



City of Killeen

Agenda

City Council Workshop

Tuesday, March 20, 2018

5:00 PM

Utility Collections
Conference Room
210 West Avenue C
Killeen, Texas 76541

Items for Discussion at Workshop

1. [DS-18-022](#) Discuss Agenda Items for the Regular City Council Meeting of March 27, 2018
2. [DS-18-023](#) Discuss Large Truck Parking Adjacent to Residential Property

Attachments: [Presentation](#)
3. [DS-18-024](#) Planning Session
· Brief Economic Development Current Policy

Attachments: [Presentation](#)
4. [DS-18-025](#) Discuss and Conduct Annual Evaluation of the City Manager

Items for Regular City Council Meeting of March 27, 2018

Minutes

5. [MN-18-006](#) Consider Minutes of Regular City Council Meeting of March 13, 2018.

Attachments: [Minutes](#)

Resolutions

6. [RS-18-018](#) Consider a memorandum/resolution to accept the annual audit report for the fiscal year ended September 30, 2017.

Attachments: [Staff Report](#)
7. [RS-18-019](#) Consider a memorandum/resolution appointing Presiding and Alternate Judges for the May 5, 2018 general and special election.

Attachments: [Staff Report](#)
[Presentation](#)
8. [RS-18-020](#) Consider a memorandum/resolution approving use of a Request for Proposal for the selection of a healthcare plan and dental plan for both fully insured and self-insured options.

Attachments: [Staff Report](#)

[Presentation](#)**Ordinances**

9. [OR-18-004](#) Consider an ordinance approving a tariff to authorize an annual rate review mechanism with Atmos Energy Corporation.

Attachments: [Staff Report](#)

[Exhibit A](#)

[Tariff](#)

[Ordinance](#)

[Presentation](#)

Adjournment

I certify that the above notice of meeting was posted on the Internet and on the bulletin boards at Killeen City Hall and at the Killeen Police Department on or before 5:00 p.m. on March 16, 2018.

Dianna Barker, City Secretary

The public is hereby informed that notices for City of Killeen meetings will no longer distinguish between matters to be discussed in open or closed session of a meeting. This practice is in accordance with rulings by the Texas Attorney General that, under the Texas Open Meetings Act, the City Council may convene a closed session to discuss any matter listed on the agenda, without prior or further notice, if the matter is one that the Open Meetings Act allows to be discussed in a closed session..

This meeting is being conducted in accordance with the Texas Open Meetings Law [V.T.C.A., Government Code, § 551.001 et seq.]. This meeting is being conducted in accordance with the Americans with Disabilities Act [42 USC 12101 (1991)]. The facility is wheelchair accessible and handicap parking is available. Requests for sign interpretive services are available upon requests received at least 48 hours prior to the meeting. To make arrangements for those services, please call 254-501-7700, City Manager's Office, or TDD 1-800-734-2989.

Notice of Meetings

The Mayor and/or City Council have been invited to attend and/or participate in the following meetings/conferences/events. Although a quorum of the members of the City Council may or may not be available to attend this meeting, this notice is being posted to meet the requirements of the Texas Open Meetings Act and subsequent opinions of the Texas Attorney General's Office. No official action will be taken by Council.

- NAACP Annual Freedom Banquet, March 16, 2018, 7:00 p.m., Killeen Civic and Conference Center

Dedicated Service -- Every Day, for Everyone!



City of Killeen

Legislation Details

File #: DS-18-022 **Version:** 1 **Name:** Discuss Agenda Items
Type: Discussion Items **Status:** Discussion Items
File created: 2/22/2018 **In control:** City Council Workshop
On agenda: 3/20/2018 **Final action:**
Title: Discuss Agenda Items for the Regular City Council Meeting of March 27, 2018
Sponsors: City Manager Department
Indexes:
Code sections:
Attachments:

Date	Ver.	Action By	Action	Result
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City of Killeen

Legislation Details

File #: DS-18-023 **Version:** 1 **Name:** Discuss Large Truck Parking Adjacent to Residential Property
Type: Discussion Items **Status:** Discussion Items
File created: 2/21/2018 **In control:** City Council Workshop
On agenda: 3/20/2018 **Final action:**
Title: Discuss Large Truck Parking Adjacent to Residential Property
Sponsors: City Manager Department
Indexes:
Code sections:
Attachments: [Presentation](#)

Date	Ver.	Action By	Action	Result
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LARGE TRUCK PARKING IN RESIDENTIAL AREAS

DS-18-023

March 20, 2018

Truck Parking

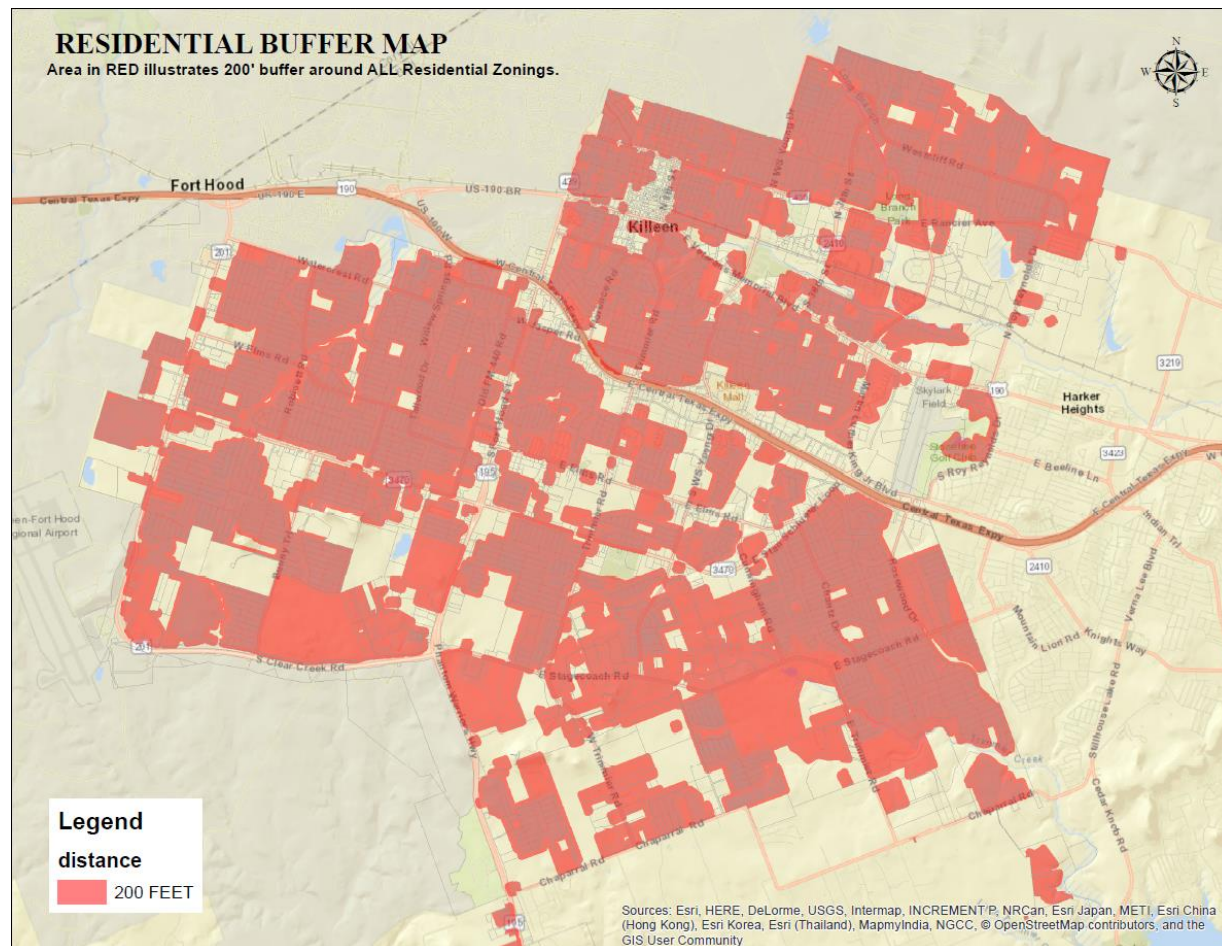
2

- ❑ Section 28-132 *Parking in residential areas* addresses truck and trailer parking in areas including the area *adjacent* to zoned residential areas.
- ❑ City staff reviewed options defining the restriction of parking trucks over one ton to 200, 300, 500 and 1000 feet within a zoned residential area.



