

**CITY OF LAREDO
CITY COUNCIL WORKSHOP
LAREDO INTERNATIONAL AIRPORT
AIRPORT CONFERENCE ROOM
5210 BOB BULLOCK LOOP
LAREDO, TEXAS 78040
5:30 P.M.**

M99-W-08

M I N U T E S

JUNE 8, 1999

I. CALL TO ORDER

With a quorum present Mayor Elizabeth G. Flores called the meeting to order.

II. ROLL CALL

IN ATTENDANCE:

Elizabeth G. Flores,	Mayor
Alfredo Agredano,	Councilmember, District I
John C. Galo,	Councilmember, District III
Cecilia May Moreno,	Councilmember, District IV
Eliseo Valdez, Jr.	Councilmember, District V
Joe A. Guerra,	Councilmember, District VI
Mario G. Alvarado,	Councilmember, District VII
Consuelo "Chelo" Montalvo,	Councilmember, District VIII
Gustavo Guevara, Jr.,	City Secretary
Florencio Pena, III	City Manager
Jaime L. Flores,	City Attorney

Cw. Moreno and Cm. Galo were not present at this time.

ABSENCES:

Motion to excuse Cm. Alvarado.

Moved : Cm. Galo

Second: Cw. Moreno

For: 7

Against: 0

Abstain: 0

Mayor Flores announced that there will be an Special/Emergency City Council Meeting later tonight at 7:00 P.M. She added that this workshop might be interrupted to hold the Special/Emergency Meeting.

III. STAFF REPORTS

1. Presentation with possible action regarding the expansion of the Community Oriented Policing Services (COPS). The

presentation will include the status of our existing COPS areas, the possibility of one additional work station by July 1999 and plans to expand in the year 2000.

Council agreed to postpone and hold the COPS item on June 21st at 5:00 p.m. at the regular council meeting.

2. Presentation with possible action on a proposed 10 year Capital Improvements Program, Impact Fee Ordinance and setting a date for a public hearing. A public hearing is required under Chapter 395 of the Local Government Code as an introductory step to initiate the public debate on the matter of Impact Fees Adoption.

Fernando Roman, Utilities Director, made the presentation and went over the dates on the impact fee schedule as follows:

IMPACT FEE SCHEDULE:

June 8 - Declare date for public hearing (7/19/99)
 June 9 - Begin publication for public hearing
 June 11 - Include item in P&Z agenda
 June 17 - Present CIP and Impact Fee to Planning and Zoning
 July 19 - Council holds public hearing
 Aug. 16 - Council deadline to accept or reject fee

Motion to hold the impact fee public hearing on July 19th.

Moved : Cw. Moreno
 Second: Cw. Montalvo
 For: 7

Against: 0 Abstain: 0

3. Presentation with possible action on the status of the Water Fund, and setting a date for a public hearing for a proposed increase in the water rate.

Fernando Roman, Utilities Director, made the presentation and reported he will be talking on two issues. Both issues are financial and both affect the Water Department. They have to do with the way they will handle the expenses that will be made during the next 10 years. They will have investments relating to growth, extending new lines, storage tanks, treatment plants, and anything that will support the growth of the community falls in one category.

The second issue that will be presented has to do with system maintenance called "non-growth". He explained that this is everything that they do to simply maintain the system that we already have such as treatment plants, pipes, storage tanks, plus it addresses concerns on regulatory changes to respond to

TNRCC and EPA, etc.

Note: Cw. Moreno arrived at 6:20 p.m.
Cm. Galo arrived at 6:30 p.m.

He went over the water rate increases proposal as follows:

THE NEED FOR RATE INCREASE:

- * Address CIP needs
- * Meet Operational increases
- * Maintain Coverage Ratio at 1.5 and Refund General Fund and Water Availability.
- * Demonstrate Sound Fiscal Management Policies to Bond Rating Agencies.

He explained that this a combination of impact fees and non-impact fees. He went over the two categories of projects (growth and non-growth) which have to do with the expansion of the system. How we are going to get water to developments in the south part of Laredo (south of Sierra Vista, in the area of Hwy 359) if the system does not have enough capacity? We need to invest a lot of money in transmission lines, pumping stations, storage, etc. This is called growth.

Next, he went over the following charts and explained the 10-year capital needs for growth and non-growth.

