



## CITY COUNCIL MEMORANDUM

**FROM:** The Office of the City Manager    **DATE:** September 9, 2019

**SUBJECT:** Consider Ordinance No. 3601 amending Chapter 78, Article III, Division 2, Appendix A - Fee Schedule of the North Richland Hills Code of Ordinances related to water rates, water meters, and sewer rates.

**PRESENTER:** Mark Mills, Director of Finance

### **SUMMARY:**

Staff requests that City Council consider Ordinance No. 3601. This ordinance would amend Chapter 78, Article III, Division 2, Appendix A - Fee Schedule of the Code of Ordinances to reflect an increase in water and sewer base rates. The changes would be effective on November 1, 2019.

### **GENERAL DESCRIPTION:**

At the August 2, 2019 City Council Budget Work Session, the Fiscal Year 2019/2020 Proposed Budget was presented to City Council. Staff presented the Utility Fund budget and received feedback from City Council on the city's water and sewer rates. Included in the Fiscal Year 2019/2020 Budget is an increase in the base rates for water and sewer. This is the second adjustment to the base rates since 2013, with the last adjustment occurring as part of the Fiscal Year 2018/2019 Budget. There is no proposed change to the water or sewer volumetric rates for Fiscal Year 2019/2020.

Because of higher levels of precipitation in recent years coupled with increasing costs and lower water consumption as a result of effective regional water conservation efforts, the Utility Fund has performed below expectations. In two of the last three years Utility Fund expenses outpaced revenues, necessitating the use of available reserves. At the time of the Budget Work Session, staff was projecting expenses in 2018/2019 to outpace revenues.

Staff conducted a survey of several cities in northeast Tarrant County to determine if the North Richland Hills' water and sewer rates were comparable. The survey included:

- Bedford
- Hurst
- Watauga
- Euless
- Keller
- Fort Worth
- Richland Hills

Southlake was also included in the original survey but excluded from the results due to: (1) their rates were based on a 1" meter and not a 0.75" meter; and (2) their base rate exceeded \$42 for water and \$35 for sewer, well beyond the base rates of other cities in the survey. This survey indicated that North Richland Hills' base rates for both water and sewer were substantially lower in comparison to the other cities.

### 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. The volumetric rate is the rate paid by customers that exceed the minimum volume included in the base. The Fiscal Year 2019/2020 Budget includes a water base rate increase for all meter categories, with no change to the volumetric rate.

The base rate includes a minimum volume of water consumption (excluding irrigation), varying by meter size. The vast majority of customers have a three quarter inch (0.75") meter, which includes 2,000 gallons of water consumption as part of the base fee. Figure 1 shows the current water base rate for each surveyed city for a 0.75" meter. The results ranged from \$12.00 (NRH) per month to \$29.45 per month (Richland Hills), with the average water base rate being just over \$18.00 per month.

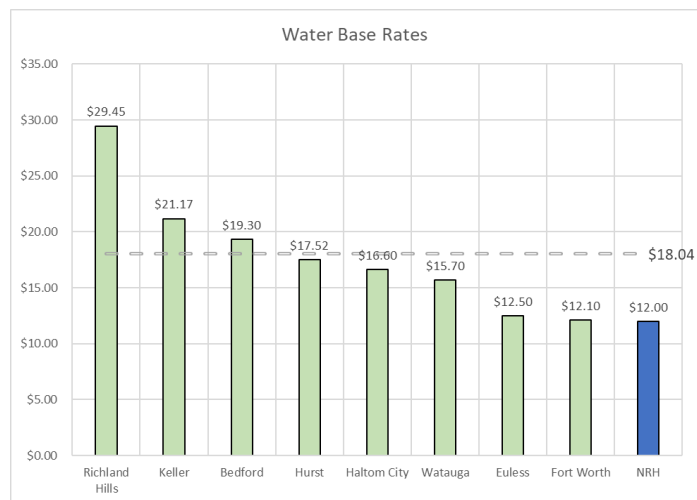


Figure 1: Water Base Rates

Several cities include some level of consumption in their base rates, while others do not. For example, Richland Hills, Hurst, Watauga, and North Richland Hills include 2,000 gallons of water in the base rate for a 0.75" meter while Haltom City includes 1,000 gallons. Bedford, Euless, Keller, and Fort Worth do not include any level of consumption in the base rate. For an equitable comparison, Figure 2 shows water charges based on 2,000 gallons of consumption. Notice that the base rate for the cities mentioned above

