



FORT ORD REUSE AUTHORITY

REGULAR MEETING

FORT ORD REUSE AUTHORITY (FORA) WATER/WASTEWATER OVERSIGHT COMMITTEE

Wednesday, December 13, 2017 at 9:30 a.m.

(or at the end of the Administrative Committee meeting, whichever occurs later)

920 2nd Avenue, Suite A, Marina CA 93933 (FORA CIC)

AGENDA

1. CALL TO ORDER/ESTABLISHMENT OF QUORUM
2. PLEDGE OF ALLEGIANCE
3. ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE
4. PUBLIC COMMENT PERIOD

Members of the public wishing to address the Committee on matters within its jurisdiction, but not on this agenda, may do so for up to 3 minutes and will not receive Committee action. Whenever possible, written correspondence should be submitted to the Committee in advance of the meeting, to provide adequate time for its consideration.

5. APPROVAL OF MEETING MINUTES

- a. August 16, 2017 Meeting Minutes ACTION

6. BUSINESS ITEMS

Business items are for Committee discussion, debate, direction to staff, and/or action. Comments from the public are not to exceed 3 minutes or as otherwise determined by the Chair.

- a. MCWD Rate Study Workshop with WWOC INFORMATION/ACTION
b. Report on MCWD Master Plan INFORMATION/ACTION
c. Report from MCWD on status of CSUMB RUWAP easement INFORMATION

7. ITEMS FROM MCWD

8. ITEMS FROM MEMBERS

Receive communication from Committee members as it pertains to future agenda items.

9. ADJOURNMENT

NEXT MEETING: January 3, 2018

For information regarding items on this agenda or to request disability related modifications and/or accommodations please contact the FORA office at (831) 883-3672, 48 hours prior to the meeting. Agendas are available on the FORA website at www.fora.org.



**FORT ORD REUSE AUTHORITY
WATER/WASTEWATER OVERSIGHT COMMITTEE
MEETING MINUTES**

920 2nd Avenue, Suite A, Marina CA 93933 | FORA Conference Room
9:30 a.m., Wednesday, August 16, 2017

1. CALL TO ORDER

Chair Rick Riedl called the meeting to order at 9:32 a.m.

The following were present:

AR = After Roll Call

Committee Members:

Rick Riedl, City of Seaside
Brian McMinn, City of Marina
Steve Matarazzo, UCSC
Nick Nichols, County of Monterey
Elizabeth Caraker, City of Monterey (AR)

Other Attendees:

Mike Wegley, MCWD
Kelly Cadiente, MCWD
Patrick Breen, MCWD
Doug Yount, MCP
Sean Kranyak, MPP
Brad Slama, MPP
Mike Garcia, Member of the Public

FORA Staff:

Michael A. Houlemard, Jr.
Steve Endsley
Jonathan Brinkmann
Ikuyo Yoneda-Lopez

2. PLEDGE OF ALLEGIANCE led by Brian McMinn

3. ACKNOWLEDGEMENTS, ANNOUNCEMENTS, AND CORRESPONDENCE

None.

4. PUBLIC COMMENT PERIOD

Mike Garcia, representing Bio Clean Environmental introduced himself and inquired whether FORA maintained a preferred engineers list for outside consulting. Chair Riedl advised Mr. Garcia speak to staff after the meeting for further discussion.

5. APPROVAL OF MEETING MINUTES

a. **MOTION:** Brian McMinn moved to approve the June 14, 2017 Water/Wastewater Oversight Committee (WWOC) minutes. Seconded by Steve Matarazzo.

MOTION PASSED: UNANIMOUSLY

6. BUSINESS ITEMS

a. MCWD Performance Assessment

Steve Endsley requested the Committee complete the MCWD Performance Assessment, and submit within the next month.

b. MCWD Rate Study Update

i. Review of Scope and Schedule

Kelly Cadiente presented the Committee with the estimated timeline for the 2017 Comprehensive Rate and Fee Study, and Cost Allocation Plan with Carollo Engineers (as of 7/24/17).

ii. Committee Recommendations

Steve Endsley suggested that a FORA staff member *and* WWOC Committee member sit on MCWD's Rates Advisory Committee proposed by MCWD General Manager, Keith Van Der Maaten to review preliminary study results and participate in 3 scheduled budget workshops. MCWD Board will meet on August 21, 2017 to decide on the establishment of the committee. If approved, Ms. Cadiente will recommend FORA staff opinion to include both FORA and WWOC representatives.

Ms. Cadiente informed the Committee that MCWD has held a kickoff meeting with Carollo Engineering, and Carollo is in the data gathering phase, compiling information. Mr. Steve Endsley expressed interest in MCWD's ability to notify customers of the study, Prop 218, and the process. Ms. Cadiente informed the Committee that only parcel owners receive notification, and the property owners notify tenants. One protest is accepted per parcel. MCWD will post information on its website and also include messaging on its statements.

MOTION: Steve Endsley moved to nominate Mike Lerch to represent the WWOC, with Brian McMinn as the alternate, and Peter Said to represent FOR A staff with Steve Endsley as the alternate to serve on the Advisory Committee. Second by Steve Matarazzo.

MOTION PASSED: UNANIMOUSLY

c. Capital Improvement Program Review

i. Water and Sewer System South of Coe Avenue

The Committee discussed water and sewer service to area south of Coe Avenue on former Fort Ord. Mike Wegley of MCWD responded to questions from the Committee on its potential involvement in providing service to Del Rey Oaks and

City of Monterey. FORA staff provided a map for reference to aid in discussion regarding necessary improvements and ability to tie in existing infrastructure for service to Del Rey Oaks.

Mr. Endsley reported that the tone of the meeting held on August 14, 2017 to discuss the topic was positive and cooperative. Participants were confident that technical aspects could be addressed. Further discussion will be necessary for identifying financing mechanisms.

Mr. Wegley stated that the concern is not engineering with the project, but a financing concern. Mr. Reidl concurred.

7. ITEMS FROM MCWD

None.

8. ITEMS FROM MEMBERS

Chair Reidl received an email from Committee member Mike Lerch who was unable to attend, regarding the rate study. Ms. Cadiente requested the email be forwarded to her, and she will respond.

9. ADJOURNMENT

Chair Reidl adjourned the meeting at 10:13 a.m.

NEXT MEETING: September 13, 2017

Comprehensive Rate Study & Cost Allocation Analysis

Public Workshop | December 4, 2017



Today's Workshop: Present findings and solicit Board input on rate design and fiscal policy considerations

Financial Outlook and Challenges

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graph TD; A[Financial Outlook and Challenges] --> B[Financial Planning Scenarios]; B --> C[Rate Structure Recommendations]; C --> D[Next Steps / Q&A];
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Financial Planning Scenarios

Rate Structure Recommendations

Next Steps / Q&A



Financial Outlook and Challenges

Financial Plan: Review uses three tests to assess the viability of the rates and corresponding revenues



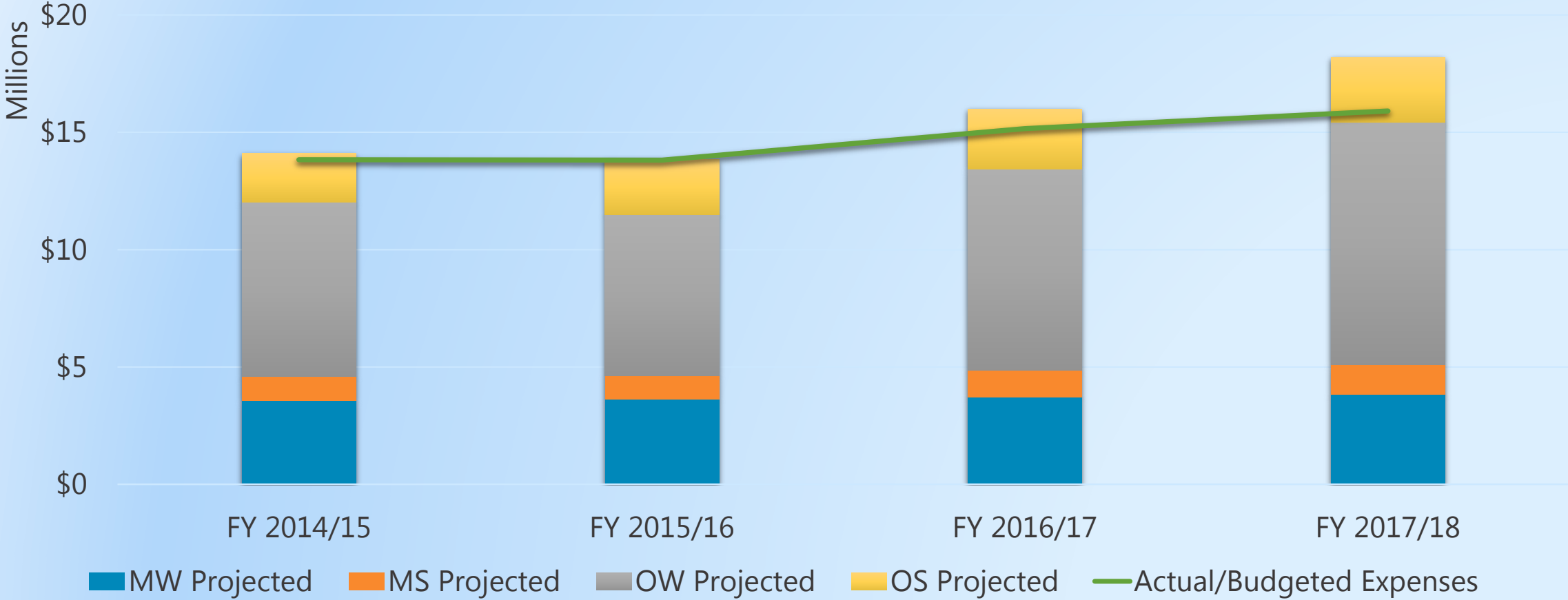
Do the rates fully fund operating expenditures?

