

**CONTRA COSTA WATER DISTRICT  
BOARD OF DIRECTORS  
REGULAR MEETING  
February 20, 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***

<i>Directors Present:</i>	Lisa M. Borba, President Connstance Holdaway, Vice President Ernesto A. Avila Bette Boatmun John A. Burgh
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<i>Directors Absent:</i>	None
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<i>General Manager:</i>	Jerry Brown
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<i>Legal Counsel:</i>	Douglas E. Coty
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<i>District Secretary:</i>	Mary A. Neher
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***PLEDGE OF ALLEGIANCE***

Vice President Holdaway led the pledge of allegiance.

***ADOPTION OF AGENDA***

There were no changes to the agenda, 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/March 2019

2. Approve January 16, 2019 meeting minutes.
3. Approve the warrant register dated February 21, 2019.
4. Authorize an increase in authority with R&D Technical Services and The Staffing Solutions Group for temporary agency services in the amount of \$40,000 for FY19, for a total combined authority not to exceed \$160,000, and \$65,000 for FY20, for a total combined authority not to exceed \$185,000.
5. Authorize an amendment to the contract authority with Carbon Activated Corporation, Inc. for FY19 construction services in the amount of \$42,000, for a revised total not to exceed \$1,777,403.

President Borba asked if anyone wanted to remove an item from the consent calendar to be separately considered. No items were removed.

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***

6. Adopt the Capital Improvement Program (CIP) and Financial Plan for Fiscal Years 2020-2029.

Mr. Brown explained the Board had completed an extensive review of the 2020-2029 CIP and Financial Plan at the February 6 Board meeting. The comments and discussions from the review have been captured and will provide staff guidance for implementation and Board approval, as well as the evaluation of the CIP process. The 2020-2019 CIP and Financial Plan is before the Board for adoption. Adoption of the planning document does not approve budgets or projects.

President Borba asked for Board questions and comments.

President Borba acknowledged the Board's review on February 6 and said the planning document was a smart business tool. Director Avila appreciated the inclusion of the anticipated impacts from a desalination plant built by the City of Antioch, as it is important and thoughtful to include the potential impacts to the District.

President Borba asked for public comments. There were none.

**MOTION:** Holdaway/Burgh to adopt the Capital Improvement Program and Financial Plan for Fiscal Years 2020 -2029. The motion carried by a unanimous voice vote.

7. Review status of the District's FY19 financial results and projections as of December 31, 2018.

Rate & Financial Analyst Celia Cheung provided the FY19 mid-year financial review, which was presented to the Finance Committee on February 1. The District currently estimates a net \$2.9 million financial plan benefit. Staff was developing plans to invest some of the projected plan benefit for additional pipeline renewal and replacements.

The revenue sources were reviewed. While untreated water Facility Reserve Charges (FRC) revenue was lower than anticipated, the treated water FRC revenue was higher than anticipated. Higher revenues from interest rates, turn-on fees, and HomeServe administrative fees will positively impact the financial plan. In response to President Borba, staff explained a majority of the HomeServe administration fees were from the new sewer line insurance program, which is being provided through partnership with Central Contra Costa Sanitary District to our joint customers. There was also a reduced amount of reserves used. In response to Director Avila's question regarding lower untreated water FRC revenue, staff explained that developers were paying the FRCs as homes were sold and not up front.

A review of the expenditures was provided by capital, debt service, and operating costs. Positive financial plan benefits include savings in operating expenses, a credit from last year's water purchases from Reclamation, and labor savings due to vacancies. Some of the capital projects started in FY19 will now be completed in FY20. The capital expenditures also have true cost savings. Other than capital project rebudgets, \$1.6 million is estimated to show as a financial plan benefit for FY19. The estimated total financial plan benefit from total expenditures is \$2.7 million. President Borba said it was important to remember that rebudgets are not cost savings.

The overall total financial plan benefit is estimated at \$2.9 million. The recently completed pipeline renewal and replacement study identified several priority projects that could be completed within FY19 and funded by the projected financial plan benefit.

The funds rebudgeted from FY18 into FY19 were reviewed. Approximately 96% of the funds were expected to be used.

A review of the Los Vaqueros Reservoir Expansion Project, phase 2, expenditures and funding sources was provided. The project was awarded \$13.7 million in advance funding from the California Water Commission (CWC) to be used for implementation. The budget and staffing were increased with the Board's approval in November 2018. President Borba said the budget included additional funding from partners and the CWC. The District's expenditures and funding sources for FY17, FY18, and FY19 were reviewed. The District's future expenditures will be reduced by what it has paid to date. In response to Director Avila's question regarding District cost reimbursement from CWC, staff explained that labor and overhead costs could be reimbursed. The District is waiting for the approved multi-party agency agreements from project partners. A partnership update will be provided at the March 20, 2019 Board meeting.

A review of the expenditures and funding sources for the 2017 storm damage repairs was provided. The District will submit costs for reimbursement from Federal Emergency Management Agency and Cal Office of Emergency Services as projects are completed.

