

**STATE OF TEXAS
COUNTY OF DENTON
CITY OF CORINTH**

On this the 15th day of June 2017, the City Council of the City of Corinth, Texas met in a Workshop Session at the Corinth City Hall at 5:30 P.M., located at 3300 Corinth Parkway, Corinth, Texas. The meeting date, time, place and purpose as required by Title 5, Subtitle A, Chapter 551, Subchapter C, Section 551.041, Government Code, with the following members to wit:

Members Present:

Bill Heidemann, Mayor
Joe Harrison, Council Member
Sam Burke, Council Member arrived at 6:30 pm
Don Glockel, Council Member
Scott Garber, Council Member
Lowell Johnson, Council Member

Staff Members Present:

Bob Hart, City Manager
Lee Ann Bunselmeyer, Director, Finance
Cody Collier, Director, Public Works
Brenton Copeland, Assistant Manager, Technology Services
Kim Pence, City Secretary
Chris Rodriguez, Manager, Finance
Greg Wilkerson, Assistant Police Chief

Others Present:

Jennifer Bertram, Senior Account Executive, Enterprise Fleet Management
Billy Backus, Enterprise Fleet Management
Nelisa Heddin, Nelisa Heddin Consulting, LLC

CALL TO ORDER:

Mayor Heidemann called the meeting to order at 5:30 P.M.

WORKSHOP BUSINESS AGENDA ITEM:

1. Receive a report, hold a discussion and give staff direction on the Enterprise Fleet Management Program.
2. Receive a report, hold a discussion, and give staff direction on the Water and Wastewater Rates for the Fiscal Year ending 2018-2020.
3. Discuss Regular Meeting Items on Regular Session Agenda, including the consideration of closed session items as set forth in the Closed Session agenda items below.

CONSENT AGENDA

No discussion on Consent Agenda items

BUSINESS AGENDA

10. Consider and Act on the Third Amendment to the Site Lease Agreement with New Cingular Wireless PCS, LLC.

Councilmember Glockel - This topic came up a year ago when we had to add items to the tower. When we have to do maintenance on the water tower there is nothing in their contract where they have to help us or move any items. An amendment to this contract should take place.

David Prejean, Representative New Cingular Wireless PCS, L.L.C. - If it is a big issue, it will have to be discussed during the next term renewal. We pay additional rent when items are added to the water tower.

Bob Hart, City Manager - What normally happens when water towers are repainted?

David Prejean, Representative New Cingular Wireless PCS, L.L.C. - We ask to be allowed to put up a separate pole and move their equipment to that tower while they repaint

Bob Hart, City Manager - When is the next lease period? And when are we scheduled to repaint the water tower?

Fred Gibbs, Director, Planning - Lease period renews 2024

Cody Collier, Director, Public Works - Our next inspection will be in 2018. I anticipate that we can wait until the lease renewal.

David Prejean, Representative New Cingular Wireless PCS, L.L.C. - In the interim, let's get something from the City that we want to make this a formal request so it can be sent to the proper people.

12. Consider and act on an Interlocal Agreement for Holding Facility Services with the Town of Little Elm.

Councilmember Glockel - What is an Onview?

Greg Wilkerson, Assistant Police Chief - That would be an arrestable charge, a Class C misdemeanor, e.g., you are stopped, you have no insurance, no identification, you can be arrested on the spot for an Onview Class C arrest.

Councilmember Glockel - The Flower Mound jail is now closed for renovation and the current Interlocal agreement will expire on May 31, 2017. Is that really expired already?

Greg Wilkerson, Assistant Police Chief - It is already expired. We have no jail at this time.

Councilmember Harrison - The term for this is 12 months?

Greg Wilkerson, Assistant Police Chief - Yes. It is renewable on an annual basis.

Councilmember Harrison - What happens when you move into the new public safety facility?

Greg Wilkerson, Assistant Police Chief - That will have no impact on that. We do not have a jail in that new facility. It does have a holding cell that will allow our officers to detain someone for a few hours before they are moved to Little Elm or Denton County.

WORKSHOP BUSINESS AGENDA ITEM:

1. Receive a report, hold a discussion and give staff direction on the Enterprise Fleet Management Program.

Bob Hart, City Manager - We are looking at long term funding strategies on how we can get caught up and how we can save money. We've been talking to the folks from Enterprise and we wanted to go through this program and have discussions on a PowerPoint being presented by them.

