



**Montara Water  
and Sanitary District**  
*Serving the Community of Montara and Moss Beach*

P.O. Box 370131  
8888 Cabrillo Hwy  
Montara, CA 94037-0131  
t: 650.728.3545 • f: 650.728.8556

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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.*

# AGENDA

## **District Board of Directors**

8888 Cabrillo Highway  
Montara, California 94037

**February 6, 2020 at 7:30 p.m.**

**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 Finance Committee Meeting January 7, Regular Scheduled Board Meeting January 16, 2020.](#)
2. Approve Warrants for February 1, 2019.
3. [Monthly Review of Current Investment Portfolio.](#)
4. [Connection Permit Applications Received.](#)
5. [Monthly Water Production Report for December 2019.](#)
6. [Rain Report.](#)
7. [Solar Energy Report.](#)

## **OLD BUSINESS**

1. [Review and Possible Action Concerning Water System Reliability Charge Study.](#)
2. [Review and Possible Action Concerning Sewer Rate Study.](#)

## **NEW BUSINESS**

1. [Review and Possible Action Concerning Support for Natinal Stewardship Action Council's "Flushable" Wipes Issue.](#)
2. [Review and Possible Action To Amend Salary Schedule and Approve Adjustment to the General Manager's Compensation.](#)
3. [Review and Possible Action Concerning Cancellation of Next Regular Scheduled Meeting February 20, 2020.](#)

## **REPORTS**

1. Sewer Authority Mid-Coastside Meetings (Slater-Carter).
2. MidCoast Community Council Meeting (Slater-Carter).
3. CSDA Report (Lohman).
4. LAFCo Report (Lohman).
5. Attorney's Report (Fitzgerald).
6. Directors' Reports.
7. [General Manager's Report \(Heldmaier\).](#)

## **FUTURE AGENDAS**

### **CONVENE IN CLOSED SESSION**

### **CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**

(Government Code §54956.9(d)(4))

Initiation of Litigation

Number of cases: 1

### **CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**

(Government Code §54956.9(d)(1))

Case Name: *City of Half Moon Bay v. Granada Community Services District, et al.*

(Santa Clara County Super. Crt. No. 17CV316927)

### **REPORT OF ACTION TAKEN IN CLOSED SESSION, IF ANY**

### **ADJOURNMENT**

### **PARTICIPATION BY TELECONFERENCE**

The following Director will participate by teleconference in all or a portion of the meeting of the Board, including Closed Session, from the following locations:

Director Kathryn Slater-Carter – 616 Lake Shore Blvd, Incline Village, 89450 NV

Directors participating by teleconference shall post a copy of the Agenda at a location available to the public in the vicinity of the place of their participation. Members of the public will be allowed to participate in open portions of the meeting at the teleconference site(s). All votes taken during a teleconferenced meeting shall be by roll call.

The District has a curfew of 10:30 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 the 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 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**

**FINANCE COMMITTEE MEETING**  
**JANUARY 7, 2020**

**MINUTES**

**SPECIAL SESSION BEGAN AT 11:23 a.m.**

Directors Present: Dekker and Harvey

Staff Present: General Manager, Clemens Heldmaier  
District Clerk, Tracy Beardsley

Others Present: District Water Engineer, Tanya Yurovsky  
District Financial Advisor, Alex Handlers  
District Public Relations Consultant, Alison Kastama  
District Account, Peter Medina via teleconference

**NEW BUSINESS-**

**1. Review and Possible Action Concerning Water Rate Study**

General Manager Heldmaier: We had some staff discussions that resulted in this. There was also some staff discussion that is not in here, and we can talk about that.

Director Harvey asked what the purpose of the meeting is.

General Manager Heldmaier: We have a need to close our financing gap, get more revenue, and set rates by August 1<sup>st</sup>, which is the absolute deadline. The idea here is to collect a portion of our income on the water side through the tax roll, through this Water System Reliability Charge. We need to finalize it in June or

July. There is a 45-day Prop 218 notification period, so we have two months to go through this process and finalize how this Water System Reliability charge is supposed to look like. We will include the sewer rate study in the process as we go forward. Hopefully, next week we can show a very preliminary sewer study and kick that off. We are going to have water and sewer run parallel in a similar process. On the sewer side, we are assuming we are staying with the regular sewer service charges that are already collected through the Property tax roll. On the water side, this would be a first that we add to our bi-monthly bills an annual Water System Reliability Charge. The purpose for this Finance Committee meeting is to get everyone on the same page, so that we can make a united presentation to the Board at the next meeting. We want input from the Finance Committee today, and hope we can get this to a level that what we present to the Board at the next meeting we have your support. This process is uncharted territory for the Board; the Board has been very careful and very reserved in guiding us, and we are now under pressure to move this forward and make some decisions in which direction this is going to go. Hopefully, we can take care of some of these decisions, or hone them down a little closer, so that next week we can approach the Board with some very direct questions.

Director Harvey commented on the big increased needs for both sewer and water, and inquired as to why all of a sudden this is happening and where did this come from? Things have been going along smoothly for the last ten years, and the District had been replacing mains and pumps. He thought everything was moving along and they were in good shape. They had money from the GO Bonds and had taken a few loans and he thought they were on a steady ramp of increasing services, sewer lawsuit issue aside. Why haven't they been told about this before, and why all of sudden do we hear this at the last meeting with District Financial Advisor, Alex Handlers' presentation? What is going on?

General Manager Heldmaier: There is a combination of factors involved as to why we are looking at a more significant increase than usual. One of the reasons is increased regulatory pressure, which increases the projects that have to be done now, which the District would not have chosen to implement right now, because the State tells us to do so. The new treatment plant at the Airport well is an example. What you will see going forward next year, is Portola 4 Well rehab. That is something we would not have done right now. If we don't do it, the State will take action that is not in our interest. There are regulatory requirements. In addition, there are increased sampling requirements, sanitary surveys, field visits from the State. We have mentioned often the high turn-over of staff at the State level. We were elated to have a staffer that had been there for six months, and today we received a letter that this staffer is no longer there, and we have a new person. Then, before our last water rate increase and water rate study, you look at what it costs to undertake these projects. We did the last water rate study and Prop 218 process approximately 5-6 years ago, and at that time we were looking at pipe replacement costs of less than \$200 per foot, and now it is approximately \$400 per foot, which is almost a doubling of the project costs. What we also have

to take into consideration is the last Prop 218. That was a five-year Prop 218 where the Board set the rate increase at fixed 3% for 5 years. Of course, this was based on the knowledge of 6 years ago. But it turned out to be the wrong decision. One of the factors that was unknown when we looked at the prior Prop 218 process is that we assumed that there would be many more homes converting to our system from wells to our water system. We also thought we would see a much higher building rate, and expected a higher number of connections. Ultimately, setting the Prop 218 over a long period at inflation meant there was very little room to adjust that. And in reference to your comment about the Board learning about this at the last meeting, that is not true. This was clearly pointed out a year and a half ago. A year and a half ago, we went to the Board and said we are not receiving enough income and we need to go through this process. We asked to go through a Prop 218 at that time or continue with the 3% another year, and it was decided to go with the 3% another year. This process itself started in April 2019 when we first went to the Board saying we need to initiate this study and we have since been bringing this in regular intervals to the Board. So, this is well known to this Board for the last year and a half that our financial needs are much higher than what we receive.

District Financial Advisor, Alex Handlers: Some of this stuff has been known for a long time. On the wastewater side, you have issues with the SAM treatment plant. That is a big thing. People used to think there was a lower funding level and then they've done evaluations. This has happened with a lot of treatment plants. Now they realize there is a lot of substantial capital needs there.

Director Harvey: Twelve years ago, Tanya gave us a 10-point program for doing the plant, which was ignored, and now that is coming to roost.

District Financial Advisor, Alex Handlers: Had rates been raised more in the past, you wouldn't have to do as much now. But people have been paying higher levels all these years. It's always a balance, and what you are dealing with is what a lot of agencies are dealing with aging infrastructure. In the past you did fund what you needed to bring the system up to snuff, you've made some good improvements along the way, and now you just have a lot of infrastructure that is aging. So now, 20 years later, that facility that was new needs some rehabilitation and replacement.

Gregg Dieguez, Montara resident: I want to offer a perspective on this, because I have been doing research on this for the better part of a year. You may remember, I asked if we would participate in American Water Works Association survey. One of the things they have learned is that nationally rates on water are approximately going to triple and it is going to be worse out west because our infrastructure has not gone through one cycle of replacement as out east. Related to that, we are only throwing off \$100,000 a year in margin on 1.19 million of revenue on the water side. You know better than I, because I am not privy to the special meetings, legal costs, whatever exploratory expenses are going on with respect to the

broadening the water sources etc., but \$100,000 in margin is not enough to fund the asset replenishment. Here's the key point. When you have an asset, you have to save every year for the eventual replacement of that asset. I said this to Clemens and Tanya on a call. Like Big Wave is going to donate the pipe, but they are donating a burden. When you own something, you have to save every year for the eventual replenishment of that asset. I brought you tables and numbers showing you how large those numbers are, with the inflation rate in Public Works Construction, which is approximately double the consumer price index nationally. We have not been throwing off enough margin, because, as Clemens said, we kept the rates too low, we didn't include asset replenishment funding as part of what we were doing.

General Manager Heldmaier: An important point that Gregg pointed out at the last Board meeting, was this look backwards, and how we actually spent money on infrastructure in the past. What we have been doing on the water side, we took 8 million dollars in bonds, and spent those on infrastructure, and 4 million in SRF loans, and IBank loans. So, we utilized additional funding sources and always knew that the gap between the income and expenditures isn't really new; we were just able to fill it with other sources of funds.

Gregg Dieguez, Montara resident: It would be helpful for the rate-payers in the process of going forward with both the water and sewer to have a good assessment of what the other districts in the County are doing going forward, have been doing recently, to see how what we are facing compares and contrasts to theirs, rate wise and project wise. I think it would be interesting to see the capital replenishment. I heard a billion dollars in one of the San Mateo County sewer systems. This is not unique to us, but I don't think people are aware of it. We need to show the infrastructure deficit as we face here in the County, and what the rates have been doing and are going to be doing, before we go out and put ours out. It looks large, it is large, but it is not out of context.

District Financial Advisor, Alex Handlers: A couple quick points. I don't know if this is new, because I know from working here in the past, it has been brought in prior years Pippin came up with a number on the sewer side and Tanya came up with a number on the water side, so this is like a lot of agencies out there. There has been these looming aging infrastructures and you guys have been aware of it and have tried to factor it in. In the last rate study, there was meant to be more funding for capital but you had a little revenue a little higher operating expenses and all of a sudden what was available for capital get squeezed down to \$100,000. And policy decisions have been made along the way, that you want to keep rates gradual and affordable as possible. The second thing is that there are a lot of agencies dealing with this. There is a lot of aging infrastructure just here in San Mateo County... This is not all new. On the sewer side, the last time there was a rate increase, there was an acknowledgement there had to be steep rate increases over time, and the decision was to gradually take steps in the right

direction. The Board did take two substantial steps in the right direction, of at the time it was presented as more of a 5-year phase plan.

General Manager Heldmaier: The sewer side is a little bit different. All of the cost increases for projects, for example, all of that applies. On the sewer side, everything that we just talked about on the water side applies to this agency. Our project costs increasing, SAM's project costs increasing. We have a need to ensure that we keep up replacing the infrastructure before it fails and it is getting more expensive. But we see there is a temporary increase in cost due to lawsuits. When you look at rates, they are eternal, but it is a little blip that is happening with the costs. There is a harder effect of deferred maintenance as here in this District, meaning there was critical infrastructure not replaced over the last ten years at SAM. There was hardly anything replaced. And another important factor is the Operations and Maintenance budget has increase over 60% in the past years. The reason for that we will have to talk to the SAM reps.

Director Harvey thanked everyone's explanation.

District Financial Advisor, Alex Handlers stated they need to articulate this better without making it too complex.

Allison Kastama added that there is a 2 million dollar need today. What we are trying to find with the rates is a way to get us closer to filling that gap. Everything is aging and there is a continuous need. How do we move us closer to getting us something in progression that is going to get us to where we need to be so we can do the projects and have the funding?

District Financial Advisor, Alex Handlers: And you are not a point where your backs are against the walls. It's not an emergency, where you need to start funding 5 million dollars next year. The goal is to be proactive with this. You are doing this on the sewer side, and the goal is to do it on the water side to get ahead of the game, look long term, identify the funding needs, and start getting the revenue streams in place.

General Manager Heldmaier: I'm going to disagree with the urgency. We had to transfer \$500,000 from the sewer side to the water side to survive this fiscal year. if we don't see a change by the next fiscal year, we are going to have huge problems. When we say we need the 2 million dollars and we need it now, we mean it.

District Financial Advisor, Alex Handlers: Fair enough, and that is what started this whole process. Clemens saying that we have been gradually raising rates gradually for 10 years now. You have a small community, so your rates tend to be higher, than a larger community... you don't have the economies of scale and the commercial and industrial contributors. So, your rates tend to be higher. And you have lower water use, so it is a higher cost per unit, but people conserve water.



General Manager suggested that an overview/background be the first point made for next week's presentation.

Director Dekker suggested they also include a comparison of rate increases over the past 5 years in San Mateo County and how much higher it is than what we are proposing now.

District Financial Advisor, Alex Handlers: It is, but they all started from a lower place. At the end of the day, when we look at surveys and stuff, the rates tend to be higher for smaller coastal communities. A lot of other agencies just have more economies of scale and a diverse customer base. However, we can certainly put together some information on what some other agencies have been doing to try to address some things you need to address which is this long-term replacement of aging infrastructure. We originally started this with the old rate study—it was at the end of its game. The rates, in hind-sight, could have been higher, but we looked at the alternatives, and there is always a balance of competing objectives from wanting to raise rates to meet all the funding needs, to wanting to keep them as affordable as possible. Often agencies aim somewhere in the middle. This Board has always been responsible in the past, and as Clemens said, things don't always work out as planned. You are an agency where it doesn't take much to-- a \$100,000 here and there, and your capital funding disappears. This started as a water rate study, but it quickly became apparent that what is really driving the need for these funding increases is the capital needs. So, working with the prior Finance Committee, and some of your Board meetings too, this is all about funding the infrastructure, and it was pulled out of the regular water rate increases and we really need a separate capital charge.

Director Harvey said that his impression and other peoples' impression will be an all of sudden hit, despite the fact that we talked about it before. The timing is bad, and huge mountain to climb. That is what it is being presented as. He told Alison that they need to smooth that wall as best we can.

Alison Kastama: I would add, we talked in previous meetings. I think we can show the GO Bond money allocated to capital improvements has been spent, and we need that narrative and messaging for you guys to say when we bought the system, we spent a chunk to do this type of investment. That has tapered off, just as the expense of the Bond has tapered off and the District needs to continue that effort. So, we haven't articulated that in recent years of that need because people are conscience about costs and impacts. And that is where we need to continue growth and income revenue so this District can maintain that level of infrastructure investment.

General Manager Heldmaier: Maybe we should start with the history first and we have some conceptual numbers of how much was spent in the past, on what, and where did the money come from.

District Water Engineer, Tanya Yurovsky: Basically, in the last 15 years, the District spent, on average one million dollars every year. Now it is two million.

Gregg Dieguez, Montara resident: You spent a million a year and it was borrowed money, in large part, and you had to pay interest on that.

District Financial Advisor, Alex Handlers: But a very low interest. Some of these interest rates are not much higher than inflation.

Gregg Dieguez, Montara resident: Ten years at 3% a year is 30% compound. The interest cost is coming out of the capital available for investment.

General Manager Heldmaier: And that is also part of the O&M budget, now, paying back all the loans. So, there is a huge portion of our O&M budget that is burdened with paying for the work that we did the past ten years.

District Financial Advisor, Alex Handlers: It is a very good question and a good point about the community's feeling. We already covered the background. You have 2 million a year of replacement funding needs on average, the current rates only generate a \$100,000 per year, and the total revenues of the current rates is only a little less than 1.9 million a year. So, it is like the rates need to double. But, no one is proposing to do such a big bump overnight. The goal is to get the charge established, take a good step in the right direction, understanding there will need to be additional steps in the future. And there may be opportunities to do that. For example, when the GO Bond reaches final maturity in roughly 8 years or so, all of those charges that are falling off peoples' property tax might be an opportunity where this charge can have a bump up without increasing the annual cost people are paying too much, but it would mean more money coming to the District for capital. So now it is a separate dedicated funding source for the capital needs. For the billing method, we covered with the prior Finance Committee, so now it is good that we have new people involved so we have a number of Board members intimately familiar. We talked about if this should be a bi-monthly charge. This is benefiting all the property owners; they benefit from the infrastructure. We can put it on the property tax rolls and it is not a bill that people are paying every month.

Director Harvey: We talked about a combination at the last meeting.

District Financial Advisor, Alex Handlers: It could be a combination too. It adds some complexity, but you can keep it on the tax rolls. We originally talked about a fixed charge per home. But then in subsequent conversations, in hearing from some members of the public, there was a desire for a hybrid charge with a fixed component and a volumetric component. So, everyone has to help pay to rebuild the infrastructure. If someone is using less, they get a break, and they pay a little less than a higher user who is putting more demand on the system. How much should the charge generate? Ideally, I would be great if we could get two million a

year out of the gate, but there is the balance of competing objectives. Your rate-payers would not be happy if their rates double overnight. There are opportunities to step up funding in future years. So, the goal is to take some steps in the right direction similar what you did on the sewer side, phasing in rate increases. On the water side, just getting the charges on the books is a big step in the right direction, even if it is not at the final endpoint. It will be a significant increase, and I think the community would prefer to step it in over time. So, we came up with options from \$500,000 to 2 million of funding. It sounded like the initial preference from folks is something more politically palatable. We came up with some draft options that show \$500,000 and one million. It is a work in progress, it is not the end game. We wanted to show you what the numbers look like. The next thing is how would these charges work? What do you do with accessory dwelling units, Pillar Ridge, and multi-family units? I think the preference from talking behind the scenes with staff and the prior Finance Committee, let's just keep it like our current rates, with a fixed charge based on meter size, and have a uniform volumetric rate that applies to all the use instead of tiers. There are reasons why you have tiers in your rates, but for this capital funding it could be a fixed charge for meter size, and a uniform volumetric charge based on prior year winter water use. You can tally up that prior winter water use, and it would go on the following year's tax rolls. There is an infinite way of doing these charges. We are trying to hone it in so we can bring something to the Board. Two of the options that we ran for this time, is 2/3 fixed, 1/3 volumetric or 65% fixed revenue recovery and 35% usage-based revenue recovery and we included another option 50%/50%. So those are what we have here; there are more to it...

Director Dekker said the first step in the overall direction should be to decide what funding level they want. If we look at the one-million-dollar goal, we are looking at approximately \$530 dollars. He thought that is a reasonable step to take, but it should be less for people with low incomes. They should find some way to make it easier for people with lower income to deal with this charge.

Gregg Dieguez, Montara resident: So, this is why I brought a page that has the decision criteria on it. Because as I mentioned at the last meeting... I asked for a projection of the reserve balances over time. How do you answer the question, without showing the new rates, here are the chunks of capital payment coming out, and here's what is left. A financial analysis has to show the projected reserve balances in order to answer your question about is it enough?

General Manager Heldmaier asked for clarification.

Gregg Dieguez, Montara resident: You have a financial projection--we have all these rates and they are going to generate revenues going forward year by year. As they go forward, you are going to be subtracting chunks of expenses, what is left will determine what is left in the reserves. So, to answer his question, "do we have enough money?" show me what is in the reserves, after you do the calculation on revenues collected, expenses, capital expenses, and what is left.

District Water Engineer, Tanya Yurovsky: The affordability factor here, which is not listed in your criteria, the Board and the community is not ready for that kind of reserve and expenditure. We are not going to get that money. We are talking about a quarter of what we need. So, we will be continue kicking the can down the road.

Gregg Dieguez, Montara resident: Can we at lease see how much we are kicking down the road?

District Water Engineer, Tanya Yurovsky replied that it is in the CIP.

General Manager Heldmaier: At all times we need to make sure our reserves are full. That money should be set aside, and should be in reserve. I understand it is not. You are asking the difference of what we currently have in reserves and what is our goal—the minimum goal and how do we add that into the rates?

Gregg Dieguez stated that it is a line on the spreadsheet.

District Financial Advisor, Alex Handlers: There is this idea that we are going to be building up the funds, paying projects, and collecting revenues and spending down and what happens to the fund balance. As Tanya pointed out, if you were collecting 2 million a year, you might build up and spend it down. What is being proposed here is not the full solution.

Gregg Dieguez, Montara resident: Show us how short we are. Show us the numbers.

General Manager Heldmaier: We will show that at the next meeting. We will have a six-month finance review. So, at regular intervals we bring to the Board, what is our reserve goal and reserve level. So, at the next meeting this will be part of our six-month finance review.

Gregg Dieguez, Montara resident: It is part of the decision criteria. The financial sustainability for the rate study. Why isn't there a line on the spreadsheet showing end of year reserve balance year by year, along with the revenue projected and the capital expenses?

General Manager Heldmaier: I don't think you need to do this year by year. You just need to include the amount to bring it to the amount needed, study or not. What Tanya is saying you can't do it all.

District Financial Advisor, Alex Handlers: It would be very easy. It was already presented at the last Board meeting what our funding need were per year. I agree with Clemens, I don't know how useful that is. We know the funding needs are 2

million a year, and we are only collection \$500,000, so you would just see what the deficit is.

Gregg Dieguez, Montara resident: The obvious implication is that you are going to need bridge financing, but you are not addressing how much you are going to be short.

We talked about this in another Finance Committee too. There is probably going to be a need for bridge financing.

General Manager Heldmaier: Maybe, but we can also save up.

Gregg Dieguez, Montara resident: Without calculating the number and looking at it, how do you know? And how can you call it a plan if you are not projecting forward?

General Manager Heldmaier: We are projecting forward in the 5-year CIP. And what we are projecting in the 5-year CIP is the next fiscal year.

Gregg Dieguez, Montara resident: Why not project 5 years of reserves?

General Manager Heldmaier: We are looking at 5 years. What we are approving for the 5-year CIP, we are agreeing on doing the projects that are in year one. The following year, we look at the CIP again and make adjustments. It is always something that needs adjusting; it is a living document.

District Water Engineer, Tanya Yurovsky: The District is a publicly owned enterprise. Say we have a drought, the revenue that comes in is different than during wet years. The District is dependent on the regulatory climate, weather patterns, etc. We can do this. But then the smart people like you will come and say "you said it would be this on this date, and it is something else."

District Financial Advisor, Alex Handlers: What if there was a pipeline break? It changes your priorities.

Gregg Dieguez, Montara resident: All I'm saying is we are here because we failed to look ahead. We failed to quantify the asset replenishment requirements and show what we are going to need and how it affected potential reserves going forward.

District Water Engineer, Tanya Yurovsky: I take exception to the word "failed." The District did not fail... This District exercises due diligence, good care, and always did the right thing. The Board members were very concerned about the rates and they did not want to burden their customers. That is what happens until we just couldn't do it anymore. We went along because that is what the legislation was. Looking back at the last 15 years was a tremendous success, and saying we failed, I'm sorry I take exception to that.

Gregg Dieguez, Montara resident: I didn't mean to imply the District has failed. We don't have reserves—lets put it that way.

Director Harvey: Peter, let's get back to your question.

Director Dekker: I said one million. An what is your opinion whether this \$550 charge that will be put in the property tax bill without too much trouble is reasonable and what we should do to alleviate to lower that amount for those that can't afford it. I think Clemens had some ideas.

General Manager Heldmaier: We always have to keep in mind we have the Pillar Ridge community, which is 20% of our population. They are in a different situation, because they own their own water distribution system and get water from us through one source one meter. That is one angle that we have to consider. There are a lot of families and retired folks—it is this fixed income story. The problem with Pillar Ridge, that we have already found with the existing water rates, the way we look at the meter charge, an elegant way of charging Pillar Ridge as our single customer, which allows Pillar Ridge to charge the individual water user in Pillar Ridge less than a regular water customer from us. If we are looking at this implementation through the meter charge, through the meter size, they would a significant benefit. I think we have some good ideas on how to take care of Pillar Ridge, and reduce the impact to the Pillar Ridge customers. Now we have to talk about what we can do with the folks on fixed income, and living in the community and house that they have owned a long time, and are now burdened with this huge increase. It is my understanding that we can't create a rate that is based on social or economic class. We are currently prohibited from that. The State is working on loosening this up. Maybe when we look at this again in two years, we will have a tool that we can apply directly. Right now, we don't have that.

Director Harvey: What options do we have to give them a break?

Director Dekker: We have the income from the tower here.

General Manager Heldmaier: We have discretion on certain funds. We can't use anything that has anything to do with income from rates and property taxes are problematic as well.

District Financial Advisor, Alex Handlers: I think property taxes are okay. Under Prop 218 you can't overcharge one customer to give some one else a break. You have some external funding sources that the District is bringing in. Most attorneys, not all, are comfortable using those external funding sources at the Board's discretion to help fund a discount for some folks. San Carlos is doing that with some of their city general fund money to help fund a discount on their sewer rates. You can use the cell tower lease, property tax revenues if you want to. You are doing multiple things to help lower it, one, you are not generating two million out of

the gate; two, with the way Pillar Ridge is being charged. They do have their own distribution system. But it is a lot less than if they were being charged the same charge per dwelling unit that everyone else has to pay. It is a lot less to pay for one 4" meter. The third thing is adding this usage component, allowing users to have ownership of how much they are using. On top of all that, you can do some additional low-income discount. However, in doing that, it means less money for other District needs. That is a policy choice.

Alison Kastama: None of the rate decisions, whether it goes on the property tax or if you change your rates, none of that money could assist the low-income customer. You could not in this process. It would be other funds that you have and you are not changing.

Gregg Dieguez, Montara resident: So, the study Alex presented with the usage charge, is that in addition to the existing water rates? It wasn't clear. Have we considered the existing water rates in your projections in addition to this? Financially it is clear to me, given my background, the District has risk because of the variability of the water rates when the capital expenditures are fixed. We need to move to something that has a more stable capital component, and I don't know without projections of the reserves going forward how much money we need. Does this study include both the existing water rates and the new one?

General Manager Heldmaier: No, this is only the new one.

Gregg Dieguez, Montara resident: Why not holistically look at both?

District Financial Advisor, Alex Handlers: We did look at both and the decision was made to focus on this as the revenue increase for the capital needs. Your water use has been relatively steady, and incredibly consistent because people have already cut back substantially in this community. That is a different issue. Do you want to change your water rate structure with higher fixed cost, and less usage charges? One, that is a different issue. It does add more revenue stability, even though your usage is pretty stable. But it also puts more funding responsibility on low users. There are pros and cons to all of these things. The decision was at this stage of the game is your water rates are generating a little extra that are being applied to capital now. If you do this, you don't need to also do a water rate increase. But you will continue to monitor it as you have been doing. We started this as a water rate study, but you don't need to do both.

Alison Kastama: Let's say the Prop 218 is going out with this as a property tax, so you will have that chunk. Are your regular rates going up 3%?

General Manager Heldmaier: We talked to the Board about this, and it was suggested that we keep the existing rates stable for this process, meaning not at this time.

Director Harvey: I agree with that.

District Financial Advisor, Alex Handlers: And if you need more money, just make this charge higher. The rates will continue to be evaluated periodically.

Director Dekker: The regular rates are going up 3-5% per year which is what we have done over the past few years, where as this is going to be an addition and this is what will create the reserve fund that in the beginning will be creating a million dollars a year and then down the road perhaps we add another million dollars by coming up with an additional charge in replacement of the bond that will be falling away. That will be a possibility.

Alison Kastama: I think what we are talking about is a capital fund. This money from the property tax will produce a capital improvement investment fund separate from a reserve policy for what you need for a regular budget. It is a two million dollar a year need, already in evidence and you are going to be getting a million dollars which is half way there and you will have that to spend.

Director Dekker: And then at some point, we can ease it in to replace some of the bond payments, we have another charge coming in to get to the final endpoint. And of course, it is never an endpoint. The other thing to consider is we are only talking about water now. We have a much bigger problem with sewer. So, lets get this one out of the way.

Director Dekker asked Lisa Ketchum her opinion on the charge. She said that it is inevitable, and she is mostly focused on Pillar Ridge and the agreement they have with MWSD. She appreciated what Clemens said, and that it was acknowledged that Pillar Ridge had their own distribution system. She also stressed that they gave up their water rights. They were paying their water bill to the park, it was part of the budget, and they gave it up. The larger community may not understand. The wells are right there too. All you have to do is pump it, the water is a gift, treat it, and you are done.

General Manager Heldmaier stated he agreed and they can certainly mention it.

Director Dekker wanted each person to state their opinion on the funding level.

Gregg, Montara resident: I've already said I don't know if it is enough because I don't see the projected reserves (I use the term reserves generically, because the reserves include capital reserves). Let's just look at the capital fund reserve...

General Manager Heldmaier: In reference to the reserves, I am thinking of our water treatment plant. It has a little reservoir in front of it to smooth out the flow. We have a treatment plant that needs to run at 70 gallons per minute. So, this is our two million dollars that needs to be spent every year and put that in the ground for the treatment plant and you have a little reservoir in front of it—that is your



reserve. Rates are coming in and they are in the reserve pond, so the reservoir just allows us to ensure the treatment plant is running at all times and we don't lose production because that pot is empty. That is the reserves. What we have to make sure is that there is always money available and that cash flow problem, looking at that now going forward in the future. The more you are projecting into the future, there is a higher probability for error.

District Financial Advisor, Alex Handlers: Just one more thing I want to mention, what you are going forward with these charges would be in the Prop 218 notice, so even if you went out on the million dollar fee in your Prop 218 notice, that would represent the maximum charge you would be able to charge.

District Accountant, Peter Medina: I see Gregg's comment about wanting to see it in the document itself. I understand what Gregg is asking for, and there are a number of moving parts as Tanya said. If you look at what our 5-year CIP budget, you would see that every year as part of the budget process, we are presented the 5-year CIP from Tanya and Nute (sewer side), and it is reviewing what the finances look like. We don't have any external financing sources outside Operations. In terms of the capital reserves for the water fund, it is a shade under \$400,000 as it has been for the last number of years. To put in there what we anticipate the reserve balance to be in 5 years or with the rate increase as it is and was ever chosen for the rate study is going to be nearly impossible because of the various factors. If the project doesn't go through, and it hops a fiscal year, I don't see how we can accurately say what the balance is going to be because of the unknown nature of what projects are going to get off the ground with the current funding that we have. If this water rate is included, it will be for fiscal year 2021. To build up reserves to take on a project, for example the storage tank rehab program, that is \$555,000 scheduled for 2021/2022 and 2022/2023. That project has been on the CIP for a number of years. We just haven't had the funding accomplish it. It is always a wish list. As Tanya says, they need to address red level projects—things we have to do now, that shapes where we go with the current year project and also has to do with what the funding levels are. We don't have a lot of reserves for CIP for the water fund. It has been this way for a number of years. The sewer has funds, but that is being depleted with the large project on the Cabrillo Highway. It would be very difficult to project out and we are opening ourselves to ridicule to state what our reserve levels will be and have it be no where near that after 5 years. That is what we have seen with the water rate study. The water rates that were approved were no where near that in terms of the revenue coming in with all the factors you guys have been discussing. I don't know how we would say bottom line this is what our reserve balance will be after 5 years, in 5 years, or anywhere along the lines of those 5 years.

Director Dekker: Peter, Alex had an idea. We are talking about ball park numbers and an excel spreadsheet. We have a replacement need list here that covers the years 2020 to 2040 and it should be relatively simple to say what the incoming

monies are that is going to be specifically for the asset replacement, how difficult is it for Alex to make a ball park spreadsheet and show us what we expect?

District Financial Advisor, Alex Handlers: It would be very easy with a few grains of salt as no one can predict what is going to happen.

Gregg Dieguez, Montara resident: I talked to the Director at the Suburban Water district and Dave Dickenson at CCWD, whose reserves are high and they have what is called an Asset Management Plan. You look at every asset in the system, you look at the age of it, and every year you save a little bit toward every asset. What we are discussing is funding what we can see concretely in the next 5 years. We are not talking about a little bit of savings that we are going to have to add up for everything else that is beyond 5 years. That is why I have this huge spreadsheet in front of you showing you, for example, the Big Wave pipe, if you don't fund it by the end of 40 years, its 12 million dollars if it starts at 3 million. So, you have to save a little bit every year for asset replenishment for every asset that you own. I can give you a copy of the American Water Works Association guidelines on this. So, looking at your concrete short-term 5-year needs is great, but it is not enough.

Director Dekker asked Tanya's opinion about the funding level. She stated that the two million is preferred, but understands it is not reasonable and the impacts to the community have to be considered. She agreed that the one million was an excellent choice.

Director Harvey stated he was for the one million.

General Manager Heldmaier: From my perspective if we go forward with lower funding level it is very clear that we have to repeat this look at our finances at least every other year, if not every year. If we are going for a higher funding level from the beginning, we are increasing the hole less. Growth will be slower. Also, if we go out for a \$250 increase or a \$500 increase per customer, the impact is significant for the customer, and we will see heavy resistance if it is \$250 or \$500. So, my opinion lets go for the \$500.

Director Dekker: I think it is reasonable to assume that we will get a lot of protests whether it is \$250 or \$500 dollars. And since it is so necessary to catch up on there where we left off which we have neglected to do over the past few years, we should just go and admit the million-dollar step is reasonable.

District Financial Advisor, Alex Handlers: That is a big step in the right direction. It is a significant chunk and you are going to get push back either way. When this is brought to the Board the other Board members may have different ideas, if you start at a million, you can say okay we are going to adopt a million, but the first year we are going to start with \$500,000 and phase it in over two years. You have ability to do things like that as well depending on what course things takes.

Director Dekker: Of course, looking at the bigger picture, this is only one of our problems. Our problem is to stay financially afloat. We have the sewer coming up that we still have to deal with, and we don't know what the impact of that will be because we haven't seen the financials.

General Manager Heldmaier: We did look at the financials two years ago, and we understood back then that we would have to do more heavy lifting and the conditions haven't improved for us.

Director Dekker: Lets agree that we take this first step and then tackle other problems down the road, knowing that at least this one has been put on a time schedule of implementation.

It was decided to show the Board only one and two-million-dollar level.

General Manager Heldmaier: It is really important to show the two million because that is the real funding needs.

District Water Engineer, Tanya Yurovsky: We should continue saying that, so people can't say we never told them. Obviously, we were too soft-spoken about this.

Director Dekker: If we can get the Board to agree to the two million, then under the Prop 218, we can always say we will start with the one million.

District Water Engineer, Tanya Yurovsky: If we don't talk about it, we will never get it.

Lisa Ketchum, Moss Beach resident: It is a good idea—one million and two million- - to get it out there. Then people won't say you didn't know then, now you need twice as much. We know we need two million.

General Manager Heldmaier: With the A and B option, introducing a variable charge is a headache for us. It means a lot of staff work; we would have to look at the annual consumption of each individual customer multiply that by the rate we are setting. And on top of that it introduces an uncertainty, meaning we collect more or less of our goal, and it will probably be less.

Director Dekker suggested a fixed charge.

District Financial Advisor, Alex Handlers: Clemens is pointing out that with changes in water usage, revenues will vary. Both of these cases have a substantial fixed component. The two options are, the fixed charge of 65% fixed, and 50% fixed. You are always going to get at least that and on the volumetric

side, your water use doesn't change that much from year to year, so you are always going to be close to it.

General Manager Heldmaier: I understand the Board and the public see some benefits of the volumetric charge. However, I think there are advantages of one single unified fixed charge, because it is much easier on us, meaning we don't run into unanticipated expenditures due to this complication. This may involve more work with Fred Weber (EDS program) which may add another \$15,000 per year. This also goes back, in general, we think the 70/30 split (70% volumetric and 30% fixed) on our regular rates were not the best split that we chose. We have been thinking for a long in changing this to perhaps 50/50 split. So why aren't we now saying we leave this alone, we have the 70% uncertainty and we introduce a new rate and we know we need the money, and why don't we leave it as one fixed component. I think we should at least give the Board this option.

