DATE: June 25, 2020
RE: Water Renewal Utility Plan Stakeholder Engagement Meeting

ATTENDANCE
*This meeting was conducted via Zoom.

Commission: Larry Crowley, Crispin Gravatt, Jake Nink, Renee Quick, Don Reading, Thomas Robbins, Judy Thorne (Absent: Julia Hilton)


Legal: Abigail Germaine

Other: Chris Cleveland, Matt Cooper, Matt Gregg, Erin Hudson, Jon Matthews, Maria Mosman, Tyler Resnick, Arnell Vail

Call to Order

The Public Works Commission Chair, Larry Crowley, called the meeting to order at 4:00 p.m.

1. Welcome and Introduction

Steve Burgos, Public Works Director, welcomed the Commissioners and explained the purpose and desired meeting outcome. He reviewed the three questions for consideration by the Public Works Commission during the presentations on June 23rd and June 25th:

- Should Boise pursue this fundamental shift in the management of the resource?
- Should the city proactively invest in infrastructure to address capacity needs, system degradation and growing regulatory requirements to prevent system failures?
- Should the utility fundamentally shift how we finance projects and consider changes to our business model and rate structure?
2. Business Case Evaluation Process

Mr. Burgos explained the Business Case Evaluation (BCE) process used to arrive at the BCE and the benefits and value derived from the process. Community engagement, balancing risk factors with benefits and considering the monetary implications all factor into the process and identify the costs necessary to implement the Water Renewal Utility Plan (WRUP).

Mr. Burgos further pointed out that the Water Renewal Utility Planning (WRUP) process will continually include stakeholder engagement and level-of-service refinement; even at the implementation stage, it’s an ongoing process. He stated that the Business Case Evaluation (BCE) process is focused on selecting a preferred approach that meets the unique expectations for Boise; accounts for risk and benefits aligned with community interests; and delivers the least lifecycle costs.

The BCE process was reviewed, pointing out three steps in particular: aligning decisions with community expectations, accounting for future risks and benefits, and monetizing the decision process. All this information was then rolled into a net present value analysis, and it then should select a preferred alternative that balances affordability, the total asset costs, with the expectations of the community.

Mr. Burgos then discussed how the City has leveraged stakeholder feedback throughout the process. For example, the community was clearly interested in pursuing multiple water uses so we included benefits for industrial reuse and aquifer recharge. We also heard that continued protection of the river and environment is paramount and included a risk cost for future regulations in surface and groundwater. We heard that the community wanted the City to be proactive when looking to future regulations.

Staff then reviewed the different alternatives and began to quantify the risks and benefits and Mr. Burgos reviewed the risks and benefits that stood out across the various portfolios. In monetizing the costs, the City develops funding approaches for the direct costs (capital, O&M, repair and replacement) and then the risks and benefits are the differentiators across the portfolios (i.e., Direct Costs + Risk Cost + Benefit Costs = Total Investment needed for the alternative).

A portfolio represents different levels of implementation for the investment options. Each portfolio leverages our existing assets, solves the capacity issues, and has some form of recycled water; the difference is the amount of recycled water. The portfolio spectrum range is very broad (similar to today to how we potentially pursue innovative approaches like local food production).

Mr. Burgos discussed portfolio themes and how there was a need to balance the amount of interest in certain options with costs. It was also noted that solutions need to be a year-round solution. A high-level portfolio overview was provided.
Portfolio A
- Most closely aligns with Advisory Group perspective
- Diversifies the facilities
- Four new facilities
- Potential to deliver up to 27 million gallons a day of recycled water
- Includes all investment options discussed

Portfolio B
- Similar to Portfolio A, but only delivers recycled water for any new capacity we bring on (i.e., it doesn’t start to take water from Lander or West Boise Water Renewal Facility to the southeast)
  - More water going to the river; more enhancement opportunities for the river

Portfolio C
- Similar to Portfolio A but focuses on scaling local food production making it more feasible

Portfolio D
- Portfolio A without neighborhood scale solutions

Portfolio B.2
- Portfolio B without the neighborhood scale solutions

Portfolio C.2
- Portfolio C without the neighborhood scale solutions

Commissioner Nink asked if there is already a master list of projects for a portfolio. Mr. Burgos indicated a portfolio is a subset of the options that includes conceptual projects that could move in/out of the portfolios. The projects are not being proposed yet but rather being developed to help inform costs. Approval of any specific projects will come at a later date.

Commissioner Thorne inquired as to how much local control is embedded in each portfolio. Mr. Burgos indicated we have example projects, but we would determine how to accomplish the objectives once strategic direction is set.

The City’s BCE analysis was over a 40-year period because some capital projects are being added at the end of the 20-year period; this will capture not only the O&M costs but also the repair and replacement costs of capital projects added late in the 20 year investment cycle. The BCE is a decision-making tool, it’s not a tool to identify funding needs. It was noted that capital cost is a huge driver in the decision-making process. Portfolios B.2 and B relatively have the lowest capital cost. Portfolio A has the highest capital costs; the most recycled water associated with it; and the highest staff addition (approximately 60 additional FTEs). Portfolio B.2 has the lowest staff addition (approximately 30 FTEs), however the bigger driver on operations and maintenance costs is not staffing but energy usage.

There was discussion about how the risks and benefits were calculated and Mr. Burgos indicated a key component of a BCE is counting something as either a risk or benefit,
but not both. Matt Gregg further explained that benefit costs were subtracted from the overall costs of a specific portfolio.

