

**FARMERSVILLE CITY COUNCIL
REGULAR SESSION AGENDA
April 23, 2013, 6:00 P.M.
Council Chambers, City Hall
205 S. Main Street**

I. PRELIMINARY MATTERS

- Call to Order, Roll Call, Prayer and Pledge of Allegiance
- Welcome guests and visitors: Anyone wanting to speak on any items that are not the subject of a Public Hearing on this agenda is asked to speak at this time, with an individual time limit of 3 minutes. This forum is limited to a total of 30 minutes. Please note that the City Council cannot comment or take any action on this item.
- Proclamation for National Preservation Week

II. READING OF ORDINANCES

- A. First Reading – Consider, discuss and act upon a budget amendment ordinance to purchase draperies in the Council Chambers

III. REGULAR AGENDA

- A. Consider, discuss and act upon water system status and possible application of Drought Contingency and Water Emergency Response Stage 3
- B. Consider, discuss and act upon water and sewer rate status
- C. Consider and accept the resignation of Bill Harrison from the Farmersville Housing Authority Board
- D. Consider, discuss and act upon an Interlocal Agreement between the City of Farmersville and the Farmersville Pee Wee Football/Cheer Association
- E. Consider, discuss and act upon an Interlocal Agreement between the City of Farmersville and the Farmersville Little League Baseball Association
- F. Update on the electrical system
- G. Update on the Main Street Bridge, closures and Highway 380 improvements

IV. EXECUTIVE SESSION

- A. Discussion of matters permitted by the following sections of Texas Government Code Chapter 551.072: Discussion of purchase of real property located on McKinney Street, Lot 13 (A or E) of the Farmersville Original Donation
- B. Discussion of matters permitted by the following sections of Texas Government Code Chapter 551.072: Discussion of real property located at 703 Merit Street
- C. Discussion of matters permitted by the following sections of Texas Government Code Chapter 551.086: Discussion of public utility matters pertaining to the electrical system

V. RECONVENE FROM EXECUTIVE SESSION

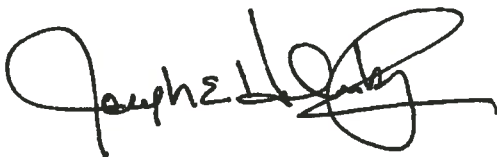
VI. DISCUSS/CONSIDER/ACT ON MATTERS DISCUSSED IN EXECUTIVE SESSION PERMITTED BY SECTION 551 OF THE TEXAS GOVERNMENT CODE:

- A. Consider, discuss and act upon real property located on McKinney Street, Lot 13-A of the Farmersville Original Donation
- B. Consider, discuss and act upon real property located at 703 Merit Street
- C. Consider, discuss and act upon public utility matters pertaining to the electrical system

VII. REQUEST FOR CONSIDERATION OF PLACING ITEMS ON FUTURE AGENDAS

VIII. ADJOURNMENT

Dated this the 19th day of April, 2013.



Joseph E. Helmberger, P.E., Mayor

The City Council reserves the right to adjourn into Executive Session at any time during the course of this meeting to discuss any matters listed on the agenda, as authorized by the Texas Government Code, including, but not limited to, Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices), 551.087 (Economic Development), 418.175-183 (Deliberations about Homeland Security Issues) and as authorized by the Texas Tax Code, including, but not limited to, Section 321.3022 (Sales Tax Information).

Persons with disabilities who plan to attend this meeting and who may need assistance should contact the City Secretary at 972-782-6151 or Fax 972-782-6604 at least two (2) working days prior to the meeting so that appropriate arrangements can be made. Handicap Parking is available in the front and rear parking lot of the building.

I, the undersigned authority, do hereby certify that this Notice of Meeting was posted in the regular posting place of the City Hall building for Farmersville, Texas, in a place and manner convenient and readily accessible to the general public at all times, and said Notice was posted April 19, 2013 by 5:00 P.M. and remained so posted continuously at least 72 hours proceeding the scheduled time of said meeting.



Edie Sims, City Secretary



City of Farmersville Proclamation

WHEREAS, historic preservation is an effective tool for managing growth and sustainable development, revitalizing neighborhoods, fostering local pride and maintaining community character while enhancing livability; and

WHEREAS, historic preservation is relevant for communities across the nation, both urban and rural, and for Americans of all ages, all walks of life and all ethnic backgrounds; and

WHEREAS, it is important to celebrate the role of history in our lives and the contributions made by dedicated individuals in helping to preserve the tangible aspects of the heritage that has shaped us as a people; and

WHEREAS, "See! Save! Celebrate!" is the theme for National Preservation Month 2013, cosponsored by Farmersville Main Street and the National Trust for Historic Preservation

NOW, THEREFORE, I, Joe Helmberger, Mayor of Farmersville, do hereby proclaim May 2013 as

National Preservation Month

and call upon the people of Farmersville to join their fellow citizens across the United States in recognizing and participating in this special observance.

WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City to be affixed this 23rd day of April, 2013.

Mayor Joseph E. Helmberger



TO: Mayor and Councilmembers

FROM: City Manager Ben White

DATE: April 23, 2013

SUBJECT: First Reading – Consider, discuss and act upon a budget amendment ordinance to purchase draperies in the Council Chambers

- Ordinance is attached for review

ACTION: Approve or disapprove ordinance as presented.

**CITY OF FARMERSVILLE
ORDINANCE O-2013-0423-001**

AN ORDINANCE AMENDING THE BUDGET FOR THE FISCAL YEAR 2012 – 2013 IN ACCORDANCE WITH EXISTING STATUTORY REQUIREMENTS, APPROPRIATING THE VARIOUS AMOUNTS HEREIN; REPEALING ALL PRIOR ORDINANCES AND ACTIONS IN CONFLICT HEREWITH; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of Farmersville, Texas is a Type A General-Law Municipality located in Collin County, created in accordance with the provisions of Chapter 6 of the Texas Local Government Code, and operating pursuant to the enabling legislation of the State of Texas;

WHEREAS, the City Manager of the City of Farmersville has reviewed the budget and which budget was adopted by the City Council for the Fiscal Year 2012 – 2013; and

WHEREAS, the City Manager of the City of Farmersville believes that the budget requires certain amendments and has submitted to the Mayor and the City Council proposed amendment(s) to the budget of the revenues and expenditures of conducting the affairs of said City, and providing a complete financial plan for the Fiscal Year 2012 – 2013; and,

WHEREAS, the City Council has determined that it is in the best interest of the City to amend the Fiscal Year 2012 – 2013 budget to adopt the proposed amendment(s) to the budget of the revenues and expenditures to allow the funding for drapes and accessories to be installed in the Council Chambers of City Hall which provides added security to conduct the affairs of said City as submitted by the City Manager.

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

SECTION 1. BUDGET AMENDMENT ADOPTION

From and after the effective date of this Ordinance, the amendments to the budget of the revenues and expenditures for the Fiscal Year 2012 – 2013 that are attached hereto as Exhibit "A" and incorporated herein by reference are hereby adopted and the budget for Fiscal Year 2012 – 2013 is hereby accordingly so amended and the amended budget for Fiscal Year 2012 – 2013 adopted.

SECTION 2. SEVERABILITY

It is hereby declared to be the intention of the City Council that the several provisions of this Ordinance are severable, and if any court of competent jurisdiction shall judge any provisions of this Ordinance to be illegal, invalid, or unenforceable, such judgment shall not affect any other provisions of this Ordinance which are not specifically designated as being illegal, invalid or unenforceable.

SECTION 3. REPEALER

This Ordinance shall be cumulative of all other Ordinances, resolutions, and/or policies of the City, whether written or otherwise, and shall not repeal any of the provisions of those ordinances except in those instances where the provisions of those ordinances are in direct conflict with the provisions of this Ordinance. Any and all ordinances,

resolutions, and/or policies of the City, whether written or otherwise, which are in any manner in conflict with or inconsistent with this Ordinance shall be and are hereby repealed to the extent of such conflict and/or inconsistency.

SECTION 4. ENGROSSMENT AND ENROLLMENT

The City Secretary of the City of Farmersville is hereby directed to engross and enroll this Ordinance by copying the exact Caption and the Effective Date clause in the minutes of the City Council of the City of Farmersville and by filing this Ordinance in the Ordinance records of the City.

SECTION 5. SAVINGS

All rights and remedies of the City of Farmersville are expressly saved as to any and all violations of the provisions of any Ordinances which have accrued at the time of the effective date of this Ordinance; and, as to such accrued violations and all pending litigation, both civil and criminal, whether pending in court or not, under such Ordinances, same shall not be affected by this Ordinance but may be prosecuted until final disposition by the courts.

SECTION 6. EFFECTIVE DATE

This Ordinance shall take effect immediately upon its adoption and publication in accordance with and as provided by Texas law.

PASSED on first reading and only reading on the 23rd day of April, 2013 at properly scheduled meeting of the City Council of the City of Farmersville, Texas, there being a quorum present, and approved by the Mayor on the date set out below.

APPROVED THIS 23rd DAY OF APRIL, 2013.

Joseph E. Helmberger, P.E., Mayor
City of Farmersville, Texas

ATTEST:

Edie Sims, City Secretary

CITY OF FARMERSVILLE

EXHIBIT A

FY 2012-2013 Proposed General Fund Balance Revision

GOVERNMENTAL FUNDS	ESTIMATED BEGINNING FUND BALANCE	REVENUES	EXPENDITURES	INTERFUND TRANSFERS IN (OUT)	PROPOSED ENDING FUND BALANCE
General Fund	\$ 900,513	\$ 1,491,039	\$ 2,791,221	\$ 1,069,935	670,266
Proposed General Fund	\$ 670,266				\$ 658,266
City Council Chambers Drapes			\$ 12,000		



TO: Mayor and Councilmembers

FROM: City Manager Ben White

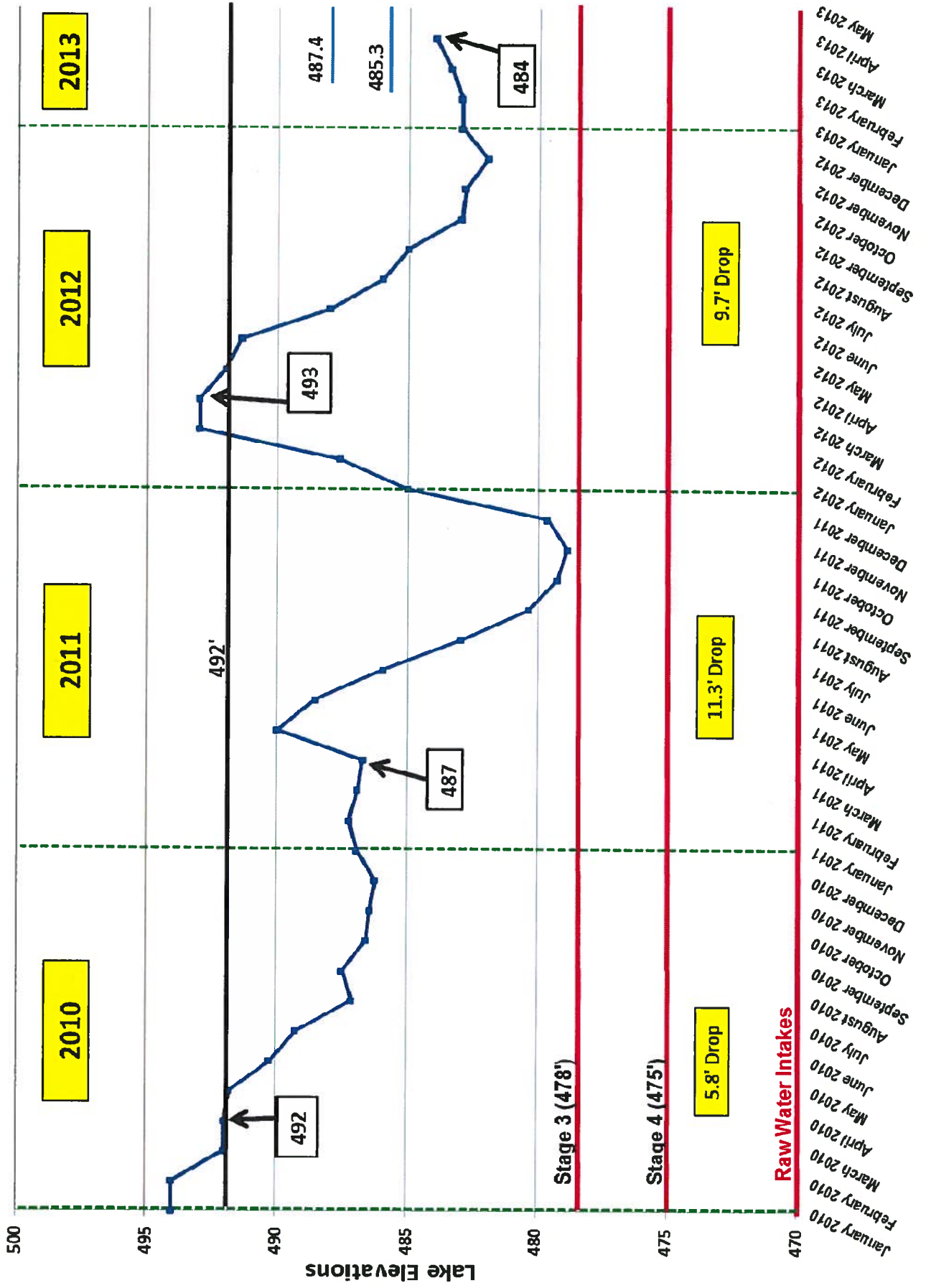
DATE: April 23, 2013

SUBJECT: Consider, discuss and act upon water system status and possible application of Drought Contingency and Water Emergency Response Stage 3

- Lake Lavon Elevations by Month chart
- Email from North Texas Municipal Water District regarding Stage 3 implementation
- Stage 3 Information from the City of Farmersville's Water Management Plan

ACTION: Council to make action as deemed necessary.

Lake Lavon Elevations by Month



Ben White

From: Melisa Fuller [mfuller@NTMWD.COM] on behalf of Jim Parks [jparks@NTMWD.COM]
Sent: Friday, April 12, 2013 4:48 PM
To: Ben White; Garland - Bill Dollar (bdollar@ci.garland.tx.us); Forney - Brian Brooks (bbrooks@cityofforney.org); Plano - Bruce Glasscock (bruceg@plano.gov); Royse City - Carl Alsabrook (carl.alsabrook@roysecity.com); Richardson - Dan Johnson (dan.johnson@cor.gov); Princeton - Derek Borg (dborg@princetontx.us); Frisco - George Purefoy (gpurefoy@friscotexas.gov); McKinney - Jason Gray (jgray@mckinneytexas.org); Wylie - Mindy Manson (mindy.manson@wylietetexas.gov); Allen - Peter Vargas (pvargas@cityofallen.org); Rockwall - Rick Crowley (rcrowley@rockwall.com); Mesquite - Ted Barron (tbarron@ci.mesquite.tx.us)
Subject: NTMWD's Stage 3 Implementation

First, I want to express my appreciation to the Member City Managers that participated in yesterday's meeting. As outlined in the meeting, implementation of Stage 3 of the District's Water Conservation and Drought Contingency Plan appears to be inevitable unless significant rainfall occurs within the Lake Lavon watershed in the near future. Based on our discussion, I'm planning to request Board of Director's concurrence at the April 25th meeting that would implement the District's Stage 3 Plan effective May 1st. Should the Board of Directors concur, the Member Cities and Customers would be required to implement their Stage 3 Plans by June 1st or shortly thereafter. Employing this schedule implements the needed restrictions during the high water use periods, which will hopefully allow the cities to meet the 10% reduction goals and avoid Stage 4. In the event significant rainfall does occur within the Lake Lavon watershed, the Board of Directors may reconsider this action.

The following is an excerpt from the District's Plan. The actions highlighted in yellow are those that the District recommends implementing on May 1st with implementation by the Cities on June 1st. The items highlighted in green are the actions that are **not** being recommended by the District at this time. Please provide me with your feedback if any of these actions should be considered for inclusion in the District's Stage 3 implementation. Sorry for the short response time, but I will need your **comments or suggestions by Tuesday, April 16th** to include in the Board Agenda and packet.

NTMWD Water Conservation and Drought Contingency and Water Emergency Plan

Goal for Use Reduction and Actions Available under Stage 3

The goal for water use reduction under Stage 3 is a reduction of ten percent in the use that would have occurred in the absence of drought contingency and water emergency response measures. **If circumstances warrant, the Executive Director can set a goal for greater water use reduction.**

The Executive Director can order the implementation of any of the actions listed below, as deemed necessary. Measures described as "requires notification to TCEQ" impose mandatory requirements on member cities and customers. NTMWD must notify TCEQ within five business days if these measures are implemented.

- Continue or initiate any actions available under Stages 1 and 2.
- Require Member Cities and Customers (including indirect customers) to initiate Stage 3 in their drought contingency and water emergency response plans.
- Implement viable alternative water supply strategies.
- **Requires Notification to TCEQ** – Require Member Cities and Customers (including indirect customers) to initiate mandatory water use restrictions as follows:
 - Prohibit hosing of paved areas, buildings, or windows. (Pressure washing of impervious surfaces is allowed.)

- Prohibit operation of all ornamental fountains if they use treated water.
- Prohibit washing or rinsing of vehicles by hose except with a hose end cutoff nozzle.
- Prohibit using water in such a manner as to allow runoff or other waste.
- **Requires Notification to TCEQ** – Require Member Cities and Customers (including indirect customers) to limit landscape watering with sprinklers or irrigation systems at each service address to once every seven days. Exceptions are as follows:
 - Foundations, new landscaping, new plantings (first year) of shrubs, and trees may be watered for up to 2 hours on any day by a hand-held hose, a soaker hose, or a dedicated zone using a drip irrigation system.
 - Golf courses may water greens and tee boxes without restrictions.
 - Public athletic fields used for competition may be watered twice per week.
 - Locations using other sources of water supply for irrigation may irrigate without restrictions.
 - Registered and properly functioning ET/Smart irrigation systems and drip irrigation systems may irrigate without restrictions.
- **Requires Notification to TCEQ** – Limit landscape watering with sprinklers or irrigation systems between November 1 and March 31 to once every two weeks. An exception is allowed for landscape associated with new construction that may be watered as necessary for 30 days from the date of the certificate of occupancy, temporary certificate of occupancy, or certificate of completion.
- **Requires Notification to TCEQ** – Prohibit hydroseeding, hydromulching, and sprigging.
- **Requires Notification to TCEQ** – Existing swimming pools may not be drained and refilled (except to replace normal water loss).
- **Requires Notification to TCEQ** – Institute a mandated reduction in deliveries to all Member Cities and Customers. Such a reduction will be distributed as required by Texas Water Code §11.039 (Appendix G).
- **Requires Notification to TCEQ** – Require Member Cities and Customers to initiate a rate surcharge for all water use over a certain level.
- **Requires Notification to TCEQ** – Require Member Cities and Customers to prohibit watering of golf courses using treated water, except as needed to keep greens and tee boxes alive.

Again, thanks for your continued support of the District during this difficult period. Enduring a drought and the loss of a major supply source at the same time is challenging for the District and the Cities served by the District. I look forward to your comments or suggestions.

Thanks!

Jim

- Encourage the public to wait until the current drought or emergency situation has passed before establishing new landscaping.
- **** Limit landscape watering with sprinklers or irrigation systems to no more than two (2) days per week. An exception is allowed for landscape associated with new construction that may be watered as necessary for thirty (30) days from the date of the certificate of occupancy. The following exceptions apply:**
 - Foundations, new landscaping, new plantings (first year) of shrubs, and trees may be watered for up to two (2) hours on any day by a hand-held hose, a soaker hose, or a dedicated zone using a drip irrigation system.
 - Golf courses may water greens and tee boxes without restrictions.
 - Locations using other sources of water supply for irrigation may irrigate without restrictions.
 - Registered and properly functioning ET/Smart irrigation systems and drip irrigation systems may irrigate without restrictions.
- **** Restrict landscape and lawn irrigation from 10 AM to 6 PM beginning April 1 through October 31 of each year.**
- **** Prohibit planting of cool season grasses (such as rye grass or other similar grasses) that intensify cool season water requirements.**

(Items identified by ** mandates the City to notify TCEQ of restrictions)

5.5.3 Stage 3

5.5.3.1 Initiation and Termination Conditions for Stage 3

- The NTMWD has initiated Stage 3.
- City's water demand exceeds ninety-eight (98) percent of the amount that can be delivered to customers for three consecutive days.
- City's water demand for all or part of the delivery system exceeds delivery capacity because delivery capacity is inadequate.
- Supply source becomes contaminated.
- City's water supply system is unable to deliver water due to the failure or damage of major water system components.

Stage 3 may terminate when NTMWD terminates its Stage 3 condition or when the circumstances that caused the initiation of Stage 3 no longer prevail.

5.5.3.2 Goals for Use Reduction and Actions Available under Stage 3

The goal for water use reduction under Stage 3 is ten (10) percent.

