



City of Pflugerville

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Title: Conduct a presentation on the FY24 Utility Cost of Service Study and Rate Recommendation.

Sponsors:

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Attachments: 1. NewGen - FY2024 Rate Study Summary

Date	Ver.	Action By	Action	Result
8/8/2023	1	City Council		

Conduct a presentation on the FY24 Utility Cost of Service Study and Rate Recommendation.

Staff has worked with NewGen Strategies and Solutions (NewGen) on a cost of service and rate study analysis for the City of Pflugerville's water and wastewater rates. Historical data and future projections were considered as were assumptions related to customer growth, cost inflation, and interest rates on proposed debt. The 5 year capital improvement program, which includes infrastructure projects necessary to maintain the existing systems and add capacity for growth, is a large portion of the anticipated future spending on both the water and wastewater utility systems.

Grant Rabon of NewGen will be presenting the results of this study.

This item has been included as a presentation item on the agenda to allow for presentation and discussion, in which consideration of the recommended increases are included in the Master Fee Schedule Ordinance that will be included on the agenda for budget adoption with first reading August 22nd, and second reading and final adoption on September 12th.

As we have seen erratic cost fluctuations over the past 3 years with both interest rates as well as construction costs, City staff found it prudent to update the rate model to reflect the ever-changing economic climate to ensure the water and wastewater utility fund can continue to operate within the bounds of our debt obligations while also ensuring we fulfill our reserve requirements now and into the future. Included in the attached presentation is an analysis of the proposed change in an average monthly residential customer bill for the next five years. The average residential customer has been assumed to have a 5/8" meter, use 8,000 gallons of water per month and have a winter wastewater average of 5,000 gallons.

The proposed wastewater rate changes shown in the presentation are for customers inside the city limits. The proposed rate structure adjusts the wholesale wastewater rate charged to residents that are within the City's wastewater CCN, but are no longer going to be a retail customer of the City and will only be a wholesale wastewater customer.

Based on the study findings, staff concurs with the recommendation of a \$23.00 per month increase for FY24 for the average residential water customer. This breaks down to a monthly increase of \$13.50 on the fixed charge and \$9.50 on the volumetric charge. For wastewater, staff is recommending a \$22.50 increase per month for the average residential wastewater customer. This breaks down to a monthly increase of \$20.00 on the fixed charge and \$2.50 on the volumetric charge. The overall effect to an average residential water/wastewater customer in the City of Pflugerville is a \$45.50 increase to the total monthly bill.

The proposed rate increases correlate with the increasing operational costs to provide water and wastewater services to meet the current and future needs of our growing community. The main drivers of increasing operational costs are 1) significant capital improvement projects, 2) rising costs of construction due to inflation, 3) costs associated with securing additional surface water rights from the Lower Colorado River Authority (LCRA), and 4) increasing personnel costs. The three main capital projects are as follows:

- Water Treatment Plant Expansion - \$191.4M (2023 Project Estimates)
- Colorado River Raw Water Line - \$167M (2023 Project Estimates)
- Wilbarger Wastewater Treatment Plant and Interceptor - \$247M (2023 Project Estimates)

These projects are essential to provide water and wastewater infrastructure and services to meet future needs for the City.

The Water/Wastewater Fund is an Enterprise Fund that requires the fund to be self sufficient, generating enough revenues to cover the costs of operations to include debt service and capital expenditures.

Prior City Council Action

NA

Supporting documents attached:

NewGen - FY2024 Rate Study Summary

Recommended Action

Presentation only.