

Capital Improvements Advisory Committee

Minutes for the Meeting on
November 21, 2019
1:30 p.m.
Utilities Center
Conference Room 225

Committee Members Present:

Jason Lorenz, Chairman
Steve Newby, Committee Member
Mark O'Neill, Committee Member

Committee Members Absent

Eugene Suttmiller, Vice-Chairman
Adam Roberts, Committee Member

Others:

Becky Baum, RC Creations, LLC
Greg Shervanick, Constituent

City Staff Present:

Waleed Abu-Issa, Operations Engineer Sr.
Liam Beasley, Accountant
Sonya Delgado, Parks and Rec Director
Jorge A. Garcia, Utilities Director
Amanda Mendez, Sr. Office Assistant, Temp
Lizeth Nanez, Sr. Office Assistant
Peggy Risner, Administrative Assistant
Domonique Rodriguez, Rate and Economic
Analysis Manager
Alma Ruiz, Sr. Officer Manager
Delilah Walsh, Utilities Assistant Director

Chair Lorenz called the regular meeting to order at approximately 1:30 p.m.

1. Conflict of Interest:

Chair Lorenz: As with all of our meetings need to ask if there's any known conflict of interest with any Committee Member or member of the City staff with any of the items on the agenda today.

There were none.

2. Acceptance of the Agenda:

Chair Lorenz: Do I hear a motion to Accept the Agenda as written?

Newby: So made.

O'Neill: Second.

Chair Lorenz: All in favor?

The Agenda was Accepted Unanimously 3-0.

3. Acceptance of the Minutes:

a. Regular Meeting on October 17, 2019.

Chair Lorenz: The acceptance of the minutes. Do I have any corrections there? They look good to me.

O'Neill: I make a motion we accept the minutes as presented.

Newby: Second.

Chair Lorenz: All in favor?

The Minutes were Approved Unanimously 3-0.

4. New Business:

a. Water and Wastewater Development Fee Updated.

Chair Lorenz: All right. Let's get on with it and hear from Domonique Rodriguez.

Rodriguez: Hello. Good afternoon Chair and Committee Members. My name is Domonique Rodriguez. I'm the Rate and Economic Analysis Manager for Utilities. I will be presenting the Water and Wastewater Development Fee Update presentation to you. Last month Julie Herlands with TischlerBise presented a draft of the Utilities Development Impact Fees Study. From this meeting we took notes of items and made updates to the report which we have provided to you. This presentation will go over those updates.

The first item that was brought up and I made a note of was does it make sense to use Jornada Water Company for future years in the study? What we did was we reviewed this again and we removed the Jornada acquisition cost for future prices and instead used actual wells that we have the drilling and the pump station that would be needed for those wells for the capacity of the system. That was an update to Figure 22 in your report. That's the first one.

The second item was discussing the multiplier that was being used. We researched multiple construction costs indices that we researched. The ENR (Engineering News-Record), which is what was in the report provided data for 20 cities in its national average. I know that's kind of what the discussion was, was based on is the national average good for the City of Las Cruces. We looked at a couple of different things in that. The Dallas ENR for the period of 2013 through 2019 showed an increase of 9.5% where the national average which was being used was 13.7%. We also looked at another index, which is the American City and County Municipal Cost Index. This is specific to government costs. For the period of 2013 through 2019 the increase was at 19%. We decided that the 6.4% which is from 2016 to 2019 was a better representation instead of the 19% or the 13%. We felt that was more reasonable, so that is the cost index that was used in the report throughout the tables in it.

With these changes there were a couple of other figures that were updated in the report. Figure 31 shows the Water credit and then what the Water capital cost per EDU, which came out to \$2,125.00. This is the number that is used for your standard residential meter. Then the other figure which is below it was for Wastewater and that has changed. The Wastewater capital cost per EDU to \$2,726.00. As those numbers were going through with the changes with the removal of Jornada and then the changes to the ENR this is how the totals were, how they were comprised for how they came up to this.

