



**MINUTES
JOINT REGULAR MEETING OF THE
PLANNING AND ADMINISTRATION COMMITTEE AND
SPECIAL MEETING OF THE BOARD OF DIRECTORS
THURSDAY, FEBRUARY 15, 2018
8:30 AM**

DIRECTORS PRESENT:

Lisa Herman	Committee Chairman
Carol Lee Brady	Committee Member
Angel Garcia	Committee Member
Danny Martin	Committee Alternate
Bennett Drake	President
Bill Wilson	Sr. Vice President
William Plummer	Board Member

STAFF PRESENT:

Jeff Armstrong, General Manager; Eva Plajzer, Assistant General Manager-Engineering & Operations; Rick Aragon, Assistant General Manager-CFO/Treasurer; Andy Webster, Chief Engineer; Eileen Dienzo, Director of Human Resources; Jason Martin, Director of Administration; Meggan Valencia, Public Affairs Manager; Rich Ottolini, Water Operations Manager; Jeff Kirshberg, Water Resource Manager; Grace Cardenas, Public Information Specialist; Tyson Heine, Senior Conservation and Water Budget Analyst; Nikki Reedy, Water Use Efficiency Specialist II, Denise Todd, Deputy District Secretary/Administrative Services Supervisor; Kelli Garcia, District Secretary; and Milin Ream, Sr. Administrative Assistant/Recording Secretary

OTHERS PRESENT:

Chuck Bandy, McMillan Farm Management
Earl Coleman, RCWD Customer
Stephen Corona, RCWD Customer

ADDITIONS TO AGENDA

There were no additions to the Agenda; however, General Manager Jeff Armstrong requested that Agenda Items 3 and 4 be discussed first, due to the three speaker request forms received in relation to said items.

APPROVAL OF AGENDA

Chairman Herman called for approval of the Agenda of the Regular Meeting of the Planning and Administration Committee of the Rancho California Water District of February 15, 2018, as rearranged by staff. It was moved by Director Brady and seconded by Director Garcia to approve the Agenda as rearranged, and it carried as follows:

RESULT: **APPROVED [UNANIMOUS]**
MOVER: Carol Lee Brady, Committee Member
SECONDER: Angel Garcia, Committee Member
AYES: Lisa Herman, Carol Lee Brady, Angel Garcia

PUBLIC COMMENT

An opportunity was given for any person to address the Committee upon any subject not identified on the Agenda, but within the jurisdiction of the Planning and Administration Committee; however, any matter that requires action is to be referred to staff for a report and action at a subsequent Committee or Board meeting. As to matters on the Agenda, an opportunity is given to address the Committee when the matter is considered.

At this time, Chairman Herman recused herself from the Meeting and stepped down to the podium to address the Committee.

Rancho California Water District (RCWD/District) customer Lisa Herman addressed the Committee to comment on an item not appearing on the agenda. Ms. Herman referenced an Orange County Register news article, which were received by Committee members at the meeting, concerning Irvine Ranch Water District being challenged over how its leaders are elected. As a ratepayer, Ms. Herman expressed that RCWD could be a potential target and urged the District to stand up against the issue of changing to by-district elections.

Item Discussed Out of Agenda Order

Review, Discuss, and Provide Direction on the Potential Implementation of a Meter Accuracy Protection Program

Agenda Item 3 was presented and discussed first.

Addressing the Planning and Administration Committee (Committee), Director of Administration Jason Martin reported that staff first presented said concept at the January 4, 2018 regular Finance and Audit Committee meeting, whereby, staff was directed to look for alternatives that would assist in reducing meter flow exceedance. Based on the feedback received, Mr. Martin conveyed that staff is introducing an updated program concept titled Meter Accuracy Protection Program (MAPP).

