

City of Rowlett Meeting Minutes City Council

4000 Main Street
P.O. Box 99
Rowlett, TX 75030-0099
www.rowlett.com

City of Rowlett City Council meetings are available to all persons regardless of disability. If you require special assistance, please contact the City Secretary at 972-412-6109 or write PO Box 99, Rowlett, Texas, 75030-0099, at least 48 hours in advance of the meeting.

Tuesday, January 22, 2008

6:00 PM

Municipal Building - 4000 Main Street

As authorized by Section 551.071(2) of the Texas Government Code, this meeting may be convened into closed Executive Session for the purpose of seeking confidential legal advice from the City Attorney on any agenda item herein.

The City of Rowlett reserves the right to reconvene, recess or realign the Regular Session or called Executive Session or order of business at any time prior to adjournment.

1. CALL TO ORDER

Mayor Harper called the meeting to order at 6:00 p.m.

2. WORK SESSION ITEM

2A Presentation and discussion of the City's utility rates.

Brian Funderburk, Financial Services Director, brought forth a PowerPoint presentation (46 pages)

Agenda

- *Rate Design Overview*
 - *City Comparisons*
 - *Rate Design Options*
 - *Policy Options*

Components of Rate Analysis

- *Revenue: How much must be collected via rates to cover costs?*
- *Costs: What does it cost to provide quality, reliable services?*
- *Rate Design: How shall we recover costs? From whom?*

Cost of Service Philosophy

- *Customers who drive costs within the system should bear those costs.*
 - *High volume users at "peak" demand times.*
- *Costs within the system that are incurred for the benefit of the whole system should be shared by all customers.*
 - *Necessary equipment and supplies for system maintenance.*

Cost of Service Philosophy

Rate Design Components

- *Customer Charge (Base Rate): This charge covers costs associated with billing, collection and customer service that are allocated based on the number of customer accounts.*
- *Volume Charge: These are charged per unit of actual water and wastewater*

used by a customer.

Types of Volume Charges

- *Level: The price per unit of water remains the same regardless of volume of use.*
- *Inclining Block Rate: The price per unit of water increases with increased volume of usage.*
- *Declining Block Rate: The price per unit of water decreases with increased volume of usage.*
- *Models with level volume rates imply abundant water resources and very stable technology.*
- *Models with inclining block rates are generally used in communities to promote conservation and/or reduce peak demand.*
- *Models with declining block rates are often used in communities with heavy industrial or commercial users and is considered regressive to lower income customers.*

Customer Classes

- *Definition: Customer classes are based on use patterns and the differing demands/costs they place on the system.*
- *Common Types of Customer Classes*
- *Residential*
- *Commercial*
- *Municipal*
- *Irrigation Only*

Rate Design Requirements

- *Revenue Sufficiency: Rates must be sufficient to fund all service costs.*
- *Regulatory and Contractual Compliance: Rates must comply with existing debt service covenants and federal/state law.*
- *Conservation: Rates should support good stewardship of natural resources.*

City	Population (2006)	Customers (2006)
Rowlett	53,100	19,270
Frisco	90,598	29,897
Colony	37,386	11,162
Flower Mound	61,550	20,986
Farmers Branch	27,850	9,490
Coppell	39,209	12,146
Grapevine	49,000	13,965
Allen	75,699	24,438
Euless	50,750	24,486
Lewisville	89,100	20,560
N. Richland Hills	63,521	20,962
Average	57,978	18,851

Comparative Cities

Resident Charges-All Utilities

Service	Rowlett	Average	\$ Diff	% Diff
Water	\$44.25	\$37.68	\$6.57	17.4%
Sewer	\$45.39	\$30.05	\$15.34	51.0%
Refuse	\$14.63	\$10.70	\$3.93	36.7%
Drainage	\$4.00	\$2.17	\$1.83	84.3%
Total	\$108.27	\$80.60	\$27.67	34.3%

- Rowlett's total average monthly residential bill is currently 34.3% higher than average of other comparable cities.
- Based on average residential use of 10,648 gallons of water per month or 127,776 gallons for the year (2 year average (2005-2006)).

