

Control Number: 46436



Item Number: 5

Addendum StartPage: 0

RECEIVED

PETITION OF MANAGEMENT & §
 TRAINING CORPORATION FOR §
 REVIEW OF THE DECISION BY THE §
 CITY OF OVERTON TO CHANGE §
 RETAIL WATER AND SEWER RATES §
 (BILLY MOORE CORRECTIONAL §
 CENTER) §

PUBLIC UTILITY COMMISSION
 OF TEXAS
 FILING CLERK
 2016 NOV 19 9:21

**CITY OF OVERTON'S SUR-REPLY TO MTC'S AMENDMENT
 TO ITS ORIGINAL PETITION AND REPLY TO THE CITY OF OVERTON'S
 RESPONSE TO PUBLIC UTILITY COMMISSION'S ORDER NO. 1**

COMES NOW, the City of Overton (the "City") and files this Sur-Reply to Management & Training Corporation's ("MTC") Amendment to its Original Petition and Reply to the City's Response to the Public Utility Commission of Texas' (the "Commission") Order No. 1, pursuant to 16 TEX. ADMIN. CODE § 22.78(a), and would respectfully submit the following:

MTC's Notice of and Involvement with Rate Change. First, MTC's pleadings do not paint the complete picture of its involvement and the notifications it received from the City regarding the rate increase. MTC was fully informed of and involved in the rate increase at every step of the process, beginning with a June 10, 2016 email from the City's Manager, Charles Cunningham, informing MTC that a rate study had found that the prison operated by MTC consumed over 30% of the water produced by the City, but MTC did not make sufficient payments to cover the cost of such consumption. Cunningham informed MTC that a potential rate increase would be discussed at an upcoming council meeting, invited MTC representatives to attend the council meeting, and even offered to meet with them separately prior to the council meeting to discuss. *See* Exhibit A to MTC's Petition. While MTC attaches the minutes of the July 14, 2016 meeting approving the ordinance at issue (Exhibit B to MTC Petition), it fails to also include the minutes of the June 16, 2016 meeting wherein MTC Vice President of

5

Operations, Michael Bell (“Bell”), was invited to speak regarding the potential rate increase. During the meeting, Bell’s only substantive objection to the rate increase was its potential effect on MTC’s profit margin. At Bell’s request, the City agreed to delay the rate increase until the next meeting, scheduled for July 14, 2016, upon Bell’s assurance that every effort would be made during that time to meet with all interested parties, including the Mayor and City Manager, to attempt to resolve any dispute regarding the rate increase. A true and correct copy of the Minutes from the June 16, 2016 Regular Called City Council Meeting is attached hereto as **Exhibit A** and incorporated herein by reference. Bell did not attempt to have any such meetings/discussions until just prior to the scheduled council meeting. When he finally did meet with the Mayor and City Manager, Bell provided no additional arguments or information, but the City did provide Bell with additional information regarding the debt service portion of the rate increase.

Further, a copy of Ordinance 2016-05-19B was provided to MTC representatives at the July 14, 2016 council meeting, which contains the effective date of the rate increase along with the schedule of fees. *See* Exhibit B to MTC’s Petition. Additionally, the City sent MTC a detailed letter along with MTC’s first bill under the new rates in an effort to explain the new fee calculations. A true and correct copy of such letter is attached hereto as **Exhibit B** and incorporated herein by reference.

Calculation of Rate Change. The City performed a detailed analysis in examining MTC’s consumption and correlating cost to the City and calculating the rate increase at issue. A true and correct copy of such analysis has been provided to counsel for MTC and is attached hereto as **Exhibit C** and incorporated herein by reference. In the end, the City discovered that in the almost twenty years the MTC prison has been connected to the City’s water/sewer system, MTC

has underpaid for such services by approximately \$5 million. Specifically, prior to the recent rate change, MTC had only paid for either of the following, when it should have been required to pay for both:

(1) the debt service expenses for capital costs paid by the City that was needed to provide extensions of water and sewer lines the three miles from the City to the prison, plus expansion of the Wastewater Treatment Plant (“WWTP”) which would have not been needed but for the additional capacity required by the prison; (Note: Over the last 30 years, the population of the City has remained fairly constant at approximately 2,500 residents, resulting in no need for expansion of the system for any other increase in customers other than that required by the prison.);

(2) the operation and maintenance costs needed to provide production of the water used by the prison, transportation of the water to the prison, collection and pumping via a lift station and sewer lines to the WWTP and treatment of the wastes, once it reached the plant.

Further, MTC states in its Petition that the proceeds of bonds used to “extend service to the Prison and improve City streets ‘had been structured so that principal payments were back loaded.’” *See* MTC Petition. However, it should be noted that debt service payments for street improvements are funded by a property tax rate on properties within the City and that such cost is not included as a cost to MTC. Moreover, structuring bond payments to be back loaded is a common convention recommended by financial advisors to even out the cash flow and is not an unusual procedure.

Effect on Other Ratepayers. While MTC is currently the only ratepayer with a meter six inches or larger, MTC’s failure to pay the increased rate will result in a rate increase for all other ratepayers in the City. MTC (and/or its predecessor) has already benefitted to the tune of \$5

million in underpayments for water/sewer service over the past twenty years. The City is not seeking to recover such cost but has undertaken a careful analysis and rate adjustment to ensure that the proverbial bleeding does not continue. The bottom line is that the City simply cannot afford to continue providing such service without (1) the increase in MTC's rate to make it pay its fair share or (2) increase the rate to all other ratepayers, essentially forcing them to subsidize, in a significant amount, MTC's cost of service.

Respectfully submitted,

MANN | TINDEL | THOMPSON

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**ATTORNEYS FOR THE CITY OF
OVERTON**

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing has been served upon Morgan Johnson and Philip Haag, McGinnis Lochridge, 600 Congress Avenue, Suite 2100, Austin, Texas 78701 by email transmission, on this the 2nd day of November, 2016.

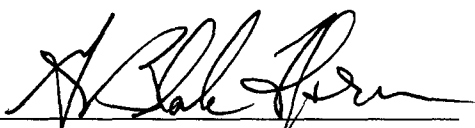

G. Blake Thompson

EXHIBIT A



REGULAR CALLED CITY COUNCIL MEETING
June 16, 2016

MINUTES OF THE REGULAR CALLED MEETING OF THE CITY COUNCIL OF THE CITY OF OVERTON, TEXAS THAT WAS HELD June 16, 2016 AT 7:00 P.M. PM IN THE COUNCIL CHAMBER, CITY HALL, 1200 SOUTH COMMERCE, OVERTON, TEXAS.

PRESENT:

C. R. Evans Jr., Mayor
Philip Cox, Mayor Pro Tem
Jerry Clark
Lawrence Davis
John Posey
Michael Paul Williams

ABSENT:

Also in attendance were, Charles Cunningham, City Manager and Clyde Carter, Chief of Police representing staff; David Hudson, Warden and Michael Bell representing MTC. and Michael Maynard representing the public.

I. CALL TO ORDER – Mayor Evans called the meeting to order at 7:01 p.m.

1. Invocation was given by Mayor Evans.
2. Pledge of Allegiance was led by Councilman Posey.

II. CITIZEN FORUM - No one spoke

III. CITIZEN'S REQUEST – There were no requests to be heard.

IV. CONSENT AGENDA

1. Approval of the Minutes of the City Council Special Called Workshop held May 19, 2016.
2. Approval of the Minutes of the Regular Council meeting held on May 19, 2016.

Mayor Pro Tem Cox made a motion to approve the Consent Agenda as submitted.

Councilman Davis seconded the motion.

Mayor Evans called for a vote.

Motion carried 5-0-0;

V. OLD BUSINESS

1. Present revised meeting schedule for the City Council as updated June 14, 2016.

City Manager Cunningham reviewed the upcoming meeting schedule with Council. The calendar for the month of July was corrected to correspond to the right dates.

Mayor Pro Tem Cox stated that he would not be able to attend the Regular scheduled meeting in July on the 21st.

Councilman Davis made a motion to move the Regularly Scheduled meeting in July from July 21st to July 14th.

Mayor Pro Tem Cox seconded the motion.

The motion carried 5 – 0 - 0.

(Resolution No. 2016-06-16 shall be placed on the agenda of the July 14, 2016 meeting for ratification).

- a. Receive request for leave of absence request from Council Members for future meetings.

Mayor Evans asked the Council if there were any other conflicts with any of the Council members on any other date. No requests for excused absences were made.

1. City Council to hear, review, consider and/or take action on Budget Calendar for the 2016-17 Fiscal Year Operating Budget.

