



## AGENDA

### CITY COUNCIL SPECIAL MEETING

**DECEMBER 14, 2022 @ 6:00 – 7:30 PM**

Notice is hereby given the City Council for the City of Parker will meet on Wednesday, December 14, 2022, 6:00 – 7:30 PM at the Parker City Hall, 5700 E. Parker Road, Parker, Texas 75002. The City Council meeting will be open to the public and live streamed.

Pursuant to Texas Government Code § 551.127, notice is given that it is the intent of the City Council that a quorum of the Council will be physically present for the above-referenced meeting at Parker City Hall, 5700 E. Parker Road, Parker, Texas. Some council members or City employees may participate in this meeting remotely by means of video conference call in compliance with state law.

#### **CALL TO ORDER – Roll Call and Determination of a Quorum**

#### **PLEDGE OF ALLEGIANCE**

AMERICAN PLEDGE: I pledge allegiance to the flag of the United States of America; and to the republic for which it stands, one nation under God, indivisible with liberty and justice for all.

TEXAS PLEDGE: Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.

**PUBLIC COMMENTS** The City Council invites any person with business before the Council to speak to the Council. No formal action may be taken on these items at this meeting. Please keep comments to 3 minutes.

#### **ITEMS OF COMMUNITY INTEREST**

I. WATER RATE STUDY

#### **ADJOURN**

In addition to any specifically identified Executive Sessions, Council may convene into Executive Session at any point during the open meeting to discuss any item posted on this Agenda. The Open Meetings Act provides specific exceptions that require that a meeting be open. Should Council elect to convene into Executive Session, those exceptions will be specifically identified and announced. Any subsequent action, as a result of this Executive Session, will be taken and recorded in open session.

I certify that this Notice of Meeting was posted on or before December 9, 2022, by 5:00 p.m. at the Parker City Hall, and as a courtesy, this Agenda is also posted to the City of Parker Website at [www.parkertexas.us](http://www.parkertexas.us).

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Date Notice Removed

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Patti Scott Grey  
City Secretary

The Parker City Hall is Wheelchair accessible. Sign interpretations or other special assistance for disabled attendees must be requested 48 hours in advance by contacting the City Secretary's Office at 972 442 6811.



## Council Agenda Item

Budget Account Code:	Meeting Date:	See above.
Budgeted Amount:	Department/ Requestor:	Council
Fund Balance-before expenditure:	Prepared by:	City Secretary Scott Grey for City Administrator Olson
Estimated Cost:	Date Prepared:	December 7, 2022
Exhibits:	Please review information provided.	

### AGENDA SUBJECT

WORKSHOP:

WATER RATE STUDY

### SUMMARY

Please review information provided.

### POSSIBLE ACTION

City Council may direct staff to take appropriate action.

Inter – Office Use			
<b>Approved by:</b>	Enter Text Here		
Department Head/ Requestor:	<i>Patti Scott Grey</i>	Date:	12/08/2022
City Attorney:	<i>Trey Lansford</i>	Date:	12/08/2022
City Administrator:	<i>Luke B. Olson</i>	Date:	12/09/2022

# City of Parker

## 2022 Water & Wastewater Rate Study

### Council Presentation



December 2022



# Agenda

Meeting Date: 12/14/2022 Item i.



- Background on Rates
- Customers and Volumes
- Current and Forecast Cost of Service
- Rate Plan Scenarios
- Summary



# BACKGROUND ON RATES

# 21<sup>st</sup> Century Water & Wastewater Rate Facts

Meeting Date: 12/14/2022 Item i.



- Average utility has been increasing rates **5-6% per year**, a trend that is expected to continue and may accelerate
- American Water Works Association (AWWA) forecasts that water and wastewater rates across the U.S. will **triple** in the next 15 years
- 30-40% of utilities charge rates that **do not cover their costs**
- Rate adjustments are primarily due to reasons beyond a utility's direct control – inflation, necessary Capital Improvement Plans, wholesale costs, and other indirect expenses

# Water & Wastewater Rate Background

Meeting Date: 12/14/2022 Item i.



- City has not adjusted rates since 2020
- Inflation is driving up utility operating and capital costs
- Utility plans to fund \$12.4 million in capital improvements over next ten years
- NTMWD forecasts significantly higher rate increases in the next ten years
- Combination of above factors results in need to implement a new long-term rate plan