Is there sufficient revenue for bond coverage?

Is the capital plan fully funded through rates, reserves, and/or debt?

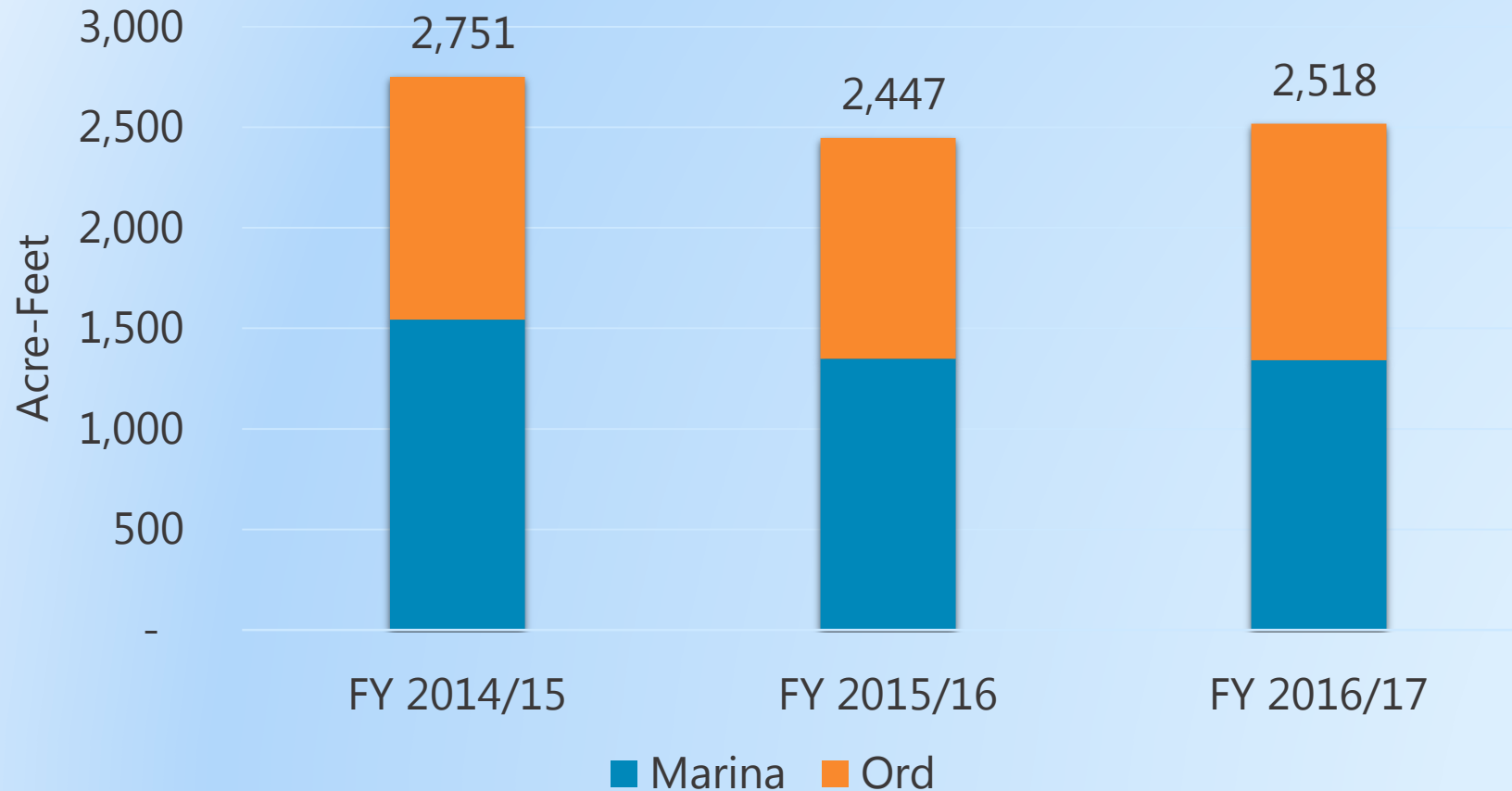
O&M expenses have kept pace with projected levels from the last rate study, and have even fallen below projections this year

Projected vs. Actual/Budgeted Expenses



Like most utilities in California, the financial plan is impacted by recent conservation, and ongoing capital funding needs

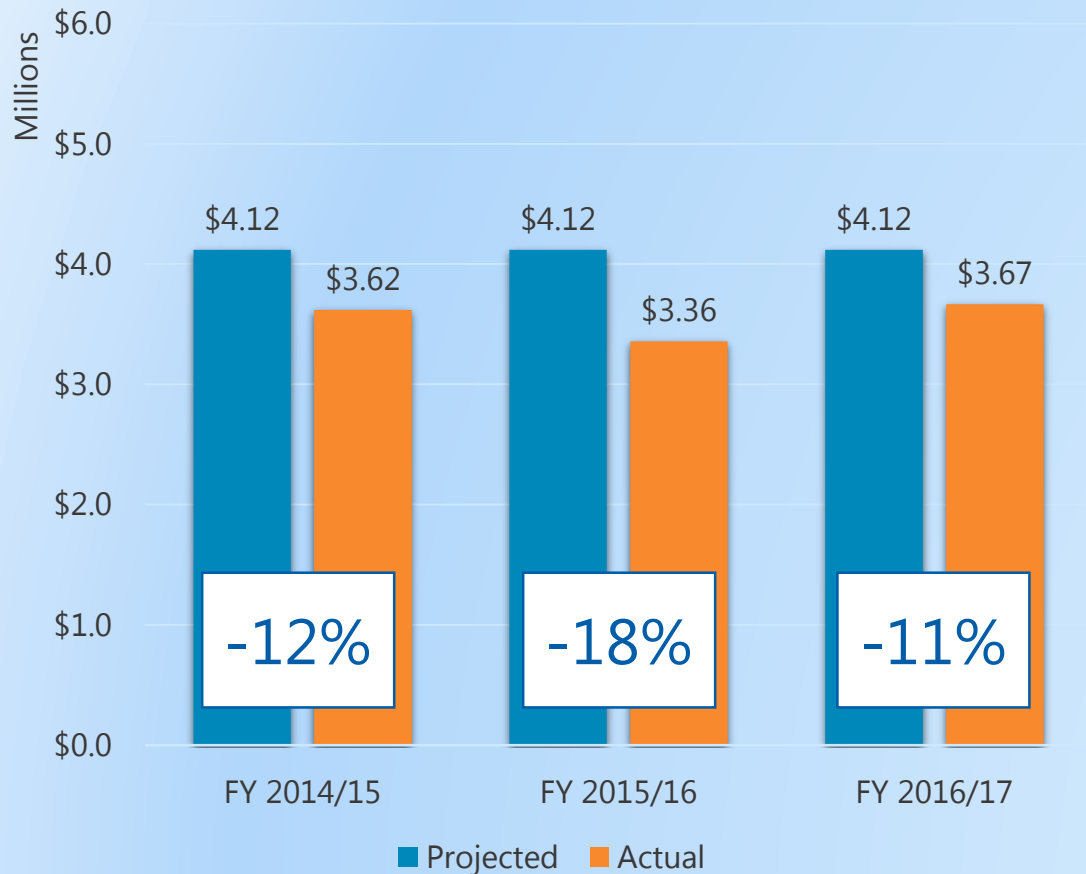
Water Demand Trends



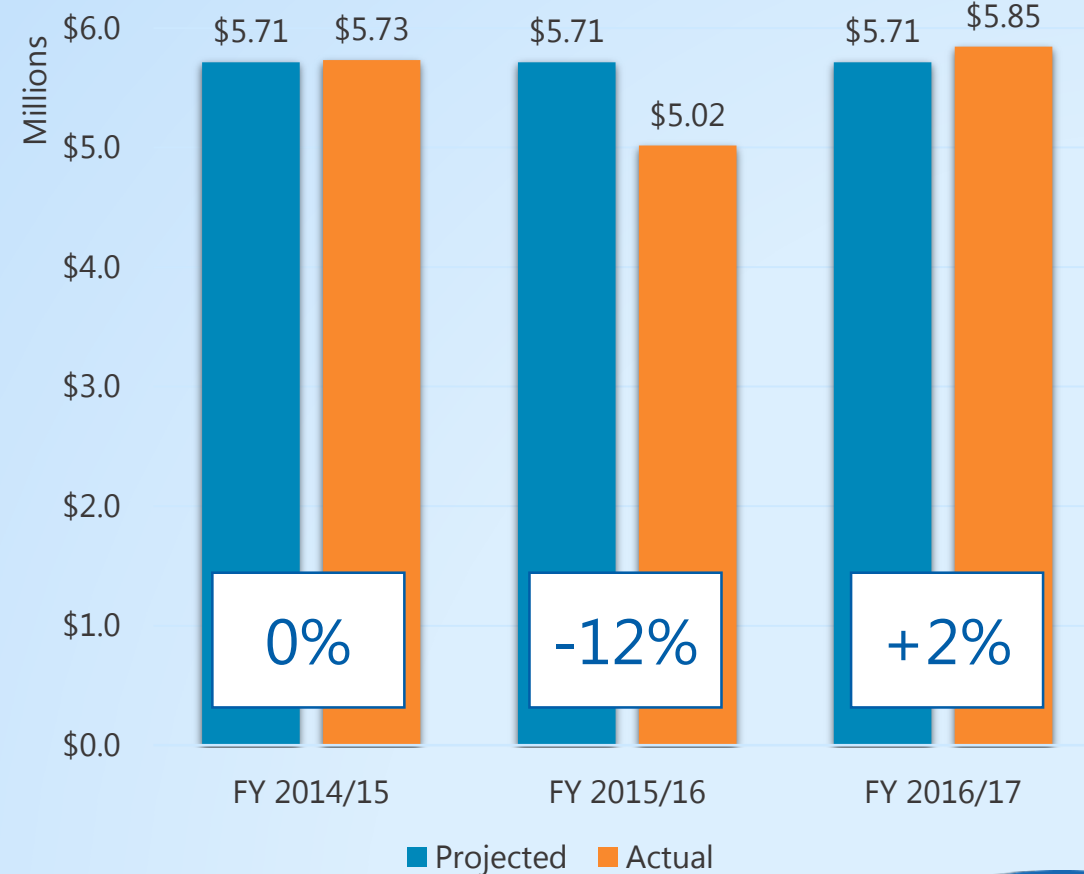
Total demand last year was
11% below
FY 2014/15 levels.

