

**AGENDA**  
**RIO DELL CITY COUNCIL**  
**REGULAR MEETING – 6:30 P.M.**  
**TUESDAY, SEPTEMBER 15, 2015**  
**MONUMENT MIDDLE SCHOOL**  
**MULTI-PURPOSE ROOM**  
**95 CENTER ST., RIO DELL**

*WELCOME . . . By your presence in this meeting of the Rio Dell City Council, 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".*

G. ITEMS REMOVED FROM THE CONSENT CALENDAR

H. SPECIAL PRESENTATIONS/STUDY SESSIONS/PUBLIC HEARINGS

- 1) 2015/0915.01 - **Presentation , Public Hearing and Continued Discussion on Proposed Water Rate Adjustment (DISCUSSION/POSSIBLE ACTION)**

I. SPECIAL CALL ITEMS/COMMUNITY AFFAIRS

J. ORDINANCES/SPECIAL RESOLUTIONS/PUBLIC HEARINGS

K. REPORTS/STAFF COMMUNICATIONS

1. City Manager
2. Chief of Police
3. Finance Director
4. Community Development Director

L. COUNCIL REPORTS/COMMUNICATIONS

M. ADJOURNMENT



*A Special Meeting will be held on Tuesday, September 22, 2015  
at 6:30 p.m. in Rio Dell City Hall Council Chambers*



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**CITY OF RIO DELL  
STAFF REPORT  
CITY COUNCIL AGENDA  
September 15, 2015**

**TO:** Mayor and Members of the City Council  
**THROUGH:** Kyle Knopp, City Manager   
**FROM:** Brooke Woodcox, Finance Director   
**DATE:** September 15, 2015  
**SUBJECT:** **Water Rate Adjustment Public Hearing**

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**Recommendation**

Receive staff's report and open Public Hearing discussion.

**Background and Discussion**

In May of 2014 Council discussions of a water rate study were placed on the agenda in order to address the insufficient revenues in the water funds. The process was interrupted when the State Water Resources Control Board issued a mandate that only allowed for water use of 50 gallons per person per day for all residents of Rio Dell. Attention then turned to developing an emergency water system for the City of Rio Dell in light of record low river flows.

The state mandated curtailment didn't go unnoticed in the City's water funds as this led to a further decline in revenues, and a worsening financial problem. The water rate adjustment has become a critical issue because the water fund reserves are estimated to be completely depleted by June 30, 2016.

The City was able to secure free technical assistance to analyze and adjust the water rates. Currently the water funds are in arrears of \$65,400 to the General Fund for a temporary loan to start the Metropolitan Wells project. This amount will be repaid through grant funding. The loan was necessary since water funds didn't have the monies available when needed. Additionally, \$163,000 was borrowed from the *water capital* fund in order to balance this year's

*water operations* budget. The water funds budget as adopted for 2015-2016 reflects an overall serious revenue problem in that 19% of expenses are being paid for out of remaining reserves.

There are further financial difficulties in the water funds. The City's policy on maintaining a reserve balance of 15% of operational costs goes unmet with reserves at zero by 2015-2016 fiscal year-end. Also the City's financial agreement with the State Water Resources Control Board shows non-compliance on the City's part for not incrementally setting aside the final debt service payment of \$136,000 by 2020.

In June of 2014 the city received a letter from USDA Rural Development grant officials who *"were concerned about the negative net income"* on the water system and requested a corrective action plan. As recently as last month, officials at the State Water Resource Control Board Division of Financial Assistance have stated to the city: *"...it is clear that the Water Enterprise Fund is not generating enough revenues to comply with Article B-2 of the funding agreement. The SWRCB would not be able to offer the City of Rio Dell financing of any kind (Loan, grant or a combination thereof) until the City demonstrates that the Water Enterprise Fund is 1) no longer operating at a deficit, 2) the City is meeting its existing Debt Coverage Requirement as stated in the DWSRF funding agreement."*

In order to address these financial burdens in the water funds, at a regularly scheduled Council meeting on August 4, 2015 a revenue goal was set by Council based on the needs of the water system and operations. The amount of revenue necessary for the water funds to function at a healthy level was ultimately selected at \$1.105 million per year. This amount will cover current water operations, repairs, annual debt service payments, and also provides for a small match towards the implementation of a capital improvement plan. In addition, the City will be back on track of incrementally setting aside one year's amount of \$136,000 in reserved debt service payments as stipulated in the 2005 financial agreement with USDA. The amount also includes annual maintenance for the Metropolitan Wells, the City's emergency water system that is estimated to be fully functional in 2016. Staff was directed to come back at the next Council meeting with water rate structures that met the revenue goal set by Council.

