

**MINUTES: Special Called Meeting  
May 13, 2008**

**MEMBERS**

**PRESENT: Mayor Joe Higgs, Councilman Thomas Muir, Councilman Mike Walker, Councilman Andy Garza, Councilman Glenn Ervin and Councilman Robert Patton**

**OTHERS**

**PRESENT: City Manager Mike Brice, City Secretary Rose Chavez, Tom Taylor and Jason Pierce with Upper Trinity**

**1. Call Meeting to Order.**

**Mayor Higgs called meeting to order.**

**2. Discussion on Contract Between Upper Trinity Regional Water District, Clear Creek Regional Water Reclamation System and the City of Sanger.**

**City Manager introduced Tom Taylor and Jason Pierce with Upper Trinity who were at the meeting in case there were any questions concerning the contract.**

**City Manager proceeded with a power point presentation concerning the final contract that was approved by the Upper Trinity Board.**

**Upper Trinity will build, own and operate the plant. It is a regional plant and initially Sanger will be the only customer and user of the plant. This may change over time. Upper Trinity will sell the bonds and pass the cost through an annual charge which is similar to how they do the water charge. The City will pay for both construction and finance and operation of the plant as the only customer. If future members come on line then they will pick up a proportional share of the plant cost.**

**Discussion on other users and possibilities.**

**Tom Taylor discussed the possibility if a special district was created within our CCN service area, they could become a direct customer or become a customer of the City.**

**Discussion on the advantages and benefits, sharing in the original cost and reimbursement of the debt service that has been paid.**

**Mr. Taylor explained that if another user wants the service they have to buy back in from the "get go." The new improvement costs are shared among all the parties. There is no precedence in trying to come up with a new cost and it is almost impossible to make it work on a regional basis.**

**Discussion continued on other users coming in and the benefits. There was also discussion on the gravity flow to the plant and areas that can be served from the West. It was discussed that over the life of the contract there could be other potential customers.**

**Mayor Higgs asked if Upper Trinity would own the land where the sewer plant is to be built.**

**City Manager advised we would deed the land for the plant. This is the way the contract is written. There has to be a determination on how many acres will be needed for the plant. The City will keep the rest of the acres that are not utilized for the plant.**

**Mr. Taylor with Upper Trinity advised another user would owe the City a pro-rata of that cost.**

**Councilman Walker asked if the usage fees are going to pay for the operation of the plant, the construction, and financing.**

**City Manager explained there will be an annual charge that will be the capital cost and a monthly charge for the usage per 1,000 gallons.**

**Discussed that the City will be reimbursing Upper Trinity. Jason Pierce explained that Upper Trinity will go out and issue bonds on Sanger's behalf and the annual charge and the usage fees pay back the debt service bonds.**

**City Manager explained the debt would move to a maintenance and operation expense instead of a bond debt in the City's budget. This will help in the future if we need to go out for additional bonds. The estimated cost for a 2.0 million-gallon plant and the trunk line from the old plant to new plant is \$20 to \$25 million. The last estimate the City had was from Carter & Burgess on a 1.5 million-gallon plant was around \$15 million. This did not include the trunk lines. The cost is not getting any cheaper. City Manager advised the figures he had presented were all subject to change. They do not know how much State participation the City will get. If the City does a \$22 million bond issue for 30 years at a 5.25% interest, the payment would be approximately \$1,320,000 per year.**

**Councilman Garza asked where is this money going to come from.**

**City Manager indicated it would be a combination of fees, water rates, sewer rates, tap fees, and some of the advalorem taxes.**

**There was discussion on the possibility of utilizing impact fees. City Manager advised the City does not have impact fees and it is a fee we need to implement.**

**Councilman Garza inquired how this will affect the citizens.**

**City Manager advised he is working on this and once they enter into a contract with Upper Trinity and look at the bond structure they can make a determination sometime in June.**

