

AGENDA

Special Called Meeting

HENDERSON WATER & SEWER COMMISSION

(270) 826-2421

November 10, 2016

Thursday @ 4:30pm

A. ROLL CALL

B. INVOCATION

C. BUSINESS

- Discussion of Rates
- Proposed Resolution 2016-26 - Adoption of Fixed Charges for Water, Wastewater, and Stormwater Service

General Manager Report

10 November 2016

HWU Rates

We last visited rates for City Customers in early 2011. The resulting rate increases were structured to take effect over a number of years, implementing 5.85% increases each July 1st through 2018, and were based on our need to support projected capital spending for the LTCP projects. Since interest rates have been lower than our original projections, the early-stage increases generated enough revenue to allow us to do some additional borrowing to complete several additional water system projects. Additionally, we made a small adjustment in our “out-of-City” rates in 2012.

Now that we’re near the end of those scheduled yearly increases, with two more remaining to take effect, Staff recommends we revisit our rate structure to address some concerns, especially relating to volumetric rates and fixed charges, funding for stormwater work, and the continued declines in usage we are seeing due to elasticity of demand in the face of the previous rate increases over the last 6 years.

Some time ago (2006 or 2008?) we shifted to a rate structure that was based solely on volumetric charges, that is, billing only for water consumption. I’ve not seen another city our size use this rate system; rates usually contain a fixed charge that is either a flat charge regardless of use, or that includes the first few thousand gallons of water after which consumption charges apply. In delivery of water and collection of wastewater, we have fixed costs that our current straight volumetric rates do not address. For instance, we pay the City about \$ 600,000 annually for meter reading, billing and collection services. For our 10,500 customer accounts, this amounts to \$ 4.75 per month per customer. If we have a customer who is out of town or a home that is vacant for an extended period, we will continue to read the meter and issue a bill, often for a very small charge that doesn’t cover the administrative cost. Other areas of our budget could also be allocated to fixed costs, like the cost of the meter itself, meter maintenance, and salaries and benefits for administrative staff.

Simply stated, there are fixed costs just associated with having water and wastewater service available to a property, even without use. Difficult to put a firm estimate on that, but we should at a minimum seek some monthly reimbursement on our fixed investment in infrastructure.

Another area that needs to be addressed is the lack of a funding mechanism for our work on stormwater and drainage facilities. The amount of work in this area has grown, and looks to stay near the current level. In the past, there was a dedicated stormwater fee that was assessed at a fixed rate for residential customers, and was based on impervious area for commercial and industrial customers. That was a headache to track and enforce, so it was done away with when the straight volumetric rates were established. It makes sense to include a separate, fixed charge for stormwater, both as a dedicated funding mechanism, and to draw attention to the fact that we are responsible for these assets and the associated costs.

Todd prepared several graphs, showing the original projections for what our stepped rate increases were designed to generate, and how a reduction in volumes used has led to a gap in that revenue stream. In essence, we did not anticipate the degree to which water use is elastic; increased costs appears to have led many consumers to reduce their bill by cutting back on use. Also, low-flow fixtures (showers, faucets and toilets) are the only things available now, and as fixtures are replaced, water use has naturally declined.

All these issues have led to the decision to seek a fixed charge for all areas of our systems, water/wastewater/stormwater.

Staff recommends that we institute a rate structure that includes a set of varying fixed charges that will apply to all customers, based on meter size, with the goal of raising revenues by \$ 2.5 to 3.0 million per year. This level will allow funding of needed capital expenditures. The volumetric rates for consumption would remain as they are. The inclusion of a fixed charge will more accurately reflect our costs associated with each account, and will thus be a fairer distribution of charges. To provide necessary funds for capital improvements, the fixed charge would increase on a yearly schedule, allowing time for customers to budget for the increase. Our plan at this point is to structure these changes so that they take effect in stages from 1 July 2017 through 1 July 2019, and increase on the schedule shown at the end of this memo.

In addition, we will need to closely monitor revenues and usage, to insure that these fixed charges do not decrease demand further, due to further reductions in use by our customers. If this were to occur, further increases may be necessary, but if use stabilizes or increases, an adjustment to the volumetric portion of the rates may be in order.