Billy Backus, Enterprise Fleet Management - We want to inform you of what we are doing with the government sector. We will walk you through some of the different reasons how we make this impact and how we can affect your City moving forward.

Jennifer Bertram, Senior Account Executive, Enterprise Fleet Management - A little background on Enterprise for those of you who may not be familiar, our parent company, Enterprise Holdings is the largest fleet in the world. We have almost two million vehicles now that we own and operate. We also own National and Alamo. We are a total transportation solution and want to show you how our different lines of business can benefit the City.

From an infrastructure standpoint, our Fleet Management Division establishes local partnerships with city's and implement a local account team to provide recommendations year over year.

Items that were discussed:

- Acquiring the vehicle
- How it is funded
- Reselling the vehicle
- Operating expenses
- How are the operating expenses impacted
- What does the cost look like
- What controls do we have in place
- Administrative items
- Safety aspects

Some of the partners that Enterprise currently does business with is:

- City of Kennedale
- Beaumont
- City of Idor
- Orange
- Alvin
- Nassau Bay
- UNT Dallas
- Texas Tech

Billy Backus, Enterprise Fleet Management - When we look at the financial side, we start with what we call the Total Cost of Ownership. The moment you buy it, the moment you sell it and everything in between. Your main cost areas are your capital budget and operating budget - which is maintenance and fuel. The goal is not to just focus on purchase price, but it is the focus on every single area, put a plan in place and help reduce the costs.

The only way to reduce your operating costs is to lower the average age of your fleet by replacing vehicles more frequently than you do today. Being a government entity you have phenomenal buying power. Normally, when you buy a new vehicle the notion is to use it as long as possible (15-20 years). When you do this you never capitalize on your resale. The impact of resale is one of the biggest areas of impact that you can have.

If you partner with us you can pay cash up front, but that is a large capital outlay. You can finance. This is less than paying cash and allows you to acquire more vehicles without capital outlay. The market-value finance which is also known as an open-end lease is what most government entities do. This open-end lease is completely flexible. There are no mileage restrictions, no abnormal wear and tear clauses and the lessee benefits from equity at vehicle resale.

Through any of these funding options whenever the vehicles are sold, which we help our clients do, all that profit from resale goes back to the City. You still get to utilize that profit of equity from resale. You can take those funds to the City or you can roll it into the new vehicles moving forward. It is the City's choice.

Mayor Heidemann - What interest rate are we paying?

Billy Backus, Enterprise Fleet Management - It's based off of the three year T-Bill. Depending on whether you go through one of the co-ops.

Jennifer Bertram, Senior Account Executive, Enterprise Fleet Management - If you plan to partner with us, they would use the Tips Cooperative that we have an approved RFP and the interest rate is, for the three year T-Bill which this month is 1.44 plus 300 basis points. It would be 4.4 fixed for the term. I think one of the things that we commonly get asked by Cities is well we can borrow for 1.8 or less than 2% why would we consider funding a vehicle at 4% or a little over? Conceptually, we have to be able to show you all of the other areas of opportunity that we are going to help you lower your cost. By getting the vehicle at the right time, maximizing the resale, lowering your operating expense and then overall you are going to be able to replace vehicles sooner to break even or save money.

Billy Backus, Enterprise Fleet Management - Whatever you choose to fund a vehicle, it's your choice. We always recommend what is going to keep the most capital inside the organization.

Jennifer Bertram, Senior Account Executive, Enterprise Fleet Management - We will implement an account team who will come out and meet with the City at least a couple of times a year to help forecast what vehicles make the most sense to replace this year. An account fleet coordinator who supports the account manager and all of the drivers in the field. We have a department that is there to support the City in every regards. Your City employees can focus on their job and we can help take some of the administrative burden off of them and allow them to focus on their priorities.

One of the areas of opportunity to lower the total cost of ownership is acquisition. Most of the City's that we work with have found an opportunity that if we go directly to the manufacturer, we can spec the vehicle exactly they way we want it and not pay for options that we don't need on the truck.

Mayor Heidemann - We have the ability to use the state contract. How does this coincide with your acquisition?

Jennifer Bertram, Senior Account Executive, Enterprise Fleet Management - We have an approved RFP through TIPS, which is one of the buying cooperatives that the City of Corinth is a part of. The City's that partner with us would use that and we would acquire the vehicles directly from the manufacturer on behalf of the City of Corinth using your government incentives that you qualify for.

Billy Backus, Enterprise Fleet Management - In fleet management we act on your behalf. We place that bid through all the manufacturers for the City of Corinth using your government fleet number. That way you get the government pricing that you qualify for.

