

STEGE SANITARY DISTRICT BOARD OF DIRECTORS MEETING
DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA
MARCH 21, 2024 @7:00 P.M.
www.stegesano.org • staff@stegesano.org

***** AGENDA *****

Items on the agenda may be taken out of order.

Public comment is limited to three (3) minutes for each individual speaker.

In accordance with California Government Code Section 54957.5, any writing that is a public record and relates to an open session agenda item which is distributed less than 72 hours prior to the meeting shall be available for public inspection at the District Office, 7500 Schmidt Lane, El Cerrito, during regular business hours. Copies of the agenda are posted on the District website at www.stegesano.org. Those disabled persons requiring auxiliary aids or services in attending or participating in this meeting should notify the District at least 48 hours prior to the meeting at 510/524-4668.

Members of the public can observe the live stream of the meeting by accessing <https://zoom.us/j/84090509848> or by calling (669) 900-9128 and entering the Meeting ID# 840 9050 9848 followed by the pound (#) key.

The ability to participate and observe remotely as identified above is predicated on the technology being available and functioning without technical difficulties. Should the remote platform not be available, or become non-functioning, or should the Board of Directors otherwise encounter technical difficulties that makes that platform unavailable, the Board of Directors will proceed with business in person unless otherwise prohibited by law.

*Public comment can be sent remotely by delivering a physical copy to **7500 Schmidt Lane, El Cerrito, CA 94530** or via email to comments@stegesano.org with "Public Comment" in the subject line. To provide written comment on an item on the agenda or to address the Board during Public Comment, please note the agenda item number that you want to address or whether you intend for the comment to be included in Public Comment. Comments timely received at least 15 minutes before the starting time of the meeting will be provided to the Board of Directors and will be added to the official record.*

Public Comment during the meeting is limited to in-person participants and those comments timely received at least 15 minutes before the starting time of the meeting. Members of the public will not have the ability to comment via Zoom unless the Board of Directors is required to provide that opportunity due to a Director participating pursuant to AB 2449. In such a circumstance, the Chair will make an announcement at the beginning of the meeting. Those interested in commenting (if required per AB 2449) should raise their virtual hands to notify the host during the relevant agenda item.

Pursuant to AB 2449, Board Members may be attending this meeting via remote conferencing. In the event that any Board Member elects to attend remotely, all votes conducted during the meeting will be conducted by roll call vote.

STEGE SANITARY DISTRICT BOARD OF DIRECTORS MEETING
DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA
MARCH 21, 2024 @7:00 P.M.
www.stegesd.org • staff@stegesd.org

I. Call To Order

II. Roll Call

Agenda Items: Directors and Officers of the Board will consider and announce if they have any conflicts of interest posed by items on the meeting agenda.

III. Public Comment:

(Members of the public are invited to address the Board concerning topics that are **not** on the agenda)

Motion:

IV. Approval of Minutes

- A. Approval of February 15, 2024 Board Meeting Minutes
- B. Approval of March 2, 2024 Long Range Planning Workshop Meeting Minutes
(The Board will review and consider approval of the minutes)

Info/Motion

V. Communications

- A. Oral/Written Communications
 - 1. Brief reports from Directors on matters related to the District, including attendance at city or community meetings
 - a. California Association of Sanitation Agencies (CASA) Washington DC Forum - February 26-27
 - 2. CASA Member Alert - Senate Committee to Hold Hearing in PFAS CERCLA Liability. CASA Agency Input Needed
 - 3. CASA Call to Action – Surplus Land Act

Info/Motion

VI. Reports of Staff and Officers

- A. Attorney's Report
- B. Committee Reports
- C. Manager's Report
 - 1. Monthly Maintenance Summary Report
 - 2. Monthly Report of Sewer Replacements and Repairs
 - 3. Consent Decree Quarterly Status Report

STEGE SANITARY DISTRICT BOARD OF DIRECTORS MEETING
DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA
MARCH 21, 2024 @7:00 P.M.
www.stegesan.org • staff@stegesan.org

4. Draft Action Plan
5. Draft Strategic Plan
6. Draft Climate Change Impact Policy
7. Diversity, Equity, and Inclusion (DEI) Training and Education Opportunities
8. TABLE: Compliant Laterals and Pipe Replacements by Year
9. Board Training Summary
10. Form 700

Info/Motion **VII. Business**

- A. California Employer's Retiree Benefit Trust (CERBT) Fund Contribution/Disbursement
(The Board will consider a contribution/disbursement to/from the fund)
- B. Sewer Rate and Connection Charge Study
(The Board will consider the study)
- C. Resolution No. 2235-0324 Authorizing Investment of Stege Sanitary District Monies in Accounts with Five Star Bank
(The Board will consider the resolution)
- D. Resolution No. 2236-0324 Resolution Approving the Legal Services Agreement with Redwood Public Law
(The Board will consider the resolution)

Info: **VIII. Financial Statements**

- A. Monthly Investment, Cash, Receivables Report
- B. Monthly Operating Statement
(The Board will review the reports and statements)

Info/Motion: **IX. Approval of Checks**

- A. Checks for March 21, 2024 - Fund No. 3418 & 3423
(The Board will be asked to approve the checks)

Info: **X. Future Agenda Items**
April 18, 2024

STEGE SANITARY DISTRICT BOARD OF DIRECTORS MEETING
DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA
MARCH 21, 2024 @7:00 P.M.
www.stegesane.org • staff@stegesane.org

Draft Budget
Employee Benefits Package
Sewer Rate and Connection Charge Study
July 4th Fair Discussion
Board Training Summary
Quarterly Financial Statements
San Pablo Avenue Specific Plan Area Status Report
Appoint Labor Negotiator
CLOSED SESSION – Quarterly Claims Report
CLOSED SESSION – Conference with Labor Negotiator
+Cancellation of May 2nd Board Meeting

May 2, 2024
(none)

CLOSED SESSION

Conference with Legal Counsel—Anticipated Litigation

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9

Number of Potential Cases: 2

Wolter – Government Tort Claim filed: 2/25/2024

Brooks-Hutton and Peticolas – Government Tort Claim filed: 3/13/2024

XI. Adjournment

(The next meeting of the Stege Sanitary District Board of Directors is scheduled to be held on April 18, 2023 at 7:00 P.M. unless cancelled, at the District Board Room, 7500 Schmidt Lane, El Cerrito, CA.)

STEGE SANITARY DISTRICT BOARD OF DIRECTORS
 MEETING OF FEBRUARY 15, 2024
 TIME OF MEETING: 7:00 P.M.
 DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA

***** MINUTES *****

I. Call To Order: President Gilbert-Snyder called the meeting to order at 7:00 P.M.

II. Roll Call: Present: Beach, Christian-Smith, Merrill, O’Keefe, Gilbert-Snyder
 Absent: None
 Others Present: Rex Delizo, District Manager
 Kristopher Kokotaylo, District Counsel
 Kary Richardson, Administrative Supervisor
 Alison Lechowicz, Consultant

Agenda Items: Directors and Officers of the Board did not announce any conflicts of interest posed by items on the meeting agenda.

III. Public Comment: There was no public comment.

Item VII.A was taken out of order at this time in the meeting.

VII. Business

A. Sewer Rate and Connection Charge Study

The Board considered and discussed the Sewer Rate and Connection Charge Study presentation with Alison Lechowicz of Lechowicz & Tseng Municipal Consultants. Lechowicz will incorporate the Board’s decisions and return with a draft study.

MOTION: By Merrill, seconded by Beach, to approve Districtwide Capacity Fee Option 2, which is the lower cost option of \$96.28 per fixture unit

STEGE SANITARY DISTRICT BOARD OF DIRECTORS
MEETING OF FEBRUARY 15, 2024
TIME OF MEETING: 7:00 P.M.
DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA

VOTE: AYES: Beach, Christian-Smith, Merrill, O’Keefe, Gilbert-Snyder
NOES: None
ABSTAIN: None
ABSENT: None

MOTION: By Christian-Smith, seconded by O’Keefe, to approve finalizing the Sewer Rate and Connection Charge Study

VOTE: AYES: Beach, Christian-Smith, O’Keefe, Gilbert-Snyder
NOES: Merrill
ABSTAIN: None
ABSENT: None

The Board resumed the order of the agenda at this time in the meeting.

IV. Approval of Minutes

A. Approval of Minutes of February 1, 2024 Board Meeting

MOTION: By Merrill, seconded by Christian-Smith, to approve the minutes of the February 1, 2024 Board Meeting, as amended

VOTE: AYES: Beach, Christian-Smith, Merrill, O’Keefe, Gilbert-Snyder
NOES: None
ABSTAIN: None
ABSENT: None

V. Communications

STEGE SANITARY DISTRICT BOARD OF DIRECTORS
MEETING OF FEBRUARY 15, 2024
TIME OF MEETING: 7:00 P.M.
DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA

A. Oral/Written Communications

1. Brief reports from Directors on matters related to the District, including attendance at city or community meetings
Gilbert-Smyder briefly reported on EBMUD's Wildcat Pipeline Improvement installation at the intersection of Richmond St. and Stockton Ave. There were no other reports.

VI. Reports of Staff and Officers

A. Attorney's Report:

Kokotaylo reported on the Supreme Court case of Sheetz v. County of El Dorado in which the Court is considering whether traffic impact mitigation fees violate the Takings Clause of the Constitution.

B. Committee Report:

There were no reports.

B. Manager's Report:

1. Monthly Maintenance Summary Report

The Manager reported no significant issues with last month's maintenance activities.

2. Monthly Report of Sewer Replacements and Repairs

The Manager reported no payments were made in January.

3. Form 700 Statement of Economic Interest/Conflict of Interest

The Manager reminded the Board to file their Form 700s by the April 1st deadline.

4. California Association of Sanitation Agencies (CASA)

The Manager reported on the upcoming CASA conference dates.

5. California Special Districts Association (CSDA)

The Manager reported on the upcoming CSDA conference date.

VII. Business

A. Sewer Rate and Connection Charge Study

This item was taken out of order earlier in the meeting (see above).

STEGE SANITARY DISTRICT BOARD OF DIRECTORS
 MEETING OF FEBRUARY 15, 2024
 TIME OF MEETING: 7:00 P.M.
 DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA

B. Resolution No. 2233-0224 Authorizing the District Manager to Award a Contract to GSW Construction for Canon Pump Station Rehabilitation Project No. 23202

The Board reviewed and approved the resolution awarding the contract to the lowest responsible, responsive bidder, GSW Construction.

MOTION: By Merrill, seconded by Christian-Smith, to approve Resolution 2233-0224 Authorizing the District Manager to Award the Base Bid Contract to GSW Construction for Canon Pump Station Rehabilitation Project No. 23202

VOTE: AYES: Beach, Christian-Smith, Merrill, O'Keefe, Gilbert-Snyder
 NOES: None
 ABSTAIN: None
 ABSENT: None

C. Resolution No. 2234-0224 Making Findings and Directing Filing of Notice of Exemption, Pursuant to California Environmental Quality Act (CEQA), Canon Pump Station Rehabilitation Project No. 23202

The Board reviewed the staff's findings that this project is exempt from further assessment since it is the replacement of existing utility structures where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced.

MOTION: By Christian-Smith, seconded by O'Keefe, to approve of Resolution No. 2233-0224 Making Findings and Directing Filing of Notice of Exemption, Pursuant to California Environmental Quality Act (CEQA), Canon Pump Station Rehabilitation Project No. 23202

STEGE SANITARY DISTRICT BOARD OF DIRECTORS
 MEETING OF FEBRUARY 15, 2024
 TIME OF MEETING: 7:00 P.M.
 DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA

VOTE: AYES: Beach, Christian-Smith, Merrill, O’Keefe, Gilbert-Snyder
 NOES: None
 ABSTAIN: None
 ABSENT: None

D. Long Range Planning Draft Agenda

The Manager reported on the agenda for the upcoming long range planning workshop scheduled for Saturday, March 2, 2024.

VIII. Monthly Financial Statements

A. Monthly Investment, Cash, Receivables Report

B. Monthly Operating, Statement

The financial statements were reviewed by the Board.

IX. Approval of Checks

A. Checks for February 15, 2024 – Fund No. 3418 & 3423.

MOTION: By O’Keefe, seconded by Beach, to approve the payment of the bills, Check Nos. 28554 through 28577 in the amount of \$104,676.49

VOTE: AYES: Beach, Christian-Smith, Merrill, O’Keefe, Gilbert-Snyder
 NOES: None
 ABSTAIN: None
 ABSENT: None

X. Future Agenda Items

March 2, 2024 @9:00 AM

Long Range Planning Workshop

STEGE SANITARY DISTRICT BOARD OF DIRECTORS
MEETING OF FEBRUARY 15, 2024
TIME OF MEETING: 7:00 P.M.
DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA

March 21, 2024

California Employer's Retiree Benefit Trust (CERBT) Contributions
Action Plan
Board Training Summary
Consent Decree Quarterly Report
CASA Conference – Attendee Reports
Form 700
+Sewer Rate and Connection Charge Study

CLOSED SESSION

Public Employment Appointment

Gov. Code § 54957

Title: District Counsel

The Board entered into closed session at 8:38 P.M. and returned to open session at 8:55 P.M. President Gilbert-Snyder announced the Board had taken no reportable actions.

XI. Adjournment

The meeting was adjourned at 8:55 P.M. The next meeting of the Stege Sanitary District Board of Directors will be the Long Range Planning Workshop held on Saturday, March 2, 2024 at 9:00 A.M. at the District Board Room, 7500 Schmidt Lane, El Cerrito, CA.

Rex Delizo
STEGE SANITARY DISTRICT
Secretary

STEGE SANITARY DISTRICT BOARD OF DIRECTORS
LONG RANGE PLANNING WORKSHOP
SATURDAY, MARCH 2, 2024, 9:00AM
DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA

*****MINUTES*****

I. Call To Order: President Gilbert-Snyder called the meeting to order at 9:00 A.M.

II. Roll Call: Present: Beach, Merrill, O’Keefe, Gilbert-Snyder
Absent: Christian-Smith (gave prior notice)
Others Present: Rex Delizo, District Manager

Agenda Items: Directors and Officers of the Board did not announce any conflicts of interest posed by items on the meeting agenda.

III. Public Comment: There was no public comment.

IV. Long Range Planning Workshop

- **Review Agenda and Last Action Plan**

The Manager reported on the agenda and the action plan for last year’s workshop. The Board asked staff to provide more opportunities for Board level Diversity, Equity, and Inclusion (DEI) training and education for future consideration.

- **Past 5 Years Expenditures Review**

The Manager reported on the trends from the District’s finances over the past 5 years.

- **Sewer Rate and Connection Charge Review**

The Manager reported on the status of the District's Sewer Rate and Connection Charge Study. The Board asked staff to provide a list of fixture unit counts for typical plumbing fixtures when next presenting the Sewer Rate and Connection Charge Study.

- **USEPA Consent Decree Progress and Planning**

The Manager reported on the District’s most recent Consent Decree Annual Report submittal and EBMUD’s updated Flow Model Calibration, Wet Weather Facilities (WWF) Output Ratios, and Output Test Results. The Board

STEGE SANITARY DISTRICT BOARD OF DIRECTORS
LONG RANGE PLANNING WORKSHOP
SATURDAY, MARCH 2, 2024, 9:00AM
DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA

asked staff to provide both a table and map of the pipe replacements for both sewer mains and private sewer laterals, and the changes over the last few years.

- **Prefunding Pension Liabilities**

The Manager reported on the District's current retirement unfunded accrued liability (UAL) amounts and pre-funding options. The Board asked staff to add the impact that pre-funding pension liabilities would have on sewer service charges to the next discussion of the Sewer Rate and Connection Charge Study.

- **Future Board Meetings**

The Board discussed having less meetings and/or Counsel attend more meetings. The Board asked staff to arrange next year's Board Meeting schedule for 2025 so that there is only one (1) "workshop" (w/o District Counsel) Board Meeting per quarter and, instead of having one (1) Long Range Planning Workshop, incorporate the topics into the four (4) "workshops" throughout the year.

- **Self-Assessment of Governance**

Each Board Member completed a board governance self-assessment questionnaire and discussed their conclusions. The Board asked staff to provide future scoring summaries on separate sheets to make it easier to cross reference during review and discussion.

- **Private Sewer Lateral (PSL) I/I Outreach**

The Board reviewed and discussed the latest draft targeted outreach letter prepared by the Private Sewer Lateral (PSL) I/I Outreach Committee. The Board asked staff to provide a list of addresses in subarea "F" that are not in compliance with the Regional Private Sewer Lateral Ordinance, and to ask District Counsel to report on any liabilities of a door-to-door outreach strategy.

- **Environmentally Preferable Procurement Policy**

The Board reviewed and discussed changes to the District's current Environmentally Preferable Procurement Policy. The Board asked staff to

STEGE SANITARY DISTRICT BOARD OF DIRECTORS
LONG RANGE PLANNING WORKSHOP
SATURDAY, MARCH 2, 2024, 9:00AM
DISTRICT BOARD ROOM, 7500 SCHMIDT LANE, EL CERRITO, CA

provide a draft *Climate Change Impact Policy* for the Board to consider at a future Board Meeting.

- **Strategic Plan and Board Governance Manual**

The Board reviewed and discussed the District's Strategic Plan and Board Governance Manual. The Board asked staff to make several amendments to the Strategic Plan for the Board to consider at a future Board Meeting. The Board asked staff to have District Counsel clarify the timing of the Oath of Office for newly elected or appointed Board members and the transition to taking their position at their first Board Meeting.

