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

Absent: Lorenzo Kristov

Staff Present: Stan Gryczko, Assistant Public Works Director

Additional Attending: Adrienne Heinig, Administrative Analyst Douglas Dove, Bartle Wells Associates Abigail Seaman, Bartle Wells Associates Dan Carson, Matt Williams, Zhigiang Xin

1. Call to Order and Roll Call
   Meeting was called to order by Vice Chairperson Troost at 7:02pm.

2. Approval of Agenda
   The following change was made to the agenda: Items 5B, 5C, and 5D were pulled to be reviewed from the Consent Calendar. E Roberts-Musser moved, seconded by R McCann to approve the agenda as amended. The motion passed as follows:
   Ayes: Azam, Braun, Bystrom, Franco, McCann, Roberts-Musser, Troost
   Noes:
   Absent: Kristov

3. Brief Announcements from Staff, Commission Members, and City Council Members
   - E Roberts Musser discussed an article on recycling waste in space.
   - J Franco updated the Commission on the Broadband Advisory Task Force. The meeting in September was cancelled and the fiscal model has not been delivered.

4. Public Comment
   None.

5. Consent Calendar
   J Franco moved, seconded by Olof Bystrom, to approve the URAC minutes of Aug. 10, 2017. The motion passed as follows:
   Ayes: Azam, Braun, Bystrom, Franco, McCann, Roberts-Musser, Troost
   Noes:
   Absent: Kristov
B. Procedures for reporting by Subcommittees to the URAC.
After a brief discussion, E Roberts Musser moved to approve the URAC Procedure update as amended, seconded by J Franco, with the following minor corrections. The motion passed as follows:

Ayes: Azam, Braun, Bystrom, Franco, McCann, Roberts-Musser, Troost
Noes:
Absent: Kristov

i. On the second page, in the second paragraph of section 9, the second sentence will be updated with the phrase “of the updates” after “Summaries of written reports…” The sentence will now read: “Summaries of written reports of the updates received by the Commission in advance of the meeting will receive a time allocation of up to 10 minutes for discussion.”

After a discussion, J Troost moved to approve the September 14, 2017 minutes as amended, seconded by R McCann, with the following minor corrections. The motion passed as follows:

Ayes: Azam, Braun, Bystrom, Franco, McCann, Roberts-Musser, Troost
Noes:
Absent: Kristov

i. On page 5, in the second bulleted item, the first sentence will be updated with the phrase “the city” after “purchase of the property and facility of DWR, but…” The sentence will now read: “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.”

ii. On page 5, under section 7A, the end of the second sentence will be changed to remove “a fiscal analysis” and replace it with “a financial model” so the sentence will now read: “The task force received an engineering report on the 23rd of August, and are awaiting a financial model from the consultant.”

iii. On page 5, under section 7B, the end of the first paragraph will be changed to remove “couldn’t be more than $8,000-$10,000 per month, which in his view…” and replace it with “may not be” so the sentence will now read: “He added that in a review of the documentation presented by staff, the potential economic impact of scavenging may not be a large amount and would not significantly impact rates.”

D. Updated Enterprise Fund Reserve Policy Subcommittee Workplan.
E Roberts Musser provided an update on the Subcommittee workplan development process, and requested feedback from the Commission. After a brief discussion, the item was moved for approval by J. Franco, and the motion seconded by J. Troost. The motion passed as follows:

Ayes: Azam, Braun, Bystrom, Franco, McCann, Roberts-Musser, Troost
Noes:
Absent: Kristov
6. Regular Items

A. Water Rate Study Update Report Draft.

S Gryczko began the discussion of the Water Rate Study Update draft report, accompanied by a PowerPoint presentation, building on the discussion of the report from September. The goal of the discussion, he stated, was for the URAC to provide recommendations to Council for the next two years of water rates, for 2018 and 2019. In 2014, the city undertook a Proposition 218 process to establish water rates, and percentage increases each year, for five years. The last two years of the approved rates, 2018 and 2019, were approved at 14% and 9%, respectively. The recommendation from the URAC would be whether to keep with these already approved rates, or recommend something different. He summarized the discussion from the meeting in September and reviewed the presented scenarios for water rates, and highlighted the following:

- Conservation levels: staff does not feel that there will be a significant enough reduction in water consumption in 2016 to 2017, from the already mandated 25% reduction by the state implemented during the drought, to impact water rate revenue. This is especially true given the decrease in city water use evident in 2015 to 2016 which exceeded the city’s water conservation predictions by 13%. The expected revenue projection is based on actual water use. Staff also found that less than 400 homes in Davis applied for permits for lawn conversions to drought tolerant plants. However it is unknown how many households converted their landscape without applying for a permit (as a permit is not always needed). There was discussion on establishing a standard for lawn conversions to ensure the conversion is actually saving water.

- Reduction of meter size: Few customers are interested in converting to a smaller sized meter as the cost of converting can be prohibitive.

- The questions regarding the water fund reserve policy are within the scope of the established subcommittee but are not being reviewed by the full commission at this time.

Additional items discussed included expenditure impacts, such as the operating costs of the Woodland-Davis Clean Water Agency (WDWCA). The numbers used in the 2014 study included operating costs, but did not include the cost of debt service taken on by the city, and the numbers were not adequately escalated.

S Gryczko presented the scenarios for water rates moving forward. He reiterated that the discussion should focus only on 2018 and 2019, as a full rate study focusing on the next five years will be completed in 2019. It was noted that 2019 is the first year of SRF loan repayment, and why a rate spike is necessary. Each scenario was presented and discussed by the Commission.

- Scenario 1: Keep maximum adopted rate increases of 14% for 2017/18 and 9% for 2018/19 through Jan 1 2019; inflationary only increases through Jan 1 2023.
- Scenario 2: Keep the maximum adopted rates of 14% for 2018 and 9% for 2109, while recovering at least 1x debt service coverage by funding all debt service payments from annual revenue (recommended by consultant and staff).
- Scenario 3: Reduce max adopted rates to 7% for 2017/18 and 7% for 2018/19 for the next 2 years, recovering at least 1x debt service coverage from annual revenue, smoothing rate increases over time.
Prior to the meeting, staff included a fourth scenario, and presented it to the Commission at the meeting. The East Area Storage Tank Loan (called the I-Bank Loan) stands around $8 million dollars, and is projected to cost about $4 million in interest as the loan is paid off over the next 20 years. Should the city use funds from the water enterprise to pay off the loan in full, the water rate increases will remain the same, but moving forward less funds are required as “rate stabilization” to ensure the city meets the 1.1 times debt service requirement for the fund.

The item was opened for public comment, and the following comments were received:

- Dan Carson - Voiced support for the payoff of the I-Bank Loan, as it was in the same spirit as the recommendations the Finance and Budget Commission (FBC) brought to the URAC in July. He reiterated the importance of paying off high-interest, older debt.
- Matt Williams - Cautioned the URAC that the money in the fund balance for the water enterprise could be pre-committed to spend out on capital projects. It would be important to ensure that the necessary funds are set aside so there is not an issue with having enough cash. He also added that the public went through the process of the Proposition 218 approvals in 2014, and there would be no benefit to change what has already been approved. He also added that it will be important to understand whether expenses have permanently come down, or if there will be a “bounce back” to confuse citizens.

During the item, the Commission discussed the following:

- The need to raise rates despite a decrease in expenses.
- The merits of highly volumetric rates, and whether or not the rates should be reviewed in the future.
- Whether or not the projections of revenue include the updated state water use restrictions.
- Whether or not it would be possible to smooth out the increases, and that the 218 notices sent out to water customers included a dollar limit amount, not a percentage limit.

E Roberts Musser moved to approve the staff recommendation for the City Council to affirm the currently adopted water rate increases of 14% and 9% in January of 2018 and 2019. This motion was seconded by J Franco. O Bystrom presented a substitute motion to smooth out the rate increases to 11.5% and 11.5% each year, subject to legal review, seconded by J Troost. J Franco offered a friendly amendment to the substitute motion, to state that if the recommended rate increase are not allowable after legal review, the commission supports the staff recommendation of keeping the currently approved increases. This amendment was accepted by O Bystrom. A vote was held on the substitute motion, and the motion passed by the following votes:

Ayes: Azam, Braun, Bystrom, Franco, McCann, Troost
Noes: Roberts-Musser
Absent: Kristov

After another brief discussion, E Roberts Musser made a motion to recommend staff explore the opportunity to pay off the I-Bank Loan with existing water fund balance, as a means of reducing debt service. The motion, seconded by J Franco, includes a friendly amendment modifying the original phrase “debt coverage ratio” to “debt service.” The motion passed by the following votes:
Ayes: Azam, Braun, Bystrom, Franco, McCann, Roberts-Musser, Troost
Noes:
Absent: Kristov

S Gryczko updated the Commission on the process of reviewing the City’s Right of First Refusal relating to the potential sale of DWR. He stated that the city was granted an extension the original deadline, and that Council has requested an additional extension based on the need to collect data for additional questions. The second request for additional time has yet to receive a formal response. There was an explanation of the rules related to closed session, and a reiteration that the Council will share their decision at their discretion. When asked why the issue is a closed session issue, S Gryczko responded that there are a number of factors, including the deal between Recology and DWR, the necessity of legal advice, and the fact that the majority of the effort is by the attorney’s office, not by staff. J Troost asked for clarification on whether or not the URAC could take an action item on the issue. S Gryczko replied that the Council had not offered formal direction to see recommendations from the commissions, and had received comments from individuals, and was not seeking further response. If the Commission wanted to provide a recommendation, staff will provide the recommendation to Council.

J Troost stated that there was confusion as to whether or not the URAC had thoroughly vetted the possibility of the DWR sale, and although members of the URAC, acting as individuals, provided comments to the Council on the sale, there was no formal recommendation from the full commission, and that was important to clarify. He reiterated the importance of providing input, as the city should not let this opportunity go by.

S Gryczko clarified that the Council has not received formal recommendations from any Commission; however, the Council has received individual comments from members of the Natural Resources Commission (NRC), the Finance and Budget Commission (FBC) and the URAC. J Troost added that a councilmember he spoke to said they would not object to hearing a formal recommendation from a commission.

E Roberts Musser, referring to a letter in the agenda packet from Doug Kobold sent to the Commission, included by J Franco, stated that this letter given to the Council provided a history of what had happened with another jurisdiction that had the opportunity to purchase a waste removal franchise, so additional information would not be necessary.

The Commission discussed the potential to provide a recommendation to Council on the item. J Franco presented two options, the first to make a recommendation by itself, the second, to make the recommendation and include the letter received from Mr. Kobold in the language of the motion.

J Franco moved, seconded by R McCann, to recommend to the City Council that the city exercise its Right of First Refusal and enter into negotiations to purchase the Second Street transfer station. After some discussion, a friendly amendment was offered by E Roberts Musser to stipulate “land and buildings” at the end of the motion to clarify the purchase agreement does not include rolling stock, the franchise or employees. The amended motion passed by the following vote:

Ayes: Azam, Braun, Bystrom, Franco, McCann, Roberts-Musser, Troost
Noes:  
Absent: Kristov

G Braun reiterated that there is expertise within the commission, and that they have the capacity to dig into issues and provide that feedback to staff and the Council. The Commission agreed that it was important to provide a recommendation endorsed by the full group. Also included in the discussion was the informational item provided by R McCann on the Benefits and Potential Concerns Related to the City of Davis Exercising its Right of First Refusal for Davis Waste Removal’s Property and Facilities as 2727 Second Street.

The item was opened for public comment, and the following comments were received:

- Dan Carson - Clarified that although the Brown Act does require disclosure, conferences on real property negotiations can be discussed in closed session.
- Matt Williams - A councilmember asked for a fiscal analysis of the comments provided during the public comment. He was able to model the comments, and sent them to the Council. He can provide the model to the URAC members if they would like to see it.

C. Formation of Subcommittee - Scavenging of Recyclables.
After a brief discussion this item was moved to the next agenda by consensus, as the issue is one around waste management, and the fall out of the sale of DWR could impact the discussion. G Braun suggested the possibility of forming a subcommittee devoted to waste management.

7. Commission and Staff Communication

A. Long Range Calendar.
The following items were discussed by the Commission:

- J Franco asked for updates on the two studies currently underway, the Organics Processing Facility and Solid Waste Rate Studies.
- The commission discussed the possibility of cancelling the meeting in November, due to a light agenda. J Troost pointed out the potential for the Davis Waste Removal situation to unfold in ways unknown at present, and requested the scheduled meeting should stay scheduled for now. The commission agreed to keep the meeting on the schedule, but mark it as “tentative.”

8. Adjourn
J Troost made a motion to adjourn the meeting, seconded by O Bystrom. The motion passed by the following votes and adjourned at 9:24pm:

Ayes: Azam, Braun, Bystrom, Franco, McCann, Roberts-Musser, Troost
Noes:  
Absent: Kristov

Respectively Submitted by,

Adrienne Heinig
Administrative Analyst I