

**NOTICE OF SPECIAL CITY COUNCIL MEETING
CITY OF TOMBALL, TEXAS**



MONDAY, DECEMBER 3, 2018

5:00 P.M.

Notice is hereby given of a meeting of the Tomball City Council, to be held on Monday, December 3, 2018 at 5:00 P.M., City Hall, 401 Market Street, Tomball, Texas 77375, for the purpose of considering the following agenda items. All agenda items are subject to action. The Tomball City Council reserves the right to meet in a closed session for consultation with attorney on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code.

- 1.0 Call to Order
- 2.0 Public Comments and Receipt of Petitions *[At this time, anyone will be allowed to speak on any matter other than personnel matters or matters under litigation, for length of time not to exceed three minutes. No Council/Board discussion or action may take place on a matter until such matter has been placed on an agenda and posted in accordance with law.]*
- 3.0 Workshop Session:
 - 3.1 The Tomball City Council will enter into a Workshop Session regarding the City of Tomball 2018 Water Wastewater and Gas Rate Study and Financial Forecast, Presented by Willdan Financial Services
- 4.0 Adjournment

C E R T I F I C A T I O N

I hereby certify that the above notice of meeting was posted on the bulletin board of City Hall; City of Tomball, Texas, a place readily accessible to the general public at all times, on the 29th day of November 2018 by 5:00 p.m., and remained posted for at least 72 continuous hours proceeding the scheduled time of said meeting.

Doris Speer

Doris Speer
City Secretary, TRMC

This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please feel free to contact the City Secretary's office at (281) 290-1002 or FAX (281) 351-6256 for further information.

AGENDAS MAY ALSO BE VIEWED ONLINE AT www.ci.tomball.tx.us.

Special City Council
Agenda Item
Data Sheet

Meeting Date: December 3, 2018

Topic:

Background:

Origination:

Recommendation:

Party(ies) responsible for placing this item on agenda:

ACTION TAKEN		
Approval ☐ Yes ☐ No	Readings Passed ☐ 1 st ☐ 2 nd	Other

Special City Council
Agenda Item
Data Sheet

Meeting Date: December 3, 2018

Topic:

The Tomball City Council will enter into a Workshop Session regarding the City of Tomball 2018 Water Wastewater and Gas Rate Study and Financial Forecast, Presented by Willdan Financial Services

Background:

Origination:

Willdan Financial Services

Recommendation:

N/A

Party(ies) responsible for placing this item on agenda:

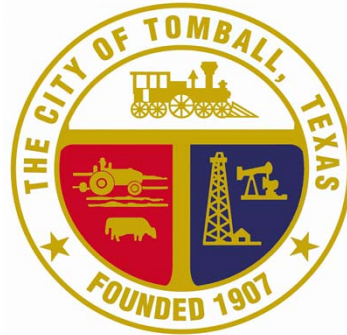
City Secretary

ACTION TAKEN

Approval ☐ Yes ☐ No	Readings Passed ☐ 1 st ☐ 2 nd	Other
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ATTACHMENTS:

Willdan - 2018 Water Wastewater and Gas Rate Study and Financial Forecast



City of Tomball

2018 Water Wastewater and Gas Rate Study and Financial Forecast

City Council Presentation



December 3, 2018

Presentation Format



- Part I -- Water and Wastewater Cost of Service Analysis and Proposed Rate Plan
- Part II -- Natural Gas Proposed Rate Plan



Why are Utility Rates Increasing?



- Inflation
- General increases in the cost of doing business
- Environmental and other regulations
- Capital Improvement Plan needed to repair and expand system
- AWWA forecasts that water and wastewater rates across USA will triple in the next 15 years
- Henry Hub Natural Gas price has increased 19% since 2016



Water and Wastewater Utility Cost of Service Analysis and Rate Recommendations

City of Tomball

Current Water Rate Structure



Residential Water Monthly Rates

Inside City

Base Rate

Small (0-10,000 Gallons)	\$	10.90
Medium (10,001-15,000 Gallons)		12.54
Large (15,001-Above Gallons)		14.42

Usage Charge (per 1,000 Gallons)

-	10,000	2.85
10,001	15,000	3.56
15,001	Above	4.45

Outside City = 50% premium

Bulk Water Sales

Base Rate	\$	87.05
Usage Charge (per 1,000 Gallons)		4.83

Commercial Water Monthly Rates

Small (0-5,000 Gallons)	\$	18.45
Medium (5,001-51,000 Gallons)		29.70
Large (51,001-Above Gallons)		51.99

Usage Charge (per 1,000 Gallons)

-	5,000	3.45
5,001	51,000	4.32
51,001	Above	5.40

North Harris County Regional Water Authority Surcharge

The City collects additional surcharges, based on rates established by NHCRWA, adjusted as surcharge increases

4/1/2018 Surcharge (per 1,000 Gallons)	\$	3.40
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City of Tomball

Current Wastewater Rate Structure



Customers Receiving Potable Water

Residential Rates

Base Rate	\$ 8.51
Volume Rate (per 1,000 Gallons)	2.98

Commercial Rates

Small (0-5,000 Gallons)	\$ 13.69
Medium (5,001-51,000 Gallons)	20.76
Large (51,001-Above Gallons)	43.06

Usage Charge (per 1,000 Gallons)

