



BOARD FINANCE COMMITTEE MEETING
WEDNESDAY, DECEMBER 16, 2020 – 2:00PM

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. 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/663599165>
Dial by Telephone (Toll Free): 1-866-899-4679 (United States)
Access Code: 663-599-165

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. Preliminary Review of 2020 MPWD Water Capacity Charge Study**
- 4. Preliminary Review of 2020 MPWD Water Rate Study**
- 5. Second DRAFT Review of Financial Plan for MPWD Cash Reserves**

6. Review Revised MPWD Reorganization

7. Scheduled Committee Meetings:

- Wednesday, January 13, 2021 @ 2:00PM

8. 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.

ACCESSIBLE PUBLIC MEETINGS

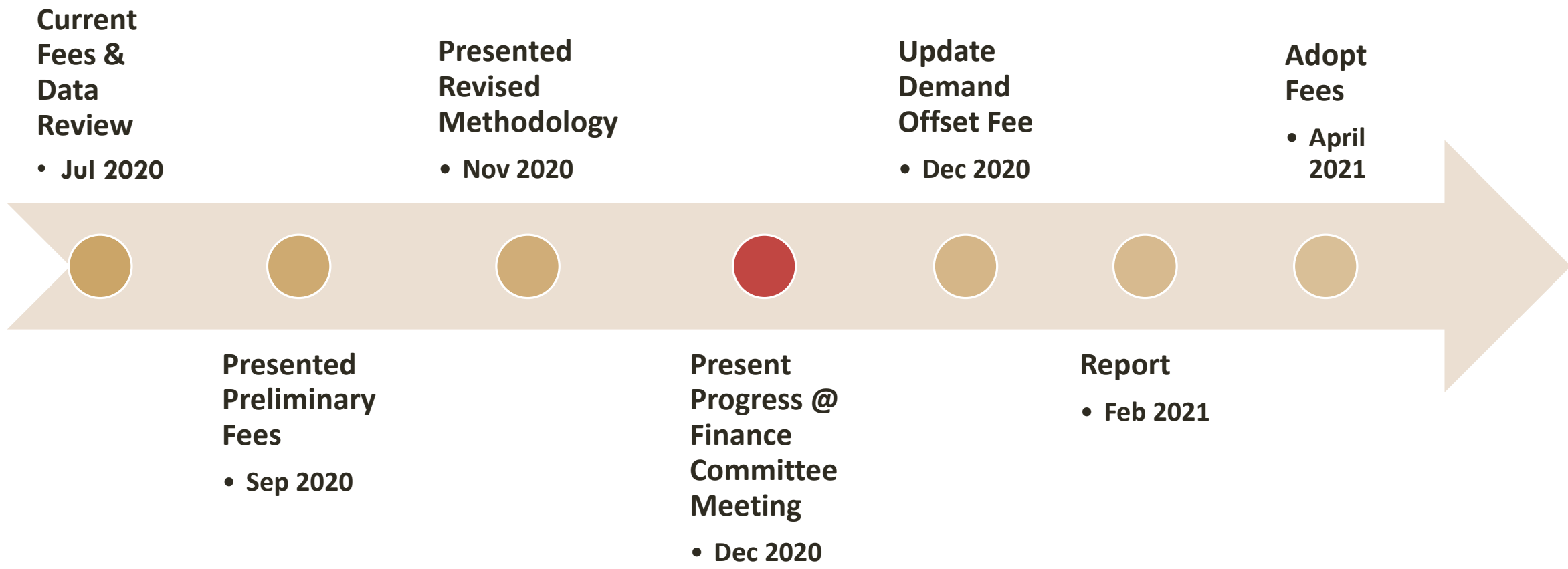
Upon request, the Mid-Peninsula Water District will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation (including auxiliary aids or services), to enable individuals with disabilities to participate in public meetings and provide comments 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@midpensulawater.org. Requests must be received at least two days before the meeting. Requests will be granted whenever possible and resolved in favor of accessibility.

2020 MPWD CAPACITY FEE STUDY PROGRESS REPORT

FINANCE COMMITTEE MEETING DECEMBER 16TH, 2020



PROGRESS



FORMULA

$$\frac{\textit{System Asset Value}}{\textit{System Capacity (GPD)}} \times \textit{Water Demand (GPD)/EDU}$$

$$\frac{\$100,000,000}{3,000,000 \textit{ GPD}} \times 300 \textit{ GPD} = \$10,000/\textit{EDU}$$

CONCERNS/QUESTIONS FROM THE MEETING IN 9/2020



1. Concerns about the valuation of assets

2. Use of replacement costs from asset list

3. Questions about exclusion of capital reserves

4. Uncertainty of timing for project execution

5. Use of average EDU usage for a multiplier

PROPOSED SOLUTIONS

1. Concerns about the valuation of assets

RDN Proposed Solution: use of two verified documents provided by the District that are updated and included clear descriptions for the asset items:

- “Water System Pipelines” values for pipes identified in August 2020
- “Buildings, Fixed Property, and Personal Property as of 08/07/2020” created by ACWA JPIA presenting insured fixed asset values such as tanks and pumping stations

PROPOSED SOLUTIONS

Pipeline	Linear Feet	Linear Miles	% of Total	Unit Cost per LF	Cost Estimate	Total Cost
2"*	2,661.74	0.5	0.54%	n/a	excluded	excluded
3"*	284.16	0.05	0.06%	n/a	excluded	excluded
4"*	44,417.05	8.41	8.95%	351	65% of 8"	\$15,590,385
6"*	202,512.31	38.35	40.82%	459	85% of 8"	\$92,953,150
8"	148,313.41	28.09	29.90%	540	District Engineer Est*	\$80,089,241
10"	24,475.03	4.64	4.93%	600	District Engineer Est*	\$14,685,018
12"	33,325.40	6.31	6.72%	660	District Engineer Est*	\$21,994,764
14"	3,971.97	0.75	0.80%	759	115% of 12"	\$3,014,725
18"	8,415.37	1.59	1.70%	858	130% of 12"	\$7,220,387
20"	21,738.92	4.12	4.38%	957	145% of 12"	\$20,804,146
24"	5,971.09	1.13	1.20%	1056	160% of 12"	\$6,305,471
	496,086.45	93.94	100%			\$154,113,754

PROPOSED SOLUTIONS

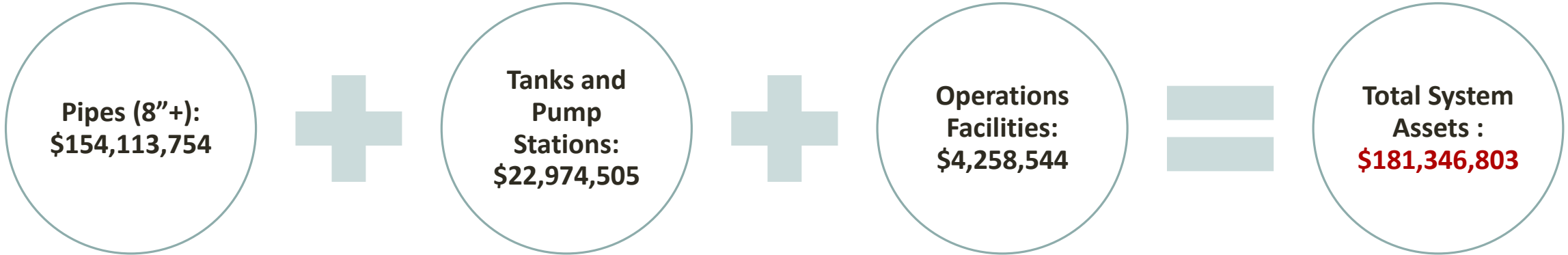
“Buildings, Fixed Property, and Personal Property as of 08/07/2020”

*Personal Properties and business interruption coverage were excluded

Facility/Asset	Cost
Tanks & Pump Stations	
Exbourne Site	\$3,267,677
Folger Pump Station	\$1,187,589
Hersom Tank Site	\$2,180,944
Dekoven Tank Site	\$2,642,336
Hallmark Storage Site	\$4,795,354
Hallmark Pump Station	\$325,185
West Belmont Tank Site	\$2,176,039
Buckland Tank Site	\$2,206,343
Tunnel Pump Station	\$1,929,178
Hannibal Pump Station	\$1,171,121
West Belmont Pump Station	\$426,191
District Road (Admin. Office)	\$3,398,919
Regulation Stations	\$270,060
PAMF Intertie	\$396,488
Hillcrest Pressure Regulating Station	\$859,625
Total	\$27,233,049

PROPOSED SOLUTIONS

- ✓ 1. Concerns about the valuation of assets
- ✓ 2. Use of Replacement Costs from Asset List



PROPOSED SOLUTIONS

✓ 3. Questions about exclusion of capital reserves

CIP reserve will be included in the asset value since current customers built the reserve

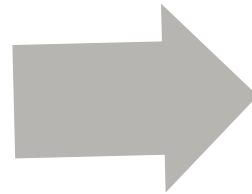
Current CIP Reserves = \$1.5 M

PROPOSED SOLUTIONS

✓ 4. Uncertainty of timing for project execution

RDN's Proposed Draft Fee
as of September 2020

- CIPs were spread over 10 years to create a more dynamic model



Inclusion of all CIP costs for
expansion in the first-year
fee calculation

- Uncertainty of the current and future conditions – Built a mechanism to escalate fees using BCI data in the model

PROPOSED SOLUTIONS

5. Use of average EDU usage for a multiplier

Current Fee:
Average usage of
5/8" meter
customer



Proposed Fee: Max
Day Demand
(MDD) usage

PROPOSED SOLUTIONS

5. Use of average EDU usage for a multiplier

Row Labels	Sum of Demand
2020	680,243
1	38,476
2	39,163
3	45,714
4	47,710
5	56,655
6	69,019
7	66,143
8	68,486
9	70,519
10	64,693
11	63,982
12	49,683

Average Day Demand
= Total Demand/365

$$\frac{\text{Max Day Demand (2,351 hcf)}}{\text{Average Day Demand (1,864 hcf)}} = 1.26$$

Max Day Demand
= Max Month
Demand/Days of
the Month

PROPOSED SOLUTIONS

$$\begin{aligned} & \text{Pipes: } \$154.1\text{M} \\ & \quad + \text{ Other Assets: } \$27.2\text{M} \\ & \quad + \text{ Capital Reserves: } \$1.5\text{M} \\ & \quad - \text{ Outstanding Debt Principal: } \$17.2\text{M} \\ & \quad - \text{ Capacity Charge Revenues: } 1.5\text{M} \\ & \quad + \text{ Total CIPs for Expansion: } \$3.1\text{M} \\ & \quad \underline{\hspace{10em}} \\ & \quad \quad \quad 3.66 \text{ MGD} \\ & \quad \quad \quad \times 193 \text{ GPD} \times 1.26 (= 243.8 \text{ GPD}) \end{aligned} \quad \left. \vphantom{\begin{aligned} & \text{Pipes: } \$154.1\text{M} \\ & \quad + \text{ Other Assets: } \$27.2\text{M} \\ & \quad + \text{ Capital Reserves: } \$1.5\text{M} \\ & \quad - \text{ Outstanding Debt Principal: } \$17.2\text{M} \\ & \quad - \text{ Capacity Charge Revenues: } 1.5\text{M} \\ & \quad + \text{ Total CIPs for Expansion: } \$3.1\text{M} \\ & \quad \underline{\hspace{10em}} \\ & \quad \quad \quad 3.66 \text{ MGD} \\ & \quad \quad \quad \times 193 \text{ GPD} \times 1.26 (= 243.8 \text{ GPD}) \end{aligned}} \right\} \$167.3\text{M}$$

\$11,143/EDU =

PROPOSED FEES

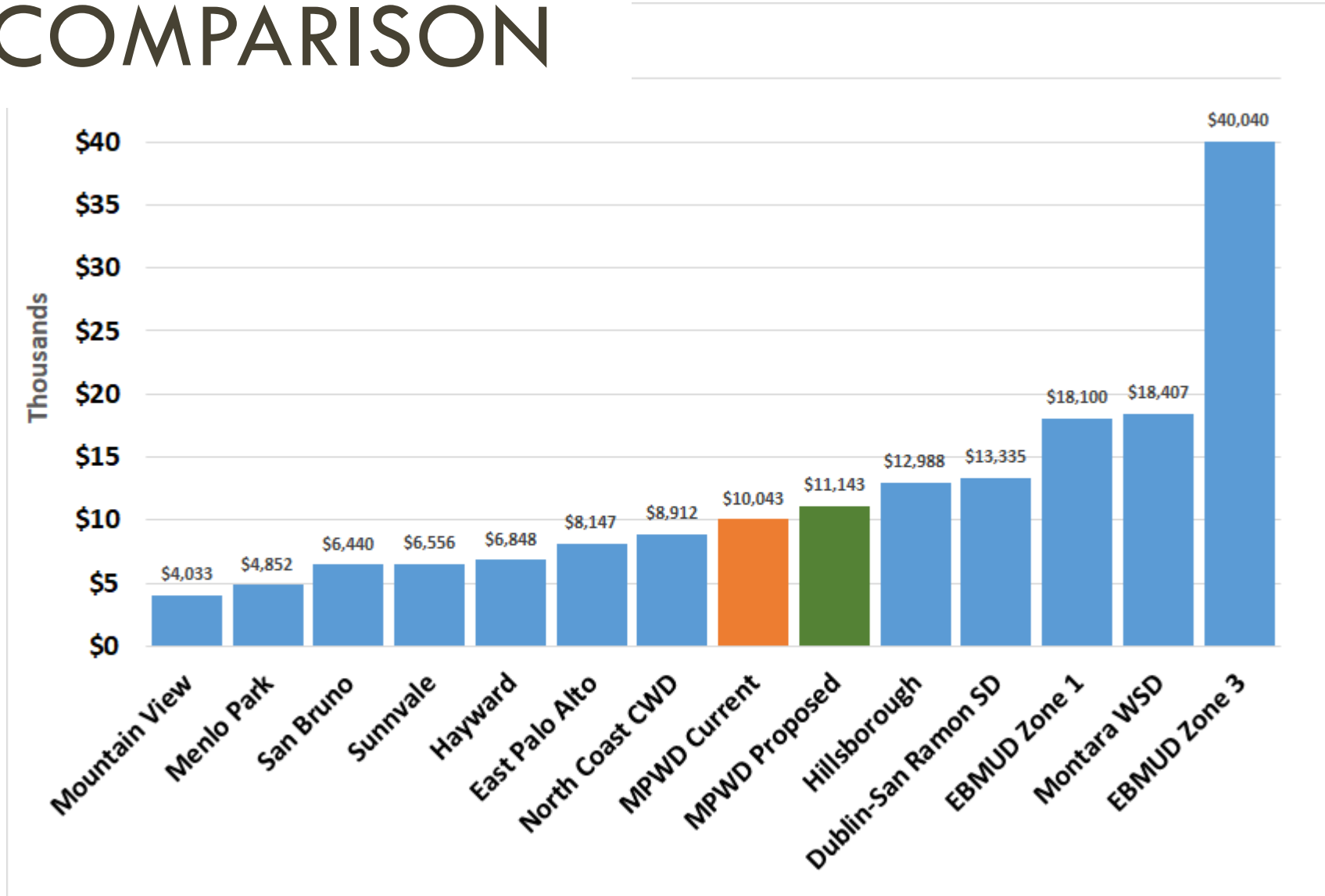
Current Fees

Charges based on Meter Size		
Meter size	Demand gpd	Capacity charge
5/8"	200	\$10,043
1"	333	\$16,738
1-1/2"	667	\$33,476
2"	1,067	\$53,561
3"	2,000	\$100,427
4"	3,333	\$167,379
6"	6,667	\$334,758
8"	10,667	\$535,613

Proposed Fees

Charges based on Meter Size		
Meter size	Demand gpd	Capacity charge
5/8"	200	\$11,143
1"	333	\$17,817
1-1/2"	667	\$35,688
2"	1,067	\$57,090
3"	2,000	\$107,011
4"	3,333	\$178,334
6"	6,667	\$356,721
8"	10,667	\$570,743

FEE COMPARISON



QUESTIONS?





