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

April 28, 2016
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 Zucca at 6:30 PM.

B. Pledge of Allegiance – The Pledge of Allegiance was led by Director Vella.

C. Establishment of Quorum:

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

ABSENT: Director Linvill.

A quorum was present.

ALSO PRESENT: General Manager Tammy Rudock, District Secretary/Administrative Services Manager Candy Pina, Operations Manager Rene Ramirez, District Counsel Joan Cassman, District Engineer Joubin Pakpour, and District Treasurer Jeff Ira.

2. **PUBLIC COMMENTS**

Belmont Chamber of Commerce's Mary Morrissey Pardon thanked the Board for the work being accomplished at MPWD. She commented on the "State of the District" address which occurred on April 27, 2016 at MPWD's facilities; she felt the presentation given by President Matt Zucca was excellent. She would like to see a repeat of this type of function on a yearly basis. General Manager Rudock thanked the Belmont Chamber of Commerce for co-hosting this event with MPWD, and added that the Belmont Chamber works hard in the community.

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

Staff separately distributed revised pages 119-126, and added pages 166-174 for agenda item 9.B.1. Process for Periodic Board Financial Controls Review.

4. **ACKNOWLEDGEMENTS/PRESENTATIONS**

None.

5. **CONSENT AGENDA**

A. Approve Minutes for the Regular Board Meeting of March 24, 2016.

B. Approve Expenditures from March 16, 2016, through April 19, 2016.

Vice President Warden moved to approve the Consent Agenda, Director Stuebing seconded, Director Vella abstained on the minutes, and it was unanimously approved.

6. **HEARINGS AND APPEALS**

None.

52 7. **DROUGHT AND WATER CONSERVATION**

53 **A. Water Conservation Progress Report**

54 General Manager Rudock summarized her written report and mentioned that the State
55 Water Resources Control Board would be soon considering possible changes in the
56 statewide drought emergency regulations.

57

58 **B. Progress Report on 2015 Urban Water Management Plan (UWMP)**

59 General Manager Rudock provided a brief progress summary and reported that the
60 Administrative Drafts of the Urban Water Management Plan and Water Shortage
61 Contingency Plan had recently been reviewed by staff. The Public Review Drafts will be
62 discussed during a public hearing scheduled for the May 26th Regular Meeting. The
63 Board will receive their copies of the Public Review Drafts around May 11th. A notice will
64 be sent out around that same time for public review. Public Review Drafts will be
65 delivered to and made available at several local locations for review and comment.
66 Consultant Marty Laporte will be present for the hearing and presentation of the Urban
67 Water Management Plan and Water Shortage Contingency Plan.

68

69 8. **REGULAR BUSINESS AGENDA**

70 The Board of Directors agreed to a reordering of agenda items in consideration of
71 consultants' schedules, and first considered Agenda Item 8.B. followed by Agenda Item 8.D.
72 Agenda Item 8.A. was considered third followed by Agenda Item 8.C. and the agenda order
73 was then resumed.

74

75 **B. Receive Water Finance & Rate Update, Discuss Water Requirements for Fiscal**
76 **Year 2016/2017, and Consider Ordinance No. 116 Amending Attachment "A"**
77 **regarding Rates and Charges to the Water Service Ordinance, effective July 1,**
78 **2016, including Pass-Through of SFPUC Wholesale Water Rate Increase**

79 Alex Handlers of Bartle Wells presented a summary of their updated cash flow
80 projections and rate recommendations. He also shared their financing projections for a
81 20-year debt issuance, or approximately \$1 million debt annual service payment. Mr.
82 Handlers noted that water use is down by 29% from last year, which is negatively
83 impacting the MPWD's revenues more than projected. There is a related impact to the
84 Purchased Water expenditure, which helps. However, the SFPUC is also experiencing
85 lost water sales and a related impact on its wholesale revenues, resulting in their request
86 for an increase in water rates. The SFPUC's increase (\$4.10 hcf) is higher than what
87 they projected last year during the MPWD's Proposition 218 process (\$3.78 hcf). Their
88 recommendation is for the MPWD to move forward with its adopted rate increase for FY
89 2016/2017, including nominal increases in the monthly fixed system charges and final
90 breakpoint transitions in Residential Tiers 2, 3, and 4, plus a pass through of the
91 SFPUC's wholesale water rate increase (\$0.32 hcf).

92

93 Vice President Warden asked about the fixed monthly charge increase, to make sure he
94 understood how Alex Handlers arrived at the amount he was recommending. Directors
95 Warden and Vella questioned the different pricing and tiers between commercial and
96 residential customers. Alex Handlers responded that it is difficult to tier commercial
97 customers the same as residential customers, because it is challenging based upon a
98 commercial customer's business operations. He further stated there needs to be
99 reasonable parity between the residential and commercial customers. Director Warden
100 suggested the Board consider direction next year for a change in commercial tiering.
101 Mr. Handlers reminded that any change in the approved rates from last year's adopted
102 plan would trigger the need for a Proposition 218 process. District Counsel Cassman

103 responded that it would involve commercial customers only if they would be impacted by
104 any changes.