Lisa Ketchum, Moss Beach resident: From the customer perspective, you are charging volumetric monthly. That is for the people that live there, and it is appropriate. The unfairness is when you do an annual charge after the fact, based on volumetric usage. What if some one new moves in? They are stuck with that.

General Manager Heldmaier: You are right. The home owner has to pay this charge as we collect it through the tax roll. If you have a renter on your property that is using a lot of water, the home owner has to pay for it.

Gregg Dieguez, Montara resident: I want to support Clemens on this this. From a financial risk profile, we don't want variable charges. The entire industry is plagued by this, it is a national problem. People end up cutting back on their consumption. In addition to the complexity that the staff faces, there is an increased financial risk to the District. Also, the costs of assets are going to go up every year. The numbers presented are 2019 present value. Whatever you do in the rate setting, should include an inflation escalator in this proposed charge that goes up every year at the cost of Public Works construction.

Director Harvey: What is the fixed cost for a million dollars?

District Financial Advisor, Alex Handlers: It would be roughly \$530 dollars a year, about the same. Originally, that is what we talked about. However, in subsequent conversations including the prior Finance Committee and public, the customer has zero control over the charge. It sounded like the community liked the notion of having it usage based, so people using a low amount of water get a little benefit.

Gregg Dieguez, Montara resident: We get a break on the water rate. This is a capital charge. There is no less infrastructure required from my house than from anyone else's.

District Financial Advisor, Alex Handlers: Well, that's debatable.

Director Dekker: I am not in favor of the split. I am saying 100% fixed.

Director Harvey stated he was in favor of a fixed charge. He asked Alex Handlers to explain what the fixed charge would be.

District Financial Advisor, Alex Handlers: These tables assume both fixed and hybrid charges. The top generates the fixed charge if you are targeted one million a year, and on table one look at the far-right column on table one, you have a fixed charge geared toward targeting a million dollars per year. This first option shows 65% fixed charge revenue recovery, which means you are recouping \$650,000 per year in fixed costs. That is divided by the number of meter equivalents, which account for the fact that a larger meter has more capacity than a smaller meter, and it comes out in this example, the base meter size is \$363 dollars, and the charge is higher for larger meter sizes, based on the capacity of those meter sizes in relation to that. Then the next section down, calculates the water quantity charge, and in this sample, it is 35% of a million dollars that needs to be generated from the usage, so that is \$350,000 dollars. The next line down shows an average usage of 120,000 units per year, which comes down to a charge of \$2.91 per unit. So, now we have the charges the residents would pay. The fixed charge if they have a 5/8" x 3/4" meter, which is 95% of your accounts, they pay a fixed charge of \$363 dollars plus a usage charge, in this example, of \$2.91 per unit of water. At the bottom, the total combined charge that people at different levels would pay. The low use customer pays an annual charge of \$470 and the average is about \$530 dollars.

Director Harvey asked for clarification of what the fixed charge would be.

Gregg Dieguez, Montara resident: It would be \$530 dollars for the fixed charge.

Alison Kastama: If you take option B, and look at the last column, and you see numbers in that first box starting at \$279.33 down to \$6983.25 you would basically double those. That would be the total fixed per meter for one million dollars. So, for the vast majority of your customers it would be \$560 dollars.

District Financial Advisor, Alex Handlers: So, it would be \$560 dollars, and not \$530 as previously stated.

Director Dekker: Gregg says that is good and well. What about inflation? The \$560 dollars will become less as time goes by as you move forward.

General Manager Heldmaier: We will be looking at this soon again. Not more than two years for sure. So, if we are saying we are looking at 2019 dollars, \$560 then in 2021 we will start this process again.

District Financial Advisor, Alex Handlers: There is under the government code now you are allowed to include in your Prop 218 notice, the notion of an automatic inflationary pass through that would happen every year. And each year you implement that pass through whether it be the ENR index, the Engineering Construction Cost Index which gets used for capital. If you are doing this automatic inflationary increase you can do it for up to five years in a Prop 218 notice, and you have to send notice every year to the rate-payers each year that you raise it 3% or whatever. You have to inform them 30 days before. It would be just an informational notice, not a Prop 218 notice. If you did a million you would be able to escalate it, let's say 3%, every year for the next five years. On the other side of the coin, is that really getting you much if you know it is adding antagonism from the rate-payers? Is it worth doing? It is a policy decision.

General Manager Heldmaier: If we are doing this every two years, we can address it then.

District Financial Advisor, Alex Handlers: The benefit is that you will be able to phase the rates, let's say 15% over five years without having to go through another Prop 218 rate increase process. It will generate another we'll say another \$150,000 dollars per year at the end of five years. Is that worth it by putting it in there and sending a notice every year?

Director Dekker: If we are going to be reviewing this every two years, it is really not necessary.

Director Harvey said that they have made good progress, and the Finance Committee will present this to the Board on Thursday.

District Financial Advisor, Alex Handlers confirmed that he will come up with a fixed rate option, showing one and two million dollars, no volumetric charges, a background history, and propose it to be effective until the Board decides to take action again to increase it.

Alison Kastama: With the expectation that it is for two years, and will be coming back.

Director Harvey said he would work with General Manager Heldmaier on the background information.

**SPECIAL MEETING ENDED at 1:00 P.M.**

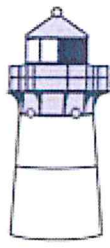
**ADJOURNMENT**

Respectfully Submitted,

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

Approved on the 6th, February 2020

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



**Montara Water  
and Sanitary District**



## **Water System Reliability Charges**

*Draft Options for Discussion*

*January 7, 2020*



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS





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## Montara Water & Sanitary District Water System Reliability Charges Preliminary Findings & Issues for Discussion

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### Background

- **Capital funding needs driving the need for additional revenues & rate increases**
  - Engineering analysis identifies need for roughly \$2.0 million per year of capital investment to keep the water system in good operating condition over the next 20 years
  - Funding needed for rehabilitation and replacement of aging infrastructure and upgrades needed to address deficiencies and support long-term system reliability
  - Many other regional agencies are facing similar challenges with aging infrastructure
- **Water rates are inadequate to fund water system capital improvement needs**
  - Water enterprise currently generates minimal funding for capital needs
  - Major capital projects historically funded via debt issuance (GO Bonds, SRF Loan, Equipment Lease)
    - District has taken advantage of low-rate funding programs and refunding opportunities to minimize interest rates and debt service)
  - In recent years, Water Fund has had to rely on a fund transfer from Sewer Fund to help cover expenses
  - Water rates currently generate about \$1.9 million per year
  - Rates would need to roughly double to fund the full \$2 million per year of water system funding needs
- **Water rate history**
  - In 2010, District adopted substantial decreases to fixed service charges coupled with larger increase to water quantity charges and transition from 2-tiers to 4-tiers
  - Since 2010, District has mostly implemented relatively small or inflationary rate increases almost every year to keep revenues in line with rising expenses
  - Accounting for inflation and reduced water use, many customers are currently paying roughly the same in inflation-adjusted terms as they did back in 2010

## Water System Reliability Charges

- **Purpose:** Dedicated funding source for water system capital investment needs:
  - Rehabilitation & replacement of aging infrastructure
  - Ongoing upgrades to address existing deficiencies
  - Support long-term reliability & fire protection
  - Can be used to supplement the minimal level of funding from regular water rates
- Regular bi-monthly water rates would continue funding operating, maintenance, and outstanding debt service
  - Regular water rates may also provide a small supplemental level of capital funding
- **Billing Method**
  - Preliminary preference for collection via the County property tax rolls
  - Nexus: The charge benefits all properties served by the District that benefit from access to the District's water system
  - Charge can be implemented starting fiscal year 2020/21
  - Property owner responsible for payment (not tenant)
- **How much should the new charges generate?**
  - Options developed for \$500,000 and \$1,000,000 of revenue recovery
  - Amount is lower than long-term funding needs, but would be a substantial step in the right direction and get charge established
  - Potential to phase in charge increases in future years
  - Outstanding GO Bonds reach final maturity on 08/01/28; this may provide opportunity for District to increase the proposed charges after the bond payments end
- **Draft Charge Options**
  - Preliminary preference expressed for charges with both fixed & usage-based rate components
    - Fixed annual charges based on meter size
    - Uniform water quantity charge applied to all water use from prior year
  - Options developed for 2 draft alternatives
    - 65% Fixed / 35% Volumetric revenue recovery
    - 50% Fixed / 50% Volumetric revenue recovery

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**Montara Water & Sanitary District**  
**Water System Reliability Charges**  
**List of Tables**

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- Table 1 - Water System Reliability Charges A  
Table 2 - Water System Reliability Charges B  
Table 3 - Historical Water Rates  
Table 4 - Water Accounts by Rate Code 2018/19  
Table 5 - Water Consumption by Rate Code 2018/19 (ccf)  
Table 6 - Water Accounts by Class & Meter Size 2018/19  
Table 7 - Meter Equivalentents  
Attached - Present Value of Water System Replacement Costs (SRT Consultants)
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**Table 1**  
**Montara Water & Sanitary District**  
**Water System Reliability Charges A**

<b>Option A</b> 65% Fixed / 35% Volumetric Revenue Recovery
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Funding Target	\$500,000	\$1,000,000		
<b>FIXED CHARGES</b>				
Revenue Recovery %	65%	65%		
Funding Target \$	\$325,000	\$650,000		
Billing Units (Meter Equivalents)	1,790	1,790		
Water System Improvement Charges				
Annual Fixed Charge per Billing Unit	\$181.56	\$363.13		
<b>Fixed Charges per Meter Size</b>				
<u>Meter Size</u>	<u>Accounts</u>	<u>Capacity Ratio</u>		
5/8" x 3/4"	1,555	1.00	\$181.56	\$363.13
3/4"	17	1.50	272.34	544.70
1"	9	2.50	453.90	907.83
1-1/2"	2	5.00	907.80	1,815.65
2"	4	8.00	1,452.48	2,905.04
3"	0	15.00	2,723.40	5,446.95
4"	3	25.00	4,539.00	9,078.25
<b>WATER QUANTITY CHARGES</b>				
Revenue Recovery %		35%		35%
Volumetric Funding \$		\$175,000		\$350,000
Est. Annual Water Use (ccf)		120,000		120,000
Usage Charge (per ccf)		\$1.46		\$2.91
<b>TOTAL CHARGE PER SINGLE FAMILY HOME</b>				
Assumes 5/8" x 3/4" Meter				
<u>Water Use Level</u>	<u>Annual Use (ccf)</u>		<u>Annual Charge</u>	<u>Annual Charge</u>
Low Use	36		\$234.12	\$467.89
Median Use	54		260.40	520.27
Average Use	60		269.16	537.73
Mod-High Use	96		321.72	642.49
<u>Water Use Level</u>	<u>Monthly Use (ccf)</u>		<u>Monthly Equivalent</u>	<u>Monthly Equivalent</u>
Low Use	3.0		\$19.51	\$38.99
Median Use	4.5		21.70	43.36
Average Use	5.0		22.43	44.81
Mod-High Use	8.0		26.81	53.54

**Table 2**  
**Montara Water & Sanitary District**  
**Water System Reliability Charges B**

<b>Option B</b> 50% Fixed / 50% Volumetric Revenue Recovery
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Funding Target	\$500,000	\$1,000,000		
<b>FIXED CHARGES</b>				
Revenue Recovery %	50%	50%		
Funding Target \$	\$250,000	\$500,000		
Billing Units (Meter Equivalents)	1,790	1,790		
Water System Improvement Charges				
Annual Fixed Charge per Billing Unit	\$139.66	\$279.33		
<b>Fixed Charges per Meter Size</b>				
<u>Meter Size</u>	<u>Accounts</u>	<u>Capacity Ratio</u>		
5/8" x 3/4"	1,555	1.00	\$139.66	\$279.33
3/4"	17	1.50	209.49	419.00
1"	9	2.50	349.15	698.33
1-1/2"	2	5.00	698.30	1,396.65
2"	4	8.00	1,117.28	2,234.64
3"	0	15.00	2,094.90	4,189.95
4"	3	25.00	3,491.50	6,983.25
<b>WATER QUANTITY CHARGES</b>				
Revenue Recovery %	50%	50%		
Volumetric Funding \$	\$250,000	\$500,000		
Est. Annual Water Use (ccf)	120,000	120,000		
Usage Charge (per ccf)	\$2.08	\$4.16		
<b>TOTAL CHARGE PER SINGLE FAMILY HOME</b>				
With 5/8" x 3/4" Meter				
<u>Water Use Level</u>	<u>Annual Use (ccf)</u>	<u>Annual Charge</u>	<u>Annual Charge</u>	
Low Use	36	\$214.54	\$429.09	
Median Use	54	251.98	503.97	
Average Use	60	264.46	528.93	
Mod-High Use	96	339.34	678.69	
<u>Water Use Level</u>	<u>Monthly Use (ccf)</u>	<u>Monthly Equivalent</u>	<u>Monthly Equivalent</u>	
Low Use	3.0	\$17.88	\$35.76	
Median Use	4.5	21.00	42.00	
Average Use	5.0	22.04	44.08	
Mod-High Use	8.0	28.28	56.56	



**Table 4**  
**Montara Water & Sanitary District**  
**Water Accounts by Rate Code 2018/19**

Rate Code	Meter	Residential	Commercial	Other Public	Private Fire Svc	Total
<b>WATER ACCOUNTS</b>						
1" Multi-3	1"	0	1	0	0	1
D1	5/8 x 3/4"	1,482	25	9	2	1,518
D2	3/4"	14	0	1	0	15
D3	1"	9	2	4	0	15
D4	1-1/2"	0	0	2	0	2
D5	2"	2	2	0	0	4
D7	4"	0	2	0	0	2
M4-D3	1"	2	1	0	0	3
MU2D-3	1"	1	0	0	0	1
Multi 2 Un	5/8 x 3/4"	27	0	0	0	27
Multi 3	5/8 x 3/4"	9	0	0	0	9
Multi 4	5/8 x 3/4"	3	0	0	0	3
NC	n/a	1	0	0	0	1
PR Meter	4"	1	0	0	0	1
PR Meter2	3/4"	2	0	0	0	2
Subtotal		1,553	33	16	2	1,604
<b>PRIVATE FIRE SERVICE</b>						
P1	Up to 4"	49	6	5	91	151
P2	6"	2	2	0	1	5
P4	10"	1	0	0	0	1
NC	n/a	0	0	0	3	3
Subtotal		52	8	5	95	160

Note: About half of the Private Service Accounts are with Water Service customers and about half are stand-alone accounts with Private Service only.

**Table 5**  
**Montara Water & Sanitary District**  
**Water Consumption by Rate Code 2018/19 (ccf)**

Rate Code		Residential	Commercial	Other Public	Private Fire Svc	Total
<b>WATER ACCOUNTS</b>						
1" Multi-3	1"	0	130	0	0	130
D1	5/8 x 3/4"	87,494	2,503	613	125	90,735
D2	3/4"	969	0	32	0	1,001
D3	1"	711	1,194	154	0	2,059
D4	1-1/2"	0	0	353	0	353
D5	2"	384	1,140	0	0	1,524
D7	4"	0	3,353	0	0	3,353
M4-D3	1"	343	119	0	0	462
MU2D-3	1"	31	0	0	0	31
Multi 2 Un	5/8 x 3/4"	1,993	0	0	0	1,993
Multi 3	5/8 x 3/4"	767	0	0	0	767
Multi 4	5/8 x 3/4"	278	0	0	0	278
NC	na	100	0	0	0	100
PR Meter	4"	124	0	0	0	124
PR Meter2	3/4"	16,100	0	0	0	16,100
Total		109,294	8,439	1,152	125	119,010
<b>PRIVATE FIRE SERVICE</b>						
P1	Up to 4"	69	3	0	0	72
P2	6"	0	0	0	0	0
P4	10"	0	0	0	0	0
NC	n/a	0	0	0	233	233
Total		69	3	0	233	305

Source: MWSD utility billing data for fiscal year 2018/19.



**Table 6**  
**Montara Water & Sanitary District**  
**Water Accounts by Class & Meter Size 2018/19**

Water Accounts	Residential	Commercial	Other Public	Total
<u>Meter Size</u>				
5/8 x 3/4"	1,521	25	9	1,555
3/4"	16	0	1	17
1"	12	4	4	20
1-1/2"	0	0	2	2
2"	2	2	0	4
4"	1	2	0	3
	<u>1,552</u>	<u>33</u>	<u>16</u>	<u>1,601</u>

Private Fire Service	With Water Service	Stand Alone	Total	
<u>Service Size</u>				
Up to 4"	P1	76	75	151
6"	P2	2	3	5
10"	P3	0	1	1
		<u>78</u>	<u>79</u>	<u>157</u>

**Table 7**  
**Montara Water & Sanitary District**  
**Meter Equivalents**

Water Accounts	All Accounts	AWWA Meter Capacity Ratio	Meter Equivalents
<u>Meter Size</u>			
5/8 x 3/4"	1,555	1.00	1,555
3/4"	17	1.50	26
1"	20	2.50	50
1-1/2"	2	5.00	10
2"	4	8.00	32
3"	0	15.00	0
4"	3	25.00	75
	1,601		1,748
Private Fire Service Stand Alone Only		Charge Ratio	
<u>Service Size</u>			
Up to 4"	75	0.50	38
6"	3	1.00	3
8"	0	1.60	0
10"	1	2.00	2
	79		43
<b>Total Meter Equivalents</b>			<b>1,790</b>

### Present Value of Water System Replacement Costs

The following table includes the net present value of the replacement costs of MWSD's assets that are due for replacement within the next 20 years and the other capital improvement projects required to optimize the water system.

MWSD Capital Improvement Projects	MWSD Program Description	Estimated Present Worth (2019\$)
<b>Asset Replacement Program</b>		
Water Storage Tanks	Replacement of the Alta Vista Tank No. 1, Portola Tank and the 2 Pillar Ridge Tanks	3,972,000
Supply Groundwater Wells	Rehabilitation of the Alta Vista Well, Drake, North Airport well, South Airport Well, the Portola Wells (Nos. 1, 2, 3, and 4) and the Pillar Ridge Wells (Retiro, Corona and Culebra)	3,525,000
PRV Stations	Rehabilitation of all of the 16 PRV Stations	1,170,000
Water Mains	Replacement of approximately 45,000 linear feet of water mains, including associated valves and appurtenances	9,577,000
Treatment Plants	Replacement of the Pillar Ridge and the Alta Vista treatment plants	5,570,000
Hydrants	Replacement of 123 hydrants	738,000
Booster Pump Stations	Replacement of the Schoolhouse booster pump station	3,286,000
Service Meters	Replacement of the Service Meters	1,171,000
Generators	Installation of generators at locations that do not currently have any and replacement of aging generators	987,000
Vehicles	Replacement of the service vehicles every 7 years	425,000
<b>SCADA Upgrades</b>	Necessary upgrades of the water system's electronic controls and monitoring equipment	500,000
<b>Supply Reliability Program</b>	Groundwater exploration studies to better understand local aquifers and identify potential groundwater well sites to augment water system supply reliability	\$2,000,000
<b>Office Systems Upgrades</b>		\$850,000
<b>Total</b>		<b>\$33,771,000</b>

Source: SRT Consultants

**Reserves Necessary for Asset Replacement**

Assumptions:

Inflation Rate: 3.50% in Construction <https://edzarenski.com/2018/02/15/inflation-in-constr>

Interest Rate: 2.60% Treasuries Treasuries 30 yrs.

Asset Value in year 0 3,000,000 << approx. Big Wave number

Reserve Contribution 40 one 40<sup>th</sup>

Year	Replacement Cost	Indexed Cost Funding				Reserve Contribution
		Reserve Contribution	Reserve Earnings	Reserve Balance	Shortfall	
1	3,105,000	77,625	0	77,625	-\$3,027,375	75,000
2	3,213,675	80,342	2,018	159,985	-\$3,053,690	75,000
3	3,326,154	83,154	4,160	247,299	-\$3,078,855	75,000
4	3,442,569	86,064	6,430	339,793	-\$3,102,776	75,000
5	3,563,059	89,076	8,835	437,704	-\$3,125,355	75,000
6	3,687,766	92,194	11,380	541,278	-\$3,146,488	75,000
7	3,816,838	95,421	14,073	650,772	-\$3,166,066	75,000
8	3,950,427	98,761	16,920	766,453	-\$3,183,974	75,000
9	4,088,692	102,217	19,928	888,598	-\$3,200,094	75,000
10	4,231,796	105,795	23,104	1,017,497	-\$3,214,300	75,000
11	4,379,909	109,498	26,455	1,153,449	-\$3,226,460	75,000
12	4,533,206	113,330	29,990	1,296,769	-\$3,236,437	75,000
13	4,691,868	117,297	33,716	1,447,782	-\$3,244,086	75,000
14	4,856,084	121,402	37,642	1,606,826	-\$3,249,257	75,000
15	5,026,046	125,651	41,777	1,774,255	-\$3,251,792	75,000
16	5,201,958	130,049	46,131	1,950,434	-\$3,251,524	75,000
17	5,384,027	134,601	50,711	2,135,746	-\$3,248,280	75,000
18	5,572,468	139,312	55,529	2,330,587	-\$3,241,880	75,000
19	5,767,504	144,188	60,595	2,535,370	-\$3,232,134	75,000
20	5,969,367	149,234	65,920	2,750,524	-\$3,218,843	75,000
21	6,178,294	154,457	71,514	2,976,495	-\$3,201,799	75,000
22	6,394,535	159,863	77,389	3,213,747	-\$3,180,787	75,000
23	6,618,343	165,459	83,557	3,462,763	-\$3,155,580	75,000
24	6,849,985	171,250	90,032	3,724,045	-\$3,125,941	75,000
25	7,089,735	177,243	96,825	3,998,113	-\$3,091,622	75,000
26	7,337,876	183,447	103,951	4,285,511	-\$3,052,364	75,000
27	7,594,701	189,868	111,423	4,586,802	-\$3,007,899	75,000
28	7,860,516	196,513	119,257	4,902,572	-\$2,957,944	75,000
29	8,135,634	203,391	127,467	5,233,429	-\$2,902,204	75,000
30	8,420,381	210,510	136,069	5,580,008	-\$2,840,373	75,000
31	8,715,094	217,877	145,080	5,942,966	-\$2,772,129	75,000
32	9,020,123	225,503	154,517	6,322,986	-\$2,697,137	75,000
33	9,335,827	233,396	164,398	6,720,779	-\$2,615,048	75,000
34	9,662,581	241,565	174,740	7,137,084	-\$2,525,497	75,000
35	10,000,771	250,019	185,564	7,572,667	-\$2,428,104	75,000
36	10,350,798	258,770	196,889	8,028,327	-\$2,322,472	75,000
37	10,713,076	267,827	208,736	8,504,890	-\$2,208,186	75,000
38	11,088,034	277,201	221,127	9,003,218	-\$2,084,816	75,000
39	11,476,115	286,903	234,084	9,524,205	-\$1,951,910	75,000
40	11,877,779	296,944	247,629	10,068,779	-\$1,809,001	75,000
<b>Sub-Total</b>		<b>6,563,215</b>	<b>3,505,563</b>	<b>10,068,779</b>		<b>3,000,000</b>

Depreciation Funding			Interest Indexed Funding			
Reserve Earnings	Reserve Balance	Shortfall	Reserve Contribution	Reserve Earnings	Reserve Balance	Shortfall
0	75,000	-\$3,030,000	78,324	0	78,324	-\$3,026,676
1,950	151,950	-\$3,061,725	81,782	2,036	162,142	-\$3,051,533
3,951	230,901	-\$3,095,253	85,380	4,216	251,737	-\$3,074,417
6,003	311,904	-\$3,130,665	89,122	6,545	347,405	-\$3,095,164
8,110	395,014	-\$3,168,045	93,016	9,033	449,453	-\$3,113,606
10,270	480,284	-\$3,207,482	97,066	11,686	558,204	-\$3,129,562
12,487	567,771	-\$3,249,066	101,278	14,513	673,995	-\$3,142,842
14,762	657,533	-\$3,292,894	105,659	17,524	797,178	-\$3,153,249
17,096	749,629	-\$3,339,063	110,215	20,727	928,119	-\$3,160,573
19,490	844,120	-\$3,387,677	114,952	24,131	1,067,203	-\$3,164,593
21,947	941,067	-\$3,438,842	119,879	27,747	1,214,829	-\$3,165,080
24,468	1,040,534	-\$3,492,671	125,001	31,586	1,371,416	-\$3,161,790
27,054	1,142,588	-\$3,549,280	130,327	35,657	1,537,399	-\$3,154,469
29,707	1,247,296	-\$3,608,788	135,864	39,972	1,713,235	-\$3,142,849
32,430	1,354,725	-\$3,671,321	141,619	44,544	1,899,399	-\$3,126,648
35,223	1,464,948	-\$3,737,010	147,603	49,384	2,096,386	-\$3,105,572
38,089	1,578,037	-\$3,805,990	153,822	54,506	2,304,714	-\$3,079,312
41,029	1,694,066	-\$3,878,402	160,287	59,923	2,524,924	-\$3,047,544
44,046	1,813,112	-\$3,954,392	167,006	65,648	2,757,578	-\$3,009,926
47,141	1,935,252	-\$4,034,114	173,989	71,697	3,003,264	-\$2,966,103
50,317	2,060,569	-\$4,117,725	181,246	78,085	3,262,594	-\$2,915,700
53,575	2,189,144	-\$4,205,391	188,787	84,827	3,536,209	-\$2,858,326
56,918	2,321,062	-\$4,297,282	196,623	91,941	3,824,774	-\$2,793,570
60,348	2,456,409	-\$4,393,576	204,766	99,444	4,128,984	-\$2,721,002
63,867	2,595,276	-\$4,494,459	213,226	107,354	4,449,564	-\$2,640,171
67,477	2,737,753	-\$4,600,123	222,016	115,689	4,787,269	-\$2,550,607
71,182	2,883,935	-\$4,710,767	231,149	124,469	5,142,887	-\$2,451,815
74,982	3,033,917	-\$4,826,599	240,636	133,715	5,517,238	-\$2,343,278
78,882	3,187,799	-\$4,947,835	250,492	143,448	5,911,178	-\$2,224,456
82,883	3,345,681	-\$5,074,700	260,730	153,691	6,325,598	-\$2,094,783
86,988	3,507,669	-\$5,207,425	271,364	164,466	6,761,428	-\$1,953,667
91,199	3,673,869	-\$5,346,254	282,410	175,797	7,219,635	-\$1,800,488
95,521	3,844,389	-\$5,491,438	293,883	187,711	7,701,228	-\$1,634,599
99,954	4,019,343	-\$5,643,238	305,798	200,232	8,207,258	-\$1,455,323
104,503	4,198,846	-\$5,801,925	318,173	213,389	8,738,820	-\$1,261,951
109,170	4,383,016	-\$5,967,782	331,025	227,209	9,297,054	-\$1,053,744
113,958	4,571,975	-\$6,141,102	344,371	241,723	9,883,149	-\$829,928
118,871	4,765,846	-\$6,322,188	358,230	256,962	10,498,340	-\$589,694
123,912	4,964,758	-\$6,511,357	372,621	272,957	11,143,918	-\$332,197
129,084	5,168,842	-\$6,708,938	387,563	289,742	11,821,223	-\$56,556
2,168,842	5,168,842		7,867,299	3,953,925	11,821,223	

Gregg Dieguez comments on Jan. 7 rate study analysis

Inadequate time for review and research before discussion

#### Decision Criteria

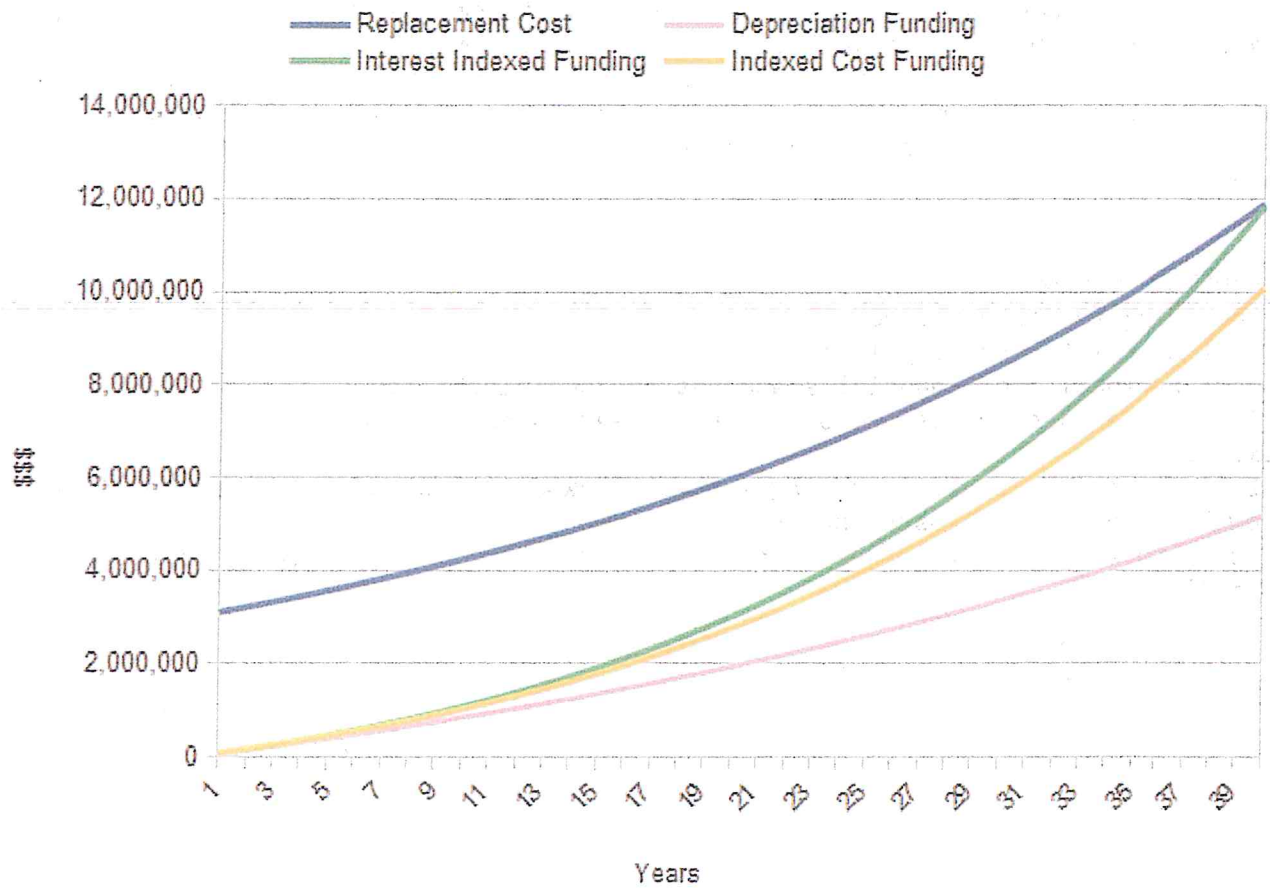
##### FAIRNESS

- mitigate 'rate shock'
- grow with inflation as it affects future operating and asset costs
- treat differing ratepayer & taxpayer profiles based on their infrastructure and usage burden.
  - lot owners with no service
  - only fire service
  - water only
  - both water and fire
  - commercial
  - Pillar Ridge, et al
- Concept: consumption charges address fairness to smaller households; capital charges reflect burdens or savings from different community groups.
- Pillar Ridge: what are the capital/asset replenishment funds required for JUST the infrastructure they contributed? What are the O&M costs for those assets? How much of the rest of MWSO infrastructure do they utilize, in comparison to 'normal' lotowners?

##### FINANCIAL SOLVENCY

- including for future generations
- meet district reserve policies
- meet national and financial standards for sustainability
- > Show the projected reserve balances for each scenario over the 20 yr (or more) time horizon.
- > Exclude growth, as it is hoping for good news. More prudent to consider future growth and attendant costs when known.
- > Rates on ASSETS must increase annually at the industry (or local, if known) rate of inflation.

### Funding Asset Replacement





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

**BOARD OF DIRECTORS MEETING**  
**January 16, 2020**

**MINUTES**

**REGULAR SESSION BEGAN AT 7:30 p.m.**

**CALL TO ORDER**

**ROLL CALL**

Directors Present: Boyd, Dekker, Harvey, Lohman, and Slater-Carter

Directors Absent: None

Staff Present: General Manager, Clemens Heldmaier  
District Clerk, Tracy Beardsley

Others Present: District Counsel, Christine Fitzgerald  
District Financial Advisor, Alex Handlers  
District Accountant, Peter Medina  
District Water Engineer, Tanya Yurovsky  
Kastama Consulting, Alison Kastama  
General Manager of Recology of the Coast, Chris Porter

**PRESIDENT'S STATEMENT – none**

**ORAL COMMENTS**

Gregg Dieguez, Montara resident: I want to talk about the LCP (Local Coastal Program) amendment. I want to ensure that everyone here tonight and the public who may be watching are aware the Planning Commission is holding a public meeting on the evening of January 22, 2020, Wednesday, in Half Moon Bay, to allow the Mid-Pen Cypress project to progress... The amendment question seeks to reduce the project size. On its face, it seems innocent enough. However, I



have seen emails among the County staff which states that if this amendment is approved, further appeals, including the Coastal Commission will no longer be allowed. So, the apparent intent of the amendment would avoid further public scrutiny and comment. Construction of the planned housing project bears directly on the capital costs and asset replenishment burdens based by existing Mid-Coast taxpayers. In light of the burdens these population expansions will place on the infrastructure and to ensure that the rate payers who already face significant cost increases to fund asset replenishment do not subsidize profits of the real estate interests behind those projects, I am requesting that all connection and impact fees in Montara's Water District be re-visited immediately together with the other rate studies. As one example of the harm that may be done, there are potentially four roundabouts that would be added by the Transportation plan which I call "disconnected Coastsides." I was told yesterday by an MCC member that each of these roundabouts would cost approximately 2.5 million dollars, and Big Wave had negotiated their contribution down to a single round-about added for them for just \$275,000 dollars. Whether those facts bear out or not, it is clear we need to insist there is transparency and accountability on all aspects of these projects and their impact on our cost of living and quality of life. I encourage all residents to attend the January 22<sup>nd</sup> meeting in Half Moon Bay and voice their opinions, and I request an action item that you re-visit all connection and/or impacts fees together with the on-going rate studies.

Director Lohman showed a video presentation of a recent Charmin commercial and expressed his concern that they have launched a campaign on flushable wipes. He requested that this topic be agendaized for the next meeting to discuss what can be done as far as policy and sending letters to the State, County, Charmin, sewer agencies, etc. to let them know this is the worse idea in the millennium.

Director Slater-Carter added that a solution should be offered as well. The problem is not using flushable wipes, it is that they are not biodegradable, and should be disposed of in the trash.

General Manager of Recology of the Coast, Chris Porter suggested that District Counsel, Christine Fitzgerald or General Manager Heldmaier could contact their PR people at Recology. His name is Eric Potashner and he could assist in this.

Director Slater-Carter said it would be great if the Recology corporation could get involved in this. It increases sewer rates. These wipes ruin the pumps, clogs pipes, etc. It takes labor, equipment repair and replacement. They are not the only thing that gets stuck, but a large portion of it.

Director Lohman added that they could ruin your septic system also.

Director Harvey said that it also gets into the digester at the plant and causes problems.

Director Slater-Carter said that it is a huge expense that is reflected in our sewer bills.

## **PUBLIC HEARING –**

### **1. Review and Possible Action Concerning Establishment of Prop 218 Limits for Solid Waste Disposal Fee Increase, January 1, 2020.**

General Manager Heldmaier stated that the Montara Water and Sanitary District (MWSD) has a franchise agreement with Recology of the Coast, and in accordance with this agreement, they review either a cost or index based increase annually. Last year was a cost-based increase at 6.00% (due to a cap in the formula), and this year it is 4.71% rate increase over the 2019 rate. This is very close to inflation. This is also due to China's ban on recycling, as it now costs Recology \$20 or more per ton to process. This is essentially raising the costs on Recology's end. Notices were mailed to all property owners in the District in reference to this planned rate increase for January 1st, and MWSD has not received any written protests. The official count for written protests is zero. This meeting is held today to formally count written protests, establish Prop 218 limits by Ordinance 195 establishing maximum rates for collection, removal, and disposal of refuse and recycling services effective January 1, 2020. The staff recommendation is to open the public hearing, allow relevant testimony, close the public hearing and determine whether the proposed rate limits should be approved in accordance with Prop 218, and adopt the Ordinance of the Montara Water and Sanitary District establishing maximum rates for the collection, removal and disposal of refuse and for recycling services effective January 1, 2020.

Director Slater-Carter commented that she hoped the US China agreement signed today includes having China purchase recycling again.

Director Slater-Carter opened the public hearing, and hearing no comments, closed the public hearing. Director Lohman made a motion to close the public hearing, and Director Harvey seconded the motion. All Directors were in agreement and the motion passed to close the public hearing.

Director Slater-Carter asked for discussion from the Board. The Directors did not have any comments, and Director Lohman made a motion to adopt Ordinance 195 of the Montara Water and Sanitary District establishing maximum rates for the collection, removal and disposal of refuse and for recycling services effective January 1, 2020. Director Dekker seconded the motion, and it passed unanimously 5-0.

### **2. Review and Possible Action Concerning Adoption of a Revised Master Fee Schedule to amend Solid Waste Disposal Fees.**

General Manager Heldmaier stated that the Master Fee Schedule is an ordinance, and since we just raised the Prop 218 limit for the solid waste disposal fees, it now has to be implemented in the Master Fee Schedule. No other fees have changed. The recommendation is to open the public hearing, consider relevant public testimony, close the public hearing, and adopt the Ordinance of the Montara Water and Sanitary District restating and amending the Master Fee schedule.

Director Slater-Carter opened the public hearing, and hearing no comments, closed the public hearing. Director Harvey made a motion to close the public hearing, and Director Boyd seconded the motion. All Directors were in agreement and the motion passed to close the public hearing.

There was no Board discussion about the Master Fee schedule, and Director Boyd made a motion to adopt Ordinance 194 of the Montara Water and Sanitary District restating and amending the Master Fee schedule. Director Harvey seconded the motion, and it passed unanimously 5-0.

## **CONSENT AGENDA**

- 1. Approve Minutes for November 7, November 21, December 5, and December 19, 2019**
- 2. Approve Financial Statements for November 2019**
- 3. Approve Warrants for January 1, 2020**
- 4. SAM Flow Report for November 2019**
- 5. Monthly Review of Current Investment Portfolio**
- 6. Connection Permit Applications Received**
- 7. Monthly Water Production Report for November 2019**
- 8. Rain Report**
- 9. Solar Energy Report**
- 10. Monthly Public Agency Retirement Service Report for October 2019**
- 11. Approval of Vallemar Sewer Mainline Extension Agreement (Resolution 1667)**

Director Lohman made a motion to approve the consent agenda and was seconded by Director Boyd. All were in favor and the motion passed unanimously 5-0.

## **OLD BUSINESS**

- 1. Review and Possible Action Concerning Water Rate Study.**

General Manager Heldmaier stated that this is about increasing water revenue and has been discussed since April. Our District Financial Advisor, Alex Handlers is here to make a presentation.

Director Slater-Carter wanted to emphasize the title of the document, “Water System Reliability Charges,” and that the money would be budgeted and put into a dedicated account for specific purposes as opposed to a general fund.

General Manager Heldmaier stated that as Director Slater-Carter pointed out, the Board decided on a particular name—the Water System Reliability Charges. We are looking at establishing a separate charge dedicated to the capital needs of the system. In this presentation, we will highlight how MWSD arrived to this point, what the needs are to replace infrastructure, and what did MWSD do historically, and what is being proposed. A Finance Committee meeting was held on January 7<sup>th</sup>, and some recommendations were made that are asked to be considered tonight. First, we want to establish the needs of the District. The Finance Committee supports the collection of the one million dollar annual Water System Reliability charge, and it has not been decided as to whether an inflation adjustment should be added. Hardship assistance still needs to be discussed. He stressed that this is an on-going financial need. We are looking at how much money does the District need to invest every year to replace its infrastructure. At the last meeting, SRT made a presentation and talked about this in detail. We talked about this extensively, and it was determined that MWSD has a roughly two million dollar capital rehabilitation need today. SRT used standard age of infrastructure assessment analysis to do that. The District can maintain and repair equipment up to a certain point, and now it has reached the point that replacement is needed. How was this addressed in the past, what funds were used for capital projects, and why are the rates now inadequate to do that? In the past, we had roughly about \$500,000 annually for capital projects funded from rates. The rest came from a different source. This money has decreased over the 15 years since we acquired the water system. This is due, in part, to increased regulatory oversight, at the staff level, that was added in those 15 years. This is monitoring, water sampling, etc. It also results in capital projects. The State comes in and says “you have to implement a certain project or add a new treatment plant.” A new operator was added, partly due to increased regulatory oversight’s additional demands on the operators. There is also increased costs for capital projects on the water side. In past years, a foot of pipe costs \$200 dollars to replace, and now it is \$400 dollars or more per foot for pipe replacement. In 2014/2015, we looked at our water rates and assessed the situation, and set rates at the time. However, looking back, it is clear that those rates did not fully address the infrastructure needs. We just went through building the tanks, which costs millions of dollars. What has changed since then, is reduced water consumption resulting in lower water sales. This was considered at the time rates were set. However, the District underestimated how well the residents were able to conserve. There was also an assumption in 2014/2015, right after the repeal of the moratorium, that there would be more development and construction. We had less connections and customers, and saw less revenue than expected. According to the cash flow projections from that 2014/2015 study, we expected in 2018 revenue of 2.1 million dollars. However, what was actually collected was 1.9 million dollars. This contributes to the deficit that we face on capital needs. Our Operations are relatively stable. We are going

to take a look at this later. Why are we thinking about a Water Reliability Charge? And why are we not looking at other means of funding these projects? As mentioned before, it is an on-going continuous need, and not a one-time project. It is similar to painting the Golden Gate bridge—once you finish painting it, you start over at the other end and continue painting. It is important to understand that in the past 15 years, we used roughly 10 million dollars from other funds for capital needs—the GO Bond, SRF loans, grants, etc. We supplemented what we got from Operations with significant funds from other sources, and that money was spent. Why are we not looking at over sources, grant or loan, for example? In order to get a loan, we need sufficient income through rates, to qualify for financing. Every bank is going to look at debt service ratio and review if the rates are sufficient to pay off the loan. So, just like a mortgage, you need to have income to support paying that mortgage. Additionally, pay-as-you-go is the most cost effective funding mechanism there is. The District will continue to pursue other alternatives, such as grants and loans. However, it doesn't take away from the overall need to keep the system up and running and replace infrastructure. In 2001, a 19 million dollar General Obligation bond was authorized by the community voters, and will be paid off in 2028. Eleven million dollars were used to purchase the water system, and 6.5 million dollars were used for capital projects. In 2012, we were able to refinance the GO Bond, and lower the rate for the individual and the District. So even though we were able to take the remaining 1.5 million dollars, it didn't increase the payments for the home owner. And it lowered, by a significant percentage, the contribution that the home owners have to make to pay this off. We took out an SRF loan of 4 million dollars, and we have to pay it back, and the majority is still outstanding. There is a PNC Equipment loan, a shared loan with the sewer side. We refinanced that as well, and we were able to get a much better interest rate. On our Major Project Construction Costs table, you can see the money the District spent in the past (rounded down). You can see we spent at least 15 million dollars from 2004-2019. Each year varies, but it averages about one million dollars per year in capital projects, which the District was able to spend because we had this additional money available. So, what do we need today? We need to replace approximately 8.5 miles of water mains and there is a lot of complications associated with it. He have a high amount of Pressure Reducing Station (PRV), and we have treatment plants that need replacement, such as Pillar Ridge plant, which is an asset that the District acquired, but it is in bad shape and needs work to keep them operational. This also applies to the Alta Vista Water Treatment plant, as it is about 50 years old. We also need to address tanks that were not attended to previously, and there are four tanks that desperately need work. We are the only agency on the Peninsula that uses 100% local sources, so we have a large number of groundwater wells that need regular maintenance and replacement. We have done some work in the past years. But we haven't addressed the Pillar Ridge wells. This is roughly what SRT presented the last time, where we said over twenty years what is needed and we'll come up with 40 million dollars, and those were in 2019 dollars. Alex Handlers will now talk about the proposed Water System Reliability charge and explain what we are proposing.

District Financial Advisor, Alex Handlers: What is being dealt here at this District is being dealt with many regional agencies and around the country. A lot of folks are facing the need to replace old infrastructure. Here you have a lot of pipelines put in 60 years ago, and you are in coastal conditions where a pump station may not last as long as it does in the desert. So there is a lot of need out there for repairing, rehabbing and replacing infrastructure. What is being proposed is a separate new charge levied separate from your regular water rates, the Water System Reliability Charge, to be collected on the property tax roll. This is for replacing the system that benefits all the homes in the area. There would not be changes to the existing rates. It is generating a dedicated funding source for rehabilitations and replacements in future years. One of the options is to go to the full level out of the gate. It is important to get a charge like this established so that there is a funding stream in place so that you can start addressing a lot of the capital needs that are out there. We met with the Finance Committee over the last few months, considered a number of options, and at the end of the day, looking at the pros and cons, the consensus was a fixed charge would be the fairest and most appropriate way to go forward based on the meter size, which is a representation of the demand placed on the system by your different customers. Almost all of your customers are at the base rate of the base meter size, 5/8" and 3/4". We calculated a charge to generate a million dollars per year in funding roughly every year. For that customer group, which is pretty much all your residential customers and some small commercial, the charge would be \$558 dollars per year on the property tax roll. There is an acknowledgement that this is a significant increase and another acknowledgment that this isn't solving all of our problems, so an attempt was made to keep things balanced—affordable, and addressing the infrastructure needs that the District has. The other thing we want to mention is that there are some customers that get fire protection only; they have their own wells. They benefit from the infrastructure as well. So the proposed charge, if there is a single family home that is only getting the fire protection service, then they would pay a charge that would be equal to half of the full rate, accounting for the infrastructure needed to provide them with the emergency fire service. The next slide shows an example of what the charges would look like if you were to go for the full two million dollars of funding per year right out of the gate. Of course this would be a charge that is twice as much—approximately \$1,100 dollars per most of your customers in single family homes in your District. I've worked with other agencies with very similar situations, and from my perspective, there is always a balance in where you want to go, recognizing it is a big burden on the rate-payers. But it is stuff that everyone needs to contribute to. I'm usually content to see agencies take steps in the right direction. Both these options would work. If you start with the halfway, the one million dollars, at some point in the future you can always step that up based on the Board's future analysis. And as discussed at our Finance Committee meeting and other meetings, you do have the GO Bonds that reaches its final expiration date in 2028. So that may be a logical point to step up in funding. The other thing that came up in the Finance Committee meeting, is that there is concern that there are a lot of folks in the community who may be owning a nice home, but don't have a hearty revenue stream. There are a lot of folks that are retired, have fixed

incomes. So what can the District do to provide some sort of reduction in the charge to help folks in this situation? The one thing limiting that is Prop 218, which doesn't allow you to charge one customer more in order to fund a discount for another customer. So what many attorneys are comfortable with is looking at other funding sources the District can use to fund an economic hardship program. Looking at your revenue stream, there are a few things that could be used. You have cell tower leases, miscellaneous fees, and property tax revenues that can be used for an economic hardship program, keeping in mind that every cent put into this program, is less money for your regular operations. This could result in the future a need for a little more in rate increases. Some of the things that the District has been doing to help low users, is the volumetric rates in both water and sewer. In your water rates, only 30% are your fixed charges, and 70% is volumetric. By contrast, a high percentage of your costs in the District are fixed. Low users are benefiting; people have a lot of control over their bill. You also have volumetric sewer rates, subject to a minimum, but you don't have a fixed charge as other agencies have. Folks do have control over their bill. And the third thing that benefits economic hardship is Pillar Ridge, the mobile home community. They have their own local distribution system and have a separate master meter agreement with the District where they are not paying separate charges for each home, but a single meter charge. So they are paying, in general, less than what a separate single family would pay for a service meter. So, there are things that you are doing, but there are additional things that you can do that is being presented for Board consideration and direction tonight. You're not the only agency facing infrastructure needs... We pulled together some numbers and what other agencies have been doing over the last decade in comparison to what Montara is doing. If you look at the top, your water and sewer rates for many years, were mostly inflationary. You guys have provided good financial stewardship by raising the rates each year to keep on top of costs. But if you look at what other agencies have been doing in the last decade, Redwood City, who has been trying to address their infrastructure needs for over a decade, has been raising rates 9% or more every year since before 2010 in both water and sewer, until they were able to raise their annual funding stream from one million a year to six or seven million a year—where they are now. San Bruno has had double digit, or high single digit rate increase year after year for a decade, until they achieved the plateau of funding stream that addresses their needs. San Mateo, on their sewer side is facing major capital needs for their treatment plant and collections system. Not only did they forge ahead with 8%-9% rate increases for a decade, a few years ago they did a 36% increase when their usage went down. And since then, they have adopted 5 additional 14% rate increases to keep the revenue stream moving in the right direction... On this slide, here are some examples of what other regional agencies have identified as their capital funding needs. As you can see, it is quite substantial. Next slide, this just shows the typical bi-monthly water bill. The average customer uses 5 units (HCF) per month, 10 units (HCF) bi-monthly, and the charge works out to be about \$76 per month for regular water service, or \$152 on the bi-monthly bill. About 65% of your customers pay up to this level. No changes are being proposed on the water rates. What is being proposed is a

separate Water System Reliability charge dedicated to capital funding stream. The goal is to get additional input here. These charges need to be in place before by the end of the next fiscal year, so that they can get on the property tax roll. We also need to mail the Prop 218 notices in April or May, hold the Public Hearing in June. You are not really taking any specific action as a Board until that time at the Public Hearing when you are called upon to adopt the rates. And even when you do a Prop 218 notice, the Board always has discretion to adopt anything up to that level—you just can't exceed the level noticed in the Prop 218 rates. Then after that you have some time to get the charges on the tax rolls.

Director Harvey confirmed that the Finance Committee met, discussed the options and came to the conclusion that these are the best options moving forward.

Director Dekker stated that the suggestion of raising one million dollars is a step in the right direction, although it won't be enough to cover all our expenses. He also recognized that for most people it will be a 50-60% increase to their water rate, if you add that charge in, and that is a hardship. He felt if 20% of our customers weren't able to meet the challenge of paying the increase, we could give them a reduction, even though it would take away from the District. It would be a reduction in the fee for those people qualifying for the lower rate.

General Manager Heldmaier reminded the Board that they are being asked to pursue the one million dollar funding level and that is what we worked out with the Finance Committee. They are also requesting direction on how to handle the private fire services. Staff suggested that those homes with a fire connection only pay a fixed share of the amount (50% was suggested). It is also recommended to go with a fixed charge on this. Additionally, they need input on potential hardship financial assistance and how to handle that—which funds to use, what would be the criteria? Who would be eligible?

Director Harvey stated that there are three main reasons why this is not a surprise. The GO Bond money is depleted, the infrastructure is 60 years old and needs replacement, and general costs have gone up, as well as increased pressure from State regulators. It is something that has to be done.

Director Lohman commented that a couple years ago when he was attending a Special Districts convention in Sacramento there was presentation by a Special Districts loan agency and they stated that the number one criteria they use when approving loans to special districts is whether a special district has the courage to raise rates when necessary. If they don't have the courage to do this, they don't get the loan money. Also if you noticed the charts, CCWD is going for three times the amount we are going for.

Director Dekker commented that he also heard that CCWD has a large reserve fund already built up, which implies that they probably have implemented higher increases than we have. That is concerning to us, especially in light of the



consolidation efforts that we have seen and their ability to buy us with their reserve funds. It is a warning for us, if we want to remain an independent agency, we need to build up our reserves before some other agency with more reserves takes over.

Director Slater-Carter said that what we are asking for on average from the home owners with a 5/8" and 3/4" meter is a \$1.60 per day per year. It is not a whole lot of money. And the average use on a bi-monthly water bill is approximately \$2.50 per day—for water to take showers, wash dishes, etc. Also, the other thing that should be mentioned in relation to CCWD and the other agencies on the chart, our Bond money and this money is for MWSD infrastructure improvements. We are not buying water from Hetch Hetchy. It is paying for the operation costs to pump it to customers. It is a good deal. And construction doesn't get cheaper. She thought we should do it. For the hardship rate, she said they should set a standard--how to implement the hardship rate, and look at what the options are. She also said in reference to the fire rate, since the connection charge for the Fire Protection is about half of the domestic water connection charge, it is in line with our policy. We don't have very many wells within the Urban Boundaries (roughly 200). So, bringing them up to the \$1.60 per day would not make that much of a difference, but if we did that, it would allow us to accumulate more. And everyone with a house needs good pumps and pipes. She agreed with the \$1.60 a day additional charge for every person.

Director Harvey thanked Clemens, staff, Alex, and Tanya for their hard work, and Director Dekker for jumping in as a Financial officer.

Director Slater-Carter suggested that the report be available for the public at the office.

Gregg Dieguez, Montara resident: This is a tough one for me, because I am a financial services professional and a rate-payer... I appreciate that Alex acted on a suggestion I made, and included in the sewer rate study what the projected on what the sewer reserve balance would be. However, I don't see a reserve balance here. You have a two million dollar expenditure need, and you are raising one, you already borrowed half a million to put in the water, which didn't have reserves. So you are running negative reserves, where are you getting the money? I don't understand how this adds up. You need to project reserve balances for both water and sewer going forward is one of the principle criteria you have to use to make a decision as to whether you are raising the rates adequately. Where is the forecasted revenue? It doesn't seem like you are raising enough money.

General Manager Heldmaier: Gregg, what you are asking for is a cash flow projection, and that is not necessarily something that we need to consider here because the way we spend cash doesn't have to be even. As you can see, we can spend two million dollars one year and \$500,000 dollars another year. We established the funding need, but that doesn't mean that during the time. We are saying we need two million dollars, but we are asking the Board for one million

dollars, which means during the time we built up funds for this established requirement, we can continue to defer projects. The cash flow projection is not necessarily, in my mind, a requirement to make this decision.

Director Harvey said the Finance Committee wanted to be conservative.

Director Dekker stated that the decision made today is not final but a step in the right direction. It doesn't mean that in a year from now we may need it. It is a preliminary step, not a definite step. Over these years, Clemens has done a fantastic job with his team to keep the system going with "duct tape." We never had an outage, the water has always been available, and the District has been able to handle repairs without having sufficient reserves to cover more substantial improvements. We can count on him for at least the next year to keep things going with the "duct tape." And then when we are looking at the results, we can say "let's look at this again." Then, this is will be somewhat less of a blow to the community.

General Manager Heldmaier reminded the Board that no decision would be made. They are focusing on getting more direction in preparation for the public hearing in which they will set the rate. This will be done in conjunction with the sewer rate study.

Director Slater-Carter gave direction to explore various ways who would be considered a hardship case. She suggested talking to Recology because they already have a hardship program. She expressed that eligibility should only be based on verifiable data and we do not want to be in a position of having to verify the data. She said there is a PG&E program, and this is what Recology uses. Perhaps we can work with Recology and PG&E on this. She also said that she wanted to make sure District staff is protected from people coming in, and make it clear that this is an executive decision that is handled by the Board and not staff, so that staff doesn't have to deal with something that can be a very sensitive and emotional discussion.

## **NEW BUSINESS-**

- 1. There is no item one under New Business.**
- 2. Review and Possible Action Concerning Sewer Rate Study.**

General Manager Heldmaier made an additional recommendation that wasn't included in the agenda. Since they have something to work with and a presentation, he requested that the study be referred to the Finance Committee after this discussion to talk about what to do on the sewer side. He went on to say that the last time they looked at this was in 2018, and set the Prop 218 limit for two years. They knew at that time, that this would have to be re-evaluated now. This is what we are doing.

District Financial Advisor Alex Handlers: I think you received some of the information—the analysis that we've done. We apologize we couldn't get it sooner. I want to make a few comments. Gregg is right. This doesn't solve all of our long term needs, but this is a huge step in the right direction to funding your water needs. On top of that this is not your only source of funding. You still have some money coming in from connections and a little bit from rates for capital. This is the first cut of the sewer rate study and we want to share our preliminary findings and refresh everyone's memories of what has happened in the past. Again infrastructure needs are a big theme for sewer just as they are for water, and we will talk about some preliminary recommendations. Background. Your sewer enterprise, two years later—you did some significant rate increases two years ago. They are the first two steps on a longer term path and your sewer enterprise is on a much stronger financial footing. This District has done a good job in grappling with the need to raise rates and trying to keep things affordable. You have kept your rates moving in the right direction for over a decade, which has kept your enterprise in good shape. Also, you have been able to address the maintenance and proactively address some of the rehabilitation needs that your sewer system has. However, there are more funding needs, going forward, not just here but also the regional treatment plant...Next slide, the sewer rate history going back to 2012. There were many years of inflationary increases, then two significant rate increases adopted to start generating money for the capital needs. Additionally, the operating costs at the Sewer Authority Mid-Coastside (SAM) have gone up significantly in 2018. Those rate increases you adopted last time got your funding in line, and started generating funds for capital. Before that, back in 2010, you adopted what was to be four years of rate increases and the Board was able to phase them in over eight years instead, to keep costs down and minimize increases going to the rate-payers. And what happened over that time frame on the customer side, the customers conserved more, so even though rates were ramping up, people used less water. When factored with inflation, a lot of customers, for a decade, did not see any real increase in what they are paying on their sewer bills and the District was able to address its needs. But going forward the big story, is the funding needs for the aging facilities. Here, I've broken it down into a couple of components. The treatment plant that serves the region is over 40 years old, largely funded by EPA grants funded by the Clean Water Act. There has been very minimum investment made by the rate-payers. It is at the end of its useful life as are many other treatment plants in the region. There has been a lot of analysis done over the past year as to what those needs are, and a report was done recommending to budget 40 million dollars for treatment upgrades over the next 5-10 years. In the report, it also noted that some of these needs may be able to be deferred for a little bit, but it is not going to put off the need to replace the system. It is like putting band-aids on it to keep it running a little bit longer, but you are going to end up paying twice for these facilities. On top of that, SAM operates a conveyance pipeline, called the Intertie, which conveys the water to the treatment plant. That is aging and has some deficiencies and problems with it. SAM entered into a consent decree with ERP, an environmental group that sued them to make sure the work is being done to prevent sewer spill, etc. Sam agreed

to sign a consent decree, which committed to fund 7.8 million dollars of Intertie pipeline system improvements by June 30, 2024. When we look at what MWSD's share, it works out to be about \$700,000 per year over the next 4-5 years. That's pretty significant—more than what you are historically used to funding. On top of that, you have your own collection system, and a lot of the pipelines are around 60 years old, you have a lot of old pump stations operating in coastal conditions. So very similar to what is being done on the water side, the same analysis has been done, looking at the age and condition of facilities and that identifies a need for 1.9 million dollars per year for on-going rehab and replacement over the long term. It doesn't mean you have to start spending that next year, but that is the long term number needed over the next 20 years to address the replacement and rehab needs of the aging facilities. When you add these things together, MWSD is going to have to fund about 2.5 million dollars a year on average over the next 20 years, which is a lot more than what you are currently funding. The good news is it is not a surprise. We talked about this two years ago, and the District took two significant steps in the right direction, with the acknowledgment that we were going to come back in two years and look at this again when more information is available and re-evaluate and decide where we are going to go from here, to continue to take steps in the right direction. At this stage, we are showing two financial projections. The rate projections, if you were to do an upfront increase to get you the 2.5 million annual funding, it would be a 45% rate increase overnight, with inflationary increases after that. We also developed a preliminary scenario which would be a phased approach, which is what the Board liked last time. We tried to keep it single digits, and said "what if we keep foraging ahead at 9% year after year" until you got to your plateau. If you did that, it would take about 6 years or so to achieve the full capital funding level. But we are not recommending, at this time, a long term increase like that. From talking to staff, we propose taking steps in the right direction, and come back and re-evaluate based on what reality is in a few years. What is being proposed as an alternative for consideration is three years of 9% increases. Your water fund had virtually no fund reserves, and you are running on empty. But your sewer fund has a healthy level of fund reserves, partly because some capital projects have been deferred. So even while you are phasing in rates you are still going to be able to do a significant level of capital needs. Next slide. This graphically shows over the next 6 years or so. The colored bars going up represent the various expenses. The green section is the capital funding for MWSD, and SAM is everything from yellow and above. SAM used to be about 40% of the overall costs, and now it is 50% and expected to stay in the range going forward for both Operating and Capital. The green line is what the revenues will be with the 9% projected rate increases. You can see the green line is a little below the expenditures for a few years there, and that means you are a drawing on fund reserves a little bit. But if you were to keep increasing rates at the gradual 9% level you eventually get to where you need in about 6 years. The next slide shows what the rates actually would look like with these 9% increases. You have about 7 or 8 rate categories based on wastewater strength. The residential category would go from \$21.07 per hundred cubic feet to \$27.29 over that time period. The residential rates are based on winter water use for four billing months

when water use is the lowest, meaning what is going into the sewer system. When someone is watering a lot, that doesn't impact their sewer bill. Commercial bills are based on annual water use. These charges are placed on the tax rolls. On the next slide, this shows what the impacts will be for residential customers of different levels of use. The minimum charge is based on 4 units (HCF) per month. A lot of your costs are fixed, so a lot of agencies have 100% fixed sewer rates. You have volumetric rates, but a significant minimum charge. And you need that, because a lot of costs are fixed. About half of your customers pay the minimum of 48 units per year, 4 units per month. This will be a monthly equivalent from \$84.28 to \$109.16 over the three year period if everything is phased in. We also show the monthly charge for folks who use a little more. Another thing I want to mention, from working with a lot of other agencies, we did a survey last time of all the agencies, and your rates were kind of in the middle of the pack, and with the two significant rate increases you did, you are now in the upper middle range, and we anticipate with these increases you will stay in the upper middle range. This is quite an accomplishment for District your size, with a small commercial customer base, like some of the other larger agencies, that San Mateo has. That is our draft recommendation—9% rate increases. No need to change the sewer rate structure at this point. The last time, we went through a cost alignment of your rate categories, so you are fine for a while. One thing that came up, brought up by a customer to Clemens, who brought it up to me, is that the months that you have been historically using to calculate the sewer bill are not actually not the four lowest use months by the way your billing works. For the customers in the Montara service area, they get billed based on usage that shows up on the December and February bi-monthly bill. Those bills reflect water usage from the prior two months. So the December bill, reflects usage from October and November. And October in particular, is a month that might still include outdoor water use during the dry season. So, staff pulled the data in how much water is being used in these billing periods, and it was shown that water being used in February/March which shows up in the April bill, is more of a wet weather period, and a little lower than the water use from the December bill. So the recommendation is to consider transitioning from using the December and February bill for the basis of the sewer usage to the February and April bills. What would the impact be? The folks in the Montara water service area would see their billed usage go down about 5%, although that bounces around a little from year to year, depending on a lot of factors. That would probably result in a 2-3% reduction in billed usage overall to the District. But on the other side of the coin, those are the lowest use months. This is just another issue being brought to the Board for consideration. So, this the first time we've come to the Board for the sewer rates, so we are looking for input and direction. We will probably meet with the Finance Committee and hash through some more of the details. We can look at other alternatives over the next couple of months. We anticipate honing the alternatives, coming back to the Board for approval on what is going to go on the Prop 218 notices that would go out in April or May. And again you wouldn't be taking any action on sewer rates until you hold your public hearing most likely in June in time to get the rates on the County tax rolls for the next fiscal year.

Director Dekker said that after the SAM presentation at the last meeting with the infrastructure requirements for the treatment plant, he got the impression that their infrastructure is in worse shape than the water system infrastructure.

General Manager Heldmaier confirmed that was true. MWSD invested heavily in the infrastructure in the last 15 years, acquiring a system that was in dire need of repairs...And while SAM staff is doing their best to hold things together, they did not have access to the funds from the GO Bond to apply to capital improvements. He thought projects were done at SAM, but less.

Director Boyd said the investment made by the community in the water system, is the kind of thing when you do it, it leaves you in a much better position. It is something that they have working with their partners at SAM to try to get to. There have been some obstruction that has made it difficult, but there is work to be done and investment to be made. Some of it, we will have to pay more, because the repairs were delayed, and we have already paid substantially more, because the repairs were hindered.

Director Dekker stated that it will be a challenge to see what their partners will do in reference to infrastructure needs, as it is a joint effort.

Director Slater-Carter said they have no choice, as this is work that has to be done, and it appears Half Moon Bay and El Granada both agree. It is about 30 million dollars for the plant in today's dollars. Nobody wants to raise rates. But we are going to have to raise rates more now than we would have if SAM had been able to agree doing it and not had to deal with such ferocious objection 20 years ago. Actually 20 years ago, the SAM plant had been re-built, but there was some stuff that needed to be replaced, but it wasn't. So now the costs are higher than had it been kept up like what we have been doing with the water. She is Chair of the SAM Board this year, and invited the public to take a tour of the SAM plant.

Director inquired if the other agencies are planning rate increases.

General Manager Heldmaier said the other agencies are working on rate increases, and the City is working with a consultant on this, and the outcome will be determined by City Council decision.

Director Lohman asked if the projections of the Half Moon Bay lawsuit were included.

Director Slater-Carter asked if what if those costs are being looked at as a retroactive charge. How will that affect this?

General Manager Heldmaier replied that the cost of the lawsuit is included, but it will not be an on-going need.

Director Lohman commented that it is unfortunate that the millions of dollars spent on the lawsuit couldn't have been applied to capital improvements.

Director Dekker asked if the other agencies were concerned about major problems with the infrastructure.

Director Slater-Carter said that SAM is only part of everybody's system. MWSD has a whole lot of pipes to take care of. El Granada is all gravity flow and one pump station. MWSD has 14 pump stations and Half Moon Bay has 2. So, even though they have more lineage in feet, we have more expensive costs. It is all different in that regard in the sum total that we are talking about for our rate increases.

Director Dekker commented that it is like a car. If one tire blows, you are done for. So, if the SAM plant blows we are done for, because we are a part of it. So the question is, what kind of attitude can we expect from the other side in terms of immediate infrastructure investment.

Director Slater-Carter talked about the intertie pipeline incident, and hoped they learned their lesson.

Director Boyd stressed that it was a leak discovered by a SAM crew members swimming in the ocean. What was distressing is that they knew the work needed to be done in 2009 and if they had taken the recommendations and found agreement with our partners to fix it, would that leak have occurred? They have agreed with the regulators that work needs to be done. It will be millions of dollars. The good news is that it is all work that needs to be done. There will be some catch up at for the first 8 million dollars. It is the rest of it that will be the interesting part. We have to decide as an agency what we are going to do to ensure that the necessary work gets done.

Gregg Dieguez, Montara resident: The philosophy here is based on the research I've been doing for the last year is Public Works is not looking ahead long enough, and we've seen the problems when you don't do that. What I recommend is a methodology, and surveying the Public Works general managers, national consultants and other people I've talked to and saying "is this the right way to go ahead and assess the capital adequacy of your reserves, so you know how big of a problem you have?" Not to say you fund at the level you should have your reserves, but at least you will know how far off you are. Right now we don't know how far off we are for the water, because it isn't projected. Sewer, at least it is projected and they showed it going down. The question is how high should it be? My real concern is not this District, its SAM. When I ran some numbers over a year ago, all four agencies were in trouble, but SAM was abysmal. I'm going to write a letter about this. Something needs to be done about SAM and the adequacy of their reserves. Something needs to be done about agencies withholding money

and not letting SAM hold reserves. Something needs to be done—that's all I will say in public. We can talk about in the Finance Committee. The connection fees also need to be looked at.

Director Slater-Carter suggested that one of things they should look at is given the history with the SAM reserve problem, we should consider creating our own internal reserves for SAM so we don't get hit with major surprises that impact rates, and perhaps be looking at a 10% increase instead of 9% to be able to start doing that somewhat.

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

General Manager Heldmaier stated that this is not what Gregg was referring to. This is a report adopted every year, in compliance with SB1760. It shows how much we collected in connection fees for both water and sewer and how much of that money was used for capital projects. If the connection fees collected was more than what was spent for capital improvement projects, then our connection fees would be too high. That is purpose of this report—to show that our connection charges are not too high. He recommended authorization of the filing of the Annual Connection Report with the District Clerk, and make it available for review by the public.

Director Boyd made a motion to authorize the filing of the Annual Connection Report with the District Clerk, and available for review by the public. Director Dekker seconded the motion and the motion passed unanimously 5-0.

### **4. Review and Possible Action Concerning Fiscal Year End Budget to Actual Review**

General Manager Heldmaier stated that this review has been done for the last 4-5 years. It is a report reviewing the last 6 months and the year-end budget to actual numbers and see how the District performed.

District Accountant, Peter Medina: This is a report looking in the past. It should coincide more with the adoption of our fiscal year 2019 audit, but because of some delays that occurred, it got pushed back a little bit. As Clemens mentioned, the one coming up next is the 6 month financial review. This one is important because it compares how we projected back in April of last year, our budget for 2018/2019 and the actual numbers that have gone through audit to see how it stood up. This expounds on our statement of activities that is in our audit. It breaks down our operations into three line items—general and administration, systems and operations, then depreciation and amortization. This budget actual goes into depth far more to see the various categories that are at play for operations. The first page goes from Sewer then to Water. What you are looking at is the cash flow. This is how we present our budget so this does lay in there our actual as



compared to our budget approved back in May of last year. Our normal statement of activities—our profit/loss statement does not take into account capital activities as well as debt principle payments over the year. This does. It captures all cash going out the door which wouldn't have been picked up on your traditional P & L. I've laid out the executive summary which explains all the revenue and expense categories. As Clemens mentioned, in Operations we are doing pretty well keeping expenses as low as possible. For the sewer side, revenue wise we are over-budget, due to sewer service charges and the property tax. The big item there is ERAF. We don't budget for ERAF. We've taken the approach that we don't know what it is going to be, and we have been conservative over the years. So we budget a little bit, but not to the tune of what we actually receive. Sewer charges, we look at revenue increase year over year was about 27% (coincides with rate increase), and all the rest of the revenue items are more or less in line with what was expected. Expense-wise there isn't a whole lot of fluctuation. We did a pretty good job of planning last year. Interest revenue, LAIF did very well this year. The District's treasury is mainly held in LAIF on the sewer side and that performed very well. We don't expect the same thing this year, because we will be spending some of those funds, moving out of LAIF into Operations. Capital improvement, we didn't spend as much as we thought we would, as a lot had to do with timing—1.4 less than the 4 million we anticipated. If you look at the next page, year over year, 2017/18 \$300,000 and 2018/19 2.5 million dollars. This is something we talked about for years, the project not moving forward as anticipated, due to some regulatory delays.

General Manager Heldmaier: Phase One is completed. Unfortunately, the Caltrans permit was not good for Phase Two and we have to go through the permitting process one more time. So, that project is kicked down another year.

District Accountant, Peter Medina: That is why our sewer reserves are so healthy. This project that was budgeted for year in and year out, it just didn't get off the ground. We were many years of \$200,000-\$400,000 dollars put into the ground as opposed to what we anticipated it to be--\$500,00-\$600,000 on a yearly basis. It did not happen. The connection fees were better than anticipated, nine connections for the sewer side, and debt based on the amortization schedules, that is expected and we pay that. The next page, it is always interesting to see the fluctuations year over year. I believe this is what you would expect. This is another way to show fluctuation based on actuals year over year.

