



**CITY COUNCIL
REGULAR SESSION MINUTES
SEPTEMBER 19, 2018**

PRESENT:

Rita G. Jonse, Mayor

COUNCIL MEMBERS:

Gene Kruppa, Place 1
Maria Amezcua, Place 2 (Absent)
Anne R. Weir, Mayor Pro Tem, Place 3
Zindia Pierson, Place 4 (Absent)
Deja Hill, Place 5
Todd Shaner, Place 6 (Absent)

CITY STAFF:

Thomas Bolt, City Manager
Lluvia Tijerina, City Secretary
Scott Dunlop, Planning Coordinator
Ryan Phipps, Chief of Police
Denver Collins, Captain
Lydia Collins, Director of Finance
Sarah Friberg, Court Clerk
Tracey Vasquez, HR Coordinator

REGULAR SESSION – 7:00 P.M.

With a quorum of the Council Members present, the regular session of the Manor City Council was called to order by Mayor Rita G. Jonse at 7:00 p.m. on Wednesday, September 19, 2018, in the Council Chambers of the Manor City Hall, 105 E. Eggleston St., Manor, Texas.

PLEDGE OF ALLEGIANCE

At the request of Mayor Jonse, Tim Schultz with Bluebonnet Electric, led the Pledge of Allegiance.

PUBLIC COMMENTS

No one appeared to speak at this time.

CONSENT AGENDA

1. **Consideration, discussion, and possible action to approve the City Council Minutes of the September 5, 2018, Regular Meeting.**
2. **Consideration, discussion, and possible action on acceptance of the August 2018 Departmental Reports:**
 - **Police – Ryan Phipps, Chief of Police**
 - **Development Services – Scott Dunlop, Planning Coordinator**
 - **Municipal Court – Sarah Friberg, Court Clerk**
 - **Public Works – Mike Tuley, Director of Public Works**
 - **Finance – Lydia Collins, Director of Finance**

Chief Phipps encouraged everyone to attend the National Night Out Event being held at Jennie Lee Park on October 2, 2018, from 6:30 p.m. to 8:30 p.m. He stated shirt sizes were being taken for any elected officials that would like to volunteer.

Council Member Kruppa inquired about the Public Works Water Production & Purchase report. He stated the figures might not be correct. City Manager Bolt stated he would discuss it with Mike Tuley, Public Works Director to review report and make changes if needed. Director of Finance Collins stated the report reflects the percentages that the City is required to purchase.

3. **Consideration, discussion, and possible action on renewing the Employee Group Medical Plan between the City of Manor and TML-IEBP for the 2019 Benefits Pool; and Authorization for the City Manager to execute the notice.**

MOTION: Upon a motion made by Council Member Weir and seconded by Council Member Kruppa, the Council voted four (4) For and none (0) Against to approve and adopt all items on the consent agenda. The motion carried unanimously.

PUBLIC HEARING

4. **Public Hearing: Consideration, discussion, and possible action on the FY 2018-2019 Proposed Annual Budget of the City of Manor, Texas.**

The City staff's recommendation was that the City Council conduct the public hearing.

Mayor Jonse opened the public hearing.

City Manager Bolt discussed the FY 2018-2019 Proposed Annual Budget highlights for each department.

- A 3% cost of living adjustment for all City staff
- A change to the mandatory 5% TMRS Contribution for retirement will be increased by 2% making the employees contribution rate 7%
- Development Services is requesting a new position fully funded
 - a. Assistant Director of Development Services
- Development Services is requesting a fully funded G/L
 - b. 1 vehicle for the Assistant Building Inspector
 - c. 1 vehicle for the Code Enforcement officer
- Municipal Court is requesting a new position fully funded
 - a. Deputy Court Clerk
- Police is requesting the following new positions fully funded
 - a. Sergeant
 - b. Detective
 - c. 2 Police Officer I cadets at a starting salary of \$33,373.90 for the term of their police academy training. Upon completion salary will be in compliance to the current City of Manor pay scale
- Police is requesting a 5% salary increase for Roberta Jackson to perform Evidence Technician responsibilities until the position is approved and fully funded
- Police is also requesting the following equipment
 - a. (1) 2019 F-250 Crew Cab $\frac{3}{4}$ ton – SRW 4x4 fully outfitted; purpose is to tow the mobile command center
 - b. (2) 2019 Mustang GT Coupe fully outfitted; traffic units
 - c. (6) 2019 Explorer PI Utility fully outfitted; replace some of the older units that have been in service
- Public Works is requesting a new position fully funded
 - a. Mechanic helper
- Public Works is requesting an increase for the following equipment
 - a. 1 John Deere Gator
 - b. 2 Utility Bed for a truck
 - c. 1 Power Washer Trailer Mount
 - d. 1 Tractor and Shredder
 - e. 4 set of Fork lift racks for pole barn
 - f. 1 fertilizer spreader

- g. Weed eaters
 - h. Chainsaws
 - i. Mowers
- IT is requesting a new position fully funded
 - a. I.T. Technician

City Manager stated most of the items would be completed after the first of the year.

Director of Finance Collins stated a new GL Account would be added for City Council Training and Travel expenses.

MOTION: Upon a motion made by Council Member Hill and seconded by Council Member Weir, the Council voted four (4) For and none (0) Against to close the Public Hearing. The motion carried unanimously.

5. Public Hearing: Consideration, discussion, and possible action on the FY 2018-2019 Proposed Property Tax Rate of the City of Manor, Texas.

The City staff's recommendation was that the City Council conduct the public hearing.

Lydia Collins, Director of Finance, was available to address any questions posed by the City Council.

Mayor Jonse opened the public hearing.

City Manager Bolt discussed the FY 2018-2019 Proposed Property Tax Rate.

MOTION: Upon a motion made by Council Member Weir and seconded by Council Member Kruppa, the Council voted four (4) For and none (0) Against to close the Public Hearing. The motion carried unanimously.

6. Public Hearing: Consideration, discussion, and possible action on the annexation of 24.00 acres of land, more or less, adjacent and contiguous to the city limits and being located in the James Manor Survey No. 39, Abstract No. 528, James Manor Survey No. 40, Abstract No. 566, and Calvin Barker Survey No. 38, Abstract No. 58, City of Manor, Travis County, Texas.

The City staff's recommendation was that the City Council conduct the public hearing.

Scott Dunlop, Planning Coordinator, was available to address any questions posed by the City Council.

Mayor Jonse opened the public hearing.

City Manager Bolt discussed the annexation of 24.00 acres of land located in the James Manor Survey No. 39, Abstract No. 528, James Manor Survey No. 40, Abstract No. 566, and Calvin Barker Survey No. 38, Abstract No. 58, City of Manor, Travis County, Texas.

MOTION: Upon a motion made by Council Member Kruppa and seconded by Council Member Hill, the Council voted four (4) For and none (0) Against to close the Public Hearing. The motion carried unanimously.

