

WATER/WASTEWATER FINANCIAL FORECAST & RATES

COUNCIL WORKSHOP
FEBRUARY 26, 2018



FINANCIAL FORECAST – BASE CASE

Assumptions:

- Used approved FY 2018 budget numbers whenever possible
- Includes additional outlay of:
 - \$100,000 for capital investment
 - \$120,000 for repayment to other accounts
- Includes debt issuances in FY 2018, 2021, and 2024
- Full payment of transfers and fees to other funds

	Total Revenues and Other Sources	Total Expenditures & Other Sources	Net System Maint. Capacity
2018	\$ 3,044,355.93	\$ 3,349,348.58	\$ (304,992.65)
2019	\$ 3,157,722.73	\$ 3,502,466.99	\$ (344,744.26)
2020	\$ 3,040,913.93	\$ 3,520,423.07	\$ (479,509.14)
2021	\$ 3,043,787.93	\$ 3,656,144.86	\$ (612,356.93)
2022	\$ 3,156,067.73	\$ 3,795,034.37	\$ (638,966.64)
2023	\$ 3,043,173.93	\$ 3,906,308.62	\$ (863,134.69)
2024	\$ 3,044,669.82	\$ 4,040,497.63	\$ (995,827.81)
2025	\$ 3,160,567.67	\$ 4,224,754.09	\$ (1,064,186.42)
2026	\$ 3,041,012.09	\$ 4,308,727.78	\$ (1,267,715.69)
2027	\$ 3,041,133.48	\$ 4,404,603.85	\$ (1,363,470.37)

FINANCIAL FORECAST – BASE CASE

Losses in 2018 moving forward driven by:

- Repayment to other accounts
- Transition to partial cash funding capital improvements
- Flat growth against rising costs
- Current rate structure creating systemic constraints

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RATE STRUCTURE ISSUES

Under most rate classes, 1st 3,000 gallons are part of the base charge

Increases in water costs reduce the amount of money that can be allocated to other expenses from the base charge

Reduction in net revenue from base charge shifts costs to variable portions of the rate

Shifts in cost to variable portions of the tariff necessitates rate increases at a pace greater than costs increases

Rate design was implemented 10 years ago, increasing revenue pressures on the base charge over time

WATER RATE OPTIONS

Goals

- Achieve net positive cash flow
- Mitigate rate impacts as much as possible
- Ensure long-term system health

Considerations

- Water and wastewater rate increases correlate with a reduction in usage
 - Important to ensure that revenue is over forecasted to ensure net revenue neutrality
 - Reduction in usage is unique to each utility and community, making it difficult to forecast
- Low usage customers are generally going to be hit harder than other rate classes
 - Imperative to consider these customers
- Water rate assumes sewer rate changes are implemented

WATER RATE OPTIONS – OPTION 1

1. Increase to most rate classes' current base charge
 - \$10 increase
2. 0-3k gallons assessed between \$2.60 and \$4.88 for most rate classes and increase at 5% every year thereafter
3. 3-10k gallons would be assessed a 5% rate increase per year, effective immediately
4. 10k+ gallons would be assess a 5% rate increase per year, effective immediately

	Total Revenues and Other Sources	Total Expenditures & Other Sources	Net System Maint. Capacity
2018	\$ 3,523,750.98	\$ 3,398,228.07	\$ 125,522.91
2019	\$ 3,763,353.18	\$ 3,561,585.69	\$ 201,767.49
2020	\$ 3,801,397.68	\$ 3,592,035.69	\$ 209,362.00
2021	\$ 3,929,286.47	\$ 3,737,921.56	\$ 191,364.91
2022	\$ 4,202,249.58	\$ 3,889,783.46	\$ 312,466.12
2023	\$ 4,223,376.20	\$ 4,011,949.98	\$ 211,426.23
2024	\$ 4,398,088.78	\$ 4,160,116.91	\$ 237,971.87
2025	\$ 4,659,485.50	\$ 4,356,189.10	\$ 303,296.40
2026	\$ 4,728,338.11	\$ 4,455,356.09	\$ 272,982.02
2027	\$ 4,888,341.88	\$ 4,564,200.63	\$ 324,141.25

WATER RATE OPTIONS – OPTION 1

Incorporate 1st 3,000 gallons into variable rate from base charge, implement a rate increase for most variable rates, increase base charge

- Advantages:
 - Achieves revenue neutrality in the first year
 - Mitigates substantial rate increases for either the variable or base charge
 - Establishes a rate foundation for future financial security
- Disadvantages
 - A lot of change for customers to understand
 - Below 3,000 gallon usage customers recognize the greatest impact

WATER RATE OPTIONS – OPTION 2

1. Increase to most rate classes' current base charge
 - Residential:
 - \$5 increase for remainder of FY 2018
 - Additional \$5 increase for FY 2019
 - Commercial:
 - \$10 increase
2. 0-3k gallons assessed between \$2.60 and \$4.88 for most rate classes and increase at 5% every year thereafter
3. 3-10k gallons would be assessed a 5% rate increase per year, effective immediately
4. 10k+ gallons would be assess a 5% rate increase per year, effective immediately

