



City of Davis

Utility Rate Advisory Commission Minutes

Community Chambers Conference Room, 23 Russell Boulevard, Davis CA 95616

Thursday, July 13, 2017

7:00 P.M.

Commissioner Members Present: Mariyam Azam, Gerry Braun (Chair), Olof Bystrom, Jacques Franco, Lorenzo Kristov, Richard McCann, Elaine Roberts Musser, Johannes Troost

Absent: None

Staff Present: Stan Gryczko, Assistant Public Works Director

Additional Attending: Kelly Fletcher, Finance Administrator
Adrienne Heinig, Administrative Analyst
Richard Tsai, Environmental Resources Manager
Dan Carson, Chair, Finance and Budget Commission
Matt Williams, Finance and Budget Commission
Raymond Salomon, Finance and Budget Commission

1. Call to Order and Roll Call

Meeting was called to order by Chairperson Braun at 7:04pm.

2. Approval of Agenda

Prior to the approval of the agenda, J Franco commented that the time presented on the agenda for each item was not enough to allow for a full discussion.

E Roberts-Musser moved, seconded by J Franco to approve the agenda. The motion passed unanimously.

3. Brief Announcements from Staff, Commission Members, and City Council Members

- S Gryczko introduced the newly appointed alternate to the URAC, Mariyam Azam.
- Matt Williams discussed a summary of Brown Act obligation guidelines distributed to the Finance and Budget Commission that he will provide to staff for the Commission to review. The summary includes rules regarding the meeting of two commissions.
- There was discussion on recent research regarding “Smart Cities,” particularly in relation to energy service, which can be related to Davis, although the focus is on larger cities.
- J Franco provided an update on the Broadband Advisory Task Force (BATF), the next meeting will be held on July 28, 2017 with the contractor to discuss the business models.

4. Public Comment

None.

5. Consent Calendar

A. URAC Draft Minutes – April 13, 2017.

E Roberts-Musser moved to approve the April 13, 2017 minutes as amended, seconded by J Franco, with the following minor corrections. The motion passed unanimously.

- i. On page 2, under 6A, indent item #5 to be consistent with the bulleted list.
- ii. For bullet item #6 in the same section, strike out first “majority” and replace it with “consensus.”

B. URAC Draft Minutes – June 8, 2017.

Following a discussion on edits to the minutes of the meeting on June 8, 2017, it was the consensus of the commission to defer the approval of the minutes until the next Commission meeting in August. G Braun asked that the commissioners provide staff with corrections prior to the next meeting.

6. Regular Items

A. Finance and Budget Commission Discussion.

G Braun began the item by outlining previous URAC discussions on the impact of rate setting on city finances, and the determination that the topic was an opportunity to start a dialogue with the Finance and Budget Commission (FBC), as there are topics which overlap between the two commissions.

Dan Carson, Chair of the Finance and Budget Commission, thanked URAC for the invitation to present, and summarized some of the past actions the FBC have taken related to taxes and ratepayers. He also outlined some of the goals FBC discussed and would like to review during a joint meeting (he did acknowledge that scheduling a meeting could be difficult, and would be open to other options):

1. Use enterprise funds more efficiently;
2. Understand there are policy concerns and issues regarding rates (such as the 218 process), and would like a fuller understanding of the context of the funds;
3. Would like to address key questions to the city attorney and staff to understand legalities and realities of enterprise fund constraints; and
4. Share ideas for possible uses of excess enterprise funds.

After this introduction, Matt Williams began a PowerPoint presentation (attached) on the background of the URAC and FBC discussions to work together, a summary of the council direction from April 2017, and a review of the FBC functions, work plan, and area of interests related to established Council goals. He emphasized the importance of forecasting the city’s budget beyond the current year, and the need for a model to predict changes in the budget as far as 20 years into the future.

Ray Salomon then presented the section on Efficiency, Cost Containment and Fund Balances. He distributed an Efficiency and Fund Balance Subcommittee Report (attached) based on the city’s 2016 Comprehensive Annual Financial Report (CAFR). The report was discussed at some length. Highlights of the discussion included:

- Taking large existing cash reserves across the city to fund deferred capital projects (such as roads) to prevent failures.
- Fund replacements of sewage/stormwater lift stations

- Pay off higher interest debt, rather than lower interest debt (e.g. State Revolving Fund loans)
- The rules against intermixing general fund money and enterprise funds
- Legal issues surrounding the use of enterprise funds have not been fully explored
- The focus of the review of the proposal should be on the ideas, not on the numbers
- The possibility of borrowing between two enterprise funds (has been done in the past)
- Reducing the pressure on rates for utilities moving forward could be accomplished by using funds to reduce pension liabilities, and helping to save the city money on interest payments

During the discussion, G Braun described the ultimate goal of the process was to develop an agenda that could not be accomplished without a joint meeting. The main item of the agenda would be about the enterprise fund reserve policy.

D Carson outlined that he was interested in a discussion on the legalities, and the pros and cons of the various suggestions in the report. Reserve policies were discussed, specifically the policy of 3% of capital investment being a component of the reserve. S Gryczko identified specific topic points in the enterprise fund reserve policy discussion for the joint meeting; namely, whether or not the calculations of the policy should be different for each fund, discussion around older utilities and their cost to maintain, and the 3% of capital investment as part of the reserve, based on consultant recommendation. There was discussion as to whether or not the formation of a subcommittee of the URAC to frame the questions for the joint meeting could expedite the process.

G Braun suggested that the agenda item be brought back to the Commission during the meeting in August, to allow for more time to digest the ideas discussed during the current meeting and allow time to come up with ideas.

E Roberts Musser summarized the issue into two parts: what the recommendations should be for the use of the savings (including legal issues, possible capital improvement projects, paying off debt, etc.) and the policy discussion. There was discussion about the types of improvement projects that could potentially be funded by excess enterprise fund reserve. During this discussion, M Azam suggested that the focus should be on the policy for the reserve, first, and the possibility of building projects after.

As the discussion on the Finance and Budget Commission lasted longer than was anticipated, G Braun asked the commission if the additional agenda items should be moved to the next meeting to allow for the appropriate amount of time for discussion. The commission discussed the direction to take on the remaining two agenda items.

B. Report on Scavenging Recyclables.

By consensus of the commission after a short discussion, this item will be combined with an informational report on the Davis Waste Removal contract and brought back to the Commission in September.

C. Commission Work Plan Review

After nominal discussion, E Roberts Musser moved to adopt the URAC Workplan, previously reviewed on April 13 and June 8. This motion was seconded by O Bystrom and passed unanimously.

7. Commission and Staff Communication

A. Long Range Calendar.

The following items were added by the Commission to future meetings:

- The informational update on scavenging of recycled goods (originally scheduled for July), will be combined with the information requested on the Davis Waste Removal contract (a briefing on the terms of the contract and areas that could be improved going forward), and will be moved to September.
- Further discussion and recommendations for joint meeting topics with the Finance and Budget Commission was moved to the meeting in August.
- Consideration of a Subcommittee formation will be discussed in August.
- The Water Cost of Service Draft Report will come to the Commission in August. R McCann requested that the consultant working on the report come prepared to discuss rate resiliency.
- The SCADA city-wide networking upgrade will be moved to September.
- A discussion on new water conservation technologies, including a look at wireless soil moisture sensor technology, and water conservation regulations, was added as an unscheduled item.

8. Adjourn

J Troost moved to adjourn the meeting, seconded by L Kristov. The motion was passed by all present and the meeting was adjourned at 9:16pm.

Respectively Submitted by,

Adrienne Heinig
Administrative Analyst I