On August 18, 2015 at a regularly scheduled Council meeting several rate structures were presented by staff. The rate structures presented were based on the Water Fund's cost split between fixed costs and variable costs. After lengthy discussion that included comments from the public, the Council agreed to schedule an additional two meetings in order that all rate payers be given the opportunity to ask questions, express concerns, and become more informed about the water rate adjustment.

The decision the Council is asked to make determines whether or not the water system will continue to be a clean and safe operation of the City of Rio Dell, but ultimately determines the long term economic trajectory of the community as a whole.

## **ATTACHMENTS**

- 1.1 Proposed Water Rate Structure CHART
- 1.2 Frequently Asked Questions (FAQ)
- 1.3 "What will my water cost?" CHART
- 1.4 Dinsmore Zone List
- 1.5 Water/Sewer Bill Explained
- 1.6 Number of Customers by Consumption CHART

ATTACHMENT 1.1

CITY OF RIO DELL  
**PROPOSED WATER RATE STRUCTURES**  
 15-Sep-15

Option #	1	2	2A	2B	3	4	5
Option Description	2-Tier Cost Based Rate Structure (100% Fixed /0% Variable)	2-Tier Cost Based Rate Structure (75% Fixed /25% Variable)	2-Tier Cost Based Rate Structure (70% Fixed /30% Variable)	2-Tier Cost Based Rate Structure (60% Fixed /40% Variable)	2-Tier Cost Based Rate Structure (50% Fixed /50% Variable)	2-Tier Cost Based Rate Structure (25% Fixed /75% Variable)	2-Tier Cost Based Rate Structure (0% Fixed /100% Variable)
Total Main City System Revenue Target	\$1,082,458	\$1,082,458	\$1,082,458	\$1,082,458	\$1,082,458	\$1,082,458	\$1,082,458
Base Rate Goal (Fixed Costs)	\$1,082,458	\$811,844	\$757,721	\$649,475	\$541,229	\$270,615	\$0
Per Unit Rate Goal (Variable Costs)	\$0	\$270,615	\$324,737	\$432,983	\$541,229	\$811,844	\$1,082,458
Base Rate (Fixed Costs)	\$62.17	\$46.63	\$43.52	\$37.30	\$31.08	\$15.54	\$0.00
Cost per Unit (100 CF)	\$0.00	\$3.04	\$3.65	\$4.87	\$6.09	\$9.13	\$12.17
Base Rate + 1 Unit/Month	\$62.17	\$49.67	\$47.17	\$42.17	\$37.17	\$24.67	\$12.17
Cost/Unit after 1st Unit	\$0.00	\$3.04	\$3.65	\$4.87	\$6.09	\$9.13	\$12.17
Dinsmore Base Rate							
Surcharge/month	\$65.21	\$65.21	\$65.21	\$65.21	\$65.21	\$65.21	\$65.21
Total Base Rate Dinsmore	\$127.38	\$114.88	\$112.38	\$107.38	\$102.38	\$89.88	\$77.38
Cost per Unit (100 CF) Dinsmore	\$0.00	\$3.04	\$3.65	\$4.87	\$6.09	\$9.13	\$12.17
Total Annual Revenue Target	\$1,105,151	\$1,105,151	\$1,105,151	\$1,105,151	\$1,105,151	\$1,105,151	\$1,105,151
Main City + Dinsmore							

ATTACHMENT 1.2

WATER RATE INCREASE  
FREQUENTLY ASKED QUESTIONS



**Q: HOW MUCH WILL MY RATE INCREASE?**

**A:** See CHART 1.3 to find out how the rate effects you. The actual increase depends on which proposed option (1-5) is adopted.

**Q: WHY IS A RATE INCREASE BEING PROPOSED?**

**A:** The Prop 218 process allows for a fair process when adjusting utility rates. Currently, revenues are insufficient to support the water system and an increase is being proposed in order to provide for debt payments on the current system and funds for maintaining, repairing, and eventual replacement of older infrastructure. The Metropolitan Wells will be maintained in order to provide the City water in an emergency, such as severe drought.

**Q: WHAT HAPPENED IN 2005?**

**A:** The Finance Director put together an analysis of the 2005 rate change that appeared on the August 18, 2015 City Council agenda (Item I-3). In Summary, the revenues set at that point in time never adequately covered the cost of any proactive capital improvement plan into the future. Funds set aside for capital improvement ultimately went toward debt service for the infiltration gallery and water treatment plant improvements made during that period of time. Since 2005, the distribution system has only become older, more problematic and more expensive to fix.

**Q. WHY IS REACHING 1.5% - 2% OF MHI IMPORTANT?**

**A.** Median Household Income (MHI) is important because it is a common metric used by various State and Federal agencies to determine local access to grant and loan dollars as well as other financial assistance. The MHI is developed annually by the American Community Survey which is part of the U.S. Census. Currently, Rio Dell's MHI is listed at \$42,127. Since 2005, Rio Dell's "Plan" to meet the long-term capital needs of the system has been based upon access to State and Federal grants to cover 100% of all projects. California's grant dollars for water projects only kick in when the City's water rates are at least 1.5% of MHI or approximately \$52.66 per customer. The current average water bill is \$38.72, making Rio Dell ineligible for many state grant funds.

The 2005 strategy of relying on state or federal grants has resulted in few capital projects having been undertaken in the past 10 years, yet the system as a whole is ten years older. Moving forward, Rio Dell is eligible for even fewer state and federal funds than we were ten years ago unless the rates change.

In addition to the proposed rate change, staff is working with our state and federal partners to reassess the MHI figure for Rio Dell. Our hope is that a combination of higher water rates combined with a reassessed and lower MHI will provide a good combination to leverage grant dollars, actively replace aging infrastructure and keep long-term water rates stable.

**Q: CAN WE FUND THE IMPROVEMENTS THROUGH OTHER MEANS SUCH AS A LOCAL SALES TAX?**

**A:** Yes. Currently a special sales tax dedicated to a specific purpose such as the water system would take a 2/3 vote to pass.

ATTACHMENT 1.2

WATER RATE INCREASE  
FREQUENTLY ASKED QUESTIONS



**Q: WHY CAN'T WATER LINES BE REPLACED ONE STREET AT A TIME RATHER THAN THE ENTIRE CITY ALL AT ONCE?**

**A:** *There is no proposal to replace all city piping all at once. There is a proposal to replace approximately 30,000 feet of small diameter piping installed around 1950 before the incorporation of the City. This piping is well beyond its useful life and needs to be replaced with modern diameter piping. The cost of this project is estimated at \$2,450,000 of which the rate change would raise approximately 20% of this cost over five years. It is generally more cost effective to replace larger sections of piping than by dividing the same work over multiple years. As an example, mobilization/demobilization is often a considerable cost in any construction.*

**Q: CAN THE CITY RESTRUCTURE ITS DEBT**

**A:** *The City currently makes payments on a zero percent interest loan with a maturity date of twenty five years. There are no provisions in the agreement that allow for extension of the loan term. Refunding (refinancing) the debt is not advisable.*

**Q: DO OUR TAXES GO TOWARD FUNDING THE WATER SYSTEM?**

**A:** *No. Under the California Constitution, Article XIII, § 2, your water bill is a property related charge. The water bill is used to recover the costs of providing this service. Your taxes (property, income, sales, etc.) are imposed for general purposes with a broad public benefit, such as law enforcement.*

**Q: WHAT IS THE DINSMORE ZONE?**

*The Dinsmore Zone is a specific pressure zone associated with the Dinsmore Tank and distribution system. The Zone's location covers much of the Dinsmore Ranch Road and areas along the upper reaches of Monument Road. It covers customers both inside and outside of city limits. See CHART 1.4 for details.*

*Under the proposed water rates, if you are a water customer within the Dinsmore Zone, you will be subject to an additional rate surcharge that separately covers the cost of providing service to this pressure zone.*

*Please refer to the attached Dinsmore Zone Customers to see if you, your property owner, or your address is listed. If you pay a water bill associated with these addresses, you will be subject to the Dinsmore Zone surcharge.*

