



CITY OF BISHOP

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Minutes

Water and Sewer Commission

May 12, 2009

Call To Order:

Chairman Cross called the meeting to order at 7:03 P.M.

Pledge of Allegiance:

The Pledge of Allegiance was led by Chairman Cross

Commissioners Present:

Cross, Martin, Bhakta, Mathieu and Underhill

Commissioners Absent:

None

Others Present:

Dave Grah, Public Works Director
Deston Dishion, Public Works Superintendent
Michele Thomas, Secretary
Georgette Aronow, EcoLogic, by teleconference

Public Comment:

There was no public comment.

(1) Approval of the Minutes:

Commissioner Underhill moved to approve the minutes of the March 10, 2009 meeting as written and motion carried.

New Business:

(2) 2008 Water and Sewer Study Review and Recommendations to Council

Aronow highlighted the findings for the City of Bishop 2008 Water and Sewer Rate Study. Most of the focus was given to the projected costs for each fund on an annual basis. Once the cost is determined, it is then spread out to all account holders. The cost is spread by an equivalent dwelling unit (EDU). One EDU is considered equal to a single family home.

In sewer, an EDU is based on gallons per day of sewer flow. The flow usage factor for a single family residential unit was assumed to be 263 gallons per day (gpd) based on current flows at the wastewater treatment plant. The average flow was determined by dividing the average flow at the plant by the current number of EDUs. In water, an EDU is based on gallons per day of water flow. The flow usage factor for a single family residential unit was assumed to be 449 gallons per day (gpd) based on per capita consumption documented in the City's Water Master Plan.

Careful review was done by Grah and staff of the current costs and projected future year costs for the water and sewer funds, with attention to personnel costs and capital costs. For personnel costs, the annual cost was adjusted based on a review of actual time spent by staff on water or sewer tasks over the last few years. For capital costs, a total value was determined of the water and sewer systems if constructed today and an assumption of life between replacement and or reconstruction for each element in the system. After both costs were updated, the allocations for salary and benefits in water and sewer decreased. Water had a 10% reduction in personnel costs, and sewer a 9% reduction in personnel cost. The calculated rates based on projected annual water costs for operations and maintenance and capital costs for the water fund is projected to be \$360,830 escalated by five percent per year, down from the prior analysis of \$590,000. The calculated rates for sewer for the same costs are projected to be \$351,874 escalated by five percent per year, higher from the prior analysis of \$190,000.

Based on the comparison of projected expenses versus revenues, Eco:Logic recommends the monthly water rates be reduced over the next two fiscal years, and then increased in fiscal year 2011-12. Sewer rates are recommended to increase each year through 2013-14, with an increase of 22% in the first year of rate increases, and approximately 6% annually thereafter. The suggested ongoing increase in rates is primarily being driven by cost adjustment factors that are intended to reflect inflation and other cost escalation pressures, while no new growth is anticipated to spread the increased costs over a greater number of customers.

Based on a review of current EDU factors and wastewater rates, Eco:Logic is recommending the EDU factor for gas station islands and hotels be revised. Gas stations typically have significant wastewater generation as customers use the restrooms frequently. The EDU factor should be increased from the current 0.4 to 1.9 equivalent dwelling units, as is the standard generation rate reported by the State Water Resources Control Board (SWRCB). The SWRCB states that typical gas station restrooms use 500 gallons per day, four times higher than the current charges of 150 gallons per day placed by the city. Hotel rooms can also produce large wastewater flow based on the SWRCB published standards, and should be increased from 0.25 to 0.48 EDUs per room. The SWRCB stated hotel rooms, without a kitchen, use approximately 100-150 gallons per day per room. This amount is higher than the 25%, or 66 gallons per day factor the city currently charges.

Aronow explained to the commission that if we agree with the analysis from Eco:Logic, gas stations and hotels will increase and all other accounts will pay a slightly lower rate. If the number of EDUs goes up for one category then the rate impact for that category goes up and the rate impact for all other account types goes down. Cross questioned the increase for sewer to both these account types being higher than the water they are supposedly using. Aronow explained it is not based on water flow alone, but on a concentration component. Hotels are

usually occupied 70% of the time; it is equivalent to a single family unit. Hotels are charged less than half what a single family unit is charged. With gas stations, there is a lot of traffic going through town and using the restrooms to make their gallons per day higher.

Grah asked Aronow if the city was interested in making adjustments to the rates, but not the EDU factors, would the rates need to go up more for everyone. Aronow stated the rates would go up for everybody if the factors were not changed. Cross again questioned the concentration for the hotel rooms doubling and why other accounts with restrooms are not affected. Martin questioned the EDU factors for churches, recreation halls, and hospitals. We have a water meter installed at a local church in city limits that shows a very large water usage and maybe other account types need to be adjusted in addition. Aronow added that the Ecologic recommendations came from the SWRCB and are only guidelines.

The City of Bishop is interested in instituting an automatic rate inflator. Eco:Logic researched two types of inflators used. The first is a set, not to exceed, annual percentage increase, ranging from 3 to 5 percent. The second option is for the inflator to be tied to a price index such as the consumer price index (CPI) as published by the Bureau of Labor statistics. Eco:Logic recommends that the City set a fixed not to exceed inflator that is more reflective of the projected cost needs of the individual City as opposed to the national CPI index. The City of Bishop also has the options as to when to put the inflator into affect. The recommendation from Eco:Logic is to have it go into affect after the last year of the adopted rates. Eco:Logic has projected five years, all five years do not have to be adopted, the inflator can go into effect after how many years the City chooses to adopt. The Proposition 218 requires that water and sewer rates be reviewed at least every five years. The automatic rate inflator could ensure that the City's revenue needs stay on track in the event that the five year rate review takes some time to implement.

