



City of San Marcos

630 East Hopkins
San Marcos, TX 78666

Meeting Minutes City Council

Tuesday, February 4, 2020

3:00 PM

City Council Chambers

630 E. Hopkins - Work Session

I. Call To Order

With a quorum present, the work session meeting of the San Marcos City Council was called to order by Mayor Hughson at 3:00 p.m. Tuesday, February 4, 2020 in the City Council Chambers, 630 E. Hopkins, San Marcos, Texas 78666.

II. Roll Call

Present: 7 - Council Member Melissa Derrick, Mayor Jane Hughson, Mayor Pro Tem Ed Mihalkanin, Council Member Joca Marquez, Deputy Mayor Pro Tem Mark Rockeymoore, Council Member Maxfield Baker and Council Member Saul Gonzales

PRESENTATIONS

1. Receive a staff presentation and hold a discussion on the results of the Stormwater Utility Rate Study, and provide direction to the City Manager.

Bert Lumbreras, City Manager provided a brief update regarding the Stormwater Utility Study and staff will provide an overview on the History of the Drainage Utility and fees and this should provide the context about where we are today. Staff will also provide a history of the utility rates charged over the years.

The Goal of this Study is to develop a more equitable and sustainable program. Staff will propose a new Rate Structure Model moving forward and this will be a multi-year plan.

Heather Hurlbert, Director of Finance, and Gabe Rojas, Utility Rate Consultant, provided the presentation. John Espinoza, engineer, is also available for questions.

**Mr. Rojas provided the history of the Stormwater Utility which was implemented in 1999. In 2019 the Stormwater Utility was a dedicated funding source to:
\$200M in projects**

- **O&M for expanded network of pipes, channels, detention and water quality facilities**
- **Reduce flooding, improve water quality & maintain regulatory compliance (MS4)**

The purpose of this study is to develop more equitable and sustainable program funding.

The proposed rate classes include:

- **Residential (R1, R2, R3)**
 - **Non-Residential (NR)**
 - **Exempt (Ex).**
-
- **Residential parcels with 1-4 units/parcel:**
 - **Remain in the residential class.**
 - **Charge is based on each unit's share of total impervious on the parcel.**
 - **Residential parcels with 5+ units/parcel (Multi-Family):**
 - **Now classified as Non-Residential**
 - **Drainage characteristics mimic commercial developments**
 - **Non-Residential: Former Commercial category with addition of Multi-Family**

Rate Structure Review and Recommendations

- **New Equivalent Residential Unit (ERU) value = 2,575 sf (median value for all SFR parcels)**

Residential Class:

- **The 3 residential tiers change from parcel area to an impervious cover area.**
- **Residential parcels with 1-4 units/parcel remain in the residential class.**

Non-residential Class:

- **Residential parcels with 5+ units/parcel classified as Non-Residential**
- **Commercial, Retail, Government, Religious, Non-Profit**
- **Calculated by dividing total impervious cover by 2,575 to determine ERU's.**
- **Exemption for only City and Texas State University owned properties.**

Mr. Rojas continued the presentation after a few questions from Council.

The rate structure comparison of residential areas were discussed.

Billing System Review & Recommendations

- **Bill for uninterrupted stormwater impervious cover even in the absence of other active utility**

service (electrical, water, wastewater.)

- **Parcels that contain more than 1 drainage account will have fee apportioned between accounts**

based on impervious cover associated with each account.

- **Bill owner of record for residential parcels with 5+ units.**
- **Implement concurrent update of the impervious cover data and the rate structure to avoid multiple bill changes.**

Council would like to receive a list of developments that have increased and decreased in monthly charges. Staff will get this to Council.

A Rate Model was discussed to forecast the stormwater utility's financial performance into the future as based on historical performance. This includes Revenue projections, cost of service, and expense projections.

The status and preliminary recommendations include:

- **Internal review and scenario testing on model underway**
- **Model is based upon recommended rate structure**
- **Debt/CIP costs driving rate increases**
- **Must increase O&M funding to achieve system performance - especially with water quality**
- **Link operational increases with capital project expenditures**
- **Amount of rate increases control CIP expenditures and competitiveness with other cities.**

Summary of Next Steps

- **Address any City Council recommendations/concerns**
- **Provide Council Update on rate model and program analysis (future rate increases)**
- **Update Drainage Utility Ordinance**
- **Update Utility Billing System**
- **Education/Public Outreach**
- **Finalize Internal Procedures**
- **Outreach**
- **Implement new Rate Structure**

Council consensus is to move forward with the following:

- **New Equivalent Residential Unit (ERU) value = 2,575 sf (median value for all SFR parcels)**

Residential Class:

- The 3 residential tiers change from parcel area to an impervious cover area.
- Residential parcels with 1-4 units/parcel remain in the residential class.

Non-residential Class:

- Residential parcels with 5+ units/parcel classified as Non-Residential
- Commercial, Retail, Government, Religious, Non-Profit
- Calculated by dividing total impervious cover by 2,575 to determine ERU's.

Council would like staff to look at City Exemption, but not implement until Council knows the number.

2. Receive a staff presentation and hold a discussion on the Whisper Public Improvement District (PID), and provide direction to the City Manager.

Heather Hurlbert, Finance Director, provided a presentation regarding the Whisper Public Improvement District (PID).

A PID is a special district created by a City or County under the authority of Chapter 372 of the Texas Local Government Code. It allows the City or County to levy a special assessment against properties within the district to pay for improvements that provide special benefit to the district.

The Whisper PID is located on the East Side of IH-35 and includes a 281 Acre business park, 285 acres of commercial development, 106 acres of single family residential, 11 acres of master retail and commercial center, and a 50,000 square foot commercial spec building.

All improvements required by the PDD and PID Financing Agreement are substantially complete. Estimated addition to the tax roles at build out is \$638.2M.

Mrs. Hurlbert provided the history of the Whisper PID, Improvements, and the next steps.

R.W. McDonald, developer, responded to questions from Council regarding the extended time frame. He said there is a number of reasons for the extended time that include gas line easements, different utility providers they had to work with to lower infrastructure lines, and he explained this is a large complicated project that takes time to develop.

EXECUTIVE SESSION

3. Executive Session in accordance with the following Government Code Section § 551.071 - Consultation with Attorney: to receive a legal briefing and deliberation regarding Martindale ETJ Matters.

A motion was made by Mayor Pro Tem Mihalkanin, seconded by Deputy Mayor Pro Tem Rockeymoore to enter into Executive Session at 4:18 p.m. The motion carried by the following vote:

For: 7 - Council Member Derrick, Mayor Hughson, Mayor Pro Tem Mihalkanin, Council Member Marquez, Deputy Mayor Pro Tem Rockeymoore, Council Member Baker and Council Member Gonzales

Against: 0

III. Adjournment.

Mayor Hughson stated Executive Session concluded at 4:42 p.m.

A motion was made by Council Member Gonzales, seconded by Mayor Pro Tem Mihalkanin, to adjourn the work session meeting of the City Council at 4:56 p.m., Tuesday, February 4, 2020. The motion carried by the following vote:

For: 4 - Mayor Hughson, Mayor Pro Tem Mihalkanin, Council Member Marquez and Council Member Gonzales

Against: 0

Absent: 3 - Council Member Derrick, Deputy Mayor Pro Tem Rockeymoore and Council Member Baker

Tammy K. Cook, Interim City Clerk

Jane Hughson, Mayor