



The City of Liberty
City Council

Special Called Meeting

~ Agenda ~

1829 Sam Houston
Liberty, TX 77575
www.cityofliberty.org

Dianne Tidwell
City Secretary
(936) 336-3684

Tuesday, April 23, 2019

6:00 PM

City Council Chambers

The City Council of Liberty, Texas reserves the right to meet in closed session on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551 of the Texas Government Code.

I. CALL TO ORDER

Table with 5 columns: Attendee Name, Present, Absent, Late, Arrived. Rows include Mayor Carl Pickett, Mayor Pro Tem Diane Huddleston, Councilperson Dennis Beasley, Councilperson Libby Simonson, Councilperson David Arnold, Councilperson Chipper Smith.

II. ACKNOWLEDGEMENT OF GUESTS AND VISITORS / PUBLIC COMMENT

Public Comment is reserved for members of the public who would like to address the City Council regarding agenda and non-agenda items. Please be aware that, under Texas Law, the Council may not deliberate or take any action during Citizen's comments for items not on the agenda.

III. REGULAR AGENDA

A. WORK SESSION

1. Work Session (ID # 4415)

Discussion and presentation of the Utility Rate Study by Freese and Nichols, Inc.

- Rate Study Presentation (PDF)

B. Executive Session

Gov. Code §551.071 - Consultation with Attorney.

- 1. Discussion of Contemplated / Pending Litigation - Liberty Municipal Airport.

C. Reconvene into Regular Session

1. Council Action (ID # 4416)

Consider and take action, if any, on contemplated / pending litigation, Liberty Municipal Airport, as discussed in the Executive Session.

IV. ADJOURNMENT

Motion To: Adjourn

I certify that the attached Notice of Meeting was posted on the bulletin board and in the Message Centers located on the east and west sides of the City Hall Administration Building, located at 1829 Sam Houston on the 19th day of April, 2019 at 4:00 p.m. This notice will remain so posted continuously for at least 72 hours preceding the scheduled time of said meeting in accordance with Chapter 551 of the Texas Government Code.


Dianne Tidwell, City Secretary

NOTICE

In compliance with the Americans with Disabilities Act, the City of Liberty will provide reasonable accommodation for persons attending and/or participating in this Council Meeting. To better serve you, requests must be made at least 24 hours prior to the meeting. Contact the City at (936) 336-3684 or by Fax at (936) 336-9846. The building is wheelchair accessible, with parking available, on the west side of the building.

I certify that the attached Notice and Agenda of items to be considered by the City Council was removed by me from the bulletin board at the City Hall on the _____ day of _____, 2019.



The City of Liberty

City Council
1829 Sam Houston
Liberty, TX 77575

3.A.1

Meeting: 04/23/19 06:00 PM

Department: Administration
Category: Utilities

WORK SESSION (ID # 4415)

DOC ID: 4415

BACKGROUND:

At the May 8, 2018 Council Meeting, the City Council approved the expenditure for a Utility Rate Study. This study will determine if the City's rates will cover the costly infrastructure improvements being made. The Study was undertaken by Freese Nichols, Inc.



Water, Wastewater, and Electric Rate Study

LIBERTY CITY COUNCIL MEETING

April 23, 2019



Attachment: Rate Study Presentation (4415 : Utility Rate Study)