Grah went on to explain how our timing for adjusting our rates would require a 45 day notice period and protest hearing for the 218 Proposition. Our billing system can only be changed at the beginning of a fiscal year due to accounts that receive a discount for payments paid in full for the year. We would be interested in making changes to our rates beginning July 1st, 2010. This would give our commission time to make recommendations to City Council and hold all public hearings required by Proposition 218. Aronow went on to explain the process we must go through for Proposition 218. The first is to have an initial hearing to set the Proposition 218 hearing. At that meeting, we would recommend the new rates; the notice would be approved for the new rates and the public would be informed of having the right to protest to City Hall. The property owners and residence need to receive a notice. There is only one protest per parcel allowed. Another date would be set for the next hearing, not to be sooner than 45 days. At the second hearing, the protests would be counted, and if there is less than 50%, the protest fails and the City Council may move forward with adopting the rates. If there is a 50% plus one, the Council can not adopt the rates at that meeting.

Martin suggested that if water rates were not decreased, that the revenue difference from maintaining the rate could be reserved for capital improvements and could reduce the need for a rate increase in the future. It is hard to compare without a table showing both aspects. Aronow explained that Eco: Logic could make an amendment to the rates and show what the new figures

would be if we do not lower our water rates. Martin also brought up the capital expenses pay-as-you-go plan, and why we can't state what year an improvement is to be made. Grah explained that our life expectancies are stated in the rate study and this way there is adequate money put away for when a replacement or enhancement is needed. Grah also feels we should do a rate review every five years to keep our cash balance where it needs to be for capital improvements.

Martin questioned where the projected cost to be funded for water, \$360,830 comes from and how we came up with this figure. Grah explained that is came from looking at the total value of our water system and how long each element of the system would last. The funds are for replacement and enhancement; for example we would like to add SCADA to the water and sewer system. Current reserves were not specifically taken into account in the analysis. All funding is assumed to be strictly from consumers with no grant funding. Grah went on to state that we do have grant applications in for three types of funding; the state, federal government, and the ARRA, and have not received funds back from any of them. Dishion added that because the City does not have any water quality issues we have a harder time receiving grants. Grah also stated that due to our low sewer rates, the federal government is reluctant to grant or loan the city money for sewer improvements.

On Table 7, Martin questioned why our water net revenue after debt service for 2008-09 to 2009-10 had a decrease of \$100,000. Aronow attributed the differences to our rate dropping from \$32.00 to \$29.35. If we kept our rates at the same level, we would generate the same level of net reserve. Martin also expressed concerns for the remaining four years and how are we increasing our net operating balance. Aronow added the point that if we were to keep the \$32.00 rate over the next two years, we would generate an additional \$100,000 each year for our reserves. In our 2011-2012 rate increase, if we keep the same rates over the next couple of years our later increases may not be as significant.

Martin requested to see a rate structure based on the EDU's remaining the same and the distribution of EDU's remaining the same. On the water side, the rates are invested back; we don't lower the rates but are reinvested back to future capital improvements. We should set a target on what the capital reserve needs to be and apply the rate factors. If we reach a reserve in excess of what we planned we could make a decision to implement the rate factor. Grah commented on the consumer price index, stating it does make sense whether or not it applies to the ongoing personal cost. It would not be a bad idea to do a review every five years to adjust our rates accordingly.

Aronow suggested a policy on our reserves to specify how our reserves will be used and managed. This will help us explain why we may be increasing our rates when we have large revenues and where the funds are intended to be spent for capital improvements. Grah added that the Bishop Municipal Code requires us to maintain separate capital funds.

Forrest added that before we go forward and make a recommendation to City Council, he would like to get more information of the other alternatives we discussed. We have over a year to make the rate changes, and Grah stated he would ask Aronow to follow through with the new information to us by our next commission meeting. Mathieu added that she feels we should not

lower rates for a couple of years and then turn around raise them back up. Martin explained the benefit of the water rates going down and the sewer rates going up, and both balancing out.

Over the next couple of weeks, Grah will work with Eco:Logic to develop the updates for the commission to help them make recommendations to City Council. Once the commission has come to a conclusion with recommendations, a public hearing will be held. Grah anticipates this could happen as early as August 2009.

Old Business:

(3) Meter Readings

Dishion went over the meter readings for all accounts a water meter is installed. Water usage is on the rise this time of year. The city does not charge by meters at this time. The meters are for city use only but provide interesting information on usage for various accounts.

(4) Cash Balance and Revenue & Expenditures Update On Water and Sewer Reserves

Grah discussed the reports for water and sewer reserves for March and April. For the first time, the sewer balance has gone up. With up extensive water and sewer improvements related to upcoming street projects, balances in both accounts will be impacted.

(5) Public Works Reports for March

Dishion highlighted the reports for March.

Staff and Commission Reports:

Consumer Confidence Report will be complete by the end of June.

Items to Be Discussed at the Meeting of July 14, 2009:

- Rate Study recommendations for City Council
- Meter Readings
- Cash balance and revenue and expenditures update on water and sewer reserves

Chairman Cross adjourned the meeting at 8:53 P.M. The next regularly scheduled meeting will be Tuesday, July 14, 2009 at 7:00 P.M. in the City Council Chambers.

Forrest Cross, Chairman

Michele Thomas, Secretary