



Joint City Council and Water and Wastewater Rate Advisory Committee Agenda

City Hall
100 Main Street
Colleyville, Texas 76034
817.503.1000
www.colleyville.com

Tuesday, October 18, 2016
5:00 p.m.

Executive Conference Room
Third Floor – City Hall

CALL TO ORDER AND ROLL CALL

1. APPROVAL OF MINUTES

October 12, 2016

2. PRESENTATION AND DISCUSSION

2a Presentation of the Water and Wastewater Rate Advisory Committee
Recommendations

3. ADJOURNMENT

I hereby certify this agenda was posted on City Hall bulletin boards Friday, October 14, 2016 by 5:00 p.m.

Amy Shelley, TRMC
City Secretary

A quorum of the City Council or any Colleyville Board, Commission, or Committee may be in attendance at this meeting.

Any matter on this agenda may, at the discretion of the governing body, be opened for public comment and discussion.

If you plan to attend this public meeting and have a disability that requires special accommodations, please advise the City Secretary at least 48 hours in advance at 817.503.1130, and reasonable accommodations will be made to assist you.



City of Colleyville Water and Wastewater Rate Advisory Committee DRAFT - MINUTES

City Hall
100 Main Street
Colleyville, Texas 76034
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Wednesday, October 12, 2016
5:30 p.m.

Executive Conference Room
Third Floor – City Hall

Chair Susan Mathisen called the Water and Wastewater Rate Advisory Committee meeting to order on October 12, 2016 at 5:30 p.m.

ROLL CALL: Chair Susan Mathisen, Vice Chair Gerald Gibson, and Committee members Raymond Allee, Thomas Bauch, George Dodson, James Dove, Jeff Gilstrap, Joe Moore, Jeff Pistor, and Samuel van Bever were present.

Tim Raine arrived at 5:40 p.m.

City Manager Jennifer Fadden, Chief Financial Officer Brian Hogan, Public Works Director Jeremy Hutt, Mayor Richard Newton, Councilmember Bobby Lindamood, Chris Ekrut, Director, Environmental Practice, NewGen Strategies and Solutions, and Assistant City Secretary Christine Loven were also present.

1. APPROVAL OF MINUTES

October 6, 2016

Vice Chair Gibson made a motion to approve the October 6, 2016, meeting minutes as written. Committee member George Dodson seconded the motion.

The motion carried with the following vote:

Aye: 10 – Chair Mathisen, Vice Chair Gibson, Committee members Allee, Bauch, Dodson, Dove, Gilstrap, Moore, Pistor, and van Bever

2. REGULAR AGENDA ITEMS

2a Presentation and discussion of Committee recommendations to the City Council

Chair Mathisen stated she had sent an email to the committee noting there would be changes to the information the committee received due to a change in the required revenue figures. This evening the committee will review those changes, the impact to customers, and the analysis. Chair Mathisen stated the committee

would review the options, determine the recommendations to City Council, and that she would like to offer additional recommendations other than rates, for the City Council to consider.

Chair Mathisen asked everyone to follow along for a brief review of the original revenue requirement the committee analyzed and considered. Chair Mathisen reminded the committee the TRA water purchasing cost is a variable, and the City cost (of distribution) is the fixed cost of water which was at \$3 million, for a total requirement of \$12 million. There has been an adjustment to City (distribution) cost of approximately \$1.3 million because the revenue requirement for funding capital improvements does not need to be received through rates at this point in time. There was discussion of a similar adjustment (decrease) to the revenue requirements for wastewater of approximately \$571,000. Chair Mathisen explained there has been a policy of drawing down the reserve for capital improvements and the budgeted reduction in the Utility Fund Balance (or reserve) for FY2017 is \$750,000. Working with staff, we have we have learned there is sufficient funding available (in the Utility Fund Balance) for capital improvements for several years.

Committee member Pistor asked Chair Mathisen if the \$750,000 is a long term piece that is currently above the budget required for repairs this year and is it sustainable. Chair Mathisen explained that a portion of the revenue in the FY2017 adopted budget, was to be funded via a transfer from the Utility Fund Balance. That piece (portion of revenue) of the budget will go to fund capital project expenditures. The FY17 approved budget includes \$804,500 for capital improvements (expenditures). The cost study information reflected required revenue of \$1.4 million for water capital improvements and did not include the amounts to be utilized from the Utility Fund Balance.

