



June 28, 2022

UPDATE ON WATER AND SEWER RATE STUDY CITY OF GEORGETOWN, TEXAS



SUMMARY INTRODUCTION

- Key Cost Drivers and Forecast Updates
 - Additional Projects
 - New Operational Expenses
 - Inflationary Increases

- FY 2022 Objectives
 - Fiscal Policy Review and Compliance
 - Revenue Adequacy
 - Fairness in Rate Setting

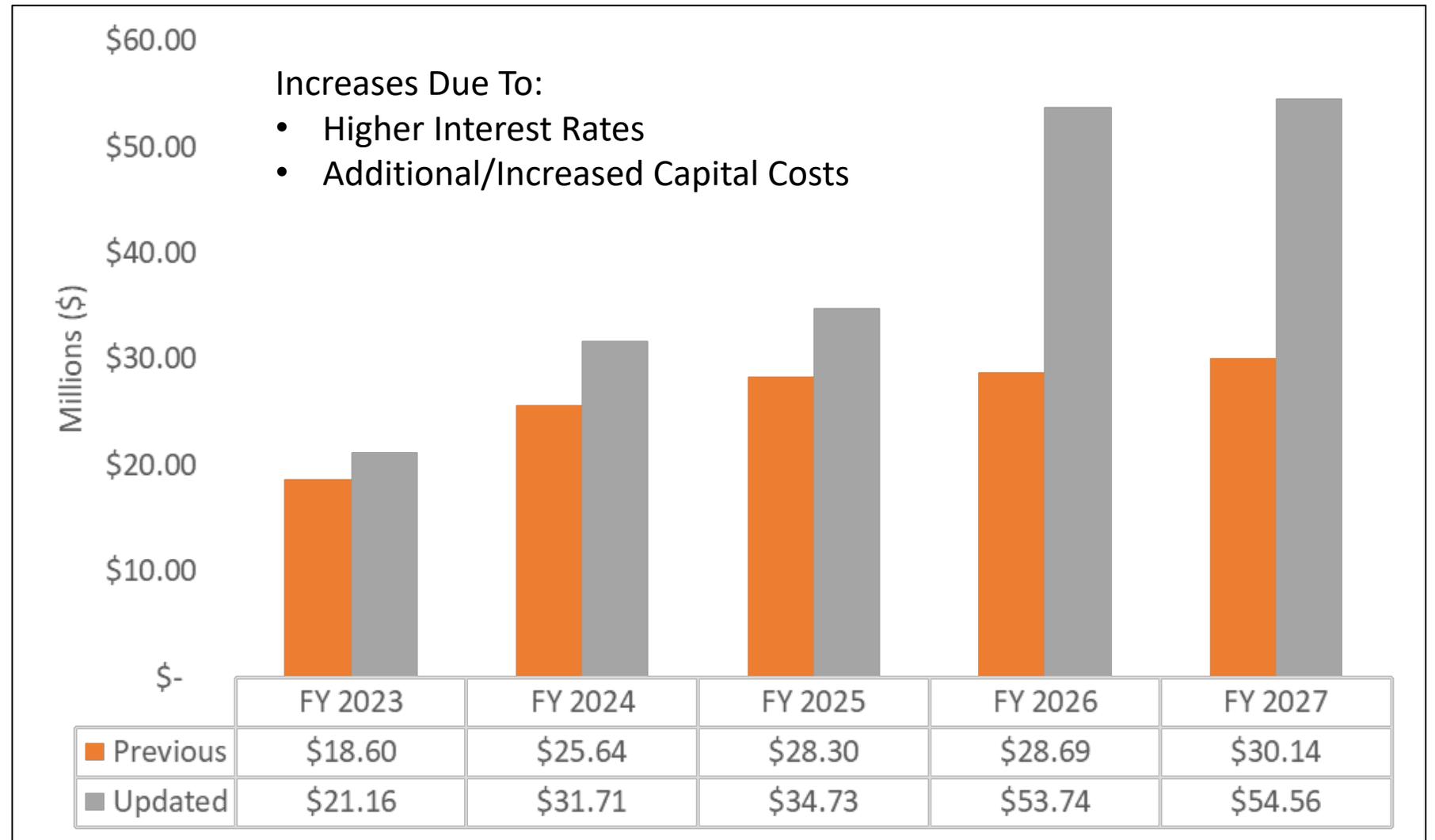
CAPITAL PLAN SUMMARY

Water CIP	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Updated	\$ 119,616,667	\$ 26,775,000	\$ 9,208,333	\$ 1,925,000	\$ 199,425,000
Previous	67,375,000	23,925,000	4,675,000	4,675,000	7,975,000
<i>Variance</i>	<i>\$ 52,241,667</i>	<i>\$ 2,850,000</i>	<i>\$ 4,533,333</i>	<i>(\$ 2,750,000)</i>	<i>\$ 191,450,000</i>

Wastewater CIP	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Updated	\$ 82,191,666	\$ 16,800,000	\$ 250,983,333	\$ 21,450,000	\$ 19,090,000
Previous	62,095,000	38,005,000	2,805,000	22,605,000	2,805,000
<i>Variance</i>	<i>\$ 20,096,666</i>	<i>(\$ 21,205,000)</i>	<i>\$ 248,178,333</i>	<i>(\$ 1,155,000)</i>	<i>\$ 16,285,000</i>

Total	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Updated	\$ 201,808,332	\$ 43,575,000	\$ 260,191,667	\$ 23,375,000	\$ 218,515,000
Previous	129,470,000	61,930,000	7,480,000	27,280,000	10,780,000
<i>Variance</i>	<i>\$ 72,338,332</i>	<i>(\$ 18,355,000)</i>	<i>\$ 252,711,667</i>	<i>(\$ 3,905,000)</i>	<i>\$ 207,735,000</i>