7. Public Hearing: Consideration, discussion, and possible action of a Preliminary Planned Unit Development Amendment request for Lagos Master Planned Community being 173 acres, more or less, of land in the James Manor Survey No. 40, James Manor Survey No. 39, and Calvin Barker Survey No. 38 and being located at N FM 973 and Brenham Street, Manor, Texas. Applicant: Kimley-Horn Associates. Owner: Dwyer Realty Companies

The City staff's recommendation was that the City Council approve the first reading of a Preliminary Planned Unit Development Amendment request for Lagos Master Planned Community being 173 acres, more or less, of land in the James Manor Survey No. 40, James Manor Survey No. 39, and Calvin Barker Survey No. 38 and being located at N FM 973 and Brenham Street, Manor, Texas.

Scott Dunlop, Planning Coordinator, was available to address any questions posed by the City Council.

Robert Smith, Kimley-Horn Associates, 10814 Jollyville Rd., Austin, Texas, submitted a card in support of this item; however, he did not speak but was available to address any questions posed by the City Council.

Mayor Jonse opened the public hearing.

City Manager Bolt discussed the Preliminary Planned Unit Development Amendment request for Lagos Master Planned Community.

The discussion was held regarding the boundaries that are being set for the City of Austin and City of Manor.

MOTION: Upon a motion made by Council Member Weir and seconded by Council Member Kruppa the Council voted four (4) For and none (0) Against to close the Public Hearing. The motion carried unanimously.

MOTION: Upon a motion made by Council Member Weir and seconded by Council Member Kruppa, the Council voted four (4) For and none (0) Against to approve the first reading of a Preliminary Planned Unit Development Amendment request for Lagos Master Planned Community being 173 acres, more or less, of land in the James Manor Survey No. 40, James Manor Survey No. 39, and Calvin Barker Survey No. 38 and being located at N FM 973 and Brenham Street, Manor, Texas. The motion carried unanimously.

8. **Public Hearing: Consideration, discussion, and possible action of an ordinance for a Final Planned Unit Development Amendment request for Lagos Master Planned Community being 173 acres, more or less, of land in the James Manor Survey No. 40, James Manor Survey No. 39, and Calvin Barker Survey No. 38 and being located at N FM 973 and Brenham Street, Manor, Texas. Applicant: Kimley-Horn Associates. Owner: Dwyer Realty Companies**

The City staff's recommendation was that the City Council approve the first reading of an ordinance for a Final Planned Unit Development Amendment request for Lagos Master Planned Community being 173 acres, more or less, of land in the James Manor Survey No. 40, James Manor Survey No. 39, and Calvin Barker Survey No. 38 and being located at N FM 973 and Brenham Street, Manor, Texas.

Scott Dunlop, Planning Coordinator, was available to address any questions posed by the City Council.

Robert Smith, Kimley-Horn Associates, 10814 Jollyville Rd., Austin, Texas, submitted a card in support of this item; however, he did not speak but was available to address any questions posed by the City Council.

Mayor Jonse opened the public hearing.

City Manager Bolt discussed the Ordinance for a Final Planned Unit Development Amendment request for Lagos Master Planned Community.

MOTION: Upon a motion made by Council Member Weir and seconded by Council Member Hill, the Council voted four (4) For and none (0) Against to close the Public Hearing. The motion carried unanimously.

MOTION: Upon a motion made by Council Member Kruppa and seconded by Council Member Weir, the Council voted four (4) For and none (0) Against to approve the first reading of an ordinance for a Final Planned Unit Development Amendment request for Lagos Master Planned Community being 173 acres, more or less, of land in the James Manor Survey No. 40, James Manor Survey No. 39, and Calvin Barker Survey No. 38 and being located at N FM 973 and Brenham Street, Manor, Texas. The motion carried unanimously.

9. **Public Hearing: Consideration, discussion, and possible action of an ordinance for a Final Planned Unit Development request for Manor Heights being 477 acres, more or less, of land including Lot 2, J.F. Nagle Estates, portions of the A.C. Caldwell Survey No. 52, Abstract 154, and Lemuel Kimbro Survey No. 64, Abstract No. 456, located near US Hwy 290 E and Old Kimbro Road and locally known as 13201, 13356, and 13400 Old Kimbro Road, Manor, Texas. Applicant: Kimley-Horn Associates. Owner: Sky Village Kimbro Estates LLC.**

The City staff's recommendation was that the City Council postpone the approval of the first reading of an ordinance for a Final Planned Unit Development request for Manor Heights being 477 acres, more or less, of land including Lot 2, J.F. Nagle Estates, portions of the A.C. Caldwell Survey No. 52, Abstract 154, and Lemuel Kimbro Survey No. 64, Abstract No. 456, located near US Hwy 290 E and Old Kimbro Road and locally known as 13201, 13356, and 13400 Old Kimbro Road, Manor, Texas to the October 3, 2018, City Council regular meeting.

Scott Dunlop, Planning Coordinator, was available to address any questions posed by the City Council.

Mayor Jonse opened the public hearing.

MOTION: Upon a motion made by Council Member Hill and seconded by Council Member Weir, the Council voted four (4) For and none (0) Against to postpone the approval of the first reading of an ordinance for a Final Planned Unit Development request for Manor Heights being 477 acres, more or less, of land including Lot 2, J.F. Nagle Estates, portions of the A.C. Caldwell Survey No. 52, Abstract 154, and Lemuel Kimbro Survey No. 64, Abstract No. 456, located near US Hwy 290 E and Old Kimbro Road and locally known as 13201, 13356, and 13400 Old Kimbro Road, Manor, Texas to the October 3, 2018, City Council regular meeting. The motion carried unanimously.

10. Public Hearing: Consideration, discussion, and possible action of an ordinance rezoning Abstract 315, Survey 63 Gates G Acres 2.935, 0.50 and 3.0 and Lot 2 Block A KST/Voelker Tract Resub of Lot 2 Block A, locally known as 14401 N FM 973, 14233 Suncrest Road, 14225 Suncrest Road, and 14211 Suncrest Road, from Interim Agricultural (A) to Light Industrial (IN-1). Applicant: Stan Voelker. Owner: Stan Voelker

The City staff's recommendation was that the City Council approve the first reading of an ordinance rezoning Abstract 315, Survey 63 Gates G Acres 2.935, 0.50 and 3.0 and Lot 2 Block A KST/Voelker Tract Resub of Lot 2 Block A, locally known as 14401 N FM 973, 14233 Suncrest Road, 14225 Suncrest Road, and 14211 Suncrest Road, from Interim Agricultural (A) to Light Industrial (IN-1).

Scott Dunlop, Planning Coordinator, was available to address any questions posed by the City Council.

Mayor Jonse opened the public hearing.

City Manager Bolt discussed the rezoning ordinance for 14401 N FM 973, 14233 Suncrest Road, 14225 Suncrest Road, and 14211 Suncrest Road.

MOTION: Upon a motion made by Council Member Kruppa and seconded by Council Member Hill, the Council voted four (4) For and none (0) Against to close the Public Hearing. The motion carried unanimously.

MOTION: Upon a motion made by Council Member Hill and seconded by Council Member Weir, the Council voted four (4) For and none (0) Against to approve the first reading of an ordinance rezoning Abstract 315, Survey 63 Gates G Acres 2.935, 0.50 and 3.0 and Lot 2 Block A KST/Voelker Tract Resub of Lot 2 Block A, locally known as 14401 N FM 973, 14233 Suncrest Road, 14225 Suncrest Road, and 14211 Suncrest Road, from Interim Agricultural (A) to Light Industrial (IN-1). The motion carried unanimously.