Then the next slide. At the time that Julie was here we did not have all of those other capacities in the larger meter costs, so now we have that in the report. What we were using before or what has been used in the past was the AWWA (American Water Works Association). We now have the actual capacities with our new infrastructure system. We are able to have a more accurate measure of the capacity that goes through our meters. This table on slide five shows for Water. The next slide will show for Wastewater and it's basically a multiplier. It's factoring it up from that meter size and then the costs are multiplied using that ratio. That was what, this was not present in the last meeting. There's Water and then the next one is Wastewater.

Those are the updates. These are now updated costs for what the Impact Fees would be for Water and Wastewater. Do you have any questions before I move forward?

Newby: Back on slide five. Dumb question, which are most of my questions. The terminology there Kamstrup Flow IQ, Elster EVO, Q4's. Is this just the name of the meters?

Rodriguez: Mr. Chairman, Committee Member. Yes that is the manufacturer. We have three different and those are what, each of the capacity is for that size and for that manufactured meter.

Newby: Thank you.

O'Neill: I have a question. On page three, slide three, on the bottom it says, "We have decided to use." Why was it decided to use the increase of 6.4%? Why and who decided?

Rodriguez: Let me go back to the page.

O'Neill: Because the national average?

Rodriguez: When we were working on this she was using this multiplier and she was using the national index. We were talking about that and then when it came from the last meeting we felt, well, you know, that is correct, maybe it's too high. You brought up that we should be using something closer to the size of our government or the size of our population.

O'Neill: Right.

Rodriguez: We went through and what we did is we, Julie was kind of looking at this. I actually also pulled in a recent rehabilitation projects that were done here in the City to show what those costs were. The 6.4% was more in line with kind of where we're at in those construction costs. Between Julie and I we decided a 6.4% is a more reasonable than the 13% that we were originally showing and it's used for the outer years of those construction projects.

- Lorenz: More recent data it looks like. 2016 through 2019 versus 2013 through 2019.
- Rodriguez: Yes. It's a more recent multiplier of what the cost would be to do these projects. These drilling and the pump stations now instead of where we were looking at before. We looked at a couple of different things and these were the big ones that kind of stood out and we used this in our research. We felt that the 6.4% was a reasonable number to use for our construction costs in the future.
- O'Neill: I'm just surprised it's 6% higher than the national average for this period.
- Lorenz: No, that's the increase.
- O'Neill: Oh, the increase.
- Lorenz: The national average is actually 13-something%.
- O'Neill: Right. So we're going up from there or we're making it this.
- Lorenz: That instead of this.
- O'Neill: Okay. I see.
- Rodriguez: We're reducing it to 6.4%. Sorry about that.
- O'Neill: Thank you.
- Newby: Mr. Chair, Ms. Rodriguez. That was my question last time, so I appreciate the effort you went through because I know it's a bit of a challenge looking for things specific in Las Cruces. Just one question on the 6.4%. Is that per year or per that period?
- Rodriguez: For the period.
- Newby: For the total? Okay. Thank you.
- Lorenz: Yes Alma.
- Ruiz: Delilah mentioned on slide six, Domonique, there may be a typo in regard to the ratio Kamstrup Flow IQ of two versus one. On the next slide, so that's slide five. Yes, ma'am under the Ratio Kamstrup Flow IQ.
- Walsh: The very first line.
- Lorenz: Oh yes.
- Ruiz: That should just be a one.

Walsh: Yes because of the fee factor is 2,726.

Lorenz: Good catch.

Walsh: Just looked weird.

