



# City of League City, TX

300 West Walker  
League City TX 77573

## Meeting Minutes City Council

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Tuesday, November 19, 2019

5:00 PM

Council Chambers  
200 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 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.**

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**PAT HALLISEY  
MAYOR**

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**DIANA M. STAPP  
CITY SECRETARY**

**(SEAL)**

**MINUTES APPROVED:**