REGULAR AGENDA

11. Consideration, discussion and possible action on the City of Manor Water and Wastewater Rate Study Report; and setting Public Hearings on the Water and Wastewater Rate for residential and commercial customers of the City of Manor, Texas.

The City staff's recommendation was the City Council accept and approve the City of Manor Water and Wastewater Rate Study Report; and set the Public Hearings on the Water and Wastewater Rate for residential and commercial customers of the City of Manor, Texas for October 3, 2018, at 7:00 p.m. and October 17, 2018, at 7:00 p.m.

At the request of City Manager Bolt, Director of Finance Collins presented the attached PowerPoint Presentation regarding the Water and Wastewater Rate Study for the City of Manor.

The discussion was held regarding the last rate study conducted for the City of Manor. Director of Finance Collins stated the study is recommended to be done every 3 years.

Council Member Kruppa stated the study report was confusing because it specified the rate projections for the City were based on its annual revenue requirements over a 10- year planning period. He questioned why the study needed to be done every 3 to 4 years.

Director of Finance Collins stated the 10-year planning period was a projection based on the water usage and new residents for the City.

Council Member Kruppa inquired about the rate of \$ 0.50 for 0-2,000 Gallons. Director of Finance Collins explained the City did not charge per gallon, it charged per 1,000.

Council Member Kruppa insisted that the report was not clear and did not give the impression of the actual cost of fees for residents.

Director of Finance Collins explained Exhibit 6 on the study report and details of the fees for residents.

The discussion was held regarding the water fees for Commercial and Residential.

Council Member Kruppa expressed his concerns regarding the way the study was written and stated the study was not as explanatory for the residents.

Director of Finance Collins stated her, and her team would be available to answer and explain the report to any resident of the City, if needed.

The discussion was held regarding the projection time for the study rate to be conducted for the City of Manor.

The discussion was held regarding the difference between the water accounts vs the population of the City.

MOTION: Upon a motion made by Council Member Kruppa and seconded by Council Member Weir the Council voted four (4) For and none (0) Against to accept and approve the City of Manor Water and Wastewater Rate Study Report; and set the Public Hearings on the Water and Wastewater Rate for residential and commercial customers of the City of Manor, Texas for October 3, 2018, at 7:00 p.m. and October 17, 2018, at 7:00 p.m. The motion carried unanimously.

12. Consideration, discussion, and possible action on the Annual Audit of the Basic Financial Statements of the City of Manor, Texas for the year ended September 30, 2017.

The City staff's recommendation was that the City Council accept and approve the Annual Audit of the Basic Financial Statements of the City of Manor, Texas for the year ended September 30, 2017.

Lydia Collins, Director of Finance, was available to address any questions posed by the City Council.

Jeremy Myers, Atchley & Associates, 1005 La Posada Drive, Austin, Texas, spoke before City Council regarding the audit findings for the City of Manor.

Council Member Weir thanked the Finance Department for a great job. Mr. Myers thanked the Finance Department and City staff for helping with the Audit.

Mayor Jonse thanked Mr. Myers for all his hard work throughout the years with the City of Manor.

MOTION: Upon a motion made by Council Member Weir and seconded by Council Member Kruppa, the Council voted four (4) For and none (0) Against to accept and approve the Annual Audit of the Basic Financial Statements of the City of Manor, Texas for the year ended September 30, 2017. The motion carried unanimously.

13. Consideration, discussion, and possible action on a services agreement for property being annexed into the city and being 24.00 acres of land, more or less, adjacent and contiguous to the city limits and being located in the James Manor Survey No. 39, Abstract No. 528, James Manor Survey No. 40, Abstract No. 566, and Calvin Barker Survey No. 38, Abstract No. 58, City of Manor, Travis County, Texas.

The City staff's recommendation was that the City Council approve a services agreement for property being annexed into the city and being 24.00 acres of land, more or less, adjacent and contiguous to the city limits and being located in the James Manor Survey No. 39, Abstract No. 528, James Manor Survey No. 40, Abstract No. 566, and Calvin Barker Survey No. 38, Abstract No. 58, City of Manor, Travis County, Texas.

Scott Dunlop, Planning Coordinator, was available to address any questions posed by the City Council.

City Manager Bolt discussed the Services Agreement for the annexation.

MOTION: Upon a motion made by Council Member Weir and seconded by Council Member Kruppa the Council voted four (4) For and none (0) Against to approve a services agreement for property being annexed into the city and being 24.00 acres of land, more or less, adjacent and contiguous to the city limits and being located in the James Manor Survey No. 39, Abstract No. 528, James Manor Survey No. 40, Abstract No. 566, and Calvin Barker Survey No. 38, Abstract No. 58, City of Manor, Travis County, Texas. The motion carried unanimously.

14. Consideration, discussion, and possible action of an ordinance annexing 24.00 acres of land, more or less, adjacent and contiguous to the city limits and being located in the James Manor Survey No. 39, Abstract No. 528, James Manor Survey No. 40, Abstract No. 566, and Calvin Barker Survey No. 38, Abstract No. 58, City of Manor, Travis County, Texas.

The City staff's recommendation was that the City Council approve the first reading ordinance annexing 24.00 acres of land, more or less, adjacent and contiguous to the city limits and being located in the James Manor Survey No. 39, Abstract No. 528, James Manor Survey No. 40, Abstract No. 566, and Calvin Barker Survey No. 38, Abstract No. 58, City of Manor, Travis County, Texas.

Scott Dunlop, Planning Coordinator, was available to address any questions posed by the City Council.

City Manager Bolt discussed the annexation ordinance.

MOTION: Upon a motion made by Council Member Kruppa and seconded by Council Member Weir the Council voted four (4) For and none (0) Against to approve the first reading ordinance annexing 24.00 acres of land, more or less, adjacent and contiguous to the city limits and being located in the James Manor Survey No. 39, Abstract No. 528, James Manor Survey No. 40, Abstract No. 566, and Calvin Barker Survey No. 38, Abstract No. 58, City of Manor, Travis County, Texas; and set the date for the second and final reading for the October 3, 2018, City Council meeting. at 7:00 p.m. The motion carried unanimously.

15. Consideration, discussion, and possible action on a waiver from Manor Code of Ordinances, Chapter 14, Exhibit A, Article II, Section 20(g) Conformity to Landscaping and Screening Requirements for Abstract 315, Survey 63 Gates G Acres 10.01, locally known as 14605 N FM 973, to waive the requirement for additional landscaping and screening.

The City staff's recommendation was that the City Council approve reducing the required landscaping to the calculation found in Chapter 3, Article 3.09, Section 3.09.003(6)(B) resulting in 73 trees and 195 shrubs.

Shana Whiteley, Good Luck Grill, 14605 N. FM 973, Manor, Texas, submitted a card in support of this item; however, she did not wish to speak but was available to address any questions posed by the City Council

At the request of City Manager Bolt, Planning Coordinator Dunlop discussed the waiver request for 14605 N FM 973, Good Luck Grill. He explained the current ordinance regulations for landscaping.

