

# Montara Water and Sanitary District

*Serving the Community of Montara and Moss Beach*

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*To sensitively manage the natural resources entrusted to our care, to provide the people of Montara - Moss Beach with reliable, high - quality water, wastewater, and trash disposal at an equitable price, and to ensure the fiscal and environmental vitality of the district for future generations. Be open to providing other services desired by our community.*

## **NOTICE OF SPECIAL MEETING**

**(Special Meeting begins at 7:00 p.m.; see Agenda for Special Meeting below)**

# AGENDA

## **District Board of Directors**

8888 Cabrillo Highway  
Montara, California 94037

**November 5, 2015 at 7:30 p.m.**

**(Regular Meeting)**

**CALL TO ORDER**

**ROLL CALL**

**PRESIDENT'S STATEMENT**

**ORAL COMMENTS** (Items other than those on the agenda)

**PUBLIC HEARING**

**CONSENT AGENDA**

1. Approve Minutes for September 3, 2015.
2. Approve Financial Statements for September 2015.
3. Approve Warrants for November 1, 2015.
4. SAM Flow Report for September, 2015

5. Monthly Review of Current Investment Portfolio.
6. Connection Permit Applications Received.
7. Monthly Water Production Report for September 2015.
8. Rain Report.
9. Solar Energy Report.

## **OLD BUSINESS**

## **NEW BUSINESS**

1. Review and Possible Action Concerning Receipt of Audit for Fiscal Year 2014-15.
2. Review and Possible Action Concerning Receipt of Year-End Finance Report for Fiscal Year 2014-15.
3. Review and Possible Action Concerning Presentation from Opengov.com.
4. Review and Possible Action Concerning Salary Amendments.
5. Review and Possible Action Concerning Appointment of Representative to the Association of California Water Agencies Joint Powers Authority Board.

## **REPORTS**

1. Sewer Authority Mid-Coastside Meetings (Harvey)
2. MidCoast Community Council Meeting (Slater-Carter)
3. CSDA Report (Slater-Carter)
4. CCWD, NCCWD Committee Report (Harvey, Huber)
5. Attorney's Report (Schricker)
6. Directors' Reports
7. General Manager's Report (Heldmaier)

## **FUTURE AGENDAS**

## **ADJOURN**

## **AGENDA – SPECIAL MEETING (7:00 p.m.)**

### **CALL TO ORDER**

### **ROLL CALL**

### **ORAL COMMENTS** (Items other than those on the agenda)

### **CONVENE IN CLOSED SESSION**

### **CONFERENCE WITH REAL PROPERTY NEGOTIATORS**

(Gov't. C. §54956.8)

Property: Caltrans Montara Right of Way, APN 036-162-110, APN 036-086-020.

Agency Negotiators: General Manager, District Counsel

Negotiating Party: Caltrans, Property Owners  
Under Negotiation: To be determined.

## **RECONVENE IN OPEN SESSION AND ADJOURN TO CONVENE FOR REGULAR MEETING**

The District has a curfew of 11:00 p.m. for all meetings. The meeting may be extended for one hour by vote of the Board.

NOTE: In accordance with the Government Code, members of the public may address the Board on specific agenda items when that matter is discussed by the Board. Any other items of interest that is within the subject matter jurisdiction of the District may be addressed during the Oral Comments portion of the meeting. Upon request, this agenda will be made available in appropriate alternative formats to persons with a disability. Request for a disability-related modification or an accommodation in order to participate in the public meeting should be made at (650) 728-3545. Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available in the District Clerk's office during normal business hours. Such documents may also be available on the District's web site ([www.mwsd.montara.org](http://www.mwsd.montara.org)) subject to staff's ability to post the documents before the meeting.



**MONTARA WATER & SANITARY**  
**DISTRICT**

**BOARD OF DIRECTORS MEETING**  
**September 3, 2015**

**MINUTES**

**REGULAR SESSION BEGAN AT 8:15 p.m.**

**CALL TO ORDER**

**ROLL CALL**

Directors Present: Harvey, Boyd, Wilson and Huber  
Director Slater-Carter by teleconference  
Directors Absent: None  
Staff Present: General Manager, Clemens Heldmaier,  
District Clerk, Judy Gromm  
Others Present: District Counsel, Dave Schricker

**PRESIDENT'S STATEMENT** – Director Boyd reported the Board met for two closed session items earlier this evening, one on property and negotiations and one on the anticipation of litigation. In both cases instructions were given to staff and no action was taken. In order to have Director Slater-Carter in by teleconference, we had to entertain two motions. One to ratify the revisions in the agenda which was posted after the timeline provided by the Brown Act. The second was to authorize the attendance by teleconference. Both motions were moved and passed unanimously.

Director Boyd suggested, if there are no objections, to reorder the agenda to bring the NOAA item up to the first item tonight. Then resume the agenda as proposed.

**ORAL COMMENTS -**

Greg Dieguez, Montara resident noted his comments this evening are about governess and decision making. Mr. Dieguez has only been to 6 meetings as of late and does see that the Board covers some very weighty financial issues. At the



last meeting, there was a discussion regarding a million dollar loan draw down. There is the issue of the pension plan. There are massive investment projects as well. Mr. Dieguez went on to report the meetings he had been to he has seen a tendency for important information to arrive only in the packet handed out just before the meeting. This gives us little opportunity to consider and reflect. I am asking for a decision process that includes perhaps two weeks from the time material information is presented before the votes are taken. I am asking for financial decisions to follow a visible decision process. The idea that there is a simple flow in most decisions between gathering the facts and doing the analysis. I am additionally asking for information to be collected by somebody who is assigned to get it, somebody is assigned to verify it and be responsible for its accuracy. After those facts are known, a decision can be made. In the case of the pension plan Dennis Yu stood up said there were 60 basis points on something that was voted in that night, but the additional trustee fees of 12 basis points did not come out until after that. It seems we need to take a deep breath or do a little more homework. My request is that there be more accountability in verifying and collecting information and defining the decision process.

Director Harvey requests to revisit the roll of the Board Members and communicating with other Board Members. Relaying information and communicating with people outside the District. Communicating with other agencies or other office holders and how all this ties into the Brown Act. Director Harvey is requesting this to be put on an agenda in the near future.

Secondly, Director Harvey noted this has been a very confusing time. All Board Members as well as myself have received a lot of input from the community on the defined benefit item. There seems to be a lot of confusion and a lot of concern. Director Harvey did vote for the defined benefit plan but feels it would be a good thing to take a deep breath. Director Harvey would like to request of his fellow Board Members to have the General Manager withhold in signing the final contracts until we have a chance to discuss it again at the next meeting. Director Harvey asked District Counsel if all Board members agree to his request is there a way we could we give direction to the General Manager to withhold from signing the contract until the next meeting. Director Harvey noted we can't discuss PARS at this point because it is not on the agenda. Again, Director Harvey would like to have the General Manager withhold from signing the contract until we get some issues cleared up for the entire community and including the Board.

District Counsel, Dave Schricker reported this issue could be discussed during Old Business, Agenda Item 1.

#### **PUBLIC HEARING –None**

At this time, Director Boyd requested to skip the Consent Agenda for now and go straight to New Business Item 1.

#### **CONSENT AGENDA –**

1. Approve Minutes for Meeting of July 29, August 6, and August 24, 2015
2. Approve Financial Statements for July 2015.
3. Approve Warrants for September 2015.
4. SAM Flow Report for July 2015.
5. Monthly Review of Current Investment Portfolio.
6. Connection Permit Applications Received.
7. Monthly Water Production Report for July 2015.
8. Rain Report
9. Solar Energy Report.

Director Boyd requested to pull item 6 from the Consent Agenda.

Director Harvey requested to pull the August 6<sup>th</sup> minutes from the Consent Agenda.

Director Harvey requested the wording of his statement on page 23 of the August 6<sup>th</sup> minutes be corrected to his actual wording that evening.

Vic Abadie, questioned how many water connection permits the District sold since water connections became available? General Manager Heldmaier said that it was a question that was hard to answer because he does not have all the information in front of him, but can give him a guess of about 10.

Director Slater-Carter further requested to have the August 6<sup>th</sup> minutes pulled for attachments she is requesting to add to the minutes. Director Slater-Carter will be sending those attachments to the District Clerk.

Director Harvey moved to adopt the consent agenda with the exception of the August 6<sup>th</sup> minutes. Director Huber seconded the motion.

A roll call vote was called for and all Directors were in favor. The motion passed 5 to 0.

## **OLD BUSINESS –**

### **1. Review and Possible Action Concerning PARS Investment Strategy.**

General Manager Heldmaier reported at the July 16 meeting the District adopted a pension program through the Public Agency Retirement system (PARS). The benefit parameters include a Defined Benefit Plan for all full-time employees based on 2% @ 62 full formula. The plan is in accordance with the Public Employee Pension Reform Act (PEPRA) of 2013 which severely limits the pension benefits that public agencies can adopt for post PEPRA plans and requires active management and account reporting of defined benefit plans. Government Accounting Standard Principles require an annual audit of the plan and plan performance. Benefit service is based on District years of service credit earned after July 1, 2015. Vesting service

is 5 years of district service. Employee contribution of 50% is required. Final average compensation is the average of the highest thirty-six (36) months of compensation (not to exceed amounts prescribed by CA Govt. code Section 7522.10©). No disability benefit under this plan.

The Finance Committee was charged with the task of bringing three different financing options for selection by the full board. The committee met on July 29, August 5, August 24, and September 2. At the time of preparation of this staff report the finance committee did not agree on a joint recommendation. At the August 6 meeting the Board agreed to choose a default HighMark investment strategy in case the Finance Committee cannot agree.

To address concerns raised, the board authorized the general manager to engage with Bartle Wells on a review of the PARS plan and the preliminary actuarial report. The draft Memorandum from Bartle Wells has been received and been forwarded to the Finance Committee for further input.

Director Boyd requested speakers limit their comments to 3 or 4 minutes.

Director Wilson suggested we hear the findings of the Finance Committee before receiving public comments.

Director Huber read the written report he had handed out to the Board and public. A copy of this letter is attached to the minutes.

Director Slater-Carter reported in a note she had sent out about an hour ago she had commented this report is interesting but it lacks the necessary information on which based its recommendation. Essentially it suggests as Mr. Huber stated last night during the Finance Committee meeting, once the strategy is approved we can make follow up due diligence. In essence, if we do this, we are asking the public, rate payers and employees to gamble their money on the right decision to be made in the absence of the due diligence being done. I would add to that we have the tools to do the due diligence, we have not used them yet. Good strategy and execution are based on solid verifiable information being used in a solid experienced analysis. I will note we have not performed the Boards decision from the last meeting to provide the public with a chart illustrating the cross over points between accumulating assets and depreciating assets. We are part way in to having a reliable analysis. Today we received an analysis from Bartle Associates using 80 basis points instead of 30 for the expenses. All previous analysis have had 30. That analysis did not include the promised raises to staff to cover their PEPRA mandated share of the defined benefit plan. I have had several people confirm that we are giving staff the raise to cover their share of the defined benefit plan. Those extra tens of thousands of dollars will change the cost for employees and for the District. Don't both the District and the employees deserve an honest analysis? We do not know the

expected data of the first retiree and my guess would be about 5 years and what the expected benefits will be. What will this do to the overall plan? In the pages of questions' I sent, one of the things I asked for was where are the prospectuses for HighMark and or what Bill is recommending? In the HighMark Mutual Fund Disclosure Statement for U.S. Bank Account Sub-Advised by HighMark Capital Management, Inc. Effective September 16, 2013 they write "you have or will separately receive by mail or through electronic delivery prospectuses that contain information on the investment objective, operation and fees for all mutual funds sub-advised by HCM that are available to Accounts of the type you have. **Read the prospectuses carefully.** Please review the prospectuses for mutual funds carefully to identify the risks, investment objectives, any investment limitations and restrictions, and costs and expenses of investing in any mutual fund you purchase, including fees paid to service providers. Director Slater-Carter noted these were the questions she had been asking since we first heard about this. We still do not have a complete set of answers.

The following is a list of Director Slater-Carter's questions and concerns:

- Why have Board members not received the prospectuses?
- Are the fees for services listed in the document HighMark had?
- Are these fees on the assets?
- Are these the fees we are going to be charged?
- What is stable value in the diversified Portfolio?
- In the Pars Discretionary Trustee Fee Schedule, revised 12/13 is this 0.25% charged in addition to the 0.60% or part of that fee? We do not know! It could be 0.85% instead of 0.60%. This needs clarification.
- What are the total fees and costs on each new contribution given that some fees are on contributions and some are assets?
- Are asset fees charged on each new contribution the month after it is made?
- Can the Finance Committee do a "preliminary discount rate" series to get a set of projections using correct data? The wages as I have noted do not show the promised raises and that will make a significant change.
- What costs, fees, expenses etc. will the \$157081 be used for in the upcoming budget year since it was supposed to be used for the defined benefit plan.
- Is Insurance available to cover major unexpected losses?
- Can we by annuities instead of having this defined benefit plan?
- Have all expenses, costs, fees been detailed in a single list by PARS, U.S. Bank and HighMark? I have not seen this.
- Can GASB 68 be applied to accounting analysis for choosing discount rate? Why or why not? The Actuarial report states "Employer accounting: Governed by GASB Statement 68 n, first applicable for the District 6/30/16.

Accounting results will differ from those in this funding report. Director Slater-Carter wants to know why didn't we do this first so we would know what we were getting ourselves into?

Director Slater-Carter talked to CSDA about defined benefit plans and what they reported was for the GASB 68, if any district has done them early, they are not seeing the results because they show badly. Those are coming into current audits so they are not being released to the public as of yet.

- Why did Bartel use a projected payroll of \$539,132 for the Participation Statistics in the actuarial analysis when the budget shows \$613,957? This is a significant difference.
- Why did Bartel assume that MWSD would cover all costs for 15/16 and 16/17? Who gave that direction? Did this come from the Personnel Committee? Why didn't the Board vote on this?
- What happens in 17/18 to change this? Will we be moving the costs to the Employees? Will we be talking about that?
- How will these costs effect MWSD's fee structure in 20 or 30 years?
- What are the effects for the employee in purchasing "service credits"?
- What happens when an employee purchases service credits?
- How does this effect the actuarial analysis?
- Why will the request for an agenda item to have the plan reviewed by a public sector law attorney not be placed on the agenda? This is one of the things Director Slater-Carter has been asking for. Director Slater-Carter has concerns of the legalities of what is going on and would like to have a public sector law attorney review this.
- When is the cross over point when assets and contributions cannot cover costs and distribution for the first seven employees?
- Why was Bartel Wells asked to do a 20 year analysis and not 30 or 40 years?

Additionally Director Slater-Carter had questions from previous emails that had not been addressed:

- What is the projected future pension funding requirements for MWSD in 2035 under this plan? What are the assumptions and conditions in 2025 and 2045?
- Is there a contingent deferred sales charge on investments in HighMark PARS fund?
- Is there a commission or 'sales load fee' on initial investments in HighMark PARS funds as in other HighMark funds?
- How is the risk of this plan assessed and documented?
- Why have the presentation to MWSD been only for the very short term when the risks will accrue when the employees start retiring and over their lifetime?
- What can MWSD do to prevent underfunding the plan? Director Slater-Carter noted some districts actually prefund the plan so they can be getting more interest over a shorter time so they can be sure they are not in an underfunded situation.

- What financial experience does the selected MWSD Plan Manager have? What independent plan managerial experience is available (not PARS or HighMark)?

These are all questions we need to discuss before we settle on this. This is foolish and I think this is bad financing to buy something based on advertising and not look at how well it can do. When we were talking to Alex Handlers from Bartle Wells and Associates, and we mentioned we were missing data, he said without the right data we can't get the right projections. Director Slater-Carter again is asking for these questions to be answered.

Director Slater-Carter then asked what would happen if the Board selected a discount rate that was high, would we ask the employees to make up the difference or is the District going to pick up the difference? The rate payers have a right to know those policy questions.

A copy of Director Slater-Carter's note to the Board members and questions submitted are attached to the minutes.

Greg Dieguez, Montara resident, passed out an information sheet to the Board and public. A copy of this handout is attached to the minutes. Mr. Dieguez reported there were points he agreed with Director Huber and points he agreed with Director Slater-Carter. Mr. Dieguez agrees that a passive management of the investment vehicle is merited because the expenses will be too high otherwise. I support the idea of index funds or the like. I support the concept of aggressive equity investment strategy. That would be my definition of the investment strategy. Even HighMark said in the conference call with us one month ago they could not expect returns in excess of 5.5 to 6% with the aggressive investment strategy. I know Bill has done a lot of homework but the investment professionals run their portfolios said that is the best we could expect in the long term. There are several other professionals who have looked at discount rates and I have documented some of these previously to the Board. Coastside County Water District adopted a 5% discount rate for their plan. Mid-Peninsula adopted a 5.9% discount rate for their plan. Santa Clara Grand Jury recommended 6.1% 3 years ago. Of course I did not expect the discount rate to be the topic tonight because it is not technically apart of the investment strategy. It's related but you can't set the discount rate without knowing all the expenses and evaluate all the risks which my flow chart attempts to do. If the Board is considering salaries and raises for those salaries it is going to increase Social Security, the matching 457 plan, and it's going to increase the cost of the defined benefit plan. So essentially, you have a positive feedback loop there and it needs to be evaluated. The investment strategy is easy. Bonds are a waste of time, the yields are too low and HighMark said the same thing. Equities are the only way to go. That is the investment strategy. The decision process which gets back to my comment about governance, is that you need to follow a flow chart kind of approach



gathering and verifying facts. I tried to lay these out for the Board and invited comments and did not get any. What I would like to see is the missing expenses that Kathryn is eluding to. There may or may not be any additional expense information. Clemens and I sat at the same meeting and came out of that meeting 60 basis points off from what we heard. I heard Dennis Yu say it twice that the investment management fee was 60 basis points. This is easily resolved if they show us the contracts. Have an attorney review the contracts and flag all terms that bare on the cost related to the plan. With that information the issue goes away. Maybe 80 basis points is the right amount to subtract from gross yields, maybe it is another amount. Mr. Dieguez is requesting the Board charter counsel to gather that information out of the contracts, to make the contracts available to the public for review and defer decision on the discount rate until those facts are known and a risk evaluation such as outlined on this flow chart can be done. I am requesting of the Board when it makes the decision on the investment strategy take Bills idea and quantify and review and change to a cheaper investment management vehicle within a year. So go ahead with HighMark, I agree it won't cost us much in the short run even though it is a lousy vehicle to get started. Then go to Vanguard or somebody else that offers cheaper rates.

Vic Abadie, Montara resident, noted some of the handouts tonight showed there are serious data gaps. For example there are missing fees and costs. Unanswered questions, incomplete or unknown performance analysis, prospectuses missing and the like. You have to fill those data gaps to provide a basis for analysis to have informed decisions. You are supposed to do that before you commit to the plan. Nice idea for Director Huber to do follow up due diligence but let me tell you what, you are supposed to do your due diligence before you dive in but it is too late for that. At least you can try to fill these data gaps and to the best you can, cure the mistakes you have already made. My second point is that Greg Dieguez has done some analysis that indicates that the fees to run this defined benefit plan exceed the combined contributions of employees and employers. This strikes me as outrageous. Think about that, it cost more to run the thing than what the District and employees are putting into it. This is outrageous. Mr. Abadie's third point is this defined benefit plan is likely to lead to eventual large increases in water and sewer rates. The Board having and committing to the plan a month and one half ago and did so without full data and without full analysis and now has a duty to reduce the risk of large rate increases by filling the gaps and doing a full and proper analysis before you settle on this thing. Mr. Abadie's 4<sup>th</sup> point is he had seen apparently in giving the Districts employees pay raises to offset their contributions to the pension plan, there is a possibility of a legal violation. Mr. Abadie requests the Board to follow up on this point.

Ed Carter, Montara resident, supports further fact gathering and analysis along the lines of Director Harvey's suggestion, before there is any Board action on this item. Something that has continued to bother Mr. Carter is that he has not seen the linkage between either the investment strategy or the discount rate to the eventual obligation. It seems like a convoluted way of getting where you are going. If I am headed someplace, I want a road map and I want a target at the end. We don't know except for Greg's work what is out there as far as an obligation of this district and the pension trust when folks retire and we service the obligation to all of our existing employees. That goes along with the road map, the graphic representation of this.

Bill Kehoe, Moss Beach resident I agree with what Jim Harvey said regarding how the public and employees really need to know what can transpire over the life of this plan. The graft that Bartle and Associates sent out is unfortunately a model of the bathtub filling up and not the bathtub draining which is what your retirement plan is all about. Over 20 years I see money being put in by employees and the district but I do not see it being drawn down. When it finally reaches its final state, hopefully the same amount is going in as going out and everything is copasetic. I do not know this because again, we are lacking this data. Each time we have one of these meetings, I want to thank the Board because I get a little more information that helps to clear some of the fog. I agree with Bill that the public needs to have an accurate understanding of this plan. Mr. Kehoe would add to this statement "and so do the employees". When I look at the list of employees contributions and it has been raised two or three times we still do not know what this answer is. In my mind the first 3 years the District will be picking up the employee contributions but I could be wrong on this. It was kind of mentioned and not mentioned. What the employees do not know which is unfair to them, if that stops in 10 years, the fast math tells me they will have to cough up about 8000.00 of their annual salary to cover that. This is a lot of money. Do they understand this? What are their out of pocket cost going to be every year to be in this plan? It will go up as time goes on. This model is very basic. Luckily you did not invest in July only to see the market go down and you would have been in a hole already. So this delay has been to your benefit.

Reeson Blevins, employee of Montara Water and Sanitary District, thanked Director Huber for his comprehensive information. Mr. Blevins liked Director Huber's take on the plan. Mr. Blevins also like some of the questions Director Slater-Carter brought forward and would like to see some work toward answering those. In regards to the data gaps, and questions regarding the plan Mr. Blevins understands there needs to be progress. Personally, Mr. Blevins would like to see more progress and less of the redundancy keeping the wheels spinning. You need to make progress to start filling in the gaps.

Bob Ptacek, Montara resident noted a retirement plan for employees is a reasonable benefit. My biggest concern is not about doing it, it is the process of doing it correctly. My house is about to be invested in this and that investor needs details. Yes we are suffering from the history of unfunded municipality problems and I am very concerned like most of our rate payers. We are not concerned about doing a retirement program for the employees to reward them for their work, we are concerned the future without having the details. I have gone through the information that has been presented and available. What I don't have as a rate payer is, what is my total bill for this going to be? The employees need to know this as well because they are going to be paying the other half. This sheet does not give the rate payer what to expect on year one, year two or year three. Looking at that sheet, if it is going to be \$4000 the first year, it could be \$25,000 in 20 years. Things like that are concerning to me because I am not seeing the data on this and I would like to see this. As far as investment strategies, they need to be made by experts not by anyone who does investing as a hobby. I want professionals to do the decisions on the investments rather than us or the Board. Bill pointed out one of the problems here is bad decisions in the past. I doubt anyone went into this wanting to make a bad decision. I do not see a safeguard. What are we going to do to prevent this? The Board has made this decision and we must continue. Obligations are not made at the beginning. All the data and a review has to be done then you make the decision. Again, I think it is a good idea to do the benefit plan. I do not have a problem with defined benefits. My house is concerned about what it is going to do to me as a homeowner down the road, which means in rates. The employees are going to have to be concerned. My biggest concern from the past is when it is underfunded, how we fill in the gap. Take a look at two thousand homes having to fill a gap I have not seen or read or heard what we think what gaps might be and how we are going to address them.

Director Harvey requested to give direction to the General Manager not to sign the contract with PARS until after we have one more open session discussion of the plan.

Director Boyd requested the General Manager to cover the next steps the Board is anticipating.

General Manager Heldmaier reported the Board passed by resolution the PARS Plan and this directs the General Manager to engage with PARS. This means the agreement can be signed by the District Manager at this time. However, to do so, we would need to include the form entitled "The Investment Strategy Selection". This is just one of the forms that will be needed to be submitted with the documents. This is what we are asking for tonight. I have not submitted the documents to PARS because we are waiting for the completion of this document.

District Counsel Schricker explained the two basic agreements and a number of other documents the General Manager is referring to that relate to the implementation of the plan. The basic agreements are the Trust Agreement and Administrative Services Agreement which have not been signed. Mr. Schricker further noted there were several other documents that call for signature.

Director Wilson questioned until some of the rest of these questions are answered we should not go forward with the signing.

District Counsel Schricker agreed with this statement.

Director Boyd noted there would be a number of administrative steps before this could be signed off.

District Counsel Schricker agreed with this statement.

Director Harvey asked if the Board had seen all the documents.

General Manager Heldmaier reported the Board had seen the Administrative Agreement, Trust Agreement and the Investment Strategy Selection.

District Counsel Schricker reported the other documents that need to be signed are basically administrative signature documents that certify this is a signature of an officer that is authorized to sign and so on.

Director Huber noted because we have not made a decision we have not seen an agreement with HighMark at this point.

District Counsel Schricker agreed with this statement.

Director Huber noted part of this whole process is that we are working on certain problems and answering certain questions before documents can be prepared and signed. After signature, we still need to continue to watch over each and every year and see if any of the components are deficient and this is a critical point we must not lose track of. We are obligating ourselves to keep a close watch on this over a significant period of time.

Director Harvey would like to suggest to continue on with the discussion of a discount rate and if we make a decision, that would be fine, but give direction to the General Manager to hold off on signing the initial PARS contracts until we do our due diligence.

Director Wilson noted there seems to be questions we need to address but we need to finish this. We need to provide direction on what additional information is needed to be able to make a decision to go

forward. The General Manager can't sign the contract until we get answers to some of these questions. Let's focus our time on what is lacking and come to a decision on how to move forward.

Director Boyd noted the Board is working to get to the point to be able to sign these documents and we are not there yet. We asked the Finance Committee to help us get to this point and this is our second go at this. Choosing the investment strategy is fundamental to being able to finish the paperwork and get the contracts ready for execution. We are a little way out from this and have spent the past month not moving forward on the investment strategy. We now have a little more information in front of us than we did. I do want to note to the audience tonight we have in front of us is an quick overview of the PARS pension plan by Bartle Wells and Associates. Alex Handlers from Bartle Wells followed up and answered questions provided by the Finance Committee and Board members and there is a lot of good information there. Director Boyd reported the actuarial report that was presented to the Board months ago was not a final report. What will happen next is after the Board makes the final decisions, the actuarial report will look a lot different. All the talk about how the Board are not experts, we are not, we are working with experts.

Director Boyd is comfortable in making a decision tonight on the investment strategy. We have said this a number of times that there are controls that have been put in place with the implementation of PEPPRA that are required and designed to manage risks. When someone wants to put a 12 million dollar number of unfunded liability out there, that can't happen when an agency does an ongoing active annual assessment of where the plan is.

Director Slater-Carter noted it seemed that Director Boyd has already made a decision.

Director Boyd reported it should not be too much of a surprise since we have been at this now for well over a year.

Director Harvey asked for clarification on the answer to his request. All contracts, the initial through the final contracts **will not** be signed until we move along with the next step. Director Harvey directed this question to District Counsel Schricker and General Manager Heldmaier.

General Manager Heldmaier reported he would sign the packet with the contract when I have all the information needed to submit the packet of documents to PARS.

Director Boyd asked if we are expected to sign any forms before the final Actuarial Analysis is done again by Bartel?

General Manager could not answer that question right now, his understanding is after the selection of the investment strategy he would sign the documents.

Director Huber noted all the documents will have to be signed together and we really can't sign anything until we all agree with what we are signing.

District Counsel Schricker reported the consultants have made it very clear to review the plan at least on an annual basis. In that context to help you do that, my recommendation would be to give consideration to developing a policy when you are going to meet, who is going to do it and what it is you are going to look at. Again, the Actuary is recommended to come on a bi annual basis as opposed to annually. The Actuary's view is a very conservative approach to the look forward. I understand clearly from the Boards concerns the risk taking. To avoid surprises, unpleasant surprises, my recommendation is to review at least annually and do it knowledgably. Personally, I am quite impressed with the depth at which you have looked at and the questions you have raised in respect to the approach with this.

Director Slater-Carter commented it seemed to her we get the cost and information after we sign the documents. Director Slater-Carter has no confidence in the HighMark consultant's advice.

