



NOTICE OF SPECIAL BUDGET & FINANCE COMMITTEE MEETING January 18, 2023

Responsible for the review of District finances including: rates, fees, charges and other sources of revenue; budget and reserves; audit; investments; insurance; and other financial matters.

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a special meeting of the Budget & Finance Committee to be held on **Wednesday, January 18, 2023, at 2:00 p.m.**, via video/teleconference.

There will not be any physical location for this meeting. Pursuant to AB 361 and San Lorenzo Valley Water District Resolution No. 4 (21-22) this meeting will be conducted by video/teleconference. Any person in need of any reasonable modification or accommodation in order to participate in the meeting may contact the District Secretary's Office at (831) 430-4636 a minimum of 72 hours prior to the scheduled meeting. The meeting access information is as follows:

<https://meet.goto.com/666875621>

You can also dial in using your phone.
(For supported devices, tap a one-touch number below to join instantly.)

United States (Toll Free): 1 866 899 4679
- One-touch: tel:+18668994679,,666875621#

United States: +1 (571) 317-3116
- One-touch: tel:+15713173116,,666875621#

Access Code: 666-875-621

AGENDA

1. Convene Meeting
Roll Call

2. Oral Communications

This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies

within the jurisdiction of the District. Normally, presentations must not exceed five (5) minutes in length, and individuals may only speak once during Oral Communications. Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.

3. Unfinished Business:

Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.

a. REMOTE AUTHORIZATION UNDER AB 361

Discussion and possible action proclaiming on ongoing state of local emergency and authorizing remote meeting for the January 18, 2023, Budget and Finance Committee meeting.

4. New Business:

Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.

a. BUDGET vs. ACTUALS REPORT FISCAL YEAR 2021-22

Discussion by the Committee and staff regarding the Budget vs. Actuals Report FY2021-2022.

b. INVESTMENT OF FUNDS FROM LOANS

Discussion by the Committee and staff regarding the investment of funds from loans.

c. DRAFT RATE STUDY - REQUEST FOR PROPOSALS

Discussion by the Committee and staff regarding the Draft Rate Study RFP.

5. Informational Material

Here is a link to previous B & F Committee meeting minutes:

[All Finance Meeting Minutes | San Lorenzo Valley Water District \(slvwd.com\)](https://www.slvwd.com)

6. Adjournment

Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on January 13, 2023, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 24 hours in advance of the special meeting of the B & F Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on January 13, 2023.

Holly B. Hossack, District Secretary

M E M O

TO: Budget & Finance Committee

FROM: District Manager

SUBJECT: Continuation of Remote Authorization for Budget & Finance Committee

DATE: January 18, 2023

RECOMMENDATION:

It is recommended that the Budget & Finance Committee adopt a motion making the findings set forth below in this memo and in the attached Resolution No. 4 (21-22), so that the Committee may conduct a remote meeting in accordance with AB 361.

BACKGROUND:

In order for the District to continue conducting remote meetings (i.e., by Zoom, GoTo Meeting, or other video/teleconference platform) in compliance with the Brown Act, the Board and/or Committee must make appropriate findings consistent with AB 361. The specific findings required by AB 361 are as follows:

- a) A proclaimed state of emergency is in effect;
- b) State or local officials have imposed or recommended measures to promote social distancing; and
- c) As a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

The Board of Directors typically votes to ratify and re-adopt Resolution No. 4 (21-22) every 30 days, which allows the District including the Board and all Committees to continue meeting remotely. Board meetings scheduled for early January were cancelled due to weather-related emergency conditions resulting in power outages and limitations on remote connectivity. As a result, the Board has not yet been able to meet and review and re-adopt the Resolution for the District. In order to conduct a remote meeting in the meantime, the Committee must make its own findings consistent with AB 361.

**SAN LORENZO VALLEY WATER DISTRICT
RESOLUTION NO. 4 (21-22)**

**SUBJECT: A RESOLUTION OF THE SAN LORENZO VALLEY WATER DISTRICT
PROCLAIMING AN ONGOING STATE OF LOCAL EMERGENCY AND
AUTHORIZING REMOTE MEETINGS DURING THE COVID-19 PANDEMIC**

WHEREAS, the San Lorenzo Valley Water District ("District") is committed to preserving public access and participation in meetings of the Board of Directors ("Board"), including meetings held during a proclaimed state of emergency; and

WHEREAS, all meetings of the District's legislative bodies including the Board and the District's standing committees are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate; and

WHEREAS, the Brown Act, Government Code section 54953(e), makes provisions for remote participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition is that a state of emergency is declared, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons caused by conditions as described in Government Code section 8558; and

WHEREAS, a proclamation is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the jurisdictions that are within the District's boundaries, caused by natural, technological, or human-caused disasters; and

WHEREAS, it is further required that state or local officials have imposed or recommended measures to promote social distancing, or, the legislative body meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, such conditions now exist in the District, specifically, on March 4, 2020, the Governor declared a statewide emergency based on the COVID-19 pandemic, and the Governor's declaration of a state of emergency continues in effect; and

WHEREAS, state and local officials such as the California Department of Public Health, Cal/OSHA and Santa Cruz County Public Health continue to recommend social distancing measures; in particular, County Public Health recommends the use of face coverings indoors and moving activities and meetings outdoors to the greatest extent possible; and

WHEREAS, the Board of Directors does hereby find that the COVID-19 pandemic continues to imperil the health and safety of individuals, especially where individuals from multiple households gather indoors under circumstances and risks of exposure to COVID-19 cannot adequately be controlled through adherence to Cal/OSHA regulations and public health guidance, and accordingly the District desires to continue its proclamation of a local emergency and ratify the proclamation of state of emergency by the Governor of the State of California; and

WHEREAS, as a consequence of the local emergency, the Board of Directors does hereby find that the legislative bodies of the District shall conduct their meetings without compliance with paragraph (3) of subdivision (b) of Government Code section 54953, as authorized by subdivision (e) of section 54953, and that such legislative bodies shall comply with the requirements to provide the public with access to the meetings as prescribed in paragraph (2) of subdivision (e) of section 54953; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Lorenzo Valley Water District, as follows:

1. The Board hereby proclaims that a local emergency continues to exist throughout the District, and Board and Committee meetings are likely to involve gathering individuals from multiple households indoors under circumstances where risks of exposure to COVID-19 cannot adequately be controlled through adherence to Cal/OSHA regulations and public health guidance; and

2. The Board hereby ratifies the Governor's Proclamation of State of Emergency, effective as of its issuance date of March 4, 2020.

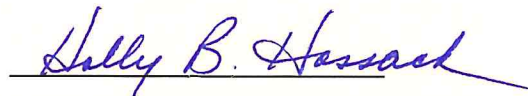
3. The District Manager, District staff, and all legislative bodies of the District (including the Board and all standing Committees) are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including, conducting open and public remote meetings in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act.

4. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of (i) 30 days from adoption of this Resolution, or such time the Board of Directors ratifies or re-adopts this Resolution (or a subsequent resolution) in accordance with Government Code section 54953(e)(3) to extend the time during which the

legislative bodies of the District may continue to conduct remote meetings without compliance with paragraph (3) of subdivision (b) of section 54953.

PASSED AND ADOPTED by the Board of Directors of the San Lorenzo Valley Water District, County of Santa Cruz, State of California, on the 7th day of October 2021, by the following vote of the members thereof:

AYES: G. Mahood, L. Henry, J. Ackemann, B. Fultz, M. Smolley
NOES:
ABSENT:
ABSTAIN:



Holly B. Hossack,
District Secretary

M E M O

TO: Budget & Finance Committee
FROM: Director of Finance
SUBJECT: FY2122 Budget vs. Actuals Report
DATE: January 18, 2023

BACKGROUND:

It is important to do a review after the audit of how the revenue and expenditures compare to the budget. The budget is a guideline to help monitor if revenue and expenses are tracking reasonably. There are some differences between budgeted and audited numbers that are important to note. For the most part the budget and audit follow accrual based accounting. Non-cash items such as depreciation, non-cash actuarial assessments and some others are excluded from the budget, however, may be integrated back in to help bridge a comparison to the audited financials.

The District typically will review actuals to budget 3 ways during the process:

- Throughout the year the District has monthly and quarterly financial reports that compare budget to actuals.
- Comparisons of budget to estimated full year actuals for revenues and expenses begin during the next year's budget process. It is a way to see how items are tracking and assist in budgeting for the following year.
- Another review, this review, is done after completion of the audit to do another high level view on the final revenues and expenditures. This helps as a guide for the Board as well, with the upcoming year(s) budget.

It is important to read any footnotes of comments associated with the report. This will help identify some of the differences you may see compared to the audited financials, as well as highlight any significant changes between the budget and actuals.

INFORMATION:

- Operating revenues were -5.1% or \$661K unfavorable to budget.
 - This was mainly attributed to consumption coming in 7% lower than expected. There were also meter connection fees that came in \$32K favorable to budget.

- Operating expenses were 3.5% or \$319K favorable to budget
 - This was mainly attributed to a decrease in salaries & benefits of \$779K from vacant positions, offset by an increase in Contract/Professional Services of \$492K, of which the majority of the increase was attributed to:
 - ~\$235K for 5 Mile Constructability Study
 - ~\$41K for ERP
 - ~\$121K to expense the Master Plan
 - Initially all expenses related to Master Plan were being capitalized (on the balance sheet), but when the auditors conducted their field work they had us expense this as it did not qualify to be capitalized.
- Since there was such a large decrease in Salaries & Benefits, the Budget & Finance Committee questioned what operating expenses would have been if the District had been fully staffed. For this example and for simplicity purposes, all of the departments that had vacant positions, staff assumed actuals came in at budgeted numbers.
 - Operating expenses if fully staffed would have been 5% or \$465K unfavorable to budget
 - Of the \$465K, \$398K was due to unbudgeted amounts for the 5 Mile Constructability Study (\$235K), ERP (\$41K), and Master Plan (\$121K).
- Non-operating revenues were in line with budgeted numbers – Actuals vs Budget were \$1,430,000 vs \$1,437,098, respectively.
- Non-operating expenses were \$50K unfavorable to budget – Actuals vs Budget were \$1,072,056 vs \$1,020,965, respectively.
- Capital Project expenditures were budgeted to be \$20.7M, but came in significantly under at \$2.8M spent.
 - The majority of the high dollar projects that were budgeted to be completed were pushed out due to material/design delays.