0 - 5,000	3.78
5,001 - 50,000	4.72
51,001 - Above	5.90

Customers Not Receiving Potable Water

Residential Rates

Base Rate	\$35.01
Drain Charge (in excess of 10)	2.29

Commercial Rates

Base Rate	\$ 58.26
Drain Charge (in excess of 15)	2.32

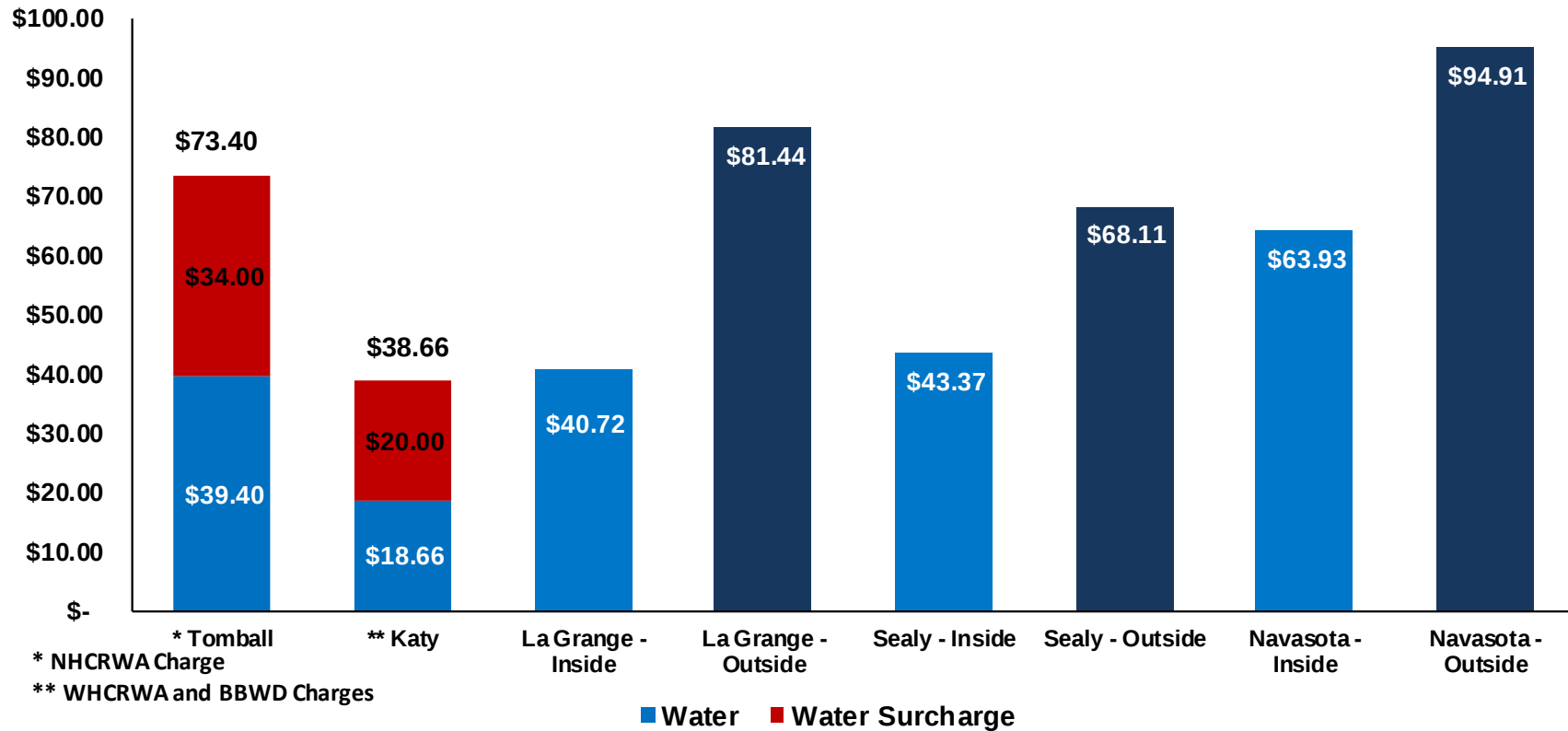
Note 1:

Residential Volumetric Charges are based on the average of water usage in the winter months of November - February

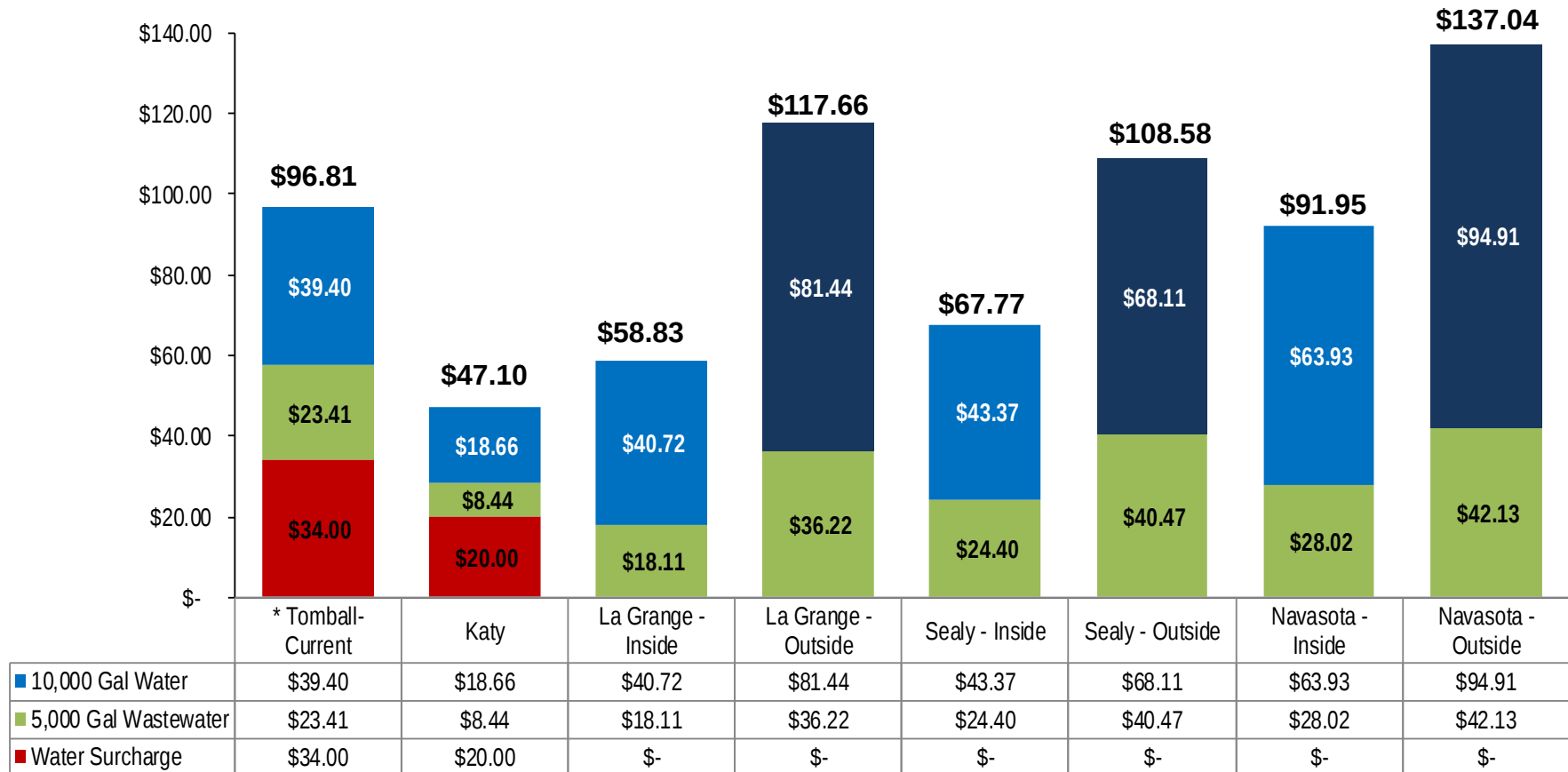
Note 2:

The City does not assess different rates for accounts of any rate class outside of City limits

Total Monthly Residential Charge 10,000 Gallons Water



Total Monthly Residential Charge 10,000 Gallons Water & 5,000 Gallons WW



FY 2018 (Test Year) Water and Wastewater Accounts

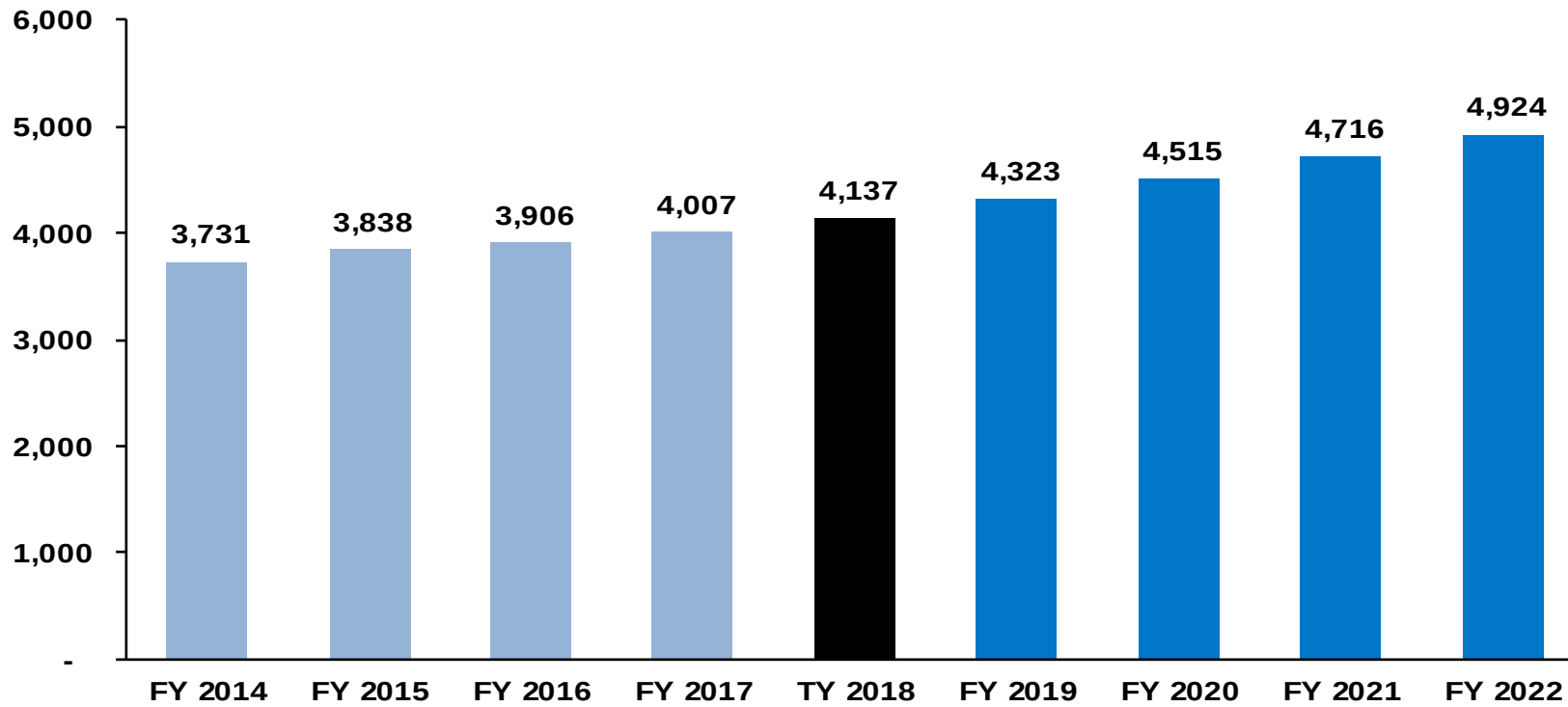


WATER Customers		WASTEWATER Customers	
Residential	2,890	Residential	2,483
Commercial	1,192	Commercial	752
Municipal	53	Municipal	23
Residential Outside	1	Residential Sewer Only	22
Commercial Outside	-	Commercial Sewer Only	4
HMW SUD Wholesale	1		
Total	4,137	Total	3,284

