



Board of Directors Agenda Special Meeting  
Wednesday, March 4, 2020 at 1:00 PM  
Valley Sanitary District Board Room, 45-500 Van Buren Street

Page

**1. CALL TO ORDER**

- 1.1. Roll Call
- 1.2. Pledge of Allegiance

**2. PUBLIC COMMENT**

*This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.*

**3. CONSENT CALENDAR**

*Consent calendar items are expected to be routine and noncontroversial, to be acted upon by the Board of Directors at one time, without discussion. If any Board member requests that an item be removed from the consent calendar, it will be removed so that it may be acted upon separately.*

- 3.1. Approve February 11, 2020 Regular Meeting and February 26, 2020 Special Meeting Minutes 3 - 8  
[3.1 11 FEB 2020 Regular Meeting Minutes.pdf](#)  
[3.1 26 Feb 2020 Special Meeting Minutes.pdf](#)

**4. NON-HEARING ITEMS**

- 4.1. Set Public Hearing Date to Adopt Increase in Sewer Use Fee 9 - 10  
[4.1 Staff Report Prop 218 Public Hearing Date.pdf](#)  
[4.1 Attachment A NOTICE OF PUBLIC HEARING ON RATES 2020.pdf](#)

- |      |                                                                                                                                                                                                                                                                                                                     |         |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| 4.2. | Proposed Rate Increase and Proposition 218 Notice<br><a href="#">4.2 Staff Report Prop 218 Rate Increase and Notice.pdf</a><br><a href="#">4.2 Attachment A High Tech Estimate # 35794.pdf</a><br><a href="#">4.2 Attachment B Prop 218 Card.pdf</a><br><a href="#">4.2 Attachment C vsd_svc_chgs_rpt_final.pdf</a> | 11 - 45 |
| 4.3. | Pollution Liability Coverage - Desert Cornerstone Insurance Service, Inc.<br><a href="#">4.3 Staff Report Pollution Liability Coverage.pdf</a><br><a href="#">4.3 Attachment A Environmental Pollution Proposal.pdf</a>                                                                                             | 46 - 53 |
| 4.4. | Award Contract - Owner's Representative to Valley Sanitary District for the Influent pump Station Rehabilitation to Stantec, Inc.<br><a href="#">4.4 Staff Report Award of Contract - Stantec Owner's Rep Amendment 01.pdf</a><br><a href="#">4.4 Attachment A Amendment 1 VSD IPS 2020 0220.pdf</a>                | 54 - 58 |

**5. DIRECTOR'S ITEMS**

*Director's items not listed are for discussion only; no action will be taken without an urgency vote pursuant to State law.*

**6. ADJOURNMENT**

Pursuant to the Brown Act, items may not be added to this agenda unless the Secretary to the Board has at least 72 hours advance notice prior to the time and date posted on this notice.

# **UNOFFICIAL UNTIL APPROVED**

## **VALLEY SANITARY DISTRICT MINUTES OF REGULAR BOARD MEETING**

February 11, 2020

A regular Board Meeting of the Governing Board of Valley Sanitary District (VSD) was held at the District offices, 45-500 Van Buren Street, Indio, California, on Tuesday, February 11, 2020.

### **1. CALL TO ORDER**

President Mike Duran called the meeting to order at 1:00 p.m.

#### **1.1 Roll Call**

Directors Present:

Mike Duran, William Teague, Dennis Coleman, Debra Canero, Scott Sear

Staff Present:

Beverli A. Marshall, General Manager, Holly Gould, Joanne Padgham, Ron Buchwald, Ian Wilson, Anna Bell, Ryan Williams, Ivan Monroy, Tito Moreno, Brian Sprueill, Ed Luna, Lorraine Shinnette

Guests:

Robert Hargreaves, Best Best & Krieger

#### **1.2 Pledge of Allegiance**

#### **1.3 February Employee Anniversaries**

- Tito Moreno           15 years
- Kenny Kepley        14 Years
- Brian Sprueill       8 years

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The Board congratulated Tito Moreno, Kenny Kepley, and Brian Sprueill on their years of service and thanked them for their continued hard work and dedication. They also congratulated Ian and the entire staff on receiving the Plant of the Year Award for medium sized plant from CWEA/CORBS. Anna Bell was congratulated on receiving the CWEA/CORBS Laboratory Person of the Year Award. Both recipients will now move on to the state level. The Board also welcomed the District's new staff, Lorraine Shinnette, Laboratory Technician, and Eduardo Luna, Maintenance Technician.

#### **4.1 Presentation from Ivan Monroy, Environmental Compliance Technician, on the P3S Conference**

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To accommodate staff this item was moved up on the agenda. Ivan Monroy, Environmental Compliance Technician gave a report of the P3S Conference he attended in Long Beach. The conference focused on pretreatment pollution prevention and stormwater. Ivan thanked the Board for believing in training. He stated the conference gave him the opportunity to learn from US EPA instructors with more than

thirty (30) years' experience. It also gave him the opportunity to network with others in his field and share knowledge. Ivan shared that the District has developed a proactive pretreatment program, working closely with the Collections Department, Laboratory Department and Operations. Director Teague stated that the Board fully supports training and the importance of continuing to gain knowledge.

#### 4.6 Discussion of Valley Sanitary District's Front Lawn and Maintenance

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To accommodate staff this item was moved up on the agenda. Ian Wilson gave the Board a brief history of the front lawn. He explained that during the drought a few years ago, it was decided to turn off the sprinklers and not re-seed to conserve water. Combined with that and staffing issues within the maintenance department it was something that has not been revisited. There has been some discussion of what to do with that space and whether to contract out for landscaping services. President Duran suggested that the General Manager and staff come up with an idea of how to utilize that space. Vice President Sear suggested reaching out to the schools to see if there are any agriculture clubs or programs that could help. Director Coleman suggested looking into rebates for conservation programs.

## 2. **PUBLIC COMMENT**

*This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.*

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None.

## 3. **CONSENT CALENDAR**

3.1 Approve January 28, 2020 Regular Meeting Minutes

3.2 Approve Warrants for January 23, 2020 to February 5, 2020

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### **ACTION TAKEN:**

**MOTION:** Director Teague made a motion to approve the consent calendar as presented. Director Coleman seconded the motion. Motion carried by the following vote: 5 ayes  
**MINUTE ORDER NO. 2020-2982**

## 4. **NON-HEARING ITEMS**

4.2 Continuing Disclosure Annual Reports for Fiscal Year Ending June 30, 2019

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Joanne Padgham presented the reports to the Board. Pursuant to the Continuing Disclosure Certificate, the annual reports are due no later than February 15 each year. The reports show that the District is very financially healthy.

**ACTION TAKEN:**

**MOTION:**

Director Teague made a motion to receive and file the Continuing Disclosure Annual Reports for Fiscal Year Ending June 30, 2019. Director Coleman seconded the motion. Motion carried by the following roll call vote:

AYES: Canero, Coleman, Duran, Sear, Teague

NOES: None

ABSENT: None

ABSTAIN: None

**MINUTE ORDER NO. 2020-2083**

4.3 Award of Contract to Denali Water Solutions for Biosolids Removal, Hauling and Disposal

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The District's current biosolids removal, hauling and disposal contract expired in October 2019. The bid for the new five-year contract is based on 1000 tons of Class A biosolids. The actual cost will vary each year based on the amount disposed and the quality of the biosolids. After reviewing the three bid packages for completeness, staff believes the lowest responsible bidder is Denali Water Solutions, LLC. Denali Water Solutions has been the biosolids hauler contractor for VSD for the past 10 years. They have performed this service to District standards and meet our expectations.

**ACTION TAKEN:**

**MOTION:**

Secretary Canero made a motion to award the biosolids removal, hauling and disposing service contract to Denali Water Solutions and authorize the General Manager to execute a construction contract based on the rates provided on their bid sheet. Director Teague seconded the motion. Motion carried by the following roll call vote:

AYES: Canero, Coleman, Duran, Sear, Teague

NOES: None

ABSENT: None

ABSTAIN: None

**MINUTE ORDER NO. 2020-2084**

4.4 Nominate Representative to CSDA Board of Directors – Seat B

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Vice President Sear nominated Director Dennis Coleman as a candidate for the California Special District Association Board of Directors Vacancy – Seat B Southern Network. Secretary Canero seconded the nomination.

**ACTION TAKEN:**

**MOTION:**

Vice President Sear made a motion to nominate Director Dennis Coleman as a candidate for the California Special District Association Board of Directors Vacancy – Seat B Southern Network. Secretary Canero seconded the motion. Motion carried by the following roll call vote:

AYES: Canero, Coleman, Duran, Sear, Teague

NOES: None

ABSENT: None  
ABSTAIN: None  
**MINUTE ORDER NO. 2020-2085**

4.5 Reschedule the Regular Board Meeting of February 25, 2020

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Due to the attendance of the directors at the California Association of Sanitation Agencies (CASA) DC Forum in Washington D.C. February 24-26, 2020, the February 25, 2020 Regular Board Meeting will be rescheduled for Wednesday, March 4, 2020 at 1:00 p.m.

**ACTION TAKEN:**

**MOTION:**

Director Teague made a motion to reschedule the February 25, 2020 Regular Board Meeting for March 4, 2020. Vice President Sear seconded the motion. Motion carried by the following roll call vote:

AYES: Canero, Coleman, Duran, Sear, Teague

NOES: None

ABSENT: None

ABSTAIN: None

**MINUTE ORDER NO. 2020-2086**

4.7 Staff Updates

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Ms. Marshall wanted to clarify with the Board the mix up of the tuition reimbursement for the General Manager. She stated her intention of following her contract and district policies.

**5. DIRECTOR'S ITEMS**

*Director's items not listed are for discussion only; no action will be taken without an urgency vote pursuant to State law.*

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None.

**6. CONVENE IN CLOSED SESSION**

6.1 Pursuant to Government Code Paragraph (1) of Subdivision (d) of Section 54956.9 Conference with Legal Counsel – Existing Litigation Valley Sanitary District v. One Stop Shoppe

6.2 Pursuant to Government Code Section 54954.5 Public Employee Performance Evaluation - Title: General Manager

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The board adjourned to closed session at 1:48 p.m.

**7. CONVENE IN OPEN SESSION**

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The Board reconvened to open session at 2:52 p.m. President Duran stated that there was nothing to report.

**8. ADJOURNMENT**

There being no further business to discuss, the meeting was adjourned at 2:52 p.m. The next special board meeting will be held March 4, 2020.

Respectfully submitted,

Holly Gould, Clerk of the Board  
Valley Sanitary District

# **UNOFFICIAL UNTIL APPROVED**

## **VALLEY SANITARY DISTRICT MINUTES OF SPECIAL BOARD MEETING**

February 26, 2020

A regular Board Meeting of the Governing Board of Valley Sanitary District (VSD) was held at 112 Hart Senate Office Building and the Member's Dining Room, U.S. Capital Building, Washington D.C. on Wednesday, February 26, 2020 at 9:00 a.m. PST.

### **1. CALL TO ORDER**

#### 1.1 Roll Call

Directors Present:

Dennis Coleman, Debra Canero, Scott Sear

Staff Present:

Beverli A. Marshall, General Manager

### **2. NON-HEARING ITEMS**

2.1 Meeting with Senator Kamala Harris' Staff  
112 Hart Senate Office Building, Washington D.C.  
9:00-9:15 a.m. PST

2.2 Lunch with Former Congressman Bill Lowery  
Member's Dining Room, U.S. Capital Building, Washington D.C.  
9:30-10:30 a.m.

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The Directors met with a representative from Senator Kamala Harris' office and with former Congressman Bill Lowery to discuss key issues identified by the California Association of Sanitary Agencies (CASA).

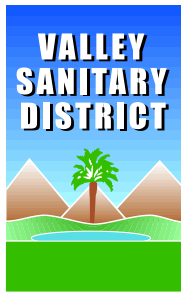
### **3. ADJOURNMENT**

There being no further business to discuss, the meeting was adjourned at 10:30 a.m. PST. The next special board meeting will be held March 4, 2020.

Respectfully submitted,

Holly Gould, Clerk of the Board  
Valley Sanitary District





**Valley Sanitary District  
Board of Directors Meeting  
March 4, 2020**

TO: Board of Directors

THROUGH: Beverli A. Marshall, General Manager

FROM: Joanne Padgham, Administration & Finance Manager

SUBJECT: **Set Public Hearing Date to Adopt Increase in Sewer Use Fee**

<input checked="" type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

**Executive Summary**

The purpose of this report is for the Board to set a public hearing date of May 12, 2020 to consider the increase in the Sewer Use Fee for fiscal Year 2020/2021 and approve the Public Hearing Notice for publishing in the Desert Sun.

**Fiscal Impact**

None at this time.

**Background**

In accordance with California Proposition 218, notice is to be sent to the owners of record and/or tenants via U.S. Mail at least 45 days before the Public Hearing in order to consider an increase to the Sewer Use rate. Additionally, notice of the Public Hearing will be advertised in the Desert Sun, a newspaper of general circulation, on March 22, 2020 and March 29, 2020.

**Recommendation**

To approve the Public Hearing Notice for publishing in the Desert Sun.

**Attachments**

Attachment A: Public Hearing Notice

**NOTICE OF PUBLIC HEARING ON PROPOSED  
NEW RATE FOR VALLEY SANITARY DISTRICT  
SEWER SERVICES**

On Tuesday, May 12, 2020, the Valley Sanitary District Board of Directors will hold a public hearing to consider the proposed rate described in the Proposition 218 Notice mailed to property owners of record within the District's service area.

The hearing will begin at 1:00 p.m. in the Valley Sanitary District Boardroom located at 45-500 Van Buren Street, Indio, CA 92201.

**How to protest the proposed new rate:**

Under Proposition 218, the property owner of record or a tenant may submit a written protest against the proposed rate increase to the District at or before the time set for the public hearing.

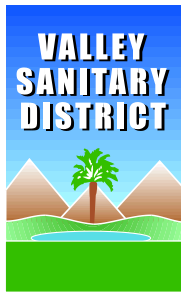
Protests should contain the following information: (1) a description of the property, such as the assessor's parcel number; (2) whether you are the property owner of record or a tenant; and (3) the parcel owner's or tenant's signature. One written protest per parcel will be counted.