By way of a PowerPoint presentation, Mr. Martin provided the Committee with information addressing MAPP and described the programs objectives:

1. Minimize the District's revenue loss
2. Extend the life of the District's meter assets and reduce replacement costs
3. Customer education and awareness

Next, Mr. Martin highlighted a graphic illustrating the MAPP process and conveyed that the overall objective of MAPP is education and outreach, in order to help customers understand the issues with exceeding the meter's maximum flow rating. He further noted that each step is progressive and will be based on a customer exceeding the maximum meter flow at a certain threshold, over a set period.

Continuing, Mr. Martin outlined and reviewed the specific MAPP stages:

Stage 1 - Outreach and Education:

- MAPP brochure mailing
- Website updated with MAPP program information
- Informational postcard and email survey
- Grant funding and rebate availability research

Stage 2 - Data Validation/Meter Testing:

- Test meters identified through MAPP to validate data
- Solid state meter testing
- Accuracy
- Additional flow capacity

Stage 3 - Non-Compliance Noticing & Education

- Maximum Meter Flow (MMF) exceedance data to customers
- Provide resources to customers on how to reduce MMF occurrences
- On-site irrigation system review and recommendations
- MyWaterTracker MMF alert enhancement

Director Drake commented on Stage 3 and urged staff to consider changing the term "non-compliance" to something less harsh.

Stage 4 - Meter Replacement & Upsizing

- Additional MMF exceedance notification
- Potentially replace the meter with a solid state meter (pending testing)
- Potentially share costs (difference between a positive displacement and solid state meter)
- Require meter upsizing at customer cost

Continuing, Mr. Martin discussed the potential implementation of a water loss recovery charge and illustrated a slide depicting the top 60 MMP accounts in the District's service area.

General discussion ensued between the Committee and staff regarding the water loss recovery charge and the concentration of MMP accounts being in the District's Santa Rosa Division.

Having received speaker request forms, Chairman Herman invited Steve Corona to the podium to address the Committee whereby, Mr. Corona shared his concern and frustration related to the District's high-pressure issues being the root of the problem related to meter exceedance flows. Mr. Corona further stated that said pressure issues are the responsibility of the District to fix and not the customer.

Next, Chairman Herman invited Earl Coleman to the podium. Addressing the Committee, Mr. Coleman raised concerns with the District's meters and the life expectancy of a meter. He conveyed that should the District require a customer to cover the meter replacement cost, then the life of that meter and its depreciation value should be considered. He concluded his statement by inquiring on the meter test process.

Chuck Bandy with McMillan Farm Management was the last speaker to address the Committee. Mr. Bandy shared his concern with the potential of the MAPP program and the burden it could create trying to manage individual grove sites on an hour-by-hour basis. He further stated that the penalty phase is rather excessive and opined that there has to be a better solution.

At this time, Director Plummer shared his comments by advising that the meters do not require pilot testing when the manufactures information is available. Additionally, he concurred with Mr. Bandy that the program is far too complicated and confusing and does not agree with the penalty process phase. He advised that staff visit the high exceedance sites, as identified, and the meters changed out for the correct size.

Assistant General Manager-CFO/Treasurer Rick Aragon conveyed that the program's goal is accurate meter readings. He stated that if there is a hardware solution, then that can be the focus of the program.

Referencing the map illustrating the top 60 MMF accounts, Director Drake advised that it appears the issue is trying to recover water loss, whereby, the District would need to cover the expense of changing out the problem meters and work with property owners on a case-by-case basis.

Discussion ensued among the Committee and staff regarding pressure issues, pressure regulators, boosters, and the District's pressure policy.

Director Brady advocated staff's goal of accuracy; however, stated that staff needs to find the root cause of the issue. She further suggested staff prepare an in-depth analysis on the potential causes for meter exceedance for the Committee's review and discussion.

Mr. Martin advised that staff could develop a comprehensive spreadsheet using the top 50-60 customer accounts by pressure zone, last pressure reading, meter age, and analyze the data for any possible trends or patterns and present the findings at a subsequent Committee meeting.