The City Manager or official designee shall implement any action(s) required by NTMWD. In addition, the City Manager or official designee may order the implementation of any of the actions listed below, as deemed necessary. Measures described as "requires notification to

Items Highlighted in Yellow are to be initiated under this instance of Stage 3

TCEQ” impose mandatory requirements on customers. The supplier must notify TCEQ and NTMWD within five (5) business days if these measures are implemented:

- Continue the following actions set by Stage 1
 - Notify wholesale customers of actions being taken and request implementation of similar procedures.
 - Increase public education efforts on ways to reduce water use.
 - Intensify efforts on leak detection and repair.
 - Notify major water users and work with them to achieve voluntary water use reductions.
- Continue the following actions set by Stage 2
 - Halt non-essential city government water use.
 - Street cleaning.
 - Initiate engineering studies to evaluate alternatives should conditions worsen.
 - Encourage the public to wait until the current drought or emergency situation has passed before establishing new landscaping.
- Review the problems that caused the initiation of Stage 3.
- Implement viable alternative water supply strategies.
- Halt non-essential city government water use.
 - Reduce Splash Pad operational time by at least fifty (50) percent.
 - Washing of city vehicles.
- **** Initiate mandatory water use restrictions as follows:**
 - Prohibit hosing of paved areas, buildings, or windows. (Pressure washing of impervious surfaces is allowed.)
 - Prohibit operation of all ornamental fountains or other amenity impoundments to the extent they use treated water.
 - Prohibit washing or rinsing of vehicles by hose except with a hose end cutoff nozzle.
 - Prohibit using water in such a manner as to allow runoff or other waste.
- **** Limit landscape watering with sprinklers or irrigation systems at each service address to once every seven (7) days. Exceptions are as follows:**
 - Between November 1 and March 31 additional limit landscape watering with sprinklers or irrigation systems at each service address to once every fourteen (14) days
 - Foundations, new landscaping, new plantings (first year) of shrubs, and trees may be watered for up to two (2) hours on any day by a hand-held hose, a soaker hose, or a dedicated zone using a drip irrigation system.
 - Golf courses may water greens and tee boxes without restrictions.
 - Public athletic fields used for competition may be watered twice per week.
 - Locations using other sources of water supply for irrigation may irrigate without restrictions. Recommend the use of signs to inform the public that irrigation is provided by other sources.
 - Registered and properly functioning ET/Smart irrigation systems and drip irrigation systems may irrigate without restrictions.
- **** Prohibit hydroseeding, hydromulching, and sprigging.**
- **** Existing swimming pools may not be drained and refilled (except to replace normal water loss).**
- **** Initiate a rate surcharge as requested by NTMWD.**

Items Highlighted in Yellow are to be initiated under this instance of Stage 3

- ** Initiate a rate surcharge for all water use over a certain level.
- ** If NTMWD has imposed a reduction in water available to Member Cities and Customers, impose the same percent reduction on wholesale customers.
- ** Prohibit watering of golf courses using treated water, except as needed to keep greens and tee boxes alive.

(Items identified by ** mandates the City to notify TCEQ of restrictions)

5.5.4 Stage 4

5.5.4.1 Initiation and Termination Conditions for Stage 4

- The NTMWD has initiated Stage 4.
- City's water demand exceeds the amount that can be delivered to customers.
- City's water demand for all or part of the delivery system seriously exceeds delivery capacity because the delivery capacity is inadequate.
- Supply source becomes contaminated.
- City's water supply system is unable to deliver water due to the failure or damage of major water system components.

Stage 4 may terminate when NTMWD terminates its Stage 4 condition or when the circumstances that caused the initiation of Stage 4 no longer prevail.

5.5.4.2 Goals for Use Reduction and Actions Available under Stage 4

The goal for water use reduction under Stage 4 is a reduction of whatever amount is necessary as established by NTMWD.

The City Manager or official designee must implement any action(s) required by NTMWD. Measures described as "requires notification to TCEQ" impose mandatory requirements on member cities and customers. The supplier must notify TCEQ and NTMWD within five (5) business days if these measures are implemented.

- Continue the following actions set by Stage 1
 - Notify wholesale customers of actions being taken and request implementation of similar procedures.
 - Increase public education efforts on ways to reduce water use.
 - Intensify efforts on leak detection and repair.
 - Notify major water users and work with them to achieve voluntary water use reductions.
- Continue the following actions set by Stage 2
 - Halt non-essential city government water use.
 - Street cleaning.
 - Initiate engineering studies to evaluate alternatives should conditions worsen.
- Continue the following actions set by Stage 3



TO: Mayor and Councilmembers

FROM: City Manager Ben White

DATE: April 23, 2013

SUBJECT: Consider, discuss and act upon water and sewer rate status

- Water Rate Structure that includes NTMWD pass-thru charges
- Ordinance from 2011 where Council passed rate increases per rate study for both water and sewer
- Ordinance from 2012 where Council passed rate increase per NTMWD pass thru
- Water and Sewer Rate Study from March 2011

ACTION: Council to make action as deemed necessary.

Water Rate Structure with NTMWD Pass-Thru

City of Farmersville

Rate Description	Nov-07	Sep-08	Sep-09	Jun-11	Dec-11	Sep-12	Oct-12	Mar-13	Mar-14
Inside City Limit Rate Information									
3/4 Inch or Less Meter, First 1,000 Gallons	10.00	10.10	10.15	10.15	10.47	10.78	10.99	11.74	12.52
1 Inch Meter, First 1,000 Gallons				16.92	17.44	17.97	18.18	19.42	20.72
1 1/2 Inch Meter, First 1,000 Gallons				33.83	34.89	35.94	36.15	38.63	41.24
2 Inch Meter, First 1,000 Gallons				54.13	55.82	57.50	57.71	61.68	65.85
3 Inch Meter , First 1,000 gallons				60.90	62.79	64.69	64.90	69.37	74.06
4 Inch Meter, First 1,000 Gallons)				169.17	174.43	179.69	179.90	192.32	205.35
6 Inch Meter, First 1,000 Gallons)				338.33	348.86	359.39	359.60	384.42	410.49
Volumetric Charge, 1,001 to 49,000 Gallons									
Volumetric Charge, Excess of 50,000 Gallons									
Volumetric Charge, 1,001 to 10,000 Gallons	3.41	3.51	3.56	4.00	4.39	4.73	4.94	5.29	5.66
Volumetric Charge, 10,001 to 20,000 Gallons	4.19	4.29	4.77	5.36	5.88	6.33	6.54	7.01	7.51
Volumetric Charge In Excess of 20,000 Gallons	5.16	5.26	5.84	6.70	7.35	7.91	8.12	8.71	9.34
Outside City Limit Customers of Record Prior to 1985 Rate Information									
3/4 Inch or Less Meter, First 1,000 Gallons	15.00	15.15	15.23	15.23	15.23	15.23	16.49	17.61	18.78
1 Inch Meter, First 1,000 Gallons							27.27	29.13	31.08
1 1/2 Inch Meter, First 1,000 Gallons							54.23	57.95	61.86
2 Inch Meter, First 1,000 Gallons							86.57	92.52	98.78
3 Inch Meter , First 1,000 gallons							97.35	104.06	111.09
4 Inch Meter, First 1,000 Gallons)							269.85	288.48	308.03
6 Inch Meter, First 1,000 Gallons)							539.40	576.63	615.74
Volumetric Charge, 1,001 to 49,000 Gallons									
Volumetric Charge, Excess of 50,000 Gallons									
Volumetric Charge, 1,001 to 10,000 Gallons	5.12	5.27	5.34	5.34	5.34	5.34	7.41	7.94	8.49
Volumetric Charge, 10,001 to 20,000 Gallons	6.29	6.44	7.16	7.16	7.16	7.16	9.81	10.52	11.27
Volumetric Charge In Excess of 20,000 Gallons	7.74	7.89	8.76	8.76	8.76	8.76	12.18	13.07	14.01

Water Rate Structure with NTMWD Pass-Thru
City of Farmersville

Rate Description	Nov-07	Sep-08	Sep-09	Jun-11	Dec-11	Sep-12	Oct-12	Mar-13	Mar-14					
Outside City Limits Customers of Record Since 1985 Rate Information														
3/4 Inch or Less Meter, First 1,000 Gallons	20.00	20.20	20.30	20.30	20.30	20.30	21.98	23.48	25.04					
1 Inch Meter, First 1,000 Gallons							36.36	38.84	41.44					
1 1/2 Inch Meter, First 1,000 Gallons							72.30	77.26	82.48					
2 Inch Meter, First 1,000 Gallons							115.42	123.36	131.70					
3 Inch Meter , First 1,000 gallons							129.80	138.74	148.12					
4 Inch Meter, First 1,000 Gallons)							359.80	384.64	410.70					
6 Inch Meter, First 1,000 Gallons)							719.20	768.84	820.98					
Volumetric Charge, 1,001 to 49,000 Gallons														
Volumetric Charge, Excess of 50,000 Gallons														
Volumetric Charge, 1,001 to 10,000 Gallons														
Volumetric Charge, 10,001 to 20,000 Gallons	6.82	7.02	7.12	7.12	7.12	7.12	9.88	10.58	11.32					
Volumetric Charge In Excess of 20,000 Gallons	8.38	8.58	9.54	9.54	9.54	9.54	13.08	14.02	15.02					
Volumetric Charge In Excess of 20,000 Gallons	10.32	10.52	11.68	11.68	11.68	11.68	16.24	17.42	18.68					

**CITY OF FARMERSVILLE
ORDINANCE # O-2011-0426-002**

AN ORDINANCE OF THE CITY OF FARMERSVILLE, TEXAS, AMENDING THE CODE OF ORDINANCES OF THE CITY OF FARMERSVILLE, TEXAS, AS HERETOFORE AMENDED, THROUGH THE AMENDMENT OF THE MASTER FEE SCHEDULE BY AMENDING THE WATER SERVICE FEES ADOPTED THROUGH SECTION 11.122.4, ENTITLED "WATER SERVICE FEES," AND BY AMENDING THE SEWER SERVICE FEES ADOPTED THROUGH SECTION 11.122.6, ENTITLED "SEWER SERVICE FEES; REQUIRING ANNUAL EVALUATIONS OF THE WATER AND SEWER SERVICE FEES; PROVIDING A SEVERABILITY CLAUSE; PROVIDING A SAVINGS CLAUSE; PROVIDING A REPEALER CLAUSE; PROVIDING A PENALTY CLAUSE; AND PROVIDING FOR PUBLICATION AND AN EFFECTIVE DATE.

WHEREAS, the City of Farmersville, Texas ("City"), conducted a Water and Sewer Rate Study in March, 2011 (the "Study") and found the current charges for water and sewer service to be insufficient to recover the cost of providing water and sewer service; and

WHEREAS, based on the Study, the City's consultant J. Stowe & Co. recommended that the fees and charges for water and sewer service be increased each year for the next five years, as set forth in Exhibit "A" attached hereto and incorporated herein by reference for all purposes allowed by law, to account for anticipated infrastructure improvements and make the provision of water and sewer services to the City's residents and customers self-supporting; and

WHEREAS, the City Council has determined that the fees and charges for water and sewer service need to be increased, as recommended in Exhibit "A," but desires to retain the ability to implement any rate increases when such increases are necessary thereby avoiding the imposition of an undue burden on the City's residents and customers for future water and sewer infrastructure improvements the exact timing of which such improvements is not yet known; and

WHEREAS, the City desires to modify the Master Fee Schedule related to the cost of water and sewer service provided by the City to adopt the first step recommended by the Study to move the provision of water and sewer services in the direction of becoming self-supporting; and

WHEREAS, the City Council of the City of Farmersville, Texas, finds that all prerequisites to the adoption of this Ordinance have been met;

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

Section 1. FINDINGS INCORPORATED

All the above premises are hereby found to be true and correct legislative and factual findings of the City of Farmersville, and they are hereby approved and incorporated into the body of this Ordinance as if restated herein in their entirety.

Section 2. MASTER FEE SCHEDULE FOR WATER SERVICE AMENDED

From and after the effective date of this Ordinance, the Master Fee Schedule is hereby amended in part by deleting the current Water Service Fee charges and replacing said fees with new Water Service Fees in accordance with Section 11.122.4 of the Code of Ordinances to read as follows:

WATER SERVICE	MONTHLY FEE
Inside City Limits:	
Meter Charge (Includes 1,000 gallons)	
3/4 inch or less	\$ 10.15
1 inch	16.92
1 1/2 inch	33.83
2 inch	54.13
3 inch	60.90
4 inch	169.17
6 inch	338.33
Volumetric Charges (per 1,000 gallons)	
1,001 to 10,000 gallons	\$ 4.00
10,001 to 20,000 gallons	5.36
In excess of 20,000 gallons	6.70
Outside City Limits:	
Residential or Commercial Customers of Record Prior to 1985	
First 1,000 gallons	\$ 15.23
1,001 to 10,000 gallons	5.34
10,001 to 20,000 gallons	7.16
In excess of 20,000 gallons	8.76
Residential or Commercial Customers of Record Since 1985	
First 1,000 gallons	\$ 20.30
1,001 to 10,000 gallons	7.12
10,001 to 20,000 gallons	9.54
In excess of 20,000 gallons	11.68

Section 3. MASTER FEE SCHEDULE FOR SEWER SERVICE AMENDED

From and after the effective date of this Ordinance, the Master Fee Schedule is hereby amended in part by deleting the current Sewer Service Fee charges and replacing said fees with new Sewer Service Fees in accordance with Section 11.122.6 of the Code of Ordinances to read as follows:

[See Table on following page.]

SEWER SERVICE	MONTHLY FEE
Inside City Single Family Customers:	
Minimum monthly charge based on first 1,000 gallons water consumption	\$ 13.58
Water consumption over 1,000 gallons for customers with an annually computer average winter water consumption for Dec/Jan/Feb to a maximum of 15,000 gallons	Based on the lesser of actual consumption or the average winter water consumption at \$4.23 per 1,000 gallons
For new customers without a winter average	Based on actual consumption to a maximum of 7,000 gallons at \$4.23 per 1,000 gallons
Inside City Customers Other Than Single Family	
Minimum monthly charge based on first 1,000 gallons water consumption	\$ 13.58
In excess of 1,000 gallons	\$ 4.23 per 1,000 gallons
Outside City Limits:	
Residential Customers of Record Prior to 1985	
Minimum monthly charge based on first 1,000 gallons water consumption	\$ 16.56
Water consumption over 1,000 gallons for customers with an annually computer average winter water consumption for Dec/Jan/Feb to a maximum of 15,000 gallons	Based on the lesser of actual consumption or the average winter water consumption at \$5.16 per 1,000 gallons
For new customers without a winter average	Based on actual consumption to a maximum of 7,000 gallons at \$5.16 per 1,000 gallons
Residential Customers of Record Since 1985	
Minimum monthly charge based on first 1,000 gallons water consumption	\$ 22.08
Water consumption over 1,000 gallons for customers with an annually computer average winter water consumption for Dec/Jan/Feb to a maximum of 15,000 gallons	Based on the lesser of actual consumption or the average winter water consumption at \$6.88 per 1,000 gallons
For new customers without a winter average	Based on actual consumption to a maximum of 7,000 gallons at \$6.88 per 1,000 gallons
Commercial Customers of Record Prior to 1985	
Minimum monthly charge based on first 1,000 gallons water consumption	\$ 16.56
Next 49,000 gallons	\$ 5.16 per 1,000 gallons
In excess of 50,000 gallons	\$ 4.86 per 1,000 gallons
Commercial Customers of Record Since 1985	
Minimum monthly charge based on first 1,000 gallons water consumption	\$ 22.08
Next 49,000 gallons	\$ 6.88 per 1,000 gallons
In excess of 50,000 gallons	\$ 4.86 per 1,000 gallons

Section 4. ANNUAL EVALUATION

A. The City Manager shall at least annually in conjunction with the preparation of the City's annual budget, and more frequently when necessary, direct the City's consultant to perform an analysis of the then-current performance status of the water and sewer utilities, required infrastructure improvements, and the costs and expenses anticipated for the proposed budget year to determine whether the next proposed rate increase identified in Exhibit "A" should be implemented as projected or whether such proposed rate change should be modified to move water and sewer services in the direction of becoming self-supporting. Thereafter, the City Manager shall provide the City Council with an update regarding the status of the water and sewer utilities and the consultant's recommendation regarding the implementation of the next step in the rate increases as recommended by the Study or as may be otherwise recommended by consultant to make water and sewer services self-supporting.

B. City Council shall at least annually in conjunction with the adoption of the City's annual budget, and more frequently when necessary, evaluate the current and projected performance status of the water and sewer utilities and the recommendation of the City Manager and the City's consultant. City Council shall then determine whether the next step in the rate increases in the water and sewer service fees recommended by the Study, or as modified by the consultant, should be adopted to move water and sewer services in the direction of becoming self-supporting.

Section 5. SEVERABILITY CLAUSE

It is hereby declared to be the intention of the City Council that the words, phrases, clauses, sentences, paragraphs and sections of this Ordinance are severable, and if any word, phrase, clause, sentence, paragraph or section of this Ordinance shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining words, phrases, clauses, sentences, paragraphs and sections of this Ordinance, since the same would have been enacted by the City Council without the incorporation of any such unconstitutional word, phrase, clause, sentence, paragraph or section.

Section 6. SAVINGS CLAUSE

The Code of Ordinances, City of Farmersville, Texas, as amended, shall be and remain in full force and effect save and except as amended by this Ordinance.

Section 7. REPEALER CLAUSE

Any provision of any prior ordinance of the City, whether codified or uncoded, which is in conflict with any provision of this Ordinance, is hereby repealed to the extent of the conflict, but all other provisions of the ordinances of the City, whether codified or uncoded, which are not in conflict with the provisions of this Ordinance shall remain in full force and effect.

Section 8. PENALTY CLAUSE

Any person, firm, or corporation violating any of the provisions or terms of this Ordinance shall be guilty of a misdemeanor and upon conviction, shall be fined a sum not to exceed \$2,000.00 for each offense, and each and every violation or day such violation shall continue or exist, shall be deemed a separate offense.

Section 9. EFFECTIVE DATE

This Ordinance shall take effect immediately from and after its passage and the publication of the caption, as the law in such cases provides.

PASSED on first reading on the 10th day of May, 2011, and second reading on the 14th day of JUNE, 2011 at properly scheduled meetings of the City Council of the City of Farmersville, Texas, there being a quorum present, and approved by the Mayor on the date set out below.

APPROVED THIS 14th DAY OF JUNE, 2011.

APPROVED:

BY:


Joseph E. Helmberger, P.E., Mayor

ATTEST:


Edie Sims, City Secretary



APPROVED AS TO FORM AND LEGALITY:


Alan D. Lathrom, City Attorney

Exhibit A

City of Farmersville, Texas
Water and Sewer Rate Study
Final Inside-City Customer Water and Sewer Rates ⁽¹⁾

Water Rates							
	Current	FY 2011	FY 2012	FY 2012	FY 2013	FY 2014	
Meter Charge:							
3/4 inch or less	\$ 10.15	\$ 10.15	\$ 10.47	\$ 10.78	\$ 11.53	\$ 12.31	
1 inch	10.15	16.92	17.44	17.97	19.21	20.51	
1 1/2 inch	10.15	33.83	34.89	35.94	38.42	41.03	
2 inch	10.15	54.13	55.82	57.50	61.47	65.64	
3 inch	10.15	60.90	62.79	64.69	69.16	73.85	
4 inch	10.15	169.17	174.43	179.69	192.11	205.14	
6 inch	10.15	338.33	348.86	359.39	384.21	410.28	
Volumetric Rate (Per 1,000 gallons)							
0 - 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1,001 - 10,000	3.56	4.00	4.39	4.73	5.08	5.45	
10,001 - 20,000	4.77	5.36	5.88	6.33	6.80	7.30	
20,001 +	5.84	6.70	7.35	7.91	8.50	9.13	

Estimated Residential Monthly Water Bills ⁽²⁾							
5,000 gallons	\$ 24.39	\$ 26.15	\$ 28.03	\$ 29.70	\$ 31.85	\$ 34.11	
Monthly Increase (\$)		1.76	1.88	1.67	2.15	2.26	
10,000 gallons	\$ 42.19	\$ 46.15	\$ 49.98	\$ 53.35	\$ 57.25	\$ 61.36	
Monthly Increase (\$)		3.96	3.83	3.37	3.90	4.11	

Sewer Rates							
	Current	FY 2011	FY 2012	FY 2012	FY 2013	FY 2014	
Minimum Charge							
(Includes 1,000 gallons)	\$ 11.04	\$ 13.58	\$ 16.70	\$ 20.54	\$ 25.26	\$ 31.07	
Volumetric Rate (per 1,000 gallons)							
Residential ⁽³⁾							
1,001 - 15,000	\$ 3.44	\$ 4.23	\$ 5.20	\$ 6.40	\$ 7.87	\$ 9.68	
Commercial ⁽⁴⁾							
1,001 +	\$ 3.44	\$ 4.23	\$ 5.20	\$ 6.40	\$ 7.87	\$ 9.68	

Estimated Residential Monthly Sewer Bills							
5,000 gallons	\$ 24.80	\$ 30.50	\$ 37.50	\$ 46.14	\$ 56.74	\$ 69.79	
Monthly Increase (\$)		5.70	7.00	8.64	10.60	13.05	
10,000 gallons	\$ 42.00	\$ 51.65	\$ 63.50	\$ 78.14	\$ 96.09	\$ 118.19	
Monthly Increase (\$)		9.65	11.85	14.64	17.95	22.10	

Total Estimated Monthly Bill Impact							
Estimated Residential Total Monthly Bills							
5,000 gallons	\$ 49.19	\$ 56.65	\$ 65.53	\$ 75.84	\$ 88.59	\$ 103.90	
Monthly Increase (\$)		7.46	8.88	10.31	12.75	15.31	
10,000 gallons	\$ 84.19	\$ 97.80	\$ 113.48	\$ 131.49	\$ 153.34	\$ 179.55	
Monthly Increase (\$)		13.61	15.68	18.01	21.85	26.21	

Notes:

- (1) Recommend that amended rates apply to Inside-City Limit Customers Only until such time as current outside-city rates are 1.15x inside-city rates
- (2) Assumes 3/4" meter in Residential Bill Calculation
- (3) Residential sewer flow based on the lesser of actual consumption of the average winter water consumption to a maximum of 15,000 gal.
- (4) Commercial sewer flow based on actual water consumption

**CITY OF FARMERSVILLE
ORDINANCE #O-2012-1009-002**

AN ORDINANCE OF THE CITY OF FARMERSVILLE, TEXAS, AMENDING THE CODE OF ORDINANCES OF THE CITY OF FARMERSVILLE, TEXAS, THROUGH THE AMENDMENT OF THE MASTER FEE SCHEDULE BY AMENDING THE WATER SERVICE FEES ADOPTED THROUGH SECTION 11.122.4, ENTITLED "WATER SERVICE FEES"; PROVIDING A SEVERABILITY CLAUSE; PROVIDING A SAVINGS CLAUSE; PROVIDING A REPEALER CLAUSE; PROVIDING A PENALTY CLAUSE; AND PROVIDING FOR PUBLICATION AND AN EFFECTIVE DATE.

