

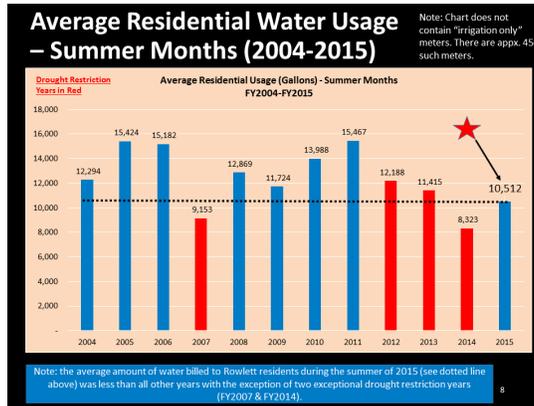
Water Forum

On Tuesday, June 28, City Manager Brian Funderburk held a public forum to discuss the state of water in Rowlett and other City water-related topics.

Water Concerns

From 2012 to 2015, North Texas experienced the most severe drought since the mid-1950s. While residential usage declined due to water restrictions, costs continued to increase. In fact, due to the North Texas Municipal Water District's (NTMWD) Stage 3 water restrictions, *fiscal year 2012 through fiscal year 2015 brought the lowest amount of residential water usage in any three year period since before 2004 (7,616 gallons per month – normal is about 8,824 gallons).* The City of Rowlett lost money every year during the drought and reserves are at the lowest level in over a decade. Since fiscal year 2008, Rowlett has only instituted one rate increase. In fiscal year 2013, \$8.65 per month was added to provide capital maintenance funding to address an aging and deteriorating Utility System. In all other years, rate increases from NTMWD and

the City of Garland (wastewater treatment plant) have been passed on to Rowlett customers.



During fiscal year 2009 through fiscal year 2015, Rowlett increased the bill (water and

sewer only) by an average of 5.5 percent each year, going from \$97.37 per month to \$129.61 for 10,000 gallons of water. Then, *last summer, Stage 3 restrictions were relaxed from allowing outside irrigation once every two weeks to now allowing four times every two weeks. That, paired with a hot, dry summer, led to a marked increase in customer's water bills.* For many, the amount of water used in 2015 was the highest amount in the previous three years. Combined with that average increase of 5.5 percent, many customers were surprised by their higher-than-summer-past bill. This was not just a Rowlett issue, as outside irrigation is the main reason water usage increases during the summer, one only had to watch the evening news or check social media to see that consumers all over north Texas were also experiencing drastically higher water bills.

New Rate Structure Under Consideration...

All 13 NTMWD Member Cities now have "tiered" rate structures to encourage water conservation. While this lowers the base rate, it shifts the burden of rate paying to those who use more but adds substantial risk for revenue purposes on elements out of local control (i.e. weather and/or NTMWD mandated water restrictions).

After researching and analyzing the rate structures of NTMWD cities and usage patterns of Rowlett customers, there are solid reasons why Rowlett rates should be adjusted, particularly the base rates. Rowlett has included increases from NTMWD and Garland to the base rate over the past few years due to uncertainty in the volume of water that may be used under the Stage 3 Water Restrictions. This added about \$15.00 to the base rate that would have otherwise been added to the volume rate.

How best to make this adjustment becomes the question. As research has shown, NTMWD Member Cities have been encouraged to adopt inclining rate structures. All have done so however; how many tiers, whether to include some amount in the base rate, the width of each tier (i.e. amount of gallons) and the rates themselves vary greatly among the NTMWD Member Cities. It must be presumed that the

individual rate structures of each city have been created to meet their own particular usage patterns, while still complying with NTMWD recommendations regarding the inclining rate structures.

Rowlett's current rate structure is rather simple. While there is a small increase for usage over 25,000 gallons, it is essentially linear. The more you use, the more you proportionately pay. Adding multiple tiers provides the ability to spread out the cost of service between those who use very little water, a moderate amount of water, or a lot of water. Therefore, the rate models used by the NTMWD Member Cities have great appeal for customers who use very little water. There are several elements that influence how rate design should be applied, including affordability; equity; conservation; and any other strategic goals (i.e. economic development, ease of administration, capital maintenance, bond covenants, etc.). NTMWD has made it clear that their primary objective behind the inclining rate structure is conservation. Each city has to determine its own objectives.

Recognizing that there may be a strong desire to adopt a multiple tier rate structure and to include the first 1,000 gallons in the base rate,

staff has recommended a formal rate study be completed prior to implementation because...

