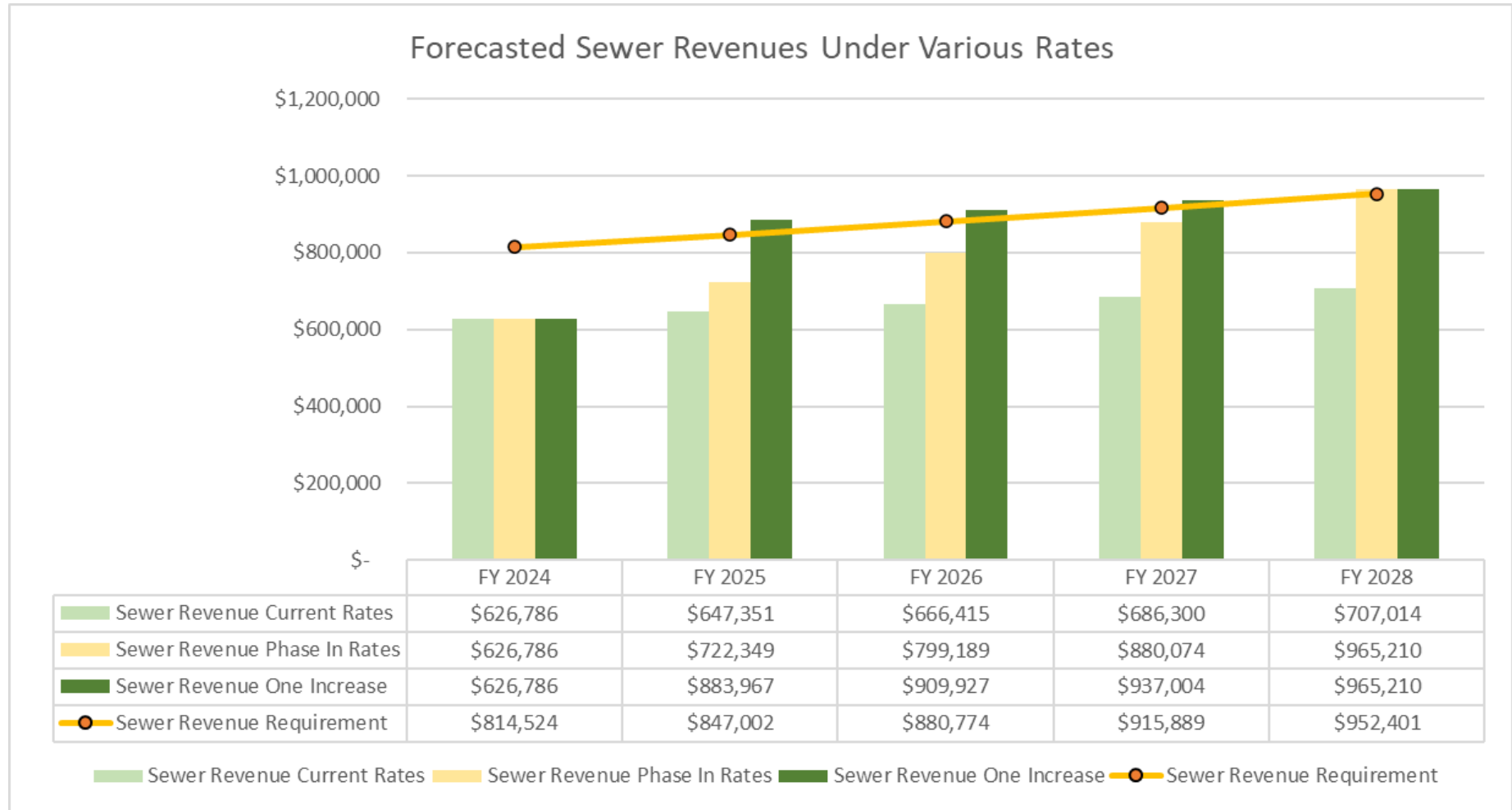
	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential, Multi-Unit/Hotel & Commercial (Inside)</u>						
0-1000 gals	\$ -	\$ -	\$ 3.80	\$ 4.05	\$ 4.30	\$ 4.55
1001-8999 gals	4.00	4.00	3.99	4.25	4.52	4.78
9000 - 20999 gals	4.05	4.05	4.19	4.47	4.74	5.02
21000 - 40999 gals	4.10	4.10	4.40	4.69	4.98	5.27
41000+	4.15	4.15	4.62	4.92	5.23	5.53
<u>Residential & Commercial (Outside)</u>						
0-1000 gals	\$ -	\$ -				
1001-8999 gals	5.00	5.00				
9000 - 20999 gals	5.05	5.05				
21000 - 40999 gals	5.10	5.10				
41000+	5.15	5.15				