Historical and Forecast Water Accounts Through FY 2022



Average Annual Growth Rate FY2018 thru FY2022 = 3.5%

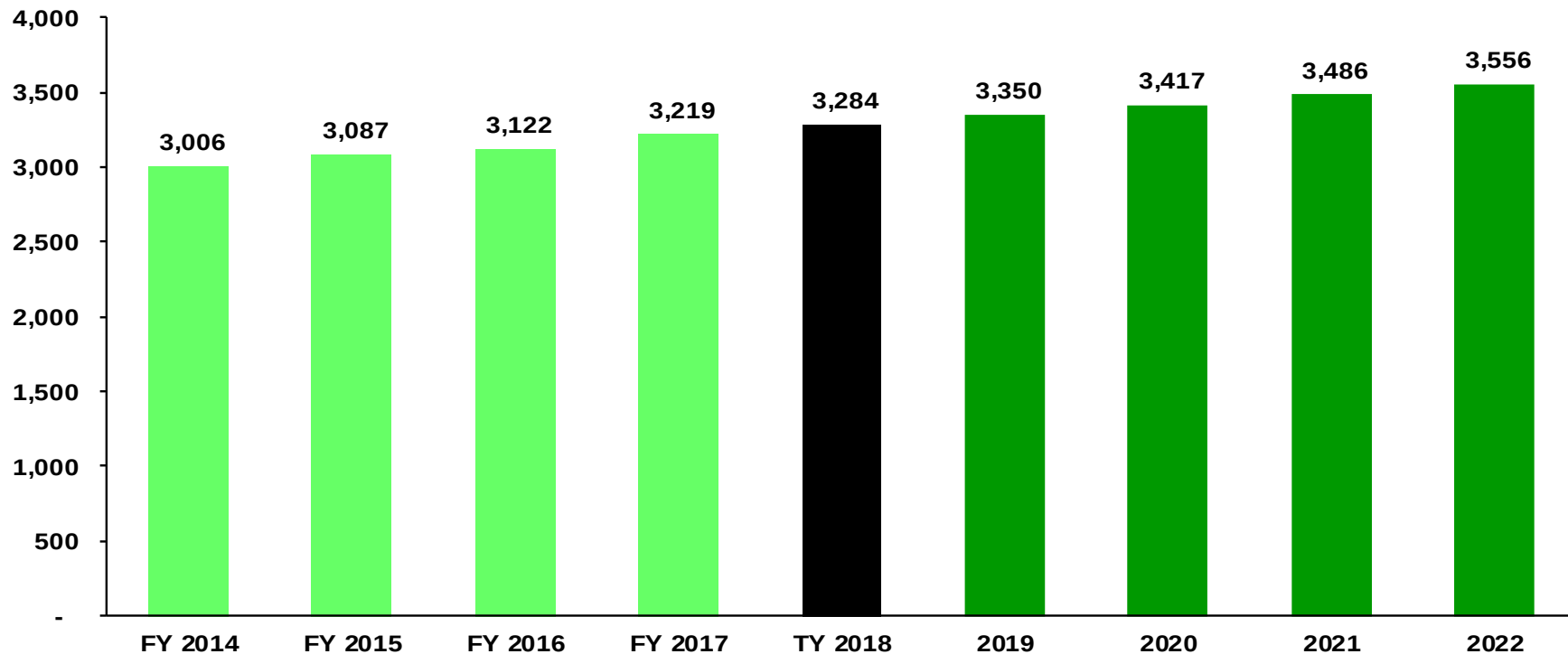


Forecast account growth assumptions based on the 2018 Water Master Plan, prepared for the City by Freese and Nichols, Inc

