



City of Lago Vista, Texas

**AGENDA
CITY COUNCIL
SPECIAL CALLED MEETING
THURSDAY, JULY 16, 2015**

NOTICE IS HEREBY GIVEN that the Lago Vista City Council will hold a Special Called Meeting on Thursday, July 16, 2015, at 3:00 p.m. in the City Council Chambers at City Hall, 5803 Thunderbird, Lago Vista, Texas, as prescribed by V.T.C.A., Government Code Section §551.041, to consider the following agenda items.

CALL TO ORDER, CALL OF ROLL

WORK SESSION

1. Receive and discuss a presentation from Nelisa Heddin, Heddin Consulting, LLC regarding the Water/Wastewater rate study.

ADJOURNMENT

IT IS HEREBY CERTIFIED that the above Notice was posted on the Bulletin Board located at all times in City Hall in said City at _____ on the ___ day of _____, 2015.

Sandra Barton, City Secretary

THIS MEETING SHALL BE CONDUCTED PURSUANT TO THE TEXAS GOVERNMENT CODE SECTION 551.001 ET SEQ. AT ANY TIME DURING THE MEETING THE COUNCIL RESERVES THE RIGHT TO ADJOURN INTO EXECUTIVE SESSION ON ANY OF THE ABOVE POSTED AGENDA ITEMS IN ACCORDANCE WITH THE SECTIONS 551.071, 551.072, 551.073, 551.074, 551.075 OR 551.076.

THE CITY OF LAGO VISTA IS COMMITTED TO COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT. REASONABLE MODIFICATIONS AND EQUAL ACCESS TO COMMUNICATIONS WILL BE PROVIDED UPON REQUEST.

MEETING DATE: July 16, 2015

AGENDA ITEM: CALL TO ORDER, CALL OF ROLL, INVOCATION AND PLEDGE OF ALLEGIANCE

Comments:

Motion by: _____

Seconded by: _____

Content of Motion: _____

Vote: Shoumaker _____; Hunt _____; Kruger _____; Mitchell _____;

Gloris _____; Smith _____; Cox _____

Motion Carried: Yes _____; No _____

MEETING DATE: July 16, 2015

AGENDA ITEM: WORK SESSION

Receive and discuss a presentation from Nelisa Heddin, Heddin Consulting, LLC regarding the Water/Wastewater rate study.

Comments:

Motion by: _____

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Content of Motion: _____

Vote: Shoumaker _____ ; **Hunt** _____ ; **Kruger** _____ ; **Mitchell** _____ ;