City Manager Cunningham quickly reviewed the proposed Calendar for preparation of the FY 2016-17 Budget. The critical dates when meetings were required to be held were emphasized to ensure that Council members could check their calendars to see if there were any conflicts. Two corrections were made on page two of the calendar. The date of the regularly held meeting in September was corrected to be the 15th instead of the 17th and the date of the 1st public hearing at a Special Called meeting was corrected to be August 25th instead of the 27th.

Mayor Evans asked the Council if there were any other conflicts with any of the Council members on any of the dates. As far as they knew, there would not be any conflicts.

Councilman Posey made a motion to approve the 2017 FY Budget Calendar as corrected.

Councilman Clark seconded the motion.

Mayor Evans called for a vote.

Motion carried 5 – 0 – 0.

2. City Council to hear, review, consider and/or take action on second reading of **Ordinance No. 2016-05-19B**; an Ordinance amending Ordinance No. 2014-07-29B "Appendix A" City of Overton- Schedule of Fees, by updating fees imposed by the City for Water and Sewer Service and other services; containing a severability clause; repealing all ordinances in conflict herewith; providing for publication and an effective date.

Mayor Evans introduced Agenda item V.3 by reading the caption, then stated that consideration would begin with a report from the City Manager.

The City Manager Cunningham began with a brief history of the conditions that led to the need to propose increased water and sewer rates to the only large commercial customer in the system, Management and Training Corporation (MTC). A power point presentation was made that reviewed the steps taken to analyze the "Cost of Service" for this particular customer that was used to determine the specific increases in the Base and Volume Rates for both water and sewer that would be required for the City to recover its costs to providing that service for MTC.

The presentation included an example of the methodology used in the analysis; a summary of allocation of costs; a calculation of the prisons (MTC) cost of service; a calculation of the putative loss to the City over a twelve month period based on average monthly consumption, total cost of service and income generated for twelve months based on current rates in effect.

In the presentation, the City Manager made particular mention of the fact that in originally setting up the rate structure for the Correctional Facility, it appeared that the City was absorbing either some capital or operating expenses that should have been allocated to and recovered from the prison through the rates being charged. He further stated that the intent with this increase was simply to allow the City to recover its cost of service from this point forward.

City Manager Cunningham stated that the results of the analysis showed that the rates needed to be increased by an average of over 50%.

Mayor Evans then asked Michael Bell to speak on behalf of MTC and respond to the proposed rate increase.

Mr. Bell introduced himself and stated he was a Vice-President in charge of Operations for MTC who contracts with the State Department of Criminal Justice to operate the Billy Moore Correctional Facility located at 8500 Hwy 3053, Overton, Texas.

Mr. Bell thanked the Council for allowing him to speak. He stated that the magnitude of the rate increase would have a significant impact on the ability of the company to realize any profit on operation of this facility. In negotiating the management contract with the State of Texas, that was renewed in September 2015 for eight years, no allowance was given for increases of this level of magnitude in items such as utility rate, during the course of the contract. MTC's bid on the contract was based on rates being charged at the time, which were thought to be sufficient to cover the cost of the prison's demand on the water and sewer system.

Mr. Bell stated that MTC is uniformly supportive of each community where its facilities are located.

Councilman Davis asked how many MTC employees were residents of the City of Overton?

Mr. Bell stated that he was not sure but that he could find out and make that information available to the Council.

Councilman Posey then asked where Mr. Bell and the Warden Mr. Hudson where they lived?

Mr. Hudson and Mr. Bell responded that they both lived in Henderson.

Mr. Bell continued by stating that MTC had in fact been helpful to the City in support of the water/sewer system by putting an augur in the lift station located at the prison, to alleviate the problem of trash getting into it. He stated that this had to be done because a comminutor was deleted by the City in a cost saving move when the lift station was built to push sludge from the prison, three miles into town where it then connected to the existing collection system.

City Manager Cunningham agreed that this was helpful to the City in reducing costs but the savings on this one item paled in comparison with the losses that had been sustained by the City over the last twenty years the prison has been in operation because of the lower than necessary rates.

Mr. Bell further stated that since he was only recently made aware of the proposed action by the Council and because of its significant impact on its cost of operation, he wanted to request at least a 30 day delay in the Council making a final decision to adopt the new rates. This delay would give him a chance to have his financial people look at the information provided and allow consultation with the State regarding the possibility of amending their contract to allow coverage of this projected shortfall. He also stated that during the interregnum he wished to meet with the City Manager and Mayor and if necessary a representative from the State to discuss the possibility of negotiating a lower rate or see what accommodations could be made to mitigate the costs to MTC.

Mayor Evans then stated that since the next Council meeting was on the 14th of July, the delay would only be 28 days instead of the requested 30.

Councilman Posey asked that if such a delay were granted, would Mr. Bell assure the Council that every effort would be made to meet with all of the interested parties including the Mayor and City Manager try and work out a settlement, prior to the next Council meeting on July 14th.

Mr. Bell said every effort would be made to get the necessary parties together and that he would contact the City on Monday to set up a schedule.

Mayor Pro Tem Cox made a motion to postpone action on the proposed Ordinance No. 2016-05-19B to amend the Schedule of Fees until July 14th.

Councilman Clark seconded the motion.

The Mayor asked if there were any more comments or need for discussion and there being none, called for the vote.

The motion passed 5 – 0 – 0.

VI. NEW BUSINESS

1. City Council to hear, review, consider and/or take action OEDC Annual Report.

Mayor Evans introduced Agenda item VI.1 by reading the caption, then stated that Mayor Pro Tem Philip Cox, who is also Chairman of the Board of Directors of the Overton Economic Development Commission would make the report to the City Council.

Mayor Pro Tem Cox began the report by stressing the mission and objective of the OEDC was to support local businesses in the community by using the financial resources at its disposal to promote the development of blue collar jobs in the City. He added that incentive packages included grants and loans for business development for expansion of already existing businesses or to attract businesses that were established elsewhere to move to Overton or add branches here.

Mayor Pro Tem Cox stated that efforts were made to identify and locate eligible companies for incentives without much luck so the Board agreed to devote a considerable amount of available resources to improving the infrastructure.

This is a third method of supporting the local economy if specific projects are approved by the voters of Overton in a formal election. The Board did agree in 2015 to hold an election in May that identified five projects for voter approval. All of the projects passed by wide margins and a two year schedule had been prepared to implement the approved projects.

Mayor Evans stated that he had attended almost all of the OEDC meetings held in the past year and encouraged other Council members to do the same in the coming year.

Councilman Posey offered a motion to accept the Annual OEDC Report as presented.

Councilman Williams seconded the motion.

The Mayor asked if there were any more comments or need for additional discussion.

Mayor Pro Tem Cox stated that the OEDC Annual Report should be a continuing process every year and stressed its importance in providing proper oversight of OEDC activities.

There being no more comments the Mayor called for the vote.

The motion passed 5 – 0 – 0.

2. City Council to hear, review and direct staff to move forward with a Zoning Ordinance amendment to set minimum area standards per dwelling unit for Single Family and Multi-Family Residential Zoning Districts and amend the definition of Multiple-Family Dwelling for the City of Overton.

Mayor Evans introduced Agenda item VI.2 by reading the caption. Evans then led a general discussion of the issue of "tiny" houses and their acceptability in the City of Overton.

The City Manager Cunningham first gave some background on how the issue came up. Cunningham said that such a house had been moved onto a lot at 404 S. Lamar St. and was not discovered until the owner came in to get its utilities connected.

In reviewing the Zoning Ordinance, the City Secretary had discovered that the Ordinance did not contain a minimum dwelling size specification. For this reason, the City Manager had placed this item on the agenda and was seeking direction from the Council on what minimum size for Single Family and Multi-Family Residential Zoning Districts the Council wished to set. The City Manager then asked the City Council to provide direction on preparation of a draft Ordinance that would provide some level of control over these types of houses by establishing minimum square footage standard. Staff recommendations were for 1,000 square feet minimum for single family dwellings and 600 square feet for multi-family dwellings with an additional 100 sq. feet to be added for each bedroom.

Councilman Posey inquired as to whether or not the restriction on manufactured homes would prevent these types of structures from being introduced since they clearly are not built in place but rather hauled in and set down on the property.

City Manager Cunningham commented that some research would have to be done on that aspect of the issue; however, leaving that aside, an amendment to the Ordinance would be required to set a minimum sq. footage for dwellings that were built on site.

