



City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes City Council

Tuesday, November 19, 2019

5:00 PM

Council Chambers
200 West Walker Street

Council Work Session

The City Council of the City of League City, Texas, met in a work session in Council Chambers at 200 West Walker Street on the above date at 5:00 p.m.

Mayor:

Pat Hallisey

City Council Members:

**Andy Mann
Hank Dugie
Larry Millican
Todd Kinsey
Greg Gripon
Chad Tressler
Nick Long**

City Manager:

John Baumgartner

Assistant City Manager

Bo Bass

Assistant City Manager

Michael Kramm

City Attorney:

Nghiem Doan

City Secretary:

Diana M. Stapp

Chief of Police:

Gary Ratliff

Executive Director of Development Services

David Hoover

Director of Budget/Project Management

Angie Steelman

Director of Engineering:

Christopher Sims

Director of Finance:

Kristine Polian

Director of Human Resources/Civil Service:

Janet Shirley

Director of Parks & Cultural Services:

Chien Wei

Director of Public Works:

Jody Hooks

1. CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Pro Tem Kinsey called the meeting to order at 5:00 p.m. and called the roll. All members of Council were present except Mayor Pat Hallisey. Mr. Mann arrived at 5:42.

Absent 1 - Mayor Pat Hallisey

Present 7- Mr. Andy Mann, Mr. Hank Dugie, Mr. Larry Millican, Mr. Todd Kinsey, Mr. Greg Gripon, Mr. Chad Tressler and Mr. Nick Long

2. **PRESENTATION AND DISCUSSION REGARDING 2019 WATER AND WASTEWATER RATE STUDY AND FINANCIAL FORECAST**

John Baumgartner made opening remarks.

The presentation was given by Dan Jackson of Willdan Financial Services of Dallas.

Presentation Contents:

- Background on Rates**
- Customers and Volumes**
- Current and Forecast Cost of Service**
- Rate Plan Alternatives**
- Summary/Next Steps**

BACKGROUND ON RATES:

**Average utility has been increasing rate 5-6% per year; trend expected to continue
AWWA forecasts that water and wastewater rates across the US will triple in the next 15 years**

Rate adjustments are primarily due to reasons beyond a utility’s control – inflation, Capital Improvement Plans, etc.

30-40% of water utilities charge rates that do not cover their costs

Current Water / Wastewater Rate Structures (chart)

Monthly Residential Charge Comparison – 10,000 Gallons Water and Wastewater (graph)

CUSTOMERS AND VOLUMES – WATER AND WASTEWATER:

Water and Wastewater Accounts – Test Year 2020

**Total Accounts: Water 34,836
 Wastewater 33,386**

Actual and Forecast Water Accounts – Annual Growth 800-900 per year (graph)

FY2016, 32,003 – FY2029, 42,564

Water Consumption by Rate Class – Total Usage 3,666,562,994 gallons

School 2.6%, Irrigation 10.5%, Multi Unit 9.1%, Commercial 10.2%, Residential 67.6%

Actual and Forecast Water Billed Consumption (graph)

FY2016 3,312,560,000 gallons – FY2029 4,367,280,000 gallons

CURRENT AND FORECAST COST OF SERVICE:**Components of Cost of Service**

- **Operating Expenses**
- **Capital outlays**
- **Debt Principal and Interest**
 - Current**
 - Forecast**
- **Transfers**

Key Assumptions Driving Forecast Financial and Rate Plan

Customer growth is projected to be approximately 2.3% per year (800-900 accounts)

Most personnel and operating expenses increase 3% per year

Certain expenses increase at higher rates and/or are tied to increase in accounts/volumes

City will implement its current Capital Improvement Plan with over \$501 million in water and wastewater system improvements over the next 10 years

Capital recovery fees projected to fund approximately 26% of CIP

Biggest impact on rate plan: New debt service required to fund CIP

Total Capital Improvement Plan: Water \$308,096,117, Wastewater \$193,092,492 (graph)

Long-Term Financing Forecast Water and Wastewater Bond Issues: \$290,891,000 (chart)

Forecast Cost of Service and Net Revenue Requirement: Water - Wastewater (chart)

Water – FY2020 \$20,282,050 FY 2029 \$35,401,123

Wastewater – FY2020 \$15,938,266 FY 2029 \$24,871,045

RATE PLAN SCENARIOS:**Notes on Rate Proposal -**

Only moderate rate adjustments required for water and wastewater, due to the following reasons:

- Overall financial health of utility**
- Continued strong account growth expectations**
- Prudent management of revenues and expenses**
- Retirement of some current debt**
- Favorable debt issuance terms**

Recommend implement multi-year plan but review every 2-3 years

Water Rate Plan Required for Utility Self-Sufficiency FY2020- FY2024 (chart)

Wastewater Rate Plan Required for Utility Self-Sufficiency FY2020-FY2024 (chart)

Rate Plan Impact on Ratepayers FY2020-2024 (chart)

Alternative Rate Plan Scenarios

- o **Scen II – Increase Water Base Charge by Meter Size**
 - Use AWWA Meter Equivalency standards**
 - Implement over 5-year period**
- o **Scen III – Wastewater Winter Averages**
 - Residential customers only**

Scenario 11 – Increase Water Base Charges by Meter Size (charts)**Phased in over 5 years; no change to WW rates****Advantages**

- Lesser increases needed for residential and small meters**
- Incentive for customers to install only the size meter needed**
- Provides more stable revenue source (fixed charges)**

Challenges

- Larger increase on bigger meters**

Scenario III – Increase Meter Charges by Meter Size, Wastewater Winter Average (charts)**Very popular and common form of wastewater rate design****Advantages - most closely tied to actual customer usage****Disadvantages**

- More difficult to understand/administer**
- Not as effected in warm weather climates**
- Large increase needed in first year**

SUMMARY - BENEFITS OF PROPOSED RATE PLAN**Will enable utility to operate on a stand-alone basis and independent of general fund assistance****Will result in financially healthy utility that has ability to fund operations and capital needs****Will ensure that ratepayers paying only what it costs to provide water and wastewater service****Will allow capital investment into system to improve quality of service and provide a well-functioning system for future generations.****SUMMARY – NEXT STEPS****Following today’s discussion, any additional revisions will be incorporated into rate model****Rate plan alternative(s) will be finalized****Adopt rate plan at Council meeting****Finalize report and deliverables for City****3. PUBLIC COMMENTS**

4. **ADJOURNMENT**

At 6:04 p.m. Mayor Hallisey said, there being no further business this meeting is adjourned.

PAT HALLISEY
MAYOR

DIANA M. STAPP
CITY SECRETARY

(SEAL)

MINUTES APPROVED: February 11, 2020