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REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF THE MID-PENINSULA WATER DISTRICT

April 23, 2015
Belmont, California

1. **OPENING**

A. **Call to Order:**

The regular meeting of the Mid-Peninsula Water District Board of Directors was called to order by President Linvill at 6:30PM.

B. **Pledge of Allegiance** – The Pledge of Allegiance was led by Director Warden.

C. **Establishment of Quorum:**

PRESENT: Directors Linvill, Zucca, Warden, and Stuebing.

ABSENT: Director Vella.

A quorum was present.

ALSO PRESENT: General Manager Rudock, Administrative Services Manager/District Secretary Pina, District Counsel Cassman, District Engineer Pakpour, and District Treasurer Ira. Operations Superintendent Young arrived at 7:03PM.

2. **PUBLIC COMMENTS**

Betty Hartman Rausch discussed that she would prefer to receive calls or emails from staff with information related to their water bills. She also asked how the MPWD will be determining charges for residents that are already conserving water.

Raymond G. Moreno asked if the MPWD has considered digging wells to tap into an additional water source. The Board responded that because of the topography in MPWD's jurisdiction, wells are not an option. He also expressed concern about flushing the fire hydrants during drought conditions. The General Manager explained that when MPWD flushes the hydrants, they coordinate with the Cities of Belmont and San Carlos to use the water for firefighting training and to fill up street sweeping vehicles and sewer vacuum trucks so that water is not being wasted.

Joshua Harris discussed MPWD's current website and offered his services in updating the website to accommodate inclusion of an auto-pay feature in order to avoid being shut off. General Manager Rudock responded that the MPWD will be launching its new website in the coming weeks, which will have online bill paying features like he mentioned.

3. **AGENDA REVIEW: ADDITIONS/DELETIONS AND PULLED CONSENT ITEMS**

General Manager Rudock added an Acknowledgment item for MPWD staff and Pakpour Consulting Group staff that managed and assisted during the Buckland Tanks Replacement Project.

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4. ACKNOWLEDGEMENTS/PRESENTATIONS

General Manager Rudock and District Engineer Pakpour acknowledged the following people for the work they accomplished on the Buckland Tanks Replacement project. Victor Fung from Pakpour Consulting Group— project designer and resident engineer; Staff from MPWD: Ron Leithner, Chris Michaelis, Michael Anderson, Brent Chester, and Henry Young.

5. CONSENT AGENDA

A. Approve Minutes for the Regular Board Meeting of March 26, 2015.

B. Approve Expenditures from March 19, 2015, through April 15, 2015.

Vice President Zucca moved to approve the consent agenda, Director Stuebing seconded, and it was unanimously approved.

6. HEARINGS AND APPEALS

None.

7. REGULAR BUSINESS

A. Consider Ordinance 112 Amending the MPWD Water Service Ordinance 103 and Attachment A – Schedule of Rates and Fees, including the Updated Water System Capacity Charges and Water Demand Offset Charges

General Manager Rudock reported that Jeff Smith of Sares-Regis Group had prepared a written communication for the Board’s consideration because he was unable to attend the meeting, and each Director had a copy.

The carryover issue from last month’s meeting was the recommendation and provision that all new construction of multi-unit complexes would be individually metered. This is right on the cusp of all the new emergency drought regulations from the State Water Resources Control Board (SWRCB). Staff reached out to one of the new multi-family developments recommended by Sares-Regis representative, Jeff Smith, which had a master meter and sub-metering for each residential unit. When MPWD staff visited the recommended multi-family development, no one in the property management office knew how the sub-metering was monitored. Staff inquired about what were procedures for water leaks. The response was that a building maintenance person would be called. They did not know about how people were being billed for their usage, because that was a corporate office question. MPWD staff did not get responsible answers, which suggested they were not paying attention to water use and conservation at this complex.

