



**VALLEY COUNTY WATER DISTRICT
MINUTES FOR THE MEETING OF THE CAPITAL IMPROVEMENTS & RATES COMMITTEE HELD
TUESDAY, NOVEMBER 1, 2016**

Committee Members Present: Director Paul Hernandez, Chairperson
President Alfonso Contreras, Co-Chairperson

Staff Present: General Manager, Jose Martinez
Operations & Maintenance Manager, Tom Mortenson
Executive Assistant/Board Liaison, Colleen Malaiba

Others Present: Director Margarita Vargas

A. CALL TO ORDER

The meeting of the Capital Improvements & Rates Committee held on Tuesday, November 1, 2016, was called to order at 8:30 am by Director Hernandez.

B. PUBLIC COMMENT

- No comment

C. DISCUSSION/INFORMATION ITEMS

1. Discuss Rate Study Proposal from Raftelis Financial Consultants

- General Manager
 - Reported that the District transitioned into the final year of a five-year water service rate structure and schedule adjustments based on Resolution 07-12-717; stated that since the adoption of the current water service rate structure and schedule, water supply conditions within the Main San Gabriel Basin have become more volatile due to the continued drought conditions across the State of California
 - Reported that Main San Gabriel Basin Watermaster has set the Operating Safe Yield at 150,000 acre-feet and proposed an increase to assessment charges associated with production out of the basin; stated that the cost of available water supplies will continue to significantly impact the District's operating expenses in future fiscal years; announced that as a result, the District will need to analyze, review, and determine the need to modify the District's current water service rate structure and schedule adjustments to sustain the anticipated financial impacts of the increased cost of available water supplies
 - Reported that staff requested proposals from qualified consultants to perform a rate study to ensure adequate funding of its expenses under varying conditions and develop a long-term financial plan for the utility; presented a proposal from Raftelis Financial Consultants (RFC) to conduct a Water Rate Study in the amount of \$54,000, which would include a financial plan reviewing all operating (including water purchase costs) and capital revenue requirements over a five-year forecast, and determine the revenue increases necessary to sustain operations, fund reserves, and meet debt coverage requirements in the future; clarified that the Administrative Code states that the General Manager shall solicit a reasonable number of proposals from qualified professionals; stated that he would solicit additional proposal at the committee request, however his recommendation would be to proceed with RFC
- President Contreras asked for the name of the consultant that conducted the previous rate study

- General Manager clarified that the previous rate study was conducted in-house by the previous General Manager
- President Contreras stated that he would agree to recommend RFC as the only proposal as an exception to how the District typically considers professional services, however this would be last instance that the exception would be made; stated that he preferred to show that the District has done its due diligence by considering various proposals
- Director Hernandez stated that he understood the value of sole sourcing professional services based on familiarity with the level of service; noted that the proposal included attendance at one public meeting; asked how much it would be to add an additional meeting because third party validations are typically valued by the public
- General Manager stated that an additional meeting would cost \$4,000
- Director Hernandez stated that although he did not favor raising rates, he understood that the Board of Directors needed the type of data that would come from the rate study to make informed decisions about the future capital improvement projects
- President Contreras suggested that it may be a good time to become more familiar with Proposition 218; recommended coordinating a space to host a public meeting as the District Board Room has a maximum capacity of 22 people
- General Manager stated that it may be wise to provide a presentation on what costs affect the District's rates
- The committee agreed to present the Rate Study Proposal from Raftelis Financial Consultants to the Board of Directors for approval

2. *Review Capital Improvement Pipeline Replacement Project – Phase 5*

- General Manager reported the District's total capital improvement budget for 2016-2017 is \$2,352,490; stated that the District is anticipating to have \$1,290,089 available for capital improvements, with the balance coming from the District reserves; stated that Phase 5 of the Capital Improvement Pipeline Replacement Project accounts for almost \$900,000 of the capital improvement budget; reviewed Phase 5 of the Capital Improvement Pipeline Replacement Project; reported that \$625,000 of the capital improvement budget was for projects related to the new Operations Facility that had not been completed during the 2015-2016 fiscal year
- Director Hernandez asked if the District would still need to pull \$1,200,000 from reserve if the funds earmarked for the Operations Facility during the 2015-2016 fiscal year had not been used
- General Manager clarified that any unused funds are saved in the District reserves; stated that he would request the year end totals from the Finance & Customer Service Manager; expressed his concern regarding the District's aging infrastructure and that the District has no plans to address this within the 5-year Capital Improvement Plan; suggested that the committee review the District reserve policy
- Director Hernandez suggested to delay review of the reserve policy until the new year
- The committee agreed proceed with Phase 5 of the Capital Improvement Pipeline Replacement Project and bring proposal for each project as they become available

3. *Review Residential Consumption of Tier 1, Tier 2, and Tier 3 Water*

- General Manager presented a comparison of the residential consumption and total charges for the tiered water usage from 2013 through 2016; stated that this information is readily available through the utility billing system and that staff could build on this information in the future
- Director Hernandez thanked staff for preparing the information; recommended adding the amount of customers paid into each tier; expressed his concern that the customers within Tier 1 had not been conserving as much as the other tiers; stated that he was pleased that the report showed an increase in conservation through the years
- Operations & Maintenance Manager clarified that all customers will start out in Tier 1; added that it is likely that all customers will move into Tier 2

- President Contreras stated that he had been expressing his concern for the potential loss of revenue related to water conservation since the drought began; asked the General Manager if he was purchasing sufficient water right leases in order to offset the increasing water replenishment costs
- The committee recommended to present this information with the Finance & Customer Service Manager Report at the next meeting

4. *Discuss Main San Gabriel Basin Watermaster Assessments*

- General Manager announced that he had prepared to present information distributed at the Watermaster Basin Water Management Committee meeting, however it was recently announced that the information currently being considered was modified by Stetson Engineering since the previous meeting; stated that Watermaster is considering a drastic increase to their production assessments over the next 5 to 7 years in order to collect funds to purchase surplus water as it becomes available in order to recharge the basin
- President Contreras asked who would own the rights to the surplus water
- General Manager stated that Watermaster as a collective entity would; added that locking the operating safe yield at 180,000 acre-feet is being considering to stabilize the effect of the increasing costs to the individual water agencies

5. *Future Discussion Items*

- No recommendations

D. ADJOURNMENT

- The meeting of the Capital Improvement & Rates Committee held Tuesday, November 1, 2016 was adjourned at 9:54 am by Director Hernandez.

SIGNED:



 President of the Board of Directors

ATTEST:



 Secretary of the Board of Directors

(OFFICIAL VCWD SEAL)





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[illegible text]

I, the undersigned, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in the records of the County Clerk of the County of [illegible], State of Texas.

Notary Public in and for the State of Texas

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[illegible text]