Councilman Posey commented that he thought a minimum of 1,000 sq. ft. might be too restrictive in light of the fact that some nice three bedroom homes were only slightly larger than 1,000 square feet at 1,300 square feet. Posey stated that he could live with that requirement as long as it was understood that the owner of such a home could ask the City Council (acting as the Zoning Board of Adjustment) for a Special Exception.

Mayor Pro Tem Cox made a motion to direct staff to prepare a draft Ordinance to amend the Zoning Ordinance to set minimum area standards per dwelling unit for Single Family and Multi-Family Residential Zoning Districts and amend the definition of Multiple Family Dwelling for the City of Overton.

Councilman Clark seconded the motion.

The Mayor asked if there were any more comments or need for discussion and there being none, called for the vote.

The motion passed 5 – 0 – 0.

3. City Council to hear, discuss, consider and/or take action regarding staff recommendation for proposed vision insurance coverage from Superior Vision of Texas for City provided Vision Insurance for City Employees for the 2016-2017 Fund Year.

City Manager Cunningham stated that the Vision Plan that had been approved for the first time last year has been provided through TML-IEBP Vision Insurance Plan. The City Secretary had found a plan that was equivalent but at a lower price and staff recommended that Council authorize the switching of providers for its employee vision plan. Based on the savings that would be accrued the following action was taken:

Mayor Pro Tem Cox made a motion to change the City's provider for its vision plan from TML_IEBP to Superior Vision effective October 1st, 2016.

Councilman Posey seconded the motion.

The Mayor asked if there were any more comments or need for discussion and there being none, called for the vote.

The motion passed 5 – 0 – 0.

4. City Council to hear, discuss, consider and/or take action regarding staff recommendation for proposed insurance coverage from TML Multi-State IEBP for the City provided Medical, Dental, Life, Insurance and Flexible Spending Accounts for City Employees for the 2016-2017 Fund Year.

Mayor Evans introduced Agenda item VI.4

City Manager Cunningham explained that the time had come for renewal of the City's Medical and Dental Plans that is provided by TML-IEBP. He further stated that based on the claims history from the previous year, the cost of the same plan as the one in place was going to increase 5% for the Medical Plan and 9.04% for the Dental Plan.

The provider had been requested to provide two other Options (B&C) of cost increases based on reducing the deductible from \$1,500 to \$1,000 (Option B) or from \$1,500 to \$750 (Option C). A chart containing a table that compared the two options was provided for discussion purposes.

The City Manager continued that while the \$1,500 deductible may create some hardship on the employees with medical problems, the additional cost of the City's share was going up \$4,730.40 even keeping the same deductible for the Medical coverage and Option B would be an additional \$9,459.94 or double the increase if Option B were chosen.

A recommendation to maintain the same coverage with the \$1,500.00 deductible was proposed.

Councilman Posey made a motion to maintain the current Plan as defined in Option A for the Medical, Dental, Life and Flexible Spending Plan.

Councilman Davis seconded the motion.

The Mayor asked if there were any more comments or need for discussion and there being none, called for the vote.

The motion passed 5 – 0 – 0.

5. Present the November 2016 Election Calendar with important dates to remember by members of Council.

City Manager Cunningham called the Council's attention to the fact that the general election to be held on November 8, 2016 required that a calendar be established that gave specific dates for the following actions: a deadline for posting the notice of candidates filing; the last day to order a general election; the last day to file a declaration of write-in candidacy; the last day to register to vote; first day of early voting; Last day to apply for ballot by mail; Last day of early voting; and last day to receive ballot by mail. A calendar listing these dates was provided to the Council.

No action was required on this item. It was for informational purposes only.

6. City Council to hear, discuss, consider and/or take action on staff report concerning drainage, water and sewer issues raised by residence in the Briarwood Unit # 2 Subdivision (Kingsway).

Mayor Evans introduced Agenda item VI.6

City Manager Cunningham introduced this item by stating that over the past several months, the City had received numerous complaints about alleged water and/or sewer leaks in the lower part of Kingsway St. Addition.

He stated that he had been out to the site on a few occasions with the Public Works Superintendent to discuss this issue with two residents whose homes were on the street. It was determined at that time, that these particular problems could not have been caused by water or sewer leaks because they were uphill from the lines that ran within 8' and parallel to the road.

City crews had also checked the runoff on several occasions and found there were no traces of chlorine in the water which indicated that the water did not come from leaks in the water line.

He pointed out that his research concerning this particular section of Kingsway had shown that it had never been approved nor accepted by the City. This is a precondition in the process of having the City officially take over responsibility for maintenance of the infrastructure. Because of this, although the City has routinely maintained the water and sewer lines and did its best to maintain the streets, it is not legally bound to do so.

City Manager Cunningham asserted that the problem of excess water in some of the yards of the homes on this section of Kingsway was not due to water and sewer leaks but more likely the result of active springs in the area or leaching from the retention pond on the North side of the property. He further stated that there is no way of knowing for sure without a hydrogeological study being performed by engineering specialists in this field.

In order to begin to resolve this chronic problem at this location, the City Manager suggested that staff be given direction to discuss the matter with the City Attorney to determine the City's legal liability in the matter and secondly to seek assistance from the City's Engineers in defining the scope of an engineering study that would be required to determine the source of the excessive water and the measures that would need to be taken to resolve the issue.

Mayor Pro Tem Cox made a motion to direct staff to seek a legal opinion as to the liability of the City for correcting this problem and discuss the matter with the City's Engineer to define the scope of a study that would be necessary in order to determine the exact cause of the problem and report back to the Council at a future meeting.

Councilman Clark seconded the motion.

The Mayor asked if there were any more comments or need for discussion and there being none, called for the vote.

The motion passed 5 – 0 – 0.

VII. CITY ADMINISTRATION'S MONTHLY REPORTS

1. Fire Department Monthly Report
2. Police Department Monthly
3. Department of Finance Monthly Report
4. City Manager's Monthly Report

City Manager Cunningham presented monthly departmental reports.

No Action Taken

VIII. ADJOURNMENT

Mayor Pro Tem Cox made a motion to adjourn.

Lawrence Davis seconded the motion.

Mayor Evans called for a vote.

Motion carried 5-0-0;

With no further business, the meeting was adjourned at 9:22 P. M.

Minutes approved and submitted and/or corrected this 14th day of July, 2016.



C. R. Evans, Jr.

C. R. Evans Jr., Mayor

Attested by:

Rachel Gafford

Rachel Gafford, City Secretary

EXHIBIT B



City of Overton

★ 1200 S. Commerce ★ Overton, Texas 75684 ★ 903.834.3171 voice ★ 903.834.3174 fax ★ www.ci.overton.tx.us

Mr. David Hudson
Warden- Billy Moore Correctional Facility
8500 N. Hwy 3053
Overton, Texas 75684

Re: Water and Sewer Bill for Month of July 2016

Dear Mr. Hudson:

The purpose of this letter is to transmit to you, your facility's water and sewer bill for the month of July 2016. As we discussed previously, I wanted to make sure that you received this bill with a little more information than is contained on the machine generated version since it will be the first bill you receive at the new rates.

Please understand that the motive here is not to gouge MTC based on the size of your company, but simply a case of the City trying to make sure that its costs to provide services are allocated fairly and equitably among its customers based on usage.

The prison facility is by far, the largest consumer of these services and I know that initiating these new rates could not come at a worse time since your usage, as well as that for every other customer, is probably the highest it will be for the year, because of the hot weather. However, financial exigencies require that we begin now.

The chart beginning on page 3, shows the calculations that are made in determining the charges for utility services provided by the City. The upper block contains calculations for "Water" charges and the lower block for "Sewer" charges. Each one of these is broken down into a Base Charge (for the first 1,000,000 gallons of water consumed) and a volume charge for each 1,000 gallons of water consumed over the minimum 1,000,000 gallons. The new rates beginning this month are in red lettering.

The final two columns on the right compare the charges under the previous rates with those under the new rates. The combined water and sewer charges under the old rates would have been \$30,869.70 but under the new rates it is \$40,451.40.

For cash flow purposes, I will propose that we can, if you want to do it, defer a portion of these charges and carry the balance forward with no interest until monthly bills are reduced during periods of lower consumption. Before the end of the year, we would have to true up the bills, but this would even out your cash flow over the year.

For example, if you pay \$35,451.40, the balance of \$5,000 will be carried forward without penalty or interest and added to the next bill which can also be partially paid until because of future lower consumption, the bills will lower and the balance forwarded can be paid down.

It you are interested in doing this, just let me know and I can draw up a payment agreement to formalize the process.

By next year, if the existing debt on the Bonds can be re-scheduled, this will lower the annual cost of service and the impact on your monthly rate should allow for a reduction.

