



Willows City Council Special Town Hall Meeting-Sewer Rate Adjustment

March 09, 2020
Willows City Hall
6:30 p.m.

City Council
Kerri Warren, Mayor
Larry Domenighini, Vice Mayor
Gary Hansen, Council Member
Lawrence Mello, Council Member
Joe Flesher, Council Member

Interim City Manager
Wayne Peabody

City Clerk
Tara Rustenhoven

201 North Lassen Street
Willows, CA 95988
(530) 934-7041

Agenda

1. **CALL TO ORDER- 6:30 p.m.**
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL**
4. **PRESENTATION**
 - a. City Staff will present and discuss information about structure of sewer operations and the proposed rate increase for sewer service fees.
5. **QUESTIONS AND ANSWERS**
6. **PUBLIC COMMENT**

Public Comment is restricted to only those topic(s) listed on the agenda and is generally restricted to three minutes.
7. **CLOSING COMMENTS**
8. **ADJOURNMENT**

This agenda was posted on March 06, 2020



Tara Rustenhoven, City Clerk

A complete agenda packet, including staff reports and back-up information, is available for public inspection during normal work hours at City Hall or the Willows Public Library at 201 North Lassen Street in Willows or on the City's website at www.cityofwillows.org.

In compliance with the Americans with Disabilities Act, the City of Willows will make available to members of the public any special assistance necessary to participate in this meeting. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132). The public should contact the City Clerk's office at 934-7041 to make such a request. Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

The City of Willows is an Equal Opportunity Provider

CITY OF WILLOWS - TOWN HALL MEETING RULES



Monday March 9, 2020

The City of Willows periodically holds Town Hall meetings to allow its residents and any individual/organization to voice opinions about the City's business or ask questions of the City Council and/or City Staff.

The goal of these meetings is to enhance communication and encourage positive dialogue. All constructive suggestions and comments are welcome. The Brown Act precludes matters raised at a special meeting from immediately being presented for a vote.

Although these meetings are intended to be an open forum, the following rules of order will be enforced to promote civility and ensure that anyone who wishes may be heard:

1. 120 minutes will be set aside for the meeting (although the meeting may be adjourned early if the agenda is completed).
2. The City Mayor is designated as the Chair to moderate the meeting unless he/she designates the responsibility to another Council Member or member of City Staff. The Chair has sole power to recognize each speaker and grant him/her the floor.
3. Each person wishing to comment at the meeting may reserve time by providing his/her name to the City Clerk before the commencement of the meeting or immediately following City presentation. Questions should be written on 3 x 5 cards provided and submitted to the City Clerk prior the commencement of the meeting. Responses to written questions will be given following staff presentation.
4. When recognized, each speaker will have three (3) minutes ask questions or to deliver public comment regarding the noticed topic. Council or Staff response time will not be counted toward the three minutes. A speaker may not relinquish his or her time to another speaker.
5. If a question has been asked previously or the topic already discussed, it is requested that you pass on your time so that others may have an opportunity.
6. While a person is speaking, no interruptions will be tolerated (verbal or otherwise). The Chair will extend one warning to any person who makes any outburst or interruption when he/she does not have the floor, or who makes an inappropriate comment or personal attack. A second offense will result in dismissal from the meeting.
7. These rules apply to all in attendance, including the City Council and City Staff.
8. The City Clerk shall keep minutes of the meeting and shall audio record the meeting.

Your Participation in Town Hall Meetings is always welcome and your courtesy in obeying these rules stated above is appreciated.



CITY OF WILLOWS

SEWER FUNDS-WHERE DO THEY COME FROM AND WHERE DO THEY GO?

