

Wilmer City Council
Special Called Meeting
Wednesday, June 22, 2016 at 7:00 pm



Serving Our Community

Pursuant to the Texas Government Code, Chapter 551, the Wilmer City Council will conduct a Special Called Meeting on the aforementioned date and time at the Wilmer Community Center located at 101 Davidson Plaza in Wilmer, Texas to consider the following matters:

CALL TO ORDER

INVOCATION

PLEDGE OF ALLEGIANCE

PUBLIC HEARING/ACTION ITEMS

1. Conduct a Public Hearing and Consider **Ordinance No. 16-0622A** Amending the Code of Ordinances, Article 13.03, "Water and Sewer", Sections 13.03.003 "Rates and Charges," and Section 13.03.004, "Procedures for Furnishing Water Service" by Adjusting Water Utility Rates; Providing for a Penalty; Repealing Conflicting Ordinances; Providing an Effective Date; and Providing for the Publication.
2. Discuss and Consider **Ordinance No. 16-0622B** Approving Amendment Number One to the Fiscal Year 2015-2016 Operating Budget by Creating an Interfund Loan to the Water and Sewer Fund from the General Fund.

ADJOURNMENT

EXECUTIVE SESSION: The Council reserves the right to convene into executive session on any posted agenda item pursuant to Section 551.071(2) of the TEXAS GOVERNMENT CODE to seek legal advice concerning such subject.

ACCESSIBILITY STATEMENT: The Municipal Center is wheelchair-accessible. For sign interpretive services, call the City Secretary's office, 972-441-6373, or TDD 1-800-735-2989, at least 72 hours prior to the meeting. Reasonable accommodation will be made to assist your needs.

Certificate

I hereby certify the above Notice of Meeting was posted at the Wilmer City Hall on Monday, June 16th, 2016 at 8:15 p.m. and copies thereof were provided to the Mayor, Mayor Pro-Tempore, and Council Members.

Elizabeth Lopez, City Secretary

WILMER CITY COUNCIL
Agenda Communication
June 22, 2016

AGENDA ITEM

1

**Discuss and Consider Ordinance 16-0622A Adjusting Water Rates to
Compensate for Wholesale Water Rate Increases.**

Issue/Problem

In October 2015, the City of Hutchins increased the wholesale water rates to Wilmer by approximately 18%. The City has not passed that cost on to its customers and the Water and Sewer Fund is critically low on funds.

Background

Since the Water and Sewer Fund is a proprietary fund, it is important that it be able to financially meet all its current and future obligations, including debt coverage, health and safety requirements, and maintenance of infrastructure. In addition, the future growth of the City is dependent on these utilities being able to provide services to prospective new residences and businesses. To this end, the Council on June 1, 2013 authorized a rate analysis by McLain Decision Support Systems. Based on this analysis, water and sewer rates were adjusted January 1, 2015. This analysis recommended a slight increase annually through 2021 (Attachment A). In order to sustain the Water and Sewer Fund and move towards a 90 day fund balance goal, the fund needed to have an 8.0% and a 5.0% increase in 2014 and 2015, respectively. It was not until three months into the 2015 fiscal year (January 1, 2015) that water and sewer rates were increased approximately 8.0%. What was not predicted was an approximate 17% - 18% increase on October 1, 2015 by Hutchins, which is what Dallas Water Utilities (DWU) increase was to Hutchins. (*The DWU volumetric rate increased 27.3% and the demand rate increased 9.0%*).

The fact that these rate increases have not occurred in a timely manner and the large increase in purchased water cost last October has created critical financial problem for the Water and Sewer Fund. In recent months there have been several indications that the water and sewer utilities are not able to meet its obligations (Attachment B).



Considerations

Operational Considerations

- Cost of services need to be properly identified for water and wastewater utility systems.
- Customer rates need to produce revenue sufficient for annual expenditure requirements. Utility infrastructure expansion needs to be accounted for and fixed and variable costs of services included into existing service rates correctly.
- Ensure that our purchased water is accounted for in the rate structuring alternatives.
- Ensure that our tap fees are correct or restructured correctly.
- The City needs to show progress towards utility system improvements to avoid a TCEQ consent order mandating water and wastewater system improvements.
- The most recent DWU wastewater contract includes a number of costly requirements that the City must meet in the next couple of years.

Legal Considerations

There are no legal considerations associated with this item

Financial Considerations

The impact of 20% increase in water rates can be seen on Attachment C. As noted, the increase on the average residential customer (3,000 to 5,000 gallons per month) would be in the \$4.00 to \$5.00 per month range. In addition, Wilmer's water and sewer rates remain fairly low compared to our neighboring cities. Attached you will see a 2015 survey (Attachment G & H) conducted by the City of Dallas on its customer cities' rates. In order to get the Water and Sewer Fund back on track, it may also be necessary to have an interfund loan from the General Fund.



**Hutchins Rate Increases
 FY 2011 through FY 2016**

Year/Rate	Demand 0-9M per month	9M to 12M	>12 M	% Inc in Demand	% Inc in 9M to 12 M	% Inc in > 12M
FY 11	26,400	2.94	3.09	1.15%	1.38%	1.31%
FY 12	27,000	3.00	3.15	2.27%	2.04%	1.94%
FY 13	28,350	3.15	3.30	5.00%	5.00%	4.76%
FY 14	29,250	3.25	3.40	3.17%	3.17%	3.03%
FY 15	30,150	3.35	3.45	3.08%	3.08%	1.47%
FY 16	35,315	3.85	4.00	17.13%	14.93%	15.94%

Attachments

- Attachment A: Table 1.1 from the 2014 rate study
- Attachment B Water and Sewer Fund Cash Flow by week
- Attachment C Impact of 20% increase on monthly water bills
- Attachment D Purchased water cost to volume
- Attachment E Annual effective wholesale rate p/1000 gallon to percent of Increase
- Attachment F Cumulative Effective Wholesale Rate Increase to percent of volume increase
- Attachment G & H 2015 City of Dallas survey of customer city rates.