WHEREAS, the City of Farmersville, Texas ("City"), is a customer of North Texas Municipal Water District (NTMWD); and

WHEREAS, NTMWD obtains a large portion of its water from Lake Texoma to serve its member cities; and

WHEREAS, NTMWD cannot presently transport water from Lake Texoma through its existing pipeline and the natural creeks through which such water supply was previously transported due to an infestation of zebra mussels in Lake Texoma and certain federal regulations regarding invasive species like zebra mussels; and

WHEREAS, NTMWD has been afforded extra water supplies from other reservoirs to offset the emergency conditions caused by the drought and the zebra mussel infestation, the right to which extra water supply will soon expire and NTMWD does not have a continuing right of use; and

WHEREAS, the continuing and projected drought conditions impacting NTMWD's member cities requires NTMWD to construct a new pipeline to transport water from Lake Texoma to NTMWD's treatment facilities in Wylie to allow NTMWD to continue supplying treated drinking water to all customers of NTMWD if the drought conditions persist; and

WHEREAS, NTMWD has determined to pass through the cost of such water transportation pipeline facility evenly throughout all of its customers, which pass-through will increase the cost to be paid by the City to provide water to its residents; and

WHEREAS, the City desires to modify the Master Fee Schedule related to the cost of water service provided by the City via NTMWD; and

WHEREAS, the City Council of the City of Farmersville, Texas, finds that all prerequisites to the adoption of this Ordinance have been met;

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

Section 1. FINDINGS INCORPORATED

All the above premises are hereby found to be true and correct legislative and factual findings of the City of Farmersville, and they are hereby approved and incorporated into the body of this Ordinance as if restated herein in their entirety.

Section 2. MASTER FEE SCHEDULE FOR WATER SERVICE AMENDED

From and after the effective date of this Ordinance, the Master Fee Schedule is hereby amended in part by deleting the current Water Service Fee charges and replacing said fees with new Water Service Fees in accordance with Section 11.122.4 of the Code of Ordinances to read as follows:

WATER SERVICE	MONTHLY FEE
Inside City Limits:	
Meter Charge (Includes 1,000 gallons)	
3/4 inch or less	\$ 10.99
1 inch	18.18
1 1/2 inch	36.15
2 inch	57.71
3 inch	64.90
4 inch	179.90
6 inch	359.60
Volumetric Charges (per 1,000 gallons)	
1,001 to 10,000 gallons	\$ 4.94
10,001 to 20,000 gallons	6.54
In excess of 20,000 gallons	8.12
Outside City Limits:	
Residential or Commercial Customers of Record Prior to 1985	
Meter Charge (includes 1,000 gallons)	
3/4 inch or less	\$ 16.49
1 inch	27.27
1 1/2 inch	54.23
2 inch	86.57
3 inch	97.35
4 inch	269.85
6 inch	539.50
Volumetric Charges (per 1,000 gallons)	
1,001 to 10,000 gallons	\$ 7.41
10,001 to 20,000 gallons	9.81
In excess of 20,000 gallons	12.18
Outside City Limits:	
Residential or Commercial Customers of Record Since 1985	
Meter Charge (includes 1,000 gallons)	
3/4 inch or less	\$ 21.98
1 inch	36.36
1 1/2 inch	72.30
2 inch	115.42

3 inch	129.80
4 inch	359.80
6 inch	719.20
Volumetric Charges (per 1,000 gallons)	
1,001 to 10,000 gallons	\$ 9.88
10,001 to 20,000 gallons	13.08
In excess of 20,000 gallons	16.24
Outside City Limits:	
Old Customers of Caddo Park Rate Information	
Meter Charge (includes 1,000 gallons)	
3/4 inch or less	\$ 15.78
1 inch	27.27
1 1/2 inch	54.23
2 inch	86.57
3 inch	97.35
4 inch	269.83
6 inch	539.40
Volumetric Charges (per 1,000 gallons)	
1,001 to 10,000 gallons	\$ 7.41
10,001 to 20,000 gallons	9.81
In excess of 20,000 gallons	12.18

Section 3. SEVERABILITY CLAUSE

It is hereby declared to be the intention of the City Council that the words, phrases, clauses, sentences, paragraphs and sections of this Ordinance are severable, and if any word, phrase, clause, sentence, paragraph or section of this Ordinance shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining words, phrases, clauses, sentences, paragraphs and sections of this Ordinance, since the same would have been enacted by the City Council without the incorporation of any such unconstitutional word, phrase, clause, sentence, paragraph or section.

Section 4. SAVINGS CLAUSE

The Code of Ordinances, City of Farmersville, Texas, as amended, shall be and remain in full force and effect save and except as amended by this Ordinance.

Section 5. REPEALER CLAUSE

Any provision of any prior ordinance of the City, whether codified or uncoded, which is in conflict with any provision of this Ordinance, is hereby repealed to the extent of the conflict, but all other provisions of the ordinances of the City, whether codified or uncoded, which are not in conflict with the provisions of this Ordinance shall remain in full force and effect.

Section 6. PENALTY CLAUSE

Any person, firm, or corporation violating any of the provisions or terms of this Ordinance shall be guilty of a misdemeanor and upon conviction, shall be fined a sum

not to exceed \$2,000.00 for each offense, and each and every violation or day such violation shall continue or exist, shall be deemed a separate offense.

Section 7. EFFECTIVE DATE

This Ordinance shall take effect October 1, 2012, as the law in such cases provides and with the immediate publication of the caption.

Section 8. APPROVAL ON ONE READING

It is hereby determined by the City Council of the City of Farmersville, Texas that good cause exists for the adoption of this Ordinance on one reading in that the subject matter hereof arises out of unforeseen financial matters that could negatively impact the finances of the City and which subject matter also falls within a recognized exception to the City Council's policy of approving all ordinances upon two readings thereof separated by at least seven days.

PASSED on first and only reading on the 25th day of September, 2012, at a properly scheduled meeting of the City Council of the City of Farmersville, Texas, there being a quorum present, and approved by the Mayor on the date set out below.

APPROVED:



Joseph E. Helmberger, P.E., Mayor

ATTEST:



Edie Sims, City Secretary





Farmersville
DISCOVER A TEXAS TREASURE

CITY OF FARMERSVILLE, TEXAS

Water and Sewer Rate Study
FINAL REPORT

March 1, 2011

Prepared by:



1300 E. Lookout Dr., Ste.100

Richardson, Texas 75082

P 972.680.2000

F 972.680.2007

E-mail: cekrut@jstoweco.com



1300 E Lookout Drive, Ste 100
Richardson, TX 75082
t 972 680 2000
f 972 680 2007

515 Congress Avenue, Ste 1515
Austin, TX 78701
t 512 479 7900
f 512 479 7905

March 1, 2011

Mr. John Moran
City Manager
City of Farmersville
205 S. Main Street
Farmersville, TX 75442

RE: WATER AND SEWER RATE STUDY – FINAL REPORT

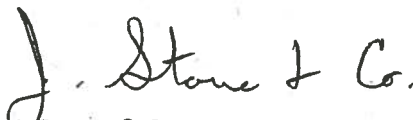
Dear Mr. Moran:

In June 2010, J. Stowe & Company ("J. Stowe & Co.") was engaged by the City of Farmersville ("City") to conduct a Water and Sewer Rate Study ("Study"). The attached report presents our findings and recommendations based on our analysis.

We appreciate the opportunity to provide our professional services to the City and would like to express our sincere appreciation to you and your staff for supplying the needed information and data, and for assisting us in completing the Study.

Should you or your council members require additional information or clarification regarding the enclosed report, please do not hesitate to contact Mr. Chris Ekrut at 972.680.2000 or via e-mail at cekrut@jstoweco.com.

Very truly yours,


J. Stowe & Co.

Environmental Economists

www.jstoweco.com

TABLE OF CONTENTS

CITY OF FARMERSVILLE, TEXAS WATER AND SEWER RATE STUDY

	EXECUTIVE SUMMARY	1
I.	INTRODUCTION AND BACKGROUND.....	9
II.	REVENUE REQUIREMENT	13
III.	ESTIMATED RATES	19
IV.	RECOMMENDATIONS	29

SCHEDULES

SCHEDULE A	CURRENT AND PROJECTED DEBT SERVICE
SCHEDULE B	PROJECTED RATE REVENUE REQUIREMENT
SCHEDULE C	FUND BALANCE PERFORMANCE ASSUMING PHASE-IN OF ESTIMATED RATES
SCHEDULE D	ESTIMATED INSIDE CITY WATER RATE OPTIONS
SCHEDULE E	ESTIMATED INSIDE CITY SEWER RATE OPTIONS
SCHEDULE F	COMPARISON OF MONTHLY WATER AND SEWER CHARGES

EXECUTIVE SUMMARY

In June 2010, J. Stowe & Co., LLC, ("J. Stowe & Co.") was retained by the City of Farmersville ("City") to perform a Water and Sewer Rate Study ("Study"). As part of this Study, J. Stowe & Co.'s Project Team ("Project Team") was requested to forecast revenue requirements and rates through Fiscal Year ("FY") 2015.

Our Project Team would note that, to our knowledge, this is the first time the City has performed a detailed analysis of the adequacy of its water and sewer utility rates within recent memory. Regular reviews of the performance of a utility's water and sewer rates are an integral part of the management of any water and sewer utility, and failure to monitor the City's rates can result in the need for significant rate actions. Our Project Team recommends that, going forward, the City regularly monitor and review the performance of its adopted rates and perform rate adjustments in a timely manner so as to preserve the financial integrity of the water and sewer utility.

A water and sewer utility is a business run by a City and; therefore, should operate in a fiscally sound and prudent manner. Serving as the "Board of Directors" of the business, the City Council must currently contend with several external and internal issues which are impacting the financial integrity and stability of the City's water and sewer utility. Externally, legislative and regulatory requirements have placed greater emphasis on conservation and the implementation of water conservation best management practices ("BMPs"). Additionally, the utility must also comply with regulatory rules promulgated by the Texas Commission on Environmental Quality ("TCEQ") as a condition of maintaining its Certificate of Convenience and Necessity ("CCN").

These external requirements, which are beyond the City's control, have a direct correlation on the cost of providing service to customers. For example, conversations with City staff have indicated that in order to maintain regulatory compliance, significant capital improvements to the City's sewer collection system and sewer treatment plant will be required in the near future. To that end, the City, in conjunction with North Texas Municipal Water District ("NTMWD") has explored various options for achieving regulatory compliance, including the establishment of regional sewer facilities. While final decisions have yet to be made regarding the City's sewer treatment plans, it is given that the City will face increasing capital costs over the next several years in order to maintain regulatory compliance, which will ultimately result in increased costs to customers.

Regulatory requirements also have an indirect impact on the cost of providing water and sewer service. Currently, the City receives wholesale water service from NTMWD. Just as the regulatory requirements increase the cost of providing service to the City, the same requirements increase the costs experienced by NTMWD – costs which must ultimately be passed on to customers of NTMWD. Presently, NTMWD is projecting an approximate 7.8% effective annual rate increase for its wholesale customers over the next five (5) years. The City must pass along the increases from its wholesale suppliers in order to maintain the financial position of the water and sewer utility.

Internally, the historical financial policies of the City have masked the under-performance of the City's water and sewer rates. Since FY 2008, the City has budgeted for expenses to exceed revenues within the Water and Sewer Fund. For FY 2011, the utility's budgeted expenses are currently estimated to exceed revenues by approximately \$384,000. Despite budgeting for revenue shortfalls, historical transfers into the Water and Sewer Fund from the City's Capital Projects Fund, over \$1.6 million in FY 2008 and FY 2009 combined, have resulted in a healthy cash reserve for the Fund. However, at the time, the City's water and sewer rates were insufficient to actually fully fund utility-related expenses and, without such transfers, the City would have been forced to draw-down on available cash to pay expenses.

Further, since at least FY 2008, the City's sewer department budget has not contained any costs for Personnel, Professional Services, Supplies, and Capital Expenditures. While the City's sewer treatment plant is currently operated and maintained by NTMWD, the City would still experience sewer costs in these categories associated with the City's sewer collection system. By not properly classifying costs as water and sewer related, it has appeared for financial reporting purposes that the City's sewer rates have been sufficient to fund all sewer costs when, in reality, it is currently estimated that existing sewer revenues cover less than 55% of sewer related costs. It should be noted that for FY 2011, the City's sewer department budget, as adopted, was developed to reflect all costs for sewer service.

In addition, some utility related costs, such as utility billing, have historically been paid from the City's General Fund using ad valorem tax revenues. The Water and Sewer Fund does make a transfer to the General Fund annually to presumably cover such costs; however, it is unknown if this transfer has historically been sufficient to fund all utility related costs. Because of the City's service to customers located outside of its City limits, any subsidization of water and sewer costs with ad valorem tax revenues results in these customers receiving a service for which they are not paying the full cost. For the FY 2011 budget, the utility related costs historically paid from the City's General Fund were captured within the Water and Sewer Fund.

Also concerning is that information provided by City staff has indicated that, historically, the City has paid some operational utility expenses, such as salaries, with the use of long-term bond funds. The use of long-term debt to fund operational expenses is frowned on by credit rating agencies, which can ultimately lead to higher borrowing costs in the long-term. Some of these agencies also consider this practice to be a significant "red-flag" in regards to inappropriate financial management.

Just as the City provides service to customers outside its City boundaries, it also provides contractual wholesale water service to three (3) different customers. As part of this Study, the Project Team reviewed these contracts. A summary memo discussing this review was presented under separate cover to the City. As noted in this memo and in subsequent conversations with City staff, it is imperative that the rates charged to the City's wholesale customers be sufficient to cover the cost of providing service. This includes passing along any increases in wholesale water costs from NTMWD to these customers. If the City fails to sufficiently recover the cost of providing wholesale water service, then the City's retail customers must ultimately fund any shortfalls.

Finally, and possibly of greatest importance, the Project Team is projecting that under normal operating and weather conditions, the City's current water and sewer rates will not generate sufficient revenue to pay utility related expenditures during the Study period. Specifically for FY 2011, the Project Team is currently projecting a combined revenue shortfall of approximately \$370,256 for the water and sewer utility. Given this finding, J. Stowe & Co. recommends the City take immediate action to increase its water and sewer user rates and fees.

The Project Team would note that the City's Financial Audit for FY 2010 shows revenues in excess of expenditures, prior to transfers, for the Water and Sewer Fund. However, as discussed in this report, within the City's adopted FY 2011 budget, the City has fully captured all utility related costs within the Water and Sewer Fund, including the funding of indirect costs incurred on the Utility's behalf. This is a different budgeting method than has been used historically by the City and, as such, the financial results from FY 2010, which are based on the FY 2010 budget and are not reflective of all utility costs, do not accurately reflect anticipated financial performance for FY 2011. Because of these adjustments to reflect all utility related costs and to move the Utility toward financial self-sufficiency, the City's current rates are projected to produce insufficient revenue beginning in FY 2011.

Table ES-1 below presents the projected revenue requirements and estimated under-recovery of revenue by the utility during the Study period.

TABLE ES-1 Utility Rate Revenue Requirement					
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Water					
Projected Rate Revenue	\$ 674,254	\$ 674,254	\$ 674,254	\$ 674,254	\$ 674,254
Rate Revenue Requirement	748,275	813,828	870,288	930,411	993,532
Over / (Under) Recovery	\$ (74,021)	\$ (139,574)	\$ (196,034)	\$ (256,157)	\$ (319,278)
Sewer					
Projected Rate Revenue	\$ 355,241	\$ 355,241	\$ 355,241	\$ 355,241	\$ 355,241
Rate Revenue Requirement	651,476	714,101	955,761	967,079	984,463
Over / (Under) Recovery	\$ (296,235)	\$ (358,861)	\$ (600,520)	\$ (611,838)	\$ (629,222)
Total Utility					
Projected Rate Revenue	\$ 1,029,495	\$ 1,029,495	\$ 1,029,495	\$ 1,029,495	\$ 1,029,495
Rate Revenue Requirement	1,399,751	1,527,929	1,826,049	1,897,490	1,977,995
Over / (Under) Recovery	\$ (370,256)	\$ (498,435)	\$ (796,554)	\$ (867,995)	\$ (948,501)

As evidenced above, the City's sewer revenue requirement is significantly higher than the revenues generated under existing rates. In order to minimize rate shock, the Project Team has developed a plan whereby the City can slowly increase or "phase-in" sewer rates over the Study period while using available cash reserves to support the under-recovery of sewer revenue. This plan utilizes approximately the same percentage increase in revenue every year to achieve full recovery of sewer

related costs from sewer revenues by FY 2015. Under this plan, the cash reserves in the Water and Sewer Fund are estimated to fall to approximately \$315,000 in FY 2014 before rates level off and the City could begin to replenish these reserves. In the event the City chooses to implement such a phase-in of sewer rates, it will be important for rates to be reevaluated at the end of the phase-in period to determine the best way to rebuild the reserves of the utility.

It should be noted that this phased plan depends heavily on sufficient performance of the identified water and sewer rates. In the event that revenues fall below projections, greater increases in rates may be required so as to maintain adequate cash balances in the Fund. Finally, it is imperative that should the City choose to implement this plan, the City must commit to raising rates as needed over the planning period. If only one or two steps of the phase-in approach are implemented, then future revenue performance may be insufficient to support utility expenditures.

Table ES-2 below compares the City's current inside-City water rate to the inside-City water rates projected to be required under the City's existing rate structure, otherwise referred to herein as "Water Option 1". Additionally, Tables ES-3 and ES-4 present two alternative water rate structures the City may wish to consider. Table ES-3, otherwise referred to as "Water Option 2", removes the 1,000 gallon allotment currently included in the City's minimum water charge and increases the rate for 20,001 gallons and above to 125% of the rate for 10,001 – 20,000 gallons. Table ES-4, otherwise referred to as "Water Option 3", includes the volumetric rates from Option 2 and establishes a meter charge which escalates based on the size of the water meter provided service. Table ES-5 presents the monthly customer impact of each rate option for an average residential customer using 5,000 or 10,000 gallons of water, respectively. Further, at this time, the Project Team is not recommending any changes to the rates charged to customers located outside the City limits.