Director Slater-Carter: Then the 722% change in capital improvement programs is because of the delayed spending and permitting.

District Accountant, Peter Medina: Correct, this project was 5 years in the making. The pages after this is a detail of every account we have in our GL code, actual numbers going back a few years. For the Water, same view, this is the blue page. We actually took in less revenue for water sales, 2017/2018, and less than anticipated. We budgeted flat and we didn't even get that. Other than that, you see

the same blip with property tax, because it is split. ERAF came in, and that is why you have the large over-budget. On the expense side, the Water quality engineering costs really shot up this past year, and it is just a part of it. Overall, we are over-budget about \$10,000, and I thought we did pretty well in getting those costs where they should be. Personnel, we did get the fourth Operator, but it didn't happen at the beginning of the fiscal year, so those costs are down. If you were look at the individual categories, it is a mixed bag. The healthcare costs are higher than we expected. It looks better on the Water side, because we anticipated more salary for the fourth operator to happen. We didn't do the best job in budgeting for medical costs. Professional services, legal costs were down, and engineering costs were up. Looking at the majority of them, these are the actual GL accounts. It captions 5-6 individual accounts, but all of them within \$20,000 up or down. I feel pretty good about it. For capital improvements, \$481,000 budgeted, but we didn't quite make it there—as I said, a lot of it is timing. The next page talks about 2017/2018 \$235,000 dollars, \$450,000 dollars. After our SRF funds were completely utilized 3-4 years ago, there has been a dip in the amount of money being applied for capital needs. For debt, those fluctuations there are due to the SRF loans being due 7/1 and the 1/1. The 7/1 payment often gets paid in the current fiscal year—we are early on it, and that is what throws it off a bit, accounts for the variance. The two year review of water sales, we are taking in less revenue. It was subsidized by what property tax brought in. Overall increase revenue from one year to the next of \$5,000 dollars. Expense-wise we are up quite a bit. A lot of that has to do with the water quality engineering expenses. Outside of that, debt, I budget on a cash basis for debt. When it comes to the audit we have to accrue for the months that are captured, so it throws it off a bit. Once again, the next four pages are all the details for the GL accounts utilized for the year. You can see the history; it is all displayed. The next page is on the reserves. This is pulled directly from the budget, saying “this is what our budget targets are, and these are actual cash on hand as of June 30, 2019.” For water we are way under, sewer we are good. But that will change as the projects get under way. There are a number of reserve accounts that we use in our GL distinctions in our software, but in reality there are only three accounts: a bank account for water, a bank account for sewer, and LAIF.

Director Dekker thanked District Accountant Peter Medina for the clear and thorough reports, and asked if they could meet at a convenient time to take about the numbers in more detail. He also commented that he noticed on the presentation every quarter the budget seems to be divided by 12, and didn't understand the logic of comparing budget to actual every three months, as the numbers change.

District Accountant, Peter Medina: For the operational expenses, yes and no. For our contractors no. Telephone, a larger expense, we get it pretty close. PG&E is pretty close on a month by month, and then they have a large balloon catch-up bill. Yes, as in the case of property tax, where the District struggles for six months until the first apportionment comes in. This is the first year that we went through our

operational funds, and had to transfer funds before the apportionment check came in. Cash management is important in any organization. It is hard when you start big projects, paying out millions, and paying contractors a million dollars in one check.

Gregg Dieguez, Montara resident asked if the legal fees included closed session, and why were the engineering costs so high—triple.

General Manager Heldmaier said that they budgeted correctly for legal, and underbudgeted for engineering costs.

## **5. Review and Possible Action Concerning Introduction of Electronic Billing Service.**

General Manager Heldmaier announced electronic billing is now available through Docusend. This company has been mailing customer water bills for MWSD, saving staff time, money and resources. It also creates an email database to send bills via electronic mail, newsletters, and allows the District to send additional information to the customer, if needed.

Director Lohman asked if autopay was affected.

General Manager Heldmaier said autopay is not affected and the bills look the same. He was excited about this customer service improvement.

Director Boyd asked how people would sign up for this.

General Manager Heldmaier said that an announcement would be printed on the billing statement itself for those that are interested. However, the District has committed to printing a message for San Mateo County for the next two months. Once this is done, customers will be alerted to this new service on the bill itself. In the meantime, staff will encourage customers to join this program, and it will be announced in the next newsletter and on the website.

Director Boyd asked where the email database was stored.

General Manager Heldmaier replied that it is here.

Director Slater-Carter asked if there was a way to know if customers opened it.

Director Boyd recommended that they don't go to down that road.

## **6. Review of State Revolving Fund Loan 2012PX102 Completion.**

General Manager Heldmaier: We talked about money spent in prior years. In 2012 we took a State Revolving Fund loan of about \$378,000 dollars which was used for planning expenses for the larger loan of 3.7 million dollars. This smaller loan of

about \$378,000 has now been paid off. The larger loan will be paid off in 2035, and that was used for the construction of the water tank.

## **7. Receipt of USGS Certificate for Collaboration with Groundwater Ambient Monitoring and Assessment Program-Priority Basin Project.**

General Manager Heldmaier: This is a project that we were volunteered to participate in by the Department of Health Services. Our regulator suggested our system as a participant in this project with USGS. So, they started sampling in 2011, our Alta Vista Well and we have received some valuable information from their sampling program which is included in our research of the Alta Vista well. It compliments what the District has been doing. A copy of one of the reports we received is attached so you can see what we are doing.

Director Dekker commented that it says that no hazardous substances were detected that are higher than the legal limits.

General Manager Heldmaier replied that the water quality was excellent.

Director Boyd said he appreciated the age dating tracers.

General Manager Heldmaier said that MWSD was also doing this and found out that USGS was doing the same thing. So, now they share information, and is mutually appreciated. The District also received a nice certificate from the USGS.

## **REPORTS**

### **1. Sewer Authority Mid-Coastside Meeting (Slater-Carter)**

Director Lohman said that John Szabo retired after working at SAM for 16+ years. He gave an excellent speech challenging the District to look about global warming, and energy efficiencies. It was very inspirational. There was an update on the emergency repair of the digester problem, and they will start repairing it in February. There was also an update on the scope of work with Management Partners and Wastewater Management. They had also released the money for the next phase of the Granada force main.

Director Slater-Carter said they established the Board Operations Committee, Board Finance Committee, as standing committees. Director Penrose wanted those appointments to come as recommendations within the member Boards. The Board needs to establish and tell SAM who they want to be the Board Operations Committee member and the Finance Committee member, and they have to be SAM Board members and the alternate needs to be the member who is not the SAM Board member, either her or Ric, who is not officially primarily on the Board.

She said she is on the Finance Committee and is happy to be on the Operations Committee.

Director Boyd stated he feels that was inappropriate. We've asked and delegated such responsibilities to our SAM Board members, and as a standard practice our SAM Board members come back, report, and discuss and where there are matters of policy, we discuss policy and give direction to our SAM Board members or ask for confirmation that things are still on track.

Director Slater-Carter said that she hears from the majority of the Board that she and Ric can figure it out.

Director Harvey asked what the status of the wet-weather project.

Director Lohman said it is on track. It was re-bid, and significantly reduced. It will happen this year during the dry season.

Director Slater-Carter reported from the Finance Committee and said the audit for 2017/2018 is very close to being finished. The 2018/2019 audit prep is starting and will be handled by Maze. The budget prep discussion is starting and the budget will be on Open.gov. They have a new person from Management Partners, Hussein, who will be working on the budget and he said he can incorporate the capital improvement program and meet the deadlines on the budget timeline. However, Half Moon Bay said that they didn't want the budget presented on March 31<sup>st</sup>, because it was too soon, and they wouldn't be ready. She suggested that they go to Open.gov to see it when they needed it.

## **2. Mid-Coast Community Council Meeting (Slater-Carter) –**

Director Slater Carter: At the last meeting, Harvey Rarback (Half Moon Bay City Council) suggested as a result of the editorial January 2<sup>nd</sup> Half Moon Bay Review suggesting consolidation of special districts, he suggested we should get the study process going, based on the comments that some citizens had come to the Half Moon Bay City Council and suggested that.

Director Boyd wanted clarification as to who "we" means.

Director Slater-Carter said it wasn't clear. She also mentioned that Director Lohman wrote a response, which was posted in the Half Moon Bay Review yesterday.

Director Lohman said that the basic comment is there is a legal process for consolidation through LAFCo. In the 30+ years he has been on the Coast, none of the pro-consolidation people have ever consider the legal process. He is then assuming that they choose not to go through the legal process, which includes

signature gathering, votes in the agencies. They are attempting a grand plan which he considers a take-over.

Director Slater-Carter said the County is having planning commission hearing next Wednesday at 6:00pm in Half Moon Bay for an item that is going to be in Moss Beach. She suggested that people write to the County, and request that for a project in Montara or Moss Beach, please hold meetings at Farallone View School. This is about the affordable housing project. She feels that the hearing, which is so important to this community, should be held in this community, not in Half Moon Bay.

**3. CSDA Report (Lohman) – nothing**

**4. LAFCo Report (Lohman) –**

Director Lohman: There was the standard mini annexation of someone who lost their septic system and annexed into San Carlos. There was an interesting presentation by Melissa Vergara, of the San Mateo Office of Community Affairs, on the 2020 Census. We received kudos in public for the District notifying our customers about the importance of the census. We were one of two people noted. Everyone should recognize how important the census is. In March, emails will be sent to people encouraging them to complete their census on-line. There will also be kiosks in public places, and she expressed the importance of getting people registered. The citizenship question will not be in the questionnaire. They are requesting help to getting people registered and getting the word out. They are also hiring people to help. This is critical for California, as it is a factor in determining our representation in Congress. They have made a concerted effort in getting the word out. The information and link should also be posted on our website. 1-855-JOB-2020 is the phone number.

**5. Attorney's Report (Fitzgerald) – nothing**

**6. Directors' Report – nothing**

**7. General Manager's Report (Heldmaier)**

General Manager Heldmaier: We had a SAM meeting today, and we looked at an RFP for a new attorney, and we talked about the collections contract that we've looked at with the Granada Community Services District and the City of Half Moon Bay as well. This is slowly morphing in something into a direction.

Director Lohman: In reference to the attorney, there was a proposal that the attorney hang on for the existing legislation that is already rolling along, and have the new attorneys pick up the new stuff, rather than trying to re-train an entire new attorney group. Hopefully, this will smooth the transition more.

**FUTURE AGENDAS**

Flushable wipes

**BRIEF RECESS**

**REGULAR MEETING ENDED at 10:15 P.M.**

**CONVENE IN CLOSED SESSION**

**CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**

(Government Code §54956.9(d)(4))

Initiation of litigation

Number of cases: 1

**CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**

(Government Code § 54956.9(d)(1))

Case Names: *City of Half Moon Bay v. Granada Community Services District, et al. (Santa Clara County Super, Crt. No. 17CV316927)*

**PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

(Government Code §54957(b)(1))

Title: General Manager

**CONFERENCE WITH LABOR NEGOTIATORS**

(Government Code §54957.6)

Unrepresented Employee: General Manager

**REPORT OF ACTION TAKEN IN CLOSED SESSION**

**ADJOURNMENT**

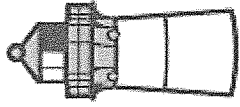
The District has a curfew of 10:30 pm for all meetings. The meeting may be extending for one hour by vote of the Board.

Respectfully Submitted,

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

Approved on the 6th, February 2020

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

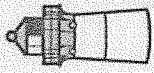


**Montara Water  
and Sanitary District**

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**Proposed Water System Reliability Charges  
January 2020**

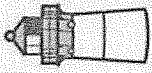




Montara Water  
and Sanitary District

# Today

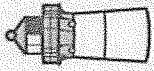
- Understand the Water Infrastructure Investment Need
- Review the Historic Water System Infrastructure Investments
- Provide Direction on Finance Committee Recommendation
  - Proposed Options, Inflation Adjustment, Local Comparisons
- Review Schedule for Proposed Rate Process



Montara Water  
and Sanitary District

# Staff Recommendation

- Confirm Finance Committee Recommendation for Water Rates:
  - \$1M Water System Reliability Charge
  - With Inflation Adjustment
- Provide Direction on Hardship Assistance

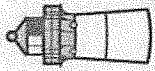


Montara Water  
and Sanitary District

## Infrastructure Investment Needed

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- The District has a continuing financial need.
  - We have \$2M in capital rehabilitation needs TODAY.  
*Based on a standard age of infrastructure asset assessment analysis*
  - We can continue to maintain and band-aid what we have only to a certain point. Eventually facilities age, become inefficient, and fail.
  - **Replacement is the safest, most secure, and most cost-effective means** to maintain the good condition of the system for current and future ratepayers.
-



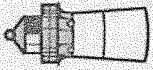
Montara Water  
and Sanitary District

## Current Rates are Inadequate

Historically water rates (customer bill payments) provided <\$500,000 annually for capital projects.

This amount has shrunk due to increased costs:

- **Increased regulatory oversight at the State level has added:**  
Increase monitoring, reporting, sampling (water engineering costs)  
This increase takes staff time and/or consultant expense to address
- **New operator**
- **Additionally, construction costs have doubled since we last raised rates:**  
2015: \$200/foot for pipe replacement  
2019: \$400/foot for pipe replacement



Montara Water  
and Sanitary District

## Current Rates are Inadequate

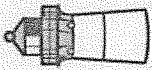
In 2014-2015, the Water System Rate Study discussed with the Board showed the need for additional funds for Capital Investment.

The rates set at that time were not adequate to fully address known infrastructure needs.

AND

Revenues have not meet expected projections:

- Reduced water consumption = lower water sales
- Fewer new developments / construction = lower connection fees and fewer new customers



Montara Water  
and Sanitary District

# 2014/15 Adopted Projections

Table 15

Montara Water & Sanitary District  
Scenario 3: Water Cash Flow Projections

DRAFT

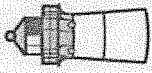
	Budget		Projected			
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Rate Adjustments		July 1 3.0%	July 1 3.0%	July 1 3.0%	July 1 3.0%	July 1 3.0%
Monthly SFR Bill: 5/8" mtr, 5 ccf use	\$67.70	\$69.73	\$71.82	\$73.98	\$76.20	\$78.48

**REVENUES**

Water Service Charges	550,000	570,000	591,000	612,000	634,000	657,000
Water Quantity Charges	1,296,473	1,337,000	1,379,000	1,422,000	1,467,000	1,513,000
Subtotal	<u>1,846,473</u>	<u>1,907,000</u>	<u>1,970,000</u>	<u>2,034,000</u>	<u>2,101,000</u>	<u>2,170,000</u>

Actual Water Service  
and Quantity Revenues

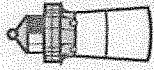
\$1,698,991    \$1,821,688    \$1,818,254    \$1,957,077    \$1,924,541



Montara Water  
and Sanitary District

## Why a Water System Reliability Charge?

- The District needs a continuous source of funds dedicated to infrastructure investment so that cash is available to fund needed projects (Pay Go).
- This cash can be leveraged for State Revolving Funds or other low-cost loans, if available.
- During the last 15 years, the District has maintained capital investment funding \$10M from GOBond refinancing, low interest loans and grants.



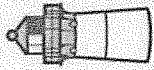
Montara Water  
and Sanitary District

## Why Rates vs. Grants/Loans

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- Rates are the District's sole funding source whether you pay directly or to pay off debt (grant, loan)
    - Just like a mortgage, we must have adequate income to qualify for financing/loans.
  - Pay As You Go: Having available cash is always the least expensive mechanism to fund work.
  - Debt Financing: For larger projects, we always pursue the best mechanism to fund each project based on cost and grant/loan availability.
-





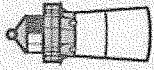
Montara Water  
and Sanitary District

## Investments Made:

- **2001 \$19M Authorized General Obligation Bond:**  
    \$11M for purchase, \$6.5M for capital projects  
    80.6% Yes vote by community voters; Will be paid off in 2028
- **2012 GO Bond Refinancing \$1.5M**
- **SRF Loan \$4M**
- **PNC Equipment Lease \$1M; Refinanced in 2013 from 4.56% to 2.95%**

# MAJOR PROJECT CONSTRUCTION COSTS

Year	Budget Spent on CIP	Projects Accomplished:
2004	\$250,000	Raw Water Pipeline Replacement
2005	\$2,300,000	Water System Reliability and Safety Improvements; Alta Vista Well and Solar System installation; main replacements; Alta Vista WTP rehabilitation; Portola Tank road rehabilitation
2006	\$1,600,000	Meter Replacement and Radio-Read System installation; main replacements; Wagner Well and Drake Well Rehabilitation
2007	\$870,000	North Airport Well rehabilitation and nitrate treatment installation; main replacements
2008	\$350,000	1,2,3, TCP pilot testing and MTBE treatment removal, main replacements
2009	\$240,000	Airport Well No. 3 rehabilitation; main replacements
2010	\$130,000	South Airport Well Rehabilitation; main replacements
2011	\$350,000	Main replacements; Portola Well rehabilitation
2012	\$850,000	Schoohouse Tank I installation; main replacements
2013	\$600,000	Schoohouse Tank I and II installation; main replacements
2014	\$1,300,000	Schoohouse Tank II installation; main replacements
2015	\$2,300,000	Alta Vista Tank II installation
2016	\$1,600,000	Alta Vista Tank II installation
2017	\$740,000	Replacement of 4 <sup>th</sup> St water main, Installation of new water main on 7 <sup>th</sup> St, Acquisition of a new generator, Improvements at Alta Vista site
2018	\$240,000	SCADA system upgrades, Replacement of 4 <sup>th</sup> St water main, Improvements at Alta Vista site
2019	\$480,000	Rehabilitation of Airport Well No.3, Acquisition of 2 trucks, Groundwater well monitoring
<b>Total 2004-2019</b>	<b>\$14,200,000</b>	



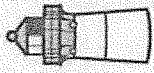
Montara Water  
and Sanitary District

## Today, we need:

To begin systematic replacement or rehabilitation of:

- Approximately 8.5 miles of water mains, including associated valves and appurtenances
- Alta Vista Tank No. 1 (rust, roof), Portola Tank and the 2 Pillar Ridge Tanks
- Pillar Ridge and Alta Vista water treatment plants
- Groundwater wells: Alta Vista, Drake, North Airport, South Airport, Portola (Nos. 1, 2, 3, and 4) and Pillar Ridge (Retiro, Corona and Culebra)

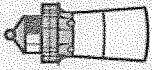
MWSD Capital Improvement Projects	MWSD Program Description	Estimated Present Worth (2019\$)
Asset Replacement Program		
Water Storage Tanks	Replacement of the Alta Vista Tank No. 1, Portola Tank and the 2 Pillar Ridge Tanks	3,972,000
Supply Groundwater Wells	Rehabilitation of the Alta Vista Well, Drake, North Airport well, South Airport Well, the Portola Wells (Nos. 1, 2, 3, and 4) and the Pillar Ridge Wells (Retiro, Corona and Culebra)	3,525,000
PRV Stations	Rehabilitation of all of the 16 PRV Stations	1,170,000
Water Mains	Replacement of approximately 45,000 linear feet of water mains, including associated valves and appurtenances	9,577,000
Treatment Plants	Replacement of the Pillar Ridge and the Alta Vista treatment plants	5,570,000
Hydrants	Replacement of 123 hydrants	738,000
Booster Pump Stations	Replacement of the Schoolhouse booster pump station	3,286,000
Service Meters	Replacement of the Service Meters	1,171,000
Generators	Installation of generators at locations that do not currently have any and replacement of aging generators	987,000
Vehicles	Replacement of the service vehicles every 7 years	425,000
SCADA Upgrades	Necessary upgrades of the water system's electronic controls and monitoring equipment	500,000
Supply Reliability Program	Groundwater exploration studies to better understand local aquifers and identify potential groundwater well sites to augment water system supply reliability	\$2,000,000
Office Systems Upgrades		\$850,000
Total		\$33,771,000
<b>Total with construction cost escalation over 20 years:</b>		<b>~\$40M</b>



Montara Water  
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# Proposed Water System Reliability Charge

- Beginning July 1, 2020:  
Apply a fixed charge based on meter size, collected on the property tax rolls for all customers starting in 2020:
  - Assumes no change to current rates and charges for bimonthly billing
- Issue a Proposition 218 mailing this April/May
- Bi-Annual Budget Reviews allow for assessment every 6 months
- Potential for next Proposition 218 mailing in 2022



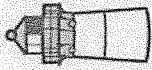
Montara Water  
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# Proposed PARTIAL Funding Water System Reliability Charge:

- A fixed charge based on meter size, collected on the property tax rolls for all customers to raise **\$1,000,000 per year** starting in 2020:
- Assumes no change to current rates and charges for bimonthly billing

Domestic Water Meters	# of All Accounts: 1587	% of All Accounts:	Water System Reliability Charge
5/8" & 3/4"	1555	98%	\$558.66
3/4"	17	1%	\$830.00
1"	9	<1%	\$1,396.66
1-1/2"	2	<1%	\$2,793.30
2"	4	<1%	\$4,469.28
3"	0	0%	\$8,379.90
4"	3	<1%	\$13,966.50

Most accounts with private fire service only will pay 50% of 5/8" & 3/4" rate



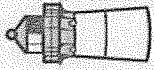
**Montara Water  
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# Proposed FULL Funding Water System Reliability Charge:

- A fixed charge based on meter size, collected on the property tax rolls for all customers to raise **\$2,000,000 per year** starting in 2020:
- Assumes no change to current rates and charges for bimonthly billing

Domestic Water Meters	# of All Accounts: 1587	% of All Accounts:	Water System Reliability Charge
5/8" & 3/4"	1555	98%	\$1,117.32
3/4"	17	1%	\$1,660.00
1"	9	<1%	\$2,793.32
1-1/2"	2	<1%	\$5,586.60
2"	4	<1%	\$8,938.56
3"	0	0%	\$16,759.80
4"	3	<1%	\$27,933.00

Most accounts with private fire service only will pay 50% of 5/8" & 3/4" rate

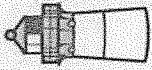


Montana Water  
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# Identify Hardship Assistance for Customers

- CA's current Proposition 218 prohibits the use of ratepayer funds to subsidize any group of ratepayers
- Thus, only non-rate revenues are available to assist hardship customers:  
(Use of these funds for hardship assistance - REDUCES the operations budget)
  - Cell tower lease - ~\$36K/year
  - Fees - ~\$10K/year
  - District's 1% share of property tax
- Low water use customers already benefit from the District's tiered volumetric rate structure.
- Given Pillar Point's existing distribution system, these residents benefit from Pillar Point's master meter agreement.



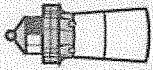


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# Local Water Rate Increase Comparison

## Example of Other Agencies' Rate Increases

	Annual Rate Increases (rounded estimates)										Cumulative Increase	Avg Annual Increase	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019			
MMWSD Water	2.0%	0.0%	4.0%	4.0%	7.5%	3.0%	3.0%	3.0%	3.0%	3.0%	0.0%	33.5%	2.9%
MMWSD Sewer	14.0%	2.5%	4.3%	3.0%	3.0%	3.0%	3.0%	3.0%	23.0%	21.0%	21.0%	110.3%	7.7%
Redwood City - Water	9.0%	9.0%	12.0%	9.0%	9.0%	9.0%	7.8%	4.5%	4.5%	0.0%	0.0%	102.9%	7.3%
Redwood City - Sewer	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	3.0%	3.0%	3.0%	4.5%	4.5%	91.5%	6.7%
San Bruno - Water	11.8%	11.8%	11.7%	9.8%	9.8%	9.8%	9.8%	9.8%	5.0%	5.0%	5.0%	145.7%	9.4%
San Bruno - Sewer	10.1%	10.1%	10.1%	10.2%	10.2%	10.2%	10.2%	10.2%	5.0%	5.0%	5.0%	139.1%	9.1%
San Mateo - Sewer	9.0%	9.0%	8.0%	8.0%	8.0%	10.0%	12.0%	36.0%	14.0%	14.0%	14.0%	225.9%	12.5%
Mid-Peninsula Wtr (Belmont)	9.0%	9.0%	9.0%	9.0%	9.0%	18.0%	6.0%	0.0%	6.0%	4.0%	4.0%	112.2%	7.8%
San Carlos Sewer	7.0%	7.0%	6.0%	25.0%	20.0%	10.0%	0.0%	5.0%	5.0%	4.5%	4.5%	130.7%	8.7%



Montara Water  
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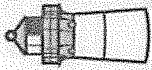
# Local CIP Needs Comparison

- MWSD's projected infrastructure need is comparable to other Bay Area districts

CIP Comparisons

	Years	Amount	Per Year Est.
Contra Costa Water District	10	\$ 600,000,000	\$ 60,000,000
San Jose Water Company	5	\$ 39,139,000	\$ 7,827,800
San Lorenzo Valley Water District	1	\$ 6,100,000	\$ 6,100,000
Coastside County Water District	10	\$ 33,000,000	\$ 3,300,000
North Coast County Water District	1	\$ 3,000,000	\$ 3,000,000
Montara Water and Sanitary District	20	\$ 33,771,000	\$ 1,688,550

- MWSD's CIP is a significantly lower expenditure per year

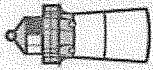


Montara Water  
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# MWSD Average Bill:

	# of All Accounts: 1587	% of All Accounts:	Average Monthly Charge:	Average Bi-Monthly Bill:
5/8" & 3/4"	1555	98%	\$28.80 + 5 units = \$76.22	\$152.44

- MWSD's current water rates with no changes proposed.



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# Schedule

- Mail Proposition 218:

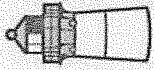
April/May

- Public Hearing & Final Adoption:

June

- Deadline for Property Tax Roles collection:

August



**Montara Water  
and Sanitary District**

# Questions?



Gregg Dieguez 1/16/2020 MWSD comments:

### 1. LCP amendment

I want to ensure that all here tonight, and the public who may watch on video, are aware that the Planning Commission is holding a meeting the evening of Jan. 22nd to approve an amendment to the LCP to allow the MidPen Cypress Point project to progress. I will not burden you with the arguments for or against adding such population density in Moss Beach. The amendment in question seeks to REDUCE the project size, so on its face seems innocent enough. However, I have seen emails among county staff which state that if this amendment is approved, further appeals, including at the Coastal Commission, will no longer be allowed. So the apparent intent of the amendment would avoid further public scrutiny and comment.

Construction of the planned housing projects bears directly on the capital costs and asset replenishment burdens faced by existing Mid-Coast ratepayers. In light of the burdens these population expansions will place on our infrastructure, and to ensure that ratepayers, who already face significant cost increases to fund asset replenishment, do not subsidize the profits of the real estate interests behind those projects, I am requesting that all Connection or Impact Fees be revisited immediately together with the ongoing rate studies. As one example of the harm that might be done, there are potentially four (4) roundabouts to be added in the new transportation plan, which I call 'DISCONNECT the Coastside'. I was told yesterday by an MCC member that each roundabout would cost about \$2.5 million, and that Big Wave had negotiated down their contribution to the roundabout being added for them to just \$275,000. Whether those facts bear out or not, it is clear we need to insist that there is transparency and accountability on all aspects of these projects and their impact on our cost of living and quality of life.

I encourage all residents to attend the Jan. 22nd meeting and voice their opinions.

**MWSD Action Item:** Revisit all Connection or Impact Fees together with the ongoing rate studies.

### 2. Sustainable Funding

It is nice to see that projected reserve levels are being included in our forthcoming water and sewer rate studies, however, I suggest this does not go far enough. The obvious question is: are those reserves enough? And a related question: are our reserve POLICIES, especially for replenishment of capital assets, sufficient to sustain our water and sewer districts? As a first step in answering those questions, I am requesting that all rate studies include - initially as an informational line item - the forecasted reserves necessary to sustainably fund asset replenishment. *[Some consultants presented a partial version of this analysis at a prior MWSD meeting but: a) they didn't include inflation in their forecast, and b) they didn't show reserve balances - only that the present value of short term future capital needs would be met by a given level of funding in 2019 dollars - and if that's all we did, reserves would be net zero over the period.]* As some of you know, I have prepared spreadsheets with a methodology which calculates the required reserve funding for an example asset. I am requesting that this Reserve Adequacy Analysis be tied to the age and replacement cost of ALL DISTRICT ASSETS, so that we can see, as we progress, how our reserves compare to an adequate

level of capital as we strain to balance short term ratepayer concerns alongside the sustainability of the district for future residents. I am not suggesting we immediately fund to a sustainable level, but I am requesting that we be visibly and quantifiably aware - as we assess various rate scenarios - just how far from adequate capitalization we are for each year in the rate forecast. I am, of course, available to help produce the analysis, and create tools to make it a brief matter to update annually. Further, I will be providing a paper on this topic and methodology to the variety of public works general managers, mayors & town managers, industry consultants, planners, and other experts I've been interviewing on Growth, Infrastructure, And Sustainability, and I will make the consensus version of that paper available to the district.

**MWSD Action Item:** All rate studies to include as an informational line item: the forecasted reserves necessary to sustainably fund asset replenishment.

**MWSD Action Item:** Reserve Adequacy Analysis be tied to the age and replacement cost of ALL DISTRICT ASSETS.

**GAD Action Item:** Provide findings of study with industry experts.

# Montara Water & Sanitary District



## Sewer Rate Study

PRELIMINARY DRAFT

January 15, 2020



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS





# Montara Water & Sanitary District

## Sewer Rate Study 2020

### Summary of Key Issues



#### Background

- MWSD has provided strong financial stewardship by implementing small annual inflationary rate adjustments for many years followed by larger rate increases phased in over the past two years to generate more funding for capital needs of both SAM and MWSD
- The sewer utility is currently in sound financial health but needs to continue increasing funding for rehabilitation and replacement of aging infrastructure
  - Sewer Authority Mid-Coastside: Recent analysis recommends SAM budget \$40 million over next 5-10 years for wastewater treatment plant improvements. Treatment plant is over 40 years old and operates in coastal conditions. Funding needs may be temporarily reduced if SAM opts to fund minimal rehab to defray replacement needs.
  - SAM's Consent Decree with ERP: Requires completion of approximately \$7.8 million of improvements to the Intertie Pipeline System by June 30, 2024
  - MWSD sewer collection system: Engineering analysis identifies need for \$1.9 million per year on average for rehab and replacement of aging facilities over next 20 years. Roughly 60% of sewer pipelines are over 60 years old.
  - Combined capital funding needs for SAM & MWSD total roughly \$2.5 million per year on average over next 20 years
- Last sewer rate study conducted in 2018
  - District adopted 2 years of rate increases as part of a longer-term plan to raise rates to address capital funding needs
    - Plan was to re-evaluate sewer rates in 2020 based on updated information and continue taking gradual steps in the right direction
  - Sewer rates now generate roughly \$3 million per year and provide about \$1.3 million of funding for capital and other needs (after paying regular operating cost and debt service)
- Before 2018, the prior sewer rate study was conducted in 2010
  - Rate increases adopted in 2010 were expected to be phased in over 4 years, but were more slowly implemented over 8 years
  - After an initial bump up in rates in 2010, District implemented inflationary rate increases for 7 years leading up to the 2018 rate study
  - Accounting for inflation and conservation, many customers paid roughly the same in inflation-adjusted terms for many years leading up to the 2018 rate study
- Many other regional agencies are facing similar challenges to increase funding for replacement of aging infrastructure including old pipelines and aging wastewater treatment facilities
  - Many other agencies have adopted substantial rate increases over the past decade to address capital funding needs

## Financial & Rate Projections

- BWA developed updated financial projections to evaluate funding needs and project rate increases
- Key assumptions:
  - Beginning fund balances total roughly \$5.3 million as of July 1, 2019
  - MWSD revenues & expenses based on 2019/20 Budget
  - SAM expenses based on SAM Proposed 2019/20 Budget
  - Operating expenses escalate at 5% per year for financial planning purposes
  - Includes \$700,000 per year MWSD’s share of SAM capital improvements starting next year, based on SAM’s draft 5-year \$12.1 million capital improvement plan
  - MWSD capital funding phases in to \$1.5 million per year over next 4 years
- Key factors driving the need for future rate increases include:
  - MWSD and SAM capital funding needs for rehabilitation and replacement of aging infrastructure
  - SAM operating expenses have increased in recent years
  - Ongoing and capital cost inflation

## Draft Financial & Rate Scenarios

- A. Large Up-Front Rate Increase:** Adopt 45% rate increase next year to fund \$1.9 million per year of MWSD capital improvements and \$700K per year of SAM capital contributions
- B. Phase-in Rates & CIP Funding:** Move forward with 9% annual rate increases and gradually ramp up capital funding to \$1.5 million per year for MWSD (on top of \$700K per year for SAM). Draw down an estimated \$1.5 million of fund reserves over 5 years to help fund capital needs while rate increases are gradually phased in. Additional future rate adjustments would likely be needed to continue phasing in capital funding to meet MWSD’s infrastructure needs.

	2020/21	2021/22	2022/23
<b>A) Large Up-Front Rate Increase</b>	45%	3%	3%
<b>B) Phase-In Rates &amp; CIP Funding</b>	9%	9%	9%

## Preliminary Recommendations

- Move forward with the next 3 years of rate increases and subsequently re-evaluate in future years. This would enable MWSD to take additional steps toward meeting long-term capital funding needs while preserving flexibility to adjust course in future years.
- No change to sewer rate structure recommended at this time; rate increases would be applied on an across-the-board basis with the same percentage rate increases to all customers
- Potential consideration of change in 4 winter months used for sewer bill calculation for customers in Montara area from Dec & Feb bills to Feb & Apr bills
- Obtain Board input and move forward with Prop 218 notice & rate increase process

Table 1  
 Montara Water & Sanitary District  
 Current Sewer Rates

Sewer Customer Class	Current Sewer Rate (\$ per hcf) <sup>1</sup>	Minimum Annual Charge <sup>2</sup>	Equivalent Sewer Rate (\$ per 100 glns)	% of Residential Rate
Residential	\$21.07	\$1,011.36	\$2.82	100%
Restaurants	36.55	1,754.40	4.89	173%
Motels	22.18	1,064.64	2.97	105%
Offices	18.98	911.04	2.54	90%
General Commercial	20.33	975.84	2.72	96%
Schools	19.28	925.44	2.58	92%
Hospitals	21.01	1,008.48	2.81	100%

1 Residential rates are applied to annualized water use from two winter billing periods (Nov-Feb or Dec-Mar) Commercial rates are applied based on annual water use.

2 Minimum annual charge based on 48 hcf of annual sewer use (4 hcf per month).

Table 2  
 Montara Water & Sanitary District  
 Historical Sewer Rates

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Residential Rate Adjustment</b>		2.5%	4.3%	3.0%	3.0%	3.0%	3.0%	2.9%	21.7%	21.0%
<b>Sewer Service Charge Rates</b>										
<i>Volumetric charges billed per month of winter water use (\$ per hcf) *</i>										
Residential	\$11.56	\$11.85	\$12.36	\$12.73	\$13.11	\$13.50	\$13.91	\$14.31	\$17.41	\$21.07
Restaurants	20.98	21.50	22.42	23.09	23.78	24.50	25.23	25.96	30.21	36.55
Motels	12.43	12.74	13.29	13.69	14.10	14.52	14.96	15.39	18.33	22.18
Offices	10.22	10.48	10.92	11.25	11.59	11.94	12.29	12.65	15.69	18.98
General Commercial	11.08	11.35	11.84	12.19	12.56	12.93	13.32	13.70	16.80	20.33
Schools	10.41	10.67	11.12	11.45	11.98	12.15	12.52	12.88	15.93	19.28
Hospitals	11.63	11.92	12.43	12.81	13.19	13.59	13.99	14.40	17.36	21.01
All Other Commercial	12.05	12.35	12.88	13.26	13.66	14.07	14.49	14.91	n/a	n/a
<b>Minimum Charge: Minimum sewer bill based on 48 hcf of annual billed use (4 hcf per month).</b>										
Residential charges are applied based on water use from two winter billing periods (Nov/Dec & Jan/Feb or Dec/Jan & Feb/Mar).										
Commercial charges are applied based on annual water use from the prior fiscal year.										
Note: 1 hcf = 1 hundred cubic feet, or approximately 748 gallons.										