V. Adjournment

The meeting was adjourned at 1:45 P.M. The next meeting of the District Board of Directors will be held on Thursday, March 21, 2024 at 7:00 P.M. at the District Board Room, 7500 Schmidt Lane, El Cerrito, California

Rex Delizo
STEGE SANITARY DISTRICT
Secretary

REPORT ON CASA WASHINGTON DC POLICY FORUM

FEB. 26-27, 2024

by Dwight Merrill

This CASA function was held in the shadow of a potential government shutdown, and with the House of Representatives on a two week vacation, which meant no Representatives were in town. Fortunately, as I write this report, we are now half-way to a 2023-24 budget, only five+ months late.

There were three issue areas discussed which I think are of special interest to us at Stege: PFAS, Infrastructure Financing, and the upcoming November Elections.

1. Panel on PFAS (perfluoroalkyl substances). We heard from Deborah Nagle, Director, Office of Science and Technology, Office of Water, US EPA and Matthew Klasen, PFAS Council Manager, US EPA. The train has already left the station so far as PFAS are concerned and we in the wastewater industry are trying to avoid being run over. CASA members concern is that the sewage we receive will have PFAS in it, and we may well be considered a polluter if we discharge our treated water and biosolids. No one in government will address this issue. The proposed guidelines (which will soon be the standards) are, as we have seen, in the parts per trillion range. As President Paul Gilbert Snyder calculated, one part per trillion is one second in thirty-one thousand seven hundred years. As a retired chemist I have seen issues with analyses, and when one is dealing with parts per trillion of a family of small organic molecules in sewage, I just don't think reasonable accuracy is possible. The toxicity studies don't appear to be very robust—the only datum presented by Deborah Nagle at the parts per trillion level was one aquatic organism which was (apparently) very sensitive to PFOS (perfluorooctane sulfonic acid) but did not have any trouble with PFOA (perfluorooctanoic acid), a closely related compound. All other organisms were fine at the parts per billion level. There may be other evidence, but the data presented suggested that the whole parts per trillion standards are based on one erroneous result.

2. The Congressional Panel and the Innovative Financing for the Future Panel. Both groups touted the money available from the BIL (bipartisan infrastructure law, also known as the IIJA, infrastructure investment and jobs act) and from the IRA (inflation reduction act). There are many rebates and funds available if one meets a slew of requirements (all American made components, energy savings, prevailing wage rates, etc.) It doesn't seem that just putting pipe in the ground would even qualify for the lowest level of rebate @15% under the IRA. Canon pump station wouldn't qualify because it has Swedish pumps; a new rodder would have to be all electric. POTW/WRRFs and new water recycling projects may benefit.

3. The Upcoming November Elections. These elections will determine who is president and the make up of Congress. The water and waste water sector will be heavily impacted by the results. After 4 years of infrastructure starvation under Trump, the first two years under Biden, with a narrow majority in the House and an even 50-50 Senate, but with VP Harris holding the tie breaking vote, saw the IIJA and the IRA, which helped immensely. Now with a Republican House, very little is getting done. John Ashford, elections guru, presented a rather gloomy prediction. Trump is narrowly ahead and the Senate will swing Republican. The House is up for grabs. The election will hinge, he said, on a few swing states: Pennsylvania, Michigan, Wisconsin, Nevada, Arizona, Georgia, North Carolina, and New Hampshire. These are all toss-ups for president and the list for the Senate is almost the same but toss in Montana where Tester is under great pressure.

Finally I'd like to note our CASA meeting with Congressman John Garamendi's Legislative Director Jaian Hart. Our group discussed several issues with him; he was responsive and aware of the issues. On the question of extending the terms of NPDES permits to ten years from five he was exceedingly knowledgeable. He pointed out that in the EPA 9th Region the backlog on renewal of permits is the worst of all EPA regions, most Regions have no backlog; here, often the next NPDES permit is due before the current one is approved. Unfortunately, he noted there has been little support from other members of the California Congressional delegation. We need to lean on them!

From: CASA <cmackelvie@casaweb.org>

Sent: Thursday, March 07, 2024 1:29 PM

To: rexd@stegesan.org

Subject: Member Alert - Senate Committee to Hold Hearing in PFAS CERCLA Liability. CASA Agency Input Needed!



**Senate Committee to Hold Hearing in PFAS CERCLA Liability:
CASA Agency Action Needed!**

On March 20, 2024, the Senate Committee on Environment and Public Works will convene a hearing on the consequences of designating PFAS chemicals as hazardous substances under CERCLA (Superfund). Public water and wastewater agencies face the threat of either USEPA enforcement actions or third-party litigation from the decision to list PFAS as a hazardous substance. CASA is working with Congress, USEPA and fellow clean water stakeholders to protect passive receivers from such liability.

In anticipation of the upcoming hearing, we request that you transmit a letter (**not later than March 15**) of concern to Chairman Tom Carper and Ranking Member Shelly Moore Capito, with a cc to Senators Laphonsa Butler and Alex Padilla. We have developed a [template letter](#) for your consideration, feel free to customize and tailor it to your agency's needs and interests.

Please transmit any communication to joe_brown@epw.senate.gov (Capito) and john_kane@epw.senate.gov (Carper) and sarah_swig@padilla.senate.gov (Padilla) and carissa_bunge@butler.senate.gov (Butler). Also, please send a copy of your letter to [Cheryl MacKelvie](#).

Thank you for your support on this important issue!

CASA represents more than 130 local public agencies engaged in the collection, treatment and recycling of Wastewater and biosolids to protect public health and the environment. Our mission is to provide trusted information and advocacy on behalf of California clean water agencies, and to be a leader in sustainability and utilization of renewable resources.

Visit Our Website: casaweb.org

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STEGE SANITARY DISTRICT

District Manager/Engineer:
Rex Delizo, P.E.

District Counsel:
Kristopher Kokotaylo

Board of Directors:
Tessa Beach
Juliet Christian-Smith
Paul Gilbert-Snyder
Dwight Merrill
Beatrice R. O'Keefe

Friday, March 08, 2024

The Honorable Tom Carper, Chairman
The Honorable Shelley Moore Capito, Ranking Member
Committee on Environment and Public Works
United States Senate
Washington, DC 20510



Dear Chairman Carper and Ranking Member Capito:

As the Committee on Environment and Public Works considers the critical need to address passive receiver liability for PFAS cleanup under CERCLA, the Stege Sanitary District believes the committee must amend CERCLA to ensure clean water agencies like our District are provided protections from frivolous and unwarranted litigation stemming from the imminent USEPA rule to designate PFAS as hazardous substance under CERCLA. Our request is consistent with past congressional actions that delivered such protections to preclude the use of CERCLA liability to cast a net of liability over innocent, passive receivers.

We generally support USEPA's efforts to eliminate and clean-up sites contaminated by Perfluorooctanoic Acid (PFOA), Perfluorooctane Sulfonate (PFOS), and other PFAS. However, such efforts must recognize that utilities do not use, manufacture, or sell these compounds. Rather, chemical and product manufacturers create and sell these compounds that result in discharges to clean water systems. As part of our role in protecting public health and the environment through treatment of wastewater influent, PFAS and other constituents are concentrated, and then appropriately disposed of via wastewater effluent and/or biosolids. This process is accomplished consistent with all applicable laws, including the Clean Water Act.

USEPA has signaled that it intends to employ "enforcement discretion" and not pursue CERCLA cleanup liability against drinking water and wastewater systems related to PFAS. However, this does not protect water and wastewater systems against CERCLA claims filed by third parties, nor does it prevent polluters from entangling local agencies in CERCLA litigation or actions by employing the "joint and several" CERCLA liability regime to attempt to offload their cleanup

responsibility onto our ratepayers. Without guardrails to protect water and wastewater agencies (and by extension, the public ratepayers we serve), the CERCLA hazardous substances designation would divert limited public resources to defend against such litigation.

Moreover, subjecting ratepayers to polluter and third-party initiated CERCLA litigation directly conflicts with the “polluter pays” principle at the core of CERCLA. Ultimately, without a passive receiver’s exemption, CERCLA designation will result in increased water and wastewater rates nationwide, and financially burden local governments that were not responsible for the manufacture and sale of these chemicals. Congress must develop and pass liability protections to protect water systems and their ratepayers against these claims.

On behalf of the Stege Sanitary District, we urge you to protect water and wastewater system ratepayers nationwide by providing clear and targeted liability protections for passive receivers that appropriately handle and dispose of PFAS.

Thank you for your attention to this important issue and we look forward to committee action to meet these concerns.

Sincerely,

STEGE SANITARY DISTRICT

A handwritten signature in blue ink, appearing to read 'Rex Delizo', with a long horizontal stroke extending to the right.

Rex Delizo

District Manager

From: Colleen Haley
Sent: Wednesday, March 13, 2024 2:55 PM
To: rexd@stegesasan.org
Subject: CALL TO ACTION: Surplus Land Act

Hi Rex,

Hope you are well. I am writing to alert you to a [CSDA Call to Action](#) and request your district complete this [fillable form letter](#) to support this advocacy Call to Action on the Surplus Land Act.

The issue relates to [draft updated guidelines](#) from the California Department of Housing and Community Development (HCD) on the Surplus Land Act. HCD is accepting public comments on these guidelines until March 25. **These draft updated guidelines are inconsistent with recently-adopted statutes and may result in operational challenges for special districts.**

As such, CSDA requests districts complete the [fillable form letter](#) to express concerns with the [guidelines](#). CSDA will use the fillable form to draft a letter on your behalf to HCD.

Additionally, in 2019 your district submitted a position letter on this same issue. Please see attached.

More information on this topic can be found on the [CSDA Take Action page](#). Thank you for your assistance to this Call to Action. Please let me know if you have any questions.

Thank you,
Colleen

Colleen Haley
Bay Area Network Field Representative
California Special Districts Association
1112 I Street, Suite 200
Sacramento, CA 95814
www.csdanet.org
530-902-3932 cell

Join us for the 2024 [Special District Leadership Academy Conference](#)
April 14 – 17, 2024 in San Diego

A Proud California Special Districts Alliance Partner.
California Special Districts Association
Special District Risk Management Authority
CSDA Finance Corporation

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*** PREVIOUSLY SENT LETTER IN 2019 ***



STEGE SANITARY DISTRICT

District Manager/Engineer:
Rex Delizo, P.E.

District Counsel:
Kristopher Kokotaylo

Board of Directors:
Juliet Christian-Smith
Paul Gilbert-Snyder
Dwight Merrill
Alan C. Miller
Beatrice R. O'Keefe

Thursday, April 11, 2019

The Honorable Phil Ting
California State Assembly
State Capitol
Sacramento, CA 95814



RE: Assembly Bill 1486 (Ting) – Oppose Unless Amended [As Introduced February 2, 2019]

Dear Assembly Member Ting:

The Stege Sanitary District (District) is respectfully opposed to Assembly Bill 1486 unless it is amended to address our concerns. AB 1486 requires public agencies to offer their land for development before leasing their property. Our District provides sanitary sewer services to Kensington, El Cerrito and a portion of Richmond known as the Richmond Annex and currently operates and maintains 148 miles of sanitary sewers and two pumping stations serving over 35,000 residents residing within the District boundaries.

AB 1486 requires special districts and other local agencies to offer the right of first refusal to affordable housing developers, schools, and parks before selling, leasing, or otherwise conveying their land. The new mandate in Assembly Bill 1486 would prevent prudent efforts to lease or otherwise protect land for important community purposes, such as buffer land surrounding a water or wastewater treatment facility, energy generation plant, or airport, as well as the long-term lease of district property that will be needed for future infrastructure, such as hospitals, parks, harbors, and cemeteries.

Under AB 1486, attempting to lease land in support of an agency's governmental function would trigger the requirements for the disposal of surplus land. As written, AB 1486 would require agencies to offer up property which may be incompatible for use for housing, schools, or parks. AB 1486 would also make it more difficult to protect an agency's land for a future governmental use.

***** PREVIOUSLY SENT LETTER IN 2019 *****

We respectfully request AB 1486 be amended to limit the scope of the bill to the sale of surplus land and not include property for lease. Our opposition is not a challenge to the need for affordable housing, but a validation of the need for local flexibility when it comes to proper governmental land use management.

For these reasons, the Stege Sanitary District respectfully opposes AB 1486 unless it is amended.

Thank you,
STEGE SANITARY DISTRICT

Paul Gilbert-Snyder
Board of Directors President

CC: Tara Gamboa-Eastman, Office of Assembly Member Phil Ting [Tara.Gamboa-Eastman@asm.ca.gov]
California State Senator Nancy Skinner
California State Assembly Member Buffy Wicks
Rylan Gervase, Legislative Representative, California Special Districts Association
[advocacy@cstda.net]

MONTHLY SERVICE CALLS

February-2024

DATE	MH UP/DN	ADDRESS	PRBLM IN	TYPE	LOC	CAUSE	END	COMMENTS
2/1/2024 Thursday 12:35 PM	265013 265011	7558 TERRACE DR. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input type="checkbox"/> Other <input checked="" type="checkbox"/>	SD				WE FOUND WATER COMING FROM STORM DRAIN.
2/2/2024 Friday 9:00 AM	186219 186218	2325 HARVARD AVE. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input type="checkbox"/> Other <input checked="" type="checkbox"/>	A, SD				WATER COMING FROM STORM DRAIN.
2/6/2024 Tuesday 1:37 PM	161310 161325	1728 LIBERTY ST. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input checked="" type="checkbox"/> Other <input type="checkbox"/>	C, OF				WE FOUND THIS TO BE THE CUSTOMER'S PROBLEM.
2/7/2024 Wednesday 12:25 PM	272302 272301	600 OBERLIN AVE. KENSINGTON, CA 94707	Main <input type="checkbox"/> Lateral <input type="checkbox"/> Other <input checked="" type="checkbox"/>	MC, SD				MISSING STORM DRAIN COVER.
2/7/2024 Wednesday 6:28 PM	234019 234018	640 COVENTRY RD. KENSINGTON, CA 94707	Main <input type="checkbox"/> Lateral <input type="checkbox"/> Other <input checked="" type="checkbox"/>	O				CUSTOMER COMPLAINED OF ODOR. OUR SEWER MAINLINE IS CLEAR.
2/9/2024 Friday 12:47 PM	182106 182103	2011 JUNCTION AVE. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input checked="" type="checkbox"/> Other <input type="checkbox"/>	T				ROOTS IN LATERAL, CUSTOMER'S PROBLEM.
2/15/2024 Thursday 10:30 AM	265012 265011	7515 TERRACE DR. EL CERRITO, CA 94530 <i>Last Call: 3/5/2003</i>	Main <input type="checkbox"/> Lateral <input type="checkbox"/> Other <input checked="" type="checkbox"/>	A				WATER WAS IN STREET. NOT SEWER RELATED.
2/19/2024 Monday 10:28 AM	274002 274001	705 WELLESLEY AVE. KENSINGTON, CA 94707 <i>Last Call: 1/18/2007</i>	Main <input type="checkbox"/> Lateral <input type="checkbox"/> Other <input checked="" type="checkbox"/>	T				WE FOUND THIS TO BE THE CUSTOMER'S PROBLEM.
2/19/2024 Monday 12:42 PM	261313 261312	7514 LEVISTON AVE. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input checked="" type="checkbox"/> Other <input type="checkbox"/>	C				WE FOUND THIS TO BE THE CUSTOMER'S PROBLEM.
2/20/2024 Tuesday 12:50 PM	212313 212308	10203 SAN PABLO AVE. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input checked="" type="checkbox"/> Other <input type="checkbox"/>	T				CUSTOMER WANTED TO KNOW WHOS RESPONSIBLE FOR LATERAL TO THE STREET.
2/21/2024 Wednesday 12:23 PM	281310 281309	917 AVIS DR. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input checked="" type="checkbox"/> Other <input type="checkbox"/>	C				WE FOUND THIS TO BE THE CUSTOMER'S PROBLEM.
2/22/2024 Thursday 1:39 PM	188002 188001	5336 BARRETT AVE. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input checked="" type="checkbox"/> Other <input type="checkbox"/>	T				WE FOUND THE BROKEN LATERAL TO BE THE CUSTOMER'S PROBLEM.
2/25/2024 Sunday 10:48 AM	232213 232221	159 CARMEL AVE. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input type="checkbox"/> Other <input checked="" type="checkbox"/>	E				WE FOUND THIS TO BE EBMUD'S PROBLEM.
2/27/2024 Tuesday 8:28 AM	256306 256305	828 SHEVLIN DR. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input type="checkbox"/> Other <input checked="" type="checkbox"/>	A, E				WE FOUND THIS TO BE EBMUD'S PROBLEM.
2/27/2024 Tuesday 9:38 AM	151245 151225	1354 CONTRA COSTA DR. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input type="checkbox"/> Other <input checked="" type="checkbox"/>	T				TREE FELL ON TOP OF A MANHOLE.
2/27/2024 Tuesday 11:30 AM	272023 272022	257 PURDUE AVE. KENSINGTON, CA 94707 <i>Last Call: 1/23/2018</i>	Main <input type="checkbox"/> Lateral <input checked="" type="checkbox"/> Other <input type="checkbox"/>	C				WE FOUND THIS TO BE THE CUSTOMER'S PROBLEM.
2/29/2024 Thursday 8:40 AM	292212 292211	1221 SCOTT ST. EL CERRITO, CA 94530	Main <input type="checkbox"/> Lateral <input type="checkbox"/> Other <input checked="" type="checkbox"/>					NOISE FROM HYDRO AND BLASTED TOILET.