What Makes Up the “Sewer System”

Collection of Sewer Waste

- 30.2 miles of sewer pipe
- 5 lift stations to assist flow to sewer treatment facility

Treatment of Sewer Waste

- Facility required to be upgraded to near drinking water quality outflow in 2007 (\$10.1 Million)
- 1.2 MM gallons per day capacity (currently approximately 700K)

Sewer Revenue-Where Does It Come From

- *Residential Customers- Billed on an annual basis via your property tax bill (residences that are connected to the system in the City and in the Northeast Willows Community Services District)-Flat Rate based upon number of dwelling units on the connection*
- *Commercial Customers-Billed on a monthly basis by Cal Water based upon water usage*
- *Interest Earnings on Funds Held*
- *Connection and Development Impact Fees-Charged on any new connection or re-connection. Funds must be used on expansion of equipment and infrastructure, not replacement or repair*

Sewer Revenue-Where Does It Come From

Annual Estimated Revenue for Operations, Debt Payment, and Replacement

| | |
|--------------------------|------------------|
| Residential Users | \$1,322,000 |
| Commercial Users | \$ 267,000 |
| <u>Interest</u> | <u>\$ 18,000</u> |
| Estimated Annual Revenue | \$1,607,000 |

For Operations, Debt Payment, and Replacement

Connection and Development Impact Fees- (\$3,500 to \$15,000 per year)
cannot be used for operations, debt, or replacement. Must be used on expansion.

Sewer Expenditures-Where Does It Go

- City Personnel (4 full time positions)-Wage, benefits, overtime, employer payroll taxes, uniform and safety, training. City personnel utilized for the collection system.
- Contract and Professional Services- Contract services to operate and provide routine repair and maintenance to the treatment plant , legal and engineering services
- System Operations-Utilities, repairs and maintenance to collection system, equipment, and non-routine to treatment plant, fuel
- General and Administrative-Insurance, operating permits, direct office expenses, services provided by non-Sewer Fund City employees for admin. services
- Debt Service
- Replacement of infrastructure and equipment

Sewer Expenditures-Where Does It Go

Based Upon Fiscal Year Ending June 30, 2019 Cash Flow Expenditures

| | |
|---------------------------------------|------------------|
| ○ City Personnel Costs | \$385,000 |
| ○ Contract and Professional Services | \$720,000 |
| ○ System Operations | \$237,000 |
| ○ General and Administrative | \$110,000 |
| ○ <u>Debt Service</u> | <u>\$353,000</u> |
| Cash Flow Operations and Debt Service | \$1,805,000 |

Sewer Expenditures-Where Does it Go

| | |
|--------------------------------------------|--------------------|
| Cash Flow Revenue | \$1,607,000 |
| <u>Cash Flow Expenses and Debt Service</u> | <u>\$1,805,000</u> |
| Cash Flow Loss | (\$ 198,000) |

The sewer system is not sustaining operations and debt service and is not providing any funds for replacement of aging infrastructure and equipment.