Agenda



Introduction

Water and Wastewater Rate Study

Electric Rate Study

Recommendations

Questions

Agenda



Introduction

Water and Wastewater Rate Study

Electric Rate Study

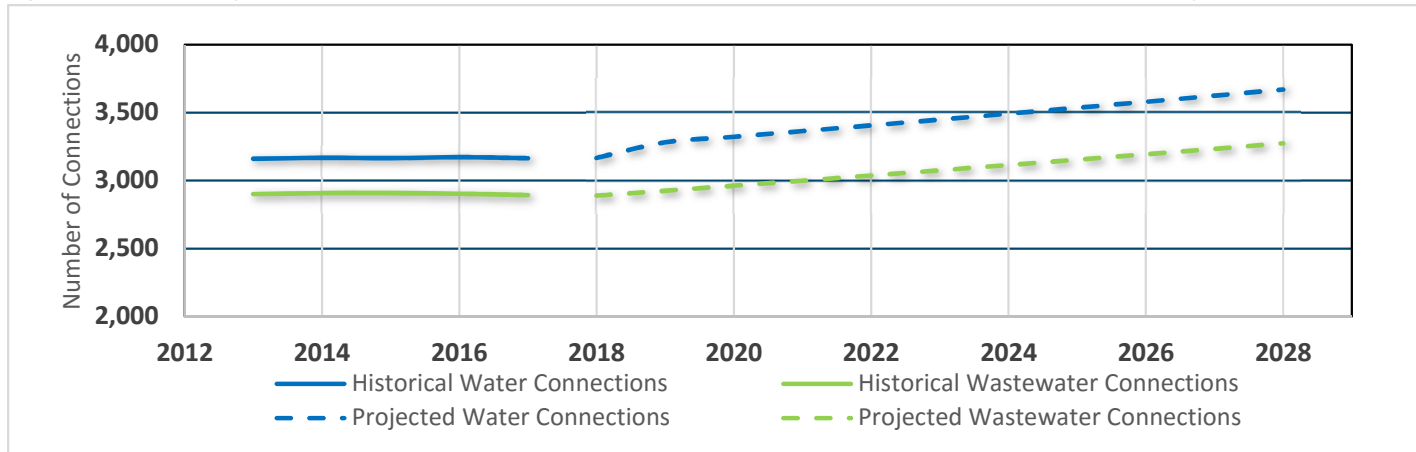
Recommendations

Questions