Mayor Heidemann - Who owns the vehicles?

Billy Backus, Enterprise Fleet Management - The vehicles are titled to us. They are registered to the City.

Jennifer Bertram, Senior Account Executive, Enterprise Fleet Management - The reason it's called a lease is because it has language in the agreement for some of our commercial partners to treat it as an operating expense. It's financed to a residual value which you could treat as an asset.

Mayor Heidemann - Let me understand how this works. You are going to buy the vehicle and you are going to establish the residual value? Who is at risk on the residual value?

Jennifer Bertram, Senior Account Executive, Enterprise Fleet Management - The ultimate risk falls on the City. You have the option to finance out the rest of the residual from a cash flow perspective. You could pay off the book value and take the title. You are not in a position where you have to pay back something upside down.

Councilmember Glockel - Would this be capital money or are we going to straight expense this money?

Bob Hart, City Manager - Straight expense it. Right now we are using the internal service fund. We stay with the internal service fund, but it gets shifted in this direction instead of what we are doing now. The interesting thing is when you replace vehicles it's cheaper than what we are doing today. This will save us a significant amount of money and frees the cash flow and reduces the operating costs.

Jennifer Bertram, Senior Account Executive, Enterprise Fleet Management - Selling vehicles to the right buyer could lower your overall costs. We could sell vehicles on your behalf which is huge advantage to the City. An internal team has been developed where all they do is sell all of their vehicles called our Remarketing Team. We have a huge resale network in every major market. We will help provide the necessary information to sell your vehicles.

Billy Backus, Enterprise Fleet Management - We try to be proactive and plan ahead. If we are replacing sedans that are in your fleet, we are never going to sell those in the fall or winter time. Those are the types of vehicles you sell in the spring. We know the best areas to sell those vehicles to, as well.

Jennifer Bertram, Senior Account Executive, Enterprise Fleet Management - From a routine standpoint and a safety standpoint, we are tracking every oil change that maybe hasn't been done. We can put push notifications through our website that will alert different department heads or certain people in each department if an oil change was missed - or a recall on a vehicle from a safety standpoint. That could be a priority level for our website. This can be used at any local shop and allows us to put a control in place that gives the City more visibility and helps us control the expense and provide better recommendations year over year as we have access to that data as well.

We have a telematics program that we could implement that gives the City more data. It's not just GPS technology, it monitors idle time and engine hours. We just invested \$100 million dollars in our technology. The Dashboard is your website where you can have as many user interfaces as you need. It gives you all the data, all your vehicle summary - everything from an electronic standpoint that makes the City have all of it in one place and use the data.

Councilmember Glockel - With the first year you are in this program, you get 37 vehicles total and you are going to replace 13 and have 24 existing vehicles. So then you have 13 leased and you move over and you are going to have annual savings of \$159,384. I would have thought the more of these vehicles we lease the greater the savings would be, but it's the other way. When we get all 37 vehicles replaced we are down to saving \$4,000 a year?

Jennifer Bertram, Senior Account Executive, Enterprise Fleet Management - The significant savings during the first year is due to the fact that we are replacing so many and the equity was considerable in those vehicles. The idea here is that over time you will have equity in these lease payments and as you roll into the next five years it will help offset that cost as well.

Councilmember Glockel - When you get down to where you have 27 leased vehicles, you still have ten floating around. Your chart says \$793 savings. The first three years we are going to save money by going with your plan, but after that we are quit saving money?

Billy Backus, Enterprise Fleet Management - You are going from a ten year cycle down to five. Then you are going to get in the motion where everything should be pretty consistent after the five years. You see a bigger impact because we are cycling out more vehicles in the beginning. It could be more even and consistent if we cycled out an even number each year.

This is a summary of the detailed numbers that went into it and that is all laid out of what these vehicles are estimated to sell for, what the cost of the new vehicle is going to be. This is a big part of the analysis that we have gone through. Once all of the vehicles are cycled out you shouldn't see significant cost savings after that because now you are cycling out your fleet at the right time and instead of the ten years it's the five years. You are getting all of the benefits that you don't see with their reduction in down time. Vehicles aren't in the shop for as long as they used to be. Your vehicles are safer. The whole thing is managed by us, taking care of this for you.

There is no long-term contract that you are in and even in the contract that you sign there's a non appropriations clause specific for government entities. It states you are only appropriating money on an annual basis and that is all you have. You are not locked in to anything long term. We could go through the first 12 months and you see no cost savings and you can be completely done with us. You can let those vehicles go, you can buy them out, you can tell us to sell them. There is nothing that makes you stay partnered with us. In order to have clients we had to make sure that we show them cost savings, make sure that they know it's more efficient and we are able to streamline operations better than what you are doing today.

Mayor Heidemann - Mrs. Bunselmeyer, how does this differentiate from what our vehicle replacement program is and what we are working with and how it could impact our budget?

Lee Ann Bunselmeyer, Director, Finance - We've never truly been able to fully fund our vehicle replacement through the general fund. It was always on a cash basis. We've tried to replace about six police cars a year. That is our priority. Each police car is about \$65,000 with the equipment on there. On the water, waste-water side, we have been able to fund that. The mentality has always been that we buy them and then we ride them until the wheels fall off, but we do have the money available, but we don't buy the vehicles in the cycles that we should. On the fire side, we do have a vehicle replacement fund set up that is funded by us and the other cities, but that is for engines, ambulances, bigger apparatuses. We haven't been able to truly fund it on the utility side, but when you look at this model the amount that we contribute to the utility fund is more - I think we do about \$150,000 a year. To fund our utility fleet with this model, it would be less than \$100,000 a year. That does not include maintenance costs. There would be additional savings on the maintenance that we would be able to factor in. For the police side, we can fund police vehicles where they would be funded out of the crime control district and not funded out of the general fund. That would allow us to get their cycle so that it is within a five year period. How many vehicles do you have, Greg?

Greg Wilkerson, Assistant Police Chief - Front line patrol has six vehicles that are due to be replaced this current budget year. The total fleet is 29.

Mayor Heidemann - You wouldn't do that through this program?

Lee Ann Bunselmeyer, Director, Finance - Yes. The police vehicles that we would be able to fund through this program by doing lease payments would be less for their entire fleet than the cost to purchase four vehicles. The difference with the police model is that they do not factor in the maintenance into the contracts and that is just because of the purpose of those vehicles. That would still operate like we do now. The impact to your general fund - and that would be the most significant because we do not fund it currently - is about \$100,000 a year when all of the vehicles are fully funded through this program. Overall, I think financially it is very doable. You will be able to have an up-to-date fleet for less than what we could have replaced it on.

Councilmember Harrison - I would like to see the Vehicle, Trailer and Mobile Equipment Inventory List with mileage readings.

Councilmember Garber - Lee Ann, do you think we would experience an actual savings or is it an actual savings with the assumption that we were actually doing the replacement that we don't actually do?

Lee Ann Bunselmeyer, Director, Finance - We would see a savings in maintenance costs because the maintenance would go down and then we will anticipate actual savings on fuel costs as well. If we were to implement an actual replacement program that is when you would truly see your savings. Right now it would impact our general fund about \$100,000 a year because we do not replace our fleet.

Councilmember Garber - It would be close to a wash overall from the way we do it now cost-wise. Is that accurate? We have maintenance savings, we have fuel cost savings, but we don't actually experience any savings on vehicles, but those two kind of cancel each other out.

Lee Ann Bunselmeyer, Director, Finance - It would come close, but I wouldn't say they cancel each other out.

Councilmember Garber - We could spend more than we are spending now, but we will actually get on a program we have intended to be on, but have never been able to. As far as the funding sources, will this program allow us to better utilize those other funding sources? Why?

Lee Ann Bunselmeyer, Director, Finance - Right now, we put money into funds, e.g., water wastewater fund, with the anticipation that we are going to replace, but we don't do it. We have \$100,000 sitting there that we could be replacing those vehicles without little impact and could probably fund this whole thing for years out of the proceeds that are in there and never even touch your water wastewater fund.

Councilmember Garber - The ability to do that exists now, but it doesn't happen automatically so it doesn't tend to happen.

Lee Ann Bunselmeyer, Director, Finance - Correct. We wait and we just replace the vehicles when they are no longer functioning.

Councilmember Garber - This would impose some self discipline about the program that doesn't currently exist.

Lee Ann Bunselmeyer, Director, Finance - Right, but I will tell you that with that fund this program only is to replace half ton trucks, cars, squad cars, it does not even address dump trucks or bigger equipment. We would still need to have that mechanism for those replacements of larger equipment.

Mayor Heidemann - Do we currently have a vehicle replacement policy that you operate under within the guidelines of our budget?

