

## **City of Alamo Heights**

# **2018 Water and Wastewater Rate Study and Financial Forecast Public Hearing**

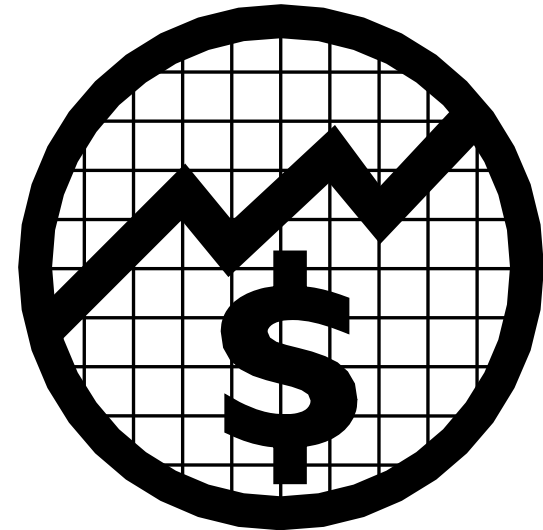
**October 8 2018**



# Why are Water/WW Rates Increasing?



- Inflation
- General increases in the cost of doing business
- Environmental and other regulations
- Capital Improvement Plan needed to repair and expand system
- AWWA forecasts that water and wastewater rates across USA will triple in the next 15 years



# City of Alamo Heights Initial Observations



- ◆ City has not increased its water and wastewater operating rate since 2007
- ◆ The only rate increases over the past decade have been to pass through SAWS wastewater increases (typically 3-5% per year on wastewater rates only)
- ◆ City's water and wastewater monthly charges are lower than many neighboring communities and below the state average
- ◆ Revenues are now recovering nominally less than cost of providing water and wastewater service

# City of Alamo Heights

## Current Water Rate Structure



### Water Rates

#### Monthly Charge

5/8"	\$	3.00
3/4"		9.00
1"		15.00
1 1/2"		37.50
2"		60.00
3"		150.00
4"		225.00
6"		225.00

