

**City of Laredo Workshop
M2006-W-010
City Council Chambers
1110 Houston Street
Laredo, Texas 78040
November 29, 2006
5:30 p.m.**

I. CALL TO ORDER

With a quorum present, Mayor Raul G. Salinas called the meeting to order.

II. ROLL CALL

In attendance:

Raul G. Salinas, Mike Garza,	Mayor Council Member, District
I Hector Garcia,	Council Member,
District II Michael Landeck,	Council Member,
District III Johnny Amaya,	Council Member,
District IV Gene Belmares,	Council Member,
District VI Juan Chavez,	Council Member,
District VII Juan Ramirez,	Mayor Pro Tem,
District VIII Donna Magnon, Cynthia Collazo, Horacio De Leon, Valeria Acevedo,	City Secretary Acting City Manager Assistant City Manager Acting City Attorney

Motion to excuse Cm. Rendon.

Moved: Cm. Garcia
Second: Cm. Amaya
For: 7

Against: 0

Abstain:

0

III. Pledge of Allegiance

Mayor Raul Salinas led in the Pledge of Allegiance.

IV. Staff Reports

1. Status report with possible action on the following:

A. Presentation of proposed secondary water source project

- i. Background
- ii. Interested Parties
- iii. RFP
- iv. Time Line
- v. Brownsville Seawater Desalination Project

Background Information

- 1. October 1999: Initial Request for Proposals released
- 2. February 2002: Authorized to negotiate contract with MWH to provide a Secondary Water Source.
- 3. June 2002: negotiations fail to establish an agreement for DB/DBO project.
- 4. February 2003: MWH commissioned to provide a staging alternatives study in regards to Secondary Water Sources.
- 5. Summer 2003: identification of potential water source at North 2.5 mgd Laredo Sands formation Laredo site (future Landfill Property) established.
- 6. June 2004: LBG-Guyton examines examination by MWH.
- 7. July 2004: revised study
- 8. October 2004: MWH provides recommendation to abandon project to WIC. Due to the cost (23.5M) and local affect the Laredo Sans is not a good sustainable source.
- 9. November 2004: Presentation by Proposers of Take or Pay project alternatives provided to WIC.
- 10. May 2005: Council with WIC recommendation approves a Water Affordability Analysis to be completed by Economists.com.
- 11. October 2005: Affordability Analysis establishes the high cost of Secondary Water.
- 12. April 2006: Rate Increase Approved.
- 13. November 2006: RFP for Secondary Water Released

Interested Parties

Entities Proposing

Grass Valley Water, Kinney County
Laredo Water Company, Northern Webb County
South Texas Pipeline, Dimmit County (Carrizo Springs)
City of Encinal, Webb County

Defining what an interested party will be expecting to provide
Take or Pay Contract

Agreement to fund all capital projects necessary to provide water to the City
of Laredo

Provide Water in Excalating Quantities with specified guarantees of delivery

Request for Proposals

Flexibility in RFP with required elements

Initial 10 mgd with 2 mgd additional every year after.
Up to 40 mgd capacity
50 year sustainable source.

Selection Criteria

Experience	15%
Financial Capabilities	20%
Level of Development of Source Water	10%
Knowledge of Process Involved	5%
Confirmed Supply	15%
Exclusive Use	5%
Permitting	5%
Groundwater Control District Approvals	5%
Environmental Consideration	5%
Guarantees	15%

RFP and Project Negotiations Timeline

Milestone	Date
Issue RFP	November 15, 2006
Pre Proposal Conference	November 27, 2006
Preparation Period	December 6, 2006
Proposal Submission	December 6, 2006
Review/Evaluation Period	December 6-11, 2006
Selection	December 11, 2006
Negotiations	December 11 – 20, 2006
Service Agreement Execution	December 29, 2006

B. Capital Improvement Program

- i. Projects
- ii. Impact fees
- iii. bond Capacity
- iv. LUE

Rhonda Harris, Consultant for City of Laredo, gave the following presentation:

Agenda

Project Objectives and Issues
Rate Design Overview
Revenue Requirements
Rate Design Recommendation
Next Step

Project Objective

Prepare Cost of Service and Rate Design Study for water and wastewater that is compatible with economic goals of the City and supports the financial objectives of the utility.