TOTAL 10-YEAR CAPITAL NEEDS:

	MILLION DOLLARS		
	WATER	SEWER	TOTAL
Growth	24.3	41.0	65.3
Non-growth	13.2	5.3	18.5
Total	37.5	46.3	83.8

NON-GROWTH (10-YR):

	CAPITAL NEEDS, MILLION DOLLARS		
	WATER	SEWER	TOTAL
Capital Equipment	1.93	0.94	2.87
Construction	11.33	4.36	15.69
Total	13.26	5.30	18.56

He explained that the \$13.2 million pertains to the fact that they have to replace many lines that are aging. He stated that for the next ten years they are looking at the construction activity being about \$11.3 million and the \$1.93 million has to do with plant equipment because there are pumps that are 70-80 feet in length which weigh about four tons and if they are to be fixed it would cost about \$80,000, so they need to have a reserve. He explained that on this item he is talking about maintaining the system that we already have such as leaks, replacing pumps, replacing lines on street recycling programs, etc.

Following was explanation of the chart on the cash flow of non-growth expenses over the next 10 years. He said that this is a base estimate on calculation projections. He went over the major capital needs on non-growth expenses in the water fund and in the sewer fund, capital equipment replacement, and construction projects (system rehabilitation) etc. as follows.

CAPITAL EQUIPMENT REPLACEMENT:

- Pumping Equipment
- Water Treatment Equipment
- Storage Tank Upkeep

CONSTRUCTION PROJECTS (SYSTEM REHABILITATION):

- Fire Hydrant Replacement
- Water Line Replacement
- Valve Replacement
- Service Line Replacement
- Street Recycling
- Drainage Projects
- TxDot Projects
- Meter Exchange Program

Cw. Montalvo asked if they have any plans to build a new water plant.

Mr. Roman answered that they think that the existing plant will go till the year 2010. They will be reviewing the calculations. The growth is happening mostly in the north part of the city and it would be more feasible for us to construct the plant per say in the northwest part of town. He does not have a proposed location.

He noted that illegal accounts are accounts that were not officially registered. In reviewing the work order they found that they are having approximately 2,000 connections per year.

He went over the residential/commercial account growth tables, revenue calculation model, source and use of new funds, etc.

RESIDENTIAL CUSTOMER GROWTH:

	FY97	FY98	Total
Accounts	3,175	2,333	5,508
Normal Growth :	4,000		
Illegal Accounts:	1,508		

REVENUE CALCULATION MODEL

Assuming 15,000 gallons/month (\$17.10)

	FY97	FY98	FY99	FY00	FY01
Calculated					
Revenues.....	10,209	11,120	11,562	11,972	12,383
Actual or					
Requested.....	10,314	11,480	11,871	12,066	12,307
Difference.....	(284)	340	309	94	(74)

SOURCE AND USE OF NEW FUNDS

Revenue from 2,000 new accounts/year	410,400
MINUS Annual Salaries (5%)	210,224
MINUS in O&M Budget (2.7%)	
without fleet	115,577
Funds Available for New Projects	84,599
PLUS Revenue from 1508 Illegal Accounts	309,442
Surplus Funds before fleet purchase	394,041
Average fleet request 2000-2004	376,900

NEW EXPENSES FY99

\$300,000	Filter Media
\$ 60,000	Regulatory Requirements
\$150,000	Airport Tank Paint

Issue \$3.5 M in Bonds

\$400,000	Booster Stations
\$1,833,000	System Rehab and TxDot
\$1,267,000	DPW Facility

1999 BOND ISSUE PROJECTS

Booster Stations and Storage	400,000
System Rehabilitation	1,833,000
DPW Service Center	<u>1,267,000</u>
Total	3,500,000

NEW EXPENSES FY00

\$250,000	Groundwater Study Phase II
\$350,000	Debt Service for 3.5 million in bonds
\$300,000	Repayment to water Availability
\$479,000	Fleet Purchase
\$ 30,000	Fee to Landfill for Sludge

In reference to the issue of \$2.6 million in bonds for Non-Growth Projects (first payment in FY01)

PROPOSED FY00 \$2.6 MILLION BOND ISSUE

\$1.3 million	Risk Management Program (Compressed Gas Liability)
\$160,000	Filter Media
\$258,000	Plant Equipment
\$235,000	General Rehabilitation Plant, Pumping & Storage
\$750,000	Distribution System Rehabilitation

NEW EXPENSES FY01

\$300,000	Repayment to General Fund FY96 Loan
\$283,000	Fleet Purchase
\$260,000	First Payment on \$2.6 M, (FY00 Bond Issue)
\$350,000	Second Payment on \$3.5 M, (FY99 Bond Issue)