Director Slater-Carter asked at a past meeting what kind of contract or information we would be giving our employees. I was told by the General Manager there is none. So we are asking our employees to put in thousands of dollars per year on a retirement plan and I think we need to think about this. Our employees will not be able to opt out. We have made a decision that has committed their money. This is why I am being so tough with these questions. It is a lot of money, and I would like of this reviewed by an attorney who is a public employment attorney. I don't know why we can't do this, it wouldn't cost that much. We could have gotten something at lower costs using Schwab and another independent company if the Personal Committee had not decided to go with PARS and cutting off any other discussion of using another administrator. In the future, I would like to talk about abandoning PARS and finding someone else that is more forthcoming with their costs and fees. At the meeting we were talking to Dennis Yu and Keith Stribling from HighMark we were told there were three different buckets. I asked then to see what money was going into each bucket and I have yet to see this. Yes, I am repeating myself, and being silly because I am talking about real dollars to real people. If we do not start out right, we are leaving ourselves open to play catch up in an open market. That is just about impossible to do. I would recommend, if we are going to do this, we start out with HighMark at 5% and yes that is high but next year we can get it down when we have got the numbers on all of these and we have something in writing



we can give to our employees to give them some level of confidence in what we are talking about doing with their money. They have no say in this. They have no say in this and this is terrifying to me. If I were an employee, I would want more information than just a promise and nothing in writing. Promises don't count and they have to be in writing.

Director Slater-Carter is recommending 5% discount rate knowing it is high but possibly next year reduce it after seeing the numbers. We should not start out in a hole.

Director Slater-Carter moved to adopt a 5% as the discount rate for the defined benefit plan. For discussion purposes, Director Harvey seconded Director Slater-Carter's motion.

Director Huber is recommending a 6% discount rate, using HighMark as the investment manager for 1 year and as an investment strategy, using HighMark's Balance Index Plus as a starting point. Director Huber requests staff to review the plan every year, making this review part of the budget yearly and commit to putting a description on the website.

Director Harvey questioned the discount rate. If it is set to high, there will be a shortfall in funding the pension, then the employees and employers have to make up that shortfall. If it is set to low, then it will become too expensive. Director Harvey then asked, if we set it at 5, 5.5 or 6 percent, this will not mean it is set for this plan and can't be changed? Director Huber responded that it will be in the beginning but can be adjusted over time. This is also going to be looked at by the actuary and the numbers will have to be confirmed.

Director Boyd reminded the Board that what is on the agenda tonight is choosing the investment strategy.

Director Huber noted his interpretation of an investment strategy is that it has 3 components to it:

1. Discount Rate
2. Investment Manager
3. What the actual investment portfolio is.

These all tie in together, and once we agree on these, in essence we can create documents and that is where we start getting into reviews to make sure it in fact expresses what our understanding is and basically vote to approve the documents.

Director Wilson recommends we need to vote on the initial motion. Then presuming it does not prevail, I would like to take a stab at a motion. My motion is going to mimic much of what Director Huber is proposing so with the pleasure of the chair, I am suggesting we take a vote on the motion.

Director Harvey suggested not to take a vote on the motion for lack of discussion.

Director Slater-Carter further recommended to discuss the motion before the Board votes on it.

Director Harvey would like to discuss the motion then asked shouldn't the Board be discussing the discount rate first instead of stocks, bonds or money?

Director Slater-Carter noted, just so you know one of the reasons she had made the motion on 5% is that way we can get the paperwork done and see what the costs will be at the highest rate. Then, we can work towards reducing them. I certainly would not want our employees to get the sense that if we were going for a 7% discount rate and got the paperwork done and the actuarial said you won't meet your goals so you will have to go to a 6% discount rate, our employees will have to have more taken out of their paychecks. So, I am suggesting we start out with something that gives people a reasonable expectation that it is not going to go up.

Director Wilson suggested as a compromise to go with a 5-1/2 or 6%.

Director Slater-Carter noted she had just heard a discussion regarding not getting stuck with the discount rate because once we get the paperwork from the actuary we will get the real numbers. I am just trying to get the real numbers so we can make a reasonable decision.

Director Boyd, in the Bartle Wells summary on page 3 we have fees spelled out in pretty good detail. What concerns in addition to that do you have?

Director Slater-Carter is concerned about the wages we approved in the budget as contrasted with the wages we are paying right now which were used for all the actuarial work. This was not addressed in Bartle Wells report.

Director Boyd described the page from Bartle Wells he was referring to and read part of the fees described.

Director Slater-Carter noted that is not what it shows in their investment advertising. I asked for numbers, and they gave us some numbers.

Director Huber suggested we are trying to work through these problems so as we get more refined information, we keep using that.

Director Slater-Carter reported, this is why she had made the motion for a 5% discount rate so we can get the information and go up to 5-1/2% or 6% because we are not bound by the decision we make tonight. As far as an investment strategy I would have no money in cash because we don't need cash and it is earning zero so we want nothing in cash.

Director Boyd noted in the first year of the plan, this is the time to take risks because there is little money in the plan to take from. The first year is not the year to be worried about the 5 or 5-1/2%. I am concerned about the impact to the employees. Director Boyd strongly noted, if we the Board can't get our act together, I am not going to support sticking it to the employees by taking a bigger bite out of their paycheck to make them pay the price for what I believe as being too conservative of a path. I do not see the point of 5% in the first year.

Director Slater-Carter reported her point was to get the analysis at 5% with the right wages.

Director Boyd reported what we are working with is a half way decent sample of what we can expect when they have the actual numbers to work with. Everything is going to change every year.

Director Slater-Carter explained this is what she had asked for with the first actuarial study.

Director Boyd reported the first actuarial study was meant to be a sample.

Director Slater-Carter asked how we are able to make a decision.

Director Boyd answered we need to pick out an investment strategy. I am with you Director Slater-Carter, on the investment strategy that cash is a silly place to put it. Let's find something that's fairly aggressive to put it for the first year. Not ridiculously aggressive, but to fund retirement plans.

Director Wilson would like to go back to the discussion of investment percentages. If we are agreeable once we get the numbers to look at what it needs, I don't care what the number is.

Director Huber noted there is literature from HighMark that says we can do a custom plan.

Director Boyd asked does a custom plan come with different costs.

Director Huber responded what makes this interesting is you could say you want a custom plan that is 100% index stocks and nothing else. Some people say this is very aggressive. I am not sure I agree with that.

It really depends on the S & P 500. And it really depends on what you think is going to happen in the bond market. The reading I have been doing and hearing experts saying is that it doesn't look so good for bonds going forward. Instead of them being some sort of a balance against downturns of stocks, it can do just the opposite. My guess is that somewhere around 75% stocks seems to be a reasonable. Personally I would go 80%.

Director Slater-Carter is bothered by the fact some of our employees will be able to retire at 5 years from July 2015. This means a different cash out flow and a different need to accrue interest rates or resources earlier.

Director Huber noted if someone retires fairly soon, they would not have that much in the pot so what they get out of it may not be that great.

Director Slater-Carter suggested we still need to know what the withdrawals are so we know what to expect because we need to be able to plan for that now.

It was suggested that this is what the actuarial study does.

Director Slater-Carter noted the actuarial report is about averages.

Director Boyd explained this was not what it is about. It is extraordinarily detailed in the hands of an actuary. And is based on employees we have.

Director Slater-Carter reported she was looking at the actuarial report that states participants statistics, counts 7, participants average age at 43.9, average District service at 5.9, average benefit service at 0, average pay. We know perfectly well this goes from \$160,000 per year down to \$50,000. This makes a huge difference on how to build the plan.

Director Boyd reported the actuarial will take this all into account with the final analysis.

Director Slater-Carter asked for an analysis for each employee as does CalPERS and we have not received this. We have not gotten a graft to see when we are going to go negative that the public and I have asked for.

Director Boyd explained that is the point of the actuarial report to make sure we do not go negative. It guides us to meet the need. All the details and far more than you are talking about will go into account and nothing short of that.

Director Slater-Carter reported she was trying to make a point and she feels argued with, lectured and preached to.

Director Boyd explained he was trying to understand the point she was making by asking questions.

Director Slater-Carter then questioned where in the actuarial study does it show the year at which we are going to making a retirement benefit payment? Director Boyd responded, the report we have doesn't show this.

Director Huber noted even though it doesn't show this, the most fundamental thing is:

1. I asked Bartle Wells, based on preliminary actuarial obligation from Bartel, does it indicate the funds as projected by Bartel Wells draft table 1, make this plan viable without modification. The answer was sort of, the draft the actuarial analysis identifies funding requirements targeted to meet future liabilities under a range of discount factors (base on a number of assumptions) with the goal being that the plan is 100% funded to meet all future benefit obligations. The plan may be viable without modification, but is most likely to require bi-annual revisions in contributions (up or down) aimed at achieving 100% funding in the long-run. Our Table 1 was meant to provide an estimate of potential fees and costs related to PARS...it is not an actuarial analysis and instead assumes the current eligible employees continue participating in the program for the next 20 years.

Director Huber noted the nature of your question is being very specific but in essence the root of your question is this thing going to be viable through the life the employees are part of this. Bartle Wells lead me to believe that if we manage this thing with any degree of care that we will be able to keep it 100% funded without having to put in large infusions of cash. For me what Bartle Wells came up with was very important and that we are probably going about this in the right way. I am satisfied with this. The problem is that it is not answering your specific questions and I do not know how to resolve that.

Director Wilson suggested to vote on the motion as is or would Director Slater-Carter consider amending it? Director Slater-Carter agreed to amend the motion.

Director Huber reported Director Slater-Carter's motion was for a 5% discount rate. Director Huber suggested to use the 6%. The discussion went on to the investment strategy and Director Slater-Carter suggested using 90 stocks and 10 Bonds for the first year. This was supported by all Board members. Director Huber suggested going with HighMark for the first year with the understanding that HighMark is an initial investment manager and our goal is to find one with lower expense ratios. Director Huber then asked Director Slater-Carter if she agreed to use the index funds opposed to actively managed accounts. Director

Slater-Carter agreed then noted any of this with a caveat in anyone of these motions, I want all of the publics and my questions answered. I do not want this to be waved under the rug. Vic, Ed, Bill, Greg and Bob asked some excellent questions and I want those answered. That has to happen. I want a commitment from the Board and General Manager to get them answered.

Director Boyd is ok with getting some of the questions answered. Not the broad and ill-defined and open to interpretation. We should be asking questions that are clear enough that staff doesn't have to go back to the well a hundred times to try to satisfy. I have read through the questions that have been posed. Some are crisp, and can be clearly answered. We want to keep this to questions that are clearly answerable much in the spirit of the public records act. But I also do not want to create any massive homework projects that require lots and lots of research.

Director Slater-Carter noted we are amateurs and we need to learn a lot. I have been reading GASB 68, 69 and 71. A lot of my questions have come from that and PEPPRA and have not been answered yet. I also sent a sheet from an attorney in Mountain View who offered to review the plan for us. I don't think I deserve to be stonewalled.

Director Boyd is not suggesting to have anyone stonewalled. He is suggesting to organize ourselves in a direction where we are lined up for success by agreeing on questions being put on the table that are reasonably researchable and answerable.

Director Slater-Carter reported Director Boyd was telling her what kind of questions she could ask.

Director Boyd responded, the public records act is very clear on trying to provide guidance for here are the kinds of things that it's reasonable to ask an agency to respond to. I am suggesting something in that spirit.

Director Slater-Carter then questioned if asking for minutes and agendas was too broad when I did not know when these meetings were being held?

Director Boyd doesn't want to nit pic the PRA.

Director Slater-Carter is just asking to have all her questions answered and those submitted by the public.

Director Boyd suggested to pick the top 25.

Director Slater-Carter reported she had worked days and days and days on these questions and now they are going to limited by you?



Director Boyd is suggesting which ones you are wanting to have answered first. Let's focus on the important ones.

Director Slater-Carter suggested Director Boyd was trying to stymie her getting information, just like you had tried to run the agenda for the Finance Committee meeting earlier in the week.

Director Wilson suggested it seems like we are very close to a motion. Director Wilson recommends put the word reasonable questions relation to the plan will be addressed.

Director Wilson recapped what was on the table:

Stock 90% Bonds 10%  
Passive Fund  
HighMark for first year with due diligence during the year

Director Wilson further suggested to split the difference in the discount rate to 5.5%

Director Boyd for clarity, repeated the motion as follows:

Director Wilson moved to select a 5.5% discount rate, using 90% stocks and 10% bonds, using passive funds as an investment strategy, with HighMark as the investment manager for the first year as the Board further reviews other options with lower rates, and have reasonable questions answered that have been submitted by the Board and Public to which staff will make a good effort to have answered.

Director Slater-Carter noted she thinks it sucks we are in a process of doing due diligence but we have to vote on important things first. Generally, if I buy something, I do my due diligence first, then I buy it. So I think this process is very bad, but if this is the way it is, I will vote for 5.5%, but I want to know who defines reasonable and what kind of recourse does someone have whose question has been unreasonable have?

Director Wilson suggested to take a step back and assume all questions are going to be reasonable without having to say anything more along with the response. Let's just watch it and I am sure if there are disagreements, we will have plenty of time for discussion and address again.

Director Harvey further suggested to Director Boyd and General Manager Heldmaier that there will be a response to any Board member that has questions. Let's not isolate anyone.

General Manager Heldmaier responded he had been responding to all questions that have be asked of him. The size of list of questions he had

received in the last 24 hours and a very broad records request that takes a lot of time, I have responded to all questions that I have received from the Board members.

Director Slater-Carter asked the General Manager if the only way he would be taking questions would be in writing because questions that have raised at past meetings have not been responded to, so I am glad I understand that rule and she then thanked him for making this policy for the District.

Director Boyd asked the General Manager if there is an anticipated meeting in 2 weeks. The General Manager responded yes. Director Boyd recommends to have all contract documents ready for review by the Board at the next meeting. Director Boyd further recommends not executing any document or contract before the Board has that chance to review them. At that meeting, the Board will have the opportunity if we felt the need, we offer direction. Director Boyd hopes this helps Director Harvey's concerns regarding signing any documents until we have all the pieces in place.

Director Harvey moved to extend the meeting. Director Huber seconded the motion.

There were no objections to this motion and the meeting was extended one hour.

Director Slater-Carter would like to get the documents on the Monday before the meeting. Director Slater-Carter noted it was difficult for her to be able to review all the documents when receiving the day of the meeting.

Director Wilson is suggesting to agendaize this for the first meeting in October, giving staff enough time to gather all information.

Director Huber agrees with Director Slater-Carter that these kinds of informational documents are needing more than 24 hours to review. He also would like to receive the documents the Friday before the meeting.

Director Wilson suggested when our General Manager is doing one job instead of two, this will take pressure off him.

A Roll Call Vote was called for, all Directors were in favor of the motion, the motion passed unanimously 5-0.

## **NEW BUSINESS-**

## 1. Review and Possible Action Concerning Permit for NOAA Weather Station on District Property.

General Manager Heldmaier reported the District was approached by the National Oceanic and Atmospheric Administration (NOAA) with a request to locate a wind sensor on District property. The only wind sensor between San Francisco and Santa Cruz was taken down some years ago and will not be reinstalled. Since then local boaters don't receive accurate wind information.

A small section approx. 10' x 10' of the District property west of the existing gun platforms has been identified as ideal location. The location also does not interfere with current MWSD operations. A 30 foot pole is required to mount the wind sensor. To lessen visual impact a white monopole is suggested. NOAA also agreed to upgrade the wind sensor to a full weather station that not only records wind information but also precipitation, temperature and similar. An island solution with small solar panels for power is suggested to keep impact to District property at minimum. Data will be transferred via cellular connection. NOAA will be required to procure all necessary permits before implementation of the weather station.

Tom Mattusch, has operated a charter boat out of Pillar Point Harbor for the past 16 years along with other vessels over the past 23 years. For a long time, we had dependable weather sensing devices scattered from the Golden Gate to Santa Cruz. We lost the Pigeon Point wind reporting device and the devices on the radar tower as well. There is absolutely no sensing data available from the Golden Gate Bridge to the Monterey buoys. Mr. Mattusch has been working with the National Weather Service and NOAA to resurrect these wind reporting devices and reported this device was requisitioned for Pigeon Point and due to problems, it was moved to MWSD. This is an item that is very important to all fishermen and boaters. Being able to take people out in safe conditions is very important to me. One way to get safe conditions is to be able to present information to the National Weather Service here and our friends in Monterey to be able to get instant forecasts. Many trips have been cancelled due to reports that are in error. This will be really valuable to the boating public and everyone in this area. Mr. Mattusch is in favor of this and is hoping the entire Board is supportive of the placement of this item for the safety of the public and the lives of the mariners that go out every day out of this harbor.

Vic Abadie, Montara resident noted this was an excellent idea. This is not only good for the boating community but good for the surf community too.

There was discussion regarding naming the station MWSC1 or MWC1. Mr. Benjamin will request this for us and will get back with the end result.

Director Boyd was pleased MWSD was selected for the location of this station.

Director Huber moved to adopt a resolution of the Montara Water and Sanitary District Approving and Authorizing Execution of License for Use of Real Property (National Oceanic and Atmospheric Administration). Director Wilson seconded the motion.

Director Slater-Carter questioned how the Coastal Commission would feel about the 30 foot tower. Mr. Benjamin reported he had gone through this process with Angel Island and will approach the Coastal Commission again for this site. General Manager Heldmaier further reported the permit asks for NOAA to obtain all necessary permits.

District Counsel Schricker suggested to start with the County first in the permitting process.

A roll call vote was called for and all Directors were in favor.  
The motion passed 5 – 0.

## **2. Review and Possible Action Concerning Association of California Water Agencies Committee Appointment Nominations.**

General Manager Heldmaier reported the Association of California Water Agencies (ACWA) asks for committee appointment nomination for the 2014-2015 term. In the past year Director Ptacek served on the Groundwater Committee, Legal Counsel Schricker served on the Legal Affairs Committee, General Manager Heldmaier served on the Groundwater Committee and Director Boyd served on the Water Management Committee.

Recommendation is to discuss next year's ACWA committee involvement, authorize, and direct the General Manager to submit the recommendation to ACWA.

## **3. Review and Possible Action Concerning Adoption of Connection Charge Report.**

General Manager Heldmaier reported Senate Bill 1760 revised a section of the Government code concerning development fees and charges in 1999. It requires local governments to make available to the public information about capacity charges, what they are used for and whether or not any are available for refund. It provides that any water or sewer connection charges shall not exceed the estimated reasonable cost of providing the service for which the charge is imposed. The attached Annual Connection Charge Report provides a summary of the connection charge revenue received for previous fiscal years through FY 2014-15, and indicates how that money is allocated.

Recommendation is to authorize the filing of the Annual connection Report with the District clerk.

Director Wilson moved to authorize the filing of the Annual Connection Report with the District Clerk. Director Harvey seconded the motion.

A Roll Call vote was called for, all Directors were in favor and the motion passed unanimously 5 – 0.

**All reports have been delayed until the next meeting.**

**REPORTS**

- 1. Sewer Authority Mid-Coastside Meetings (Harvey) - None**
- 2. MidCoast Community Council Meeting (Slater-Carter) – None**
- 3. CSDA Report (Slater-Carter) – None**
- 4. CCWD, NCCWD Committee Report – (Harvey, Huber) None**
- 5. Attorney’s Report (Schricker) – None**
- 6. Directors Report – None**
- 7. General Manager’s Report (Heldmaier) – None**

**FUTURE AGENDAS-**

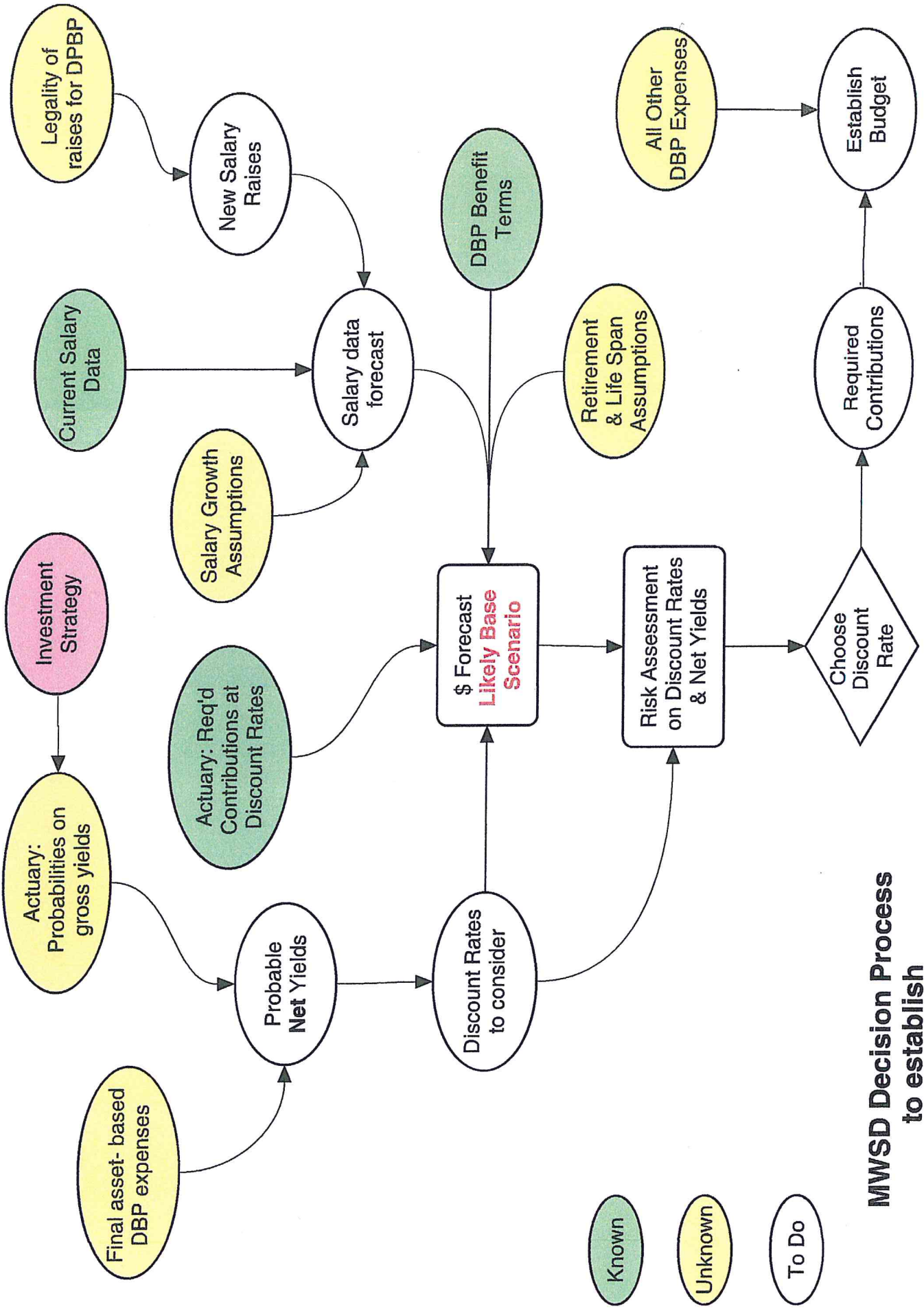
**REGULAR MEETING ENDED at 11:05 P.M.**

Respectfully Submitted,

Signed \_\_\_\_\_  
Secretary

Approved on the 5<sup>th</sup> November, 2015

Signed \_\_\_\_\_  
President



**MWSD Decision Process  
to establish  
Discount Rate & Budget**



Investment strategy proposal  
Bill Huber, Finance Committee  
2015-09-03

By approved resolution, the MWSD board has obligated us as a district to create a defined benefit pension program for its the employees. We are doing this to retain the high quality staff that we now have and to be able to hire equally qualified applicants in the future. The state legislature at the end of 2012, acknowledging that the then current pension plans were not sustainable because of unfunded liabilities passed a reform bill called the Public Employees Pension Reform Act (PEPRA). This along with the maturing of us as a water and sanitary district set the stage for being able to implement a defined benefit pension program that is both affordable and sustainable.

At the board's direction, the finance committee has been charged with making recommendations on 3 investment strategies so the full board can vote on one or a variant of it and the plan can then be put into effect.

It is important to note that establishment of this plan is not without financial risk. In order to be successful it will require active yearly financial management, which will place an additional burden on this board and boards in the future. It will also increase the workload of the general manager. Because of matching contribution requirements, the employees will have an active stake in it and will need to participate. Finally, the public needs to have an accurate understanding of this plan if we are to be successful.

The impetus for this plan began with a recognition by the personnel committee of the need to have a better program for the retention and hiring of qualified staff. To that end they engaged labor consultant Austris Rungis to address this issue. After significant research in conjunction with him they presented a proposal for a defined benefit plan. Legally this plan is in the form of a trust. The personnel committee recommended a private company known as PARS as trust administrator. They also hired an independent actuarial company, Bartel and associates to provide the actuarial analysis that established the funding levels that would be needed to fully fund this plan. After both closed and open board meeting and a public workshop type session, the board adopted the resolution to contract with PARS and charged the finance committee that consists of myself and director Slater-Carter to submit to the board three investment strategy proposals. They also directed that the accounting firm of Bartle Wells do a review of the information provided by PARS and Bartel.

Since the passage of the resolution The finance committee has had thee meeting and numerous email exchanges. There is a difference of opinion regarding the investment strategy. Director Slater-Carter feels that we do not have enough accurate information to go forward. I, in turn, feel that there is a enough information to be able to address the board's directive.

The following reflects my proposal and recommendations alone and it does not reflect a finance committee consensus. The board has already made a decision on the trust administrator which is PARS and the actuarial valuation by Bartel and associates. The trustee is US Bank and the plan administrator is general manager Clemens Heldmaier. Tonight I will be addressing the remaining issue that must be decided by the full board which is the investment strategy. This in turn, breaks down into three components, the discount rate, the investment manager, and the investment portfolio.

### **Discount rate**

The discount rate is at the foundation of the defined benefit plan. It determines the yearly cost to the district and to the employees. If it is set too high, there will be a shortfall in funding the pension. If it is too low, it will be unnecessarily expensive and will not meet the objective of retaining employees, keeping them motivated, and facilitating the hiring of new employees.

I looked at a number of public entities and found that most, actually almost all, are on the PERS, Calpers Plan. The PARS plans that do exist for the most part are OPEB (Other PostEmployment Benefit)Plans that simply augment the Calpers plan and have a discount rate that ranges from 4 to 6%. Because their objectives and funding details are different, they can't be directly compared.

The Calpers rate is currently 7.5% having been reduced from 7.75%

Information from PARS indicates that the majority of plans that they administer that are like ours have established a discount rate of 6.5%

The Bartel Wells draft Table 1(8/30/15) is based on 6% and I am assuming that they feel that this rate of return is reasonable.

Looking at S&P500 (1995-2014) the S&P 500 had an average annual return of 10.12% and the 20 year average is 9.85%. That's great. But I don't think it's realistic and useful for long-term planning projections. In 2011, the 20 year average, returned 7.81% per year. This seems to be more useful in setting a rate going forward.

Finally, I did a study of the literature. I found a degree of uniformity in the predictions. Warren Buffet claims “Investors in U.S. stocks should expect a return of about 6 percent to 7 percent a year” (Omaha, Nebraska, May 3 (Bloomberg). Peter Dunn states, “In fact, if you want to be safe, you should go ahead and operate on the premise that the S&P 500 averages 8%. All of your long-term planning decisions should be based on this, and nothing higher.” (January 18, 2013, The Pete the Planner Blog, Peter Dunn ). According to Liz Davidson, “But most importantly, we can assume a lower return into our planning calculations. Instead of an 8-10% return, we might want to plan on a 6-8% return.” (Liz Davidson is CEO of Financial Finesse, the leading provider of unbiased financial education for employers nationwide, delivered by on-staff Certified Financial Planner™ professionals.).(5)

### **Recommendation**

Using the advise from these three individuals, my conclusion is that the Calpers rate although justifiable should be about a point lower at 6.5% to fully fund a plan in the long term. Although I personally feel that a 6.5% discount rate, on balance, is a good starting point, I feel that a recommendation of 6.0 is more appropriate because it has the chance of slightly overfunding the plan on the front end. In the end, I can support any discount rate in the range of 5.5 to 6.5 percent.

A 6.5% discount rate will cost the district approximately \$42 thousand per year with a similar contribution by employees.

6.0% will be about \$46.5 thousand

5.5 Will be about \$51.5 Thousand

5.0 will be about \$57 Thousand

### **Investment Management**

Our goal is to get an investment return that is equal to or greater than the the net discount rate and to do so with the minimal amount of risk. We are also investing in the long term so we are looking at averages over a 10 to 30 year period.

