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Jerry Mouton Jr., Mayor

Bill Patterson, Council Position 4  
Ron Martin, Council Position 5  
Rae A. Sinor, Council Position 6

Shannon Bennett, TRMC, City Secretary  
Jim Fox, City Attorney

## CALL TO ORDER

1. Discussion of issues relating to the Water and Wastewater Rate study performed by NewGen Strategies and Solutions. [DIS 19-105](#)

**Recommended Action:** Discussion only during workshop. A water and wastewater rate ordinance is included on the 9-17-19 Regular Council Agenda for consideration and possible action.

**Attachments:** [Deer Park Draft Report 9 11 19](#)  
[Deer Park 9 17 19 Presentation](#)

2. Discussion of issues relating to the 2019 Strategic Plan strategy prioritization process and results. [DIS 19-106](#)

**Recommended Action:** Discuss the strategic plan strategy prioritization process and results.

**Department:** City Manager's Office

**Attachments:** [2019 Strategic Plan - Prioritization presentation](#)

3. Discussion of issues relating to the City's Investment Program, including the annual review of the City's Investment Policy. [DIS 19-092](#)

**Recommended Action:** Discussion only. Action on the annual review of the investment policy will be taken during the regular meeting.

**Department:** Finance

**Attachments:** [Investment Policy Review 09.17.19](#)  
[Investment Policy - 2019](#)

4. Discussion of issues relating to the Fiscal Year 2019-2020 Final Budget. [DIS 19-096](#)

**Recommended Action:** Discussion only during Workshop. A proposed ordinance adopting the FY 2019-2020 Budget is included on the September 17, 2019 Regular Council Meeting Agenda.

**Department:** City Manager's Office

**Attachments:** [Explanation of Changes - Final 19-20 Budget](#)  
[Final Budget FY19-20 9.17.19](#)

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*The Mission of the City of Deer Park is to deliver exemplary municipal services that provide the community a high quality of life consistent with our history, culture and unique character.*

**5. Discussion of issues relating to Certification Pay Plan changes.**[DIS 19-107](#)

**Recommended Action:** Discussion during workshop.

**Attachments:** [Certification Pay calculation sheet](#)

**ADJOURN**

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Shannon Bennett, TRMC  
City Secretary

Posted on Bulletin Board  
September 13, 2019

*City Hall is wheelchair accessible and accessible parking spaces are available. Hearing assistance devices are available. Requests for accommodation services must be made 72 hours prior to any meeting. Please contact the City Secretary office at 281-478-7248 for further information.*

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## Legislation Details (With Text)

**File #:** DIS 19-105    **Version:** 1    **Name:**  
**Type:** Discussion    **Status:** Agenda Ready  
**File created:** 9/9/2019    **In control:** City Council Workshop  
**On agenda:** 9/17/2019    **Final action:**  
**Title:** Discussion of issues relating to the Water and Wastewater Rate study performed by NewGen Strategies and Solutions.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [Deer Park Draft Report 9 11 19](#)  
[Deer Park 9 17 19 Presentation](#)

Date	Ver.	Action By	Action	Result
9/17/2019	1	City Council Workshop		

Discussion of issues relating to the Water and Wastewater Rate study performed by NewGen Strategies and Solutions.

### Summary:

On January 15, 2019, the City Council authorized an agreement with NewGen Solutions and Strategies for a water and wastewater rate study. The purpose of the study is for the company to independently assess and evaluate the City's existing water and sewer rates using financial and consumption information and provide recommendations for water and sewer rates for all customer classes. The objective of the study is to adequately fund water and sewer utility operations, capital costs, and debt service while minimizing rates to the greatest degree possible.

NewGen Solutions and Strategies performed the study, produced a draft report and made a presentation at the June 24, 2019 City Council Budget Workshop regarding the rates proposed for FY 2019-2020. The final report and PowerPoint presentation that NewGen will present at the September 17, 2019 Council Workshop is attached.

### Fiscal/Budgetary Impact:

A 10% increase in water and wastewater rates is proposed for FY 2019-2020.

Discussion only during workshop. A water and wastewater rate ordinance is included on the 9-17-19 Regular Council Agenda for consideration and possible action.



## Water and Wastewater Rate Study

City of Deer Park, Texas



PREPARED BY:

**NewGen  
Strategies & Solutions**

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Schedule 1	General Inputs and Inflation Assumptions
Schedule 2	Five-Year Combined Water and Wastewater Revenue Requirement
Schedule 3	Capital Improvement Plan and Debt Service
Schedule 4	Proposed Water Rates
Schedule 5	Proposed Wastewater Rates
Schedule 6	Performance Summary Under Proposed Rates
Schedule 7	Regional Bill Comparison – Monthly Bills at 2,000, 8,000 and 15,000 Gallons

## Section 1

# INTRODUCTION

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The City of Deer Park (City) retained NewGen Strategies and Solutions, LLC (NewGen) to perform a rate study (Study) completed in September 2019 for the City's water and wastewater utilities. The purpose of the Study was to determine the total cost of providing water and wastewater services, review performance under the current rates and propose rate changes (if required) to safeguard the financial integrity of the City. This report describes the analysis performed for the City and makes recommendations with respect to rates to be charged to the City's water and wastewater customers. This report consists of four sections, the last of which details NewGen's recommendations. Schedules, which supplement the findings in this report, are provided in the Appendix.

### 1.1 Background

The City is a suburb east of Houston in Harris County. The City provides water services to approximately 14,300 retail units and wastewater services to approximately 13,100 retail units.

The City currently purchases wholesale raw water from the City of Houston (COH) and treats its own wastewater. Under the terms of the City's water contract, COH has the ability to annually adjust the rates charged to the City to ensure they can fully recover the cost of providing service. Failure by the City of Deer Park to annually pass along these rate adjustments to the City's retail customers can adversely impact the financial integrity of the City's water utility. The City's existing contract is scheduled to expire at the end of 2020. Currently, it is our understanding that it will be renewed under the same terms. As it is approximately 8% of the City's FY 2020 combined utility expenses, the rates will need to be reviewed for sufficiency if the terms are different from the current contract.

## 1.2 Current Retail Rates

The current retail water rates are shown in Table 1-1 below. The minimum charges are the same for all customers, not dependent on the meter size. The City uses a two-tiered volumetric rate structure wherein the first 2,000 gallons of usage are included in the minimum charge. The City currently charges a 1.25 multiplier for providing service to residential customers outside city limits and a 1.50 multiplier for commercial customers outside city limits. Per discussions with City staff, the rate design and structure are to remain the same.

**Table 1-1**  
**Current Retail Water Rates**

<b>Minimum Charge</b>	<b>Inside City</b>	<b>Residential Outside City</b>	<b>Commercial Outside City</b>
All	\$ 12.46	\$ 15.58	\$ 18.69
<b>Volumetric Charges (per 1,000 gallons)</b>	<b>Inside City</b>	<b>Residential Outside City</b>	<b>Commercial Outside City</b>
0 - 2,000	\$ 0.00	\$ 0.00	\$ 0.00
2,001+	4.82	6.02	7.23

The current retail wastewater rates are shown in Table 1-2 below. The minimum charges for wastewater are not dependent on meter size and customers are charged a flat volumetric rate per 1,000 gallons after the first 2,000 gallons. The volumetric charges for residential customers are capped at 20,000 gallons. The volumetric charges for non-residential (i.e., commercial) customers are based on actual water consumption and are not capped.

**Table 1-2**  
**Current Retail Wastewater Rates**

<b>Minimum Charge</b>	<b>Inside City</b>	<b>Residential Outside City</b>	<b>Commercial Outside City</b>
All	\$ 12.46	\$ 15.58	\$ 18.69
<b>Volumetric Charges (per 1,000 gallons)</b>	<b>Inside City</b>	<b>Residential Outside City</b>	<b>Commercial Outside City</b>
0 - 2,000	\$ 0.00	\$ 0.00	\$ 0.00
2,001+	5.19	6.49	7.78

## Section 2

### REVENUE REQUIREMENT

#### 2.1 Revenue Requirement

NewGen developed a “Test Year” for the Study based on the Fiscal Year (FY) 2019 Estimated Actuals and the FY 2020 Preliminary Budget.<sup>1</sup> A Test Year is a common term in rate studies that refers to an adjusted budget that is used as a basis for setting rates. The Test Year should be representative of “typical” conditions, with adjustments for unusual or one-time expenses. The Test Year separates costs and allocates them specifically to the water and wastewater functions. The development of the Test Year was completed in coordination with City staff and reflects all known and measurable changes as of this report.

The Test Year was used to develop a five-year revenue requirement forecast for FY 2020 through FY 2024. The net revenue requirement identifies the amount that should be recovered from rates in order to fully recover the cost of providing service. In addition to the Test Year, the revenue requirement incorporates inflation factors, a capital improvement plan, and debt service. General inputs and additional inflation factor details can be found in Appendix Schedule 1. The following subsections within Section 2 summarize the key factors affecting the projected revenue requirement. The five-year water and wastewater revenue requirement forecast is shown in Appendix Schedule 2. Table 2-1 below shows the net revenue requirement forecast for each utility.

**Table 2-1**  
**Total Revenue Requirement Forecast**

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Water	\$ 7,533,342	\$ 7,208,885	\$ 7,729,441	\$ 7,953,644	\$ 8,259,003
Wastewater	4,608,002	4,735,545	4,845,374	4,988,337	5,556,419
<b>Total</b>	<b>\$ 12,141,343</b>	<b>\$ 11,944,430</b>	<b>\$ 12,574,815</b>	<b>\$ 12,941,981</b>	<b>\$ 13,815,421</b>

Tables 2-2 and 2-3 on the following page show more detail for the individual service revenue requirements. Table 2-2 provides detail for Water, and Table 2-3 provides detail for Wastewater.

<sup>1</sup> The City’s fiscal year starts October 1 and ends September 30; the year cited is the year the fiscal year ends.



**Table 2-2**  
**Net Water Rate Revenue Requirement**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Expenses</b>					
Capital & Debt	\$ 3,062,552	\$ 2,505,533	\$ 2,833,852	\$ 2,857,114	\$ 2,951,516
Raw Water	1,065,000	1,102,630	1,141,521	1,181,727	1,223,349
Personnel	2,079,375	2,183,344	2,292,511	2,407,136	2,527,493
Other	1,913,739	1,597,713	1,641,892	1,688,001	1,736,979
<b>Expenses</b>	<b>\$ 8,120,666</b>	<b>\$ 7,389,220</b>	<b>\$ 7,909,776</b>	<b>\$ 8,133,979</b>	<b>\$ 8,439,337</b>
<b>Revenue Offsets</b>	<b>\$ 587,324</b>	<b>\$ 180,335</b>	<b>\$ 180,335</b>	<b>\$ 180,335</b>	<b>\$ 180,335</b>
<b>Revenue Requirement</b>	<b>\$ 7,533,342</b>	<b>\$ 7,208,885</b>	<b>\$ 7,729,441</b>	<b>\$ 7,953,644</b>	<b>\$ 8,259,003</b>

**Table 2-3**  
**Net Wastewater Rate Revenue Requirement**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Expenses</b>					
Capital & Debt	\$ 1,818,565	\$ 1,924,564	\$ 1,917,748	\$ 1,938,136	\$ 2,375,925
Personnel	1,537,421	1,614,292	1,695,007	1,779,757	1,868,745
Other	1,621,628	1,317,354	1,353,285	1,391,109	1,432,414
<b>Expenses</b>	<b>\$ 4,977,615</b>	<b>\$ 4,856,210</b>	<b>\$ 4,966,039</b>	<b>\$ 5,109,002</b>	<b>\$ 5,677,084</b>
<b>Revenue Offsets</b>	<b>\$ 369,613</b>	<b>\$ 120,665</b>	<b>\$ 120,665</b>	<b>\$ 120,665</b>	<b>\$ 120,665</b>
<b>Revenue Requirement</b>	<b>\$ 4,608,002</b>	<b>\$ 4,735,545</b>	<b>\$ 4,845,374</b>	<b>\$ 4,988,337</b>	<b>\$ 5,556,419</b>

### 2.2 Inflation Factors

The Test Year revenue requirement was used as the basis for the five-year financial forecast. Certain expenses were projected based on fixed costs such as debt service payments. However, the majority of expenses were Operations and Maintenance (O&M) related costs, which were inflated based on historical averages or industry standards as follows:

- General inflation at 2.66% per year.<sup>2</sup>
- Personnel increase 5.00% per year, which includes salaries and benefits.<sup>3</sup>
- COH Water Contract increases by approximately 3.50% in FY 2021. Fiscal Years 2022, 2023, and 2024 are estimated to increase by 3.50% plus water consumption growth each year.<sup>4</sup>

### 2.3 Capital Improvement Plan

The revenue requirement incorporates a capital improvement plan (CIP) provided by the City for the five-year forecast period. NewGen, per conversations with City staff, has budgeted \$8,813,000 in water projects for FY 2020 and FY 2021 combined and \$1,340,700 for FY 2020 and FY 2021 combined for wastewater projects. Further detail on the CIP projects can be seen in Appendix Schedule 3. In addition to the CIP, \$1,250,000 is budgeted as cash capital outlay for each of the outgoing years, with \$937,500 to water and \$312,500 to wastewater. These amounts are shown as capital outlay in Appendix Schedule 2 in the Water & Sewer Maintenance department.

### 2.4 Debt Service

The revenue requirement includes the City's existing debt and the associated principal and interest payments. Each individual series of debt was allocated to water and wastewater based on how the funds were used, with total existing debt being allocated 48% to water and 52% to wastewater. The amount of debt service in the revenue requirement is equal to the annual debt service needed to be recovered from rate revenues. Within the CIP, some projects are projected to be funded by debt in FY 2021. A total of \$5,550,500 is issued in FY 2021 with the first payment in FY 2022. It was assumed that this debt would have a 20-year term at a 3.23% interest rate<sup>5</sup>. Annual debt service requirements can be seen in further detail in Appendix Schedule 3.

### 2.5 Revenue Offsets

In order to determine the revenues that are required to be recovered through rates, it is necessary to subtract other miscellaneous utility related revenues. The revenue offsets identified in this Study correlate with the budgeted values in the FY 2020 Preliminary Budget, and mostly remain constant throughout the five-year forecast, to be conservative. The use of Prior Year Revenue of \$655,937 is included in FY 2020 as a one-time revenue and does not continue through the rest of the forecast.

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<sup>2</sup> American City and County Municipal Cost Index 20-Year Average as of April 2019.

<sup>3</sup> Per staff.

<sup>4</sup> Per staff.

<sup>5</sup> Per Mergent AAA Long Term Maturity Rate as of January 2019.

## Section 3 RATES

### 3.1 Recovery from Current Rates

In evaluating the performance of existing water and wastewater rates and to project future water and wastewater rates, some estimation of billed water consumption and billed wastewater flow is required. In making this estimation, NewGen relied on twelve (12) months of billing data that were chosen based on the relative similarity to the 30-year normal precipitation. Consumption data from the City's utility billing system for these most representative months was then evaluated to determine average usage per connection.

Table 3-1 provides a summary of the projected revenue to be realized if current rates remain unchanged. It should be noted that for the purpose of this analysis, NewGen has assumed an annual growth of two (2) new accounts for residential and commercial each. The residential growth is applied for FY 2020 and FY 2021, and the commercial growth is applied for each year of the forecast.<sup>6</sup>

**Table 3-1  
Revenue Recovery Under Current Rates**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Water</b>					
Revenue Requirement	\$ 7,533,342	\$ 7,208,885	\$ 7,729,441	\$ 7,953,644	\$ 8,259,003
Projected Revenue Under Current Rates	5,885,062	5,886,977	5,888,525	5,889,776	5,891,027
Over/ (Under) Recovery	<b>(\$ 1,648,297)</b>	<b>(\$ 1,321,908)</b>	<b>(\$ 1,840,916)</b>	<b>(\$ 2,063,868)</b>	<b>(\$ 2,367,975)</b>
<b>Wastewater</b>					
Revenue Requirement	\$ 4,608,002	\$ 4,735,545	\$ 4,845,374	\$ 4,988,337	\$ 5,556,419
Projected Revenue Under Current Rates	5,490,671	5,492,697	5,494,345	5,495,683	5,497,022
Over/ (Under) Recovery	<b>\$ 882,669</b>	<b>\$ 757,153</b>	<b>\$ 648,971</b>	<b>\$ 507,346</b>	<b>(\$ 59,397)</b>
<b>Total</b>					
Revenue Requirement	\$ 12,141,343	\$ 11,944,430	\$ 12,574,815	\$ 12,941,981	\$ 13,815,421
Projected Revenue Under Current Rates	11,375,733	11,379,674	11,382,870	11,385,460	11,388,049
Over/ (Under) Recovery	<b>(\$ 765,610)</b>	<b>(\$ 564,756)</b>	<b>(\$ 1,191,945)</b>	<b>(\$ 1,556,522)</b>	<b>(\$ 2,427,372)</b>

As shown above, the City is projected to fall short of its combined water and wastewater FY 2020 revenue requirements with no rate changes.

<sup>6</sup> Per staff.

## Section 3

Table 3-2 illustrates the City's combined utility performance as compared to the City's financial policy objectives for the utility. These metrics include achieving a Debt Service Coverage Ratio of at least 1.1 times the debt service requirements and maintaining an Operating Reserve of no less than the cost of operating expenses for 180 days.

**Table 3-2**  
**Combined Utility Performance Under Current Rates**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Beginning Unrestricted Net Position</b>	\$8,552,323	\$7,786,713	\$7,221,957	\$6,030,012	\$4,473,491
Total Revenues	12,332,670	11,680,674	11,683,870	11,686,460	11,689,049
Total Expenses	13,098,280	12,245,430	12,875,815	13,242,981	14,116,421
<b>Ending Unrestricted Net Position</b>	<b>\$7,786,713</b>	<b>\$7,221,957</b>	<b>\$6,030,012</b>	<b>\$4,473,491</b>	<b>\$2,046,118</b>
 <b>Days Cash on Hand (180 Days)</b>	 ● 346 ●	337 ●	271 ●	193 ●	85
 <b>Debt Service Coverage</b>					
Total Revenues	\$ 12,332,670	\$ 11,680,674	\$ 11,683,870	\$ 11,686,460	\$ 11,689,049
Total Expenses Less Debt Service Less Capital Outlay	8,224,163	7,822,519	8,131,593	8,455,306	8,796,756
<b>Available for Debt Service Coverage</b>	<b>\$ 4,108,507</b>	<b>\$ 3,858,155</b>	<b>\$ 3,552,278</b>	<b>\$ 3,231,154</b>	<b>\$ 2,892,293</b>
Debt Service	3,075,217	3,172,911	3,455,217	3,458,448	3,948,960
<b>Coverage Ratio</b>	● 1.34 ●	1.22 ●	1.03 ●	0.93 ●	0.73
<b>Target Debt Service Coverage Ratio</b>	1.10	1.10	1.10	1.10	1.10

## 3.2 Rate Options

NewGen recommended four (4) different options to the City for possible rate changes; for each option, the percentages were the same for both water and wastewater. Table 3-3 shows the percentages for each option by year. In each option, there is a rate increase in each year. Option 1 is 5% each year, which is what the City has previously done. Option 2 has a 10% increase in FY 2020 and then back down to 5% each year after that. This is the option that City staff recommends. Option 3 has percentages that are determined to make the utility breakeven each year. Option 4 smooths out the rate increases each to ultimately have the utility breakeven by FY 2024. All these options are based on the current assumptions and may merit revision if future needs vary from the current expectations.

**Table 3-3**  
**Summary of Rate Options**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Option 1</b>	← 5% →				
<b>Option 2</b>	10%	← 5% →			
<b>Option 3</b>	12%	2%	5%	2.5%	6%
<b>Option 4</b>	← 6% →			← 5% →	

### 3.3 Proposed Rates Summary

The remainder of this report represents the proposed rates, which are the same as the staff recommended rates shown in Option 2. Tables 3-4 and 3-5 show the proposed inside residential rates for each year, for water and wastewater, respectively. The full rate schedules for the proposed rates can be found in Appendix Schedule 4 (water) and Appendix Schedule 5 (wastewater). The proposed rates achieve the utility's objectives of full cost recovery and meeting both its Debt Service Coverage Target and Days Cash on Hand Target. Table 3-6 shows the revenue recovery with the proposed rates and Table 3-7 shows the combined utility performance. The complete summary of utility performance using the proposed rates can be found in Appendix Schedule 6. Also, Appendix Schedule 7 provides a residential bill impact of each option along with a regional comparison of rates from different cities.