Fixed charges for irrigation metered services would only include the water and stormwater fixed charges(would not include a charge for wastewater).

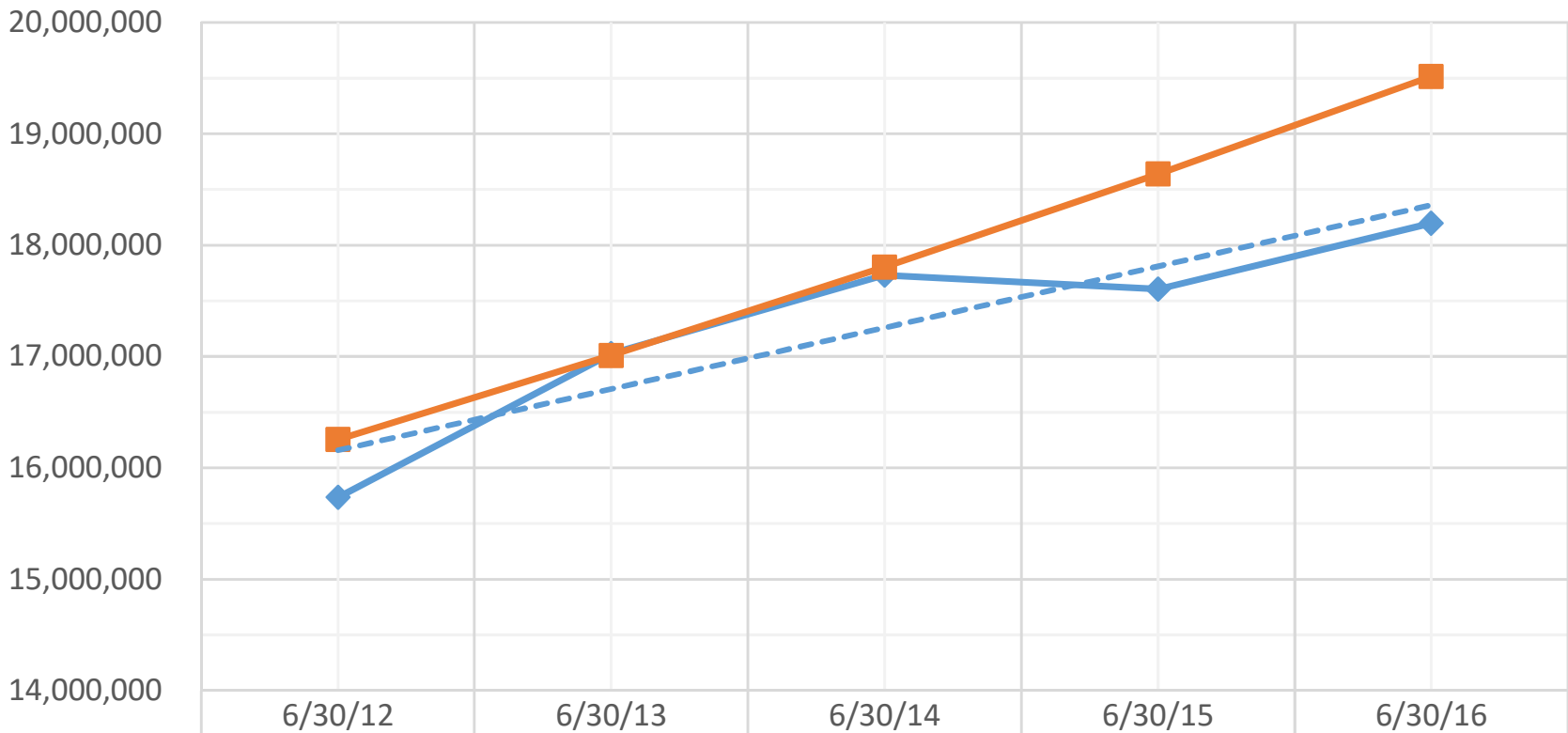
One other matter we need to address at this time is the perceived inequity of the rates charged to our wastewater customers in Pleasantview Subdivision. You'll remember this area was added to our wastewater customer base, but are Henderson County Water District consumers for water, so we charge them a flat rate for sewer (which HCWD includes on their water bills and remits to us). Their rates were set at \$ 25 monthly in November 2000. Since that time, our cumulative increases have taken that rate to \$ 73.30 monthly, and several of those 140-odd customers complained about this after the last 5.85% increase. Analyzing our "normal" out-of-City customers who receive both water and sewer service, their average sewer bills are \$ 54.40 per month. We would propose scaling the Pleasantview rate back to \$ 60 per month as of July 1, 2017, bringing it closer in line to our other out-of-City rate payers.