DATE	MH UP/DN	ADDRESS	PRBLM IN	TYPE	LOC	CAUSE	END	COMMENTS
------	----------	---------	----------	------	-----	-------	-----	----------

PROBLEM TYPE:

Water (A) Odor (O)
 Broken Main (B) Overflow (OF)
 S/S Congestion (C) PG+E (P)
 Debris in Main (D) Roots (R)
 EBMUD (E) Surcharge (S)
 Soft Stoppage (F) Storm Drain (SD)
 Grease (G) Unknown (U)
 Lateral Cause (LC) Other (T)
 Misc (M) Wipes/Rags (W)
 MH Cover (MC)

SPILL

LOCATION:
 Lamp/Manhole (MH)
 Mainline (ML)
 Lateral (L)
 Cleanout (CO)
 Building (BLDG)
 Other (O)

SPILL

CAUSE:
 Blockage (B)
 Surcharge (S)
 Line Break (ML)
 Other (O)

SPILL END

LOCATION:
 Building (BLDG)
 Creek (C)
 Strt/Pvmnt (ST)
 Storm Dm (SD)
 Yard (Y)
 Other (O)

MAINLINE:	0
LATERAL:	7
OTHER:	10
TOTAL SERVICE CALLS:	17
MAINLINE OVERFLOW:	0
MAINLINE SURCHARGE:	0

SANITARY SEWER OVERFLOWS (SSOs) LAST 12 MONTHS

March-2024

DATE	MH UP/DN	ADDRESS	PRBLM IN	TYPE	LOC	CAUSE	END	COMMENTS	CAT*	VOL	RCVR'D	NET
5/1/2023 Monday 2:28 PM	186304 186004	2126 JUNCTION AVE. EL CERRITO, CA 94530	Main <input checked="" type="checkbox"/> Lateral <input type="checkbox"/> Other <input type="checkbox"/>	B	ML, O	ML	Y	SSO WAS CAUSED BY SLIPLINE MORTAR NOT SEALED AT CONNECTION.	CAT 4	5 gallons	5 gallons	0 gallons
5/5/2023 Friday 8:07 AM	102203 102003	1438 CARLSON BLVD. RICHMOND, CA 94804	Main <input checked="" type="checkbox"/> Lateral <input type="checkbox"/> Other <input type="checkbox"/>	D,OF,R, W	MH	B	ST, SD	DEBRIS, ROCKS, AND ROOTS CAUSED SSO.	CAT 3	78 gallons	78 gallons	0 gallons

PROBLEM TYPE:

- Water (A)
- Broken Main (B)
- S/S Congestion (C)
- Debris in Main (D)
- EBMUD (E)
- Soft Stoppage (F)
- Grease (G)
- Lateral Cause (LC)
- Misc (M)
- MH Cover (MC)
- Odor (O)
- Overflow (OF)
- PG+E (P)
- Roots (R)
- Surcharge (S)
- Storm Drain (SD)
- Unknown (U)
- Other (T)
- Wipes/Rags (W)

SPILL

LOCATION:

- Lamp/Manhole (MH)
- Mainline (ML)
- Lateral (L)
- Cleanout (CO)
- Building (BLDG)
- Other (O)

SPILL

CAUSE:

- Blockage (B)
- Surcharge (S)
- Line Break (ML)
- Other (O)

SPILL END

LOCATION:

- Building (BLDG)
- Creek (C)
- Strt/Pvmnt (ST)
- Storm Drn (SD)
- Yard (Y)
- Other (O)

TOTAL MAINLINE SSOs:	2
MAINLINE BREAK SSOs:	1
MAINLINE SURCHARGE SSOs:	0
CATEGORY 1 SSOs:	0
SSOs INTO BUILDINGS:	0

TOTAL SSO VOLUME (GALS):	83
TOTAL VOLUME RECOVERED (GALS):	83
TOTAL VOLUME UNRECOVERED (GALS):	0

*CATEGORY 1 SSO: Spill of any volume of sewage from or caused by a sanitary sewer system that results in a discharge to: A surface water, including a surface water body that contains no flow or volume of water; or A drainage conveyance system that discharges to surface waters when the sewage is not fully captured and returned to the sanitary sewer system or disposed of properly. Any spill volume not recovered from a drainage conveyance system is considered a discharge to surface water, unless the drainage conveyance system discharges to a dedicated stormwater infiltration basin or facility.

CATEGORY 2 SSO: Spill of 1,000 gallons or greater, from or caused by a sanitary sewer system that does not discharge to a surface water.

CATEGORY 3 SSO: Spill of equal to or greater than 50 gallons and less than 1,000 gallons, from or caused by a sanitary sewer system that does not discharge to a surface water.

CATEGORY 4 SSO: Spill of less than 50 gallons, from or caused by a sanitary sewer system that does not discharge to a surface water.

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**STEGE SANITARY DISTRICT
MONTHLY REPLACEMENT AND REPAIR SUMMARY
February 2024**

I SEWER REPLACEMENT - FY 2023-2024			
A.	BUDGET ALLOCATION		\$3,473,000
B.	PRIOR BUDGET EXPENDED (WITH RETENTION)		\$451,598
C.	SEWER REPLACEMENTS PAID THIS MONTH (NO RETENTION)	<u>COST</u>	
SUBTOTAL FOR THIS MONTH			\$0
D.	TOTAL BUDGET EXPENDED (NO RETENTION)	12.35%	\$429,018
E.	TOTAL 5% RETENTION HELD		\$22,580
F.	BUDGET REMAINING	87.00%	\$3,021,402
G.	PERCENTAGE OF FISCAL YEAR REMAINING	33.33%	
H.	TOTAL REPLACEMENT FOOTAGE PAID TO DATE	2,200 (\$ 205.27 /LF)	

II SEWER REPAIRS - FY 2023-2024			
A.	BUDGET ALLOCATION		\$72,000
B.	PRIOR BUDGET EXPENDED		\$27,000
C.	SEWER REPAIRS PAID THIS MONTH	<u>REPAIR COST</u>	
SUBTOTAL FOR THIS MONTH			\$0
SUBTOTAL FOR LAST MONTH			\$27,000
D.	TOTAL BUDGET EXPENDED	37.50%	\$27,000
E.	TOTAL RETENTION HELD	0.00%	\$0
F.	BUDGET REMAINING	62.50%	\$45,000
G.	PERCENTAGE OF FISCAL YEAR REMAINING	33.33%	
H.	TOTAL NUMBER OF REPAIRS PAID TO DATE	8 (\$3,375 /REPAIR)	

**STEGE SANITARY DISTRICT
MONTHLY REPLACEMENT AND REPAIR SUMMARY
February 2024**

III SAN PABLO AVE SPECIFIC PLAN AREA (SPASPA) UPGRADE - FY 2023-2024			
A.	BUDGET ALLOCATION		\$0
B.	PRIOR BUDGET EXPENDED (WITH RETENTION)		\$0
C.	SPASPA UPGRADES PAID THIS MONTH (NO RETENTION)		
SUBTOTAL FOR THIS MONTH			\$0
D.	TOTAL BUDGET EXPENDED (NO RETENTION)	0.00%	\$0
E.	TOTAL 5% RETENTION HELD	0.00%	\$0
F.	BUDGET REMAINING	100.00%	\$0
G.	PERCENTAGE OF FISCAL YEAR REMAINING	33.33%	
H.	TOTAL SPASPA UPGRADE FOOTAGE PAID TO DATE	(\$ - /LF)	



STEGE SANITARY DISTRICT

Report Date: 3/7/2024

% FY Remain: 33.33%

BOARD OF DIRECTORS CONSENT DECREE PROGRESS REPORT

FY Start Date 7/1/2023

FY End Date 6/30/2024

CD Start Date 9/22/2014

FY "Effective" Date 7/1/2013

CIP PROJECT	23201	COMPLETED	GOAL	PERCENTAGE
REPLACED since FY start	2,195 /	12,740	LF Yearly Objective Rate	17%
REPLACED since FY "Effective" Date	123,027 /	115,806	LF Cumulative Requirement	106%
CLEANED since FY start	681,123 /	211,200	LF Minimum Requirement	323%
HOTSPOTS since FY start	204,790 /	100,000	LF Minimum Requirement	205%
CCTV since FY start	162,572 /	77,616	LF Yearly Objective Rate	209%
CCTV since CD start	2,040,018 /	814,968	LF Cumulative Requirement	250%
ROOT FOAMING this FY	40,122 /	2,682	LF Minimum Requirement	662%

IMPORTANT CONSENT DECREE DATES:

July 15, annually	Provide any available Flow and Rainfall data to EBMUD
Nov 15, annually	Comments on Regional Technical Support Plan (RTSP) update by EBMUD
Sept 30, annually	Annual Report for prior Fiscal Year
May 1, 2022	Provide data to EBMUD for Flow Monitoring Calibration Plan
September 30, 2022	First Mid-course Check-in Output Test
June 30, 2026	Review of Regional Standards Report
December 15, 2028	Compliance WWF Output Test for San Antonio Creek
May 1, 2030	Provide data to EBMUD for Flow Monitoring Calibration Plan
September 30, 2030	Second Mid-course Check-in Output Test
June 30, 2031	Review of Regional Standards Report
December 15, 2034	Compliance WWF Output Test for Pt. Isabel
June 30, 2036	Review of Regional Standards Report
December 15, 2036	Compliance WWF Output Test for Oakport

STEGE SANITARY DISTRICT

ACTION PLAN FOR 2024

The following are the issues and action items discussed at the March 2, 2024 Long-Range Planning (LRP) Workshop:

1. Review Agenda and Last Action Plan

The Manager reported on the agenda and the action plan for last year's workshop. The Board asked staff to provide more opportunities for Board level Diversity, Equity, and Inclusion (DEI) training and education for future consideration.

Action Items:

- Provide more opportunities for Board level DEI training and education for future consideration.

2. Sewer Rate and Connection Charge Review

The Manager reported on the status of the District's Sewer Rate and Connection Charge Study. The Board asked staff to provide a list of fixture unit counts for typical plumbing fixtures when next presenting the Sewer Rate and Connection Charge Study.

Action Items:

- Provide a list of fixture unit counts for typical plumbing fixtures at the next presentation of the Sewer Rate and Connection Charge Study.

3. USEPA Consent Decree Progress and Planning

The Manager reported on the District's most recent Consent Decree Annual Report submittal and EBMUD's updated Flow Model Calibration, Wet Weather Facilities (WWF) Output Ratios, and Output Test Results. The Board asked staff to provide both a table and map of the pipe replacements for both sewer mains and private sewer laterals, and the changes over the last few years.

Action Items:

- Provide both a table and map of the pipe replacements for both sewer mains and private sewer laterals, and the changes over the last few years.

4. Prefunding Pension Liabilities

The Manager reported on the District's current retirement unfunded accrued liability (UAL) amounts and pre-funding options. The Board asked staff to add the impact that pre-funding pension liabilities would have on sewer service charges to the next discussion of the Sewer Rate and Connection Charge Study.

Action Items:

- Have the District’s financial consultant provide the impact that pre-funding pension liabilities would have on sewer service charges at the next discussion of the Sewer Rate and Connection Charge Study.

5. Future Board Meetings

The Board discussed having less meetings and/or Counsel attend more meetings. The Board asked staff to arrange next year’s Board Meeting schedule for 2025 so that there is only one (1) “workshop” (w/o District Counsel) Board Meeting per quarter and, instead of a having one (1) Long Range Planning Workshop, incorporate the topics into the four (4) “workshops” throughout the year.

Action Item:

- Arrange next year’s Board Meeting schedule for 2025 so that there is only one (1) “workshop” (w/o District Counsel) Board Meeting per quarter and, instead of a having one (1) Long Range Planning Workshop, incorporate the topics into the four (4) “workshops” throughout the year.

6. Self-Assessment of Governance

Each Board Member completed a board governance self-assessment questionnaire and discussed their conclusions. The Board asked staff to provide future scoring summaries on separate sheets to make it easier to cross reference during review and discussion.

Action Items:

- Provide future scoring summaries on separate sheets to make it easier to cross reference during review and discussion.

7. Private Sewer Lateral (PSL) I/I Outreach

The Board reviewed and discussed the latest draft targeted outreach letter prepared by the Private Sewer Lateral (PSL) I/I Outreach Committee. The Board asked staff to provide a list of addresses in subarea “F” that are not in compliance with the Regional Private Sewer Lateral Ordinance, and to have District Counsel report on any liabilities of a door-to-door outreach strategy.

Action Item:

- Provide a list of addresses in subarea “F” that are not in compliance with the Regional Private Sewer Lateral Ordinance.
- Have District Counsel report on any liabilities of a door-to-door outreach strategy.

8. Environmentally Preferable Procurement Policy

The Board reviewed and discussed changes to the District's current Environmentally Preferable Procurement Policy. The Board asked staff to provide a draft *Climate Change Impact Policy* for the Board to consider at a future Board Meeting.

Action Item:

- Provide a draft Climate Change Impact Policy for the Board to consider at a future Board Meeting.

9. Diversity, Equity, and Inclusion (DEI)

The Board reviewed and discussed the District's Strategic Plan and Board Governance Manual. The Board asked staff to make several amendments to the Strategic Plan for the Board to consider at a future Board Meeting. The Board asked staff to have District Counsel clarify the timing of the Oath of Office for newly elected or appointed Board members and the transition to taking their position at their first Board Meeting.

Action Item:

- Make several amendments to the Strategic Plan for the Board to consider at a future Board Meeting.
- Have District Counsel clarify the timing of the Oath of Office for newly elected or appointed Board members and the transition to taking their position at their first Board Meeting.

STEGE SANITARY DISTRICT

STRATEGIC PLAN



MARCH 2024

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STEGE SANITARY DISTRICT STRATEGIC PLAN

I. MISSION

To protect public health and the environment for the communities we serve through planning and operation of a safe, efficient, and economical wastewater collection system.

II. VISION

The District will continue to:

- a. Protect public health and the environment
- b. Meet all legal and regulatory requirements
- c. Work in a safe and efficient manner
- d. Provide excellent customer service
- e. Employ our proactive asset management methods to provide a sustainably reliable collection system and reduce sewer system overflows (SSOs)
- f. Utilize a Pay-as-you-go (PayGo) with existing funds rather than borrowed financial policy for maintenance and construction including prudent, justifiable reserves
- g. Manage resources to accomplish our mission while maintaining an affordable and reasonable rate structure
- h. Provide a safe, enjoyable, and rewarding work environment that recognizes the worth and value of our employees
- i. Use governance and transparency practices that qualify for the Special District Leadership Foundation District of Distinction Accreditation and the District Transparency Certificate of Excellence
- j. Anticipate and plan for future changes particularly climate change
- k. Keep customers informed through newsletters, public appearances, website, and other appropriate outreach

III. VALUES

The District will adhere to the following set of core values in all aspects of operations:

- a. Safety
- b. Fiscal Responsibility
- c. Fairness

- d. Ethical and Transparent Governance
- e. Professional Excellence
- f. Education and Training
- g. Appropriate, Safe and Secure Up-To-Date Technology and Equipment
- h. Continued Improvement
- i. Sustainable Environmental Practices (Reduce, Reuse, Recycle)

IV. GOALS/OBJECTIVES & WORK PLAN

1. Comply with State and Federal Regulations
 - a. Meet United States Environmental Protection Agency Consent Decree requirements including submittal of an Annual Report by September 30th of each year
 - b. Meet State of California Wastewater Discharge Requirements (WDR) requirements including electronic reporting of Sanitary Sewer Overflows (SSOs)
 - c. Meet Regional Water Quality Control Board (Region 2) Sewer System Management Plan (SSMP) requirements including a documented self-audit every 3 years
 - d. Complete a comprehensive legal review and update of the District's Ordinance Code by June 2028 and at least every ten (10) years thereafter
 - e. Maintain a safety sensitive commercial driver program which includes a substance abuse policy for all employees who are required to possess a class B license
 - f. Work with professional associations such as CWEA, CASA, CSDA and BACWA that monitor and advocate on behalf of wastewater agencies before state and federal regulators on pending and proposed legislation or regulations
2. Maintain and Improve Infrastructure
 - a. Perform proactive maintenance and assessment of the sewer system through cleaning, CCTV inspection, and chemical root control to eliminate "preventable" SSOs
 - b. Update and implement sewer system master plan to prioritize sewer replacement, funding, and maintain a sewer system life cycle of 60+ years by June 2025 and at least every two (2) years thereafter
 - c. Update and maintain the District's Asset Management and Data Collections Program which includes the Geographic Information System (GIS) and Computerized Maintenance Management System (CMMS)
 - d. Work with the Regional Private Sewer Lateral (PSL) and Regional Technical Support Program (RTSP) to facilitate property owner replacement of leaky laterals and elimination of cross connections including promoting participation in the District's PSL Loan Program
 - e. Conduct risk assessments for ~~cyber security and~~ natural disasters by June 2025 and

at least every five (5) years thereafter

f. Conduct risk assessments for cyber security by June 2025 and at least every five (5) years thereafter

f.g. Conduct risk assessments for pump stations, force mains, and siphon by June 2025 and at least every five (5) years thereafter

g.h. Work with local agencies to develop growth strategies that ensure necessary sewer collection infrastructure is prudently funded and installed

h.i. Annually review the District's Emergency Management Plan

3. Ensure Financial Stability and Efficiency

a. Annually review the Sewer Service Charge

b. Conduct a Financial Plan and Rate Study by June 2024 and at least every five (5) years thereafter

c. Annually develop and implement a financial budget by June of each year

d. Annually undertake an independent financial audit by December of each year

e. Change auditors by June 2023 and at least every five (5) years thereafter

f. Annually review the District's Connection Charge by January of each year

g. Annually review the District's Long Term Financial Plan by June of each year

h. Annually review the District's Working Capital and Reserve Policy by June of each year

i. Annually review the District's Investment Policy by July of each year

j. Conduct a retiree medical actuarial evaluation by March of every even year

k. Annually compare service rates with East Bay agencies by January of each year

l. Monthly Board review of financial statements

m. Annually review the District's San Pablo Avenue Specific Plan Impact Fee by June of each year

