

AGENDA  
CITY OF GRAPEVINE, TEXAS  
SPECIAL CITY COUNCIL MEETING WORKSHOP  
MONDAY, MAY 13, 2013 AT 6:00 P.M.  
CITY COUNCIL CONFERENCE ROOM  
SECOND FLOOR  
200 SOUTH MAIN STREET

CALL TO ORDER

1. Presentation of Water and Wastewater Rate Study report.

ADJOURNMENT

If you plan to attend this public meeting and you have a disability that requires special arrangements at the meeting, please contact the City Secretary's Office at (817) 410-3182 at least 24 hours in advance of the meeting. Reasonable accommodations will be made to assist your needs.

In accordance with Texas Government Code, Chapter 551.001 et seq, Acts of the 1993 Texas Legislature, the Special City Council Meeting Workshop Agenda was prepared and posted on this the 10th day of May, 2013 at 5:00 p.m.

  
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Jodi C. Brown  
City Secretary



AGENDA  
CITY OF GRAPEVINE, TEXAS  
SPECIAL CITY COUNCIL MEETING  
MONDAY, MAY 13, 2013 AT 6:30 P.M.  
CITY COUNCIL CONFERENCE ROOM  
SECOND FLOOR  
200 SOUTH MAIN STREET

CALL TO ORDER

EXECUTIVE SESSION

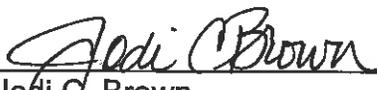
1. City Council to conduct a closed session relative to:
  - A. Personnel relative to City Manager's annual evaluation pursuant to Section 551.074, Texas Government Code.

City Council to reconvene in open session and take any necessary action relative to personnel under Section 551.074, Texas Government Code.

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Jodi C. Brown  
City Secretary



MEMO TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL  
FROM: BRUNO RUMBELOW, CITY MANAGER BR  
MEETING DATE: MAY 13, 2013  
SUBJECT: WORKSHOP – WATER AND WASTEWATER RATE REVIEW

Staff retained J. Stowe & Co. in August, 2012 to perform a Water and Wastewater Rate Review for the City of Grapevine.

City has not adjusted water and wastewater rates since 2002. Current revenue rates are not sufficient to keep up with the impact of cost of inflation, anticipated debt service, proposed capital improvements and particularly for wholesale services.

Presentation will present a brief slide overview of the performance of the utility since the last rate change as well as Stowe's findings and recommendations based on the analysis conducted.

SAD/JSL

Findings for the  
Water and Wastewater Rate Review  
*City of Grapevine, Texas*

May 13, 2013

# Introduction

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- City retained J. Stowe & Co. in August 2012 to perform a Water and Wastewater Rate Review
- Review forecasts financial performance from FY 2012 - 2013 through FY 2016 - 2017
- Required revenues based on City's FY 2012 - 2013 budget adjusted to reflect impact of cost inflation, anticipated debt service, and capital requirements

# Background

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- City has not adjusted water and sewer rates since 2002
- City has experienced annual revenue deficits in the water and sewer fund since FY 2008 - 2009
  - Fund balance has historically been sufficient to cover shortfalls to maintain rates during economic downturn
- Growth in revenue has not been sufficient to keep up with impact of cost inflation, particular for wholesale services

# Current Rates - Residential Monthly Bill Comparison (13,000 gallons water / 7,000 gallons sewer)



# Current Rates - Commercial Monthly Bill Comparison (52,000 gallons water / 52,000 gallons sewer)



# Findings

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- City is in need of approximately \$20.6 million in capital investment on the water and wastewater system
- To fund continued wholesale cost increases and capital improvements, rates need to be adjusted
- While some of the \$20.6 million in needed capital will be funded with Impact Fees and available cash, approximately \$11 million will be funded with debt which will be repaid with revenues from rates
- Water and Sewer fund balance is approximately \$5.69 million
  - Can be used on a limited basis to phase-in needed rate adjustments and minimize rate shock

