



## WATER & UTILITY DISCUSSION

At the March City of Bevil Oaks Council meeting, Mayor Ford presented a water usage chart that showed the amount of water that has been sold thus far in fiscal year 2018-2019. The City's fiscal year runs October 1 thru September 30. The current budget, as well as water and sewer rates, were set based on the assumption that the City would sell 15,730,000 gallons of water through both the primary and secondary meters in 2018-2019 which is only slightly more than in the fiscal year just after Harvey (2017-2018). As a point of reference, each 1M gallons of water sold generates \$26,000 in revenue. This chart of usage was made available to show that the City is on track to sell a total of between 14M & 16M gallons of water, as projected, if sales continue as they are going. Thru the end of March, 6 months into the fiscal year, the City has sold 8,077,563 gallons. As a side note, the sales or usage numbers shown monthly in this chart for the **primary meters only** are the numbers that the City sends to Beaumont each month. Beaumont, in turn, uses these figures to invoice Bevil Oaks for treating our sewer effluent pumped to them for treatment.

The annotated chart Mayor Ford discussed is presented in full at the bottom. A closer look at this chart of usage dating back to the 2013-2014 fiscal year also provides some insight as to some of the problems with the shortage of revenue. In the '13-'14 fiscal year, a total of 29M gallons of water was sold. In the '16-17' fiscal year, only 25.25M gallons were sold, a decline of almost 4M gallons. And then, Harvey struck and sales, quite naturally, plummeted to around 14M gallons. Maintenance and repair expenses, however, remained about the same. There is not much correlation between the costs of repairs as it relates to the amount of water sold. If the systems are on and operating, the City experiences relatively the same amount of leaks and repairs whether we sell 14M gallons or 29M gallons. One of the things that directly affects the amount of sewer line and water line repairs is how wet or how dry of a year the City has. The drier or more drought-like the conditions, the more we suffer repairs to the water and sewer lines. Since droughts or wet years are hard to predict, it is vitally important that the City be financially ready for whatever occurs. **Please bear in mind, the only source of revenue that the City currently has for utility operations is revenue from the sales of water and sewer.**

More than one person over a series of council meetings has commented something to the effect that: "When BOMUD turned over the utility operation to the City, they had over \$300,000 in the bank and thru mis-management, y'all have managed to squander it all!" The City wants its citizens to be fully informed and wants to govern with fully transparent accountability. Because a number of these types of comments have been made in public and on various social media platforms, the City wants its citizens to have *accurate* information. Rather than attempt to answer each and every comment in a social media platform or personal encounter, the City is sending this update to provide a correct summary of the City's current economic position and previous use of BOMUD funds.

In 2012, the City was forced to honor a contract entered into by BOMUD with its previous engineer for work he performed for BOMUD designing a new sewer plant. The multimillion-dollar sewer plant project was never formally approved by Bevil Oaks citizens. BOMUD's controversial approach to administration and operations ultimately resulted in a referendum on its existence. Consequently, Bevil Oaks citizens ultimately voted to turn over the operation of the water and wastewater operations to the City.

BOMUD's engineer filed a lawsuit over the abandoned project in 2011 shortly after the City took over operations from BOMUD. This lawsuit ended up costing the City \$295,000 in **compensation and costs** to unwind the sewer plant replacement project. The conclusion of this contract lawsuit was discussed and approved at a Council meeting in late 2012. BOMUD's project was never completed because the City chose the much less expensive option of sending its wastewater to Beaumont for processing through its Force Main Project.

Additionally, from the time the City took over the operation of the utility system, the City spent at least \$100,000 keeping the old sewer plant operational until it could be taken out of service and demolished in the summer of 2016 when the new Force Main Project to Beaumont came online. Another major expense paid out of the utility budget was a new 8" sewer line adjacent to Vautrot's trailer park that had been approved and scheduled by BOMUD prior to the City taking over but was not included in their budget. This work cost the City \$36,900.

Basically, the City used funds previously collected by BOMUD to pay for BOMUD projects, liabilities and obligations. Consequently, the issue with funds received from BOMUD is not how it was spent. The funds were spent on substantial preexisting or mandatory obligations for the utility. While it is unfortunate that the City inherited so many obligations from BOMUD, it would in no way have prevented the current problem related to the decrease in revenue. The lack of revenue is directly related to a pre-Harvey decline in water sales as well as a substantial number of citizens being unable or unwilling to return to their homes. Only if Bevil Oaks returns to its pre-Harvey population will revenues hopefully increase to the point that water rates can be reduced.