DEBT PAYMENTS

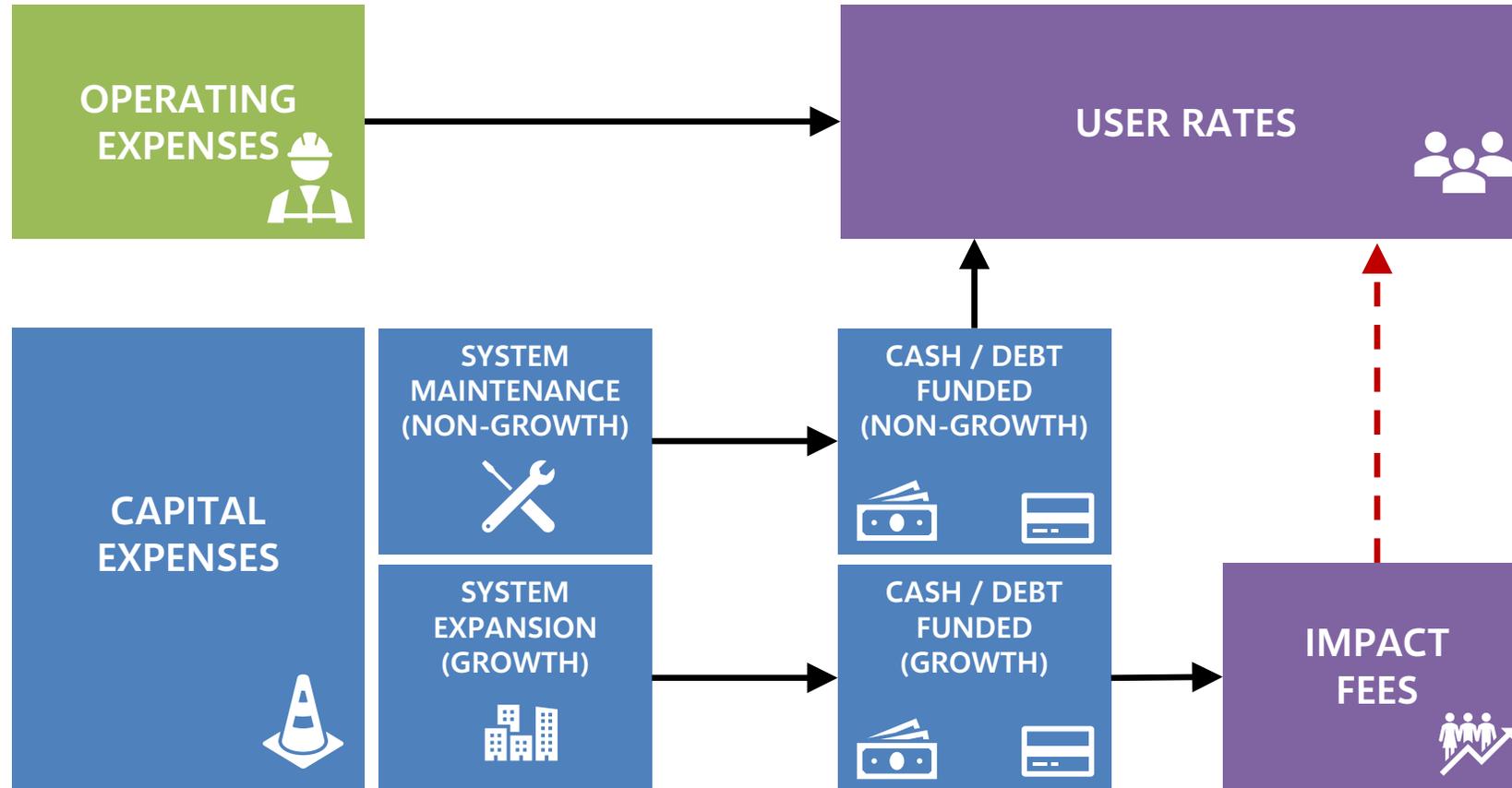


GROWTH AND IMPACT FEES

Growth (LUEs)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Water					
Updated	5,000	5,000	5,000	5,000	5,000
Previous	4,500	4,000	4,000	4,000	4,000
<i>Variance</i>	<i>500</i>	<i>1,000</i>	<i>1,000</i>	<i>1,000</i>	<i>1,000</i>
Wastewater					
Updated	3,000	3,000	2,500	2,500	2,500
Previous	2,500	2,500	2,500	2,000	2,000
<i>Variance</i>	<i>500</i>	<i>500</i>	<i>0</i>	<i>500</i>	<i>500</i>

Impact Fees (\$/LUE)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Water					
Updated	\$ 5,000	\$ 6,000	\$ 6,500	\$ 7,000	\$ 7,500
Previous	5,000	5,000	5,000	5,000	5,000
<i>Variance</i>	<i>\$ 0</i>	<i>\$ 1,000</i>	<i>\$ 1,500</i>	<i>\$ 2,000</i>	<i>\$ 2,500</i>
Wastewater					
Updated	\$ 3,115	\$ 3,115	\$ 3,115	\$ 4,000	\$ 4,000
Previous	3,115	3,115	3,115	3,115	3,115
<i>Variance</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 885</i>	<i>\$ 885</i>

RELATIONSHIP BETWEEN USER RATES AND IMPACT FEES



NEW PROGRAM AND OPERATIONAL COSTS

Water

- \$11.5M Personnel
- \$ 3.1M Equipment
- \$ 0.7M Professional Services
- <\$0.1M Facility-related

Wastewater

- \$ 5.0M Personnel
- \$ 1.8M Equipment
- \$ 1.6M Professional Services
- <\$0.1M Facility-related

New Program/O&M by Utility (\$M)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Water	\$ 3.9	\$ 2.9	\$ 2.9	\$ 3.6	\$ 2.9
Wastewater	4.1	1.2	1.1	1.2	1.2
Total	\$ 8.0	\$ 4.1	\$ 4.0	\$ 4.8	\$ 4.1

Excludes Inflation Adjustments

INFLATION FACTORS USED

	FY 2023¹	FY 2024²	FY 2025	FY 2026	FY 2027
Municipal Cost Index	5.0%	4.0%	3.0%	3.0%	3.0%
Construction Cost Index	15.0%	9.2%	3.3%	3.3%	3.3%
Salaries	3.0%	3.0%	3.0%	3.0%	3.0%
Benefits	5.0%	5.0%	6.0%	7.0%	8.0%
Chemicals	30.0%	15.8%	1.7%	1.7%	1.7%
Electricity ³	7.0%	0.0%	3.0%	0.0%	3.0%
Natural Gas	30.0%	16.5%	2.9%	3.8%	3.4%
Fuel	30.0%	16.9%	3.9%	3.3%	3.7%

Notes:

1 – Discussed with Staff and Reviewed Recent Trends

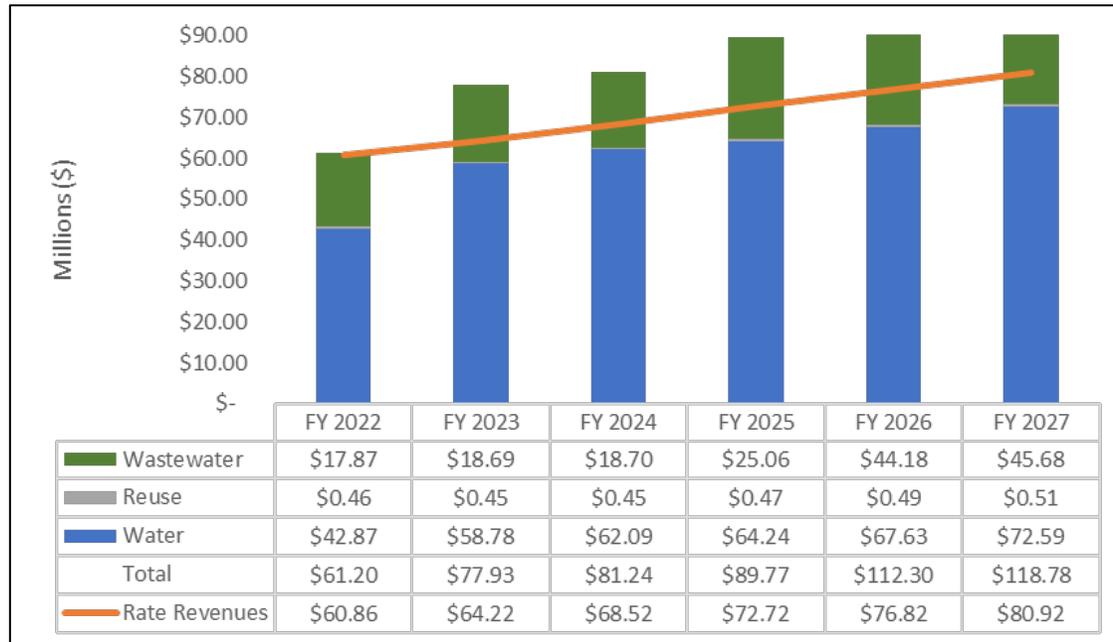
2 – Average of FY 2023 and FY 2025 (Normal)

3 – Per Discussions with Staff and Electric Team

FINANCIAL POLICY REVIEW AND SUGGESTED EDITS

- Days Operating Cash on Hand Reserve
 - Current – 90 Day Minimum
 - Recommend – 90 Day Minimum, Target of 120 Days and Max of 1 Year
- Water Fixed Cost Recovery from Base Charges
 - Current – 75% of Identified Fixed Costs
 - Recommend – 65% of Identified Fixed Costs with 90% in Base plus 1st Tier Rates
- Non-Operating Reserve
 - Current – Broadly Defined and Historically \$10M
 - Recommend – Defined as a minimum of 50% of Annual Debt Service Requirements

PROJECTED COMBINED UTILITY PERFORMANCE UNDER CURRENT RATE REVENUES



- Combined utility estimated to not recover revenue requirements as early as **FY 2022**
 - Shortfall covered by available balances
- An increase is needed to achieve Debt Service Coverage targets in **FY 2024**.
- Days Cash on Hand reserves drop below 90 Days as early as **FY 2024**
- Water Monthly Base Charge revenues lower than target for Water Fixed Cost of Service as early as **FY 2023**

FY (Targets)	2022	2023	2024	2025	2026	2027
DSC (1.50x)	5.87	1.72	1.40	1.35	0.97	1.03
Days Cash (90 Days)*	326	165	50	(43)	(201)	(323)
Fixed COS Part 1 (65%)	73%	55%	57%	59%	60%	58%
Fixed COS Part 2 (90%)	110%	82%	84%	87%	87%	84%

*Excludes Non-Operating Contingency

RATE DESIGN

Similar users found to have differing effective rates and charges for similar services