FY2122 BUDGET VS. ACTUALS - SUMMARY

OPERATING REVENUES	FY2122 Actuals	FY2122 Budget	\$ Var	% Var
WATER BASIC CHARGE	\$ 3,474,548	\$ 3,459,600	\$ 14,948	0.4%
FIRE RECOVERY SURCHARGE	\$ 904,313	\$ 916,667	\$ (12,354)	-1.3%
WATER USAGE CHARGE	\$ 7,523,183	\$ 8,206,387	\$ (683,204)	-8.3%
WASTEWATER CHARGE	\$ 173,034	\$ 173,021	\$ 13	0.0%
SALE OF METERS	\$ 63,957	\$ 32,000	\$ 31,957	99.9%
MISC. FEES & CHARGES	\$ 93,036	\$ 105,560	\$ (12,524)	-11.9%
TOTAL OPERATING REVENUES	\$ 12,232,072	\$ 12,893,235	\$ (661,163)	-5.1%
OPERATING EXPENSES				
SALARIES & BENEFITS	\$ 5,483,849	\$ 6,262,422	\$ (778,573)	-12.4%
CONTRACT/PROFESSIONAL SERVICES	\$ 1,352,722	\$ 860,283	\$ 492,439	57.2%
LEGAL SERVICES	\$ 255,971	\$ 240,000	\$ 15,971	6.7%
OPERATING EXPENSES	\$ 435,434	\$ 446,700	\$ (11,266)	-2.5%
MAINTENANCE	\$ 219,265	\$ 198,300	\$ 20,965	10.6%
FACILITIES	\$ 642,331	\$ 685,050	\$ (42,719)	-6.2%
GEN. & ADMIN.	\$ 441,623	\$ 457,920	\$ (16,297)	-3.6%
TOTAL OPERATING EXPENSES	\$ 8,831,196	\$ 9,150,675	\$ (319,479)	-3.5%
OPERATING INCOME (LOSS)	\$ 3,400,875	\$ 3,742,560	\$ (341,684)	-9.1%
NON-OPERATING REVENUE (EXPENSES)				
PROPERTY TAXES	\$ 896,170	\$ 856,960	\$ 39,210	4.6%
ASSESSMENT REV. - OLY MUTUAL	\$ 48,378	\$ 48,500	\$ (122)	-0.3%
ASSESSMENT REV. - LOMPICO	\$ 294,954	\$ 295,000	\$ (46)	0.0%
MOBILE SERVICES LEASE FEES	\$ 34,074	\$ 25,000	\$ 9,074	36.3%
RENTAL INCOME	\$ 20,766	\$ 18,500	\$ 2,266	12.2%
INTEREST - INVESTMENTS	\$ 126,229	\$ 193,138	\$ (66,909)	-34.6%
SETTLEMENT & PURCHASE AGREEMENTS	\$ 9,428	\$ -	\$ 9,428	-
NON-OPERATING EXPENSES				
INVESTMENT IN SMGWA	\$ (17,227)	\$ -	\$ (17,227)	-
INTEREST EXPENSE	\$ (952,956)	\$ (1,020,965)	\$ 68,009	-6.7%
LOSS ON SALE OF FIXED ASSET	\$ (101,873)	\$ -	\$ (101,873)	-
TOTAL NON-OPERATING REV. (EXP.)	\$ 357,944	\$ 416,133	\$ (58,190)	-14.0%
DEBT PRINCIPAL PAYMENTS	\$ (1,333,006)	\$ (1,301,295)	\$ (31,711)	2.4%
CAPITAL IMPROVEMENT				
CAPITAL IMPROVEMENT PROJECTS	\$ (2,837,366)	\$ (20,750,371)	\$ 17,913,005	-86.3%
FUNDING FROM NON-DEBT SOURCES	\$ 174,617	\$ 776,250	\$ (601,633)	-77.5%
FUNDING FROM DEBT SOURCES	\$ 1,840,403	\$ 16,597,371	\$ (14,756,968)	-88.9%
FLOW OF CAPITAL FUNDING	\$ (822,346)	\$ (3,376,750)	\$ 2,554,404	-75.6%
INCREASE (DECREASE) IN RESERVES	\$ 1,603,467	\$ (519,352)	\$ 2,122,819	-408.7%

FY2122 BUDGET VS. ACTUALS - OPERATING REVENUE

Fund	Description	FY2122 Actuals	FY2122 Budget	\$ Var	% Var	Notes
01	WATER BASIC CHARGE	\$ 3,474,548	\$ 3,459,600	\$ 14,948	0%	
01	FIRE RECOVERY SURCHARGE	\$ 904,313	\$ 916,667	\$ (12,354)	-1%	
01	WATER USAGE CHARGE	\$ 7,675,540	\$ 8,231,387	\$ (555,847)	-7%	[1]
01	CONTRA REVENUE ACCOUNTS	\$ (152,356)	\$ (25,000)	\$ (127,356)	509%	[2]
02	WASTEWATER CHARGE	\$ 173,034	\$ 173,021	\$ 13	0%	
01	SALE OF METERS	\$ 63,957	\$ 32,000	\$ 31,957	100%	[3]
01	MISC. FEES & CHARGES	\$ 93,036	\$ 105,560	\$ (12,524)	-12%	
	TOTAL OPERATING REVENUE	\$ 12,232,072	\$ 12,893,235	\$ (661,163)	-5%	

- [1] FY2122 consumption was based on 663,437 units of water being sold. Actual FY2122 consumption was 616,405, or 7% lower.
- [2] This includes the Rate Assistance Program and Forgiveness of AR of \$140K (SWRCB Water Arrearages Program - not included in Budget)
- [3] It is typically unknown how many new connection or meter upgrades will be requested each year. Outside of a known project development, this is based on prior years.

FY2122 BUDGET VS. ACTUALS - NON-OPERATING REVENUE

NON-OPERATING REVENUES

Description	FY2122 Actuals	FY2122 Budget	\$ Var	% Var	Notes
PROPERTY TAXES	\$ 896,170	\$ 856,960	\$ 39,210	4.6%	
ASSESSMENT REV. - OLY MUTUAL	\$ 48,378	\$ 48,500	\$ (122)	-0.3%	
ASSESSMENT REV. - LOMPICO	\$ 294,954	\$ 295,000	\$ (46)	0.0%	
MOBILE SERVICES LEASE FEES	\$ 34,074	\$ 25,000	\$ 9,074	36.3%	
RENTAL INCOME	\$ 20,766	\$ 18,500	\$ 2,266	12.2%	
INTEREST - INVESTMENTS	\$ 126,229	\$ 193,138	\$ (66,909)	-34.6%	[1]
SETTLEMENT & PURCHASE AGREEMENTS	\$ 9,428	\$ -	\$ 9,428	-	[2]
NON-OPERATING REVENUES	\$ 1,430,000	\$ 1,437,098	\$ (7,098)	-0.5%	

[1] Differences in interest rate assumptions

[2] Environmental Endowment Revenue

CAPITAL CONTRIBUTIONS

Description	FY2122 Actuals	FY2122 Budget	\$ Var	% Var	Notes
CAPITAL CONTRIBUTION - STATE	\$ 397,207	\$ 3,145,500	\$ (2,748,293)	-87%	[3]
OPERATING CONTRIBUTION - GRANT	\$ 151,076	\$ -	\$ 151,076	-	[4]

[3] FEMA Reimbursements - review process with FEMA is taking longer than expected. The larger projects are still in the review phases. Once those are obligated, the District can start taking drawdowns on project expenses incurred to date.