The City is working hard to acquire government assistance for its recovery, but the process is slow and requires a great deal of work. The City is optimistic as to future project approval having already secured \$1.5 million in Texas Water Development Board Grants for infrastructure repair or replacement, but is still awaiting FEMA's approval for reimbursement for out-of-pocket expenses spent on the recovery in the first two months after Harvey.

The City is also aware of comments that its utility operator is over-charging the City. These comments are simply not based in fact. Since hiring this contractor at the end of 2010 when the City took over utility operations, the City's contractor's hourly rates have remained constant. The City's operator has never gone up one dollar on any of the hourly services that they provide to the City on an "as needed" basis. It is extraordinary and very helpful that the City has been able to work with a utility operator that has not raised its hourly rates in nine years.

Furthermore, our utility contractor charges us a monthly fee to check on and monitor our water and sewer systems. This fee includes:

#### WATER SYSTEM

##### DAILY:

- Record master meter readings for all water wells;
- Monitor and check chlorine levels in the distribution system and at well sites;
- Change out chlorine cylinders as needed.

##### MONTHLY:

- Flush all dead-end flush valves;

- Pull and submit to lab required number of bacteriological samples.

QUARTERLY:

- fill out TCEQ disinfection LEVEL QUARTERLY REPORTS.

ANNUALLY:

- Fill out and submit operator notifications to the TCEQ.

#### OPERATION OF WASTEWATER SYSTEM:

MONDAY THRU FRIDAY: check operation of wastewater lift stations.

MONTHLY: Provide monthly reports to the City/council.

All of the services just described are provided for a cost of **\$2350/month or \$73.88/day for a 30-day month.**

The remainder of their work, which is generally repair work, is provided on an hourly basis at the City's direction. With the exception of afterhours or emergency call out's, **all** work is performed only after receiving a Work Order from the City to provide a specific task. There are times when the contractor will call the office to say that a repair needs to be made for this or that such as, a leak has been detected that needs to be repaired. But, in all cases before any work is performed, a work order is written and given to them before work is started. When their invoices are submitted monthly for payment, the charges are submitted by the Work Order number that started the process. On complicated or expensive repairs, there is always a consultation both on method of repair as well as what the cost might be before the repair is made. Remember, they work at the City's direction and discretion.

The utility budget has been previously posted on the City's website. To try and simplify this budget and make it easier to read and therefore understand, the budget has been turned into a pie chart to try and show the different elements that make up the budget as well as the various categories' percentage of the overall budget. The budget posted on the City's website is the overall or complete budget for the utility operations and includes debt for the water meters as well as the bond project. These two items are paid for by the monthly USER FEE included on your monthly water bill of \$39.90. These two items are not paid for or funded by water and sewer sales revenue, so for this illustrative example, they are not included.

So, referencing the utility budget previously posted on the website, the total revenue receipts, without the debt user fee is projected to be \$403,000. This amount will represent the total size of the "pie" and all figures will be a percentage of this amount and depicted on the chart.

