



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **October 5, 2023**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

A handwritten signature in black ink, appearing to be 'C Heldmaier', is written to the right of the 'FROM:' line.

**SUBJECT: Review and Possible Action Concerning Approval of SAM's Request to Replenish Emergency Reserves Fund Shortfall.**

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Pursuant to SAM's Reserve Fund Policy, on September 11, 2023 the SAM Board authorized and directed the SAM Manager to request that each member agency contribute its flow based proportional share of SAM's Emergency Repair Reserves Fund ("ERRF") to maintain the fund's minimum balance, due to a shortfall created by emergency repairs caused the winter storm events of 2022-23. (See attached SAM Manager Memorandum dated September 28, 2023.) The total shortfall is \$266,350.66, of which the District's portion is \$51,805.20. The shortfall was used to pay a portion of SAM's "must pay" obligations for last winter's emergency repairs of the SAM Intertie Pipeline System and SAM Treatment Plant storm damages.

Staff recommends that the Board adopt the attached resolution authorizing transfer of the District's share of the shortfall to the ERRF in accordance with SAM's Reserve Fund Policy. To the extent that the City of Half Moon Bay fails or objects to, or pays under protest its share of the shortfall on the grounds that it is not responsible for emergency repairs to the IPS as indicated by its previous refusal to approve general budget funding for any IPS related projects, the proposed resolution recites this Board's intention to hold the City accountable for failing to comply with SAM's Reserve Fund Policy as well as its contractual obligation under the Joint Powers Agreement to approve a general budget which funds the maintenance and operations of SAM.

## RECOMMENDATION:

Adopt Resolution No.\_\_\_\_\_, RESOLUTION OF THE MONTARA WATER AND SANITARY DISTRICT CONSENTING TO THE FUNDING OF SEWER AUTHORITY MID-COASTSIDE'S EMERGENCY RESERVE FUND SHORTFALL (FISCAL YEAR 2023 -2024)

Attachments.

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

**RESOLUTION OF THE MONTARA WATER AND SANITARY DISTRICT CONSENTING TO THE FUNDING OF SEWER AUTHORITY MID-COASTSIDE'S EMERGENCY RESERVE FUND SHORTFALL (FISCAL YEAR 2023 -2024)**

**WHEREAS**, Sewer Authority Mid-Coastside (“SAM”) has, pursuant to Resolution No. 2-2013 titled *A Resolution Establishing Sewer Authority Mid-Coastside Reserve Funds Policy* (“the Policy”) and Article III, Section (F)(3) of the joint exercise of powers agreement dated February 3, 1976, as amended, submitted its request to the Montara Water and Sanitary District, the Granada Community Services District and the City of Half Moon Bay (individually “Member Agency” and collectively “Member Agencies”) to assess each Member Agency its proportionate share of funds in order to maintain SAM’s Emergency Repair Reserve Fund’s (“the ERRF”) minimum balance, for the consent of this District; and

**WHEREAS**, the ERRF was established to ensure adequate cash is available to stabilize and avoid sudden budget impacts in a particular year from material, unplanned repairs or replacements that require immediate attention to continue SAM operations;

**WHEREAS**, ERRF funds are authorized to be used for 1) a repair or replacement resulting from an event causing sudden, significant failure of facilities that threatens continuation of operations; and, 2) any repair or replacement which was scheduled to commence in a future fiscal year, but is critical to complete earlier than planned in order to insure continuation of operations, with approval of the SAM Board of Directors (“SAM Board”); and

**WHEREAS**, SAM’s request to replenish a shortfall created in the ERRF, as authorized by the SAM Board on September 11, 2023 as described in the SAM Manager’s memorandum dated September 28, 2023 and incorporated herein by this reference (“Request for Reserve Funds”), resulting from emergency expenditures made and authorized by the SAM Board for damages suffered to SAM’s facilities, including SAM’s Intertie Pipeline System (“IPS”), from the 2022-2023 Winter Storms as described in the Request for Reserve Funds (“Emergency Expenditures”); and

