

Bolinas Community Public Utility District
A Meeting Of The Finance Committee of the Board Of Directors
February 8, 2022 270 Elm Road, Bolinas

In compliance with local and state shelter-in-place orders, and as allowed by the Brown Act as currently in effect under the State Emergency Services Act, the Governor’s Emergency Declaration related to COVID-19, and the Governor’s Executive Order N-29-20 (March 17, 2020), the BCPUD’s Finance Committee did not offer an in-person meeting location for the public to attend this meeting. The meeting was limited to essential district business items and was conducted by the BCPUD’s Finance Committee, staff and public via teleconference.

1. Call to Order.

1:04 p.m.

2. Roll.

Directors Walker and Comstock present; General Manager Jennifer Blackman also present.

3. Draft Update of the District’s Five-Year Capital Improvement Plan.

Staff presented an update of the Five-Year Capital Improvement Plan for the water side of operations. The projects are divided into Tier 1 and Tier 2 projects, and within that, the projects are categorized as either “transmission”, “treatment” or “distribution”. The first project in the Tier 1 transmission category is the slip line of the Woodrat 1 overflow pipe; \$100,000 is set aside for this and the district is ready to proceed with the work but, due to the “atmospheric river” of rain received in October and the additional rains in November and December, the reservoir is spilling and the project cannot be installed until the reservoir level is below the spill line and the pipe is dry. The contractor is engaged to install the project for \$50,500 so, if there are no change orders, the remaining funds on deposit can be re-directed to other capital projects. The next project, “install bypass”, has been added to the plan per the Board’s request that staff explore a means by which the district can convey water directly from the Woodrat 2 reservoir to the treatment plant, bypassing the need to put it into the Woodrat 1 reservoir first; an engineer’s estimate is needed for this project. The next two projects listed are the replacement of the intake piping and valves on both of the reservoirs; \$33,000 has been collected and is on deposit in reserves for the Woodrat 1 Reservoir intake piping and valve replacement. The next projects on the plan are the replacement of the raw water pipeline on the Arroyo Hondo Creek between the upper and lower diversion points, followed by projects to inspect the dam at the upper diversion point and to rehabilitate the gate at the lower diversion point. Staff has been working to identify a qualified engineer to assess and develop recommendations for the work needed to rehabilitate the lower gate. The final project in the Tier 1-transmission category is the installation of treatment facilities for the emergency groundwater wells; staff noted that the district has spent approximately \$78,000 on permitting and engineering this project thus far, and has applied for grant funding to install the treatment facilities.

Discussion turned to the Tier 1 - treatment projects. The first project is the Woodrat Reservoir 1 Rehabilitation project. Staff is scheduled to meet with the district’s consultant to determine whether to expend any additional funds on this project as the Nano bubblers no longer appear to be making any significant improvement in water quality. The district thus far has collected and spent approximately \$70,000 on this project for consulting services, azolla removal and equipment (Nano bubble units). Staff has developed an “in house” process to remove the azolla from the surface of the reservoir, which is a very positive development. A brief discussion ensued about the disappointing performance of the Nano bubbler units and staff will provide more information about next steps after meeting with the district’s consultant. Director Comstock requested that staff ask the consultant if there are specific water quality problems that should be addressed independent of

those caused by the presence of azolla. The next project in the Tier 1- treatment category is the installation of a fifth filter at the water treatment plant. The district's consulting technician has suggested this in order to reduce wear and tear on the district's existing four filters; the estimated cost is approximately \$80,000 for a refurbished, used filter. Staff is evaluating whether this project is necessary and/or how urgent it is, but the Chief Operator suggested adding it to the plan to ensure it is discussed and evaluated. The third project in the Tier 1 - treatment category is a SCADA installation at the water treatment plant. The district has collected \$25,000 toward this project and another \$25,000 is needed because the project estimate is \$40,000 - \$50,000. Staff noted that the final project in this category, replacement of windows and doors at the treatment plant, will be moved to Tier 2 as the operators do not believe it is necessary to replace these fixtures within the next five years.

As for the Tier 1- distribution projects, the district currently has sufficient funds set aside for fire hydrant replacement, so no additional collections are proposed at this time. The next project is the engineering for the district's water main replacement projects; staff explained that the \$170,000 collected thus far for this project has been proposed as match for the district's grant applications to the Department of Water Resources ("DWR") Small Community Drought Relief program for the high priority pipeline replacement project. The East Tank Rehabilitation Project is now complete and the district has begun collecting funds for the West Tank Rehabilitation Project; \$150,000 was collected during FY 2021-22 and an additional \$200,000 is proposed for collection during the FY 2022-23. In response to questions from director Comstock about the timing of the West Tank Rehabilitation project, staff said the schedule has been delayed by a year because the East Tank project was more involved and more expensive than originally anticipated due to the seismic upgrade and the roof replacement; the installation of that project also was delayed by weather events and fire. Director Comstock said he would like to make sure the district does not delay any of its scheduled projects unnecessarily if they are needed from an operational standpoint. Director Walker inquired whether the design, engineering, and permitting costs (aka "soft costs") and construction costs (aka "hard costs") are broken out separately for each project. Staff said the costs listed on the plan are all inclusive. Director Walker said it might be helpful to internally track these costs separately if staff has time to do so and/or would find it to be helpful. Director Walker also suggested that an escalation factor of 5% be included for all projects to account for rising costs across the industry; staff agreed to consider building an escalation factor into the sheet.

Staff then described the project to replace the discharge piping and valves from the East and West tanks to the main distribution line on Mesa Road, a project identified by the district's engineer for installation prior to the West Tank Rehabilitation project. The district collected \$50,000 in the prior fiscal year for this project; staff recommends diverting the \$50,000 remaining from the \$100,000 collected for the Woodrat 1 Overflow Slip line project to this project and installing the work during the FY 2022-23. The next project on the plan is a new project requested by the Chief Operator: the replacement of a section of the booster pump line between the Woodrat Water Treatment Plant and the Commonweal driveway (approximately 1,600 feet of piping). During a recent repair, the staff discovered that this line is 6-inch diameter HDPE, which is very thin-walled piping that is inappropriate for this application; staff proposes to replace it with 4-inch diameter C900. This project is estimated to cost \$100 per linear foot, for a total cost of \$160,000, which is very expensive for a line that serves only four customers. Staff said grant funds may be available because this line serves the U.S. Coast Guard, but more research is needed. Finally, staff noted that the cost estimated for all of the Tier 2 - distribution projects have been updated based on the cost estimates developed by Stetson Engineers for the DWR grant applications.

Staff next presented the update of the Five-Year Capital Improvement Plan for the sewer side of operations, which is divided into Tier 1 and 2 collection, treatment and disposal categories. Staff noted that the district's planned expenditures for the sewer facility likely will be impacted by the permit update process recently initiated by the Regional Water Quality Control Board. In addition, the State Water Resources Control Board is in the final stages of developing a new order applicable to all sewer systems in the state, which also may impact the district's operations/have cost implications. Discussion turned to the projects listed under Tier 1 - collection system category and director Comstock inquired about the timeline for the installation of the wet well project. Staff said the wet well project is a top priority and has expanded to include the installation of a manhole grinder at an additional cost of \$120,000, which staff proposes to collect over the next two years. Staff would like to have the engineering for this project completed during the FY 2022-23 and, if necessary, to

borrow funds to install the project as it is now clear that the lack of a grinder is critical for the long-term reliability of the lift station pumps and related infrastructure (i.e., the check valve and plug-valve on the force main). Director Comstock said he understands that the district's small staff is hard-pressed to manage more projects due to ongoing staff-shortages, and he suggested that a project manager could be hired to oversee this project given its importance. Staff concurred and suggested that the district include a construction management role for the project engineer; typically, district staff handles the construction management role on its projects but in this case, given the need for this project to be installed as soon as possible, the engineer can be tasked with that responsibility (which, of course, will increase the cost).

The next project in the Tier 1 – collection category is the replacement of the clean-out assembly on the force main in Olema-Bolinas Road; staff reminded the Committee that a component of this assembly failed last summer, causing a sewer spill. The failed component was replaced immediately, but staff remains concerned about the other assembly components, which are original to the collection system, and recommends a full replacement of the assembly at an estimated cost of \$75,000. The next project listed on the plan is the slip lining of Wharf Road, which is a much lower priority in staff's view; staff is more concerned with the condition of the customer laterals on this section of Wharf Road and is planning smoke testing there this spring. The inspection of the force main is needed and therefore on the capital improvement plan, but staff does not yet have a cost estimate for this project.

Staff noted that two of the projects on the plan, the replacement of the lift station generator (Tier 1 – collection) and the irrigation pump station upgrade project (Tier 1 – treatment) are complete but the district had to borrow money from reserves to cover the final costs, so staff proposes to collect \$37,000 to repay the additional funds expended on the new generator (the total cost was \$67,000 and the district had collected \$30,000) and \$25,000 to repay the additional funds expended on the pump station project. A new project in the Tier 1 – treatment category is “dredge ponds 1A and 1B” per the Chief Operator's request – essentially, the district needs to assess whether there is a problematic build-up of solids in the primary two treatment ponds and, if necessary, remove those solids. It is not yet clear what the full scope of this project may be and no costs have yet been developed, but staff plans to discuss this further with the district's consulting engineer in connection with the permit transition process.

The Committee next reviewed the five-year capital improvement plan spreadsheet specific to “building, office, vehicles and other”. Staff said that the replacement of the district's backhoe is a high priority: the district has \$75,000 set aside for this purchase and staff proposes to collect an additional \$25,000 in the FY 2022-23. Staff has added two new additional vehicle purchases to this plan at the request of the Chief Operator, neither of which are urgent: the replacement of the district's 2009 Ford 250 with a four wheel drive version (so that staff can drive the Arroyo Hondo Creek access road in inclement weather) and the replacement of the district's HurcoVac.

With regard to the office building at 270 Elm Road: a recent inspection report presented to the full Board has altered the district's capital improvement planning significantly with respect to the building as it is now clear that the building is in very bad shape and likely cannot be rehabilitated in a cost-effective manner. Previously, the district had collected \$80,000 to upgrade the septic system and \$20,000 to decommission the old fire suppression system under the building. Staff proposes to revise the plan spreadsheet to reallocate this \$100,000 toward an overall “New Building” fund. The committee expressed support for this approach; discussion ensued, with director Walker noting that the Board's ad hoc building committee has begun to meet on this with the district's potential partner, the Bolinas Community Land Trust. She estimated that the full rebuild could be over \$5 million given the current new construction cost of approximately \$1,000 per square foot, which does not include the cost of a temporary facility for staff during the course of construction.

Director Comstock noted that there are only about 20 minutes of meeting time remaining and the committee hasn't yet discussed the first draft of the budget; he asked if staff could provide a high-level overview and the committee will plan to focus on the draft budget at the next scheduled meeting.

4. Draft Fiscal Year 2022-23 Budget and related spreadsheets re: status of debt and status of reserves.

Staff reported that the draft budget assumes a 3% cost-of-living wage increase for staff (a formal request has not yet been submitted), and includes the district's required CalPERS (pension) and ICMA-RC (deferred compensation) contributions for FY 2022-23. The draft budget also includes the Board-approved payment of full employee and dependent health care coverage for all staff which, as staff noted at the time, is about a \$40,000 increase in benefits costs. In terms of maintenance and operations costs, staff applied a CPI increase and also included a new category of expenditure for engineering and consulting services. In order to be able to move projects along more quickly, staff strongly recommends the district invest more comprehensively in engineering and consulting services – the draft budget includes a line item of \$50,000 for water operations and \$25,000 for sewer operations. As for debt, the district's Clean Renewable Energy Bonds will be fully repaid in August 2023, leaving the only remaining outstanding debt as the loan that financed the Terrace Avenue Water Main Replacement project. On the revenue side, staff noted the district needs to plan for lower water sales due to the ongoing drought, as well as reduced interest earned on reserves. Discussion turned to whether an assumed 3% CPI is appropriate given the current rate of inflation, which is twice that level.

Director Comstock noted the draft budget includes a proposed 6% increase in annual water and sewer service charges in the draft budget to augment revenues; however, he said, even with this increase the district is not keeping pace on its capital improvement spending. He said that if the district is successful on some of the capital improvement grants it has applied for, that will be a big help, but he is concerned about where things stand on the capital spending component of the budget, particularly given the enormous potential cost of the office rebuild. Director Walker suggested the committee set the office rebuild project aside for now, given the potential for a productive partnership with the BCLT and community fundraising, and focus on the water and sewer infrastructure needs. Staff said that in the past, the district has entered into favorable, low-interest loan agreements to fund water and sewer capital projects of significance, such as the design and construction of the district's water and wastewater treatment plants. Staff said it is an option for the district to "bundle" a number of the needed projects together and apply to various federal and/or state government lenders for a comprehensive loan which would then be repaid over the next 20-30 years by the customers most benefiting from the improvements. Staff said funds likely also will be available from the federal infrastructure bill for water and wastewater projects, which is the first significant investment in U.S. infrastructure in decades. Staff cautioned against placing too heavy a burden directly on the district's customers at a time when grant and favorable loan funds are available. Director Comstock said he is very apprehensive about borrowing significant amounts for capital projects, given the interest cost burden of debt financing and given that capital projects just keep coming, but he acknowledged that the prospect of grant funding is very attractive.

Director Comstock asked staff to consider for the next meeting whether any of the following projects are likely to be completed during the FY 2022-23 and the priority of each: (1) the repair of the gate at the lower diversion point on the Arroyo Hondo Creek, (2) the installation of the emergency wells, (3) the rehabilitation of the West Tank, (4) the installation of the new discharge piping at the East and West tanks, (5) the wet well and manhole grinder project, and (6) the replacement of the clean-out assembly. Director Walker apologized and said that she has a prior commitment and needs to leave the meeting; director Walker departed at 2:55 p.m. Staff agreed to evaluate the priority and schedule for each project to discuss at the next committee meeting, and to conduct further research on potential grant funding. Director Comstock also asked staff to consider whether an increase to the quarterly metered water charge is appropriate at this time.

5. Community Expression.

None.

6. Adjournment.

3:07 p.m.