

Wastewater Rate Options

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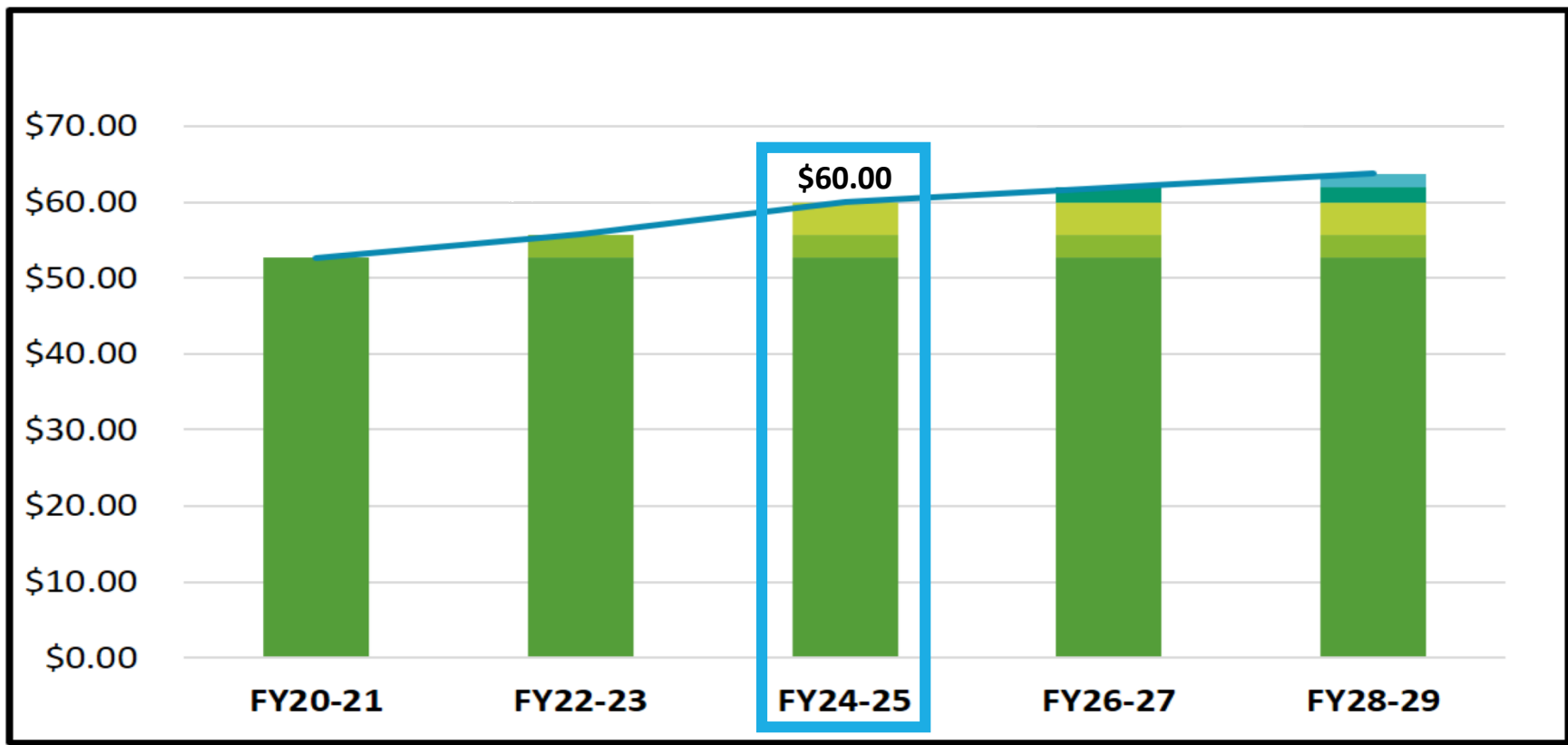
Consent Decree Overview

- The Federal Government sued the City of Corpus Christi for sewage pollution in federal waters
- In January 2021, the City finalized negotiations of a settlement with the Federal Government which committed an estimated \$750M for infrastructure improvements over a 15-year period, along with continued operations and related costs of the wastewater system to meet regulatory guidelines
- FY25 will be year 4 of the 15-year consent decree

Residential Wastewater Rate Projections as Presented on June 23, 2020, Council Consent Decree Briefing



