

**MINUTES OF THE REGULAR MEETING  
OF THE  
BOARD OF DIRECTORS**

**Thursday, April 11, 2024**

The meeting was called to order at 7:30 p.m.

**1. ROLL CALL:**

Directors Present: Don Amuzie  
Perry Bautista  
Janet Medina  
Julie Richards  
Tom Chambers

Staff Present: Michael Conneran, Attorney  
Wendy Bellinger, Office Supervisor  
Patricia Mairena, General Manager  
Joubin Pakpour, Pakpour Engineer

Visitors Present: Catherine Tseng - L&T Consultants  
Patrick Sumner – NSMCSD - City of Daly City

**2. PLEDGE OF ALLEGIANCE:** Led by Director Medina.

**3. CONSENT CALENDAR:**

President Chambers asked the Board if there were any questions or comments with the Consent Calendar; otherwise, he asked if there was a motion to approve.

Director Medina moved to approve the Consent Calendar as written, seconded by Director Richards.

The motion was carried unanimously.

**4. PUBLIC COMMENT:** None

**5. BUSINESS (OLD):** None

**6. BUSINESS (NEW):**

Without objection, President Chambers moved item 6.B to be discussed first.

**B. Review/Approve Proposal for the Installation of Replacement Controllers for the Rowntree Pump Station.**

General Manger Mairena gave a recap to the Board of the incident that occurred on February 5, 2024, in which the pump station lost PG&E power, and since the generator did not kick in, the wastewater from the wet well had overflowed onto the roof, seeping through the conduits, causing damage to the electrical controllers for the pump station. General Manager Mairena pointed out that the two quotes on the board packet were for the replacement of the controllers. General Manager Mairena pointed out that Pat Sumner from the Sanitation District was present to review the two quotes from Telstar and Calcon.

Pat Sumner indicated that he was present to answer any questions the Board had and that both quotes would get the job done. Mr. Sumner stated that Daly City has been upgrading their stations using Calcon, so that all the computer screens from that vendor would look the same, making it easier to train staff and avoiding issues. Mr. Sumner also stated that his job had been to get quotes that were as comparable as possible. Mr. Sumner pointed out that Daly City was also upgrading their SCADA system and that the District had already invested in upgrading the Avalon Lift Station's cabinet. Mr. Sumner mentioned that Calcon was a very responsive company with robust resources and that if the District selected Calcon, the cabinet would look like Avalon's, and if Telstar did the job, the cabinet would look somewhat different.

General Manager Mairena asked Mr. Sumner what would eventually happen with the SCADA system if Telstar was to do the job. Mr. Sumner replied that it would still work, but it may look different than what their other lift stations display on their smartphones.

There was a discussion comparing the two quotes. Attorney Conneran pointed out that the proposal from Telstar did not include prevailing wages. General Manager Mairena replied that she had requested that Telstar revise their quote to include it, but at the end, the document that they resubmitted still showed that it was not a prevailing wage project.

President Chambers asked General Manager Mairena what her preference was. General Manger Mairena replied that she would prefer for all the lift stations to be compatible with the new system that Daly City would be rolling out, as that would avoid response time issues which had been one of the contributing factors that caused the overflow. There was a dialog about the auto dialers, landlines, and cellular services.

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Attorney Conneran stated that Telstar was not being responsive if they had been asked to include prevailing wages in their quote and they had not.

Director Medina commented that since Telstar had been an unresponsive bidder and the District will not have the same type of system Sanitation was looking for, it would make sense to go with the bid from Calcon.

Director Medina moved to approve the proposal from Calcon System for the Installation of Replacement Controllers for the Rowntree Pump Station in the amount of \$68,365 plus a roughly 10% contingency, seconded by Director Bautista.

The motion was carried unanimously.

The Board thanked Patrick Sumner.

**A. Consider Updated Recommendations from Rate Study, Select Rate Options and Vote to Proceed with Proposition 218 Process.**

General Manager Mairena shared the consultant's presentation.

President Chambers asked that for the next meeting, a motion be introduced to approve the General & Administrative expenses split ratio between the water and the sewer enterprises in order to make it official for the accountant. Attorney Conneran replied that the table could be attached to a resolution to make it easier for adoption. Catherine Tseng, the District's consultant from L&T for the Rate Study commented that the split ratio was stated on Table 4, pages 7 to 9. President Chambers asked that we also add Miscellaneous Operations to it.

