COMMITTEE MEMBERS
Laura M. Hoffmeister, Chair
Carlyn S. Obringer, Committee Member

Civic Center
1950 Parkside Drive
Concord, CA 94519
www.cityofconcord.org

Special Meeting of the
Infrastructure &
Franchise Committee

Wednesday, 6:00 p.m.
May 20, 2020
Various telephonic/electronic locations (see below)

CORONAVIRUS DISEASE (COVID-19) ADVISORY WARNING
STAY SAFE, STAY HEALTHY, STAY HOME

The Contra Costa County Health Department has ordered individuals in Contra Costa County to “shelter in place”. The California Department of Public Health issued its “Mass Gatherings Guidance on Novel Coronavirus or COVID-19” followed by a recommendation that certain gatherings in California be postponed or canceled. The Governor of the State of California issued Executive Order N-25-20 which, among other things, orders that all California residents are to “. . . heed any orders and guidance of state and local public health officials, including but not limited to the imposition of social distancing measures, to control the spread of COVID-19” and pursuant to Executive Order N-33-20 has ordered all individuals in California to stay home or at their place of residence with very limited exceptions. That means residents must obey State, County, and City of Concord rules and guidelines.

City of Concord Rules: The City of Concord has declared a local state of emergency due to COVID-19 and is closed to the public. This Concord City Council meeting is an essential event, therefore it has not been cancelled. However, City of Concord officials and staff will conduct this meeting telephonically or otherwise electronically. The City will not make available any physical location from which members of the public may observe the open session portion of the meeting and offer public comment. Instead, members of the public may observe and address the open session portion of the meeting remotely. Below is information on how to do that.

How to View/Listen to the Meeting via Zoom Meeting:

To view the meeting remotely, from a PC, Mac, iPad, iPhone or Android device: www.zoom.com

Meeting ID: 978 2248 5628

Password: 008668
Or join by phone: (for higher quality, dial a number based on your current location): US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 301 715 8592 or +1 312 626 6799 or +1 929 436 2866 or +877 853 5257 or +888 475 4499

Webinar ID: 978 2248 5628
Password: 008668

Find your local number: https://cityofconcord.zoom.us/j/97822485628?pwd=NzN4RGxyMGNzMzM3cUhVVWhiUU5Idz09

How to Submit Public Comments:

Written: All comments received **before 3:00 pm the day of the meeting** will be posted on the City’s website as “Correspondence” under the relevant agenda item and provided to the Committee members at the meeting. Please email your comments to cityclerk@cityofconcord.org.

During the Meeting: There will be no general Public Comment period, as this is a Special Meeting. The public will be allowed to address the Committee on the item appearing on the agenda. The Committee Chair will call a public comment period and call on members of the public wishing to speak. Each speaker will be limited to approximately three minutes.

1. **ROLL CALL**

2. **REPORTS**

   The public is entitled to address the Committee on items appearing on the agenda before or during the Committee’s consideration of that item. Each speaker will be limited to approximately three minutes. **Please see “How to Submit Public Comments” above.**

   a. **Considering** – the collection of previously adopted sewer fees and charges at a temporarily decreased rate. **Report by Justin Ezell, Director of Public Works.**

3. **ADJOURNMENT**

   *In accordance with the Americans with Disabilities Act and California Law, it is the policy of the City of Concord to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including those with disabilities. If you are disabled and require a copy of a public hearing notice, or an agenda and/or agenda packet in an appropriate alternative format; or if you require other accommodation, please contact the ADA Coordinator Tianjun Cao at (925) 671-3243 or Tianjun.cao@cityofconcord.org, at least 24 hours in advance of the meeting. Advance notification within this guideline will enable the City to make reasonable arrangements to ensure accessibility.*

Distribution: City Council
Valerie Barone, City Manager
Susanne Brown, City Attorney
Kathleen Trepa, Assistant City Manager
Joelle Fockler, City Clerk
Staff Report

Date: May 20, 2020
To: Council Committee on Infrastructure & Franchise
From: Valerie J. Barone, City Manager
Prepared by: Justin Ezell, Director of Public Works
  Justin.ezell@cityofconcord.org
  (925) 671-3231
Subject: Considering the collection of previously adopted sewer fees and charges at a temporarily decreased rate.

Report in Brief
Staff recommends temporarily decreasing the sewer fees and charges adopted last year to better align projected end-of-year cash balances with targets. This comes as a result of updated financial information provided by the Central Contra Costa Sanitary District.

Recommended Action
Direct staff to bring a Resolution before the City Council that temporarily permits collection of the sewer fees and charges, pursuant to Concord Municipal Code Chapter 13.05 (Sewer System), Section 13.05.020 (Rates and Charges Established), Paragraph (C), at a rate lower than authorized by the voters.