**There was also discussion on the size of the plant to accommodate for future development.**

**The old plant would eventually be shut down.**

**Councilman Garza inquired on how long ago was it since the last phase of improvements were made to the old sewer plant.**

**Discussion concerning the last time improvements were made to the existing plant. It was estimated that it was around 1996.**

**The other issues that were discussed were as follows: there can't be any more expansions to the old sewer plant; it is at the capacity that it will ever get; the cost to continue to operate the old plant is not feasible since it will impact the maintenance and operating budget; the State requires when a City hits 90% capacity three months in a row it must be in the construction phase. Discussion continued on projected growth and possible impact of industry development. The new plant will eliminate the cost to maintain some of the lift stations.**

**Discussion followed concerning the cost of operating the old plant and the impact it would have on the maintenance and operation budget. Concerns were expressed on trying to utilize the old plant for future growth.**

**Councilman Muir indicated that maybe the City should be treating some of the waste, with all the capital that we have under the ground, to keep it viable, because it might grab part of the new development that happens in that direction.**

**City Manager indicated in the contract it stipulates once the new plant is operating the City will not treat any wastewater from the existing plant and all waste-water flow will be diverted to the new plant to Upper Trinity. Both parties may agree to transfer ownership of the existing plant, facilities and property to the District.**

**Councilman Muir expressed that once the old plant is shut down it starts to waste. At that point it would be hard to restart the plant.**

**Mr. Taylor advised that the City has to balance all those issues, they may save some capital cost and may impact operating cost. It depends on the condition of the old plant.**

**Discussion followed and the City Manager recommended that the only option is to proceed with the construction of the new plant with the possibility of State participation.**

**Mr. Taylor advised that the State participation is not a grant, but it is an interest free loan for a specific period of time until the City needs it.**

**City Manager advised that having the new plant location will eliminate some lift stations. The estimate cost to operate the old plant is costing around \$300,000 a year. This money will be applied toward the new plant.**

**Councilman Garza expressed that he has not heard of a lot of existing problems and it is a shame that we need to do away with the old plant.**

**City Manager indicated the technology of the old plant has changed so much and the process that will be used at the new plant is not compatible to the new plant.**

**Discussion on the sale of the effluent to a potential user. The discussion continued with trying to utilize the existing plant for old part of Sanger.**

**City Manager indicated this will be the biggest decision the Council will ever make. They need to ask as many questions as needed so they can be comfortable with their decision.**

**Councilman Garza expressed on why he made his point, so ten years or twenty years from now they don't ask "what if." He just wants to make sure it is the best decision to shut the old plant.**

**Discussion followed concerning the Tomlin Development and the trunk lines that will feed to the development. The figures in the contract for Tomlin were based on the new plant.**

**Discussion continued with the City Manager giving an explanation concerning the State participation and how the process works.**

**Jason Pierce explained that the projected estimates did not include any participation for State funding. Any State participation funding will come off the projected cost.**

**There was discussion from the City Manager concerning capitalization of the interest on the bonds. This will allow cities not to make payments during construction. We will roll interest into the principle and pay the interest on it. The reason is to allow the advalorem taxes to be utilized toward the debt. It allows the City a couple of years to have a lower cost and will work well with the current bond debt in getting this paid.**

**The current bond debt on the existing sewer plant was discussed. It was determined there were two bond issues that were utilized toward sewer improvements in prior years.**

**The time frame to complete the new plant will be between two to three years. There was concern regarding the possibility of increased development and will the old plant handle the capacity.**

**Tom Taylor indicated if there was a situation where the City gets in a situation where a development comes in within the next two years, they have a portable package plant that can be moved to Sanger. It has a capacity of 40,000 gallons to help in case that situation occurs.**

**Discussion concerning the cost to build the plant. Emphasis again was explained on the City's commitment. Upper Trinity will charge a building activity fee on each new residential connection or equivalent. These monies will be utilized to go back into paying the debt or paying other costs for the plant and allows the City to save money for the future cost related to the plant. This is part of the contract stipulations to assist the City in keeping some of the cost from existing customers.**