#### Residential and Irrigation

##### Volume Rate (per 100 Cubic Feet)

-	500	\$	0.83
501	1,000		1.13
1,001	2,300		1.63
2,301	Above		2.76

##### Volume Rate (per 1,000 Gallons)

-	3,740	\$	1.11
3,741	7,481		1.51
7,482	17,205		2.18
17,206	Above		3.69

#### Commercial

##### Volume Rate (per 100 Cubic Feet)

-	500	\$	1.18
501	1,000		1.48
1,001	2,300		1.98
2,301	Above		1.98

##### Volume Rate (per 1,000 Gallons)

-	3,740	\$	1.58
3,741	7,481		1.98
7,482	17,205		2.65
17,206	Above		2.65

### Wastewater -- All Customers

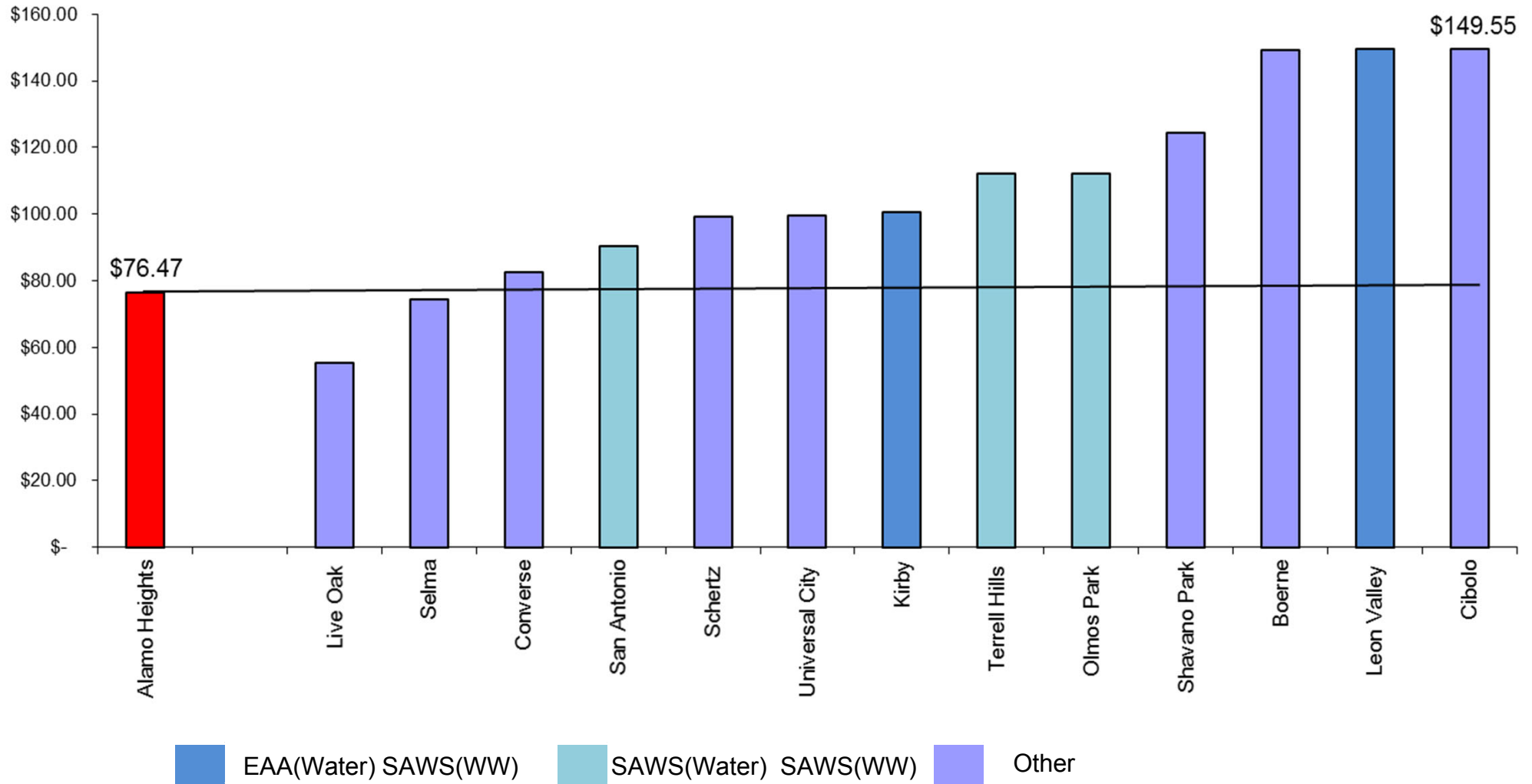
Minimum Charge \$ 18.27  
500 Cubic Feet

Volume Rate 3.05  
per 100 Cubic Feet

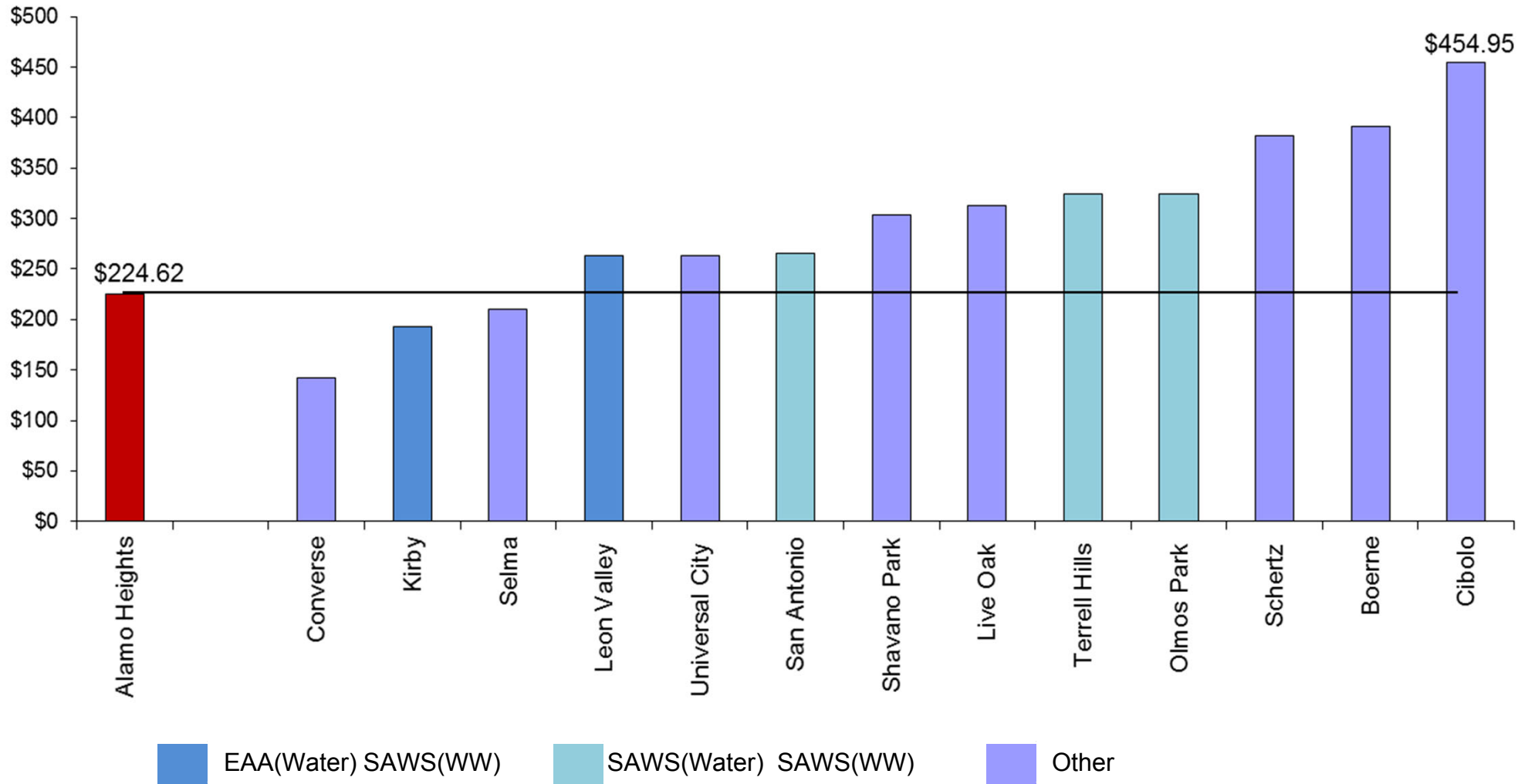
Minimum Charge \$ 18.27  
3,740 Gallons

Volume Rate 4.08  
per 1,000 Gallons

# Monthly Residential Charges 12,000 Gal/1,604 Cubic Feet Water and Wastewater 5/8" Meter



# Monthly Commercial Charges 25,000 Gal or 3,342 ft<sup>3</sup> Water and Wastewater 2" Meter



# Historical and Forecast Annual Total Water Accounts



Accounts

3,250

Average Annual Increase = 20 accounts (0.65%)