As a result of the conservation, water rate revenue was at least 10 percent below projected levels in FY 2015/16

Marina Water Rate Revenue

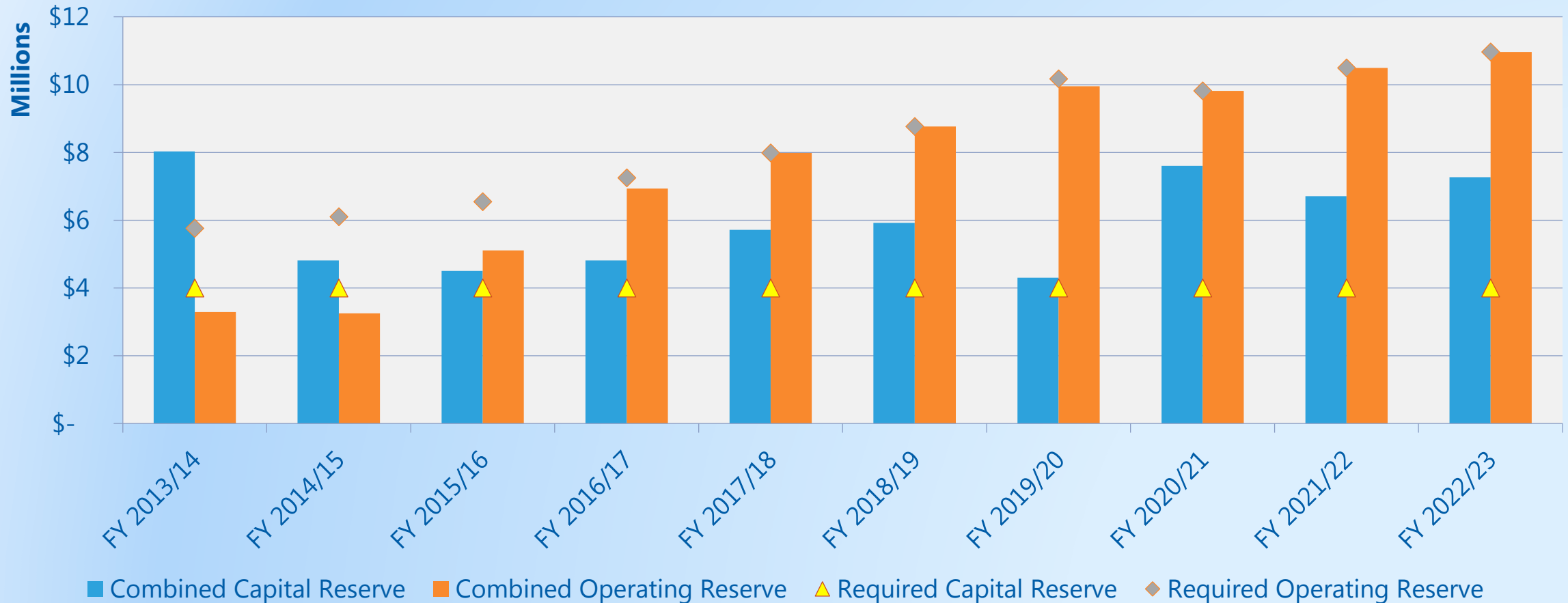


Ord Water Rate Revenue



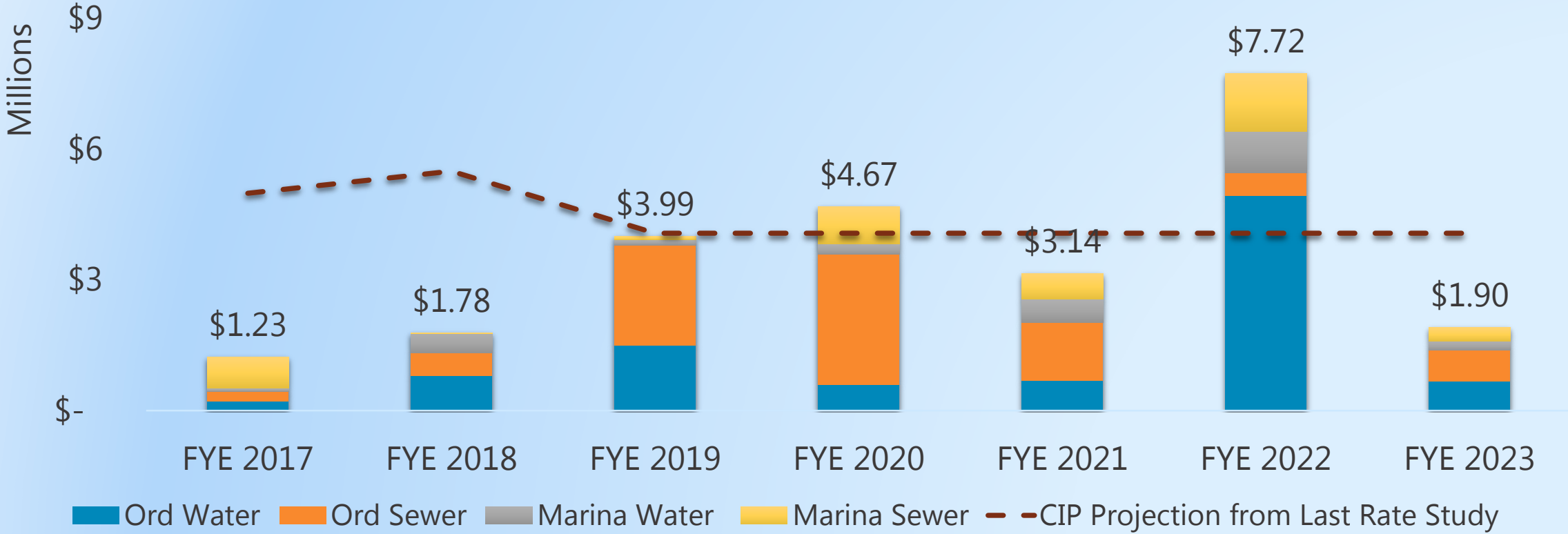
Previous forecast of gradual buildup of reserves didn't materialize...

Combined Balances



All four systems have significant increases in capital funding needs forecasted in the next five years, a challenge with limited reserves for some cost centers

