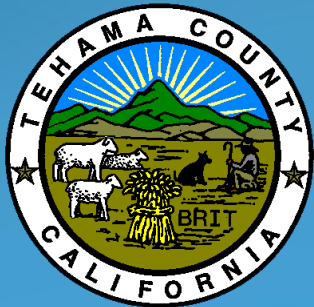


TEHAMA COUNTY SANITATION DISTRICT NO. 1

Mineral Wastewater Rate Study

Board of Directors Study Session

November 10, 2020



Agenda

- ❖ Review Rate Study assumptions and recommendations:
 - Discuss possible alternatives to consider.
 - Update on influent wastewater treatment plant (WWTP) flows.
 - Discuss grant funding opportunities.
- ❖ Discuss suggested updates to District Ordinance 15 (Ordinance) language and fees.

Wastewater Rate Study Assumptions

- ❖ All planning grant deliverables had to be completed by December 2019.
- ❖ Assumed worst-case funding scenario for future capital improvement projects:
 - 100% loan, no grant.
- ❖ Focused on the next five years.
- ❖ Funded 50% depreciation.
- ❖ Funded a part-time Grade 3 Chief Plant Operator salary of \$50,000.

Wastewater Rate Study Assumptions Cont.

- ❖ Maintained historic fixture-based HE counts and adjustments for non-residential users.
- ❖ Funded ~\$1M of collection and treatment improvements:
 - About two-thirds of improvements are for collection system deficiencies.
 - About one-third are replacement of WWTP aging infrastructure with a useful service life of less than 20 years.
 - All improvements to be paid for via 100% low-interest loan @ 3% market rate with USDA Rural Development (RD).

Wastewater Rate Study Recommendations

❖ Existing Rate = \$43.00/month:

- Since 2009 (>10 years).
- 1% of current median household income (MHI).

❖ Proposed Rate = \$82.56/month:

- 2% of current MHI.
- One 92% increase over the next five years:
 - More gradual multi-year increases would result in higher rates and less reserves at the end of five years.

TABLE 6

Tehama County Sanitation District No. 1 Mineral

2019 Wastewater Rate Study

Summary of Wastewater Enterprise Financial Plan - 50% Depreciation Funded

No.		Budgeted (FY 19-20)	Projected (FY 20-21)	Projected (FY 21-22)	Projected (FY 22-23)	Projected (FY 23-24)	Projected (FY 24-25)
1	WASTEWATER RATES						
2	Single-Family Annual Service Charge:	\$516.00	\$990.72	\$990.72	\$990.72	\$990.72	\$990.72
3	Single-Family Annual Increase:		\$474.72	\$0.00	\$0.00	\$0.00	\$0.00
4	Single-Family Monthly Increase:		\$39.56	\$0.00	\$0.00	\$0.00	\$0.00
5							
6	ESTIMATED NUMBER OF SINGLE-FAMILY CONNECTION EQUIVALENTS						
7	Beginning of Year Hes:		251	251	251	252	253
8	Estimated Additional HEs Due to Growth ⁽¹⁾ :		0	1	1	1	1
9	Estimated Year-End Hes:	251	251	251	252	253	254
10							
11	BEGINNING FUNDS AVAILABLE BALANCE:	\$0	\$14,805	\$98,304	\$178,384	\$254,441	\$29,238
12							
13	REVENUES						
14	Fixed Service Charges:	\$129,260	\$248,180	\$248,920	\$249,670	\$250,420	\$251,170
15	1995 Assessment:	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
16	Total Revenues:	\$169,260	\$288,180	\$288,920	\$289,670	\$290,420	\$291,170
17							
18	EXPENDITURES						
19	County Budget:	\$120,960	\$151,954	\$156,512	\$161,208	\$166,044	\$171,025
20	Improvement Projects Paid by Rates:	\$0	\$0	\$0	\$0	\$254,441	\$0
21	Existing Debt Service:	\$33,495	\$33,118	\$32,718	\$32,795	\$32,828	\$32,815
22	New Debt Service on USDA RD Loan:	\$0	\$0	\$0	\$0	\$42,700	\$42,700
23	Depreciation:	\$0	\$19,610	\$19,610	\$19,610	\$19,610	\$19,610
24	Total Expenditures⁽²⁾:	\$154,455	\$204,681	\$208,840	\$213,613	\$515,623	\$266,150
25							
26	YEAR-END BALANCE/OPERATING RESERVE:	\$14,805	\$98,304	\$178,384	\$254,441	\$29,238	\$54,258
27							
28	YEAR-END CAPITAL IMPROVEMENT FEES⁽³⁾:	\$0	\$0	\$8,417	\$16,859	\$25,326	\$33,819
29							
30	YEAR-END OPERATING RESERVE⁽⁴⁾:	9.6%	48.0%	85.4%	119.1%	11.2%	20.4%
31							
32	YEAR-END DEPRECIATION/EXTRAORDINARY O&M RESERVE⁽⁵⁾:	\$0	\$19,610	\$39,220	\$58,830	\$78,440	\$98,050
33							
34	ANNUAL INCREASE IN USER CHARGE:		92.0%	0.0%	0.0%	0.0%	0.0%

