

THREE-YEAR WATER RATE STUDY

2021-2022

2022-2023

2023-2024

Many people think we have rate increases just because! However, all rate increase requests are a business decision to ensure the financial stability of the city. We do not want rate increases; we need rate increases. I personally do not want to increase rates, but it is my job and my responsibility to ensure the financial stability of the city. My business training has taught me that we must raise rates periodically if we are to progress and make improvements.

In the case of this presentation, you should see that just like our citizens' costs have increased, our costs have gone up too. The cost of operations, treating water, and requirements of our state regulatory agency, TCEQ, have made it so that, on average, we are losing money in our water fund. We **CANNOT** continue to let this happen. Please keep this in mind as you view this presentation.

For example, because of drought conditions and not raising rates, the City of Clyde, TX defaulted on a bond payment in August 2024. Clyde's credit rating was drastically lowered so now they cannot borrow money, they cannot finance equipment or buy anything of substance. What happened in Clyde is caused by incompetence. We do not want to get in the condition of Clyde, TX.

In the 2018 budget process, we recognized that water rates were inadequate to cover increasing costs. We increased the water rates by a small percentage of 4% to cover the increasing costs of treating water, maintaining the Water Plant, and replacing old lines throughout the city.

We instituted an infrastructure fund that could only be used for water and sewer lines with the City Council's permission. Since then, we have self-financed several water and sewer lines in all parts of the city. With these funds and CDBG funds, we have replaced over 5,000 feet of line.

In the last three years, with increasing costs, we have not added funds to the infrastructure fund. The total amount of these funds has gone from about \$1,200,000 down to \$426,000 in July of this budget year.

Chart 1

DATE	REVENUE	EXPENSES	PROFIT
23-24			
SEPT	\$181,655.23	\$229,098.48	\$47,443.25
AUGUST	\$211,990.01	\$179,644.75	\$32,345.26
JULY	\$185,014.06	\$372,801.69	-\$187,787.63
JUNE	\$161,289.39	\$177,275.92	-\$15,986.53
MAY	\$142,370.01	\$116,083.13	\$26,286.88
APRIL	\$147,110.93	\$264,424.80	-\$117,313.87
MARCH	\$136,597.31	\$96,310.06	\$40,287.25
FEB	\$156,441.28	\$159,243.63	-\$2,802.35
JAN	\$158,358.91	\$102,726.96	\$55,631.95
DEC	\$150,947.82	\$110,924.94	\$40,022.88
NOV	\$149,667.17	\$137,316.13	\$12,351.04
OCT	\$200,677.18	\$146,850.54	\$53,826.64
			-\$15,695.23
22-23			
SEPT	\$303,077.77	\$372,817.08	-\$69,739.31
AUGUST	\$221,809.99	\$206,490.19	\$15,319.80
JULY	\$188,849.60	\$146,825.25	\$42,024.35
JUNE	\$159,736.57	\$115,362.86	\$44,373.71
MAY	\$149,657.47	\$110,979.32	\$38,678.15
APRIL	\$143,874.68	\$105,148.06	\$38,726.62
MARCH	\$141,282.50	\$133,930.97	\$7,351.53
FEB	\$146,891.05	\$114,250.64	\$32,640.41
JAN	\$159,218.78	\$116,740.80	\$42,477.98
DEC	\$136,716.35	\$145,955.96	-\$9,239.61
NOV	\$155,290.31	\$90,885.95	\$64,404.36
OCT	\$181,324.49	\$145,062.28	\$36,262.21
		TOTAL	\$283,280.20
21-22			
SEPT	\$187,023.97	\$172,852.31	\$14,171.66
AUGUST	\$299,335.70	\$155,438.07	\$143,897.63
JULY	\$188,250.58	\$124,959.91	\$63,290.67
JUNE	\$171,678.43	\$114,105.06	\$57,573.37
MAY	\$157,536.24	\$119,741.46	\$37,794.78
APRIL	\$192,743.50	\$55,505.91	\$137,237.59
MARCH	\$151,654.19	\$119,881.33	\$31,772.86
FEB	\$140,573.90	\$86,523.60	\$54,050.30
JAN	\$152,863.44	\$125,768.72	\$27,094.72
DEC	\$148,190.16	\$87,434.09	\$60,756.07
NOV	\$160,321.15	\$91,764.26	\$68,556.89
OCT	\$207,057.16	\$127,312.76	\$79,744.40
		TOTAL	\$775,940.94