[4] Includes ~\$140K SWRCB Water Arrearages Program

FY2122 BUDGET VS. ACTUALS - OPERATING EXPENSES

BUDGETED OPERATING EXPENSES

Dept.	Description	FY2122 Actuals	FY2122 Budget	\$ Var	% Var	Notes
WATER FUND						
100	ADMINISTRATIVE					
	SALARIES & BENEFITS	\$ 553,380	\$ 760,518	\$ (207,138)	-27%	Vacant position
	CONTRACT/PROFESSIONAL SERVICES:					
	CONTRACT/PROFESSIONAL SERVICES	\$ 117,456	\$ 224,700	\$ (107,244)	-48%	\$100K Rate Increase did not occur - planning to occur in FY2223
	LEGAL SERVICES	\$ 255,971	\$ 240,000	\$ 15,971	7%	
	OPERATING EXPENSES	\$ 10,218	\$ 4,468	\$ 5,749	129%	
	MAINTENANCE	\$ 23,608	\$ 18,618	\$ 4,989	27%	
	FACILITIES	\$ 20,284	\$ 24,725	\$ (4,441)	-18%	
	GEN. & ADMIN.	\$ 264,141	\$ 249,857	\$ 14,284	6%	
	ADMINISTRATIVE	\$ 1,245,056	\$ 1,522,886	\$ (277,830)	-18%	
200	FINANCE					
	SALARIES & BENEFITS	\$ 1,013,423	\$ 1,205,942	\$ (192,519)	-16%	Vacant position
	CONTRACT/PROFESSIONAL SERVICES	\$ 189,325	\$ 162,433	\$ 26,892	17%	
	OPERATING EXPENSES	\$ 10,189	\$ 5,213	\$ 4,976	95%	
	MAINTENANCE	\$ 15,532	\$ 10,277	\$ 5,255	51%	
	FACILITIES	\$ 1,529	\$ 1,291	\$ 238	18%	
	GEN. & ADMIN.	\$ 162,620	\$ 169,659	\$ (7,039)	-4%	
	FINANCE	\$ 1,392,619	\$ 1,554,816	\$ (162,197)	-10%	
300	ENGINEERING					
	SALARIES & BENEFITS	\$ 358,993	\$ 394,226	\$ (35,233)	-9%	Difference in budget assumptions
	CONTRACT/PROFESSIONAL SERVICES	\$ 421,365	\$ 30,000	\$ 391,365	1305%	F&L 5 Mile Constructability Study not budgeted for \$235K, ERP \$41K, Master Plan \$121K
	OPERATING EXPENSES	\$ -	\$ 1,000	\$ (1,000)	-100%	
	MAINTENANCE	\$ 1,254	\$ 1,500	\$ (246)	-16%	
	FACILITIES	\$ 731	\$ 850	\$ (119)	-14%	
	GEN. & ADMIN.	\$ 3,592	\$ 5,500	\$ (1,908)	-35%	
	ENGINEERING	\$ 785,935	\$ 433,076	\$ 352,859	81%	
400	DISTRIBUTION					
	SALARIES & BENEFITS	\$ 1,687,089	\$ 1,858,777	\$ (171,688)	-9%	Vacant positions
	CONTRACT/PROFESSIONAL SERVICES	\$ 103,658	\$ 90,000	\$ 13,658	15%	
	OPERATING EXPENSES	\$ 148,940	\$ 189,000	\$ (40,060)	-21%	
	MAINTENANCE	\$ 106,575	\$ 102,276	\$ 4,299	4%	
	FACILITIES	\$ 243,141	\$ 239,438	\$ 3,703	2%	
	GEN. & ADMIN.	\$ 1,241	\$ 7,447	\$ (6,206)	-83%	
	DISTRIBUTION	\$ 2,290,644	\$ 2,486,938	\$ (196,295)	-8%	
500	WATERSHED					
	SALARIES & BENEFITS	\$ 132,027	\$ 132,816	\$ (789)	-1%	
	CONTRACT/PROFESSIONAL SERVICES	\$ 367,127	\$ 170,000	\$ 197,127	116%	Coastal Conservancy Grant \$215K
	OPERATING EXPENSES	\$ 276	\$ 1,250	\$ (974)	-78%	
	MAINTENANCE	\$ -	\$ 5,500	\$ (5,500)	-100%	
	FACILITIES	\$ 412	\$ -	\$ 412	-	
	GEN. & ADMIN.	\$ 5,473	\$ 16,850	\$ (11,377)	-68%	
	WATERSHED	\$ 505,315	\$ 326,416	\$ 178,900	55%	
800	SUPPLY & TREATMENT					
	SALARIES & BENEFITS	\$ 1,690,346	\$ 1,868,496	\$ (178,149)	-10%	Difference in budget assumptions
	CONTRACT/PROFESSIONAL SERVICES	\$ 110,713	\$ 152,000	\$ (41,287)	-27%	
	OPERATING EXPENSES	\$ 250,599	\$ 220,700	\$ 29,899	14%	
	MAINTENANCE	\$ 70,905	\$ 57,791	\$ 13,114	23%	
	FACILITIES	\$ 367,489	\$ 405,508	\$ (38,019)	-9%	
	GEN. & ADMIN.	\$ 2,906	\$ 6,951	\$ (4,044)	-58%	
	SUPPLY & TREATMENT	\$ 2,492,958	\$ 2,711,445	\$ (218,487)	-8%	
	WATER FUND	\$ 8,712,528	\$ 9,035,577	\$ (323,050)	-4%	
600	WASTEWATER FUND					
	WASTEWATER					
	SALARIES & BENEFITS	\$ 48,591	\$ 41,648	\$ 6,944	17%	
	CONTRACT/PROFESSIONAL SERVICES	\$ 43,079	\$ 31,150	\$ 11,929	38%	
	OPERATING EXPENSES	\$ 15,213	\$ 25,069	\$ (9,856)	-39%	
	MAINTENANCE	\$ 1,392	\$ 2,338	\$ (945)	-40%	
	FACILITIES	\$ 8,745	\$ 13,239	\$ (4,494)	-34%	
	GEN. & ADMIN.	\$ 1,649	\$ 1,656	\$ (7)	0%	
	WASTEWATER	\$ 118,669	\$ 115,098	\$ 3,571	3%	
	WASTEWATER FUND	\$ 118,669	\$ 115,098	\$ 3,571	3%	
TOTAL OPERATING EXPENSES		\$ 8,831,196	\$ 9,150,675	\$ (319,479)	-3%	

Dept.	Description	FY2122 Actuals	FY2122 Budget	\$ Var	% Var	Notes
PRO FORMA TO AUDIT						
[1]	NON-CASH ACTUARIAL ITEMS	\$ (179,771)				
	OPERATING EXPENSES PER AUDIT	<u>\$ 8,651,425</u>				<i>Agrees to pg. 14 in audit</i>
BUDGETED NON-OPERATING EXPENSES						
[2]	NON-OPERATING EXPENSES					
	INVESTMENT IN SMGWA	\$ 17,227	\$ -	\$ 17,227	-	
	INTEREST EXPENSE	\$ 952,956	\$ 1,020,965	\$ (68,009)	-7%	
	LOSS ON SALE OF FIXED ASSET	\$ 101,873	\$ -			
[3]	OVERHEAD ABSORPTION	\$ (180,218)	\$ -			
[4]	DEPRECIATION	<u>\$ 1,838,242</u>				
	TOTAL EXPENSES PER AUDIT	<u>\$ 11,381,505</u>				<i>Agrees to pg. 14 in audit</i>

[1] Non-cash expenses for future estimated actuarial expenses are an accounting method based on GASB. As these are non-cash and based on future assumptions, it is not a budgeted item. Pension Exp (\$304K), OPEB Exp \$124K.

[2] Non-operating expenses are all made up of debt interest expense.

[3] Overhead absorption are the direct and indirect capitalized costs associated with an asset the District did internally. For example, a capital pipeline project was constructed by District staff and materials versus hiring an outside contractor. The cost of the staff are still an operating expense, but the cost is then allocated to the asset.

[4] Depreciation is an accounting method of allocating the cost of a tangible asset over its useful life. The initial asset is recorded as an asset on the balance sheet and then the depreciation is gradually recognized as an expense over the useful life. This item is not typically budgeted for, but can be a useful tool to see what assets are nearing expected life end. The District budgets separately for planned capital asset additions.

FY2122 BUDGET VS. ACTUALS - OPERATING EXPENSES IF FULLY STAFFED

In this example, departments that had vacant positions in FY2122, assumed actuals came in at budgeted numbers

BUDGETED OPERATING EXPENSES

Dept.	Description	FY2122 Actuals	FY2122 Budget	\$ Var	% Var	Notes
WATER FUND						
ADMINISTRATIVE						
100	SALARIES & BENEFITS	\$ 760,518	\$ 760,518	\$ -	0%	Assuming actuals match budgeted numbers
CONTRACT/PROFESSIONAL SERVICES:						
	CONTRACT/PROFESSIONAL SERVICES	\$ 117,456	\$ 224,700	\$ (107,244)	-48%	
	LEGAL SERVICES	\$ 255,971	\$ 240,000	\$ 15,971	7%	
	OPERATING EXPENSES	\$ 10,218	\$ 4,468	\$ 5,749	129%	
	MAINTENANCE	\$ 23,608	\$ 18,618	\$ 4,989	27%	
	FACILITIES	\$ 20,284	\$ 24,725	\$ (4,441)	-18%	
	GEN. & ADMIN.	\$ 264,141	\$ 249,857	\$ 14,284	6%	
	ADMINISTRATIVE	\$ 1,452,194	\$ 1,522,886	\$ (70,692)	-5%	
FINANCE						
200	SALARIES & BENEFITS	\$ 1,205,942	\$ 1,205,942	\$ -	0%	Assuming actuals match budgeted numbers
	CONTRACT/PROFESSIONAL SERVICES	\$ 189,325	\$ 162,433	\$ 26,892	17%	
	OPERATING EXPENSES	\$ 10,189	\$ 5,213	\$ 4,976	95%	
	MAINTENANCE	\$ 15,532	\$ 10,277	\$ 5,255	51%	
	FACILITIES	\$ 1,529	\$ 1,291	\$ 238	18%	
	GEN. & ADMIN.	\$ 162,620	\$ 169,659	\$ (7,039)	-4%	
	FINANCE	\$ 1,585,138	\$ 1,554,816	\$ 30,322	2%	
ENGINEERING						
300	SALARIES & BENEFITS	\$ 394,226	\$ 394,226	\$ -	0%	Assuming actuals match budgeted numbers
	CONTRACT/PROFESSIONAL SERVICES	\$ 421,365	\$ 30,000	\$ 391,365	1305%	
	OPERATING EXPENSES	\$ -	\$ 1,000	\$ (1,000)	-100%	
	MAINTENANCE	\$ 1,254	\$ 1,500	\$ (246)	-16%	
	FACILITIES	\$ 731	\$ 850	\$ (119)	-14%	
	GEN. & ADMIN.	\$ 3,592	\$ 5,500	\$ (1,908)	-35%	
	ENGINEERING	\$ 821,169	\$ 433,076	\$ 388,092	90%	
DISTRIBUTION						
400	SALARIES & BENEFITS	\$ 1,858,777	\$ 1,858,777	\$ -	0%	Assuming actuals match budgeted numbers
	CONTRACT/PROFESSIONAL SERVICES	\$ 103,658	\$ 90,000	\$ 13,658	15%	
	OPERATING EXPENSES	\$ 148,940	\$ 189,000	\$ (40,060)	-21%	
	MAINTENANCE	\$ 106,575	\$ 102,276	\$ 4,299	4%	
	FACILITIES	\$ 243,141	\$ 239,438	\$ 3,703	2%	
	GEN. & ADMIN.	\$ 1,241	\$ 7,447	\$ (6,206)	-83%	
	DISTRIBUTION	\$ 2,462,332	\$ 2,486,938	\$ (24,606)	-1%	
WATERSHED						
500	SALARIES & BENEFITS	\$ 132,027	\$ 132,816	\$ (789)	-1%	
	CONTRACT/PROFESSIONAL SERVICES	\$ 367,127	\$ 170,000	\$ 197,127	116%	
	OPERATING EXPENSES	\$ 276	\$ 1,250	\$ (974)	-78%	
	MAINTENANCE	\$ -	\$ 5,500	\$ (5,500)	-100%	
	FACILITIES	\$ 412	\$ -	\$ 412	-	
	GEN. & ADMIN.	\$ 5,473	\$ 16,850	\$ (11,377)	-68%	
	WATERSHED	\$ 505,315	\$ 326,416	\$ 178,900	55%	
SUPPLY & TREATMENT						
800	SALARIES & BENEFITS	\$ 1,868,496	\$ 1,868,496	\$ -	0%	Assuming actuals match budgeted numbers
	CONTRACT/PROFESSIONAL SERVICES	\$ 110,713	\$ 152,000	\$ (41,287)	-27%	
	OPERATING EXPENSES	\$ 250,599	\$ 220,700	\$ 29,899	14%	
	MAINTENANCE	\$ 70,905	\$ 57,791	\$ 13,114	23%	
	FACILITIES	\$ 367,489	\$ 405,508	\$ (38,019)	-9%	
	GEN. & ADMIN.	\$ 2,906	\$ 6,951	\$ (4,044)	-58%	
	SUPPLY & TREATMENT	\$ 2,671,107	\$ 2,711,445	\$ (40,338)	-1%	
	WATER FUND	\$ 9,497,255	\$ 9,035,577	\$ 461,678	5%	
WASTEWATER FUND						
WASTEWATER						
600	SALARIES & BENEFITS	\$ 48,591	\$ 41,648	\$ 6,944	17%	
	CONTRACT/PROFESSIONAL SERVICES	\$ 43,079	\$ 31,150	\$ 11,929	38%	
	OPERATING EXPENSES	\$ 15,213	\$ 25,069	\$ (9,856)	-39%	
	MAINTENANCE	\$ 1,392	\$ 2,338	\$ (945)	-40%	
	FACILITIES	\$ 8,745	\$ 13,239	\$ (4,494)	-34%	
	GEN. & ADMIN.	\$ 1,649	\$ 1,656	\$ (7)	0%	
	WASTEWATER	\$ 118,669	\$ 115,098	\$ 3,571	3%	
	WASTEWATER FUND	\$ 118,669	\$ 115,098	\$ 3,571	3%	
TOTAL OPERATING EXPENSES		\$ 9,615,924	\$ 9,150,675	\$ 465,249	5%	

Assuming we were fully staffed and actuals came in at budgeted numbers for FY2122, our operating expenses were \$465K or 5% unfavorable to budget.