**Table 3-4  
Proposed Residential Water Rates**

Minimum Charge	Current	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
All	\$ 12.46	\$ 13.71	\$ 14.39	\$ 15.11	\$ 15.87	\$ 16.66
<b>Volumetric Charges (per 1,000 gallons)</b>						
0 - 2,000	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2,001+	4.82	5.30	5.57	5.85	6.14	6.44

**Table 3-5  
Proposed Residential Wastewater Rates**











Minimum Charge	Current	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
All	\$ 12.46	\$ 13.71	\$ 14.39	\$ 15.11	\$ 15.87	\$ 16.66
<b>Volumetric Charges (per 1,000 gallons)</b>						
0 - 2,000	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2,001+	5.19	5.71	5.99	6.29	6.61	6.94

## Section 3

**Table 3-6**  
**Revenue Recovery Under Option 2 Rates**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Water</b>					
Revenue Requirement	\$ 7,533,342	\$ 7,208,885	\$ 7,729,441	\$ 7,953,644	\$ 8,259,003
Projected Revenue Under Proposed Rates	6,473,569	6,799,458	7,141,309	7,499,968	7,876,639
Over/ (Under) Recovery	<b>(\$ 1,059,773)</b>	<b>(\$ 409,427)</b>	<b>(\$ 588,132)</b>	<b>(\$ 453,677)</b>	<b>(\$ 382,364)</b>
<b>Wastewater</b>					
Revenue Requirement	\$ 4,608,002	\$ 4,735,545	\$ 4,845,374	\$ 4,988,337	\$ 5,556,419
Projected Revenue Under Proposed Rates	6,039,738	6,344,066	6,663,267	6,998,134	7,349,831
Over/ (Under) Recovery	<b>\$ 1,431,736</b>	<b>\$ 1,608,521</b>	<b>\$ 1,817,893</b>	<b>\$ 2,009,797</b>	<b>\$ 1,793,412</b>
<b>Total</b>					
Revenue Requirement	\$ 12,141,343	\$ 11,944,430	\$ 12,574,815	\$ 12,941,981	\$ 13,815,421
Projected Revenue Under Proposed Rates	12,513,307	13,143,524	13,804,576	14,498,102	15,226,469
Over/ (Under) Recovery	<b>\$ 371,963</b>	<b>1,199,094</b>	<b>1,229,761</b>	<b>1,556,121</b>	<b>1,411,048</b>

**Table 3-7**  
**Combined Utility Performance Under Option 2 Rates**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Beginning Unrestricted Net Position</b>	\$8,552,323	\$8,924,286	\$10,123,380	\$11,353,141	\$12,909,261
Total Revenues	13,470,244	13,444,524	14,105,576	14,799,102	15,527,469
Total Expenses	13,098,280	12,245,430	12,875,815	13,242,981	14,116,421
<b>Ending Unrestricted Net Position</b>	<b>\$8,924,286</b>	<b>\$10,123,380</b>	<b>\$11,353,141</b>	<b>\$12,909,261</b>	<b>\$14,320,309</b>
<b>Days Cash on Hand (180 Days)</b>	 396  472  510  557  594				
<b>Debt Service Coverage</b>					
Total Revenues	\$ 13,470,244	\$ 13,444,524	\$ 14,105,576	\$ 14,799,102	\$15,527,469
Total Expenses Less Debt Service	8,224,163	7,822,519	8,131,593	8,455,306	8,796,756
<b>Available for Debt Service Coverage</b>	<b>\$ 5,246,081</b>	<b>\$ 5,622,005</b>	<b>\$ 5,973,983</b>	<b>\$ 6,343,796</b>	<b>\$ 6,730,713</b>
Debt Service	3,075,217	3,172,911	3,455,217	3,458,448	3,948,960
<b>Coverage Ratio</b>	 1.71  1.77  1.73  1.83  1.70				
<b>Target Debt Service Coverage Ratio</b>	1.10	1.10	1.10	1.10	1.10

## Section 4

# RECOMMENDATIONS

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Listed below are the findings and recommendations from the water and wastewater rate study.

### ■ **Recommended Rates:**

NewGen recommends the City implement the staff recommended rates for FY 2020, which were presented at Option 2. NewGen also recommends the City review rate requirements and revenue sufficiency annually.

### ■ **Monitor Wholesale Contract:**

As the City's current contract with the City of Houston expires soon, NewGen recommends that the City closely monitor the terms of the renewed contract. If the new contract terms differ from the current contract or assumptions made in this Study, the future proposed rates might need to be adjusted in order to cover any additional costs.

### ■ **Ensure Financial Stability:**

The City has internal financial policies requiring the utility to maintain a 1.1 Debt Service Coverage Ratio and Days Cash on Hand at a minimum amount of 180 days of annual operating expenses. To the extent rates do not generate sufficient revenue to meet these policies, then action should be taken to amend the City's rates. Failure to abide by the City's own financial policies and/or maintain required debt service coverage ratios could result in a reduced bond rating which, consequentially, can result in a higher, long-term borrowing cost for the City and ultimately higher rates to ratepayers.

## Appendix

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### List of Schedules

- 1 General Inputs and Inflation Assumptions
- 2 Five-Year Combined Water and Wastewater Revenue Requirement
- 3 Capital Improvement Plan and Debt Service
- 4 Proposed Water Rates
- 5 Proposed Wastewater Rates
- 6 Performance Summary Under Proposed Rates
- 7 Regional Bill Comparison – Monthly Bills at 2,000, 8,000, and 15,000 Gallons



# Schedule 1

## City of Deer Park, Texas Water and Wastewater Rate Model Water and Wastewater General Assumptions

Test Year	2019
Beginning Unrestricted Net Position (Water & WW)	\$ 8,126,168 Per 2018 Audit, Page 43
Debt Service Coverage Target	1.10
Days Cash On Hand Required	180
Interest Rate	3.23%
Term	20

<u>Allocation Factors</u>	<u>Water</u>	<u>Wastewater</u>
Water	100%	0%
Wastewater	0%	100%
50/50	50%	50%
Customer Count	52%	48%
COS	61%	39%
Workpaper		
Personnel	58%	42%

<u>Inflation Factor</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Growth		7.13%	0.03%	0.03%	0.02%	0.02%
None		0.00%	0.00%	0.00%	0.00%	0.00%
Municipal Cost Index		2.66%	2.66%	2.66%	2.66%	2.66%
Construction Cost Index		3.12%	3.12%	3.12%	3.12%	3.12%
Personnel		5.00%	5.00%	5.00%	5.00%	5.00%
Chemicals		1.26%	1.26%	1.26%	1.26%	1.26%
Electricity		0.68%	1.40%	2.51%	2.63%	3.11%
Natural Gas		4.00%	2.21%	3.48%	5.63%	6.17%
Water Purchases		3.50%	3.53%	3.53%	3.52%	3.52%
Fuel		5.87%	3.46%	2.84%	3.91%	3.80%
One Time		-100.00%	-100.00%	-100.00%	-100.00%	-100.00%
Schedule		0.00%	0.00%	0.00%	0.00%	0.00%

Municipal Cost Index - 20 year average MCI as of 4/2019

Construction Cost Index - 20 year average CCI as of 4/2019

Chemicals - Producer Price Index, Water Treating Compounds 20 year average

Electricity - EIA outlook as of 4/2019

Natural Gas - EIA outlook as of 4/2019

Fuel - EIA outlook as of 4/2019

# Schedule 2

## City of Deer Park, Texas Water and Wastewater Rate Model 5-year Forecast Revenue Requirement - Water & Wastewater

Department	Account Number	Account Description	2019	2020	2021	2022	2023	2024
<b>Expenditures</b>								
<b>Public Works Administration</b>								
	<b>Personnel &amp; Related</b>							
	500-4101	Salaries - Full Time	\$ 199,650	\$ 212,575	\$ 223,204	\$ 234,364	\$ 246,082	\$ 258,386
	500-4104	Salaries - Overtime	-	500	525	551	579	608
	500-4106	Social Security/Medicare	15,150	16,215	17,026	17,877	18,771	19,709
	500-4107	TMRS	27,600	30,197	31,707	33,292	34,957	36,705
	500-4108	Health & Life Insurance	16,400	17,580	18,459	19,382	20,351	21,369
	500-4109	Workers Compensation	115	218	229	240	252	265
	500-4114	Section 125 Admin Fee	-	-	-	-	-	-
	500-4117	Health Savings Account	1,245	1,245	1,307	1,373	1,441	1,513
	<b>Total Personnel &amp; Related</b>		\$ 260,160	\$ 278,530	\$ 292,457	\$ 307,079	\$ 322,433	\$ 338,555
	<b>Services</b>							
	500-4216	Mobile Telephone	\$ 2,230	\$ 2,330	\$ 2,392	\$ 2,456	\$ 2,521	\$ 2,588
	500-4233	Insurance - Liability	40,898	40,000	41,066	42,160	43,283	44,436
	500-4234	Insurance - Casualty	49,709	43,900	45,070	46,270	47,503	48,769
	500-4239	Audit Fees	13,000	17,000	17,453	17,918	18,395	18,885
	500-4240	Consultant Fees	50,000	40,000	41,066	42,160	43,283	44,436
	500-4250	Training & Travel	2,000	2,285	2,346	2,408	2,473	2,538
	500-4252	Dues & Fees	1,000	75	77	79	81	83
	500-4255	Community/Employee Affairs	1,000	1,000	1,027	1,054	1,082	1,111
	500-4279	Software - Other	-	-	-	-	-	-
	<b>Total Services</b>		\$ 159,837	\$ 146,590	\$ 150,496	\$ 154,505	\$ 158,622	\$ 162,848
	<b>Supplies</b>							
	500-4301	Office Supplies	\$ 2,500	\$ 3,000	\$ 3,080	\$ 3,162	\$ 3,246	\$ 3,333
	500-4303	Operational Supplies	1,200	2,000	2,053	2,108	2,164	2,222
	500-4304	Data Processing Supplies	-	250	257	263	271	278
	500-4305	Printing	1,200	2,000	2,053	2,108	2,164	2,222
	500-4307	Postage	2,000	2,000	2,053	2,108	2,164	2,222
	500-4308	Small Tools & Minor Equipment	600	2,000	2,053	2,108	2,164	2,222
	500-4311	Uniforms	1,500	3,500	3,593	3,689	3,787	3,888
	500-4328	Gasoline	250	250	259	266	276	287
	500-4348	Books	900	350	359	369	379	389
	<b>Total Supplies</b>		\$ 10,150	\$ 15,350	\$ 15,761	\$ 16,181	\$ 16,616	\$ 17,062
	<b>Repairs &amp; Maintenance</b>							
	500-4401	Vehicles	\$ 100	\$ 250	\$ 257	\$ 263	\$ 271	\$ 278
	500-4404	Buildings	-	-	-	-	-	-
	<b>Total Repairs &amp; Maintenance</b>		\$ 100	\$ 250	\$ 257	\$ 263	\$ 271	\$ 278
	<b>Other Operating Expenditures</b>							
	500-4510	Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## Schedule 2

City of Deer Park, Texas  
Water and Wastewater Rate Model  
5-year Forecast Revenue Requirement - Water & Wastewater

Department	Account Number	Account Description	2019	2020	2021	2022	2023	2024
		Budget Requests	-	-	-	-	-	-
		Capital Outlay	-	-	-	-	-	-
	<b>Total Other Operating Expenditures</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Public Works Administration</b>			\$ 430,247	\$ 440,720	\$ 458,970	\$ 478,030	\$ 497,942	\$ 518,742
<b>Water &amp; Sewer Maintenance</b>								
	<b>Personnel &amp; Related</b>							
	501-4101	Salaries - Full Time	\$ 597,700	\$ 631,898	\$ 663,493	\$ 696,668	\$ 731,501	\$ 768,076
	501-4103	Salaries - Temporary	5,850	6,966	7,314	7,680	8,064	8,467
	501-4104	Salaries - Overtime	37,100	40,000	42,000	44,100	46,305	48,620
	501-4106	Social Security/Medicare	47,900	50,281	52,795	55,435	58,207	61,117
	501-4107	TMRS	87,600	92,867	97,510	102,386	107,505	112,880
	501-4108	Health & Life Insurance	120,500	133,296	139,961	146,959	154,307	162,022
	501-4109	Workers Compensation	3,710	5,884	6,178	6,487	6,811	7,152
	501-4114	Section 125 Admin Fee	89	135	142	149	156	164
	501-4117	Health Savings Account	3,020	2,535	2,662	2,795	2,935	3,081
	<b>Total Personnel &amp; Related</b>		\$ 903,469	\$ 963,862	\$ 1,012,055	\$ 1,062,658	\$ 1,115,791	\$ 1,171,580
	<b>Services</b>							
	501-4212	Utilities - Electric	\$ 155,000	\$ 155,000	\$ 157,170	\$ 161,122	\$ 165,358	\$ 170,494
	501-4214	Utilities - Gas	400	400	409	423	447	474
	501-4215	Utilities - Telephone	425	400	411	422	433	444
	501-4216	Mobile Telephone	3,160	3,200	3,285	3,373	3,463	3,555
	501-4219	Mobile Technology	355	460	472	485	498	511
	501-4231	Equipment Rental	-	300	308	316	325	333
	501-4241	Consulting Engineer Fee	-	-	-	-	-	-
	501-4250	Training & Travel	4,000	5,500	5,647	5,797	5,951	6,110
	501-4252	Dues & Fees	1,500	1,600	1,643	1,686	1,731	1,777
	501-4290	Contract Labor	-	-	-	-	-	-
	<b>Total Services</b>		\$ 164,840	\$ 166,860	\$ 169,344	\$ 173,623	\$ 178,206	\$ 183,700
	<b>Supplies</b>							
	501-4301	Office Supplies	\$ 200	\$ 300	\$ 308	\$ 316	\$ 325	\$ 333
	501-4303	Operational Supplies	16,045	16,045	16,472	16,911	17,362	17,825
	501-4308	Small Tools & Minor Equipment	12,290	17,090	17,545	18,013	18,493	18,985
	501-4311	Uniforms	3,575	3,975	4,081	4,190	4,301	4,416
	501-4314	Protective Clothing	-	-	-	-	-	-
	501-4328	Gasoline	19,500	21,000	21,726	22,344	23,218	24,100
	501-4329	Diesel	11,500	11,500	11,897	12,236	12,715	13,198
	501-4344	Water Meters & Boxes	36,000	42,000	43,119	44,268	45,447	46,658
	<b>Total Supplies</b>		\$ 99,110	\$ 111,910	\$ 115,149	\$ 118,277	\$ 121,861	\$ 125,515
	<b>Repairs &amp; Maintenance</b>							
	501-4401	Vehicles	\$ 14,500	\$ 15,650	\$ 16,067	\$ 16,495	\$ 16,935	\$ 17,386
	501-4402	Machinery & Equipment	3,000	18,298	18,786	19,286	19,800	20,327

# Schedule 2

## City of Deer Park, Texas Water and Wastewater Rate Model 5-year Forecast Revenue Requirement - Water & Wastewater

Department	Account Number	Account Description	2019	2020	2021	2022	2023	2024
	501-4404	Buildings	-	-	-	-	-	-
	501-4405	Radios	-	250	257	263	271	278
	501-4410	Sanitary Sewer	110,000	145,000	148,863	152,830	156,901	161,082
	501-4415	Water Mains & Hydrants	40,000	64,075	65,782	67,535	69,334	71,181
	<b>Total Repairs &amp; Maintenance</b>		\$ 167,500	\$ 243,273	\$ 249,755	\$ 256,409	\$ 263,241	\$ 270,254
	<b>Other Operating Expenditures</b>							
	501-4510	Contingency	\$ 100,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
		Budget Requests	-	-	-	-	-	-
		New Program O&M	-	-	-	-	-	-
	<b>Total Other Operating Expenditures</b>		\$ 100,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
	<b>Capital Outlay</b>							
	501-4903	Improvements Other Than Bldgs.	\$ 90,000	\$ -	\$ -	\$ -	\$ -	\$ -
	501-4904	Machinery & Equipment	73,560	72,900	-	-	-	-
	501-4906	Automobiles & Light Trucks	44,543	-	-	-	-	-
	501-4913	Sanitary Sewer	-	-	-	-	-	-
	501-4941	Consulting Engineer Fee	-	-	-	-	-	-
		Capital Outlay	-	-	1,250,000	1,289,005	1,329,227	1,370,705
	<b>Total Capital Outlay</b>		\$ 208,103	\$ 72,900	\$ 1,250,000	\$ 1,289,005	\$ 1,329,227	\$ 1,370,705
<b>Total Water &amp; Sewer Maintenance</b>			\$ 1,643,022	\$ 2,058,805	\$ 2,796,302	\$ 2,899,972	\$ 3,008,325	\$ 3,121,754

### Central Collections

#### Personnel & Related

503-4101	Salaries - Full Time	\$ 238,400	\$ 251,972	\$ 264,571	\$ 277,799	\$ 291,689	\$ 306,274
503-4104	Salaries - Overtime	1,000	2,500	2,625	2,756	2,894	3,039
503-4106	Social Security/Medicare	17,900	19,054	20,007	21,007	22,057	23,160
503-4107	TMRS	31,800	35,568	37,346	39,214	41,174	43,233
503-4108	Health & Life Insurance	47,100	49,716	52,202	54,812	57,552	60,430
503-4109	Workers Compensation	115	180	189	198	208	219
503-4114	Section 125 Admin Fee	90	90	95	99	104	109
	<b>Total Personnel &amp; Related</b>	\$ 336,405	\$ 359,080	\$ 377,034	\$ 395,886	\$ 415,680	\$ 436,464

#### Services

503-4201	Public Notices	\$ -	\$ 400	\$ 411	\$ 422	\$ 433	\$ 444
503-4215	Utilities - Telephone	9,552	10,000	10,266	10,540	10,821	11,109
503-4216	Mobile Telephone	960	900	924	949	974	1,000
503-4231	Equipment Rentals	-	1,200	1,232	1,265	1,298	1,333
503-4250	Training & Travel	11,000	11,700	12,012	12,332	12,660	12,998
503-4251	Subscriptions	1,400	1,400	1,437	1,476	1,515	1,555
503-4252	Dues & Fees	94,221	95,000	97,531	100,130	102,797	105,536
503-4261	Software - Tax Services	16,770	17,400	17,864	18,340	18,828	19,330
503-4277	Software - Incode	77,314	77,502	79,567	81,687	83,863	86,098
503-4279	Software - Other	298	400	411	422	433	444
503-4290	Contract Labor	15,600	22,400	22,997	23,610	24,239	24,884

## Schedule 2

City of Deer Park, Texas  
Water and Wastewater Rate Model  
5-year Forecast Revenue Requirement - Water & Wastewater