AVE REVENUE \$165,176.61
 AVE EXPENSES \$174,391.75
AVE LOSS -\$1,307.94

AVE REVENUE \$173,977.46
 AVE EXPENSES \$150,370.78
 AVE PROFIT \$23,606.68

AVE REVENUE \$179,769.04
 AVE EXPENSES \$115,107.29
 AVE PROFIT \$64,661.75

Chart 1 shows how our expenses have increased over the last three years, with revenue staying about the same. This last year has been especially costly, as our operating costs have increased, and unfunded mandates from TCEQ have had serious effects on our water profitability.

As I mentioned recently, TCEQ requires us to add another 60-hp Raw Water Pump to our Raw Water Pump Station at Amon Carter Lake. The estimated cost is between \$850,000 and \$950,000, which will substantially increase our deficit. The following proposals will increase revenue for paying for the Raw Water Pump and help with the increased costs of treating water.

This chart represents our current water rates, and the revenue generated.

Residential	CURRENT	CURRENT		USAGE		
Inside	RATES	RATES				
Flat	\$19.96	\$ 19.96		27444		\$ 547,782.24
Variable	\$4.73	\$ 4.73	per 1000	123265		\$ 583,043.45
						\$ 1,130,825.69
Outside						
Flat	\$22.96	\$ 22.96		5964		\$ 136,933.44
Variable	\$5.44	\$ 5.44	per 1000	46021		\$ 250,354.24
						\$ 387,287.68
Commercial						
Inside						
Flat	\$22.79	\$ 22.79		4860		\$ 110,759.40
Variable	\$4.73	\$ 4.73	per 1000	50213		\$ 237,507.49
						\$ 348,266.89
Outside						
Flat	\$25.51	\$ 25.51		396		\$ 10,101.96
Variable	\$5.44	\$ 5.44	per 1000	4601		\$ 25,029.44
						\$ 35,131.40
						\$1,901,511.66
						Budgeted 2,070,500.00
				Water Expenses		\$ 2,106,637.00
				ACTUAL		(\$205,125.34)
						Surplus

CURRENT WATER RATES

PRESENT

Residential	CURRENT	NEW		USAGE		
Inside	RATES	RATES				
Flat	\$19.96	\$ 23.15		27444		\$ 635,328.60
Variable	\$4.73	\$ 5.49	per 1000	123265		\$ 676,724.85
						\$ 1,312,053.45
Outside						
Flat	\$22.96	\$ 26.63		5964		\$ 158,821.32
Variable	\$5.44	\$ 6.31	per 1000	46021		\$ 290,392.51
						\$ 449,213.83
Commercial						
Inside						
Flat	\$22.79	\$ 26.44		4860		\$ 128,498.40
Variable	\$4.73	\$ 5.49	per 1000	50213		\$ 275,669.37
						\$ 404,167.77
Outside						
Flat	\$25.51	\$ 29.60		396		\$ 11,721.60
Variable	\$5.44	\$ 6.31	per 1000	4601		\$ 29,032.31
						\$ 40,753.91
						\$2,206,188.96
				Water	Expenses	\$ 2,106,637.00
				ACTUAL		\$99,551.96
						Surplus

Budgeted
2,070,500.00
2,106,637.00

PROPOSED NEW WATER RATES

16% Inc.

First Year

The next two charts show a 16% rate increase this year, along with a 16% rate increase the following year.

Residential	CURRENT	NEW		USAGE		
Inside	RATES	RATES				
Flat	\$19.96	\$ 26.85		27444		\$ 736,871.40
Variable	\$4.73	\$ 6.37	per 1000	123265		\$ 785,198.05
						\$ 1,522,069.45
Outside						
Flat	\$22.96	\$ 30.89		5964		\$ 184,227.96
Variable	\$5.44	\$ 7.32	per 1000	46021		\$ 336,873.72
						\$ 521,101.68
Commercial						
Inside						
Flat	\$22.79	\$ 30.67		4860		\$ 149,056.20
Variable	\$4.73	\$ 6.37	per 1000	50213		\$ 319,856.81
						\$ 468,913.01
Outside						
Flat	\$25.51	\$ 34.34		396		\$ 13,598.64
Variable	\$5.44	\$ 7.32	per 1000	4601		\$ 33,679.32
						\$ 47,277.96
						\$2,559,362.10
				Water	Expenses	\$ 2,106,637.00
				ACTUAL		\$452,725.10

Budgeted
2,070,500.00
2,106,637.00

PROPOSED NEW WATER RATES

16% Inc.

