



City of Freeport

SPECIAL COUNCIL MEETING MINUTES

September 14, 2021, 8:00 AM
Council Chambers, Freeport City Hall

Council Members Present: Mayor Russ Barley, Councilwoman Elizabeth Brannon, Councilman Eddie Farris, Councilman Mark Martin, Councilwoman Elizabeth Haffner

Staff Members Present: City Manager Charlie Simmons, City Attorney Clay Adkinson, Planning Director Latilda Neel, Finance Officer Sara Bowers, Billing Manager Debbie Roberts, Water Supervisor Larry Tuggle, Sewer Supervisor Robert Fawcett, City Engineer Alex Rouchaleau, Interim Clerk Samantha Graves

1. Meeting Called to Order

The meeting was called to order at 8:00am by Mayor Russ Barley in the Council Chambers of Freeport City Hall.

2. Capacity Fee and Rate Study Discussion

City Engineer Alex Rouchaleau introduced himself and stated that this is the third meeting for the Sewer and Water Rate Study review. He explained that the Council had hired him to do a study of the Rates and Capacity Fees for the City utilities.

Engineer Rouchaleau then presented the results of the study. The study showed that while revenues are covering the expenses, they are not covering expenses, Capital Improvement Projects to benefit current customers, and depreciation. He then showed a slide of the current base rates vs. the proposed rates, explaining the current base rates include some usage while the proposed base rate would be a flat rate with any usage being additional.

Mr. Crawley asked if the current annual increase was for depreciation. City Finance Officer Sara Bowers explained that the annual increase was based on the Consumer Price index. She then pointed out that the increase in rates proposed would be brought into effect gradually over the next three years. After that time either a new rate study could be done or the Consumer Price Index would once again be the basis for the automatic annual increase.

David Crawley asked the Council how many current customers were on the system. Utility Billing Manager Debbie Roberts responded that there are approximately 7,000 customers. Mr. Crawley then asked how many of the customers were in Hammock Bay; there are approximately 2,000 in Hammock Bay.

Councilwoman Brannon said that it was hard to accurately compare the proposed rates with the rates shown of other utility companies in the surrounding area because some included usage in their base rates and some did not, and different usage amounts are included in the base rates of those that do include usage.

Another member of the public asked why North Bay is separated out in the current billing; The system in North Bay was permitted separately so the rates have traditionally been different. In the proposed rate schedule North Bay would be the same as Outside City Limits. Upon further questioning, the Council explained that the rate for Outside City limits was different for multiple reasons, including distance of lines which increases costs and also the fact that citizens outside city limits do not pay ad valorem taxes to the city.

Engineer Rouchaleau explained that the rates for commercial would be increasing more than residential because their usage is generally more stressing on the system than that of residential users. In the past the rates became cheaper as usage increased, but the City is required to have a conservation element. The new structure increases rates as usage increases.

Councilman Mark Martin said that the city's water and sewer system should be a for-profit enterprise and should support itself separate from ad valorem taxes.

Engineer Rouchaleau clarified that the Rate study and proposed rate changes were for existing customers and did not address the costs of new development.

The next part of the study focused on Capacity fees. Engineer Rouchaleau explained the difference between tap/impact fees and capacity fees. The Tap fee is the cost for installing a water meter. Impact fees are the fee for new growth, ensuring that new growth pays its share of the impact on the system. Capacity fees are charged for all new connections and represent the extra cost to connect and provide capacity for the new service. Attorney Adkinson explained the Capacity fee ordinance which was adopted in 2019 in place of the old Tap and Impact fee system. Capacity fees are only charged for new growth.

City Attorney Adkinson explained that Impact fees are severely restricted on how they can be used and for what geographical area. They have to be used for improvements in the same area in which they were collected. Capacity fees are much more flexible. During the "building boom" from 2004 - 2008 the City collected a lot of impact fees from developers for areas that never actually came on board the system. The City was unable to use those funds because they were for specific areas.

Engineer Rouchaleau added that the Capacity fee is a charge that the existing users will never see.

Capacity fees can be used for upgrades or maintenance. Attorney Adkinson said that Impact fees were good for the City when there was little or no growth, but with growth the shift to capacity fees is better. Also, in the past developers would pre-pay the fees; this would lock in the capacity for their development even though it was not actually being used for years. It would also be at a lower cost, so that when the developments were actually built the cost was much higher than what

had been contributed. For that reason the City no longer allows pre-payment; the Capacity fees are paid at the time the Development Order is issued.

