



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE NAPA SANITATION DISTRICT, NAPA COUNTY, CALIFORNIA, HELD AND CONVENED AT SOSCOL RECYCLED WATER FACILITY ADMINISTRATION OFFICE, WEDNESDAY, MARCH 21, 2018 CALLED TO ORDER AT 4:01 PM.

1. **OPEN SESSION:**

2. **ROLL CALL:**

PRESENT: JILL TECHEL, Chair; RYAN GREGORY Vice-Chair; PETE MOTT, MARY LUROS and DAVID GRAVES, Directors. ALSO PRESENT: TIMOTHY HEALY, General Manager; and JOHN BAKKER, Legal Counsel.

ABSENT: None.

3. **REVIEW OF AGENDA:** General Manager Healy requested Item 7E be pulled from Consent Calendar for a brief discussion.

4. **SAFETY MOMENT:** Vice-Chair Mott read the safety topic: Poison Prevention Month.

5. **PUBLIC COMMENT:** None.

6. **SPECIAL PRESENTATIONS:** None.

7. **CONSENT CALENDAR:**

- a. **MR 18-016:**
APPROVAL OF MINUTES FROM THE REGULAR MEETING ON FEBRUARY 28, 2018.
- b. **Receive County of Napa Voucher Register Dated 2/13/18 through 3/05/18.**
- c. **MR 18-017:**
ACCEPT THE MAYACAMAS VISTA ESTATES SUBDIVISION SANITARY SEWER IMPROVEMENTS FOR MAINTENANCE AND OPERATION AND RELEASE PERFORMANCE BOND IN THE AMOUNT OF \$224,250 FOLLOWING RECEIPT OF MAINTENANCE BOND IN THE AMOUNT OF \$22,425.
- d. **RES 18-006:**
ADOPT RESOLUTION AUTHORIZING EXECUTION OF QUITCLAIM DEED OF A PORTION OF TERRITORY ON PTN'S 007-120-006 AND 007-120-012 (NEW ADJUSTED PARCEL 1), LOCATED AT 4055 SOLANO AVENUE, NAPA, CA.

- f. **MR 18-018:**
AUTHORIZE THE PURCHASING AGENT TO EXECUTE TASK ORDER 4 WITH HAZEN AND SAWYER TO PROVIDE ENGINEERING SERVICES TO DESIGN THE WEST NAPA PUMP STATION PROJECT (CIP 17711) IN THE AMOUNT OF \$888,723.

- g. **MR 18-019:**
AUTHORIZE CHAIR TO SIGN THE CAPACITY CHARGE DEFERRAL AGREEMENT FOR NAPA COURTYARDS.

- h. **MR 18-020:**
ACCEPT THE JUANITA STREET SUBDIVISION SANITARY SEWER IMPROVEMENTS FOR MAINTENANCE AND OPERATION AND RELEASE PERFORMANCE BOND IN THE AMOUNT OF \$29,500 FOLLOWING RECEIPT OF MAINTENANCE BOND IN THE AMOUNT OF \$2,950.

- i. **MR 18-021:**
ACCEPT THE GASSER RESIDUAL OVERLAND FLOW PROJECT SANITARY SEWER IMPROVEMENTS FOR MAINTENANCE AND OPERATION AND RELEASE LETTER OF CREDIT IN THE AMOUNT OF \$147,000 FOLLOWING RECEIPT OF MAINTENANCE BOND IN THE AMOUNT OF \$14,700.

- j. **MR 18-022:**
ACCEPT THE GASSER DRIVE EXTENSION PROJECT SANITARY SEWER IMPROVEMENTS FOR MAINTENANCE AND OPERATION AND RELEASE PERFORMANCE BOND IN THE AMOUNT OF \$192,000 FOLLOWING RECEIPT OF MAINTENANCE BOND IN THE AMOUNT OF \$19,200.

