

## **Gridley City Council – City Council Meeting Agenda**

Tuesday, September 8, 2020; 6:00 pm  
Gridley City Hall, 685 Kentucky Street, Gridley, CA 95948

*“Our purpose is to continuously enhance our community’s vitality and overall quality of life. We are committed to providing high quality, cost-effective municipal services and forming productive partnerships with our residents and regional organizations. We collectively develop, share, and are guided by a clear vision, values, and meaningful objectives.”*

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### **Notice of Temporary City Council Meeting Procedures**

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Act, Governor Gavin Newsom’s Emergency Declaration related to COVID-19, and Governor Newsom’s Executive Order N-29-20 issued March 17, 2020 that allows attendance by City Council, City staff and the public to participate and conduct the meeting by teleconference and to participate in the meeting to the same extent as if they were present. Comments from the public on agenda items will be accepted until 2 pm on September 8, 2020, via email to [jmolinari@gridley.ca.us](mailto:jmolinari@gridley.ca.us) or via the payment/document drop box at Gridley City Hall and will be conveyed to the Council for consideration. The Mayor and Council appreciate the public’s adaptation and patience during this crisis.

You may attend via teleconference:

- Dial 1-888-204-5987
  - Enter the Access Code 5767603#
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**CALL TO ORDER** - Mayor Johnson

**ROLL CALL** - Recording Secretary

**PLEDGE OF ALLEGIANCE** – Vice Mayor Williams

**INVOCATION** - None

**PROCLAMATIONS** – None

**INTRODUCTION OF NEW OR PROMOTED EMPLOYEES** - None

**COMMUNITY PARTICIPATION FORUM** - *Members of the public may address the City Council on matters not listed on the agenda. The City Council may not discuss nor take action on any community participation item brought forward by a member of the community. Comments are requested to be limited to three (3) minutes.*

**CONSENT AGENDA** – None

**ITEMS FOR COUNCIL CONSIDERATION**

1. Electric Department Update to the City Council
2. City of Gridley Website Overview
3. City of Gridley Water, Sewer, and Electric Utility Rate History and Status

**CITY STAFF AND COUNCIL COMMITTEE REPORTS** - *Brief updates from City staff and brief reports on conferences, seminars, and meetings attended by the Mayor and City Council members, if any.*

**POTENTIAL FUTURE CITY COUNCIL ITEMS** - (Appearing on the Agenda within 30-90 days):

Stenzel General Plan/Prezone/Annexation	9/21/2020
Police Department Digital Radio System Budget Review	10/5/2020
Garbage Services RFP Approval	10/5/2020
Introduction General Plan/Prezone/Annexation for north 400 ac.	10/5/2020

**CLOSED SESSION – None**

**ADJOURNMENT** – adjourning to a Regular City Council meeting on September 21, 2020

**NOTE 1: POSTING OF AGENDA-** This agenda was posted on the public bulletin board at City Hall at or before 6:00 p.m., September 4, 2020. This agenda along with all attachments is available for public viewing online at [www.gridley.ca.us](http://www.gridley.ca.us) and at the Administration Counter in City Hall, 685 Kentucky Street, Gridley, CA.

**NOTE 2: REGARDING UNSCHEDULED MATTERS** – In accordance with state law, it shall be the policy of this Council that no action shall be taken on any item presented during the public forum or on unscheduled matters unless the Council, by majority vote, determines that an emergency situation exists, or, unless the Council by a two-thirds vote finds that the need to take action arose subsequent to the posting of this agenda.

**City Council Agenda Item #1**  
Staff Report

**Date:** September 8, 2020  
**To:** Mayor and City Council  
**From:** City Departmental Leadership Team Members  
**Subject:** Electric Department Update to the City Council

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<b>X</b>	Regular
	Special
	Closed
	Emergency

**Recommendation**

Staff respectfully requests that the Mayor and City Council permit the Electric Department Director to provide a brief update to the City Council regarding current Departmental efforts. No City Council action is required.