4. Provide a Safe and Rewarding Work Environment that Recognizes the Worth and Value of Employees

a. Provide employees with the proper tools, resources, and technology necessary to perform their duties safely, effectively, and efficiently

b. Annually review employee salary and benefits by July of each year and conduct a survey vs. comparable agencies by June 2025 and at least every five (5) years thereafter

c. Encourage employee participation in professional organizations

d. Provide effective training, professional development, and quality educational opportunities at District expense to promote professional development and certification

e. Provide a flexible work schedule as a benefit for employees to support employee

- morale, retention, and recruitment
 - f. Provide an incentive award program and safety awards to recognize employee achievements
 - g. Maintain a succession plan that will identify and cross-train back-up staff to mitigate the extended absence, loss, or retirement of key employees and maintain institutional and technical knowledge
 - h. Provide a safety and wellness program that promotes a safe work environment and good health
5. Maintain and Improve Community Outreach and Communication
- a. Keep the District website updated with current information that maintains a high level of transparency and accessibility for the public
 - b. Publish the Endeavor Newsletter twice a year, mail to every District resident, and provide copies to service area libraries, community centers, senior centers, cafés, coffee shops, donut shops, & waiting rooms
 - c. Maintain a 24-hour “live” person contact phone number
 - d. Send a customer service satisfaction survey after each service call to track fulfillment of expectations
 - e. Participate in community events such as the 4th of July Fair
 - f. Provide educational pamphlets, door hangers, and notices, such as Proposition 218 notices, to inform the public of rate changes, proper disposal of “flushable” wipes & other non-flushables, Fats, Oils & Grease (FOG) disposal, Underground Service Alert (USA) damage prevention services, backflow prevention device (BPD) installation and maintenance, actions that can help prevent SSOs, construction notices, new owner information packets, and the Private Sewer Lateral (PSL) Replacement Loan Program:
 - g. Work cooperatively with other agencies within and around our service area
 - h. Maintain a presence on social media and online communities such as Facebook, Twitter, Nextdoor, and Yelp
 - i. Maintain governance and transparency practices that qualify for the Special District Leadership Foundation District of Distinction Accreditation and the District Transparency Certificate of Excellence
6. Improve Environmental Stewardship
- a. Consider environmental factors in product and service acquisitions, such as electric vehicles, as prescribed in the District’s Environmentally Preferable Procurement Policy
 - b. Consider energy efficient products when planning administrative building retrofits such as solar panels, localized energy microgrids, LED lights, and HVAC heat pump

technology

b.c. Consider the impacts of climate change and take appropriate action to understand, mitigate, and adapt to those impacts through sustainable activities that manage long-term economic, environmental, and human resource benefits

**STEGE SANITARY DISTRICT
CLIMATE CHANGE IMPACT POLICY
MARCH 2022**

The Stege Sanitary District (District) recognizes that climate change will result in increased climate variability and intensity as well as groundwater and sea level rise within the District service area. Furthermore, the District recognizes that these changes impact District infrastructure, operations, and the community.

POLICY

To consider the impacts of climate change in District policies, procedures, projects, and work practices by taking appropriate action to understand, mitigate, and adapt to the impacts through sustainable activities that manage long-term economic, environmental, and human resource benefits, as follows:

- Monitor climate science and identify the potential impacts to the District
- Plan for climate change by applying the best available science to understand climate risks and implement adaptation and mitigation strategies to improve resilience
- Integrate climate science into planning, design, construction, operations, and maintenance activities
- Reduce greenhouse gas (GHG) emissions consistent with the District's Environmental Preferable Procurement Policy
- Support global, federal, state, and regional action to respond to the impacts of climate change
- Support appropriate legislation and regulations to fund and mitigate climate change impacts and promote collaborative adaptation measures
- Collaborate with other public agencies, utilities, regulators, and communities to develop sustainable solutions in support of addressing climate change
- Educate communities and employees on the impacts of climate change

[OTHERS TO CONSIDER]

- *Recognize the authority to consider environmental, social, and governance factors in the portfolio management of the District's investments to address sustainability and evaluate climate change exposure*
- *Consider solutions that address disproportionate impacts in historically marginalized neighborhoods or populations*

Diversity, Equity, and Inclusion (DEI) Training and Education Opportunities



**California Special
Districts Association**
Districts Stronger Together

ON-DEMAND WEBINAR: Gender Identity and Expression in the Workplace

Presenter: Andrew Aller, Atkinson, Andelson, Loya, Ruud & Romo

Today's employees are more knowledgeable than ever with respect to both their rights and an employer's obligations in the workplace. Employees do not hesitate to express themselves on an individual and collective basis. This session features a thoughtful discussion concerning employee expression, particularly regarding gender identity and orientation.

Duration: 1 hour

Free CSDA Member
\$100 Non-member



**California Special
Districts Association**
Districts Stronger Together

ONLINE WEBINAR: The Role of Technology in DEI

When: Dec 3, 2024 from 10:00 AM to 12:00 PM (PT)

The Role of Technology in Diversity, Equity, and Inclusion

Presenter: Neena Kovuru, Ultimate Kronos Group (UKG)

How can technology be a catalyst for DEI efforts and help an organization to be diverse, equitable and inclusive? Join us for best practices and practical steps you can use at your district now.

10:00 a.m. - 12:00 p.m.

Free CSDA Member
\$110 Non-member

Compliant Laterals Count by Year

Year	# Compliant Laterals	% of Total Laterals
1998	2	0.0%
1999	5	0.0%
2000	13	0.1%
2001	85	0.7%
2002	86	0.7%
2003	115	0.9%
2004	104	0.8%
2005*	283	2.2%
2006	438	3.4%
2007	464	3.6%
2008	355	2.8%
2009	381	3.0%
2010	319	2.5%
2011**	269	2.1%
2012	289	2.3%
2013	377	3.0%
2014	356	2.8%
2015	341	2.7%
2016	270	2.1%
2017	253	2.0%
2018	283	2.2%
2019	262	2.1%
2020	225	1.8%
2021	344	2.7%
2022	285	2.2%
2023	222	1.7%
2024	43	0.3%
TOTAL	6469	50.6%

AVG (>2005) 317 2.5%

* SSD PSL Ordinance Begins

** EBMUD Regional PSL Ordinance Begins

Rehabilitated/Replaced Main Sewers by Year

Year	# Lines	Footage	% of Total Footage
1986	109	13,392	1.7%
1987	28	5,608	0.7%
1989	37	6,969	0.9%
1990	3	212	0.0%
1991	51	8,599	1.1%
1992	37	8,393	1.1%
1994	2	95	0.0%
1995	21	2,943	0.4%
1996	1	163	0.0%
1997	21	3,532	0.5%
1998	2	415	0.1%
1999	52	8,232	1.1%
2000	2	425	0.1%
2001	108	22,388	2.9%
2002	19	1,683	0.2%
2003	4	416	0.1%
2004	86	13,642	1.7%
2005	47	11,146	1.4%
2006	59	11,499	1.5%
2007	32	7,127	0.9%
2008	37	8,846	1.1%
2009	51	9,737	1.2%
2010	15	3,713	0.5%
2011	20	4,822	0.6%
2012	34	6,669	0.9%
2013	30	6,784	0.9%
2014***	59	10,744	1.4%
2015	59	10,730	1.4%
2016	62	11,606	1.5%
2017	36	7,671	1.0%
2018	48	10,125	1.3%
2019	72	14,685	1.9%
2020	40	6,508	0.8%
2021	89	20,139	2.6%
2022	58	12,722	1.6%
2023	74	14,166	1.8%
TOTAL	1505	286,546	36.7%

AVG (>2014) 60 11,910 1.5%

*** CD Effective Date

**SUMMARY OF BOARD OF DIRECTORS
TRAINING DUE DATES**

DUE DATES	Governance Training 6 hrs. every 5 years	AB 1234 Ethics Training 2 hrs. every 2 years	AB 1825 Harassment Prevention Training 2 hrs. every 2 years
Tessa Beach	8/2028	9/2024	9/2025
Juliet Christian-Smith	8/2025	9/2024	8/2023
Paul Gilbert-Snyder	8/2028	9/2024	9/2025
Dwight Merrill	3/2024	9/2024	9/2025
Bea O'Keefe	3/2024	9/2024	9/2025

**Highlighted dates are due now (or w/in 90 days)*

**CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST (CERBT)
CONTRIBUTION/DISBURSEMENT**

ISSUE:

The Board will consider making a transaction to/from the California Employers' Retiree Benefit Trust (CERBT) for Fiscal Year 2023-24.

FISCAL IMPACT:

From the Actuarial Analysis of Retiree Health Benefits for Fiscal Year-End June 30, 2024, the Annual Required Contribution (ARC) for Fiscal Year 2023-24 is \$21,746. The total amount of retiree medical payments for the 6 existing retirees is projected to be \$23,363 (*12 mos. @\$324.48*). The fiscal impact could be a disbursement of the difference of \$1,617 from the CERBT fund.

STRATEGIC PLAN:

GOAL 3: Ensure Financial Stability and Efficiency

WORK PLAN ITEM "m": Establish and follow a plan to fully fund retirement liabilities

BACKGROUND:

The California Employers' Retiree Benefit Trust (CERBT) is a low cost Section 115 trust fund dedicated to prefunding Other Post-Employment Benefits (OPEB) such as retiree health care obligations. The employer controlled contributions and investment earnings are to be used solely to pay for retiree benefits and to reduce OPEB liabilities reported on annual financial statements.

In October 2010, the Board decided to deposit \$115,950, one-half of the Unfunded Accrued Liability (UAL) at the time, into the CERBT fund. In 2012, instead of contributing the remaining half of the UAL into the CERBT fund, the Board decided to pay retiree medical payments directly and contribute the excess portion of the Annual Required Contribution (ARC) into the CERBT Fund.

Since then, each year the retiree medical payments were *less* than the ARC, the payments were made directly and the excess ARC amount was contributed into the CERBT fund. For the years that retiree medical payments were *more* than the ARC, payments were made directly without receiving a disbursement from the CERBT fund to cover the difference.

For the current FY 2023-24, retiree medical payments (\$23,363) are more than the ARC (\$21,746). Therefore, as done previously, the Board has the opportunity to pay retiree medical payments and receive a disbursement from the CERBT fund to cover the difference (\$1,617) from the CERBT Fund.

RECOMMENDATION:

As done in previous years, pay retiree medical payments directly without receiving a disbursement from the CERBT fund.

ALTERNATIVE:

1. Pay retiree medical payments directly, and take a disbursement from the CERBT Fund of \$1,617, and slightly increase the OPEB liabilities reported on the District's annual financial statements.
2. Take a disbursement of \$23,363 from the CERBT Fund to fund the full amount of retiree medical payments, and increase the OPEB liabilities reported on the District's annual financial statements.
3. Pay retiree medical payments directly, and make a contribution into the CERBT Fund, and decrease the OPEB liabilities reported on the District's annual financial statements.

ATTACHMENTS:

- Actuarial Analysis of Retiree Health Benefits for Fiscal Year-End June 30, 2024
- CERBT Quarterly Statement ending December 31, 2023

**Stege Sanitary District
Actuarial Study of
Retiree Health Liabilities Under GASB 74/75
Roll-forward Valuation
Valuation Date: June 30, 2022
Measurement Date: June 30, 2023
For Fiscal Year-End: June 30, 2024**

*Prepared by:
Total Compensation Systems, Inc.*

Date: February 21, 2024

DRAFT

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**Stege Sanitary District
Actuarial Study of Retiree Health Liabilities**

PART I: EXECUTIVE SUMMARY

A. Introduction

This report was produced by Total Compensation Systems, Inc. for Stege Sanitary District to determine the liabilities associated with its current retiree health program as of a June 30, 2023 measurement date and to provide the necessary information to determine accounting entries for the fiscal year ending June 30, 2024. This report may not be suitable for other purposes such as determining employer contributions or assessing the potential impact of changes in plan design.

Different users of this report will likely be interested in different sections of information contained within. We anticipate that the following portions may be of most interest depending on the reader:

- A high level comparison of key results from the current year to the prior year is shown on this page.
- The values we anticipate will be disclosed in the June 30, 2024 year-end financials are shown on pages 2 and 3.
- Additional accounting information is shown on page 12 and Appendices C and D.
- Description and details of measured valuation liabilities can be found beginning on page 10.
- Guidance regarding the next actuarial valuation for the June 30, 2024 measurement date is provided on page 13.

B. Key Results

Stege Sanitary District uses an Actuarial Measurement Date that is 12 months prior to its Fiscal Year-End. This means that these actuarial results measured as of June 30, 2023 will be used on a look back basis for the June 30, 2024 Fiscal Year-End.

Key Results	Current Year	Prior Year
	<i>June 30, 2023 Measurement Date for June 30, 2024 Fiscal Year-End</i>	<i>June 30, 2022 Measurement Date for June 30, 2023 Fiscal Year-End</i>
Total OPEB Liability (TOL)	\$596,381	\$563,890
Fiduciary Net Position (FNP)	\$276,767	\$257,460
Net OPEB Liability (NOL)	\$319,614	\$306,430
Service Cost (for year following)	\$15,248	\$14,840
Estimated Pay-as-you-go Cost (for year following)	\$21,742	\$20,230
GASB 75 OPEB Expense (for year ending)	\$34,956	\$33,794

Refer to results section beginning on page 10 or the glossary on page 27 for descriptions of the above items.

Key Assumptions	Current Year	Prior Year
	<i>June 30, 2023 Measurement Date for June 30, 2024 Fiscal Year-End</i>	<i>June 30, 2022 Measurement Date for June 30, 2023 Fiscal Year-End</i>
Valuation Interest Rate	6.75%	6.75%
Expected Rate of Return on Assets	6.75%	6.75%
Long-Term Medical Trend Rate	4.00%	4.00%
Projected Payroll Growth	2.75%	2.75%

Total Compensation Systems, Inc.

The following table shows the “pay as you go” projection of annual payments for the employer share of retiree health costs. Although actual payments are certain to vary from those shown below, these projections can be useful for planning purposes. See page 11 for amounts below broken out by employee classification, if applicable.

<i>Year Beginning July 1</i>	<i>Projected Benefit Payments</i>
2022	\$20,230
2023	\$21,746
2024	\$23,417
2025	\$25,131
2026	\$27,215
2027	\$29,088
2028	\$31,206
2029	\$33,606
2030	\$36,067
2031	\$39,404

C. Summary of GASB 75 Accounting Results

1. Changes in Net OPEB Liability

The following table shows the reconciliation of the June 30, 2022 Net OPEB Liability (NOL) in the prior valuation to the June 30, 2023 NOL. A more detailed version of this table can be found on page 12.

	<i>TOL</i>	<i>FNP</i>	<i>NOL</i>
Balance at June 30, 2022 Measurement Date	\$563,890	\$257,460	\$306,430
Service Cost	\$14,840	\$0	\$14,840
Interest on TOL / Return on FNP	\$37,881	\$16,530	\$21,351
Employer Contributions	\$0	\$22,404	(\$22,404)
Benefit Payments	(\$19,552)	(\$19,552)	\$0
Administrative Expenses	\$0	(\$75)	\$75
Experience (Gains)/Losses	(\$678)	\$0	(\$678)
Changes in Assumptions	\$0	\$0	\$0
Other	\$0	\$0	\$0
Net Change	\$32,491	\$19,307	\$13,184
Actual Balance at June 30, 2023 Measurement Date	\$596,381	\$276,767	\$319,614

Total Compensation Systems, Inc.

2. Deferred Inflows and Outflows

Changes in the NOL arising from certain sources are recognized on a deferred basis. The following tables show the balance of each deferral item as of the measurement date and the scheduled future recognition. A reconciliation of these balances can be found on page 12 while the complete deferral history is shown beginning on page 24.

Balances at June 30, 2024 Fiscal Year-End	<i>Deferred Outflows</i>	<i>Deferred Inflows</i>
Differences between expected and actual experience	\$4,572	(\$55,983)
Changes in assumptions	\$23,701	(\$719)
Differences between projected and actual return on assets	\$19,172	\$0
Total	\$47,445	(\$56,702)

To be recognized fiscal year ending June 30:	<i>Deferred Outflows</i>	<i>Deferred Inflows</i>
2025	\$9,407	(\$10,127)
2026	\$7,852	(\$10,127)
2027	\$17,375	(\$10,127)
2028	\$5,245	(\$10,127)
2029	\$4,650	(\$10,096)
Thereafter	\$2,916	(\$6,098)
Total	\$47,445	(\$56,702)

3. OPEB Expense

Under GASB 74 and 75, OPEB expense includes service cost, interest cost, administrative expenses, and change in TOL due to plan changes, adjusted for deferred inflows and outflows. OPEB expense can also be derived as change in net position, adjusted for employer contributions, which can be found on page 12.

To be recognized fiscal year ending June 30, 2024	<i>Expense Component</i>
Service Cost	\$14,840
Interest Cost	\$37,881
Expected Return on Assets	(\$17,472)
Administrative Expenses	\$75
Recognition of Experience (Gain)/Loss Deferrals	(\$8,918)
Recognition of Assumption Change Deferrals	\$4,007
Recognition of Investment (Gain)/Loss Deferrals	\$4,543
Employee Contributions	\$0
Changes in Benefit Terms	\$0
Net OPEB Expense for fiscal year ending June 30, 2024	\$34,956

4. Adjustments

The above OPEB expense includes all deferred inflows and outflows except any contributions after the measurement date. Contributions from July 1, 2023 to June 30, 2024 minus prior contributions after the measurement date of \$22,404 should also be reflected in OPEB expense. June 30, 2024 deferred outflows should include contributions from July 1, 2023 to June 30, 2024.

5. Trend and Interest Rate Sensitivities

The following presents what the Net OPEB Liability would be if it were calculated using a discount rate assumption or a healthcare trend rate assumption one percent higher or lower than the current assumption.

