



NEWS RELEASE
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**CHICO CITY COUNCIL TO DISCUSS RATE STUDIES AND OPTIONS FOR
CHICO RESIDENTIAL AND COMMERCIAL SEWER CUSTOMERS**

CHICO, CA – August 31, 2022, At the upcoming meeting on Tuesday, Sept. 6, the Chico City Council will review the results of a sewer rate study and how it will impact rates for residential and commercial sewer customers.

A critical infrastructure for any city is its wastewater collection, treatment, and disposal systems. Without a well-functioning sewer system, the residents would have water contamination that causes disease and sickness. Due to the nature of the waste, natural environment, biological processes and magnitude of infrastructure, the sewer system requires constant maintenance and replacement to meet the needs of current residents and future growth.

“Since 2016, studies have demonstrated that the sewer utility is not collecting enough revenue to deliver needed capital improvement projects to both the collection system and wastewater treatment plant. Piping and infrastructure that have reached their useful life must be addressed.” said Erik Gustafson, Director of Public Works for the City of Chico.

Utility rate studies are common among utilities. In Chico specifically, the study points out where Capital Improvement Projects (CIP) for the collection system have not occurred due to low revenue collection causing infrastructure to age far beyond its normal useful life in many areas. The report is provided as part of the City’s effort to communicate transparently with the residential and commercial sewer customers.

“Operating costs for ongoing wastewater treatment have increased over the years to address more stringent regulations, and operational needs, while sewer fees collected by the City have remained largely unchanged,” said City Manager, Mark Sorensen, and added “The lack of sufficient long term capital improvement funding for both the Water Pollution Control Plant (WPCP) and collection system have become a system reliability concern for Chico’s staff.”

In total, the city has approximately 400 miles of sewer pipes it maintains along with 19 lift stations that pump the sewer in areas where gravity flow is not possible. Pipe material has changed over the decades and now any new replacement uses PVC pipe that has a 100-year life expectancy. Previous practices were to utilize Vitrified Clay Pipe (VCP), Asbestos Cement Pipe (ACP) or Orangeburg pipe that all have a life expectancy between 60 to 75 years. In some cases, Orangeburg pipe has a reduced life expectancy of 30 to 50 years. Existing pipe age ranges from 1906 to 2021 and is broken down in ages per the following:

Pre – 1950= 10.1percent of network
1951 – 1980 = 17.8 percent of network
1981–2010 = 52 percent of network
2011 – 2020 = 20 percent of network

For multiple decades, there have been no major capital project initiatives to replace existing sewer pipe. According to the report, ten percent of Chico's sewer network is well past its useful life and 17.8 percent is close to beyond its useful life. Most of the overdue pipe replacement is in the downtown area from 9th Street to W. 6th Avenue.

"With nearly 30 percent of our network past it's useful life, it is critical that we start initiating large capital improvement projects to replace aged sewer pipes before they fail," said Gustafson.

To take all the information gathered from the technical studies and perform the financial rate analysis, the City contracted with NBS Consulting, an experienced firm in developing rates for agencies in compliance with Proposition 218 laws.

At the May 2021 Finance Committee meeting, direction was provided to have NBS consider an annual inflator, pavement treatment inclusion in pipeline replacement costs, including storm water components affecting the sewer collection and treatment process, and considering a volumetric consumption rate based on residential water usage during winter months.

Current single family residential estimates indicate increases to the current monthly sewer rate of \$22.98 to an average of \$29.39 in year one, \$38.21 in year two, \$47.81 in year three, \$52.56 in year four, and \$57.84 in year five. These estimates are based on the average water usage during the winter months for a typical Chico residential connection.

Chico's current monthly rate is far below the Northern California average of \$46.81 for a single-family residential connection (see comparison table below). The needed increases illustrate the sewer utility has not collected enough revenue over the last several decades to properly prepare for capital replacement needs. Increasing operational costs, regulatory requirements, staffing needs are all contributing factors for needed revenue to properly manage the sewer utility long term.

"Close to 30 percent of the sewer collection system has reached its useful life so capital replacement projects must be funded. Otherwise, costly sewer overflows, regulatory fines, and emergency projects will plague the sewer utility," said Gustafson.

Note that the concept of receiving wastewater from Paradise is not related to or considered in the rate study. In the current concept Paradise would install, own, and operate a pipeline from Paradise to the treatment plant, and not utilize the City of Chico's wastewater collection system. Paradise would be expected to pay 100% of the actual costs (labor, materials, capital, and capital depreciation) associated with treating their waste. Therefore, Paradise's connection has no impact on the rate analysis and could provide favorable economies of scale for treatment operations which could be a long-term benefit.

The City Council meeting will be held at 6:00 PM on September 06, 2022. For additional details please visit the City of Chico website at www.chicoca.gov.

For more information, please contact:

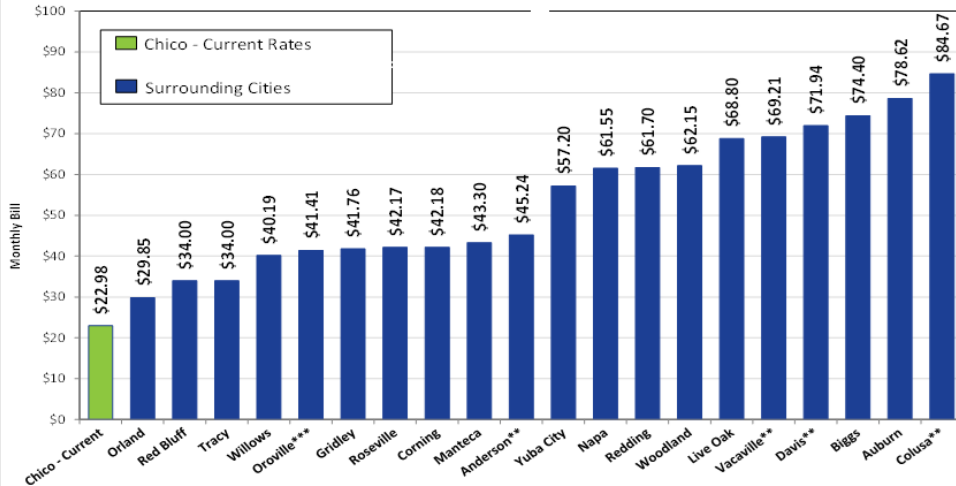
Public Works O&M Deputy Director: Skyler Lipski, 530-894-4200, skyler.lipski@chicoca.gov

Public Works O&M Director: Erik Gustafson, 530-894-4200, erik.gustafson@chicoca.gov

City Manager: Mark Sorensen, 530-896-7200, mark.sorensen@chicoca.gov

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**Single-Family Residential
Regional Sewer Rate Comparison for FY 2021-2022***



*The City provided NBS with the comparative rates and NBS did not independently verify.
 **Cities that have both a fixed and variable rate. Rates are calculated based on the average monthly consumption of 15 hundred cubic feet (HCF). (Note: The City of Chico calculates rates based on average winter consumption.)
 ***Cities that charge two separate fees, one for collections and one for treatment. Rate reflects combined charge.