Staff and District Engineer reached out to Westborough Water District, and they mentioned that they had received feedback from those living in master metered communities that they wished they were individually metered because they felt they were not necessarily being billed fairly by the property manager or the HOA. Some believed they were using a lot less water but paying the same price as someone who has a large family. They were not in the loop with regard to communication with other residents in the Westborough Water District area, so they felt left out. They were asking their Water District’s Board of Directors to consider individually metering their units, which is practically impossible once the building is constructed. So now, Westborough Water District’s policy is that each unit in multi-residential unit structures is individually metered. The Westborough Water District shared photographs and construction plans with the MPWD for individual metering at a large multi-family complex. These were shared with Jeff Smith of the Sares-Regis Group.

102 General Manager Rudock proceeded to show the meter photographs from the
103 Westborough Water District multi-family complex to the Board while District Engineer
104 Pakpour reported on how the individual meters will work, what they look like, how they
105 will function, and the need for a development agreement with the developer. The
106 MPWD would need an easement for access to the water meters, which District Counsel
107 would prepare. The developer had brought up that they would like to have a central
108 boiler system that could not happen with individually metered units. With individual
109 meters, those customers that use less pay less, which enhances conservation. With
110 regard to the Sares-Regis Group's 400-490 Davey Glenn mixed use multi-family and
111 commercial development project, they had designed a solar component to their project,
112 which they commented would not be able to be constructed with individual unit water
113 heaters. Vice President Zucca suggested using solar power in areas where it makes
114 sense.

116 General Manager Rudock requested that Alex Handlers of Bartle Wells Associates
117 explain the multi-family water-capacity charge calculation for the Board. The charge was
118 constructed based on very conservative assumptions. The proposed charge would be
119 much higher if the assumptions were taken from the MPWD's Master Plan projections.

121 Director Warden moved to approve Ordinance 112 Amending the MPWD Water Service
122 Ordinance 103 and Attachment A – Schedule of Rates and Fees, including the Updated
123 Water System Capacity Charges and Water Demand Offset Charges, and Vice
124 President Zucca seconded. Roll call was taken, and it was unanimously approved.

126 **B. Discuss Findings and Recommendations for Proposed MPWD Water Rates for FY**
127 **2015/2016 through FY 2019/2020**

128 Alex Handlers from Bartle Wells Associates (BWA) distributed an updated version, dated
129 April 22, 2015, of the MPWD Financial Plan and Rates Study, including tables and
130 charts and the Water Shortage Emergency Rates. He discussed the financial
131 projections and coordination with staff on the details for the development of the
132 proposed water rates needed for operations, capital, and drought contingency, and
133 outlined the proposed water rate increases for the next five (5) fiscal years, beginning
134 July 1, 2015.

136 Staff and BWA met with the Board's Financial Audit Review Committee on April 21,
137 2015, to discuss a few rate structure recommendations to be included with the proposed
138 water rate increases. First were phased-in increases to what is currently referred to as
139 "Monthly Service Charges," which are intended to better reflect "Fixed System Charges."
140 Mr. Handlers reported that currently the MPWD recovers approximately 20% of its fixed
141 operating costs within the existing water rates. If approved, the recommended phased-
142 in increases to Fixed System Charges at the end of the 5-year period would recover
143 26% of the MPWD's fixed system costs. Second, in light of the continued serious
144 drought and increased statewide conservation regulations, a phased-in reduction in the
145 tier breakpoints was also recommended—for Tiers 2, 3, and 4. Finally, BWA and Staff
146 discussed the continued pass-through provision for SFPUC increases in wholesale
147 water rates over and above the built-in assumptions and the proposed Water Shortage
148 Emergency rates. The DRAFT MPWD Proposition 218 hearing notice included all of
149 these recommendations.

151 Mr. Handlers reported the latest news on the *San Juan Capistrano* litigation argument
152 regarding tiered rates. He confirmed that tiered rates are legal but need to have a cost

153 justification and referred to the preliminary justification of the MPWD's allocated costs
154 developed by BWA and included as part of the Rates Study. Mr. Handlers said they and
155 staff will address and strengthen defensible justifications to support the tier breakdown in
156 the proposed rate structure.

157
158 Director Warden noted that maintenance and repair and the top 20% of capital
159 improvements is where the report appears to push the cost to the higher tiers. He then
160 said this is a great start but he thinks a more aggressive approach in this regard is
161 logical and defensible. He feels the right thing to do is to go to the cost basis. District
162 Counsel Cassman restated Director Warden's comments by clarifying that the cost
163 analysis rationalization should inform the tier rate levels rather than work to justify
164 already determined tier levels.