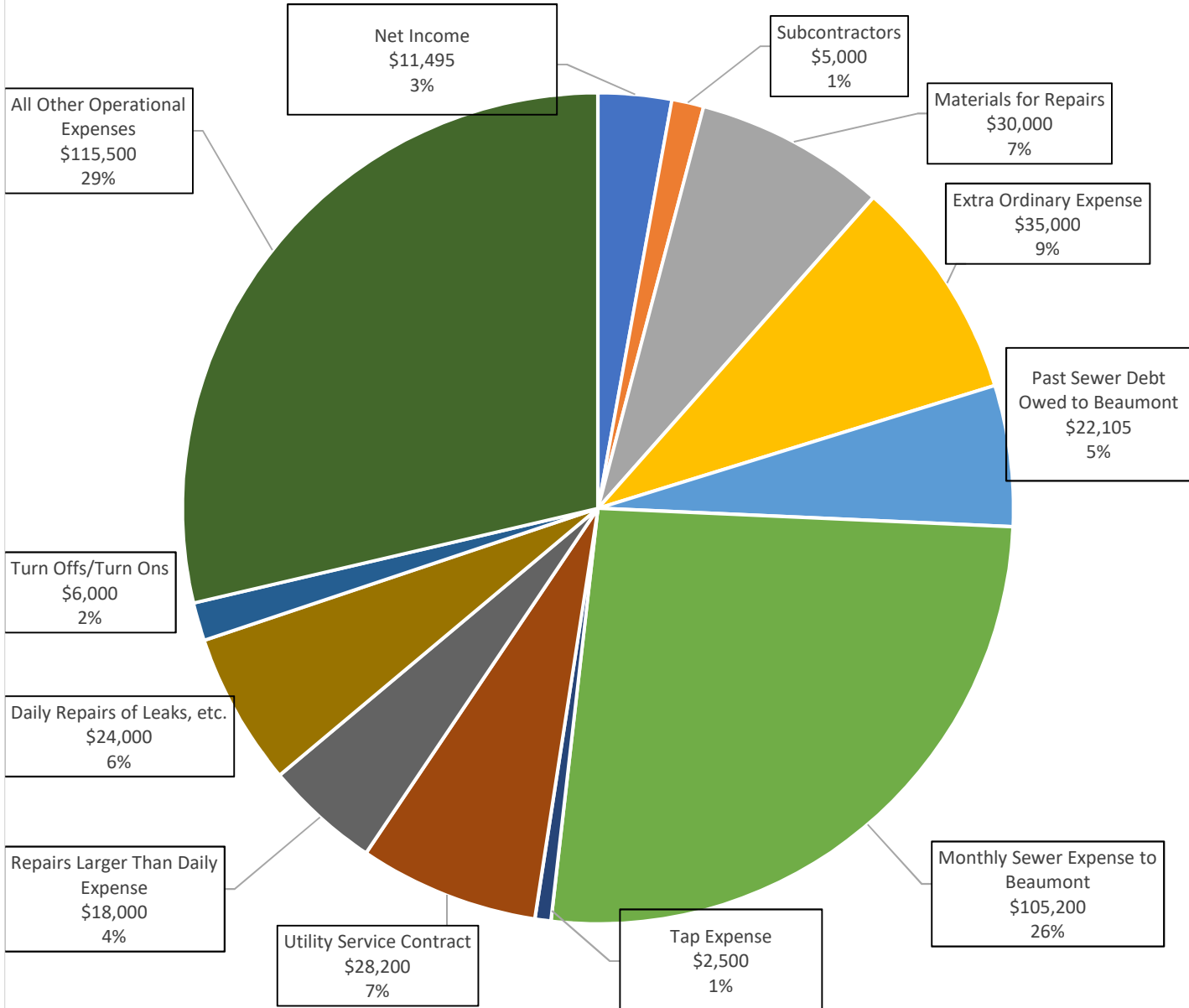
After studying the attached chart, you can see that by combining the operating expenses and the sewer cost owed to Beaumont, this accounts for \$248,200 in this year's budget or 61.59%. The amount that is budgeted to spend with our utility contractor (\$78,700) is 19.53% although it should be noted that some of this expense is paid for by the responsible customer. The amount budgeted to be spent on subcontractors, extraordinary expense as well as materials for repairs comes to \$70,000 or 17.37%. The remaining percentage to make 100% is the Net Ordinary Income amount.

If you combine ALL maintenance cost; utility contractor, subcontractors, materials, and the extraordinary expense category, these items account for just under 37% of the utility budget. Most of the expenses in the operating category are basically *fixed*, meaning they are about the same each year. Expenses such as: telephone, insurance, wages, electric utilities, lab test, chlorine, accounting services, postage, payroll taxes, office expense, grounds maintenance, engineering services not associated with capital projects, legal expenses, audit; these items all remain fairly constant from year to year. The amount paid to Beaumont is based on the amount of water that we sell; the more water we sell, the more we owe Beaumont.

