

**RIO DELL CITY COUNCIL
STUDY SESSION
MAY 8, 2018
MINUTES**

A Study Session of the Rio Dell City Council was called to order at 4:00 p.m. by Mayor Wilson.

ROLL CALL: Present: Mayor Wilson, Mayor Pro Tem Johnson, Councilmembers Marks and Strahan

Absent: Councilmember Garnes (arrived at 4:30 p.m.)

Others Present: City Manager Knopp, Finance Director Woodcox, Wastewater Superintendent Trainee Purvis, and City Clerk Dunham

STUDY SESSION MATTERS

Review of Sewer Operating and Capital Budget for FY 2018-2019

City Manager Knopp began by providing an overview of the Budget Study Session schedule stating that the focus on this session will be to review the Sewer Operating and Capital Budget.

Finance Director Woodcox continued with an overview of the proposed Sewer Funds Budget by department and by fund reporting an estimated beginning fund balance of \$1,611,745 and an estimated ending fund balance of \$998,804 representing a change in reserves of (\$445,658) for FY 2018/19.

Councilmember Strahan pointed out an error in the calculations as presented. After further review of the spreadsheet, the estimated ending fund balance was changed from \$998,804 to \$1,166,087 to correct the error.

Staff continued with an overview of proposed expenditures, revenues and notable changes from the prior year. The proposed sewer fund budget was reported at \$686,112 compared to the prior year budget of \$530,483 representing an increase of \$155,629. The additional requests for Council's consideration included (1) full-time wastewater operator, (1) full-time wastewater operator OIT (50% from sewer), (1) part-time utility maintenance worker, a wastewater rate analysis study, TIE/CTR evaluations, and additional miscellaneous appropriations.

Wastewater Superintendent Trainee Purvis identified an error on the list of additional requests noting that the wastewater operator OIT is represented as a 50% split with the water fund but is actually 100% funded out of the sewer department. The full-time wastewater operator is actually the 50% funded position.

Councilmember Strahan questioned the current number of staff in the water and wastewater departments and the additional number proposed.

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Staff responded that there are currently three (3) full-time employees and the request is to add two (2) additional full-time positions for a total of five (5) not including the street crew.

Mayor Wilson asked how an overall public works staff increase of two (2) would impact the sewer budget five (5) years from now. In addition, will there be enough money for Capital projects.

Councilmember Strahan said she understood there was only going to be four (4) operators rather than five (5).

Water/Roadways Superintendent Jensen explained that a third person is needed on the wastewater side to keep up with routine operations. He noted that the City utilized a County worker at no cost to the City for a period.

Mayor Wilson stated that he doesn't mean to be negative but the Council should have known that staff took the initiative to get an employee for free which is the reason they were able to get by and now the Council needs to find a way to fill that gap.

City Manager Knopp reminded the Council that when the State regulators were here they identified some issues that need to be addressed in the City's NPDES permit. One of the issues was related to the chlorine disinfection system, the other was related to the collection system, specifically I & I problems, and the other issue pointed out was the City's inability to retain trained, qualified wastewater operators. He said that it is important to address these issues by investing in the wastewater system. He agreed with the need to retain qualified employees and have a succession plan as well as allowing employees to take regular vacations.

In summary, he said that the State has outlined challenges, set the bar and the City's job is to meet that bar. This budget attempts to do that which includes hiring of additional staff, purchasing equipment and moving forward with some of the more urgent capital projects.

Mayor Wilson questioned the request of \$10,000 for TIE/CTR evaluations.

Wastewater Superintendent Trainee Purvis explained that the City has been failing tests for effluent and this test is essentially a \$10,000 test, which takes the effluent and analyzes what is causing toxicity. He commented that if it is not figured out, the State regulators have indicated that there will be consequences such as possible fines. He noted that it would save money in lab testing with a reduction in the frequency of required tests.

Mayor Wilson asked what the proposed Sewer Rate Analysis would accomplish.

City Manager Knopp explained that a new sewer rate analysis is recommended every five (5) years to make sure everything is on track so the rates either can stay the same or be adjusted accordingly.

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Mayor Wilson suggested the Council consider directing staff to prepare the water and wastewater rate studies with a third party verifying the numbers.

