



Scott Alvord – Roseville
Bonnie Gore – Placer County (*Vice Chair*)
Shanti Landon – Placer County
Pauline Roccucci - Roseville
James T. Williams – SPMUD (*Chair*)

MINUTES OF BOARD OF DIRECTORS' MEETING January 26, 2023

The regular meeting of the South Placer Wastewater Authority Board of Directors was called to order at 9:30 a.m. at the City of Roseville Corporation Yard, 2005 Hilltop Circle, Roseville, CA.

Directors Present:

Scott Alvord
Shanti Landon
Pauline Roccucci
James Williams

Staff Present:

Osman Mufti, JPA Counsel
Richard Plecker, Acting Executive Director
Pam Walsh, Board Secretary

Roll Call

Present: Alvord, Landon, Roccucci, Williams
Absent: Gore

Pledge of Allegiance

Director Landon led the Pledge of Allegiance.

Introductions

The following were in attendance: Joe Mandell, Jonathan Levy, Joe Speaker, Kyle Horton, Dennis Kauffman, Teri Quinlan, Bryan Buchanan, George Hanson, Jason Marks, Archana Wagley, Rana Moore, Tracie Mueller, Trent Johnson, and Jeremy Snyder from the City of Roseville, Chelsey Richie with Moss Adams, Kevin Bell, Jared Deck, and Jean Hanson from Placer County, and Christy Jewell, Herb Niederberger, Carie Huff, and Eric Nielsen from SPMUD.

Election of Chair and Vice Chair

A vote was taken as follows:

MOTION by Director Roccucci, seconded by Director Landon, to elect Director Gore as Chair.

Vote: Ayes: Alvord, Landon, Roccucci, Williams
 Nos: None
 Absent: Gore

No public comments were received on this item.

MOTION by Director Landon, seconded by Director Roccucci, to elect Director Alvord as Vice-Chair.

Vote: Ayes: Alvord, Landon, Roccucci Williams
 Nos: None
 Absent: Gore

No public comments were received on this item.

Approval of Minutes, June 30, 2022

A vote was taken as follows:

MOTION by Director Roccucci, seconded by Director Alvord, to approve the June 30, 2022, minutes.

Vote: Ayes: Alvord, Landon, Roccucci, Williams
 Nos: None
 Absent: Gore

Old Business Items

None

New Business Items

1. Resolution: Approval of Updated Authority Schedule of Regular Meeting Dates

Acting Executive Director Richard Plecker recommended that the South Placer Wastewater Authority (SPWA) Board adopt the resolution updating the Authority's regular meeting dates annually, by tradition in January of each year.

MOTION by Director Roccucci, seconded by Director Alvord, to update the Authority's regular meeting dates (Resolution 2023-01).

Vote: Ayes: Alvord, Landon, Roccucci, Williams
 Nos: None
 Absent: Gore

No public comments were received on this item.

2. Information: City of Roseville Technical Services Peer Review

Acting Executive Director Plecker reported on the findings related to an incident that occurred involving alleged fraud with the City of Roseville's Environmental Utilities Department and associated with the South Placer Wastewater Authority. He reported that an Ad Hoc Committee was tasked with reviewing this matter on behalf of SPWA and a consultant (Water Works Engineering) was engaged to assess previous scopes of work and deliverables for past efforts related to wastewater facility planning, design, and construction support for the previous five to six years.

Director Williams served on the Ad Hoc Committee and stated it was necessary to delve deeply into previous scopes of work and contracts, given the fraud incident. He reported, overall, the consultant did not discover anything that was out of the ordinary, nor did they find cause to merit further examination. The consultant concluded that it appeared the City of Roseville, and SPWA by extension, received value for the services rendered in accordance with industry standards of care. Further, the consultant was complimentary of the thoroughness and the accuracy of the contracts they reviewed.

No Public Comments were received on this item.

3. Information: Moss Adams Internal Audit Report

Dennis Kauffman, Chief Financial Officer for SPWA, introduced Chelsey Richie, Senior Manager with Moss Adams. Mr. Kauffman explained the City engaged Moss Adams to perform an audit at the recommendation of the City's independent audit firm.

Ms. Richie discussed the 2022 limited audit scope that Moss Adams performed for the City of Roseville and provided a report of their findings. The audit originally focused on purchasing, contracting, and disbursement functions. The audit was then expanded to include HR processes and review of Roseville Environmental Utilities contracts. She explained steps taken by Moss Adams while conducting the audit, their observations, and recommendations for further consideration and action.

Recommendations included:

- a. Implementing a comprehensive ethics program and an enterprise risk management program and establish an internal audit function;
- b. Ensure that HR and departments are following policies related to hiring processes, including required documentation for hiring decisions and establish policies and procedures for receipt and investigation of personnel-related complaints;
- c. Develop and formalize a procurement and contracting policy manual (PCPM) for Environmental Utilities (EU). Clearly define roles, responsibilities, and decision-making authority for contracts and financial management within EU and consider conducting independent construction audits on significant construction contracts;
- d. Establish policies and procedures to require documentation of management's decisions to override City policies and require approval for override management controls by the Assistant City Manager or above.

