



**City Council City Council Special Meeting
Wednesday, October 23, 2019
6:00 PM**

This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's Office at (979) 265-2082 or FAX (979) 265-7345 for further information.

AGENDA

BE IT KNOWN that the **City Council** of the City of Richwood will meet in **City Council Special Meeting** on **Wednesday, October 23, 2019** at **6:00 PM** at 1800 N. Brazosport Blvd., Richwood, TX 77531 at the Richwood City Hall in the Council Chambers with the following agenda:

- I. CALL TO ORDER
- II. INVOCATION
- III. PLEDGE OF ALLEGIANCE 4
Pledge of Allegiance and Texas Pledge
- IV. ROLL CALL OF COUNCIL MEMBERS
- V. PUBLIC COMMENTS
All comments will be subject to the following rules: All speakers will be permitted to speak not longer than 3 minutes; all speakers will only be permitted to speak once; speakers cannot defer their 3 minutes to another speaker. Discussion is not allowed on items not posted on the agenda.
- VI. COUNCIL CONSIDERATION AND ACTION ITEMS 5
 - A. Discuss and consider an ordinance setting the Utility Fee Schedule to generate additional revenue of at least \$176,160 to support the bond payment as well as possible increases to address negative fund balance for activities consisting of Water, Wastewater, and Solid Waste.
This presentation will be presented with a live spreadsheet to show Council utility discounts, issued debt, and outstanding debt to consider when adopting a rate structure and amortizing the outstanding debt to be repaid over a period of time.
Presenter: Clif and Lindsay
 - B. Review and possible action to reschedule regular Council meeting in November.
Discussion and possible action to re-schedule November Regular Council Meeting from November 11, 2019 to Tuesday, November 12, 2019. November 11, 2019 is Veteran's Day, and City Hall is closed on that date.
- VII. CITY MANAGER'S REPORT
- VIII. FUTURE AGENDA ITEMS
- IX. COUNCIL MEMBER COMMENTS AND REPORTS
- X. MAYOR'S REPORT
- XI. ADJOURNMENT

The City Council may go into Executive Session on any item listed on the Agenda in accordance with Section 551.071 of the Government Code (attorney-client privilege).

I, Kirsten Garcia, do hereby certify that I did, _____ at _____ p.m., post this notice of meeting on the bulletin board at 1800 N. Brazosport Blvd., Richwood, TX, in compliance with the Texas Open Meetings Law.

Kirsten Garcia, City Secretary
City of Richwood

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Pledge of Allegiance

I pledge allegiance to the flag of
the United States of America and
to the republic for which it
stands, one nation under God,
indivisible, with liberty and
justice for all.

Texas Pledge

**Honor the Texas flag. I
pledge allegiance to thee,
Texas, one and indivisible.**



City of Richwood

1800 Brazosport Blvd.
Richwood, TX 77531
Phone (979) 265-2082
Fax (979) 265-7345

MEMORANDUM

TO: Hon. Mayor and Members of City Council
FROM: Lindsay Koskiniemi, Interim City Manager
Clif Custer, Public Works Director
DATE: OCTOBER 20, 2019
RE: Utility Fee Schedule Change

Overview:

On May 4, 2019, voters elected to approve the issuance of debt for the purpose of investing in a capital project to bring the existing water system into compliance with TCEQ water pressure standards. The debt issued specifically to improve the water system was passed in the amount of \$4,000,000. The initial payment due in FY20 is approximately \$172,000. After fully vetting the proposed expenditure to projected revenues, City staff determined \$137,000 additional revenue would be required to make the bond payment.

During the budget process, City staff split the Utility Fund into three necessary proprietary components: Water, Sewer, and Solid Waste, in order to transparently track revenue sources and better budget for activity-specific revenues and expenses in future budget cycles. Going into the FY20 budget process, City staff and Council were aware the Utility Fund was operating with a negative fund balance. Further research disclosed the City was not charging fees adequate to support the contract agreement for services with Waste Connection for solid waste hauling services.