MID-PENINSULA WATER DISTRICT

Water Rate Study

Finance Committee Meeting
December 16, 2020

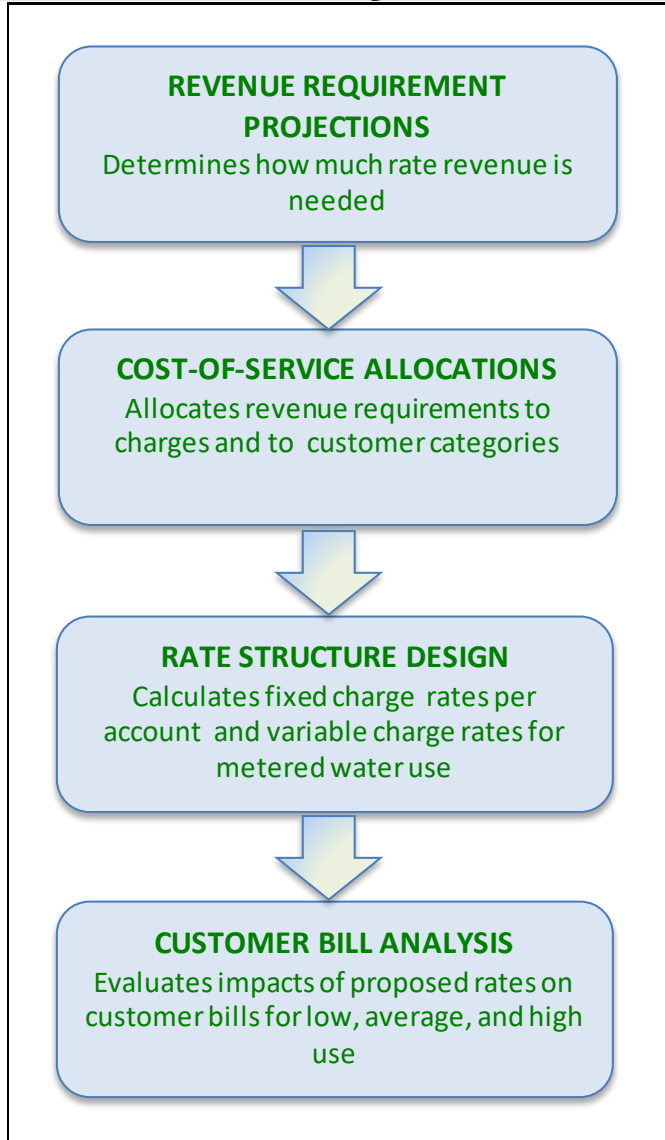


HF&H
Consultants, LLC

Study Objectives

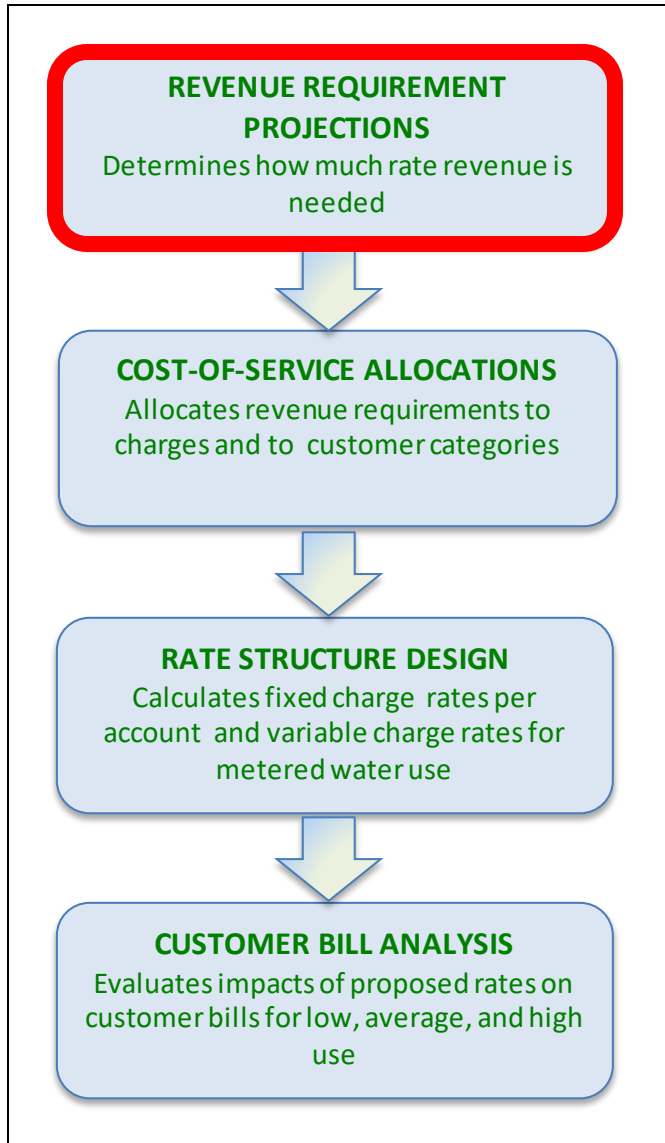
- Develop 10-year financial plan for updating rates
 - Provide funding for capital improvements
 - Reserves based on appropriate target balances
- Review rates and identify potential refinements
 - Compliant with governing laws and relevant court decisions
 - Proposition 218, *San Juan Capistrano* decision
 - Revenue from fixed charges is stable and appropriate
 - Water service and fire service charges
 - Integration with Urban Water Management Plan
 - Revenue neutral rate adjustments during water shortages
- Assist with rate adoption process
 - Provide public information that promotes understanding and acceptance

Rate Study Methodology & Objectives



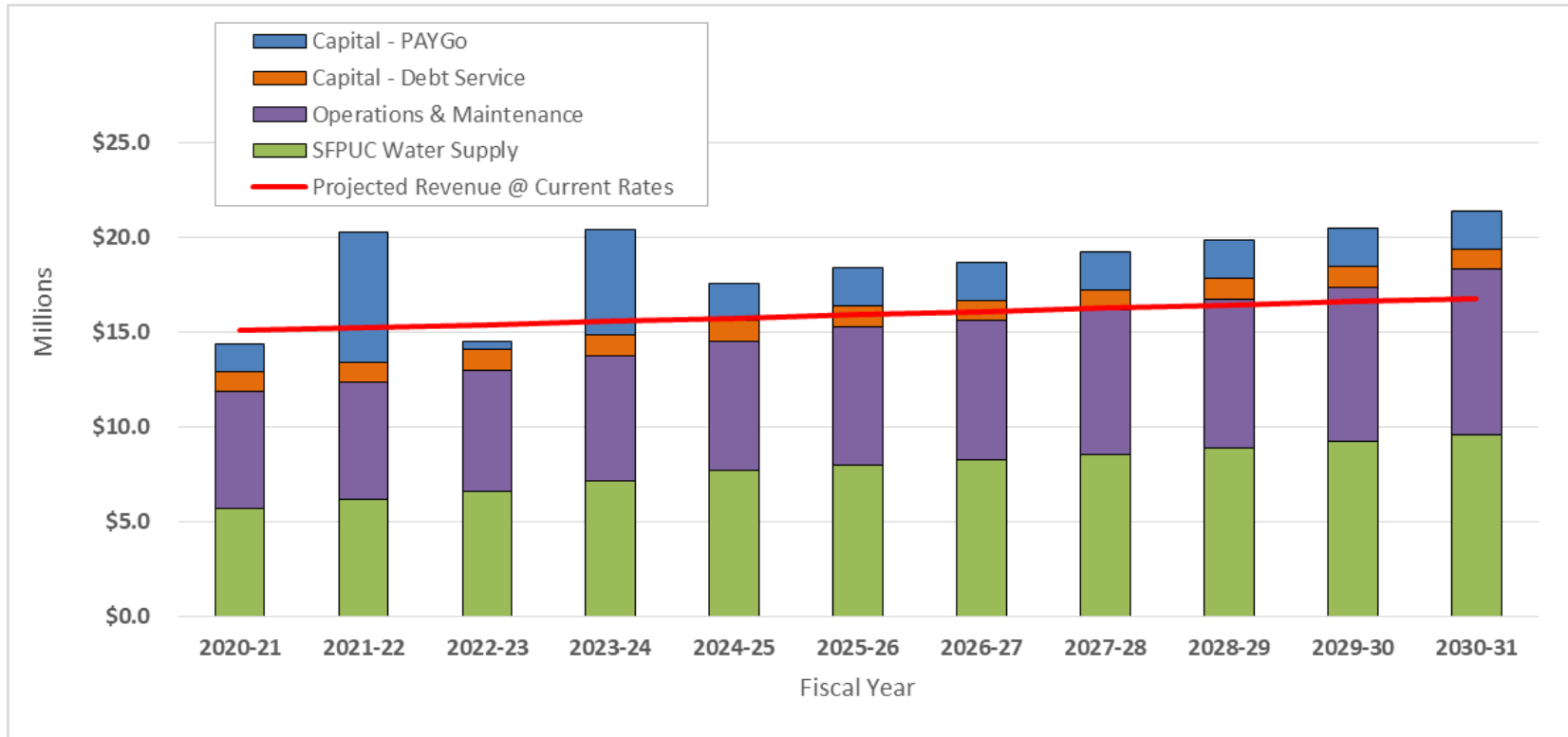
- Ensures that revenue from rates covers costs and provides adequate reserves.
- Ensures that each customer class pays its proportionate share of the revenue requirements
- Ensures that each customer pays its share of the cost of service through fixed and volumetric charges
- Indicates the impacts on customers' bills compared with the current rate structure

Revenue Requirement Projections



- Preliminary results
 - Revenue requirements gradually increase
 - Funds capital improvement program from revenue and reserves without additional debt
 - Reserves are used to cover costs
 - 0% rate increase in FY 2021-22
 - Moderate increases in subsequent years
- Policy issues
 - Annual revenue increases
 - Target balance for Operating Reserve
 - Current fixed amount or amount that increases as operating expenses increase
 - Target balance for Capital Reserve
 - Current fixed amount or based on average projected PAYGo capital expenses

10-Year Expense Projections



- Projected Revenue at Current Rates includes: Growth, Non-Operating Revenues, Capacity Fee Revenue, and Water Demand Offset Charge Revenue
- Annual revenue shortfalls can be covered by a combination of annual rate increases and the use of reserves

Capital Improvement Program

Project Description	Fiscal Year	Budget	Projected						
		2020-21	2021-22	2022-23	2023-24	2024-25	2025-26		
1 Completion of SCADA System Replacement		\$420,000							
2 Ralston Avenue Improvements				\$465,000					
3 Folger Pump Station Demolition		\$330,000							
4 Transmission Water Main Assessments		\$220,000							
5 Dairy Lane Operations Center Rehabilitation – Phase 1		\$150,000							
6 Dairy Lane Operations Center Rehabilitation – Phase 2			\$1,850,000						
7 Hastings Drive Service Connection Replacements; and			\$910,000						
8 Hastings Drive Water Main Replacement			\$485,000						
9 Vine Street (Zone 5) Improvements			\$1,065,000						
10 Harbor Boulevard Water Main Replacement		\$315,000	\$2,585,000						
11 Belmont Canyon Road Water Main Replacement					\$735,000				
12 SR 101 Crossing at PAMF Hospital – Phase 2					\$2,765,000				
13 Old County Road Improvements – Phase 2					\$2,065,000				
14 FUTURE CIP PLACEHOLDER						\$2,000,000	\$2,000,000		
15 Total Project Costs		\$1,435,000	\$6,895,000	\$465,000	\$5,565,000	\$2,000,000	\$2,000,000		
16 ENR-CCI Multiplier		1.000	1.029	1.058	1.088	1.117	1.146		
17 Project Costs Escalated		\$1,435,000	\$7,096,462	\$492,173	\$6,052,804	\$2,233,749	\$2,292,186		
18			Average Annual Cash-Funded Projects (FY 2021-22 to FY 2025-26)					\$3,633,475	

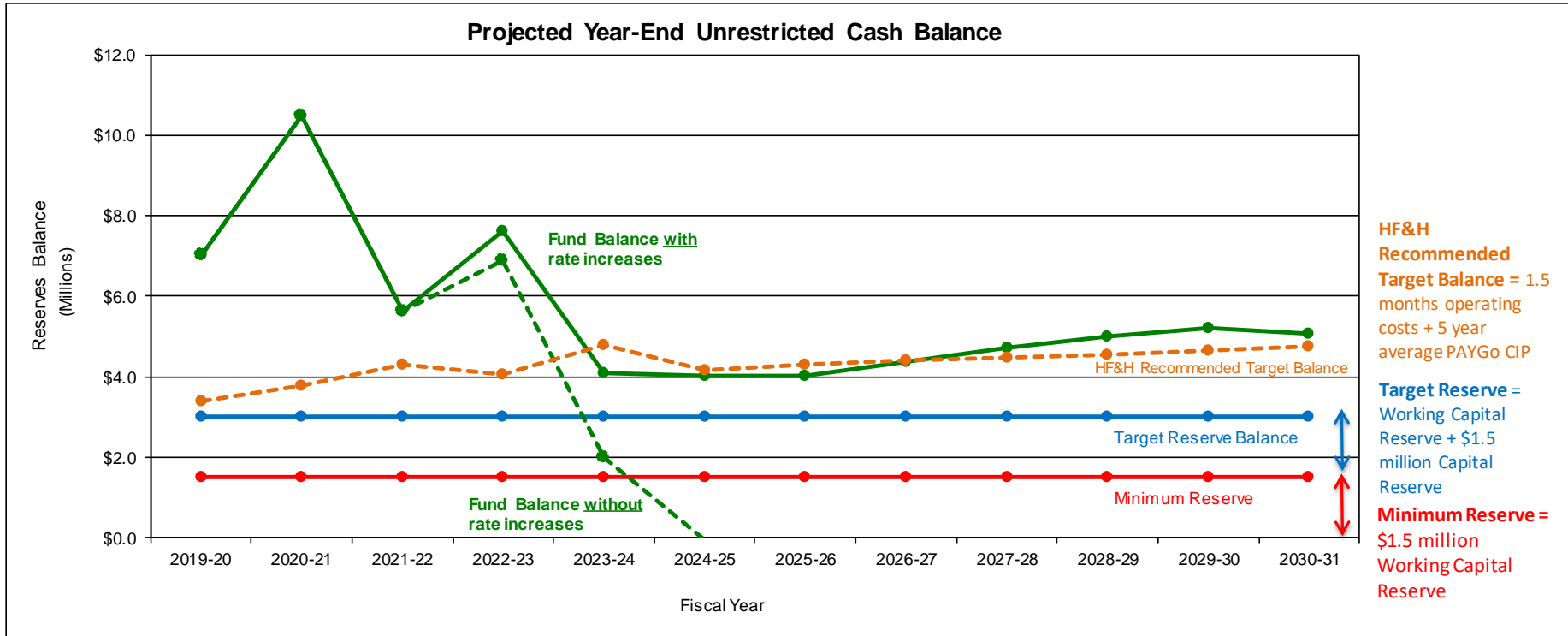
- Does not include \$12 million in COP-funded projects: El Camino Real Main Replacement; Dekoven Tank Replacement; SR 101 at PAMF Hospital – Phase 1; Old County Rd Improvements – Phase 1
- \$2.0 million (2020\$) in average annual PAYGO assumed for FY 2026-27 through FY 2030-31

10-Year Financial Plan Projections

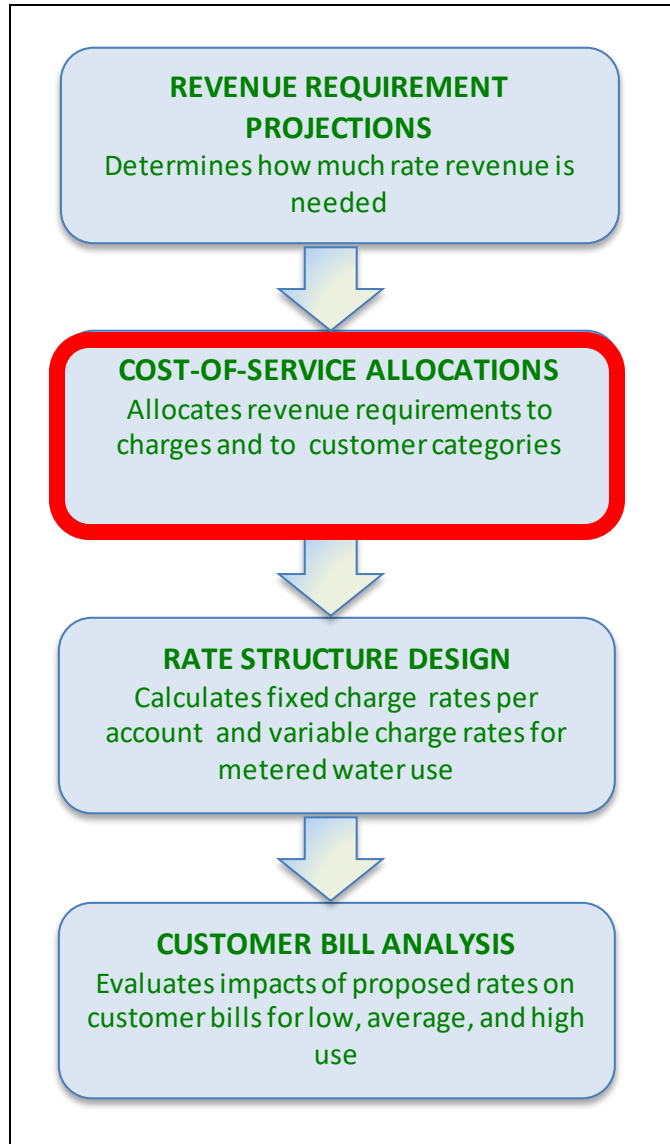
Fiscal year	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Eff. Date	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028	7/1/2029	7/1/2030

