



City of Davis

Utility Rate Advisory Commission Minutes
Community Chambers, 23 Russell Boulevard, Davis CA 95616
Monday, April 2, 2018
6:00 P.M.

Please Note Special Meeting Date, Time and Location

Commissioner Members Present: Gerry Braun (Chair), Olof Bystrom (*arrived during Item 6A*), Jacques Franco, Lorenzo Kristov, Richard McCann, Johannes Troost

Absent: Elaine Roberts-Musser

Staff Present: Stan Gryczko, Assistant Public Works Director

Council Liaison Present: Lucas Frerichs

Additional Attending: Adrienne Heinig, Administrative Analyst
Matt Williams, Alan Pryor, Larry Guenther

1. Call to Order and Roll Call

Meeting was called to order by Chairperson Braun at 6:01pm.

2. Approval of Agenda

J Franco moved to approve the agenda, seconded by R McCann. The motion passed as follows:

Ayes: Braun, Franco, Kristov, McCann, Troost

Noes:

Absent: Bystrom, Roberts-Musser

3. Public Comment

- Alan Pryor – Reminded the Commission of their request for answers to the URAC questions submitted on the Davis Waste Removal transfer, and the documents requested via the Freedom of Information Act (FOIA).
- Jacques Franco - Informed the Commission that the Broadband Advisory Task Force would be presenting to the City Council on April 3, and that the item is Item 6 in the Council packet. The item contains the staff report and the full report of the Task Force.

4. Regular Items

A. Davis Waste Removal Transfer Agreement and Contract Amendment.

The item began with a summary of the timeline related to the Davis Waste Removal (DWR) sale presented by G Braun. Beginning from September 2017, he detailed the URAC response to the sale notification, the motions made by URAC at subsequent meetings related to the sale and transfer of the contract, the scheduling of the special meeting to review the transfer agreement and contract amendment (initially scheduled for March) and the questions related to the transfer collected by G Braun and J Troost, presented to staff on March 1, 2018. He summarized the action of Council at the February 20 meeting, to waive the city's Right of First Refusal, and stated that the Commission had not received the responses to requests for answers to the listed questions submitted in March, and the Freedom of Information Act (FOIA) request submitted in February. Lastly, he outlined the actions taken at the Commission meeting in March to hold tonight's special meeting on the transfer agreement and contract amendment. He stated that although the intent was to hold the current meeting to review the documents, those documents were not available at the time of the meeting. He also outlined a request to staff to agendaize an item for URAC at the Council meeting on April 3, and that this request was not approved.

S Gryczko summarized staff discussion on the URAC request for an agendaized item at the Council meeting, and updated the Commission on the status of the staff report, tentatively available, on April 4, prior to the discussion at Council on the 10th. He stated that the staff report answers many of the questions submitted by the URAC in March, and that the URAC could choose to schedule another special meeting to review the staff report, and associated documents related to the transfer and the assignment of the franchise, when the report is released.

G Braun asked the Task Force on Solid Waste Rate Infrastructure Analysis related to Potential DWR Sale to present the documents they prepared for the evening to the Commission. L Kristov provided the introduction, detailing the Task Force appointment, members, individuals consulted during the fiscal analysis, and the overall summary to the Commission with accompanying suggested motions. His high-level view summary of the work included three main sources of value identified by the Task Group, which would, by their estimation, impact the City of Davis and ratepayers in the near term, as well as long-term (after the current contract expires).

In the short term, he outlined, the purchase of the whole solid waste enterprise would require outlay of capital by Recology (or any purchaser), where the city costs to acquire the property would be reduced, as surplus funds in the utility rate accounts could achieve a lower interest rate and the city could obtain additional municipal benefits (cost savings). These cost savings, as estimated by the Task Force, could translate into millions of dollars. These savings would therefore reflect a lower cost burden on the ratepayers.

The end-of-contract costs or savings (long term), as estimated by the Task Force, would be impacted by the "incumbent bidder value". If the city owned the property, the incumbent would not have the advantage of a "monopoly" on the property, and the value of the incumbent bidder (representing the value of retaining the position of incumbent when the city issues an RFP for Solid Waste Services) estimated at \$4.5 million dollars.

The last source of value discussed was the value of the land itself, and the estimated appreciation of the property over a 15-year term (the term of the contract), was presented by the Task Force as a roughly 3% increase per year, or \$8 million after 15 years. These three sources, short-term, long-term and land value, add up to an estimated 16 million dollars, based on the calculations of the Task Force, and, by their conclusions, a substantial impact to rate payers.

A chart was passed out to the Commission illustrating these points. During discussion of the item, Councilmember Frerichs encouraged the Task Group to provide more context for the chart, and show clearly that the numbers are estimates.

