

**Workshop Meeting Minutes**

**May 26, 2016– 5:30 pm**

**Orange County Water Control & Improvement District No. 1 Board Room  
460 E Bolivar Street, Vidor, Texas**

*Robert Viator.....President  
Frank Inzer.....Vice President  
Tim Beard.....Secretary  
Trey Haney.....Director  
Guy Groves.....Director  
Norman Blackman.....General Manager  
David LeJune.....Operations Manager*

*Members of the audience are requested to step outside the Board Room to respond to a page or to conduct a phone conversation.*

*The O.C.W.C & I.D #1 Administrative office is wheelchair accessible. Sign interpretation or other special assistance for disabled attendees must be requested 48 hours in advance by contacting the General Manager's Office at 409.769.2669.*

**CALL TO ORDER**

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*Announce the presence of a Quorum.*

President Robert Viator announced a quorum present and called the meeting to order at 5:30 p.m.

**INVOCATION & PLEDGE OF ALLEGIANCE**

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Secretary Tim Beard offered the invocation and Director Haney led in the Pledge of Allegiance and the Texas Pledge.

**MEMBERS PRESENT**

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President Robert Viator, Vice President Frank Inzer, Secretary Tim Beard, Director Trey Haney, and Director Guy Groves.

**MEMBERS ABSENT**

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**STAFF PRESENT**

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Norman Blackman, General Manager, Larry Hunter, Attorney, David LeJune, Operations Manager and Chris Serres, Finance Director.

**REGULAR MEETING**

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President Viator announced that the workshop would begin with the discussion of Item Number 4 on the Agenda.

1. Evaluate possible adjustments to the Revenue Note Payment fees assessed to customers for payment of the Revenue Bond Note now that the Reserve Account has been fully funded and the total revenue required per year has been reduced.

Norman Blackman, General Manager, opened the discussion regarding possible adjustments to the Revenue Note Payment fees assessed to customers for payment of the Revenue Bond Note by informing the Board that, currently, the District's billing consist of 4,137 active in-district customers and 595 active out-of-district customers, with out-of-district customers representing 12.6% (approximately 1/8<sup>th</sup>) of the District's total customer base. He then stated that the in-district customers represent a high percent of customers utilizing both water and sewer service and the out-of-district customers represent about a 60/40 base with 60% utilizing both water and sewer service and 40% utilizing either water or sewer service. He went out to explain the difference in payments required by in-district customers vs payments required by out-of-district customers stating that in-district customers pay normal billing rates for water and sewer use plus a Revenue Note Payment (RNP) Fee and property taxes, either directly or through their landlords; out-of-district customers do not pay property tax but pay a billing rate that is two times the in-district water use rate plus two times the RNP, adding that the multiplier for out-of-district customers is sometimes referred to as an "in lieu of taxes" multiplier. Mr. Blackman then stated that having a rate multiplier that is higher for out-of-district customers is not unusual and is utilized by several entities in our area. He then explained that the reason for this discussion is that the required balance of \$1,080,000 in the Revenue Note Reserve Account has been met which presents an opportunity to reduce the cost of services for out-of-district customers. He stated that one option available to reduce cost of service to out-of-district customers may be to consider not applying the "in lieu of taxes" 2.0 multiplier to the RNP charge and leave the multiplier at 2.0 for the water use charge. Mr. Blackman added that, by incorporating this option, the RNP charge to an out-of-district water and sewer customer would be reduced from \$32 to \$16 per month with a total reduction for the average out-of-district bill of 5000 gallons from \$115.44 to 99.44 per month. He also stated that incorporating this option would have no impact on the tax account.

With these facts being presented, Mr. Blackman stated that the question is "could the District afford to reduce the out-of-district RNP Charges?" He then illustrated that this question can be answered utilizing calculations of projected RNP revenues, annual payments, the increases in annual payment amounts, the starting account balance in the Revenue Note Account, and the last note being covered by the Revenue Note Reserve account. He stated that these calculations indicate that the annual notes can be made each year until the payoff in 2032 with no further changes required. He added that the calculations assume no increase in the number of customers to share the cost over the next 16 years nor does it assume any loss of customers. He then guided the Board through a calculation spreadsheet which indicates that the annual notes can be paid with a reduction in the out-of-district 2.0 multiplier for the RNP. He then asked "should the District reduce the out-of-district RNP charges?"