1. Based on annual growth rate of 0.3%.

2. Excluding unfunded 50% depreciation expense.

3. Capital Improvement Fees are for growth-related improvements and are not used for operating expenses.

4. Percentage operating reserve is based on the year-end Operating Reserve Fund Balance divided by Total Expenditures less Capital Projects.

5. Depreciation/Extraordinary O&M reserve fees are for aging infrastructure replacement and are not used for operating expenses. 50% of depreciation will be funded as part of this rate increase.

TABLE 6b

Tehama County Sanitation District No. 1 Mineral

2019 Wastewater Rate Study

Summary of Wastewater Enterprise Financial Plan - 50% Depreciation Funded - 5-Year Gradual Rate Increase

No.		Budgeted (FY 19-20)	Projected (FY 20-21)	Projected (FY 21-22)	Projected (FY 22-23)	Projected (FY 23-24)	Projected (FY 24-25)
1	WASTEWATER RATES						
2	Single-Family Annual Service Charge:	\$516.00	\$619.20	\$743.04	\$854.50	\$982.67	\$1,080.94
3	Single-Family Annual Increase:		\$103.20	\$123.84	\$111.46	\$128.17	\$98.27
4	Single-Family Monthly Increase:		\$8.60	\$10.32	\$9.29	\$10.68	\$8.19
5							
6	ESTIMATED NUMBER OF SINGLE-FAMILY CONNECTION EQUIVALENTS						
7	Beginning of Year HEs		251	251	251	252	253
8	Estimated Additional HEs due to Growth ⁽¹⁾		0	1	1	1	1
9	Estimated Year-End HEs	251	251	251	252	253	254
10							
11	BEGINNING FUNDS AVAILABLE BALANCE:	\$0	\$14,805	\$5,234	\$23,084	\$64,811	\$18,098
12							
13	REVENUES						
14	Fixed Service Charges	\$129,260	\$155,110	\$186,690	\$215,340	\$248,380	\$274,040
15	1995 Assessment	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
16	Total Revenue:	\$169,260	\$195,110	\$226,690	\$255,340	\$288,380	\$314,040
17							
18	EXPENDITURES						
19	County Budget	\$120,960	\$151,954	\$156,512	\$161,208	\$166,044	\$171,025
20	Improvement Projects Paid by Rates	\$0	\$0	\$0	\$0	\$64,811	\$0
21	Existing debt service	\$33,495	\$33,118	\$32,718	\$32,795	\$32,828	\$32,815
22	New debt service on USDA RD Loan	\$0	\$0	\$0	\$0	\$51,800	\$51,800
23	Depreciation	\$0	\$19,610	\$19,610	\$19,610	\$19,610	\$19,610
24	Total Expenditures⁽²⁾:	\$154,455	\$204,681	\$208,840	\$213,613	\$335,093	\$275,250
25							
26	YEAR-END BALANCE/OPERATING RESERVE:	\$14,805	\$5,234	\$23,084	\$64,811	\$18,098	\$56,888
27							
28	YEAR-END CAPITAL IMPROVEMENT FEES⁽³⁾:	\$0	\$0	\$8,417	\$16,859	\$25,326	\$33,819
29							
30	YEAR-END OPERATING RESERVE⁽⁴⁾:	9.6%	2.6%	11.1%	30.3%	6.7%	20.7%
31							
32	YEAR-END DEPRECIATION/EXTRAORDINARY O&M RESERVE⁽⁵⁾:	\$0	\$19,610	\$39,220	\$58,830	\$78,440	\$98,050
33							
34	ANNUAL INCREASE IN USER CHARGE:		20.0%	20.0%	15.0%	15.0%	10.0%

