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**BOARD FINANCE COMMITTEE MEETING**  
**THURSDAY, NOVEMBER 12, 2020 – 2:00PM**

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**DUE TO COVID-19, THIS MEETING WILL BE CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20, WHICH SUSPEND CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT.**

**MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON.**

Committee Directors, staff and the public may participate remotely.

Public comment may be submitted via email to the District Secretary, Candy Pina, at [candyp@midpeninsulawater.org](mailto:candyp@midpeninsulawater.org). Please indicate in your email the agenda item to which your comment applies. Comments submitted before the meeting will be provided to the committee Directors before or during the meeting. Comments submitted after the meeting is called to order will be included in correspondence that will be provided to the full Board.

**Meeting Link:** <https://global.gotomeeting.com/join/849466165>  
**Dial by Telephone: 1-866-899-4679 (United States)**  
**Access Code: 849-466-165**

## **AGENDA**

- 1. Call to Order**
  - A. Roll Call
- 2. Public Comment**

*If you wish to address the Committee, please follow the directions at the top of the agenda. If you have anything that you wish distributed to the Committee and included for the official record, please include it in your email. Comments that require a response may be deferred for staff reply.*
- 3. Review DRAFT Financial Plan for Excess MPWD Cash Reserves**
- 4. Review DRAFT Revised 5-Year CIP (FYs 2020-2024) and DRAFT FY 2020/2021 Capital Improvement Program**

## 5. Scheduled Committee Meetings:

- Wednesday, December 16, 2020 @ 2:00PM
- Wednesday, January 13, 2021 @ 2:00PM

## 6. Adjournment

This agenda was posted at the Mid-Peninsula Water District's office, 3 Dairy Lane, in Belmont, California, and on its website at [www.midpeninsulawater.org](http://www.midpeninsulawater.org).

### ACCESSIBLE PUBLIC MEETINGS

*Upon request, the Mid-Peninsula Water District will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation (including auxiliary aids or services), to enable individuals with disabilities to participate in public meetings and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested. Requests should be sent to the District Secretary at (650) 591-8941 or [candyp@midpeninsulawater.org](mailto:candyp@midpeninsulawater.org). Requests must be received at least two days before the meeting. Requests will be granted whenever possible and resolved in favor of accessibility.*



DATE: November 9, 2020  
 TO: Board Finance Committee  
 FROM: Tammy Rudock, General Manager

**DRAFT FINANCIAL PLAN FOR EXCESS CASH RESERVES**

**PROPOSAL – PART 1 “CASH ON HAND”**

Cash Reserves Balance as of 10/31/2020 (in LAIF)	\$10,024,000
1. MPWD Cash Reserve Policy	- 3,000,000
2. Increase Cash Reserve Policy to \$4,000,000	- 1,000,000
3. Fund OPEB Liability Balance (\$745,000) and Pre-Fund Future OPEB Annual Service Cost Payments at PARS (\$1,255,000)	- 2,000,000
4. Contribute/Pre-Fund Pension Liability in PRSP at PARS	- 200,000
5. Establish a Water Rate Stabilization Fund	- 1,000,000
6. Committed FY 2020/2021 Revenue-Funded CIP	- 1,100,000
7. Additional Revenue-Funded CIPs	<u>- 1,724,000</u>
BALANCE	\$ -0-

**PROPOSAL – PART 2 “PAY-OFFS”**

- Increase Cash Reserve Policy  
 Increasing the MPWD’s cash reserves to \$4.0 million (from \$3.0 million) is a fiscally prudent thing to do. It would provide coverage of 29% of the MPWD’s operating expenditures, compared to 21%, or 3.5 months compared to 2.5 months.

The MPWD’s current rate study consulting team is recommending as a best management practice that the MPWD double its cash reserves to \$6.0 million as part of its long-term financial planning—over the course of the next twenty (20) years. Expenditures are projected to increase, and cash reserves should be on hand to cover them in the case of an emergency. The proposed additional \$1.0 million to cash reserves would eliminate the need to budget for it during the 5-year rate plan period currently under study, eliminating the need for \$150,000 each fiscal year, and thereby reducing any projected water rate increase.