Prepared and Submitted By

 Denny Wheat
 City Administrator

Date: June 20, 2016

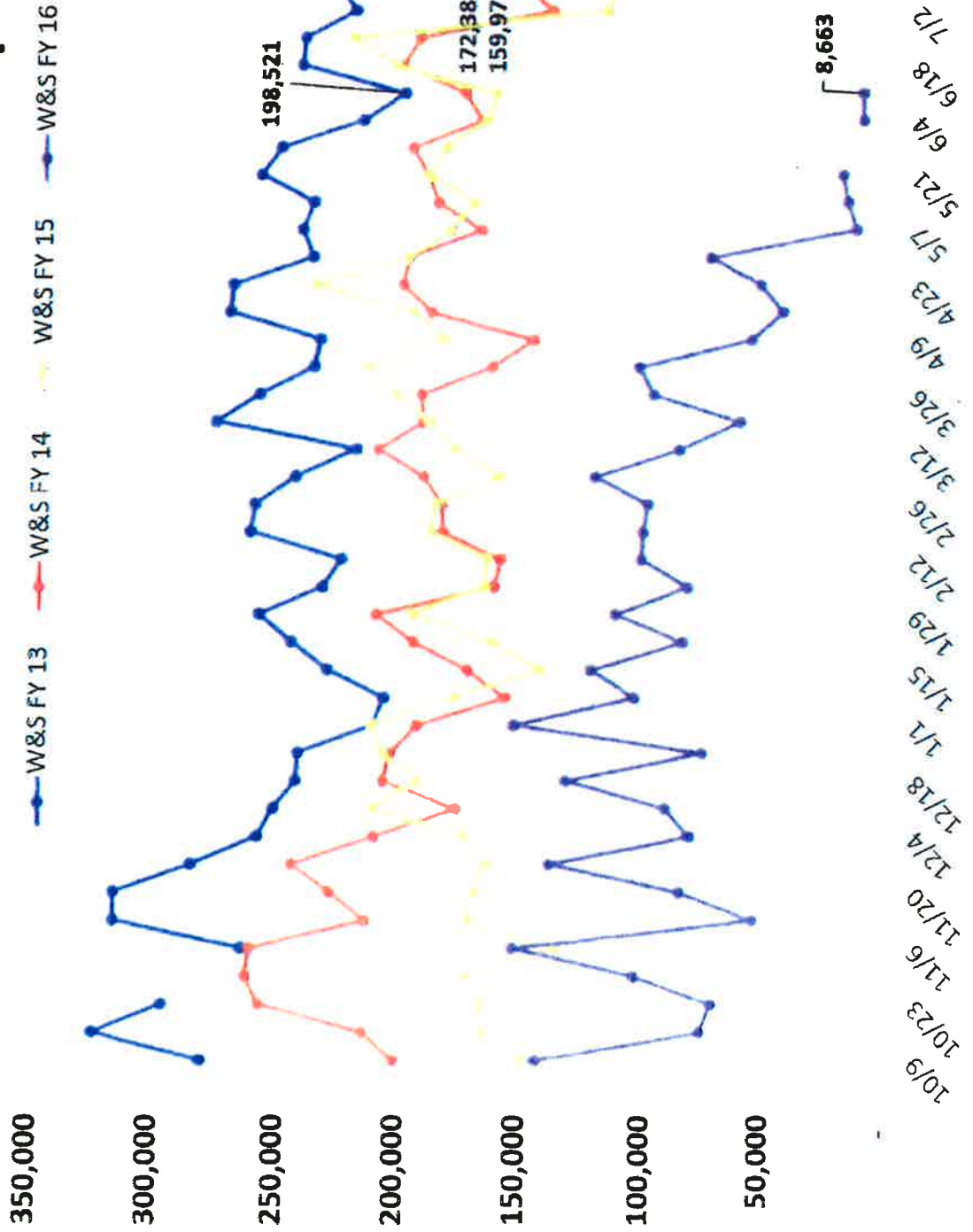


ATTACHMENT A

**Table 1.1
Financial Forecast - Bottom Line**

Fiscal Year	Debt Service Payments	Percentage Increase in Revenues	Sources		Operating Reserves	Days of Expenditures Target 90 Days
			Minus Uses of Funds	Operating Reserves		
2012	23,654	N/A	43,549	320,120	126	
2013	26,927	N/A	(119,119)	332,937	116	
2014	-	8.00%	(23,491)	309,446	109	
2015	-	5.00%	123,284	432,730	167	
2016	125,000	2.00%	(8,342)	424,388	141	
2017	125,000	4.00%	5,501	429,890	140	
2018	125,000	9.00%	74,445	504,335	160	
2019	125,000	9.00%	151,318	655,653	203	
2020	125,000	9.00%	236,886	892,538	269	
2021	125,000	9.00%	331,983	1,224,522	360	
2022	125,000	-	299,638	1,524,160	436	
2023	125,000	-	266,322	1,790,481	499	