The discussion was held regarding number of trees and shrubs that would be planted in the property.

City Manager Bolt stated the City had a preferred list for the type of trees that could be used for landscaping. He stated the current ordinance would be amended to set new regulations for reducing the rate for commercial to be what is determined for General Office and Multi-family.

MOTION: Upon a motion made by Council Member Weir and seconded by Council Member Kruppa the Council voted four (4) For and none (0) Against to approve reducing the required landscaping to the calculation found in Chapter 3, Article 3.09, Section 3.09.003(6)(B) resulting in 73 trees and 195 shrubs. The motion carried unanimously.

16. Consideration, discussion, and possible action on an ordinance levying Ad Valorem taxes for the use and support of the municipal government of the City of Manor for the fiscal year beginning October 1, 2018 and ending September 30, 2019.

The City staff's recommendation was that the City Council approve Ordinance No. 528 Levying Ad Valorem taxes for the use and support of the municipal government of the City of Manor for the fiscal year beginning October 1, 2018 and ending September 30, 2019.

Lydia Collins, Director of Finance, was available to address any questions posed by the City Council.

MOTION: Upon a motion made by Council Member Weir and seconded by Council Member Kruppa the Council voted four (4) For and none (0) Against to approve Ordinance No. 528 levying Ad Valorem taxes for the use and support of the municipal government of the City of Manor for the fiscal year beginning October 1, 2018, and ending September 30, 2019 with the following motion: "I move that the property tax rate be decreased by the adoption of a tax rate of \$0.7522 on each \$100.00 valuation of property, which is effectively an 2.66% percent decrease in the tax rate. "The motion carried unanimously.

17. Consideration, discussion, and possible action on an ordinance adopting the Annual Budget for the City of Manor for the Fiscal Year beginning October 1, 2018 and ending September 30, 2019.

The City staff's recommendation was that the City Council approve Ordinance No. 529 adopting the Annual Budget for the City of Manor for the Fiscal Year beginning October 1, 2018 and ending September 30, 2018.

Lydia Collins, Director of Finance, was available to address any questions posed by the City Council.

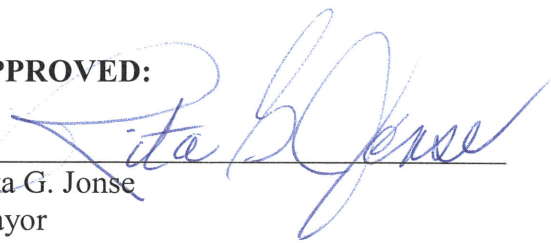
MOTION: Upon a motion made by Council Member Kruppa and seconded by Council Member Weir the Council voted four (4) For and none (0) Against to approve Ordinance No. 529 adopting the Annual Budget for the City of Manor for the Fiscal Year beginning October 1, 2018 and ending September 30, 2018. The motion carried unanimously.

ADJOURNMENT

The Regular Session of the Manor City Council Adjourned at 7:50 p.m. on Wednesday, September 19, 2018.

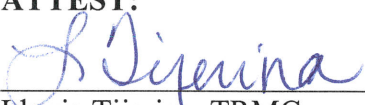
These minutes approved by the Manor City Council on the 3rd day of October 2018.

APPROVED:



Rita G. Jonse
Mayor

ATTEST:



Luvia Tijerina, TRMC
City Secretary



CITY OF
Manor

Water and Wastewater Rate Study

Final Report / June 15, 2018



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June 15, 2018

Lydia Collins
Director of Finance Department
City Hall
105 E. Eggleston Street
Manor, Texas, 78653

Subject: Water and Wastewater Financial Plan Study Report

Dear Mrs. Collins,

Raftelis Inc. (Raftelis) is pleased to provide this Water and Wastewater Financial Plan Study Report (Report) for the City of Manor (City) summarizing the results of our rate and financial planning study. This Report summarizes the key findings and recommendations related to the development of the financial plan for the water and wastewater utilities. The Financial Plan and Rate Model (Rate Model), which was developed as a component of this study, provides rate projections for the City based on its annual revenue requirements over a 10-year planning period. We are hopeful that the City Council of Manor will implement the recommended rate changes in this report as they will assist the City in meeting its future financial challenges.

It has been a pleasure working with you, and we thank you, the City staff and its other consultants for the support provided during the course of this study.

Sincerely,

A handwritten signature in blue ink that reads 'Angie Flores'.

Angie Flores
Manager

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1. Executive Summary

1.1. Background of the Study

In 2017, the City of Manor engaged Raftelis to conduct a Water and Wastewater Financial Plan Study (Study) to develop sustainable water and wastewater rates for the water and wastewater enterprises.

The City serves approximately 3,000 customers in the Manor area. Slightly more than 90% of the customers are residential customers. The City faces challenges in developing its financial plan to minimize rates and charges while providing customers with efficient, high quality, and reliable services that meet all regulatory requirements. The City procures water from Manville Water Supply Corporation, EPCOR, and wells. The City currently receives wastewater treatment from the City of Austin, which will be transitioning to a Manor-owned plant in 2020 (estimate). To assist with the associated debt service of building the new wastewater treatment plant, the City is paying debt service using ad valorem taxes. These payments assist in lowering the rates for the utility customers of the City.

1.2. Study Objectives

When Raftelis was engaged to evaluate Manor's current rate structure, it was tasked to:

- Evaluate the revenue sufficiency of the City's existing rate structure;
- Explain any past discrepancies from the prior rate plan; and

Develop new water and wastewater rates if applicable; As a major component of our analysis, Raftelis developed the Rate Model to forecast annual revenue requirements, consumption, revenues, and rates over a 10-year planning period (FY 2018-FY 2028). The Rate Model incorporates a projection of O&M expenses based on the FY 2018 Budget, CIP for the next 10 years, cash-funded capital, existing debt service, and proposed debt service. These inputs are utilized to create rate projections for the next 10 years. The Rate Model was designed to be user-friendly, so that the City may be able to use the Rate Model going into the future.

2. Model Details

2.1. Operating and Maintenance Expenses

The City's 2018 budget was used as the basis for O&M costs. The forecast of O&M costs includes assumptions about inflation, increasing operating costs, and increasing demand. The budget is entered in one tab, but the Rate Model allocates costs based on division. The allocation of joint costs to the water and wastewater systems was completed through careful collaboration with City staff. In aggregate, O&M costs were projected to increase by an average rate of 2% over the 10-year period. Water supply expenses were projected to increase at a 5% rate over the next 10-years.

It should be noted that if inflation occurs at a higher rate than projected, then the cost estimates will be lower than actual. Due to the volatile nature of commodity costs, especially chemicals and electricity these inflation rates should be reviewed annually to ensure accuracy. Once the new wastewater plant comes online the City should examine the estimates for additional costs. Currently these costs are estimated, and as the plant comes online more clarity should become available on the plant costs. In Exhibit 1 below, one can see when the wastewater plant comes online in 2020 and the City of Austin wastewater payments stop. The decline in water O&M in 2020 is due to the conclusion of a meter replacement program.