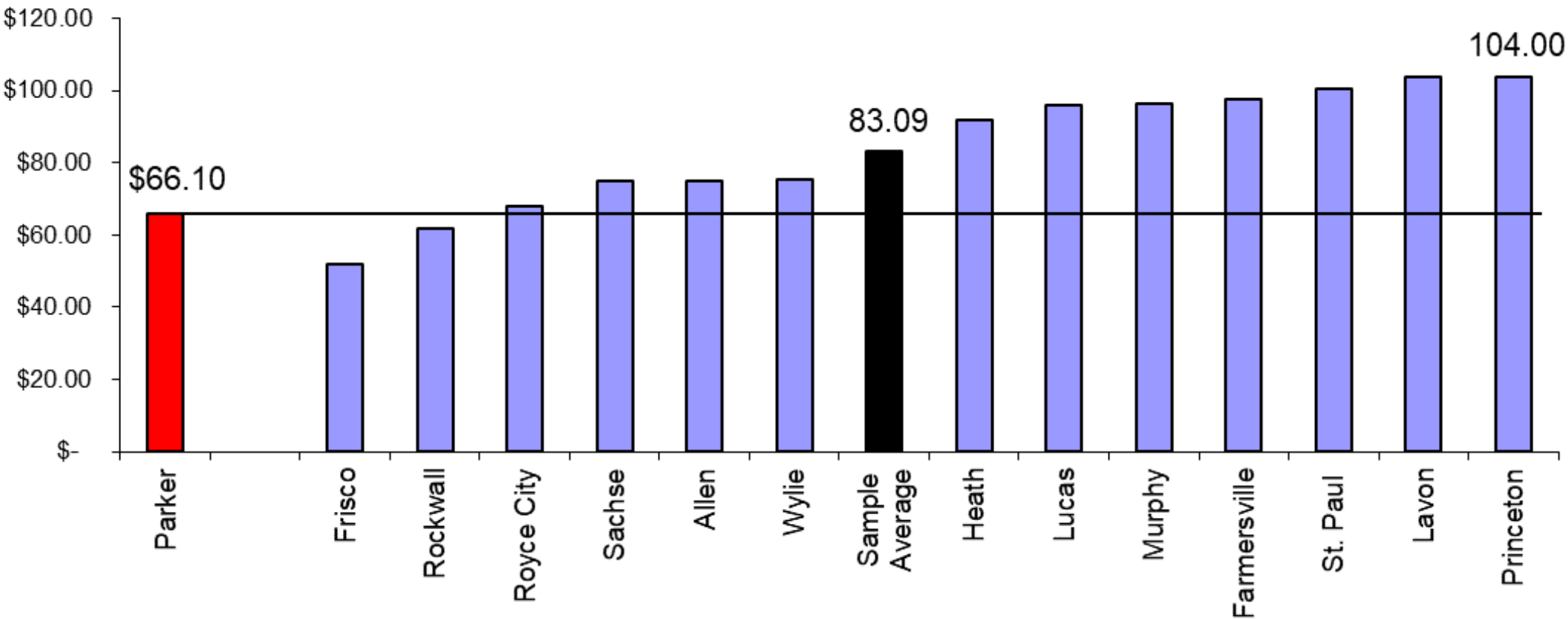
# Current Water and Wastewater Rate Structure

Water Rates		
Residential and Irrigation Rates		
Minimum Charge	\$	40.00
(Includes 4,000 Gallons in Base)		
Volume Rate (per 1,000 Gallons)		
4,001 - 15,000	\$	4.35
15,001 - 30,000		5.40
30,001 - 50,000		6.75
50,001 - 70,000		10.75
70,001 - Above		14.85