Department	Account Number	Account Description	2019	2020	2021	2022	2023	2024
	<b>Total Services</b>		\$ 227,115	\$ 238,302	\$ 244,651	\$ 251,169	\$ 257,861	\$ 264,732
	<b>Supplies</b>							
	503-4301	Office Supplies	\$ 3,400	\$ 3,500	\$ 3,593	\$ 3,689	\$ 3,787	\$ 3,888
	503-4304	Data Processing Supplies	1,460	2,500	2,567	2,635	2,705	2,777
	503-4305	Printing	12,148	11,000	11,293	11,594	11,903	12,220
	503-4307	Postage	66,000	79,000	81,105	83,266	85,484	87,762
	503-4308	Small Tools & Minor Equipment	2,000	9,657	9,914	10,178	10,450	10,728
	503-4348	Books	-	50	51	53	54	56
	<b>Total Supplies</b>		\$ 85,008	\$ 105,707	\$ 108,523	\$ 111,415	\$ 114,383	\$ 117,431
	<b>Repairs &amp; Maintenance</b>							
	503-4402	Machinery & Equipment	\$ 5,000	\$ 6,000	\$ 6,160	\$ 6,324	\$ 6,492	\$ 6,665
	503-4403	Computer Equipment	1,000	1,500	1,540	1,581	1,623	1,666
		Budget Requests	-	-	-	-	-	-
		Contingency	-	-	-	-	-	-
		Capital Outlay	-	-	-	-	-	-
	<b>Total Repairs &amp; Maintenance</b>		\$ 6,000	\$ 7,500	\$ 7,700	\$ 7,905	\$ 8,116	\$ 8,332
<b>Total Central Collections</b>			\$ 654,528	\$ 710,589	\$ 737,908	\$ 766,375	\$ 796,040	\$ 826,958
<b>Meter Readers</b>								
	<b>Personnel &amp; Related</b>							
	504-4101	Salaries - Full Time	\$ 207,300	\$ 217,684	\$ 228,568	\$ 239,997	\$ 251,996	\$ 264,596
	504-4104	Salaries - Overtime	2,000	2,000	2,100	2,205	2,315	2,431
	504-4106	Social Security/Medicare	15,700	16,636	17,468	18,341	19,258	20,221
	504-4107	TMRS	27,800	31,056	32,609	34,239	35,951	37,749
	504-4108	Health & Life Insurance	44,000	46,200	48,510	50,936	53,482	56,156
	504-4109	Workers Compensation	1,210	1,980	2,079	2,183	2,292	2,407
	504-4114	Section 125 Admin Fee	100	135	142	149	156	164
	504-4117	Health Savings Account	1,845	1,845	1,937	2,034	2,136	2,243
	<b>Total Personnel &amp; Related</b>		\$ 299,955	\$ 317,536	\$ 333,413	\$ 350,083	\$ 367,588	\$ 385,967
	<b>Services</b>							
	504-4216	Mobile Telephone	\$ 4,471	\$ 4,500	\$ 4,620	\$ 4,743	\$ 4,869	\$ 4,999
	504-4279	Software - Other	-	220	226	232	238	244
	504-4290	Contract Labor	3,200	5,920	6,078	6,240	6,406	6,577
	<b>Total Services</b>		\$ 7,671	\$ 10,640	\$ 10,923	\$ 11,215	\$ 11,513	\$ 11,820
	<b>Supplies</b>							
	504-4301	Office Supplies	\$ -	\$ 50	\$ 51	\$ 53	\$ 54	\$ 56
	504-4302	Cleaning Supplies	-	50	51	53	54	56
	504-4303	Operational Supplies	1,850	1,200	1,232	1,265	1,298	1,333
	504-4308	Small Tools & Minor Equipment	800	940	965	991	1,017	1,044
	504-4311	Uniforms	1,220	1,200	1,232	1,265	1,298	1,333
	504-4314	Protective Clothing	-	226	232	238	245	251

## Schedule 2

City of Deer Park, Texas  
Water and Wastewater Rate Model  
5-year Forecast Revenue Requirement - Water & Wastewater

Department	Account Number	Account Description	2019	2020	2021	2022	2023	2024
	504-4328	Gasoline	5,800	8,000	8,276	8,512	8,845	9,181
	504-4344	Water Meters & Boxes	-	1,000	1,027	1,054	1,082	1,111
	<b>Total Supplies</b>		\$ 9,670	\$ 12,666	\$ 13,067	\$ 13,430	\$ 13,894	\$ 14,364
	<b>Repairs &amp; Maintenance</b>							
	504-4401	Vehicles	\$ 5,200	\$ 7,000	\$ 7,187	\$ 7,378	\$ 7,575	\$ 7,776
	504-4403	Computer Equipment	2,895	4,200	4,312	4,427	4,545	4,666
		Budget Requests	-	-	-	-	-	-
		Contingency	-	-	-	-	-	-
	<b>Total Repairs &amp; Maintenance</b>		\$ 8,095	\$ 11,200	\$ 11,498	\$ 11,805	\$ 12,119	\$ 12,442
	<b>Capital Outlay</b>							
	504-4906	Automobiles & Light Trucks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Capital Outlay	-	-	-	-	-	-
	<b>Total Capital Outlay</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Meter Readers</b>			\$ 325,391	\$ 352,042	\$ 368,901	\$ 386,532	\$ 405,114	\$ 424,594
<b>Wastewater Treatment Plant</b>								
	<b>Personnel &amp; Related</b>							
	505-4101	Salaries - Full Time	\$ 316,500	\$ 363,771	\$ 381,960	\$ 401,058	\$ 421,110	\$ 442,166
	505-4103	Salaries - Temporary	5,850	6,966	7,314	7,680	8,064	8,467
	505-4104	Salaries - Overtime	56,500	53,500	56,175	58,984	61,933	65,030
	505-4106	Social Security/Medicare	28,200	31,954	33,552	35,229	36,991	38,840
	505-4107	TMRS	51,500	58,654	61,587	64,666	67,899	71,294
	505-4108	Health & Life Insurance	56,600	79,380	83,349	87,516	91,892	96,487
	505-4109	Workers Compensation	1,500	2,380	2,499	2,624	2,755	2,893
	505-4114	Section 125 Admin Fee	130	135	142	149	156	164
	505-4117	Health Savings Account	-	-	-	-	-	-
	<b>Total Personnel &amp; Related</b>		\$ 516,780	\$ 596,740	\$ 626,577	\$ 657,906	\$ 690,801	\$ 725,341
	<b>Services</b>							
	505-4212	Utilities - Electric	\$ 330,000	\$ 400,000	\$ 405,599	\$ 415,797	\$ 426,731	\$ 439,985
	505-4214	Utilities - Gas	750	800	818	846	894	949
	505-4216	Mobile Telephone	1,700	1,700	1,745	1,792	1,840	1,889
	505-4231	Equipment Rental	500	1,000	1,027	1,054	1,082	1,111
	505-4240	Consultant Fee	-	-	-	-	-	-
	505-4250	Training & Travel	500	3,000	3,080	3,162	3,246	3,333
	505-4252	Dues & Fees	500	1,000	1,027	1,054	1,082	1,111
	505-4253	Disposal Fees	48,500	50,400	51,743	53,121	54,537	55,990
	505-4254	Inspections & Permits	37,395	38,000	39,012	40,052	41,119	42,215
	505-4271	Water Analysis	40,000	43,200	44,351	45,533	46,746	47,991
	505-4290	Contract Labor	-	4,850	4,979	5,112	5,248	5,388
	<b>Total Services</b>		\$ 459,845	\$ 543,950	\$ 553,381	\$ 567,523	\$ 582,525	\$ 599,961

## Schedule 2

City of Deer Park, Texas  
Water and Wastewater Rate Model  
5-year Forecast Revenue Requirement - Water & Wastewater

Department	Account Number	Account Description	2019	2020	2021	2022	2023	2024
	<b>Supplies</b>							
	505-4301	Office Supplies	\$ 600	\$ 600	\$ 616	\$ 632	\$ 649	\$ 667
	505-4303	Operational Supplies	10,400	10,400	10,677	10,962	11,254	11,553
	505-4304	Data Processing Supplies	-	500	513	527	541	555
	505-4308	Small Tools & Minor Equipment	20,000	7,700	7,905	8,116	8,332	8,554
	505-4311	Uniforms	1,800	1,800	1,848	1,897	1,948	2,000
	505-4312	Lab Supplies	2,000	2,500	2,567	2,635	2,705	2,777
	505-4313	Lab Equipment	3,500	2,500	2,567	2,635	2,705	2,777
	505-4316	Chemicals	26,000	25,000	25,666	26,350	27,052	27,773
	505-4328	Gasoline	330	800	828	851	884	918
	505-4329	Diesel	3,700	5,000	5,173	5,320	5,528	5,738
	<b>Total Supplies</b>		\$ 68,330	\$ 56,800	\$ 58,359	\$ 59,925	\$ 61,599	\$ 63,313
	<b>Repairs &amp; Maintenance</b>							
	505-4401	Vehicles	\$ 2,000	\$ 4,500	\$ 4,620	\$ 4,743	\$ 4,869	\$ 4,999
	505-4402	Machinery & Equipment	4,885	4,885	5,015	5,149	5,286	5,427
	505-4404	Buildings	500	200	205	211	216	222
	505-4409	Air Conditioner	-	-	-	-	-	-
	505-4418	Mechanical Equipment	70,000	75,000	76,998	79,050	81,156	83,318
	<b>Total Repairs &amp; Maintenance</b>		\$ 77,385	\$ 84,585	\$ 86,839	\$ 89,152	\$ 91,528	\$ 93,966
	<b>Other Operating Expenditures</b>							
	505-4510	Contingency	\$ -	\$ 95,000	\$ -	\$ -	\$ -	\$ -
		Budget Requests	-	-	-	-	-	-
	<b>Total Other Operating Expenditures</b>		\$ -	\$ 95,000	\$ -	\$ -	\$ -	\$ -
	<b>Capital Outlay</b>							
	505-4903	Improvements other than Bldgs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	505-4904	Machinery & Equipment	32,000	250,000	-	-	-	-
		Capital Outlay	-	-	-	-	-	-
	<b>Total Capital Outlay</b>		\$ 32,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -
<b>Total Wastewater Treatment Plant</b>			\$ 1,154,340	\$ 1,627,075	\$ 1,325,156	\$ 1,374,506	\$ 1,426,452	\$ 1,482,581
<b>Water Treatment Plant</b>								
	<b>Personnel &amp; Related</b>							
	506-4101	Salaries - Full Time	\$ 560,000	\$ 570,336	\$ 598,853	\$ 628,795	\$ 660,235	\$ 693,247
	506-4103	Salaries - Temporary	2,900	2,900	3,045	3,197	3,357	3,525
	506-4104	Salaries - Overtime	50,500	40,000	42,000	44,100	46,305	48,620
	506-4106	Social Security/Medicare	45,800	46,311	48,627	51,058	53,611	56,291
	506-4107	TMRS	84,500	86,034	90,336	94,852	99,595	104,575
	506-4108	Health & Life Insurance	95,300	131,040	137,592	144,472	151,695	159,280
	506-4109	Workers Compensation	3,500	5,512	5,788	6,077	6,381	6,700
	506-4114	Section 125 Admin Fee	167	270	284	298	313	328
	506-4117	Health Savings Account	645	645	677	711	747	784
	<b>Total Personnel &amp; Related</b>		\$ 843,312	\$ 883,048	\$ 927,200	\$ 973,560	\$ 1,022,238	\$ 1,073,350

# Schedule 2

## City of Deer Park, Texas Water and Wastewater Rate Model 5-year Forecast Revenue Requirement - Water & Wastewater

Department	Account Number	Account Description	2019	2020	2021	2022	2023	2024
	<b>Services</b>							
	506-4212	Utilities - Electric	\$ 165,300	\$ 225,000	\$ 228,150	\$ 233,886	\$ 240,036	\$ 247,492
	506-4216	Mobile Telephone	3,934	5,720	5,872	6,029	6,189	6,354
	506-4219	Mobile Technology	-	-	-	-	-	-
	506-4240	Consultant Fee	6,000	8,950	9,188	9,433	9,685	9,943
	506-4241	Consulting Engineer Fees	74,862	-	-	-	-	-
	506-4250	Training & Travel	3,500	10,000	10,266	10,540	10,821	11,109
	506-4252	Dues & Fees	37,000	37,500	38,499	39,525	40,578	41,659
	506-4254	Inspections & Permits	-	4,800	4,928	5,059	5,194	5,332
	506-4271	Water Analysis	9,000	10,000	10,266	10,540	10,821	11,109
	506-4279	Software - Other	-	60,000	61,599	63,240	64,925	66,655
	506-4290	Contract Labor	34,820	44,800	45,994	47,219	48,477	49,769
	<b>Total Services</b>		\$ 334,416	\$ 406,770	\$ 414,763	\$ 425,471	\$ 436,726	\$ 449,422
	<b>Supplies</b>							
	506-4301	Office Supplies	\$ 500	\$ 500	\$ 513	\$ 527	\$ 541	\$ 555
	506-4303	Operational Supplies	15,000	20,000	20,533	21,080	21,642	22,218
	506-4304	Data Processing Supplies	-	-	-	-	-	-
	506-4305	Printing	200	200	205	211	216	222
	506-4307	Postage	100	250	257	263	271	278
	506-4308	Small Tools & Minor Equipment	21,630	25,934	26,625	27,334	28,063	28,810
	506-4311	Uniforms	3,000	3,500	3,593	3,689	3,787	3,888
	506-4316	Chemicals	378,000	369,050	378,883	388,977	399,341	409,981
	506-4328	Gasoline	2,350	2,350	2,431	2,500	2,598	2,697
	506-4329	Diesel	-	2,000	2,069	2,128	2,211	2,295
	506-4348	Books	392	200	205	211	216	222
	506-4350	Raw Water	1,065,000	1,065,000	1,102,630	1,141,521	1,181,727	1,223,349
	<b>Total Supplies</b>		\$ 1,486,172	\$ 1,488,984	\$ 1,537,945	\$ 1,588,442	\$ 1,640,613	\$ 1,694,516
	<b>Repairs &amp; Maintenance</b>							
	506-4401	Vehicles	\$ 1,000	\$ 1,000	\$ 1,027	\$ 1,054	\$ 1,082	\$ 1,111
	506-4402	Machinery & Equipment	16,550	16,550	16,991	17,444	17,908	18,386
	506-4403	Computer Equipment	1,146	-	-	-	-	-
	506-4404	Buildings	19,460	-	-	-	-	-
	506-4411	Sludge Removal from Lagoon	27,800	-	-	-	-	-
	506-4416	Water Wells	20,000	22,900	23,510	24,137	24,780	25,440
	506-4418	Mechanical Equipment	95,000	74,750	76,742	78,786	80,885	83,040
	<b>Total Repairs &amp; Maintenance</b>		\$ 180,956	\$ 115,200	\$ 118,269	\$ 121,420	\$ 124,655	\$ 127,977
	<b>Other Operating Expenditures</b>							
	506-4510	Contingency	\$ -	\$ 95,000	\$ -	\$ -	\$ -	\$ -
		Budget Requests	-	-	-	-	-	-
	<b>Total Other Operating Expenditures</b>		\$ -	\$ 95,000	\$ -	\$ -	\$ -	\$ -
	<b>Capital Outlay</b>							



## Schedule 2

City of Deer Park, Texas  
Water and Wastewater Rate Model  
5-year Forecast Revenue Requirement - Water & Wastewater

Department	Account Number	Account Description	2019	2020	2021	2022	2023	2024
	506-4902	Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	506-4903	Improvements other than Bldgs	60,610	1,000,000	-	-	-	-
	506-4904	Machinery & Equipment	348,125	476,000	-	-	-	-
	506-4906	Automobile & Light Trucks	-	-	-	-	-	-
	506-4941	Consulting Engineer Fee	-	-	-	-	-	-
		Capital Outlay	-	-	-	-	-	-
	<b>Total Capital Outlay</b>		\$ 408,735	\$ 1,476,000	\$ -	\$ -	\$ -	\$ -
<b>Total Water Treatment Plant</b>			\$ 3,253,591	\$ 4,465,002	\$ 2,998,177	\$ 3,108,894	\$ 3,224,233	\$ 3,345,265
<b>Employee Benefits &amp; Other</b>								
	<b>Personnel &amp; Related</b>							
	550-4106	Social Security/Medicare	\$ -	\$ 500	\$ 525	\$ 551	\$ 579	\$ 608
	550-4107	TMRS	-	1,000	1,050	1,103	1,158	1,216
	550-4108	Health & Life Insurance	50,000	50,000	52,500	55,125	57,881	60,775
	550-4109	Workers Compensation	12,670	16,000	16,800	17,640	18,522	19,448
	550-4110	State Unemployment	-	500	525	551	579	608
	550-4114	Section 125 Admin Fee	-	-	-	-	-	-
	550-4117	Health Savings Account	-	-	-	-	-	-
	550-4197	Pension Expense	50,000	50,000	52,500	55,125	57,881	60,775
	550-4198	OPEB Expense	100,000	100,000	105,000	110,250	115,763	121,551
	<b>Total Personnel &amp; Related</b>		\$ 212,670	\$ 218,000	\$ 228,900	\$ 240,345	\$ 252,362	\$ 264,980
	<b>Services</b>							
	550-4252	Dues & Fees	\$ 150	\$ 150	\$ 154	\$ 158	\$ 162	\$ 167
	<b>Total Services</b>		\$ 150	\$ 150	\$ 154	\$ 158	\$ 162	\$ 167
	<b>Other Operating Expenditures</b>							
	550-4530	Operating Transfers - Storm Water	\$ 20,643	\$ 39,297	\$ 41,262	\$ 43,325	\$ 45,491	\$ 47,766
	550-4530	Operating Transfers - General Fund	102,330	104,383	109,602	115,082	120,836	126,878
		Budget Requests	-	-	-	-	-	-
		Contingency	-	-	-	-	-	-
		Capital Outlay	-	-	-	-	-	-
	<b>Total Other Operating Expenditures</b>		\$ 122,973	\$ 143,680	\$ 150,864	\$ 158,407	\$ 166,328	\$ 174,644
<b>Total Employee Benefits &amp; Other</b>			\$ 335,793	\$ 361,830	\$ 379,918	\$ 398,910	\$ 418,852	\$ 439,791
<b>Water/Sewer Debt Service</b>								
	<b>Fiscal Charges</b>							
	900-4525	Paying Agent Fees	\$ 6,500	\$ 7,000	\$ 7,187	\$ 7,378	\$ 7,575	\$ 7,776
		Existing Debt Service	2,777,677	3,075,217	3,172,911	3,074,158	3,077,389	3,567,901
		Proposed Debt Service	-	-	-	381,059	381,059	381,059
		Budget Requests	-	-	-	-	-	-
		Contingency	-	-	-	-	-	-
		Capital Outlay	-	-	-	-	-	-

# Schedule 2

## City of Deer Park, Texas Water and Wastewater Rate Model 5-year Forecast Revenue Requirement - Water & Wastewater

Department	Account Number	Account Description	2019	2020	2021	2022	2023	2024
	<b>Total Fiscal Charges</b>		\$ 2,784,177	\$ 3,082,217	\$ 3,180,097	\$ 3,462,595	\$ 3,466,023	\$ 3,956,737
	<b>Principal Payments</b>							
	900-4531	2002 Rev Bonds \$5,000,000 (TWDB)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	900-4531	2010 GO Ref Bonds \$6,295,000 (% Alloc)	-	-	-	-	-	-
	900-4531	2011 GO Ref Bonds \$3,490,000	-	-	-	-	-	-
	900-4531	2014 GO Ref Bonds \$1,955,000 (% Alloc)	-	-	-	-	-	-
	900-4531	2011 CO \$3,390,000	-	-	-	-	-	-
	900-4531	2012 CO \$4,725,000	-	-	-	-	-	-
	900-4531	2013 CO \$6,925,000	-	-	-	-	-	-
	900-4531	2014 CO \$6,275,000	-	-	-	-	-	-
	900-4531	2015-A \$7,110,000	-	-	-	-	-	-
	900-4531	2016-A CO \$6,885,000	-	-	-	-	-	-
	900-4531	2017-A CO \$5,150,000	-	-	-	-	-	-
	900-4531	2018 CO \$6,335,000 - Proposed	-	-	-	-	-	-
	<b>Total Principal Payments</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Interest Payments</b>							
	900-4531	2002 Rev Bonds \$5,000,000 (TWDB)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	900-4531	2010 GO Ref Bonds \$6,295,000 (% Alloc)	-	-	-	-	-	-
	900-4531	2011 GO Ref Bonds \$3,490,000	-	-	-	-	-	-
	900-4531	2014 GO Ref Bonds \$1,955,000 (% Alloc)	-	-	-	-	-	-
	900-4531	2011 CO \$3,390,000	-	-	-	-	-	-
	900-4531	2012 CO \$4,725,000	-	-	-	-	-	-
	900-4531	2013 CO \$6,925,000	-	-	-	-	-	-
	900-4531	2014 CO \$6,275,000	-	-	-	-	-	-
	900-4531	2015-A \$7,110,000	-	-	-	-	-	-
	900-4531	2016-A CO \$6,885,000	-	-	-	-	-	-
	900-4531	2017-A CO \$5,150,000	-	-	-	-	-	-
	900-4531	2018 CO \$6,335,000 - Proposed	-	-	-	-	-	-
	<b>Total Interest Payments</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Water/Sewer Debt Service</b>			\$ 2,784,177	\$ 3,082,217	\$ 3,180,097	\$ 3,462,595	\$ 3,466,023	\$ 3,956,737
<b>Gross Revenue Requirement</b>			\$ 10,581,089	\$ 13,098,280	\$ 12,245,430	\$ 12,875,815	\$ 13,242,981	\$ 14,116,421
<b>Revenue Offsets</b>								
	<b>Service Fee</b>							
	3210	Water Usage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	3211	Sewer Usage	-	-	-	-	-	-
	3212	Late Charges	196,402	206,000	206,000	206,000	206,000	206,000
	3221	Reconnect Fees	20,790	21,000	21,000	21,000	21,000	21,000
	<b>Total Service Fee</b>		\$ 217,192	\$ 227,000	\$ 227,000	\$ 227,000	\$ 227,000	\$ 227,000
	<b>Permits &amp; Licenses</b>							
	3415	Tapping Permits	\$ 11,000	\$ 11,500	\$ 11,500	\$ 11,500	\$ 11,500	\$ 11,500