The default investment manager is HighMark. They are tightly aligned and integrated with PARS and US Bank. This has the advantage of being very straightforward and simple. There are also some concessions to the fees assessed by US Bank if we use HighMark. The case against using Highmark is based on the fact as time passes, they become increasing expensive thus reducing pension fund assets available to meet funding requirements. I also personally think that their management team is a little weak when compared to other investment advisors. We asked Alex Handlers from Bartle Wells to do an independent review of the plan. With regard to HighMark he made this recommendation:

“Due to the low cost of using HighMark in the early years (with low levels of plan



assets), the District can opt to go with HighMark in the near-term and evaluate alternatives in future years.”

We looking into alternatives to HighMark. There are two approaches. One is to find a full service investment manager that would duplicate the services provided by Highmark. The other is to act as our own investment manager.

Kathryn focused on finding a duplicate to HighMark. She approached Charles Schwab and I believe that there were some preliminary indications that Charles Schwab would be a possibility. Kathryn may speak to that more fully.

I focused more on the approach of acting as our own investment manager utilizing indexed stock market funds and indexed bond funds. With this approach we would simply pick one or several funds that track the S&P 500 or other broad based index and one or several funds that track bond indexes. We then simply purchase shares every month or quarter with the contributions from the district and the employees. I contacted Vanguard, who is very well know for their index funds and was assured that we could use this approach with them and they sent me necessary paperwork. The rational for using this approach is that the expense ratio is very low which becomes increasingly important as the fund assets grow. The other that as index funds they are simply tracking stocks and bonds so that the return is more predictable. The downside is that we are not getting professional advise so we don't have the protection of outside advise with the effect that we are more likely to be accused of not making sound investment decisions.

### **Recommendation**

I think that Bartle Wells suggestion of using HighMark initially but to look at alternatives as fund assets grow is good advise. My recommendation is to follow that advise and contract with HighMark but then to start a process 1-3 years out to start formally looking for alternatives

### **Investment strategy**

As with the investment manager, the goal is to get an investment return that is equal to the the net discount rate and to do so with the minimal amount of risk and over a long period of time. Here we are trying to answer the question, what is the right mix between equities(stocks) fixed income(bonds) and cash. Traditional advise is that if you have a long time horizon then you focus on a high return with a corresponding high risk. The concept is that you have time to ride out the downturns and that over the long term this produces the highest rate of return. The shorter the horizon the more it shifts to preserving the money you already have. In

our case, Simply putting 100% into one index fund that tracks the S&P 500 should get the return necessary to cover the discount rate. Is this a good decision? Probably not because it puts all your funds into equities (stocks) and doesn't diversify the portfolio properly to reduce the effect of a downturn in stocks.

Using the HighMark Balanced Category the ratio is 60% equities(stocks) 35% fixed income (bonds) and 5% cash. These ratios are probably a good starting point so that is my recommendation. The next decision is either to go with an actively managed program or a program using index funds. The actively managed fund has a higher expense ratio. Will the net return after expense be greater with an actively managed fund or an index fund? The jury is out on this. Most actively managed funds promise a greater net return but most don't deliver. My recommendation is to go with the index, also called passively managed, program. Its 5 year return is 9.13% There is no 10 year or 20 year data available.

Even though the Balanced Category is being recommended, I think that a case can be made for going with the Capital Appreciation portfolio ( ratio is 75% equities(stocks) 20% fixed income (bonds) and 5% cash.) This has a better long term return and it less dependent on bond performance. It is theoretically more risky. The problem is that I couldn't find any data as it appears that the index portfolio has been only recently implemented by HighMark.

**Recommendation- See Table 1**



Table 1

2015-09-03	MWSD Pension Plan investment strategy proposals			
	One	Two-Recommended	Three	
<b>Discount rate</b>	6.5%	6.0%	5.5	
<b>Investment Manager</b>	High Mark-1st year	High Mark-1st year	High Mark-1st year	
<b>1 year return</b>	7.2%(estimated)	6.6%	6.6%	
<b>5 year return</b>	9.8 (estimated)	9.13%	9.13%	
<b>10 year return</b>	Not Available	Not Available	Not Available	
<b>Investment Strategy</b>	HM-Capital Appreciation-Index Plus	HM-Balanced-IndexPlus	HM-Balanced-IndexPlus	
<b>Review with staff</b>	Annually	Annually	Annually	
<b>Website information</b>	Annually- with detailed description	Annually- with detailed description	Annually- with detailed description	
<b>Yearly Review</b>	Part of budget Review	Part of budget Review	Part of budget Review	
	Once the investment strategy is finally approved there will still be a requirement to review final documents and contracts.			

## Final Thoughts

These days, the defined benefit pension plan has a very bad name in the minds of many. Is perceived as an example of government waste and abuse. As a result of recent legislation, we now have The opportunity to demonstrate that the underlying idea of a defined benefit pension plan is actually a sound idea but that recent examples show what happens with bad execution. We now have the opportunity to create a model plan that demonstrates how a defined benefit plan can meet the needs of employees without breaking the bank. We are not at the tail end of a bad idea but rather at the beginning of a good idea that will be proven by good execution.

## Judy Gromm

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**From:** Kathryn slater-carter <kathryn.mwsd@gmail.com>  
**Sent:** Thursday, September 03, 2015 7:48 PM  
**To:** judy gromm  
**Subject:** Response to Finance Committee Member Huber report

Response to Finance Committee Member Huber report, 9/3/2015

This report is interesting but lacks the necessary information on which to base the recommendation:

Essentially it suggests, as Mr. Huber stated last night at the 9/2/2015 Finance Committee meeting: "Once a strategy is approved we can make follow up due diligence."

In essence he is asking the MWSD, its employees and rate payers to just gamble their money on the right decision being made in absence of due diligence being done.

I will note we have not performed on the Boards decision at the last meeting to provide the public with a chart illustrating the time line on the income/expense balance of the plan.

Good strategy & execution are based on solid, verifiable information being used in a solid, experienced analysis.

We are part way there to having a reliable analysis: Today we received an analysis from Bartel Associates using 80BP instead of 30BP for the expenses. That analysis did not include the promised raises for staff to cover their PEPRA mandated share of the DBP. The extra tens of thousands of dollars will change the cost for employees and the district. Don't both deserve an honest analysis?

We do not know the expected date of the first retiree and what the expected benefits will be. In looking at the ages of our employees I think we may anticipate a retiree in 5 years. What will this do overall plan?

For clarity I will repeat what the HighMark has placed in its document: "You have or will separately receive by mail or through electronic delivery prospectuses that contain information on the investment objective, operation and fees for all mutual funds sub-advised by HCM that are available to Accounts of the type you have. **Read the prospectuses carefully.** Please review the prospectuses for mutual funds carefully to identify the risks, investment objectives, any investment limitations and restrictions, and costs and expenses of investing in any mutual fund you purchase, including fees paid to service providers.

*HighMark: Mutual Fund Disclosure Statement for U.S. Bank Account Sub-Advised by HighMark Capital Management, Inc. Effective September 16, 2013*

**Kathryn**

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## Judy Gromm

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**From:** Kathryn slater-carter <kathryn.mwsd@gmail.com>  
**Sent:** Thursday, September 03, 2015 2:33 PM  
**To:** Judy Gromm  
**Subject:** Fwd: Question on information needed on PARS DBP for strategy decision

----- Forwarded message -----

**From:** Kathryn slater-carter <kathryn.mwsd@gmail.com>  
**Date:** Wed, Sep 2, 2015 at 4:09 PM  
**Subject:** Question on information needed on PARS DBP for strategy decision  
**To:** Clemens Heldmaier <mwsd@coastside.net>, Bill Huber <wlhuber@gmail.com>, Scott <scottboyd.gov@gmail.com>, Dwight Wilson <dwright45@aol.com>, Jim Harvey <ja\_harvey@yahoo.com>  
**Cc:** Gregg Diaguez <gadieguez@live.com>, bill kehoe <bill4kehoe@yahoo.com>, Edward Carter <cartent@gmail.com>, joelandsusan <joelandsusan@sbcglobal.net>, catmother8@sbcglobal.net, Gary Warhaftig <gary@montara.com>, Deborah Lardie <deborah@lardiecompany.com>, KA Wilson <karenwilsondesigns@gmail.com>

Hi all,

We are being asked to select a discount rate for the Defined Benefit Plan without the basic information on costs and plan details. I will repeat that we cannot rely on the draft actuarial as it has used incorrect data. We must have the following questions answered before we make any recommendations.

**Where are the HighMark prospectuses?** "You have or will separately receive by mail or through electronic delivery prospectuses that contain information on the investment objective, operation and fees for all mutual funds sub-advised by HCM that are available to Accounts of the type you have. **Read the prospectuses carefully.** Please review the prospectuses for mutual funds carefully to identify the risks, investment objectives, any investment limitations and restrictions, and costs and expenses of investing in any mutual fund you purchase, including fees paid to service providers.

*HighMark: Mutual Fund Disclosure Statement for U.S. Bank Account Sub-Advised by HighMark Capital Management, Inc. Effective September 16, 2013*

**Why have Board members not received them?**

**Are the fees for services listed in the document**

**HighMark: Mutual Fund Disclosure Statement for U.S. Bank Account Sub-Advised by HighMark Capital Management, Inc. Effective September 16, 2013 additional or included in the fees noted in the HighMark overview documents? Are these fees on the assets?**

**What is 'stable value' in the diversified Portfolio? Is this 0.25% charged in addition to the 0.60% or part of that fee?**

*Pars Discretionary Trustee Fee Schedule, revised 12/13*

**What are the total fees and costs on each new contribution given that some fees are on contributions and some are on assets? Are asset fees charged on each new contribution the month after it is made?**



**Can the Finance Committee do a 'preliminary discount rate' series to get a set of projections using correct data?** To date all Bartel projections have been 'preliminary' AND have used incorrect data. E.g. fees and wages. June 30,2015 Actuarial Valuation Preliminary Results presented August 4, 2015 page 6

**What costs, fees, expenses etc will the \$157,081 (\$45,285 + \$111,796) be used for in the upcoming budget year?**

**Is insurance available to cover major unexpected losses?**

**Have all expenses, costs, fees been detailed in a single list by PARS, U.S. Bank and HighMark?**

**Can GASB 68 be applied to accounting analysis for choosing discount rate? Why or why not?** Actuarial report states " Employer accounting: Governed by GASB Statement 68, first applicable for the District 6/30/16. Accounting results will differ from those in this funding report. (Emphasis added) Bartel Associates: Actuarial Methods p6 (5/1/2015)

**What specific information was given to Bartel by the district for the facts in actuarial report?**

**Why did Bartel use a projected payroll of \$539,132 for the Participant Statistics in the actuarial analysis?** On the budget for 2015/2016 the combined budgeted management and staff line items for water and sewer enterprises operating expenses is \$613,957. This is a significant difference that will only multiply the differences in the future.

**Why did Bartel assume that MWSD would cover all costs for 15/16 and 16/17?**

**What happens in 17/18 to change this?**

**How does MWSD paying all fees change the 20 & 30 years costs to the District?**

**Why did Bartel use 30BP for the fees when it works routinely with HighMark?**

**Are 30 BP the industry standard?**

**How will the costs affect MWSD fee structure in 20 & 30 years?**

**What are the effects for the employee in purchasing 'service credits'?** For MWSD is an employee purchases service credits? How does this affect the actuarial analysis?

**Why will the request for an agenda item to have the plan reviewed by a public sector law attorney not be placed on the agenda?**

**When is the crossover point when assets and contributions cannot cover costs and distribution for the first seven employees?**

**Why was Bartel Wells asked to do a 20 year analysis and not 30 or 40 years?**

Questions still unanswered from previous emails:

**What is the projected future pension funding requirement for MWSD in 2035 under this plan? What are the assumptions and conditions in 2025 & 2045?**

**Is there a CDSC (contingent deferred sales charge) on investments in HighMark PARS funds?**

**Is there a commission or 'sales load fee' on initial investments in HighMark PARS funds as in other HighMark funds?**

**How is the risk of this plan assessed and documented?**

**Why have the presentation to MWSD been only for the very short term when the risks will accrue when the employees start retiring?**

**What can MWSD do to prevent underfunding the plan?**

**What financial experience does the selected MWSD Plan Manager have? What independent plan managerial experience is available (not PARS or HighMark).**

No virus found in this message.

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Version: 2015.0.6125 / Virus Database: 4409/10569 - Release Date: 09/03/15

# **MONTARA WATER AND SANITARY DISTRICT**



**Unaudited Financial Statements for  
September  
2015**



# MONTARA WATER AND SANITARY DISTRICT AGENDA

**For Meeting Of: November 5, 2015**

**TO: BOARD OF DIRECTORS**

**FROM: Clemens H. Heldmaier, General Manager**

**SUBJECT: Unaudited Financial Statements – Executive  
Summary**

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**Budget vs. Actual – Sewer July thru September, 2015 Variances over  
\$2,000:**

- 4460 Remodel Fees, \$10,092 above Budget – One new fees assessed in September.
- **Overall Total Operating Income for the period ending September 30, 2015 was \$12,125 above budget.**
- 5610 Accounting, \$2,250 below Budget – Variance due to the lag in billing. Currently only the month of July has been paid.
- 5620 Audit, \$8,500 below Budget – Full cost of audit has yet to be paid.
- 5640 Data Services, \$4,880 above Budget – Payment made to Fred Weber for yearly services provided in conjunction with Sewer service rate.
- 5800 Labor, \$16,462 below Budget – Major driver causing below budget is the budgeted PARS expense. No expenses have been booked at this point in the fiscal year.
- 6170 Claims, Property Damage - \$2,500 below Budget –No activity to date.
- 6200 Engineering, \$10,355 below Budget – Minimal activity to-date. Budget is spread evenly between twelve months.
- 6400 Pumping, \$2,226 below Budget – Lag in billing, only two months of activity for three months of fiscal year thus far.
- 6600 Collection/Transmission, \$2,500 below Budget – No activity to date.
- 6910 SAM Collections, \$30,043 above Budget- Variance due to the early payment of October assessment.
- 6920 SAM Operations, \$58,991 above Budget – Variance due to the early payment of October assessment.
- 6940 SAM Maintenance, Collection System, \$6,145 below Budget – Only activity to-date is for a Sewer line repair. Budget is spread evenly between twelve months.
- 6950 SAM Maintenance, Pumping, \$11,294 above Budget – Lift Station Repair. Expense will be capitalized at year-end.
- **Overall Total Operating Expenses for the period ending September 30, 2015 were \$76,384 above Budget.**
- **Total overall Expenses for the period ending September 30, 2015 were \$54,293 above budget. For a net ordinary loss of (\$42,168), budgeted vs. actual. Actual net ordinary loss is (\$467,445).**



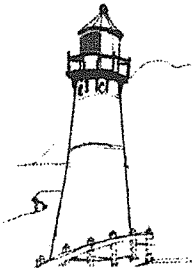
# **MONTARA WATER AND SANITARY DISTRICT AGENDA**

**For Meeting Of: November 5, 2015**

**TO: BOARD OF DIRECTORS**

**FROM: Clemens H. Heldmaier, General Manager**

- 7100 Connection Fees, \$17,537 below Budget – Two Remodel connections sold. One new construction connection sold.
- 8075 CIP, \$138,885 below Budget – Pump station control panel upgrade phase 1 project is in process.
- 9175 Capital Assessment – SAM , \$13,390 over Budget – Variance due to the early payment of October assessment.
- 9200 I-Bank Loan, \$8,412 below Budget – Interest spread evenly throughout the year. Payments made twice a year.



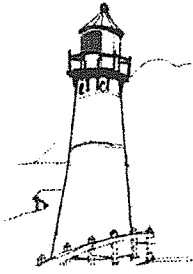
# MONTARA WATER AND SANITARY DISTRICT AGENDA

**For Meeting Of: November 5, 2015**

**TO: BOARD OF DIRECTORS**

**FROM: Clemens H. Heldmaier, General Manager**

- **Budget vs. Actual – Water July thru September, 2015 Variances over \$2,000:**
- 4810 Water Sales Domestic, \$53,167 above Budget – More water sales than anticipated.
- **Overall Total Operating Income for the period ending September 30, 2015 was \$56,700 above budget.**
- 5240 CDPH Fees, \$3,750 below Budget – No activity to-date.
- 5400 Legal, \$7,372 below Budget – Less activity than anticipated to date.
- 5530 Memberships, \$3,997 below Budget – Two membership fees paid to date – Underground Services Alert & American Water Works Assoc.
- 5610 Accounting, \$2,250 below Budget – Variance due to the lag in billing. Currently only the month of July has been paid.
- 5620 Audit, \$8,500 below Budget – Full cost of audit has yet to be paid.
- 5800 Labor, \$41,822 below Budget – Major driver causing below budget is the budgeted PARS expense. No expenses have been booked at this point in the fiscal year.
- 6170 Claims, Property Damage - \$2,500 below Budget –No activity to date.
- 6200 Engineering, \$4,476 above Budget – Water Quality engineering costs are more than expected.
- 6400 Pumping, \$3,814 below Budget – No activity for generator maintenance to date.
- 6500 Supply, \$9,014 above Budget – 1<sup>st</sup> quarter purchases to San Mateo County much larger than anticipated.
- 6700 Treatment, \$3,023 below Budget – Minimal activity to date.
- 6800 Vehicles, \$2,556 below Budget – Variance due to minimal activity on truck repairs.
- **Overall Total Operating Expenses for the period ending September 30, 2015 were \$797 below Budget.**
- **Total overall Expenses for the period ending September 30, 2015 were \$63,743 below budget. For a net ordinary income of \$120,442, budgeted vs. actual. Actual net ordinary income is \$189,270.**
- 7100 Connection Fees, \$2,501 below Budget – Two connection sold. No new construction connections sold.
- 7600 Bond Revenues, G.O. \$286,898 below Budget – No revenue received to-date, as is typical.
- 8100 CIP, \$317,787 above Budget – Large bill to Western Water Constructors for \$244,389 for the Alta Vista Tank.



# **MONTARA WATER AND SANITARY DISTRICT AGENDA**

**For Meeting Of: November 5, 2015**

**TO: BOARD OF DIRECTORS**

**FROM: Clemens H. Heldmaier, General Manager**

- 9100 Interest Expense G.O. Bonds, \$132,425 below Budget – Only expense is for interest. Remaining budget amount of \$132,425 was applied to Interest Payable, leaving as a variance on the P&L.

**RECOMMENDATION:**

This is for Board information only





**Montara Water & Sanitary District**  
**Revenue & Expenditures Budget vs. Actual - Sewer**  
 July 2015 through June 2016

	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul '15 - Jun 16	Budget	\$ Over Budget
<b>Base</b>	2,778.18	2,778.18	2,778.18										8,334.54	32,000.00	-23,665.46
<b>Capital</b>															
<b>Construction</b>															
<b>Capital Fee (New Constr)</b>		948.00											948.00	2,500.00	-1,552.00
<b>Capital Fee (Remodel)</b>	474.00												474.00	3,000.00	-2,526.00
<b>Construction Fee (New Constr)</b>		896.00											896.00	2,000.00	-1,104.00
<b>Construction Fee (Remodel)</b>	1,087.00	103.00											1,190.00	4,500.00	-3,310.00
<b>Other Fees</b>	11,075.00	435.00	332.00										11,842.00	7,000.00	4,842.00
<b>Other</b>	12,636.00	2,382.00	332.00										15,350.00	19,000.00	-3,650.00
<b>Operating</b>															
<b>Receipts</b>			371.87										371.87	230,000.00	-229,628.13
<b>Other Charges</b>														2,039,943.00	-2,039,943.00
<b>Other Refunds, Customer</b>														-4,000.00	4,000.00
<b>Other Revenues</b>	882.48	1,855.85	830.14										3,568.47	15,000.00	-11,431.53
<b>Other</b>	16,296.66	7,016.03	4,312.19										27,624.88	2,331,943.00	-2,304,318.12
<b>Other</b>															
<b>Attendance</b>														4,000.00	-3,208.05
<b>Information Systems</b>														2,500.00	-2,474.50
<b>Other</b>														3,300.00	-2,437.50
<b>Other</b>		462.50	425.50										888.00	5,800.00	-4,912.00
<b>Other</b>														2,000.00	-2,000.00
<b>Other</b>														6,000.00	-6,000.00
<b>Other</b>	1,688.18												1,688.18	1,755.00	-66.82
<b>Other</b>	1,688.18												1,688.18	1,755.00	-66.82
<b>Other</b>														1,987.00	-1,987.00



**Montara Water & Sanitary District**  
**Revenue & Expenditures Budget vs. Actual - Sewer**  
 July 2015 through June 2016

	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul '15 - Jun 16	Budget	\$ Over Budget
Staff Overtime	17.04	261.28	363.52										641.84	3,718.00	-3,076.16
Staff Standby													1,147.00	1,147.00	-1,147.00
Wages	15,646.56	15,120.88	15,608.09										46,375.53	195,850.00	-149,474.47
Worker's Comp Insurance														3,891.00	-3,891.00
Motor	20,632.58	20,143.25	20,678.32										61,454.15	311,665.00	-250,210.85
Administrative	22,769.50	30,554.05	48,324.32										101,647.87	455,957.00	-354,309.13
Property Damage														10,000.00	-10,000.00
Printing & Training														1,000.00	-1,000.00
Printing															
Travel Attendance, Engineering	895.00	1,750.50											2,645.50	2,000.00	-2,000.00
General Engineering	895.00	1,750.50											2,645.50	50,000.00	-47,354.50
Engineering														52,000.00	-49,354.50
Equipment & Tools, Expensed														1,000.00	-1,000.00
Information Systems															
IT Services	391.80	1,066.04	444.30										1,902.14	5,000.00	-3,097.86
IT Scraping		190.00	380.00										570.00	2,400.00	-1,830.00
IT Utilities - Other															
IT Utilities	391.80	1,256.04	824.30										2,472.14	7,400.00	-4,927.86
IT Fuel & Electricity															
IT Printing															
IT Fuel & Electricity			4,524.11										4,524.11	27,000.00	-22,475.89
IT Printing			4,524.11										4,524.11	27,000.00	-22,475.89
IT Transmission															
IT Maintenance, Collection System														10,000.00	-10,000.00
IT Collection/Transmission														10,000.00	-10,000.00
IT														800.00	-800.00

**Montara Water & Sanitary District**  
**Revenue & Expenditures Budget vs. Actual - Sewer**  
 July 2015 through June 2016

	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul '15 - Jun 16	Budget	\$ Over Budget
<b>TOTAL</b>															
Equipment, Expensed														160.00	-160.00
Repairs														400.00	-400.00
Utilities														1,360.00	-1,360.00
<b>Authority Midcoastside</b>															
1 Collections	30,042.00	30,042.00	60,084.00									120,168.00	360,500.00	-240,332.00	
1 Operations	58,991.00	58,991.00	117,982.00									235,964.00	707,892.00	-471,928.00	
1 Maintenance, Collection Sys		3,854.55										3,854.55	40,000.00	-36,145.45	
1 Maintenance, Pumping		23,794.16										23,794.16	50,000.00	-26,205.84	
Water Authority Midcoastside	89,033.00	116,681.71	178,066.00									383,780.71	1,158,392.00	-774,611.29	
<b>Operations</b>	90,319.80	119,688.25	183,414.41									393,422.46	1,268,152.00	-874,729.54	
<b>Construction</b>	113,089.30	150,242.30	231,738.73									495,070.33	1,724,109.00	-1,229,038.67	
Construction	-96,792.64	-143,226.27	-227,426.54									-467,445.45	607,834.00	-1,075,279.45	
<b>Capital Projects</b>	12,439.00		50,490.00									50,490.00	275,604.00	-225,114.00	
Capital Projects	12,439.00		935.00									13,374.00	50,000.00	-36,626.00	
Capital Projects			51,425.00									63,864.00	325,604.00	-261,740.00	
<b>Income - LAIF</b>	303.97	298.48	292.97									895.42	8,000.00	-8,000.00	
Employee Loans	12,742.97	298.48	51,717.97									64,759.42	336,885.00	-272,125.58	
Account Revenues	12,742.97	298.48	51,717.97									64,759.42	336,885.00	-272,125.58	
<b>Investment Program</b>	3,071.25	29,413.72										64,759.42	336,885.00	-272,125.58	
Investment Program	3,071.25	29,413.72										32,484.97	685,483.00	-652,998.03	

**Montara Water & Sanitary District**  
**Revenue & Expenditures Budget vs. Actual - Sewer**  
 July 2015 through June 2016

	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul '15 - Jun 16	Budget	\$ Over Budget
<b>Improvement Program</b>	3,071.25	29,413.72											32,484.97	685,483.00	-652,998.03
<b>Account Expenses</b>															
Equipment Expenses	887.68	1,768.13	1,760.29										4,416.10	20,790.00	-16,373.90
Lease Interest	13,389.00	13,389.00	26,778.00										53,556.00	160,666.00	-107,110.00
SAM	4,801.62												4,801.62	26,022.00	-21,220.38
Loan	19,078.30	15,157.13	28,538.29										62,773.72	207,478.00	-144,704.28
Account Expenses	22,149.55	44,570.85	28,538.29										95,258.69	892,961.00	-797,702.31
Interest	-9,406.58	-44,272.37	23,179.68										-30,499.27	-556,076.00	525,576.73
<b>TOTAL</b>	<b>-106,199.22</b>	<b>-187,498.64</b>	<b>-204,246.86</b>										<b>-497,944.72</b>	<b>51,758.00</b>	<b>-549,702.72</b>



**Montara Water & Sanitary District**  
**Revenue & Expenditures Budget vs. Actual - Water**  
 July 2015 through June 2016

	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul '15 - Jun 16	Budget	\$ Over Budget
Travel													1,470.00	8,500.00	-7,030.00
Telephone													8,282.50	60,000.00	-51,717.50
<b>Total</b>													9,752.50	68,500.00	-58,747.50
Printing													2,188.10	6,000.00	-3,811.90
Supplies													156.22		
Professional Services													503.15	18,000.00	-17,496.85
Utilities													2,152.11	9,000.00	-6,847.89
Repairs													1,230.34	6,000.00	-4,769.66
Printing & Publishing													202.67	2,000.00	-1,797.33
Professional Services													5,250.00	30,000.00	-24,750.00
Printing													4,500.00	13,000.00	-8,500.00
Printing													7,797.64	25,000.00	-17,202.36
Professional Services													1,809.69		
Professional Services													375.00		375.00
Professional Services													182.94	850.00	-667.06
Professional Services													1,671.28		
<b>Total</b>													21,586.55	68,850.00	-47,263.45
Professional Services													3,978.76	9,000.00	-5,021.24
Professional Services													122.85	2,000.00	-1,877.15
Professional Services													800.00		-800.00
Professional Services													7,599.97	35,154.00	-27,554.03
Professional Services													16,217.52	61,277.00	-45,059.48
Professional Services													561.04	3,549.00	-2,987.96
Professional Services													8,912.18	38,419.00	-29,506.82
Professional Services													375.00	111,796.00	-111,421.00
Professional Services													19,876.37	86,041.00	-66,164.63





**Montara Water & Sanitary District**  
**Revenue & Expenditures Budget vs. Actual - Water**  
 July 2015 through June 2016

	Jul '15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul '15 - Jun 16	Budget	\$ Over Budget
Engineering Fuel & Electricity		7,128.32	8,824.03										15,952.35	65,000.00	-49,047.65
Engineering Maintenance, Generators		49.99	808.88										858.87	13,000.00	-13,000.00
Engineering Maintenance, General														2,500.00	-1,641.13
Engineering Equipment, Expensed														2,000.00	-2,000.00
Engineering		7,178.31	9,632.91										16,811.22	82,500.00	-65,688.78
Engineering Maintenance, Raw Water Mains														5,000.00	-5,000.00
Engineering Maintenance, Wells														40,000.00	-19,735.94
Engineering Purchases			20,264.06										20,264.06	40,000.00	-19,735.94
Engineering Supply			20,264.06										20,264.06	45,000.00	-24,735.94
Engineering Transmission														1,000.00	-1,000.00
Engineering Grants														55,000.00	-31,789.59
Engineering Maintenance, Water Mains		8,704.72	14,505.69										23,210.41	25,000.00	-25,000.00
Engineering Maintenance, Water Svc Lines														1,000.00	-692.94
Engineering Maintenance, Tanks			307.06										307.06	10,000.00	-10,000.00
Engineering Distribution General														2,500.00	-1,712.31
Engineering Services			787.69										787.69	94,500.00	-70,194.84
Engineering Collection/Transmission		8,704.72	15,600.44										24,305.16	30,000.00	-29,147.12
Engineering Chemicals & Filtering		622.14	230.74										852.88	4,000.00	-1,883.72
Engineering Maintenance, Treatment Equip.		2,053.81	62.47										2,116.28	25,000.00	-16,242.05
Engineering Treatment Analysis		2,306.00	6,451.95										8,757.95	59,000.00	-47,272.89
Engineering Treatment		4,981.95	6,745.16										11,727.11	9,000.00	-7,164.59
Engineering Services		1,835.41											1,835.41	8,500.00	-7,198.44
Engineering Equipment, Expensed		662.50	639.06										1,301.56	2,000.00	-1,982.95
Engineering Repairs		17.05											17.05	5,000.00	-5,000.00
Engineering Supplies		679.55	639.06										1,318.61	15,500.00	-14,181.39