Based on the findings, staff members proportionately applied the negative fund balance amounts to each activity within the new funds: Water, Sewer, and Solid Waste, in order to determine the revenues needed to not only support the bond payment for Water, but also alleviate the debt in each proprietary fund in a plan that would take several years to bring the fund into the black – with no negative fund balance. This plan presents a long-term strategy to pay the fund balance and become profitable.

Water Fee Increase Proposals:

In preparation for the bond election in May 2019, former City Manager, Michael Coon, devised a fee structure that would increase the new water rate approximately \$5 for each account to support the bond payments in the following years. After researching the current fee structures to come up with a specific rate by which to increase the water rate for Council's adoption, City staff came to the realization that a flat rate increase would disproportionately affect lower water users. For example, accounts using less than 2,000 gallons on water per month, or 4.8% of total accounts under the current structure were generating 14.9% of total revenue, while accounts using in excess of 20,000 gallons per month, or 8.8% of total accounts, were bringing in less revenue, or 6% of total revenue.

With the realization that the current fee structure was flawed, staff began building a tiered rate structure that is based on usage – the more water use on the account, the higher the cost. This cost structure proposes 6 tiers of usage, where the base cost for each tier is progressively higher with each ascending tier.

The alternative fee structure proposes a flat rate that will be applied to the base rate of all water accounts. This fee structure is more in line with what voters saw before the bond election, however, a flat rate increase to the base rate follows the same inequitable trend as the current fee structure.

Approach to Relieving Debt in Water, Sewer, and Solid Waste Funds:

While Council is under no obligation to adopt additional increases to alleviate the debt in the Water and Sewer and Solid Waste funds, staff recommends adopting an increase based on an amortized yearly amount to bring the funds out of negative fund balance so these funds can eventually become profitable. Clif and I will present to Council a live spreadsheet presentation of the flat rate increases to address the fund balance, so that Council can adopt comfortable increases.

Summary:

We are dealing with three issues by addressing the new utility fee schedule:

- 1) Raising enough revenue to support new issued debt.
- 2) Choosing between a tiered rate and a flat rate, where the tiered rate addresses a flawed, inequitable fee structure that will continue with a flat rate.
- 3) Adopting increases that will alleviate the negative fund balance amortized over X amount of time.

Both utility fee structures – tiered and flat, are based on best estimates staff have generated. These are not guaranteed to generate the revenues to the exact dollar amount, however, we are confident these rates will generate the amount of revenue necessary to support operations and cover all new and old debt, depending on Council's action to address the outstanding debt at this time. As a reminder, Clif has worked with TCEQ to have a rate study completed through TCEQ at no cost to the City, however that rate study may not happen for at least one year. The new rate structure generated by City staff will hold the line until an official rate study is completed.

We look forward to walking Council through a live presentation of spreadsheets to help adopt a rate structure and debt repayment schedule that will best serve Richwood.

Thank you,

Lindsay Koskiniemi
Interim City Manager

City of Richwood
Water Rate Review & Analysis
Data Input and Recap Worksheet

Current Water Rate			Proposed Water Rate		
Base	\$	24.40	New BWA Rate: \$	3.30	Base \$ 16.00
\$/1000	\$	4.35	New Margin:	50.0%	T1 \$ 4.95
BWA Rate:	\$	3.12		\$ 1.25	T2 \$ 6.20
Margin	\$	1.23		\$ 1.00	T3 \$ 7.20
% Margin		39.4%		\$ 0.50	T4 \$ 7.70
				\$ 0.25	T5 \$ 7.95
				\$ 0.10	T6 \$ 8.05