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**RESOLUTION OF THE MONTARA WATER AND SANITARY DISTRICT CONSENTING TO THE FUNDING OF SEWER AUTHORITY MID-COASTSIDE'S EMERGENCY RESERVE FUND SHORTFALL (FISCAL YEAR 2023 -2024)**

**WHEREAS**, the Emergency Expenditures meet the objective of the ERRF and fall within the authorized uses of the Policy, and each Member Agency is responsible for its proportional share and obligation to maintain the ERR's minimum balance; and

**WHEREAS**, to the extent that Member Agency the City of Half Moon Bay objects, refuses or fails to contribute its proportional share to replenish the ERRF's shortfall in accordance with the Request for Reserve Funds, or contributes its share under protest of funds being replenished for emergency repairs to the IPS, it is the intent of this Board to hold the City fully accountable for all costs, damages and adverse consequences arising from and associated with its failure to comply with the Policy concerning emergency funds related to the IPS, as more fully set forth in Montara Water and Sanitary District Resolution Nos 1769 (adopted June 28, 2023 titled "Resolution of the Montara Water and Sanitary District Consenting to Approval by Sewer Authority Mid-Coastside of its General Budget for Fiscal Year 2023-2024, As Amended, and Rescind Resolution No. 1766") and 1774 (adopted September 7, 2023 titled "Resolution of the Montara Water and Sanitary District Consenting to Approval by Sewer Authority Mid-Coastside of an Amendment to its General Budget for Fiscal Year 2023-2024") consenting to SAM's General Budget and amendment thereto for fiscal year 2023-24, both of which are incorporated herein by this reference; and

**WHEREAS**, this Board has reviewed the aforesaid Request for Reserve Funds and desires to signify its approval thereof.

**NOW THEREFORE**, be it resolved by the Board of the Montara Water and Sanitary District, a public agency in the County of San Mateo, California, as follows:

1. Consent is hereby given to the approval by Sewer Authority Mid-Coastside of its Request for Reserve Funds dated September 28, 2023, a copy

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

**RESOLUTION OF THE MONTARA WATER AND SANITARY DISTRICT CONSENTING TO THE FUNDING OF SEWER AUTHORITY MID-COASTSIDE'S EMERGENCY RESERVE FUND SHORTFALL (FISCAL YEAR 2023 -2024)**

of which is on file in the District's Administrative Offices to which reference is hereby made for the particulars thereof.

2. The District Manager is hereby authorized and directed to transfer the District's assessed proportional share necessary to fund and maintain the ERRF's minimum balance as set forth in the Policy.

3. The District Secretary is hereby authorized and directed to transmit a certified copy of this resolution to Sewer Authority Mid-Coastside, the Granada Community Services District and the City of Half Moon Bay.

\_\_\_\_\_  
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 passed and adopted by the Board of the Montara Water and Sanitary District, County of San Mateo, California, at a Regular Meeting thereof held on the 5th day of October, 2023, by the following vote:

AYES, Directors:

NOES, Directors:

ABSENT, Directors:

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



**SEWER AUTHORITY MID-COASTSIDE**

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**TO:** Member Agency Managers  
**FROM:** Kishen Prathivadi, General Manager  
**SUBJECT:** Request for Reserve Funds

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**Background and Discussion/Report**

The Board adopted Resolution 2-2013 on April 22, 2013, which addresses SAM's Reserve Policy. The adopted policy requires SAM to maintain an Operating Reserve as well as an Emergency Repair Reserve.

The Operating Reserve target is defined as cash reserves equal to two months of the fiscal year budgeted operating expenses.

The Emergency Repair Reserve target is set at \$1,250,000 with the stipulation that to the extent it is utilized, the GM will present a plan to replenish within sixty (60) days.

