



MINUTES
CITY COUNCIL MEETING
DECEMBER 14, 2022

CALL TO ORDER – Roll Call and Determination of a Quorum

The Parker City Council met in a special meeting on the above date at Parker City Hall, 5700 E. Parker Road, Parker, Texas, 75002.

Mayor Lee Pettle called the meeting to order at 6:00 p.m. Mayor Pro Tem Michael Slaughter and Councilmembers Terry Lynch, Cindy Meyer and Jim Reed were present. Councilmember Diana M. Abraham was absent.

Staff Present: City Administrator Luke Olson, Asst. City Administrator/City Secretary Patti Scott Grey, Finance/Human Resources Director Grant Savage, City Attorney Trey Lansford, Public Works Director and Gary Machado

PLEDGE OF ALLEGIANCE

AMERICAN PLEDGE: Ed Standridge led the pledge.

TEXAS PLEDGE: Lucy Estabrook led the pledge.

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

No comments

WORKSHOP

WATER RATE STUDY

City Administrator Olson introduced Willdan Vice President Dan V. Jackson and Willdan Senior Analyst Dennis Goral. Mr. Jackson and Mr. Goral reviewed their PowerPoint, 2022 Water & Wastewater Rate Study in tonight's City Council packet and responded to questions. [See **Exhibit 1** – “2022 Water & Wastewater Rate Study”, **dated December, 2022.**]

ADJOURN

Mayor Lee Pettle adjourned the meeting at 7:03 p.m.



APPROVED:

A blue ink signature of Lee Pettle, which is a stylized script. The signature is followed by a horizontal line and the name "Lee Pettle" in a standard font.

Lee Pettle

ATTESTED:



Patti Scott Grey, City Secretary

Approved on the 17th day
of January, 2023.

