

**CONTRA COSTA WATER DISTRICT
BOARD OF DIRECTORS
REGULAR MEETING
October 17, 2018**

MINUTES

CALL TO ORDER

President Borba called to order a regular meeting of the Board of Directors of the Contra Costa Water District (District) at 6:31 p.m., at 1331 Concord Avenue, Concord, the regular meeting place of the Board.

ROLL CALL

<i>Directors Present:</i>	Lisa M. Borba, President Connstance Holdaway, Vice President Ernesto A. Avila Bette Boatmun John A. Burgh
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<i>Directors Absent:</i>	None
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<i>General Manager:</i>	Jerry Brown
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<i>Legal Counsel:</i>	Douglas E. Coty
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<i>District Secretary:</i>	Wendy Chriss for Mary A. Neher
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PLEDGE OF ALLEGIANCE

Vice President Holdaway led the pledge of allegiance.

ADOPTION OF AGENDA

Mr. Brown stated that there were no changes to the agenda, and the Board adopted the agenda by rule.

PUBLIC COMMENT (Please observe a three-minute time limit)

President Borba asked for public comments.

Mr. Bird Morningstar, a Concord resident, discussed the benefits and importance of providing customers with education and reference information and tools. He discussed his own business

practices and complimented the District for the outreach and education provided to its customers. The Board thanked him for his comments.

CONSENT CALENDAR

1. Approve Directors' Service/Business and Travel Expenses
 - a. Future Services – October/November 2018
 - b. Expenses – September 2018
 - c. Compensation – September 2018
2. Meeting Minutes for Approval: September 19, 2018
3. Approve the warrant register dated October 18, 2018.
4. Authorize execution of an agreement with Brown and Caldwell for consulting services for the Shortcut Pipeline Reliability Improvements Project in an amount not to exceed \$173,000.
5. Approve an amendment to the existing lease with GTE Mobilnet of California Limited Partnership d/b/a Verizon Wireless by Cellco Partnership, its general partner, providing for up to four successive terms of five years beginning September 1, 2026, for the continuing operations of wireless telecommunication facilities at the San Miguel Reservoir and Pump Station.
6. Authorize execution of a contract with Voya Financial to provide current level ancillary benefits for 2019 and 2020, with the option to renew for two additional one-year periods and authority for the two-year extension being delegated to the General Manager.

President Borba asked for Board questions and comments. There were none.

President Borba asked for public comments. There were none.

MOTION: Boatman/Holdaway to approve the consent calendar. The motion carried by a unanimous voice vote.

ACTION

7. Draft Administration Record for Alternative Rate Structure
 - a. Receive update on the rate structure analysis and the draft Administrative Record;
 - b. Concur with rate structure methodology and proceed to finalize administrative record on this basis; and
 - c. Authorize an amendment to the professional services agreement with Raftelis Financial Consultants, Inc. in the amount of \$50,156 for a revised total amount not to exceed \$207,165.

Mr. Brown reviewed the rate structure study process completed to date to develop the draft Administrative Record document. The Board was provided with a copy of the document as well as the executive summary as part of their meeting packet. These documents have also been posted to the District's website along with the other rate structure analysis materials previously reviewed by the Board.

Mr. Sanjay Gaur, Vice President of Raftelis Financial Consultants, reviewed the purpose for and goals of the rate structure study. The draft Administrative Record includes the analyses, rationales, and methodologies utilized to determine cost of service-based water rates that meet Proposition 218 (Prop 218) requirements. The key decisions incorporated into the alternative water rates and updates made since the last Board were reviewed.

Director of Finance Desiree Castello compared the current and proposed rate structures with a 2019 revenue adjustment for the treated water customers. The alternative rate structure would provide the District with the same amount of revenues and rebalance the cost components across the customer groups. Due to the resetting of the components, the initial implementation would cause the customer groups to have different percentage increases for the first year. Future rate increases would be the same across the various water customer groups and would account for adjustments needed to ensure cost increases in components such as energy are allocated to the energy charge.

At the Board's request, staff completed further analysis to identify unrestricted non-rate revenues that could potentially be reallocated as offsets, which is the area of Board discretion. The proposed and alternative allocation of revenue offsets were reviewed. The alternative would shift the discretionary offsets from the quantity to the energy components, both of which are variable charges. Director Avila thanked the Board for its support to have staff do the additional analysis, as he felt the alternative will help customers adjust to the energy charge component and allow them more time to modify their water use. In response to Director Boatman, staff explained how the adjusted variable charge components would continue to encourage water conservation across the treated water customer group.

Per the Board's request, the Prop 218 notices to be sent to customers will reflect rates for one year and not multiple years, which makes the Administrative Record a one-year document. The use of offset revenues will need to be reviewed and considered by the Board each year during the rate review. The Board concurred that it understood that this was a one-year adjustment decision. Director Avila was confident that customers would adjust their water use as they became accustomed to the new rate structure. He also suggested the District provide additional water conservation education to customers.

