

UTILITY ADVISORY COMMITTEE



Meeting Highlights -- Tuesday, April 28, 2009

Committee members Present: Sharon Schilling, Sarah Velasquez, Laura Whitehouse, Art Reker, Allan Schroeder, John McCubbin and Nick Webber.
Committee Members not present: Deena Monteiro

1. Welcome

Sharon Schilling, UAC Chair, opened the meeting. Sarah Rubin, Center for Collaborative Policy (CCP) Facilitator, reviewed the agenda.

2. Reviewed Meeting Highlights

Ms. Schilling asked the group to review the April 14th meeting highlights. The group did not request any changes.

3. Recap of Items

Christal Love, CCP reviewed the action item list focusing on those action items that need to be incorporated into the UAC Report to the City Council.

4. Reserve Policy

Tom Gaffney, Bartle Wells Associates, presented his findings and recommendations on reserve policies. Mr. Gaffney said the objectives of his study were to:

- Provide UAC with overview of reserve fund best practices
- Review financial requirements of each enterprise fund
- Develop recommended operating reserve policies
- Develop recommended capital reserve policies

Mr. Gaffney explained that having a reserve policy is very important with today's financing, and that having a reserve policy helps to improve a city's credit rating.

Mr. Gaffney informed the group that there are different kinds of reserve funds, and that he was recommending both:

- Operating reserves: rate stabilization, debt service, emergencies
- Capital reserves: replacement reserve & capacity or connection fee reserves

Mr. Gaffney stated that the benefits of reserve funds are that they protect against revenue fluctuations.

A summary of the reserve policies recommended by Mr. Gaffney are presented below:

Reserve Policy*		
	Capital Reserves	Operating Reserves % Range or Days
Wastewater Enterprise	Wastewater enterprise maintain no less than \$2.4M for emergencies; build replacement reserve to fund at least one year of replacement program (\$6M to \$10M)	45-60 days O&M operating reserve
Water Enterprise	Water enterprise maintain no less than \$1.7M for emergencies; build replacement reserve to fund at least one year of replacement program (\$6M to \$10M)	60-75 days O&M operating reserve in 2009 90 days O&M by 2012 for full implementation of metered billing UAC could consider larger reserve to increase future debt security
Solid Waste / Community Sanitation Enterprises	Solid waste and community sanitation should maintain capital reserve equal to one year vehicle/equipment replacement program (about \$1M)	30-45 days O&M operating reserve

John McCubbin noticed that the reserve fund did not include emergency expenditure funds (i.e. for earthquakes, terrorist attack). The group discussed this concept and agreed to add the following sentence to the reserve fund recommendation table:

This policy assumes a major catastrophe response will be funded by Federal and State emergency management agencies. The values indicated in this table are a minimum.

Robert Andersen, DPU Staff stated that the City of Fresno does not have a current reserve policy.

Mr. McCubbin suggested beginning with optimum capital and operating figures. Mr. Gaffney replied that the City of Fresno had undergone several battles over the years regarding development fees; and therefore suggested beginning with a more conservative reserve level and increasing as necessary. Ms. Schilling stated that she supported Mr. McCubbin's statement; that the UAC should get the optimal reserve policy on the books.

Mr. McCubbin requested showing the recommended operating reserves in both the percent and number of days. Mr. Gaffney said he would revise the data accordingly.

Operating Reserves

Mr. Reker asked the group if anyone disagreed with recommending a reserve fund for operating reserves. There was full consensus in support of the reserve fund ranges as recommended by Mr. Gaffney with the slight edit to add a range for the solid waste / community sanitation (see table above).

Mr. McCubbin asked Mr. Gaffney to revise his PowerPoint presentation to show the magnitude of debt service amount for the water enterprise.

Capital Reserves

Mr. Gaffney explained that these figures were based on major facility replacement costs, but at this time they do not cover operations and maintenance costs. He added that Proposition 218 prohibits the City from pulling these funds into their general fund for other uses.

Mr. Andersen informed the group that the goal of this UAC in regards to reserve funds was to consider whether to recommend a reserve policy; a future UAC will be asked to consider the actual reserve fund dollar amounts.

Break

The group discussed the recommendation timeframe, and Mr. Andersen informed the group that the reserve policy should be in effect before the UAC and DPU staff set the next rate increase; adding that he hoped that all of the UAC recommendations would go into effect when they are made. The group agreed, and decided to write the recommendations accordingly.

The group proposed the following Reserve Policies:

1. Maintain a minimum capital reserve
2. Maintain an operational reserve

3. Maintain replacement funding
4. Strive for more frequent nominal rate creases

There was full consensus on all four of the recommended reserve policies.

5. UAC Report to City Council

The group began discussing the preparation of their report to the City Council. The following work assignments were made:

- Alan Schroeder: Reserve Policy
- Sarah Velasquez and Laura Whitehouse: Drought Surcharge
- Sharon Schilling: Public Outreach & Impact Fees
- Jackie Grazier: Volunteer Water Meter Program
- Art Reker and John McCubbin: Metered Water Rates
- Deena Monteiro: possibly the CPI/UPI (as she was not present)

Mr. Reker volunteered to be the report compiler and editor

The following deadlines were agreed upon:

- Send draft sections to Mr. Reker by May 8th
 - Mr. Reker will get full draft text to group on May 12th
- May 12th meeting canceled
- All comments on the draft report to Mr. Reker by May 15th
 - Next meeting May 19th

Mr. Reker clarified that comments on the draft report could be made in track changes, highlighted text or hand written.

The group discussed whether or not to take on the municipal water district issue topic. Mr. McCubbin stated that he felt municipal water districts were such a complicated issue, that there would not be enough time to go into detail this year. The group all agreed to recommend municipal water districts be considered in the future.

Mr. McCubbin volunteered to rank of guiding principles and recommendations based on the UAC Member preference.

CCP committed to distribute the rough cut and paste report to the group and identify relevant handouts for each topic area. Mr. McCubbin requested CCP provide the text of California AB 514 and Proposition 218.

Summer UAC Outreach

Ms. Love presented the refined summer outreach proposal, explaining that the purpose of the effort was to build capacity within the community. With this proposal, CCP will begin to contact City Council members to explore getting on future district meeting agendas and calendars. There was general agreement

that those UAC members who want to participate would, and those who did not want to participate would not have to.

Public Comment

Lauren Harding, general public member made the following comment:

I'll be telling the council that the City consultant recommended setting policy to trap the Council into reserve rates. I graduated from Stanford University at age 22; while there I studied under a renowned population biologist. I will ask him what he thinks about the City of Fresno increased population. You have a water crisis and are talking about putting another plant there. People with college degrees will leave the city.