

WATER AND WASTEWATER FY14 UTILITY RATES

CITY COUNCIL PRESENTATION
CITY OF BUDA

August 6, 2013

Initial Findings of this Update

- Increased levels of debt service are contributing to added water rate pressure in future years.
- Significant wastewater CIP projects (including a WWTP expansion) are putting increased pressure on the wastewater rates through higher debt service expenses.
- There is some uncertainty that must be accounted for with the WWTP expansion.
- Impact fees are helping to offset the costs for these projects, but only cover some of the projected capital costs.
- Higher growth rates are providing some cushion against larger rate increases. Should growth slow down; higher rate increases may be needed.
- High fund balances are also being used to mitigate wastewater rate increases in the short-term.

Forecasting Assumptions

- Plan for use of GBRA water assuming future restrictions on Edwards supply (20% reduction).
- Assume a higher rate of inflation on fuel, power-related items and chemicals (5% instead of 3%).
- No new debt issued in FY14 for water or wastewater projects.
- Some “Purple-Pipe” projects are funded through the Purple-Pipe fund, others are funded with debt through the water and/or wastewater utility.

FY14 Recommendations

- **Increase water rate by 4% and wastewater rates by 2%.**

Potential Future Rate Increase				
Utility	FY15	FY16	FY17	FY18
Water	3.0%	2.0%	2.0%	2.0%
Wastewater	3.0%	3.0%	3.0%	3.0%

- Assumes that \$2.5 million (debt) is spent on conveyance to Sunfield WWTP in 2015 and an additional \$2.5 million (debt) is spent on Sunfield WWTP plant expansion in 2016. Retains a significant fund balance in FY18.

- **Alternative**

Potential Future Rate Increase				
Utility	FY15	FY16	FY17	FY18
Water	3.0%	2.0%	2.0%	2.0%
Wastewater	4.0%	5.0%	4.0%	4.0%

- Assumes that \$2.0 million (debt) is spent on WWTP expansion in 2015 and an additional \$10.0 million (\$9.0 million in debt and \$1.0 million in cash) is spent on WWTP plant expansion in 2016. Retains a 3-month operating reserve in FY18.

Water Capital Improvement Plan

Project Name	FY Funding Needed	Cost (\$)	Funding Source
EST Control Valves	2014	\$ 60,000	Cash
Westside BSEACD Well	2015	\$ 1,000,000	Debt
Downtown Valve Replacement	2015	\$ 75,000	Cash
Beacon Hill SP Demolition	2016	\$ 25,000	Cash
IH-35 East Water Line	2016	\$ 1,309,600	Debt
Park 35 South - Fire Water	2016	\$ 735,000	EDC
Oxbow Water Service	2017	\$ 1,316,300	Debt
HCPUA Connection to Kyle	2017	\$ 223,000	Debt
NW 18" Loop at Manchaca Springs Road	2017	\$ 1,333,700	Impact Fees
NE Buda Loop	2018	\$ 2,788,390	Debt

* For modeling purposes, it is assumed that this project is EDC funded.

Purple Pipe Projects

Project Name	FY Funding Needed	Cost (\$)	Funding Source
Creekside Villas - Private Irrigation	2015	\$ 10,000	Purple Pipe
Texas Lehigh Effluent	2016	\$ 15,000	Purple Pipe
Stagecoach Park - Irrigation Pump Station	2016	\$ 425,000	Debt
Sportsplex Effluent Irrigation	2017	\$ 625,000	Debt

Wastewater Capital Improvement Plan

Project Name	FY Funding Needed	Cost (\$)	Funding Source
Hillside Terrace Wastewater Improvements*	2014	\$ 66,071	Cash
Garlic Creek Lift Station	2015	\$ 1,355,900	Debt
Stonefield LS and Force Main to Sunfield	2015	\$ 2,250,000	Debt
Replace Downtown Clay Pipe	2015	\$ 1,511,181	Debt
Upsize Sportsplex Sewer Line	2015	\$ 450,000	Impact Fees
Lifeschutz Bottleneck Replacements	2015	\$ 250,000	Cash
Hillside Terrace Wastewater Improvements**	2016	\$ 780,000	Debt
Sunfield WWTP 0.5 MGD Capacity	2016	\$ 2,250,000	Debt
Bradfield Lifeschutz Flow Study	2016	\$ 40,000	Cash
Oxbow Wastewater Service	2017	\$ 1,478,800	Debt
Northeast IH35 Interceptor	2017	\$ 466,200	Debt
S. Loop 4 Lift Station Decomm and Gravity Ext.	2017	\$ 800,000	Impact Fees
S. Buda WCID #1 Lift Station Upgrade	2017	\$ 750,000	Debt
15-Inch Northwest IH35 Interceptor	2017	\$ 1,065,600	Debt

* Total project cost is \$126,071. Reduced by \$60,000 to reflect contribution from Hays County.

** Total project cost is \$5.2 million. It has been assumed that the City only pays for half of the project with 70% loan forgiveness.

