

Purpose

- Stormwater Utility Rate Model & Base Assumptions
- Review FY 2021 rate and impacts
- Discussion on rate increases beyond FY 2021 through CIP constraints

Rate Model

New rate structure for FY 2021

- using impervious cover instead of lot size

Billing changes in ordinance

- billing owner now, not resident

No FY20 rate increase

- greater revenue need for FY21

| Existing (ERU 2,250 sf) | | |
|-------------------------|-------------------------------|--------------|
| Class Description | Total Lot Size-Square Feet | Current Rate |
| Small Residential | 0-6,000 | \$7.57 |
| Typical Residential | 6,001-12,000 | \$12.10 |
| Large Residential | 12,001+ | \$13.86 |
| Commercial | Impervious Area /ERU *Rate | |
| Multi-Family | # of units * residential rate | |

| Proposed (ERU 2,575 sf) | | | |
|-------------------------|--|---|--------------|
| Class Code | Description | Impervious Cover Range | Rate Example |
| R1 | Small Residential | 0-1,980 | \$7.43 |
| R2 | Typical Residential | 1,981-3,336 | \$12.10 |
| R3 | Large Residential | 3,334+ | \$17.68 |
| NR | Commercial, Retail, Governmental, Multifamily, religious, non-profit, etc. | Impervious Area /ERU *Rate (\$12.10) | |

Base Modeling Assumptions

- Includes increase to O&M based upon CIP
 - 3% of CIP implemented with 2-yr lag
- Rate increase must first achieve financial policy goals & then address CIP expenditures:
 - 25% minimum Fund Balance
 - 1.20 debt service coverage ratio
- FY21 CIP reduced by \$4.0 Million with use of existing funds.

FY 2021 Rate Increase

- Previous Council direction 5-years of 15% increases to respond to citizen concerns
 - 15% increases in FY18 & FY19, 3 years remaining
 - 0% increase in FY20
- **Minimum 12% increase** in FY21 required to achieve financial policy goals
- FY21 CIP does not impact FY21 utility rate
 - FY21 CIP affects following years

12% Rate Increase Impacts

| Rate | R1 - Small | R2- Typical | R3-Large | Non-Residential |
|---------------|------------|-------------|----------|-----------------|
| Current | \$7.43 | \$12.10 | \$17.68 | \$12.10/ERU |
| 12% Rate Inc. | \$8.32 | \$13.55 | \$19.80 | \$13.55/ERU |

- Examples of Non-Residential bill increases:
 - Small downtown business: \$3/month
 - Interstate restaurant: \$6/month
 - Apartment complex: \$400/month (median \$80/month)
 - Industrial business: \$496/month (median \$50/month)

Future Rate Increases

- Annual CIP funding is primary driver of Stormwater Utility rates
- FY21 CIP has no impact to FY21 Stormwater Utility rate
- Approval of FY21 CIP impacts FY22 rate
- Three scenarios developed to illustrate CIP and rate requirement connection.
- Need guidance for revision to FY21 CIP and development of future CIPs.

Priority Projects

- Projects that have participation agreements in place or expectations by citizens for implementation
- FY21 priority projects (stormwater only):
 - IH-35 Stormwater Oversize (Sunset Acres) - \$5.3M
 - Academy/Sessom Improvement - \$1.5M
 - Hills of Hays - \$3M
- FY22 priority projects (stormwater only):
 - Wallace Addition Offsite - \$4.5M
 - Sunset Acres - \$4M
 - Castle Forrest Channel - \$1.5M

Option 1 – Minimum FY21 CIP

- FY21 CIP reduced to \$2M (plus \$4M exist. funds)
- FY22 and beyond reduced to \$6M annually

| Option | FY21 CIP Amount | FY22 CIP Amount | FY23 CIP Amount | FY21 Rate Increase | FY22 Rate Increase | FY23 Rate Increase | FY24 Rate Increase |
|--------|-----------------|-----------------|-----------------|--------------------|--------------------|--------------------|--------------------|
| 1 | \$2,000,000 | \$6,000,000 | \$6,000,000 | 12% | 3% | 3% | 3% |

- Advantage – lowest future increases
- Disadvantage – delays priority projects in both FY21 & FY22*

*This scenario would provide for the \$5.3M Advanced Funding Agreement with TxDOT but would require other FY21 priority projects (Academy/ Sessom and Hills of Hays) to be delayed to FY22

Option 2 – FY21 Priority CIP

- FY21 CIP increased by \$4M from Option 1
- FY22 and beyond \$6M annually

| Option | FY21 CIP Amount | FY22 CIP Amount | FY23 CIP Amount | FY21 Rate Increase | FY22 Rate Increase | FY23 Rate Increase | FY24 Rate Increase |
|--------|-----------------|-----------------|-----------------|--------------------|--------------------|--------------------|--------------------|
| 2 | \$6,000,000 | \$6,000,000 | \$6,000,000 | 12% | 5% | 5% | 5% |

- Advantage – maintains FY21 priority projects
- Disadvantage – delays priority projects in FY22 and increases annual rates (2% higher than Option 1)

Option 3 – FY21 & 22 Priority CIP

- FY21 CIP increased by \$4M from Option 1
- FY22 increased to \$10M
- FY23 and beyond at \$6M annually

| Option | FY21 CIP Amount | FY22 CIP Amount | FY23 CIP Amount | FY21 Rate Increase | FY22 Rate Increase | FY23 Rate Increase | FY24 Rate Increase |
|--------|-----------------|-----------------|-----------------|--------------------|--------------------|--------------------|--------------------|
| 3 | \$6,000,000 | \$10,000,000 | \$6,000,000 | 12% | 7% | 7% | 7% |

- Advantage – maintains FY21 & 22 priority projects
- Disadvantage – increases annual rates (4% higher than Option 1)

Options Summary

- FY21 & FY22 CIP stormwater totals establish future rates
- Direction helps staff to develop CIP to meet expectations
- Next year better understanding of revenue impacts from ordinance & rate structure changes.

| Option | FY21 CIP Amount | FY22 CIP Amount | FY23 CIP Amount | FY21 Rate Increase | FY22 Rate Increase | FY23 Rate Increase | FY24 Rate Increase | New CIP Projects Funded |
|--------|-----------------|-----------------|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------------------|
| 1 | \$2,000,000 | \$6,000,000 | \$6,000,000 | 12% | 3% | 3% | 3% | Only TxDOT AFA project |
| 2 | \$6,000,000 | \$6,000,000 | \$6,000,000 | 12% | 5% | 5% | 5% | All FY 21 priority projects |
| 3 | \$6,000,000 | \$10,000,000 | \$6,000,000 | 12% | 7% | 7% | 7% | FY21 and F22 priority projects |

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Council Direction Needed

1. Does Council agree with 12% increase for FY21 to meet financial policy for the Stormwater Utility?
2. What funding level does City Council want to establish for the stormwater FY21 CIP - \$2M or \$6M?
3. What funding level does City Council want to establish for the stormwater FY22 CIP - \$6M or \$10M?

| Option | FY21 CIP Amount | FY22 CIP Amount | FY23 CIP Amount | FY21 Rate Increase | FY22 Rate Increase | FY23 Rate Increase | FY24 Rate Increase | New CIP Projects Funded |
|--------|-----------------|-----------------|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------------------|
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| 3 | \$6,000,000 | \$10,000,000 | \$6,000,000 | 12% | 7% | 7% | 7% | FY21 and F22 priority projects |