2. OPEB Trust Plan

The MPWD's Total OPEB (Other Post-Employment Benefits) Liability effective 07/01/19 was \$3.2 million. The OPEB Trust Plan at PARS (Public Agency Retirement System) had a balance of \$2.85 million (as of 10/31/2020). The total liability would be "paid-up" with the \$745,000 contribution as reported recently during the MPWD's financial audit, and the additional contribution (totaling \$1,255,000) would cover the estimated annual service cost payments for each of the next ten (10) fiscal years. That would eliminate \$196,000 from the annual operating budget at mid-year for FY 2020/2021 and for each of the next ten (10) fiscal years, resulting in operating cost savings of approximately 1.4%. *Note: It was already programmed beginning this fiscal year that retiree healthcare costs would be paid from the OPEB trust.*

3. Pension Liability

Fully pay off the UAL (Unfunded Accrued Liability) balance at CalPERS totaling \$1.5 million from the proceeds held in the MPWD's PRSP (Pension Rate Stabilization Program) trust plan at PARS, which had a balance as of 10/31/2020 of \$1.83 million. That would result in \$815,000 total estimated interest savings.

Contribute/Pre-Fund \$200,000 for future pension liability in PRSP at PARS. These funds would be added to the remaining balance after the CalPERS UAL pay-off (approximately \$300,000) for a total balance of \$500,000, which could be used for any future pension related expense as needed, including Employer Required Contributions at payroll periods, and/or accrued liabilities that might occur after CalPERS investment market volatility.

4. NEW – Water Rate Stabilization Fund

Establishing a rate stabilization fund for the MPWD with \$1.0 million is another good strategy for financial management. During extended droughts, when revenues are impacted because of reduced consumption, the funds would be available to help offset expenditures. Staff recommends an investment strategy other than LAIF to achieve higher rates of returns. That way the earnings could potentially be used to offset any proposed water rate increases.

5. Additional Revenue-Funded CIP

The MPWD's approved FY 2020/2021 revenue-funded CIP totaled \$1.141 million.

The recent update to the MPWD's comprehensive system analysis and CIP was valued at \$80 million (2020 dollars). Staff would promptly recommend advancing the planning, engineering design, construction support, and contingencies for two additional (2) capital projects from the MPWD's 5-Year CIP:

- Harbor Boulevard WMR (Water Main Replacement) Project #20-07 totaling \$346,500; and
- Belmont Canyon Road WMR Project #15-29 totaling \$115,500

to the current professional engineering services contract with District Engineer Pakpour Consulting Group, Inc., in FY 2020/2021 together with the Hastings Drive and Vine Street WMRs. Packaging them with the two (2) existing capital projects under design would ultimately make it more attractive to contractors for bidding because the total project would be larger.

Furthermore, after two recent vendor meetings, an adjustment is needed for the Transmission Water Main Assessments project (estimated at \$220,000). The projected cost is anticipated to be closer to \$500,000.

As stated in Part 1 of this proposal, there would be \$1.724 million dollars available in cash for additional capital. A total of \$462,000 would be needed for adjustment to the FY 2020/2021 revenue-funded CIP as projected above. Staff expects the added benefit of cost efficiencies from bundling these projects with the other two already programmed. A balance of \$1.262 million would remain for revenue-funded CIP consideration in FY 2021/2022.

**CONCLUSION**

- ✓ Increased cash reserves from \$3.0 million to \$4.0 million.
- ✓ MPWD pension and OPEB liabilities PAID.
- ✓ Water rate stabilization fund established.
- ✓ Additional revenue-funding would pay for planning, engineering design, and construction support for two (2) capital projects from the MPWD’s 5-Year CIP.
- ✓ ***ALL PROPOSED ACTIONS WOULD BENEFIT MPWD RATEPAYERS!***

FYI – Staff expects another \$720,000 cash infusion after the purchase of the F Street Parcel in San Carlos is consummated between the MPWD and County of San Mateo, which is projected by FYE June 30, 2021 and was NOT included herein.