Key Issues

Policies
Protect customer base
Position City of growth
Utility Funding
Adequately recover O & M expenditures
Fund capital improvements
Provide for debt service coverage

Components of Rate Study

Costs: What does it cost to provide quality, reliable services?
Revenue: How much must be collected via rates to cover costs?
Rate Design: How shall we recover costs? From Whom?

Costs within the system that are incurred for the benefit of the whole system should be shared by all customers.

Necessary equipment and supplies for system maintenance.

Customers who drive costs within the system should bear those costs.

High volume users at peak demand times.

Rate Design Components

Customer Charge: This charge covers costs associated with billing, collection and customer service that are allocated based on the number of customer accounts. This charge also covers a significant portion of the debt service costs.

Volume Charge: These are charged per unit of actual water and wastewater used by a customer.

Rate Design Requirements

Revenue Sufficiency: Rates must be sufficient to fund all service costs
Revenue Bond Compliance: Rates must comply with existing bond

covenants

Conservation: Rates must support good stewardship of natural resources

Impact Fees attempt to achieve equity between new and existing customers for the capital cost of new facilities to serve new customers.

The Impact Fee is representative of the incremental cost of new facilities to serve a new connection.

Impact Fees

The State of Texas required the use of incremental cost method for the calculation of impact fees.

The incremental cost method is based on the concept of new development paying for the incremental cost of system capacity needed to serve new development.

This approach proposes to mitigate the impact of new growth on customer user rates.

The goal is to charge a fee to new customers sufficient to allow customer user rates to be revenue-neutral with respect to the growth of the system.

With the incremental cost method, the new customer pays for the cost of new facilities.

Impact Fee Process

City Council appoints Advisory Committee

Advisory Committee Reviews Land Use Assumptions and Capital Improvement Plan

Public Notice is published 30 days before public hearing on land use assumptions and capital improvements plan

Public hearing is held for City Council to adopt land use assumptions and capital improvements plan

Advisory Committee Review Impact Fee schedules

Public Notice is published 30 days before Public hearing on Impact Fees

Public Hearing is Held for City County to adopt Impact Fees

Advisory Committee Monitor Impact Fee Program

Advisory Committee Files Semi-Annual report to City Council

Role of the Advisory Committee in the Adoption of Impact Fees

The role of Impact Fee Committee is to advise and assist the Board of Directors in adopting the land use assumptions and to review the capital improvements plan.

The committee should review the land use assumptions used for the Impact Fee analysis and the capital improvements needed to meet the requirements of the land use assumptions.

The Impact Fee Advisory Committee is required to file its written comments on the proposed impact fees before the fifth business day before the date of the public hearing on the imposition of the impact fees.

Role of the Advisory Committee Subsequent to the Adoption of the Impact Fees

The role of the impact fee advisory committee is to monitor the impact fee program. This includes evaluating the implementation of the capital improvements plan and use of the collected fees.

The committee must provide semiannual reports to the Board documenting the impact fee capital improvement plan expenditures and the collection impact fee revenues.

Texas State Related to Impact Fee Advisory Committee

The Texas statutes related to the Impact Fee Advisory Committee relative the implementation of the fees are show below:

Section 395.058 Advisory Committee

- C. The advisory committee serves in an advisory capacity and is established to:
- (1) advise and assist the political subdivision in adopting land use assumptions:
 - (2) review the capital improvements plan and file written comments:
 - (3) monitor and evaluate implementation of the capital improvements plan:
 - (4) file semiannual reports with respect to the progress of the capital improvements plan and report the political subdivision any perceived inequities in implementing the plan or imposing the impact fee; and
 - (5) advise the political subdivision of the need to update or revise the land use assumptions, capital improvements plan, and impact fee.
- D. The political subdivision shall make available to the advisory committee any professional reports with respect to developing and implementing the capital improvements plan.
- E. The governing body of the political subdivision shall adopt procedural rules for the advisory committee to follow in carrying out its duties.

C. Immediate needs to water and wastewater plants

- i. Repairs
- ii. Improvements
- iii. Vulnerability Analysis by EPA
- iv. Proposed Security improvements

Proposed Water Monitoring and Security Program

Arturo Duran, President of MEGA Services, gave the following report:

Objectives

- To protect public health and safety of Laredo's residents
- To protect existing critical water infrastructure
- To improve operations
- To provide a set of standard procedures for appropriate response actions

Background

EPA Required all cities larger than 100,000 population to perform a vulnerability assessment (VA) in their water facilities.

