



CITY COUNCIL WORKSHOP - RATE STUDY

CITY OF BAY CITY

Tuesday, June 14, 2022 at 4:00 PM
COUNCIL CHAMBERS | 1901 5th Street

COUNCIL MEMBERS

Mayor: Robert K Nelson

Mayor Pro Tem: Jim Folse

Council Members: Floyce Brown, Bradley Westmoreland, Becca Sitz, Blayne Finlay

Bay City is committed to developing and enhancing the long-term prosperity, sustainability, and health of the community.

AGENDA

THE FOLLOWING ITEM WILL BE ADDRESSED AT THIS OR ANY OTHER MEETING OF THE CITY COUNCIL UPON THE REQUEST OF THE MAYOR, ANY MEMBER(S) OF COUNCIL AND/OR THE CITY ATTORNEY:

ANNOUNCEMENT BY THE MAYOR THAT COUNCIL WILL RETIRE INTO CLOSED SESSION FOR CONSULTATION WITH CITY ATTORNEY ON MATTERS IN WHICH THE DUTY OF THE ATTORNEY TO THE CITY COUNCIL UNDER THE TEXAS DISCIPLINARY RULES OF PROFESSIONAL CONDUCT OF THE STATE BAR OF TEXAS CLEARLY CONFLICTS WITH THE OPEN MEETINGS ACT (TITLE 5, CHAPTER 551, SECTION 551.071(2) OF THE TEXAS GOVERNMENT CODE).

CALL TO ORDER

1. Review and discuss Utility Rate Study and associated Water and Waste Water rate increases.
2. Presentation and discussion regarding proposed Cottonwood Creek Park plans.

CERTIFICATION OF QUORUM

PUBLIC COMMENTS

REGULAR ITEMS FOR DISCUSSION, CONSIDERATION AND / OR APPROVAL

ADJOURNMENT

CERTIFICATION OF POSTING

This is to certify that the above notice of a Regular Called Council Meeting was posted on the front window of the City Hall of the City of Bay City, Texas on **Friday, May 10, 2022 before 6:00 p.m.** Any questions concerning the above items, please contact Mayor Robert K. Nelson at (979) 245-2137.



EXECUTIVE SUMMARY

RATE STUDY

BACKGROUND:

- A rate Study was performed by Garver Engineering in 2019. From that study, Garver recommended rate increases across classes to support debt payments related to water and wastewater capital costs (TWDB funded projects). At that time, it was estimated that revenue needed to increase at least 6% per year for at least 4 years.
- The first significant rate impact was October 1, 2020 to support the upcoming TWDB Debt payments.
- In March 2021, the City amended the recent ordinance to change the volumetric rate among classes. (Garver revisited the volumetric rate & recommended changes)
- In December 2021, the City contracted with NewGenStrategies to review the water and wastewater action plan to determine if any rate adjustments would be needed in FY 2022. City staff did not want to impact rates unless necessary. The group worked closely with staff and financial advisor to properly match debt issuances, with construction timelines, and with debt payment due dates.
- The next anticipated rate increase will be October 1, 2022.



June 14, 2022

BAY CITY, TEXAS WATER & WASTEWATER RATE STUDY

NewGen
Strategies & Solutions



ITEM #1.

IMPORTANCE OF LOCAL OFFICIALS IN UTILITY MANAGEMENT

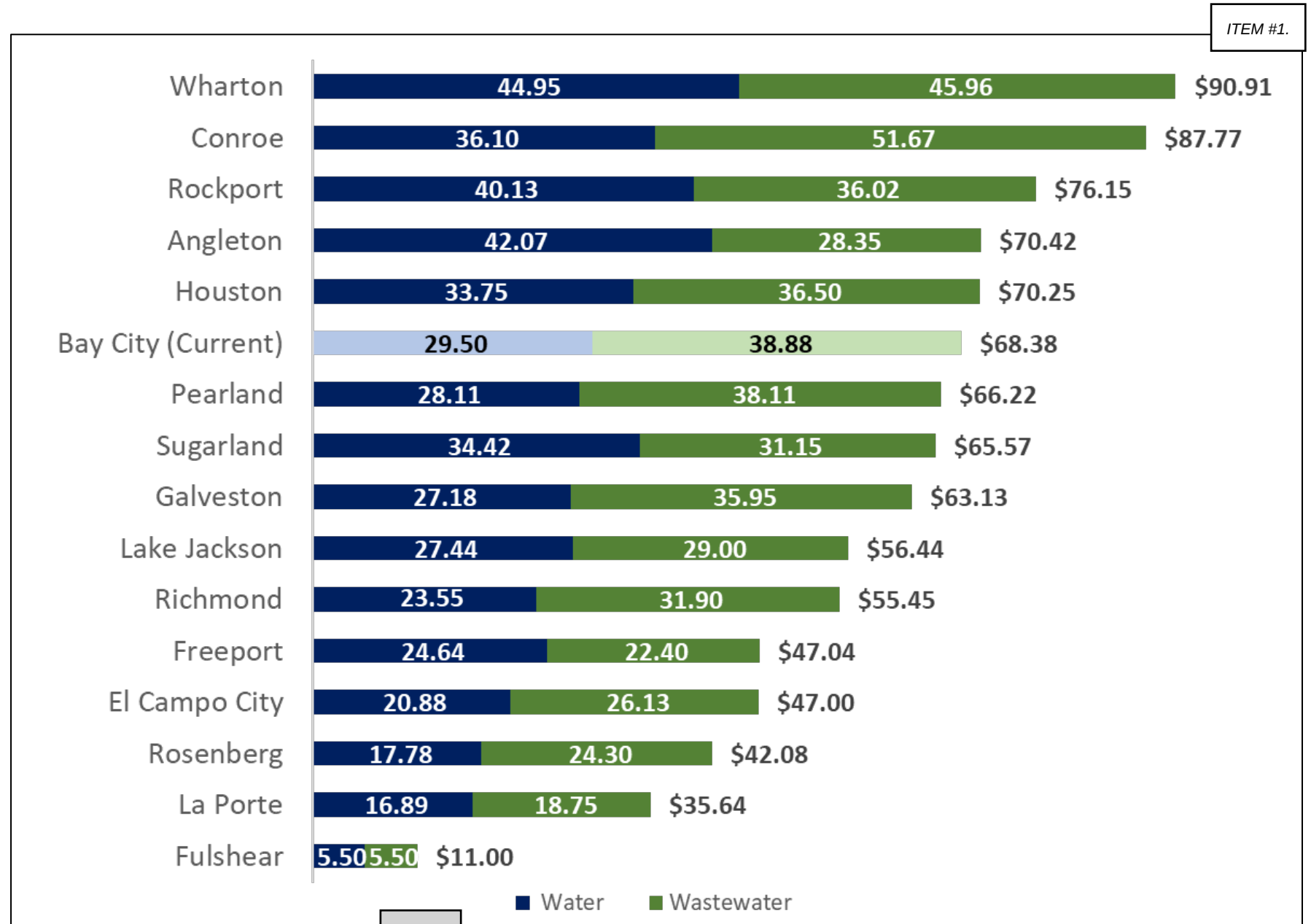
Utilities operate like a business, though the product being sold is a vital resource shared by all members of the community

