



**AGENDA**  
**RIO DELL CITY COUNCIL**  
**REGULAR MEETING – 6:30 P.M.**  
**TUESDAY, AUGUST 18, 2015**  
**CITY COUNCIL CHAMBERS**  
**675 WILDWOOD AVENUE, RIO DELL**

*WELCOME . . . By your presence in the City Council Chambers, you are participating in the process of representative government. Copies of this agenda, staff reports and other material available to the City Council are available at the City Clerk's office in City Hall, 675 Wildwood Avenue. Your City Government welcomes your interest and hopes you will attend and participate in Rio Dell City Council meetings often.*

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Office of the City Clerk at (707) 764-3532. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting.*

**THE TYPE OF COUNCIL BUSINESS IS IDENTIFIED IMMEDIATELY AFTER EACH TITLE IN BOLD CAPITAL LETTERS**

- A. CALL TO ORDER
- B. ROLL CALL
- C. PLEDGE OF ALLEGIANCE
- D. CEREMONIAL MATTERS
- E. PUBLIC PRESENTATIONS

*This time is for persons who wish to address the Council on any matter not on this agenda and over which the Council has jurisdiction. As such, a dialogue with the Council or staff is not intended. Items requiring Council action not listed on this agenda may be placed on the next regular agenda for consideration if the Council directs, unless a finding is made by at least 2/3rds of the Councilmembers present that the item came up after the agenda was posted and is of an urgency nature requiring immediate action. Please limit comments to a maximum of 3 minutes.*

**F. CONSENT CALENDAR**

*The Consent Calendar adopting the printed recommended Council action will be enacted with one vote. The Mayor will first ask the staff, the public, and the Council members if there is anyone who wishes to address any matter on the Consent Calendar. The matters removed from the Consent Calendar will be considered individually in the next section, "SPECIAL CALL ITEMS".*

1) 2015/0818.01 - Approve Minutes of the August 4, 2015 Regular Meeting (ACTION)	1
<b>G. ITEMS REMOVED FROM THE CONSENT CALENDAR</b>	
<b>H. SPECIAL PRESENTATIONS/STUDY SESSIONS</b>	
<b>I. SPECIAL CALL ITEMS/COMMUNITY AFFAIRS</b>	
1) 2015/0818.02 - Discussion on Metropolitan Well Site and Financing Plan (DISCUSSION/POSSIBLE ACTION)	16
2) 2015/0818.03 - FY 2015 City Water Consumption and Charges (Interfund Billing) (RECEIVE AND FILE/POSSIBLE DISCUSSION)	18
3) 2015/0818.04 - Analysis of 2005 Water Rate Study and the Implications on the Current Status of the Water Funds (RECEIVE AND FILE/POSSIBLE DISCUSSION)	28
4) 2015/0818.05 - Water Rate Adjustment Options (DISCUSSION/POSSIBLE ACTION)	49
<b>J. ORDINANCES/SPECIAL RESOLUTIONS/PUBLIC HEARINGS</b>	
5) 2015/0818.06 - Second Reading (by title only) and Adoption of Ordinance No. 337-2015 Establishing Chapter 15.20 of the Rio Dell Municipal Code Related to Expedited Permitting Procedures for Small Residential Rooftop Solar Systems (ACTION)	57
<b>K. REPORTS/STAFF COMMUNICATIONS</b>	
1. City Manager	
2. Chief of Police	
3. Finance Director	
4. Community Development Director	
<b>L. COUNCIL REPORTS/COMMUNICATIONS</b>	
<b>M. ADJOURNMENT</b>	

*The next regular meeting will be on September 1, 2015  
at 6:30 p.m. in City Hall Council Chambers*

**RIO DELL CITY COUNCIL  
REGULAR MEETING  
AUGUST 4, 2015  
MINUTES**

The regular meeting of the Rio Dell City Council was called to order at 6:00 p.m. by Mayor Wilson

**ROLL CALL:** Present: Mayor Wilson, Councilmembers Garnes, Johnson, Marks and Thompson

Others Present: City Manager Knopp, Finance Director Woodcox, Community Development Director Caldwell, Water/Roadways Superintendent Jensen and City Clerk Dunham

Absent: Chief of Police Hill and Wastewater Superintendent Chicora (excused)

**PUBLIC PRESENTATIONS**

Nick Angeloff provided a brief update on Wildwood Days activities and reported that everything went well and the Chamber of Commerce made approximately \$2,500. He announced that the Community Market for the upcoming weekend was cancelled due to the timing with Wildwood Days and excused himself to attend a Little League Board meeting.

**CONSENT CALENDAR**

Motion was made by Johnson/Thompson to approve the Consent Calendar including approval of Minutes of the July 21, 2015 Regular Meeting; and approval of Resolution No. 1270-2015, Confirmation of the FY 2015-2016 Tax Assessments of the 1978 Sewer Assessment Bonds. Motion carried 5-0.

Mayor Wilson announced a change in the order of the agenda and said Item 2015/0804.05 would be addressed at this time.

Introduction and First Reading (by title only) of Ordinance No. 337-2015 Establishing Chapter 15.20 of the Rio Dell Municipal Code Related to Expedited Permitting Procedures for Small Residential Rooftop Solar Systems Pursuant to AB 2188

Community Development Director Caldwell provided a staff report and said pursuant to AB 2188 every jurisdiction by September 30, 2015 must adopt an ordinance that creates expedited, streamlined permitting for small residential rooftop solar energy systems. As such, a draft ordinance is being presented based on a model template provided by the California Building Officials (CALBO).

He said the City currently expedites the review of applications by reviewing and issuing permits in a timely manner and does not require discretionary review of solar permit applications.

He noted that although AB 2188 requires an expedited permit process, it does not specify how many days a jurisdiction has to process an application. However, the *California Solar Permitting Handbook* recommends over-the-counter or same day permit issuance if possible, with a 3-day maximum where over-the-counter approval is not available.

He further explained that in order to facilitate an expedited permit process, the Code requires that jurisdictions; 1) identify submittal requirements, and 2) develop a checklist of all the submittal requirements for small rooftop solar systems.

Community Development Director Caldwell said there are also limits with regard to the amount of fees local jurisdictions can charge for solar permits which is \$500 for residential solar systems 15 kw or less, and \$1,000 for commercial systems 250 kw or less. He then reviewed the City's current adopted fee schedule for a typical residential solar photovoltaic system estimated at slightly over \$300.00.

He indicated that he sent the handout to a local solar business that was contracted to install a residential system for a local resident and they were pleased with the process and said the permit was issued the same day the application was submitted.

Councilmember Johnson asked if the installation of solar systems will be inspected by the city inspector as well as the fire chief.

Community Development Director Caldwell said the fire chief will only inspect if he is available and indicated that he is confident the systems will be acceptable provided the City follows the State code.

A public hearing was opened to receive public comment on the proposed ordinance.

**Elizabeth Warren** asked how many solar permits have been issued so far this year.

Staff responded that 2 permits were issued with 1 application pending.

There being no further public comment, the public hearing closed.

Mayor Wilson questioned the cost for installing solar systems and if they qualify for tax credits.

Community Development Director Caldwell said the cost for the last residential system (3,000 watt) was \$13,000 and that tax credits are available.

Mayor Wilson suggested information regarding solar systems be included in the next City newsletter.



Motion was made by Johnson/Garnes to introduce and conduct the first reading (by title only) of Ordinance No. 337-2015 *Establishing Chapter 15.20 to the Rio Dell Municipal Code Relating to Expedited Permitting Procedures for Small Residential Rooftop Solar Systems*, pursuant to AB 2188 and to continue consideration, approval and adoption of the proposed Ordinance to the meeting of August 18, 2015. Motion carried 5-0.

**SPECIAL PRESENTATIONS/STUDY SESSIONS**

Presentation from the City Engineer, GHD, Inc. on the Water System Asset Management Plan and Preliminary Capital Improvement Plan

City Manager Knopp provided a brief introduction of this item and said it is a prerequisite to the next agenda item related to water rates and helps to provide some context.

City Engineer, Jesse Willor provided a power point presentation on *City of Rio Dell Water System Asset Management Plan (AMO) and Preliminary Capital Improvement Plan (CIP)* to bring the Council up-to-date on the overall needs of the water system prior to discussing proposed adjustments in the water rates.

He explained the CIP identifies current and future needs for the replacement of water system components; the AMP identifies the remaining useful life of the individual system components and the estimated replacement costs at the end of their useful lives. He noted that together, these plans will assist the City in planning for necessary replacement of components in the future and determine the amount of revenue needed. He added that proactive maintenance of a public water system is vital to providing a community with safe and reliable access to drinking water and protecting public health.

He began with an overview of the CIP; review of the City's water system; a description of on-going maintenance issues that need to be addressed; a summary of the AMP developed for the City's water treatment plant, distribution system, and water storage tanks with estimated replacement costs; overview of the Preliminary Capital Improvement Plan (CIP); funding options, and budget information.

He said GHD worked closely with City staff to identify the top priority projects and the components that are most urgently in need of repair or replacement under the CIP. He provided a summary of the top five projects and the probable construction costs in 2014 dollars. The priority projects included:

• Infiltration Gallery Extension	\$1,000,000
• Replacement of Distribution Piping (2" or smaller)	\$ 500,000
• Painter St. Tank Replacement	\$ 300,000
• Water Meters	\$ 320,000
• Miscellaneous Equipment	\$ 210,000
TOTAL	\$2,330,000

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Engineer Willor noted that the miscellaneous equipment includes the Dinsmore tank telemetry system, a SCADA system, a new utility vehicle, a replacement filter media, asphalt patching, and a vactor truck.

He then reviewed the 5-year Capital Improvement Plan to finance the projects. The average cost per water customer based on 1,210 active connections was \$13.77/month with the assumption that grant funding would be secured for a majority of the costs for the infiltration gallery extension and the Painter Street tank replacement.

Mayor Wilson asked if the funds required to complete projects under the proposed 5-year Capital Improvement Plan would end after five years or be on-going.

Engineer Willor stated that it is being looked at as a 5-year cycle but before the end of that cycle the City should look at what the next steps with regard to priority projects and see where things are and adjust accordingly. He said typically these are living documents and are updated as time progresses.

Mayor Wilson asked if 5-year Capital Improvement Plans have been implemented in the past.

Water/Roadways Superintendent Jensen indicated that most projects have been handled as maintenance issues and not necessarily done under a Capital Improvement Program and the larger projects have only been possible with leverage of grant funds.

Councilmember Thompson referred to the replacement of water meters in 2003-2004 and said he is aware that many of the parts have been changed out and asked where new water meters are on the list of priorities.

Water/Roadways Superintendent Jensen commented that being able to monitor water usage is key in generating revenue and said all of the meters and encoder receiver transmitters (ERTS) were replaced but many of the ERTS have quit working and had to be replaced. He said although they are still under warranty there needs to be a plan in place for future meter replacement. He noted that the number one priority at this time is the infiltration gallery and the wells project and said meter replacement is basically a maintenance item.

Councilmember Thompson asked about potential grant funding for replacement of water meters.

City Manager Knopp said he thought the likelihood of being able to secure grant funding for that purpose over the next few years is good.

Councilmember Johnson noted that a 10-year old meter could realistically have many years of life left so replacing all of the meters may not be the best option. He said when he worked as a Public Works Director/Engineer, they bench tested meters for accuracy and asked if the City has the capability to do that.

Water/Roadways Superintendent Jensen commented that the City does not have the equipment to calibrate meters and said it is time to look at a plan for meter replacement; or at least replacement of the internal plastic parts which are weak.

Councilmember Johnson asked if it is a fair statement to say that all of the 2 and 4 inch water lines have exceeded their useful life.

Water/Roadways Superintendent Jensen explained that many of the distribution lines are old steel lines and that in 2006, 6 miles of lines were replaced under the Water Infrastructure Improvement Project but there are still a lot that need to be replaced.

Engineer Willor stated that GHD does have equipment available to test water meters however; the process is very time-consuming.

Councilmember Garnes asked if City staff or a contractor would be responsible for changing out the meters.

Staff responded that it would depend on the terms of the agreement.

Councilmember Garnes referred to the list of priorities on Table B.3 and asked if those listed for the water distribution system in 2014 are the same priorities today.

City Manager Knopp explained that it is basically the same but the list presented on the screen is slightly updated and is conceptualized as a 5-year recovery plan for the water system. He pointed out that the projects listed are not in order by priority.

Presentation on a Water Rate Study for FY 2015-2016 Recommending Adjustments to Water Rates

City Manager Knopp began by thanking staff and Richard Culp from Rural Community Assistance Corporation (RCAC) for their assistance in gathering the data necessary to come up with the Water Rate Analysis. He said fundamentally what it comes down to is whether the Council wants to take the aggressive approach and fund the capital needs of the water system at 100%, maintain the current rate structure and hope for grants, or set a goal to accomplish something in between. He said the objective at this meeting is for the Council to receive the presentation, look at the range of options and scenarios and provide staff direction on an acceptable revenue goal for establishing the water rates. He said if the Council needs more information before making a decision, staff can come back at a subsequent meeting to receive direction. Otherwise, staff will return to the Council at the next meeting with a proposed rate structure based on Council's input.

He stated that once the proposed rate structure and funding goal is established, the Prop 218 process will begin including public hearings and notification to all affected property owners with a 45-day noticing period to allow for the submittal of written protests on the proposed rate

adjustments. He said should a majority of the affected property owners protest the proposed rate adjustments, the rates cannot be implemented.

Staff continued with a power point presentation on the *City of Rio Dell Water Rate Analysis: Setting the Revenue Goal, August 4, 2015* prepared by Richard Culp, RCAC with the help of City staff.

City Manager Knopp explained the green column of the spreadsheet includes the annual revenue needed to cover all water related expenses including full Annual CIP Reserve Funding followed by reduced funding goals 1-6. He provided a review of the revenue goals as presented, the monthly rate increase per customer for each of the funding goal options, and a separate cost breakdown for the Dinsmore Zone; customers located out of City limits.

Staff pointed out an error in the projected Water Department Costs for the City Manager Department stating that the \$128,067 will need to be adjusted down, representing a cost savings of approximately \$2.00/month to each ratepayer.

City Manager Knopp noted that the Water Department Reserve account will be drawn down this year to zero which is not feasible.

Councilmember Thompson requested staff go back to the first year the automatic 3% annual rate adjustment was implemented and identify what purchases were made in the water department. He also noted that the base water rate was increased to \$22.00/month in February 2005 and said he would like to see what the rate increase was based on stating that it was obviously not enough.

City Manager Knopp continued with the presentation and said construction of the Metropolitan Well Project means new infrastructure but with that comes additional maintenance costs, estimated at \$13,957/yr.

He pointed out another correction to the analysis is that the Dinsmore telemetry and Scada System (\$4,000) will need to be placed as a Dinsmore Zone cost resulting in a reduction in the overall 5-year CIP Priority Project costs.

Discussion continued regarding the various funding goals ranging from \$629,921 with no rate increase to \$2,327,876 representing a 270% rate increase.