**ALTERNATIVES**

- Do nothing. \$10 million in cash reserves represents 71% of the MPWD operating budget, or 8.5 months.
- Do not increase cash reserve policy limit.
- Do not pay off pension or OPEB liabilities. That would mean the budgeted trust plan contributions of \$196,000 (for OPEB) and \$50,000 (for UAL) would remain in the annual operating budget.
- Do not establish a water rate stabilization fund.
- Use all or some of the excess cash reserves (\$7.0 million) for revenue-funded capital projects identified in the MPWD’s 5-Year CIP totaling \$13.4 million.

**DRAFT**

**CAPITAL IMPROVEMENT PROGRAM (CIP)  
FY ~~2019/2020/2021~~ through FY 2023/2024**

<b>PROJECT NUMBER</b>	<b>PROJECT NAME</b>	<b>PROJECTED COST (2020 ESTIMATE)</b>	<b>2016 COP FUNDED</b>	<b>REVENUE (PAY-GO ) FUNDED</b>	<b>PROJECTED CONSTRUCTION COMPLETION</b>
<del>15-74</del>	<del>COMPLETED Malcolm Avenue Water Main Replacement</del>	<del>\$ 355,000</del>	<del>\$ 225,000</del>		<del>FY 2019/2020</del>
<del>15-10, 15-06, 15-28, and 15-38</del>	<del>COMPLETED FY 2019/2020 Water Main Replacement Project (Notre Dame Avenue, Cliffside Court, and Tahoe Drive, and Zone 5 Fire Hydrant Upgrades)</del>	<del>400,000</del>	<del>400,000</del>		<del>FY 2019/2020</del>
15-76	El Camino Real Water Main Replacement	\$3,520,000	\$3,520,000		FY 2020/2021
15-89	Dekoven Tanks Replacement	3,850,000	3,850,000		FY 2020/2021
15-72-A	SR 101 Crossing at PAMF Hospital – Phase 1 (Water Main Construction within easement on PAMF property in San Carlos from Industrial Road to PAMF property line west of SR101)	595,000	595,000		FY 2020/2021
<del>20-08</del>	<del>Completion of SCADA System Replacement</del>	<del>420,000</del>		<del>\$ 253,000</del>	<del>FY 2020/2021</del>
15-86	Folger Pump Station Demolition	330,000		330,000	FY 2020/2021
20-05	Transmission Water Main Assessments	<del>220500,000</del>		<del>220500,000</del>	FY 2020/2021



*Approved via Resolution 2020-08 - April 23, 2020*

**DRAFT**

<b>PROJECT NUMBER</b>	<b>PROJECT NAME</b>	<b>PROJECTED COST (2020 ESTIMATE)</b>	<b>2016 COP FUNDED</b>	<b>REVENUE (PAY-GO ) FUNDED</b>	<b>PROJECTED CONSTRUCTION COMPLETION</b>
20-09	Dairy Lane Operations Center Rehabilitation – Phase 1 (Design, Engineering, and Project Management)	\$ 150,000		\$ 150,000	FY 2020/2021
20-01 and 15-40	Hastings Drive Service Connection Replacements; and Hastings Drive Water Main Replacement	910,000 485,000		910,000 485,000	FY 2021/2022
15-88	Vine Street (Zone 5) Improvements	1,065,000		1,065,000	FY 2021/2022
20-10	Dairy Lane Operations Center Rehabilitation – Phase 2 (Seismic Retrofit and Rehabilitation/Construction)	1,850,000		1,850,000	FY 2021/2022
15-75-A	Old County Road Improvements – Phase 1 (Full Engineering Design from MPWD southern to northern boundaries, and construction only from MPWD southern boundary at San Carlos to Ralston Avenue)	4,030,000	\$ 4,030,000		FY 2022/2023
<del>15-79</del>	<del>F Street Improvements</del>	<del>315,000</del>		<del>315,000</del>	<del>FY 2022/2023</del>
15-82	Ralston Avenue Improvements	465,000		465,000	FY 2022/2023
20-07	Harbor Boulevard Water Main Replacement (Old County Road to Karen Road)	2,900,000		2,900,000	FY 2022/2023
15-29	Belmont Canyon Road Water Main Replacement	735,000		735,000	FY 2023/2024