Water & Sewer Fund Cash Flow by Week



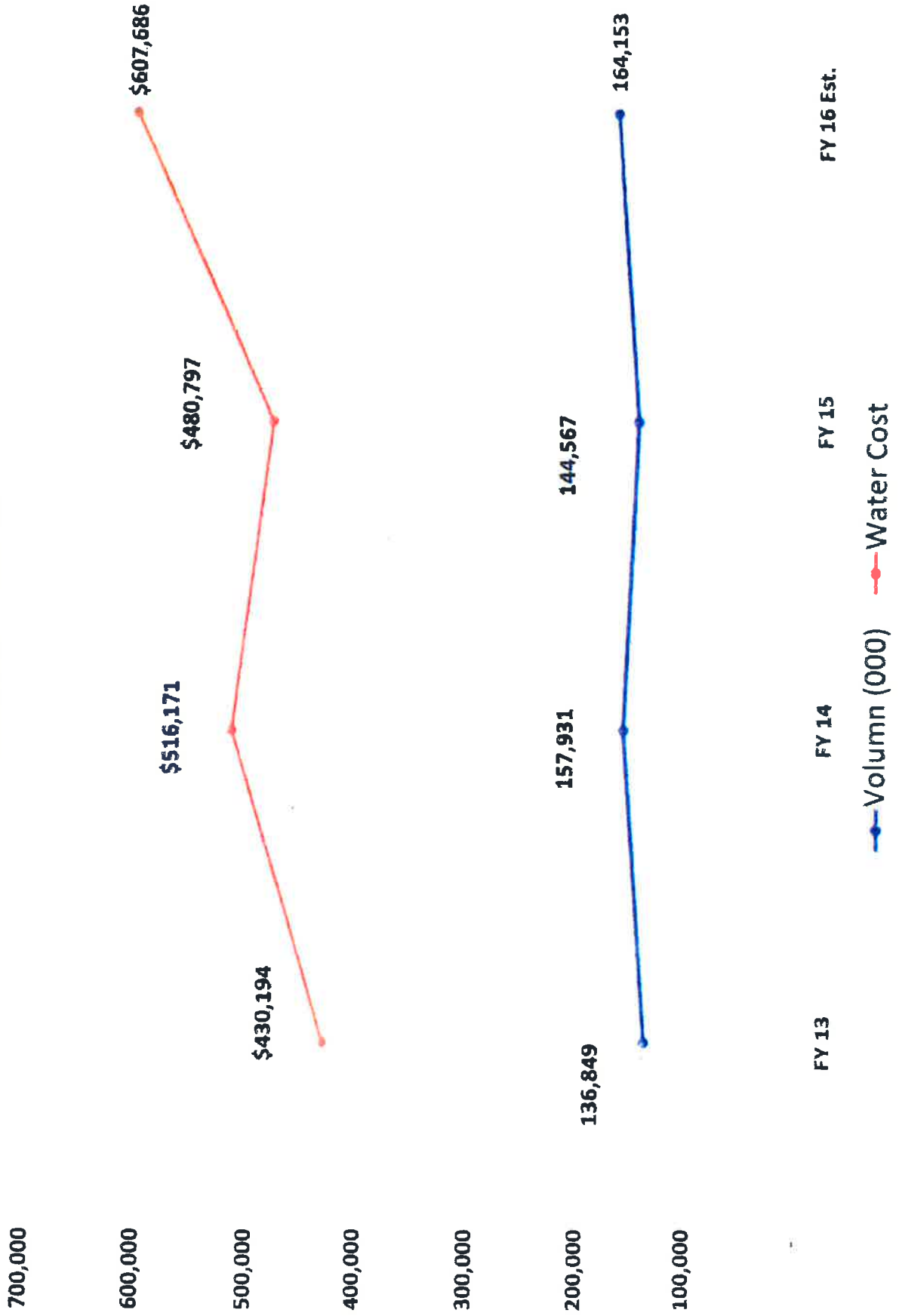
Water Residential

New Rate		Gallons	At		Inc/Dec	Proposed	
p/1000	Previous Rate		At Current Rate	20%		Increase	
		0-2,000	12.00	12.00	0	Montly	
3.84	4.61	3,000	16.00	15.84	-0.16	19.01	3.17
3.84	4.61	4,000	20.00	19.68	-0.32	23.62	3.94
3.84	4.61	5,000	24.00	23.52	-0.48	28.22	4.70
4.23	5.08	6,000	28.00	27.75	-0.25	33.30	5.55
4.23	5.08	7,000	32.00	31.98	-0.02	38.38	6.40
4.23	5.08	8,000	36.00	36.21	0.21	43.45	7.24
4.23	5.08	9,000	40.00	40.44	0.44	48.53	8.09
4.23	5.08	10,000	44.00	44.67	0.67	53.60	8.93
4.42	5.30	11,000	48.00	49.09	1.09	58.91	9.82
4.42	5.30	15,000	64.00	66.67	2.67	80.00	13.33
4.42	5.30	20,000	84.00	88.77	4.77	106.52	17.75

4.45 Water Commercial

New Rate		Gallons	At		Inc/Dec	Proposed	
p/1000	Previous Rate		At Current Rate	20%		Increase	
		0-2,000	17.00	17.00	0	Montly	
3.84	4.61	5,000	30.35	28.52	-1.83	34.22	5.70
4.23	5.08	6,000	34.80	32.75	-2.05	39.30	6.55
4.23	5.08	7,000	39.25	36.98	-2.27	44.38	7.40
4.23	5.08	8,000	43.70	41.21	-2.49	49.45	8.24
4.23	5.08	9,000	48.15	45.44	-2.71	54.53	9.09
4.23	5.08	10,000	52.60	49.67	-2.93	59.60	9.93
4.42	5.30	11,000	57.05	54.1	-2.95	64.92	10.82
4.42	5.30	15,000	74.85	71.78	-3.07	86.14	14.36
4.42	5.30	20,000	97.10	93.88	-3.22	112.66	18.78
4.42	5.30	50,000	230.60	226.48	-4.12	271.78	45.30
4.80	5.76	101,000	457.55	452.28	-5.27	542.74	90.46
4.80	5.76	125,000	564.35	567.48	3.13	680.98	113.50
4.80	5.76	150,000	675.60	687.48	11.88	824.98	137.50
4.80	5.76	200,000	898.10	927.48	29.38	1112.98	185.50

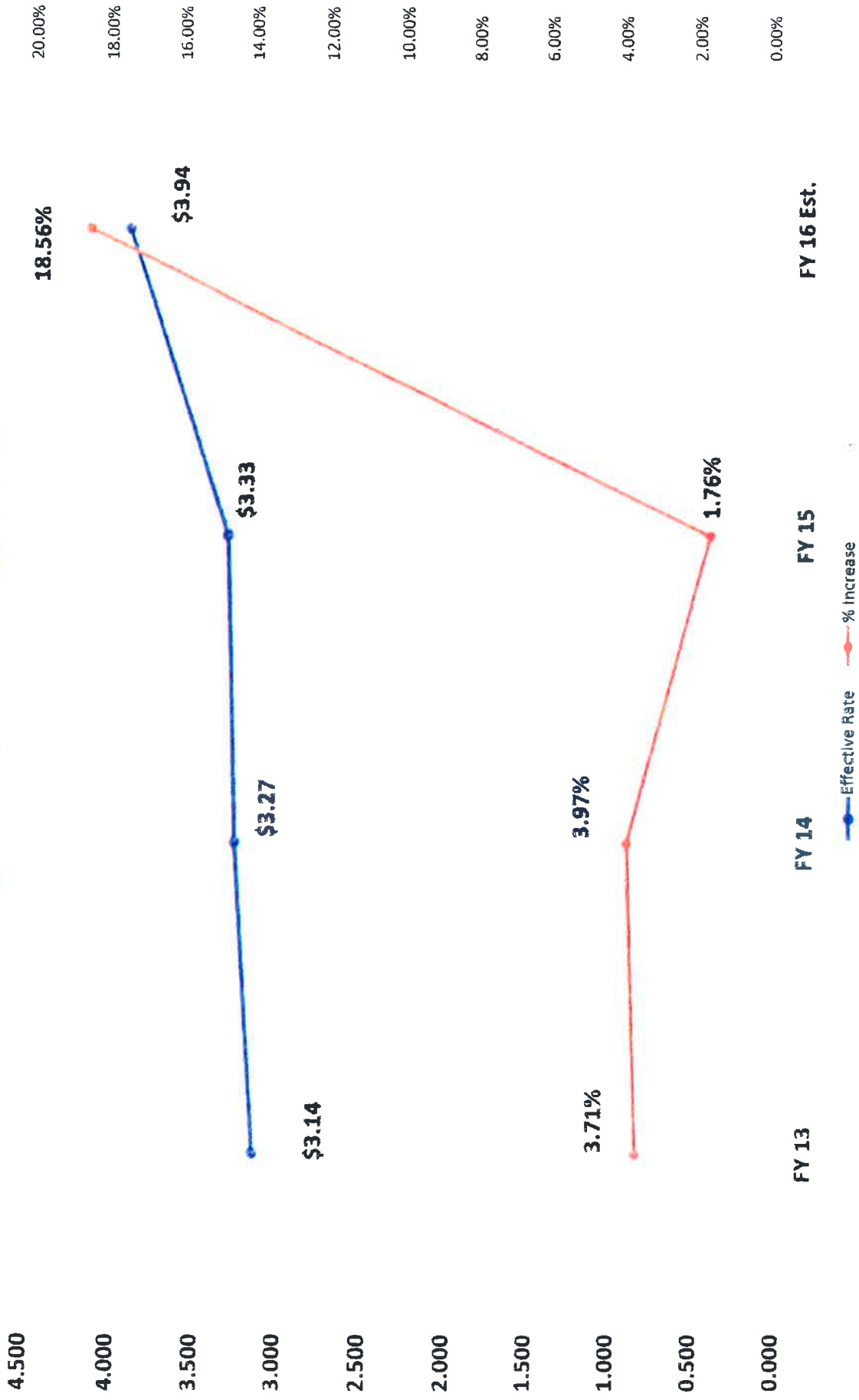
Water Cost to Volume
FY 2013 to FY 2016 Est



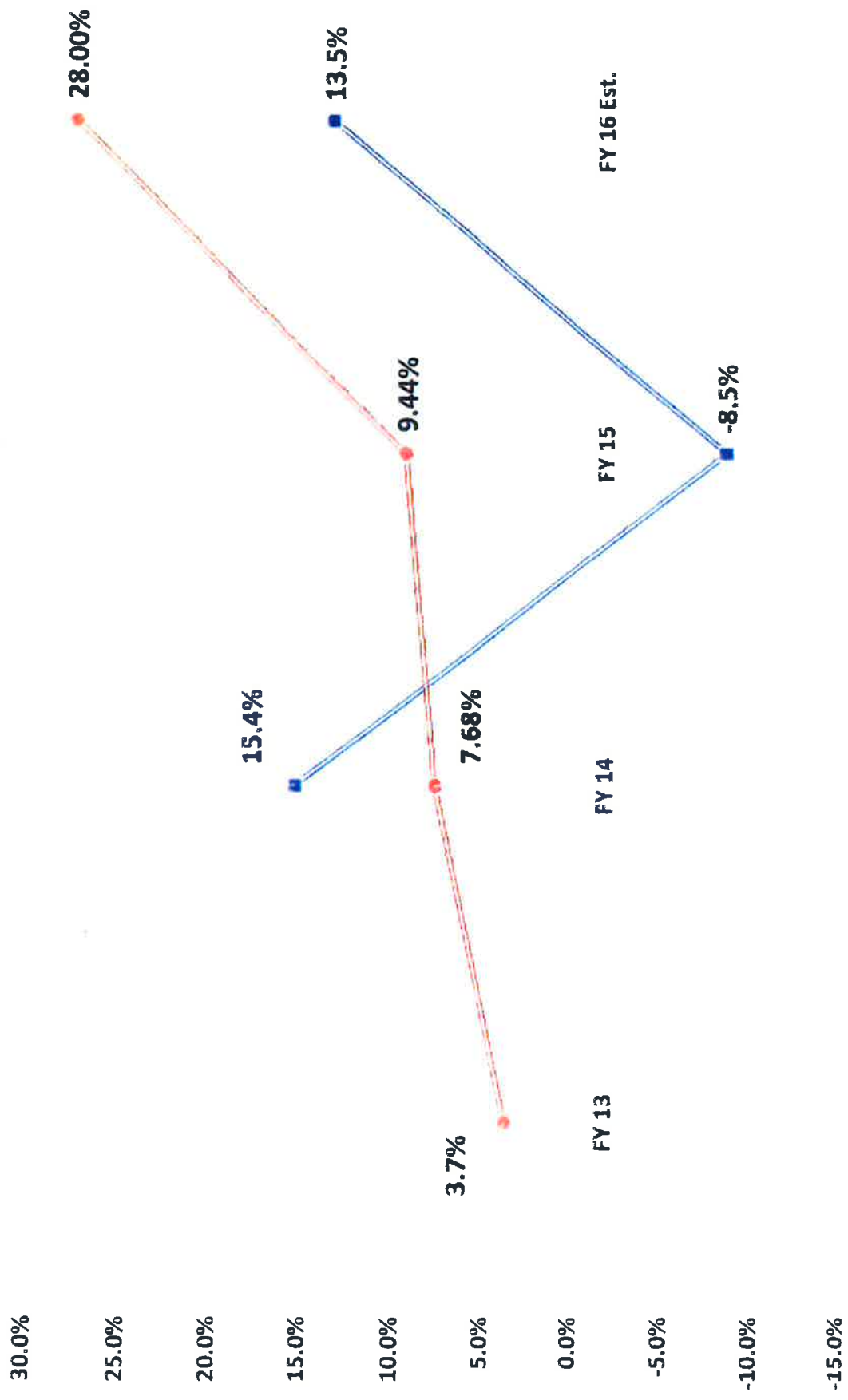
Annual Effective Rate Per 1000 Gal

to

Annual Percent Increase in Effective Rate



CUMULATIVE EFFECTIVE RATE INCREASE
TO
PERCENT VOLUME INCREASE

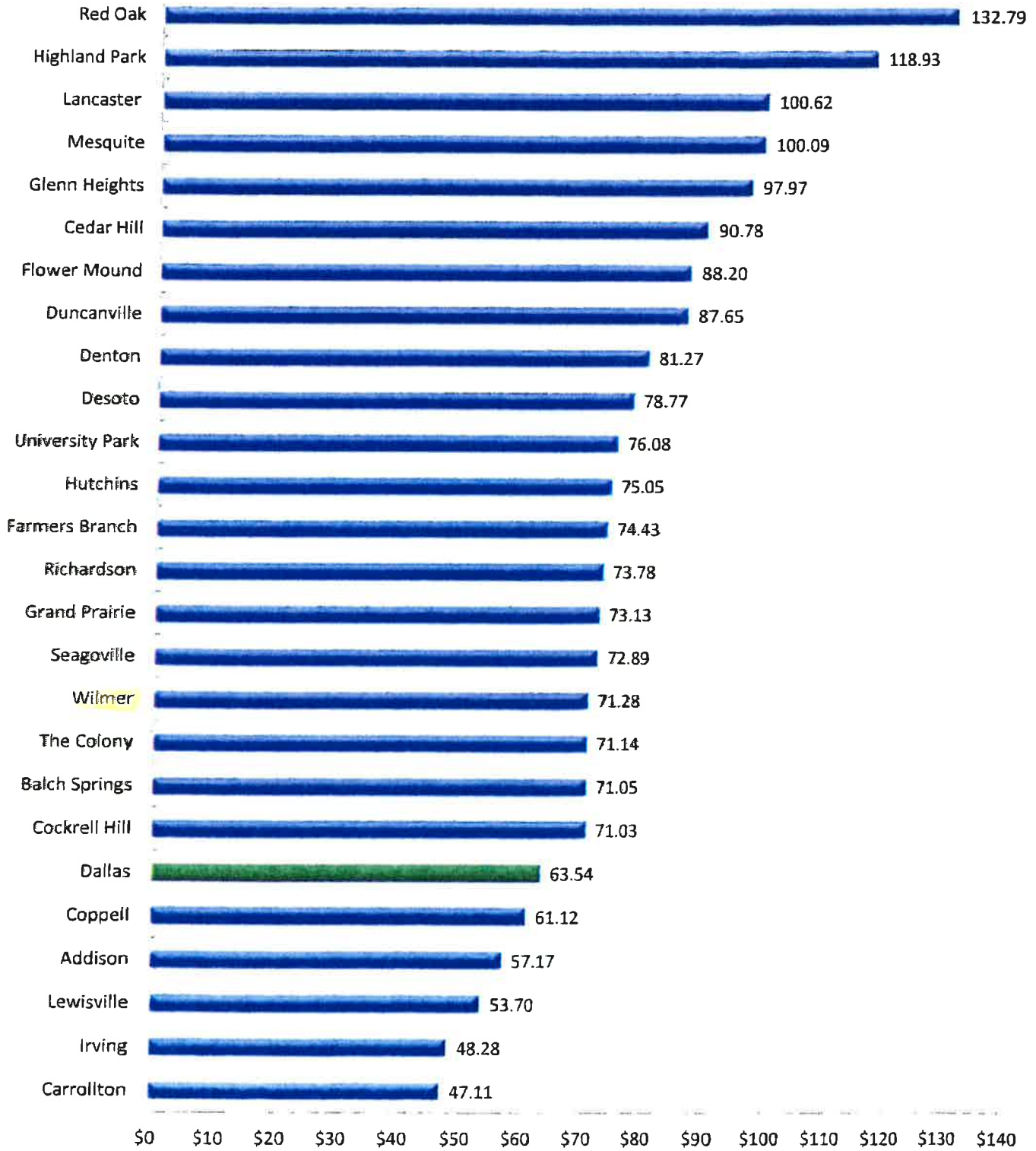


■ = % Vol. Inc. - - - ● = Cumulative Effective Rate Inc

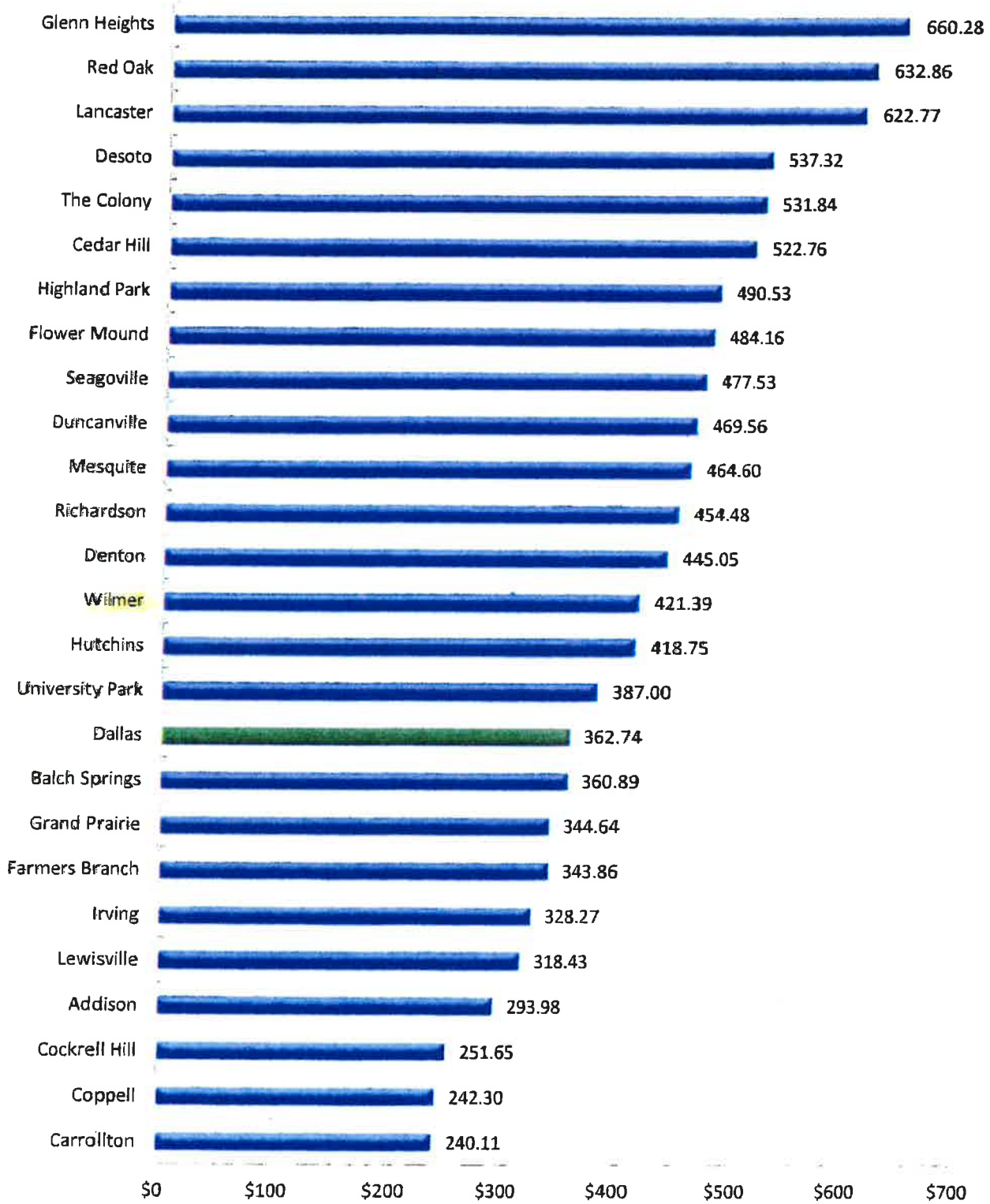
Average Monthly Water & Wastewater Residential Bills

Dallas Rates Compared to Customer Cities

(Based on 5/8" Meter; 8300 Gallons/Month; 5,500 Gallons Winter Month Average)



**Average Monthly Water & Wastewater Commercial Bills
Dallas Rates Compared to Customer Cities
(Based on 2" Meter; 40,000 Gallons/Month)**



ORDINANCE NO. 16-0622A

AN ORDINANCE OF THE CITY OF WILMER, TEXAS AMENDING THE CODE OF ORDINANCES BY AMENDING ARTICLE 13.03 “WATER AND SEWER”, SECTION 13.03.003 “RATES AND CHARGES”; PROVIDING FOR A PENALTY CLAUSE; REPEALING CONFLICTING ORDINANCES; PROVIDING FOR AN EFFECTIVE DATE; AND PROVIDING FOR THE PUBLICATION OF THE CAPTION HEREOF:

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WILMER, TEXAS:

Section 1. Water Rates

That Chapter 13, Section 13.03.003 (a)(2) of the Code of Ordinances (Water Rates) be repealed and replaced to read as follows:

“ ...