City Manager Knopp pointed out that should the goal be to fully fund the program, the City would need to set aside between \$400,000 and \$1.4 million annually for the CIP.

Councilmember Thompson said that if you take the \$1.4 million and multiply it by 30 years, it equals to \$42 million which seems extreme. He pointed out there has to be justification for the rate increase.

Engineer Willor stated the tables in the CIP looks at full replacement value for the miscellaneous equipment.

Councilmember Thompson referred to the Table related to the *Water Distribution System CIP Inventory* and noted that the life expectancy varies by 20 years in some areas. He said by adjusting the life expectancy from 50 years to perhaps 60 years, the overall costs would be reduced.

Engineer Willor explained each individual component was looked at as well as historical data in determining the life expectancy.

Finance Director Woodcox pointed out that much of the criteria in determining the expected useful life of a particular component is standardized.

Councilmember Johnson said when the 2015-2016 budget was put together the Water Fund was projected to have a \$200,000 shortfall and pointed out that if the Water Fund continues to borrow from the General Fund at the same pace, in 5 years that fund will be depleted.

City Manager Knopp said at this point in time, he is spending additional time on grant applications for water related issues and with the reduction in staff it is not practical. Also, as the previous City Manager pointed out, it is not really a spending problem but a revenue issue combined with complications encountered such as the drought.

Councilmember Johnson asked if it is a fair statement to say that with Funding Goal 6, an increase in revenue of \$200,000 is needed to basically remain status quo.

City Manager Knopp said Funding Goal 6 would require cuts in expenses of \$200,000 or an increase in revenue by that amount and if that is the goal of the Council then staff's recommendation would be to go with Funding Goal 5 which will basically just allow staff to muddle through.

Mayor Wilson said as he sees it, Goal 5 represents a shortfall of \$177,693, requiring a 28.7% increase in rates to eliminate it and questioned why it was included as an option if it is not viable.

City Manager Knopp explained the point of the spreadsheet is to display the various funding options and said Goal 6 is obviously not attainable since it's not really possible to make that severe of cuts (27.58%). On the other end of the scale, a 270% increase in revenue to fully fund the water program is just as severe.

Finance Director Woodcox interjected that Goal 6 is actually where the Water Fund is currently without budget transfers.

City Manager Knopp stated the other component of the analysis is the division of the water system in 2 segment zones; inside city customers and outside city customers, which is what staff is recommending at this time. He said the services above the Douglas Street tank have their own distinct pressure system that is inter-connected with the regular system but has its own setup including the Dinsmore tank and a significant amount of aging pipes that need to be replaced. He reviewed some of the annual costs based on actual receipts and said this system represents a higher level of costs to operate and maintain so the only fair way to establish rates for those customers and be in compliant with Prop 218 is to cost out total justifiable costs separately so the main core zone is not subsidizing the Dinsmore Zone.

He then reviewed the spreadsheet of past water rates beginning in 1970 with a base rate of \$5.18 to 2015 with a base rate of \$27.84, noting that there has not been a significant amount of increases over the past 45 years.

In wrapping up the discussion, City Manager Knopp said the Council was presented with a range of options and if the goal is to have a sustainable water system then the status quo approach cannot stand and some changes will have to be made. He said unfortunately these changes aren't always popular but the current situation demands some type of action. If the goal is to maintain current water rates, the City will continue to collect the current revenue levels for the time being and will probably be able to make the debt payments to the State but will not be getting ahead or replacing any infrastructure and it will be difficult to keep up with routine maintenance and repairs. He noted that the City would have to engage in reductions that are highly damaging to the overall system and would not be in the City's or the public's best interest. On the flip side, the optimal scenario to fully fund the program and solve all of the water system problems is not viable either. He said staff is looking for guidance from the Council as to what they feel is the best option for the community, what type of water system they want to leave for the next generation, and also what kind of costs the current generation can bear to get the system to that point. He said Richard Kulp was present to answer any questions the Council may have.

Councilmember Johnson thanked Mr. Kulp, staff and GHD for putting together the numbers and said he would imagine that Mr. Kulp had presented the same basic scenarios in rate studies for other agencies.

Mr. Kulp provided a brief update on his background and experience related to water rate studies and explained he basically follows the process recommended by the experts and State regulatory agencies which are for the most part, the same exercises. He said that he first looks at the current costs, mandatory expenditures identified in the current budget including the debt service, then adds in necessary projects and attaches those costs. He said the next part of the exercise is to look at the CIP which inventories the entire infrastructure, makes useful life estimates and divides that cost for replacement with some inflation projections on what that future cost will be and divides that by the total years of useful life to come up with a number. He noted that often times the useful life of capital improvements is extended to allow time to build up reserves to be able to cover the 10-20% match in order to secure grant funds. He commented that if the City



has any hope of doing any large capital projects and don't have sufficient revenue to pay for the entire cost of the project, they need to have at least 20% put aside to be able to come up with the match. He said if the City is lucky enough to secure a grant with a 10% match requirement that is a bonus. He said most of the rate studies he has been involved with the 20% match becomes the target. He added that this is an annual reoccurring process as infrastructure ages so when the time comes to replace it, money won't have to be borrowed.

He further explained that he took the \$1.4 million needed to fully fund the water system improvements and took from that all of the expenses identified over the 5-year plan then looked at what could be cut, what is absolutely necessary to operate the system, then what could be done to reduce the revenue requirement which led to the last column of the spreadsheet.

Mr. Kulp further stated that without knowing how the City operates he wasn't in the position to suggest what is feasible or not feasible but felt it would be helpful to show where the city is now and where they might want to be.

Councilmember Johnson asked if he received any feedback from other jurisdictions he had done rate studies for as to whether the option chosen was adequate to fund the program and asked for Mr. Kulp's recommendation on a funding goal for the City.

Mr. Kulp noted that typically agencies tend to adopt a lower funding option than what is recommended and find out that it is not enough to fund the necessary improvements. He said his recommendation for Rio Dell is to approve funding goal 2 or 3. He said these options would provide seed money under a 5-year plan to address some of the critical goals although would not really accomplish any of the projects without inter-fund transfers temporarily from year to year. He noted that it is somewhat of an esoteric way but wanted the City Council to see the full picture. He said from his perspective and not knowing the full thoughts from the community he would think that funding 2 would be a reasonable goal to try and obtain. He said what they are trying to achieve is for the City Council to define what funding goal they would like to achieve and then they can figure a way to adjust rates to make that achievable. He pointed out there are a lot of rate options and what is presented here is simply using the current rate structure and increasing it across the board by a uniform percentage to achieve that revenue goal which may not be the best way to do that when making such change in the rates. He said the City might want to look at the rate structure in more detail and distribute the costs based on some actual fixed costs versus variable costs, based on the amount of water used. He said not being familiar with how the rate structure was determined in the past; he didn't feel he had enough information to start changing the rate structure.

Councilmember Johnson asked for recommendations on a funding goal from Water Superintendent Jensen, City Engineer Willor and City Manager Knopp.

Water Superintendent Jensen recommended goal 2 or 3; City Engineer Willor and City Manager Knopp both recommended funding goal 2, requiring a 79.9% increase in water rates.



Councilmember Thompson said he agreed with goal 2 with possible restructuring of the rate schedule to have less impact on low income residents. He said the proposed rates will have a huge impact on particularly those residents and with the recent enactment of the Fire Assessment it may lead to more defaults on water bills. He suggested a lower base rate for those customers using 1 or 2 units with higher rates on tiers for excess usage. He said with the proposed base water rate of \$76.32 approximately 50% of rate payers in December will be looking at a \$130.00 increase over the previous year. He recommended staff present a rate scenario as suggested at the next meeting.

City Manager Knopp pointed out that he is relatively certain that under Prop 218 you can't do an income-based rearrangement of the costs of the water system so have to apply the straight bill to accurately represent the true costs and has to be set regardless of income, age, ethnicity or other such factors. He said theoretically if the Council wanted to do that, the only way would be to utilize General Fund dollars to subsidize the low-income customers.

Mr. Kulp made a suggestion and said under goal 2, the \$76.32 is simply dividing the total costs by the number of customers and does not include any revenue-funded water usage so if they were to look at water usage and apply a rate per unit that would be an option and can justify whatever is decided for either the fixed or variable rate. He said also the \$4.50 identified for Capital could be pulled out of the fixed charges and put into the variable charges.

Another option is to look at the Capital funding goals and take the total Capital revenue needed and divide it by the total number of units and come up with a cost per unit per 100 cubic feet and that might be the proposed rate to use instead of the historic rate structure that may not necessarily been justified. He indicated that it may increase rates significantly for the high users but the cost is justifiable because more water requires more pumping, storage, etc. so those users should be picking up a larger share of the costs.

He referred to the recent Supreme Court case regarding justification for establishing water rates and said in this case, the City has numbers to back up the rates and could look at structuring the rates by splitting the rates between fixed and variable costs.

Another factor to consider is that he now has a full year of meter readings for 2015 (through June) and the numbers presented are based on 2014 usage. He said one key issue is to determine the cost per gallon first.

Councilmember Thompson asked how complicated it is because he would also like to do the same scenario for funding goal 1. He also commented that due to the drought, usage is down by 16% for the year and if it rains and usage goes up, the rates will need to be recalculated to avoid over-charging customers. He also commented that he likes the idea of establishment of the Dinsmore Zone.

Mr. Kulp explained that because the City will not be funding full actual costs, even though more revenue will be generated, the rates will not need to be adjusted.

Councilmember Marks said because this is his first experience with regard to a rate increase he needs to defer to Councilmember Thompson's recommendation.

Councilmember Garnes stated that as hard as it is, she agrees with Councilmember Thompson's recommendation to look at the rates structure with regard to a lower base rate and higher charge on excess usage tiers. She said when she first came to Rio Dell in 2005; the Council implemented a rate increase and basically deferred Capital Improvements. She said Goal 2 is the best reasonable option and the very least the City should accept as far as maintaining the City's water system. She noted that the infrastructure will continue to deteriorate if rates are not adjusted to address some of those issues.

Councilmember Garnes commented that the sewer rates are based on water usage and asked what, if any affect the water rates will have on the sewer rates.

Finance Director Woodcox explained the sewer rates will only go up if water usage goes up and pointed out that the sewer rates are adjusted in July of each year based on water usage for the months of December, January and February.

Councilmember Johnson expressed strong support for Goal 2 and suggested the Council not support anything less in order to have a system expandable for years to come.

A public hearing was opened to receive public input on the proposed water rate adjustments.

Kaye Peak stated that she is part of the Dinsmore Zone and as part of the Haberstock Subdivision they were supposed to have 4 meters but only have 1 meter that serves 4 residents. She said they installed they own meters so they can charge for actual usage. Meanwhile, they have been paying the higher tier for years which is unfair.

Councilmember Thompson explained that with multiple services on 1 meter, the bill is calculated taking that into account so instead of getting 1 unit of water for the base rate, they are allowed 4 units before they are billed under the higher tier.

Finance Director Woodcox confirmed what Councilmember Thompson explained but agreed to research the bill to make sure it is being calculated correctly.

**Susan Hagemann**, a customer included in the Dinsmore Zone addressed the Council and complimented the City for the excellent presentation and rate analysis chart. She said she appreciated the proactive approach on what is best for the water system and what is affordable for citizens with regard to rates. She asked if the Dinsmore Zone is the only other established zone and said she understood there are other customers in outlying areas being served.

Water Superintendent Jensen responded that the Dinsmore Zone is the only separate zone being proposed and was established because of the different pressure system. He said there are other services outside City limits but those meters are actually located within City limits. He added that those customers are responsible for maintaining the portion of the water line that extends from the meter to their homes.

**Susan Hagemann** said several years ago the City received a \$126,000 grant to purchase the Dinsmore tank and also to upgrade the water lines up Monument Road which was never done and asked what is to insure that the water rate revenue will actually go into the improvements as promised.

Councilmember Thompson stated for clarification that the \$126,000 she was referring to was actually a loan through USDA rather than a grant and at the time, there was discussion about annexing that area into the City. He said there was opposition from some of the residents and it didn't happen. He said there was also an additional \$500,000 spent by the City for a total of \$626,000 to reverse the flow of the water on Monument and essentially, the \$126,000 should have been repaid to the City by those residents.

City Manager Knopp stated that in moving forward, the goal is to make sure the funds are 100% accountable in the Dinsmore Zone fund so the idea is to create a separate fund to track all activity as with the Metropolitan Wells Fund so there is a clear paper trail. He noted that all transfers between funds require Council approval which allows for total transparency.

Mayor Wilson also agreed with Goal 2 and said staff provided documentation on previous water rates including copies of Council minutes approving \$4.50 from each monthly water bill to be set aside for Capital Improvements which apparently not being done. He said the issue has been addressed and is now being accounted for in the correct manner. He said if citizens agree to this funding goal, through the Prop 218 process there will be clear tracking of accounting. He said with new Councilmembers and staff there is a huge learning curve and it is easy to lose track of what is going on. He noted that over the past 35 years the City has had 30 different city managers.

He said he thinks that part of the problem with the shortfall in the Water Fund is due to the restructuring of City staff and salary increases 5 years ago and the Council needs to understand how it got to this point so it doesn't happen again. He referred to the graph presented for the Water Operations Fund and said that raises were given to staff, not that they were not deserved, but beyond what the City can sustain.

**Susan Hagemann** noted that as a 26-year employee of the St. Joseph Health System this type of water rate increase could virtually lead to an increase in homelessness.

**Sharon Wolff** said in the past when the City had a rate increase, a portion of the rates were to be used for infrastructure improvements which may or may not have occurred. She said having a separate fund is good and will help to defend the increase.

She noted that on the chart it shows a fixed rate then in the gray box below is an amount that she assumes is the flexible rate and asked for clarification.

Mr. Kulp explained the tier concept and clarified that the amount in the bottom gray box is the current rate structure which matches with the numbers in the other columns. He noted that each column relates to the proposed percentages of increases in rates to achieve that particular funding goal.

**Sharon Wolff** also asked that the Council bear in mind that this is only the water portion of the bill and the citizens already pay the highest rates in the region in addition to the highest sales tax rate and fire assessment.

Mayor Wilson called for a 5 minute recess at 9:00 p.m.

The meeting reconvened at 9:05 p.m.

**Nick Angeloff** addressed the Council and said he understands there has not been a rate study done for some time but with regard to residential and business growth in the community, the Council needs to understand how potential developers will react to these rates. He said he just went through this process with another entity and the biggest water intensive customer heard about the potential rate increase and showed up and said they would have no choice but to close their doors. He said in order to attract new industry their needs to be some sort of water incentives for new businesses and the City needs to find a way to be more competitive with other communities.

There being no further public comment, the public hearing closed.

City Manager Knopp stated the role of the Council is pretty complex in that in setting the rates they need to look at what is the best interest of the public and at the same time set rates that will adequately maintain the water system.

He said the direction of the Council is to move forward with options for a water rate structure based on Funding Goal 2 and return to Council on August 18<sup>th</sup> with additional information.