Multi-family and Builder



**3-Person
Households**



**Each Person
Showers
Daily**

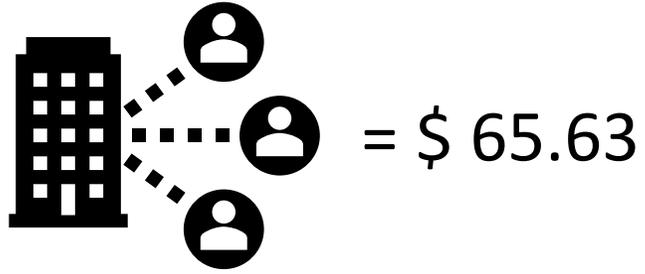


**Each Person
Flushes 5
Times Daily**

SAMPLE FAMILIES

Averaging 3,500 Gallons Indoor Water Usage Monthly

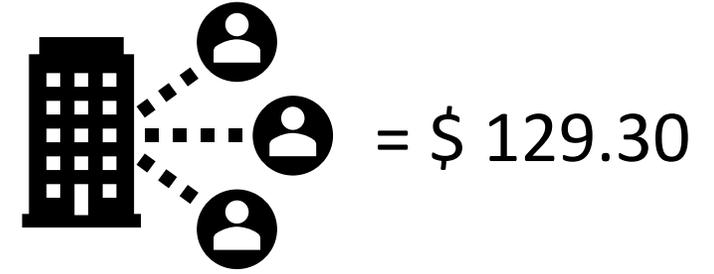
Currently Multi-Family as Commercial



Single Family Residential or Submetered Units



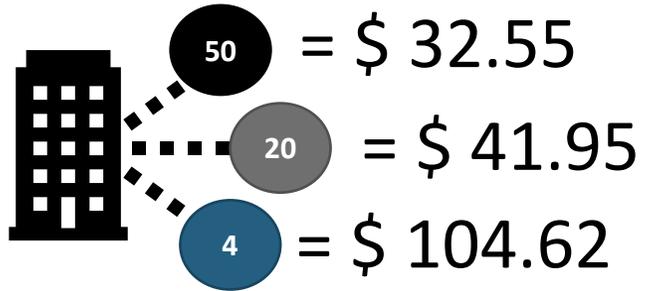
Suggested Multi-Family as Multi-Family Residential