Wastewater Rates		
Residential Rates		
Monthly Charge	\$	78.98



# Current Monthly Residential Charges | 10,000 Gal Water



# CUSTOMERS & VOLUMES

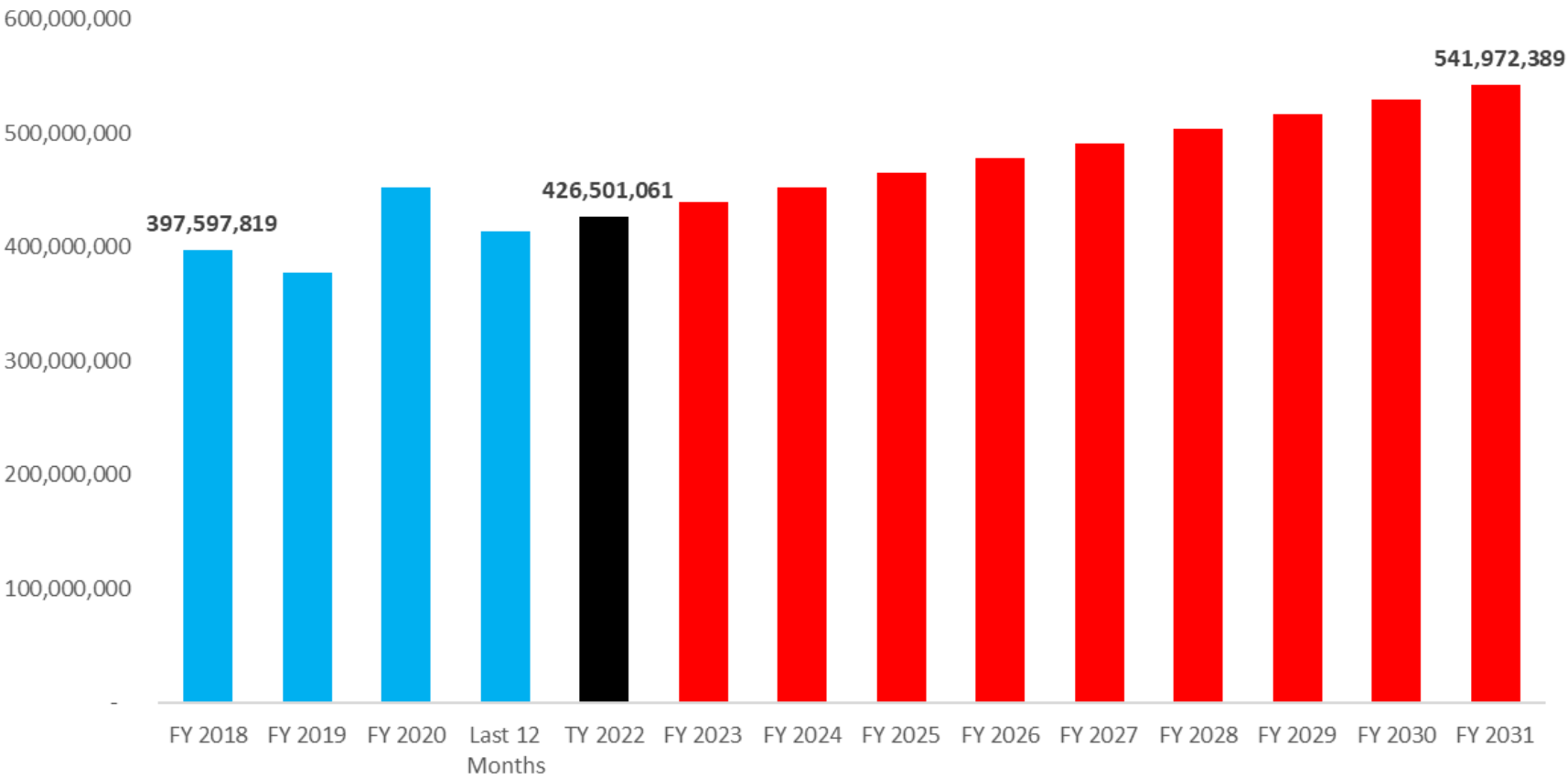
# Water and Wastewater Accounts | Test Year 2022

Account growth over  
period 2022-2031  
forecast to be on  
average 61 new  
accounts per year.

WATER Customers	
Residential	1,895
Irrigation	46
Outside City	91
<hr/>	
Total	2,032

WASTEWATER Customers	
Residential	423
<hr/>	
Total	423

# Historical and Forecast Water Consumption (gallons)



Billed consumption average annual growth rate of 2.7%.

Water usage varies considerably with weather patterns, the model is based on the overall trend. Annual results may vary significantly.

PRELIMINARY & SUBJECT TO CHANGE

# **WATER & WASTEWATER CURRENT AND FORECAST COST OF SERVICE**

# Key Assumptions Driving Forecast Financial & Rate Plan

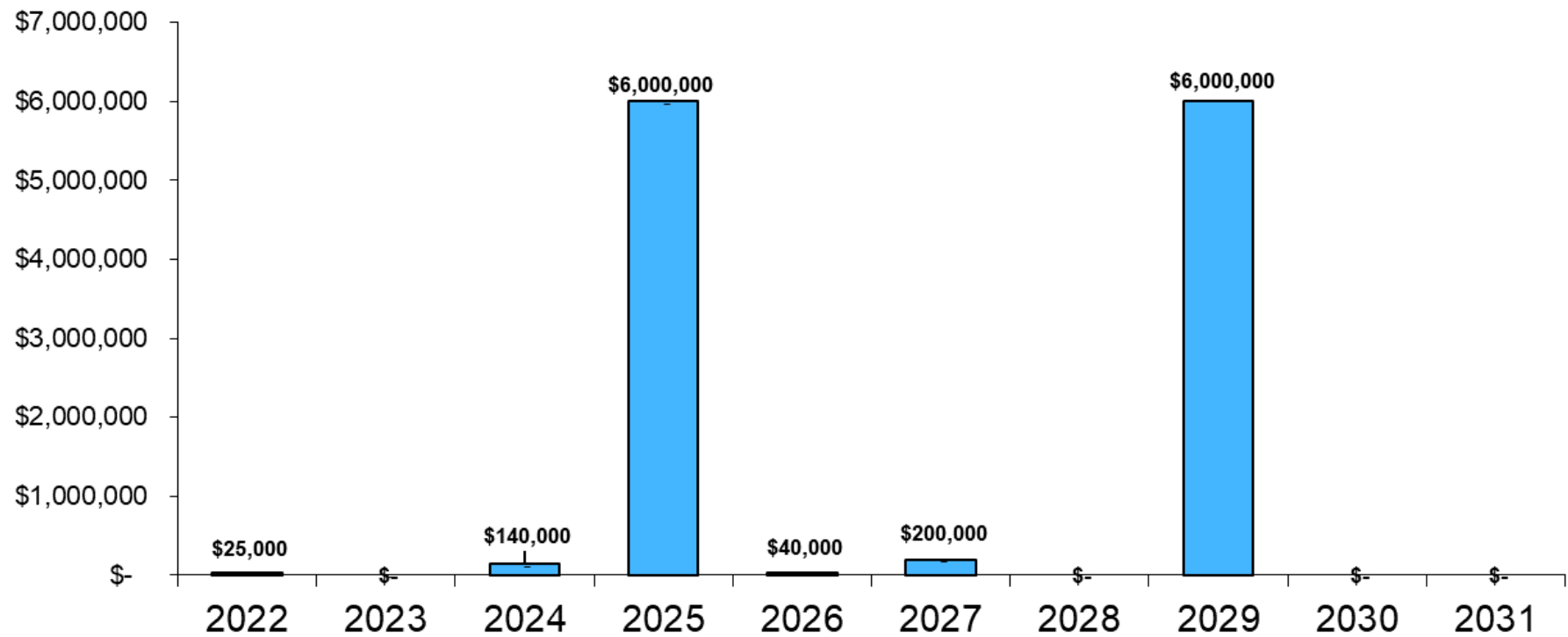
Meeting Date: 12/14/2022 Item i.