## REPORTS/STAFF COMMUNICATIONS

City Manager Knopp provided a written staff report and said his main focus over the past couple of weeks has been working on the Water Rate Study with RCAC; said he submitted the signed Measure Z contract to the County; staff distributed anti-littering posters throughout town; and

announced the California State Parks Division of Boating and Waterways is giving the commission a tour of the Humboldt Bay facilities on August 26<sup>th</sup> at 1:00 p.m. and invited councilmembers to attend. He said the tour will include several public facilities on the Bay and if anyone is interested in attending to let him know.

He also provided a Water Flow to Distribution graph and said the City is still at Stage 2 Water Conservation which allows for outdoor watering 2 days/week based on the odd/even method.

Councilmember Johnson asked about the success of the car seat inspection event held at City Hall.

City Manager Knopp said from he observed there were not a lot of people who participated although there was a lot of news coverage which was helpful locally on a broader scale.

Councilmember Thompson asked if any reports had been sent to the County yet on the monitoring wells.

Water Superintendent Jensen said the first report was scheduled for tomorrow and that he would provide the results to the Council.

Finance Director Woodcox reported on recent activities in the finance department and said staff is still adjusting to the recent scheduling changes in providing assistance to the police department 3 days/week.

Mayor Wilson asked how code enforcement activities are funded and if there is a method for tracking the activity.

City Manager Knopp explained it is a split between the police department, city manager department and community development department. He said code enforcement activity will be tracked through the police department's Crime Star System and said part of the agreement with the County is to monitor Measure Z funding to show the funding is being utilized as intended.

Councilmember Garnes asked who to call regarding code enforcement complaints.

City Manager Knopp said anyone with a complaint needs to fill out a complaint form and staff will direct it to the appropriate department.

#### **COUNCIL REPORTS/COMMUNICATIONS**

Councilmember Garnes commented on the City's 50<sup>th</sup> Anniversary Celebration and extended thanks to Mayor Wilson, Nick Angeloff, Tracy O'Connell, Kyle Knopp, Karen Dunham and Joanne Farley for their assistance in helping to organize the event and said it was a big success.

**ADJOURNMENT**

Motion was made by Johnson/Thompson to adjourn the meeting at 9:22 p.m. to the August 18, 2015 regular meeting. Motion carried 5 -0.

Attest:

\_\_\_\_\_  
Frank Wilson, Mayor


\_\_\_\_\_  
Karen Dunham, City Clerk



*Rio Dell City Hall  
675 Wildwood Avenue  
Rio Dell, CA 95562  
(707) 764-3532  
riodellcity.com*



August 18, 2015

TO: Rio Dell City Council  
FROM: Kyle Knopp, City Manager   
SUBJECT: Short Discussion on the Metropolitan Well Site and Financing the Project

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Receive the presentation and provide input, if any.

BACKGROUND AND DISCUSSION

The financing plan for the Metropolitan Well Site has included three separate grant sources. (1) Proposition 84 Northcoast Integrated Regional Water Management Plan (NCIRWMP), (2) Safe Drinking Water State Revolving Fund (SDWSRF), and (3) USDA's Emergency Community Water Assistance Grant (ECWAG).

NCIRWMP: The State of California and the County of Humboldt have a signed grant agreement, including funds set aside (approx. \$784,000) for the Metropolitan Well Site. The County is currently scheduling conference calls and distributing materials to begin a billing and records process. We are awaiting our grant agreement with the County.

SDWSRF: An application has been submitted for funding. The City's water rates are below the 1.5% Low-Moderate Income threshold that has been set for this funding source. The financials for the City and project are currently under review. It currently does not appear that SDWSRF dollars will cover 100% of the balance of the project. The Match/Grant ratio is currently unknown.

ECWAG: Staff has been providing USDA's representatives with the City's financial data and the grant application has been submitted. An initial review of the ECWAG application and city financial data suggests that the ECWAG grant will require an additional \$176,000 of non-federal dollars before the City would be eligible to bill against a \$254,200 ECWAG Grant. The \$176,000 could be generated from additional State grant dollars (SDWSRF) or could eventually be required of the City through the water fund CIP. This amount could possibly be financed with internal borrowing at the City or through a low interest USDA loan.

Conclusion: Tying together the funding sources for the Metropolitan Well Site is taking longer than expected and the prospect of the City needing to provide some local financing for the



project is becoming more likely. In the case of the SDWSRF funds, Rio Dell is at a disadvantage because our current water rates are not high enough. It seems likely that the city will be able to access some form of SDWSRF grant, however, it will likely require some form of additional contribution, possibly from the City. In the case of the ECWAG grant, according to the USDA review, there is a State/City share of the project that needs to be higher than the current proposal before federal funds can be accessed for the project.

Staff continues to work to try and tie all three grants together in a package that results in no City costs. However, the Council needs to be informed that there is a growing likelihood that some local City dollars may need to be tied to the project in order for it to move forward.

On July 21, 2014 the City Council authorized the City Manager to move forward past preliminary design with the City and project engineer, GHD. Due to delays in the implementation of the Proposition 84 NCIRWMP grant, the City Manager has stopped GHD from continuing work on the project at this point in time. At this point in time, the City Manager will authorize work to proceed once he has received a grant agreement with the County of Humboldt, or other assurances of proposition 84 financing.

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CITY OF RIO DELL  
STAFF REPORT  
CITY COUNCIL AGENDA  
August 18, 2015

TO: Mayor and Members of the City Council

THROUGH: Kyle Knopp, City Manager *[Signature]*

FROM: Brooke Woodcox, Finance Director *[Signature]*

DATE: August 18, 2015

SUBJECT: **FY 2015 City Water Consumption and Charges (Interfund billing)**

---

**Recommendation**

Receive and file.

**Background and Discussion**

At the beginning of fiscal year 2014-2015 the City of Rio Dell started billing itself for water and wastewater services within its City departments (interfund billing). This was prompted by a pending lawsuit that alleged the City of Davis was unfairly charging high wastewater fees and that the City wasn't required to pay for the same services. The plaintiffs claimed that Davis' customers were subsidizing governmental operations. In August 2014 the case was settled in closed session with the City of Davis agreeing to pay for its use of water and wastewater services in exchange for the plaintiffs declining from further water rate enactment interference.

The City of Rio Dell, as per the 2014-2015 adopted budget, voluntarily began charging its departments for water and wastewater at the same rates paid by citizens in light of Davis' pending lawsuit. The intent was that the City, in good faith, would be ahead of a possible ruling that would require all cities to begin charging operations for water and wastewater services. Ultimately, the case against the City of Davis was handled through mediation in closed session.

Currently, Rio Dell's water and wastewater costs are continuing to be billed to various funds according to budgeted departmental allocations. Revenues go to the Water and Wastewater

Funds. Due to the charges incurred against City funds, the City is forced to keep watering to minimal levels refraining from regular maintenance of the median, park areas, and City grounds.

The following chart shows amounts charged to each fund for the 2014-2015 fiscal year. Further details are shown in Attachment 1. Also attached are news stories related to the Davis versus YRAPUS lawsuit.

AMOUNTS CHARGED BY FUND							
Location	General						Total
	Fund	Building	Gas Tax	TDA	Sewer	Water	
RDFD Bathrooms	1,187						1,187
RDFD Building	1,761						1,761
Rio Dell Library	1,108						1,108
Streets			2,102	1,035			3,137
Buildings & Grounds	3,786	631	316	316	631	631	6,310
City Hall	250	59	30	30	327	493	1,189
Water & Sewer					18,113	811	18,923
	8,092	691	2,447	1,381	19,071	1,935	33,616

#### ATTACHMENTS

- Chart showing details of Interfund Billing
- Sacramento Bee article on Davis Lawsuit
- Davis Vanguard article on Lawsuit Resolution

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Smith, Darrell (2013, April 6). [Davis Sewer Fees are Illegal, Lawsuit Charges](http://www.mercedsunstar.com). Retrieved from <http://www.mercedsunstar.com> (2015, August 6)

Greenwald, David (2014, August 27). [City-Ratepayers Cut Deal to End Litigation, Pave Way for Approvals of Water Rates](http://www.davisvanguard.org). Retrieved from <http://www.davisvanguard.org> (2015, August 6)

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# Davis sewer fees are illegal, lawsuit charges

By Darrell Smith - [dvsmith@sacbee.com](mailto:dvsmith@sacbee.com) (<http://www.mercedsunstar.com/news/state/article3275614.html>)

April 6, 2013

Davis illegally imposes high sewer fees on residents to subsidize treatment of wastewater from city government facilities, a Davis group alleges in a newly amended lawsuit.

Davis illegally imposes high sewer fees on residents to subsidize treatment of wastewater from city government facilities, a Davis group alleges in a newly amended lawsuit.

Yolo Ratepayers for Affordable Public Utility Services filed the suit in Yolo Superior Court last week, alleging that the city's reliance on ratepayers to pay to treat its own wastewater from government buildings violates the state constitution.

The group contends the practice has resulted in residents paying for wastewater services beyond what they received dating back to 2008.

The suit calls for the city to establish a fund to repay Davis ratepayers and stop "overcharging the ratepayers for the purpose of subsidizing the city's water use and extracting illegal revenue from the city's wastewater rate payers."

As part of our research into the rate structure, we uncovered problems with the wastewater treatment rates," said Michael Harrington, the Davis attorney who drafted the complaint. "We became convinced that the rate structure doesn't comply with (Proposition) 218."

Davis officials have repeatedly denied accusations that the city is overcharging its ratepayers and did so again in a statement on Thursday, saying the city will "vigilantly defend itself" against the lawsuit.

"The city firmly believes the water and sewer rates are legally valid and the lawsuit is without merit," the statement read, citing "statewide experts on rate structure."

According to the complaint, the city instituted wastewater treatment rate increases in 2008 based on residents' winter water use, reasoning that water used during the cold-weather months is mostly used indoors and returned to the wastewater system.

Residents in the unincorporated El Macero neighborhood just east of Davis, which receives water and sewer services from the city, protested the 2008 rate hikes and do not pay them.

Yolo County is responsible for collecting sewer fees from El Macero residents, but the county has not sought the rate increase from that unincorporated community, equal to more than \$500,000, the complaint alleges.

The city of Davis has since looked the other way, the complaint says, while Davis ratepayers continue to subsidize treatment of wastewater from city government buildings.

The lawsuit amends an earlier complaint alleging that water rates Davis residents have paid since 2010 – as well as pending increases to pay for the city's Surface Water Project with neighboring Woodland – unlawfully overcharge ratepayers.

The original suit alleged that while residents were being overcharged, the city supplied water to city-owned and maintained properties for free or at "substantially reduced rates."

Questions about how much Davis charges its residents for water, how much more residents will pay over the next five years and the legality of both came as voters were deciding whether Davis should proceed with the water supply project.

Davis voters on March 5 endorsed the Surface Water Project, approving Measure I with 54 percent of the vote.

The project will cost Davis as much as \$116 million before water purchases and other costs.

Water rates for a typical Davis single-family home, now about \$35 a month, are expected to triple over the next five years to help pay for Davis' share of the estimated \$245 million project.

The first rate increase will occur May 1.

Davis officials framed their statement Thursday in the context of the March 5 election, vowing to move ahead to "meet the city's future water needs" while dismissing the lawsuit as sour grapes.

"It is unfortunate that the Yolo Ratepayers for Affordable Public Utility Services group are not satisfied with the outcome of the Measure I election," the city's statement read. "Based on the Measure I vote, the city has a duty to move forward. Regretfully, the Davis ratepayers will bear the cost of defending this lawsuit."

But Harrington said the suit is about ratepayers, not politics.

"They want to paint this as a political device," Harrington said. "It's a legal challenge. If they're going to take our money, they need to follow the law."



# City-Ratepayers Cut Deal to End Litigation, Pave Way for Approvals of Water Rates

Posted by David Greenwald

Date: August 27, 2014

in: Breaking News, City of Davis, Water

<http://www.davisvanguard.org/2014/08/city-ratepayers-cut-deal-to-end-litigation-pave-way-for-water-rates-to-be-approved/>

Proponents of the Water Initiative turned in signatures in January

Coming out of closed session on Tuesday night, Mayor Dan Wolk announced a settlement agreement with YRAPUS (Yolo Ratepayers for Affordable Public Utility Services) that will end all litigation and preclude the group from attempting further measures aimed at stopping or otherwise delaying the water project from going through with the currently approved rates.

City Attorney Harriet Steiner announced, "We'd like to report out that the city of Davis has reached a settlement with the Yolo Ratepayers and Mr. John Munn related to the water rates case."

"This is a total settlement that has now been approved by all sides of this case," Ms. Steiner stated. "The city and the parties went to mediation last week and that has resulted in this settlement.

"The general terms of the settlement are that the plaintiffs will not oppose the city's proposed water rates as set out in the current Prop 218 notice, that they will dismiss their entire case against the city, and that they will not file another case related to the water rates, the sewer rates, Measure I or do any other public process regarding these water rates.

"The city in exchange agrees that it will pay its water and sewer charges at the same standard rates that everyone else pays their water rates going back to August 2013 with offsets for the properties that the water and sewer system uses that belong to the general fund. The city has already begun making those payments approximately a year ago, the city will continue to provide water education and conservation programs, the city will allocate another \$5000 for the Water Assistance Program, and in consideration of the plaintiffs maintaining their obligations in this matter, the city will pay \$195,000 to the plaintiffs for the costs that they incurred in the litigation," Ms. Steiner stated.

The city issued a statement later on Tuesday night.

Davis Mayor Dan Wolk and Attorney Michael Harrington, representing plaintiffs Yolo Ratepayers Association for Affordable Public Utilities (YRAPUS) and John Munn, "are pleased to announce that all parties have agreed on a global settlement that will result in YRAPUS and John Munn dropping their current litigation challenging the City's approved water and sewer rates and agreeing not to

bring any further legal challenges to the water rates coming before the City Council on September 16, 2014.”

The statement continues, “The settlement will, in turn, allow the City to move forward with the regional Surface Water Project approved by the City’s voters in March 2013. The settlement agreement came about as result of a successful mediation before a neutral mediator.”

John Munn, a former candidate for the city council stated, “I was opposed to the water rates adopted in March 2013. I thought they were difficult to understand and they were not fair. Though I continue to be concerned about the costs of the water, the newest rates approved by the City Council address my other concerns so I have agreed with the proposed litigation settlement and will not be a party to litigation against the new rates.

He added, “I am glad we can put this matter behind us and I look forward to working with the City Council in the future.”

Pam Nieberg stated, “With this settlement I am glad the so-called ‘water fight’ is over.”

Nancy Price would add, “The litigation and our vigorous campaign for Measure P were successful in creating fairer water rates, better accountability and transparency concerning water rate revenue and expenses, and additional funding for low income families to help with water bills. I support the settlement.”

Attorney Michael Harrington said, “I represented John Munn and YRAPUS because I agreed with their positions on the water rates. The proposed 2014 water rates address the majority of our concerns. Through the public process and the litigation we have asked for fairness, efficiency and transparency. We are satisfied that we have achieved these goals and we thank the City Council and staff for their efforts to resolve our differences.”

