

**City of Natalia, Texas**  
**Regular City Council Meeting**  
**March 9, 2017 at 7:00 pm**  
**Minutes**

Roll Call: Mayor – Position Vacant Alderman (Mayor Pro-Tem) Sam Smith – Present  
Alderman Mike Fernandez – Present Alderman Tommy Ortiz - Present  
Alderman Sam Bluemel – Present Alderman Ruben Juarez – Absent

Call to Order:

- 1) Mayor Pro-Tem Sam Smith called the special city council meeting to order at 7:00 pm.

Discussion/Consideration of Action Items:

2) **Discussion/Review the Utility Rate Study and Restructuring Methods provided by Raul Gonzales, of Communities Unlimited.**

Discussion: City Administrator Hernandez reiterated on previous utility rate reviews conducted and presented by Mr. Raul Gonzales; explaining the structure assesses the city's current utility rates, revenue and expenses for water and sewer operations, and applied methods to restructuring the utility rates in order to sustain the current services and calculating in the new annual debt for the USDA Loan/Grant Funding and Short-Lived Assets. The City Council and City Administrator reviewed several proposals presented by Mr. Gonzales, including modifications applied for requested additional proposals; this is the Third Utility Study performed and presented by Mr. Gonzales. This study introduced three different proposals, and implemented three different methods for calculating commercial and residential base and consumption rates:

- i. Proposal #1: Increases the water and sewer service availability charge for both commercial and residential customers by \$8.50, with no changes made to the tiered-volume rates; creating an average monthly increase of \$17.00 per customer. Generating an average annual income of \$106,488.
- ii. Proposal #2: Increases the tiered-volume rates by \$1.60 for residential and commercial water and sewer; creating an average monthly increase of \$14.40 for residential based on 5,000 gallons, and an average monthly increase of \$38.40 for commercial based on 13,000 gallons. Generating an average annual income of \$104,915.
- iii. Proposal #3: Increases the water and sewer service availability rates for both commercial and residential by \$4.50 and each tiered volume by \$0.80 cents; creating an average monthly increase of \$15.40 for residential base on 5,000 gallons, and an average monthly increase of \$28.20 for commercial customers base on 13,000 gallons. Generating an average annual income of 108,834.

Alderman Fernandez mentioned that previous discussions were to charge differential rates for commercial customers with larger sized meters, and questioned is this method was used? Mr. Gonzales stated because most of the City's commercial accounts have 1" meters, and there were only a few accounts having 2" meters it was not proposed, and offered to recalculate the study to include this rate. City Administrator Hernandez explained that she also prepared two utility rate studies that implemented this differential rate, and was averaging about 2-times more than the average commercial customer which calculated a 2" meter base rate to increase from \$23.00 to \$66.31. Hernandez suggested that if City Council wished to implement a different rate for 2" meters, to consider doubling the commercial service availability rate rather than having Mr. Gonzales prepare another utility study which can take several more weeks, this suggestion would increase the base rate from \$27.50 to \$55.00. Mayor Pro-Tem Smith asked City Administrator Hernandez what method is best recommended. Hernandez explained that the outcome of the two studies she prepared were slightly higher than those prepared by Mr. Gonzales, and suggested Proposal #3 would provide an equal calculation for increasing both the base rate and tiered volume. Hernandez questioned Mr. Gonzales if the proposals presented consider a percentage for a 5-year inflation plan? Mr. Gonzales confirmed that none of the proposals account for a cost of inflation for maintenance and operations, but recommends doing so. Mayor Pro-Tem Smith questioned if the rates proposed would start now, or next fiscal year? Hernandez confirmed that whichever method council chooses would apply to the next fiscal year; however, approving a plan now would allow the City to prepare customers of the rate increases to come, providing them ample notices and information of the rate changes.

3) **Discuss/consider approving a Utility Rate Restructuring Plan to support the authorized issuance of indebtedness of the USDA Loan/Grant Funding Program for Series 2017 Capital Improvements to the city's water and sewer facility systems.**

Action: Alderman Fernandez made a motion approving Proposal #3 as presented to include a differential rate for 2" Commercial Meters at double the rate from the regular commercial customers (\$55.00 base rate), and

Alderman Ortiz second the motion. City Administrator Hernandez asked if this motion includes an annual inflation percent. Alderman Fernandez amended his motion to adopt a 1.2% annual increase for each subsequent year of the five-year plan, and Alderman Bluemel seconds the motion.

Vote: 4-0; Motion carried unanimously to adopt the 1.2% annual increase in the five-year plan. 4-0; Motion carried unanimously to approve Proposal #3 and to include the differential rate for Commercial Customers with 2” Meters at \$55.00 Base Rate. City Administrator Hernandez explained that the approved proposals will be added to next regular meeting for adoption by ordinance.

- 4) **Adjournment.** Alderman Fernandez motioned to adjourn the meeting at 7:40pm, and Alderman Bluemel seconded the motion. Motion carried unanimously.

**Passed and Approved this 20<sup>th</sup> day of March, 2017.**

Approval:

Sam Smith

Sam Smith, Mayor Pro-Tem

Attest:

Lisa Hernandez

Lisa S. Hernandez, City Administrator/Secretary