A review of the impacts to the other treated water customer classes with and without the proposed 2019 revenue adjustment was provided, which included the elimination of a dwelling charge to multi-family treated water customers.

Ms. Castello asked the Board for additional questions regarding the treated water customer class.

In response to Director Avila, staff reviewed the changes to the private fire protection and backflow prevention charges. School districts were identified as one of the largest customer types that will be impacted by the changes made to align these costs in accordance with the American Water Works Association meter adjustments criteria. A review of the schools' concerns and challenges, as well as the outreach done by the District, was provided.

A comparison of the current and proposed rate structures with the proposed 2019 revenue adjustment was provided for the untreated water customers. The impacts by customer class were reviewed. The peak demand charges for customers with multiple meters of the same type of service at the same location were combined and resulted in positive impacts for the City of Antioch and the City of Pittsburg. This was done in response to comments from Antioch. Due to customer feedback received during the agricultural irrigation customer workshops, the District will phase in the peak demand charges over a three-year period using non-rate (offset) revenues. President Borba said the Board should annually review the proposed offset revenue for the untreated water agricultural customers along with the use of revenue offsets for the treated water. Staff suggested that the allocation of offsets used to support the District's Lifeline Program also be reviewed at the same time.

The untreated water rate model incorporates the credit applicable to the City of Brentwood for supplying their own source water and not using the District's Central Valley Project water. A review of the updates to the demand charge unit cost calculation and the estimated customer usage was provided. In response to Director Avila, staff explained how the District trued up the water usage of customer groups. The update changes the impacts to municipal untreated water customers, and the information provided to those customers was reviewed. A summary of non-rate revenues used to offset the untreated water costs was provided.

In response to Mr. Brown, the Board agreed to pause the presentation to allow initial public and Board comments about the rate structure and draft Administrative Record update.

President Borba asked for public comments.

City of Antioch (Antioch) Director of Public Works Jon Blank thanked the District for providing additional information and analysis of the complicated rate structure, as well as the additional meetings and communications with Antioch during this process. He is concerned that Antioch's increases are nearly twice as much as other municipal customers. The information provided tonight was helpful. Antioch looks forward to having additional meetings with the District to discuss the rate increases. The Board thanked him for his comments.

In response to Mr. Morningstar, President Borba confirmed that untreated water was the same as canal water.

There were no other public comments.

President Borba asked for Ms. Castello to continue the presentation.

Ms. Castello reviewed the rationale for the proposed amendment to the rate consultant agreement, which included the incorporation of additional rate modeling analysis, previously requested by the Board, and a special model run to estimate the impacts to the District and Antioch should Antioch build a desalination plant. The cost of the latter would be shared between the two parties.

Shifting to customer outreach, staff reviewed the new online water bill estimator tool, which will be available on the District's website in November. Customers will be able to calculate their billing statements and compare current rates, rates reflecting the new rate structure, and rates reflecting both the new structure and the 6% revenue increase proposed for 2019. Other account information available through the online tool was provided. In response to Director Avila, staff explained that the water bill estimator used actual customer account data and provided a comparison of their current billing statement, using the current rate structure, to projections under the proposed rate structure and 2019 revenue increase. It was recommended that a footnote be added to identify the variable cost components for each customer account. Director Avila said this tool will help with the transition to the new rate structure now. Although customers can call the District to request water consumption change calculations, Director Avila suggested for the District to consider future development of a "what-if scenario" estimator that allowed customers to run their own water consumption calculations. President Borba said she feels that customers will review the rate estimator comparison and want to try to figure out what they need to do to reduce their water bills. Director Avila discussed adding a line item to each customer bill showing the savings that could be achieved if the customer reduced water consumption by 10%. President Borba said the water bill estimator will help customers understand the changes from the current to the new rate structure.

Staff reviewed the development of and the information included within the new bill statement proposed for use in 2019. Vice President Holdaway and Director Burgh said the message center portion of the statement would be a good tool for the District. In response to Director Boatman, staff explained that the District deferred action on absorbing the processing fee currently charged to customers making online credit card payments until July 2019. The District will be conducting a competitive process for new banking service providers and may have an opportunity to negotiate reduced banking charges by consolidating services. In response to Director Boatman, staff reviewed comments provided by a sample customer group regarding the new bill statement.

The Prop 218 notices to be mailed out in November will include information on both the proposed rate structure changes and a proposed revenue increase up to 6%. The notices will be four-page documents, double the length used last year, to convey the reasons for the revenue increase and present the rate structure changes in a way that is clear and supportable. A review of the key messages for the revenue increase was provided. President Borba said the proposed revenue adjustment had been included in the 2019 Capital Improvement Program and 10-Year Financial Plan. Director Avila requested that customers be reminded about the costs that are out of the District's control, such as PG&E and increases in the Bureau of Reclamation's Central Valley Project water rates. In response to Director Boatman, staff will modify the messaging to

ensure it is understood that the revenue increases also pay for all items budgeted after use of reserves and other sources of funds.

The schedule for the period of November 2018 through April 2019 was reviewed.