Mayor Dan Wolk would state, “I am grateful both sides were able to collaborate and amicably resolve this litigation. With this settlement, we as a community can now move beyond the water disputes of the past and focus our united efforts on ensuring the long-term success of our water project. I wish to thank the members of YRAPUS for all of their efforts and their willingness to come together on crafting this resolution.”

Councilmember Rochelle Swanson added, “Ever since Mayor Wolk and I proposed the Water Advisory Committee in fall 2011 we have been working diligently to strengthen the water project and build community awareness and support. In many ways this settlement is a culmination of these efforts.”

SUMMARY OF KEY SETTLEMENT DEAL POINTS

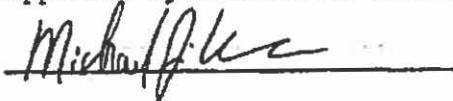
YRAPUS AND JOHN MUNN (PLAINTIFFS) AGREE TO:

- + Not oppose the City's proposed water rates stated in the July 2014 Prop 218 Notice.
- + Dismiss its entire case against the water and sewer rates approved in March 2013.
- + Not file another case about water rates, sewer rates or Measure I and not bring forth another public process (such as an initiative or referendum) regarding same.

CITY AGREES TO:

- + Going forward and looking back to August 2013, pay all water and sewer charges for its facilities at standard rates, less approved offsets for fair market leases with utility enterprises. (Such payments have been partially made and are already in progress.)
- + Continue providing water education and conservation programs.
- + Allocate \$5,000 of non-enterprise funds in addition to the amount currently budgeted to be used for programs to assist low income customers with water rates
- + In consideration for plaintiffs meeting their obligations above, pay \$195,000 to plaintiffs for incurred litigation-related expenses following dismissal of the lawsuit.

Approved by Michael J. Harrington and clients this 26th day of August 2014

  
\_\_\_\_\_

Approved by Davis City Council August 26, 2014

  
\_\_\_\_\_

Mayor Daniel M. Wolke

This agreement, along with the scheduled September 16 Prop 218 hearing, will bring to a close a lengthy fight over the water rates. On September 6, 2011, the city council by a 4-1 vote approved a Prop 218 hearing that appeared to pave the way for the surface water project. However, Michael Harrington among others launched a referendum drive that forced the council on December 6, 2011, to rescind the water rates and begin a lengthy public process.

The public process brought forth the Water Advisory Committee which led to the successful passage in March 2013 of Measure I. However, opponents of the project would sue the city as well as launch an initiative drive that became the successful Measure P which rescinded water rates.

In January of this year, Judge Dan Maguire would rule against YRAPUS and rule that the water rates met the constitutional requirements under Prop 218. The city council this spring and early summer, following the successful Measure P, would pass new water rates that all sides seemed to agree on as a compromise.

This agreement now paves the way for the water project to go forward, pending the Prop 218 implementation of the water rates.

*Update: The City has corrected a typographical error in the Summary of Key Settlement Deal Points originally sent to the Vanguard. The first bullet under "CITY AGREES TO" should read: + Going forward and looking back to August 2010, pay all water and sewer charges for its facilities at standard rates, less approved offsets for fair market leases with utility enterprises. (Such payments have been partially made and are already in progress.)*

—David M. Greenwald reporting





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**CITY OF RIO DELL  
STAFF REPORT  
CITY COUNCIL AGENDA  
August 18, 2015**

**TO:** Mayor and Members of the City Council

**THROUGH:** Kyle Knopp, City Manager 

**FROM:** Brooke Woodcox, Finance Director 

**DATE:** August 18, 2015

**SUBJECT:** **An Analysis of 2005 Water Rate Study and the Implications on the Current Status of the Water Funds**

---

**Recommendation**

Receive and file.

**Background and Discussion**

In February 2005 Resolution 888-2005 was adopted establishing water rates and service charges for Rio Dell. The adopted rates and charges are still in effect today and have been subject to incremental increases of 3% per year. Over the past 10 years the base water rate has gone from \$22.00 to \$27.82.

The water rates that were adopted in 2005 were based on a recommended revenue stream of \$500,000. Council at that time opted for revenues close to that amount (\$496,842). Expenses spiked in FY 2009-2010 to \$783,930. At that point the water fund reserves began declining.

A few facts are noted here to set the foundation as to why the Water Fund balances have nearly diminished. In 2005 debt service was contractually agreed upon for \$86,400 annually for 25 years, with the first payment due FY 2009-2010. In July 2009 the financing agreement had been amended from the original terms and increased \$49,600 annually to \$136,000 for 20 years. When the payments became due depreciation (cost of capital) dropped by \$120,000. Then in 2010-2011 that cost was added back at \$195,000 annually and continues today. In essence, beginning in 2010-2011 an amount of \$331,000 was required for capital and debt service alone. However, water operations and debt service are required

expenses, so water capital became the default fund that never captured any revenue because there wasn't any left year after year.

IN SUMMARY, revenues of \$496,842 were an inadequate amount to cover operating expenses, water capital (CIP, cost of capital, also known as depreciation), and mandatory debt service payments beyond FY 2009-2010. Moreover, debt service payments were increased after the water rates had been set. In 2009-2010 when depreciation expense had dropped significantly and debt service became due the effect of exchanging one expense for the other lessened the burden on fund balances, but only temporarily as cost of capital (depreciation) was again expensed in 2010-2011 and beyond. Capital, which had the potential for funding prior to 2009-2010, was no longer an expense that the water funds could afford despite that it has been costing the water funds \$195,000 annually. In hindsight, non-cash depreciation expense of \$195,000 should have, at the very least, been included in the 2005 water rates in order to have avoided the financial decline that the water funds are currently under today.

The minutes of the February 25<sup>th</sup> Council Meeting highlight the very fact that the water rate structure adopted in 2005 was significantly underfunded in capital because the rates...

*...“would allow for approximately \$18,000 per year for future maintenance and possibly more if we secure grant funding to supplement the loan for the water intake project.”*

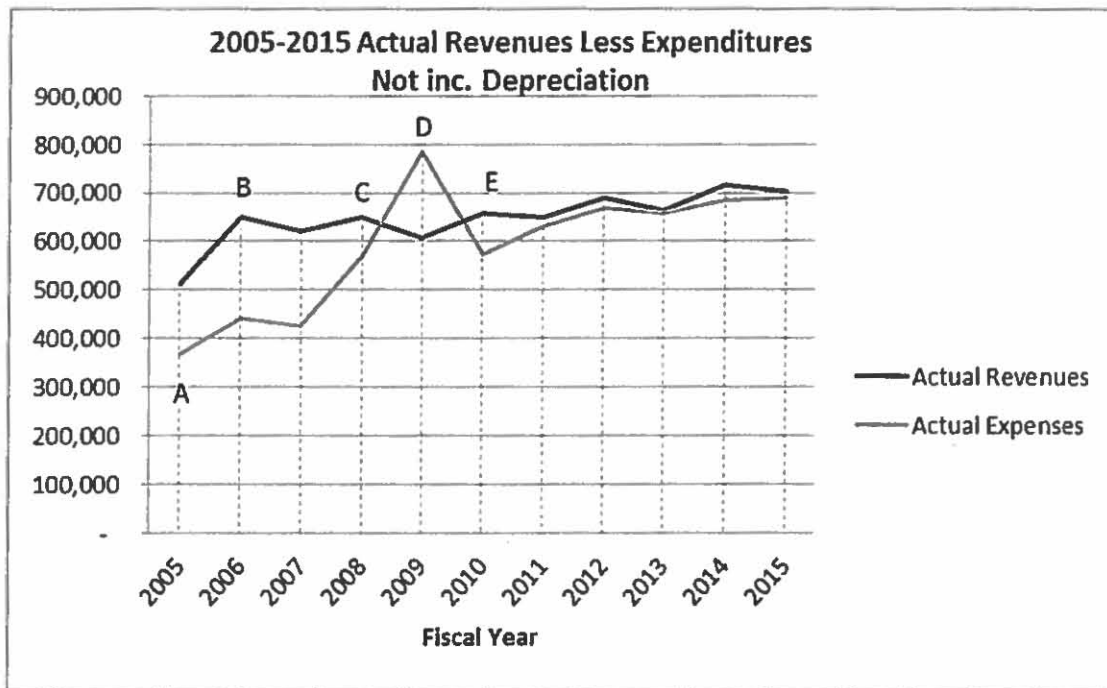
The water rates adopted in 2005 weren't set up to cover the necessary cost of capital required for the water system to continue on a sustainable path.

The following are informational charts showing revenues and expenditures across all water funds. Chart 1 shows expenses that omit costs to fund capital. Chart 2 depicts revenues and expenses that include the cost of capital. Finally, Chart 3 combines the information for side-by-side comparison.

#### Attachments

- 1) Chart 1
- 2) Chart 2
- 3) Chart 3
- 4) 2005 Water Rate Study
- 5) Resolution 888-2005 Establishing Water Rates and Services
- 6) Council Meeting Minutes adopting Resolution 888-2005
- 7) Resolution 907-2005 Establishing Water Rates and Services (adding provisions for R.V. Parks and Mobile Home Parks)
- 8) Council Meeting Minutes adopting Resolution 907-2005

Chart 1

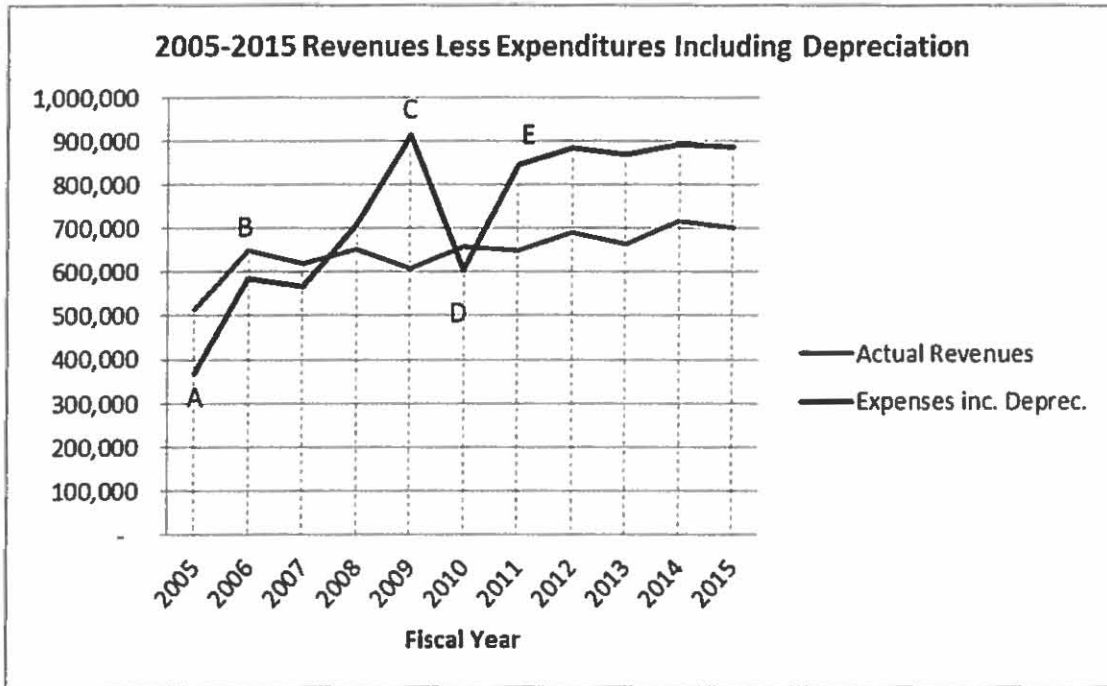


HIGHLIGHTED ITEMS

- A. Revenues (\$513,777) less expenditures (\$366,782) leaves a remaining balance of \$146,995 for reserves
- B. Revenues increase 27% (\$650,614); expenditures increase 21% (\$442,174)
- C. Revenues show slight increase (\$650,891); expenditures increase 27% (\$566,864)
- D. Revenues decline 7% (\$608,870); expenditures increase 16% (\$646,012) (includes infrastructure expense of \$142,918)
- E. Revenues stabilize (\$649,663); expenditures \$630,779 (debt service \$136,000)
  - This trend (E) generally continues today with revenues increasing 8% from FY 2005 to 2015; expenses increasing 10% from FY 2010 to 2015



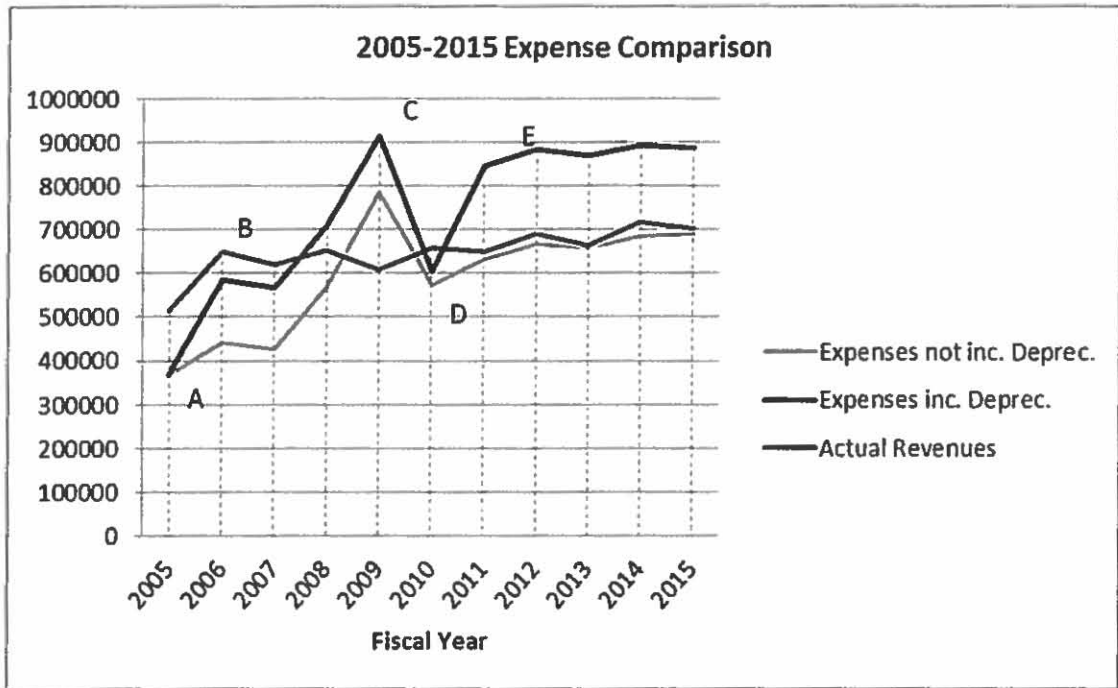
Chart 2



HIGHLIGHTED ITEMS

- A. Depreciation not reported in accounting records. Revenues of \$45,100 collected for capital; \$46,215 collected through connection fees (in comparison to 2015 connection fees collected of \$4,400)
- B. Expenditures increased \$217,800 (59%) (Depreciation expense is added \$142,000); Revenues increased \$137,000 (27%), \$0.00 revenue collections for capital
- C. Expenditures spike to \$913,600 (\$149,000 for construction retention, \$129,000 depreciation); revenues appear to have stabilized around \$650,000; revenues in capital shown as negative - \$5,600
- D. Expenditures dip, first annual payment of debt service made, depreciation costs of \$30,000 recorded; revenues remain stabilized with 3% annual increase
- E. Expenditures climb, annual debt service payments made (\$136,000), depreciation of \$195,000 recorded; revenues remain stabilized with 3% annual increase
  - This trend (E) continues today, with expenditures showing slight fluctuations and revenues increasing 3% annually

Chart 3



This chart combines the information from charts 1 and 2 for comparison purposes.

