1. Call to Order and Roll Call
   Meeting was called to order by Chairperson Braun at 7:01pm.

2. Approval of Agenda
   The following change was made to the agenda: Item 5B was pulled to be reviewed at the October meeting. E Roberts-Musser moved, seconded by J Troost to approve the agenda as amended. The motion passed by a unanimous vote.

3. Brief Announcements from Staff, Commission Members, and City Council Members
   - L Kristov provided an update on introduced state legislation which, if passed, would have imposed a severe disadvantage on community choice aggregation. After general public outcry, the bills were pulled and no longer pose a threat to community choice energy efforts.
   - G Braun outlined discussions on meetings with the Vice Chair and former Chair of the URAC on the Commission process and making better use of meeting time. He reported that no conclusions had been reached.

4. Public Comment
   William Schoen spoke to the Commission in support of the City exercising it’s Right of First Refusal to purchase the land and property of Davis Waste Removal. He stated his belief that city ownership of the facility would be a significant step to help control waste management’s
future in Davis. He also stressed that the city should exercise the right to purchase the land and equipment (not the trucks) only, and should not operate the facility.

5. Consent Calendar
   Discussion and approval of the item was moved to the meeting in October by Chair Braun.

6. Regular Items
   A. Water Cost of Service Report Draft Outline - First Presentation.
   S Gryczko introduced the Water Cost of Service draft report, accompanied by a PowerPoint presentation by the staff from Bartle Wells Associates, consultants working with city staff on the report. He stated the intention is not to review the recommendations on rates at this meeting, but rather to ask questions needed to flesh out the report over the next month, and to request URAC to make recommendations to Council on rates at the October meeting. He introduced Douglas Dove and Abigail Seaman from Bartle Wells Associates.

   Douglas Dove began the presentation by reiterating that the draft being presented was a work in progress, and with the input from the Commission the consultants would come back with a refined presentation in October. He and Abigail Seaman reviewed the changes in the water enterprise fund since the prior study conducted in 2014, and highlighted the following:
   - Despite having a conservative estimate of water use, the drought impact with its mandatory state and local restrictions brought water use city-wide down a full 13% over expectations.
   - The structure of the city’s water rates (13% fixed; 87% volumetric) is heavy on the volumetric side of use. Drops in water use will have a greater impact on revenue when the rates are highly volumetric. Revenue from water rates was down approximately $3.5 million from projections. However, costs of the project were approximately $4 million less than projected.
   - Changes since the 2014 Water Cost of Service study include obtaining the State Revolving Fund (SRF) loan for the Surface Water Plant, UC Davis buy-in to the Woodland Davis Clean Water Agency (WDCWA), and shut down of intermediate wells.

   D Dove also discussed the required debt service coverage, in which the needed revenue is 1.1 times the annual amount due for debt coverage, and the impact that coverage has on the fund. (Debt service coverage is calculated in each year by subtracting total revenue from operating expenses, then dividing by total debt services.) The coverage is included in the make-up of the suggested fund reserve target, which consists of 3-6 months of operation costs, 1 year of debt service, and 3% of capital asset value. D Dove also outlined the suggestion of the use of a rate stabilization fund which would maintain the financial health of the water enterprise while minimizing impact on ratepayers.

   During the presentation, the Commission also discussed the following:
   - Whether or not the city had records or an estimate on the number of residents removing turf from lawns, which leads to a decline in water use, and an ability to estimate that trend moving forward, also including the number of properties downsizing meters to save money on water costs.
The use rates used in the study to project revenue into the future.
- The two years of currently approved rate increases for 2018 and 2019.
- The possibility of establishing a rate stabilization fund.
- The three draft scenarios presented as possible recommendations to Council on the rate increases for 2018 and 2019.
  - Keeping current maximum rate increases with inflationary increases in the next 5 years;
  - reducing maximum adopted rates while maintaining all financial targets including 1x debt service from annual revenue;
  - further reducing maximum adopted rates while maximizing rate stabilization fund to keep rate increases as low as possible in each year.
- The justification behind the recommended reserve fund calculations.
- The timeline should the Commission wish to recommend Council move forward with previously approved rate increases, or recommend an alternative increase within the approved amount, or offer no recommendation.

The item was opened for public comment, and the following comments were received during the meeting:
- John Johnston - Requested that the calculation of water use moving forward include sensitivity projections based on reduced water use as a result of the drought, and increased water conservation efforts.
- Matt Williams - Stated that minor differences in the percentage increases of the rates are inconsequential to rate payers. He pointed out the lack of a fund for capital end of life replacements, and noted that in his opinion the SRF repayments should not be recognized as revenue.
- Alan Pryor - Stated that the rates proposed during the last cycle were contentious, and the difference between small reductions in the rate increases are very small. He added that any rate increases in 2019 will be a tough sell.

B. Enterprise Fund Reserve Policy Subcommittee - Statement of Purpose and Workplan.
E Roberts Musser introduced the item on behalf of the URAC Enterprise Fund Reserve Policy Subcommittee. The Subcommittee was asked to develop a Statement of Purpose, and a workplan, for full commission review and approval.

J Franco moved, seconded by O Bystrom, to approve the Statement of Purpose and workplan presented by the Subcommittee.

Discussion of the item included the following:
- A few commissioners remarked on the ambitious nature of the workplan.
- G Braun pointed out that the workplan requires a lot of data recovery and development, and questioned whether or not city staff are able to support the effort. He stated that the Council should weigh in on staff involvement with the committee, and suggested the Commission could put something to council for approval.

E Roberts Musser offered a friendly amendment to the motion under consideration, that the workplan would be subject to revisions depending on what staff communicates to the
Subcommittee and what the Subcommittee subsequently decides is workable. This amendment was accepted by J Franco.