## Schedule 2

City of Deer Park, Texas  
Water and Wastewater Rate Model  
5-year Forecast Revenue Requirement - Water & Wastewater

Department	Account Number	Account Description	2019	2020	2021	2022	2023	2024
	3417	Plumbing Permits	29,000	30,000	30,000	30,000	30,000	30,000
	<b>Total Permits &amp; Licenses</b>		\$ 40,000	\$ 41,500	\$ 41,500	\$ 41,500	\$ 41,500	\$ 41,500
	<b>Other Revenues</b>							
	3620	Investment Revenue	\$ 44,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
	3631	Miscellaneous Revenue	8,500	2,500	2,500	2,500	2,500	2,500
	3660	Cash Over/Short	-	-	-	-	-	-
		Prior Year Revenue	-	655,937	-	-	-	-
	<b>Total Other Revenues</b>		\$ 52,500	\$ 688,437	\$ 32,500	\$ 32,500	\$ 32,500	\$ 32,500
<b>Total Revenue Offsets</b>			\$ 309,692	\$ 956,937	\$ 301,000	\$ 301,000	\$ 301,000	\$ 301,000
<b>Net Revenue Requirement</b>			\$ 10,271,397	\$ 12,141,343	\$ 11,944,430	\$ 12,574,815	\$ 12,941,981	\$ 13,815,421

## Schedule 3

### City of Deer Park, Texas Water and Wastewater Rate Model CIP and Debt Service

Base Year of Costs                      2019  
Cost Escalation Factor                3.12%  
Escalate Costs?                         No

	2019	2020	2021	2022	2023	2024
<b>Existing Debt Service</b>						
Water	\$ 1,330,606	\$ 1,545,028	\$ 1,564,440	\$ 1,496,081	\$ 1,489,078	\$ 1,552,271
Wastewater	1,447,071	1,530,190	1,608,471	1,578,077	1,588,311	2,015,630
<b>Total Existing Debt Service</b>	<b>\$ 2,777,677</b>	<b>\$ 3,075,217</b>	<b>\$ 3,172,911</b>	<b>\$ 3,074,158</b>	<b>\$ 3,077,389</b>	<b>\$ 3,567,901</b>
<b>Projected Debt Service</b>						
Water	\$ -	\$ -	\$ -	\$ 367,329	\$ 367,329	\$ 367,329
Wastewater	-	-	-	13,731	13,731	13,731
<b>Total Projected Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 381,059</b>	<b>\$ 381,059</b>	<b>\$ 381,059</b>
<b>Combined Debt Service</b>						
Water	\$ 1,330,606	\$ 1,545,028	\$ 1,564,440	\$ 1,863,410	\$ 1,856,406	\$ 1,919,599
Wastewater	1,447,071	1,530,190	1,608,471	1,591,808	1,602,042	2,029,361
<b>Total Combined Debt Service</b>	<b>\$ 2,777,677</b>	<b>\$ 3,075,217</b>	<b>\$ 3,172,911</b>	<b>\$ 3,455,217</b>	<b>\$ 3,458,448</b>	<b>\$ 3,948,960</b>

Existing Debt Service	2019	2020	2021	2022	2023	2024	Water	Wastewater
2010 GO Ref Bonds \$6,295,000 (% Alloc)	\$ 152,157	\$ 144,663	\$ 101,359				53%	47%
2011 GO Ref Bonds \$3,490,000	257,484	247,500	233,363	223,144	209,344		85%	15%
2014 GO Ref Bonds \$1,955,000 (% Alloc)	178,267	173,917	169,567	162,178	158,921	469,691	0%	100%
2011 CO \$3,390,000	190,341	190,838	194,625	190,800	190,669	193,425	11%	89%
2012 CO \$4,725,000	210,189	226,202	285,339	256,877	273,414	296,664	18%	82%
2013 CO \$6,925,000	273,788	277,800	336,994	386,888	387,075	445,744	27%	73%
2014 CO \$6,275,000	334,181	336,169	337,931	387,488	387,338	353,719	20%	80%
2015-A \$7,110,000	332,231	331,331	333,094	286,613	290,194	450,319	50%	50%
2016-A CO \$6,885,000	291,019	292,031	292,969	293,831	290,906	394,369	88%	12%
2017-A CO \$5,150,000	213,825	241,350	242,288	239,438	240,300	277,275	88%	12%
2018 CO \$6,300,000	344,195	393,855	391,755	393,405	393,655	439,511	66%	34%
2019-A CO \$4,605,000 - Proposed		219,562	253,627	253,498	255,573	247,184	75%	25%

All CIP Projects	2019	2020	2021	2022	2023	2024	Water	Wastewater
P Street GST (paint inside and out)	\$ 600,000	\$ 300,000					100%	0%
Sanitary Sewer, Manhole rehabilitation (City Wide, estimating 377 manholes)	250,000						0%	100%
Sewer Rehab., Park Meadows Sections 1,2,3,4	2,102,309						0%	100%
Sewer Rehab., Parkview West, Sc. 1 & 2		370,700					0%	100%
Sewer Rehab., San Jacinto, Sec. 1 & 2, & Delo-Eleaine, Sec. 2	380,000						0%	100%
Coy Street Water Plant EST Painting		800,000					100%	0%
Chlorine containment system (Passive) @ WTP (11/28/2017 \$1.5 m of \$2.0 m moved to 2018-2019)	1,500,000	862,500	2,587,500				100%	0%
Waterline Replacement, replace 2-inch with Larger Line (remaining lines throughout the City)	500,000	500,000	750,000				100%	0%
Waterline Replacement, Trunk Mains	1,000,000	500,000	500,000				100%	0%
SWTP - Sludge Handling		770,000					0%	100%
Surface Water Plant, Upsize Transfer Pump & Expand Clear Well		500,000	1,513,000				100%	0%
SEWER - SCADA at (4) major lift stations			200,000				0%	100%

# Schedule 3

## City of Deer Park, Texas Water and Wastewater Rate Model CIP and Debt Service

Already Funded CIP	2019	2020	2021	2022	2023	2024	Water	Wastewater
P Street GST (paint inside and out)	\$ 600,000	\$ 300,000					100%	0%
Sanitary Sewer, Manhole rehabilitation (City Wide, estimating 377 manholes)	250,000						0%	100%
Sewer Rehab., Park Meadows Sections 1,2,3,4	2,102,309						0%	100%
Sewer Rehab., Parkview West, Sc. 1 & 2	-	370,700					0%	100%
Sewer Rehab., San Jacinto, Sec. 1 & 2, & Delo-Eleaine, Sec. 2	380,000						0%	100%
Coy Street Water Plant EST Painting	-	800,000					100%	0%
Chlorine containment system (Passive) @ WTP (11/28/2017 \$1.5 m of \$2.0 m moved to 2018-2019)	1,500,000	862,500					100%	0%
Waterline Replacement, replace 2-inch with Larger Line (remaining lines throughout the City)	500,000	500,000					100%	0%
Waterline Replacement, Trunk Mains	1,000,000	500,000					100%	0%
SWTP - Sludge Handling		770,000					0%	100%
Surface Water Plant, Upsize Transfer Pump & Expand Clear Well		500,000					100%	0%
SEWER - SCADA at (4) major lift stations							0%	100%
CIP with Future Debt Need	2019	2020	2021	2022	2023	2024	Water	Wastewater
P Street GST (paint inside and out)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100%	0%
Sanitary Sewer, Manhole rehabilitation (City Wide, estimating 377 manholes)	-	-	-	-	-	-	0%	100%
Sewer Rehab., Park Meadows Sections 1,2,3,4	-	-	-	-	-	-	0%	100%
Sewer Rehab., Parkview West, Sc. 1 & 2	-	-	-	-	-	-	0%	100%
Sewer Rehab., San Jacinto, Sec. 1 & 2, & Delo-Eleaine, Sec. 2	-	-	-	-	-	-	0%	100%
Coy Street Water Plant EST Painting	-	-	-	-	-	-	100%	0%
Chlorine containment system (Passive) @ WTP (11/28/2017 \$1.5 m of \$2.0 m moved to 2018-2019)	-	-	2,587,500	-	-	-	100%	0%
Waterline Replacement, replace 2-inch with Larger Line (remaining lines throughout the City)	-	-	750,000	-	-	-	100%	0%
Waterline Replacement, Trunk Mains	-	-	500,000	-	-	-	100%	0%
SWTP - Sludge Handling	-	-	-	-	-	-	0%	100%
Surface Water Plant, Upsize Transfer Pump & Expand Clear Well	-	-	1,513,000	-	-	-	100%	0%
SEWER - SCADA at (4) major lift stations	-	-	200,000	-	-	-	0%	100%
	\$ -	\$ -	\$ 5,550,500	\$ -	\$ -	\$ -		

## Schedule 4

**City of Deer Park, Texas**  
**Water and Wastewater Rate Model**  
**Proposed Rates - Water**

		2019	2020	2021	2022	2023	2024
<b>Rate Adjustments</b>		0.00%	10.00%	5.00%	5.00%	5.00%	5.00%
	Current	2019	2020	2021	2022	2023	2024
<b>Residential Inside City</b>							
<b>Minimum Charge</b>							
All	\$ 12.46	\$ 12.46	\$ 13.71	\$ 14.39	\$ 15.11	\$ 15.87	\$ 16.66
<b>Volumetric Charge (per Kgal)</b>							
0-2,000 gallons	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001+ gallons	4.82	4.82	5.30	5.57	5.85	6.14	6.44
<b>Residential Outside City</b>							
<b>Minimum Charge</b>							
All	\$ 15.58	\$ 15.58	\$ 17.14	\$ 17.99	\$ 18.89	\$ 19.84	\$ 20.83
<b>Volumetric Charge (per Kgal)</b>							
0-2,000 gallons	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001+ gallons	6.02	6.02	6.62	6.95	7.30	7.67	8.05
<b>Commercial Inside City</b>							
<b>Minimum Charge</b>							
All	\$ 12.46	\$ 12.46	\$ 13.71	\$ 14.39	\$ 15.11	\$ 15.87	\$ 16.66
<b>Volumetric Charge (per Kgal)</b>							
0-2,000 gallons	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001+ gallons	4.82	4.82	5.30	5.57	5.85	6.14	6.44
<b>Commercial Outside City</b>							
<b>Minimum Charge</b>							
All	\$ 18.69	\$ 18.69	\$ 20.56	\$ 21.59	\$ 22.67	\$ 23.80	\$ 24.99
<b>Volumetric Charge (per Kgal)</b>							
0-2,000 gallons	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001+ gallons	7.23	7.23	7.95	8.35	8.77	9.21	9.67
<b>Irrigation</b>							
<b>Minimum Charge</b>							
All	\$ 12.46	\$ 12.46	\$ 13.71	\$ 14.39	\$ 15.11	\$ 15.87	\$ 16.66
<b>Volumetric Charge (per Kgal)</b>							
0-2,000 gallons	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001+ gallons	4.82	4.82	5.30	5.57	5.85	6.14	6.44
<b>Residential Outside Irrigation</b>							
<b>Minimum Charge</b>							
All	\$ 15.58	\$ 15.58	\$ 17.14	\$ 17.99	\$ 18.89	\$ 19.84	\$ 20.83
<b>Volumetric Charge (per Kgal)</b>							
0-2,000 gallons	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,001+ gallons	6.02	6.02	6.62	6.95	7.30	7.67	8.05

**City of Deer Park, Texas**  
**Water and Wastewater Rate Model**  
**Proposed Rates - Wastewater**













		2019		2020		2021		2022		2023		2024			
Rate Adjustments		0.00%		10.00%		5.00%		5.00%		5.00%		5.00%			
		Current		2019		2020		2021		2022		2023		2024	
Residential Inside City															
Minimum Charge															
All	\$	12.46	\$	12.46	\$	13.71	\$	14.39	\$	15.11	\$	15.87	\$	16.66	
Volumetric Charge (per Kgal)															
0-2,000 gallons	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
2,001 - 20,000 gallons MAX		5.19		5.19		5.71		5.99		6.29		6.61		6.94	
Residential Outside City															
Minimum Charge															
All	\$	15.58	\$	15.58	\$	17.14	\$	17.99	\$	18.89	\$	19.84	\$	20.83	
Volumetric Charge (per Kgal)															
0-2,000 gallons	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
2,001 - 20,000 gallons MAX		6.49		6.49		7.14		7.50		7.87		8.26		8.68	
Commercial Inside City															
Minimum Charge															
All	\$	12.46	\$	12.46	\$	13.71	\$	14.39	\$	15.11	\$	15.87	\$	16.66	
Volumetric Charge (per Kgal)															
0-2,000 gallons	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
2,001+ gallons		5.19		5.19		5.71		5.99		6.29		6.61		6.94	
Commercial Outside City															
Minimum Charge															
All	\$	18.69	\$	18.69	\$	20.56	\$	21.59	\$	22.67	\$	23.80	\$	24.99	
Volumetric Charge (per Kgal)															
0-2,000 gallons	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
2,001+ gallons		7.78		7.78		8.56		8.99		9.44		9.91		10.40	

## Schedule 6

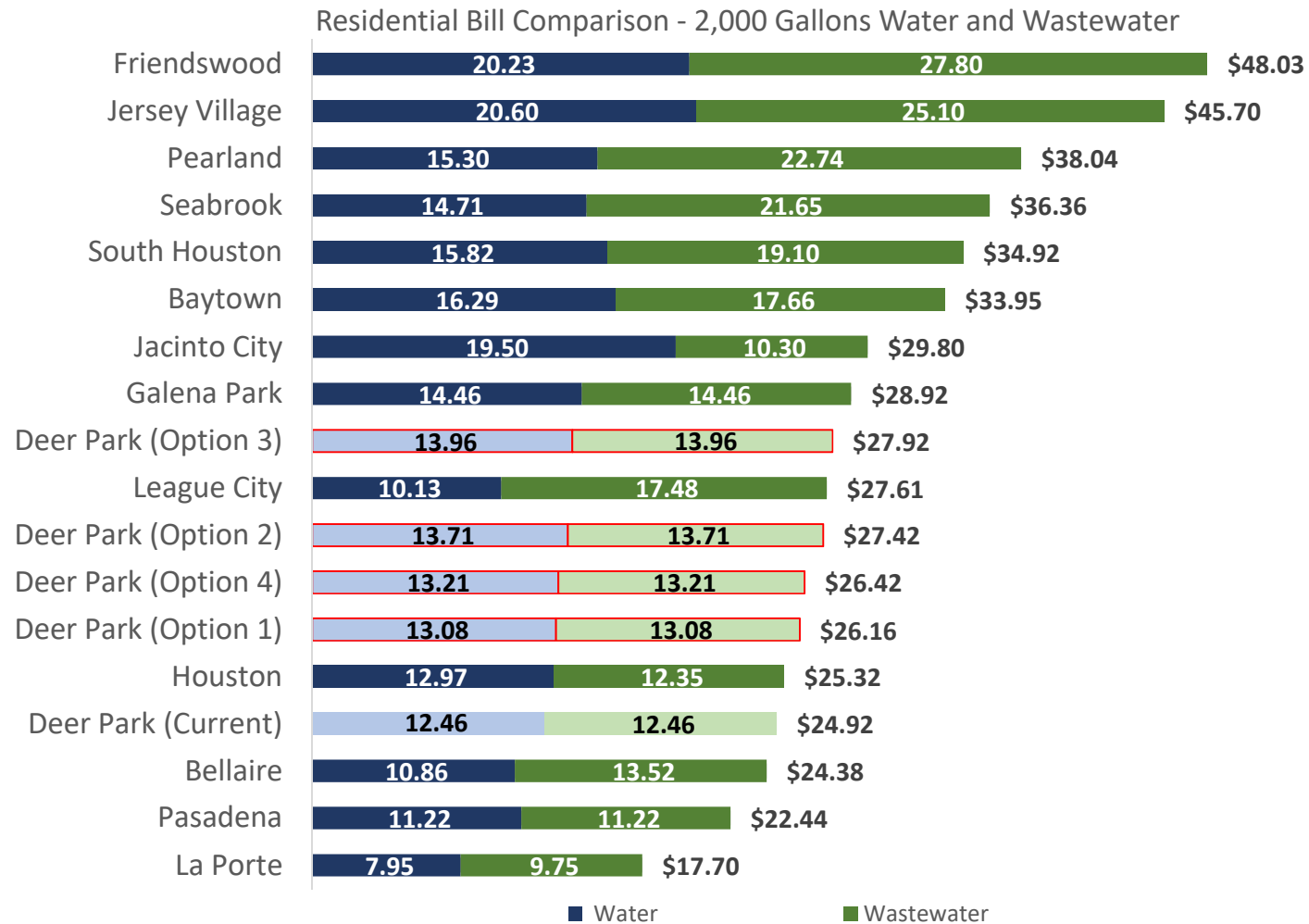
City of Deer Park, Texas Water and Wastewater Rate Model Summary of Proposed Rate Performance - Water & Wastewater						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>WATER</b>						
Rate Revenue Requirement	\$6,233,904	\$7,533,342	\$7,208,885	\$7,729,441	\$7,953,644	\$8,259,003
Projected Revenue Under Proposed Rates	5,542,286	6,473,569	6,799,458	7,141,309	7,499,968	7,876,639
YTD Adjustment						
Over / (Under) Recovery	(\$691,618)	(\$1,059,773)	(\$409,427)	(\$588,132)	(\$453,677)	(\$382,364)
Draw down of Reserves	-	-	-	-	-	-
<b>Adjusted Over / (Under) Recovery</b>	<b>(\$691,618)</b>	<b>(\$1,059,773)</b>	<b>(\$409,427)</b>	<b>(\$588,132)</b>	<b>(\$453,677)</b>	<b>(\$382,364)</b>
<b>Adjusted Over / (Under) Recovery (%)</b>	<b>(11.09%)</b>	<b>(14.07%)</b>	<b>(5.68%)</b>	<b>(7.61%)</b>	<b>(5.70%)</b>	<b>(4.63%)</b>
Projected Annual Billed Water Consumption (000's)	1,007,158	1,078,995	1,079,354	1,079,647	1,079,886	1,080,126
<b>WASTEWATER</b>						
Rate Revenue Requirement	\$4,037,493	\$4,608,002	\$4,735,545	\$4,845,374	\$4,988,337	\$5,556,419
Projected Revenue Under Proposed Rates	5,155,266	6,039,738	6,344,066	6,663,267	6,998,134	7,349,831
YTD Adjustment						
Over / (Under) Recovery	\$1,117,773	\$1,431,736	\$1,608,521	\$1,817,893	\$2,009,797	\$1,793,412
Draw down of Reserves	-	-	-	-	-	-
<b>Adjusted Over / (Under) Recovery</b>	<b>\$1,117,773</b>	<b>\$1,431,736</b>	<b>\$1,608,521</b>	<b>\$1,817,893</b>	<b>\$2,009,797</b>	<b>\$1,793,412</b>
<b>Adjusted Over / (Under) Recovery (%)</b>	<b>27.68%</b>	<b>31.07%</b>	<b>33.97%</b>	<b>37.52%</b>	<b>40.29%</b>	<b>32.28%</b>
Projected Annual Billed Water Consumption (000's)	901,597	963,653	964,015	964,310	964,552	964,794
<b>WATER AND WASTEWATER TOTAL</b>						
Rate Revenue Requirement	\$10,271,397	\$12,141,343	\$11,944,430	\$12,574,815	\$12,941,981	\$13,815,421
Projected Revenue Under Proposed Rates	10,697,552	12,513,307	13,143,524	13,804,576	14,498,102	15,226,469
YTD Adjustment	-	-	-	-	-	-
Over / (Under) Recovery	\$426,155	\$371,963	\$1,199,094	\$1,229,761	\$1,556,121	\$1,411,048
Draw down of Reserves	-	-	-	-	-	-
<b>Adjusted Over / (Under) Recovery</b>	<b>\$426,155</b>	<b>\$371,963</b>	<b>\$1,199,094</b>	<b>\$1,229,761</b>	<b>\$1,556,121</b>	<b>\$1,411,048</b>
<b>Adjusted Over / (Under) Recovery (%)</b>	<b>4.15%</b>	<b>3.06%</b>	<b>10.04%</b>	<b>9.78%</b>	<b>12.02%</b>	<b>10.21%</b>



