

ALTO SANITARY DISTRICT
MINUTES OF THE MEETING OF MONDAY, MAY 25, 2016

1. Call to Order and Roll Call: Chairman Stanley Bransgrove called the meeting to order at 7:30 p.m. Board Members present: Directors Janis Bosenko, Pedro Femenia, Roger Gainer and Todd Gates. Also present, Manager Roger Paskett.
2. Visitors to the Meeting and Open Time for Public Expression: There were seven visitors from the public. Seeing that there was attendance from the public and assuming they were at the meeting in response to the proposed rate increase, Chairman Bransgrove moved that an adjustment to the agenda be made, putting the New Business items (Items 8a through 8c) at the top of the agenda. M/S Bosenko/Femenia; approved 5-0
3. New Business

- a. Item 8a: Consider Adopting Resolution 2016-01, Establishing Target Reserve Fund Levels – Manager Paskett presented the topic giving a brief history of the establishment of the current reserve goal of \$300,000 and put forth a basis for increasing that amount to between \$500,000 and \$600,000. The basis given was to have enough in reserves to repair 10 percent of the collection system at any given time in case of a disaster, like an earthquake, that would cause damage in multiple locations. Director Gainer gave the opinion that an amount of \$500,000 in reserves is a bare minimum to take care of emergencies as well as unpredictable increases in fees from SASM as the wastewater treatment plant undergoes its capital upgrades. He also expressed the opinion that we should have at least one year's operating expenses available and that that amount will be close to \$800,000 in a few years. Based on this, Director Gainer proposed that the range for the reserve fund be \$500,000 to \$800,000. In support of Gainer's position, Chairman Bransgrove reminded the Board about how the bids on SASM's Sutton Manor pump station project were so much higher than expected that the project had to be delayed until the money became available. Chairman Bransgrove then asked Paskett where he got the costs to repair broken pipes. Paskett answered that \$300 per foot is the average cost for pipe repair as presented in 10-year CIP projection by Nute Engineering a couple of years ago. Director Femenia cited our current CIP project noting that even that small job of less than 200 feet was bid at about \$50,000 with alternates. Bransgrove mentioned that if the 8 inch trunk line under the freeway stopped flowing we would have to have pumper trucks conveying sewage until the repair was made.

Action Taken: M/S Gainer/Bosenko to set the target range for the reserves between \$500,000 and \$800,000.

At this point, Chairman Bransgrove invited comments from the public.

- Margaret Gill, 5 Plaza – voiced concern about the sewer rates increasing so fast over a short period of three years.

Bransgrove, seeing no further comments from the public, closed the comment period and called the question. The board approved the motion 5-0

- b. Item 8b: Consider Draft Budget for Fiscal Year 2016-17 – Manager Paskett presented the draft budget for FY 2016/17 stating that this year there was challenging due to the impending sewer service rate increase that the Board is considering. He explained that there were two aspects affecting calculations. One was the fact that funding through piggy-backing on with the SASM bond fell through and the other was the fact that, due to changes in EDU counts for all of the

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member agencies, Alto's share of SASM expenses has gone down. Paskett explained that the reason why Alto's EDU counts went down this year was because there was a discrepancy from last year's counts after this year's calculation was performed. Director Gainer asked Paskett to check with Nute Engineering, who did the EDU calculations last year, in order to understand the discrepancy and bring a report when the budget is presented at the next meeting.

Paskett continued to explain the majority of the proposed budget is based on expenses that are fairly constant and that there are two areas of discretionary spending; 1) how much to save for reserves and 2) how much to spend on capital improvements.

At this point Director Gainer wanted to discuss a 3-page handout Summary of the Revenue Requirement that was made available to the public for this meeting (attached to these minutes). The handout shows balance sheets for three different CIP scenarios (10, 15, and 20-year) including projected increases from SASM over the next five years. Gainer emphasized that Alto is under orders from the Environmental Protection Agency (EPA) to show progress on the rehabilitation of the sewer collection system. Gainer expressed being uncomfortable with extending our CIP to 20 years. Director Bosenko said she thought that the EPA directed Alto to fix their pipes on a 10-year or a 15-year plan a few years ago and wondered if we would be allowed to extend the work beyond that? Gainer answered that what is important is that we show steady progress is being made.