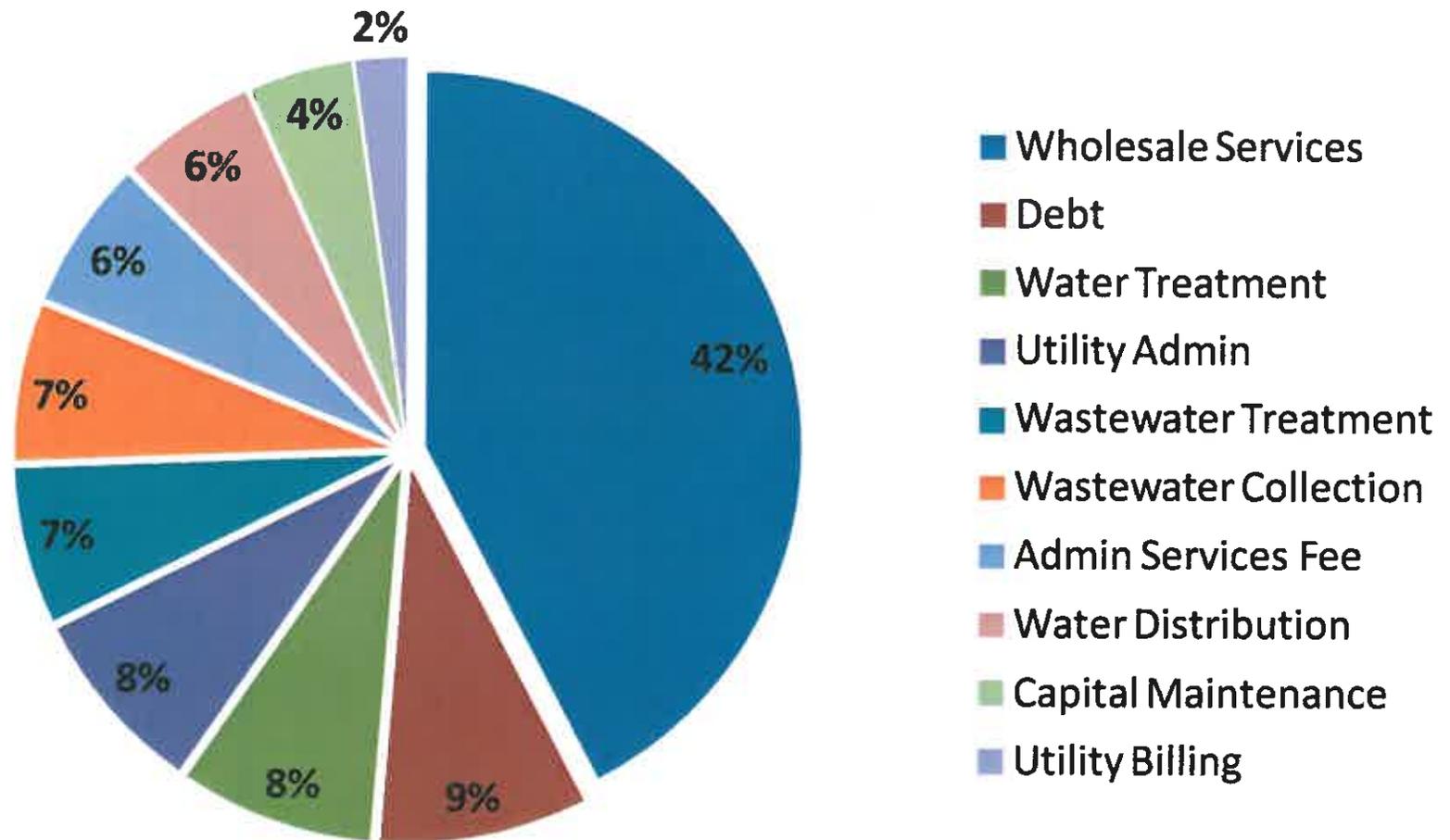
# Study Assumptions

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- To determine needed revenue adjustments, projections of the cost of providing service were developed
  