It is important to note that part of the \$465K was attributed to \$398K for Contract Professional Fees in Department 300 for the 5 Mile Constructability Study (\$235K), ERP (\$41K), and *Master Plan (\$121K).

*Master Plan was originally being capitalized, but auditors had us expense it because the nature of the work did not qualify as being capitalized.

FY2021-2023 CIP PLANNING

FY2021-2023 CIP PLANNING		FY21/22 BUDGET	FY2122 ACTUALS		
PROJECT TYPE	PROJECT NAME	CONSTRUC./PROCUREMENT	CONSTRUC./PROCUREMENT	Difference from Budget	Notes
Building & Equip.	CZU Five Mile Box & Turbidity Station	\$ 225,000	\$ -	\$ (225,000)	RFP in process
Building & Equip.	CZU Lyon WTP Accessory Building	\$ 70,000	\$ -	\$ (70,000)	Delays due to County
Enviro.	Fall Creek Fish Ladder	\$ 1,300,000	\$ 47,788	\$ (1,252,212)	Out to bid
Equip.	Brookdale TRTU SCADA Upgrades	\$ 160,000	\$ -	\$ (160,000)	
Equip.	Dump Truck	\$ 65,000	\$ -	\$ (65,000)	
Equip.	Waste Water Generator	\$ 60,000	\$ 15,576	\$ (44,424)	
Equip.	Fork Lift Quail 5	\$ 30,000	\$ -	\$ (30,000)	
Meters	600 Meter Replacement Program (15/day)	\$ 225,000	\$ 84,951	\$ (140,049)	
Meters	CZU Services & Water Meter Replacement	\$ 75,000	\$ 17,602	\$ (57,398)	
Pipe	CZU Clear Creek 5 Mile supply line	\$ 50,000	\$ -	\$ (50,000)	Part of 5 Mile Project - Design/Environmental delays
Pipe	Quail Hollow Pipeline	\$ 4,945,411	\$ 899,855	\$ (4,045,556)	Completed in FY2223
Pipe	Lyon Zone Pipe	\$ 3,435,840	\$ 143,439	\$ (3,292,401)	Out to bid
Pipe	CZU Alta Via Distribution System Piping	\$ 2,000,000	\$ 29,083	\$ (1,970,917)	Material delays
Pipe	CZU Peavine Supply	\$ 1,500,000	\$ -	\$ (1,500,000)	Design delays
Pipe	CZU Sweetwater Supply Line	\$ 675,000	\$ -	\$ (675,000)	Design delays
Pipe	Hermosa Oak Fernwood Main Replacement	\$ 200,000	\$ 58,343	\$ (141,657)	Material delays
Pipe	Juanita Woods Water Main Replacement	\$ 200,000	\$ 56,084	\$ (143,916)	Material delays
Pipe	CZU Foreman Creek Diversion	\$ 800,000	\$ 107,090	\$ (692,910)	Pipeline/intake complete - Grading/erosion control in pre-
Pipe	Orman Road Water Main Replacement	\$ 175,000	\$ 56,084	\$ (118,916)	Material delays
Pipe	Zayante Drive Water Main Replacement	\$ 75,000	\$ 55,931	\$ (19,069)	Material delays
Pipe	CZU South Zone Distribution Piping	\$ 150,000	\$ -	\$ (150,000)	Land acquisition issues
Pipe	CZU Eckley Pumping Station / Main Line	\$ 380,000	\$ 74,296	\$ (305,704)	Design delays
Pipe	CZU Bennett Spring Supply /Transmission main	\$ 380,000	\$ -	\$ (380,000)	Submitted to DWR
Pipe	Brookdale Viaduct	\$ 300,000	\$ 189,649	\$ (110,351)	Completed - came in under Budget
Pipe	Glen Arbor Bridge South	\$ 200,000	\$ 33,227	\$ (166,773)	Completed FY2223
Pipe	Redwood Park Tank Pipeline (Country Club)	\$ 200,000	\$ -	\$ (200,000)	Included in Redwood Park Swim Tank below
Pipe	Sequoia Pipeline	\$ 166,120	\$ -	\$ (166,120)	On hold
Pipe	CZU Harmon Street 2"	\$ 75,000	\$ 71,263	\$ (3,737)	RFP in process
Tank	CZU Big Steel Tank/Piping	\$ 1,095,000	\$ -	\$ (1,095,000)	Currently out for bid
Tank	Blue Ridge Tank Replacement	\$ 95,000	\$ 64,992	\$ (30,008)	Material delays
Tank	Redwood Park (Swim) Tank	\$ 625,000	\$ 10,532	\$ (614,468)	On hold for logistics
Tank	Felton Heights Tank (1)	\$ 400,000	\$ -	\$ (400,000)	Land acquisition issues
Tank Maint.	Brookdale Tank Coating	\$ 300,000	\$ -	\$ (300,000)	RFP in process
Vehicle	Vehicle - 2 WT Trucks - 1 each year	\$ 48,000	\$ -	\$ (48,000)	
Vehicle	Vehicle - Eng./Env.	\$ 30,000	\$ -	\$ (30,000)	
Repair	Lyon Slide Repair	\$ 40,000	\$ 67,275	\$ 27,275	Waiting on FEMA
TOTAL PROJECTS		\$ 20,750,371	\$ 2,083,061	\$ (18,667,310)	

OTHER PROJECTS NOT ORIGINALLY BUDGETED FOR:

WO 2287 - UNIVERSITY TANK SCADA UPGRADE	\$ 4,690	
WO 2288 - UNIVERSITY BOOSTER SCADA UPGRADE	\$ 6,077	
WO 2422 - HUCKLEBERRY ISLAND MAIN LINE REPLACEMENT	\$ 88,783	
WO 2436 - CA-9 BRIDGES MAIN REPLACEMENT	\$ 65,400	
WO 2468 - PASO 5A WELL PUMP & MOTOR REPLACEMENT	\$ 67,668	
OLYMPIA WELL #2 PUMP & MOTOR REPLACEMENT	\$ 21,062	
WO 2503 - WESTERN STATES DR MAIN EXTENSION	\$ 12,666	
OLYMPIA WELLS SUBMERSIBLE PUMP & MOTOR BACK UP	\$ 14,850	
QUAIL 4 SUBMERSIBLE PUMP & MOTOR BACK UP	\$ 8,890	
WO 2544 - JOHNSON BUILDING REMODEL	\$ 14,454	
WO 2516 - BIG BASIN CONSOLIDATION	\$ 912	
WO 2517 - BRACKEN BRAE/FOREST SPRINGS CONSOLIDATION	\$ 91,649	
WO 2533 - TWO BAR RD WATER MAIN SLIDE REPAIR	\$ 15,488	
6 INCH CLA-VAL_KIRBY WTP	\$ 7,459	
FIELD LOGIC SENSUS HANDHELD METER READER	\$ 14,116	
IRWIN BOOSTER REPAIR	\$ 7,461	
PLOTTER PRINTER	\$ 6,103	
WO 525 - LOMPICO SERVICE LINE REPLACEMENT	\$ 13,686	Done on an as needed basis
WO 1208 - LEWIS TANK	\$ 39,972	
WO 1209 - MADRONE TANK	\$ 18,376	
WO 1210 - KASKI TANK	\$ 63,535	
WO 1447 - HABITAT CONSERVATION PLAN	\$ 3,125	
WO 1519 - NEW METER SETS	\$ 32,582	Funded from customer installation fees
WO 844 - LOST ACRES WATER TANK PROJECT	\$ 321	
WO 1518 - WATER MASTER PLAN	\$ (103,290)	
WO 1740 - OLYMPIA CONSERVATION AREA MANAGEMENT PLAN	\$ (1,199)	
WO 1963 - CZU_RIVERSIDE GROVE BOOSTER STATION	\$ 27,897	
WO 1967 - CZU_LIL LYON TANK CLEANING&COATING	\$ 198,618	
WO 1930 - CZU_FIVE MILE PIPELINE	\$ 5,413	
WO 1931 - CZU_RIVERSIDE GROVE TANK	\$ 7,545	

TOTAL OTHER PROJECTS DURING THE FY \$ **754,305**

TOTAL CAPITAL PROJECT SPEND FY2021 \$ **20,750,371** \$ **2,837,366** \$ **(17,913,005)**

M E M O

TO: Budget & Finance Committee

FROM: Director of Finance

SUBJECT: Investment of Funds from \$14.5M COP & \$15M Loans

DATE: January 18, 2023

RECOMMENDATION:

It is recommended that the Budget & Finance Committee review this memo and consult with the District Manager to invest loan funds into higher yielding accounts in accordance with the District's investment policy.

BACKGROUND:

The District's \$14.5M COP Loan and \$15M Loan funds are currently held in the Santa Cruz County Fund (SCCF) account. SCCF is an investment pool established and controlled by the County of Santa Cruz to afford smaller agencies the benefits of a larger investment portfolio.

Initially, the \$14.5M COP Loan funds were projected to be spent fairly quickly as projects were scheduled to be completed, but due to the CZU Fire and supply chain issues, these projects have not progressed as quickly as planned. Supply chain issues are also affecting the projects included under the \$15M Loan. The attached project listing shows each project and corresponding loan with the total project funding still available and an estimated date to begin construction.

As of November 30, 2022 the District has \$19,446,488 of loan funds available (\$12,454,252 for \$15M Loan and \$6,992,236 for \$14.5 COP Loan). Based on SCCF's interest apportionment general fund earnings, Q2 (Oct 22-Dec 22) earned an average of 1.47%.

The District's Investment Policy regarding authority to invest states:

DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from the California Government Code Section 53600, et seq. The authority to invest public funds is expressly delegated to the Board of Directors for the subsequent re-delegation to the Treasurer. The District

Manager will establish written procedures for the operation of the investment program consistent with this investment policy. The District Manager and Treasurer are encouraged to consult with the Budget & Finance Committee in between quarterly reports as needed. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the District Manager

In accordance with the Investment Policy the District Manager and Finance Manager are looking to consult with the Budget & Finance Committee to invest loan funds into higher yielding accounts in accordance with the District's investment policy.

The District is looking invest these funds into higher yielding accounts. Since both loans are tax exempt, they are subject to arbitrage rebates that would need to be paid back to the IRS. Under Internal Revenue Code section 148(f), interest on a state or local bond is not tax-exempt unless the issuer of the bond rebates to the United States arbitrage profits earned from investing proceeds of the bond in higher yielding nonpurpose investments. Issuers of tax-exempt bonds and any other bonds subject to the provisions of Internal Revenue Code section 148 must use this form to make arbitrage rebate and related payments.

Currently our arbitrage rebate is being determined therefore meaning any interest earned above this amount would need to be repaid to the IRS. The District would contract with an arbitrage advisor to calculate the rebates and certifications at a minimal cost. It is believed that the arbitrage rebate will be significant lower than interest earned.

Below are some different examples showing the breakdown if invested at different interest rates. Please note that these are example only and are estimates to show the difference in earnings. These do not include the amounts we would need to pay back to the IRS for arbitrage.

SCCF vs OTHER INVESTMENTS

ACCOUNT	AVE INTEREST RATE
SCCF GENERAL	1.41%
EXAMPLE 1	2.00%
EXAMPLE 2	3.00%
EXAMPLE 3	4.00%
EXAMPLE 4	5.00%

SCCF vs EXAMPLE 1

<i>Difference to SCCF</i>	Annual Diff	Months (12)	Days (360)
Amount Invested	0.5930%	0.05%	0.00165%
\$ 1,000,000	\$ 5,930	\$ 494	\$ 16.47
\$ 5,000,000	\$ 29,650	\$ 2,471	\$ 82.36
\$ 10,000,000	\$ 59,300	\$ 4,942	\$ 164.72
\$ 15,000,000	\$ 88,950	\$ 7,413	\$ 247.08

SCCF vs EXAMPLE 2

<i>Difference to SCCF</i>	Annual Diff	Months (12)	Days (360)
Amount Invested	1.5930%	0.13%	0.00443%
\$ 1,000,000	\$ 15,930	\$ 1,328	\$ 44.25
\$ 5,000,000	\$ 79,650	\$ 6,638	\$ 221.25
\$ 10,000,000	\$ 159,300	\$ 13,275	\$ 442.50
\$ 15,000,000	\$ 238,950	\$ 19,913	\$ 663.75

SCCF vs EXAMPLE 3

<i>Difference to SCCF</i>	Annual Diff	Months (12)	Days (360)
Amount Invested	2.5930%	0.22%	0.00720%
\$ 1,000,000	\$ 25,930	\$ 2,161	\$ 72.03
\$ 5,000,000	\$ 129,650	\$ 10,804	\$ 360.14
\$ 10,000,000	\$ 259,300	\$ 21,608	\$ 720.28
\$ 15,000,000	\$ 388,950	\$ 32,413	\$ 1,080.42

SCCF vs EXAMPLE 4

<i>Difference to SCCF</i>	Annual Diff	Months (12)	Days (360)
Amount Invested	3.5930%	0.30%	0.00998%
\$ 1,000,000	\$ 35,930	\$ 2,994	\$ 99.81
\$ 5,000,000	\$ 179,650	\$ 14,971	\$ 499.03
\$ 10,000,000	\$ 359,300	\$ 29,942	\$ 998.06
\$ 15,000,000	\$ 538,950	\$ 44,913	\$ 1,497.08

ATTACHMENTS:

\$14.5M COP/\$15M LOAN PROJECT LISTING
DISTRICT'S INVESTMENT POLICY

SLVWD INVESTMENT POLICY

1. PURPOSE OF INVESTMENT POLICY

It is the policy of the San Lorenzo Valley Water District to invest funds under the prudent investor standard, in accordance with California Government Code Section 53600, et seq. Funds should be invested to ensure maximum security, while getting maximum investment return and meet the daily cash flow needs of the District.

2. DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from the California Government Code Section 53600, et seq. The authority to invest public funds is expressly delegated to the Board of Directors for the subsequent re-delegation to the Treasurer. The District Manager will establish written procedures for the operation of the investment program consistent with this investment policy. The District Manager and Treasurer are encouraged to consult with the Budget & Finance Committee in between quarterly reports as needed. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the District Manager.

3. PRUDENCE

As an investment standard, any investment shall be made with “judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”¹ All transactions shall be undertaken in the best interest of the District, and not in the interest of broker-dealers.

4. OBJECTIVES

The objectives of the District’s investment activities in priority order are as follows:

- a. SAFETY – Safety of principal is the foremost objective of the investment program. The District’s investment portfolio shall be designed and undertaken in a manner that seeks to ensure the preservation of the principal invested.
- b. LIQUIDITY – The District’s investment portfolio shall be designed to remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated. The liquid needs of the District shall be commensurate with the constraints of anticipated cash flow requirements.
- c. RETURN ON INVESTMENTS – The District’s investment portfolio shall be designed with the objective of attaining the maximum possible rate of return

¹ Prudent Person Rule set forth in the California Uniform Prudent Investor Act.

commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio. Funds in excess of the cash flow needs should be invested to meet the District's performance standards.

5. AUTHORIZED AND ACCEPTABLE INVESTMENTS

- a. LAIF – The Local Agency Investment Fund (LAIF) is an investment pool established and controlled by the State of California to afford smaller agencies the benefits of a large investment portfolio, including higher interest rates and greater diversification. Funds are completely liquid except for a limitation of 10 transactions per month.
- b. COUNTY OF SANTA CRUZ INVESTMENT POOL – This is an investment pool established and controlled by the County of Santa Cruz to afford smaller agencies the benefits of a larger investment portfolio, including higher interest rates and greater diversification. Authority for the County of Santa Cruz Investment Pool is delegated to the County of Santa Cruz Treasurer.
- c. CERTIFICATES OF DEPOSIT – These are receipts for funds deposited in a bank, or savings and loan, or broker deposits for a specific term and rate of interest. The principal and accrued interest shall be insured by the Federal Deposit Insurance Corporation (FDIC). The principal and accrued interest in any one insured depository institution shall not exceed the limit amount insured by FDIC.
- d. PASSBOOK SAVINGS ACCOUNTS – This is a regular liquid savings account. The principal and accrued interest shall be insured by the Federal Deposit Insurance Corporation (FDIC). The principal and accrued interest in any one insured depository institution shall not exceed the limit amount insured by FDIC.
- e. U.S. TREASURY OBLIGATIONS – These are negotiable debt obligations of the U.S. Government which guarantee that all interest and principal payments will be paid on time. Among these are Treasury Bills, Notes and Bonds.
- f. With Board approval, repurchase bonds issued by the District or accelerate payback of loans incurred by the District, including bonds payable solely from a revenue producing property owned, controlled or operated by the District.
- g. Registered warrants, treasury notes or bonds of the State of California, including bonds payable solely from a revenue producing property owned, controlled or operated by the State of California, or by a department, board, agency or authority of same.

6. DIVERSIFICATION

The purpose of diversification is to reduce overall portfolio risks while attaining market yields. The District will diversify its investments by security type and institution, especially when there is no decrease in yield. Pursuant to California Government Code Section 53601(i) certificates of deposit invested outside of an authorized pool shall not exceed thirty percent (30%) of the District's total investment portfolio.

7. MATURITY OF INVESTMENTS

In order to minimize the impact of market risk, to the maximum extent possible, all investments will be held until maturity. Projected cash flow requirements are the primary factor to be used in determining investment maturity terms. After cash flow needs, have been met, yield considerations will be the next factor in determining maturity terms, with the expectations that longer maturity periods will generally yield greater returns on investments. Investments may be sold before maturity if required for cash flow or appreciation purposes.

The maximum maturity term of any investment will not exceed five (5) years, unless prior expressed authority has been granted by the Board of Directors. The District will diversify its investments by maturity date in order to avoid over concentration in any one specific maturity sector. Investments will be made so that the maturity date is compatible with cash flow needs.

8. PERFORMANCE STANDARDS

The District's investment strategy is passive. Given this strategy, the basis used by the District Manager to determine whether market yields are being achieved will be the 6-month U.S. Treasury Bill and the Federal Funds rate. These indices are considered benchmarks for low risk investment transactions and therefore comprise a minimum standard for the portfolio's rate of return.

9. REPORTING

The District's Board of Directors will receive investment reports at least quarterly. The District Manager will provide to the Board of Directors investment reports which provide a clear picture of the status of the current investment portfolio, including but not limited to, compliance of the portfolio in accordance to the policy.

10. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the District's investment process shall not conduct personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions.

11. INVESTMENT POLICY ADOPTION

The District's Investment Policy shall be adopted by Board of Directors by resolution. The policy shall be reviewed annually by the Board of Directors ideally with the budget review process, but no later than the second Board Meeting each July of the year to which it applies and any modifications made thereto must be approved by the Board.

**SAN LORENZO VALLEY WATER DISTRICT
RESOLUTION NO. 18 (21-22)**

**SUBJECT: RE-ADOPTION OF SAN LORENZO VALLEY WATER DISTRICT
INVESTMENT POLICY AND RE-APPOINTMENT OF TREASURER
FOR FISCAL YEAR 2022-2023**

WHEREAS, authority to manage the investment program of the San Lorenzo Valley Water District ("District") is derived from the California Government Code Section 53600, et seq., which authorizes the Board of Directors ("Board") of the District to invest or reinvest public funds of the District in accordance with the prudent investor standard and other applicable law; and

WHEREAS, Government Code Section 53607 allows the Board to delegate its authority to invest or reinvest funds of the District to the District's Treasurer for a one-year period; and

WHEREAS, Government Code Section 53608 allows the Board to delegate its authority to make deposits to the District's Treasurer; and

WHEREAS, the District's Investment Policy (Policy) sets forth the applicable standard of care that applies to those individuals authorized to make investment decisions on behalf of the District; and

WHEREAS, the District's Board Policy Manual calls for the Board to review the Policy in June of each year, or as soon thereafter as reasonable, and accordingly the Board has conducted an annual review of the Policy and determined that no revisions are required at this time.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Lorenzo Valley Water District that the attached Investment Policy shall continue in effect for fiscal year 2022-2023, and the Policy shall remain in effect until revoked or superseded by a further resolution of the Board.

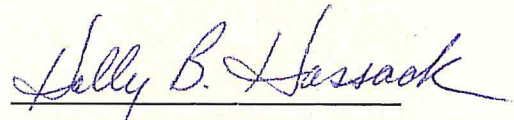
BE IT FURTHER RESOLVED by the Board of Directors of the San Lorenzo Valley Water District that the authority to invest or reinvest funds of the District and to make deposits on behalf of the District is hereby delegated to the District's Treasurer pursuant to Government Code Sections 53607 and 53608. This delegation is effective as of July 1, 2022 and is intended to be effective for a one-year period and revisited annually; however, this delegation will remain in effect until it is revoked or is superseded by a subsequent delegation made by the Board.

BE IT FURTHER RESOLVED by the Board of Directors of the San Lorenzo Valley Water District that the District's senior financial director and/or manager,

currently the Director of Finance and Business Services, is re-appointed as the District's Treasurer pursuant to Water Code Section 30540(a) to carry out the duties required by Water Code Section 30582 and to perform any and all other lawful duties that may be required of the District's Treasurer, and shall continue to serve in that capacity until and unless the delegation is revoked or is superseded by a subsequent delegation made by the Board.

PASSED AND ADOPTED by the Board of Directors of the San Lorenzo Valley Water District, County of Santa Cruz, State of California, on the 16th day of June 2022, by the following vote of the members thereof:

AYES: Mahood, Ackemann, Fultz, Hill, Smolley
NOES:
ABSENT:
ABSTAIN:



Holly B. Hossack,
District Secretary

\$14.5M COP/\$15M LOAN PROJECT LISTING

1/18/2023

LOAN	PROJECTS	PROJECT TYPE	STATUS	ORIGINAL PROJECT COST PER LOAN AGREEMENT	TOTAL PROJECT COST TO DATE	AMOUNT AVAILABLE	ESTIMATED BEGIN CONSTRUCTION	# DAYS
2021 \$15M CoBank Loan	Little Lyon Tank	FEMA	COMPLETED	\$ 670,000.00	\$ 160,882.50	\$ 509,117.50	N/A	
2019 COP \$14.5 Loan	WO 1208 - LEWIS TANK	CIP	COMPLETED	\$ 1,142,500	\$ 1,161,837.17	\$ (19,337.17)	N/A	
2019 COP \$14.5 Loan	WO 1209 - MADRONE TANK	CIP	COMPLETED	\$ 891,250	\$ 951,831.14	\$ (60,581.14)	N/A	
2019 COP \$14.5 Loan	WO 1210 - KASKI TANK	CIP	COMPLETED	\$ 687,500	\$ 899,201.55	\$ (211,701.55)	N/A	
2019 COP \$14.5 Loan	WO 1284 - CALIFORNIA DRIVE PIPELINE PROJECT	CIP	COMPLETED	\$ 1,090,957	\$ 706,049.43	\$ 384,907.57	N/A	
2019 COP \$14.5 Loan	WO 1286 - HILLSIDE DRIVE PIPELINE PROJECT	CIP	COMPLETED	\$ 546,560	\$ 787,510.94	\$ (240,950.94)	N/A	
2019 COP \$14.5 Loan	WO 1604 - QUAIL HOLLOW PIPELINE PROJECT	CIP	COMPLETED	\$ 5,060,411	\$ 2,705,852.23	\$ 2,354,558.77	N/A	
2019 COP \$14.5 Loan	WO 1235 - SEQUOIA AVE PIPELINE PROJECT	CIP	ON HOLD	\$ 197,120	\$ 21,046.22	\$ 176,073.78	N/A	
2021 \$15M CoBank Loan	Peavine Supply	FEMA	IN PROCESS	\$ 1,725,000.00	\$ 16,793.63	\$ 1,708,206.37	6/30/2023	163
2021 \$15M CoBank Loan	Big Steel Tank/Zone Piping	FEMA	IN PROCESS	\$ 2,595,000.00	\$ 1,140,890.09	\$ 1,454,109.91	11/30/2023	316
2021 \$15M CoBank Loan	Bennett Spring Supply /Transmission Main	FEMA	IN PROCESS	\$ 400,000.00	\$ 22,319.64	\$ 377,680.36	12/31/2024	713
2021 \$15M CoBank Loan	Five Mile Box & Turbidity Station	FEMA	IN PROCESS	\$ 395,000.00	\$ 40,363.57	\$ 354,636.43	6/30/2023	163
2021 \$15M CoBank Loan	Eckley Pumping Station	FEMA	IN PROCESS	\$ 145,000.00	\$ 242,301.23	\$ (97,301.23)	4/30/2024	468
2021 \$15M CoBank Loan	Harmon Street 2" Main	FEMA	IN PROCESS	\$ 130,000.00	\$ 73,932.14	\$ 56,067.86	6/30/2024	529
2021 \$15M CoBank Loan	Sweetwater Supply Line	FEMA	IN PROCESS	\$ 1,700,000.00	\$ 367.33	\$ 1,699,632.67	9/30/2023	255
2021 \$15M CoBank Loan	Alta Via Distribution System Piping	FEMA	IN PROCESS	\$ 835,000.00	\$ 153,117.80	\$ 681,882.20	1/31/2023	13
2021 \$15M CoBank Loan	South Zone Distribution System Piping	FEMA	IN PROCESS	\$ 650,000.00	\$ 1,210.46	\$ 648,789.54	6/30/2024	529
2021 \$15M CoBank Loan	Blue Ridge Tank Replacement	CIP	IN PROCESS	\$ 975,000.00	\$ 92,166.41	\$ 882,833.59	9/30/2023	255
2021 \$15M CoBank Loan	Orman Road Water Main Replacement	CIP	IN PROCESS	\$ 1,165,000.00	\$ 56,359.02	\$ 1,108,640.98	9/30/2023	255
2021 \$15M CoBank Loan	Hermosa Oak Fernwood Water Main Replacement	CIP	IN PROCESS	\$ 1,685,000.00	\$ 59,179.25	\$ 1,625,820.75	9/30/2023	255
2021 \$15M CoBank Loan	Juanita Woods Water Main Replacement	CIP	IN PROCESS	\$ 1,685,000.00	\$ 56,779.93	\$ 1,628,220.07	9/30/2023	255
2021 \$15M CoBank Loan	Zayante Drive Water Main Replacement	CIP	IN PROCESS	\$ 845,000.00	\$ 56,375.36	\$ 788,624.64	9/30/2023	255
2019 COP \$14.5 Loan	WO 845 - REDWOOD PARK TANK PROJECT	CIP	IN PROCESS	\$ 1,500,000	\$ 69,109.61	\$ 1,430,890.39	11/30/2023	316
2019 COP \$14.5 Loan	WO 1234 - LYON PIPELINE PROJECT	CIP	IN PROCESS	\$ 3,504,640	\$ 213,039.32	\$ 3,291,600.68	3/31/2024	438
2019 COP \$14.5 Loan	WO 1738 - FALL CREEK FISH LADDER	CIP	IN PROCESS	\$ 1,300,000	\$ 623,621.80	\$ 676,378.20	6/30/2023	163
TOTALS				\$ 31,520,938.00	\$ 10,312,137.78	\$ 21,208,800.22		

M E M O

TO: Budget & Finance Committee
FROM: District Manager
SUBJECT: Rate Study RFP
DATE: January 18, 2023

RECOMMENDATION:

It is recommended that the Budget & Finance Committee review & provide input on the attached draft 2023 Rate Study request for proposal (RFP).

BACKGROUND:

The District completed a rate study back in 2017 that resulted in a 5-year rate increase. The 2017 Rate Study and corresponding 5-year water rate schedule are included for review in the links below. While revenues and expenditures are monitored on an annual basis, rate studies are usually done every 3 to 5 years. A rate study was budgeted in the FY21-23 Biennial Budget.

Part of the rate study would include a cost of service analysis which is the basis for meeting Prop 218 requirements and ensuring our rates are legally defensible. Our last cost of service study was done in 2016 and since then we have had significant changes in our system (damage to infrastructure from CZU fires) that warrants an updated cost of service analysis.

On November 1, 2022 the Budget & Finance Committee reviewed a draft RFP proposal. Several comments and edits were recommended to the draft (see attached minutes). A revised draft RFP has been prepared and is attached for the committee's review and comment.

LINKS:

2017 Rate Study:

https://www.slvwd.com/sites/g/files/vyhli1176/f/uploads/slvwd_rate_and_connection_fee_study_report_final_with_appendix_0.pdf

5 Year Water Rate Schedule from 2017 Rate Study:

https://www.slvwd.com/sites/g/files/vyhli1176/f/uploads/2017_2022_water_rate_increase_schedule.pdf



REQUEST FOR PROPOSALS TO PROVIDE:

CONSULTING SERVICES TO THE SAN LORENZO VALLEY WATER DISTRICT

PROJECT TITLE:

2023 RATE STUDY

RESPONSE DUE BEFORE 3:00 P.M. ON

MARCH 1, 2023

Commented [MOU1]: Change as necessary; is just a placeholder.

San Lorenzo Valley Water District

**13060 Highway 9
Boulder Creek, CA 95006**

**(831) 430-4621
kreed@slvwd.com**

San Lorenzo Valley Water District
2023 Rate Study

I. INTRODUCTION

The San Lorenzo Valley Water District is soliciting proposals from qualified firms to conduct a Rate Study to assist in determining how the District funds the administration, operation, maintenance and capital replacement and improvement of its water and sewer systems. The District is seeking a multi-year plan to align revenue with expenses, including on-going maintenance, repairs and upgrades to infrastructure and one-time costs associated with recovery from the 2020 CZU wildfire.

The study will evaluate all current water and sewer rates, system revenue generation and full cost recovery. The study will provide recommendations for revenue structures that will comply with all federal, state and local regulations, and will meet all debt-service requirements.