TOTAL



**Montara Water & Sanitary District**  
**Revenue & Expenditures Budget vs. Actual - Water**  
 July 2015 through June 2016

	TOTAL													
Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul '15 - Jun 16	Budget	\$ Over Budget
11,074.32	-416,043.56	-338,508.24										-743,477.48	-757,700.00	14,222.52
<b>116,754.63</b>	<b>-361,779.86</b>	<b>-309,182.47</b>										<b>-554,207.70</b>	<b>-213,391.00</b>	<b>-340,816.70</b>

# Montara Water & Sanitary District

## Revenue & Expenditures Budget vs. Actual - Sewer

July through September 2015

	Jul - Sep 15	Sewer Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
4220 · Cell Tower Lease	8,334.54		
4400 · Fees		8,000.01	334.53
4410 · Administrative Fee (New Constr)	948.00	624.99	323.01
4420 · Administrative Fee (Remodel)	474.00	750.00	-276.00
4430 · Inspection Fee (New Constr)	896.00	500.01	395.99
4440 · Inspection Fee (Remodel)	1,190.00	1,125.00	65.00
4460 · Remodel Fees	11,842.00	1,749.99	10,092.01
<b>Total 4400 · Fees</b>	<b>15,350.00</b>	<b>4,749.99</b>	<b>10,600.01</b>
4610 · Property Tax Receipts	371.87		
4720 · Sewer Service Refunds, Customer	0.00	-999.99	999.99
4760 · Waste Collection Revenues	3,568.47	3,750.00	-181.53
<b>Total Income</b>	<b>27,624.88</b>	<b>15,500.01</b>	<b>12,124.87</b>
Expense			
5000 · Administrative			
5190 · Bank Fees	791.95	999.99	-208.04
5200 · Board of Directors			
5210 · Board Meetings	25.50	624.99	-599.49
5220 · Director Fees	862.50	825.00	37.50
<b>Total 5200 · Board of Directors</b>	<b>888.00</b>	<b>1,449.99</b>	<b>-561.99</b>
5250 · Conference Attendance	0.00	500.01	-500.01
5270 · Information Systems	0.00	1,500.00	-1,500.00
5300 · Insurance			
5320 · Property & Liability Insurance	1,688.18	438.75	1,249.43
<b>Total 5300 · Insurance</b>	<b>1,688.18</b>	<b>438.75</b>	<b>1,249.43</b>
5350 · LAFCO Assessment	0.00	496.74	-496.74
5400 · Legal			
5420 · Meeting Attendance, Legal	1,467.50	2,375.01	-907.51
5430 · General Legal	6,592.50	3,750.00	2,842.50
<b>Total 5400 · Legal</b>	<b>8,060.00</b>	<b>6,125.01</b>	<b>1,934.99</b>
5510 · Maintenance, Office	2,188.11	1,500.00	688.11
5520 · Meetings, Local	29.01		
5540 · Office Supplies	2,152.17	2,250.00	-97.83
5550 · Postage	117.66	500.01	-382.35
5560 · Printing & Publishing	202.67	750.00	-547.33
5600 · Professional Services			
5610 · Accounting	5,250.00	7,500.00	-2,250.00
5620 · Audit	4,500.00	13,000.00	-8,500.00
5630 · Consulting	3,208.76	3,249.99	-41.23
5640 · Data Services	6,379.99	1,500.00	4,879.99
5650 · Labor & HR Support	0.00	562.50	-562.50
5660 · Payroll Services	182.94	200.01	-17.07
5690 · Other Professional Services	1,671.28		
<b>Total 5600 · Professional Services</b>	<b>21,192.97</b>	<b>26,012.50</b>	<b>-4,819.53</b>
5710 · San Mateo Co. Tax Roll Charges	0.00	624.99	-624.99
5720 · Telephone & Internet	2,839.71	2,250.00	589.71
5730 · Mileage Reimbursement	43.29	375.00	-331.71
5740 · Reference Materials	0.00	50.01	-50.01

## Montara Water & Sanitary District Revenue & Expenditures Budget vs. Actual - Sewer July through September 2015

	Jul - Sep 15	Sewer Budget	\$ Over Budget
<b>5800 - Labor</b>			
5810 - CalPERS 457 Deferred Plan	3,246.26	3,427.26	-181.00
5820 - Employee Benefits	8,081.37	9,124.26	-1,042.89
5830 - Disability Insurance	226.74	362.49	-135.75
5840 - Payroll Taxes	3,524.25	3,745.74	-221.49
5850 - PARS	0.00	11,321.25	-11,321.25
5900 - Wages			
5910 - Management	19,876.33	21,510.24	-1,633.91
5920 - Staff	25,407.36	25,772.49	-365.13
5930 - Staff Certification	450.00	463.50	-13.50
5940 - Staff Overtime	641.84	929.49	-287.65
5950 - Staff Standby	0.00	286.74	-286.74
<b>Total 5900 - Wages</b>	<b>46,375.53</b>	<b>48,962.46</b>	<b>-2,586.93</b>
5960 - Worker's Comp Insurance	0.00	972.75	-972.75
<b>Total 5800 - Labor</b>	<b>61,454.15</b>	<b>77,916.21</b>	<b>-16,462.06</b>
<b>Total 5000 - Administrative</b>	<b>101,647.87</b>	<b>123,739.21</b>	<b>-22,091.34</b>
<b>6000 - Operations</b>			
6170 - Claims, Property Damage	0.00	2,499.99	-2,499.99
6195 - Education & Training	0.00	249.99	-249.99
6200 - Engineering			
6210 - Meeting Attendance, Engineering	0.00	500.01	-500.01
6220 - General Engineering	2,645.50	12,500.01	-9,854.51
<b>Total 6200 - Engineering</b>	<b>2,645.50</b>	<b>13,000.02</b>	<b>-10,354.52</b>
6320 - Equipment & Tools, Expensed	0.00	249.99	-249.99
6330 - Facilities			
6335 - Alarm Services	1,902.14	1,250.01	652.13
6337 - Landscaping	570.00	600.00	-30.00
<b>Total 6330 - Facilities</b>	<b>2,472.14</b>	<b>1,850.01</b>	<b>622.13</b>
6400 - Pumping			
6410 - Pumping Fuel & Electricity	4,524.11	6,750.00	-2,225.89
<b>Total 6400 - Pumping</b>	<b>4,524.11</b>	<b>6,750.00</b>	<b>-2,225.89</b>
6600 - Collection/Transmission			
6660 - Maintenance, Collection System	0.00	2,499.99	-2,499.99
<b>Total 6600 - Collection/Transmission</b>	<b>0.00</b>	<b>2,499.99</b>	<b>-2,499.99</b>
6800 - Vehicles			
6810 - Fuel	0.00	200.01	-200.01
6820 - Truck Equipment, Expensed	0.00	39.99	-39.99
6830 - Truck Repairs	0.00	99.99	-99.99
<b>Total 6800 - Vehicles</b>	<b>0.00</b>	<b>339.99</b>	<b>-339.99</b>

## Montara Water & Sanitary District Revenue & Expenditures Budget vs. Actual - Sewer July through September 2015

	Jul - Sep 15	Sewer Budget	\$ Over Budget
6900 · Sewer Authority Midcoastside			
6910 · SAM Collections	120,168.00	90,125.01	30,042.99
6920 · SAM Operations	235,964.00	176,973.00	58,991.00
6940 · SAM Maintenance, Collection Sys	3,854.55	9,999.99	-6,145.44
6950 · SAM Maintenance, Pumping	23,794.16	12,500.01	11,294.15
<b>Total 6900 · Sewer Authority Midcoastside</b>	<b>383,780.71</b>	<b>289,598.01</b>	<b>94,182.70</b>
<b>Total 6000 · Operations</b>	<b>393,422.46</b>	<b>317,037.99</b>	<b>76,384.47</b>
<b>Total Expense</b>	<b>495,070.33</b>	<b>440,777.20</b>	<b>54,293.13</b>
<b>Net Ordinary Income</b>	<b>-467,445.45</b>	<b>-425,277.19</b>	<b>-42,168.26</b>
<b>Other Income/Expense</b>			
Other Income			
7000 · Capital Account Revenues			
7100 · Connection Fees			
7110 · Connection Fees (New Constr)	50,490.00	68,901.00	-18,411.00
7120 · Connection Fees (Remodel)	13,374.00	12,500.01	873.99
<b>Total 7100 · Connection Fees</b>	<b>63,864.00</b>	<b>81,401.01</b>	<b>-17,537.01</b>
7200 · Interest Income - LAIF	0.00	2,000.00	-2,000.00
7700 · Interest, Employee Loans	895.42	895.42	0.00
<b>Total 7000 · Capital Account Revenues</b>	<b>64,759.42</b>	<b>84,296.43</b>	<b>-19,537.01</b>
<b>Total Other Income</b>	<b>64,759.42</b>	<b>84,296.43</b>	<b>-19,537.01</b>
<b>Other Expense</b>			
8000 · Capital Improvement Program			
8075 · Sewer	32,484.97	171,370.74	-138,885.77
<b>Total 8000 · Capital Improvement Program</b>	<b>32,484.97</b>	<b>171,370.74</b>	<b>-138,885.77</b>
9000 · Capital Account Expenses			
9125 · PNC Equipment Lease Interest	4,416.10	5,303.79	-887.69
9175 · Capital Assessment - SAM	53,556.00	40,166.49	13,389.51
9200 · I-Bank Loan	4,801.62	13,213.58	-8,411.96
<b>Total 9000 · Capital Account Expenses</b>	<b>62,773.72</b>	<b>58,683.86</b>	<b>4,089.86</b>
<b>Total Other Expense</b>	<b>95,258.69</b>	<b>230,054.60</b>	<b>-134,795.91</b>
<b>Net Other Income</b>	<b>-30,499.27</b>	<b>-145,758.17</b>	<b>115,258.90</b>
<b>Net Income</b>	<b>-497,944.72</b>	<b>-571,035.36</b>	<b>73,090.64</b>

# Montara Water & Sanitary District Revenue & Expenditures Budget vs. Actual - Water July through September 2015

	Jul - Sep 15	Water Budget	\$ Over Budget
<b>Ordinary Income/Expense</b>			
Income			
4220 · Cell Tower Lease	8,334.57	8,000.01	334.56
4400 · Fees			
4410 · Administrative Fee (New Constr)	1,125.00		771.00
4420 · Administrative Fee (Remodel)	0.00		-225.00
4430 · Inspection Fee (New Constr)	1,792.00		729.49
4440 · Inspection Fee (Remodel)	0.00		-200.01
<b>Total 4400 · Fees</b>	<b>3,688.00</b>	<b>2,612.52</b>	<b>1,075.48</b>
4610 · Property Tax Receipts	371.87		
4740 · Testing, Backflow	5,047.00		
4810 · Water Sales, Domestic	473,850.76	3,249.99	1,797.01
4850 · Water Sales Refunds, Customer	-1,488.35	420,683.49	53,167.27
4990 · Other Revenue	692.00	-750.00	-738.35
<b>Total Income</b>	<b>490,495.85</b>	<b>433,796.01</b>	<b>56,699.84</b>
<b>Expense</b>			
5000 · Administrative			
5190 · Bank Fees			
5200 · Board of Directors	1,502.56	2,250.00	-747.44
5210 · Board Meetings	25.50	624.99	
5220 · Director Fees	862.50	825.00	-599.49
<b>Total 5200 · Board of Directors</b>	<b>888.00</b>	<b>1,449.99</b>	<b>-561.99</b>
5240 · CDPH Fees	0.00	3,750.00	-3,750.00
5250 · Conference Attendance	600.00	999.99	-399.99
5270 · Information Systems	0.00	800.01	-800.01
5300 · Insurance			
5320 · Property & Liability Insurance	1,688.18	438.75	1,249.43
<b>Total 5300 · Insurance</b>	<b>1,688.18</b>	<b>438.75</b>	<b>1,249.43</b>
5350 · LAFCO Assessment	0.00	699.99	-699.99
5400 · Legal			
5420 · Meeting Attendance, Legal	1,470.00	2,124.99	-654.99
5430 · General Legal	8,282.50	15,000.00	-6,717.50
<b>Total 5400 · Legal</b>	<b>9,752.50</b>	<b>17,124.99</b>	<b>-7,372.49</b>
5510 · Maintenance, Office	2,188.10	1,500.00	688.10
5520 · Meetings, Local	156.22		
5530 · Memberships	503.15	4,500.00	-3,996.85
5540 · Office Supplies	2,152.11	2,250.00	-97.89
5550 · Postage	1,230.34	1,500.00	-269.66
5560 · Printing & Publishing	202.67	500.01	-297.34
5600 · Professional Services			
5610 · Accounting	5,250.00	7,500.00	-2,250.00
5620 · Audit	4,500.00	13,000.00	-8,500.00
5630 · Consulting	7,797.64	6,249.99	1,547.65
5640 · Data Services	1,809.69		
5650 · Labor & HR Support	375.00		
5660 · Payroll Services	182.94	212.49	-29.55
5690 · Other Professional Services	1,671.28		
<b>Total 5600 · Professional Services</b>	<b>21,586.55</b>	<b>26,962.48</b>	<b>-5,375.93</b>

# Montara Water & Sanitary District Revenue & Expenditures Budget vs. Actual - Water July through September 2015

	Water			\$ Over Budget
	Jul - Sep 15	Budget	Budget	
5720 · Telephone & Internet	3,978.76		2,250.00	1,728.76
5730 · Mileage Reimbursement	122.85		500.01	-377.16
5740 · Reference Materials	0.00		200.01	-200.01
5800 · Labor				
5810 · CalPERS 457 Deferred Plan	7,599.97		8,788.50	-1,188.53
5820 · Employee Benefits	16,217.52		15,319.26	898.26
5830 · Disability Insurance	561.04		887.25	-326.21
5840 · Payroll Taxes	8,912.18		9,604.74	-692.56
5850 · PARS	375.00		27,948.99	-27,573.99
5900 · Wages				
5910 · Management	19,876.37	21,510.24		-1,633.87
5920 · Staff	75,615.64	84,696.24		-9,080.60
5930 · Staff Certification	2,310.00	2,291.76		18.24
5940 · Staff Overtime	13,559.34	12,479.49		1,079.85
5950 · Staff Standby	5,506.30	4,573.74		932.56
Total 5900 · Wages	116,867.65	125,551.47		-8,683.82
5960 · Worker's Comp Insurance	0.00	4,254.75		-4,254.75
Total 5800 · Labor	150,533.36	192,354.96		-41,821.60
Total 5000 · Administrative	197,085.35		260,031.19	-62,945.84
6000 · Operations				
6160 · Backflow Prevention	2,569.61		999.99	1,569.62
6170 · Claims, Property Damage	0.00		2,499.99	-2,499.99
6180 · Communications				
6185 · SCADA Maintenance	2,649.91	3,750.00		-1,100.09
Total 6180 · Communications	2,649.91		3,750.00	-1,100.09
6195 · Education & Training	210.00		1,500.00	-1,290.00
6200 · Engineering				
6210 · Meeting Attendance, Engineering	0.00		500.01	-500.01
6220 · General Engineering	480.00		7,500.00	-7,020.00
6230 · Water Quality Engineering	20,746.25		8,750.01	11,996.24
Total 6200 · Engineering	21,226.25		16,750.02	4,476.23
6320 · Equipment & Tools, Expensed	151.63		1,500.00	-1,348.37
6330 · Facilities				
6335 · Alarm Services	171.75		187.50	-15.75
6337 · Landscaping	900.00		1,125.00	-225.00
Total 6330 · Facilities	1,071.75		1,312.50	-240.75
6370 · Lab Supplies & Equipment	0.00		249.99	-249.99
6400 · Pumping				
6410 · Pumping Fuel & Electricity	15,952.35		16,250.01	-297.66
6420 · Pumping Maintenance, Generators	0.00		3,249.99	-3,249.99
6430 · Pumping Maintenance, General	858.87		624.99	233.88
6440 · Pumping Equipment, Expensed	0.00		500.01	-500.01
Total 6400 · Pumping	16,811.22		20,625.00	-3,813.78
6500 · Supply				
6520 · Maintenance, Wells	0.00		1,250.01	-1,250.01
6530 · Water Purchases	20,264.06		9,999.99	10,264.07
Total 6500 · Supply	20,264.06		11,250.00	9,014.06

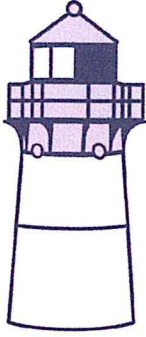


## Montara Water & Sanitary District Revenue & Expenditures Budget vs. Actual - Water July through September 2015

	Jul - Sep 15	Water		\$ Over Budget
		Budget		
6600 · Collection/Transmission				
6610 · Hydrants	0.00	249.99		-249.99
6620 · Maintenance, Water Mains	23,210.41	13,749.99		9,460.42
6630 · Maintenance, Water Svc Lines	0.00	6,249.99		-6,249.99
6640 · Maintenance, Tanks	307.06	249.99		57.07
6650 · Maint., Distribution General	0.00	2,499.99		-2,499.99
6670 · Meters	787.69	624.99		162.70
<b>Total 6600 · Collection/Transmission</b>	<b>24,305.16</b>	<b>23,624.94</b>		<b>680.22</b>
6700 · Treatment				
6710 · Chemicals & Filtering	852.88	7,500.00		-6,647.12
6720 · Maintenance, Treatment Equip.	2,116.28	999.99		1,116.29
6730 · Treatment Analysis	8,757.95	6,249.99		2,507.96
<b>Total 6700 · Treatment</b>	<b>11,727.11</b>	<b>14,749.98</b>		<b>-3,022.87</b>
6770 · Uniforms	1,835.41	2,250.00		-414.59
6800 · Vehicles				
6810 · Fuel	1,301.56	2,124.99		-823.43
6820 · Truck Equipment, Expensed	17.05	500.01		-482.96
6830 · Truck Repairs	0.00	1,250.01		-1,250.01
<b>Total 6800 · Vehicles</b>	<b>1,318.61</b>	<b>3,875.01</b>		<b>-2,556.40</b>
<b>Total 6000 · Operations</b>	<b>104,140.72</b>	<b>104,937.42</b>		<b>-796.70</b>
<b>Total Expense</b>	<b>301,226.07</b>	<b>364,968.61</b>		<b>-63,742.54</b>
<b>Net Ordinary Income</b>	<b>189,269.78</b>	<b>68,827.40</b>		<b>120,442.38</b>
<b>Other Income/Expense</b>				
Other Income				
7000 · Capital Account Revenues				
7100 · Connection Fees				
7110 · Connection Fees (New Constr)	16,785.00	25,250.01		-8,465.01
7120 · Connection Fees (Remodel)	0.00	750.00		-750.00
7130 · Conn. Fees, PFP (New Constr)	19,984.00	13,250.01		6,733.99
<b>Total 7100 · Connection Fees</b>	<b>36,749.00</b>	<b>39,250.02</b>		<b>-2,501.02</b>
7600 · Bond Revenues, G.O.	711.11	287,609.01		-286,897.90
<b>Total 7000 · Capital Account Revenues</b>	<b>37,460.11</b>	<b>326,859.03</b>		<b>-289,398.92</b>
<b>Total Other Income</b>	<b>37,460.11</b>	<b>326,859.03</b>		<b>-289,398.92</b>
<b>Other Expense</b>				
8000 · Capital Improvement Program				
8100 · Water	750,036.57	432,249.99		317,786.58
<b>Total 8000 · Capital Improvement Program</b>	<b>750,036.57</b>	<b>432,249.99</b>		<b>317,786.58</b>

## Montara Water & Sanitary District Revenue & Expenditures Budget vs. Actual - Water July through September 2015

	Jul - Sep 15	Water Budget	\$ Over Budget
9000 · Capital Account Expenses			
9100 · Interest Expense - GO Bonds	26,484.91	158,909.49	-132,424.58
9125 · PNC Equipment Lease Interest	4,416.11	5,303.79	-887.68
<b>Total 9000 · Capital Account Expenses</b>	<b>30,901.02</b>	<b>164,213.28</b>	<b>-133,312.26</b>
<b>Total Other Expense</b>	<b>780,937.59</b>	<b>596,463.27</b>	<b>184,474.32</b>
<b>Net Other Income</b>	<b>-743,477.48</b>	<b>-269,604.24</b>	<b>-473,873.24</b>
<b>Net Income</b>	<b>-554,207.70</b>	<b>-200,776.84</b>	<b>-353,430.86</b>



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **November 5, 2015**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

**SUBJECT: SAM Flow Report for September 2015**

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The Sewer Authority Mid-Coastside (SAM) has prepared the following attached reports for the SAM Board of Directors and the California Regional Water Quality Control Board:

- Flow Report for September 2015.
- Collection System Monthly Overflow Report – September 2015.

The Average Daily Flow for Montara was 0.237 MGD in September 2015. There was no reportable overflow in September in the Montara System. SAM indicates there were 0.14 inches of rain in September 2015.

## RECOMMENDATION:

Review and file.

Attachments

# Sewer Authority Mid-Coastside

Monthly Collection System Activity/SSO Distribution Report, September 2015

September 2015

Number of S.S.O.'s

Total	HMB	GCSD	MWSD	SAM
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

12 Month Rolling Total Sewer Cleaning Summary

Month	HMB	GCSD	MWSD	Total Feet	Total Miles
Oct-14	36,513	2,217	379	39,109	7.4
Nov-14	24,566	1,319	3,334	29,219	5.5
Dec-14	35,635	2,604	0	38,239	7.2
Jan-15	7,981	18,083	22,222	48,286	9.1
Feb-15	4,134	14,324	21,170	39,628	7.5
Mar-15	5,127	10,476	18,072	33,675	6.4
Apr-15	4,069	24,727	25,006	53,802	10.2
May-15	5,273	22,269	29,550	57,092	10.8
June-15	21,965	16,335	2,161	40,461	7.7
July-15	21,643	18,222	2,166	42,031	8.0
Aug-15	22,512	17,746	0	40,258	7.6
Sep-15	17,470	31,071	1,955	50,496	9.6
Annual ft	206,888	179,393	126,015	512,296	
Annual Mi.	39.2	34.0	23.9		97.0

12 Month Moving Total

Total	HMB	GCSD	MWSD	SAM
5	0	2	3	0
1	1	0	0	0
3	0	0	2	1
1	1	0	0	0
5	3	0	2	0
15	5	2	7	1
	33%	13%	47%	7%

12 month rolling Number

Reportable SSOs

Total	HMB	GCSD	MWSD	SAM
0	0	0	0	0
15	5	2	7	1

Reportable Number of S.S.O.'s

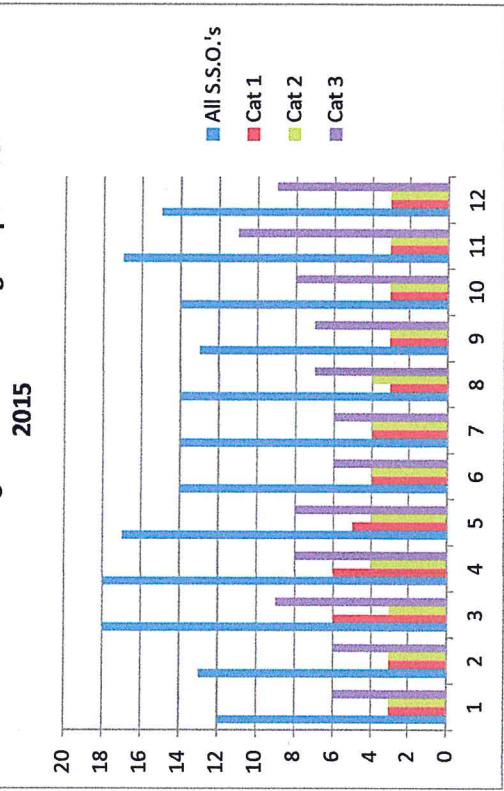
SSOs / Year / 100 Miles

Total	HMB	GCSD	MWSD	SAM
0.0	0.0	0.0	0.0	0.0
14.4	13.5	6.0	25.9	13.7
2.9	2.7	0.0	3.7	13.7
2.9	5.4	0.0	3.7	0.0
8.6	5.4	6.0	18.5	0.0
104.5	37.0	33.2	27.0	7.3
	35.4%	31.8%	25.8%	7.0%

Number of S.S.O.'s / Year/100 Miles

Attachment D

12 Month Moving SSO Totals Through September 2015



## Attachment A

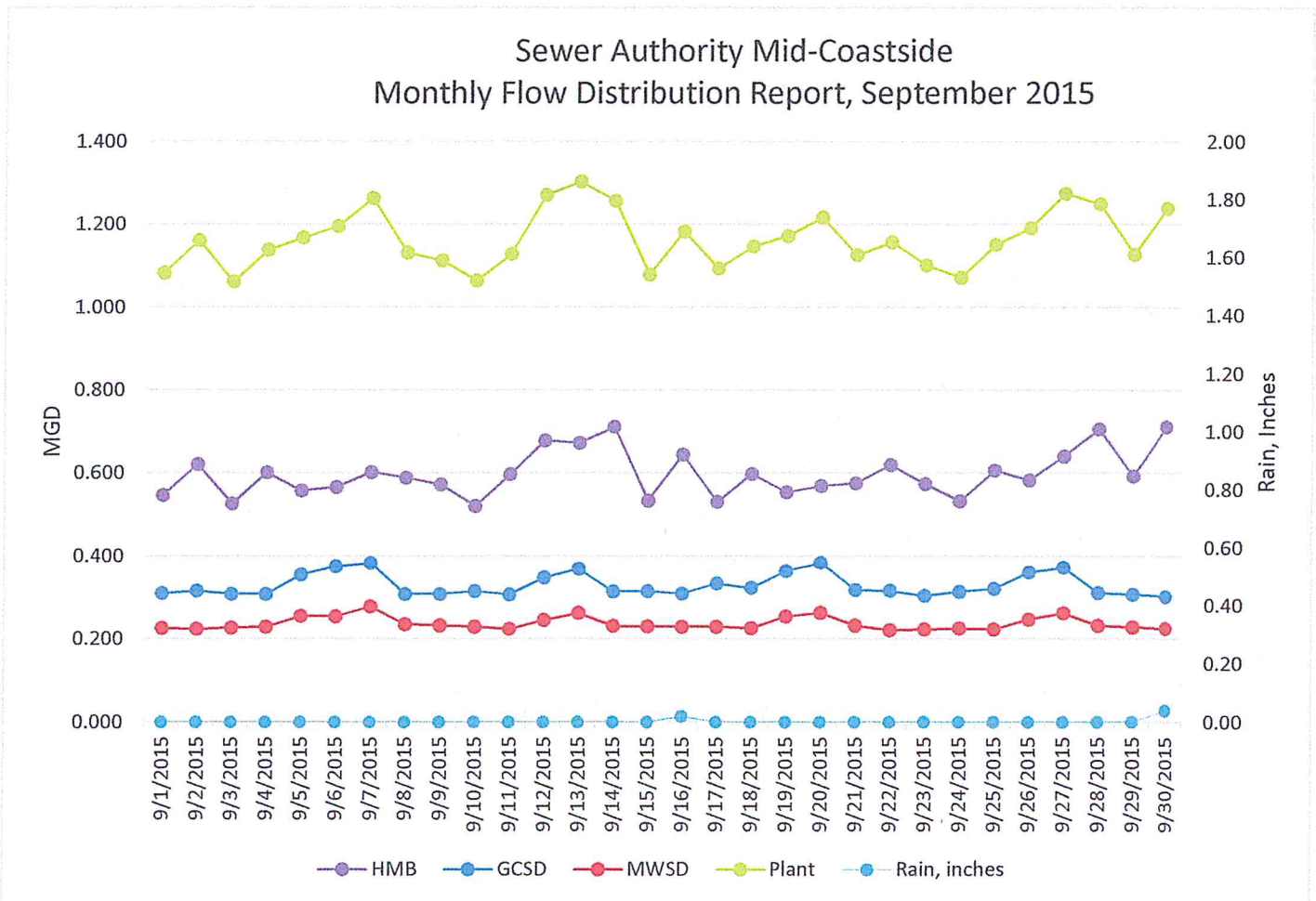
### Flow Distribution Report Summary For September 2015

The daily flow report figures for the month of September 2015 have been converted to an Average Daily Flow (ADF) for each Member Agency. The results are attached for your review.

