



City of Davis

Utility Rate Advisory Commission Minutes

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

Wednesday, January 16, 2019

6:30 P.M.

Commissioner Members Present: Gerry Braun (Chair), Olof Bystrom, Linda Deos, Jacques Franco, Lorenzo Kristov, Jill Pascoe (Alternate), Elaine Roberts-Musser

Absent: Johannes Troost

Staff Present: Stan Gryczko, Assistant Public Works Director

Additional Attending: Adrienne Heinig, Management Analyst
Richard McCann

1. Call to Order and Roll Call

Meeting was called to order by Chairperson Braun at 6:30pm.

2. Approval of Agenda

Prior to the approval of the agenda, there was a request to move Item 6D and Item 6C forward to the beginning of the Regular Items.

E Roberts-Musser moved to approve the amended agenda, seconded by L Deos. The motion passed as follows:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Pascoe, Roberts-Musser

Noes:

Absent: Troost

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

- G Braun asked if commissioners had an opportunity to read the books he distributed at the Commission meeting in December, Let There Be Water. J Franco indicated that a presentation by the author of the book is posted online.

4. Public Comment

None.

5. Consent Calendar

A. URAC Draft Meeting Minutes - December 19, 2018

L Deos moved to approve the minutes from December 19, 2018. This motion was seconded by O Bystrom and passed as follows:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Pascoe, Roberts-Musser

Noes:

Absent: Troost

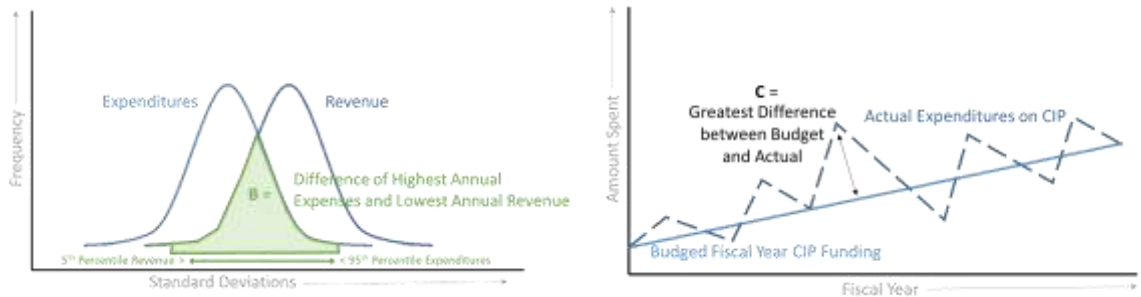
6. Regular Items

D. Report from the Enterprise Fund Reserve Policy Subcommittee on Reserve Fund Policy.

E Roberts-Musser began the presentation on the report from the Enterprise Fund Reserve Policy Subcommittee. She provided a brief overview of the report, outlining the areas where the Subcommittee specifically requested feedback, in order to bring the final report back at a future meeting for recommended action. Details of the data used in the report were discussed, along with notes about recent history of expenditures and revenue in the utility funds (specifically in Water, and Wastewater fund revenue reflecting the State Revolving Fund (SRF) Loan reimbursements during the large-scale projects undertaken over the last several years).

Discussion also included the following:

- Debt coverage requirements for the utilities with outstanding loans, and how those requirements impact the type and amount of funds available for reserves (debt coverage requirements can include provisions that funds be set aside in restricted accounts independent of other fund balances).
- The decision not to include item E (Reserves held for future CIP) in the formula for total reserve fund for a utility, as larger projects are more likely to be funded by low-interest loans or other finance options, rather than out of reserves or revenue.
- A description of the detail included for Items B and C, with B representing a statistical measure of the difference between the lowest revenue earnings and highest expenditures over the last 10 years, and C representing the variability between the lowest budgeted year for Capital Improvement Projects (CIP), and the year with highest expenditures on CIP projects. Simplified depictions of the calculations are illustrated below for the purposes of the meeting summary:



- The need to take into account the seasonal nature of demand and the impact of the seasons on rate revenue.
- The correlations between water consumption, storm sewer and sewer.
- If the City should look to modify insurance holdings rather than increase reserves to cover unexpected costs.
- Under Risk Management Strategies in the report, further explaining the need to review the mineral constituents of local soil (discussed in reference to possible impacts on groundwater.)
- The determination that there is no possibility of “pooling” reserve requirements between the funds, as the funds need to remain separate.

- The need to work with the Finance and Budget Commission (FBC), and the city's Attorney, to ensure that the reserve policy developed is prudent and legal, and clarifying that the report will go to the FBC for review and input.
- The timing required to receive a payout from insurance.

After the discussion of the details of the item, the Subcommittee will return with the final report in February for Commission review and approval. G Braun expressed his appreciation for the work undertaken by the Subcommittee.