Schedule 6

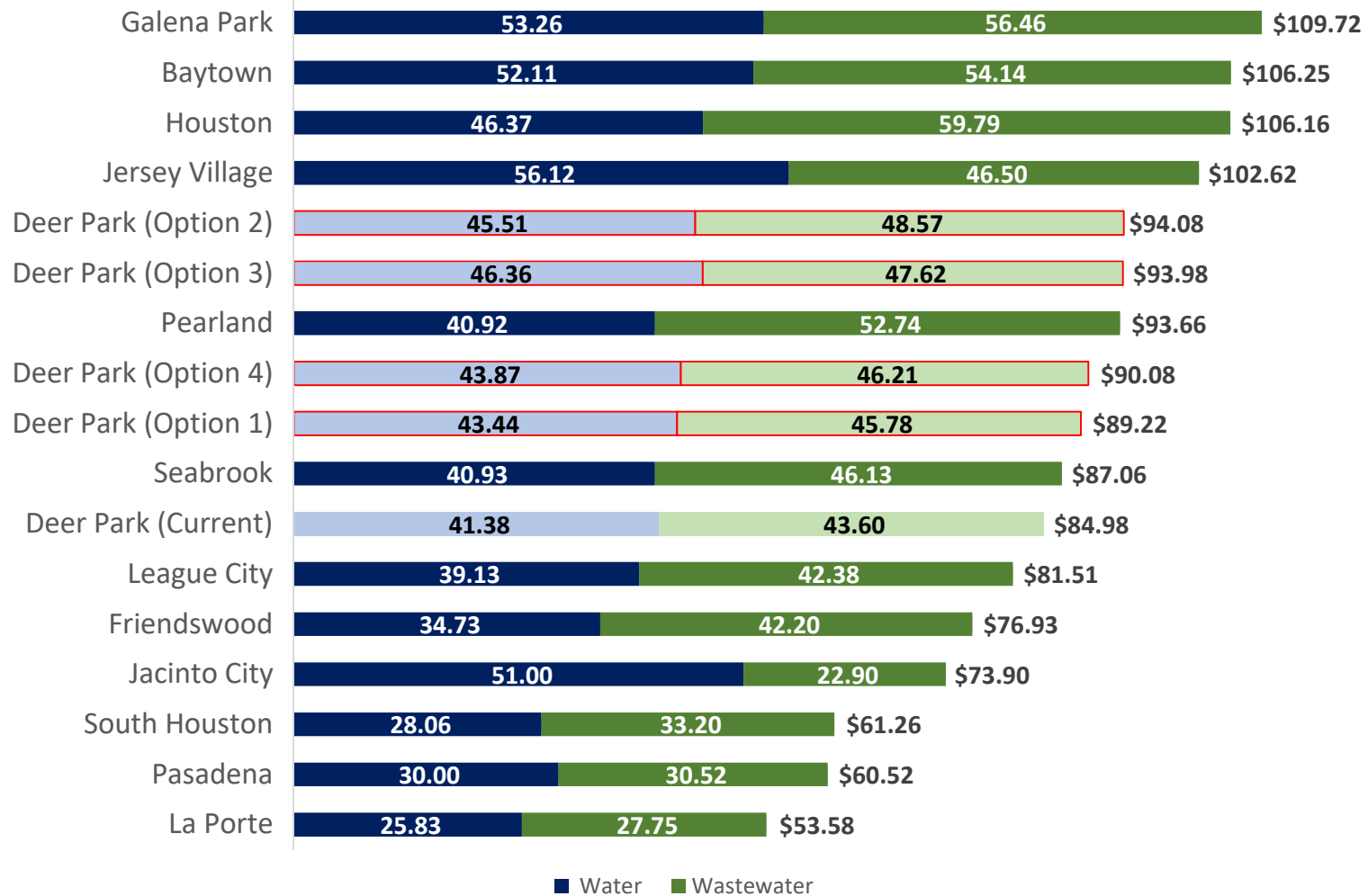
City of Deer Park, Texas Water and Wastewater Rate Model Summary of Proposed Rate Performance - Water & Wastewater						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
WATER AND WASTEWATER KEY FINANCIAL STATISTICS						
<b>Beginning Unrestricted Net Position</b>	\$8,126,168	\$8,552,323	\$8,924,286	\$10,123,380	\$11,353,141	\$12,909,261
Total Revenues	11,007,244	13,470,244	13,444,524	14,105,576	14,799,102	15,527,469
Total Expenses	10,581,089	13,098,280	12,245,430	12,875,815	13,242,981	14,116,421
<b>Ending Unrestricted Net Position</b>	<b>\$8,552,323</b>	<b>\$8,924,286</b>	<b>\$10,123,380</b>	<b>\$11,353,141</b>	<b>\$12,909,261</b>	<b>\$14,320,309</b>
<b>Days Cash on Hand (180 Days)</b>	 436  396  472  510  557  594					
<b>Debt Service Coverage</b>						
Total Revenues	\$ 11,007,244	\$ 13,470,244	\$ 13,444,524	\$ 14,105,576	\$ 14,799,102	\$ 15,527,469
Total Expenses Less Debt Service	7,154,574	8,224,163	7,822,519	8,131,593	8,455,306	8,796,756
<b>Available for Debt Service Coverage</b>	<b>\$ 3,852,670</b>	<b>\$ 5,246,081</b>	<b>\$ 5,622,005</b>	<b>\$ 5,973,983</b>	<b>\$ 6,343,796</b>	<b>\$ 6,730,713</b>
Debt Service	2,777,677	3,075,217	3,172,911	3,455,217	3,458,448	3,948,960
<b>Coverage Ratio</b>	 1.39  1.71  1.77  1.73  1.83  1.70					
<b>Target Debt Service Coverage Ratio</b>	1.10	1.10	1.10	1.10	1.10	1.10

**City of Deer Park, Texas**  
**Water and Wastewater Rate Model**  
**Regional Bill Comparison**



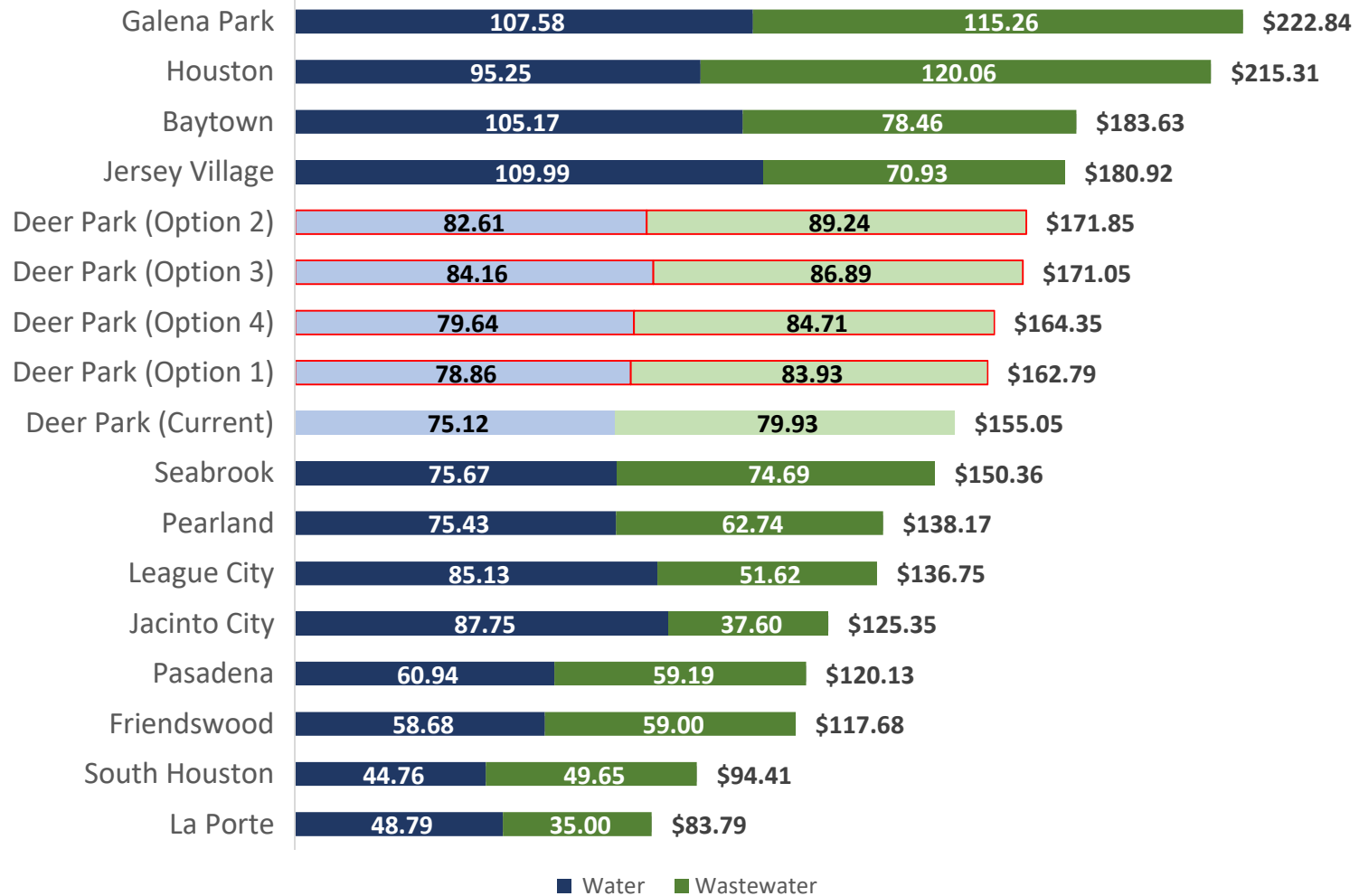
**City of Deer Park, Texas**  
**Water and Wastewater Rate Model**  
**Regional Bill Comparison**

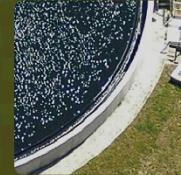
Residential Bill Comparison - 8,000 Gallons Water and Wastewater



**City of Deer Park, Texas**  
**Water and Wastewater Rate Model**  
**Regional Bill Comparison**

Residential Bill Comparison - 15,000 Gallons Water and Wastewater





September 17, 2019

# Water and Wastewater Rate Study Deer Park, TX



ECONOMICS

STRATEGY

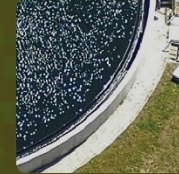
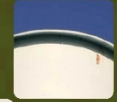
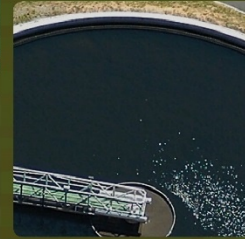
STAKEHOLDERS

SUSTAINABILITY

[www.newgenstrategies.net](http://www.newgenstrategies.net)

# Agenda

- Introduction
- Revenue Requirement
- Rate Options



# Introduction

NewGen  
Strategies & Solutions



# Introduction to Firm and Project Lead

- Our Firm
  - NewGen is a management and economic consulting company specializing in municipalities and municipal utilities
- Project Manager
  - Matthew Garrett, MBA, CGFO, CPM
    - Former Municipal Finance Director with 16 years experience
- Lead Analyst
  - Megan Kirkland
    - Petroleum Engineering Degree from Texas A&M
    - With NewGen since 2018
    - Completed or supported a number of rate studies



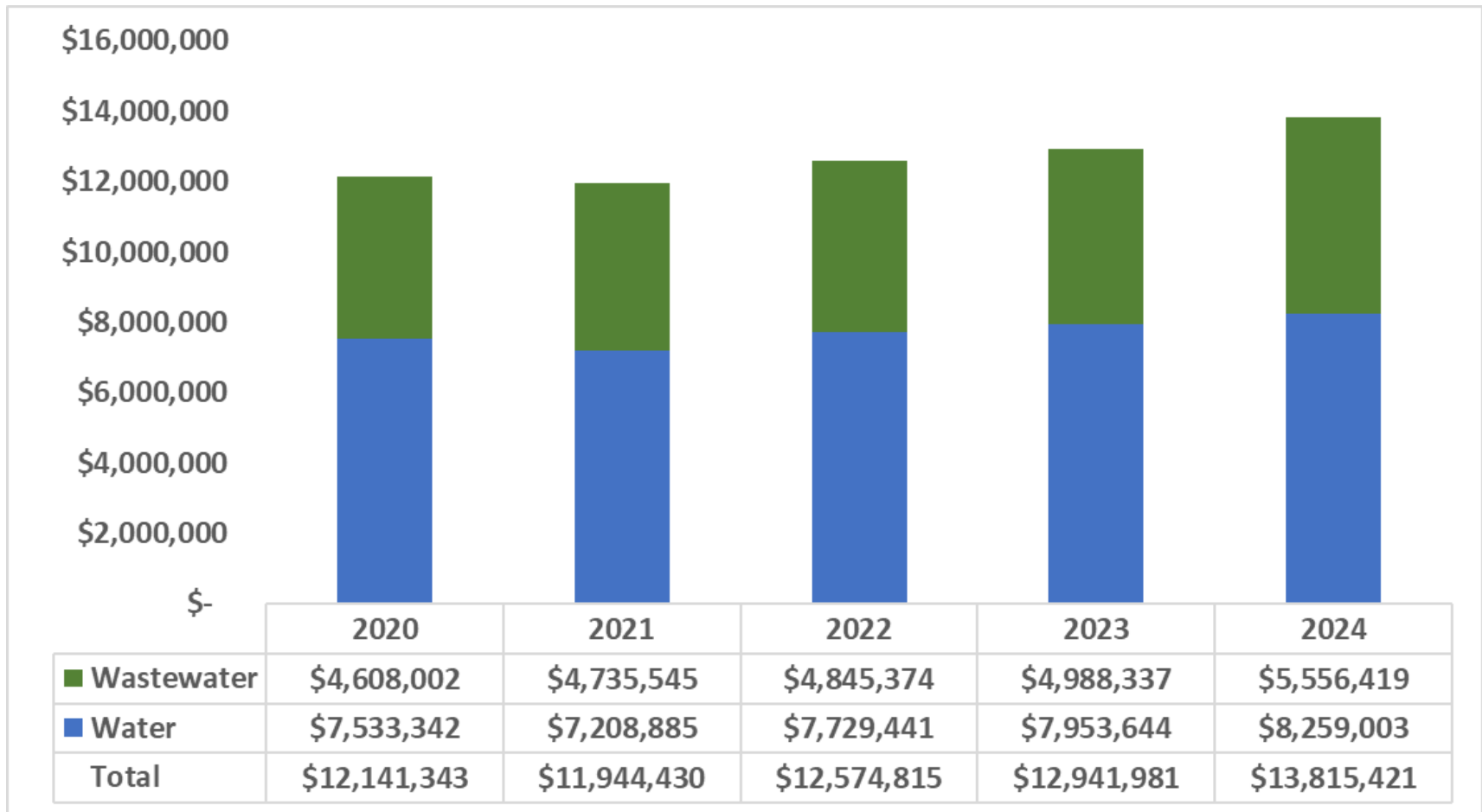


# Revenue Requirements

# Financial Resources Needed for 2020

- \$ 13,098,280 – Total Expenses
- \$ 12,141,343 - Net Revenue Requirement
  - Removes \$ 956,937 in Non-rate Revenues
    - \$ 655,937 in Prior Year Revenue
  - Water Allocation \$7,533,342 (62%)
  - Wastewater Allocation \$4,608,002 (38%)

# Projected Revenue Requirements



# Key Issues

- Capital Improvement Projects
  - \$10,153,700 in Capital Projects in the next 2 years
- Cash Capital Outlay
  - Approximately \$1,250,000 each year beginning FY 2021
- Raw Water from City of Houston
  - \$1,065,000 in FY 2020

# CIP Funding – Estimated Project Costs

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water	\$ 3,462,500	\$ 5,350,500	\$ -	\$ -	\$ -
Wastewater	1,140,700	200,000	-	-	-
<b>Total</b>	<b>\$ 4,603,200</b>	<b>\$ 5,550,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*Funded by  
2019 Bond*

*To be Funded  
by 2020 Bond*

## Existing Debt Service

	2020	2021	2022	2023	2024
Water	\$ 1,545,028	\$ 1,564,440	\$ 1,496,081	\$ 1,489,078	\$ 1,552,271
Wastewater	1,530,190	1,608,471	1,578,077	1,588,311	2,015,630
<b>Total Existing Debt Service</b>	<b>\$ 3,075,217</b>	<b>\$ 3,172,911</b>	<b>\$ 3,074,158</b>	<b>\$ 3,077,389</b>	<b>\$ 3,567,901</b>

## Projected Debt Service

Water	\$ -	\$ -	\$ 367,329	\$ 367,329	\$ 367,329
Wastewater	-	-	13,731	13,731	13,731
<b>Total Projected Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 381,059</b>	<b>\$ 381,059</b>	<b>\$ 381,059</b>

## Combined Debt Service

Water	\$ 1,545,028	\$ 1,564,440	\$ 1,863,410	\$ 1,856,406	\$ 1,919,599
Wastewater	1,530,190	1,608,471	1,591,808	1,602,042	2,029,361
<b>Total Combined Debt Service</b>	<b>\$ 3,075,217</b>	<b>\$ 3,172,911</b>	<b>\$ 3,455,217</b>	<b>\$ 3,458,448</b>	<b>\$ 3,948,960</b>

# Cash Capital

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Water	\$ -	\$ 937,500	\$ 966,754	\$ 996,921	\$ 1,028,029
Wastewater	-	312,500	322,251	332,307	342,676
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,250,00</b>	<b>\$ 1,289,005</b>	<b>\$ 1,329,227</b>	<b>\$ 1,370,705</b>

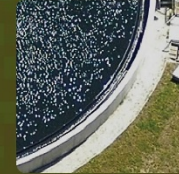
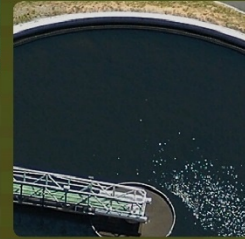
\*Inflated by Construction Cost Index each year

- Assumes project totals split between areas
  - 75% Water
  - 25% Wastewater

# Raw Water

- Purchase Raw Water from City of Houston
- Current Cost: \$1,065,000 (8% of expenses)
- Contract expiring in 2020
- Currently increase by 3.50% plus growth in water consumption each year





# Rate Options



# Current Rate Performance in FY 2020

- Estimated sufficiency with current rates

## Water

Revenue Requirement	\$7,533,342
Projected Revenue Under Current Rates	<u>5,885,062</u>
Over / (Under) Recovery	(\$1,648,279)

## Wastewater

Revenue Requirement	\$4,608,002
Projected Revenue Under Current Rates	<u>5,490,671</u>
Over / (Under) Recovery	\$882,669

## Total Combined Water and Wastewater

Revenue Requirement	\$12,141,343
Projected Revenue Under Current Rates	<u>11,375,733</u>
Over / (Under) Recovery	(\$765,610)

**Days Cash on Hands (180 Days)**



346

# Rate Options\*

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Option 1</b>	5%				
<b>Option 2</b>	10%	5%			
<b>Option 3</b>	12%	2%	5%	2.5%	6%
<b>Option 4</b>	6%			5%	

☐ Staff Recommendation

\*Each option assumes annual water/wastewater increase each fiscal year.

