

**City of Calistoga
WATER & WASTEWATER REVENUE
ADVISORY COMMITTEE**



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

**MEETING NOTES
Tuesday, February 23, 2010 – 5:00 P.M.
Village Inn & Spa
1880 Lincoln Avenue, Calistoga**

1 **The meeting was called to order at 5:00 p.m.**

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

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

9
10 **Public comment**

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12 **Larry Elliot, 4410 Lake County Highway, Calistoga**, reiterated his questions
13 from the January 26th meeting and stated that he believes the water &
14 wastewater treatment plant should be contracted out to private vendors.

15
16 **Kurt Becker, 1715 Michael Way, Calistoga**, commented that he felt that the
17 percentages should be calculated based on usage rather than users. He also
18 handed out a letter dated February 23, 2010 and commented on his feelings on
19 revenue generation.

20
21 **Dennis Kelly, 4377 Silverado Trail, Calistoga**, commented that he spent time
22 talking with people about how they feel about their water and comments included
23 confusing politics and he feels that all users should pay the same amount and
24 that lower income families should be subsidized through welfare and other
25 alternatives. He commented that when the fire hydrants are cleaned it should be
26 put back into the lake.

27

28 **Kurt Larrecou, 1707 Michael Way, Calistoga**, submitted materials and raised
29 questions about the water meter at Kimball Reservoir, the City's area of us map,
30 suggested a lack of transparency in the water enterprise and urged preparation
31 of a financial audit.

32
33 **Larry Elliot, 4410 Lake County Highway, Calistoga**, commented on preventive
34 maintenance and equipment tracking and stated that he was forced in to early
35 retirement and asked to return City property after being home from an injury.

36
37 **Michael Quast, 1300 Washington Street, Calistoga**, commented that he
38 objected to staff's responses to questions and stated that the structure should
39 reflect the facts that businesses pay the cost and more than the full costs and
40 residences don't pay full cost for water used.

41
42 **Dennis McNay, 2653 Foothill Blvd., Calistoga**, commented that the City's
43 February payables show a payment for \$450 for purchased water and coffee and
44 asked whether the questions have been answered truthfully.

45
46 **Committee Member Nick Kite** suggested that this be brought up to the City
47 Council.

48
49 **City Manager McCann** noted that the City pays for water at the Monhoff facility
50 which has no plumbing. He pointed out that there are a lot of different issues
51 surrounding water & wastewater which may be confusing to some people and
52 stated that the questions have been answered truthfully.

53
54 **Chairperson Knoblich** closed public comment.

55
56 **Adoption of meeting agenda**

57
58 **Chairperson Knoblich** requested a motion to adopt the meeting agenda. The
59 motion carried unanimously.

60
61 **Adoption of meeting notes from February 9, 2010**

62
63 **Chairperson Knoblich** requested clarification from **Administrative Services**
64 **Director Mushallo** on line 112. **Mr. Mushallo** commented that line 112 should
65 read "existing" rates instead of "new" rates.

66
67 **Chairperson Knoblich** also requested clarification on line 128 and whether it
68 should read "users" instead of "customers."

69
70 **City Manager McCann** stated that the discussion was difficult to follow but that
71 he would look into it and get back to the Committee.

72

73 **Chairperson Knoblich** read the public comment portion from Michael Quast on
74 lines 159 through 162 and asked Mr. Quast to clarify his previous comments from
75 that meeting.

76
77 **Michael Quast, 1300 Washington Street, Calistoga**, stated that he also
78 commented that there is a need to look at covering costs and what level the
79 users cover the costs of the water they actually use.

80
81 **Chairperson Knoblich** commented that an important statement was omitted and
82 asked Mr. Quast to reiterate regarding deciding on the formula before changing
83 the numbers.

84
85 **Michael Quast** commented that he stated that once the water usage limits are
86 decided and at what point do will the users have paid for the actual cost of their
87 water usage.

88
89 **City Manager McCann** commented that there are different methods, a baseline
90 concept is included in the Municipal Code and is specific to commercial
91 development, not residential. He stated that there is a connection fee for
92 assumed volume of water which is different than a commercial allocation and
93 pointed out that the single family rate structure has a base amount that is
94 assigned as the amount where recovery occurs.

95
96 **Chairperson Knoblich** asked that the minutes reflect that Mr. Merchant
97 submitted a letter to the Committee requesting that the Committee recommend
98 an independent study. He also pointed out that **Committee Member Kraus**
99 stated that the lower tiers do not necessarily mean they are low income families
100 and wanted that noted for possible discussion.

101
102 **Chairperson Knoblich** requested a motion to approve the minutes as amended.
103 **Committee Member Kromann** moved and **Committee Member Garcia**
104 seconded. The motion carried unanimously.

105
106 **Summary of Progress to Date**

107
108 **Administrative Services Director Mushallo** provided a recap of objectives and
109 progress to date. He stated that they wanted the committee to understand where
110 revenues and expenditures are and that they also wanted to bring forward the
111 proposed projects and plans for infrastructure improvements and potential debt
112 associated with those projects. He noted that they also have discussed what
113 type of rate recommendations could be made to generate enough revenue to
114 cover costs with an ultimate recommendation to City Council for rate
115 adjustments. He discussed the debt coverage ratio, contingencies for reserves
116 and a recent lawsuit where legal fees have been incurred. He also commented
117 that if the rate adjustment implementation is delayed it could result in higher
118 increases due to lost revenue. He stated that he developed a schedule that

119 suggests separating the two utilities, completing the water rate structure, holding
120 public hearings and making a recommendation to Council with potential
121 implementation in July to help meet the revenue goals to support the water utility.
122 He stated that they would then continue the meetings to address the wastewater
123 utility for a later recommendation to Council with possible rate implementation by
124 October 1st.

125

126 **City Manager McCann** gave a description of the utility enterprise noting that
127 Calistoga is essentially a full service City in this respect. He stated that the water
128 & wastewater utilities are funded separately from the general fund and are
129 supported by user rates and not by other revenue sources. He stated that the
130 primary sources are basic user rates, connection fees and service charges,
131 which contain and support new projects, improvement or replacement elements
132 and on-going operating costs and regulations.

133

134 There was Committee discussion on the cost of water, water delivery costs, and
135 fixed versus variable costs. **City Manager McCann** stated that there are many
136 costs involved and that water systems are complicated and costly. He stated
137 that many factors are involved and it is difficult to separate the costs.

138

139 **Committee member Kromann** commented that there is confusion in the public
140 and that people think that more growth will equate to higher costs for water. He
141 feels that it is confusing in that there are not enough users to carry the load but
142 will increasing users increase delivery costs?

143

144 **Committee Member Kite** stated that fixed costs would not fluctuate per user but
145 that variable costs can rise.

146

147 **City Manager McCann** commented that for years there were inadequate
148 systems and infrastructure for the existing population and that cities were forced
149 to address inadequacies and standards for proper domestic flow, fire flow,
150 storage, etc. He stated that the City was forced to increase the water supply
151 which includes adequate water pursuant to the City's General Plan.

152

153 There was **Committee discussion** on separating the two rates and comments
154 that the public will want to know the total increase and will not be happy with two
155 separate increases.

156

157 **City Manager McCann** reiterated that there is an urgency to address the utility's
158 financial sustainability and move forward with rate recommendations and
159 implementation schedules as quickly as possible.

160

161 **Conclusion of discussion around Single Family residential rate structure**
162 **including conservation tiers**

163
164 **Administrative Services Director Mushallo** explained tier structure options and
165 increases with recovery at 100% of the costs throughout all five tiers with no
166 shortfalls or surplus.

167
168 There was **Committee discussion** about what monthly increases would look like
169 under the proposed rate at a \$4.88 base rate per unit noting that a total increase
170 for tier one users at full usage would be approximately a \$6 per month increase
171 and slightly higher for the higher tiers. There was also discussion about
172 encouraging conservation by rewarding users but that it is not a requirement to
173 have conservation “tiers.” There was also discussion about concerns for low
174 income families noting that even if they are in higher tiers they can still qualify for
175 the CARE program through PG&E regardless of their water usage.

176
177 **Committee Member Kraus** stated that he feels that the Committee should
178 decide if a tiered rate structure makes sense for conserving water and if so,
179 would it equal the revenue collected if it were a flat rate charge.

180
181 **City Manager McCann** discussed the four different tier structures issues; flat
182 rate structure with no conservation tiers, flat tiers with a conservation buffer
183 yielding approximately \$20,000, modifications and reductions in the first two tiers
184 with a zero yield, and conservation tier structures that have some exposure for
185 reduced revenue as higher users begin to conserve.

186
187 **Committee Member Kite** questioned whether or not there is a financial incentive
188 for conservation and if it were an objective there are alternative mechanisms and
189 that a conservation tier structure would be more equitable.

190
191 There was **Committee discussion** regarding rates, tier structures, increases.
192 **Committee Member Barrett** commented that the Committee should not assume
193 what income level any of the users are and that while conservation is important it
194 is not just about conservation.

195
196 **Committee Member Garcia** reiterated his concern for the effect of an increase
197 on low income families.

198
199 **Committee Member Kraus** again commented that he feels that it is a decision
200 between a conservation rate structure or a flat rate and stated that it is important
201 that the water rates should balance to zero with no surplus.

202
203 **Committee Member Williams** urged a simple structure and noted that the net
204 increase per unit is rather modest and stated that he feels the flat rate structure is
205 preferable to tiers.

206

207 **Committee Member Kite** questioned whether or not to provide financial
208 incentives for conservation.

209

210 There was **Committee discussion** on alternative conservation measures and
211 possible overuse charges.

212

213 **Chairperson Knoblich** urged the Committee members to write a paragraph with
214 the their thoughts on a solution.

215

216 **Committee Member Kraus** commented that he does not see all of the
217 comments from the public on the topic of water & wastewater in regards to
218 former employees, the City's use of money. He commented that he feels that
219 money has been wasted but that he doesn't feel that it is overly excessive and
220 noted that it does not directly apply to water & wastewater rates and stated that
221 these comments are not applicable to this Committee. He stated that he
222 appreciates the public's input but asked that in the future public comments relate
223 directly to the tasks of the Committee.

224

225 There was **Committee consensus** to move the public comment portion of the
226 meetings to the end of the agenda.

227

228 **Adjournment**

229 The meeting was adjourned at 7:20 p.m. to the next scheduled regular meeting
230 of the Water and Wastewater Revenue Advisory Committee on March 18, 2010,
231 Community Center, 1307 Washington Street, Calistoga, 5:00 p.m.

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