Approved via Resolution 2020-08 - April 23, 2020

**DRAFT**

<b>PROJECT NUMBER</b>	<b>PROJECT NAME</b>	<b>PROJECTED COST (2020 ESTIMATE)</b>	<b>2016 COP FUNDED</b>	<b>REVENUE (PAY-GO) FUNDED</b>	<b>PROJECTED CONSTRUCTION COMPLETION</b>
15-72-B	SR 101 Crossing at PAMF Hospital – Phase 2 (Water Main Construction from PAMF property line under SR 101 east to 333 Shoreway Boulevard and north to approximately 125 Shoreway Boulevard) <i>TO BE COORDINATED WITH SILICON VALLEY CLEAN WATER SEWER FORCE MAIN REPLACEMENT PROJECT ON SHOREWAY BOULEVARD IN 2022</i>	\$ 2,765,000		\$ 2,765,000	FY 2023/2024
15-75-B	Old County Road Improvements – Phase 2 (Construction from Ralston Avenue to MPWD northern boundary at San Mateo) <i>TO BE COORDINATED WITH CITY OF BELMONT PAVING IN 2022</i>	2,065,000		2,065,000	FY 2023/2024
	<b>TOTAL*</b>	<b>\$27,425,000</b>	<b>\$12,620,000</b>	<b>\$14,508,000</b>	
	Cost difference (\$130,000) for completed Project #15-74 plus the negotiated cost difference (\$167,000) for Project #20-08 for a total \$297,000 difference between projected costs and proposed funding.	<b>\$26,215,000</b>	<b>\$11,955,000</b>	<b>\$14,220,000</b>	

**Key:** Completed project highlighted in green.  
Project highlighted in red could be advanced in priority depending upon coordination schedule.  
 Fiscal years separated by alternating white and gray highlighting.



*Approved via Resolution 2020-08 - April 23, 2020*





**CAPITAL IMPROVEMENT PROGRAM (CIP)  
FY 2020/2021**

<b>PROJECT NUMBER</b>	<b>PROJECT NAME</b>	<b>PROJECTED COST (2020 ESTIMATE)</b>	<b>2016 COP FUNDED</b>	<b>REVENUE FUNDED</b>
15-76	El Camino Real Water Main Replacement	\$3,520,000	\$3,520,000	
15-89	Dekoven Tanks Replacement	3,850,000	3,850,000	
15-72-A	SR 101 Crossing at PAMF Hospital – Phase 1 (Water Main Construction within easement on PAMF property in San Carlos from Industrial Road to PAMF property line west of SR101)	595,000	595,000	
15-86	Folger Pump Station Demolition	330,000		\$ 330,000
20-05	Transmission Water Main Assessments	<del>220,500,000</del>		<del>220,500,000</del>
20-09	Dairy Lane Operations Center Rehabilitation – Phase 1 (Planning, Architectural/Engineering Design, and Construction Support, including Contingencies)	150,000		150,000
20-01 and 15-40	Hastings Drive Service Connection Replacements; and Hastings Drive Water Main Replacement (Planning, Engineering Design, and Construction Support, including Contingencies)	<del>138,350,000</del> 88,000		<del>138,350,000</del> 88,000
15-88	Vine Street (Zone 5) Improvements (Planning, Engineering Design, and Construction Support, including Contingencies)	165,000		165,000
<u>20-07</u>	<u>Harbor Boulevard Water Main Replacement (Planning, Engineering Design, and Construction Support, including Contingencies)</u>	<u>346,500</u>		<u>346,500</u>
N/A	Miscellaneous Capital Outlay/Projects	50,000		50,000
	<b>TOTAL</b>	<del>\$9,106,000</del> <u>\$9,629,500</u>	<b>\$7,965,000*</b>	<del>\$1,141,000**</del> <u>\$1,664,500**</u>

\* COP FUND BALANCE 04/30/20 \$12,030,752

\*\*DEPRECIATION \$1,080,000  
 TRANSFER FROM OPS \$-0-  
 TRANSFER FROM CAPITAL RESERVES \$61,000  
EXCESS CASH RESERVES \$523,500  
**TOTAL CIP \$1,141,000,1,664,500**