- k. **Receive and file the Quarterly Report and Priority Project Status for October, November, December 2017.**

- l. **Receive General Manager's Report for January 2018.**

Motion by MOTT, seconded by GRAVES, by the following vote:

AYES: GRAVES, GREGORY, LUROS, MOTT, TECHEL
NOES: NONE
ABSENT: NONE
ABSTAIN: GREGORY (Items 7C, 7D, 7G, 7H, 7I and 7J)

- e. **MR 18-023:**
AUTHORIZE CHAIR TO SIGN THE REVISED CAPACITY CHARGE DEFERRAL AGREEMENT FOR STODDARD WEST APARTMENTS IN THE AMOUNT OF \$468,948.57 AND ALLOWING OWNER TO SIGN THE REVISED AGREEMENT THEREAFTER.

Motion by MOTT, seconded by GRAVES, by the following vote:

AYES: GRAVES, LUROS, MOTT, TECHEL
NOES: NONE
ABSENT: NONE
ABSTAIN: GREGORY

Vice-Chair Gregory stepped out of the meeting due to a conflict of interest on this item.

General Manager Healy indicated the original agreement with owner had the incorrect capacity charge amount and the revised amount is \$468,948.57, which is in the agreement that is now before the Chair for signature. The Board concurred to allow the owner to sign the revised agreement after the Chair has signed it.

Vice-Chair Gregory returned to the meeting after the vote.

8. **REGULAR CALENDAR:**

a. **Receive update on residential sewer service charge methodology and capacity fee study.**

Jeff Tucker, Director of Administrative Services/CFO, introduced consultants Mark Panny and Jennifer Ivey from Carollo Engineers. Carollo Engineers have been hired to prepare a study to evaluate a number of technical and policy questions regarding residential sewer service charges and capacity charges.

Ms. Ivey gave a report on the Scope of Services and Financial Plan Review of the Cost of Service Study. She indicated that today's presentation covers the financial plan review, cost of service analysis, and a portion of the billing procedures review pieces of the study. The financial review looked at three tests of financial performance for NapaSan's rates: cash flow test, bond coverage test, and reserve fund test. NapaSan was found to pass each of these tests.

Mr. Panny reviewed the preliminary cost of service findings and billing procedures review findings. He discussed the class allocations and cost categories of variable costs and fixed costs and the criteria for both options. Mr. Panny reported that adding a variable component approach to residential accounts would have little or no impact on the annual amounts paid. He also provided a preliminary review of NapaSan's current billing procedures. Preliminary analysis shows that monthly and/or direct billing would be more costly and require additional customer service staff. Mr. Panny reviewed the next steps involved in the rate study process.

The Board held discussion with staff and consultants. The Board concurred that the fixed rate approach for residential accounts is preferred to keep costs lower.

b. Receive presentation on pension and OPEB liabilities, and provide direction to staff.

Jeff Tucker, Director of Administrative Services/CFO, provided the Board with the status of CalPERS pension unfunded liability status, NapaSan's current and projected pension liability and costs, and potential options for lowering both the liability and the costs without making changes to the benefits provided to employees. He reviewed the policy changes that CalPERS has made to reduce the outstanding liabilities, which includes reducing the discount rate over a four year period. The impact of these changes to agencies are increases to "normal cost" (1-3% of payroll), and increases to unfunded liability (30-40%). CalPERS also made changes in February 2018 to shorten amortization periods for Unfunded Actuarial Liabilities (UAL), eliminate 5-year ramp-up and ramp-down for assumption changes, and eliminate 5-year ramp-down for investment gains and losses. These changes will be effective in fiscal year 2021/22.

Tucker reviewed the three retirement tiers that NapaSan has in place, the number of active employees and retirees, the normal cost (cost of retirement benefits that accrue for the plan year), and the employee contributions for each tier. He reported on the total cost projection through 2040 and the options for funding these costs.

Tucker reported the current payment strategy for UAL is "pay as you go" making annual minimum payments. Options for increased funding to the UAL include "50% of one-time salary savings" (assuming three payments of \$100,000 each); utilizing side fund payments (two payments of \$500,000 in FY 21 and FY22); using savings from debt refinancing (5 payments of \$135,000 starting in FY 19); and starting a new 15-year amortization schedule. He reviewed the 25 year projected savings for each option and a combination of some of the options.

