

**CONTRA COSTA WATER DISTRICT
BOARD STUDY SESSION
March 29, 2019**

MINUTES

CALL TO ORDER

President Borba called to order the study session of the Board of Directors of the Contra Costa Water District (District) at 8:30 a.m., in the Delta Conference Room located at 2411 Bisso Lane, Concord.

ROLL CALL

<i>Directors Present:</i>	Lisa M. Borba, President Connstance Holdaway, Vice President Bette Boatmun John A. Burgh
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<i>Directors Absent:</i>	Ernesto A. Avila
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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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ADOPTION OF AGENDA

The agenda was reordered so the Federal Legislative Representative occurred after the Major Policy Calendar, 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.

President Borba handed the meeting over to the facilitator, Lee Shuff.

DISCUSSION AND INFORMATION

1. Major Policy Calendar

Executive Management Analyst Michele Bautista said the Major Policy Calendar (MPC) was last reviewed by the Board on October 5, 2018. The significant policy activities expected to occur over the next 12-month period were reviewed. The study session materials included a copy of the 2019 meeting calendar and MPC through March 2020. Mr. Brown reviewed the benefits of the pre-planned meeting calendar to staff and the Board.

2. Federal Legislative Representative

Marcus Faust reviewed the bill (S. 47) that included the Contra Costa Canal title transfer language that was signed by President Trump – noting the process completed to date. As stated in the bill language, the District will take ownership of the Rock Slough Fish Screen (RSFS) once repairs have been satisfactorily completed. The federal funds that may be available for the RSFS project were reviewed. A discussion ensued regarding the positive benefits from the canal title transfer to the District, as well as to other local agencies. The Board thanked Mr. Faust for his assistance with the title transfer bill. Mr. Faust will provide the District thank you letters to the federal legislators and key staff members.

The federal funding process was reviewed. The Water Infrastructure Improvements for the Nation (WIIN) Act has added another step in the process. The Bureau of Reclamation (Reclamation) WIIN Act funding requests for FY17 and FY18 were reviewed and included funding for the Los Vaqueros Reservoir Expansion (LVE) Project. A bi-partisan letter to Reclamation was reviewed that expressed support for storage projects, including LVE. The District's FY2020 WIIN Act funding request was reviewed and included up to \$29 million for LVE.

The San Luis Drainage Settlement has not been approved and is not expected to move forward at this time.

The federal legislators are becoming acquainted with Governor Newsom as he settles into office.

3. State Legislative Representative

Julee Malinowski-Ball said the state legislators were also becoming familiar with Governor Newsom and reviewed areas of interest to the Governor.

A Joint Powers Authority for the California WaterFix is still proceeding now with the one tunnel proclamation from the Governor. Delays in completion of the environmental review process may occur with the proposed change in the project from two tunnels to one tunnel. The State Water Resources Control Board (State Water Board) still needs to complete the water rights permitting process.

It was noted that the Department of Water Resources (DWR) is expected to appeal the Federal Emergency Management Agency's decision regarding who will pay for the Oroville spillway repair.

The proposed water tax for safe drinking water was reviewed. Many legislators are concerned about voter fallout if they support a water tax. The safe drinking water bills under development were reviewed. The District's concerns were discussed, including the need for a needs assessment, funding source alternatives, and a program management plan outline. Legislators are reviewing the alternative funding proposal by ACWA. The District is being proactive, and a coalition of water agencies are working together to provide a stronger voice on the issue. A discussion ensued regarding the development of the fact sheets demonstrating local water

agencies were engaged and working at the local level to address the safe drinking water matter, which is a more cost-effective method to address the issue.

With regard to the housing crisis, Governor Newsom has requested for a detailed analysis of all state lands to be provided to the Department of Housing and Community Development. The state budget includes \$1.75 billion for building incentives and credits. The Accessory Dwelling Units (ADU) utility connection fees are part of the discussion. The law currently does not allow utilities to charge for connection fees if an ADU is built within the existing home footprint and does allow connection fees to be charged if an ADU is located outside the existing footprint. The Board emphasized the importance for the District to stay engaged in the matter due to impacts to the District especially if less stringent land use regulations are adopted.