Discussion continued regarding employee benefits.

Councilmember Strahan questioned the \$14,000 budgeted for Workers Compensation Insurance in the Sewer Department.

Finance Director Woodcox explained that the City is part of a JPA which included Workers Comp and the overall cost for coverage citywide is approximately \$90,000.

City Manager Knopp explained the different rates for the different classifications of employees noting that public works and police personnel have the highest rates with public works having around a 14% modification rate.

Mayor Wilson noted that 14% is not unreasonable for the classification.

City Manager Knopp also noted that health insurance costs can vary widely depending on family status and whether the employee is covered under a spouse's insurance.

Councilmember Strahan asked what happens when an employee is covered under another plan and declines coverage.

City Manager Knopp noted that the health insurance buyout is \$125.00 per pay period.

Mayor Wilson asked what the percentage is for employee benefits.

Finance Director Woodcox responded that it is approximately 43% and noted that the additional employees were budgeted at the full-family rate so the insurance cost could be lower depending on family status.

Councilmember Strahan commented that the City pays a lot for employee health insurance benefits.

City Manager Knopp explained that health insurance is a negotiated benefit and that the City opted to provide a high level of medical coverage in lieu of not being a PERS agency. He noted that staff has also been able to successfully mitigate skyrocketing rates by going to a JPA for coverage.

Councilmember Strahan said she would like to see a comparison of the percentages for the cost of benefits from last year to the current year.

Finance Director Woodcox noted that the percentages are in the last year's budget document.

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Next was review of the proposed capital projects.

Councilmember Marks questioned the expense for Access TV and suggested the Council consider some other use for that money. He noted that the City doesn't have any legal obligation to video record meetings and if it is a transparency issue, citizens need to show up at meetings. He said he would rather see the money go toward employee raises.

Mayor Wilson thought it would be a good idea to have Access Humboldt come and record meetings but he would like to have a solid quote before making a decision.

Councilmember Garnes pointed out that many people are unable to attend meetings because of health reasons.

City Manager Knopp broached the idea of scaling back and said that staff is in the process of implementing audio recordings of meetings. He commented that it is a low cost improvement and the City has most of the technology already in place.

Councilmember Strahan asked for clarification that with the proposed staff additions the total public works staff would be at 7.5 positions. Staff confirmed that she was correct.

Mayor asked if staff had looked at hiring an outside contractor to do mowing.

Water/Roadways Superintendent Jensen stated that he did obtain a quote from a local lawn service company at an annual cost of \$65,000.

City Manager Knopp explained that the majority of the proposed capital projects in the sewer department budget are related to regulatory compliance. He said the percolation ponds, utility truck, roller & trailer, forklift and access TV are all items not required by the State and are optional. He noted that the department is in need of a new forklift and the rest of the items are closely tied to regulatory compliance issues.

Mayor Wilson questioned the \$40,000 capital expenditure for pump motors.

Wastewater Superintendent Trainee Purvis said the idea is to have a spare replacement motor on the shelf for most everything.

Mayor Wilson stated that he is a big fan of having spare motors on hand and regarding motors and pumps it is a good idea to routinely rotate them out before they burn up. He said going through a procedural maintenance schedule as a whole saves money.

City Manager Knopp asked for direction from Council on any changes to the proposed sewer budget so staff can make the revisions before bringing the budget back to the Council on May 15.

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Mayor Pro Tem Johnson agreed with Councilmember Marks with regard to Access Humboldt video recording of meetings.

Councilmember Marks expressed concern about the cost of the wastewater rate study.

Mayor Wilson commented that he would like to see the quote for Access Humboldt verified and that there are certain times when video recordings of meetings are necessary so perhaps they could be utilized on an as-needed basis rather than having them present at every meeting.

Councilmember Garnes asked if the Council had considered the increased workload on staff with regard to putting together the rate studies.

Mayor Wilson said that whether it is Bartle Wells or another firm, all they will do is take the numbers the City provides, plug them into a report, and charge the City \$30,000, which he believes is excessive. He said staff would do most of the work anyway so why not have staff do the study and have a third part verify it.

