



## About the Utility Bill – What Drives the Cost

Staff occasionally receives questions about residential utility bills and what drives the amount residents pay for utilities. While the utility bill is commonly referred to as a “water bill”, it is really comprised of charges for the following services:

- Water Service
- Wastewater Service
- Garbage Service
- Drainage Improvements and Maintenance

It is also important to understand that the utility fund is supposed to be a self-sufficient fund. That means that it is supposed to be able to recover all of the necessary costs through user fees, without being subsidized by any tax revenue.

The major expenses in the utility fund include the following:

- Debt Payments for past utility improvements
- Charges for water purchase and wastewater disposal
- Personnel to maintain the utility infrastructure
- Operating supplies for day to day functions
- Administrative services for management of the utility department
- Payments for garbage pickup provided by a third party contractor for trash collection

Each of these categories are explained in more detail below.

**Debt Payments:** From 2007 to 2015, more than \$15 million worth of projects have been completed and financed using debt through the utility fund. This was done in order to make necessary improvements to the drainage facilities, water lines and wastewater system and lines. Completed projects include, but are not limited to: Matthews Drainage, Upper Hardisty Drainage, Kingsbury Drainage, a new Lift Station, and the replacement of more than 5,000 feet of wastewater line.

The result of the \$15 million in projects that we have completed is that we pay approximately \$1,250,000 per year to repay the debt for those projects.

**Charges for Water and Wastewater:** Richland Hills purchases treated water from the City of Fort Worth. Fort Worth also treats all of our wastewater. This is done because we do not have a water treatment plant or wastewater treatment plant. Most cities in Tarrant County are in the same situation, and as such they pay another entity for water and wastewater. These are costs that we don’t control. Fort Worth dictates how much we pay per 1,000 gallons consumed. Currently, we pay just over \$1 million per year to the City of Fort Worth for these services.

**Personnel:** Richland Hills employs several people in order to maintain and repair the drainage channels, water lines and wastewater lines. Our current cost for employees that work directly and exclusively in the utility department is approximately \$1 million per year. This includes both salaries and benefits for the employees.

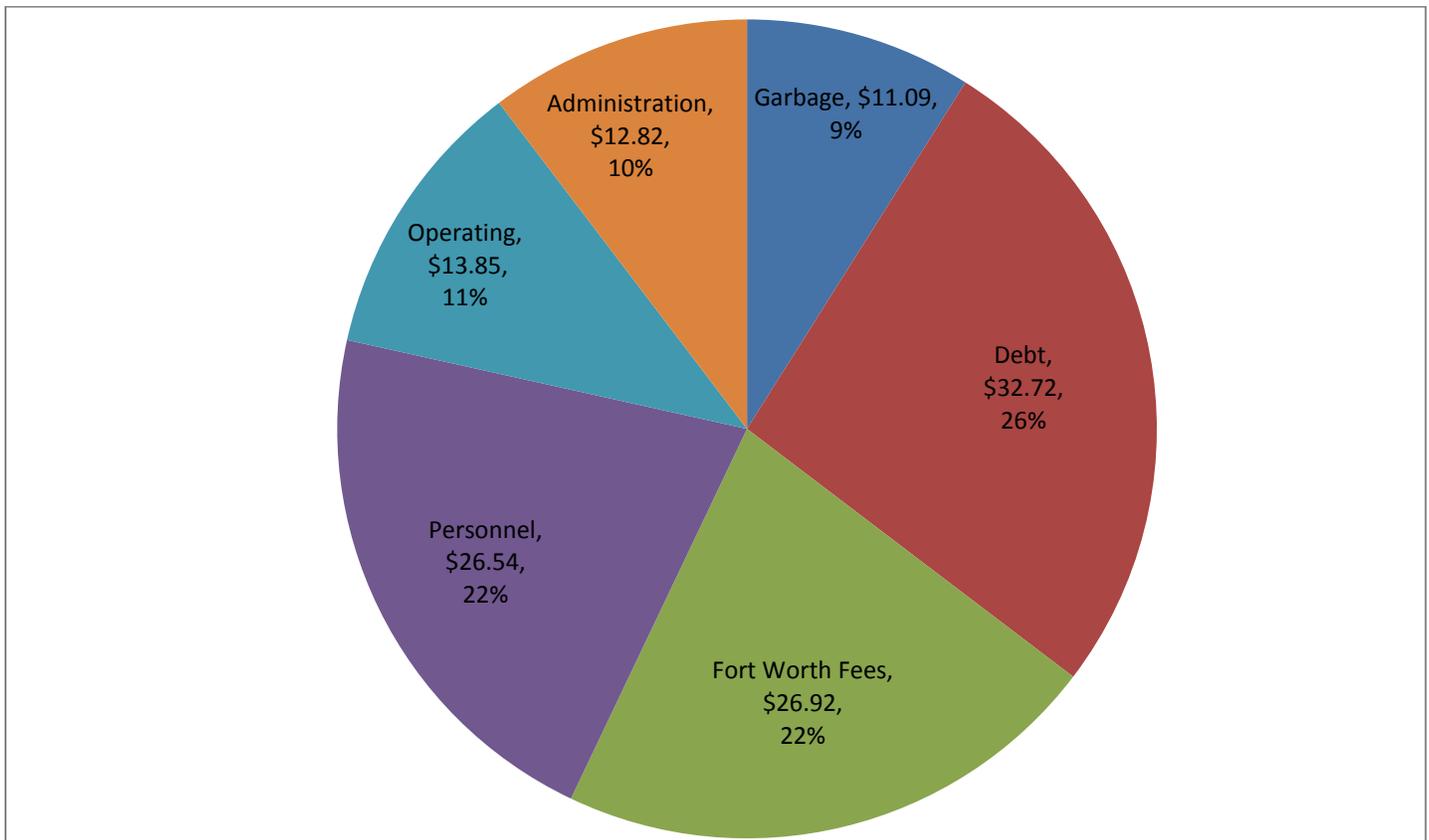
**Operating Expenses:** In order to maintain the infrastructure, we have the need for various materials, equipment and supplies. This includes things like vehicles, heavy machinery, fuel, pipe, clamps. Our total annual cost for these types of items is approximately \$540,000.