TABLE ES-2 "Water Option 1" – Existing Rate Design						
	Current	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Minimum Charge (Includes 1,000 gallons)	\$ 10.15	\$11.40	\$12.51	\$13.47	\$ 14.48	\$ 15.54
Volumetric Rate (per 1,000 gallons)						
1,001 – 10,000 gal.	\$ 3.56	\$ 4.00	\$ 4.39	\$ 4.73	\$ 5.08	\$ 5.45
10,001 – 20,000 gal.	4.77	5.36	5.88	6.33	6.80	7.30
20,001 + gal.	5.84	6.56	7.20	7.75	8.33	8.94

TABLE ES-3
"Water Option 2" – Removing Minimum Bill Allotment and Increasing 20,001+ Block Rate

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Minimum Charge	\$ 10.15	\$11.40	\$12.51	\$13.47	\$ 14.48	\$ 15.54
Volumetric Rate (per 1,000 gallons)						
0 – 1,001 gal.	\$ 0.00	\$ 3.81	\$ 4.18	\$ 4.50	\$ 4.84	\$ 5.19
1,001 – 10,000 gal.	3.56	3.81	4.18	4.50	4.84	5.19
10,001 – 20,000 gal.	4.77	5.11	5.61	6.04	6.49	6.97
20,001 + gal.	5.84	6.39	7.01	7.55	8.12	8.71

TABLE ES-4
"Water Option 3" – Escalating Meter Charge, Removing Minimum Bill Allotment, Increasing 20,001 Block Rate

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Meter Charge (Includes 1,000 gallons)						
3/4 inch or less	\$ 10.15	\$ 10.15	\$ 10.47	\$ 10.78	\$ 11.53	\$ 12.31
1 inch	10.15	16.92	17.44	17.97	19.21	20.51
1 1/2 inch	10.15	33.83	34.89	35.94	38.42	41.03
2 inch	10.15	54.13	55.82	57.50	61.47	65.64
3 inch	10.15	60.90	62.79	64.69	69.16	73.85
4 inch	10.15	169.17	174.43	179.69	192.11	205.14
6 inch	10.15	338.33	348.86	359.39	384.21	410.25
Volumetric Rate (per 1,000 gallons)						
0 – 1,001 gal.	\$ 0.00	\$ 3.81	\$ 4.18	\$ 4.50	\$ 4.84	\$ 5.19
1,001 – 10,000 gal	3.56	3.81	4.18	4.50	4.84	5.19
10,001 – 20,000 gal	4.77	5.11	5.61	6.04	6.49	6.97
20,001 + gal.	5.84	6.39	7.01	7.55	8.12	8.71

TABLE ES-5
Monthly Impact of Water Rate Options on Residential Customers

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Water Option 1						
5,000 gallons	\$ 24.39	\$ 27.40	\$ 30.07	\$ 32.39	\$ 34.80	\$ 37.34
<i>Year over Year Increase</i>		3.01	2.67	2.32	2.41	2.54
10,000 gallons	\$ 42.19	\$ 47.40	\$ 52.02	\$ 56.04	\$ 60.20	\$ 64.59
<i>Year over Year Increase</i>		5.21	4.62	4.02	4.16	4.39
Water Option 2						
5,000 gallons	\$ 24.39	\$ 30.45	\$ 33.41	\$ 35.97	\$ 38.68	\$ 41.49
<i>Year over Year Increase</i>		6.06	2.96	2.56	2.71	2.81
10,000 gallons	\$ 42.19	\$ 49.50	\$ 54.31	\$ 58.47	\$ 62.88	\$ 67.44
<i>Year over Year Increase</i>		7.31	4.81	4.16	4.41	4.56
Water Option 3						
5,000 gallons	\$ 24.39	\$ 29.20	\$ 31.37	\$ 33.28	\$ 35.73	\$ 38.26
<i>Year over Year Increase</i>		4.81	2.17	1.91	2.45	2.53
10,000 gallons	\$ 42.19	\$ 48.25	\$ 52.27	\$ 55.78	\$ 59.93	\$ 64.21
<i>Year over Year Increase</i>		6.06	4.02	3.51	4.15	4.28

Table ES-6 below compares the City's current inside-City sewer rate to the inside-City sewer rates projected to be required under the City's existing rate structure, otherwise referred to herein as "Sewer Option 1". Additionally, Tables ES-7 and ES-8 present two alternative sewer rate structures the City may wish to consider. Table ES-7, otherwise referred to as "Sewer Option 2", removes the 1,000 gallon allotment currently included in the City's minimum sewer charge. Tables ES-8, otherwise referred to as "Sewer Option 3", removes the 1,000 gallon allotment in the minimum charge and charges all commercial sewer volumes at the same rate. Table ES-9 presents the monthly customer impact of each rate option for an average residential customer assuming 5,000 or 10,000 gallons of sewer flow, respectively. Further, at this time, the Project Team is not recommending any changes to the rates charged to customers located outside the City limits.

TABLE ES-6
"Sewer Option 1" – Existing Rate Design

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Minimum Charge (Includes 1,000 gallons)	\$ 11.04	\$13.58	\$ 16.70	\$ 20.54	\$ 25.26	\$ 31.07
Volumetric Rate (Per 1,000 gallons)						
Residential						
1,001 – 15,000 gal.	\$ 3.44	\$ 4.23	\$ 5.20	\$ 6.40	\$ 7.87	\$ 9.68
Commercial						
1,001 – 50,000 gal.	\$ 3.44	\$ 4.23	\$ 5.20	\$ 6.40	\$ 7.87	\$ 9.68
50,001 + gal.	2.26	3.05	4.02	5.22	6.69	8.50

TABLE ES-7
"Sewer Option 2" – Removing Minimum Bill Allotment

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Minimum Charge	\$ 11.04	\$13.58	\$ 16.70	\$ 20.54	\$ 25.26	\$ 31.07
Volumetric Rate (Per 1,000 gallons)						
Residential						
0 – 1,000 gal.	\$ 0.00	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 – 15,000 gal.	3.44	3.63	4.46	5.49	6.75	8.31
Commercial						
0 – 1,000 gal.	\$ 0.00	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 – 50,000 gal.	3.44	3.63	4.46	5.49	6.75	8.31
50,001 + gal.	2.26	2.45	3.28	4.31	5.57	7.13

TABLE ES-8
"Sewer Option 3" – Removing Minimum Bill Allotment, All Commercial Volumes Charges at Same Rate

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Minimum Charge	\$ 11.04	\$13.58	\$ 16.70	\$ 20.54	\$ 25.26	\$ 31.07
Volumetric Rate (Per 1,000 gallons)						
Residential						
0 – 1,000 gal.	\$ 0.00	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 – 15,000 gal.	3.44	3.63	4.46	5.49	6.75	8.31
Commercial						
0 – 1,000 gal.	\$ 0.00	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 – 50,000 gal.	3.44	3.63	4.46	5.49	6.75	8.31
50,001 + gal.	2.26	3.63	4.46	5.49	6.75	8.31

TABLE ES-9
Monthly Impact of Sewer Rate Options on Residential Customers

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Sewer Option 1						
5,000 gallons	\$ 24.80	\$ 30.50	\$ 37.50	\$ 46.14	\$ 56.74	\$ 69.79
<i>Year over Year Increase</i>		5.70	7.00	8.64	10.60	13.05
10,000 gallons	\$ 42.00	\$ 51.65	\$ 63.50	\$ 78.14	\$ 96.09	\$ 118.19
<i>Year over Year Increase</i>		9.65	11.85	14.64	17.95	22.10
Sewer Option 2						
5,000 gallons	\$ 24.80	\$ 31.73	\$ 39.02	\$ 47.99	\$ 59.02	\$ 72.60
<i>Year over Year Increase</i>		6.93	7.29	8.97	11.03	13.58
10,000 gallons	\$ 42.00	\$ 49.88	\$ 61.34	\$ 75.44	\$ 92.78	\$ 114.12
<i>Year over Year Increase</i>		7.88	11.46	14.10	17.34	21.34
Sewer Option 3						
5,000 gallons	\$ 24.80	\$ 31.73	\$ 39.02	\$ 47.99	\$ 59.02	\$ 72.60
<i>Year over Year Increase</i>		6.93	7.29	8.97	11.03	13.58
10,000 gallons	\$ 42.00	\$ 49.88	\$ 61.34	\$ 75.44	\$ 98.78	\$ 114.12
<i>Year over Year Increase</i>		7.88	11.46	14.10	17.34	21.34

Schedules D and E to this report provides a complete summary of the estimated inside-City water and sewer rates under the rate design options mentioned above. Schedule F to this report provides a comparison of the City's current and estimated monthly water and sewer charges with the monthly water and sewer charges of entities of comparable size, geographic location, and/or comparable capital improvement needs. Please note that each of the water and sewer rate options presented above is designed to generate similar levels of revenue. As such, any combination of a water rate option and a sewer rate option is projected to generate the revenue required, assuming the planned phase-in of sewer rates (i.e., Water Option 1,2, or 3 can be combined with either Sewer Rate Option 1, 2, or 3, etc.).

I. INTRODUCTION AND BACKGROUND

A. Introduction

In June 2010, J. Stowe & Co., LLC, ("J. Stowe & Co.") was retained by the City of Farmersville ("City") to perform a Water and Sewer Rate Study ("Study"). As part of this Study, J. Stowe & Co.'s Project Team ("Project Team") was requested to forecast revenue requirements and rates through Fiscal Year ("FY") 2015. This report describes the analysis performed for the City and makes recommendations with respect to rates to be charged to the City's water and sewer customers. This report consists of four sections and an Executive Summary. Also attached are six (6) schedules which supplement the findings of this report.

Following the Executive Summary, Section I provides the introduction and background for the Study. Section II discusses the development of the revenue requirement(s) through FY 2015. Section III discusses the estimated rates needed to recover the estimated revenue requirement(s) and rate design options. Finally, Section IV offers recommendations based on the Study's findings.

Our Project Team would note that, to our knowledge, this is the first time the City has performed a detailed analysis of the adequacy of its water and sewer utility rates within recent memory. Regular reviews of the performance of a utility's water and sewer rates are an integral part of the management of any water and sewer utility, and failure to monitor the City's rates can result in the need for significant rate actions. Our Project Team recommends that, going forward, the City regularly monitor and review the performance of its adopted rates and perform rate adjustments in a timely manner so as to preserve the financial integrity of the water and sewer utility.

The analysis performed by J. Stowe & Co. is designed to take into account the foreseeable changes from the current fiscal year (FY 2011) through FY 2015. The goal is to construct a planning tool with which the City can gain an understanding of the issues that need to be addressed during the Study's planning horizon. A critical benefit is the quantification of the long-range impact of decisions being made today. As with any forecast, assumptions must be made and the City should be aware that the actual rates required may be different from the projected rates outlined in this report due to unforeseen changes such as system growth, inflation, etc. In addition, it should be noted that this analysis is based on data provided by the City. While this data has been reviewed and tested for accuracy to the extent possible, if the data relied on by the Project Team to produce this analysis is inaccurate and not reflective of the actual operation and/or financial condition of the City's water and sewer system, then the results of this analysis, and the estimated rates contained herein, may merit revision.

B. Background

A water and sewer utility is essentially a business run by a City and; therefore, should operate in a fiscally sound and prudent manner. Serving as the “Board of Directors” of the business, the City Council must currently contend with several external and internal issues which are impacting the financial integrity and stability of the City’s water and sewer utility. Externally, legislative and regulatory requirements have placed greater emphasis on conservation and the implementation of best management practices (“BMPs”) as identified by the Texas Water Conservation Implementation Task Force (“TWCITF”). Additionally, the utility must also comply with regulatory rules promulgated by the Texas Commission on Environmental Quality (“TCEQ”) as a condition of maintaining its Certificate of Convenience and Necessity (“CCN”) which allows the City to provide water and sewer service to its customers.

These external requirements, which are beyond the City’s control, have a direct correlation on the cost of providing service to customers. For example, conversations with City staff have indicated that in order to maintain regulatory compliance, significant capital improvements to the City’s sewer collection system and sewer treatment plant will be required in the near future. To that end, the City, in conjunction with North Texas Municipal Water District (“NTMWD”), has explored various options for achieving regulatory compliance, including the establishment of regional sewer facilities. While final decisions have yet to be made regarding the City’s sewer treatment plans, it is given that the City will face increasing capital costs over the next several years in order to maintain regulatory compliance which will ultimately result in increased costs to customers.

Regulatory requirements also have an indirect impact on the cost of providing water and sewer service. Currently, the City receives wholesale water service from NTMWD. Just as the regulatory requirements increase the cost of providing service to the City, the same requirements increase the costs experienced by NTMWD— costs which must ultimately be passed on to Customers of NTMWD. Presently, NTMWD is projecting an approximate 7.8% effective annual rate increase for its wholesale customers over the next 5 years. The City must pass along the increases from its wholesale suppliers in order to maintain the financial position of the water and sewer utility.

Internally, the historical financial policies of the City have masked the under-performance of the City’s water and sewer rates. Since FY 2008, the City has budgeted for expenses to exceed revenues within the Water and Sewer Fund. For FY 2011, the utility’s budgeted expenses are currently estimated to exceed revenues by approximately \$384,000. Despite budgeting for revenue shortfalls, historical transfers into the Water and Sewer Fund from the City’s Capital Projects Fund, over \$1.6 million in FY 2008 and FY 2009 combined, have resulted in a healthy cash reserve for the Fund. However, at the time, the City’s water and sewer rates were insufficient to actually fully fund utility-related expenses and, without such transfers, the City would have been forced to draw-down on available cash to pay expenses.

Further, since at least FY 2008, the City's sewer department budget has not contained any costs for Personnel, Professional Services, Supplies, and Capital Expenditures. While the City's sewer treatment plant is currently operated and maintained by NTMWD, the City would still experience sewer costs in these categories associated with the City's sewer collection system. By not properly classifying costs as water and sewer related, it has appeared for financial reporting purposes that the City's sewer rates have been sufficient to fund all sewer costs when, in reality, it is currently estimated that existing sewer revenues cover less than 55% of sewer-related costs. It should be noted that for FY 2011, the City's sewer department budget, as adopted, was developed to reflect all costs for sewer service.

In addition, some utility related costs, such as utility billing, have historically been paid from the City's General Fund using ad valorem tax revenues. The Water and Sewer Fund does make a transfer to the General Fund annually to presumably cover such costs; however, it is unknown if this transfer has historically been sufficient to fund all utility related costs. Because of the City's service to customers located outside of its City limits, any subsidization of water and sewer costs with ad valorem tax revenues results in these customers receiving a service for which they are not paying the full cost. For the FY 2011 budget, the utility related costs historically paid from the City's General Fund were captured within the Water and Sewer Fund.

Also concerning is that information provided by City staff has indicated that, historically, the City has paid some operational utility expenses, such as salaries, with the use of long-term bond funds. The use of long-term debt to fund operational expenses is frowned on by credit rating agencies, which can ultimately lead to higher borrowing costs in the long-term. Some of these agencies also consider this practice to be a significant "red-flag" in regards to inappropriate financial management.

Just as the City provides service to customers outside its City boundaries, it also provides contractual wholesale water service to three (3) different customers. As part of this Study, the Project Team reviewed these contracts. A summary memo discussing this review was presented under separate cover to the City. As noted in this memo and in subsequent conversations with City staff, it is imperative that the rates charged to the City's wholesale customers be sufficient to cover the cost of providing service. This includes passing along any increases in wholesale water costs from NTMWD to these customers. If the City fails to sufficiently recover the cost of providing wholesale water service, then the City's retail customers must ultimately fund any shortfalls.

Finally, and possibly of greatest importance, the Project Team is projecting that under normal conditions, the City's current water and sewer rates will not generate sufficient revenue to pay utility related expenditures during the Study period. Specifically for FY 2011, the Project Team is currently projecting a combined revenue shortfall of approximately \$370,256 for the water and sewer utility. Given this finding, J. Stowe & Co. recommends the City take immediate action to increase its water and sewer user rates and fees.

The Project Team would note that the City's Financial Audit for FY 2010 shows revenues in excess of expenditures, prior to transfers, for the Water and Sewer Fund. However, as discussed in this report, within the City's adopted FY 2011 budget, the City has fully captured all utility related costs within the Water and Sewer Fund, including the funding of indirect costs incurred on the Utility's behalf. This is a different budgeting method than has been used historically by the City and, as such, the financial results from FY 2010, which are based on the FY 2010 budget and are not reflective of all utility costs, do not accurately reflect anticipated financial performance for FY 2011. Because of these adjustments to reflect all utility related costs and to move the Utility toward financial self-sufficiency, the City's current rates are projected to produce insufficient revenue beginning in FY 2011.

II. Revenue Requirement

There are two primary ratemaking methodologies employed in the utility industry, the cash basis and the utility basis. The primary difference between the cash basis and the utility basis involves the treatment of depreciation, return on invested capital, and debt service. The cash basis, which is the most common method used by municipalities, includes debt service but excludes depreciation and return on invested capital in the revenue requirement determination. The cash basis focuses on meeting the cash demands of the utility. The utility basis, most commonly used by private utilities, includes depreciation and return on invested capital, but excludes debt service from the revenue requirement determination. The cash basis is usually more easily understood by municipalities since it follows the traditional cash-oriented budgeting practices used by governmental entities. In addition, the cash basis is generally easier to explain to customers since the cash basis attempts to match revenue to expenditures. In performing this analysis, the Project Team has utilized the cash basis to develop the City's water and sewer revenue requirements.

A. Rate Year Revenue Requirement

To develop the Rate Year Revenue Requirement (i.e., the first year for which rates are developed), J. Stowe & Co. utilized the adopted FY 2011 budget for the City. Based on discussions with Staff, no additional adjustments were needed to the FY 2011 budget for rate development purposes.

It should be noted that City staff has indicated that the City needs to develop a Master Plan for sewer collection system improvements. It is estimated that this Study will cost approximately \$60,000 dollars and will need to receive initial funding in FY 2011. To incorporate this cost, City staff has included \$30,000 in the Professional Services budget for the Sewer Department in FY 2011. The remaining cost for the Study will need to be included in the FY 2012 budget and is captured in the forecasted revenue requirement discussed below.

Additionally, to ensure sufficient funds are generated within the FY 2011 budget to pay for wholesale water service by NTMWD, the Project Team applied the projected FY 2011 water rate of NTMWD to the City's current minimum take-or-pay volume amount under the NTMWD wholesale contract. Based on this calculation, the City needs approximately \$384,000 to pay for wholesale water service from NTMWD. Currently, the City has budgeted approximately \$387,000 for FY 2011, which is estimated to be sufficient to cover the cost of service from NTWMD.

B. Forecasted Revenue Requirement

In determining the forecasted revenue requirements of the utility, the Project Team utilized the City's adopted FY 2011 budget, adjusted as discussed above, as the basis for the revenue requirement projections through FY 2015. Discussions were held with City staff to determine the known and measureable adjustments that should be made to the budgeted data. In addition, inflation factors were also estimated and applied to the FY 2011 baseline data. The adjustments made are discussed in more detail below.

Personnel Services

To project future personnel costs, the Project Team reviewed the rate of increase in budgeted personnel costs for FY 2008 through FY 2011. Based on this data, it was estimated that personnel costs would increase for each of the utility's departments by 4.17% annually. It should be noted that this does not assume any increases in the number of personnel currently employed by the utility.

Professional Services, Maintenance, and Miscellaneous Expenses

Professional Services, Maintenance, and Miscellaneous Expenses were escalated based on an assumed inflation rate of 3.05%. This rate represents the average annual increase in the Municipal Cost Index ("MCI") from 2000 to 2010.¹

As discussed above in regards to professional services for the sewer department, \$30,000 has been included in FY 2011 to fund the Sewer Master Plan. To fund the remaining part of the Study, the Project Team has included \$30,000 in the FY 2012 revenue requirement. For FY 2013 through FY 2015, the Project Team assumed that professional services for the sewer department would mirror the professional services fees for the water department.

Operating Expenditures

Operating Expenditures for the utility include the cost of electricity, which represents a variable cost of the utility. Typically, in estimating future revenue requirements, costs that vary with the volume of water delivered or volume of sewer flow treated from customers (i.e., variable costs) are escalated by an annual inflation factor as well as the estimated growth in connections.

For this Study, the Project Team utilized population growth projections as adopted by the Texas Water Development Board ("TWDB") to project customer growth for the City. According to the TWDB, the City is anticipated to see a 6.63% average annual growth rate in connections during the Study period.

¹ The Municipal Cost Index ("MCI"), published by American City and County Magazine, is similar to the Consumer Price Index ("CPI") in that it tracks the increased cost of a "market basket" of goods. The CPI tracks consumer goods, such as the cost of a haircut, milk, and eggs. On the other hand, the MCI tracks goods applicable to a City, such as cement, construction machinery, office supplies, etc.

Specifically, to project electricity expense, the Project Team reviewed the five (5) year annual average increase in commercial power cost according to the Producer Price Index. This factor, 2.49%, was added to the anticipated growth in connections to project operating expenditures.

Supplies

Supply Expenditures included within Water Department include the cost of purchasing wholesale treated water from NTMWD. To project this expense going forward, the Project Team reviewed rate projections provided by NTMWD. Based on this data, it is estimated that the cost of purchasing water from NTMWD will escalate at an average annual rate of 7.80% over the Study period.

While water purchases from NTMWD represent a variable expense which will escalate based on both the increase in rates from NTMWD as well as growth in water connections, the Project Team has not made further adjustment to supply expense to reflect connection growth. Currently, the City's contract with NTMWD involves a take-or-pay clause which requires the City to pay for a certain amount of water whether that water is utilized or not. This take-or-pay amount reflects the highest amount of water ever taken by the City from NTMWD. The City's current take-or-pay level was set in 2006 and, since that time, the City has utilized, on average, only 75% of this water. As such, approximately 25% of the water the City currently purchases is not utilized.

Assuming normal precipitation conditions continue, the current water purchases from NTMWD will most likely be sufficient to meet the water demand associated with additional connections during the Study period. As such, the Project Team has only escalated supply expense for the Water Department going forward by 7.8%.

To project expenses associated with supplies and treatment expense for the sewer department, the Project Team utilized the MCI factor of 3.05%

Cash Capital Expenditures

For purposes of projecting revenue requirements, it was assumed that the level of cash capital outlay for both the Water and Sewer Departments would remain static at the FY 2011 levels, as adjusted.

Transfers

To project transfers to the Equipment Replacement Fund, the Project Team utilized the projected transfers from the utility to the Equipment Replacement Fund as contained in the FY 2011 budget documents.

Future transfers to the General Fund from the utility, including transfers for administrative support and right of way rental fees, were estimated based on the percentage such transfers currently comprise of the utility's estimated cost of service in FY 2011. Typically, such fees are

based on gross revenue of the utility. As the utility's gross revenue should be, at minimum, sufficient to cover its cost of service, it serves as a proxy for the projected gross revenue of the utility.

Debt Service

The utility does not currently maintain debt service associated with the provision of water service. Additionally, based on available documentation, it is estimated that the utility will not issue future debt to fund capital expenditures associated with the provision of water during the planning period.

On the other hand, the utility does have existing outstanding debt associated with the provision of sewer service. To project future debt service payments associated with existing debt service, the Project Team utilized the City's current debt service schedule for the 2005 and 2006 outstanding Certificates of Obligation ("COs"). The portion of the total annual debt service payment funded by the utility was included as a cost of the sewer department.