Again, we regret having to increase your rates but we have no other choice if our fiduciary responsibility to the citizens of this City is to be met.

Finally, the last page of this letter contains a copy of your normal bill for the month of July. Your future bills will be sent on the first of the month in this format. If you have any questions related to this issue please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles Cunningham".

Charles Cunningham
City Manager

Cc: CR Evans, Mayor
Blake Thompson, City Attorney

Comparison of July Bill at Previous Rates and New Rates

Base Charge		Consumption *	Former	Current
	Water	First 1M gallons	Rates	Rates
Previous Base Rate	\$ 7,995	1,000,000	\$ 7,994.50	
New Base Rate	\$ 10,139	1,000,000		10,139.00
Volume Charge		>1,000,000		
Previous Volume Rate (/1,000 Gal)	\$ 4.75	1,786,000	\$ 8,483.50	
New Volume Rate (/1,000 Gal)	\$ 5.20	1,786,000		\$ 9,287.20
Total Charge for Water			\$ 16,478.00	19,426.20
Base Charge		Consumption *	Previous	Current
	Sewer	First 1M gallons	Charge	Charge
Previous Base Rate	\$ 7,337	1,000,000	\$ 7,337.00	
New Base Rate	\$ 11,145	1,000,000		11,145.00
Volume Charge		>1,000,000		
Previous Volume Rate (/1,000 Gal)	\$ 3.95	1,786,000	\$ 7,054.70	
New Volume Rate (/1,000 Gal)	\$ 6.00	1,786,000		\$ 10,716.00
Credit for Consumption				(835.80)
Total Charge for Sewer			\$ 14,391.70	21,025.20
Total Water and Sewer			\$ 30,869.70	\$ 40,451.40

*Consumption
From 6-23 to 7-21


2,786,000 30 Days
Gallons

City Of Overton
1200 S Commerce St.
Overton, TX 75684-0000

**PRESORTED
 FIRST CLASS MAIL
 U.S. POSTAGE PAID
 OVERTON, TX
 PERMIT #1**

Account Number		Bill From	Bill To	
03-080		08/23/16	07/21/16	
Previous Balance		Payments		
30,695.58		30,695.58		
Type	Amount	Previous	Current	Usage

SEWC 21,025.20 0 0
 WTRC 19,426.20 111045 113831 A 2768000

			
Account Number	Due Date	Amount Due After Due Date	Amount Due By Due Date
03-080	8/15/2016	42,394.02	40,451.40
RETURN THIS STUB WITH PAYMENT			

Address Service Requested

Current Amount	40,451.40
Amount Due Now	40,451.40
Pay After 08/15/16	42,394.02

CUSTOMER

MTC-BILLY MOORE CORRE

ADDRESS:

8500 N HWY 3053

MTC-BILLY MOORE CORRECTIONAL
P.O. BOX 100
OVERTON TX 75684

EXHIBIT C

Source of Data and Explanation 2016 Rate Study for Prison

Exhibit INDEX

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Exhibit H - Explanation of CO series 2002 from FY 2003 Audit Report.....	12
Exhibit I - Copy of Debt payment schedule from auditor notes.....	13
Exhibit J - Copy of Tax Rates paid by property owners since 2000.....	14
Exhibit K - Notes from 2003 Audit that explain the provenance of this debt.....	15
Exhibit L - Payment Schedule of Series 2003 Refunding and Tax Surplus CO and payment schedule of the 2003 Co supplemental \$400,000. issue.....	17
Exhibit M - Consolidated annual debt payment sheet for both the 2002 and 2003 issues.....	19
Exhibit N - Excerpt from 2003-04 Budget showing that the \$400,000 proceeds from the 2003 CO were for water and waste water improvements. (including \$46,800 for the pool.).....	20
Exhibit O - Excerpt from 2003-04 Budget showing the total cost of the water tower (\$399,326.20).....	21

Exhibit A. - This sheet titled "Analysis of Cost of Service..." is a copy that you probably already have. I had previously numbered the lines on the side which should be on your copy but, I have also added to this version letters for each of the columns in the first chart so 1D. for example is the amount (\$18,739) which corresponds to expenses allocated to only residential and commercial customers excluding the prison of costs associated with the Admin. Section and common expenses that are not operational.

The total amount in row 1 column G (\$74,956) was derived from the amount budgeted at the beginning of the fiscal year on 10-1-2015, for Utility Billing and General Admin. For the water

A copy of the page containing the Budget (line items) for Utility Billing and Admin. Expenses is on page 5. **Exhibit B.**

The column for the original budget shows total expenses of \$74,956 but the final column on page 6 shows a slightly different amount in the final column based on adjustments anticipated and needed by the end of the year. In this case as well as the case for Water Operations or Sewer Operational expenses, the variations are not significant.

40% of the total costs are allocated to "common-to-all". These include legal and audit fees, liability insurance and some personnel costs that are difficult to assign to operations. Of course the postage and labor intensive work on billing for residential and other commercial customers besides the Prison, are allocable to Residential/ Commercial.

Very little, that is about 10% is only directly charged to the prison. Being three miles from any other customer are unique to meter reading for the prison.

Lines 2.A and 3.B contain anticipated costs for Water Operation (2.A) and Sewer Operations Operations 3.B.

Exhibit C. Is a page from the budget reflecting costs of Water Operations. (\$253, 931.00) for the year. It may be argued that all of these should not be allocated to Common-to-all and with a good cost accounting system these costs could be defined with more precision. However, a cost accounting system does not exist and this year and last, the City spent an inordinate amount of maintenance and repair dollars on the lift station at the prison. If anything, more costs could be allocated specifically to the prison but these charges for rate purposes are charged to all.

Exhibit D. Is likewise a page from the budget that reflect costs of annual sewer operations. (\$244,050).

There should be very little confusion about the source and use of this cost information. The calculations shown in the body of the analysis sheet are drawn from these amounts.

Perhaps the most confusing part of distributing or allocating costs that are not operational is the debt service or contributions toward covering overhead costs that are directly charged to the General Fund.

The mechanism for accomplishing both are fund transfers out to i.) the Debt Service Fund and ii.) the General Fund.

In an effort to uncomplicate this process and make it more transparent. You will find a "Breakdown of Expenses Funded, By their Source" on page 9 EXHIBIT E.

The first column of text on the left hand side shows i.) a listing of funds that Water Revenues are transferred to which include , the General fund, the Bond Debt Service (I&S) Fund and the Debt Service Notes and Loans.

Water Revenue is transferred out of the Water/Sewer Fund to these various funds. The amount transferred for the 2015-16 fiscal year are listed in the next column. They totaled \$ 277,942.

The next set of text and amounts are set up the same way for sewer revenue. These total \$342,442. for the fiscal year.

The transfers Out are shown in Exhibit F page 10 which is an excerpt from the Budget that reflects transfers out from the water and sewer Fund.

The next question to answer is how were the amounts arrived at and where does the money go?

The first column under the larger heading of "Transfers In" for the water fund is titled General Fund. The amount transferred for both the water and sewer revenues is \$110,000. This is essentially a mechanism for reimbursing the General Fund for expenses charged to the general fund such as a portion of my (the City Manager's) salary and benefits as well as the Financial Director, City Secretary etc. As you know this is typically done in all Cities.

The total amount of \$220,000 represents about 16% of total general fund revenues for the year. This is the practice that has been going on for years and is common to most cities.

You will note that these costs are distributed equally among all the customers, "Common to All". The Prison is not directly charged even though I can tell you I spend and have spent an inordinant amount of time since I have been here on issues realted to the prison's water and sewer service as evidenced by this report.

The next items are amounts charged for payment of annual debt service on the City's outstanding bonds, prmissory notes and loans.

Exhibit G- page 11 is an excerpt from the budget showing all Revenue and Expenditures for the Debt Service Fund.

I am aware that Mr. Bell is under the impression that we are unfairly allocating bond costs to the prison that should not be charged at all or should be shared by others. but this chart will dispell that myth.

Hopefully this chart will dispell that myth.

The debt service fund is divided into payments for Bonded Debt in this case a 2002 Certificate of

Obligation Issue series 2002 and a 2003 refunding and CO bond.

The other part under "Loans and Notes" are for payments of loans made for W/S Utility purposes.

We will start with the Bonds which are the most critical.

It should be noted that total expenditures for each of the bonds and notes are shown in excerpts from the Budget as they appear in Exhibit G.

The two Bond Issues are a series 2002 CO and a 2003 Refunding and Surplus Revenue CO.

2002 CO- the purpose of the issuance of this Bond is described in Exhibit H, page 12 the public works purposes undoubtedly included some water and sewer line replacements since the bulk of the money was spent on paving projects but even this small amount was not charged to the prison as direct charges or common to all charges. An amount of \$18,472 of the total amount due of \$204,675 charges is only allocated to residential and other commercial customers, excluding the prison.

A copy of the payment schedule on the 2002 Bonds is shown in Exhibit I, page 13

The remaining amount is paid from property taxes. Each year the City Council sets a tax rate that includes a portion for general fund O&M expenses and a debt rate for retirement of bonded debt.

Exhibit J, page 14, shows a history of tax rate increases since 2000. as can be seen, the rate jumped from \$0.038 cents to \$0.18702 in 2002 to make payments on this new debt. It has increased to \$0.23800 in 2016 to account for the increases in debt service payments. It should be pointed out that the prison is not in the incorporated limits of the City and does not pay property taxes nor sales taxes unless the prison purchases supplies and materials from local vendors which is by my guess, not the case.

Only two or three employees of the prison actually live in Overton so there is very little positive impact from the prison on the City of Overton.

With regard to the 2002 CO revenue from the prison does not go to pay any of the 2002 Bonds. See lines 10 and 11 on columns A and B, the calculations exclude the \$18,472 amounts for both water and sewer.

2003 CO - This Refunding CO is broken down into two parts, a \$2,500,000 refunding of the 1994 and 1995 CO s that were issued in those respective years. Exhibit K. (p.15) refers to improvements for the water and wastewater systems that were needed as a result of constructing the prison three miles from the nearest existing water and sewer distribution and collection systems and under capacity for increasing use by more than 30%.

The other part was an additional \$400,000 that was needed for other improvements. Included in this \$400,000 issue that was the only item not related to water and sewer was proposed improvements to the local swimming pool that amounted to \$46,800. This is less than 2% of the total cost of the \$2.9 million dollar issue.

Just for reference the following Exhibits are included:

Exhibit L - Payment Schedule of Series 2003 Refunding and Tax Surplus CO
page 17 - and payment schedule of the 2003 Co supplemental \$400,000. issue.

Exhibit M - Consolidated annual debt payment sheet for both the 2002 and 2003 issues.
page 19

Exhibit N - Excerpt from 2003-04 Budget showing that the \$400,000 proceeds from the 2003 CO
page 20 were for water and waste water improvements. (including \$46,800 for the pool.)

Exhibit O - An excerpt from 2003-04 Budget showing the total cost of the water tower (\$399,326.20)
page 21

Exhibit O is relevant to show that the only cost that was participated in by the prison for constructing a new 250,000 gallon water tower was about 25% of its total cost. (\$103,200.0f \$399,000) The balance of \$399,000 was supplemented by a grant from the OEDC and a public works grant of \$196,126.20.

Returning to Exhibit E, the costs shown under the 2002 Bonds are not included in the charge to the prison and the \$94,470 each for the 2003 Bond are charged to the prison for the reasons shown in exhibits K through L.

Under the NOTES Section of Transfers, the detail of costs for each of these items are shown in Exhibit G. Loans for the EMS Building and Patrol cars are paid from "Transfers In" from the General Fund. Unfortunately, the OMDD rather loan the City money for needed expenses rather than grant it so, repairs to the water tower (\$5,000), purchase of a Vacuum Truck for sewer clean outs (\$9,500) and a \$10,000 annual payment for repairing the 10" force main where it goes into the Wastewater Treatment Plant, are charged to the water and sewer funds respectively.

The unsecured loan of \$150,000 was needed to cover overall losses to the system the prior year and as shown were distributed to all customers as "common-to-all".

This concludes the explanation and derivation of the numbers that appear in the first part used to allocate costs.

The other variables that are shown in formulas are consumption amounts by class that were derived from the billing system itself.

As far as the actual calculations beginning on Line 10, I am sending along a copy of the excel sheet that it is printed from.

I am sure you check and re-check the formulas to see if there are any problems.

Let me know if you need any additional information.

EXHIBIT A

Analysis of Cost of Service and Amount Due from Prison

Re-estimate of Expenses FY 2015-16							
Common to all		Residential/Comm.		Prison Only		Total G	
Water A	Sewer B	Water C	Sewer D	Water E	Sewer F		
1 Admin. - UB & Common Exp	\$ 14,991	\$ 14,991	\$ 18,739	\$ 18,739	\$ 3,748	\$ 3,748	\$ 74,956
2 Water Operations	\$ 253,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,931
3 Sewer Operations	\$ -	\$ 244,050	\$ -	\$ -	\$ -	\$ -	\$ 244,050
4 Transfers Out - Water	\$ 64,028	\$ 82,500	\$ 18,472	\$ -	\$ 94,470	\$ -	\$ 259,470
5 Transfers Out - Sewer	\$ 114,750	\$ 96,278	\$ -	\$ 18,472	\$ -	\$ 94,470	\$ 323,970
6 Water/Sewer Fund Total	\$ 447,700	\$ 437,819	\$ 37,211	\$ 37,211	\$ 98,218	\$ 98,218	\$ 1,156,377
	Water	Sewer *				\$ 188,940	
7 Avg Monthly Total Billed Consumption	8,388,222	7,633,673	Allowance of -9% for max rate on sewer charges.				
8 Avg Monthly Prison Consumption	2,582,333	2,453,217	Allowance of -5% for use and evaporation.				
9 Prison % of Total Costs	30.79%	32.01%	100%	100%			
10 Prison's Share of Water Expenses	\$ 137,825		\$ 98,218		\$ 236,043		
11 Prison's Share of Sewer Expenses		\$ 140,146		\$ 98,218	\$ 238,364		
					\$ 474,407	Total Cost of Service	
12 Amount due from Prison FY 2015-16	Water	\$ 236,043		Sewer	\$ 238,364	\$ 474,407	CoS
13 Amount Paid by Prison - Last 12 Months		181,661			157,132	\$ 338,793	Actual
14 Loss for 12 month Period ending April 2016		\$ (54,383)			\$ (81,232)	\$ (135,615)	Loss
Calculation of income from Prison based on Current Rates							
15 Current Base Rate	\$7,994.50	(Water)		\$7,336.88	(Sewer)		
16 Current Volume Rate	\$4.75	(Water)		\$3.95	(Sewer)		
17 Volume over 1,000,000	1,582,333	Gallons		1,453,217	less 5% allowance for use		
18 / 1,000	1,582			1,453	Vol per 1,000 gallons		
19 (Volume per 1,000 > 1M.) X Vol Rate	\$ 7,516.08			\$ 5,739.35			
20 Calculated Total Current Monthly Bill (Water)	\$ 15,510.58	(Water)		\$ 13,076.23	(Sewer)		
21 Amount of Estimated Income per year	\$ 186,126.98			\$ 156,914.76	\$ 343,042	Total	
Calculate New Base Rate							
22 Base Rate % of Tot	51.54%			56.11%			
23 Vol. Rate % of Tot	48.46%			43.89%			
24 Monthly Req	19,670			19,864			
25 New Monthly Base Rate	\$ 10,139	(Water)		\$ 11,145	(Sewer)		
Calculate New Volume Rate							
26 Total Req /Month	\$ 19,670			\$ 19,864			
27 Less Base	\$ (11,545)			\$ (11,145)			
28 Amt. for Vol Rate	\$ 8,125			\$ 8,718			
29 per 1,000 gallons	1,562			1,453			
30 New Volume Rate	\$ 5.20	(Water)		\$ 6.00	(Sewer)		
Comparison Current and New Rates Based on Cost Recovery							
31 Current Monthly Base rate (Water)	\$ 7,995			\$ 7,337			
32 Proposed Base Rate (Water)	\$ 10,139	(Water)		\$ 11,145	(Sewer)		
33 % Increase	27%			52%			
34 Current Volume Rate Water	\$ 4.75			\$3.95			
35 Proposed Volume Rate (Water)	\$ 5.20	(Water)		\$ 6.00	(Sewer)		
36 % Increase	10%			52%			