Just like any business, Council is the “Board of Directors” who must be able to address complex industry challenges including rising costs, aging infrastructure, and customer affordability

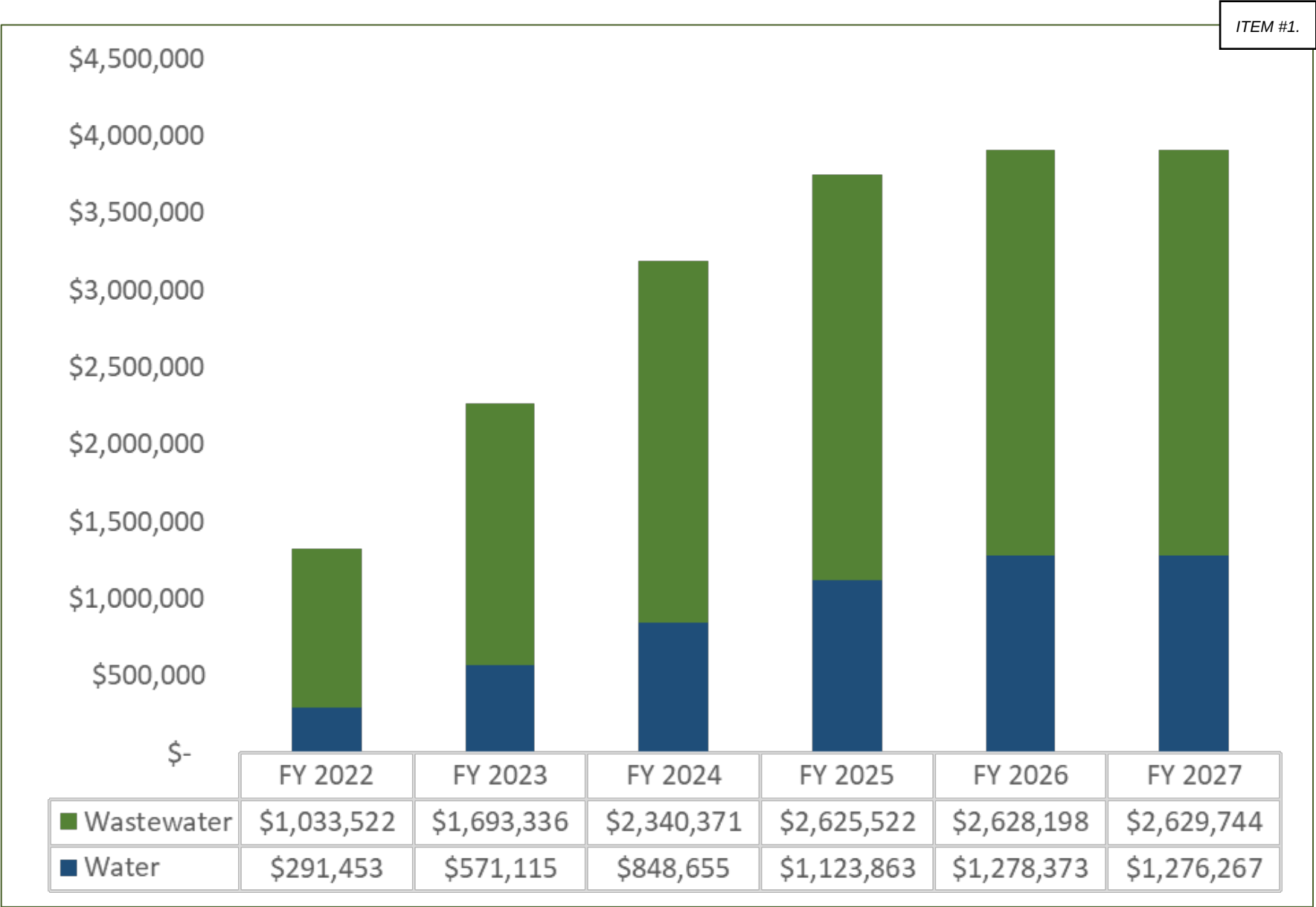
The Board must ensure the viability of the business by ensuring revenues match or exceed expenses and financial metrics are met

RESIDENTIAL REGIONAL BILL COMPARISON

Average Usage of
5,000 Gallons Water
and Wastewater



DEBT
SERVICE
PAYMENTS



DEBT SERVICE COVERAGE REQUIREMENT

(b) While the Certificates are outstanding, the City will at all times maintain sufficient rates and charges for the payment of the maintenance and operation expenses of the System and, to the extent that ad valorem taxes are not available for such purpose, the City will at all times maintain sufficient rates and charges to produce revenues not less than 1.10 times the annual debt service obligations of all outstanding obligations of the City secured in whole or in part by the Surplus Revenues of the System for which the City is budgeting to make payments from Surplus Revenues, for the payment of debt service on the Certificates. Upon the written request of the TWDB, the City shall provide documentation that evidences the levy of ad valorem taxes for the payment of debt service on the Certificates or information demonstrating that the City has budgeted Surplus Revenues of the System or other lawfully available revenues sufficient for the payment of debt service on the Certificates.

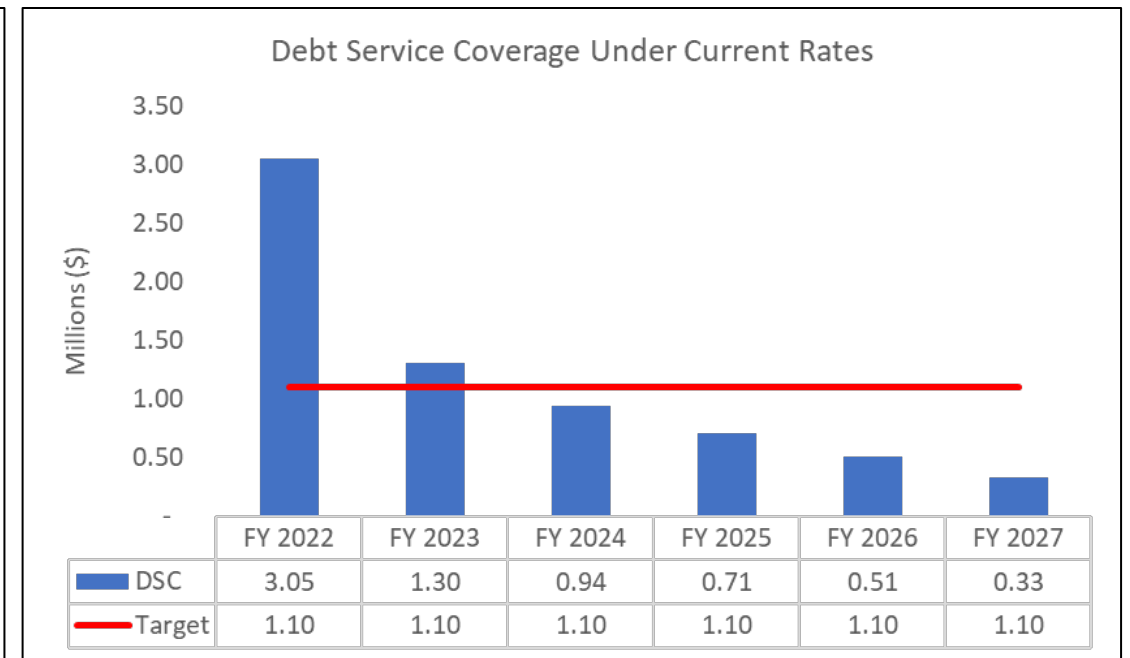
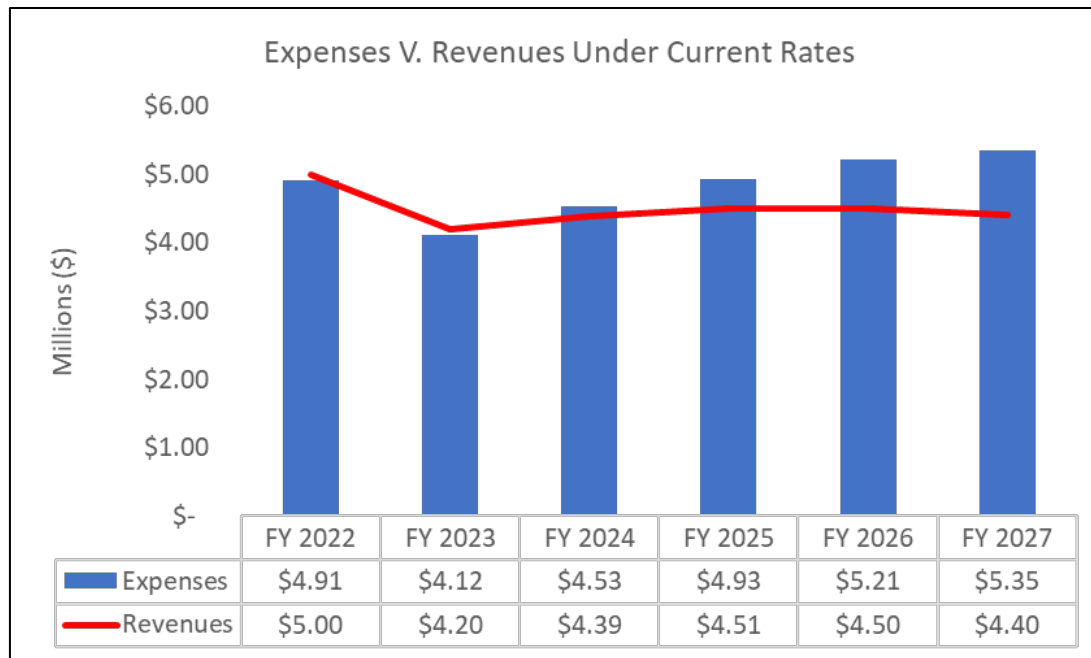
From: Ordinance for Certificates of Obligation Series 2022A (CWSRF)

CAPITAL IMPROVEMENT PROJECTS

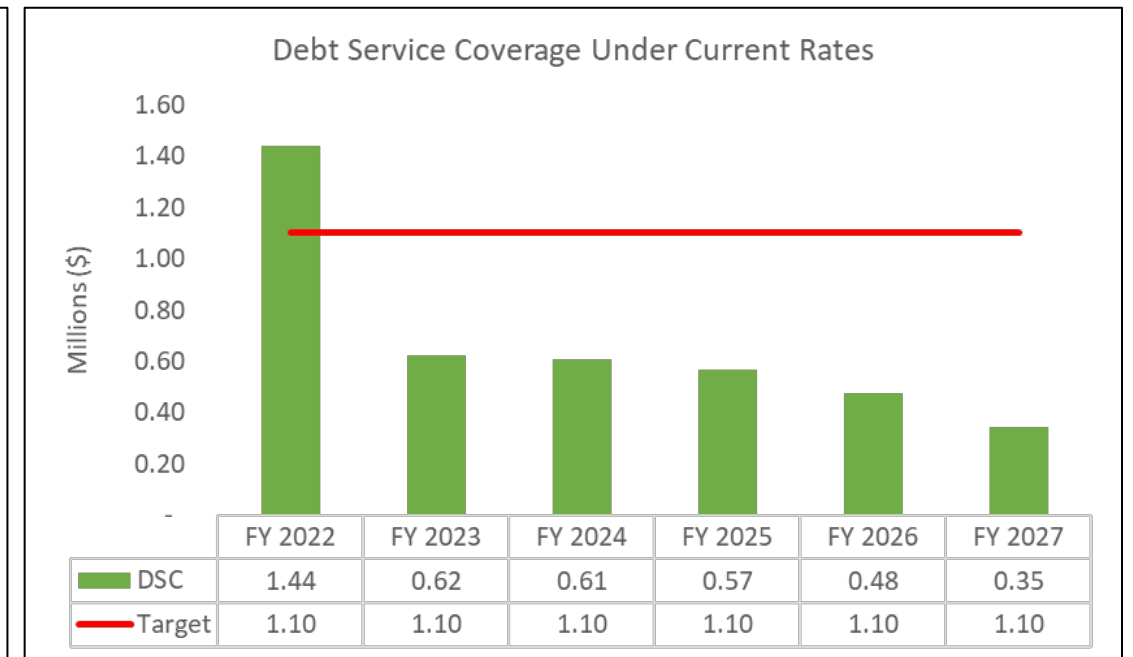
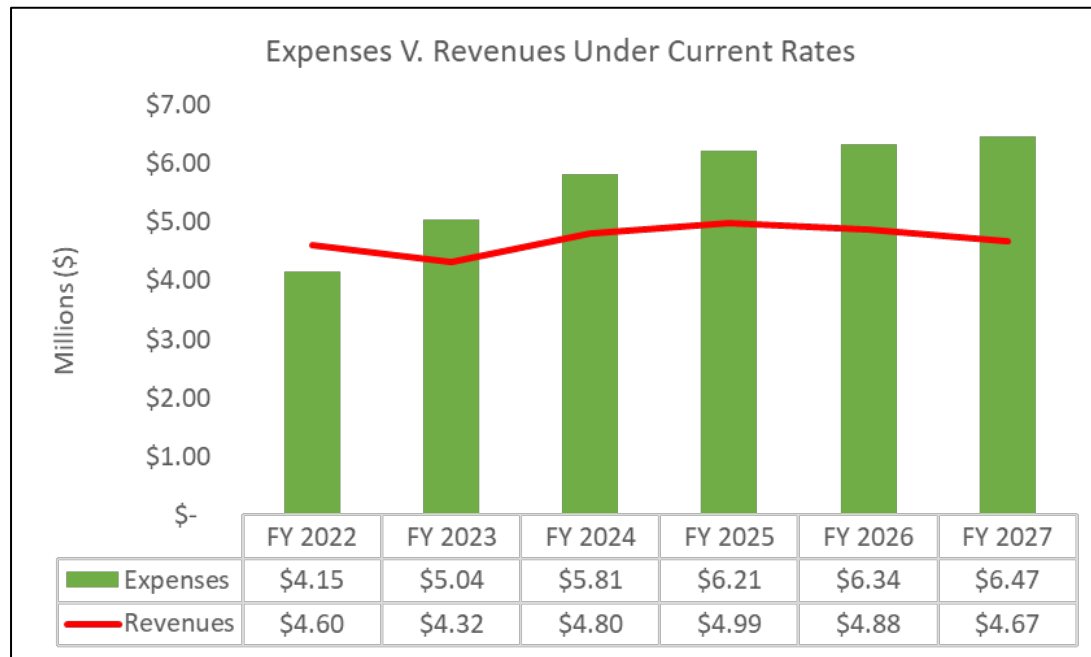
Millions (\$)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Water						
Debt Funded	\$ 8.05	\$ 4.29	\$ 4.37	\$ 4.38	\$ 0.00	\$ 0.00
Reserves Funded	0.82	0.00	0.00	0.00	0.00	0.00
Total Water	\$ 9.87	\$ 4.29	\$ 4.37	\$ 4.38	\$ 0.00	\$ 0.00
Wastewater						
Debt Funded	\$ 14.00	\$ 16.11	\$ 7.26	\$ 0.00	\$ 0.00	\$ 0.00
Reserves Funded	0.30	0.00	0.00	0.00	0.00	0.00
Total Wastewater	\$ 14.30	\$ 16.11	\$ 7.26	\$ 0.00	\$ 0.00	\$ 0.00
Cash Funding Available	\$ 0.50	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Total Funded Capital	\$ 23.67	\$ 20.58	\$ 11.81	\$ 4.55	\$ 0.18	\$ 0.18
Unfunded Capital Items	\$ 0.40	\$ 1.99	\$ 1.65	\$ 0.21	\$ 0.20	\$ 0.00

ANTICIPATED FINANCIAL PERFORMANCE UNDER CURRENT RATES

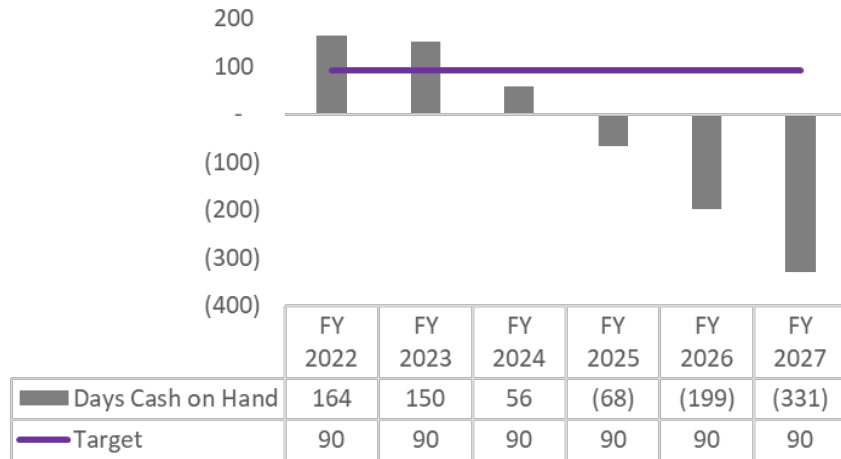
ANTICIPATED FINANCIAL PERFORMANCE UNDER CURRENT RATES – WATER



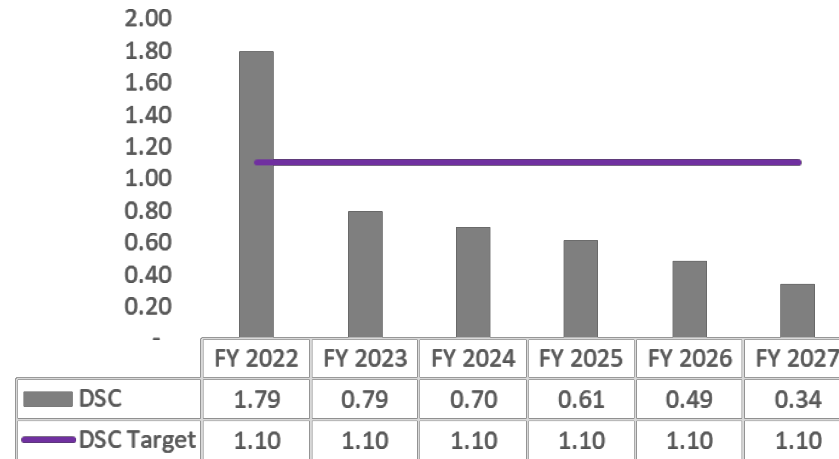
ANTICIPATED FINANCIAL PERFORMANCE UNDER CURRENT RATES – WASTEWATER



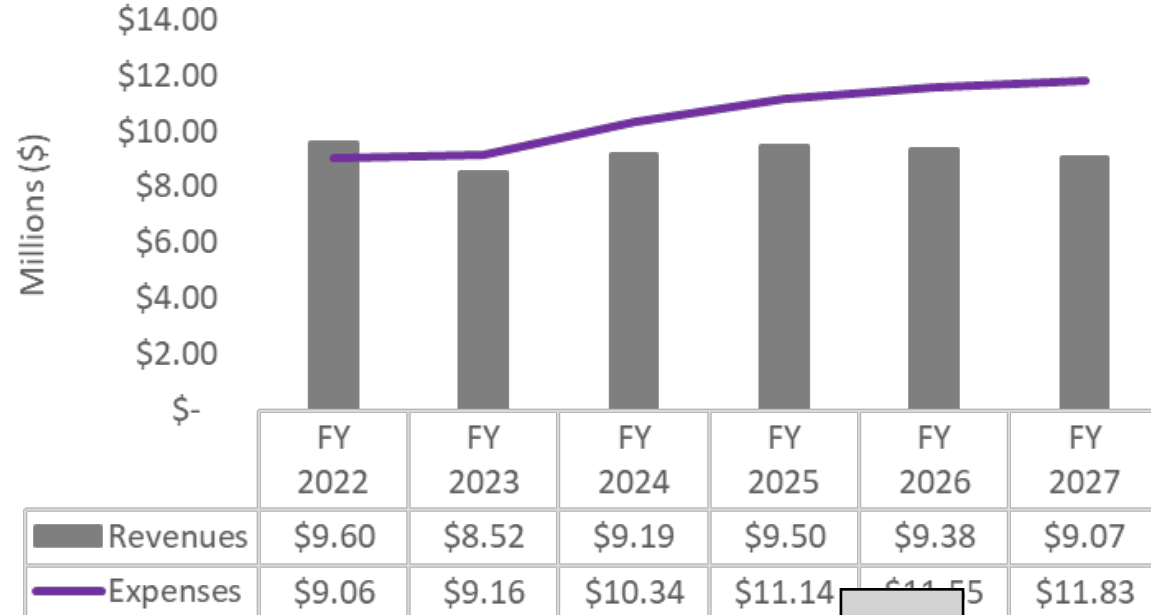
Days Cash on Hand Under Current Rates



Debt Service Coverage Under Current Rates



Expenses Vs. Revenues Under Current Rates



ANTICIPATED
FINANCIAL
PERFORMANCE
UNDER CURRENT
RATES – COMBINED

ANTICIPATED FINANCIAL PERFORMANCE UNDER PROPOSED RATES

GOALS FOR PROPOSED RATES



- Days Cash on Hand Goal of 90 Days
- Debt Service Coverage Target of 1.10x
 - Meet 1.10x Target on a Combined Basis Each Year
 - Use of Reserves to Hit Target and Minimize Rate Increase

SYSTEM LEVEL INCREASES

- Increases Applied to All Customer Classes

FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
7.33%	6.83%	6.40%	6.02%	5.68%

- Minimized by Use of Fund Balance

FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
\$ 0	\$ 597,000	\$ 832,000	\$ 628,000	\$ 248,000

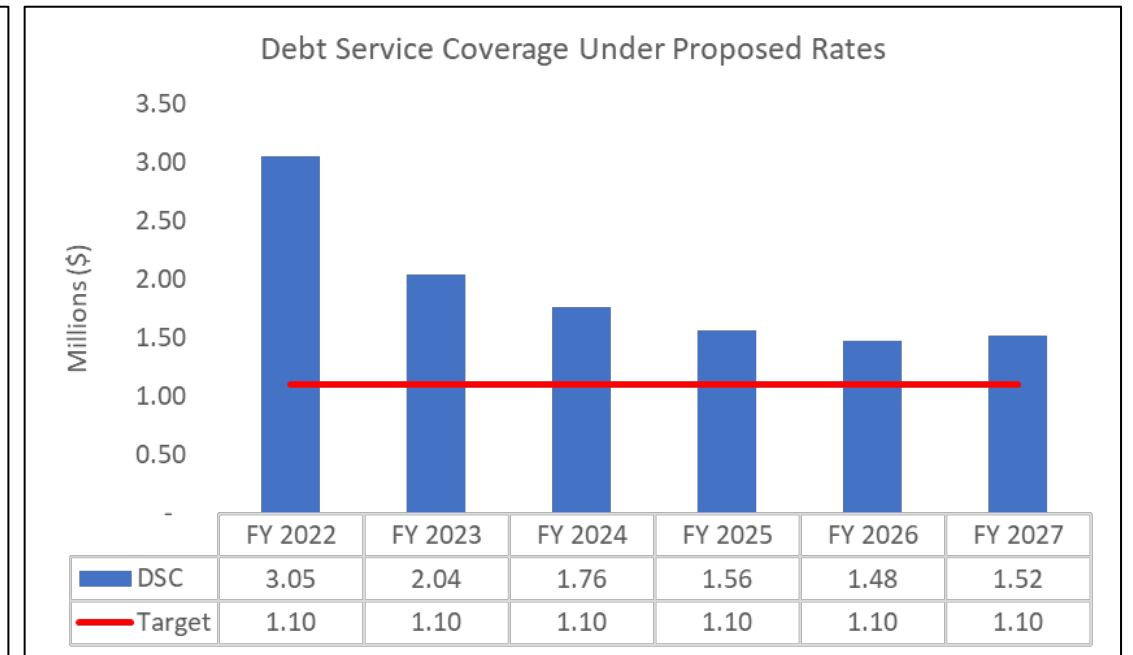
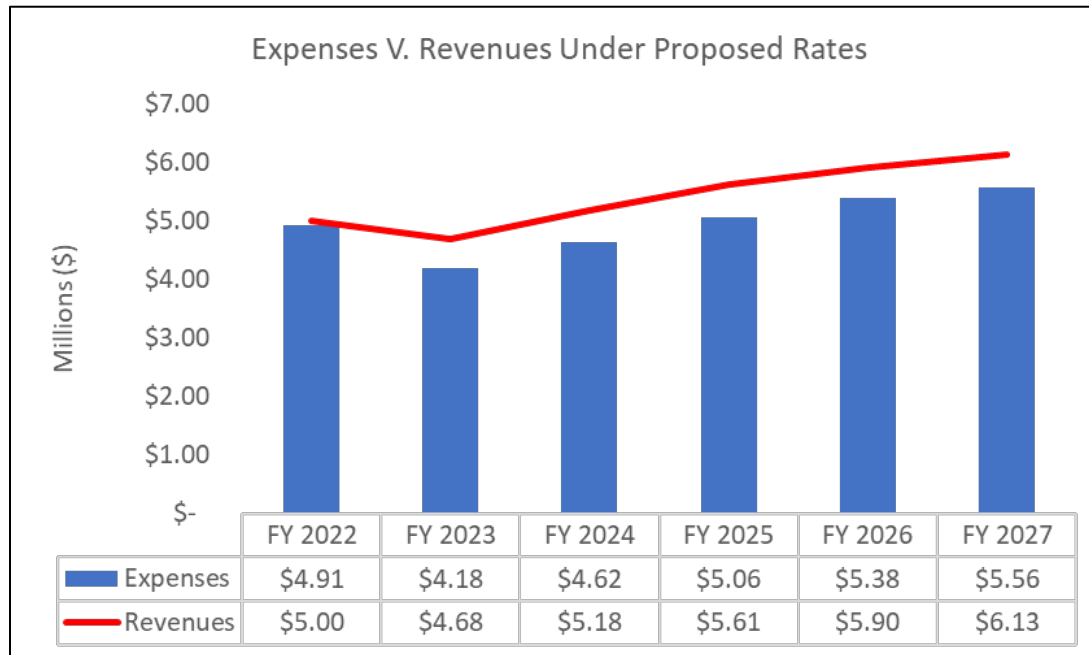
AVERAGE WATER & WASTEWATER RESIDENTIAL BILL IMPACT

5,000 Gallons

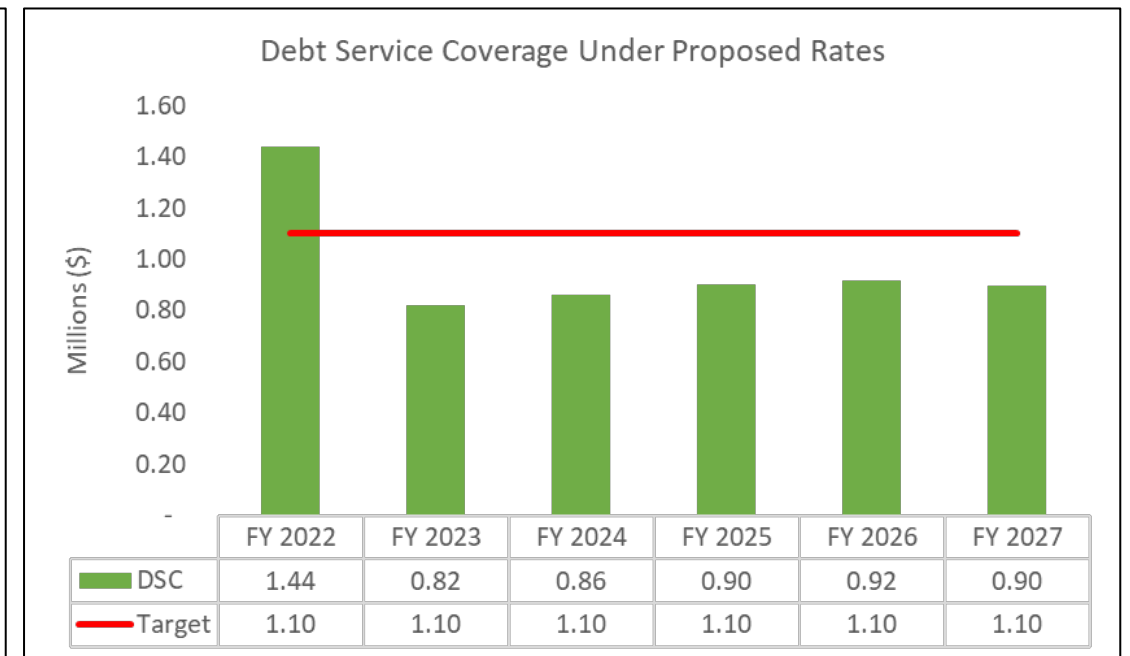
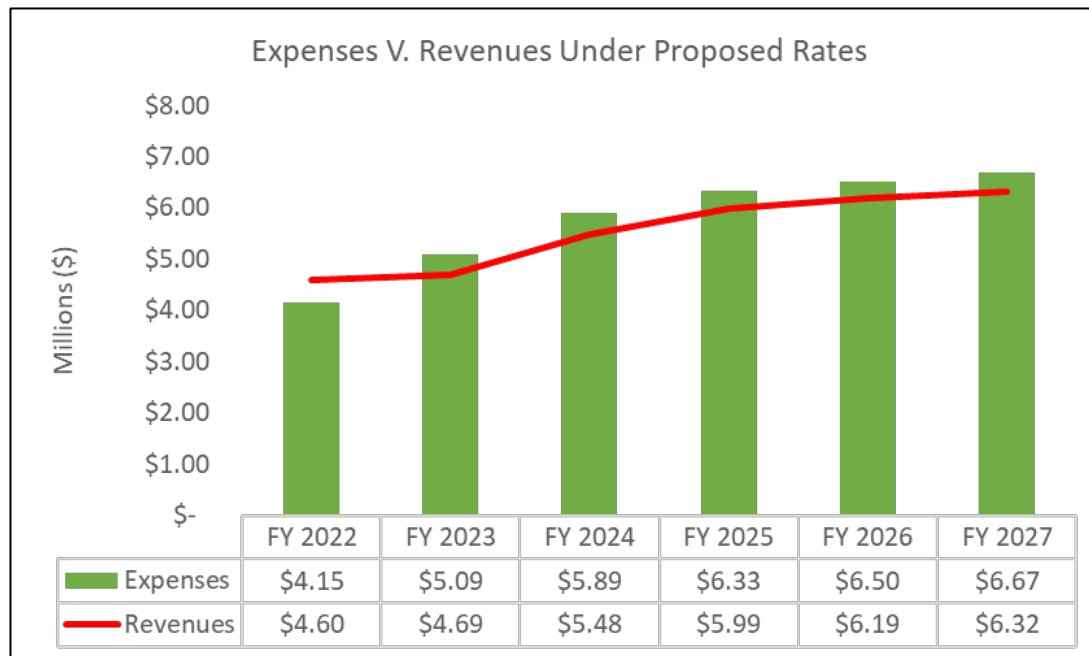


Note: This is with system level increases. The customer class cost allocation has not been revisited at this point. The impact could change once revenue recovery between classes is determined.

ANTICIPATED FINANCIAL PERFORMANCE UNDER PROPOSED RATES – WATER

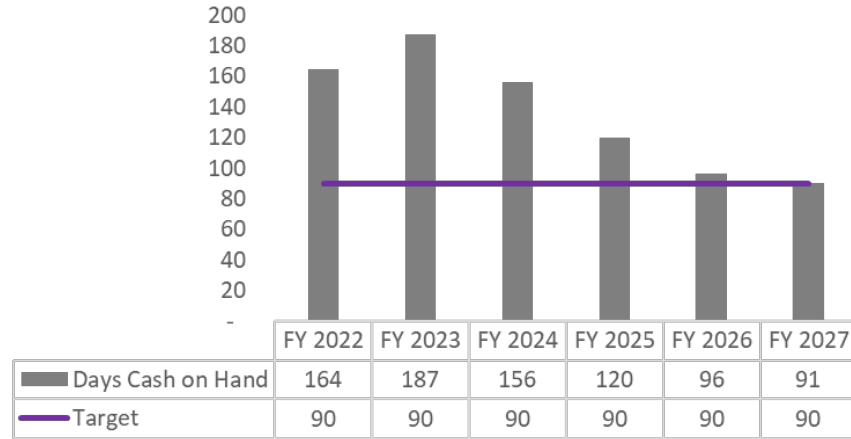


ANTICIPATED FINANCIAL PERFORMANCE UNDER PROPOSED RATES – WASTEWATER

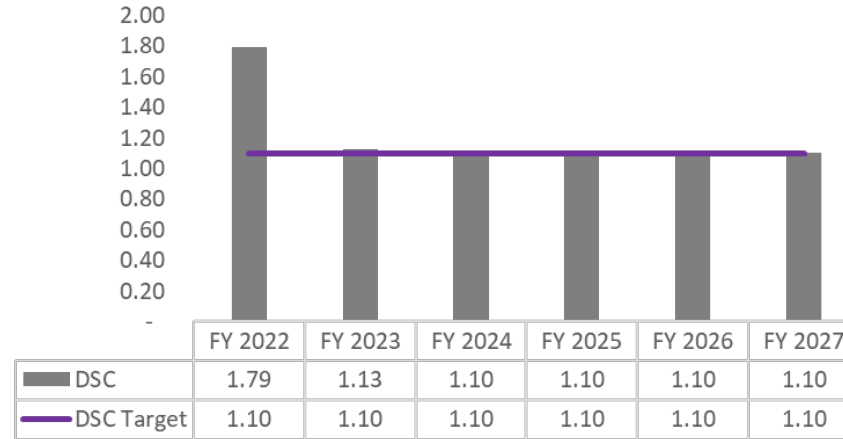


Note: In FY 2023 through FY 2027, wastewater does not hit its DSC target on a stand-alone basis, but the combined utility does hit the target.

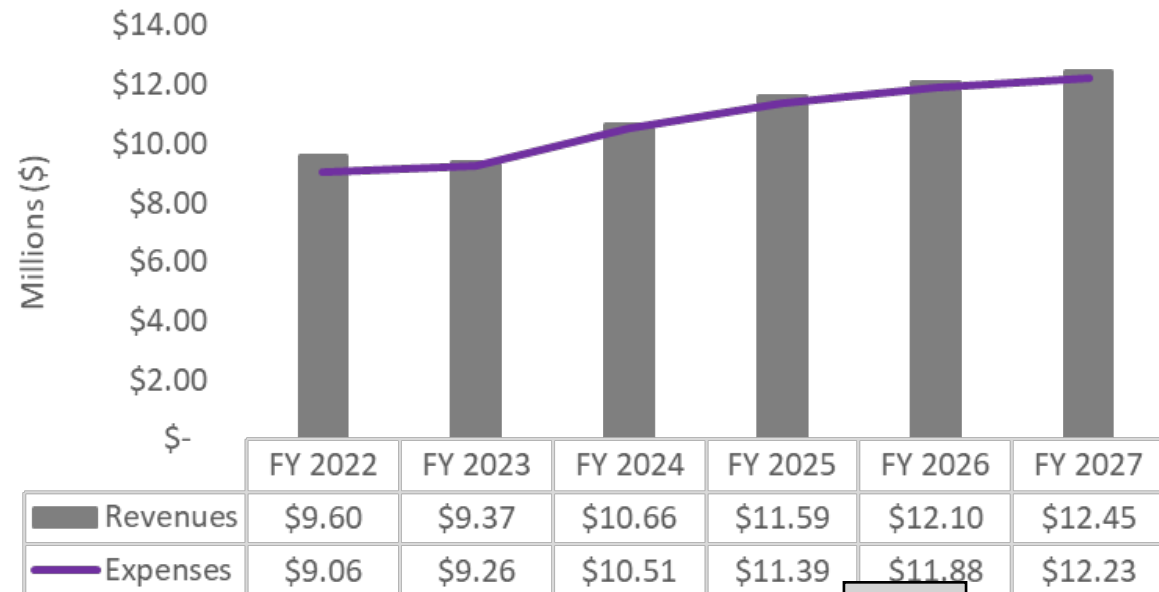
Days Cash on Hand Under Proposed Rates



Debt Service Coverage Under Proposed Rates



Expenses Vs. Revenues Under Proposed Rates



ANTICIPATED
FINANCIAL
PERFORMANCE
UNDER PROPOSED
RATES – COMBINED

PATH FORWARD



- Complete Customer Class Cost Allocation Study
- Determine Final Rates for Implementation in October 2022



QUESTIONS AND DISCUSSION

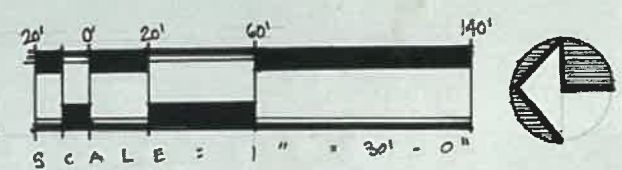
NEWGEN STRATEGIES AND SOLUTIONS
275 W. CAMPBELL ROAD, SUITE 440
RICHARDSON, TEXAS 75080

CHRIS EKRUT, CFO AND DIRECTOR
(972) 232-2234
CEKRUT@NEWGENSTRATEGIES.NET

PARK AREA					
ITEM	DESCRIPTION	QTY	UNIT	TOTAL	SUBTOTAL1
1- 1	Parking / Auto Court with Special Pavement	SF 13,100	\$15.00	\$196,500	
1- 3	Flatwork	SF 9,000	\$7.50	\$67,500	
1- 4	Seatwall	LF 134	\$125	\$16,750	
1- 5	Concrete Trail / Sidewalk	SF 10,000	\$5	\$50,000	
1- 6	Sculpture Exhibit Plaza with Amenities	LS 1	\$60,000	\$60,000	
1- 7	Stage with Amenities	LS 1	\$15,000	\$15,000	
1- 8	Shade Structure	EA 1	\$250,000	\$250,000	
1- 9	Furnishings	LS 1	\$35,000	\$35,000	
1- 10	Lighting	LS 1	\$100,000	\$100,000	
1- 11	Landscape and Irrigation	LS 1	\$50,000	\$50,000	\$840,750
				ESTIMATED SUBTOTAL	\$840,750
				Contingency 20%	\$168,150
				ESTIMATED TOTAL	\$1,008,900

STREETSCAPE					
ITEM	DESCRIPTION	QTY	UNIT	TOTAL	CATEGORY TOTAL
2- 1	Site Prep and Demoliton	LS 1	\$75,000	\$75,000	
2- 2	Parking	SF 13,700	\$7.50	\$102,750	
2- 3	Special Pavement	SF 5,700	\$15	\$85,500	
2- 4	Flatwork	SF 3,250	\$7.50	\$24,375	
2- 5	Trees	EA 27	\$600	\$16,200	
2- 6	Street Lights	LS 1	\$80,000	\$80,000	
2- 7	Entry, Monumentation & Wayfinding	LS 1	\$250,000	\$250,000	
2- 8	Furnishings	LS 1	\$35,000	\$35,000	
2- 9	Irrigation	LS 1	\$75,000	\$75,000	\$743,825
				ESTIMATED SUBTOTAL	\$743,825
				Contingency 20%	\$148,765
				ESTIMATED TOTAL	\$892,590

			ESTIMATED SUBTOTAL	\$1,584,575
			Contingency 20%	\$316,915
			ESTIMATED TOTAL	\$1,901,490



COTTONWOOD CREEK PARK

BAY CITY, TEXAS

