

City of Rollingwood, TX

Cost of Service and Rate Design Study Wastewater Utility



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Overview

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

Historical Financial Overview

- 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

- 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

- 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
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

- Current Rates:
 - Residential Customers
 - Base Fees = \$ 0
 - Volumetric Rate = \$ 7.81/thousand gallons
 - Gallons used based on 3 lowest months between November 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

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

- 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 Previous Meeting

- 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

- 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

- 3 Scenarios based on residential winter averaging policies:
 - 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

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

