

**CONTRA COSTA WATER DISTRICT  
BOARD OF DIRECTORS  
REGULAR MEETING  
February 6, 2019**

**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 6:30 p.m., at 1331 Concord Avenue, Concord, the regular meeting place of the Board.

***ROLL CALL***

*Directors Present:* Lisa M. Borba, President  
Connstance Holdaway, Vice President  
Ernesto A. Avila  
Bette Boatman  
John A. Burgh

*Directors Absent:* None

*General Manager:* Jerry Brown

*Legal Counsel:* Douglas E. Coty

*District Secretary:* Mary A. Neher

***PLEDGE OF ALLEGIANCE***

President Borba led the pledge of allegiance.

***ADOPTION OF AGENDA***

President Borba acknowledged the meeting changes made to the Board Future Services Calendar, Agenda Item 1.a., and the Board adopted the agenda by rule.

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

President Borba asked for public comments. There were none.

***CONSENT CALENDAR***

1. Approve Directors' Service/Business and Travel Expenses
  - a. Future Services – February 2019

2. Approve January 2, 2019 meeting minutes.
3. Approve the warrant register dated February 7, 2019.
4. Adopt Resolution 19-003 authorizing execution of a ten-year lease with California State Lands Commission for a pipeline crossing of Pacheco Slough.
5. Authorize an amendment to the agreement with Carollo Engineers, Inc. for FY19-FY20 construction management services in the amount of \$216,000, for a revised total not to exceed \$904,000.
6. Authorize execution of a task order in the Construction and Repair Services agreement with Con-Quest Contractors, Inc. for the Tilley Circle Main Replacement Project in an amount of \$517,000.

President Borba asked if anyone wanted to remove an item from the consent calendar to be separately considered. There were none.

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. Award of Contract – Midhill and Country Club Rehabilitation Project
  - a. Authorize execution of a contract with Anderson Pacific Engineering Construction, Inc. for construction of the Midhill and Country Club Rehabilitation Project in the amount of \$2,619,000, with a change order authority of \$209,520, for a total amount not to exceed \$2,828,520; and
  - b. Authorize an amendment to the professional services agreement with West Yost Associates in the amount of \$150,000, for a total revised amount not to exceed \$558,000.

Mr. Brown reviewed the project and confirmed the District had received competitive bids. The item was included as an action item because the contract awards were over \$1 million. The contract awards were not controversial, and the list of subcontractors was included in the report.

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

President Borba asked for public comments. There were none.

**MOTION:** Boatmun/Avila to authorize execution of a contract with Anderson Pacific Engineering Construction, Inc. for construction of the Midhill and Country Club Rehabilitation Project in the amount of \$2,619,000, with a change order authority of \$209,520, for a total amount not to exceed \$2,828,520; and authorize an amendment to the professional services agreement with West Yost Associates in the amount of \$150,000, for a total revised amount not to exceed \$558,000.

***DISCUSSION AND INFORMATION***

8. Review and comment on the Draft Ten-Year Capital Improvement Program and Financial Plan for Fiscal Years 2020-2029.

Assistant General Manager – Engineering Steve Welch explained that the 2020-2029 Capital Improvement Program (CIP) and Financial Plan (Plan) includes assumptions for water sales projections that contain impacts from the Antioch desalination project and a reduction in new water connections. The CIP includes \$1 billion invested in infrastructure to ensure reliability and quality. Several infrastructure studies over the next two years will define infrastructure needs and future debt capacity. Continued evaluation of a potential expansion of Los Vaqueros (LV) Reservoir is also included. No funding for implementation of the LV Reservoir Expansion Project is included in the CIP.

The capital improvement projects funding sources over the past 10 years were reviewed. The CIP includes primary funding through revenue and outside sources. Based on the current Plan, approximately \$35 million of debt capacity, which is the annual debt payment on bonds, will be paid off around the year 2028. The freed-up debt capacity could possibly be reinvested into the District's assets.

Several studies are planned to define and prioritize risks for the aging infrastructure to allow efficient replacement of aging infrastructure and to balance priorities across all programs. The recently completed and planned studies were reviewed. For specific projects that are large and lengthy, such as the Canal Modernization Project, a concept to fund all or part of the project through a special fee specific to that project is being reviewed. The key elements to institute a special fee were discussed and included voter-supported projects done by East Bay Municipal Utilities District and Contra Costa Water District.

A valuable tool for the District is the Computerized Maintenance Management System (CMMS). The data gathered can be evaluated to determine and plan for renewal and replacement needs. The identified projected failure and maintenance patterns will be incorporated into the renewal and replacement program to optimize the schedule for maintenance and replacement of system infrastructure components. CMMS provides project cost and labor efficiencies.

