

City Council Workshop
December 12, 2016 at 5:00 pm
Minutes

- 1) Mayor Saldana called the workshop to order at 5:00pm, with the following City Councilmembers present
Mayor Pro-Tem Sam Smith, Alderman Mike Fernandez, Alderman Tommy Ortiz, Alderman Sam Bluemel
Absent were: Alderman Ruben Juarez
Also present: City Administrator Lisa Hernandez, Public Works Director Art Smith, USDA Representative Betty Soto, Communities Unlimited Representatives Raul Gonzalez and Cesario Vera, and M&S Engineers Tom Turk, and Chris Rosenboom.
- 2) Discuss Resolution; authorizing and providing for the incurrence of indebtedness for the purpose of providing a portion of the cost of acquiring, constructing, enlarging, improving, and/or extending its:
 - A. Water Facility to serve an area lawfully within the City of Natalia jurisdiction; and to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of \$1,327,000; and,
 - B. Sewer Facility to serve an area lawfully within the City of Natalia jurisdiction; and to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of \$584,000.

The proposed city water/sewer facility of the loan program with USDA covers a variety of projects: Water System Facilities include 1) well site upgrades, 2) upgrades to the water distribution lines, 3) emergency interconnect; and Sewer System Facilities include 1) redirect Love's pipeline, 2) replace Ft. Ewell Utility Crossing, 3) reduction of non-wastewater from treatment, and minor repairs to be made at the ballfield liftstation. In order to repay the loan, a proposed water and sewer utility rate analysis was performed by Raul Gonzalez, with Communities Unlimited; the Water/Sewer Rate Analysis reports that an increase in water rates is necessary to support the maintenance, operations, assets and cash reserves; no implied sewer rate changes were reflected in the report. The water revenues included the water pass-thru fees as operational funds, when the funds should actually be factored as reserves, as the funds may be utilized to fund leasing or purchasing water programs and to support the incurred fees. Though the budgets adopted supports basic operations and maintenance, it does not project for the upgrade cost to fixed assets and designation of a replacement fund (reserves) for the short-lived assets. To financially support the average annual debt and reserves of \$88,500, the city must increase the water service rates. The projected increase implies that an average consumption of 5,000 gallons currently pays \$30.50, and with the new rates this would increase to \$48.50 (\$18.00 increase). Many were concerned that proposing an \$18 increase for water just off the basis of 5,000 is not feasibly affordable by the consumers, and suggested other routes of studies be reviewed, such as determining the water rates based by meter size, type of consumer (residential/commercial), distribution of services (inside/outside city limits), and multi-unit meters. Additionally, though the sewer rates were implied sufficient, it's suggested that rates be increased to lower the impact and burden of the water system. As noted, rates were determined based on each individual system operations, as water revenues are to support water expenses, and sewer revenues are to support sewer expenses, as well as providing for a healthy fund balance and reserve. Betty Soto, USDA, recommends city council place this item at the next meeting for an affirmative vote, rather than wait for another rate analysis to be conducted as this would just delay the funding and to lock in the interest rate of 1.875% for the 40-year term; additionally, to provide notices to proceed and engagement of services from legal counsel, bond counsel, engineering firm, and community analysis firm. No action taken.
- 3) Adjournment: Alderman Smith Fernandez motioned to adjourn the meeting at 6:05pm, and Alderman Smith seconded the motion. Motion carried unanimously.

Passed and Approved this 19th day of December, 2016.

Approval:

Attest:

Lisa S. Hernandez,
City Administrator/Secretary