MEETING WAS CALLED TO ORDER at 6:00 p.m. by Mayor DuBois in the Executive Board Room at the Civic Center, 5000 Clark Avenue, Lakewood, California.

ROLL CALL: PRESENT: Mayor Diane DuBois
Vice Mayor Steve Croft
Council Member Ron Piazza
Council Member Todd Rogers
Council Member Jeff Wood

2017 WATER MASTER PLAN
City Manager Howard Chambers stated that the purpose of the meeting was to review the 2017 Water Master Plan, a document which dictated how the water system would evolve over the next decade. He provided a brief history by stating that the previous master plan had created the Water Resources Department; had recommended the creation of a City Council committee; had recommended that the City join State and national professional organizations to get up to speed on water issues; had recognized the reclaimed (now recycled) water system as an important part of saving four hundred acre feet of potable water; and had recommended a capital improvement program for existing and future water system planning.

Jason Wen, Director of Water Resources, introduced Jeff Helsley, Vice President and Engineering Manager, Stetson Engineers, consultant for the Water Master Plan and Water Rate Study; and Jason Bethke, President & Chief Growth Officer, Fathom. Mr. Bethke introduced Michael Moosavi, Vice President of Direct Sales, and Doug Roy, Regional Vice President of Sales and Marketing for the West Coast, who were also in attendance.

Vice Mayor Steve Croft displayed slides and made a presentation based on the memo in the agenda and explained that the Water Resources Committee had reviewed the 2017 Water Master Plan, which evaluated the City’s water system capacity based on updated water use patterns and served as a reference for existing and future water system operations and maintenance. He highlighted current inventory and systems along with recommendations pertaining to groundwater wells; storage reservoirs; distribution pipelines; recycled water system; scheduled capital improvement program/projects; and automated metering infrastructure (AMI).
WATER RATE STUDY – TRANSITIONAL WATER RATE SCHEDULE
Vice Mayor Croft made a slide presentation and explained that the purpose of the water rate study had been to develop a defensible water rate structure that provided greater financial stability for the utility and incorporated tiered rates to encourage conservation. He stated that the rate structure as provided by the consultant, Rafteris Financial Consultants, met the legal requirement that there be a nexus between the costs of supply, production and service to each type of customer and the City’s desire to have greater fiscal stability by increasing the fixed meter charge portion and the creation of a rate stabilization review. The rate study found that there needed to be a shift in revenue collection to where all water customers were paying for water service instead of relying heavily on the high volume users. This shift was realized by increasing the meter rate and in the case of residential, charging for the four units of free water that were currently offered. Since all customers paid this cost, revenue collection would become less variable. In the transitional rate structure the meter and private fire rate as developed through the water rate study would go into effect in fiscal year 2019 for all customers. The Water Resources Committee and staff recommended that the City Council receive and file the water rate study; approve the transitional water rate structure for fiscal years 2018 through 2021; and approve the noticing process of the rate structure to occur no later than March 2018.

In response to Council Member Rogers’ inquiry, Ms. Perkin stated that there were fewer than one thousand units of low users and that they could apply for the hardship waiver program.

Responding to questions from Council Member Wood pertaining to implementation of the consultant’s recommendations, Vice Mayor Croft explained that the rate structure would be phased in over a five-year time period to mitigate the cost increases to residential customers. He noted that at the same time, one of the capital projects being recommended was the installation of the automated metering infrastructure and a transition to monthly billing.

City Attorney Steve Skolnik explained that the committee was recommending that the rate structure would be phased in as a multi-year program to allow for Proposition 218 notice to be extended out a few years instead of having to re-notice each year. He advised that no official action would be taken on the rates until compliance with the requirements of the notice process occurring next Spring for changes to be effective in July 2018.

Vice Mayor Croft explained that one of the reasons behind the option of the multi-year program was to determine the City’s position based on the three years’ worth of data to be collected with the new technology and identify what the “new normal” would be with regards to water usage.