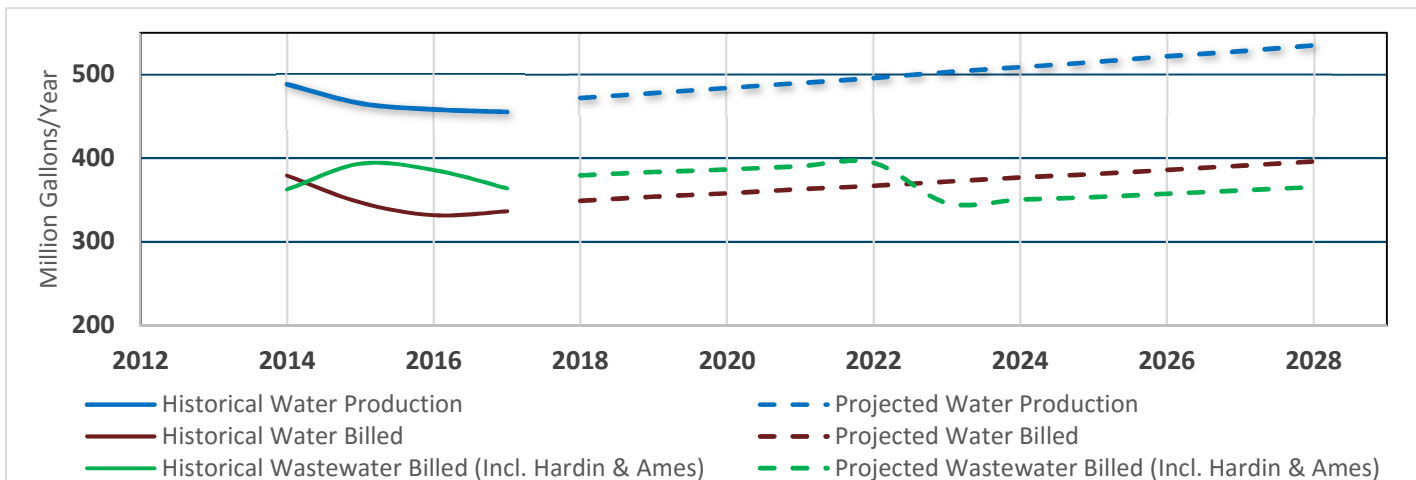
General Data



- Projected Population & Connections → 1.25% increase / year



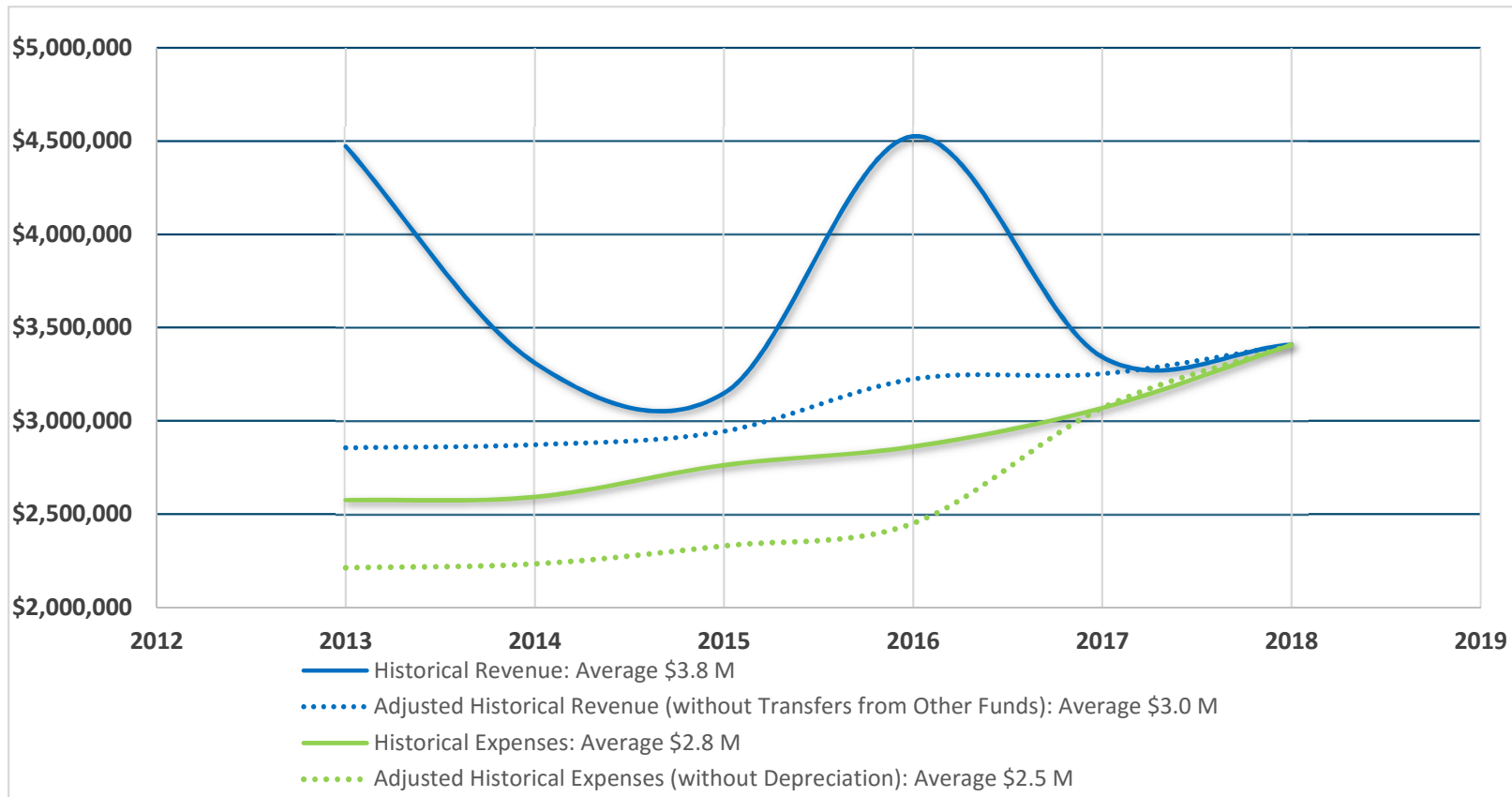
- Projected Water / Wastewater Billing → 138 gpcd, 1.25% increase/year, 26% non-revenue water; minus Harding WW in 2023