*Comparative Cities
Resident Charges-Water & Sewer*

Service	Rowlett	Average	\$ Diff	% Diff
Water	\$44.25	\$37.68	\$6.57	17.4%
Sewer	\$45.39	\$30.05	\$15.34	51.0%
Total	\$89.64	\$67.73	\$21.91	32.3%

*Contributing Factors to Rowlett's
Current Water & Sewer Rate*

- Since 2003, Rowlett nearly doubled its capital investment by issuing \$37.5 million in bonds - annual impact = \$3.2 million or 43% of the rate increase (includes \$2.0 million settlement with Garland for past treatment).
- Since 2003, water purchases and sewer treatment increased 42% - annual impact = \$1.7 million or 22% of the rate increase.
- Since 2003, overhead and transfers increased 41% - annual impact = \$1.9 million or 25% of the rate increase.
- Since 2003, the City funded \$3.8 million in cash for capital repair & replacement - annual impact = \$0.8 million or 10% of the rate increase.

Contributing Factors

- Water & Sewer
- Capital Repair - 10%
- Bond Payments - 43%
- Contracts - 22%
- Overhead and Transfers - 25%

*Total Cost Overview
Water & Sewer Only*

*Comparative Cities
Resident Charges-Refuse*

Service Rowlett Average \$ Diff % Diff

Service	Rowlett	Average	\$ Diff	% Diff
Refuse	\$14.63	\$10.70	\$3.93	36.7%

*Contributing Factors to Rowlett's
Current Refuse Rate*

- In 2005 and 2006, Rowlett issued \$3.0 million in bonds for alley improvements - annual impact = \$242,000 or 26% of the rate increase.
- Beginning in 2006, the City began allocating General & Administrative Overhead to the Drainage Fund - annual impact = \$231,326 or 24% of the rate increase.
- In 2007, Rowlett amended the contract with IESI to enhance recycling and brush/bulky pickup and increased the bill \$1.99 to pay for it - annual impact = \$425,685 or 50% of the rate increase.

Contributing Factors Refuse

- Overhead and Transfers - 24%

- *Contracts - 50%*
- *Bond Payments - 26%*

*Comparative Cities
Resident Charges-Drainage*

<u>Service</u>	<u>Rowlett</u>	<u>Average</u>	<u>\$ Diff</u>	<u>% Diff</u>
Drainage	\$4.00	\$2.17	\$1.83	84.3%

*Contributing Factors to Rowlett's
Current Drainage Rate*

- *In 2006, Rowlett issued \$4.8 million in bonds for drainage improvements - annual impact = \$380,000 or 60% of the rate increase.*
- *Beginning in 2006, the City began allocating General & Administrative Overhead to the Drainage Fund - annual impact = \$255,136 or 40% of the rate increase.*
- *Note: the Drainage Master Plan identifies approximately \$97.0 million in needed capital investment, \$23.1 million of which is identified as Tier 1.*

*Contributing Factors
Drainage*

- *Overhead and Transfers - 40%*
- *Bond Payments- 60%*

*Comparative Cities - Misc Stats
Water & Sewer Only - in millions*

<u>Stat</u>	<u>Rowlett</u>	<u>Average</u>	<u>\$ Diff</u>	<u>% Diff</u>
Revenues	\$21.8	\$22.2	\$(0.4)	(1.8%)
Expenditures	\$21.6	\$22.3	\$(0.7)	(3.1%)
Reserve	\$5.1	\$9.1	\$(4.0)	(43.9%)
Cost Breakdown				
Debt Service	\$5.7	\$3.6	\$2.1	58.3%
M&O	\$13.1	\$16.0	\$(2.9)	(18.1%)
Cash Capital	\$0.8	\$0.6	\$0.2	33.3%
Transfers	\$1.9	\$2.0	\$(0.1)	(5.0%)

<u>Stat</u>	<u>Rowlett</u>	<u>Average</u>	<u>\$ Diff</u>	<u>% Diff</u>
Population (2006)	53,100	57,978	(4,878)	(8.4%)
Customers (2006)	19,270	18,851	419	2.2%
Debt Service per Customer	\$298	\$186	\$112	60.2%
LT Debt per Customer	\$2,814	\$1,403	\$1,411	100.6%
Transfers per Customer	\$102	\$121	\$(20)	(15.7%)
Rev per Customer	\$1,132	\$1,191	\$(59)	(5.0%)
Exp per Customer	\$1,122	\$1,190	\$(68)	(5.7%)
Reserves as % of Exp	26%	47%	(21%)	(44.7%)
Fte's per 1000 Customers	0.62	.099	(0.36)	(37.4%)

Rowlett Consumption Percentages

- *Rate Design Options*
- *Option 1 "Hold the Line"*
- *Option 1 is based on maintaining the same rate structure through 2012, essentially providing time for the rates of other cities to catch up.*

- No new bonds or employees.
- Level cash funding for capital repair and replacement @ \$500k.