**Background**

The Mayor and City Council appoint and evaluate each of the City of Gridley's Department Directors. The Department Director's are entrusted with providing quality, cost-effective services with a long-term perspective. The Mayor and Council expects excellent leadership from each of its appointees. Department Directors are expected to occasionally provide the Mayor and City Council with updates regarding their Department's efforts.

**Compliance with City Council Strategic Plan or Budget Goals**

The City Council and City staff are committed to providing the highest possible transparency regarding all City of Gridley activities.

**Attachment**

None

**City Council Agenda Item #2**  
Staff Report

**Date:** September 8, 2020  
**To:** Mayor and City Council  
**From:** Paul Eckert, City Administrator/Finance Director  
**Subject:** City of Gridley Website Overview

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<b>X</b>	Regular
	Special
	Closed
	Emergency

**Recommendation**

Staff respectfully requests that the Mayor and City Council permit staff to provide a brief overview of the City's website. No City Council action is required.

**Compliance with City Council Strategic Plan or Budget Goals**

The City Council and City staff are committed to providing the highest possible transparency regarding all City of Gridley activities.

**Attachment**

None



# **City Council Agenda Item #3** Staff Report

**Date:** September 8, 2020

**To:** Mayor and City Council

**From:** Paul Eckert, City Administrator/Finance Director

<b>X</b>	Regular
	Special
	Closed
	Emergency

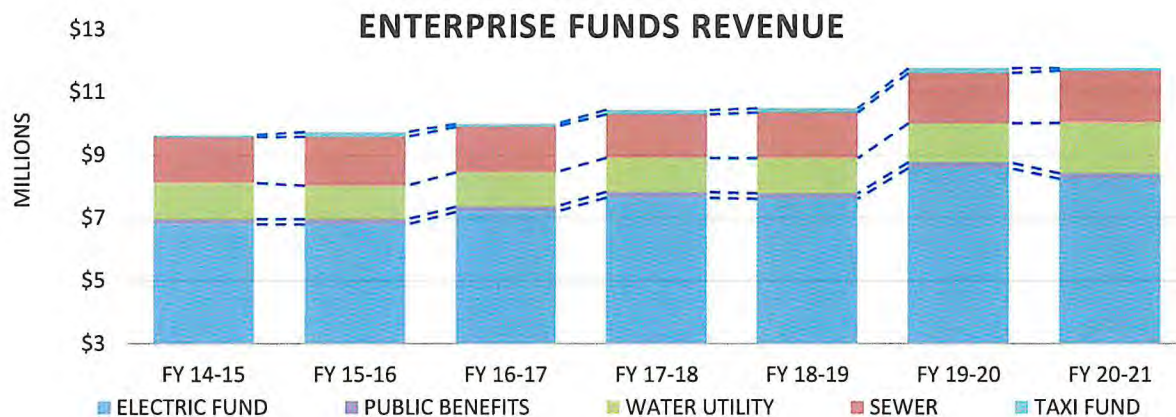
**Subject:** City of Gridley Water, Sewer, and Electric Utility Rate History and Status

## **Recommendation**

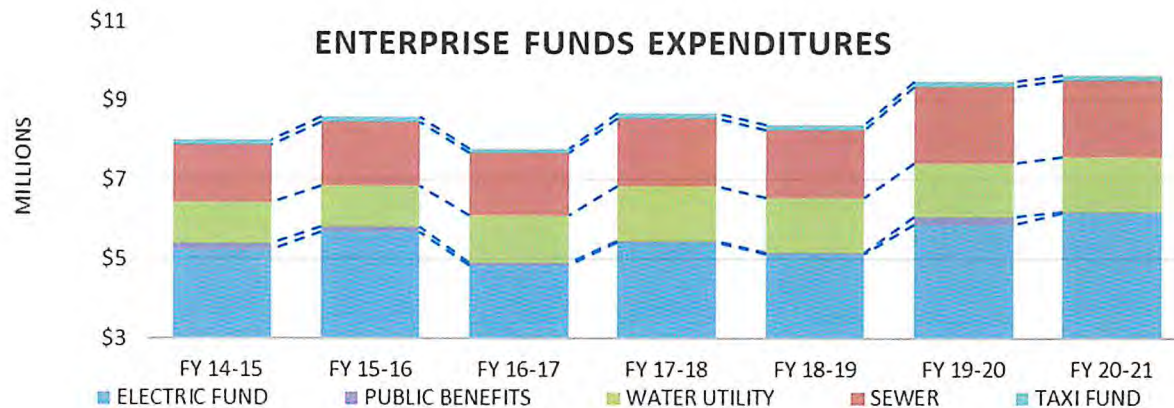
Staff respectfully requests that the Mayor and City Council permit staff to provide a report regarding the history of the City of Gridley Water, Sewer, and Electric Rates. Public participation will be encouraged by the City Council. No City Council action is required.