Please mail written protests to:

Board of Directors  
Valley Sanitary District  
45-500 Van Buren Street  
Indio, CA 92201

Or you can deliver your protest to the Clerk of the Board at the same address, Monday – Friday between the hours of 8:00 a.m. and 5:00 p.m. Written protests **must be received** by Valley Sanitary District no later than 1:00 p.m. on Tuesday, May 12, 2020. Electronically submitted protests will not be accepted.

The Board of Directors will consider all protests against the proposed increase. If written protests against the proposed increase are presented by the majority of property owners, the Board of Directors will not impose the increase. If there is no majority protest, the District Board of Directors may vote to adopt the proposed rate for sewer services, which will become effective as of July 1, 2020.



**Valley Sanitary District  
Board of Directors Meeting  
March 4, 2020**

TO: Board of Directors

THROUGH: Beverli A. Marshall, General Manager

FROM: Joanne Padgham, Administration & Finance Manager

SUBJECT: **Proposed Rate Increase and Proposition 218 Notice**

<input checked="" type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

**Executive Summary**

The purpose of this report is for the Board to approve the proposed rate increase and authorize staff to mail the Proposition 218 Notice for an estimated total cost of \$14,627.

**Fiscal Impact**

The expenditure is in the approved FY 2019/2020 budget.

The estimated cost for printing and mailing approximately 24,650 notices is \$14,627. This is a sole source procurement due to High Tech Mailing Services past performance and reliability.

**Background**

The District provides wastewater service to its customers, and continually strives to provide excellent service while maximizing cost reductions and better utilization of its assets. The District must also be fiscally responsible to ensure financial stability in the years to come. To this end, the District engaged an independent consultant to perform a cost of service analysis and rate study for its wastewater service charges. Based upon the rate study, the District anticipates there will be future increases in the costs of operating and maintaining the wastewater systems. The proposed wastewater rate increases are necessary to enable the District to: (1) maintain the operational and financial stability of the District, including keeping pace with inflation and other cost increases including wastewater treatment costs; (2) comply with State and Federal regulations governing the treatment, disposal, and reuse of wastewater; (3) fund capital infrastructure improvements needed to repair and update the District’s aging wastewater system; and (4) avoid operational deficits and depletion of reserves.

In accordance with California Proposition 218, notice is to be sent to the record owners and/or tenants via U.S. Mail at least 45 days before the Public Hearing in order to consider an increase to the Sewer Use rate. Additionally, notice of the Public Hearing will be advertised in the Desert Sun, a newspaper of general circulation, on March 22, 2020 and March 29, 2020.

The Proposition 218 notice has been reviewed by legal counsel.

**Recommendation**

To approve the proposed rate increase and authorize staff to mail the Proposition 218 notice for an estimated total cost of \$14,627.

**Attachments**

- Attachment A: Quote from High Tech Mailing Services
- Attachment B: Proposition 218 Notice
- Attachment C: Evaluation of Sewer Service Charges May 2019

High Tech Mailing Services

PO Box 249  
 Palm Desert, CA 92261  
 760-779-0460

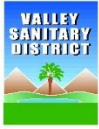
# Estimate

Date	Estimate #
2/12/2020	35794

Name / Address
VALLEY SANITARY DISTRICT ATTN: ACCOUNTING 45500 VAN BUREN INDIO CA 92201

P.O. No.	Project

Description	Qty	Rate	Total
8.5"X8.5" CARD MAILING			
CREATE COMPUTER MAILING LIST FROM E-MAIL PROVIDED BY CLIENT. ADD ZIP+4 AND DELIVERY POINT BARCODES FOR MAXIMUM POSTAL DISCOUNTS	3	40.00	120.00
"NCOA" CHARGE (NATIONAL CHANGE OF ADDRESSES) REQUIREMENT BY THE POST OFFICE	1	30.00	30.00
ECRWSS SORT	1	1,250.00	1,250.00
PRINT 24,000 8.5X8.5 CARDS TO 100# GLOSS COVER 4/4 (COLOR BOTH SIDES) WITH BLEED	1	2,203.00	2,203.00
IMPRINT ADDRESSES DIRECTLY ON YOUR MAIL PIECE, SORT, BATCH, BUNDLE, PREPARE POSTAL REPORTS	23,513	0.045	1,058.09
FIX PERMIT FOR INTERNATIONAL ADDRESSES	1,137	0.02	22.74
VERIFY MAILING AT PALM DESERT POST OFFICE AND DROP SHIP TO SCF SAN BERNARDINO FOR MAXIMUM POSTAGE SAVINGS	1	160.00	160.00
POSTAGE ESTIMATE FOR PRESORTED STANDARD MAILING, AUTOMATION BARCODED FLAT SIZE RATES	23,513	0.30	7,053.90
1ST CLASS POSTAGE TO CANADA	1,137	2.40	2,728.80
Thank you for your business.		<b>Total</b>	\$14,626.53



**VALLEY SANITARY DISTRICT**  
**45-500 VAN BUREN STREET**  
**INDIO, CA 92201**  
**WWW.VALLEY-SANITARY.ORG**

## How to Voice Your Opinion:

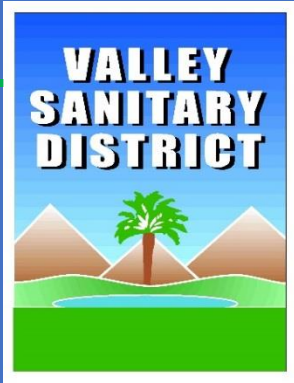
Under Proposition 218, the property owner of record or a tenant may submit a written protest against the proposed rate increase to the District at or before the time set for the public hearing. Protests should contain the following information: (1) a description of the property, such as the assessor's parcel number; (2) whether you are the property owner of record or a tenant; and (3) the parcel owner's or tenant's signature. One (1) written protest per parcel will be counted.

Please mail written protests to:

**Board of Directors**  
**Valley Sanitary District**  
**45-500 Van Buren Street**  
**Indio, CA 92201**

Or you can deliver your protest to the Clerk of the Board at the same address, Monday – Friday between the hours of 8:00 a.m. and 5:00 p.m. Written protests delivered in person must be submitted to the Clerk of the Board prior to the close of the public hearing. Written protests delivered by mail **must be received** by Valley Sanitary District no later than **1:00 p.m.** on Tuesday, **May 12, 2020**. Electronically submitted protests will not be accepted.

The Board of Directors will consider all protests to the proposed increase. If written protests towards the proposed increase are presented on behalf of a majority of parcels, the Board of Directors will not impose the increase. If there is no majority protest, the District Board of Directors may vote to adopt the proposed rate for sewer services, which will become effective as of **July 1, 2020**.



# NOTICE OF PUBLIC HEARING

## PROPOSED CHANGES TO SEWER USE RATES

**Date:** May 12, 2020

**Time:** 1:00 PM

**Location:** Valley Sanitary District Board Room

45-500 Van Buren Street Indio, CA 92201

The Valley Sanitary District (VSD) Board of Directors will hold a public hearing to discuss the increase of the sewer use rates. If approved by the VSD Board of Directors, the rate increase will take effect starting July 1<sup>st</sup>, 2020. All members of the public are welcome to attend the public hearing.

For further information, please call 760.238.5400.

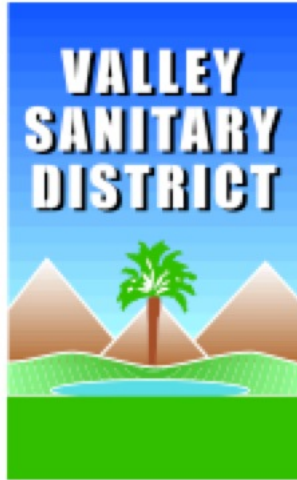
Para obtener esta información en español, llame al 760.984.0535

### Why the Rate Increase?

The District provides wastewater service to its customers, and continually strives to provide excellent service while maximizing cost reductions and better utilization of its assets. The District must also be fiscally responsible to ensure financial stability in years to come. To this end, the District engaged an independent consultant to perform a cost of service analysis and rate study for its wastewater service charges. Based on the rate study, the District anticipates there will be future increases in the costs of operating and maintaining the wastewater systems. The proposed wastewater rate increases are necessary to enable the District to: (1) maintain the operational and financial stability of the District, including keeping pace with inflation and other cost increases including wastewater treatment costs; (2) comply with State and Federal regulations governing the treatment, disposal, and reuse of wastewater; (3) fund capital infrastructure improvements needed to repair and update the District's aging wastewater system; (4) avoid operational deficits and depletion of reserves. A copy of the rate study and cost of service analysis providing justification for the proposed rates for wastewater service charges is on the District's website (<http://www.valley-sanitary.org>) and is also available during regular office hours of the District.

Date	Rate
Current Rate	\$ 313 per EDU* (\$ 26.08 / month)
After Rate Increase	\$ 330 per EDU (\$ 27.50 / month)

An Equivalent Dwelling Unit, or EDU is the average sewer flow of 230 gallons per day from one single family household. Each single-family household is assigned one EDU. For non-household uses, EDUs are assigned based on estimated flow and strength of wastewater discharge to the wastewater system and are established pursuant to Resolution No. 2019-1115 of the District.



**FINAL**  
**Evaluation of Sewer Service Charges**

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Prepared for  
Valley Sanitary District, California  
May 2019



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# Table of Contents

List of Figures.....	ii
List of Tables .....	ii
List of Abbreviations .....	ii
Executive Summary .....	ES-1
Purpose of the Study.....	ES-1
Projected Cash Flow.....	ES-1
Recommended Sewer Service Charges.....	ES-2
1. Introduction.....	1-1
1.1 District Structure and Leadership.....	1-1
1.2 Wastewater Management System Description.....	1-1
1.3 Regulatory Requirements.....	1-2
1.4 Overview of Utility Rate Setting Process.....	1-2
1.5 Reserve Policy and Sewer Account Funds .....	1-2
1.6 Methodology for Determination of Sewer Service Charges .....	1-3
2. Summary of Users and Wastewater Discharge Characteristics.....	2-1
2.1 Equivalent Dwelling Units .....	2-1
2.2 Current Equivalent Dwelling Unit Fee .....	2-3
2.3 Projected Equivalent Dwelling Units .....	2-3
2.4 Equivalent Dwelling Unit Definition.....	2-4
2.5 Equivalent Dwelling Unit Assignments .....	2-4
3. Revenue Required from Sewer Service Charges .....	3-1
3.1 10-Year Capital Improvement Program.....	3-1
3.2 Current and Projected Debt Service .....	3-2
3.3 Operating and Capital Funds Cash Flow .....	3-3
3.3.1 Fund 11 Cash Flow .....	3-3
3.3.2 Fund 12 Cash Flow .....	3-3
3.3.3 Fund 13 Cash Flow .....	3-4
3.3.4 Cash Flow and Coverage Ratio – All Funds.....	3-4
4. Sewer Service Charges .....	4-1
4.1 Development of Sewer Service Charges .....	4-1
4.2 Residential Sewer Service Charge Survey.....	4-2
5. Limitations .....	5-1
Appendix A: Sewer Service Charges Development Tables .....	A

## List of Figures

Figure ES-1. Cash Flow Summary, FY20 – FY24 .....	ES-1
Figure ES-2. Historical and Projected Residential Annual Sewer Service Charges .....	ES-2
Figure 1-1. Overview of Rate Setting Analytical Steps.....	1-2
Figure 3-1. Fund Cash Flow and Coverage Ratio, FY 2019 – FY 2027 .....	3-4
Figure 4-1. Historical, Recommended and Projected Residential Annual Sewer Service Charges .....	4-2

## List of Tables

Table 2-1. Equivalent Dwelling Unit Assignments .....	2-2
Table 2-2. Calculation Summary of 2018/2019 Equivalent Dwelling Unit Fee .....	2-3
Table 2-3. Current and Projected Equivalent Dwelling Units .....	2-3
Table 2-4. Industrial Wastewater Treatment Surcharge Formula .....	2-4
Table 3-1. Ten-Year Capital Improvement Program .....	3-1
Table 3-2. Fund 11 Cash Flow FY 2019 – FY 2027 .....	3-3
Table 3-3. Fund 12 Cash Flow FY 2019 – FY 2027 .....	3-3
Table 3-4. Fund 13 Cash Flow FY 2019 – FY 2027 .....	3-4
Table 4-1. Current, Recommended and Projected Sewer Service Charges .....	4-1
Table 4-2. Residential Sewer Service Charge Survey.....	4-2

## List of Abbreviations

Ccf	Hundred Cubic Feet
CCI	Construction Cost Index
CIP	Capital Improvement Program
District	Valley Sanitary District
EDU	Equivalent Dwelling Unit
FY	Fiscal year (July 1 to June 30)
FY20	July 1, 2019 to June 30, 2020
gpd	Gallons per Day
HCF	Hundred Cubic Feet
VSD	Valley Sanitary District
O&M	Operation and maintenance
R&R	Renewal and Replacement
SSC	Sewer Service Charge

# Executive Summary

In September 2018 the Valley Sanitary District (VSD or District) contracted with Municipal Financial Services to evaluate sewer service charges and recommend a revised schedule of sewer service charges.

## Purpose of the Study

The purpose of the study was to evaluate sewer service charges for the Valley Sanitary District. Sewer service charges are intended to recover revenues sufficient to adequately fund sewer utility operations, maintenance, and capital program expenditures, and meet debt service obligations, while keeping rates as competitive as possible and maintaining a prudent level of reserves.

Evaluation of Capital Improvement Program (CIP) projects extends through Fiscal Year 2028 – 2029 (FY29). This 10-year time-period was selected to include the impact of \$163.4 million in CIP expenditures which include the Phase 3 wastewater treatment plant projects. It is recommended that the District adopt sewer service charges for FY20 – FY24 (five years).

The evaluation includes estimates of future operating and non-operating revenues, operating and maintenance expenses, debt service obligations, and capital program expenditures. Like all projections, the evaluation is based on several assumptions including interest and inflation rates as well as future operating and program costs. The evaluation reflects current policies as well as potential changes to sewer service charges and sewer capacity charges, and other sources of revenues. To the extent that actual conditions differ from those incorporated in the evaluation, actual results may differ from the findings developed in this study.