3

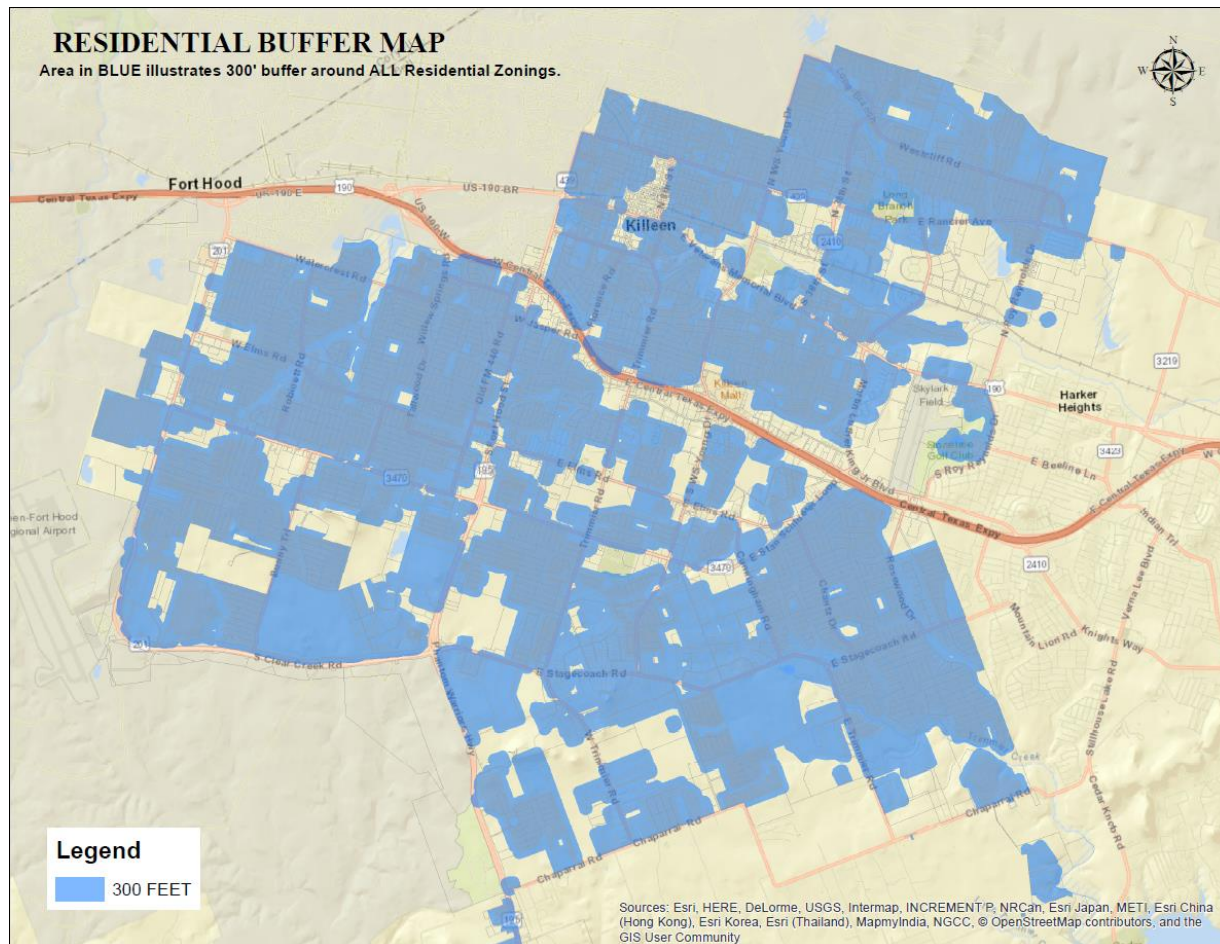
Truck parking adjacent to residential areas
Driving Safety and Noise Abatement



4

Residential Buffer Map

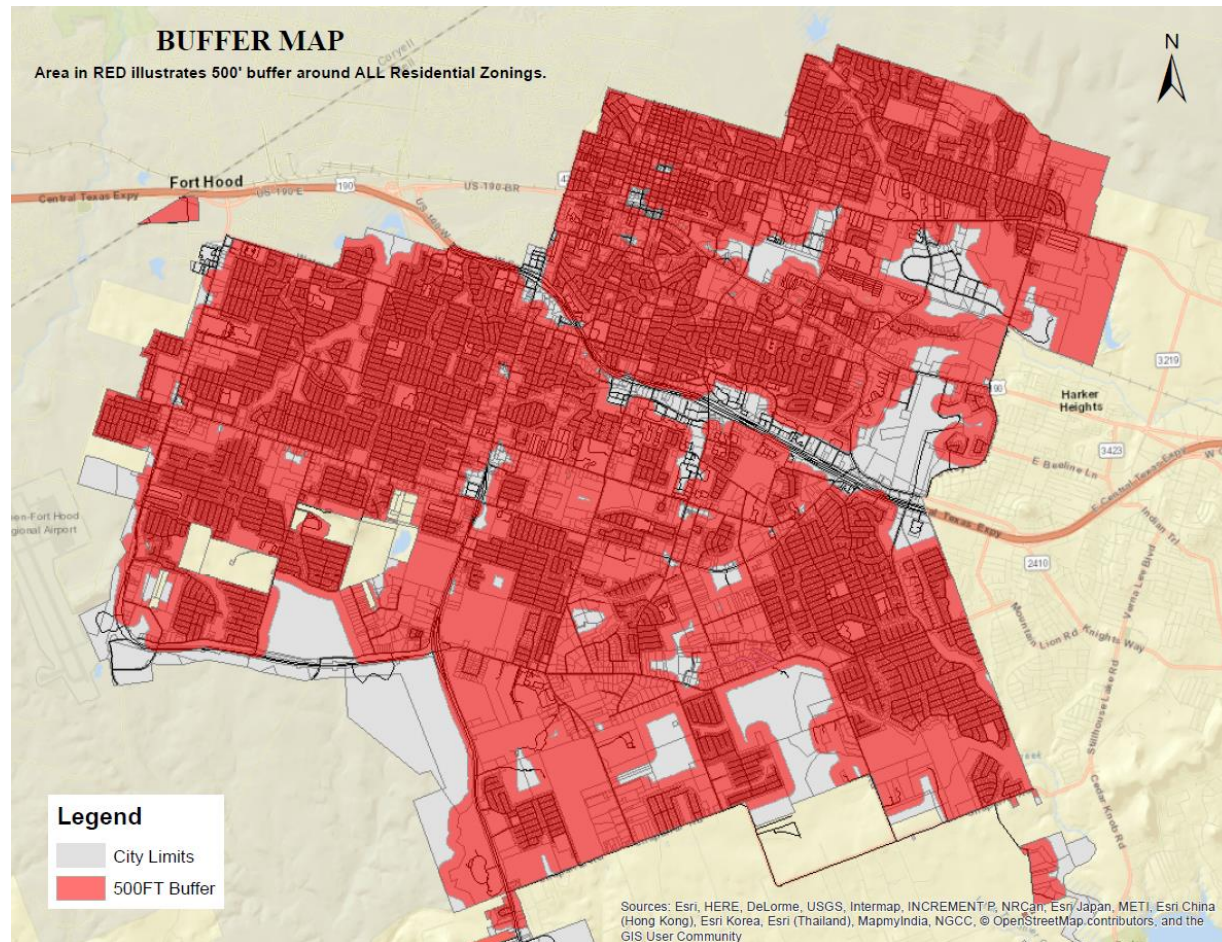
Area in red illustrates 200' buffer around all Residential Zonings.