Wastewater Capital Improvement Plan (alternative)

Project Name	FY Funding Needed	Cost (\$)	Funding Source
Hillside Terrace Wastewater Improvements*	2014	\$ 66,071	Cash
Garlic Creek Lift Station	2015	\$ 1,355,900	Debt
Expand existing WWTP (Planning and Design)	2015	\$ 2,000,000	Debt
Replace Downtown Clay Pipe	2015	\$ 1,511,181	Debt
Upsize Sportsplex Sewer Line	2015	\$ 450,000	Impact Fees
Lifeschutz Bottleneck Replacements	2015	\$ 250,000	Cash
Hillside Terrace Wastewater Improvements**	2016	\$ 780,000	Debt
Expand existing WWTP	2016	\$ 1,000,000	Cash
Expand existing WWTP	2016	\$ 9,000,000	Debt
Bradfield Lifeschutz Flow Study	2016	\$ 40,000	Cash
Oxbow Wastewater Service	2017	\$ 1,478,800	Debt
Northeast IH35 Interceptor	2017	\$ 466,200	Debt
S. Loop 4 Lift Station Decomm and Gravity Ext.	2017	\$ 800,000	Impact Fees
S. Buda WCID #1 Lift Station Upgrade	2017	\$ 750,000	Debt
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* Total project cost is \$126,071. Reduced by \$60,000 to reflect contribution from Hays County.

** Total project cost is \$5.2 million. It has been assumed that the City only pays for half of the project with 70% loan forgiveness.

Residential Bill Comparison

- Sorted by Residential Bill @ 10,000 Gallons/Month Water Use -

City	WATER		WASTEWATER		TOTAL WATER & WASTEWATER	
	RESIDENTIAL WATER		RESIDENTIAL SEWER		RESIDENTIAL	
	Bill for 5,000 Gallons	Bill for 10,000 Gallons	Bill for 5,000 Gallons	Bill for 10,000 Gallons	Bill for 5,000 Gallons	Bill for 10,000 Gallons
Austin	\$ 26	\$ 55	\$ 45	\$ 90	\$ 71	\$ 145
San Marcos	\$ 34	\$ 58	\$ 44	\$ 78	\$ 78	\$ 136
Taylor	\$ 40	\$ 65	\$ 32	\$ 59	\$ 72	\$ 123
Kyle	\$ 47	\$ 72	\$ 32	\$ 48	\$ 79	\$ 120
Hutto	\$ 48	\$ 79	\$ 38	\$ 38	\$ 85	\$ 117
Buda (Proposed)	\$ 22	\$ 40	\$ 47	\$ 65	\$ 70	\$ 106
Lockhart	\$ 32	\$ 53	\$ 28	\$ 52	\$ 61	\$ 105
Buda (Current)	\$ 21	\$ 39	\$ 47	\$ 64	\$ 68	\$ 103
Pflugerville	\$ 35	\$ 57	\$ 26	\$ 43	\$ 61	\$ 100
Round Rock	\$ 31	\$ 43	\$ 33	\$ 49	\$ 64	\$ 92
Belton	\$ 24	\$ 40	\$ 22	\$ 39	\$ 45	\$ 79
Georgetown	\$ 30	\$ 41	\$ 29	\$ 29	\$ 59	\$ 70
Luling	\$ 23	\$ 42	\$ 19	\$ 27	\$ 42	\$ 69

Commercial Bill Comparison

- Sorted by Commercial Bill @ 50,000 Gallons/Month Water Use -

City	WATER		WASTEWATER		TOTAL WATER & WASTEWATER	
	COMMERCIAL WATER		COMMERCIAL SEWER		COMMERCIAL	
	Bill for 50,000 Gallons	Bill for 200,000 Gallons	Bill for 50,000 Gallons	Bill for 200,000 Gallons	Bill for 50,000 Gallons	Bill for 200,000 Gallons
San Marcos	\$ 364	\$ 1,341	\$ 502	\$ 1,774	\$ 866	\$ 3,115
Austin	\$ 336	\$ 1,063	\$ 422	\$ 1,656	\$ 757	\$ 2,719
Hutto	\$ 411	\$ 1,362	\$ 325	\$ 1,048	\$ 736	\$ 2,410
Kyle	\$ 469	\$ 1,460	\$ 195	\$ 730	\$ 664	\$ 2,191
Taylor	\$ 325	\$ 1,076	\$ 271	\$ 1,068	\$ 596	\$ 2,144
Buda (Proposed)	\$ 316	\$ 1,199	\$ 209	\$ 748	\$ 525	\$ 1,947
Lockhart	\$ 270	\$ 1,042	\$ 245	\$ 961	\$ 515	\$ 2,003
Buda (Current)	\$ 304	\$ 1,153	\$ 205	\$ 733	\$ 509	\$ 1,886
Pflugerville	\$ 303	\$ 1,013	\$ 190	\$ 716	\$ 493	\$ 1,729
Georgetown	\$ 283	\$ 1,312	\$ 162	\$ 514	\$ 445	\$ 1,826
Round Rock	\$ 209	\$ 562	\$ 228	\$ 712	\$ 437	\$ 1,274
Belton	\$ 170	\$ 658	\$ 179	\$ 704	\$ 349	\$ 1,362
Luling	\$ 217	\$ 704	\$ 103	\$ 384	\$ 320	\$ 1,087

Future Outlook

- Projected growth and economies of scale should help to mitigate future rate adjustments, although rate increases will still be needed as debt service levels increase.
- The CIP for both water and wastewater is the primary reason for the needed rate adjustments.
- Should growth slowdown, larger rate increases would be needed, unless the CIP is revised.
- The City can use a portion of the existing wastewater fund balance to help offset future wastewater rate increases.
- There is still some uncertainty regarding the WWTP expansion; however, that should not impact rates for FY14.