

MEETING MINUTES
City Council, City Of Quitman

Wednesday, January 9, 2013 – 5:15 PM
City Council Chambers, City Hall – 401 E. Goode Street, Quitman, TX

COUNCIL PRESENT: J.R. Evans, Mayor Pro-Tem; Toni Cole, Alderman; Larry Crow, Alderman; Randy Dunn, Alderman and Sam Lange, Alderman

COUNCIL ABSENT: Jerry Edwards, Mayor (deceased)

STAFF PRESENT: Mike Hall, City Secretary / Administrator and Jim McLeroy, City Attorney

Evans called the meeting to order at 5:15 PM.

Evans led an invocation and the pledge.

He noted the recent passing of the Mayor, thanking everyone for their prayers for the Edwards family.

He noted the purpose for this special meeting was to address the linked issues of water well permitting & utility rates, as well as to address a minor issue in the automatic renewal date of the City Secretary-Administrator's employment agreement. He noted that while the items were posted under the heading of workshop that they had also been posted for discussion and action to allow the Council to move forward as they saw fit.

Without objection Evans took up Items 1 and 2 together.

Item 1 – Water Well Regulation and Permitting

Item 2 – Utility Rate Structure

Hall gave an extensive background on the current utility rate, which is a flat or equity based rate system in which there is a small base rate charge and most revenue for the system comes from the use of water. This utility rate method was adopted by the City Council in October 2008. Prior to that, the system relied more on a larger base rate charge and lower use charge.

The Council also discussed the revenue issues facing the City during that time. Prior to the rate change, the City had been treating wastewater for the Ozarka bottling plant for \$250-300K of revenue and using that to subsidize the rate paid by local water users. Additionally, the City had been running the system at annual loss and reducing the available fund balance to further keep the rate low. With the loss of the Ozarka revenue source due to the building of a wetlands project for onsite treatment of their waste water and the depletion of the fund balance in the city's utility fund, the City faced a fiscal crisis in late 2008 that led to the change in utility rates. The equity based utility rate increased overall rates more heavily on large volume users since it was based on pay for use.

There was extensive discussion on the volatility of the equity based system and its reliance on use for revenue. Hall estimated that about 40% of the total revenue was dependent on high volume use in weather situations and more during summer months. A base rate system with less emphasis on use would provide more stable income on a regular basis throughout the year. There was discussion about the type of base rate structure that might be pursued under a new system with distinctions for smaller household users (1" under meters), mid-size users (1 ½ - 2" meters) and large users 4"-8" meters. Hall warned that moving to a more traditional rate system would shift the revenue burden to all users based more on the idea of availability of water rather than the high volume users based on the actual use of water. He also noted that a use based system is naturally a conservation method and that a more traditional system of base rate with less cost for use would require a rework of the City's drought contingency plan to provide for rate changes in higher level stages of droughts.

There was also extensive discussion about the system improvements surcharge, also known as the debt service charge. The 29% surcharge, which is added to the total cost of water & sewer, would have to be reworked into any new utility rate system in order to provide some sort of revenue to support on-going capital needs for the system. Hall noted that engineers had just completed the draft of the study on the Water & Wastewater plants and that city staff would be meeting with them over the next few weeks. They would then present a plan to the Council later this spring for the projects needed to assure the system would remain functional through the next 30 years. He estimated the total cost of impending projects between \$10-20M.

There was general discussion of the legal defensibility of water well regulation. McLeroy explained that the power of the City is based on both general zoning authority and the ability to protect health & safety. He noted that this must be balanced with individual and property rights and the legal landscape is constantly shifting, more so in recent months toward the idea that regulation of private water wells could potentially constitute a takings by governmental authority, but that this would be an issue for the courts to decide if someone were to take exception with the City's regulations.

There was general discussion regarding the possible issues of changing the water well permitting regulations to allow wells for irrigation and agricultural purposes. Concerns raised included the need to assure that the well would continue to be used only for these purposes and not for potable use especially in public use situations, also to make sure that wells were not later cross-connected to the City's system and create a potential for contamination. There was also discussion about the need to monitor to assure that water from private wells was not being disposed of into the City's wastewater system or that the user was being properly charged. There was also discussion about the need to protect the underground water from contamination due to well flooding, collapse, or other inflow. There was also discussion about the potential lost revenue from current users leaving the utility system to use a private well instead.

There was discussion about possible revised regulations to allow for permits of water wells for irrigation and landscaping. These included who would be responsible for approval, the cost for application and permitting, the potential for an annual inspection and cost for such, regulations of set-backs or size of property and placement on property. There was general consensus to rely on state requirements as much as possible as a basis.

Cole made a motion to direct the City Attorney and City Secretary-Administrator to draft an ordinance to allow water well permitting for irrigation and agricultural purposes to be considered by the Council at their next regular meeting on Thursday, January 17th, the motion was seconded by Crow. The motion passed unanimously.

By consensus, the Council also directed the City Secretary-Administrator to perform a rate study and provide alternative rate structures with attention to a base rate structure to provide for stability of revenue and equal sharing of the cost of providing water/wastewater service to all customers.

Hall suggested a draft could be prepared as early as February, but more likely for consideration/action in March.

Item 3 – City Secretary-Administrator Employment Agreement

Evans informed the Council that the existing agreement with the City Secretary-Administrator, which runs from July 15, 2011-July 15, 2013, would automatically renew on January 15th (six months prior to its end) without action by either party. To allow for additional time to more appropriately discuss the potential for renewing the agreement and to potentially adjust the annual agreement date to coincide with the City's fiscal year, the City by mutual agreement with the City Secretary-Administrator could extend the automatic renewal date to March 22, 2013 which is the day after the regular City Council meeting in March. He recommended passage of the resolution which gave him authorization to execute the 'memorandum of understanding' as discussed.

Dunn made a motion to approve the resolution, Lange seconded the motion. The motion passed unanimously.

Adjournment

Lange made a motion to adjourn, Cole seconded the motion. The motion passed unanimously.

The meeting was adjourned at 6:43 PM.

I HEREBY CERTIFY THAT THESE MINUTES ARE A TRUE AND CORRECT RECORD OF THE ITEMS CONSIDERED AND ACTION TAKEN AT THIS MEETING AND THAT THESE MINUTES HAVE BEEN APPROVED AS TRUE AND CORRECT AND THAT AN EXECUTED COPY IS ON FILE WITH THIS OFFICE.



**MICHAEL E. HALL
CITY SECRETARY-ADMINISTRATOR**