

Board Questions April 2021

Director Rachel

p. 17. Check 1322 to MANCO for Effluent VFD. Does this have a Project #?

No project number – this was a capital equipment purchase. We generally do not have project numbers assigned when we are only purchasing equipment that staff will install.

p. 18. Check 1361 for K-J consulting. I presume this is Project # 20-02

Yes, it is Project #20-02. This is actually an O&M expense. While we have assigned a project number to it, it is not being capitalized.

We are trying to get better at this. The latest “idea” is to have Mr. Grover enter the Project # into the General Ledger. We will see how successful that turns out to be.

p. 48 and 49. Good job on staying ahead of the River Watch Agreement Targets. Could we get a brief summary on how these Targets are documented for use in demonstrating our commitment to River Watch?

We are using CMMS (Computerized Maintenance Management System) to store the data we collect in the field. Staff has been hitting the goals that we set at the beginning of the settlement so a condition assessment of the collection system can be completed by the Riverwatch deadline. As the data comes in, Rachel uses the data to build a long-term replacement plan. Here are a couple examples of projects that are in the works based off data that we have already collected. Scenic Road pipeline replacement project, Manhole Rehabilitation project and Spot Repair project. These projects demonstrate that the District is using pipeline and manhole inspections to guide the collection system current replacement plan and long-term CIP.

p. 54. Nice job in improving the storage location of these materials by utilizing the abandoned chlorine storage room.

Credit goes to the Mr. Foley and the Maintenance dept.

p. 89 - 90. Congratulations in convincing the Corona Road homeowners to move on with their commitment, and with eight additional homeowners signing up during the review process. My question is: How do we assist with momentum, resources, marketing materials, etc., to bring on what appear to be stalled efforts such as Rio Vista Drive and surrounding areas?

That is an excellent question. The reason for the stalled efforts is always financing. We are not always able to get enough people to buy into the concept of an Assessment District to pay for infrastructure over 20 years. What we typically find is that if the homeowner does not have any

problems with their septic system, they are not inclined to make a change. That leaves a minority in the neighborhood that want to move on sewer – simply not enough to make it cost effective or to hold a successful Assessment ballot. People seem to need an incentive, such as an order from a regulatory body, before they'll consent to fund.

There really is not any grant money available for collection systems. And we do not qualify for disadvantaged community funding. We probably could get a state revolving loan, but that would mean the District would hold the note. We do not want that – it should be the homeowner's who acquire the financing. Daryl has brought up the concept of an "incentive" program to replace private laterals or connect. Some Districts have programs where they allocate up to a fixed dollar amount on a first-come, first-serve basis to assist people. (For example, the District allocates \$100K with awards up to \$5K per homeowner. That would assist twenty homeowners. But it does not pay to install sewer by any measure.)

p. 154. Did Mr. Palomino or the County representative in charge request CCTV video or photos in advance of their work or were we at fault for not making sure they knew where our pipeline was located and not giving them (the County) appropriate warning?

No, not before, during or after the repair.

Transcript from Feb 7, 2020 voice mail with Mr. Palomino

"How's it going Daryl, this is Robert with Public Works. Just want to let you know I got your message a concerning your your manhole raising or lid replacements um encroachment permit, a yeah just email it over and will get that process.

And then your other questions concerning the Shell station, that's pretty interesting. Umm, you know, I'd like to, you know, if you could send me a photo of the location where the bore or conduit or whatever it is, ah you know crosses your into your your sewer pipe umm I'm interested to see what the where exactly that location is so I can look at our traffic control plans see if its conduit

I wouldn't think that our conduit would be that deep. Um, of course traffic loops are at the surface so that's a pretty interesting to see exactly if it's us or if it's somebody else a that actually went through there. So, if you can get me that information we'll talk in more detail. I understand you can't get to your phone right now

Talk to you soon Daryl, take care, have a good weekend. Good- bye"

In an email to Gwen Woods, Intercare Insurance (Monterey County agent), she mentioned that the District failed to "scan" the cross bore. This may have been a reference to CCTV? Our response to Ms. Woods was that we did not use pipe scanning technology.

The District trunk main was installed before the traffic lights were. 1981 is the best date that I can find (see email) when the lights went in. I do not have any historical information whether the district was notified or USA (Underground Service Alert). I don't think USA was around in 1981 or marked out the street in 1981. The only thing I have is in the attachment that we CAWD notified USA in 2020 and their traffic lights were not marked. The plans on the attachment from 1981 show that Bestor identified the District's sewer main on them.

Board Questions

Director Siegfried

Subject: Section 115 funds

I am wondering why we need to do this investment through CEPPT or anyone else instead of designating a part of our reserves for this purpose. Are we required to keep the money with the county if we don't put it in a 115 trust?

Can Hastie beat 25 bp if he managed another fund that is composed only of two or so index funds? We can apportion over stock and bond index funds, and rebalance quarterly.

The cost of our own trust and private letter ruling from the IRS is ~ \$25k.

We always have the option to segment our reserves; however, I think a 115 trust is a better option.

