

CITY OF ALAMO HEIGHTS
CITY COUNCIL
September 18, 2018

A work session of the City Council of the City of Alamo Heights, Texas was held at Council Chambers, located at 6116 Broadway, San Antonio, Texas, at 8:30 a.m. on Tuesday, September 18, 2018.

Present and composing a quorum were:

Mayor Bobby Rosenthal
Councilmember Lawson Jessee
Councilmember Wes Sharples
Councilmember Fred Prassel
Councilmember John Savage

Also attending were:

City Manager J. Mark Browne
Fire Chief/Assistant City Manager Buddy Kuhn
Assistant to the City Manager Marian V. Mendoza
Community Development Services Director Ken Roberts
Finance Director Robert Galindo
Public Works Director Pat Sullivan
Public Works Superintendent Mark McGinnis
City Secretary Jennifer Reyna

Absent was:

Mayor Pro Tempore Lynda Billa Burke

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Mayor Bobby Rosenthal opened the meeting at 8:38 a.m.

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Item # 1 Mayor Rosenthal read the following caption.

Water/Wastewater Rate Study and work session presented by Dan Jackson, Willdan Financial Services. Presentation will include updated information on rates, forecast of revenues, expenses, capital requirement and rate plan alternatives

Dan Jackson, Vice-President, Willdan Financial Services, made a PowerPoint presentation to include updated information on rates, forecast accounts, volumes, revenue requirements, proposed rate plan, and next steps.

Mr. Jackson reminded Council the reasons water and wastewater rates are increasing. He stated inflation, general increases in the cost of doing business,

environmental and other regulations contribute to water and wastewater rates increasing the need for consideration. American Water Works Association (AWWA) forecasts that water and wastewater rates across USA will triple in the next 15 years.

Mr. Jackson commented on the City's past operating water and wastewater rates. He stated there has been no water or wastewater operating rate increase since 2007. He shared municipalities are increasing their water and wastewater rates by 5% - 6% every year.

Mr. Jackson presented the current water rate structure, a sample monthly residential water and wastewater consumption, cost and comparison. The water rate structure included monthly charges for commercial, residential and irrigation customers accordingly by volume rate and meter measurement. He reviewed the wastewater rate for all customers. Comparison charges of a monthly residential statement sample for 12,000 gallon/1,604 cubic feet (5/8" meter) and a 25,000 gallon or 3,342 feet (2" meter) were presented. Alamo Heights' customer users were categorized as residential, commercial, multi-family, institutional and irrigation and displayed in a pie chart.

Mr. Jackson reported a total of 3,041 water and 2,728 wastewater accounts consuming 67,320,877 cubic feet on an annual basis noting 65% of users are residential and estimated 15% are irrigation users. He stated the average City of Alamo Heights customer consumes 11,000 gallons monthly. A bar chart was presented to display the monthly consumption average of water users based on classification. Mr. Jackson also presented historical and forecast annual water accounts consumption for FY2016 – FY2027.

The components of cost of service included operating expenses, capital outlays, transfers, debt principal and interest were highlighted. Mr. Jackson began with primary assumptions for a five-year forecast. He stated personnel and operating expenses will increase 2% per year while insurance/workers comp/healthcare will increase at higher rates. He stated certain expenses will increase with volume and customer growth. He noted two important factors for the City to consider: SAWS wastewater increases are assumed at 8% in 2019, 5% in 2020 through 2027, and capital expenditures. He stated rates are important and emphasized the cost of capital improvements that need to be included. He reiterated it is maintenance and not growth related to cost. He reviewed capital expenditures and a chart that displayed the capital outlays and expenditures forecast for 2019 – 2027. Within the next 10 years, capital expenditures needs are estimated at \$7.2M. A breakdown of the forecast capital outlays and expenditures were reviewed for water and wastewater.

Mr. Jackson presented a rate plan proposal for Council to consider. He recommended a 5% water rate and a 5% wastewater increase plus SAWS additional sewer pass through increases. He further explained a 5% adjustment for each rate and class every year beginning in January 2019 for the next ten years. He stated the plan will require revision to the proposed capital outlay funding. Mr. Jackson estimated an \$8.00 increase per month for a 12,000 gallon user; thereafter, additional monthly \$7 - \$8

increases each year. He commented users that consume less water may have a \$3 - \$4 increase. He stated majority of the residents in Alamo Heights consume 12,000 gallons on a monthly basis which represent 70% of the community. He stated if the increase is limited to 5%, a recalculation is needed as he explained the proposed plan allows \$5.7M in capital improvements. He projected the proposed water plan will still be lower than neighboring cities' rates as he displayed the bar chart. He briefly reviewed the capital outlays funded through the proposed rate plan.

The advantages were identified to enable the City to maintain a financially healthy utility, allow the City to fund increasing SAWS and operating costs, allow the City to invest \$5.7M in capital improvements to system, and the City's rates will continue to compare favorably to SAWS and other utilities.

Mayor Rosenthal asked if the proposed plan is implemented, will there be an excess and possibly not consider a bond issuance.

Mr. Jackson responded the plan is based on expectations and encouraged review every few years. He stated if there is excess he recommended investing into the system or perhaps a rebate to customers. He stated a multi-year plan can always be adjusted. He suggested putting the plan into effect and re-evaluate in a few years.

There was a brief discussion about water towers, needs and purpose. Public Works Utilities Superintendent Mark McGinnis stated the water tower located on Evans is in bad shape and recommended a cleaning and seal. He discouraged painting the water tower; however, strip it down for a natural look. Public Works Director Pat Sullivan stated there are some infrastructure issues that need repair and may be good for 50 years. He encouraged keeping the water tower located on Evans.

Councilmember Jessee commented the maintenance required is an upkeep and asked Council to consider an increase sufficient to provide adequate maintenance. Councilmember Savage estimated \$5M had been spent on infrastructure within the past 10 years and commented \$7M may be the ideal amount to allocate.

Mr. Jackson presented scenario 2 to allocate \$7M in funding. He stated this proposed plan is for 10 years and may be favorable. He noted the increase would be within \$4 - \$11 for residential users that consume less or the average amount of water. He noted the scenario 2 proposed rate model for a 5% for 10 years will fund \$7M.

Councilmember Jessee inquired about a meter phase-in program and impact fees. There was a discussion among Council regarding meters. Mr. McGinnis explained the current process and confirmed that any changes may be interfaced with other equipment/technology. Mr. Sullivan commented the technology turnover in meter replacement changes quickly and noted the different types of meters that the municipality may own if a phase-in program is considered. Mr. Sullivan stated estimated projections on loss of revenue and cost of meter replacement are unknown. Mayor Rosenthal commented meter replacement is not a priority and perhaps wait for technology for an

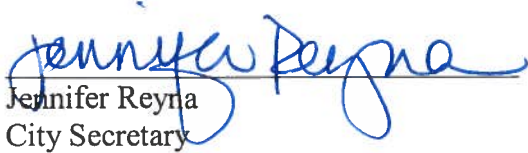
entire meter change out. Mr. Browne stated it would be ideal to purchase all meters at once. Mr. Browne responded there are no impact fees and explained due to state requirements, the City is not ready to consider impact fees. Council agreed not to consider impact fees.

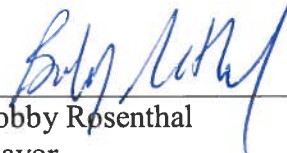
Mr. Sullivan reminded Council that 2030 is the deadline in which the City completes the 4x2 changes mandated by the Texas Commission on Environmental Quality (TCEQ).

Council agreed to conduct a public hearing in October and a separate meeting to consider the proposed increased water and wastewater rates. Mr. Jackson will return on October 8th to make a presentation.

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There being no further business, Mayor Rosenthal adjourned the meeting at 9:54 a.m.


Jennifer Reyna
City Secretary



Bobby Rosenthal
Mayor