Chairman Herman agreed with Director Brady's comments with having staff drilling down the possible cause of the issues, and evaluating an array of possible solutions, including hardware. She further advised staff to develop customer outreach.

Following review and discussion, Chairman Herman moved to Agenda Item 4.

Item Discussed Out of Agenda Order

Summary of 2017 Agricultural Account Allocation Review

Addressing the Planning and Administration Committee (Committee), Senior Conservation and Water Budget Analyst Tyson Heine provided a presentation on Rancho California Water District's (District) 2017 Agricultural (Ag) Account Allocation review.

Utilizing a PowerPoint presentation, Mr. Heine recapped the allocation review goals:

- Accurate information
- Equity across service types

Mr. Heine reported that the aforementioned goals collectively would lead to greater precision in forecasting water demand, better allocation of resources, more efficient use of time and assets, and overall lower water rates for District customers.

With regard to Ag allocations, Mr. Heine reported that allocations are based on average weather conditions, crop type, and irrigated acreage. Under this water allocation methodology, he conveyed that the expectation is that under most circumstances, Ag customers would use most of their water allocation. However, at the end of 2017, he reported that the average percent of annual allocation used by each Ag customer was only 41 percent.

Continuing, Mr. Heine discussed the procedure District staff selected to conduct the allocation review in-house. He advised that with the availability of recently updated Geographical Information System (GIS) imagery, staff was able to complete the project in just a few weeks at a significant savings compared to paying to an outside firm. In addition, Mr. Heine reported that the imagery also allowed for efficient communication with customers who were able to view the information, utilized for calculating their specific allocation.

Moving on, Mr. Heine reviewed the adjustments made following the review:

- 423 accounts received allocation adjustments
- 250 accounts were removed from Ag service type
 - Accounts in Vacant Long Term

- No longer meet 1 acre of crop requirement
- Recently abandoned groves

Next, Mr. Heine illustrated a few slides containing side-by-side images from the 2015 GIS imagery and the 2017 imagery, which exhibited abandoned groves, crop conversions, and crop acreage reductions.

With regard to feedback, Mr. Heine advised that customer response was minimal during the 2017 review. Account changes were not implemented until the first bill dated 2018, which allowed time for customers to provide feedback and District staff to make any necessary changes. He further noted that approximately 43 variances were received.

Director Brady commended staff on conducting the evaluations and analysis in-house. She further noted that moving forward, once staff has confirmed that a customer is not using their full allocations, it can serve as a red flag. However, she strongly urged against penalizing customers that have demonstrated water use efficiency and conservation. Responding, Mr. Heine advised that the program is not targeting any customer class that practices water use efficiency.

Director Martin opined that he has noticed that aerial imagery and tracing of properties excludes roads/rows between crops and advised that these areas should be included in allocations, as it is an integral part of farming.

Mr. Heine responded by explaining that what is reviewed is where water is beneficially applied and any visible roads and staging areas are excluded, which is the same for residential customers by means of sidewalks and driveways.

Director Drake stated that how staff analyzes the imagery and determines what is, and not included, in relation to farming operations, needs evaluation and clear definition. He further posed some concerns with where the District will be when the State declares a drought again.

Having received some speaker request forms, Chairman Herman invited Earl Coleman to the podium to address the Committee.

Addressing the Committee, Mr. Coleman posed questions related to the meters. Smartworks system and commented on the meter deterioration and pressure issues he has experienced in and around Sandia Creek. Mr. Coleman further commented and shared his opinion on the District's process of evaluating aerial imagery and taking into account the United States Department of Agriculture's farming procedures, which does account for roads/rows. He concluded by stating that staff needs to make every effort to communicate any issues directly with grove management and/or the property owner on file.

Next, Chairman Herman invited Steve Corona to the podium. Addressing the Committee, Mr. Corona briefly commented on the importance of using multiple GIS aerial imagery when determining allocations.