**Discussion concerning the Tomlin Development and how this will impact them. City Manager discussed the development agreement and their share of the cost. The fee credits were discussed.**

**Upper Trinity will also establish an operating reserve fund that will be included in the rates to cover unexpected emergency costs to the plant. Discussion continued concerning**

**the \$500.00 activity fee. Mr. Taylor explained that \$500.00 fee is not intended to lower the operating cost. It is to lower the capital cost and it also keeps the burden off the present customers. The City will not be subsidizing any other potential member.**

**City Manager again emphasized on the City's commitment for next 40 or 50 years. The revenues will need to come from water and sewer revenues, impact fees, and property taxes. He explained how the City will structure this to relieve the burden off the property taxes.**

**Mr. Taylor encouraged the City to make the property tax period as short as possible. It is not good to rely on property taxes for water and wastewater system debt.**

**If the City experiences growth then it will reduce the burden off current customers and the reliance on property taxes. City Manager's projection for growth was on a conservative basis. The economy was a key factor on his projection.**

**Mr. Taylor asked if the City was building this extra capacity in the plant to get it ready for the Tomlin development are they (Tomlin Development) standing behind this commitment as a guarantee or security in case they do not develop.**

**City Manager indicated the structure of the agreement was not based on the plant; but the City will get 1.5 million dollars upon the filing of their first plat. This will be increments of \$300,000.00 a year for the following five years. The City's commitment is to provide them the service. City Manager explained the reason on why the Tomlin development was not tied to the construction of the plant.**

**Mr. Taylor explained if Upper Trinity is building capacity to have it ready for a district, they don't ever want to find themselves in a speculative position. The district has to put up some sort of guarantee. As much as possible, the City should not be planning itself on speculating building capacity on behalf of a developer. In the future, the City should give consideration of a possible letter of credit in case the development does not come through. There could be changes in the economy that impact a development. This keeps the City from being at risk if a district does not develop.**

**Discussion continued concerning the contract with Upper Trinity. It details a comprehensive study has to be done every five years. City Manager explained the City has to get more aggressive with infiltration measures.**

**City Manager summarized the advantages to a regional plant includes the expertise and the operation of the plant; economy in scale, chemicals can be bought in quantity to get a better price; and the biggest advantage is the funds that can be accessed from State participation. In order to get State participation it has to be a regional project. The City employees have the option of staying with the City of Sanger or be employees of Upper Trinity.**

**Brief discussion concerning employees.**

**City Manager continued in explaining certain sections of the agreement with Upper Trinity. There was reference to a tax law that indicates a City can sell up to \$10 million in bonds and those bonds are tax free and if the City goes over \$10 million they become**

**taxable and are not insurable. The City of Sanger has to coordinate with the Upper Trinity District any plans for issuance of future bonds. This does not affect the ability to sell bonds, but must be coordinated with Upper Trinity District on whether they will be tax exempt or taxable bonds.**

**Discussion continued concerning future bond issuance.**

**There was also discussion concerning the buyback provision which was taken out of the final contract. The deadline for the State participation is July 1. Upper Trinity passed this contract at their last meeting contingent upon Sanger approving the contract. Their engineers have already started the work. If the contract is not approved by City Council at the next meeting, the next deadline for State participation will be January 1.**

**City Manager asked the Council to contact him if there were any additional questions. The next step is to decide how much property is needed for the plant so they can proceed with getting it surveyed.**

**Jason Pierce advised depending on the final design they may have to acquire some additional property because of flood plain issues. The list of the employees need to be included as exhibit "A."**

**The City Manager advised the list was already included.**

**Mr. Taylor indicated that the biggest benefit to Sanger is the security and reliability of having access to all the resources Upper Trinity District has available.**

### **3. Adjournment.**

**Mayor adjourned the meeting.**