Rodriguez: Then the next slide is the allocation split. This was also brought up in our last meeting. Utility Staff would like guidance in regards to the allocation split. What I did is I provided what it is now, so for Water the builder is 50%, the customer is 28%, and the rate base is 22%. Then right next to it shows the allocation split for Wastewater which is the builder is 50%, customer is 20%, rates are 30%. Then below it I've also showed what we have collected for the Fiscal Year 2019. This matches the report that I gave last month also. That's where these numbers are derived from. It shows total what we have collected, so for Water the total amount that we collected in Development Impact Fees for all of them was \$890,000.00. Then Wastewater total for fiscal year 2019 was over \$1.3 million. I just wanted to give that information. I know that that's a discussion that will be done by the CIAC but I wanted to give all the information that I had in regards to that.

Lorenz: I appreciate all the answers and the response to the concerns that we have. I don't have any questions at all. Anymore from you gentlemen?

O'Neill: No, we don't. Very good.

Rodriguez: With that I know that on our next meeting we had put in there that we would do another update. I thought at this point for the next meeting we would be okay with doing what the CIAC to do. There's an action item. Would you still like an update or can we move forward with the action item of the discussion and voting on the Impact Fee Study?

Lorenz: I don't see any...

O'Neill: This meeting or next meeting?

Rodriguez: Next meeting sir.

Lorenz: I don't see anything to update us on.

Rodriguez: Okay.

Lorenz: Unless you find some data to change between now and then. I think it's good.

Rodriguez: Okay. Thank you.

Lorenz: I think we can take action on it next month.

4.b. November 2019 Utilities Impact Fee Updated Draft:

Lorenz: Is there anybody on the Committee that would like to discuss this split? There was some questions about this last time. It's not really something we have to take action on, but it is something we can advise the City Council about if we have thoughts on it.

O'Neill: How was this changed from past years?

Lorenz: It's not.

O'Neill: It's been the same since?

Lorenz: These were set by City Council.

O'Neill: Many years ago.

Lorenz: Yes. Quite a while ago, right?

Rodriguez: Yes. It has not changed.

Lorenz: Maybe 12-years ago or something like that.

O'Neill: Seems to be working.

Lorenz: Paying some of these fees myself, I look at it as how much is it going to cost my customer in the end. Let's say you were to be selling potatoes. You go to the farmer and the farmer sells the potato directly to Mark. Nobody stands between those so every dollar that Mark pays goes to the farm. When that farmer instead sells that to a particular distributor and that distributor sells it to the grocery store and that grocery store sells it to Mark, the people in the middle have a markup. They pay sales tax. They pay all these different things as it goes through the process.

Impact Fees are kind of the same way. When I pay an Impact Fee as a builder it ends up in the price of the home but it has added to it my overhead, my profit margin, my gross receipts tax. Our internal multiplier is a 30% markup. Let's just take something that gives us a nice round number. Let's see if we can find one. I believe it was page 32 of the report if I remember from my reading correctly. Yes. On page 32 the fees to the builder, let's call it \$1,000.00. Even though it's \$1,063.00 that 50% to the builder. That \$1,000.00 in my purchase price is \$1,300.00. As those fees move to the left of this slide number seven here, if you move those fees more to the builder that's where the markups happen.

When it goes directly to the water customer. They feel it a lot more when they go turn on their utilities. I've had people call me the day after closing and say, "Well I went to turn on my water today and they wanted to charge me \$1,000.00. What in the world is going on here?" Many years ago we put

into place a process to make sure the people are aware so they're not surprised at the desk, but that's right out of their pocket versus when the builder pays it, it doesn't impact their pocketbook as immediately because it shows up in their mortgage payment and it's \$3.00 a month or something for the next 30 years. In the end they end up paying a lot more for it if the builder pays the fee but the immediate out-of-pocket cash when the Water customer pays for it is probably a little more painful. I just wanted to kind of share with you guys my knowledge on the subject. I don't think we should do anything about it but if somebody else has an opinion I'd like to hear.

O'Neill: I think rates is kind of gone, every time I read the paper rates have gone up a little for the customer. I'm not for raising unless, I want to see reasons that we're going to raise any rates are going to be raised. I want to see good reasons.