Second Year

Even with these two rate increases, we will have to borrow the money to finance the Raw Water Pump.

Residential	CURRENT	NEW		USAGE		
Inside	RATES	RATES				
Flat	\$19.96	\$ 21.36		27444		\$ 586,203.84
Variable	\$4.73	\$ 5.06	per 1000	123265		\$ 623,720.90
						\$ 1,209,924.74
Outside						
Flat (8%)	\$22.96	\$ 24.80		5964		\$ 147,907.20
Variable	\$5.44	\$ 5.88	per 1000	46021		\$ 270,603.48
						\$ 418,510.68
Commercial						
Inside						
Flat	\$22.79	\$ 24.39		4860		\$ 118,535.40
Variable	\$4.73	\$ 5.06	per 1000	50213		\$ 254,077.78
						\$ 372,613.18
Outside						
Flat (8%)	\$25.51	\$ 27.55		396		\$ 10,909.80
Variable	\$5.44	\$ 5.88	per 1000	4601		\$ 27,053.88
						\$ 37,963.68
	Total Meters			3240		\$2,039,012.28
				Water	Expenses	\$ 2,106,637.00
						(\$67,624.72)
	Total Meters		3240	Plus Fee	\$7.50 flat	\$291,600.00
						BUDGETED
						2,070,500.00
						2,106,637.00
						-36,137.00

PROPOSED NEW WATER RATES

7% Inc.+

Meters	Monthly Charge	Monthly	Yearly	
3240	\$7.50	\$ 24,300.00	\$ 291,600.00	Proposed Fee to Expire in 2030.

The next two charts represent a flat \$7.50 water infrastructure charge, and a 7% rate increase this year, and another 7% rate increase next year. The \$7.50 flat will be programmed to expire in 2030. All these charts show the estimated additional revenue generated from the rate increases.

Residential	CURRENT	NEW		USAGE		
Inside	RATES	RATES				
Flat	\$21.36	\$ 22.86		27444		\$ 627,369.84
Variable	\$5.06	\$ 5.41	per 1000	123265		\$ 666,863.65
						\$ 1,294,233.49
Outside						
Flat (8%)	\$24.80	\$ 26.78		5964		\$ 159,715.92
Variable	\$5.88	\$ 6.35	per 1000	46021		\$ 292,233.35
						\$ 451,949.27
Commercial						
Inside						
Flat	\$24.39	\$ 26.10		4860		\$ 126,846.00
Variable	\$5.06	\$ 5.41	per 1000	50213		\$ 271,652.33
						\$ 398,498.33
Outside						
Flat (8%)	\$27.55	\$ 29.75		396		\$ 11,781.00
Variable	\$5.88	\$ 6.35	per 1000	4601		\$ 29,216.35
						\$ 40,997.35
						\$2,185,678.44
				Water	Expenses	\$ 2,106,637.00
						\$79,041.44
						\$291,600.00
	Total Meters		3240	Plus Fee	\$7.50 flat	

BUDGETED
2,070,500.00
2,106,637.00
-36,137.00

PROPOSED NEW WATER RATES

7%+7% +

Meters	Monthly Charge	Monthly	Yearly	
3240	\$7.50	\$ 24,300.00	\$ 291,600.00	Proposed Fee to Expire in 2030.

It is possible that we can self-finance the Raw Water Pump, but to do it, we must include the rate increases to replenish our fund balances. I do not recommend we self-finance the Raw Water Pump because I do not want to dip into our reserves.