The Board took a break at 10:16 a.m.

At 10:31 a.m. the Board returned from break.

4. Los Vaqueros Reservoir Expansion Project – Governance Formation

Special Assistant to the General Manager Marguerite Patil said the Local Agency Partners (LAPs) indicate that if they sign the Joint Powers Authority (JPA) formation agreement, it means they intend to participate in the project. The JPA formation timeline was moved out to the middle of 2020 to allow time to complete the third-party review of the usage fees, develop collaborative cost and operating scenarios, and determine the governance of the JPA. District senior staff have determined that it would be in the best interest of the ratepayers to participate in the JPA. Mr. Coty briefly reviewed how state law and a properly drafted JPA agreement will provide conflict of interest protections to policy makers sitting on both a JPA board and a member agency board, and how these laws also serve to ensure transparency for JPA member agencies and the public. A draft termsheet will be developed by Clean Energy Capital for LAP review before the JPA agreements are prepared. The District will continue to evaluate its participation in the JPA until the JPA is formed. The details of the JPA agreement will be negotiated by the LAPs. The various organizational structure agreements, associated processes, and agency roles were reviewed.

The termsheet will include an outline of the project financial terms, establish the goals and schedule for the JPA development process, and detail the parties to the JPA. The key content for each major agreement will be outlined. The JPA administrative structure will be detailed. The termsheet process will identify the key terms to gauge where the LAPs agree and do not agree before the JPA formation agreement negotiations begin.

The milestone dates between April and November 2019 were reviewed. The Board will continue to be provided with updates along the way.

Mr. Brown said Mr. Faust had identified a critical window of opportunity for the District to proceed with the canal title transfer process. By owning the canal, similar to the Los Vaqueros Reservoir, the District is relying on itself to protect and ensuring the ratepayers' water supply.

The federal government is out of the District's business, which allows the District to invest and manage its infrastructure and facilities at a local level.

5. Canal Modernization Project Update

Principal Engineer Peter Stabb said the Main Canal, which delivers 99% of the District's untreated water, is almost 80 years old, requires increasingly costly repairs and maintenance, and is a crucial component of the distribution system. The Canal Modernization Project addresses several challenges of the canal. A review of the Board-approved Project Objectives was provided.

A risk exposure assessment was completed, and risk mitigation strategies will be developed in line with the objectives. The various risks evaluated included safety, seismic, water quality, and water conservation. The assessment includes potential impacts from moving from an open canal to a pipeline. The Main Canal risk exposure data was compiled, and the various risks were overlaid to create an illustrated risk level summary along the whole canal to target Project alternatives at the highest risk areas. The next step is to conduct a statistical analysis to account for the uncertainty of an event happening and the associated impacts. The economic impact will be applied to develop the weighted value of the risks. A comparison of the varying risk reduction alternatives will be used to determine the highest value from improvement investments.

A portfolio of alternatives will be brought to the Operations and Engineering Committee and Board for input. The District will then outreach to ratepayers for feedback about the Project and funding options through focus groups and workshops, which will be reported out to the Board. The recommended improvements will be used for preliminary design and environmental analysis. Staff explained that stakeholders have been and will continue to be provided updates. The District will work toward identifying compatible improvements with the stakeholder programs. Staff explained a separate assessment will be completed for the Loop Canal.

6. Low Income Rate Assistance Program Update

Director of Finance Desiree Castello provided an overview of the District's low income assistance program, Lifeline, that was established in 1990. The program eligibility requirements and fixed service rate discount were reviewed. Customer eligibility is requalified every two years. The state has provided water agencies with strict program regulations. Program participation over the last three years has been consistent with a slight drop following the last two-year recertification process.

