NORTH SAN MATEO COUNTY SANITATION DISTRICT

a subsidiary of the City of Daly City

333 – 90TH STREET, DALY CITY, CALIFORNIA 94015-1895

(650) 991-8127

SPECIAL MEETING – BOARD OF DIRECTORS

Tuesday, November 13, 2018 - 7:30 PM
City Hall Council Chambers – 2nd Floor
333 – 90th Street, Daly City, CA 94015

AGENDA

Persons with disabilities who require auxiliary aids or services in attending or participating in this meeting should call the office of the City Clerk at 991-8078. *We will need **FIVE (5) WORKING DAYS BEFORE ANY FUTURE MEETINGS** to make any necessary accommodations.*

CALL TO ORDER:

ROLL CALL:

APPROVAL OF AGENDA:

CONSENT AGENDA

All items listed on the Consent Agenda are considered to be routine and may be approved by one roll call vote of the Board of Directors. There shall be no separate discussion of the matters on the Consent Agenda unless requested by a member of the Board. If discussion is required, that item will be removed from the Consent Agenda and will be considered separately at the end of the Agenda.

Minutes:

1. Regular Meeting of 10/22/18

Action Items:

2. Cooperative Loan Funding Agreement Between City of Daly City and the North San Mateo County Sanitation District

END OF CONSENT AGENDA

"AVAILABILITY OF PUBLIC RECORDS. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the City Clerk's Office, City Hall located at 333 90th Street, Daly City, CA during normal business hours, at the same time that the public records are distributed or made available to the legislative body."

PUBLIC APPEARANCES/ORAL COMMUNICATIONS:

NOTE: Speakers are limited to two minutes, unless modified by the Chair. The District cannot take action on any matter raised under this item.

REPORTS:

3. Board of Directors

4. Staff

ADJOURNMENT:

REGULAR MEETING - BOARD OF DIRECTORS

MINUTES

October 22, 2018

The Board of Directors of the North San Mateo County Sanitation District convened in a Regular Meeting on October 22, 2018, in the City Council Chamber, City Hall, 333 - 90th Street, Daly City, California.

The meeting was called to order by Chairman Juslyn Manalo at 6:46 p.m.

ROLL CALL:

Present: Christensen, Guingona, Sylvester, Buenaventura, Manalo
Absent:

Staff Present: Interim General Manager Shawnna Maltbie, District Counsel Rose Zimmerman, Director of Water and Wastewater Resources Thomas Piccolotti, Chief of Operations Greg Krauss, Plant and Equipment Maintenance Manager Joshua Cosgrove, Utility Billing Supervisor Anthony Tofiga, and Office Assistant II Gillian Chow as Recording Secretary.

APPROVAL OF AGENDA:

Motion was made, seconded (Buenaventura, Guingona/Christensen) and unanimously approved.

CONSENT AGENDA:

1. **Minutes of Regular Meeting of September 24, 2018**
2. **Sewer Service Charge Appeals – FY 2018/19**
3. **Approval of Change Order #5 of Existing Professional Services Agreement with Carollo Engineers to Perform an Economic Analysis of the Proposed Expanded Tertiary Recycled Water Facility**

Motion was made, seconded (Buenaventura/Sylvester) and unanimously carried to adopt the Consent Agenda.

NEW BUSINESS:

4. **Vista Grande Drainage Basin Improvement Project – 90% Design Presentation (McMillen Jacobs Associates)**

McMillen Jacobs Associates and Brown and Caldwell did a presentation on the 90% Design for the project. The presentation included an overview of the progress, objectives, changes, major stakeholders and schedule. Director of Water and Wastewater Resources Thomas Piccolotti noted that staff and consultants are currently analyzing the benefit of the project to each of the stakeholders within the basin.

5. **Approval of Change Order #2 to Existing Professional Services Agreement with McMillen Jacobs Associates to Complete 90% Design for the Vista Grande Drainage Basin Improvement Project**

Director of Water and Wastewater Resources Thomas Piccolotti recommended that the Board authorize the execution of Change Order #2 in the amount of $189,473 to the existing Professional Services Agreement with McMillen Jacobs Associates of Walnut Creek, CA. This is to address the increased scope of work to complete 90% design of the Vista Grande Drainage Basin Improvement Project. The engineering design team of the

McMillen Jacobs Associates and Brown and Caldwell has worked through a number of design changes incorporated from design review comments from Daly City staff that took place during the 60% design package. Incorporation of those design changes led to an additional 870 hours above the original 90% design effort. In addition to project management, consultant staff incorporated new design costs estimates, constructability and risk analysis and support to city staff. There is sufficient funding from Sanitation District Fund Balance to cover the additional costs as provided by the consultant team bringing the total 90% design contract cost to $3,178,373.

Motion was made, seconded (Christensen/Buenaventura) and unanimously carried to adopt the Resolution 18-SD-08 for "Approval of Change Order #2 to Existing Professional Services Agreement with McMillen Jacobs Associates to Complete 90% Design for the Vista Grande Drainage Basin Improvement Project".

REPORTS:

6. **Board of Directors**

   None.

7. **Staff**

   None

ADJOURNMENT:

At 7:15 p.m., call of adjournment of Regular Meeting by Chairman Juslyn Manalo.

Item # 2

Agenda Report

North San Mateo County Sanitation District

a subsidiary of the City of Daly City

Meeting Date: November 13, 2018

Subject: Cooperative Loan Funding Agreement Between City of Daly City and the North San Mateo Sanitation District

Recommended Action

The recommended action is for the Board of Directors is to Approve the Cooperative Loan Funding Agreement ("Cooperative Agreement"), as attached in Exhibit "A" between the City of Daly City and North San Mateo Sanitation District and authorize the Interim General Manager to execute the Cooperative Agreement.

Background

In 2016 at the beginning of a three-year Water Fund Rate Structure, staff identified a budget deficit of over $3 million in the Water Fund from Fiscal Year 2015/16. As a result, it was necessary for DWWR to defer capital projects and to cut operations to make up the deficit. In Fiscal Years 2016/17 and 2017/18, the deficit continued at $1.7 and $1.7 million respectively, and DWWR was again required to defer capital projects and reduce overall operating expenditures. Another significant impact of this continued deficit is a decrease in the debt service coverage ratio which could impact the bond rating of the Water Fund and lead to an increase in borrowing costs.

In 2017, staff engaged HF&H Consultants to perform a rate study of the Water Fund. HF&H's objectives were to identify the reasons for the deficit, provide analysis and recommendations to sustain the Water Fund, and develop a five-year Water Rate Structure.

HF&H consultants recommended through the public hearing scheduled November 13, 2018, that the City Council through implement a new water rate structure effective January 1, 2019 and adjusting water rates six and one half percent (6.5%) effective January 1, 2019; nine and one half percent (9.5%) effective July 1, 2019; nine and one half percent (9.5%) effective July 1, 2020; nine and one half percent (9.5%) effective July 1, 2021; and nine and one half percent (9.5%) effective July 1, 2022.

Discussion

Attached as Exhibit "A" is the draft of the Cooperative Agreement between the North San Mateo Sanitation District and the City of Daly City. The purpose of the loan is to provide funds to be used to maintain water utility capital and required operating fund reserves, as well as to fund a specified list of water capital improvement projects, or similar projects listed in the City's Capital Improvement Program ("CIP"). A summary of key terms on the Cooperative Agreement are as follows:

- LOAN: The District agrees to loan to the City an amount not to exceed $5,000,000 (Loan) from Sanitation Reserve Fund 87 payable to the City on or before June 30, 2023.

- PURPOSE: The City may use the Loan for any of the following purposes: (i) maintain water utility operating fund or capital fund reserve balances in compliance with City policy; or (ii) fund water utility capital improvement or maintenance projects or included in the City's then-current Capital Improvement Plan.

- TERM/INTEREST: The City agrees to repay the Loan, and all accrued interest on or before June 30, 2023. At the end of each fiscal year, the unpaid balance of the Loan accrues interest at the most-recent quarterly interest rate published by the California State Treasurer's Office for the Local Agency Investment Fund ("LAIF Rate").

- REPAYMENT SCHEDULE: The City will make good faith efforts to make payments, including accrued interest beginning on July 1, 2021.

The City Council's authorization to execute the Cooperative agreement is contingent on the City Council's approval of the proposed the proposed Water Rate Structure and recommended options for water rate adjustments. An important part of the proposed Water Rate Structure includes a Cooperative Agreement between Fund 87 for Sanitation and the Fund 41 for water that will help to stabilize the reserves and re-start the capital program that was suspended due to the fund shortfall.

Fiscal Impact

The Cooperative Agreement is necessary to assure adequate funds for operations, system maintenance, and a reasonable level of cash reserves to sustain the Water Fund and development of a five-year Water Rate Structure.

Recommendation

Staff recommends that the Board of Directors authorize the General Manager to execute the Cooperative Agreement. Staff is available to answer questions as requested by the Chair and Board of Directors.

Respectfully submitted,

Rose Zimmerman
General Counsel

Tom Piccolotti
Director of Water and Wastewater Resources

Attachment: Exhibit "A", Draft Cooperative Loan Funding Agreement

Exhibit "A"

COOPERATIVE LOAN FUNDING AGREEMENT BETWEEN THE CITY OF DALY CITY AND THE NORTH SAN MATEO SANITATION DISTRICT

This Agreement is entered into on the ____ day of _____, 2018 by and between the City of Daly City (City) and the North San Mateo Sanitation District (District), both California public agencies (each a Party; and collectively, Parties).

RECITALS

WHEREAS, the City requires additional funds to accomplish deferred water utility capital improvement projects, and to ensure that its Water Utility Capital Reserve Fund and Water Utility Operating Reserve Fund are compliant with City policies; and

WHEREAS, the District has sufficient funds in Sanitation District Reserve Fund 87 to loan to the City during the term of this Agreement; and

WHEREAS, the District desires to loan funds to the City, subject to the terms and conditions stated herein; and

WHEREAS, the City intends to repay funds borrowed from the District using charge and fee revenue collected from Water Utility Fund No. 41.

AGREEMENT

Now, therefore, the Parties agree as follows:

1. LOAN: The District agrees to loan to the City an amount not to exceed $5,000,000 (Loan) from Sanitation Reserve Fund 87, or any successor fund, payable to the City upon written request, on or before June 30, 2023.

2. PURPOSE: The City may use the Loan for any of the following purposes: (i) maintain water utility operating fund or capital fund reserve balances in compliance with City policy; or (ii) fund water utility capital improvement or maintenance projects listed in Exhibit A or included in the City's then-current Capital Improvement Plan.

3. TERM: The City agrees to repay the Loan, and all accrued interest as stated in Section 4, on or before June 30, 2023.

4. INTEREST: At the end of each fiscal year, the unpaid balance of the Loan accrues interest at the most-recent quarterly interest rate published by the California State Treasurer's Office for the Local Agency Investment Fund. The unpaid balance includes principal, any accrued interest, and any accrued late fees.

5. REPAYMENT SCHEDULE: The City will make good faith efforts to make quarterly payments beginning on July 1, 2021, each consisting of the sum of (i) 1/8 of the original Loan

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amount; (ii) 1/8 of the interest accrued on or before July 1, 2021; and (iii) all unpaid interest accrued during the previous fiscal year]. A sample payment schedule is set forth in Exhibit B. Payments will apply first to accrued interest, then to principal. The City may pre-pay any amount of principal or interest at any time without penalty.

6. REMEDIES: After June 30, 2023, a late fee of one half of one percent (0.5%) of the unpaid balance accrues at the beginning of each fiscal year for which the Loan, including all accrued interest, remains unpaid The late fee becomes part of the outstanding principal of the Loan.

7. RECORDS: The Parties will retain all digital files, books, documents, papers, accounting records and other evidence pertaining to the Agreement for not less than three years after the expiration or termination of this Agreement. If requested, the Parties' auditors, or any duly authorized representative of the Parties, will have access to the other parties' digital files, books, records, and documents that are pertinent to the Agreement for audits and examinations for a period of three years after the expiration or termination of this Agreement. Timely notice will be provided prior to the conducting of any audit.

8. THIRD PARTIES: This Agreement does not confer any benefits on any third party.

9. ENTIRE AGREEMENT: This Agreement, including exhibits, constitutes the entire agreement between the Parties pertaining to its subject matter and supersedes all prior or contemporaneous agreements, representations and understanding of the parties. This Agreement may not be amended, modified or altered in any respect unless such amendment, modification or alteration has been reduced to writing and executed by both parties. The recitals above are true, correct and made a part of this Agreement. All exhibits are incorporated by reference. In the event of a conflict between the Agreement and any exhibit, the terms of the Agreement prevail.

This Agreement is entered into as of the Effective Date first written above.

NORTH SAN MATEO SANITATION DISTRICT	CITY OF DALY CITY
_____	_____
Shawnna Maltbie, General Manager	Shawnna Maltbie, City Manager
_____	_____
Rose Zimmerman, General Counsel	Rose Zimmerman, City Attorney

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EXHIBIT A

PROJECTS AND FUNDS

Project Description	FY 2018-19 Jul-Dec	FY 2018-19 Jan-Jul	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total Project Cost
701 Plant Improvements	$87,500	$87,500	$200,000	$200,000	$200,000	$200,000	$975,000
710 Groundwater Management Plan	$45,000	$45,000	$0	$0	$0	$0	$90,000
720 Well Rehabilitation	$40,000	$40,000	$80,000	$90,000	$90,000	$100,000	$440,000
767 Westlake Electrical Upgrade	$0	$0	$0	$350,000	$0	$0	$350,000
772 Hydropneumatic Tank Replacements	$0	$0	$0	$60,000	$60,000	$60,000	$180,000
711 Reservoir 8 Coating	$0	$0	$0	$0	$400,000	$0	$400,000
773 Reservoir 3 Rehabilitation	$225,000	$225,000	$1,500,000	$0	$0	$0	$1,950,000
Water System Master Plan	$125,000	$125,000	$0	$0	$0	$0	$250,000
879 Vehicle Upgrades	$0	$0	$40,000	$40,000	$40,000	$40,000	$160,000
Reservoir Fencing	$50,000	$50,000	$100,000	$0	$0	$0	$200,000
Replacement of Vale Well	$0	$0	$0	$0	$0	$550,000	$550,000
Belhaven Court Water Main Rehabilitation	$0	$0	$0	$340,000	$990,000	$0	$1,330,000
San Diego Water Main Replacement	$0	$0	$48,000	$432,000	$0	$0	$480,000
Santa Cruz Water Main Replacement	$0	$0	$55,000	$490,000	$0	$0	$545,000
Guadalupe Water Main Replacement	$0	$0	$10,000	$100,000	$0	$0	$110,000
East Market Water Main Improvements (#782)	$0	$0	$0	$0	$484,800	$0	$484,800
Street Resurfacing Water Mains(617)	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$600,000
600 Block St. Francis	$0	$0	$100,000	$0	$0	$0	$100,000
Utility Billing Software	$162,500	$162,500	$0	$0	$0	$0	$325,000
Total Project Costs	**$835,000**	**$835,000**	**$2,233,000**	**$2,202,000**	**$2,364,800**	**$1,050,000**	**$9,519,800**

*Additional projects may be eligible for funding if the City adds additional water utility capital improvement or maintenance projects to its Capital Improvement Plan.

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EXHIBIT B

SAMPLE PROJECTED PAYMENT SCHEDULE

Date	Interest (Debits)	Payment (Credits)	Total Outstanding Balance
Effective Date	$0.00	$0.00	$5,000,000
6/30/2019	$108,000	$0.00	$5,108,000
6/30/2020	$110,332.80	$0.00	$5,218,333
6/30/2021	$112,714.99	$0.00	$5,331,048
9/30/2021	$0.00	$666,381.10	$4,664,667
12/31/2021	$0.00	$666,381.10	$3,998,286
3/31/2022	$0.00	$666,381.10	$3,331,904
6/30/2022	$71,969.14	$0.00	$3,403,874
6/30/2022	$0.00	$738,350.24	$2,665,523
9/30/2022	$0.00	$666,381.10	$1,999,142
12/31/2022	$0.00	$666,381.10	$1,332,761
3/31/2023	$0.00	$666,381.10	$666,380
6/30/2023	$14,393.81	$680,774.91	$0.00
Totals	$417,411	$5,417,412	

*The actual repayment schedule may vary as stated in the Agreement. The schedule is based upon the following assumptions:

1. The full amount of the Loan ($5,000,000) is withdrawn upon the effective date of Agreement.

2. A constant interest rate of 2.16% (September 2018 LAIF Rate).

3. No prepayment.

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