

BOARD OF PUBLIC UTILITIES

July 1, 2014

The regular meeting of the Board of Public Utilities held on the 1st day of July, 2014, was called to order at 4:00 p.m. with CHAIRMAN POCOCK presiding and the following COMMISSIONERS present:

COMMISSIONERS SULLIVAN, SHAVER AND SHAW

Also Present: SECRETARY SALLIS, CITY MANAGER DANIELS, ASST CITY MANAGER BROWNLEE AND OTHER KEY STAFF

EX ABSNC COMMISSIONER SHAW MOVED, SECONDED BY COMMISSIONER MOFFITT & SHAVER, to grant an excused absence to COMMISSIONERS MOFFITT SCHNEIDER AND SCHNEIDER. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,  
SHAVER AND SHAW  
NOES: NONE  
ABSENT: COMMISSIONERS MOFFITT AND SCHNEIDER

APPROVAL COMMISSIONER SHAVER MOVED, SECONDED BY COMMISSIONER  
AGENDA SHAW, to approve the agenda. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,  
SHAVER AND SHAW  
NOES: NONE  
ABSENT: COMMISSIONERS MOFFITT AND SCHNEIDER

APR MINS: COMMISSIONER SHAVER MOVED, SECONDED BY COMMISSIONER  
SHAW, to approve the minutes of the regular meeting held May 20, 2014.  
May 20, '14 Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,  
SHAVER AND SHAW  
NOES: NONE  
ABSENT: COMMISSIONERS MOFFITT AND SCHNEIDER

CORSPNDN: None

PBLC APRN: None

UNF BUSNS: Review and discussion of the \$808,000 due to the City of Needles from the Needles Public Utility Authority (NPUA) as noted in the audited financial statement for the year ended June 30, 2013 was CONTINUED UNTIL AFTER AGENDA ITEM 6a (annual depository agreement).

**COST OF  
SERVICE  
STUDIES  
& RATE  
ANLYSIS**

Asst City Manager Brownlee explained that all available information on the responses to our solicitation and selection of a firm to perform cost of service studies and rate analysis for the electric, water and wastewater utilities is before the Board. He's available to answer any questions.

COMMISSIONER SULLIVAN questioned if the company will be required to use the equivalent dwelling unit (EDU) study on wastewater. Asst City Manager Brownlee responded they will be made aware it's available for use. There is concern with DCI, Inc. in that they have not worked together as a cohesive team with the EDU consultant and one member is employed full time at another profession.

CHAIRMAN POCOCK questioned the need to do electric as that department is not struggling with finances. Is it possible to do the other two utilities only? Asst City Manager Brownlee explained that we are fighting the perception that electric is subsidizing the other two utilities and if we do an electric rate study it might true up the water and wastewater.

COMMISSIONER SULLIVAN asked about separating each utility and looking at expertise in each utility as opposed to looking at one firm for all three. Asst City Manager Brownlee commented that that has not been looked at but it is felt that by separating each department it might be more costly.

CHAIRMAN POCOCK pointed out that in the previous study, EES Consulting was not familiar with wastewater. City Manager Daniels assured the Board that once we've accepted a preferred vendor and price, staff will negotiate and make the vendor aware of the issues including the need to be familiar with all utilities.

CHAIRMAN POCOCK spoke on the previous study done by EES, the time consuming project it turned out to be, and the limited involvement of this Board and city council. He felt the Board and Council should be involved from the start to advise the consultant of cost issues, idiosyncrasies, etc. City Manager Daniels agreed with the appointment of Member(s) from this Board and the council to meet with the consultant. He will ask the council to appoint as well.

COMMISSIONER SULLIVAN MOVED, SECONDED BY COMMISSIONER SHAVER, to accept the EES Consulting proposal to perform the rate studies at a cost of \$52,000. Motion carried by the following vote:

AYES: COMMISSIONERS SULLIVAN, SHAVER AND SHAW  
NOES: CHAIRMAN POCOCK  
ABSENT: COMMISSIONERS MOFFITT AND SCHNEIDER

**NEW BUSN:** Sylvia Miledi, finance director, briefly explained the annual depository agreement for fiscal year 2014-2015 for debt service, contract services, purchase payments, utility franchise fees, and reimbursement of non-utility sanitation revenue deposited with the Authority. This ties into the due to/due from and she went over those details from the information provided with agenda item 5a).  
**ANNL DEP  
AGREE FOR  
2014-15 FY**

City Manager Daniels spoke on the variations from budget to actual, bad debt, and refunds made to customers that will change the due to/due from. Discussion followed on the depository agreement versus the budget numbers.

CHAIRMAN POCOCK explained that several years ago, the then finance director agreed to track what was spent and only transfer and adjust that amount so it would be close at the end of the year. He questioned if that is still being done to which Finance Director Miledi responded yes. CHAIRMAN POCOCK asked how then the utilities could owe \$808,000 to the city from last year. He would like an explanation of the depository agreement which includes sanitation and utility users tax (UUT) revenues that go to the city. COMMISSIONER SULLIVAN felt that the sanitation and franchise fees should be transferred monthly based on actual collections and not based on budget numbers.