Gloris _____ ; **Smith** _____ ; **Cox** _____

Motion Carried: Yes _____ ; **No** _____

City of Lago Vista, TX

Cost of Service and Rate Design Study Water and Wastewater Utility

July 16, 2015

Nelisa Heddin Consulting, LLC
(512) 589-1028
nheddin@nelisaheddinconsulting.com



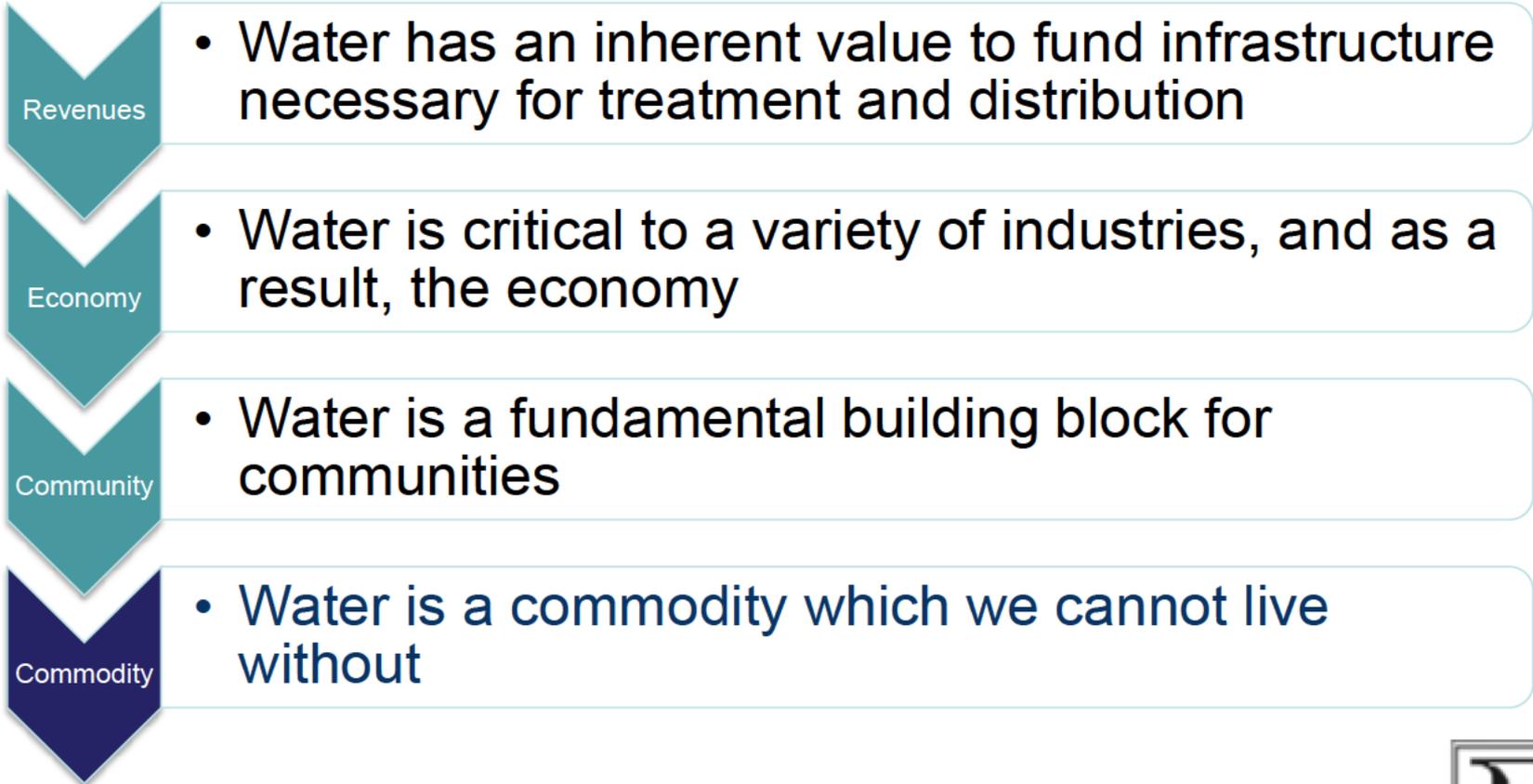
Overview

- Introduction
- Background
- Methodology
- Findings
- Recommendations

“When the well is dry, we learn the worth of water.”

- Ben Franklin -

Economic Reality of Water



Project Approach

- Step 1: Determine Revenue Requirements
- Step 2: Functionalize Revenue Requirements into Cost Components
- Step 3: Allocation Cost Components to Customer Classes
- Step 4: Design Rates

Step 1: Revenue Requirements

- Expenses – Off-sets = Revenue Requirements
- 5-Year Outlook
- Financial Planning Stage –
 - Includes Recently Issued Debt
 - Includes Future Staffing Needs
 - Examines 2 General Fund Transfer Options:
 - Scenario 1: Debt, Administrative Fee and Franchise Fee
 - Scenario 2: Debt Only

Step 1: Revenue Requirements

- General Fund Transfer
 - Currently \$1,000,000 per year
 - Analysis includes 3 pieces for General Fund Transfer:
 - Administrative Fee
 - Franchise Fee
 - Debt Service