Background
The City administers a Sewer Enterprise to provide for maintenance, repair and operation of sanitary sewer collection systems in the cities of Concord and Clayton, as well as some unincorporated county properties. The Sewer Enterprise contracts with the Central Contra Costa Sanitary District (CCCSD) to provide wastewater treatment and disposal of both cities’ sewage at CCCSD’s treatment plant by paying a proportionate share of the maintenance, operation, and capital improvement costs at the treatment plant, and at the Household Hazardous Waste Facility. The proportionate share of treatment plant costs is based on flow volumes. Currently, the City’s flow volume represents approximately 32-34% of the volume of waste treated at the CCCSD
treatment plant, and the City’s proportionate share of CCCSD operational and capital costs is therefore approximately 32-34%.

In 2018 CCCSD developed its 10-Year Capital Improvement Plan (CIP) which includes major treatment plant improvements to meet new regulatory requirements. The City is required to pay its proportional share of these projects as they are built. The large number of capital improvement projects CCCSD is planning for their treatment plant is primarily due to aging infrastructure and new regulatory requirements for environmental compliance. Staff works closely with CCCSD to ensure that the City’s Sewer Enterprise budget is not impacted by unforeseen expenditures incurred in CCCSD’s capital programs.

Staff initiated a rate study in 2018 to evaluate the City’s operational and maintenance needs and necessary rate increases to allow for a sustainable Sewer Enterprise program. The study concluded that existing sewer rates would not produce sufficient revenue requirements in future years. Due to the forecasted shortfalls, the Sewer Enterprise cash reserves would have exhausted by FY 2022. The conclusions of the rate study took into account the need to increase annual sewer revenues to maintain solvency and long-term financial health of the sewer fund, the need to increase the investment in the repair and replacement of the collection system, while also funding Concord’s proportional share of CCCSD CIP and operating costs.

The rate study effectuated development of the City’s 10-Year Sewer Enterprise Financial Forecast. Information at the time required $45 rate increases every year to fund additional anticipated requirements for operations, maintenance, and capital improvements for both Concord and Clayton sewer facilities and CCCSD. The rate increases were needed to (1) offset rate increases by CCCSD to the City of Concord, (2) maintain the system reserve funds, and (3) allow for needed capital improvements. A Public Hearing was held on May 7, 2019 for the purpose of considering the annual $45 rate increases; the rates were subsequently adopted and the City’s Municipal Code was updated to reflect the newly adopted rates.

**Analysis**

As mentioned earlier in this report, the City pays CCCSD for 32%-34% of both the treatment plant operations and the treatment plant capital improvements based on the City’s volume of sewer waste processed at the plant. CCCSD recently updated their financial model for cost of services using financial assumptions that include low interest loans obtained through California’s Clean Water State Revolving Fund. The program offers low cost financing for a wide variety of water quality projects. CCCSD already received $90 million and will apply for an additional $51 million. The loan program has no issuance cost and payments do not begin until one-year until after project construction is complete.
The City of Concord will realize a savings of $27.3 million as a result of CCCSD’s revised CIP expenditure plan and ability to secure the State Revolving Fund loans. An exhibit depicting these savings was provided by CCCSD and is included as Attachment 1.

Utilizing the updated financial forecasts provided by CCCSD and the City’s own CIP expenditure plan, staff modeled the Sewer Enterprise revenue requirements. The modeling shows that, unless the previously adopted rates are revised, end-of-year Sewer Enterprise cash balances will far exceed targeted amounts.

Staff outlined three options for Committee consideration as a result of the above findings:

**Option A.** Continue collecting fees and charges as currently adopted.

This option will collect greater revenue than what is needed to meet targeted reserve amounts, but would help fund unanticipated future CIP projects and or keep future rates lower than the projected increase of $45 per year until 2029 (Figure 1).

**Option B.** Collect the fees and charges at a temporarily decreased rate.

Do not collect the currently adopted $45 rate increase scheduled for FY 2021, and resume collection of the $45 per year rate increases scheduled for FY 2022 and FY 2023. Option B better aligns revenue and targeted reserve amounts, but still exceeds them (Figure 2).
Option C. Collect the fees and charges at a temporarily decreased rate, adjusted in gradual increments.

Do not collect the currently adopted $45 rate increases scheduled for FY 2021 through FY 2023 for all three years. Instead, collect a $10 rate increase in FY 2021 and a $25 rate increase in FY 2022 and return to the $45 per year rate increase for FY 2023. This option aligns cash balances with targeted reserve amounts in the long-term (Figure 3).
Staff is recommending that the Committee direct staff to bring a resolution before City Council allowing Council to temporarily permit collection of the sewer fees and charges at a decreased rate. By implementing Option C above, the City will collect sewer fees and charges at a lower rate than currently scheduled, gradually increasing them to the previously set amount of $45 increase per year. The opportunity to make these adjustments comes at an opportune time, given the significant financial strains that are currently facing Concord’s residential and business community.

With regard to the continuing impact of the COVID-19 Pandemic, the Central Contra Costa Sanitary District took its own action related to sanitary sewer rates on May 7, 2020. In a 3-2 vote the CCCSD Board decided to implement a “rate increase holiday” for its customers during FY 2021. Much like Concord, CCCSD adopted a 4-year rate increase last year, and were scheduled to increase their rates by $31 in FY 2021, $31 in FY 2022, and $30 in FY 2023. The May 7, 2020 CCCSD Board decision eliminated the $31 increase scheduled for FY 2021; however, the Board’s action kept the FY 2022 and FY 2023 increases in effect, which means that CCCSD’s rate will increase by $62 in FY 2022 and by another $30 in FY 2023.

