

Legislation Text

File #: 18-673, **Version:** 1

Presenter/Contact
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SUBJECT:

Approval of the second and final reading of an ordinance amending Chapter 130, Article IV, Division 3, Section 130-167, Water Rates, of the Code of Ordinances relating to rates for the New Braunfels Utilities Water Service.

BACKGROUND / RATIONALE:

NBU staff is proposing water rate changes designed to recover a six percent increase in rates to customers receiving water service from NBU. In June 2018, the NBU Board of Trustees approved the NBU Budget for FY 2019 which provides the basis and rationale for a six percent overall water rate adjustment effective December 1, 2018. The NBU Board approved the rate increase and structure at its August 30, 2018 meeting.

New Braunfels is experiencing sustained high growth which is creating the need for additional water purchases. This was indicated in the Five Year Operating Plan that was shared with the Council on September 17, 2018. In addition, NBU's Water Supply Resource Plan included lowering NBU's gallons per capita per day (gpcd) from 168 to 120 as a supply source. The proposed water purchases were included in the recently adopted five-year budget and financial operating plan. The water supply and the infrastructure required to distribute it indicated a need for a 6% water rate increase.

At the September 17th meeting, NBU presented and recommend proposed rates for each rate class for implementation in FY 2019. The presentation included all of the detail of the rate design and is attached. The rate proposal includes an overall six percent increase but shifts some of the costs from variable to fixed. The proposed rates also reflect a continuing trend to align rates with higher usage primarily associated with landscape irrigation. This will allow dual objectives to be met by still encouraging conservation while protecting revenue recovery. One additional goal was to decrease the differential between inside and outside city limit rates. Also, the allocation of costs and rates to the appropriate classes which are driving the need for the new water supply is incorporated, which is one of the goals of the rate design.

NBU staff has prepared a water cost of service and rate distribution which determines how the overall 6% increase for FY 2019 will be spread among the various water rate classes.

Proposed Water Rates:

For FY 2019, the following adjustments to NBU water rate classes are proposed based upon the objectives listed above:

Summary of Rate Changes by Class		
Rate Class		FY 2019
Residential Inside City Limits		6.0%
Residential Outside City Limits		-5.9%
Irrigation Inside City Limits		15.1%
Irrigation Outside City Limits		5.3%
Multi Unit Inside City Limits		1.5%
Multi Unit Outside City Limits		-12.9%
General Service Inside City Limits		5.7%
General Service Outside City Limits		-6.8%
Monthly Unit Charge Inside City Limits		6.0%
Monthly Unit Charge Outside City Limits		-12.2%
Total All Rate Classes		6.0%

The presentations, proposed rates, updated ordinance, and board resolution are attached.

For customers inside the city limits:

- Increase residential by 6%
- Increase irrigation by 15.1%
- Increase multi-use by 1.5%
- Increase general service water rates by 5.7%
- Increase multi-unit and general service additional unit charge by 6.0%

For customers outside the city limits:

- Decrease residential by 5.9%
- Increase irrigation by 5.3%
- Decrease multi-use by 12.9%
- Decrease general service water rates by 6.8%
- Decrease multi-unit and general service additional unit charge by 12.2%

FY 2019 rates to individual customers may vary from the target increases by rate class due to usage variations or inside/outside city limits differentials.

The second reading of the proposed ordinance is scheduled for November 26, 2018, and, if approved, the proposed rates become effective on December 1, 2018.

RESIDENTIAL MONTHLY BILL IMPACT

The monthly bill impact to an average residential customer (8900 gallons), for customers inside the

City limits, of the proposed rate plan is as follows:

	Current	FY2019	%
8900 Gallons Monthly Bill	29.25	29.52	1%
NBU Monthly Water Bill	29.25	29.52	1%
Dollar Increase		0.27	

As usage increases, so does the impact of the rate increase. This is to achieve the objective of aligning rates with higher usage primarily associated with landscape irrigation which is the primary driver of the need for additional water supply. The following chart shows the impact for a residential customer at 25,000 gallons:

	Current	FY2019	%
25,000 Gallons Monthly Bill	77.27	94.37	22%
NBU Monthly Water Bill	77.27	94.37	22%
Dollar Increase		17.10	

PROPOSED CODE OF ORDINANCE CHANGES

NBU staff has included in the City Council backup materials a redline version of City of New Braunfels Code of Ordinances Chapter 130-167 - Water Rates, presenting the proposed water rates for FY 2019.

ADDRESSES A NEED/ISSUE IN A CITY PLAN OR COUNCIL PRIORITY:

N/A

FISCAL IMPACT:

N/A

COMMITTEE RECOMMENDATION:

The New Braunfels Utilities Board of Trustees adopted a resolution on August 30, 2018 recommending the proposed amendments to the water rate Ordinance.

STAFF RECOMMENDATION:

Recommendation is from NBU Board of Trustees.