Annual Revenue Increases

Projected	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	0.0%	5.0%	4.0%	4.0%	4.0%	3.0%	2.0%	2.0%	2.0%	2.0%



Cost of Service Analysis



- Preliminary results
 - Costs shift from consumption charges to service charges
 - Revenue increase from 23% to 26% of rate revenue
 - 5% reduction in revenue from consumption charges
 - 16% increase in revenue from sewer charges
 - Costs shift from residential to commercial classes
 - Revenue decreases from 77% to 74% of rate revenue
 - 2% decrease in residential revenue
 - 3% increase in commercial revenue
- Policy issues
 - Results are preliminary
 - Further refinement of allocation factors and cost allocations may occur

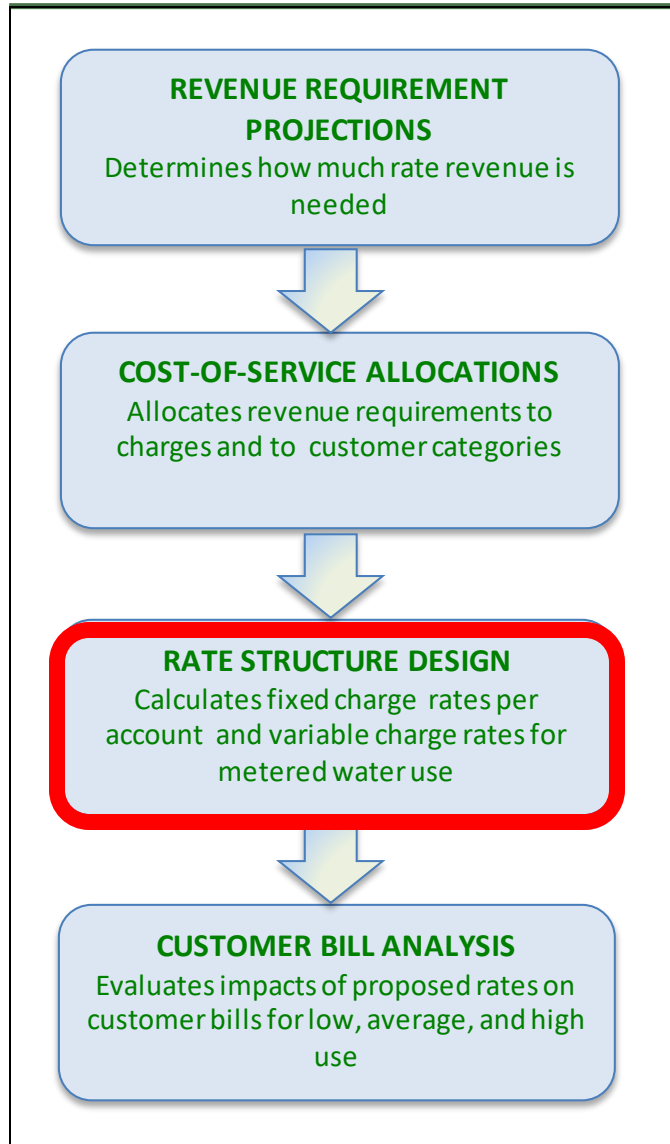
Cost of Service Assumptions

System-Wide Cost Allocation Factors		Base	Average Day	Maximum Day	Maximum Hour	Accounts	Service Charge	Fire Service	Total
1	Base	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100%
2	Average Day	70.4%	29.6%	0.0%	0.0%	0.0%	0.0%	0.0%	100%
3	Max Day	39.2%	16.5%	44.3%	0.0%	0.0%	0.0%	0.0%	100%
4	Max Hour	21.0%	8.8%	23.8%	46.4%	0.0%	0.0%	0.0%	100%
5	Max Hour Only	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100%
6	Service Charge	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	100%
7	Accounts	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100%
8	Fire Service	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100%
9	<u>Composite Allocators</u>								
10	O&M Composite	52.2%	22.0%	2.8%	1.6%	2.8%	17.4%	1.2%	100%
11	CIP Composite	30.1%	12.7%	34.0%	0.0%	0.0%	23.2%	0.0%	100%
12	Exp Composite	44.2%	18.6%	9.3%	1.2%	2.0%	23.8%	0.9%	100%
13	Reserves Alloc	44.7%	18.8%	9.1%	1.2%	2.0%	23.3%	0.8%	100%

Summary of Cost of Service

Components of Rate Structure	Revenue at		Cost		Difference	
	Current Rates FY 2020-21		of Service		COS Minus Current	
1 Residential						
2 Consumption Charge Revenue	\$6,090,349	71%	\$5,900,206	68%	(\$190,142)	-3%
3 Service Charge Revenue	\$2,528,568	29%	\$2,563,439	30%	\$34,871	1%
4 Subtotal - Residential	\$8,618,917	100%	\$8,463,645	100%	(\$155,272)	-2%
5 Commercial						
6 Consumption Charge Revenue	\$5,083,244	88%	\$4,749,310	55%	(\$333,934)	-7%
7 Service Charge Revenue	\$721,560	12%	\$1,210,766	14%	\$489,206	68%
8 Subtotal - Commercial	\$5,804,804	100%	\$5,960,076	100%	\$155,272	3%
9 Total						
10 Consumption Charge Revenue	\$11,173,593	77%	\$10,649,516	74%	(\$524,076)	-5%
11 Service Charge Revenue	\$3,250,128	23%	\$3,774,204	26%	\$524,076	16%
12 Total Rate Revenue	\$14,423,721	100%	\$14,423,721	100%	\$0	0%

Rate Structure Design



- Preliminary results
 - Larger service charges increased in proportion to capacity of connection to recover the fixed costs of capacity
 - Consumption charges
 - Residential tiers are smaller and more tightly spaced based on current demand
 - Commercial tiers are larger based on current demand
- Policy issues
 - Service charge multipliers
 - Need to reflect District's meter capacities
 - Status of fire service charges
 - Consumption charge tiers
 - Residential four tiers
 - Commercial two tiers

Service Charge Rates

94% of RESIDENTIAL customers have a 5/8" meter

Service Size	% of Meters	Account Component (\$/mo.)	Capacity Component			Proposed Service Charges (\$/mo.)	Total	
			\$/EMU	Capacity Multiplier	Capacity Total		Current Charge	\$ Difference
		a	b	c	d = b * c	e = a + d		
5/8" meters	88.3%	\$3.03	\$23.60	1.00	\$23.60	\$26.63	\$28.00	(\$1.37)
1" meters	7.1%	\$3.03	\$23.60	2.80	\$66.08	\$69.11	\$42.00	\$27.11
1 1/2" meters	1.9%	\$3.03	\$23.60	6.40	\$151.05	\$154.07	\$70.00	\$84.07
2" meters	2.0%	\$3.03	\$23.60	6.40	\$151.05	\$154.07	\$112.00	\$42.07
3" meters	0.4%	\$3.03	\$23.60	16.00	\$377.61	\$380.64	\$168.00	\$212.64
4" meters	0.2%	\$3.03	\$23.60	32.00	\$755.23	\$758.25	\$280.00	\$478.25
6" meters	0.1%	\$3.03	\$23.60	64.00	\$1,510.46	\$1,513.48	\$700.00	\$813.48