Past Years' Financial Data



- Revenue > Expenses
- Significant Revenue – Transfers from Other Funds



Attachment: Rate Study Presentation (4415 : Utility Rate Study)

Projections of Future Years' Financial Data (revenue at current rates)

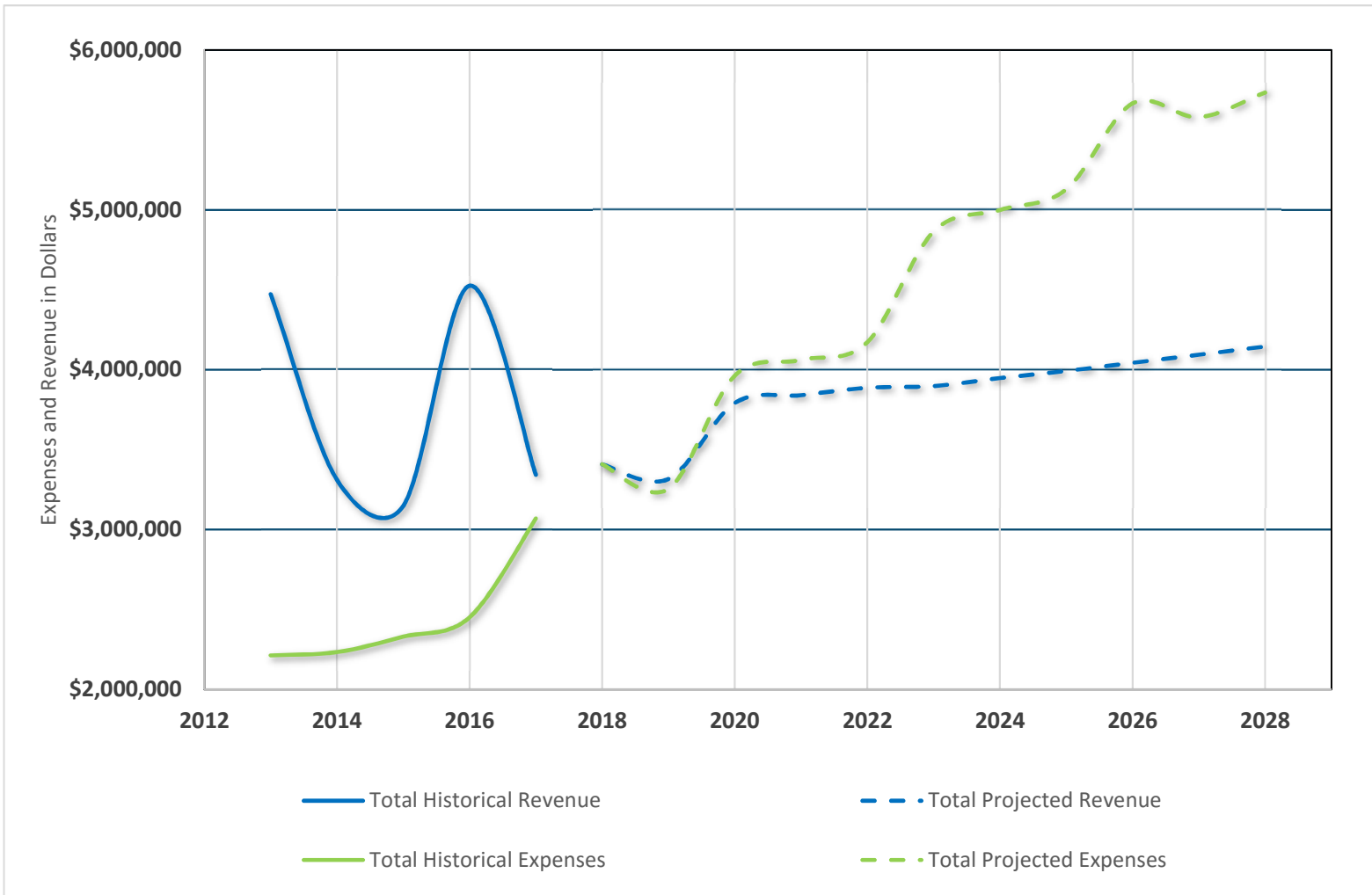


- No Transfers from Other City Funds
- Capital Improvements/Master Plan → \$35 million
- \$1.5M/year transfer from Cambridge Fund for CIP
- Debt Service Payments increase by:
 - \$500K in FY20
 - \$1.4M in FY28