Exhibit 1: O&M Costs Over Next 5 Years

	2019	2020	2021	2022	2023
Water O&M	\$ 2,281,078	\$ 2,052,945	\$ 2,134,288	\$ 2,219,272	\$ 2,308,070
Wastewater O&M	\$ 1,268,583	\$ 973,652	\$ 993,280	\$ 1,013,305	\$ 1,033,735
Total O&M	\$ 3,549,661	\$ 3,026,598	\$ 3,127,568	\$ 3,232,576	\$ 3,341,804

2.2. Capital Costs

The next step in the rate setting process is to assess projected capital improvements (CIP). Accurate estimates of capital expenditures are needed to project debt service costs into the future. Over the ten years the water capital expenditures are estimated at \$8,319,410 with \$6,726,360 being debt-funded. For wastewater the total expenditures are estimated at \$34,952,505 with \$27,222,835 being debt-funded.

The major driver of the wastewater CIP is the construction and completion of the Wilbarger Wastewater Treatment Plant. Included in the \$34 million of wastewater CIP is \$7.7 million of developer-funded projects. Included in the water CIP is \$1.5 million of developer-funded projects. To plan for these CIP projects the model anticipates issuing debt of \$2.5 million in 2019, \$5.7 million in 2021, and of \$8.4 million in 2024. Each year the City should update the CIP, so that planned bond issuances can be updated accordingly. CIP estimates can vary greatly, so ensuring this section is up to date, is quite important.

2.3. Revenue Requirements

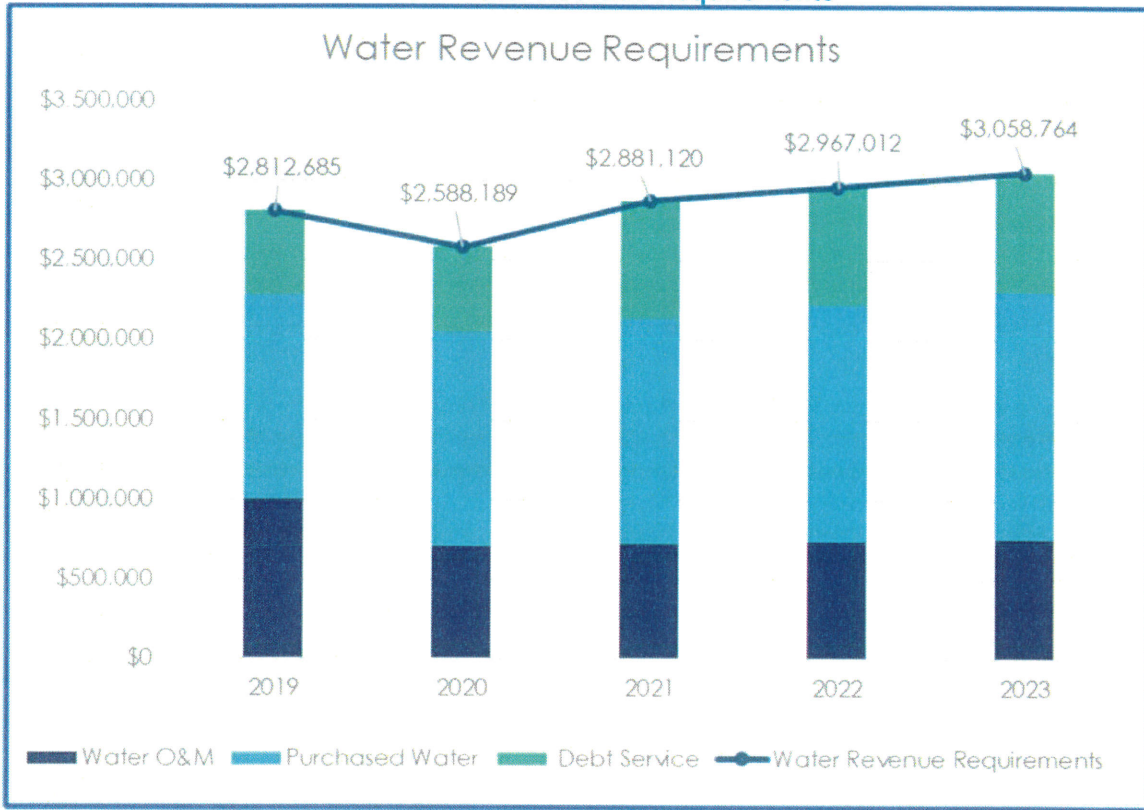
The development of the revenue requirements incorporates the assumptions about O&M, CIP, and cash-funded capital. For this model exercise, the Rate Model does not assume any cash-funded capital.

2.3.1. WATER REVENUE REQUIREMENTS

The water revenue requirement forecast incorporates assumptions to account for the effects of inflation, increasing demand, increasing operating costs, and anticipated capital costs. The main driver of growth in the water revenue requirements is the anticipation that water supply costs will grow significantly faster than inflation, roughly 5% per year. In 2018 and 2019 there are significant meter costs, but in 2020 and thereafter the meter costs are discontinued.

Once revenue requirements, along with non-rate revenue are determined, the cost of service and financial plan may be developed. The non-rate revenue is used to offset the revenue requirements to determine the correct cost of service. Exhibit 2, below, displays the water revenue requirements.