In addition to existing debt service, it is the Project Team's understanding that the City's Sewer Treatment Plant is in need of immediate rehabilitation, or, as another option, the City can join a regional sewer system currently being planned by NTMWD. Based on the input of City staff, the Project Team incorporated the cost of joining the regional sewer system within the projected revenue requirements. Information provided by NTMWD indicates that, specific to the capacity requirements of the City, approximately \$424,000 will be needed in FY 2012 to fund design and land acquisition for the regional system including the wastewater treatment plant and required sewer trunk lines. Beginning in FY 2013, approximately \$3.05 million will be needed to fund construction of capacity specific to the City. It should be noted that the above total costs of approximately \$3.475 million represent only Phase I of the regional system and is projected to meet the City's capacity needs through approximately 2017. In 2018, it is projected that an additional 1.5 MGD expansion to the regional wastewater plant will be required which will result in additional costs which will need to be funded through the City's sewer rates.

For purposes of projecting this cost within the revenue requirements, the Project Team assumed two debt issues, in FY 2012 and FY 2013 respectively, for the above stated costs. It was further assumed that these debt issues would be 20-year term issues at an estimated interest rate of 4.92%.

While the City will also be responsible for operations and maintenance costs associated with the regional system, no additional costs were included within the revenue requirement as NTMWD currently operates the City's sewer treatment plant under contract. Once the regional system is operational, it is assumed that the City's sewer treatment plant will be either incorporated into the regional system or decommissioned, and the costs currently incurred by the City for operation of this plant can be used to fund operation and maintenance of the regional system. Additionally, conversations with NTMWD have indicated that the City will incur additional costs

for any decommissioning activity associated with the City's existing wastewater treatment plant; however, at the time of this writing, no estimate of these costs were available. As plans are finalized for the development of the regional sewer system, the Project Team recommends the City revisit the assumptions utilized in this analysis to ensure the projected sewer rates are adequate to fund the needs of the utility.

The calculation of the estimated annual debt service associated with the provision of sewer service is contained in Schedule A.

Operating Reserves

Within the municipal water and sewer industry, an operating reserve of 45 to 60 days is typically recommended. This practice helps to offset the cash-flow problems that can occur as a utility earns higher revenue during the summer months while expenses are incurred year-round, and to cover other unexpected costs that may arise. This fund can also help offset revenue shortfalls due to lower than projected consumption in years with higher than normal precipitation.

Based on the completed FY 2010 Audit for the City, it is the Project Team's understanding that the utility currently has unrestricted available cash and cash equivalents in excess of \$1.17 million. This available cash balance is a direct result of the over \$1.6 million in monies transferred to the Water and Sewer Utility Fund in FY 2008 and FY 2009. The current level of available cash and cash equivalents is sufficient to fund the operating reserve of the utility and no additional costs are needed for inclusion in the revenue requirement to fund operating reserves.

While the utility's operating reserves appear to be sufficient at this time, we recommend that the City closely monitor the performance of water and sewer rates. To the extent that rates are insufficient and the operating reserves are drawn on over time, rates may need to be increased to ensure the financial integrity of the utility.

Revenue Offsets

In order to isolate the revenues that are required from rates to cover expenses associated with providing retail service, it is necessary to subtract other utility-related revenues. The revenue offsets identified in this Study correlate with the budgeted values in the FY 2011 budget. This includes offsets associated with revenues received by the City for provision of wholesale water service.

Allocation of the Revenue Requirement

Once the revenue requirement is developed, it is necessary to allocate the revenue requirements to the individual water and sewer functions so that the appropriate level of revenue is recovered from the respective customer groups. This is particularly important so that the proper price signals are sent to customers and to minimize subsidization of a service by customers who do not receive the benefit of that service.

The first step in this process is to directly assign expenses to each service function where applicable. Specifically, all expenses of the water department are classified as water expenses and all expenses of the sewer department are classified as sewer expenses.

Second, for those expenses which cannot be directly assigned, allocation factors must be developed which allocate these costs between water and sewer service. The following discusses the allocation factors utilized by the Project Team for areas where expenses could not be directly assigned.

- Utility Administration
Allocated based on a composite of the total budgeted personnel costs of the water and sewer departments
- Transfers to the General Fund for Administration Support and Street Rental
Allocated based on a composite of the total cost of service
- Revenue Offsets - Credit Card Convenience Fee and Interest Income
Allocated based on the net rate revenue requirement

Schedule B attached to this report illustrates the rate revenue requirement of the utility, allocated to the water and sewer functions.

III. ESTIMATED RATES

In evaluating the performance of existing water and sewer rates and to project future water and sewer rates, some estimation of billed water consumption and billed sewer flow is required. In making this estimation, it is necessary to consider a period of normal precipitation. If data involving abnormal weather patterns is utilized (i.e., unusually low or excessive precipitation), then the resulting revenue estimates could be too high or too low. For purposes of this Study, the Project Team has utilized FY 2009 as the historical period reflective of normal system operation, also known as the "Test Year".

In performing the analysis for determining the Test Year to utilize for the Study, the Project Team discovered that the data concerning revenue and billed volumes (i.e, billed water consumption and billed sewer flow) within the City's billing system does not correlate. In other words, when the rates in effect at the time are applied to the billed volumes reported within the billing system, the resulting calculated revenue stream does not match the revenue figures also contained within the billing system. Conversations with City staff have indicated that when billing adjustments have been made to individual customer records, the historical practice has been to make the adjustments to the dollar amount of the charges, while no corresponding adjustments have been made to the customer's recorded level of consumption. Given this practice, the Project Team recommends that, going forward, as adjustments are made to individual customer records, adjustments should be made to not only the dollar amount of the charges, but corresponding adjustments should be made to the recorded level of consumption to ensure a match between the total revenue and the level of consumption generating that revenue.

Given the above discrepancy within the City's billing data, the Project Team has utilized Test Year data from monthly management reports, verified against water production and sewer treatment records, to develop the estimated rates required to meet the projected revenue requirement. To the extent that this data is inaccurate or not representative of actual operations or financial performance, then the rates presented herein may merit future adjustment. In addition, as a result of the data discrepancies discussed above, to calculate the various rate design options presented herein, assumptions have been made regarding the amount of consumption that falls within the identified rate blocks. While the Project Team has made every effort to present rates which are conservative in nature; that is rates which would generate, at minimum, revenue equal to the identified revenue requirements, to the extent that the assumptions utilized are inaccurate, the rates presented herein may merit further adjustment.

A. Water Rates

The City's water rate structure currently consists of a two-part rate design consisting of a minimum monthly charge, which includes 1,000 gallons of consumption, along with a three-tiered volumetric rate structure wherein a customer pays more, per unit of consumption, as more water is utilized.

Table 1 below illustrates the expected revenue to be earned under the current water rate structure as compared to the projected revenue requirement. It should be noted that for purposes of this analysis, the rate revenue generated under the current rate structure is held constant over the Study period and assumes no growth in customers or increases in the level of water consumption. This assumption is meant to counter the impact of the price elasticity of demand. Price elasticity of demand is an economic concept which measures the change in the quantity of a good or service demand based on a change in price of that good or service. In other words, as the price of a good or service increases, the demand for that good or service potentially decreases. Likewise, as utility rates increase, customers tend to use less of that utility service. By holding projected rate revenues under existing rates constant over the Study period, the Project Team is providing a conservative estimate of the impact of the price elasticity of demand.

TABLE 1					
Water Rate Revenue Requirement					
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Projected Rate Revenue	\$ 674,254	\$ 674,254	\$ 674,254	\$ 674,254	\$ 674,254
Rate Revenue Requirement	748,275	813,828	870,288	930,411	993,532
Over / (Under) Recovery	\$ (74,021)	\$ (139,574)	\$ (196,034)	\$ (256,157)	\$ (319,278)

Based on the water revenue requirement presented earlier, Table 2 below illustrates the water rates projected to be required under the City's existing rate structure for the planning period, also referred to herein as "Water Option 1."

TABLE 2						
"Water Option 1" – Existing Rate Design						
	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Minimum Charge						
(Includes 1,000 gallons)	\$ 10.15	\$11.40	\$12.51	\$13.47	\$ 14.48	\$ 15.54
Volumetric Rate (per 1,000 gallons)						
1,001 – 10,000 gal.	\$ 3.56	\$ 4.00	\$ 4.39	\$ 4.73	\$ 5.08	\$ 5.45
10,001 – 20,000 gal.	4.77	5.36	5.88	6.33	6.80	7.30
20,001 + gal.	5.84	6.56	7.20	7.75	8.33	8.94

As an alternative to the existing rate structure, the City may wish to consider two changes to its current rate design to further encourage water conservation. Specifically, the TWCITF's Best Management Practices Guide for Water Conservation recommends the following modifications:

1. No minimum monthly water allotment should be included within the minimum bill. The City's current rate structure includes 1,000 gallons in a customer's minimum bill.
2. The price differential between rate blocks should be no less than 25% of the previous rate block. Currently the rate for 10,001 – 20,000 gallons is approximately 34% higher than the rate for 1,001 – 10,000 gallons, while the rate for 20,001 gallons and above is only 22% higher than the rate charged for 10,001 – 20,000 gallons.

Table 3 below presents the estimated water rates for inside-city customers implementing the changes recommended by the TWCITF discussed above, also referred to herein as "Water Option 2."

TABLE 3 "Water Option 2" – Removing Minimum Bill Allotment and Increasing 20,001+ Block Rate						
	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Minimum Charge	\$ 10.15	\$11.40	\$12.51	\$13.47	\$ 14.48	\$ 15.54
Volumetric Rate (per 1,000 gallons)						
0 – 1,001 gal.	\$ 0.00	\$ 3.81	\$ 4.18	\$ 4.50	\$ 4.84	\$ 5.19
1,001 - 10,000 gal.	3.56	3.81	4.18	4.50	4.84	5.19
10,001 – 20,000 gal.	4.77	5.11	5.61	6.04	6.49	6.97
20,001 + gal.	5.84	6.39	7.01	7.55	8.12	8.71

In addition to the above changes, the City may also wish to examine moving towards a two-part rate structure which includes a meter charge which escalates based on the size of the meter. Such a rate design is more reflective of costs incurred to provide service which meets the potential demand such meters can place on the system. For example, the facilities to provide service to a 6-inch meter must be larger than the facilities to serve a 3/4-inch meter as the potential demand placed on the system by the 6-inch meter is much greater. As such, the capital investment to serve these larger size meters is greater, which should be reflected in the charges to these customers. Based on information provided by the City, Table 4 below illustrates the number of inside-city customers currently utilizing each size of meter. Table 5 below illustrates the potential rate design utilizing escalating meter charges, also referred to herein as "Water Option 3."

TABLE 4
Estimated Number of Inside-City Monthly Connections
By Meter Size

Meter Size	
3/4 inch or less	1,288
1 inch	12
1 1/2 inch	1
2 inch	38
3 inch	1
4 inch	1
6 inch	7

TABLE 5
"Water Option 3" – Escalating Meter Charge, Removing Minimum Bill Allotment, Increasing 20,001 Block Rate

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Meter Charge (Includes 1,000 gallons)						
3/4 inch or less	\$ 10.15	\$ 10.15	\$ 10.47	\$ 10.78	\$ 11.53	\$ 12.31
1 inch	10.15	16.92	17.44	17.97	19.21	20.51
1 1/2 inch	10.15	33.83	34.89	35.94	38.42	41.03
2 inch	10.15	54.13	55.82	57.50	61.47	65.64
3 inch	10.15	60.90	62.79	64.69	69.16	73.85
4 inch	10.15	169.17	174.43	179.69	192.11	205.14
6 inch	10.15	338.33	348.86	359.39	384.21	410.25
Volumetric Rate (per 1,000 gallons)						
0 – 1,001 gal.	\$ 0.00	\$ 3.81	\$ 4.18	\$ 4.50	\$ 4.84	\$ 5.19
1,001 – 10,000 gal	3.56	3.81	4.18	4.50	4.84	5.19
10,001 – 20,000 gal	4.77	5.11	5.61	6.04	6.49	6.97
20,001 + gal.	5.84	6.39	7.01	7.55	8.12	8.71

In an effort to send the proper price signal to customers and to encourage water conservation, J. Stowe & Co. strongly recommends that the City consider adopting escalating water meter charges and removing the 1,000 gallon water allotment currently included within the minimum bill. These rate structure changes will need to be balanced with an eye toward the attending impacts on customers, particularly with regards to lower volume users who are often those on fixed incomes. Currently, based on available data, it is estimated that approximately 28 inside-city residential customers, on average, consume less than 1,000 gallons a month.

Table 6 below presents the monthly bill impact of each of the water rate options for residential customers using 5,000 or 10,000 gallons of water, respectively.

TABLE 6
Monthly Impact of Water Rate Options on Residential Customers

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Water Option 1						
5,000 gallons	\$ 24.39	\$ 27.40	\$ 30.07	\$ 32.39	\$ 34.80	\$ 37.34
<i>Year over Year Increase</i>		3.01	2.67	2.32	2.41	2.54
10,000 gallons	\$ 42.19	\$ 47.40	\$ 52.02	\$ 56.04	\$ 60.20	\$ 64.59
<i>Year over Year Increase</i>		5.21	4.62	4.02	4.16	4.39
Water Option 2						
5,000 gallons	\$ 24.39	\$ 30.45	\$ 33.41	\$ 35.97	\$ 38.68	\$ 41.49
<i>Year over Year Increase</i>		6.06	2.96	2.56	2.71	2.81
10,000 gallons	\$ 42.19	\$ 49.50	\$ 54.31	\$ 58.47	\$ 62.88	\$ 67.44
<i>Year over Year Increase</i>		7.31	4.81	4.16	4.41	4.56
Water Option 3						
5,000 gallons	\$ 24.39	\$ 29.20	\$ 31.37	\$ 33.28	\$ 35.73	\$ 38.26
<i>Year over Year Increase</i>		4.81	2.17	1.91	2.45	2.53
10,000 gallons	\$ 42.19	\$ 48.25	\$ 52.27	\$ 55.78	\$ 59.93	\$ 64.21
<i>Year over Year Increase</i>		6.06	4.02	3.51	4.15	4.28

B. Sewer Rates

The City's current sewer rate is similar to its water rate. Each customer pays a minimum service charge, which includes 1,000 gallons of flow, and a volumetric charge per 1,000 gallons of sewer flow contributed to the system. For residential customers, billed sewer flow is based on the customer's average monthly water consumption during the winter months of December, January, and February up to a maximum of 15,000 gallons. On the other hand, commercial customers are billed sewer flow under a two-tiered declining block rate. Table 7 below illustrates the anticipated revenue to be recovered under the current rate structure compared with the projected revenue requirement. As with water, projected sewer revenue under existing rates has been held constant over the Study period.

TABLE 7
Sewer Rate Revenue Requirement

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Projected Rate Revenue	\$ 355,241	\$ 355,241	\$ 355,241	\$ 355,241	\$ 355,241
Rate Revenue Requirement	651,476	714,101	955,761	967,079	984,463
Over / (Under) Recovery	\$ (296,235)	\$ (358,861)	\$ (600,520)	\$ (611,838)	\$ (629,222)

As evidenced above, the City's sewer revenue requirement is significant compared to the revenues generated under existing rates. In order to minimize rate shock, the Project Team has developed a plan whereby the City can slowly increase or "phase-in" sewer rates over the Study period while using available cash reserves to support the under-recovery of sewer revenue. Schedule C to this report details how the City can draw-down on available cash while phasing-in the required sewer rates. This plan utilizes approximately the same percentage increase in revenue every year to achieve full recovery of sewer related costs from sewer revenues by FY 2015. Under this plan, the cash reserves in the Water and Sewer Fund are estimated to fall to approximately \$315,000 in FY 2014 before rates level off and the City could begin to replenish these reserves. In the event the City chooses to implement such a phase-in of sewer rates, it will be important for rates to be reevaluated at the end of the phase-in period to determine the best way to rebuild the reserves of the utility.

It should be noted that this phased plan depends heavily on sufficient performance of the identified water and sewer rates. In the event that revenues fall below projections, greater increases in rates may be required so as to maintain adequate cash balances in the Fund. Finally, it is imperative that should the City choose to implement this plan, the City must commit to raising rates as needed over the planning period. If only one or two steps of the phase-in approach are implemented, then future revenue performance may be insufficient to support utility expenditures.

Table 8 below illustrates the sewer rates projected to be required under the City's existing rate structure, phased-in over time, with the support of cash reserves. These estimated rates are referred to herein as "Sewer Option 1."

TABLE 8
"Sewer Option 1" – Existing Rate Design

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Minimum Charge (Includes 1,000 gallons)	\$ 11.04	\$13.58	\$ 16.70	\$ 20.54	\$ 25.26	\$ 31.07
Volumetric Rate (Per 1,000 gallons)						
Residential						
1,001 – 15,000 gal.	\$ 3.44	\$ 4.23	\$ 5.20	\$ 6.40	\$ 7.87	\$ 9.68
Commercial						
1,001 – 50,000 gal.	\$ 3.44	\$ 4.23	\$ 5.20	\$ 6.40	\$ 7.87	\$ 9.68
50,001 + gal.	2.26	3.05	4.02	5.22	6.69	8.50

Other sewer rate design alternatives the City may wish to consider include:

1. As recommended for the City's water rate, remove the 1,000 gallon minimum volume allotment currently included in the minimum charge.
2. For commercial customers, all billed sewer volumes in excess of 50,000 gallons are currently billed at a lower volumetric rate. The Project Team recommends that all billed sewer volumes be charged at the same volumetric rate.

Table 9 below presents the estimated required sewer rates assuming removal of the volumes currently allowed in the minimum charge. This rate design is referred to herein as "Sewer Option 2."

TABLE 9
"Sewer Option 2" – Removing Minimum Bill Allotment

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Minimum Charge	\$ 11.04	\$13.58	\$ 16.70	\$ 20.54	\$ 25.26	\$ 31.07
Volumetric Rate (Per 1,000 gallons)						
Residential						
0 – 1,000 gal.	\$ 0.00	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 – 15,000 gal.	3.44	3.63	4.46	5.49	6.75	8.31
Commercial						
0 – 1,000 gal.	\$ 0.00	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 – 50,000 gal.	3.44	3.63	4.46	5.49	6.75	8.31
50,001 + gal.	2.26	2.45	3.28	4.31	5.57	7.13

Table 10 below presents the estimated sewer rates required assuming removal of the volumes currently included in the minimum charge and adjusting commercial sewer rates to charge all volumes at the same rate.

TABLE 10
"Sewer Option 3" – Removing Minimum Bill Allotment, All Commercial Volumes Charges at Same Rate

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Minimum Charge	\$ 11.04	\$13.58	\$ 16.70	\$ 20.54	\$ 25.26	\$ 31.07
Volumetric Rate (Per 1,000 gallons)						
Residential						
0 – 1,000 gal.	\$ 0.00	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 – 15,000 gal.	3.44	3.63	4.46	5.49	6.75	8.31
Commercial						
0 – 1,000 gal.	\$ 0.00	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 – 50,000 gal.	3.44	3.63	4.46	5.49	6.75	8.31
50,001 + gal.	2.26	3.63	4.46	5.49	6.75	8.31

As with water rates, the Project Team would strongly encourage the City to consider removing the 1,000 gallon allotment currently included within the City's existing minimum sewer charge as well as charging commercial sewer volumes at the same volumetric rate.

Table 11 below presents the monthly impact of the recommended various sewer rate options on Residential customers assuming 5,000 and 10,000 gallons of sewer flow.

TABLE 11
Monthly Impact of Sewer Rate Options on Residential Customers

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Sewer Option 1						
5,000 gallons	\$ 24.80	\$ 30.50	\$ 37.50	\$ 46.14	\$ 56.74	\$ 69.79
<i>Year over Year Increase</i>		<i>5.70</i>	<i>7.00</i>	<i>8.64</i>	<i>10.60</i>	<i>13.05</i>
10,000 gallons	\$ 42.00	\$ 51.65	\$ 63.50	\$ 78.14	\$ 96.09	\$ 118.19
<i>Year over Year Increase</i>		<i>9.65</i>	<i>11.85</i>	<i>14.64</i>	<i>17.95</i>	<i>22.10</i>
Sewer Option 2						
5,000 gallons	\$ 24.80	\$ 31.73	\$ 39.02	\$ 47.99	\$ 59.02	\$ 72.60
<i>Year over Year Increase</i>		<i>6.93</i>	<i>7.29</i>	<i>8.97</i>	<i>11.03</i>	<i>13.58</i>
10,000 gallons	\$ 42.00	\$ 49.88	\$ 61.34	\$ 75.44	\$ 92.78	\$ 114.12
<i>Year over Year Increase</i>		<i>7.88</i>	<i>11.46</i>	<i>14.10</i>	<i>17.34</i>	<i>21.34</i>
Sewer Option 3						
5,000 gallons	\$ 24.80	\$ 31.73	\$ 39.02	\$ 47.99	\$ 59.02	\$ 72.60
<i>Year over Year Increase</i>		<i>6.93</i>	<i>7.29</i>	<i>8.97</i>	<i>11.03</i>	<i>13.58</i>
10,000 gallons	\$ 42.00	\$ 49.88	\$ 61.34	\$ 75.44	\$ 98.78	\$ 114.12
<i>Year over Year Increase</i>		<i>7.88</i>	<i>11.46</i>	<i>14.10</i>	<i>17.34</i>	<i>21.34</i>

Schedules D and E to this report provide a summary of the estimated water and sewer rates under the various rate design options. Schedule F to the report provides a comparison of the City's current and estimated monthly water and sewer charges with the monthly water and sewer charges of entities of comparable size, geographic location, and/or comparable capital improvement needs. Please note that each of the water and sewer rate options is designed to generate similar levels of revenue. As such, any combination of a water rate option and a sewer rate option is projected to generate the revenue required, assuming the planned phase-in of sewer rates (i.e., Water Option 1,2, or 3 can be combined with either Sewer Rate Option 1, 2, or 3, etc.).

