



## CITY COUNCIL WORKSHOP SESSION

Wednesday, July 24, 2024 – 5:00 PM

109 North Kaufman Street, Mount Vernon, Texas 75457

*Our mission: to provide effective and fiscally responsible municipal services in a manner which promotes our high standard of community life.*

*Vision Statement Mount Vernon is a caring community committed to excellence and quality of life, aspiring to be the community of choice for ourselves, our children, and future generations – beautiful, clean, vibrant, and safe. We will strive to preserve our heritage, our friendly hometown atmosphere, and celebrate the diversity of all our citizens.*

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### AGENDA

**Call to order and announce a quorum is present.**

**Invocation and Pledges**

**Citizen Participation (3 minutes)**

The Texas Open Meetings Act prohibits the Council from responding to any comments other than to refer the matter to a future agenda, to an existing policy, or to a staff person with specific information. Claims against the City, Council Members, or employees, as well as individual personnel appeals are not appropriate for citizens' forum.

**Discussion Items and Mayor/Council/City Administrator Reports**

Rate Study

Public Works Budget requests - Utilities departments

1. Rate Study

**Presiding Officer to Adjourn the City Council Meeting**

**Notes to the Agenda:**

The Council may vote and/or act upon each of the items listed in this Agenda except for discussion-only items. Persons with disabilities who plan to attend this meeting and who may need assistance should contact the City Secretary at 903-537-2252 two working days prior to the meeting so that appropriate arrangements can be made.

#### CERTIFICATION

I do hereby certify that this Public Meeting Notice was posted on the outside bulletin board, at the front entrance of City Hall located at 109 N Kaufman St., Mount Vernon, Texas, a place convenient and readily accessible to the general public at all times, and said Notice was posted on the following date and time:

**Posted July 19, 2024 by 4:00 p.m. and remained so posted at least 72 hours before said meeting was convened.**

Kathy Lovier, City Secretary

**NOTE:** The City of Mount Vernon, Texas meets regularly on the second Monday night of each month at 6:00 p.m. The Council follows a printed Agenda for official action. *Any individual desiring official action should submit his/her request to the office of the City Manager not later than fifteen (15) days prior to the Council Meeting.*

/s/ Kathy Lovier

Kathy Lovier, City Secretary



May 13, 2024

# WATER & WASTEWATER COST OF SERVICE CITY OF MOUNT VERNON, TX

Presented by:  
Grant Rabon, Partner



# METHODOLOGY



- Development of Test Year
- Revenue Requirement Forecast
- Billing Data Reconciliation
- Revenue Under Current Rates
- Rate Design and Revenue Under Proposed Rates

# KEY FINDINGS



- Insufficient revenues under current rates
- Funding for infrastructural improvements needed
- **Revenue requirement assumes support for capital projects from external sources**

# WATER REVENUE REQUIREMENT FORECAST

	Year 1	Year 2	Year 3	Year 4	Year 5
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Total Water Expenses	\$ 1,052,988	\$ 1,092,797	\$ 1,134,167	\$ 1,177,162	\$ 1,221,844
Less: Revenue Offsets	\$ (35,725)	\$ (35,725)	\$ (35,725)	\$ (35,725)	\$ (35,725)
<b>Water Net Revenue Requirement</b>	<b>\$ 1,017,263</b>	<b>\$ 1,057,072</b>	<b>\$ 1,098,442</b>	<b>\$ 1,141,437</b>	<b>\$ 1,186,119</b>

# SEWER REVENUE REQUIREMENT FORECAST

	Year 1	Year 2	Year 3	Year 4	Year 5
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Total Sewer Expenses	\$ 850,249	\$ 882,727	\$ 916,499	\$ 951,614	\$ 988,126
Less: Revenue Offsets	\$ (35,725)	\$ (35,725)	\$ (35,725)	\$ (35,725)	\$ (35,725)
<b>Sewer Net Revenue Requirement</b>	<b>\$ 814,524</b>	<b>\$ 847,002</b>	<b>\$ 880,774</b>	<b>\$ 915,889</b>	<b>\$ 952,401</b>