City of Parker

2022 Water & Wastewater Rate Study

Council Presentation

December 2022



Exhibit 1



Agenda

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





BACKGROUND ON RATES

21st Century Water & Wastewater Rate Facts



- 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

- 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

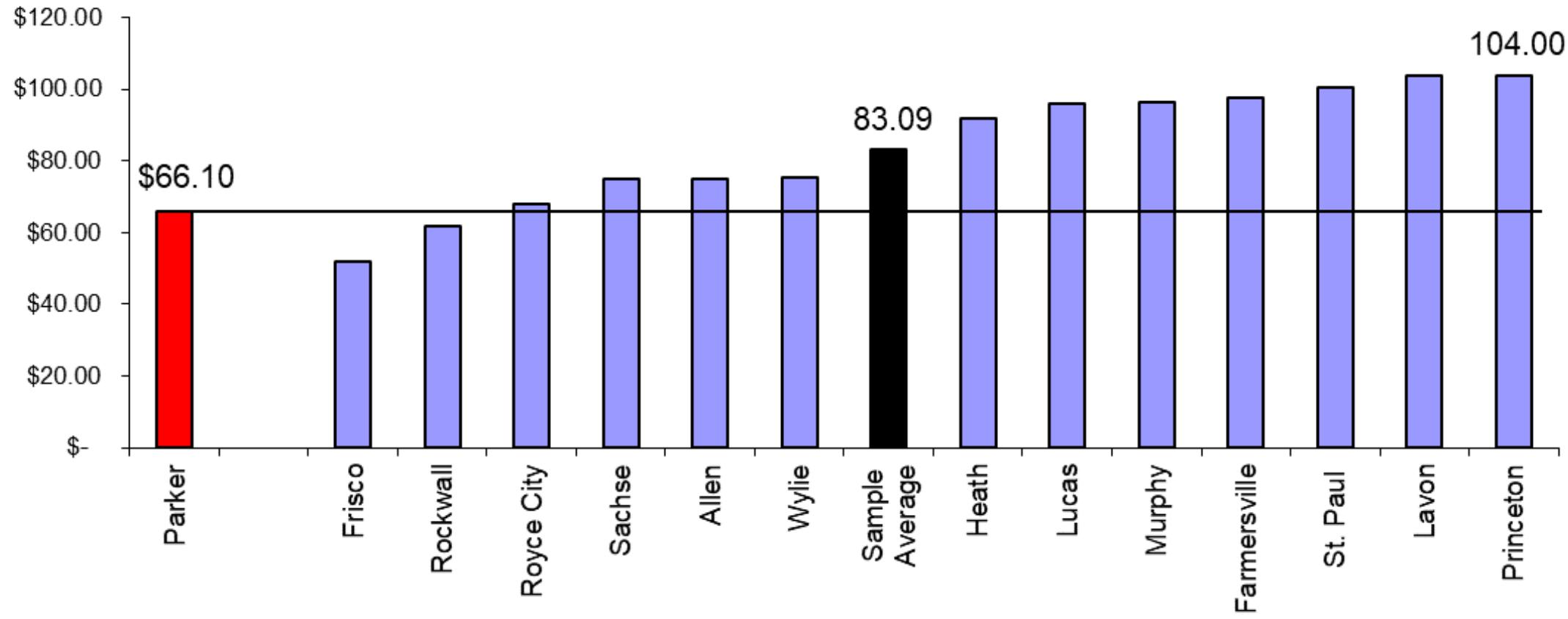


Current Water and Wastewater Rate Structure



Water Rates		Wastewater Rates	
Residential and Irrigation Rates		Residential Rates	
Minimum Charge	\$ 40.00	Monthly Charge	\$ 78.98
(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		

Current Monthly Residential Charges | 10,000 Gal Water



CUSTOMERS & VOLUMES

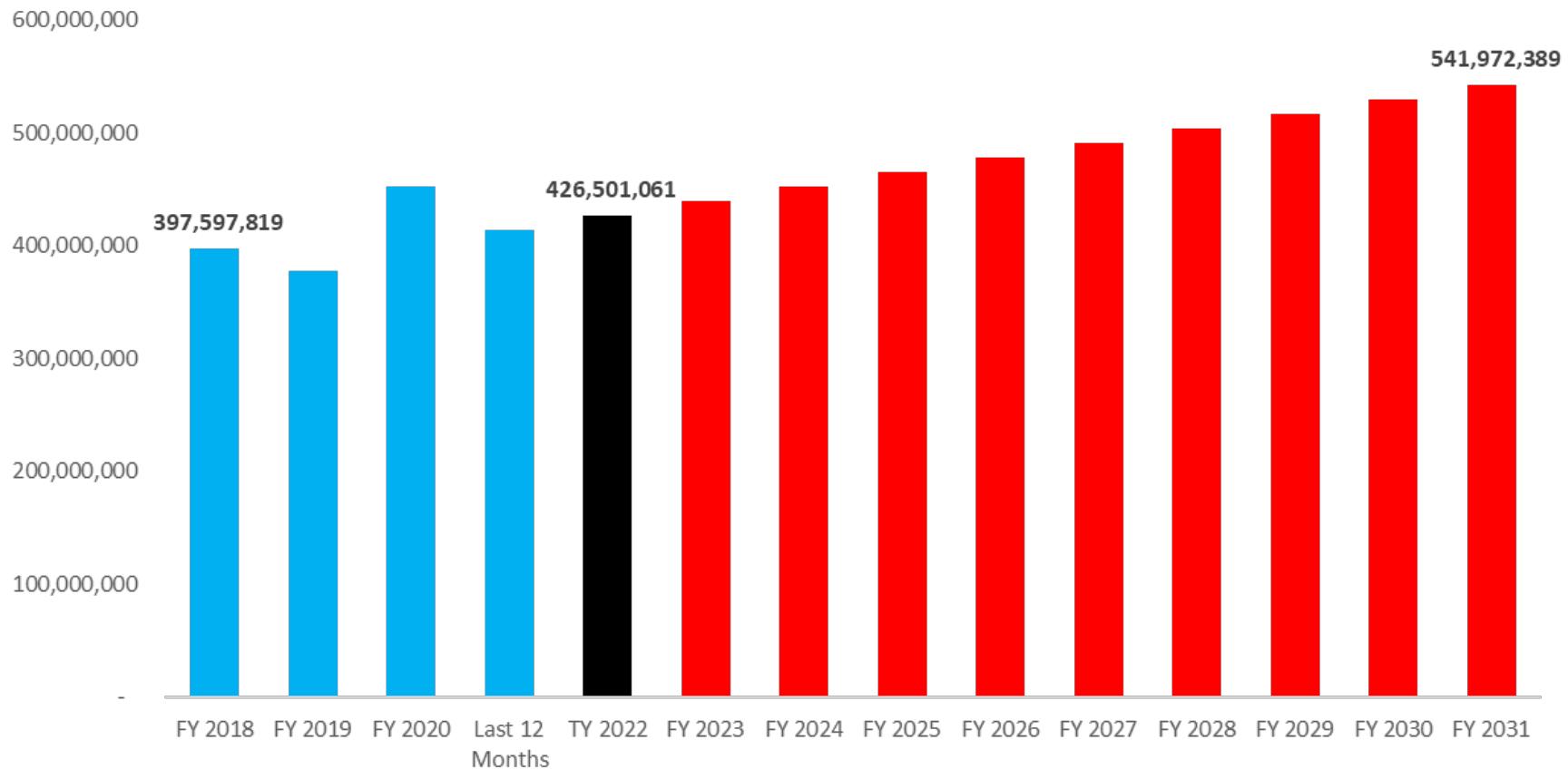
Water and Wastewater Accounts | Test Year 2022



