



Mayor and Council Agenda Item Memorandum

ITEM TYPE

Action Item

MEETING DATE:

September 9, 2024

PRESENTER:

Bobby Johnson, Public Works Director
Marissa Barrett, Director of Finance

ITEM DESCRIPTION:

Consider Ordinance 2024-12 amending appendix "A" Fee Schedule of the Town of Argyle code of ordinances by amending Article A7.000, Infrastructure, Public Works Construction Fees, be amended by repealing Article A7.000, Subsection 4 in its entirety and replacing it with a new article A7.000, Subsection 4 of the Code of Ordinances.

BACKGROUND INFORMATION:

At the November 16, 2020, Town Council meeting, the Council approved the issuance of \$ 2,000,000 in Certificates of Obligation (CO) for the relocation of the sewer lines in conjunction with the US 377 widening project. The Town Council engaged Raftelis to perform a rate study of the Town's sewer system. Revenues derived from the sewer fund are being used to retire the CO's debt. At the October 19, 2020, Council meeting Raftelis provided an overview of the rate study and reviewed three debt terms of 10, 15, and 20 years to retire the new CO debt. During that same meeting, Council elected to move forward with a debt term of 20 years. Raftelis' rate study identified that with a 20 debt term, the Town would need to raise sewer rates by 4%.

Given current growth projections in North Texas, in August of 2023 The Town Council engage Raftelis to perform an updated rate study to ensure the financial stability of the Town's wastewater utility while maintaining high-quality service standards for residents and businesses.

The recent wastewater rate study, completed in August 2024, developed a five-year financial plan to maintain the financial health of Argyle's wastewater utility. The study focused on updating the Town's revenue requirements to support anticipated costs, including operating expenses, capital improvements, and debt service obligations. The analysis showed that without adjustments, the utility's fund balance would decrease by approximately \$350,000 in FY 2025 and nearly \$1 million by 2029. To maintain a healthy

reserve and ensure the ability to cash-fund future capital projects, a phased rate increase is recommended. Residential consumption is projected to increase significantly, with an estimated 160 million gallons in FY 2025 and 192 million gallons by 2029, necessitating enhancements to our wastewater infrastructure.

The Town's wastewater treatment costs are influenced by the Trinity River Authority (TRA) and the City of Denton. Both entities have announced cost increases due to operational cost escalations, capital improvement needs, and inflationary pressures

Based on the financial plan presented to the Town Council on August 19, 2024 the recommended rate increase is a phased approach with phases identified for FY 2025 and FY 2026 which will allow the Town to meet increased costs from TRA and City of Denton as well as position the Town to cash-fund a portion of future capital projects, minimizing the financial impact on our utility over the long term.

FISCAL IMPACT:

- Not Applicable
- Proposed Expenditure:
- General Ledger Code:
- Proposed Revenue:
- Budget Amendment Required: No
- Financial Review Completed by: Finance Director

LEGAL REVIEW:

Not applicable.

ATTACHMENTS:

Ordinance with Updated Rates
PDF of Existing and Proposed Rates

RECOMMENDED MOTION AND/OR ACTION:

Move to approve the ordinance as presented.