Projections of Future Years' Financial Data (revenue at current rates)



- Expenses > Revenue



Review of Capital Improvement Plan



Project Name	FY2018 Amount	FY2019 Amount	FY2020 Amount	FY2021 Amount	FY2022 Amount	FY2023 Amount
WATER						
New Public Water Well		\$1,747,900				
New 300,000 Gallon Elevated Storage Tank			\$1,375,000			
New 300,000 Gallon Ground Storage Tank			\$600,000			
New Booster Pump Station				\$1,900,000		
Valving - 3 existing Elevated Storage Tanks					\$75,000	
Phase I Water Line Improvements					\$2,343,330	
Phase I Engineering	\$162,500					
Phase I Financial/Bond Expenses		\$354,415				
Rehab existing North Plant GST						\$150,000
Phase II Engineering						\$115,250
WASTEWATER						
Manhole Improvements	\$497,670					
Sewer Collection Lines	\$3,601,300					
Lift Stations	\$1,295,380					
Phase I Financial/Bond Expenses		\$24,884				
Manhole Improvements						\$984,000
Sewer Collection Lines						\$1,188,250
Phase II Financial/Bond Expenses						\$409,800
Total Utility Projects	\$5,556,850	\$2,123,198	\$1,975,000	\$1,900,000	\$2,418,330	\$2,847,300

Review of Capital Improvement Plan



Project Name	FY2024 Amount	FY2025 Amount	FY2026 Amount	FY2027 Amount	FY2028 Amount
WATER					
Replace BPS at North Plant	\$1,485,000				
Phase II Water Line Improvements		\$909,253	\$1,259,253		
Phase II Engineering					
Phase II Financial/Bond Expenses	\$225,771				
Phase III Water Line Improvements				\$852,500	\$852,500
Phase III Engineering				\$125,000	
Phase III Financial/Bond Expenses					\$193,389
WASTEWATER					
Sewer Collection Lines	\$1,188,250	\$1,188,250	\$1,188,250		
Lift Stations	\$1,229,500	\$1,229,500			
Expansion Areas				\$664,000	\$664,000
Manhole Improvements					\$710,000
Phase III Financial/Bond Expenses				\$199,950	
Total Utility Projects	\$4,128,521	\$3,327,003	\$2,447,503	\$1,841,450	\$2,419,889

Attachment: Rate Study Presentation (4415 : Utility Rate Study)

Proposed W/WW Rate Increases



- Apply to both water and wastewater
- Apply to both base fee and volume charge
- Apply to all classes

**\$1.30 increase in monthly base fee
and \$0.20 increase in volume fees
each year FY20 thru FY26**

Future Rates



Monthly W/WW Bill	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Residential 5,000 gallons	\$67.10	\$70.90	\$74.70	\$78.50	\$82.30	\$86.10	\$89.90	\$93.70
<i>Increases by year</i>		\$3.80	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80	\$3.80

Residential Peak 10,000 gal	\$102.85	\$108.65	\$114.45	\$120.25	\$126.05	\$131.85	\$137.65	\$143.45
<i>Increase by year</i>		\$5.80	\$5.80	\$5.80	\$5.80	\$5.80	\$5.80	\$5.80

Commercial Avg 23K gallons	\$222	\$233	\$244	\$255	\$266	\$278	\$289	\$300
<i>Increase by year</i>		\$11.07	\$11.07	\$11.07	\$11.07	\$11.07	\$11.07	\$11.07