More discussion on the collection of revenues, where those revenues go, and how they get into the correct funds. Finance Director Miledi agreed to check on the UUT, where that revenue goes, and how it's paid back to the city general fund. She indicated the UUT is a journal entry into a liability account. CHAIRMAN POCOCK explained there needs to be consistency and if the UUT goes to the lockbox, it needs to be broken out and shown as a line item on the depository agreement as is done with the sanitation revenues.

COMMISSIONER SULLIVAN explained that this Board does not see the reconciliation done at the end of the year and questioned what happens if there's an overpayment and funds are due back to the NPUA.

City Manager Daniels remarked that if the Board wants to segregate out the sanitation revenues, staff will need to come back with a policy. He further pointed out that the UUT needs to be validated within the utility operations.

COMMISSIONER SULLIVAN suggested approving one month (July) of the depository agreement and have staff come back and readdress the questions at the next meeting. City Manger Daniels requested the Board approve the agreement as presented and staff can come back with revisions to address pulling out the sanitation and UUT.

CHAIRMAN POCOCK agreed that the actual amount collected on the UUT should be paid over the city and not the estimated amount based on the budget otherwise the utility pays more than it's collecting.

City Manager Daniels explained that as of June 30, 2013, there was \$4.6 million cash with the NPUA, \$1.074 unrestricted with the bank. He suggested taking the \$808,000 due the city out of that.

COMMISSIONER SULLIVAN felt the individual funds need to be reconciled as well as the NPUA/city total. There should be a journal entry to correct the due to the city electric from the NPUA. The Board needs to get information on the

NPUA account and to know exactly how much extra cash is in the designated fund.

CHAIRMAN POCOCK suggested that the Board could approve the depository agreement and come back with another depository agreement to deal with the due to/due from after looking at the year end close numbers and estimations at how it might look at June 30, 2014.

CHAIRMAN POCOCK MOVED, SECONDED BY COMMISSIONER SHAW, to approve the annual depository agreement for fiscal year 2014-2015 as presented, and to come back with an estimate of the most recent fiscal year imbalance and what it is likely to be and look at that with updated bank balances and investigate removal of the sanitation and UUT revenues and the \$808,000 due-to for a supplemental depository agreement.

Discussion followed on the All American Canal (Lower Colorado River Supply Project), revenues going into the trust fund with Zion's National Bank, and funds that are due the NPUA for well field construction.

Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,  
SHAVER AND SHAW  
NOES: NONE  
ABSENT: COMMISSIONERS MOFFITT AND SCHNEIDER

COLLAPSD City Manager Daniels noted that staff is researching a possible maintenance  
SWR PIPE agreement with CalTrans for the sewer pipe under the westbound I-40 roadbed  
UNDR I-40 (in the area of Market, California Avenue and 'P' Street). Robert Benoit, wastewater department, explained the issue is interpretation of the agreement with CalTrans. This could be a very costly project as he got an estimate over \$1.2 million so we're working with CalTrans to try to come to a solution. There is only one sewer line going to California Avenue and that is collapsing so we're back at an abandoned line that was located. Discussion ensued on the collapsed line under the I-40 westbound lane about 30' under the freeway.

City Manager Daniels explained this is just for information only at this time as we do not have an engineering answer and we're not sure who's responsible but it is being worked on. Mr. Benoit agreed staff is working on it and will come up with a solution but it could be a real issue that could be costly. CalTrans is anticipating an answer soon.

FSCL IMPACT CHAIRMAN POCOCK explained that if we're doing a rate study, the fiscal  
OF AB 32 impact of the state mandated AB 32 annual costs to purchase greenhouse gas  
ANNUAL allowances and renewable portfolio standards green tags should be included in  
COSTS that study. He would like to see this cost put as a line item on the utility bills so the customers can see what they are paying. The policy should include these cost figures as a power cost so they are added when we are doing the power cost

adjustment (PCA) calculation. Add whatever is spent this year and that would trigger a positive PCA and add in the cost-of-living to recapture the next year. He requested staff pull out the statement of policies and add any AB 32 costs to the power cost. Bring back a revised statement of policies for Board approval.

**REPORTS:** City Manager Daniels reported that the water and electric crews are starting work at 5:00 a.m. to avoid the heat. This is a worker safety issue.

City Manager Daniels will have an update on the electric meter change out program at the next meeting.

**BRD RQSTS:** COMMISSIONER SULLIVAN requested that at the next meeting a discussion be held on implementing an account tracking system from month-to-month for each utility so the Board knows where the accounts are going each month. He noted that there are substantial fluctuations from 65 to 208 account changes and he wondered why such variations.

COMMISSIONER SULLIVAN also requested a more detailed discussion on the asset replacement funds. He has questions that he will forward to City Manager Daniels for a response.

**ADJOURN:** COMMISSIONER SHAVER MOVED, SECONDED BY COMMISSIONER SULLIVAN, to adjourn. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,  
SHAVER AND SHAW  
NOES: NONE  
ABSENT: COMMISSIONERS MOFFITT AND SCHNEIDER

CHAIRMAN POCOCK declared the regular meeting of the Board of Public Utilities held on the 1st day of July, 2014, adjourned at 5:38 p.m.

ATTEST: \_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary