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## CITY OF PORT LAVACA

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**COUNCIL MEETING: JUNE 9, 2025**

**DATE:** 06.02.2025

**TO:** HONORABLE MAYOR AND CITY COUNCIL MEMBERS

**FROM:** JODY WEAVER, INTERIM CITY MANAGER

**SUBJECT: PROPOSAL FROM NEW GEN STRATEGIES & SOLUTIONS TO CONDUCT A WATER AND WASTEWATER RATE STUDY**

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### **BACKGROUND:**

The last time the City conducted a Comprehensive Water and Sewer Rate Study by a paid consultant was in 2013. This study included recommended rate adjustments through 2023. In late 2021, the City did undergo a basic one-year rate study conducted through the Public Utilities Commission Financial Assistance program. The recommendation of the study was for FY 22-23 and included converting to

- a “Fair Share” rate structure with 0 gallons included in the base rate
- a structure where the charging rates are based on the meter size and not land use (i.e. commercial or residential)
- there should be NO difference between the cost of In City or Out of City without a “cost-based” justification.

Because we were just then embarking on the meter swap-out project and it was anticipated that customers would see an increase in their bill simply due to more accurate metering, it was decided at the time to not implement these recommendations to redesign our entire rate structure until the new meters had been in the ground at least a couple of years. (The current in-city residential base rates at that time for water and sewer were \$17.00 and \$16.00 respectively. The recommended new base rates for a ¾” meter were \$25.94 for water and \$28.45 for sewer. This was not adopted at that time).

Then, effective January 2023, the utility base rates were increased to account for the Public Utility Funds share of debt service for the Water and Wastewater Improvement projects being funded in part by ARPA as well as to pay the general fund back for the cost of the preliminary WWTP Expansion engineering. Residential Water base rate went from \$17.00/mo to \$24.84/mo and the Residential Sewer Base rate from \$16.00 to \$25.27.

Effective May 2024, the water rates were increased to reflect the additional amount of bond funds needed for the Water System improvement project, which increased the Residential Water Base Rate to what it still is now at \$26.65.

As you recall, last year we absorbed the increased expenses from Undine and ended the year with an Operating Income of the Public Utility Fund of -\$259,000, so clearly we will need to pass through any increase from Undine this year. But in addition to that we need the rate study to consider capital improvement costs and others operation expenses and how to **fairly** redesign our rate structure to generate adequate revenue. With the real possibility of having to finance an expansion to the Wastewater Treatment Plant, this debt service will be considered as well.

I met Chris Ekrut at the TML Conference last year. He was invited to present a session on rate studies. I was extremely impressed with what I heard and their comprehensive approach. Some of the key elements that we can expect with a contract with NewGen that is not available with a PUC basic study include:

- a MULTI-year rate forecast
- MULTIPLE rate design scenarios (this will be critical for us)
- Comparison of monthly customer bills with other communities
- Assistance in conducting public meetings and explaining to the public the changes in the rate structure
- Complete testing of the utility's billing data system ... to make sure existing and proposed rates are correctly being calculated in the financial system.

NewGen is a team of experts that have testified throughout the state and the nation on the development of water and wastewater rates, so we know that the proposed rates will be defensible if challenged.

New Gen completed a rate study for Bay City not too long ago and was pleased to discover that Bay City's new rate structure does take into account Multifamily accounts as I was suggesting at the last Council meeting.

#### **FINANCIAL IMPACT:**

The FYE 2025 budget includes \$30,000 for a Water/Sewer Rate Study. This proposal is an hourly contract with a Not To Exceed dollar amount of \$45,000 based upon the anticipated scope. We would not anticipate spending more than the budgeted \$30,000 before October, so the balance will be included in the FYE26 budget. The proposed completion date is November 2025. Procurement of NewGen Strategies is with the Cooperative Purchasing Program HGACBuy, which the City of Port Lavaca is a member.

#### **RECOMMENDATION:**

Accept the proposal of NewGen Strategies and Solutions, LLC dated May 27, 2025, not to exceed \$45,000 and authorize the mayor to sign the proposal as submitted.