- Wholesale assumptions:
  - NTMWD water rate increases **11-13%** per year through 2024, 5-9% afterwards
  - NTMWD wastewater rate increases **12-20%** per year through 2025, lower increases afterwards
- General inflation adjustment assumed to be higher in 2023 and 2024, 3.0% afterwards
- Water CIP totals **\$12,405,000** through 2031
- 3 Rate Scenarios presented:
  - **Scenario I** -- City funds majority of CIP through long-term debt
  - **Scenario II** – City funds entire CIP through rate revenues
  - **Scenario III** – Long-Term Debt; City does not change minimum charge; all increases through volumetric rate

# Forecast Water and Wastewater CIP

Water = \$12,405,000  
WW = \$0  
Total = \$12,405,000



Forecast Bond Issues    \$6,000,000    \$6,000,000

# Forecast Revenue Requirement | Water

Meeting Date: 12/14/2022 Item i.



	Operating Expenses	NTMWD	Transfers/ Cap Outlays	Current Debt Service	Future Debt Service	Total Cost of Service	Less Non-Rate Revenues	Net Revenue Requirement
<b>WATER Utility</b>								
TY 2022	\$ 828,947	\$ 1,771,548	\$ 121,329	\$ 553,326	\$ -	\$ 3,275,150	\$ 231,906	\$ 3,043,244
FY 2023	864,162	2,004,646	97,747	549,063	-	3,515,618	231,906	3,283,712
FY 2024	900,882	2,279,978	239,207	554,978	-	3,975,045	231,906	3,743,139
FY 2025	931,323	2,510,396	100,711	552,672	-	4,095,102	231,906	3,863,196
FY 2026	962,828	2,768,881	142,260	551,774	454,735	4,880,477	231,906	4,648,572
FY 2027	995,433	3,089,340	303,855	551,472	454,735	5,394,835	231,906	5,162,930
FY 2028	1,029,180	3,356,211	105,498	550,698	454,735	5,496,322	231,906	5,264,416
FY 2029	1,064,109	3,591,673	107,191	562,100	454,735	5,779,809	231,906	5,547,903
FY 2030	1,100,265	3,974,282	108,934	561,400	909,470	6,654,351	231,906	6,422,445
FY 2031	1,137,691	4,442,656	110,730	560,100	909,470	7,160,647	231,906	6,928,742