165
166 Alex Handlers said that MPWD's rates are already tilted for conservation and tilted
167 toward the higher users. He then discussed how to change the rate structure by gradual
168 phasing.

169
170 Vice President Zucca added that rather than a cost up model and projecting it out, and
171 then coming back through is to look at what our costs are in and of themselves. In other
172 words, how much money are we paying truly on conservation, or on peaking irrigation,
173 that should go to the upper tier which is forcing the extra volume of use. Infrastructure
174 costs should be considered as well as the system's peaking factor. There is a certain
175 allocation of capital that should be allocated to the upper tiers. That is the rationale for it.

176
177 Director Stuebing said the *San Juan Capistrano* case is important but not urgent. It
178 could take years before it is all figured out. What is urgent is MPWD's Proposition 218
179 notice. District Counsel Cassman said this case could be appealed to the Supreme
180 Court. President Linvill said we are one of 27 agencies who buy water from SFPUC, so
181 she feels we are not alone in this, and we need to move forward at this time.

182
183 Vice President Zucca then recapped by saying we should approve the Proposition 218
184 Notice and then come back soon with post-adoption thinking of where is our revenue
185 coming from and what are our expenses that are really associated with serving that
186 upper tier. Staff and BWA responded they will do this exercise before the Board adopts
187 any rates.

188
189 Director Stuebing moved to approve the Proposition 218 Notice with minor changes,
190 Vice President Zucca seconded. It was unanimously approved.

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192 **C. Consider Resolution 2015-04 Approving and Adopting the MPWD Nitrification**
193 **Monitoring and Control Plan for the MPWD**

194 Dr. Dan Askenaizer of Water Quality & Treatment Solutions, Inc. reviewed the MPWD
195 Nitrification Monitoring and Control Plan. He highlighted the importance of disinfectant in
196 the water system as it is a public health issue. He discussed the switch from using
197 chlorine in the system to using chloramines, and the reasoning behind the change. He
198 discussed the reasoning behind flushing the hydrants and cleaning the storage tanks,
199 and their overall value for these important duties. Vice President Zucca commented that
200 water quality is most important, and thanked Dr. Askenaizer for his work.
201

202 Director Stuebing moved to approve Resolution 2015-04 Approving and Adopting the
203 MPWD Nitrification Monitoring and Control Plan for the MPWD, Vice President Zucca
204 seconded. Roll call was taken, and it was unanimously approved.
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206 **D. Consider Resolution 2015-05 Accepting as Complete the Belburn Drive Water**
207 **Main Replacement Project and Authorizing the Recordation of a Notice of**
208 **Completion for the Project**

209 District Engineer Pakpour discussed that the negative change orders resulted in a
210 savings of \$11,377.71. The slurry seal has been completed. Once this resolution is
211 approved, the 12-month warranty begins.
212

213 Vice President Zucca moved to approve Resolution 2015-05 Accepting as Complete the
214 Belburn Drive Water Main Replacement Project and Authorizing the Recordation of a
215 Notice of Completion for the Project, Director Stuebing seconded. Roll call was taken,
216 and it was unanimously approved.
217

218 **E. Discuss WORKING DRAFT FY 2015/2016 Operating and Capital Budgets**

219 General Manager Rudock discussed the preliminary Draft MPWD FY 2015/2016
220 Operating and Capital Budgets. She highlighted the calculations for water commodity
221 charges and the projected purchased water expense, the proposed 4% CPI that
222 matched the BWA projection, and the proposed professional services for FY 2015/2016.
223 She further suggested the Board consider a clarification and revision of its Reserve
224 Policy into Emergency Capital and Operating Reserves and Working Capital and
225 Operating Reserves, including the retention of a \$3,000,000 fund of which \$1,000,000
226 would be earmarked for Capital, and \$2,000,000 for Operating Reserves, which is
227 accessible in the case of emergencies ONLY. She also suggested a separate Working
228 Reserve fund that would not exceed \$1,500,000—Working Capital of \$1,000,000 and
229 \$500,000 for Working Operating Reserves. Together, these funds would total
230 \$4,500,000, which is justified by recent and continued capital construction and
231 investment.
232