Net OPEB Liability at June 30, 2023 Measurement Date	<i>Discount Rate</i>	<i>Healthcare Trend Rate</i>
1% Decrease in Assumption	\$405,429	\$234,074
Current Assumption	\$319,614	\$319,614
1% Increase in Assumption	\$249,126	\$426,604

Total Compensation Systems, Inc.

D. Description of Retiree Benefits

Following is a description of the current retiree benefit plan.

	<i>All Participants</i>
Benefit types provided	Medical only
Duration of Benefits	Lifetime
Required Service	CalPERS Retirement
Minimum Age	CalPERS Retirement
Dependent Coverage	Spouse only
District Contribution %	100% of cap
District Cap	\$324.48 in 2023

E. Summary of Valuation Data

Because this is a roll-forward valuation, this report is based on census data previously provided to us as of June, 2022 for the June 30, 2022 full valuation. Distributions of participants by age and service can be found on page 18. For non-lifetime benefits, the active count below excludes employees for whom it was not possible to receive retiree benefits (e.g. employees who were already older than the maximum age to which benefits are payable or who will not accrue the required service prior to reaching the maximum age).

	Valuation Year
	<i>June 30, 2022 Valuation Date</i>
	<i>June 30, 2023 Measurement Date</i>
Active Employees eligible for future benefits	
Count	10
Average Age	47.8
Average Years of Service	14.2
Retirees currently receiving benefits	
Count	6
Average Age	72.3

We were not provided with information about any terminated, vested employees.

Total Compensation Systems, Inc.

F. Certification

The actuarial information in this report is intended solely to assist Stege Sanitary District in complying with Governmental Accounting Standards Board Accounting Statement 74 and 75 and, unless otherwise stated, fully and fairly discloses actuarial information required for compliance. Nothing in this report should be construed as an accounting opinion, accounting advice or legal advice. TCS recommends that third parties retain their own actuary or other qualified professionals when reviewing this report. TCS's work is prepared solely for the use and benefit of Stege Sanitary District. Release of this report may be subject to provisions of the Agreement between Stege Sanitary District and TCS. No third party recipient of this report product should rely on the report for any purpose other than accounting compliance. Any other use of this report is unauthorized without first consulting with TCS.

This report is for fiscal year July 1, 2023 to June 30, 2024, using a measurement date of June 30, 2023. The calculations in this report have been made based on our understanding of plan provisions and actual practice at the time we were provided the required information. We relied on information provided by Stege Sanitary District. Much or all of this information was unaudited at the time of our evaluation. We reviewed the information provided for reasonableness, but this review should not be viewed as fulfilling any audit requirements. We relied on the following materials to complete this study:

- We used paper reports and digital files containing participant demographic data from the District personnel records.
- We used benefit descriptions provided by the District.

All costs, liabilities, and other estimates are based on actuarial assumptions and methods that comply with all applicable Actuarial Standards of Practice (ASOPs). Each assumption is deemed to be reasonable by itself, taking into account plan experience and reasonable future expectations and in combination represent our estimate of anticipated experience of the Plan.

This report contains estimates of the Plan's financial condition and future results only as of a single date. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. This valuation cannot predict the Plan's future condition nor guarantee its future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. Determining results using alternative assumptions (except for the alternate discount and trend rates shown in this report) is outside the scope of our engagement.

Future actuarial measurements may differ significantly from those presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the measurement methodology (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. We were not asked to perform analyses to estimate the potential range of such future measurements.

The signing actuary is independent of Stege Sanitary District and any plan sponsor. TCS does not intend to benefit from and assumes no duty or liability to other parties who receive this report. TCS is not aware of any relationship that would impair the objectivity of the opinion.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, this report is complete and has been prepared in accordance with generally accepted actuarial principles and practices and all applicable Actuarial Standards of Practice. I meet the Qualifications Standards of the American Academy of

Total Compensation Systems, Inc.

Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Geoffrey L. Kischuk
Actuary
Total Compensation Systems, Inc.
(805) 496-1700

PART II: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction.

We calculated the actuarial present value of projected benefit payments (APVPBP) separately for each participant. We determined eligibility for retiree benefits based on information supplied by Stege Sanitary District. We then selected assumptions that, based on plan provisions and our training and experience, represent our best prediction of future plan experience. For each participant, we applied the appropriate assumption factors based on the participant's age, sex, length of service, and employee classification.

The actuarial assumptions used for this study are summarized beginning on page 14.

B. Liability for Retiree Benefits.

For each participant, we projected future premium costs using an assumed trend rate (see Appendix C). To the extent Stege Sanitary District uses contribution caps, the influence of the trend factor is further reduced. We multiplied each future year's benefit payments by the probability that benefits will be paid; i.e. based on the probability that the participant is living, has not terminated employment, has retired and remains eligible. The probability that benefit will be paid in any future year is zero if the participant will not be eligible. The participant will not be eligible if s/he will not have met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's benefit payments and the probability the benefit will be paid equals the expected cost for that year. We multiplied the above expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan. Finally, we discounted the expected cost for each year to the measurement date June 30, 2023 at 6.75% interest.

For any *current retirees*, the approach used was similar. The major difference is that the probability of payment for current retirees depends only on mortality and age restrictions (i.e. for retired employees the probability of being retired and of not being terminated are always both 100%).

The value generated from the process described above is called the actuarial present value of projected benefit payments (APVPBP). We added APVPBP for each participant to get the total APVPBP for all participants which is the estimated present value of all future retiree health benefits for all **current** participants. The APVPBP is the amount on June 30, 2023 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last participant dies or reaches the maximum eligibility age. However, for most actuarial and accounting purposes, the APVPBP is not used directly but is instead apportioned over the lifetime of each participant as described in the following sections.

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C. Actuarial Accrual

Accounting principles provide that the cost of retiree benefits should be “accrued” over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in June of 2015 Accounting Standards 74 and 75 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees), whether they pay directly or indirectly (via an “implicit rate subsidy”).

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an “actuarial cost method” and uses the APVPBP to develop expense and liability figures. Furthermore, the APVPBP should be accrued over the working lifetime of employees.

In order to accrue the APVPBP over the working lifetime of employees, actuarial cost methods apportion the APVPBP into two parts: the portions attributable to service rendered prior to the measurement date (the past service liability or Total OPEB Liability (TOL) under GASB 74 and 75) and to service after the measurement date but prior to retirement (the future service liability or present value of future service costs). Of the future service liability, the portion attributable to the single year immediately following the measurement date is known as the normal cost or Service Cost under GASB 74 and 75.

The service cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. The actuarial cost method mandated by GASB 75 is the “entry age actuarial cost method”. Under the entry age actuarial cost method, the actuary determines the service cost as the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. Under GASB 75, the service cost is calculated to be a level percentage of each employee’s projected pay.

D. Actuarial Assumptions

The APVPBP and service cost are determined using several key assumptions:

- The current ***cost of retiree health benefits*** (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the service cost.
- The ***“trend” rate*** at which retiree health benefits are expected to increase over time. A higher trend rate increases the service cost. A “cap” on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing service costs.
- ***Mortality rates*** varying by age and sex (and sometimes retirement or disability status). If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.
- ***Employment termination rates*** have the same effect as mortality inasmuch as higher termination rates reduce service costs. Employment termination can vary considerably between public agencies.
- The ***service requirement*** reflects years of service required to earn full or partial retiree benefits. While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

Total Compensation Systems, Inc.

- **Retirement rates** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase service costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.
- **Participation rates** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.
- The **discount rate** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the **real** rate of return expected for plan assets plus the long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 year General Obligation municipal bonds rated AA or higher. For partially funded plans, the discount rate is a blend of the funded and unfunded rates.

E. Total OPEB Liability

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. If all actuarial assumptions are exactly met and an employer expensed the service cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the Total OPEB Liability (TOL). The excess of TOL over the value of plan assets is called the Net OPEB Liability (NOL). Under GASB 74 and 75, in order for assets to count toward offsetting the TOL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

Changes in the TOL can arise in several ways - e.g., as a result of plan changes or changes in actuarial assumptions. Change in the TOL can also arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience. GASB 75 allows certain changes in the TOL to be deferred (i.e. deferred inflows and outflows of resources).

Under GASB 74 and 75, a portion of actuarial gains and losses can be deferred as follows:

- Investment gains and losses are deferred five years.
- Experience gains and losses are deferred over the Expected Average Remaining Service Lives (EARSL) of plan participants. In calculating the EARSL, terminated employees (primarily retirees) are considered to have a working lifetime of zero. This often makes the EARSL quite short.
- Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the EARSL.
- Liability changes resulting from plan changes, for example, cannot be deferred.

Total Compensation Systems, Inc.

F. Valuation Results

This section details the measured values of the concepts described on the previous pages. Because this is a roll-forward valuation, the results shown in this section do not match the overall results as of the measurement date.

1. Actuarial Present Value of Projected Benefit Payments (APVPBP)

Actuarial Present Value of Projected Benefit Payments as of June 30, 2022 Valuation Date

	<u>Total</u>
Active: Pre-65 Benefit	\$93,519
Post-65 Benefit	<u>\$325,275</u>
Subtotal	\$418,794
Retiree: Pre-65 Benefit	\$16,481
Post-65 Benefit	<u>\$246,041</u>
Subtotal	\$262,522
Grand Total	<u>\$681,316</u>
Subtotal Pre-65 Benefit	\$110,000
Subtotal Post-65 Benefit	<u>\$571,316</u>

2. Service Cost

The service cost represents the value of the benefit earned during a single year of employment. It is the APVPBP spread over the expected working lifetime of the employee and divided into annual segments. We applied an "entry age" actuarial cost method to determine funding rates for active employees. The table below summarizes the calculated service cost.

Service Cost Valuation Year Beginning July 1, 2022

	<u>Total</u>
# of Eligible Employees	10
First Year Service Cost	
Pre-65 Benefit	\$2,680
Post-65 Benefit	<u>\$12,160</u>
Total	<u>\$14,840</u>

Accruing retiree health benefit costs using service costs levels out the cost of retiree health benefits over time and more fairly reflects the value of benefits "earned" each year by employees. While the service cost for each employee is targeted to remain level as a percentage of covered payroll, the service cost as a dollar amount would increase each year based on covered payroll. Additionally, the overall service cost may grow or shrink based on changes in the demographic makeup of the employees from year to year.

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3. Total OPEB Liability and Net OPEB Liability

If actuarial assumptions are borne out by experience, the District will fully accrue retiree benefits by expensing an amount each year that equals the service cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the Total OPEB Liability. We calculated the Total OPEB Liability (TOL) as the APVPBP minus the present value of future service costs. To the extent that benefits are funded through a GASB 74 qualifying trust, the trust's Fiduciary Net Position (FNP) is subtracted to get the NOL. The FNP is the value of assets adjusted for any applicable payables and receivables as shown in the table on page 15.

Total OPEB Liability and Net OPEB Liability as of June 30, 2022 Valuation Date

	<i>Total</i>
Active: Pre-65 Benefit	\$68,464
Active: Post-65 Benefit	\$232,867
Subtotal	\$301,331
Retiree: Pre-65 Benefit	\$16,484
Retiree: Post-65 Benefit	\$246,075
Subtotal	\$262,559
Subtotal: Pre-65 Benefit	\$84,948
Subtotal: Post-65 Benefit	\$478,942
Total OPEB Liability (TOL)	\$563,890
Fiduciary Net Position as of June 30, 2022	\$257,460
Net OPEB Liability (NOL)	\$306,430

4. "Pay As You Go" Projection of Retiree Benefit Payments

We used the actuarial assumptions shown in Appendix C to project the District's ten year retiree benefit outlay. Because these cost estimates reflect average assumptions applied to a relatively small number of participants, estimates for individual years are **certain** to be *in*accurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District's share of retiree health costs.

<i>Year Beginning</i>	
<i>July 1</i>	<i>Total</i>
2022	\$20,230
2023	\$21,746
2024	\$23,417
2025	\$25,131
2026	\$27,215
2027	\$29,088
2028	\$31,206
2029	\$33,606
2030	\$36,067
2031	\$39,404

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G. Additional Reconciliation of GASB 75 Results

The following table shows the reconciliation of the June 30, 2022 Net OPEB Liability (NOL) in the prior valuation to the June 30, 2023 NOL. For some plans, it will provide additional detail and transparency beyond that shown in the table on Page 2.

	<i>TOL</i>	<i>FNP</i>	<i>NOL</i>
Balance at June 30, 2022	\$563,890	\$257,460	\$306,430
Service Cost	\$14,840	\$0	\$14,840
Interest on Total OPEB Liability	\$37,881	\$0	\$37,881
Expected Investment Income	\$0	\$17,472	(\$17,472)
Administrative Expenses	\$0	(\$75)	\$75
Employee Contributions	\$0	\$0	\$0
Employer Contributions to Trust	\$0	\$2,852	(\$2,852)
Employer Contributions as Benefit Payments	\$0	\$19,552	(\$19,552)
Actual Benefit Payments from Trust	\$0	\$0	\$0
Actual Benefit Payments from Employer	(\$19,552)	(\$19,552)	\$0
Expected Minus Actual Benefit Payments**	(\$678)	\$0	(\$678)
Expected Balance at June 30, 2023	\$596,381	\$277,709	\$318,672
Experience (Gains)/Losses	\$0	\$0	\$0
Changes in Assumptions	\$0	\$0	\$0
Changes in Benefit Terms	\$0	\$0	\$0
Investment Gains/(Losses)	\$0	(\$942)	\$942
Other	\$0	\$0	\$0
Net Change during 2023	\$32,491	\$19,307	\$13,184
Actual Balance at June 30, 2023*	\$596,381	\$276,767	\$319,614

* May include a slight rounding error.

** Deferrable as an Experience Gain or Loss.

Changes in the NOL arising from certain sources are recognized on a deferred basis. The deferral history for Stege Sanitary District is shown beginning on page 24. The following table summarizes the beginning and ending balances for each deferral item. The current year expense reflects the change in deferral balances for the measurement year.

Deferred Inflow/Outflow Balances Fiscal Year Ending June 30, 2024

	<i>Beginning Balance</i>	<i>Change Due to New Deferrals</i>	<i>Change Due to Recognition</i>	<i>Ending Balance</i>
Experience (Gains)/Losses	(\$59,651)	(\$678)	\$8,918	(\$51,411)
Assumption Changes	\$26,989	\$0	(\$4,007)	\$22,982
Investment (Gains)/Losses	\$22,773	\$942	(\$4,543)	\$19,172
Deferred Balances	(\$9,889)	\$264	\$368	(\$9,257)

The following table shows the reconciliation of Net Position (NOL less the balance of any deferred inflows or outflows). When adjusted for contributions, the change in Net Position is equal to the OPEB expense shown previously on page 3.

Preliminary OPEB Expense Fiscal Year Ending June 30, 2024

	<i>Beginning Net Position</i>	<i>Ending Net Position</i>	<i>Change</i>
Net OPEB Liability (NOL)	\$306,430	\$319,614	\$13,184
Deferred Balances	(\$9,889)	(\$9,257)	\$632
Net Position	\$316,319	\$328,871	\$12,552
Adjust Out Employer Contributions			\$22,404
OPEB Expense			\$34,956

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H. Procedures for Future Valuations

GASB 74/75 require annual measurements of liability with a full actuarial valuation required every two years. This means that for the measurement date one year following a full actuarial valuation, a streamlined “roll-forward” valuation may be performed in place of a full valuation. The following outlines the key differences between full and roll-forward valuations.

	Full Actuarial Valuation	Roll-Forward Valuation
Collect New Census Data	Yes	No
Reflect Updates to Plan Design	Yes	No
Update Actuarial Assumptions	Yes	Typically Not
Update Valuation Interest Rate	Yes	Yes
Actual Assets as of Measurement Date	Yes	Yes
Timing	4-6 weeks after information is received	1-2 weeks after information is received
Fees	Full	Reduced
Information Needed from Employer	Moderate	Minimal
Required Frequency	At least every two years	Each year, unless a full valuation is performed

The majority of employers use an alternating cycle of a full valuation one year followed by a roll-forward valuation the next year. However, a full valuation may be required or preferred under certain circumstances. Following are examples of actions that could cause the employer to consider a full valuation instead of a roll-forward valuation.

- The employer adds or terminates a group of participants that constitutes a significant part of the covered group.
- The employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- The employer considers or puts in place an early retirement incentive program.
- The employer desires the measured liability to incorporate more recent census data or assumptions.

We anticipate that the next valuation we perform for Stege Sanitary District will be a full valuation with a measurement date of June 30, 2024 which will be used for the fiscal year ending June 30, 2025.

PART III: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for Stege Sanitary District to understand that the appropriateness of all selected actuarial assumptions and methods are Stege Sanitary District's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 74 and 75, applicable actuarial standards of practice, Stege Sanitary District's actual historical experience, and TCS's judgment based on experience and training.

A. ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: GASB 74 and 75 require use of the entry age actuarial cost method.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The APVPBP and present value of future service costs are determined on a participant by participant basis and then aggregated.

SUBSTANTIVE PLAN: As required under GASB 74 and 75, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Stege Sanitary District regarding practices with respect to employer and employee contributions and other relevant factors.

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B. ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

INFLATION: We assumed 2.50% per year used for pension purposes. Actuarial standards require using the same rate for OPEB that is used for pension.

INVESTMENT RETURN / DISCOUNT RATE: We assumed 6.75% per year net of expenses. This is based on assumed long-term return on employer assets.. We used the “Building Block Method”. (See Appendix C, Paragraph 53 for more information). Our assessment of long-term returns for employer assets is based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq.

TREND: We assumed 4.00% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

PAYROLL INCREASE: We assumed 2.75% per year. Since benefits do not depend on salary (as they do for pensions), this assumption is only used to determine the accrual pattern of the Actuarial Present Value of Projected Benefit Payments.