5

Residential Buffer Map

Area in red illustrates 300' buffer around all Residential Zonings.



6

Residential Buffer Map

Area in red illustrates 500' buffer around all Residential Zonings.

Recommendation

8

- ❑ After due consideration of traffic safety, noise abatement and reasonableness, the distance of 500 feet is recommended.
- ❑ Staff recommends Council approve the ordinance Chapter 28, Article V., Sec 28-132: *Parking in residential areas* as revised.



City of Killeen

Legislation Details

File #: DS-18-024 **Version:** 1 **Name:** Planning Session
Type: Discussion Items **Status:** Discussion Items
File created: 2/22/2018 **In control:** City Council Workshop
On agenda: 3/20/2018 **Final action:**
Title: Planning Session
· Brief Economic Development Current Policy
Sponsors: City Manager Department
Indexes:
Code sections:
Attachments: [Presentation](#)

Date	Ver.	Action By	Action	Result
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DISCUSSION OF CITY OF KILLEEN ECONOMIC DEVELOPMENT POLICY

DS-18-024

March 20, 2019

Process for Discussion

2

- 1. Review what policies we have.**
- 2. Discuss what else we may need.**
- 3. Form a new policy.**
- 4. Debate/discuss the new policy.**
- 5. Adopt the new policy.**

What We Have

- **Ordinance No. 06-45** was passed by the City Council on **04/25/2006** adopting a policy that established an economic development program for the enhancement of City sales tax revenues. It provided for the payment of funds to promote economic development, and to stimulate commercial activity by encouraging qualifying businesses to locate within Killeen resulting in the enhancement of city sales tax revenues.

- **POLICY:** It states that the City Council may at its discretion enter into an agreement for the City to pay funds to an applicant that qualifies under this policy. It sets the qualifications for eligibility to receive incentives.

What We Have (continued)

- **Ordinance No. 07-010** was passed by the City Council on 2/13/2007 establishing an economic development program for the encouragement of retail economic growth, expansion of the local economy, creation of jobs, and enhancement of city sales tax revenues. It provided for the payment of funds to promote economic development, and to stimulate retail business.
- **POLICY:** The City Council may at its discretion enter into an agreement for the City to rebate a portion of the 1% local option sales tax to an Applicant that qualifies under this policy. The policy established guidelines for providing economic development incentives.

What We Have (continued)

5

- **Ordinance No. 08-089 was passed by the City Council on 9/04/2008 designating a contiguous geographic area within the city as Tax Increment Reinvestment Zone-2 (TIRZ- 2) to promote economic development.**
- **Tax Increment Reinvestment Zone (TIRZ) is a tool to promote economic development by earmarking property tax revenue from increases in assessed values within a designated TIRZ. It carves out the increase in property tax and reserves it for economic development, while the base-year assessed value stays in the local tax base.**
- **The new revenue can be used to pay for redevelopment, infrastructure, and other community-improvement projects.**

What We Have (continued)

6

- **Ordinance No. 13-011, passed on 1/22/2013, created a policy that established an economic development program for the encouragement of industrial economic growth, expansion of the economy, creation of jobs, and the enhancement of City sales tax revenues. It established a program to provide for the payment of funds to promote economic development, and to stimulate industrial business and commercial activity.**
- **POLICY: The City Council may, in its sole discretion, enter into an agreement to rebate a portion of the one percent (1%) local option municipal sales and use tax to an applicant that qualifies under this policy...**

What We Have (continued)

7

- **ORDINANCE NO.15-055** was passed by the City Council on 9/22/2015 that established the North Killeen Revitalization Program for the encouragement of revitalization and economic growth.
- **PURPOSE:** The purpose of this ordinance is to promote the development and redevelopment of North Killeen. This program includes incentives for residential and commercial/business structures' rehabilitation, expansion and/or new construction. By adopting this program the City intends to provide incentives by waiving certain fees and property tax abatement.

What We Have (continued)

8

- ❑ **Facade Improvement Program (2008)**
- ❑ **The City of Killeen offers facade grants for eligible rehabilitation projects located in the Downtown Historic Overlay District. The grant is structured whereas the City contributes 80% of project costs and the property owner contributes 20% of funds toward facade, roof, and/or sign improvements ultimately achieving a “new face” for downtown Killeen. These grants are available for up to \$10,000 per façade with a maximum of \$20,000 per property owner in any given year.**

What We Have (continued)

9

- **Agreement with Killeen Economic Development Corporation (KEDC) - 9/13/2016.**
- **The City entered into an agreement with KEDC providing for economic development services such as:**
 - 1) Encourage and promote economic development**
 - 2) Recommend to the City Council projects and programs to further economic development**
 - 3) Commit and spend funds contributing to creation of new jobs or retention of jobs and to improve infrastructure**

- ❑ **KEDC's mission is to promote the development of commercial, industrial and manufacturing enterprises to promote and encourage employment and the public welfare.**
- ❑ **KEDC maintains a website to promote their services**
- ❑ **KEDC receives applications for incentives and evaluates them based on the economic impact analysis**
- ❑ **They negotiate with prospects to get the best return on the investment.**

What We Have (continued)

11

- **Agreement with Greater Killeen Chamber of Commerce - 9/13/2016 to provide economic development services:**
 - 1) **Promote and encourage development of new and expanded business, commerce and industry**
 - 2) **Plan, organize and direct economic development programs**
 - 3) **Coordinate activities of various groups involved in economic development**
 - 4) **Maintain an economic development website**

- **The Chamber's Plan of Work includes many activities such as:**
- **Create an environment for the growth of new businesses**
- **Conduct a business recruitment program.**
- **Provide staff support for KEDC and Killeen Industrial Foundation**
- **Implement a communications plan to provide professional, timely, and accurate content in various forms.**
- **Operate Leadership Killeen to enhance the skills of future community and business leaders to provide value to participants and sponsors.**
- **Develop and engage Young Professionals who aspire to become leaders for the future.**

Discuss What Else We May Need

13

- ☐ **Council Input**
- ☐ **Council Questions**

Note: Staff will follow-up on questions and set another discussion item on Council agenda. When the Council is ready, staff will prepare a draft Economic Development Policy.



City of Killeen

Legislation Details

File #: DS-18-025 **Version:** 1 **Name:** Discuss and Conduct Annual Evaluation of the City Manager
Type: Discussion Items **Status:** Discussion Items
File created: 1/19/2018 **In control:** City Council Workshop
On agenda: 3/20/2018 **Final action:**
Title: Discuss and Conduct Annual Evaluation of the City Manager
Sponsors: City Manager Department
Indexes:
Code sections:
Attachments:

Date	Ver.	Action By	Action	Result
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City of Killeen

Legislation Details

File #: MN-18-006 **Version:** 1 **Name:** Minutes of Regular City Council Meeting of March 13, 2018
Type: Minutes **Status:** Minutes
File created: 2/20/2018 **In control:** City Council Workshop
On agenda: 3/20/2018 **Final action:**
Title: Consider Minutes of Regular City Council Meeting of March 13, 2018.
Sponsors: City Manager Department, City Secretary
Indexes:
Code sections:
Attachments: [Minutes](#)

Date	Ver.	Action By	Action	Result
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City of Killeen
Regular City Council Meeting
Killeen City Hall
March 13, 2018 at 5:00 p.m.