2 Water usage in excess of two thousand (2,000) gallons shall be charged and collected at the following rate per one thousand (1,000) gallons:

Residential Water	Rate
2,001 - 5,000 gallons	\$4.61
5,001 - 10,000 gallons	\$5.08
10,001 - 100,000 gallons	\$5.30
Over 100,000 gallons	\$5.76

Apartment Water	Rate
2,001 - 5,000 gallons	\$5.08
5,001 - 10,000 gallons	\$5.76
10,001 - 100,000 gallons	\$6.00
Over 100,000 gallons	\$6.46

Commercial Water	Rate
2,001 - 5,000 gallons	5.08
5,001 - 10,000 gallons	\$5.76
10,001 - 100,000 gallons	\$6.00
Over 100,000 gallons	\$6.46

Mobile Homes Water	Rate
2,001 - 5,000 gallons	\$4.61
5,001 - 10,000 gallons	\$5.08
10,001 - 100,000 gallons	\$5.30
Over 100,000 gallons	\$5.76

...”

Section 2

That Chapter 13, Section 13.03.003 (c) of the Code of Ordinances be repealed and replaced to read as follows:

“ ...

(c) Out-of-City Charges Water and/or Sewer customers outside the city limit receiving water and/or sewer service from the city shall be charged the same rate as those water and/or sewer customers inside the city limit effective the first billing period thirty-five (35) days following the date of this ordinance.

...”

Section 3

That Chapter 13, Section 13.03.004 (c) of the Code of Ordinances be repealed and replaced to read as follows:

“ ...

(c) Billing water charges. On the first of each month, the city shall mail a monthly bill to all customers of the city's water and wastewater systems. Payment shall be due on the fifteenth (15th) of the month. A delinquent charge will be added to the total amount if payment is made after the fifteenth (15th) of the month. A delinquent notice will be mailed to all delinquent customers on the sixteenth of the month. If payment is not received by the twenty-fifth (25th) of the month, including penalties, the city may disconnect service to customer until all charges are paid.

“

Section 4.

That Chapter 13, Section 13.03.004 (e), Notice of disconnection be amended to read as follows:

“ ...

(e) Notice of disconnection. Notice of disconnection of water service shall consist of a mailing or hand delivery to the customer at least ten (10) days prior to the date of disconnection.

...”

Section 5.

That all ordinances of the City of Wilmer in conflict with this ordinance are hereby expressly repealed insofar as the same are in conflict therewith.

Section 6.

Each word, phrase, paragraph and section of this ordinance is hereby declared to be an individual section or provision, and the holding of any word, phrase, paragraph or section to be void, ineffective or unconstitutional, for any cause whatsoever, shall not be deemed to affect any other word, phrase, paragraph or section to circumstances for facts not connected with such holding.

Section 7.

Any ordinance, firm or corporation violating any of the provisions of this ordinance or of the Code of Ordinances, as amended hereby, shall be deemed guilty of a misdemeanor and, upon conviction in the Municipal Court of the City of Wilmer, Texas, shall be punished by a fine not to exceed the sum of five hundred (\$500.00) dollars for each offense, and each and every day any such violation shall continue shall be deemed to constitute a separate offense.

Section 8.

This ordinance shall be in full force and affect for in-city customers after its passage and publication as required by law and beginning with the first cycle billed after June 30, 2016.

DULY PASSED by the City Council of the City of Wilmer, Texas, on the 22 day of June, 2016.

APPROVED:

Casey Burgess, Mayor

ATTEST:

Elizabeth Lopez, City Secretary

APPROVED AS TO FORM:

Michael Halla, City Attorney

WILMER CITY COUNCIL
Agenda Communication
June 22, 2016

AGENDA ITEM

2

Discuss and Consider Ordinance 16-0622B Authorizing an Interfund Loan from the General Fund to the Water and Sewer Fund.

Issue/Problem

In October 2015, the City of Hutchins increased the wholesale water rates to Wilmer by approximately 18%. The City has not passed that cost on to its customers and the Water and Sewer Fund is critically low on funds.

Options

Option #1: Approve an Ordinance No. 16-0622B authorizing an interfund loan from the General Fund to the Water and Sewer Fund of \$100,000.00

Option #2 Continue to raise water rates to compensate for what would otherwise be a loan from the General Fund.

Recommendation

Staff is recommending approval of Ordinance 16-0622B authorizing an interfund loan from the General Fund to the Water and Sewer Fund of \$100,000.00. This loan will provide funds to solve a current cash flow problem in the Water and Sewer Fund.

Background

Since the Water and Sewer Fund is a proprietary fund, it is important that it be able to financially meet all its current and future obligations, including debt coverage, health and safety requirements, and maintenance of infrastructure. In addition, the future growth of the City is dependent on these utilities being able to provide services to prospective new residences and businesses. To this end, the Council on June 1, 2013 authorized a rate analysis by McLain Decision Support Systems.



Based on this analysis, water and sewer rates were adjusted January 1, 2015. This analysis recommended a slight increase annually through 2021 (Attachment A). In order to sustain the Water and Sewer Fund and move towards a 90 day fund balance goal, the fund needed to have an 8.0% and a 5.0% increase in 2014 and 2015, respectively. It was not until three months into the 2015 fiscal year (January 1, 2015) that water and sewer rates were increased approximately 8.0%. What was not predicted was an approximate 17% - 18% increase on October 1, 2015 by Hutchins, which is what Dallas Water Utilities (DWU) increase was to Hutchins. (*The DWU volumetric rate increased 27.3% and the demand rate increased 9.0%*).