President Chambers stated that the other resolution he would like to see at the next meeting is on reserves. Ms. Tseng stated that their recommendation for the Operations Reserve target was 25% of the Operating Revenues, which was the industry standard, and it equated to four months of operations, the time it would take to raise rates if needed. Ms. Tseng also stated that they were also recommending a Capital Reserve, since the District did not have one, and that was based on the annual depreciation rounded to \$400,000, and split evenly between the two enterprises. President Chambers also stated that it should be based on last year's audited depreciation.

Ms. Tseng proceeded with her presentation to the Board and gave an overview of the District never completing a comprehensive Rate Study and the need for the District to fund capital projects. Ms. Tseng noted that the proposed annual CIP for water was \$2.5M and \$1M

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for sewer, beginning in year two. Ms. Tseng pointed out that the Rate Study covers a 5-year period, and the District could adopt rates for up to five years, with the first rate increase being effective July 1, 2024. Ms. Tseng reviewed the reasons for raising rates: to meet operating and maintenance costs, to fund capital improvements, for debt service coverage, to maintain reserve funds for emergencies, to eliminate operating deficit, and to retain a positive credit rating to obtain debt financing. Engineer Pakpour commented that in addition to reinvesting in the system, we are also investing in the infrastructure for future generations.

Ms. Tseng reviewed the following proposed water and sewer fund objectives:

- Meet operating fund reserves target of 25% of O&M expenses and capital fund reserves target of \$200,000 or 50% of depreciation. Ms. Tseng stated that per President Chambers' recommendation, the depreciation from the audited financial statements will be used.
- Meet debt service coverage of 1.25x (net operating revenue/total annual debt service).
- Maintain positive net operating revenues.

Ms. Tseng also reviewed the direction that was provided by the Board at the March 14<sup>th</sup> meeting:

- Allocate 1/3 of the General Manager's salary and benefits to sewer.
- Allocate all other remaining G&A expenses 70% to water and 30% to sewer.
- Water scenario 1: \$2.5M in CIP projects with debt in year 2.
- Sewer scenario 2: \$1m in CIP projects with debt in year 2.

Ms. Tseng pointed out that the goal was to get the District on a pay-as-you-go CIP program, but for now, the District needed additional funding.

Ms. Tseng reviewed the current combined reserves and explained that in order to avoid a higher rate increase, they proposed that the sewer fund lend the water fund \$800,000 to be repaid over a period of 8 years; hence, the starting balances would be: \$1,000,000 water and \$2,347,102 sewer.

Ms. Tseng reviewed a list of the G&A expenses that will be split between the water and sewer funds and that beginning in 2024/25:

- In total, approximately 83% of total G&A expenses are assigned to the Water Fund and 17% are allocated to the Sewer Fund.

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- The General Manager's salary and benefits are allocated 66.7% to the Water Fund and 33.3% to the Sewer Fund.
- Unless the expense is 100% allocated to the Water Fund, the split for all other G&A expenses is 70% to the Water Fund and 30% to the Sewer Fund.
- For G&A revenues, 30% of Misc. Operations (42345) and Taxes & Assessments (49300) are allocated to the Sewer Fund. All other G&A revenues are assigned 100% to the Water Fund.

Ms. Tseng proceeded to review the District's current water rates and the current revenue recovery, which is 31% fixed and 69% variable.

Ms. Tseng reviewed the District's water consumption for the past five years and how it had dropped to 320,000 CCF due to the last drought, and that they were projecting that low consumption would remain for several years, as customers were in the habit of conserving water, so going forward, they would use that figure as the District's consumption.

Ms. Tseng also reviewed a chart of the number of District class accounts by meter size. She mentioned that since 2013/14, the SFPUC wholesale rates have increased from \$2.45 per CCF to \$5.21 per CCF, equating to a 113% increase with an estimated 6.5% increase for 2024/25, which the District had no control over. Ms. Tseng stated that water purchases are estimated to increase by 24.0% over the next five years based on the projections provided by the SFPUC on their February 5, 2024, draft report.

Ms. Tseng displayed the water fund income for the past years showing a couple of years the District went in the red. She reviewed a list of the District's expenses and their five-year projections including their escalation factors and a chart of the projected total water expenses.