\*Influent flow is calculated using the mid-plant flow meter less process water and trucked in waste

The summary of the ADF information is as follows:

	<u>MGD</u>	<u>%</u>
The City of Half Moon Bay	0.598	51.4%
Granada Community Services District	0.329	28.3%
Montara Water and Sanitary District	<u>0.237</u>	<u>20.3%</u>
<b>Total</b>	<b>1.164</b>	<b>100.0%</b>





# Sewer Authority Mid-Coastside

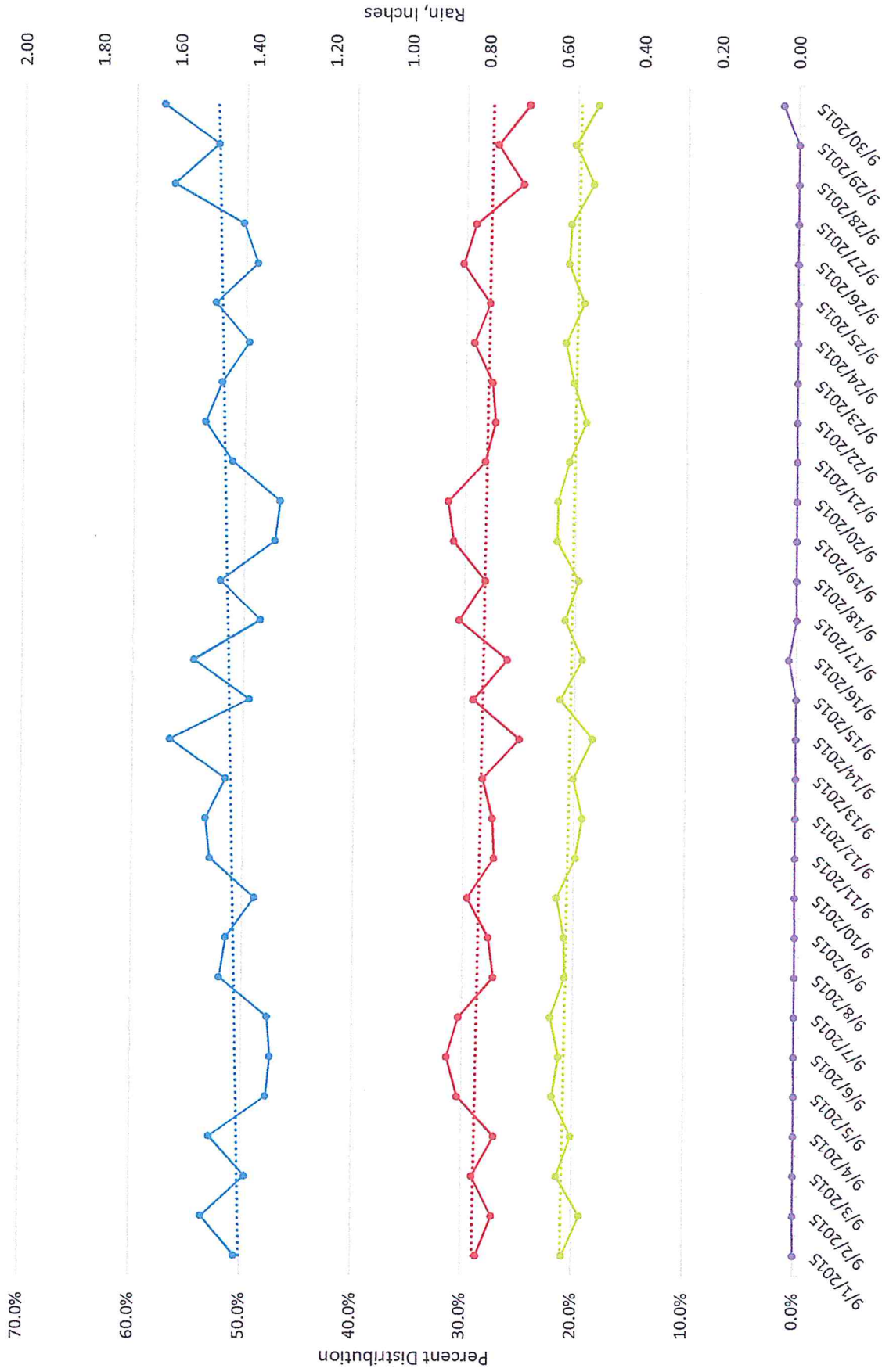
## Monthly Flow Distribution Report for September 2015

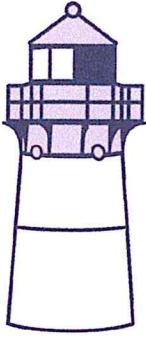
<u>Date</u>	<u>HMB</u>	<u>GCSD</u>	<u>MWSD</u>	<u>Plant</u>	<u>Rain Plant</u>	<u>Rain Portola</u>	<u>Rain Montara</u>
9/1/2015	0.547	0.310	0.226	1.083	0.00	0.00	0.00
9/2/2015	0.621	0.316	0.224	1.161	0.00	0.00	0.00
9/3/2015	0.526	0.308	0.227	1.061	0.00	0.00	0.00
9/4/2015	0.601	0.308	0.229	1.138	0.00	0.00	0.00
9/5/2015	0.558	0.355	0.255	1.168	0.00	0.00	0.00
9/6/2015	0.566	0.375	0.254	1.195	0.00	0.00	0.00
9/7/2015	0.602	0.383	0.278	1.263	0.00	0.00	0.00
9/8/2015	0.589	0.308	0.235	1.132	0.00	0.00	0.00
9/9/2015	0.572	0.308	0.232	1.112	0.00	0.00	0.00
9/10/2015	0.520	0.315	0.229	1.064	0.00	0.00	0.00
9/11/2015	0.597	0.307	0.224	1.128	0.00	0.00	0.00
9/12/2015	0.678	0.348	0.245	1.271	0.00	0.00	0.00
9/13/2015	0.672	0.369	0.262	1.303	0.00	0.00	0.00
9/14/2015	0.711	0.314	0.231	1.256	0.00	0.00	0.03
9/15/2015	0.534	0.315	0.230	1.079	0.00	0.00	0.01
9/16/2015	0.645	0.309	0.229	1.183	0.02	0.02	0.05
9/17/2015	0.531	0.334	0.229	1.094	0.00	0.00	0.01
9/18/2015	0.598	0.323	0.226	1.147	0.00	0.00	0.00
9/19/2015	0.554	0.364	0.254	1.172	0.00	0.00	0.00
9/20/2015	0.569	0.384	0.263	1.216	0.00	0.00	0.00
9/21/2015	0.576	0.318	0.232	1.126	0.00	0.00	0.00
9/22/2015	0.620	0.316	0.221	1.157	0.00	0.00	0.00
9/23/2015	0.574	0.304	0.223	1.101	0.00	0.00	0.00
9/24/2015	0.533	0.314	0.225	1.072	0.00	0.00	0.00
9/25/2015	0.607	0.321	0.223	1.151	0.00	0.00	0.00
9/26/2015	0.583	0.361	0.247	1.191	0.00	0.00	0.00
9/27/2015	0.641	0.372	0.262	1.275	0.00	0.00	0.00
9/28/2015	0.706	0.311	0.232	1.249	0.00	0.00	0.00
9/29/2015	0.592	0.307	0.228	1.127	0.00	0.00	0.00
9/30/2015	0.711	0.302	0.225	1.238	0.04	0.04	0.04
<b>Totals</b>	<b>17.934</b>	<b>9.877</b>	<b>7.100</b>	<b>34.910</b>	<b>0.06</b>	<b>0.06</b>	<b>0.14</b>

### Summary

	<u>HMB</u>	<u>GCSD</u>	<u>MWSD</u>	<u>Plant</u>
Minimum	0.520	0.302	0.221	1.061
<b>Average</b>	<b>0.598</b>	<b>0.329</b>	<b>0.237</b>	<b>1.164</b>
Maximum	0.711	0.384	0.278	1.303
<b>Distribution</b>	<b>51.4%</b>	<b>28.3%</b>	<b>20.3%</b>	<b>100.0%</b>

# Percent Distribution September 2015





# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **November 5, 2015**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

A blue ink handwritten signature, appearing to be 'Clemens Heldmaier', written in a cursive style.

**SUBJECT: Review of Current Investment Portfolio**

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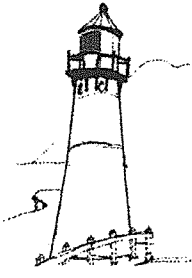
The District's Investment Policy and Guidelines requires that the Board review the status of the current investment portfolio. The following summarizes the status of these accounts:

- The District has most of its idle sewer funds deposited in the State of California's Local Agency Investment Fund (LAIF). The Monthly Average interest rate for September 2015 was 0.377%.
- The District has one checking account with Wells Fargo Bank for Water and Sewer Funds that is largely backed by Federal securities.

## RECOMMENDATION:

District staff attempts to cash manage idle funds in LAIF as long as possible before transferring to the Wells Fargo checking accounts for disbursements.





# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **November 5, 2015**

TO: BOARD OF DIRECTORS

**SUBJECT: Connection Permit Applications Received**

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As of Nov. 5, 2015 the following new Sewer Connection Permit applications were received since the last report:

Date of Application	Property Owner	Site Address	Home Size

As of Nov. 5, 2015 the following new Water (Private Fire Sprinkler) Connection Permit applications were received since the last report:

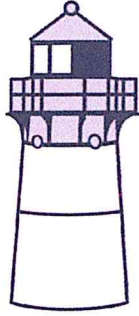
Date of Application	Property Owner	Site Address	Home Size

As of Nov. 5, 2015 the following new Water Connection Permit applications were received since the last report:

Date of App.	Property Owner	Site Address	Home Size	Type of Connection

**RECOMMENDATION:**

No action is required. This is for Board information only.



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **November 5th, 2015**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

## **SUBJECT: Monthly Water Production Report**

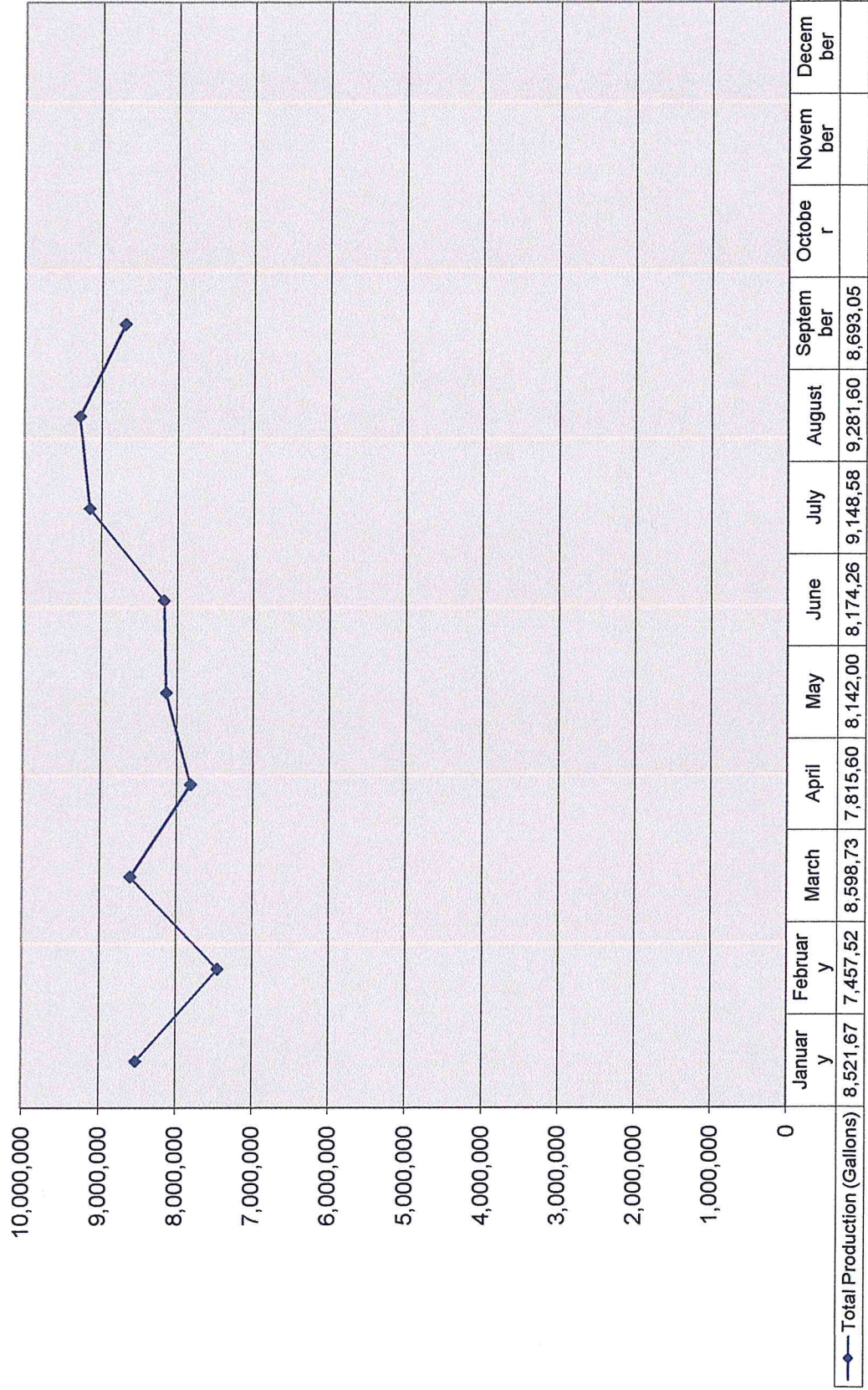
The attached two charts summarize the monthly water production for the District. The first shows a consolidated report from all sources by month. The second shows each water source the District uses, both wells and surface water. The production is shown in gallons of water produced.

### RECOMMENDATION:

No action is required. This information is presented for the Board's information only.

Attachments

Total Production 2015(Gallons)

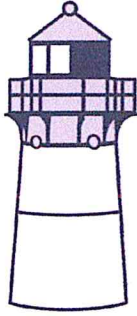


GALLONS

MONTH







# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **November 5<sup>th</sup>, 2015**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

A handwritten signature in blue ink, appearing to be the name of the General Manager, Clemens Heldmaier.

**SUBJECT: Rain Report**

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The attached chart shows the monthly rainfall at the Alta Vista Treatment Plant for the current and prior fiscal years along with the seven year average of rainfall.

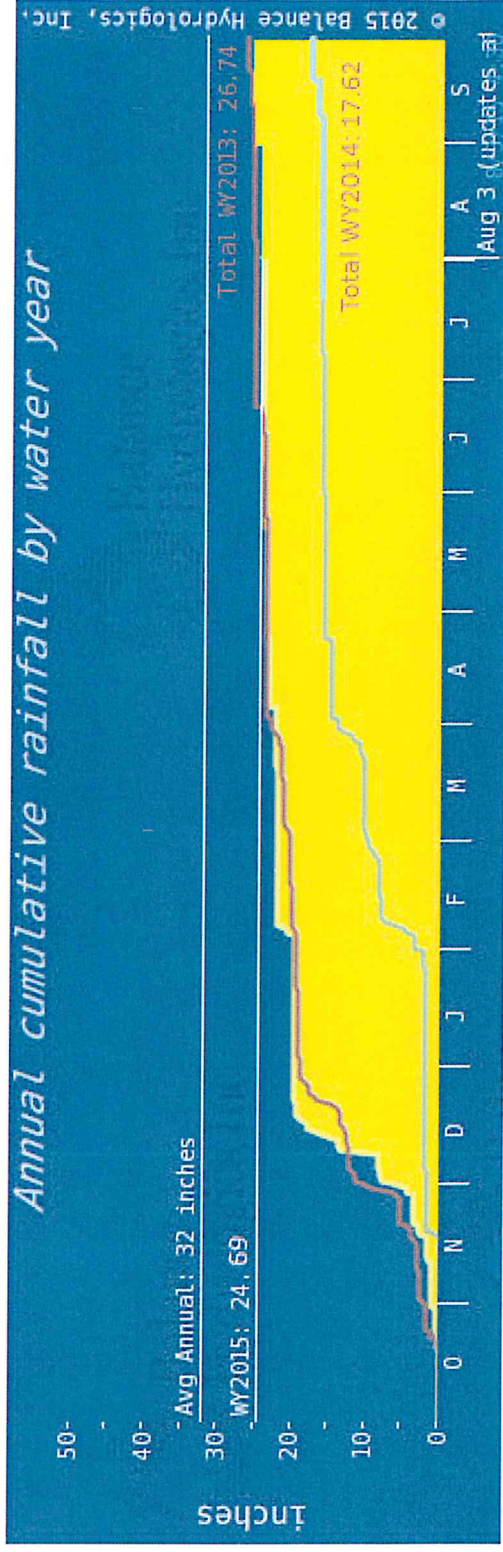
## RECOMMENDATION:

No action is required. This is presented for the Board's information only.

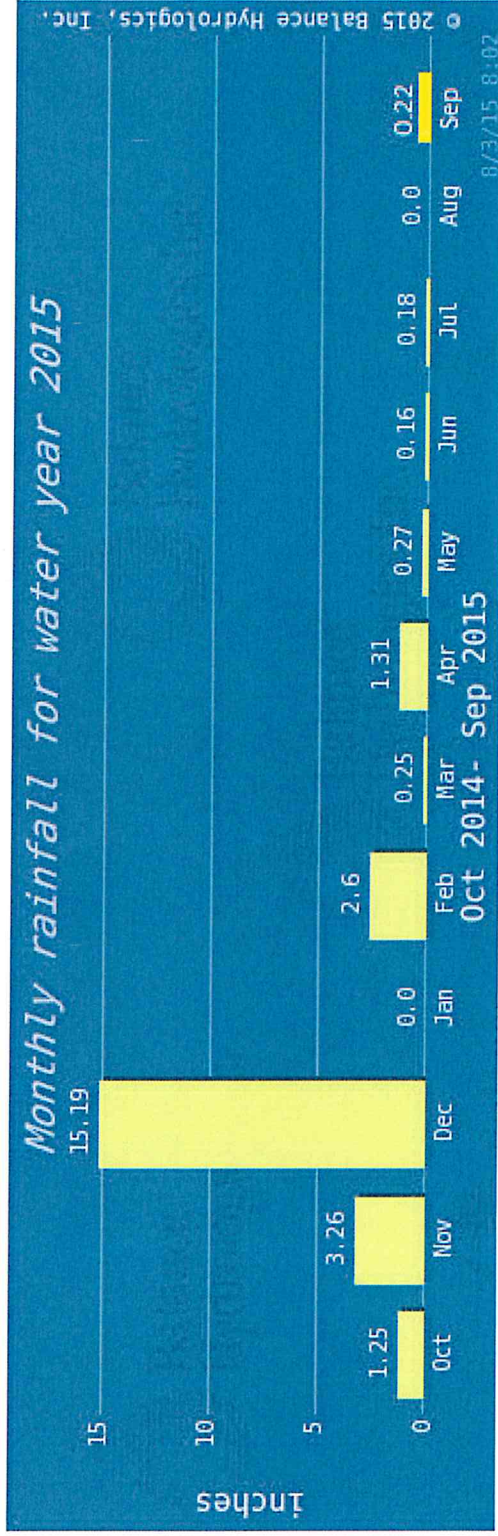
Attachment

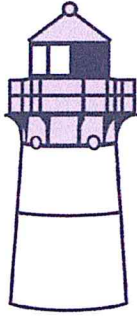


# Annual Cumulative Rainfall



# Monthly Rainfall Report Oct 2014 – Sept 2015





# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **November 5<sup>th</sup>, 2015**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

## **SUBJECT: Monthly Solar Energy Report**

The attached chart summarizes the monthly solar production at the Alta Vista Array. Since the installation of the solar panels the District produced 35883 kWh and saved 70100 lbs of CO<sub>2</sub>.

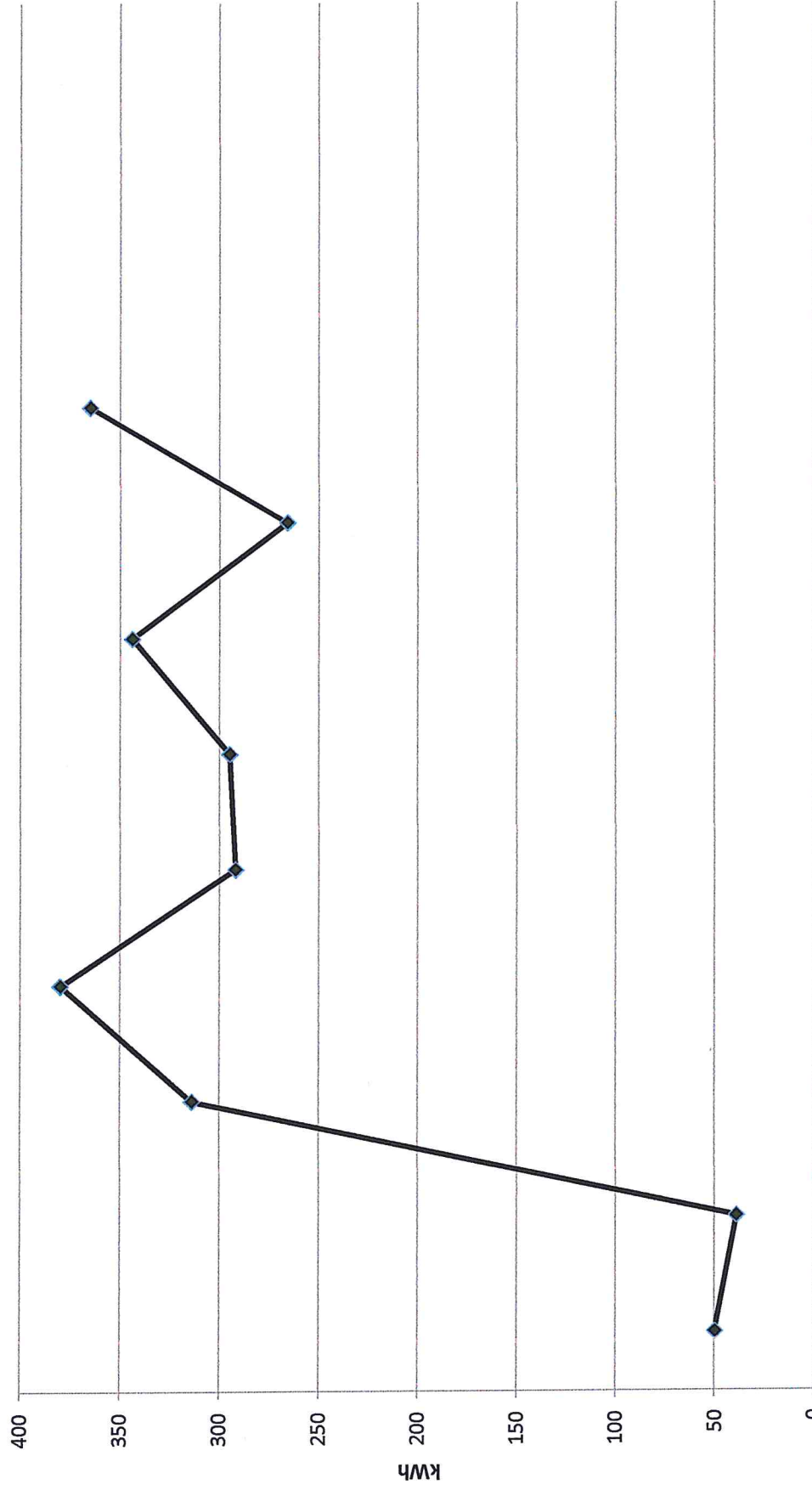
### RECOMMENDATION:

No action is required. This information is presented for the Board's information only.

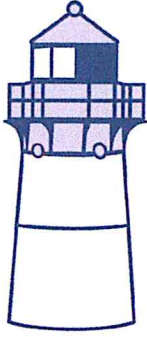
Attachments



# SOLAR ENERGY PRODUCED IN 2015 (kWh)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015	50	39	314	380	292	295	344	266	365			



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **November 5, 2015**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

**SUBJECT: Review and Possible Action Concerning Receipt  
of Audit for Fiscal Year 2014-15.**

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Vavrinek, Trine, Day & Co (VTD) completed the audit for the Fiscal Year ending on June 30, 2015.

Representatives with VTD and Peter Medina with Maze are available to present the audit document to the full Board.

After review of the audit, the Board should acknowledge receipt and file with County, State, Standard & Poor's, I-Bank and First Republic Bank.

## RECOMMENDATION:

Acknowledge receipt of the Annual Audit for the period ending June 30, 2015. Direct the General Manager to send a copy to the County of San Mateo, the State Controller, Standard & Poor's, post on the District webpage and to make copies on file available to the public.

Attachment



To the Board of Directors  
Montara Water and Sanitary District

We have audited the financial statements of Montara Water and Sanitary District for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards and OMB Circular A-133*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Montara Water and Sanitary District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2015. We noted no transactions entered into by Montara Water and Sanitary District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. One of the more sensitive estimates is the depreciation calculation for which we have evaluated the useful life of various classes of depreciable assets in accordance with Montara Water and Sanitary District's policy and industry practice.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated September 29, 2015.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Montara Water and Sanitary District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Montara Water and Sanitary District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Other Matters***

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### ***Restriction on Use***

This information is intended solely for the use of the Board of Directors and management of Montara Water and Sanitary District and is not intended to be, and should not be, used by anyone other than these specified parties.

*Vavrinek, Trine, Day & Co., LLP.*

Pleasanton, California  
September 29, 2015

**MONTARA WATER AND  
SANITARY DISTRICT**

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**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2015**

**WITH**

**INDEPENDENT AUDITORS' REPORT**

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# MONTARA WATER AND SANITARY DISTRICT

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## TABLE OF CONTENTS JUNE 30, 2015

	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>	
Elected Officials and Administrative Personnel	I
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position As of June 30, 2015	9
Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2015	11
Statement of Cash Flows For the Year Ended June 30, 2015	12
<b>NOTES TO FINANCIAL STATEMENTS</b>	14

**MONTARA WATER AND SANITARY DISTRICT**

**ELECTED OFFICIALS AND  
ADMINISTRATIVE PERSONNEL**

**JUNE 30, 2015**

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**BOARD OF DIRECTORS**

Scott Boyd  
Jim Harvey  
Kathryn Slater-Carter  
Dwight Wilson  
Bill Huber

**GENERAL MANAGER**

Clemens Heldmaier



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Montara Water and Sanitary District  
Montara, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Montara Water and Sanitary District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Montara Water and Sanitary District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Varrinck, Trine, Day & Co., LLP.

Pleasanton, California  
September 29, 2015

# MONTARA WATER AND SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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Our discussion and analysis of the Montara Water and Sanitary District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the District financial statements and accompanying notes, which follow this section.

### HIGHLIGHTS

#### District Financial Highlights

- District-wide revenues increased \$493,368 over the prior year going from \$5,778,643 to \$6,272,011.
- District-wide expenses increased \$46,896 from the prior year going from \$4,439,005 to \$4,485,901.
- The effect of the increase in revenues coupled with the increase in expenses caused the District-wide change in net position to increase \$446,472 over the prior year. In other words, the District-wide increase in net position for the year ended June 30, 2015 was \$1,786,110.

### USING THIS ANNUAL REPORT

This annual report consists of two parts: Management's Discussion and Analysis, and Financial Statements. The Financial Statements also include notes that explain in more detail the information contained in those statements.

#### Required Financial Statements

District financial statements report information about the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all District assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return; evaluating the capital structure of the District; and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about District cash receipts, cash disbursements and changes in cash resulting from operations, investing, and capital and non capital financing activities. It provides answers to such questions as, "Where did the cash come from?", "For what was the cash used?", and "What was the change in cash balance during the reporting period?"

# MONTARA WATER AND SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

### FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about District finances is whether or not the District's overall financial position has improved or deteriorated. The Statement of Net Position and the Statement of Revenues and Expenses and Changes in Net Position report information about District activities in a way that will help answer this question. These two statements report the net position of the District and changes. You can think of District net position, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in District net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.