Historical and Forecast Wastewater Accounts Through FY 2022



Average Annual Growth Rate FY2018 thru FY2022 = 2.0%

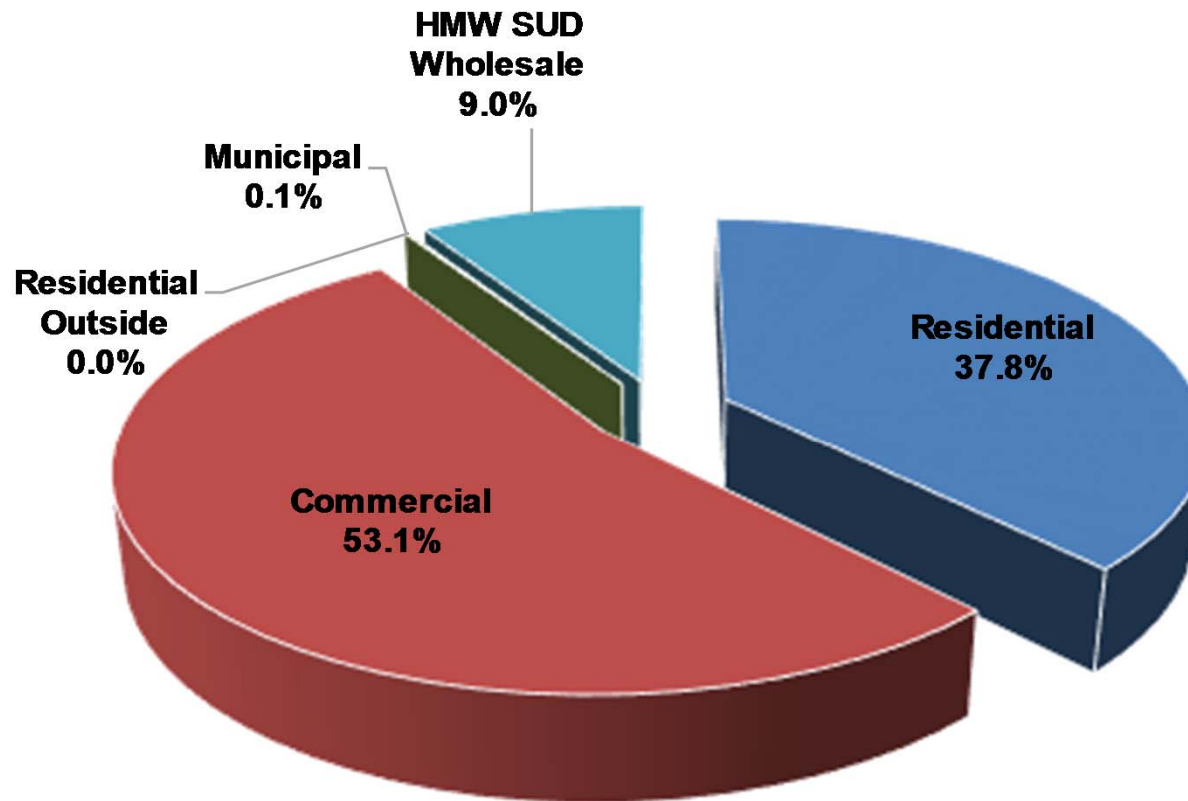


Forecast account growth assumptions based on the 2017 Wastewater Master Plan, prepared for the City by Freese and Nichols, Inc

FY 2019 Forecast Water Usage as a Percent of Total



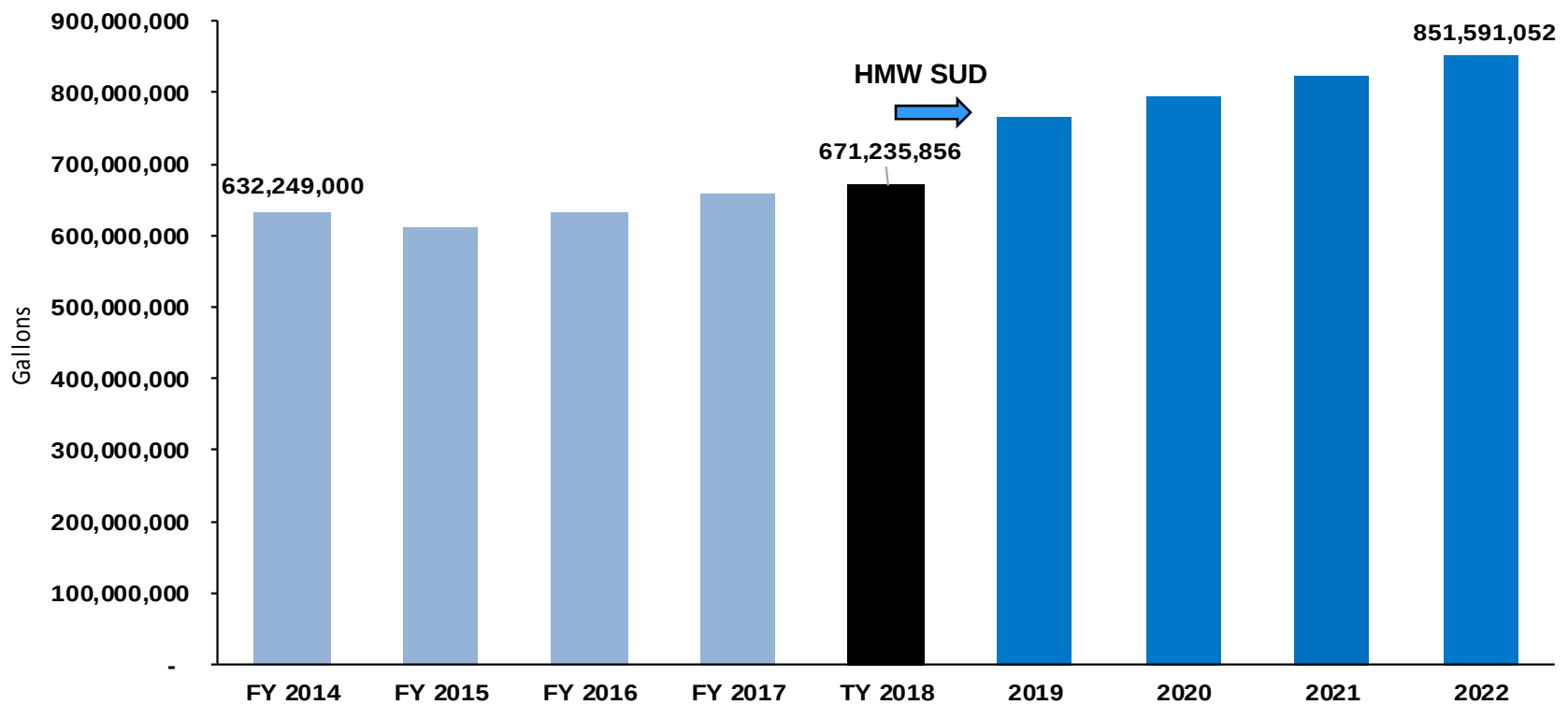
766,258,531 Total Gallons



Forecast Water Consumption



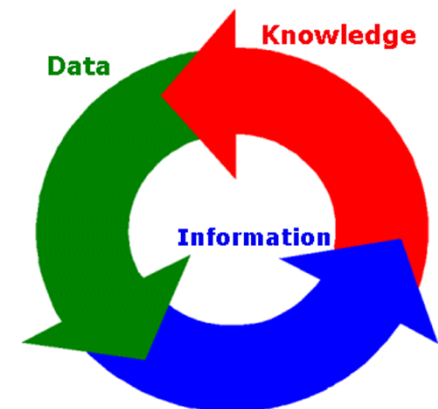
Average Annual Growth Rate FY2018 thru FY2022 = 4.9%



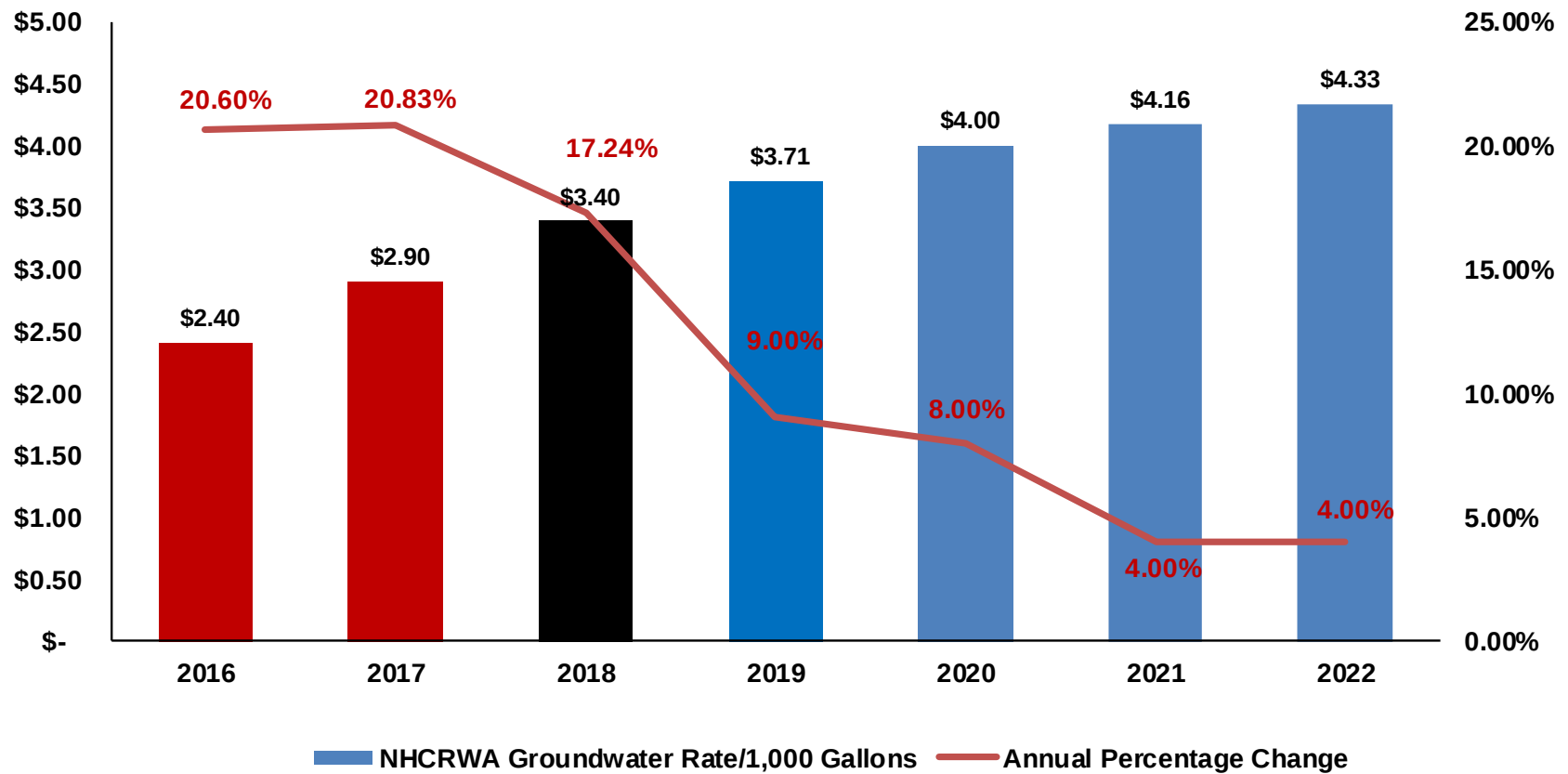
Key Assumptions Driving Financial Forecast and Rate Plan



- Most personnel and operating expenses forecast to increase 3% per year
- Certain expenses projected to increase at higher rates due to growth -- meters, vehicle expense, system improvements, chemicals, etc.
- **Biggest impacts on rate plan:**
 - NHCRWA Cost Increases
 - CIP Related Funding



NHCRWA Historical and Forecast Water Cost/1,000 Gal



Water/Wastewater Capital Projects



WATER

	<u>Total Cost</u>	<u>Timing</u>
System Expansion	\$ 617,232	2018
Growth Related Capital Projects	15,303,900	2019 - 2022
"In House Projects" Timing Estimated	1,546,000	2019 - 2022
Total Water CIP	\$ 17,467,132	