WATER REVENUE PERFORMANCE

Forecasted Water Revenues Under Various Rates



SEWER REVENUE PERFORMANCE



Impact on Fund Balances

Proposed	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Beginning Balance	\$ 1,300,232	\$ 796,379	\$ 890,602	\$ 964,560	\$ 1,017,625
Water Over/(Under) Recovery	(316,115)	57,259	44,805	31,950	18,648
Sewer Over/(Under) Recovery	(187,738)	36,965	29,153	21,115	12,808
Ending Balance	\$ 796,379	\$ 890,602	\$ 964,560	\$ 1,017,625	\$ 1,049,081
Cash O&M Expenses	\$ 1,609,309	\$ 1,671,150	\$ 1,735,428	\$ 1,802,239	\$ 1,871,684
Days Cash on Hand	181	195	203	206	205
Alternative Phase-In	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Beginning Balance	\$ 1,300,232	\$ 796,379	\$ 497,823	\$ 302,773	\$ 218,432
Water Over/(Under) Recovery	(316,115)	(173,902)	(113,465)	(48,527)	18,648
Sewer Over/(Under) Recovery	(187,738)	(124,654)	(81,585)	(35,815)	12,808
Ending Balance	\$ 796,379	\$ 497,823	\$ 302,773	\$ 218,432	\$ 249,888
Cash O&M Expenses	\$ 1,609,309	\$ 1,671,150	\$ 1,735,428	\$ 1,802,239	\$ 1,871,684
Days Cash on Hand	181	109	64	44	49

Monthly Residential Customer Sample Water and Sewer Bill Impact

Proposed	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
5,000 Gallons						
Total Water Bill	\$ 40.00	\$ 40.00	\$ 58.20	\$ 58.20	\$ 58.20	\$ 58.20
Total Sewer Bill	\$ 42.00	\$ 42.00	\$ 57.66	\$ 57.66	\$ 57.66	\$ 57.66
Total	\$ 82.00	\$ 82.00	\$ 115.86	\$ 115.86	\$ 115.86	\$ 115.86
Year-Over-Year Increase (\$)		\$ -	\$ 33.86	\$ -	\$ -	\$ -
Year-Over-Year Increase (%)		0.0%	41.3%	0.0%	0.0%	0.0%
Alternative Phase-In	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
5,000 Gallons						
Total Water Bill	\$ 40.00	\$ 40.00	\$ 46.80	\$ 50.60	\$ 54.40	\$ 58.20
Total Sewer Bill	\$ 42.00	\$ 42.00	\$ 47.76	\$ 51.06	\$ 54.36	\$ 57.66
Total	\$ 82.00	\$ 82.00	\$ 94.56	\$ 101.66	\$ 108.76	\$ 115.86
Year-Over-Year Increase (\$)		\$ -	\$ 12.56	\$ 7.10	\$ 7.10	\$ 7.10
Year-Over-Year Increase (%)		0.0%	15.3%	7.5%	7.0%	6.5%

Benchmarking Rates

Water Fees By Population Category
Summary
2023

Population Group	No. of Cities Reporting	Avg. Total Customers	Residential Water		Commercial Water		
			Average Usage	Average Fee For		Average Fee For	
				5,000 Gal.	10,000 Gal.	50,000 Gal.	200,000 Gal.
2,000 OR LESS	208	452	5,266	48.56	76.91	359.25	1,332.43
2,001 - 5,000	101	1,366	6,155	87.67	74.30	364.17	1,456.94

Source: Texas Municipal League - <https://www.tml.org/ArchiveCenter/ViewFile/Item/211>

Standard Rates for 5/8" meter

Monthly Minimum: \$34.50
Per 1,000 gal. \$ 6.05

Average Billing Examples

Average billing example for 5/8" meter

Usage (gal.):	Bill Total:
2,000	\$46.66
5,000	\$64.91
10,000	\$95.31

Cypress Springs Rates. Source: [Rates & Policies | Cypress Springs Special Utility District \(cssudpay.com\)](#), retrieved 4/4/2024

RECOMMENDATIONS

1. Implement Proposed Rates as soon as practical
2. Charge outside-City customers same rates as inside-City customers
3. Charge volumetric rate for all consumption/flow (no “free” water/sewer)
4. Implement fixed charge for sprinkler customers



QUESTIONS / DISCUSSION

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