FIDUCIARY NET POSITION (FNP): The following table shows the beginning and ending FNP numbers that were provided by Stege Sanitary District.

Fiduciary Net Position as of June 30, 2023

	<u>06/30/2022</u>	<u>06/30/2023</u>
Cash and Equivalents	\$0	\$0
Contributions Receivable	\$0	\$2,852
Total Investments	\$257,460	\$273,915
Capital Assets	\$0	\$0
Total Assets	\$257,460	\$276,767
Benefits Payable	\$0	\$0
Fiduciary Net Position	\$257,460	\$276,767

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C. NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35). See Appendix C, Paragraph 52 for more information.

MORTALITY

<i>Participant Type</i>	<i>Mortality Tables</i>
Miscellaneous	2021 CalPERS Mortality for Miscellaneous and Schools Employees

RETIREMENT RATES

<i>Employee Type</i>	<i>Retirement Rate Tables</i>
All Participants	Hired 2012 and earlier: 2021 CalPERS 2.0% @55 Rates for Miscellaneous Employees Hired 2013 and later: 2021 CalPERS 2.0% @62 Rates for Miscellaneous Employees

COSTS FOR RETIREE COVERAGE

Actuarial Standard of Practice 6 (ASOP 6) provides that, as a general rule, retiree costs should be based on actual claim costs or age-adjusted premiums. This is true even for many medical plans that are commonly considered to be “community-rated.” However, ASOP 6 contains a provision – specifically section 3.7.7(c) – that allows use of unadjusted premiums in certain circumstances.

It is my opinion that the section 3.7.7(c)(4) exception allows use of unadjusted premium for PEMHCA agencies if certain conditions are met. Following are the criteria we applied to Stege Sanitary District to determine that it is reasonable to assume that Stege Sanitary District’s future participation in PEMHCA is likely and that the CalPERS medical program as well as its premium structure are sustainable. (We also have an extensive white paper on this subject that provides a basis for our rationale entirely within the context of ASOP 6. We will make this white paper available upon request.)

- **Plan qualifies as a “pooled health plan.”** ASOP 6 defines a “pooled health plan” as one in which premiums are based at least in part on the claims experience of groups other than the one being valued.” Since CalPERS rates are the same for all employers in each region, rates are clearly based on the experience of many groups.
- **Rates not based to any extent on the agency’s claim experience.** As mentioned above, rates are the same for all participating employers regardless of claim experience or size.
- **Rates not based to any extent on the agency’s demographics.** As mentioned above, rates are the same for all participating employers regardless of demographics.
- **No refunds or charges based on the agency’s claim experience or demographics.** The terms of operation of the CalPERS program are set by statute and there is no provision for any refunds and charges that vary from employer to employer for any reason. The only charges are uniform administrative charges.
- **Plan in existence 20 or more years.** Enabling legislation to allow “contracting agencies” to participate in the CalPERS program was passed in 1967. The CalPERS medical plan has been successfully operating for almost 50 years. As far back as we can obtain records, the rating structure has been consistent, with the only difference having been a move to regional rating which is unrelated to age-adjusted rating.
- **No recent large increases or decreases in the number of participating plans or enrollment.** The CalPERS medical plan has shown remarkably stable enrollment. In the past 10 years, there has been small growth in the number of employers in most years – with the maximum being a little over 2% and

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a very small decrease in one year. Average year over year growth in the number of employers over the last 10 years has been about 0.75% per year. Groups have been consistently leaving the CalPERS medical plan while other groups have been joining with no disruption to its stability.

- **Agency is not expecting to leave plan in foreseeable future.** The District does not plan to leave CalPERS at present.
- **No indication the plan will be discontinued.** We are unaware of anything that would cause the CalPERS medical plan to cease or to significantly change its operation in a way that would affect this determination.
- **The agency does not represent a large part of the pool.** The District is in the CalPERS Bay Area region. Based on the information we have, the District constitutes no more than 0.01% of the Bay Area pool. In our opinion, this is not enough for the District to have a measurable effect on the rates or viability of the Bay Area pool.

Retiree liabilities are based on actual retiree costs. Liabilities for active participants are based on the first year costs shown below. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

<i>Participant Type</i>	<i>Future Retirees Pre-65</i>	<i>Future Retirees Post-65</i>
All Participants	\$3,894	\$3,894

PARTICIPATION RATES

<i>Employee Type</i>	<i><65 Non-Medicare Participation %</i>	<i>65+ Medicare Participation %</i>
Miscellaneous	90%	90%

TURNOVER

<i>Employee Type</i>	<i>Turnover Rate Tables</i>
Miscellaneous	2021 CalPERS Turnover for Miscellaneous Employees

SPOUSE PREVALENCE

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

SPOUSE AGES

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.

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PART IV: APPENDICES

APPENDIX A: DEMOGRAPHIC DATA BY AGE

ELIGIBLE ACTIVE EMPLOYEES BY AGE AND SERVICE

	<i>Total</i>	<i>Under 5 Years of Service</i>	<i>5 – 9 Years of Service</i>	<i>10 – 14 Years of Service</i>	<i>15 – 19 Years of Service</i>	<i>20 – 24 Years of Service</i>	<i>25 – 29 Years of Service</i>	<i>30 – 34 Years of Service</i>	<i>Over 34 Years of Service</i>
Under 25	1	1							
25 – 29	0								
30 – 34	0								
35 – 39	0								
40 – 44	2			2					
45 – 49	3		1	1		1			
50 – 54	2			1			1		
55 – 59	1							1	
60 – 64	0								
65 and older	1	1							
Total	10	2	1	4	0	1	1	1	0

ELIGIBLE RETIREES BY AGE AND EMPLOYEE CLASS

<i>Age</i>	<i>Total</i>
Under 50	0
50 – 54	0
55 – 59	1
60 – 64	0
65 – 69	1
70 – 74	2
75 – 79	1
80 – 84	0
85 – 89	1
90 and older	0
Total	6

APPENDIX B: ADMINISTRATIVE BEST PRACTICES

It is outside the scope of this report to make specific recommendations of actions Stege Sanitary District should take to manage the liability created by the current retiree health program. The following items are intended only to allow the District to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of Stege Sanitary District's practices, it is possible that Stege Sanitary District is already complying with some or all of these suggestions.

- We suggest that Stege Sanitary District maintain an inventory of all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, Stege Sanitary District should determine whether the benefit is material and subject to GASB 74 and/or 75.
- Under GASB 75, it is important to isolate the cost of retiree health benefits. Stege Sanitary District should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – *even on a retiree-pay-all basis* – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, Stege Sanitary District should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.
- Stege Sanitary District should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.
- Several assumptions were made in estimating costs and liabilities under Stege Sanitary District's retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Part III of this report for a summary of assumptions.) For example, Stege Sanitary District should maintain a retiree database that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for Stege Sanitary District to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

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APPENDIX C: GASB 74/75 ACCOUNTING ENTRIES AND DISCLOSURES

This report does not necessarily include the entire accounting values. As mentioned earlier, there are certain deferred items that are employer-specific. The District should consult with its auditor if there are any questions about what, if any, adjustments may be appropriate.

GASB 74/75 include a large number of items that should be included in the Note Disclosures and Required Supplementary Information (RSI) Schedules. Many of these items are outside the scope of the actuarial valuation. However, following is information to assist the District in complying with GASB 74/75 disclosure requirements:

Paragraph 50: **Information about the OPEB Plan**

Most of the information about the OPEB plan should be supplied by Stege Sanitary District. Following is information to help fulfill Paragraph 50 reporting requirements.

50.c: Following is a table of plan participants

	Number of Participants
Inactive Employees Currently Receiving Benefit Payments	6
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments*	0
Participating Active Employees	10
Total Number of participants	16

*We were not provided with information about any terminated, vested employees

Paragraph 51: **Significant Assumptions and Other Inputs**

Shown in Part III.

Paragraph 52: **Information Related to Assumptions and Other Inputs**

The following information is intended to assist Stege Sanitary District in complying with the requirements of Paragraph 52.

52.b: Mortality Assumptions Following are the tables the mortality assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Mortality Table	2021 CalPERS Mortality for Miscellaneous and Schools Employees
Disclosure	The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

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Mortality Table	2021 CalPERS Retiree Mortality for Miscellaneous and Schools Employees
Disclosure	The mortality assumptions are based on the 2021 CalPERS Retiree Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

52.c: Experience Studies Following are the tables the retirement and turnover assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Retirement Tables

Retirement Table	2021 CalPERS 2.0% @55 Rates for Miscellaneous Employees
Disclosure	The retirement assumptions are based on the 2021 CalPERS 2.0% @55 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Retirement Table	2021 CalPERS 2.0% @62 Rates for Miscellaneous Employees
Disclosure	The retirement assumptions are based on the 2021 CalPERS 2.0% @62 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Turnover Tables

Turnover Table	2021 CalPERS Turnover for Miscellaneous Employees
Disclosure	The turnover assumptions are based on the 2021 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

For other assumptions, we use actual plan provisions and plan data.

52.d: The alternative measurement method was not used in this valuation.

52.e: NOL using alternative trend assumptions The following table shows the Net OPEB Liability with a healthcare cost trend rate 1% higher and 1% lower than assumed in the valuation.

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB Liability	\$234,074	\$319,614	\$426,604

Paragraph 53:

Discount Rate

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The following information is intended to assist Stege Sanitary District to comply with Paragraph 53 requirements.

53.a: A discount rate of 6.75% was used in the valuation. The interest rate used in the prior valuation was 6.75%.

53.b: We assumed that all contributions are from the employer.

53.c: We used historic 31 year real rates of return for each asset class along with our assumed long-term inflation assumption to set the discount rate. We offset the expected investment return by investment expenses of 25 basis points.

53.d: The interest assumption does not reflect a municipal bond rate.

53.e: Not applicable.

53.f: Following is the assumed asset allocation and assumed rate of return for each.
CERBT - Strategy 1

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	59.0000	7.5450
All Fixed Income	25.0000	4.2500
Real Estate Investment Trusts	8.0000	7.2500
All Commodities	3.0000	7.5450
Treasury Inflation Protected Securities (TIPS)	5.0000	3.0000

We looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. We used geometric means.

53.g: The following table shows the Net OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation.

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB Liability	\$405,429	\$319,614	\$249,126

Paragraph 55: Changes in the Net OPEB Liability

Please see reconciliation on pages 2 or 12.

Paragraph 56: Additional Net OPEB Liability Information

The following information is intended to assist Stege Sanitary District to comply with Paragraph 56 requirements.

56.a: The valuation date is June 30, 2022.

The measurement date is June 30, 2023.

56.b: We are not aware of a special funding arrangement.

56.c: There were no assumption changes since the prior measurement date.

56.d: There were no changes in benefit terms since the prior measurement date.

56.e: Not applicable

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56.f: To be determined by the employer

56.g: To be determined by the employer

56.h: Other than contributions after the measurement, all deferred inflow and outflow balances are shown on page 12 and in Appendix D

56.i: Future recognition of deferred inflows and outflows is shown in Appendix D

Paragraph 57:

Required Supplementary Information

57.a: Please see reconciliation on pages 2 or 12. Please see the notes for Paragraph 244 below for more information.

57.b: These items are provided on pages 2 and 12 for the current valuation, except for covered payroll, which should be determined based on appropriate methods.

57.c: We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 31 years.

57.d: We are not aware that there are any statutorily or contractually established contribution requirements.

Paragraph 58:

Actuarially Determined Contributions

We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 31 years.

Paragraph 244:

Transition Option

Prior periods were not restated due to the fact that prior valuations were not rerun in accordance with GASB 75. It was determined that the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified.

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APPENDIX D: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

EXPERIENCE GAINS AND LOSSES

**Increase (Decrease) in OPEB Expense Arising from the Recognition of Effects of
Experience Gains and Losses
(Measurement Periods)**

Measurement Period	Experience (Gain)/Loss	Original Recognition Period (Years)	Amounts Recognized in OPEB Expense through 2022	Increase (Decrease) in OPEB Expense Arising from the Recognition of Effects of Experience Gains and Losses (Measurement Periods)							
				2023	Amounts to be Recognized in OPEB Expense after 2023	2024	2025	2026	2027	2028	Thereafter
2017-18	\$3,703	9.6	\$1,930	\$386	\$1,387	\$386	\$386	\$386	\$229		
2018-19	\$1,993	9.6	\$832	\$208	\$953	\$208	\$208	\$208	\$208	\$121	
2019-20	\$4,092	8.8	\$1,395	\$465	\$2,232	\$465	\$465	\$465	\$465	\$372	
2020-21	(\$1,632)	8.8	(\$372)	(\$186)	(\$1,074)	(\$186)	(\$186)	(\$186)	(\$186)	(\$186)	(\$144)
2021-22	(\$73,723)	7.6	(\$9,701)	(\$9,701)	(\$54,321)	(\$9,701)	(\$9,701)	(\$9,701)	(\$9,701)	(\$9,701)	(\$5,816)
2022-23	(\$678)	7.6	\$0	(\$90)	(\$588)	(\$90)	(\$90)	(\$90)	(\$90)	(\$90)	(\$138)
Net Increase (Decrease) in OPEB Expense			(\$5,916)	(\$8,918)	(\$51,411)	(\$8,918)	(\$8,918)	(\$8,918)	(\$9,075)	(\$9,484)	(\$6,098)

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CHANGES OF ASSUMPTIONS

Increase (Decrease) in OPEB Expense Arising from the Recognition of Effects of Changes of Assumptions (Measurement Periods)

Measurement Period	Changes of Assumptions	Original Recognition Period (Years)	Amounts Recognized in OPEB Expense through 2022	Amounts to be Recognized in OPEB Expense after 2023							
				2023	2024	2025	2026	2027	2028	Thereafter	
2019-20	(\$1,319)	8.8	(\$450)	(\$150)	(\$719)	(\$150)	(\$150)	(\$150)	(\$150)	(\$119)	
2020-21	\$18,805	8.8	\$4,274	\$2,137	\$12,394	\$2,137	\$2,137	\$2,137	\$2,137	\$2,137	\$1,709
2021-22	\$15,347	7.6	\$2,020	\$2,020	\$11,307	\$2,020	\$2,020	\$2,020	\$2,020	\$2,020	\$1,207
2022-23	\$0	0	\$0	\$0	\$0						
Net Increase (Decrease) in OPEB Expense			\$5,844	\$4,007	\$22,982	\$4,007	\$4,007	\$4,007	\$4,007	\$4,038	\$2,916

Total Compensation Systems, Inc.

INVESTMENT GAINS AND LOSSES

Increase (Decrease) in OPEB Expense Arising from the Recognition of Effects of Investment Gains and Losses (Measurement Periods)

Measurement Period	Investment (Gain)/Loss	Original Recognition Period (Years)	Amounts Recognized in OPEB Expense through 2022	2023	Amounts to be Recognized in OPEB Expense after 2023	2024	2025	2026	2027	2028	Thereafter
2018-19	\$1,756	5	\$1,408	\$348	\$0						
2019-20	\$7,791	5	\$4,677	\$1,559	\$1,555	\$1,555					
2020-21	(\$47,625)	5	(\$19,050)	(\$9,525)	(\$19,050)	(\$9,525)	(\$9,525)				
2021-22	\$59,858	5	\$11,972	\$11,972	\$35,914	\$11,972	\$11,972	\$11,970			
2022-23	\$942	5	\$0	\$189	\$753	\$189	\$189	\$189	\$186		
Net Increase (Decrease) in OPEB Expense			(\$993)	\$4,543	\$19,172	\$4,191	\$2,636	\$12,159	\$186	\$0	\$0

Total Compensation Systems, Inc.

APPENDIX E: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a *non-actuary* understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

<u>Actuarial Cost Method:</u>	A mathematical model for allocating OPEB costs by year of service. The only actuarial cost method allowed under GASB 74/75 is the entry age actuarial cost method.
<u>Actuarial Present Value of Projected Benefit Payments:</u>	The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation or measurement date.
<u>Deferred Inflows/Outflows of Resources:</u>	A portion of certain items that can be deferred to future periods or that weren't reflected in the valuation. The former includes investment gains/losses, actuarial gains/losses, and gains/losses due to changes in actuarial assumptions or methods. The latter includes contributions made to a trust subsequent to the measurement date but before the statement date.
<u>Discount Rate:</u>	Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower service costs and total OPEB liability.
<u>Fiduciary Net Position:</u>	Net assets (liability) of a qualifying OPEB "plan" (i.e. qualifying irrevocable trust or equivalent arrangement).
<u>Implicit Rate Subsidy:</u>	The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees and the employer is expected, in the long run, to pay the underlying cost of retiree benefits.
<u>Measurement Date:</u>	The date at which assets and liabilities are determined in order to estimate TOL and NOL.
<u>Mortality Rate:</u>	Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied.
<u>Net OPEB Liability (NOL):</u>	The Total OPEB Liability minus the Fiduciary Net Position.
<u>OPEB Benefits:</u>	Other Post Employment Benefits. Generally, medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.
<u>OPEB Expense:</u>	This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Service Cost plus interest on the Total OPEB Liability (TOL) plus change in TOL due to plan changes minus projected investment income; all adjusted to reflect deferred inflows and outflows of resources.
<u>Participation Rate:</u>	The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower service cost and a TOL. The participation rate often is related to retiree contributions.

