



Water Commission
7:00 p.m. –May 2, 2016
Council Chambers
809 Center Street, Santa Cruz

Water Department

Minutes of a Water Commission Meeting

Call to Order: Chair W. Wadlow called the meeting to order at 7:01 p.m. in the City Council Chambers.

Roll Call

Present: W. Wadlow, L. Wilshusen, D. Baskin, D. Stearns, and A. Schiffrin

Absent: D. Engfer, and D. Schwarm, (with notification)

Staff: R. Menard, Water Director; H. Luckenbach, Deputy Director/Engineering Manager; D. Culver, Chief Financial Officer; T. Goddard, Administrative Services Manager; E. Cross, Community Relations Specialist; C. Berry, Watershed Compliance Manager; M. Kaping, Management Analyst; A. Poncato, Administrative Assistant III

Others: There were approximately 6 members of the public.

Presentation: There were no presentations.

Statement of Disqualification: There were no statements of disqualifications.

Oral Communications: Oral communications by Scott McGilvray and Jerry Paul.

Announcements: There were no announcements.

Consent Agenda

1. City Council Actions Affecting Water
2. Approve the April 4, 2016, Water Commission Minutes
3. Financial Status – Follow-up to Approval of Operating and CIP FY 2017

Commissioner L. Wilshusen moved the consent agenda as amended. Commissioner A. Schiffrin seconded.

VOICE VOTE: MOTION CARRIED

AYES: All.

NOES: None

ABSENT: D. Engfer, and D. Schwarm

Items Removed from the Consent Agenda:

4. Timber Harvesting, information regarding possible timber harvesting in the Watershed.

Chair W. Wadlow opened up the topic for public discussion because he wanted to specifically offer an opportunity to provide direction to staff regarding responding to an email on this topic received from Nancy Macy, Environmental Committee Co-Chair of the San Lorenzo Valley Women’s Club.

Public comment by Steve Singer and Betsy Herbert expressed support of the city’s direction in this matter.

Final Comments and Requests for Follow Up: Additional Comments

- Request for Ms. Menard to draft a reply to Nancy Macy’s for the chair’s signature clarifying that we do not commercially harvest timber in the watershed.

Commissioner A. Schiffrin moved to accept the information. Commissioner L. Wilshusen seconded.

VOICE VOTE: MOTION CARRIED

AYES: All.

NOES: None

ABSENT: D. Engfer, and D. Schwarm

General Business

5. Water Rate Increase Proposals

This item was presented for discussion, with no Commission action on a recommended rate structure expected at this meeting

Sanjay Gaur from Raftelis Financial Consultants provided a presentation of proposed water rates and water rate structures.

Do we have a rate plan that will raise rates by 10%?

- In 2014, City Council adopted a 5-year rate increase at 10% per year on the fixed charge and 10% per year on the volume charge. The figures in this presentation do not reflect the 10% increase previously approved, which is planned for implementation on July 1, 2016.

Please clarify what a uniform rate is and a simple water budget.

Uniform rate means one rate for each unit used and a simple water budget for a landscape account is set using the amount of landscape to be irrigated and uses general evapotranspiration data to establish the amount of water needed to efficiently irrigate the landscaped area. Using water up to this amount (the 100% water budget) is charged at one rate, and use above this amount is charged at additional rates structured in tiers.

How many metered accounts does UCSC have?

- UCSC has 10 accounts but the University has installed 400 sub meters that provide it

with the information it needs to actively manage its water use.

Please explain what a ready to serve charge means in these proposals.

- A Ready to Serve charge is typically a fixed charge that recovers some defined portion of the total cost of service. Various options for the amount of revenue recovered through fixed charges are presented in the different proposals, with the lowest option recovering only the cost per month per customer for meter reading, meter maintenance, producing and delivering a bill, and providing customer services.

Please clarify inside/outside.

- Inside the city limits and outside the city limits.