Mr. Burgos informed that the portfolios were tested against future conditions and how each would react: 1) Climate Change & Resiliency, 2) Changing Community Interests, 3) Economic Downturn, 4) Continued Growth. After this analysis, it appeared Portfolio B.2 performed best under the different risk and benefit conditions.

Commissioner Reading asked what measure was used in neighborhood scaling in adjustments in Portfolios B through D. Mr. Burgos explained the neighborhood scale solutions came down to closed loop systems. There was interest from the Advisory Group in pursuing closed loop systems, possibly in a new planned development, but at this time a closed loop system wouldn’t be cost effective. If the value of water increased to certain levels in the future, then such a system could become cost effective and potentially be pursued by the city.

Ms. Watson asked the Commissioners if there were any themes or takeaways related to how community feedback was applied throughout the BCE. The Commissioners felt the community needs and expectations were recognized and incorporated into the portfolios. They appreciated the effort that was made to involve a large, diverse section of citizens.

Ms. Watson asked for feedback on how the decision process is monetized in the BCE process. Commissioner Crowley asked how the numbers that were presented Tuesday relate to the numbers being presented tonight? Mr. Burgos answered the costs that were shared on Tuesday represented costs associated with the utility plan; repair, replacement of existing assets proactive repair, replacement of existing assets. The costs presented tonight are relative comparisons amongst the alternatives that included things like risk and benefit cost and would not be used to establish funding needs through rates.

Ms. Watson asked the Commissioners to consider the BCE process as it relates to forming a plan for the community’s water future.

3. Recommended Plan

Mr. Burgos presented the recommended concepts for the Water Renewal Utility moving forward. The recommended plan involves a pivot in the way we manage water to meet the expectations of our community. The components of the plan include using recycled water as a resource for our community, enhancing the health and uses of the Boise River, reinvesting in existing infrastructure and balancing affordability for our community.

Ms. Watson asked the Commissioners about their initial reactions to the proposed changes the way the utility is managed. The Commissioners expressed they feel the plan is very well done and moves the utility forward while addressing community expectations and affordability concerns.
Ms. Watson asked if the Commissioners agree with the first policy question, "Should Boise pursue this fundamental shift in the management of resources?"

Abigail Germaine, Civil Deputy City Attorney, reminded the Commission the item is for discussion only, no motion is required.

The Commissioners agree that Boise should move forward with the idea expressed in the question but believe the language should reflect the change is a continuation and enhancement of what is already being done to manage the resource, not a complete shift, thus replacing the word “fundamental”.

Ms. Watson asked if approved, what opportunities does this shift create for the community? The Commissioners see opportunities to educate the public on all the ways water impacts our lives and the role Water Renewal Services plays.

Ms. Watson asked why proactively replacing assets before failure versus the alternative is important? The Commissioners believe protecting and replacing assets proactively is vital. Allowing a system to fail can increase the possibility of that failure causing another system failure resulting in more expense.

The Commissioners agreed Public Works policy has been to be proactive in maintaining and replacing its infrastructure so it was suggested the language in policy question two be changed from, “Should the city proactively invest in infrastructure to address capacity needs, system degradation and growing regulatory requirements to prevent system failures?” to “Should the city prudently invest...”. The Commissioners emphasized the importance of educating the public on the necessity of being proactive in maintaining and upgrading/replacing its infrastructure to overcome resistance to costs.

Mr. Burgos thanked the Commissioners for their suggestions and shared that given the magnitude of the investment the purpose was to get affirmation from the Commission and City Council that we should continue in this direction. In response to the question if he feels limited, Mr. Burgos responded only by financial constraints and concerns over affordability for citizens. Going forward our ability to pay cash for these projects will be limited, so we need to consider taking on debt to fund some projects and keeping affordability in mind.

Ms. Watson asked if the Commission is supportive of the city continuing to explore the City taking on debt as we look at these projects and look at fulfilling the water renewal utility plan? The Commissioners are supportive of the City exploring debt funding to mitigate some high upfront costs and promote generational equity.

Ms. Watson asked what the Commissioners feel the City should focus on and what is most resonant to them? The Commissioners agree that educating the public will be crucial to gain their support for any debt the City takes on to fund the projects. They feel it’s important to stress that debt funding wouldn’t become a business practice, but
rather is a response to a unique situation of needing to respond to the rate of growth at the same time our infrastructure is nearing the end of its useful life.

Ms. Watson asked how the Commissioners would like to engage the community as individuals and as a group? Commissioner Gravatt would like to see the City take a more interactive approach to educating the community on Water Renewal Services. He cited examples of pop-up exhibits in other cities and offering field trips and tours of our facilities. Commissioner Thorne added social media is a powerful tool and should be explored.

4. **Next Steps**

Mr. Burgos thanked the Commissioners for their time and sharing their perspective of the plan. He summarized the phases of the approval process and reminded the Commissioners they will be asked for a motion at the July 7th meeting to approve the Water Renewal Services Recommended Approach and recommend it to the City Council for consideration.

Mayor and Council – August and September  
- Information on all portions of Water Renewal Utility Plan  
- Seeking formal direction on Recommended Approach  
- Public Hearing on Water Renewal Utility Plan adoption  
- Funding:  
  - Plan to present options to City Council in later 2020/early 2021  
  - Decision needed on funding approach and potential affordability programs

Commissioner Thorne moved to adjourn. Commissioner Quick seconded, and the motion carried. The meeting adjourned at 6:40 p.m.