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<u>Pay As You Go Cost:</u>	The projected benefit payments to retirees in a given year as estimated by the actuarial valuation. Actual benefit payments are likely to differ from these estimated amounts. For OPEB plans that do not pre-fund through an irrevocable trust, the Pay As You Go Cost serves as an estimated amount to budget for annual OPEB payments.
<u>Retirement Rate:</u>	The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with the service requirement to reflect both age and length of service). The more likely employees are to retire early, the higher service costs and actuarial accrued liability will be.
<u>Service Cost:</u>	The annual dollar value of the “earned” portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.
<u>Service Requirement:</u>	The proportion of retiree benefits payable under the OPEB plan, based on length of service and, sometimes, age. A shorter service requirement increases service costs and TOL.
<u>Total OPEB Liability (TOL):</u>	The amount of the actuarial present value of projected benefit payments attributable to participants’ past service based on the actuarial cost method used.
<u>Trend Rate:</u>	The rate at which the employer’s share of the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher service costs and TOL.
<u>Turnover Rate:</u>	The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce service costs and TOL.
<u>Valuation Date:</u>	The date as of which the OPEB obligation is determined by means of an actuarial valuation. Under GASB 74 and 75, the valuation date does not have to coincide with the statement date, but can’t be more than 30 months prior.

**Stege Sanitary District
California Employers' Retiree Benefit Trust (CERBT)**

Fiscal Year	Number Retired	Premiums Paid by District on Cash Basis	District Contribution (ARC)	Premiums paid over/(under) ARC	Assets End of Year
2022-23	6	23,363	20,230	3,133	276,660
2023-24	6	23,363	21,746	1,617	275,043
2024-25	7	27,256	23,417	3,839	271,204
2025-26	9	35,044	25,131	9,913	261,291
2026-27	9	35,044	27,215	7,829	253,462
2027-28	9	35,044	29,088	5,956	247,506
2028-29	10	38,938	31,206	7,732	239,775
2029-30	10	38,938	33,606	5,332	234,443
2030-31	10	38,938	36,067	2,871	231,572
2031-32	10	38,938	39,404	(466)	232,039

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Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$265,833.64	\$276,659.69
Contribution	0.00	2,852.08
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	28,401.15	17,634.07
Administrative Expenses	(33.73)	(67.79)
Investment Expense	(24.65)	(49.56)
Other	0.00	0.00
Ending Balance	\$294,176.41	\$297,028.49
FY End Contrib per GASB 74 Para 22	0.00	(2,852.08)
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$294,176.41	\$294,176.41

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	13,521.649	13,382.297
Unit Purchases from Contributions	0.000	139.352
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	13,521.649	13,521.649
Period Beginning Unit Value	19.659870	20.460451
Period Ending Unit Value	21.755976	21.755976

Please note the Grand Total is your actual fund account balance at the end of the period, including all contributions per GASB 74 paragraph 22 and accrued disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 12/31/2023

Stege Sanitary District

Entity #: SKB0-2595946637



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
------	-------------	--------	------------	-------	------------	-------

Client Contact:
CERBT4U@CalPERS.ca.gov

SEWER RATE AND CONNECTION CHARGE STUDY

ISSUE:

The Board will consider the draft Sewer Rate and Connection Charge Study prepared by Alison Lechowicz of Lechowicz & Tseng Municipal Consultants.

FISCAL IMPACT:

The fiscal impact of the Sewer Rate and Connection Charge Study will be detailed in the report.

STRATEGIC PLAN:

GOAL 3: Ensure Financial Stability and Efficiency

WORK PLAN ITEM "a": Annually review the Sewer Service Charge and conduct a Financial Plan and Rate Study at least every five (5) years

BACKGROUND:

Alison Lechowicz of Lechowicz & Tseng Municipal Consultants will provide a draft Sewer Rate and Connection Charge Study and presentation for the Board's consideration and discussion.

RECOMMENDATION:

Approve the study and direct staff to proceed with the procedures to increase the sewer rate and connection charge as recommended in the study.

ALTERNATIVES:

1. Make amendments and approve, as amended.
2. Make amendments and ask to bring back the item for approval at a future Board meeting.
3. Take no action, keep all rates and charges the same, and reconsider at next year's scheduled review.

ATTACHMENTS:

Draft Sewer Rate and Connection Charge Study

<https://www.stegesan.org/permits-and-fees>

Fixture Type	Equivalent Fixture Count
Bathtub or Bath/Shower	2
Bidet	2
Clothes Washer, Domestic	3
Dishwasher, Domestic	2
Drinking Fountain (per head)	0.5
Floor Drain	2
Floor Sink	3
Food waste grinder, Commercial	3
Lavatory in sets of two or three	2
Lavatory, single	1
Shower multi-head each additional	1
Shower single-head trap	2
Sink	3
Sink, Mop	3
Toilet	4
Urinal	2
Water Closet	4
Watercooler (per head)	0.5
Other	1



Stege Sanitary District Sewer Rate Study

Draft Report
March 11, 2024



LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

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Alameda, CA 94501

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LIST OF ACRONYMS

CIP – capital improvement plan
EBMUD – East Bay Municipal Utility District
EDU – equivalent dwelling unit (i.e. a single family home)
EPA – Environmental Protection Agency
FY – fiscal year (July 1 to June 30)
LF – linear feet
O&M – operations and maintenance
Prop 218 – Proposition 218
SPASPA – San Pablo Ave Specific Plan Area
Stege SD – Stege Sanitary District

SECTION 1: EXECUTIVE SUMMARY

1.1 Background

The Stege Sanitary District (Stege SD or District) owns and operates a sewer collection system serving the City of El Cerrito, the Richmond Annex, and the Kensington community. Stege SD is commonly referred to as one of the East Bay Municipal Utility District's (EBMUD) satellite sanitation agencies. Sewer flows collected within the District's service area are conveyed to EBMUD for treatment and disposal. The Stege Sanitary District last conducted a sewer rate study in April 2019 which established rates through fiscal year (FY) 2024. Stege SD has established the following financial goals to guide the rate adjustment:

- 1) Fund operating costs and existing debt service expenses
- 2) Fund capital improvements on a pay-as-you-go basis
- 3) Maintain reasonable and adequate operating and capital fund working capital targets and reserves
- 4) Minimize rate impacts on customers

1.2 Need for a Rate Adjustment

Stege SD has increased the sewer rates over the past five years according to the five-year rate plan adopted in 2019. The sewer utility is an infrastructure-intensive enterprise. Stege SD's most significant funding challenge is the construction cost of the Sewer Rehabilitation Program. The program was initiated to conduct pipeline replacements required by the Environmental Protection Agency's (EPA) Consent Decree to reduce inflow and infiltration. The District is required to replace over two miles of sewer pipelines per year. The rehabilitation program is conducted in conjunction with the District's other planned capital projects such as vehicle replacement, interceptor cleaning, pump station rehabilitation, and others. Over the next five years, total planned capital projects are projected to cost about \$20.3 million.¹

The District's primary source of revenue is the sewer service charges which are collected annually with the Contra Costa County property taxes. Other revenue sources include property taxes, interest earnings, permit fees, and contracted services. Current rate revenue for FY 2024 is \$7.52 million. This amount of revenue is adequate to cover operations and maintenance (O&M) and debt service expenses but is not adequate to fully fund this year's capital improvement plan (CIP). This year has unusually high capital costs due to pump station rehabilitation, flow meter purchases, and vehicle replacements. District revenues and expenditures for FY 2023 and FY 2024 are summarized in Table 1. Stege SD has more than adequate reserves to cover the projected deficit in FY 2024.

¹ Does not include debt service costs or the private sewer lateral program

As of June 30, 2023, Stege SD’s total reserve fund balance was estimated at about \$10.4 million. Working capital fund targets have been established for the Operating Fund and the Capital Fund and are accounted for separately due to the magnitude of the cost of the CIP. For the Operating Fund, the District maintains a target consisting of 60% of annual O&M costs. This target is intended to equal the O&M expenses incurred each year between July and December, the gap in time each year when the District has limited revenues before the sewer service charges are collected with the property taxes. For FY 2024, the operating target fund balance is approximately \$2.1 million.

The capital fund target is equal to a 3-year average of the annual capital cost (i.e. average of the previous, current, and future year capital cost) plus the annual debt service cost. The goal of the capital fund target is to ensure that the District will have adequate funds available on an annual basis to conduct the sewer pipeline replacements required by the EPA. However, capital reserves can also be used to fund any emergency repair or cash flow shortfall. For FY 2024, the capital fund target balance is approximately \$4.2 million.

**Table 1: Summary of Revenues and Expenses
Stege Sanitary District
Sewer Rate Study**

	Budget FY 2023	Budget FY 2024	
Revenues			
Property Tax	\$500,000	\$500,000	
Sewer Service Charges	6,984,000	7,521,000	[1]
Stege SD Capacity Fees	50,000	50,000	
All Other Revenues	<u>136,000</u>	<u>136,000</u>	
Total Revenues	7,670,000	8,207,000	
Expenses			
Operating Expenses	3,328,000	3,471,000	
Capital Expenses	<u>4,314,000</u>	<u>5,713,000</u>	
Total Expenses	\$7,642,000	\$9,184,000	
Net Annual Revenues	\$28,000	(\$977,000)	
1 - The FY2024 tax roll revenue is shown above. The adopted FY2024 budget estimated \$7,733,000 in service charge revenues.			

1.3 Requirements of Proposition 218

Proposition 218, the “Right to Vote on Taxes Act”, was approved by California voters in November 1996 and is codified as Articles XIII C and XIII D of the California Constitution. Proposition 218 establishes requirements for imposing any new or increasing any existing property-related fees and charges. For many years, there was no legal consensus on whether water and sewer service fees met the definition of “property-related fees.” In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water and wastewater (sewer) service fees.

Stege SD must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – Stege SD must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fee, the basis upon which it was calculated, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing** – Stege SD must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
3. **Rate Increases are Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to sewer rates and charges, including:

1. **Cost of Service** - Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
2. **Intended Purpose** - Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** - The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
4. **Availability of Service** - No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** - No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for sewer service are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to procedural requirements of Proposition 218.

1.4 Proposed Rates

The District’s current sewer service charges are \$35.75 monthly (\$429 annually) for single family residential customers, \$24.74 monthly (\$297 annually) for multi-family residential customers, and \$9.02 per 1,000 gallons for non-residential customers. The recommended service charges are shown in Table 2. The rate per equivalent dwelling unit (EDU; i.e. the typical single family customer) is proposed to increase by \$7 annually over the next five years to keep up with inflationary cost increases. As part of the rate setting process, the definition of one EDU is proposed to be updated to reflect current patterns in wastewater flows. While sewer flows for all customer classes have decreased over the past five years, single family residential flows have decreased by a greater percentage than multi-family residential or commercial sewer flows.

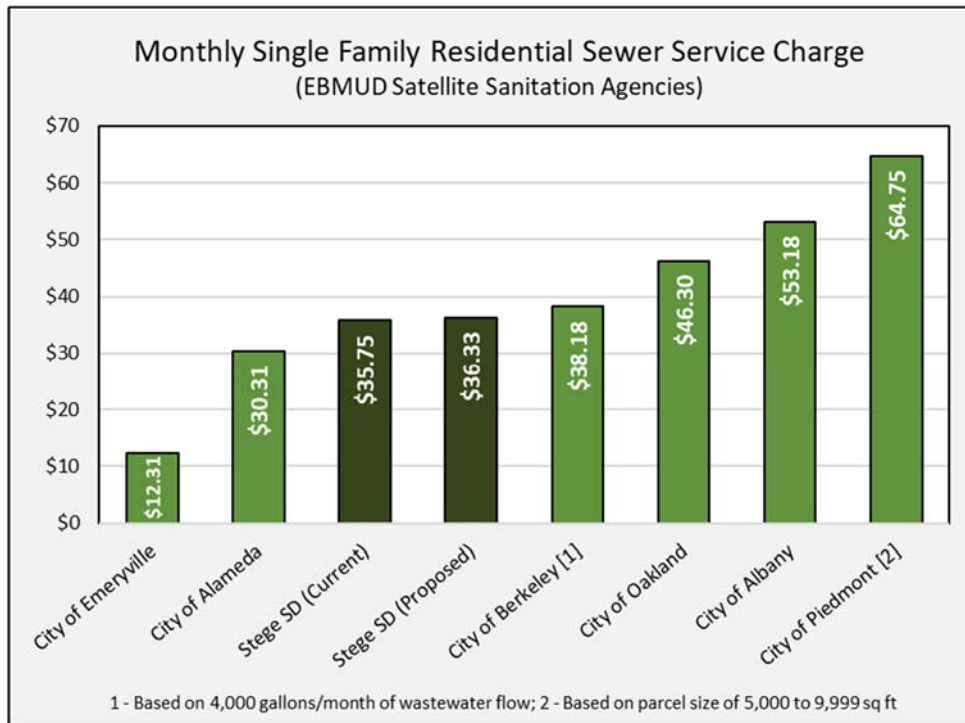
**Table 2: Recommended Monthly Sewer Service Charges
Stege Sanitary District
Sewer Rate Study**

Service Charges	Current FY 24	5-Year Planning Horizon (Prop 218)				
		FY 25	FY 26	FY 27	FY 28	FY 29
Single Family Residential [1] % Increase	\$35.75	\$36.33 1.6%	\$36.92 1.6%	\$37.50 1.6%	\$38.08 1.5%	\$38.67 1.5%
Multi-family Residential [1] % Increase	\$24.74	\$25.31 2.3%	\$25.88 2.3%	\$26.47 2.3%	\$27.06 2.2%	\$27.66 2.2%
Non-Residential (per 1,000 gal) % Increase	\$9.02	\$9.25 2.5%	\$9.48 2.5%	\$9.72 2.5%	\$9.96 2.5%	\$10.21 2.5%

Note: Stege SD bills customers annually on the property tax roll. The equivalent monthly residential rates are shown here.

1 - Per dwelling unit; i.e. per each single family home or apartment/townhouse/condo unit

The survey below compares Stege SD's equivalent monthly single family charge to the rates of other EBMUD satellite sanitation agencies. The District's rates will remain competitively priced.



SECTION 2: CURRENT RATES AND CUSTOMER BASE

This section provides an overview of Stege SD’s sewer rates, customer base, and current rate revenues.

2.1 Current Sewer Rates

Table 3 below shows a history of sewer service charges which were approved as part of the prior rate study beginning in 2019 through 2024. Stege SD currently charges residential customers on an equivalent dwelling unit (EDU) basis and commercial customers based on metered water use as billed by EBMUD. Prior to 2019, the District had not raised its rates for three years. Additionally, the District did not distinguish between single family and multi-family residential customers and both groups paid the same rates. Because the average multi-family residential customer discharges less flow than the average single family customer, a new multi-family rate was adopted beginning in FY 2020. Currently, single family residential sewer flow is assumed to be 47,574 gallons per year which equates to a flow charge of \$9.02 per 1,000 gallons. The flow charge is the commercial rate and demonstrates proportionality as required by Proposition 218 (i.e. both residential and commercial customers pay the equivalent of \$9.02 per 1,000 gallons). The current assumed annual flow per multi-family residential dwelling unit is 32,924 gallons per year.

**Table 3: Historical Sewer Service Charges
Stege Sanitary District
Sewer Rate Study**

Fiscal Year	Single Family Residential (\$/EDU/mo)		Multi-family Residential (\$/EDU/mo)		Non-Residential (\$/1,000 gal)	
2019	\$20.17	-	\$20.17	-	\$4.97	-
2020	\$22.58	12.0%	\$21.00	4.1%	\$5.59	12.6%
2021	\$25.33	12.2%	\$21.91	4.3%	\$6.30	12.7%
2022	\$28.42	12.2%	\$22.82	4.1%	\$7.10	12.7%
2023	\$31.92	12.3%	\$23.78	4.2%	\$8.01	12.8%
2024	\$35.75	12.0%	\$24.74	4.1%	\$9.02	12.5%

2.2 Current Rate Revenues

Stege SD serves about 13,100 parcels which equate to about 17,500 equivalent dwelling units, see Table 4. As described on the previous page, every 47,574 gallons of commercial sewer flow is one EDU. There are currently about 4,800 multi-family dwelling units within Stege SD. Based on the current assumption of about 33,000 gallons of sewer flow per multi-family dwelling unit compared to 47,574 gallons per single family dwelling unit, the ratio of one multi-family dwelling unit to one single family dwelling unit is about 69%. Thus, the number of multi-family EDUs is about 3,300. Current rates generate about \$7.52 million annually. The residential class contributes about 84% of rate revenues including single family and multi-family residential.

Table 4: Summary of Sewer Service Units (EDUs) FY2023/24
Stege Sanitary District
Sewer Rate Study

Customer Class [1]	Number of Parcels	Number of EDUs	Revenue	% of Revenue
Residential	11,361	11,384	\$4,884,000	65%
Multi-Family Residential	1,039	3,349	1,437,000	19%
Commercial	347	1,714	735,000	10%
Industrial	23	408	175,000	2%
Institutional	245	662	284,000	4%
Miscellaneous	<u>104</u>	<u>15</u>	<u>6,000</u>	<u>0%</u>
Total	13,119	17,532	\$7,521,000	100%

1 - The District's single agricultural parcel is not billed and is not included in this table.

Source: Stege Sanitary District FY 2023/24 Sewer Service Charges Summary for Contra Costa County Tax Rolls

2.3 Updated Residential Flows

Stege SD does not directly meter the wastewater flow of individual utility accounts. However, metered water use can be used as a proxy for sewer flow. This method for estimating sewer discharge is commonly used by sewer service providers throughout California. Residential customers typically have high water use in the summer due to irrigation for landscaping. This water use occurs outdoors and does not flow into the sewer system. Therefore, it is necessary to identify low water use periods during the winter to better estimate water use that flows into the sewer. Based on the 5-year average of winter water usage data from 2018 through 2022, the average single family residential sewer flow is estimated as 45,448 gallons. This represents a 4.5% reduction from the current assumed flow of 47,574 gallons per year established in the 2019 Rate Study.

The same analysis was conducted for multi-family residential customers. The current multi-family sewer flow established in the 2019 Rate Study is estimated to be 32,924 gallons annually per dwelling unit. Based on 2018 through 2022 winter water usage data, the average annual flow per multi-family dwelling

unit is now estimated as 32,514 gallons per year, a 1.2% reduction. The average multi-family dwelling unit flow is about 72% of the average single family flow.