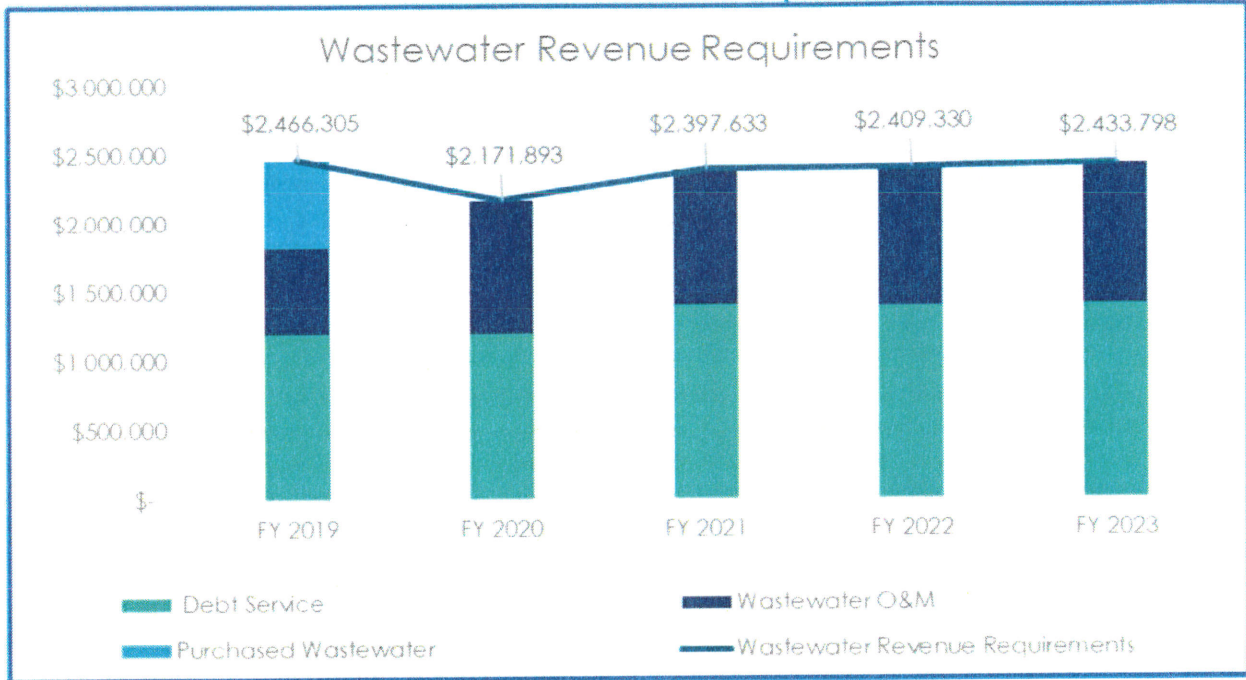
Exhibit 2: Water Revenue Requirements



2.3.2. WASTEWATER REVENUE REQUIREMENTS

The wastewater revenue requirement forecast incorporates assumptions to account for the effects of inflation, increasing demand, increasing operating costs, and anticipated capital costs. There are two main drivers of wastewater costs. In 2020 the Wilbarger Wastewater Treatment plant will come online. This is projected to achieve significant cost savings to the City. The City will be able to discontinue its City of Austin wastewater service contract. There will be added O&M costs from the plant, but the savings from the contract cancellation is projected to outweigh the costs. The second aspect driving the revenue requirements are future bond issuances. The majority of the future debt issuances will be supported by wastewater. Exhibit 3, below, displays the projected wastewater revenue requirements.

Exhibit 3: Wastewater Revenue Requirements



2.4. Cost of Service

As part of the project Raftelis agreed to review the cost of service for the Utility. First, Raftelis analyzed the existing revenue to determine non-rate revenue. The non-rate revenue is used to offset the cost to serve.

2.4.1. NON-RATE REVENUE

As mentioned previously, the City of Manor uses ad valorem tax revenue to make the payments of some of the utility debt service. The model takes this payment into account by showing a transfer of revenue from the General Fund. This is shown in the non-rate revenue. The ad valorem revenue is designed to offset the costs of the 2016 Certificates of Obligation bond. This bond primarily paid for the construction of the wastewater treatment plant. 85% of the bond was used to pay for wastewater projects and 15% of the bond was used to pay for water projects. Based on that assumption we allocated 85% of the ad valorem revenue to wastewater and 15% to water. The other miscellaneous revenue, such as late fees, permits, etc. was then allocated based on whether the item was a water or wastewater item.

2.4.2. WASTEWATER COST OF SERVICE

The analysis of the wastewater revenue and revenue requirements determined that current rates with projected growth will be sufficient to cover costs for the next three years. Consumption growth was estimated conservatively, but if growth rates differ from the forecast then adjustments may need to be made. The biggest uncertainty affecting future wastewater rates is the costs and timing of the Wilbarger Treatment Plant. If the costs associated with the plant come in higher than estimated, these rates may need to be revisited. It is projected that after 2020 wastewater will have to increase rates, primarily to prepare for a significant increase in debt service costs in 2024. Exhibit 5 displays the wastewater financial plan.