**Administrative Services:** There are several employees that work in the utility fund at times, but are not exclusive the utility fund; they also work in other departments. Some examples of these types of employees are the City Manager, Director of Neighborhood Services, City Secretary and some street employees. That’s not an all-inclusive list, just a sampling. Since the utility fund is supposed to be completely self-sufficient, best-practices in government is that the utility fund “pays” the general fund for the time and materials that these employees expend dealing with utility fund issues. This is done through transfers throughout the year. The current amount that is transferred from the utility fund to the general fund is approximately \$500,000 per year. In previous years, this number was well over \$1,500,000; however, the city has made a conscience effort to reduce this amount in order to ensure that the utility fund is not subsidizing the general fund.

**Garbage Pickup:** The current rate for residential garbage pickup is \$11.09 per month per household. When compared to Bedford, Colleyville, Euless, Grapevine, Hurst, Haltom City, North Richland Hills and Southlake, Richland Hills has the lowest residential rate for garbage.

**Summary:** Richland Hills has approximately 3,250 active water accounts. When you add up all the categories listed above (except garbage), our total expenses are approximately \$4.4 million per year. In order to cover all of the above expenses and the garbage fee, we need to average approximately \$124 per bill per month to break even. Obviously some bills are higher, and some are lower. The variations are largely due to the amount of water used. However, the “fixed costs” that can’t be changed at this point include the debt, garbage and Fort Worth fees. Those categories alone require an average monthly bill of \$70.73. That does not factor in the people and supplies necessary to run the day to day operations of the system. While we have more control over those costs, they are still essential to providing services and any significant changes would require reductions in service levels to compensate.





### **More Detailed History of the Utility Bill**

From time to time we receive complaints about the cost of the monthly Utility Bill from residents who feel the amount they pay is too high, especially compared to neighboring cities. There have even been a few instances in which residents have exclaimed “No one can tell us why the Utility Bill is so high”. This is not true. We can tell you exactly what goes into the Utility Bill and why. We are aware that our Utility Bill is higher than many neighboring cities, and want to explain several things to you in regard to why it is high and some of the things we have done to address both individual and widespread complaints. The information below is lengthy, and that is due to the fact that it is a complex issue.