Proposition 218 (Prop 218) does not allow rate revenues to fund rate assistance programs. Lifeline customers have lower average water use than other single-family residential customers. Program information is included on the District's website and offered by customer service representatives when speaking with customers. A discussion ensued regarding ways to ensure customers who qualify for the program are aware of the program.

The District could also choose to modify program qualifications or increase the amount of discount provided. The District does not know how many additional customers would apply for

rate assistance if the program was modified, which may cause the District to exceed the available non-rate revenues and potentially violate Prop 218. The State Water Board's low income rate assistance program is under development and has the potential to result in financial and operational impacts for the District. The state may also seek legislative changes to Prop 218, which could be positive or negative to the District's rate setting process. A review of the State Water Board program framework released in January 2019 was provided along with various scenarios that could be included in the final program. Staff is concerned about customer confusion and impacts by changing the District's program now and having to change it once the State Water Board program is finalized, especially if current eligible customers are no longer eligible.

The District shutoff rate is less than 3% throughout all residential customers and there have been no shutoffs of Lifeline program customers. Payment plans are available to customers, if needed. Other local water agencies have a higher rate of shutoffs than the District. A comparison of the local water agency programs was provided. Potential District program change examples were reviewed and included elimination of the age requirement or automatic qualification if a customer is enrolled in another state assistance program. Based upon the example information, a discussion ensued regarding the estimated number of customers who would likely enroll in the program and the total amount of non-rate revenue funds that could be used to fund the program. A comparison of local municipal customers and their programs was reviewed. Following the passage of Prop 218 and the inability to fund assistance programs with rate revenues, two municipal customers discontinued their rate assistance programs. District staff estimated that for every additional 1,000 program participants, the District would need to designate an additional \$120,000 per year of non-rate revenue to fund the program.

Staff recommends waiting until the State Water Board program is finalized or until the annual rate review later this year, which will include a review of the non-rate revenue offset for energy costs, before considering any changes to the program. A discussion ensued regarding the need to look at the various potential changes and associated financial costs from increased program participation, which included the need to know the final framework of the State Water Board's program. A discussion ensued regarding increasing the outreach to further promote the District's program.

7. Making a Good Board Better

Mr. Brown said a handout regarding "Branding in the Board Room," was included in the study session materials. The Board was doing most of the recommendations included in the handout.

President Borba reviewed the importance for the Board members to clearly state the title or organization name before using an acronym or abbreviation when providing reports or presentation because the public may not be familiar with the acronym or abbreviation. The Board concurred with her comment.

8. General Comments

Mr. Brown thanked the Board for participating in the study session and for providing the good feedback, which will help staff as it continues working on projects.

Mr. Coty, referencing discussion under Item No. 6, clarified that Prop 218 is a State Constitutional provision, thus, any changes to it would require approval of the voters.

Director Burgh said the information included in the Canal Modernization Project update was really appreciated, especially the risk assessment.

Vice President Holdaway said the overlay of the data during the Canal Modernization Project was extremely helpful and informative. She appreciated the work being done by Director of Public Affairs Jennifer Allen related to the water tax issue and the development of the local water agency assistance fact sheets.

Director Boatman said the information provided, in particular on the topic of the water tax, was very good. During her presentation earlier this week to the Rotary of the Delta, the Canal Modernization Project was well received. She appreciated the federal and state lobbyists' updates as well.

President Borba reminded staff to continue to be wary over the State Historic Preservation Office process because the federal government may continue to try to have authority over the Contra Costa Canal even after the District has full title of the canal. She thanked staff for the additional work they do for the study sessions to keep the Board educated and aware of what is happening. The Board appreciates the time and information shared during the study sessions.

ADJOURNMENT

At 11:55 a.m., President Borba adjourned the study session.

The next regular meeting of the Board of Directors will be on April 3, 2019 commencing at 6:30 p.m. in the Board Room located at 1331 Concord Avenue in Concord.

Lisa M. Borba, President

Attest:

Mary A. Neher, District Secretary

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