



Memorandum

To: Honorable Mayor Jeff Cheney and Members of the Frisco City Council

Cc: George Purefoy, City Manager
Anita Cothran, Chief Financial Officer
Jennifer Hundt, Director of Budget and Planning Services

From: Brett Peterson, Treasury Manager

Date: September 21, 2021

Subject: Consider and act upon an amendment to the Master Fee Ordinance setting new rates for water, sanitary sewer, reclaimed water, residential deposit, and solid waste collection fees (Budget/BP).

Action Requested: City Council approval of an Ordinance amending the master fee ordinance and setting new rates for water, sanitary sewer, reclaimed water, residential deposit, and solid waste collection fees.

Background Information:

Water and Sanitary Sewer

The growth experienced by the City is seen in the increase in cost of sales and services in the Water and Sanitary Sewer Utility Fund. Although the North Texas Municipal Water District (NTMWD) is not raising member wholesale water rates, a large portion of the increase is due to the pass-through costs from NTMWD. Costs include increases in debt service payments related to the Panther Creek and Stewart Creek Wastewater Treatment Plants and increased personnel, chemical, and maintenance costs for the Regional Water and Wastewater System's, as well as the Upper East Fork Interceptor System. In addition, NTMWD is projecting annual demand of 12,979,263,000 gallons of water from the City of Frisco. Staff recommends a 3% rate increase to water and sanitary sewer rates to meet these costs.

Reclaimed Water

The City holds the first right to use all effluent produced for reclaimed water in accordance with the Reclaimed Water Use Agreement with NTMWD. There are developers/owners who desire to purchase reuse water from the City for landscape irrigation use on their development. The City has made this reuse water available

through individual contracts and by City Resolution. Section 5.8 of the Agreement states that the rates for reclaimed water will be set per ordinance. At this time, staff recommends setting the reclaimed water charge at \$2.13 per thousand gallons for FY22, which is fifty-percent of the proposed potable water irrigation rate.

Residential Deposit

The current residential utility account deposit was set in 2016 at \$125.00. Staff recommends setting the residential utility account deposit at \$150.00 to reflect the average monthly residential bill.

Solid Waste

The Environmental Services Fund experienced similar growth in cost of sales and services. Rate increases in FY21 and FY22 proposed rate increase of \$1.00 per residential cart per month and 2% for commercial customers will be transferred to the Frisco Community Development Corporation Remediation Fund to cover costs of the landfill closure and plant operations expenses for the Exide Battery Recycling Plant grounds.

Financial Considerations: The Water and Sewer Fund revised budget projects fiscal year 2021 ending balance of \$58,740,346, bringing the unrestricted net position to approximately 236 days of operating expenses for FY21. These rate adjustments are required to ensure the fund's financial stability. These proposed fee changes should provide enough increase in revenue to maintain approximately \$56 million in cash and cash equivalents and 209 days in cash for FY22 in accordance with our policy of 7 months of days in cash. FY22 revenue does include the proposed 3% rate increase for both the water and sewer rates.

The Environmental Services Fund ended FY 2020 with \$7,566,779 in operating reserves and is projected to end FY 2021 with \$3,337,381, which includes the \$4,250,000 transfer to the CDC Remediation Fund. While FY22 proposed unrestricted net position is projected to be \$2,392,583, including \$1,400,000 in CDC Remediation Fund transfers. The net position at the end of FY22 represents approximately 12.01% of operating expenses and cost of sales and services.

The new water, sewer, reclaimed water, residential deposit, and solid waste collection fees will not be effective until the January 2022 billing (December consumption).

Legal Review: The Ordinance has been reviewed and approved by the City Attorney.

Alternatives: City Council could choose not to move forward at this time and provide staff with direction for alternatives.

Board/Citizen Input: The rate increases were discussed at each of the public hearings on the budget and the Council Budget Work Session.

Supporting Documents: Ordinance.

Staff Recommendation: Staff recommends moving forward with the rate increases as recommended.