Table 3  
Montara Water & Sanitary District  
Sewer Authority Mid-Coastside Expenses

	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Actual	2019/20 Proposed
<b>MWSD'S SHARE OF SEWER AUTHORITY MID-COASTSIDE EXPENSES</b>					
<b>Wastewater Treatment</b>					
Administrative Services	\$244,692	\$204,348	\$222,677	\$285,958	\$257,684
Treatment Division	463,200	424,507	525,979	597,117	713,972
Environmental Compliance	-	65,675	35,006	30,243	44,981
Subtotal	707,892	694,530	783,662	913,318	1,016,637
<b>Contract Collection Services</b>	325,958	321,608	312,877	301,644	341,549
<b>Total Operating Expenses</b>	1,033,850	1,016,138	1,096,539	1,214,962	1,358,186
<b>Infrastructure/Non-Operating</b>	160,666	153,710	540,800	406,622	512,502
<b>Total Expenses</b>	<b>1,194,516</b>	<b>1,169,848</b>	<b>1,637,339</b>	<b>1,621,584</b>	<b>1,870,688</b>

Table 4  
Montara Water & Sanitary District  
SAM Draft 5-Year CIP

Year	Project Number	Category		Project	Cost With Inflation	MWSD Cost %	MWSD Cost \$
2020-21	1.02B	Force Mains	Princeton Force Main	Preparation of design documents-drawings, specifications and cost estimate	250,000	33.3%	83,300
	1.02	Force Mains	Princeton Force Main	Replace deteriorated sections	1,200,000	33.3%	400,000
	1.03	Force Mains	Montara Force Main	Conduct condition assessment	150,000	33.3%	50,000
	1.03A	Force Mains	Montara Force Main	Preparation of design documents-drawings, specs, and cost estimate	350,000	33.3%	116,700
	4.03	Princeton Pump Station	Pumps	Conduct feasibility study for pump station replacement	50,000	33.3%	16,700
	5.10	Admin	Vehicles	Rehab/replace vehicle fleet	55,000	20.0%	11,000
	10.02	WWTP	Primary Treatment	Rehabilitate skimmer troughs	50,000	20.0%	10,000
	11.01	WWTP	Secondary Treatment	Rehabilitate backup aeration basin	150,000	20.0%	30,000
	14.01	WWTP	Anaerobic Digestion	Install VFDs on sludge transfer pumps 1 and 2	75,000	20.0%	15,000
	15.02	WWTP	Sludge Dewatering	Purchase critical spare parts for BFP/main conveyor and prepare emergency plan	100,000	20.0%	20,000
				<b>Sum Total</b>	<b>2,430,000</b>		<b>752,700</b>
2021-22	1.04	Force Mains	Montara Force Main	Replace pipeline	1,350,000	33.3%	450,000
	2.03	Montara Pump Station	Electrical & Emergency Power	Replace emergency generator	250,000	20.0%	50,000
	2.05	Montara Pump Station	Pumps	Replace pumps 1 & 2	100,000	20.0%	20,000
	2.08	Montara Pump Station	Pumps	Rehabilitate pump station bypass system	220,000	20.0%	44,000
	3.08	Portola Pump Station	Pumps	Replace pumps 1 & 4	70,000	20.0%	14,000
	9.05	WWTP	Influent Pumping	Influent wet well inspection and repair	90,000	20.0%	18,000
	10.02	WWTP	Primary Treatment	Rehabilitate skimmer troughs	50,000	20.0%	10,000
	13.02	WWTP	Effluent Pumping	Replace effluent pumps	200,000	20.0%	40,000
	17.03	WWTP	Water Supply and Piping Systems	Replace No. 3 water pumps	75,000	20.0%	15,000
				<b>Sum Total</b>	<b>2,405,000</b>		<b>661,000</b>
2022-23	1.04	Force Mains	Montara Force Main	Replace pipeline	1,400,000	33.3%	466,700
	3.06	Portola Pump Station	Electrical & Emergency Power	Replace emergency generator and fuel tank	350,000	20.0%	70,000
	3.08	Portola Pump Station	Pumps	Replace pumps 1 & 4	70,000	20.0%	14,000
	8.01	WWTP	Headworks	Replace screenings screw conveyor at headworks	140,000	20.0%	28,000
	10.03	WWTP	Primary Treatment	Upgrade/replace grit blowers, as needed	90,000	20.0%	18,000
	10.04	WWTP	Primary Treatment	Replace chain & flights, collector gear reducer, and weirs in primary clarifier	175,000	20.0%	35,000
	11.03	WWTP	Secondary Treatment	Replace/rehabilitate secondary clarifier drive mechanism	175,000	20.0%	35,000
	14.04	WWTP	Anaerobic Digestion	New burner system for Boilers	55,000	20.0%	11,000
				<b>Sum Total</b>	<b>2,455,000</b>		<b>677,700</b>
2023-24	1.02	Force Mains	Princeton Force Main	Replace deteriorated sections	1,450,000	33.3%	483,300
	1.04	Force Mains	Montara Force Main	Replace pipeline	900,000	33.3%	300,000
	4.04	Princeton Pump Station	Pumps	Replace with Package Pump Station	750,000	33.3%	250,000
				<b>Sum Total</b>	<b>3,100,000</b>		<b>1,033,300</b>
2024-25	2.05A	Montara Pump Station	Pumps	Replace pumps 2	100,000	20.0%	20,000
	7.02	WWTP	Electrical & Emergency Power	Replace emergency generator	1,100,000	20.0%	220,000
	8.03	WWTP	Headworks	Replace automatic bar screen drives	150,000	20.0%	30,000
	9.01	WWTP	Influent pumping	Replace influent pumps	100,000	20.0%	20,000
	10.06	WWTP	Preliminary Treatment	Replace grit pumps and appurtenances	130,000	20.0%	26,000
	11.05	WWTP	Secondary Treatment	Replace WAS pumps	175,000	20.0%	35,000
				<b>Sum Total</b>	<b>1,755,000</b>		<b>351,000</b>
<b>5-Year Average</b>					<b>2,429,000</b>	<b>28.6%</b>	<b>695,140</b>

Table 5  
Montara Water & Sanitary District  
Sewer Replacement Program

The following table includes the net present value of the replacement costs of MWSD's SEWER assets that are due for replacement within the next 20 years and the other capital improvement projects required to optimize the Sewer system.

MWSD SEWER Capital Improvement Projects	MWSD Sewer Program Description	Total Asset Present Worth Value (2019\$)	Estimated Present Worth 20 Year Sewer Replacement Costs (2019\$)
<b>Collection Gravity System Pipelines</b>	Pipe Replacement for SSO reduction and Pipe Repairs : Total Asset ~145,560 feet mains; Project Goals 58,000 feet	\$64,152,000	\$25,660,000
<b>Pipe Inspections and Sealing</b>	I & I (Infiltration and Inflow) reduction and inspection and sewer service tap repair program	\$5,850,000	\$1,170,000
<b>Sewer Access Structures</b>	Replace or rehabilitate manholes and access structure: Total asset ~575 structures; project goals 150 structures	\$3,018,750	\$754,500
<b>Force Main Sewer Pipes</b>	Pressure Pipe Replacement and associated air valves (ARV's) and isolation valves, Airport, Kanoff, Distillary, Vallemar: ~25,500 feet; project goals 6,500 feet	\$15,300,000	\$3,825,000
<b>Large Pump Stations (2)</b>	Vallemar MCC and Dry Weather pumps	\$4,400,000	\$1,950,000
<b>Medium Pump Stations (11)</b>	Date Harte, Seal Cove 3 and 4, Fifth St and Airport MCCs and Pump Discharge Pipe Upgrades	\$13,750,000	\$3,500,000
<b>Small Pump Stations (28)</b>	Pump Replacemens and Wet Well/Electrical upgrades: Asset Count 28	\$700,000	\$162,500
<b>SCADA</b>	Radio and Cell communication upgrades and expanded moitoring of pump stations, data link with SAM	\$350,000	\$250,000
<b>Advanced Early Warning</b>	Smart Covers and remote warning systems	\$30,000	\$65,000
<b>Power Generation Stationary and Portable</b>	Kanoff Generator, California Street, Seal Cove Pump Stations	\$600,000	\$250,000
<b>Service Vehicles (Not Including SAM trucks)</b>	Service Utility Vehicles	\$125,000	\$125,000
<b>Office Database Equipment</b>	GIS mapping and infrastructure management	\$450,000	\$112,500
<b>Totals</b>		<b>\$108,725,750</b>	<b>\$37,824,500</b>
<b>Annual Average Sewer CIP</b>			<b>\$1,891,225</b>

Source: Nute Engineering

Table 6  
Montara Water & Sanitary District  
Outstanding Sewer Debt

	<b>2008 CIEDB Loan</b>	<b>2013 PNC Lease (50% Sewer Share)</b>	<b>Total</b>
Sewer Proceeds	\$1,010,000	\$909,067	
Interest Rate	3.05%	2.95%	
Term	30 Years	20 Years	
Payments	Semi-Annual	Monthly	
Purpose	Sewer Lift Stations	Water Meters	
2015/16	\$55,200	\$59,300	\$114,500
2016/17	55,100	62,300	117,400
2017/18	55,000	65,300	120,300
2018/19	54,900	68,900	123,800
2019/20	54,600	72,400	127,000
2020/21	54,600	76,100	130,700
2021/22	54,600	79,900	134,500
2022/23	54,600	83,500	138,100
2023/24	54,600	87,200	141,800
2024/25	54,000	88,600	142,600
2025/26	54,000	88,700	142,700
2026/27	54,000	29,500	83,500
2027/28	54,000	-	54,000
2028/29	54,000	-	54,000
2029/30	53,300	-	53,300
2030/31	53,300	-	53,300
2031/32	53,300	-	53,300
2032/33	53,300	-	53,300
2033/34	53,300	-	53,300
2034/35	47,000	-	47,000
2035/36	47,000	-	47,000
2036/37	47,000	-	47,000
2037/38	47,000	-	47,000
2038/39	23,000	-	23,000

*Debt service rounded to nearest \$100*



Table 7  
Montara Water & Sanitary District  
Historical Sewer Finances

	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18	Actual 2018/19
<b>REVENUES</b>					
Sewer Service Charges	2,196,000	2,055,000	1,975,000	2,054,000	2,611,000
Property Taxes	214,000	326,000	340,000	368,000	404,000
Connection/Remodel Fees	166,000	101,000	192,000	239,000	317,000
Interest Earnings	12,000	18,000	32,000	41,000	99,000
Cell Phone Tower Lease	32,000	33,000	34,000	36,000	37,000
Other Revenues (Net of Refunds)	54,000	34,000	25,000	32,000	33,000
<b>Total Revenues</b>	<u>2,674,000</u>	<u>2,567,000</u>	<u>2,598,000</u>	<u>2,770,000</u>	<u>3,501,000</u>
<b>EXPENSES</b>			<i>categories may be a little off</i>		
<b>Operating Expenses</b>					
Personnel	243,000	302,000	293,000	341,000	351,000
Professional Svcs & Engineering	141,000	147,000	159,000	215,000	134,000
Additional Legal	0	0	0	165,000	158,000
Other Operating Expenses	86,000	91,000	113,000	115,000	152,000
SAM Wastewater Treatment	704,000	770,000	678,000	1,625,000	1,317,000
SAM Collection Services	285,000	326,000	322,000	233,000	330,000
SAM Supplemental Maintenance	0	0	0	0	83,000
Subtotal Operating Expenses	<u>1,459,000</u>	<u>1,636,000</u>	<u>1,565,000</u>	<u>2,694,000</u>	<u>2,525,000</u>
<b>Debt Service</b>					
PNC Equipment Lease	56,000	59,000	62,000	65,000	69,000
I-Bank Loan	55,000	55,000	55,000	55,000	55,000
Subtotal Debt Service	<u>111,000</u>	<u>114,000</u>	<u>117,000</u>	<u>120,000</u>	<u>124,000</u>
<b>Capital Improvements</b>					
MWSD Capital Improvements	999,000	244,000	1,055,000	300,000	2,471,000
SAM Capital Assessment	63,000	161,000	154,000	541,000	407,000
Subtotal Non-Operating Expenses	<u>1,062,000</u>	<u>405,000</u>	<u>1,209,000</u>	<u>841,000</u>	<u>2,878,000</u>
<b>Total Expenses</b>	<u>2,632,000</u>	<u>2,155,000</u>	<u>2,891,000</u>	<u>3,655,000</u>	<u>5,527,000</u>
<b>Revenues Less Expenses</b>	42,000	412,000	(293,000)	(885,000)	(2,026,000)
Funds Generated for Capital	1,104,000	817,000	916,000	(44,000)	852,000

Table 8  
Montara Water & Sanitary District  
Sewer Cash Flow Projections

**Scenario A**  
Large Rate Increase to Support \$1.9 Million  
Per Year of MWSD Capital Improvements

	Projected				
	2019/20	2020/21	2021/22	2022/23	2023/24
Rate Adjustment Effective Date	July 1	July 1	July 1	July 1	July 1
Rate Adjustments	21%	45%	3%	3%	3%
New Sewer Connections (EDUs)	5	5	5	5	5
Sewer Capacity Charges (EDU)	\$26,378	\$26,906	\$27,444	\$27,993	\$28,553
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Cost Escalation	-	5.0%	5.0%	5.0%	5.0%
<b>Beginning Sewer Fund Balances</b>	\$5,292,000	\$4,683,000	\$4,652,000	\$4,656,000	\$4,696,000
<b>REVENUES</b>					
Sewer Service Charges	3,006,000	4,371,000	4,515,000	4,664,000	4,818,000
Property Taxes (+2%)	275,000	281,000	287,000	293,000	299,000
Connection/Remodel Fees	142,000	145,000	147,000	150,000	153,000
Interest Earnings (est.)	106,000	94,000	93,000	93,000	94,000
Cell Phone Tower Lease	35,000	36,000	37,000	38,000	39,000
Other Revenues	40,000	40,000	40,000	40,000	40,000
<b>Total Revenues</b>	3,604,000	4,967,000	5,119,000	5,278,000	5,443,000
<b>EXPENSES</b>					
<b>Operating Expenses</b>					
Personnel	350,000	368,000	386,000	405,000	425,000
Professional Services	500,000	300,000	315,000	331,000	348,000
Other Operating Expenses	164,000	172,000	181,000	190,000	200,000
SAM Wastewater Treatment	1,017,000	1,068,000	1,121,000	1,177,000	1,236,000
SAM Collection Services	342,000	359,000	377,000	396,000	416,000
Subtotal	2,373,000	2,267,000	2,380,000	2,499,000	2,625,000
<b>Debt Service</b>					
PNC Equipment Lease	72,000	76,000	80,000	84,000	87,000
I-Bank Loan	55,000	55,000	55,000	55,000	55,000
Subtotal	127,000	131,000	135,000	139,000	142,000
<b>Non-Operating Expenses</b>					
MWSD Capital Improvements	1,200,000	1,900,000	1,900,000	1,900,000	1,900,000
SAM WWTP Improvements	513,000	700,000	700,000	700,000	700,000
Subtotal	1,713,000	2,600,000	2,600,000	2,600,000	2,600,000
<b>Total Expenses</b>	4,213,000	4,998,000	5,115,000	5,238,000	5,367,000
<b>Revenues Less Expenses</b>	(609,000)	(31,000)	4,000	40,000	76,000
<b>Ending Fund Balances</b>	4,683,000	4,652,000	4,656,000	4,696,000	4,772,000
Rsrv Target 50% O&M + 2M	3,187,000	3,134,000	3,190,000	3,250,000	3,313,000
Debt Service Coverage: $\geq 1.20$	9.69	20.61	20.29	19.99	19.85
Funds Generated for Capital	1,104,000	2,569,000	2,604,000	2,640,000	2,676,000

Table 9  
 Montara Water & Sanitary District  
 Sewer Cash Flow Projections

**Scenario B**  
 Phase In Rates & CIP Funding

	Projected				
	2019/20	2020/21	2021/22	2022/23	2023/24
Rate Adjustment Effective Date	July 1	July 1	July 1	July 1	July 1
Rate Adjustments	21%	9%	9%	9%	9%
New Sewer Connections (EDUs)	5	5	5	5	5
Sewer Capacity Charges (EDU)	\$26,378	\$26,906	\$27,444	\$27,993	\$28,553
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Cost Escalation	-	5.0%	5.0%	5.0%	5.0%
<b>Beginning Sewer Fund Balances</b>	\$5,292,000	\$4,683,000	\$4,267,000	\$3,940,000	\$3,729,000
<b>REVENUES</b>					
Sewer Service Charges	3,006,000	3,286,000	3,592,000	3,927,000	4,293,000
Property Taxes (+2%)	275,000	281,000	287,000	293,000	299,000
Connection/Remodel Fees	142,000	145,000	147,000	150,000	153,000
Interest Earnings (est.)	106,000	94,000	85,000	79,000	75,000
Cell Phone Tower Lease	35,000	36,000	37,000	38,000	39,000
Other Revenues	40,000	40,000	40,000	40,000	40,000
<b>Total Revenues</b>	3,604,000	3,882,000	4,188,000	4,527,000	4,899,000
<b>EXPENSES</b>					
<b>Operating Expenses</b>					
Personnel	350,000	368,000	386,000	405,000	425,000
Professional Services	500,000	300,000	315,000	331,000	348,000
Other Operating Expenses	164,000	172,000	181,000	190,000	200,000
SAM Wastewater Treatment	1,017,000	1,068,000	1,121,000	1,177,000	1,236,000
SAM Collection Services	342,000	359,000	377,000	396,000	416,000
Subtotal	2,373,000	2,267,000	2,380,000	2,499,000	2,625,000
<b>Debt Service</b>					
PNC Equipment Lease	72,000	76,000	80,000	84,000	87,000
I-Bank Loan	55,000	55,000	55,000	55,000	55,000
Subtotal	127,000	131,000	135,000	139,000	142,000
<b>Non-Operating Expenses</b>					
MWSD Capital Improvements	1,200,000	1,200,000	1,300,000	1,400,000	1,500,000
SAM WWTP Improvements	513,000	700,000	700,000	700,000	700,000
Subtotal	1,713,000	1,900,000	2,000,000	2,100,000	2,200,000
<b>Total Expenses</b>	4,213,000	4,298,000	4,515,000	4,738,000	4,967,000
<b>Revenues Less Expenses</b>	(609,000)	(416,000)	(327,000)	(211,000)	(68,000)
<b>Ending Fund Balances</b>	4,683,000	4,267,000	3,940,000	3,729,000	3,661,000
Rsrv Target 50% O&M + 2M	3,187,000	3,134,000	3,190,000	3,250,000	3,313,000
Debt Service Coverage: $\geq 1.20$	9.69	12.33	13.39	14.59	16.01
Funds Generated for Capital	1,104,000	1,484,000	1,673,000	1,889,000	2,132,000

**Scenario B**  
Phase-In Rates  
& CIP Funding

# Montara Water & Sanitary District

## Projected Sewer Revenues & Expenses (\$ Millions)

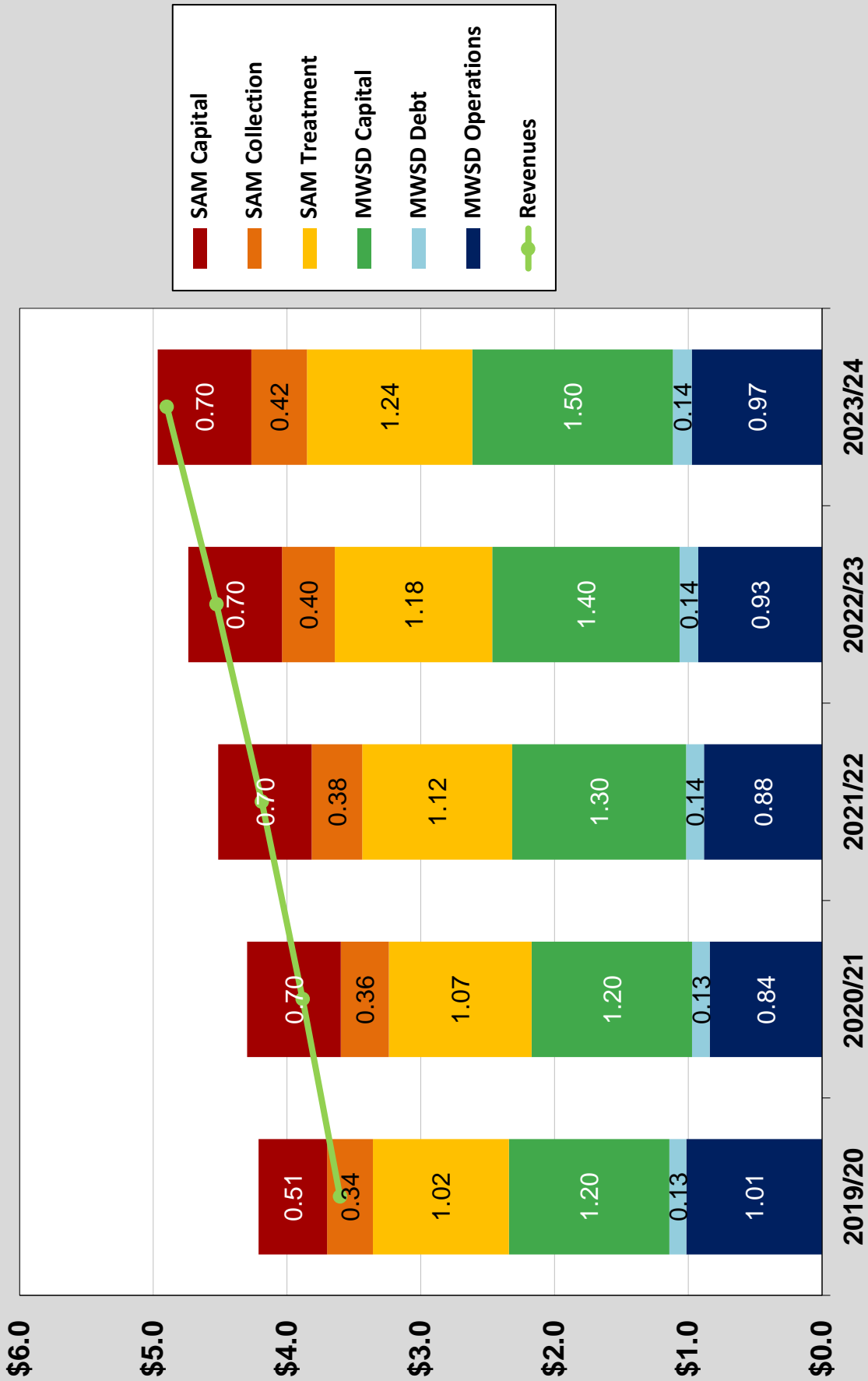


Table 10  
Montara Water & Sanitary District  
Projected Sewer Rates

*Assumes District adopts  
3 years of rate increases*

Customer Class	Current Sewer Rates	Projected Rates Effective On or After		
		July 1 2020	July 1 2021	July 1 2022
<b>Rate Adjustment %</b>		9%	9%	9%
<b>Sewer Service Charge Rates<sup>1</sup></b>				
<i>Volumetric charge billed per hundred cubic feet (hcf) of metered water use.</i>				
<i>Subject to a minimum charge based on 48 hcf of annual sewer use (4 hcf per month).</i>				
Residential	\$21.07	\$22.97	\$25.04	\$27.29
Restaurants	36.55	39.84	43.43	47.34
Motels	22.18	24.18	26.36	28.73
Offices	18.98	20.69	22.55	24.58
General Commercial	20.33	22.16	24.15	26.32
Schools	19.28	21.02	22.91	24.97
Hospitals	21.01	22.90	24.96	27.21

1 Residential rates are applied to annualized water use from two winter billing periods (Nov-Feb or Dec-Mar); Commercial rates are applied based on annual water use.

Note: Sewer service charges are collected on the County property tax rolls.

Table 11  
 Montara Water & Sanitary District  
 Projected Residential Rate Impacts

Customer Class	Monthly Sewer Use (hcf)	Current Sewer Rates	Projected Rates Effective On or After			
			July 1 2020	July 1 2021	July 1 2022	
<b>RESIDENTIAL BILLS</b>						
<b>Monthly Charges</b>						
Minimum	50% of bills	4.0	\$84.28	\$91.88	\$100.16	\$109.16
Average	65% at or below	4.5	94.82	103.37	112.68	122.81
Mod-High	Top 10%	7.5	158.03	172.28	187.80	204.68
<b>Annual Charges</b>						
Minimum	50% of bills	4.0	\$1,011.36	\$1,102.56	\$1,201.92	\$1,309.92
Average	65% at or below	4.5	1,137.78	1,240.38	1,352.16	1,473.66
Mod-High	Top 10%	7.5	1,896.30	2,067.30	2,253.60	2,456.10

Note: Sewer service charges are collected on the County property tax rolls.

Table 12

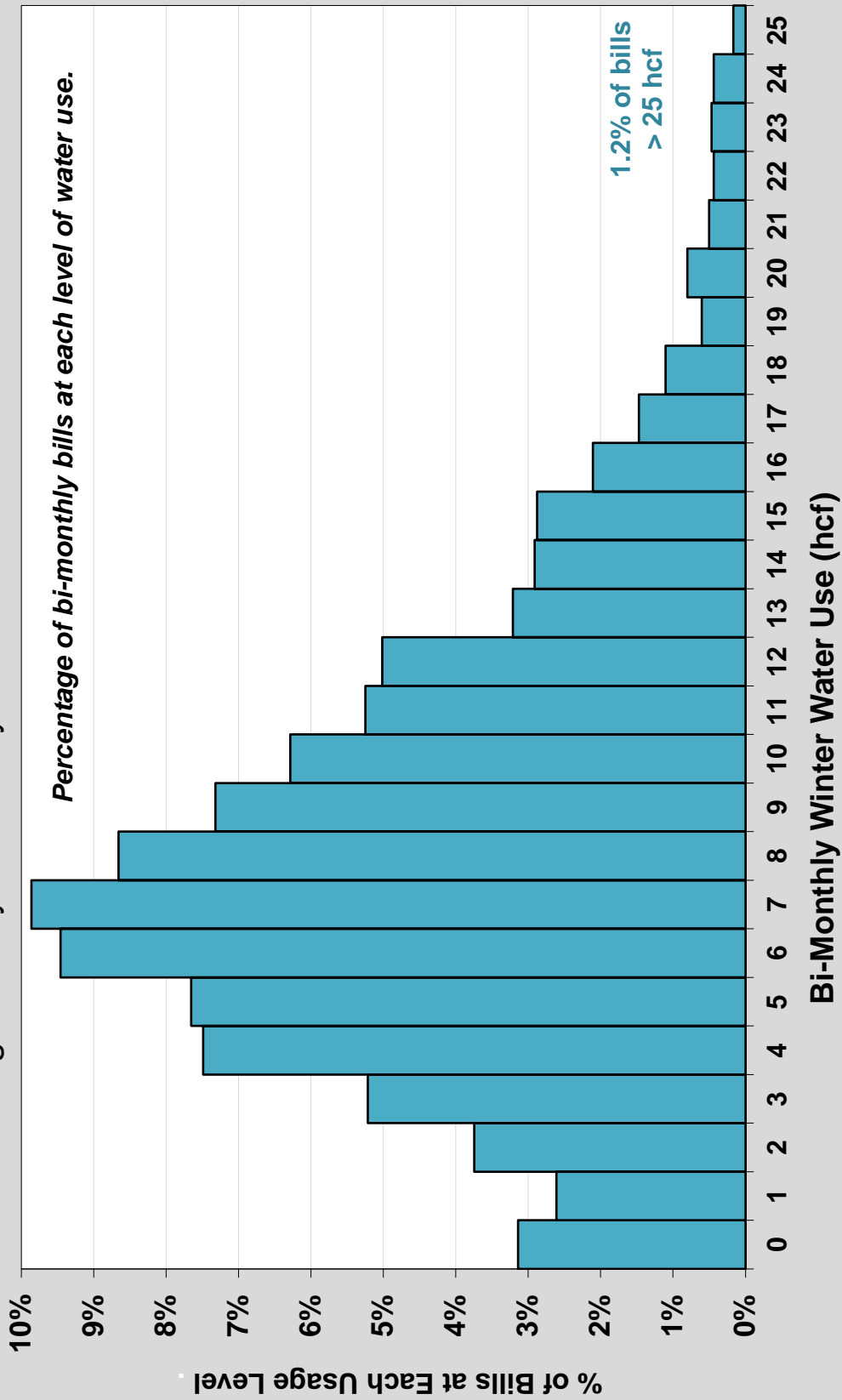
Montara Water & Sanitary District  
Consumption Block Analysis  
Single Family Residential Winter Water Use 2018/19

Average Bi-Monthly Use: 8.6 hcf  
Median Bi-Monthly Use: 8.0 hcf

4-Mo. Winter Use (hcf)	Number of Bills				Winter Water Use (hcf)		Use Through Break	
	In Block	% of Total	Cumulative	Cumulative %	In Block	% of Ttl	Use (hcf)	% of Ttl
0	94	3.1%	94	3.1%	0	0.0%	0	0.0%
1	78	2.6%	172	5.7%	78	0.3%	2,898	11.3%
2	112	3.7%	284	9.5%	224	0.9%	5,718	22.3%
3	156	5.2%	440	14.7%	468	1.8%	8,426	32.9%
4	224	7.5%	664	22.2%	896	3.5%	10,978	42.9%
5	229	7.7%	893	29.8%	1,145	4.5%	13,306	52.0%
6	283	9.5%	1,176	39.3%	1,698	6.6%	15,405	60.2%
7	295	9.9%	1,471	49.2%	2,065	8.1%	17,221	67.3%
8	259	8.7%	1,730	57.8%	2,072	8.1%	18,742	73.2%
9	219	7.3%	1,949	65.1%	1,971	7.7%	20,004	78.1%
10	188	6.3%	2,137	71.4%	1,880	7.3%	21,047	82.2%
11	157	5.2%	2,294	76.7%	1,727	6.7%	21,902	85.5%
12	150	5.0%	2,444	81.7%	1,800	7.0%	22,600	88.3%
13	96	3.2%	2,540	84.9%	1,248	4.9%	23,148	90.4%
14	87	2.9%	2,627	87.8%	1,218	4.8%	23,600	92.2%
15	86	2.9%	2,713	90.7%	1,290	5.0%	23,965	93.6%
16	63	2.1%	2,776	92.8%	1,008	3.9%	24,244	94.7%
17	44	1.5%	2,820	94.3%	748	2.9%	24,460	95.5%
18	33	1.1%	2,853	95.4%	594	2.3%	24,632	96.2%
19	18	0.6%	2,871	96.0%	342	1.3%	24,771	96.7%
20	24	0.8%	2,895	96.8%	480	1.9%	24,892	97.2%
21	15	0.5%	2,910	97.3%	315	1.2%	24,989	97.6%
22	13	0.4%	2,923	97.7%	286	1.1%	25,071	97.9%
23	14	0.5%	2,937	98.2%	322	1.3%	25,140	98.2%
24	13	0.4%	2,950	98.6%	312	1.2%	25,195	98.4%
25	5	0.2%	2,955	98.8%	125	0.5%	25,237	98.6%
26	5	0.2%	2,960	98.9%	130	0.5%	25,274	98.7%
27	5	0.2%	2,965	99.1%	135	0.5%	25,306	98.8%
28	3	0.1%	2,968	99.2%	84	0.3%	25,333	98.9%
29	2	0.1%	2,970	99.3%	58	0.2%	25,357	99.0%
30	1	0.0%	2,971	99.3%	30	0.1%	25,379	99.1%
31	6	0.2%	2,977	99.5%	186	0.7%	25,400	99.2%
32	2	0.1%	2,979	99.6%	64	0.2%	25,415	99.3%
33	0	0.0%	2,979	99.6%	0	0.0%	25,428	99.3%
34	0	0.0%	2,979	99.6%	0	0.0%	25,441	99.4%
35	3	0.1%	2,982	99.7%	105	0.4%	25,454	99.4%
36	1	0.0%	2,983	99.7%	36	0.1%	25,464	99.4%
37	0	0.0%	2,983	99.7%	0	0.0%	25,473	99.5%
38	0	0.0%	2,983	99.7%	0	0.0%	25,482	99.5%
39	1	0.0%	2,984	99.7%	39	0.2%	25,491	99.6%
40	1	0.0%	2,985	99.8%	40	0.2%	25,499	99.6%
41	0	0.0%	2,985	99.8%	0	0.0%	25,506	99.6%
42	0	0.0%	2,985	99.8%	0	0.0%	25,513	99.6%
43	0	0.0%	2,985	99.8%	0	0.0%	25,520	99.7%
44	1	0.0%	2,986	99.8%	44	0.2%	25,527	99.7%
45	0	0.0%	2,986	99.8%	0	0.0%	25,533	99.7%
46	0	0.0%	2,986	99.8%	0	0.0%	25,539	99.7%
47	1	0.0%	2,987	99.8%	47	0.2%	25,545	99.8%
48	0	0.0%	2,987	99.8%	0	0.0%	25,550	99.8%
49	0	0.0%	2,987	99.8%	0	0.0%	25,555	99.8%
50	1	0.0%	2,988	99.9%	50	0.2%	25,560	99.8%
51-75	4	0.1%	2,992	100.0%	245	1.0%	25,605	100.0%
Total	2,992	100.0%			25,605	100.0%		

Note: Excludes a few non-residential accounts classified as single family residential.

**Montara Water & Sanitary District**  
 Single Family Bi-Monthly Winter Water Use 2018/19







# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: February 6, 2020

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager *CH*

**SUBJECT: Review of Current Investment Portfolio**

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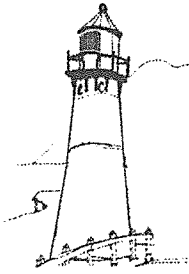
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The District's Investment Policy and Guidelines requires that the Board review the status of the current investment portfolio. The following summarizes the status of these accounts:

- 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 December 2019 the rate was 2.043.
- 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: February 6, 2020

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager *CH*

**SUBJECT: Connection Permit Applications Received**

As of February 6, 2020 the following new Sewer Connection Permit application was received since the last report:

Date of Application	Property Owner	Site Address	Home Size

As of February 6, 2020 the following new Water (Private Fire Sprinkler) Connection Permit application was received since the last report:

Date of Application	Property Owner	Site Address	Home Size

As of February 6, 2020 the following new Water Connection Permit application was 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: February 6th, 2020

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager *CH*

**SUBJECT: Monthly Water Production Report**

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The attached two charts summarize the monthly water production for the District.

The first shows a consolidated 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.