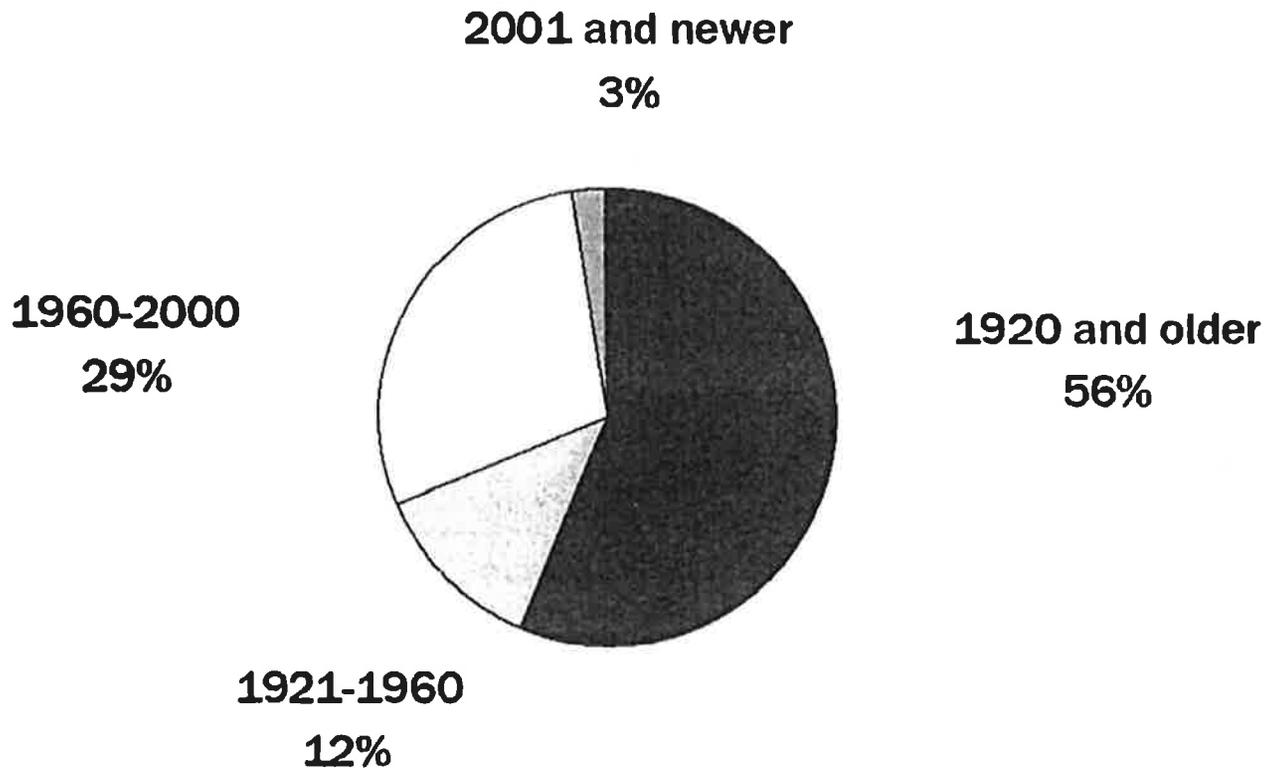
What has been done regarding costs

- Contract treatment plant operations will be re-bid for November 1, 2020 start
- Analysis of bringing treatment in house vs. contract has been completed
- Proposal to Council to move one City position from the Sewer Fund to the General Fund effective 7/1/20 as part of 2020-21 City budget.
- Overtime directly follows the classification of the employee (General Fund vs. Sewer Fund)
- Fuel cost allocation will be reviewed and recommendation provided for 7/1/20 budget
- Negotiations regarding the solar field remain in progress-the City does not own the solar field; it is under a power purchase agreement.
- Refinancing the debt cannot take place until there is a rate structure that a lender will accept.

Aging Infrastructure

- Over 30 miles of sewer lines- 29% 20- 60 years old, 12% 61-99 years old, 56% 100 years or older (Estimated replacement cost of \$4MM as of 2008)
- 5 lift stations-30-40 years old (est \$100K each to retrofit/replace)
- Sewer Treatment plant-12 years old (replacement items have started to arise)
- Must be funded from sewer user fees
- Cannot use sewer connection fees for replacement. Must be used on expansion.

AGE OF SEWER LINES BY PERCENTAGE



Why Is Sewer Treatment Contracted

- Highly technical licenses required for sewer treatment employees. We do not have that level of licensing in house.
- City would need to pay in the competitive market, statewide, not locally, to attract in house staff.
- Contract operator has the ability to tap expertise of others within their organization. City would have to pay for such technical support.
- Contract operator assumes liability for violation fines. City would bear that directly with in-house employees.
- Analysis was completed, noting that the costs of in house vs. contract operations were roughly the same.

What Does the Proposed Increase Look Like

Residential

| | |
|-------------------------------------|-------------------------------------------------------|
| -Current-Per Dwelling Unit Per Year | \$482.28 |
| -Effective 7/1/20-5% | \$506.39 (\$24.11 per/year, \$2.01 per month from PY) |
| -Effective 7/1/21-5% | \$531.71 (\$25.32 per/year, \$2.11 per month from PY) |
| -Effective 7/1/22-5% | \$558.30 (\$26.59 per/year, \$2.22 per month from PY) |
| -Effective 7/1/23-5% | \$586.21 (\$27.91 per/year, \$2.33 per month from PY) |
| -Effective 7/1/24-5% | \$615.52 (\$29.31 per/year, \$2.44 per month from PY) |

What Does the Proposed Increase Look Like

- 5% Increase Per Year for 5 years compounds to a total of 27.6% over the 5 years
- Each 5% increase raises an additional +/- \$80,000 in sewer revenue

What Are the Next Steps

- Notice of Protest Hearing will follow-hearing will likely be scheduled for mid May. Council will set date for the protest hearing at the March 10 City Council meeting.