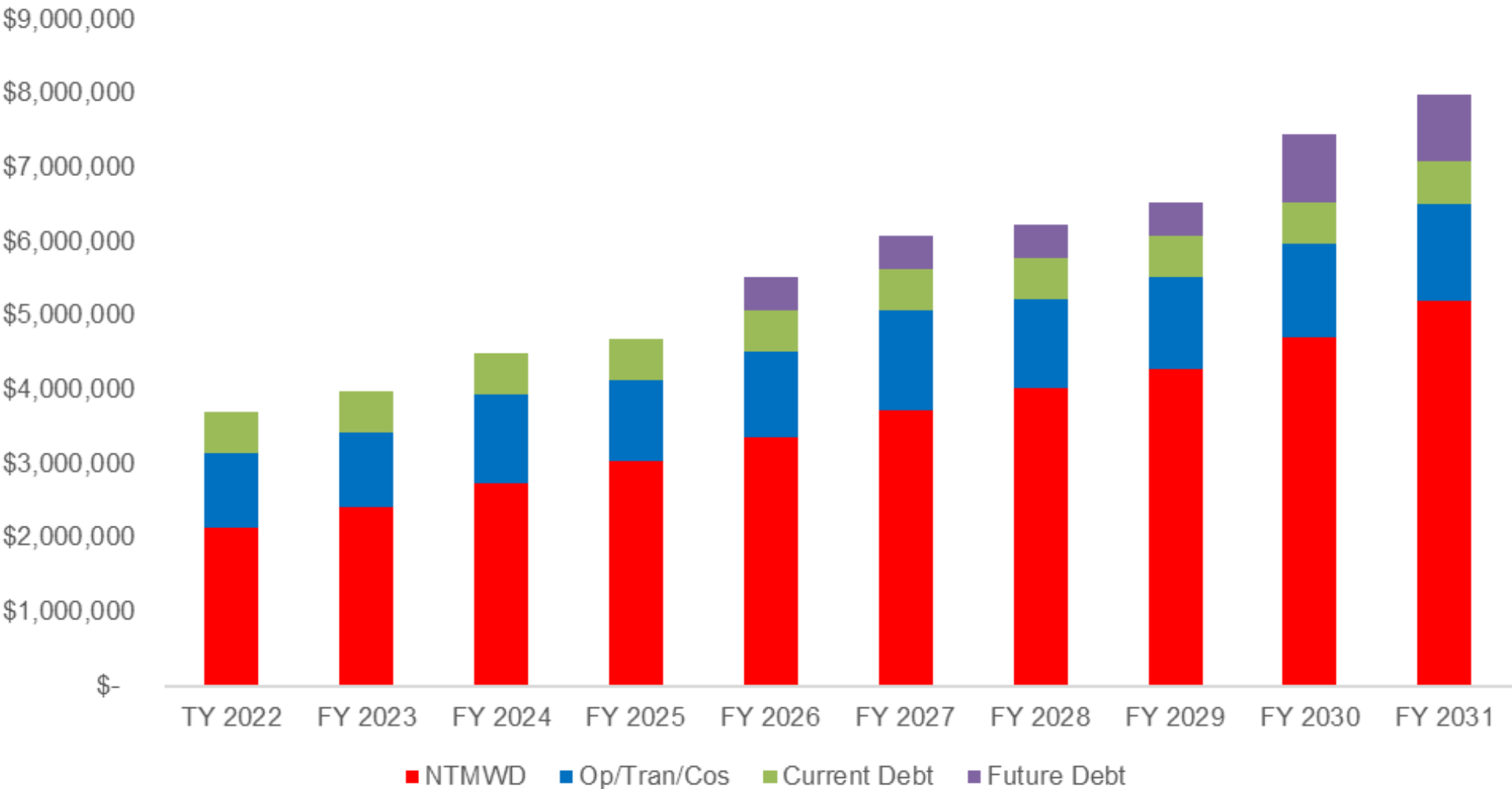
# Forecast Revenue Requirement | Wastewater

Meeting Date: 12/14/2022 Item i.



	Operating Expenses	NTMWD	Transfers/ Cap Outlays	Current Debt Service	Future Debt Service	Total Cost of Service	Less Non-Rate Revenues	Net Revenue Requirement
<b>WASTEWATER Utility</b>								
TY 2022	\$ 41,048	\$ 368,539	\$ 5,921	\$ -	\$ -	\$ 415,508	\$ 20,944	\$ 394,564
FY 2023	42,745	406,439	5,921	-	-	455,104	20,944	434,160
FY 2024	44,511	454,939	5,921	-	-	505,371	20,944	484,427
FY 2025	45,966	528,161	5,921	-	-	580,048	20,944	559,104
FY 2026	47,471	577,939	5,921	-	-	631,330	20,944	610,386
FY 2027	49,026	622,748	5,921	-	-	677,695	20,944	656,751
FY 2028	50,635	668,959	5,921	-	-	725,516	20,944	704,571
FY 2029	52,300	690,989	5,921	-	-	749,210	20,944	728,266
FY 2030	54,021	723,339	5,921	-	-	783,281	20,944	762,336
FY 2031	55,802	757,131	5,921	-	-	818,854	20,944	797,910

# Forecast Revenue Requirement | Water and Wastewater



PRELIMINARY & SUBJECT TO CHANGE

# **WATER & WASTEWATER RATE PLAN SCENARIOS**

# Rate Plan Scenario I

Meeting Date: 12/14/2022 Item i.



- 5-year rate plan with adjustments assumed to be effective October 1 of each year
- Assumes no change in fundamental rate structure
- Uniform percentage adjustments for base and volume charges
- Funds \$12,000,000 in CIP-related long-term debt
  - 20 years
  - 4.0% interest



# Recommended Rate Plan – Scenario I

The rate plan fully funds all aspects of the water and wastewater utility based on the existing market conditions and assumptions.

Rate Plan will also enable the City to fully fund its capital improvements.