Presiding: Mayor Jose L. Segarra

Attending: Mayor Pro-Tem Jim Kilpatrick, Councilmembers Debbie Nash-King, Juan Rivera, Shirley Fleming, Jonathan Okray

Absent: Gregory Johnson, Steve Harris

Also attending were City Manager Ronald L. Olson, Deputy City Attorney Traci Briggs, City Secretary Dianna Barker, and Sergeant-at-Arms Cole.

Daryl Peters gave the invocation, and Councilmember Nash-King led everyone in the Pledge of Allegiance.

Approval of Agenda

Motion was made by Mayor Pro-Tem Kilpatrick to approve the agenda as written. Motion seconded by Councilmember Fleming. The motion carried unanimously.

Minutes

Motion was made by Councilmember Okray to approve the minutes of the February 27th Regular City Council Meeting. Motion was seconded by Councilmember Rivera. Motion carried unanimously.

Resolutions

RS-18-013 Consider a memorandum/resolution authorizing the purchase of turnout gear for the Fire Department.

Staff comments: Brian Brank

Turnout gear is the protective ensemble worn by firefighters. National Fire Protection Association regulation 1851 establishes a usable lifespan for turnout gear of no more than ten years. The fire department has a need to purchase 46 sets of coats and trousers. Staff recommends the City Council authorize the purchase of 46 sets of turnout coats and trousers in the amount of \$91,494 from NAFECO through TASB BuyBoard.

Motion was made by Councilmember Rivera to approve RS-18-013. Motion was seconded by Councilmember Okray. Motion carried unanimously.

RS-18-014 Consider a memorandum/resolution approving the interlocal mutual aid agreement for fire services.

Staff comments: Brian Brank

Mutual aid agreements supply fire department services with additional resources when a single incident or multiple incidents deplete all resources from any one entity. Entering into this agreement creates cooperation between the neighboring cities and the Killeen Fire Department to help mitigate large scale events for each entity. Staff recommends that the City Council approve the Interlocal Mutual Aid Agreement, and authorize the City Manager, or his designee, to execute the agreement.

Motion was made by Councilmember Fleming to approve RS-18-014. Motion was seconded by Councilmember Okray. Motion carried unanimously.

RS-18-015 Consider a memorandum/resolution awarding Bid No. 18-07 for a contract with Big Chief Dist. Co., Inc. to purchase unleaded gasoline for the Killeen-Fort Hood Regional Airport.

Staff comments: Matt Van Valkenburgh

The Aviation Department stocks and resells unleaded gasoline to the tenant rental car companies at the Killeen-Fort Hood Regional Airport. One sealed bid was received from Big Chief Dist. Co., Inc., Killeen, TX. This bid provides the required product at market price. Staff recommends that the City Council approve the contract with Big Chief Dist. Co., Inc. for the purchase of unleaded gasoline delivered to Killeen-Fort Hood Regional Airport; and authorize the City Manager to execute same, and all amendments or supplemental agreements within the amounts set by State and local law.

Motion was made by Councilmember Rivera to approve RS-18-015. Motion was seconded by Councilmember Okray. Motion carried unanimously.

RS-18-016 Consider a memorandum/resolution authorizing the execution of Change Order No. 18 to McLean Construction, Inc. for the Trimmier Road Widening Project.

Staff comments: David Olson

Change Order No. 18 represents the final reconciliation change order for the locally funded projects. The change order will reconcile the bid line items on the City of Killeen roadway portions of the project resulting in a final reduction in the project contract amount. City staff recommends that the City Council authorize the City Manager to execute Change Order No. 18 with McLean Construction, Inc., decreasing the contract in the amount of \$89,716.96, resulting in a total contract amount of \$7,715,855.29.

Motion was made by Mayor Pro-Tem Kilpatrick to approve RS-18-016. Motion was seconded by Councilmember Okray. Motion carried unanimously.

RS-18-017 Consider a memorandum/resolution authorizing acceptance of 24 tracts of land from the Texas Department of Transportation for portions of FM 439 that the City currently maintains.

Staff comments: David Olson

TxDOT Right of Way office undertook an effort to clean up some administrative transfers for sections of FM 439 from 16th Street to 38th Street and north from there along Westcliffe Road (Old FM 439) to the present FM 439 (East Rancier Avenue). The City of Killeen has been maintaining these sections of roadway for a number of years. It is recommended that the City accept these tracts of land because these tracts are within the city limits and not maintained by the state, these tracts comprise roadways that the City currently maintains, and it eliminates administrative confusion and makes the record consistent.

Motion was made by Councilmember Fleming to approve RS-18-017. Motion was seconded by Councilmember Nash-King. Motion carried unanimously.

Adjournment

With no further business, upon motion being made by Councilmember Okray, seconded by Councilmember Fleming, and unanimously approved, the meeting was adjourned at 5:15 p.m.



City of Killeen

Legislation Details

File #: RS-18-018 **Version:** 1 **Name:** Annual Audit
Type: Resolution **Status:** Resolutions
File created: 3/5/2018 **In control:** City Council Workshop
On agenda: 3/20/2018 **Final action:**
Title: Consider a memorandum/resolution to accept the annual audit report for the fiscal year ended September 30, 2017.
Sponsors: Finance Department
Indexes:
Code sections:
Attachments: [Staff Report](#)

Date	Ver.	Action By	Action	Result
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STAFF REPORT

DATE: March 20, 2018

TO: Ronald L. Olson, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Annual Audit

BACKGROUND AND FINDINGS:

The City Council previously approved the engagement of Belt Harris Pechacek, LLLP to perform the independent audit of the City's financial records for the fiscal year ended September 30, 2017.

Belt Harris Pechacek, LLLP has completed its audit of the City of Killeen, as well as a Federal Single Audit, State Single Audit, and Passenger Facility Charges Audit. Representatives of the firm will present the results of the audit to the City Council.

The City's audits are required to be performed in accordance with generally accepted auditing standards set forth in the General Accounting Office's (GAO) Government Auditing Standards, the provision of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Uniform Guidance, and Audits of State and Local Governments.

The audit provides reasonable assurance that the financial statements of the City of Killeen for the fiscal year ended September 30, 2017, are free from material misstatement. The audit report has been compiled to meet all required provisions of the Governmental Accounting Standards Board.

THE ALTERNATIVES CONSIDERED:

1. Accept the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017
2. Do not accept the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017

Which alternative is recommended? Why?

Option number 1 is recommended.

CONFORMITY TO CITY POLICY:

Conforms to City Charter, Article III, Section 40 and the Financial Governance Policies VIIC External Audit.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

N/A

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

Staff recommends that the City Council accept the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017.

DEPARTMENTAL CLEARANCES:

Legal

ATTACHED SUPPORTING DOCUMENTS:

N/A



City of Killeen

Legislation Details

File #:	RS-18-019	Version:	1	Name:	Appoint Presiding and Alternate Judges for May Election
Type:	Resolution	Status:			Resolutions
File created:	3/1/2018	In control:			City Council Workshop
On agenda:	3/20/2018	Final action:			
Title:	Consider a memorandum/resolution appointing Presiding and Alternate Judges for the May 5, 2018 general and special election.				
Sponsors:	City Secretary				
Indexes:					
Code sections:					
Attachments:	Staff Report Presentation				

Date	Ver.	Action By	Action	Result
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STAFF REPORT

DATE: March 20, 2018

TO: Ronald L. Olson, City Manager

FROM: Kathy Davis, City Attorney

SUBJECT: Appointing Presiding and Alternate Election Judges

BACKGROUND AND FINDINGS:

Section 32.005 of the Election Code requires the City Council to appoint presiding and alternate judges for each of the polling locations used on Election Day.

The following Persons are hereby named as presiding election judges and alternate presiding judges for said election at said precinct polling places and as the Early Voting Ballot Board to process the early voting results.