FINANCIAL PROJECTION WITHOUT RATE INCREASE

	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>
Total revenues	14,314	14,119	14,382	14,649	14,922
O & M Expenses	9,135	9,483	9,845	10,222	10,614
Fleet Replacement	479	283	211	657	253
Const. Projects	226	200	200	200	200
Miscellaneous	550	300	100	0	0
Debt Service	4,533	4,742	5,728	6,066	6,363
<hr style="border-top: 1px dashed black;"/>					
Total Expenses	14,923	15,008	16,084	17,145	17,430
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Revenue minus Expenses	-609	-889	-1,702	-2,496	-2,508

FINANCIAL PROJECTION WITH RATE INCREASE

	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>
Total revenues	14,907	15,246	15,531	15,822	16,118
O & M Expenses	9,135	9,483	9,845	10,222	10,614
Fleet Replacement	479	283	211	657	253
Const. Projects	226	200	200	200	200
Miscellaneous	550	300	100	0	0
Debt Service	4,533	4,742	5,728	6,066	6,363

Total Expenses	14,923	15,008	16,084	17,145	17,430

Revenue minus Expenses	-16	238	-553	1,323	-1,312

RATE INCREASE - FUND UTILIZATION

Revenue from Rate Increases	1,708,000
Debt Service (CIP)	960,000
Coverage Ratio and Repayment	600,000
Support to O&M	148,000

Total Use	1,708,000

RATE INCREASE SCHEDULE

05/24/99	Conceptual Presentation
05/24 to 06/21	Workshop with Council
06/21/99	Public Hearing Introductory Ordinance
06/24/99	Visit Bond Rating Agencies
06/28/99	Final Reading
10/01/99	Effective Date
10/01/00	Effective Date

*Note: Workshop was interrupted to hold a Special/Emergency Meeting at this time.

*Note: After Emergency Meeting adjourned, continuation of workshop continued as follows:

Fernando Roman continued with the presentation. He said that to raise the money two possibilities exist:

Alternative 1. The minimum and the tiers are both increased as shown.

RESIDENTIAL	FY00	FY01	TOTAL
Increase to Minimum	\$0.30	\$0.30	\$0.60
Increase to Tiers	3%	2%	5%
Effective Increase	2.3-5.2%	1.6-3.6%	5.2-6.8
 COMMERCIAL	 FY00	 FY01	 TOTAL
Increase to Minimum	\$3.00	\$3.00	\$6.00
Increase to Tiers	3%	2%	5%

Alternative 2. The tiers are increased as shown below.

**ALTERNATIVE RATE DESIGN
(ALTERNATIVE 2)**

RESIDENTIAL	FY00	FY01	TOTAL
Increase to Minimum	0	0	0
Increase to Tiers	5.6%	3.9%	9.5%
Effective Increase	2.3-5.6%	1.6-3.6%	5.2-9.5
 COMMERCIAL	 FY00	 FY01	 TOTAL
Increase to Minimum	\$3.00	\$3.00	\$6.00
Increase to Tiers	3%	3%	6%

Alternative 1 provides a more stable revenue gain, since about half of it is tied to the basic service fee, the minimum, hence any weather related effects such as wet years or conservation are reduced to only the half of the revenue coming from the tiers. Conversely, Alternative 2 (increase in tiers only) is fully vulnerable to weather effects.

The impact on existing customers is shown in the following tables.

**PROPOSED RATE INCREASE
(ALTERNATIVE 1)**

MONTHLY USE GALLONS	FY99	FY00	FY01
10,000	12.60	13.05	13.46
20,000	21.60	22.32	22.91
30,000	31.60	32.62	33.42
40,000	41.60	42.98	43.92
100,000	106.60	109.87	112.21

**PROPOSED RATE INCREASE
(ALTERNATIVE 2)**

MONTHLY USE GALLONS	FY99	FY00	FY01
10,000	12.60	12.89	13.10
20,000	21.60	22.39	22.97
30,000	31.60	32.95	33.94
40,000	41.60	43.51	44.91
100,000	106.60	112.15	116.23

Rate Comparisons:

Rate comparisons show that Laredo will enjoy one of the lowest rates in the state. The following tables identify the cost of water in Laredo in relation to a variety of Texas cities. The following tables show various comparisons between Laredo and other cities.