Rate Design Options

Option 2 "Use Avg Base"

- Option 2 reduces the base water and sewer rates to the average of other cities and increases volume charges to make up the difference.
- 78% of customers would see a decrease or remain flat.
- 22% of customers would see increases varying between 3.6%-6.2%. High end commercial users will see bigger increases.
- Shifts more "peak" costs to heavier users.

Rate Design Options

- Option 3 "Avg Base + Reduction"
- Option 3 reduces the base water and sewer rates to the average of other cities, increases volume charges except for portion based on decline in debt service (appx \$383,050 for 2008- 09).
- 78% of customers would see a decrease varying between 1.8%-17.0%.
- 22% of customers would see increases varying between 1.7%-5.6%. High end commercial users will see bigger increases.
- Shifts more "peak" costs to heavier users.

Rate Design Options

Option 4 "Debt Reduction"

- Option 4 reduces the base water and sewer rates to the average of other cities and decreases volume charges based on refunding appx \$18.6 million.
- 78% of customers would see a decrease varying between 11.8%-23.2%.
- 22% of customers would have mixed results varying between decreases of 6.3% to increases of 3.0%. High end commercial users will see some increase.
- Shifts more "peak" costs to heavier users.
- Reduces cash available for capital investment.

Rate Design Options

- All options meet reserve requirements and revenue maintenance coverage.

**Rate Design Comparison
Resident Rates-All Utilities**

Service	2004	Op1	Op2	Op3	Op4
Water	Base=\$7.39 Vol=\$3.16/ \$3.66	Base=\$10.60 Vol=\$3.16/ \$3.66	Base=\$7.50 Vol=\$3.43/ \$3.93	Base=\$7.50 Vol=\$3.43/ \$3.93	Base=\$7.50 Vol=\$3.43/ \$3.93
Sewer	Base=\$2.91 Vol=\$3.42 Max \$34.20	Base=\$16.17 Vol=\$3.42 Max \$34.20	Base=\$8.00 Vol=\$4.47 Max \$44.70	Base=\$8.00 Vol=\$4.24 Max \$42.40	Base=\$8.00 Vol=\$3.28 Max \$32.80
Refuse	1 Polycart = \$10.64	1 Polycart = \$14.63	1 Polycart = \$14.63	1 Polycart = 14.63	1 Polycart = \$14.63
Drainage	Per Household = \$2.00	Per Household = \$4.00	Per Household = \$4.00	Per Household = \$4.00	Per Household = \$4.00

All options include no new bonds or emp thru 2012.

Comparative Cities
Resident Chargers - Options

Rate Design Options
Impact on Reserves
Customer Impact - by Usage Block

Debt Service & Outstanding Bonds
Water & Sewer Only

Operating Reserves & Revenue
Coverage - Water & Sewer Only

Option Matrix

- n/c No Change
- + Increase
- - Decrease
- -- Significant Decrease

Options	Impact on Lower Users	Impact on Avg Customer	Impact on Higher Users	Impact on Reserves	Impact on Rev Coverage
Option 1 – No rate chg and no new bonds or employees	n/c	n/c	n/c	+	+
Option 2 – Reduce base fees, increase vol chg & no new bonds or emp	-	n/c	+	+	+
Option 3 – Reduce base fees, increase vol chg & reduce rates based on debt service decline	--	-	+	n/c	n/c
Option 4 – Reduce base fees and reduce vol chg to avg city debt service per customer	--	--	Mixed	+	+

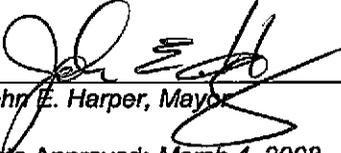
Other Policy Options

- Consider "winter" averaging of sewer bill instead of current 10,000 gal maximum.
- Consider adding "average billing" component to help customers spread out summer costs over remainder of year.

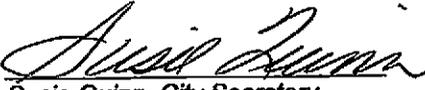
Council stated they would have more discussion on this topic in the future; will begin taking steps to average water bills.

3. **ADJOURNMENT**

Mayor Harper adjourned the meeting at 8:19 p.m.



John E. Harper, Mayor
Date Approved: March 4, 2008



Susie Quinn, City Secretary