



SEWER AUTHORITY MID-COASTSIDE

Staff Report - Revised

TO: Honorable Board of Directors

FROM: Beverli A. Marshall, General Manager

SUBJECT: **Authorize the General Manager to Submit a Budget Amendment for Fiscal Year 2017/18 to Member Agencies for Approval**

Executive Summary

The purpose of this report is for the Board of Directors to discuss the proposed budget amendment for Fiscal Year 2017/18.

Fiscal Impact

The fiscal impact of the budget amendment for FY 2017/18 is \$1.58 million. The impact to the member agency assessments is (rounded to nearest \$):

	JPA Assessments for Each Member Agency			
	<u>FY 2017/18</u>	<u>Amended</u>	<u>\$ Change</u>	<u>% Change</u>
Half Moon Bay	\$2,688,598	\$3,513,645	\$ 825,047	31%
GCSD	\$1,349,449	\$1,763,553	\$ 414,104	31%
MWSD	<u>\$1,112,523</u>	<u>\$1,453,922</u>	<u>\$ 341,399</u>	<u>31%</u>
Total	\$5,150,570	\$6,731,120	\$1,580,550	31%

Strategic Plan Compliance

The recommendation complies with the SAM Strategic Plan's Goal 3: *"Consider long-term costs, and ensure that finances are stable and understandable by the board, member agencies, and the public."*

Background and Discussion/Report

The JPA General Budget for FY 2017/18 was presented based on the issues known as of June 2017. Since that time, several events (listed below) occurred that required the

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	R. Kowalczyk	H. Rarback	

SAM Board to authorize funding above the amount approved as part of the stipulation and order.

8/21/17	Administrative Civil Liability Complaint R2-2017-1024	\$522,700
9/25/17	Additional legal counsel costs	\$100,000
10/9/17	Intertie Pipeline System repairs, funding all 3 segments	\$685,550
11/13/17	Demolition and replacement of Plant burner unit	\$52,000
8/28/17	Additional staffing to comply with NPDES permit renewal	\$45,000
12/7/17	Plant main bus duct power supply failure and replacement	<u>\$450,000</u>
		\$1,905,250

- Staff informed the Board at the September 25, 2017, meeting that the ACL penalty would be included in the mid-year budget amendment, most likely in January or February, once the official penalty amount was known. At this time, staff anticipates that only \$300,000 of the ACL complaint will be paid in FY 2017/18 and the remainder will be included in the General Budget for FY 2018/19.
- Staff requested authority to increase the contract with Bold, Polisner, Madow, Nelson & Judson at the September 25, 2017, regular Board meeting. I informed the Board that the additional funds to cover the contract increase would be presented as part of a mid-year budget amendment, "What I anticipate is that I will also have to do an amendment to what we anticipated the budget being this year because of the action by the state. I would like to bring that back all at once when I know what that number is rather than piecing and parting it to the member agencies. I anticipate that somewhere in the vicinity of January or February a mid-year budget amendment is what I will prepare." Boyd moved, "that the Board authorize the General Manager to amend the contract with Bold, Polisner, Madow, Nelson & Judson to increase the amount by \$100,000, for a total contract amount of \$190,000, and to limit the use of the additional funds for general legal advice and work related to Administrative Civil Liabilities complaints. None of the additional funds will be used for the HMB vs. GCSD and MWSD." Director Penrose seconded the motion and it was unanimously approved.
- Staff discussed the IPS project construction contract award at the October 9, 2017, regular meeting. Director Woren moved, "that we award the base bid and the alternate bid to Bay Pacific Pipelines Inc., the bidder who submitted the apparent

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lowest **total** bidder in the amount of \$1,997,050 for construction of segments 1, 2, and 3, and that we cover the additional amount from SAM's emergency reserves and request that all member agencies backfill that money within three months." The motion was seconded by Director Boyd and it was unanimously approved. After the vote, Director Ruddock requested that staff submit the required action to City staff. An e-mail was sent to all three agency managers at 8:41 a.m. on Tuesday, October 10, 2017. SAM invoiced the additional funds for the IPS repair project as directed by the Board.