Exhibit 4: Wastewater Financial Plan

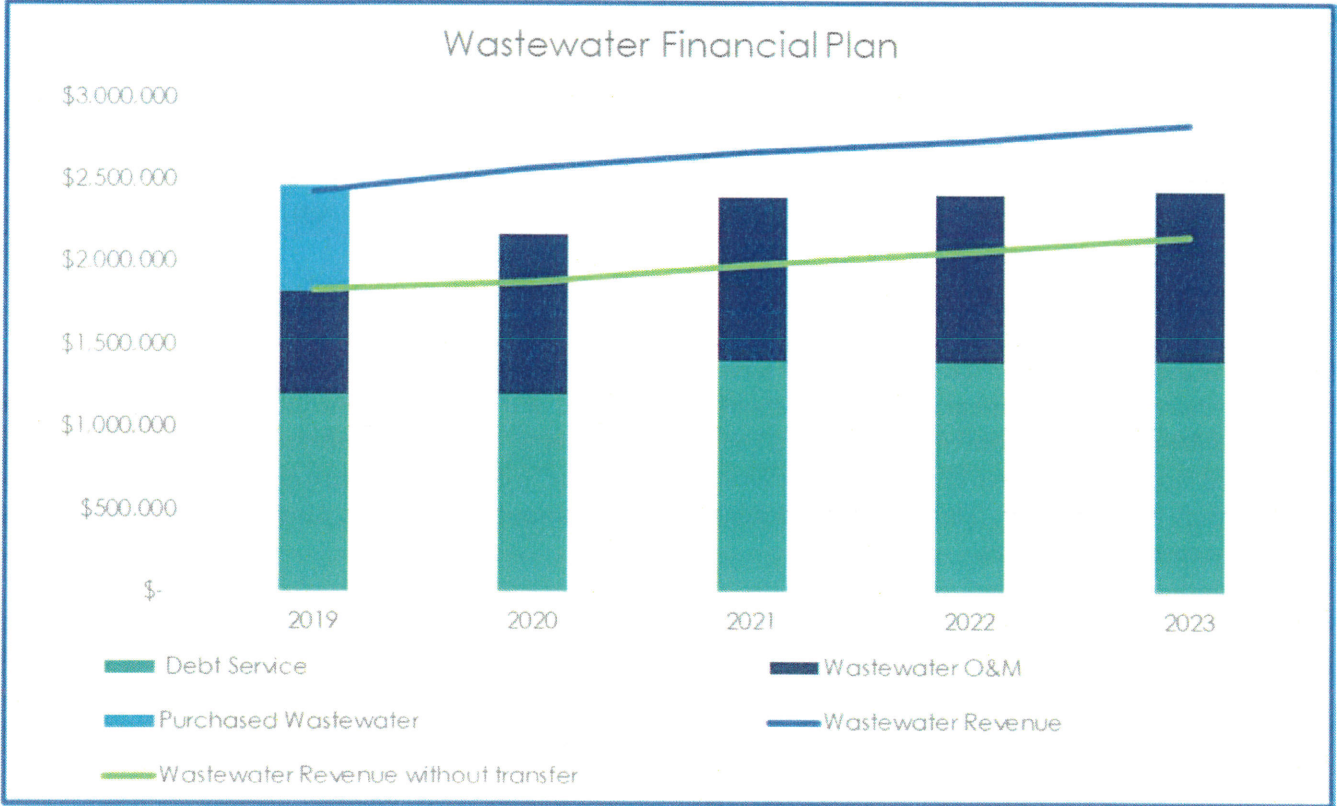


Exhibit 5: Wastewater Base Rates

	2018	2019	2020	2021	2022	2023
Residential	Existing	Proposed	Proposed	Proposed	Proposed	Proposed
5/8"	\$ 19.00	\$ 19.00	\$ 19.00	\$ 19.76	\$ 20.55	\$ 21.37
5/8" Senior	\$ 13.03	\$ 13.03	\$ 13.03	\$ 13.55	\$ 14.09	\$ 14.65
Commercial						
5/8" Positive Displacement	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.60	\$ 16.22	\$ 16.87
3/4" Positive Displacement	\$ 22.50	\$ 22.50	\$ 22.50	\$ 23.40	\$ 24.34	\$ 25.31
1" Positive Displacement	\$ 37.50	\$ 37.50	\$ 37.50	\$ 39.00	\$ 40.56	\$ 42.18
1-1/2" Positive Displacement	\$ 75.00	\$ 75.00	\$ 75.00	\$ 78.00	\$ 81.12	\$ 84.36
2" Positive Displacement	\$ 120.00	\$ 120.00	\$ 120.00	\$ 124.80	\$ 129.79	\$ 134.98
2" Compound	\$ 120.00	\$ 120.00	\$ 120.00	\$ 124.80	\$ 129.79	\$ 134.98
2" Turbine	\$ 150.00	\$ 150.00	\$ 150.00	\$ 156.00	\$ 162.24	\$ 168.73
3" Compound	\$ 240.00	\$ 240.00	\$ 240.00	\$ 249.60	\$ 259.58	\$ 269.96
3" Turbine	\$ 360.00	\$ 360.00	\$ 360.00	\$ 374.40	\$ 389.38	\$ 404.96
4" Compound	\$ 375.00	\$ 375.00	\$ 375.00	\$ 390.00	\$ 405.60	\$ 421.82
4" Turbine	\$ 630.00	\$ 630.00	\$ 630.00	\$ 655.20	\$ 681.41	\$ 708.67
6" Compound	\$ 750.00	\$ 750.00	\$ 750.00	\$ 780.00	\$ 811.20	\$ 843.65
6" Turbine	\$ 1,380.00	\$ 1,380.00	\$ 1,380.00	\$ 1,435.20	\$ 1,492.61	\$ 1,552.31
8" Compound	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,248.00	\$ 1,297.92	\$ 1,349.84
8" Turbine	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00	\$ 2,496.00	\$ 2,595.84	\$ 2,699.67
10" Compound	\$ 1,725.00	\$ 1,725.00	\$ 1,725.00	\$ 1,794.00	\$ 1,865.76	\$ 1,940.39
10" Turbine	\$ 3,750.00	\$ 3,750.00	\$ 3,750.00	\$ 3,900.00	\$ 4,056.00	\$ 4,218.24
12" Turbine	\$ 4,950.00	\$ 4,950.00	\$ 4,950.00	\$ 5,148.00	\$ 5,353.92	\$ 5,568.08

Exhibit 6: Wastewater Volumetric Rates

	2018	2019	2020	2021	2022	2023
	Existing	Proposed	Proposed	Proposed	Proposed	Proposed
Residential						
0-8000 Gallons	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.90	\$ 4.06	\$ 4.22
8,000+ Gallons	\$ 4.40	\$ 4.40	\$ 4.40	\$ 4.58	\$ 4.76	\$ 4.95
Commercial						
Per 1,000 Gallons	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.24	\$ 6.49	\$ 6.75

2.4.3. WATER COST OF SERVICE

The existing revenue does not cover the cost of service for water. Therefore, Raftelis analyzed the water consumption data to determine if the current rate structure should be continued or if a new rate structure should be implemented. In considering the City’s current structure and consumption patterns, Raftelis recommended that the City collapse its tiered block down to three blocks. This is reflected in Exhibit 6. To determine the cost allocations Raftelis worked extensively with City staff. This involved allocating costs by treatment plant, supply, distribution, etc. to determine relevant cost of service rates.

Through this process it was determined that with projected growth, the City would need a 12% increase in rate revenue in 2019 to reach cost of service in 2020. If projected growth changes materially in the upcoming years, then these estimates may need to be revised. Furthermore, with consultation of City staff, it was determined that the volumetric rate structure for water would be modified. The proposed rate structure change will be revenue neutral. The proposed rate structure allows the City to generate the required revenue in an equitable manner.

In years 2021-2023 water rate increases must be made to ensure revenue sufficiency. In 2024 a large bond issuance must occur that will increase costs significantly. The rate increases from 2021-2023 are to prepare for this. Exhibits 6 and 7 display the proposed water rates.

Exhibit 6: Water Base Rates

	2018	2019	2020	2021	2022	2023
	Current	Proposed	Proposed	Proposed	Proposed	Proposed
Residential						
5/8"	\$ 24.25	\$ 27.16	\$ 27.16	\$ 29.06	\$ 31.09	\$ 33.27
5/8" Senior	\$ 20.65	\$ 23.13	\$ 23.13	\$ 24.75	\$ 26.48	\$ 28.33
Commercial						
5/8" Positive Displacement	\$ 9.00	\$ 10.08	\$ 10.08	\$ 10.79	\$ 11.55	\$ 12.36
3/4" Positive Displacement	\$ 13.50	\$ 15.12	\$ 15.12	\$ 16.18	\$ 17.31	\$ 18.52
1" Positive Displacement	\$ 22.50	\$ 25.20	\$ 25.20	\$ 26.96	\$ 28.85	\$ 30.87
1-1/2" Positive Displacement	\$ 45.00	\$ 50.40	\$ 50.40	\$ 53.93	\$ 57.71	\$ 61.75
2" Positive Displacement	\$ 72.00	\$ 80.64	\$ 80.64	\$ 86.28	\$ 92.32	\$ 98.78
2" Compound	\$ 72.00	\$ 80.64	\$ 80.64	\$ 86.28	\$ 92.32	\$ 98.78
2" Turbine	\$ 90.00	\$ 100.80	\$ 100.80	\$ 107.86	\$ 115.41	\$ 123.49
3" Compound	\$ 144.00	\$ 161.28	\$ 161.28	\$ 172.57	\$ 184.65	\$ 197.58
3" Turbine	\$ 216.00	\$ 241.92	\$ 241.92	\$ 258.85	\$ 276.97	\$ 296.36
4" Compound	\$ 225.00	\$ 252.00	\$ 252.00	\$ 269.64	\$ 288.51	\$ 308.71
4" Turbine	\$ 378.00	\$ 423.36	\$ 423.36	\$ 453.00	\$ 484.71	\$ 518.64
6" Compound	\$ 450.00	\$ 504.00	\$ 504.00	\$ 539.28	\$ 577.03	\$ 617.42
6" Turbine	\$ 828.00	\$ 927.36	\$ 927.36	\$ 992.28	\$ 1,061.74	\$ 1,136.06
8" Compound	\$ 720.00	\$ 806.40	\$ 806.40	\$ 862.85	\$ 923.25	\$ 987.88
8" Turbine	\$ 1,440.00	\$ 1,612.80	\$ 1,612.80	\$ 1,725.70	\$ 1,846.50	\$ 1,975.76
10" Compound	\$ 1,035.00	\$ 1,159.20	\$ 1,159.20	\$ 1,240.34	\$ 1,327.16	\$ 1,420.06
10" Turbine	\$ 2,250.00	\$ 2,520.00	\$ 2,520.00	\$ 2,696.40	\$ 2,885.15	\$ 3,087.11
12" Turbine	\$ 2,970.00	\$ 3,326.40	\$ 3,326.40	\$ 3,559.25	\$ 3,808.40	\$ 4,074.99