Ms. Tseng reviewed slides of the proposed water fund reserves of \$1M, including the \$800,000 sewer fund loan to be repaid over a period of 8 years thru 2031/32.

Ms. Tseng also reviewed the proposed water debt assumptions of \$1.25M per year. She stated that the total debt = \$6.25M over 5 years (2025/26 through 2029/30) and the first loan would be in year 2 (2025/26) with a \$137,000 annual payment at 7% for 15 years, based on preliminary information General Manager Mairena received from the District's bank.

Ms. Tseng stated that they are proposing two water rate structure changes:

1. Fixed Vs. Variable Revenue Recovery  
Current Allocation: 31% Fixed and 69% Variable

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Proposed Allocation: 35% Fixed and 65% Variable

2. Update Meter Capacity Ratios  
Use American Water Works Association (AWWA) recommended meter capacity ratios. Each meter size will be charged based on their proportional impact on the system.

Ms. Tseng reviewed current and proposed meter ratios and rates with the larger meters having a larger impact on the system; hence, higher increases. Engineer Pakpour explained that this was industry standard and defensible, and that once the Board approved this, the District may want to reach out to the few customers affected the most to review their meter size and their needs. General Manager Mairena mentioned that the 8" meter serviced 150 units, so the per unit cost would only be \$23.47, which was lower than the \$44.00 being charged to the 5/8" meter accounts. Engineer Pakpour commented that the justification was that the 8" meter could get 80 times more water flow than the 5/8" meter. Attorney Conneran commented that the narrative would be that this is a more fair allocation.

Ms. Tseng reviewed the Water Scenario 1 with proposed increases of: 19% for 2024/25, and subsequent 8% increases for the following four years. Ms. Tseng reviewed the average bi-monthly bill amounts (based on 10 CCF) for the next five years.

Ms. Tseng displayed the proposed water rates based by meter size. Attorney Conneran asked if these rates had the SFPUC increases built in. Ms. Tseng replied they had made a 6% increase assumption and if the increase was to be higher, Prop. 218 would allow for a pass through. Attorney Conneran also asked if the District could adjust the rates lower if the SFPUC's increase was to be lower; Ms. Tseng confirmed that would be the case. Engineer Pakpour commented that every year, the Board would have an opportunity to decide if they wanted to approve the 8% increase or if they wanted to do something lower. Ms. Tseng affirmed that if the SFPUC increase was higher, then the District would need to issue a Prop. 218 notice showing the new calculations.

Ms. Tseng showed samples of water bill impacts. She indicated that during the first year, customers with lower usage tended to see the highest increase due to the increase in the fixed portion. Engineer Pakpour stated that what needs to be explained to these customers is that the District needs to improve the system so that when they open the faucet, or when the fire hydrant in front of their house is needed, or after an earthquake, there is water flowing, and no matter if the usage is 1 unit or 10 units, the pipe still needs to function.

Ms. Tseng displayed a survey of neighboring agencies showing single family residential

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bimonthly water bills based on 10 CCF. She pointed out where the District currently stood vs. where the District will be standing after the increases and that most of the other agencies were currently working on also increasing their rates. Ms. Tseng also discussed another survey showing the average bimonthly water bills based on each agency's average water consumption.

Ms. Tseng concluded that this was a good time to ask any questions. President Chambers asked if the \$137,000 debt service was fully amortized; Ms. Tseng confirmed debt service is to be amortized.

Ms. Tseng then proceeded with presenting the current sewer rates and how the charges were based. She stated that for their projections, they had used a 10% increase by the North San Mateo County Sanitation District - Daly City, which is what they had increased for the last couple of years. Engineer Pakpour asked Attorney Conneran if the sewer increase could be treated the same way as the SFPUC's for the purposes of pass through. Ms. Tseng was under the assumption that only water increase could be passed through, but a resolution could have been passed changing that.

Ms. Tseng reviewed the District's flow, which was based on the January – February consumption. She stated the District had 3,813 sewer accounts billed thru the tax rolls and 18 multi-family accounts billed bi-monthly.

Ms. Tseng showed a chart with the District's revenue and expenses for the past five years. She stated that going forward, they are proposing that 30% of the property tax revenue be allocated to the sewer fund, and there might be other revenues, like interest, that will be allocated to the sewer fund.