- The burner system for the boilers was included in the adopted SAM 5-Year Infrastructure Plan and was planned for FY 2017/18. The SAM Board directed staff to work with the member managers to lean down the projects to approximately \$1.5 million. The member managers directed staff to propose only the IPS project that could be accomplished with the \$1.5 million and to defer all other projects that have not resulted in an SSO or permit violation. The burner system had not failed as of that discussion, so it was deferred to FY 2018/19. Staff stated that funds from other planned activities could be diverted to pay for this project to reduce the impact on member agencies. Director Ruddock moved "per staff recommendation Item 7A." The motion was seconded by Director Woren and it was unanimously approved. The funds have been shifted in the budget: \$22,000 from equipment purchases (6123) and \$28,000 from Misc. Professional Services (5330) to Machinery & Equipment (6121).
- Staff informed the Board of the requirement to establish minimum staffing by position as part of the NPDES permit renewal. The item was on the August 7, August 14, August 21, and August 28 Board agendas. Director Ruddock stated that she was "perfectly happy to support staff's recommendation insofar as it is personnel associated to delivering on the JPA." Staff presented that the request for minimum staffing would include making the part-time Accounting Technician full-time and hiring an O-I-T in January, for a total increase of \$100,000 for FY 2017/18. Boyd moved, "to set the minimum staffing levels at the 2017/18 recommendation of current staffing plus one O-I-T and .50 Accounting Technician." Director Ruddock seconded the motion and it was unanimously approved.
- At the December 7, 2017, special board meeting, staff informed the Board of the anticipated cost to temporarily maintain operations using the rental generator as well as the cost of the replacement options (full or partial). Clemens Heldmaier requested that staff be required to submit a budget amendment to the member agencies for the

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funds. Staff and a representative from Calcon explained the urgency of submitting the fabrication request to the vendor before the holiday break. The Board agreed and unanimously supported immediate action. Director Penrose moved and Director Woren seconded the motion to contract with Calcon for the repairs. It was approved by a unanimous vote. Director Ruddock moved to authorize the purchase of the replacement bus bar/duct from Eaton Corporation in an amount not to exceed \$194,000. Director Woren seconded and it was unanimously approved. Staff was directed to inform the member agency managers of the cost of the project with a request for additional funds. Staff sent an e-mail to the member agency managers at 6:58 p.m., immediately following the special meeting, providing the required information along with notice that a budget amendment would be prepared for presentation to the SAM Board at the January 8, 2018, regular meeting.

Staff believes that some of the additional expenses can be funded by reprioritizing and deferring other tasks to reduce the burden on member agencies. ***Therefore, the total budget amendment request is \$1,580,550*** (Attachment A).

Cash flow is an issue since the IPS project is under way, the temporary power supply expenses have been invoiced by the vendors, and the bus duct repair parts have been ordered and received. The additional assessments (*less the \$685,550 in supplemental assessments invoiced for IPS repair project*) will be billed in a single invoice to each agency once the budget amendment is approved by the member agencies and the SAM Board.

Staff anticipates that the member agencies will approve the amendment no later than January 18, 2018, and that the SAM Board will approve the amendment at the February 5, 2018, regular Board meeting. If so, the invoices will be sent out on February 6, 2018, in the following amounts.

Half Moon Bay	\$480,901
GCSD	\$234,490
MWSD	<u>\$179,609</u>
	\$895,000

Staff Recommendation

Staff recommends that the Board of Directors authorize the General Manager to submit the budget amendment for FY 2017/18 to the member agencies and to request that this item be placed on the next regular meeting for each agency to consider and approve.

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Supporting Documents

Attachment A: FY 2017/18 Mid-Year Budget Amendment Request

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