Lorenz: I agree. All right, well if there's no more questions.

O'Neill: You're thinking we should raise for the builder?

Lorenz: I don't think we should change it.

Newby: Here a motion, I'll second that.

Lorenz: This is one of those fees that even as a builder I think it has a place and I think it's appropriately placed because it's actually the new customer that receives the benefit. Nobody else is taking water out of their tap. Nobody else is pouring water down their sewer. I think this is one of those fees that's placed in the right place so I think the numbers look good from a Utilities department.

O'Neill: How do these allocations compare to other cities, other districts?

Rodriguez: I do not know that information. I can look into it to see and maybe provide something but at this point I don't know who else does this so I'd have to look to see what other municipalities or city governments use this Development Impact Fee and then what their percentage of their split is.

O'Neill: Maybe before we vote next meeting.

Rodriguez: Okay.

Lorenz: The net fee, so page 32 shows the Wastewater and I believe it was page 32 is the Water supply and page 46 is the Wastewater. It looks like we're going to have an increase in Wastewater.

Rodriguez: That is correct.

Lorenz: A decrease in the Water fee. An increase in Wastewater of \$392.00 and a decrease in Water of \$148.00. It's basically raising the fees in total of \$250.00 per residence. If there's no more questions we move on. Thank you very much for the presentation.

Rodriguez: You're very welcome.

5. Old Business – None.

6. Next Meeting Date:

Lorenz: Next meeting we'll take a vote. Thank you Alma for doing away with the three pages of meeting agendas.

Ruiz: We don't have the Chair that requested that anymore. He's not on the panel, so it was our pleasure.

Lorenz: Change is sometimes good. Are you aware of the next item that we need to take action on? It's a while before we have anything else.

Ruiz: It is a while. I'll take that back. I'll have to recalculate when Public Safety did theirs. It was while Chief Brown was still here. Off the top of my head it's either going to be 15, I think when they did it.

Lorenz: I think it was. That was the first time I was really involved with one of these proceedings.

Newby: I was still in high school then.

Ruiz: Yes, exactly. I can e-mail all of you the next time we have to look at an Impact Fee adjustment.

Lorenz: It was brought to my attention from Ms. Driggers that maybe we should be paying a little more attention to the greater Capital Improvements Plans. When we got, after next month, when we've got a report about that I think would probably be the next time we should meet. I don't think we're going to be meeting for a little while. Maybe to get some financials in the spring or something.

Ruiz: Okay.

O'Neill: How crucial is it that we take action next meeting on this? I might be in Denver. I might be out of town.

Lorenz: I think they need it.

O'Neill: I think may be adjust it.

Lorenz: Dr. Garcia.

- O'Neill: They need it this next meeting for sure?
Lorenz: If everybody else is okay with it I wouldn't mind taking action on it today. I know it's not on our agenda.
- Dr. Garcia: Yes, Mr. Chairman. It's not already on the agenda so we won't recommend you act today. As you know we're on a deadline, in fact we're past that deadline of the 5-year period. Even though we started before that. We would appreciate if you could take action.
- Lorenz: At the next meeting?
- Dr. Garcia: At the next meeting. Then your recommendation on the allocation will go up to the Utility Board and then to Council. City Council is the only ones that can change that allocation if they decide to change it.
- Lorenz: Right. Thank you.
- O'Neill: I may be okay. I'll work it out.

7. Public Participation:

- Lorenz: All right. Any public comment? I don't believe there's any.

8. Board Comments:

- Lorenz: Any Board Comments?

- Newby: I would like to express my appreciation to the Staff for being responsive to the questions from our last meeting. Because the 6.4% increase is substantially less than what we were looking at based on some of the other data that you have. Really appreciate you taking a run at that.

9. Adjournment:

- Lorenz: Do I hear a motion to adjourn?
- Newby: So made.
- O'Neill: Second.
- Lorenz: In record time.

Jason Lorenz, Chairman

Date