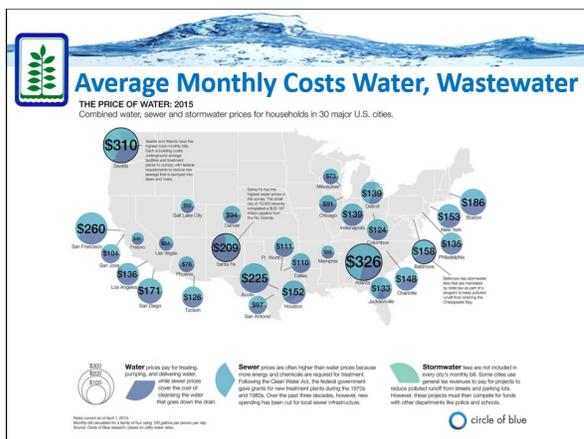
The Utility Fund is in a precarious position after losing revenue for the past three years, due to water restrictions. It is currently in a two-year plan to rebuild reserves.

Four years of drought have wreaked havoc with infrastructure and capital maintenance needs still remain high.

Elasticity of demand may be high due to the widespread negative publicity about water billing practices in DFW last summer. Elasticity of demand theory suggests that "price" affects usage. Not effectively considering this issue could result in a reduction in water revenue below levels necessary to operate and maintain the system.

Rowlett doesn't have as robust a commercial base as Plano, Garland or some of the other NTMWD member cities. As a result, Rowlett needs to better understand the impact these changes will have on businesses.

City staff is also developing a policy to allow adjustments for water leaks, this should be presented to the City Council by August for approval.



What is "Take or Pay"?

Rowlett is a "Customer" City of the North Texas Municipal Water District (as opposed to one of the 13 "Member" Cities). Like many such wholesalers, the District has a "take-or-pay" provision in the contract that requires the annual purchase of a minimum amount of water based on the highest annual usage. For Rowlett, this amount is 3.2 billion gallons, which was set after the drought of 2006. Over the past 13 years, Rowlett has paid \$9.9 million for water it did not sell under the "take-or-pay" agreement with NTMWD.



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a monthly newsletter for the Rowlett community

Rowlett

On the Move

Legacy project breaks ground!

Bayside

Plans Include a Crystal Lagoon and Largest Show Fountain in Texas

Bayside, the \$1 billion-dollar mixed-use lake-front development located at Dalrock and I30, will boast an *8-acre Crystal Lagoon that is 25 times the size of an Olympic swimming pool and equivalent to 10 football fields of sparkling turquoise water.* Ideal for sailing, stand-up paddle boarding and more, the environmentally sustainable Crystal Lagoon uses 50 percent less water than a park of the same size; 30 times less water than an 18-hole golf course; 100 times less chemicals than a swimming pool and up to 50 times less energy than conventional pool filtration systems.

In addition to offering beach life, the highlight of the Crystal Lagoon will be the largest fountain in Texas, which will be home to daily and nightly live entertainment with shows featuring music, fire and more – and it's all open to the public. The show fountain is one acre in size and 300 feet long with 250 water nozzles that shoot water up to 200 feet in the air, 29 fire nozzles, and two state-of-the art video mist screens that project an interactive performance daily and nightly for guests to enjoy,



The City of Rowlett and Bayside Land Partners hosted a groundbreaking ceremony on Tuesday, April 26.

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WATER METER STUDY AND RATE ANALYSIS

Independent auditor finds no exceptions in City billing system.

Water customers all across North Texas were concerned last summer when they began seeing the financial impact of outside irrigation after four years of drought and three years of water restrictions. Since water restrictions were lifted last May, customers were allowed to water three times as often. Last October, the City Council met to discuss customers' concerns regarding water usage and billing practices. At that meeting, Council expressed interest in analyzing Rowlett's water rate structure compared to other North Texas Municipal Water District (NTMWD) cities and to have an audit conducted on City water meters and billing processes.

The City engaged an independent auditor, Weaver & Tidwell, to audit the meter reading and billing system for 68 random accounts, the amount they determined necessary to obtain a statistically valid sample. In addition, an agreement with the City of Garland was developed to perform the testing. As part of the agreement, Rowlett tested 68 of Garland's water meters.

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Meter Test Results

The water meters are tested at three different flow levels. The Low flow runs ¼ gallons per minute for 10 gallons, the Medium flow runs two gallons per minute for 10 gallons, and the High flow runs 15 gallons per minute for 100 gallons. These flow levels are recommended by the American Water Works Association (AWWA), to test residential water meters. Typically, the Medium flow represents normal household usage (i.e. toilet flushing, showering, etc.). Most usage happens around this level. The High flow is typical when running sprinklers or using multiple devices at the same time. The Low flow would represent very little usage or a small leak. Larger commercial water meters are tested at different flow rates.

Of the 68 water meters tested, one water meter had a broken dial, six read low and three read high. Average results ranged from 99.1 to 100.0. The lowest reading was 80.0 and the highest reading was 104.0.

As expected, exceptions that reported outside acceptable tolerances were older meters. For example, all three meters that read high were older than 10 years. All but one of the six meters that read low were older than 10 years. The broken meter was 12 years old. The City does have a Meter Replacement Program in place to address aging water meters.

Billing System Results

While the City of Garland tested the 68 water meters, Weaver & Tidwell audited customer water bills from the original water meter reading to the final bill. They obtained the Auto Read reports from the meter file, reviewed the file sent to the City's printing company, DataProse, and compared the meter readings in the Auto Read file to the meter readings in the final DataProse bills.

