



September 17th, 2024

WATER AND WASTEWATER RATE STUDY CITY OF DEER PARK, TX



NEWGEN AND PROJECT TEAM



Matthew Garrett, MBA, CGFO, CPM

Partner and Managing Director of Client Relations and Services

Project Manager

- Project coordination
- Rate design strategy
- Presentations to Staff / Council



Steve Doogue

Manager

Lead Analyst

- Utility billing analysis
- Rate model development
- Bill impact analysis / benchmarking

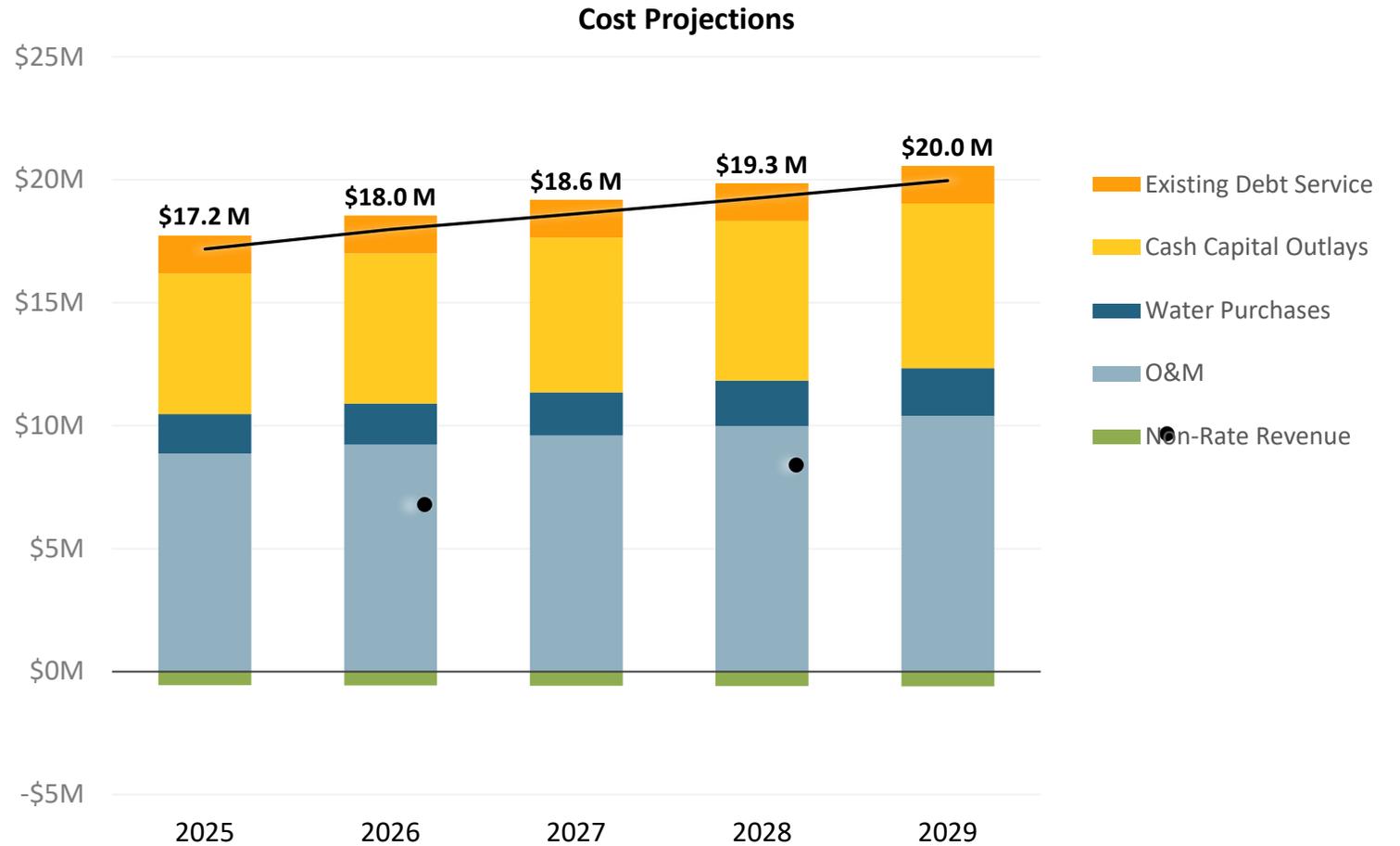


OBJECTIVES OF THIS RATE STUDY

- Increase rate revenue to meet rising operating costs, including wholesale water purchases
- Finance capital outlays, pending development of the City's Capital Improvement Plan (CIP)
- Ensure utility financial policies are met, including adequate debt service coverage and fund balances