Committee member Raines asked Chair Mathisen how this difference occurred. City Manager Jennifer Fadden explained the cost of service study was built on a long term projection of capital at \$1.4 million for water; \$600,000 for wastewater, built into the rate structure; the long term cost of service has those costs built into the revenue requirements from the rates.

Committee member Raines asked staff if that is a different policy for the City Council. City Manager Jennifer Fadden stated the reserves, which have been set aside for many years, were there to fund long term infrastructure needs, and the policy has been to invest those funds for longer periods and use it as needed for infrastructure projects. Once those funds are spent, the funds will be depleted, including the impact fees, so that funding was not built into the rates as a source of funding.

Committee member Raines asked staff if that means the reserve funding is coming through the water rate and not the general budget. City Manager Jennifer Fadden stated the funds which are held in long term investments are basically from the

excess revenue derived from the tiered water rate structure over the last several years.

Committee member Dove asked Chair Mathisen for the fund total and how the \$750,000 affects the balance. City Manager Jennifer Fadden responded the total amount invested in the Utility Fund is \$7.6 million, of which \$3.6 million is for impact fees which does not come from the rate structure, but is paid for by new development; just under \$4 million is in long term investments that will mature over the next few years that can then be converted to cash, to be utilized for CIP projects, which we are projecting through Fiscal Year 2019.

Committee member Raines stated the reserve is used for capital water and wastewater projects only. City Manager Jennifer Fadden concurred.

Committee member Raines stated that if we set water rates at such a level that the reserves are not being funded, those funds will be depleted, and the City Council will have to take action on how funding will be done in the future. Committee member Gilstrap added it appears the reserve would be depleted in three years.

Committee member Raines said if we are going to recommend a rate that depletes reserves and does not add revenue, we all need to be aware of that because those CIP costs will have to be addressed at some point.

Committee member Bauch stated it appears \$2 million is projected annually for CIP and asked if that amount is projected to be needed forever. City Manager Jennifer Fadden concurred, and stated the \$2 million figure was arrived at, in large part, from the 2014 Water and Wastewater Master Plan which identified \$55 million worth of CIP projects, which would need to be completed over the next 20 years.

Mayor Newton recapped the CIP projected expenditures over the next three fiscal years and explained they come in a little under \$2 million each year. He further explained the current funding and spending policy is an existing policy and is currently used by City Council, but there will have to be a discussion sometime in the future, regarding the capital funding policy and what needs to be changed to meet future needs.

Committee member Raines asked if the committee was to make a recommendation regarding policy. Chair Mathisen stated the draw down on funds was not new and she did not feel including the CIP funding strategy was in the committee's charge.

Vice Chair Gibson stated the Master Plan previously discussed was two years old and asked how close were the projections compared to expenses. Mayor Newton

responded saying the figures he quoted were from the actual CIP, and each year the expenses were slightly under the \$2 million.

Committee member Dodson questioned if the utility reserves (Utility Fund Balance) were increased last year when there was \$1.2 million transferred to the General Fund.

Mayor Newton explained the tiered rate structure generated excess revenue which went to the general fund but was not used when City Council went to the flat rate because, while some revenue was generated from the tiered water rate, how much additional excess revenue depended on usage; high usage equaled higher revenue, less usage incurred debt. Mayor Newton stated the City Council went to an all cash policy a couple of years ago, but had borrowed funds and the excess was used to pay that debt back. Mayor Newton further stated in the future, City Council will have to decide what they are comfortable with as a fund balance and a new policy and rate structure will have to be addressed then, however, he believes that is sometime in the future. He also advised the current policy is to operate on a cash basis.

Chief Financial Officer Hogan stated the City issued debt in 1996, 1998 and 2002, and the money currently on the books is the refunding (refinancing loans) which occurred in 2010 to pay off the debt and lower the interest rate.

There was discussion regarding definitions of draw down, fund balance, the funding of the Capital Improvement Program (CIP) long term projections, and investment and current terminology.