The item was opened for public comment, and the following comments were received:
- Dan Carson - Advised the Commission that the Finance and Budget Commission (FBC) is also working on a subcommittee formation with a similar workplan.
- Matt Williams - Stated that the FBC has a mission for the workplan in place, the full commission has not yet been able to vote. The FBC will develop a plan similar to the URAC Subcommittee which will aid the Commissions to decide when a joint meeting is necessary. He advised that Council should weigh in.

At the close of public comment, a vote was held on the motion. The motion passed unanimously.

C. Report on Davis Waste Removal (DWR) Right of First Refusal.
Richard Tsai, the city’s environmental resources manager, began the discussion on this item with a brief overview of the current franchise agreement with Davis Waste Removal (DWR), and the timeline of the current request from DWR for the city to waive it’s Right of First Refusal to allow the sale of DWR to Recology. The 30-day review process allowed by the contract has begun, with the City’s Attorney’s Office taking the lead. Staff is requesting that URAC provide questions or feedback on what the City should consider in the process. S Gryczko added that the Council will review the Right of First Refusal option in early October.

Discussions on the topic included:
- Whether or not the consideration of the current DWR owners age, and proximity to retirement, was a factor during the 2015 contract negotiations.
- The difficulty, voiced by the commission, in providing comments and questions on a process that is confidential.
- The potential impact of any contract changes on solid waste rates.
- The potential sale to Recology.
- What potential funding sources were available to purchase the land, inventory and/or franchise, as well as whether the city should operate the facility or hire an entity to do it. Whether the excess wastewater reserve funds could be used/borrowed against to effect the purchase.
- The potential impact of the sale on the city’s waste diversion goals, regional environmental impact and the city’s move to potential build its own organic digester.
- Past agencies that have been sold to Recology.

The item was opened for public comment, and the following comments were received:
- Alan Pryor - Stated that the process of renewing the DWR contract started in 2012, and the advice received by R3 during that process was extremely valuable. He said that he did not recall seeing a provision that the information is confidential. He told the Commission that Recology uses municipal waste for organic fertilizer. He cautioned the Commission to look at the plan at the landfill, with the currently underway Organic Processing Feasibility Study, and look at what Recology would like to do.
- Dan Carson - Reflected that the letter the City Manager sent back to DWR addressed a number of issues and was educational. He said he hoped the city was aggressively
considering every alternative available, and the consideration of whether or not to exercise right of first refusal should be made with the best interests of the public in mind.

- John Johnston - Voiced concern about having to renegotiate the entire contract with a new service provider and risk current levels of service. He stated that the Natural Resources Commission (NRC) would agendize the item.

- William Schoen stated that in his opinion, it would be in the city’s best interest to pursue the purchase of the property and facility of DWR, but the city should not operate the waste hauling program. He stated the City could enter into an operating agreement with Recology.

- Matt Williams - Stated that although the city’s ownership of a waste hauling service could increase flexibility, the takeover of pension liabilities for additional staff would make it not worth it. He stated there are questions as to whether or not the city is able to fund it internally, and asked that staff do the homework that applies in this real life situation.

At the close of public comment, G Braun reiterated the message that the community would like to know what is happening with the decision to pursue the Right of First Refusal or not, and that the URAC, in additional to other city commissions (NRC, FBC), would like to work alongside staff in the effort. He also requested that should staff address questions submitted after the meeting, the answers be distributed to the Commission as a whole.

7. Commission and Staff Communication

    A. Update on Broadband Advisory Task Force (JF).
    J Franco provided a brief update on the progress of the Broadband Advisory Task Force. The task force received an engineering report on the 23rd of August, and are awaiting a fiscal model from the consultant.

    B. Report on Scavenging Recyclables.
    G Braun began the discussion on the item with a brief introduction. R Tsai detailed the issues with tracking the stealing of recyclables from DWR carts, and how the loss of recycling has little impact (currently) on rates due to the existing contract with DWR. G Braun requested the review of scavenging, as it pertains to stealing revenue, (via theft of recyclables from the cart), as well as the broader context of scavenging outside of URAC. O Bystrom indicated that if the issue was one outside of the URAC’s purview, the discussion should not be undertaken by URAC. He added that in a review of the documentation presented by staff, the potential economic impact of scavenging may not be large amount and would not significantly impact rates.

    J Franco moved, seconded by R McCann, to bring the item back to the URAC as a regular agendized item to have more time to discuss. He stated it was important to vet the issue and give the right amount of time for review. R McCann suggested a scavenging analysis could be done to determine the impact, and the issue could be presented to another commission if it fell under their purview rather than that of the URAC. E Roberts Musser stated that it would helpful to have a subcommittee generate a report on ideas that should be discussed during a full agenda item on scavenging.
R McCann made a substitute motion, seconded by E Roberts Musser, to bring the scavenging of recyclables back to the next meeting to create a subcommittee.

The motion passed by the following votes:
  Ayes: Braun, Franco, Kristov, McCann, Troost, Roberts Musser
  Noes:
  Abstain: Bystrom

C. Long Range Calendar.
The following items were discussed by the Commission:
  • J Franco asked if the two studies currently underway, the Organics Processing Facility and Solid Waste Rate Studies, would be presented similarly to the Water Rate Study, with an introduction first, followed by a discussion and recommendation the following meeting. Staff responded that if the timeframe for any necessary recommendations from the commission allowed, best efforts would be made to present studies over two meetings.
  • An update on the Wastewater Fund was added to the calendar in February.

8. Adjourn
   The meeting was adjourned by consensus at 9:24pm.

Respectively Submitted by,

Adrienne Heinig
Administrative Analyst I