Monthly Usage	Current	Proposed	Increase	% Increase
2,000	\$ 24.40	\$ 25.90	\$ 1.50	6.1%
4,000	33.10	38.30	5.20	15.7%
6,000	41.80	51.70	9.90	23.7%
8,000	50.50	66.10	15.60	30.9%
10,000	59.20	80.50	21.30	36.0%
12,000	67.90	95.90	28.00	41.2%
14,000	76.60	111.30	34.70	45.3%
16,000	85.30	126.95	41.65	48.8%
18,000	94.00	142.85	48.85	52.0%
20,000	102.70	158.75	56.05	54.6%
Totals:	\$ 635.50	\$ 898.25	\$ 262.75	41.3%

Customer Class	# of Units	% Units	Total Usage	% Usage	Current Revenue	% Revenue	Proposed Revenue	% Revenue
Res, Com, Ind & Ins	1295	53.7%	68,970,990	63.1%	\$ 556,302	60.2%	\$ 645,774	60.3%
Multi Family	1012	41.9%	39,359,780	36.0%	349,026	37.8%	402,268	37.6%
PV Parks	106	4.4%	1,032,020	0.9%	18,480	2.0%	23,126	2.2%
	2413	100.0%	109,362,790	100.0%	\$ 923,808	100.0%	\$ 1,071,168	100.0%

Estimated Annual Increase: \$ 147,360

Variables to Consider

Discounts for the month of Oct 2019:

	Water	Sewer	Account QTY	Discounted Monthly Loss (water)	Discounted Loss/YR (water)
Senior:	16.90	14.90	205.00	(1,537.50)	(18,450.00)
VFD and Council	-	-	18.00		
	(24.40)	(22.40)		(439.20)	(5,270.40)
				(1,976.70)	(23,720.40)

BWA Rate Increase of 0.18 /1,000 ga

Total Increase Needed to Support Operations

Cutting Discounts by 50%

New Rate as of 10/2019	\$3.30/1000gallons	Senior & Vol Discount	(23,720.40)	(11,860.20)	
Daily ave usage	235,000 gallons	BWA Increase	\$ (15,439.50)	\$ (15,439.50)	
Ave annual usage	85,775,000	Bond Payment	(137,000.00)	(137,000.00)	
Estimated expense	\$ 283,057.50	Increased Rev Needed	176,159.90	164,299.70	
Old rate	<u>\$ 267,618.00</u>	Flat rate increase	5.78	5.39	
Increase in 10/2019	\$ 15,439.50	RV Parks (106 accounts)	2.89	2.70	
			306.31	285.69	
Michael said "increase of no more than \$5/mo"		all accounts less RV accounts	2,434	2,434	
and 50 cents/1,000 ga for usage in excess of 20k ga			0.13	0.12	
		Everyone else pays	5.91	5.51	
		If you want to tackle (-)FB	211,904.00	211,904.00	(211,904.00)
			388,063.90	376,203.70	
			12.73	12.34	
		Amortized schedule at 7 yrs	1.82		

Flat Rate Increases

With and Without Negative Fund Balance - NO PROPOSED AMORTIZATION OF OUTSTANDING DEBT

Without Negative Fund Balance Pay-Off Plan: All CURRENT Discounts Built In

Fund	FY19 Base Rates	FY20 Base Rates	Increase
Water	24.4	30.31	5.91
Wastewater	22.4	22.4	
Solid Waste	17.14	17.14	
TOTAL	63.94	69.85	

Without Negative Fund Balance Pay-Off Plan: LOWERED Discounts Built In

Fund	FY19 Base Rates	FY20 Base Rates	Increase
Water	24.4	29.91	5.51
Wastewater	22.4	22.4	
Solid Waste	17.14	17.14	
TOTAL	63.94	69.45	

WITH Negative Fund Balance Pay-Off Plan: All CURRENT Discounts Built In

Fund	FY19 Base Rates	FY20 Base Rates	FY20 Base Rate Lowered Discount
Water	24.4	30.31	29.91
Wastewater	22.4	28.63	28.63
Solid Waste	17.14	19.75	19.75
TOTAL	63.94	78.69	78.29

HOW MANY YEARS WOULD IT TAKE TO CLIMB OUT OF THE UTILITY FUND HOLE??

