

City of Folsom
Utility Commission
Action Minutes
April 16, 2013 6:30 pm

CALL TO ORDER

Chairman Ryan called the meeting to order at 6:30 p.m.

ROLL CALL

Present: Commissioners: Ryan, Davis, Miklos, Kozlowski

Absent: Commissioners: Gaylord; Kahlon

Staff Present: Todd Eising, Utilities Section Manager; Michelle Parks, Administrative Assistant

Others Present: None

1. MINUTES

Ryan motioned to approve the minutes of September 18, 2012 Regular Meeting, December 4, 2012 Special Meeting, and the February 19, 2013 Regular Meeting. Davis seconded the motion.

AYES: Ryan, Davis, Miklos, Kozlowski

NOES: None

ABSTAIN: None

ABSENT: Gaylord; Kahlon

2. BUSINESS FROM THE FLOOR

None

3. NEW BUSINESS

a. Water Allocation Status

Eising advised the Commission that the City had received an e-mail from the Bureau stating the CVP allocation will be 70%, which means there will be cutbacks. This is due to the lack of rain from January until the present, which impacted the amount of snowpack. The actual unimpaired inflow that was declared was somewhere near 850,000 acre feet, which is the first level of awareness in cutbacks. 950,000 acre feet would be considered our full allocation.

Eising, Mike Kashiwagi and Marcus Yasutake met to discuss the need to go to a declaration of a Stage 2 drought. Stage 1 is our normal year; Stage 2 is the first year in a drought, which would impose odd/even watering days, notices and potential fines for violations. This was done in 2008 and that was three consecutive dry years. This year it was felt that it wasn't necessary to do a stage drought declaration, as there was only one year without normal rainfall.

(Commissioner Kahlon arrived at 6:37 p.m.)

Additionally, with metered rates, there will be conservation occurring. There is the potential to see less than the 24,000 acre usage for last year due to the metered billing causing residents to begin conserving water on their own and those water savings could also show. All those factors went into considering whether to declare a stage drought declaration.

Davis requested clarification as to if there is an identified threshold in the City as to when we go to stage 2 or is it a judgment call. Eising answered that it is somewhat of a judgment call; we do have water forum obligations wherein if we get under 950,000 acre feet, that we would be doing some cutbacks. The Bureau's cutbacks are based on our CVP allocation only. Regardless, the City Council would have to make the decision to move to Stage 2.

Ryan commented that he would like to see if there are any indications of water conservation due to the move to metered rates. Understanding that winter is not the time to gauge conservation efforts, Ryan would like to look into that at a later date.

Miklos inquired as to whether the newsletter will include information for the residents regarding water conservation and Eising answered in the affirmative. Additionally, May is Water Conservation month and our Water Conservation division will be holding workshops and offering information for the residents.

4. OLD BUSINESS

a. Water/Sewer Budget Update

i. Overview of Operational Budget

Eising presented the Commission with an overview of the operational budget for Water and Wastewater Divisions.

Eising went on to state that the Finance Director presented the preliminary budget to the Council at the last meeting. There has not been a significant change to the Water budget from last year with the exception of CIPs. The water budget is about \$12 million, not including the Capital Improvement Projects. Revenue is a projection, as the effect of metered billing has yet to be seen. Our actual rate study had a 20% conservation factored into our revenue projections. If people conserve even more, we want to make sure that we budget properly so we budgeted conservatively in order to provide a buffer. We will look into the CIPs in June and there will be plenty of work coming up that is not rate based.

Miklos asked Eising what CIP stands for. Eising replied it is Capital Improvement Projects, which are renewal/replacement projects, along with infrastructure upkeep or developer driven, capacity related projects.

Miklos noted that our debt service is flat for the last two years, going into the third year, suggesting that we are paying on interest only. Eising stated that it is a fixed rate for 30 years, principal and interest payment, with a pay as we go situation with no new debt being incurred.