## Projected Cash Flow

Operating and capital funds cash flow for the five-year period of FY20 – FY24 is shown in Figure ES-1. The revenues from sewer service charges and sewer capacity charges include additional revenues from

<b>Beginning Balance, July 1, 2019</b>	<b>\$46,672</b>
<b>Revenues</b>	
Sewer Service Charges	\$61,431
Other Operating	\$120
Nonoperating	\$3,959
Interest Earnings	\$3,375
Capacity Charges	\$5,780
Loan Disbursements	\$59,356
<b>Total Revenues</b>	<b>\$134,021</b>
<b>Expenditures</b>	
Fund 11 Operating & Maintenance	\$38,710
Fund 11 Capital	\$2,187
Fund 12 Capital	\$69,908
Fund 13 Capital	\$23,742
Debt Service	\$14,440
<b>Total Expenditures</b>	<b>\$148,988</b>
<b>Revenues less Expenditures</b>	<b>(\$14,967)</b>
<b>Ending Balance, June 30, 2024</b>	<b>\$31,705</b>

annual increases in charges. Note that during this five-year period, total expenditures exceed total revenues by approximately \$15 million. Expenditures not funded by revenues are funded by use of cash from the fund balance.

Revenues from sewer service charges and sewer capacity charges are required to fund the projected \$95.8 million in CIP expenditures during the five-year period. Approximately 63 percent of the CIP expenditures (\$59.4 million) are projected to be funded from issuance of new debt with the remainder from cash. After issuance of new debt, the annual debt service principal and interest payments are projected to total approximately \$4.1 million per year.

Figure ES-1. Cash Flow Summary, FY20 – FY24

## Recommended Sewer Service Charges

During the past nine years, sewer service charges have been adjusted twice. In 2014, sewer service charges were increased from \$259 per unit of service to \$270 (an increase of approximately 4 percent). The most recent adjustment was in 2016 when sewer service charges were increased by 16 percent to \$313 per unit of service.

The District’s historical and recommended sewer service charges are shown in the table below. The recommended sewer service charges for FY20 and FY21 are \$330 per unit (an initial increase of about 5.4 percent). The recommended sewer service charges for FY22 – FY24 are \$350 per unit (an increase of about 6.1 percent).

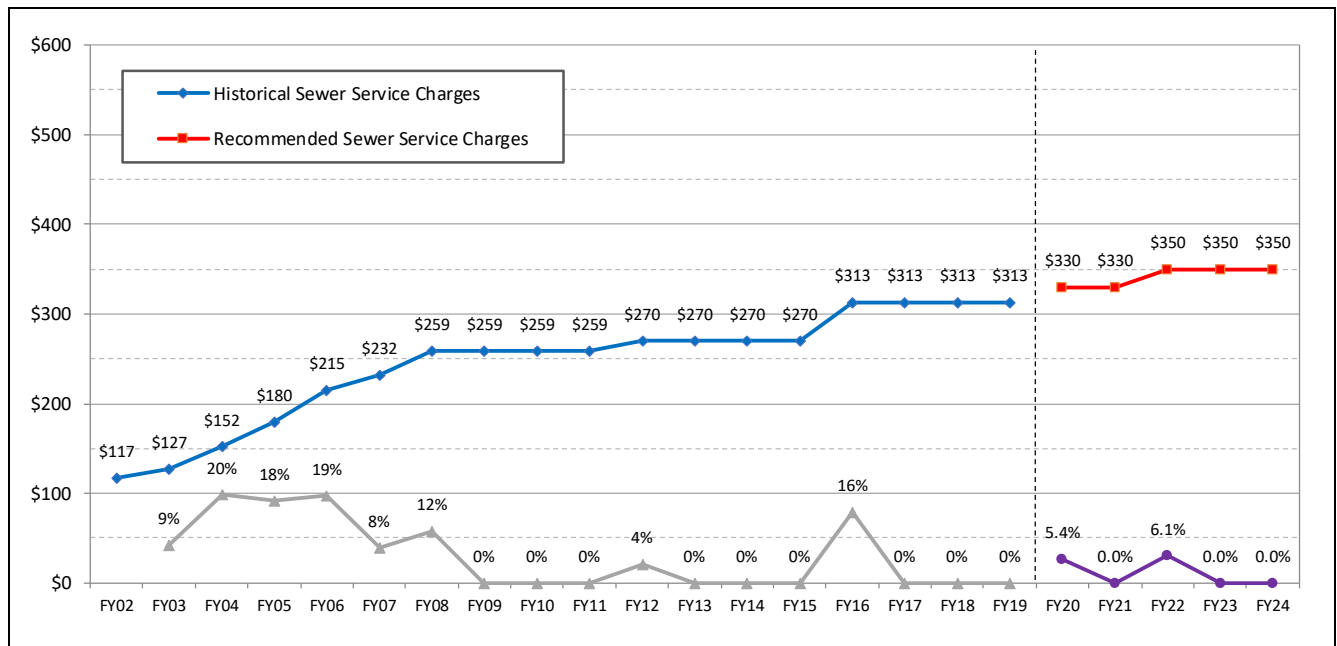


Figure ES-2. Historical and Projected Residential Annual Sewer Service Charges

It is recommended that in FY22, the District evaluate whether revenue from sewer service charges developed in this five-year rate plan will be sufficient to fund capital expenditure increases projected for FY25 – FY29.

## Section 1

# Introduction

Sewer Service Charges are intended to recover revenues sufficient to adequately fund sewer utility operations, maintenance, and capital replacement expenditures, and meet debt service obligations, while keeping rates as competitive as possible and maintaining a prudent level of reserves.

## 1.1 District Structure and Leadership

The Valley Sanitary District is an independent special district, which operates under the authority of the Health and Safety Code, Sanitary District act of 1923, section 6400 *Et. Sequentia*. The District was formed June 1, 1925 and is governed by a five-member Board of Directors, elected at large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs approximately 27 regular employees organized in three departments.

## 1.2 Wastewater Management System Description

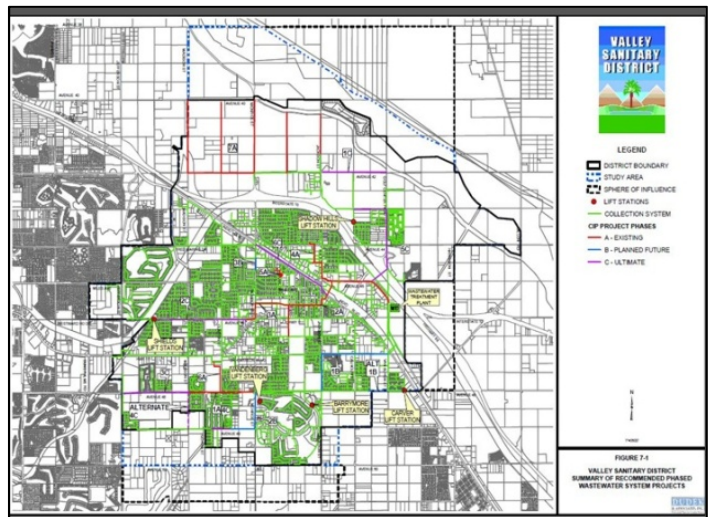
The District provides sewer services to approximately 27,850 connections within its 19.5 square mile service area, located in the eastern desert area of Riverside County. The VSD service area primarily consists of residential areas with moderate commercial, industrial, and public land use encompassing much of the City of Indio, portions of the City of La Quinta and City of Coachella, and unincorporated areas of the County of Riverside.

A vast wastewater management system has been built to collect, transport, treat and dispose wastewater. The wastewater treatment, collection and disposal system comprise approximately:

- 254 miles of sanitary sewer pipe;
- 4,910 sewer manholes;
- 4 sewage pump stations;
- 12.5 mgd capacity secondary treatment plant; and
- Administrative Headquarters Building.

Wastewater is collected from the thousands of customers, transported to the Wastewater Treatment Facility for treatment and subsequently discharged into the Whitewater Channel via an outfall.

The Valley Sanitary District is exploring the possibility with the Indio Water Authority of a recycled / reclaimed water project. This project will reuse tertiary treated water as a new water source for sustainable and beneficial use. The City of Indio and the Valley Sanitary District have created a Joint Powers Authority for this purpose, the East Valley Reclamation Authority. This project is in the preliminary exploration stage.



## 1.3 Regulatory Requirements

The updated Sewer Service Charges recommended in this study should fulfill the requirements found in the *Revenue Program Guidelines* published by the California Environmental Protection Agency's State Water Resource Control Board from its Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities.

## 1.4 Overview of Utility Rate Setting Process

Sewer rate studies classically have three categories of technical analysis – the development of revenue required from rates, the allocation of costs among functional cost categories (cost-of-service analysis) and the design of a rate structure. An overview of the rate-setting analytical steps is shown in Figure 1-1.

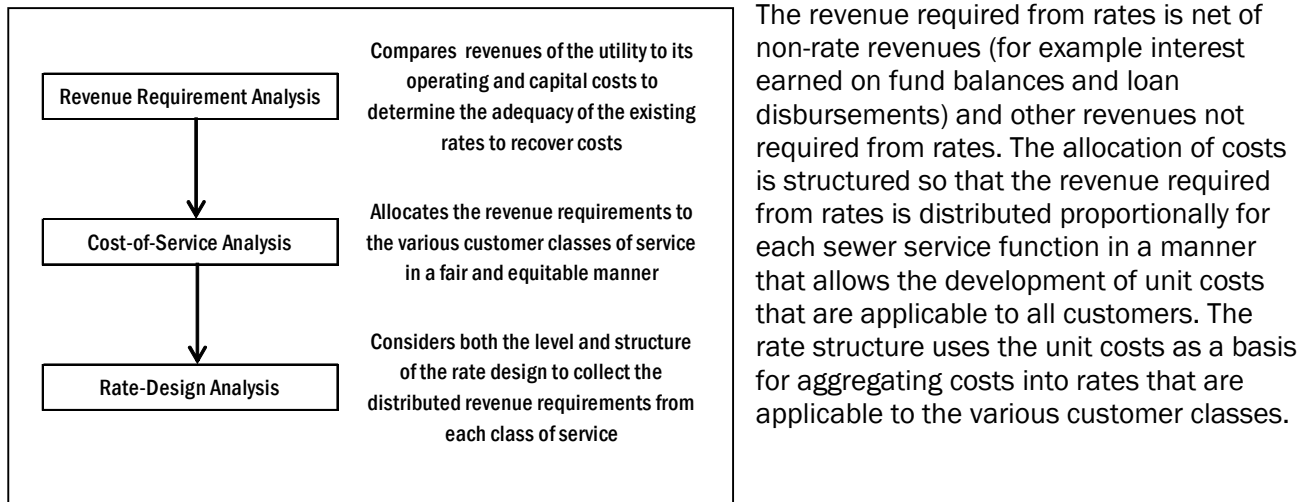


Figure 1-1. Overview of Rate Setting Analytical Steps

## 1.5 Reserve Policy and Sewer Account Funds

The District adopted a Financial Reserve Policy on April 9, 2013 (Reserve Fund Policy).<sup>1</sup> The Reserve Fund Policy established reserve funds for its long term organizational operational stability and the reserve funds enable the District to minimize significant rate fluctuations due to unforeseen and expected cash flow requirements. The Reserve Fund Policy is to ensure that the District accumulates, manages, maintains, and uses certain financial resources only for specific purposes. The District manages the following reserves:

- Capital Replacement Reserve Fund;
- Capital Improvement Reserve Fund;
- Debt Service Reserve Fund;
- Emergency Reserve Fund;
- Operating Reserve Fund; and
- Vehicle & Equipment Replacement Reserve Fund.

<sup>1</sup> See Resolution No. 2013-1040.

The projected sewer service charges are sufficient to maintain reserves at levels that meet Reserve Fund Policy objectives.

## 1.6 Methodology for Determination of Sewer Service Charges

Calculation of a Sewer Service Charge is a simple mathematical operation. Defining the wastewater characteristics and revenue requirements data required for that operation are more complex and represent a major emphasis of the Sewer Service Charges study. Basic steps in defining the basis for and computing the Sewer Service Charge are as follows:

**Define revenue required from Sewer Service Charges.** The District's most recent operating budget, multi-year Capital Improvement Project budget, and target levels of reserve funds are used to project annual expenditures and revenues required from Sewer Service Charges.

**Define user wastewater system characteristics.** Prior estimates of user characteristics are updated and used to estimate average annual Equivalent Dwelling Units.

**Develop Sewer Service Charges.** Revenue required from Sewer Service Charges is divided by the estimated number of Equivalent Dwelling Units to yield the Equivalent Dwelling Unit fee. The fee is applied to the estimated number of Equivalent Dwelling Units for each account.



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## Section 2

# Summary of Users and Wastewater Discharge Characteristics

The purpose of this section is to summarize the identification of residential and commercial users and their corresponding wastewater discharge characteristics.

## 2.1 Equivalent Dwelling Units

The District's current sewer use fees are shown in Resolution No. 2018-1100. Section 1 of the Resolution defines the "Equivalent Dwelling Unit" (EDU) for single family household accounts. The EDU for single family household accounts is based on estimates of the average daily wastewater flow per household (300 gallons per day).

The District charges sewer use fees using the County of Riverside assessment rolls and, for users that are not billed by the County Tax Collector, the District issues a bill directly to the user.

The number of estimated EDUs on tax rolls and accounts receivable is the sum of the number of single family dwelling units (single family dwellings, condominiums, townhouses, apartments, permanent mobile homes and duplex units) plus the equivalent number of EDUs for non-household accounts.

Section 2 of the Resolution No. 2018-1100 lists the equivalent number of EDUs for the various categories of non-household accounts. Categories include those for different businesses (restaurants, car washes, retail stores, etc.), schools, institutions, industries/manufacturing, Cabazon Band of Mission Indian facilities, movie theaters and RV dump stations. A list of non-household account categories from Section 2 of the Resolution are shown in the table on the next page.

The number of estimated EDUs on tax rolls and accounts receivable used to develop the current (FY 2018-2019) Equivalent Dwelling Unit fee is approximately 35,160.