President Borba asked for additional Board questions and comments.

In response to Director Boatman's request to expedite review of the Lifeline Program, Mr. Brown said staff was currently focusing its resources on the rate structure and rate review processes. In February, the District should be able to have the staff resources available to research the number of treated water customers that may qualify for the District's Lifeline Program and develop a plan to address the matter.

In response to Director Burgh's request for modifying the messaging to thank our valued customers, Mr. Brown said that comments were received from Board members that having white space on the bill statement made the bill easier to read; however, staff will review the format to see if that portion of the bill can be adjusted.

Vice President Holdaway praised staff for doing an amazing job on the rate structure study, which has been very challenging and difficult for everyone involved. The Board concurred with her comments.

Mr. Coty requested for the Board to formally concur with the proposed allocation of unrestricted, non-rate revenues.

President Borba asked the Board if it concurred with the one-time use of unrestricted, non-rate revenues to offset the untreated water agricultural irrigation peak demand charges by \$6,000 and the use of \$416,000 in treated water offsets to energy surcharges. Staff is to highlight both matters to the Board during next year's rate review. All five Board members concurred and requested for the Prop 218 notice and final Administrative Record to reflect this approach. As further confirmation to Mr. Brown, President Borba clarified the full Board's concurrence with the rate structure methodology included in slide 16 of the presentation, as it relates to the question about use of treated water offsets, and that it had received the update on the rate structure analysis and the draft Administrative Record. Mr. Coty confirmed the full Board's concurrence was sufficient for Agenda Item Nos. 7.a. and b.

President Borba asked for additional public comments.

Mr. Morningstar discussed the water charges paid by the citizens living in the Sea Ranch community in northern California. Mr. Morningstar concurred with Director Avila's comment about the benefits of a "what if scenario" estimator for customers and supported the District's development of that tool. He reviewed the comments he previously provided to staff about the new bill statement.

President Borba thanked Mr. Gaur and Raftelis for their leadership during the rate structure analysis, which took additional time and effort, and for developing a draft Administrative Record that was tailored to the District and its customers. She thanked the Board and staff for their time and effort through the process, especially for the extra work to assist the City of Antioch. She thanked Mr. Blank and the City of Antioch for providing their comments. The online estimator and the new bill statement will be good tools to help customers understand the changes. She requested for the Board to be provided an update of the customer feedback on the new tools and changes at an upcoming Board meeting.

MOTION: Avila/Boatmun to authorize an amendment to the professional services agreement with Raftelis Financial Consultants, Inc in the amount of \$50,156 for a revised total not to exceed \$207,165. The motion carried by a unanimous voice vote.

REPORTS FOR DISCUSSION

- 8. Committee Report(s):
 - a. Board of Supervisors – Transportation, Water, and Infrastructure Committee Post-Meeting Report (10/08/18)
- 9. Schedule Future Meeting Dates and Times

Director Boatmun reported that she was requested to be on a California Special Districts Association, Contra Costa Chapter (CCSDA) committee to plan a dinner and will need to hold a meeting at the District’s offices sometime after November 1.

Director Avila said he may attend a meeting of the City of Concord’s Blue Ribbon Committee for the Campus District Visioning Project, scheduled on October 18. In response to Director Avila, Mr. Brown said that staff were engaged with the City of Concord. As this meeting would focus on land use, District staff would not attend the meeting. Director Avila said he will provide a report, if he attends the meeting.

REPORTS

- 11. General Manager

Mr. Brown did not have a report

- 12. Legal Counsel

Mr. Coty did not have a report.

- 13. Board Members

Director Avila thanked Ms. Castello and her staff for all the hard work on the rate structure study analysis, which was a large and challenging project. He sincerely thanked his fellow Board

members for listening to his concerns and issues and for being open minded and supportive of his concerns.

Director Burgh thanked staff for its efforts for the rate structure project, especially Ms. Castello who provided very detailed and interesting information in a format that could be understood.

Vice President Holdaway did not have a report.

Director Boatmun reported that she had attended the October 15 CCSDA meeting and reviewed the topics presented. She attended the East Bay Leadership Council – Water Task Force meeting on October 16, which included a presentation by Anthea Hansen, General Manager of the Del Puerto Water District. She received a call from Gloria Gray, who was recently selected as Chair of the Board of Directors for the Metropolitan Water District of Southern California. Director Boatmun invited Chairperson Gray to visit the District and other northern California water facilities and suggested that the District introduce her to other local agencies.

President Borba reported that she had attended meetings with Mr. Brown on October 9 and 15.

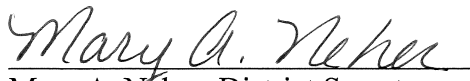
ADJOURNMENT

At 8:03 p.m., President Borba adjourned the meeting. The next regular meeting of the Board of Directors will be on November 7, 2018, commencing at 6:30 p.m. in the Board Room located at 1331 Concord Avenue in Concord.



Lisa M. Borba, President

Attest:



Mary A. Neher, District Secretary