Laredo received a small grant from EPA and conducted the VA.

Homeland security presidential directive 9 requires EPA to develop, test, and apply new technology to monitor the nations water supply quality and provide an early detection and surveillance system to protect public health and safety.

EPA established the water sentinel pilot program in 2005.

The WSPP received 8.1 million dollars in FY 2006.

45 million dollars have been approved for the WSPP for FY 2007.

Our Team

We have established a consortium of companies that together brings the expertise, resources, and technology to offer a comprehensive water quality monitoring and security system to public water utilities.

General partners include MEGA Services, LLC., Canberra Albuquerque, Earth Tech, and SCI.

Activities Today

Our team has conducted site surveys and has developed the critical design documents to secure the water infrastructure in three border cities, Laredo McAllen and Brownsville, Texas.

A specific proposal has been provided to all three water utility programs.

Estimated Project Cost

Estimated total project cost is \$1,024,980 dollars to secure the Jefferson Facility and key points of Laredo's Water Distribution System. Phase I estimated cost is \$285,500 dollars and Phase II estimated cost is \$739,480 dollars.

Funding Strategy

The goal is to obtain all required funding from the EPA through their WSPP. Once contracts are signed, our team will be approaching EPA officials and the White House in Washington D.C. to leverage their funding. Laredo will only be initially committed to pay \$285,500 dollars that could be reimbursed once entire funding is obtained from the EPA. The project is estimated to be completed by the end of January 2007. Laredo will not be required to make any payment until March 2007. We are confident that funding could be secured before March, thus freeing Laredo from having to make any expenditures.

Benefits

Opportunity to obtain federal funding.
Secures your critical water infrastructure.
Laredo will receive national recognition by the EPA.
Texas Commission for environmental quality (TCEQ) will see this very favorably.
Laredo will be in the forefront in security programs in the entire nation.
"Protects Health and Safety of Residents".
Good public policy
Good Business and Economic Development marketing through assurances in security.

D. Distribution and Collection System

- i. Improvements
- ii. Maintenance
- iii. Sanitary Sewer Overflow Initiative

E. Master Plan for water and wastewater

The City of Laredo Water Utility is requesting proposals for integrated analysis of the following infrastructure components:

Water Supply Evaluation
Water Treatment Plan Evaluation
Water Distribution System Evaluation
Wastewater Collection System Evaluation
Wastewater Treatment Evaluation

- The initial phase of the project should include an evaluation of existing and future:
 - Population projections
 - Land use projections
 - Water demands over the next twenty five years
 - Wastewater flows and loading over the next fifty years

After the development of this initial data, then evaluations of the various infrastructure components of the system should be conducted.

Water Supply

The City of Laredo's current water supply is from the Rio Grande River. The Rio Grande River is the primary drinking water supply for all cities located along the border for both the United States and Mexico. As the population increases along the Texas/Mexico border, there is less water available from the Rio Grande River. Therefore, the City of Laredo needs to begin exploring the various options to maximize their current water rights, while minimizing the need for new sources of water. This phase of the project should include:

- Review existing applicable reports
- Review current raw water rights
- Review available water rights from the Rio Grande River
- Review secondary water supply sources
- Evaluate direct reuse of wastewater
- Evaluate water conservation programs
- Evaluate raw water conveyance options
- Economic evaluation of the costs of the multiple water supply options
- Benefit cost analysis of implementing the most viable water supply alternatives

Water Treatment

The City of Laredo Water Utility currently has one water treatment plant serving the City. The capacity of this plant is 65 MGD. An evaluation has been conducted of the Water Treatment Plant that identified a means to increase the capacity of the existing water treatment plant to 75 MGD. The evaluation should include:

- Review existing applicable reports
- Evaluate the current treatment and hydraulic capacities of the existing plant
- Evaluate the existing plant to determine modifications and improvements that would increase capacity.
- Improve reliability, and optimize operations and maintenance.
- Evaluate alternatives for increasing capacity of the raw water intake.
- Evaluate the existing plant and distribution SCADA system and recommending upgrades
- Evaluate impact of future regulatory requirements on the plant
- Evaluate the current electrical service and determining upgrades
- Evaluate the treated water pumps to determine optimum operating conditions
- Evaluate new types of treatment alternatives and possible new treatment plants
- Economic evaluation of capital and annual costs for the most viable alternatives