233 She discussed the need to increase the Water Conservation program costs in the
234 DRAFT Operating Budget due to the current drought conditions and increased statewide
235 conservation regulations and MPWD system 20% goal for reduction beginning June 1,
236 2015. The Board directed staff to reduce the 4% cost of living increase in the Operating
237 Budget to 3%.
238

239 **F. Consider Approving the General Manager Performance Assessment Process and**
240 **Performance Evaluation Tool for 2015**

241 General Manager Rudock briefly stated that the revised General Manager Performance
242 Assessment was shared with the Board's Committee and they approved of the
243 reformatting. Vice President Zucca liked the changes made to the performance
244 evaluation tool, stating this document is better than it has ever been.
245

246 Director Stuebing moved to approve the General Manager Performance Assessment
247 Process and Performance Evaluation Tool for 2015, Vice President Zucca seconded,
248 and it was unanimously approved.
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250 **8. DROUGHT AND WATER CONSERVATION**

251 **A. Water Conservation Progress Report**

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General Manager Rudock discussed the results of MPWD's water conservation efforts since January 1, 2015. She will revise the chart after the new statewide regulations are final and the MPWD conservation goal is determined by the SWRCB. The Board suggested a graph reflecting the results would be useful.

B. Consider and Discuss Governor's Drought Executive Order Dated April 1, 2015, and Implementation of Additional SWRCB Statewide Mandatory Water Conservation Regulations, Including 20% Proposed Conservation Standard for the MPWD

General Manager Rudock introduced the latest information from the SWRCB on the proposed 2015 emergency water conservation regulations and the MPWD's proposed conservation goal of 20%. She also reported on the schedule for approval and implementation of the new regulations.

District Counsel suggested we postpone this item until after the SWRCB considers approval of the 2015 regulations. That would allow time for Staff to work with District Counsel on revision to its ordinance to include the regulations that are approved by the SWRCB.

Board action on this agenda item was postponed until next month.

8. MANAGER'S AND BOARD REPORTS

A. General Manager's Report

General Manager Rudock highlighted her attendance at the San Mateo County Elections Office informational meeting on April 9, 2015, about the mail-in ballot for local elections. She distributed an informational brochure to Directors. She reported that she and Lead Operator, Rick Bisio, toured the Silicon Valley Advanced Water Purification Center in San Jose and attended the ACWA Region 5 meeting in San Jose.

1. Supplemented by Administrative Services Manager's Report

Administrative Services Manager Pina added that photographer Israel Solar will be attending the City of Belmont Earth Day event at MPWD's request to take photos of the event, and also landscape photos which will be used for some of our future messaging and publications and for the new website.

2. Supplemented by Operations Superintendent's Report

Operations Superintendent Young added that a butterfly valve was replaced on Notre Dame Avenue due to a broken gate valve that was discovered when staff attempted to shut down the water main on Notre Dame Avenue.

3. Supplemented by District Engineer's Report

District Engineer Pakpour reported that the Notre Dame Avenue & Folger Tie-In capital project is now complete.

B. Financial Reports

General Manager Rudock reported that the MPWD is at 66.8% in revenues received noting we should be at 75% to date. That is primarily as a result of the water conservation efforts. However, the operating expenses are at 67.9% through the period ending March 31, 2015.

303 **C. Director Reports**

304 None.

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306 **9. FUTURE AGENDA BUSINESS ITEMS.**

307 Notre Dame Avenue & Folger Tie-In Capital Project Notice of completion, and the MPWD
308 Ordinance revision considering the 2015 SWRCD emergency drought regulations coming
309 out in May.

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311 **10. COMMUNICATIONS**

312 None.

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314 **11. ADJOURNMENT**

315 Director Stuebing moved to adjourn at 9:58PM, Director Warden seconded, and it was
316 unanimously approved.

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DISTRICT SECRETARY

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APPROVED:

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BOARD PRESIDENT

