

City of Blue Lake

Water and Wastewater Question and Answer Sheet



Below, please find answers to questions received regarding the City of Blue Lake's proposed water and wastewater rate increase proposal. Please contact Mandy Mager, City Manager, at 707-668-5655 with any additional questions or information request(s).

1. Why does the City need to increase rates when the Capital Reserve Fund for each system has a substantial balance?

A. The City is required to maintain a capital reserve fund/policy that directs how capital reserves are allocated and charged to the customer. Capital reserve funds cannot support the daily operation of the system, including staff wages to operate and maintain the systems, water purchase, insurance, routine maintenance and repairs, testing, water and wastewater treatment, billing, etc... Capital reserve funds are for capital replacement activities, usually with a threshold amount of \$5,000 or more. Essentially, the Capital Reserve Fund is a set-aside that is used to make long term improvements to the system(s), along with replacing old and/or failing infrastructure.

Although the capital reserves are healthy, the amount of funding required to repair and replace system infrastructure, far exceeds these balances. The goal of the City is to leverage the capital funds to apply for grants and low interest loans to make necessary repairs and replacements. The City has developed a Capital Improvement Plan (CIP) as part of this rate analysis that takes into consideration repairs, replacement and upgrades to the system. The City's systems continue to experience failures as the systems age out; the City must make large scale investments in order to maintain the effectiveness and longevity of the systems, while at the same time leveraging on-hand cash balances that will not cover the cost of necessary repairs.

2. Why is the City providing raises to their staff and investing in new vehicles and equipment?

A. The City operates the water and wastewater systems on an increasingly limited budget; with the cost of living increasing, minimum wage increases and rising inflation across the board, the City is finding it harder to make ends meet and to retain qualified staff. With a severe shortage of water and wastewater operators locally and across the State and the Nation, it is becoming harder to compete with wages and benefits offered by other municipalities. The City has four employees in the Public Works Department; two of the employees are certified operators and

the City relies on their licensing status and expertise to meet State mandates, and to operate the systems.

The two operators also work on the City streets, repair our park facilities and manage our park grounds. Their wages are pro-rated across the various activities to ensure equitable allocation of costs. Our operators are compensated well below the local and industry average, and our additional two maintenance workers make just above minimum wage. As part of the rate analysis, the City is projecting future increases; these increases are limited and still do not bring us up to a competitive level. The increases are less than the projected rate of inflation and less than industry standard projections. The City is not providing large increases to staff, the projected increases are spread over a period of time and can be adjusted as the economic climate equalizes.

The City is also budgeting for vehicle and equipment replacement needs; the City has four vehicles in the Public Works Department; these vehicles are cost shared between water, wastewater, parks, streets, and facilities. The City's vehicles are aging out and we must budget for future replacement.

The City does not plan to purchase new/used vehicles all at once; we do however, have to plan for eventual replacement needs. The CIP allows for a graduated investment in vehicles and equipment. The City has one truck that is less than 15 years old, with the remaining vehicles exceeding 15-30 years in age. The City is also budgeting for future replacement of the City's backhoe; this piece of equipment is critical to the Public Works Department and is almost 30 years old. The City has completed regular maintenance on all of our vehicles and equipment, but it is becoming more difficult to get parts and make necessary repairs as equipment begins to fail. All vehicles and equipment are pro-rated across programs to ensure equitable allocations of cost.

3. Why has the City allowed the system to go into disrepair when the capital reserve funds are available?

A. The City's water and wastewater systems are not in disrepair, in fact, we have one of the most functional and efficient wastewater systems in the State of California. The City's systems are however, in need of capital improvements, due to aging systems, equipment and infrastructure. The City currently has a grant pending for the replacement of the City's two redwood water tanks; the replacement cost is well over \$2 million and the City is pledging capital reserve funds to meet match requirements for the grant. The City is also in the process of replacing the grinder at the treatment plant; the cost of this component is over \$150,000.00. The City has 1,000's of feet of underground piping and fittings that are starting to exceed their useful life and we are starting to experience regular and on-going failures. The cost to replace

the aging piping is millions of dollars and the City plans to leverage capital reserve funds to meet grant match requirements.

As systems age, it is imperative that the City plan for their replacement, and although our reserve balances seem substantial, they are not substantial enough to meet the needs of the systems. The City is positioned well though, to take advantage of grant funding, and by leveraging our capital reserve funds, we can make substantial, long-term investments in the systems.

4. Why was a private contractor allowed to take water from the City's fire hydrant to fill their water tanks?

A. The City has a water purchase agreement with the company working on the gas line replacement project; they utilize their water tanks to flush out the areas that they're excavating. The City bills the company regularly and they account for their water usage using the City's water meter, or by accounting for the number of gallons used based upon the size of their water tanks. The City does not allow anyone to take water from the system without a purchase agreement; the City is also under strict requirements on who we can provide water to and for what reasons. The City cannot sell water to be taken out of district. The City is also working closely with the contractor and regularly monitors their activities.