Tucker also reported on the OPEB (other post-employment benefits) which include health care, vision and life insurance for retirees. The Section 115 trust was established for OPEB liabilities in 2010. The trust fund has returned about \$1 million in proceeds from investment earnings since inception with a total of \$3.5 million held in trust. The savings from refinancing debt in 2009 has been used to make the annual trust payments. The OPEB liability funding is on target for being fully funded in 13 years (20 year amortization).

The Board and staff held discussion. The Board consensus is to use salary savings, debt refinancing savings and utilize side fund payments to increase payments toward retirement liabilities.

Tucker discussed the next steps will be to develop funding policy language and discuss funding options with the Finance Committee. After the Finance Committee has met and discussed the details, staff will report back to the Board with policy recommendations.

c. **Receive presentation from staff and discuss Recycled Water Allocation Policy.**

Andrew Damron, Technical Services Director, gave a presentation on NapaSan’s recycled water allocation policy. As part of the Board’s Strategic Plan adopted in May of 2017, the Board directed staff to determine whether there is a need to change the prioritization and/or allocation of recycled water allocation. The Phase 1 recycled water expansion project allowed for capacity expansion to 3,700 AF per year with the construction of an additional 500 SF of sand filters and other infrastructure. Resolution 11-004 adopted in September of 2011 provided policy for future allocations associated with recycled water.

Damron reviewed the types of users and their estimated and actual allocation of recycled water since 2011. He reported the actual annual recycled water usage for 2017 was 2,166 AF.

Damron discussed the MST and Los Carneros Water District parcels, number of connections and the recycled water usage in 2017. He inquired whether NapaSan should save capacity for future potable reuse.

Damron reviewed staff’s recommendations for recycled water allocation, which was to make no changes now and to update the Board in March 2019 after reevaluation. Board and staff held discussion on staff’s recommendations and options. Chair Techel requested staff add to the list to have conversations with City of Napa Water Department about future use of recycled water as a source of potable water. Director Mott inquired about the payments of the lease on Somky property, one of the properties for which recycled water is being reserved. General Manager Healy indicated that the lessee is two payments behind totaling \$300,000.

9. **GENERAL MANAGER REPORT:** None.

10. **LEGAL COUNSEL REPORT:** None.

11. **BOARD OF DIRECTORS REPORTS/GENERAL DISCUSSION:**

a. Chair Techel reported on the group from the federal Government Accountability Office, who is auditing the NBWRA recycled water program and visited NapaSan facilities on March 7, 2018.

12. **UPCOMING MEETINGS:**

- a. Finance Committee meeting – April 2, 2018
- b. Regular Board meeting – April 4, 2018
- c. North Bay Watershed Association meeting – April 6, 2018
- d. Regular Board meeting – April 18, 2018

13. **ADJOURN TO CLOSED SESSION: (5:20 P.M.)**

- a. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
(Paragraph (1) of subdivision (d) of Section 54956.9)
Name of Case: RAJA Development Co., Inc. et al. vs. Napa Sanitation District
Napa Superior Court Case No. 17CV001088
- b. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Property: A portion of APN 057-010-010 that consists of the surface of Pond 4
and a portion of Pond 3
Agency Negotiator: Tim Healy, General Manager
Negotiating Parties: Ciel Et Terre USA
Under Negotiation: Price and terms of payment

14. **RECONVENE TO OPEN SESSION: (6:02 P.M.)**

15. **REPORT FROM LEGAL COUNSEL ON CLOSED SESSION:**

Legal Counsel Bakker reported the Board took no reportable action in Closed Session.

16. **ADJOURNMENT: (6:02 P.M.)**

Adjourn to Napa Sanitation District Regular Meeting on Wednesday, April 4, 2018 at 4:00 p.m. for a Regular Meeting to be held at the Napa Sanitation District Administration Building, 1515 Soscol Ferry Road, Napa, California.

CHAIR

ATTEST:

Clerk of the Board