



CITY OF AZUSA
MINUTES OF THE REGULAR MEETING
OF THE AZUSA UTILITY BOARD/CITY COUNCIL
MONDAY, SEPTEMBER 25, 2017 – 6:30 P.M.

Chairman: Uriel E. Macias
Vice Chairman: Robert Gonzales
Board Member: Joseph R. Rocha
Board Member: Edward J. Alvarez
Board Member: Angel A. Carrillo
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.

Chair Macias called the meeting to order at 6:30 P.M.

Pledge to the flag was led by Board Member Alvarez.

ROLL CALL: Roll call was taken by Secretary Cornejo.

PRESENT: BOARD MEMBERS: MACIAS, GONZALES, ROCHA, ALVAREZ, CARRILLO

ABSENT: BOARD MEMBERS: NONE

ALSO PRESENT

Elected Officials: Secretary Cornejo

City Attorney: Jeff Ferre

Staff Members: Utilities Director Morrow, Assistant Director of Customer Care Solutions Kalscheuer, Assistant Director of Electric Operations Langit, Assistant Director of Water Operations Macias, Utility Programs Specialist Reid, Assistant Director of Resource Management Lehr, Management Analyst Lacasellas.

A. PUBLIC PARTICIPATION

Jorge V. Rosales remarked that water rates have increased as a result of the drought, but the drought is now over. Cash reserves in the Water Fund now total \$25.2 million, but the policy only requires \$19 million. Cash reserves in the Electric Fund are almost twice the policy requirement. Those funds will be used for advanced metering infrastructure. He questioned why the excess cash reserves are not refunded to customers.

B. UTILITIES DIRECTOR COMMENTS

Utilities Director Morrow reported the Shred-A-Thon and electronic waste event was successful with 7,500 pounds of paper shredded and seven pallets of electronic waste collected. The event is held twice a year.

C. UTILITY BOARD MEMBER COMMENTS

Board Member Gonzalez thanked the Utility Director for leading the Shred-A-Thon.

D. CONSENT CALENDAR

Vice Chair Gonzalez recused himself from Item D-4 due to the proximity of his home to the real property and abstained from the vote on Item D-4.

Moved by Board Member Carrillo, seconded by Board Member Rocha, to approve the Consent Calendar by the following vote of the Board:

| | | |
|----------|----------------|---|
| AYES: | BOARD MEMBERS: | MACIAS, GONZALEZ (except D-4), ROCHA, ALVAREZ, CARRILLO |
| NOES: | BOARD MEMBERS: | NONE |
| ABSENT: | BOARD MEMBERS: | NONE |
| ABSTAIN: | BOARD MEMBERS: | GONZALEZ (D-4 only) |

1. The minutes of the regular meeting of July 24, 2017 were approved as written.
2. Task Order 2 – Well 5 casing installation and base modification was awarded to General Pump Company under the Master Maintenance Service Contract for a not-to-exceed amount of \$149,994.
3. Professional Services Agreements for on-call professional engineering services with CivilSource, Inc., Stantec Consulting Services, Inc., and Stetson Engineers, Inc., were approved; and the Mayor was authorized to execute, in a form acceptable to the City Attorney, a PSA with each of the firms.
4. Resolution No. UB-12-2017, accepting the Grant of Easement for the property at 9th Street and Dalton Avenue, Tract 74375 was adopted; and the City Clerk was authorized to file the easement in the Office of the Los Angeles County Recorder.
5. An amendment to the Professional Services Agreement with RT Lawrence for lockbox services to extend the term of the agreement through October 31, 2019, at no change to the current monthly fee schedule was approved; and the issuance of a contract purchase order to RT Lawrence in the amount of \$17,000 for year 1 and \$17,000 for year 2 was authorized.
6. The Director of Utilities was authorized to finalize, execute, and administer the Master Edison Electric Institute (EEI) Agreement and attachments with Southern California Edison (SCE).
7. Resolution No. UB-13-2017, containing the results of ALW's mandatory tri-annual review of energy storage targets and ALW's recommendation that no energy storage targets be established at this time, was adopted.
8. The Amended and Restated Professional Services Agreement (PSA) with Electric & Gas Industries Association (EGIA) was approved; and the Mayor was authorized to execute the Amended and Restated PSA in a form acceptable to the City Attorney.
9. A Proclamation recognizing Public Power Week on October 1-7 was approved.

E. SCHEDULED ITEMS

1. South Water Tank Condition Report.

Utilities Director Morrow reported the south tank has a horizontal crack through the center. A small leak has likely existed for as long as three decades. An epoxy injection repair was made in 1995, which seemed to work for some period of time, and other repairs may have been made. The leak seems to be worsening over time. He described the tank and its location, and stated staff has not found a definitive date for the tank's construction. He does not believe the tank will fail but, should it fail, the location is good for not causing property damage. Next steps are to confirm the need for a new tank and, if so, the correct location and size for it. Steel and concrete tanks have different costs and different pros and cons. Staff is also considering repair options instead of tank replacement. In the short term, several mitigation measures including reconstruction, a liner, and an interior sealant are available. In mid-2009, Civiltec Engineers completed a study

of steel and concrete tanks and performed some design work on a steel replacement tank. At that time, the cost was approximately \$5.5 million for a steel tank and \$8.3 million for a concrete tank. Steel has more maintenance requirements than concrete. Over 50 or even 100 years, the costs levelize. The tank has been included in the CIP budget for the past two years and is currently included in the fiscal year 2020-21 CIP budget for replacement. The tank is leaking approximately 10 ccf per day or 8.4 acre-feet per year. The value of that leaked water is approximately \$1,000 an acre-foot or a total of approximately \$8,200. Theoretically, the leaked water percolates back into the ground or into the spreading basin, so that approximately 30% of the cost would actually be lost. Typical unaccounted water losses in a water distribution system are 10% or 2,000 acre-feet per year. Staff's plan is to identify options in the short term, mid term, and possibly a replacement for long-term.