President Borba asked for additional Board questions and comments.

Director Avila said he supported the use of the projected financial plan benefit to accelerate the critical renewal and replacement projects. President Borba said the renewal and replacement study identified potential areas that may fail that may be addressed through future planned projects, which is more cost effective than emergency repair projects. Director Avila said the construction repair contracts in place enable projects to be added as needed, which provides greater efficiencies to get work done.

President Borba asked for public comments. There were none.

The Board acknowledged the status review of the District's FY19 financial results and projections as of December 31, 2018.

8. Review update on legislative issues and adopt District positions for AB 68, AB 69, AB 134, AB 217, SB 13, SB 19, and SB 200.

Director of Public Affairs Jennifer Allen said the deadline for state legislators to introduce bills was February 22, and the bills must pass out of their house of origin by May 31. The state budget deadline is June 15. The Board's state legislator meetings are scheduled for March 14, which include President Borba and Director Boatman.

Governor Newsom's state of the state was provided last week and included his preference for a one-tunnel California WaterFix project. The Governor has prioritized the issue of safe and affordable drinking water to be addressed in 2019. The District's settlement agreement with the Department of Water Resources regarding mitigation from the WaterFix was reviewed. In response to Director Boatman, staff explained the agreement would remain intact and had been based upon the volume of water diverted through the WaterFix project and not the size or number of pipes.

Ms. Allen reviewed several safe and affordable drinking water bills under development.

**AB 134 (Bloom) Safe, Clean, Affordable, and Accessible Drinking Water, AB 217 (Garcia) Safe and Affordable Drinking Water Fund, and SB 200 (Monning) Safe and Affordable Drinking Water Fund** include the intent to create policies and a fund for safe and affordable drinking water. As none of the bills provide a funding source, the District recommends taking a *Watch* position. The number of bills demonstrates this is an important topic to legislators. Some of the possible funding ideas being discussed were provided. A review of the Association of California Water Agencies' (ACWA) sponsored bill was provided. A discussion ensued regarding other state programs funded through a trust. Director Avila said the bills should allow water agencies to use program funds to provide water to disadvantaged communities located

within their service areas. Director Boatman said the water tax amount being discussed did not include the administrative costs to implement and manage the tax that would be paid by ratepayers. Vice President Holdaway said a funding and distribution plan structure was needed.

It was noted that legislation is focusing on the operating and maintenance costs and not for construction of facilities, as those have been provided through past bonds and grant funding. A discussion ensued about California Urban Water Agencies (CUWA) and the effort to identify priority areas for projects serving communities without access to safe drinking water. Director Avila discussed how private water agencies have stepped in and taken over the management of underfunded water agencies. Staff said the Legislative Analyst's Office opined that the amount of funds generated by the proposed fees/taxes was not sufficient, specifically for the nitrate tax imposed on agriculture. More information will be provided when available.

Mr. Brown asked for Board input regarding the ACWA funding alternative bill. Director Boatman said the ACWA bill recommends funding the program through surplus general funds and expressed concerns about the stability of that funding mechanism. Director Avila expressed concerns about the State Water Resources Control Board (State Water Board) being provided additional authority to oversee rates set at a local level and asked for the basis or legislation that gave the State Water Board that authority. Staff explained there would be a one-time contribution of surplus funds to create a trust that would be managed by multiple state authorities. The interest earned by the trust would become the funding source for the program. Director Boatman expressed concerns that the investment interest would not provide enough funds. Director Avila discussed the possibility to use a state revolving fund (SRF) loan model as an alternative. The Board discussed concerns that a water tax could be increased by legislators in the future. Director Avila reviewed the difference between public and private agency bond funding interest rates, which made SRF loans more economical for public agencies. Staff said that the District's concerns and ideas will be provided to ACWA. In response to Director Avila, Mr. Coty said that there was no direct proposal to give the State Water Board additional authority. In 2015 the State Water Board tried to impose a tiered pricing structure because of Governor Brown's 2015 drought declaration directives. The District, along with other agencies, was able to convince the State Water Board that it did not have the authority to impose the tiered pricing structure. Although a water tax proposal is within the legislators' control, the manipulation of water agencies' rates is not.

Three accessory dwelling units (ADUs) bills were discussed. AB 68 (Ting) includes the most developed language and maintains current law with a proportionate connection fee for a newly constructed ADU. AB 69 (Ting) includes language about state oversight on city and county permitting of construction of ADUs. The District recommends taking a *Watch* position on these bills. In response to President Borba, staff explained that AB 69 would oversee the ordinances that may impede the building of the ADUs. SB 13 (Wieckowski) will likely specify elimination of connection fees for new construction on ADUs based on the author's past comments and proposals. The District will provide legislators with more information to educate them about the actual impacts from ADUs on a water system and the costs for the new units would be borne by existing customers. Mr. Coty reviewed the current law which included two types of ADUs.