Based on the report of the Task Group, and after a discussion of the Commission, a motion was made by L Kristov, and seconded by R McCann:

The URAC recommends that Council defer action on the Davis Waste Removal transfer, and undertake a thorough comparative analysis by an independent third party and public discussion of the benefits and costs of a city acquisition of the DWR property versus the current plan to transfer the property and business to Recology, including the three sources of ratepayer value identified by the URAC task group.

The inclusion of “by an independent third party” was a friendly amendment offered by O Bystrom and accepted by the mover and the second.

Prior to the vote on the motion, the item was opened for public comment. The following comments were received:

- Matt Williams - Endorsed the motion. He stated that if the numbers used in the analysis by the Task Group are confirmed, the deal on the table for DWR is a violation of line 21 of paragraph 16 of the contract that the assignment and transfer is in the public interest. He stated that Recology would receive the same profit if they purchase the business, or just the land, and that in his opinion, it would be a better return on investment for them to rent. He summarized should the city purchase the enterprise, it would be a win for DWR (getting market value) a win for ratepayers, and a win for the city (based on the estimates of the Task Group.)
- Alan Pryor - He stated that the amendment to be reviewed by an independent authority should not preclude the involvement of the URAC, as any outside analysis will be piggy-backing work already done by the commission.

Returning to the Commission discussion, questions were asked on the level of commission participation expected by the City Council in such matters, and examples of past involvement were outlined to demonstrate the value. Additional items discussed included:

- Jurisdictions throughout Northern California that had transferred solid waste services to Recology, and subsequent rate increases being as high as 100% on average. Discussion of this item also included details of the jurisdictions with rate increases, such as having outdated assets and inventory, bins and trucks needing replacement, and additional reasons behind the increases. DWR has recently purchased a new fleet, however they have stated that the materials recovery facility (MRF) will need updating. The contract does currently include replacement and infrastructure costs.

- The overall cost of utility services in Davis have risen over the last 10 years, although the solid waste rates have risen on average 3% per year, with the larger increases coming from water and sewer bills.
- The calculation of rate increases, based on indexes tied to specific categories and prior year expenditures, and a “simple” versus a “detailed” rate review (over the past 10 years, DWR has conducted “simple” rate increases, based on expenses).
- An outline of “extraordinary expenses,” unforeseen by the vendor, when the city could analyze the need and recommend rate increases as appropriate.
- A request that staff assess the accuracy of the numbers included in the calculations by the Task Group, and whether or not level of analysis conducted by staff included considerations of the three sources of value.

At the close of the discussion on the motion, a vote was held. The motion passed by the following vote:

Ayes: Braun, Bystrom, Franco, Kristov, McCann, Troost

Noes:

Absent: Roberts-Musser

Discussion turned to the presentation of the Commission action to Council, and the best way to relay the information. G Braun voiced his concern that 3 minutes provided for public comment during the public meeting was not enough of an opportunity to explain the URAC position. It was discussed that the commission would prepare a handout, and would speak prior to the Council’s closed session on the item. There was consensus to add the mission of the commission to the document to be presented to Council, and to include applicable Council Goals. At the close of the discussion on the presentation to Council, J Franco made a motion, seconded by R McCann, to nominate Lorenzo Kristov, to, on behalf of the URAC, present findings and the recommendation of the commission to the Council on Tuesday, April 3. The motion passed by the following vote:

Ayes: Braun, Bystrom, Franco, Kristov, McCann, Troost

Noes:

Absent: Roberts-Musser

G Braun asked the Commission if they would like to schedule another special meeting before the Council meeting on the 10th to review the staff report and documents related to the transfer. It was argued by one commissioner that, since the Commission recommendation was to delay the transfer, review of the documentation would be unnecessary. However, other commissioners felt that if the City Council did decide to move forward with waiving the ROFR, review of the transfer agreement and contract amendment would be a fallback. It was also noted that the Commission could review the staff report, once released, and compare to the list of questions to see what was answered, prior to the public discussion on the 10th. After additional discussion, G Braun moved, seconded by R McCann, to schedule a special meeting of the URAC on April 5, to review information the URAC has requested and to make a recommendation to Council regarding the transfer of the solid waste franchise. The motion passed by the following vote:

Ayes: Braun, Bystrom, Franco, Kristov, McCann, Troost

Noes:

Absent: Roberts-Musser

5. Adjourn

J Troost made a motion to adjourn the meeting, seconded by O Bystrom. The motion passed by the following votes and adjourned at 7:19pm:

Ayes: Braun, Bystrom, Franco, Kristov, McCann, Troost

Noes:

Absent: Roberts-Musser