Engineer Rouchaleau then showed the proposed rates for Sewer. Traditionally Sewer charged a base rate that did not include usage; usage tiers are now being added. After showing a summary of the proposed rates he asked for questions; there were none.

The presentation then moved on to Sewer Capacity fees. Engineer Rouchaleau explained that an ERU or ERC is the average usage of a single-family home. Usage for development other than single-family homes is calculated based on a structure detailed in the Land Development Code.

City Manager Simmons asked how Engineer Rouchaleau arrived at the proposed rate; Alex replied that he looked at future projections and calculated the cost. The current future improvements needed for Wastewater that need to be funded equal 44.5 million dollars. The projects include:

- 1.5 MGD Wastewater Treatment Plant upgrade: \$20 million
- 500,000 gallon upgrade: \$5 million
- Land acquisition for a new treatment plant to the north of the City: \$4.5 million
- Hwy 331 North Wastewater improvements (from Riverwalk to Owls Head): \$5 million
- Hwy 331 South Wastewater improvements: \$6 million
- CR 3280 septic to sewer conversion: \$5.5 million
- SR 20 East force main: \$3.5 million
- CR 83A West Wastewater improvements: \$1.1 million

He explained that these improvements were all needed in the next 5 years.

Engineer Rouchaleau then explained that the future improvements to the Water system would cost approximately \$13.1 million. These would include:

- Hwy 331 water main upgrade (from LaGrange Road to Owls Head): \$8.5 million
- CR 83A West water main improvement: \$2.4 million
- Joe Campbell Road water main improvement: \$500,000
- CR 3280 water main improvement: \$1 million
- Aultman Road: \$150,000
- Kylea Laird Road: \$600,000
- Land acquisition on SR 20 for a new well and storage tank: \$300,000

Jay Odom addressed the Council. He asked why they needed to raise the capacity fees to pay for a new plant, when the construction of the plant is already in process. Engineer Rouchaleau explained that the fees for construction came from a loan from the USDA that needed to be paid

back. Mr. Odom said he understood that, but the loan could be paid back over time. Mr. Odom felt that the estimates of cost were not accurate and did not reflect grant money that the City may be awarded for these projects.

Alex replied that it is impossible to know what grants the City may get; a new study could be done in three years and if grants have been received the capacity fees could be adjusted back down.

Mr. Odom then asked what happened to the money that was raised with the capacity fees instituted in 2019. City Manager Simmons responded that because fees were not increased at all from 2005-2019 there was a big jump in 2019 just to catch up.

Jay Odom pointed out that when a new development is built, the developer pays for and installs all of the water and sewer infrastructure for that development, then the City just has to connect it to their lines and install the meters. The developer then gives the system to the City. He stated that if this proposed increase happens, the City of Freeport will be the most expensive utility in the area for new developments.

City Engineer Rouchaleau pointed out that costs have gone up significantly in the recent past, and these improvements need to be made in the next 5 years. If the City cuts back on the increase in capacity fees it means that developers will not be able to develop here.

Matt Parker with JP Engineering asked how the ERC/ERU was calculated, and if it was actually the average use per household per month. Engineer Rouchaleau explained that he used the ERC/ERU set by the DEP. Mr. Parker inquired if the DEP number is accurate for this area, or if it could possibly be overstated; the developer may be paying for something that isn't being used. Engineer Rouchaleau explained that there are so many variables that have to be considered that it is difficult to get an accurate ERU. That is why he uses the DEP figure, as does Regional Utilities.

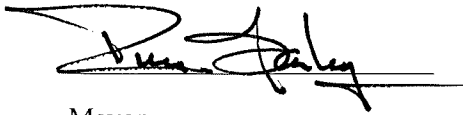
Mr. Parker then asked how many homes the new improvements will be able to accommodate, and if the cost could be spread over that number of homes to make the cost per connection lower. Alex answered that for this proposal he looked at it several ways; the number that would be permitted was highest, the number of units that have been submitted was lowest, so he went with a middle number. He then pointed out that the capacity for water is harder to calculate since it depends on many things, and is based on the pressure.

Attorney Adkinson reminded the Council that this meeting had overrun into the time scheduled for the Regular Council meeting. Mayor Barley stated that the discussion would be continued under Old Business in the Regular Council Meeting.

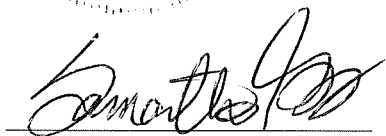
3. Public Comments

4. Adjournment

The meeting was adjourned by Mayor Barley at 9:16am.



Mayor



Interim City Clerk