# CURRENT AND PROPOSED WATER RATES – FIXED CHARGES

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential Inside	\$ 25.00	\$ 25.00	\$ 33.00	\$ 33.00	\$ 33.00	\$ 33.00
Commercial Inside	\$ 31.00	\$ 31.00	\$ 33.00	\$ 33.00	\$ 33.00	\$ 33.00
Residential Outside	\$ 35.00	\$ 35.00				
Commercial Outside	\$ 49.06	\$ 49.06				
<u>Multi-Unit/Hotel Meter Size (count)</u>						
5/8" (0)	\$ 34.19	\$ 34.19	\$ 33.00	\$ 33.00	\$ 33.00	\$ 33.00
3/4" (1)	34.19	34.19	49.50	49.50	49.50	49.50
1" (2)	39.63	39.63	82.50	82.50	82.50	82.50
1.5" (5)	77.70	77.70	165.00	165.00	165.00	165.00
2" (6)	99.45	99.45	264.00	264.00	264.00	264.00
3" (1)	175.59	175.59	495.00	495.00	495.00	495.00
4" (0)	300.67	300.67	825.00	825.00	825.00	825.00
Sprinklers	\$ -	\$ -	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50

# CURRENT AND PROPOSED WATER RATES – VOLUMETRIC CHARGES

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential &amp; Commercial (Inside)</u>						
0-1000 gals	\$ -	\$ -	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20
1001-8999 gals	3.75	3.75	5.25	5.25	5.25	5.25
9000 - 20999 gals	4.00	4.00	6.30	6.30	6.30	6.30
21000 - 40999 gals	4.25	4.25	7.25	7.25	7.25	7.25
41000+	4.50	4.50	7.97	7.97	7.97	7.97
<u>Residential &amp; Commercial (Outside)</u>						
0-1000 gals	\$ -	\$ -				
1001-8999 gals	4.50	4.50				
9000 - 20999 gals	4.75	4.75				
21000 - 40999 gals	5.00	5.00				
41000+	5.25	5.25				



# CURRENT AND PROPOSED WATER RATES – VOLUMETRIC CHARGES CONT'D

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Multi-Unit/Hotel</u>						
0-1000 gals	\$ -	\$ -	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20
1001-8999 gals	3.75	3.75	4.20	4.20	4.20	4.20
9000 - 20999 gals	3.75	3.75	4.20	4.20	4.20	4.20
21000 - 40999 gals	3.75	3.75	4.20	4.20	4.20	4.20
41000+	3.75	3.75	4.20	4.20	4.20	4.20
<u>Sprinklers</u>						
0-1000 gals	\$ -	\$ -	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
1001-8999 gals	3.75	3.75	6.25	6.25	6.25	6.25
9000 - 20999 gals	4.00	4.00	7.50	7.50	7.50	7.50
21000 - 40999 gals	4.25	4.25	8.63	8.63	8.63	8.63
41000+	4.50	4.50	9.49	9.49	9.49	9.49

# CURRENT AND PROPOSED SEWER RATES – FIXED CHARGES

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential Inside	\$ 26.00	\$ 26.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00
Commercial Inside	\$ 28.00	\$ 28.00	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00
Residential Outside	\$ 38.00	\$ 38.00				
Commercial Outside	\$ 40.00	\$ 40.00				
<u>Multi-Unit/Hotel</u> <u>Meter Size (count)</u>						
5/8" (0)	\$ 37.41	\$ 37.41	\$ 34.00	\$ 34.00	\$ 34.00	\$ 34.00
3/4" (1)	37.41	37.41	51.00	51.00	51.00	51.00
1" (2)	45.51	45.51	85.00	85.00	85.00	85.00
1.5" (5)	86.03	86.03	170.00	170.00	170.00	170.00
2" (6)	117.45	117.45	272.00	272.00	272.00	272.00
3" (1)	215.69	215.69	510.00	510.00	510.00	510.00
4" (0)	375.75	375.75	850.00	850.00	850.00	850.00

# CURRENT AND PROPOSED SEWER RATES – VOLUMETRIC CHARGES

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential, Multi-Unit/Hotel &amp; Commercial (Inside)</u>						
0-1000 gals	\$ -	\$ -	\$ 4.55	\$ 4.55	\$ 4.55	\$ 4.55
1001-8999 gals	4.00	4.00	4.78	4.78	4.78	4.78
9000 - 20999 gals	4.05	4.05	5.02	5.02	5.02	5.02
21000 - 40999 gals	4.10	4.10	5.27	5.27	5.27	5.27
41000+	4.15	4.15	5.53	5.53	5.53	5.53
<u>Residential &amp; Commercial (Outside)</u>						
0-1000 gals	\$ -	\$ -				
1001-8999 gals	5.00	5.00				
9000 - 20999 gals	5.05	5.05				
21000 - 40999 gals	5.10	5.10				
41000+	5.15	5.15				