Table 2-1. Equivalent Dwelling Unit Assignments

User Classification	EDU	per	Unit
1 Single Family Dwellings *	1		each
2 Recreation Vehicle/Motel Rooms	0.5		each
3 Recreation Vehicle w/sewer service connection	1		each
4 Library/Church	1		each
5 Church with Kitchen	2		each
6 Professional Building (Tenant)	1		each
7 Administrative Offices-city, county, state	1	5	employees
8 Hospital	1	2	beds
9 Rest Homes	1	3	beds
10 Laundry/Laundromat	1	3	washers
11 Restaurant/Tavern	3		blank
12 Restaurant and Tavern or Drive-Thru	4		blank
13 Gas Station	2		blank
14 Gas Station with Wash Rack	3		blank
15 Car Wash	3		blank
16 Animal Hospital/Clinic/Kennel	3		blank
17 Barber Shop/Beauty Shop	1	2	sinks
18 Retail Stores	1	2000	square feet
19 Warehousing	1		restroom
20 Food Markets	1	2000	square feet
Plus	12		food grinder
SCHOOLS			
21 Pre-School, K-5	1	23	students
22 Junior High/High/Continuation/Adult	1	14	students
MOVIE THEATERS			
23 Theaters	1	100	seats
24 Other theaters	1	100	seats
INSTITUTIONAL			
25 County Sheriff substation/County Jail	1	3.5	employees
26 County Juvenile Hall	1	5	employees
27 County administration, courts, clinics, mental health	1	20	gallons/fixture
28 Restrooms in parks	1		restroom
INDUSTRIES/MANUFACTURING			
29 For domestic wastewater	1	20	gallons/fixture
For non-domestic wastewater			non-domestic wastewater formula
CABAZON BAND OF MISSION INDIANS FACILITIES			
All uses specifically on this schedule shall be charged the same UOS as others			
30 Casino Facilities	1	20	gallons/fixture
RV DUMP STATIONS			
31 Recreational vehicle park w/hook-up; w/o dump stations	1	6	spaces
32 Recreational "rally field" with dump stations	0.5		acre
33 Dump stations for RV's and buses	15		station

## 2.2 Current Equivalent Dwelling Unit Fee

The formula for the EDU User Fee of domestic wastewater from Resolution No. 2018-1100 is shown in the table below.

Table 2-2. Calculation Summary of 2018/2019 Equivalent Dwelling Unit Fee				
Balance of Revenue to be Collected	<i>divided by</i>	Estimated EDUs on Tax Rolls and Accounts Receivable	<i>equals</i>	Equivalent Dwelling Unit Fee
\$11,011,086	/	35,160	=	\$313

Estimates of projected revenue requirements are developed in Section 3. Estimates of projected EDUs are developed in the next subsection.

## 2.3 Projected Equivalent Dwelling Units

Current and projected EDUs are shown in the table below. Projected EDUs are based on annual increases of 245 EDUs for accounts billed on the tax rolls and 5 EDUs for accounts that are direct bills.

Table 2-3. Current and Projected Equivalent Dwelling Units									
Item	Current	Five-Year Rate Plan					Projected		
	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Equivalent Dwelling Units									
Tax Rolls	32,842	32,842	33,087	33,332	33,577	33,822	34,067	34,312	34,557
<i>annual growth &gt;</i>		245	245	245	245	245	245	245	245
Direct Billing	2,318	2,318	2,323	2,328	2,333	2,338	2,343	2,348	2,353
<i>annual growth &gt;</i>		5	5	5	5	5	5	5	5
Total EDUs	35,160	35,410	35,660	35,910	36,160	36,410	36,660	36,910	37,160
Unit increase		250	250	250	250	250	250	250	250
Percent increase		1%	1%	1%	1%	1%	1%	1%	1%

## 2.4 Equivalent Dwelling Unit Definition

The District's Board annually adopts resolutions related to rates for sewer use. The District's current sewer use fees are shown in Resolution No. 2018-1100 (Resolution).

Section 1 of the Resolution defines an "Equivalent Dwelling Unit" (EDU). One (1) EDU represents an average daily wastewater flow of 300 gallons from one single family household. For non-household uses, the value of equivalency to a household is used for purposes of computing uniform financial obligations.

Section 2 of the Resolution lists assignments of EDUs for classifications of types of property and use (see Table 2-1, above).

Section 3 of the Resolution describes calculation of a Non-domestic Sewer User Fee. A formula for calculating the industrial wastewater treatment surcharge (Non-domestic Sewer User Fee) from Section 3 is shown in the table below. Note that the formula requires detailed information of the wastewater flow and concentration of the discharge and general information of the District's annual expenditures.

**Table 2-3. Industrial Wastewater Treatment Surcharge Formula**

$$\text{EDU} = \frac{Q}{300} \left[ 0.42 \begin{matrix} \text{(A)} \\ \text{+} \end{matrix} 0.36 \begin{matrix} \text{(B)} \\ \frac{(\text{COD})}{500} \end{matrix} + 0.22 \begin{matrix} \text{(C)} \\ \frac{(\text{SS})}{240} \end{matrix} \right]$$

Where:

Q = daily sewage flow in gallons

COD = quarterly 92-day average COD concentration in mg/L for COD in excess of 500 mg/L  
concentrations of 500 mg/L or less will be calculated at 500 mg/L

SS = quarterly 92-day average SS concentration in mg/L for SS in excess of 240 mg/L  
concentrations of 240 mg/L or less will be calculated at 240 mg/L

(A) = the portion of annual expenditures related to sewage flow

(B) = the portion of annual expenditures related to sewage COD loadings

(C) = the portion of annual expenditures related to sewage SS loadings

It is recommended that the District update the: 1) definition of an EDU and the wastewater discharge characteristics for a single family household (Section 1 of the annual rate resolution); 2) list of EDU assignments (Section 2 of the annual rate resolution); and 3) formula for calculating the industrial wastewater treatment surcharge (Section 3 of the annual rate resolution).

## 2.5 Equivalent Dwelling Unit Assignments

The District received water use data from Indio Water Authority for its water meters within the District's sewer service area.

It is recommended that the District evaluate and update Equivalent Dwelling Unit assignments for establishments that have food service functions. The evaluation should include determination of wastewater discharge characteristics of those type of establishments and equating those characteristics to those for a single family dwelling.

## Section 3

# Revenue Required from Sewer Service Charges

Sewer Service Charges must adequately fund sewer utility operations, capital costs, reserves, and bonded debt related to the provision of sewer service. The revenue required from Sewer Service Charges is developed in this section.

### 3.1 10-Year Capital Improvement Program

The District's current Capital Improvement Program for FY20 – FY29 is summarized in the table below. CIP projects are to be funded by cash except for the projects related to the Plant Expansion 2B/2C. Projects related to the Plant Expansion 2B/2C totaling approximately \$59,356,000 are anticipated to be funded through a low interest loan from the State of California State Water Resources Control Board.

**Table 3-1. Ten-Year Capital Improvement Program**

Year Number >	<i>(all values in \$thousands)</i>										Total
	1	2	3	4	5	6	7	8	9	10	
<b>Funds 12 &amp; 13</b>	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	
Sewer Main Repair & Replace	1,090	3,073	5,754	8,113	8,409	8,691	8,983	9,284	6,443	3,401	63,241
Plant Expansion 2B/2C	5,057	27,149	27,149	0	0	0	0	0	0	0	59,356
Plant Expansion Phase 3	60	0	0	0	0	0	0	3,817	14,418	14,851	33,146
Vehicle & Major Equipment	610	610	610	610	610	610	610	610	610	610	6,100
Sewer Siphon Replacement	0	4,000	0	0	0	0	0	0	0	0	4,000
Lateral Grant Program	53	54	55	56	57	59	60	61	62	63	580
Contingency	90	92	94	96	97	99	101	103	105	108	985
<b>Total</b>	<b>6,960</b>	<b>34,979</b>	<b>33,662</b>	<b>8,875</b>	<b>9,174</b>	<b>9,459</b>	<b>9,754</b>	<b>13,875</b>	<b>21,639</b>	<b>19,032</b>	<b>167,409</b>
<b>Cumulative</b>	<b>6,960</b>	<b>41,939</b>	<b>75,602</b>	<b>84,476</b>	<b>93,650</b>	<b>103,109</b>	<b>112,862</b>	<b>126,738</b>	<b>148,377</b>	<b>167,409</b>	

## 3.2 Current and Projected Debt Service

### Wastewater Revenue Refunding Bonds, Series 2015

On August 26, 2006, the District issued the 2006 Certificates of Participation in the amount of \$12,915,000. The purpose of the Certificates was to fund Phase I of the District's treatment plant expansion. Interest ranging from 3.50% to 4.375% is payable semi-annually on February 1st and August 1st commencing February 1, 2007.

On June 18, 2015, the District issued Wastewater Revenue Refunding Bonds, Series 2015 in the amount of \$7,540,000. The purpose of the bond issuance was to provide funds to defease and refund on current basis the District's outstanding 2006 Certificates of Participation (Treatment Plan Expansion) and pay the costs of issuing the bonds. The bonds are payable from and secured by a lien on net revenue of the wastewater system of the District. The aggregate difference in debt service as result of the refinancing was in the amount of \$1,596,780. The economic gain on the refinancing was \$500,181. Interest rate of 5% (except for 2.125% in 2023) is payable semi-annually on each December 1 and June 1 beginning December 1, 2015. The bonds are not subject to redemption prior to maturity. The outstanding balance as of June 30, 2018 was \$5,835,000. The term of the certificates which run through 2026. Repayment of the debt is funded through sewer use fees of the District.<sup>2</sup>

### Clean Water State Revolving Fund Low Interest Loan

The District executed an installment sale agreement with the State Water Resources Control Board (the "SWRCB") for the construction of the Requa Avenue Sewer Interceptor Project. As part of the Requa Avenue Sewer Interceptor Project, the District constructed 4.2 miles of new gravity flow sewer pipeline and related utility improvements designed to collect and convey sanitary sewer flow within an existing public right-of-way through central Indio, California to the existing District's Water Reclamation Plant. The SWRCB provided financial assistance through a Clean Water State Revolving Fund loan - Project No. C-06-8116-110, Agreement No. D1601003-550-0. The total amount of the loan funded was \$12,746,147. Beginning June 2019, the District will repay the principal of the project funds, together with all interest accruing thereon, annually to the SWRCB. As of June 30, 2018, the outstanding balance of the SWRCB revolving fund loan was in the amount of \$12,920,155.<sup>3</sup>

A reserve account is required to be maintained equal to one (1) year of the SWRCB revolving fund loan debt service payments from unrestricted net revenues. As of June 30, 2018, the reserve requirement was \$553,360. The balance held in the reserve at June 30, 2018 was \$1,059,648. Debt covenants of the SWRCB revolving fund loan require that the District have net revenues that are at least 125% of the total debt service payments (including 2015 Wastewater Revenue Refunding Bonds). Net revenue and total debt service paid during the year ended June 30, 2018 were in the amounts of \$5,690,579 and \$889,687, respectively, which resulted in ratio of 640%.

### Projected Low Interest Loan and Debt Service

Projects related to the Plant Expansion 2B/2C totaling \$59,356,000 are anticipated to be funded through a low interest loan from the State Water Resources Control Board. The loan terms are projected to be a 30-year payback period and a 2.0 percent interest rate with the first years' \$2,650,000 principal and interest payments due in FY23.

Detailed debt service schedules are included in Appendix A, Table A-1 (current debt service) and Table A-2 (projected debt service).

<sup>2</sup> See the Valley Sanitary District Comprehensive Annual Financial Report (CAFR) for the Year Ended June 30, 2018, page 13.

<sup>3</sup> Ibid, page 13.

### 3.3 Operating and Capital Funds Cash Flow

Cash flow for Fund 11, Fund 12 and Fund 13 is summarized in the following sections.

#### 3.3.1 Fund 11 Cash Flow

Cash flow for the Operating Fund (Fund 11), is summarized in the table below. Detailed expenditure and revenue projections are included in Appendix A, Table A-3 (expenditures) and Table A-4 (revenues). Note that expenditures include \$9,000,000 in transfers from Fund 11 to Fund 12 from FY25-FY27 for funding capital projects.

All Values in \$thousands Item	Budget FY19	Five-Year Rate Plan					Projected			Total FY20-FY24
		FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	
Beginning Balance, July 1	\$20,445	\$20,462	\$20,462	\$20,182	\$20,332	\$20,162	\$19,672	\$14,332	\$10,232	
<b>Expenditures</b>										
O & M (net of depreciation)	7,024	7,253	7,489	7,734	7,986	8,248	8,518	8,797	9,086	\$38,710
Capital	400	412	424	437	450	464	478	492	507	2,187
Debt Service 2015 Refunding Bond	499	464	465	463	463	462	463	463	0	2,317
Debt Service 2019 SRF Loan		553	553	553	553	553	553	553	553	2,767
Capital Reserve Transfer to Fund 12	3,973	4,099	4,230	4,364	4,503	4,647	4,795	4,949	5,107	21,843
Add'l Reserve Transfer to Fund 12							3,000	3,000	3,000	0
<b>Total Expenditures</b>	<b>11,896</b>	<b>12,781</b>	<b>13,162</b>	<b>13,551</b>	<b>13,955</b>	<b>14,374</b>	<b>17,807</b>	<b>18,254</b>	<b>18,253</b>	<b>67,824</b>
<b>Revenues</b>										
Sewer Service Charges	11,005	11,691	11,776	12,583	12,648	12,733	14,306	16,056	18,028	61,431
Other Operating	23	23	24	24	24	25	25	26	26	120
Nonoperating	745	760	776	792	808	824	841	858	875	3,959
Interest	140	307	307	303	305	302	295	215	153	1,524
<b>Total Revenues</b>	<b>11,913</b>	<b>12,781</b>	<b>12,882</b>	<b>13,701</b>	<b>13,785</b>	<b>13,884</b>	<b>15,467</b>	<b>17,154</b>	<b>19,083</b>	<b>67,034</b>
Net Revenue	17	0	(280)	150	(170)	(490)	(2,340)	(1,100)	830	(790)
Ending Balance, June 30	20,462	20,462	20,182	20,332	20,162	19,672	14,332	10,232	8,062	

#### 3.3.2 Fund 12 Cash Flow

Cash flow for the Capital Fund (Fund 12), is summarized in the table below. Note that during FY25-FY27 the fund balance becomes negative. It is recommended that the District monitor its projected capital expenditure plan so that additional funds can be made available from rates, loans or some other source.

