



Sammy Rich, *City Manager*
Patrick Eidson, *Assistant City Manager*
DEPARTMENT OF PUBLIC SERVICES
W. Kirk Milam, P.E., *Manager*
Water and Sewer Division
Michael Hackett, *Director*
Water Treatment Facility
Wayne Stanley, *Director*
Water Reclamation Facilities
Johnny C. Massingill, *Director*
Water Billing Department
Cathy Sims, *Director*

WATER AND SEWER COMMITTEE MEETING
Sam King Room
Thursday, December 10, 2015 10:00 AM

PRESENT: Commissioner Wendy Davis, Chairperson
Commissioner Buzz Wachsteter
Commissioner Bill Irmscher
Mr. Sammy Rich, City Manager
Mr. Kirk Milam, P.E., Public Services Manager
Mr. Mike Hackett, Water & Sewer Division Director
Ms. Sheree Shore, Finance Director

CALL TO ORDER

Chairperson Davis called the meeting to order.

REVIEW OF THE MINUTES

The minutes of the December 3rd meeting were approved by common consent.

OLD BUSINESS

Water and Sewer Rate Study

Mr. Milam provided illustrations of the summary analyses of the revenue sufficiency model portion of the Rate Study that were prepared by Burton & Associates, Inc. The illustrations highlighted the differences between increasing revenues by 2.0, 2.5 and 3.0 percent. The data basis was the same as for the modeling results presented by Mike Burton on December 3rd with the distinction that these results included the expectation that any increase in rates in 2016 would not occur until July 1. Mr. Milam again noted that, like in the presentation last week, the projection of revenues will only maintain the target levels of funding for O&M and the construction improvement program with the 3.0 percent level of revenue growth.

Commissioner Irmscher asked what portion of a 3.0 percent rate increase would be applied to increasing fund reserves. Mr. Milam noted that the back-up detail for the projections being shown indicated that approximately one-half percent of the projected revenues for 2016 would contribute to an increase in the current Fund Balance. Commissioner Irmscher requested that Burton & Associates provide additional

information on how future increases in rates would contribute to reserve funds. Ms. Shore noted that while the current Water & Sewer Fund does not formally set aside reserve funds the Burton & Associates study effort has illustrated the relationship between changes in the Fund Balance and targets for how that Balance provides the reserves necessary to insure cash flow in funding operations and maintenance, debt retirement and budgeted capital expenditures. Commissioner Irscher expressed his desire to more formally develop a policy and create Reserves as a component of the Water & Sewer Fund for set-asides toward those purposes in the future. There was a general consensus with Commissioner Irscher to have staff prepare a recommendation for establishing and funding dedicated Reserves for the Water & Sewer Fund.

Mr. Mike Hackett provided a draft version of the Water & Sewer Rate Resolution that would provide for a 3 percent increase in rates for water and sewer using the current rate structure. Commissioner Wachsteter made a motion to adopt the resolution presented by Mr. Hackett with the rates to go into effect July 1, 2016. Chairperson Davis responded that Burton & Associates needed an affirmation of the rate increase for revenue generally and that she wanted to wait on the adoption of a fee increase until after Burton & Associates presented their portion of the Rate Study dealing with rate structure and how rates would affect particular classes of customers. Commissioner Irscher expressed his concern on the effect of an increase to industrial customers and his fear that they would relocate as a result of an increase. The motion failed to receive a second.

Mr. Milam reported that Burton & Associates needed direction on how to assume revenues would grow in future years so that they could proceed with their analysis of the City's existing rate structure with respect to current customers. He noted that since the current Study's results and the proposed FY2016 budget assume an implementation of a change in rates beginning in July 2016 it will be sufficient at this time for the City Commission to indicate their commitment to increasing rates at a level that will produce the model's projected revenue needs and to delay a decision on the actual rate structure until early in 2016 when Burton & Associates concludes the next phase of their study.

Commissioner Irscher made a motion to recommend to the City Commission adoption of a Resolution to increase Water & Sewer Utility revenues through appropriate revisions to the current rate schedule yet to be determined during the second phase of study by Burton & Associates, and for that amendment of rates to be implemented by July 1, 2016. Commissioner Wachsteter seconded. The vote was unanimous.

ADJOURN

There being no further business, the meeting was adjourned.

Respectfully Submitted,



Public Services Manager