

2020 UTILITY RATE STUDY

City of Bevil Oaks

BACKGROUND

- Rates were last set September of 2018
- Rates are based on usage of \$26.00 for 1,000 gallons of water and sewer, plus user fee of \$39.90.
- We intended to hold quarterly city council workshops on the water/sewer rates
- The Texas PUC paid for Phillip Givens to conduct a Water/Sewer rate study. In March of 2019, Mr. Givens recommended that we should switch to allocating fixed costs equally among users (minimum bill) and variable costs to usage fees.

INFORMATION USED IN RATE STUDY

- Historical usage numbers
 - Number of connections
 - Total water usage
- Bevil Oaks FY 2020 Public Works Budget
- Mr. Givens Presentation
- Researched the American Water Works Association M1 Principles of Water Rates, Fees and Charges (5th Edition)
 - Recommendation that the City buys the current 7th edition — \$178.00 online

TEXAS PUC GUIDANCE

- Mr. Givens stated the the PUC follows AWWA M1 Guidance
 - There is a value for having water service, and that value should be the allocated portion of fixed costs
 - The variable costs should be allocated on a use basis (per 1,000 gallons)

EXISTING RATE STRUCTURE

- Minimum Bill = \$65.90
- Includes debt fee of \$39.90
- Per 1,000 gallon charge of \$26.00 for water and sewer
 - \$13.00 per 1,000 gallons of water
 - \$13.00 per 1,000 gallons of sewer

EXISTING RATE STRUCTURE - PROS

- People pay for exactly what they use
- Low minimum bill

EXISTING RATE STRUCTURE - CONS

- Can lead to extremely high bills for higher consumption consumers
- Hard to high consumption users to budget for their water/sewer bills
- Not in line with AWWA M1
- Leads to a perception of high water bills, when in reality we have similar rates to neighboring municipalities.
- Can lead to revenue instability for our public works division of Bevil Oaks
- Harder to budget based solely on usage.

PROPOSED RATE STRUCTURE

- Fixed Costs —> Minimum Bill
- Variable Costs —> Usage Billed
- Add in debt payments —> User Fee

PROPOSED RATE STRUCTURE - PROS

- In line with Texas PUC recommendations
- More equitable
- Decreases bill volatility
- Increases revenue stability
- Decreases negative perceptions of high bills

PROPOSED RATE STRUCTURE - CONS

- Higher minimum bill

BILLING CALCULATIONS

- Spreadsheet Analysis
 - Discussion of Classifying Fixed and Variable Costs
 - Proposed Rate Calculation
 - Current Rate Calculation
 - Comparison of Current Vs Proposed Rates
 - Comparison of Rates from Neighboring Utilities

RECOMMENDATIONS

- Switch to proposed rate structure
- Review this quarterly at city council meetings or separate budget meetings
- Purchase AWWA M1 7th edition

QUESTIONS?