

# City of Rollingwood, TX

## Cost of Service and Rate Design Study Wastewater Utility



Nelisa Heddin Consulting, LLC  
(512) 589-1028  
[nheddin@nelisaheddinconsulting.com](mailto:nheddin@nelisaheddinconsulting.com)

# Overview

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- Financial Overview
- Policy Considerations:
  - Reserve Funds
  - Annual Debt Service
  - Winter Averaging
- Consideration of Rate Alternatives



# Historical Financial Overview

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- FYE 2019 Actual Revenues = \$606,735
- FYE 2020 Budgeted O&M Expenses = \$618,824
- FYE2021 Budgeted O&M Expenses = \$623,251
- Recommended Additional O&M Expenses:
  - City of Austin Wastewater Disposal Fees = \$28,512
  - Vehicle Replacement Reserve Contribution = \$5,619



# Policy Consideration:

## Reserve Funds

### Recommend Annual Reserve Fund Contributions for Vehicle Replacement Reserves

| Vehicle Replacment Reserve Fund | Total Inventory | Useful Life | Annual Contribution | % Wastewater | Annual Contribution |
|---------------------------------|-----------------|-------------|---------------------|--------------|---------------------|
| Truck 1                         | \$30,000        | 7           | \$4,285.71          | 33%          | \$1,428.57          |
| Truck 2                         | \$30,000        | 7           | 4,285.71            | 33%          | 1,428.57            |
| Truck 3                         | \$30,000        | 7           | 4,285.71            | 33%          | 1,428.57            |
| Tractor                         | \$30,000        | 10          | 3,000.00            | 33%          | 1,000.00            |
| Trailer                         | \$10,000        | 10          | <u>1,000.00</u>     | 33%          | <u>333.33</u>       |
|                                 |                 |             | \$16,857.14         |              | \$5,619.05          |



# Policy Consideration:

## Annual Debt Service

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- Approximately \$725,000 Annual Debt Service Associated with the Wastewater Utility
- Currently Funded Through the General Fund
- Industry Best Management Practice = Fund Through Utility Rates



# Policy Consideration:

## Annual Debt Service

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- If Debt Were Funded Through Utility Rates:
  - Equitable allocate of cost based on burden placed on utility system
  - Relieves General Fund of \$725,000 annual expense, the City could either:
    - Reallocate funds to other City departments, or
    - Reduce property taxes by approximately \$.066



# Policy Consideration:

## Annual Debt Service

|                        | Average<br>Monthly Use | Annual<br>Wastewater<br>Fees Paid<br>(Current) | Add<br>Wastewater<br>Debt (Assumes<br>100% in<br>volumetric cost) | Tax Assessed<br>Property Value | Annual<br>Property Taxes | Estimated<br>Savings (WW<br>Debt Portion of<br>Property Tax) | Net Variation |
|------------------------|------------------------|--|---|--------------------------------|--------------------------|--|---------------|
| Residential Customer 1 | 2,000                  | \$187.44                                       | \$356.45  | \$997,193                      | \$2,075                  | \$(658.15)   | \$(301.70)    |
| Residential Customer 2 | 9,000                  | \$843.48                                       | \$1,604.02  | \$1,372,200                    | \$2,865                  | \$(905.65)   | \$698.37      |
| Residential Customer 3 | 2,000                  | \$187.44                                       | \$356.45  | \$927,684                      | \$1,931                  | \$(612.27)   | \$(255.82)    |
| Residential Customer 4 | 1,000                  | \$93.72  | \$178.22  | \$1,412,021                    | \$2,948                  | \$(931.93)   | \$(753.71)    |
| Residential Customer 5 | 8,000                  | \$749.76                                       | \$1,425.79  | \$1,415,200                    | \$2,955                  | \$(934.03)   | \$491.76      |
| Average Residential    | 4,444                  | \$416.48                                       | \$792.00  | \$1,200,000                    | \$2,464                  | \$(792.00)   | \$-           |
| Commercial Customer 1  | 28,750                 | \$9,246.45                                     | \$5,123.95  | \$12,236,307                   | \$25,549                 | \$(8,075.96)   | \$(2,952.01)  |
| Commercial Customer 2  | 51,750                 | \$5,786.01                                     | \$9,223.11  | \$2,959,578                    | \$6,179                  | \$(1,953.32)   | \$7,269.79    |
| Commercial Customer 3  | 3,667                  | \$1,279.64                                     | \$653.49  | \$2,200,000                    | \$4,593                  | \$(1,452.00)   | \$(798.51)    |
| Commercial Customer 4  | 104,417                | \$34,121.93                                    | \$18,609.59   | \$1,642,571                    | \$3,429                  | \$(1,084.10)   | \$17,525.50   |
| Commercial Customer 5  | 123,167                | \$20,903.18                                    | \$21,951.30   | \$7,255,596                    | \$15,149                 | \$(4,788.69)   | \$17,162.61   |
| Commercial Customer 6  | 4,000                  | \$1,310.88                                     | \$712.90  | \$1,954,600                    | \$4,081                  | \$(1,290.04)   | \$(577.14)    |



# Policy Consideration: Winter Averaging

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- Current Rates:
  - Residential Customers
    - Base Fees = \$ 0
    - Volumetric Rate = \$ 7.81/thousand gallons
      - Gallons used based on 3 lowest months between November and March (2 highest months are dropped)
  - Commercial Customers
    - Base Fees = \$ 78.00 per LUE
      - LUE based on square footage of building
    - Volumetric Rate = \$ 7.81/thousand gallons
      - Gallons used is the same as water use for connection





# Policy Consideration: Winter Averaging

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| Customers within Use Categories | Current Policy |
|---------------------------------|----------------|
| 0 Gallons                       | 87             |
| 1,000 Gallons                   | 41             |
| 2,000 Gallons                   | 48             |
| 3,000 Gallons                   | 84             |
| 4,000 Gallons                   | 74             |
| 5,000 Gallons                   | 46             |
| 6,000-10,000 Gallons            | 108            |
| 11,000-15,000 Gallons           | 32             |
| 16,000-20,000 Gallons           | 13             |
| 21,000-35,000 Gallons           | 6              |
| Above 35,000 Gallons            | 1              |



# Policy Consideration: Winter Averaging

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- City of Austin –
  - Customers must have 100 gallons per billing period for averaging
  - If customer has less than 100 gallons in 2 or more months, assumed average of 5,000 gallons
- West Travis County PUA
  - Months with zero use are excluded from the average
- Lakeway MUD
  - Use the lower of the two billing periods
  - If zero usage in one of the two billing periods, they use the other period



# Direction from Utility Commission

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- Pursue transitional implementation plan to slowly include debt service recovery in wastewater rates
- Include a base-fee for services that is cost-based
- Evaluate alternatives for winter averaging



# Proposed Rates Scenarios

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- All Scenarios include a base fee for residential customers
- All Scenarios recover debt based upon the following schedule:
  - 2021 = 15% total debt service
  - 2022 = 25% total debt service
  - 2023 = 35% total debt service
  - 2024 = 45% total debt service
  - 2025 = 55% total debt service



# Proposed Scenarios

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- 3 Scenarios based on residential winter averaging policies:
  - Scenario 1 – 5 month winter average
  - Scenario 2 – 5 month winter average, months with zero use are excluded from the average
  - Scenario 3 – 5 month winter average, minimum average of at least 1,000 gallons



# Proposed Rates

| Base Fees              | Current | 2021    | 2022    | 2023    | 2024    | 2025    |
|------------------------|---------|---------|---------|---------|---------|---------|
| Base Fee - Residential | \$-     | \$13.07 | \$13.46 | \$13.86 | \$14.28 | \$14.71 |
| Base Fee - Commercial  | \$78.00 | \$91.07 | \$91.46 | \$91.86 | \$92.28 | \$92.71 |

*\*Base fees recover the cost of utility billing.*



# Proposed Rates

| Volumetric Fees | Current | 2021   | 2022   | 2023   | 2024    | 2025    |
|-----------------|---------|--------|--------|--------|---------|---------|
| Scenario 1      | \$7.81  | \$7.81 | \$8.24 | \$9.79 | \$11.30 | \$12.86 |
| Scenario 2      | \$7.81  | \$7.81 | \$7.81 | \$8.72 | \$10.07 | \$11.46 |
| Scenario 3      | \$7.81  | \$7.81 | \$8.18 | \$9.71 | \$11.21 | \$12.76 |

- *Scenario 1 – 5 month winter average (status quo)*
- *Scenario 2 – 5 month winter average, months with zero use are excluded from the average*
- *Scenario 3 – 5 month winter average, minimum average of at least 1,000 gallons*



# Average Bill Analysis

| Average Bill (8,000 Gallons) | Current | 2021    | 2022    | 2023    | 2024     | 2025     |
|------------------------------|---------|---------|---------|---------|----------|----------|
| Scenario 1                   | \$62.48 | \$75.55 | \$79.40 | \$92.18 | \$104.70 | \$117.59 |
| Scenario 2                   | \$62.48 | \$75.55 | \$75.94 | \$83.64 | \$94.84  | \$106.37 |
| Scenario 3                   | \$62.48 | \$75.55 | \$78.87 | \$91.56 | \$103.99 | \$116.78 |





# Stand-By Fee

|  | 2021    | 2022    | 2023    | 2024    | 2025    |
|--|---------|---------|---------|---------|---------|
| <b>Stand-By Fee per LUE, per Month</b> | \$13.76 | \$22.90 | \$31.97 | \$40.66 | \$49.56 |

- *Stand-by fee would be charges to inactive customers monthly. The fee is designed to recover the pro-rata share of debt-service that is utility funded.*