The board discussed the drivers behind the SASM capital plan and the need to repair District pipes in a timely manner. The board explained to the members of the public what inflow and infiltration is (I&I) and the problems that it causes in the collection system and at the wastewater treatment plant.

Director Femenia suggested that we budget for repairing all of the pipes within 10 years. Gainer countered that a 10-year plan would put a huge strain on our budget but that extending the plan to 20 years would expose the District to less predictable construction costs. The 15-year scenario was discussed with some depth. By going with a 15 year CIP plan we could raise rates to \$1,100 per EDU the first year and create a surplus of \$48,000 which could be applied to the next year's CIP projects. In this way we would strive to stay ahead of the steep increases imposed by SASM and still have funding for the District's capital projects.

At this point, Chairman Bransgrove invited comments from the public.

- Don Wilhelm, 35 Valley Road – Asked for a definition of EDU's for multiple units on a single parcel. Paskett responded saying that each living unit equals one EDU. So, a parcel with four units would have four EDU's.
- Gail Wilhelm, 35 Valley Road – Expressed concern that the 15-year budget as presented is deceptive because it shows only the percentage of sewer rate increase from year to year, not the total increase when added all together. Mrs. Wilhelm said that this increase will cost her \$60,000 on her four units before we are done. She stated that the proposed sewer rate increases will force her to raise rents on her apartments much higher than she normally does. Mrs. Wilhelm strongly urged the board to find a way to spread the District's capital costs over 30 years through some type of funding.
- Don Wilhelm spoke again urging the board to consider investigating taking out a 30 year bond.
- Mark Ganderton, 15 Plaza – Asked who is responsible for repairing the Shell/Lomita

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adverse grade, SASM or Alto?. He also stated that the proposed rate increase will be a strain to pay.

- Susan Slonecker-Garretson, 7 Shell Road – Agreed with Mark Ganderton that it is overwhelming how much it went up all at once.

With no further comments, Public open time was closed. Bransgrove answered Mark Ganderton's question about responsibility of the Shell/Lomita project. He described the project, stating that it is a multi-jurisdictional section of the sewer and that an engineering study is underway to determine the best way to go about remedying the adverse grade there.

At this point, Director Gainer explained to the public that a sub-committee studied funding options including traditional lending and piggy-backing on with SASM's 30-year bond. None of those options were workable for one reason or another. A dialogue developed between the Board and the guests in attendance that lasted about 17 minutes.

- c. Item 8c: ORDINANCE NO. 2016-01: AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE ALTO SANITARY DISTRICT ESTABLISHING THE RATE OF THE ANNUAL SEWER SERVICE CHARGE LEVIED ON IMPROVED PROPERTIES IN THE DISTRICT: First Reading – Director Gainer immediately made a motion to move forward with the Rate Increase Ordinance as written. Manager Paskett clarified that the purpose of the first reading of the ordinance was to make small changes like grammar and correct typographical errors. As there were no changes suggested the ordinance will proceed to the June 22nd adoption meeting as presented.

9:05 pm audience leaves.

4. Minutes of the Meeting of April 20: Chairman Bransgrove called for a motion to approve the minutes as submitted. Action taken: M/S Gainer/Femenia that the minutes of the meeting of April 20 be approved as submitted; approved 5-0
5. Manager's Report: Manager Paskett reported on the following:
- a. USA locations - four.
 - b. Lateral Sewer Repairs – None to report.
 - c. Sewer overflows – None to report.
 - d. Fixture Count Inspections – None to report.
 - e. Sewer Lateral Ordinance Inspections – 47 Plaza was inspected for a home sale. Problems were found and a 180-day notice to repair was sent to the real estate agent.
 - f. 2015-16 CIP Project – Pending approval by the Board of the contractor selected to perform this job, the manager will schedule the work. The private sewer lateral of the Islamic Center will need to be inspected so that if replacement is necessary the work can be coordinated with the construction work.
6. Reports on outside meetings
- a. SASM Board Meeting – Director Gainer reported on the April SASM board meeting though he did not attend. SASM president Lew Kious filled Gainer in as follows: The SASM board approved an O&M budget for FY 2016/17. Mill Valley had requested an increase in fees for managing and staffing the wastewater treatment plant but that amount considered excessive so Kious negotiated a \$31,000 reduction before the budget was passed.

