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

August 25, 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 District Counsel Cassman.

C. Establishment of Quorum:

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

ABSENT: Director Warden.

A quorum was present.

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

2. PUBLIC COMMENTS

None.

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

Director Vella asked to pull Agenda Item 5.E. for further discussion.

4. ACKNOWLEDGEMENTS/PRESENTATIONS

None.

5. CONSENT AGENDA

A. Approve Minutes for the Special Board Meeting of May 25, 2016

B. Approve Minutes for the Regular Board Meeting of June 23, 2016

C. Approve Minutes for the Regular Board Meeting of July 28, 2016

D. Approve Expenditures from July 21, 2016 through August 19, 2016

E. Approve Resolution 2016-11 Accepting a Grant of Easement from the Crystal Springs Upland School of a 45-square foot Piece of Property Near 8 Davis Drive in Belmont behind the Existing Right-of-Way for the Purpose of Relocating Existing Fire Hydrant #7064

Director Stuebing moved to approve all but Agenda Item 5.E. of the Consent Agenda, Director Vella seconded, and it was unanimously approved.

Director Vella asked for clarification on Agenda Item 5.E. and the language that there would be a minimal cost to the District for the easement. Operations Manager Ramirez explained

51 it was for recording fees paid to San Mateo County which might be approximately \$25.
52 There was discussion about the size of the area needed to relocate the hydrant. It was
53 determined that 45 square feet was more than enough for the hydrant relocation. Director
54 Vella asked for clarification on the non-exclusive easement and what that meant. District
55 Counsel Cassman said that if an accommodation can be made and it does not interfere with
56 the District's rights or ability to accomplish its goals, then the MPWD could grant
57 accommodations.
58

59 Director Vella moved to approve Resolution 2016-11 accepting a Grant of Easement from
60 the Crystal Springs Upland School of a 45-square foot Piece of Property near 8 Davis Drive
61 in Belmont behind the Existing Right-of-Way for the Purpose of Relocating Existing Fire
62 Hydrant #7064, Director Stuebing seconded. Roll call was taken and it was unanimously
63 approved.
64

65 **6. HEARINGS AND APPEALS**

66 None.
67

68 **7. REGULAR BUSINESS AGENDA**

69 **A. MPWD Capital Improvement Program (CIP):**

70 **1. Receive Presentation by District Engineer of Asset Management Analysis for**
71 **MPWD Water Mains and Storage Tanks and Annual Pay-Go Reinvestment**
72 **Requirements**

73 District Engineer Pakpour discussed his report, noting that very little changed from
74 last month. He added Section 5 which included a pay-as-you-go capital needs
75 analysis. He explained the methodology behind the analysis after assessment of the
76 MPWD's water mains and storage tanks. It was determined that there is \$6 million
77 per year of underground pipe work to be accomplished in a pay-as-you-go scenario.
78 It was also determined that there would be \$2 million per year of tank work to be
79 done, not necessarily spending that amount each year, but funds needed to be
80 collected over the years to do the work when it was necessary on a timeline he
81 presented.
82

83 President Zucca agreed that MPWD is clearly behind on needed infrastructure work.
84 He noted that MPWD is not alone in being behind, that this is a nationwide issue.
85 Director Stuebing noted that MPWD needs to manage its funds well, manage
86 projects and make wise choices, and the District needs to continue to keep on top of
87 this.
88

89 District Engineer Pakpour noted there were no pump stations, PRVs, AMI meters, or
90 building/facility work included in the capital assessment analysis. Those are
91 additional items which need to be considered with the infrastructure work.
92

93 **2. Consider Financing Options for the MPWD 5-Year Capital Improvement**
94 **Program and Resolution 2016-12 Authorizing Procurement of \$20,000,000 on**
95 **behalf of the MPWD**

96 Bud Levine of Wulff Hansen, the MPWD's Municipal Finance Advisor, was present
97 along with Edmund Viray. Mr. Levine noted that at this time there are low rates and
98 a very strong bond market. He presented a 10-year treasury chart, along with the
99 Muni Market Bond Status Chart, which included an average interest rate for AAA
100 bonds. He did a comparison between tax exempt and non-tax exempt bond
101 offerings. He discussed the current market, noting the impact of the FOMC (Federal

102 Open Market Committee Meeting), which causes interest rates to rise and fall based
103 on that meeting. He presented 25-year and 30-year bond charts. He explained the
104 difference between par bonds and premium bonds, and who are issuing each type.
105 He noted that premium bonds are the best right now because when market interest
106 rates go up, the interest for these types of bonds do not. With par bonds, when rates
107 go up or down, so do the bonds. Par bonds are used when interest rates are high
108 and premium bonds are used when interest rates are low. He discussed different
109 options for excess revenues generated each year after the bonds could be called in
110 10 years.

