



FY20 WATER AND SEWER RATE INCREASE

Community Services

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WATER & SEWER ENTERPRISE FUND

- Enterprise Funds are not supported by property taxes; they only receive revenue through charges to customers
- Fund budget ideally balances revenues and expenses
- Financial policy is to maintain 90-120 days of fund reserve to address emerging issues
- Due to the unpredictability of the weather; and weather's impact on water consumption, this is a difficult fund budget to develop and manage

WATER & SEWER ENTERPRISE FUND

- Last rate increase was November 1, 2018
- Continued increase in wholesale water and wastewater charges necessitate a Fiscal Year (FY)20 rate increase
- In FY20, North Texas Municipal Water District (NTMWD) wholesale costs to City will be 61% of our Water and Sewer Fund Expenses. In FY09, NTMWD wholesale costs represented 39% of the City's fund expenses.

WHOLESALE WATER & WASTEWATER RATES

KEY COST DRIVERS

- Regional service population growth, doubling by 2050;
Increase water & sewer infrastructure
 - 75% of cost increase
- Maintain, upgrade, or replace aging infrastructure
 - 17% of cost increase
- Regulatory requirements
 - 8% of rate increase & wastewater rate

WHOLESALE RATES – NTMWD BIG PROJECTS

Project	Cost
Lake Texoma Water Pipeline	\$ 300 MILLION
Ozone Disinfection	\$ 125 MILLION
New Lake/Water Treatment Plant	\$ 1.6 BILLION
New Trinity River Water Source	\$ 120 MILLION
Wylie Water Plant Projects	\$ 106 MILLION
Three Ground Storage Tanks	\$ 27 MILLION
New Wastewater Plant by 2023	\$ 500 MILLION
Existing Plant Expansions	\$ 135 MILLION
New Water/Sewer O&M Projects	\$ 50 MILLION

CITY COST DRIVERS

- Still a growing community with high growth trends
- Capital Improvement Program (CIP) to replace old water and sewer infrastructure; build new Sloan Creek sewer lift station
- Equipment purchase and technology improvements to support the wastewater Capacity, Management, Operations and Maintenance Program (CMOM)
- Federal Risk Assessment and Response Plan Update in FY20
- Increasing costs of Vehicle Replacement and Overall Technology Replacement Costs

ALLEN CAPITAL IMPROVEMENTS (CIP)