PRECINCT #106: Yulinda George-Dias - Presiding Judge
Patricia Johnson - Alternate Judge

PRECINCT #109: Rosemary Campbell - Presiding Judge
Maudry Fields - Alternate Judge

PRECINCT #201/204: Patricia Cummings - Presiding Judge
Rosalind Floyd - Alternate Judge

PRECINCT #205: Klaus Adam - Presiding Judge
Terry Mustapher - Alternate Judge

PRECINCT #206/402/409: Sue Hallmark - Presiding Judge
Roxanne Burns - Alternate Judge

PRECINCT #207: Paul Eishen - Presiding Judge
Laura Zuna - Alternate Judge

PRECINCT #203/208/210: LeeAnna George - Presiding Judge
Richard Hoxworth - Alternate Judge

PRECINCT #404: Phyllis Jones - Presiding Judge
Calvin Lock - Alternate Judge

PRECINCT #405: John Driver - Presiding Judge
Johnnie James Williams Sr. - Alternate Judge

PRECINCT #406: Lucille Ward - Presiding Judge
Laura Guyton - Alternate Judge

PRECINCT #401/412/413: Darrell Peters - Presiding Judge
Diane Smith - Alternate Judge

PRECINCT #408: Angeline Sullivan - Presiding Judge
Kriskeya Price - Alternate Judge

PRECINCT #410: Dorothy Kinsinger - Presiding Judge
Judy Killgo - Alternate Judge

EARLY VOTING BALLOT BOARD, CENTRAL COUNTING STATION AND SIGNATURE VERIFICATION COMMITTEE:

Barbara Garrett - Presiding Judge
Juanita Smith - Alternate Judge

EARLY VOTING:

Locations:

Killeen Community Center - Dorothy Kinsinger
Judy Killgo

Lions Club Senior Center - Darryl Peters
Maceia Roscoe

City Hall - Paul Eishen
Stephanie Eishen

THE ALTERNATIVES CONSIDERED:

State law mandates City Council appoint election Judges and Alternate Judges.

Which alternative is recommended? Why?

Appoint the above listed Judges and Alternate Judges.

CONFORMITY TO CITY POLICY:

N/A

FINANCIAL IMPACT:

Estimated cost to employ election workers for 4 Early Voting polling locations and 13 Election Day polling locations and a Ballot Board is \$15,000.00. \$15,000.00 has been budgeted in the FY2018 Election budget account.

What is the amount of the expenditure in the current fiscal year? For future years?

Approximately \$15,000.00 annually.

Is this a one-time or recurring expenditure?

Recurring

Is this expenditure budgeted?

Yes.

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes, after KISD pays the City for their half of the shared election expenses.

RECOMMENDATION:

Staff recommends the above individuals be named to serve as election officials for the City and KISD election on May 5, 2018.

DEPARTMENTAL CLEARANCES:

City Attorney

ATTACHED SUPPORTING DOCUMENTS:

N/A

A stylized graphic in the background featuring a grey five-pointed star at the top right. A curved line, resembling a comet's tail or a path, starts from the bottom left and points towards the star. The line is composed of several overlapping, slightly offset segments, creating a sense of motion or a trail.

APPOINTING JUDGES FOR MAY 5TH ELECTION

RS-18-019

March 20, 2018

Background/Discussion

2

- ❑ City Council is required to appoint Presiding and Alternate Judges for city elections.
- ❑ Staff has identified qualified individuals to work as election officials for the city and KISD general and special election on May 5, 2018.

Fiscal Impact

3

- ❑ Estimated cost for early voting (4 polling locations) and election day (13 polling locations) is \$15,000.00.
- ❑ Cost is budgeted in FY2018 election account.

Recommendation

4

- Staff recommends the individuals listed in the resolution be appointed to serve as election officials for the City of Killeen and KISD General and Special Election on May 5, 2018.



City of Killeen

Legislation Details

File #: RS-18-020 **Version:** 1 **Name:** RFP for Medical and Dental Insurance
Type: Resolution **Status:** Resolutions
File created: 3/1/2018 **In control:** City Council Workshop
On agenda: 3/20/2018 **Final action:**
Title: Consider a memorandum/resolution approving use of a Request for Proposal for the selection of a healthcare plan and dental plan for both fully insured and self-insured options.
Sponsors: Human Resources Department
Indexes:
Code sections:
Attachments: [Staff Report](#)
[Presentation](#)

Date	Ver.	Action By	Action	Result
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STAFF REPORT

DATE: March 20, 2018

TO: Ronald L. Olson, City Manager

FROM: Eva Bark, Executive Director of Human Resources

SUBJECT: **USE OF THE REQUEST FOR PROPOSAL (RFP) PROCESS FOR THE SELECTION OF HEALTHCARE PLAN FOR BOTH FULLY INSURED AND SELF-INSURED OPTIONS**

BACKGROUND AND FINDINGS:

The City of Killeen provides medical and dental insurance, Scott and White Health Plan and MetLife, respectively, for each employee so that each has access to health care. In FY '18, the City continued to pay 100% of the medical and dental care premiums, base plan only, for all eligible employees. Employees may purchase additional medical and dental care coverage for their family members, if they choose.

Medical insurance benefits are reviewed annually. SWHP offered the City a rate pass for FY '18. The rate for medical insurance benefits provides competitive pricing for employee medical insurance, maintaining current core benefits.

Dental insurance benefits are also reviewed annually. MetLife offered the City a guarantee of no increase for FY'18. The rate for dental insurance benefits also provides competitive pricing for the employee dental insurance, maintaining current core benefits.

Before a purchase method other than competitive sealed bidding is used, the governing body must determine that the alternative process will provide the best value for the city. The RFP process will allow healthcare providers to propose the most cost effective healthcare for the City and its employees. The RFP process will allow healthcare providers to submit a proposal on both fully insured and self-funded healthcare plan options. The proposal review process will evaluate the content of each proposal and consider the proposer's qualifications, experience, references, fees, methodology and timeline to determine the best solution and value. Generally it is a good idea to go to market for an RFP every three to five years. It has been three plan years since the City last marketed the Medical and Dental Insurance. In the last three years "technology" and other cost effective solutions have made it attractive to go to market.

Staff recommends that City Council find that the RFP process will provide the best value for the City and authorize moving forward on the healthcare process by soliciting RFPs.

City Council approved funding in the FY 2018 Budget to complete this process.

After selection of a vendor, staff will negotiate the project scope and fees with the selected company then submit the contract to City Council for approval.

THE ALTERNATIVES CONSIDERED:

Alternatives considered: (1) keep the current health care plan with Scott and White and dental plan with MetLife; (2) use the RFP process to evaluate and select a healthcare and dental plan that provides the best value proposal for funding

Which alternative is recommended? Why?

Staff recommends alternative 2. Using the RFP Process to review the funding of healthcare and dental care will provide the most cost effective healthcare and dental plan for the City and its employees.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

The decision to proceed with the RFP process incurs no financial impact.

What is the amount of the expenditure in the current fiscal year? For future years?

N/A

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

Staff recommends that City Council find that the RFP process will provide the best value to the City for the review of healthcare plans and authorize staff to proceed with issuing the RFP.

DEPARTMENTAL CLEARANCES:

Finance

ATTACHED SUPPORTING DOCUMENTS:

N/A



USE OF RFP TO SELECT HEALTH CARE
PLAN FOR BOTH FULLY INSURED AND
SELF-INSURED OPTIONS.

Healthcare Plan Background

2

- The City of Killeen provides medical and dental insurance, Scott and White Health Plan and MetLife, respectively, for each employee so that each has access to health care.
- In FY '18, the City continued to pay 100% of the medical and dental care premiums, base plan only, for all eligible employees.
- Medical and dental insurance benefits are reviewed annually. SWHP and MetLife offered the City a rate pass for FY '18.
- The City currently has a fully-funded healthcare plan with SWHP.