All Values in \$thousands Item	Budget FY19	Five-Year Rate Plan					Projected			Total FY20-FY24
		FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	
Beginning Balance, July 1	\$19,867	\$21,155	\$23,182	\$19,118	\$16,119	\$9,975	\$3,584	-\$41	-\$3,860	
<b>Expenditures</b>										
Capital Projects	2,557	4,938	24,119	22,803	8,875	9,174	9,459	9,754	11,585	\$69,908
SRF Loan Disbursement	0	-3,034	-16,290	-16,290	0	0	0	0	0	-35,613
SRF New Debt Service	0	61	386	712	1,590	1,590	1,590	1,590	1,590	4,340
Current Debt Service	426	425	426	424	424	424	424	424	0	2,124
<b>Total Expenditures</b>	<b>2,983</b>	<b>2,389</b>	<b>8,642</b>	<b>7,650</b>	<b>10,889</b>	<b>11,187</b>	<b>11,474</b>	<b>11,768</b>	<b>13,175</b>	<b>40,758</b>
<b>Revenues</b>										
Annual Transfer from Fund 11	3,973	4,099	4,230	4,364	4,503	4,647	4,795	4,949	5,107	21,843
Variable Transfer from Fund 11	0	0	0	0	0	0	3,000	3,000	3,000	0
Interest	298	317	348	287	242	150	54	-1	-58	1,343
<b>Total Revenues</b>	<b>4,271</b>	<b>4,416</b>	<b>4,578</b>	<b>4,651</b>	<b>4,745</b>	<b>4,797</b>	<b>7,849</b>	<b>7,948</b>	<b>8,049</b>	<b>23,186</b>
Net Revenue	1,288	2,027	(4,065)	(2,999)	(6,144)	(6,391)	(3,625)	(3,820)	(5,126)	
Ending Balance, June 30	21,155	23,182	19,118	16,119	9,975	3,584	-41	-3,860	-8,987	



### 3.3.3 Fund 13 Cash Flow

Cash flow for the Capital Fund (Fund 13), is summarized in the table below.

Table 3-4. Fund 13 Cash Flow FY 2019 – FY 2027										
All Values in \$thousands Item	Budget FY19	Five-Year Rate Plan					Projected			Total FY20-FY24
		FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	
Beginning Balance, July 1	\$4,305	\$5,054	\$5,970	\$6,951	\$7,781	\$8,088	\$8,449	\$8,855	\$9,308	
<b>Expenditures</b>										
Capital Projects	211	2,023	10,860	10,860	0	0	0	0	2,290	\$23,742
SRF Loan Disbursement	0	-2,023	-10,860	-10,860	0	0	0	0	0	-23,742
SRF New Debt Service	0	40	258	475	1,060	1,060	1,060	1,060	1,060	2,893
Current Debt Service	0	0	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	211	40	258	475	1,060	1,060	1,060	1,060	3,350	2,893
<b>Revenues</b>										
Interest	65	76	90	104	117	121	127	133	140	508
Capacity Charges	896	880	1,150	1,200	1,250	1,300	1,340	1,380	1,423	5,780
<b>Total Revenues</b>	960	956	1,240	1,304	1,367	1,421	1,467	1,513	1,562	6,288
Net Revenue	749	915	982	829	307	361	407	453	(1,788)	
Ending Balance, June 30	5,054	5,970	6,951	7,781	8,088	8,449	8,855	9,308	7,520	

### 3.3.4 Cash Flow and Coverage Ratio – All Funds

Cash flow and coverage ratio for the current fiscal year (2018-19) and the next five fiscal years is summarized in the figure below. Detailed debt service coverage calculations are included in Appendix A, Table A-5. Note that the Fund 12 balance is projected to be depleted during FY25.

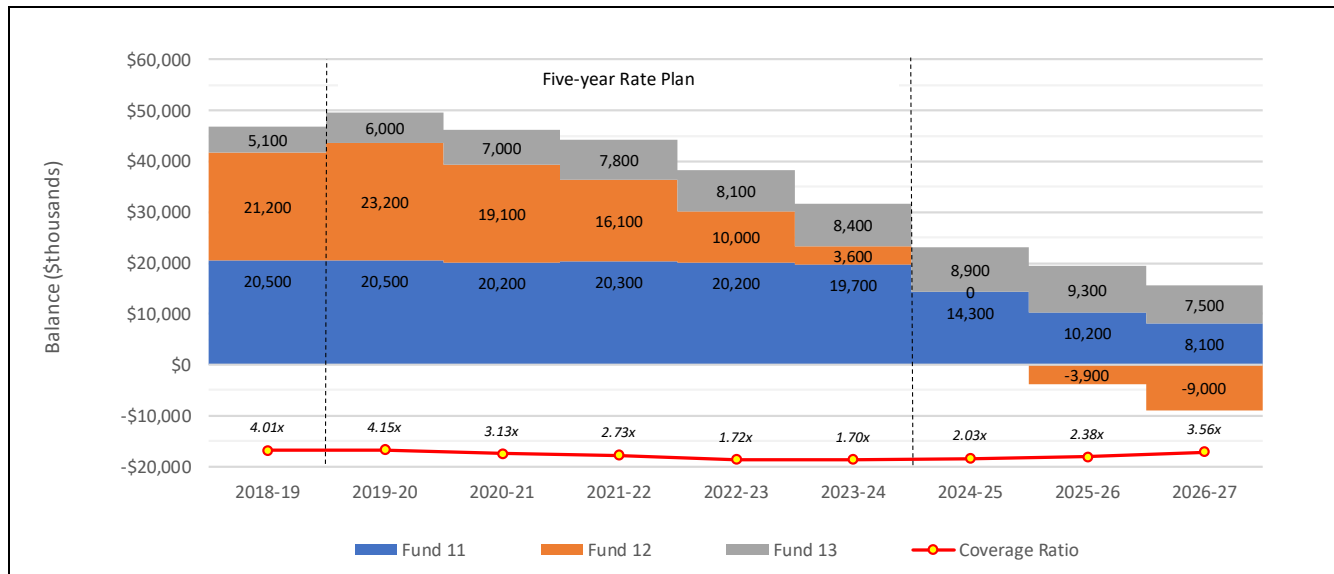


Figure 3-1. Fund Cash Flow and Coverage Ratio, FY 2019 – FY 2027

## Section 4

# Sewer Service Charges

Sewer Service Charges are developed based on the projected number of Equivalent Residential Dwelling Units and the revenue required from the charges.

### 4.1 Development of Sewer Service Charges

The annual amount of revenue required from sewer service charges, number of equivalent dwelling units and the calculation of the sewer service charge per Equivalent Dwelling Unit are shown in the table below for FY19 – FY27.

Table 4-1. Current, Recommended and Projected Sewer Service Charges										
All Cash in \$thousands Item	Current FY19	Five-Year Rate Plan					Projected			Total FY20-FY24
		FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	
Revenue Required										
Fund 11 O & M	7,024	7,253	7,489	7,734	7,986	8,248	8,518	8,797	9,086	38,710
Fund 11 Capital	400	412	424	437	450	464	478	492	507	2,187
Debt Service	499	1,017	1,019	1,016	1,016	1,015	1,016	1,016	553	5,084
Capital reserve fund	3,973	4,099	4,230	4,364	4,503	4,647	4,795	4,949	5,107	21,843
<i>Less other taxes, interest &amp; non-operating income</i>	<i>(885)</i>	<i>(1,090)</i>	<i>(1,106)</i>	<i>(1,118)</i>	<i>(1,137)</i>	<i>(1,151)</i>	<i>(1,161)</i>	<i>(1,098)</i>	<i>(1,055)</i>	<i>(5,603)</i>
Add/Use Fund Balance	0	0	-280	150	-170	-490	660	1,900	3,830	-790
Total Revenue Required	11,011	11,691	11,776	12,583	12,648	12,733	14,306	16,056	18,028	61,431
Dollar increase		680	85	808	65	85	1,573	1,750	1,972	
Percent increase		6%	1%	7%	1%	1%	12%	12%	12%	
Equivalent Dwelling Units										
Tax Rolls	32,842	32,842	33,087	33,332	33,577	33,822	34,067	34,312	34,557	
<i>annual growth &gt;</i>		245	245	245	245	245	245	245	245	
Direct Billing	2,318	2,318	2,323	2,328	2,333	2,338	2,343	2,348	2,353	
<i>annual growth &gt;</i>		5	5	5	5	5	5	5	5	
Total EDUs	35,160	35,410	35,660	35,910	36,160	36,410	36,660	36,910	37,160	
Unit increase		250	250	250	250	250	250	250	250	
Percent increase		1%	1%	1%	1%	1%	1%	1%	1%	
EDU Fee										
Revenue Required (\$thousands)	11,011	11,691	11,776	12,583	12,648	12,733	14,306	16,056	18,028	
EDUs	35,160	35,410	35,660	35,910	36,160	36,410	36,660	36,910	37,160	
EDU Fee (round to \$5)	\$313.00	\$330.00	\$330.00	\$350.00	\$350.00	\$350.00	\$390.00	\$435.00	\$485.00	
Fee increase		\$17.00	\$0.00	\$20.00	\$0.00	\$0.00	\$40.00	\$45.00	\$50.00	
Percent increase		5.4%	0.0%	6.1%	0.0%	0.0%	11.4%	11.5%	11.5%	

The figure below shows historical annual Residential Sewer Service Charges from FY02 through FY19 (18 years), recommended annual Sewer Service Charges for FY20 through FY24 (five years) and projected annual Sewer Service Charges for FY25 through FY27 (three years). The annual average percent increase over FY02-FY24 (23 years) is approximately 5.1 percent.

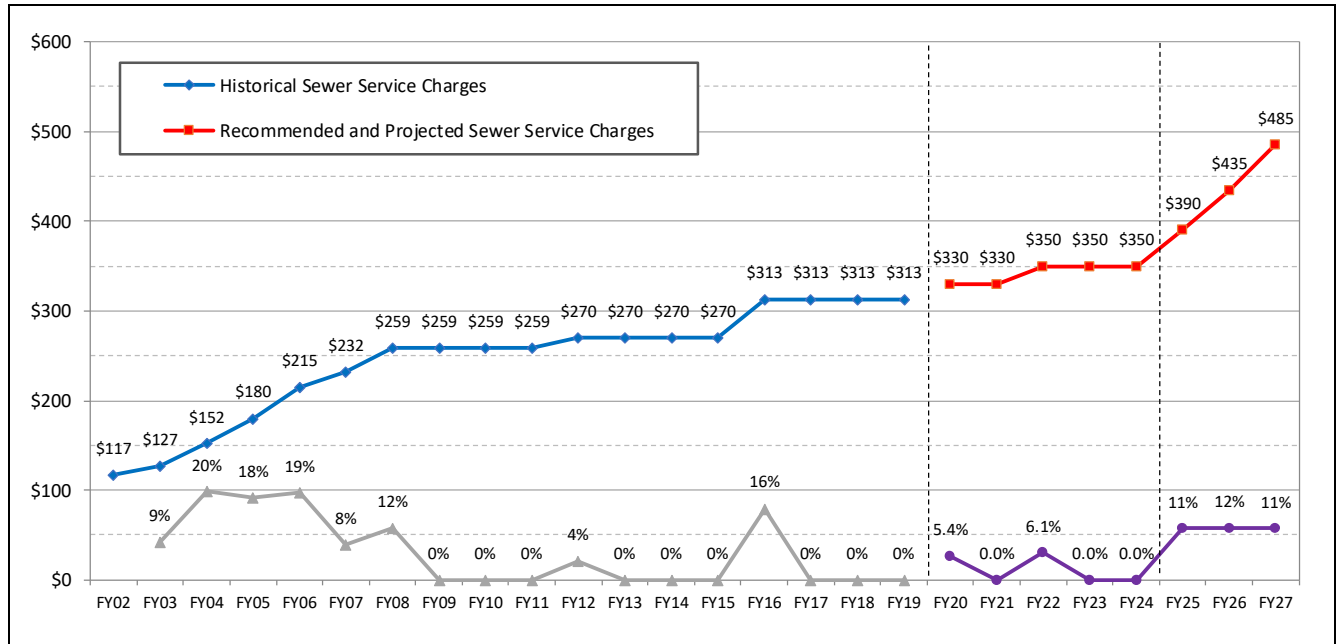


Figure 4-1. Historical, Recommended and Projected Residential Annual Sewer Service Charges

## 4.2 Residential Sewer Service Charge Survey

The District’s current (FY 2018-19) and recommended (FY 2019-20) Sewer Service Charges were compared to the sewer service charges for other nearby agencies. The comparison is for single family dwelling units. Results of the survey are shown in Table 4-2.

Mission Springs Water District	\$602	
City of Coachella	\$552	
California Statewide Average (FY 2016-17)	\$529	
City of Beaumont	\$489	
Cathedral City (Desert Water Agency)	\$345	
<b>Valley Sanitary District (recommended)</b>	<b>\$330</b>	
Coachella Valley Water District	\$324	
<b>Valley Sanitary District (current)</b>	<b>\$313</b>	
City of Palm Springs	\$288	increases to \$420 by 2031
City of Banning	\$235	



## Section 5

# Limitations

This document was prepared solely for the Valley Sanitary District in accordance with professional standards at the time the services were performed and in accordance with the contract between Valley Sanitary District and Municipal Financial Services. This document is governed by the specific scope of work authorized by Valley Sanitary District; it is not intended to be relied upon by any other party. We have relied on information or instructions provided by Valley Sanitary District and, unless otherwise expressly indicated, have made no independent investigation as to the validity, completeness, or accuracy of such information.

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## Appendix A: Sewer Service Charges Development Tables

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Table A-1

Current Debt Service Schedules

**Wastewater Revenue Refunding Bonds, Series 2015**

Period Ending	12/1/2015	6/1/2016	12/1/2016	6/1/2017	12/1/2017	6/1/2018	12/1/2018	6/1/2019	12/1/2019	6/1/2020	12/1/2020	6/1/2021	12/1/2021	6/1/2022	12/1/2022	6/1/2023	12/1/2023	6/1/2024	12/1/2024	6/1/2025	12/1/2025	6/1/2026
Principal	550,000	550,000	565,000	565,000	590,000	590,000	620,000	620,000	620,000	650,000	685,000	685,000	715,000	715,000	750,000	750,000	765,000	805,000	805,000	805,000	845,000	845,000
Interest	160,934	177,719	163,969	163,969	149,844	149,844	135,094	135,094	135,094	119,594	103,344	103,344	86,219	86,219	68,344	60,375	60,375	41,250	41,250	41,250	21,125	21,125
Debt Service	160,934	727,719	163,969	728,969	149,844	739,844	135,094	755,094	119,594	769,594	788,344	788,344	86,219	801,219	68,344	818,344	825,375	41,250	846,250	41,250	21,125	866,125
Fiscal Year	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26											
Principal	550,000	565,000	590,000	620,000	650,000	685,000	715,000	750,000	765,000	805,000	845,000											
Interest	338,653	327,938	299,688	270,188	239,188	206,688	172,438	136,688	120,750	82,500	42,250											
Total	888,653	892,938	889,688	890,188	889,188	891,688	887,438	886,688	885,750	887,500	887,250											
% alloc																						
Fund 11-52.174%	463,646	465,881	464,186	464,446	463,925	465,229	463,012	462,620	462,131	463,044	462,914											
Fund 12-47.826%	425,007	427,056	425,502	425,741	425,263	426,458	424,426	424,067	423,619	424,456	424,336											
Total	888,653	892,938	889,688	890,188	889,188	891,688	887,438	886,688	885,750	887,500	887,250											

**Clean Water State Revolving Fund - Project No. C-06-8116-110, Agreement No. D1601003-550-C**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
12,746,147 < Disbursement																						
174,008 < Construction Period Interest																						
12,920,155 < Construction Period Interest																						
1.7% < Interest Rate																						
30 < Term																						
payment period >																						
FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40	
Principal	333,718	339,391	345,161	351,029	356,996	363,065	369,237	375,514	381,898	388,390	394,993	401,708	408,537	415,482	422,545	429,728	437,034	444,463	452,019	459,704	467,518	475,466
Interest	219,643	213,969	208,200	202,332	196,365	190,296	184,124	177,846	171,463	164,970	158,368	151,653	144,824	137,879	130,816	123,632	116,327	108,897	101,342	93,657	85,842	77,894
Total	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361
% alloc																						
Fund 11-100%	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361
Fund 12-0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361	553,361



Table A-2  
Projected Debt Service Schedule

	CIP Escalated	Issuance Amount	Interest Rate	Number of Years	Annual Payments	Payments											Debt Reserve Interest Rate
						FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	
<b>SRF Loan (\$ Thousands)</b>																	
State Maximum Loan	\$59,356																
Adjustments	\$0																
Projected Funding Parameters	\$59,356	\$59,356	2.000%	30	\$2,650	1.00%											
Cash Flow (\$ Thousands)		FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	
Capital Costs			\$5,057	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149
Percent Funded by SRF			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Dollars Funded by SRF			\$5,057	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149
Annual Disbursement			\$5,057	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149	\$27,149
Cumulative Disbursement			\$5,057	\$32,206	\$59,356	\$86,505	\$113,654	\$140,803	\$167,952	\$195,101	\$222,250	\$249,399	\$276,548	\$303,697	\$330,846	\$357,995	\$385,144
Interest rate			2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%	2.000%
Interest Only Payments			\$101	\$644	\$1,187	\$1,731	\$2,275	\$2,819	\$3,363	\$3,907	\$4,451	\$4,995	\$5,539	\$6,083	\$6,627	\$7,171	\$7,715
Principal & Interest Payment Year Number				1	2	3	4	5	6	7	8	9	10	11	12	13	14
Principal & Interest Payments				\$2,650	\$2,650	\$2,650	\$2,650	\$2,650	\$2,650	\$2,650	\$2,650	\$2,650	\$2,650	\$2,650	\$2,650	\$2,650	\$2,650
Debt reserve contribution																	
Annual Accumulation %				0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Annual Accumulation \$				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Accumulation \$				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt reserve interest rate				1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Debt reserve interest earnings				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Summary (\$59,356)				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Only Payments				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Payment				\$1,463	\$1,492	\$1,522	\$1,553	\$1,584	\$1,615	\$1,648	\$1,681	\$1,714	\$1,749	\$1,784	\$1,819	\$1,854	\$1,889
Principal Portion Outstanding				\$57,893	\$56,400	\$54,878	\$53,325	\$51,742	\$50,126	\$48,478	\$46,798	\$45,084	\$43,335	\$41,551	\$39,735	\$37,886	\$36,002
Principal & Interest Payments			\$101	\$644	\$1,187	\$1,731	\$2,275	\$2,819	\$3,363	\$3,907	\$4,451	\$4,995	\$5,539	\$6,083	\$6,627	\$7,171	\$7,715
Reserve Fund Accumulation				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Reserve Fund Interest Earnings				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Reserve Fund Accumulation				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SRF Loan Totals			\$101	\$644	\$1,187	\$1,731	\$2,275	\$2,819	\$3,363	\$3,907	\$4,451	\$4,995	\$5,539	\$6,083	\$6,627	\$7,171	\$7,715

Table A-2  
Projected Debt Service Schedule

	CIP Escalated	Issuance Amount	Interest Rate	Number of Years	Annual Payments	Payments			Debt Reserve							
						FY22	FY23	FY24	Cumulative Annual	Interest Rate						
<b>SRF Loan (\$ Thousands)</b>																
State Maximum Loan	\$33,086															
Adjustments	\$0															
Projected Funding Parameters	\$33,086	\$33,086	2.000%	30	\$1,477					1.00%						
Cash Flow (\$ Thousands)		FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Capital Costs										\$3,817	\$14,418	\$14,851	\$1,477	\$1,477	\$1,477	\$1,477
Percent Funded by SRF										100%	100%	100%				
Dollars Funded by SRF										\$3,817	\$14,418	\$14,851				
Annual Disbursement										\$3,817	\$14,418	\$14,851				
Cumulative Disbursement										\$3,817	\$18,235	\$33,086				
Interest rate										2.000%	2.000%					
Interest Only Payments										\$76	\$365	\$662				
Principal & Interest Payment Year Number													1	2	3	4
Principal & Interest Payments													\$1,477	\$1,477	\$1,477	\$1,477
Debt reserve contribution																
Annual Accumulation %													0%	0%	0%	0%
Annual Accumulation \$													\$0	\$0	\$0	\$0
Cumulative Accumulation \$													\$0	\$0	\$0	\$0
Debt reserve interest rate													1.00%	1.00%	1.00%	1.00%
Debt reserve interest earnings Summary (\$33,086)													\$0	\$0	\$0	\$0
Interest Only Payments													\$0	\$0	\$0	\$0
Principal Payment													\$816	\$832	\$849	\$865
Principal Portion Outstanding													\$32,271	\$31,439	\$30,590	\$29,725
Principal & Interest Payments													\$1,477	\$1,477	\$1,477	\$1,477
Reserve Fund Accumulation													\$0	\$0	\$0	\$0
Less: Reserve Fund Interest Earnings													\$0	\$0	\$0	\$0
Less: Reserve Fund Accumulation													\$0	\$0	\$0	\$0
SRF Loan Totals													\$1,477	\$1,477	\$1,477	\$1,477

Table A-3  
Fund 11 O&M Expenditures

All Expenditures, \$thousands Expenditure Category	Adoptec Prelim		Projected														
	Budget FY19	Budget FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
<b>Engineering &amp; Maintenance</b>																	
Salaries & Benefits	1,782	1,836	1,891	1,948	2,006	2,066	2,128	2,192	2,258	3%	3%	3%	3%	3%	3%	3%	3%
Services & Supplies [1]	886	912	939	967	996	1,026	1,057	1,089	1,122	3%	3%	3%	3%	3%	3%	3%	3%
Chemicals & Electricity	4	4	4	4	4	4	4	4	4	3%	3%	3%	3%	3%	3%	3%	3%
Depreciation	605	623	642	661	681	701	722	744	766	3%	3%	3%	3%	3%	3%	3%	3%
Total Collection	3,277	3,375	3,476	3,580	3,687	3,797	3,911	4,029	4,150								
<b>Operations</b>																	
Salaries & Benefits	1,085	1,117	1,151	1,186	1,222	1,259	1,297	1,336	1,376	3%	3%	3%	3%	3%	3%	3%	3%
Services & Supplies [1]	587	605	623	642	661	681	701	722	744	3%	3%	3%	3%	3%	3%	3%	3%
Chemicals & Electricity	871	915	961	1,009	1,059	1,112	1,168	1,226	1,287	5%	5%	5%	5%	5%	5%	5%	5%
Depreciation	1,900	1,957	2,016	2,076	2,138	2,202	2,268	2,336	2,406	3%	3%	3%	3%	3%	3%	3%	3%
Total Operations	4,443	4,594	4,751	4,913	5,080	5,254	5,434	5,620	5,813								
<b>Administration/Board</b>																	
Salaries & Benefits	755	778	801	825	850	876	902	929	957	3%	3%	3%	3%	3%	3%	3%	3%
Services & Supplies [1]	1,054	1,086	1,119	1,153	1,188	1,224	1,261	1,299	1,338	3%	3%	3%	3%	3%	3%	3%	3%
Chemicals & Electricity	0	0	0	0	0	0	0	0	0	3%	3%	3%	3%	3%	3%	3%	3%
Depreciation	3	3	3	3	3	3	3	3	3	3%	3%	3%	3%	3%	3%	3%	3%
Total Administration	1,812	1,867	1,923	1,981	2,041	2,103	2,166	2,231	2,298								
<b>Combined</b>																	
Salaries & Benefits	3,622	3,731	3,843	3,959	4,078	4,201	4,327	4,457	4,591	3%	3%	3%	3%	3%	9%	3%	3%
Services & Supplies [1]	2,527	2,603	2,681	2,762	2,845	2,931	3,019	3,110	3,204	3%	3%	3%	3%	3%	9%	3%	3%
Chemicals & Electricity	875	919	965	1,013	1,063	1,116	1,172	1,230	1,291	5%	5%	5%	5%	5%	16%	5%	5%
Depreciation	2,508	2,583	2,661	2,740	2,822	2,906	2,993	3,083	3,175	3%	3%	3%	3%	3%	9%	3%	3%
Total Combined	9,532	9,836	10,150	10,474	10,808	11,154	11,511	11,880	12,261								
<b>Reserve [2]</b>	3,973	4,099	4,230	4,364	4,503	4,647	4,795	4,949	5,107								
<b>Totals</b>	13,505	13,935	14,380	14,838	15,311	15,801	16,306	16,829	17,368								
Annual Dollar Change		430	445	458	473	490	505	523	539								
Annual Percent Change		3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%								

Notes:

- The District's budget includes Chemicals and Electricity in the Services & Supplies category  
Expenditure projections in this model list Chemicals and Electricity in a separate category  
Depreciation is excluded
- The reserve amount is calculated as shown below:

<u>Expense Category</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>								
O&M	9,532	9,836	10,150	10,474	10,808	11,154	11,511	11,880	12,261								
<b>Fund 11 Capital</b>																	
E&M - Facilities	340	350	361	372	383	394	406	418	431	3%	3%	3%	3%	3%	3%	3%	3%
Operations	0	0	0	0	0	0	0	0	0	3%	3%	3%	3%	3%	3%	3%	3%
General Facilities	0	0	0	0	0	0	0	0	0	3%	3%	3%	3%	3%	3%	3%	3%
Admin	<u>60</u>	<u>62</u>	<u>64</u>	<u>66</u>	<u>68</u>	<u>70</u>	<u>72</u>	<u>74</u>	<u>76</u>	3%	3%	3%	3%	3%	3%	3%	3%
Total Fund 11 Capital	400	412	424	437	450	464	478	492	507								
Total Expense Base	9,932	10,248	10,574	10,911	11,258	11,618	11,989	12,372	12,768								
% of Base to Reserve	40%	40%	40%	40%	40%	40%	40%	40%	40%								
Reserve Contribution	3,973	4,099	4,230	4,364	4,503	4,647	4,795	4,949	5,107								

Sources:

Adopted Budget: Operation and Maintenance Budget and Capital Improvement Program, Fiscal Year 2018/2019  
Preliminary Budget: Draft Operation and Maintenance Budget and Capital Improvement Program, Fiscal Year 2019/2020

Table A-4  
Fund 11 Revenue Projections

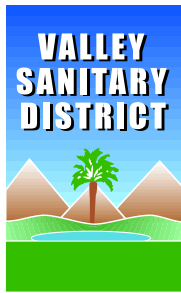
All Revenues, \$thousands Expenditure Category	Adoptec Prelim		Projected														
	Budget FY19	Budget FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
<b>Operating Revenues</b>																	
Sewer Service	11,005	11,691	11,776	12,583	12,648	12,733	14,306	16,056	18,028			varies					
Penalties	1	1	1	1	1	1	1	1	1	2%	2%	2%	2%	2%	2%	2%	2%
Permit/Inspection Fees	10	10	10	11	11	11	11	11	12	2%	2%	2%	2%	2%	2%	2%	2%
Plan Check Fees	10	10	10	11	11	11	11	11	12	2%	2%	2%	2%	2%	2%	2%	2%
Other Services	2	2	2	2	2	2	2	2	2	2%	2%	2%	2%	2%	2%	2%	2%
<b>Total Operating</b>	<b>11,028</b>	<b>11,714</b>	<b>11,799</b>	<b>12,607</b>	<b>12,673</b>	<b>12,758</b>	<b>14,331</b>	<b>16,081</b>	<b>18,054</b>								
<b>Nonoperating Revenues</b>																	
Interest revenue	140	143	146	149	152	155	158	161	164	2%	2%	2%	2%	2%	2%	2%	2%
Taxes-current secured	700	714	728	743	758	773	789	804	820	2%	2%	2%	2%	2%	2%	2%	2%
Taxes-current unsecured	21	22	22	23	24	24	25	26	27	3%	3%	3%	3%	3%	3%	3%	3%
Taxes-prior secured	6.0	6.1	6.2	6.3	6.4	6.5	6.6	6.7	6.8	2%	2%	2%	2%	2%	2%	2%	2%
Taxes-prior unsecured	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0								
Taxes-penalties	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5								
Taxes-supplemental current	7.0	7.2	7.4	7.6	7.8	8.0	8.2	8.4	8.7	3%	3%	3%	3%	3%	3%	3%	3%
Taxes-supplemental prior	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	4.0	2%	2%	2%	2%	2%	2%	2%	2%
Homeowner's Tax Relief	6.0	6.1	6.2	6.3	6.4	6.5	6.6	6.7	6.8	2%	2%	2%	2%	2%	2%	2%	2%
Non-operating income	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2%	2%	2%	2%	2%	2%	2%	2%
<b>Total Nonoperating</b>	<b>885</b>	<b>903</b>	<b>921</b>	<b>940</b>	<b>959</b>	<b>979</b>	<b>998</b>	<b>1,019</b>	<b>1,039</b>								
<b>Totals</b>	<b>11,913</b>	<b>12,617</b>	<b>12,721</b>	<b>13,547</b>	<b>13,632</b>	<b>13,736</b>	<b>15,330</b>	<b>17,100</b>	<b>19,094</b>	<b>6%</b>	<b>1%</b>	<b>6%</b>	<b>1%</b>	<b>1%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>
Annual Dollar Change		704	104	827	84	105	1,593	1,770	1,994								
Annual Percent Change		5.9%	0.8%	6.5%	0.6%	0.8%	11.6%	11.5%	11.7%								