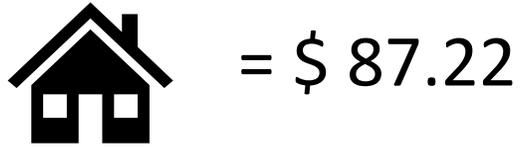
ANNUAL COST TO SHOWER

WATER ONLY PORTION OF BILL

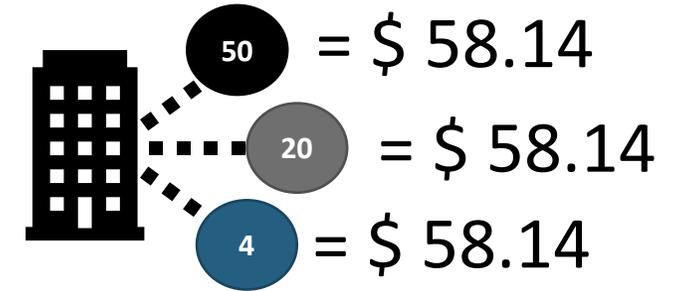
Currently Multi-Family as Commercial



Single Family Residential or Submetered Units



Suggested Multi-Family as Multi-Family Residential



ANNUAL COST TO FLUSH

WASTEWATER ONLY PORTION OF BILL

MULTI-FAMILY

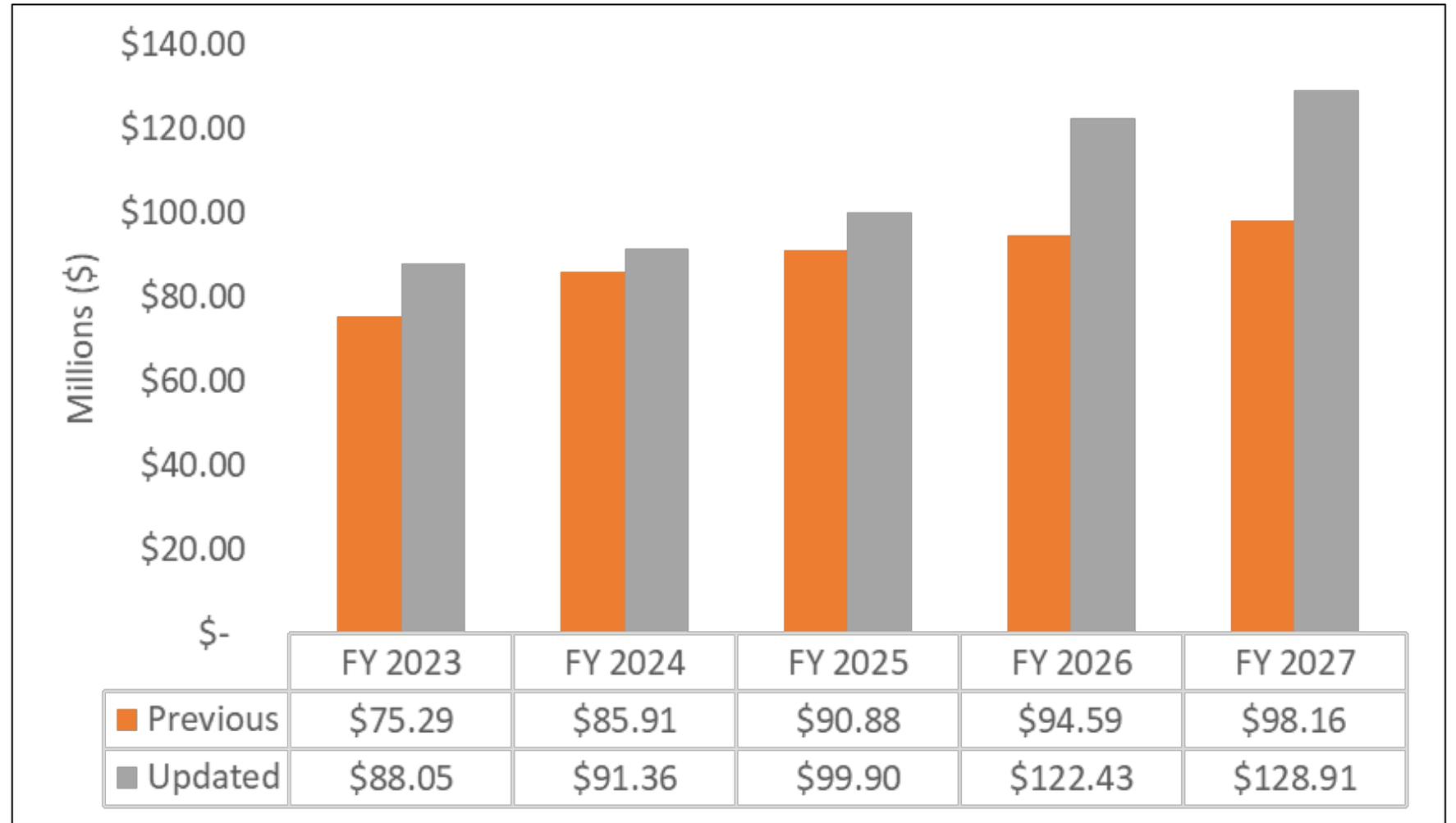
- City has the Option to Bill Multi-Family Customers on a per Unit Basis
 - Minimum and Volumetric Charge Calculated per Unit
 - Currently 109 Accounts with a Total of 6,751 Units
- Average Residential Account = 3/4” Meter
 - If per Unit Billing, Multi-Family at 5/8” Meter = 66% Lower Minimum
- “...the number of service connections in an apartment complex would be equal to the number of individual living units.” 30 TAC §290.38(16)

BUILDER

- Recommend Billing Builders same Class as Property
 - Recommended to be Billed as Residential Last Year
- Per FY 2020 Billing Data
 - Residential Peak/Average = 1.73
 - Builder Peak/Average = 1.75
- Keeping the meter in the same rate class as the end user is also helpful for customer service record keeping

EXPENSES AND PROPOSED RATES

Excludes Capital Expenses from Bond Proceeds or Impact Fees



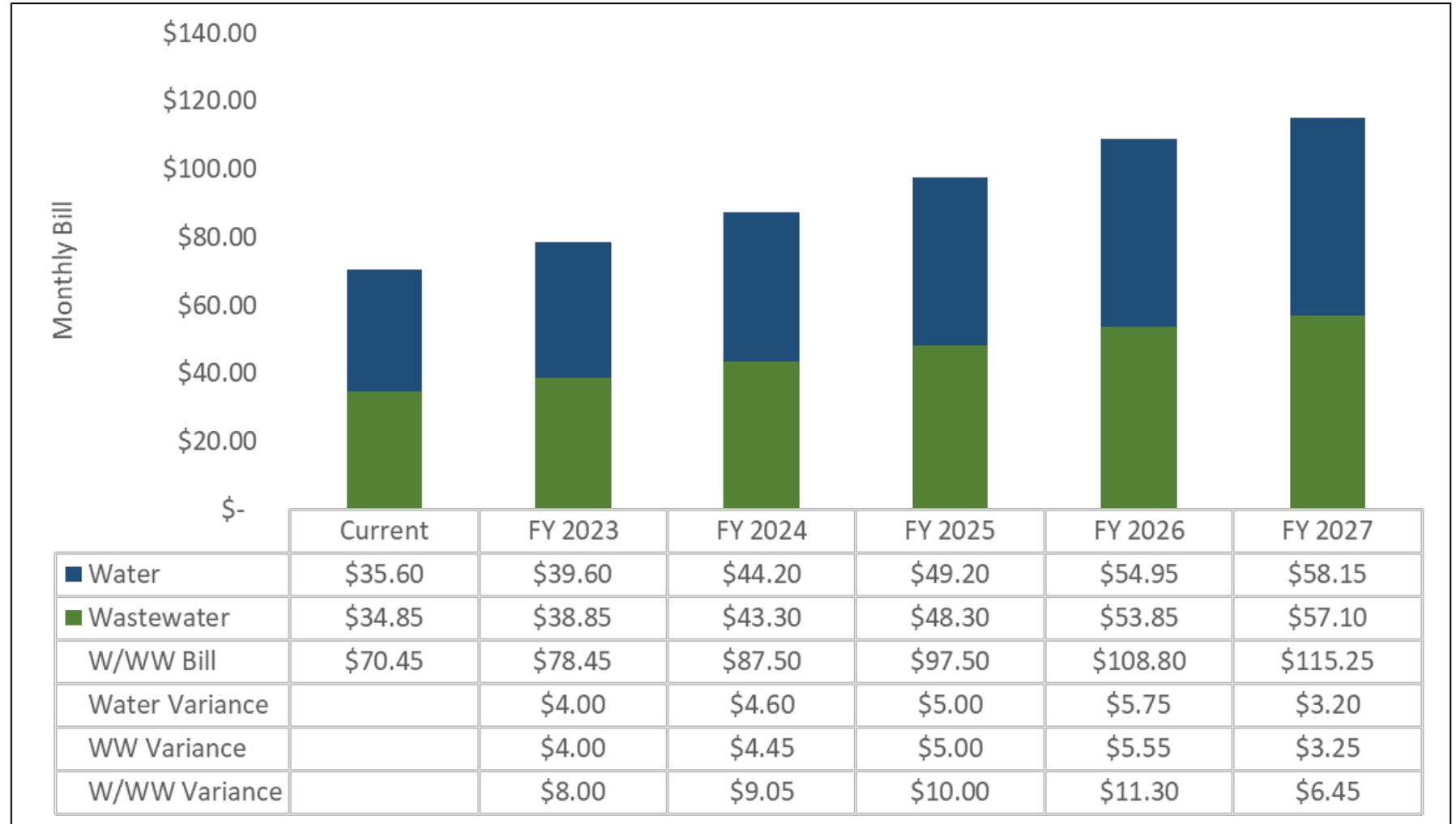
Total	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Updated	11.50%	11.50%	11.50%	11.50%	6.00%
Previous	9.00%	9.00%	0.00%	0.00%	0.00%