The data and summary for the pipeline renewal and replacement study were reviewed. The study generated four potential investment scenario levels, which were provided. The more data entered into CMMS the better tool it will be to forecast potential problem areas. The District's

planned investments in main replacements will be addressing the pipeline renewal and replacement scenario closest to a level 3 investment profile. Director Avila said the Pipeline Renewal and Replacement Study, which was provided to the Operations and Engineering Committee, was outstanding and cutting-edge. Mr. Welch acknowledged Facilities Planning – Senior Engineer Jill Chamberlain, who had led, evaluated, and developed that study. In response to Director Burgh, staff confirmed the model was based upon the existing District mains and pipelines. Each investment scenario included a different amount of main and pipeline replacements, as well as the associated break reduction for completing that scenario. Director Burgh said CMMS could be a beneficial tool to the Board, especially related to rationalizing investments in infrastructure. Mr. Brown said the renewal and replacement projections will be refined as more data is included in CMMS.

Although the CIP lists priority level 1, 2, and 3 capital projects, only funding for priority level 1 and 2 projects are included in the Plan. In response to Director Boatman, staff explained the pipeline replacement rate had been approximately 1.5 miles per year and will be increased to 3 to 4 miles per year. The funding sources for priority level 1 and 2 projects were reviewed. A review of the 10 programs was provided, which included the changed projects and costs between the last and proposed CIPs.

In response to Director Boatman's question regarding the Mallard Slough Channel Rehabilitation, staff said the District needed to do a business case analysis to determine the benefit to the District from the facility. A discussion ensued regarding the benefits to the District. Staff will provide more information after the analysis has been completed.

The water/energy demand reduction program includes a placeholder for recycled water and/or advanced meter infrastructure (AMI), as well as potential grant funding for AMI, to meet the long-term water efficiency regulations expected to be set in 2022 and implemented in 2025.

Over the 10-year period, the CIP will increase operating costs by \$1 million, which is primarily from implementation of the water use efficiency regulations. Staffing will increase by half of a full-time employee due to the recycled water operations for the Concord Naval Weapons Station (CNWS) Project, which will be evaluated as the priority 3 projects become funded. Director Avila said it was important for the public to understand the District will have operational needs and costs from the CNWS project. Mr. Brown said the District and Central Contra Costa Sanitary District will need to negotiate the recycled water operating management for the project.

Mr. Brown confirmed that the future water supply study would be timed to allow for additional water supply impacts to become more developed or finalized from the California WaterFix, Delta Flow requirements, and state required water conservation requirements. Although the District continues to monitor and evaluate such impacts on an ongoing basis, it plans to prepare a final report in 2021. In response to Director Avila's concerns about impacts to the District from increased housing densification, staff said known densification standards were included in its water supply plan.

Assistant General Manager – Administration Ron Jacobsma said the Plan includes funding for the priority level 1 and 2 capital projects, operating costs, and debt service expenditures. The benefits from maintaining the reserve levels were provided. The water rate projections were increased to reflect reduced demands by the City of Antioch (Antioch) in anticipation of its desalination project coming online around 2023. The number of new facility reserve charges (FRCs) reflect housing trends and industry projections. The fee calculation to reactivate an existing FRC was reviewed. The Plan assumptions include operations and maintenance costs, drought reserve funding, and debt financing, which were reviewed.

Director Avila said the District needs to ensure that facilities can operate during intermittent PG&E power shutoffs, especially during emergencies. Staff explained if the District is notified in advance of the shutoff, the District can move temporary generators into position. Unfortunately, the notification to the District is not consistent and emergency shutoffs cover larger areas than in the past. The unexpected, long power outages need to be addressed to ensure the District can provide water, especially during a fire.

The Plan's assumptions for managing the Retirement Trust were reviewed. A drought reserve replenishment schedule of \$1 million per year for the next eight years has been included. The existing debt financing strategy was provided and includes the possible conversion of short-term debt into long-term bonds by 2025. Some of the available debt capacity may be used to invest in future capital improvement projects.

The water sales projections include reduced revenues from Antioch because of the desalination project. The District's rate study consultant completed additional analysis related to the Antioch desalination project and its future water demand upon the District, which will soon be provided to Antioch and the District's Board. The analysis was based upon the current rate study and cost reallocation structure and did not include Los Vaqueros debt or anything else. The analysis includes the decrease in water sales projections and impacts to the other customers when Antioch's desalination project begins operation.

The untreated FRC estimates were decreased from the last CIP. The treated FRC estimates begin slightly higher then level off in the latter years of the CIP.

