



City of Davis

Utility Rate Advisory Commission Minutes

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

Wednesday, December 19, 2018

6:30 P.M.

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

Absent: Olof Bystrom

Staff Present: Stan Gryczko, Assistant Public Works Director

Additional Attending: Lucas Frerichs, Councilmember
Adrienne Heinig, Management Analyst
Linda Deos, Jill Pascoe

1. Call to Order and Roll Call

Meeting was called to order by Chairperson Braun at 6:32pm.

2. Approval of Agenda

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

Ayes: Braun, Franco, Kristov, McCann, Roberts-Musser, Troost

Noes:

Absent: Bystrom

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

- Chairperson Braun welcomed Linda Deos and Jill Pascoe to the meeting, recently appointed to the Utility Rate Advisory Commission by the City Council beginning on January 1, 2019.
- During the Brief Announcements, the Commissioners and staff liaison introduced themselves to the recently appointed Commissioners.

4. Public Comment

- Linda Deos - stated that she was looking forward to seeing the orientation information for the Commission.
- Jill Pascoe - indicated that she was happy to be present at the meeting and appointed to the Commission by Council.

5. Consent Calendar

A. URAC Draft Special Meeting Minutes - October 4, 2018

B. URAC Draft Meeting Minutes - October 17, 2018

The minutes were pulled from the Consent Calendar by J Franco to discuss necessary corrections. The corrections were:

- For the minutes of the special meeting on October 4 - on page 3, in the second sentence of the second bulleted item on the page, the word “was” was modified to read “is” so the sentence reads: “*S Gryczko replied that the site is owned by the city and could benefit the city should the site be redeveloped.*” The third sentence within the same bullet was modified to begin with “S Gryczko” rather than “He” to read: “*S Gryczko added that the ideal way to improve the land at the site would be to remove the existing material (waste deposited by the city’s solid waste customers prior to the closure of the landfill.)*”
- For the minutes of the regular Commission meeting on October 17 - on page 3, in the third paragraph on the page, the phrase “over utilities” was added to the first sentence, after “environmental performance”, to read: “*Franco stated that, in his opinion, the URAC should have jurisdiction over sustainability and environmental performance over utilities, which needed to be included in the Commission’s charter.*” Within the same paragraph, the second sentence was modified by replacing the word “strategizing” with “planning,” so the sentence now reads: “*O Bystrom added that the current focus of the commission only on rate setting prevents the commission from planning for the future, making analysis after the rate review too late.*”

E Roberts-Musser moved to approve each set of minutes as amended. This motion was seconded by J Franco and passed as follows:

Ayes: Braun, Franco, Kristov, McCann, Roberts-Musser, Troost

Noes:

Absent: Bystrom

6. Regular Items

A. Outgoing and Continuing Commissioner Appreciation.

S Gryczko began the item by naming the three commissioners recently re-appointed to the Commission (O Bystrom, L Kristov, and J Troost), and thanked them for staying on with the Commission. A certificate of appreciation was read for departing Commissioner McCann, to thank him for his years of service on the URAC.

B. Status of Solid Waste Rate Adjustment and Review of Yard Material Pile Collection Service Level Options.

S Gryczko provided an update to the Commission on the status of the proposed Solid Waste Rate Adjustment and the yard material pile collection discussion. S Gryczko outlined the Council report presented on October 30, and the rate increase Proposition 218 notice which was not approved by Council at that time. When staff returned on December 4, Council approved the proposed Proposition 218 notice, and further directed staff to prepare a discussion on three alternative schedules for yard material pile collection: reducing collection by two collections, for 16 “pick-ups”, reducing collection by three, for 15 pick-ups, and reducing collection to once-per-month year-round, or 12 pick-ups. Staff will hold a community meeting on January 7, 2019, to collect feedback from the community on the alternatives. On February 5, staff will return to the City Council for the protest hearing on

the rates, and anticipate Council will select an alternative, as well as assess associated costs or possible cost reductions in setting the maximum rates for the next five years.

The open house was discussed, and the planned format described to the Commission. The Commission also discussed the following:

- The current expectations of life-expectancy for the yard material collection equipment, and when that equipment may need to be replaced. Additionally the Commission discussed whether reducing yard material collection frequency would extend the life of the equipment.
- The Council discussion on the yard material collection service at the meeting on December 4, and the impression that the majority of the Council members appeared to support phasing out the service, specifically when looking at the cost of re-capitalizing the vehicles. S Gryczko stated that while there was discussion about phasing out the service, there was no direction to staff at the meeting to look into this process.
- A question on how other jurisdictions outside of California (such as Portland, OR) deal with yard material collection.
- Adding the yard material collection alternative recommendation item for review by the Commission in January, after the public meeting.
- A reminder from Commission members to staff about the importance of staff forwarding on Council agendas with discussion topics that may be of interest to members, and a request to have the Commission Procedures document distributed to the Commission. At the meeting on October 30, the Commission members were in attendance, and the item on the solid waste rates and yard material pile collection was reported to be coming back on November 27. Although Commission members are aware that schedules could change, the item returning on December 4 was unexpected, and some members were unaware these topics were agendaized for that City Council meeting.