Estimated Wastewater Rate Increase Based on 5,000 Gallon Monthly Usage



Actual Wastewater Rate Increases for FY20 – FY24, FY25 Proposed

Wastewater Charges	FY20	FY 21	FY 22	FY 23	FY 24	FY 25
Average Residential Customer (5,000 gallons)	\$ 52.67	\$52.67	\$54.64	\$54.64	\$54.64	\$59.32
Average Commercial Customer (20,000 gallons)	\$129.35	\$129.35	\$140.78	\$140.78	\$172.46	\$191.36

Storm Water Legacy Debt

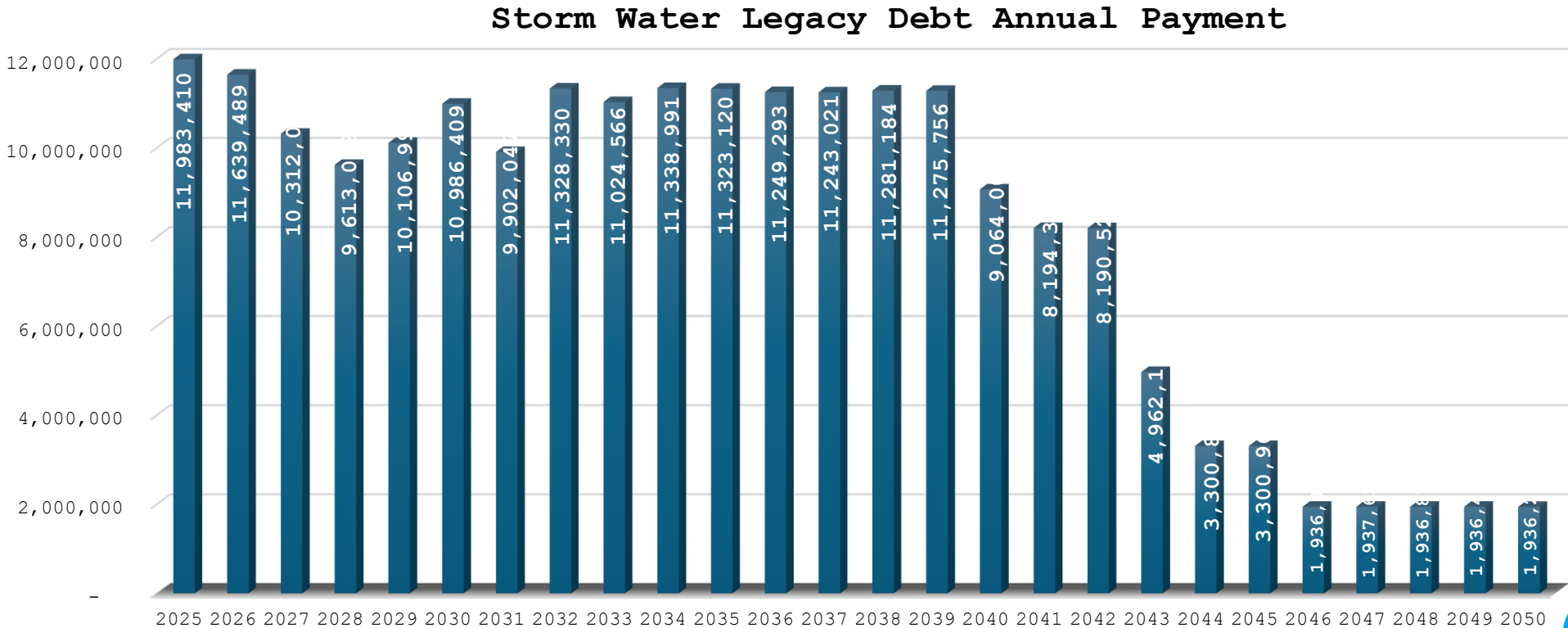
- FY22 Storm Water became a utility
 - \$12M in annual Storm Water debt payments remained with water utilities to not drive the Storm Water rate up
- FY25 was the first year of a two-year plan to build in the repayment of Storm Water legacy debt into utility rates (as opposed to using fund balance)
 - **Year 1:** 50% of the debt payment coming from the Wastewater fund and 50% from the Wastewater rate
 - **Year 2:** 50% of the legacy debt in the Wastewater rate and add 50% in the Water rate

	FY22	FY23	FY24	FY25	FY26
Water Rate	100%	100%			50%
Water Fund Balance			100%		
Wastewater Fund Balance				50%	
Wastewater Rate				50%	50%



Storm Water Legacy Debt

- 25-years of debt payments remaining
 - In FY 26, annual debt payments must be included in operational rates
- \$211.3M in payments remaining over the life of the debt



Council NO Vote on September 10th

\$12M budget reduction

- **Trust funds deficit will not be addressed on October 1, 2024.**
 - Instead, payments to developers will be spread out over the next decade
- **One-time funding of Storm Water Legacy debt with fund balance**
 - FY26 rates must include the total annual cost of \$12M legacy debt in the rates
- **Consent Decree non-compliance**
 - U.S and State Government intervention in Wastewater operations
 - The City may lose control over day-to-day operations
 - Millions of dollars in annual fines due to Federal and State Government

Council NO Vote on September 10th

\$12M budget reduction

- **Elimination of CCTV Wastewater Inspections**

- 10 of 24 positions eliminated
- Non-compliance with consent decree resulting in millions in annual fines
- Elimination of preventative maintenance
- Increase in wastewater overflows
- Elimination of wastewater line cleaning
- Elimination of wastewater condition assessment
- Increase in potential damage to other City infrastructure (Streets and Storm Water)

- **Elimination of Wastewater Repair Crews**

- 20 of 35 positions eliminated
- Non-compliance with consent decree resulting in millions in annual fines
- Elimination of preventative maintenance
- Increase the number and duration of service interruptions
- Increased threat to Public Health & Safety
- Elimination of proactive customer service line repairs

Council NO Vote on September 10th

\$12M budget reduction

- **Elimination of Emergency Response, Restoration & Vector Services**
 - 20 of 48 positions eliminated
 - Non-compliance with consent decree resulting in millions in annual fines
 - Limited response to private service line issues (Water & Wastewater)
 - Increase the number and duration of sanitary sewer overflows
 - Increase in service disruptions
 - Elimination of public easement restoration on private property
 - Negative impact to bay water quality
 - Health & Safety impact

Council NO Vote on September 10th

\$12M budget reduction

- **Reduction in Wastewater Treatment and Lift Station Staff**
 - 6 of 122 positions eliminated
 - Eliminate night crews at Oso WWTP, increasing environmental risk to Oso Bay
 - Elimination of all preventive maintenance activities
 - Decrease in plant operation and oversight resulting in possible consent decree fines
 - Eliminate all housekeeping measures (mowing, painting, general cosmetic repairs)

Wastewater Rate Increase for FY25

Average Residential Customer (5,000 gallons)	\$0
Average Commercial Customer (20,000 gallons)	\$0

Wastewater Rate Options

- **Option 1: Recommended**

Approve Wastewater Rate proposed on July 30, 2024

- **Option 2: (\$6M Budget reduction)**

Elimination of \$6M Trust funds payment and funding total \$12M Storm Water Legacy Debt with one-time funds

- **Option 3: (\$8M Budget reduction)**

Elimination of \$8M Trust funds payment and funding total \$12M Storm Water Legacy Debt with one-time funds

Option 1: Recommended

- Fully supported consent decree operations
- Continuation of the multi-year rate plan to reach full cost of service equity for all rate classes
- Fix deficit in Trust funds on October 1, 2024
- Year one of budgeting in Storm Water Legacy debt into operational rates and not depending on one-time reserves
- Continuation of cash funding CIP to reduce debt dependency
- Funding for the year-over-year CPI cost escalation of O&M

Wastewater Rate Increase for FY25

Average Residential Customer (5,000 gallons)	\$4.68
Average Commercial Customer (20,000 gallons)	\$18.90

Option 2: (\$6M budget reduction)

- **\$6M of Trust funds deficit will not be addressed on October 1, 2024.**
 - Instead, payments to developers will be spread out over the next decade
- **Debt-service coverage (1.15) for the Wastewater fund will not be met**
- **One-time funding of Storm Water Legacy debt with fund balance**
 - FY26 rates must include the total annual cost of \$12M legacy debt in the rates

Wastewater Rate Increase for FY25

Average Residential Customer (5,000 gallons)	\$3.15
Average Commercial Customer (20,000 gallons)	\$18.90



Option 3: (\$8M budget reduction)

- **\$8M of Trust funds deficit will not be addressed on October 1, 2024.**
 - Instead, payments to developers will be spread out over the next decade
- **Debt-service coverage (1.15) for the wastewater fund will not be met**
- **One-time funding of Storm Water Legacy debt with reserves**
 - FY26 rates must include the total annual cost of \$12M legacy debt in the rates

Wastewater Rate Increase for FY25

Average Residential Customer (5,000 gallons)	\$2.10
Average Commercial Customer (20,000 gallons)	\$12.60



Staff Recommendation

- Staff recommends Council adopt the Wastewater rates as presented on July 30, 2024



Thank you!