FY18 Audit disclosed a negative fund balance of (392,415).

Total estimated fund balance (431,657.00)

City of Richwood
Proposed Utility & Solid Waste Rate Increases
August 22, 2019

Present Rate:	Water		Wastewater		Solid Waste		Totals
Base/Minimum Charge:	\$	24.40	\$	22.40	\$	17.14	\$ 63.94
Per/1,000 Gals	\$	4.35	\$	4.35		NA	
Proposed Rate:	Water		Wastewater		Solid Waste		Totals
Base/Minimum Charge:	\$	30.23	\$	24.99	\$	19.52	\$ 74.74
Per/1,000 Gals	\$	4.87	\$	4.48		NA	
Base/Minimum Charge Increase:	\$	5.83	\$	2.59	\$	2.38	\$ 10.80
Per/1,000 Gal Increase:	\$	0.52	\$	0.13		NA	

		Monthly Billing Totals							
		Base/Minimum							
		2,000 Gals or less		5,000 Gals		10,000 Gals		15,000 Gals	
Present Rates:									
Water	\$	24.40	\$	37.45	\$	59.20	\$	80.95	
Wastewater		22.40		35.45		57.20		78.95	
Solid Waste		17.14		17.14		17.14		17.14	
Total	\$	63.94	\$	90.04	\$	133.54	\$	177.04	
Proposed Rates:									
Water	\$	30.23	\$	44.84	\$	69.19	\$	93.54	
Wastewater		24.99		38.43		60.83		83.23	
Solid Waste		19.52		19.52		19.52		19.52	
Total	\$	74.74	\$	102.79	\$	149.54	\$	196.29	
Amount of Increase:		\$	10.80	\$	12.75	\$	16.00	\$	19.25
Percent Increase:			16.9%		14.2%		12.0%		10.9%

Annual Water Debt Service Requirement for Voter Approved Series FY 2019 B Bonds:	\$	171,926						
# of Richwood Water Customers:		1,350	1,350	1,391	1,432	1,475	1,519	
# of annual water bills/Customer:		12	12	12	12	12	12	
Amount of \$ charge per water customer monthly to cover debt payment:	\$	10.61	16,200	16,686	17,187	17,702	18,233	86,008

Estimate of Additional Monthly Amounts Necessary to Eliminate Negative Unrestricted Net Asset Position:

	Water		Wastewater		Solid Waste		Total
Unrestricted Net Assets:	\$	(211,904)	\$	(180,511)	\$	(39,242)	\$ (392,415)
Eliminate in One Year:	\$	13.08	\$	11.14	\$	2.42	\$ 24.22
Eliminate in Five Years:	\$	2.46	\$	2.10	\$	0.46	\$ 4.56

Note: The total of \$392,415 as reported in City of Richwood Audit dated September 30, 2018, is shown seperated by Fund in accordance with separate funds in proposed budget. Amounts reflect additional monthly revenue necessary from each respective utility and solid waste account. An annual growth rate of 3% in the number of customer accounts

is assumed in the calculation for the amounts shown over the five year period.

Connection Count excluding RV Parks		2344				
Usage Blocks		# of accounts	Yearly Usage	\$4.95 per 1000 gal	Block increase	Increased yearly revenue
2,001-5,000	\$5.00 per 1000 gal.	518	21756000	\$107,692.20	\$108,780.00	\$1,087.80
5,001-10,000	\$5.10 per 1000 gal.	357	32130000	\$159,043.50	\$163,863.00	\$4,819.50
10,001-15,000	\$5.20 per 1000 gal.	70	10500000	\$51,975.00	\$54,600.00	\$2,625.00
15,001-20,000	\$5.30 per 1000 gal.	20	4200000	\$20,790.00	\$22,260.00	\$1,470.00
20,000+	\$5.40 per 1000 gal	1032	247680000	\$1,226,016.00	\$1,337,472.00	\$111,456.00
Total increased yearly renue						\$121,458.30