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

WATER Customers		WASTEWATER Customers	
Residential	1,895	Residential	423
Irrigation	46		
Outside City	91		
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Total	2,032	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.



WATER & WASTEWATER CURRENT AND FORECAST COST OF SERVICE

Key Assumptions Driving Forecast Financial & Rate Plan

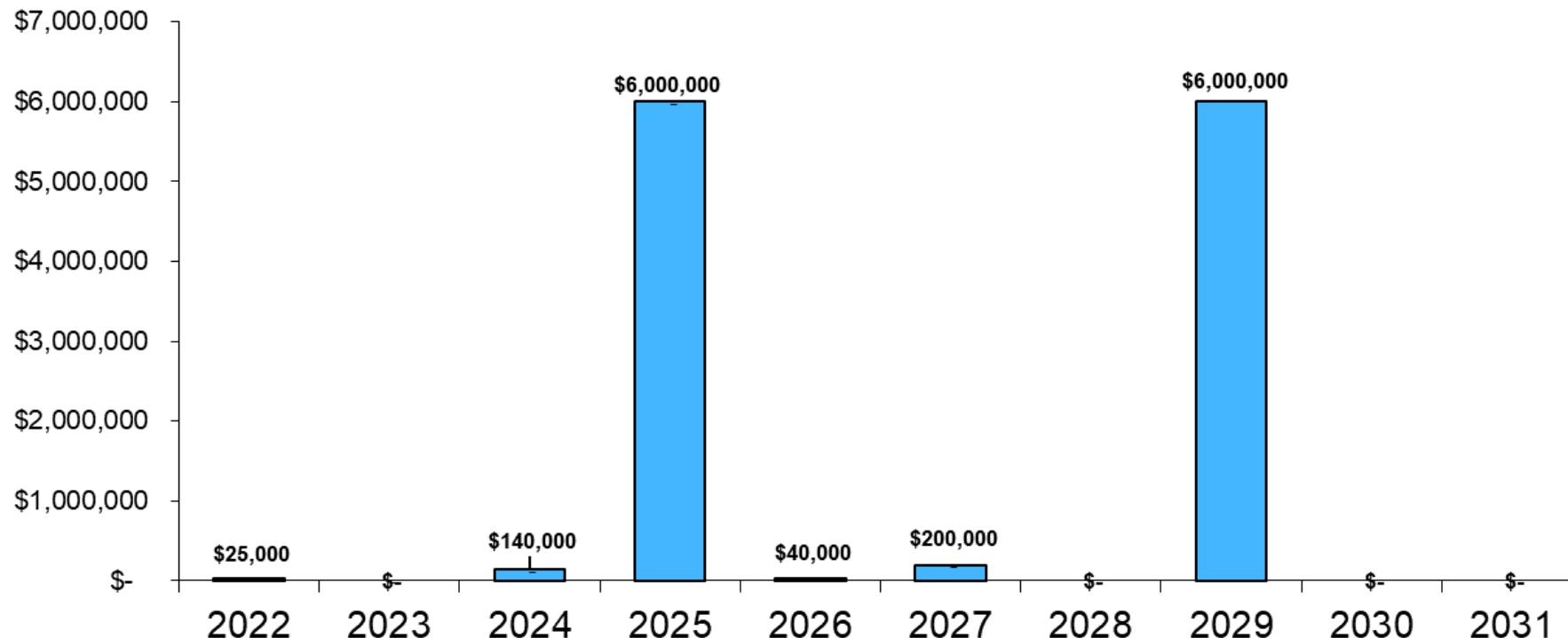


- Wholesale assumptions:
 - NTMWD water rate increases **11-13%** per year through 2024, 5-9% afterwards
 - NTMWD wastewater rate increases **12-20%** per year through 2025, lower increases afterwards