Addressing the Committee, Chuck Bandy commented on the importance of allocation updates on an agreed interval. He further opined that an added benefit to the District would be focusing on abandoned acreage and suggested staff spend more time monitoring these groves for loss usage.

In conclusion, Mr. Heine noted that moving forward, monitoring grove conditions and abandoned acreage would be part of the allocation annual review process.

Director Garcia suggested that staff share the presentation at the Agriculture Summit. Chairman Herman stated that perhaps the Annual Farm Agriculture/Manager's meeting would be a more appropriate occasion.

There being no further discussion, Chairman Herman moved to Agenda item 1.

Item 1. Annual Review Regarding Level of Compensation for Members of the Board

Assistant General Manager-CFO/Treasurer Rick Aragon addressed the Planning and Administration Committee to present information regarding the annual review of the level of compensation for members of the Board of Directors.

Chairman Herman moved to recommend the Board of Directors hold the level of compensation for members of the Board of Directors at the current level. Director Brady seconded the motion, and it carried as follows:

RESULT: APPROVED [2 TO 1]
MOVER: Lisa Herman, Committee Chairman
SECONDER: Carol Lee Brady, Committee Member
AYES: Lisa Herman, Carol Lee Brady
NAYS: Angel Garcia

Item 2. Review and Approve California Public Employees' Retirement System Additional Contribution

By way of a PowerPoint presentation, Assistant General Manager-CFO/Treasurer Rick Aragon provided an executive summary related to the Agenda item by addressing Rancho California Water District's (District) opportunity to leverage existing reserves more strategically by the following:

- Reducing future pension expenses and related rate pressure
- Use savings to pay for requested staffing to address deferred maintenance without adding to rates
- Pay down a significant District liability
- Enhance District and pension plan fiscal health

Continuing, Mr. Aragon illustrated a few slides detailing the background on the District's pensions offered through the California Public Employees' Retirement System (CalPERS).

Next, Mr. Aragon briefly discussed the two CalPERS costs, as follows:

- “Normal Cost” – Rate paid (%) to cover **current** cost to provide pension for that year of service.
- “Unfunded Accrued Liability” (UAL) – Unfunded cumulative value of pensions benefits earned from **past** service.
 - Issue is with the UAL cost

Referencing a slide titled *CalPERS Cost – Normal Cost*, Mr. Aragon reported that the Normal Cost service is comparable to the cost of social security, such that the District currently contributes an average of 7.6 percent of base salaries, as compared to Social Security at 6.2 percent. He further conveyed that said Normal Cost payments are unrelated to the proposed strategy, as the proposed additional payment is applied only against the UAL.

With regard to the UAL problem and CalPERS progress, Mr. Aragon expounded the matter in three components, as listed below:

- The Problem – Rapid Growth in UAL
 - Escalating benefits
 - Lower investment returns from “.com”
 - Non-responsive funding system
- Progress – Recent CalPERS Reforms
 - Public Employees’ Pension Reform Act – Lower Benefits
 - Realistic investment expectations
 - More conservative demographic assumptions
 - More responsive funding system
- Future Expectations – More Stability
 - Liability growth slow
 - Assets – Long term 7 percent growth

Referencing a previous Board of Director’s (Board) action, Mr. Aragon reported that the Board approved a five-year strategy to increase the funded status of the District’s plan to 90 percent by fiscal year 2018-2019. The plan stated with an initial \$5 million lump-sum payment and then anticipated contributing \$1.5 million per year until fiscal year 2018-2019. He further advised that based on CalPERS fund earnings on the \$5 million payments, the District earned an additional \$1 million, whereby, increasing the District’s funded ratio from otherwise 65 percent to 70 percent.

Addressing a comment posed by Chairman Herman regarding having sufficient ad valorem to pay special contributions and debts, Mr. Aragon responded that yes, there is projected to be sufficient funding in the District’s Rancho Division to cover both existing and future bonded debt for the Santa Rosa Division.