COST PROJECTIONS

- Total costs are projected to rise at an average rate of 3.8% per year
- Includes cash-funded capital outlays of \$31.3 million over the five-year period (with \$5.7 million in FY 2025)



COST PROJECTIONS

Key cost projection assumptions

- General inflation of 3.1% per year
- Salary increases of 6.2% per year
- Raw water purchase costs rising at an average of 5.2% per year
- Limited growth in water and sewer connections, with 27 to 35 new customers each year
- Capital outlays increasing with inflation
- An additional \$200,000 per year from FY 2026 to fund capital improvements

CURRENT RATE STRUCTURE

- NewGen compared these expenses to expected revenues, under current rates, for the next five years

Water Rates	Current
Minimum Rates (\$ per month)	
All Connections	\$16.67
Volumetric Rates (\$ per kgal)	
0 – 2,000 gal	\$0.00
2,000+ gal	\$6.45

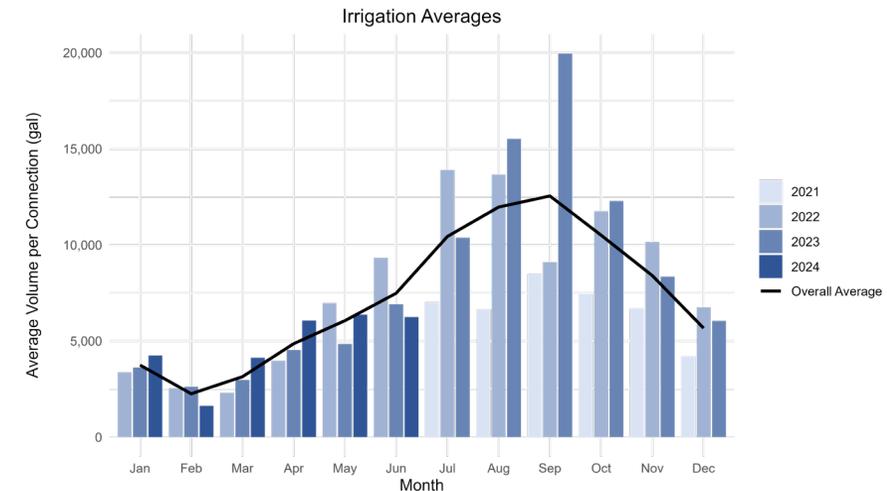
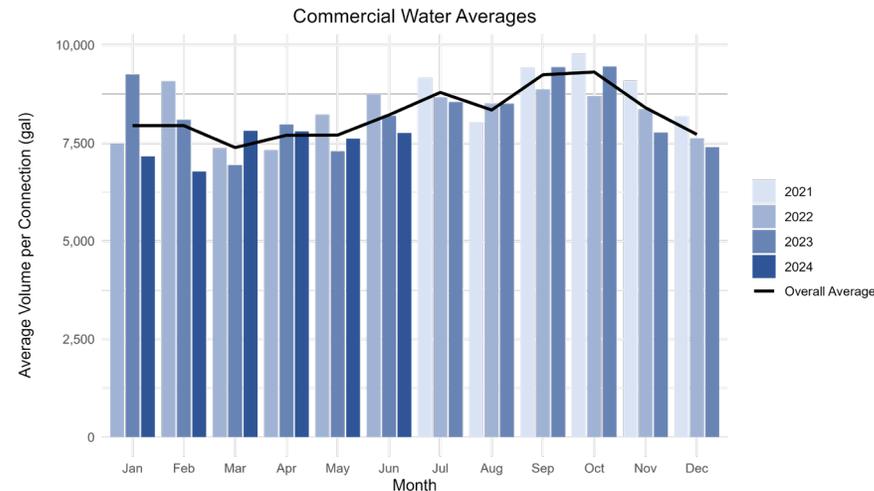
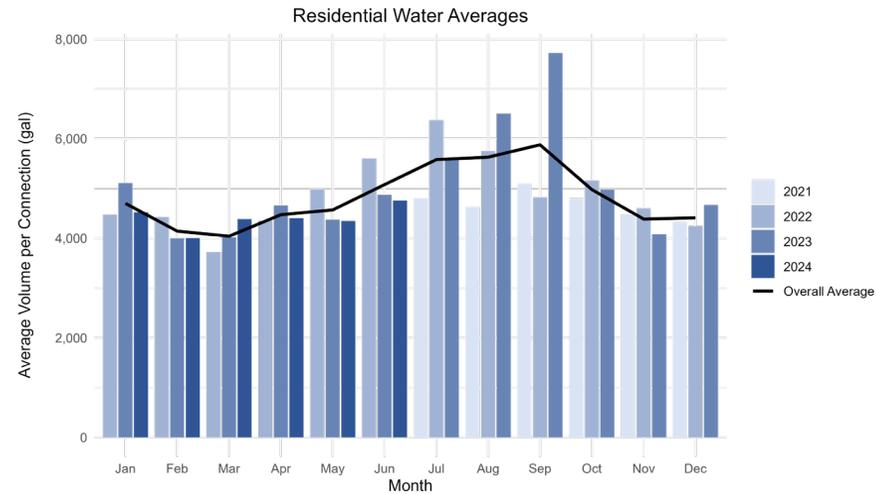
Sewer Rates	Current
Minimum Rates (\$ per month)	
All Connections	\$16.67
Volumetric Rates (\$ per kgal)	
0 – 2,000 gal	\$0.00
2,001+	\$6.95