105
106 General Manager Rudock noted that proposed FY 2016/2017 monthly fixed system
107 charges were inadvertently omitted in the Attachment A to Ordinance No. 116. That
108 would be corrected per the approved increases.

109
110 Director Stuebing moved to adopt Ordinance No. 116 Amending Attachment "A"
111 regarding Rates and Charges to the Water Service Ordinance, effective July 1, 2016,
112 including Pass-Through of SFPUC Wholesale Water Rate, Director Vella seconded.
113 Roll call was taken and it was unanimously approved.

114
115
116 **D. MPWD Capital Improvement Program (CIP) Discussion:**

117 **1. Review Prior Board Discussions and Informational Summary**

118 **2. Consider Alternative CIP Financing Amounts and Alternatives**

119 **3. Financial Management Plan for MPWD under Different Financing Plan Scenarios**

120 **4. Board Consideration of Process for Selection and Award of Professional and**
121 **Contracting Services**

122
123 1. General Manager Rudock introduced the DRAFT Summary of Prior Board Discussions and
124 Information, including Frequently Asked Questions (FAQs). Besides staff, the District Engineer
125 and the MPWD's Municipal Financial Advisor participated in responding to the FAQs. This
126 document would be updated based upon continued discussions and made available at the
127 MPWD's website.

128
129 2. and 3. MPWD's Municipal Financial Advisor Bud Levine presented in detail three scenarios
130 for debt financing: 1) \$14,640,000 Private Placement for 20 years; 2) \$18,070,000 Public
131 Offering for 25 years; and 3) \$19,965,000 Public Offering for 30 years. Mr. Levine mentioned
132 there are 40-year deals available because of the market. Specific details on financing options
133 for the MPWD would depend on the Board's direction on a financing amount and time period,
134 which would be brought back for consideration.

135
136 President Zucca suggested that staff do a 75-year look ahead, including significant recurring
137 costs. Director Warden expressed that would be challenging given the technology changes and
138 pipeline and operational improvements that should occur over that time span. It was pointed out
139 that the \$50 million identified CIP projects is 15% of our system. President Zucca suggested
140 the possibility for a study session to go over the findings.

141
142 4. Discussion ensued about how the Board would like to utilize the District Engineer with the
143 CIP projects. Vice President Warden is concerned that MPWD be seen as fair and impartial
144 with no impropriety when selecting the right firms to do the CIP work. District Counsel Cassman
145 reported that what happened in San Carlos many years ago related to a retired employee that
146 immediately was contracted as a consultant and made decisions with regard to contracts for his
147 consulting firm, which did not necessarily pass the propriety test. That is not at issue here. The
148 District Engineer's professional services agreement allows for additional work to be awarded to
149 them. In fact, that has historically been the approach followed for the MPWD's pay go capital
150 program. The District Engineer would offer an estimate for their services for a project, and the
151 MPWD would consider it for approval. However, the Board now has information about a much
152 needed multi-million dollar capital program and that raises important contracting questions.

154 President Zucca stated he wanted to be sure that the MPWD was transparent about its
155 contracting awards. He is fully confident in the District Engineer's abilities but feels the
156 discussion is a healthy one.

157
158 Director Warden agreed that the District Engineer has positive internal working knowledge of
159 the MPWD system, and it would seem that they might have an advantage, which is not
160 necessarily a bad thing. He recognized it could potentially cost more and involve time with the
161 added process of soliciting proposals but that at least the process would be an open and
162 transparent one.

163
164 Director Vella questioned how the contracting level would be determined. District Counsel
165 responded that it would be up to the Board.

166
167 Director Warden asked about the MPWD's Procurement Policy and how that might impact the
168 discussion.

169
170 District Counsel Cassman was directed to bring to the Board next month the District Engineer's
171 Professional Services Agreement and the MPWD's Procurement Policy for discussion and
172 potential direction to staff.

173
174 **A. Consider Resolution 2016-03 Authorizing Award of Contract to R. J.**
175 **Gordon Construction, Inc., for the Alameda de las Pulgas Water Main**
176 **Replacement Project (between Cipriani Boulevard to Arbor Avenue) in the**
177 **amount of \$620,807, and a 10% Project Contingency in the amount of**
178 **\$62,081, for a Total Budget of \$682,888**

179
180 District Engineer Joubin Pakpour explained the process by which R. J. Gordon
181 Construction, Inc. was chosen. There were five eligible bids. The work starts on June
182 15, 2016 and ends in the middle of August, when school is out of session. R. J. Gordon
183 Construction is based out of Pleasant Hill and is new to the peninsula. District Engineer
184 Pakpour met with the owner who said his company has worked with East Bay MUD,
185 Contra Costa Water, and Cal Water.