# CURRENT AND PHASE-IN WATER RATES – FIXED CHARGES

Alternative Phase-In

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential Inside	\$ 25.00	\$ 25.00	\$ 27.00	\$ 29.00	\$ 31.00	\$ 33.00
Commercial Inside	\$ 31.00	\$ 31.00	\$ 27.00	\$ 29.00	\$ 31.00	\$ 33.00
Residential Outside	\$ 35.00	\$ 35.00				
Commercial Outside	\$ 49.06	\$ 49.06				
<u>Multi-Unit/Hotel Meter Size (count)</u>						
5/8" (0)	\$ 34.19	\$ 34.19	\$ 27.00	\$ 29.00	\$ 31.00	\$ 33.00
3/4" (1)	34.19	34.19	38.02	41.85	45.67	49.50
1" (2)	39.63	39.63	50.35	61.07	71.78	82.50
1.5" (5)	77.70	77.70	99.53	121.35	143.18	165.00
2" (6)	99.45	99.45	140.59	181.73	222.86	264.00
3" (1)	175.59	175.59	255.44	335.30	415.15	495.00
4" (0)	300.67	300.67	431.75	562.84	693.92	825.00
Sprinklers	\$ -	\$ -	\$ 13.50	\$ 14.50	\$ 15.50	\$ 16.50

# CURRENT AND PHASE-IN WATER RATES – VOLUMETRIC CHARGES

Alternative Phase-In

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential &amp; Commercial (Inside)</u>						
0-1000 gals	\$ -	\$ -	\$ 3.30	\$ 3.60	\$ 3.90	\$ 4.20
1001-8999 gals	3.75	3.75	4.13	4.50	4.88	5.25
9000 - 20999 gals	4.00	4.00	4.95	5.40	5.85	6.30
21000 - 40999 gals	4.25	4.25	5.69	6.21	6.73	7.25
41000+	4.50	4.50	6.26	6.83	7.40	7.97
<u>Residential &amp; Commercial (Outside)</u>						
0-1000 gals	\$ -	\$ -				
1001-8999 gals	4.50	4.50				
9000 - 20999 gals	4.75	4.75				
21000 - 40999 gals	5.00	5.00				
41000+	5.25	5.25				

# CURRENT AND PHASE-IN WATER RATES – VOLUMETRIC CHARGES CONT'D

Alternative Phase-In

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Multi-Unit/Hotel</u>						
0-1000 gals	\$ -	\$ -	\$ 3.30	\$ 3.60	\$ 3.90	\$ 4.20
1001-8999 gals	3.75	3.75	3.30	3.60	3.90	4.20
9000 - 20999 gals	3.75	3.75	3.30	3.60	3.90	4.20
21000 - 40999 gals	3.75	3.75	3.30	3.60	3.90	4.20
41000+	3.75	3.75	3.30	3.60	3.90	4.20
<u>Sprinklers</u>						
0-1000 gals	\$ -	\$ -	\$ 4.00	\$ 4.30	\$ 4.70	\$ 5.00
1001-8999 gals	3.75	3.75	5.00	5.38	5.88	6.25
9000 - 20999 gals	4.00	4.00	6.00	6.45	7.05	7.50
21000 - 40999 gals	4.25	4.25	6.90	7.42	8.11	8.63
41000+	4.50	4.50	7.59	8.16	8.92	9.49

# CURRENT AND PHASE-IN SEWER RATES – FIXED CHARGES

Alternative Phase-In

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential Inside	\$ 26.00	\$ 26.00	\$ 28.00	\$ 30.00	\$ 32.00	\$ 34.00
Commercial Inside	\$ 28.00	\$ 28.00	\$ 28.00	\$ 30.00	\$ 32.00	\$ 34.00
Residential Outside	\$ 38.00	\$ 38.00				
Commercial Outside	\$ 40.00	\$ 40.00				
<u>Multi-Unit/Hotel</u> <u>Meter Size (count)</u>						
5/8" (0)	\$ 37.41	\$ 37.41	\$ 28.00	\$ 30.00	\$ 32.00	\$ 34.00
3/4" (1)	37.41	37.41	40.81	44.21	47.60	51.00
1" (2)	45.51	45.51	55.38	65.26	75.13	85.00
1.5" (5)	86.03	86.03	107.02	128.02	149.01	170.00
2" (6)	117.45	117.45	156.09	194.73	233.36	272.00
3" (1)	215.69	215.69	289.27	362.85	436.42	510.00
4" (0)	375.75	375.75	494.31	612.88	731.44	850.00