The fact that these rate increases have not occurred in a timely manner and the large increase in purchased water cost last October has created critical financial problem for the Water and Sewer Fund. In recent months there have been several indications that the water and sewer utilities are not able to meet its obligations (Attachment B).

Considerations

Operational Considerations

- An interfund loan will help to cover reasonable and necessary operating expenses; cover cash flow needs which may include regulatory sampling requirements, unusual repair and maintenance expenses, revenues to finance required capital improvements.
- Customer rates need to produce revenue sufficient for annual expenditure requirements. Utility infrastructure expansion needs to be accounted for and fixed and variable costs of services included into existing service rates correctly.
- Ensure that our purchased water is accounted for in the rate structuring alternatives.
- Ensure that our tap fees are correct or restructured correctly.
- The City needs to show progress towards utility system improvements to avoid a TCEQ consent order mandating water and wastewater system improvements.
- The most recent DWU wastewater contract includes a number of costly requirements that the City must meet in the next couple of years.

Legal Considerations

There are no legal considerations associated with this item



Financial Considerations

The impact of 20% increase in water rates can be seen on Attachment C. As noted, the increase on the average residential customer (3,000 to 5,000 gallons per month) would be in the \$4.00 to \$5.00 per month range. In addition, Wilmer's water and sewer rates remain fairly low compared to our neighboring cities. Attached you will see a 2015 survey (Attachment G & H) conducted by the City of Dallas on its customer cities' rates. In order to get the Water and Sewer Fund back on track, it may also be necessary to have an interfund loan from the General Fund.

**Hutchins Rate Increases
 FY 2011 through FY 2016**

Year/Rate	Demand 0-9M per month	9M to 12M	>12 M	% Inc in Demand	% Inc in 9M to 12 M	% Inc in > 12M
FY 11	26,400	2.94	3.09	1.15%	1.38%	1.31%
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FY 15	30,150	3.35	3.45	3.08%	3.08%	1.47%
FY 16	35,315	3.85	4.00	17.13%	14.93%	15.94%

Attachments

Attachment A: Ordinance 16-0622B
 Attachment B Water and Sewer Fund Cash Flow by week

Prepared and Submitted By

 Denny Wheat
 City Administrator

Date: June 20, 2016



ORDINANCE NO. 16-0622B

AN ORDINANCE OF THE CITY OF WILMER, TEXAS, APPROVING AMENDMENT NUMBER ONE TO THE FISCAL YEAR 2015-2016 OPERATING BUDGET BY ADJUSTING REVENUES, EXPENSES, AND INTERFUND TRANSFERS IN CERTAIN FUNDS; PROVIDING FOR THE REPEAL OF ALL ORDINANCES IN CONFLICT; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council approved the Fiscal Year 2016 Operating Budget appropriating the necessary funds out of general revenues and other revenues for the maintenance and operation of various departments, activities, and improvements of the City; and

WHEREAS, the Texas Local Government Code §102.010, "Changes in Budget for Municipal Purposes", allows a governing body to amend their budgets as deemed necessary for municipal purposes; and

WHEREAS, certain conditions have changed in revenues, and expenses as they relate to the adopted Fiscal Year 2016 Operating Budget; and

WHEREAS due to increasing costs, water and sewer revenues are no longer adequate to cover reasonable and necessary operating expenses; cover cash flow needs, which include regulatory sampling requirements, unusual repair and maintenance expenses, revenues to finance required capital improvements or, in certain instances, potential debt service requirements.

WHEREAS, the City Council desires to take these changing conditions into consideration by amending the Fiscal Year 2016 Operating Budget.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WILMER, TEXAS:

SECTION 1 The City Council hereby amends the Fiscal Year 2016 Operating Budget by transferring from the General Fund reserves to the Water and Sewer Operating fund \$100,000.00.

SECTION 2. All provisions of the ordinances of the City of Wilmer in conflict with the provisions of this ordinance be, and the same are hereby, repealed, and all other provisions of the ordinances of the City of Wilmer not in conflict with the provisions of this ordinance shall remain in full force and effect.

SECTION 3. Should any sentence, paragraph, subdivision, clause, phrase or section of this ordinance be adjudged or held to be unconstitutional, illegal or invalid, the same shall not affect the validity of this ordinance as a whole, or any part or provision thereof other than the part so decided to be invalid, illegal or unconstitutional, and shall not affect the validity of the Code of Ordinances of the City of Wilmer, Texas.

SECTION 4. Any person, firm or corporation violating any of the provisions of this ordinance or the provisions of the Code of Ordinances of the City of Wilmer, Texas, as amended hereby, shall be deemed guilty of a misdemeanor and, upon conviction in the municipal court of the City of Wilmer, Texas, shall be subject to a fine not to exceed the sum of Two Thousand (\$2,000.00) dollars for each offense, and each and every day such offense shall continue shall be deemed to constitute a separate offense.

SECTION 5 That the recitals to this ordinance are hereby incorporated into the body of this Resolution as if fully set forth in this Section and are hereby found and declared to be true and correct legislative findings and are adopted as part of this ordinance for all purposes.

SECTION 6. That this ordinance shall take effect immediately from and after its passage and publication, as the law in such cases provide.

DULY PASSED by the City Council of the City of Wilmer, Texas, this 22nd day of June, 2016.

APPROVED:

By: _____
CASEY BURGESS, MAYOR

ATTEST:

By: _____
ELIZABETH LOPEZ, CITY SECRETARY

APPROVED AS TO FORM:

By: _____
MICHAEL HALLA, CITY ATTORNEY

Water & Sewer Fund Cash Flow by Week