EXHIBIT B

Admin. - UB & Common Exp.
Expenditures

	Adopted FY 2016	Year to Date	Amend. # 2 9-15-2016
Salaries	25,764	21,267	26,119
Overtime	-	28	75
Vision Plan	109	36	60
Unemployment	90	171	90
Payroll Retirement	313	267	321
Payroll Health Ins.	5,284	4,032	4,881
Payroll Dental Ins.	416	315	382
Payroll Life Ins	41	11	64
Payroll FICA	1,984	1,674	2,005
Flexible Spending	36	-	36
Workers Comp.	116	-	45
Travel/Expenses	-	502	502
Training	-	295	295
Postage	5,200	3,964	5,200
Office Supplies	1,100	1,450	1,850
Copies & Copier	1,800	2,000	2,200
Legal/Professional	15,000	-	-
Computers/Software	3,500	-	3,500
Cell Phone Allowance	2,352	797	2,352
Telephone	1,200	433	700
Liability ins.	6,707	6,339	6,707
Uniforms	3,000	4,759	3,000
Contract labor	-	1,823	1,223
Legal/Professional	-	4,564	6,050
Audit Fees	-	2,850	5,500
USTI License/Maintenance	-	-	-
Computer training	-	1,165	1,200
Sub-total Administration.	74,012	58,738	74,357

EXHIBIT C

60 Water and Sewer Fund

<u>Water Operations</u>	<u>Adopted</u>	<u>Year to Date</u>	<u>Amend. # 2</u>
<u>Expenditures</u>	<u>FY 2016</u>		<u>9-15-2016</u>
Salaries	46,910	48,026	59,076
Overtime	5,963	6,434	9,347
Vision Plan	174	115	174
Unemployment	144	359	144
Payroll Retirement	569	671	792
Payroll Health Ins.	8,454	7,771	8,454
Payroll Dental Ins.	666	583	666
Payroll Life Ins	65	47	65
Payroll FICA	3,505	3,785	4,901
Flexible Spending	71	-	71
Workers Comp.	2,050	2,763	1,384
Travel/Expenses	500	394	500
Training	600	842	842
Electricity	40,345	26,484	33,845
Maintenance/Supplies	30,000	27,442	31,000
Gas & Oil	5,500	3,210	4,200
Veh. Repair	9,500	4,397	6,500
Minor Equipment	10,000	12,654	15,000
Contract labor	7,680	7,192	7,370
Equipment Maint.	25,000	9,712	12,000
Equipment Rental	-	1,500	1,500
State Permit Fees	6,500	2,604	3,500
Water Testing	1,500	3,223	4,500
Water Tank Inspections	1,200	1,200	1,200
Gen Maint. Water System	18,000	24,485	27,000
Fines & Penalties	13,200	284	3,200
Sub-total Water O&M	238,096	196,177	237,231

EXHIBIT D

60 Water and Sewer Fund

Sewer OperationsExpenditures

	Adopted FY 2016	Year to Date	Amend. # 2 9-15-2016
Salaries	46,910	46,026	59,076
Overtime	5,963	6,434	9,347
Vision Plan	174	115	174
Unemployment	144	359	144
Payroll Retirement	569	671	792
Payroll Health Ins.	8,454	7,772	8,454
Payroll Dental Ins.	666	582	666
Payroll Life Ins	65	64	65
Payroll FICA	3,505	4,134	4,901
Flexible Spending	71	-	71
Workers Comp.	2,050	61	1,050
Travel		33	33
Electricity	55,589	30,203	40,589
Maintenance/Supplies	30,000	30,825	32,500
Gas & Oil	5,500	2,777	3,500
Veh. Repair	9,500	3,150	5,000
Equipment	10,000	15,644	18,500
Contract labor	5,000	6,552	6,700
Equipment Maint.	25,000	10,010	12,500
Equipment Rental	-	2,741	3,000
Sludge Hauling	-	266	3,188
Sludge Pumping	-	490	500
State Permit Fees	10,000	4,333	5,000
Sewer Analysis & Inspect.	5,000	2,658	3,000
Gen Maint. SewerSystem	18,000	26,472	28,000
Sub-total Sewer M&O	242,160	202,370	246,750

EXHIBIT E

Breakdown of Expenses Funded by Source

Fund	Expense Funded Transfers Out from Water Fund	Transfers IN									
		Debt Service Fund					Notes				
		General Fund		Bonds			Water Tower		UBL		Total W
		Overhead	110,000	2002 CO	2003 CO	Sub Total	-	-	-	-	
	To General Fund	-	-	-	-	-	-	-	-	-	110,000
	To Bond I&S. COs	-	-	18,472	94,470	112,942	-	-	50,000	50,000	162,942
	To Debt Serv Notes & Loans	-	-	-	-	-	5,000	-	-	5,000	5,000
	Total	-	110,000	18,472	94,470	112,942	5,000	5,000	50,000	55,000	277,942

110,000
112,942
55,000
277,942

Fund	Expense Funded Transfers Out - from Sewer Fund	Transfers IN									
		Debt Service Fund					Notes				
		General Fund		Bonds			Vac Truck		UBL		Total S
		Overhead	110,000	2002 CO	2003 CO	Sub Total	-	-	-	-	
	To General Fund	-	-	-	-	-	-	-	-	-	110,000
	To Bond I&S. COs	-	-	18,472	94,470	112,942	-	-	-	-	112,942
	To Debt Serv Notes & Loans	-	-	-	-	-	9,500	100,000	10,000	119,500	119,500
	Total	-	110,000	18,472	94,470	112,942	9,500	100,000	10,000	119,500	342,442

110,000
112,942
119,500
342,442

EXHIBIT F

60 Water and Sewer Fund**Transfers Out - Water**

	Adopted FY 2016	Year to Date	Amend. # 2 9-15-2016
To General Fund	110,000	45,832	110,000
To Bond I&S. COs	112,942	37,157	112,942
To Debt Serv Notes & Loans	55,000	22,916	55,000
Sub-total Transfer out Water	277,942	105,905	277,942

Transfers Out - Sewer

To General Fund	110,000	36,666	110,000
To Bond I&S. COs	112,942	27,745	112,942
To Debt Serv Notes & Loans	119,500	39,833	119,500
Sub-total Transfer out Sewer	342,442	104,244	342,442

W/S Fund Total Expenditures

1,174,652	667,435	1,178,722
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EXHIBIT G

Debt Service (I&S) Funds**Revenue****2002-03 Bonds-**

Ad Valorem Taxes Current
 Ad Valorem Taxes Delinquent
 Tax Penalties and Int.
 Tax Collect Fees - Atty
 Transfers In Water Fund
 Transfers In Sewer Fund

Adopted FY 2016	Year to Date	Amend. # 2 9-15-2016
--------------------	--------------	-------------------------

172,820	155,690	162,820
2,624	8,760	11,624
-	2,397	2,500
-	891	1,100
112,942	87,157	112,942
112,942	87,157	112,942

Sub-Total **401,328** **342,050** **403,928**

Expenditures**2002 CO Bonds -**

Tax Collection Fees (Atty)
 2002 CO Bonds- Principal
 2002 CO Bonds- Interest

-	201	350
150,000	150,000	150,000
54,325	29,150	54,325

Sub-Total **204,325** **179,351** **204,675**

2003 CO and Refunding Bonds

Tax Collection Fees (Atty)
 Paying Agent Fees
 2003 CO Bonds- Principal
 2003 CO Bonds- Interest

-	1,370	2,500
-	300	300
165,000	-	165,000
31,390	15,995	31,390

Sub-Total **196,390** **17,665** **199,190**

Total Bond Debt Service **400,715** **197,016** **403,865**

Notes and Loans**Revenue**

Interest Income
 Transfers In Water
 Transfers In Sewer
 Transfers In General Fund

Adopted FY 2016	Year to Date	Amend. # 2 9-15-2016
50	-	50
55,000	22,916	80,000
119,500	39,833	99,500
35,973	11,991	35,973

Sub-Total **210,523** **74,740** **215,523**

Expenditures

EMS Building Loan
 Texas BAT - Police Vehicles
 OMDD 95K Promissory Note Vac Truck
 OMDD 50K Promissory Note WT
 OMDD 100K Promissory Note Sewer
 Unsecured Bank Loan
 Unsecured Bank Loan Int. 4 months

12,267	7,443	12,267
24,709	24,709	24,709
9,500	-	9,500
5,000	-	5,000
10,000	10,000	10,000
150,000	151,882	150,000
-	1,882	3,082

Sub-Total **211,476** **195,916** **214,558**

Total Debt Service (I&S) Funds Rev.

611,851 **416,791** **619,451**

Expenditures

612,191 **392,931** **618,423**

Difference

(340) **23,859** **1,028**

EXHIBIT H

Page 11 of 21

CITY OF OVERTON, TEXAS Notes to Financial Statements September 30, 2003

NOTE 7 - CHANGES IN LONG-TERM DEBT (continued)

The following is a summary of general obligation debt transactions for the year ended September 30, 2003.