The District anticipates submission of a draft Rate Study no later than June 15, 2023, to be followed by a formal presentation to the Board of Directors and the public within one to two months. A final report will be prepared based on input received at these presentations.

Commented [MOU2]: Change as necessary; just a placeholder.

II. GENERAL INFORMATION

A. Water Supplier

San Lorenzo Valley Water District (SLVWD or District) is an urban water supplier to approximately 8,200 customers in Santa Cruz County, California. The District's legal boundaries encompass approximately 62 square miles within the San Lorenzo River watershed. Land uses are dominantly state and regional parks and other open space, water-supply watersheds, areas zoned rural residential and low-density urban residential and commercial (including schools), along with minor quarrying, logging and agriculture. Much of the land within the legal boundaries consists of state parks and uninhabited forest, such that the District's actual service area comprises approximately 26 square miles.

The District was established in 1941, and has grown over time by the amalgamation of small mutual water systems. It currently operates and maintains two water systems, the SLVWD system and the SLVWD-Felton system, which have different service areas and water sources. The SLVWD system service area includes the unincorporated communities of Boulder Creek, Brookdale, Ben Lomond, Quail Hollow, Glen Arbor, Zayante, and Lompico, as well as the following neighborhoods in and adjacent to the city of Scotts Valley: Hidden Glen, Lockwood Lane, Pasatiempo, Whispering Pines, Manana Woods and the Spring Lakes and Vista Del Lago mobile home parks. The SLVWD-Felton system service area includes the unincorporated community of Felton and neighborhoods along Highway 9 south of Felton to Big Trees and on the west outskirts of Felton along Felton - Empire Grade Road. The two systems are connected by interties that allow transfer of water between them on an emergency basis.

The District relies on both surface water and groundwater resources, which are ultimately derived solely from rainfall within the San Lorenzo River watershed. Surface water is obtained from nine stream diversions (six of which are currently inactive due to damage sustained in the 2020 CZU wildfire). Groundwater is obtained from one spring and eight active wells. The District has limited above-ground storage capacity equal to only a few days' average use; hence, the District relies on groundwater for seasonal and year-to-year storage. The District produces and treats water based on short-term water demand. The water treatment plant for the SLVWD system is located above the community of Boulder Creek; the plant for the SLVWD-Felton system is located on Kirby Street in downtown Felton.

San Lorenzo Valley Water District
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The scale and complexity of SLVWD's water distribution system reflect the San Lorenzo Valley's rugged topography, its low-density pattern of development, and widely distributed raw water sources. The resulting highly dispersed system results in the District maintaining 37 pressure zones. All but one zone include a booster station to pump potable water up to the tank(s) associated with a particular zone. The cost to run each booster station pump is mostly a function of the elevation gain between pump station and tank(s); age and design efficiency play a smaller part in determining energy expenditure. The District's dispersed layout requires that many zones are "pass-through" zones, meaning that potable water must be pumped from a treatment plant up to a zone, then pumped again up to a second, third, or even fourth zone. As a result, pumping costs differ from zone to zone.

B. Wastewater

The District operates the Bear Creek Estates Wastewater System, which collects and treats domestic wastewater flow from 56 homes in and around the neighborhoods along Deerwood Drive, Harmon Gulch and Timberwood Road north of the community of Boulder Creek.

The existing collection system consists of 19 manholes, 2 cleanouts, approximately 3,600 linear feet of gravity sewer line, 2,600 linear feet of force mains, 2 sewer pump stations and 56 laterals. Initially constructed in 1985, the treatment plant consisted of two (2) cast-in-place, underground concrete tanks, an influent pump station and an effluent pump station discharging treated effluent to a subsurface 2.3-acre leach field. From 2005 through 2013, the District completed several upgrades aimed at achieving regulatory compliance and improved efficiency of nitrogen removal. This involved modifying the existing treatment septic system to incorporate a 3-stage trickling filter system, new internal recirculation/splitter/ball valves, and new air blowers with high-capacity disc diffusers in the clarifier tanks. There are still significant improvements to the wastewater system needed to meet modern State regulatory requirements.

There are no dedicated wastewater system employees. The system is operated on a routine or as-needed basis with District staff from the Water Fund Operations & Distribution or Supply & Treatment Departments. The District is in negotiations with the County to take over operation of the wastewater system as part of a larger project in the community of Boulder Creek; however, the anticipated timeline for this transition is beyond the 5-year horizon of the rate study.

C. Impacts of the CZU Lightning Complex Wildfire of 2020

The District watershed and water system, as well as some of its ratepayers, were severely impacted by the CZU Lightning Complex Wildfire in 2020. The damage to District facilities was extensive, most significantly to raw water supply lines, storage tanks, and cross-country water transmission pipelines, but also water treatment systems, pumps, and water-quality monitoring equipment.

The District anticipates receiving partial financial assistance through the Federal Emergency Management Agency (FEMA) to help cover the costs of emergency response, recovery, and permanent repairs. The District will be responsible for paying up front all of these costs (and other CZU Wildfire costs that are not reimbursable by FEMA). Once projects are complete, the District will submit eligible project costs for FEMA reimbursement.

The District implemented a Fire Recovery Surcharge through the Proposition 218 process in August 2021 to help recover an estimated \$5M in CZU Wildfire costs not covered by FEMA. The surcharge added a monthly charge of about \$10 per ratepayer. The surcharge will last about 5 years and will automatically terminate once \$5 million is collected by the District. The \$5M surcharge amount was based on the assumptions that FEMA would reimburse 75% of an estimated \$20M cost for fire recovery and repair of damaged infrastructure.

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2023 Rate Study

Since the adoption of the Fire Recovery Surcharge, key assumptions on which the surcharge was based have changed. The FEMA cost-share percentage increased from 75% to 90%. The initial cost estimate of approximately \$20M in total damages has proven to be far too low, especially in light of current estimates for the cost of replacing 7 miles of above-ground, raw-water pipeline destroyed in the CZU Wildfire. A constructability study completed by the engineering firm Freyer & Laureta in 2022 evaluated various replacement options, including replacing the pipelines at grade, and recommended that the destroyed pipelines be replaced with buried HDPE pipe to protect from future wildfires at an estimated cost of about \$50M. A subsequent peer review of the Freyer & Laureta engineering report completed by Haro Kasunich & Associates in November 2022 concluded that Freyer & Laureta had underestimated the environmental impact and difficulty of constructing a 12'-wide bench to accommodate burial of the pipeline given the steep slopes and difficult access. The District is currently acquiring additional cost information on various options. FEMA will reimburse 90% of eligible costs associated with constructing the pipelines above ground as they were prior to the CZU wildfire, but it is not yet known what proportion of an additional cost to bury the pipelines would be covered.

The District will have many other fire recovery expenses in addition to the cross-country pipelines. Given the escalation in the estimated costs of recovery since the implementation of the surcharge, even with the increase in FEMA reimbursement to 90%, it is clear that the \$5M surcharge will not cover the District's non-reimbursed fire recovery expenses.

The District is in the process of consolidating with two small water mutuals that were destroyed in the CZU wildfire. Bracken Brae and Forest Springs are located along Big Basin Way, outside the District's two current service areas but within the District's legal boundaries. The majority of the funding for infrastructure to add the approximately 150 connections to the SLVWD will be provided by the California Department of Water Resources.

D. Ongoing Investments in Infrastructure

The District has a backlog of capital improvement projects as a consequence of past decades of underinvestment in infrastructure. In 2019 the District contracted with Akel Engineering to create a Water Master Plan (WMP) and Capital Improvement Plan (CIP). This work was completed in 2021. The CIP included recommendations for rehabilitation and/or upgrade of the majority of the District's infrastructure, as well as a preliminary prioritization of projects. The District is currently analyzing the CIP in order to establish priorities in light of the estimated costs of the recommended actions. Given the level of construction activity on capital projects anticipated annually, the District is considering creation of a construction crew of 4-5 individuals dedicated to pipeline installation as a way to speed implementation of capital projects and capitalize employee costs.

E. Membership in the Santa Margarita Groundwater Agency

The District is one of three founding members of the Santa Margarita Groundwater Agency (SMGWA); the other two are Scotts Valley Water District and the County of Santa Cruz. SMGWA was formed in response to California's 2014 Sustainable Groundwater Management Act, and is charged with managing groundwater resources in the over-drafted Santa Margarita groundwater basin within the San Lorenzo Valley watershed. SMGWA submitted its mandated Groundwater Sustainability Plan in January 2022. The District is committed to annual expenditures for administrative and monitoring tasks, and will pursue capital projects described in the Plan as grant funding becomes available.

III. PROJECT SCOPE OF SERVICES

The scope of required services for this project includes:

TASK 100 – PROJECT MANAGEMENT

Consultant shall propose a project schedule that meets or improves upon the timeline provided in this Request for Proposals.

Consultant shall provide overall project management, including contract administration and budget and schedule tracking.

Consultant shall provide internal quality control and quality assurance procedures.

Consultant shall assume about five meetings with staff, two public meetings (one each with the District Board and Budget & Finance Committee), and one public outreach workshop under the auspices of the District to gather community input.

TASK 200 – REVENUE REQUIREMENTS AND RATE SCHEDULE

Consultant will conduct a detailed review of the District's operating and capital improvement budgets and one-time costs associated with recovery from the CZU wildfire to determine revenue needs over 5-year and 10-year time horizons. Consultant will develop recommended alternatives for a 5-year rate schedule beginning with the fiscal year starting July 1, 2023 that promotes financial sustainability and maintains adequate debt coverage and reserve levels. In order to do so, the Consultant shall develop an understanding of the 2021 Water Master Plan and Capital Improvement Plan, the existing rate structure and the assumptions underlying cost distribution to the various cost centers, the District's reserve policies and other financial policies, and the District's existing debt-service requirements. In addition to studying relevant District reports and plans (links provided under XIII), the Consultant will familiarize themselves with the demographics of the District's ratepayers, and undertake field investigations sufficient to provide the appropriate background for making recommendations.

Commented [MOU3]: Adjust date as necessary; just a place holder. It seems unlikely that the new rates can go into effect this soon, but we wouldn't want to wait until the beginning of the 2024-5 fiscal year.