Rates for Outside City Customers

The Project Team would note that, at this time, we are not recommending any changes to the rates charged to customers located outside the City. Historically, the City has charged outside-City customers connected to the system prior to 1985 the inside-City rates times 150%, while outside-City customers connected to the system after 1985 have been charged the inside-City rates times 200%. According to the Texas Water Code, §13.189(b), "a utility may not establish and maintain any unreasonable differences as to rates of service either as between localities or as between classes of service." Regardless of when a customer was connected to the system, they are currently receiving the same level of service from the utility.

It is recognized that there should be some price differential between services provided to customers located inside-City limits versus those located outside municipal boundaries. Historically, the TCEQ has allowed a price differential of up to 115%; however, any price differential applied must be based on a reasonable allocation of costs. At this time, the Project Team recommends that the City hold the rates for outside-City customers constant until such time as increases in the inside-City limit rates result in the outside-City rates more closely approximating the inside-City limit rates times 115%. At that time, we would recommend that the City undertake a study to set appropriate rates for the outside-City limit customers.

Wholesale Customer Rates

As previously stated, the scope of services for this engagement included a review of the wholesale contracts currently in effect between the City and its wholesale customers. A summary memorandum report of this review has been provided to the City under separate cover. As noted in this memorandum report, we recommend the City exam a number of potential contractual changes to these wholesale agreements in order to minimize any potential adverse operational impacts service to these wholesale customers may have on the City's system, as well as to further mitigate the risk of the City under such agreements.

In addition, at this time, the agreements between the City and its wholesale customers do not appear to establish rates based on a defined rate methodology. We recommend that as these agreements are amended in the future, a specific rate methodology be established and agreed to by contract in an effort to ensure the City recovers the cost of providing service while also helping to mitigate future rate disputes. The chosen methodology must be carefully balanced to recognize the costs and benefits

associated with the service provided to the City's wholesale customers. In addition, to assist in implementing such a methodology, the Project Team recommends the City begin to track essential data on how these customers utilize the City's system including, but not limited to, daily meter readings of wholesale meters.

IV. RECOMMENDATIONS

1. In order to assist in maintaining the financial stability of the City's Water and Sewer Fund, sufficient rates should be put in place to ensure full cost recovery through user rate revenue. Further, we would recommend that the City continuously monitor the financial performance of the Water and Sewer Fund and adjust rates as necessary to maintain the financial stability of the water and sewer utility.
2. If the City decides to phase-in sewer rates as outlined in this Study, it is imperative that sewer revenue performance be monitored carefully and the next phase of sewer rates be implemented in a timely and consistent manner.
3. At this time, the Project Team recommends no change to the rates for customers located outside the City. At such time that the existing rates of these customers approximate 115% of the inside-City rates charged for water and sewer service, the City undertake a study to set appropriate rates for the outside-City limit customers.
4. Historically, when making adjustments to individual customer water and sewer bills, it has been the City's practice to adjust the dollars reported within the City's utility billing system without making a corresponding adjustment to the gallons reported. This creates a mismatch in data within the system and results in reports which may be inaccurate. The Project Team recommends that in the future when adjustments are made within the billing system, both dollars and consumption / flow amounts should be amended so as maintain accuracy within the City's system.
5. As the City monitors the performance of its selected water and sewer rate, J. Stowe & Co. strongly recommends that the City consider other alternative rate designs and their impact. Such design options include:
 - Removing the 1,000 gallons allotment included within both the minimum water and sewer bills;
 - Establish escalating meter charges based on the size of a customer's meter;
 - Adjust the volumetric rate for water consumption at 20,001 and above to at least 25% greater than the volumetric rate for water consumed at 10,000 – 20,000 gallons; and
 - Charge all billed sewer volumes for commercial customers at a single volumetric rate.

6. Based on the review of the wholesale water agreements conducted as part of this Study, the City should carefully consider the suggested contractual changes as these agreements are amended in the future. This includes the implementation of a rate methodology which balances the costs and benefits associated with the service provided to the City's wholesale customers. To assist in implementing such a methodology, the Project Team recommends the City begin to track essential data on how these customers utilize the City's system including, but not limited to, daily meter readings of wholesale meters.
7. A water and sewer utility's revenue stream is solely dependent on the accuracy of the meters used to record water consumption. Over time, the accuracy of water meters tends to degrade and can lead to unbilled water consumption and lost revenue. We recommend that the City establish a regular meter change-out program to assist the City in minimizing unbilled water consumption.
8. The City should continue to Study and plan for the capital improvements required for its sewer treatment plant and sewer collection system. As engineering estimates of future capital improvements are required, they should be carefully evaluated against the assumptions in this Study to determine if the estimated rates contained herein are sufficient or if modification to these rates is required.

City of Farmersville, Texas
Water and Sewer Rate Study
Current and Projected Debt Service

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
Existing Debt Service						
2005 Certificate of Obligation	\$ 79,543	\$ 77,698	\$ 75,853	\$ 78,905	\$ 76,855	
2006 Certificate of Obligation	127,288	121,338	115,175	108,694	102,000	
Total	\$ 206,831	\$ 199,036	\$ 191,028	\$ 187,599	\$ 178,855	
Allocation to Sewer	55.41%	56.30%	59.89%	59.51%	63.61%	
Total Existing Debt Service ⁽¹⁾	\$ 114,613	\$ 112,063	\$ 114,406	\$ 111,644	\$ 113,775	
Projected New Debt Service ⁽²⁾						
Capital Costs for NTMWD Regional Wastewater Plant						
Elm Creek Regional WWTP						
Soft Cost (Design - Easement Acquisition)	\$	90,000				\$ 90,000
Hard Cost (Construction)			810,000			810,000
Subtotal	\$ -	\$ 90,000	\$ 810,000	\$ -	\$ -	\$ 900,000
Elm Creek Trunk Sewer						
Soft Cost (Design - Easement Acquisition)	\$	334,323				\$ 334,323
Hard Cost (Construction)			2,241,300			2,241,300
Subtotal	\$ -	\$ 334,323	\$ 2,241,300	\$ -	\$ -	\$ 2,575,623
Total Issue	\$	\$ 424,323	\$ 3,051,300		\$	\$ 3,475,623
Assumed Term		20	20			
Assumed Rate ⁽³⁾		4.92%	4.92%			
Annual Debt Service Payment	\$	\$ 33,818	\$ 243,186			

Notes:

(1) Based on self-supporting debt requirements from City's CO Debt Service Schedule

(2) Estimated capital cost provided by NTMWD

(3) Interest rate on 20-year State and Local Bonds as reported by Federal Reserve for December 2010

City of Farmersville, Texas Water and Sewer Rate Study Projected Rate Revenue Requirement											
	FY 2011		FY 2012		FY 2013		FY 2014		FY 2015		
	Total	Water	Total	Water	Total	Water	Total	Water	Total	Water	
Water and Sewer Administration ⁽¹⁾											
Personnel ⁽²⁾	\$ 114,612	\$ 52,723	\$ 61,889		\$ 124,372	\$ 57,213	\$ 67,159		\$ 134,964	\$ 62,085	\$ 72,878
Maintenance ⁽³⁾	2,040	938	1,102		2,166	997	1,170		2,301	1,058	1,242
Professional Services ⁽³⁾	5,000	2,300	2,700		5,310	2,443	2,867		5,639	2,594	3,045
Operating ⁽³⁾	15,000	7,360	8,640		16,992	7,817	9,175		18,045	8,301	9,744
Supplies ⁽⁴⁾	1,250	575	675		1,327	611	717		1,410	649	761
Miscellaneous ⁽⁵⁾	1,500	690	810		1,593	733	860		1,692	778	914
Subtotal	\$ 140,402	\$ 64,587	\$ 75,815		\$ 151,761	\$ 69,812	\$ 81,948		\$ 164,050	\$ 75,466	\$ 88,584
Water Department											
Personnel ⁽²⁾	\$ 92,070	\$ 92,070	\$ -		\$ 99,911	\$ 99,911			\$ 108,419	\$ 108,419	
Professional Services ⁽³⁾	6,000	6,000	-		6,372	6,372			6,767	6,767	
Maintenance ⁽³⁾	93,000	93,000	-		98,765	98,765			104,887	104,887	
Operating Expenditures ⁽³⁾	30,000	30,000	-		35,723	35,723			42,539	42,539	
Supplies ⁽⁴⁾	395,894	395,894	-		460,091	460,091			534,697	534,697	
Miscellaneous ⁽⁵⁾	9,400	9,400	-		9,983	9,983			10,601	10,601	
Capital Outlay ⁽⁷⁾	15,000	15,000	-		15,000	15,000			15,000	15,000	
Transfer to Equipment Replacement ⁽⁶⁾	38,200	38,200	-		49,951	49,951			49,951	49,951	
Subtotal	\$ 679,564	\$ 679,564			\$ 775,795	\$ 775,795			\$ 872,861	\$ 872,861	
Sewer Department											
Personnel ⁽²⁾	\$ 108,075	\$ -	\$ 108,075		\$ 117,279	\$ 117,279			\$ 127,266	\$ 127,266	
Professional Services ⁽³⁾	30,000	-	30,000		3,372	6,372			6,767	6,767	
Maintenance ⁽³⁾	258,395	-	258,395		274,412	274,412			291,423	291,423	
Operating Expenditures ⁽³⁾	8,730	-	8,730		10,396	10,396			12,379	12,379	
Supplies ⁽⁴⁾	750	-	750		796	796			846	846	
Miscellaneous ⁽⁵⁾	-	-	-		2,576	2,576			2,736	2,736	
Debt Service - Existing ⁽⁶⁾	114,613	-	114,613		114,406	114,406			113,775	113,775	
Debt Service - New	-	-	-		277,004	277,004			277,004	277,004	
Capital Outlay ⁽⁷⁾	10,000	-	10,000		10,000	10,000			10,000	10,000	
Transfer to Equipment Replacement ⁽⁶⁾	31,950	-	31,950		42,701	42,701			42,701	42,701	
Subtotal	\$ 562,513	\$ -	\$ 562,513		\$ 855,942	\$ -	\$ 855,942		\$ 884,896	\$ -	\$ 884,896
Non-Departmental											
Transfers in from Capital Projects											
Admin Support - General Fund Transfer ⁽¹¹⁾	\$ 16,655	\$ 9,573	\$ 7,082		\$ 21,223	\$ 10,879	\$ 10,344		\$ 22,851	\$ 12,200	\$ 10,651
Right of Way Rental ⁽¹²⁾	1,200	690	510		1,529	784	745		1,646	879	767
Water - General Fund ⁽¹³⁾	139,064	139,064	-		158,024	158,024	-		177,220	177,220	-
Sewer - General Fund ⁽¹³⁾	15,000	-	15,000		16,421	-	16,421		9,118	-	9,118
Subtotal	\$ 171,919	\$ 146,327	\$ 22,592		\$ 197,197	\$ 169,686	\$ 27,511		\$ 210,835	\$ 190,299	\$ 20,536
Gross Cost of Service	\$ 1,554,398	\$ 893,478	\$ 660,920		\$ 2,052,137	\$ 1,015,294	\$ 965,402		\$ 2,132,642	\$ 1,138,626	\$ 994,017

City of Farmersville, Texas Water and Sewer Rate Study Projected Rate Revenue Requirement												
Revenue Offsets ⁽¹⁴⁾	FY 2011			FY 2012			FY 2013			FY 2014		
	Total	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer
Water												
CC Convenience Fee ⁽¹⁵⁾	\$ 1,400	\$ 748	\$ 652	\$ 1,400	\$ 746	\$ 654	\$ 1,400	\$ 667	\$ 733	\$ 1,400	\$ 686	\$ 714
Connect Fee	2,999	2,999	-	2,999	2,999	-	2,999	2,999	-	2,999	2,999	-
Other Sys Water Sales	131,990	131,990	-	131,990	131,990	-	131,990	131,990	-	131,990	131,990	-
Water Tap	-	-	-	-	-	-	-	-	-	-	-	-
Water Penalties / Reconnect	8,397	8,397	-	8,397	8,397	-	8,397	8,397	-	8,397	8,397	-
Developer Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	-	-
Wastewater	-	-	-	-	-	-	-	-	-	-	-	-
Sewer Tap	-	-	-	-	-	-	-	-	-	-	-	-
Sewer Penalties	7,861	-	7,861	7,861	-	7,861	7,861	-	7,861	7,861	-	7,861
Impact Fee	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Non-Departmental	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income ⁽¹⁵⁾	2,000	1,069	931	2,000	1,065	935	2,000	953	1,047	2,000	981	1,019
Subtotal	\$ 154,647	\$ 145,204	\$ 9,443	\$ 154,647	\$ 145,197	\$ 9,450	\$ 154,647	\$ 145,006	\$ 9,641	\$ 154,647	\$ 145,053	\$ 9,594
Net Revenue Requirement	\$ 1,399,751	\$ 748,275	\$ 651,476	\$ 1,527,929	\$ 813,828	\$ 714,101	\$ 1,826,049	\$ 870,288	\$ 955,761	\$ 1,897,490	\$ 930,411	\$ 967,079
Projected Rate Revenues under Existing Rates	\$ 1,029,495	\$ 674,254	\$ 355,241	\$ 1,029,495	\$ 674,254	\$ 355,241	\$ 1,029,495	\$ 674,254	\$ 355,241	\$ 1,029,495	\$ 674,254	\$ 355,241
Over / (Under) Recovery \$	\$ (370,256)	\$ (74,021)	\$ (296,235)	\$ (498,435)	\$ (139,574)	\$ (358,861)	\$ (796,554)	\$ (196,034)	\$ (600,520)	\$ (867,995)	\$ (256,157)	\$ (611,838)

Notes:

- (1) Allocated based on composite of Water and Wastewater Department Personnel Cost
- (2) Escalated based on Increase in Budgeted Personnel Costs from FY 2008 to FY 2010
- (3) Escalated based on Increase in Municipal Cost Index (MCI) from 2000 to 2010
- (4) \$30,000 included in FY 2010 and FY 2011 for completion of Wastewater Master Plan. Costs for FY 2010 to FY 2013 set equivalent to water department expenditures
- (5) Escalated based on estimated increases in Population and 5-year increases in Commercial Power Costs according to the Producer Price Index
- (6) Escalated based on estimated increases in wholesale water costs from NTMWD
- (7) Capital Outlay held constant at FY 2010 Budgeted Levels
- (8) Transfers to Equipment Replacement based on FY 2010 Budget Projection
- (9) Wastewater miscellaneous expenses held constant at FY 2008 / 2009 levels and escalated based on 10-year increase in MCI
- (10) Projected Debt Service based on outstanding debt services schedules
- (11) General Fund Transfer for Admin Support allocated based on composite of budget of Water and Wastewater Departments, Calculated for future years based on percentage transfer comprised of the Gross Cost of Service in FY 2010
- (12) Right of Way Rental allocated based on composite of budget of Water and Wastewater Departments, Calculated for future years based on percentage payment comprised of Gross Cost of Service in FY 2010
- (13) General Fund Transfers calculated for future years based on percentage transfer comprised of Gross Cost of Service in FY 2010
- (14) All revenue offsets held constant for the study period
- (15) Allocated based on composite of net revenue requirement

City of Farmersville, Texas Water and Sewer Rate Study Fund Balance Performance Assuming Phase-In of Estimated Rates						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Water						
Estimated Inside-City Water Revenue Increase		12.30%	9.70%	7.70%	7.50%	7.30%
Estimated Total Water Rate Revenue Increase		10.98%	8.76%	7.02%	6.88%	6.73%
Water Revenue						
Rate Revenue	\$ 674,254	\$ 748,303	\$ 813,883	\$ 870,990	\$ 930,898	\$ 993,581
Other System Sales		131,990	131,990	131,990	131,990	131,990
Other Revenue		13,214	13,207	13,016	13,063	13,104
Subtotal		\$ 893,507	\$ 959,080	\$ 1,015,997	\$ 1,075,951	\$ 1,138,675
Water Expenses						
Water and Sewer Administration		\$ 64,587	\$ 67,148	\$ 69,812	\$ 72,583	\$ 75,466
Water Department		679,564	731,594	775,795	823,138	872,861
Non-departmental		149,327	160,282	169,686	179,743	190,299
Subtotal		\$ 893,478	\$ 959,025	\$ 1,015,294	\$ 1,075,464	\$ 1,138,626
Revenue Over / (Under) Expenses		\$ 28	\$ 55	\$ 703	\$ 487	\$ 49
Sewer						
Estimated Inside-City Sewer Revenue Increase		23.00%	23.00%	23.00%	23.00%	23.00%
Estimated Total Sewer Rate Revenue Increase		22.54%	22.62%	22.69%	22.75%	22.80%
Sewer Revenue						
Rate Revenue	\$ 355,241	\$ 435,304	\$ 533,781	\$ 654,909	\$ 803,895	\$ 987,148
Other Revenue		9,443	9,450	9,641	9,594	9,553
Subtotal		\$ 444,747	\$ 543,231	\$ 664,549	\$ 813,489	\$ 996,702
Sewer Expenses						
Water and Sewer Administration		\$ 75,815	\$ 78,821	\$ 81,948	\$ 85,201	\$ 88,584
Sewer Department		562,513	619,998	855,942	867,945	884,896
Non-departmental		22,592	24,793	27,511	23,526	20,536
Subtotal		\$ 660,920	\$ 723,552	\$ 965,402	\$ 976,673	\$ 994,017
Revenue Over / (Under) Expenses		\$ (216,172)	\$ (180,320)	\$ (300,853)	\$ (163,184)	\$ 2,685
Total Utility						
Beginning Fund Balance ⁽¹⁾	\$ 1,175,000	\$ 958,856	\$ 778,591	\$ 478,441	\$ 315,744	
Revenues						
Water	\$ 893,507	\$ 959,080	\$ 1,015,997	\$ 1,075,951	\$ 1,138,675	
Sewer	444,747	543,231	664,549	813,489	996,702	
Subtotal	\$ 1,338,254	\$ 1,502,311	\$ 1,680,546	\$ 1,889,440	\$ 2,135,376	
Expenses						
Water	\$ 893,478	\$ 959,025	\$ 1,015,294	\$ 1,075,464	\$ 1,138,626	
Sewer	660,920	723,552	965,402	976,673	994,017	
Subtotal	\$ 1,554,398	\$ 1,682,576	\$ 1,980,696	\$ 2,052,137	\$ 2,132,642	
Over / (Under) Recovery						
Water	\$ 28	\$ 55	\$ 703	\$ 487	\$ 49	
Sewer	(216,172)	(180,320)	(300,853)	(163,184)	2,685	
Subtotal	\$ (216,144)	\$ (180,265)	\$ (300,150)	\$ (162,697)	\$ 2,734	
Ending Fund Balance	\$ 958,856	\$ 778,591	\$ 478,441	\$ 315,744	\$ 318,478	
Compared to 45-Day Operating Reserve						
Water ⁽²⁾	\$ 36,377	\$ 37,912	\$ 39,522	\$ 41,212	\$ 42,988	
Sewer ⁽³⁾	59,396	61,704	60,877	63,067	65,343	
Subtotal	\$ 95,773	\$ 99,615	\$ 100,399	\$ 104,280	\$ 108,330	
Fund Balance in Excess of Reserve	\$ 863,084	\$ 678,976	\$ 378,043	\$ 211,465	\$ 210,148	

Notes:

- (1) FY 2011 Fund Balance based on FY 2010 audited unrestricted cash and cash equivalents
- (2) Water O&M Reserve equals 45-days of water portion of Administration and Water Department Expenses less Supplies, Capital Outlay, and Transfer to Equipment Replacement Fund
- (3) Sewer O&M Reserve equals 45-days of sewer portion of Administration and Sewer Department Expenses less Debt Service (Existing and New), Capital Outlay, and Transfer to Equipment Replacement Fund

City of Farmersville, Texas
Water and Sewer Rate Study
Estimated Inside City Water Rate Options

Option 1
Existing Rate Design

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Minimum Charge (Includes 1,000 gallons)	\$ 10.15	\$ 11.40	\$ 12.51	\$ 13.47	\$ 14.48	\$ 15.54
Volumetric Rate (Per 1,000 gallons)						
0 - 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,001 - 10,000	3.56	4.00	4.39	4.73	5.08	5.45
10,001 - 20,000	4.77	5.36	5.88	6.33	6.80	7.30
20,001 +	5.84	6.56	7.20	7.75	8.33	8.94
Estimated Residential Monthly Bills						
5,000 gallons	\$ 24.39	\$ 27.40	\$ 30.07	\$ 32.39	\$ 34.80	\$ 37.34
Monthly Increase (\$)		3.01	2.67	2.32	2.41	2.54
10,000 gallons	\$ 42.19	\$ 47.40	\$ 52.02	\$ 56.04	\$ 60.20	\$ 64.59
Monthly Increase (\$)		5.21	4.62	4.02	4.16	4.39