**Q: WHO GETS TO VOTE IN A 218 PROCESS?**

**A:** *Under the California Constitution, the "Record owner of each identified parcel" must be notified and allowed to submit a protest vote. If the number of protest votes is above 50% then the rate change cannot move forward.*

**Q: WHAT HAPPENS IF THE RATE INCREASE IS REJECTED BY MAJORITY VOTE?**

**A:** *The water fund reserves are estimated to be depleted by the end of 2015-2016 fiscal year. Operations will have to be cut by 28% and there will be \$0.00 funds available for major repairs and infrastructure replacement. Additional funding sources will be inaccessible due to the MHI threshold. Insolvency is inevitable if a rate increase isn't adopted.*

**Q: WHAT IS THE AVERAGE WATER USE?**

**A:** *The average water use is 5 units per month per customer.*



ATTACHMENT 1.2

WATER RATE INCREASE  
FREQUENTLY ASKED QUESTIONS



**Q: WHAT ARE THE EXPENSES FOR THE WATER FUNDS?**

**A:** *The FY 2015-2016 proposed \$859,000 in expenditures. This amount is broken down into \$678,000 for operations and \$136,000 for debt service, and \$45,000 for capital expenditures.*

**Q: CAN WE GET MONEY FOR SENIORS OR THE POOR TO HELP WITH THE WATER BILL?**

**A:** *Your water bill is a property related charge to recover the cost of providing the service. Under Proposition 218 and the California Constitution, one set of ratepayers cannot subsidize another. Currently, there are no other funds identified to provide a rate subsidy toward a specific group of consumers nor are there staff resources to administer or enforce such a system.*

**Q: CAN WE PROVIDE COMMERCIAL DISCOUNTS?**

**A:** *Your water bill is a property related charge to recover the cost of providing the service. Under Proposition 218 and the California Constitution one set of ratepayers cannot subsidize another. Currently, there are no other funds identified to provide a rate subsidy toward a specific group of consumers.*

**Q: HOW CAN WE KEEP FUTURE STAFF AND COUNCIL ACCOUNTABLE TO SPEND THE WATER FUNDS**

**A:** *Staff will engage in regular reporting to the Council and the public that show the City's accountability for the collection of water revenues as stipulated in the new water rate structure.*

**Q: CAN WE PHASE IN THE RATE CHANGE OVER TIME?**

**A:** *Yes, so long as the wording and language proposed in the Proposition 218 process is clear.*

**Q: HOW DO YOU TELL THE DIFFERENCE BETWEEN WATER AND SEWER ON YOUR UTILITY BILL?**

**A:** *See CHART 1.5 that explains how to read your bill.*

**Q: HOW IS WASTEWATER MEASURED**

**A:** *The average water consumption for the months of December, January, and February is used to calculate your sewer bill. The average consumption is based on winter months and is billed monthly from July 1 to June 30 of any given year.*

**Q: ARE THE NEW SEWER RATES REVENUE NEUTRAL?**

**A:** *Yes. Wastewater rate study revenues were set at \$1,167,000. Actual collections in the Sewer Funds for FY 2014-2015 closely reflect this amount.*