## **Overview of Utilities**

Providing safe, healthy, cost effective, and reliable municipal utilities, that includes a decade's long-term focus, is the most fundamentally important function of city government. The purpose of this report is to provide an overview of the City of Gridley Water, Sewer, and Electric Utilities. All totaled, the Water, Sewer, and Electric Utilities represent approximately \$11 million of expenditures each and every year. The estimated value of all of the Water, Sewer, and Electric equipment and facilities is very large, exceeding a quarter of a billion dollars. The City Council and staff are responsible for a vast array of very complex utility operations, including compliance with a very wide array of Federal and State regulations. Historically, as a part of their aggressive monitoring, reporting and/or auditing roles, Federal and State regulators and independent auditors have considered the City of Gridley a very good steward of the Water, Sewer, and Electric Utilities. The City of Gridley consistently receives high rankings respectively for its Water, Sewer, and Electric Utilities.







**Oversight of Utilities** - Federal and State accounting requirements for city utilities are complex and demanding. The requirements reflect the Federal and State Government’s commitment to protect local rate and tax payers. In short, each of the Water, Sewer, and Electric utilities must be accounted for separately as individual business enterprises. Each year, the finances of the Water, Sewer, and Electric Utility are separately evaluated in detail and the results are presented publicly. Historically, the City of Gridley has received positive feedback regarding the financial management of our Water, Sewer, and Electric Utilities. Water, Sewer, and Electric Utility cost containment and reductions are always an ongoing effort. Various State and Federal imposed requirements and policies limit the extent of the City’s ability to make significant cost reductions, examples include “prevailing wages” and “collective bargaining” restrictions. Additionally, in very small residential communities like Gridley, utility rate management for residential customers can be far more challenging than in large communities like Redding and Palo Alto that have robust and diverse economies that include far higher percentages of commercial and industrial customers.

**Establishing Utility Rates** - Establishing and Implementing utilities rates, while often difficult and unpopular, is a critically important duty of staff and elected officials. In Gridley, increasing customer utility rates is a last resort and is done only after applying every alternative effort possible. The current Gridley City Council has clearly emphasized to the City Staff Team that includes the Utilities Director, City Engineer, Finance staff, and the City Administrator, the need to: develop cost reductions; expand the utility revenue base incentivizing new housing and commercial developments; obtain grant funds; develop collaborations; utilize technological innovations; and find an array of creative solutions prior to presenting any potential rate adjustment. As will be shared further below, staff works hard to meet the City Council’s directive to find alternatives prior to implementing any potential rate adjustment. Finally, City Utility Billing staff works diligently and compassionately to assist utility customers experiencing difficulties making payment. Staff has developed important partnerships with the Home Energy Assistance Program (HEAP) and local charitable agencies to assist customers. Additionally, staff works to develop payment plans to help customers during periods of financial difficulty.

All utility rate discussions follow a very transparent process, including notices to residents, multiple public meetings, and multiple published meeting notices. There are many examples of community’s that failed to implement and maintain required water, sewer, and electric utility rates due to a failure to confront the uncomfortable conversations. Let’s face it, it’s a lot easier to “pass the buck” and have some future staff or Council deal with the difficult public rate adjustment conversations. Unfortunately, the result of avoidance of the difficult public conversations often results is a lack of funding for critical infrastructure maintenance and infrastructure replacement that may result in: fines for failing to comply with stringent Federal and State regulatory requirements; and unreliable and inconsistent utility operations including power outages, water service interruptions, sewer backups; and even water “boil orders”.