Another very important thing to keep in mind is this: with regards to maintenance and repair, at present we are only repairing items that break. We do not have any money set aside in this budget for preventative maintenance work, smoke testing, or testing and repairing fire hydrants for example. The budget does not set aside monies to replace expensive equipment should it break down or set aside money to try and build a “rainy day fund”. Basically, this does not include a category called *funding depreciation* for when the time comes to replace sewer and water lines, for example. If the City were to suffer a serious or very expensive repair or have to replace some sewer lines due to TCEQ directives, the City and its citizens would be in a very difficult position to quickly fund those projects. As the City approaches its budget creation process, it is imperative that every citizen be informed and involved. This difficult, post-Harvey world has presented the City with a number of difficult financial obstacles. Nonetheless, the City can only survive and thrive with your understanding and cooperation. Please attend City Council meetings as well as budget workshops in the future so you can be informed and up to date on these and other important matters.

City of Bevil Oaks

**CITY OF BEVIL OAKS UTILITY PIE CHART**  
**VALUE OF PIE = \$403,000**



**\* EXTRA ORDINARY EXPENSE:**

Could be anything over and above (more costly) than the average repair. An example would be having to rework well #3 - last bill was \$15,000+; the time before that was \$20,000. This category could be all material or all subcontractor or a combination of materials, utility contractors as well as subcontractors.

**\* TAP EXPENSE:**

This expense is always paid for by the property owner and the income is shown under "FEES" in the income section of the budget. So, it is not really an out of pocket expense to the City.

# WATER USAGE HISTORY 2013 TO CURRENT

	2013-2014			2014-2015			2015-2016			2016-2017			2017-2018			2018-2019		
	Primary	2nd	# Conn.	Primary	2nd	# Conn.	Primary	2nd	# Conn.	Primary	2nd	# Conn.	Primary	2nd	# Conn.	Primary	2nd	# Conn.
<b>October</b>	2,065,842	59,060		1,972,363	63,240	579	2,456,550	250,733	527	2,386,997	71,882	564	1,199,557	89,576	541	1,192,253	87,357	402
<b>November</b>	2,571,951	39,990		2,580,511	72,740	571	2,167,074	202,288	536	2,015,215	227,956	561	889,642	54,825	486	1,137,923	72,518	417
<b>December</b>	2,090,646	10,890		2,080,747	29,860	562	1,664,285	50,468	543	2,330,406	160,555	527	834,820	54,821	466	1,373,897	99,263	416
<b>January</b>	2,570,856	45,690	558	2,095,197	29,897	549	2,490,019	79,043	561	2,220,096	68,648	531	1,431,265	5,551	403	1,773,774	43,673	433
<b>February</b>	2,045,927	19,760	547	2,139,655	60,972	553	2,104,547	44,554	560	2,327,044	66,568	531	1,265,503	3,967	334	1,308,893	76,363	426
<b>March</b>	2,133,012	15,250	569	1,877,176	23,748	531	2,344,577	62,570	549	2,219,413	64,871	527	1,567,963	9,846	332	854,707	56,942	418
<b>April</b>	1,946,286	39,780	574	2,376,042	48,343	529	2,224,049	63,105	542	2,075,833	180,513	528	674,994	1,920	339	1,079,430	169,236	436
<b>May</b>	2,442,765	179,590	578	2,332,724	49,641	526	1,997,645	81,557	559	1,605,457	102,958	525	1,142,965	4,345	351	1,590,440	170,799	435
<b>June</b>	2,971,520	287,470	583	2,403,666	96,118	530	2,440,986	80,002	555	2,351,465	237,415	526	1,060,656	3,088	373			
<b>July</b>	2,211,123	105,820	573	1,857,268	102,429	522	2,186,552	71,942	562	1,858,345	107,798	530	1,351,487	3,374	406			
<b>August</b>	2,807,690	261,636	589	2,024,501	175,947	525	2,428,106	253,554	563	1,199,557	89,576	541	1,413,476	156,708	399			
<b>September</b>	2,059,324	75,534	581	2,363,240	576,064	532	2,333,762	203,588	547	1,199,557	89,576	541	1,477,750	100,526	406			
<b>Total:</b>	<b>27,916,942</b>	<b>1,140,470</b>		<b>26,103,090</b>	<b>1,328,999</b>		<b>26,838,152</b>	<b>1,443,404</b>		<b>23,789,385</b>	<b>1,468,316</b>		<b>14,310,078</b>	<b>488,547</b>		<b>10,311,317</b>	<b>776,151</b>	
	<b>29,057,412</b>			<b>27,432,089</b>			<b>28,281,556</b>			<b>25,257,701</b>			<b>14,798,625</b>			<b>11,087,468</b>		