1. Based on annual growth rate of 0.3%.

2. Excluding unfunded 50% depreciation expense.

3. Capital Improvement Fees are for growth related improvements and are not used for operating expenses.

4. Percentage operating reserve is based on the year end Operating Reserve Fund Balance divided by Total Expenditures less Capital Projects.

5. Depreciation/Extraordinary O&M reserve fees are for aging infrastructure replacement and are not used for operating expenses. 50% of depreciation will be funded as part of this rate increase.

Alternatives to Consider

- ❖ Do not pay down loan with rates:
 - Will allow for a gradual five-year rate increase.
 - Still results in same overall increase and year-end operating reserve.
 - Larger loan amount and more interest paid long-term.

TABLE 6c

Tehama County Sanitation District No. 1 Mineral

2010 Wastewater Rate Study

Summary of Wastewater Enterprise Financial Plan - 50% Depreciation Funded - 5-Year Gradual Rate Increase, Larger Loan

No.		Budgeted (FY 19-20)	Projected (FY 20-21)	Projected (FY 21-22)	Projected (FY 22-23)	Projected (FY 23-24)	Projected (FY 24-25)
1	WASTEWATER RATES						
2	Single-Family Annual Service Charge:	\$516.00	\$619.20	\$712.08	\$818.89	\$900.78	\$990.86
3	Single-Family Annual Increase:		\$103.20	\$92.88	\$106.81	\$81.89	\$90.00
4	Single-Family Monthly Increase:		\$8.60	\$7.74	\$8.90	\$6.82	\$7.51
5							
6	ESTIMATED NUMBER OF SINGLE-FAMILY CONNECTION EQUIVALENTS						
7	Beginning of Year HEs		251	251	251	252	253
8	Estimated Additional HEs due to Growth ⁽¹⁾		0	1	1	1	1
9	Estimated Year-End HEs	251	251	251	252	253	254
10							
11	BEGINNING FUNDS AVAILABLE BALANCE:	\$0	\$14,805	\$5,234	\$15,304	\$48,061	\$42,459
12							
13	REVENUES						
14	Fixed Service Charges	\$129,260	\$155,110	\$178,910	\$206,370	\$227,680	\$251,200
15	1995 Assessment	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
16	Total Revenue:	\$169,260	\$195,110	\$218,910	\$246,370	\$267,680	\$291,200
17							
18	EXPENDITURES						
19	County Budget	\$120,960	\$151,954	\$156,512	\$161,208	\$166,044	\$171,025
20	Improvement Projects Paid by Rates	\$0	\$0	\$0	\$0	\$0	\$0
21	Existing debt service	\$33,495	\$33,118	\$32,718	\$32,795	\$32,828	\$32,815
22	New debt service on USDA RD Loan	\$0	\$0	\$0	\$0	\$54,800	\$54,800
23	Depreciation	\$0	\$19,610	\$19,610	\$19,610	\$19,610	\$19,610
24	Total Expenditures⁽²⁾:	\$154,455	\$204,681	\$208,840	\$213,613	\$273,282	\$278,250
25							
26	YEAR-END BALANCE/OPERATING RESERVE:	\$14,805	\$5,234	\$15,304	\$48,061	\$42,459	\$55,409
27							
28	YEAR-END CAPITAL IMPROVEMENT FEES⁽³⁾:	\$0	\$0	\$8,417	\$16,859	\$25,326	\$33,819
29							
30	YEAR-END OPERATING RESERVE⁽⁴⁾:	9.6%	2.6%	7.3%	22.5%	15.5%	19.9%
31							
32	YEAR-END DEPRECIATION/EXTRAORDINARY O&M RESERVE⁽⁵⁾:	\$0	\$19,610	\$39,220	\$58,830	\$78,440	\$98,050
33							
34	ANNUAL INCREASE IN USER CHARGE:		20.0%	15.0%	15.0%	10.0%	10.0%