Water Rates - Residential and Irrigation		Current	Effective Oct-22	Effective Oct-23	Effective Oct-24	Effective Oct-25	Effective Oct-26
Minimum Chg		\$ 40.00	\$ 43.60	\$ 47.09	\$ 50.86	\$ 54.92	\$ 59.32
<b>Volume Rate Per 1,000 Gal</b>							
4,001	15,000	4.35	4.74	5.12	5.53	5.97	6.45
15,001	30,000	5.40	5.89	6.36	6.87	7.41	8.01
30,001	50,000	6.75	7.36	7.95	8.58	9.27	10.01
50,001	70,000	10.75	11.72	12.65	13.67	14.76	15.94
70,001	Above	14.85	16.19	17.48	18.88	20.39	22.02
Outside City Premium		0%	10%	10%	10%	10%	10%
<b>Wastewater Rates</b>							
Monthly Charge		\$ 78.98	\$ 86.88	\$ 95.57	\$ 105.12	\$ 114.58	\$ 123.75

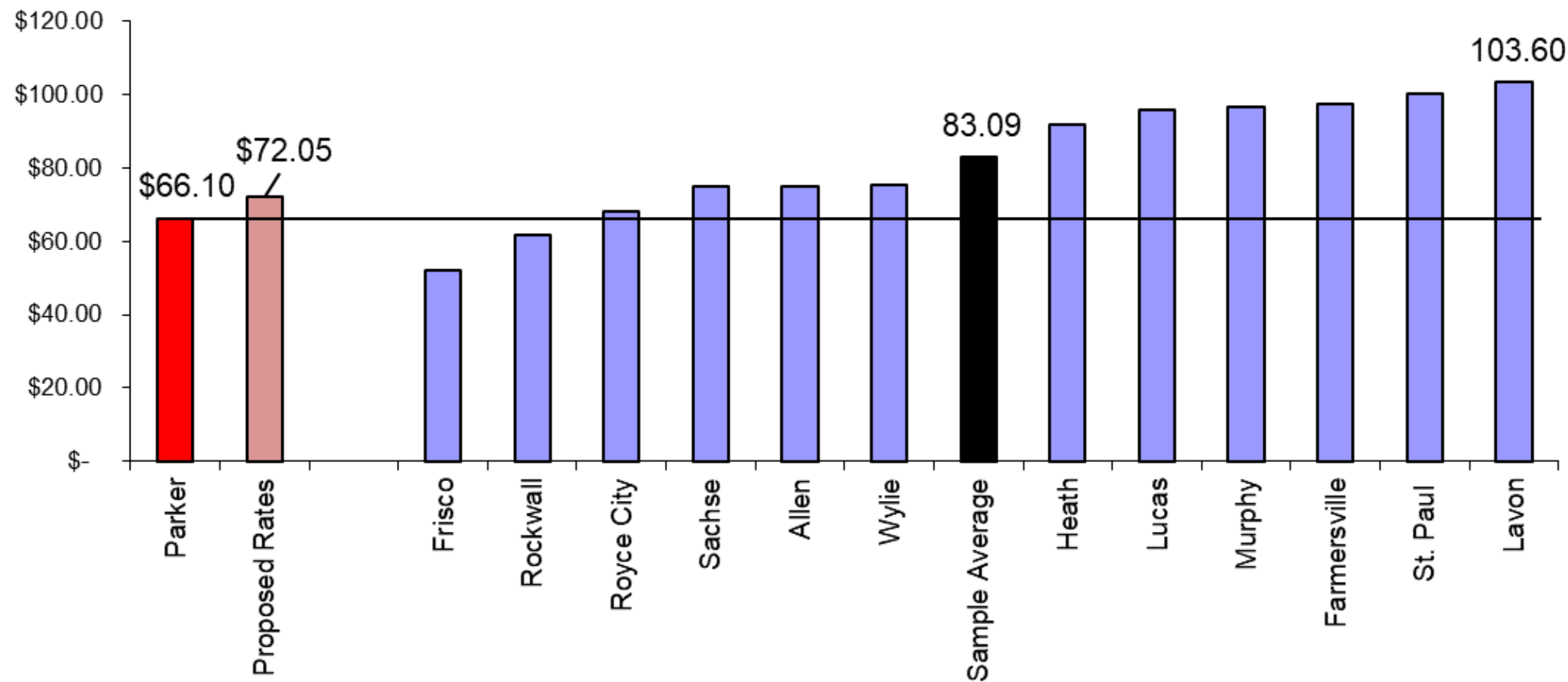
# Impact on Monthly Bills | Scenario I

Meeting Date: 12/14/2022 Item i.



		Current	Effective Oct-22	Effective Oct-23	Effective Oct-24	Effective Oct-25	Effective Oct-26
<b>Residential Average Monthly Water Bill</b>							
5,000 Gal W	Total	\$ 44.35	\$ 48.34	\$ 52.21	\$ 56.39	\$ 60.90	\$ 65.77
	Increase -- \$		3.99	3.87	4.18	4.51	4.87
	Increase -- %		9.0%	8.0%	8.0%	8.0%	8.0%
10,000 Gal W	Total	\$ 66.10	\$ 72.05	\$ 77.81	\$ 84.04	\$ 90.76	\$ 98.02
	Increase -- \$		5.95	5.76	6.23	6.72	7.26
	Increase -- %		9.0%	8.0%	8.0%	8.0%	8.0%
20,000 Gal W	Total	\$ 114.85	\$ 125.19	\$ 135.20	\$ 146.02	\$ 157.70	\$ 170.31
	Increase -- \$		10.34	10.01	10.82	11.68	12.62
	Increase -- %		9.0%	8.0%	8.0%	8.0%	8.0%

# Current and Proposed Monthly Residential Charges | 10,000 Gal Water



# Rate Plan Scenario II

Meeting Date: 12/14/2022 Item i.



