



CITY COUNCIL MEMORANDUM

FROM: The Office of the City Manager **DATE:** September 24, 2018

SUBJECT: Consider Ordinance No. 3544 amending Appendix A of the City of North Richland Hills Code of Ordinances and amending the fees charged under Sections 78-121 through 78-125, related to water and water meters, and Sections 78-141 through 78-147, related to sewer, and adding fees to Appendix A as established in Section 78-451 and Section 78-452 related to water wells.

PRESENTER: Mark Mills, Director of Finance

SUMMARY:

Staff requests that City Council consider Ordinance No. 3544. This ordinance would amend Appendix A, Fee Schedule of the City's Code of Ordinances, with the following changes being effective on November 1, 2018:

- an increase to the water base rates;
- an increase to the water volumetric rates;
- an increase to the sewer base rates;
- conversion of sewer billing volumes from per 748 gallons to per 1,000 gallons;
- including a fee, established by Section 78-451 Water Well Drilling Permit and Construction, in Appendix A; and
- including a fee, established by Section 78-452 Abandoned and Inoperative Water Wells, in Appendix A.

GENERAL DESCRIPTION:

The City Council adopted the Fiscal Year 2018/2019 Operating Budget on Monday, September 10, 2018. Included in this budget was an increase to the base rates for both water and sewer. This is the first time base rates have been increased since 2013. In addition, water volumetric rates were also increased. This is the second increase to water volumetric rates since 2013.

Water Rates

The City's water rates consist of two components: a base rate and a volumetric rate. The base rate is the monthly fee that customers pay to gain access to the city's water services. For the majority of customers, the base rate includes a minimum volume of water consumption, varying by meter size. Most residential customers have a three quarter inch (0.75") meter, which includes 2,000 gallons of water consumption as part of the base fee. The water base rates for Fiscal Year 2018/2019 included a 20% increase to all meter categories. For a residential three quarter inch (0.75") meter, the base rate will increase from \$10.00 to \$12.00; a \$2.00 per month increase. The largest increase, \$120 per month, would be experienced by customers with 8" meters; however, there are currently no active meters in that class.

Category	Meter Size	Current Base Rate	Nov. 1 Base Rate	Change	Active Meters	% of Active Meters
Residential – Single Family						
	0.75"	\$10.00	\$12.00	\$2.00	19,137	87.2%
	1.00"	\$16.70	\$20.00	\$3.30	953	4.3%
	1.50"	\$33.30	\$40.00	\$6.70	4	<1%
	2.00"	\$53.30	\$64.00	\$10.70	17	<1%
Apartment / Trailer Park / Multi Family / Commercial Multi Unit						
	All Sizes	\$10.00	\$12.00	\$2.00	664	3.0%
Commercial / Industrial*						
	0.75"	\$10.00	\$12.00	\$2.00	470	2.1%
	1.00"	\$16.70	\$20.00	\$3.30	295	1.3%
	1.50"	\$33.30	\$40.00	\$6.70	35	0.2%
	2.00"	\$53.30	\$64.00	\$10.70	350	1.6%
	3.00"	\$100.00	\$120.00	\$20.00	6	<0.1%
	4.00"	\$106.70	\$128.00	\$21.30	14	0.1%
	6.00"	\$333.30	\$400.00	\$66.70	1	<0.1%
	8.00"	\$600.00	\$720.00	\$120.00	0	0%

* - Excludes City meters and fire hydrant meters.

The second component is the volumetric rate. This rate is paid by customers that exceed the minimum volume included in the base. Using the previous example of a three quarter inch (0.75") residential meter, a customer would pay the volumetric charge on their consumption once the base volume of 2,000 gallons was exceeded. Based on an analysis of the Utility Fund and water rates, it was determined that a 5% increase in the City's volumetric water rates was necessary.

This adjustment will increase the Tier 1 volumetric rate by \$0.22 per 1,000 gallons and the Tier 2 volumetric rate by \$0.23 per 1,000 gallons. Irrigation and fire hydrant volumetric rates will also increase \$0.23 per 1,000 gallons. Volumetric rates were last increased in 2017. As mentioned previously, this is the second increase to the City's volumetric water rates since 2013.