3,200

3,150

3,100

3,050

3,000

2,950

2,900

2,850

2,800

2,965

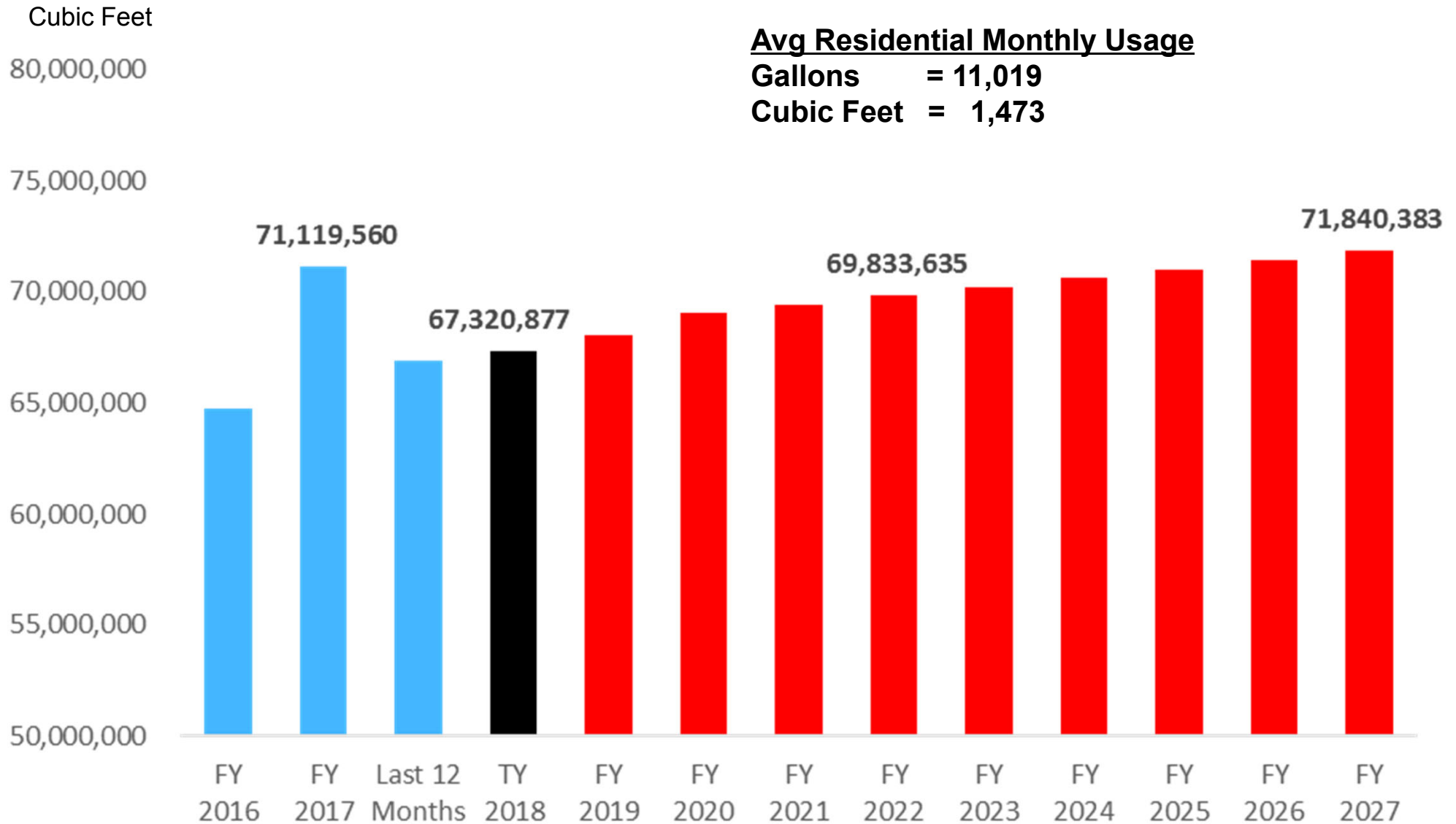
3,041

3,125

3,224

FY 2016 FY 2017 TY 2018 FY 2019 FY 2020 FY 2021 FY 2022 FY 2023 FY 2024 FY 2025 FY 2026 FY 2027

# Historical and Forecast Annual Water Billed Consumption (Cubic Feet)





# 5 Year Forecast Primary Assumptions



- Most personnel and operating expenses will increase 2% per year
- Some expenses (insurance/workers comp/health care) will increase at higher rates
- Certain expenses will increase with volume and customer growth (electricity/chemicals)
- SAWS wastewater increases: assumed 8.0% 2019, 5.0% 2020 -- 2027
- **Biggest impact on rate plan: how much capital expenditures the City chooses to finance**

# Capital Outlays Funded Through Proposed Rate Plan



**Total = \$5,738,100**

	<b>TY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Water</b>										
Moving Water Line 4x2 (TCEQ)	\$ 150,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 200,000	\$ 300,000	\$ 400,000
Misc. Capital Outlays	60,000	-	-	-	-	-	-	-	-	-
Recondition water tower	-	-	-	-	-	-	-	-	225,000	225,000
Repaint and Blast 2 water tower	-	-	-	-	-	-	-	200,000	200,000	-
Meter Change Out	-	-	-	-	-	550,000	550,000	-	-	-
<b>Wastewater</b>										
Sewer Improvements	250,000	-	-	-	-	-	-	300,000	300,000	300,000
<b>Water/ Wastewater</b>										
Backhoe	-	128,980	-	-	-	-	-	-	-	-
8 Yard Dump Truck	-	95,248	-	-	-	-	-	-	-	-
Pothole Patch Truck	-	-	65,751	-	-	-	-	-	-	-
F-150 Ext Cab	-	-	33,222	-	-	-	-	-	-	-
Skid Loader S205	-	-	-	-	-	36,000	-	-	-	-
12 Yard Dump Truck	-	-	-	-	-	-	62,500	-	-	-
F-250 Crew Cab SS	-	-	-	-	-	-	-	37,999	-	-
Bobcat-S750	-	-	-	-	-	-	-	-	79,337	-
Crew Cab Flat Bed w /	-	-	-	-	-	-	-	-	-	61,288
Crew Cab 4x4	-	-	-	-	-	-	-	-	-	52,775
Vactor Truck	-	275,000	-	-	-	-	-	-	-	-
<b>Total Capital Outlays</b>	<b>460,000</b>	<b>599,228</b>	<b>198,973</b>	<b>100,000</b>	<b>100,000</b>	<b>686,000</b>	<b>712,500</b>	<b>737,999</b>	<b>1,104,337</b>	<b>1,039,063</b>