The District's reserve management provides financial flexibility and helps maintain the District's high credit ratings. The reserve levels will be refined upon completion of the infrastructure planning studies and could possibly fund infrastructure improvements and reserves for drought, emergencies, and rate stabilization. The projected untreated and treated water reserves were reviewed. For purposes of this CIP, all impacts from Antioch's reduced demands were included in the untreated water portion and create an estimated 6% revenue impact. The CIP spreads the rate increases over three years to moderate customer impact. A discussion ensued regarding the untreated water revenue. As untreated water is a portion of the treated water revenue rates, the treated water customers will also be impacted, but those rate increases are not included in this CIP. Staff included the rate consultant's analysis of the change in Antioch's demand, should their desalination plant move forward, in this CIP review so the Board could provide its feedback.

Director Avila asked what if Antioch changes its mind about building the facility or if the facility falters? Are they banking on the District to be its emergency supply? What does it mean for Antioch to be off the District's system? He asked if Antioch goes off the District's grid, what does that mean if the desalination facility is not able to meet Antioch's water needs? Vice President Holdaway asked if Antioch would be permanently off the District's grid or if Antioch will continue to take water? Director Boatman asked what the cost difference is between Antioch taking water from the river and getting it through the desalination project? President Borba asked if the desalination impacts were included in the Raftelis report? In response to the questions, Mr. Brown said the CIP assumes that Antioch would still receive some water from the District. The additional rate consultant analysis focused on impacts to Antioch from the District's new rate structure. The Board comments will be noted and included going forward. The increase to the untreated water rates will also be paid by Antioch for the water it takes from the District. Staff confirmed there are additional considerations to be reviewed as Antioch moves forward.

The sources and use of funds were reviewed. During the drought the District used the rate stabilization fund to bolster the debt service ratio. The annual debt service projections were reviewed for long-term committed, short-term, and long-term projected debt service. The positive debt service ratio enables future investment in critical infrastructure renewal and replacement projects, funding for CIP priority level 1 and 2 projects, and other future renewal and replacement needs of the District.

The long-term debt capacity may be used to pay for the Canal Modernization Project. A special project fee funding scenario was reviewed. This funding scenario would free up debt capacity to address other facility needs. The bulk of the capacity becomes available later in the CIP period. Other options for allocation of the future capacity were reviewed.

During the CIP process a financial planning streamline concept was identified. Staff would like to do further analysis and bring the results to the Board this summer. The streamlining would be achieved by integrating the two-year CIP and ten-year Financial Plan with the two-year budget process, which provides efficiencies and eliminates duplicative processes. An enhanced comprehensive strategic planning document would be created. In the non-CIP review years, staff would have time to work on master plan updates and complete large planning/financial projects. The Board would maintain discretion, transparency, and oversight while preserving financial flexibility. If the streamlining process goes well, the Board could consider allowing for a two-year rate study analysis and Proposition 218 (Prop 218) notice. The Board could still review the rates each year to determine if the recommendation holds or needs to be adjusted.

Vice President Holdaway said the Board has preferred an annual Prop 218 notice and revenue review. In response to Vice President Holdaway's question regarding costs, staff said there are costs savings if everything were completed through a two-year process with an annual revenue review by the Board. The costs to prepare the Prop 218 notices, mail the notices, and provide public outreach were not as significant as the costs associated with the two-year CIP and ten-year Financial Plan and two-year budget processes. The Board could still take action as needed

for special circumstances, such as drought, emergency, changing water supply, and economic conditions. In response to Director Boatman, staff explained that a two-year Prop 218 notice would separately list the revenue rate adjustment for each year, and the Board could decide to change the projected revenue rate through a Prop 218 notice process.

Staff would like to continue refining the potential process modification and present it to the Board for consideration this summer. Mr. Brown asked the Board to confirm his understanding of its concerns regarding potentially changing the financial planning cycle process. The Board wants the staff report to include costs and savings from the changes. The Board was concerned about changing to a two-year rate study and two-year Prop 218 notice. The Board was more willing to consider the combining of the two-year CIP and ten-year Financial Plan with the two-year budget process. The staff report will provide individual recommendations for the Board's consideration. Director Boatman asked for the report to include other districts that have instituted two-year Prop 218 notices and public response. President Borba said that while the Board always looks for efficiencies, it was very important to be transparent.

Mr. Coty reviewed the use of five-year rate schedules, as provided in the Prop 218 Omnibus Implementation Act, and reviewed the multi-year process used by Dublin San Ramon Services District. Vice President Holdaway expressed concerns about not holding a public hearing. Mr. Coty explained that the Board could still elect, but was not required, to send a Prop 218 notice and hold a public hearing for the second-year rate adjustment. The benefits from a longer-term rate study to support the rates were provided. The District's current rate study is only good for one year. Additional information may help the Board with its review. Vice President Holdaway emphasized the importance for transparency.