111
112 Director Linvill made the point that when there is excess revenues, the Board could
113 opt to pay the bonds off after the 10-year call option. She also wanted to make sure
114 that staff tracks expenses carefully, and manages the District funds well. Bud Levine
115 noted that the trustee would be managing the funds, which included paying off all
116 project invoices approved by MPWD. So staff would not be handling any of the
117 funds. President Zucca noted that he does not want to reduce the reserves. The
118 rate stabilization fund was discussed and how to use that with the debt financing.
119 There was discussion about how the underwriter would be selected.

120
121 Bud Levine discussed other similar bond issuances with other Districts and
122 discussed different scenarios. The examples used showed that premium bonds are
123 desired for investors right now. He then went over the proposed calendar and all the
124 steps needed to accomplish the bond issue. There was clarification on how to pick
125 the trustee bank. It was decided the proposed resolution was premature, and it
126 would be brought back at a later date for consideration when it was more
127 appropriate.

128
129 President Zucca clarified with Directors that the MPWD board is moving toward debt
130 financing for its approved 5-Year CIP.

131
132 **3. Receive Updated CIP Information Summary & FAQs**

133 General Manager Rudock pointed out that the document was updated and the
134 sections were highlighted in yellow. A section was created on the MPWD's website
135 for the 5-Year CIP documents, including the summary.

136
137 **B. Receive Summary Presentation on 2015 MPWD GASB 45 (OPEB – Other Post-
138 Employment Benefits) Actuarial Valuation Report**

139 General Manager Rudock presented the 2015 GASB 45 Actuarial Valuation Report
140 prepared by Demsey Filliger & Associates. She highlighted the section on Differences
141 from Prior Valuation, which reflected significant changes in the MPWD's Accrued
142 Liability. She noted the surviving spouse benefit for the Tier 1 employees added an
143 increased cost to the MPWD. It had inadvertently been left out of the 2012 actuarial
144 valuation. It increased the cost to the MPWD by \$30,000 per year, for a total of
145 \$600,000 over the next 20 years. She highlighted the Sample Funding Schedules and
146 reported that the MPWD would be using the Constant Percentage Increase model,
147 particularly since that recommended funding contribution fit within the FY 2016/2017
148 Operating Budget.

149
150 **C. Discuss Options Regarding Compliance with Senate Bill 415 and Requirement for
151 District Elections To Be Held On Statewide Election Dates**

152 General Manager Rudock reported that the Belmont City Clerk had reached out and
153 inquired about the MPWD's position on moving its elections to even-numbered years.
154 The Board had a preliminary discussion about this last year. District Counsel Cassman
155 explained that SB145 passed, which consolidates elections to occur on even years
156 instead of odd years. This will allow for District elections to combine with state wide
157 elections for the purposes of encouraging higher voter turnout, and also reduce costs for
158 running elections due to economies of scale. The decision needs to be made by 2018,
159 but can be put off until 2022 if there is a viable reason for the delay. Director Vella would
160 like to make sure this decision is made when all board members are present since it
161 would impact each Director.
162

163 **D. Consider Resolution 2016-13 Rescinding Stage 2 and Authorizing Stage 1 Water**
164 **Shortage Response of MPWD Water Shortage Contingency Plan**

165 General Manager Rudock summarized the resolution, stating that the MPWD should
166 formally move from Stage 2 to Stage 1 of its WSCP. The SFPUC requested a 10%
167 voluntary reduction in water use from its wholesale customers beginning July 1, 2016.
168 The SFPUC's Regional Water System analysis recently completed in response to the
169 State's request for agency conservation self-certification reflected a stable water supply
170 over the next three (3) years.
171

172 General Manager Rudock stated that the move to Stage 1 would include, however,
173 continued prohibitions from the state requiring the MPWD maintain some of its Stage 2
174 requirements in place. These requirements are included in MPWD's Water Shortage
175 Contingency Plan so the message is consistent.
176