# CURRENT AND PHASE-IN SEWER RATES – VOLUMETRIC CHARGES

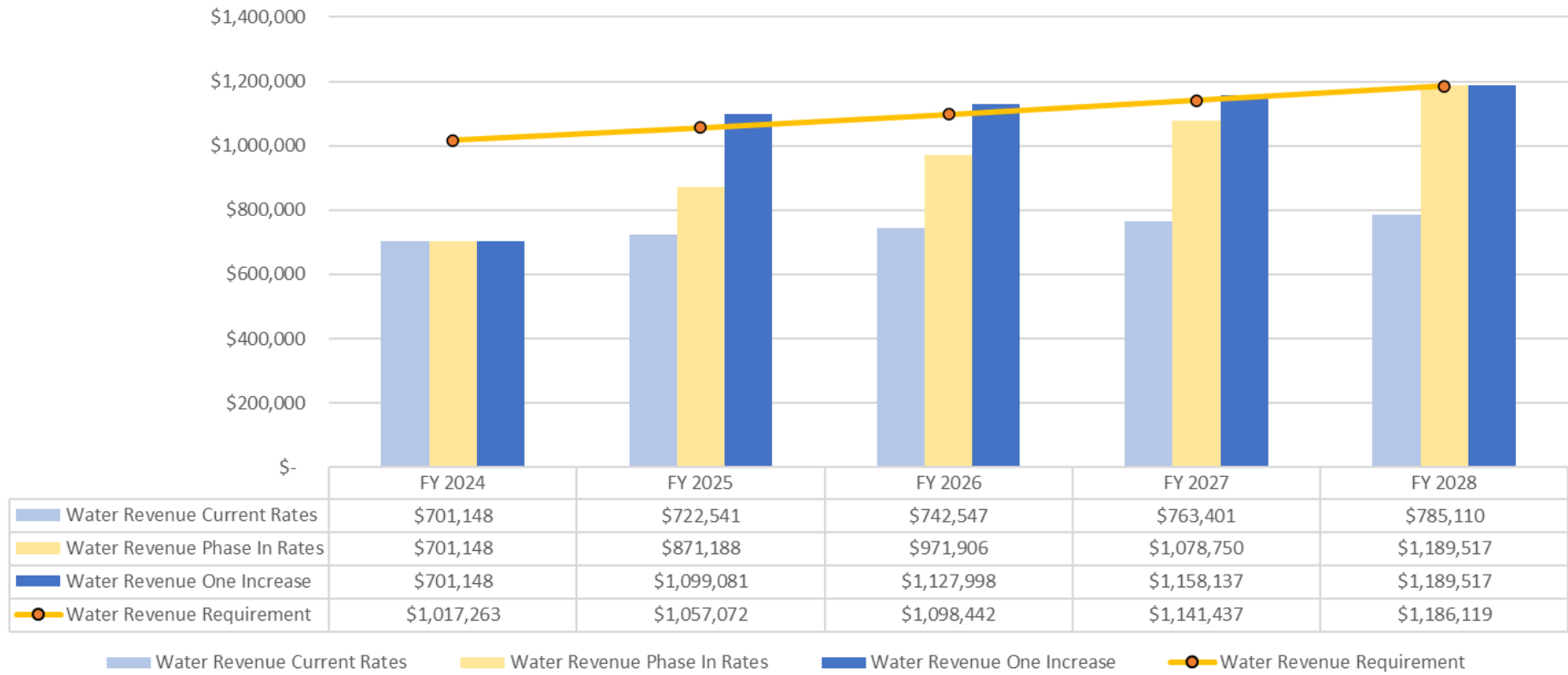
Alternative Phase-In

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential, Multi-Unit/Hotel &amp; Commercial (Inside)</u>						
0-1000 gals	\$ -	\$ -	\$ 3.80	\$ 4.05	\$ 4.30	\$ 4.55
1001-8999 gals	4.00	4.00	3.99	4.25	4.52	4.78
9000 - 20999 gals	4.05	4.05	4.19	4.47	4.74	5.02
21000 - 40999 gals	4.10	4.10	4.40	4.69	4.98	5.27
41000+	4.15	4.15	4.62	4.92	5.23	5.53
<u>Residential &amp; Commercial (Outside)</u>						
0-1000 gals	\$ -	\$ -				
1001-8999 gals	5.00	5.00				
9000 - 20999 gals	5.05	5.05				
21000 - 40999 gals	5.10	5.10				
41000+	5.15	5.15				

