

CITY COUNCIL MEMORANDUM

AGENDA ITEM

ORDINANCE AMENDING CHAPTERS 2 AND 30 ADJUSTING COMMUNITY SERVICE FEES AND IMPLEMENTING A WATER RATE DESIGN CHANGE

ORIGINATING DEPARTMENTS

COMMUNITY SERVICES/PUBLIC WORKS

BACKGROUND INFORMATION

Community Services staff briefed City Council regarding additional revenue opportunities available via fee increases in the areas of the cemetery, golf course, aquatic center and parks. At the August 23, 2016 City Council Workshop, Community Services staff received a consensus from City Council to draft an ordinance amending fees specifically related to the following:

- Adult cemetery plot fees;
- Golf course fees related to carts, trail fees, range balls, green fees, annual passes and user fees;
- Family Aquatic Center private reservation fees; and
- Parks and Recreation fees related to swim lessons.

In relation to the proposed changes to Chapter 30 of the Code of Ordinance, during the 2013-2015 time periods, City Council directed City Management to enter into professional services agreements with professional consultants to develop rate models for the Solid Waste, Water and Sewer and Drainage Utility Funds. A rate study is conducted by combining a comprehensive review of operational expenditures with additional economic assumptions to include, without limitation, a CPI (Consumer Price Index) inflation factor and population growth rates. The rate study analysis culminates into the development of a rate model. The rate models are used to identify rate recommendations necessary to support the Public Works enterprise funds as necessary to plan for future growth, capital outlay, personnel projections, and the best possible service to the citizens of Killeen, as well as to ensure the fiscal soundness of the utilities by adjusting rate structures/designs or fees as necessary for the utilities to remain solvent. A thorough analysis and annual reevaluation of a City's rate models is imperative to determine future courses of action and their effects on the health of the respective enterprise funds.

DISCUSSION/CONCLUSION

The proposed amendments to Chapter 2 of the City's Code of ordinances that establish, among others, Community Services fees that are outlined above and reflected on the attached ordinance represent an opportunity for increasing revenue as necessary to support the provision of services currently provided. The proposal also positions these particular service areas to be at or near the forefront of the surrounding markets that provide similar services.

Similarly, in relation to the proposed changes to Chapter 30, contemporaneously with the development of the FY17 budget, Public Works assisted by the Finance Department, revisited

the rate models utilizing the model development expert consultants, NewGen Strategies and Solutions (NewGen) and SCS Engineers, in order to determine the financial sustainability of the Solid Waste, Water & Sewer, and Drainage funds and to make projections and recommend rate adjustments to ensure the continuous financial soundness of these funds. The results of the modeling efforts were presented to City Council on July 25, 2016, in a Special City Council Workshop meeting.

At that meeting, the findings presented to City Council included projections and recommendations for the next three fiscal years based on the best available data as provided by City staff. In essence, the recommendations for Fiscal Year (FY) 17 were that no adjustments were needed for Solid Waste and Drainage; however, NewGen did recommend the implementation of a residential water rate design change to add an additional tier to the residential water rate design for the purpose of encouraging conservation of this most precious resource. This recommendation was based on a previous study completed by the City in 2013 and is further based on industry best practices. Implementing the recommendation requires an ordinance revision that adds another tier (10,000 - 25,000 gallons) to the current volumetric charge increments and establish costs associated with the new tier and the final tier (25,000 +). The attached ordinance effectuates this change.

FISCAL IMPACT

The fiscal impacts associated with this action are twofold: 1) based on FY16 year-to-date figures, an estimated additional \$189,000 in General Fund revenue for FY17; and 2) an estimated increase of approximately \$548,205 in Water and Sewer Fund revenue that will be reflected in the Water & Sewer Fund sale of water revenue account: 550-0000-322.05-00 for FY17.

RECOMMENDATION

City staff recommends that City Council adopt the attached ordinance amending Community Services Fees and implementing the residential water rate design change.