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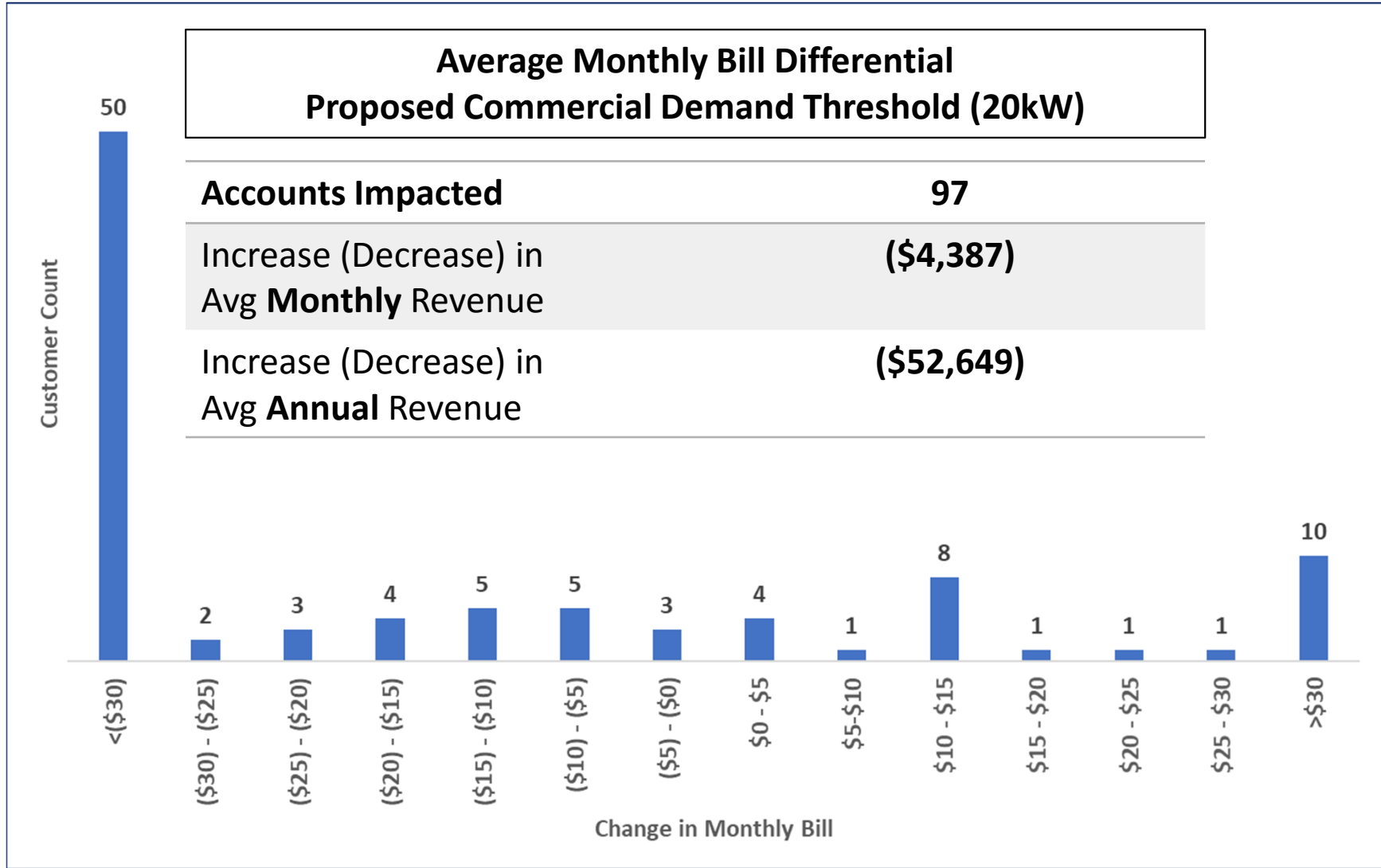
Questions