Mr. Kauffman thanked Ms. Richie and said the City agrees with the recommendations from Moss Adams and City Management has responded to each of the findings. He added the City is in the process of developing a work plan to implement these recommendations.

Because the fraud incident affected South Placer Wastewater Authority, Director Williams stated he would like the SPWA Board to have more visibility regarding personnel assigned to the SPWA. He would like a greater understanding of the positions, the reason the position is created, and the function the position serves, in order to ensure it meets the needs of the Authority.

No Public Comments were received on this item.

4. Information: Debt Review

Chief Financial Officer, Dennis Kauffman, reported on the Authority's outstanding debt, debt service budget, year-to-date expenses, and remaining forecast for FY2022-2023.

Director Williams asked if the coupon range of 1.30% on the SRF loan will maintain through the full draw down, and Chief Financial Officer Kauffman confirmed that it would, that it was a fixed rate offered at that time.

No Public Comments were received on this item.

5. Information: Investment Review

Kyle Horton reported on the performance of the Authority's investments through November 2022.

Chief Financial Officer Kauffman returned to the podium to address a question presented by Director Alvord during the June 30, 2022, Board meeting, regarding whether it would be prudent for the SPWA Board to consider depositing liquid funds into local banks. Director Alvord stated the investment return rate could be better with local banks than with the state Local Agency Investment Fund (LAIF) and that he feels investing portions of SPWA's idle cash with local banks could benefit the local economy and would be the responsible thing to do.

Chief Financial Officer Kauffman explained that SPWA holds a small amount of available liquid cash in LAIF. In the event development slows down significantly, this money would be used to meet short-term cash flow needs such as paying expenses or making debt payments.

Chief Financial Officer Kauffman commented that he would be comfortable with a small deposit to local banks, no more than \$1.5 million dollars; however, there would be indirect costs that SPWA pays to the City of Roseville for staff labor to create the contracts and manage the accounts. He will initiate conversations with local banks to see if they are willing to pay a higher yield rate. He will also determine if this would be administratively efficient and cost-effective and will report to the Board in June.

No Public Comments were received on this item.

6. Resolution: Capital Improvement Projects Overview and Request for Budget Adjustment for the Pleasant Grove Wastewater Treatment Plan Expansion and Energy Recovery Project

Bryan Buchanan, Wastewater Utility Manager for the City of Roseville, requested the Board's approval for a budget adjustment for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Project for \$1,000,000.00 to address any additional costs that may arise from now through the project's completion date, which is scheduled for June 2023. He explained the current budget appears to be adequate, but with very little buffer. This budget adjustment is intended to be a precaution in the event of unforeseen costs to complete the project, coupled with there not being adequate time to gain the approval from the SPWA Board and the Roseville Council City.

Director Williams asked if there was a contingency with this project and Mr. Buchanan confirmed there was. He further added for context this has been an extremely large and complex project, built during a global pandemic with associated materials, labor and supply chain shortages. It currently appears the project will complete within established contingency amounts; however, it will be very close, and his recommendation is to have these additional funds available to complete the project, if and only if there is a need.

MOTION by Director Roccucci, seconded by Director Landon, to approve a budget adjustment to the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Project (Resolution 2023-02).

Vote:	Ayes:	Alvord, Landon, Roccucci, Williams
	Nos:	None
	Absent:	Gore

No public comments were received on this item.

After the motion, Senior Engineer and project manager for the Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Projects, Tracie Mueller, provided a PowerPoint presentation of the project.

Director Roccucci asked when all of the sewage would be collected in Digester One, and Mrs. Mueller responded that all of the sludge flow from the primary clarifier is now going to the digester. Mrs. Mueller added having the digesters would substantially reduce past odors at the treatment plant associated with solids handling. With the expansion in place and functioning, a higher quality and less odorous bio solid will be produced that can be beneficially land applied as a soil amendment, instead of past hauling and disposal practices at the landfill.

Director Alvord asked when the smell would be eliminated. Mr. Buchanan stated the past smell associated with sludge hauling to the landfill should be eliminated altogether. Mr. Buchanan reminded the Board that his staff takes active efforts to reduce odors, but the facility is a wastewater treatment plant, which accordingly, is inherently odorous on occasion, particularly during inclement weather conditions or when maintenance is performed.

7. Resolution: Capital Improvement Projects Overview and Request for Budget Adjustment for Old Auburn Boulevard Trunk Sewer and Lift Station Improvements.

Bryan Buchanan requested the Board's approval for a budget adjustment for the Old Auburn Boulevard Trunk Sewer and Lift Station Improvements for \$1,950,000.00.

Mr. Buchanan explained this expansion was previously identified and budgeted, but the budget adjustment is due to the increased costs of equipment, supply chain issues, and the significant increase in cost in construction projects in present market conditions. In addition, when the project was originally conceived, there were quite a few unknowns of what needed to be done to improve the capacity at the lift station.