EMU = Equivalent Meter Unit = 5/8" meter = 25 gpm

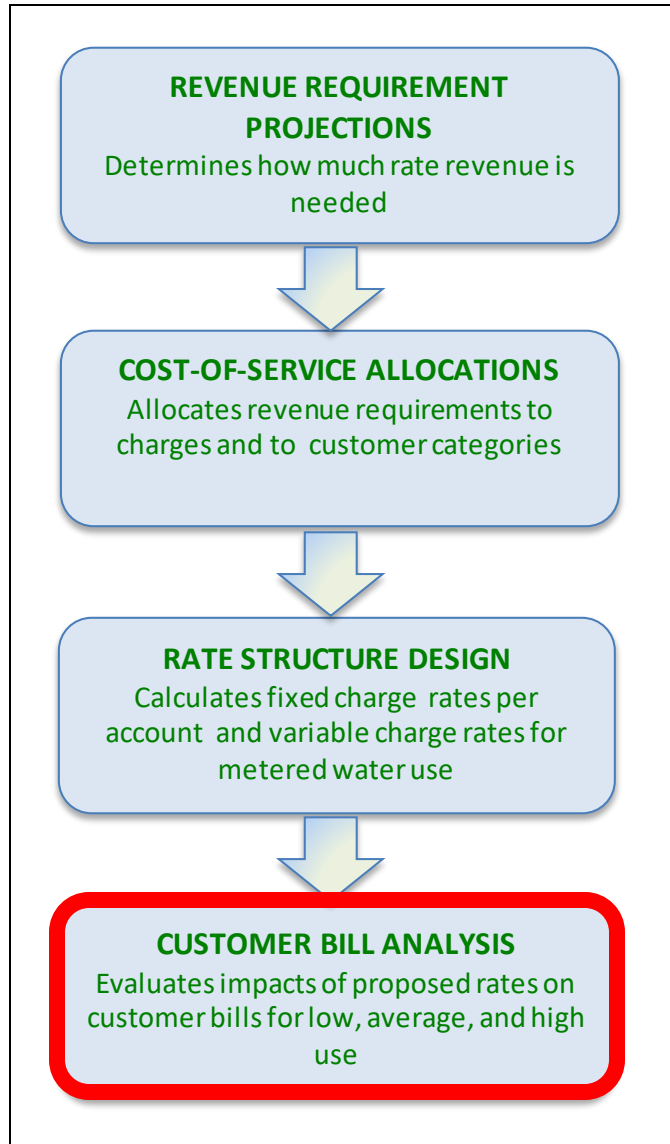
Service Size	% of Meters	Current Charges	Proposed Charges				
			7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
		<i>% Change</i>	various	5.0%	4.0%	4.0%	4.0%
5/8" meters	88.3%	\$28.00	\$26.63	\$27.96	\$29.08	\$30.24	\$31.45
1" meters	7.1%	\$42.00	\$69.11	\$72.56	\$75.47	\$78.48	\$81.62
1 1/2" meters	1.9%	\$70.00	\$154.07	\$161.77	\$168.25	\$174.98	\$181.97
2" meters	2.0%	\$112.00	\$154.07	\$161.77	\$168.25	\$174.98	\$181.97
3" meters	0.4%	\$168.00	\$380.64	\$399.67	\$415.66	\$432.29	\$449.58
4" meters	0.2%	\$280.00	\$758.25	\$796.17	\$828.01	\$861.13	\$895.58
6" meters	0.1%	\$700.00	\$1,513.48	\$1,589.16	\$1,652.72	\$1,718.83	\$1,787.59

Consumption Charge Rates

- Rates per tier are based on cost-of-service analysis
- Same number of tiers – **Different breakpoints**
- Tier breakpoints get tighter – Move into highest tier sooner

Customer Category	Current			Proposed					
	Tier Size (HCF/Mo.)	Rate (\$/HCF)		Tier Size (HCF/Mo.)	Rate (\$/HCF)				
					7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Residential			<i>% Change</i>	various	5.0%	4.0%	4.0%	4.0%	
Tier 1	0 to 2	\$5.86	Tier 1	0 to 5	\$5.12	\$5.38	\$5.59	\$5.82	\$6.05
Tier 2	3 to 8	\$8.69	Tier 2	6 to 8	\$9.75	\$10.24	\$10.65	\$11.07	\$11.52
Tier 3	9 to 20	\$10.60	Tier 3	9 to 15	\$13.48	\$14.16	\$14.72	\$15.31	\$15.92
Tier 4	21+	\$12.50	Tier 4	16+	\$14.79	\$15.53	\$16.16	\$16.80	\$17.47
Commercial									
Tier 1	0 to 5	\$7.80	Tier 1	0 to 48	\$7.38	\$7.74	\$8.05	\$8.38	\$8.71
Tier 2	6+	\$9.16	Tier 2	49+	\$9.29	\$9.75	\$10.14	\$10.55	\$10.97

Customer Bill Analysis



- Preliminary results
 - Residential bills decrease for 81% of customers with lower demand
 - More of the residential cost of peaking shifts to the highest 19% of bills
 - Commercial bill impacts vary depending on size of connection and demand
 - Smaller commercial customers have lower bills at higher use
 - Larger customers have higher bills at lower use due to increases in service charges (covers their fixed costs)
- Policy issues
 - Transition period for adjusting service and consumption charge rates

Residential Bills – 5/8” Meter

Water Use		Total Bill (with 5/8" meter)		\$ Difference	% of Bills	Cumulative
HCF /Mo.	Gal /Day	Current Rates	Proposed Rates			
	0	\$28.00	\$26.63	(\$1.37)	3.16%	3.16%
	1	\$33.86	\$31.75	(\$2.11)	3.69%	6.85%
	2	\$39.72	\$36.87	(\$2.85)	6.24%	13.09%
	3	\$48.41	\$42.00	(\$6.41)	8.94%	22.03%
	4	\$57.10	\$47.12	(\$9.98)	10.61%	32.64%
	5	\$65.79	\$52.24	(\$13.55)	10.38%	43.03%
	6	\$74.48	\$61.99	(\$12.49)	9.36%	52.39%
	7	\$83.17	\$71.74	(\$11.43)	8.05%	60.44%
	8	\$91.86	\$81.49	(\$10.37)	6.83%	67.27%
	9	\$102.46	\$94.98	(\$7.48)	5.50%	72.77%
	10	\$113.06	\$108.46	(\$4.60)	4.51%	77.28%
	11	\$123.66	\$121.94	(\$1.72)	3.79%	81.07%
	12	\$134.26	\$135.42	\$1.16	2.93%	84.00%
	13	\$144.86	\$148.91	\$4.05	2.47%	86.47%
	14	\$155.46	\$162.39	\$6.93	2.02%	88.49%
	15	\$166.06	\$175.87	\$9.81	1.78%	90.27%
	16	\$176.66	\$190.67	\$14.01	1.46%	91.73%
	17	\$187.26	\$205.46	\$18.20	1.18%	92.91%
	18	\$197.86	\$220.26	\$22.40	0.99%	93.90%
	19	\$208.46	\$235.05	\$26.59	0.82%	94.72%
	20	\$219.06	\$249.85	\$30.79	0.67%	95.39%
	21	\$231.56	\$264.64	\$33.08	0.59%	95.98%
	22	\$244.06	\$279.44	\$35.38	0.50%	96.48%
	23	\$256.56	\$294.23	\$37.67	0.45%	96.93%
	24	\$269.06	\$309.03	\$39.97	0.37%	97.30%
	25	\$281.56	\$323.82	\$42.26	0.35%	97.65%