*The uppermost line includes depreciation and is based on the amounts charged to the water funds as required by Generally Accepted Accounting Principles (GAAP).*

**City Manager**

---

**From:** BPhillips@rcac.org  
**Sent:** Friday, January 28, 2005 6:04 PM  
**To:** cm@riodelcity.com  
**Subject:** Rate analysis memo - body of text

RCAC Rate Analysis January 2005 Page 3 of 3

**Rate Review Memo**

**Date:** January 21, 2005

**To:** Eli Naffah, City of Rio Dell

**From:** Brian Phillips, RCAC

**Subject:** Reviewing district water rate structure.

**Discussion:**

The City of Rio Dell water department has been running in a deficit position for the past three years and needs to look at adjusting the water rate structure to meet the anticipated budgeted expenses. It is also necessary to set water rates fairly to qualify the City for grants from the State of California Department of Health Services. The Rural Community Assistance Corporation has been asked to assist the City with a water rate and budget analysis. This is needed for a State Revolving Loan Application with the Department of Health Services.

In general, the City should determine how its rate structure could support its goals and objectives, which might include the following:

- Yielding total revenue in a stable and predictable manner to meet expenses
- Minimizing unexpected rate changes to customers
- Promoting fairness and equity
- Avoiding discrimination
- Maintaining simplicity, certainty, convenience, feasibility, and freedom from controversy.
- Complying with all applicable laws.

**Revenue from water sales**

The City's monthly service charge is split between operating revenue and capital improvement projects. The current residential monthly service charge is \$17.00 (\$12.50 for operations and \$4.50 for capital improvements). Mobilehome and R.V. Parks are charged \$9.00 per space.

The current water usages charges are in a Two-tier Rate Structure; (in cubic feet)

0	to	400 cu.ft.	Included in the monthly service charge
401 cu.ft.	to	1,499 cu.ft.	\$2.00 per 100 cu.ft.
1,500 cu.ft.		And over	\$3.00 per 100 cu.ft.

These rates were last revised in 2001 in accordance with operating conditions. This current rate structure has left the City in a deficit position in the last three years.

**Rate change for customers**

A water rate pricing structure should be consistent for the City’s customers. Rates shouldn’t necessarily change on a yearly basis but, should be level to meet existing and future projections. Adjustments should take place every couple of years to keep up with inflation; which runs between 2-3% per year for most small water systems. This eliminates big increases in rates needed in years when improvements are constructed.

**Fairness in rates avoids discrimination.**

Promoting fairness and equality in the rate structure is critical to avoid legal challenges and to give your customers justification for the service provided. Rates must be fair and equitable according to California Water Government Code 31007. It mandates that the rates and charges collected by a city shall be sufficient to meet its debts.

**Fixed and Variable Costs**

The current water department budget consists of 60% fixed costs and 40% variable costs. Fixed costs are generally recovered through the monthly service charge and variable cost revenue is recovered from the water usage charge. With a water budget of approximately \$500,000 the City would need to recover \$300,000 in monthly services charges per year and \$200,000 in water usage charges per year.

**Conclusion:**

A water rate structure should meet its operating expenses and future replacement of the system, and provide future revenue for enhancement of water quality and production needs. Customers need to feel they are getting good value for the water they are using and not be over burdened by the cost. Rates should be within the local area average, Exhibit ‘A’.

**Recommendations:**

**Option # 1**

I have included a cursory study of projected costs and revenues for the operating expenses for your information.

- Changes to the minimum monthly service charge should include; raising it to \$22.00 per month for residential and \$12.00 per month for the mobile park spaces.
- Reduce the amount of water included with the monthly service charge from 400 cu.ft. to 100 cu.ft.
- Change from a two-tiered water rate structure to a single block rate and charge every

customer \$2.50 per 100 cu.ft. of water usage. This increases the unit price slightly for the small water user and decreases the unit price slightly for large water users.

**Option # 2**

- Changes to the minimum monthly service charge should include; raising it to \$22.00 per month for residential and \$12.00 per month for the mobile park spaces. Eliminate the monthly minimum water provided with the service charge.
- Set up a tiered-rate structure of \$2.00 for the first 600 cu.ft. and \$3.00 anything over that amount.

**Option # 3**

- Changes the minimum monthly service charge to \$22.00 per month for residential and \$14.00 per month for the mobile park spaces. Include 100 cu.ft. with the monthly service charge.
- Set up a tiered-rate structure of \$2.00 for the first 1,000 cu.ft. and \$3.00 anything over that amount.

	Current Rates	Option # 1	Option # 2	Option # 3
Monthly service charge Residential	\$17.00	\$22.00	\$22.00	\$22.00
Monthly service charge MHP units	\$9.00	\$12.00	\$12.00	\$14.00
Water usage charge(in cu.ft.)	0-400 included 401-1499, \$2.00 over 1499, \$3.00	0-100 included over 100, \$2.50	0-600, \$2.00 over 600, \$3.00	0-100, included 100-1,000, \$2.00 over 1,000 \$3.00
Projected revenue	\$379,000	\$507,524	\$ 503,649	\$ 490,842
Average customer charge	\$24.00	\$35.93	\$35.53	\$33.02

The average water bill of (650 cu.ft) would be around \$33-36 per month with any of the options. This is also within the financial ratio for grant funding which is 1.5% of the City's Median Household Income or (MHI).

Option #1, Rio Dell Financial Toolbox v2.6.xls

Wastewater?		City of Rio Dell		v2.6
<input checked="" type="checkbox"/>	Cubic Feet?	USE INFORMATION		Add Customers? <input type="checkbox"/>
Residential Connections	1089	Total Connections or Units	1158	
Residential Cubic Feet Used	9,462,100	Total Cubic Feet Metered	9,462,100	
Monthly ERU/EDU Cubic Feet	657	Total Cubic Feet Sold	8,072,500	
Months In Billing Period	12	Free Water Ft/Month	100	
* Optional Information		RATE INFORMATION		
SERVICE CHARGE	\$22.00	REVENUES NEEDED	\$500,000	
ERU/EDU Water Cost	\$13.93	ANNUAL REVENUES	\$897,324	
ERU/EDU Monthly Bill	\$35.93	Commodity Revenues %	40%	
2X ERU/EDU Cost %	46%	Max ERU/EDU Cost %	46%	
1st Tier Cubic Feet		Cubic Feet Sold In Tier	8,072,500	
**Actual Cu Ft Free Water Used		Percent of Use In Tier	0.0%	
1st Tier Water Rate/100 Cubic Feet	\$7.45	Commodity Revenues	100.0%	

Indivie
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6:
\$12
ER
Asst
Differ
Cha
\$22
Bill for

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Additional Customer Information - Water Rates

Water Customer	Units Billed	Billing Unit	Use Calculation		Cubic Feet In Period	Different Svc Charge?	Avg Monthly Bill
			Add Vol Charge %	ERU			
Riverside Estates	18.0	ERU Volume	52%	18.1	268,400		\$906.00
Rivers Edge RV Park	25.0	ERU Volume	52%	15.5	227,200		\$880.33
Rio Dell Mobile Park	19.0	ERU Volume	52%	16.3	240,000		\$870.50
Rio Dell Mobile Estates	6.0	ERU Volume	52%	6.9	143,600		\$415.96



Option #2, Rio Dell Financial Toolbox v2.6.xls

Wastewater?		City of Rio Dell		v2.6
<input checked="" type="checkbox"/> Cubic Feet?	USE INFORMATION		Add Customers?	<input checked="" type="checkbox"/>
Residential Connections	1089	Total Connections or Units	1158	
Residential Cubic Feet Used	8,500,000	Total Cubic Feet Sold	9,377,100	
Monthly ERU/EDU Cubic Feet	651			
Months in Billing Period	12	Free Water Ft <sup>3</sup> /Month		
Optional Information		RATE INFORMATION		
SERVICE CHARGE	\$22.00	REVENUES NEEDED	\$500,000	
ERU/EDU Water Cost	\$13.53	ANNUAL REVENUES	\$503,349	
ERU/EDU Monthly Bill	\$35.53	Commodity Revenues %	39%	
2X ERU/EDU Cost %	55%	Max ERU/EDU Cost %	55%	
2d Tier Cubic Feet		Cubic Feet Sold in Tier	1,039,500	
		Percent of Use in Tier	11.1%	
2d Tier Rate/100 Cubic Feet	\$13.50	Commodity Revenues	16.2%	
1st Tier Cubic Feet		Cubic Feet Sold in Tier	8,337,600	
**Actual 1st Tier Use Cubic Ft		Percent of Use in Tier	88.9%	
1st Tier Water Rate/100 Cubic Feet	\$12.00	Commodity Revenue	84.2%	

Individual	
Calculation	
Cubic	
Used in	
	22,
	\$65
Difference	
Change	\$40.
Bill for	\$9.00

3  
2  
1

Additional Customer Information - Water Rates

Water Customer	Units Billied	Billing Unit	Use Calculation		Cubic Feet in Period	Different Svc Charge?
			Add Vol Charge %	ERU		
Riverside Estates	18.0	ERU Volume			286,400	
Riviera Edge RV Park	28.0	ERU Volume			227,200	
Rio Dell Mobile Park	19.0	ERU Volume			240,000	
Rio Dell Mobile Estates	6.0	ERU Volume			143,500	

Option #3, Rio Dell Financial Toolbox v2.6.xls

Wastewater?		City of Rio Dell		v2.6
<input checked="" type="checkbox"/> Cubic Feet?	USE INFORMATION		Add Customers?	
Residential Connections	1089	Total Connections or Units	1170	
Residential Cubic Feet Used	9,500,000	Total Cubic Feet Metered	9,377,100	
Monthly ERU/EDU Cubic Feet	651	Total Cubic Feet Sold	7,973,100	
Months in Billing Period	12	Free Water Ft/Month	100	
Optional Information		RATE INFORMATION		
SERVICE CHARGE	\$22.00	REVENUES NEEDED	\$500,000	
ERU/EDU Water Cost	\$11.02		\$490,842	
ERU/EDU Monthly Bill	\$33.02	Commodity Revenues %	37%	
2X ERU/EDU Cost %	49%	Max ERU/EDU Cost %	59%	
2d Tier Cubic Feet		Cubic Feet Sold in Tier	750,000	
	750,000	Percent of Use in Tier	8.0%	
2d Tier Rate/100 Cubic Feet	\$1.00	Commodity Revenues	12.4%	
	1,000	Cubic Feet Sold in Tier	7,973,100	
**Actual Cu Ft Free Water Used		Percent of Use in Tier	149.7%	
1st Tier Water Rate/100 Cubic Feet	\$12.00	Commodity Revenues	87.8%	

Individual	
Calc	
Cubic	
Used In	
22	
\$04	
Differs	
Chg	
\$29	
Bill for	

3  
2  
1

Additional Customer Information - Water Rates						
Water Customer	Units Billed	Billing Unit	Use Calculation		Cubic Feet In Period	Different Svc Charge?
			Add Vol Charge %	ERU		
Riverside Estates	21.0	ERU Volume			266,400	
Rivers Edge RV Park	31.0	ERU Volume			227,200	
Rio Dell Mobile Park	22.0	ERU Volume			240,000	
Rio Dell Mobile Estates	7.0	ERU Volume			143,500	

Water Rates  
for Agencies in  
Mendocino and Humboldt County

January 2005

<u>Agency</u>	<u>Standard residential mo. base rate</u>	<u>Water rate per 100 cu.ft.</u>	<u>Average customer bill for a month (in cu.ft.) 1,000</u>	<u>Customers</u>
Eureka	\$11.77	\$2.70	\$38.77	9600
Fort Bragg	\$12.80	\$2.66	\$39.40	945
Rio Dell	\$22.00	\$2.50	\$44.50	1089
Brooktrails	\$25.20	\$1.98	\$45.00	1315
Willits	\$21.80	\$2.35	\$45.30	2500
Ferndale	\$13.80	\$3.68	\$50.60	728

Exhibit 'A'

45

Water Rates for Agencies in Mendocino and Humboldt County

January 2005

Average water bill usage  
1000 cu ft

Agency	1,000
Eureka	\$38.77
Fort Bragg	\$39.40
Average	\$44.22
Rio Dell	\$44.50
Brooktrails	\$45.00
Willits	\$45.30
Ferndale	\$50.60

\* Black and Veatch Engineering Study

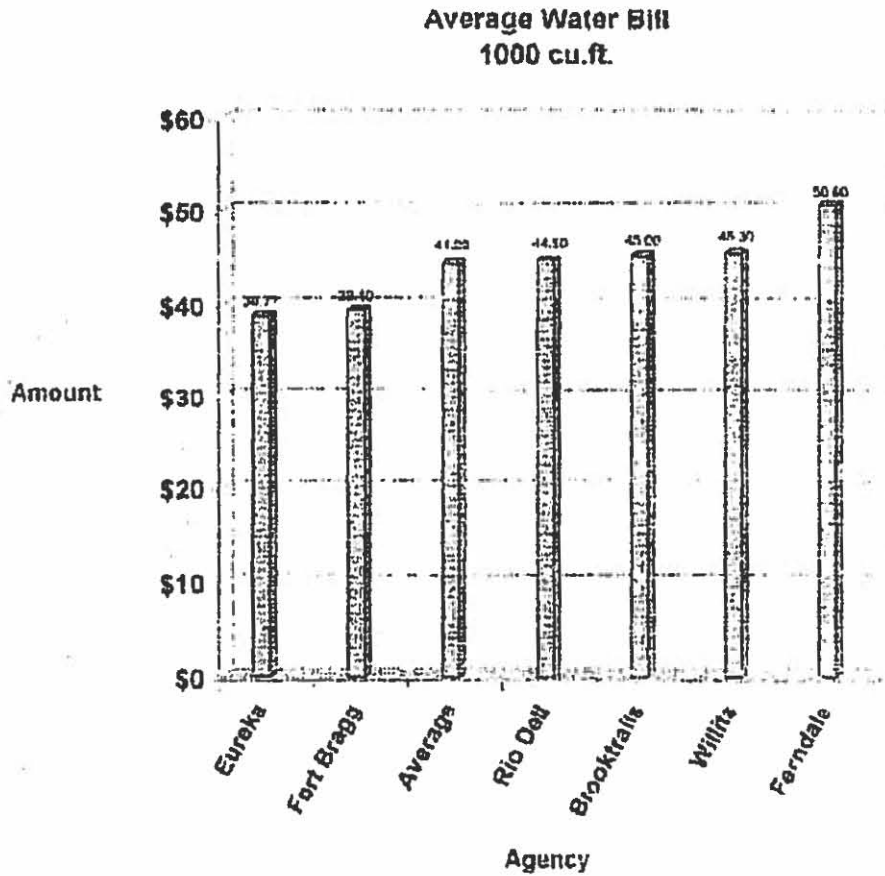


Exhibit 'A'