5. Why isn't there a discounted rate for senior citizens or qualified low-income residents?

A. The City is required by law to charge a proportional rate to all customers; we cannot provide discounted rates to one user group by passing off the cost of the discount to other users. Proposition 218 mandates that the City account for all operational costs and charge rates that are proportionate to the impacts on the system. For instance, industrial users are charged based upon their meter size and BOD loading; a larger meter equates to larger flow, which in turn creates a larger draw on the systems.

In order to provide a discounted rate to different user groups, the City would have to find additional cash resources to subsidize the rate loss. Currently, the City does not have another source of revenue to support this.

The City does offer a no-interest payment plan to assist residents with their payments; this option allows residents to maintain their service without interest/penalties. The City has looked into programs that provide one-time assistance to account holders; these programs are limited in their scope and the cost to the City to operate these programs becomes cost prohibitive. Because these programs are only available one-time per year and the income qualifications are limited, the City's payment plan can be a better option for account holders.

6. Why is the current rate structure inadequate to maintain current operations?

A. The cost to operate the water and wastewater systems has continued to rise each year; this includes the cost of power, the cost of water purchase from Humboldt Bay Municipal Water District, increasing turbidity reduction fees, increased costs associated with water testing, along with increased costs for fuel, insurance and system maintenance. Smaller system failures continue to plague the system and minor repairs and maintenance are not captured using capital reserve funds.

The capital reserves cannot be used to support the daily operations of the systems; the user rates are the basis for operational support. The City has continued to operate the systems on a limited budget, and has maintained operational costs where we can. Rising inflation has greatly impacted our operational budget and the areas of impact are areas that the City does not have control over. Without a rate increase, the City will continue to operate in the red; this is unsustainable and puts the City in jeopardy of being out of compliance with State mandates and State law.

7. What is the impact to the average resident's bill for water and wastewater?

Water

Current Rates: Residential Units are 5/8" Meters-Average Base Rate is \$28.48/month

Meter Size	Inside City		Outside City	
	Base Rate	TRF Charge	Base Rate	TRF Charge
5/8"	\$27.48	\$1.00	\$41.22	\$1.50
3/4"	\$27.48	\$1.11	\$41.22	\$1.67
1"	\$45.87	\$1.33	\$68.82	\$2.00
1 – 1/2"	\$91.48	\$1.44	\$137.22	\$2.17
2"	\$146.51	\$1.67	\$219.63	\$2.51
3"	\$320.57	\$3.89	\$480.86	\$5.84
4"	\$576.86	\$5.56	\$865.30	\$8.33
6"	\$1,282.02	\$11.11	\$1,923.03	\$16.67

Proposed Rate Schedule: *Removes Inside and Outside the City Rates*

Average Base Rate Will Increase to \$41.07 in 2023 and Increase 4% Each Year

2023 Cost Increase of \$12.59/Month

Meter Size	2023	2024	2025	2026	2027
5/8"	41.07	42.71	44.42	46.20	48.05
3/4"	61.61	64.07	66.63	69.30	72.07
1"	102.68	106.79	111.06	115.50	120.12
1-1/2"	205.36	213.57	222.12	231.00	240.24
2"	328.57	341.72	355.38	369.60	384.38
3"	657.15	683.43	710.77	739.20	768.77
4"	1,026.79	1,067.86	1,110.58	1,155.00	1,201.20

The proposed rate structure would remove the tiered consumption rates and implement a rate of \$1.97 per 100 cubic feet. For large water users, this may equate to a smaller overall increase to their bill as the cost of water consumption will be reduced.

Wastewater:

Current Base Rates: **Residential Customer-\$49.89/Month**

Customer Class	Base Rate	Capital Reserve Fee	Minimum Monthly Bill
Residential	\$38.46	\$11.43	\$49.89
Industrial Flow	\$38.46	\$11.43	\$49.89
Industrial Flow 8 SCR	\$38.46	\$91.44	\$129.90
Industrial Flow 2 SCR	\$38.46	\$22.86	\$61.32
Industrial Flow 24 SCR	\$38.46	\$274.32	\$312.78
Industrial Flow 150 SCR	\$38.46	\$1,714.50	\$1,752.96
Industrial Flow 5 SCR	\$38.46	\$57.15	\$95.61
Industrial Flow 50 SCR	\$38.46	\$571.50	\$609.96

Proposed Base Rate: Residential Customer: \$54.00/Month 2023 and Increase 4.5% Each Year
2023 Cost Increase of \$4.11/Month

	2023	2024	2025	2026	2027
Standard Base Rate	\$54.00	\$56.43	\$58.97	\$61.62	\$64.39
Per BOD (industrial and commercial flow only)	\$4.38	\$4.57	\$4.78	\$4.99	\$5.22