



# City of Pflugerville

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Presentation of the FY23 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 information was also presented to the Finance and Budget Committee on July 28, 2022. The Committee voted 2 - for, and 2 - against the recommended proposal to City Council.

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 23rd, and second reading and final adoption on September 13th.

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 determined to have a 5/8" meter, use 8,000 gallons of water per month and has 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 The FY22 fee ordinance to adjust wastewater rates for district customers was rescinded with the intentions of renegotiating contracts and fees. The district negotiations have not yet concluded and, as a result, the rate recommendations presented will not impact district customers.

Based on the study findings, staff concurs with the recommendation of a \$14.00 per month increase for FY23 for the average residential water customer. This breaks down to a monthly increase of \$5.00 on the fixed charge and \$9.00 on the volumetric charge. For wastewater, staff is recommending a \$7.00 increase per month for the average residential wastewater customer. This breaks down to a

monthly increase of \$2.00 on the fixed charge and \$5.00 on the volumetric charge. The overall effect to an average residential water/wastewater customer in the City of Pflugerville is a \$21.00 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 - \$104.7M (2020 Water Master Plan)
- Colorado River Raw Water Line - \$125M (2021 Water Master Plan)
- Wilbarger Wastewater Treatment Plant and Interceptor - \$176M (2020 Wastewater Master Plan)

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**

July 26, 2022 Council approved the issuance of bonds to fund the projects.

### **Supporting documents attached:**

FY23 Water Wastewater Cost of Service and Rate Study

### **Recommended Action**

Presentation only.