Ms. Tseng reviewed the sewer reserves with a starting fund of \$2,347,102, and the proposal to lend \$800,000 to the water fund to be repaid in 8 years through 2031/32.

Ms. Tseng proceeded to talk about the sewer operating expenses and their escalation factor.

Ms. Tseng also reviewed the proposed sewer debt assumptions of \$0.5M per year. She stated that the total debt = \$2.5M over 5 years (2025/26 through 2029/30) and the first loan would be in year 2 (2025/26) with a \$55,000 annual payment at 7% for 15 years.

Ms. Tseng displayed the projected total sewer expenses and commented on them.

Ms. Tseng reviewed the Sewer Scenario 2 with proposed increases of: 10% for 2024/25,

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as well as for the subsequent four years. President Chambers questioned the 8% that showed on the board packet for 2024/25. Ms. Tseng confirmed that 10% was the correct percentage.

Ms. Tseng displayed a chart with the proposed sewer rates for the next five years, showing a 10% increase for each year, except for the first year, which she stated should be 10% and not 8%. Ms. Tseng showed samples of water bill impacts.

Ms. Tseng displayed a survey of neighboring agencies showing single family residential bimonthly sewer bills based on 10 CCF. She pointed out where the District currently stood vs. where the District will be standing after the increases. Ms. Tseng also displayed a chart showing combined water and sewer bills for these agencies. President Chambers asked if the District should be consistent and also show a chart with average usage for all agencies for the Prop. 218 notice. Ms. Tseng replied that she did not think it was necessary, since the District did not bill the same way.

Ms. Tseng presented the next steps in the process:

<u>Date</u>	<u>Action</u>
May 2, 2024	Present final recommendations to Board; Board selects rate option and votes to proceed with Prop. 218 process.
May 23, 2024	Mail out Prop. 218 Notices (50 days prior to hearing).
July 12, 2024	Prop. 218 Hearing.
July 1, 2024	First rate increase goes into effect (Customers will see increase in September bills).

Ms. Tseng stated that the Board did not need to make any decisions tonight, but they would have to decide a rate option and vote to proceed with the Prop. 218 process by the next board meeting, so that the notices could be mailed out by May 23<sup>rd</sup> in time for the July 12<sup>th</sup> public hearing. Engineer Pakpour commented that today's agenda allowed the Board to make a decision tonight as the sooner it was done, would be better for staff.

President Chambers commented he was not ready to vote yet, as he would like to see the proposed increase from Daly City and also, that the numbers from San Francisco were approved. There was a brief discussion about Prop. 218. Attorney Conneran concluded that it would be best to wait until next month for approval and that the Board could provide general directions so that staff could start lining up everything.

Ms. Tseng mentioned that she wanted to clarify that in the sewer revenue pages, the increase was in fact 10%, but the increase the customers would see would only be 8%, so she



wanted to show how that was calculated.

President Chambers suggested a motion be made to approve the scenarios presented by L&T so that Ms. Tseng can start working on the Prop. 218 notice, subject to additional information from the SFPUC or the Sanitation District, and if additional information was received, she could incorporate it.

Director Bautista made the above stated motion, seconded by Director Medina.

The motion was carried unanimously.

Ms. Tseng confirmed that the mailing of the Prop. 218 notice would still need approval by the May 2<sup>nd</sup> board meeting.

**C. LAFCo Special District Regular Member Election 2024: Submit Written Nominations for the Regular LAFCo Member and Authorization to Transmit the LAFCo Special District Member Ballot by Electronic Mail.**

General Manager Mairena reviewed the email she had received on the LAFCo Special Districts Election. General Manager Mairena stated that just as in years past, there were two things being asked of the District: nominations and a signed Authorization to Transmit the LAFCo Special District Member Ballot by Electronic Mail. General Manager Mairena confirmed that this needed to be done no later than 5:00 pm on May 6, 2024, via mail, fax, or email.

Director Amuzie moved to Authorize President Chambers to Transmit the LAFCo Special District Member Ballot by Electronic Mail, seconded by Director Medina.

The motion was carried unanimously.

**7. WRITTEN COMMUNICATIONS:**

**A. Letter to SFPUC Regarding the Westborough Water District's Concerns with the SFPUC FY 2024-25 Wholesale Water Fixed Charge Study.**

General Manager Mairena explained to the Board that BAWSCA had requested this letter be sent by the water management representatives to the SFPUC, as they did not agree with the way San Francisco was allocating this type of increase among the agencies and also, it was not in alignment with the Water Supply Agreement.