C. Water Fund Update.

S Gryczko introduced the item as an update on the financial status of the Water Fund, reviewing the actual expenditures from the previous fiscal year (2017/2018), with the projections of the fund from the financial model created in 2016 with the Water Cost of Service Update. S Gryczko outlined that the general takeaway from the report is that the Water Fund is fiscally healthy. The last round of increases from the approved Proposition 218 period were implemented at the beginning of January 2019, and the fund balance is in good health, although the city has been spending it down. The main driver of adjustments needed for the fund is the debt coverage, and some focus of staff has been on ways to reduce the debt service requirements. Moving forward, S Gryczko indicated that staff would initiate the next cost of service study in the next 3 to 4 months, and work with the URAC to develop the scope for the Request for Proposals (RFP). The process is anticipated to take a year.

For the item, the Commission discussed the following:

- The status of the reimbursements requested from the city's State Revolving Fund (SRF) loan, and when the city anticipates submitting requests for remaining funds. S Gryczko indicated that with staff turnover, there was a delay in processing the paperwork, and the reimbursement request is anticipated to be submitted shortly.
- Clarification that the city is paying interest on funds already drawn down from the SRF loan, and a request that staff review whether or not it is necessary to draw additional funds or if the loan could be closed at the current level (rather than going into more debt).
- Clarification that the interest rates associated with the SRF loans are locked for each loan and do not increase. Future loans would have higher interest rates.
- The dramatic differences between the amounts budgeted for Capital Improvement Projects (CIP) and the actual expenditures, along with general discussion of the length of projects and the number that are currently behind schedule. S Gryczko indicated that the full amount of the project is awarded at one time, even if the project is anticipated to take a number of years, which can result in significant carryover each year. He also stated that the number of new CIPs being scheduled is being limited or reduced to allow for the team to complete current projects.
- The outline of the reserve included in the model, based on consultant recommendations and the previous work done with the Wastewater Fund. Each model has a temporary reserve structure, anticipating that each will be replaced with the Utility Fund Reserve Policy, when formally adopted.

- Clarification of the Budget FY 2017/18 All Other Non-Operating Revenue amount, which includes SRF reimbursements that are pulled out in separate line items for subsequent years.
- The appearance that it has been hard to forecast year to year expenditures as of late, and whether or not the fund expenditures will be more stable now that big changes are nearing completion. It was noted drought wreaks havoc with modeling. S Gryczko indicated that staff has been conservative in estimates, but the incoming rate revenue is higher than anticipated, and moving forward the narrowed CIP list will allow for closer budget estimates and actuals.

At the conclusion of the review, S Gryczko outlined the next steps, of scheduling the scoping discussion for the RFP with the commission (for input on proposal criteria), as time allows with the URAC long range calendar.

A. Update on URAC/NRC Chair and Council Subcommittee on Commissions meeting regarding URAC mission.

S Gryczko introduced the item, reviewing the timeline for the discussions between the URAC, the Natural Resources Commission (NRC) and the Council Subcommittee on Commissions on the URAC proposal to update its Commission charter and responsibilities. In October of 2018, the URAC and Council held their joint meeting, and the URAC members indicated they would like to look at the current charter to expand and/or broaden the Commission role and responsibilities. The City Council agreed to review the request, and the Council Subcommittee members met with the Chairs and Vice Chairs of each Commission, and the staff liaisons, to look at the overlap between the URAC and the NRC, in particular the environmental impacts in and around utilities. The NRC Chair wanted to ensure that environmental concerns remained within the NRC purview, and the City Council Subcommittee agreed. Overall, however, the City Council Subcommittee indicted the URAC should expand the charter to include other impacts on rates, outside of environmental impacts.

During the discussion of this item, it was noted the interactions between Commissions (specifically the NRC and URAC) are not clear, and there needs to be an established flow or process to enable communication. It was suggested that in a scenario where the URAC wished to review an item with an environmental component, the URAC would refer the matter for review to the NRC, and the NRC could then determine if they wished to address the issue, or if they were comfortable with the URAC taking the lead.

S Gryczko indicated that a flow chart will be created to map out the recommended process, drafted by the NRC and the URAC separately, and reviewed by each Commission so that a process will be put together that will work for both. S Gryczko also requested that the Commission consider defining and clarifying the discussion of economic impacts in the revised charter.

G Braun outlined his takeaway from the meeting with the NRC Chair, Vice Chair and the Council Subcommittee. He stated the NRC did not review the new scope, instead focusing on the communication process between Commissions. He said the NRC focus was primarily on process, to prevent future instances of feeling blindsided, or being out of the “loop.” He indicated that the Council Subcommittee looked to table the item until the NRC returns for their joint meeting with Council in March.