Mr. Jacobsma thanked the CIP team, which included Senior Engineer Jill Chamberlain, Project Controls Manager Lars Sandberg, Rate & Financial Analyst Celia Cheung, Director of Planning Jeff Quimby, and Director of Finance Desiree Castello.

Director Burgh said the idea of changing to a two-year review of the CIP and ten-year Financial Plan and budget process was intriguing. He emphasized the need to explain how the upcoming available debt capacity will be used to prevent a problem like the District experienced 20 years ago through a Grand Jury investigation. The rate-setting process is complicated and needs to be communicated clearly.

Director Avila said it was crucial for the District to communicate the need to invest in the capital improvement projects and infrastructure to enable the District to continue providing the current high level of reliable service to customers. Director Burgh suggested using a tangible goal, such as holding the number of main breaks within the service area to the level they are now for the next 30 years.

Director Avila said the impacts from PG&E were more than the District needing to provide emergency power. The facilities need regular rehabilitation, and the operations of gravity-fed

and pressurized facility options needed to be compared. It is important for the District to continue to work on recycled water partnerships and on its outreach to the City of Brentwood regarding its potential future urban line adjustment.

President Borba confirmed the Board had completed its review and provided comments on the draft Ten-Year Capital Improvement Program and Financial Plan for Fiscal Years 2020-2029.

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

President Borba asked for public comments. There were none.

### ***REPORTS FOR DISCUSSION***

9. Committee Report(s):
  - a. Operations and Engineering Committee Post-Meeting Report (01/09/19)
10. Future meeting dates and times.

Mr. Brown said the meeting with Supervisor Burgis on February 14 was expanded to include Supervisor Mitchoff, and the District planned to review the Los Vaqueros Reservoir Expansion Project, Canal title transfer, housing, and homelessness. In response to Mr. Brown's request for additional topics, Director Boatmun requested that the water tax be added to the meeting.

Director Boatmun said she was asked to participate on the Association of California Water Agencies (ACWA) Region 5 Nominating Committee and will provide meeting dates when available. She also was trying to attend the February 19 ACWA Business Development Committee by conference call, if available.

Vice President Holdaway said she was requested to provide an interview on March 8 for a podcast through East County Today regarding the Los Vaqueros Reservoir Expansion Project and will also review the Canal Modernization Project and Canal title transfer.

Directors Boatmun and Burgh said they would attend the East Bay Leadership Council event for Bob Whitley on February 11.

### ***REPORTS***

11. General Manager

Mr. Brown reported that the snowpack was at 125% of normal and that the water supply looked good.

A washout around a single steel pipeline along Marsh Creek Road has created a large void in the soil. This is an urgent matter, and staff is working with Contra Costa County. A geotechnical consultant is conducting an evaluation and will provide recommendations. The District may be required to act before the next Board meeting. The Board will be kept informed.

Several lawsuits were filed related to the State Water Resources Control Board's decision to set 40% of impaired flow standards for the Delta. The State Water Resources Control Board will address the flow differences through an open process and hopes to come to an agreement by March 1. The District has been asked to participate, along with 70 parties, in the process. The intention is to reach agreement regarding both flow and non-flow measures.

12. Legal Counsel

Mr. Coty did not have a report.

13. Board Members

Director Boatmun reported that she had attended the ACWA Board workshop on January 24 and the ACWA Board meeting on January 25. She provided an update from the workshop and meeting. On January 28 she attended the California Special Districts Association, Contra Costa Chapter meeting. She attended the Concord State of the City on February 1.

Director Avila reported that he had attended the Pleasant Hill State of the City on January 29 and the Concord State of the City on February 1. He provided a summary from the events. He met with Mr. Brown on January 31.

Director Burgh did not have a report. He noted that the District Center's lunch room had gone green and no longer provided disposable cups and utensils. He acknowledged positive comments provided by a ratepayer regarding work completed on main water line project in Walnut Creek.

Vice Holdaway reported that she had attended the February 1 Finance Committee meeting along with Director Burgh. She reported that Antioch City Councilmember Lamar Thorpe has a meeting with her to discuss the Los Vaqueros Reservoir Expansion Project. A meeting has not been scheduled, and she will provide a report following the meeting.

President Borba reported that she had met with Mr. Brown on January 17, 24, and 29 and February 5. She attended the East Bay Leadership Series on January 31 along with Director Boatmun and provided a summary of the event.

***ADJOURNMENT***

At 8:25 p.m., President Borba adjourned the meeting. The next regular meeting of the Board of Directors will be on February 20, 2019 commencing at 6:30 p.m. in the Board Room located at 1331 Concord Avenue in Concord.



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Lisa M. Borba, President

Attest:



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Mary A. Neher, District Secretary