

**MINUTES OF THE
SPECIAL CALLED MEETING OF THE CITY COUNCIL OF THE CITY OF TYLER, TEXAS
June 4, 2015**

A special called meeting of the City Council of the City of Tyler, Texas, was held Thursday, June 4, 2015 at 11:00 a.m. in the City Council Chambers, 2nd floor of City Hall, Tyler, Texas, with the following present:

Mayor: Martin Heines
Mayor Pro Tem: Edward Moore
Councilmembers: Mark Whatley
Linda Sellers (absent)
Darryl Bowdre (absent)
John Nix
Don Warren

City Manager: Edward Broussard
Asst. City Manager: Susan Guthrie
City Attorney: Deborah G. Pullum
Deputy City Attorney: Steve Kean
Chief Financial Officer: Keidric Trimble
City Engineer: Carter Delleney
Water Business Office Manager: Jim Yanker
Managing Director for Utilities/Public
Works and Utilities: Greg Morgan
City Clerk: Cassandra Brager

INVOCATION

The Invocation was given by Mayor Pro Tem Moore

PRESENTATIONS

P-1 Request City Council consider the Tyler Water Utilities Capital Improvement Plan.

Greg Morgan, Managing Director for Utilities /Public Works and Utilities – Gave an update on the Tyler Water Utilities 10 year Capital Improvement Plan and the challenges the City faces in the future. Tyler Water Utilities is an enterprise fund operation of the City of Tyler that serves 32,930 water customers and 31,536 sanitary sewer customers, and operates and maintains 694 miles of water distribution mains, 633 miles of sanitary sewer mains and 4 treatment plants.

Tyler Water Utilities has developed a Water Master Plan as well as a Sanitary Sewer Master Plan. These plans were developed in 2007 in conjunction with what was then called the Tyler 21 Plan (now Tyler 1st). The department developed master plans that not only analyzed the existing infrastructure and upgrades that would be needed to these systems, but which also looked at the infrastructure that would be needed to extend utility services out into the City's extraterritorial jurisdiction. From these master plans, 51 water projects and 77 sanitary sewer projects were developed.

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Capital 2010-2015

Total Projects – 33

Total Amount - \$27,159,593.36

Operating 2005-2015

Total Projects – 34

Total Amount - \$8,101,336.64

Non-Master Plan Projects

2014-2015

Total Projects – 8

Total Amount - \$13,256,749.65

The City of Tyler pays and/or finances its projects in several ways by using either:

- **Cash** – the majority of projects are paid for with cash generated from the sale of water and collection and treatment of wastewater;
- **Bonds** – revenue bonds are used to fund projects, or groups of similar types of projects, that are anticipated to cost more than can be paid for with cash; or
- **Combination** – some projects are paid for with a combination of both cash and revenue bond funds.

Project Prioritization

Projects are reviewed on a quarterly basis by TWU staff and prioritized, as needed, based on the following criteria:

- **Regulatory Compliance** – will the project address an existing or future regulatory compliance issue;
- **New Service** – will the project provide new service to previously unserved areas through annexations or citizen requests;
- **Funding Availability** – is funding currently available, and if not, when can it be available; and
- **Leveled Expenditures** – are proposed expenditures balanced over the ten year planning period to maintain level cash flows and to eliminate peaks and valleys in rate development.

Current 10 Year CIP

98 identified projects totaling \$73,468,626.

10 TCEQ regulatory projects totaling \$14,351,134.

12 EPA regulatory projects totaling \$13,136,840

RECESS FOR EXECUTIVE SESSION - City Council convened into executive session
11:23 am.

As allowed by the Texas Open Meetings Law, Chapter 551 of the Government Code, the City Council may consider the following:

Executive Item No. 1:

Under section 551.087 “Litigation” deliberation regarding the following:

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Pending or contemplated litigation involving EPA.

Litigation is, by its nature, an on-going process, and questions may arise as to trial tactics, which need to be explained to the City Council. Upon occasion, the City Council may need information from the City Attorney as to the status of the pending or contemplated litigation subjects listed above

City Council reconvened from executive session at 12:57 pm.

Greg Morgan, Managing Director for Utilities /Public Works and Utilities – Discussed the Tyler Water Utilities Rate Structure.

Two Part Rate Structure

Minimum Charge – Include 2,000 gallon consumption

Volumetric Rate

Residential Sanitary Sewer Charges capped at 10,000 gallon consumption

Declining Block Rate –the more water you use the less we charge per thousand gallon

Revenue Shortfalls

In FY 2014 we incurred a \$1,453,984 rate revenue shortfall.

Today we are estimating approximately \$2.0 Million rate revenue shortfall in FY 2015.

These Revenue Shortfalls are occurring in spite of rate increases because of reduced volumetric sales. Reduced sales are due to timely and excessive rain and elasticity of demand.

Shortfalls are putting extreme pressure on cash position of the Utility Fund

Shortfall Solutions

Several supplemental requests have been submitted with our FY 2016 Budget proposal to address this challenge. First, a pass-through charge of the 5% franchise fee is being requested, the Utility Fund already pays the General Fund from rate revenue.

Secondly, a debt service surcharge is being requested to cover the cost of new debt issued for regulatory compliance. This surcharge would be prorated on a per customer basis and adjusted annually as new customers are added or new debt is issued (surcharge = \$debt / no. customers) The proceeds would be deposited directly into the Debt Service Fund.

Finally, the City is requesting the issuance of Revenue Bonds in the amount of \$6 million to cover TCEQ Regulatory Compliance Projects for FY 2016, including:

Golden Road Backwash Supply

Jan Street Booster Pump Station

Barbara Street Booster Pump Station

Glenwood/Old Noonday Booster Pump Station

This issuance would be in conjunction with the refunding of our 2005 Series Revenue Bonds planned for later this year.

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Proposed Bond Program

The City of Tyler has the opportunity to refund the Series 2005 Revenue Refunding Bonds for savings if interest rates stay near the current levels as the call date of September 1, 2015 approaches. In addition to the refunding, the City is contemplating the issuance of new bonds to fund approximately \$6,000,000 in TCEQ regulatory compliance projects. This will be issued in conjunction with the Refund Bonds.

Keidric Trimble, Chief Financial Officer – Stated that the City of Tyler is looking to refund the 2005 Revenue bond issuance, which was a refunding of the 2000 bond issuance for the construction of water lines and part of the Lake Palestine water treatment plant. In addition to the refunding, the City is contemplating the issuance of new bonds to fund approximately \$6,000,000 in TCEQ regulatory compliance projects. This will be issued in conjunction with the Refund Bonds. The bonds will be on parity with the outstanding Series 2011 and Series 2012 bonds, which are secured by a subordinated lien of the water and sewer system and do not require a debt service reserve fund. The refunding analysis assumes the closing will occur on September 2, 2015

ADJOURNMENT

Motion by Mayor Pro Tem Moore to adjourn the meeting at 1:44 pm; seconded by Councilmember Nix; motion carried 4-0 & meeting adjourned.

**EDWARD MOORE, MAYOR PRO TEM
OF THE CITY OF TYLER, TEXAS**

A T T E S T:

CASSANDRA BRAGER, CITY CLERK