The Board assessed the calculations presented and a full discussion ensued regarding the 2.0 multiplier for out-of-district customers as it relates to the Revenue Note Payment Fee and the Revenue Note Account.

President Viator then polled the Board Members regarding their wishes relating to the 2.0 multiplier for the Revenue Note Payment Fee that is currently being assessed to the out-of-district customers.



The poll revealed that the consensus of the Board was that the 2.0 multiplier should remain in effect for both the water rates and the Revenue Note Payment Fee as it relates to the out-of-district customers. The Board justified their conclusion stating that in-district customers pay both water rates and property taxes toward the payment of Bonds and Revenue Notes. Also, the consensus of the Board was that the consideration of reducing the multiplier for out-of-district customers could be revisited when the Revenue Note Account had sufficient reserves to ensure the payments of the Revenue Note.

President Viator announced that this item would be put on hold for future discussion.

2. Consider the philosophy and a policy for increasing the number of water and/or sewer connections with regard to increasing revenues from water and sewer sales, including the promotion of water and sewer extensions outside the current District boundary.

President Viator then stated that the next item for discussion is to consider the philosophy and a policy for increasing the number of water and/or sewer connections with regard to increasing revenues from water and sewer sales, including promotion of water and sewer extensions outside the current District boundary.

Norman Blackman, General Manager, interjected that the remaining three items are interrelated and proceeded with the discussion regarding item numbers 1, 2, & 3.

Mr. Blackman stated that the general message regarding item numbers 1, 2, and 3 relates to water and sewer capacities. He informed the Board that the District has the capacity to serve more customers than it currently serves and outlined the capacities regarding Water Well Production, Elevated Water Storage, Total Water Storage, and the Wastewater Treatment Plant Capacity. He indicated that the District currently has about five thousand (5000) water connections with potential to add approximately 2,792 more and the capacity to add approximately 2,500 connections for wastewater services.

Mr. Blackman then asked the Board "if they were willing to promote growth in the number of connections for both water and wastewater and, if so, what does promoting growth entail"? He then offered suggestions as to what promoting growth would mean to the District in the way of operation and maintenance as outlined below:

- a) More revenue would be generated if we could acquire more customers.
- b) More connections would mean more operation and maintenance costs (M & O).
- c) M & O cost would not be proportional to the increase in revenue as facilities would be new and would not require much M & O.
- d) The increase in customers would not contribute to the Inflow and Infiltration (I & I).
- e) The margin between revenues and expenditures should increase.

The next question presented by Mr. Blackman was that, if the District is willing to promote growth, "how can growth be promoted and what are the obstacles to promoting growth"? He then presented

some suggestions as to how the District could contribute to the promotion of growth and some of the obstacles the District would face in promoting growth as follows:

- a) Allocate cost of line extensions to customers adding on to the new line for both Developers and the District in the form of a Reimbursement Agreement.
- b) The District could help coordinate new development.
- c) The District could look at billing rates for out-of-district customers as current billing rates are objectionable at this time.
- d) The District could target existing areas that currently do not have water and sewer services – Evergreen Park is a good example.
- e) One obstacle to consider is the limited “in-house” capacity to construct line extensions. The District could consider developing a way to install line extensions with our own crews at lower costs.
- f) Another obstacle is that the Vidor area is not growing very fast.

After the presentation regarding capacities, increase in the District’s customer base, and the cost of line extensions, the Board followed with a full discussion regarding the suggestions offered.

It was the consensus of the Board to direct the General Manager and Staff to develop a Reimbursement Policy regarding the cost of line extensions; to develop methods to survey customers regarding their interest in obtaining District water and/or sewer services, and to continue to look for grants that would help with the cost of line extensions.

3. Consideration of a Developer Reimbursement Agreement for Water and Sewer Line Extensions as a method of funding potential expansions of water and sewer services.

See Item #2 discussion above.

4. Consideration of other feasible methods of funding the extension of water and sewer services to developed areas outside of the current District boundary.

See Item #2 discussion above.

5. Adjournment.

There being no further business, President Viator adjourned the Workshop at 7:05 p.m.



Robert L. Viator, Sr., President



Tim Beard, Secretary