



# City of Lago Vista, Texas

**AGENDA  
CITY COUNCIL  
SPECIAL CALLED MEETING  
MONDAY, MARCH 9, 2015**

**NOTICE IS HEREBY GIVEN** that the Lago Vista City Council will hold a Special Called Meeting on Monday, March 9, 2015, at 2:30 p.m. in the City Council Chambers at City Hall, 5803 Thunderbird, Lago Vista, Texas, as prescribed by V.T.C.A., Government Code Section §551.041, to consider the following agenda items.

**CALL TO ORDER, CALL OF ROLL**

**WORK SESSION**

1. Receive and discuss monthly update on Water Treatment Plant #3 by Shay Ralls Roalson, PE, HDR.
2. Continued discussion with Nelissa Heddin, Heddin Consulting regarding policy related issues in the establishment of new water / wastewater utility rates.
3. Continued discussion on the structure of a citizens “golf advisory” process.

**EXECUTIVE SESSION**

4. Convene into executive session pursuant to Section 551.071, Texas Government Code and Section 1.05 Texas Disciplinary Rules of Professional Conduct to consult with legal counsel regarding:
  - a) Claims or possible claims arising in Cause No. D-1-GN-13-002224, James Otwell v. City of Lago Vista, filed in the 98th Judicial District in Travis County, Texas;
  - b) Discussion concerning election questions.

**ACTION ITEMS (action and/or a vote may be taken on the following agenda items):**

5. Reconvene from executive session into open session to take action as deemed appropriate in the City Council’s discretion regarding:
  - a) Claims or possible claims arising in Cause No. D-1-GN-13-002224, James Otwell v. City of Lago Vista, filed in the 98th Judicial District in Travis County, Texas;
  - b) Discussion concerning election questions.

**ADJOURNMENT**

**IT IS HEREBY CERTIFIED** that the above Notice was posted on the Bulletin Board located at all times in City Hall in said City at \_\_\_\_\_ on the \_\_\_ day of \_\_\_\_\_, 2015.

Belinda Kneblick, Assistant City Secretary

**THIS MEETING SHALL BE CONDUCTED PURSUANT TO THE TEXAS GOVERNMENT CODE SECTION 551.001 ET SEQ. AT ANY TIME DURING THE MEETING THE COUNCIL RESERVES THE RIGHT TO ADJOURN INTO EXECUTIVE SESSION ON ANY OF THE ABOVE POSTED AGENDA ITEMS IN ACCORDANCE WITH THE SECTIONS 551.071, 551.072, 551.073, 551.074, 551.075 OR 551.076.**

**THE CITY OF LAGO VISTA IS COMMITTED TO COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT. REASONABLE MODIFICATIONS AND EQUAL ACCESS TO COMMUNICATIONS WILL BE PROVIDED UPON REQUEST.**

1. Council to receive monthly update on Water Treatment Plant #3 by Shay Ralls Roalson, PE, HDR.

## **MATERIAL FORTHCOMING**



**AGENDA ITEM**  
*City of Lago Vista*

**TO:** Mayor & City Council **Council Meeting:** March 9, 2015  
**FROM:** Belinda Kneblick, Assistant City Secretary  
**SUBJECT:** Water Treatment Plant #3 Update

			<b>Legal Review</b>	
<input type="checkbox"/> BUSINESS ITEM	<input type="checkbox"/> BONDS	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> ORDINANCE	( )
<input type="checkbox"/> CONSENT AGENDA	<input type="checkbox"/> APPOINTMENTS	<input type="checkbox"/> BID AWARD	<input type="checkbox"/> RESOLUTION	( )
<input type="checkbox"/> WORKSHOP	<input checked="" type="checkbox"/> REPORT	<input type="checkbox"/> OTHER	<input type="checkbox"/> CONTRACT	( )
			<input type="checkbox"/> BONDS	( )

**EXECUTIVE SUMMARY:** *(Attach additional pages if necessary)*

The City Council will receive an update from Shay Roalson, PE with HDR Engineering, Inc. on the status and progress of WTP3 Intake Site and Plant.