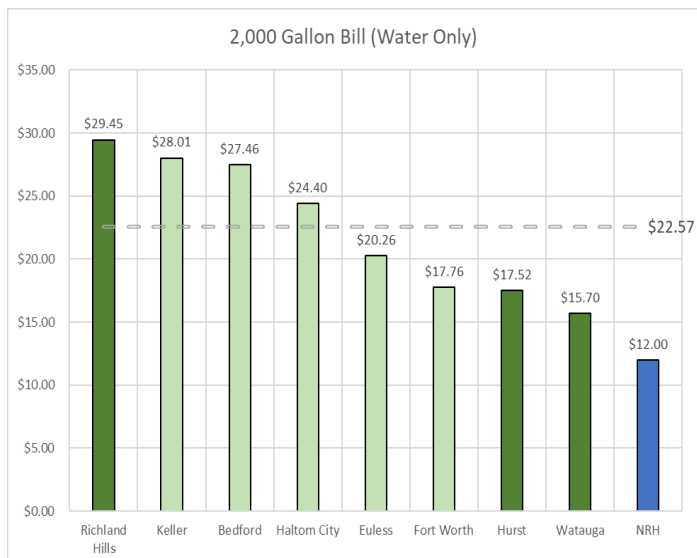


Figure 2: Water Charges Based on 2,000 Gallon Consumption



that include 2,000 gallons in their base did not change. When calculated on 2,000 gallons of consumption, the average monthly water base rate increases to \$22.57; more than \$10.00 per month higher than the North Richland Hills water base rate.

Based on system needs and the results of the aforementioned survey, staff recommends an increase to the water base rate. For customers with a 0.75" meter, which encompasses the majority of the City's customers, a \$5.50 increase to the monthly water base rate is proposed. This will increase the water base rate from \$12.00 to \$17.50 per month. The \$17.50 base rate remains below the average, and when the inclusion of 2,000 gallons of consumption is considered the water base rate remains among the lowest of the surveyed cities. This rate increase will be applied proportionally across all meter sizes. A summary of the water base rate change by meter size has been included in Table 1 below.

Table 1: Summary of Water Base Rate Change by Meter Size

Category	Meter Size	Current Monthly Base Rate	Nov. 1 Monthly Base Rate	Change
Residential – Single Family				
	0.75"	\$12.00	\$17.50	\$5.50
	1.00"	\$20.00	\$29.00	\$9.00
	1.50"	\$40.00	\$58.00	\$18.00
	2.00"	\$64.00	\$93.00	\$29.00
Apartment / Trailer Park / Multi Family / Commercial Multi Unit				
	All Sizes	\$12.00	\$17.50	\$5.50
Commercial / Industrial				
	0.75"	\$12.00	\$17.50	\$5.50
	1.00"	\$20.00	\$29.00	\$9.00
	1.50"	\$40.00	\$58.00	\$18.00
	2.00"	\$64.00	\$93.00	\$29.00
	3.00"	\$120.00	\$175.00	\$55.00
	4.00"	\$128.00	\$187.00	\$59.00
	6.00"	\$400.00	\$583.00	\$183.00
	8.00"	\$720.00	\$1,050.00	\$330.00

The largest increase, \$330 per month, would be experienced by customers with 8" meters; however, there are currently no active meters in that class.

### Sewer Rates

Similar to water rates, sewer rates consist of two primary components; the base rate and the volumetric rate. The sewer base rate is the monthly fee that customers pay to gain access to the city's sewer services. Unlike water service, there is no volume included in the sewer base fee. The volumetric rates that residential customers pay for sewer service are based on their Winter Quarter Average ("WQA") usage of water. The WQA water use is captured during December, January, and February when irrigation and other outdoor watering activities not captured by the sanitary sewer system are less likely to occur and is capped at 18,700 gallons. The Winter Quarter Average and

18,700 gallon cap only apply to single family residential accounts. The Fiscal Year 2019/2020 Budget includes a sewer base rate increase for all meter categories; however, there is no change to the volumetric rate.

Similar to water base rates, staff conducted a review of sewer base rates for several cities in northeast Tarrant County to determine if the City's rates were comparable. The two charts below reflect the sewer base rate of each surveyed city (Figure 3), as well as what a sewer bill would be for each based on 2,000 gallons of consumption (Figure 4).

