



# City of League City, TX

300 West Walker  
League City TX 77573

## Meeting Minutes City Council

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Monday, June 8, 2015

6:00 PM

Johnnie Arolfo Civic Center  
400 West Walker Street

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### Council Work Session

The City Council of the City of League City, Texas met in a work session in the Johnnie Arolfo Civic Center at 400 West Walker Street on the above date at 6:00 p.m.

**Mayor:**

**Tim Paulissen**

**City Council Members:**

**Dan Becker  
Tommy Cones  
Heidi Hansing  
Todd Kinsey  
Geri Bentley  
Keith Gross  
Nick Long**

**City Manager:**

**Mark Rohr**

**Deputy City Manager:**

**John Baumgartner**

**City Attorney:**

**Nghiem V. Doan**

**City Secretary:**

**Diana M. Stapp**

**Chief of Police:**

**Michael Kramm**

**Director of Engineering:**

**Earl Smith**

**Director of Finance:**

**Rebecca Underhill**

**Director of Human Resources/Civil Service:**

**Queenell Fox**

**Director of Parks & Cultural Services:**

**Chien Wei**

**Director of Planning & Development:**

**Paul Menzies**

### 1. CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Paulissen called the meeting to order at 6:00 p.m. and called the roll. All members of Council were present except Dan Becker, who arrived at 6:17 p.m.

Present 8 - Mayor Tim Paulissen, Mr. Dan Becker, Mr. Tommy Cones, Ms. Heidi Hansing, Mr. Todd Kinsey, Ms. Geri Bentley, Mr. Keith Gross and Mr. Nick Long

2. **DISCUSSION OF MAYOR AND COUNCIL BUDGET (MAYOR PAULISSEN)**

Council was provided a copy of their proposed FY2016 line item budget for discussion.

As previously proposed the annual membership to National League of Cities is being discontinued. The North Galveston Chamber of Commerce has been dissolved. Those funds were redistributed to Meeting Expense, Uniform Supplies and Group/Individual Training & Travel accounts.

A consensus of Council proposed the cancellation of membership to the League City (Regional) Chamber of Commerce, with reallocation of that fee to the Training & Travel. Council discussed the need to reinstate the policy for individual allotment of funds within the Training & Travel budget for the Mayor and each Council Member.

3. **PRESENTATION AND DISCUSSION ON UPDATE FOR THE UTILITY RATE STUDY (DIRECTOR OF FINANCE)**

Rebecca Underhill, Director of Finance, said after our last discussion we went back and looked at the rate models that the consultant had done and tweaked some things and are coming forward today with another scenario, now we are at four scenarios. I want to take the opportunity to back up and start over. We have been at this for some months now and I want to make sure that we all know where we have been and where we are trying to go. As a reminder the last action that Council took on rates was in November of 2008. Over those 6+ years' operating costs have increased. Our budget for FY2015 was basically a break even budget. Our Long Range Financial Forecast predicts operating deficits going forward because of increased costs. You will receive the Quarterly Financial Report tomorrow night at the meeting and that is going to reflect a deficit this year of nearly \$1 million. That is due to the rain, it has rained every day and we are not selling irrigation water so our revenues are significantly down. Meanwhile we talk about capital projects. The 10 year capital plan is over \$288 million. The two major components of that plan are to secure the water supply for the growing community and to systematically replace 18 components of the water system which includes the Highway 3 line. When we bring the capital program down into the five year horizon that is still \$100 million in debt. Tomorrow we will be coming to Council with the bond issue for this year which will be about \$14 million on the utility side. The resulting debt service costs for all these programs are going to drive the expenses up over time, ultimately as much as \$5 million in additional costs at the end of the five year period. When the rate consultant came before Council in January he showed us that revenues are not going to meet expenses as we go over time on both the water side and sewer side. So that initial recommendation unfolded like this, current billing has a minimum volume of 3,000 gallons on both the water side and the wastewater side. The recommendation was to reduce that minimum to 2,000 gallons over time.