In response to Board Members' questions, Utilities Director Morrow advised that the tank stores treated water that is later distributed to customers. There is no contamination issue due to the leak. The tank wall is approximately half a foot thick. The crack runs through the tank wall in spots. The tank is believed to be fine for continued use from a seismic and durability standpoint. The tank has been leaking for three decades at least, probably half its life. The north tank is newer and made of steel. Steel is easier to repair or replace. Staff has not identified funds for a new tank, but they will do so if that is needed. The CIP budget contains a small amount of money which can be used to seek other funding sources. The tank will be emptied in October for inspection and to evaluate repair options. In response to an inquiry, it was suggested that stainless steel is too expensive to use in constructing a water tank. Utilities Director Morrow agreed to return with cost estimates for a stainless steel tank and with an update after the inspection.

F. STAFF REPORTS/COMMUNICATIONS

1. Bureau of Reclamation WaterSmart Grant Update

Utilities Director Morrow understood the Board had been notified of the \$1 million WaterSmart AMI grant. Staff is finalizing the agreement and hopes to bring it to the Board in October. The grant will reduce costs from the Water Fund for smart meters. The U.S. Bureau of Reclamation was very complimentary of ALW's grant application. With this grant, staff will return in October with the overall smart water meter project agreements.

2. Electric Vehicle Chargers Added to Residential Energy Star Rebate Program

Utilities Director Morrow advised that Energy Star-rated electric vehicle (EV) chargers are becoming available to the public. ALW provides rebates for most everything that's Energy Star rated. Staff has added EV chargers to the list of rebate options and is proposing a \$150 rebate. A typical Level 2 charger is 220 volts and costs about \$600. Newer electric cars are traveling 250 miles on a single charge, which can't be done well on a 110-volt system. Communications regarding the rebate will be sent to EV owners.

3. Positive Verification of Greenhouse Gases Compliance Report for 2016

Utilities Director Morrow reported that the Utility Board has purview over the statewide greenhouse gas regulatory compliance. ALW's 2016 compliance report was positively verified by an independent/certified party. As a result, ALW will receive 178,000 allowances with a value of approximately \$3 million. At this point, staff intends to monetize the allowances and provide the benefits to the ratepayers.

4. Fiscal Year 2016-2017 Fourth Quarter Budget Reports for Electric and Water Funds

Utilities Director Morrow indicated the preliminary financials ending June 30, 2017, look good. The Water Fund has a positive cash flow due to less capital spending. Revenues exceed budget because the latest rate increase had not been implemented when the budget was adopted. Operating expenses are under budget, and water sales have increased 6.2%. This is probably a net 25% reduction in water sales since the recent drought began. About 85% of Water Fund costs are fixed, but most fixed expenses are recovered through a variable commodity charge. Debt service coverage is 1.58, with a 1.25 minimum. Reserves are about \$25 million. Staff plans to use approximately \$5 million of cash reserves to support the AMI project. Capital improvement projects will reduce reserves even closer to the \$19 million minimum. Staff wants to accrue at least \$1 million per year toward replacement of the water tank. The Electric Fund has positive cash flow due to decreased capital spending. O&M expenses are below budget. Revenues are also slightly below budget because costs

were reduced. Debt service coverage is very good. Sales have increased slightly, and cash reserves total \$25.4 million. The Electric Fund will also contribute funds to the AMI project. It has been a very good year financially for the utilities.

5. Economic Evaluation of Replacing Existing High Pressure Sodium Lamps with Efficient LED Lamps in Decorative Street Lights in Downtown Azusa.

Utilities Director Morrow recalled that staff proposed a project to replace the high pressure sodium lamps in downtown Azusa with newer, brighter, cleaner LED lamps at the last Board meeting. The Board Chairman requested information about the economics of the project. Labor will cost approximately \$50,000, and savings will be approximately \$62,000. This results in a positive benefit/cost ratio with a payback of approximately 16 years. Benefits of LED lights besides simple economic payback include reliability and cleaner lighting.

In response to Board Members' questions, Utilities Director Morrow explained that the payback is 16 years because of the expense of LED lights, conservative labor assumptions, and ALW's low electric rates. Staff plans to change all the lights at the same time and will return to either the Board or the Council to seek approval to purchase the lights, as necessary. LED lights do not come in colors, so vendors suggested changing the globes for holiday colors. The installation labor cost would also apply to changing the lights before and after holidays.

Utilities Director Morrow shared a video for Public Power Week.

G. CLOSED SESSION

None

H. ADJOURNMENT

The meeting was adjourned by consensus of the Utility Board.

TIME OF ADJOURNMENT: 7:10 P.M.



CITY CLERK/SECRETARY