The rate study shall include the following:

- A detailed cost-of-service analysis.
- A determination of current and future revenue needed to provide water and wastewater services in conformance with current and anticipated changes to standards and regulations, and to undertake ongoing repair, maintenance, and upgrades of infrastructure.
- An assessment of the existing customer service fee structure, identifying potential areas for new service and system charges, and recommendations regarding potential future charges.
- An exploration of various options for changes from the existing rate structure, including possible options in the list below, which may be altered or refined as the rate study develops based on discussions between District staff and the selected Consultant:
 - Tiered volumetric rates, including one model in which the lowest tier is tied to California's standard for per capita indoor water usage
 - Different rates for bulk water users (e.g., schools, mobile home parks)
 - Redistribution of revenue between service charges and volumetric charges to reflect the fixed nature of the majority of the District's operational costs, and to make annual revenue more predictable and less tied to consumption, which can be restricted in times of drought
 - Implementing a drought surcharge to replace the current system of revenue stabilization rates, in which the surcharge is placed into a restricted account that the District can access if consumption

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- drops due to State mandates in response to drought conditions
- Implementing a capital improvement surcharge the proceeds of which are placed into a restricted account the District can use only to pay for capital improvement projects
- Establish cost-of-service for the District's 37 pressure zones that accounts for differences in pumping/utility costs for different pressure zones, and make a recommendation on whether it is practicable and/or equitable to set different rates for zones
- A demonstration that any recommendations on rate structure meet cash-flow objectives.
- Modeling how alternative rate structures would affect residential households as a function of use pattern (e.g., low-use, median use, high use) and economic status.
- Recommendations for methods of communicating utility costs to ratepayers, assessing the ease of communication associated with each alternative rate structure, including how the layout of the utility bill might be used to identify actual costs of providing water and sewer services under different rate structures.

TASK 300 – FINAL RATE STUDY REPORT

Consultant shall prepare a draft report that provides a detailed analysis of work performed and assumptions made. The report shall provide a clear written analysis of the basis upon which revenue needs were calculated.

Consultant shall incorporate changes pursuant to comments received on the draft report on presentation to the Budget & Finance Committee, the Board of Directors, and the public.

Consultant will present the final report and recommended rates to the Board of Directors and members of the public at a formal public hearing.

Final report shall include an easy-to-use rate model, preferably in Excel format for use on a Microsoft Windows-based system. Consultant shall provide adequate training for said model.

Consultant shall provide seven (7) hard copies (one wet signature and six copies) and a digital pdf of the final report.

IV. PROPOSAL REQUIREMENTS

The proposal shall not exceed 13 pages excluding resumes, cover letter, dividers, and front and back covers. Responses to this RFP shall be in the following order and shall include:

1. Executive Summary (1 page maximum)

Summarize the contents of your firm's proposal in a clear and concise manner.

2. Project Description (2 pages maximum)

- i. Explain the objective of the project and how you propose to accomplish the recognized goals.
- ii. Describe the services and deliverables to be provided.
- iii. Include a statement on what makes your firm uniquely qualified.

3. Identification of Prime Consultant Firm and Subconsultants (2 pages maximum)

- i. Legal name and address of the firm.
- ii. Legal form of firm (e.g., partnership, corporation).
- iii. If firm is wholly owned subsidiary of a "parent company," identify the "parent company."
- iv. Name, title, address, email, and telephone number of person to contact concerning the Proposal.
- v. Number of staff and the discipline/job title of each.

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- vi. If any Subconsultants will be used, provide information for items i.-v. above for each.
4. Project Organization and Experience of the Project Team (3 pages maximum, not including resumes)
- i. Describe proposed project organization, including identification and responsibilities of key personnel, including subconsultants. Attach resumes of key personnel (maximum one page each).
 - ii. Describe the experience of the Project Manager and the experience that the proposed personnel have working on past projects as a team.
 - iii. Describe project management approach to the work effort, locations where work will be done, responsibilities for coordination with the District, and lines of communication necessary to maintain schedule.
 - iv. Describe a proposed schedule showing all facets of work that will meet the District’s objectives and goals in a timely manner. Provide a proposed timeline (Gantt chart) for completion of tasks and subtasks.
 - v. Describe the firm’s capacity to perform the work within the time limitations, considering the firm’s current and planned workload and work force.

5. Consultant’s Past Experience (2 pages maximum)
- i. Describe the firm’s past experience and performance on similar projects.
 - ii. Describe the firm’s experience with water systems in the greater Bay Area and Mid-Coast regions of California and/or water systems that resemble the District’s highly dispersed facilities and service area.

Commented [MOU4]: We removed the “Creative solutions” heading because that seemed like something that was leftover from a construction RFP

6. Proposed Total Professional Fee and Fee Schedules
- i. Proposed fee shall be organized with appropriate breakdown into subtasks.
 - ii. Include the hourly rate of all staff that will be charged directly to the project.
 - iii. Proposed fee shall not be the sole basis of award, but will be used to evaluate the Consultant’s understanding of the Scope of Work.

7. Exceptions to this RFP
- The Consultant shall certify that it has fully read the RFP and takes no exceptions to this RFP including, but not limited to, the Consultant Services Agreement (attached). If the Consultant does take exception to any portion of the RFP, the specific portion(s) of the RFP to which exception is taken shall be identified and explained.

V. EVALUATION CRITERIA

The evaluation criteria and the respective weights that will be given to each criterion are as follows:

1. Executive Summary	5%
2. Project Description	25%
3. Identification of Prime Consultant Firm and Subconsultants	10%
4. Project Organization and Experience of the Project Team	30%
5. Consultant’s Past Experience	20%
6. Proposed Total Professional Fee and Fee Schedules	10%

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VI. SELECTION PROCESS

The District intends to interview the two top-ranked firms.

The District will enter into negotiations with the selected firm. At this time, the District contemplates the use of a Time and Material Not to Exceed contract for the services requested. Negotiations will cover: scope of work, contract terms and conditions, office arrangements, meeting requirements, proposed schedule, and appropriateness of the proposed fee.

The District will require a professional liability insurance verification for coverage of not less than \$1,000,000.00.

After negotiating a proposed agreement that is fair and reasonable, the District Manager will execute the contract with authorization from the District's Board.

Commented [MOU5]: This amount seems insufficient for today's circumstances. For this kind of proposal, is there a more appropriate term than "liability", which sounds like someone getting injured on a construction site? We are more worried about errors or omissions in the rate study that would lead to legal fees.

VII. SELECTION SCHEDULE

The District anticipates that the process for selection of firm and awarding of the contract will be according to the following tentative schedule:

Proposal Due Date	March 1, 2023
Interviews and Negotiation with Selected Firm	TBD in March
Board of Directors Approval	April 6, 2023
Final Selection and Notification	April 7, 2023

Commented [GRN6]: This language provides for a more flexible process that's also more consistent with how the Board typically authorizes contracts.

Commented [MOU7]: Change all the dates as appropriate; just placeholders for now.

VIII. LINKS TO BACKGROUND INFORMATION

Links to documents providing background for preparation of Proposal:

- Maps of District Service Area
- M. Cubed Water & Sewer Service Affordability Assessment (SLVWD information begins on page 34)
- 2016 Cost-of-Service Study
- 2017 Rate & Connection Fee Study Report
- 2021 Water Master Plan
- 2021 Capital Improvement Plan
- 2022 Groundwater Sustainability Plan of the Santa Margarita Groundwater Agency

IX. SUBMITTAL REQUIREMENTS

1. Questions regarding this RFP shall be submitted in writing to Kendra Reed (kreed@slvwd.com).
2. The response Proposal must be received no later than **3:00 p.m.** local time, on or before **March 1, 2023**.
3. Please send Proposal via email to kreed@slvwd.com with the subject line "Request for Proposals for San Lorenzo Valley Water District – 2023 Rate Study".
4. The Proposal should be delivered in a format fully compatible with either Adobe Acrobat (pdf) or Microsoft Word.

Commented [MOU8]: Adjust as needed

Failure to comply with the requirements of this RFP may result in disqualification.



MINUTES OF BUDGET & FINANCE COMMITTEE MEETING November 1, 2022

Tuesday, November 1, 2022, at 2:00 p.m., via video/teleconference.

MINUTES

1. **Convene Meeting:** 2:01 p.m.
Roll Call

Committee Members - Present
Gail Mahood, Committee Chair
Jeff Hill
Olesya Kalinowska
Elizabeth Paulsen

Monica Martinez - absent

Staff - Present
Rick Rogers, District Manager
Kendra Reed, Director of Finance and Business Services
Holly Hossack, District Secretary

2. **Oral Communications:** None
3. **Unfinished Business:** None
4. **New Business:**

- A. CERTIFICATE OF PARTICIPATION LOAN UPDATE
K. Reed introduced and explained this item.

R. Rogers explained the reason that Sequoia Pipeline has had no action. The District does not have easements for this area and this item will be pulled from the COP Loan list.

Discussion by the Committee and staff:

- Loan terms - cost of pre-payment penalty
- Timeline - already past 3 years in the agreement
- Will \$10 million be enough to complete the projects
- Fall Creek Fish Ladder - add staff time already spent \$646,000
- This information is reported in the Finance Quarterly Reports
- Add a footnote that the Fall Creek Fish Ladder has already received grant funding for \$1.2

B. PROPERTY TAX COLLECTION POLICY

K. Reed introduced and explained this item to the Committee.

Discussion by the Committee and staff:

- This is the first year - we will see more of a trend in the future
- Small cash flow issue
- Committee recommends 1 notice per year
- Arrangements for overdue bills can be made through the office to avoid property tax roll.

R. Rogers summarized that this has been a very successful program.

This item will be taken to the Board as an informational item.

C. WATER RATE STUDY - REQUEST FOR PROPOSALS

K. Reed introduced and explained this item to the Committee.

Discussion by the Committee and staff:

- Inconsistency in the description needs to be edited
- Look at base rate increase vs. volumetric rates
- Base rate was kept low in the past which can be problematic to cash flow
- Possible Capital Improvement surcharge
- Tiered rates need to be instituted
- Bottom tier should be tied to CA standard for indoor usage
- Different rates for different areas (more pumping) - cost of service
- Bracken Brae & Forest Springs included in the study (RFP)
- Conjunctive use - Zone use
- Summer (well water) and Winter (surface water) rates
- Stabilization surcharge - not useful
- Fee structure is low compared to labor costs
- Capture costs of service visits/fire flow service charge
- Public input is needed

Bring back the RFP with edits to the next Committee meeting.

5. Informational Material

Here is a link to previous B & F Committee meeting minutes:

[All Finance Meeting Minutes | San Lorenzo Valley Water District \(slvwd.com\)](https://www.slvwd.com/All-Finance-Meeting-Minutes)

6. Adjournment 3:01 p.m.