# Future Debt Assumptions



**Term** = 20 Years

**Interest** = 3.5%

**Issuing Cost** = 1%

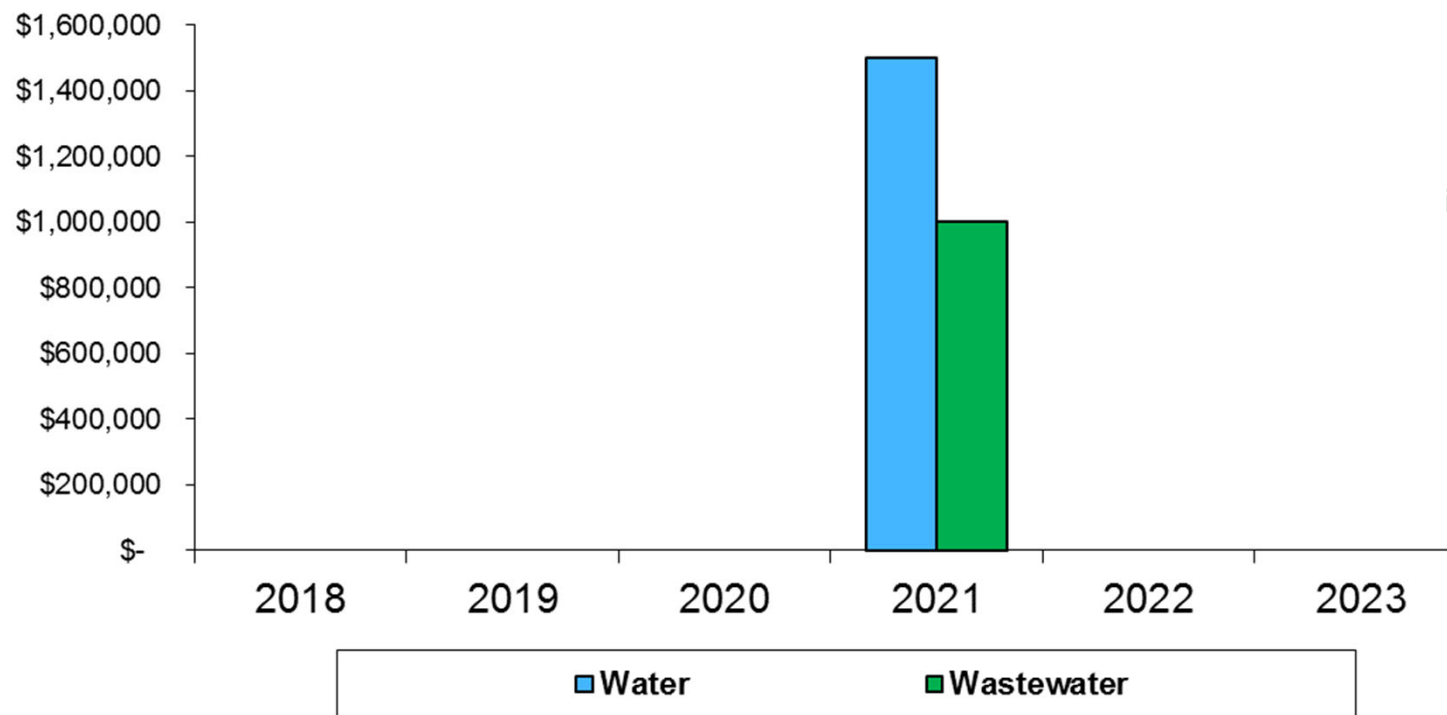
**Annual Reserve Years** = 5 Years

**Fixed P&I**

**Water** = \$1,500,000

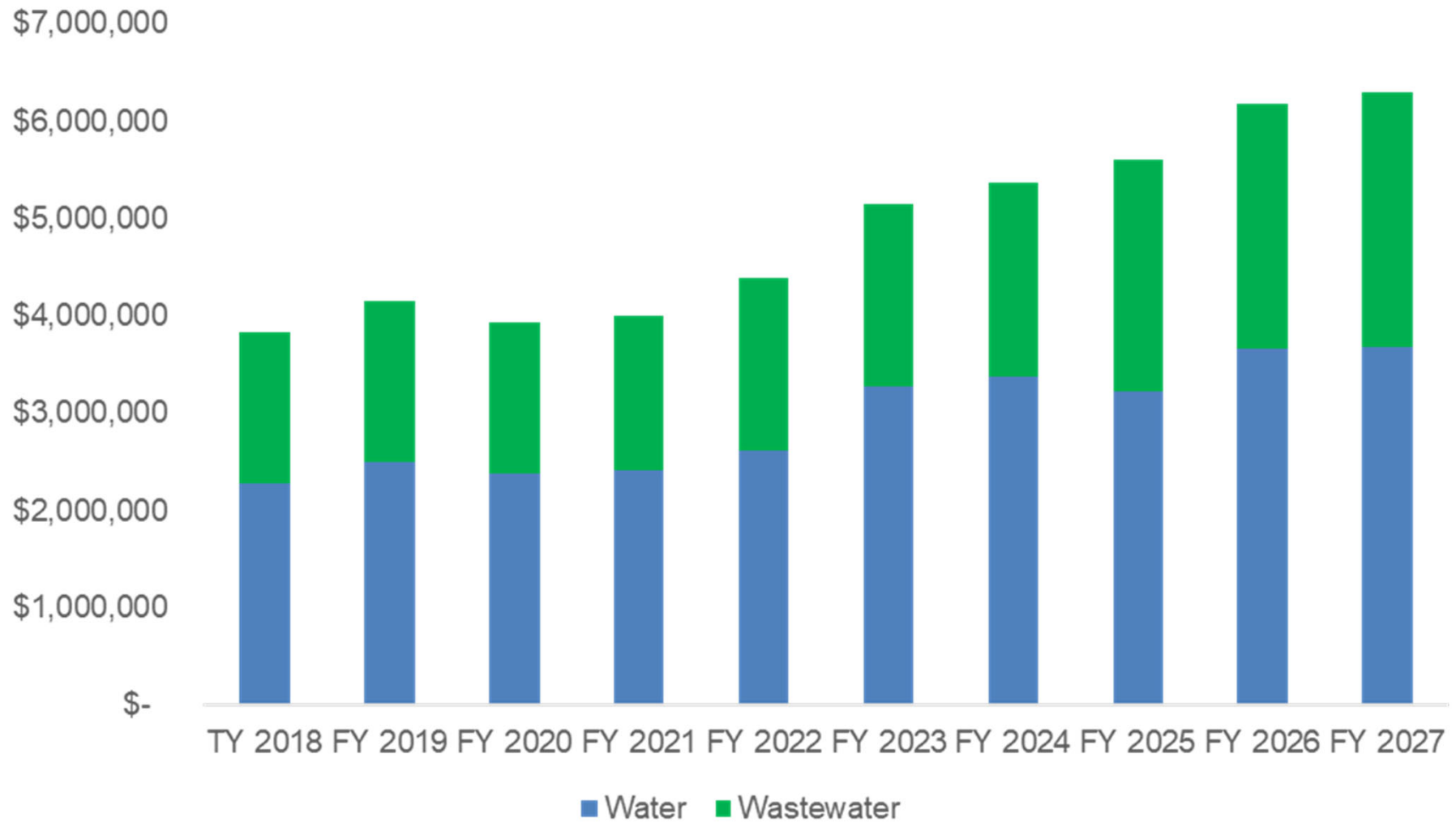
**WW** = \$1,000,000

## Future Bond Issues



\* Possible future bond issue for the Broadway street project

# Forecast Cost of Service



# Notes on Rate Proposal



- ◆ Rate plan adjustments:
  - ❖ Water – 5.0%
  - ❖ Wastewater – 5.0% plus SAWS increases
- ◆ Plan will enable City to fund \$5,734,000 in capital projects over next ten years