Step 1: Revenue Requirements

- General Fund Transfer – Scenario 1

Scenario 1	2015	2016	2017	2018	2019	2020	2021
Water Utility							
Admin Fee	\$97,313	\$100,232	\$103,239	\$106,336	\$109,526	\$112,812	\$116,196
Pre-2015 Debt	1,127,653	1,157,234	1,054,194	1,021,074	1,019,810	1,038,059	1,038,661
2015 Debt	-	234,448	423,030	478,344	503,893	521,421	519,207
Franchise Fee	63,715	70,840	74,390	76,718	79,163	81,921	83,996
Wastewater							
Admin Fee	84,027	86,547	89,144	91,818	94,573	97,410	100,332
Pre-2015 Debt	368,244	367,339	359,856	324,573	322,789	340,988	342,162
2015 Debt	-	110,160	124,020	129,680	131,260	148,240	146,640
Franchise Fee	<u>37,474</u>	<u>40,861</u>	<u>42,187</u>	<u>42,819</u>	<u>44,093</u>	<u>46,133</u>	<u>47,491</u>
TOTAL GENERAL FUND TRANSFER	\$1,778,426	\$2,167,662	\$2,270,059	\$2,271,363	\$2,305,108	\$2,386,983	\$2,394,686

Step 1: Revenue Requirements

- General Fund Transfer – Scenario 2

Scenario 2	2015	2016	2017	2018	2019	2020	2021
Water Utility							
Admin Fee							
Pre-2015 Debt	1,127,653	1,157,234	1,054,194	1,021,074	1,019,810	1,038,059	1,038,661
2015 Debt	-	234,448	423,030	478,344	503,893	521,421	519,207
Franchise Fee							
Wastewater							
Admin Fee							
Pre-2015 Debt	368,244	367,339	359,856	324,573	322,789	340,988	342,162
2015 Debt	-	110,160	124,020	129,680	131,260	148,240	146,640
Franchise Fee	-	-	-	-	-	-	-
TOTAL GENERAL FUND TRANSFER	\$1,495,897	\$1,869,181	\$1,961,099	\$1,953,672	\$1,977,753	\$2,048,708	\$2,046,671

Step 1: Revenue Requirements

Scenario 1	2015	2016	2017	2018	2019	2020	2021
Water Utility	\$3,185,763	\$3,542,005	\$3,719,508	\$3,835,919	\$3,958,173	\$4,096,034	\$4,199,807
Wastewater Utility	\$1,873,716	\$2,043,049	\$2,109,344	\$2,140,926	\$2,204,628	\$2,306,625	\$2,374,571