Alternatives Considered

3

Before a purchase method, other than competitive sealed bidding, is used, the governing body must determine that the alternative process will provide the best value for the city.

- ❑ Keep the current health care plan with Scott and White and dental plan with MetLife.
- ❑ Request for Proposal (RFP) process.
 - ▣ The RFP process will allow healthcare providers to propose the most cost effective healthcare for the City and its employees.
 - ▣ The RFP process will allow healthcare providers to submit proposals on both fully insured and self-funded healthcare plan options in determining the best value.
 - ▣ It will allow staff to evaluate healthcare plan, qualifications, experience, references, and timeline to determine the best value.
 - ▣ After selection of a healthcare plan, staff will negotiate the services and fees with the selected healthcare provider and then submit the contract to City Council for approval.

Healthcare Plan RFP Recommendation

4

- Staff recommends that City Council determine that the RFP process will provide the best value to the City for the review of healthcare plans and authorize staff to proceed with issuing the RFP process for both fully insured and self-insured options.



City of Killeen

Legislation Details

File #: OR-18-004 **Version:** 1 **Name:** Ordinance to approve Atmos RRM
Type: Ordinance **Status:** Ordinances
File created: 3/5/2018 **In control:** City Council Workshop
On agenda: 3/20/2018 **Final action:**
Title: Consider an ordinance approving a tariff to authorize an annual rate review mechanism with Atmos Energy Corporation.
Sponsors: City Attorney Department
Indexes:
Code sections:
Attachments: [Staff Report](#)
[Exhibit A](#)
[Tariff](#)
[Ordinance](#)
[Presentation](#)

Date	Ver.	Action By	Action	Result
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STAFF REPORT

DATE: March 20, 2018

TO: Ronald L. Olson, City Manager

VIA: Kathy Davis, City Attorney

FROM: Traci Briggs, Deputy City Attorney

SUBJECT: Consider an ordinance approving a tariff to authorize an annual rate review mechanism (RRM) with Atmos Energy Corporation.

BACKGROUND AND FINDINGS:

The city, along with 171 other cities served by Atmos Energy Corporation, Mid-Tex Division ("Atmos"), is a member of the Steering Committee of Cities Served by Atmos. In 2007, the cities and Atmos settled a rate case filed by Atmos pursuant to the statutory Gas Reliability Infrastructure Program ("GRIP") rate adjustment process. The settlement created a substitute rate review process referred to as Rate Review Mechanism ("RRM"). Cities oppose the GRIP process because it does not allow for review of the reasonableness of capital investments by Atmos, does not allow cities to participate in the Railroad Commission's review of annual GRIP filings and cities cannot recover any rate case expenses. The RRM has allowed for a more comprehensive rate review and annual evaluation of expenses and revenues, as well as capital investment.

The original RRM from 2007 has been modified over the years, and the ordinance passed by cities in 2017 to resolve the most recent RRM provided for termination of the RRM, forcing renegotiation of RRM terms. Negotiation resulted in the tariff attached to the ordinance. Among other things, it reduces the allowed rate of return on equity from 10.50% to 9.8%; reduces federal income taxes from 35% to 21%, which should result in a rate reduction effective mid-March 2018; and extends the amount of time cities have for review and action on an RRM filing by two months.

The Executive Committee of the Steering Committee of Cities Served by Atmos recommends approval of the RRM tariff.

THE ALTERNATIVES CONSIDERED:

The city's options are to approve and continue with the RRM process or to follow the statutory GRIP review process.

Which alternative is recommended? Why?

It is recommended that the City Council approve the ordinance to accept the RRM tariff. In addition to the benefits of the RRM process listed above, negotiations about system-wide rates occur through the Steering Committee, and the city receives recommendations for action on

Atmos filings. Not participating with the RRM process would require the city to review and analyze a GRIP filing alone, without the specialized knowledge of the attorneys, accountants and other consultants that perform a thorough review. This is a highly specialized and regulated area, and the assistance of experts is critical.

CONFORMITY TO CITY POLICY:

The ordinance conforms to all state laws and city policies.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

There is no fiscal impact in approving the RRM tariff.

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

Staff and the Executive Committee of the Steering Committee of Cities Served by Atmos recommend approval of the ordinance accepting of the revised RRM tariff.

DEPARTMENTAL CLEARANCES:

City Attorney

ATTACHED SUPPORTING DOCUMENTS:

Exhibit A

Tariff

Ordinance

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

RATE SCHEDULE:	RRM – Rate Review Mechanism	
APPLICABLE TO:	ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE	
EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 7

Exhibit A

ACSC Cities

Abilene	Cleburne	Frost	Lincoln Park
Addison	Clyde	Gainesville	Little Elm
Albany	College Station	Garland	Lorena
Allen	Colleyville	Garrett	Madisonville
Alvarado	Colorado City	Grand Prairie	Malakoff
Angus	Comanche	Grapevine	Mansfield
Anna	Commerce	Groesbeck	Mckinney
Argyle	Coolidge	Gunter	Melissa
Arlington	Coppell	Haltom City	Mesquite
Aubrey	Copperas Cove	Harker Heights	Midlothian
Azle	Corinth	Haskell	Murphy
Bedford	Crandall	Haslet	Newark
Bellmead	Crowley	Hewitt	Nocona
Benbrook	Dalworthington Gardens	Highland Park	North Richland Hills
Beverly Hills	Denison	Highland Village	Northlake
Blossom	Denton	Honey Grove	Oak Leaf
Blue Ridge	Desoto	Hurst	Ovilla
Bowie	Draper	Hutto	Palestine
Boyd	Duncanville	Iowa Park	Pantego
Bridgeport	Eastland	Irving	Paris
Brownwood	Edgecliff Village	Justin	Parker
Buffalo	Emory	Kaufman	Pecan Hill
Burkburnett	Ennis	Keene	Petrolia
Burleson	Eules	Keller	Plano
Caddo Mills	Everman	Kemp	Ponder
Canton	Fairview	Kennedale	Pottsboro
Carrollton	Farmers Branch	Kerens	Prosper
Cedar Hill	Farmersville	Kerrville	Quitman
Celeste	Fate	Killeen	Red Oak
Celina	Flower Mound	Krum	Reno (Parker County)
Centerville	Forest Hill	Lake Worth	Rhome
Cisco	Forney	Lakeside	Richardson
Clarksville	Fort Worth	Lancaster	Richland
	Frisco	Lewisville	Richland Hills

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 8

River Oaks	Temple
Roanoke	Terrell
Robinson	The Colony
Rockwall	Trophy Club
Roscoe	Tyler
Rowlett	University Park
Royse City	Venus
Sachse	Vernon
Saginaw	Waco
Sansom Park	Watauga
Seagoville	Waxahachie
Sherman	Westlake
Snyder	Westover Hills
Southlake	Westworth Village
Springtown	White Settlement
Stamford	Whitesboro
Stephenville	Wichita Falls
Sulphur Springs	Woodway
Sweetwater	Wylie

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 1

I. Applicability

Applicable to Residential, Commercial, Industrial, and Transportation tariff customers within the city limits of cities identified in Exhibit A that receive service from the Mid-Tex Division of Atmos Energy Corporation (“Company”). This Rate Review Mechanism (“RRM”) provides for an annual adjustment to the Company’s Rate Schedules R, C, I and T (“Applicable Rate Schedules”). Rate calculations and adjustments required by this tariff shall be determined on a System-Wide cost basis.

II. Definitions

“Test Period” is defined as the twelve months ending December 31 of each preceding calendar year.

The “Effective Date” is the date that adjustments required by this tariff are applied to customer bills. The annual Effective Date is October 1.

Unless otherwise provided in this tariff the term Final Order refers to the final order issued by the Railroad Commission of Texas in GUD No. 10170 and elements of GUD No. 10580 as specified in Section III below.