Sources:

Adopted Budget: Operation and Maintenance Budget and Capital Improvement Program, Fiscal Year 2018/2019  
Preliminary Budget: Draft Operation and Maintenance Budget and Capital Improvement Program, Fiscal Year 2019/2020

Table A-5  
Debt Service Coverage

All Dollars in \$thousands Item	Budget	Projected							
	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
<b>Income</b>									
Sewer Service	11,005	11,691	11,776	12,583	12,648	12,733	14,306	16,056	18,028
Other Operating	23	23	24	24	24	25	25	26	26
Nonoperating	745	760	776	792	808	824	841	858	875
Interest	140	307	307	303	305	302	295	215	153
Connection Fees	896	880	1,150	1,200	1,250	1,300	1,340	1,380	1,423
Total Income	12,809	13,661	14,032	14,901	15,035	15,184	16,807	18,534	20,506
<i>Operating Expenses</i>	<i>7,024</i>	<i>7,253</i>	<i>7,489</i>	<i>7,734</i>	<i>7,986</i>	<i>8,248</i>	<i>8,518</i>	<i>8,797</i>	<i>9,086</i>
Net Income	5,784	6,408	6,543	7,167	7,049	6,936	8,289	9,737	11,420
<b>Debt Service Principal &amp; Interest</b>									
Wastewater Revenue Refunding Bonds, Series 2015	890	889	892	887	887	886	888	887	0
Clean Water State Revolving Fund Project No. C-06-8116-110	553	553	553	553	553	553	553	553	553
2023 SRF Low Interest Loan	0	101	644	1,187	2,650	2,650	2,650	2,650	2,650
Total	1,444	1,544	2,089	2,628	4,090	4,089	4,091	4,091	3,204
Coverage Ratio	4.01x	4.15x	3.13x	2.73x	1.72x	1.70x	2.03x	2.38x	3.56x
Amount Over / (Under) 1.5x Coverage									



**Valley Sanitary District  
Board of Directors Meeting  
March 4, 2020**

TO: Board of Directors

THROUGH: Beverli A. Marshall, General Manager

FROM: Joanne Padgham, Administration & Finance Manager

SUBJECT: **Pollution Liability Coverage – Desert Cornerstone Insurance Service, Inc.**

<input checked="" type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input checked="" type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

**Executive Summary**

The purpose of this report is for the Board to review and approve the Environmental Pollution Liability coverage for the annual fee of \$13,143.

**Fiscal Impact**

The expenditure is in the approved FY 2019/2020 budget.

The 12-month coverage period is from March 1, 2020 – March 1, 2021.

**Background**

Hugh Curtis from Desert Cornerstone Insurance Service, Inc. introduced the Pollution Liability coverage at the April 9, 2019 meeting and the Board approved the coverage for the 2018/2019 fiscal year.

Paul Fuller, the expert on this coverage, will give a presentation to the Board about this coverage and answer any questions the Board may have at the April 14, 2020 regular board meeting.

**Recommendation**

To approve the payment of \$13,143 to Desert Cornerstone Insurance Service, Inc.

**Attachments**

Attachment A: Environmental Pollution Proposal

**ENVIRONMENTAL POLLUTION PROPOSAL  
ONSITE & OFFSITE ACTIVITIES  
TAILORED FOR WATER-RELATED ENTITIES**



Offered by: CalMutuals JPRIMA  
Fully Reinsured by Navigators Specialty Insurance Company  
Administrator: Allied Public Risk, LLC  
dba Allied Community Insurance Services, LLC  
California License: 0L01269  
National Producer Number: 17536322  
[www.alliedpublicrisk.com](http://www.alliedpublicrisk.com)  
[www.waterinsuranceauthority.com](http://www.waterinsuranceauthority.com)



**ENVIRONMENTAL POLLUTION PROPOSAL  
ONSITE & OFFSITE ACTIVITIES  
TAILORED FOR WATER-RELATED ENTITIES**

Offered by: CalMutuals JPRIMA  
Fully Reinsured by Navigators Specialty Insurance Company

<b>PROPOSAL TERMS</b>	
<b>MEMBER</b>	Valley Sanitary District
<b>COVERAGE</b>	Environmental Pollution Product Onsite & Offsite Activities Tailored for Water-Related Entities
<b>MASTER ANNIVERSARY DATE</b>	March 1, 2020 – March 1, 2021 12 Month Coverage Period Pro-Rated for Members Enrolling Mid-Term
<b>EFFECTIVE DATE</b>	03/01/2020
<b>ISSUER</b>	CalMutuals Joint Powers Risk & Insurance Management Authority No Joint & Several Liability / No Assessments / No Financial Liability
<b>REINSURER</b>	Navigators Specialty Insurance Company AM Best Financial Rating: Excellent 100% Reinsured
<b>FORM</b>	Claims Made
<b>LIMIT</b>	\$1,000,000
<b>SUBLIMITS</b>	\$50,000 Fungus-Legionella \$250,000 Environmental Crisis Management \$50,000 Green Standards
<b>DEDUCTIBLE</b>	\$10,000
<b>RETROACTIVE DATE</b>	07/01/2019
<b>SCHEDULE OF INSURED SITES</b>	All locations disclosed on application unless otherwise excluded All infrastructure piping; water or sewer pump stations; sewer lift stations or potable water tank locations
<b>CONTRACTUAL LIABILITY</b>	Blanket scheduling of any written agreement or contract associated with an easement and/or right-of-way or lease agreement regarding an insured site
<b>PREMIUM</b>	\$11,949
<b>ADMINISTRATIVE DUES*</b>	\$1,194
<b>TOTAL AMOUNT DUE**</b>	<b>\$13,143*</b>
<small>*Administrative Dues comprises the cost to operate JPRIMA. **100% minimum earned and due upon binding. There is no return of premium or dues upon binding.</small>	
<b>SUBJECTIVITIES</b>	See Navigators quote for details

**NOTES:** A specimen Memorandum of Coverage (MOC) is available for your review, as is the JPRIMA Member Agreement. Enrollment in the JPRIMA requires execution of the JPRIMA Member Agreement as well as membership in the California Association of Mutual Water Companies (CalMutuals).





**ENVIRONMENTAL POLLUTION PROPOSAL  
ONSITE & OFFSITE ACTIVITIES  
TAILORED FOR WATER-RELATED ENTITIES**

Offered by: CalMutuals JPRIMA  
Fully Reinsured by Navigators Specialty Insurance Company

**PROPOSAL HIGHLIGHTS**

**Coverage Summary:**

- ▶ Comprehensive solution for insuring the environmental pollution exposures of water-related entities.
- ▶ Policy form provides a combination of a first party *discovery* coverage trigger for cleanup costs along with a third-party *demand* trigger for claims alleging bodily injury, property damage, cleanup costs, and natural resources damage arising from new pollution incidents on a claims-made form that wraps around general liability and property policies.
- ▶ Pollution incident definition encompasses the discharge, dispersal, release, seepage, or escape of *any* solid, liquid, gaseous or thermal irritant or contaminant, including but not limited to, smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, hazardous substances, petroleum hydrocarbons, low level radioactive materials, medical waste, and waste materials. Definition also includes a sublimit for fungus and legionella.
- ▶ Broad policy form triggers comprising sudden & accidental, gradual, and/or time release of pollution incidents.
- ▶ Coverage extensions includes:
  - non-criminal civil fines & penalties;
  - natural resources damage;
  - third-party bodily injury including medical monitoring costs;
  - midnight dumping;
  - unintended lead-based paint & asbestos containing materials disturbance;
  - pollution incidents from cargo during transportation & hauling;
  - contracting pollution liability;
  - emergency cleanup costs;
  - waste disposal sites;
  - suits brought against an insured arising out of CERCLA liability;
  - underground storage tanks and piping apparatus for your products, byproducts, chemicals, treatment processes, and any other *non-petroleum*-based products;
  - blanket additional insured and waiver of subrogation; and
  - cleanup costs definition includes advice by environmental professionals absent applicable environmental laws.
- ▶ 24/7 emergency spill response support hotline encompassing guidance and advice as well as response oversight.
- ▶ 90-day automatic extended reporting period (ERP) & available 36-month supplemental ERP.
- ▶ No policy scheduling of contracting operations, transportation activities, or waste disposal facilities.
- ▶ Expanded definition of insured site to include all piping infrastructure as well as all physical property locations referenced on the application.
- ▶ Non-auditable premium.

**Form:**

- ▶ Coverage A: Pollution Liability for Your Insured Site(s)
- ▶ Coverage B: Pollution Liability for Your Off-site Activities
- ▶ Defense Costs Inside the Limit (after Supplemental Claim Expense Limit is exhausted)
- ▶ Supplemental Claim Expense Limit: \$250,000

**Limits / Sublimits:**

- ▶ \$1 Million Per Occurrence Limit
- ▶ \$1 Million Policy Aggregate Limit
- ▶ \$250,000 Crisis Management Event Sublimit
- ▶ \$50,000 Green Standards Sublimit
- ▶ \$50,000 Fungus/Legionella Sublimit



**ENVIRONMENTAL POLLUTION PROPOSAL  
ONSITE & OFFSITE ACTIVITIES  
TAILORED FOR WATER-RELATED ENTITIES**

Offered by: CalMutuals JPRIMA  
Fully Reinsured by Navigators Specialty Insurance Company

**POLICY DETAILS**

**COVERAGE A: POLLUTION LIABILITY FOR YOUR INSURED SITE(S)**

**1. Cleanup Costs from the Discovery of a Pollution Incident**

We will pay on behalf of the insured cleanup costs resulting from a pollution incident located:

- a. at, on or under an insured site; or
- b. beyond the legal boundaries of an insured site if the pollution incident emanated from an insured site, provided you discover the pollution incident during the policy period, and report the pollution incident to us in writing as soon as practicable following discovery, and, in any event, during the policy period; and
- c. that commences on or after the Coverage A Retroactive Date, provided you discover the pollution incident during the policy period, and report the pollution incident to us in writing as soon as practicable following discovery, and, in any event, during the policy period. The knowledge of a sudden pollution incident by a responsible insured constitutes discovery on your part.

**2. Third-Party Claims for Bodily Injury, Property Damage or Cleanup Costs**

We will pay on behalf of the insured those sums that the insured becomes legally obligated to pay as loss resulting from any claim(s) for bodily injury, property damage or cleanup costs caused by a pollution incident located at, on or under an insured site, or located beyond the boundaries of an insured site if the pollution incident migrated from an insured site, provided the pollution incident commences on or after the Coverage A Retroactive Date and provided such claims are first made against the insured and reported to us during the policy period, or, if applicable, during the extended reporting period.

**COVERAGE B: POLLUTION LIABILITY FOR YOUR OFF-SITE ACTIVITIES**

**1. Third Party Claims for Bodily Injury, Property Damage or Cleanup Costs**

We will pay on behalf of the insured those sums that the insured becomes legally obligated to pay as loss resulting from any claim(s) for bodily injury, property damage or cleanup costs caused by a pollution incident:

- a. resulting from the activities of your business;
- b. emanating from a location other than your property(ies), provided such claims are first made against the insured and reported to us during the policy period, or, if applicable, during the extended reporting period; and
- c. that commences on or after the Coverage B Retroactive Date, provided such claims are first made against the insured and reported to us during the policy period, or, if applicable, during the extended reporting period.

**2. Emergency Cleanup Costs**

We will pay those sums that you first incur as emergency cleanup costs caused by a sudden pollution incident:

- a. resulting from the activities of your business; and
- b. emanating from a location other than your property(ies), provided the sudden pollution incident is discovered by you no later than fifteen (15) calendar days after it begins and is reported to us no later than thirty (30) calendar days following discovery, and in any event reported during the policy period.



**ENVIRONMENTAL POLLUTION PROPOSAL  
ONSITE & OFFSITE ACTIVITIES  
TAILORED FOR WATER-RELATED ENTITIES**

Offered by: CalMutuals JPRIMA  
Fully Reinsured by Navigators Specialty Insurance Company

**CLAIM EXAMPLES**

**The following claim examples are for illustrative purposes only. You must refer to the actual details of a particular claim and review the Memorandum of Coverage (MOC) for specificity of how coverage may or may not apply. All pollution MOCs will have a retroactive date, which limits coverage for historical releases.**

**RELEASE OF CHLORINE FROM A FAILURE IN PIPING INFRASTRUCTURE OR FROM PROCESS TANKS ON AN INSURED PROPERTY:** Residual chlorine may be toxic to freshwater habitat. As such it can qualify as a pollutant. General liability and property policies frequently exclude cleanup of pollution incidents both onsite and offsite as well as natural resources damage and civil fines and penalties. Any ancillary pollution coverage that may be afforded within a general liability or property policy is generally confined to sudden & accidental and limited time releases. The JPRIMA environmental pollution product automatically defines water piping infrastructure as an insured site. Releases from process tanks on an insured site are also contemplated in the program. Moreover, our coverage applies to gradual pollution incidents, sudden & accidental and time-limited releases and includes noncriminal civil fines & penalties and natural resources damage resulting from such claims.