First, to understand the genesis of this issue one needs to go back to 2010. In 2010, our Utility Department essentially went bankrupt. Due to Fort Worth changing their rates they charged us for purchasing water and treating our wastewater, combined with abnormal weather and unanticipated utility line breaks, our Utility Fund department not only exceeded our annual budget that year, but it also blew through all of our built up reserves, and then some. We had no choice but to pay for the water being purchased, the wastewater being treated and fix the lines that were breaking, so we kept on spending the money necessary to keep the system operational. The end result was that in addition to blowing our budget and spending all of our reserves, our General Fund had to give a “loan” to the Utility Fund for several hundred thousand dollars.

Per Government Accounting standards, the Utility Fund is really supposed to be run similar to a private business – meaning that it is supposed to be self-sufficient. The money we charge residents is supposed to pay for all of the operations. It is not supposed to be supported by tax revenue. Tax revenue is set aside to pay for your other government services (Public Safety, Streets, Administration, Court, Library, Parks, etc).

A similar situation occurred in 2005 also, in which the Utility Fund did not have enough revenue or reserves to continue to operate without a “loan” from the General Fund.

Not only were we experiencing these financial difficulties, but we were falling farther and farther behind on repairing and replacing needed infrastructure. Much of our infrastructure was put in place when the City was built, which was in the 1950’s and 1960’s. It has far surpassed its expected useful life, yet is still in place and being used in many areas of the City.

Many cities have a plan in place to slowly replace infrastructure on a schedule in order to defray costs over a long period of time. Unfortunately, for many years that did not occur in Richland Hills. Infrastructure was decaying and breaking, but only being replaced when a physical leak was visible. We were doing only the bare minimum that we could in order to get by, and nothing more. This has caught up to us. We are now at a point where our needs for infrastructure improvement far outweigh our funding to fix the problems.

This forced the City Council to take a hard look at the utility fees that were being charged. In 2010, the Council raised rates dramatically in an attempt to solve the problems. In addition to raising rates for water and wastewater service, they also implemented a drainage fee. The purpose of this was to provide a funding source to solve some of our ongoing drainage and flooding issues.

The result of all of this was that the minimum bill changed from approximately \$65 per month to over \$90 per month (inclusive of trash service). This change only lasted for one year, when council lowered the rate in 2011 to make the new minimum bill approximately \$82 per month. Since that time, the only change to the Utility Bill has been in Drainage



Fees. When the original drainage fee was instituted, it was passed with an automatic increase of 50 cents every year for 10 years. This was done in order to phase in the funding of specific drainage projects, many of which have been realized since that time.

While we recognize the bill is high, we have taken some steps to avoid having to make further increases to the fees. The biggest thing we have done is move several salaries and expenditures from the Utility Fund into the General Fund. We have added responsibilities to the Director of the department so that we can pay a portion of that salary out of the General Fund. We previously paid approximately half of the salaries of several administrative staff out of the Utility Fund, and we have greatly reduced that number and shifted much of that expense into the General Fund (as a note to this, it is recommended that the Utility Fund pay salaries of those that do work for the fund, but are not paid out of the fund, similar to hiring a contractor for certain functions. A sample of those functions is payroll, secretarial, management, and other similar functions).

We do occasionally receive complaints from residents that their meter must not be working correctly. When this occurs, we have the ability to test the meter to verify accuracy. In most cases, the meter is working accurately. In select cases we have gone as far as to pull the meter and run some additional tests.

One example of this was in 2015 when a resident questioned the reliability of the meters. Water Utilities pulled the meter in question, as well as several random meters in use and a new meter that had never been installed. The meters were subjected to both physical and electronic testing utilizing prescribed methodology recommended by the manufacturer. Water Utilities also did an actual flow test of the meter in question over a period of a week to check for accuracy. This test included introducing possible problems such as air entering the line as well as varying the inlet pressure. All meters performed as specified. The meter in question was then sent to Badger Meters for their analysis. They too found no problem with the metering device or the data transmitter. This determined to the City's satisfaction, as well as the customer with the concern, that the meters were accurate and operating as designed.

Residents with a question about their meter reading can contact Utility Billing and request the meter be re-read to verify accuracy. Long term usage data is also available upon request.