

## CITY COUNCIL MEMORANDUM

**FROM:** The Office of the City Manager    **DATE:** August 26, 2019

**SUBJECT:** Public hearing and consideration of Ordinance No. 3594, amending Chapter 78 of the Code of Ordinances of the City of North Richland Hills by amending and restating Ordinance No. 1741 and adding Article IX Municipal Drainage Utility System; amending Appendix A Fee Schedule to include related fees; providing that this ordinance shall be cumulative of all ordinances and repeal of conflicting provisions; providing a savings clause; providing a severability clause; and providing an effective date.

**PRESENTER:** Mark Mills, Director of Finance

### **SUMMARY:**

The City Council is requested to hold a public hearing to receive public comments on a proposed change to the Drainage Fees assessed by the city for its Municipal Drainage Utility System and consider the adoption of Ordinance No. 3594, amending Appendix A Fee Schedule to reflect the amended fees.

### **GENERAL DESCRIPTION:**

In September 1991, the City Council adopted Ordinance No 1741 establishing a Municipal Drainage Utility System ("the System") and established fees to fund the System. After staff conducted an analysis of the System's fees, it was determined that the fees should be amended. The fees associated with the System have not been changed since its inception in 1991.

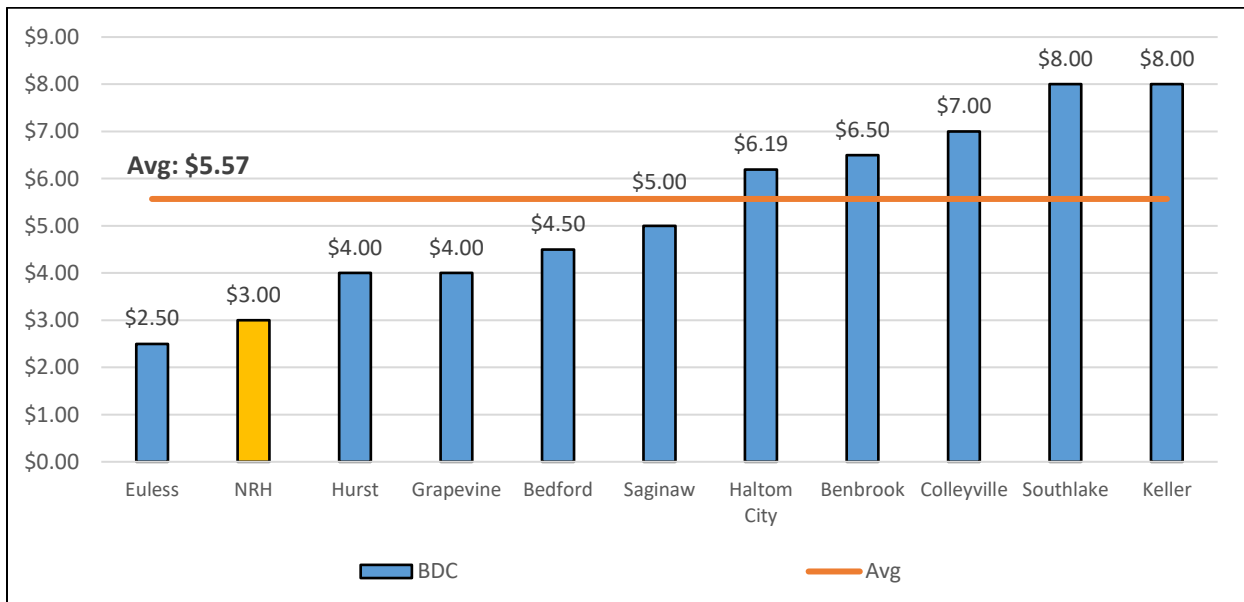
The Texas Local Government Code Subchapter C of Chapter 552 requires any revision of fees to be adopted by ordinance after appropriate notice has been given and a public hearing to receive public comment is held. The notice of public hearing on the proposed fee changes (Attachment 1) appeared in the Fort Worth Star Telegram on July 26, July 27, and July 29, 2019. An announcement of the public hearing, a copy of the notice of public hearing (Attachment 1), a Drainage Fee comparison showing the change between the current and proposed fees (Attachment 2), and a copy of Ordinance No. 1741 which established the System (Attachment 3) have been available on the Water Department's website (<https://www.nrhtx.com/333/Water-Department>) since July 26.

Public Works staff evaluated the current and future drainage project needs and determined those needs outpaced the available funding.