- GASB 68, passed in 2015, requires pension obligations to be included on the balance sheet. Those pension liabilities cannot be offset with any assets over which the employer retains discretionary control. That means either pay down the UAL or set up a Section 115. Assets in a Section 115 trust may offset unfunded pension liabilities. This could be valuable to us if we need to borrow funds.
- The problem with designating part of our reserves:
 - Investments in Monterey County are not tailored for the long term
 - Monterey County returns are conservative – or abysmally low at 1.21%!
 - Revocable – a Section 115 is irrevocable
 - Funds at Monterey County can be accessed for other uses.
 - Unprotected from creditors.
 - No trustee to mitigate fiduciary risk. At least I think not. The County has an Investment firm they work with and they have an Investment Committee that meets once a year. But as far as I know, nothing regular.
- It would be surprising if Hastie would drop his management fee from .75 to .25 on what (at least to start with) is a relatively small account. Also, Investment of pension and

OPEB trust assets are subject to different rules than the investment of surplus funds. Different area of expertise than what Hastie is accustomed to, we asked him at one point if he was familiar with Section 115 rules and he indicated he was not.

- We are required to keep our money with the County in exchange for the use of the property tax rolls for billing. The County has the right to ask what our withdrawals are for – not that we have ever had a problem. We pay roughly \$20K/yr. to the County for the service. Without the County we would need to hire someone to do billing/collections.
- \$25K is probably about right, we would need a pension attorney (Wellington's office is not a specialist) and we would need to submit to IRS. I am not an expert by any stretch about the mechanics of such a move.

p. 34: The difference between budgeted and actual for maintenance has been growing larger over the last few months? Have pandemic difficulties held back completion of projects? If not, please account for the growing difference.

This is the Reclamation "flow through" income statement in CAWD. One would be better served to look at Reclamation Income Statement directly. The YTD comparative budget to actual for Reclamation shows that the CAWD operations variance from budget is less than 1% overall. We are a bit high in plant salaries (7% over budget), because we have mechanics doing more work rather than sending it out, Chemicals are 25% below YTD budget, Operating Supplies are 10.7% below budget, and Contractual Services are 12.3% below YTD budget. We are doing fairly well with the Reclamation budget, what we did not do very well is estimating the amount that would flow through CAWD. But I would argue that is only an accounting detail.

I cited the wrong page number.

See p. 27. The difference between budget and actual is 25%. It has been growing over the last few months.

A few items.

Mechanical work scheduled in May. \$25K not spent. Able to do more work in house with Alex. Will spend \$8K next month.

SCADA work still has remaining budget to spend. Will be primary focus in May and June. \$65K still unspent will be ramping up again.

OPS basement project will be completed before end of year. \$16K

Have \$180K for tree trimming not spent. Project is out to bid now.

Only spent \$56K out of \$120K for electrical contract work. CAWD staff is able to complete more of this work and much of the plant electrical has now been reconditioned so less work required.

p. 53: Do we monitor contractors' observance of safety requirements?

Yes, we do monitor adherence to safety. Mark Dias, Safety Officer has an initiation program for contractors with CAWD and will observe them at work. Our contractual language includes a section re: adhering to safety standards, In addition, in the field or at the plant, Mr. Dias or a Superintendent will call a contractor on their safety practices if they see a problem. If they do not correct it, they will go so far as to shut down the job.

p. 79: What year was RCA 0047996 issued?

Adopted by Central Coast Region Water Quality Control Board on May 22, 2014

Effective on July 11, 2014

Expired on July 10, 2019

In January 2019, the District submitted application for renewal. To date we are waiting for our new permit, but until that occurs, we continue to operate under this permit.

p. 83: What are the results of the LAFCO meeting?

Zero protests received.

p. 90: Do we know the Coastal Commission's position on our serving more areas?

They do not have any problems with CAWD continuing to add connections. Any connections in the Coastal Zone will require their approval first.

p. 92: When will future testing of the force main segments commence?

The District will be assessing the force mains as part of the pump station evaluation portion of the Riverwatch settlement. Most of the force were assessed during the last Collections System Asset Management Plan that was completed in 2018 and plans for replacement or improvements are in the budget.

p. 117: How are the "disposable" wipes separated after they have been passed and minced?

In Phase II mechanical bar screen will remove the rags. There is a .25" space or gap between the bars. The rags are not "minced", it would be more accurate to say roughly chopped. Chopped rags will go through the bar screen but unlikely they will go further. Both the manufacturer and vendor indicate that they believe there will not be problems.

p. 156: Are physicians well schooled in kinesiology? Should we engage a kinesiologist or physical therapist in addition to a physician?

Not quite sure how to answer this one?

A kinesiology degree can serve as a pre-med qualification for certain careers in medicine, such as sports medicine, sports psychology, and pharmacology. It is also a career path into a physician assistant role, occupational therapist, and athletic trainers.

I think my answer would have to be "it depends on the doctor". Doctor's have a range of skills and backgrounds and I'm sure there are physicians that are well schooled in kinesiology.

As to your second question, my answer would be not at this time. In a worker comp situation, there would be a referral to a physical therapist if required. In a pre-employment decision, I believe we are better served by a traditional M.D. who may have some experience in occupational work scenarios.