



City of Killeen

Legislation Text

File #: OR-23-014, **Version:** 1

Consider an ordinance amending the Code of Ordinances Chapter 30, Water, Sewers, and Sewage Disposal, to amend water and sewer rates and other changes as presented.

DATE: August 1, 2023

TO: Kent Cagle, City Manager

FROM: Jeffery Reynolds, Executive Director of Public Works

SUBJECT: Water and Sewer Ordinance Amendments

BACKGROUND AND FINDINGS:

On July 7, 2020, City Council received the results of the 2020 Water and Sewer Rate Study. The study found that the City's water revenues were insufficient to fully fund the projected expenses over the next five years. City Council deferred a rate adjustment at the time due to the pandemic.

On September 13, 2021, Council approved a water rate increase which included adjusting the base meter charge and volumetric rate. These approved changes included a three-tier volumetric charge for residential customers to encourage water conservation, a 6.6% increase in water rates for residential and commercial customers, and an amendment for customers outside the city limits from 100% above inside city rates to 50% above inside city rates.

In the recent Water & Sewer five-year rate analysis it was also recommended to implement a phased approach to adjusting the base rate paid on different meter sizes by commercial customers to be in line with the American Water Works Association (AWWA) recommendation. The first phase adjustment was included in the FY 2023 Budget. The second phase adjustment is included in the proposed FY 2024 budget and is estimated to generate an additional \$320,000 in annual revenue.

Additionally, there is a proposed increase of \$1.50 to the minimum base rate for Residential Water and all Sewer accounts. The most common meter size for residential is 5/8" and 3/4" and will go from a base rate of \$13.54 to \$15.04. Base rate for Sewer will go from \$19.26 to \$20.76. These proposed increases will net approximately \$2M in additional revenue to assist in offsetting the purchase costs of these services to the City.

In addition to updating the Water and Sewer rates, there are three items in the ordinance that require attention for cleanup purposes. The first item pertains to Section 30-105, which deals with Deposits for Water Meters. City staff proposes two changes: firstly, to extend the time for customer deposit refunds from 12 months to 24 months. Secondly, they suggest removing the sentence that mandates customers incurring more than one late charge within any subsequent twelve-month period to pay a deposit equivalent to the water meter deposit charge applicable at the time of the penalty. The reason behind this proposal is that it has been observed to adversely impact regular, reliable customers who have generally maintained good

payment histories but may have faced unexpected challenges like illness, family bereavement, or other unforeseen circumstances. In contrast, habitual offenders with a history of late payments do not qualify for a deposit refund, as they lack a positive payment track record.

The second request is to change the name of city owned fireplugs to the more accurate name of fire hydrant construction meters and update the rate to be in line with the 3" commercial meter rate of \$64.49 as the output of this construction meter is the same.

The final clean-up item is to change the return flow factors for the outside city limit residential and commercial sewer customer from 150% to 100%. In addition, the rates should be added as follows: the wastewater rates for all users outside the city limits shall be equal to the rates for residential inside the city limits plus fifty percent (50%) and the wastewater rates for all users outside the city limits shall be equal to the rates for commercial inside the city limits plus fifty percent (50%).

THE ALTERNATIVES CONSIDERED:

- (1) Do not amend water and sewer ordinance.
- (2) Amend water and sewer ordinance with changes.
- (3) Amend water and sewer ordinance as presented.

Which alternative is recommended? Why?

Alternative three (3) is recommended as it provides the needed revenue to adequately maintain the water and sewer system and offset significant increases from WCID and operating costs.

CONFORMITY TO CITY POLICY:

The proposed ordinance conforms to applicable City policy.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

The financial impact is an additional \$2,000,000 in revenue from the \$1.50 increase in the minimum base rate for residential water and \$1.50 increase in the sewer minimum base rate. There is also an estimated additional \$320,000 in revenue from the 2nd of a 5-year phase-in of increases to the base rate for commercial meters. The additional revenue was included in the FY 2024 Proposed Budget.

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

City Council approve the ordinance amending Chapter 30, Water, Sewers, and Sewage Disposal, of the Code of Ordinances, to amend water and sewer rates and other changes as presented.

DEPARTMENTAL CLEARANCES:

Public Works
Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Ordinance