Committee member Dodson stated the City budget is spread across too many funds and does not allow clarity for cost, debt, salaries, and number of employees. To have the funds split so dramatically is confusing and the City Council may want to address this.

Mayor Newton stated the City Council and staff worked with this budget and went line by line through the budget and he feels they have brought transparency and clarity, through use of terminology and presentation, but the budget is very complex.

Vice Chair Gibson asked if everyone was clear on the required revenue and the proposed rates.

There was a brief review of the base and volumetric rates for water, based on the previous proposal before the revenue requirement change which was discussed tonight.

Chair Mathisen stated she did not feel there was a reason to increase rates to pay for capital improvements when we have three or four years of CIP investments in

the bank. She further noted, before rates are increased in the future, it is important to balance our rate proposal so all fixed costs are covered and volumetric or variable costs are covered for all purchased water, and that is what we are recommending.

Chairman Mathisen asked for a review of the Wastewater Rate Structure presented as Scenario A.

There were no questions regarding the wastewater rates.

Committee member Moore requested a conservation piece be considered in the recommendation to City Council.

There was discussion regarding the ability to fund maintenance and repair beyond use of the drawn down over the next three years. The Committee believes with the base rate established, the need for funding will be easily demonstrated in the future and chose not to make a recommendation concerning the future needs.

There was discussion relative to the annual pass-through costs by Trinity River Authority, and the recommendation of the committee is a 12-month rate recommendation.

Chair Mathisen stated she felt the following would be the recommendation of the committee and asked for discussion:

1. The water base rate be established at \$14.01 for a 1" or less meter; \$28.01 for a 1-1/2"; \$44.82 for a 2" meter; \$84.04 for a 3" meter; \$140.06 for a 4" meter. The American Water Works Association (AWWA) meter equivalent standards were utilized in setting base rates. There will be zero gallons included in the base rate. The volumetric rate per 1,000 gallons be set at \$4.17.
2. The wastewater base rate for residential be established at \$12.54 and the volumetric rate for residential and commercial be established at \$2.31 per 1,000 gallons. The wastewater base rate for commercial be established at \$18.54.
3. Recommend the City Council establish a new accounting policy whereas a) the Government Fund charges the Utility Fund for the value of indirect costs of support personnel provided (by the Government Fund) to the Utility Fund and b) that the Utility Fund charge the General Fund for all city (municipal) usage of water and wastewater.

4. Recommend City Council review sources of funding for future Capital Improvement Projects for the water and wastewater system and provide a long term plan and funding policy.
5. Recommend City Council consider establishing a committee to review and recommend conservation options in the future.

Committee member George Dodson made a motion to present the above recommendations the City Council as stated by Chair Mathisen. Committee member Moore seconded the motion.

The motion carried with the following vote:

Aye: 11 – Chair Mathisen, Vice Chair Gibson, Committee members Allee, Bauch, Dodson, Dove, Gilstrap, Moore, Raine, Pistor, and van Bever

Chair Mathisen stated she would work with staff and Mr. Chris Ekrut to prepare a presentation which will be presented to City Council at a joint worksession on Tuesday, October 18, 2016 at 5:00 p.m. in the Executive Conference Room. Chair Mathisen stated she will email the presentation to the committee in advance of the meeting.

Chair Mathisen asked staff to prepare the minutes of this meeting and forward them to her as soon as possible. An item will be placed on the worksession agenda for approval of the minutes.

3. ADJOURNMENT

The Water and Wastewater Rate Advisory Committee meeting adjourned at 7:58 p.m.

APPROVED BY A VOTE OF _ AYES, _ NAYS, AND _ ABSTENTIONS ON THIS THE ____ DAY OF _____ 2016.

Minutes taken and prepared by:

Christine Loven
Assistant City Secretary



Joint City Council and Water and Wastewater Rate Advisory Committee Agenda Briefing

City Hall
100 Main Street
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Agenda Number 2a	Agenda Date 10/18/2016	Number
Type Presentation and Discussion		
Department City Manager		
Title		
Presentation of the Water and Wastewater Rate Advisory Committee Recommendations		

Strategy Map Connection

Explanation

Water and Wastewater Rate Advisory Committee Chair Susan Mathisen, will present the findings and recommendations of the committee and answer questions of the City Council.

Attachments