C. Updates from the Enterprise Fund Reserve Policy Subcommittee on Reserve Fund Policy.

E Roberts-Musser began the item by outlining the goals of the discussion, specifically to review the memo from the subcommittee laying out the reserve policy and receive questions or comments on the policy draft. There was brief discussion on the amount of reserves for each enterprise fund, and what the anticipated use of those funds could/should be, however L Kristov reminded the Commission that the discussion was not on the intended use of the funds, rather to look at how the reserve funds should be calculated, and the assumptions being made as the basis for those calculations. The allocation of the excess funds, if determined after the reserve amounts are set, would be the purview of both the URAC and the Finance and Budget Commission (FBC).

During the item, the Commission discussed the historical data that went into the calculations of the reserve components, and whether or not enough history was included to ensure as much variability in each fund was captured as possible. S Gryczko commented that it can be difficult to rely on historical data for each utility, as they have changed a great deal in the last 10 years, so that comparison to previous years is no longer relevant. S Gryczko also outlined some “unexpected” expenditures in the utilities, including the purchase of Howatt

Ranch, or the work necessary on L Street, as some of the few outliers from regular operations.

R McCann outlined the calculations behind the reserve components for each utility the subcommittee is looking to recommend. E Roberts-Musser requested feedback from the Commission on the different variables and strategies as outlined in the memo. The Commission discussed the following:

- The need for a separate, restricted fund for annual debt service (i.e. not as overlap with other elements of the reserve), based on requirements of the loans held by the city (specifically the Sewer Fund loan). R McCann requested staff ensure the subcommittee has all the promissory notes and agreements for the loans to ensure the reserve calculations would include the restrictions.
- Whether or not the intention was to have the Enterprise funds act as a “backstop” for each other, with some fluidity of funding between them, or if each would meet all requirements of the reserve policy individually.
- The anticipated dependability of the sources of loans from the State and the competitive insurance rates in future years, and if borrowing is the preference over self-financing on a policy level.
- The process anticipated for the next steps of the reserve recommendations. S Gryczko outlined the process: the recommendation would come from the URAC to the FBC, and if the FBC agreed with the policy and calculations, it would go to Council for approval and implementation. After implementation, and a determination of funds remaining unallocated after the reserve policy is put into place, the discussion of how to spend those funds would go to the FBC.
- If the listing of the 5 variables in the memo are adequate, or if modifications are needed, to be suggested by URAC members. On that topic, the Commission suggested a few changes:
 - For variable item number 5 on page 2 of the memo, it was decided that the accumulation for future capital investment language should further specify that the intention was for significant and expected expenditures, rather than unexpected ones, which would be covered under “unplanned events” (item 3). The formula for determining the reserve fund doesn’t include item 5.
 - Further explanation of whether the variables #1-4 are additive, and the concern that if all are independent and not overlapping, the reserve calculation could be too high.
 - The age of infrastructure was added as a bullet point under item #3, unplanned events.
- The importance of including the impact of climate change under risk management strategies, specifically the climate action report – to ensure that the policy considers climate change in CA and the Sacramento region and how it could impact the state of the city and its utilities.

The Commission agreed by consensus that the memo was on the right track. R McCann walked through the tables attached to the memo, explaining each. There was additional discussion of the overlapping reserve calculation, and if the debt coverage was required to be held separately as a restricted account for one or more of the funds. R McCann stated

that the formula and policy were more transparent than what is undertaken by other cities. Their apparent ad hoc method of calculating reserves might reduce the ability of those cities to accommodate reserves based on changing factors.

E Roberts-Musser highlighted the importance of describing the work and the formula in laymen's terms that everyone will understand, and R McCann indicated the subcommittee would come back with the full report, and recommendations, in January. G Braun thanked the subcommittee for their work.

D. Draft Suggested Revisions to the Utility Rate Advisory Commission Charter.

G Braun introduced the item, as a follow-up to the joint meeting with City Council. He outlined the items included for review by the Commission, which included the original charter as determined by Council, and the revisions suggested by G Braun and S Gryczko based on the previous Commission discussions on the topic. L Frerichs stated that the Council was supportive of the changes in scope, and underscored that the difficulty is in the details, as there may be a back and forth discussion at City Council to ensure that adjustments are what they need to be. He said the bottom line would be putting forward the revised language for the full Council to discuss. S Gryczko explained that the Council Subcommittee on Commissions would meet with the Chairs and Vice Chairs of the URAC and Natural Resources Commission (NRC) in early January, and that the discussion for the evening would inform that meeting, and the intent of the URAC moving forward.