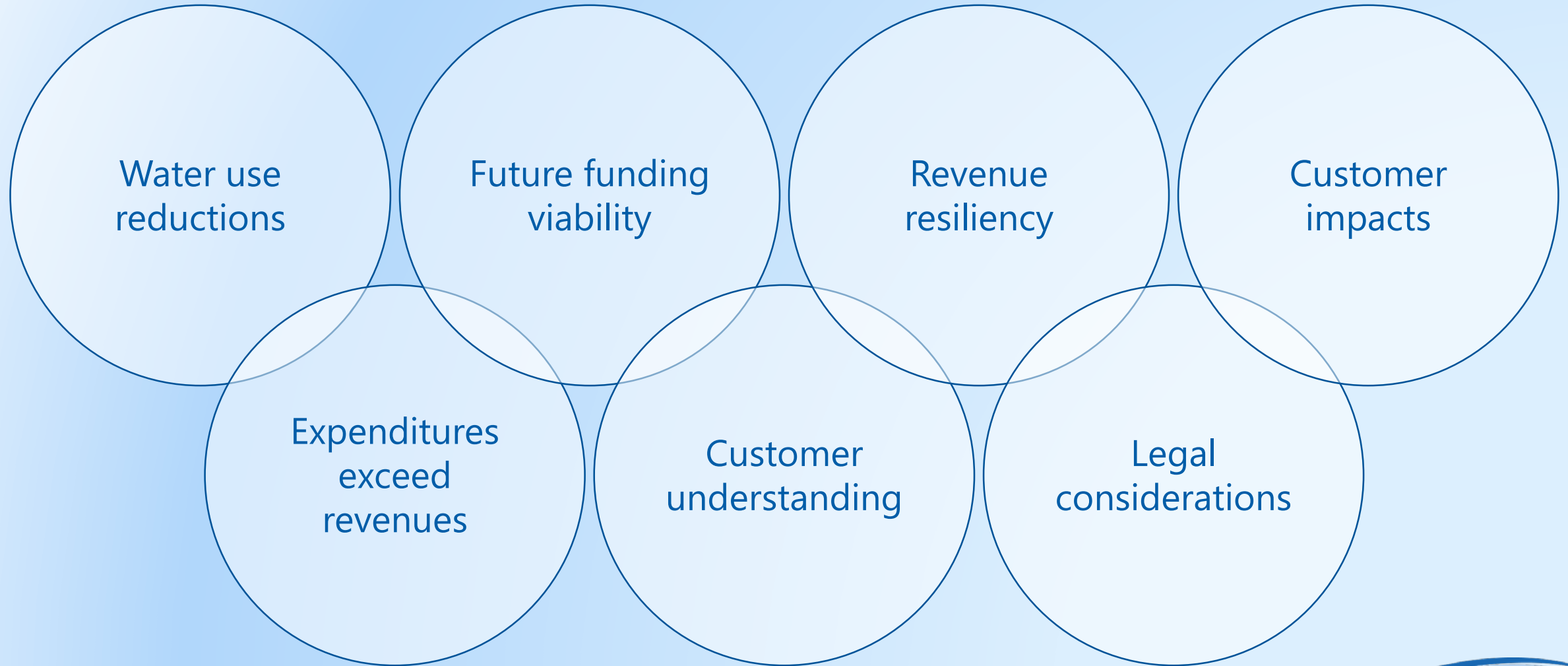
R&R Capital Funding Needs





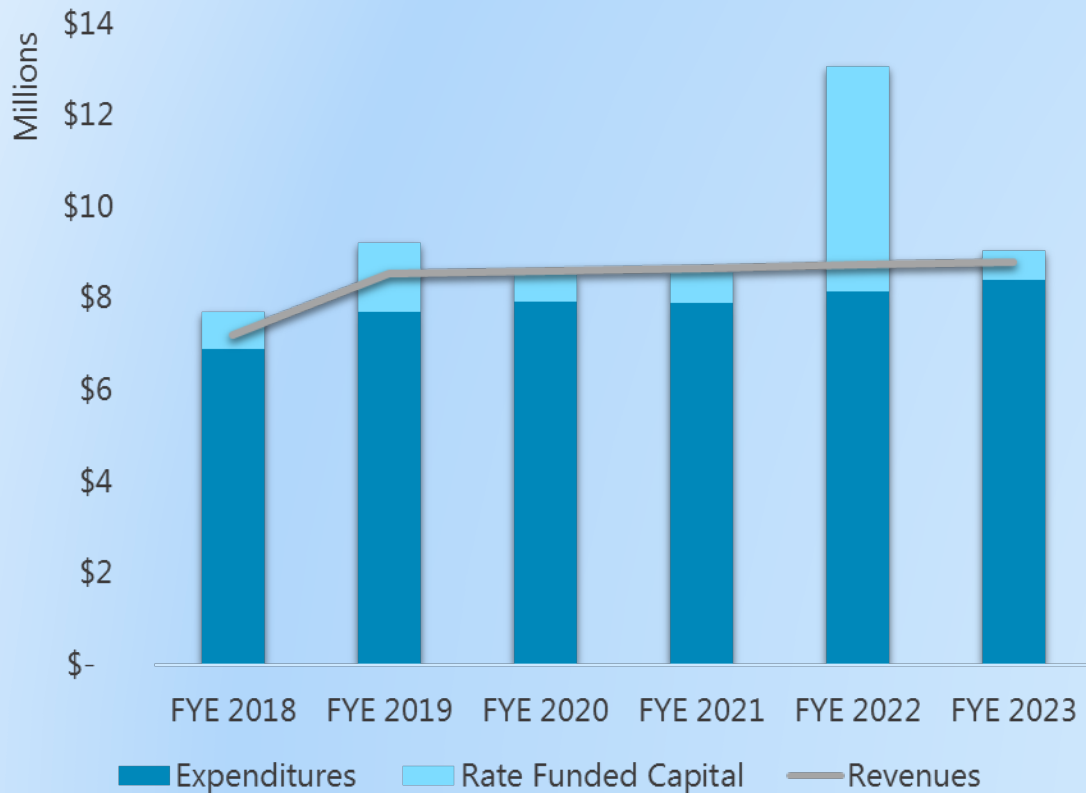
Financial Planning Scenarios

Adjusting to the New Normal: Key considerations and changes to system costs necessitate review of existing rates

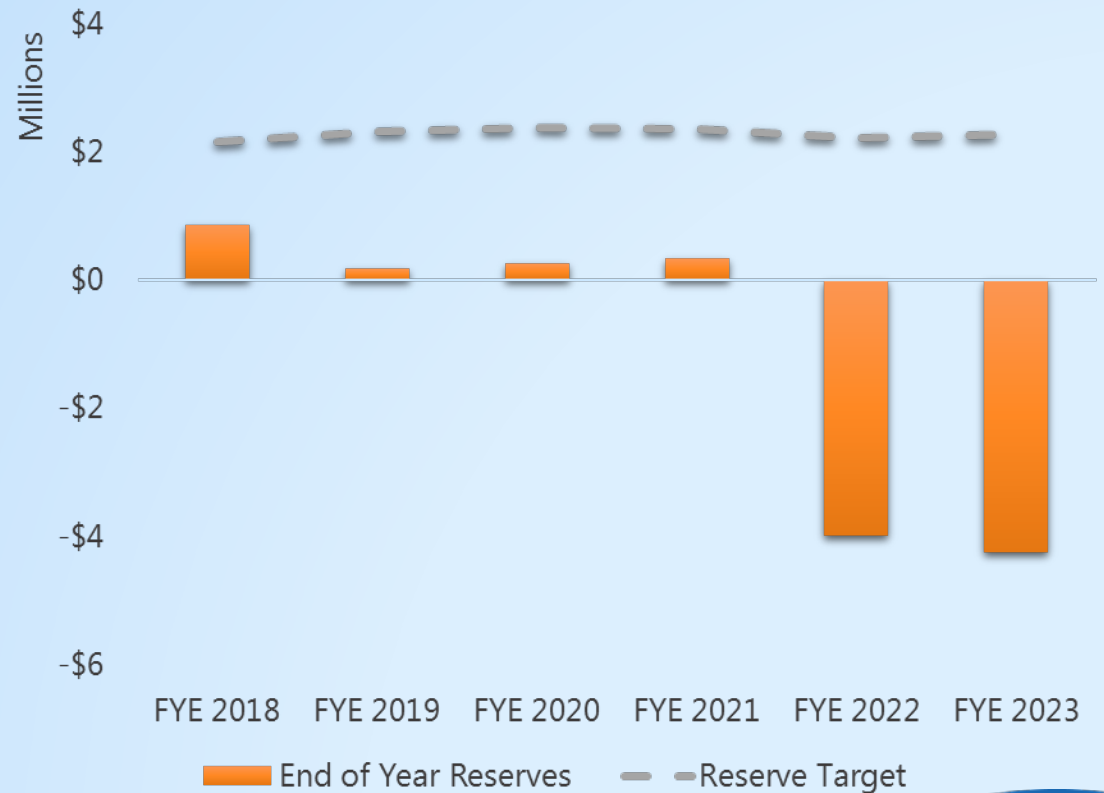


Ord Water: Significant capital needs that are currently underfunded by rates or reserves over the next five years

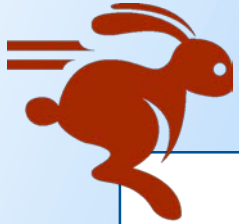
OW Revenues vs Expenditures with No Rate Change



OW Reserves with No Rate Change



Ord Water: Financial plan options offer a spectrum of capital funding scenarios



Immediate

- **Increases (%):**
 - 11 / 5 / 5 / 2 thereafter
- **Debt**
 - \$4.9m in FYE 2022
- **Reserves:**
 - O&M reserve \$1.5m below target in FYE 2019; \$300k in 2020
 - Meets target in all other years
- **Typical Customer Impact:***
 - Approx. \$10 per month



Balanced

- **Increases (%):**
 - 5 / 5 / 2 thereafter
- **Debt**
 - **\$1.5m in FYE 2019**
 - \$4.9m in FYE 2022
- **Reserves:**
 - O&M reserve \$250k below target in FYE 2019
 - Meets target in all other years
- **Typical Customer Impact:***
 - Approx. \$4 per month



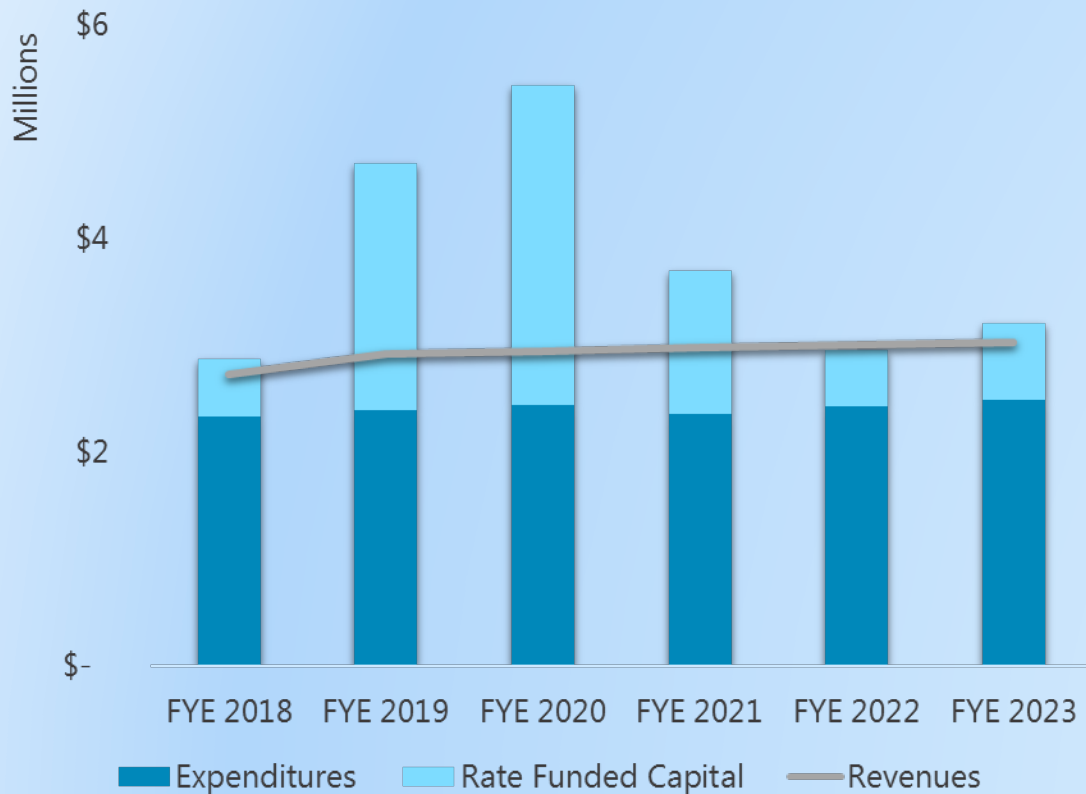
Extended

- **Increases (%):**
 - 3 in all years
- **Debt**
 - \$1.5m in FYE 2019
 - \$4.9m in FYE 2022
- **Reserves:**
 - O&M reserve **\$1.4m below** target in FYE 2019; **\$1.0m** in FYE 2020
 - Meets target in all other years
- **Typical Customer Impact:***
 - Approx. \$2 per month

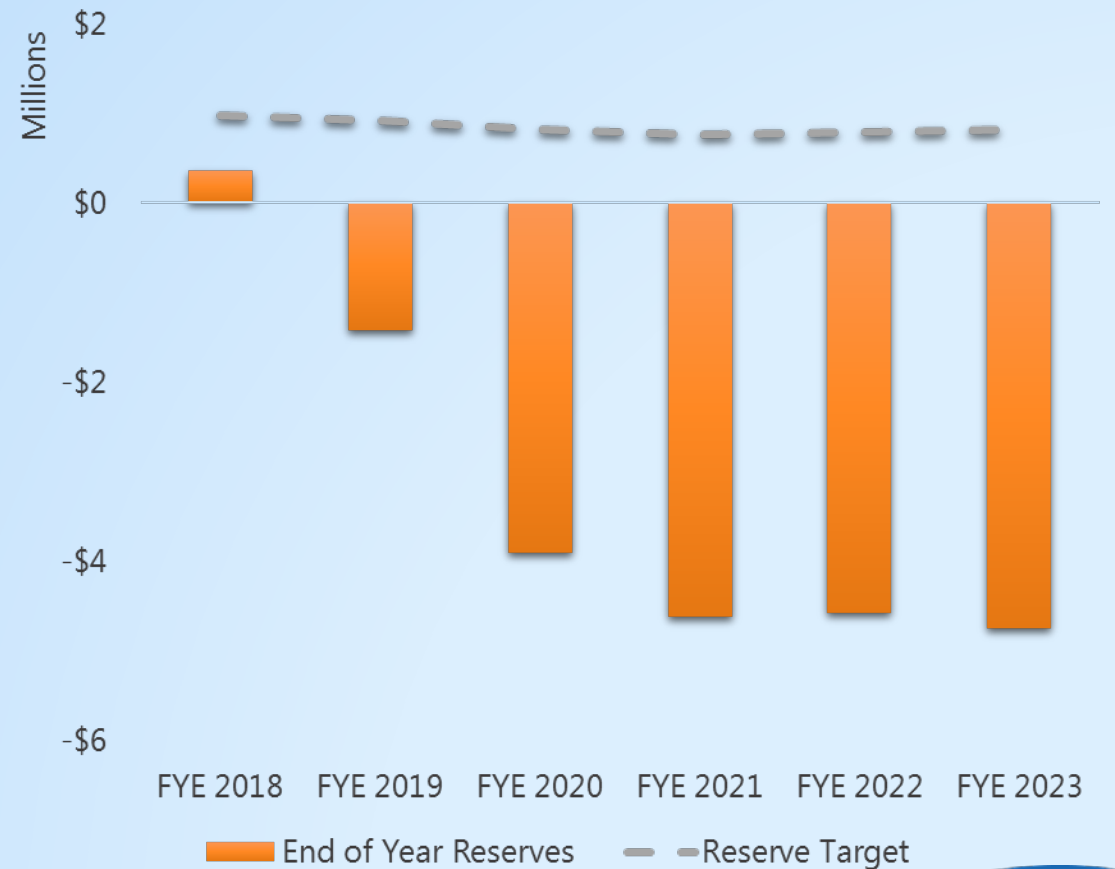
*Typical customer assumes 9 CCF with a 3/4" meter

Ord Sewer: Significant capital needs that are currently underfunded by rates or reserves over the next five years

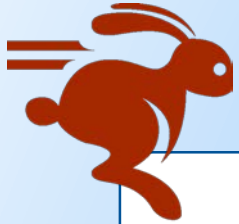
OS Revenues vs Expenditures with No Rate Change



OS Reserves with No Rate Change



Ord Sewer: Options offer either no debt in FYE 2019 and high increases, or lower increases with immediate debt



Immediate

- **Increases (%):**
 - 25 / 3 thereafter
- **Debt**
 - **No debt in FYE 2019**
 - \$3.0m in FYE 2020
 - \$1.4m in FYE 2021
- **Reserves:**
 - Allows **only 38% of FYE 2019** CIP to be funded before reserves go negative
 - Meets target in all other years
- **Typical Customer Impact:***
 - Approx. \$9 per month



Balanced

- **Increases (%):**
 - 6 / 3 thereafter
- **Debt**
 - **\$2.3m in FYE 2019**
 - \$3.0m in FYE 2020
 - \$1.4m in FYE 2021
- **Reserves:**
 - Meets target in all years
- **Typical Customer Impact:***
 - Approx. \$2 per month



Extended

- **Increases (%):**
 - 3 in all years
- **Debt**
 - No additional debt
- **Reserves:**
 - Falls short of O&M target in all years
 - Allows only approx. 50% funding of total CIP over next 5 years
- **Typical Customer Impact:***
 - Approx. \$1 per month

*Typical customer assumes SFR with 1 EDU

Marina Water: Rates would need increases to fund O&M, but increases would be inflationary and modest (<4%)

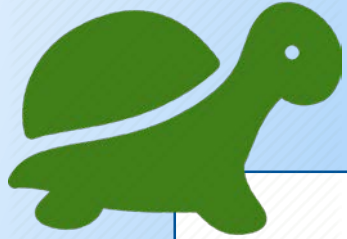
MW Revenues vs Expenditures with No Rate Change



MW Reserves with No Rate Change



Marina Water: Financial plan options balance how quickly to rebuild operating and capital reserves



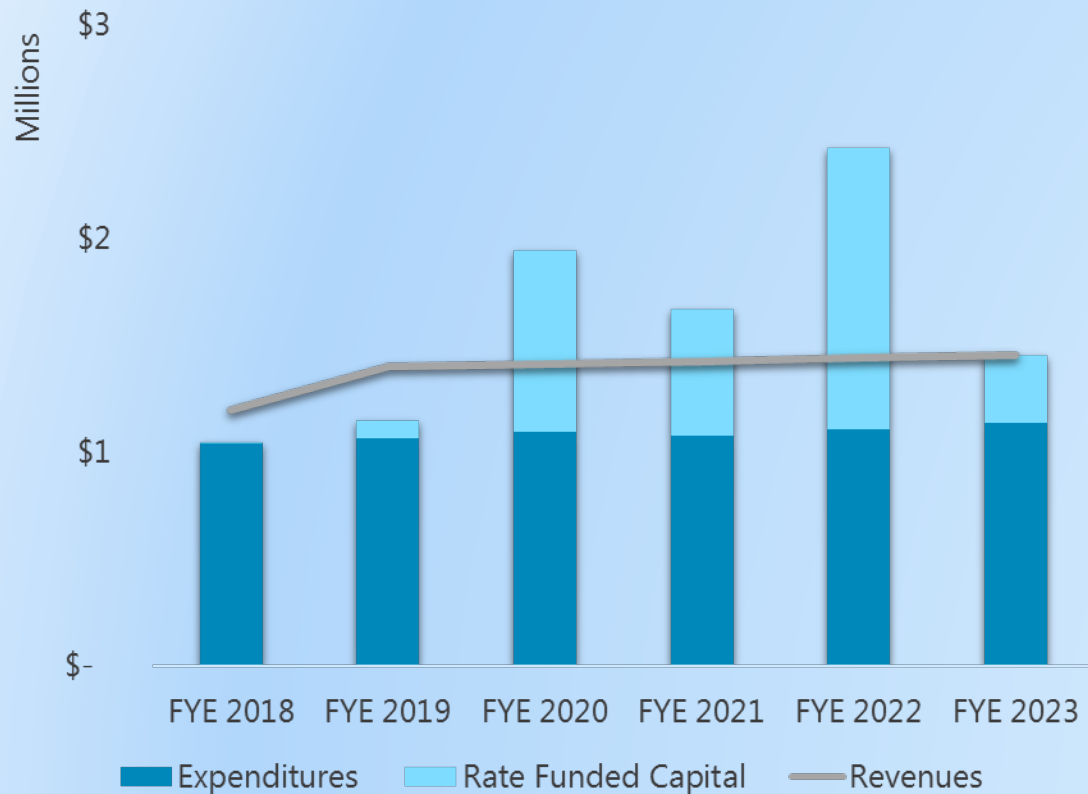
Balanced

- **Increases (%):**
 - 3 in all years
- **Debt**
 - No additional debt
- **Reserves:**
 - O&M reserve meets target in all years
- **Typical Customer Impact:***
 - Approx. \$3 per month

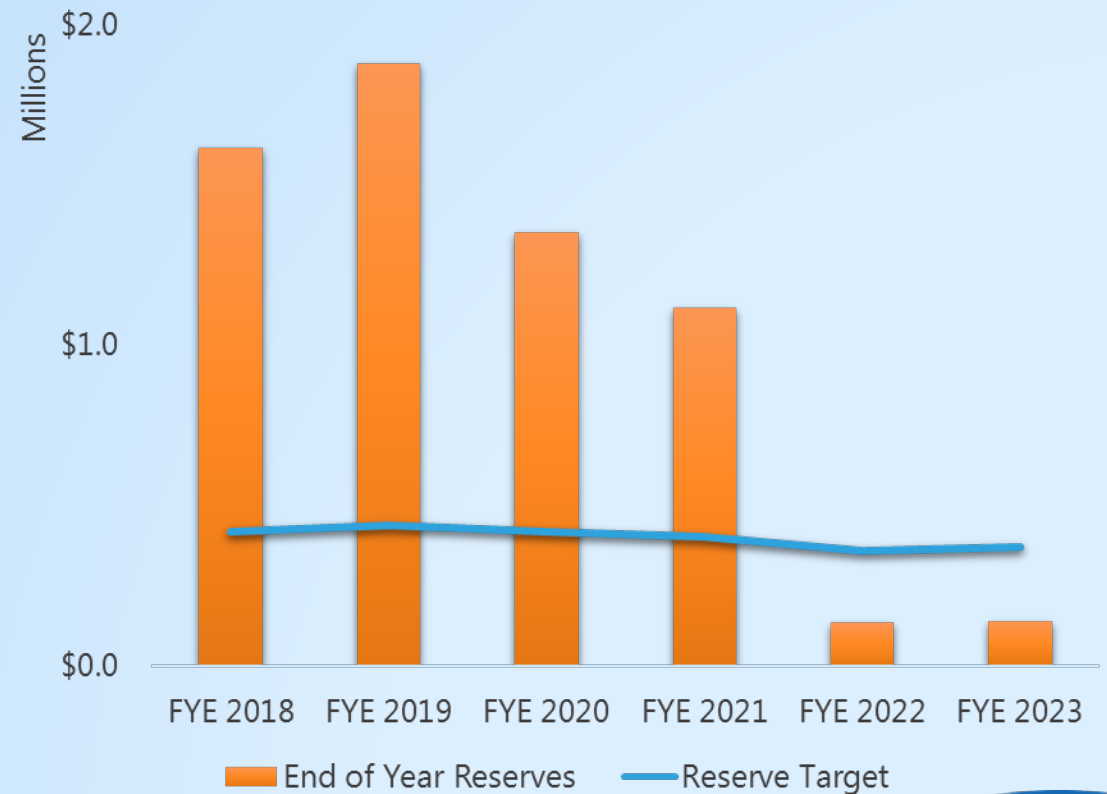
**Typical customer assumes 9 CCF with a 3/4" meter*

Marina Sewer: Significant capital expenditures planning in FYE 2020-2022, necessitating additional funding

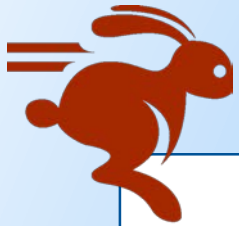
MS Revenues vs Expenditures with No Rate Change



MS Reserves with No Rate Change



Marina Sewer: Financial plan balances debt in FYE 2022 with more modest rate increases (3% versus 5% without debt)



Immediate

- **Increases (%):**
 - 5 in all years
- **Debt**
 - No additional debt
- **Reserves:**
 - Meets target in all years
 - Relies on reserve funding in FYE 2020 and 2022
- **Typical Customer Impact:***
 - Approx. \$1 per month



Balanced

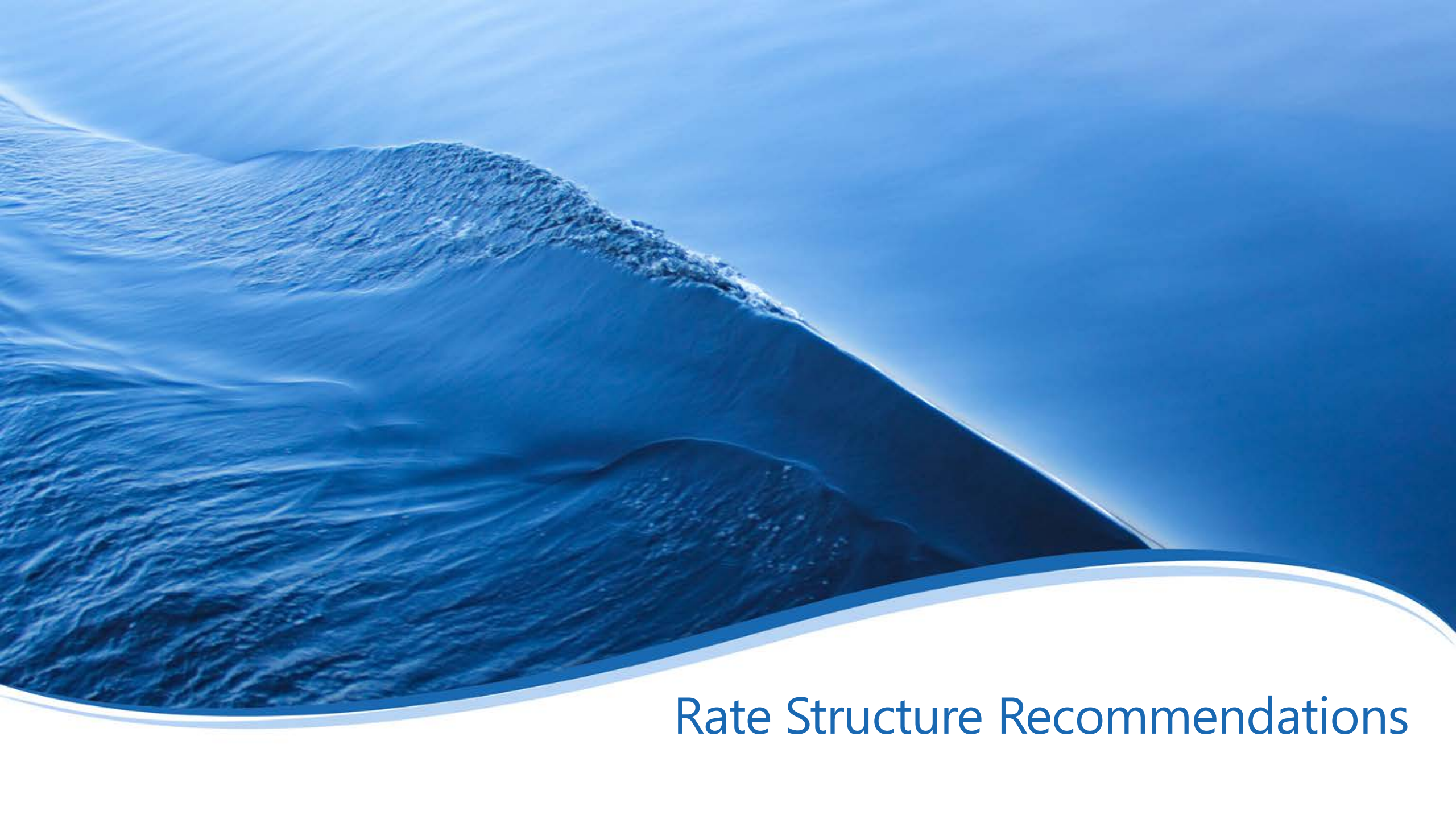
- **Increases (%):**
 - 3 in all years
- **Debt**
 - **\$1.3m in FYE 2022**
- **Reserves:**
 - Meets target in all years
 - Relies on reserve funding in FYE 2020
- **Typical Customer Impact:***
 - < \$1 per month



Extended

- **Increases (%):**
 - 3 in all years
- **Debt**
 - No additional debt
- **Reserves:**
 - Meets target in all years
 - Relies on reserve funding in FYE 2020 through 2022
- **Typical Customer Impact:***
 - < \$1 per month

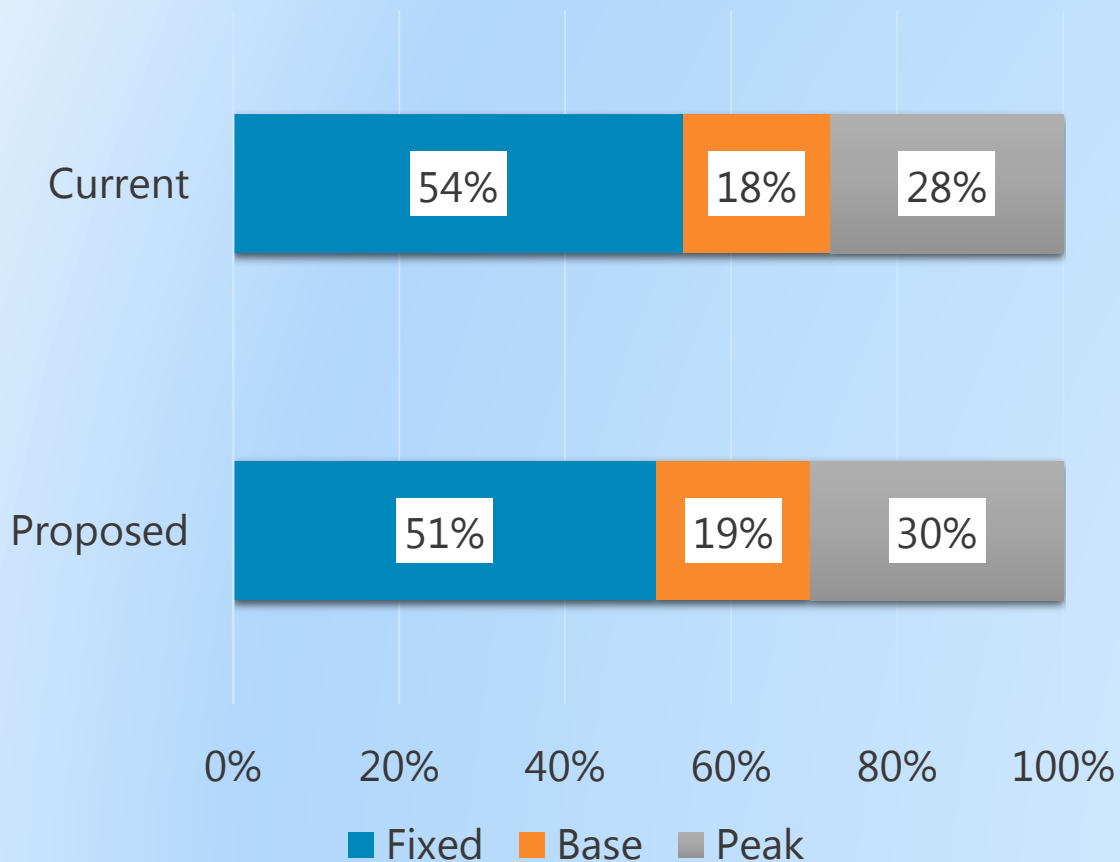
*Typical customer assumes SFR with 1 EDU



Rate Structure Recommendations

Ord Water: Cost recovery continues to be stabilized by a high percentage of revenues from fixed charges

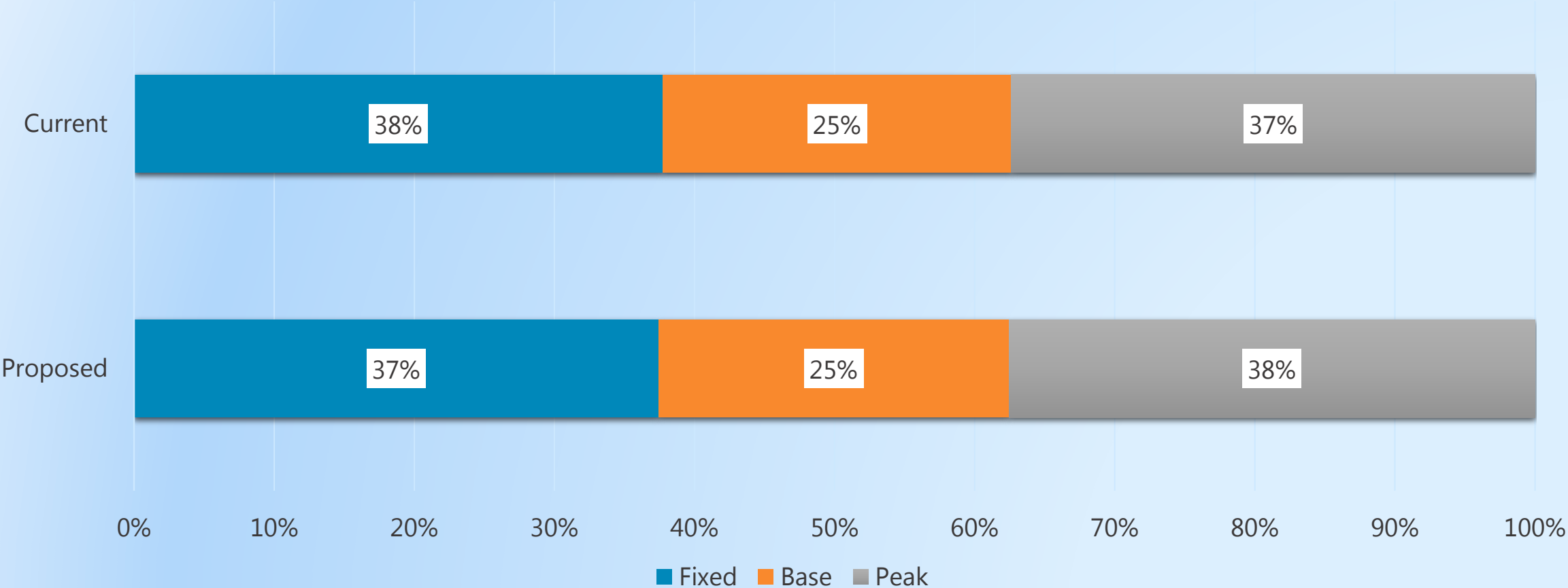
Ord Water Cost Allocation Results



- High fixed cost recovery helped smooth revenue collection during the drought
 - However, percentage went up as volumetric usage went down in recent years

While less than Ord, Marina Water fixed cost recovery is still high enough to help stabilize revenues

Marina Water Cost Allocation Results



Three-Tiered rates have a firm cost of service foundation

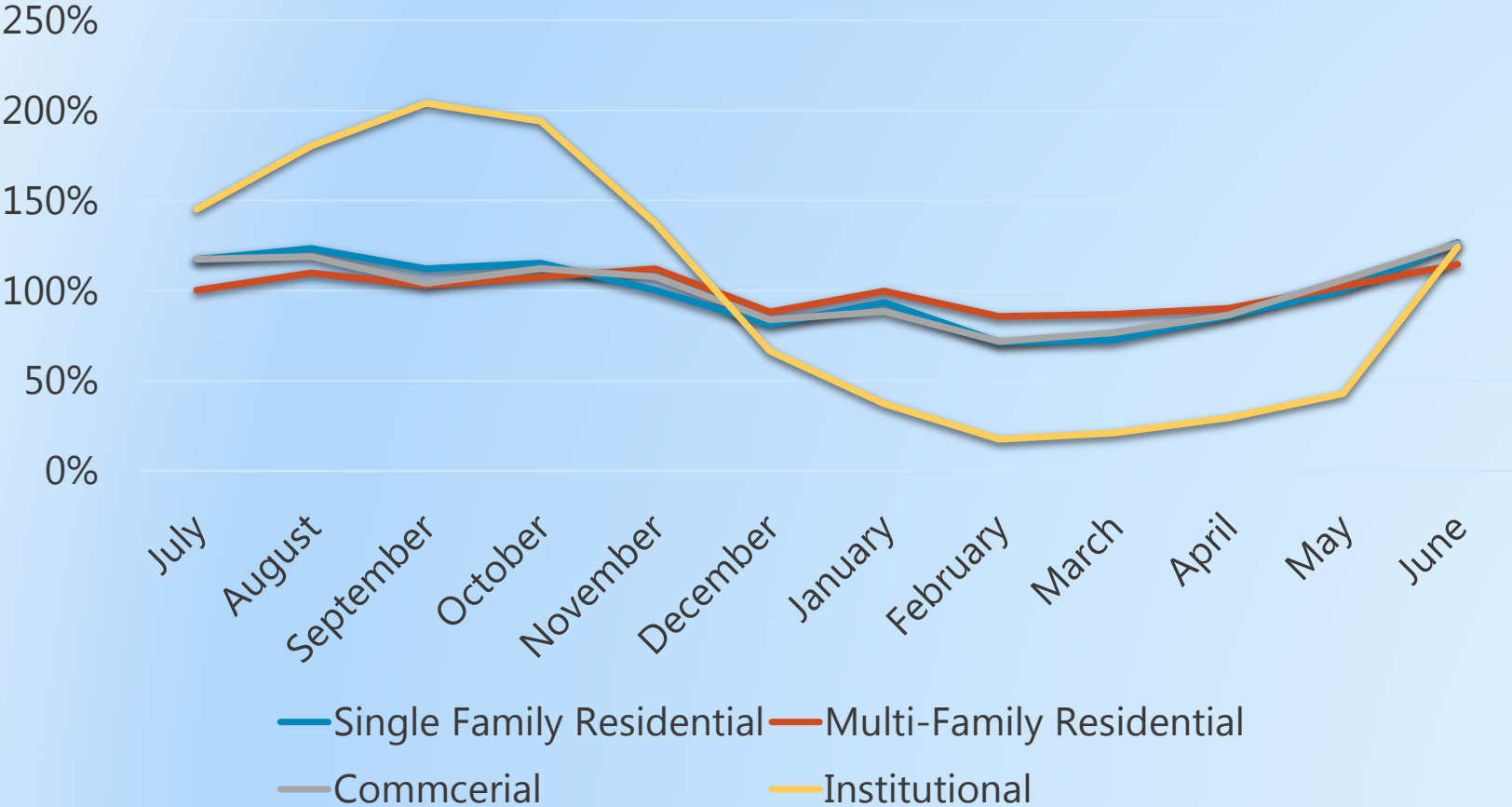
		July 1, 2016	January 1, 2017
Water Consumption Charge			
0-8 hcf	First Tier	2.97 per hcf	3.40 per hcf
8-16 hcf	Second Tier	4.56 per hcf	5.22 per hcf
16+ hcf	Third Tier	6.14 per hcf	7.03 per hcf

But have the underlying assumptions changed since these were developed?

- What changes could be made to the rates?
 - More closely tailored to cost of service?
 - More reflective customer demands?
 - Greater mitigation of financial risk?

