

City of Calistoga WATER & WASTEWATER REVENUE ADVISORY COMMITTEE



Members: Diane Barrett
Nicolas Kite
Paul Knoblich
Larry Kromann
Don Williams
Placido Garcia
Gary Kraus

MEETING NOTES Monday, October 15, 2009 – 5:00 P.M. Village Inn & Spa Conference Room 1880 Lincoln Avenue, Calistoga

1 **The meeting was called to order at 5:05 p.m.**

2 Members present included, Diane Barrett, Paul Knoblich, Larry Kromann, Don
3 Williams, Placido Garcia and Gary Kraus.

4

5 Others Present: City Manager McCann, Administrative Services Director
6 Mushallo, Public Works Director Takasugi, Senior Civil Engineer Smith and
7 Consulting Advisor David Spilman.

8

9 Members Absent: Committee Member Nicolas Kite.

10

11 **Public comment**

12 **Kenneth O'Farrell, 1801 Aurora Drive, Calistoga** presented a letter and noted
13 concerns with rate increases.

14

15 **Committee Member Larry Kromann** noted the importance of reviewing the
16 issues of water quality and water supply capacity for future needs.

17

18 **Adoption of meeting notes from October 5, 2009**

19 **Committee Member Garcia** moved to approve the meeting notes. **Committee**
20 **member Barrett** stated that the notes should reflect **Committee Member Nick**
21 **Kites'** comments regarding the need to address the Boron issue.

22

23 **Committee Member Knoblich** noted that the Boron issue should be noted in the
24 minutes under water quality or sources of water quality.

25

26 **Committee Member Garcia** moved and **Committee Member Kromann**
27 seconded to adopt the meeting notes. The motion carried unanimously.

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29

30 **Selection of Committee Chairperson**

31 There was Committee consensus to elect **Committee Member Paul Knoblich**
32 as Chairperson.

33

34 **Water Utility Operating Budget and Staffing Review**

35 **Public Works Director Takasugi** provided an overview of the operating budget.

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37 **Committee Member Kraus** questioned why the support services allocation has
38 varied from year to year and whether the administrative costs are in line with the
39 effort and how we compare to other cities/agencies.

40

41 There was discussion regarding staff allocation and overhead.

42

43 **City Manager McCann** noted that staff can review previous budgets, provide a
44 comparison, research how similar cities are allocated and report back to the
45 Committee.

46

47 **Chairperson Knoblich** questioned how many employees are in the Public
48 Works Department.

49

50 **Public Works Director Takasugi** noted that there are currently 21 employees
51 with 4 vacancies and a budget of approximately \$5 million and provided an
52 overview of staffing functions.

53

54 **Water Systems Superintendant Warren Schenstrom** described water systems
55 and regulatory and environmental requirements and resulting costs.

56

57 **Chairperson Knoblich** questioned whether the depreciation funds are collected
58 and deposited into an account.

59

60 **Consultant Advisor David Spilman** noted that these are calculated amounts
61 that go into a depreciation account. They are not collected for through rates, but
62 are identified and budgeted as a non-cash item.

63

64 **Water Utility Capital Projects Review**

65

66 **Public Works Director Takasugi** introduced Senior **Civil Engineer Jim Smith**
67 who gave an overview of some of the current Capital Improvement projects.

68

69 **Senior Civil Engineer Smith** highlighted the current projects:

70

71 • Mt. Washington Water Tank - financing has been secured with a 40-year
72 term loan at 2.625% from USDA for \$3.75 million. Expect to break ground
73 in the spring of 2010.

74

75 • Dwyer Road Pump Station - City water supply from Napa has relatively
76 low water pressure. The current pump station is deficient and the City is

77 looking to build the Dwyer Road station which will be run by the City of
78 Napa to serve the City of Calistoga and retire deficient pump station.

- 79
- 80 • Feige Tank Repair – existing water storage tank is old and needs repair.
81 It is currently the only major distribution storage tank and can not be
82 repaired (without service disruption to the City) until the completion of Mt.
83 Washington Water Tank.

84

85 **Committee Member Placido Garcia** questioned whether these projects are a
86 significant reason for the rate increases.

87

88 **Senior Civil Engineer Smith** noted that they do contribute. He also noted that
89 general inflation, water costs, projects and labor costs also escalate costs.