- General inflation adjustment assumed to be higher in 2023 and 2024, 3.0% afterwards
- Water CIP totals **\$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



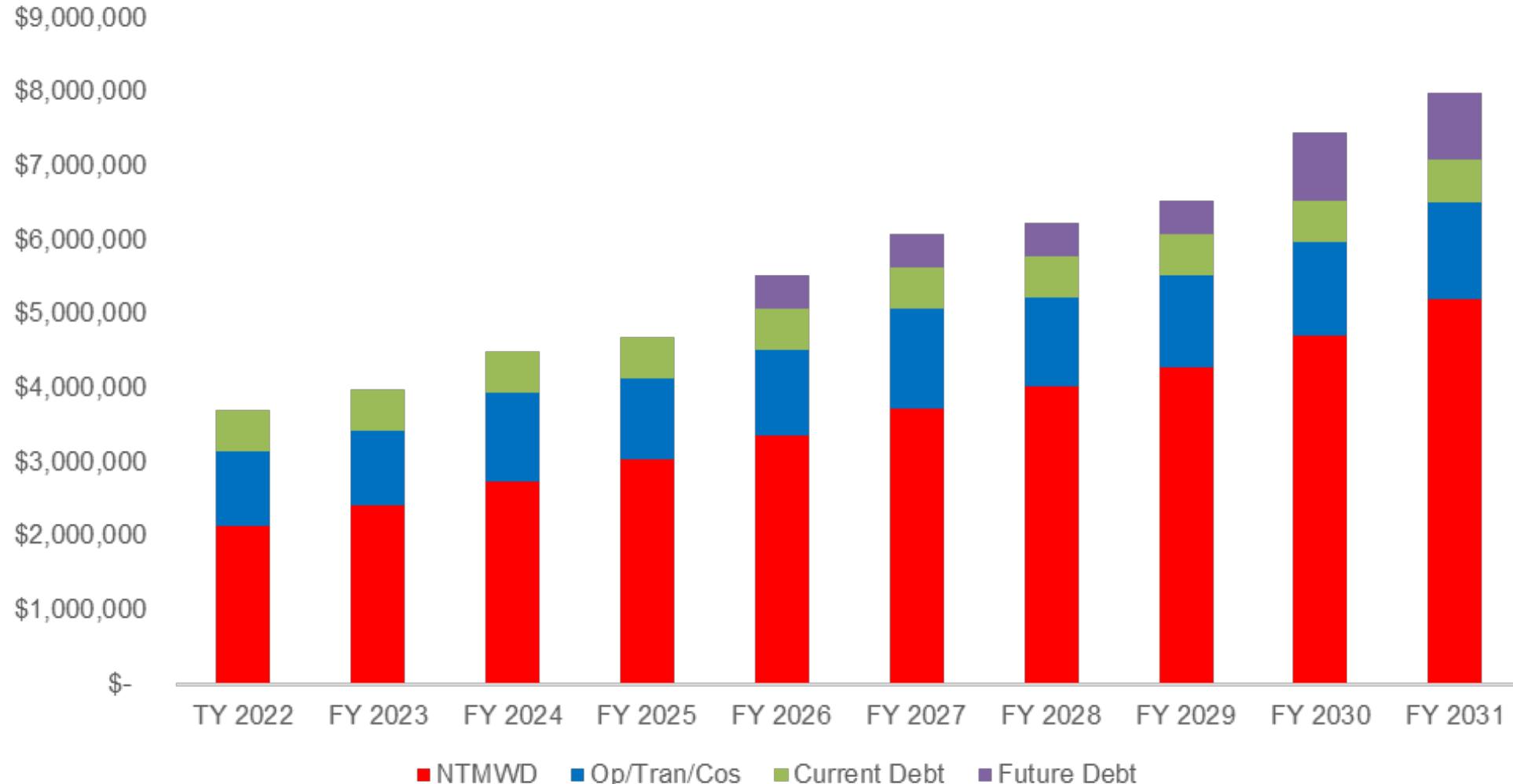
	Operating Expenses	NTMWD	Transfers/ Cap Outlays	Current Debt Service	Future Debt Service	Total Cost of Service	Less Non-Rate Revenues	Net Revenue Requirement
WATER Utility								
TY 2022	\$ 828,947	\$ 1,771,548	\$ 121,329	\$ 553,326	\$ -	\$ 3,275,150	\$ 231,906	\$ 3,043,244
FY 2023	864,162	2,004,646	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



