

FARMERSVILLE CITY COUNCIL
MEETING MINUTES
FEBRUARY 22, 2011

The Farmersville City Council met in called regularly called session on February 22, 2011 at 6:00 p.m. in the Council Chamber at City Hall with the following members present: Mayor Joe Helmberger, Fred Langford, Paul Kelly, Billy Long, Bobby Bishop and Jim Foy. Staff members present were City Manager John Moran, Interim Public Works Director Walter Ragsdale, City Attorney Alan Lathrom and City Secretary Edie Sims.

CALL MEETING TO ORDER, ROLL CALL

Mayor Helmberger called the meeting to order. Edie Sims called the roll and announced a quorum was present.

WELCOME GUESTS AND ANNOUNCEMENTS

Mayor Helmberger welcomed our guests and announced a Severe Weather Awareness Week February 20 – 26, 2011.

WORKSHOP – PRESENTATION AND DISCUSSION RELATIVE TO A UTILITY RATE STUDY PERFORMED BY J. STOWE AND COMPANY

Chris Ekrut, representative of J. Stowe and Company, presented the utility rate study. Mr. Ekrut impressed upon the Council that throughout the presentation, the common goal was to have the revenues meet or exceed the expenditures. Early in the presentation, Mr. Ekrut showed the Council where expenditures exceeded the revenues by \$384,000. The fund balance seems healthy but without the transfers from the General Fund, the fund balance would be in the negative. The transfers have masked the performance rates misleading the true picture of the utility rates. Historically, consumptions have not been adjusted and adjustments were made only in revenues. To have the figures shown accurately, the consumptions must be adjusted as well as revenues so that dollars billed and volumes correlate. Under normal operating and weather conditions, the City's current water and sewer rates are not projected to generate sufficient revenue to cover costs.

According to the loss rate from North Texas Municipal Water District, the City has a water loss of 18% which is in range with the State's allowance. Texas Commission on Environmental Quality (TCEQ) likes to see a loss rate of 10-15%, but ours is not excessive. The City is paying a fixed rate on the Take or Pay program and that amount has not changed since 2006. The City needs to have a further study of the retail water sales to ensure we do not endanger the Take or Pay rate from increasing.

The City's debt service of 242% from 2011 to 2013 to fund a regional sewer system is driving the rate increase with 2013 needing to be the target timeframe to start construction for a wastewater treatment plant. With current sewer rates, there will be a great shortfall. Based on estimated revenue performance, immediate action is needed to adjust water and sewer rates to appropriate levels.

Mr. Ekrut did not recommend any changes to the out-of-city resident's water rate structure as it exceeds the preferred rate according to the Texas Water Board.

Mr. Ekrut showed a power point presentation which showed the current rates of water and sewer and the shortfalls without increases, yet infrastructure demands continued improvements. The current rates estimated to recover less than 55% of sewer related costs necessary to meet the demands of improved infrastructure. The General Fund has been a source of funds to offset those shortfalls giving a false reading to the budget. Given significant under-performance of current sewer rates, Mr. Ekrut proposed using existing available cash (\$900,000 held in reserves) as a tool to support the implementation of raising sewer and water rates in a step program to phase in increased water and sewer rates to mitigate rate shock. By 2014, if the plan is followed and there are no changes to the customer base, the City should have \$122,000 of the \$900,000 fund balance.

Mr. Ekrut continued by showing the Council the water rate design and strongly recommended charging for every gallon used rather than a flat rate for the first 1,000 gallons as this would help change consumption behavior. Each rate block increase has a difference of 25%. Also the meter charges are currently regardless of meter size. A proposed escalating meter charge is recommended to be implemented. The main customers impacted by this change would be the School District, industrial and commercial customers. Large customers have more demand and currently residential customers are subsidizing larger meters.

Currently the sewer rates have a declining rate to use during irrigation. It is strongly recommended to have the same amounts for volumes consumed and again remove the 1,000 minimum before charges are incurred. Paul Kelly was concerned that by taking these measures, the impact will affect the customers who use less than 1,000 gallons of sewer who are on a fixed income. If the rates are phased in, the City must continually evaluate the rate performance and adjust rates as required over the planning period to maintain fund performance. The issue is trying to correct having rates that do not recover the cost of expense. By ceasing the movement of funds from the General Fund to the water and sewer will free the ad valorem taxes to work on streets and other issues of infrastructure. The audit, per Bobby Bishop, does not reflect a deficit. However, according to Mr. Ekrut, the audit has not been given as an item of discovery during the utility rate study and would need to have details of the audit.

The charts showing the step program for water and sewer increases assumes no growth in consumption. The water and sewer rates must be monitored regularly to ensure sufficient reserves and working capital while recovering revenue. The projections include cost increase projections from North Texas Municipal Water District.

Mayor Helmberger indicated that the Collin College increase in volumes are not included in this study, however City Manager John Moran will attain this information as soon as available. Jim Foy stated the City should consider setting a rate for the College that would not affect the rest of the City. Mayor Helmberger asked how the impact fees fit into the rate study; with being answered all Capital Improvements were not included.

Slide 16 from the presentation showed the impact of the estimated rates to the residential consumers. The rate design is about competing objectives and the emphasis on those objectives.

Emphasis was noted of the area cities rates for water and sewer and the placement of Farmersville in comparison with our existing rate structure and the

proposed estimated rates. According to the study, Farmersville is still lower with the proposed rates than other cities in our area.