# Option 2 Water Rates – Staff Recommended

## Water - Current

	Inside City	Residential Outside	Commercial Outside
Minimum Charge	\$ 12.46	\$ 15.58	\$ 18.69
Volumetric Charge*			
0-2,000 gallons	\$ 0	\$ 0	\$ 0
2,001+ gallons	4.82	6.02	7.23

## Water – FY 2020

	Inside City	Residential Outside	Commercial Outside
Minimum Charge	\$ 13.71	\$ 17.14	\$ 20.56
Volumetric Charge*			
0-2,000 gallons	\$ 0	\$ 0	\$ 0
2,001+ gallons	5.30	6.62	7.95

\*Rate is per 1,000 gallons

# Option 2 Wastewater Rates – Staff Recommended

## Wastewater\*\* - Current

	Inside City	Residential Outside	Commercial Outside
Minimum Charge	\$ 12.46	\$ 15.58	\$ 18.69
Volumetric Charge*			
0-2,000 gallons	\$ 0	\$ 0	\$ 0
2,001+ gallons	5.19	6.49	7.78

## Wastewater\*\* - FY 2020

	Inside City	Residential Outside	Commercial Outside
Minimum Charge	\$ 13.71	\$ 17.14	\$ 20.56
Volumetric Charge*			
0-2,000 gallons	\$ 0	\$ 0	\$ 0
2,001+ gallons	5.71	7.14	8.56

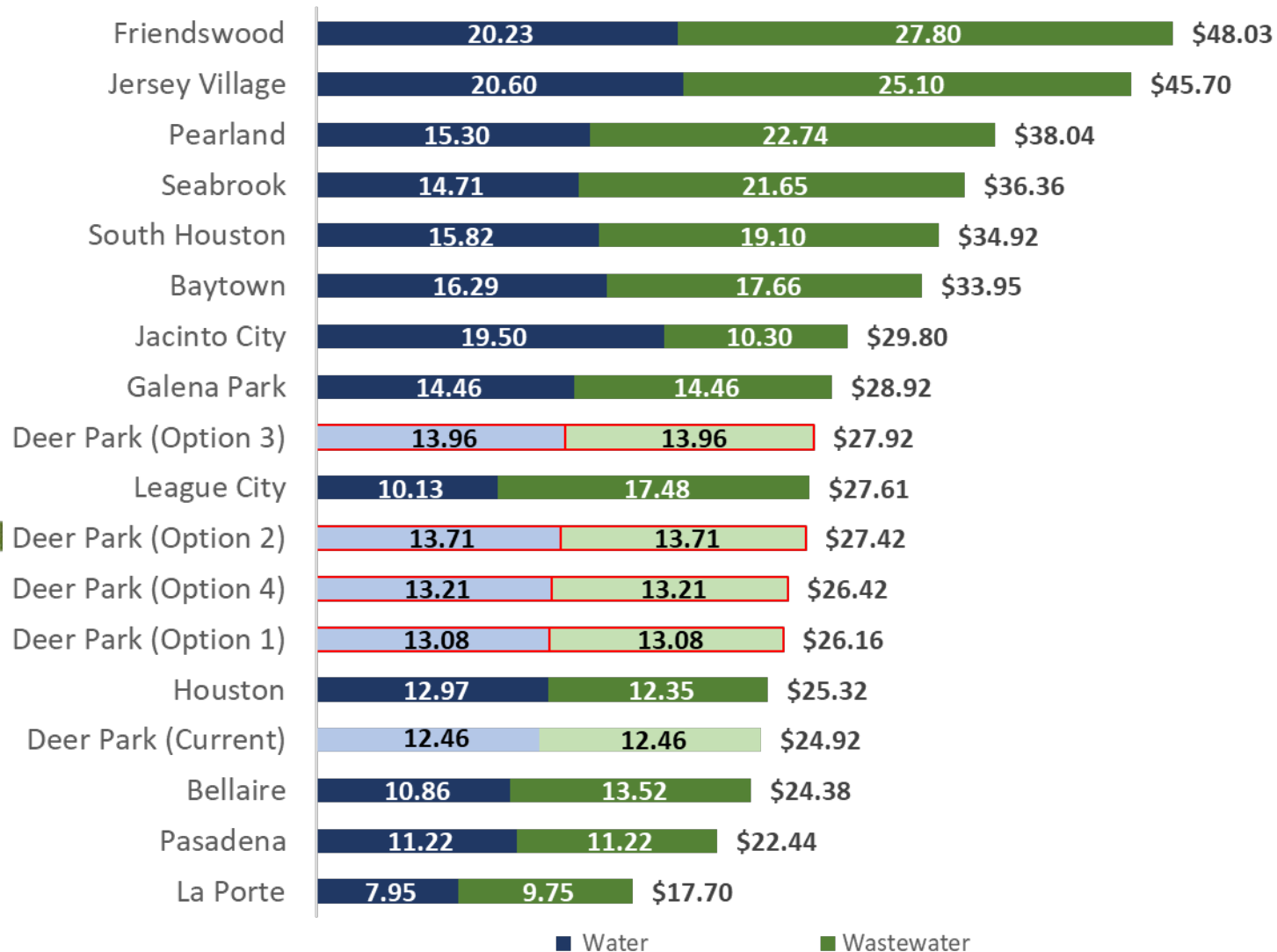
\*Rate is per 1,000 gallons

\*\*Residential has a 20,000 gallons maximum

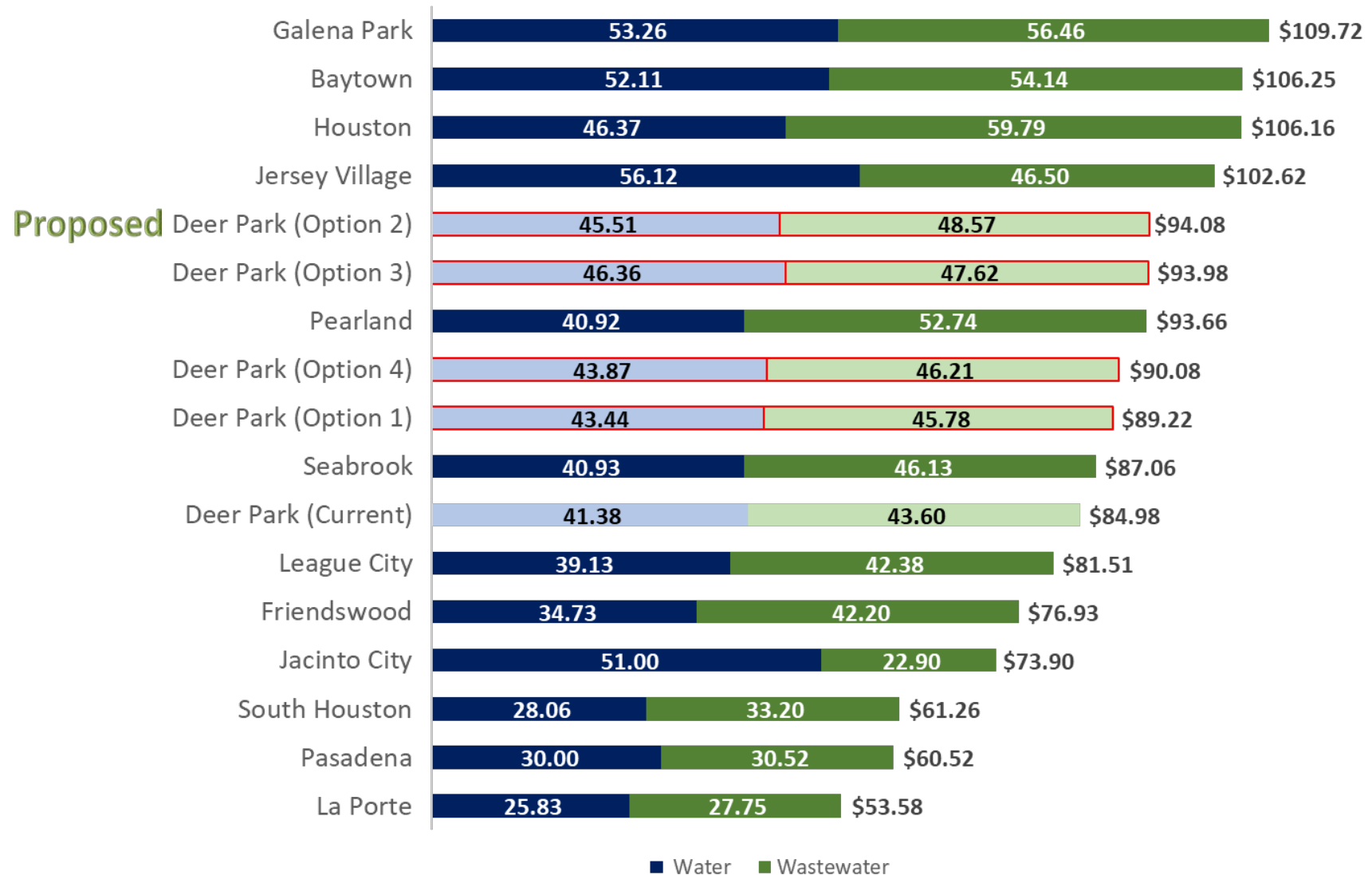
# Community Rate Comparisons

- Comparisons between communities are very common, but may not tell the whole story
- Each system is unique in geography, age of infrastructure, capital maintenance effort and typical usage patterns

# Residential Current Rate Comparisons – 2,000 Gallons

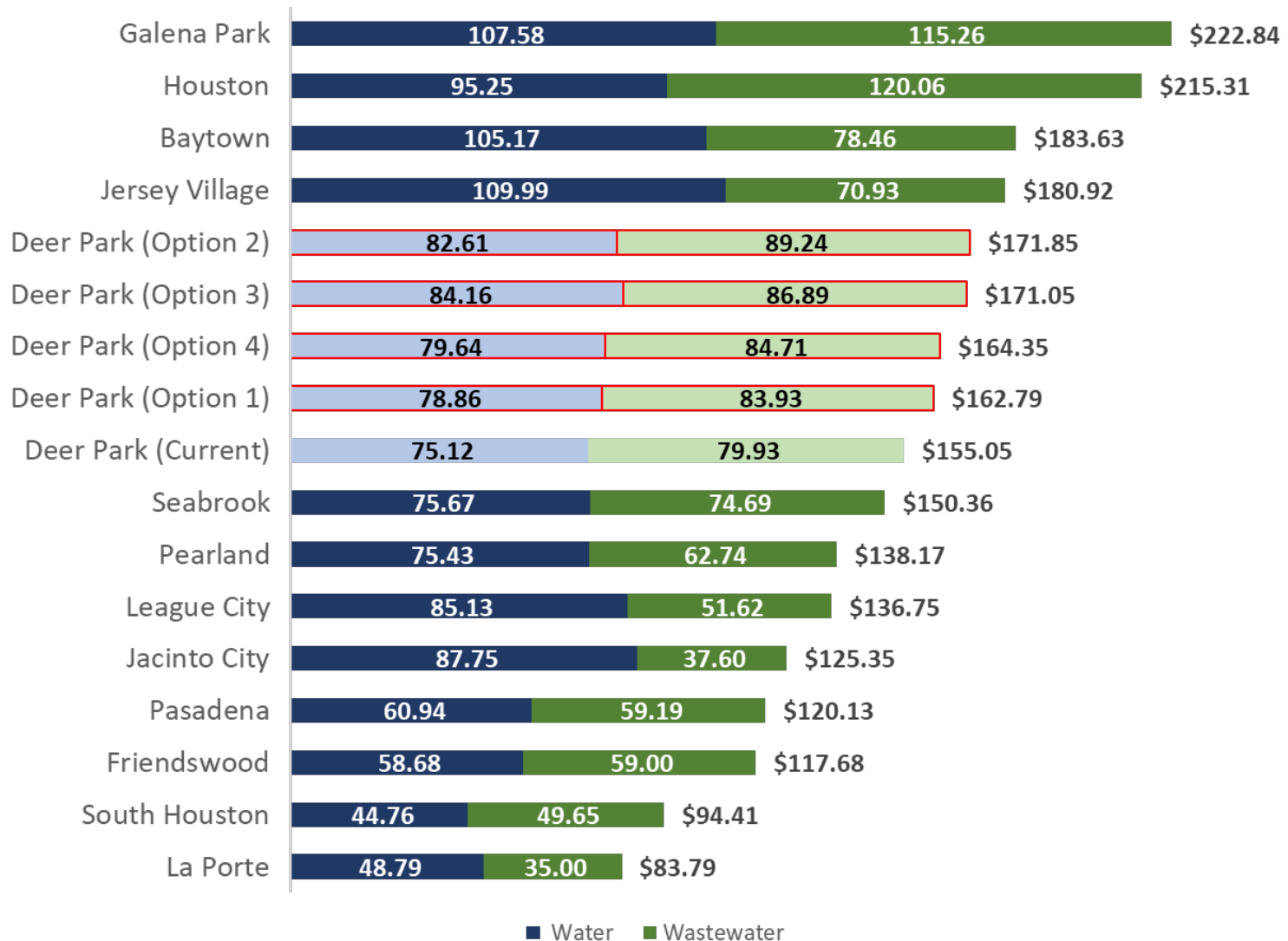


# Residential Current Rate Comparisons – 8,000 Gallons

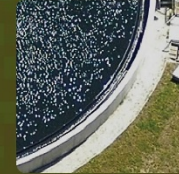
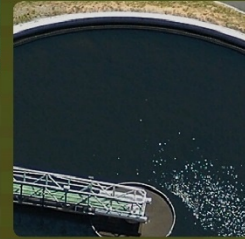


# Residential Current Rate Comparisons – 15,000 Gallons

Proposed







Thank you for your time.



NewGen Strategies & Solutions  
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## Legislation Details (With Text)

**File #:** DIS 19-106    **Version:** 1    **Name:**  
**Type:** Discussion    **Status:** Agenda Ready  
**File created:** 9/11/2019    **In control:** City Council Workshop  
**On agenda:** 9/17/2019    **Final action:**  
**Title:** Discussion of issues relating to the 2019 Strategic Plan strategy prioritization process and results.  
**Sponsors:** City Manager's Office  
**Indexes:** None  
**Code sections:**  
**Attachments:** [2019 Strategic Plan - Prioritization presentation](#)

Date	Ver.	Action By	Action	Result
9/17/2019	1	City Council Workshop		

Discussion of issues relating to the 2019 Strategic Plan strategy prioritization process and results.

### Summary:

On February 21, 2019, Ron Cox (Ron Cox Consulting) conducted a pre-retreat conference with the City Manager and his key staff to review past accomplishments and challenges and opportunities for Council to consider in their March 7, 2019 session.

On March 7, 2019, Mr. Cox conducted a session with the Mayor, Council, and City Manager focusing on a review of the Council's governance model including the development of a Leadership Model and Guiding Principles, Vision and Mission.

Also on March 7, 2019, Mr. Cox, City Council, Administration and the City's Directors began working to develop a new, five-year Strategic Plan. The group met to brainstorm new goals for the next five-year period, organize them under existing areas of emphasis, and ultimately create a new area of emphasis. Following the meeting, Mr. Cox organized the ideas presented during the session for presentation to staff.

On May 17, 2019, Mr. Cox facilitated a session with Administration and the Directors gathered to review the goals, finalize policy statements for each section and update the plan's quality policy statements to reflect current philosophies on leadership, communications, core values and expectations.

On June 18, 2019, Mr. Cox attended the Council Workshop and presented the 2019 Strategic Planning process final report, which contains six areas of emphasis - Leadership/Governance, Quality of Life/Image, Comprehensive Planning, Economic Development, Public Safety and Organizational Excellence.

Also, on June 18, 2019, staff explained the two-part survey system that would be utilized to assess Council's priorities in each area of emphasis as well as for the plan as a whole.

Between July 8 - August 25, 2019 the two-part survey was administered and results tabulated as follows:

1. Each Council member completed a survey prioritizing goals within each of the six areas of emphasis, comparing “apples to apples.”
2. After Council members completed the first survey, the strategies that fell within the top 40% based on average scores advanced to the second stage of the survey, whereby Council members ranked the highest-rated strategies from each area as part of a single pool, establishing over-arching priorities from all areas of emphasis.

Out of a 38 total strategies, a total of 20 ranked highly enough by the Council as a whole to move onto the overall prioritization phase (Phase 2). In the final survey, the 10 strategies that met or exceeded the majority quotient were as follows, ranked from top score down:

1. (2.86 rating) - Establish a master plan for City facilities for maintenance and/or replacement of all city facilities including but not limited to: A new Activity Center (to include a tourism center); a new Community Center; the Deer Park Public Library; the Avon and Kingsdale Centers; the replacement of Fire Stations #1 and #2; a review of the facilities maintenance program, with an eye toward consolidation and centralization.
2. (3.14 rating) - Upgrade Drainage Plan and establish implementation plan.
3. (4.71 rating) - Complete Type B projects and evaluate needs for its continuation and operations.
4. (6.86 rating) - Develop a public meeting format to address specific issues.
5. (8.43 rating) - Improve emergency operations center and disaster recovery for critical function capabilities to include both expansion and/or relocation.
6. (8.86 rating) - Review, revise and enforce code enforcement policies/ordinances including animal control.
7. (9.43 rating) - Update community warning systems.
8. (10.14 rating) - Develop plan for volunteer firefighter recruitment and retention, including increasing pension benefits, applying response stipends and preparing/promoting a recruitment video.
9. (10.29 rating) - Harden critical infrastructure facilities.
10. (10.57 rating) - Promote quality of life as a component of economic development and tourism.

The attached PowerPoint summarizes the strategy prioritization process and results.

Fiscal/Budgetary Impact:

Discuss the strategic plan strategy prioritization process and results.

# 2019 Strategic Plan City Council Prioritization

Results - Phase 1 and Phase 2

# 2019 Strategic Plan

- ▶ Over the course of several months, City Council, City Administration and Directors worked with Ron Cox to develop the 2019 Strategic Plan.
- ▶ The final plan includes six areas of emphasis:
  - ▶ Area of Emphasis 1: Leadership and Governance
  - ▶ Area of Emphasis 2: Quality of Life/Image
  - ▶ Area of Emphasis 3: Comprehensive Planning
  - ▶ Area of Emphasis 4: Economic Development
  - ▶ Area of Emphasis 5: Public Safety
  - ▶ Area of Emphasis 6: Organizational Excellence - NEW!

# Prioritization approach

- ▶ During the June 18 City Council workshop, Council was presented with a two-part prioritization process for ranking the strategies in each area of emphasis.
- ▶ Phase 1 would allow the Council members to prioritize the strategies within each specific area. Strategies ranked at a level representing Council majority support or higher would move on to Phase 2.
- ▶ Phase 2 would allow the Council members to prioritize the highest-ranked strategies from each area of emphasis in a single pool, providing a picture of the group's overarching goals.
- ▶ The mechanism chosen to provide the surveys to Council was Survey Monkey, an online platform with which the City has a current contract.

# Directors' testing period

- ▶ Prior to providing Council with links to the Phase 1 survey, Directors and Administrators were given an opportunity to review the strategies as written, make any final adjustments.
- ▶ This period also allowed time to test the Survey Monkey platform for any potential concerns.
- ▶ The final strategies - reviewed by staff for optimal structure - were presented to Council as the Phase 1 survey on July 8.

# Phase 1 – July 8-19

- ▶ City Council completed the Phase 1 survey between July 8 and July 19.
- ▶ Results were compiled during the following week, July 22-26, and presented to City Administration and the Directors on July 29.
- ▶ Out of a total of 38 possible strategies, a total of 20 were ranked highly enough by the Council as a whole to move onto the overall prioritization phase (Phase 2).
- ▶ The following are the strategies assessed by the Council during Phase 2, organized by Area of Emphasis.



# Phase 2 strategies: Leadership and Governance

- ▶ Develop a public meeting format to address specific issues.
- ▶ Establish a proactive process to fill positions to volunteer or be on a Board/Commission.
- ▶ Update Communication Plan to address continuing misinformation in social media.
- ▶ Establish a proactive legislative platform.

*Not assessed as Part of Phase 2:*

- ▶ *Establish strategies for intergovernmental relations (Area Mayors, Harris County Precinct 2, DPIISD and other entities).*
- ▶ *Establish a system for regular review of the City Charter.*

# Phase 2 strategies:

## Quality of Life/Image

- ▶ Establish a comprehensive redevelopment and beautification master plan.
- ▶ Review, revise and enforce code enforcement policies/ordinances including animal control.
- ▶ Complete Type B projects and evaluate needs for its continuation and operations.

*Not assessed as Part of Phase 2 :*

- ▶ *Achieve "Scenic City" designation.*
- ▶ *Review and develop strategies to address changing demographics of the community.*
- ▶ *Establish a master traffic signalization plan, including traffic preemption devices, and intersection lighting and signage throughout the city.*

# Phase 2 strategies - Comprehensive Planning

- ▶ Establish a master plan for City facilities for maintenance and/or replacement of all city facilities including but not limited to: A new Activity Center (to include a tourism center); a new Community Center; the Deer Park Public Library; the Avon and Kingsdale Centers; the replacement of Fire Stations #1 and #2; a review of the facilities maintenance program, with an eye toward consolidation and centralization.
- ▶ Upgrade Drainage Plan and establish implementation plan.