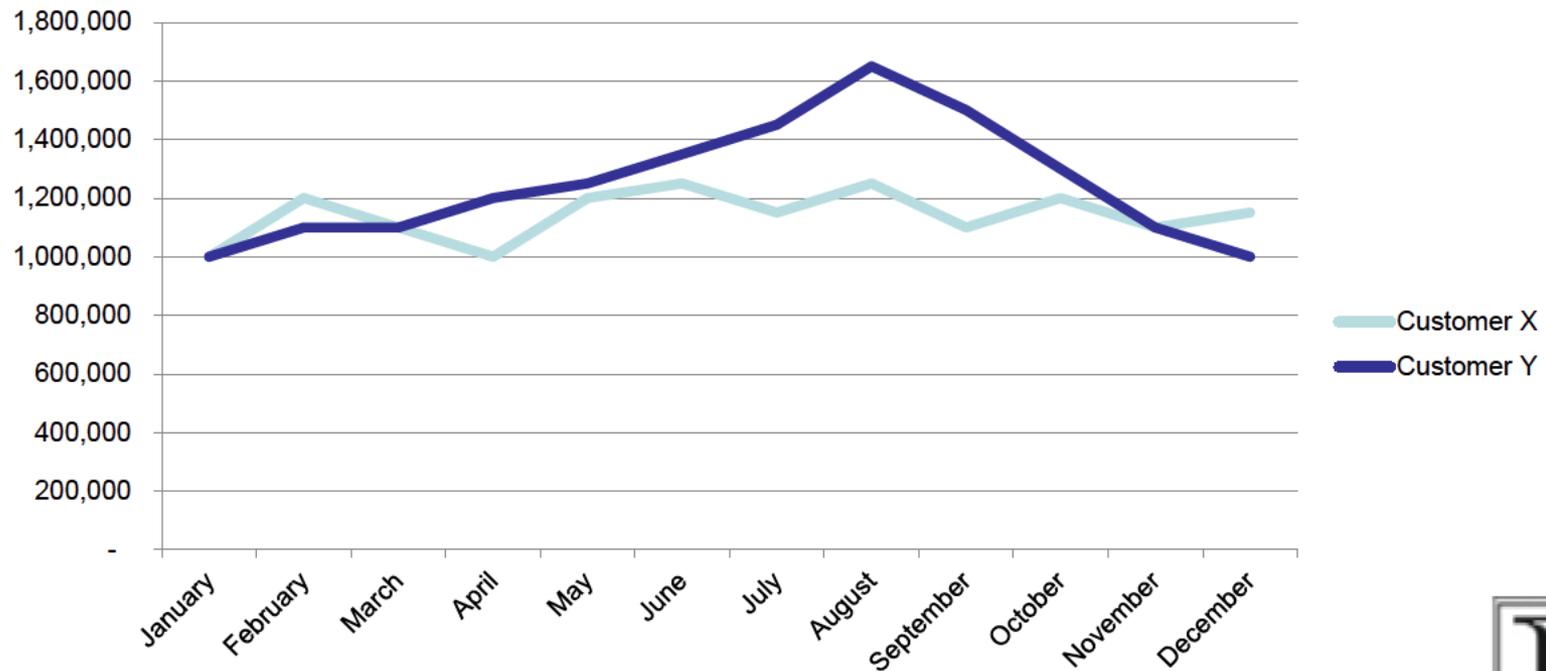
Scenario 2	2015	2016	2017	2018	2019	2020	2021
Water Utility	\$3,024,666	\$3,370,864	\$3,541,810	\$3,652,795	\$3,769,414	\$3,901,232	\$3,999,545
Wastewater Utility	\$1,752,285	\$1,915,710	\$1,978,083	\$2,006,358	\$2,066,032	\$2,163,152	\$2,226,817

Step 2: Functionalization

- Recognizes Peaking Nature of Utility Systems
- Identifies Functional Nature of Costs
- Based Upon AWWA Described Methodology – Base/Extra Capacity
 - Base Costs of Service
 - Extra Capacity Costs of Service
 - Customer Costs of Service

Step 3: Cost Allocation

- Recognizes different usage patterns of customer classes



Step 4: Rate Design

- Recovers Cost of Service from Each Class of Customers
- Packaged to Mitigate Financial Impact to Customers

Step 4: Rate Design

- Water Utility

- Base Fee – Scenario 1 (per LUE per month)

Base Charge - Scenario 1	2015	2016	2017	2018	2019	2020	2021
Customer Costs	\$2.78	\$2.85	\$2.92	\$2.99	\$3.06	\$3.14	\$3.22
Admin Fee	2.25	2.30	2.35	2.41	2.46	2.52	2.58
IT	1.72	1.76	1.80	1.84	1.89	1.93	1.98
Franchise Fee	1.47	1.63	1.70	1.74	1.78	1.83	1.87
Debt Service	<u>26.04</u>	<u>31.93</u>	<u>33.68</u>	<u>33.96</u>	<u>34.29</u>	<u>34.87</u>	<u>34.61</u>
	\$34.26	\$40.47	\$42.45	\$42.94	\$43.49	\$44.29	\$44.25

Step 4: Rate Design

- Water Utility
 - Base Fee – Scenario 2 (per LUE per month)

Base Charge - Scenario 2	2015	2016	2017	2018	2019	2020	2021
Customer Costs	\$2.71	\$2.78	\$2.85	\$2.92	\$2.99	\$3.06	\$3.14
Admin Fee	-	-	-	-	-	-	-
IT	1.72	1.76	1.80	1.84	1.89	1.93	1.98
Franchise Fee	-	-	-	-	-	-	-
Debt Service	<u>26.04</u>	<u>31.93</u>	<u>33.68</u>	<u>33.96</u>	<u>34.29</u>	<u>34.87</u>	<u>34.61</u>
	\$30.47	\$36.47	\$38.33	\$38.72	\$39.17	\$39.86	\$39.72