Lee Ann Bunselmeyer, Director, Finance - The directors created one last year that incorporates mileage, years and maintenance. We were looking at a ten year replacement cycle consistent with our practices. Some of them were five such as the police cars because of the wear and tear that those vehicles have. Prior to that we did not have one.

Mayor Heidemann - Is Enterprise the only company that we have looked at as far as what fleet services they could provide for us? Is there a requirement for us under the state rules and regulations that we have to look at other organizations?

Bob Hart, City Manager - We went through TIPS and they are a qualified purchaser. I've looked at this over the last several years, I don't know anybody else that does this. I have always replaced vehicles under the same philosophy that Corinth does in terms of using the internal service funds. I've used a different replacement schedule. When I first saw this and what made sense was looking at the full life cycle and replacement vehicles. I can reduce all of the operating costs and get everything back up and completely funded. It's always a struggle in the general fund to replace vehicles. This seems to do that and you end up with the system operating much better.

Councilmember Garber - It looks like our current purchase price is \$343,000 currently.

Lee Ann Bunselmeyer, Director, Finance - I think those were just examples. We didn't purchase any vehicles last year.

Councilmember Garber - If we decided to lease all of these vehicles then our cash flow requirements would from apparently close to zero for vehicle replacement to almost \$600,000 a year? We are currently not funding that. We would have to fund that. It seems that we were trying to offset those costs off of variables that the first one doesn't make a whole lot of sense which is that we would be saving over 60% in fuel over five years. That seems a little bit of a stretch even though it's a small number. The maintenance I understand because that is guaranteed. The other big if is the resale profit. It feels like it's taking some control off of the table we are basically signing up to \$600,000 worth of debt payments.

Lee Ann Bunselmeyer, Director, Finance - When the program is fully funded on your fifth year you are looking at about a half a million because you are still going to be selling the vehicles at that point. The thought is originally when we sell them we are not going to get that much on the resale because we have an older fleet. Once you start cycling every five years, outside of PD, the rest of our vehicles have very low mileage. At that point we should have better resale value. How I had to look at is the impact to the general fund because not all of those vehicles are general fund. We are already putting in about \$175,000 into the water wastewater vehicle replacement fund. There is a higher amount for parks and streets. When fully funded the general fund will have a \$100,000 impact. The biggest impact for us is going to be police. That alone is going to be about \$300,000 in leasing those vehicles. Prior to last year we tried to buy at least four police cars a year in order to try to stay up with that fleet. At that point we were already paying about \$260,000. Now that \$260,000 for four vehicles vs. the fully funded lease program is going to be about \$300,000. You are not looking at that much of a difference to fully fund the replacement of police.

Mayor Heidemann - How much are we going to have to take out of general fund?

Lee Ann Bunselmeyer, Director, Finance - \$100,000 out of the general fund.

Councilmember Harrison - On the police vehicles you are going to replace, does that cost include all of the add-ons.

Lee Ann Bunselmeyer, Director, Finance - Yes, Sir.

Billy Backus, Enterprise Fleet Management - On www.governmentfleet.com there is a post of a case study on one of our clients after one year, on 23 vehicles they replaced in the first year, they went from \$80,000 they were spending on maintenance and fuel down to \$27,000. A lot of this is fuel efficiency of the vehicles and lower maintenance cost.

2. Receive a report, hold a discussion, and give staff direction on the Water and Wastewater Rates for the Fiscal Year ending 2018-2020.

Bob Hart, City Manager - We review utility rates every three years. Most of our costs are tied back in to the Upper Trinity Regional Authority.

Nelisa Heddin, Nelisa Heddin Consulting, LLC - I have been working with the City of Corinth since 2005. It is time to look at the rates and adopt a rate change based on your three year analysis.



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City of Corinth, TX

Cost of Service and Rate Design Study
Water and Wastewater Utility

June 15, 2017

Overview

- Introduction
- Background
- Methodology
- Findings
- Recommendations

Economic Reality of Water



- Water has an inherent value to fund infrastructure necessary for treatment and distribution
- Water is critical to a variety of industries, and as a result, the economy
- Water is a fundamental building block for communities
- 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

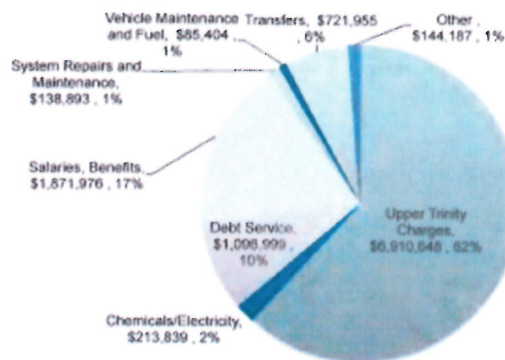
- Expenses – Off-sets = Revenue Requirements
- 3-Year Outlook
- Used FYE2017 Budget as Starting Point
- Did not include any additional funding for capital projects