	Total Revenues and Other Sources	Total Expenditures & Other Sources	Net System Maint. Capacity
2018	\$ 3,434,880.45	\$ 3,389,166.76	\$ 45,713.69
2019	\$ 3,747,484.99	\$ 3,558,187.33	\$ 189,297.66
2020	\$ 3,784,528.28	\$ 3,588,494.18	\$ 196,034.10
2021	\$ 3,911,712.13	\$ 3,734,258.21	\$ 177,453.92
2022	\$ 4,183,963.52	\$ 3,885,995.74	\$ 297,967.78
2023	\$ 4,204,169.48	\$ 4,008,019.44	\$ 196,150.04
2024	\$ 4,377,959.19	\$ 4,156,041.27	\$ 221,917.92
2025	\$ 4,638,724.73	\$ 4,351,989.05	\$ 286,735.67
2026	\$ 4,706,939.39	\$ 4,451,028.86	\$ 255,910.53
2027	\$ 4,866,099.73	\$ 4,559,727.77	\$ 306,371.95

WATER RATE OPTIONS – OPTION 2

Incorporate 1st 3,000 gallons into variable rate from base charge, implement a rate increase for most variable rates, increase base charge

- Advantages:
 - May achieve revenue neutrality in the first year
 - Mitigates substantial rate increases for either the variable or base charge
 - Establishes a rate foundation for future financial security
- Disadvantages
 - A lot of change for customers to understand
 - Below 3,000 gallon usage customers recognize the greatest impact
 - Residential customers are subject to two substantial base increases within 6 months

WATER RATE OPTIONS – OPTION 3

1. Increase to most rate classes' current base charge
 - \$13 for Commercial Customers
 - \$8 for Residential Customers
2. 1st 1,000 gallons collected in the base rate
3. 1-3k gallons assessed between \$3.07 and \$6.67 for most rate classes and increase every year thereafter
4. 3-10k gallons would be assessed a rate increase every year, effective immediately
5. 10k+ gallons would be assess a rate increase every year, effective immediately
6. Percentage increases across variable rates are frontloaded to establish revenue stability

	Total Revenues and Other Sources	Total Expenditures & Other Sources	Net System Maint. Capacity
2018	\$ 3,490,841.73	\$ 3,394,872.62	\$ 95,969.11
2019	\$ 3,744,745.67	\$ 3,559,328.71	\$ 185,416.95
2020	\$ 3,778,741.75	\$ 3,589,437.26	\$ 189,304.49
2021	\$ 3,892,731.16	\$ 3,734,208.34	\$ 158,522.82
2022	\$ 4,144,191.41	\$ 3,884,358.35	\$ 259,833.05
2023	\$ 4,139,471.88	\$ 4,004,471.58	\$ 135,000.30
2024	\$ 4,285,240.63	\$ 4,150,341.47	\$ 134,899.15
2025	\$ 4,514,909.01	\$ 4,343,897.43	\$ 171,011.57
2026	\$ 4,548,259.11	\$ 4,440,251.35	\$ 108,007.77
2027	\$ 4,670,573.35	\$ 4,546,110.41	\$ 124,462.94

WATER RATE OPTIONS – OPTION 3

Leave 1st 1,000 in base charge, incorporate next 2,000 gallons into variable rate from base charge, implement a rate increase for most variable rates, and increase to base charge for most rate classes

- Advantages:
 - Achieves revenue neutrality for moving forward
 - Mitigates rate impacts for low usage customers
 - Partially corrects for water distortion effect in base charge
- Disadvantages
 - Leaves some base charge distortion in effect
 - Largest customers most significantly impacted to pay for 1st 1,000 gallons

WASTEWATER RATES

Recommendation Increase base charge by \$6 for most rate classes, with annual increases thereafter

Increase variable rate, effective immediately, with annual increases thereafter

What makes
Wastewater
different from
Water?

Simplified rate structures (no tiers)

Wastewater grosses about 50% of Water revenue

For Residential customers only – Wastewater assessed based on average usage in winter

RATE COMPARISONS – RESIDENTIAL

Residential	Usage	Water	Wastewater	Property Taxes	Billed Amount
Bridgeport - Current	5,600	\$ 30.44	\$ 34.30	\$ -	\$ 64.74
Runaway Bay	5,600	\$ 42.04	\$ 25.40	\$ -	\$ 67.44
Alvord	5,600	\$ 42.56	\$ 27.30	\$ -	\$ 69.86
Paradise	5,600	\$ 75.01	\$ -	\$ -	\$ 75.01
Bridgeport - Option 3	5,600	\$ 45.59	\$ 42.54	\$ -	\$ 88.13
Decatur	5,600	\$ 42.57	\$ 44.70	\$ 1.64	\$ 88.91
Bridgeport - Option 1 & 2	5,600	\$ 48.76	\$ 42.54	\$ -	\$ 91.30
Boyd	5,600	\$ 54.70	\$ 36.90	\$ -	\$ 91.60
Jacksboro	5,600	\$ 57.21	\$ 39.48	\$ -	\$ 96.69
WWSUD	5,600	\$ 108.62	\$ -	\$ -	\$ 108.62