This includes rate design changes.

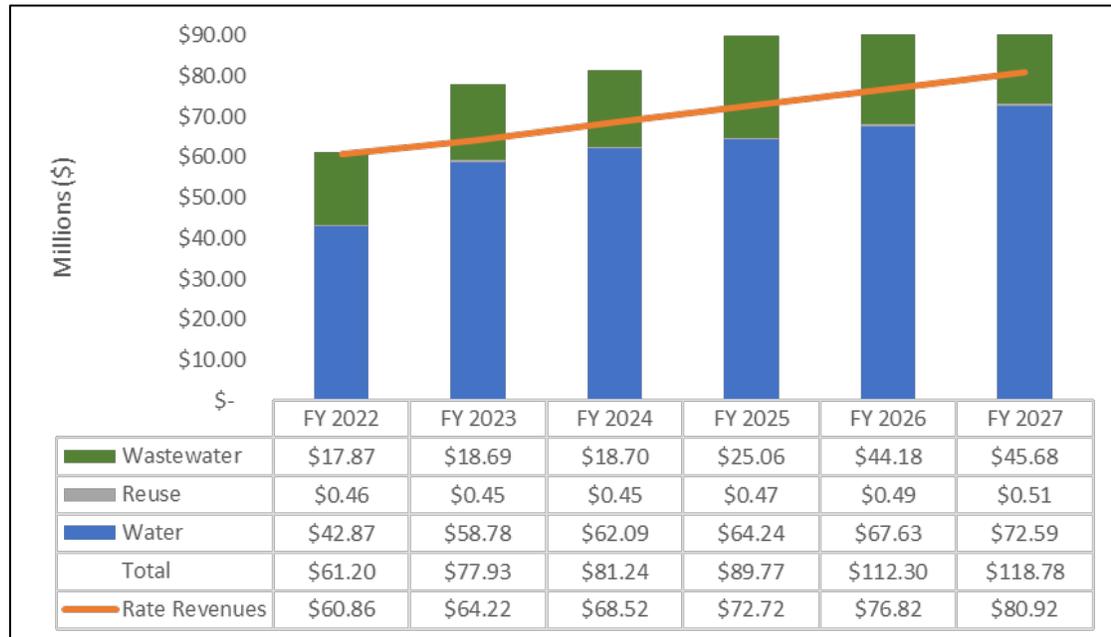
RATE PLAN EFFECT ON MONTHLY BILLS

6,000 Gallon
Residential Bill Impact

¾" Meter Size



PROJECTED COMBINED UTILITY PERFORMANCE UNDER PRELIMINARY DRAFT RATE REVENUES



Draft Rate Projection

- Increases shown here are for discussion ONLY.
- Rate adjustments below reflect current assumptions and CIP funding plan.
- Inflation, increased wholesale costs and accelerated/new capital projects will likely change FY 2025-2027.