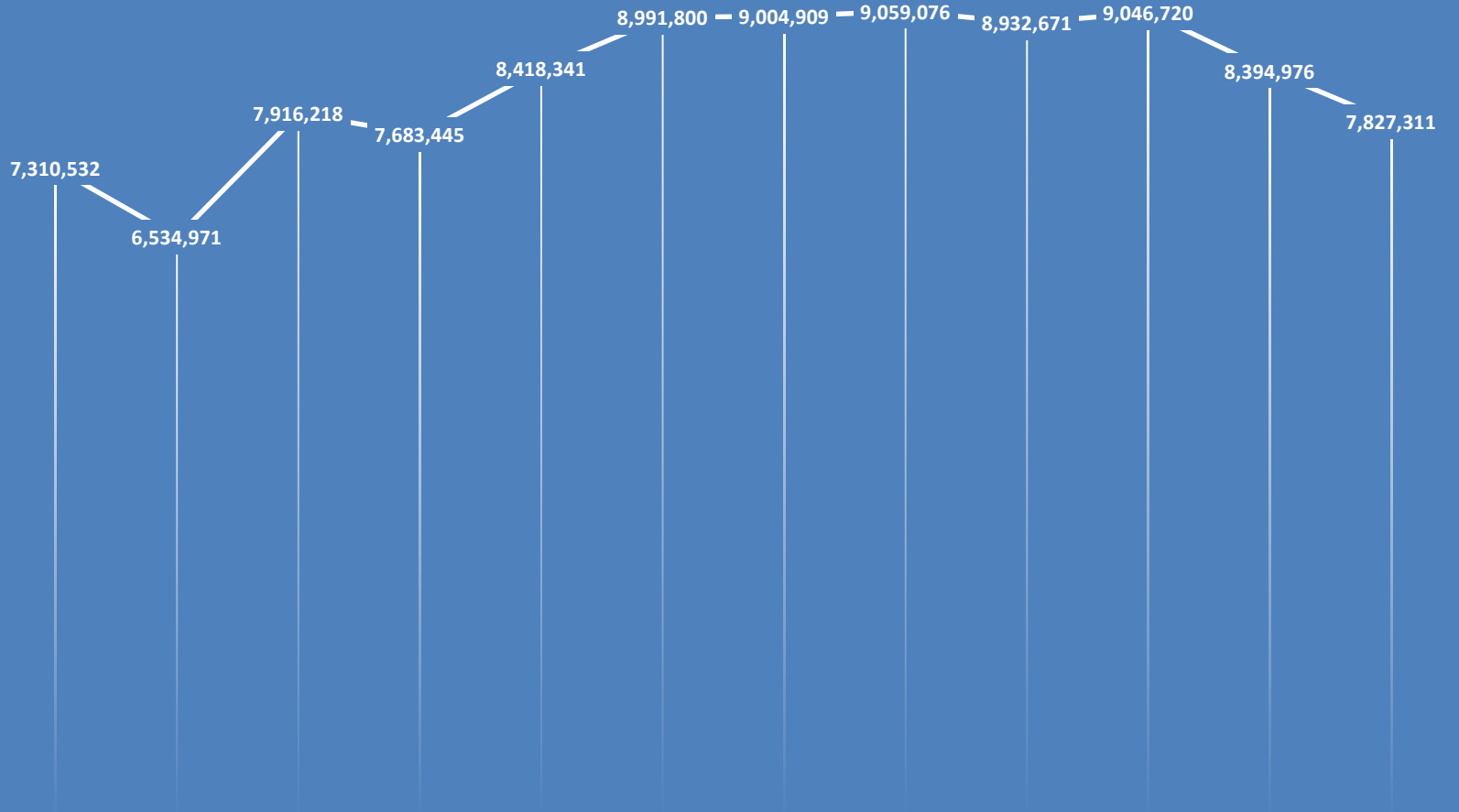
## RECOMMENDATION:

No action is required. These reports are provided for the Board's information only.

Attachments: 2

# TOTAL PRODUCTION 2019(GALLONS)

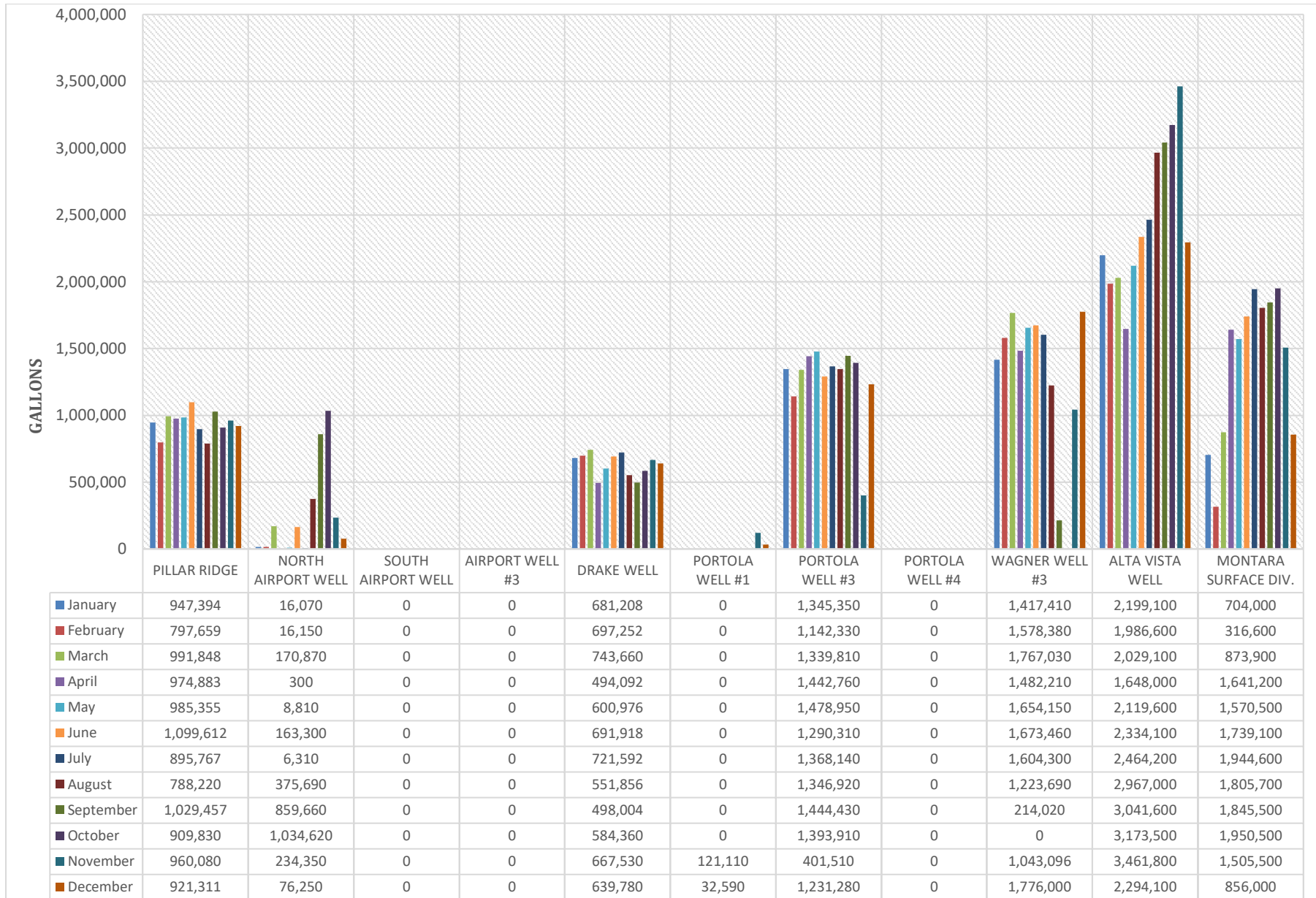
GALLONS



	January	February	March	April	May	June	July	August	September	October	November	December
Total Production (Gallons)	7,310,532	6,534,971	7,916,218	7,683,445	8,418,341	8,991,800	9,004,909	9,059,076	8,932,671	9,046,720	8,394,976	7,827,311

MONTH

## Annual Water Production 2019





# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting of: February, 6th 2020

TO: BOARD OF DIRECTORS

A handwritten signature in blue ink, appearing to be 'C. Heldmaier'.

FROM: Clemens Heldmaier, General Manager

**SUBJECT: Rain Report**

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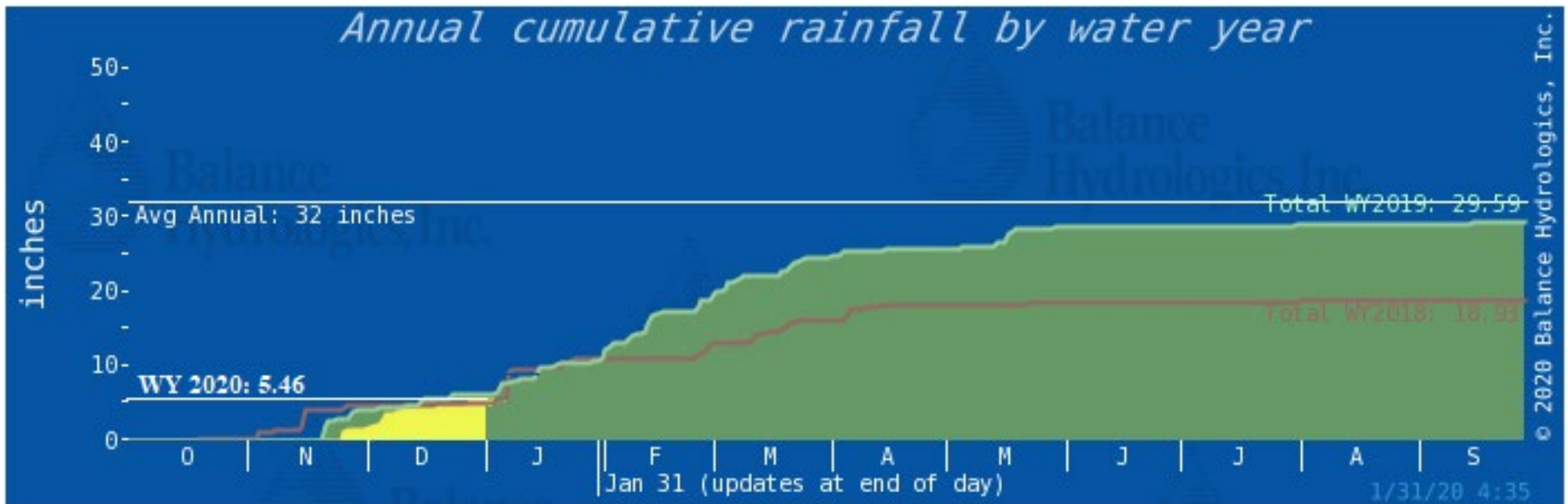
The attached chart shows the monthly rainfall at Alta Vista Treatment Plant for the current and prior water years along with seven-year average rain fall.

## RECOMMENDATION:

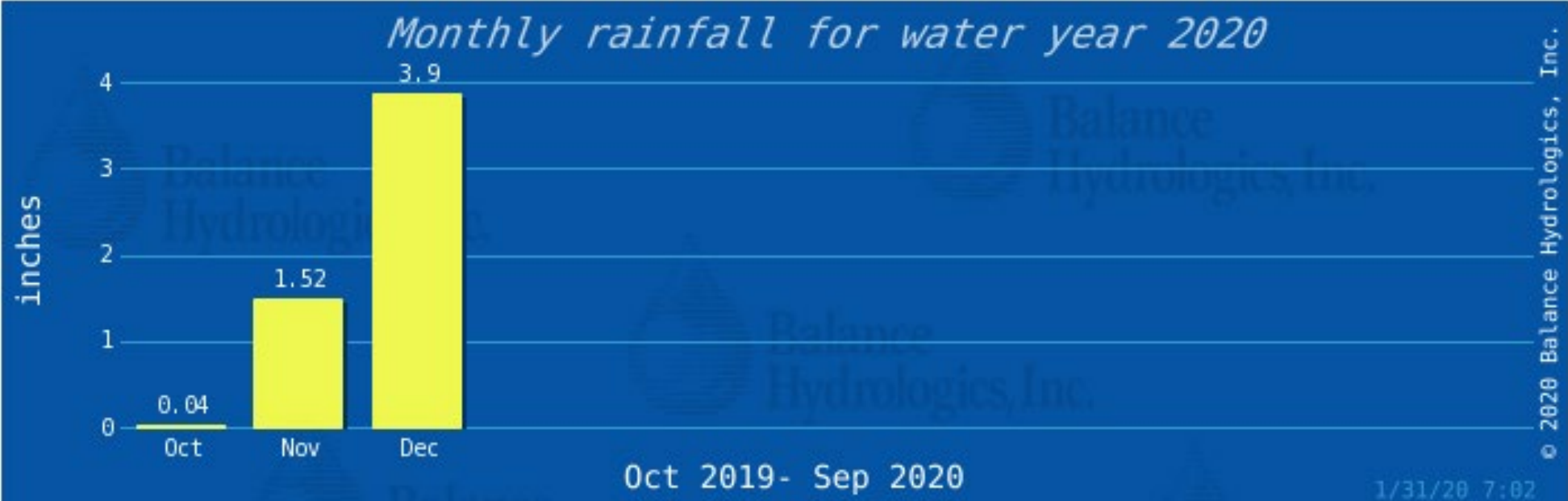
No action is required. These reports are provided for the Board's information only.

Attachments: 2

# Annual Cumulative Rainfall



# Monthly Cumulative Rainfall







# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: February 6th, 2020

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

A handwritten signature in blue ink, appearing to be 'Clemens', located to the right of the 'FROM' line.

**SUBJECT: Monthly Solar Energy Report**

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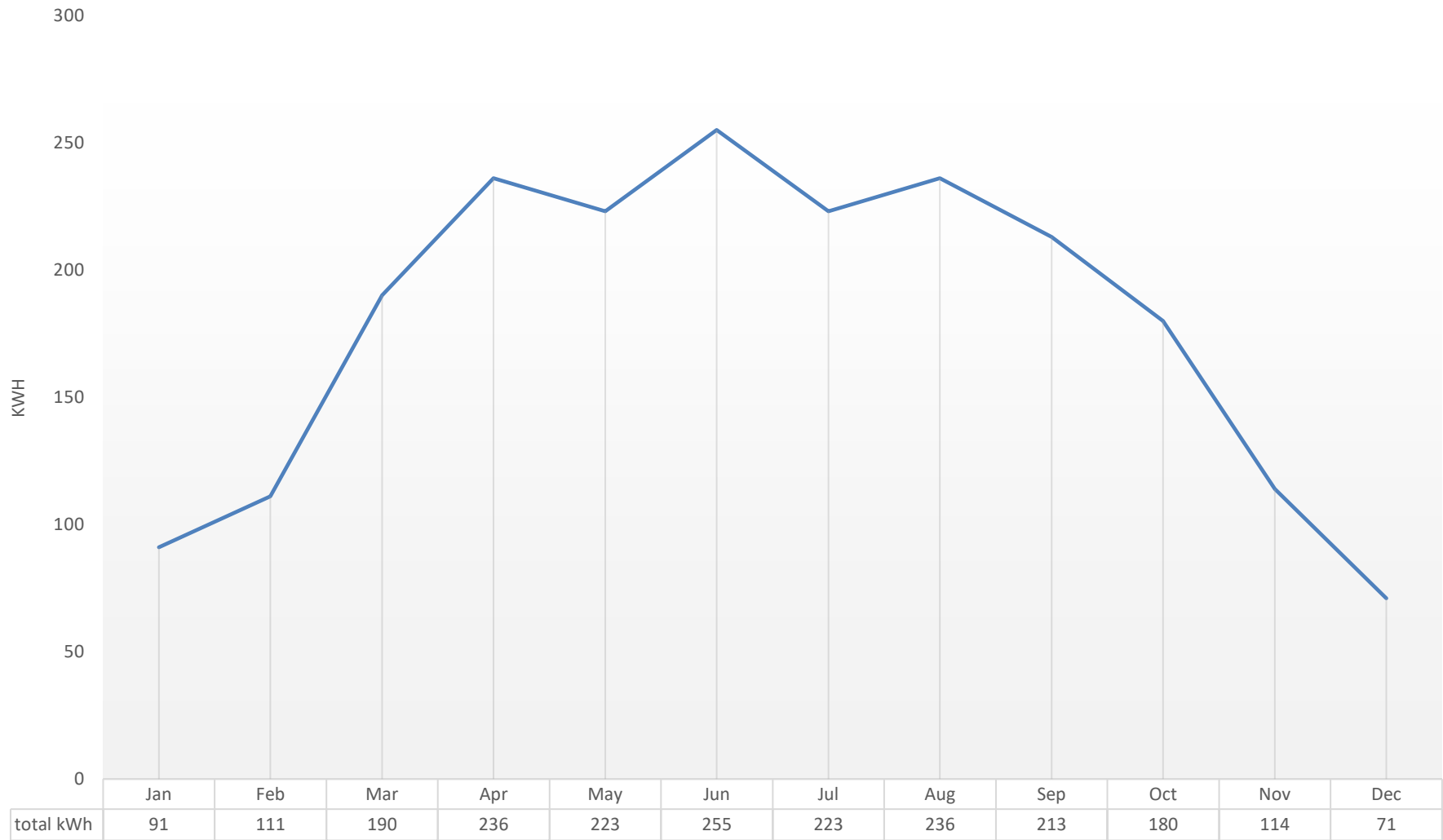
The attached chart summarizes the monthly solar production at the Alta Vista Array. Since the installation of the solar panels the District produced 43,950 kWh and saved 74,699 lbs of CO<sub>2</sub>.

## RECOMMENDATION:

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

Attachments: 1

## SOLAR ENERGY PRODUCED IN 2019 (kWh)





# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **February 6, 2020**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager *CH*

**SUBJECT: Review and Possible Action Concerning Water  
System Reliability Charge Study.**

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In conjunction with last year's budget approval staff was authorized to initiate a water rate study. The District's current water rates are not providing sufficient income to cover next year's financial needs. A \$500,000 loan from sewer to water was implemented to temporarily cover a portion of the costs.

The District's financial consultant Alex Handlers with Bartle Wells presented initial findings and ideas at the July 18 meeting. Since the increases are due to capital needs the Board indicated the desire to adopt a separate Water System Reliability Charge. The Finance Committee Reviewed the suggestions at a meeting on January 7, and January 28, 2020 and supports staff recommendations in the newest staff presentation.

## RECOMMENDATION:

Review the suggestions in the presentation and direct staff to initiate a draft prop 218 notice for board review.



# Montara Water & Sanitary District

## Water System Reliability Charges

### Summary of Proposed Charges



#### Water System Reliability Charges

- **Purpose: Dedicated funding source for water system capital investment needs**
  - Rehabilitation & replacement of aging infrastructure
  - Ongoing upgrades to address existing deficiencies
  - Support long-term reliability & fire protection
- **Proposed Water System Reliability Charges**
  - Generate \$1 million per year for capital improvements
    - Substantial step in the right direction toward addressing long-term infrastructure needs
  - Fixed annual charges based on water meter size
    - Charges for accounts with private fire service only (up to 4" fire service connection) would be set at half the charge for the base 5/8"x3/4" meter; charges for larger private fire service connections would be higher based on capacity
  - Bills to be collected via the County property tax rolls

Proposed Water System Reliability Charges			
<b>Water Service Accounts</b>			
<u>Meter Size</u>	<u>Accounts</u>	<u>Charge Ratio</u>	<u>Proposed Charges</u>
5/8" x 3/4"	1,555	1.00	\$558.66
3/4"	17	1.50	837.99
1"	9	2.50	1,396.65
1-1/2"	2	5.00	2,793.30
2"	4	8.00	4,469.28
3"	0	15.00	8,379.90
4"	3	25.00	13,966.50
<b>Accounts with Private Fire Service Only</b>			
<u>Connection</u>	<u>Accounts</u>	<u>Charge Ratio</u>	
Up to 4"	75	0.50	\$279.33
6"	3	1.00	558.66
8"	0	1.60	893.86
10"	1	2.40	1,340.78
12"	0	3.40	1,899.44

Note: Water service accounts that also have a private fire service connection shall be charged based on the customer's water meter size only.



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## Montara Water & Sanitary District Economic Hardship Discount Summary of Draft Recommendations

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### Economic Hardship Discount

- Draft recommendations
  - \$100 annual sewer service charge discount
    - Sewer discount applied to annual charge collected on the property tax rolls
  - \$100 annual water service charge discount
    - Water discount applied to each bi-monthly bill; applies to the billpayer of record (\$100 annual discount = \$16.67 discount per bi-monthly bill)
- Annual eligibility based on participation in PG&E's CARE program
  - PG&E CARE program participation is verified each year by Recology
  - Recology requires name on PG&E account to match name on Recology account
  - Recology can provide MWSD with a list of eligible customers for automatic enrollment in MWSD's discount program
    - Customer may need to provide Recology authority to provide their info to MWSD
  - MWSD may need to verify CARE program participation for a small number of customers whose names do not match the Recology account
  - Recology currently provides discount to 23 customers in MWSD service area
- Funding source: property tax revenues (discretionary revenues)
  - Under Prop 218, a discount for some customers cannot be funded by higher charges on other customers (no ratepayer subsidy)
- Regular water rates also provide benefit to customers with low water use and Pillar Ridge



MENU



EMERGENCIES



CARE & FERA PROGRAM

CARE PROGRAM GUIDELINES



# Reduce your energy bill through the CARE Program

## To qualify for CARE:

- The PG&E bill must be in your name. (For sub-metered tenants, the energy bill from your landlord must be in your name.)
- You must live at the address to which the discount applies.
- Another person (besides your spouse) can't claim you as a dependent on an income tax return.
- You must not share an energy meter with another home.
- You must account for all sources of qualifying household income and meet the program income guidelines.
- You must notify PG&E if your household no longer qualifies for the CARE discount.
- After you enroll, you may need to provide proof of qualifying household income, including IRS tax returns. You may also be required to participate in the Energy Savings Assistance Program.

- Your monthly electric usage must not exceed six times the Tier 1 allowance. This is the lowest-priced rate tier within PG&E's standard Tiered Base Plan.
- You must renew your eligibility every two years (or every four years if you're on a fixed income).
- Qualification is based on the total income of everyone living in the home or participation in qualifying public assistance programs.

## **QUALIFYING FOR CARE BASED ON PUBLIC ASSISTANCE PROGRAM PARTICIPATION**

You may qualify for the CARE Program if you or someone in your household takes part in any of the following public assistance programs.

- Low Income Home Energy Assistance Program (LIHEAP)
- Women, Infants, and Children (WIC)
- CalFresh/SNAP (Food Stamps)
- CalWORKs (TANF) or Tribal TANF
- Head Start Income Eligible (Tribal Only)
- Supplemental Security Income (SSI)
- Medi-Cal for Families (Healthy Families A & B)
- National School Lunch Program (NSLP)
- Bureau of Indian Affairs General Assistance
- Medicaid/Medi-Cal (under age 65)
- Medicaid/Medi-Cal (age 65 and over)

## **QUALIFYING FOR CARE BASED ON HOUSEHOLD INCOME**

Add all household members' incomes from all eligible sources for your total gross annual household income. The total combined gross annual household income must be at or below the amounts shown in the following table.

Number of Persons in Household	Total Gross Annual Household Income*
1-2	\$33,820 or less
3	\$42,660 or less
4	\$51,500 or less
5	\$60,340 or less
6	\$69,180 or less
7	\$78,020 or less
8	\$86,860 or less
9	\$95,700 or less
10	\$104,540 or less
Each additional person, add	\$8,840

\*Before taxes based on current income sources. Valid through May 31, 2020.



\*Before taxes based on current income sources. Valid through May 31, 2020.

Household income includes all taxable and nontaxable revenues from all people living in the home. It includes, but is not limited to the following sources:

- Wages
- Salaries
- Interest and dividends
- Spousal and child support payments
- Public assistance payments
- Social Security and pensions
- Housing and military subsidies
- Rental income
- Self-employment income
- All employment-related, non-cash income

**PLEASE NOTE:** Your household income must meet the program income guidelines.

<b>VERIFY YOUR INCOME</b>
<b>RENEW YOUR CARE ENROLLMENT</b>
<b>CANCEL YOUR CARE ENROLLMENT</b>

**ADDITIONAL LINKS**



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **February 6, 2020**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

**SUBJECT: Review and Possible Action Concerning Sewer  
Rate Study.**

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At the January 16, 2020 meeting the MWSD board received an initial draft sewer rate study that was referred to the Finance Committee for review and further consideration. The Finance Committee reviewed the draft at the Finance Committee meeting on January 28. The Committee's recommendations are summarized in the attachment.

The last MWSD sewer rate study was implemented in 2018. The Prop 2018 limit was set for the coming 2 years and the last increase was implemented this Fiscal Year. The last study indicated a further need to assess sewer rates after 2 years. Initiating a study now would allow for a rate assessment for FY 20/21 and beyond.

Current budget increases at the Sewer Authority Mid-Coastside, and current legal action brought by the City of Half Moon Bay result in increased funding needs that need to be paid for by the owners of SAM.

## RECOMMENDATION:

Receive presentation and direct staff to initiate a draft prop 218 notice for board review.



# Montara Water & Sanitary District

## Sewer Rates

### Summary of Draft Recommendations



#### Draft Sewer Rate Recommendations

- Move forward with 9% annual sewer rate increases over next 3 years
  - Additional gradual steps toward addressing long-term infrastructure funding needs
  - Builds upon significant rate increases implemented over past 2 years with
  - No changes to sewer rate structure recommended at this time
  
- Additional future sewer rate increases will be needed to continue phasing in funding for capital improvement needs of both MWSD and SAM; MWSD can re-evaluate in future years

Proposed Sewer Rates				
Customer Class	Current Sewer Rates	Projected Rates Effective On or After		
		July 1 2020	July 1 2021	July 1 2022
<b>Rate Adjustment %</b>		9%	9%	9%
<b>Sewer Service Charge Rates<sup>1</sup></b>				
<i>Volumetric charge billed per hundred cubic feet (hcf) of metered water use.</i>				
<i>Subject to a minimum charge based on 48 hcf of annual sewer use (4 hcf per month).</i>				
Residential	\$21.07	\$22.97	\$25.04	\$27.29
Restaurants	36.55	39.84	43.43	47.34
Motels	22.18	24.18	26.36	28.73
Offices	18.98	20.69	22.55	24.58
General Commercial	20.33	22.16	24.15	26.32
Schools	19.28	21.02	22.91	24.97
Hospitals	21.01	22.90	24.96	27.21

1 Residential rates are applied to annualized water use from 2 winter billing periods (Nov-Feb or Dec-Mar); Commercial rates are applied based on annual water use.

Note: Sewer service charges are collected on the County property tax rolls.

# Montara Water & Sanitary District



## Sewer Rate Study

Working Draft

February 3, 2020



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS



# Montara Water & Sanitary District

## Sewer Rate Study 2020

### Summary of Key Issues



#### Background

- MWSD has provided strong financial stewardship by implementing small annual inflationary rate adjustments for many years followed by larger rate increases phased in over the past two years to generate more funding for capital needs of both SAM and MWSD
- The sewer utility is currently in sound financial health but needs to continue increasing funding for rehabilitation and replacement of aging infrastructure
  - Sewer Authority Mid-Coastside: Recent analysis recommends SAM budget \$40 million over next 5-10 years for wastewater treatment plant improvements. Treatment plant is over 40 years old and operates in coastal conditions. Funding needs may be temporarily reduced if SAM opts to fund minimal rehab to defray replacement needs.
  - SAM's Consent Decree with ERP: Requires completion of approximately \$7.8 million of improvements to the Intertie Pipeline System by June 30, 2024
  - MWSD sewer collection system: Engineering analysis identifies need for \$1.9 million per year (current \$) for rehab and replacement of aging facilities over next 20 years. Roughly 60% of sewer pipelines are over 60 years old.
  - Combined capital funding needs for SAM & MWSD total roughly \$2.6 million per year on average over next 3-5 years, but may be higher in future years depending on how SAM funds its capital improvement needs
- Last sewer rate study conducted in 2018
  - MWSD adopted 2 years of rate increases as part of a longer-term plan to raise rates to address capital funding needs
    - Plan was to re-evaluate sewer rates in 2020 based on updated information and continue taking gradual steps in the right direction
  - Sewer rates now generate roughly \$3 million per year and provide about \$1.3 million of funding for capital and other needs (after paying regular operating cost and debt service)
- Before 2018, the prior sewer rate study was conducted in 2010
  - Rate increases adopted in 2010 were expected to be phased in over 4 years, but were more slowly implemented over 8 years
  - After an initial bump up in rates in 2010, MWSD implemented inflationary rate increases for 7 years leading up to the 2018 rate study
  - Accounting for inflation and conservation, many customers paid roughly the same in inflation-adjusted terms for many years leading up to the 2018 rate study
  - Many other regional agencies are facing similar challenges to increase funding for replacement of aging infrastructure including old pipelines and aging wastewater treatment facilities Many other agencies have adopted substantial rate increases over the past decade to address capital funding needs

## Financial & Rate Projections

- BWA developed financial projections to evaluate funding needs and project rate increases
- Key assumptions:
  - Beginning fund balances total roughly \$5.3 million as of July 1, 2019
  - MWSD revenues & expenses based on 2019/20 Budget
  - SAM expenses based on SAM Proposed 2019/20 Budget
  - Operating expenses escalate at 5% per year for financial planning purposes
  - MWSD capital funding phases in to \$1.9 million per year plus 3% annual cost escalation
  - MWSD's share of SAM capital funding projected at \$700,000 per year based on SAM's draft 5-year \$12.1 million capital improvement plan; after 5 years, future SAM funding gradually phases in to higher levels
- Key factors driving the need for future rate increases include:
  - MWSD and SAM funding needs for rehabilitation and replacement of aging infrastructure
  - SAM operating expenses have increased in recent years
  - Ongoing operating and capital cost inflation

## Draft Financial & Rate Scenarios

- A. Large Up-Front Rate Increase:** Adopt 55% rate increase next year to fund approx. \$1.9 million per year of MWSD capital improvements and \$700K per year of SAM capital contributions. Additional future rate adjustments would likely be needed after 3 years to meet future MWSD and SAM infrastructure needs.
- B. Phase-in Rates & CIP Funding:** Move forward with 9% annual rate increases and gradually ramp up capital funding for MWSD and SAM over next 4 years. Draw down an estimated \$1.6 million of fund reserves over 5 years to help fund capital needs while rate increases are gradually phased in. Additional future rate adjustments would be needed to continue phasing in capital funding for future MWSD and SAM infrastructure needs.

	2020/21	2021/22	2022/23
<b>A) Large Up-Front Rate Increase</b>	55%	0%	0%
<b>B) Phase-In Rates &amp; CIP Funding</b>	9%	9%	9%

## Preliminary Recommendations

- Move forward with the next 3 years of rate increases and subsequently re-evaluate in future years. This would enable MWSD to take additional steps toward meeting long-term capital funding needs while preserving flexibility to adjust course in future years.
- No change to sewer rate structure recommended at this time; rate increases would be applied on an across-the-board basis with the same percentage rate increases to all customers
- Potential consideration of change in 4 winter months used for sewer bill calculation for customers in Montara area from Dec & Feb bills to Feb & Apr bills
- Obtain Board input and move forward with Prop 218 notice & rate increase process

Table 1  
Montara Water & Sanitary District  
Current Sewer Rates

Sewer Customer Class	Current Sewer Rate (\$ per hcf) <sup>1</sup>	Minimum Annual Charge <sup>2</sup>	Equivalent Sewer Rate (\$ per 100 glns)	% of Residential Rate
Residential	\$21.07	\$1,011.36	\$2.82	100%
Restaurants	36.55	1,754.40	4.89	173%
Motels	22.18	1,064.64	2.97	105%
Offices	18.98	911.04	2.54	90%
General Commercial	20.33	975.84	2.72	96%
Schools	19.28	925.44	2.58	92%
Hospitals	21.01	1,008.48	2.81	100%

1 Residential rates are applied to annualized water use from two winter billing periods (Nov-Feb or Dec-Mar) Commercial rates are applied based on annual water use.

2 Minimum annual charge based on 48 hcf of annual sewer use (4 hcf per month).

Table 2  
Montara Water & Sanitary District  
Historical Sewer Rates

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Residential Rate Adjustment</b>		2.5%	4.3%	3.0%	3.0%	3.0%	3.0%	2.9%	21.7%	21.0%
<b>Sewer Service Charge Rates</b>										
<i>Volumetric charges billed per month of winter water use (\$ per hcf) *</i>										
Residential	\$11.56	\$11.85	\$12.36	\$12.73	\$13.11	\$13.50	\$13.91	\$14.31	\$17.41	\$21.07
Restaurants	20.98	21.50	22.42	23.09	23.78	24.50	25.23	25.96	30.21	36.55
Motels	12.43	12.74	13.29	13.69	14.10	14.52	14.96	15.39	18.33	22.18
Offices	10.22	10.48	10.92	11.25	11.59	11.94	12.29	12.65	15.69	18.98
General Commercial	11.08	11.35	11.84	12.19	12.56	12.93	13.32	13.70	16.80	20.33
Schools	10.41	10.67	11.12	11.45	11.98	12.15	12.52	12.88	15.93	19.28
Hospitals	11.63	11.92	12.43	12.81	13.19	13.59	13.99	14.40	17.36	21.01
All Other Commercial	12.05	12.35	12.88	13.26	13.66	14.07	14.49	14.91	n/a	n/a
<b>Minimum Charge: Minimum sewer bill based on 48 hcf of annual billed use (4 hcf per month).</b>										
Residential charges are applied based on water use from two winter billing periods (Nov/Dec & Jan/Feb or Dec/Jan & Feb/Mar).										
Commercial charges are applied based on annual water use from the prior fiscal year.										
Note: 1 hcf = 1 hundred cubic feet, or approximately 748 gallons.										



Table 3  
Montara Water & Sanitary District  
Sewer Authority Mid-Coastside Expenses

	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Actual	2019/20 Proposed
<b>MWSD'S SHARE OF SEWER AUTHORITY MID-COASTSIDE EXPENSES</b>					
<b>Wastewater Treatment</b>					
Administrative Services	\$244,692	\$204,348	\$222,677	\$285,958	\$257,684
Treatment Division	463,200	424,507	525,979	597,117	713,972
Environmental Compliance	-	65,675	35,006	30,243	44,981
Subtotal	707,892	694,530	783,662	913,318	1,016,637
<b>Contract Collection Services</b>	325,958	321,608	312,877	301,644	341,549
<b>Total Operating Expenses</b>	1,033,850	1,016,138	1,096,539	1,214,962	1,358,186
<b>Infrastructure/Non-Operating</b>	160,666	153,710	540,800	406,622	512,502
<b>Total Expenses</b>	<b>1,194,516</b>	<b>1,169,848</b>	<b>1,637,339</b>	<b>1,621,584</b>	<b>1,870,688</b>

Table 4  
Montara Water & Sanitary District  
SAM Draft 5-Year CIP

Year	Project Number	Category		Project	Cost With Inflation	MWSD Cost %	MWSD Cost \$
2020-21	1.02B	Force Mains	Princeton Force Main	Preparation of design documents-drawings, specifications and cost estimate	250,000	33.3%	83,300
	1.02	Force Mains	Princeton Force Main	Replace deteriorated sections	1,200,000	33.3%	400,000
	1.03	Force Mains	Montara Force Main	Conduct condition assessment	150,000	33.3%	50,000
	1.03A	Force Mains	Montara Force Main	Preparation of design documents-drawings, specs, and cost estimate	350,000	33.3%	116,700
	4.03	Princeton Pump Station	Pumps	Conduct feasibility study for pump station replacement	50,000	33.3%	16,700
	5.10	Admin	Vehicles	Rehab/replace vehicle fleet	55,000	20.0%	11,000
	10.02	WWTP	Primary Treatment	Rehabilitate skimmer troughs	50,000	20.0%	10,000
	11.01	WWTP	Secondary Treatment	Rehabilitate backup aeration basin	150,000	20.0%	30,000
	14.01	WWTP	Anaerobic Digestion	Install VFDs on sludge transfer pumps 1 and 2	75,000	20.0%	15,000
	15.02	WWTP	Sludge Dewatering	Purchase critical spare parts for BFP/main conveyor and prepare emergency plan	100,000	20.0%	20,000
				<b>Sum Total</b>	<b>2,430,000</b>		<b>752,700</b>
2021-22	1.04	Force Mains	Montara Force Main	Replace pipeline	1,350,000	33.3%	450,000
	2.03	Montara Pump Station	Electrical & Emergency Power	Replace emergency generator	250,000	20.0%	50,000
	2.05	Montara Pump Station	Pumps	Replace pumps 1 & 2	100,000	20.0%	20,000
	2.08	Montara Pump Station	Pumps	Rehabilitate pump station bypass system	220,000	20.0%	44,000
	3.08	Portola Pump Station	Pumps	Replace pumps 1 & 4	70,000	20.0%	14,000
	9.05	WWTP	Influent Pumping	Influent wet well inspection and repair	90,000	20.0%	18,000
	10.02	WWTP	Primary Treatment	Rehabilitate skimmer troughs	50,000	20.0%	10,000
	13.02	WWTP	Effluent Pumping	Replace effluent pumps	200,000	20.0%	40,000
	17.03	WWTP	Water Supply and Piping Systems	Replace No. 3 water pumps	75,000	20.0%	15,000
				<b>Sum Total</b>	<b>2,405,000</b>		<b>661,000</b>
2022-23	1.04	Force Mains	Montara Force Main	Replace pipeline	1,400,000	33.3%	466,700
	3.06	Portola Pump Station	Electrical & Emergency Power	Replace emergency generator and fuel tank	350,000	20.0%	70,000
	3.08	Portola Pump Station	Pumps	Replace pumps 1 & 4	70,000	20.0%	14,000
	8.01	WWTP	Headworks	Replace screenings screw conveyor at headworks	140,000	20.0%	28,000
	10.03	WWTP	Primary Treatment	Upgrade/replace grit blowers, as needed	90,000	20.0%	18,000
	10.04	WWTP	Primary Treatment	Replace chain & flights, collector gear reducer, and weirs in primary clarifier	175,000	20.0%	35,000
	11.03	WWTP	Secondary Treatment	Replace/rehabilitate secondary clarifier drive mechanism	175,000	20.0%	35,000
	14.04	WWTP	Anaerobic Digestion	New burner system for Boilers	55,000	20.0%	11,000
				<b>Sum Total</b>	<b>2,455,000</b>		<b>677,700</b>
2023-24	1.02	Force Mains	Princeton Force Main	Replace deteriorated sections	1,450,000	33.3%	483,300
	1.04	Force Mains	Montara Force Main	Replace pipeline	900,000	33.3%	300,000
	4.04	Princeton Pump Station	Pumps	Replace with Package Pump Station	750,000	33.3%	250,000
				<b>Sum Total</b>	<b>3,100,000</b>		<b>1,033,300</b>
2024-25	2.05A	Montara Pump Station	Pumps	Replace pumps 2	100,000	20.0%	20,000
	7.02	WWTP	Electrical & Emergency Power	Replace emergency generator	1,100,000	20.0%	220,000
	8.03	WWTP	Headworks	Replace automatic bar screen drives	150,000	20.0%	30,000
	9.01	WWTP	Influent pumping	Replace influent pumps	100,000	20.0%	20,000
	10.06	WWTP	Preliminary Treatment	Replace grit pumps and appurtenances	130,000	20.0%	26,000
	11.05	WWTP	Secondary Treatment	Replace WAS pumps	175,000	20.0%	35,000
				<b>Sum Total</b>	<b>1,755,000</b>		<b>351,000</b>
<b>5-Year Average</b>					<b>2,429,000</b>	<b>28.6%</b>	<b>695,140</b>

Table 5  
Montara Water & Sanitary District  
Sewer Replacement Program

The following table includes the net present value of the replacement costs of MWSD's SEWER assets that are due for replacement within the next 20 years and the other capital improvement projects required to optimize the Sewer system.

MWSD SEWER Capital Improvement Projects	MWSD Sewer Program Description	Total Asset Present Worth Value (2019\$)	Estimated Present Worth 20 Year Sewer Replacement Costs (2019\$)
Collection Gravity System Pipelines	Pipe Replacement for SSO reduction and Pipe Repairs : Total Asset ~145,560 feet mains; Project Goals 58,000 feet	\$64,152,000	\$25,660,000
Pipe Inspections and Sealing	I & I (Infiltration and Inflow) reduction and inspection and sewer service tap repair program	\$5,850,000	\$1,170,000
Sewer Access Structures	Replace or rehabilitate manholes and access structure: Total asset ~575 structures; project goals 150 structures	\$3,018,750	\$754,500
Force Main Sewer Pipes	Pressure Pipe Replacement and associated air valves (ARV's) and isolation valves, Airport, Kanoff, Distillary, Vallemar: ~25,500 feet; project goals 6,500 feet	\$15,300,000	\$3,825,000
Large Pump Stations (2)	Vallemar MCC and Dry Weather pumps	\$4,400,000	\$1,950,000
Medium Pump Stations (11)	Date Harte, Seal Cove 3 and 4, Fifth St and Airport MCCs and Pump Discharge Pipe Upgrades	\$13,750,000	\$3,500,000
Small Pump Stations (28)	Pump Replacemens and Wet Well/Electrical upgrades: Asset Count 28	\$700,000	\$162,500
SCADA	Radio and Cell communication upgrades and expanded moitoring of pump stations, data link with SAM	\$350,000	\$250,000
Advanced Early Warning	Smart Covers and remote warning systems	\$30,000	\$65,000
Power Generation Stationary and Portable	Kanoff Generator, California Street, Seal Cove Pump Stations	\$600,000	\$250,000
Service Vehicles (Not Including SAM trucks)	Service Utility Vehicles	\$125,000	\$125,000
Office Database Equipment	GIS mapping and infrastructure management	\$450,000	\$112,500
<b>Totals</b>		<b>\$108,725,750</b>	<b>\$37,824,500</b>
Annual Average Sewer CIP			\$1,891,225

Source: Nute Engineering

Table 6  
Montara Water & Sanitary District  
Outstanding Sewer Debt

	<b>2008 CIEDB Loan</b>	<b>2013 PNC Lease (50% Sewer Share)</b>	<b>Total</b>
Sewer Proceeds	\$1,010,000	\$909,067	
Interest Rate	3.05%	2.95%	
Term	30 Years	20 Years	
Payments	Semi-Annual	Monthly	
Purpose	Sewer Lift Stations	Water Meters	
2015/16	\$55,200	\$59,300	\$114,500
2016/17	55,100	62,300	117,400
2017/18	55,000	65,300	120,300
2018/19	54,900	68,900	123,800
2019/20	54,600	72,400	127,000
2020/21	54,600	76,100	130,700
2021/22	54,600	79,900	134,500
2022/23	54,600	83,500	138,100
2023/24	54,600	87,200	141,800
2024/25	54,000	88,600	142,600
2025/26	54,000	88,700	142,700
2026/27	54,000	29,500	83,500
2027/28	54,000	-	54,000
2028/29	54,000	-	54,000
2029/30	53,300	-	53,300
2030/31	53,300	-	53,300
2031/32	53,300	-	53,300
2032/33	53,300	-	53,300
2033/34	53,300	-	53,300
2034/35	47,000	-	47,000
2035/36	47,000	-	47,000
2036/37	47,000	-	47,000
2037/38	47,000	-	47,000
2038/39	23,000	-	23,000

*Debt service rounded to nearest \$100*

Table 7  
Montara Water & Sanitary District  
Historical Sewer Finances

	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18	Actual 2018/19
<b>REVENUES</b>					
Sewer Service Charges	2,196,000	2,055,000	1,975,000	2,054,000	2,611,000
Property Taxes	214,000	326,000	340,000	368,000	404,000
Connection/Remodel Fees	166,000	101,000	192,000	239,000	317,000
Interest Earnings	12,000	18,000	32,000	41,000	99,000
Cell Phone Tower Lease	32,000	33,000	34,000	36,000	37,000
Other Revenues (Net of Refunds)	54,000	34,000	25,000	32,000	33,000
<b>Total Revenues</b>	<u>2,674,000</u>	<u>2,567,000</u>	<u>2,598,000</u>	<u>2,770,000</u>	<u>3,501,000</u>
<b>EXPENSES</b>			<i>categories may be a little off</i>		
<b>Operating Expenses</b>					
Personnel	243,000	302,000	293,000	341,000	351,000
Professional Svcs & Engineering	141,000	147,000	159,000	215,000	134,000
Additional Legal	0	0	0	165,000	158,000
Other Operating Expenses	86,000	91,000	113,000	115,000	152,000
SAM Wastewater Treatment	704,000	770,000	678,000	1,625,000	1,317,000
SAM Collection Services	285,000	326,000	322,000	233,000	330,000
SAM Supplemental Maintenance	0	0	0	0	83,000
Subtotal Operating Expenses	<u>1,459,000</u>	<u>1,636,000</u>	<u>1,565,000</u>	<u>2,694,000</u>	<u>2,525,000</u>
<b>Debt Service</b>					
PNC Equipment Lease	56,000	59,000	62,000	65,000	69,000
I-Bank Loan	55,000	55,000	55,000	55,000	55,000
Subtotal Debt Service	<u>111,000</u>	<u>114,000</u>	<u>117,000</u>	<u>120,000</u>	<u>124,000</u>
<b>Capital Improvements</b>					
MWSD Capital Improvements	999,000	244,000	1,055,000	300,000	2,471,000
SAM Capital Assessment	63,000	161,000	154,000	541,000	407,000
Subtotal Non-Operating Expenses	<u>1,062,000</u>	<u>405,000</u>	<u>1,209,000</u>	<u>841,000</u>	<u>2,878,000</u>
<b>Total Expenses</b>	<u>2,632,000</u>	<u>2,155,000</u>	<u>2,891,000</u>	<u>3,655,000</u>	<u>5,527,000</u>
<b>Revenues Less Expenses</b>	42,000	412,000	(293,000)	(885,000)	(2,026,000)
Funds Generated for Capital	1,104,000	817,000	916,000	(44,000)	852,000

Table 9  
Montara Water & Sanitary District  
10-Year Sewer Cash Flow Projections

**Scenario A**  
Large Up-Front Rate Increase

	Projected Years 1 - 5				
	2019/20	2020/21	2021/22	2022/23	2023/24
Rate Adjustment Effective Date	July 1	July 1	July 1	July 1	July 1
Rate Adjustments	21%	55%	0%	0%	5%
New Sewer Connections (EDUs)	5	5	5	5	5
Sewer Capacity Charges (EDU)	\$26,378	\$26,906	\$27,444	\$27,993	\$28,553
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Cost Escalation	-	5.0%	5.0%	5.0%	5.0%
<b>Beginning Sewer Fund Balances</b>	\$5,292,000	\$4,683,000	\$4,954,000	\$5,079,000	\$5,049,000
<b>REVENUES</b>					
Sewer Service Charges	3,006,000	4,673,000	4,687,000	4,701,000	4,950,000
Property Taxes (+2%)	275,000	281,000	287,000	293,000	299,000
Connection/Remodel Fees	142,000	145,000	147,000	150,000	153,000
Interest Earnings (est.)	106,000	94,000	99,000	102,000	101,000
Cell Phone Tower Lease	35,000	36,000	37,000	38,000	39,000
Other Revenues	40,000	40,000	40,000	40,000	40,000
<b>Total Revenues</b>	3,604,000	5,269,000	5,297,000	5,324,000	5,582,000
<b>EXPENSES</b>					
<b>Operating Expenses</b>					
Personnel	350,000	368,000	386,000	405,000	425,000
Professional Services	500,000	300,000	315,000	331,000	348,000
Other Operating Expenses	164,000	172,000	181,000	190,000	200,000
SAM Wastewater Treatment	1,017,000	1,068,000	1,121,000	1,177,000	1,236,000
SAM Collection Services	342,000	359,000	377,000	396,000	416,000
Subtotal	2,373,000	2,267,000	2,380,000	2,499,000	2,625,000
<b>Debt Service</b>					
PNC Equipment Lease	72,000	76,000	80,000	84,000	87,000
I-Bank Loan	55,000	55,000	55,000	55,000	55,000
Subtotal	127,000	131,000	135,000	139,000	142,000
<b>Non-Operating Expenses</b>					
MWSD Capital Improvements	1,200,000	1,900,000	1,957,000	2,016,000	2,076,000
SAM WWTP Improvements	513,000	700,000	700,000	700,000	700,000
Subtotal	1,713,000	2,600,000	2,657,000	2,716,000	2,776,000
<b>Total Expenses</b>	4,213,000	4,998,000	5,172,000	5,354,000	5,543,000
<b>Revenues Less Expenses</b>	(609,000)	271,000	125,000	(30,000)	39,000
<b>Ending Fund Balances</b>	4,683,000	4,954,000	5,079,000	5,049,000	5,088,000
Rsrv Target 50% O&M + 2M	3,187,000	3,134,000	3,190,000	3,250,000	3,313,000
Debt Service Coverage: $\geq 1.20$	9.69	22.92	21.61	20.32	20.82
Funds Generated for Capital	1,104,000	2,871,000	2,782,000	2,686,000	2,815,000

Table 9  
Montara Water & Sanitary District  
10-Year Sewer Cash Flow Projections

**Scenario A**  
Large Up-Front Rate Increase

	Projected Years 6-10				
	2024/25	2025/26	2026/27	2027/28	2028/29
Rate Adjustment Effective Date	July 1	July 1	July 1	July 1	July 1
Rate Adjustments	5%	5%	5%	5%	3%
New Sewer Connections (EDUs)	5	5	5	5	5
Sewer Capacity Charges (EDU)	\$29,124	\$29,706	\$30,300	\$30,906	\$31,524
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Cost Escalation	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Beginning Sewer Fund Balances</b>	\$5,088,000	\$5,206,000	\$5,310,000	\$5,466,000	\$5,650,000
<b>REVENUES</b>					
Sewer Service Charges	5,213,000	5,489,000	5,780,000	6,086,000	6,286,000
Property Taxes (+2%)	305,000	311,000	317,000	323,000	329,000
Connection/Remodel Fees	156,000	159,000	162,000	165,000	168,000
Interest Earnings (est.)	102,000	104,000	106,000	109,000	113,000
Cell Phone Tower Lease	40,000	41,000	42,000	43,000	44,000
Other Revenues	40,000	40,000	40,000	40,000	40,000
<b>Total Revenues</b>	5,856,000	6,144,000	6,447,000	6,766,000	6,980,000
<b>EXPENSES</b>					
<b>Operating Expenses</b>					
Personnel	446,000	468,000	491,000	516,000	542,000
Professional Services	365,000	383,000	402,000	422,000	443,000
Other Operating Expenses	210,000	221,000	232,000	244,000	256,000
SAM Wastewater Treatment	1,298,000	1,363,000	1,431,000	1,503,000	1,578,000
SAM Collection Services	437,000	459,000	482,000	506,000	531,000
Subtotal	2,756,000	2,894,000	3,038,000	3,191,000	3,350,000
<b>Debt Service</b>					
PNC Equipment Lease	89,000	89,000	30,000	0	0
I-Bank Loan	55,000	55,000	55,000	55,000	55,000
Subtotal	144,000	144,000	85,000	55,000	55,000
<b>Non-Operating Expenses</b>					
MWSD Capital Improvements	2,138,000	2,202,000	2,268,000	2,336,000	2,406,000
SAM WWTP Improvements	700,000	800,000	900,000	1,000,000	1,100,000
Subtotal	2,838,000	3,002,000	3,168,000	3,336,000	3,506,000
<b>Total Expenses</b>	5,738,000	6,040,000	6,291,000	6,582,000	6,911,000
<b>Revenues Less Expenses</b>	118,000	104,000	156,000	184,000	69,000
<b>Ending Fund Balances</b>	5,206,000	5,310,000	5,466,000	5,650,000	5,719,000
Rsrv Target 50% O&M + 2M	3,378,000	3,447,000	3,519,000	3,596,000	3,675,000
Debt Service Coverage: $\geq 1.20$	21.53	22.57	40.11	65.00	66.00
Funds Generated for Capital	2,956,000	3,106,000	3,324,000	3,520,000	3,575,000

Table 9  
Montara Water & Sanitary District  
10-Year Sewer Cash Flow Projections

**Scenario B**  
Phase In Rates & CIP Funding

	Projected Years 1 - 5				
	2019/20	2020/21	2021/22	2022/23	2023/24
Rate Adjustment Effective Date	July 1	July 1	July 1	July 1	July 1
Rate Adjustments	21%	9%	9%	9%	9%
New Sewer Connections (EDUs)	5	5	5	5	5
Sewer Capacity Charges (EDU)	\$26,378	\$26,906	\$27,444	\$27,993	\$28,553
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Cost Escalation	-	5.0%	5.0%	5.0%	5.0%
<b>Beginning Sewer Fund Balances</b>	\$5,292,000	\$4,683,000	\$4,267,000	\$3,940,000	\$3,729,000
<b>REVENUES</b>					
Sewer Service Charges	3,006,000	3,286,000	3,592,000	3,927,000	4,293,000
Property Taxes (+2%)	275,000	281,000	287,000	293,000	299,000
Connection/Remodel Fees	142,000	145,000	147,000	150,000	153,000
Interest Earnings (est.)	106,000	94,000	85,000	79,000	75,000
Cell Phone Tower Lease	35,000	36,000	37,000	38,000	39,000
Other Revenues	40,000	40,000	40,000	40,000	40,000
<b>Total Revenues</b>	3,604,000	3,882,000	4,188,000	4,527,000	4,899,000
<b>EXPENSES</b>					
<b>Operating Expenses</b>					
Personnel	350,000	368,000	386,000	405,000	425,000
Professional Services	500,000	300,000	315,000	331,000	348,000
Other Operating Expenses	164,000	172,000	181,000	190,000	200,000
SAM Wastewater Treatment	1,017,000	1,068,000	1,121,000	1,177,000	1,236,000
SAM Collection Services	342,000	359,000	377,000	396,000	416,000
Subtotal	2,373,000	2,267,000	2,380,000	2,499,000	2,625,000
<b>Debt Service</b>					
PNC Equipment Lease	72,000	76,000	80,000	84,000	87,000
I-Bank Loan	55,000	55,000	55,000	55,000	55,000
Subtotal	127,000	131,000	135,000	139,000	142,000
<b>Non-Operating Expenses</b>					
MWSD Capital Improvements	1,200,000	1,200,000	1,300,000	1,400,000	1,500,000
SAM WWTP Improvements	513,000	700,000	700,000	700,000	700,000
Subtotal	1,713,000	1,900,000	2,000,000	2,100,000	2,200,000
<b>Total Expenses</b>	4,213,000	4,298,000	4,515,000	4,738,000	4,967,000
<b>Revenues Less Expenses</b>	(609,000)	(416,000)	(327,000)	(211,000)	(68,000)
<b>Ending Fund Balances</b>	4,683,000	4,267,000	3,940,000	3,729,000	3,661,000
Rsrv Target 50% O&M + 2M	3,187,000	3,134,000	3,190,000	3,250,000	3,313,000
Debt Service Coverage: $\geq 1.20$	9.69	12.33	13.39	14.59	16.01
Funds Generated for Capital	1,104,000	1,484,000	1,673,000	1,889,000	2,132,000



Table 9  
Montara Water & Sanitary District  
10-Year Sewer Cash Flow Projections

**Scenario B**  
Phase In Rates & CIP Funding

	Projected Years 6-10				
	2024/25	2025/26	2026/27	2027/28	2028/29
Rate Adjustment Effective Date	July 1	July 1	July 1	July 1	July 1
Rate Adjustments	9%	9%	9%	6%	6%
New Sewer Connections (EDUs)	5	5	5	5	5
Sewer Capacity Charges (EDU)	\$29,124	\$29,706	\$30,300	\$30,906	\$31,524
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Cost Escalation	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Beginning Sewer Fund Balances</b>	\$3,661,000	\$3,668,000	\$3,684,000	\$3,804,000	\$3,867,000
<b>REVENUES</b>					
Sewer Service Charges	4,693,000	5,130,000	5,608,000	5,962,000	6,338,000
Property Taxes (+2%)	305,000	311,000	317,000	323,000	329,000
Connection/Remodel Fees	156,000	159,000	162,000	165,000	168,000
Interest Earnings (est.)	73,000	73,000	74,000	76,000	77,000
Cell Phone Tower Lease	40,000	41,000	42,000	43,000	44,000
Other Revenues	40,000	40,000	40,000	40,000	40,000
<b>Total Revenues</b>	5,307,000	5,754,000	6,243,000	6,609,000	6,996,000
<b>EXPENSES</b>					
<b>Operating Expenses</b>					
Personnel	446,000	468,000	491,000	516,000	542,000
Professional Services	365,000	383,000	402,000	422,000	443,000
Other Operating Expenses	210,000	221,000	232,000	244,000	256,000
SAM Wastewater Treatment	1,298,000	1,363,000	1,431,000	1,503,000	1,578,000
SAM Collection Services	437,000	459,000	482,000	506,000	531,000
Subtotal	2,756,000	2,894,000	3,038,000	3,191,000	3,350,000
<b>Debt Service</b>					
PNC Equipment Lease	89,000	89,000	30,000	0	0
I-Bank Loan	55,000	55,000	55,000	55,000	55,000
Subtotal	144,000	144,000	85,000	55,000	55,000
<b>Non-Operating Expenses</b>					
MWSD Capital Improvements	1,700,000	1,900,000	2,100,000	2,300,000	2,500,000
SAM WWTP Improvements	700,000	800,000	900,000	1,000,000	1,100,000
Subtotal	2,400,000	2,700,000	3,000,000	3,300,000	3,600,000
<b>Total Expenses</b>	5,300,000	5,738,000	6,123,000	6,546,000	7,005,000
<b>Revenues Less Expenses</b>	7,000	16,000	120,000	63,000	(9,000)
<b>Ending Fund Balances</b>	3,668,000	3,684,000	3,804,000	3,867,000	3,858,000
Rsrv Target 50% O&M + 2M	3,378,000	3,447,000	3,519,000	3,596,000	3,675,000
Debt Service Coverage: $\geq 1.20$	17.72	19.86	37.71	62.15	66.29
Funds Generated for Capital	2,407,000	2,716,000	3,120,000	3,363,000	3,591,000

# Montara Water & Sanitary District

## Projected Sewer Revenues & Expenses (\$ Millions)

Scenario B  
Phase-In Rates  
& CIP Funding

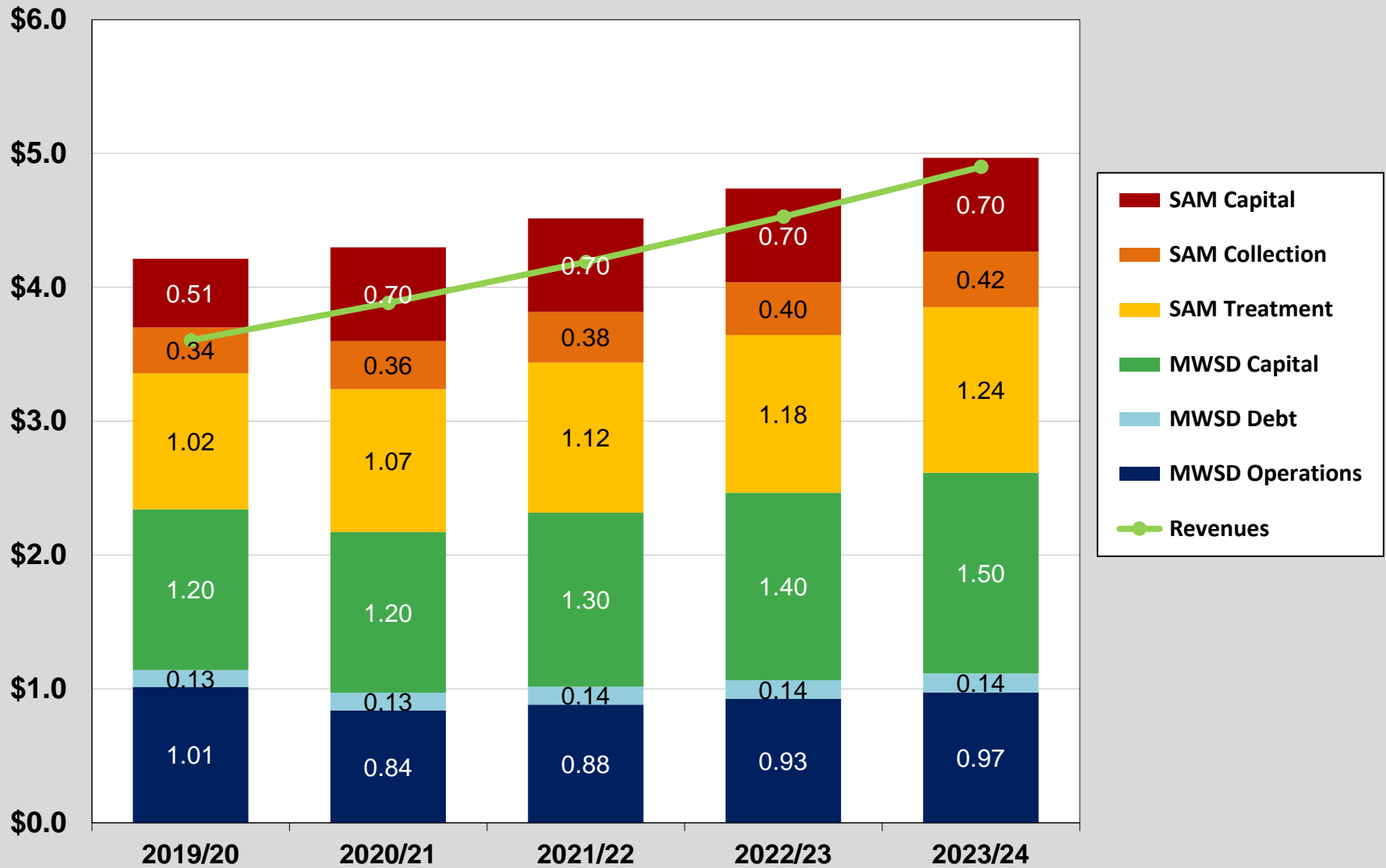


Table 10  
 Montara Water & Sanitary District  
 Projected Sewer Rates

*Assumes District adopts  
 3 years of rate increases*

Customer Class	Current Sewer Rates	Projected Rates Effective On or After		
		July 1 2020	July 1 2021	July 1 2022
<b>Rate Adjustment %</b>		9%	9%	9%
<b>Sewer Service Charge Rates<sup>1</sup></b>				
<i>Volumetric charge billed per hundred cubic feet (hcf) of metered water use.</i>				
<i>Subject to a minimum charge based on 48 hcf of annual sewer use (4 hcf per month).</i>				
Residential	\$21.07	\$22.97	\$25.04	\$27.29
Restaurants	36.55	39.84	43.43	47.34
Motels	22.18	24.18	26.36	28.73
Offices	18.98	20.69	22.55	24.58
General Commercial	20.33	22.16	24.15	26.32
Schools	19.28	21.02	22.91	24.97
Hospitals	21.01	22.90	24.96	27.21

1 Residential rates are applied to annualized water use from two winter billing periods (Nov-Feb or Dec-Mar); Commercial rates are applied based on annual water use.

Note: Sewer service charges are collected on the County property tax rolls.

Table 11  
 Montara Water & Sanitary District  
 Projected Residential Rate Impacts

Customer Class	Monthly Sewer Use (hcf)	Current Sewer Rates	Projected Rates Effective On or After			
			July 1 2020	July 1 2021	July 1 2022	
<b>RESIDENTIAL BILLS</b>						
<b>Monthly Charges</b>						
Minimum	50% of bills	4.0	\$84.28	\$91.88	\$100.16	\$109.16
Average	65% at or below	4.5	94.82	103.37	112.68	122.81
Mod-High	Top 10%	7.5	158.03	172.28	187.80	204.68
<b>Annual Charges</b>						
Minimum	50% of bills	4.0	\$1,011.36	\$1,102.56	\$1,201.92	\$1,309.92
Average	65% at or below	4.5	1,137.78	1,240.38	1,352.16	1,473.66
Mod-High	Top 10%	7.5	1,896.30	2,067.30	2,253.60	2,456.10

Note: Sewer service charges are collected on the County property tax rolls.

Table 12

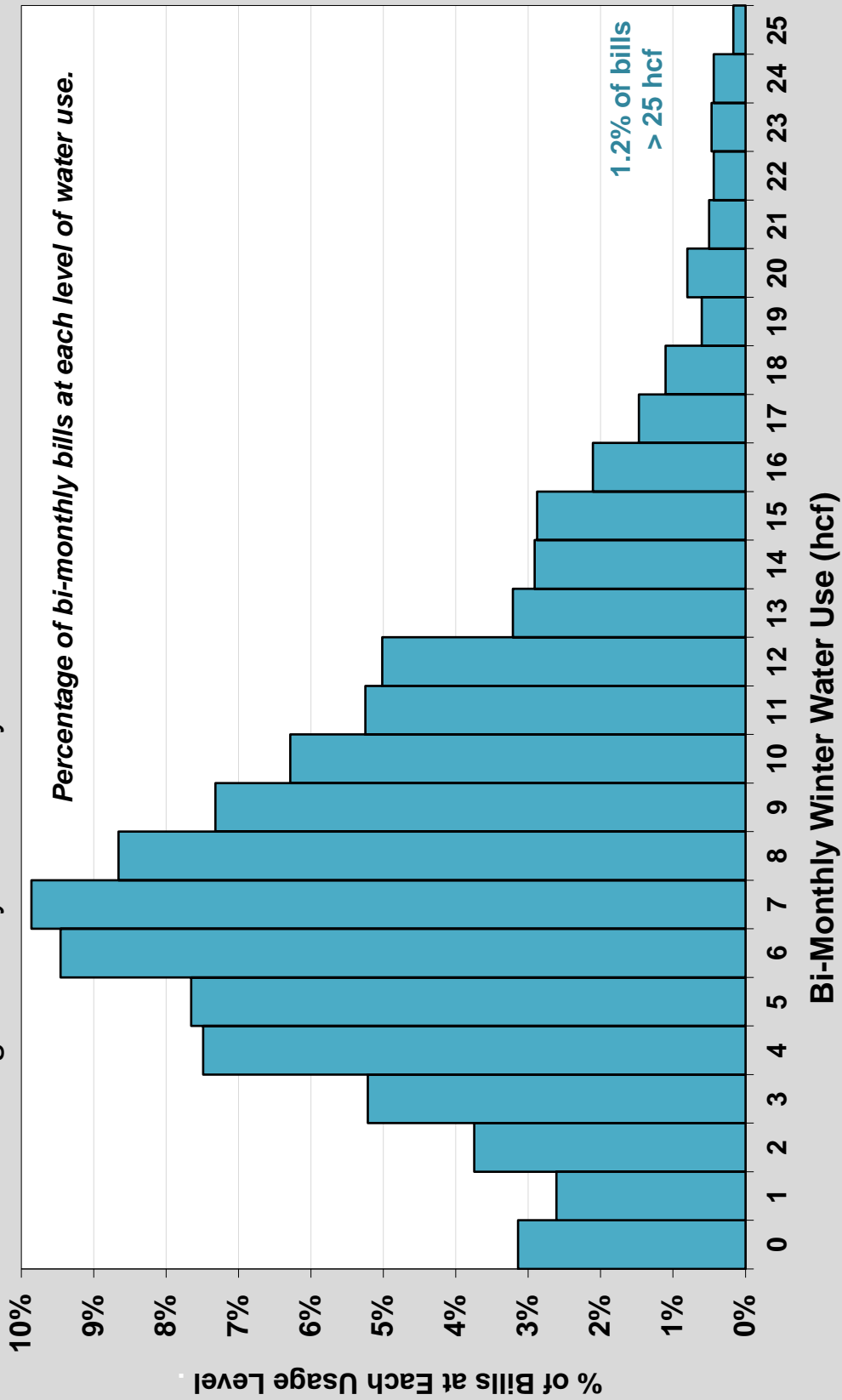
Montara Water & Sanitary District  
 Consumption Block Analysis  
 Single Family Residential Winter Water Use 2018/19

Average Bi-Monthly Use: 8.6 hcf  
 Median Bi-Monthly Use: 8.0 hcf

4-Mo. Winter Use (hcf)	Number of Bills				Winter Water Use (hcf)		Use Through Break	
	In Block	% of Total	Cumulative	Cumulative %	In Block	% of Ttl	Use (hcf)	% of Ttl
0	94	3.1%	94	3.1%	0	0.0%	0	0.0%
1	78	2.6%	172	5.7%	78	0.3%	2,898	11.3%
2	112	3.7%	284	9.5%	224	0.9%	5,718	22.3%
3	156	5.2%	440	14.7%	468	1.8%	8,426	32.9%
4	224	7.5%	664	22.2%	896	3.5%	10,978	42.9%
5	229	7.7%	893	29.8%	1,145	4.5%	13,306	52.0%
6	283	9.5%	1,176	39.3%	1,698	6.6%	15,405	60.2%
7	295	9.9%	1,471	49.2%	2,065	8.1%	17,221	67.3%
8	259	8.7%	1,730	57.8%	2,072	8.1%	18,742	73.2%
9	219	7.3%	1,949	65.1%	1,971	7.7%	20,004	78.1%
10	188	6.3%	2,137	71.4%	1,880	7.3%	21,047	82.2%
11	157	5.2%	2,294	76.7%	1,727	6.7%	21,902	85.5%
12	150	5.0%	2,444	81.7%	1,800	7.0%	22,600	88.3%
13	96	3.2%	2,540	84.9%	1,248	4.9%	23,148	90.4%
14	87	2.9%	2,627	87.8%	1,218	4.8%	23,600	92.2%
15	86	2.9%	2,713	90.7%	1,290	5.0%	23,965	93.6%
16	63	2.1%	2,776	92.8%	1,008	3.9%	24,244	94.7%
17	44	1.5%	2,820	94.3%	748	2.9%	24,460	95.5%
18	33	1.1%	2,853	95.4%	594	2.3%	24,632	96.2%
19	18	0.6%	2,871	96.0%	342	1.3%	24,771	96.7%
20	24	0.8%	2,895	96.8%	480	1.9%	24,892	97.2%
21	15	0.5%	2,910	97.3%	315	1.2%	24,989	97.6%
22	13	0.4%	2,923	97.7%	286	1.1%	25,071	97.9%
23	14	0.5%	2,937	98.2%	322	1.3%	25,140	98.2%
24	13	0.4%	2,950	98.6%	312	1.2%	25,195	98.4%
25	5	0.2%	2,955	98.8%	125	0.5%	25,237	98.6%
26	5	0.2%	2,960	98.9%	130	0.5%	25,274	98.7%
27	5	0.2%	2,965	99.1%	135	0.5%	25,306	98.8%
28	3	0.1%	2,968	99.2%	84	0.3%	25,333	98.9%
29	2	0.1%	2,970	99.3%	58	0.2%	25,357	99.0%
30	1	0.0%	2,971	99.3%	30	0.1%	25,379	99.1%
31	6	0.2%	2,977	99.5%	186	0.7%	25,400	99.2%
32	2	0.1%	2,979	99.6%	64	0.2%	25,415	99.3%
33	0	0.0%	2,979	99.6%	0	0.0%	25,428	99.3%
34	0	0.0%	2,979	99.6%	0	0.0%	25,441	99.4%
35	3	0.1%	2,982	99.7%	105	0.4%	25,454	99.4%
36	1	0.0%	2,983	99.7%	36	0.1%	25,464	99.4%
37	0	0.0%	2,983	99.7%	0	0.0%	25,473	99.5%
38	0	0.0%	2,983	99.7%	0	0.0%	25,482	99.5%
39	1	0.0%	2,984	99.7%	39	0.2%	25,491	99.6%
40	1	0.0%	2,985	99.8%	40	0.2%	25,499	99.6%
41	0	0.0%	2,985	99.8%	0	0.0%	25,506	99.6%
42	0	0.0%	2,985	99.8%	0	0.0%	25,513	99.6%
43	0	0.0%	2,985	99.8%	0	0.0%	25,520	99.7%
44	1	0.0%	2,986	99.8%	44	0.2%	25,527	99.7%
45	0	0.0%	2,986	99.8%	0	0.0%	25,533	99.7%
46	0	0.0%	2,986	99.8%	0	0.0%	25,539	99.7%
47	1	0.0%	2,987	99.8%	47	0.2%	25,545	99.8%
48	0	0.0%	2,987	99.8%	0	0.0%	25,550	99.8%
49	0	0.0%	2,987	99.8%	0	0.0%	25,555	99.8%
50	1	0.0%	2,988	99.9%	50	0.2%	25,560	99.8%
51-75	4	0.1%	2,992	100.0%	245	1.0%	25,605	100.0%
Total	2,992	100.0%			25,605	100.0%		

Note: Excludes a few non-residential accounts classified as single family residential.