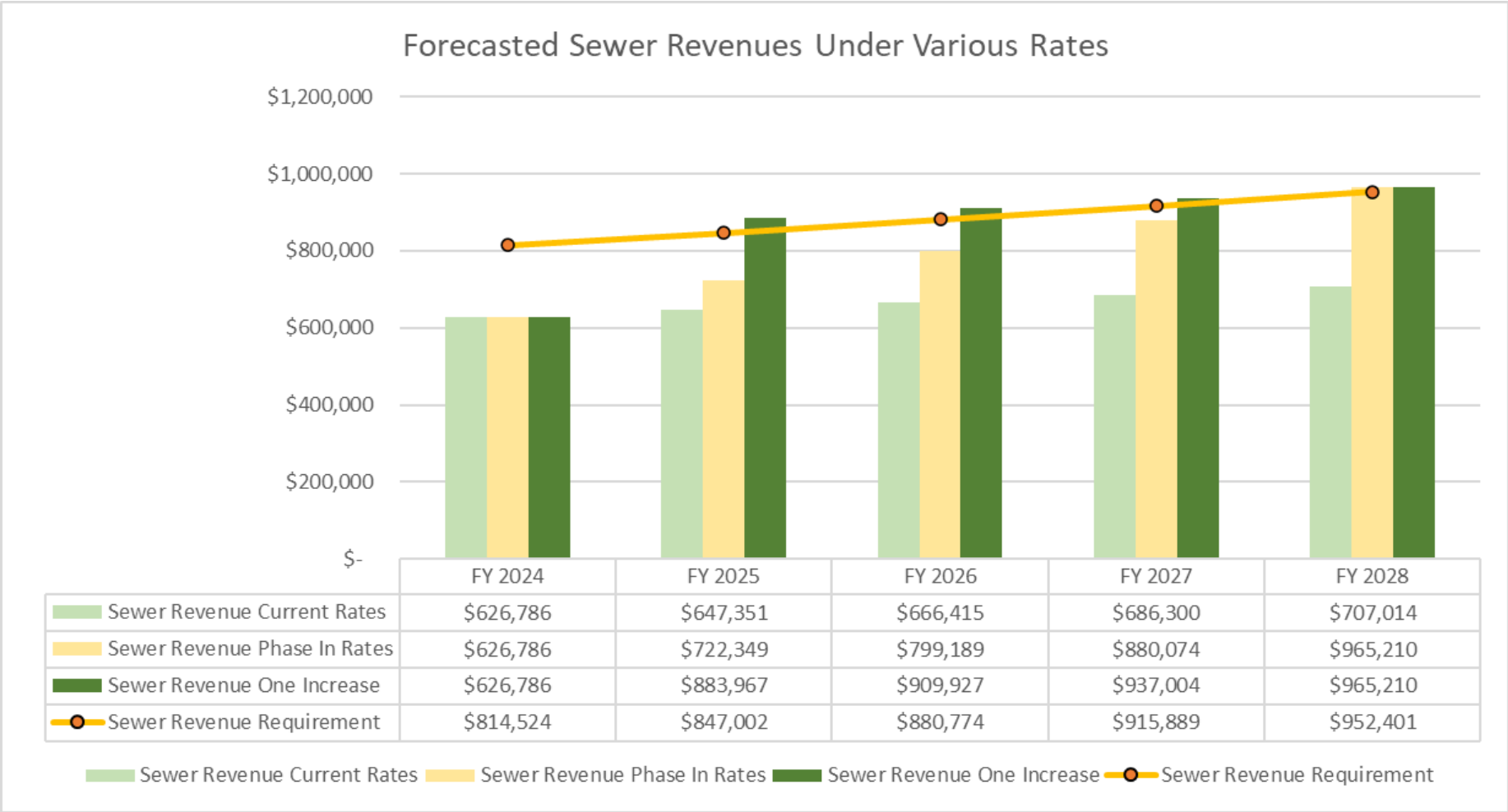


# WATER REVENUE PERFORMANCE

Forecasted Water Revenues Under Various Rates



# SEWER REVENUE PERFORMANCE



# Impact on Fund Balances

Item 1.