#### Net Position Statement and Analysis

The District's total net position increased from \$16,085,234 to \$17,871,344 or \$1,786,110.

The following is the District's condensed statement of net position:

	Sewer		Water		Total	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 6,299,335	\$ 5,732,789	\$ 1,485,320	\$ 1,395,513	\$ 7,784,655	\$ 7,128,302
Capital assets net of accumulated depreciation	5,041,217	4,510,640	18,427,785	16,946,828	23,469,002	21,457,468
Other long term assets	3,564,011	3,955,057	1,451,830	1,543,220	5,015,841	5,498,277
Total assets	14,904,563	14,198,486	21,364,935	19,885,561	36,269,498	34,084,047
Deferred outflows of resources	-	-	243,278	261,798	243,278	261,798
Total deferred outflow of resources	-	-	243,278	261,798	243,278	261,798
Current liabilities	214,934	138,956	1,410,810	1,090,455	1,625,744	1,229,411
Long-term liabilities	1,530,008	1,597,400	15,485,680	15,433,800	17,015,688	17,031,200
Total liabilities	1,744,942	1,736,356	16,896,490	16,524,255	18,641,432	18,260,611
Net position						
Net investment in capital assets	3,452,611	2,861,800	3,084,367	1,935,608	6,536,978	4,797,408
Restricted for debt service	-	-	1,384,998	1,471,247	1,384,998	1,471,247
Unrestricted	9,707,010	9,600,330	242,358	216,249	9,949,368	9,816,579
Total net position	\$ 13,159,621	\$ 12,462,130	\$ 4,711,723	\$ 3,623,104	\$ 17,871,344	\$ 16,085,234

#### Revenues, Expenses and Changes in Net Position

For the fiscal year ended June 30, 2015 the sewer system generated operating revenue of \$2,245,898 and operating expenses of \$1,929,100 for a net operating income of \$316,798. This is an increase over prior year's net operating income of \$55,352 by \$261,446. Whereas operating revenue increased 9.8%, system maintenance and repairs expense decreased by \$56,798 or 5.0%. This decrease in expense is mainly due to the approximately \$60,000 reduction in operating costs associated with running the Sewer Authority Mid Coastside (SAM) system.

The Sewer Funds non-operating activities revenues, consisting of property taxes, investment income, connection fees, and revenue from the lease of the cell phone tower, experienced a increase of \$14,090.

# MONTARA WATER AND SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

For the fiscal year ended June 30, 2015 the water system generated operating revenue of \$1,698,991 and operating expenses of \$2,152,097 for a net operating loss of \$453,106. This is an increase over prior year's net operating loss of \$298,946 by \$154,160. For the fiscal year ended June 30, 2015 operating revenue increased 3.90% and system maintenance and repairs expense increased by \$84,804. This increase in expense is due to increases in pumping, collections, and treatment line items.

The Water Funds non-operating activities revenues, consisting of property taxes, investment income, connection fees and revenue from the lease of the cell phone tower, experienced an increase of \$214,908. The District receives property tax revenue which was imposed specifically for the payment of the General Obligation Bonds approved by the District rate payers.

Connection fees for the Sewer Fund increased from \$66,970 to \$166,355 or approximately 148.4% whereas the connection fees for the Water Fund increased from \$107,520 to \$172,492 or approximately 60.4%. These funds are used to off-set capital needs for existing customers. This amount is expected to rise in the upcoming years as the moratorium on connections for residents within the District's service area has been repealed.

The following is the District's condensed statement of revenues, expenses, and changes in net position:

	Sewer		Water		Total	
	2015	2014	2015	2014	2015	2014
Operating revenues	\$ 2,245,898	\$ 2,045,340	\$ 1,698,991	\$ 1,635,179	\$ 3,944,889	\$ 3,680,519
Tax revenues	213,850	301,852	1,689,974	1,540,918	1,903,824	1,842,770
Interest and investment income	16,008	13,823	-	-	16,008	13,823
Loss on disposition of assets	-	-	-	-	-	-
Connection fees and other non operating revenues	199,147	99,240	208,143	142,291	407,290	241,531
Total revenues	2,674,903	2,460,255	3,597,108	3,318,388	6,272,011	5,778,643
Operating expenses	1,929,100	1,989,988	2,152,097	1,934,125	4,081,197	3,924,113
Non-operating expenses	48,312	62,680	356,392	452,212	404,704	514,892
Total expenses	1,977,412	2,052,668	2,508,489	2,386,337	4,485,901	4,439,005
Change in fund net position	697,491	407,587	1,088,619	932,051	1,786,110	1,339,638
Fund net position - beginning of year	12,462,130	12,054,543	3,623,104	2,691,053	16,085,234	14,745,596
Fund net position - end of year	\$ 13,159,621	\$ 12,462,130	\$ 4,711,723	\$ 3,623,104	\$ 17,871,344	\$ 16,085,234

# MONTARA WATER AND SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2015, the District had \$ 23,469,002 (net of accumulated depreciation) invested in a variety of capital assets.

The assets include: land; sanitary sewer collection system subsurface lines and pump stations; water supply wells; surface water diversion and storage tank; water treatment plant; treated water storage tanks; water distribution system subsurface lines, valves, hydrants, and pumps; administration building; and vehicles. The District's capital assets balance as of June 30, 2015, increased by \$1,967,175 or 9.2 percent over the prior year. This is due to capitalized expenses in regards to the District's Water facilities plant and other capital improvements reduced by current year depreciation expense.

Major capital assets events during the fiscal year included the following:

- Capital improvements to the water system
- Sewer pipeline replacement

The following summarizes District capital assets for fiscal year ended June 30, 2015:

Category	Audited Balance June 30, 2014	Additions	Deletions	Transfers	Audited Balance June 30, 2015
Land & easement	\$ 739,500	\$ -	\$ -	\$ -	\$ 739,500
Sewage collection facilities	5,341,536	-	-	-	5,341,536
Sewage treatment facilities	244,540	-	-	-	244,540
General plant & administration facilities	1,091,862	998,696	-	-	2,090,558
Seal Cove collection system	995,505	-	-	-	995,505
Other capital improvements	4,357,566	-	-	-	4,357,566
Water facilities plant	21,810,387	2,316,162	-	-	24,126,549
Water general plant	174,309	-	-	-	174,309
Surface water rights	300,000	-	-	-	300,000
Total	<u>35,055,205</u>	<u>3,314,858</u>	<u>-</u>	<u>-</u>	<u>38,370,063</u>
Accumulated depreciation	<u>13,597,736</u>	<u>1,303,325</u>	<u>-</u>	<u>-</u>	<u>14,901,061</u>
Property, plant & equipment, net	<u>\$ 21,457,469</u>	<u>\$ 2,011,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,469,002</u>

Additional information on capital assets can be found in notes #1E and #3 to the financial statements of this report.

#### Long Term Obligations

On April 18, 2012, the District issued General Obligation Bonds Series 2012 in the amount of \$15,635,000. The bonds were issued to fully refund the General Obligation Bonds Series 2003 and to finance improvements to the District's water system.

# MONTARA WATER AND SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The District entered into a capital lease for approximately \$1.8 million in October of 2006, to finance the acquisition of capital assets for the water operations. The financing was originally provided by Citibank at a rate of 4.56 percent for a 20 year term and is now held by PNC Equipment Finance (PNCEF). Effective March 15, 2013, the District refinanced the capital lease with PNCEF at a rate of 2.95 percent.

On July 10, 2012, the District entered into an agreement with the State of California Department of Health under the Safe Drinking Water State Revolving Fund Law of 1947. This agreement constitutes funding in the form of a loan and a grant made by the State to the District. The purpose of the funding is to assist in financing the cost of studies, planning and other preliminary activities for a project which will enable the District to meet safe drinking water standards. In February 2013, the District received \$360,000 in response to the first reimbursement claim filed.

The following is a summary of long term obligations activity for the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long Term Portion
General Obligation Bonds, 2012 Series	\$13,984,427	\$ -	\$ 815,134	\$13,169,293	\$ 835,090	\$12,334,203
2012 GO Bonds Discount	(67,406)	-	(4,886)	(62,520)	(4,886)	(57,634)
PNCEF Lease Obligation	1,513,242	-	68,958	1,444,284	76,970	1,367,314
CIEDB loan	892,219	-	25,755	866,464	26,540	839,924
SRF Loan	409,553	1,387,291	39,063	1,757,781	66,899	1,690,882
Totals	<u>\$ 16,732,035</u>	<u>\$ 1,387,291</u>	<u>\$ 944,024</u>	<u>\$ 17,175,302</u>	<u>\$ 1,000,613</u>	<u>\$ 16,174,689</u>

Additional information on the long term obligations can be found in Note #5 of the notes to the financial statements of this report.

### ECONOMIC FACTORS, RATES, AND BUDGETARY CONTROL

The District is a California Special District maintained as an enterprise fund. As a special district, charges to customers are made only to those who receive services. The District is not typically subject to general economic conditions such as increases or declines in property tax values or other types of revenues that vary with economic conditions such as sales taxes. However, it does receive property tax which is dependent on property tax valuations. Accordingly, the District sets its rates to its users to cover the costs of operation, maintenance and recurring capital replacement and debt financed capital improvements, plus any increments for known or anticipated changes in program costs.

The District and its Board adopt an annual budget to serve as its approved financial plan. The Board sets all fees and charges required to fund the District's operations and capital programs. The budget is used as a key control device (1) to ensure Board approval for amounts set for operations and capital projects, (2) to monitor expenses and project progress and (3) as compliance that approved spending levels have not been exceeded. All operating activities and capital activities of the District are included within the approved budget. The budget and capital expenditures are within the Gann limits established by State law.

# **MONTARA WATER AND SANITARY DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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### **REQUEST FOR INFORMATION**

This financial report is designed to provide our customers and creditors with a general over view of District finances, and demonstrate District accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the General Manager at 8888 Cabrillo Highway, Montara, CA 94037 or (650) 728-3545.

# MONTARA WATER AND SANITARY DISTRICT

## STATEMENT OF NET POSITION AS OF JUNE 30, 2015

	Sewer	Water	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 6,187,105	\$ 1,092,679	\$ 7,279,784
Accounts receivable	91,538	349,985	441,523
Inventory	-	42,656	42,656
Employee loan receivable - current	20,692	-	20,692
<b>Total current assets</b>	<b>6,299,335</b>	<b>1,485,320</b>	<b>7,784,655</b>
Non-current assets:			
Capital assets:			
Property, plant and equipment	11,927,305	26,442,758	38,370,063
Less accumulated depreciation	6,886,088	8,014,973	14,901,061
<b>Net property, plant and equipment</b>	<b>5,041,217</b>	<b>18,427,785</b>	<b>23,469,002</b>
<b>Total capital assets</b>	<b>5,041,217</b>	<b>18,427,785</b>	<b>23,469,002</b>
Other assets:			
Employee loan receivable - non-current	73,079	-	73,079
Prepaid expenses	-	66,832	66,832
Restricted cash and cash equivalents	-	1,384,998	1,384,998
Interfund advances - Due from water fund	803,385	-	803,385
Investment in joint powers authorities - capacity rights	2,687,547	-	2,687,547
<b>Total other assets</b>	<b>3,564,011</b>	<b>1,451,830</b>	<b>5,015,841</b>
<b>Total non-current assets</b>	<b>8,605,228</b>	<b>19,879,615</b>	<b>28,484,843</b>
<b>Total assets</b>	<b>14,904,563</b>	<b>21,364,935</b>	<b>36,269,498</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	243,278	243,278
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>243,278</b>	<b>243,278</b>

*(Continued)*

The accompanying notes are an integral part of these financial statements.



**MONTARA WATER AND SANITARY DISTRICT**

**STATEMENT OF NET POSITION (CONTINUED)  
AS OF JUNE 30, 2015**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	132,461	327,308	459,769
Accrued expenses	1,658	2,319	3,977
Interest payable	11,899	133,312	145,211
Accrued compensated absences	3,891	12,283	16,174
Current portion of long-term obligations	<u>65,025</u>	<u>935,588</u>	<u>1,000,613</u>
Total current liabilities	<u>214,934</u>	<u>1,410,810</u>	<u>1,625,744</u>
Long term liabilities:			
Accrued compensated absences	358	16,555	16,913
General obligation bonds, less current portion	-	12,276,570	12,276,570
Other long term obligations, less current portion	1,523,581	2,374,538	3,898,119
Interfund advances - Due to sewer fund	-	803,385	803,385
Deposits	<u>6,069</u>	<u>14,632</u>	<u>20,701</u>
Total long term liabilities	<u>1,530,008</u>	<u>15,485,680</u>	<u>17,015,688</u>
Total liabilities	<u>1,744,942</u>	<u>16,896,490</u>	<u>18,641,432</u>
<b>NET POSITION</b>			
Net investments in capital assets	3,452,611	3,084,367	6,536,978
Restricted for debt service	-	1,384,998	1,384,998
Unrestricted	<u>9,707,010</u>	<u>242,358</u>	<u>9,949,368</u>
Total net position	<u>\$ 13,159,621</u>	<u>\$ 4,711,723</u>	<u>\$ 17,871,344</u>

The accompanying notes are an integral part of these financial statements.

# MONTARA WATER AND SANITARY DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

	Sewer	Water	Total
OPERATING REVENUES			
Sales and service charges	\$ 2,245,898	\$ 1,698,991	\$ 3,944,889
OPERATING EXPENSES			
General and administrative	372,846	898,321	1,271,167
System maintenance and repairs	1,088,135	418,570	1,506,705
Depreciation	468,119	835,206	1,303,325
Total operating expenses	1,929,100	2,152,097	4,081,197
OPERATING INCOME (LOSS)	316,798	(453,106)	(136,308)
NONOPERATING REVENUES (EXPENSE)			
Taxes - District share of one percent	213,850	424,081	637,931
Taxes - Ad valorem for general obligation bonds	-	1,265,893	1,265,893
Investment income	16,008	-	16,008
Interest expense	(48,312)	(356,392)	(404,704)
Other revenues	32,792	35,651	68,443
Total non-operating revenues (expenses)	214,338	1,369,233	1,583,571
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	531,136	916,127	1,447,263
Capital contributions - connection fees	166,355	172,492	338,847
Changes in net position	697,491	1,088,619	1,786,110
NET POSITION, BEGINNING OF YEAR	12,462,130	3,623,104	16,085,234
TOTAL NET POSITION, END OF YEAR	\$ 13,159,621	\$ 4,711,723	\$ 17,871,344

The accompanying notes are an integral part of these financial statements.

# MONTARA WATER AND SANITARY DISTRICT

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

	Sewer	Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 2,223,597	\$ 1,686,284	\$ 3,909,881
Payments to suppliers - other	(1,010,905)	(175,608)	(1,186,513)
Payments to employees	(384,879)	(888,571)	(1,273,450)
Net cash provided by operating activities	<u>827,813</u>	<u>622,105</u>	<u>1,449,918</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Property taxes collected	213,850	424,083	637,933
Principal paid on long term debt	(60,234)	(888,676)	(948,910)
Proceeds from long term debt	-	1,387,291	1,387,291
Payments on loans receivable	19,904	-	19,904
Interest paid on long term debt	(48,682)	(341,226)	(389,908)
Acquisition and construction of capital assets	(998,696)	(2,316,163)	(3,314,859)
Funds advanced from water to sewer	370,354	(370,354)	-
Connection fees and other non operating revenue collected	199,147	1,474,036	1,673,183
Net cash provided (used) by capital and related financing activities	<u>(304,357)</u>	<u>(631,009)</u>	<u>(935,366)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income	16,008	-	16,008
Net cash provided by investing activities	<u>16,008</u>	<u>-</u>	<u>16,008</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>539,464</b>	<b>(8,904)</b>	<b>530,560</b>
Cash and investments, July 1	5,647,641	2,486,581	8,134,222
Cash and investments, June 30	<u>\$ 6,187,105</u>	<u>\$ 2,477,677</u>	<u>\$ 8,664,782</u>
<b>AMOUNTS AS THEY APPEAR ON THE STATEMENT OF NET POSITION:</b>			
Cash and cash equivalents	\$ 6,187,105	\$ 1,092,679	\$ 7,279,784
Restricted cash and cash equivalents	-	1,384,998	1,384,998
	<u>\$ 6,187,105</u>	<u>\$ 2,477,677</u>	<u>\$ 8,664,782</u>

*(Continued)*

The accompanying notes are an integral part of these financial statements.

**MONTARA WATER AND SANITARY DISTRICT**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

	Sewer	Water	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 316,798	\$ (453,106)	\$ (136,308)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	468,119	835,206	1,303,325
Accounts and notes receivable	(26,294)	(12,462)	(38,756)
Accounts payable	77,230	237,821	315,051
Deposits and prepaid expenses	3,993	4,896	8,889
Compensated absences	(12,033)	9,750	(2,283)
Total adjustments	<u>511,015</u>	<u>1,075,211</u>	<u>1,586,226</u>
Net cash provided by operating activities	<u>\$ 827,813</u>	<u>\$ 622,105</u>	<u>\$ 1,449,918</u>

The accompanying notes are an integral part of these financial statements.

# MONTARA WATER AND SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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### *NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### A. General

Montara Water and Sanitary District (the District), a governmental entity legally constituted as a special district under California law, is located on the coast in northwestern San Mateo County. The District was formed in 1958 to provide sanitary sewer services and franchise solid waste collection for the unincorporated areas known as Montara and Moss Beach. On May 2003 an agreement to acquire Cal-Am Montara Water District was reached with operations beginning as of August 1, 2003.

#### B. Basis of Accounting

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs and expenses, including depreciation, and providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

A major fund is a fund whose revenues, expenditures/expenses, assets or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all funds, or that management deems significant.

The District reports the following major Proprietary Funds:

Water Enterprise – This enterprise accounts for the operation, maintenance and capital improvement projects of the water system which is funded by user charges and other fees.

Sewer Enterprise – This enterprise accounts for the operation, maintenance and capital improvement projects of the sewer system. These activities are funded by user charges and other fees.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### C. Measurement Focus

Enterprise funds are accounted for on a cost of services or *economic resources* measurement focus, which means that all assets and all liabilities associated with their activities are included on their statement of net position. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

# MONTARA WATER AND SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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### *NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for services. Operating expenses for the District include the cost of goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. Inventory

Inventory is held for consumption and is recorded at cost using the first-in-first-out (FIFO) basis.

#### E. Capital Assets

Capital assets, which include property, plant, and equipment are recorded at historical costs or estimated historical cost, if actual cost is not available. Contributed assets are recorded at estimated fair value on the date of contribution.

The District defines capital assets as assets with an initial, individual cost of \$2,500 and an estimated useful life in excess of one year.

Depreciation is computed by the straight-line method based on the estimated useful lives of related asset classifications of 3 to 50 years of assets.

#### F. Cash Flows Defined

For purpose of the statement of cash flows the District defines cash and cash equivalents to include all cash in deposit accounts, highly liquid investments, and cash on hand.

#### G. Accounts Receivable

The District bills its water consumption and sewer usage on a cycle billing method. Cycle billing results in an amount of services rendered but not yet billed at year-end. The District has recorded this revenue by estimating the unbilled amount. The estimate was calculated by using the billing subsequent to the balance sheet date (June 30) and calculating the amount of service provided prior to June 30. This calculated amount is included in accounts receivable.

The delinquent water and sewer charges for services and facilities furnished by the District's water and sewage system, and all the penalties or delinquent charges accrued thereon shall constitute a lien upon the real property served. The District is allowed to place such charges and fees on the property tax rolls annually as of July 1.

#### H. Accrued Compensated Absences

The liability for vested vacation pay is calculated and accrued on an annual basis. The amount is computed using current employee accumulated vacation hours at current pay rates.

# MONTARA WATER AND SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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### *NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

#### I. Budgets and Budgetary Accounting

Budgets are prepared on a basis consistent with generally accepted accounting principles. A general budget is adopted annually by the Board of Directors which includes operations, maintenance, and administration.

#### J. Property Taxes

Secured property taxes attach an enforceable lien on property as of March 1. Taxes are payable in two installments due November 15 and March 15. Unsecured property taxes, if any, are payable in one installment on or before August 15. The County of San Mateo bills and collects the taxes for the District. Tax revenues are recognized by the District when received. The sewer service charges are included in secured property tax bills.

#### K. Contract Services

The District contracted out the operation and maintenance of its sewer facilities to the Sewer Authority Mid-Coastside (SAM).

#### L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### M. Subsequent Events

Management has considered subsequent events through September 29, 2014, the date which the financial statements were available to be issued.

Effective July 1, 2015 the District became a member of the Public Agency Retirement System (PARS) trust, which has made available a defined benefit plan. Pursuant to Internal Revenue Code section 414 (h)(2) the District will begin to “pick-up” employee contributions to the Plan on behalf of the Plan participants. The District’s General Manager has been named the Plan administrator. The adopted defined benefit pension formula is 2% at 62. Currently seven employees are included in the plan with the current vesting provisions.

# MONTARA WATER AND SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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### *NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

#### N. New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014, with earlier application encouraged. The District has determined there is no impact on the current year's financial statements.

### *NOTE #2 - CASH AND INVESTMENTS*

#### A. Cash and Investment Summary

The following is a summary of the cash and investments as of June 30, 2015:

Cash Deposits	\$ 4,391,535
Investments (Local Agency Investment Fund)	<u>4,273,247</u>
	<u>\$ 8,664,782</u>
Restricted cash and cash equivalents	\$ 1,384,998
Unrestricted cash and cash equivalents	<u>7,279,784</u>
	<u>\$ 8,664,782</u>



# MONTARA WATER AND SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE #2 - CASH AND INVESTMENTS (Continued)

#### B. General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Agency Obligations	5 years	None	None
U.S. Treasury Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Certificate of Deposit	N/A	30%	None

#### C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by depositing the majority of its funds with the State Local Agency Investment Fund, which is short term investment.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity</u>
LAIF	<u>\$ 4,273,247</u>	232 days

#### D. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measure by the assignment of a rating by a nationally recognized statistical rating organization. LAIF doesn't have a credit rating.

# MONTARA WATER AND SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE #2 - CASH AND INVESTMENTS (Continued)

#### E. Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. It is the District's policy that all securities are evidenced by specific identifiable pieces of paper called *securities instruments*, or by electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the District employs the Trust Department of a bank as the custodian of its investments with the U.S. Government or its agencies, regardless of their form.

Investment in the State Investment Pool – the District is a voluntary participant in the LAIF that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the Pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

### NOTE #3 – CAPITAL ASSETS

Changes in capital assets accounts are summarized below:

Category	Audited Balance			Audited Balance	
	June 30, 2014	Additions	Deletions	Transfers	June 30, 2015
Land & easement	\$ 739,500	\$ -	\$ -	\$ -	\$ 739,500
Sewage collection facilities	5,341,536	-	-	-	5,341,536
Sewage treatment facilities	244,540	-	-	-	244,540
General plant & administration facilities	1,091,862	998,696	-	-	2,090,558
Seal Cove collection system	995,505	-	-	-	995,505
Other capital improvements	4,357,566	-	-	-	4,357,566
Water facilities plant	21,810,387	2,316,162	-	-	24,126,549
Water general plant	174,309	-	-	-	174,309
Surface water rights	300,000	-	-	-	300,000
Total	<u>35,055,205</u>	<u>3,314,858</u>	<u>-</u>	<u>-</u>	<u>38,370,063</u>
Accumulated depreciation	<u>13,597,736</u>	<u>1,303,325</u>	<u>-</u>	<u>-</u>	<u>14,901,061</u>
Property, plant & equipment, net	<u>\$ 21,457,469</u>	<u>\$ 2,011,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,469,002</u>

# MONTARA WATER AND SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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### *NOTE #4 – INVESTMENT IN JOINT POWER AUTHORITY - CAPACITY RIGHTS*

#### Investment in Sewer Authority Mid-Coastside

The District has capacity rights in the Sewer Authority Mid-Coastside (SAM), a public entity created February 3, 1976 by a Joint Exercise of Powers Agreement pursuant to the provisions of Title 1, Division 7, and Chapter 5 of the Government code of the State of California. Other joint power members include the City of Half Moon Bay and the Granada Sanitary District. The District reports these capacity rights in SAM on cost basis.

Under this agreement, SAM is granted the power of the member agencies to construct, maintain, and operate facilities for the collection, transmission, treatment and disposal of wastewater for the benefit of the lands and inhabitants within their respective boundaries.

Each member agency has the power to appoint two representatives of their own governing body to SAM's Board of Directors. Budgets prepared by SAM are subject to approval by the member agencies and expenditures in excess of the budgeted amounts require unanimous consent and approval of SAM's Board of Directors.

SAM provides sewage collection and treatment services, for which the District pays a monthly fee. The District paid \$990,050 for these collection and treatment services for the year.

Summary details of SAM's financial position and results of operation from the most recent audited financial statement available for the year ended June 30, 2014 are as follows:

Total assets	\$	16,140,601
Total liabilities		<u>701,190</u>
Net position	\$	<u>15,439,411</u>
Total revenues	\$	4,299,614
Total expenses		<u>5,476,408</u>
Decrease in net position	\$	<u>(1,176,794)</u>

**MONTARA WATER AND SANITARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE #5 - LONG TERM OBLIGATIONS**

Following is a summary of the changes in long term obligations for the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long Term Portion
General Obligation Bonds, 2012 Series	\$13,984,427	\$ -	\$ 815,134	\$13,169,293	\$ 835,090	\$12,334,203
2012 GO Bonds Discount	(67,406)	-	(4,886)	(62,520)	(4,886)	(57,634)
PNCEF Lease Obligation	1,513,242	-	68,958	1,444,284	76,970	1,367,314
CIEDB loan	892,219	-	25,755	866,464	26,540	839,924
SRF Loan	409,553	1,387,291	39,063	1,757,781	66,899	1,690,882
Totals	<u>\$ 16,732,035</u>	<u>\$ 1,387,291</u>	<u>\$ 944,024</u>	<u>\$ 17,175,302</u>	<u>\$ 1,000,613</u>	<u>\$ 16,174,689</u>

**A. General Obligation Bonds, Series 2012**

On April 18, 2012, the District issued General Obligation Bonds Series 2012 in the amount of \$15,635,000. The bonds were issued to fully refund the General Obligation Bonds Series 2003, which the District issued for the acquisition and improvements of a domestic water supply, treatment, and fire protection system serving the entire District service area, and to finance improvements to the District's water system. These bonds are payable from the levy of ad valorem taxes on all property within the District. Interest on the bonds is 2.4 percent and is payable on February 1 and August 1 of each year, commencing August 1, 2012.

Principal is due bi-annually beginning on August 1, 2012, in amounts ranging from \$389,142 to \$568,322, with a final payment on August 1, 2028 of \$568,322. The bonds maturing on or before August 1, 2017 are not subject to redemption prior to their respective stated maturity dates. Bonds maturing on or after August 1, 2017 are subject to redemption prior to their respective stated maturity dates at the option of the District at the principal amount of the bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

**MONTARA WATER AND SANITARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE #5 - LONG TERM OBLIGATIONS (Continued)**

Repayment Schedule

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 835,090	\$ 315,346	\$ 1,150,436
2017	854,702	295,734	1,150,436
2018	876,458	273,978	1,150,436
2019	897,915	252,521	1,150,436
2020	919,898	230,538	1,150,436
2021-2025	4,947,541	804,640	5,752,181
2026-2029	3,837,689	188,835	4,026,524
Total	<u>\$ 13,169,293</u>	<u>\$ 2,361,592</u>	<u>\$ 15,530,885</u>

**B. Capital Lease**

On November 7, 2006, the District entered into a lease/purchase agreement with a financial institution in the amount of \$1,854,443 at a fixed interest rate of 4.56 percent annually. The agreement matures on October 7, 2026. The agreement was to finance the acquisition, construction and installation of energy conservation capital facilities for the District's water system with the expectation that the cost thereof will be offset through reductions in future energy costs created by the facilities. As security for its obligation under this lease the District has pledged to the Lessor a security interest in the net revenue of both the water and sewer enterprises.

The financing was originally provided by Citibank at a rate of 4.56 percent for a 20-year term and is now held by PNC Equipment Finance (PNCEF). Effective March 15, 2013, the District refinanced the capital lease with PNCEF at a rate of 2.95 percent.