Director Landon noted the biggest increase in costs seemed to be the design construction, management, and engineering services and questioned what part of the design and construction management caused the large increase.

Mr. Buchanan replied that when the project was first identified, there was a conceptual idea of what was going to be needed; however, after more investigation, and as the design developed, they realized it was a more complicated project, with more construction and alterations to the City's existing collection system.

Director Williams asked when the project initially identified. Mr. Buchanan responded approximately three to five years ago. Mr. Buchanan explained a sewer model was initially constructed, which identified infrastructure improvements in the area. With that information, a high-level budget estimate was established for the project at that time, understanding that refinements to infrastructure sizing, extent and any associated impacts would be the subject of more detailed planning and design efforts prior to bidding and award of the construction contract. Accordingly, as more detailed planning and design efforts have taken place, more accurate and timely cost estimates have been produced.

Director Williams stated he would expect there would have been adjustments to the budget over time and he feels there could have been opportunities by staff to discover this earlier in the process. He added it was very unfortunate to have this request submitted to the Board at the very end of the process.

Mr. Buchanan acknowledged Director Williams' concern.

Director Alvord asked about the cost increase associated with pre-purchasing submersible pumps and associated parts. He stated he understands the supply chain challenges and the difficulty in receiving necessary parts for projects and asked if purchasing the parts were already a part of the original contract. Mr. Buchanan confirmed the dollars to purchase these items were already in the authorized budget for the project; however, a decision was made to pre-purchase the pumps with the current operating budget because the lead-time in receiving the pumps has been significant.

Director Landon asked if the 5% contingency for the inflated materials and 10% contingency for future potential change orders was standard in these types of contracts. Mr. Buchanan confirmed they were.

Director Williams asked for clarification regarding the additional cost of traffic control inspection fees. Mr. Buchanan explained this project involves alterations to infrastructure at the intersection of Old Auburn and Sierra College Boulevard (both regional arterial-class roadways) and traffic control requirements became more complex and costly as the project design moved forward. Additional traffic investigations had to be performed at this location by the City of Roseville Public Works Department, which was not originally anticipated.

Mr. Buchanan also provided updates on ongoing projects, including the Dry Creek and Pleasant Grove Wastewater Treatment Plant Capacity Analysis, the Pleasant Grove Maintenance Shop Expansion, and the Pleasant Grove Wastewater Treatment Plant UV Addition.

MOTION by Director Alvord, seconded by Director Roccucci, to approve the Budget Adjustment for Old Auburn Boulevard Trunk Sewer and Lift Station Improvements (Resolution 2023-03).

Vote:	Ayes:	Alvord, Landon, Roccucci, Williams
	Nos:	None
	Absent:	Gore

Public comment was received on this item from Herb Niederberger regarding whether the matter was appropriately on the agenda for Board action in accordance with the Brown Act. JPA Legal Counsel Osman Mufti opined that the matter was substantively correct as described in the staff reports and that staff had issued a revised agenda correctly identifying the subject matter in accordance with the Brown Act. Counsel advised that the Board could consider and take action on the item.

8. Information: Nexus Study Overview and Update

Mr. Buchanan provided an update on the Nexus Study. He anticipates the study will be complete with a report to the SPWA Board by the June 29, 2023, meeting.

Director Williams asked if this will determine connections fees going forward and Mr. Buchanan confirmed it would. Director Williams then asked if it would be an agenda item brought before the Board for approval and, again, Mr. Buchanan confirmed it would.

Acting Executive Director Plecker stated, although this study has taken longer than anticipated, there has been a more thorough job of examining the study and they are doing a better job in taking a closer look at the numbers. Originally, the study called for a sizeable expansion at the Dry Creek Wastewater Treatment Plant, which would cause large increases in connection fees. It is currently believed that an expansion to that extent may not be necessary, thus the re-examination of unit process capacities. He noted there have also been requests to consider offering reduced connection fees for low-income housing, which is being assessed; however, there is uncertainty if this can be done financially or legally, and this will be addressed in the study as well.

Director Williams requested the results of the study be provided to the Directors of the SPWA Board prior to the June meeting, in order to give them time to thoroughly review the results of the study before it comes to the Board for action.

Reports/Comments – Board Members/Staff

Director Williams made a request to tour the wastewater treatment plants. City of Roseville staff will make those arrangements.

Acting Executive Director Plecker acknowledged Director Williams' request for better communication from staff and relayed that staff will work hard in providing clearer and more frequent communication with the Board and that he intends to create an organizational chart, which will outline staff members and how their related functions support SPWA in answer to Director Williams' previous question.

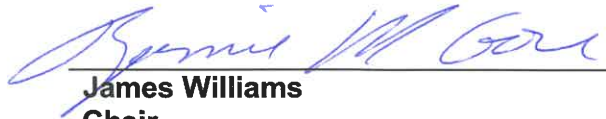
Director Williams stated he appreciated the acknowledgement to his concern and staff's future efforts in communication and transparency.


Public Comment

None.

Adjournment

The meeting was adjourned at 11:03 a.m.


James Williams
Chair


Pamela Walsh
Secretary to the Board