**ATTACHMENT 1.3**

**WHAT WILL MY WATER BILL COST ME IF THE RATES ARE CHANGED?**



UNITS	CURRENT	OPTION 1	OPTION 2	OPTION 2A	OPTION 2B	OPTION 3	OPTION 4	OPTION 5
	RATES							
0	27.84	62.17	46.63	43.52	37.30	37.17	24.67	-
1	27.84	62.17	49.67	47.17	42.17	43.26	33.80	12.17
2	30.35	62.17	52.71	50.82	47.04	49.35	42.93	24.34
3	32.86	62.17	55.75	54.47	51.91	55.44	52.06	36.51
4	35.37	62.17	58.79	58.12	56.78	61.53	61.19	48.68
5	37.88	62.17	61.83	61.77	61.65	67.62	70.32	60.85
6	40.39	62.17	64.87	65.42	66.52	73.71	79.45	73.02
7	42.90	62.17	67.91	69.07	71.39	79.80	88.58	85.19
8	45.41	62.17	70.95	72.72	76.26	85.89	97.71	97.36
9	47.92	62.17	73.99	76.37	81.13	91.98	106.84	109.53
10	54.09	62.17	77.03	80.02	86.00	98.07	115.97	121.70
11	57.75	62.17	80.07	83.67	90.87	104.16	125.10	133.87
12	61.41	62.17	83.11	87.32	95.74	110.25	134.23	146.04
13	65.07	62.17	86.15	90.97	100.61	116.34	143.36	158.21
14	68.73	62.17	89.19	94.62	105.48	122.43	152.49	170.38
15	72.39	62.17	92.23	98.27	110.35	128.52	161.62	182.55
16	76.05	62.17	95.27	101.92	115.22	134.61	170.75	194.72
17	79.71	62.17	98.31	105.57	120.09	140.70	179.88	206.89
18	83.37	62.17	101.35	109.22	124.96	146.79	189.01	219.06
19	87.03	62.17	104.39	112.87	129.83	152.88	198.14	231.23
20	90.69	62.17	107.43	116.52	134.70	158.97	207.27	243.40

UNITS	CURRENT SEWER BILL
0	47.76
1	51.94
2	56.12
3	60.30
4	64.48
5	68.66
6	72.84
7	77.02
8	81.20
9	85.38
10	89.56
11	93.74
12	97.92
13	102.10
14	106.28
15	110.46
16	114.64
17	118.82
18	123.00
19	127.18
20	131.36

**ADDITIONAL INFORMATION**

	CURRENT RATES	OPTION 1	OPTION 2	OPTION 2A	OPTION 2B	OPTION 3	OPTION 4	OPTION 5
Base (Fixed)	27.84	62.17	46.63	43.52	37.30	37.17	24.67	-
Units (Variable)								
Unit 1	-	-	3.04	3.65	4.87	6.09	9.13	12.17
Units 2-9	2.51	-	3.04	3.65	4.87	6.09	9.13	12.17
> 9 Units	3.66	-	3.04	3.65	4.87	6.09	9.13	12.17

OPTION	FIXED COST	VARIABLE COST
1	100%	0%
2	75%	25%
2A	70%	30%
2B	60%	40%
3	50%	50%
4	25%	75%
5	0%	100%

ATTACHMENT 1.4

# City of Rio Dell



Public Works - Water

DINSMORE ZONE CUSTOMERS, August 18, 2015

CUSTOMER NAME	LOCATION	In/Out of City Limits
DELGADO, PEDRO	622 MONUMENT RD	IN
WATERS, A. DUNN & N.	624 MONUMENT RD	IN
GILBERT, JAMIE	628 MONUMENT RD	IN
STADTER, LINDA M	926 MONUMENT RD	OUT
BATTAGLIA, KAREN	1020 MONUMENT RD	OUT
FLEMING, JOHN	1042 MONUMENT RD	OUT
ANDERSON, MELVIN J.	1054 MONUMENT RD	OUT
PEAVEY(1), BARBARA	1110 MONUMENT RD	OUT
HARRISON, STEPHEN	1118 MONUMENT RD	OUT
YAPLE, ARYN	1154 MONUMENT RD	OUT
CHANG, DAVID & BEVERLY	1172 MONUMENT RD	OUT
MEGAZZI, MIKE	1180 MONUMENT RD	OUT
MOORE, MYRNA	1208 MONUMENT RD	OUT
CROZIER, DENNIS	1264 MONUMENT RD	OUT
TATUM, BONNIE	1330 MONUMENT RD	OUT
BROWNELL, GARY	1390 MONUMENT RD	OUT
STURDEVANT, SETH	1401 MONUMENT RD	OUT
COLOSIO, JANELLE & MARK	1412 MONUMENT RD	OUT
CIDONI, LINDA	1555 MONUMENT RD	OUT
BRAVO, LARRY	1600 MONUMENT RD	OUT
LOMMORI, MIKE	1615 MONUMENT RD	OUT
MONUMENT SUB. WATER DIST.	1789 MONUMENT RD (4 TOTAL LOCATIONS ON THIS METER)	OUT
HAGEMANN, DAVID	2020 MONUMENT RD	OUT
MELCHOR, CAGUANA	720 DINSMORE RANCH ROAD	IN
DENNING, JOEL	1150 DINSMORE RANCH ROAD	IN
HALL, BRYAN	1200 DINSMORE RANCH ROAD	IN

The Dinsmore Zone is a separate pressure zone in the Rio Dell Water system. If your name (or water billing address, or Subdivision Water District) appears on this list, it means you and your property are within the Dinsmore pressure zone and will be charged the Dinsmore Zone rate. This zone begins from the Douglas Booster Station that services the Dinsmore Tank and piping to your water meter.