Mayor Pro Tem Johnson commented that the procedure could become bothersome with the Prop 218 process. He noted that the City only received a few protest votes with the last sewer adjustment but that was not the case with the water rate adjustment. He expressed concern that staff could take the numbers to the ratepayers and they might think it is an inside fix.

Mayor Wilson pointed out that the sewer rate adjustment was revenue neutral with some customers rates reduced however; the water increase was significant. He said if the revenue was drastically different from what was anticipated with the current rate structure, it would be obvious. He said if it was radically out of line, then he could see going out to a professional firm but that is not the case.

He said he looked at the allocation spread with the finance department and he doesn't have a problem with that but does have a problem with the City Manager spread although that does not impact the rates.

Finance Director Woodcox noted that the revenue comes close to the \$1.6 million estimated by Bartle Wells & Associates.

Mayor Pro Tem Johnson asked if the majority of the capital costs would continue from year to year.

Wastewater Superintendent Trainee Purvis clarified that some of the costs will continue but with the new chlorine generator, maintenance costs will be reduced. He said the same goes for the sludge dryer boiler and belt press. He said overall maintenance costs would go down from year to year. He explained the \$15,000 for the Aeromod Plant is for spare valves and parts.

City Manager Knopp commented that with regard to the wastewater rate study, it sounds like a majority of the Council would like it removed from the budget. He said staff would certainly do that if that is the desire of the Council but staff would recommend leaving it in and perhaps having the study done in 2019. He said staff spent a huge amount of time on the water rate study, it was a very significant undertaking and staff ultimately was put up against a meat grinder. He said working with a third party on the study would be very helpful. He noted that staff needs to gather data and have a long-term plan. He said the data would also determine whether the City needs to go through the 218 process and adjust the rates or perhaps find out that the rates are in line with the City's 5-year plan. He reminded the Council how highly political the Prop 218 process was in the community with the meeting lasting until after 1:00 a.m. with staff tallying the votes.

Mayor Wilson said he didn't think it would be going overboard by making the Public Works Director responsible for preparing the rate study.

Councilmember Garnes commented that this City Council has excessively thrown staff under the bus and if a citizen is upset all the Council has to do is blame it on staff. She said citizens need to have trust in the Council and trust in staff. If not, the confidence of the community goes down. She said that having a third party do the study establishes that trust.

Mayor Wilson reiterated that having a third party verify the numbers staff produces would save a lot of money but if the Council wants to spend \$60,00 for the studies then go ahead and spend it.

Councilmember Strahan stated that this is why she asked for specific numbers and said there is another side of the budget aside from the funds and it is easy to provide a break down on where the money is going.

Finance Director Woodcox noted that the study is more about what the capital needs are for the City. She said there is not a problem with running the numbers.

Mayor Wilson said the Council needs to find out what is included in the rate study and since the Council would still need to approve any proposed study didn't have a problem leaving it in the budget as a placeholder.

Mayor Pro Tem Johnson noted that there were some members of the Council that had a problem with Bartle Well & Associates and suggested staff sends out Requests for Proposals (RFP's) for the study. He said that would give the qualifications of the firm, noting that there was a junior assistant that came from Bartle Wells that didn't know much.

City Manager Knopp maintained staff's recommendation to hire an outside consultant to do the rate study.

Councilmember Strahan asked if staff would be coming back with a correction to the estimated ending fund balance.

Finance Director Woodcox noted that she would be adding back in the \$167,283 transfer for a corrected estimated ending fund balance of \$1,162,694 rather than \$995,411 as reported.

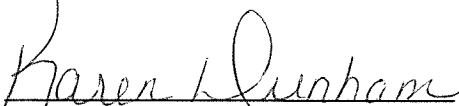
She commented that tomorrow's study session would include the review of Street, and Buildings and Grounds Operating and Capital Budgets as well as the wrap-up of entire FY 2018-2019 Operating and Capital Budget and hopes to have all the requested changes for presentation of the draft budget at the May 15, 2018 regular meeting.

ADJOURNMENT

The meeting adjourned at 5:44 p.m. to the May 9, 2018 Budget Study Session beginning at 4:00 p.m.


Frank Wilson, Mayor

Attest:


Karen Dunham, City Clerk