



MEMORANDUM

To: Mayor and City Council

From: Kim Tiehen, Director of Finance

Date: September 27, 2022

Reference: Consider approval of two Ordinances amending Chapter 3 ‘City Departments’ Article 3-2 ‘Sewer Department’, by amending Section 3-3-2 ‘Sewer Rates (Monthly)’ by adding winter averaging; and amending Chapter 3 “City Departments”, Article 3-3. “Water And Sewer Regulations”, Section 3-3-2 “Payment of Bills” by amending Subsection 3-3-2(E), to authorize the City Manager or designee to consider adjustment to a customer’s water bill following repair of a leak; and authorizing the Mayor to sign.

2040: **Sustainable Government**

Introduction:

The purpose of this agenda item is to change the City’s sewer service billing method to winter averaging. The current method is based on water usage with the maximum monthly volume capped at 13,000 gallons. As presented during the September 13, 2022, work session, the Finance Department recommended moving to winter averaging effective April 2023, with no change to the sewer base and volume rates for the first year.

Background:

Winter averaging is designed for cities that are calculating sewer usage based on water usage. For the City of Coppell, sewer service is not metered, so the amount of sewer flowing into the system is calculated on a one-to-one relationship with water usage. During the summer months, residential consumers have a portion of water usage (i.e., irrigation) that does not flow into the sewer system. Currently, Coppell accounts for this with the 13,000-gallon cap. Winter averaging is a method of establishing a base line for billing sewer by using the winter months of November, December, January, February, and March to determine indoor water usage since outdoor water usage is typically low during these months. Using winter months, when outdoor watering is reduced, provides a more accurate representation of water usage that is going into the sewer system. The calculation methodology would remove the high and low months to determine the average sewer volume charge for the next 12 months. The volume charge for sewer will be added to the base rate for sewer to determine the entire sewer charge for each of the next 12 months beginning in April 2023.

Analysis:

To establish Winter Averaging, the 13,000-gallon cap on sewer volume that is defined in Chapter 3 Section 2-2 of the Ordinance will be replaced with information concerning winter averaging such as the months used and exclusion of the highest and lowest months.

In addition, the basis for billing new customers who do not have an established winter average will be added to Chapter 3 Section 2-2. Specifically, sewer volume for new customers will be based on the city-wide winter average which is approximately 8,300 gallons based on November 2021 through March 2022. A new city-wide average will be determined using November 2022 through March 2023 with the highest and lowest months excluded from the calculation. The city-wide average would only be used until the new customer established a winter average. In addition, a new city-wide average will be calculated annually in April.

Finally, wording in Chapter 3 Section 3-2 of the Ordinance regarding leak adjustments will be removed. Any leak that occurs moving forward will not impact the sewer portion of the utility bill since sewer volume is based on historical data. If a leak were to occur, the sewer portion of the utility bill would not increase because the previously established average remains constant for all 12 months regardless of the amount of water used.

Staff recommends making no change to the current sewer base and volume rates, so residents can see the impact on the sewer portion of their water bill is directly related to the amount of water they used during the months of November through March. Assuming residential customers do not change their water usage habits during the winter months and based on current sewer rates, approximately 73% of all residential customers will see between no change to a \$35 decrease in the sewer portion of their utility bill.

Fiscal Impact:

Based on no change to current sewer base and volume rates, the anticipated impact on the revenue of the Water Sewer Fund is an estimated decrease in sewer service revenue of between \$164,000 to \$306,000. The decrease in sewer service revenue is based on a range of no change in water usage up to a 30% reduction in water usage. The Water Sewer Fund has sufficient undesignated retained earnings over the required 180 days to absorb the estimated decrease in sewer service revenue. Annually, staff reviews rates and provides recommendations to Council concerning rate changes.

Legal Review:

The City Attorney reviewed this ordinance.

Recommendation:

The Finance Department recommends approval.