During the rate study, J. Stowe and Company was requested to review the contract agreements with wholesale water services to three customers, North Farmersville Water, Caddo Basin SUD and Copeville SUD. A review of these contracts suggests changes to the agreements to implement a defined rate methodology based on cost which could make a difference with the Take or Pay program through North Texas Municipal Water District. Mr. Ekrut recommended the City begin tracking more information as to how these customers use the system.

Mr. Ekrut asked for questions from the Council with Paul Kelly asking if the City refurbishes the meters and has a continuous change out to ensure meters are reading accurately. Jim Foy asked if the commercial rate was changed to add a table to include their consumption and was directed the impact would not be significant. Paul Kelly also stated he wanted to bring the public into this discussion before implementing. Bobby Bishop asked if the Council is encumbering future Councils to this program, with City Attorney Alan Lathrom stating the current Council could adopt the rate for the first year phase in or the Council may adopt the plan and request future Councils to continue this plan of action. Mayor Helmberger asked for a cost of reviewing this rate plan and look at the issuing debt. Mr. Ekrut stated the continuation for annual review would cost \$5,000 - \$6,000.

WORKSHOP – DISCUSSION REGARDING THE FARMERSVILLE COMPREHENSIVE PLAN

City Manager John Moran presented his concerns of the Council updating the Comprehensive Plan. Interim Public Works Director Walter Ragsdale expressed to the Council the purpose of the Comprehensive Plan as being the key element for future land use and should be a vision of the future. City Manager John Moran stated an IT plan needs to be implemented and geographic data will be available by the end of the year which will be invaluable during the updating process. Jim Foy encouraged the Council to review the existing Comprehensive Plan. Mr. Ragsdale encouraged the Council to include the City boards in this process and allow the Planning and Zoning Commission to take the lead on this project. Before Council continues with this project, Council requested Mr. Moran to contact planners specifically in this area and find cost for budget review.

CONSIDERATION AND POSSIBLE ACTION REGARDING A CONTRACTUAL REVISION TO THE US 380 UTILITY DESIGN SERVICES AGREEMENT

Interim Public Works Director Walter Ragsdale came before the Council to request a revision to the contract with Hayter Engineering for Phase 3 of the US Highway 380 Expansion Project. This revision will include a 12" water line bore design by the Shell Station which will loop the southeastern quadrant of the City with two water towers serving this area. Mr. Ragsdale requested the revision not to exceed \$7,500. Mayor Helmberger expressed his concerns with Hayter Engineering taking advantage of the City during this project. Fred Langford motioned to approve the contractual revision not to exceed \$7,500 with Paul Kelly seconding the motion. A poll of the Council was taken as follows: Fred Langford yes, Paul Kelly yes, Billy Long yes, Bobby Bishop yes and Jim Foy yes. Motion passed with full Council approval.

CONSIDER, DISCUSS AND ACT CONCERNING RESOLUTION # R-2011-0222-001 REGARDING THE REDISTRICTING OF COLLIN COUNTY

Similar to a Resolution that was passed September 2010, the Council concurred to emulate the same changes which removed the statement of similar religious beliefs and deleting the adjectives describing our elected officials. Billy Long motioned to approve Resolution # R-2011-0222-001 with corrections made with Jim Foy seconding the motion. A poll of the Council was taken as follows: Fred Langford yes, Paul Kelly yes, Billy Long yes, Bobby Bishop yes and Jim Foy yes. Motion passed with full Council approval.

CONSIDER AND ACT UPON CITY COUNCIL MINUTES FOR JANUARY 25, 2011

Paul Kelly motioned to approve the minutes as presented with Jim Foy seconding the motion. A poll of the Council was taken as follows: Fred Langford yes, Paul Kelly yes, Billy Long yes, Bobby Bishop yes and Jim Foy yes. Motion passed with full Council approval.

DISCUSSION AND POSSIBLE ACTION REGARDING THE PUBLIC WORKS DIRECTOR POSITION COMPENSATION

City Manager John Moran requested the Council to consider increasing the salary amount for the Public Works Director from \$50,000 per year to \$62,500 per year. Mr. Moran stated he has not received a good selection of candidates for the position and the only candidate that he feels would be capable to fill the position will not consider under \$62,500 salary. The candidate information was withheld as he is currently employed. Questions were raised as to the funds that pay this position. Mr. Moran stated a portion of the salary is paid from the street department, and 60% of the salary comes out of the water and sewer department.

Billy Long motioned to approve the salary increase from \$50,000 to \$62,500 with Jim Foy seconding the motion. A poll of the Council was taken as follows: Fred Langford yes, Paul Kelly yes, Billy Long yes, Bobby Bishop yes and Jim Foy yes. Motion passed with full Council approval.

EXECUTIVE SESSION – DISCUSSION OF MATTERS PERMITTED BY SECTION § 551.074, DELIBERATION REGARDING PERSONNEL MATTERS – DISCUSSION REGARDING THE AUTOMATIC ONE-YEAR EXTENSION PROVIDED BY THE CITY MANAGER'S CONTRACT

Council entered into Executive Session at 8:00pm.

RECONVENE FROM EXECUTIVE SESSION

Council reconvened from Executive Session at 8:12pm.

DISCUSS/CONSIDER/ACT ON MATTERS DISCUSSES IN EXECUTIVE SESSION

No action was taken regarding Executive Session.

ADJOURNMENT

Council adjourned at 8:12p.m.

APPROVED

Joseph E. Helmberger, P.E., Mayor

ATTEST

Edie Sims, City Secretary

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