Attached is the present Operating Reserve Worksheet.

Due to the Winter Storm Damages of approximately \$1.6M, which were funded under emergency authorization from the Board per SAM's procurement policy, and other non-project capital expenditures of \$0.5M, SAM has had to use a part of the reserve funds to meet "must pay" obligations of the Authority.

As of this date, nine months after the January 2023 storms that gave rise to the need for emergency repairs, the reserve funds have not been replenished, and the amount now on reserve is less than the Board policy required amount by approximately \$263,000, with a "must pay" obligation to meet all expenses coming due in the next 4-6 months.

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SAM has reached out to our insurance company as well as FEMA for funding/reimbursing the Winter Storm Damage expenses, but the status of reimbursement (eligibility, timing and amount) for the approximate \$ 1.6M in storm expenses incurred by SAM, per prior Board authorization, is still not known. Therefore, as per the adopted policy, if the reserve is used, a plan for replenishment needs to be presented to the Board within 60 days.

This was discussed at the SAM Board Meeting on Sept 11, 2023.

After the completion of Board discussion, a resolution was agreed upon for SAM's Member Agency's to fund our Emergency Reserve shortfall of \$266,350.66 based on each Member Agency's Flow Based allocation of the FY 23-24 O&M Budget.

The calculation is as follows:

<b>City of Half Moon Bay</b>	<b>Granada Community Services District</b>	<b>Montara Water &amp; Sanitary District</b>
\$ 266,350.66	\$ 266,350.66	\$ 266,350.66
61.50%	19.05%	19.45%
<hr/>	<hr/>	<hr/>
\$ 163,805.66	\$ 50,739.80	\$ 51,805.20

Since we intend to track these funds outside of the regular monthly assessments, we kindly ask that you remit a separate check to SAM covering this amount only, along with your October 2023 O&M Assessments. If this is not possible, please remit this separate payment at the earliest date your internal accounting practices allow.

Thank you,



Kishen Prathivadi, General Manager

**Attachments:**

1. Adopted Resolution 2-2013 for SAM Reserve Funds Policy
2. Operating Reserve Worksheet



RESOLUTION NO. 2-2013

A RESOLUTION ESTABLISHING SEWER AUTHORITY MID-COASTSIDE  
RESERVE FUNDS POLICY

RESOLVED, by the Board of Directors of the Sewer Authority Mid-Coastside, San Mateo County, California, that:

WHEREAS, the Board has determined that sound financial management policy should include specific guidelines for accumulating and managing Authority reserve funds, and;

WHEREAS, purposes of reserve funds include but are not limited to operating costs, provision for emergencies and other unanticipated expenses, financing of repair and replacement of Authority facilities, and financing the construction of new facilities, all as necessary to fulfill purposes of the Authority, and;

WHEREAS, the Board has established by Resolution 2-2001 a Sewer Authority Mid-Coastside Reserve Funds Policy;

NOW, THEREFORE, IT IS ORDERED, as follows:

1. The existing Reserve Funds Policy established by Resolution 2-2001 is hereby repealed.
2. The Sewer Authority Mid-Coastside Reserve Funds Policy, dated April 22, 2013, attached hereto is hereby adopted as the policy of the Authority.

\* \* \* \* \*

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly passed and adopted by the Board of Directors of the Sewer Authority Mid-Coastside at a meeting thereof held on the 22<sup>nd</sup> day of April, 2013 by the following vote:

AYES: Kowalczyk, Alifano, Woren, Harvey, Boyd, Lohman

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

  
\_\_\_\_\_  
Secretary  
Sewer Authority Mid-Coastside

## **SAM Reserve Policy**

### **Statement of Purpose and Use**

SAM reserves shall be comprised of the following:

#### **Operating Reserve**

1. **Objective:** To ensure that adequate cash is available when needed to pay SAM's normal and recurring operating costs.
2. **Target:** An operating and cash flow reserve equal to two months of the fiscal year budgeted operating expenses.
3. **Use:**
  - a. Payment of budgeted operating expenditures.

#### **Emergency Repair Reserve**

1. **Objective:** To ensure that adequate cash is available to stabilize and avoid sudden budget impacts in a particular year from material, unplanned repairs or replacements that require immediate attention to continue operations.
  2. **Target:** An emergency reserve of \$1,250,000. If and to the extent the reserve is used, a plan for replenishment will be presented by the SAM Manager to the Board within 60 days.
  3. **Uses:**
    - a. A repair or replacement resulting from an event causing sudden, significant failure of facilities that threatens continuation of operations.
    - b. Any repair or replacement which was scheduled to commence in a future fiscal year, but is critical to complete earlier than planned in order to insure continuation of operations, with Board approval.
1. Interest earned on the Operating Reserve will accrue to the Operating Reserve; interest earned on the Emergency Repair Reserve will accrue to the Emergency Repair Reserve.
  2. SAM will assess member agencies as necessary to maintain the minimum balance in each reserve.
  3. At the end of each fiscal year, reserves in excess of the amounts listed above shall be returned to the member agencies within 90 days of the end of the fiscal year.
  4. Each reserve shall be invested in accordance with SAM investment policy.
  5. In addition to the reserves referenced above, the Board may establish one or more replacement funds into which annual revenues would be deposited over a determined number of years to pay for capital expenditures anticipated to be needed in connection with the repair or replacement of existing capital facilities to an approximately serviceable level.



The Board may also establish one or more project funds into which annual revenues would be deposited over a determined number of years to pay for capital expenditures anticipated to be needed in connection with a project or projects approved by the participating member agencies. For purposes hereof, a "project," as defined in the SAM joint powers agreements, is one that is new in form and function.

Approved: April 22, 2013

## Operating Reserve Summary

<b>Total Operating Reserve Required Balance:</b>	<b>2,487,504.50</b>
Current Cash Availble	1,781,348.55
Pending AR Deposits < 90 Days	919,301.56
Funds Required: Short Term	(479,496.27)
<b>Net Funds Available:</b>	<b>2,221,153.84</b>
<b>Operating Account Suggested Balance:</b>	<b>2,487,504.50</b>
<b>Over/(Under) Suggested Level</b>	<b>(266,350.66)</b>

### Operating Reserve Worksheet

Emergency Repair Reserve Required Balance:	1,250,000.00	
2 Times Monthly Operating Budget:	1,237,504.50	
<b>Total Operating Reserve Required Balance</b>	<b>2,487,504.50</b>	
Main Account (09/07/2023):	1,124,732.92	
Payroll Account (09/07/2023):	146,633.08	
Money Market (09/07/2023):	523.32	
Current LAIF Balance: (8/31/2023):	509,459.23	<b>1,781,348.55</b>
Pending AR Deposits: Current (09/07/2023):	762,066.58	
Pending AR Deposits: 30-60 (09/07/2023):	157,234.98	
Pending AR Deposits: 60-90 (09/07/2023):	-	<b>919,301.56</b>
Pending AR Deposits: 90-120 (09/07/2023):	-	
Pending AR Deposits: >120 (09/07/2023):	-	<b>919,301.56</b>
Less Outstanding AP Checks (09/07/2023):	313,180.91	
Less Outstanding Payroll Checks (09/07/2023):	1,256.33	
Less: Pending ACH Transactions - AP/Payroll	131,000.00	
Less: Other Pending Payments	-	
Less: Outstanding AP	34,059.03	<b>479,496.27</b>
<b>Available Funds:</b>	<b>2,221,153.84</b>	
Available Funds Less >90 AR:	2,221,153.84	
<b>Operating Account Suggested Balance:</b>	<b>2,487,504.50</b>	
<b>Over/(Under) Suggested Level</b>	<b>(266,350.66)</b>	