177 Director Stuebing moved to approve Resolution 2016-13 Rescinding Stage 2 and
178 Authorizing Stage 1 Water Shortage Response of MPWD Water Shortage Contingency
179 Plan, Director Linvill seconded. Roll call was taken and it was unanimously approved.
180

181 **8. MANAGER AND BOARD REPORTS**

182 **A. General Manager's Report**

- 183 ■ Negotiations with the MPWD Employees Association have ended, the Personnel
184 Manual has been completed, and District Counsel has finalized its review of the
185 document. Two meetings were held with the Board's ad hoc committee to
186 discuss the Manual during its draft stages. The final draft of the Manual is now
187 with the typesetter and will be presented for the Board's consideration at the
188 September board meeting.
- 189 ■ Highlighting the water conservation report, we again had a water savings of 23%
190 in July. Jeanette Kalabolas' quarterly report was attached.
191

192 **1. Supplemented by Administrative Services Manager's Report**

193 In the Administrative Services Manager Pina absence, General Manager Rudock
194 highlighted the following:

- 195 ■ The high balance in cash for August was because the SFPUC water bill was
196 being paid the following week which was over \$400,000.
- 197 ■ Staff has been trained on filling in a template invoice form which helps to
198 streamline Accounts Payable. Staff is doing a good job with this new
199 process.
200

201 **2. Supplemented by Operations Manager's Report**

202 Operations Manager Ramirez highlighted the following:

- Three of the MPWD's vehicles now have the new graphics. We have had positive feedback from the staff and community members.
- In July, we received from the City of Belmont's their 65% completed sewer rehabilitation plan, which included needed work at 47 locations. Staff gave them feedback as it related to MPWD on their plans, which they fully accepted. So MPWD will be moving some of its priorities around to coordinate the work in certain areas to take advantage of economies of scale.

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

District Engineer Pakpour reported that the Alameda de las Pulgas water main replacement project is wrapping up. The water main is in service, and school has started. All that is left to do is slurry seal the road, which will be completed next week. The quality of work was good; the contractor was okay to work with. Change orders are currently at 1.7%. There are negotiations around the tie-ins, which were not considered by the contractor when formulating their bid. The contractor was off the streets each day during the project by 4:00PM for the most part. A few times they were off the street late due to unforeseen complications. Michael Anderson, MPWD's Inspector, did not have any problems with the contractor while at the site. He felt he received great experience being the inspector on this job. Most items were resolved in the field.

B. Financial Reports

General Manager Rudock summarized the financials. Director Linvill asked that Gross Profit be removed from the last financial report and also that Other Expense be changed to Depreciation.

C. Director Reports

Director Stuebing attended the CSDA meeting. The recent San Mateo County Grand Jury report on local sanitation districts included Westborough Water District, which the Grand Jury concluded should be absorbed into South City. The featured presentation was made by Hilary Papendick on the rising sea levels. They are attributing the rising sea level to weather, and what is referred to as King Tides, which is happening more often. An assessment is to be completed in the fall on this issue. The estimated financial impact is \$24 billion.

President Zucca discussed the Puerto Rico drought, noting they experienced their driest year on record with no hurricanes. The country was out of water every ^{fourth} day. They found they have a 60% physical water loss, which they cannot account for.

Director Linvill noted that a colleague sits on a board where they reviewed a loan request for a ski resort and golf course in Montana. Since this state is experiencing a drought, it made it difficult to approve such development. She then said California is not the only place in the world experiencing the drought. It is worldwide. District Treasurer Ira added that the snow pack is reducing, and there are very large floods now.

Director Vella asked that we keep our eyes on the "Restore Hetch Hetchy" group. They are using misinformation to get their points across in litigation against the SFPUC and BAWSCA regarding water supply.

9. **FUTURE AGENDA BUSINESS ITEMS**

None.

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10. COMMUNICATIONS

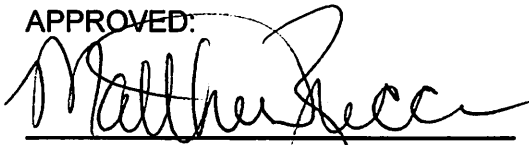
General Manager Rudock noted that our liability insurance now includes cyber insurance at no additional cost to the District.

11. ADJOURNMENT

Director Stuebing moved to adjourn at 9:18PM, Director Linvill seconded, and it was unanimously approved.



DISTRICT SECRETARY

APPROVED:


BOARD PRESIDENT