

December 10, 2018

# City of Rockdale, TX Water and Wastewater Rate Study

# Introduction to Firm and Project Lead

## • Our Firm

- NewGen is a management and economic consulting company specializing in municipalities and municipal utilities

## • Project Manager

- Matthew Garrett, MBA, CGFO, CPM
- Former Municipal Finance Director
  - Over 16 years public sector experience
  - 5 of those years in Consulting
- Conducted a variety of cost of service and revenue recovery studies



*At NewGen, we strive to apply our expertise and deliver high impact solutions through our diverse and integrated market perspective; resulting in effective decision-making and implementation.*

# Strategic Financial Planning Process

## 1. Revenue Requirements

- How much revenue do I need?

## 2. Customer Classification

- Who are they and how are they using the system?

## 3. Rate Design

- How am I going to recover that revenue?

# Scope of Services

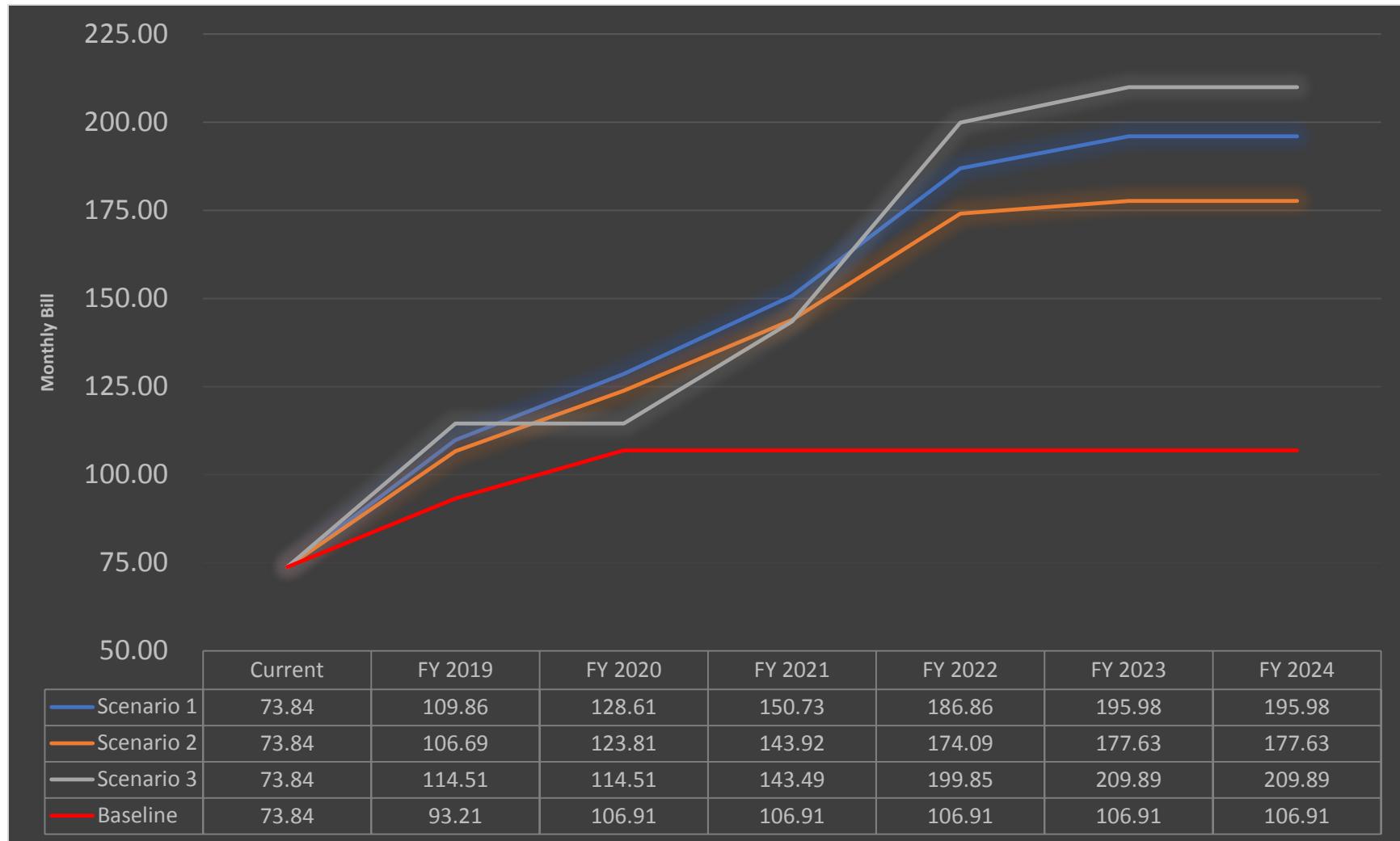
- Create five-year financial forecast
- Maintain revenue sufficiency including new capital and related TWDB debt
- Continue to meet financial targets
  - 105 Days Operating Cash on Hand
  - 1.25 Additional Bonds Test for Debt Service Coverage
- Revise rate structure to better fit industry best practice