1. IS FUNDING REQUIRED?  YES  NO 2. IF YES, INDICATE IF BUDGETED  YES  NO  
INDICATE FUNDING SOURCE:

SUGGESTED MOTION/RECOMMENDATION/ACTION: N/A

Administration: \_\_\_\_\_ Initials

Submitted by: Bgk

2. Continued discussion with Nelissa Heddin, Heddin Consulting regarding policy related issues in the establishment of new water / wastewater utility rates.



**AGENDA ITEM**  
**City of Lago Vista**

**To:** Mayor and City Council

**Council Meeting:** March 9, 2015

**From:** Melissa Byrne Vossmer, City Manager

**Subject:** Discussion of the Water / Wastewater Utility Rate Study Process and Policy Considerations with Nelisa Heddin, Nelisa Heddin Consulting.

**Request:** Other

**Legal Document:** Make Selection

**Legal Review:**

**EXECUTIVE SUMMARY:**

On February 19th at the Regular Council Meeting Council received its' first report from Nelisa Heddin, Nelisa Heddin Consulting on the Water / Wastewater Utility Rate Study progress. Ms. Heddin outlined for you what she had been doing, what she had learned in terms of patterns of usage and projections, operations, revenue requirements and the five year outlook.

However, prior to completing the cost allocations and designing rates, it is important for the Council to discuss and give direction concerning the policy considerations. These come in the nature of levels of funding for the CIP, reserve requirements, billing methodology, drought and conservation, minimum billing tiers and any rate averaging to name a few.

Attached is the power point from the February 19th City Council Meeting as a refresher and the power point for the March 9th meeting which will help structure the discussion.

**Impact if Approved:**

**Impact if Denied:**

Is Funding Required?  Yes  No    If Yes, Is it Budgeted?  Yes  No  N/A

**Indicate Funding Source:**

**Suggested Motion/Recommendation/Action**

- Motion to   -  -
- Motion to   -  -
- Motion to   -  -

**Known as:**

**Agenda Item Approved by City Manager**

---

# City of Lago Vista, TX

## Cost of Service and Rate Design Study Water and Wastewater Utility

February 19, 2015



Nelisa Heddin Consulting, LLC  
(512) 589-1028  
nheddin@nelisaheddinconsulting.com

# Presentation Overview

---

- ❖ Economic Reality of Water
- ❖ Project Approach
- ❖ Policy Considerations

*“When the well is dry, we learn the worth of water.”*

- Ben Franklin -



# Economic Reality of Water

---

Revenues

- Water has an inherent value to fund infrastructure necessary for treatment and distribution

Economy

- Water is critical to a variety of industries, and as a result, the economy

Community

- Water is a fundamental building block for communities

Commodity

- Water is a commodity which we cannot live without



# Project Approach

---

- Step 1: Determine Revenue Requirements
- Step 2: Functionalize Revenue Requirements into Cost Components
- Step 3: Allocation Cost Components to Customer Classes
- Step 4: Design Rates



# Step 1: Revenue Requirements

---

- Expenses – Off-sets = Revenue Requirements
- 5-Year Outlook
- Financial Planning Stage –
  - Include Future CIP Projects
  - Include Future Staffing Needs
  - Examine Reserve Funding, including:
    - Operating Reserves
    - Debt Service Reserves
    - Equipment Repair and Replacement Reserves
    - Rate Stabilization Reserves