186
187 Director Vella moved to approve Resolution 2016-03 Authorizing Award of Contract to
188 R. J. Gordon Construction, Inc., for the Alameda de las Pulgas Water Main
189 Replacement Project (between Cipriani Boulevard to Arbor Avenue) in the
190 amount of \$620,807, and a 10% Project Contingency in the amount of \$62,081,
191 for a Total Budget of \$682,888, and Director Stuebing seconded. Roll call was
192 taken and it was unanimously approved.

193
194 **C. Receive Seismic Retrofit Evaluation and Strategy Development Report for**
195 **the Dekoven Tank Site**

196 District Engineer Pakpour presented a summary of the consultant's report. He
197 discussed Options A-C, explaining the pros and cons for each. He noted that it is
198 possible that Option C may necessitate this project becoming a higher priority in the
199 MPWD's identified capital improvement projects.

200
201 **E. Discuss DRAFT MPWD FY 2016/2017 Operating and Capital Budgets**
202 General Manager Rudock summarized the report. As is shown, FY 2016/2017 revenue
203 and expenditure projections are almost the same as projected for FY 2015/2016. Even

204 with the approved rate increases, the water sales are down as a result of customer
205 conservation efforts. The proposed FY 2016/2017 Capital Budget is projected as a pay
206 go and the projects were discussed. If the Board were to decide to move forward with a
207 debt issuance, the funding budgeted for the AMI could be utilized for a half-year
208 payment since the AMI installation is included as a priority project within the CIP. There
209 was some discussion about the revenues related to development. Final draft budgets
210 will be presented next month.

211
212 **F. Discuss Board Priorities for MPWD Business Processes and Schedule of Typical**
213 **Annual Board Agenda Activities**

214 President Zucca stated that the draft schedule was presented last month and it is a good
215 planning tool for the Board of Directors. The Board agreed.

216
217 **G. Consider Approving the 2016-2018 General Manager Performance Plan**

218 General Manager Rudock explained that she incorporated the 2016 MPWD Strategic
219 Plan into a GM performance plan/evaluation and forwarded it to the Board's GM
220 Performance Review Committee for advance review.

221
222 Director Stuebing moved to approve the 2016-2018 General Manager Performance
223 Plan, Vice President Warden seconded, and it was unanimously approved.

224
225 **9. MANAGER AND BOARD REPORTS**

226
227 **A. General Manager's Report**

228 General Manager Rudock summarized her report, noting that she will not be able to
229 attend the HIA meeting on May 5, 2016. Candy Pina will go in her place. President
230 Zucca said he would reach out to Director Linvill to see if she could attend in his place.

231
232 **1. Supplemented by Administrative Services Manager's Report**

233 Administrative Services Manager Pina pointed out the Springbrook Implementation
234 Schedule for the Financial Management System, which will be updated each month.

235
236 **2. Supplemented by Operations Manager's Report**

237 Operations Manager Ramirez highlighted that 31 meters were put in this past month,
238 noting these are the commercial meters which are more challenging to install.

239
240 **3. Supplemented by District Engineer's Report**

241 District Engineer Pakpour noted the following items for various projects being worked
242 on:

243 a) MPWD's Buckland Tanks Replacement Project received the American Public
244 Works Association, Silicon Valley Chapter award.

245 b) We are continuing to coordinate with the City of Belmont to share files on
246 projects for overlay of the sewer projects and MPWD's projects, in order to
247 minimize costs and disruption to the community.

248
249 **B. Financial Reports**

250 **1. Process for Periodic Board Financial Controls Review**

251 District Treasurer Ira summarized his report explaining the new Board periodic review
252 process for cash and other disbursements, which will take about two hours to review.
253 The third proposed testing cycle under development will include a process for reviewing
254 payroll calculations. This will occur on a quarterly basis.

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C. Director Reports

Vice President Warden expressed how well attended the employee appreciation dinner was on April 15th. He said it was well organized and everyone seemed to enjoy themselves. Directors Stuebing and Vella agreed.

Director Stuebing noted that ACWA conference is next week. He will be missing the CSDA meeting, and Vice President Warden said he could attend. He also reported he would be missing the June Regular Meeting.

Director Vella said that staff seemed to be reenergized after the employee recognition dinner. He liked the State of the District event and would like to see this continue. Vice President Warden and President Zucca agreed with his comments.

10. FUTURE AGENDA BUSINESS ITEMS

75-year look-ahead report for the CIP.

11. COMMUNICATIONS

None.

The Board recessed into Closed Session at 10:45 PM.

12. CLOSED SESSION

A. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Two Matters)

(Government Code Section 54956.9(d)(1))

1. *Samir Shaikh, et ux. v. Mid-Peninsula Water District, et al.*
San Mateo County Case No. 538041

2. *Maskay, Inc. d/b/a Eurotech, et al. v. Mid-Peninsula Water District*
San Mateo County Case No. 536467

13. ADJOURNMENT

District Counsel reported that no reportable action was taken in the Closed Session. Director Stuebing moved to adjourn at 11:02PM, Director Vella seconded, and it was unanimously approved.


DISTRICT SECRETARY

APPROVED:


BOARD PRESIDENT