

City of Folsom
Utility Commission
Action Minutes
July 19, 2011, 6:30 pm

CALL TO ORDER

Chairman Ryan called the meeting to order at 6:31 p.m.

ROLL CALL

Present: Commissioners: Davis, Cook, Ryan, Kahlon

Absent: Commissioners: Bringgold, Oosetrman, Standley

Staff Present: Richard Lorenz, Public Works/Utilities Director; Todd Eising, Utilities Department; Stormy Hinkley, Utilities Department

Others Present:

1. **MINUTES**

Minutes were held over until the next meeting.

AYES:

NOES:

ABSTAIN:

ABSENT:

2. **BUSINESS FROM THE FLOOR**

No Update

3. **NEW BUSINESS**

Lorenz explained to the Commission that staff would like to present the proposed rate adjustments to the City Council by the second meeting in September. Given the time frame, staff is asking the Commission to consider recommendations for the solid waste rates.

Eising reviewed the discussion on the water and sewer rate study with the main focus of the discussion being on the solid waste rate study findings. Water and sewer rates were based on revenue requirements only and did not get into cost of service since that has already been accounted for in the last rate study. However, the solid waste rate study does look extensively at allocations to insure that the residential revenue is in line with the residential expenses. Eising stated that what is being proposed is a two year rate adjustment for water. This would mean that in 2011 rates will go from \$33.55 to \$37.55 which is a \$4 rate increase. Starting January 2013, there would be an additional \$2 increase with a meter rate being implemented based on the \$39.55

rate. Commission asked if the rate would be tiered. Eising stated that it is a three tiered rate. Mandated by law, everyone must be on the same metered rate by 2011.

Eising stated that the overall budget for solid waste this year is \$10 million. Expenditures are approximately \$9 million. Additional revenue came to make the actual revenue at the end of this fiscal year \$10.5 million. The question now is can we reduce the rate without having to then turn around and increase it in a few years.

According to the rate study, the City is collecting 10% more in rates than is required to meet expenses in residential and 17% more than needed in commercial. However, the City is collecting 30% less than what is needed to cover expenses for the roll off. The roll off fee will need to be adjusted up, where the other rates can potentially go down. The rate study took into account expenses vs. revenue over the next ten years.

Staff presented that without rate changes revenue would be significantly above operating reserves for several years. Solid waste does not require such a huge capital reserve. The optimal reserve is around \$1.7 million. Prop 218 states that within reason we need to collect what it costs, given that we are not a profit center. Given that, we are looking at a 10% reduction in residential, a 10% reduction in commercial and adjusting the roll off fees upwards. That will keep our fund balance where it needs with a review of the balance in 2015, when we revisit the water rates. Davis asked what the total bill would be each month with the proposed changes. Eising stated that the with a 10% decrease to residential bills, the total overall residential bill would go from \$92.20 to \$93.95 which is a \$1.75 increase. Once the City becomes metered, the bill will vary based on usage, with sewer and solid waste remaining the same.

Eising asked the Commission if they felt comfortable, given the information presented, making a recommendation to move forward with the proposed rate changes. Ryan agreed that, given the time line, the Commission should move forward with a recommendation. Ryan asked if notifying the public has been discussed with the City Manager and City Council as of yet. Eising stated that both the City Manger and the Mayor have been advised of the proposed rates. Davis agreed that the Commission should support a recommendation to move forward. A motion was taken: to.

Davis motioned to recommend that staff move forward with the proposed water and solid waste rate changes, and Kahlon seconded the motion.

AYES: Davis, Cook, Ryan, Kahlon

NOES:

ABSTAIN:

ABSENT: Bringgold, Oosetrman, Standley

Lorenz informed the Commission that the City Council has asked staff to look at whether or not it would be advantageous for the City to privatize some portions of solid waste. Over the next six months we will be tasked with responding to the City Council whether it makes sense. Ryan stated that he would welcome the opportunity to consider privatization if it would save the residents money. Davis also agreed, stating that it may be advantageous for the City to do business with Waste Connections, as they based in Folsom and the City would like for them to continue to be.

4. OLD BUSINESS

Sewer Update

No Update

Water Update

No Update

Solid Waste Update

Eising stated that in the August meeting, proposed changes in fees for services will be presented to the Commission. Ryan asked for clarification regarding the roll off fees that will be presented for Commission recommendation. Eising stated that the rates were presented to the Commission for recommendation included all solid waste rates and fees. In order for the rate changes to balance fees had to be included in the rate model. The rate changes work only in conjunction with the fee changes. Given that fees are different than rates, fees need to be addressed and considered separately. Staff will revisit proposed fee changes in next months meeting.

6. ADJOURNMENT

The meeting was adjourned at 7:40 p.m.

Submitted,

Stormy Hinkley, Administrative Assistant

Attachments: Agenda; Handout of the City of Folsom Water, Sewer & Solid Waste Rate Study Presentation