**Montara Water & Sanitary District**  
 Single Family Bi-Monthly Winter Water Use 2018/19





# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **February 6, 2020**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

**SUBJECT: Review and Possible Action Concerning Support  
for National Stewardship Action Council's  
"Flushable" Wipes Issue.**

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Heidi Sanborn, Executive Director of the National Stewardship Action Council's (NSAC) recently gave a presentation on the wet/"flushable" wipes issue and ending the FDA "flush list" to the Sewer Authority Mid-Coastside (SAM).

NSAC would like to raise \$50,000 to help CASA pass AB 1672 (Bloom) and is asking for a \$1,000 donation based on MWSD's population, which would allow MWSD to participate in the strategy calls, be added to flushable wipes information listserv, and receive other benefits of being a NSAC funder. SAM committed \$2,000 to the cause, of which MWSD is directly paying \$400.

**RECOMMENDATION:**

Receive NSAC presentation and consider a donation to support AB 1672.

Attachment



# NATIONAL STEWARDSHIP ACTION COUNCIL

ADVOCATING FOR A CIRCULAR ECONOMY

## Partnership to Protect Water Quality and Reduce Costs

Montara Water & Sanitary District  
February 6, 2020

**NSAC'S VISION:** The United States attains a circular economy.



# Who is NSAC?



The National Stewardship Action Council (NSAC) is a 501©4, affiliated with the California Product Stewardship Council (CPSC). NSAC is a network of committed proponents comprised of governments, non-government organizations, businesses, and consumers who advocate that producers fairly share responsibility in a circular economy.

Vision: The United States attains a circular economy.

Mission: Collaborate with public and private stakeholders to advance product stewardship and extended producer responsibility.



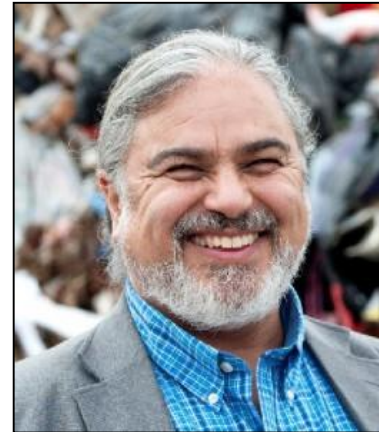
*2017 NSAC Strategic Planning Meeting*

# NSAC Board/Organization

## Executive Board



David Stitzhal, President  
Full Circle Environmental, Inc.



Tim Goncharoff, Vice-President  
County of Santa Cruz



Patty Garbarino, Treasurer  
Marin Sanitary Service



Constance Hornig, Secretary  
Constance Hornig Law Offices

# NSAC Board/Organization (cont.)

## Advisory Board of 9



Jordan Fengel  
State of Texas Alliance for Recycling



Paul Gao  
California Electronic  
Asset Recovery

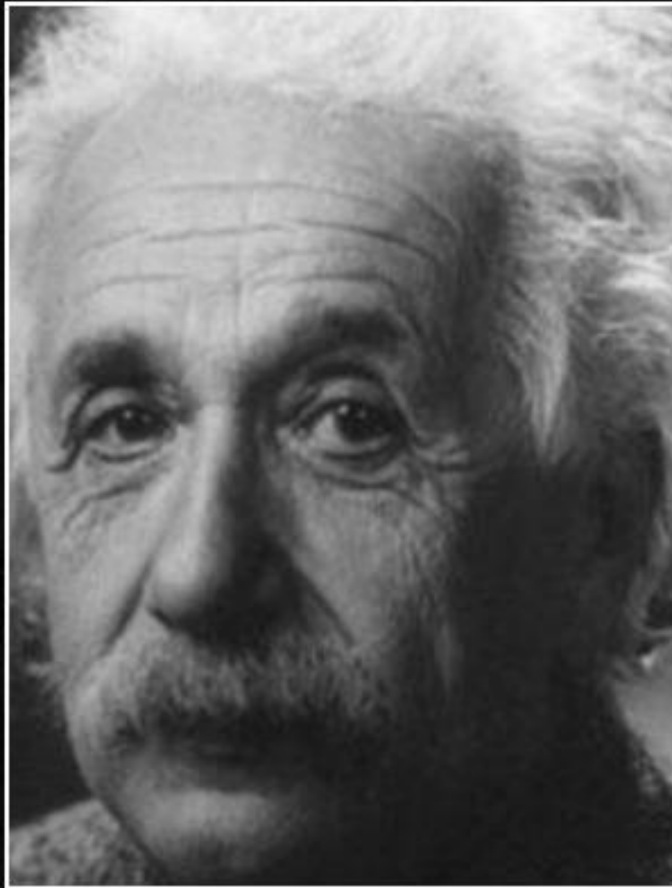


Beverly Hanstrom  
Colorado Medical Waste



Chris Ripley  
Smarter Sorting

# We Have to Think Differently...



The true definition of madness is repeating the same action, over and over, hoping for a different result.

— *Albert Einstein* —

AZ QUOTES



# What is a Circular Economy?

Multi-faceted with a focus on producers embracing sustainable design, using regenerative materials and collecting end of life products and materials for continuous use in the economy.

It is based on three principles:

1. Design out waste and pollution
2. Keep products and materials in use
3. Regenerate natural systems



**ELLEN  
MACARTHUR  
FOUNDATION**



# ReFuel Your Fun & Save Campaign



Promotes the use of reusable 1 lb. propane cylinders

1. **Recruitment** of locations to sell/refill/exchange reusables such as hardware stores, sports/camping supply stores, universities & outdoor education programs, & more!
2. **Public education** – billboards, newspaper inserts, PSAs & whiteboard videos, social media, & more!
3. **Exchange events** – bring a single-use & take home a reusable
4. **Safe collection** of cylinders at high-use areas

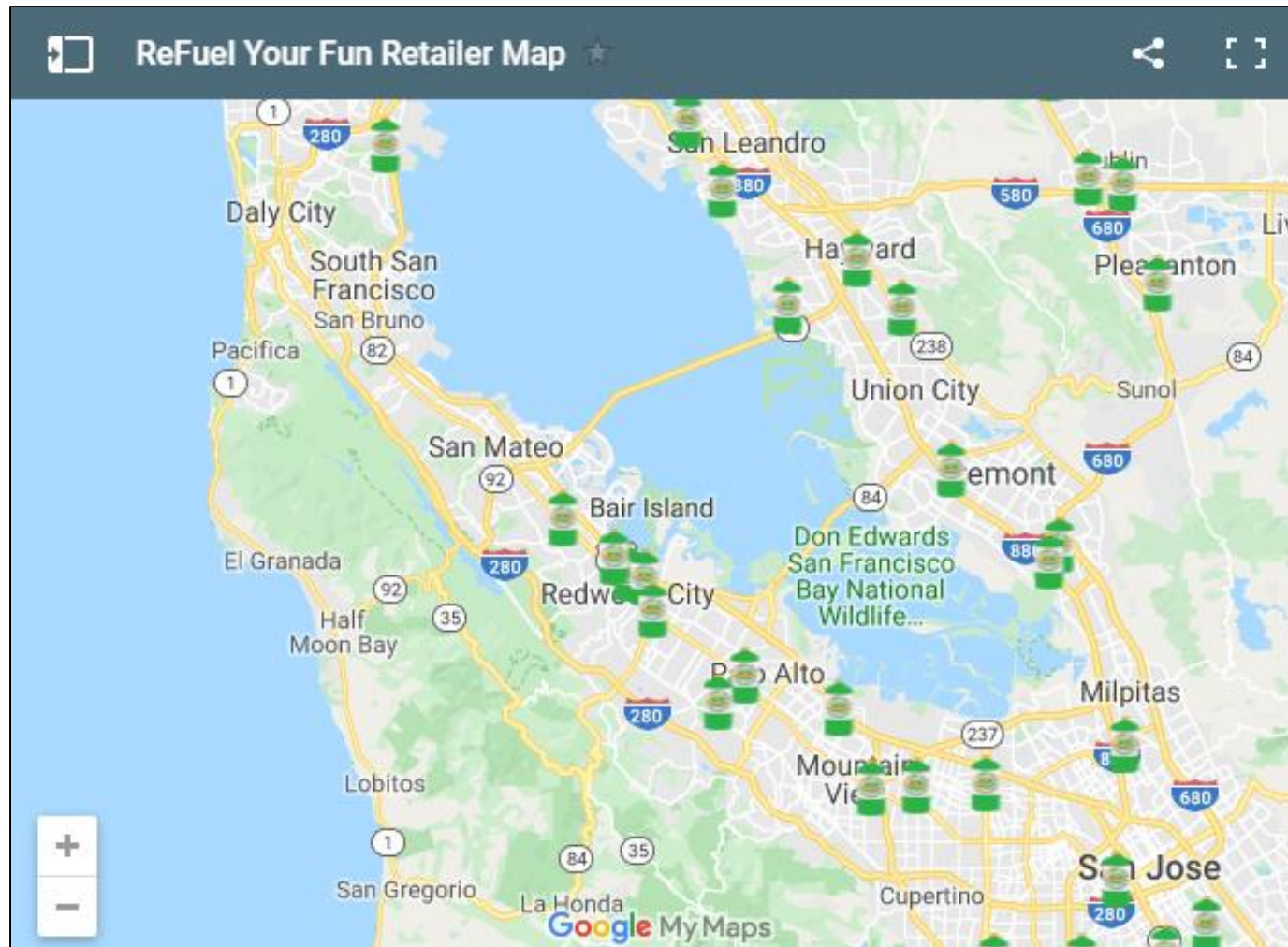


[www.ReFuelYourFun.org](http://www.ReFuelYourFun.org)



NATIONAL STEWARDSHIP ACTION COUNCIL

# ReFuel Your Fun & \$ave (cont.)



NATIONAL STEWARDSHIP ACTION COUNCIL

# Don't Rush to Flush, Meds in the Bin We ALL Win!

Promotes the safe disposal & storage of unwanted medications

1. **Recruitment** of authorized locations to take-back controlled & non-controlled medications

2. **Public education**

3. **Press events**

[www.DontRushToFlush.org](http://www.DontRushToFlush.org)



NATIONAL STEWARDSHIP ACTION COUNCIL



# County of San Mateo Medicine EPR Ordinance 4/28/2015



- <https://www.youtube.com/watch?v=gq7-zloOYzk>

Ordinance introduced and heard at April 14<sup>th</sup> Board of Supervisors Meeting and **passed with a 5-0 vote**. Waymond Wong, Program Manager, Environmental Health and Heather Forshey, Director of Environmental Health



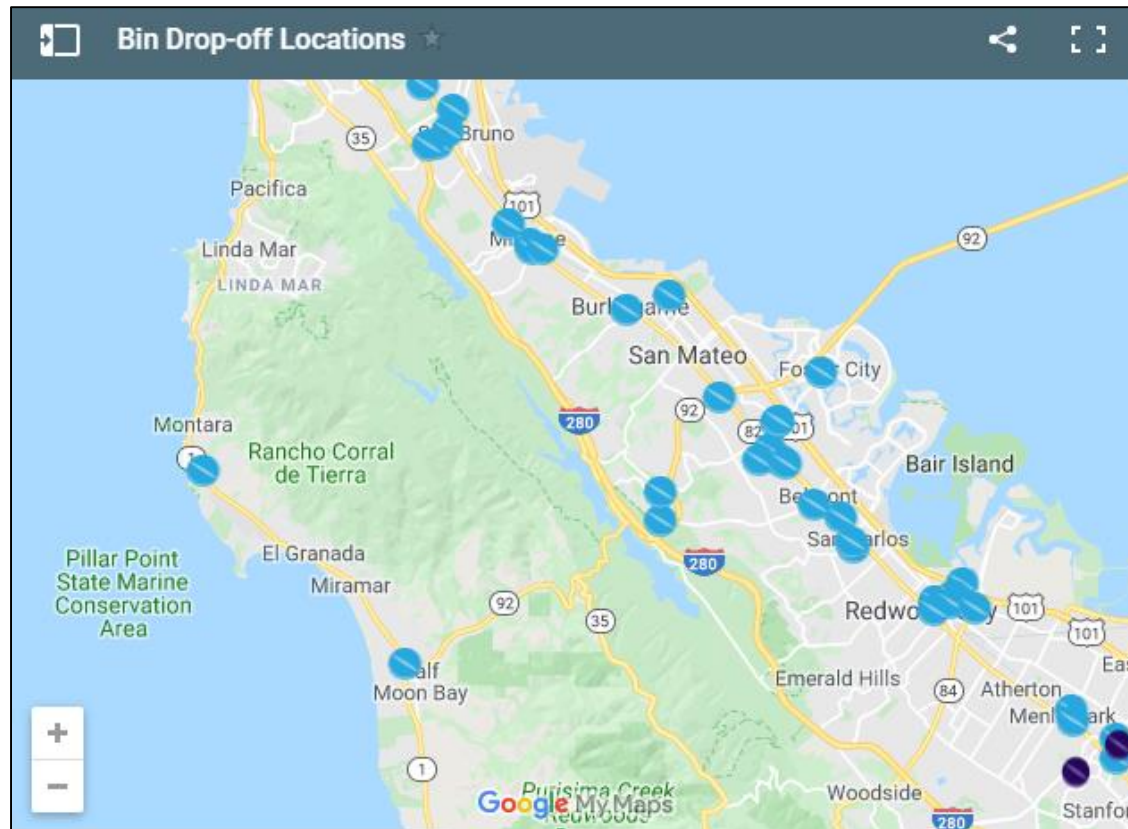
NATIONAL STEWARDSHIP ACTION COUNCIL

# Don't Rush to Flush (cont.)

## Participating locations:

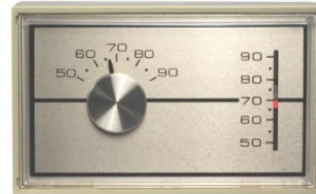
1. San Mateo County Sheriff's North Coast Sub-Station – Moss Beach
2. CVS Pharmacy (60 Cabrillo Hwy North) - Half Moon Bay

Both locations accept controlled & non-controlled medications



# Legislated EPR/Stewardship in CA

1. Bottles & Cans
2. Ag Pesticide Containers
3. Recalled Products
4. Mercury Thermostats
5. Paint
6. Carpet
7. Mattresses
8. Medications & Sharps



# CA Statewide Meds & Needle Disposal

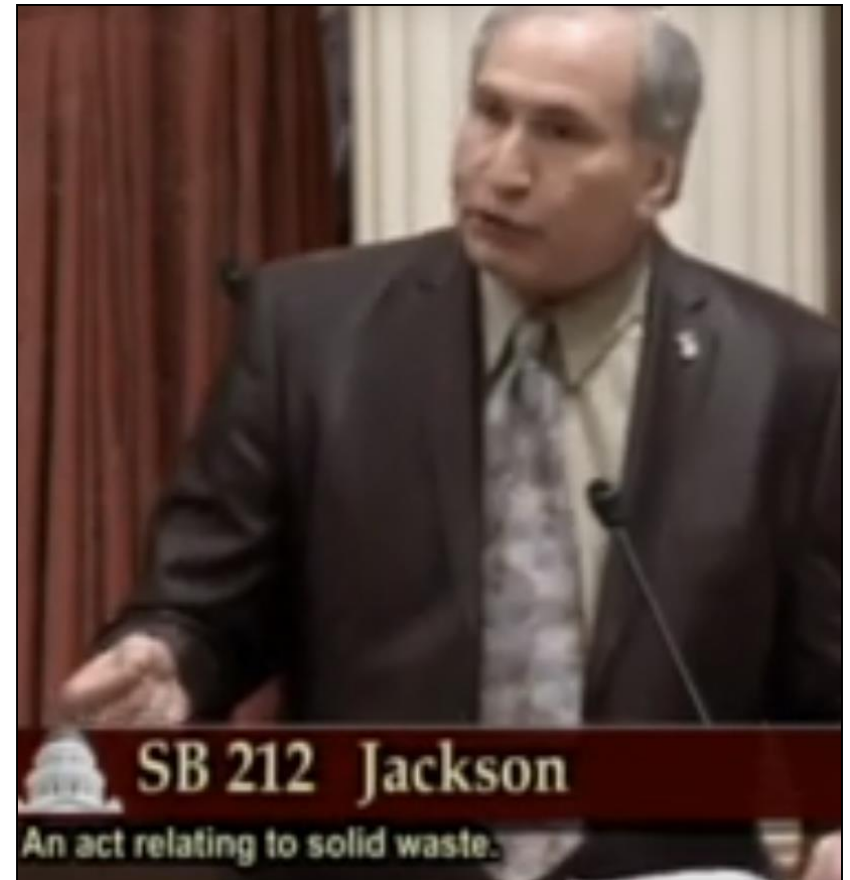
**Signed into Law 9/2018!**

**39-0 Vote off Senate Floor!**

**Pharma/Sharps producers support!**

Key provisions:

- Meds: 1 med bin for every 50k residents or minimum 5/county – any eligible site can opt in – ALL LOCATIONS CAN GET A BIN!;
- Needles/Sharps: Requires free safe disposal sharps containers with **every needle sold** and any sharps collected in public programs will have **disposal paid for by producers!**



*Senator Jeff Stone (R -Temecula) a pharmacist, speaking on the senate floor supporting SB 212!*

# Legislative Track Record: 4/4 Success

NSAC has sponsored the following bills, which have all been signed into law:

1. [SB 212 \(Jackson, Gray, Ting\)](#) 2018 - meds & sharps EPR: **First in the nation to cover both meds & needles!**
2. [AB 1158 \(Chu\)](#) 2017 – carpet: **First in the world!**
  - Stewardship organization cannot use fee money to sue the state, pay fines, or incinerate carpet & set recycling rates & dates
3. [AB 729 \(Chu\)](#) 2019- carpet: **first eco-modulated fees in the U.S.**
  - Plan to return visible fee money back to the state to continue the program if the stewardship organization is failing
  - Creation of a trust for stewardship fee money
4. [SB 726 \(Caballero & Berman\)](#) 2019: **First in US supports & expands HHW reuse**



# 2020 Legislation: AB 1672 (Bloom): Wet Wipe Labeling

“Flushable” wipes

– Labeling



[casaweb.org/wipes/](http://casaweb.org/wipes/)



Getting Answers.



'Flushable' Wipe Problems



CBS Sacramento



NATIONAL STEWARDSHIP ACTION COUNCIL

# 2020 Legislation (cont.): AB 1672 (Bloom)

NSAC has been requested by CASA to co-sponsor AB 1672 and **“elevate and effectuate legislative action”** due to NSAC’s **“unique and credible voice on consumer protection issues,** and in recognition of your shared interest in protecting the environment from harmful products”



# 2020 Legislation (cont.)

## SB 424 (Jackson): Tobacco Waste

- Prohibit sale of single-use:
  1. Integrated filters
  2. eCigarettes or vaporizer devices
  3. Attachable plastic devices (plastic tips)
- Require take-back for reusable components:
  1. Take-back bins
  2. Mail-back
  3. eCigarette collection & recycling





# 2020 Legislation (cont.)

## SB 54 (Allen) & AB 1080 (Gonzalez)

- Companion bills
- **Encourages producer responsibility**
- **Working with the Governor's Office and authors on the bill language**



# 2020 Legislation (cont.)

## Senator Udall and Rep. Lowenthal's National Packaging Waste Bill



# Campaign to End the FDA Medication “Flush List”



Originally submitted January 26, 2016  
Updated sign ons delivered February 2, 2016  
Updated sign ons delivered February 12, 2016  
Updated sign ons delivered February 16, 2016  
Updated sign ons delivered April 19, 2016

Dr. Robert M. Califf, M.D.  
Commissioner  
U.S. Food and Drug Administration  
10903 New Hampshire Avenue  
Silver Spring, MD 20993

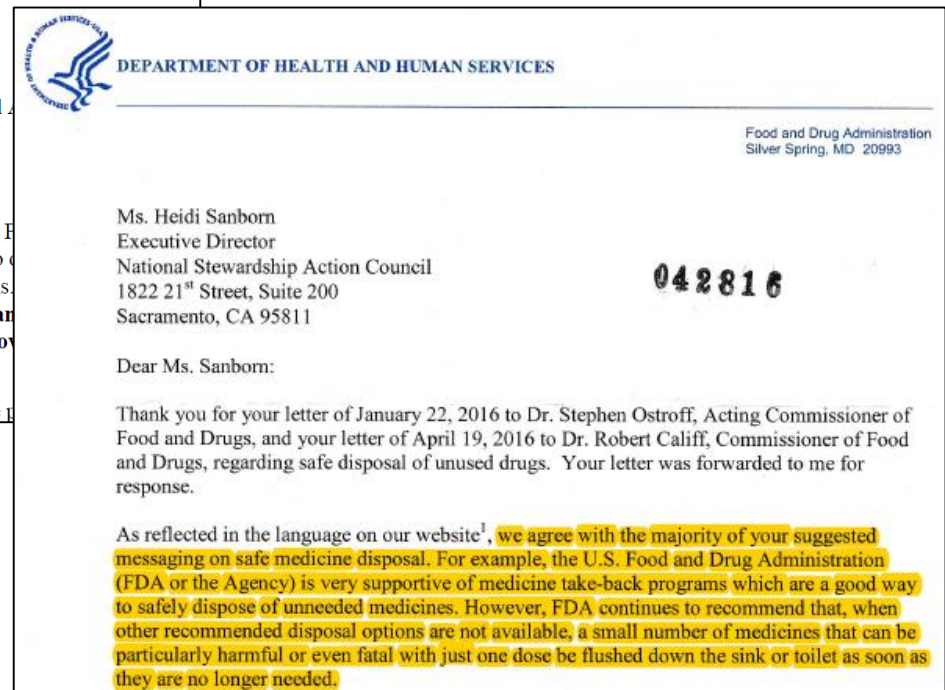
## RE: FDA Recommendations to Flush Certain Medications and Harmonize Federal Messaging on Safe Medicine Disposal

Dear Commissioner Califf:

To protect public health and environmental quality, the signatories to this letter urge the FDA, with the EPA, the DEA, and the White House Office of National Drug Control Policy to provide clear and consistent guidance to consumers on safe disposal of leftover household medications. **FDA to end its recommendation that certain medications be disposed by flushing, and that secure medicine take-back programs provide the best disposal method for leftover medications.**

We appreciate the FDA's efforts to protect people from leftover medications that can be p

Left:  
Coalition letter(s) with 100+ signatories (primarily sanitation agencies & local governments)



Right:  
Response from the Food & Drug Administration (FDA)



# Shaw Yoder Antwih Schmelzer & Lange

Right to Left:

Melissa Immel, (Deputy Legislative Secretary at Office of Governor Gavin Newsom);

Heidi Sanborn, Executive Director of NSAC;

Jason Schmelzer (Lobbyist);

Anthony Williams (Legislative Secretary at Office of Governor Gavin Newsom)



Shaw  
Yoder  
Antwih  
Schmelzer  
& Lange

<https://syaslpartners.com/>



# Partnership Benefits:

## 1. Fund NSAC at \$1,000/year

### Benefits:

- We support, author, provide technical assistance and testimony, support letters, etc. on bills of interest
- Regular product specific email updates and conference calls
- Product-specific listserv access (meds/sharps, packaging, flushable wipes, carpet)
- Free webinar registrations (5-6/year – this Thursday meds/sharps)
- Quarterly newsletters
- Logo on website (optional)
- Free national calls (twice per year and as needed)
- Qualify to have a representative apply to sit on the Board or be an Advisor
- Free technical assistance as needed!

**Working together we will make a big difference!**



# The Devil is in the Details!



# QUESTIONS?





NATIONAL  
STEWARDSHIP  
ACTION COUNCIL

ADVOCATING FOR A CIRCULAR ECONOMY



## Heidi Sanborn

Executive Director

Office: (916) 431-7804

Cell: (916) 217-1109

[Heidi@nsaction.us](mailto:Heidi@nsaction.us)

*Connect with us!*

*[www.nsaction.us](http://www.nsaction.us)*



YouTube





# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **February 6, 2020**

TO: BOARD OF DIRECTORS

FROM: Christine C. Fitzgerald, General Counsel

Subject: Review and Possible Action To Amend Salary Schedule  
and Approve Adjustment to the General Manager's  
Compensation

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Under the Employment Contract between the District and the General Manager, dated January 1, 2017, Section 8 provides that the Board of Directors shall conduct an annual evaluation of the General Manager, and based on satisfactory performance, the General Manager will be granted a minimum amount based on the annual increase in the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor for all Urban Consumers (1982-1984 = 100), San Francisco-Oakland-San Jose, California Consolidation Statistical Area ("CPI-U Indicator").<sup>1</sup>

On January 30, 2020, the Board met with the General Manager and determined that the General Manager's performance satisfies the requirements set forth under Section 8 of the Employment Contract, and accordingly, formal Board action is requested to set the new salary for the General Manager classification, retroactive to January 1, 2020, consistent with the terms of the General Manager's Employment Contract. The new salary is calculated using as follows:

$\$209,609.65 \times 1.03027552$   
(the difference between October 2019, CPI-U 298.443 and October 2018, CPI-U  
289.673) = **\\$215,956.00**  
(Rounded to the nearest dollar)

With regards to fiscal impact, the total annual salary increase is \$6,346.35.

<sup>1</sup> Specifically, the Employment Contract provides for the method of calculating any increases as follows: "The salary increases shall be determined by dividing the CPI-U Indicator that was published nearest in time before the Anniversary Date of the Employment Year to which the adjustment pertains by the CPI-U Indicator published nearest to one (1) year prior to that Anniversary Date, and multiplying the resultant number by General Manager's salary for the then current Employment Year." *Id.* at page 4.



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **February 6, 2020**

TO: BOARD OF DIRECTORS

FROM: Christine C. Fitzgerald, General Counsel

Additionally, Section 8 of the Employment Contract also provides that in recognition of exceptional and exemplary job performance resulting in benefits to the District and its customers, the General Manager may be entitled to an additional \$6,000 in Deferred Compensation contribution under the District's 457 Deferred Compensation Benefit Retirement Plan. The Board has made such a finding as a result of its review of the General Manager's performance, and Board authorization is also requested to grant a one-time payment of \$6,000 to the General Manager's 457 Deferred Compensation Benefit Retirement Plan account.

Lastly, as a result of the Board's negotiation with the General Manager, the parties have agreed to a one-time cash payment of \$15,000 in recognition of the General Manager's continued performance. This one-time payment is not included as base compensation for payroll or retirement calculation purposes.

**RECOMMENDATION:** Set the salary for the General Manager and approve additional terms as follows:

- i) an annual salary of \$215,956.00 retroactive to January 1, 2020;
- ii) a one-time payment of \$6,000 to the General Manager's 457 Deferred Compensation Benefit Retirement Plan account; and,
- iii) a one-time cash payment of \$15,000 to the General Manager;

And, approve the corresponding resolution adopting the amended salary schedule and approving adjustment to the General Manager's compensation.

Attachments

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION ADOPTING AMENDED DISTRICT SALARY SCHEDULE  
AND APPROVING ADJUSTMENT TO GENERAL MANAGER'S  
COMPENSATION (Effective January 1, 2020)**

**WHEREAS**, under the Employment Contract between the District and the General Manager, dated January 1, 2017, Section 8 provides that the Board of Directors shall conduct an annual evaluation of the General Manager;

**WHEREAS**, based on satisfactory performance, the General Manager shall be granted a minimum amount based on the annual increase in the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor for all Urban Consumers (1982-1984 = 100), San Francisco-Oakland-San Jose, California Consolidation Statistical Area ("CPI-U Indicator");

**WHEREAS**, on January 30, 2020, the Board met with the General Manager and determined that the General Manager's performance satisfies the requirements set forth under Section 8 of the Employment Contract;

**WHEREAS**, the Board has recommended an adjustment to the General Manager's compensation as set forth below.

**NOW THEREFORE,**

**BE IT RESOLVED BY THE BOARD OF THE MONTARA WATER  
AND SANITARY DISTRICT AS FOLLOWS:**

1. The General Manager's salary is hereby adjusted to \$215,956.00 per annum.
2. This resolution shall be effective upon adoption; provided, that the Salary Schedule and General Manager's compensation approved hereby and provided hereunder shall be operative from and after January 1, 2020.

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION ADOPTING AMENDED DISTRICT SALARY SCHEDULE  
AND APPROVING ADJUSTMENT TO GENERAL MANAGER'S  
COMPENSATION (Effective January 1, 2020)**

3. The Salary Schedule for General Manager, set forth in the Attachment hereto is hereby approved, effective January 1, 2020; provided, that said Schedule shall remain in effect unless and until further amended or superseded.

\_\_\_\_\_  
President, Montara Water and Sanitary District

COUNTERSIGNED:

\_\_\_\_\_  
Secretary, Montara Water and Sanitary District

\* \* \* \*

I HEREBY CERTIFY that the foregoing Resolution No. \_\_\_\_\_ was duly and regularly adopted and passed by the Board of the Montara Water and Sanitary District, County of San Mateo, California, at a regular meeting thereof held on the 6<sup>th</sup> day of February, 2020, by the following vote:

AYES, Directors:

NOES, Directors:

ABSENT, Directors:

\_\_\_\_\_  
Secretary, Montara Water and Sanitary District



# **MONTARA WATER & SANITARY DISTRICT**

Serving the Communities of Montara and Moss Beach

P.O. Box 370131

Tel: (650) 728-3545

8888 Cabrillo Highway

Fax: (650) 728-8556

Montara, CA 94037-0131

E-mail: [mwsd@coastside.net](mailto:mwsd@coastside.net)

Visit Our Web Site: <http://www.mwsd.montara.com>

## **SALARY SCHEDULE FOR GENERAL MANAGER**

EFFECTIVE: January 1, 2020

Approved at Regular Board Meeting: February 6, 2020

Per Board Resolution No. **XXX**

<b>Job Title</b>	<b>Annual</b>
<b>General Manager</b>	\$215,956.00



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **February 6, 2020**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

A handwritten signature in black ink, appearing to read 'Clemens', located to the right of the 'FROM:' line.

**SUBJECT: Review and Possible Action Concerning  
Cancellation of Regular Scheduled Meeting  
February 20, 2020.**

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Staff suggests to cancel the next Regular Scheduled February 20, 2020 meeting.  
The following Regular Scheduled Meeting is planned for March 5, 2020.

RECOMMENDATION:

This item is for information only.



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **February 6, 2020**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

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**SUBJECT: General Manager's Report**

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**Operations:** MWSD Operations staff investigated 5 possible leaks, repaired 3 water leaks, responded to 6 Underground Service Alerts, 1 water meter repair and took 6 water quality samples within the past 2 weeks.

The District is preparing for Spring 2020 System Tours on Saturday, March 14 and invites the public to attend. See newsletter for more information.

**Newsletter:** The February/March MWSD newsletter will be sent as bill insert and is attached to this report.

**Projects:** Construction of the new Airport 3 Treatment Plant is close to completion. SCADA integration is almost complete, final testing and State notification still outstanding. The Wagner Well Rehab Project is finalized and will be closed out soon.

The Highway 1 crossing Sewer Project is also close to completion. Hydroseeding on MWSD property is still outstanding. A possible change order to further improve the MWSD access road runoff may be brought to the MWSD board soon.

**Meetings:** The General Manager attended the Finance Committee Meeting on January 28 and will attend the SAM Manager's meeting on February 4, 2020.

On January 29 the General Manager provided a tour of the water and sewer system to Half Moon Bay Review staff writer Sarah Wright.

**SAM:** The Sewer Authority Mid-Coastside offers tours of the SAM Sewage Treatment Plant every third Wednesday of the month at 11:00am.

**Manager Leave:** The General Manager will be on vacation February 13 – 24, 2020.

**RECOMMENDATION:**

This is for Board information only.



Attachment

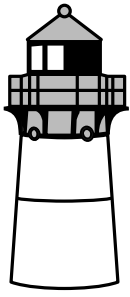
# **MONTARA WATER AND SANITARY DISTRICT AGENDA**

For Meeting Of: **February 6, 2020**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager





# Montara Water & Sanitary District

## Staying Ahead of our Local Community Needs

Montara Water and Sanitary District (MWSD) works every day to deliver water, garbage and sewer services for the residents of Montara, Moss Beach, and adjacent areas north of El Granada. Over 6,000 residents rely on our services for their homes and businesses.

February -  
March 2020

**News for You: Join Us for a Spring System Tour; and Keeping Up with Our Infrastructure Needs**

### Learn How it Works!

What's a pressure zone? What's a PRV station? How does the sewer system keep sewage away from our beaches? What staff have done to improve efficiency and address new state regulations?

Delivering drinking water to your taps is a complex balance of infrastructure, water supply, operations and maintenance. Ensuring that our sewage is managed and doesn't impact our health or the natural environment is equally challenging. If you ever wondered how it all works, join us for a system tour this spring.

**Reservations required; space limited.**

### Spring 2020 System Tours! Saturday, March 14 10AM-1PM

Come learn how your water and wastewater systems work! MWSD staff will take you on a one hour tour of the critical facilities in our community. Learn the challenges of keeping your water flowing, while protecting public health and the environment.

**RSVP online at [mwsd.montara.org](http://mwsd.montara.org) or call (650) 728-3545.**



Installing a new water main at 16th Street & Cabrillo Highway. October 2018

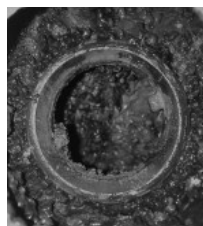
### Keeping Up with Our Infrastructure Needs

In 2001, our Coastside community overwhelmingly supported the public purchase of our local water system and secured funds to upgrade it's infrastructure. That general obligation bond measure provided \$11 million to purchase the water system and \$8 million for critical system improvements. Over the last 19 years, by leveraging those funds, along with low interest loans and grants, we've invested over \$14.5 million in our water system.

We added new water tanks, installed a new groundwater well and new water treatment facilities, rehabilitated 7 of our 12 groundwater wells, begun pipeline replacements, added solar panels, improved our system technology by adding real-time monitoring and upgrading our meter reading technology. We've also ensured that our staff have efficient, ready to go equipment, generators, and vehicles should an emergency occur.



We are always working to stay ahead of age, rust, and corrosion.



Our wastewater system - including the critical plant that treats all our sewage, our sewers and pumps - is also aging and reaching the end of its useful life. We work hard to keep this system operating for you and that work never ends. Our Coastside is a beautiful, but challenging environment that ages our facilities quickly.

### The 2020 Census Needs You!

Help ensure our Coastside community members are counted! Employment positions available.

Visit [www.smccensus.org](http://www.smccensus.org)

**Board Meetings on the 1st and 3rd Thursday of each month at 7:30 p.m. at 8888 Cabrillo Highway, Montara.**

**Call: (650) 728-3545**

**Email: [mwsd@coastside.net](mailto:mwsd@coastside.net)**

**Visit: [mwsd.montara.org](http://mwsd.montara.org)**

# Wastewater Treatment Plant Tours



Have you ever wondered what happens to the dirty water from your toilet, shower and laundry that goes down the drain?

Sewer Authority  
Mid-Coastside  
offers free walking  
tours of its  
wastewater  
treatment plant.

Join us for a one-hour tour to get a firsthand look at what it takes to remove human waste and other pollutants from millions of gallons of wastewater each day!

**1000 Cabrillo Hwy N, Half Moon Bay, CA**

**every third Wednesday of the month at 11:00 am**

No reservation necessary.

Tour attendees must be 10 or older and children under 18 must be accompanied by an adult.  
Closed toe shoes required.

For more information, call (650) 726 0124