Exhibit 7: Water Volumetric Rates

Residential						
	2018					
	Current					
0-2,000 Gallons	\$ 0.50					
2,001-5,000 Gallons	\$ 2.70					
5,001-10,000 Gallons	\$ 3.00					
10,001-15,000 Gallons	\$ 3.25					
15,001-25,000 Gallons	\$ 3.50					
25,000+ Gallons	\$ 4.25					
		2019	2020	2021	2022	2023
		Proposed	Proposed	Proposed	Proposed	Proposed
0-2,000 gallons		\$ 1.10	\$ 1.10	\$ 1.18	\$ 1.26	\$ 1.35
2,000-10,000 gallons		\$ 2.55	\$ 2.55	\$ 2.73	\$ 2.92	\$ 3.12
>10,000 gallons		\$ 4.50	\$ 4.50	\$ 4.82	\$ 5.15	\$ 5.51
Commercial						
All per 1,000 Gallons	\$ 6.30	\$ 7.06	\$ 7.06	\$ 7.55	\$ 8.08	\$ 8.64

2.5. Results

With the proposed rate increases the water utility is projected to become more self-sufficient. Over the next couple of years, the Utility should closely observe their costs and demands. The ad valorem transfer does give the Utility financial assistance. When the wastewater treatment plant comes online, the Utility should experience a large drop in costs. If this does not occur, then the Utility may have to revisit these assumptions. The Utility is reliant on the ad valorem transfer, if this transfer decreases then the Utility may have to revisit these plans. The exhibits below show the performance of the Utility by division and at a combined level.

Exhibit 8 Water Financial Plan

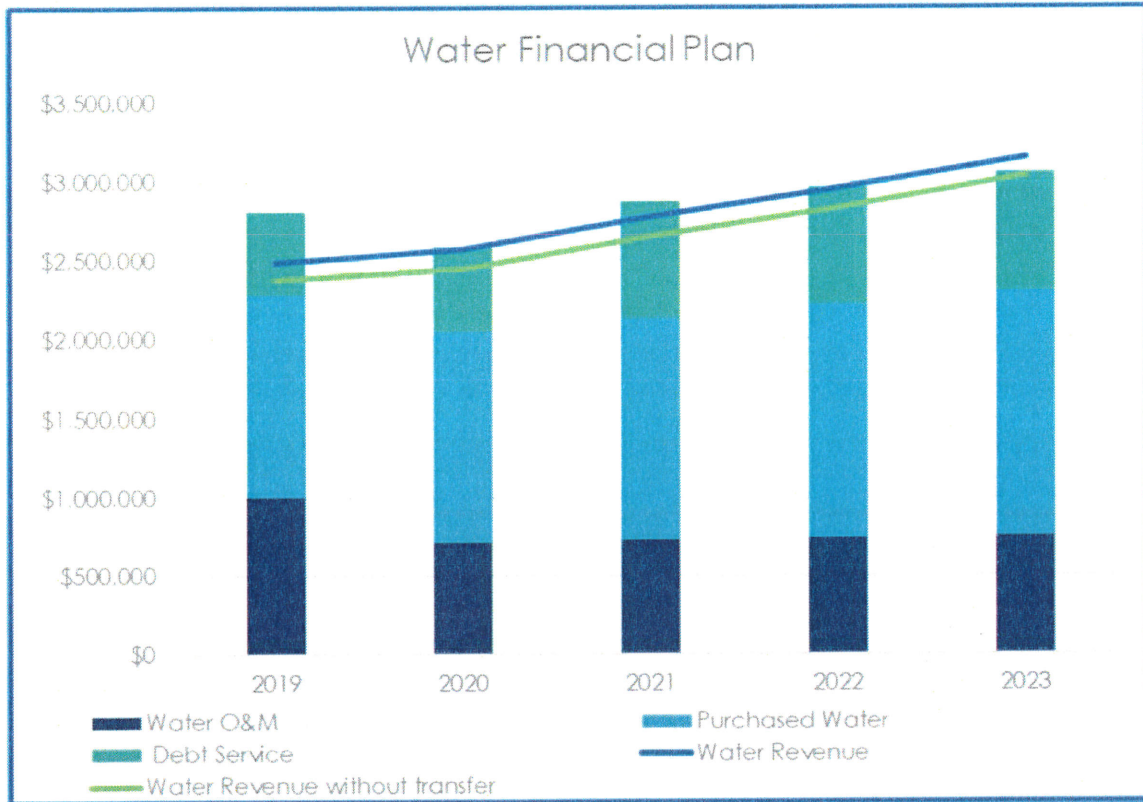


Exhibit 9 Wastewater Financial Plan

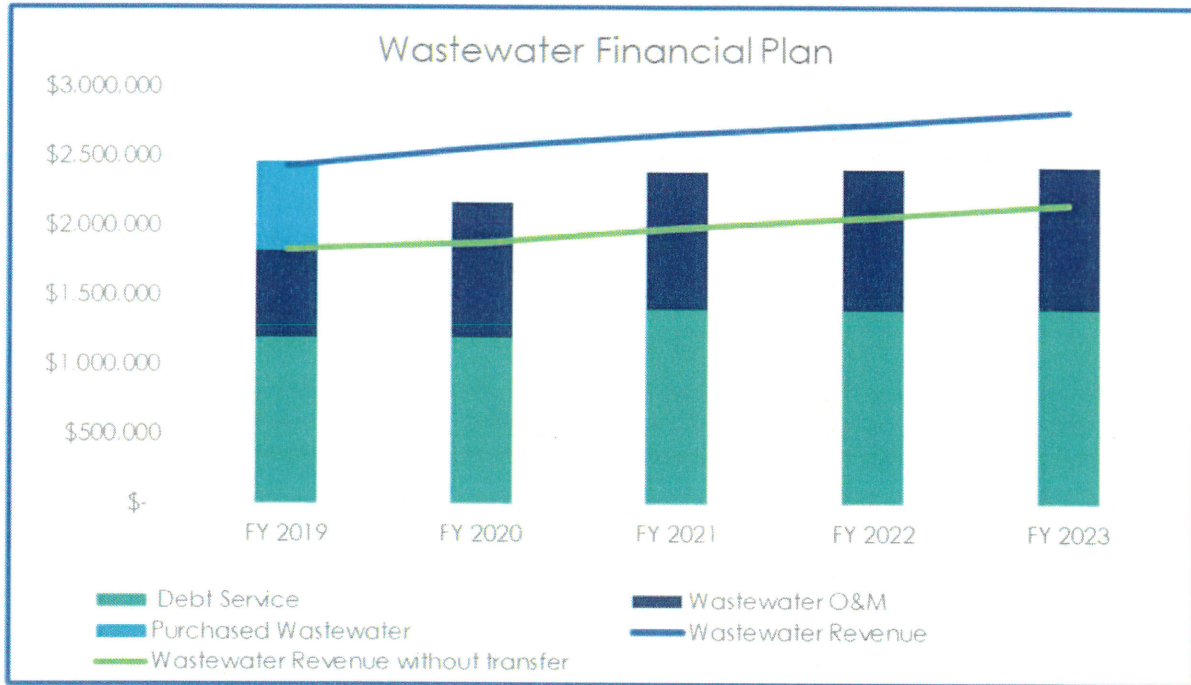


Exhibit 10 Combined Utility Financial Plan