Option 2
Removing Minimum Bill Allotment and Increasing 20,001 + Block Rate

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Minimum Charge	\$ 10.15	\$ 11.40	\$ 12.51	\$ 13.47	\$ 14.48	\$ 15.54
Volumetric Rate (Per 1,000 gallons)						
0 - 1,000	\$ -	\$ 3.81	\$ 4.18	\$ 4.50	\$ 4.84	\$ 5.19
1,001 - 10,000	3.56	3.81	4.18	4.50	4.84	5.19
10,001 - 20,000	4.77	5.11	5.61	6.04	6.49	6.97
20,001 +	5.84	6.39	7.01	7.55	8.12	8.71
Estimated Residential Monthly Bills						
5,000 gallons	\$ 24.39	\$ 30.45	\$ 33.41	\$ 35.97	\$ 38.68	\$ 41.49
Monthly Increase (\$)		6.06	2.96	2.56	2.71	2.81
10,000 gallons	\$ 42.19	\$ 49.50	\$ 54.31	\$ 58.47	\$ 62.88	\$ 67.44
Monthly Increase (\$)		7.31	4.81	4.16	4.41	4.56

Option 3
Escalating Meter Charge, Removing Minimum Bill Allotment, and Increasing 20,001 Block Rate

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Meter Charge:						
3/4" or less	\$ 10.15	\$ 10.15	\$ 10.47	\$ 10.78	\$ 11.53	\$ 12.31
1 inch	10.15	16.92	17.44	17.97	19.21	20.51
1 1/2 inch	10.15	33.83	34.89	35.94	38.42	41.03
2 inch	10.15	54.13	55.82	57.50	61.47	65.64
3 inch	10.15	60.90	62.79	64.69	69.16	73.85
4 inch	10.15	169.17	174.43	179.69	192.11	205.14
6 inch	10.15	338.33	348.86	359.39	384.21	410.28
Volumetric Rate (Per 1,000 gallons)						
0 - 1,000	\$ -	\$ 3.81	\$ 4.18	\$ 4.50	\$ 4.84	\$ 5.19
1,001 - 10,000	3.56	3.81	4.18	4.50	4.84	5.19
10,001 - 20,000	4.77	5.11	5.61	6.04	6.49	6.97
20,001 +	5.84	6.39	7.01	7.55	8.12	8.71
Estimated Residential Monthly Bills						
5,000 gallons	\$ 24.39	\$ 29.20	\$ 31.37	\$ 33.28	\$ 35.73	\$ 38.26
Monthly Increase (\$)		4.81	2.17	1.91	2.45	2.53
10,000 gallons	\$ 42.19	\$ 48.25	\$ 52.27	\$ 55.78	\$ 59.93	\$ 64.21
Monthly Increase (\$)		6.06	4.02	3.51	4.15	4.28

City of Farmersville, Texas
Water and Sewer Rate Study
Estimated Inside City Sewer Rate Options

Option 1
Existing Rate Design

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Minimum Charge	\$ 11.04	\$ 13.58	\$ 16.70	\$ 20.54	\$ 25.26	\$ 31.07
(Includes 1,000 gallons)						
Volumetric Rate (per 1,000 gallons)						
Residential						
1,001 - 15,000	\$ 3.44	\$ 4.23	\$ 5.20	\$ 6.40	\$ 7.87	\$ 9.68
Commercial						
1,001 - 50,000	\$ 3.44	\$ 4.23	\$ 5.20	\$ 6.40	\$ 7.87	\$ 9.68
50,001 +	2.26	3.05	4.02	5.22	6.69	8.50
Estimated Residential Monthly Bills						
5,000 gallons	\$ 24.80	\$ 30.50	\$ 37.50	\$ 46.14	\$ 56.74	\$ 69.79
Monthly Increase (\$)		5.70	7.00	8.64	10.60	13.05
10,000 gallons	\$ 42.00	\$ 51.65	\$ 63.50	\$ 78.14	\$ 96.09	\$ 118.19
Monthly Increase (\$)		9.65	11.85	14.64	17.95	22.10

Option 2
Removing Minimum Bill Allotment

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Minimum Charge	\$ 11.04	\$ 13.58	\$ 16.70	\$ 20.54	\$ 25.26	\$ 31.07
Volumetric Rate (per 1,000 gallons)						
Residential						
0 - 1,000	\$ -	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 - 15,000	3.44	3.63	4.46	5.49	6.75	8.31
Commercial						
0 - 1,000	\$ -	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 - 50,000	3.44	3.63	4.46	5.49	6.75	8.31
50,001 +	2.26	2.45	3.28	4.31	5.57	7.13
Estimated Residential Monthly Bills						
5,000 gallons	\$ 24.80	\$ 31.73	\$ 39.02	\$ 47.99	\$ 59.02	\$ 72.60
Monthly Increase (\$)		6.93	7.29	8.97	11.03	13.58
10,000 gallons	\$ 42.00	\$ 49.88	\$ 61.34	\$ 75.44	\$ 92.78	\$ 114.12
Monthly Increase (\$)		7.88	11.46	14.10	17.34	21.34

Option 3
Removing Minimum Bill Allotment and All Commercial Volumes Charged at Same Rate

	<u>Current</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Minimum Charge	\$ 11.04	\$ 13.58	\$ 16.70	\$ 20.54	\$ 25.26	\$ 31.07
Volumetric Rate (per 1,000 gallons)						
Residential						
0 - 1,000	\$ -	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 - 15,000	3.44	3.63	4.46	5.49	6.75	8.31
Commercial						
0 - 1,000	\$ -	\$ 3.63	\$ 4.46	\$ 5.49	\$ 6.75	\$ 8.31
1,001 - 50,000	3.44	3.63	4.46	5.49	6.75	8.31
50,001 +	2.26	3.63	4.46	5.49	6.75	8.31
Estimated Residential Monthly Bills						
5,000 gallons	\$ 24.80	\$ 31.73	\$ 39.02	\$ 47.99	\$ 59.02	\$ 72.60
Monthly Increase (\$)		6.93	7.29	8.97	11.03	13.58
10,000 gallons	\$ 42.00	\$ 49.88	\$ 61.34	\$ 75.44	\$ 92.78	\$ 114.12
Monthly Increase (\$)		7.88	11.46	14.10	17.34	21.34

City of Farmersville, Texas
Water and Sewer Rate Study
Comparison of Monthly Water and Sewer Charges ⁽¹⁾

Water			
	5,000 gallons		10,000 gallons
Hudson Oaks (Parker County)	\$ 48.75	Aledo (Parker County)	\$ 67.26
Cash SUD	41.00	Princeton	65.29
Corinth (Denton County)	39.30	Hudson Oaks (Parker County)	64.50
Copeville SUD	38.31	Josephine	64.48
Josephine	38.24	Copeville SUD	60.76
Blue Ridge	38.00	Cash SUD	59.75
Aledo (Parker County)	37.89	Caddo Mills	59.13
Lavon WSC	37.50	Lavon WSC	56.25
Caddo Mills	35.12	Celina	55.68
Princeton	34.44	Corinth (Denton County)	55.30
Celina	33.38	Blue Ridge	54.25
North Collin WSC	30.90	Farmersville (Option 2)	49.50
Farmersville (Option 2)	30.45	Farmersville (Option 3)	48.25
Farmersville (Option 3)	29.20	North Collin WSC	47.65
Farmersville (Option 1)	27.40	Farmersville (Option 1)	47.40
Celeste	27.00	Celeste	45.75
McKinney	26.15	Farmersville (Current)	42.19
Farmersville (Current)	24.39	McKinney	41.30
Royse City	23.50	Greenville	40.37
Greenville	21.28	Royse City	39.75
Wylie	20.86	Wylie	35.81

Sewer			
	5,000 gallons		10,000 gallons
Corinth (Denton County)	\$ 52.35	Corinth (Denton County)	\$ 77.70
Hudson Oaks (Parker County)	41.90	Aledo (Parker County)	70.39
Aledo (Parker County)	41.54	Hudson Oaks (Parker County)	65.80
Celina	36.71	Celina	64.56
Princeton	35.28	Princeton	62.68
Farmersville (Option 2)	31.73	Greenville	57.23
Farmersville (Option 3)	31.73	Farmersville (Option 1)	51.65
Farmersville (Option 1)	30.50	Farmersville (Option 2)	49.88
Greenville	30.18	Farmersville (Option 3)	49.88
Blue Ridge	29.50	Royse City	48.96
Royse City	27.36	McKinney	42.50
Caddo Mills	27.00	Farmersville (Current)	42.00
Wylie	27.00	Caddo Mills	32.00
McKinney	26.75	Blue Ridge	29.50
Farmersville (Current)	24.80	Celeste	27.75
Celeste	19.00	Wylie	27.00
Josephine	16.90	Josephine	23.14

Total Combined Monthly Bill			
	5,000 gallons		10,000 gallons
Corinth (Denton County)	\$ 91.65	Aledo (Parker County)	\$ 137.65
Hudson Oaks (Parker County)	90.65	Corinth (Denton County)	133.00
Aledo (Parker County)	79.43	Hudson Oaks (Parker County)	130.30
Celina	70.09	Princeton	127.97
Princeton	69.72	Celina	120.24
Blue Ridge	67.50	Farmersville (Option 2)	99.38
Farmersville (Option 2)	62.18	Farmersville (Option 1)	99.05
Caddo Mills	62.12	Farmersville (Option 3)	98.13
Farmersville (Option 3)	60.93	Greenville	97.60
Farmersville (Option 1)	57.90	Caddo Mills	91.13
Josephine	55.14	Royse City	88.71
McKinney	52.90	Josephine	87.62
Greenville	51.46	Farmersville (Current)	84.19
Royse City	50.86	McKinney	83.80
Farmersville (Current)	49.19	Blue Ridge	83.75
Wylie	47.86	Celeste	73.50
Celeste	46.00	Wylie	62.81

Notes

(1) Rates calculated from ordinance information publicly available on organization websites, where data is not provided, monthly bill information utilized from the TML 2010 Water and Sewer Rate Survey



TO: Mayor and Councilmembers

FROM: City Manager Ben White

DATE: April 23, 2013

SUBJECT: Consider and accept the resignation of Bill Harrison from the Farmersville Housing Authority Board

- Resignation Letter is attached for review from Mr. Harrison
- Replacement will occur at the May 21st Council meeting

ACTION: Receive and accept resignation.

Untitled

Resignation

6 April 2013

Mrs Edie Sims
Farmersville City Secretary
Farmersville, TX 75442

Dear Mrs Sims

Due to having a meeting conflict between the North Texas Municipal Water District and the Farmersville Housing Authority. I am resigning my position on the Housing Authority. I have enjoyed serving and will be happy to introduce the new appointee and help any way that I can.

Thank You,



Bill Harrison
403 Sherry Lane
Farmersville, TX 75442



TO: Mayor and Councilmembers

FROM: City Manager Ben White

DATE: April 23, 2013

SUBJECT: Consider, discuss and act upon an Interlocal Agreement between the City of Farmersville and the Farmersville Pee Wee Football/Cheer Association

- Interlocal Agreement between the City of Farmersville and the Farmersville Pee Wee Football/Cheer Association is attached for review
- Parks Board has approved the agreement
- Pee Wee Football/Cheer Association has approved the agreement

ACTION: Approve or disapprove the agreement as presented.

**ATHLETIC COMPLEX JOINT USE AGREEMENT BETWEEN
THE CITY OF FARMERSVILLE,
AND
THE FARMERSVILLE PEE WEE FOOTBALL / CHEER ASSOCIATION**

WHEREAS, the City of Farmersville owns the Spain Athletic Complex located at the intersection of Murchison Street and Merit Street known as the J. W. Spain Athletic Complex; and,

WHEREAS, the City of Farmersville wishes to maximize the use of the Complex for the benefit of Farmersville and area citizens by entering into an agreement with the Farmersville Pee Wee Football / Cheer Association by defining and enumerating the duties and responsibilities of each entity;

NOW THEREFORE, the City of Farmersville (City), and the Farmersville Pee Wee Football / Cheer Association (Association) agree to the following user regulations concerning the J. W. Spain Athletic Complex (Complex):

Section 1. Designation of Fields and Field Use

For purposes of clarity in this agreement, the football (or soccer) field is located in the southeast section of the Complex on field 6.

The Association's season begins in July and ends in November. The Association will have priority access to field 6 during all scheduled league games and team practices.

The Association may begin preparation of the playing fields for the playing season at any time before the beginning of the playing season after notifying the City Manager, or his designee, of its intent to do so. The City Manager, or his designee, has the final authority for scheduling of all Complex events.

Section 2. Grounds Maintenance

The Association shall prepare all playing fields for Association events. Fields must meet high-quality standards and presentable playing condition from the beginning to the end of the playing season.

Trash and litter will be picked up and removed from the playing fields and bleacher areas at the end of each playing day **by the Association**. Periodic cleaning will be performed by the Association at intervals between games days, if necessary, to prevent a buildup of trash and litter. If Association does not comply and allows trash and litter to be left on the field after each use, the City will impose a charge not to exceed \$200 per incident. Association will be responsible to pay trash and litter removal fees. If the City charges the Association a third time for the same offense, the City may at its discretion, terminate the contract and not allow the Association to use the facilities at the Spain Athletic Complex.

The City will provide adequate trash receptacles and trash removal for the purpose of keeping the complex clean. Association shall be responsible to have a designated area for trash pickup. Association will be billed for labor and material for any needed follow-up cleaning provided by the City

The Association will be responsible to pay for one-fourth of the annual cost of mowing, which amount shall be payable during the Association Football Season. The City will prepare

invoices for the Association for one-fourth of the annual cost. Payment is due within 15 days. Non-payment will result in a 10% surcharge and possible termination of this contract.

The Association shall provide the City Manager a list of organization members with contact information that will be granted keyed lock and combination lock access to the facilities. This access list will be posted on the City's website to facilitate access to the facility. Association activities shall not be conducted without the presence of a member that is on the access list.

Section 3. Concession Stand Operation and Proceeds

The Association is responsible to provide concession services during all scheduled Association events at the Complex. All expenses associated with the Concession Stand for scheduled Association events will be the responsibility of the Association. The Association shall retain all proceeds, after expenses, from concession stand sales for all scheduled Association events. Concession stand must be cleaned after each use, including the grill/stove. The grease must be removed by the Association and disposed of in a proper manner. The grease drip tray must be totally cleaned and free from any remnants of grease. All trash must be removed from the concession stand and placed in the trash receptacles provided. The floors must be mopped and cleaned.

Section 4. Restroom and Concession Maintenance

Restrooms are under the control of the Association during its playing season. The restrooms are to be open for games and practice times, but must be locked at all other times. The Association is responsible to the City for safeguarding, supplying, and cleaning of the facilities.

Winterizing of restrooms and concession building will be the responsibility of the City as well as normal maintenance, repairs, and replacements.

The concession building will be kept clean and sanitary **at all times** by the Association when it is under its use and control and all equipment used will meet applicable regulatory standards of the City. If conditions exist in the restroom or concession building which requires work by the City to repair or the City is required to hire a third party to repair, maintain or replace any equipment or facilities the associated cost of such repair, maintenance, or replacement will be the responsibility of the Association. If Association does not compensate the City with the costs of repair, maintenance or replacement due to work by the City or where the City is required to hire the repair, the City will impose a charge not to exceed \$200 per incident in addition to the costs incurred for said incident. Association will be responsible to pay said fees. If the City charges the Association a third time for the same offense, the City may at its discretion, terminate the contract and not allow the Association to use the facilities at the Spain Athletic Complex.

Section 5. Equipment, Supplies, and Storage Facilities

In recognition of the Association's need to protect and maintain its equipment and supplies, the City grants use of the detached storage facility located next to the south gate and one storage room inside the Concession Building. The City will share the use of the storage room located on the south side of the Concession Building. The City will have exclusive use of one storage room inside the Concession Building.

Section 6. Modifications or Improvements to Complex

Any suggested modification or improvements to the Complex must be presented to the City Manager, or his designee, for consideration with the Parks and Recreation Board. Following the Board's review, recommendations will be forwarded to the City Council for final approval. Association will share the costs of such modifications or improvements as agreed upon prior to construction. The City will prepare invoices for Association's portion of the costs of such modifications or improvements. Payment is due within 15 days. Non-payment will result in a 10% surcharge and possible termination of this contract.

Section 7. City Utilities

Until further notice, the City will continue its practice of providing water, sewer, electricity, and information technology services to the Complex with no charge to Association. The City retains the right to assess future charges for these services after giving notice at the end of the playing season and prior to the next playing season for which charges will begin. However, discovery that field lights have been left on after Association use will result in an immediate \$200 charge for each such incident. Similarly, discovery that the water has been left running after Association use will result in an immediate \$200 charge for each such incident. If the City charges the Association a third time for the same offense, the City may at its discretion, terminate the contract and not allow the Association to use the facilities at the Spain Athletic Complex.

Section 8. Ancillary Financial Matters

The Association shall provide copies of a year-end financial statement, ending December 31st, for the year prior to the renewal of this agreement. All financial obligations contracted by the Association in relation to its use of the Complex must be paid in return for the satisfactory delivery of goods and services, and failure to do so without just cause will be considered reason for the City to cancel the agreement with the Association. In no case will the City be responsible for expenses or obligations contracted by the Association for any reason unless by prior and specific agreement.

The City will not provide content insurance of the concession building.

Section 9. Insurance Required

- A. Without limiting any of the other obligations or liabilities of the Association, the Association shall, at its own expense, procure, pay for and maintain during the term of this agreement the hereinafter stipulated minimum insurance with companies duly licensed to write business in the State of Texas and approved by the City.
 - 1. Commercial General Liability insurance, including, but not limited to Premises/Operations, Personal & Advertising Injury, Products/Completed Operations, Independent Contractors and Contractual Liability, with minimum combined single limits of \$1,000,000 per-occurrence, \$1,000,000 Products/Completed Operations Aggregate and \$1,000,000 general aggregate. Such insurance shall cover, but not be limited to, the liability assumed under the indemnification provisions of this agreement, fully insuring the Association's liability for injury to or death of owners, employees and third parties, extended to include personal injury liability coverage, and for damage to property of third

parties including damage to the Complex. Coverage must be written on an occurrence form.

2. When applicable by law, Workers' Compensation insurance with statutory limits; and Employers' Liability coverage with minimum limits for bodily injury: a) by accident, \$100,000 each accident, b) by disease, \$100,000 per employee with a per policy aggregate of \$500,000.
3. Umbrella or Excess Liability insurance with minimum limits of \$1 million each occurrence and annual aggregate for bodily injury and property damage, that follows form and applies in excess of the above indicated primary coverage (1, 2 and 3). The total limits required may be satisfied by any combination of primary, excess or umbrella liability insurance provided all policies comply with all requirements. The Association may maintain reasonable deductibles, subject to approval by the City of Farmersville.

The Association shall furnish to the City Manager certificates of insurance on an "ACCORD" form executed by the insurer or its authorized agent stating the coverages, limits, expiration dates and compliance with all applicable required provisions prior to any use of the Complex by the Association. Certificates shall reference this agreement and be addressed as follows:

City of Farmersville, Texas
c/o City Manager
205 S. Main Street
Farmersville, TX 75442.

- B. With reference to the foregoing required insurance, the Association shall endorse applicable insurance policies as follows:
 1. In the event the Association is required by law to obtain, or has otherwise obtained, Workers' Compensation insurance and Employers' Liability coverage the Association and its insurer(s) shall provide a waiver of subrogation regarding such coverage in favor of the City of Farmersville and its officials, employees, and officers for losses arising from the activities under this contract.
 2. The City of Farmersville and its officials, employees and officers shall be named as additional insureds on the Commercial General Liability policy and all other required insurance policies, by using endorsement CG2026 or broader.
 3. All insurance policies shall be endorsed to the effect that City of Farmersville will receive at least thirty (30) days notice prior to cancellation, non-renewal, termination, or material change of the policies.
- C. All insurance shall be purchased from an insurance company that meets a financial rating of B+VI or better as assigned by the A.M. BEST Company or equivalent.
- D. Payment of any and all deductibles on each insurance policy shall be the responsibility of the Association.

Section 10. Non-Association Events

City approval is required for all Non-Association Events. Deposits and user fees generated from all non-Association events will be in accordance with the Fee Schedule as set out in Appendix A and shall be made payable to the City of Farmersville.

Deposits will be returned to the users, provided the Complex has been cleaned to the satisfaction of the City Manager. If the condition of the Complex requires work by City Personnel, a charge of \$200 per hour will be deducted from the deposit until the deposit is exhausted. The non-Association entity (team or private party) renting the Complex, will be billed for any additional costs that may occur due to misuse of the Complex and termination of future use of the Complex will be enforced.

Section 11. Personal Conduct at Athletic Events

The City recognizes that crowd noise is a part of any athletic activity and accepts noise levels directly associated with such athletic activities. However, the City requests that the Association make a good faith effort to discourage any undue harassment of neighbors by participants or spectators at any activity for which Association is responsible.

The Association will be responsible for the proper conduct of team members, coaches, fans, and other spectators during any activity sponsored or sanctioned by the Association at the Complex and, if necessary, will ask the City for assistance in maintaining order.

The sale or consumption of alcohol, illegal drugs, or illegal chemical substances at the Complex is a violation of City ordinances, **will not be tolerated**, and will be punishable according to applicable law. The Complex is a non-smoking facility and **smoking shall not be allowed in, on and about the Complex**. Violators will be punished in accordance with the City's ordinances prohibiting smoking at the Complex.