Capped at 20,000 gallons for Residential customers in summer months

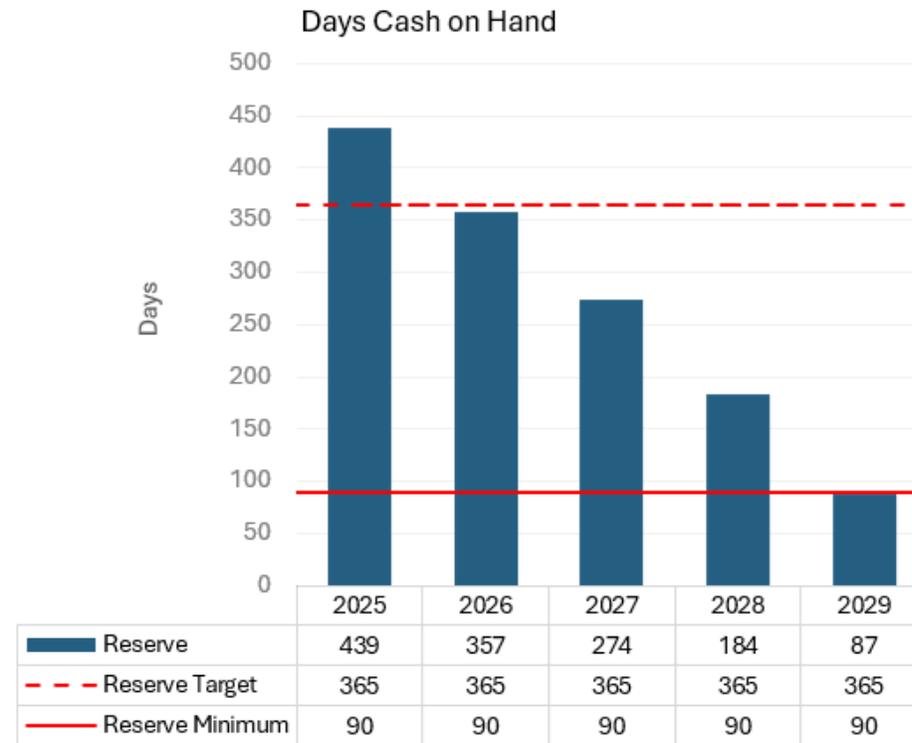
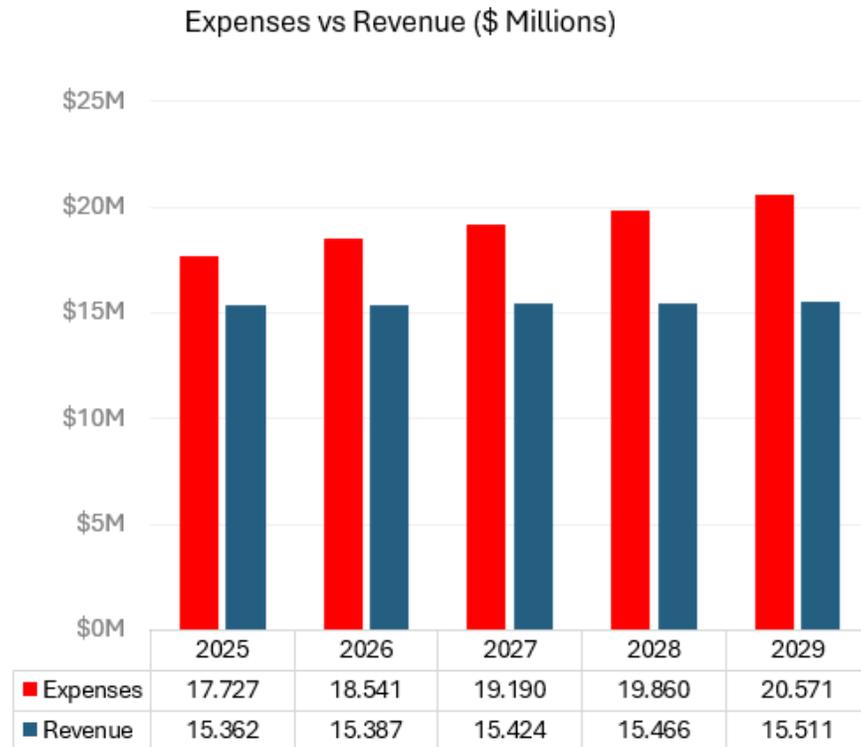
HISTORICAL CONSUMPTION AVERAGES