# Proposed Water Rate Plan



		Current	Effective Sep-18	Effective Sep-19	Effective Sep-20	Effective Sep-21	Effective Sep-22
<b>Monthly Minimum Charge --All Customer Classes</b>							
5/8"	\$	3.00	\$ 3.15	\$ 3.31	\$ 3.47	\$ 3.65	3.83
3/4"		9.00	<b>9.45</b>	9.92	10.42	10.94	11.49
1"		15.00	<b>15.75</b>	16.54	17.36	18.23	19.14
1 1/2"		37.50	<b>39.38</b>	41.34	43.41	45.58	47.86
2"		60.00	<b>63.00</b>	66.15	69.46	72.93	76.58
<b>Residential and Irrigation</b>							
Volume Rate Per 100 Cubic Feet							
-	500	0.83	<b>0.87</b>	0.92	0.96	1.01	1.06
501	1,000	1.13	<b>1.19</b>	1.25	1.31	1.37	1.44
1,001	2,300	1.63	<b>1.71</b>	1.80	1.89	1.98	2.08
2,301	Above	2.76	<b>2.90</b>	3.05	3.20	3.36	3.53
Volume Rate Per 1,000 Gallons							
-	3,740	1.11	<b>1.17</b>	1.22	1.28	1.35	1.42
3,741	7,481	1.51	<b>1.59</b>	1.67	1.75	1.84	1.93
7,482	17,205	2.18	<b>2.29</b>	2.40	2.52	2.65	2.78
17,206	Above	3.69	<b>3.88</b>	4.07	4.28	4.49	4.71
<b>Commercial</b>							
Volume Rate Per 100 Cubic Feet							
-	500	1.18	<b>1.24</b>	1.30	1.37	1.43	1.51
501	1,000	1.48	<b>1.55</b>	1.63	1.71	1.80	1.89
1,001	2,300	1.98	<b>2.08</b>	2.18	2.29	2.41	2.53
2,301	Above	1.98	<b>3.27</b>	3.43	3.61	3.79	3.98
Volume Rate Per 1,000 Gallons							
-	3,740	1.58	<b>1.66</b>	1.74	1.83	1.92	2.01
3,741	7,481	1.98	<b>2.08</b>	2.18	2.29	2.40	2.53
7,482	17,205	2.65	<b>2.78</b>	2.92	3.06	3.22	3.38
17,206	Above	2.65	<b>4.37</b>	4.59	4.82	5.06	5.32

# Proposed Wastewater Rate Plan



	Current	Effective Sep-18	Effective Sep-19	Effective Sep-20	Effective Sep-21	Effective Sep-22
<b>Wastewater Rates - All Customers</b>						
Monthly Minimum Charge (Includes 500 Cubic Feet/3,740 Gallons)	\$ 18.93	\$ <b>21.39</b>	\$ 23.53	\$ 25.88	\$ 28.47	\$ 31.31
Volume Rate per 100 Cubic Feet	3.16	<b>3.57</b>	3.93	4.32	4.75	5.23
Volume Rate per 1,000 Gallons	4.22	<b>4.77</b>	5.25	5.78	6.35	6.99

NOTE: 5.0% annual adjustments required 2023-2027

# Impact on Monthly Charges



		Current	Effective Sep-18	Effective Sep-19	Effective Sep-20	Effective Sep-21	Effective Sep-22
<b>Residential Average Monthly Bill - 5/8"</b>							
5,000 Gal (668.4 ft³)	Water	\$ 9.05	\$ 9.51	\$ 9.98	\$ 10.48	\$ 11.00	\$ 11.55
	Wastew ater	24.25	27.40	30.14	33.16	36.47	40.12
	Total	33.30	36.91	40.12	43.64	47.48	51.67
	Increase -- \$		3.61	3.22	3.51	3.84	4.20
12,000 Gal (1,604.2 ft³)	Water	\$ 22.65	\$ 23.78	\$ 24.97	\$ 26.22	\$ 27.53	\$ 28.91
	Wastew ater	53.82	60.81	66.89	73.58	80.94	89.04
	Total	76.47	84.59	91.86	99.80	108.47	117.94
	Increase -- \$		8.13	7.27	7.94	8.67	9.47
<b>Commercial Monthly Bill - 2"</b>							
25,000 Gal (3,342 ft³)	Water	\$ 119.67	\$ 125.66	\$ 131.94	\$ 138.54	\$ 145.46	\$ 152.74
	Wastew ater	108.73	122.86	135.15	148.67	163.53	179.89
	Total	228.40	248.52	267.09	287.20	308.99	332.62
	Increase -- \$		20.12	18.57	20.11	21.79	23.63
<b>Percent Residential Increase</b>			10.8%	8.7%	8.8%	8.8%	8.8%

