

# City of Rollingwood, TX

## Cost of Service and Rate Design Study Wastewater Utility



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# Overview

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- Financial Overview
- Policy Considerations:
  - Reserve Funds
  - Annual Debt Service
  - Winter Averaging
- Goal = Receive Direction on Policy Considerations



# 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 = \$16,857



# Policy Consideration:

## Reserve Funds

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

Vehicle Replacment Reserve Fund	Total Inventory	Useful Life	Annual Contribution
Truck 1	\$30,000	7	\$4,285.71
Truck 2	\$30,000	7	4,285.71
Truck 3	\$30,000	7	4,285.71
Tractor	\$30,000	10	3,000.00
Trailer	\$10,000	10	<u>1,000.00</u>
			\$16,857.14



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



# Policy Consideration: Annual Debt Service

Residential Fees	Current	2021	2022	2023	2024	2025
<b>Scenario 1</b>						
% Debt Service Funded Through Rates	0	100%	100%	100%	100%	100%
Base Fee (per LUE per Month)	\$-	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Volumetric Rate (per thousand gallons)	\$7.81	\$16.54	\$17.02	\$17.50	\$17.88	\$18.40
<b>Scenario 2</b>						
% Debt Service Funded Through Rates	0%	0%	0%	0%	0%	0%
Base Fee (per LUE per Month)	\$-	\$18.35	\$18.35	\$18.35	\$18.35	\$18.35
Volumetric Rate (per thousand gallons)	\$7.81	\$7.76	\$8.26	\$8.78	\$9.32	\$9.88
<b>Scenario 3</b>						
% Debt Service Funded Through Rates	0%	10%	20%	30%	40%	50%
Base Fee (per LUE per Month)	\$-	\$25.00	\$30.00	\$35.00	\$40.00	\$45.00
Volumetric Rate (per thousand gallons)	\$7.81	\$8.02	\$9.04	\$10.07	\$11.07	\$12.11

*\*Preliminary rates, actual rate recommendations may vary.*





# Policy Consideration:

## Annual Debt Service

Commercial Fees	Current	2021	2022	2023	2024	2025
<b>Scenario 1</b>						
% Debt Service Funded Through Rates	0	0%	0%	0%	0%	0%
Base Fee (per LUE per Month)	\$78.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Volumetric Rate (per thousand gallons)	\$7.81	\$15.14	\$15.61	\$16.09	\$16.47	\$16.99
<b>Scenario 2</b>						
% Debt Service Funded Through Rates	0%	0%	0%	0%	0%	0%
Base Fee (per LUE per Month)	\$78.00	\$78.00	\$78.00	\$78.00	\$78.00	\$78.00
Volumetric Rate (per thousand gallons)	\$7.81	\$7.81	\$7.81	\$7.81	\$7.81	\$7.81
<b>Scenario 3</b>						
% Debt Service Funded Through Rates	0%	10%	20%	30%	40%	50%
Base Fee (per LUE per Month)	\$78.00	\$78.00	\$78.00	\$85.00	\$90.00	\$95.00
Volumetric Rate (per thousand gallons)	\$7.81	\$7.81	\$7.81	\$7.81	\$8.84	\$10.30

*\*Preliminary rates, actual rate recommendations may vary.*



# 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 December and March
  - 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
  - Averages Mid-November – Mid-March
  - 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



# Policy Consideration: Winter Averaging

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- West Travis County PUA
  - Averages December, January & February
  - Months with zero use are excluded from the average

# Policy Consideration: Winter Averaging

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- Travis County WCID #17
  - Averages Mid-November through Mid-February
  - Customers with no usage history have average set to 8,000 gallons

# Policy Consideration: Winter Averaging

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- Lakeway MUD
  - Bimonthly Billing
  - Examine two billing period:
    - November through January
    - January through March
  - Use the lower of the two billing periods
  - If zero usage in one of the two billing periods, they use the other period
  - Minimum use = 2,000 gallons
  - Maximum use = 30,000 gallons



# Policy Directives

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- Reserve Funds
- Debt Service Funding
- Winter Averaging