President Chambers commented on the study done by San Francisco and the fact that they were already recovering their costs through the balancing account. President Chambers pointed out that the smaller meters were the most affected. General Manager Mairena stated that at the last Water Management Representatives meeting, BAWSCA had reported that San Francisco had been pretty receptive to the comments received, so hopefully, they would not move forward with the increases until they had a chance to re-assess everything.

**8. ATTORNEY'S REPORT:**

Attorney Conneran reported that he had found the statute that allows for a sewer pass through, and it would be a matter of how the Prop. 218 notice was written.

**9. GENERAL MANAGER'S REPORT:**

**A. Engineer's Report (Pakpour).**

Engineer Pakpour commented on the two projects that are currently on design. Engineer Pakpour mentioned that the Skyline Tank No. 3 project is 90% designed and the plan was to go out to bid on May 3<sup>rd</sup> and come back to the Board with a recommendation to award the project at the June 13<sup>th</sup> meeting.

Engineer Pakpour also commented on the small stretch of sewer pipe on Greendale Drive, which is 75% designed, but after talks with the City of Daly City, the urgency seems to have subsided due to mitigation steps they have taken on that sewer line. Engineer Pakpour mentioned that after talks with General Manager Mairena and Daly City, it was decided to put the project on hold until next year's approval of capital expenditures, and also package it with another larger project making it more cost effective when the project goes out to bid.

Engineer Pakpour described the work being done for the Skyline Tank No. 3 project, which included putting foundation around the tank, re-doing the roof making it seismically efficient, and re-painting the interior of the tank. He noted that the reason for the delay in going out to bid was that additional analysis needed to be done by the structural engineer, and fine tune the piling being used around the tank. Engineer Pakpour mentioned that there should be some savings with less piling being used, but the project was delayed.

President Chambers asked about a 5-year CIP plan and Skyline Tank No. 2. Engineer Pakpour replied that now that the Board had approved a \$2.5M plan, he would draft the 5-year CIP plan and present it to the Board at the next meeting. Engineer Pakpour mentioned that Skyline Tank No. 2 will be on design next year and will be built the following year. Engineer

Pakpour stated that he will work with General Manager Mairena and Staff to put together the 5-year CIP which will be presented to the Board in May.

**B. Report on District's Water Conservation for March 2024.**

General Manager Mairena displayed the comparison chart, and she reported that water consumption for March 2024 had gone down in comparison to last month's consumption, even after the January-February measurement period.

**C. Update on Consideration of Request for Billing Adjustment from Customer G. Young – 169 Valleyview Way.**

General Manager Mairena recalled to the Board that Customer Young had requested additional adjustment due to high usage, and the Board had denied it, but had approved for the balance to be amortized but due to non-payment, his service was shut off for at least a month. General Manager Mairena stated that the District had received a request to start new service from someone that appeared to be his spouse, so she had instructed staff to enforce the policy that only the homeowner could sign up for service after a delinquent tenant had left with an overdue balance. General Manager Mairena reported that Customer Young went ahead and signed the amortization for the approved amount, paid the remaining overdue balance, and his first monthly payment will be due on May 15, 2024.

**D. Additional Item: Update on JPIA's Settlement for the Callan Boulevard Incident.**

General Manager Mairena reported that she had received a phone call from JPIA earlier today, informing her that they will be settling the claim from OnSite the restoration of the street and for their losses. Attorney Conneran commented that it was a liability that we had and JPIA was paying for losses by a third party, which was a good chunk, and we will come back in May to the Board to talk about what to do with the remaining expenses, as the District is not covered for our losses, which included work done by SF Underground for repairs, materials, and staff time.

**10. ITEMS FROM BOARD OF DIRECTORS:**

**A. Report on BAWSCA Meeting of March 21, 2024 (Chambers).**

President Chambers reviewed his report on the BAWSCA meeting. President Chambers commented on the 2021-23 Drought Report and the proposed assessment increase of 3% or 5%.

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11. **CLOSED SESSION:** None

12. **ADJOURNMENT:**

Without objection, President Chambers adjourned the meeting.  
Time 9:23 p.m.



Secretary



President

05-02-2024

Date