# Step 2: Functionalization

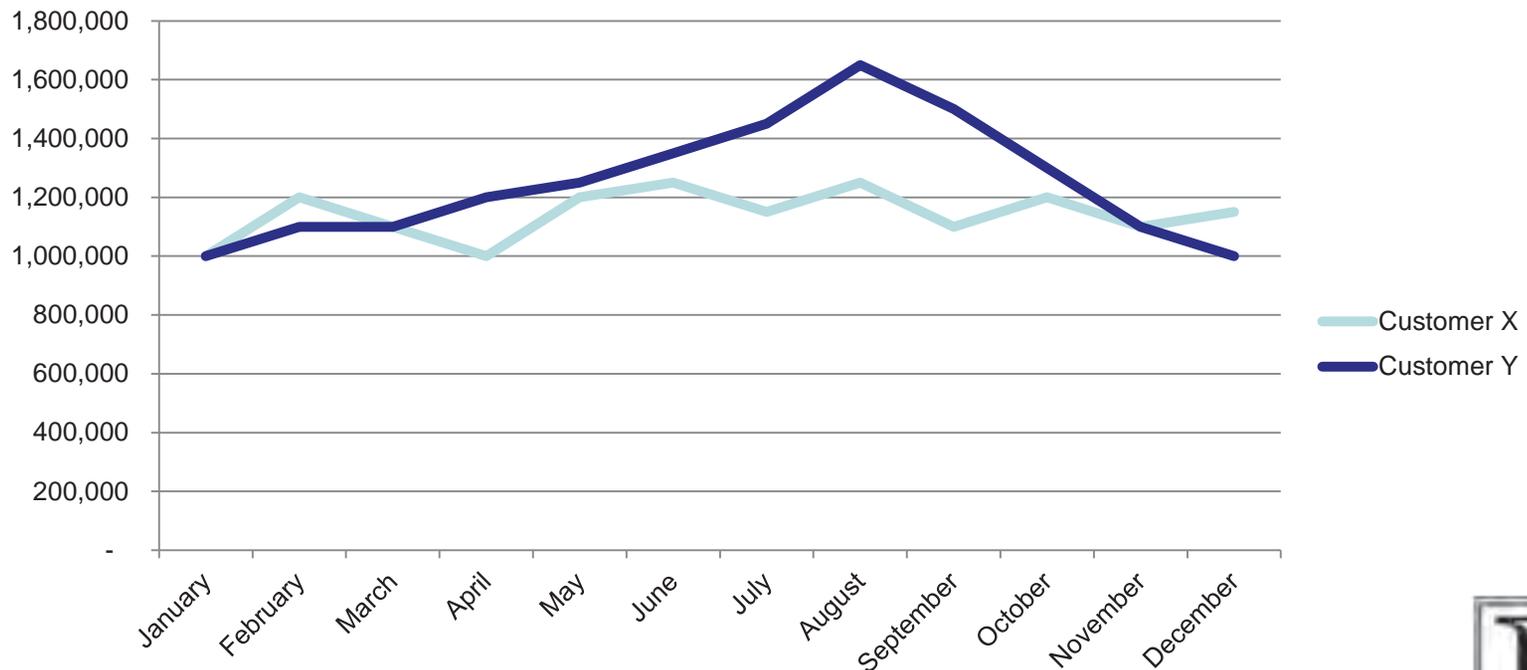
---

- Recognizes Peaking Nature of Utility Systems
- Identifies Functional Nature of Costs
- Based Upon AWWA Described Methodology – Base/Extra Capacity
  - Base Costs of Service
  - Extra Capacity Costs of Service
  - Customer Costs of Service



# Step 3: Cost Allocation

- Recognizes different usage patterns of customer classes



# Step 4: Rate Design

---

- Recovers Cost of Service from Each Class of Customers
- Addresses Specific Policy Concerns
- Packaged to Mitigate Financial Impact to Customers
- Transitional Implementation Plan, as Necessary



# Policy Considerations

---

- CIP Funding
- Reserve Requirements
- Wastewater Billing Methodology
- Rate Design
- Fee Collection During On-going Drought
- Gallons Included in Minimum Bill



# Next Steps

---

- Complete Cost Allocations
- Design Rates
- Issuance of Final Report
- Bring Recommendations to City Council



# City of Lago Vista, TX

## Cost of Service and Rate Design Study Water and Wastewater Utility

March 9, 2015



Nelisa Heddin Consulting, LLC  
(512) 589-1028  
[nheddin@nelisaheddinconsulting.com](mailto:nheddin@nelisaheddinconsulting.com)

# Policy Considerations

---

- CIP Funding
- Reserve Requirements
- Residential Wastewater Billing
- Water Rate Design
- Fee Collection During On-going Drought



