

**CITY MANAGER’S REPORT
SEPTEMBER 14, 2020 CITY COUNCIL REGULAR MEETING**

ITEM: CROSSROADS SEWER RATES

RECOMMENDATION: Adopt a Resolution Approving the Decrease of Crossroads Sewer Rates

SUMMARY:

The Crossroads Treatment Facility (Crossroads WWTF) was constructed in 1993, initially designed to solely treat the commercial and industrial waste from the businesses located within the Crossroads Business Park. The plant was nearing the end of its service life and had become extremely inefficient and expensive to operate.

In 2015, after several months of looking for solutions to the high sewer costs in the Crossroads Business Park, Staff began a project to consolidate the (Crossroads WWTF) with the Lathrop Consolidated Treatment Facility (LCTF). With the expansion of the LCTF, the City had the opportunity to move the Crossroads sewer capacity to the expanded LCTF Facility.

In July 2015, the City sold Series B Crossroads Bonds to help fund the decommissioning of the Crossroads WWTF and to purchase Crossroads share of sewer capacity in the expanded LCTF Facility. After the bond sale, the City was able to reduce sewer rates to the Crossroads users by 50%. The reduction in sewer saved Crossroads users an estimated \$600,000 annually.

The LCTF facility expansion has been completed and Crossroads users have paid for their share of the plant expansion through the current rate structure (shown in Table 1 below). Therefore, the City is now able to once again reduce the sewer rates for Crossroads users. See Table 1 below for proposed sewer rates:

Table 1

Crossroads Sewer Rates	Rate before Consolidating	Current Rate	Proposed New Rate
Non-Residential Monthly Meter Charge	\$1,041.60	\$520.80	\$9.50
Non-Residential Monthly KGal Charge			
Low Strength	\$20.96	\$10.48	\$9.50
Medium Low Strength	\$22.40	\$11.20	\$10.60
Medium Strength	\$26.72	\$13.36	\$13.90
Medium High Strength	\$34.14	\$17.07	\$17.30
High Strength	\$41.57	\$20.79	\$26.00
Industrial	\$36.94	\$18.47	\$18.47

The proposed rate reduction would be effective October 1, 2020 and is estimated to save Crossroads users about \$200,000 annually.

BACKGROUND:

The Crossroads Treatment Facility (Crossroads WWTF) was constructed in 1993, initially designed to solely treat the commercial and industrial waste from the businesses located within the Crossroads Business Park. The plant was nearing the end of its service life and had become extremely inefficient and expensive to operate.

In 2015, after several months of looking for solutions to the high sewer costs in the Crossroads Business Park, Staff began a project to consolidate the Crossroads WWTF with the Lathrop Consolidated Treatment Facility (LCTF). With the expansion of the LCTF, the City had the opportunity to move the Crossroads sewer capacity to the expanded LCTF Facility.

Due to the expensive operating costs and economies of scale, Crossroads sewer ratepayers were paying much higher sewer rates than ratepayers from other local service areas. The proposed expansion project permanently shut down the Crossroads WWTF and began to decommission the facility. This action reduced sewer rates for Crossroads WWTF users and sent its influent flow to the adjacent expanded LCTF Facility.

City staff worked with the Central Valley Regional Water Quality Control Board (CVRWQCB) and the developer Richland Crossroads to form a plan to decommission the Crossroads WWTP. The justification was to reduce the high sewer rates for Crossroads users, improve the water quality at Land Application Area #3 (LAA#3) and allow Land Application Area #1 (LAA#1) and Land Application Area #2 (LAA#2) to be developed for industrial land use. In 2016, construction began on three buildings on LAA #1 and LAA #2, totaling more than 550 thousand square feet owned by Buzz Oates.

In addition, in July 2015, the City sold Series B Crossroads Bonds to help fund the decommissioning of the Crossroads WWTF and to purchase Crossroads share of sewer capacity in the expanded LCTF Facility. After the bond sale, the City was able to reduce sewer rates to the Crossroads users by 50%. The reduction in sewer rates has saved Crossroads users an estimated \$600,000 annually. With the expansion complete, and the Crossroad share of the expansion paid off, the City can once again reduce sewer rates for Crossroads users. The new reductions are estimated to save Crossroads Business Park wastewater users an additional \$200,000 annually.