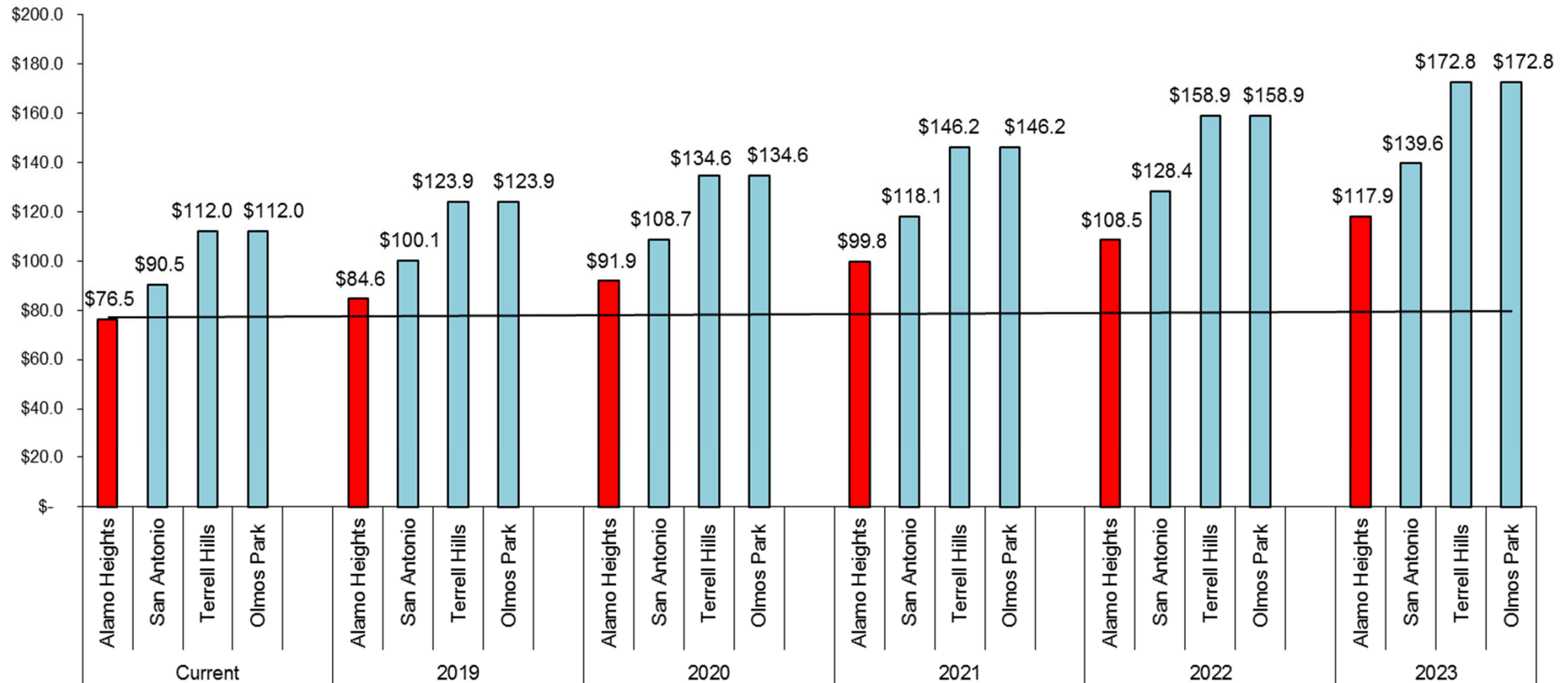
NOTE: 5.0% annual adjustments required 2023-2027



# Monthly Residential Charges Forecast

## 12,000 Gal/1,604 Cubic Feet Water and Wastewater

### 5/8" Meter; Assuming the Same Rate Increases



# Summary

## How Will Rate Plan Benefit City?



- Will enable the City to maintain a financially healthy utility
- Will allow City to fund increasing SAWS and operating costs
- Will allow City to invest \$5.7 million in capital improvements to system
- City's rates will continue to compare favorably to SAWS and other utilities