Alternatives
The Committee can choose to implement previously adopted rate increases without any action. With this option, the sewer fund balance will continue exceeding targeted amounts; rates can be reevaluated during Fiscal Year 2023.

Financial Impact
To pay for the obligations discussed above and to maintain a positive Sewer Enterprise fund balance, the annual sewer service charge needs some level of increase during Fiscal Years 2021 through 2023; the financial impacts of collecting fees at a decreased rate are depicted in Figures 1, 2, and 3 above.

Public Contact
The Agenda was posted.

Attachments
1. SRF Loan Savings provided by CCCSD
2. Presentation slides
**SRF Loans will provide savings to both Central San and Concord**

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<tr>
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<th>Total Debt</th>
<th>Total Cost</th>
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<tr>
<td>FY 2019-20 Debt</td>
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<td>$241.6 million</td>
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<tr>
<td>FY 2020-21 Debt</td>
<td>$141 million</td>
<td>$159.7 million</td>
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- **Total Debt Service Savings** $81.9 million
- **Average Concord Flow Proportion** 33%
- **Savings to Concord** $27.3 million
Proposed Decrease to Adopted Sewer Fees and Charges

June 2, 2020
City of Concord Sewer System Overview

Concord owns, operates, and maintains the wastewater collection system
City of Concord Sewer System Overview

Operation of the wastewater collection system consists of:

• Cleaning and televising the underground lines
• Making repairs and long-term capital projects
• Customer service calls and assessing the annual property levies
City of Concord also operates and maintains the wastewater collection system for the City of Clayton
City of Concord Sewer System Overview

Sewage is transported to Central Contra Costa Sanitary District for treatment and disposal.
Agreement with CCCSD for Sewer Treatment

Central Contra Costa Sanitary District (CCCSD) bills Concord for treatment and disposal of sewage.

Amount Concord pays for treatment is based on how much sewage is sent to CCCSD (proportional share)
Breakdown of Total Costs

City of Concord costs = $0.30

CCCSD costs = $0.70
CCCSD Treatment Plant 10-year CIP

Opened in 1948

$553.7 million over ten years
Sewer Enterprise Actions taken in 2019

• Central Contra Costa Sanitary District completed Wastewater Master Plan
• City of Concord completed Sewer Rate Study using Central San data
• Council Committee on Infrastructure and Franchise concur on 4-year rates
• City of Concord completes Proposition 218 noticing requirements
• Public Hearing to determine >50% majority protest (15 protest letters received)
• City of Concord adopted 4-year rates
• First year of newly adopted rates effectuated
4-Year Rates Adopted in 2019

- Adopted by the Concord City Council in May 2019

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<tr>
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Implemented

Not Yet Implemented
Sewer Enterprise Actions taken in 2020

• City of Concord initiates Sanitary Sewer Master Plan
• City of Concord updates CIP expenditure plan
• Central Contra Costa Sanitary District updates CIP expenditure plan
• Central Contra Costa Sanitary District obtains low interest loans for CIP
• Central Contra Costa Sanitary District updates forecasts provided to Concord
• City of Concord reevaluates revenues compared to updated forecasts
2019 – Proposed Revenues Compared to Costs

![Bar chart showing proposed revenues and costs for FY 2019 to FY 2023.](chart.png)
2020 – Revenues Compared to Updated Costs
### Projected EOY Cash Balance – No Rate Change

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- **Current Annual Rate**: $637
Projected EOY Cash Balance – No increase FY21

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FY 2028-29

through...

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Current Annual Rate

$637
Projected EOY Cash Balance – No increase 21&22

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Current Annual Rate

$637
### Projected EOY Cash Balance – Gradual Increase

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Through FY 2029:
- Proposed Increase Amount: $45
- Proposed Annual Rate: $977

**Current Annual Rate:**

![Graph showing EOY Contingency Balance, Target Contingency Balance, EOY Unrestricted Cash Balance, and Target Unrestricted Cash Balance from FY 2020 to FY 2029.

The graph illustrates the gradual increase in the projected EOY cash balance from FY 2020-21 to FY 2028-29, with a proposed increase reaching $45 by FY 2023-24. The proposed annual rate increases from $647 in FY 2020-21 to $752 in FY 2028-29. The current annual rate is $637.
# Projected EOY Cash Balance – More Gradual

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<th>FISCAL YEAR</th>
<th>FY 2020-21</th>
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| $45        
| $987       |

Current Annual Rate

$637
Questions, Answers and Recommendation

• Questions
• Public Comment
• Proceed with Resolution to collect fees at a decreased rate:
  • $10 increase FY 2021 (from $45)
  • $25 increase FY 2022 (from $45)
  • $45 increase FY 2023 (already established at $45)