

# Memorandum



CITY OF DALLAS

DATE April 15, 2016

TO Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Street Rental / Franchise Fee Collections for City-Owned Utilities

At the April 4, 2016 Budget, Finance & Audit committee meeting, members requested information on how the franchise or street rental fee is assessed to customers of Dallas Water Utilities and Sanitation Services for residential collection service. For both utilities, the expense for the street rental is embedded within the monthly bill and is not a line item surcharge, as is the case with the Atmos Energy franchise fees.

**Dallas Water Utilities** The attached chart estimates the effect on residential customer bills comparing the current embedded fee structure to a surcharge on the bill. Due to the current tiered conservation rate structure, the higher volume customers bear a higher percentage of the street rental fee than the lower volume customers. If the street rental fee were included as a line item surcharge to the customers on their monthly bills, each customer would pay 6% regardless of usage. The bill variances by usage tier are shown on the attachment in *Column "H"*. Customers in the lower usage tiers would be financially impacted more than customers in the higher usage tiers. (Please note that the attachment only includes information on residential accounts; however, all retail customers' bills would be affected by a change in methodology. Wholesale revenues are not subject to street rental fees.)

Implementing a 6% surcharge on the customer's bill instead of the current structure of embedding the street rental expense in the rates would result in an annual General Fund revenue reduction of approximately \$1.7 million. Additionally, to make the surcharge visible on the bill would also require one-time programming changes in the billing system costing approximately \$340,000, at a minimum.

**Sanitation Services** Embedded in the current \$22.79 residential garbage, bulk trash and recycling monthly fee is \$0.27 for a 1% street rental fee and generates approximately \$660,000. This street rental fee, implemented in FY16, is dedicated to street and alley maintenance. Due to the relatively small monthly fee and one percent street rental fee, the variance between the embedded rate and surcharge rate is less than \$0.01 per month.

It is recommended to continue the current practice of embedding the street rental fee to maintain the tiered water conservation structure in which higher volume customers pay a greater share of the cost due to the additional demand those customers place on the water system; the additional cost of modifying the billing system; as well as the reduction in General Fund revenue.

Please let me know if you need additional information.



Jeanne Chipperfield  
Chief Financial Officer

#### Attachment

c: Honorable Mayor and Members of the City Council  
A.C. Gonzalez, City Manager  
Warren M.S; Ernst, City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager  
Joey Zapata, Assistant City Manager  
Mark McDaniel, Assistant City Manager  
Eric D. Campbell, Assistant City Manager  
Sana Syed, Public Information Officer  
Elsa Cantu, Assistant to the City Manager

**Comparison of Estimated Average Residential Water and Sewer Bills**

Customer Usage in Range	Street Rental Embedded in Rates - Current Structure			Street Rental Surcharge Structure				H=E-A Bill Variance	I=H/B % Change w/ Surcharge	Number of Customers Impacted	% of Customers in Range
	A FY16 Average Bill	B Avg. Monthly Street Rental Fee	C=B/A % of monthly bill	D FY16 Average Bill w/out Street Rental Embedded	E FY16 Average Bills plus 6% Street Rental Surcharge	F Avg. Monthly Street Rental Fee	G % of monthly bill				
0 to 4,000 gallons	\$24.83	\$1.08	4.4%	\$23.75	\$25.17	\$1.42	6.0%	\$0.34	31.3%	80,127	33.8%
4,001 to 10,000 gallons	\$56.56	\$2.63	4.6%	\$53.93	\$57.17	\$3.24	6.0%	\$0.61	23.1%	97,782	41.2%
10,001 to 15,000 gallons	\$83.81	\$4.08	4.9%	\$79.73	\$84.51	\$4.78	6.0%	\$0.70	17.2%	27,145	11.4%
Above 15,000 gallons <small>(Includes conservation tier rate)</small>	\$212.03	\$12.74	6.0%	\$199.29	\$211.25	\$11.96	6.0%	-\$0.78	-6.1%	<u>32,207</u>	<u>13.6%</u>
<b>Total</b>										237,261	100.0%

Data based on January 2014 through December 2014 usage  
 0-4,000 Gallons - Average water and sewer use: 2,137 gallons  
 4,001 - 10,000 Gallons - Average water use 6,608 gallons and sewer use: 5,500 gallons  
 10,001 - 15,000 Gallons - Average water use 12,275 gallons and sewer use: 5,500 gallons  
 Over 15,000 Gallons - Average water use 28,709 gallons and sewer use: 5,500 gallons