1. Based on annual growth rate of 0.3%.

2. Excluding unfunded 50% depreciation expense.

3. Capital Improvement Fees are for growth related improvements and are not used for operating expenses.

4. Percentage operating reserve is based on the year end Operating Reserve Fund Balance divided by Total Expenditures less Capital Projects.

5. Depreciation/Extraordinary O&M reserve fees are for aging infrastructure replacement and are not used for operating expenses. 50% of depreciation will be funded as part of this rate increase.

Alternatives to Consider Cont.

- ❖ Do not fund depreciation:
 - 80% increase to rates required rather than 92%.
 - Not recommended.
- ❖ Delay collection and/or treatment improvements and only update rates to include new WWTP operator, depreciation, etc.:
 - Perhaps consider delaying collection system improvements given decreased WWTP influent flows.
 - Not recommended.

Alternatives to Consider Cont.

- ❖ Delay Rate Study Update and associated rate increase until State grant funding eligibility is determined:
 - Rate Study Update would be an eligible grant cost.
 - Most recommended of all alternatives.

WWTP Influent Flows Update

- ❖ Before Park Service Improvement Project (2015-2017 flows):
 - ADWF = 0.037 MGD (52% of design ADWF).
 - PWWF = 0.31 MGD (42% of design PWWF).
- ❖ After Park Service Improvement Project (Winter 2019/2020):
 - ADWF = 0.014 MGD (19% of design ADWF).
 - PWWF = 0.14 MGD (19% of design PWWF).
 - **Average 59% decrease in flows.***
 - ***Dryer than average winter.**

WWTP Influent Flows Update Cont.

❖ Recommendations:

- Continue monitoring flows to ensure they remain lower during future wet winters.
- Utilize flow monitor to identify future higher infiltration and inflow (I&I) areas.

Grant Funding Opportunities

- ❖ Clean Water State Revolving Fund (CWSRF)
 - Must have more than 50% of homes occupied at least six months of the year – questionable.
 - CWSRF has yet to provide a definitive answer if Mineral will be eligible for construction funding.
 - Currently considering more residents now since COVID-19.
 - Latest update as of October 15 – Mineral has been allocated funding by the end of the fiscal year, and the project has been moved forward to reviews.

Grant Funding Opportunities Cont.

❖ CWSRF Cont.

- MHI is updated every year around January/February.
- Must have an MHI of <80% of that of the State and wastewater rates must be at least 1.5% of current MHI:
 - 75% grant eligible up to a \$6M project cost.
 - Mineral MHI fell into this category during 2019, but rates would not qualify.
- If MHI is <60% of that of the State, rates are not considered:
 - 100% grant eligible up to a \$6M project cost.
 - Right now, according to recent changes as of two months ago, Mineral currently falls under this category!

Grant Funding Opportunities Cont.

