



**CITY OF AZUSA**  
**MINUTES OF THE REGULAR MEETING**  
**OF THE AZUSA UTILITY BOARD/CITY COUNCIL**  
**MONDAY, JANUARY 25, 2016 – 6:30 P.M.**

Chairman: Edward J. Alvarez  
Vice-Chairman: Angel A. Carrillo  
Boardmember: Joseph Romero Rocha  
Boardmember: Uriel Edward Macias  
Boardmember: Robert Gonzales  
Secretary: Jeffrey Lawrence Cornejo, Jr.

The Utility Board/City Council of the City of Azusa met in regular session, at the above date and time, in the Azusa Light and Water (ALW) Conference Room, located at 729 North Azusa Avenue, Azusa, California.

Boardmember Gonzales called the meeting to order at 6:30 P.M., by consensus of the Board.

Pledge to the flag was led by Boardmember Uriel Macias.

**ROLL CALL:** Roll call was taken by Secretary Cornejo. Vice-Chairman Carrillo joined the meeting at 6:31 p.m.

**PRESENT: BOARDMEMBERS:** ROCHA, MACIAS, GONZALES, CARRILLO

**ABSENT: BOARDMEMBERS:** ALVAREZ

**ALSO PRESENT**

**Elected Officials:** Secretary Cornejo.

**Staff Members:** City Manager Butzlaff, City Attorney Ferre, Utilities Director Morrow, Utility Programs Specialist Reid, Assistant Director of Electric Operations Langit, Administration and Financial Services Manager Johnson, Police Chief Gonzalez, Police Captain Hunt, Assistant Director Customer Care Solutions Kalscheuer, Public Works Director/City Engineer Bobadilla, Management Analyst Lacasella, Administrative Intern Campos, Associate Planner Munoz, and Administrative Technician Juarez.

**PUBLIC PARTICIPATION**

There was no public comment.

**UTILITIES DIRECTOR COMMENTS**

Utilities Director George Morrow welcomed everyone back and wished a Happy New Year to all.

**BOARDMEMBER COMMENTS**

Boardmember Rocha wished everyone a Happy New Year and was glad to be back.

Boardmember Macias confirmed the availability of sand bags at the City Yard and Fire Station 32.

Vice-Chairman Carrillo stated that he was happy to be back.

**CONSENT CALENDAR:** Moved by Boardmember Gonzales, seconded by Boardmember Macias, to approve Consent Calendar Items D-1 through D-5, by the following vote of the Board:

AYES: BOARDMEMBERS: ROCHA, MACIAS, GONZALES, CARRILLO

NOES: BOARDMEMBERS: NONE

ABSENT: BOARDMEMBERS: ALVAREZ

1. The minutes of the regular meeting of November 25, 2015 were approved as written.
2. The Smart Water City Challenge grant acceptance was approved.
3. An agreement with Richard Heath & Associates (RHA) for the performance of utility audits and solar assessments on key municipal facilities at a cost not-to-exceed \$50,000 was approved.
4. It was found that TSR Construction & Inspection completed Project LD2015-4; the Notice of Completion for CIP Project No. LD2015-4 to furnish and install underground electric substructures at Vincent Avenue just South of Gladstone Street was approved; and the City Clerk was authorized to submit the Notice of Completion for recordation.
5. A contract with Omar Taha Construction for the Waterless Urinal Retrofit Project in an amount not to exceed \$48,385 (plus a 10% authorization for change orders) was awarded.

### **SCHEDULED ITEMS**

#### **Water Cost of Service Study and Rate Adjustment Report.**

Utilities Director Morrow presented the Water Cost of Service Study and Rate Adjustment (Study) Report stating that NBS Government Finance Group was in the final stages of the cost of service study. A financial update was provided and Staff believed that the water utility could meet the required 1.25 minimum debt service coverage for Fiscal Year 2016 but financial projections do not meet the minimum targets beginning in Fiscal Year 2017. An operating budget shortfall of about \$2.8 million is projected for Fiscal Year 2016/17 as a result of lower sales.

The key Study assumptions are that water sales will increase 1.5% in Fiscal Year 2018 and 1% each year thereafter; drought penalties, which have a 10.5% rate impact, are proposed to be eliminated on July 1, 2016; the proposed elimination of the 100% Surcharge on Irwindale's double meter charge would have a smaller 0.8% impact on total retail revenues; there was a proposed 7% increase to the fixed meter/customer charge (and a corresponding reduction in variable commodity costs); advanced metering infrastructure (AMI) was excluded from the rate study; and water rights were reassigned from the City of Azusa to Azusa Valley Water Company (AVWC), which should result in continued lease revenue.

It was clarified to the Board that the 100% Irwindale Surcharge on meter /customer and commodity charges for customers outside the city, is comprised of three parts: the fixed meter charge, fixed fire service charge and variable commodity costs.

An overview of the San Juan Capistrano Court Ruling was presented, which requires that water rates be cost-based. City Attorney Ferre further explained the ruling stating that tiered rates based on consumption, must correspond with the cost of obtaining the additional water. The proposed rate structure will link ALW's cost of supplies to tiered volumetric charges. It will be recommended that the current meter size rates be unbundled which would cause customers with larger meters to see a substantially higher rate impact than those customers that have smaller meters.

The Study is proposing a preliminary five year, two-step rate change which would include a 21% increase in 2017 and a 13.50% increase in 2018. Staff will continue to analyze the recommendation to see if the second increase can be reduced. There has not been a base rate increase since 2010.

The rate study will propose drought/rate phases for reductions of sales which could be administratively implemented with Utility Board approval.

Staff recommended that the Utility Board consider the information provided. No action was needed for this item.

### **STAFF REPORTS/COMMUNICATIONS**

#### **Drought Update.**

Utilities Director Morrow provided an update on the drought stating that an Executive Order was issued by Governor Brown on November 13, 2015 which would extend the emergency regulations through October 2016, should the drought persist through January 2016.

#### **2016 Upcoming Conferences.**

Utilities Director Morrow announced two upcoming conferences: Association of California Water Agencies (ACWA) 2016 Spring Conference and Exhibition on May 3-6, 2016 and the American Public Power Association (APPA) 2016 National Conference on June 12-15, 2016.

### **ADJOURNMENT**

The meeting was adjourned by consensus of the Utility Board.

**TIME OF ADJOURNMENT: 7:08 P.M.**



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**CITY CLERK/SECRETARY**

**NEXT RESOLUTION NO. UB-1-2016.**

**Next Regular Meeting:** February 22, 2016.