Step 4: Rate Design

- Water Utility – Volumetric Charge
 - Alternative A – 3 Different Customer Classes:
 - Residential
 - Commercial
 - Irrigation/Fire Hydrant
 - Alternative B – 1 Customer Class

Step 4: Rate Design

- Water Utility – Volumetric Charge
– Alternative A – Residential

Rates	Current	2015	2016	2017	2018	2019	2020	2021
0-2,000		\$4.77	\$4.94	\$5.17	\$5.43	\$5.69	\$5.96	\$6.26
2,001-5,000	\$4.76	\$5.77	\$5.94	\$6.17	\$6.43	\$6.69	\$6.96	\$7.26
5,000-10,000	\$4.76	\$6.77	\$6.94	\$7.17	\$7.43	\$7.69	\$7.96	\$8.26
10,001-15,000	\$4.76	\$8.77	\$8.94	\$9.17	\$9.43	\$9.69	\$9.96	\$10.26
15,001-25,000	\$6.03	\$10.77	\$10.94	\$11.17	\$11.43	\$11.69	\$11.96	\$12.26
25,001-50,000	\$7.04	\$12.77	\$12.94	\$13.17	\$13.43	\$13.69	\$13.96	\$14.26
Above 50,001	\$7.04	\$14.77	\$14.94	\$15.17	\$15.43	\$15.69	\$15.96	\$16.26

Step 4: Rate Design

- Water Utility – Volumetric Charge
– Alternative A – Commercial

Rates	Current	2015	2016	2017	2018	2019	2020	2021
0-2,000		\$6.88	\$7.64	\$8.07	\$8.38	\$8.71	\$9.06	\$9.36
2,001-5,000	\$4.76	\$7.88	\$8.64	\$9.07	\$9.38	\$9.71	\$10.06	\$10.36
5,000-10,000	\$4.76	\$8.88	\$9.64	\$10.07	\$10.38	\$10.71	\$11.06	\$11.36
10,001-15,000	\$4.76	\$10.88	\$11.64	\$12.07	\$12.38	\$12.71	\$13.06	\$13.36
15,001-25,000	\$6.03	\$12.88	\$13.64	\$14.07	\$14.38	\$14.71	\$15.06	\$15.36
25,001-50,000	\$7.04	\$14.88	\$15.64	\$16.07	\$16.38	\$16.71	\$17.06	\$17.36
Above 50,001	\$7.04	\$16.88	\$17.64	\$18.07	\$18.38	\$18.71	\$19.06	\$19.36

Step 4: Rate Design

- Water Utility – Volumetric Charge
– Alternative A – Irrigation/Fire Hydrant

Rates	Current	2015	2016	2017	2018	2019	2020	2021
0-2,000		\$8.91	\$10.39	\$11.06	\$11.45	\$11.86	\$12.33	\$12.64
2,001-5,000	\$4.76	\$9.91	\$11.39	\$12.06	\$12.45	\$12.86	\$13.33	\$13.64
5,000-10,000	\$4.76	\$10.91	\$12.39	\$13.06	\$13.45	\$13.86	\$14.33	\$14.64
10,001-15,000	\$4.76	\$12.91	\$14.39	\$15.06	\$15.45	\$15.86	\$16.33	\$16.64
15,001-25,000	\$6.03	\$14.91	\$16.39	\$17.06	\$17.45	\$17.86	\$18.33	\$18.64
25,001-50,000	\$7.04	\$16.91	\$18.39	\$19.06	\$19.45	\$19.86	\$20.33	\$20.64
Above 50,001	\$7.04	\$18.91	\$20.39	\$21.06	\$21.45	\$21.86	\$22.33	\$22.64

Step 4: Rate Design

- Water Utility – Volumetric Charge
– Alternative B – All Classes

Rates	Current	2015	2016	2017	2018	2019	2020	2021
0-2,000		\$5.06	\$5.31	\$5.57	\$5.83	\$6.10	\$6.38	\$6.67
2,001-5,000	\$4.76	\$6.06	\$6.31	\$6.57	\$6.83	\$7.10	\$7.38	\$7.67
5,000-10,000	\$4.76	\$7.06	\$7.31	\$7.57	\$7.83	\$8.10	\$8.38	\$8.67
10,001-15,000	\$4.76	\$9.06	\$9.31	\$9.57	\$9.83	\$10.10	\$10.38	\$10.67
15,001-25,000	\$6.03	\$11.06	\$11.31	\$11.57	\$11.83	\$12.10	\$12.38	\$12.67
25,001-50,000	\$7.04	\$13.06	\$13.31	\$13.57	\$13.83	\$14.10	\$14.38	\$14.67
Above 50,001	\$7.04	\$15.06	\$15.31	\$15.57	\$15.83	\$16.10	\$16.38	\$16.67

Step 4: Rate Design

- Wastewater Utility
 - Alternative A – Residential Fee per LUE (Current Policy)
 - Alternative B – Residential Winter Average

Step 4: Rate Design

- Wastewater Utility – Scenario 1, Alternative A

Alternative A	Current	2015	2016	2017	2018	2019	2020	2021
Base Charge	\$46.25	\$48.51	\$52.52	\$53.84	\$54.26	\$55.48	\$57.63	\$58.90
Volumetric Charge	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80

Step 4: Rate Design

- Wastewater Utility – Scenario 1, Alternative B

Alternative B	Current	2015	2016	2017	2018	2019	2020	2021
Base Charge	\$46.25	\$17.20	\$20.08	\$20.34	\$19.70	\$19.81	\$20.80	\$20.90
Volumetric Charge	\$3.80	\$12.37	\$12.79	\$13.20	\$13.61	\$14.03	\$14.48	\$14.93

Step 4: Rate Design

- Wastewater Utility – Sample Bill Comparison – Scenario 1

Fee Comparison - 2016	Current Rates	Scenario 1 Alternative A	Scenario 1 Alternative B
Commercial 3,000 Gallons	\$46.25	\$43.45	\$43.45
Commercial 10,000 Gallons	\$72.85	\$104.72	\$104.72
Commercial 77,000 Gallons	\$327.45	\$691.14	\$691.14
Residential 3,000 Gallons	\$42.49	\$52.52	\$39.26
Residential 5,000 Gallons	\$42.49	\$52.52	\$64.84
Residential 7,500 Gallons	\$42.49	\$52.52	\$96.80
Residential 10,000 Gallons	\$42.49	\$52.52	\$128.77

Step 4: Rate Design

- Wastewater Utility – Scenario 2, Alternative A

Alternative A	Current	2015	2016	2017	2018	2019	2020	2021
Base Charge	\$42.49	\$45.37	\$49.25	\$50.49	\$50.85	\$51.99	\$54.04	\$55.24
Volumetric Charge	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80

Step 4: Rate Design

- Wastewater Utility – Scenario 2, Alternative B

Alternative B	Current	2015	2016	2017	2018	2019	2020	2021
Base Charge	\$42.49	\$14.98	\$17.81	\$18.02	\$17.33	\$17.38	\$18.31	\$18.36
Volumetric Charge	\$3.80	\$12.01	\$12.40	\$12.80	\$13.21	\$13.63	\$14.06	\$14.50

Step 4: Rate Design

- Wastewater Utility – Sample Bill Comparison – Scenario 2

Fee Comparison:	Current Rates	Scenario 1 Alternative A	Scenario 1 Alternative B
Commercial 3,000 Gallons	\$46.25	\$40.44	\$40.44
Commercial 10,000 Gallons	\$72.85	\$99.84	\$99.84
Commercial 77,000 Gallons	\$327.45	\$668.45	\$668.45
Residential 3,000 Gallons	\$42.49	\$49.25	\$36.41
Residential 5,000 Gallons	\$42.49	\$49.25	\$61.21
Residential 7,500 Gallons	\$42.49	\$49.25	\$92.22
Residential 10,000 Gallons	\$42.49	\$49.25	\$123.22