**Water Utility Overview** - Gridley's water quality is evaluated annually and the results are very transparently shared with all residents. A detailed water quality analysis is conducted at least annually. The detailed report is mailed to all residents, posted online, and is shared with State and Federal regulators. Gridley's water quality is consistently ranked highly. Such outcomes are to be celebrated as State and Federal standards are very demanding and failure to meet the stringent standards may result in significant fines and costly facility upgrades. Gridley has consistently demonstrated a long-term focus. The Water Utility System has been built to include potential State and Federal regulatory changes and to accommodate long-term growth.

**Water Rates Comparison** – A comparison of regional water rates follows below. The City of Gridley water rates are some of the lowest in our region. Gridley's water rates are also some of the lowest in the entire State of California. The last water rate adjustment was adopted ten years ago. As we all know, costs incurred in 2020 are much higher than 2010 costs. As mentioned, the Council and staff are responsible for the long-term financial condition of each city utility. As a consequence of that responsibility, City staff has underscored the poor financial condition of the Water Utility during at least eight public hearings over the past three years. A rate adjustment should be further discussed. As shared previously, even with the potential rate adjustment, the Gridley Water Utility would continue to have some of the lowest water rates in the region and the State.

Location	Residential	Effective Date	Source / Additional Information
Biggs	\$55 + \$8.20/1k CF over 7k usage	6/16/2011	<a href="https://www.biggs-ca.gov/City-Services/Utilities/Current-Utility-Rates/index.html">https://www.biggs-ca.gov/City-Services/Utilities/Current-Utility-Rates/index.html</a>
Chico	\$35.07 + usage tiers \$1.75/\$1.86/\$1.96 1-10/11-31/31+ /CCF	2/1/2020	<a href="https://www.calwater.com/docs/rates/rates_tariffs/ch/20200201-Residential_Metered_Service_CH.pdf">https://www.calwater.com/docs/rates/rates_tariffs/ch/20200201-Residential_Metered_Service_CH.pdf</a>
Colusa	\$48.14 + \$0.37/CCF	6/1/2013	<a href="http://www.cityofcolusa.com/wpfd_file/new-water-sewer-rates/">http://www.cityofcolusa.com/wpfd_file/new-water-sewer-rates/</a>
Gridley	\$24.99 + \$.97/1k Gals	2010	City Reso. Gridley's tiers are much lower than others
Gridley Potential	\$29.49 + \$1.32/1k Gals	1/1/2021	Gridley's tiers would remain much lower than others
Live Oak	\$25.38 + 1.41/CCF	7/19/2019	City of Live Oak Finance Department (530) 695-2112
Oroville	\$65.18 + usage tiers \$2.91/\$3.12/\$3.68 1-8/9-22/22+/CCF	2/1/2020	<a href="https://www.calwater.com/docs/rates/rates_tariffs/oro/20200201-Residential_Metered_Service_ORO.pdf">https://www.calwater.com/docs/rates/rates_tariffs/oro/20200201-Residential_Metered_Service_ORO.pdf</a>
			CCF = 100 cubic feet CCF = 748 gallons

**Sewer Utility** – The Gridley Sewer Utility must comply with aggressive “Clean Water Act” regulatory requirements imposed at both the Federal and State levels. The City has a very good reputation with the Sewer Treatment primary oversight agency, the State of California Regional Water Quality Control Board (RWQCB). Many cities are under constant scrutiny and frequently receive fines and “Compliance Orders” from the State. Due to the efforts of our Sewer Department staff and our City Engineer Dave Harden, the Gridley Sewer Utility is frequently complemented by the State. The Sewer Treatment Plant was updated to accommodate significant long-term growth.

**Sewer Rate Comparisons** - A comparison of regional sewer rates follows below. The City of Gridley sewer rates are also some of the lowest in our region. The last sewer rate adjustment was adopted ten years ago. City staff has underscored the current financial condition of the Sewer Utility during at least four public hearings over the



past year. A modest rate adjustment should be further discussed. As shared previously, even with the potential rate adjustment, the Gridley Water Utility would continue to have some of the lowest sewer rates in the region.