Description	Current Rate Per 1,000 gallons	Nov. 1 Rate Per 1,000 gallons	Change
Volumetric Tier 1	\$4.43	\$4.65	\$0.22
Volumetric Tier 2	\$4.51	\$4.74	\$0.23
Irrigation	\$4.55	\$4.78	\$0.23
Fire Hydrant	\$4.55	\$4.78	\$0.23

Sewer Rates

Similar to water rates, sewer rates consist of two primary components; the base rate and the volumetric rate. The Fiscal Year 2018/2019 adopted budget included an increase in the sewer base rate from \$8.39 to \$9.00 for all categories. This is the first increase in the sewer base rate since 2013. There were no proposed changes to the sewer volumetric rate.

Description	Current Rate	Nov. 1 Rate	Change
Residential	\$8.39	\$9.00	\$0.61
Multi-Family	\$8.39	\$9.00	\$0.61
Comm. / Industrial	\$8.39	\$9.00	\$0.61
Fire Hydrant	\$8.39	\$9.00	\$0.61

One additional modification is being requested. When the city converted its billing from cubic feet to gallons in 2018, Appendix A was update to convert each per 100 cubic feet rate to a per 1,000 gallon rate. When the sewer rates were changed, the volumetric rate was converted to 748 gallons; the equivalent of 100 cubic feet. Staff requests that the volumetric rate be converted from “per 748 gallons” to “per 1,000 gallons”. This will adjust the rate from \$1.54 to \$2.06, however, this would result in no volumetric fee increase.

Current Volumetric Rate - Per 748 Gallons	\$1.54
divided by 748 Gallons	748
Current Volumetric Rate - Per Gallon	\$0.00206
multiplied by 1,000 Gallons	1,000
Current Volumetric Rate - Per 1,000 Gallons	<u>\$2.06</u>

Pass Through Rates

The city will also be adjusting the pass-through rates. The pass-through rates offset cost increases passed to the city from its wholesale water providers and sewer treatment providers: City of Fort Worth and Trinity River Authority. This is an annual adjustment based on projected provider cost increases and does not require specific Council action to implement. The pass-through increase for water is \$0.08 per 1,000 gallons and \$0.07 per 1,000 gallons for sewer. For the water and sewer pass through rates, all consumption is included in the calculation.



Description	Current Rate Per 1,000 gallons	Nov. 1 Rate Per 1,000 gallons	Change
Water Pass Through	\$2.45	\$2.53	\$0.08
Sewer Pass Through	\$1.91	\$1.98	\$0.07

Customer Impact

When water and sewer rate changes are implemented on November 1, 2018, each customer will see an impact to their monthly bill. To illustrate the potential impact to customers, an example is provided for a three quarter inch (0.75”) residential meter, using 10,000 gallons. This example covers more than 87% of the active meters in North Richland Hills.

The average consumption for a single-family residential customer is less than 10,000 gallons. The base fee for water includes a base level of consumption. In the case of a three quarter inch (0.75”) single-family residential meter, the first 2,000 gallons of consumption is included. The remaining consumption is applied against the tiered rates. Sewer is billed based on consumption equal to the customers winter quarter average, determined using the customers consumption during December, January, and February and capped at 18,700 gallons.

Water Calculation					
Category	Gallons	Current Rates	Nov 1 Rates	Diff \$	Diff %
Base	2,000	\$10.00	\$12.00	\$2.00	20.00%
Volume Tier 1	8,000	\$35.44	\$37.20	\$1.76	4.97%
Pass Through	10,000	\$24.50	\$25.30	\$0.80	3.27%
Subtotal		\$69.94	\$74.50	\$4.56	6.52%
Sewer Calculation					
Category	Gallons	Current Rates	Nov 1 Rates	Diff \$	Diff %
Base	0	\$8.39	\$9.00	\$0.61	7.27%
Volume Tier 1	5,310	\$10.93	\$10.93	\$0.00	0.00%
Pass Through	5,310	\$10.14	\$10.51	\$0.37	3.65%
Sub Total		\$29.46	\$30.44	\$0.98	3.32%
Total		\$99.40	\$104.94	\$5.54	5.57%

Additional Items

Section 78-451 (a) (6) of the North Richland Hills Code of Ordinances established a \$50 application fee for water well drilling permits. Section 78-452 (2) established a \$50 fee for plugging an abandoned and inoperative water well. Both of these sections reference Appendix A; however, Appendix A does not currently include the \$50 fee associated with these sections. The ordinance as presented includes amendments to Appendix A to include these two fees.



If approved, these changes become effective November 1, 2018.

RECOMMENDATION:

Approve Ordinance 3544, amending Appendix A, Fee Schedule of the City of North Richland Hills Code of Ordinances.