With the exception of Institutional customers, MCWD customers have a relatively flat peak profile

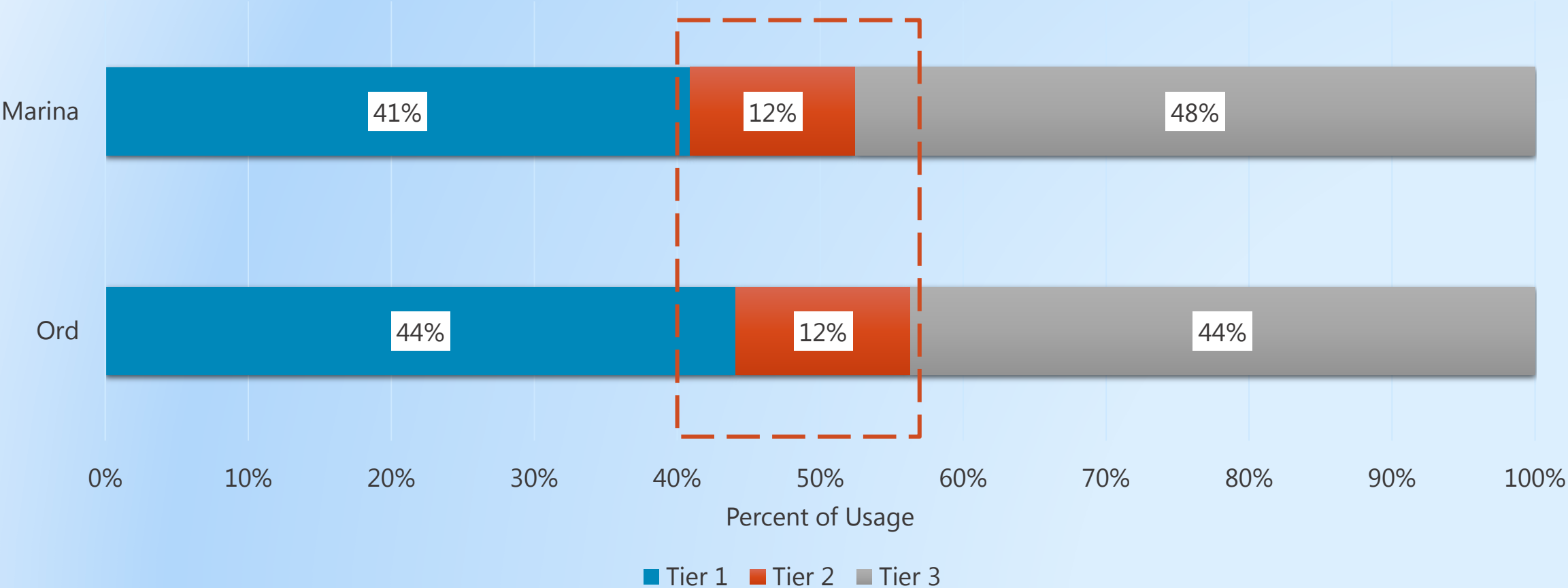
Month vs. Average Peak Profile



Max month is only **22% higher** compared to an average month for all customer classes

Over 85 percent of all usage for both Marina and Ord occurs within tiers 1 or 3, questioning the need for a tier 2

Usage by Tier



Given the limited peaking of the District's customers, a two-tiered approach may provide a better alternative



Easier to understand and administer

Simpler cost of service nexus

Potentially less subject to revenue risk



Two-Tier structure would expand the first tier, and consolidate the second and third tiers

- Tier 1 would be expanded to provide additional base capacity water
- Tier 2 would cover all usage above the tier 1 allowance
- Tier 3 would be eliminated

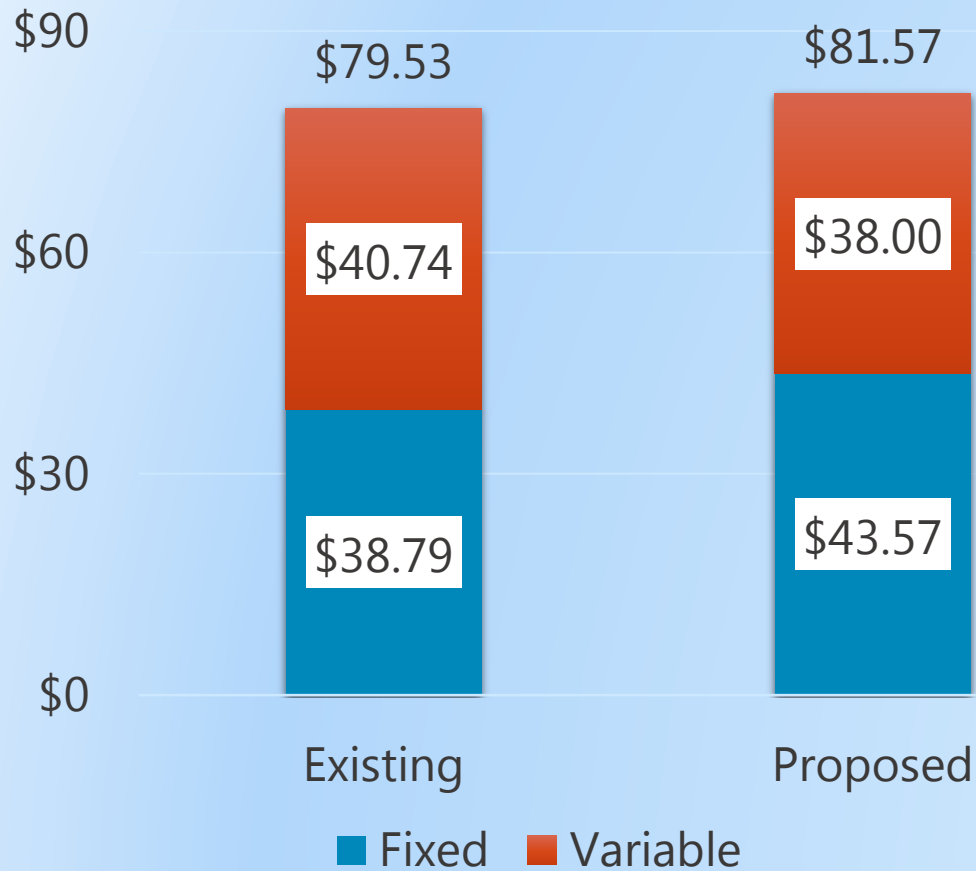
Tier	Three-Tier CCF	Two-Tier CCF
1	8	10
2	16	All other usage
3	All other usage	Eliminated

Proposed Water Rates: Assuming the balanced funding scenario

Ord				Marina			
Tier	<i>Current Rates (Eff. 1/1/18)</i>	<i>Three Tier (1/1/19)</i>	<i>Two Tier (1/1/19)</i>	Tier	<i>Current Rates (Eff. 1/1/18)</i>	<i>Three Tier (1/1/19)</i>	<i>Two Tier (1/1/19)</i>
1	\$3.68	\$4.15	\$4.08	1	\$2.78	\$3.29	\$3.28
2	\$5.65	\$5.80	\$8.33	2	\$3.19	\$4.19	\$4.99
3	\$7.62	\$8.57	-	3	\$5.63	\$5.02	-

Balanced Financial Plan: Bill impacts for the typical customers

Ord Monthly Bill Comparison (9 CCF)

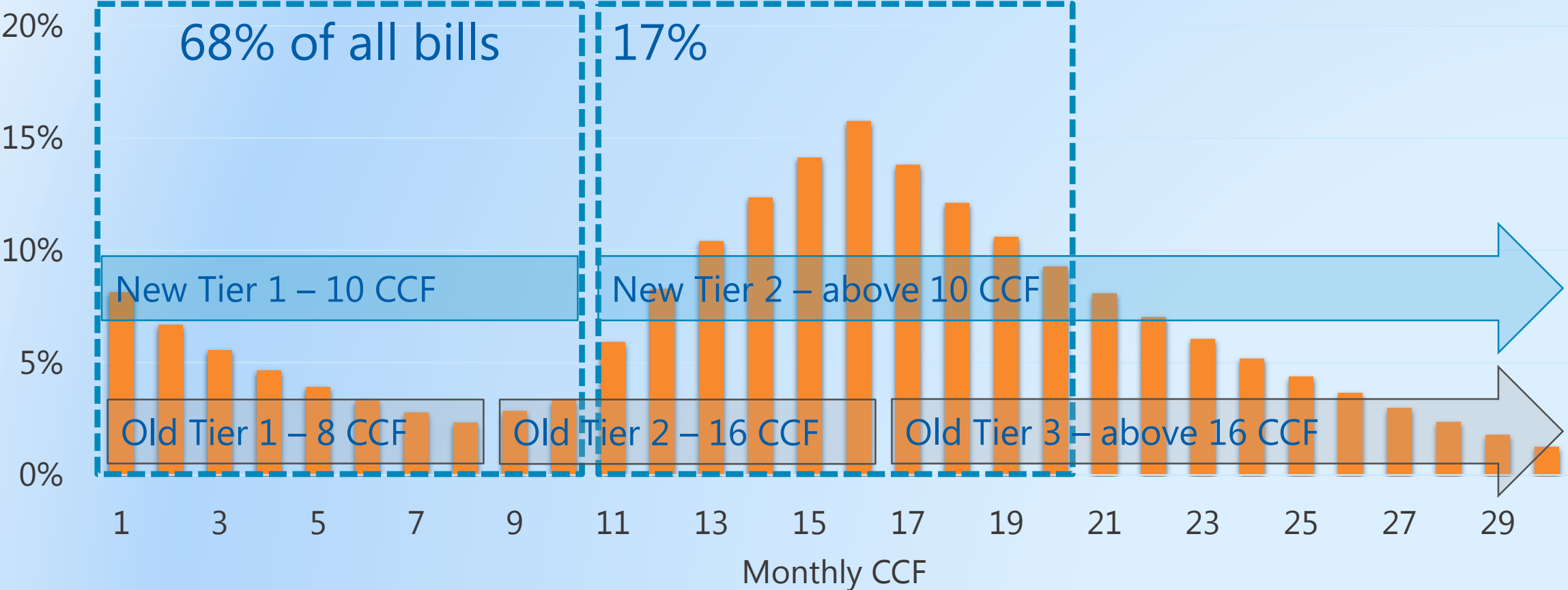


Marina Monthly Bill Comparison



Two-Tier structure would impact Marina water customers differently based on usage levels relative to old tier breakpoints

MW Bill Impact at Each Usage Level





Next Steps

Schedule and Next Steps