# CIP Funding

---

- Current Policy: None
- Options:
  - No CIP Funding
  - Include Specific CIP in Rates
  - Include CIP Allowance in Rates



# Reserve Requirements

---

- Current Policy: None
- Options:
  - Minimum Operating Fund Balance
  - Equipment/Fleet Replacement
  - Repair Reserve



# Residential Wastewater Billing

---

- Current Policy: Equal Fees (\$42.49 per LUE)
- Options:
  - Equal Fees
  - Consumption Based



# Water Rate Design

---

- Current Rates:
  - \$31.38 per LUE
  - 3,000 Gallons Included in Minimum
  - 3,001-20,000 Gallons \$4.76/1,000 Gallons
  - 20,001-50,000 Gallons \$6.03/1,000 Gallons
  - Above 50,001 Gallons \$7.04
- Options:
  - Reduce Gallons in Minimum
  - Adjust Tiers
  - Charge by Customer Class



# Drought

---

- Current Policy: \$10 monthly fee
- Options:
  - Use Fund Balance
  - Drought Surcharge
    - Monthly fee
    - Use based fee
  - Adjust Rates Annually



# Next Steps

---

- Complete Cost Allocations
- Design Rates
- Issuance of Final Report
- Bring Recommendations to City Council



3. Continued discussion on the structure of a citizens “golf advisory” process.



**AGENDA ITEM**  
**City of Lago Vista**

**To:** Mayor and Council      **Council Meeting:** March 9, 2015 Spec. Mtg.

**From:** Melissa Byrne Vossmer, City Manager

**Subject:** Continued Discussion of a Golf Course Advisory Structure, Role and Responsibilities

**Request:** Other      **Legal Document:** Make Selection      **Legal Review:**

**EXECUTIVE SUMMARY:**

At the February 19, 2015 City Council Meeting, Council began discussing creating a process whereby the golf courses would benefit from citizens advising on issues related to operations, marketing, budgeting and capital projects. The structure of how this would be accomplished included the following:

1. Create a stand-alone Golf Advisory Committee
2. Expand the duties and responsibilities of the Parks and Recreation Advisory Committee
3. Utilize the Parks and Recreation Advisory Committee; create a sub-committee which would also include members of the golf community

Staff was directed to bring this item back at the Special Council Meeting scheduled for March 9, 2015 for continued discussion. Each structure has pros and cons.

In looking at possible role and responsibilities, the following could be included:

1. Working with Staff, complete the development of a master plan for the City's golf courses
2. Work with Staff to development a 5-Year Capital Improvement Plan (CIP) in support of the master plan
3. Review annually all fees / costs associated with the operation of the golf courses; make recommendations to the City Council in June of each year as part of the annual budget process
4. Review and provide guidance annually to the golf courses marketing program
5. Assist with the development of and implementation of tournaments that focus on bringing golfers to the Lago Vista community
6. Assist with the development of and / or review of applicable policies

**Impact if Approved:**

Discussion only.

**Impact if Denied:**

Discussion only.

Is Funding Required?  Yes  No    If Yes, Is it Budgeted?  Yes  No  N/A

**Indicate Funding Source:**

**Suggested Motion/Recommendation/Action**

Motion to   -  -

Motion to   -  -

Motion to   -  -

**Known as:**

**Agenda Item Approved by City Manager**

\_\_\_\_\_

## **EXECUTIVE SESSION**

4. Convene into executive session pursuant to Section 551.071, Texas Government Code and Section 1.05 Texas Disciplinary Rules of Professional Conduct to consult with legal counsel regarding:
  - a) Claims or possible claims arising in Cause No. D-1-GN-13-002224, James Otwell v. City of Lago Vista, filed in the 98th Judicial District in Travis County, Texas;
  - b) Discussion concerning election questions.

**ACTION ITEMS (action and/or a vote may be taken on the following agenda items):**

5. Reconvene from executive session into open session to take action as deemed appropriate in the City Council's discretion regarding:
  - a) Claims or possible claims arising in Cause No. D-1-GN-13-002224, James Otwell v. City of Lago Vista, filed in the 98th Judicial District in Travis County, Texas;
  - b) Discussion concerning election questions.