# Overarching Issues

- Aging systems struggling to provide continuous and adequate service
  - Ex. Recent enforcement project - \$300,000 cost
- Capital investments needed
  - **\$48M** for water quality issues
  - **\$15M** for wastewater collection needs
- Relatively low customer growth expected
  - About 12 customers per year
  - Higher growth would facilitate lower rates

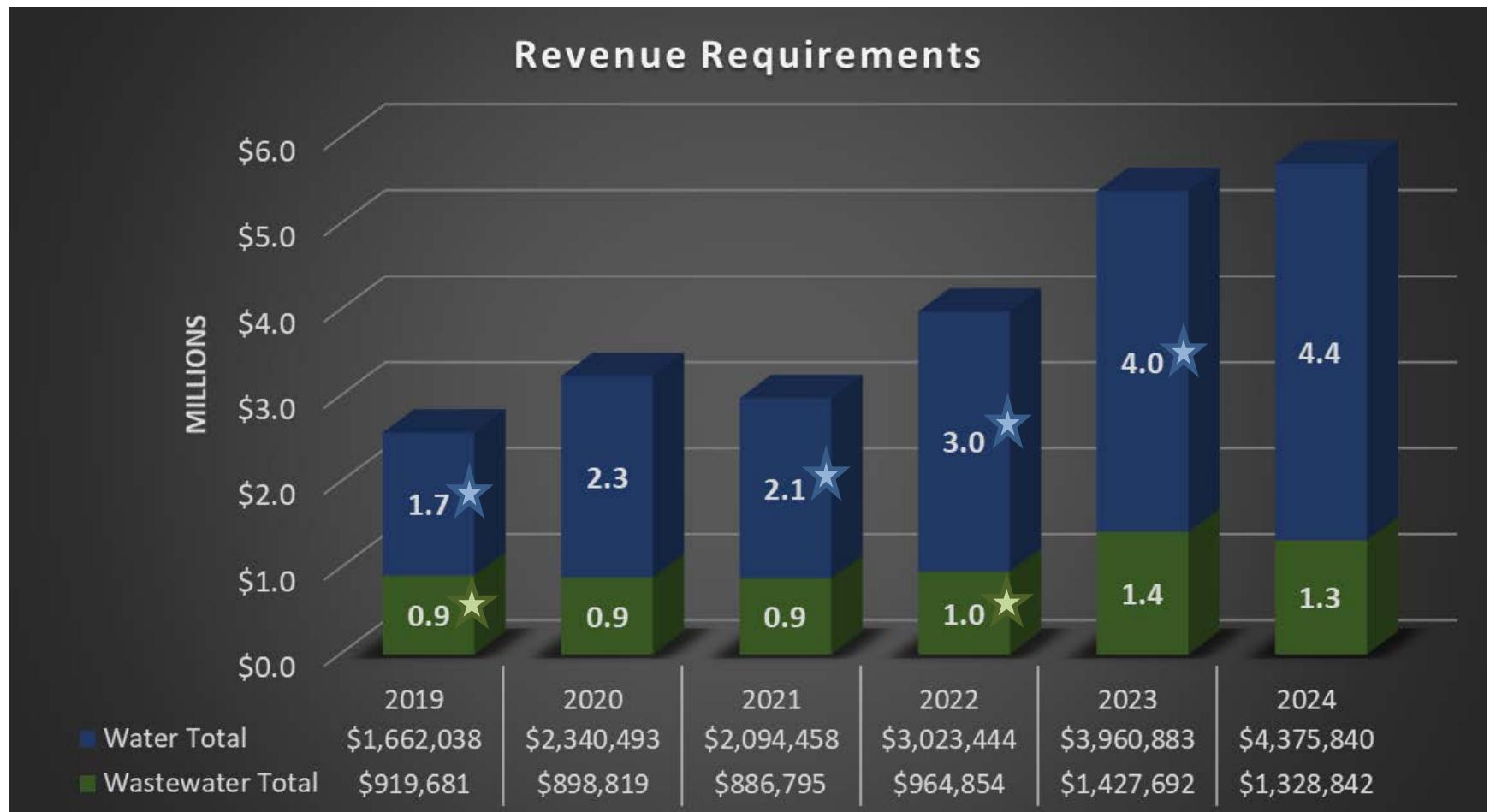
# Bill Impact for Average Residential

Average Usage in Gallons - 6,200 Water and 4,000 Wastewater



*Baseline Only for Comparison - Does Not Include Funding for TWDB Capital Improvements*