Proposed	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Beginning Balance	\$ 1,300,232	\$ 796,379	\$ 890,602	\$ 964,560	\$ 1,017,625
Water Over/(Under) Recovery	(316,115)	57,259	44,805	31,950	18,648
Sewer Over/(Under) Recovery	(187,738)	36,965	29,153	21,115	12,808
Ending Balance	\$ 796,379	\$ 890,602	\$ 964,560	\$ 1,017,625	\$ 1,049,081
Cash O&M Expenses	\$ 1,609,309	\$ 1,671,150	\$ 1,735,428	\$ 1,802,239	\$ 1,871,684
Days Cash on Hand	181	195	203	206	205
Alternative Phase-In	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Beginning Balance	\$ 1,300,232	\$ 796,379	\$ 497,823	\$ 302,773	\$ 218,432
Water Over/(Under) Recovery	(316,115)	(173,902)	(113,465)	(48,527)	18,648
Sewer Over/(Under) Recovery	(187,738)	(124,654)	(81,585)	(35,815)	12,808
Ending Balance	\$ 796,379	\$ 497,823	\$ 302,773	\$ 218,432	\$ 249,888
Cash O&M Expenses	\$ 1,609,309	\$ 1,671,150	\$ 1,735,428	\$ 1,802,239	\$ 1,871,684
Days Cash on Hand	181	109	64	44	49

# Monthly Residential Customer Sample Water and Sewer Bill Impact

Item 1.

Proposed	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
5,000 Gallons						
Total Water Bill	\$ 40.00	\$ 40.00	\$ 58.20	\$ 58.20	\$ 58.20	\$ 58.20
Total Sewer Bill	\$ 42.00	\$ 42.00	\$ 57.66	\$ 57.66	\$ 57.66	\$ 57.66
Total	\$ 82.00	\$ 82.00	\$ 115.86	\$ 115.86	\$ 115.86	\$ 115.86
Year-Over-Year Increase (\$)		\$ -	\$ 33.86	\$ -	\$ -	\$ -
Year-Over-Year Increase (%)		0.0%	41.3%	0.0%	0.0%	0.0%
Alternative Phase-In	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
5,000 Gallons						
Total Water Bill	\$ 40.00	\$ 40.00	\$ 46.80	\$ 50.60	\$ 54.40	\$ 58.20
Total Sewer Bill	\$ 42.00	\$ 42.00	\$ 47.76	\$ 51.06	\$ 54.36	\$ 57.66
Total	\$ 82.00	\$ 82.00	\$ 94.56	\$ 101.66	\$ 108.76	\$ 115.86
Year-Over-Year Increase (\$)		\$ -	\$ 12.56	\$ 7.10	\$ 7.10	\$ 7.10
Year-Over-Year Increase (%)		0.0%	15.3%	7.5%	7.0%	6.5%

# Benchmarking Rates

Water Fees By Population Category  
Summary  
2023

Population Group	No. of Cities Reporting	Avg. Total Customers	Residential Water		Commercial Water		
			Average Usage	Average Fee For		Average Fee For	
				5,000 Gal.	10,000 Gal.	50,000 Gal.	200,000 Gal.
2,000 OR LESS	208	452	5,266	48.56	76.91	359.25	1,332.43
2,001 - 5,000	101	1,366	6,155	87.67	74.30	364.17	1,456.94

## Standard Rates for 5/8" meter

Monthly Minimum: \$34.50  
Per 1,000 gal. \$ 6.05

## Average Billing Examples

Average billing example for 5/8" meter

Usage (gal.):	Bill Total:
2,000	\$46.66
5,000	\$64.91
10,000	\$95.31

Source: Texas Municipal League - <https://www.tml.org/ArchiveCenter/ViewFile/Item/211>

Cypress Springs Rates. Source: [Rates & Policies | Cypress Springs Special Utility District \(cssudpay.com\)](#), retrieved 4/4/2024

## RECOMMENDATIONS

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1. Implement Proposed Rates as soon as practical
2. Charge outside-City customers same rates as inside-City customers
3. Charge volumetric rate for all consumption/flow (no “free” water/sewer)
4. Implement fixed charge for sprinkler customers



# QUESTIONS / DISCUSSION

**NEWGEN STRATEGIES AND SOLUTIONS  
8140 NORTH MOPAC EXPRESSWAY  
SUITE 1-240 AUSTIN, TX 78759**

**GRANT RABON, PARTNER  
512-900-8232  
GRABON@NEWGENSTRATEGIES.NET**