- Revenue projections were based on average monthly consumption over 36 months, to adjust for the impact of weather variations



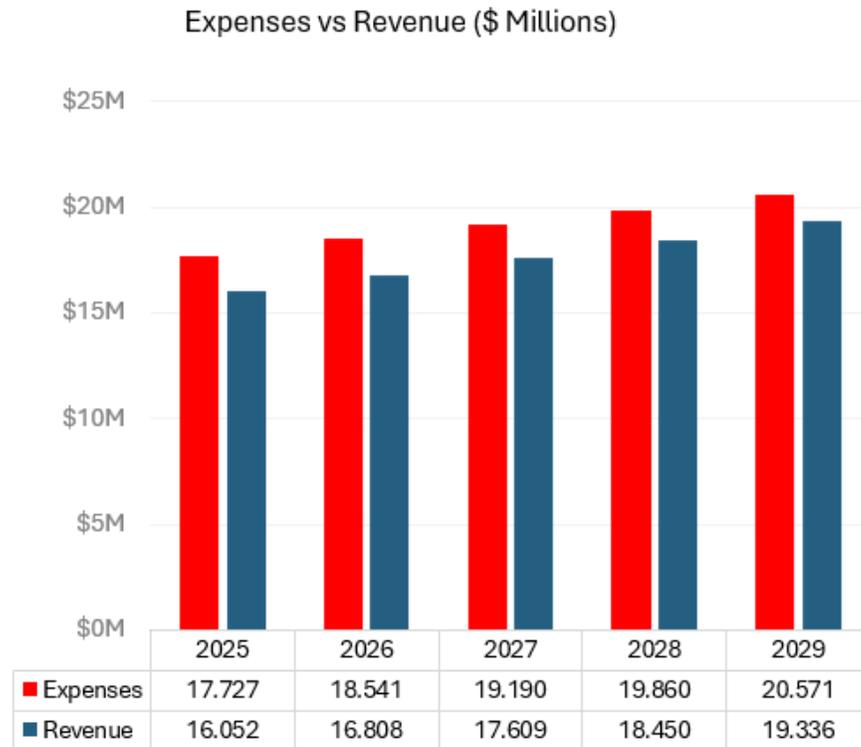
Key Performance Indicators – Current Rates

- Revenues are falling short of expenses under current rates
- Projected to lead to declining fund balances, eventually below the minimum of 90 days of expenses



Key Performance Indicators – Proposed Rates

- This could be addressed with rate increases of 5.0% per year on water and sewer
- Revenues would rise at a similar rate to total expenses
- Fund balances would fall at a more sustainable rate and remain above the 90-day minimum

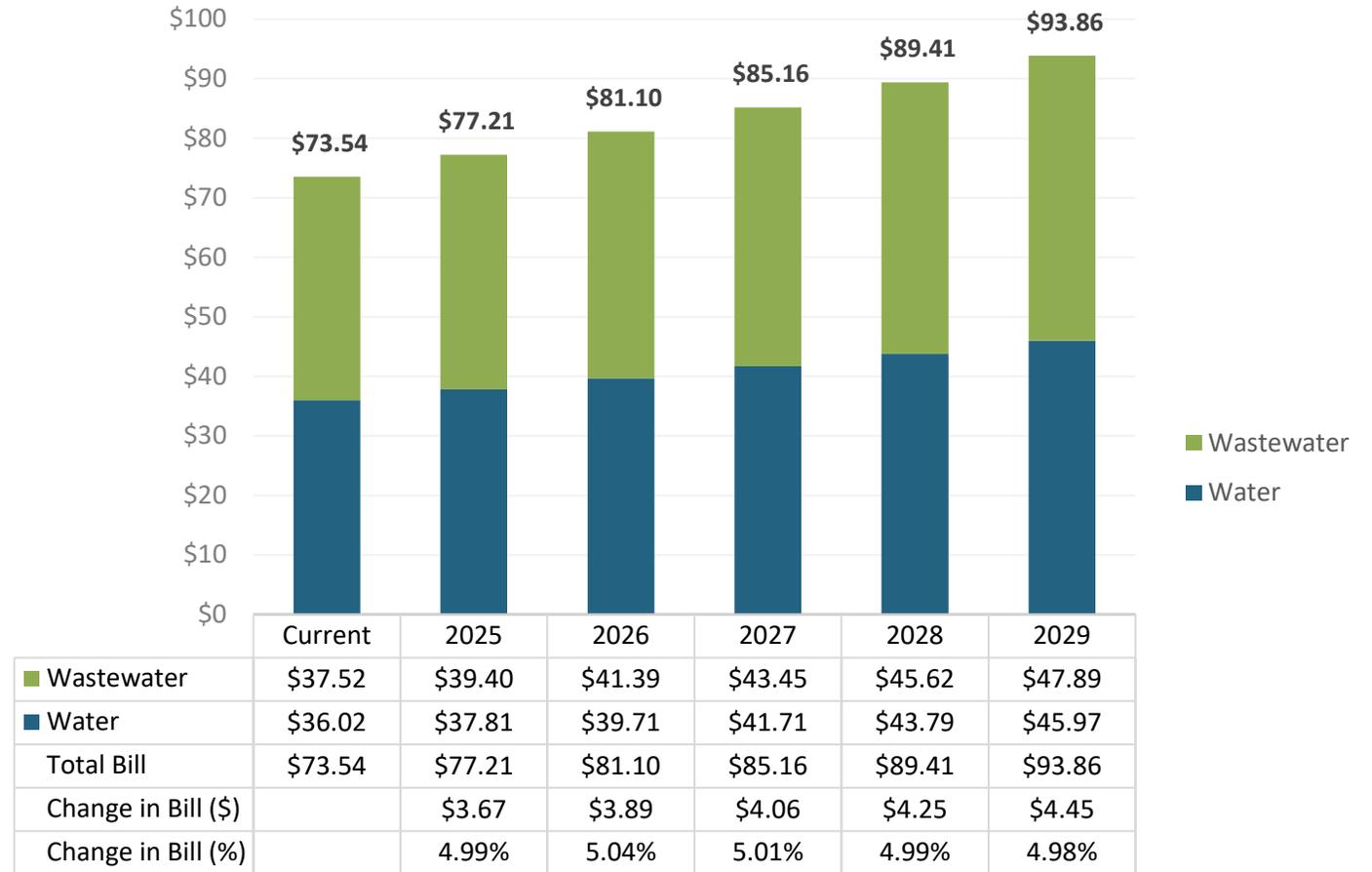


BILL IMPACT

Residential Bill

5,000 gallons water and sewer

Residential Monthly Water & Sewer Bill



BILL IMPACT

Commercial Bill

8,000 gallons water and sewer

Commercial Monthly Water & Sewer Bill



	Current	2025	2026	2027	2028	2029
Wastewater	\$58.37	\$61.30	\$64.40	\$67.60	\$70.97	\$74.50
Water	\$55.37	\$58.12	\$61.04	\$64.12	\$67.31	\$70.66
Total Bill	\$113.74	\$119.42	\$125.44	\$131.72	\$138.28	\$145.16
Change in Bill (\$)		\$5.68	\$6.02	\$6.28	\$6.56	\$6.88
Change in Bill (%)		4.99%	5.04%	5.01%	4.98%	4.98%