10,000 GALLONS

CITY	COST
LAREDO	12.60
AMARILLO	15.35
ABILENE	15.85
WICHITA FALLS	16.88
BEAUMONT	19.01
WACO	20.35
PASADENA	20.87
MESQUITE	22.60
LUBBOCK	22.86
IRVING	23.95
GRAND PRAIRIE	30.26

50,000 GALLONS

CITY	COST
LAREDO	57.40
AMARILLO	57.75
WICHITA FALLS	63.43
ABILENE	71.05
BEAUMONT	82.61
WACO	94.75
LUBBOCK	100.44
MESQUITE	102.60
PASADENA	107.27
GRAND PRAIRIE	113.26
IRVING	129.55

RESIDENTIAL WATER RATES IN SOUTH TEXAS

MONTHLY USE, GALLONS	LAREDO	McALLEN	BROWNSVILLE	HARLINGEN
10,000	12.60	12.32	23.47	13.20
20,000	21.60	22.30	40.57	24.20
30,000	31.10	32.30	62.07	37.20
40,000	41.40	42.30	83.57	50.20
100,000	106.60	102.30	212.57	100.40

RESIDENTIAL WATER RATES IN LARGER CITIES

MONTHLY USE, GALLONS	SAN			
	LAREDO	ANTONIO	CORPUS	AUSTIN
10,000	12.60	12.91	21.44	25.30
20,000	21.60	27.93	38.09	61.39
30,000	31.10	53.63	53.76	103.89
40,000	41.10	77.68	69.43	146.39
100,000	106.60	225.69	163.45	402.35

COMMERCIAL WATER RATES IN SOUTH TEXAS

MONTHLY USE, GALLONS	LAREDO	McALLEN	BROWNSVILLE	HARLINGEN
10,000	16.40	12.32	24.77	20.20
20,000	25.90	22.30	40.37	32.70
30,000	35.90	32.30	64.31	47.20
40,000	46.40	42.30	79.91	61.70
100,000	114.90	102.30	335.83	61.70

COMMERCIAL WATER RATES IN LARGER CITIES

MONTHLY USE, GALLONS	SAN			
	LAREDO	ANTONIO	CORPUS	AUSTIN
10,000	16.40	16.85	27.22	23.80
20,000	25.90	25.07	49.77	47.60
30,000	35.90	33.92	65.44	71.40
40,000	46.40	42.14	92.55	95.20
100,000	114.90	92.72	221.35	238.00

Mr. Pena stated that this presentation deals with growth and non-growth, in terms of finding additional water supplies will be addressed with the impact fees and when they get into the final session of water resource alternative study which will be ready in a few months. He added that all that discussion will be on top of this, so whatever is discussed here is really operation/maintenance non-growth. He said that the groundwater issue will be addressed in the CIP and will be included.

Note: Break recess at 7:30 p.m.
Re-adjourned at 8:00 p.m.

After adjourning from break, there was discussion regarding the impact fees.

Mayor Flores stated that one of the reasons the city didn't grow much faster is not having a system where we could fund, through impact fees, facilities for developers. So, impact fees will bring us up to competition with other communities. She added that the maintenance we have today is not what we had before. If impact fees go through, the rate payer will be paying for the maintenance of the water pipe that is in front of his/her house.

Mr. Pena recommended to hold the public hearing on June 21, 1999 to address the proposed water rate increase. Also, he would like to schedule July 19th for the public hearing on the impact fees.

Mayor Flores asked that Jerry Garza, Public Information Officer, do some sort of public information flyer regarding normal water usage scenarios by a typical two-member family.

Mr. Roman's recommendation was to go with Alternative Rate Design (Alternative 2).

After lengthy discussion on water rates, Mr. Pena said that before moving to the next item, he wants to be clear in two issues: 1) that council prefers Alternative 2 which is to increase the commercial base and not the residential base. And 2) that we set July 19th as the public hearing date.

Mr. Roman explained that Alternative 2 for commercial stays the same. There is a raise of \$3.00 and 3% the first year and \$3.00 and 3% the second year.

Mayor Flores asked, "So, it would be Alternative 2 for residential and Alternative 2 for commercial?"

Mr. Roman answered yes.

Motion to hold a public hearing for water rate increase on July 19th.

Moved : Cm. Agredano

Second: Cm. Galo

For: 7

Against: 0

Abstain: 0

IV. ADJOURNMENT

Motion to adjourn.

Time: 9:30 p.m.

Moved : Cm. Agredano

Second: Cm. Galo

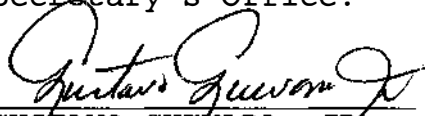
For: 6

Against: 0

Abstain: 0

(Cm. Bruni was no longer present at this time.)

I hereby certify that the above minutes contained in pages 01 to 12 are true, complete, and correct proceedings of the City Council Workshop held on the 8th day of June, 1999. A certified copy is on file at the City Secretary's Office.



GUSTAVO GUEVARA, JR.
CITY SECRETARY

Minutes approved: July 6, 1999