- Based on 2018 rates
- Decatur is only city with a water district tax rate (\$0.001175)
- Based on annual average usage

RATE COMPARISONS – COMMERCIAL (OUTSIDE)

Commercial (Outside)	Usage	Water	Wastewater	Property Taxes	Billed Amount
Paradise	8,900	\$ 101.01	\$ -	\$ -	\$ 101.01
Boyd	8,900	\$ 124.63	\$ 51.60	\$ -	\$ 176.23
Alvord	8,900	\$ 116.11	\$ 68.17	\$ -	\$ 184.27
Bridgeport - Current	8,900	\$ 83.28	\$ 101.39	\$ -	\$ 184.67
Jacksboro	8,900	\$ 98.22	\$ 92.79	\$ -	\$ 191.00
Bridgeport - Option 1 & 2	8,900	\$ 110.64	\$ 115.22	\$ -	\$ 225.86
Bridgeport - Option 3	8,900	\$ 111.03	\$ 115.22	\$ -	\$ 226.25
Runaway Bay	8,900	\$ 72.38	\$ 203.70	\$ -	\$ 276.08
Decatur	8,900	\$ 207.03	\$ 78.96	\$ 1.64	\$ 286.00
WWSUD	8,900	\$ 321.62	\$ -	\$ -	\$ 321.62

- Based on 2018 rates
- Decatur is only city with a water district tax rate (\$0.001175)
- Based on annual average usage

RATE COMPARISONS – COMMERCIAL (INSIDE)

Commercial (<2" Tap)	Usage	Water	Wastewater	Property Taxes	Billed Amount
Paradise	53,700	\$ 465.26	\$ -	\$ -	\$ 465.26
Alvord	53,700	\$ 374.42	\$ 156.08	\$ -	\$ 530.50
Bridgeport - Current	53,700	\$ 342.00	\$ 254.73	\$ -	\$ 596.73
Runaway Bay	53,700	\$ 313.53	\$ 296.22	\$ -	\$ 609.75
Bridgeport - Option 1 & 2	53,700	\$ 378.00	\$ 284.36	\$ -	\$ 662.36
Decatur	53,700	\$ 321.35	\$ 343.62	\$ 1.64	\$ 666.60
Bridgeport - Option 3	53,700	\$ 393.88	\$ 284.36	\$ -	\$ 678.24
Jacksboro	53,700	\$ 448.21	\$ 398.77	\$ -	\$ 846.98
Boyd	53,700	\$ 628.72	\$ 230.80	\$ -	\$ 859.52
WWSUD	53,700	\$ 924.63	\$ -	\$ -	\$ 924.63

- Based on 2018 rates
- Decatur is only city with a water district tax rate (\$0.001175)
- Based on annual average usage

RATE COMPARISONS – LARGE COMMERCIAL

Large Commercial (2" Tap)	Usage	Water	Wastewater	Property Taxes	Billed Amount
Paradise	2,160,000	\$ 17,673.73	\$ -	\$ -	\$ 17,673.73
Alvord	2,160,000	\$ 14,718.32	\$ 5,695.65	\$ -	\$ 20,413.97
Runaway Bay	2,160,000	\$ 12,740.70	\$ 7,752.52	\$ -	\$ 20,493.22
Bridgeport - Current	2,160,000	\$ 13,518.89	\$ 11,356.51	\$ -	\$ 24,875.40
Bridgeport - Option 1 & 2	2,160,000	\$ 14,208.51	\$ 2,507.31	\$ -	\$ 26,715.82
Decatur	2,160,000	\$ 13,750.92	\$ 13,360.55	\$ 1.64	\$ 27,113.11
Bridgeport - Option 3	2,160,000	\$ 14,897.90	\$ 12,507.31	\$ -	\$ 27,405.21
WWSUD	2,160,000	\$ 29,275.43	\$ -	\$ -	\$ 29,275.43
Jacksboro	2,160,000	\$ 17,045.85	\$ 14,784.80	\$ -	\$ 31,830.65
Boyd	2,160,000	\$ 25,799.00	\$ 8,656.00	\$ -	\$ 34,455.00

- Based on 2018 rates
- Decatur is only city with a water district tax rate (\$0.001175)
- Based on annual average usage

POLICY DISCUSSION

1. How often will Customers be willing to take a substantial rate increase?
 - Option 1 and Option 3 recommend large increases in FY 2018, with percentage increases thereafter
 - Option 2 recommends that Residential Customers get 2 \$5 base rate increases within 6 months, in addition to percentage rate increases on variable rates
2. Who ought to carry the burden of cost recovery?
 - Large customers use a significantly larger portion of the system on a per customer basis
 - Residential/small usage customers (<10,000 gallons) is the largest segment of customers on the system and collectively use more water than any other customer group
3. What is the real impact to the greater community with these rate changes?
 - Rate changes affect other City funds and services
 - Real impacts to customers – Options 1, 2, & 3 affect different customer classes in different ways