Water Distribution

The water distribution analysis should include:

- Review existing reports
- Review existing data such as billing records and field review of facilities
- Develop level of service criteria for existing customers
- Build and calibrate and extended period simulation water distribution system model
- Evaluate the water distribution to determine current and future piping, pumping and storage needs within the system
- Prepare wall maps of the distribution system
- Estimating the construction costs and annual operating costs for the proposed improvements
- Produce a phased plan for implementing these improvements

Wastewater Collection System

The wastewater collection system evaluation should include:

- Review existing reports and studies
- Develop level of service criteria for customers
- Condition assessment of the collection system that should include an analysis of the trunk system (greater than 15-inch) for repair, replacement, or rehabilitation
- Develop a wastewater model that should simulate the operations of the main trunk system to determine capacities in the main conveyance portion of the system
- Evaluate existing lift stations and identify necessary improvements
- Document operations of collection system
- Optimization of operations and maintenance of the collection system
- Develop capital and operations and maintenance cost for the most viable alternatives
- This analysis should include a benefit cost analysis for various alternatives such as decreasing the required lift stations, increasing the capacity of the system, replacement of the aged infrastructure, etc.

Wastewater Treatment

The wastewater treatment plant evaluation should include:

- Review existing reports and studies
- Capacity analysis for each of the wastewater treatment plants
- Wastewater treatment plant needs for the next 50 years
- Centralization of wastewater treatment plants
- Maximizing use of existing infrastructure to reduce capital investment for required increased capacities in the future
- Types of viable treatment process
- Future regulatory requirements
- Optimization of operations and maintenance costs for future treatment requirements
- Consideration should be given to maximizing existing resources to reduce overall annual costs

- Develop capital costs for future treatment requirements
- Benefit costs analysis for the most viable alternatives

Integrated Analysis

There are five primary infrastructure components being evaluated in this project:

- Water Supply
- Water Treatment
- Water Distribution
- Wastewater Collection
- Wastewater Treatment

In order to minimize the City of Laredo's required investment in each of the components, it is critical that each of the components be analyzed in combination with each other. This analysis should include:

- Development of economic criteria to reflect actual financing alternatives that are currently used by the City of Laredo
- Development of non-economic criteria to determine the priorities and objectives of the City of Laredo
- Develop a ranking system that accounts for both economic and non-economic criteria
- Develop integrated alternatives that incorporate components from each of the five phases. The trade-offs, impacts, and benefits from each component has on other components should be quantified
- Funding options should be explored for low interest loans and grants to minimize the required investment
- Capital and annual costs for each of the integrated alternatives house be developed and a life cycle cost analysis performed
- The impact to the City of Laredo customers should be assessed for each of the integrated alternatives
- An implementation plan should be developed for the next 25 years for the water infrastructure plan
- An implementation plan should be developed for the next 50 years for the wastewater infrastructure plan

F. Conservation/Education Plan

Motion to proceed with the Living Unit Equivalent process with a \$20 minimum bid requirement.

Moved: Cm. Belmares

Second: Cm. Garcia

For: 7

Against: 0

Abstain: 0

Motion to create a Developers Advisory Committee. The Mayor and each Council Member shall appoint one member each to the newly created committee.

Moved: Cm. Garza
Second: Cm. Garcia
For: 7

Against: 0

Abstain: 0

V. EXECUTIVE SESSION

The City Council hereby reserves the right to go into executive session at any time during this public meeting, if such is requested by the City Attorney or other legal counsel for the City, pursuant to his or her duty under Section 551.071 (2) of the Government Code, to consult privately with his or her client on an item on the agenda, or on a matter arising out of such item.

IV. ADJOURNMENT

Motion to adjourn.

Moved: Cm. Landeck
Second: Cm. Garza
For: 7

Against: 0

Abstain:

0

I, Gustavo Guevara, Jr., City Secretary, do hereby certify that the above minutes contained in pages 01 to 11 are true, complete, and correct proceedings of the City Council meeting held on November 29, 2006.

Gustavo Guevara, Jr.
City Secretary