Tier 1

Tier 2

Tier 3

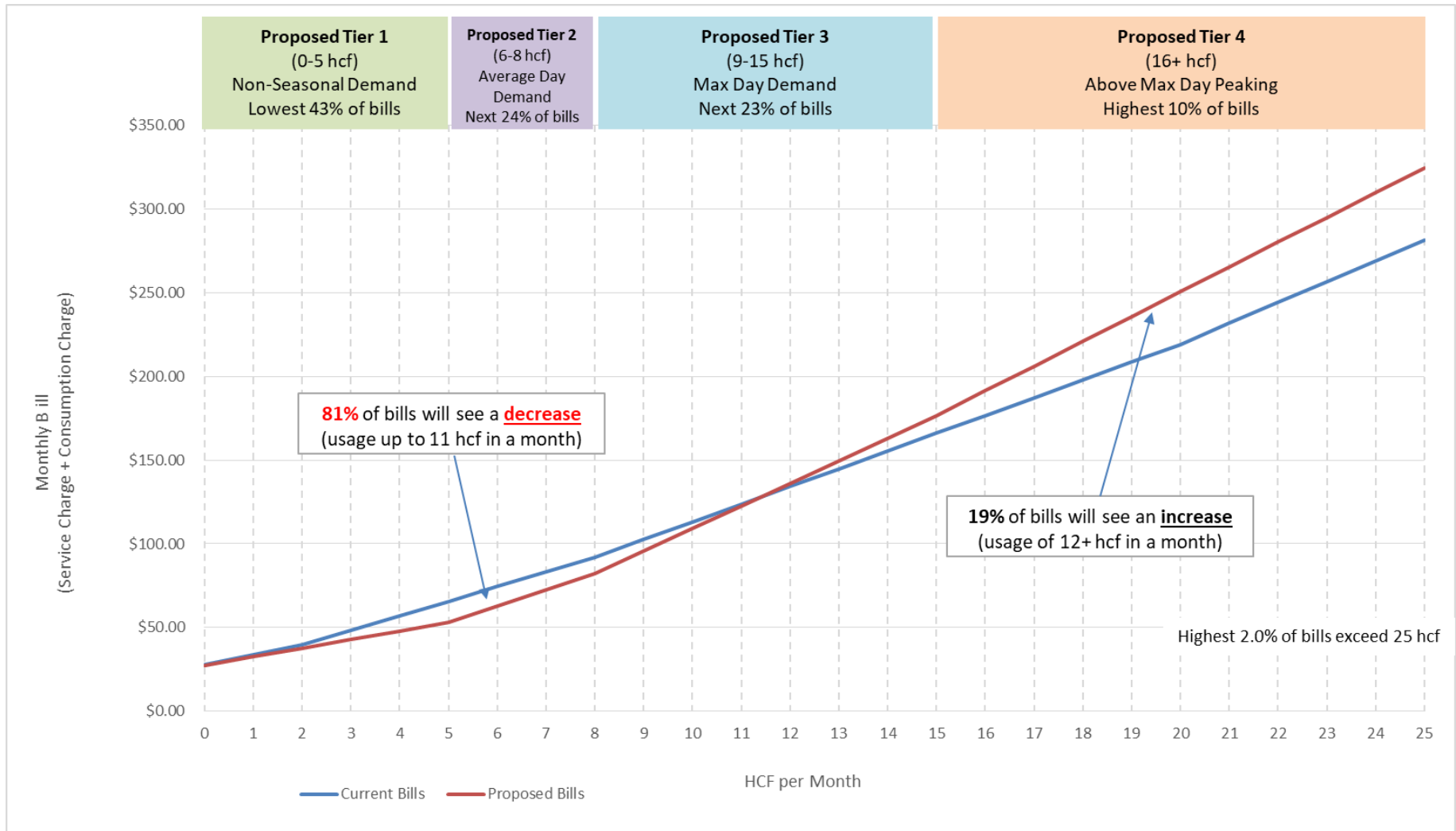
Tier 4

- First breakpoint shifts from 2 hcf to 5 hcf

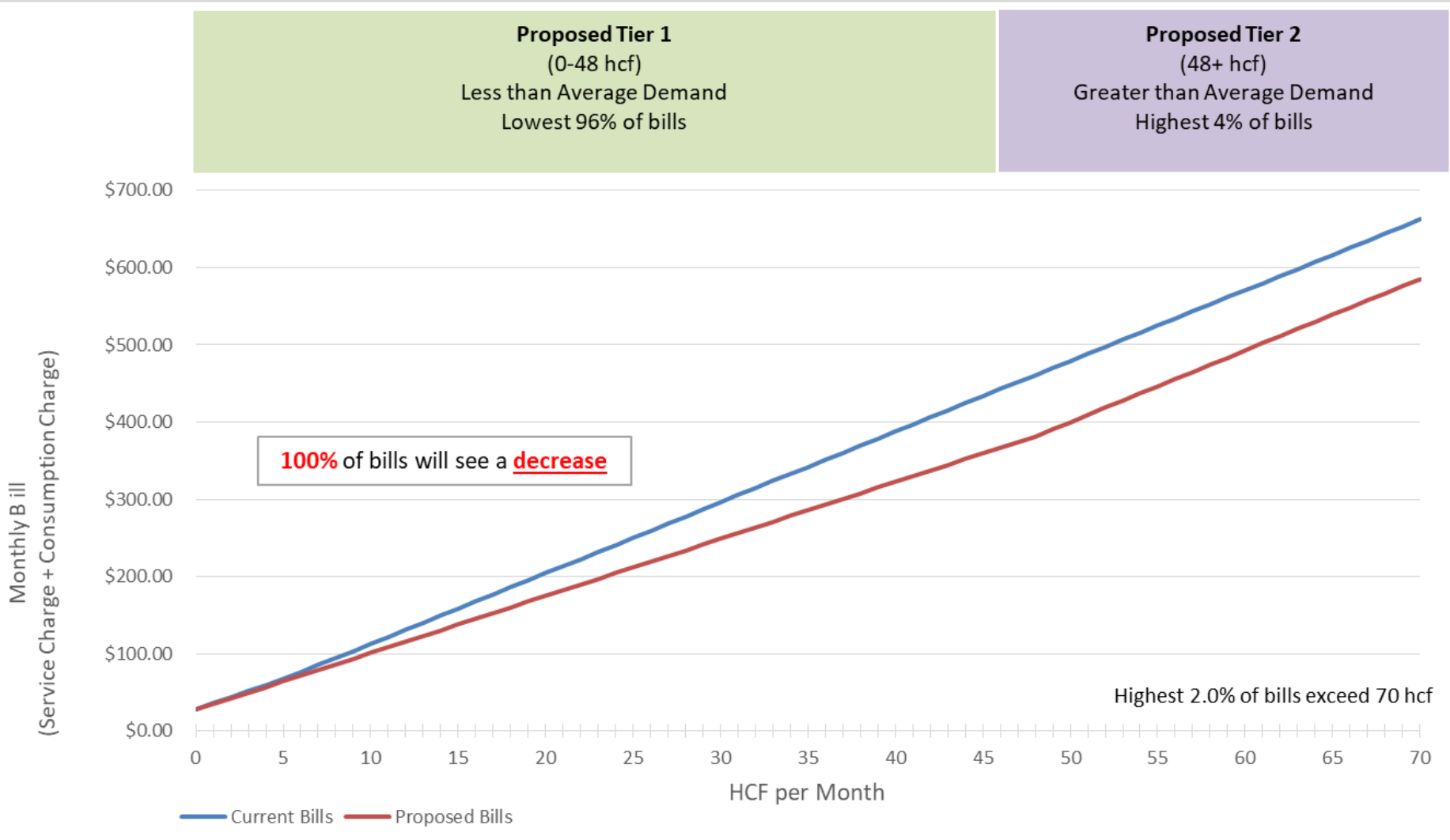
- ~81% of bills will decrease (below average bills)