The term “System-Wide” means all incorporated and unincorporated areas served by the Company.

“Review Period” is defined as the period from the Filing Date until the Effective Date.

The “Filing Date” is as early as practicable, but no later than April 1 of each year.

III. Calculation

The RRM shall calculate an annual, System-Wide cost of service (“COS”) that will be used to adjust applicable rate schedules prospectively as of the Effective Date. The Company may request recovery of its total cost of service but will include schedules showing the computation of any adjustments. The annual cost of service will be calculated according to the following formula:

$$\text{COS} = \text{OM} + \text{DEP} + \text{RI} + \text{TAX} + \text{CD}$$

Where:

OM = all reasonable and necessary operation and maintenance expenses from the Test Period adjusted for known and measurable items and prepared

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 2

consistent with the rate making treatments approved in the Final Order. Incentive compensation (Management Incentive Plan, Variable Pay Plan and Long Term Incentive Plan) related to Atmos' Shared Services Unit will be applied consistent with treatment approved in GUD 10580. Additionally, O&M adjustments will be incorporated and applied as modified by a final order, not subject to appeal, issued by the Railroad Commission of Texas in subsequent rate cases involving the Atmos Mid-Tex or West Texas divisions. Known and measurable adjustments shall be limited to those changes that have occurred prior to the Filing Date. OM may be adjusted for atypical and non-recurring items. Shared Services allocation factors shall be recalculated each year based on the latest component factors used during the Test Period, but the methodology used will be that approved in the Final Order in GUD 10580.

DEP = depreciation expense calculated at depreciation rates approved by the Final Order. Additionally, if depreciation rates are approved in a subsequent final order, not subject to appeal, issued by the Railroad Commission of Texas for the Mid-Tex division those rates would be applicable for subsequent RRM filings.

RI = return on prudently incurred investment calculated as the Company's pretax return multiplied by rate base at Test Period end. Rate base is prepared consistent with the rate making treatments approved in the Final Order, and as in GUD 10580 as specifically related to capitalized incentive compensation (Management Incentive Plan, Variable Pay Plan and Long Term Incentive Plan) for Atmos' Shared Services Unit. However, no post Test Period adjustments will be permitted. Additionally, adjustments will be incorporated and applied as modified by a final order, not subject to appeal, issued by the Railroad Commission of Texas in subsequent rate cases involving the Atmos Mid-Tex or West Texas divisions. Pretax return is the Company's weighted average cost of capital before income taxes. The Company's weighted average cost of capital is calculated using the methodology from the Final Order including the Company's actual capital structure and long term cost of debt as of the Test Period end (adjusted for any known and measurable changes that have occurred prior to the filing date) and the return on equity of 9.8%. However, in no event will the percentage of equity exceed 58%. Regulatory adjustments due to prior regulatory rate base adjustment disallowances will be maintained. Cash working capital will be calculated using the lead/lag days approved in the Final Order. With respect to pension and other postemployment benefits, the Company will record a regulatory asset or liability for these costs until the amounts are included in the next annual rate adjustment implemented under this tariff. Each year, the Company's filing under this Rider RRM will clearly state the level of pension

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 3

and other postemployment benefits recovered in rates.

TAX = income tax and taxes other than income tax from the Test Period adjusted for known and measurable changes occurring after the Test Period and before the Filing Date, and prepared consistent with the rate making treatments approved in the Final Order. Atmos Energy shall comprehensively account for, including establishing a regulatory liability to account for, any statutory change in tax expense that is applicable to months during the Test Period in the calculation to ensure recovery of tax expense under new and old income tax rates.

CD = interest on customer deposits.

IV. Annual Rate Adjustment

The Company shall provide schedules and work papers supporting the Filing's revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order. The result shall be reflected in the proposed new rates to be established for the effective period. The Revenue Requirement will be apportioned to customer classes in the same manner that Company's Revenue Requirement was apportioned in the Final Order. For the Residential Class, 50% of the increase may be recovered in the customer charge. However, the increase to the Residential customer charge shall not exceed \$0.60 per month in the initial filing and \$0.70 per month in any subsequent year. The remainder of the Residential Class increase not collected in the customer charge will be recovered in the usage charge. For all other classes, the change in rates will be apportioned between the customer charge and the usage charge, consistent with the Final Order. Test Period billing determinants shall be adjusted and normalized according to the methodology utilized in the Final Order.

V. Filing

The Company shall file schedules annually with the regulatory authority having original jurisdiction over the Company's rates on or before the Filing Date that support the proposed rate adjustments. The schedules shall be in the same general format as the cost of service model and relied-upon files upon which the Final Order was based. A proof of rates and a copy of current and proposed tariffs shall also be included with the filing. The filing shall be made in electronic form where practical. The Company's filing shall conform to Minimum Filing Requirements (to be agreed upon by the parties), which will contain a minimum amount of information that will assist the regulatory authority in its review and analysis of the filing. The Company and regulatory authority will endeavor to hold a technical conference regarding the filing within twenty (20) calendar days after the Filing Date.

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

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EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 4

A sworn statement shall be filed by an Officer of the Company affirming that the filed schedules are in compliance with the provisions of this Rate Review Mechanism and are true and correct to the best of his/her knowledge, information, and belief. No testimony shall be filed, but a brief narrative explanation shall be provided of any changes to corporate structure, accounting methodologies, allocation of common costs, or atypical or non- recurring items included in the filing.

VI. Evaluation Procedures

The regulatory authority having original jurisdiction over the Company's rates shall review and render a decision on the Company's proposed rate adjustment prior to the Effective Date. The Company shall provide all supplemental information requested to ensure an opportunity for adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information and such information shall be provided within seven (7) working days of the original request. The regulatory authority may propose any adjustments it determines to be required to bring the proposed rate adjustment into compliance with the provisions of this tariff.

The regulatory authority may disallow any net plant investment that is not shown to be prudently incurred. Approval by the regulatory authority of net plant investment pursuant to the provisions of this tariff shall constitute a finding that such net plant investment was prudently incurred. Such finding of prudence shall not be subject to further review in a subsequent RRM or Statement of Intent filing.

During the Review Period, the Company and the regulatory authority will work collaboratively and seek agreement on the level of rate adjustments. If, at the end of the Review Period, the Company and the regulatory authority have not reached agreement, the regulatory authority shall take action to modify or deny the proposed rate adjustments. The Company shall have the right to appeal the regulatory authority's action to the Railroad Commission of Texas. Upon the filing of an appeal of the regulatory authority's order relating to an annual RRM filing with the Railroad Commission of Texas, the regulatory authority having original jurisdiction over the Company's rates shall not oppose the implementation of the Company's proposed rates subject to refund, nor will the regulatory authority advocate for the imposition of a third party surety bond by the Company. Any refund shall be limited to and determined based on the resolution of the disputed adjustment(s) in a final, non-appealable order issued in the appeal filed by the Company at the Railroad Commission of Texas.

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

RATE SCHEDULE:	RRM – Rate Review Mechanism	
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EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 5

In the event that the regulatory authority and Company agree to a rate adjustment(s) that is different from the adjustment(s) requested in the Company's filing, the Company shall file compliance tariffs consistent with the agreement. No action on the part of the regulatory authority shall be required to allow the rate adjustment(s) to become effective on October 1. To the extent that the regulatory authority does not take action on the Company's RRM filing by September 30, the rates proposed in the Company's filing shall be deemed approved effective October 1. Notwithstanding the preceding sentence, a regulatory authority may choose to take affirmative action to approve a rate adjustment under this tariff. In those instances where such approval cannot reasonably occur by September 30, the rates finally approved by the regulatory authority shall be deemed effective as of October 1.