What do we mean by the use of the word Commodity as it relates to these rate options? Another term sometimes used instead of commodity rate is volume rate. The commodity rate is the rate charged for the amount of water used, with a specific price established for each unit used. Depending on customer types, the commodity rate can be uniform (Commercial, UCSC) or tiered (Single Family, Multi-Family, or Landscape).

How was the price for the tiers and uniform costs chosen?

- Proposition 218 requires that rates be set based on the cost of providing the service, and the recent San Juan Capistrano court case, established that there needs to be a clear nexus between the cost of service and any tiered rates. All of the rate proposals that have been developed and presented to the Water Commission are based on the Cost of Service Analysis that the City completed last winter, the results of which were presented to the Water Commission on January 4, 2016, and to the City Council on February 23, 2016.

How do these proposed rates compare to the current rates?

- The current rate structure collects about 65% of revenue from the commodity charge and 35% from fixed charges, not including the drought cost recovery fee.

What is the difference between promotes efficiency and promotes conservation?

- Promotes efficiency means, given your lifestyle, what the appropriate amount of water you should use. Promotes conservation means incentivizes people to change your lifestyle to reduce their water use. Examples might be rate structures that use uniform rates and collect more revenue through volume versus fixed charges promote efficiency, and those that use tiered rates incentivize conservation.

Doesn't funding a larger Rate Stabilization Fund as part of our rate increase allow us to stick to our predicted rates better than if we didn't have a rate stability fund?

- Yes.

Can you please add the 10% July increase into the numbers that will be presented at the June Water Commission Meeting?

- Yes, we will present a July 2016 adopted bill versus a December 2016 proposed bill for comparison purposes.

Additional Comments

- IRF is meant to be a line item dedicated to infrastructure needs so the public would know more about the rehabilitation and replacement projects that are being funded.
- The Water Commission should recommend policies with the greatest assurance for overall revenue sufficiency and revenue stability.

Requests for Follow Up:

- Explain the definition of multifamily residences in all scenarios.
- It would be helpful to point out in the proposal that the Water Department simply needs more money to operate the system and to point out that we are changing some of the allocations and perceived equities within the system by changing definitions and how we allocate things.
- Suggestion for page 58 of the agenda packet, page 17 on Water Rate Study: Add an additional column to show the build-up to the total proposed commodity rate.
- Suggestion for page 55 of the agenda packet, page 14 on Water Rate Study: add (operations + infrastructure) in parenthesis after Commodity SFR Impact.
- Keep original page numbers in future agenda packets.
- Add current rates to a table to illustrate the differences.
- Convert the graphs into words to verbally explain the statements to drive in the numbers.
- Thoroughly research how these options will affect our bond rating and the ability to finance our system.
- Staff recommendation will be brought to the Water Commission in June.

Subcommittee/Advisory Body Oral Reports

Directors Oral Report No action shall be taken on this item.

- Ms. Menard will be meeting with the Budget and Finance Committee of the San Lorenzo Valley Water District on Tuesday, May 10, 2016, to discuss current and future water supply projects. (This meeting was rescheduled for June 2, 2016, and she will be presenting to the entire San Lorenzo Water District.)
- Ms. Menard will be presenting at the Soquel Creek Water District meeting on Tuesday, May 17, 2016, to discuss the water supply augmentation strategy work. (This meeting was postponed until further notice.)
- Our water supply is looking good and the San Lorenzo River is running.
- In the upcoming month or two, we will bring an updated draft of the financial plan and strategy that was brought to the Water Commission in February 2016.

Adjournment Meeting adjourned at 9:42 p.m. The next regular meeting of the Water Commission is scheduled for June 6, 2016, at 7:00 p.m. in the Council Chambers.

Respectfully submitted,

Amy Poncato

Digitally signed by Amy Poncato
DN: cn=Amy Poncato, o=Water Department,
ou=Administration,
email=aponcato@cityofsantacruz.com, c=US
Date: 2016.06.07 09:09:53 -0700

Staff