- ~98% of bills are 25 HCF/month or less

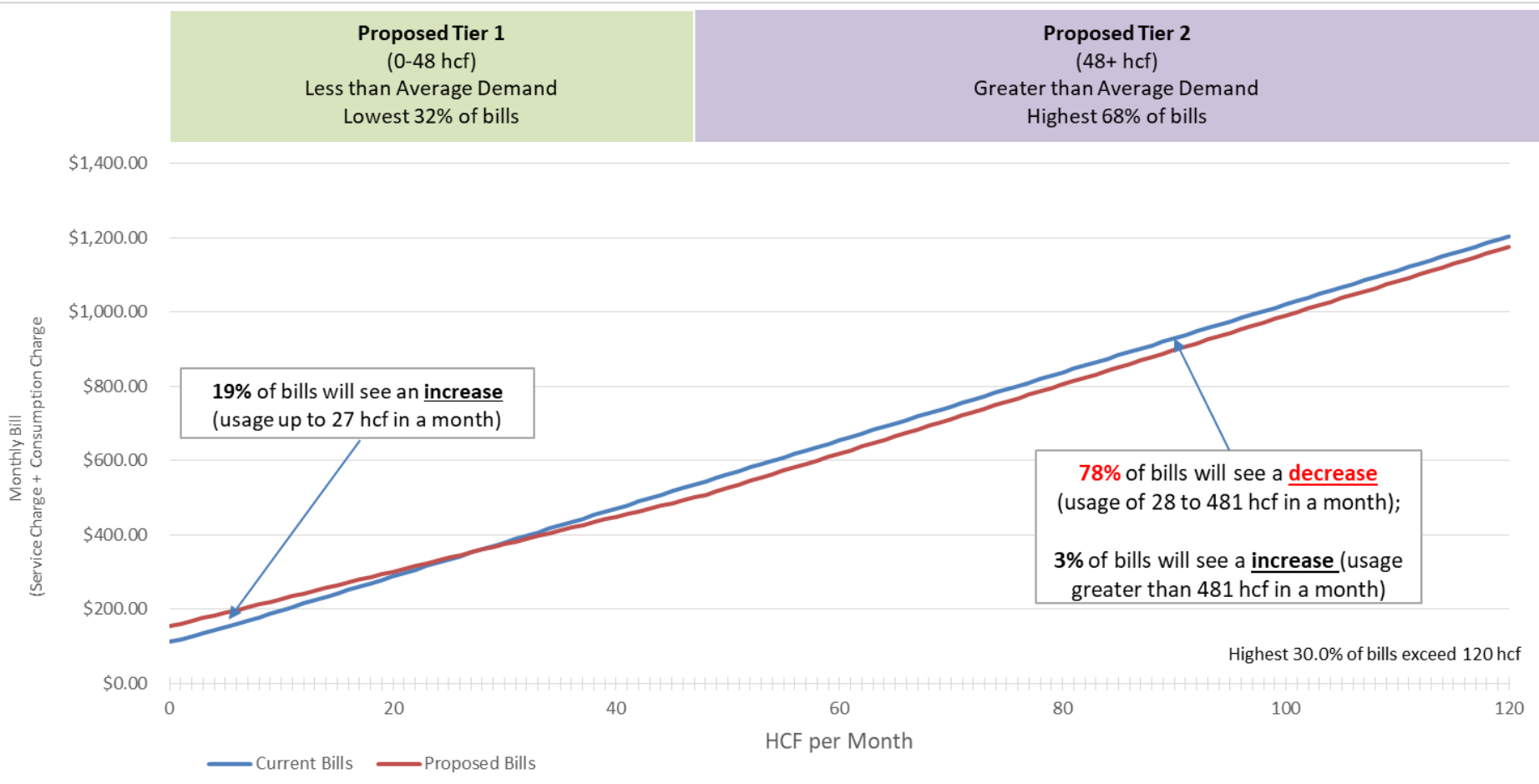
Residential Bills – 5/8” Meter



Commercial Bills – 5/8” Meter



Commercial Bills – 2” Meter (161 Meters)



Summary

- Open policy issues
 - Revenue requirements
 - Annual rate increases
 - Operating and Capital Reserve Targets
 - Rate design
 - Adjusting capacity multipliers for graduating service charges
 - Maintaining fire service charges or consolidating into service charges
 - Number of residential tiers for consumption charges
 - Number of commercial tiers for consumption charges
 - Customer bill impacts
 - Transition period for adjusting rates, if not in one year
 - Other policy issues?
- Next steps

END OF PRESENTATION

John Farnkopf, Rick Simonson
HF&H Consultants, LLC
Suite 230, 201 Civic Drive, Walnut Creek, CA 94596



DATE: December 14, 2020
 TO: Board Finance Committee
 FROM: Tammy Rudock, General Manager

SECOND DRAFT FINANCIAL PLAN FOR CASH RESERVES

REVISED CASH RESERVES RECAP

Cash Reserves Balance as of 12/11/2020 (in LAIF)	\$10,223,646
1. MPWD Cash Reserve Policy	- 3,000,000
2. Committed FY 2020/2021 Revenue-Funded CIP	- 1,100,000
3. Increase Cash Reserve Policy to \$4,500,000	- 1,500,000
4. Contribute Net OPEB Liability (Unfunded Actuarial Accrued Liability) to MPWD PARS 115 Plan	- 695,805
5. FY 2020/2021 Budget Increase in CIP #20-05 – Transmission Water Main Assessments	- 280,000
6. FY 2020/2021 Mid-Year Budget for Planning, Engineering Design, Construction Support, and Related Contingencies for CIPs #20-07 and #15-29 – Harbor Boulevard and Belmont Canyon Road WMRs	- 462,000
7. Revenue-Funded CIP Construction TBD in FY 2021/2022	- <u>3,185,841*</u>
BALANCE	\$ -0-

REVISED PLAN

1. Increase Cash Reserve Policy

Increasing the MPWD's cash reserves to \$4.5 million (from \$3.0 million) is a fiscally prudent thing to do. It would provide coverage of 32% of the MPWD's operating expenditures, compared to 21%. This equates to about 120 days' worth of the MPWD's operating expenditures and would exceed a financial best management practice of retaining at least 90 days' worth as a baseline.

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 ten (10) 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 \$1.5 million to cash reserves would eliminate the need to budget for it during the 5-year rate plan period currently under study, and thereby reducing any projected water rate increases.

2. OPEB Trust Plan

The MPWD's Total OPEB (Other Post-Employment Benefits) Liability effective 07/01/20 was \$3.5 million. The OPEB Trust Plan at PARS (Public Agency Retirement System) had a balance of \$2.85 million (as of 10/31/2020). The funded ratio would be 100% (from 79.97%).

This would eliminate \$196,000 from the annual operating budget FY 2020/2021, 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. Revenue-Funded CIP

The MPWD's approved FY 2020/2021 revenue-funded CIP totaled \$1.1 million.

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

- Harbor Boulevard WMR (Water Main Replacement) [from Karen Road to Old County Road] 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 already approved 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.

As reported last month, an adjustment is needed for the Transmission Water Main Assessments Project #20-05 (estimated at \$220,000). The projected cost is anticipated to be closer to \$500,000.

There would be \$3.186 million dollars available in cash for additional capital for revenue-funded CIP consideration in FY 2021/2022.

4. Pension Liability

Finally, staff recommends fully paying off the MPWD's UAL (Unfunded Accrued Liability) balance at CalPERS totaling \$1.5 million from the proceeds held in the MPWD's PRSP (Pension Rate Stabilization Program) 115 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. It would also eliminate \$50,000 from the annual operating budget for FY 2020/2021. Any balance would remain in the PRSP 115 trust plan for potential future UAL.

* 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.



MPWD
Organizational Chart

CUSTOMERS

BOARD OF DIRECTORS

GENERAL MANAGER

District Treasurer

District Counsel

Management Analyst
(Temporary Part-Time)

District Engineer

ASSISTANT GENERAL MANAGER / OPERATIONS

Management Analyst

ADMINISTRATIVE SERVICES MANAGER

Operations Supervisor

Operations Supervisor

Administrative Supervisor

Lead Operator

Lead Operator *VACANT*

Water System Operator

Water System Operator

Water System Operator *VACANT*

Maintenance Technician

Maintenance Technician

Water System Operator

Maintenance Technician

Maintenance Technician

Water System Operator *VACANT*
(Succession Plan)

Administrative Assistant

Administrative Assistant

UNREPRESENTED EMPLOYEES - MANAGEMENT EXEMPT

SALARY SCHEDULE

<i>PERSONNEL CLASSIFICATION</i>	<i>FY 2022/2023 SALARY RANGE</i>	<i>FY 2021/2022 SALARY RANGE</i>	<i>2.2% LIVING WAGE ADJ EFFECTIVE 08/01/20 Resolution 2020-23 * 07/23/20</i> <i>FY 2020/2021 SALARY RANGE</i>	<i>3.9% LIVING WAGE ADJ EFFECTIVE 08/01/19 Resolution 2019-17 * 07/25/19</i> <i>FY 2019/2020 SALARY RANGE</i>	<i>MARKET MEDIAN EFFECTIVE 10/01/18 Resolution 2018-20 * 09/27/18</i> <i>FY 2018/2019 SALARY RANGE</i>
Assistant General Manager/Operations – NEW			\$142,492 - \$185,240/Year \$11,874 - \$15,437/Month	N/A	N/A
Administrative Services Manager			\$122,871 - \$159,731/Year \$10,239 - \$13,311/Month	\$120,226 - \$156,293/Year \$10,019 - \$13,024/Month	\$115,713 - \$150,426/Year \$9,643 - \$12,536/Month