❖ USDA RD

- Does not have a minimum permanent occupancy requirement to be eligible for funding.
- Must have an MHI of at least <80% of that of the State and wastewater rates close to about 1.5 to 2% MHI.
- Utilizes MHI from 2006-2010 until the 2020 census data is finalized, which will then be utilized.
 - Mineral does not currently qualify for any grant funding from USDA RD due to MHI being too high for those five years.

Grant Funding Opportunities Cont.

- ❖ HUD Community Development Block Grant (CDBG)
 - Tehama County can apply for funding for Mineral.
 - Typically, Notice of Funding Availability (NOFA) released yearly around January/February.
 - Program recently changed from competitive to over-the-counter for public improvement projects.
 - Limited to available grant funding County-wide for all programs (housing, economic development, etc.).
 - Must meet low- to moderate-income requirements .

Grant Funding Opportunities Cont.

- ❖ Integrated Regional Water Management (IRWM) Grant Program
 - No income requirements.
 - Competitive application process – typically prioritize projects with water quality/quantity issues.
 - Regional group (Northern Sacramento Valley) must apply as a whole for funding.
 - Limited to available region-wide grant funding.
 - It is questionable if the program will continue after this next year.

General Rate Study Recommendations

- ❖ For future rate increases beyond this next one, raise rates more frequently but in smaller increments if for no other reason than to keep up with inflation.
- ❖ Eventually fund 100% depreciation.
- ❖ Verify the assumed operations and maintenance increase of 3% inflation is correct, and if not, make adjustments to rates accordingly.

General Rate Study Recommendations Cont.

- ❖ Adjust improvement-related fees/projects every year by the Engineering News Record Construction Cost Index.
- ❖ Review basis of determining household equivalent (HE) counts:
 - Fixture counts versus flow-based.
- ❖ Update the Rate Study every five years.

District Ordinance and District Fees

- ❖ 2019 Wastewater Master Plan (WWMP) recommended Ordinance language updates:
 - Ordinance currently references outdated manual or very general codes for required materials and procedures to follow for required cleanouts:
 - Suggest referring to specific County Standard sections and/or specific Building and/or Plumbing Codes (i.e., current edition of Uniform Building Code or California Plumbing Code, specific section(s), etc.).
 - Or, include language from those standards directly in Ordinance.
 - Ordinance does include specific infiltration leakage testing limits:
 - Suggest adding how, how often, and when leakage tests are required to be conducted. For example, remodel a building; change use of house, building, property, etc.; repair/replace sewer; addition to structures (i.e., building permit required); sale of property, etc.

District Ordinance and District Fees Cont.

- Implement a Capacity Charge – Table 13 from WWMP:
 - New users pay for their fair share of the system.
 - Suggest updating based on how the future capital improvement project is funded.
- Update all District fees based on current office staff time, charge rate, etc.:
 - Existing Connection Fee charge of \$200 for the connection permit and inspection fee.
 - Delinquent Payment Fee.
 - Are any others needed? – Plan Review Fee, Credit Card Convenience Fee, Return Check Fee, Door Tag Fee (if late payments), After-Hours Call-Out Fee, etc.
 - Or just add language in Ordinance to point to Tehama County associated fees?

District Ordinance and District Fees Cont.

- Sewer Lateral Inspection Program (SLIP):
 - Still very much in draft form.
 - Suggest finalizing and implementing language into District Ordinance, building permit forms, etc.

Closing Recommendations

- ❖ Wait to complete rate increase and Prop 218 process until CWSRF determines if Mineral will be eligible for construction funding:
 - If determined to NOT be eligible for grant funding, consider alternatives.
 - Update Rate Study upon final determinations:
 - Eligible project cost to be included with construction funding.

Closing Recommendations Cont.

- ❖ Update District Ordinance language for more definitive codes/standards and lateral language.
- ❖ Update District fees:
 - Implement a Capacity Charge.
 - Update other fees based on office staff time, charge rate, etc.
- ❖ Finalize and implement SLIP:
 - Eligible project cost to be included with construction funding.



Questions?

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