	Operating Expenses	NTMWD	Transfers/ Cap Outlays	Current		Future		Total Cost of Service	Less Non-Rate Revenues	Net Revenue Requirement
				Debt Service	Debt Service	Debt Service	Service			
WASTEWATER Utility										
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

- 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.

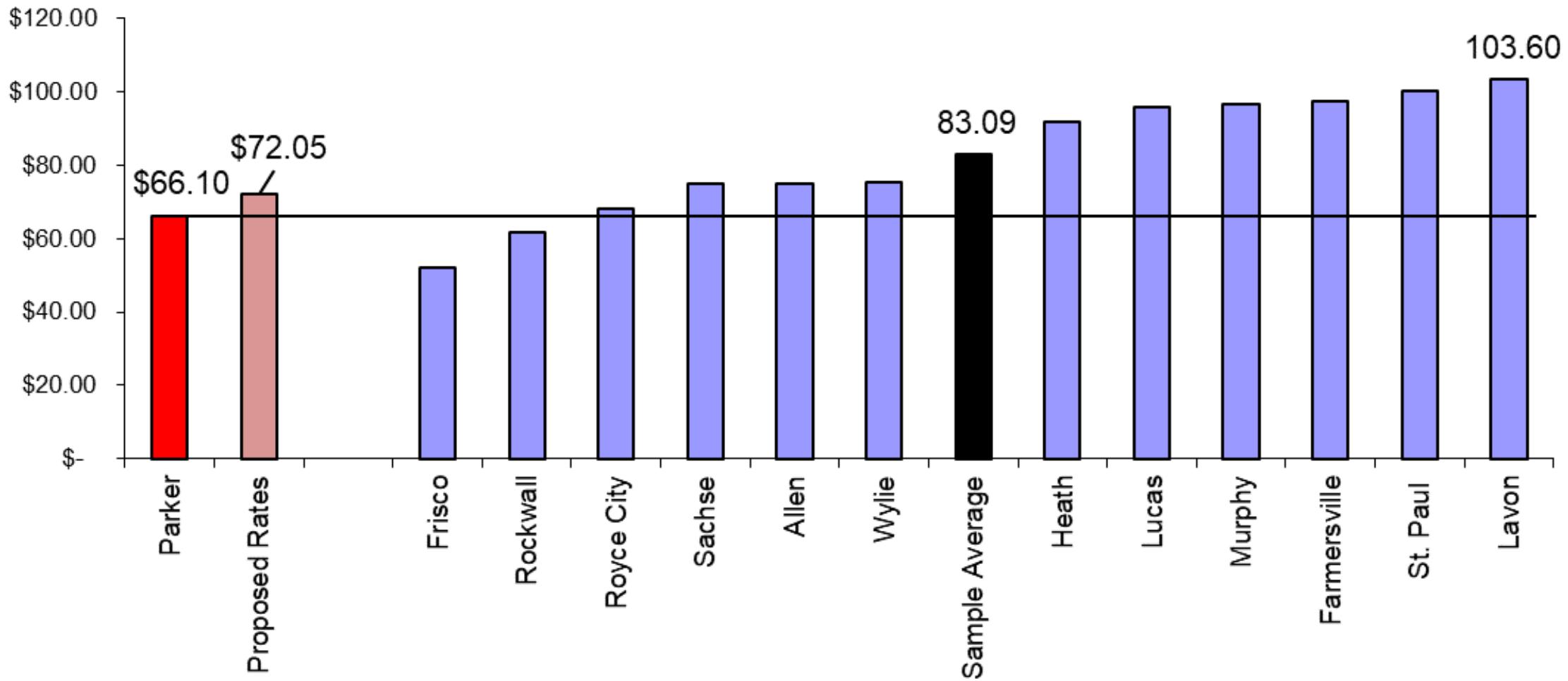
Water Rates - Residential and Irrigation	Current	Effective Oct-22	Effective Oct-23	Effective Oct-24	Effective Oct-25	Effective Oct-26
Minimum Chg	\$ 40.00	\$ 43.60	\$ 47.09	\$ 50.86	\$ 54.92	\$ 59.32
Volume Rate Per 1,000 Gal						
4,001 - 15,000	4.35	4.74	5.12	5.53	5.97	6.45
15,001 - 30,000	5.40	5.89	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%
Wastewater Rates						
Monthly Charge	\$ 78.98	\$ 86.88	\$ 95.57	\$ 105.12	\$ 114.58	\$ 123.75

Impact on Monthly Bills | Scenario I



		Current	Effective Oct-22	Effective Oct-23	Effective Oct-24	Effective Oct-25	Effective Oct-26
Residential Average Monthly Water Bill							
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



- 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



Scenario I - Debt

	Operating Expenses	NTMWD	Transfers/ Cap Outlays	Current Debt Service	Future Debt Service	Cost of Service	Non-Rate Revenues	Revenue Requirement
TOTAL Revenue Requirement								
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
TOTAL Revenue Requirement								
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
Volume Rate Per 1,000 Gal						
4,001	15,000	4.35	5.00	5.75	6.62	7.48
15,001	30,000	5.40	6.21	7.14	8.21	9.28
30,001	50,000	6.75	7.76	8.93	10.27	11.60
50,001	70,000	10.75	12.36	14.22	16.35	18.47
70,001	Above	14.85	17.08	19.64	22.58	25.52
Outside City Premium						
		0%	10%	10%	10%	10%
Wastewater Rates						
Monthly Charge	\$ 78.98	\$ 86.88	\$ 95.57	\$ 105.12	\$ 114.58	\$ 123.75

Impact on Monthly Bills | Scenario II



	Current	Effective Oct-22	Effective Oct-23	Effective Oct-24	Effective Oct-25	Effective Oct-26
Residential Average Monthly Bill						
5,000 Gal Water						
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
Difference		2.66	6.44	11.06	15.32	12.74
10,000 Gal Water						
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
Difference		3.96	9.61	16.49	22.84	18.99
20,000 Gal Water						
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
Difference		6.89	16.69	28.65	39.68	32.99

Rate Plan Scenario III

- 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
15,001	30,000	5.40	6.21	6.96	7.79	8.57
30,001	50,000	6.75	7.76	8.69	9.74	10.71
50,001	70,000	10.75	12.36	13.85	15.51	17.06
70,001	Above	14.85	17.08	19.13	21.42	23.56
Outside City Premium						
		0%	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



	Current	Effective Oct-22	Effective Oct-23	Effective Oct-24	Effective Oct-25	Effective Oct-26
Residential Average Monthly Bill						
5,000 Gal Water						
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
Difference		(3.34)	(6.61)	(10.11)	(14.00)	(18.18)
10,000 Gal Water						
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
Difference		(2.04)	(4.19)	(6.39)	(9.34)	(12.46)
20,000 Gal Water						
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
Difference		0.89	1.21	1.96	1.07	0.34
100,000 Gal Water						
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
Difference		51.86	95.33	147.38	182.64	223.38

SUMMARY

How Does Rate Plan Benefit Ratepayers & City?

- 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