Step 1: Revenue Requirements

	2018	2019	2020
Water Utility Revenue Requirement	\$7,895,691	\$8,281,077	\$8,663,100

	2018	2019	2020
Wastewater Utility Revenue Requirement	\$3,288,209	\$3,403,212	\$3,478,787

Step 1: Revenue Requirements



*74% of Total Revenue Requirements are for Upper Trinity, Chemicals/Electricity and Annual Debt Service

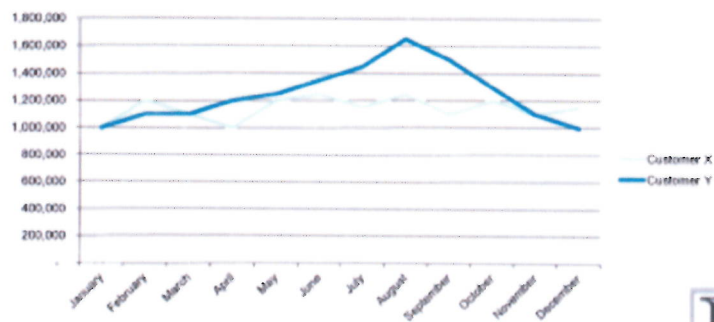


Step 2: Functionalization

- 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



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Step 4: Rate Design

- Recovers Cost of Service from Each Class of Customers
- Packaged to Mitigate Financial Impact to Customers

Step 4: Rate Design

- Water Utility
 - Base Fee

Base Fees	Current Rate	Recommended Rate
5/8 x 3/4	\$23.27	\$31.23
full 3/4	\$32.24	\$34.36
1 inch	\$32.25	\$43.73
1 1/2 inch	\$65.15	\$65.15
2 inch	\$100.70	\$100.70
3 inch	\$210.25	\$343.56
4 inch	\$330.10	\$437.26
6 inch	\$660.95	\$660.95
10 inch	\$1,510.65	\$1,510.65

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Step 4: Rate Design

- Water Utility
 - Volumetric Charge – Residential

Volumetric Charges - Residential	Current Rate	Recommended Rate
0-10000	\$2.77	\$4.95
10001-25000	\$4.77	\$6.95
25001-50000	\$6.77	\$8.95
50000 up	\$8.77	\$10.95

Step 4: Rate Design

- Water Utility
 - Volumetric Charge – Commercial

Volumetric Charges - Commercial	Current Rate	Recommended Rate
0-10000	\$3.68	\$4.75
10001-25000	\$4.68	\$5.75
25001-50000	\$5.68	\$6.75
50000 up	\$6.68	\$7.75

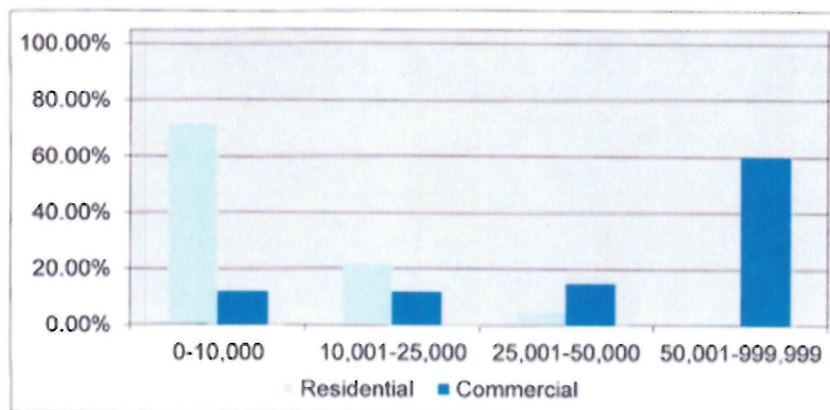
Step 4: Rate Design

- Wastewater Utility

	Current Rate	Recommended Rate
Base Fee	\$21.39	\$21.39
Volumetric Fee	\$5.60	\$3.67