REASON FOR RECOMMENDATION:

With the completion of the expansion of the LCTF and Crossroads share of the expansion paid off, the City can reduce sewer rates for Crossroads Business Park Sewer customers beginning October 1, 2020.

FISCAL IMPACT:

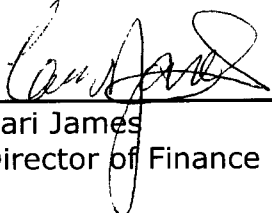
The proposed reduction in sewer rates will save the Crossroads Business Park sewer customers an additional \$200,000 annually (estimated).

**CITY MANAGER'S REPORT
SEPTEMBER 14, 2020 CITY COUNCIL REGULAR MEETING
REDUCTION OF CROSSROADS SEWER RATES**

ATTACHMENTS:

- A. Resolution Approving the Decrease of Crossroads Sewer Charges

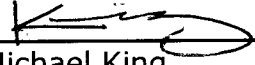
APPROVALS:



Cari James
Director of Finance and Administrative Services

8/27/2020

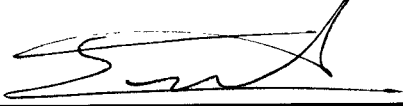
Date



Michael King
Director of Public Works

8/27/2020


Date



Salvador Navarrete
City Attorney

8-27-2020

Date



Stephen J Salvatore
City Manager

8.27.2020

Date

RESOLUTION NO. 20-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LATHROP
DECREASING CROSSROADS SEWER CHARGES AS STATED IN TITLE
13.16.250 OF THE LATHROP MUNICIPAL CODE REGARDING WATER AND
SEWER CHARGES**

WHEREAS, Chapter 13.16 of Title 13 of the Lathrop Municipal Code permits the City Council of the City of Lathrop to set the City's sewer charges; and

WHEREAS, on January 20, 2009 and February 17, 2009, the City Council held a full and fair public hearing at which the City Council heard and considered protest and oral and written testimony regarding proposed water and sewer charges and closed the public hearing and did not find a majority protest; and

WHEREAS, pursuant to Article XIIID, Section 6 of the California Constitution and applicable state law, notice of the public hearings were mailed to each customer and property owner affected by the proposed rates; and

WHEREAS, on May 2, 2011, the City Council adopted the final year of the proposed Crossroads sewer rates; and

WHEREAS, with the expansion of the Lathrop Consolidated Treatment Facility (LCTF), the City had the opportunity to move Crossroads sewer capacity to the expanded LCTF facility; and

WHEREAS, on August 1, 2015, the City Council reduced Crossroads sewer rates by 50%; and

WHEREAS, with the expansion of the LCTF complete and Crossroads users paying for their share of the plant expansion through the current rate structure, the City can once again reduce sewer rates for Crossroads sewer users; and

NOW, THEREFORE, BE IT RESOLVED that the City Council does hereby adopt the following as the rate schedule for Crossroads sewer service for the purposes of Section 13.16.250 of the Municipal Code:

Commercial/Industrial	Current Rate	Effective 10/1/2020
Non-residential Monthly, \$/month		
5/8 Inch Meter	\$520.80	\$9.50
3/4 Inch Meter	\$520.80	\$9.50
1 Inch Meter	\$520.80	\$9.50
1 ½ Inch Meter	\$520.80	\$9.50
2 Inch Meter	\$520.80	\$9.50
3 Inch Meter	\$520.80	\$9.50
4 Inch Meter	\$520.80	\$9.50
6 Inch Meter	\$520.80	\$9.50
8 Inch Meter	\$520.80	\$9.50
Non-residential Monthly, \$/KGAL Metered Water Usage		
Low Strength	\$10.48	\$9.50
Medium Low Strength	\$11.20	\$10.60
Medium Strength	\$13.36	\$13.90
Medium High Strength	\$17.07	\$17.30
High Strength	\$20.79	\$26.00
Industrial Strength	\$18.47	\$18.47

The foregoing resolution was passed and adopted this 14th day of September 2020, by the following vote of the City Council, to wit:

AYES:

NOES:

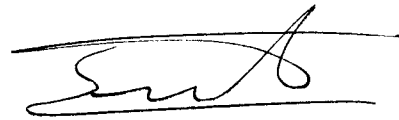
ABSENT:

ABSTAIN:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:



Teresa Vargas, City Clerk

Salvador Navarrete, City Attorney