
I. Call to Order, Roll Call, and Approval of Special Meeting Minutes of May 16, 2019, and Introduction of Raftelis Financial Consultant Team to Utilities Advisory Committee

Chairperson James called the second 2019 Utilities Advisory Committee (UAC) regular meeting to order at 6:02 pm. Following a roll call the following UAC members were present: Richard Corneille, John James, Michael Ten Eyck, Christine Roque, and Richard Smith. Jonathon Corbridge and Ernest Marquez, Jr. were excused from the meeting. Raftelis Financial consultants Sudhir Pardiwala and Nancy Phan introduced themselves and requested a roundtable introduction of UAC members and staff. City of Redlands staff present consisted of Municipal Utilities and Engineering Director Paul Toor, Utilities Operations Manager Kevin Watson, Senior Project Manager Ross Wittman, Water Resources Specialist Cecilia Griego, Water Distribution Superintendent David Newland, Assistant Finance Director Farrah Jenner, and Senior Administrative Technician Jane Weathers. One guest, Dennis Bell, signed in, however, three other guests attended.

The meeting minutes from the UAC's first meeting on May 16 were not available and would be provided at the next UAC meeting.

Chairperson James requested to establish a few points of order for the duration of the meeting. Following concurrence from staff, consultants, fellow committee members, and guests, it was determined UAC members would be allowed to comment and ask questions throughout the presentation and within each agenda item, and guests would be given an opportunity to ask questions before and after each agenda item.

Following a re-cap of events, including an overview and history of the Wastewater Treatment Plant and its current status, Mr. Toor outlined the next steps in the process as the UAC begins its review of water and wastewater division budgets.

II. Current Fixed and Variable Revenue & Expenses

The city's budget for fiscal year 2019-2020, available for review on the city's website along with prior fiscal year approved budgets, includes water and wastewater division revenue and expenses. The discussion of the financial plan, included on the agenda, will be primarily focused on throughout the presentation with the goal to identify revenue deficiencies that will result without any revenue adjustments.

III. Current Rates

- Water
- Sewer

Mr. Pardiwala explained the rate study objectives ensure: sufficient revenue and financial stability, ability to fund capital project costs, compliance with Proposition 218

(Prop 218), rates are developed fair and equitably. Prop 218 requires that revenues derived from the fee must not exceed the funds required to provide the service, the amount of the fee must not exceed the cost of servicing the parcel, the fee must not be imposed unless the service is actually used by, or immediately available to, the property owner, and that agencies must develop a nexus between rates and costs of service and to document the methodology used in a report.

At the next UAC meeting, water, wastewater and non-potable water rates will be discussed.

IV. Current Consumption Patterns

- Water Consumption by Tier and by Customer Class
- Sewer Use by Strength/Class
- Report on Wastewater System (Collection and Treatment Plant)

A general overview of the tiers and customer classes was discussed and will be shown in greater detail at the next meeting when the draft rate model will be presented to the group. State requirements are considered in the review requiring inclusion and exclusions of certain classes (strength and usage), such as commercial classes which will be reviewed more thoroughly at the next meeting.

V. Policy Issues

- Reserves
- Debt

Key factors used in rate projections include average account growth at 0.5% per year based on the current Urban Water Management Plan, revenue growth, expense inflation, and the next fiscal year budgeted rate revenues used for projections. Mr. Pardiwala stated the recommended reserve policy for operations is 25% of annual operations and maintenance expenses and for capital is 100% of a 5-year average rate funded Capital Improvement Program.

VI. Financial Plan

- Operations & Maintenance Expense Projections
- Capital Improvement Plan
- Debt and Debt Service
- Reserves
- Revenue Adjustments

Mr. Pardiwala and Ms. Phan are continuing their review of the City's existing revenues received through rates, future expenses, including capital expenses, debt coverage and debt services requirements. At the next meeting, a draft model, updated financial plan, and wastewater cost of service analysis will be presented for the UAC to review.

Mr. Pardiwala presented via PowerPoint capital financing plans, revenue adjustments and debt coverage, financing plans, and ending balances for both water and wastewater divisions, which alternatively showed status quo and proposed for each.

Utilities Advisory Committee

REGULAR MEETING MINUTES (Meeting #2 on May 30, 2019)

MEETING MINUTES APPROVED AT
JUNE 13, 2019 UAC MEETING.

A discussion ensued concerning the impact to wastewater capital financing plan revenue adjustments and debt coverage, ending balances with a state revolving fund (SRF) loan of \$36 million over a 4 year timeframe or with \$22 million in bond funding in fiscal years 2020 and 2022. Additionally, non-potable budget was presented with no changes projected.

VII. Committee Member Comments

The following information was requested by committee members:

- Water and wastewater budget
- Master plans for water and sewer
- Related Utilities Advisory Committee documents
- Prop 218 information
- Increased public outreach regarding the study and UAC meetings using local newspaper, social media
- Coordinate a meeting to reconvene with the current UAC 6 months following completion of the rate study

Staff will work on providing requested information and/or link information on the city's website.

Although not on the agenda, a discussion ensued regarding the following additional meeting dates of June 20, July 11, and July 18. A meeting had been proposed via email for June 27, however, present members preferred a full quorum and posed other meeting dates. Ms. Weathers stated she would provide a confirmation email to the group once a full quorum is established for each.

VIII. Public Comment

Public comments included requests for staff to: educate the public to obtain an understanding and support of a community project that necessitates rate increases; explain where the wastewater treatment plant is, how it serves the community, the plant's typical costs for equipment replacement and maintenance, and the plant's and its equipment's life expectancy.

IX. Adjourn

The meeting was adjourned at 8:14 pm. The next meeting is scheduled for Thursday, 6:00 pm on June 13.

Jane Weathers, Senior Administrative Technician