# Revenue Requirements



Drinking Water SRF Debt



Clean Water SRF Debt

# Projected Utility Performance Under Current Rates - KPIs

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>WATER AND WASTEWATER KEY FINANCIAL STATISTICS</b>						
<b>Beginning Fund Balance</b>	\$560,864	\$395,066	(\$416,549)	(\$958,328)	(\$2,495,374)	(\$5,420,922)
Total Revenues	2,569,850	2,560,682	2,572,458	2,584,235	2,596,011	2,607,788
Total Expenses	2,735,648	3,372,296	3,114,237	4,121,281	5,521,559	5,837,666
<b>Ending Fund Balance</b>	<b>\$395,066</b>	<b>(\$416,549)</b>	<b>(\$958,328)</b>	<b>(\$2,495,374)</b>	<b>(\$5,420,922)</b>	<b>(\$8,650,800)</b>
<b>Days of Working Capital (105 Days)</b>	78	(72)	(187)	(470)	(986)	(1,519)
<b>Debt Service Coverage</b>						
Total Revenues	\$ 2,569,850	\$ 2,560,682	\$ 2,572,458	\$ 2,584,235	\$ 2,596,011	\$ 2,607,788
Total Expenses Less Debt Service	1,856,196	2,110,888	1,873,915	1,938,901	2,007,028	2,079,064
<b>Available for Debt Service Coverage</b>	<b>\$ 713,654</b>	<b>\$ 449,793</b>	<b>\$ 698,543</b>	<b>\$ 645,334</b>	<b>\$ 588,983</b>	<b>\$ 528,724</b>
Debt Service	879,452	1,261,408	1,240,322	2,182,380	3,514,531	3,758,601
Debt Service for Coverage (Average Annual)	1,291,217	1,304,622	2,120,186	3,577,784	3,891,033	3,900,199
<b>Coverage Ratio</b>	0.55	0.34	0.33	0.18	0.15	0.14
<b>Target Debt Service Coverage Ratio</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.10</b>

# Current Rates

Hypothetical Rate  
from Baseline Example

<b>Sec. A2.002 MONTHLY WATER AND WASTEWATER CHARGES</b>					
(a) Monthly Water Charges					
(1) First 2000 Gallons	No Volumes Included	\$ 28.47	\$	25.88	minimum
(2) All over 2000 Gallons	All Volumes Used	4.76	\$	4.76	per 1000 gallons
(b) Monthly Wastewater Charges					
(1) First 2000 Gallons	No Volumes Included	\$ 15.71	\$	15.71	minimum
(2) All over 2000 Gallons	All Volumes Used	6.13	\$	6.13	per 1000 gallons
(c) Monthly Wastewater Charges - NEW ACCOUNT RATE (until sewer averaging)					
(1) 1 person		\$ 27.97	\$	15.71	
(2) 2 people		55.96	\$	31.43	
(3) 3 people		67.23	\$	37.76	
(4) 4 or more people		91.28	\$	51.27	
(d) SEWER AVERAGING for Monthly Wastewater Residential Customers - Monthly wastewater service charge	to be based on the averaged three (3) winter months (Nov/Dec/Jan) metered water billing for the prior year				