**MONTARA WATER AND SANITARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE #5 - LONG TERM OBLIGATIONS (Continued)**

Repayment Schedule

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 76,970	\$ 41,580	\$ 118,550
2017	85,454	39,196	124,650
2018	93,990	36,560	130,550
2019	104,097	33,653	137,750
2020	114,407	30,443	144,850
2021-2025	737,937	113,669	851,606
2026-2027	231,429	14,388	245,817
Total	<u>\$ 1,444,284</u>	<u>\$ 309,489</u>	<u>\$ 1,753,773</u>

**C. CIEDB Loan**

On October 1, 2008, the District entered into an enterprise fund installment sale agreement with California Infrastructure and Economic Development Bank (CIEDB) in the amount of \$1,010,000. The agreement was to purchase a facility in order to renovate and upgrade two sewer pump stations. The agreement matures on December 3, 2037 with principal amounts due August 1, and interest payments due on February 1 and August 1 of each year. The interest rate is 3.05 percent per annum.

Repayment Schedule:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 26,540	\$ 28,622	\$ 55,162
2017	27,350	27,720	55,070
2018	28,184	26,791	54,975
2019	29,043	25,834	54,877
2020	29,929	24,848	54,777
2021-2025	163,909	108,356	272,265
2026-2030	190,477	78,769	269,246
2031-2035	221,353	44,387	265,740
2036-2038	149,679	7,845	157,524
Total	<u>\$ 866,464</u>	<u>\$ 373,172</u>	<u>\$ 1,239,636</u>

**MONTARA WATER AND SANITARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE #5 - LONG TERM OBLIGATIONS (Continued)**

**D. State Revolving Fund Loan**

On July 10, 2012, the District entered into an agreement with the State of California Department of Health under the Safe Drinking Water State Revolving Fund Law of 1947. This agreement constitutes funding in the form of a loan and a grant made by the State to the District to assist in financing the cost of studies, planning and other preliminary activities for a project which will enable the District to meet safe drinking water standards. Under this agreement, the State will lend the District an amount not to exceed \$500,000, payable in five years from the first principal and interest invoice. On November 14, 2012, the District entered into an additional agreement with the State of California Department of Health under the Safe Drinking Water Revolving Fund Law of 1947. This agreement constitutes funding in the form of a loan made by the State to the District to assist in financing the construction of the preliminary activities noted above. Under this agreement, the State will lend the District an amount not to exceed \$2,920,000. The District will make semiannual payments for the principal and any interest amounts due January 1 and July 1 of each year until the loan is repaid in full at an interest rate of 2.09 percent and 2.28 percent, respectively, per annum. The District expects the project to be completed in 2016. During current fiscal year ended June 30, 2015, the District received \$1,387,291 in reimbursements under this loan agreement.

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 66,899	\$ 19,847	\$ 86,746
2017	136,247	37,247	173,494
2018	139,222	34,273	173,495
2019	142,261	31,233	173,494
2020	145,368	28,126	173,494
2021-2025	390,142	130,626	520,768
2026-2030	291,240	55,939	347,179
2031-2035	403,294	30,680	433,974
2036-2038	43,108	-	43,108
Total	<u>\$ 1,757,781</u>	<u>\$ 367,971</u>	<u>\$ 2,125,752</u>



# MONTARA WATER AND SANITARY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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### *NOTE #6 - DEFERRED COMPENSATION PLAN*

The District's defined contribution, IRS code section 457 pension plan, provides deferred compensation retirement benefits to plan members and beneficiaries. Under this plan participants may defer a portion of their compensation and are not taxed on the deferred portion until it is distributed to them. Distribution may be made only at termination, retirement, death, or in an emergency as defined by the plan. The District has contracted with a third party to provide administration and management of the plan's assets which are to be held for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the District's property and are not subject to claims by general creditors of the District, they have been excluded from these financial statements.

### *NOTE #7 - RISK MANAGEMENT*

The District is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The District joined together with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for 54-member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays annual premiums to CSRMA for its general, liability, property damage and monthly premiums to State Fund for its workers compensation insurance.

CSRMA is governed by a Board composed of one representative from each member agency. The Board controls the operations of CSRMA including selection of management and approval of operating budgets, independent of any influence by member entities.

Settled claims for CSRMA or commercial fidelity bonds have not exceeded coverage in any of the past three fiscal years.

**MONTARA WATER AND SANITARY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

***NOTE #7 - RISK MANAGEMENT (Continued)***

The following is a summary of the insurance policies carried by the District as of June 30, 2015:

Type of Coverage	Coverage Limits
General Liability	\$ 15,500,000
Workers' Compensation	2,000,000
Boiler & Machinery	100,000,000
Public Officials	100,000
Property	6,801,517

Audited condensed financial information for CSRMA is presented below from the most recent statements available for the year ended June 30, 2014:

Total assets	\$ 27,379,073
Total liabilities	<u>16,413,379</u>
Net position	<u>\$ 10,965,694</u>
Total revenues	\$ 10,812,970
Total expenses	<u>11,887,608</u>
Decrease in net position	<u>\$ (1,074,638)</u>

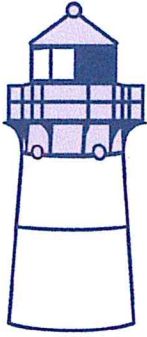
Claims and judgments, including provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the District has coverage for such claims, but it had retained the risk for the deductible or uninsured portion of these claims.

The District has not exceeded its insurance coverage limits in any of the last three years. Any District liability is included in accrued expenses on the financial statements.

***NOTE #8 – COMMITMENTS AND CONTINGENT LIABILITIES***

The District has an agreement with Sewer Authority Mid-Coastside (SAM), Granada Sanitary District, and City of Half Moon Bay for the purchase of additional plant sewer capacity on an as needed basis. The District may purchase additional capacity in the SAM plant, if such additional capacity is available, at a cost per Equivalent Residential Unit (ERU) in effect. The future price would be an average current cost per ERU charged a property in the City of Half Moon Bay and Granada Sanitary District plus accrued interest as stipulated in the agreement. At this time the District needs no additional capacity.

The District is a plaintiff or defendant in a number of lawsuits, which have arisen in the normal course of business. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **November 5, 2015**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

A blue ink handwritten signature, likely belonging to Clemens Heldmaier, is located to the right of the 'FROM' line.

**SUBJECT: Review and Possible Action Concerning Fiscal  
Year End Budget Review.**

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To allow the Board and public to be as best informed as possible the District's monthly financial reporting saw further additions in the past 12 month. The Funds Balance Sheet and Revenue & Expenditures Budget vs. Actual line items were renamed and grouped with the intent to make the reports understandable for everyone in the District. In addition a 12 month Revenue & Expenditures Budget vs. Actual was introduced as well as an executive summary that highlight's variances in the Budget line items.

Now we would like introduce the fiscal year end Budget Review as a culmination of a year's effort to accompany the presentation of the audited financial statements by AJ Major of VTD.

From a global perspective; fiscal year 2014-2015 the District saw an overall cash flow increase of \$530,560 for a total of \$8,664,782 in total cash and investments which also provided for an overall increase of \$1,786,110 to total net position. Furthermore, in fiscal year 2014-2015 the District paid off \$944,024 of long term debt, while also maintaining the cash flow necessary to finance \$3,314,859 of capital expenditures, the majority of which are associated with the construction of the Alta Vista Tank.

Peter Medina with Maze & Associates has prepared documents that illustrate the comparison of the District's financial position for the fiscal year ended June 30, 2015 with the previous fiscal year.

## RECOMMENDATION:

This is for Board information only.

Attachment

# Sewer Comparison - Actuals

## Revenue By Grouping - Sewer Enterprise

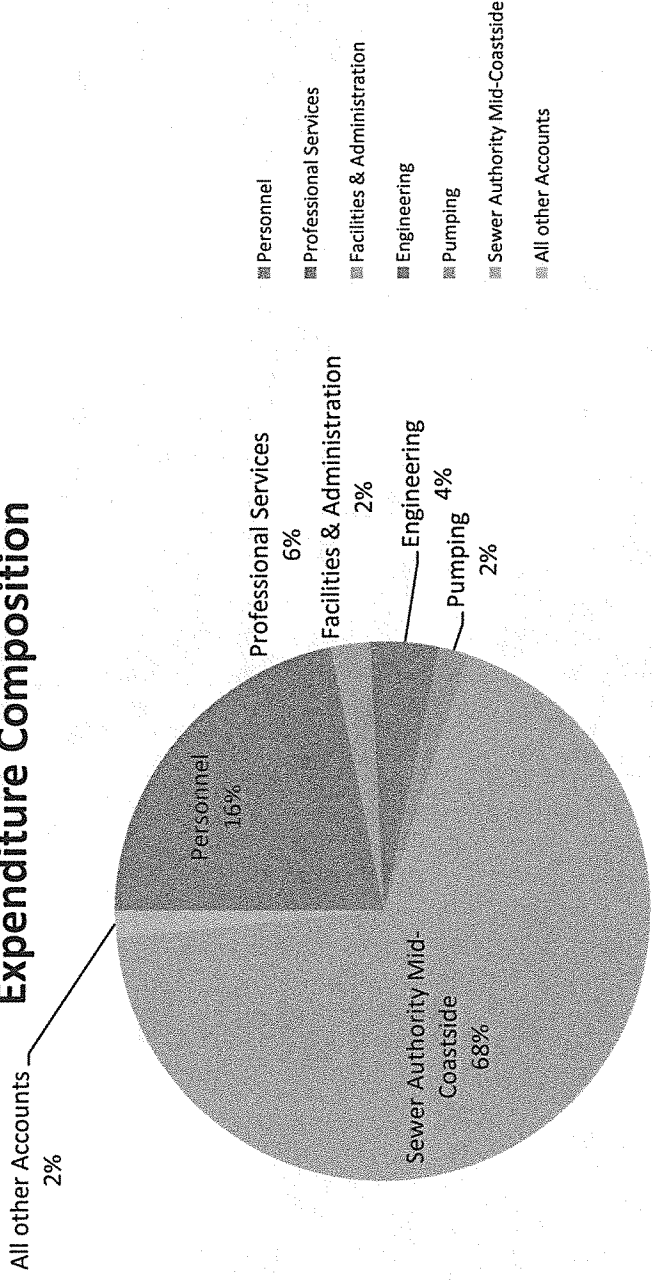
<u>Grouped Categories</u>	<u>Actual FY 2013-14</u>	<u>Budgeted Revenues</u>	<u>FY 2014 - 15 Actual</u>	<u>Positive/ (Negative)</u>
Sewer Service Charges	\$ 2,017,672	\$ 2,181,853	\$ 2,196,468	\$ 14,615
Cell Tower Lease	32,270	31,500	32,422	922
Fees	14,477	14,000	31,587	17,587
Property Tax	301,852	225,000	214,220	(10,780)
Waste Collection Revenues	13,191	14,500	17,844	3,344
<b>Total</b>	<b>\$ 2,379,462</b>	<b>\$ 2,466,853</b>	<b>\$ 2,492,541</b>	<b>\$ 25,688</b>

**Sewer Expenditures by Grouping**

**General Operating Budget - Cost Center Roll-up**

<b>Grouped Categories</b>	<b>FY 2014-15</b>		<b>Positive/ (Negative)</b>
	<b>Budgeted Expenditures</b>	<b>FY 2014 - 15 Actual</b>	
Personnel	\$ 251,004	\$ 242,991	\$ 14,597
Professional Services	86,236	80,498	13,652
Facilities & Administration	33,470	35,449	951
Engineering	47,743	61,309	(31,309)
Pumping	27,293	26,888	8,112
Sewer Authority Mid-Coastside	1,052,242	1,017,699	65,535
All other Accounts	34,619	23,800	34,360
<b>Total</b>	<b>\$ 1,532,607</b>	<b>\$ 1,488,634</b>	<b>\$ 105,898</b>

**Expenditure Composition**



**Sewer Non Operating Revenues and Expenses**

<b><u>Grouped Categories</u></b>	<b><u>Actual FY 2013-14</u></b>	<b><u>FY 2014-15 Budgeted Expenditures</u></b>	<b><u>FY 2014 - 15 Actual</u></b>	<b><u>Positive/ (Negative)</u></b>
<b>Revenue</b>				
Connection Fees	\$ 66,970	\$ 228,488	\$ 166,355	(\$62,133)
Employee Loans	8,995	23,974	4,070	(19,904)
LAIIF interest	4,828	8,000	11,938	3,938
<b>Total</b>	<b>\$ 80,793</b>	<b>\$ 260,462</b>	<b>\$ 182,363</b>	<b>\$ (78,099)</b>
<b>Expense</b>				
PNC equipment Lease - Interest	\$ 23,747	\$ 56,340	\$ 21,819	\$ 34,521
I-Bank Loan - Interest	38,933	52,575	26,493	26,082
<b>Total</b>	<b>\$ 62,680</b>	<b>\$ 108,915</b>	<b>\$ 48,312</b>	<b>\$ 60,603</b>
<b>Capital Improvement</b>				
Sewer Capital Improvement Program	\$ 256,366	\$ 821,923	\$ 998,696	(\$176,773)

## Water Comparison - Actuals

### Revenue By Grouping - Water Enterprise

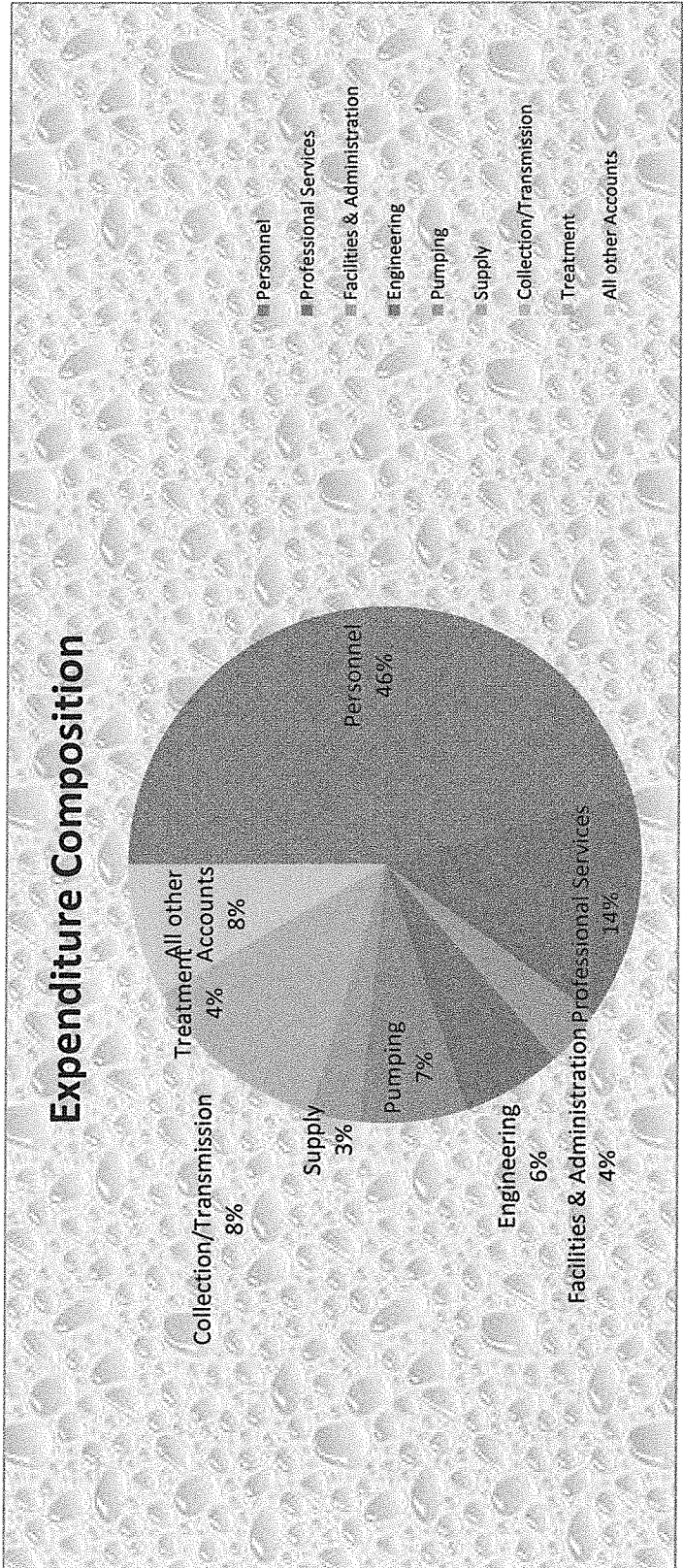
<u>Grouped Categories</u>	<u>FY 2014-15</u>		<u>Actual FY 2013-14</u>	<u>Budgeted Revenues</u>	<u>FY 2014 - 15</u> <u>Actual</u>	<u>Positive/ (Negative)</u>
	<u>Actual FY 2013-14</u>	<u>Budgeted Revenues</u>				
Water Sales	\$ 1,612,428	\$ 1,840,473	\$ 1,612,428	\$ 1,666,975	(\$173,498)	
Cell Tower Lease	32,270	31,500	32,270	32,422	922	
Fees	8,750	10,600	8,750	22,428	11,828	
Property Tax	301,852	225,000	301,852	424,451	199,451	
Backflow Testing & Other	16,502	13,000	16,502	12,444	(556)	
<b>Total</b>	<b>\$ 1,971,802</b>	<b>\$ 2,120,573</b>	<b>\$ 1,971,802</b>	<b>\$ 2,158,720</b>	<b>\$ 38,147</b>	



**Water Expenditures by Grouping**

**General Operating Budget - Cost Center Roll-up**

<b><u>Grouped Categories</u></b>	<b><u>FY 2014-15</u></b>		<b><u>Positive/ (Negative)</u></b>
	<b><u>Budgeted Expenditures</u></b>	<b><u>FY 2014 - 15 Actual</u></b>	
Personnel	\$ 637,180	\$ 587,358	\$ 49,822
Professional Services	157,650	184,344	(26,694)
Facilities & Administration	37,750	47,113	(9,363)
Engineering	75,000	80,781	(5,781)
Pumping	85,000	86,378	(1,378)
Supply	57,000	40,296	16,704
Collection/Transmission	100,000	101,585	(1,585)
Treatment	51,500	52,593	(1,093)
All other Accounts	147,500	107,900	39,600
<b>Total</b>	<b>\$ 1,348,580</b>	<b>\$ 1,288,348</b>	<b>\$ 60,232</b>



**Water Non Operating Revenues and Expenses**

<b><u>Grouped Categories</u></b>	<b><u>Actual FY 2013-14</u></b>	<b><u>FY 2014-15 Budgeted Expenditures</u></b>	<b><u>FY 2014 - 15 Actual</u></b>	<b><u>Positive/ (Negative)</u></b>
<b>Revenue</b>				
Connection Fees	\$ 107,520	\$ 122,900	\$ 172,493	\$ 49,593
GO Bond - Assessment Receipts	1,239,066	1,150,436	1,265,893	115,457
Total	\$ 1,346,586	\$ 1,273,336	\$ 1,438,386	\$ 165,050
<b>Expense</b>				
PNC equipment Lease - Interest	\$ 23,747	\$ 56,340	\$ 21,819	\$ 34,521
GO Bonds - Interest	413,602	1,150,436	327,105	823,331
SRF - Interest	9,975	102,090	7,469	94,621
Total	\$ 447,324	\$ 1,308,866	\$ 356,393	\$ 952,473
<b>Capital Improvement</b>				
Water Capital Improvement Program	\$ 1,353,958	\$ 3,196,463	\$ 2,316,163	\$ 880,300

## Two-Year Comparative Income Statement

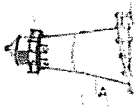
**Sewer Comparison - Actuals**  
6/30/2014 vs. 6/30/2015

	[Current Period]	[Prior Period]	Increase / (Decrease)	Percent Change
	July 1, 2014 - June 30, 2015	July 1, 2013 - June 30, 2014		
<b>Revenue</b>				
Sewer Service Charges	2,196,468	2,017,672	178,796	8.86%
Cell Tower Lease	32,422	32,270	152	0.47%
Fees	31,587	14,477	17,110	118.19%
Property Tax	214,220	301,852	(87,632)	-29.03%
Waste Collection Revenues	17,844	13,191	4,653	35.27%
<b>Net Sales</b>	<b>2,492,541</b>	<b>2,379,462</b>	<b>113,079</b>	<b>4.75%</b>
<b>Expenses</b>				
Personnel	242,991	251,004	(8,013)	-3.19%
Professional Services	80,498	86,236	(5,738)	-6.65%
Facilities & Administration	35,449	33,470	1,979	5.91%
Engineering	61,309	47,743	13,566	28.41%
Pumping	26,888	27,293	(405)	-1.48%
Sewer Authority Mid-Coastside	1,017,699	1,052,242	(34,543)	-3.28%
All other Accounts	23,800	34,619	(10,819)	-31.25%
<b>Total Expenses</b>	<b>1,488,634</b>	<b>1,532,607</b>	<b>(43,973)</b>	<b>-2.87%</b>
<b>Net Operating Income</b>	<b>1,003,907</b>	<b>846,855</b>	<b>157,052</b>	<b>18.55%</b>
<b>Non-Operating</b>				
Connection Fees - Revenue	166,355	66,970	99,385	148.40%
Employee Loans - Revenue	4,070	8,995	(4,925)	-54.75%
LAIF interest - Revenue	11,938	4,828	7,110	147.27%
PNC equipment lease - Expense	(21,819)	(23,747)	1,928	-8.12%
I-Bank Loan - Expense	(26,493)	(38,933)	12,440	-31.95%
<b>Total Other Income (Expense)</b>	<b>134,051</b>	<b>18,113</b>	<b>115,938</b>	<b>640.08%</b>

## Two-Year Comparative Income Statement

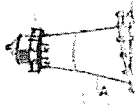
**Water Comparison - Actuals**  
6/30/2014 vs. 6/30/2015

	[Current Period]	[Prior Period]	Increase / (Decrease)	Percent Change
	July 1, 2014 - June 30, 2015	July 1, 2013 - June 30, 2014		
<b>Revenue</b>				
Water Sales	1,666,975	1,612,428	54,547	3.38%
Cell Tower Lease	32,422	32,270	152	0.47%
Fees	22,428	8,750	13,678	156.32%
Property Tax	424,451	301,852	122,599	40.62%
Backflow Testing & Other	12,444	16,502	(4,058)	-24.59%
<b>Net Sales</b>	<b>2,158,720</b>	<b>1,971,802</b>	<b>186,918</b>	<b>9.48%</b>
<b>Expenses</b>				
Personnel	587,358	563,478	23,880	4.24%
Professional Services	184,344	147,516	36,828	24.97%
Facilities & Administration	47,113	32,950	14,163	42.98%
Engineering	80,781	57,514	23,267	40.45%
Pumping	86,378	67,714	18,664	27.56%
Supply	40,296	32,408	7,888	24.34%
Collection/Transmission	101,585	77,674	23,911	30.78%
Treatment	52,593	33,281	19,312	58.03%
All other Accounts	107,891	110,641	(2,750)	-2.49%
<b>Total Expenses</b>	<b>1,288,339</b>	<b>1,123,176</b>	<b>165,163</b>	<b>14.70%</b>
<b>Net Operating Income</b>	<b>870,381</b>	<b>848,626</b>	<b>21,755</b>	<b>2.56%</b>
<b>Non-Operating</b>				
Connection Fees	172,493	107,520	64,973	60.43%
GO Bond - Assessment Receipts	1,265,893	1,239,066	26,827	2.17%
PNC equipment Lease - Interest	(21,819)	(23,747)	1,928	-8.12%
GO Bonds - Interest	(327,105)	(413,602)	86,497	-20.91%
SRF - Interest	(7,469)	(9,975)	2,506	-25.12%
<b>Total Other Income (Expense)</b>	<b>1,081,993</b>	<b>899,262</b>	<b>182,731</b>	<b>20.32%</b>



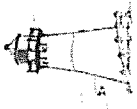
# MWSD -- Fiscal Year 2014-2015 budget actual - SEWER ENTERPRISE

Operating Revenue	2012-13		2013-14 Actual		Approved Budget 2014-15		2014-15 Actual	Positive/ (Negative)
	Actual	GL Codes	Actual	Budget 2014-15	Budget 2014-15	Actual		
Cell Tower Lease:	28,909	4220	32,270	31,500	31,500	32,422	922	
Administrative Fees (New Construction):		4410	1,800	3,600	3,600	1,852	(1,748)	
Administrative Fees (Remodel):	1,320	4420	2,250	1,000	1,000	3,241	2,241	
Inspection Fees (New Construction):	830	4430	1,700	3,400	3,400	1,748	(1,652)	
Inspection Fees (Remodel):	830	4440	5,060	2,000	2,000	4,969	2,969	
Remodel Fees:	7,331	4460	3,667	4,000	4,000	19,777	15,777	
Property Tax Receipts:	304,550	4610	301,852	225,000	225,000	214,220	(10,780)	
Sewer Service Charges:	1,952,513	4710	2,018,016	2,183,853	2,183,853	2,203,383	19,530	
Sewer Service Refunds, Customer:	12,980	4720	(344)	(2,000)	(2,000)	(6,915)	(4,915)	
Waste Collection Revenues:		4760	13,191	14,500	14,500	17,844	3,344	
<b>Total Operating Revenue:</b>	<b>2,309,277</b>		<b>2,379,462</b>	<b>2,466,853</b>	<b>2,466,853</b>	<b>2,492,541</b>	<b>25,688</b>	
<b>Operating Expenses</b>								
Bank Fees:	3,074	5190	4,022	3,100	3,100	6,709	(3,609)	
Board Meetings:	2,135	5210	2,586	2,500	2,500	4,850	(2,350)	
Director Fees:	3,450	5220	3,788	2,500	2,500	1,269	1,231	
Election Expenses:		5230	3,897					
Conference Attendance:	431	5250	397	2,000	2,000		2,000	
Information Systems:	1,300	5270	2,786	6,000	6,000	3,069	2,931	
Fidelity Bond:		5310		900	900	438	462	
Property & Liability Insurance:	1,425	5320	1,583	1,500	1,500	1,667	(167)	
LAFCO Assessment:	1,107	5350	1,548	1,600	1,600	1,754	(154)	
Meeting Attendance, Legal:	7,376	5420	11,350	11,000	11,000	6,770	4,230	
General Legal:	14,057	5430	18,077	20,000	20,000	9,375	10,625	
Litigation:		5440						
Maintenance, Office:	2,780	5510	4,283	3,000	3,000	5,337	(2,337)	
Meetings, Local:	189	5520	189					
Office Supplies:	3,404	5540	6,872	9,000	9,000	9,319	(319)	
Postage:	2,887	5550	2,366	4,000	4,000	1,214	2,786	
Printing & Publishing:	2,441	5560	1,538	4,000	4,000	2,786	1,214	
Accounting:	72,944	5610	35,955	30,000	30,000	24,483	5,517	
Audit:	12,550	5620	12,050	13,000	13,000	10,050	2,950	
Consulting:	11,287	5630	2,962	11,500	11,500	18,979	(7,479)	
Data Services:	5,092	5640	5,533	5,500	5,500	5,792	(292)	
Labor & HR Support:		5650		2,250	2,250	4,286	(2,036)	
Payroll Services:	172	5660	279	900	900	753	147	
Other Professional Services:		5690	30			10	(10)	
San Mateo County Tax Roll Charges:		5710	2,453	3,000	3,000		3,000	



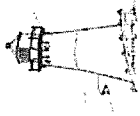
# MWSD — Fiscal Year 2014-2015 budget actual - SEWER ENTERPRISE