\$65.6 MILLION OVER NEXT 10 YEARS

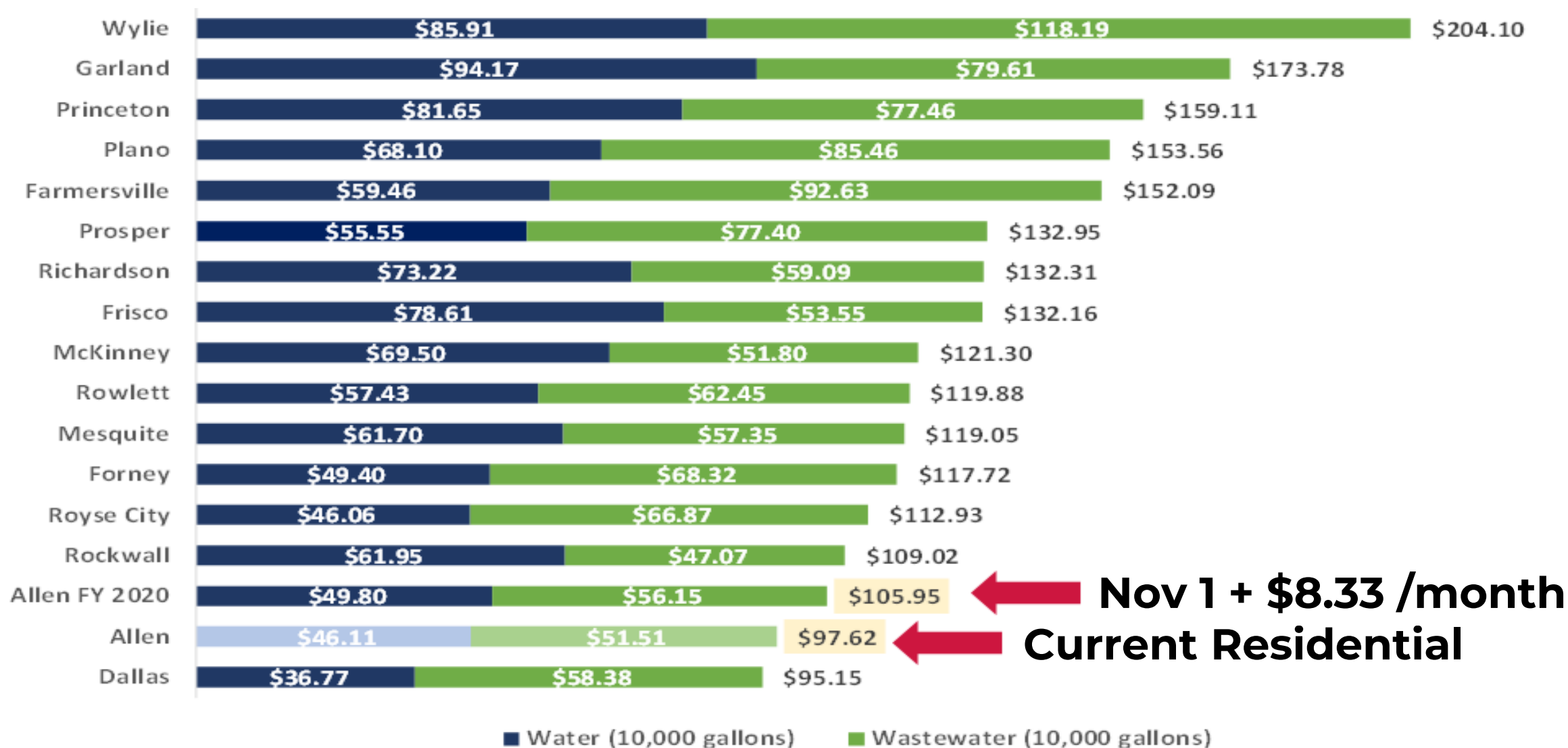
- Hillside Clay Tile Sewer Pipe & Water Line Replacement Project (3 miles) – **\$8 Million**
- Windridge Clay Tile Sewer Pipe & Water Line Replacement Project (3.5 miles) – **\$12 Million**
- Stacy Road Pump Station Rehab – **\$5 Million**
- Sloan Creek Regional Lift Station w/NTMWD & Fairview - **\$10.6 Million** (later receiving \$2.3 Million Back)
- Periodic CIP Projects – **\$30 Million**
 - Painting/maintaining water storage tanks (5 ground and 5 elevated)
 - Refurbishing sewer lift stations

WATER AND SEWER RATE STUDIES

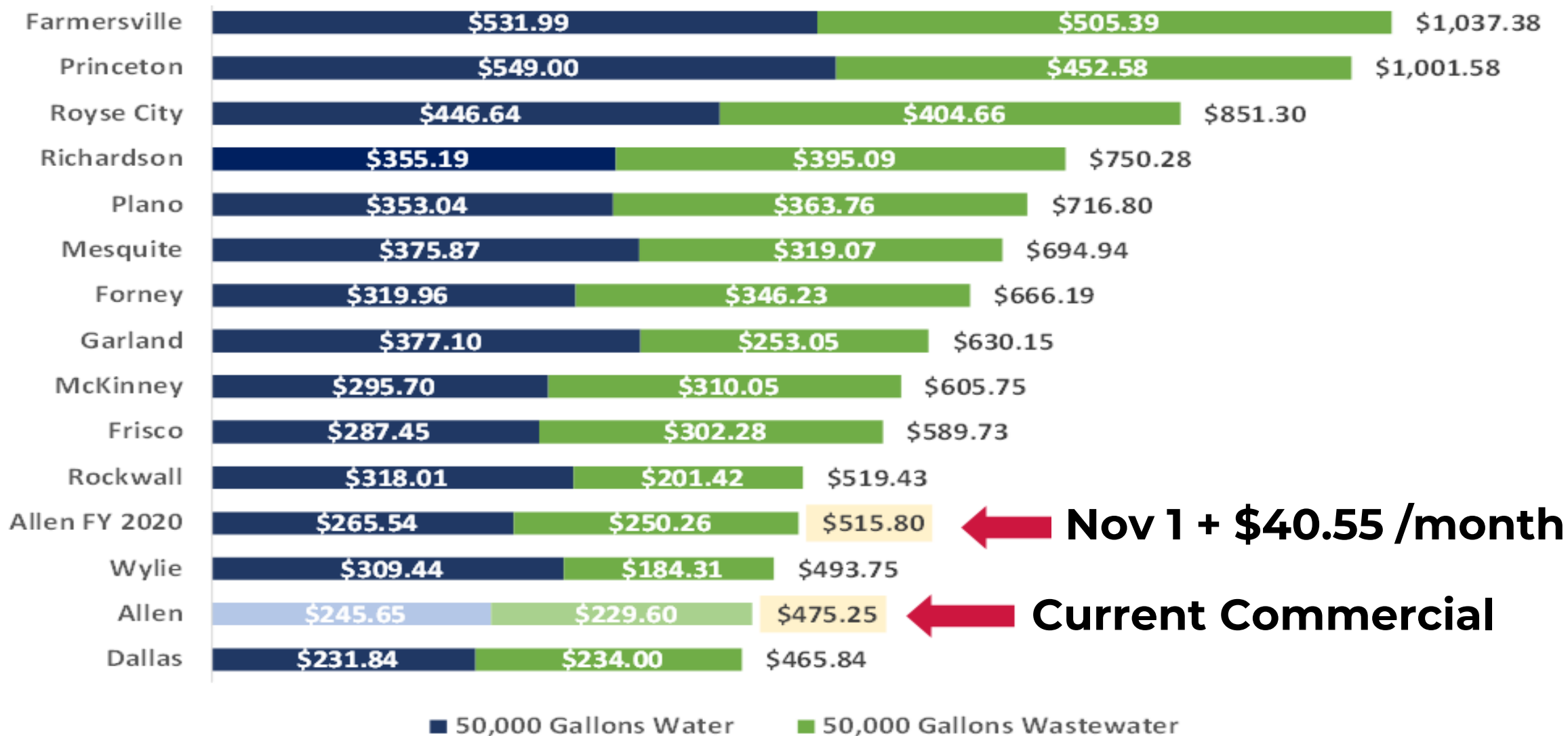
- Specialist consultants assist the City staff to complete rate studies that analyze the fund's projected revenues and expenses
- Rate Studies determine the fund's customer charges to generate required revenues and maintain fund reserves
- The City conducted a Full Rate Study in December 2017 and a Rate Study Update in August 2019

RESIDENTIAL WATER & WASTEWATER COST

10,000 GAL – COMBINED COST WATER + 8%; WASTEWATER + 9%



COMMERCIAL WATER AND WASTEWATER COST 50,000 GAL – COMBINED COST WATER + 8%; WASTEWATER + 9%



SUMMARY

- **Water and Sewer rates are impacted by:**
 - Significant population driven demands for additional water and wastewater services
 - Necessity to maintain the past investment in aging City and NTMWD infrastructure
 - Increasing Federal and State regulation
- **Allen's residential and commercial rates are very competitive among NTMWD Cities**

W&S FUND FY20 FINANCIAL OVERVIEW

Working Capital End FY19	\$ 10,133,294
Days of Reserve End FY19	83
Revenues FY20	\$ 52,005,052
Expenses FY20	\$ 49,488,730
Profit (Loss)	\$ 2,516,322
Working Capital End FY20	\$ 12,649,606
Days of Reserve End FY20	99
Policy: Days of Reserve Range 90-120 Days	
90 DOR = \$ 12,202,740	
120 DOR = \$ 16,270,320	

RECOMMENDATION

City Council adopt a Rate Resolution implementing the recommended Water & Sewer Rate increase with an effective date of November 1, 2019