L Kristov discussed state policy documents that include discussions of Environment, Economics, and Equity. He asked the Commission where Equity fits with the charter update, indicating it could be included in the last bullet in the “Consider” section. G Braun suggested the Commission add a reference to Equity in the charter revisions. In addition to the request by L Kristov to draft an item on Equity, G Braun asked the commissioners to send in feedback and revision suggestions to staff for compilation before the next meeting.

At the conclusion of Item 6A, S Gryczko left the meeting.

B. Yard Material Pile Collection Alternatives and Public Meeting.

E Roberts-Musser began the discussion by stating that she was at the City Council meeting when direction was provided to staff on the four options for the public to consider, and that they appeared to be close to recommending a ‘phase out’ option for the service. She suggested that the URAC should recommend to Council that a ‘phase out’ for the service should be considered. L Kristov stated that any ‘phase out’ shouldn’t be looked at in isolation, as there has been a considerable amount of feedback on City tree debris and the litter created. So a discussion of the phase out should be combined with a strategy of how to manage the litter of City trees. He added consideration should also be given to the frequency of street sweeping and moving cars during sweeping events.

During the item, the alternatives Council requested feedback on were presented, and the Commission discussed the following:

- G Braun stated his concern that the Commission was not thinking about what adjustments would need to be made if the service was eliminated, as the service has value to citizens, and asked how the Commission could make a recommendation that respects people. He indicated that he was disappointed the Commission was focusing on a ‘phase out.’
- E Roberts-Musser expressed her opinion the Commission should consider a ‘transition plan,’ to phase out the LITS service with an emphasis on strategies to manage City trees.
- The desire to request that Council authorize further review of the program, and encourage Council to review all options.

E Roberts-Musser, seconded by L Deos, crafted the following motion after the Commission discussion:

In light of the cost of the LITS service and age and replacement cost of the LITS collection equipment, the URAC recommends the Council direct the URAC and staff to collaborate with other appropriate commissions to collaborate on a transition plan to phase out the current LITS collection program.

The motion passed by the following vote:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Pascoe, Roberts-Musser

Noes:

Absent: Troost

G Braun indicated that the motion needed context and an explanation along with the language to be included in the staff report to Council on February 5. O Bystrom and E

Roberts-Musser indicated that they would put together the explanatory paragraph and include it with the staff report.

E. Nomination of Chair and Vice Chair for 2019.

G Braun began the discussion where he left off in December 2018, encouraging Commissioners to indicate if they wanted to serve, and inviting interested Commissioners to explain why they would wish to be elected. He outlined that the Commission needed to hold elections for the Chair and Vice Chair positions.

G Braun nominated, seconded by J Franco, J Troost to serve as URAC Chair. There were no other nominations.

E Roberts-Musser indicated her concern on J Troost serving as Chair. She outlined that J Troost's focus has been on process. She felt the focus moving forward with J. Troost as Chair would be too much on process, possibly to the detriment of Commission business. She also indicated her unease that J. Troost had voiced concerns about improving what he viewed as URAC members' poor relationships with staff and Council. She noted that if URAC members wanted a good relationship with City Council members, she encouraged Commission members to go to Council meetings, and talk with Councilmembers to build a better rapport if that was lacking. She also indicated that staff had been very cooperative with Commission member requests, including being responsive to requests from the Subcommittee for data. She stated she was often the only member of the Commission at Council meetings when URAC items were on the City Council agenda. She also noted that at URAC meetings that even with full agendas, J Troost would often focus the discussion in Commission meetings on process instead of the item at hand. In response to a question of how one member could derail the work of the full Commission, E Roberts-Musser reiterated her concern about process discussions that are off the agenda topics.

G Braun offered to defend his nomination, stating in his tenure as Chair, he put emphasis on process and has established a foundation to build on. He outlined improvements with staff communication and the expansion of the charter moving forward. He indicated that he and J Troost had talked a great deal and he felt J Troost's intention is to be considerate and find solutions for the Commissioners' concerns.

The Commissioners also discussed ideas for keeping meetings on schedule, including adhering to timeframes in the agenda.

On the nomination of J Troost for Chair, nominated by G Braun and seconded by J Franco, the commission voted to elect J Troost to Chair by the following votes:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Pascoe

Noes:

Absent: Troost

Abstain: Roberts-Musser

J Franco nominated O Bystrom to serve as Vice Chair. O Bystrom accepted the nomination, and stated he would support the work of J Troost, but indicated that he would have concerns with the time commitment and cautioned that he would not be willing to step into the role of Chair.

O Bystrom was elected Vice Chair by the following vote:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Pascoe, Roberts-Musser

Noes:

Absent: Troost

7. Commission and Staff Communication

A. Long Range Calendar.

There was a reminder to the Commission that they should send in comments or suggestions on the Commission Charter update. The Commission did not add additional items to the long-range calendar, but requested the Long Range include a full year.

8. Adjourn

The meeting was adjourned by consensus at 8:47pm.