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- b. (District Manager's Meeting – Manager Paskett reported the following:
- i. Member Agency Assessments – SASM’s manager, Mark Grushayev, distributed revised EDU counts and member agency assessments.
 - ii. SSMP Audit – Mark Grushayev reminded the managers that the biennial self-audit of the Sewer System Management Plan is due this year.
 - iii. DIR Requirement – Mark Grushayev notified the directors that any contracts that the districts undertake for sewer or equipment repairs must be reported to the Department of Industrial Relations to make sure prevailing wages are paid to the crews doing the work.
 - iv. Rate Increase Survey – Alto Manager Paskett requested proposed rates from any districts that were planning to go through a Prop 218 process in the near future. TCSD was the only district that had new information.

7. Financial Report and List of Disbursements Paskett reported that income in March was \$127,435.15 and debits were \$603.23. With April warrants amounting to \$14,500.66 a balance of \$261,561.36 was left in the O&M account. After expenses this month the account will hold a balance of \$151,546.38. The personnel payment account had a balance of \$347.60 after payroll last month. The reserve account received interest for the first quarter and now has a balance of \$200,058.78. The following list of expenses (check nos. 0008 to 0015) was submitted for approval.

LIST OF EXPENSES FOR 5/25/16

<u>CHECK</u>			
<u>NUM</u>	<u>PAY TO</u>	<u>FOR</u>	<u>AMOUNT</u>
0008	Alto Sanitary District	Personnel Pymt Account	3,000.00
0009	Nute Engineering	Engineering work for March, April Location, Annual Maintenance	7,277.92
0010	Roto-Rooter	continue	725.63
0011	AT&T	Telephone Service	68.80
0012	Consumer Cellular	Cell Phone	22.13
0013	MC Tax Collector	County Counsel - Q3	410.00
0014	SASM	Member Agency Assmnt - Pymt #2	82,310.50
0015	Roger Paskett	Office Fund - Reimbursement	200.00
	Reserve Fund - 34120	Installment for FY2016	<u>16,000.00</u>
			110,094.98

Action Taken: M/S Gainer/Bosenko to approve the financial report and pay the above listed expenses;
 Approved 5-0.

8. Unfinished Business

- a. 2015-16 CIP Project, Award Contract– Manager Paskett reported that the bid opening for this project was held on May 18, 2016, at the SASM offices. There were three bids submitted and the winning bid from D and D Pipelines was within budget at \$44,800 with the Additive Alternate A work for \$8,000.

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Action Taken: M/S Gainer/Femenia to accept the low bid by D and D Pipelines and direct the manager to proceed with scheduling the work; approved 5-0.

9. Director's Open Time

- a. Director Gainer felt that control of speaking time from the public could have been handled better and wanted to have a stricter adherence to time limits at the June 22nd meeting when we adopt the rate increase ordinance.

10. Adjournment: M/S Femenia/Gainer; approved 5-0. 9:15 pm

Minutes respectfully submitted by Roger Paskett

**THE NEXT REGULAR MEETING WILL BE HELD IN THE
CONFERENCE ROOM OF THE SEWERAGE AGENCY OF
SOUTHERN MARIN, 450 SYCAMORE AVENUE, MILL VALLEY
AT 7:30 P.M., WEDNESDAY, JUNE 22, 2016**

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Summary of the Revenue Requirement