90

91 **City Manager McCann** explained that with no capital projects there is a
92 reduction in costs of water operations but when projects are completed they are
93 paid for out of the water enterprise fund which is funded by connection fees, user
94 rates, grants and loans. There is a requirement to demonstrate sufficient
95 revenue to acquire grant funding. He noted that as fees and water rates are
96 paid, reserves are built that can be contributed to needed projects. Another way
97 is through Developments where projects can be negotiated to assist the City with
98 needed updates.

99

100 **Chairperson Knoblich** questioned whether the automatic meters would reduce
101 staff time and costs to the users.

102

103 **Public Works Director Takasugi** noted that the “radio reads” do diminish staff
104 time, but not significantly. The real benefit is to the customers who can detect
105 problems with their systems quickly.

106

107 **Committee Member Don Williams** questioned the sources and uses of funds
108 for Capital Projects.

109

110 **Administrative Services Director Mushallo** noted that the project list is very
111 current and the budget was adopted in September of 2008. Once the budget is
112 updated the funds will match the approved projects.

113

114 **Committee Member Gary Kraus** – questioned whether costs could be broken
115 down into energy, staff, infrastructure, capital costs, and water costs.

116

117 **Senior Civil Engineer Smith** noted that contract services and professionals
118 services costs will be allocated under “other” and will not include staff costs.

119

120 **Public Comment**

121 **Kenneth O’Farrell, 1801 Aurora Drive, Calistoga** questioned how many
122 residential versus non-residential customers exist and whether the total capacity
123 is sufficient and allows for future growth.

124

125 **Senior Civil Engineer Smith** reported that we currently have 1 million gallons of
126 storage and are required to have 1.9 million gallons. The combination of the two
127 tanks will total over 2.5 million gallons upon completion which allows for growth
128 to approximately 2022.

129
130 There was a question on the correct number of residential users. **Consultant**
131 **Advisor Spilman** responded that the City has a total of 1,528 meters of which
132 1,250 are residential meters. He noted that when you total the number of users,
133 that number also includes mobile home parks and the three major mobile home
134 parks are served by one city meter each. There are an additional 555 mobile
135 home units that are residential units. It was also noted that there are 119 multi-
136 family accounts that serve 567 multi-family units (apartments, townhouses and
137 duplexes) totaling 2,360 dwelling units.

138
139 **Current Water Rate Structure Overview**
140 **Consultant Advisor Spilman** gave an overview of the rate structure noting that
141 fixed costs are currently set at approximately 30%. Users are charged a fixed
142 monthly service charge of \$17.56 multiplied by meter capacities, demand factors,
143 and volume charges. He reviewed the Lifeline rate for qualified residents which
144 is a 20% reduction in monthly and volume charges and a 15% reduction in
145 charges for residents outside city limits.

146 There was general Committee discussion on water meters, monthly service
147 charges, service demands, demand factors, residential conservation rates and
148 Lifeline rates.

149 **Committee Member Kraus** requested that future agendas be managed to fit
150 within the two-hour timeframe.

151
152 **Water Utility Revenues Review**

153 **Administrative Services Director Mushallo** gave an overview of revenue
154 sources. He noted that charges for services is the biggest revenue source
155 followed by fixed and usage charges, connection fees, earned interest on funds,
156 Federal and State grants, Measure A and Flood Control funds, debt release
157 proceeds, and sales of assets. He noted that Revenue Assumptions will be
158 discussed at the next meeting.

159
160 **Review Assumptions used in Calculating Future Demands**

161 **Administrative Services Director Mushallo** reviewed the assumptions for
162 calculating future demands. He noted that salaries and health benefits are
163 projected to grow at approximately 3.5% which is higher than the Consumer
164 Price Index (CPI).

165 There was Committee discussion regarding why the projection is higher than the
166 CPI.

167 **Administrative Services Director Mushallo** noted that health care insurance
168 increases of approximately 10% to 12% play a large role in the increases added
169 to labor cost increases and projected over the next seven years.

170

171 **Adjournment**

172 The meeting was adjourned at 7:41 p.m. to the next scheduled regular meeting
173 of the Water and Wastewater Revenue Advisory Committee on October 22,
174 2009, Calistoga Elementary School Library, 1327 Berry Street, 5:00 p.m.

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