Comparison of Local and Area Water Rates

Gallons	Bowie	Bowie Plan 1	Bowie Plan 2	Decatur	Bridgeport	Jacksboro	Henrietta	Runaway Bay	Vernon	Electra	Rhome	Roanoke	Gainesville	Nocona	Iowa Park	Burkburnett
Residential			7.50 flat													
2000	\$29.42	\$39.59	\$41.18	\$39.34	\$47.11	\$35.86	\$58.50	\$33.00	\$48.42	\$43.36	\$37.91	\$33.58	\$31.60	\$36.00	\$38.70	\$39.92
5000	\$43.61	\$58.70	\$57.41	\$48.17	\$67.39	\$53.65	\$84.50	\$52.50	\$58.62	\$88.15	\$82.26	\$43.45	\$44.89	\$51.50	\$84.50	\$60.05
8000	\$57.80	\$77.81	\$73.64	\$67.38	\$83.71	\$71.92	\$114.00	\$64.00	\$65.82	\$127.24	\$108.87	\$64.52	\$58.18	\$65.00	\$121.40	\$80.18
10000	\$67.26	\$90.55	\$84.46	\$77.92	\$115.89	\$83.90	\$130.50	\$87.00	\$75.62	\$163.30	\$139.31	\$90.30	\$67.04	\$74.00	\$146.00	\$103.20
20000	\$114.56	\$154.25	\$138.56	\$146.22	\$211.59	\$149.80	\$139.00	\$151.00	\$109.62	\$329.00	\$265.11	\$198.00	\$111.34	\$119.00	\$269.00	\$208.50
50000	\$256.46	\$345.35	\$300.86	\$373.72	\$518.69	\$345.00	\$524.00	\$328.00	\$211.62	\$824.50	\$605.91	\$604.00	\$244.24	\$254.00	\$638.00	\$481.50
Commercial 2"																
2000	\$32.25	\$43.41	\$44.42	\$36.40	\$59.31	\$46.88	\$58.50	\$33.00	\$48.42	\$43.36	\$62.56	\$33.58	\$62.20	\$38.00	\$40.00	\$39.92
5000	\$46.44	\$62.52	\$60.65	\$54.98	\$82.28	\$69.20	\$84.50	\$52.50	\$58.62	\$88.15	\$94.72	\$43.45	\$76.90	\$51.50	\$85.80	\$60.05
8000	\$60.63	\$81.63	\$76.88	\$73.24	\$101.57	\$91.52	\$114.00	\$64.20	\$68.82	\$127.24	\$124.66	\$64.52	\$91.60	\$94.00	\$122.70	\$81.18
10000	\$70.09	\$94.37	\$87.70	\$83.78	\$140.03	\$107.60	\$130.50	\$87.00	\$75.62	\$163.30	\$155.62	\$90.30	\$101.40	\$114.00	\$147.30	\$103.20
20000	\$117.39	\$158.07	\$141.80	\$152.08	\$249.93	\$185.80	\$239.00	\$151.00	\$109.62	\$329.00	\$288.62	\$198.00	\$150.40	\$159.00	\$270.30	\$208.50
50000	\$259.29	\$349.17	\$304.10	\$379.58	\$599.63	\$426.00	\$524.00	\$328.00	\$211.62	\$824.80	\$654.32	\$604.00	\$297.40	\$422.00	\$639.30	\$481.50
PINK - Current Rates						GREEN - About Same As Our Rate										
GREEN - Higher of Two Rate Plans																
BLUE - Lower of Two Rate Plans																
GRAY - Lower than our New Rates																
YELLOW - Higher than our New Rates																

This chart compares the new rates with other cities in our area to show you how we stand in comparison. Most of the time, our increased rates are still lower than those of other cities in our area. When surrounding cities are lower, they are lower only by a very small percentage.

I have spoken with our financial advisor, Government Capital. If we borrow \$950,000 for a 10-year term, the payment will be about \$120,000 per year with an interest rate of less than 5%. There are no covenants on our existing loans, and since we are financing a physical pump, we can use the pump as collateral.

If you choose not to borrow the money, we can finance this project with the \$7.50 fee and two consecutive years of 7% increases in water rates. The \$7.50 will replenish the funds that we self-finance with. With this plan, we will have no interest cost since we will not be borrowing the money. However, if we self-finance, we will dip into our reserves, and as I said earlier, I do not recommend self-financing.

To summarize, I propose we borrow money and choose between either option 1 or option 2.

1. A 7% increase in two consecutive years, along with a \$7.50 infrastructure charge until 2030
2. A 16% increase in two consecutive years.

Both plans will generate enough revenue to pay for the Raw Water Pump, future lines that need replaced, and cover our increased cost.

I ask each of you to consider this request favorably. It is in the city's best financial interest to continue upgrading our water system and stay ahead of inflation.