Council Member Wood inquired about the impacts to small businesses. Vice Mayor Croft stated that the biggest impact initially would be the increase to the fixed cost for the larger meters.
ADVANCED METERING INFRASTRUCTURE AND BILLING MODERNIZATION PROJECT

Vice Mayor Croft reviewed slides and highlighted the benefits of advanced metering infrastructure (AMI) technology which included non-revenue water loss by continuous monitoring of distribution system; asset management by extending the life of capital assets by monitoring various parameters; workforce management by transitioning field staff from reactive response to more preventative maintenance; customer service by timely communication of leak detection and increased bill accuracy; evolution by integrating geographic information, document management and billing systems; and sustainability by a reduction in truck rolls and carbon footprint. He continued by stating that the City had been in the process of transitioning to smart meters for twenty five years and that the current technology had made moving to a complete smart meter network, which included a more targeted capital improvement program, more efficient operations, and better customer service, financially attainable. Using such advanced technology, the water infrastructure could be monitored through the data collected and various sensors and water customers would be able to monitor their usage. The customer service solution Fathom provided would enable increased accuracy of billed water charges, improve customer consumption metering, provide proactive customer communication and issue resolution, increase data availability, provide online tools for customers and city customer service staff to assist customers, and provide efficiency by reducing manual reading of meters and leak detection. The cost of the operational component would be offset by the savings the City would realize in reduced labor and equipment costs and the revenue enhancement accomplished with greater accuracy and consumption data. The capital component would be financed through a lease-purchase financing which was similar to the type of financing the City used in the replacement of the streetlights and the installation of the photovoltaic system. The financing would be for fifteen years. The Water Resources Committee and staff recommended proceeding with writing an agreement and financing documents with Fathom for smart meter installation and customer service solution, approved by the City Attorney as to form, and to be considered by the City Council at the May 23rd meeting.

Mr. Bethke displayed slides and provided a brief summary of the company’s history. He described the project goals which included a utility-focused call center; expanded customer service; increased revenue and stabilized meter-to-customer cost; improved meter accuracy and reduced water loss; implementation of advanced meter infrastructure; assistance with pipeline replacement and increased efficiencies through automation. He highlighted Fathom’s scope of services such as utility billing and customer care; a customer portal; revenue assurance audit; meter data management; and meter replacement and AMI installation.

Mr. Bethke confirmed for Council Member Rogers that Fathom was an investor-owned company. Council Member Rogers posed questions pertaining to financing and life expectancy of the equipment. Mr. Bethke explained that in financing the infrastructure, it was a capital investment that continued beyond the fifteen-year contract with the assets designed to last twenty years.
At 7:25 p.m., the Adjourned Meeting of the City Council was recessed for the Regular Meeting of the Lakewood City Council. At 8:32 p.m., the Adjourned City Council Meeting was reconvened.

**ADVANCED METERING INFRASTRUCTURE AND BILLING MODERNIZATION PROJECT** - Continued
Council Member Rogers expressed concerns on the issue of accountability in the event that residents were not provided quality service. Mr. Skolnik explained that the City was currently negotiating mutually acceptable language to include the ability to provide reasonable notice to terminate the contract.

Mr. Bethke expressed confidence that consensus on contract language could be reached and that Fathom’s service level deliveries included accessibility to platforms, call center statistics, and customer service metrics.

In response to Council Member Wood’s question regarding the opinions of other customer cities located in California such as Menlo Park, Grass Valley or Covina about Fathom’s service, Mr. Bethke stated that while implementation may have been a bit rocky initially, things were running more smoothly at this time. Ms. Perkin added that in surveying other cities served by Fathom, only positive remarks had been received and it had been noted that the revenue enhancements were better than expected. Mr. Bethke stated that part of the program included a dedicated client success manager who conducted quarterly business reviews to discuss successes as well as areas for improvement.

Council Member Piazza commended the directors of Water Resources and Administrative Services and their staff for having the vision and out-of-the-box thinking that provided a workable and beneficial solution for the City.

Vice Mayor Croft and Mr. Skolnik concurred that only conceptual approval to move forward had been requested at this time and that consideration of recommended actions would be presented at future meetings.

Council Member Rogers expressed interest in a facility site visit to learn firsthand of the City of Covina’s experience and the challenges they faced with the rollout.

Mr. Bethke responded to Council Member Wood’s concerns by stating that the billing solution would be rolled out prior to the holidays with the installation of the meters following shortly after that.
ADJOURNMENT
There being no further business to be brought before the City Council, Mayor DuBois adjourned the meeting at 8:48 p.m.

Respectfully submitted,

Jo Mayberry, CMC
City Clerk