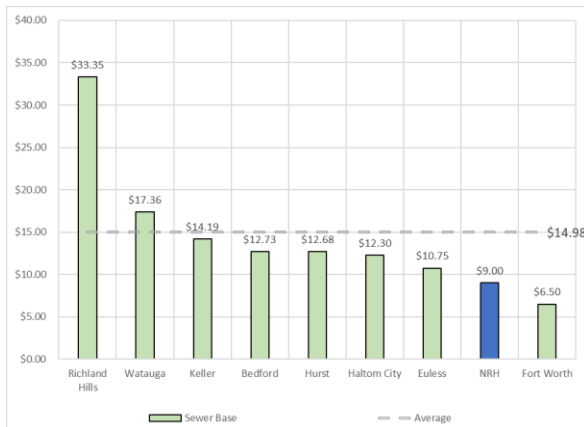


Figure 3: Sewer Base Rates

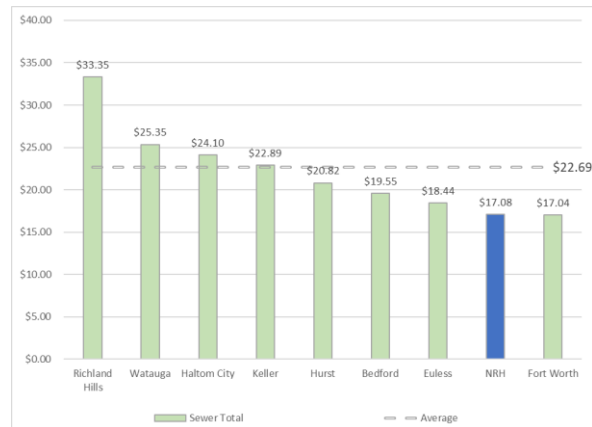


Figure 4: Sewer Charges Based on 2,000 Gallons Consumption

The Fiscal Year 2019/2020 Budget includes an increase in the sewer base rate from \$9.00 to \$11.00 for all categories. There are no proposed changes to the sewer volumetric rate. Table 2 provides a summary of the sewer base rate changes.

Table 2: Summary of Sewer Base Rate Changes

Description	Current Monthly Base Rate	Nov. 1 Monthly Base Rate	Month Base Rate Change
Residential	\$9.00	\$11.00	\$2.00
Multi Family	\$9.00	\$11.00	\$2.00
Commercial Multi Unit	\$9.00	\$11.00	\$2.00
All Other Comm. / Ind.	\$9.00	\$11.00	\$2.00

### Pass Through Rates

The city will also be adjusting the sewer pass-through rate. The pass through rates offset cost increases passed to the city from its wholesale water providers and its sewer treatment providers – the City of Fort Worth and the Trinity River Authority (“TRA”). 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 sewer is \$0.24 per 1,000 gallons, bringing the pass through rate to \$2.22 per 1,000 gallons. There is no change in the pass-through rate for water. For the water and sewer pass through rates, all consumption is included in the calculation.

Table 3: Summary of Pass Through Rate Changes

Description	Current Rate Per 1,000 gallons	Nov. 1 Rate Per 1,000 gallons	Change Per 1,000 gallons
Water Pass Through	\$2.53	\$2.53	\$0.00
Sewer Pass Through	\$1.98	\$2.22	\$0.24

### Customer Impact

When water and sewer base rate changes are implemented on November 1, 2019, each customer will see an impact to their monthly bill. To illustrate the potential customer impact, an example is provided in Table 5 below. This example is for a residential 0.75" meter using 10,000 gallons.

The average consumption for a single-family residential customer is less than 10,000 gallons. As mentioned previously, the base fee for water includes a base level of consumption. In the case of a 0.75" single-family residential meter, the first 2,000 gallons of water consumption is included. The remaining consumption is applied against the tiered volumetric rates. Sewer is billed based on consumption equal to the customer's Winter Quarter Average, determined using the customer's consumption during December, January, and February and capped at 18,700 gallons.

Table 4: Estimated Customer Monthly Bill Impact Based on 10,000 Gallons of Consumption

Water Calculation					
Category	Gallons	Current Rates	Nov. 1 Rates	Diff \$	Diff %
Base	2,000	\$12.00	\$17.50	\$5.50	45.58%
Volume Tier 1	8,000	\$37.20	\$37.20	\$0.00	0.00%
Pass Through	10,000	\$25.30	\$25.30	\$0.00	0.00%
Subtotal		\$74.50	\$80.00	\$5.50	7.38%
Sewer Calculation					
Category	Gallons	Current Rates	Nov. 1 Rates	Diff \$	Diff %
Base	0	\$9.00	\$11.00	\$2.00	22.22%
Volume Tier 1	5,310	\$10.93	\$10.93	\$0.00	0.00%
Pass Through	5,310	\$10.51	\$11.79	\$1.28	12.18%
Sub Total		\$30.44	\$33.72	\$3.28	10.78%
<b>Total</b>		<b>\$104.94</b>	<b>\$113.72</b>	<b>\$8.78</b>	<b>8.37%</b>

A customer with a 0.75" meter using 10,000 gallons would see a \$5.50 increase per month in their water charges and an \$3.28 increase per month in the sewer charges; a total increase of \$8.78 per month. If approved, these changes become effective November 1, 2019.

### **RECOMMENDATION:**

Approve Ordinance 3601, amending Chapter 78, Article III, Division 2, Appendix A - Fee Schedule of the North Richland Hills Code of Ordinances.