Average Customer Rate Comparison

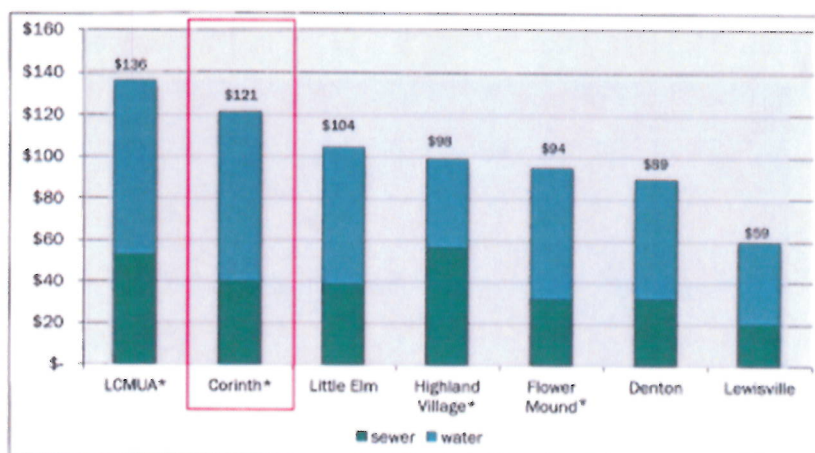
Utility Customers Based on Usage



Residential Customers (95.3%)	6,800
Commercial Customers (4.7%)	334
Total Customers	7,134

Average Residential Customer Impact

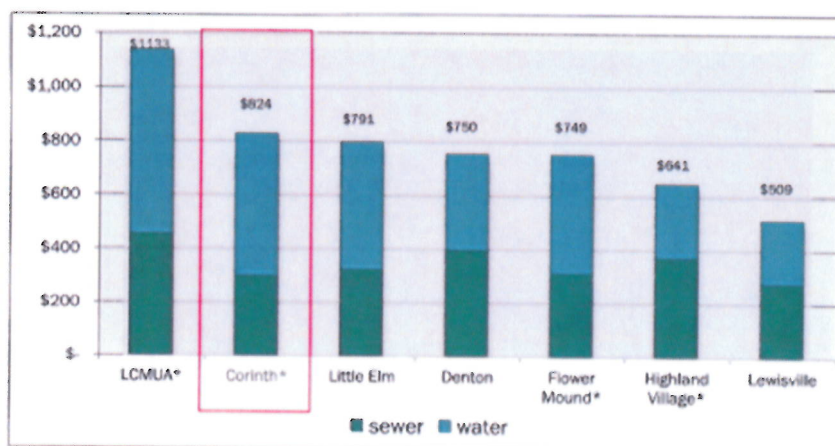
Based on 10,000 gallons water and 5,045 gallons sewer per month



* Cities serviced by Upper Trinity. Note, Flower Mound only subscribes for Water services, they do not subscribe for Wastewater Services.

Average Commercial Customer Impact

Based on 75,000 gallons water and sewer per month



* Cities serviced by Upper Trinity. Note, Flower Mound only subscribes for Water services, they do not subscribe for Wastewater Services.

Councilman Glockel - Is 2018 a significant jump over 2017?

Nelisa Heddin, Nelisa Heddin Consulting, LLC - Over 2017, not a huge jump. It's just about 2% for most of your line items and 3% on Upper Trinity.

Councilmember Glockel - You said that we are going to over achieve this first year and break even and under. Can we only do this every three years?

Nelisa Heddin, Nelisa Heddin Consulting, LLC - No, Sir. You can do this annually or every five years. It is up to the city to determine how often. Your staff and I discussed at length and worked through different scenarios to come to this recommendation - to try to move the City towards a greater degree of revenue stability through your base fee.

Mayor Heidemann - If the city were to put any restrictions on usage during the summertime, what impact would that have on our rate?

Nelisa Heddin, Nelisa Heddin Consulting, LLC - If you were to decrease your water sales, the rate has to go up. However, your Upper Trinity call factors are at 7.5 MGD. Essentially what happens if you have two or three days where you exceed that, you automatically get bumped to the next tier in reservation with Upper Trinity which bumps the fixed rate up higher. You do have a balancing act where we want to sell as much water as we can without exceeding 7.5 million gallons a day. The goal is to achieve some conservation especially in the peak days and try to levelize that out. One of the better ways to do that is to regulate watering days so that you don't have everyone watering their lawn on the same day. You don't want to get too restricted on total use because you want customers to use the water so that you can spread those fixed costs.

Councilmember Harrison - The rate that goes up, once we exceed it . . . it doesn't go down does it?