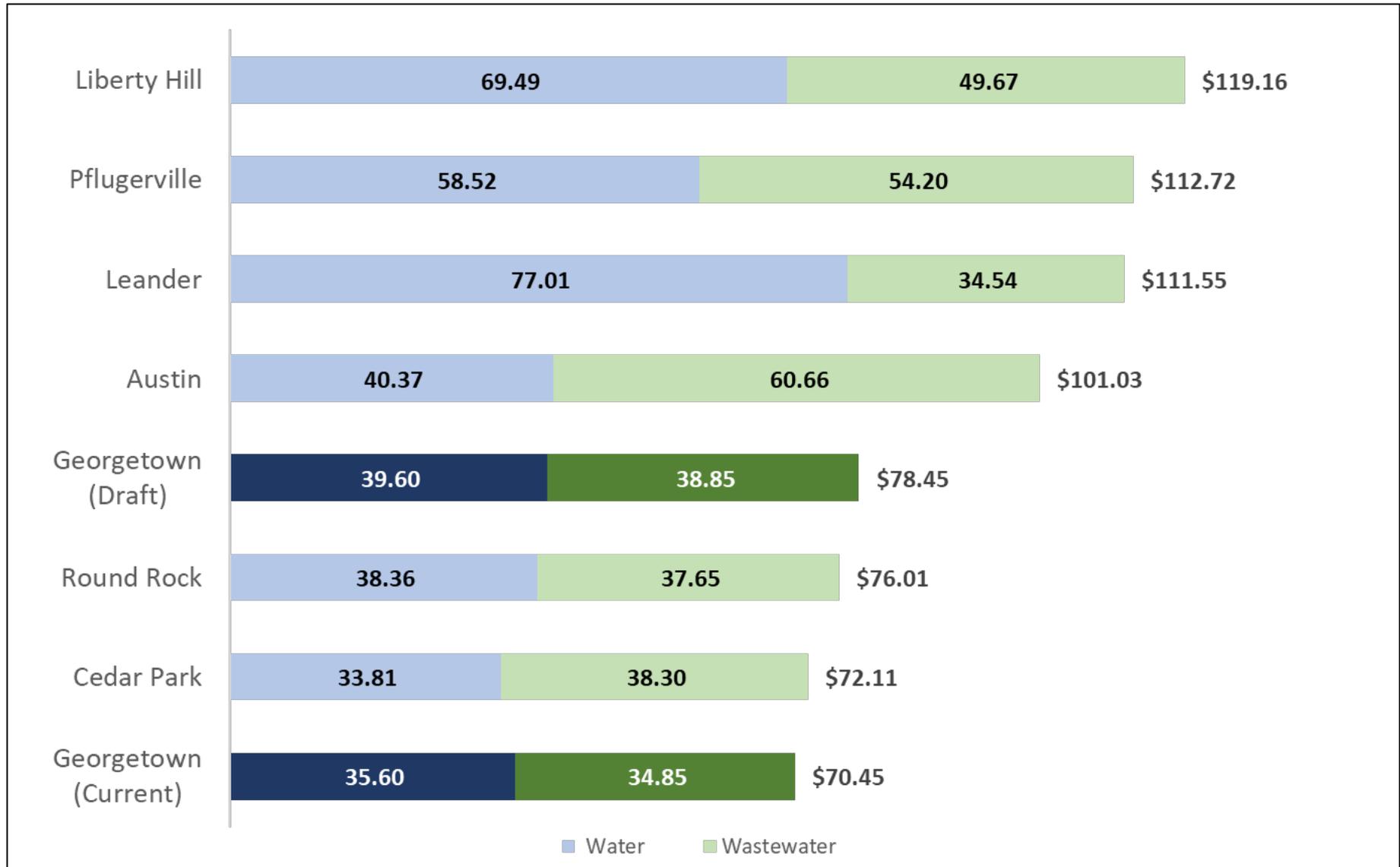
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DSC (1.50x)	5.87	2.03	1.86	2.05	1.65	1.85
Days Cash (90 Days)*	326	202	160	169	101	116
Fixed COS Part 1 (65%)	73%	61%	70%	80%	88%	90%
Fixed COS Part 2 (90%)	110%	90%	103%	117%	129%	131%

*Excludes Non-Operating Contingency

Rate Adjustments	2023	2024	2025	2026	2027
Water (All%)	11.5%	11.5%	11.5%	11.5%	6.0%
Wastewater (All %)	11.5%	11.5%	11.5%	11.5%	6.0%