	Certificates of Obligation	Capital Lease	Other Long Term Debt	
	<u>City Hall</u>	<u>Fire Truck</u>	<u>Long Term Debt</u>	<u>Total</u>
October 1, 2002	\$ 122,046	\$ 77,144	\$ 59,007	\$ 258,197
Additional Notes (Note 8)				
Retirements	<u>(7,655)</u>	<u>(7,911)</u>	<u>(4,326)</u>	<u>(19,892)</u>
September 30, 2003	<u>\$ 114,391</u>	<u>\$ 69,233</u>	<u>\$ 54,681</u>	<u>\$ 238,305</u>

Future maturities of debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 20,955	\$ 11,820	\$ 32,775
2005	21,749	11,081	32,830
2006	22,581	9,944	32,525
2007	23,455	8,768	32,223
2008	24,372	7,548	31,920
Thereafter	<u>125,193</u>	<u>71,873</u>	<u>197,066</u>
Total	<u>\$ 238,305</u>	<u>\$ 121,034</u>	<u>\$ 359,339</u>

The Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2002, totaling \$1,450,000 were issued for the purpose of paying contractual obligations to be incurred for the construction of public works, street improvements, including drainage improvements, land and right-of-way acquisition and professional services related thereto. The certificates dated July 15, 2002 were issued at face value. There was bond issuance cost of \$17,870 which is included in deferred charges. This cost is being amortized over the life of the certificates. The total amount amortized during the year ended September 30, 2003 was \$715. The certificates are to be payable from ad valorem taxes and a lien on and pledge of the net revenue derived from the operation of the City's combined Waterworks and Sewer System. The bonds bear interest at a rate of 5.3%.

EXHIBIT I

CO Series 2002

Debt Payment Schedule

1,450,000

Maturity Schedule

		Principal	Balance	Interest
			1,450,000.00	
2/15/2003	2003	15,000.00	1,435,000.00	44,829.00
8/15/2003	2003		1,435,000.00	38,028.00
2/15/2004	2004	15,000.00	1,420,000.00	38,028.00
8/15/2004	2004	-	1,420,000.00	37,630.00
2/15/2005	2005	15,000.00	1,405,000.00	37,630.00
8/15/2005	2005	-	1,405,000.00	37,233.00
2/15/2006	2006	15,000.00	1,390,000.00	37,233.00
8/15/2006	2006	-	1,390,000.00	36,835.00
2/15/2007	2007	15,000.00	1,375,000.00	36,835.00
8/15/2007	2007	-	1,375,000.00	36,438.00
2/15/2008	2008	15,000.00	1,360,000.00	36,438.00
8/15/2008	2008	-	1,360,000.00	36,040.00
2/15/2009	2009	15,000.00	1,345,000.00	36,040.00
8/15/2009	2009	-	1,345,000.00	35,643.00
2/15/2010	2010	20,000.00	1,325,000.00	35,643.00
8/15/2010	2010	-	1,325,000.00	35,113.00
2/15/2011	2011	20,000.00	1,305,000.00	35,113.00
8/15/2011	2011	-	1,305,000.00	34,583.00
2/15/2012	2012	20,000.00	1,285,000.00	34,583.00
8/15/2012	2012	-	1,285,000.00	34,053.00
2/15/2013	2013	20,000.00	1,265,000.00	34,053.00
8/15/2013	2013	-	1,265,000.00	33,523.00
2/15/2014	2014	25,000.00	1,240,000.00	33,523.00
8/15/2014	2014	-	1,240,000.00	32,860.00
2/15/2015	2015	140,000.00	1,100,000.00	32,860.00
8/15/2015	2015	-	1,100,000.00	29,150.00
2/15/2016	2016	150,000.00	950,000.00	29,150.00
8/15/2016	2016	-	950,000.00	25,175.00
2/15/2017	2017	150,000.00	800,000.00	25,175.00
8/15/2017	2017	-	800,000.00	21,200.00
2/15/2018	2018	160,000.00	640,000.00	21,200.00
8/15/2018	2018	-	640,000.00	16,960.00
2/15/2019	2019	160,000.00	480,000.00	16,960.00
8/15/2019	2019	-	480,000.00	12,720.00
2/15/2020	2020	160,000.00	320,000.00	12,720.00
8/15/2020	2020	-	320,000.00	8,480.00
2/15/2021	2021	160,000.00	160,000.00	8,480.00
8/15/2021	2021	-	160,000.00	4,236.00
2/15/2022	2022	160,000.00	-	4,236.00
8/15/2022	2022	-	-	-

EXHIBIT J

TAX RATE HISTORY - 2000-2017

FY Year	Tax Rates		
	O&M	Debt	Total
2000-01	0.62999	0.03800	0.66799
2001-02	0.48949	0.18702	0.67650
2002-03	0.50220	0.17395	0.67650
2003-04	0.49425	0.16984	0.66409
2004-05	0.41020	0.20170	0.61190
2005-06	0.37770	0.21990	0.59760
2006-07	0.38329	0.19710	0.58039
2007-08	0.38090	0.17500	0.55590
2008-09	0.38090	0.17500	0.55590
2009-10	0.38090	0.17500	0.55590
2010-11	0.38663	0.17371	0.56034
2011-12	0.39781	0.17872	0.57653
2012-13	0.41735	0.15415	0.57150
2013-14	0.40397	0.14921	0.55318
2014-15	0.41000	0.21800	0.62800
2015-16	0.41000	0.21800	0.62800
2016-17	0.41000	0.23800	0.64800

EXHIBIT K

CITY OF OVERTON, TEXAS Notes to Financial Statements September 30, 2003

NOTE 7 - CHANGES IN LONG-TERM DEBT (continued)

Future maturities of debt are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 15,000	\$ 75,658	\$ 90,658
2005	15,000	74,863	89,863
2006	15,000	74,068	89,068
2007	15,000	73,273	88,273
2008	15,000	72,478	87,478
Thereafter	<u>1,360,000</u>	<u>683,432</u>	<u>2,043,432</u>
Total	\$ <u>1,475,000</u>	\$ <u>1,053,772</u>	\$ <u>2,488,772</u>

Enterprise Funds

The Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 1994, totaling \$1,600,000 were issued for the purpose of paying contractual obligations to be incurred for the construction of improvements and extensions to the City's combined Waterworks and Sewer System, including expansion of sewer treatment plant facilities and professional services rendered in relation to such construction and the financing thereof. The certificates dated January 1, 1994, were issued at a discount of \$16,025. This discount is being amortized over the life of the certificates. The total amount amortized during the year ended September 30, 2003 was \$801. There was also bond issuance cost of \$53,700 which is included in deferred charges. This cost is being amortized over the life of the certificates. The total amount amortized during the year ended September 30, 2003 was \$2,685. The certificates were to be payable from ad valorem taxes and a lien on and pledge of the net revenue derived from the operation of the City's combined Waterworks and Sewer System. In 2003 the 1994 series was refunded, as noted below.

The Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 1995, totaling \$1,475,000 were issued for the purpose of paying contractual obligations incurred for the construction of improvements and extensions to the City's combined Waterworks and Sewer System, including expansion of sewer treatment plant facilities, improvement to city owned property, and professional services rendered in relation to such construction and the financing thereof. The certificates dated August 15, 1995, were issued at face value. There was also bond issuance cost of \$135,540 which is included in deferred charges. This cost is being amortized over the life of the certificates. The total amount amortized during the year ended September 30, 2003, was \$6,777.

CITY OF OVERTON, TEXAS
Notes to Financial Statements
September 30, 2003

NOTE 7 - CHANGES IN LONG-TERM DEBT (continued)

Enterprise Funds (continued)

The certificates are to be payable from ad valorem taxes and a lien on and pledge of the net revenue derived from the operation of the City's combined Waterworks and Sewer System. In 2003 the 1995 Series was refunded, as noted below.

The General Obligation Refunding Bonds, Series 2003, totaling \$2,500,000 were issued for the purpose of refunding obligations to restructure the City's outstanding indebtedness to allow for the issuance of additional obligations for capital improvements. The refunding bonds provided for the redemption of the City of Overton, Texas, Tax and Waterworks and Surplus Revenue Certificates of Obligation, Series 1994, dated January 1, 1994, aggregating in principal amount of \$1,185,000 and City of Overton, Texas Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 1995, dated August 15, 1995 and aggregating in principal amount \$1,190,000. The refunding obligations dated July 8, 2003 had a bond issuance cost of \$55,887, which is included in deferred charges. This cost is being amortized over the life of the certificates. The total amount amortized during the year ended September 30, 2003 was \$3,493. The refunding obligations are to be payable from ad valorem taxes and a lien on and pledge of the net revenue derived from the operation of the City's combined Waterworks and Sewer System.

The Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2003, totaling \$400,000, were issued for the purpose of paying contractual obligations to be incurred for the construction of public works, improvements to the City's combined Waterworks and Sewer System, municipal swimming pool improvements and professional services rendered in relation to the construction and financing such projects. The certificates dated July 8, 2003 had bond issuance costs of \$300, which is included in deferred charges. This cost is being amortized over the life of the certificates. The total amount amortized during the year ended September 30, 2003 was \$19. The certificates are to be payable from ad valorem taxes and a lien on and pledge of the net revenue derived from the operation of the City's combined Waterworks and Sewer System. The following is a summary of bond transactions of the City for the year ended September 30, 2003.

	Revenue Bonds (Net of Discount)
October 1, 2002	\$ 2,365,985
Retired 2002 - 2003	(2,375,000)
Issued 2002 - 2003	2,900,000
Amortization of Discount	<u>520</u>
September 30, 2003	\$ 2,891,505

EXHIBIT L

Series 2003 Refunding & Tax Surplus

2,500,000

Maturity Schedule

	<u>Principal</u>	<u>Balance</u>	<u>Interest</u>
2/15/2004 2004	-	2,500,000.00	54,347.22
8/15/2004 2004	110,000.00	2,390,000.00	53,750.00
2/15/2005 2005	-	2,390,000.00	51,385.00
8/15/2005 2005	115,000.00	2,275,000.00	51,385.00
2/15/2006 2006	-	2,275,000.00	48,912.50
8/15/2006 2006	135,000.00	2,140,000.00	48,912.50
2/15/2007 2007	-	2,140,000.00	46,010.00
8/15/2007 2007	140,000.00	2,000,000.00	46,010.00
2/15/2008 2008	-	2,000,000.00	43,000.00
8/15/2008 2008	150,000.00	1,850,000.00	43,000.00
2/15/2009 2009	-	1,850,000.00	39,775.00
8/15/2009 2009	155,000.00	1,695,000.00	39,775.00
2/15/2010 2010	-	1,695,000.00	36,442.50
8/15/2010 2010	160,000.00	1,535,000.00	36,442.50
2/15/2011 2011	-	1,535,000.00	33,002.50
8/15/2011 2011	180,000.00	1,355,000.00	33,002.50
2/15/2012 2012	-	1,355,000.00	29,132.50
8/15/2012 2012	190,000.00	1,165,000.00	29,132.50
2/15/2013 2013	-	1,165,000.00	25,047.50
8/15/2013 2013	200,000.00	965,000.00	25,047.50
2/15/2014 2014	-	965,000.00	20,747.50
8/15/2014 2014	205,000.00	760,000.00	20,747.50
2/15/2015 2015	-	760,000.00	16,340.00
8/15/2015 2015	130,000.00	630,000.00	16,340.00
2/15/2016 2016	-	630,000.00	13,545.00
8/15/2016 2016	140,000.00	490,000.00	13,545.00
2/15/2017 2017	-	490,000.00	10,535.00
8/15/2017 2017	155,000.00	335,000.00	10,535.00
2/15/2018 2018	-	335,000.00	7,202.50
8/15/2018 2018	160,000.00	175,000.00	7,202.50
2/15/2019 2019	-	175,000.00	3,762.50
8/15/2019 2019	175,000.00	-	3,762.50

Series 2003 Refunding & Tax Surplus

400,000

Maturity Schedule

		<u>Principal</u>	<u>Balance</u>	<u>Interest</u>
2/15/2004	2004		400,000.00	8,695.56
8/15/2004	2004	15,000.00	385,000.00	8,600.00
2/15/2005	2005	-	385,000.00	8,277.50
8/15/2005	2005	20,000.00	365,000.00	8,277.50
2/15/2006	2006	-	365,000.00	7,847.50
8/15/2006	2006	20,000.00	345,000.00	7,847.50
2/15/2007	2007	-	345,000.00	7,417.50
8/15/2007	2007	25,000.00	320,000.00	7,417.50
2/15/2008	2008	-	320,000.00	6,880.00
8/15/2008	2008	25,000.00	295,000.00	6,880.00
2/15/2009	2009	-	295,000.00	6,342.50
8/15/2009	2009	25,000.00	270,000.00	6,342.50
2/15/2010	2010	-	270,000.00	5,805.00
8/15/2010	2010	25,000.00	245,000.00	5,805.00
2/15/2011	2011	-	245,000.00	5,267.50
8/15/2011	2011	30,000.00	215,000.00	5,267.50
2/15/2012	2012	-	215,000.00	4,622.50
8/15/2012	2012	30,000.00	185,000.00	4,622.50
2/15/2013	2013	-	185,000.00	3,977.50
8/15/2013	2013	30,000.00	155,000.00	3,977.50
2/15/2014	2014	-	155,000.00	3,332.50
8/15/2014	2014	35,000.00	120,000.00	3,332.50
2/15/2015	2015	-	120,000.00	2,580.00
8/15/2015	2015	20,000.00	100,000.00	2,580.00
2/15/2016	2016	-	100,000.00	2,150.00
8/15/2016	2016	25,000.00	75,000.00	2,150.00
2/15/2017	2017	-	75,000.00	1,612.50
8/15/2017	2017	25,000.00	50,000.00	1,612.50
2/15/2018	2018	-	50,000.00	1,075.00
8/15/2018	2018	25,000.00	25,000.00	1,075.00
2/15/2019	2019	-	25,000.00	537.50
8/15/2019	2019	25,000.00	-	537.50

EXHIBIT M

CO Series 2002

1,450,000

REF & TS Series 2003

2,500,000

400,000

0.2325

FY

2003	97,857		
2004	90,658	218,097	32,296
2005	89,863	217,770	36,555
2006	89,068	232,825	35,695
2007	88,273	232,020	39,835
2008	87,478	236,000	38,760
2009	86,683	234,550	37,685
2010	90,756	232,885	36,610
2011	89,696	246,005	40,535
2012	88,636	248,265	39,245
2013	87,576	250,095	37,955
2014	91,383	246,495	41,665
2015	202,010	162,680	25,160
2016	204,325	167,090	29,300
2017	196,375	176,070	28,225
2018	198,160	174,405	27,150
2019	189,680	182,525	26,075
2020	181,200		
2021	172,716		
2022	164,236		

EXHIBIT N

WATER FUND - \$400,000 CONSTRUCTION FUND		FUNCTION: REVENUES	
REVENUES CLASSIFICATION		BUDGET 2002-03	ESTIMATED 2003-04
2500-0000 \$400,000 CERTIFICATE OF OBLIGATION PROCEEDS			\$400,000.00
2501-0000 INTEREST INCOME			2,000.00
2502-0000 SOUTHSIDE BANK PROCEEDS			
TOTAL REVENUES			\$402,000.00

WATER FUND - \$400,000 CONSTRUCTION FUND		FUNCTION: EXPENDITURES	
EXPENDITURES CLASSIFICATION		BUDGET 2002-03	ESTIMATED 2003-04
2500-0380 WATER TOWER			\$103,200.00
2501-0381 WATER/SEWER PROJECTS			250,000.00
2502-0382 POOL			46,800.00
2503-0383 TRANSFER INTEREST TO DEBT FUND			2,000.00
2504-0384 FINANCIAL ADVISORY SERVICES			
TOTAL EXPENSES			\$402,000.00

TOTAL REVENUES	\$402,000.00
TOTAL EXPENDITURES	\$402,000.00
NET SURPLUS (DEFICIT)	\$0.00

EXHIBIT O

WATER FUND - WATER TOWER CONSTRUCTION FUND		FUNCTION: REVENUES	
REVENUES		BUDGET	ESTIMATED
CLASSIFICATION		2002-03	2003-04
2700-0000 WATER TOWER GRANT PROCEEDS			\$196,126.20
2701-0000 OEDC			100,000.00
2702-0000 TRANSFER FROM \$400,000 CONSTRUCTION FUND			103,200.00
TOTAL REVENUES			\$399,326.20

WATER FUND - WATER TOWER CONSTRUCTION FUND		FUNCTION: EXPENDITURES	
EXPENDITURES		BUDGET	ESTIMATED
CLASSIFICATION		2002-03	2003-04
2700-0390 CONSULTANT FEES			25,000.00
2701-0391 ENGINEERING FEES			30,000.00
2702-0392 CONSTRUCTION FEES			344,326.20
TOTAL EXPENSES			\$399,326.20

TOTAL REVENUES	\$399,326.20
TOTAL EXPENDITURES	399,326.20
NET SURPLUS (DEFICIT)	\$0.00