Operating Revenue	2012-13 Actual	2013-14 Actual	Approved Budget 2014-15	2014-15 Actual	Positive/ (Negative)
GL Codes	2012-13 Actual	2013-14 Actual	Approved Budget 2014-15	2014-15 Actual	Positive/ (Negative)
Telephone & Internet:	6,402	10,557	9,000	9,812	(812)
Mileage Reimbursement:	1,290	1,426	1,500	1,137	363
Reference Materials:	35		200		200
Other Administrative:	100	143			
CalPERS 457 Deferred Plan:	11,248	11,993	13,065	13,303	(238)
Employee Benefits:	35,678	38,540	41,298	34,993	6,305
Disability Benefits:	844	1,177	1,139	1,206	(67)
Payroll Taxes:	11,361	13,276	13,052	12,920	132
Worker's Compensation Insurance:	4,986	6,322	7,856	2,558	5,298
Management:	102,902	78,465	79,129	71,501	7,628
Staff :	63,843	95,376	97,777	100,302	(2,525)
Staff Certification:		1,800	1,890	1,800	90
Staff Overtime:		3,225	2,382	3,480	(1,098)
Staff Standby:		830		928	(928)
Claims, Property Damage:		9,944	10,000	2,139	7,861
Education & Training:	219		1,000		1,000
Meeting Attendance, Engineering:			5,000		5,000
General Engineering:	30,013	47,743	25,000	61,309	(36,309)
Equipment & Tools, Expensed:			1,000		1,000
Alarm Services:	10,430	5,431	5,000	4,701	299
Landscaping:	2,280	2,280	2,400	2,280	120
Pumping Fuel & Electricity:	27,179	27,293	35,000	26,888	8,112
Maintenance, Collection System:	2,013		20,000		20,000
Fuel:			800	511	289
Truck Equipment, Expensed:			160	87	73
Truck Repairs:			400	51	349
Total Other Operations:	6,690			119	(119)
SAM Collections:	281,340	332,868	305,853	305,856	(3)
SAM Operations:	655,776	657,192	624,021	624,024	(3)
SAM Prior-Year Adjustment:	(39,958)			(3,190)	3,190
SAM Maintenance, Collection System:	75,640	15,550	40,000	27,649	12,351
SAM Maintenance, Pumping:		46,632	50,000		50,000
<b>Total Operations Expense:</b>	<b>1,438,223</b>	<b>1,532,607</b>	<b>1,531,172</b>	<b>1,425,274</b>	<b>105,898</b>
<b>Net Change in position from Operations:</b>			<b>935,681</b>	<b>1,067,267</b>	<b>(80,210)</b>
<b>Non Operating Revenue / Expense</b>					
Connection Fees, Residential New Const:	22,215		178,488	142,923	(35,565)



# MWSD — Fiscal Year 2014-2015 budget actual - SEWER ENTERPRISE

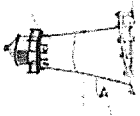
Operating Revenue	2012-13 Actual	2013-14 Actual	Approved Budget 2014-15	2014-15 Actual	Positive/ (Negative)
GL Codes					
Connection Fees, Residential Remodel:	7120	14,110	50,000	23,432	(26,568)
Connection Fees - Other:	7100				
Employee Loans:	7700	7,918	23,974	4,070	(19,904)
LAIF, Interest:	7200	6,289	8,000	11,938	3,938
<b>Total Non Operating Revenue:</b>		<b>50,532</b>	<b>260,462</b>	<b>182,363</b>	<b>(78,099)</b>
<b>Financing Expense</b>					
PNC Equipment Lease:	9125	12,342	56,340	21,819	34,521
Capital Assessment, SAM:	9175		63,360	63,360	
I-Bank Loan:	9200	28,345	52,575	26,493	26,082
<b>Total Financing Expense:</b>		<b>40,687</b>	<b>172,275</b>	<b>111,672</b>	<b>60,603</b>



# MWSD — Fiscal Year 2014-2015 budget actual - WATER ENTERPRISE

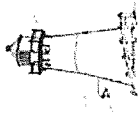
Operating Revenue	GL Codes	2012-13	2013-14	Approved Budget	2014-15 Actual	Positive/ (Negative)
		Actual	Actual	2014-15		
Cell Tower Lease:	4220	28,909	32,270	31,500	32,422	922
Administrative Fees (New Construction):	4410	1,000	4,050	4,500	5,067	567
Administrative Fees (Remodel):	4420	2,158	450	1,000	985	(15)
Inspection Fees (New Construction):	4430		3,825	4,250	4,833	583
Inspection Fees (Remodel):	4440	407	425	850	929	79
Mainline Extension Fees:	4450				10,290	10,290
Remodel Fees:	4460				324	324
Property Tax Receipts:	4610	304,550	301,852	225,000	424,451	199,451
Testing, Backflow:	4740	9,098	14,001	13,000	9,589	(3,411)
Water Sales:	4810	1,557,945	1,614,283	1,846,473	1,667,370	(179,103)
Water Sales Refunds, Customer:	4850	548	(1,855)	(6,000)	(395)	5,605
Other Revenue:	4990		2,501		2,855	2,855
<b>Total Operating Revenue:</b>		<b>1,900,670</b>	<b>1,971,802</b>	<b>2,120,573</b>	<b>2,158,720</b>	<b>38,147</b>
<b>Operating Expenses</b>						
Bank Fees:	5190	9,075	5,864	9,000	5,874	3,126
Board Meetings:	5210	2,135	2,586	2,500	2,931	(431)
Director Fees:	5220	3,450	3,788	2,500	3,188	(688)
Election Expenses:	5230		3,897			0
CDPH Fees:	5240	14,152	7,191	15,000	14,535	465
Conference Attendance:	5250	4,274	1,852	5,000	3,442	1,558
Information Systems:	5270	1,300	2,786	6,000	3,069	2,931
Fidelity Bond:	5310			900	438	462
Property & Liability Insurance:	5320	1,425	1,583	1,700	1,667	33
LAFCO Assessment:	5350	1,544	2,026	2,200	2,376	(176)
Meeting Attendance, Legal:	5420	9,218	9,955	10,000	6,768	3,232
General Legal:	5430	57,912	60,840	70,000	58,623	11,377
Litigation:	5440	19,770				0
Maintenance, Office:	5510		4,333	3,000	5,337	(2,337)
Meetings, Local:	5520	314	189		298	(298)
Memberships:	5530	17,175	18,050	18,000	16,945	1,055
Office Supplies:	5540	14,533	6,872	9,000	9,319	(319)
Postage:	5550	4,561	5,876	8,000	9,909	(1,909)
Printing & Publishing:	5560	378	1,538	4,000	2,681	1,319
Accounting:	5610	70,634	35,955	30,000	24,483	5,517





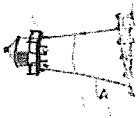
# MWSD -- Fiscal Year 2014-2015 budget actual - WATER ENTERPRISE

Operating Revenue	GL Codes	2012-13	2013-14	Approved Budget	2014-15 Actual	Positive/ (Negative)
		Actual	Actual	2014-15	Actual	(Negative)
Audit:	5620	12,550	12,050	13,000	10,050	2,950
Consulting:	5630	10,938	16,055	31,500	50,273	(18,773)
Data Services:	5640		2,410		9,044	(9,044)
Labor & HR Support:	5650	8,250	9,750	2,250	4,661	(2,411)
Payroll Services:	5660	220	471	900	1,017	(117)
Other Professional Services:	5690	1,953	30		19,425	(19,425)
Telephone & Internet:	5720	7,321	7,050	8,000	13,491	(5,491)
Mileage Reimbursement:	5730	1,236	1,592	2,000	2,326	(326)
Reference Materials:	5740	380		800		800
Other Administrative:	5790	884	1,340		248	(248)
CalPERS 457 Deferred Plan:	5810	28,318	27,351	29,971	29,503	468
Employee Benefits:	5820	76,848	68,114	75,902	55,586	20,316
Disability Benefits:	5830	1,923	2,371	2,510	2,605	(95)
Payroll Taxes:	5840	29,587	31,704	31,600	32,426	(826)
Worker's Compensation Insurance:	5960	39,080	23,902	26,853	12,461	14,392



# MWSD -- Fiscal Year 2014-2015 budget actual - WATER ENTERPRISE

Operating Revenue	GL Codes	2012-13		2013-14		Approved Budget		Positive/ (Negative)
		Actual	Actual	Actual	2014-15	2014-15 Actual		
Management:	5910	72,719	80,855	79,129	93,691	(14,562)		
Staff :	5920	322,672	280,425	328,917	286,814	42,103		
Staff Certification:	5930	9,975	8,815	10,710	9,000	1,710		
Staff Overtime:	5940	3,721	29,202	43,468	47,530	(4,062)		
Staff Standby:	5950	832	10,739	8,120	17,742	(9,622)		
Backflow Prevention:	6160	2,120	3,635	2,100	4,682	(2,582)		
Claims, Property Damage:	6170			10,000		10,000		
SCADA Maintenance:	6185	17,402	395	17,500	11,177	6,323		
Internet & Telephone, Communications:	6187	3,279	1,693	0		0		
Education & Training:	6195	1,840	7,422	6,000	4,278	1,722		
Meeting Attendance, Engineering:	6210	9,851	1,716	5,000		5,000		
General Engineering:	6220	32,536	30,145	45,000	3,780	41,220		
Water Quality Engineering:	6230	178,667	25,653	25,000	77,001	(52,001)		
Equipment & Tools, Expensed:	6320	12,627	6,527	13,000	5,186	7,814		
Alarm Services:	6335		758	450	715	(265)		
Landscaping:	6337	3,600	3,600	3,600	3,746	(146)		
Lab Supplies & Equipment:	6370	198	842	1,000	39	961		
Meter Reading:	6380	1,421	5,787	10,000		10,000		
Pumping Fuel & Electricity:	6410	43,957	55,704	60,000	72,500	(12,500)		
Pumping Maintenance, Generators:	6420	1,671	8,624	15,000	9,581	5,419		
Pumping Maintenance, General:	6430			0	4,297	(4,297)		
Pumping Equipment, Expensed:	6440	483	3,386	10,000		10,000		
Maintenance, Raw Water Mains:	6510	1,888	1,164	2,000		2,000		
Maintenance, Wells:	6520	457	5,295	5,000	4,853	147		
Water Purchases:	6530	225,851	25,949	50,000	35,443	14,557		
Hydrants:	6610	2,091	438	2,000		2,000		
Maintenance, Water Mains:	6620	36,123	51,771	50,000	68,976	(18,976)		
Maintenance, Water Service Lines:	6630	15,361	12,582	30,000	16,458	13,542		
Maintenance, Tanks:	6640	6,318	769	6,500	690	5,810		
Maintenance, Distribution General:	6650	6,189	12,114	6,500	10,656	(4,156)		
Meters:	6670	3,186		5,000	4,805	195		
Chemicals & Filtering:	6710	20,623	7,013	21,000	27,289	(6,289)		
Maintenance, Treatment Equipment:	6720	4,779	5,640	7,500	2,949	4,551		
Treatment Analysis:	6730	21,066	20,628	23,000	22,355	645		
Uniforms:	6770	8,473	10,421	8,500	10,435	(1,935)		



# MWSD — Fiscal Year 2014-2015 budget actual - WATER ENTERPRISE

Operating Revenue	GL Codes	2012-13	2013-14	Approved Budget	2014-15 Actual	Positive/ (Negative)
		Actual	Actual	2014-15		
Fuel:	6810	8,737	9,006	9,000	7,129	1,871
Truck Equipment, Expensed:	6820	20	3,553	2,000	1,098	902
Truck Repairs:	6830	861	10,071	4,500	5,752	(1,252)
Other Operations:	6890	1,665	1,468		2,702	(2,702)
<b>Total Operations Expense:</b>		<b>1,534,597</b>	<b>1,123,176</b>	<b>1,348,580</b>	<b>1,288,348</b>	<b>60,232</b>
<b>Net Change in position from Operations:</b>		<b>366,073</b>	<b>848,626</b>	<b>771,993</b>	<b>870,372</b>	<b>(22,085)</b>
<b>Non Operating Revenue / Expense</b>						
Connection Fees, Residential New Const:	7110	1,444	92,038	72,800	104,344	31,544
Connection Fees, Residential Remodel:	7120			2,900	2,757	(143)
Connection Fees, Residential Fire:	7130	72,871	15,632	38,100	65,392	27,292
Connection Fees, Residential Remodel Fire:	7140		(150)	9,100		(9,100)
Connection Fees, Well Conversion:	7150					0
General Obligation Bonds, Assessment Receipts:	7600	1,230,365	1,239,066	1,150,436	1,265,893	115,457
<b>Total Non Operating Revenue:</b>		<b>1,304,680</b>	<b>1,346,586</b>	<b>1,273,336</b>	<b>1,438,386</b>	<b>165,050</b>
<b>Financing Expenses</b>						
PFP Connection Expenses:	9075					
General Obligation Bonds:	9100	1,150,436	413,602	1,150,436	327,105	823,331
PNC Equipment Lease:	9125	90,964	23,747	56,340	21,819	34,521
State Revolving Fund Loan:	9150	3,082	9,975	102,090	7,469	94,621
<b>Total Financing Expense:</b>		<b>1,244,482</b>	<b>447,324</b>	<b>1,308,866</b>	<b>356,393</b>	<b>952,473</b>

# Fiscal year 2014-2015 Budget Operating Reserves

## WATER

**Operating Reserve:**

The District's Water Operating Reserve target is two months of operating expenses. Based on fiscal year 2015-16 budget the amount of operating reserves is as follows:

**Target calculation**

\$	1,348,580	12	Budgeted FY14/15 expenditures Months
<hr/>			
\$	112,382	x 2	Monthly budgeted operating expenses Two months expenditures
<hr/>			
\$	224,763		Target Reserve
<hr/> <hr/>			

Actual reserve at fiscal year June 30, 2015  
224,763.00

Actual Operating Funds June 30, 2015  
469,666.82

## SEWER

**Operating Reserve:**

For the District's Sewer Operating Reserve, the maximum target amount shall equal ten months' of operating expenses and the minimum target amount shall equal two months' of operating expenses.

Based on fiscal year 2014-15 budget the amount of operating reserves is as follows:

**Minimum Target**

\$	1,531,172	12	Budgeted FY14/15 expenditures Months
<hr/>			
\$	127,598	x 2	Monthly budgeted operating expenses Monthly budgeted operating expenses
<hr/>			
\$	255,195		Minimum Target Reserve
<hr/> <hr/>			

**Maximum Target**

\$	1,531,172	12	Budgeted FY14/15 expenditures Months
<hr/>			
\$	127,598	x 10	Monthly budgeted operating expenses Monthly budgeted operating expenses
<hr/>			
\$	1,275,977		Maximum Target Reserve
<hr/> <hr/>			

Actual reserve at fiscal year June 30, 2015  
255,195.00

Actual Operating Funds June 30, 2015  
1,918,858.4

# Fiscal year 2014-2015 Budget Capital Reserve Connection Fee Reserve

## Capital Reserve:

For the Water and Sewer capital reserves, the target amounts are based on district engineers' estimates of the annual costs to replace water and sewer facilities and the five year capital improvement plans (CIP). Each Utility enterprise shall have a separate capital reserve. The maximum target amount shall equal the highest total annual amount shown in the CIP applicable to existing customers plus the district engineer's estimate of annual replacement capital project costs. The minimum target amount shall equal the lowest total annual amount shown in the CIP applicable to existing customers plus the district engineers' estimate of annual replacement capital project costs.

## WATER

### Minimum Target

\$ 234,835	Lowest year CIP existing customers (fiscal year 2016-17)
\$ 750,000	Engineer estimate
<u>\$ 984,835</u>	Minimum target

### Maximum Target

\$ 3,196,463	Highest year CIP existing customers (fiscal year 2014-15)
\$ 750,000	Engineer estimate
<u>\$ 3,946,463</u>	Maximum target

### Actual reserve at fiscal year June 30, 2015

98,249.00

## SEWER

### Minimum Target

\$ 790,000	Lowest year CIP existing customers (fiscal year 2015-16)
\$ 1,177,000	Engineer estimate
<u>\$ 1,967,000</u>	Minimum target

### Maximum Target

\$ 2,810,000	Highest year CIP existing customers (fiscal year 2018-19)
\$ 1,177,000	Engineer estimate
<u>\$ 3,987,000</u>	Maximum target

### Actual reserve at fiscal year June 30, 2015

,789,56 .62

# Fiscal year 2014-2015 Budget Capital Reserve Connection Fee Reserve

## CONNECTION FEE RESERVE

### Connection Fees:

Provides funds for expansion-related capital projects caused by increases in new water and sewer customers. The connection fee reserves are restricted pursuant to Government Code Section 66013.

The water and sewer connection fee reserves shall equal one year's revenue.

### WATER

At the beginning of the fiscal year, the budgeted amounts will be set aside as a reserve.  
Fiscal year 2014-15 amount to be reserved is \$122,900.

#### Actual reserve at fiscal year June 30, 2015

122,488.00

### SEWER

At the beginning of the fiscal year, the budgeted amounts will be set aside as a reserve.  
Fiscal year 2014-15 amount to be reserved is \$228,488.

#### Actual reserve at fiscal year June 30, 2015

228,488.00

# Sewer

## **Personnel**

CalPERS 457 Deferred Plan:	5810
Employee Benefits:	5820
Disability Benefits:	5830
Payroll Taxes:	5840
Worker's Compensation Insurance:	5960
Management:	5910
Staff :	5920
Staff Certification:	5930
Staff Overtime:	5940
Staff Standby:	5950

## **Professional Services**

Accounting:	5610
Audit:	5620
Consulting:	5630
Data Services:	5640
Labor & HR Support:	5650
Payroll Services:	5660
Other Professional Services:	5690
Meeting Attendance, Legal:	5420
General Legal:	5430
Litigation:	5440

## **Facilities & Administration**

Alarm Services:	6335
Landscaping:	6337
Office Supplies:	5540
Postage:	5550
Printing & Publishing:	5560
Telephone & Internet:	5720
Other Administrative:	5790
Maintenance, Office:	5510

## **Engineering**

Meeting Attendance, Engineering:	6210
General Engineering:	6220

## **Pumping**

Pumping Fuel & Electricity:	6410
-----------------------------	------

## **Sewer Authority Mid-Coastside**

SAM Collections:	6910
SAM Operations:	6920
SAM Prior-Year Adjustment:	6930
SAM Maintenance, Collection System:	6940
SAM Maintenance, Pumping:	6950

## **All other Accounts**

Bank Fees:	5190
Board Meetings:	5210
Director Fees:	5220
Election Expenses:	5230
Conference Attendance:	5250
Information Systems:	5270
Fidelity Bond:	5310
Property & Liability Insurance:	5320
LAFCO Assessment:	5350
Meetings, Local:	5520
San Mateo County Tax Roll Charges:	5710
Mileage Reimbursement:	5730
Reference Materials:	5740
Claims, Property Damage:	6170
Education & Training:	6195
Equipment & Tools, Expensed:	6320
Pumping Fuel & Electricity:	6410
Maintenance, Collection System:	6660
Fuel:	6810
Truck Equipment, Expensed:	6820
Truck Repairs:	6830
Total Other Operations:	6890

# Water

## **Personnel**

CalPERS 457 Deferred Plan:	5810
Employee Benefits:	5820
Disability Benefits:	5830
Payroll Taxes:	5840
Worker's Compensation Insurance:	5960
Management:	5910
Staff :	5920
Staff Certification:	5930
Staff Overtime:	5940
Staff Standby:	5950

## **Professional Services**

Accounting:	5610
Audit:	5620
Consulting:	5630
Data Services:	5640
Labor & HR Support:	5650
Payroll Services:	5660
Other Professional Services:	5690
Meeting Attendance, Legal:	5420
General Legal:	5430
Litigation:	5440

## **Facilities & Administration**

Alarm Services:	6335
Landscaping:	6337
Office Supplies:	5540
Postage:	5550
Printing & Publishing:	5560
Fidelity Bond:	5310
Maintenance, Office:	5510
Telephone & Internet:	5720
Other Administrative:	5790

## **Engineering**

Meeting Attendance, Engineering:	6210
General Engineering:	6220
Water Quality Engineering:	6230

## **Pumping**

Pumping Fuel & Electricity:	6410
Pumping Maintenance, Generators:	6420
Pumping Maintenance, General:	6430
Pumping Equipment, Expensed:	6440

## **Supply**

Maintenance, Raw Water Mains:	6510
Maintenance, Wells:	6520
Water Purchases:	6530

## **Collection/Transmission**

Hydrants:	6610
Maintenance, Water Mains:	6620
Maintenance, Water Service Lines:	6630
Maintenance, Tanks:	6640
Maintenance, Distribution General:	6650
Meters:	6670

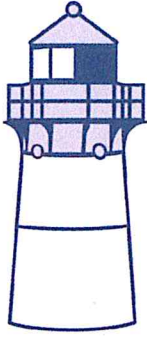
## **Treatment**

Chemicals & Filtering:	6710
Maintenance, Treatment Equipment:	6720
Treatment Analysis:	6730

## **All other Accounts**

Bank Fees:	5190
Board Meetings:	5210
Director Fees:	5220
Election Expenses:	5230
CDPH Fees:	5240
Conference Attendance:	5250
Information Systems:	5270
Property & Liability Insurance:	5320
LAFCO Assessment:	5350
Meetings, Local:	5520
Memberships:	5530
Mileage Reimbursement:	5730
Reference Materials:	5740
Backflow Prevention:	6160
Claims, Property Damage:	6170
SCADA Maintenance:	6185
Internet & Telephone, Communications:	6187
Education & Training:	6195
Equipment & Tools, Expensed:	6320
Lab Supplies & Equipment:	6370
Meter Reading:	6380
Uniforms:	6770
Fuel:	6810
Truck Equipment, Expensed:	6820
Truck Repairs:	6830
Other Operations:	6890





# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **November 5, 2015**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

A handwritten signature in blue ink, appearing to be 'Clemens Heldmaier', written in a cursive style.

**SUBJECT: Review and Possible Action Concerning  
Presentation from Opengov.com.**

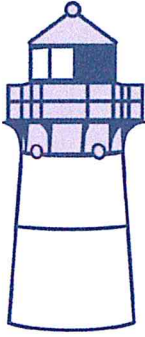
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At the request of Director Slater-Carter Opengov.com was invited to present their product at tonight's meeting.

## RECOMMENDATION:

This is for information only.

Attachment



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting of: **November 5, 2015**

**TO: BOARD OF DIRECTORS**

**FROM: Clemens Heldmaier, General Manager**

**SUBJECT: Review and Possible Action Concerning Salary  
Amendments**

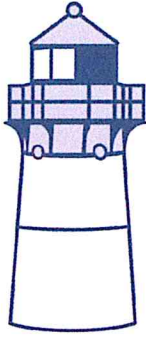
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Following Board authorization earlier this year, the General Manager and the District's employee-relations consultant engaged in discussions with the District's employees regarding salaries and fringe benefits. The benefits included consideration of a pension plan desired by the employees. The plan offered by the Public Agency Retirement System (PARS) was adopted by the Board in July, 2015. At the Board's October meeting the investment strategy and discount rate for calculating the employer and employee contributions to the Plan was selected by the Board. That allowed staff to calculate the percentage increase in salaries that would offset the cost to the employees for participating in the Pension Plan. That offset was part of the agreement reached with the employees through the discussions authorized by the Board. The percentage increase resulting from the selection of the PARS Plan discount rate and investment strategy approved by the Board together with a cost-of-living adjustment is 8.25 (i.e., 0.0825). The resolution accompanying this report sets out the new salaries and is submitted for Board approval.

The General Manager's salary may be adjusted per his agreement with the District. The adjustment recommended by the Personnel Committee is 5.7%, for an increase from \$167,756.50 to 177,402.51 per annum.

The 2015-2016 Fiscal Year Budget approved by the Board includes \$157,000 for payroll and associated PARS costs. Plan implementation, management and bank fees are estimated to cost \$13,000. Per the actuarial report, the District's contribution to the Plan is \$41,862. Thus, the estimated amount for the District's Pension Plan costs is \$54,862.00, leaving \$102,138 unencumbered in the budgeted line item.

The Budgeted amount for salaries is \$698,056.00. The recommended salary increase results in a total salary cost of \$697,204.57. Therefore the total cost to implement the Pension Plan and the recommended salary increase is within the budgeted amounts and no transfer of funds or Budget amendment is required.



# **MONTARA WATER AND SANITARY DISTRICT AGENDA**

**For Meeting of: November 5, 2015**

**TO: BOARD OF DIRECTORS**

**FROM: Clemens Heldmaier, General Manager**

## **RECOMMENDATION:**

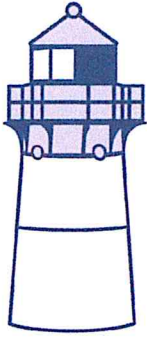
Staff recommends approval of the above salary increases via adoption of Resolution Adopting Amended District Salary Schedule and Approving Adjustment to General Manager's Compensation (Fiscal Year 2015-2016)

Attachments

DRAFT SALARY RANGE  
MONTARA WATER AND SANITARY DISTRICT  
July 1, 2015

Position	Salary Range	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
Operations Manager	\$133,026										
	\$96,000	\$106,518	\$109,181	\$111,910	\$114,708	\$117,576	\$120,515	\$123,528	\$126,616	\$129,782	\$133,026
Superintendent	\$124,669										
	\$99,826	\$51.21	\$52.49	\$53.80	\$55.15	\$56.53	\$57.94	\$59.39	\$60.87	\$62.40	\$63.95
Water System Operator	\$76,036										
	\$99,826	\$99,826	\$102,322	\$104,880	\$107,502	\$110,189	\$112,944	\$115,768	\$118,662	\$121,628	\$124,669
Maintenance Worker I	\$60,884										
	\$66,017	\$47.99	\$49.19	\$50.42	\$51.68	\$52.98	\$54.30	\$55.66	\$57.05	\$58.48	\$59.94
Account Specialist	\$60,884	\$60,884	\$62,406	\$63,966	\$65,566	\$67,205	\$68,885	\$70,607	\$72,372	\$74,181	\$76,036
	\$52,862	\$29.27	\$30.00	\$30.75	\$31.52	\$32.31	\$33.12	\$33.95	\$34.79	\$35.66	\$36.56
District Clerk	\$63,119										
	\$50,541	\$52,862	\$54,183	\$55,538	\$56,926	\$58,349	\$59,808	\$61,303	\$62,836	\$64,407	\$66,017
2.5 % step increases											
		\$63,119	\$63,119	\$63,119	\$63,119	\$63,119	\$63,119	\$63,119	\$63,119	\$63,119	\$63,119
Operations Manager		Increase 2.50%	1-Jul-14	Increase 8.25%	1-Jul-15						
		1.025	\$98,400	1.0825	\$106,518						
Superintendent		1.025	\$92,218	1.0825	\$99,826						
		1.025	\$56,244	1.0825	\$60,884						
Maintenance Worker		1.025	\$48,833	1.0825	\$52,862						
		1.025	\$46,689	1.0825	\$50,541						
District Clerk		1.025	\$46,689	1.0825	\$50,541						
		1.025	\$46,689	1.0825	\$50,541						
Operator in Training	\$18 per hour										
Temporary Worker	\$18 per hour										





# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **November 5, 2015**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

**SUBJECT: Review and Possible Action Concerning  
Appointment of Representative to the  
Association of California Water Agencies Joint  
Powers Authority Board.**

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The District provided Health Care for its employees at competitive rates through the Association of California Water Agencies (ACWA) Health Benefits Authority. This ACWA branch was recently consolidated with the ACWA Joint Powers Insurance Authority (JPIA) and this Board approved the membership with ACWA JPIA on April 19, 2012.

All Members of the ACWA JPIA have a representative on the JPIA's Board of Directors. The District is asked to appoint a representative to the JPIA's Board and also designate at least one alternate.

JPIA meetings are held twice a year during the ACWA spring and fall conferences.

**RECOMMENDATION:**

Designate a representative to the ACWA JPIA Board and at least one alternate.

**RECOMMENDATION:**

This is for information only.

Attachment

# JPIA Board of Directors - Member/Alternate

An excerpt from the JPIA Agreement:

## "Article 7 - Board of Directors"

- (a) The Authority shall be governed by the Board of Directors which is hereby established and which shall be composed of one representative from each Member, who shall be a Member director selected by the governing board of that Member. Each Member, in addition to appointing its member of the Board, shall appoint at least one alternate who shall be an officer, member of the governing board, or employee of that Member. The alternate appointed by a Member shall have the authority to attend and participate in any meeting of the Board when the regular member for whom he or she is an alternate is absent from said meeting.
- (b) Each Director or alternate of the Board shall serve until a successor is appointed. Each Director or alternate shall serve at the pleasure of the Member by which he or she has been appointed.
- (c) Each Director representing a Member, or his or her alternate, shall have one vote.

Please have your agency's Board of Directors designate a JPIA Director Representative and Alternate Representative.

Member Agency: \_\_\_\_\_

**JPIA Director Representative:** \_\_\_\_\_

Must be a member of the agency's board of directors.

Preferred mailing address: \_\_\_\_\_  
\_\_\_\_\_

E-mail address: \_\_\_\_\_

Phone number: \_\_\_\_\_

Assuming office date: \_\_\_\_\_

**JPIA Alternate Representative:** \_\_\_\_\_

Preferred mailing address: \_\_\_\_\_  
\_\_\_\_\_

E-mail address: \_\_\_\_\_

Phone number: \_\_\_\_\_

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Please mail form to: Attn: Bobbette Wells, ACWA/JPIA, PO Box 619082, Roseville, CA 95661-9082

or FAX to: (916) 774-7040