

WASTEWATER Q & A: Prepared by the City of Rio Vista

Q 1. WHY IS THE CITY, IN POOR ECONOMIC TIMES, BURDENING US WITH AN INCREASE IN SEWER RATES?

A. Present sewer rates are inadequate to cover sewer facilities' operating costs, State and Federal mandates, badly needed replacements and repairs, retirement of current indebtedness, principle and interest repayment of a \$3 million plus sewer fund indebtedness owed other City funds. The City needs the rate increase to maintain the current level of service for all of Rio Vista utility customers, now and in the future.

Q 2. WHAT IS AN ENTERPRISE FUND? AND HOW DOES IT AFFECT SEWER RATES?

A. Under State law, the operation of water and sewer services are considered "enterprise" activities, which requires them to be run like a business. The City's accounting system tracks *all* income and expenditures for sewer related activities in a separate fund. (Rio Vista will establish two independent sewer funds.) The law further requires enterprise funds to operate no worse than break- even. When a deficit occurs, an enterprise fund may borrow from other City sources. Over the past several years, this has happened in Rio Vista and as noted above we have a large deficit, which has been covered by borrowing. There are no longer funds to borrow and the law requires the amount borrowed repaid with interest. In order for the sewer rates to remain *as low as possible*, repayment is deferred beyond this five-year rate plan.

Q 3. WHY IS THE CITY PROPOSING A TWO-RATE STRUCTURE?

A. The City owns and operates the Beach Drive wastewater facility and the Northwest wastewater facility. Each facility services, exclusively, a particular area of town. The Northwest facility services Trilogy and future additions i.e., Brann Ranch, Liberty Island, Del Rio Hills and Riverwalk. All other areas of the City including Homecoming and Vineyard Bluffs are served by the Beach Drive facility. In 1996, Californians passed Proposition 218, a law requiring ratepayers be charged only for their proportionate amount of service provided. Prop 218's intent was unclear regarding water, wastewater and trash collection rates. In 2006, a State Supreme Court case decided the Prop 218 process did extend the protest rejection procedures to these parcel related rates. Our single rate structure was unaffected, but Proposition 218 *requires* the City now use *two* separate sewer rates.

Q 4. HOW DOES PROPOSITION 218 AFFECT ME?

A. During a defined period prior to a public hearing, you will have an opportunity to cast a protest vote against the rate increases – depending upon which wastewater treatment facility services your property. Required notices explaining the details were mailed on May 8, 2009.

Q 5. WHY DON'T WE HAVE TWO WATER RATES?

A. We have only *one* water system and it serves the entire City.

Q 6. WHAT CHARGES WILL THE SEWER RATES COVER?

A. The major portion of the rates covers the month-to-month operating expenses of each of the plants, currently run by Veolia, a wastewater contractor. California's Sewer Management Plan requirement and periodic fees for mandatory licensing make up a second, significant portion of cost. Also included are capital improvement projects for repair and replacement of sewer lines, lift stations, emergency power generators, the wastewater facilities themselves and debt repayment of principal and interest.

Q 7. HOW ARE THE RATES CALCULATED?

A. The proposed rate structure covers a *five-year period*. Each of the components described in question Q 6. above, has values determined from historical data or from estimates provided by a team comprised of Veolia's local manager and our long-time City engineer. These estimates, made using standard professional engineering practices, all consider the scheduling of the expense within the five-year plan.

Q 8. WHY ARE THE BEACH RATES SO MUCH HIGHER THAN THE NORTHWEST RATES?

A. The difference is mostly a matter of age and deferred maintenance. Some of the collection lines servicing Beach Drive are over *100 years* old. Over the years, and certainly recently, the majority of the maintenance has been "band aid" type. In addition, there is some bonded indebtedness from prior major repair and expansion of the Beach Drive facility. Collection lines and lift stations servicing Trilogy are at the most *15 years* old, but there is need for some ongoing maintenance at the Northwest facility.

Q 9. WHAT HAS THE CITY DONE IN RECENT YEARS TO MAINTAIN AND UPGRADE THE WASTEWATER COLLECTION SYSTEM?

A. Since the sewer fund was in a negative position and required borrowing from other City funds, only emergency and absolutely necessary repairs were made. Rate increases were made in 2004, but they proved *inadequate* to overcome degradation of the system and increasing operating costs. The City's approach has been reactive rather than proactive. We have not had the funds to meet the State-required wastewater management system requirements and could face fines for noncompliance.

Q 10. WHAT OTHER OPTIONS HAS THE CITY CONSIDERED TO KEEP RATES AS LOW AS POSSIBLE?

The City with the assistance of a citizens group evaluated a variety of options including operating costs, reducing the number of capital projects proposed, issuing bonds, etc. With every scenario proposed, risk was assessed. Staff has also applied for grants for replacement of collection lines. Staff provided the City Council with various rate models to consider. Following various public meetings and discussions of benefits and risks, the City Council approved the published proposed rates. Any future *grant or low-interest loan money* awarded for capital improvement projects will apply to mitigating the rates. Some costs may be unintentionally overestimated. Should this happen, excess revenue will apply, where possible, to *reduce rates*.

Q 11. WHAT IS A SUCCESSFUL PROTEST?

A. The process requires separate votes for each of the wastewater facilities. The protest will succeed when *more than 50%* of the registered parcel residents (*owner or tenant but not both*) register protests in each of the ballotings. The protest must be made before or at the public hearing, scheduled for *5:30 pm, June 24, 2009* at City Hall. The protest requirements are set forth in the May 8 notice of rate adjustments.

Q 12. WHEN WILL THE NEW RATES GO INTO EFFECT?

A. Unless a protest is sustained the rates become effective *July 1, 2009*.

Q 13. WHAT WILL HAPPEN IF EITHER OR BOTH THE PROTEST VOTES SUCCEED?

A. The City will run out of money to operate the sewer plant or plants no later than *January of 2010*. This has happened to other entities in California, as well as cities in other states, where each instance was addressed individually. There is no law, process or clear precedent, which guarantees what will happen. However, *someone other than the City of Rio Vista will operate* the systems. It might be the County or it might be a neighboring municipality, but in either case, it is crystal clear the operator would be paid from rates set *without* the benefit of public involvement with *no* chance to protest. Since an outside operator would expect to be reimbursed for all associated costs, it is a likely the rates would be higher than those proposed.

Q 14. WHERE CAN I GET A COPY OF THE PROPOSED SEWER RATES?

A. You can get a copy from the cashier at City Hall.

Q 15. WHAT IF I HAVE MORE QUESTIONS?

A. Contact either Michelle Mingay or Hector Delarosa at City Hall. The address is number 1 Main Street and the telephone number is 374-6451. City Hall is closed on Fridays.