# Revenue and Rate Options Considered

## KEY



Not Included



Included in Baseline and All Scenarios



Dependent on Scenarios



Pay for utility operations with property taxes



Charge multi-family by unit, recognizing each as a connection



Charge for all volumes, including the first 0 - 2,000 currently not charged



Charge larger meters more related to capital requirements to serve



Charge higher volume customers more for above-average and “excessive” usage

# Feasible Scenario Distinctions

## Scenario 1

Set Meter Equivalency on  
1-inch Standard

Meter Equivalency  
50% for All  
Five Years

Volumetric Rate Tiers  
Increase 30% per Block  
for All Five Years

**RECOMMENDED**

## Scenario 2

Set Meter Equivalency on  
3/4-inch Standard

Meter Equivalency  
50%, Increasing  
to 100% by 2023

Volumetric Rate Tiers  
Increase 30%, Increasing  
to 50% by 2023

## Scenario 3

Rate Design  
Mostly Unchanged

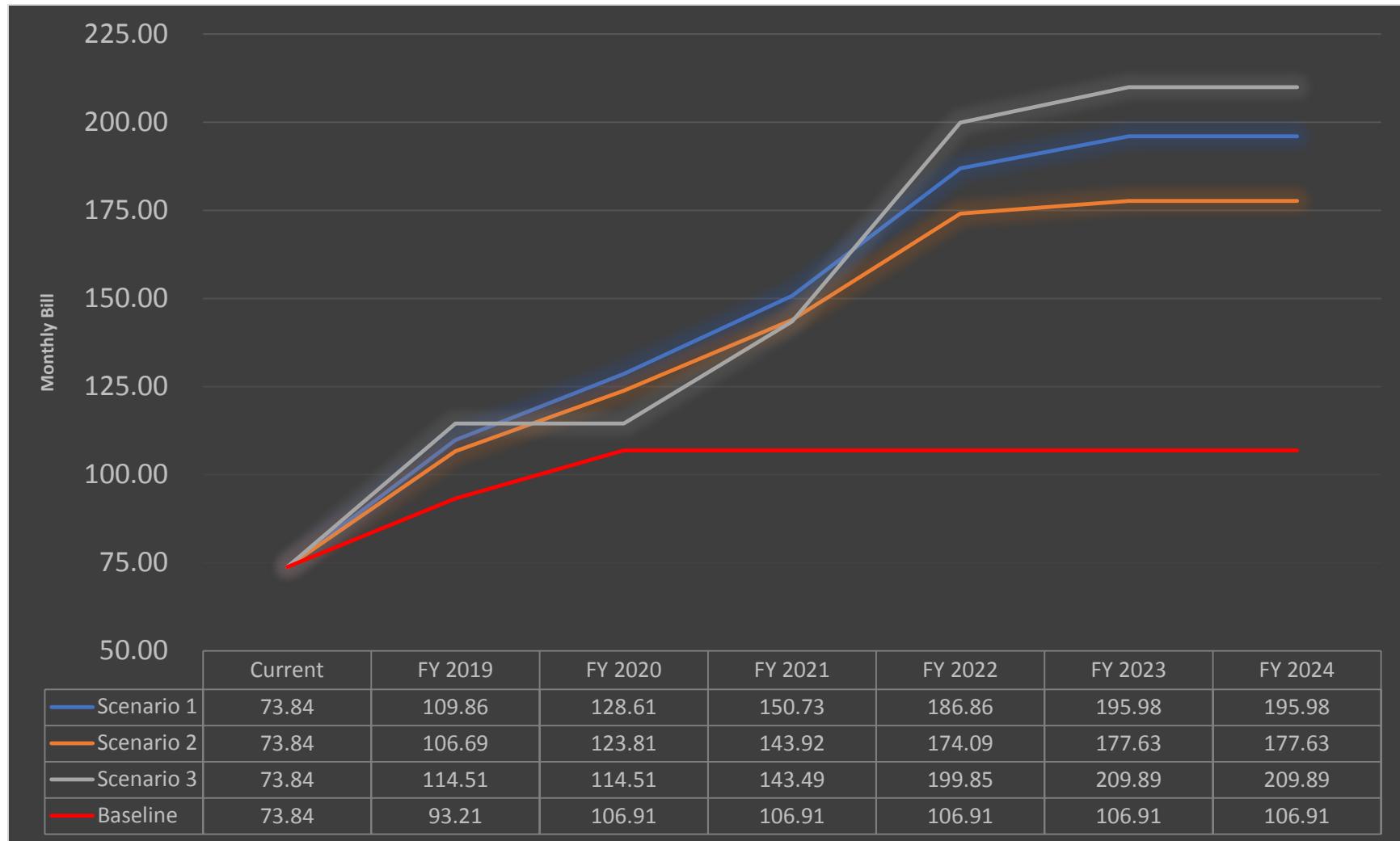
All Meters  
Charged the Same  
Regardless of Size

Uniform Volumetric Rates  
Regardless of Volumes

*Each scenario increases rates overall, charges for all volumes and bills multifamily per unit.*

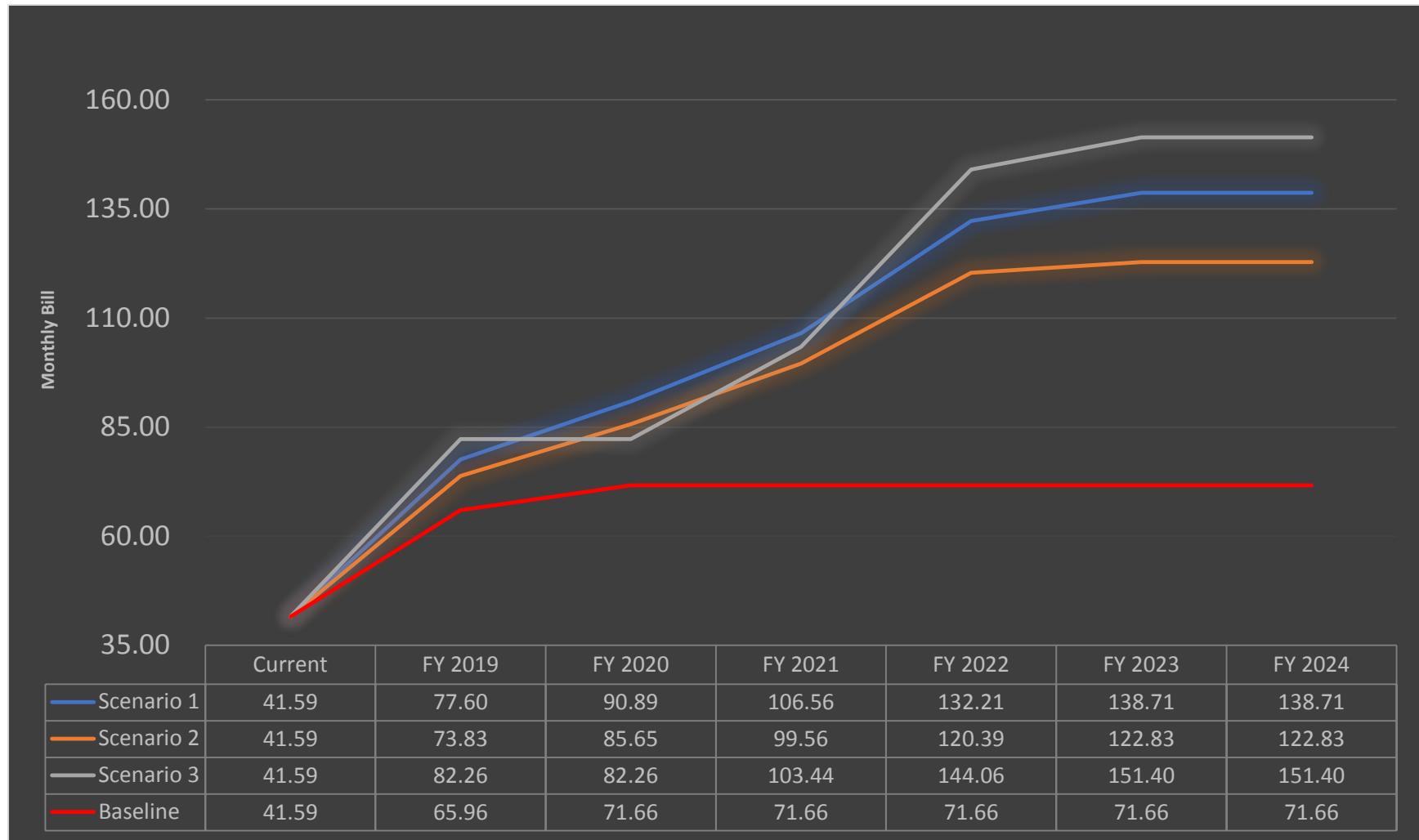
# Bill Impact for Average Residential

Average Usage in Gallons - 6,200 Water and 4,000 Wastewater



# Bill Impact for Low Residential

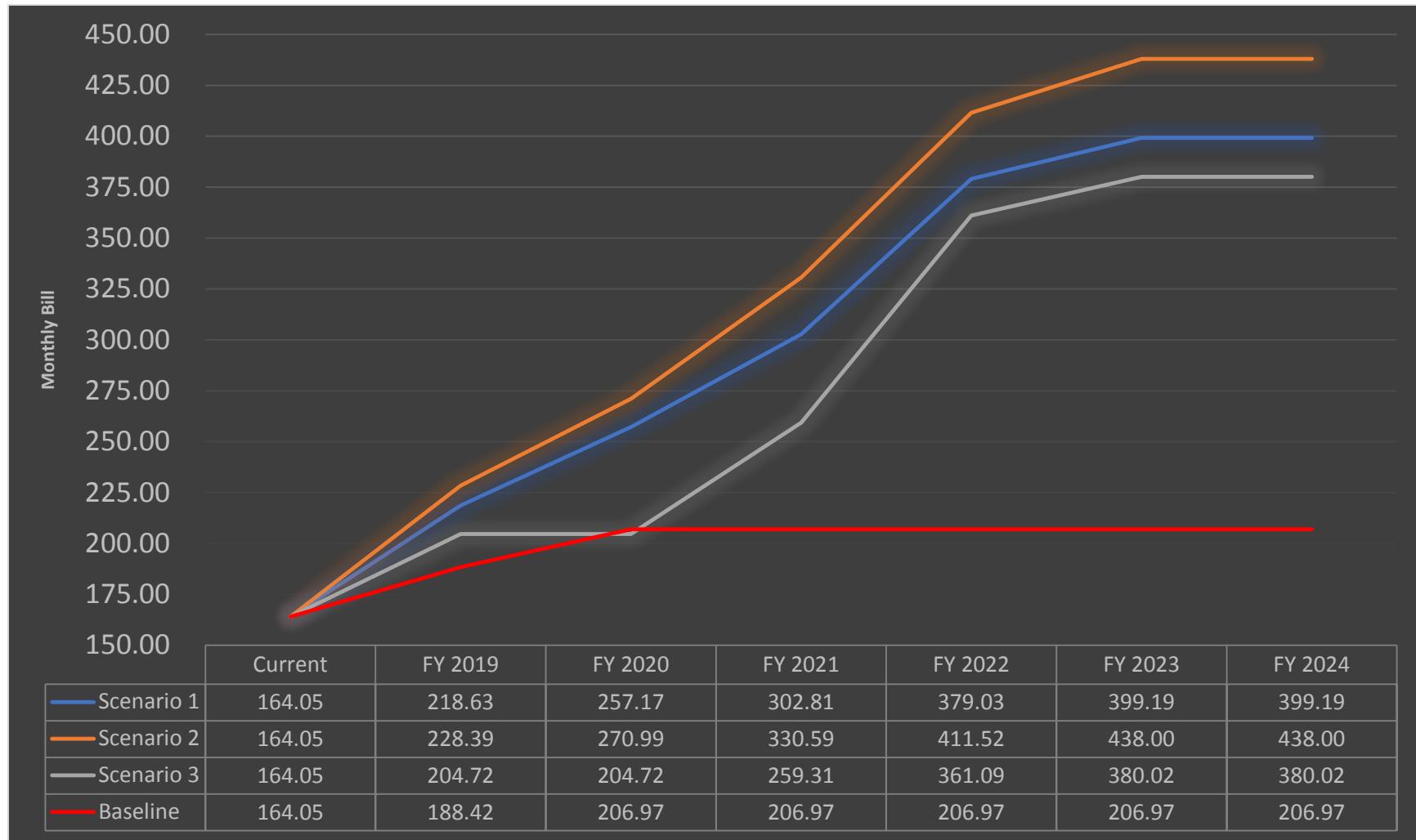
## Usage in Gallons - 2,000 Water and 2,000 Wastewater