Bill SB 19 (Dodd) reintroduces language from 2018 directing the Department of Water Resources to develop a plan to deploy a network of stream gages, which includes reactivation of existing gages. The District recommends taking a *Support* position.

Regarding federal legislation, the Natural Resources Management Act (S. 47) was passed by the Senate, and the House of Representatives will vote on it soon. The bill transfers the title of the Contra Costa Canal to the District.

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

President Borba asked for public comments. There were none.

**MOTION:** Boatman/Burgh to adopt District positions for AB 68, AB 69, AB 134, AB 217, SB 13, SB 19, and SB 200. The motion carried by a unanimous voice vote.

### ***DISCUSSION AND INFORMATION***

9. Receive report on the updated Brand Standards Manual for District communications and collateral.

Ms. Allen explained that the District's brand standards manual has been updated. The brand standards review, which is done periodically, was completed by engaging an internal user group and using customer input from recent focus groups/surveys. The District's logo is not being changed. An internal user group reviewed the current manual. The District's desired perception and voice were vetted. The updated elements were made to ensure consistency on when and how to use the logo and color schemes, and provide guidelines for collateral printed materials, electronic newsletters, marketing materials, and other items. The Board was presented with new name tags to match the updated brand standards. In response to President Borba, staff confirmed that printing needs based on the updates were within budget. The implementation schedule for the updated brand standards manual for March through July 2019 was provided.

President Borba asked for Board questions and comments.

In response to Director Boatman, staff said the brand manual was created approximately 30 years ago. The brand manual had a thorough review and approximately 10 years ago and a minor update approximately 5 years ago.

President Borba asked for public comments. There were none.

President Borba confirmed the Board received the updated brand standards manual report. The District's branding was important, especially pertaining to accessibility and transparency for customers. Director Avila reviewed his business experience regarding the costs for branding consultant work and said the District's review and update was very efficient. The Board commented on the improvements made to the branding changes.

***REPORTS FOR DISCUSSION***

10. Committee Report(s):
  - a. Finance Committee Post-Meeting Report (02/01/19)
11. Future meeting dates and times.

President Borba thanked Ms. Neher for the timeliness of the meeting note production, which helped the Board in its decision-making process.

Director Boatman said the ACWA Business Development Committee was planning to hold a meeting on May 30.

***REPORTS***

12. General Manager

A review of the Bureau of Reclamations initial water allocations was provided. The District initial water allocation is 95%, which would meet the District's needs for the year. The Bureau of Reclamation was criticized for the conservative initial allocations for South-of-Delta contractors. The next allocation announcement was expected at the end of March.

The District has worked with Contra Costa County Public works, which has taken steps to mitigate the washout that had occurred near a pipeline along Marsh Creek Road. There were some washouts and sloughing areas along the Contra Costa Canal, mostly located in Concord Naval Weapons Station and steeper sloped areas, that do not impact operations and are stabilized as they occur.

13. Legal Counsel

Mr. Coty provided a review of the background of the "Waters of the United States" rule that was published in the federal register on February 14, 2019 to set the beginning of the formal rule process. These regulations define the extent to which the federal government may exert its jurisdiction over waterbodies across the country, including wetlands, rivers, streams, major canals, and other water bodies. Lawsuits across the country held the current rule, which became effective in 2015 after being considered since 2008, in abeyance. If adopted, the revision will limit the opportunities where the federal government may exert its jurisdiction over water bodies. Due to the court rulings, the country is currently split with nearly half the states operating under the 2015 rule, or under a mix of regulations and court decisions that were in effect in 2008. The formal process began on February 14, 2019 and the comment period runs through April 15.

14. Board Members

Director Boatman reported that she had attended the Mayors' Conference on February. She attended the East Bay Leadership Council Water Task Force retirement reception for Bob Whitley on February 11, along with Director Burgh. On February 19 she attended the ACWA Business Development Committee by conference call.

Director Avila reported that he had attended the Mayors' Conference on February 7. He attended the Walnut Creek State of the City on February 19.

Director Burgh did not have a report. He discussed the housing crisis and the increase in public discussion in favor and against growth.

Vice President Holdaway reported that she met with Mr. Brown on February 8.

President Borba reported that she met with Mr. Brown on February 12 and 19. On February 14, she, along with Mr. Brown and Ms. Allen, met with County Supervisors Burgis and Mitchoff. She attended the February 15 East Bay Leadership Council Board of Directors meeting.

***ADJOURNMENT***

At 8:00 p.m., President Borba adjourned the meeting.

The next meeting of the Board of Directors will be a special joint meeting with Alameda County Flood Control and Water Conservation District, Zone 7 Water Agency Board of Directors on Tuesday, March 5, 2019 commencing at 11:00 a.m., and held at the Los Vaqueros Reservoir Interpretive Center located at 19 Walnut Boulevard in Brentwood.

The next regular meeting of the Board of Directors will be on March 6, 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