Nelisa Heddin, Nelisa Heddin Consulting, LLC - No, Sir. You are absolutely correct. Once you are in the next tier, you are there. That is how that contract works for the long term.

Councilmember Garber - How does our current rate compare to their current rate?

Nelisa Heddin, Nelisa Heddin Consulting, LLC - The City's current rate is about \$100.43. The recommendation at this point is would be to consider rates for a three year period. Then staff would be looking at it again annually.

Councilmember Glockel - We are saying that we are going to raise the rate for the basic water on 75% of our residents by 30% and we are going to raise the volumetric on 75% of our residential customers by 90%? We went from \$2.77 to \$4.95.

Nelisa Heddin, Nelisa Heddin Consulting, LLC - There is a decrease on the sewer side. A total increase of about 20% going from \$100 to \$120.

Councilmember Glockel - I think that is an excessive change in one year.

Councilmember Johnson - I believe this needs to be revisited before we can pass it or not pass it.

Councilmember Burke - Do we have a reserve on the wastewater or water?

Mayor Heidemann - No.

Councilmember Burke - We have an accurate projection of the cost and we are going to raise the rates to pay for those costs and you don't want to do that?

Councilmember Johnson - I didn't say I didn't want to do it. We need to have input from the neighbors.

Councilmember Garber - I think what Lowell is bringing up is that there are two or three really sticky points in Corinth. Economic Development is one and water costs are another one. People are not rational when it comes to this. When we start talking about a 16% increase on top of not hitting our effective tax rate, I agree we need to address the costs and people need to pay for the cost of the water. With this sort of rate increase on the heels of people that are already really touchy about their water bills - we will end up with a reaction that is not rational. Even though the math is rational. I understand the costs need to be covered. This sort of rate increase on the first year will elicit a non rational response.

Mayor Heidemann - Is it better for us just to do it annually? If we did it annually and then do cost containment. Put measures to try to conserve water costs. I'm wondering if we can go into a program of educating the public

Nelisa Heddin, Nelisa Heddin Consulting, LLC - To address your question on annually, you could absolutely do that. The pros and cons are simply one is a little bit each time - it's not as much because you are basically playing catch up for three years. However, at the same time that means annually your phone rings. I have clients who do it every year and I have clients who do it every three to five years and just prefer to do it one time. It is historically the City's option.

Councilmember Glockel - 75% of the residents are going to carry these two hits and some of them didn't get hit at all on the commercial side. Why didn't we raise some on the commercial side? In my opinion, it would be more palpable if we went up 10% a year instead of 30%.

Nelisa Heddin, Nelisa Heddin Consulting, LLC - The base fee is because meters have been over recovering and, so, you have to change those base fees for those larger meters.

Councilmember Harrison - These are just your recommendations?

Nelisa Heddin, Nelisa Heddin Consulting, LLC - Yes, Sir.

Councilmember Burke - This isn't a tax. It's a cost. It's a service we provide at no profit. If someone asked me why did my costs go up? I would say because your cost went up. Why didn't you address our costs? Because we really are just a water purchaser primarily from Upper Trinity and there is not a lot that we can do to control their costs. We are a customer that passes along the cost to our other customers. If the costs are a serious problem or concern of theirs, we don't need to hide it from them. Here is what the costs are. When we can't answer their questions any more, the irrational response needs to be rationally directed. You prevent people from being angry and ultimately prevent change if change is necessary.

Councilmember Glockel - I like the way you stated that. Except, if I were the customer asking you that question, I'd say, you have to have that this whole 20% to cover the costs this year and you are going to have to say, no, we are going to have an excess this year. Next year we are going to break even. If 10% is what we have to have to pay our bills, I'd be all for it. I don't want to do 20% if we don't need it.

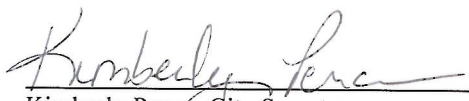
Nelisa Heddin, Nelisa Heddin Consulting, LLC - The City of Corinth's water utility historically has been a self-sustaining utility. In other words, your taxes are not supporting this utility. You do have a general fund transfer that is actually cost based. Your staff goes through and analyzes and allocates the cost based off of cost allocation factors. This utility is truly self-sustaining.

ADJOURN:

Mayor Heidemann adjourned the workshop meeting at 6:40 P.M.

Meeting adjourned.

Approved by Council On 24th day of August, 2017.



Kimberly Pence, City Secretary
City of Corinth, Texas