“The auditors took the accounts and audited the process all the way from the point where the meter was read until the final bill went out. They tested that process all the way through and found no exceptions.”

Brian Funderburk
City Manager

No exceptions were noted by Weaver & Tidwell in their testing. Two selections had no activity so no bill was mailed. Five of the meters selected were unable to be read by the radio-read software and were obtained manually. No exceptions were noted.

Comparative Rate Analysis

How do Rowlett's rates compare to other NTMWD cities?

There is little consistency, however some common themes emerged:

Water-

1. 75% or nine of the 13 NTMWD Member Cities include 1,000-3,000 gallons in the base water rate.

2. 100% of the 13 NTMWD cities now have “tiered” water rate structures to encourage water conservation. While this lowers the base rate, it shifts the burden of rate paying to those who use more.

3. Other than numbers one and two, city rates and practices vary significantly.

Rowlett has had a two-tier water rate structure for many years, charging \$4.07 for the first 25,000 gallons and \$4.57 for each 1,000 gallons above that. While the Texas Commission on Environmental Quality (TCEQ) does not mandate what the water rate structure must be, most NTMWD Member Cities and some Customer Cities have taken

NTMWD's lead in adopting multiple tiers with an inclining scale. Rowlett has a higher base rate when compared against the 13 NTMWD Member Cities; however, because of the “tiered” rate structure implemented by these cities, Rowlett's rate meets the NTMWD Member Cities average at 25,000 gallons and continues to move below the

average as the volume continues to increase. While there are many factors that drive decisions about rates, the most relevant here is that Rowlett opted to pass along annual rate increases from NTMWD (water) and Garland (sewer) over the past few years in the base rate due to uncertainty regarding the Stage 3 Water Restrictions.

Sewer-

1. Roughly half of the NTMWD Member Cities use winter averaging, which sets individual “caps” on sewer usage to represent the amount of water used when there is no outside irrigation, typically December-March.

2. Of the remaining Cities, most have caps at or around 8,000-12,000 gallons per month (Rowlett is 10,000 gallons).

Understanding Your Water Bill

Conserve Water and Save \$\$
Remember: Every Drop Counts!

Have questions about your water bill?

Most can be answered with a little knowledge of how the bill is formatted and where important information is located.

Account Statement Page 1 of 1

ACCOUNT INFORMATION

ACCOUNT: 99999-123456
CYCLE-ROUTE: 02-31
SERVICE ADDRESS:
SERVICE PERIOD: 01/04/2016 to 02/03/2016
BILLING DATE: 02/15/2016
DUE DATE: 03/07/2016

CURRENT METER INFORMATION

Meter	Service Type	Previous	Current	Usage
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ACCOUNT ACTIVITY

LAST BILL
TOTAL PAID SINCE LAST BILL

BALANCE FORWARD

NEW CHARGES

BASE RATE
CONSUMPTION
DRAINAGE-RESIDENTIAL

WATER TOTAL

BASE RATE
CONSUMPTION

SEWER TOTAL

RESIDENTIAL TRASH CART
RESIDENTIAL TRASH CART

REFUSE (TRASH) TOTAL

TAX ON REFUSE
TOTAL NEW CHARGES

ACCOUNT BALANCE

BALANCE FORWARD
TOTAL CURRENT CHARGES DUE BY 03/07/2016
TOTAL AMOUNT DUE
AMOUNT DUE IF PAID AFTER 03/07/2016

YOUR MONTHLY USAGE

Month	Last Year Usage	This Year Usage
FEB	5000	4500
MAR	5500	4800
APR	6000	5200
MAY	6500	5500
JUN	7000	5800
JUL	7500	6200
AUG	8000	6500
SEP	7500	6000
OCT	7000	5500
NOV	6500	5000
DEC	6000	4500
JAN	5500	4000
FEB	5000	3500

SPECIAL MESSAGE

For your convenience the City of Rowlett offers an ACH option for utility bill payments. This method allows for customers to have their utility payments auto-debited from their checking accounts on their respective due dates.

Mint Bills will end their online and mobile app payment services on February 19, 2016. We are proud to announce that a new partnership with Paymentus which will begin on that date. Paymentus will provide customers with the option to sign up for fully recurring credit card payments as well as make one-time utility payments.

Your account number and customer ID number can be found in the upper right hand corner of your bill and is read as the account number “dash” customer ID number.

Further down in the same section you can find the service period or the dates the meter was read.

The section directly below contains the usage for the current billing period, along with the reads that were taken on the dates above.

The “New Charges” field consist of a breakdown of all current charges for the most recent billing period. The City of Rowlett bills for water, sewer, drainage, and trash, all of which have a monthly base fee for active accounts. Water and sewer services have consumption charges added based on monthly usages

Finally, it is important to read the “Special Message” section of your bill every month. This is one way the City of Rowlett communicates important messages and updates to you!