



MEMORANDUM

To: Mayor and City Council
From: Kim Tiehen, Assistant Director of Finance
Via: Jennifer Miller, Director of Finance
Date: October 13, 2020
Reference: Water Sewer Rate Discussion
2040: Foundation: Sustainable Government

Introduction:

The Finance Department requested WILLDAN Financial Services (WILLDAN) to perform a rate study for the Water Sewer Fund. The rate study was requested to evaluate the impact of additional infrastructure maintenance and capital improvement projects on rates and to recommend a new water and sewer rate structure that encourages water conservation as a means of slowing the City's need to increase its demand level from Dallas Water Utilities (DWU).

Analysis:

An Asset Management Study was performed by the City's Public Works department that identifies infrastructure maintenance and capital improvement projects not included in the 2017 rate study. In addition, changes to Rule 3.334 has required the City to re-examine how street projects that include water and sewer lines are funded. The study also analyzed whether the current rates are adequate to cover charges from DWU, charges from the Trinity River Authority (TRA), and current and projected debt service payments.

During the Work Session, Dan Jackson, Vice President of WILLDAN will present the results of the Rate Study performed by his team. Mr. Jackson's presentation will show no water and sewer rate increase is necessary in fiscal year 2020/2021. His presentation will include:

- Background on rates
- Historical and Forecasted Account & Volume Information
- Revenue Requirements
- Two rate plan scenarios that project rates over the next five years.
 - Proposed rates under the current rate structure.
 - Proposed rates under a tiered water rate structure with an annual reduction in the wastewater cap currently set at 14,000 gallons.
 - Comparison of the two rate structures and the impact each has on the average residential utility bill.

Legal Review:

N/A

Fiscal Impact:

To be determined based on the discussion

Recommendation:

City staff recommends consideration of a new tiered rate structure to encourage water conservation and slow the increase in demand for water from DWU by the City.