G Braun outlined the draft of the primary functions of the Utility Advisory Commission, structured to differentiate between consideration, evaluation, and recommendations to City Council. E Roberts-Musser offered some wordsmithing changes, summarized below:

- For each bullet point, the “To” should be removed.
- Under Consider:
 - In the first bullet, add: *and incorporate them into utility policies* at the end of the sentence.
 - Add a bullet “Costs associated with providing utility services.
 - In the second bullet (third after bullet is added), remove: *levels of*.
 - In the fourth bullet (fifth after bullet is added), remove: *managers of the City's utilities and* and replace with *city utility managers, the City Council and*; and add *especially the Natural Resources Commission and Finance and Budget Commission* to the end of the sentence.
 - In the fifth bullet (sixth after bullet is added), add: *regulations and polices* after “future state”.
- Under Evaluate and Compare:
 - In the first bullet, revise the “or” to read: *and/or*.
- Under Recommend:
 - In the first bullet, add: *and reserve policies* after principles.
 - In the last bullet, revise the sentence to read: *Technologies, pilot programs, and initiatives for City Council consideration and potential staff evaluation.*

The revisions will be incorporated and the new version will be distributed to the group after the meeting.

E. Annual Review of Task Force on Solid Waste Rate Infrastructure Analysis related to Potential Davis Waste Removal (DWR) Sale.

S Gryczko asked the Commission to review the continued need for this subcommittee and determine whether the work should be concluded at this time. He reviewed the original purpose of the subcommittee, focused on the sale of Davis Waste Removal (DWR), beginning in late 2017. The Commission came to the consensus that the subcommittee should be dissolved at this time.

F. Commissioner Orientation and Continuing Education.

The item was introduced by J Troost, who reviewed the purpose of the information included in the packet, and the importance of providing orientation information for Commission members, especially now with two new members. He asked that the commission consider an orientation process, and asked for ideas or suggestions, and input on the items already prepared.

E Roberts-Musser stated that she sent out prep materials for new commissioners that included basic orientation information that could be distributed to new commission members, noting that the document needs to be reviewed by staff to ensure accuracy before approved. She included information specific to each utility. During the discussion on the item, the Commission determined that the procedures and information on each subcommittee would be important to add to the orientation packet. L Frerichs emphasized the importance of including Rosenberg's Rules of Order in the discussion, and highlighting the Brown Act from the Commission Handbook.

As a separate issue from commissioner orientation, J Troost spoke to the possibility of convening workshops, as vehicles for the community to attend meetings and stay informed on the topics related to utilities. G Braun added that the assumption was the meetings would be held with someone who could speak to the topic chosen for discussion, and commissioners could ask questions. G Braun also added the workshops would not be intended as a staff responsibility. It was requested that the item would be reviewed by a subcommittee, and that the item would be included in the long-range calendar discussion to add to January's meeting.

Prior to the beginning of Item G, G Braun provided each member of the Commission with copies of a book he had read recently on the story of water development in Israel. He asked the Commission to consider, if Israel had a Water Advisory Committee, would they have done the things they did? The book Let There Be Water was distributed to each commissioner and to staff.

G. Nomination of Chair and Vice Chair for 2019.

G Braun began the item by stating that the annual election for Chair and Vice Chair was anticipated to be held in January, however he had suggested it be held in December. G Braun wished to nominate J Troost for Chair, and J Troost will be absent from the meeting in January. He asked for anyone interested in serving the Commission in the Chair or Vice Chair role to offer their vision to the Commission.

J Troost outlined his vision to the Commission:

- Building on lessons learned

- The need to strengthen the Commission’s relationship with City Council, as good communication will reduce feeling “blindsided.”
- Improving staff/Commission communication and interaction, as he sees systematic problems that need to be managed.
- Excitement about the possible new charter, and the need to address climate change.
- Make services more efficient and effective, bring in the community and reach out to partners. Holding workshops will provide the community with the data, and residents will have a greater understanding of services.
- Building a bridge between the community, City Council, and staff.
- The importance of ensuring that Commissions work together, seeing the work with the NRC as the next step, followed by FBC, etc.
- The two subcommittees have done excellent work and hoping to focus and move forward to improve the Commission as a team and move work forward.

R McCann suggested that the election should be held in January, when the new members are seated, and the nominees need not be in the room.

The item was opened for public comment, and one comment was received:

- Linda Deos – requested the Commission hold the vote at the next meeting with the new folks on board, and the departing commissioner gone.

G Braun stated that the consensus of the Commission was to have the election in January, and the item was continued.

7. Commission and Staff Communication

A. Long Range Calendar.

The Commission added the following to the long-range calendar:

- In January 2019 - the formal report on the reserve policy recommendations from the subcommittee, and the review of the commission orientation packet. The discussion of the yard material collection alternatives was also added. The Wastewater Fund update was moved to February. The nomination and selection of Chair/Vice Chair was continued to January.
- In February 2019 - The Wastewater Fund update was added, and the discussion of relocating the transfer station at 2727 2nd Street was pushed to a future meeting.

R McCann thanked the Commission, as he is moving to a seat on the NRC.

8. Adjourn

The meeting was adjourned by consensus at 8:35pm.