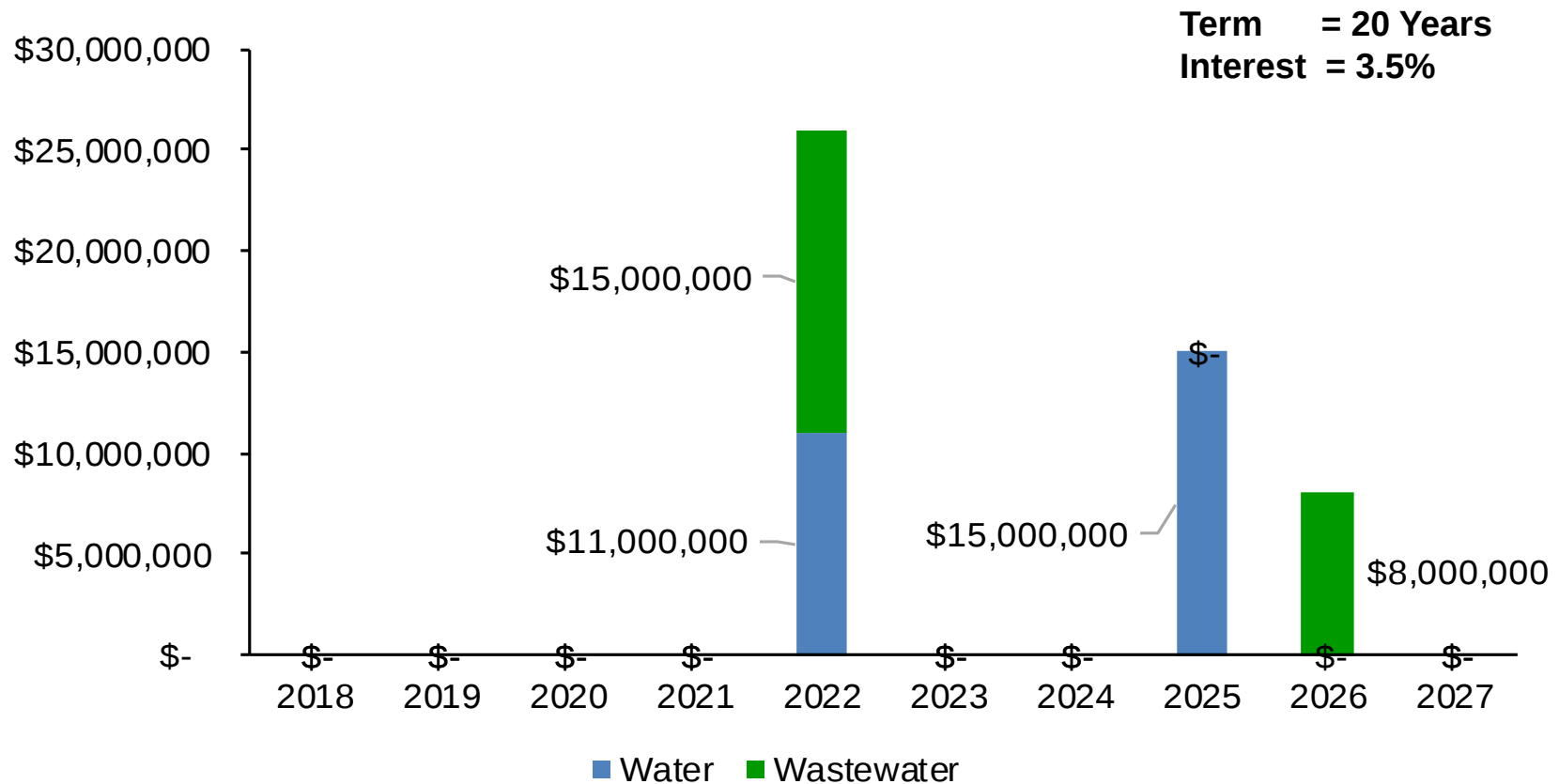
WASTEWATER

System Expansion	\$ 1,500,000	2018
Wastewater Capital Projects	10,521,900	2019 - 2022
Total Wastewater CIP	\$ 12,021,900	

TOTAL 5 YEAR W/WW CIP	\$ 29,489,032
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Forecast Bond Issues 2018 - 2027



Forecast Cost of Service



	2018	2019	2020	2021	2022	2023
Water						
Total Operating	\$ 1,348,851	\$ 1,394,331	\$ 1,445,759	\$ 1,499,934	\$ 1,557,029	\$ 1,615,245
NHCRWA Charges	2,330,195	2,948,003	3,306,126	3,593,806	3,870,229	4,181,167
Transfers	1,062,114	1,089,627	1,117,966	1,147,155	1,177,220	1,208,186
Capital Outlays	150,000	150,000	150,000	150,000	150,000	150,000
Debt Service	<u>339,330</u>	<u>325,126</u>	<u>309,678</u>	<u>295,708</u>	<u>280,500</u>	<u>781,712</u>
Total	5,230,490	5,907,087	6,329,529	6,686,603	7,034,978	7,936,311
Wastewater						
Total Operating	1,515,824	1,603,318	1,671,316	1,742,662	1,817,551	1,894,565
Transfers	1,177,575	1,212,903	1,249,290	1,286,768	1,325,372	1,365,133
Capital Outlays	800,000	350,000	350,000	350,000	350,000	350,000
Debt Service	<u>339,330</u>	<u>325,126</u>	<u>309,678</u>	<u>295,708</u>	<u>280,500</u>	<u>1,065,970</u>
Total	3,832,729	3,491,346	3,580,283	3,675,138	3,773,423	4,675,668

Proposed Water/Wastewater Long Term Rate Plan



Water Rates

- Adopt uniform monthly base charge
- Implement increases in annual NHCRWA water surcharge
 - Review each year to ensure that surcharge tracks actual increases
- Do not increase water volume rates for next four years

Wastewater Rates

- Adopt uniform monthly base charge
- Implement annual wastewater rate adjustments for next 4 years

Proposed Water Rate Plan



			Effective Oct-18		Effective Oct-19		Effective Oct-20		Effective Oct-21		Effective Oct-22
WATER RATES - RESIDENTIAL											
Base Charge	Current										
-	10,000	\$	10.90	\$	-	\$	-	\$	-	\$	-
10,001	15,000		12.54		-		-		-		-
15,001	Above		14.42		-		-		-		-
Base Charge	Proposed		-		11.40		11.40		11.40		11.40
Volume Rate Per 1,000 Gal											
-	10,000		2.85		2.85		2.85		2.85		2.85
10,001	15,000		3.56		3.56		3.56		3.56		3.56
15,001	Above		4.45		4.45		4.45		4.45		4.45
NHCRWA Surcharge Per 1,000 Gal			3.40		3.71		4.00		4.16		4.33
WATER RATES - COMMERCIAL											
Base Charge	Current										
-	5,000		18.45		-		-		-		-
5,001	50,000		29.70		-		-		-		-
51,001	Above		51.99		-		-		-		-
Base Charge	Proposed		-		27.45		27.45		27.45		27.45
Volume Rate Per 1,000 Gal											
-	5,000		3.45		3.45		3.45		3.45		3.45
5,001	50,000		4.32		4.32		4.32		4.32		4.32
51,001	Above		5.40		5.40		5.40		5.40		5.40

Proposed Wastewater Rate Plan



	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21	Effective Oct-22
WASTEWATER RATES- RESIDENTIAL					
Monthly Base Charge	\$ 8.51	\$ 9.65	\$ 10.55	\$ 11.50	\$ 12.35
<u>Volume Rate Per 1,000 Gal</u>					
- Above	2.98	3.37	3.67	4.00	4.28
Residential Usage Based on Winter Average					
WASTEWATER RATES - COMMERCIAL					
<u>Base Charge</u>	<u>Current</u>				
- 5,000	13.69	-	-	-	-
5,001 51,000	20.76	-	-	-	-
51,001 Above	43.06	-	-	-	-
<u>Base Charge</u>	<u>Proposed</u>				
-	-	23.50	25.65	28.00	30.00
<u>Volume Rate Per 1,000 Gal</u>					
- 5,000	3.78	4.27	4.66	5.07	5.43
5,001 51,000	4.72	5.33	5.81	6.34	6.78
51,001 Above	5.90	6.67	7.27	7.92	8.48

Proposed Rate Plan

Impact on Monthly Residential Charges



	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21	Effective Oct-22
Residential Monthly Water/WW Charge					
5,000 Gallons W; 5,000 WW	\$ 48.56	\$ 52.14	\$ 54.55	\$ 57.15	\$ 59.40
NHCRWA Surcharge	17.00	18.53	20.01	20.81	21.65
Total	65.56	70.67	74.56	77.97	81.05
Dollar Inc	-	\$ 5.11	\$ 3.90	\$ 3.40	\$ 3.08
Percent Inc	0.0%	7.8%	5.5%	4.6%	4.0%
 10,000 Gallons W; 5,000 WW	 \$ 62.81	 \$ 66.39	 \$ 68.80	 \$ 71.40	 \$ 73.65
NHCRWA Surcharge	34.00	37.06	40.02	41.63	43.29
Total	96.81	103.45	108.83	113.03	116.95
Dollar Inc	-	\$ 6.64	\$ 5.38	\$ 4.20	\$ 3.92
Percent Inc	0.0%	6.9%	5.2%	3.9%	3.5%

Proposed Rate Plan

Impact on Monthly Commercial Charges



	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21	Effective Oct-22
Commercial Monthly Water/WW Charge					
10,000 Gallons W; 10,000 WW	\$ 131.81	\$ 137.83	\$ 144.30	\$ 151.36	\$ 157.35
NHCRWA Surcharge	34.00	37.06	40.02	41.63	43.29
Total	165.81	174.89	184.32	192.98	200.64
Dollar Inc	-	\$ 9.07	\$ 9.44	\$ 8.66	\$ 7.66
Percent Inc	0.0%	5.5%	5.4%	4.7%	4.0%
Percent Inc					
20,000 Gallons W/ 20,000 WW	\$ 222.21	\$ 234.36	\$ 245.63	\$ 257.93	\$ 268.36
NHCRWA Surcharge	68.00	74.12	80.05	83.25	86.58
Total	290.21	308.48	325.68	341.18	354.94
Dollar Inc	-	\$ 18.27	\$ 17.20	\$ 15.50	\$ 13.76
Percent Inc	0.0%	6.3%	5.6%	4.8%	4.0%

Presentation Summary

How Does Rate Plan Benefit City?



- Will ensure that utility operates on a stand-alone basis and independent of general fund assistance
- Will cover estimated increased cost of NHCRWA purchases
- Will result in financially-healthy utility that has ability to fund operations and capital needs
- Will ensure that ratepayers pay only what it costs to provide service
- Will allow for \$29 million of capital investment into system to improve quality of service and provide a well-functioning system for future generations

Gas Utility Rate Recommendations

Cost of Service and Net Revenue Requirement Forecast



	2018	2019	2020	2021	2022
GAS					
Operating Expense	\$ 738,308	\$ 863,429	\$ 899,388	\$ 937,632	\$ 978,374
Purchased Gas	1,200,000	1,024,287	1,041,954	1,081,337	1,121,941
Transfers	819,880	857,273	897,323	940,294	986,481
Capital Outlay	80,000	80,000	80,000	80,000	80,000
Debt Service	-	-	-	-	-
Total Cost of Service	\$ 2,838,188	\$ 2,824,989	\$ 2,918,664	\$ 3,039,263	\$ 3,166,796
Less Non-Rate Revenue	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Net Revenue Requirement To be Raised from Rates	\$ 2,808,188	\$ 2,794,989	\$ 2,888,664	\$ 3,009,263	\$ 3,136,796

Gas Scenario 1 - Cost of Service Residential Rate Impact



GAS	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21	Effective Oct-22
Residential - Inside					
Base Charge Includes 1 MCF	\$ 11.75	\$ 12.46	\$ 13.08	\$ 13.47	\$ 13.87
Usage Charge Per MCF	\$ 11.75	\$ 12.46	\$ 13.45	\$ 13.85	\$ 14.27
Commercial - Inside					
Base Charge Includes 1 MCF	\$ 11.75	\$ 12.46	\$ 13.08	\$ 13.47	\$ 13.87
Usage Charge Per MCF	\$ 11.75	\$ 12.46	\$ 13.45	\$ 13.85	\$ 14.27

Gas Scenario 1 – Cost of Service Impact on Residential Rates



	Effective Oct-18	Effective Oct-19	Effective Oct-20	Effective Oct-21	Effective Oct-22
Residential and Commercial Monthly Charges					
3 MCF Dollar Inc	\$ 35.25	\$ 37.37	\$ 39.98	\$ 41.18	\$ 42.42
		2.12	2.62	1.20	1.24
5 MCF Dollar Inc	58.75	62.28	66.88	68.89	70.96
		3.53	4.61	2.01	2.07

Average Residential Gas Usage = 3 MCF per month year around

Summer Average = 1 MCF

Winter Average = 6 MCF