- Assumes no debt issued to fund the CIP
- Continues 5-year rate plan with no change in fundamental rate structure
- Results in higher water rate adjustments over 5-year period
- If CIP or operational assumptions change, a corresponding impact on the rate plan may be considered





# Total Cost of Service – Scenarios I and II

Meeting Date: 12/14/2022 Item i.



## Scenario I - Debt

	Operating Expenses	NTMWD	Transfers/ Cap Outlays	Current Debt Service	Future Debt Service	Cost of Service	Non-Rate Revenues	Revenue Requirement
<b>TOTAL Revenue Requirement</b>								
TY 2022	\$ 869,995	\$ 2,140,087	\$ 127,250	\$ 553,326	\$ -	\$ 3,690,658	\$ 252,850	\$ 3,437,808
FY 2023	906,907	2,411,085	103,668	549,063	-	3,970,722	252,850	3,717,872
FY 2024	945,393	2,734,918	245,128	554,978	-	4,480,416	252,850	4,227,566
FY 2025	977,290	3,038,557	106,631	552,672	-	4,675,150	252,850	4,422,300
FY 2026	1,010,298	3,346,819	148,180	551,774	454,735	5,511,807	252,850	5,258,957
FY 2027	1,044,460	3,712,088	309,776	551,472	454,735	6,072,530	252,850	5,819,680
FY 2028	1,079,815	4,025,170	111,419	550,698	454,735	6,221,837	252,850	5,968,987
FY 2029	1,116,409	4,282,663	113,112	562,100	454,735	6,529,019	252,850	6,276,169
FY 2030	1,154,286	4,697,620	114,855	561,400	909,470	7,437,631	252,850	7,184,781
FY 2031	1,193,493	5,199,787	116,651	560,100	909,470	7,979,501	252,850	7,726,651

## Scenario II – No Debt

	Operating Expenses	NTMWD	Transfers/ Cap Outlays	Current Debt Service	Future Debt Service	Cost of Service	Non-Rate Revenues	Revenue Requirement
<b>TOTAL Revenue Requirement</b>								
TY 2022	\$ 869,995	\$ 2,140,087	\$ 1,342,750	\$ 553,326	\$ -	\$ 4,906,158	\$ 252,850	\$ 4,653,308
FY 2023	906,907	2,411,085	1,344,168	549,063	-	5,211,222	252,850	4,958,372
FY 2024	945,393	2,734,918	1,345,628	554,978	-	5,580,916	252,850	5,328,066
FY 2025	977,290	3,038,557	1,347,131	552,672	-	5,915,650	252,850	5,662,800
FY 2026	1,010,298	3,346,819	1,348,680	551,774	-	6,257,572	252,850	6,004,722
FY 2027	1,044,460	3,712,088	1,350,276	551,472	-	6,658,295	252,850	6,405,445
FY 2028	1,079,815	4,025,170	1,351,919	550,698	-	7,007,602	252,850	6,754,752
FY 2029	1,116,409	4,282,663	1,353,612	562,100	-	7,314,783	252,850	7,061,933
FY 2030	1,154,286	4,697,620	1,355,355	561,400	-	7,768,661	252,850	7,515,811
FY 2031	1,193,493	5,199,787	1,357,151	560,100	-	8,310,531	252,850	8,057,681

# Recommended Rate Plan – Scenario II

The rate plan results in higher water rate adjustments.

No change in wastewater adjustments.

Rate Plan will also enable the City to fully fund its capital improvements without issuing new debt.

Water Rates - Residential and Irrigation		Current	Effective Oct-22	Effective Oct-23	Effective Oct-24	Effective Oct-25	Effective Oct-26
Minimum Chg		\$ 40.00	\$ 46.00	\$ 52.90	\$ 60.84	\$ 68.74	\$ 70.81
<b>Volume Rate Per 1,000 Gal</b>							
4,001	15,000	4.35	5.00	5.75	6.62	7.48	7.70
15,001	30,000	5.40	6.21	7.14	8.21	9.28	9.56
30,001	50,000	6.75	7.76	8.93	10.27	11.60	11.95
50,001	70,000	10.75	12.36	14.22	16.35	18.47	19.03
70,001	Above	14.85	17.08	19.64	22.58	25.52	26.29
Outside City Premium		0%	10%	10%	10%	10%	10%
<b>Wastewater Rates</b>							
Monthly Charge		\$ 78.98	\$ 86.88	\$ 95.57	\$ 105.12	\$ 114.58	\$ 123.75

# Impact on Monthly Bills | Scenario II

Meeting Date: 12/14/2022 Item i.