ATTACHMENT 1.5

# WATER AND SEWER BILL EXPLAINED

WATER CONSUMPTION AMOUNT \*\*

This is the amount billed for WATER SERVICE

This is the amount billed for SEWER SERVICE

**CITY OF RIO DELL**  
 675 WILDWOOD AVE. • RIO DELL, CA 95562 • (707) 784-3532

SERVICE FROM	SERVICE TO	CUSTOMER NO
7/28/2015	8/27/2015	
SERVICE ADDRESS		

PRIOR RDC	CURRENT RDC	UNITS USED
1240	1248	8
PREVIOUS BALANCE		
Water		0.00
SewerByClass		45.41
		72.84

PAY ONLINE @ [www.riodelcity.com](http://www.riodelcity.com)  
 A 10% late fee is applied to Any unpaid balance not paid by the 26th. 1 Unit of Water = 748 Gallons

BILLING DATE	DUE DATE	TOTAL DUE
8/27/2015	9/26/2015	117.48



You may see a different term used for THE SEWER billing item; all SEWER items are based on winter water consumption amounts.

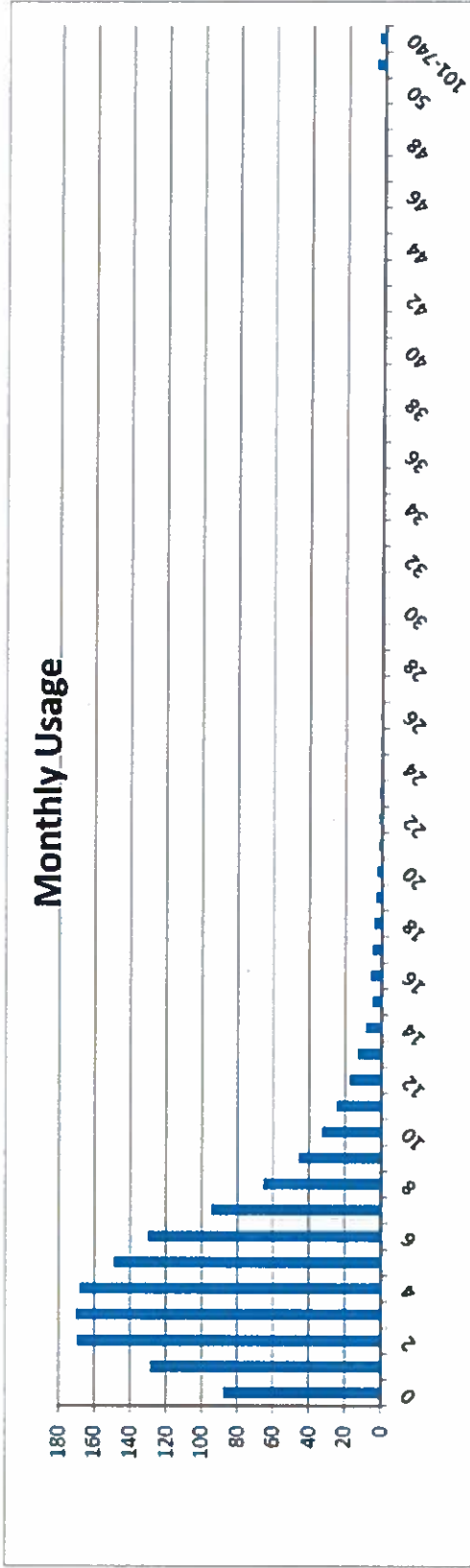
\*\* Your consumption amount used for SEWER billing may be different because SEWER billing is based on winter month's consumption and not on the current month.

METER READINGS



ATTACHMENT 1.6

NUMBER OF CUSTOMERS BY CONSUMPTION – ALL CUSTOMERS



NUMBER OF CUSTOMERS BY CONSUMPTION – 90% CUSTOMERS