Continuing, Mr. Aragon reported that the District decided to halt further payments, primarily due to the lower cash reserve levels of the Santa Rosa Water Division after the Vail property purchase, and the lack of additional funding in the Wastewater Division,

due to the anticipated major capital investment needed for the Santa Rosa Water Reclamation Facility Rehabilitation Project.

At this time, a discussion period ensued between the Committee and staff regarding changes to the CalPERS program due to unfunded liabilities, CalPERS projections/volatility, and the Governor of California's proposed pension reform law.

Speaking on staff's proposed strategy, Mr. Aragon discussed the following:

- Lump Sum \$21 million payment to CalPERS this year
 - Achieves 90% funding
 - Lump sum and future UAL payments from tax assessment reserves
 - Santa Rosa and Wastewater would borrow their share from the Rancho Division
 - Santa Rosa = \$6.6 million loan, Wastewater = \$3.8 million loan (\$10.4 million total)
 - Divisional Loan would be repaid over 24 years
 - Aligns with current UAL repayment schedule
 - Interest rate on loan based on actual portfolio earnings

Concluding his report, Mr. Aragon highlighted the benefits of the proposed strategy and reviewed staff's recommendation.

Director Drake advised that because of the uncertainty with CalPERS, he cannot support a \$21 million lump sum payment and would like staff to provide some additional analysis on a lesser payment.

Director Wilson conveyed that he would like to see this item presented at the March 1, 2018 regular Finance and Audit Committee meeting to review staff's additional analysis/alternatives.

Chairman Herman concurred with moving the item to the March Finance and Audit Committee meeting for further review and discussion. She further added that she would like to have staff address any legal issues and/or requirements related to regulations.

Discussion ensued amongst the Committee and staff regarding an irrevocable trust versus CalPERS investments, policy decisions, and how much control the District wants.

Director Martin and Director Wilson left the meeting at 11:11 a.m.

Director Brady made a motion directing staff to bring said item back for review and discussion to the March 1, 2018 regular Finance and Audit Committee meeting regarding the \$21 million lump sum payment and alternative reduced amount analysis. Chairman Herman seconded the motion, and it carried as follows:

RESULT: **APPROVED [UNANIMOUS]**
MOVER: Carol Lee Brady, Committee Member
SECONDER: Lisa Herman, Committee Chairman
AYES: Lisa Herman, Carol Lee Brady, Angel Garcia

3. Item Discussed Out of Agenda Order

4. Item Discussed Out of Agenda Order

Item 5. Update on Outreach and Educational Efforts

Presented for the Planning and Administration Committee's (Committee) information was a written report, submitted by Public Affairs Manager Meggan Valencia, regarding status updates on Rancho California Water District's (District) outreach and educational programs.

Ms. Valencia addressed the Committee and announced an upcoming lateral repair on Moreno Street near Old Town, whereby, water would be shut-off from 9:00 p.m. to 7:00 a.m. on February 22, 2018. She advised that District staff mailed customer notification letters to affected restaurants and businesses and that public information staff would conduct in-person visits.

Hearing no additional comments, Chairman Herman moved on to the next order of business.

Item 6. Update on State Legislative and Federal Lobbying Activities

Public Affairs Manager Meggan Valencia provided a brief update as to an upcoming item on the March 1, 2018 Finance and Audit Committee meeting, whereby, discussion will take place regarding Rancho California Water District's opposition to Senate Bill 623 – Safe and Affordable Drinking Water.

Item 7. Presentation on Human Resources Activities

Submitted for the Planning and Administration Committee's (Committee) review and information was Rancho California Water District's (District) Human Resources Activities report for the period of December 15, 2017 through February 8, 2018 issued by Human Resources Director Eileen Dienzo.

There being no comments or questions from the Committee, Chairman Herman proceeded to adjournment.

Item 8. Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 11:16 a.m.