To defray the cost, if any, of regulatory authorities conducting a review of the Company's annual RRM filing, the Company shall reimburse the regulatory authorities on a monthly basis for their reasonable expenses incurred upon submission of invoices for such review. Any reimbursement contemplated hereunder shall be deemed a reasonable and necessary operating expense of the Company in the year in which the reimbursement is made. A regulatory authority seeking reimbursement under this provision shall submit its request for reimbursement to the Company no later than December 1 of the year in which the RRM filing is made and the Company shall reimburse regulatory authorities in accordance with this provision on or before December 31 of the year the RRM filing is made.

To the extent possible, the provisions of the Final Order shall be applied by the regulatory authority in determining whether to approve or disapprove of Company's proposed rate adjustment.

This Rider RRM does not limit the legal rights and duties of a regulatory authority. Nothing herein shall abrogate the jurisdiction of the regulatory authority to initiate a rate proceeding at any time to review whether rates charged are just and reasonable. Similarly, the Company retains its right to utilize the provisions of Texas Utilities Code, Chapter 104, Subchapter C to request a change in rates. The provisions of this Rider RRM are implemented in harmony with the Gas Utility Regulatory Act (Texas Utilities Code, Chapters 101-105).

The annual rate adjustment process set forth in this tariff shall remain in effect during the pendency of any Statement of Intent rate filing.

**ATMOS ENERGY CORPORATION
MID-TEX DIVISION**

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EFFECTIVE DATE:	Bills Rendered on and after 04/01/2018	PAGE: 6

VII. Reconsideration, Appeal and Unresolved Items

Orders issued pursuant to this mechanism are ratemaking orders and shall be subject to appeal under Sections 102.001(b) and 103.021, et seq., of the Texas Utilities Code (Vernon 2007).

VIII. Notice

Notice of each annual RRM filing shall be provided by including the notice, in conspicuous form, in the bill of each directly affected customer no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer;
- c) the service area or areas in which the proposed rates would apply;
- d) the date the annual RRM filing was made with the regulatory authority; and
- e) the Company's address, telephone number and website where information concerning the proposed rate adjustment can be obtained.

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF KILLEEN, TEXAS, APPROVING A TARIFF AUTHORIZING AN ANNUAL RATE REVIEW MECHANISM (“RRM”) AS A SUBSTITUTION FOR THE ANNUAL INTERIM RATE ADJUSTMENT PROCESS DEFINED BY SECTION 104.301 OF THE TEXAS UTILITIES CODE, AND AS NEGOTIATED BETWEEN ATMOS ENERGY CORP., MID-TEX DIVISION (“ATMOS MID-TEX” OR “COMPANY”) AND THE STEERING COMMITTEE OF CITIES SERVED BY ATMOS; REQUIRING THE COMPANY TO REIMBURSE CITIES’ REASONABLE RATEMAKING EXPENSES; ADOPTING A SAVINGS CLAUSE; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND LEGAL COUNSEL FOR THE STEERING COMMITTEE.

WHEREAS, the City of Killeen, Texas (“City”) is a gas utility customer of Atmos Energy Corp., Mid-Tex Division (“Atmos Mid-Tex” or “Company”), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City and similarly-situated Mid-Tex municipalities created the Steering Committee of Cities Served by Atmos to efficiently address all rate and service matters associated with delivery of natural gas; and

WHEREAS, the Steering Committee formed an Executive Committee to direct legal counsel and to recommend certain specific actions to all aligned Mid-Tex Cities through resolution or ordinance; and

WHEREAS, pursuant to the terms of a November 2007 agreement between the Steering Committee and Atmos Mid-Tex that settled the Company’s interim rate filing under Section 104.301 of the Texas Utilities Code (a “GRIP” rate case), the Steering Committee and the Company collaboratively developed a Rate Review Mechanism (“RRM”) Tariff, ultimately

authorized by the City in 2008, that allows for an expedited rate review process as a substitute for the GRIP process; and

WHEREAS, the City has kept some form of a RRM Tariff in place until 2017 when it adopted an ordinance approving an RRM Tariff filing settlement and specifically calling for termination of the existing RRM Tariff and negotiation of a replacement RRM Tariff following the Railroad Commission's decision in a then-pending Atmos Texas Pipeline case (GUD No. 10580); and

WHEREAS, the Steering Committee's Executive Committee has recently approved a settlement with the Company on the attached RRM Tariff that contains certain notable improvements, from a consumer perspective, over the prior RRM Tariff, including a reduced rate of return on equity, acceptance of certain expense adjustments made by the Railroad Commission in the Order in GUD No. 10580, and the addition of two months to the time for processing a RRM Tariff application; and

WHEREAS, the RRM Tariff contemplates reimbursement of Cities' reasonable expenses associated with RRM Tariff applications; and

WHEREAS, the Steering Committee's Executive Committee recommends that all Steering Committee member cities adopt this ordinance and the attached RRM Tariff; and

WHEREAS, the attached RRM Tariff is just, reasonable and in the public interest,

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KILLEEN, TEXAS:

Section 1. That the findings set forth in this Ordinance are hereby in all things approved.

Section 2. That the attached RRM Tariff re-establishing a form of Rate Review Mechanism is just and reasonable and in the public interest, and is hereby adopted.

Section 3. That Atmos Mid-Tex shall reimburse the Cities' reasonable expenses associated with adoption of this Ordinance and the attached RRM Tariff and in processing future RRM Tariff applications filed pursuant to the attached tariff.

Section 4. That to the extent any resolution or ordinance previously adopted by the City is inconsistent with this Ordinance, it is hereby repealed.

Section 5. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 6. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Ordinance, and the remaining provisions of this Ordinance shall be interpreted as if the offending section or clause never existed.

Section 7. That this Ordinance shall become effective from and after its passage.

Section 8. That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs, Atmos Energy Corporation, Mid-Tex Division, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to Mid-Tex Cities, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

PASSED AND APPROVED this 27th day of March, 2018.

Jose L. Segarra
Mayor

ATTEST:

APPROVED AS TO FORM:

Dianna Barker
City Secretary

Kathryn H. Davis
City Attorney



ORDINANCE TO APPROVE RATE REVIEW MECHANISM WITH ATMOS

OR-18-004

March 20, 2018

Background

2

- Texas cities have original jurisdiction over rates charged by natural gas companies within their city limits.
- Gas companies are allowed to recover costs for expanding, maintaining and replacing infrastructure, and state law establishes the Gas Reliability Infrastructure Program (“GRIP”) as the mechanism for doing so.
- Since 2007, cities served by Atmos have operated under a negotiated rate process called a Rate Review Mechanism rather than GRIP.
- The city is one of 172 members of the Steering Committee of Cities Served by Atmos.

Opposition to Gas Reliability Infrastructure Program

3

- ❑ Allows no review of reasonableness of capital investments.
- ❑ Cities cannot participate in the Railroad Commission's review.
- ❑ Cities cannot recover any rate case expenses.

Rate Review Mechanism

4

- The 2017 Rate Review Mechanism settlement included termination of the Rate Review Mechanism, forcing renegotiation.

- Proposed Rate Review Mechanism includes:
 - ▣ Reducing allowed rate of return on equity
 - ▣ Reducing Atmos' federal income tax, which should result in a rate reduction
 - ▣ Extending the amount of time cities have to review and act upon Rate Review Mechanism filings

Alternatives

5

- Approve and continue with the Rate Review Mechanism process
 - ▣ Provides increased review for cities into the rate adjustment requests.
 - ▣ Continued participation with the Steering Committee.
 - ▣ The Rate Review Mechanism process has worked well for 10 years.
- Follow the Gas Reliability Infrastructure Program
 - ▣ Requires city staff to review and analyze a GRIP filing alone, without the assistance of the Steering Committee and the attorneys, accountants and consultants it hires to conduct an extensive review.

Conclusion

6

- Staff and the Executive Committee of the Steering Committee of Cities Served by Atmos recommend approval of the ordinance accepting the revised Rate Review Mechanism.