The first year 2015 we would reduce the wastewater side to 2,000 gallons and in the subsequent years, we were projecting out FY 2017 we would reduce the water minimum from 3,000 to 2,000 gallons. Currently there is a flat charge for every 1,000 gallons over 3,000 on both sides and the recommendation is to go to an inclined block rate to promote conservation. The more water you use the higher your rate is going to be. On the residential side for wastewater we currently cap wastewater charges at 11,000 gallons. The recommendation in the initial study is to reduce that cap to 10,000 gallons, also to fully charge minimum for all multi-family units. Current ordinance allows us to charge multi-family customers 90% of their units and the recommendation is to go to 100%. I am going to walk through some illustrations based on these blocks. Our minimum usage is 3,000 and we have 8,161 accounts that use that or less. For that block of 3,000-7,000 gallons we have 12,460 accounts, 43% of our customer base. For that block of 7,000-10,000 gallons we have 3,937 accounts and for 10,000-15,000 we have 2,347 accounts. This will give us 94% of our residential customers only. Our average customer uses 7,000 gallons and our summer average is 8,700 gallons. The current residential rate structure, again based on our current structure of 3,000 gallon minimum, is \$7.18 for water and \$13.88 for wastewater. Then we charge \$5.90 for every 1,000 gallons of water and \$4.62 for every 1,000 gallons of wastewater over the minimum. So under the current rate structure this is what these customer bills look like: 3,000 gallons is \$21.01; 7,000 gallons is \$63.09; 10,000 gallons is 94.65; and 15,000 gallons is \$128.77.

The first scenario A that was presented to you by the consultant was to reduce wastewater from 3,000 to 2,000 and add volumetric charges on the water side. For water over the 3,000 minimum we would charge \$5.90 per 1,000 up to 10,000 gallons; \$6.79 per 1,000 for 10,000 – 25,000 gallons; and over 25,000 would see \$7.80 per 1,000 for 25,000 gallons and over. The wastewater rate would remain the same as current rate with a cap reduced from 11,000 to 10,000 gallons. Billing examples under this Scenario A: those 3,000, 7,000 and 10,000 gallon customers would see an increase of \$4.62; and the 15,000 gallon customer would see an increase of \$4.45. Scenario A estimates revenue at \$2.3 million.

We had a conversation when the consultant was here, and there were other conversations about other options that could increase the revenue a little bit more while we are doing this. So in Scenario B we looked at lowering the 3,000 gallon minimum to 2,000 gallons and keeping everything else the same. Billing examples under Scenario B: those 3,000, 7,000 and 10,000 gallon customers would see an increase of \$10.52 because they are going to have an increase on both sides; and the 15,000 gallon customer would see an increase of \$10.35. Scenario B estimates revenue at \$4.5 million.

Scenario C lowered the minimum billings from 2,000 gallons to 1,000 gallons for both water and wastewater. When we did that we also reduced the volumetric charges because we were talking about an enormous amount of increase. The volumetric charge for water over the minimum up to 10,000 would be is \$4.59 with inclining rates after 10,000 (\$5.90) and 25,000 gallon (\$6.20). The volumetric charge for wastewater over the minimum up to 10,000 would be \$4.11. Under this scenario the 3,000 gallon customer would see an increase of \$17.40; the 7,000 gallon customer would see an increase of \$10.12; the 10,000 gallon customer would see an increase of \$4.66; and the 15,000 would stay pretty much where they are at now. Scenario C estimates revenue at \$4.9 million.

Scenario C is the last ones we talked about last month. Out of that conversation was the proposition that we include no water and no sewer in that minimum bill (Scenario D). Scenario D significantly reduces the volumetric charges to generate the same amount of money. So basically your minimum bill now becomes like a regulative serve charge. You just pay a fee to be connected to the system and we bill you for every gallon that goes through that meter. The rates are \$1.50 for the first 3,000 gallons; \$5.50 for 4,000 to 10,000 gallons; \$7.00 for 11,000 to 25,000 gallons; and \$8.50 for over 26,000 gallons. The 3,000 gallon customer would see an increase of \$9.90; the 7,000 gallon customer would see an increase of \$8.30; the 10,000 gallon customer would see an increase of \$7.10; and the 15,000 gallons customer would see an increase of \$7.98. Scenario D estimates revenue at \$4.8 million. Everyone under this scenario will see an increase; you have the conservation rate in there for the water customers that are high users.

4. CONDUCT A WORK SESSION OF THE CITY COUNCIL TO RECEIVE INFORMATION CONCERNING AGENDA ITEMS APPEARING ON THE MEETING AGENDA FOR THE JUNE 9, 2015 MEETING OF THE CITY COUNCIL OF THE CITY OF LEAGUE CITY.

NO VOTE OR ACTION WILL BE TAKEN ON ANY ITEM UNDER CONSIDERATION

5. ADJOURNMENT

At 7:30 p.m. Mayor Paulissen said there being no further business, this meeting is adjourned.

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TIMOTHY PAULISSEN  
MAYOR

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**DIANA M. STAPP**  
**CITY SECRETARY**

(SEAL)

**MINUTES APPROVED:**