Location	Residential	Effective Date	Source / Additional Information
Biggs	\$65.90 base + \$8.50 Imp.	1/1/2016	<a href="https://www.biggs-ca.gov/City-Services/Utilities/Current-Utility-Rates/index.html">https://www.biggs-ca.gov/City-Services/Utilities/Current-Utility-Rates/index.html</a>
Colusa	\$85.93 flat	7/1/2019	City of Colusa Finance Department (530) 458-4942 Ext. 104
Gridley	\$37.96	2010	City Reso.
Gridley Potential	\$41.76 flat	1/1/2021	
Live Oak	\$68.80 flat	7/19/2019	City of Live Oak Finance Department (530) 695-2112
Oroville	\$39.41/EDU	7/1/2020	City of Oroville Finance Department (530) 538-2410

**Electric Utility Overview** – A comparison of the City of Gridley Utility and PG&E rates is provided below. The last change to the Electric Commodity Rate charge was approved in December 2017. The approval of the rate change followed a detailed and lengthy public review at the November 20, 2017 City Council meeting. The public dialogue focused on the significant financial challenges associated with the Electric Fund, including the very large Electric Fund deficit at the time. Prior to those meetings, former Finance Director Matt Michaelis presented information to the City Council and public at three Council meetings in May and June of 2017. The rate discussions were well covered in the local press.

As discussed during the 2017 public meetings, the primary causes of the rapid loss of Electric Enterprise Fund balance were: 1) Statewide increases in electric power purchase costs primarily due to increased environmental regulation by the State of California; 2) Transmission System costs imposed by the State of California; and 3) the City of Gridley's very large over purchase of power of the Lodi Energy Center (LEC) due to flawed growth projections. The consequence of those challenges was an expenditure increase of more than a million dollars annually. The unaudited Electric Fund Balance at June 30, 2016 was only \$25,000 and the June 30, 2017 fund balance was projected at nearly \$400,000 in deficit. This growing deficit represented a significant and imminent threat to the City as a whole due to the General Funds significant reliance on the Electric Fund transfers.

More specifically, following more than 10 years of planning and construction, the Lodi Energy Center came online in 2015/16, triggering the need for the City to pay its portion of the debt service of approximately \$600,000 annually. The 2017 erasing of the Electric Enterprise cash balance was directly tied to the LEC starting up and going into full operation. The steep LEC financial liability is compounded by the City's contractual commitment that included a significant over purchase of electric power. Gridley's excessive power purchase commitment was made during the planning stages of the Lodi Energy Center by former City staff, roughly November 2006 through May 2010. As confirmed by a variety of sources, it was during that period that the significant and costly forecasting error was made while calculating the City's future electric power needs. That forecasting error caused the City to legally trap itself into buying unnecessary electric power from the LEC for a 25-year contract period.



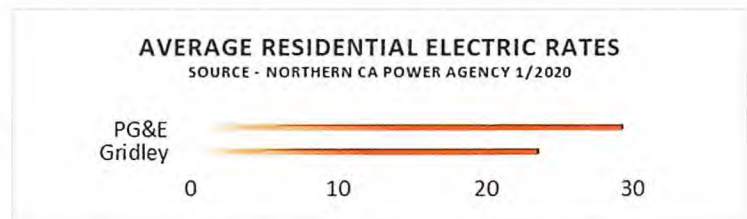
**Actions Implemented to address the FY 2016-17 Electric Fund Crisis** – During the 2017 review period, the Council demanded that the City take all actions possible to prevent or limit any potential Electric Utility rate adjustments. During the six months of rate evaluations the Council approved the following actions:

- The City increased the Electric Enterprise Fund balance by withdrawing \$400,000 from the NCPA General Operating Reserve they held for emergency reserves on our behalf.
- The City successfully completed extensive negotiations to recover \$168,000 from the City of Biggs for Electric Maintenance Services previously provided to Biggs.
- The annual Electric Operating Fund transfer was reduced to \$1.5 million instead of the routine amount of \$1.6 million in an effort to prevent the FY 17-18 projected year-end balance from going negative.
- The Electric Capital Fund transferred \$622,000 to the Electric Operating Fund to reimburse the capitalization of the T-3 substation construction project for the last three fiscal years.
- The Electric Capital Fund incurred \$180,000 in CIP (Capital Improvement Project) costs presented during the budget process.
- The Electric Construction Fund incurred \$60k in CIP costs.
- The City postponed construction of the \$120,000 electric building expansion in an effort to prevent the Electric Operating Fund from going negative.

**Electric Utility Oversight and Status Since the 2017 Rate Change** – Former Finance Director Juan Solis implemented the 2017 electric rate adjustments. The City Council directed City staff to remain vigilant and to vigorously assess all possible options required to maintain rates and even reduce the Electric Rates. As directed, City staff aggressively pursued decreasing the City's ownership of the Lodi Energy Center; changed solar policies; made significant billing improvements; and reduced staffing costs.

The list below identifies some of the specific efforts that have been applied to reduce expenditures and maintain electric rates at the 2017 levels. The list also includes several ongoing efforts that are currently under consideration.

- No commodity rate adjustments have been implemented since 2017 and no commodity rate changes are planned for in the next three years. The rate has remained constant over the past three summers. However, this past summer was hotter than past summers and COVID19 appears to have increased electric consumption by our Gridley residents.
- Request for Purchase (RFP) processes were implemented to unload the excessive and very costly Lodi Energy Center (LEC) power purchase commitments that the City committed to in the early 2000's. Not surprisingly, there was no interest following three successive efforts
- Continued Collaboration with the City of Biggs to provide Biggs residents with high quality electric system maintenance services. Effective October 2020, the annual contract amount paid by the City of Biggs to the City of Gridley Electric Utility increased to \$442,632. The new contract results in an increase of approximately \$150,000 annually to the Gridle Electric Utility. The contract includes increase of 3.5% in the second and third years.



- Conducted multiple audits of all electric meter programming. Recent efforts by our Electric Lineman have resulted in more accurate commercial and industrial electric meters, increasing revenues and reducing pressure on residential rates.
- Implementation of the Gridley Net Solar 2 Program reducing future losses of electric revenue due to Rooftop Solar Systems. The changes were discussed over several public hearings and were will reported in the media. The new Program did not and will not impact current Solar Systems.
- The Electric base rate was increased a flat total of \$2.70 per month.
- The City Council continued to reduce the annual transfers to the General Fund. Potential additional reductions are currently being considered.
- New Housing starts have increased from an average of four new homes annually to 25 new homes annually. Increasing the number of City Utility customers helps reduce the utility costs of all existing customers.
- The addition of the new temporary FEMA community raised Water, Sewer, and Electric revenue by 10% annually for the nearly three-year period that the FEMA community will exist.
- The FEMA community resulted in nearly \$50 million of new permanent infrastructure, including water, sewer, and electric, being added to the City's long undeveloped Industrial Park that was paid for by the Federal government. The infrastructure will likely result in much faster build out of the Industrial Park resulting in significant Water, Sewer, and Electric revenues.
- Staff Cost Savings – Utility Billing staff was reduced by one position. In addition, the Finance Director duties were assumed by the City Administrator. Replacement of an Electric Line Worker has been delayed for approximately six months. Additional costs saving may result from a potential Utility Billing Reorganization.
- Gridley's Residential Electric rates currently include five Commodity Tiers. City staff plans to recommend to the City Council in October/November the elimination of the top two Tiers, keeping the first three Tiers unchanged. It's estimated that this potential action will immediately assist approximately 10% to 15% of our customers. It appears to be very uncommon to have more than three Electric Tiers.

#### **Fiscal Impact**

None

#### **Compliance with City Council Strategic Plan or Budget Goals**

The City Council and City staff are committed to providing the best possible financial practices and the highest possible transparency regarding all financial transactions.

#### **Attachment**

None