46

**RESOLUTION 888-2005**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF RIO DELL ESTABLISHING  
WATER RATES AND SERVICE CHARGES  
PURSUANT TO THE PROVISIONS OF  
ORDINANCE NO. 241 AND RESOLUTION NO. 810-2002**

WHEREAS, the City of Rio Dell is authorized by the California Constitution and the California Code to charge fees to cover expenses for the services it provides; and

WHEREAS, the City Council of the City of Rio Dell did adopt Water Ordinance No. 241 that allows for all rates, charges, fees and penalties contained in the ordinance to be modified by resolution of the City Council to provide for future charges; and

WHEREAS, the City Council of the City of Rio Dell did adopt Resolution No. 810-2002 amending Section 23 of Ordinance No. 241 regarding water rates and charges;

NOW, THEREFORE, BE IT RESOLVED that this Resolution amends only Section 6 of Resolution No. 810-2002, which had amended Section 23 of Ordinance No. 241, and sets out the following Water Rates and Service Charges:

Inside City Limits

*For All Residential and Commercial Consumers Alike*

Minimum Monthly Base Charge:	\$22.00 for all users
Usage Charge:	
0 to 100 cubic feet	Included in Monthly Base Charge
100 to 1,000 cubic feet	\$2.00 per 100 cubic feet
Over 1,000 cubic feet	\$3.00 per 100 cubic feet

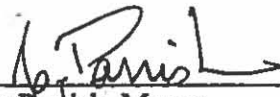

Outside City Limits

*For All Residential and Commercial Consumers Alike*

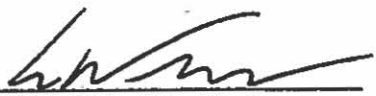
Minimum Monthly Base Charge:	\$33.00 for all users
Usage Charge:	
0 to 100 cubic feet	Included in Monthly Base Charge
100 to 1,000 cubic feet	\$3.00 per 100 cubic feet
Over 1,000 cubic feet	\$4.50 per 100 cubic feet

PASSED AND ADOPTED this 15th day of February 2005 by the following vote:

AYES: Mayor Parrish, Councilmembers Leonard, Barsanti, Dunker, & Woodall  
NOES: None  
ABSTAIN: None  
ABSENT: None

  
\_\_\_\_\_  
Jay Parrish, Mayor  


ATTEST:

  
\_\_\_\_\_  
Eli Naffah, City Clerk



Motion was made by Woodall/Dunker to approve Resolution No. 877-2005 *Declaring the Downtown Commercial District on Wildwood Avenue a Blighted Area in Need of Revitalization From the Eagle Prairie Bridge to Side Street*. Motion carried 5-0.

### **SPECIAL CALL ITEMS/COMMUNITY AFFAIRS**

#### Consider VLF Gap Loan Financing Program

City Manager Naffah stated this matter was brought forward by Councilmember Woodall when she learned the City of Arcata was pursuing the VLF Gap Loan Financing Program offered by California Communities, a JPA of the League of California Cities and CSAC, the Counties organization. If Rio Dell chose to pursue the VLF Gap Loan Financing Program, we would receive approximately 89% which amounts to \$48,097 in March of this year instead of the anticipated \$54,042 in August of 2006.

City Manager Naffah's recommendation was that we wait until next year for the full amount rather than accept lesser amount now.

Councilmember Woodall felt it would be better to take what we can now to avoid possible delays in payment or the risk of not getting anything at all.

No action was taken; City Manager agreed to look into the matter further.

#### Public Hearing – Proposed Water Rate Increase

The public hearing was opened at 6:44 P.M.

City Manager Naffah stated a Water Rate Study was done by RCAC and as a result a water rate increase was recommended in order to provide sufficient funds to operate the water treatment plant with the proposed improvements to the Water Intake System and in order to meet the State requirements to be eligible for grant funding with the Department of Health Services.

Brian Phillips and John Hamner from RCAC were present to answer any questions regarding the rate analysis. Brian stated the goal is to set rates that are fair and equitable and to make sure that all applicable laws are followed. A Rate Review Memo was presented to Council, staff and the public which included three options for the proposed water rate structure.

#### Option #1

- Changes to the minimum monthly service charge should include raising it to \$22.00 per month for residential and \$12.00 per month for mobile park spaces.

- Reduce the amount of water included with the monthly service charge from 400 cu. ft. to 100 cu. ft.
- Change from a two-tiered water rate structure to a single block rate and charge every customer \$2.50 per 100 cu. Ft. of water usage. This increases the unit price slightly for the small water user and decreases the unit price slightly for large water users

Option #2

- Changes to the minimum monthly service charge should include raising it to \$22.00 per month for residential and \$12.00 per month for the mobile park spaces. Eliminate the monthly minimum water provided with the service charge.
- Set up a tiered rate structure of \$2.00 for the first 600 cu. ft. and \$3.00 anything over that amount.

Option #3

- Changes the minimum monthly service charge to \$22.00 per month for residential and \$14.00 per month for the mobile park spaces. Include 100 cu. ft. with the monthly service charge.
- Set up a tiered rate structure of \$2.00 for the first 1,000 cu. ft. and \$3.00 anything over that amount.

Brian Phillips explained that one of the key elements in qualifying for grant funding with the Department of Health Services is that the City charge fair and equitable water rates based on a formula of 1.5% of the average median household income in Rio Dell. With the current average median income at \$29,650, the average water bill should be at \$44.50 per month for 1,000 cu. ft. of water. Also based on a comparison study done among other agencies in Mendocino and Humboldt County with water systems of similar size, the average water bill for 1,000 cu. ft. computed at \$44.22 per month.

Ingrid Morrow, 350 Second Ave., asked why the comparison wasn't done on the average usage for Rio Dell of 650 cu. ft.; Brian explained 1,000 cu. ft. is the average typically used throughout the State.

Louie Barsanti, 89 Dixie St., commented the increase would have a financial impact on the senior citizens on fixed incomes; City Manager Naffah explained with the proposed rate structure customers would only pay for 100 cu. ft. instead of 400 cu. ft. when often time's senior citizens used below that amount.

Superintendent of Public Works Hale asked if the rate increase would provide for any future maintenance costs; City Manager Naffah explained that with Option 3 would allow for approximately \$18,000 per year for future maintenance and possibly more if we secure grant funding to supplement the loan for the water intake project.

There being no further public comment, the public hearing closed at 7:13 P.M and opened to Council comment.

Councilmember Woodall stated it would be more equitable to charge the mobile home parks the same as residential customers because of the size of the homes and yards at Riverside Estates.

Staff asked if a distinction could be made between mobile homes and manufactured homes. Brian commented that we might be able to categorize them based on the square footage of a home however; we would need to be sure to charge the same rate within the same class code.

Brian stated the senior discount would no longer be viable due to age discrimination laws.

Mayor Parrish stated the goal of the City Council is to have a balanced budget, be fair to the citizens, and have good quality and quantity of water for everyone.

Superintendent of Public Works Hale commented the proposed rate increase is a step in the right direction although it would not address the City's Capital Improvement Program. Brian suggested the City review water rates every two years.

Councilmember Barsanti asked if there were other options to explore in regard to the rate structure. Brian elaborated on the timing restrictions and the need to adopt a new water rate structure to support the grant application that was submitted to the Department of Health Services in December, 2004.

Councilmember Woodall presented the scenario of amending Option 3 so the monthly service charge for mobile home parks was \$22.00 rather than \$14.00 and the water usage was increased from 100 cu. ft. to 200 cu. ft. Brian stated we would probably need to increase the water usage charge from \$2.00 to \$3.00 to meet the projected revenue.

Motion was made by Leonard/Dunker to support Option 3 with the change to include the monthly service charge for mobile home parks at \$22.00. Motion carried 5-0.

The Resolution for adoption of the new water rate structure was scheduled to be on the February 15<sup>th</sup> agenda.

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## **REPORTS/STAFF COMMUNICATIONS**

**RESOLUTION 907-2005**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF RIO DELL ESTABLISHING  
WATER RATES AND SERVICE CHARGES  
PURSUANT TO THE PROVISIONS OF  
ORDINANCE NO. 241 AND RESOLUTION NO. 888-2005**

WHEREAS, the City of Rio Dell is authorized by the California Constitution and the California Code to charge fees to cover expenses for the services it provides; and

WHEREAS, the City Council of the City of Rio Dell did adopt Water Ordinance No. 241 that allows for all rates, charges, fees and penalties contained in the ordinance to be modified by resolution of the City Council to provide for future charges; and

WHEREAS, the City Council of the City of Rio Dell did adopt Resolution No. 810-2002 amending Section 23 of Ordinance No. 241 regarding water rates and charges;

NOW, THEREFORE, BE IT RESOLVED that this Resolution amends Resolution 888-2005, which amended Section 6 of Resolution No. 810-2002, which had amended Section 23 of Ordinance No. 241, and sets out the following Water Rates and Service Charges:

**Inside City Limits**

**For All Residential Customers**

Minimum Monthly Base Charge: \$22.00 for all users

**Usage Charge:**

0 to 100 cubic feet	Included in Monthly Base Charge
100 to 1,000 cubic feet	\$2.00 per 100 cubic feet
Over 1,000 cubic feet	\$3.00 per 100 cubic feet

**For All Commercial and Institutional Customers**

Minimum Monthly Base Charge: \$22.00 for all users

**Usage Charge (per Base Charge):**

0 to 100 cubic feet	Included in Monthly Base Charge
Over 100 cubic feet	\$2.00 per 100 cubic feet

**For All R.V. Parks and Mobile Home Parks with significant space committed to  
Recreational vehicle parking**

Minimum Monthly Base Charge: \$22.00 for all users

**Usage Charge (per Base Charge):**

0 to 100 cubic feet	Included in Monthly Base Charge
100 to 1,000 cubic feet	\$2.00 per 100 cubic feet
Over 1,000 cubic feet	\$3.00 per 100 cubic feet

Eligibility for R.V. Park and Mobile Home Park with significant R.V. space will be based on the following conditions and definitions:

1. **Significant R.V. space** is defined as at least 20% of the total spaces in the facility.
2. **Base Charge** is calculated at 0.65 per R.V. space and 1.00 per mobile home space.
3. **Total Park water consumption** must average less than 90% of the average residential water consumption to maintain eligibility for this rate.
4. **Certification:** Mobile home park owners or operators must file a monthly sworn statement certifying the total number of spaces in the park and the number of spaces dedicated to recreational vehicles for the entire month.
5. Mobile home spaces will be calculated as residential units.
6. If any condition is not met, the base charge will be 1.00 per space.

**Example:** A 40-unit mobile home park dedicates 8 spaces to recreational vehicles for an entire month.

Base charges for the 32 mobile home spaces	32
Base charges for 8 RV spaces (8X.65)	5.2
Water included in base charge (32 + 5.2 X 100)	3720 cu. ft.
Water at \$2.00 per 100 cubic feet (32 + 5.2 X 900)	33,480 cu. ft.

Outside City Limits

*For All Residential and Commercial Consumers Alike*

Minimum Monthly Base Charge: \$33.00 for all users

Usage Charge:

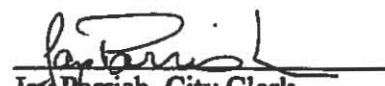
0 to 100 cubic feet	Included in Monthly Base Charge
100 to 1,000 cubic feet	\$3.00 per 100 cubic feet
Over 1,000 cubic feet	\$4.50 per 100 cubic feet

PASSED AND ADOPTED this 18th day of October 2005 by the following vote:

AYES: Mayor Leonard, Councilmembers Dunker, Marks and Woodall  
 NOES: Councilmember Barsanti  
 ABSTAIN: None  
 ABSENT: None

  
 \_\_\_\_\_  
 Bud Leonard, Mayor

ATTEST:

  
 \_\_\_\_\_  
 Jay Parrish, City Clerk

Approve Resolution No. 907-2005 Establishing Water Rates and Service Charges Pursuant to the Provisions of Ordinance No. 241 and Resolution No. 888-2005

Interim City Manager Parrish stated Accounting Supervisor Elton did further review of the water rates for RV Parks and Mobile Home Parks as a result of the information presented at the July 12, 2005 Study Session and came up with a rate schedule that he feels is fair and equitable.

Accounting Supervisor Elton explained the overall concerns focused on the percentage of the increase for certain businesses compared to residential customers, specifically for RV Parks, a Laundromat, Mobile Home Park with RV spaces, and Motel.

Staff reviewed the method used to create the current water rates and realized that no consideration was given for the differences between business requirements and residential requirements for normal use of water. Whereas residential customers have the ability to conserve water usage, the cost of implementing conservation measures may be prohibitive for businesses. In conclusion, staff felt that commercial and institutional customers should not have a second tier in the consumption rate schedule.

Additionally, staff felt mobile home spaces should be treated the same as other dwelling units. Spaces designated for recreational vehicle use should be considered separately when the designated space is a significant portion of the capacity. Also, it was suggested that the base charge for recreational vehicle spaces be 65% of the base charge for residential services provided the average consumption is 90% of the average residential consumption. R.V. parks would continue to have the tier two rate for consumption in excess of 6.5 units of water per space.

Councilmember Woodall said she didn't consider River's Edge R.V. Park as an R.V. park since most of their residents are permanent and questioned whether they should get charged the lower rate.

A public hearing was opened at 6:49 P.M. to receive public input on the proposed resolution.

There being no public comment, the public hearing closed.

Motion was made by Dunker/Marks to approve Resolution No. 907-2005 *Establishing Water Rates and Service Charges Pursuant to the Provisions of Ordinance No. 241 and Resolution No. 888-2005*. Motion carried 5-0.

**SPECIAL CALL ITEMS/COMMUNITY AFFAIRS**

Approve Pay Request No. 3 to SJ&B Group, Inc. in the Amount of \$195,790.95 for the Water Infrastructure Rehabilitation Project

Motion was made by Dunker/Barsanti to approve payment to SJ&B Group, Inc. for Progress Pay Request No. 3 in the amount of \$195,790.95 that takes into account the overpayment made by the City last month and includes 10% retention. Motion carried 5-0..



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*Rio Dell City Hall  
675 Wildwood Avenue  
Rio Dell, CA 95562  
(707) 764-3532  
riodellcity.com*



August 18, 2015

TO: Rio Dell City Council

FROM: Kyle Knopp, City Manager 

SUBJECT: Discussion and Possible Action on a Water Rate Adjustment Beginning in FY 2015-2016.