The City retains the right to restrict the times of use and conduct of all activities in the Complex. Such right may be exercised without notice in case of substantial violation of these users' regulations but must be authorized by official City Council action after thorough investigation and verification of said violation. A list of Board Members must be provided to the Parks and Recreation Board along with a listing of scheduled events as soon as they become available. The Association will be provided the City Manager's contact information should any issue arise with the Spain Complex.

Section 12. Hold Harmless and Indemnification

The Association does hereby agree to waive all claims, release, indemnify, defend and hold harmless City and all of its officials, officers, agents and employees, in both their public and private capacities, from any and all liability, claims, suits, demands or causes of action which may arise by reason of injury to property or persons occasioned by willful misconduct, error, omission, or negligent act of the Association, its officers, agents, employees, invitees or other persons, arising out of or in connection with this agreement or any and all activity or use pursuant to this agreement, or on or about the Complex and the Association will, at its own cost and expense, defend and protect City from any and all such claims and demands. Also, the Association agrees to and shall indemnify, defend and hold harmless City and all of its officials, officers, agents and employees, in both their public and private capacities, from and against any and all claims, losses, damages, causes of action,

suits and liability of every kind, including all expenses of litigation, court costs and attorney fees for injury to or death of any person or for damage to any property arising out of or in connection with this agreement or any and all activity or use pursuant to this agreement, or on or about the Complex. Such indemnity shall apply whether the claims, losses, damages, causes of action, suits or liability arise from the negligence of the City, its officers, officials, agents or employees and whether said negligence is contractual, comparative negligence, concurrent negligence, gross negligence or any other form of negligence. City is responsible only for City's sole negligence.

Section 13. Term

This agreement will be in force for one year from April 1, 2013 until March 31, 2014. Any party may cancel participation in this contract with a thirty (30) day written notice. However, a bona fide effort must be made to resolve any misunderstandings or disagreements leading to the cancellation.

Two (2) months prior to the expiration of this Agreement, and provided no proposal has been offered by the Association, it shall be the responsibility of the administrative staff of the City of Farmersville to initiate action to review the Agreement, taking into consideration any proposals from the Association, and forward proposals to alter or cancel the Agreement to the Parks and Recreation Board for consideration. Following consideration, the Parks and Recreation Board shall make recommendation to the City Council regarding any proposed modification or cancellation of the Agreement. Cancellation or modification to the Agreement must be in writing and approved by the City Council.

This joint use agreement has been approved by the governing bodies of each entity.

City of Farmersville:

Joseph E. Helmberger, P.E., Mayor

Attest:

Edie Sims, City Secretary Date

Farmersville Pee Wee Football / Cheer Association:

Pee Wee Football / Cheer Association Date Pee Wee Football / Cheer Association Date

This use of the Spain Athletic Complex is supported by the City of Farmersville Parks and Recreation Board.

 4/12/13
Parks and Recreation Board President Date

APPENDIX A

SCHEDULE OF USER FEES

Applicable to all Non-Association Events

Activity Description	Resident	Non Resident
Deposit, any Combination of Fields	\$250	\$350
Use of Field 1, 2, or 3	\$50	\$250
Use of Field 4 or 5	\$100	\$200
Use of Field 6	\$150	\$200
Lights, Hourly Rate (per field)	\$20	\$40

All fees must be paid at the time the reservation is made or at least two weeks prior to the reserved date.

Deposit is refundable if the fields, restrooms and concession area is clean and in working order.



TO: Mayor and Councilmembers

FROM: City Manager Ben White

DATE: April 23, 2013

SUBJECT: Consider, discuss and act upon an Interlocal Agreement between the City of Farmersville and the Farmersville Little League Baseball Association

- Interlocal Agreement between the City of Farmersville and the Farmersville Little League Baseball Association is attached for review
- Parks Board has approved the agreement
- Little League Baseball Association has approved the agreement

ACTION: Approve or disapprove the agreement as presented.

**ATHLETIC COMPLEX JOINT USE AGREEMENT BETWEEN
THE CITY OF FARMERSVILLE,
AND
THE FARMERSVILLE LITTLE LEAGUE BASEBALL ASSOCIATION**

WHEREAS the City of Farmersville owns Spain Athletic Complex located at the intersection of Murchison Street and Merit Street known as the J. W. Spain Athletic Complex; and,

WHEREAS the City of Farmersville wishes to maximize the use of the Complex for the benefit of Farmersville and area citizens by entering into an agreement with the Farmersville Little League Baseball Association by defining and enumerating the duties and responsibilities of each entity;

NOW THEREFORE, the City of Farmersville (City) and the Farmersville Little League Baseball Association (Little League) agree to the following user regulations concerning the J. W. Spain Athletic Complex (Complex):

Section 1. Designation of Fields and Field Use

For purposes of clarity in this agreement, the south field in the Complex will be designated field 1. The middle field of the Complex will be designated as field 2. The north field will be designated as field 3. The baseball fields on the eastern most side of the Complex will be known as field 4 and field 5 respectively. Any further fields to be constructed will be numerically designated at the time of construction.

The Little League Baseball season begins in February and runs through June. The Little League will have priority access to the fields 1 thru 5 during all scheduled league games and team practices. A game schedule must be provided to the City Manager, or his designee, as soon as it becomes available. At all other times the Complex is open for use on a first-come first-use basis. A practice schedule must also be provided to the City Manager, or his designee, prior to practices beginning. Any conflicts in scheduling should be brought to the attention of the City Manager.

The Little League may begin preparation of the playing fields for the playing season at any time before the beginning of the playing season after notifying the City Manager, or his designee, of its intent to begin such work. The City Manager, or his designee, has the final authority for scheduling of all Complex events.

Section 2. Grounds Maintenance

The Little League shall prepare and maintain all playing fields for Little League events. Fields must meet high-quality and presentable playing condition from the beginning to the end of the playing season.

Trash and litter will be picked up and removed from the playing fields and bleacher areas at the end of each playing day **by the Little League**. Periodic cleaning shall be performed by the Little League at intervals between games days, if necessary, to prevent a buildup of trash and litter. If Little League does not comply and allows trash and litter to be left on the field after any use, the City will impose a charge not to exceed \$200 per incident. Little League will be responsible to pay said trash and litter removal fees. If the City charges the Little League a third time for the same offense, the City may at its discretion, terminate the contract and not allow the Little League to use the facilities at the Spain Athletic Complex.

The City will provide adequate trash receptacles and trash removal for the purpose of keeping the complex clean. Little League shall be responsible to have a designated area for trash pickup. Little League will be billed for labor and material for any needed follow-up cleaning provided by the City

The City is responsible to provide for mowing, weed control, edging, and watering of the entire Complex including playing fields and common areas.

The Little League shall be responsible to pay for one-fourth of the cost of mowing during the Little League Baseball Season. The City will prepare invoices for the Little League for one-fourth of the annual cost. Payment is due within 15 days. Non-payment will result in a 10% surcharge and possible termination of this contract.

The Little League shall provide the City Manager a list of organization members with contact information that will be granted keyed lock and combination lock access to the facilities. This access list will be posted on the City's website to facilitate access to the facility. Little League activities shall not be conducted without the presence of a member that is on the access list.

Section 3. Concession Stand Operation and Proceeds

The Little League is responsible to provide concession services during all scheduled Little League events at the Complex. All expenses associated with the Concession Stand for scheduled Little League events will be the responsibility of the Little League. The Little League shall retain all proceeds, after expenses, from concession stand sales for all scheduled Little League events. Concession stand must be cleaned after each use, including the grill/stove. The grease must be removed by the Little League and disposed of in a proper manner. The grease drip tray must be totally cleaned and free from any remnants of grease. All trash must be removed from the concession stand and placed in the trash receptacles provided. The floors must be mopped and cleaned.

Section 4. Restroom and Concession Maintenance

Restrooms are under the control of the Little League during their respective playing seasons. The restrooms are to be open for games and practice times, but must be locked at all other times. The Little League is responsible to the City for safeguarding, supplying, and thorough cleaning of the facilities.

Winterizing of restrooms and concession building will be the responsibility of the City as well as normal maintenance, repairs, and replacements.

The concession building will be kept clean and sanitary **at all times** by the Little League when it is under its use and control and all equipment used will meet applicable regulatory standards of the City. If conditions exist in the Restroom or Concession Stand that require work by the City or if the City is required to hire a third-party to repair, maintain or replace any equipment or facilities the associated cost of such repair, maintenance, or replacement will be the responsibility of the Little League. If Little League does not compensate the City with the costs of repair, maintenance or replacement due to work by the City or where the City is required to hire the repair, the City will impose a charge not to exceed \$200 per incident in addition to the costs incurred for said incident. Little League will be responsible to pay said fees. If the City charges the Little League a third time for the same offense, the City may at its discretion, terminate the contract and not allow the Little League to use the facilities at the Spain Athletic Complex.

Section 5. Equipment, Supplies, and Storage Facilities

In recognition of the Little League's need to protect and maintain its equipment and supplies, the City grants use of the detached storage facility located next to the south gate and one storage room inside the Concession Building. The City will share the use of the storage room located on the south side of the Concession Building. The City will have exclusive use of one storage room inside the Concession Building.

Section 6. Modifications or Improvements to Complex

Any suggested modification or improvements to the Complex must be presented to the City Manager, or his designee, for consideration with the Parks and Recreation Board. Following the Board's review, recommendations will be forwarded to the City Council for final approval. Little League will share the costs of such modifications or improvements as agreed upon prior to construction. The City will prepare invoices for Little League's portion of the costs of such modifications or improvements. Payment is due within 15 days. Non-payment will result in a 10% surcharge and possible termination of this contract.

Section 7. City Utilities

Until further notice, the City will continue its practice of providing water, sewer, electricity, and information technology service to the Complex with no charge to Little League. The City retains the right to assess future charges for these services after giving notice at the end of the playing season and prior to the next playing season for which charges will begin. However, discovery that field lights have been left on after Little League use will result in an immediate \$200 charge for each such incident. Similarly, discovery that the water has been left running after Little League use will result in an immediate \$200 charge for each such incident. If the City charges the Little League a third time for the same offense, the City may at its discretion, terminate the contract and not allow the Little League to use the facilities at the Spain Athletic Complex.

Section 8. Ancillary Financial Matters

The Little League shall provide copies of a year-end financial statement, ending December 31st, for the year prior to the renewal of this agreement. All financial obligations contracted by the Little League in relation to its use of the Complex must be paid in return for the satisfactory delivery of goods and services, and failure to do so without just cause will be considered reason for the City to cancel the agreement with the Little League. In no case will the City be responsible for expenses or obligations contracted by the Little League for any reason unless by prior and specific agreement.

The City will not provide content insurance of the concession building.

Section 9. Insurance Required

- A. Without limiting any of the other obligations or liabilities of the Little League, the Little League shall, at its own expense, procure, pay for and maintain during the term of this agreement the hereinafter stipulated minimum insurance with companies duly licensed to write business in the State of Texas and approved by the City.
 - 1. Commercial General Liability insurance, including, but not limited to Premises/Operations, Personal & Advertising Injury, Products/Completed Operations, Independent Contractors and Contractual Liability, with minimum

combined single limits of \$1,000,000 per-occurrence, \$1,000,000 Products/Completed Operations Aggregate and \$1,000,000 general aggregate. Such insurance shall cover, but not be limited to, the liability assumed under the indemnification provisions of this agreement, fully insuring the Little League's liability for injury to or death of owners, employees and third parties, extended to include personal injury liability coverage, and for damage to property of third parties including damage to the Complex. Coverage must be written on an occurrence form.

2. When applicable by law, Workers' Compensation insurance with statutory limits; and Employers' Liability coverage with minimum limits for bodily injury: a) by accident, \$100,000 each accident, b) by disease, \$100,000 per employee with a per policy aggregate of \$500,000.
3. Umbrella or Excess Liability insurance with minimum limits of \$1 million each occurrence and annual aggregate for bodily injury and property damage, that follows form and applies in excess of the above indicated primary coverage (1, 2 and 3). The total limits required may be satisfied by any combination of primary, excess or umbrella liability insurance provided all policies comply with all requirements. The Little League may maintain reasonable deductibles, subject to approval by the City of Farmersville.

The Little League shall furnish to the City Manager certificates of insurance on an "ACCORD" form executed by the insurer or its authorized agent stating the coverages, limits, expiration dates and compliance with all applicable required provisions prior to any use of the Complex by the Little League. Certificates shall reference this agreement and be addressed as follows:

City of Farmersville, Texas
c/o City Manager
205 S. Main Street
Farmersville, TX 75442.

- B. With reference to the foregoing required insurance, the Little League shall endorse applicable insurance policies as follows:
1. In the event the Little League is required by law to obtain, or has otherwise obtained, Workers' Compensation insurance and Employers' Liability coverage the Little League and its insurer(s) shall provide a waiver of subrogation regarding such coverage in favor of the City of Farmersville and its officials, employees, and officers for losses arising from the activities under this contract.
 2. The City of Farmersville and its officials, employees and officers shall be named as additional insureds on the Commercial General Liability policy and all other required insurance policies, by using endorsement CG2026 or broader.
 3. All insurance policies shall be endorsed to the effect that City of Farmersville will receive at least thirty (30) days notice prior to cancellation, non-renewal, termination, or material change of the policies.

- C. All insurance shall be purchased from an insurance company that meets a financial rating of B+VI or better as assigned by the A.M. BEST Company or equivalent.
- D. Payment of any and all deductibles on each insurance policy shall be the responsibility of the Little League.

Section 10. Non-League Events

City approval is required for all Non-League Events. Deposits and user fees generated from all non-Little League events will be in accordance with the Fee Schedule as set out in Appendix A and shall be made payable to the City of Farmersville.

Deposits will be returned to the users, provided the Complex has been cleaned to the satisfaction of the City Manager. If the condition of the Complex requires work by City personnel, a charge of \$200 per hour will be deducted from the deposit until the deposit is exhausted. The non-league entity (team or private party) renting the Complex, will be billed for any additional costs that may occur due to misuse of the Complex and termination of future use of the Complex will be enforced.

Section 11. Personal Conduct at Athletic Events

The City recognizes that crowd noise is a part of any athletic activity and accepts this. However, the City requests that the Little League make a good faith effort to discourage any undue harassment of neighbors by participants or spectators at any activity for which Little League is responsible.

The Little League will be responsible for the proper conduct of team members, coaches, fans, and other spectators during any activity sponsored or sanctioned by the Little League at the Complex and, if necessary, will ask the City for assistance in maintaining order.

The sale or consumption of alcohol, illegal drugs, or illegal chemical substances at the Complex is a violation of city ordinances, **will not be permitted**, and will be punishable according to applicable law. The Athletic Complex is a non-smoking facility and **smoking shall not be allowed in, on and about the Complex**. Violators will be punished in accordance with the City's ordinances prohibiting smoking at the Complex.

The City retains the right to restrict the times of use and conduct of all activities in the Complex. Such right may be exercised without notice in case of substantial violation of these users' regulations but must be authorized by official City Council action after thorough investigation and verification of said violation. A list of Little League Board Members must be made available along with contact numbers to the Parks Board by the end of February. The Little League will be provided with the City Manager's contact information should any issue arise with the Spain Complex.

Section 12. Hold Harmless and Indemnification

The Little League does hereby agree to waive all claims, release, indemnify, defend and hold harmless City and all of its officials, officers, agents and employees, in both their public and private capacities, from any and all liability, claims, suits, demands or causes of action which may arise by reason of injury to property or persons occasioned by willful misconduct, error, omission, or negligent act of the Little League, its officers, agents, employees, invitees or other persons, arising out of or in connection with this agreement or any and all activity or use pursuant to this

agreement, or on or about the Complex and the Little League will, at its own cost and expense, defend and protect City from any and all such claims and demands. Also, the Little League agrees to and shall indemnify, defend and hold harmless City and all of its officials, officers, agents and employees, in both their public and private capacities, from and against any and all claims, losses, damages, causes of action, suits and liability of every kind, including all expenses of litigation, court costs and attorney fees for injury to or death of any person or for damage to any property arising out of or in connection with this agreement or any and all activity or use pursuant to this agreement, or on or about the Complex. Such indemnity shall apply whether the claims, losses, damages, causes of action, suits or liability arise from the negligence of the City, its officers, officials, agents or employees and whether said negligence is contractual, comparative negligence, concurrent negligence, gross negligence or any other form of negligence. City is responsible only for City's sole negligence.

Section 13. Term

This agreement will be in force for one year from April 1, 2013 through March 31, 2014. Any party may cancel participation in this contract with a thirty day written notice. However, a bona fide effort must be made to resolve any misunderstandings or disagreements leading to the cancellation.

Two (2) months prior to the expiration of this Agreement, and provided no proposal has been offered by the Little League, it shall be the responsibility of the administrative staff of the City of Farmersville to initiate action to review the Agreement, taking into consideration any proposals from the Little League, and forward proposals to alter or cancel the Agreement to the Parks and Recreation Board for consideration. Following consideration, the Parks and Recreation Board shall make recommendation to the City Council regarding any proposed modification or cancellation of the Agreement. Cancellation or modification to the Agreement must be in writing and approved by the City Council.

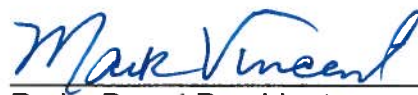
This joint use agreement has been approved by the governing bodies of each entity.

City of Farmersville:

Joseph E. Helmberger, P.E., Mayor
Date: _____

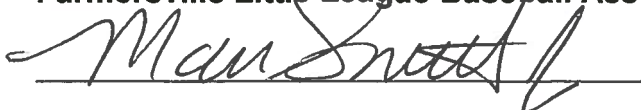
Attest:

Edie Sims, City Secretary
Date: _____



Parks Board President
Date: 4/12/13

Farmersville Little League Baseball Association:



Little League Baseball President

Date: _____

This use of the Spain Athletic Complex is supported by the City of Farmersville Parks and Recreation Board.

APPENDIX A

SCHEDULE OF USER FEES

Applicable to all Non-Little League events

Activity Description	Resident	Non Resident
Deposit, any Combination of Fields	\$250	\$350
Use of Field 1, 2, or 3	\$50	\$250
Use of Field 4 or 5	\$100	\$200
Use of Field 6	\$150	\$200
Lights, Hourly Rate (per field)	\$20	\$40

All fees must be paid at the time the reservation is made or at least two weeks prior to the reserved date.

Deposit is refundable if the fields, restrooms and concession area is clean and in working order.



TO: Mayor and Councilmembers

FROM: City Manager Ben White

DATE: April 23, 2013

SUBJECT: Update on the electrical system

- City Manager Ben White has provided information as attached for review

ACTION: Council to receive information. No action is necessary.

CITY OF FARMERSVILLE

ESTIMATED ENGINEERING FEES TO PERFORM THE FOLLOWING SCOPE OF WORK

<u>Scope of Work</u>	Estimated Cost (\$)
1. Investigate the insurability of Farmersville's electrical system. See if there are other utilities that get insurance for their system and what they pay. Where do other utilities get their insurance?	1,000
2. Investigate preliminary costs of power for the Farmersville electrical system. What would a likely contract power rate be if Farmersville bids their power supply?	2,000
3. Create a rate ordinance or update the existing one for the City of Farmersville Electric Utility. (Cost of Service and Rate Ordinance revisions – Residential, Small Commercial, Medium Commercial, Large Commercial, Security Lights, Civic Organizations, and Schools. Including: Power Cost Adjustment (PCA), Electrical System Surcharge, late fee, etc.)	25,000 -28,000
4. Research the substation equipment and design to determine its ultimate load capabilities. Is the Substation capable of taking on any additional load?	2,000
5. Sharyland owns the substation equipment and Texas New Mexico owns the substation land. Submit MEI's position on how this affects Farmersville, if they take over the system's operation.	2,000
6. Set up through ordinance the standards for underground electric utilities, especially in a newly developed subdivision for the City of Farmersville. (New Services Ordinance – line extensions overhead and underground, subdivisions, temporary service, disconnect, reconnect, etc.)	15,000 - 20,000
7. Get latest CCN Map for Collin County.	1,000
Estimated total engineering for the five items listed above:	48,000-56,000



TO: Mayor and Councilmembers

FROM: City Manager Ben White

DATE: April 23, 2013

SUBJECT: Update on the Main Street Bridge, closures and Highway 380 improvements

- City Manager Ben White has provided information as attached for review

ACTION: Council to receive information. No action is necessary.

US 380 Highway Project Status

1. US 380 Highway Project status.
 - a. 1st Railroad Bridge, Passing Track: Apr 2013 thru Sep 2013 (issues causing delays)
 - b. 2nd Railroad Bridge, Main Track: Dec 2013 thru Jun 2014 (issues causing delays)
 - c. 380 Roadway, East Bound: Dec 2013 thru Apr 2014
 - d. 380 Roadway, West Bound: Apr 2014 thru Aug 2014
 - e. Main Street Bridge Construction: Jul 2013 thru Sep 2013. Completely closed during construction. Use alternative paths: Orange, Rike, Hamilton, Mimosa, Beene etc.
 - f. Main Street Roadway: Oct 2013 thru Nov 2013
 - g. Hill Street Crossing: Complete Sep 2014
 - h. Walnut Street Crossing: Complete Sep 2014
 - i. Main/Summit Street Crossing: Complete Aug 2014