With your approval of all these changes, we will forward this information to the City Commission for their review and approval. At this point, we are set to discuss this in their regular Work Session on 15 November, with adoption by ordinance to follow after that.

REVENUE COMPARISON

SINCE AUTO RATE INCREASE IMPLEMENTATION (IN SEPT 2011)

—◆— Actual
 —■— Projections
 - - - Linear (Actual)

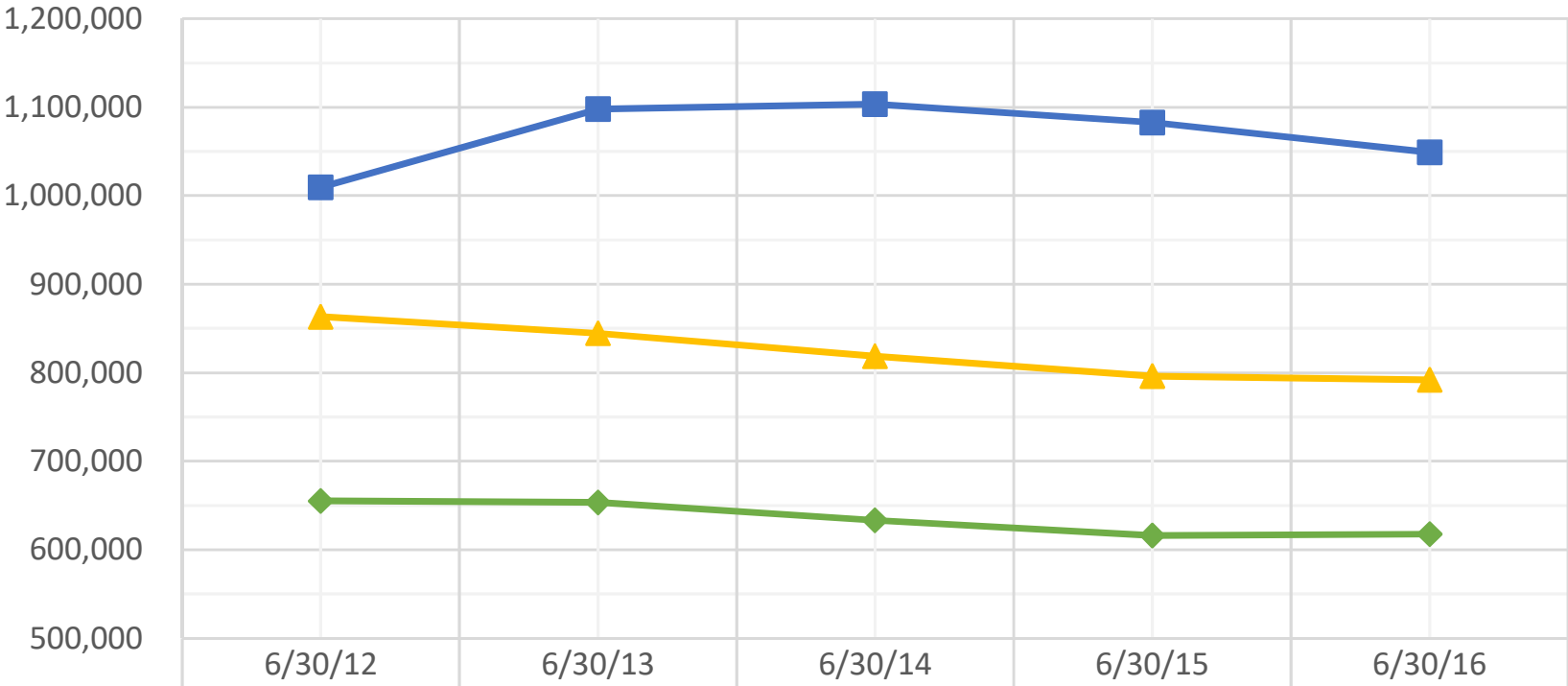


◆ Actual	15,734,477	17,024,717	17,732,340	17,605,009	18,196,764
■ Projections	16,253,737	17,009,453	17,803,524	18,638,020	19,515,123

WATER USAGE

SINCE AUTO RATE INCREASE IMPLEMENTATION (IN 000'S)

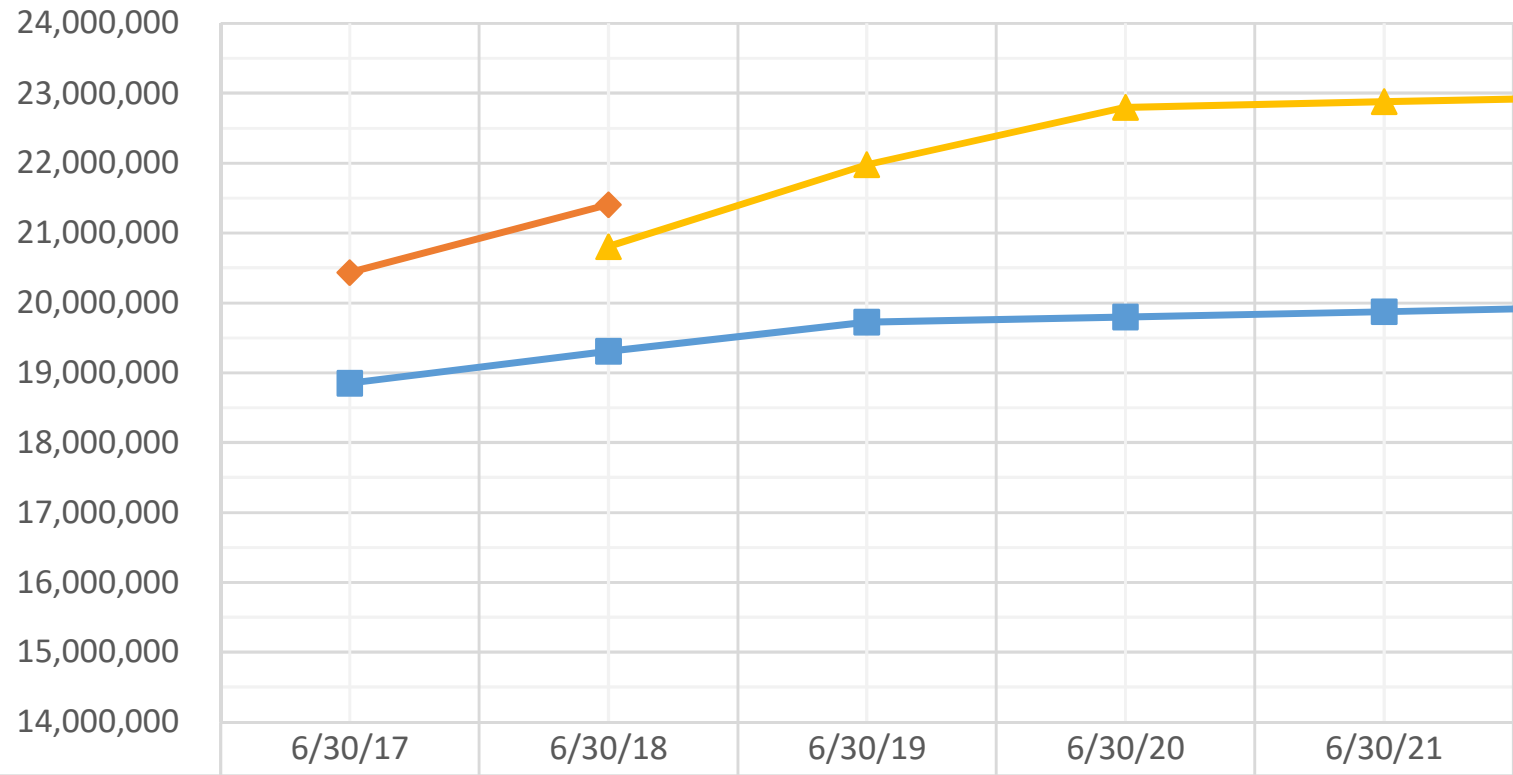
◆ Residential
 ■ Industrial
 ▲ Commercial