**IT IS RECOMMENDED THAT THE CITY COUNCIL:**

Receive a short presentation on water rate options, and;

1. Select a rate option.
2. Direct staff to proceed with the Proposition 218 process to adjust the water rates.
3. Review Proposition 218 implementation calendar and provide input, if any.

**BACKGROUND AND DISCUSSION**

The City Council last adjusted the water rates formula in February of 2005. Base rates were set at \$22.00 per month with a volume based fee starting at \$2.00 for the first 2-10 units of water consumed. The 2005 rate adjustment called for an annual 3% Consumer Price Index / Inflation adjustment, and every year the rate has increased by 3% to the rate charged today: \$27.84 per month base rate and \$2.51 volumetric rate starting at 2-10 units.

By the end of Fiscal Year 2015-2016, the Water Fund is projected to draw down the overall fund balance to zero (\$0.00). This includes all operations funds and capital funds. If no changes are made immediately, the water fund will go negative by next year's budget, jeopardizing the solvency of not just the water fund but also the City.

Analysis from the Rural Communities Assistance Corporation (RCAC), the City's Engineer GHD and staff has costed out the various goals and priorities for the water system. On August 4, the Council was presented several goals, ranging from no action on the rate structure to full funding of a largely replaced water system. The Council was presented 5 separate goals for funding, from which the council directed that staff return with a rate plan for Funding Goal # 2.

Funding Goal # 2 called for total annual receipts into the water system of \$1,133,611. Since the August 4<sup>th</sup> Council meeting staff has revised the figure downward to \$1,082,458. This amount is projected to adequately cover all mandatory debt service, operating costs, the costs of new infrastructure (Metropolitan Wells) as well as provide a portion of the costs required to leverage

state and federal dollars to achieve various infrastructure priorities including extension of the infiltration gallery, replace older distribution infrastructure, replace the painter street tank, and replace water meters in addition to providing some funds to replace miscellaneous equipment such as the City's Vactor Truck.

At the Council August 4, 2015 meeting, it was conveyed that the adoption of Funding Goal Number 2 would lead to an over 70% increase in the overall rate structure – increasing revenue from approximately \$630,000 per year to a target of approximately \$1,100,000 annually.

The previous rate adjustment had been focused on achieving rate levels that allowed the city to apply for grants from outside agencies. This strategy largely ignored the actual condition of the system, and since 2005 much of the distribution system has not been updated, nor are the current rate structures high enough to provide 100% grant coverage. This historic trend of deferred capital replacement and dependence on outside assistance has led to high costs to update and maintain the system that we see today.

Since the Council has now selected a goal that includes funding for capital improvements, the next step is to select the rate structure and move forward in the Proposition 218 process.

Staff recommends moving forward with a 2-tier rate structure, as a third tier becomes increasingly difficult to justify. The main question from this point forward becomes the split between what is a flat fixed rate every month and what percentage becomes a rate based upon the amount of water a customer uses.

Attached are the following documents:

- 1.) Rate Option 1: This is a purely subscriber based rate where all costs are split equally regardless of water use.
- 2.) Rate Option 2: This option splits the rate 75% fixed and 25% variable. This option is most in line with the current split for sewer use and most accurately reflects the split in costs between fixed and variable expenditures.
- 3.) Rate Option 3: This option splits the rate 50% fixed and 50% variable.
- 4.) Rate Option 4: This option splits the rate 25% fixed and 75% variable.
- 5.) Rate Option 5: This option is a dramatic change in water rate structure, with all revenue based on a 100% usage calculation. The revenue stream into the water fund would become highly variable based upon usage, weather conditions and season, while expenditures would remain largely fixed.
- 6.) Proposition 218 implementation calendar.

///

**RATE 1: 2-Tier Cost Based Rate Structure (100% Fixed /0% Variable)**

	Costs	Fixed	Variable
<b>Reduced Funding Goal #2</b>			
<b>Debt Service</b>			
Water Debt Service	\$136,000	\$136,000	
Water Debt Service Reserve	\$27,200	\$27,200	
<b>Fixed Operational Expenses</b>			
City Manager	\$99,608	\$99,608	
City Council	\$2,836	\$2,836	
Finance Department	\$138,213	\$138,213	
City Bldgs. and Grounds Dept.	\$8,767	\$8,767	
Water Operations	\$323,434	\$323,434	
CPI Inflation on Operations & Personnel	\$21,254	\$21,254	
<b>Variable Operational Expenses (Main System)</b>			
Chemicals	\$23,000	\$23,000	
Electricity	\$20,147	\$20,147	
Metropolitan Wells Fund Expenses			
Electricity	\$4,050	\$4,050	
Property Maintenance	\$2,500	\$2,500	
Filter Media	\$1,000	\$1,000	
Water Quality Testing	\$5,000	\$5,000	
Maintenance	\$1,000	\$1,000	
3% CPI Adjustment (Well Fund)	\$407	\$407	
<b>CIP &amp; Reserve Building</b>			
Capital Projects	\$64,000	\$64,000	
Operational Reserve Rebuilding	\$21,000	\$21,000	
Infiltration Gallery Extension**	\$25,000	\$25,000	
Replacement of Distribution (Pre-1950, 4" c	\$87,842	\$87,842	
Painter Street Tank Replacement**	\$13,200	\$13,200	
Water Meters**	\$15,000	\$15,000	
Miscellaneous Equipment	\$42,000	\$42,000	
<b>Total Main City System</b>	<b>\$1,082,458</b>	<b>\$1,082,458</b>	<b>\$0</b>

Base Rate Goal (Fixed Costs)	\$1,082,458	100.00%
Per Unit Rate Goal (Variable Costs)	\$0	0.00%

City System Customers	1,190
Dinsmore Customers	30
Total Customers	1,220
Total Units (100 CF) Water Sold 2015	88,938

Base Rate (Fixed Costs)	\$73.94
Cost per Unit (100 CF)	\$0.00
Cost per CF	\$0.00000
Cost per Gallon	\$0.00000

Tier 1 Base Rate + 1 Unit/Month	\$73.94
> 2 Units	\$0.00

<b>Dinsmore Zone:</b>	
Annual Booster Electricity	\$1,700
Water Main and Service Replacement Proj	\$10,177
Capital Improvement Reserve**	\$10,816
<b>Total Annual Cost Dinsmore Zone</b>	<b>\$22,693</b>

Dinsmore Base Rate Surcharge/month	\$63.04
<b>Total Base Rate Dinsmore</b>	<b>\$136.97</b>
<b>Cost per Unit (100 CF)</b>	<b>\$0.00</b>

<b>Total Annual Revenue Target</b>	
<b>Main City + Dinsmore</b>	<b>\$1,105,151</b>



**RATE 2: 2-Tier Cost Based Rate Structure (75% Fixed /25% Variable)**

Reduced Funding Goal #2	Costs	Fixed	Variable
<b>Debt Service</b>			
Water Debt Service	\$136,000	\$102,000	\$34,000
Water Debt Service Reserve	\$27,200	\$20,400	\$6,800
<b>Fixed Operational Expenses</b>			
City Manager	\$99,608	\$74,706	\$24,902
City Council	\$2,836	\$2,127	\$709
Finance Department	\$138,213	\$103,660	\$34,553
City Bldgs. and Grounds Dept.	\$8,767	\$6,575	\$2,192
Water Operations	\$323,434	\$242,575	\$80,858
CPI Inflation on Operations & Personnel	\$21,254	\$15,941	\$5,314
<b>Variable Operational Expenses (Main System)</b>			
Chemicals	\$23,000	\$17,250	\$5,750
Electricity	\$20,147	\$15,110	\$5,037
<b>Metropolitan Wells Fund Expenses</b>			
Electricity	\$4,050	\$3,038	\$1,013
Property Maintenance	\$2,500	\$1,875	\$625
Filter Media	\$1,000	\$750	\$250
Water Quality Testing	\$5,000	\$3,750	\$1,250
Maintenance	\$1,000	\$750	\$250
3% CPI Adjustment (Well Fund)	\$407	\$305	\$102
<b>CIP &amp; Reserve Building</b>			
Capital Projects	\$64,000	\$48,000	\$16,000
Operational Reserve Rebuilding	\$21,000	\$15,750	\$5,250
Infiltration Gallery Extension**	\$25,000	\$18,750	\$6,250
Replacement of Distribution (Pre-1950, 4" c	\$87,842	\$65,882	\$21,961
Painter Street Tank Replacement**	\$13,200	\$9,900	\$3,300
Water Meters**	\$15,000	\$11,250	\$3,750
Miscellaneous Equipment	\$42,000	\$31,500	\$10,500
<b>Total Main City System</b>	<b>\$1,082,458</b>	<b>\$811,844</b>	<b>\$270,615</b>

Base Rate Goal (Fixed Costs)	\$811,844	75.00%
Per Unit Rate Goal (Variable Costs)	\$270,615	25.00%

City System Customers	1,190
Dinsmore Customers	30
Total Customers	1,220
Total Units (100 CF) Water Sold 2015	88,938

Base Rate (Fixed Costs)	\$55.45
Cost per Unit (100 CF)	\$3.04
Cost per CF	\$0.03043
Cost per Gallon	\$0.00407

Tier 1 Base Rate + 1 Unit/Month	\$58.50
> 2 Units	\$3.04

<b>Dinsmore Zone:</b>	
Annual Booster Electricity	\$1,700
Water Main and Service Replacement Proj	\$10,177
Capital Improvement Reserve**	\$10,816
<b>Total Annual Cost Dinsmore Zone</b>	<b>\$22,693</b>

Dinsmore Base Rate Surcharge/month	\$63.04
<b>Total Base Rate Dinsmore</b>	<b>\$121.53</b>
<b>Cost per Unit (100 CF)</b>	<b>\$3.04</b>

<b>Total Annual Revenue Target</b>	
Main City + Dinsmore	\$1,105,151

**RATE 3: 2-Tier Cost Based Rate Structure (50% Fixed /50% Variable)**

Reduced Funding Goal #2	Costs	Fixed	Variable
<b>Debt Service</b>			
Water Debt Service	\$136,000		\$136,000
Water Debt Service Reserve	\$27,200		\$27,200
<b>Fixed Operational Expenses</b>			
City Manager	\$99,608	\$99,608	
City Council	\$2,836	\$2,836	
Finance Department	\$138,213	\$138,213	
City Bldgs. and Grounds Dept.	\$8,767	\$8,767	
Water Operations	\$323,434	\$270,551	\$52,883
CPI Inflation on Operations & Personnel	\$21,254	\$21,254	
<b>Variable Operational Expenses (Main System)</b>			
Chemicals	\$23,000		\$23,000
Electricity	\$20,147		\$20,147
Metropolitan Wells Fund Expenses			\$0
Electricity	\$4,050		\$4,050
Property Maintenance	\$2,500		\$2,500
Filter Media	\$1,000		\$1,000
Water Quality Testing	\$5,000		\$5,000
Maintenance	\$1,000		\$1,000
3% CPI Adjustment (Well Fund)	\$407		\$407
<b>CIP &amp; Reserve Building</b>			
Capital Projects	\$64,000		\$64,000
Operational Reserve Rebuilding	\$21,000		\$21,000
Infiltration Gallery Extension**	\$25,000		\$25,000
Replacement of Distribution (Pre-1950, 4" or :	\$87,842		\$87,842
Painter Street Tank Replacement**	\$13,200		\$13,200
Water Meters**	\$15,000		\$15,000
Miscellaneous Equipment	\$42,000		\$42,000
<b>Total Main City System</b>	<b>\$1,082,458</b>	<b>\$541,229</b>	<b>\$541,229</b>

Base Rate Goal (Fixed Costs)	\$541,229	50.00%
Per Unit Rate Goal (Variable Costs)	\$541,229	50.00%

City System Customers	1,190
Dinsmore Customers	30
Total Customers	1,220
Total Units (100 CF) Water Sold 2015	88,938

Base Rate (Fixed Costs)	\$36.97
Cost per Unit (100 CF)	\$6.09
Cost per CF	\$0.06085
Cost per Gallon	\$0.00814

1st Tier Base Rate + 1 Unit/Month	\$43.05
> 2 Units	\$6.09

<b>Dinsmore Zone:</b>	
Annual Booster Electricity	\$1,700
Water Main and Service Replacement Projec	\$10,177
Capital Improvement Reserve**	\$10,816
<b>Total Annual Cost Dinsmore Zone</b>	<b>\$22,693</b>

Dinsmore Base Rate Surcharge/month	\$63.04
<b>Total Base Rate Dinsmore</b>	<b>\$106.09</b>
<b>Cost per Unit (100 CF)</b>	<b>\$6.09</b>

<b>Total Annual Revenue Target</b>	
<b>Main City + Dinsmore</b>	<b>\$1,105,151</b>



**RATE 4: 2-Tier Cost Based Rate Structure (25% Fixed /75% Variable)**

Reduced Funding Goal #2	Costs	Fixed	Variable
<b>Debt Service</b>			
Water Debt Service	\$136,000	\$34,000	\$102,000
Water Debt Service Reserve	\$27,200	\$6,800	\$20,400
<b>Fixed Operational Expenses</b>			
City Manager	\$99,608	\$24,902	\$74,706
City Council	\$2,836	\$709	\$2,127
Finance Department	\$138,213	\$34,553	\$103,660
City Bldgs. and Grounds Dept.	\$8,767	\$2,192	\$6,575
Water Operations	\$323,434	\$80,858	\$242,575
CPI Inflation on Operations & Personnel	\$21,254	\$5,314	\$15,941
<b>Variable Operational Expenses (Main System)</b>			
Chemicals	\$23,000	\$5,750	\$17,250
Electricity	\$20,147	\$5,037	\$15,110
<b>Metropolitan Wells Fund Expenses</b>			
Electricity	\$4,050	\$1,013	\$3,038
Property Maintenance	\$2,500	\$625	\$1,875
Filter Media	\$1,000	\$250	\$750
Water Quality Testing	\$5,000	\$1,250	\$3,750
Maintenance	\$1,000	\$250	\$750
3% CPI Adjustment (Well Fund)	\$407	\$102	\$305
<b>CIP &amp; Reserve Building</b>			
Capital Projects	\$64,000	\$16,000	\$48,000
Operational Reserve Rebuilding	\$21,000	\$5,250	\$15,750
Infiltration Gallery Extension**	\$25,000	\$6,250	\$18,750
Replacement of Distribution (Pre-1950, 4" c	\$87,842	\$21,961	\$65,882
Painter Street Tank Replacement**	\$13,200	\$3,300	\$9,900
Water Meters**	\$15,000	\$3,750	\$11,250
Miscellaneous Equipment	\$42,000	\$10,500	\$31,500
<b>Total Main City System</b>	<b>\$1,082,458</b>	<b>\$270,615</b>	<b>\$811,844</b>

Base Rate Goal (Fixed Costs)	\$270,615	25.00%
Per Unit Rate Goal (Variable Costs)	\$811,844	75.00%