Electric Rates - Key Issues



- Evaluate Current Customer Class Designation
 - The City currently does not define what characterizes a Small versus Large commercial customer
- Analyze Commercial customer load characteristics to determine cost of service-based thresholds to define the small and large commercial classes
 - Examined customer specific service statistics against industry standards
 - Compared class designations with other municipal providers
- 20 kW during summer period determined to be optimal Demand threshold
 - Small Commercial Demand 0 – 20 kW
 - Large Commercial Demand >20 kW

Electric Rates - Key Issues



Electric Rates - Key Issues



- Revenues Under Current Rates projected to be sufficient through FY21

Projected Electric Revenue Under Current Rates

No Proposed Commercial Demand Threshold Implementation

Description	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Retail Revenue Under Current Rates	\$ 11,347,389	\$ 11,486,718	\$ 11,541,660	\$ 11,642,472	\$ 11,730,129	\$ 11,869,636
Retail Revenue Requirement	\$ 11,053,322	\$ 11,228,441	\$ 11,535,560	\$ 11,858,531	\$ 12,188,492	\$ 12,481,007
<i>Over/(Under) Recovery (\$)</i>	294,067	258,277	6,100	(216,059)	(458,363)	(611,371)
<i>Over/(Under) Recovery (%)</i>	2.59%	2.25%	0.05%	-1.86%	-3.91%	-5.15%

- Anticipated changes to purchased power cost structures in FY22
 - Sam Rayburn Municipal Power Agency (“SRMPA”) debt reduction in FY22
 - Estimated impact not yet known

Electric Rates - Key Issues



- Estimated average annual revenue decrease of approximately \$52,000 beginning in FY22 assuming no adjustment to rates as a result of proposed Commercial Demand threshold implementation

Projected Electric Revenue Under Current Rates

Proposed 20 kW Commercial Demand Threshold FY22

Description	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Retail Revenue Under Current Rates	\$ 11,347,389	\$ 11,486,718	\$ 11,541,660	\$ 11,592,861	\$ 11,680,518	\$ 11,819,884
Retail Revenue Requirement	\$ 11,053,322	\$ 11,228,441	\$ 11,535,560	\$ 11,855,059	\$ 12,185,019	\$ 12,477,525
<i>Over/(Under) Recovery (\$)</i>	294,067	258,277	6,100	(262,198)	(504,501)	(657,641)
<i>Over/(Under) Recovery (%)</i>	2.59%	2.25%	0.05%	-2.26%	-4.32%	-5.56%

- Even with proposed Commercial Demand threshold, Revenues under Current rates projected to be sufficient through FY21

Attachment: Rate Study Presentation (4415 : Utility Rate Study)

Electric Recommendations



- ✓ No rate action recommended on the Electric utility until FY22 to align with anticipated significant changes to the City's purchased power cost structures
 - ✓ Implement 20kW Commercial Demand threshold in FY22 commensurate with anticipated purchase power cost reduction to mitigate customer impact
- ✓ Continuously monitor financial performance of utility as FY22 approaches to determine if any adjustments are necessary

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W/WW Recommendations



- ✓ Adopting a rate increase for FY19 of \$1.30 on Base Fee and \$0.20/thousand gallons on Volume Charge for both water and wastewater
- ✓ Continue to adopt annual rate increases through FY26 (same amounts as FY19 increase)
- ✓ Update W/WW rate study at least every five years
- ✓ Implement CIP
- ✓ Focus on reducing non-revenue water

Electric Recommendations



- ✓ No Action on rates at this time
- ✓ Monitor and adjust as FY22 approaches, when power costs are known



Questions?

CONTACT INFORMATION:

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The City of Liberty

City Council
1829 Sam Houston
Liberty, TX 77575

Meeting: 04/23/19 06:00 PM

Department: Administration
Category: Executive Session Items

COUNCIL ACTION (ID # 4416)

DOC ID: 4416

Subject: Action Taken Following an Executive Session

Background: A vote on a matter deliberated in a closed session may only be made in an open meeting that is held in compliance with the notice provisions.