◆ Residential	655,180	653,370	633,425	615,968	617,533
■ Industrial	1,009,655	1,097,680	1,103,430	1,082,881	1,048,940
▲ Commercial	863,333	844,655	818,531	796,116	791,868

REVENUE PROJECTIONS FY 2017 AND BEYOND

◆ Original Projections
 ■ Revised Projections
 ▲ Revised w/ Surcharges



◆ Original Projections	20,437,140	21,406,506			
■ Revised Projections	18,851,180	19,305,689	19,725,210	19,800,530	19,876,604
▲ Revised w/ Surcharges		20,806,169	21,975,930	22,801,490	22,877,564

Inside City Limits Fixed Charges based on Meter Size as of 7.1.2017	Water	Sewer	Stormwater
6" and Larger	\$60.00	\$60.00	\$180.00
3" and 4"	\$40.00	\$40.00	\$120.00
2"	\$10.00	\$10.00	\$30.00
1-1/2"	\$4.00	\$4.00	\$12.00
1-1/4" and less	\$2.00	\$2.00	\$6.00

Inside City Limits Fixed Charges based on Meter Size as of 7.1.2018	Water	Sewer	Stormwater
6" and Larger	\$120.00	\$120.00	\$210.00
3" and 4"	\$80.00	\$80.00	\$140.00
2"	\$20.00	\$20.00	\$35.00
1-1/2"	\$8.00	\$8.00	\$14.00
1-1/4" and less	\$4.00	\$4.00	\$7.00

Inside City Limits Fixed Charges based on Meter Size as of 7.1.2019	Water	Sewer	Stormwater
6" and Larger	\$150.00	\$150.00	\$300.00
3" and 4"	\$100.00	\$100.00	\$200.00
2"	\$25.00	\$25.00	\$50.00
1-1/2"	\$10.00	\$10.00	\$20.00
1-1/4" and less	\$5.00	\$5.00	\$10.00

**HENDERSON WATER AND SEWER COMMISSION
RESOLUTION OF THE BOARD OF COMMISSIONERS**

**Resolution No. 2016 - 26
Adoption of Fixed Charges for Water, Wastewater
and Stormwater Service**

The following Resolution was duly adopted by the Board of Commissioners of the Henderson Water & Sewer Commission at a special called meeting held on Thursday, 10 November 2016, at which meeting a quorum was present.

WHEREAS, implementation of a Long Term Control Plan to mitigate the environmental impacts of the City's combined sewer system has required outlays by the Henderson Water Utility (HWU) for projects totaling \$ 43 million, which were funded through the assumption of debt, and repaid to bondholders and/or the City through rate increases; and

WHEREAS, the City adopted a series of rate increases in Ordinance 03-11 on 22 February 2011, which were designed to allow for repayment of the debt incurred for these HWU projects; and

WHEREAS, actual revenue from this series of increases has not kept pace with projections due to reductions in consumption, leading to a gap in funds available for normal HWU operations and needed capital expenditures; and

WHEREAS, the current HWU rate structure, based solely on volumetric rates, does not reflect the true breakdown of fixed and variable costs associated with operations of the HWU water, wastewater and stormwater facilities; now,

BE IT RESOLVED, that the Henderson Water and Sewer Commission by and through its Board of Commissioners under the authority granted to the Board of Commissioners under Chapter 23 Article II Division 3 Sections 23-36 through 23-45.1 of the City Code of Ordinances, hereby recommends and requests that the City proceed with preparation and adoption of an Ordinance authorizing changes to the

rate structure for Henderson water customers who reside within the City Limits, adding a range of fixed charges based on meter size, and being implemented on 1 July 2017, as contained in the attached revisions to Rate Table A. As shown on the attached Rate Tables, these charges will be increased on 1 July 2018 and 1 July 2019.

The Fixed Charges shall be assessed in addition to the volumetric rates currently existing, as contained in the previously adopted Ordinance 03-11, dated 22 February 2011.

The rates charged in Rate Table D – “Sewer Only Customers – Outside the City Limits” will be modified as per the attached revisions to Rate Table D, being adjusted to \$ 60.00 per month on 1 July 2017, and subject to future adjustment, as contained in the previously adopted Ordinance 03-11, dated 22 February 2011.

The General Manager is hereby authorized to deliver this Resolution to the City of Henderson, for action by the City Commission.

IN WITNESS WHEREOF, having come before the Board of Commissioners on Thursday, 10 November 2016, and upon Motion made by Commissioner _____, and seconded by Commissioner _____, the Board of Commissioners voted as follows:

	<u>AYE</u>	<u>NAY</u>
Commissioner, R. Paul Bird, Jr.	_____	_____
Commissioner, George Jones, III	_____	_____
Commissioner, John Henderson	_____	_____
Commissioner, Gary Jennings	_____	_____
Commissioner, Julie Wischer	_____	_____

Tom Williams, P.E.
HWU General Manager

Rate Table A
(Effective 07/01/2017)

Water and Sewer Rates Inside City Limits			
Metered Water	Water/CCF		Sewer/CCF
First 5,000 CF	\$2.75		\$ 5.50
Over 5,000 CF	\$2.11		\$ 4.00
Inside City Limits Fixed Charges based on Meter Size	Water	Sewer	Stormwater
6" and Larger	\$60.00	\$60.00	\$180.00
3" and 4"	\$40.00	\$40.00	\$120.00
2"	\$10.00	\$10.00	\$30.00
1-1/2"	\$4.00	\$4.00	\$12.00
1-1/4" and less	\$2.00	\$2.00	\$6.00

Rate Table A
(Effective 07/01/2018)

Water and Sewer Rates Inside City Limits			
Metered Water	Water/CCF		Sewer/CCF
First 5,000 CF	\$2.91		\$ 5.82
Over 5,000 CF	\$2.23		\$ 4.23
Inside City Limits Fixed Charges based on Meter Size	Water	Sewer	Stormwater
6" and Larger	\$120.00	\$120.00	\$210.00
3" and 4"	\$80.00	\$80.00	\$140.00
2"	\$20.00	\$20.00	\$35.00
1-1/2"	\$8.00	\$8.00	\$14.00
1-1/4" and less	\$4.00	\$4.00	\$7.00

Rate Table A
(Effective 07/01/2019)

Water and Sewer Rates Inside City Limits			
Metered Water	Water/CCF		Sewer/CCF
First 5,000 CF	\$3.08		\$ 6.16
Over 5,000 CF	\$2.36		\$ 4.48
Inside City Limits Fixed Charges based on Meter Size	Water	Sewer	Stormwater
6" and Larger	\$150.00	\$150.00	\$300.00
3" and 4"	\$100.00	\$100.00	\$200.00
2"	\$25.00	\$25.00	\$50.00
1-1/2"	\$10.00	\$10.00	\$20.00
1-1/4" and less	\$5.00	\$5.00	\$10.00

Rate Table D
(Effective 07/01/2017)

Sewer Only Customers	
Customer	Flat Rate Monthly Charge
Inside the City Limits	\$31.05
Outside the City Limits	\$60.00

Rate Table D
(Effective 07/01/2018)

Sewer Only Customers	
Customer	Flat Rate Monthly Charge
Inside the City Limits	\$32.87
Outside the City Limits	\$63.51

Rate Table D
(Effective 07/01/2019)

Sewer Only Customers	
Customer	Flat Rate Monthly Charge
Inside the City Limits	\$34.79
Outside the City Limits	\$67.23