*Not assessed as Part of Phase 2 :*

- ▶ *Develop a comprehensive street assessment program (including condition of pavement, signage, traffic signals, etc.)*
- ▶ *Develop a utilities master plan to include a master water plan of the entire city, and a cost recovery strategy.*
- ▶ *Establish a financial master plan.*
- ▶ *Update the Master Technology Plan to include, but not be limited to, utilities and facilities.*

# Phase 2 strategies

## Economic Development

- ▶ Continue outreach efforts to encourage tourism in partnership with Tourism Committee.
- ▶ Create a city-wide redevelopment plan.
- ▶ Continually explore economic development incentives and revitalization incentives.
- ▶ Promote quality of life as a component of economic development and tourism.

*Not assessed as Part of Phase 2 :*

- ▶ *Establish revenue from user fees to assist with cost recovery.*
- ▶ *Establish a plan to promote the city's historical assets.*

# Phase 2 strategies - Public Safety

- ▶ Improve emergency operations center and disaster recovery for critical function capabilities to include both expansion and/or relocation.
- ▶ Update commodity flow study.
- ▶ Upgrade community warning systems.
- ▶ Develop plan for volunteer firefighter recruitment and retention, including increasing pension benefits, applying response stipends and preparing/promoting a recruitment video.
- ▶ Improve emergency management planning with dedicated staff.
- ▶ Harden critical infrastructure facilities.

*Not assessed as Part of Phase 2 :*

- ▶ *Look for opportunities to leverage technology to improve public safety.*
- ▶ *Add Park Rangers to assist police in patrolling parks throughout city.*
- ▶ *Establish a new classroom facility at the Fire Drill Field.*

# Phase 2 strategies

## Organizational Excellence

- ▶ Establish a Workforce Master Plan.

*Not assessed as Part of Phase 2:*

- ▶ *Conduct an organizational review of work/life balance and respond accordingly.*
- ▶ *Review and update personnel policies on a regular basis.*

# Phase 2 results

- ▶ During Phase 2, each Council member ranked the 20 priorities included from highest to lowest.
- ▶ Of the 20, 10 strategies ranked at a level representing Council majority support or higher.

## 1. (2.86 rating)

- ▶ Establish a master plan for City facilities for maintenance and/or replacement of all city facilities including but not limited to: A new Activity Center (to include a tourism center); a new Community Center; the Deer Park Public Library; the Avon and Kingsdale Centers; the replacement of Fire Stations #1 and #2; a review of the facilities maintenance program, with an eye toward consolidation and centralization.

## 2. (3.14 rating)

- ▶ Upgrade Drainage Plan and establish implementation plan.

## 3. (4.71 rating)

- ▶ Complete Type B projects and evaluate needs for its continuation and operations.

# Phase 2 results, continued

## 4. (6.86 rating)

- ▶ Develop a public meeting format to address specific issues.

## 5. (8.43 rating)

- ▶ Improve emergency operations center and disaster recovery for critical function capabilities to include both expansion and/or relocation.

## 6. (8.86 rating)

- ▶ Review, revise and enforce code enforcement policies/ordinances including animal control.

## 7. (9.43 rating)

- ▶ Update community warning systems.



# Phase 2 results, continued

## 8. (10.14 rating)

- ▶ Develop plan for volunteer firefighter recruitment and retention, including increasing pension benefits, applying response stipends and preparing/promoting a recruitment video.

## 9. (10.29 rating)

- ▶ Harden critical infrastructure facilities.

## 10. (10.57 rating)

- ▶ Promote quality of life as a component of economic development and tourism.

# Next steps

- ▶ As with the 2014 Strategic Plan, each department will integrate the goals detailed in the 2019 Strategic Plan into their ongoing operations.
- ▶ Council will be provided with annual updates on the status of each Area of Emphasis and the associated strategies.
- ▶ While the results of the Prioritization exercise provide insight, they in no way preclude any of the strategies from being addressed as funding, resources including staff time, and other factors, allow.
- ▶ Going forward, City Council agendas via the Legistar system will feature the capability to denote and track tasks included in the Strategic Plan.



## Legislation Details (With Text)

**File #:** DIS 19-092    **Version:** 1    **Name:**  
**Type:** Discussion    **Status:** Agenda Ready  
**File created:** 7/11/2019    **In control:** City Council Workshop  
**On agenda:** 9/17/2019    **Final action:**  
**Title:** Discussion of issues relating to the City's Investment Program, including the annual review of the City's Investment Policy.  
**Sponsors:** Finance  
**Indexes:**  
**Code sections:**  
**Attachments:** [Investment Policy Review 09.17.19](#)  
[Investment Policy - 2019](#)

Date	Ver.	Action By	Action	Result
9/17/2019	1	City Council Workshop		

..Title

Discussion of issues relating to the City's Investment Program, including the annual review of the City's Investment Policy.

Summary: In compliance with the Texas Public Funds Investment Act, Government Code Ch. 2256 as amended (the "Act"), the City has adopted an Investment Policy, which is Chapter 2, Administration, Article VII (Finance), Division 2 (Investment Policy), Section 2-274 Reporting, of the Code of Ordinances of the City of Deer Park. The Act also requires that the City Council, not less than annually, adopt a written instrument stating that it has reviewed the Investment Policy and investment strategies. The written instrument must record any changes made to the policy or strategies.

The City's Investment Policy was last reviewed and updated on September 25, 2018. Following the State's most recent legislative session in 2019, one minor change is being incorporated into the policy based on the new Sec. 2256.0208 being added to the Act per HB 2706. This new section includes "pledged revenue" and that additional reference has been included in the policy. Further, Multi-Bank Securities, Inc. is being added to the list of broker/dealers authorized to engage in investment transactions with the City (see below).

The attached "Investment Policy Review" provides a detailed description of the changes being incorporated into the policy this year. These changes were discussed with the City's Finance Committee prior to this workshop.

Authorized Broker/Dealers:

The Investment Policy includes the list of broker/dealers authorized to engage in investment

transactions with the City. The current list includes the following: Duncan-Williams, Inc., FTN Financial, Hilltop Securities, and Wells Fargo Securities, LLC. At the recommendation of the City's Investment Advisor, Valley View Consulting, L.L.C., the City proposes adding another broker/dealer to the list to ensure a competitive environment if and when the City requests bids for security investments. The Finance Committee met on September 17, 2019 to review the proposed changes to the policy and to specifically review the proposed list of authorized broker/dealers. The Finance Committee is in agreement with the City's recommendation to add Multi-Bank Securities, Inc. to the list of authorized broker/dealers. Specifically, Carol Mackoff of Multi-Bank Securities, Inc. is responsive to bid requests and knows the Act through her long association with and participation in the Government Treasurer's Organization of Texas.

Fiscal/Budgetary Impact:

N/A.

Discussion only. Action on the annual review of the investment policy will be taken during the regular meeting.

**City of Deer Park**  
**Annual Investment Policy Review – 2019**  
**Record of Changes**

To comply with the Texas Public Funds Investment Act, Government Code Ch. 2256 as amended (the “Act”), the governing body of an investing entity shall (1) review its investment policy and investment strategies not less than annually, and (2) adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies. The written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

The investment policy for the City of Deer Park was last reviewed and updated on September 25, 2018. During the last year, the policy received re-certification from the Government Treasurer’s Organization of Texas (“GTOT”), and that certification is valid for two years to July 31, 2021.

Following the State’s most recent legislative session in 2019, one minor change is being incorporated into the policy based on the new Sec. 2256.0208 being added to the Act per HB 2706. This new section includes “pledged revenue” and that additional reference has been included in the policy. This change was discussed with the City’s Finance Committee at a meeting on September 17, 2019. At that meeting, the Committee also reviewed and discussed the list of authorized broker/dealers. At the recommendation of the City’s Investment Advisor, Valley View Consulting, L.L.C., the City proposes adding another broker/dealer to the list to ensure a competitive environment if and when the City requests bids for security investments. The Finance Committee is in agreement with the City’s recommendation to add Multi-Bank Securities, Inc. to the list of authorized broker/dealers. Specifically, Carol Mackoff of Multi-Bank Securities, Inc. is responsive to bid requests and knows the Act through her long association with and participation in the Government Treasurer’s Organization of Texas.

Below is a summary of the minor changes to the policy being presented for annual review on September 17, 2019:

2-274 Authorized and Suitable Investments-Bond Proceeds – Based on the new Sec. 2256.0208 being added to the Act, the policy will now reference “Bond proceeds and pledged revenue may be invested...” rather than simply “Bond proceeds may be invested....” It is not necessary to change the section heading.

2-280 Qualified Financial Institutions and Broker/Dealers – Reflecting the City’s recommendation to add another firm to the list of authorized broker/dealers, the revised list, if approved, would be as follows:

Duncan-Williams, Inc.  
FTN Financial  
Hilltop Securities  
Multi-Bank Securities, Inc.  
Wells Fargo Securities, LLC

As a matter of housekeeping, following voter approval on May 4, 2019 of seven charter amendments, specifically Proposition C, the language related to passage of the ordinance was updated by removing the requirement of three readings of ordinances except in cases when additional readings are required by another provision of the City Charter.

**ORDINANCE NO. \_\_\_\_\_**

**AN ORDINANCE AMENDING THE DEER PARK CODE OF ORDINANCES BY REPLACING CHAPTER 2 (ADMINISTRATION), ARTICLE VII (FINANCE), ALL OF DIVISION 2 (INVESTMENT POLICY).**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF DEER PARK:** That Chapter 2, Article VII, Division 2 (Investment Policy) is to be amended to conform with all current State and Federal regulations by replacing all of Division 2 as follows:

**2-266 POLICY**

It is the policy of the CITY OF DEER PARK (the "City") to invest funds in a manner that will ensure the preservation of capital, meet the daily cash flow needs of the City, conform to all applicable state statutes and City ordinances governing the investment of public funds, and provide reasonable investment returns.

The Texas Public Funds Investment Act, Government Code Ch. 2256 as amended (the "Act") prescribes that each city shall adopt rules to govern its investment practices and to define the authority of the investment officer(s). This policy addresses the methods, procedures, and practices established to ensure effective and judicious fiscal management of the City's funds worthy of the public trust.

**2-267 SCOPE**

This investment policy shall apply to all financial assets and funds under control of the City, other than those expressly excluded herein or by applicable law or valid agreement. The City commingles its funds into one pooled investment fund for efficiency and maximum investment opportunity, except for monies held in demand and time deposits as provided under Chapter 105 of the Local Government Code or as stipulated by applicable laws, bond covenants or contracts. These funds are accounted for in the City's Comprehensive Annual Financial Report ("CAFR") and include the following:

- General Funds
- Capital Project Funds
- Debt Service Funds
- Enterprise Funds
- Internal Service Funds
- Special Revenue Funds
- Trust and Agency Funds

This policy shall also apply to any new funds created by the City unless specifically exempted by the City Council and this policy.

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The investment officers and City staff shall recognize that the investment activities of the City are a matter of public record.

## 2-268 OBJECTIVES AND STRATEGY

The City strives to invest funds in a manner where the rate of return is secondary to safety and liquidity. To accomplish this, the City's principal investment objectives, in priority order, are as follows:

- (a) *Suitability.* Each investment must be in conformance with all Federal regulations, state statutes, and other legal requirements—including the City Charter, City ordinances, and this investment policy.
- (b) *Preservation and safety of principal.* Investments of the City shall be handled in a manner that seeks to ensure the preservation of capital and the protection of investment principal in the overall portfolio. All participants in the investment process shall act responsibly as custodians of the public trust.
- (c) *Liquidity.* The City's investment portfolio will remain sufficiently liquid to enable the City to meet operating requirements that might be reasonably anticipated. Liquidity shall be achieved by maintaining appropriate cash equivalent balances, matching investment maturities with forecasted cash flow requirements, and investing in securities with active secondary markets.
- (d) *Marketability.* The City's policy is to buy and hold investments until maturity; however, marketability is of great importance should the need arise to liquidate an investment before maturity.
- (e) *Diversification.* Investments shall be diversified, as appropriate, by type and maturity to eliminate the risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer or a specific class of securities. While investments of the City shall be selected to provide for stability of income and reasonable liquidity, the investments shall be structured to meet the projected cash flow needs of the City first, and then to enhance interest income. Ideally, portfolio maturities shall be laddered in a way that stabilizes interest income from market volatility. The stated maturity of any investment in the City's portfolio shall not exceed five years and the weighted average maturity of the City's overall portfolio shall not exceed 365 days.
- (f) *Yield.* The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's risk constraints and the cash flow characteristics of the portfolio. Given this strategy, the basis used to determine whether reasonable yields are being achieved shall be the rolling average yield of the three-month U.S. Treasury Bill or such other index that most closely matches the average maturity of the portfolio.

## 2-269 AUTHORIZATION

The authority of the City to manage the investment program is derived from the Act, specifically, Section 2256.005(f)-(h). Management responsibility for the investment program is hereby delegated to the Director of Finance of the City, including responsibility for all investment transactions and the related system of controls to regulate the activities of subordinate officials. The Director of Finance shall serve as the primary investment officer and shall invest City funds in legally authorized and adequately secured investments in accordance with this policy and the Act. The City Manager and Assistant City Manager shall also serve as investment officers of the City. The investment officers shall be bonded.



## **2-270 RESPONSIBILITY AND CONTROL**

Investments shall be made with judgment and care, under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of capital and the income to be derived.

In determining whether investment decisions were made exercising prudence, consideration shall be given to the following: the investment of all funds, or funds under the City's control, taken as a whole, rather than the prudence of a single investment; and whether the investment decision is consistent with the written investment policy of the City at that time. Occasional measured losses are inevitable and must be considered within the context of the overall portfolio's return.

An investment officer acting as a "prudent person" exercising due diligence in accordance with written procedures and the investment policy shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse market effects.

The Director of Finance shall establish written procedures for the operations of the investment program consistent with this investment policy, bond resolutions, or other authorizing instruments securing the City's outstanding bonds or other instrument securing indebtedness of the City issued after the adoption of this policy. Procedures shall address safekeeping, wire transfer agreements, collateral/depository agreements, banking services contracts, and monitoring of credit rating changes in investments. Further, procedures shall address explicit delegation of authority to persons responsible for investment-related duties. No person may engage in an investment-related duty except as provided under the terms of this policy or the procedures established by the Director of Finance.

## **2-271 ETHICS AND CONFLICTS OF INTEREST**

In addition to any other requirements of law, the investment officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. An investment officer who has a personal business relationship with a business organization offering to engage in an investment transaction with the City or who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the City shall file a statement with the City Council and with the Texas Ethics Commission disclosing that relationship.

An investment officer has a personal business relationship with a business organization if the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization, the investment officer receives funds from the business organization exceeding 10 percent of the investment officer's gross income for the previous year, or the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

## **2-272 INVESTMENT TRAINING**

The City shall provide periodic training in investments for the investment officers through courses and seminars offered by independent professional organizations and associations approved by the City Council. The objective of this training is to ensure the quality and capability of the investment officer making investment decisions in compliance with the Act. An investment officer shall attend at least one training session relating to the investment officer's responsibilities under the Act within 12 months after taking office or assuming the duties of investment officer and accumulate not less

than 10 hours of instruction relating to investment responsibilities under the Act. Further, an investment officer shall attend at least one investment training session not less than once in a two-year period (beginning on the first day of the City's fiscal year and consisting of the two consecutive fiscal years after that date) and accumulate not less than 8 hours of instruction relating to investment responsibilities under the Act.

Designated training sponsored by any of the following organizations is approved:

- (a) Government Finance Officers Association of Texas
- (b) Government Treasurers' Organization of Texas
- (c) Texas Municipal League
- (d) The University of North Texas Center for Public Management

Training must include education in investment controls, security risks, strategy risks, market risks, diversification of the investment portfolio, and compliance with the Act.

## **2-273 AUTHORIZED INVESTMENTS**

In accordance with Federal and state laws, including Section 2256.005(b) of the Act, the following are authorized investments:

- (a) Obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
- (b) Direct obligations of the State of Texas or its agencies and instrumentalities;
- (c) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States;
- (d) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- (e) A certificate of deposit, or other form of deposit, that is placed and secured in accordance with the Act;
- (f) An investment pool to the extent and manner provided by law if the City by rule, ordinance, order or resolution authorizes investment in the particular pool and if the investment pool conforms to the requirements of the Act. To maintain eligibility, an investment pool must conform to the requirements of the Act. Further, the investment pool must be continuously rated no lower than AAA or AAA-m or its equivalent by at least one nationally recognized rating service and must post on their website the specific disclosures required by the Act.

Currently, the following investment pools are approved: TexPool, TexSTAR, and Texas CLASS.

## **2-274 AUTHORIZED AND SUITABLE INVESTMENTS – BOND PROCEEDS**

Bond proceeds and pledged revenue may be invested in accordance with the provisions of the respective bond ordinance, resolution or Trust Agreement authorizing the issuance of the bonds, notes or other obligations. To the extent of any inconsistency between the provisions of this investment policy and the bond instrument, the more restrictive investment terms contained in the bond instrument shall control, provided however, that no such investment of bond proceeds shall be made in an investment that is prohibited by this policy.

## **2-275 PROHIBITED INVESTMENTS**

The following are not authorized investments and are prohibited under this investment policy:

- (a) Obligations for which the payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (interest only bond);
- (b) Obligations for which the payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (principal only bond);
- (c) Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;
- (d) Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index (inverse floaters);
- (e) A securities lending program of the nature permitted by Section 2256.0115 of the Act; and
- (f) Commercial paper, including pools which invest in commercial paper.

## **2-276 EXISTING INVESTMENTS AND MINIMUM RATING REQUIREMENTS**

Investments held on the effective date of this investment policy that are no longer authorized investments under the Act and/or this investment policy do not need to be liquidated before the final stated maturity of the investment. An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating. The investment officers shall take all prudent measures that are consistent with this investment policy to liquidate any investment that becomes a prohibited investment (e.g., through a rating downgrade after the purchase of the investment). In the event that the credit rating of any investment is publicly placed under review by the credit rating agency maintaining the rating, the investment officer shall closely monitor the investment and take such action as he/she deems prudent to protect the value of the investment.

## **2-277 INVESTMENT ADVISORS**

The City Council may from time to time employ qualified individuals or firms as an Investment Advisor to assist the investment officers in carrying out the investment program and complying with the requirements of this investment policy and the Act.

## **2-278 INVESTMENT LIMITS AND DIVERSIFICATION**

The asset allocation in the portfolio should be flexible and responsive to the outlook for the economy and the securities markets. Risk management shall be addressed through portfolio diversification, as appropriate, by:

- (a) Limiting investments to avoid over concentration by credit risk and maturity;
- (b) Limiting investments in issuers that have higher credit risks;
- (c) Investing in varying maturities; and
- (d) Maintaining a minimum 10 percent (10%) of the total portfolio in cash equivalent instruments to meet ongoing obligations.

## **2-279 INVESTMENT MANAGEMENT**

The investment officers shall exhibit prudence and discretion in the selection and management of investments in order that no individual or group of transactions undertaken shall jeopardize the total capital of the portfolio. The City will not allow speculation (e.g., anticipating an appreciation of capital through changes in market interest rates) in the selection of any investments. The investment officers shall monitor financial market indicators, study financial trends, and utilize available educational tools in order to maintain appropriate managerial expertise.

The investment officers are authorized to solicit quotes for investments orally, in writing, electronically, or in any combination of these methods. Each investment transaction – exclusive of cash equivalent transactions – must be based upon quotations received from multiple qualified financial institutions or authorized broker/dealers. Competing broker/dealers may not have access to the same securities in the secondary market. Therefore, competitive offerings may be evaluated for similar investments and/or a target maturity period rather than for a specific investment or maturity date.

While the City primarily utilizes a buy and hold strategy, active portfolio management may from time to time dictate the sale of securities to better position the overall portfolio. The City Manager or Assistant City Manager must approve the sale of any security prior to maturity or any sale of a security for less than the book value of the security.

## **2-280 QUALIFIED FINANCIAL INSTITUTIONS AND BROKER/DEALERS**

Qualified financial institutions shall include financial institutions, broker/dealers, and other business organizations (e.g., investment pools and discretionary investment management firms) doing business in the State of Texas and licensed or otherwise registered and in good standing, as applicable, with the Texas Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, Inc. ("FINRA"), or other applicable state or national regulatory organizations. If otherwise acceptable, the wholly owned subsidiary or affiliated companies of such regulated firms shall also be deemed qualified. Qualified financial institutions must have an office in Texas. Specifically, the City's depository bank, and any wholly owned subsidiary or affiliated company, is a qualified and authorized financial institution.

