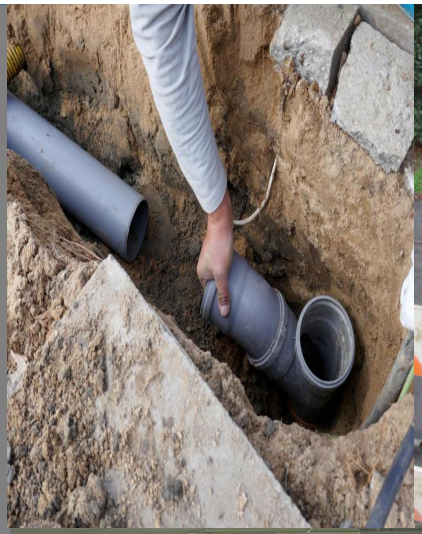
Sewer Enterprise Study

Policy Considerations

Finance Committee Meeting
May 26th, 2021



Background

- Current rate = $22.98 per month, per household (commercial uses have added inflator based on water usage)
  - If applied adopted CCI, rate would be approximately $29.50
- Last rate study was completed in 2011 (10 years), industry standard is 5 years for rate studies (this effort began in 2015 by the ACM Constantin, see next slide)
- Current rate does not include annual cost index inflator
- Current rate has only collected enough to do 1 pipeline replacement in the last 20+ years (River Road Trunk line Replacement in 2017)
- WPCP has been understaffed for years, requiring significant overtime
  - Per analytic studies, trades workers who consistently work extended shifts (i.e. beyond 8 hour days and/or 5 days per week), work between 60%-85% effectiveness due to physical exhaustion.
  - Additionally, more accidents occur under these extended work environment situations

Background

- December 2, 2015 – Finance Committee:
  - Presentation of Sewer Enterprise Mission, Vision and Objectives
- January 5, 2016 – City Council:
  - Adoption of Chico Sanitary Sewer Mission, Vision and Objectives
  - Reliable, Sustainable and Cost-Effective sewer system for residents
- October 17, 2017 – City Council:
  - SA/BM – Create CIP No. 50367 – Sewer Enterprise Study
- January 16, 2018 – City Council
  - Sole Source Contract Approval – Corollo Engineers (WPCP Tech Study)

Mission, Vision & Objectives

- *Efficiently and effectively provide reliable, sustainable and cost-effective Sanitary Sewer and Treatment Systems for the residents of Chico*
  - High levels of public health and safety
  - Operational excellence, customer service and education
  - Environmental stewardship, with emphasis on quality treated effluent, zero controllable spills and reuse of system byproducts

Policy Direction Considerations:

1. Include pavement treatments (slurry seal) into pipeline replacement costs?
2. Change rate methodology to a consumption-based application?
3. Include annual construction cost index increase?
4. Include storm water related components in the rate that affect the sewer system?

1. INCLUDE PAVEMENT TREATMENTS IN PIPELINE REPLACEMENT COSTS?

- Would treat roadways after installation of sewer line

- Cost is estimated at approximately $5 Million per year to include pavement treatments to the annual pipeline replacement needs (estimated at approximately *$9.50* per month)

2. MODIFY RATE METHODOLOGY TO A CONSUMPTION BASED PROGRAM?

- Current methodology uses flat rate per month for residential units (non-residential uses already use consumption based rate, based on winter month usage).
  - For consumption based, still a base-rate would apply

- PROS:
  - Rate is based on usage and demand of individual residences
  - Larger homes with more people pay appropriate amount compared to a smaller, single family home
  - Rate is based on winter months, so does not account for irrigation demands

- CONS:
  - Creates a significant administrative burden to monitor usage annually for nearly 30,000 users. Cal-Water does current billings, therefore, would need confirmation from them that this would be possible citywide. In addition Finance would be burdened with additional rate determination.
  - With variability of usage, could result in larger variations of revenue to cover annual costs
  - New process, which takes time and resources to transition and understand

3. INCLUDE ANNUAL CONSTRUCTION COST INDEX INCREASE IN NEWLY ADOPTED RATE?

- Current rate (adopted in 2011) does not have an annual inflator to adjust with ongoing costs of providing this service

- PROS:
  - Incrementally increases annually based on industry experienced cost increases, reducing large 'catch-up' adjustments in future considerations
    - More easily accepted by customers to do incremental increases, versus large catch up every time the rate is reviewed (10 years in this instance)
  - Properly increases annually to increase revenue to keep up with annual cost increases of the sewer program (labor, capital, materials, equipment, etc.)

- CONS:
  - Would likely increase monthly sewer rate each year (unless annual construction cost indexes are stagnant or decrease)

4. INCLUDE STORM WATER RELATED COMPONENTS THAT AFFECT THE SEWER SYSTEM?

- The scope of work would include items such as the City's adopted Trash Management Plan, staffing for program management and waterway annual testing and reporting
  - State Water Board statutes for the City's MS4 permit required the City to adopt a Trash Management Plan by the City Council in 2017.
  - Trash Management Plan adopted measures to capture trash and waste in an effort to prevent from entering into water ways and sewer systems
- Estimated costs per year is $1,850,000
  (estimated at approximately *$3.50* per month per household)

- PROS:
  - Funds an existing unfunded mandate, preventing non-compliance and potential disciplinary action (i.e. fines)
  - Ensures that we are reducing the amount of solid waste from unknown sources enters the sewer system
  - Provides data on background water sampling

- CONS:
  - Adds approximately *$3.50* per month per household in the sewer rate