Time Frame 5-Yr Span	Projected Needs	Est. Available Funding	5-Yr Funding Surplus / (Gap)	Cumulative Funding Surplus / (Gap)
<b>2020 – 2024</b>	\$4,620,000	\$2,500,000	(\$2,120,000)	(\$2,120,000)
<b>2025 – 2029</b>	\$7,430,000	\$3,300,000	(\$4,130,000)	(\$6,250,000)
<b>2030 – 2034</b>	\$13,050,000	\$4,000,000	(\$9,050,000)	(\$15,300,000)
<b>2035 – 2039</b>	\$14,050,000	\$4,300,000	(\$9,750,000)	(\$25,050,000)

\* - Fiscal Years

During that same time, Public Works staff conducted a survey to determine if the fees charged by North Richland Hills were in-line with other cities in the area. The survey looked at the Basic Drainage Charge (“BDC”) of ten other comparable cities in Tarrant county. The BDC is the basis on which System fees are calculated. The results showed that the System’s \$3.00 BDC was the second lowest ahead of only the City of Euless. The average BDC for the surveyed cities (excluding NRH) was \$5.57; \$2.57 higher than the System’s current \$3.00 BDC.



The city’s Finance Department conducted an analysis of the BDC in comparison to the Consumer Price Index (“CPI”) trend. Beginning with the year 1992, staff evaluated the CPI increase year-over-year for the month of September and applied it to the BDC, using the \$3.00 BDC as the base. As of September 2018, based on an average CPI increase of 2.29% since 1991, the resulting BDC is \$5.53. Based on the actual annual change in CPI since 1991, the resulting BDC is \$5.48.



Based on the projected funding gap, survey of area BDC's, and a comparison of the current BDC to the CPI increase since the fee's inception, staff recommends increasing the BDC from \$3.00 to \$5.50. As mentioned previously, the BDC is the basis for all drainage fee calculations, but it is only one factor in determining the fees. A \$2.50 increase in the BDC does not directly translate to the same increase in monthly drainage fees appearing on a customer's utility bill. Other factors impact the calculation including a property's zoning and average lot size, a corresponding runoff coefficient, and the charge per impervious acre. For example, the drainage fee for an R-1 lot – larger residential lot with very low density development – would increase from \$3.42 to \$6.31 per month; an increase of \$2.89. An R-2 lot, which is a typical low density residential lot and the most common residential zoning in the city, would increase from \$2.58 to \$4.77, or \$2.19 per month. While fees for non-residential lots are typically higher than residential due to lot size and larger impervious area, the proposed increase in these fees is proportional to that of the residential lots.

A comparison illustrating the impact of the proposed change on the individual zoning classes has been included as part of this agenda item (Attachment 2). The table reflects the current drainage fees and the proposed drainage fees, which appear on a customer's monthly utility bill. The overall estimated impact of the change is illustrated in the table below.

Time Frame 5-Yr Span	Projected Needs	Est. Available Funding	5-Yr Funding Surplus / (Gap)	Cumulative Funding Surplus / (Gap)
<b>2020 – 2024</b>	\$4,620,000	\$6,290,000	\$1,670,000	\$1,670,000
<b>2025 – 2029</b>	\$7,430,000	\$7,095,000	(\$335,000)	\$1,335,000
<b>2030 – 2034</b>	\$13,050,000	\$7,775,000	(\$5,275,000)	(\$3,940,000)
<b>2035 – 2039</b>	\$14,050,000	\$8,120,000	(\$5,930,000)	(\$9,870,000)

\* - Fiscal Years

While the increase will not address all of the projected drainage needs, it will allow the city to use a Pay-As-You-Go ("PAYGo") strategy to fund short- to mid-range drainage capital projects instead of relying on the issuance of debt. It also provides staff the ability to reassess the timing of drainage projects based on their relative urgency in comparison to available funds, and potentially accelerate known projects or address new issues as they arise. This change also provides staff flexibility to deal with the impact of inflationary costs on future drainage projects. The ability to use a PAYGo funding strategy for projects, the flexibility to address the inflation of future project costs, the ability to address unforeseen drainage needs, and the ability to build a short- to mid-range reserve contributes directly to the City Council's goal of Financial Stability.



**RECOMMENDATION:**

Conduct a public hearing and consider approval of Ordinance No. 3594, amending Chapter 78 of the Code of Ordinances of the City of North Richland Hills by amending and restating Ordinance No. 1741 and adding Article IX Municipal Drainage Utility System; amending Appendix A Fee Schedule to include related fees; providing that this ordinance shall be cumulative of all ordinances and repeal of conflicting provisions; providing a savings clause; providing a severability clause; and providing an effective date.