*Baseline Only for Comparison - Does Not Include Funding for TWDB Capital Improvements*

# Bill Impact for High Residential

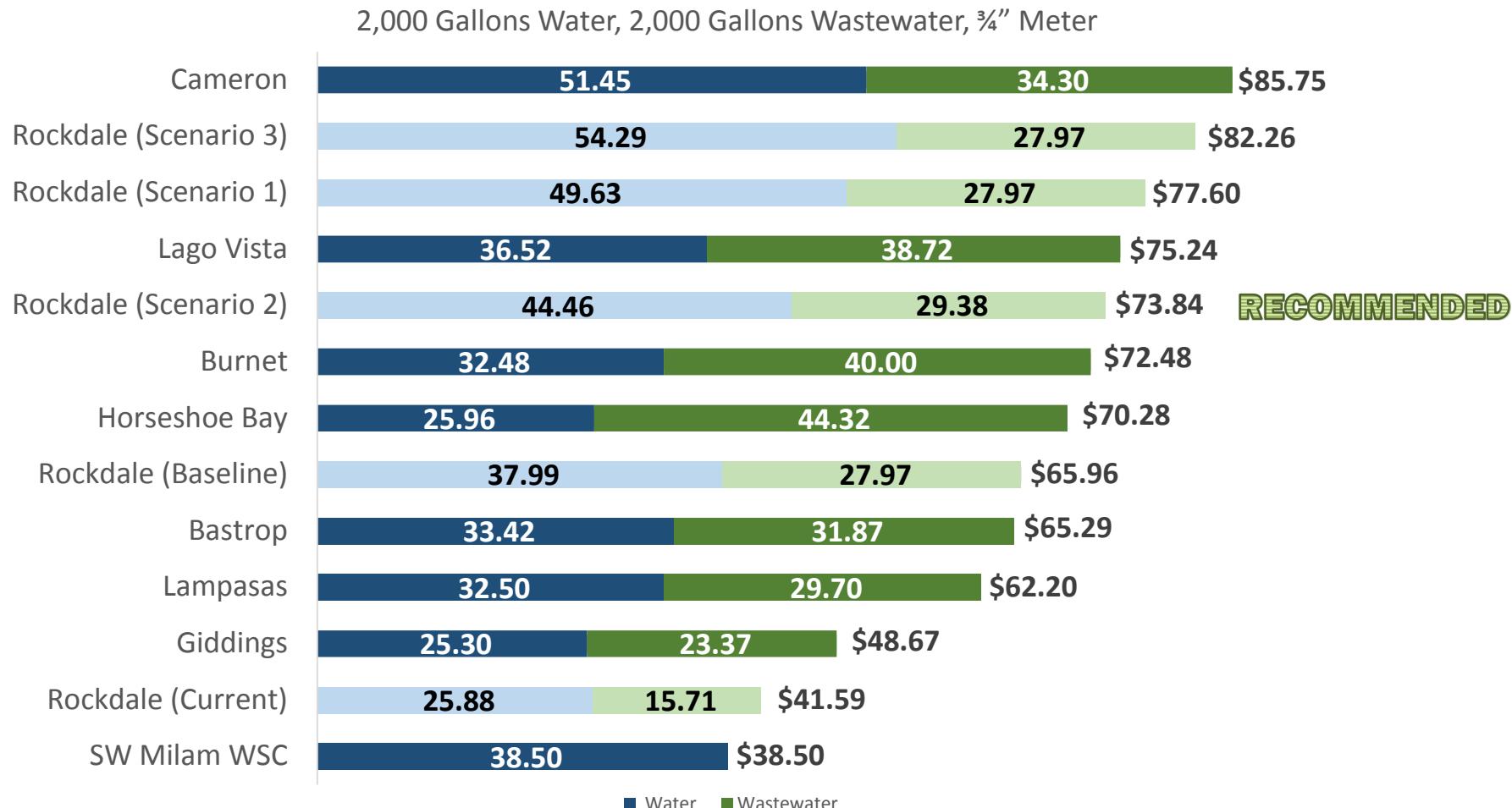
## Usage in Gallons - 20,000 Water and 8,000 Wastewater