- Key Assumptions:
  - Wholesale cost inflation as projected by Trinity River Authority
  - \$1 million annually contributed to PCMF
  - \$3 million debt issuance in 2014 & 2015;  
\$5 million debt issuance in 2016 (assumes a 20 year term at 5% interest)
  - Cash funding of minor capital items
  - Drawing down of fund balance to phase-in rates

# Breakdown of Revenue Requirement

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# Projected Financial Performance

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- Anticipated revenue shortfalls under current rates:

Comparison of Revenue Required and Revenue Generated under Current Rates					
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Revenue Requirement	\$ 21,868,826	\$ 23,314,947	\$ 23,842,383	\$ 24,915,515	\$ 25,221,858
Revenue Under Current Rates	19,433,175	19,626,282	19,768,271	19,912,313	20,058,424
Variance	\$ (2,435,651)	\$ (3,688,665)	\$ (4,074,112)	\$ (5,002,201)	\$ (5,163,434)

- Recommend that the City immediately adjust rates to maintain financial stability of water and wastewater fund

# Recommendations

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- Recommended rate increase to be effective October 2013

	<u>Current</u>	<u>Recommended</u>
<b>Water Rates</b>		
<b>Meter Charge</b>		
3/4" x 5/8"	\$ 9.75	\$ 11.51
1"	28.89	34.09
2"	61.73	72.84
1 1/2"	97.29	114.80
3"	217.67	256.85
4"	277.85	327.86
6"	370.87	437.63
8"	658.13	776.59
Volumetric Rate (per 1,000 gallons)	2.74	3.23
<b>Sewer Rates</b>		
<b>Base Charge</b>		
Residential	\$ 7.80	\$ 9.20
Commercial	11.52	13.59
Volumetric Rate (per 1,000 gallons)	3.26	3.85

# Estimated Monthly Bill Impact

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- The following chart presents the estimated monthly bill impact for an average Residential and Commercial Customer

## RESIDENTIAL

<u>Meter Size</u>	<u>Water / Wastewater Gallons</u>	<u>Current Monthly Bill</u>	<u>Proposed Monthly Bill</u>	<u>Increase</u>
5/8 inch	13,000/7,000	\$ 63.99	\$ 75.49	\$ 11.50

## COMMERCIAL

<u>Meter Size</u>	<u>Water / Wastewater Gallons</u>	<u>Current Monthly Bill</u>	<u>Proposed Monthly Bill</u>	<u>Increase</u>
2 inch	52,000/52,000	\$ 321.13	\$ 379.03	\$ 57.90

# Recommendations

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- Use approximately \$1.35 million in available cash to fund projected revenue shortfalls in FY 2013 and FY 2014
- As rate adjustments are made, seek to maintain a 60 day working capital reserve
- Closely monitor need for future rate increases
- Consider a policy of automatic rate adjustments to reflect increases in wholesale costs

# Recommendations

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- Projected Future Fund Performance
  - Assumes continued rate adjustments to restore / maintain target fund balance

Projected Fund Performance				
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Beginning Working Capital Balance	\$ 3,259,376	\$ 3,169,473	\$ 3,774,162	\$ 4,001,277
Total Projected Revenue	\$ 23,588,887	\$ 25,053,251	\$ 25,588,957	\$ 25,771,512
Total Projected Expenditures	23,678,790	24,448,563	25,361,843	25,670,843
Revenue Surplus / (Deficit)	\$ (89,903)	\$ 604,689	\$ 227,115	\$ 100,669
Ending Working Capital Balance	\$ 3,169,473	\$ 3,774,162	\$ 4,001,277	\$ 4,101,945
Ending Working Capital Balance (Days of O&M)	52	60	61	62

# Current Rates - Residential Monthly Bill Comparison (13,000 gallons water / 7,000 gallons sewer)



# Current Rates - Commercial Monthly Bill Comparison (52,000 gallons water / 52,000 gallons sewer)



# Questions

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Chris Ekrut– Director  
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