The investment officers shall maintain a list of security broker/dealers authorized by the investment policy. All broker/dealers shall maintain complete records of all transactions conducted on behalf of the City and shall make those records available for inspection at the City's request. At least annually, the investment officers shall review the list of broker/dealers authorized to engage in investment transactions with the City and shall make a recommendation as part of the City Council's

review of the investment policy. As part of this process, the investment officers shall review the quality of service of each broker/dealer. The investment officers may remove an authorized broker/dealer from the list if, in the opinion of the investment officers, the firm has not performed adequately or its financial condition has become unacceptable.

The following broker/dealers are authorized to engage in investment transactions with the City:

- (a) Duncan-Williams, Inc.
- (b) FTN Financial
- (c) Hilltop Securities
- (d) Multi-Bank Securities, Inc.
- (e) Wells Fargo Securities, LLC.

Nothing in this section relieves the City of the responsibility for monitoring the investments made by the City to determine that they are in compliance with this investment policy.

## **2-281 REPORTING**

The investment officers shall prepare and submit to each member of the City Council an investment report describing in detail the investment position of the City, signed by the investment officers, no less than on a quarterly basis. The report shall contain sufficient information to provide for a comprehensive review of investment activity, current investments and performance for the period, including any variations from the investment strategy of the City. The investment report shall include a description of the investment, the maturity date, the beginning and ending book and market values, the accrued interest, and the changes during the period as well as a summary by pooled fund group. The investment officers may use any generally accepted method to monitor the market price of investments, including, but not limited to, periodic reports from any of the approved broker/dealers or any nationally recognized market source that provides market valuations on individual securities. Additionally, the Director of Finance shall verify the credit ratings of investments and shall describe any changes in credit ratings as part of the report. Each report shall include a statement of compliance with the City's investment policy and the Act. The annual audit shall include a review of the quarterly reports and a compliance audit of management controls on investments and adherence to the City's established investment policy and procedures.

The report shall include the weighted average yield to maturity, which shall serve as the City's performance measurement standard.

## **2-282 INTERNAL CONTROLS**

A system of internal controls shall be documented in writing and shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and management of the City. Controls deemed most important shall include: control of collusion, separation of duties, separation of transaction authority from accounting and recordkeeping, independent safekeeping and custodial duties, avoidance of bearer-form securities, clear delegation of authority, specific limitations regarding securities losses, written confirmation of telephone transactions, and limiting the number of authorized investment officials. These controls shall be reviewed by the City's independent audit firm as part of the annual audit.

## **2-283 DEPOSITORIES**

Consistent with the requirements of the Texas Public Funds Collateral Act, Government Code Chapter 2257 as amended ("Public Funds Collateral Act"), the City shall require all depository institution deposits to be federally insured or collateralized. Any financial institution serving the City as a depository institution will be required to sign a depository agreement ("Agreement"). The Agreement shall define the City's rights to collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and state regulations, including:

- (a) The Agreement must be in writing;
- (b) The Agreement has to be executed by the Depository and the City contemporaneously with the acquisition of the asset;
- (c) The Agreement must be approved by the Board of Directors or Designated Committee of the Depository and a copy of the meeting minutes must be delivered to the City; and
- (d) The Agreement must be part of the Depository's "official record" continuously since its execution.

## **2-284 COLLATERAL**

Eligible securities for collateralization of deposits are defined by the Public Funds Collateral Act. For pledged securities, the market value of the principal portion of collateral pledged for deposits must at all times be equal to or greater than 102 percent of the total amount of deposits plus any accrued interest, less the insurance amount provided by the Federal Deposit Insurance Corporation ("FDIC"). For certificates of deposit or other forms of deposit, the City may accept a letter of credit issued by a U.S. Agency or Instrumentality. The value of the letter of credit must be equal to or greater than 100 percent of the total amount of deposits plus any accrued interest, less the insurance amount provided by the FDIC.

Depository institutions with which the City maintains collateralized deposits shall require the custodian to provide a monthly report of the pledged securities. The investment officers shall monitor collateralization levels to verify market values and total collateral positions. If the value of the securities pledged falls below the required collateral level, the depository institution holding the deposit must pledge additional securities no later than the end of the next succeeding business day.

## **2-285 CUSTODY AND SAFEKEEPING**

To protect against fraud, the deposits and investments of the City shall be secured in accordance with third-party custody and safekeeping procedures approved by the City.

A written collateral or custodial agreement shall be approved by the City with each custodian bank, such custodian being a permitted institution under the Public Funds Collateral Act. Upon receipt of pledged collateral, the custodian shall promptly issue and deliver to the City a pledge receipt identifying and evidencing receipt of the collateral.

All security transactions shall be completed on a delivery versus payment ("DVP") basis with the City's safekeeping agent. Securities shall be held with the safekeeping agent until liquidation or maturity.

The investment officers shall maintain the original pledge and safekeeping receipts. The investment officers shall routinely monitor that all securities owned by or collateral pledged to the City are held in an account(s) in the City's name. These records shall also be subject to an annual compliance audit of management controls on investments and adherence to the City's established investment policy and procedures.

## **2-286 PROXY VOTING**

The investment officer shall execute and deliver any proxies to be voted on behalf of the City based upon his or her judgment, as a prudent investor, as to the outcome of the voting that would be most beneficial to the City.

## **2-287 CERTIFICATION FORM**

A written copy of the investment policy shall be provided to any business organization (local investment pool or discretionary investment management firm) offering to engage in investment activities with the City. Every business organization must execute a certificate in favor of the City in a form acceptable to the City and the business organization substantially to the effect that the business organization has:

(a) Received and reviewed the City's investment policy; and

(b) Acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the City and the organization that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards or relates to investment transactions of the City that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The investment officers may not acquire or otherwise obtain any authorized investment from any business organization until a signed document meeting the above stated requirements (e.g., certification form) has been delivered to the City.

## **2-288 ANNUAL REVIEW**

The City Council shall review the investment policy and investment strategies not less than annually. The City Council shall adopt a written instrument by ordinance or resolution stating that it has reviewed the investment policy and investment strategies and the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

It is hereby officially found and determined that the meeting at which this Ordinance was adopted was open to the public and that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551 of the Government Code of the State of Texas.

In accordance with Article VIII, Section 1 of the City Charter, this Ordinance was introduced before the City Council of the City of Deer Park, Texas, passed, approved and adopted on this \_\_\_\_\_ day of \_\_\_\_\_, 2019, by a vote of \_\_\_\_\_ “ayes” and \_\_\_\_\_ “noes”, this Ordinance having been read in full prior to such vote.

\_\_\_\_\_  
**MAYOR**, City of Deer Park, Texas

**ATTEST:**

\_\_\_\_\_  
City Secretary

**APPROVED:**

\_\_\_\_\_  
City Attorney





## Legislation Details (With Text)

**File #:** DIS 19-096    **Version:** 1    **Name:**  
**Type:** Discussion    **Status:** Agenda Ready  
**File created:** 7/30/2019    **In control:** City Council Workshop  
**On agenda:** 9/17/2019    **Final action:**  
**Title:** Discussion of issues relating to the Fiscal Year 2019-2020 Final Budget.  
**Sponsors:** City Manager's Office  
**Indexes:**  
**Code sections:**  
**Attachments:** [Explanation of Changes - Final 19-20 Budget](#)  
[Final Budget FY19-20 9.17.19](#)

Date	Ver.	Action By	Action	Result
9/17/2019	1	City Council Workshop		

Discussion of issues relating to the Fiscal Year 2019-2020 Final Budget.

### Summary:

The key dates in the development of the FY 2019-2020 Budget were as follows:

- March 25, 2019: Staff budget kick-off meeting.
- March 25 - April 29, 2019: Preparation of departmental budget requests.
- April 29 - May 22, 2019: City Manager/Assistant City Manager/Finance Director Meetings with Department Heads to discuss FY 2018-2019 budget estimates and FY 2019-2020 budget requests.
- June 24, 2019: City Council budget workshop.
- August 1, 2019: City Manager submitted the Proposed FY 2019-2020 Budget, and Council called a public hearing.
- August 20, 2019: Council conducted public hearing on the proposed FY 2019-2020 Budget.

The City Charter states that the budget shall, by ordinance, be adopted no later than the last regular meeting in September of each year. Therefore, it is now time for Council to adopt the Final FY 2019-2020 Budget. Subsequent to the public hearing on the budget, it has become necessary to include certain changes in the final budget document. The City Charter states that after the public hearing, but before final adoption of the proposed budget, the Council may delete or insert items of expenditure or may increase or decrease the amount of any item of expenditure, except those fixed by law. The following summarizes the changes from the Proposed FY 2019-2020 Budget presented

to Council on August 1, 2019 (note: these changes are itemized on the attached explanation of changes):

General Fund = Total increase of \$257,748.

Special Revenue Fund = Total decrease of \$45,000.

Debt Service Fund = Total decrease of \$320,058.

Water & Sewer Fund = Total increase of \$291,852

Capital Improvements Fund = Total increase of \$800,000.

Golf Course Lease Fund = Total increase of \$160,000.

These changes result in a net increase in expenditures of \$1,144,542 in the final proposed budget. The final totals by fund are summarized below:

General Fund - \$45,750,008

Special Revenue Fund - \$2,174,726

Debt Service Fund - \$5,558,123

Water & Sewer Fund - \$13,141,053

Storm Water Utility Fund - \$594,299

Golf Course Lease Fund - \$521,300

Capital Improvements Fund - \$5,341,250

Chapter 380 Reimbursement Fund - \$130,000

TOTAL ALL FUNDS - \$73,210,759

It should be noted that the FY 2019-2020 budgets for the Crime Control and Prevention District ("CCPD"), the Fire Control, Prevention, and EMS District ("FCPEMSD"), and the Deer Park Community Development Corporation ("DPCDC") were adopted pursuant to applicable laws and are in addition to the amounts above. These budgets, which are included in the City's budget as "component units", reflect total expenditures as follows:

CCPD - \$2,715,573

FCPEMSD - \$1,942,381

DPCDC - \$1,959,349

Fiscal/Budgetary Impact:  
N/A.

Discussion only during Workshop. A proposed ordinance adopting the FY 2019-2020 Budget is included on the September 17, 2019 Regular Council Meeting Agenda.

**CITY OF DEER PARK**  
**CHANGES INCLUDED IN THE FISCAL YEAR 2019-2020 FINAL BUDGET**  
**REVENUE**

**Fund 010 – General Fund**

Additional \$257,748 resulting from an increase of \$402,748 in the ad valorem tax revenue following the Truth-In-Taxation calculation offset by a reduction in prior year revenue of \$145,000 resulting from the revisions to the General Fund expenditures.

**Fund 084 – Golf Course Lease Fund**

Additional \$160,000 transfer from General Fund resulting from the revisions to the Golf Course Lease Fund expenditures.

**Fund 090 – Capital Improvements Fund**

Additional \$800,000 resulting from a reduction of \$48,072 in the estimated transfer from the General Fund to the Capital Improvements Fund offset by an increase of \$848,072 in prior year revenue needed to fund the revisions to the Capital Improvements Fund expenditures.

**Fund 101 – Special Revenue: Hotel Occupancy Tax Fund**

Reduction of \$45,000 in prior year revenue resulting from the revisions to the Hotel Occupancy Tax Fund expenditures.

**Fund 200 – Debt Service Fund**

Additional \$31,690 resulting from an increase of \$110,323 in the ad valorem tax revenue following the Truth-In-Taxation calculation offset by a reduction in prior year revenue of \$78,633 resulting from the revisions to the Debt Service Fund expenditures.

**Fund 400 – Water & Sewer Fund**

Additional \$291,852 to reflect the use of fund reserves (i.e., prior year revenue) resulting from the revisions to the Water & Sewer Fund expenses.

**CITY OF DEER PARK**  
**CHANGES INCLUDED IN THE FISCAL YEAR 2019-2020 FINAL BUDGET**  
**EXPENDITURES**

**Fund 010 – General Fund**

Reduction of \$4,500 for scanners for the Finance Department associated with the conversion to Incode 10 as the scanners were purchased during the current fiscal year (note: this equipment will allow for scanning of documents into the General Ledger system (Finance).

Moved \$30,000 from the current budget year to the new budget year for additional charges associated with the hosting/transaction fees for the registration software for Parks and Recreation (Parks and Recreation Administration).

Moved \$70,148 from the current budget year (originally budgeted at \$65,000) for a replacement vehicle as despite being ordered almost 12-months ago, the truck has still not been delivered, and the City cannot get a guaranteed delivery date from the dealership. If the truck is received after September 30, 2019 it will be charged to the new budget. If the truck is delivered before the end of the current fiscal year, these funds will not be spent in FY 2019-2020 (Parks Maintenance).

Moved \$37,172 from the current budget year (originally budgeted at \$40,000) for a replacement vehicle as despite being ordered almost 12-months ago, the truck has still not been delivered, and the City cannot get a guaranteed delivery date from the dealership. If the truck is received after September 30, 2019 it will be charged to the new budget. If the truck is delivered before the end of the current fiscal year, these funds will not be spent in FY 2019-2020 (Parks Maintenance).

Additional \$6,500 representing the agreed-upon value (based on prior auction results) of the vehicle being transferred from the Crime Control and Prevention District to the Engineering Department (Planning & Development).

Additional \$6,500 as a transfer to the Crime Control and Prevention District for the agreed-upon value of the vehicle being transferred from the District to the Engineering Department (General Government).

Additional \$160,000 as a transfer to the Golf Course Lease Fund for the replacement of 11 air conditioning units at the Battleground Golf Course (General Government).

Reduction of \$48,072 in the transfer to the Capital Improvements Fund for future capital projects based on the final changes in net revenue in the General Fund (General Government).

Reallocation of the \$500,000 contingency by lowering the general contingency to \$400,000 and allocating \$100,000 of the original \$500,000 to the salary contingency for a planned adjustment to part-time rates, the allocation of such adjustment not yet computed on a departmental basis (General Government).

**CITY OF DEER PARK**  
**CHANGES INCLUDED IN THE FISCAL YEAR 2019-2020 FINAL BUDGET**  
**EXPENDITURES**

**Fund 084 – Golf Course Lease Fund**

Additional \$160,000 for the replacement of 11 air conditioning units at the Battleground Golf Course, including crane rental and electrical costs associated with the replacement of this aging equipment (note: the refrigerant for these older units will be obsolete as of January 1, 2020).

**Fund 090 – Capital Improvements Fund**

Additional \$50,000 for architectural services for the Activity/Visitation Center that will not be completed in the current fiscal year.

Additional \$500,000 for the new EMS Annex being constructed adjacent to Fire Station #3, including final architectural work, furniture, etc. to complete the project.

Additional \$250,000 to the contingency due to potential emergencies and/or repairs or replacement of buildings and equipment.

**Fund 101 – Special Revenue: Hotel Occupancy Tax Fund**

Reduction of \$45,000 for consulting and contract labor related to the restoration of the bridge at the Battleground Golf Course as the work is expected to be completed during the current fiscal year (Historical).

**Fund 200 – Debt Service Fund**

Net reduction of \$72,749 from the proposed Series 2019, Limited Tax Refunding to refund \$4,825,000 of Series 2010 Certificates of Obligation for the years 2021-2030.

Reduction of \$247,309 in debt service resulting from a change in allocation between the Debt Service Fund and the Water and Sewer Fund.

**Fund 400 – Water & Sewer Fund**

Moved \$44,543 from the current budget year to the new budget year for a replacement vehicle as despite being ordered almost 12-months ago, the truck has still not been delivered, and the City cannot get a guaranteed delivery date from the dealership. If the truck is received after September 30, 2019 it will be charged to the new budget. If the truck is delivered before the end of the current fiscal year, these funds will not be spent in FY 2019-2020 (Water/Sewer Maintenance).

Additional \$247,309 in debt service resulting from a change in allocation between the Debt Service Fund and the Water and Sewer Fund (Water/Sewer Debt Service).

This record is currently unavailable.



## Legislation Details (With Text)

**File #:** DIS 19-107    **Version:** 1    **Name:**  
**Type:** Discussion    **Status:** Agenda Ready  
**File created:** 9/11/2019    **In control:** City Council Workshop  
**On agenda:** 9/17/2019    **Final action:**  
**Title:** Discussion of issues relating to Certification Pay Plan changes.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [Certification Pay calculation sheet](#)

Date	Ver.	Action By	Action	Result
9/17/2019	1	City Council Workshop		

Discussion of issues relating to Certification Pay Plan changes.

### Summary:

The City has a Certification Pay Policy, which is contained in the City's Administrative Policies. Certification pay is paid as additional compensation for those employees who receive a certification (or licensing) issued by an approved certifying entity that directly relates to their jobs. The certification will be one that is required in order to meet Local, State or Federal regulatory requirements within the department's operations or deemed as beneficial to city operations by City Management.

The City has a Certification Pay Committee, which has reviewed certification pays of our comparator city group and our existing policy documents to come up with a recommendation for certification pay to be effective October 1, 2019. The Committee reviewed the types and levels of roles/activities recommended changes to the certification program. These recommendations are based on comparator group data and policy that the city has constructed for the program up to this point. The comparator group of cities somewhat mirrors our salary survey comparator group purposely as that is the group where we believe we compete for talent. A threshold of 70% participation in the comparator group was established for automatic additions this list. This meant that at least 70% of the cities in our comparator group had to have an incentive for this role/certification to qualify for addition to our program.

There are currently 116 staff receiving certification pay, 42 (or 36%) are at less than 50 cents per hour.

The increases proposed are as follows:

Those receiving 12 cents per hours now are proposed to move to 20 cents

Those receiving 24 cents per hours now are proposed to move to 40 cents

Those receiving 35 cents per hours now are proposed to move to 50 cents



Also, 9 new certifications are proposed to be added to the list.

(see the attached list)

Fiscal/Budgetary Impact:

Contained within budget

Discussion during workshop.

Employee Name	Dept #	Current Cert Rate	10/1/19 Cert Rate w/new amounts
Employee	82-300	\$ 0.12	0.20
Employee	40-501	\$ 0.12	0.20
Employee	10-405	\$ 0.12	0.20
Employee	40-505	\$ 0.12	0.20
Employee	10-404	\$ 0.12	0.20
Employee	40-501	\$ 0.12	0.20
Employee	10-401	\$ 0.12	0.20
Employee	10-410	\$ 0.12	0.20
Employee	40-506	\$ 0.12	0.20
Employee	40-501	\$ 0.12	0.20
Employee	10-403	\$ 0.12	0.20
Employee	40-506	\$ 0.12	0.20
Employee	10-410	\$ 0.12	0.20
Employee	10-300	\$ 0.12	0.20
Employee	40-506	\$ 0.12	0.20
Employee	10-403	\$ 0.12	0.20
Employee	10-403	\$ 0.12	0.20
Employee	40-505	\$ 0.12	0.20
Employee	40-501	\$ 0.12	0.20
Employee	40-501	\$ 0.12	0.20
Employee	10-404	\$ 0.24	0.40
Employee	10-404	\$ 0.24	0.40
Employee	40-501	\$ 0.24	0.40
Employee	10-405	\$ 0.24	0.40
Employee	10-404	\$ 0.24	0.40
Employee	40-501	\$ 0.24	0.40
Employee	40-506	\$ 0.24	0.40
Employee	10-410	\$ 0.24	0.40
Employee	10-401	\$ 0.24	0.40
Employee	40-506	\$ 0.24	0.40
Employee	10-401	\$ 0.35	0.50
Employee	10-401	\$ 0.35	0.50
Employee	40-501	\$ 0.35	0.50
Employee	40-505	\$ 0.35	0.50
Employee	10-401	\$ 0.35	0.50
Employee	10-401	\$ 0.35	0.50
Employee	10-401	\$ 0.35	0.50
Employee	40-506	\$ 0.35	0.50
Employee	10-300	\$ 0.35	0.50
Employee	10-401	\$ 0.35	0.50
Employee	10-300	\$ 0.35	0.50
Employee	10-401	\$ 0.35	0.50

116 staff receiving cert pay  
42 at less than 50 cents currently (36%)

**14713.65** Annual cost incr. to raise existing 42 staff to new minimum (.20) is:

**14013.00** Annual cost to add 9 new certs to the list

#### NEWLY ADDED CERTIFICATIONS (2019): ALL AT \$0.20 per hour LEVEL

Arborist  
certified Parks & Rec. Professional  
Certified Therapeutic Recreation Specialist  
Aquatics Facility Operator  
Certified Pool Operator  
A+  
Network+  
CCBA/PBA  
CBAP/PMP  
CGCIO

#### TMCCP

Wastewater 1 and 3  
UST A and B (4)  
Water Distribution B & C