CIP over 10 years

	Current Budget	Projected				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenue						
Rate Revenue	\$290,650	\$285,800	\$713,928	\$784,235	\$819,103	\$856,257
Misc. Revenue *	63,541	65,447	67,411	69,433	71,516	73,661
Total Revenue	\$354,191	\$351,247	\$781,339	\$853,668	\$890,619	\$929,918
Expenses						
O&M Expenses *	123,170	126,865	130,671	134,591	138,629	142,788
SASM Treatment & Capital Plan	164,621	202,314	258,962	279,679	302,053	320,176
Rate Funded Capital *	50,400	400,000	412,000	424,360	437,091	450,204
Fund Reserves	16,000	50,000	50,000	50,000	50,000	50,000
Total Expenses	\$354,191	\$779,179	\$851,633	\$888,630	\$927,773	\$963,168
Balance/Deficiency of Funds	\$0	(427,932)	(70,294)	(34,962)	(37,154)	(33,249)
Proposed Rate Adjustment	0%	150 %	10 %	4 %	5 %	4 %
571.6 EDU's in the District						
Current Annual Charge (\$500/EDU)	\$500					
Annual Charge after Rate Adjustment	----	\$1,249	\$1,372	\$1,433	\$1,498	\$1,556
Change	\$0	\$749	\$123	\$61	\$65	\$58

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**Summary of the Revenue Requirement
CIP over 15 years**

	Current Budget	Projected				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenue						
Rate Revenue	\$290,650	\$285,800	\$580,174	\$647,051	\$677,918	\$710,499
Misc. Revenue *	63,541	65,447	67,411	69,433	71,516	73,661
Total Revenue	\$354,191	\$351,247	\$647,585	\$716,484	\$749,434	\$784,160
Expenses						
O&M Expenses *	123,170	126,865	130,671	134,591	138,629	142,788
SASM Treatment & Capital Plan	164,621	202,314	258,962	279,679	302,053	320,176
Rate Funded Capital *	50,400	266,666	274,666	282,906	291,393	300,135
Fund Reserves	16,000	50,000	50,000	50,000	50,000	50,000
Total Expenses	\$354,191	\$645,845	\$714,299	\$747,176	\$782,075	\$813,099
Balance/Deficiency of Funds	\$0	(294,598)	(66,714)	(30,692)	(32,642)	(28,939)
Proposed Rate Adjustment	0%	103 %	11 %	5 %	5 %	4 %
571.6 EDU's in the District						
Current Annual Charge (\$500/EDU)	\$500					
Annual Charge after Rate Adjustment	---	\$1,015	\$1,132	\$1,186	\$1,243	\$1,294
Change	\$0	\$515	\$117	\$54	\$57	\$51

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**Summary of the Revenue Requirement
CIP over 20 years**

	Current Budget	Projected				
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenue						
Rate Revenue	\$290,650 ^g	\$285,800	\$513,868	\$577,888	\$607,039	\$637,906
Misc. Revenue *	63,541	65,447	67,411	69,433	71,516	73,661
Total Revenue	\$354,191	\$351,247	\$581,279	\$647,321	\$678,555	\$711,567
Expenses						
O&M Expenses *	123,170	126,865	130,671	134,591	138,629	142,788
SASM Treatment & Capital Plan	164,621	202,314	258,962	279,679	302,053	320,176
Rate Funded Capital *	50,400	200,000	206,000	212,180	218,545	225,102
Fund Reserves	16,000	50,000	50,000	50,000	50,000	50,000
Total Expenses	\$354,191	\$579,179	\$645,633	\$676,450	\$709,228	\$738,066
Balance/Deficiency of Funds	\$0	(227,932)	(64,354)	(29,129)	(30,672)	(26,499)
Proposed Rate Adjustment	0%	80 %	13 %	5 %	5 %	4 %
571.6 EDU's in the District						
Current Annual Charge (\$500/EDU)	\$500					
Annual Charge after Rate Adjustment	----	\$899	\$1,011	\$1,062	\$1,116	\$1,162
Change	\$0	\$399	\$113	\$51	\$54	\$46

*Assume 3% annual rise

^g based on 581.3 EDU's