Eising further stated he will be meeting with Finance within the next couple of days and the numbers may change, but overall we are looking good in Operations. Generally, the numbers will be as they are listed.

Capital Improvement Projects

Eising presented the Commission with a listing of the Water CIP projects, which will be going to Council next week. The Utility Commission meeting in June will offer a more in-depth look at the projects. The projects are sorted by funding sources.

Davis requested Eising to explain to the Commission what impact fees really are. Eising answered that the column should state "Impact Fees/Reimbursable Costs from the Developer". For example, in the Folsom Plan Area there are a substantial amount of improvements that need to be done before anyone comes to connect. The City is not going to be paying for that, so it is reimbursable directly from the landowners. There is a pot of money that is used to do capacity-related project called impact fees. Going south to the Folsom Plan Area, there will be impact fees but the initial development improvements will be borne by the developers.

Davis inquired as to whether there will be expenditures south of Hwy 50 in 2013/14 fiscal year. Eising answered that the City is planning for it. The City is planning to hire the engineers and contractors.

Kahlon asked if the residents of the Folsom Plan Area will be paying the same for their water as the residents are currently paying. Davis stated the important thing for the Commission to understand is that the price of water will be the same City-wide, as the Folsom Plan Area cannot add to the burden of the property north of Highway 50. The surcharge is to cover all the City's costs but not at the expense of the existing residents, per Measure W.

Eising went into a brief explanation of each of the Water CIPs, stating a more detailed presentation will be presented at the meeting in June.

Davis requested that Eising explain to the Commission why Easton and Glenborough, which are outside the City limits, are being served by the City. Eising replied that Aerojet is in our water service boundary and have been serving them raw water for their industrial services for years, along with potable water for some businesses. Davis further stated it is important for the Commissioners to know that water service boundaries and City limits are not relevant to the other.

Water Treatment Plant Sludge Project

The byproduct of the water treatment process is called sludge. Sludge is stored in ponds and every two to three years when the pond fills, it is spun dry and taken off site for disposal. This process is getting increasingly more expensive. In an effort to reduce costs and odor issues, staff is looking at several different options for sludge removal. The process would consist of the sludge being dried on site, transferred into a canister and then removed. The return on the investment is about a three-year cycle.

Kahlon inquired as to what the possible impact on the Water Treatment Plant will be, once the Folsom Plan Area is developed; specifically, will the pumps be running more often and/or will

there be more activity. Eising responded that there may be pumps added, but he does not anticipate any noise issues as a result of the development of the Folsom Plan Area.

Ryan expressed his thanks to Eising for laying out the CIPs by funding source; specifically, the projects that are funded by rates.

Eising stated the fund balance is getting closer to where it needs to be in 2014, which would be approximately \$4 to \$5 million.

Our normal rates include about \$1.5 million for CIPs. Our total budget is about \$6 million of revenues. Overall budget is about \$5 million for operations. Our transfers last year were around \$700,000 and have actually gone down.

Miklos requested clarification on overtime costs, which seem to be on the rise. Eising explained that overtime costs are primarily driven by service calls, spills and other issues that require staff to work overtime hours. Additionally, other expenses include certification pay, merit pay increases and as-needed services, which are necessary in order to avoid spills which would result in substantial fines.

b. Utilities Reports

i. Sewer Update

No update

ii. Water Update

Eising informed the Commission that the actual 2013 revenue generated by metered billing would not be known until February 2014. This is due to the time between usage, reading and billing.

Davis spoke to Eising about the program San Juan Water District has which proactively monitors usage and offers inspections to homeowners, in an effort to conserve water and to enable residents to save money on their water bills and inquired as to if Folsom could adopt such a program.

Eising responded that currently staffing levels do not allow for such a program, but it would be something that could potentially happen in the future.

5. ADJOURNMENT

The meeting was adjourned at 7:38 p.m.

Submitted,

Michelle Parks, Administrative Assistant

Attachments: