



SEWER AUTHORITY MID-COASTSIDE

Staff Report

TO: Honorable Board of Directors

FROM: Kishen Prathivadi, General Manager

SUBJECT: **Discuss Proposed Contract Collection Services Budget for FY 2021/22 and Authorize the General Manager to Submit it to the Participating Agencies for Approval**

Executive Summary

The purpose of the report is to discuss the contract collection services budget for FY 2021/22 and authorize the General Manager to submit it to the participating agencies for approval.

Fiscal Impact

This contract is separate from the SAM Operating Budget, since it is a contract for SAM to provide maintenance services for the three Member Agencies' wastewater systems. The total cost to provide the Member Agency requested services for Fiscal Year 2021/22 is \$873,613. This amount is payable to SAM as contract service fees from the served Member Agencies, allocated by the percentage of work required for each agency. This is an overall increase in fees of \$201,240 for the collection systems work. The following table shows the history of fees for each agency for the past three years, the current year, and the upcoming year.

BOARD MEMBERS:	M. Clark	B. Dye	R. Lohman
	D. Penrose	D. Ruddock	K. Slater-Carter
ALTERNATE MEMBERS:	S. Boyd	E. Suchomel	P. Dekker
	J. Harvey	H. Rarback	

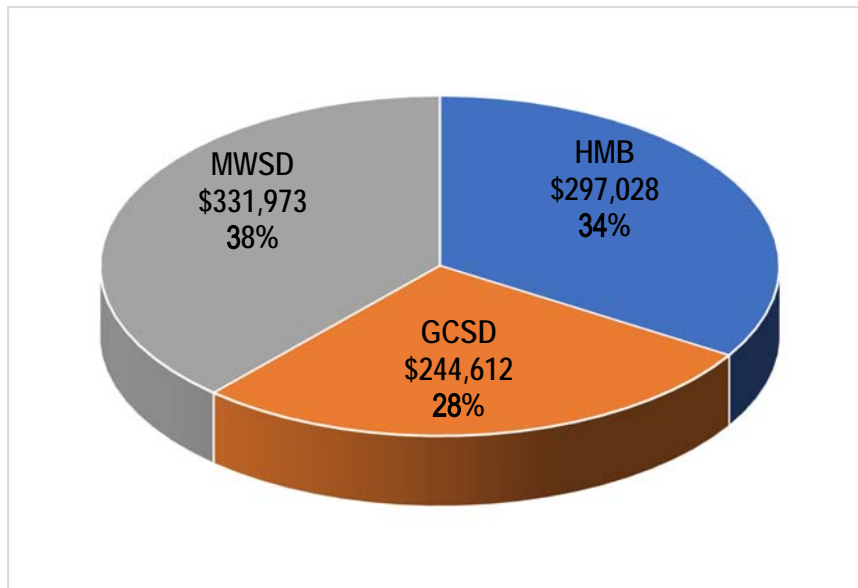
Contract Fees for Each Contracting Agency

	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	\$	%
	Actual	Actual	Actual	Adopted	Proposed	Change	Change
Half Moon Bay	\$274,596	\$271,906	\$188,540	\$227,439	\$297,028	\$69,589	31%
Granada CSD	\$239,954	\$290,128	\$300,614	\$186,574	\$244,612	\$58,037	31%
Montara WSD	\$279,411	\$415,376	\$455,159	\$258,360	\$331,973	\$73,613	28%
	<u>\$793,961</u>	<u>\$977,410</u>	<u>\$944,313</u>	<u>\$672,373</u>	<u>\$873,613</u>	<u>\$201,240</u>	<u>30%</u>

The proposed budget is impacted mostly by the decision to add \$175,000 for a new truck and funding maintenance costs for the existing trucks. There is a decreased cost to the proposed budget of approximately \$107,000 due mostly to the decision to remove insurance premium and equipment rental expenses from the collections budget.

The removal of the overhead charges plus the added cost of the new truck and required maintenance for the existing trucks results in a net increase of \$201,240 compared to last year's approved budget for collections system maintenance services.

The pie-chart below details the allocation of the proposed budget for each Member Agency



BOARD MEMBERS:	M. Clark	B. Dye	R. Lohman
	D. Penrose	D. Ruddock	K. Slater-Carter
ALTERNATE MEMBERS:	S. Boyd	E. Suchomel	P. Dekker
	J. Harvey	H. Rarback	

Strategic Plan Compliance

The recommendations in the proposed budget comply with SAM Strategic Plan Goal 5.6: *“SAM is committed to providing quality collection system maintenance service for the Coastside. It will seek to offer the type of agile and responsive service and cost that wins that business. However, SAM resources should not be used to backstop collection service without appropriate compensation and pre-planning so it does not impact SAM operations and maintenance.”*

Background and Discussion/Report

The Proposed Contract Collections Services Budget has been discussed by the member agency managers and by the Finance Committee. The presentation today is for the Board to review and follow-up with agency staff and respective Council/Board for comment. Approval of the proposed budget will take place later.

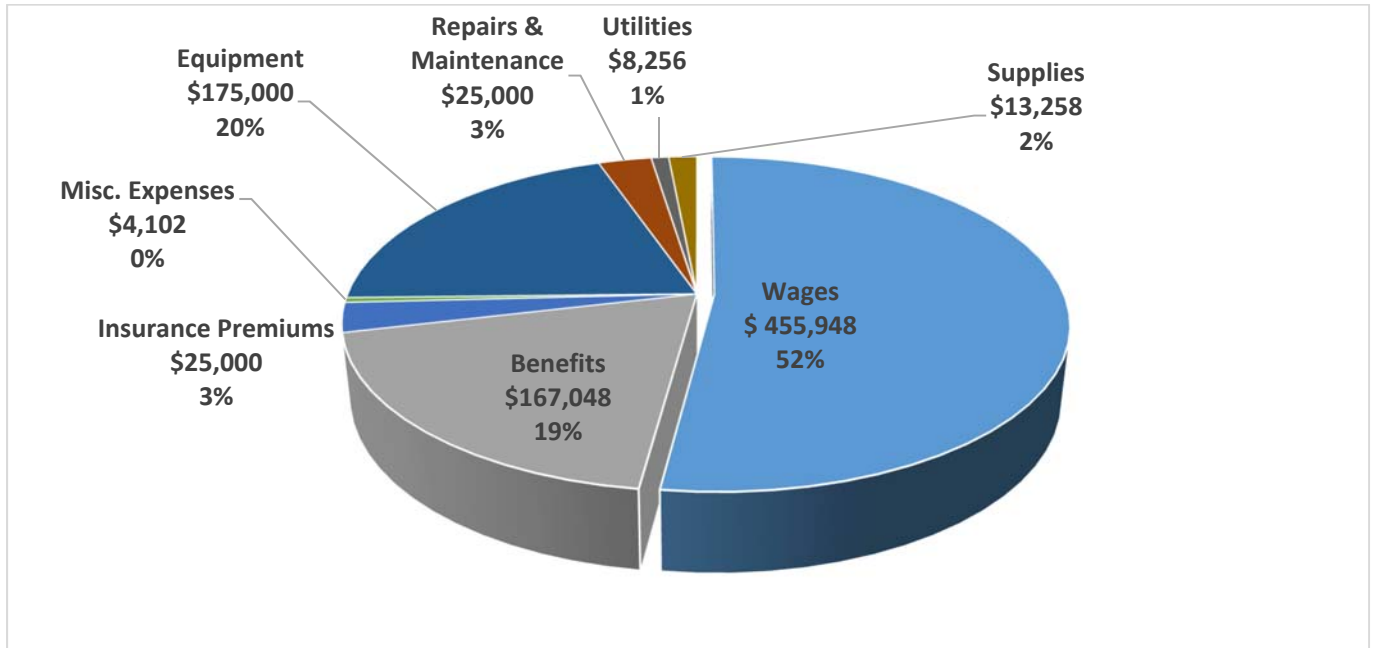
SAM has provided collection system maintenance services to its member agencies since 1988. The scope of services has changed over the years to meet regulatory requirements and individual needs of the Member Agencies. The cost allocation methodology has evolved over the years as well. Beginning last year, the Member Agency Managers, the SAM Manager, and consultants have worked in concert to develop a method of allocation based on the needed services of each agency. We are confident that the cost allocation presented reflects more accurately that method and those needs.

Beginning July 1, 2020 the minimum service level provided by SAM entailed cleaning at least fifty percent (50%) of the collection system’s pipelines, cleaning of designated Hot Spots per an agreed upon schedule, providing lift station services as defined, providing emergency response throughout the year, and planning, managing and reporting as needed to ensure all needs of each Member Agency’s service area collection system are met.

The proposed budget includes obligations for wages and benefits as stipulated in employment and bargaining contracts. It also includes utilities, fuel, and other expenses needed to perform all the contracted services.

BOARD MEMBERS:	M. Clark	B. Dye	R. Lohman
	D. Penrose	D. Ruddock	K. Slater-Carter
ALTERNATE MEMBERS:	S. Boyd	E. Suchomel	P. Dekker
	J. Harvey	H. Rarback	

The pie chart below details budget expenditures.



The performance of collection system maintenance is a very staff-intensive activity and as a result most costs (71%) as shown above are wages and benefits for personnel to perform the work. Other significant costs are insurance coverage for collection vehicles estimated at \$25,000 and related maintenance expenses estimated at \$25,000. All other costs combined are less than 5% of the total overall budget.

Additional Changes to the Budget:

1. Increased Premium pay by \$56,496 based on the steep increase in overtime last year. This was due to additional maintenance requirements.
2. Reduced Professional Fees by \$4,499 since there was no amount spent for this category.
3. Reduced Insurance Premiums by \$32,499 as that cost has been moved to the general budget. Only the direct insurance costs related to Collections Vehicles is being included in Collections Budget and the rest of the insurance is in the General Budget.
4. Reduced Equipment Rental by \$75,000 as it has been moved to general budget. This is again a result of including only direct costs in the Collections Budget. A review of the history revealed no recent direct rental expense for Collections.

BOARD MEMBERS:	M. Clark	B. Dye	R. Lohman
	D. Penrose	D. Ruddock	K. Slater-Carter
ALTERNATE MEMBERS:	S. Boyd	E. Suchomel	P. Dekker
	J. Harvey	H. Rarback	

5. Added \$175,000 towards purchase of a new jetting truck.

Presently SAM has 3 trucks for Collections:

Truck 1 (SAM10) purchased in 2015: Condition is fine, but this truck cannot handle all the maintenance requirements. It is also too large to be used for some needs. The budget includes \$25,000 for ongoing maintenance of this vehicle.

Truck 2 (SAM8) purchased in 2005: Condition –Non-functional as it keeps losing pressure while flushing and therefore cannot be used.

Truck 3 (SAM4) bought in 2002: Condition Very poor. Approximately \$20,000 is being spent every year for repairs. Last year a brake failure occurred on this truck while cleaning GCSD and resulted in the crew requiring a miraculous escape. So therefore it is a safety issue and replacing the vehicle is a fiscally sound option compared to investing in further repairs.

Staff Recommendation

Staff recommends that the Board of Directors authorize the General Manager to submit the Contract Collection Services Budget for Fiscal Year 2021/22 to the participating agencies for approval.

Supporting Documents

Attachment A: Contract Collection Services Budget for FY 2021/22

BOARD MEMBERS:	M. Clark	B. Dye	R. Lohman
	D. Penrose	D. Ruddock	K. Slater-Carter
ALTERNATE MEMBERS:	S. Boyd	E. Suchomel	P. Dekker
	J. Harvey	H. Rarback	

CONTRACT COLLECTION SERVICES BUDGET

Consolidated (Half Moon Bay, GCSD, MWSD)

	FY 2018/19 ACTUAL	FY 2019/20 ACTUAL	FY 2020/21 ADOPTED	FY 2020/21 PROJECTED	FY 2021/22 PROPOSED	CHANGE FROM FY 2020/21 ADOPTED	
EXPENDITURES							
Personnel							
1 Wages	173,534	186,592	356,029	329,782	359,008	2,979	1%
2 Premium Pay	55,314	63,229	2,139	58,589	58,635	56,496	2641%
3 Health Benefits	55,271	52,929	97,914	97,951	101,422	3,508	4%
4 Retirement Cont.	29,710	28,515	30,683	26,824	28,596	(2,087)	-7%
5 Retiree Med/OPEB	3,371	2,253	4,584	5,904	6,320	1,736	38%
6 Misc. Benefits	13,354	19,595	24,486	23,094	30,710	6,224	25%
7 Admin Allocation - 5%	-	-	-	-	38,305	38,305	100%
8 Subtotal	330,554	353,113	515,835	542,144	622,996	107,161	21%
Non-Personnel							
9 Legal Services	-	-	-	-	-	-	-
10 Engineering Services	-	-	-	-	-	-	-
11 Professional Services	48,269	-	4,499	-	-	(4,499)	-100%
12 Prof. Memberships	-	-	-	-	-	-	-
13 Insurance Premiums	43,960	-	57,499	-	25,000	(32,499)	-57%
14 Misc. Expenses	186,865	355,724	-	3,983	4,102	4,102	-
15 Utilities	9,642	6,792	7,440	8,016	8,256	816	11%
16 Travel & Training	921	150	-	-	-	-	-
17 Equipment Rental	150,373	-	75,000	-	-	(75,000)	-100%
18 Bldg & Maint Services	97,042	120,200	-	105,525	-	-	-
19 Chemicals	1,855	-	-	-	-	-	-
20 Permits & Licenses	-	-	-	-	-	-	-
21 Supplies	21,178	-	12,100	12,872	13,258	1,158	10%
22 Equipment	-	-	-	-	175,000	175,000	100%
23 Infrastructure	-	-	-	-	-	-	-
24 Claims/Penalties	1,419	-	-	-	-	-	-
25 Repairs & Maintenance	-	-	-	-	25,000	25,000	100%
26 Subtotal	561,524	482,865	156,538	130,395	250,616	94,078	60%
25 TOTAL	892,078	835,978	672,373	672,540	873,613	201,240	30%

	FY 2018/19 ACTUAL	FY 2019/20 ACTUAL	FY 2020/21 ADOPTED	FY 2020/21 PROJECTED	FY 2021/22 PROPOSED	CHANGE FROM FY 2020/21 ADOPTED	
REVENUE							
By Type:							
26 JPA Assessments	-	-	-	-	-	-	-
27 Contract Services	977,409	944,313	672,373	672,373	873,613	201,240	30%
28 NDWSCP Fees	11,571	-	-	-	-	-	-
29 Misc. Fees	-	-	-	-	-	-	-
30 Interest Earnings	-	-	-	-	-	-	-
31 Misc. Revenue	-	-	-	-	-	-	-
32 From/(To) Reserves	-	-	-	-	-	-	-
33 TOTAL	988,980	944,313	672,373	672,373	873,613	201,240	30%
By Agency:							
34 Half Moon Bay	271,906	188,540	227,439	227,439	297,028	69,589	31%
35 Granada CSD	290,128	300,614	186,574	186,574	244,612	58,037	31%
36 Montara WSD	415,376	455,159	258,360	258,360	331,973	73,613	28%
37 TOTAL	977,410	944,313	672,373	672,373	873,613	201,240	30%