	Current	Effective Oct-22	Effective Oct-23	Effective Oct-24	Effective Oct-25	Effective Oct-26
<b>Residential Average Monthly Bill</b>						
<b>5,000 Gal Water</b>						
Scenario 1 - Debt	\$ 44.35	\$ 48.34	\$ 52.21	\$ 56.39	\$ 60.90	\$ 65.77
Scenario 2 - No Debt	44.35	51.00	58.65	67.45	76.22	78.51
<b>Difference</b>		<b>2.66</b>	<b>6.44</b>	<b>11.06</b>	<b>15.32</b>	<b>12.74</b>
<b>10,000 Gal Water</b>						
Scenario 1 - Debt	66.10	72.05	77.81	84.04	90.76	98.02
Scenario 2 - No Debt	66.10	76.02	87.42	100.53	113.60	117.01
<b>Difference</b>		<b>3.96</b>	<b>9.61</b>	<b>16.49</b>	<b>22.84</b>	<b>18.99</b>
<b>20,000 Gal Water</b>						
Scenario 1 - Debt	114.85	125.19	135.20	146.02	157.70	170.31
Scenario 2 - No Debt	114.85	132.08	151.89	174.67	197.38	203.30
<b>Difference</b>		<b>6.89</b>	<b>16.69</b>	<b>28.65</b>	<b>39.68</b>	<b>32.99</b>

# Rate Plan Scenario III

Meeting Date: 12/14/2022 Item i.



- Continues 5-year rate plan with no change in fundamental rate structure
- **Percentage adjustments applied only for volumetric charges (no base charge increase)**
- Funds \$12,000,000 in CIP-related long-term debt



# Recommended Rate Plan – Scenario III

The rate plan results in higher water volumetric rate adjustments.

No change in wastewater adjustments.

Only increasing the volumetric rates makes the revenues depend more on annual weather patterns.

Water Rates - Residential and Irrigation		Current	Effective Oct-22	Effective Oct-23	Effective Oct-24	Effective Oct-25	Effective Oct-26
Minimum Chg		\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
<u>Volume Rate Per 1,000 Gal</u>							
4,001	15,000	4.35	5.00	5.60	6.28	6.90	7.59
15,001	30,000	5.40	6.21	6.96	7.79	8.57	9.43
30,001	50,000	6.75	7.76	8.69	9.74	10.71	11.78
50,001	70,000	10.75	12.36	13.85	15.51	17.06	18.76
70,001	Above	14.85	17.08	19.13	21.42	23.56	25.92
Outside City Premium		0%	10%	10%	10%	10%	10%
<u>Wastewater Rates</u>							
Monthly Charge		\$ 78.98	\$ 86.88	\$ 95.57	\$ 105.12	\$ 114.58	\$ 123.75

# Impact on Monthly Bills | Scenario III

Meeting Date: 12/14/2022 Item i.



	Current	Effective Oct-22	Effective Oct-23	Effective Oct-24	Effective Oct-25	Effective Oct-26
<b>Residential Average Monthly Bill</b>						
<b>5,000 Gal Water</b>						
Scenario 1 - Debt	\$ 44.35	\$ 48.34	\$ 52.21	\$ 56.39	\$ 60.90	\$ 65.77
Scenario 3 - No Base Increase	44.35	45.00	45.60	46.28	46.90	47.59
<b>Difference</b>		<b>(3.34)</b>	<b>(6.61)</b>	<b>(10.11)</b>	<b>(14.00)</b>	<b>(18.18)</b>
<b>10,000 Gal Water</b>						
Scenario 1 - Debt	66.10	72.05	77.81	84.04	90.76	98.02
Scenario 3 - No Base Increase	66.10	70.02	73.62	77.65	81.42	85.56
<b>Difference</b>		<b>(2.04)</b>	<b>(4.19)</b>	<b>(6.39)</b>	<b>(9.34)</b>	<b>(12.46)</b>
<b>20,000 Gal Water</b>						
Scenario 1 - Debt	114.85	125.19	135.20	146.02	157.70	170.31
Scenario 3 - No Base Increase	114.85	126.08	136.41	147.98	158.77	170.65
<b>Difference</b>		<b>0.89</b>	<b>1.21</b>	<b>1.96</b>	<b>1.07</b>	<b>0.34</b>
<b>100,000 Gal Water</b>						
Scenario 1 - Debt	964.35	1,051.14	1,135.23	1,226.05	1,324.14	1,430.07
Scenario 3 - No Base Increase	964.35	1,103.00	1,230.56	1,373.43	1,506.77	1,653.45
<b>Difference</b>		<b>51.86</b>	<b>95.33</b>	<b>147.38</b>	<b>182.64</b>	<b>223.38</b>

# SUMMARY

# How Does Rate Plan Benefit Ratepayers & City?

Meeting Date: 12/14/2022 Item i.



- Proposed rate plans enable the utility to fully fund all water and wastewater maintenance, operating and construction costs
- Will provide for the Utility Fund to operate self-sufficient with no need for General Fund subsidies
- Will enable City to invest \$12.4 million to maintain and improve the system
- Enables the City to continually provide safe drinking water and effectively treat wastewater







## QUESTIONS & DISCUSSION