CITY OF FULLERTON
ENERGY & RESOURCE MANAGEMENT COMMITTEE
SPECIAL MEETING MINUTES
JANUARY 19, 2011 7:30 A.M.

Council Conference Room
303 West Commonwealth Avenue
Fullerton, California

7:40 a.m.	CALL TO ORDER	Chairman McNelly called the meeting to order at 7:40 a.m.
Twineham, Lucero, Adamson, and Avera absent	ROLL CALL	
	Present:	Chairman McNelly Committee Member Brassett Committee Member Buck Committee Member McCormack Committee Member Mitchell Committee Member Otter Committee Member Roberts
	Absent:	Vice Chairman Twineham Committee Member Lucero Committee Member Adamson Committee Member Avera
	Staff Present:	Water System Manager, Dave Schickling; Civil Engineer, Lorrie Lausten; Assistant Planner, Elaine Dove; Clerical Assistant Norton
	INTRODUCTIONS (a and b)	
Continued to February 16, 2011	a.	Introduction of Acting City Manager, Joe Felz Acting City Manager, Joe Felz asked that his introduction be moved to the February 16, 2011 meeting.
Introduced	b.	Municipal and Financial Services Group

Dave Schickling introduced consultants from the Municipal and Financial Services Group based in Connecticut who did a Water Rate Study for our City.

With the rate increase schedule, keep in mind that there are just two alternatives at this point; however there will be a host of options once the study is presented to Council.

The study covered the following areas:

Background
Operating & Maintenance Costs
Existing Debt
Capital Improvement Projects
Reserves - (Operating and Capital)
Break-Even Analysis
Customers and Consumption Analysis
Next Steps

Background

Consultants said that the Water Rate Revenue Study was done to determine how much money the City would need to raise in order to operate and maintain the water system and to keep the rates and fees at a reasonable level over time.

Operating & Maintenance Costs

A fair portion of the total cost to operate is the money paid for pumping and for purchased water. Some of those costs are not under the City's control.

The City could hold rates down by cutting maintenance or even lower the rates and the difference in the assets for would not be seen for a couple of years. However, if the City continued along this road, in 10 years major problems would start to show up. The budget is at $23.8 million and 56% is the purchased water and maintenance. Forward projection is a 10-year period. At the end of that period operating

expenses will be at a little over $40 million.

Existing Debt

Refund 2003 Certificates Of Participation
Orange County Water District Loan Repayment
2004 Revenue Bonds
Total debt is a little less than $1 million

Capital Improvement Projects

Main Replacement
Maintain 90 days operating expenses
Contribute $1.8 million to the reserves

Reserves

The O&M reserve – working capital reserve
Repair/Replacement and Rehab reserve

To replace pipes $6.4 million 2012 and $12.8 million by 2016.

Break Even

The City would have a shortfall if Capital Improvement Projects were funded with other than cash. To break even every year the City would have to raise rates 36.1% in 2012 additional 1.4% in 2013 and an additional 28.4% in 2014.

COMMITTEE QUESTIONS/COMMENTS

How does Fullerton compare to other cities of our size, and what kind of analysis has been done in our ability to service an increased debt?

Are all of the Capital Projects funded out of the Water Fund?

Hope City Council will take into consideration that the City is under-funded in terms of our long-term Maintenance Program.

To get a better reception from citizens it might be a good idea to roll out in tandem with the new tiered rate to address the need for rate increases.

When using bonds to fund projects it just defers the cost.

In regard to the underground pipes what level of detail will the study and/or the City be specifically looking at?

8:35 a.m. ADJOURNMENT – Chairman McNelly adjourned the meeting at 8:35 a.m. The next meeting will be held on February 16, 2011, at 7:30 a.m., in the Council Conference Room, 303 West Commonwealth Avenue, Fullerton, California.

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Beverly Norton, Clerical Support