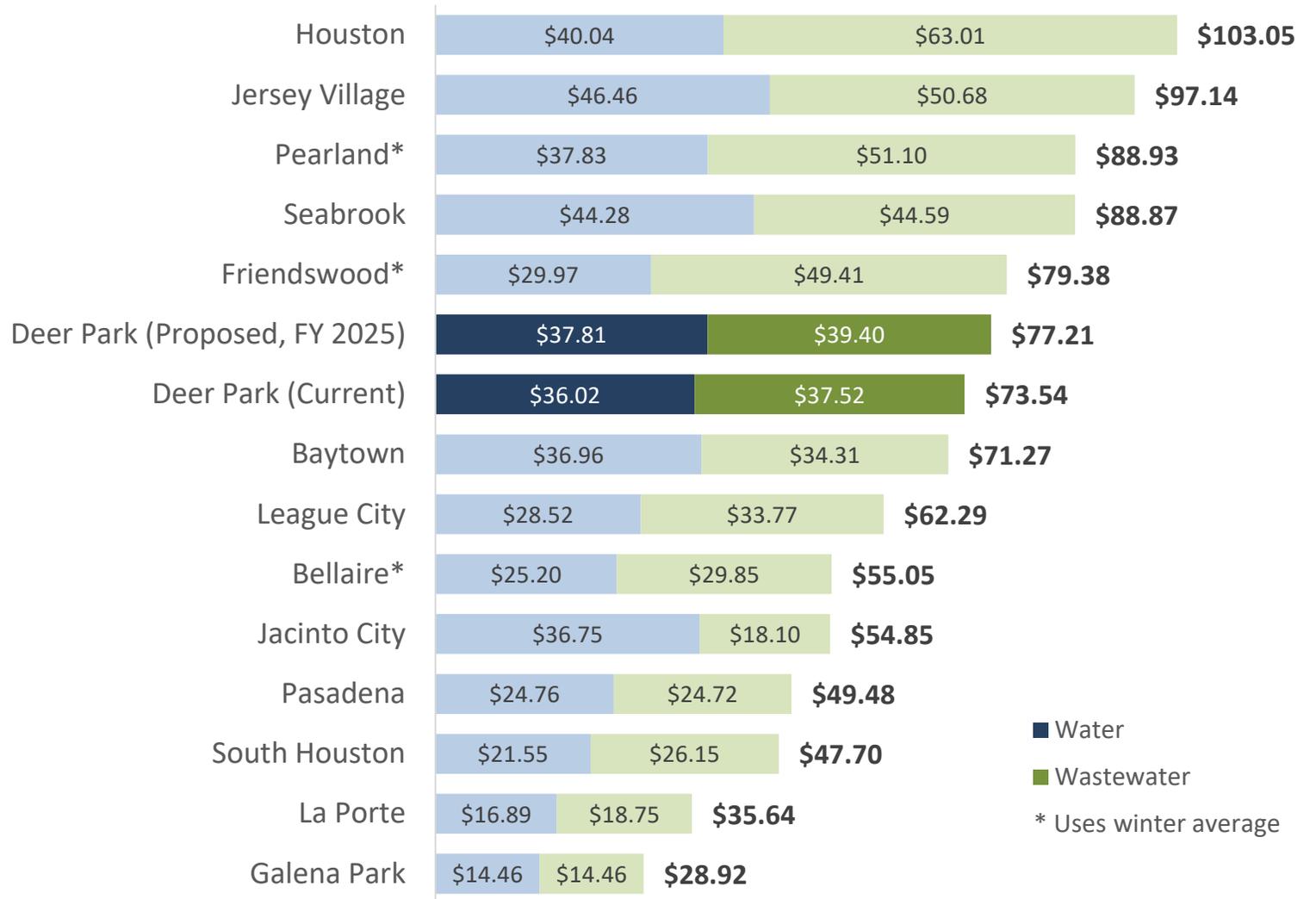
BILL COMPARISON

Residential Bill

5,000 gallons water and sewer

Assumes ¾" Meter or Nearest

Residential Monthly Water & Sewer Bill (5,000 gallons)



NEXT STEPS



- Council to consider and adopt revised rates effective October 1, 2024, on tonight's regular agenda
- Rates to be reviewed in FY 2025. NewGen and City staff to compare projections to actuals and adjust financial and rate plans accordingly
- Commercial and Sprinkler rate structures to be reviewed in the coming year



THANK YOU

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