*Baseline Only for Comparison - Does Not Include Funding for TWDB Capital Improvements*

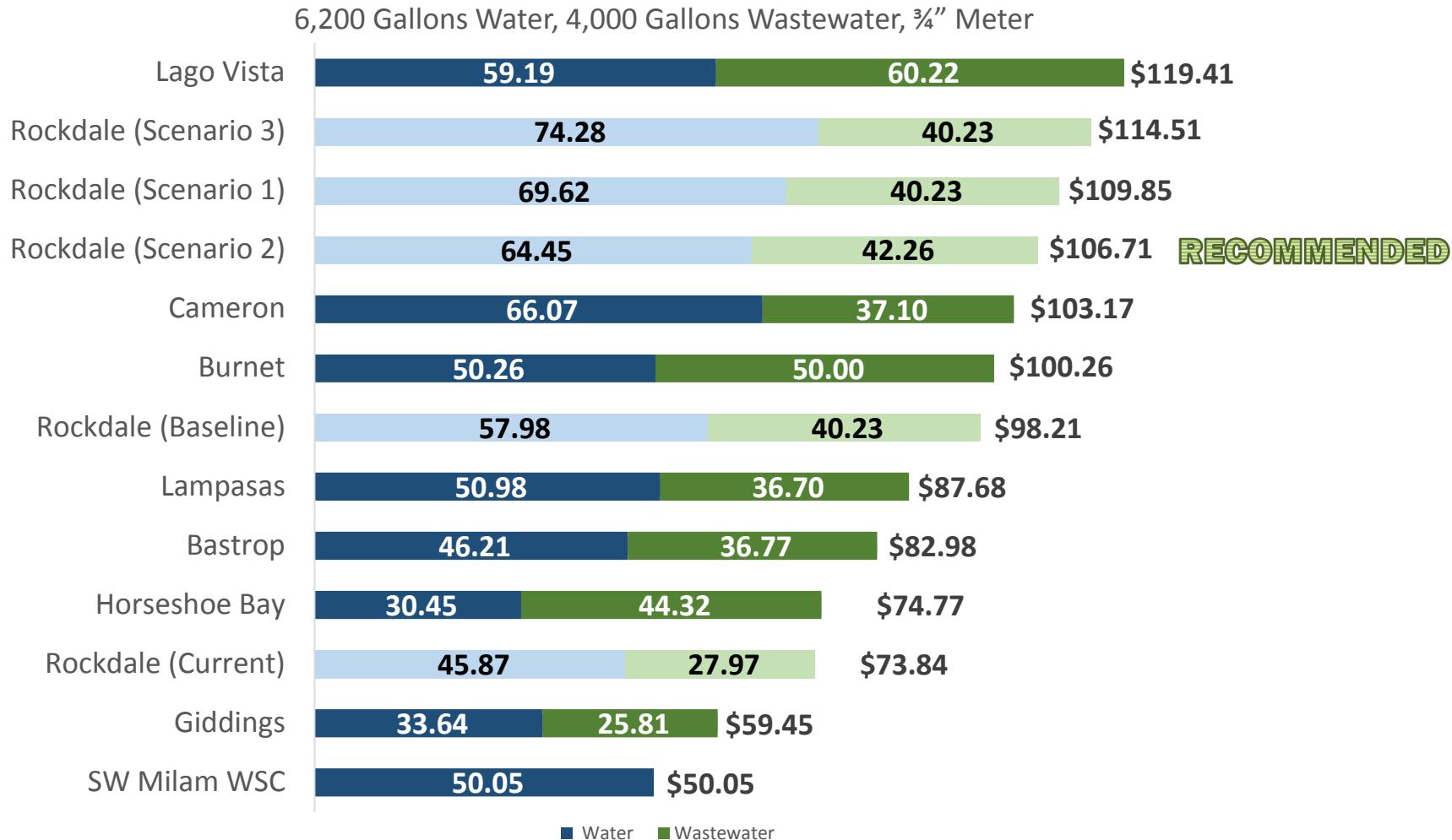
# Monthly Bill Comparison

## Low User- FY 2019 Rates



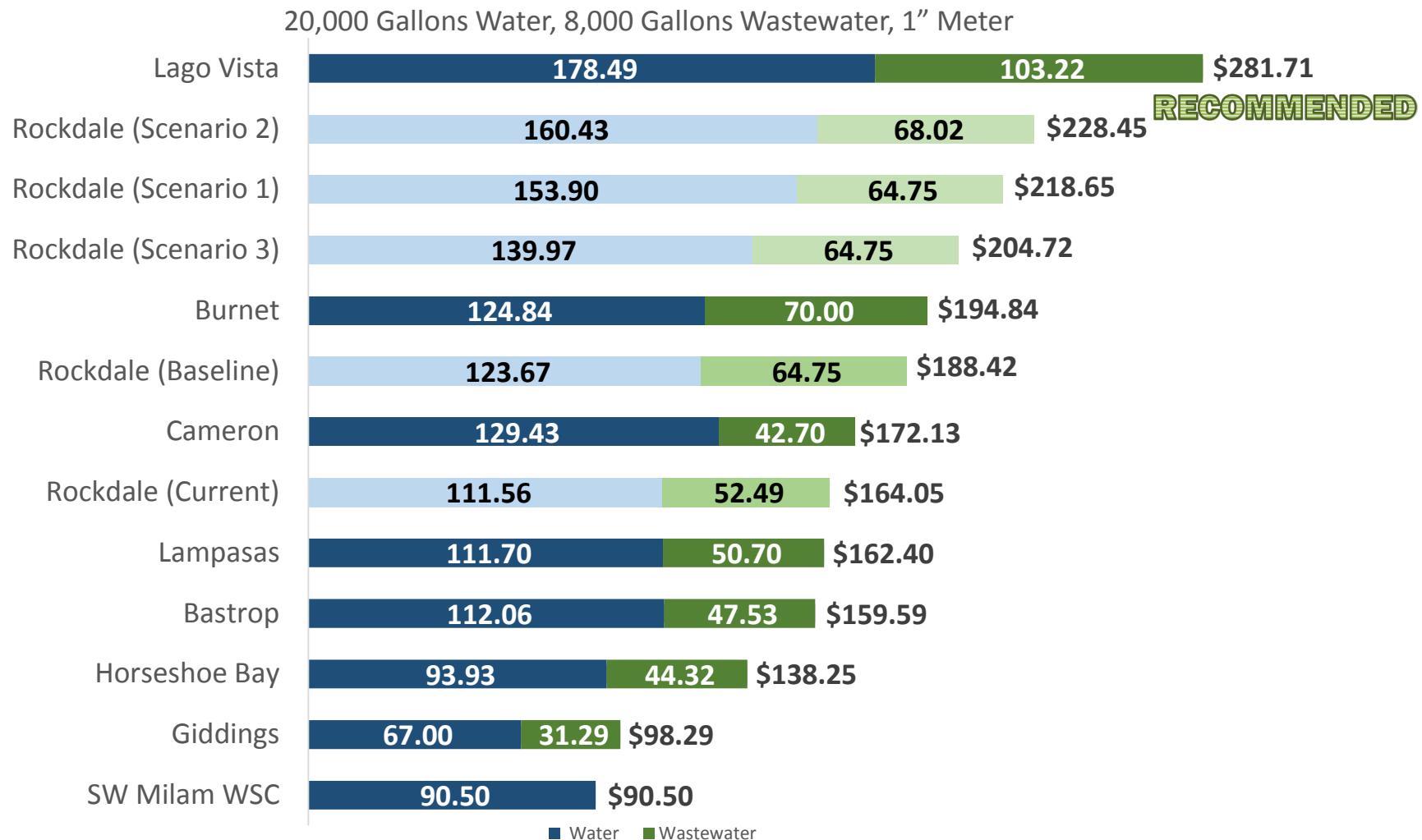
# Monthly Bill Comparison

## Average User- FY 2019 Rates



# Monthly Bill Comparison

## High User- FY 2019 Rates



# Next Steps

- Today
  - Discuss and Decide on Path Forward
- Future
  - Customer Communication Plan
  - TWDB Loan Coordination
  - Planned Use of Excess Revenues from Meeting 1.25 Debt Service Coverage
  - Track and Adjust Revenues Annually



# Thank you for your time.

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Strategies & Solutions**

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