City System Customers	1,190
Dinsmore Customers	30
Total Customers	1,220
Total Units (100 CF) Water Sold 2015	88,938

Base Rate (Fixed Costs)	\$18.48
Cost per Unit (100 CF)	\$9.13
Cost per CF	\$0.09128
Cost per Gallon	\$0.01220

Tier 1 Base Rate + 1 Unit/Month	\$27.61
> 2 Units	\$9.13

<b>Dinsmore Zone:</b>	
Annual Booster Electricity	\$1,700
Water Main and Service Replacement Proj	\$10,177
Capital Improvement Reserve**	\$10,816
<b>Total Annual Cost Dinsmore Zone</b>	<b>\$22,693</b>

Dinsmore Base Rate Surcharge/month	\$63.04
<b>Total Base Rate Dinsmore</b>	<b>\$90.65</b>
<b>Cost per Unit (100 CF)</b>	<b>\$9.13</b>

<b>Total Annual Revenue Target</b>	
Main City + Dinsmore	\$1,105,151



**RATE 5: 2-Tier Cost Based Rate Structure (0% Fixed /100% Variable)**

Reduced Funding Goal #2	Costs	Fixed	Variable
<b>Debt Service</b>			
Water Debt Service	\$136,000		\$136,000
Water Debt Service Reserve	\$27,200		\$27,200
<b>Fixed Operational Expenses</b>			
City Manager	\$99,608		\$99,608
City Council	\$2,836		\$2,836
Finance Department	\$138,213		\$138,213
City Bldgs. and Grounds Dept.	\$8,767		\$8,767
Water Operations	\$323,434		\$323,434
CPI Inflation on Operations & Personnel	\$21,254		\$21,254
<b>Variable Operational Expenses (Main System)</b>			
Chemicals	\$23,000		\$23,000
Electricity	\$20,147		\$20,147
<b>Metropolitan Wells Fund Expenses</b>			
Electricity	\$4,050		\$4,050
Property Maintenance	\$2,500		\$2,500
Filter Media	\$1,000		\$1,000
Water Quality Testing	\$5,000		\$5,000
Maintenance	\$1,000		\$1,000
3% CPI Adjustment (Well Fund)	\$407		\$407
<b>CIP &amp; Reserve Building</b>			
Capital Projects	\$64,000		\$64,000
Operational Reserve Rebuilding	\$21,000		\$21,000
Infiltration Gallery Extension**	\$25,000		\$25,000
Replacement of Distribution (Pre-1950, 4" c	\$87,842		\$87,842
Painter Street Tank Replacement**	\$13,200		\$13,200
Water Meters**	\$15,000		\$15,000
Miscellaneous Equipment	\$42,000		\$42,000
<b>Total Main City System</b>	<b>\$1,082,458</b>	<b>\$0</b>	<b>\$1,082,458</b>

Base Rate Goal (Fixed Costs)	\$0	0.00%
Per Unit Rate Goal (Variable Costs)	\$1,082,458	100.00%

City System Customers	1,190
Dinsmore Customers	30
Total Customers	1,220
Total Units (100 CF) Water Sold 2015	88,938

Base Rate (Fixed Costs)	\$0.00
Cost per Unit (100 CF)	\$12.17
Cost per CF	\$0.12171
Cost per Gallon	\$0.01627

Tier 1 Base Rate + 1 Unit/Month	\$12.17
> 2 Units	\$12.17

<b>Dinsmore Zone:</b>	
Annual Booster Electricity	\$1,700
Water Main and Service Replacement Proj	\$10,177
Capital Improvement Reserve**	\$10,816
<b>Total Annual Cost Dinsmore Zone</b>	<b>\$22,693</b>

Dinsmore Base Rate Surcharge/month	\$63.04
<b>Total Base Rate Dinsmore</b>	<b>\$75.21</b>
<b>Cost per Unit (100 CF)</b>	<b>\$12.17</b>

<b>Total Annual Revenue Target</b>	
<b>Main City + Dinsmore</b>	<b>\$1,105,151</b>

**WATER RATE STRUCTURE TIMELINE**  
 July 2015 thru October 2015

July	August	September	October
<ul style="list-style-type: none"> <li>* <b>July 1-25</b> Development of water rate structure</li> <li>* <b>July 26-Aug 4</b> Preparation for Water Rate Presentation (8/4)</li> </ul>	<ul style="list-style-type: none"> <li>* <b>August 4 (Tuesday)</b> Water Rate Structure Presentation/Workshop</li> <li>* <b>August 18 (Tuesday)</b> City Council Meeting to finalize water rate info.</li> <li>* <b>August 21 (Friday)</b> MAIL NOTICES Begin 45 day notice wait</li> </ul>	<ul style="list-style-type: none"> <li>* WAIT-PERIOD</li> <li>* Possible Community Public Meeting</li> </ul>	<ul style="list-style-type: none"> <li>* <b>October 6 (Tuesday)</b> HEARING (End 45 day wait period)</li> </ul>

**Notes**

- \* *Timeline based on NO 30 day wait period*
- \* *If additional tiers are added set up in AccuFund will require technical assistance*


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675 Wildwood Avenue  
Rio Dell, CA 95562  
(707) 764-3532



For Meeting of: August 18, 2015

To: City Council

From: Kevin Caldwell, Community Development Director 

Through: Kyle Knopp, City Manager

Date: August 14, 2015

Subject: Second reading and adoption of Ordinance No. 337-2015 establishing Chapter 15.20 of the Rio Dell Municipal Code relating to expedited permitting procedures for small residential rooftop solar systems pursuant to AB 2188.

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**Recommendation:**

That the City Council:

1. Receive staff's report regarding the proposed text amendment;
2. Open the public hearing, receive public input, close the public hearing and deliberate;
3. Adopt Ordinance No. 337-2015 establishing Chapter 15.20 of the Rio Dell Municipal Code relating to expedited permitting procedures for small residential rooftop solar systems pursuant to AB 2188.
4. Direct the City Clerk, within 15 days after adoption of the Ordinance, to post an adoption summary of the Ordinance with the names of those City Council members voting for or against, or otherwise voting in at least three (3) public places and to post in the office of the City Clerk a certified copy of the full text of the adopted Ordinance pursuant to Section 36933(a) of the California Government Code.



**BACKGROUND/DISCUSSION:**

As reported at the Council meeting of August 4, 2015 Section 65850.5(g)(1) of the California Government Code requires that, on or before September 30, 2015, every city, county, or city and county must adopt an ordinance that creates an expedited, streamlined permitting process for small residential rooftop solar energy systems. As such staff prepared Ordinance No. 337-2015 establishing Chapter 15.20 of the Rio Dell Municipal Code relating to expedited permitting procedures for small residential rooftop solar systems pursuant to AB 2188 and Section 65850.5(g)(1) of the California Government Code.

The proposed Ordinance is based on a model template provided by the California Building Official (CALBO) and is included as Attachment 1.

Again, in order to facilitate an expedited permit process, Section 65850.5(g)(1) requires that jurisdictions identify submittal requirements and develop a checklist of all the submittal requirements for small rooftop solar systems. The *California Solar Permitting Handbook* includes submittal requirements and an eligibility checklist that satisfies this requirement. The submittal requirements and eligibility checklist were presented at the August 4<sup>th</sup> meeting.

There was little discussion and no changes were recommended by the Council or members of the public. As such, staff recommends that the Council adopt Ordinance No. 337-2015 and direct staff to post an adoption summary of the Ordinance with the names of those City Council members voting for or against, or otherwise voting in at least three (3) public places and to post in the office of the City Clerk a certified copy of the full text of the adopted Ordinance pursuant to Section 36933(a) of the California Government Code.

**FISCAL IMPACT:**

There is no anticipated fiscal impact as the costs would be recovered through existing building permit fees.

**ATTACHMENTS:**

Attachment 1: Ordinance No. 337-2015 establishing Chapter 15.20 of the Rio Dell Municipal Code relating to expedited permitting procedures for small residential rooftop solar systems pursuant to AB 2188.

Attachment 2: Post Adoption Summary.

**ORDINANCE NO. 337 – 2015**



**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF RIO DELL  
ESTABLISHING CHAPTER 15.20 TO THE RIO DELL MUNICIPAL CODE RELATING TO  
EXPEDITED PERMITTING PROCEDURES FOR SMALL RESIDENTIAL ROOFTOP SOLAR  
SYSTEMS**

**THE CITY COUNCIL OF THE CITY OF RIO DELL ORDAINS AS FOLLOWS:**

**WHEREAS**, Subsection (a) of Section 65850.5 of the California Government Code provides that it is the policy of the State to promote and encourage the installation and use of solar energy systems by limiting obstacles to their use and by minimizing the permitting costs of such systems; and

**WHEREAS**, Subdivision (g)(1) of Section 65850.5 of the California Government Code provides that, on or before September 30, 2015, every city, county, or city and county shall adopt an ordinance, consistent with the goals and intent of subdivision (a) of Section 65850.5, that creates an expedited, streamlined permitting process for small residential rooftop solar energy systems.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Rio Dell does hereby ordain as follows:

**Section 1.** Chapter 15.20 is added to the Rio Dell Municipal Code to read in full as follows:

**Chapter 15.20 Small Residential Rooftop Solar Energy System Review Process.**

**15.20.010 Definitions**

(1) The following words and phrases as used in this section are defined as follows:

"Electronic submittal" means the utilization of one or more of the following:

(a) E-mail, the Internet, facsimile.

"Small residential rooftop solar energy system" means all of the following:

(b) A solar energy system that is no larger than 10 kilowatts alternating current nameplate rating or 30 kilowatts thermal.



(c) A solar energy system that conforms to all applicable state fire, structural, electrical, and other building codes as adopted or amended by the City and paragraph (iii) of subdivision (c) of Section 714 of the Civil Code, as such section or subdivision may be amended, renumbered, or redesignated from time to time.

(d) A solar energy system that is installed on a single or duplex family dwelling.

(e) A solar panel or module array that does not exceed the maximum legal building height as defined by the authority having jurisdiction.

(f) "Solar energy system" has the same meaning set forth in paragraphs (1) and (2) of subdivision (a) of Section 801.5 of the Civil Code, as such section or subdivision may be amended, renumbered, or redesignated from time to time.

#### **15.20.020 Procedural Requirements**

(1) Section 65850.5 of the California Government Code provides that, on or before September 30, 2015, every city, county, or city and county shall adopt an ordinance that creates an expedited, streamlined permitting process for small residential rooftop solar energy systems.

(2) Section 65850.5 of the California Government Code provides that in developing an expedited permitting process, the City, shall adopt a checklist of all requirements with which small rooftop solar energy systems shall comply to be eligible for expedited review. The Building Official is hereby authorized and directed to develop and adopt such checklist.

(a) The checklist shall be published on the City's Internet website. The applicant may submit the permit application and associated documentation to the City's Building Division by personal, mailed, or electronic submittal together with any required permit processing and inspection fees. In the case of electronic submittal, the electronic signature of the applicant on all forms, applications and other documentation may be used in lieu of a wet signature.

(b) Prior to submitting an application, the applicant shall:

(i) Verify to the applicant's reasonable satisfaction through the use of standard engineering evaluation techniques that the support structure for the small residential rooftop solar energy system is stable and adequate to transfer all wind, seismic, and dead and live loads associated with the system to the building foundation; and

(ii) At the applicant's cost, verify to the applicant's reasonable satisfaction using standard electrical inspection techniques that the existing electrical system including existing line, load, ground and bonding wiring as well as main panel and subpanel sizes are adequately sized, based on the existing electrical system's current use, to carry all new photovoltaic electrical loads.

(c) For a small residential rooftop solar energy system eligible for expedited review, only one inspection shall be required, which shall be done in a timely manner and may include a consolidated inspection by the Building Official and fire chief. If a small residential rooftop solar energy system fails inspection, a subsequent inspection is authorized; however the subsequent inspection need not conform to the requirements of this subsection.

(d) An application that satisfies the information requirements in the checklist, as determined by the Building Official, shall be deemed complete. Upon receipt of an incomplete application, the Building Official shall issue a written correction notice detailing all deficiencies in the application and any additional information required to be eligible for expedited permit issuance.

(e) Upon confirmation by the Building Official of the application and supporting documentation being complete and meeting the requirements of the checklist, the Building Official shall administratively approve the application and issue all required permits or authorizations. Such approval does not authorize an applicant to connect the small residential rooftop system to the local utility provider's electricity grid. The applicant is responsible for obtaining such approval or permission from the local utility provider.

## **Section 2. Severability**

If any provision of the ordinance is invalidated by any court of competent jurisdiction, the remaining provisions shall not be affected and shall continue in full force and effect.

## **Section 3. Limitation of Actions**

Any action to challenge the validity or legality of any provision of this ordinance on any grounds shall be brought by court action commenced within ninety (90) days of the date of adoption of this ordinance.

## **Section 4. Effective Date**

This ordinance becomes effective thirty (30) days after the date of its approval and adoption.

**I HEREBY CERTIFY** that the forgoing Ordinance was duly introduced at a regular meeting of the City Council of the City of Rio Dell on August 4 2015 and furthermore the forgoing Ordinance was passed, approved and adopted at a regular meeting of the City Council of the City of Rio Dell, held on the August 18, 2015 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:



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Frank Wilson, Mayor

ATTEST:

I, Karen Dunham, City Clerk for the City of Rio Dell, State of California, hereby certify the above and foregoing to be a full, true and correct copy of Ordinance No. 337-2015 which was passed, approved and adopted at a regular meeting of the City Council of the City of Rio Dell, held on the August 18, 2015.

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Karen Dunham, City Clerk, City of Rio Dell

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675 Wildwood Avenue  
Rio Dell, CA 95562  
(707) 764-3532



**Public Notice**  
**City of Rio Dell City Council**  
**SUMMARY FOR POSTING AFTER ADOPTION OF ORDINANCE**

(The summary shall be published or posted within 15 calendar days after the adoption of the ordinance)

**Summary**

On **Tuesday, August 18, 2015 at 6:30 p.m.**, the Rio Dell City Council held a public hearing in the City Council Chamber at City Hall and approved and adopted Ordinance No. 337-2015 establishing Chapter 15.20 of the Rio Dell Municipal Code relating to expedited permitting procedures for small residential rooftop solar systems pursuant to AB 2188.

Section 36933(a) of the California Government Code requires that the City Clerk, to post a summary of the Ordinance within 15 days of adoption with the names of those City Council members voting for or against, or otherwise voting in at least three (3) public places and to post in the office of the City Clerk a certified copy of the full text of the adopted Ordinance. Said Ordinance was passed, approved and adopted at a regular meeting of the City Council of the City of Rio Dell, held on the February 17, 2015 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

A certified copy of the full text of the Ordinance is posted in the office of the City Clerk at 675 Wildwood Avenue in Rio Dell. General questions regarding the Ordinance and the process should be directed to Kevin Caldwell, Community Development Director, (707) 764-3532 or Graham Hill, Police Chief, (707) 764-5641.