**POLLUTION INCIDENTS FROM AGRICULTURAL CANALS OR BRINE LINES:** First and third-party cleanup costs and third-party bodily injury and property damage, including natural resources damage, are likely loss scenarios from a leak or overflow of an agricultural canal or brine line. These types of claims are commonly excluded in a general liability policy unless the loss involves third party property damage resulting from a sudden & accidental release. Cleanup costs and natural resources damage are also routinely excluded under a general liability policy; irrespective if the loss resulted from a sudden & accidental release. Moreover, a property policy will invariably exclude cleanup costs that occur offsite. The JPRIMA environmental pollution product underwriter can schedule agricultural canals and brine lines as an insured site by endorsement. The program coverage also applies to gradual pollution incidents as well as sudden & accidental and time-limited pollution releases. Noncriminal civil fines & penalties, natural resources damages, cleanup costs, bodily injury, and property damage resulting from such claims are contemplated within the JPRIMA environmental pollution product.

**CERCLA (SUPERFUND) IMPOSED LIABILITY FOR CLEANUP COSTS OF POTENTIALLY RESPONSIBLE PARTIES (PRP) FROM DISPOSAL OR TREATMENT OF HAZARDOUS SUBSTANCES AT A PREVIOUSLY CERTIFIED AND NOW BANKRUPT WASTE DISPOSAL FACILITY OR FROM ACTIVE WASTE DISPOSAL SITES WHICH DO NOT HAVE SUFFICIENT FINANCIAL CAPABILITIES TO ADDRESS THE CLEANUP COSTS:** This loss scenario is excluded under most general liability and property policies. The JPRIMA environmental pollution product, however, is structured to protect the insured against such a loss. CERCLA regulations state that an owner, operator, transporter, or generator of hazardous wastes is responsible for such wastes from cradle-to-grave on a joint and several basis (i.e. any one may be held liable for the entire cleanup of the waste disposal site when the harm caused by multiple parties cannot be separated) and strict basis (i.e. a PRP cannot simply say that it was not negligent or that it was operating according to industry standards. If a PRP sent some amount of the hazardous waste found at the site, then it is liable). Even paying a waste disposal facility to treat or dispose of such waste does not exempt the insured from future cleanup costs, noncriminal civil fines and penalties and natural resources damages.



**ENVIRONMENTAL POLLUTION PROPOSAL  
ON-SITE & OFF-SITE ACTIVITIES  
TAILORED FOR WATER-RELATED ENTITIES**

Offered by: CalMutuals JPRIMA  
Fully Reinsured by Navigators Specialty Insurance Company

**GRADUAL RELEASE AND SEEPAGE OF POLLUTION INCIDENTS FROM AN INSURED SITE THAT CONTAMINATES AN AQUIFER:** General liability and property policies commonly exclude first or third-party cleanup costs for any gradual escape of pollution incidents that occur on an insured site. The JPRIMA environmental pollution product protects insureds against such losses and extends coverage beyond the insured site as long as the pollution incident originated from said location. Noncriminal civil fines & penalties, natural resources damage, cleanup costs, bodily injury, and property damage resulting from such claims are contemplated within the JPRIMA environmental pollution product.

**CLEANUP COSTS AND THIRD-PARTY PROPERTY DAMAGE, INCLUDING NATURAL RESOURCES DAMAGE, INCURRED FROM A WASTEWATER RELEASE FROM SEWER MAIN BREAK OR TANK RELEASE ON AN INSURED SITE:** Sewer main breaks are contemplated under general liability policies for third party bodily injury and property damage. Most general liability policies, however, exclude cleanup costs, natural resources damage, and noncriminal civil fines & penalties associated with such a release. This scenario gets more complicated if the release goes into a storm water drain or adjacent waterway. Piping infrastructure is automatically defined as an insured site on JPRIMA's environmental pollution product. Releases from process tanks on an insured site are also contemplated in the program. Noncriminal civil fines & penalties, natural resources damage, cleanup costs, third party bodily injury, and third party property damage resulting from such claims are contemplated in the JPRIMA environmental pollution product.

**ILLEGAL DUMPING OR ABANDONMENT AT ANY INSURED SITE OF DRUM(S) OR CONTAINER(S) OF SUBSTANCES OR CHEMICALS REGULATED AS HAZARDOUS OR TOXIC UNDER FEDERAL, STATE, OR LOCAL ENVIRONMENTAL LAW, REGULATION, OR STATUTE:** Cleanup costs and removal expenses of hazardous materials are commonly excluded under general liability and property policies. Unlike most pollution incident coverage where a release of a pollution incident is required, under this coverage enhancement, the mere presence of a container or drum of abandoned waste dumped on an insured site by a non-insured is covered. The JPRIMA environmental pollution product covers the removal and cleanup costs arising from illegal dumping of hazardous materials at an insured site by a non-insured.

**INADVERTENT DISTURBANCE OF LEAD BASED PAINT OR ASBESTOS CONTAINING MATERIAL INCLUDING TRANSITE PIPING AT ANY INSURED SITE:** Cleanup costs and third-party liability arising from inadvertent disturbance of lead-based paint or asbestos containing materials, including but not limited to lined piping, gaskets, and insulation, are commonly on an insured site. This exposure is regularly excluded under general liability and property policies. The JPRIMA environmental pollution product helps protect against such inadvertent disturbances on an insured site.

**ACCIDENTAL RELEASE OF A SMALL CONTAINER OF LUBE OIL THAT OPENS INTO A WATERWAY:** This scenario is frequently excluded by general liability and property policies, as it involves natural resources damage versus third party property damage. Such assessments are levied by trustees from the United States Department of Interior. These trustees comprise representation from the Departments of Agriculture, Conservation, Defense, Energy, and Interior along with a governor-appointed trustee for state resources and a tribal trustee from each tribe impacted by the alleged pollution spill. One such pollution incident involved a seven gallon container of lube oil that was promptly cleaned-up after releasing into a waterway. A year later, an assessment for several million dollars was levied against the entity for the spill's impact on fishing and aquatic resources. California trustees are active in seeking natural resources damage assessments against responsible parties. The JPRIMA environmental pollution product includes protection against defense related costs as well as settlement of noncriminal fines assessed.



## ENVIRONMENTAL POLLUTION PROPOSAL ONSITE & OFFSITE ACTIVITIES TAILORED FOR WATER-RELATED ENTITIES

Offered by: CalMutuals JPRIMA  
Fully Reinsured by Navigators Specialty Insurance Company

### ABOUT US

#### JPRIMA:

The California Association of Mutual Water Companies (CalMutuals) Joint Powers Risk and Insurance Management Authority (JPRIMA) was established in 2015 via the passage of AB 656 by the California legislature. This legislation was initiated by CalMutuals and supported by Valley (Central) Ag Water Coalition, California Firefighters' Association, and scores of mutual water companies. It allows mutual water companies to participate alongside water-related special districts, municipalities, and other public entities in a joint powers authority for purposes of insurance and supporting services. Technical resources and augmented advisory assistance are a critical component of this legislation and our JPRIMA. As a public entity, we are committed to providing quality insurance products that blend competitive rates with meaningful, value-added services and impeccable financial security. JPRIMA provides proprietary property & liability, workers' compensation, and environmental pollution products to its members. *There is no joint and several liability, financial liability, or assessments for participating members within JPRIMA.*

#### Reinsurer:

Our reinsurance partner is Navigators Specialty Insurance Company (Navigators). *They bear 100% of the risk and oversee the underwriting and claims operations.* Navigators is a specialist in environmental underwriting and offers experienced professionals, industry-leading policy forms, augmented pollution appetite, and flexibility to meet the needs of water-related entities. With expertise in environmental law, engineering, insurance, compliance, and regulation, Navigators is uniquely positioned to assist JPRIMA members with protecting their balance sheets against environmental liabilities. Navigator's is rated 'A' (Excellent) by A.M. Best and 'A+' (Strong) by Standard & Poor's.

#### Administrator:

Allied Public Risk (APR) is a full-service Managing General Underwriter (MGU) providing a broad spectrum of products and services to CalMutuals JPRIMA. *Our tenure with public water systems goes back 25 years, the longest of any specialty public entity program manager in California.* APR manages the property & liability, workers' compensation, and environmental pollution products for CalMutuals JPRIMA. All products are backed by 100% reinsurance from risk bearers that have financial security ratings of "A" and "A+" by AM Best and Standard & Poor's. There are over 3,000 water-related entities enrolled with APR throughout the United States.

### CONTACT INFORMATION

**George Pappas**, CPCU, ARM-P  
Senior Vice President, Distribution  
Allied Public Risk  
(512) 409 – 6627  
gpappas@alliedpublicrisk.com

**Mia Garza**, CPCU  
Insurance Manager, JPRIMA  
Allied Public Risk  
(830) 837 – 4369  
mgarza@alliedpublicrisk.com

### CLAIMS REPORTING & EMERGENCY SPILL HOTLINE

#### Claims Reporting:

**Email:** newloss@navg.com with a copy to pfuller@alliedpublicrisk.com

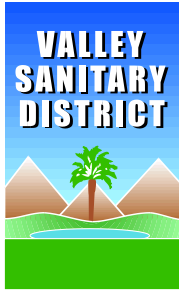
**Toll free:** (855) 444 – 4796

**Mail:** Navigators · Attn: Claims Department · 83 Wooster Heights Road · Danbury, CT 06810 · USA

Refer to the MOC for claims information details

#### Emergency Spill Hotline:

(877) NAVG – ENV or (877) 628 – 4368



Valley Sanitary District  
Board of Directors Meeting  
March 4, 2020

TO: Board of Directors  
 THROUGH: Beverli A. Marshall, General Manager  
 FROM: Ronald Buchwald, District Engineer

**SUBJECT: Award Contract – Owner’s Representative to VSD for the Influent Pump Station Rehabilitation to Stantec, Inc.**

<input checked="" type="checkbox"/> Board Action	<input type="checkbox"/> New expenditure request	<input checked="" type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input checked="" type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

**Executive Summary**

The purpose of this report is for the Board of Directors to review the contract amendment proposal.

**Fiscal Impact**

This proposal for \$15,372 will be added by amendment to the original contract. The revised total contract amount is \$402,503. This is a multi-year project.

**Background**

On December 10, 2019, the Board authorized the General Manager to enter into a contract with Stantec, Inc. (Stantec) for a not to exceed price of \$387,131 to become the Owner’s Representative of VSD to oversee the selection of the design build team and provide engineering support for the Influent Pump Station Rehabilitation Project. Stantec’s scope of work included preparing a Request for Proposal (RFP) to solicit design-build teams and provide proposals to perform the work.

Working with VSD’s legal counsel on similar projects, BB & K provided a legal template to guide special districts through the design-build process and adhere to state laws. One state law requirement of the design-build method is a two-step process for soliciting design-build teams. The first step is to qualify design-build teams through a Request for Qualifications (RFQ) document. Then, after several design-build teams have been qualified, the second step is to solicit cost proposals through the RFP process. The first step (preparing an RFQ) was not included in Stantec’s scope of work. Stantec provided this amendment proposal to include the cost of preparing the RFQ. The letter of proposal is attached for further review.

**Recommendation**

Staff recommends that the Board of Directors authorize the General Manager to execute a contract amendment to Stantec, Inc. to prepare and evaluate an RFQ as required by State law as part of the Influent Pump Station Rehabilitation Project.

**Attachments**

Attachment A: Letter of Proposal, Stantec, dated February 20, 2020

20 February 2020

Ron Buchwald, PE  
 District Engineer  
 Valley Sanitary District  
 45500 Van Buren Street  
 Indio, California, 92201

**Subject: Amendment to Task Authorization 19-03 - Influent Pump Station Rehabilitation**

Dear Mr. Buchwald,

In your February 4, 2020 email was an outstanding summary from your corporate counsel (BB&K) research regarding use of design-build for Special Districts. After consulting our corporate counsel and interpretation of the State of California statute specifically enabling Design Build procurement, the outcome was: this and other statues do not appear to support a shortened one-step procurement for the Influent Pump Station Rehabilitation project. The safest route would be to adhere to the two-step process, consisting of 1) RFQ to prequalify design build teams for a short list followed by 2) RFP to solicit proposals. This is consistent with your corporate counsel advice. Based on this we propose to add two tasks as an amendment to Task Authorization 19-03, which are:

- Task A.1.2: Preparation of RFP
- Task A.2.2: Evaluation of proposal

We believe we can limit the schedule impact to 3 months as shown in the revised project schedule attached. We estimate the addition of a full RFP and evaluation of same to the scope will require 70 additional staff hours at a cost of \$15,372. See table below for fee related to Task A.1.2 and Task A.2.2 . Detailed labor hours and fee is attached.

<b>Task No</b>	<b>Task</b>	<b>Budget Fee</b>
A.1.2	Preparation of RFP	\$10,248.00
A.2.2	Evaluation of Proposals	\$5,124.00
	<b>TOTAL FEE</b>	<b>\$15,372</b>



Reference: Amendment to Task Authorization 19-03 – Influent Pump Station Rehabilitation

## Authorization

We appreciate the opportunity to submit this proposal on behalf of the City. If you have any questions, please contact Paul Wallace at (626) 568-6076 or Venu Kolli at (626) 568-6073.

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**Paul F. Wallace, PE**  
Principal Environmental Engineer  
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Paul.Wallace@stantec.com

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**Venu Kolli, PE**  
Area Manager  
Phone: (626) 568 6073  
Venu.Kolli@stantec.com

**Reference: Amendment to Task Authorization 19-03 – Influent Pump Station Rehabilitation**

By signing this proposal, Valley Sanitary District (Client) authorizes Stantec to proceed with the services herein described and the Client acknowledges that it has read and agrees to be bound by the attached Professional Services Terms and Conditions.

This proposal is accepted and agreed on the Day day of Month, Year.

Per: Valley Sanitary District

\_\_\_\_\_  
Print Name & Title

\_\_\_\_\_  
Signature

Attachment: Project Schedule