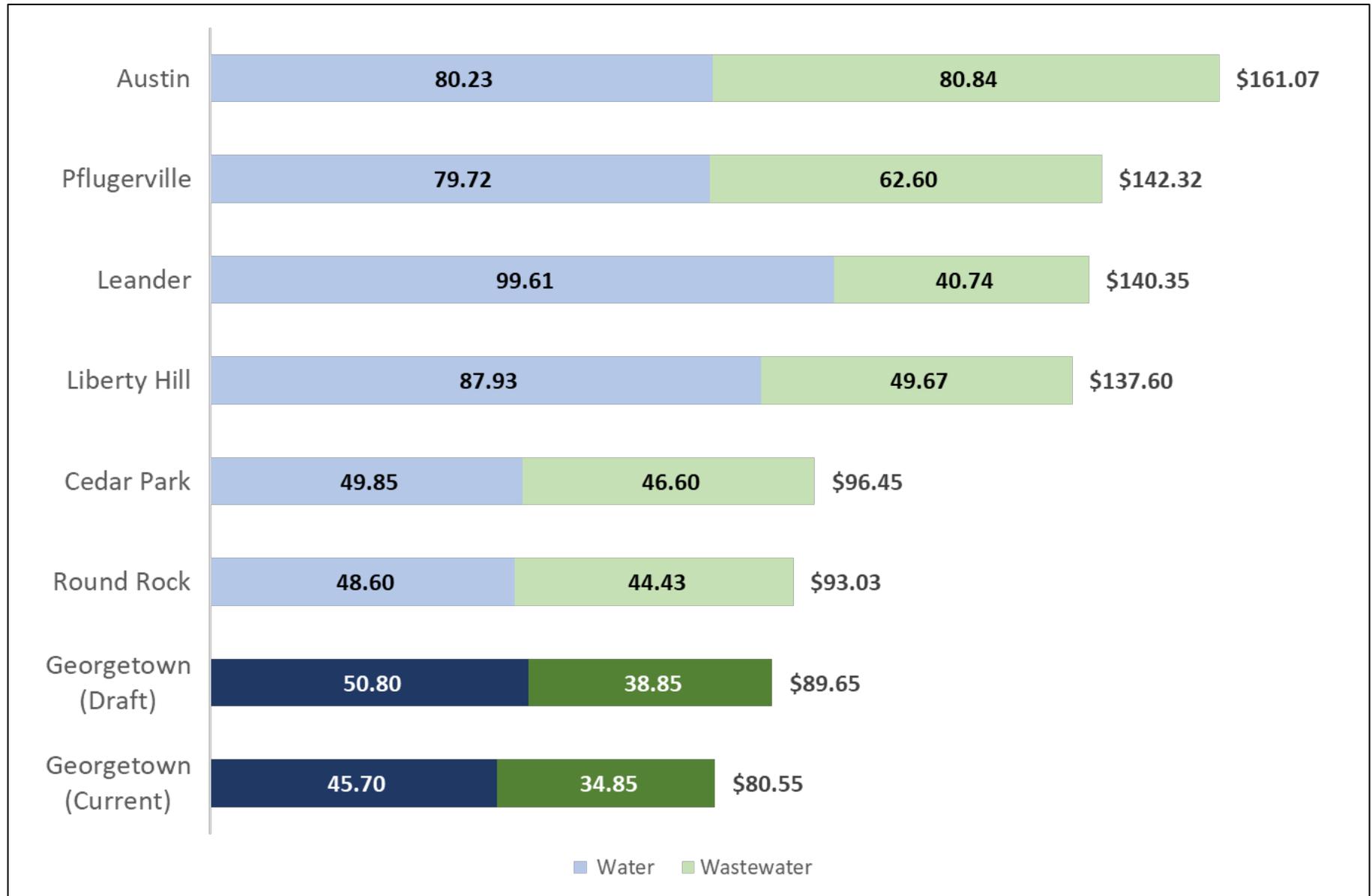
RESIDENTIAL REGIONAL BILL COMPARISON

Customer at
6,000 Gallons



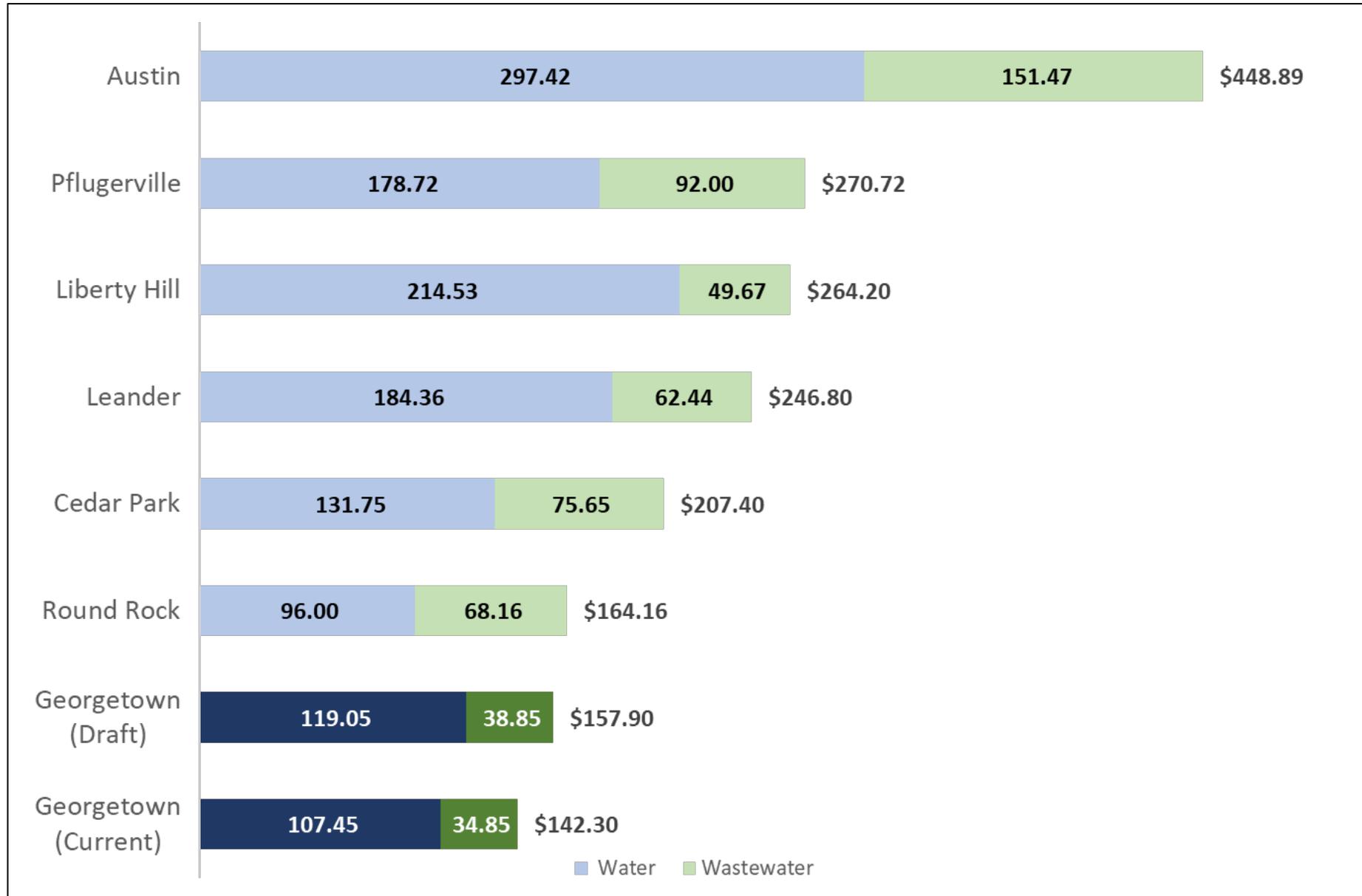
RESIDENTIAL REGIONAL BILL COMPARISON

Customer at 10,000
Gallons



RESIDENTIAL REGIONAL BILL COMPARISON

Customer at 25,000
Gallons



NEXT STEPS



- Receive Council Guidance Here
- Customer Engagement July - August
- Proposed Rate Action Timing
 - Adoption in September
 - Effective Date October 1, 2022



THANK YOU FOR YOUR TIME

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