2.4 EDU Adjustment

It is recommended that Stege SD adjust its EDU definition to reflect the lower sewer flows of single family customers relative to the sewer flows measured in 2019. It is proposed that one EDU reflect 45,448 gallons of annual flow rather than 47,574 gallons (current) and this flow adjustment be phased-in over the next five years. Individual single family customers may discharge more or less than 45,448 gallons per month but this amount is used for rate design purposes.

The water use of commercial customers is metered monthly by EBMUD. Commercial customers typically have a water meter for indoor use and a dedicated meter for outdoor irrigation. It is assumed that 100% of indoor commercial water use flows into the sewer. Outdoor water use is not included in this study. It is also assumed that indoor commercial water use will remain constant at the FY 2024 level over the next five years. Due to the change in EDU flow from 47,574 gallons to 45,448 gallons, the commercial customer class will gain 131 EDUs, which is about 4.7% more EDUs than current.

**Table 5: Current and Proposed EDU Count
Stege Sanitary District
Sewer Rate Study**

	Current	Proposed to be phased in by FY 2029	Units	% Change
Flow per Single Family Dwelling	47,574	45,448	gallons per year	-4.5%
Flow per Multi-Family Dwelling	32,924	32,514	gallons per year	-1.2%
Single Family Residential	11,384	11,384	EDUs	0.0%
Multi-Family Residential [1], [2]	3,349	3,461	EDUs	3.3%
Commercial	<u>2,799</u>	<u>2,930</u>	EDUs	4.7%
Total	17,532	17,775	Systemwide	1.4%

1 - There are currently 4,838 multi-family dwelling units. Based on the current EDU assignment, these 4,838 MF dwelling units equal 3,349 EDUs. The ratio of one MF dwelling unit to one single family dwelling unit is 0.69. Current average annual MF flow per dwelling is about 33,000 gallons compared to the current average annual single family flow per dwelling unit of 47,574 gallons (i.e. 69%)

2 - Based on the proposed EDU assignment, there are 3,461 MF EDUs. The ratio of one MF dwelling unit to one single family dwelling unit is 0.72. The proposed average annual MF flow per dwelling is about 32,514 gallons compared to the proposed average annual single family flow per dwelling unit of 45,448 gallons (i.e. 72%)

SECTION 3: REVENUE REQUIREMENT

Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. The cost of service includes annual operating expenses, debt service payments, capital projects, and the accumulation of appropriate reserves. The sewer utility cost of service was developed based on the FY 2023-24 adopted budget, capital project list developed by staff, and reserve recommendations from the Board.

3.1 Revenues

For FY 2024, Stege SD budgeted about \$8.21 million in total revenues. The majority, approximately \$7.52 million (about 92%), is made up of service charges paid by ratepayers, see Table 6. Other revenue categories include property taxes, capacity fees, interest earnings, permit fees, and other.

**Table 6: Revenues
Stege Sanitary District
Sewer Rate Study**

Revenue	Budget FY 2023	Budget FY 2024	
Property Tax	\$500,000	\$500,000	
Sewer Service Charges	6,984,000	7,521,000	[1]
Stege SD Capacity Fees	50,000	50,000	
San Pablo Ave SPA Impact Fees	50,000	50,000	
Permit Fees and Contracted Services	45,000	45,000	
Interest	20,000	20,000	
Other	<u>21,000</u>	<u>21,000</u>	
Total Revenue	\$7,670,000	\$8,207,000	
1 - The FY 2024 tax roll revenue is shown above. The adopted FY 2024 budget estimated \$7,733,000 in service charge revenues.			

3.2 Operating Expenses

Stege SD manages its finances via an Operating Fund and a Capital Fund. Operating expenses are shown in Table 7. About \$3.47 million in expenses are budgeted for FY 2024 and all line-items are expected to increase by 3% annually over the next ten years.

**Table 7: Operating Expenses
Stege Sanitary District
Sewer Rate Study**

Operating Expenses	Budget FY 2023	Budget FY 2024
Maintenance/Engineering	\$2,225,000	\$2,301,000
Pump Stations	40,000	40,000
Contracted Repairs	70,000	72,000
General and Administrative	<u>993,000</u>	<u>1,058,000</u>
Total Operating Expenses	\$3,328,000	\$3,471,000

3.3 Capital Expenses

A summary of the District’s budgeted FY 2023 and FY 2024 capital expenses is shown in Table 8. More detailed information regarding sewer rehabilitation, capital equipment costs, and other capital costs is provided in Table 9. The District’s Capital Improvement Plan includes over \$45.4 million in expenditures over the next 10 years (FY 2025-FY 2034) (not including debt service or the private sewer lateral program). The sewer rehabilitation funding group was developed to comply with the Environmental Protection Agency’s Consent Decree and is comprised of the annual pipebursting project. Annually, Stege SD expects to replace 3 to 4 miles of pipeline at a cost of \$185 per linear foot plus inflation of 3% per year. Over the next 10 years, approximately 37 miles of pipeline are projected be replaced at a total cost of \$42.3 million. The pipebursting project represents 93% of projected capital improvement projects over the next decade. The capital equipment funding group includes smaller value capital items including flow meters, vehicle replacement, manhole “smart” covers, and other miscellaneous items. The other capital costs funding group includes manhole adjustments, minor repairs to the Administration Building, pump station rehabilitation, and interceptor cleaning.

**Table 8: Capital Expenses
Stege Sanitary District
Sewer Rate Study**

Capital Expenses	Budget FY 2023	Budget FY 2024
Debt Service	\$44,000	\$44,000
Construction	3,833,000	4,558,000
Capital Equipment	<u>437,000</u>	<u>785,000</u>
Total Capital Expenses	\$4,314,000	\$5,387,000

**Table 9: 10-Year Capital Improvement Plan
Stege Sanitary District
Sewer Rate Study**

	Budget	5-Year Planning Horizon (Proposition 218)					10-Year Planning Horizon					10-Year Projection Total
	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34	
Costs in \$1,000s												
Sewer Rehabilitation Project												
Footage (LF)	18,812	18,900	18,988	19,084	19,168	19,259	19,347	19,440	19,532	20,304	19,713	193,735
Cost per LF	\$185	\$190	\$196	\$202	\$208	\$214	\$220	\$227	\$234	\$241	\$248	
Total Project Cost	\$3,473	\$3,594	\$3,719	\$3,850	\$3,983	\$4,122	\$4,265	\$4,414	\$4,568	\$4,891	\$4,891	\$42,297
Capital Equipment												
Flow Meters	175	40	0	0	40	0	40	0	0	0	150	270
Vehicle Replacement	610	30	0	35	0	25	30	0	35	0	35	190
Manhole Covers ("Smart")	0	0	0	15	0	0	0	0	15	0	0	30
Rodders	0	0	0	0	0	300	0	0	0	0	300	600
Vactor	0	0	0	0	0	0	425	0	0	0	425	850
Misc. Other	0	10	10	20	20	20	10	10	20	20	10	150
Total Capital Equipment	785	80	10	70	60	345	505	10	70	20	920	2,090
Other capital costs												
Manhole Adjustments	25	50	50	25	25	25	30	30	50	25	30	340
Administration Building [1]	10	10	10	10	10	10	10	10	10	10	40	130
Pump Station Rehab	1,000	0	0	0	0	0	0	0	30	0	0	30
Interceptor Cleaning	50	50	50	50	50	50	50	50	50	50	50	500
Total other capital costs	1,085	110	110	85	85	85	90	90	140	85	120	1,000
Total Capital Projects	\$5,343	\$3,784	\$3,839	\$4,005	\$4,128	\$4,552	\$4,860	\$4,514	\$4,778	\$4,996	\$5,931	\$45,387

1 – Minor annual repairs

3.4 Working Capital and Additional Reserve

3.4.1 Operating Working Capital

Currently the District maintains an Operating Working Capital target balance and a Capital Improvement Working Capital target balance. It is recommended that the Operating target remain at its current level equal to 60% of operating and maintenance costs. This level of funding adjusts annually to equal the District’s costs from July to December, reflecting the lag in the collection of service charges on the property tax roll.

3.4.2 Capital Improvement Working Capital

The current Capital Improvement target balance is equal to a 3-year rolling average of the annual capital cost (i.e. average of the previous, current, and future year capital cost) plus the annual debt service cost. The ultimate goal of the capital fund target is to ensure that the District will have adequate funds available on an annual basis to conduct sewer pipeline replacements or to fund other emergency needs. Due to the high construction cost of the annual pipeline replacements, Stege SD makes large payments to contractors throughout the year. The District needs appropriate working capital to fund these disbursements. The reserve and working capital recommendations for the District’s funds as well as the current estimated fund balances are summarized in Table 10.

**Table 10: Current Estimated Reserves
Stege Sanitary District
Sewer Rate Study**

	Current Estimated Fund Balance [1]	Target Fund Balance	Policy
Operating Reserve	\$2,500,000	\$2,082,000	60% of annual O&M to account for break in tax revenue collection from May to December; target increases as operating costs increase
Capital Reserve	<u>\$7,878,000</u>	<u>\$4,726,000</u>	3-year rolling average of capital improvements (average of past, current, and future years) [2] plus the annual debt service cost
Total Reserves	\$10,378,000	\$6,808,000	

1 - Source: FY 2024 Budget; estimated as of June 30, 2023

2 - For FY 2024 (shown in table), the target is the average of the past year (FY 2023), current year (FY 2024), and future year (FY 2025) capital costs.

3.5 Cash Flow

This subsection provides the operating and capital cash flows. Stege SD has established the following financial goals to guide the cash flow analysis and rate study process:

- 1) Fund operating costs and existing debt service expenses
- 2) Fund capital improvements on a pay-as-you-go basis
- 3) Maintain reasonable and adequate operating and capital fund working capital targets and reserves
- 4) Minimize rate impacts on customers

Although Stege SD is budgeted to operate at a deficit in FY 2024 as shown in Table 1, the District's reserve funds will remain well above their respective targets.

3.5.1 Operating Fund Cash Flow

The Operating Fund cash flow is provided in Table 11.

EDU Adjustment

As shown in Table 5, there is a proposed adjustment in EDUs for existing customers from 17,532 to 17,775. To mitigate rate impacts, this adjustment is proposed to be phased-in over the next five years. In addition, it is expected that Stege SD will gain two new EDUs annually from growth.

Rate Change

Stege SD's current service charge is \$429 per EDU which is made up of \$191 for the O&M service charge and \$238 for the capital service charge. The O&M service charge is proposed to increase to \$226 over the next five years to fund operating expenses and maintain the target fund balance.

Other Revenue Sources and Expenses

The Operating Fund's other revenue sources such as interest earnings, permit fees, and contracted services currently generate about \$81,000 annually and are projected to remain the same through FY 2029. Expenses are expected to increase by 3% annually due to inflation.

Fund Balance

The FY 2024 fund balance is about \$2.5 million which is above the fund target of \$2.1 million based on 60% of expenses. From FY 2025 to FY 2029, the target balance is projected to be met each year with the proposed rate increases.

**Table 11: Operating Fund Cash Flow
Stege Sanitary District
Sewer Rate Study**

	Budget FY 24	5-Year Planning Horizon (Proposition 218)					10-Year Planning Horizon				
		FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34
Number of EDUs	17,532	17,582	17,630	17,678	17,727	17,777	17,779	17,781	17,783	17,785	17,787
Increase		\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
O&M Service Charge	\$191.00	\$198.00	\$205.00	\$212.00	\$219.00	\$226.00	\$233.00	\$240.00	\$247.00	\$254.00	\$261.00
Beginning Fund Balance	\$2,500	\$2,459	\$2,446	\$2,458	\$2,494	\$2,551	\$2,626	\$2,704	\$2,784	\$2,860	\$2,930
Sources											
Operating Service Charge	3,349	3,481	3,614	3,748	3,882	4,018	4,142	4,267	4,392	4,517	4,642
Interest Earnings	15	15	15	15	15	15	15	15	15	15	15
Permit Fees & Contracted Services	45	45	45	45	45	45	45	45	45	45	45
Other	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>
Total Sources	3,430	3,562	3,695	3,829	3,963	4,099	4,223	4,348	4,473	4,598	4,723
Uses [1]											
Maintenance/Engineering	2,301	2,370	2,441	2,514	2,590	2,667	2,748	2,830	2,915	3,002	3,092
Pump Stations	40	41	42	44	45	46	48	49	51	52	54
Contracted Repairs	72	74	76	79	81	83	86	89	91	94	97
General and Administrative	<u>1,058</u>	<u>1,090</u>	<u>1,122</u>	<u>1,156</u>	<u>1,191</u>	<u>1,227</u>	<u>1,263</u>	<u>1,301</u>	<u>1,340</u>	<u>1,380</u>	<u>1,422</u>
Total Uses	3,471	3,575	3,682	3,793	3,907	4,024	4,145	4,269	4,397	4,529	4,665
Net Sources and Uses	(41)	(13)	13	36	57	75	79	79	76	69	59
"Transfer" to Capital Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	2,459	2,446	2,458	2,494	2,551	2,626	2,704	2,784	2,860	2,930	2,988
Target Minimum Balance [2]	2,083	2,145	2,209	2,276	2,344	2,414	2,487	2,561	2,638	2,717	2,799
Does it meet target?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

Costs shown as \$1,000s

1 - Operating cost inflation estimated at 3%

2 - Minimum balance 60% of O&M

3.5.2 Capital Fund Cash Flow

The Capital Fund cash flow is provided in Table 12.

Rate Change

The capital service charge is proposed to remain the same at \$238 per EDU over the next five years.

Other Revenue Sources and Expenses

As new development occurs, the Capital Fund collects capacity fees and impact fees from the San Pablo Avenue Specific Plan Area (SPASPA) development. These customers pay SPASPA impact fees as well as Districtwide capacity fees. Stege SD's other main capital revenue source is property taxes which are assumed to remain the same through FY 2029.

In addition to the capital improvements described above, the Capital Fund is responsible for debt service payments on the District's outstanding State Revolving Fund Loan. The current payment is about \$43,000 annually. In FY 2026, the loan will be paid off and the annual debt service cost will fall to \$0 beginning in FY 2027.

Fund Balance

The FY 2024 beginning fund balance is \$7.9 million which is well in excess of the fund target of about \$4.7 million. From FY 2025 to FY 2029, the target balance is projected to be met each year with the proposed rate adjustments.

Table 12: Capital Fund Cash Flow
Stege Sanitary District
Sewer Rate Study

	Budget FY 24	5-Year Planning Horizon (Proposition 218)					10-Year Planning Horizon				
		FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34
Number of EDUs	17,532	17,582	17,630	17,678	17,727	17,777	17,779	17,781	17,783	17,785	17,787
Capital Service Charge											
Capital Service Charge	\$238.00	\$238.00	\$238.00	\$238.00	\$238.00	\$238.00	\$238.00	\$238.00	\$238.00	\$238.00	\$238.00
O&M Charge	<u>\$191.00</u>	<u>\$198.00</u>	<u>\$205.00</u>	<u>\$212.00</u>	<u>\$219.00</u>	<u>\$226.00</u>	<u>\$233.00</u>	<u>\$240.00</u>	<u>\$247.00</u>	<u>\$254.00</u>	<u>\$261.00</u>
Total Charge (O&M + Capital)	\$429.00	\$436.00	\$443.00	\$450.00	\$457.00	\$464.00	\$471.00	\$478.00	\$485.00	\$492.00	\$499.00
% Increase over previous year	0%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%	1.4%	1.4%
Beginning Fund Balance	\$7,878	\$6,944	\$7,495	\$8,002	\$8,398	\$8,683	\$8,556	\$8,122	\$8,033	\$7,682	\$7,112
Sources											
Capital Service Charges	4,173	4,184	4,196	4,207	4,219	4,231	4,231	4,232	4,232	4,233	4,233
Property Taxes	500	500	500	500	500	500	500	500	500	500	500
Interest Earnings	5	5	5	5	5	5	5	5	5	5	5
Stege SD Capacity Fees	50	5	5	5	5	5	5	5	5	5	5
San Pablo Ave SPA Impact Fees	<u>50</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total Sources	4,778	4,704	4,716	4,727	4,739	4,751	4,751	4,752	4,752	4,753	4,753
Uses											
Sewer Rehabilitation	3,473	3,594	3,719	3,850	3,983	4,122	4,265	4,414	4,568	4,891	4,891
Private Sewer Lateral Program	326	326	326	326	326	326	326	326	326	326	326
Capital Equipment	785	80	10	70	60	345	505	10	70	20	920
Other capital costs	1,085	110	110	85	85	85	90	90	140	85	120
Debt Service	<u>43</u>	<u>43</u>	<u>44</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Uses	5,712	4,153	4,209	4,331	4,454	4,878	5,186	4,840	5,104	5,322	6,257
Net Sources and Uses	(934)	551	507	396	285	(127)	(435)	(88)	(352)	(569)	(1,504)
"Transfer" from Operating Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	6,944	7,495	8,002	8,398	8,683	8,556	8,122	8,033	7,682	7,112	5,609
Fund Target Minimum Balance [1]	4,726	4,691	4,246	4,317	4,554	4,731	4,751	4,717	4,763	5,235	5,464
Does it meet target?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

Costs shown as \$1,000s

1 - The capital fund target each year is equal to an average of the past year, current year, and future year capital improvement cost (not including the private sewer lateral program) plus the annual debt service payment.

SECTION 4: RATE DESIGN

4.1 Rate Structure Recommendations

As described in previous sections, it is recommended that Stege SD’s current billing method remains the same where single family and multi-family customers are billed a flat charge per EDU and commercial customers are billed a flow rate per 1,000 gallons of metered use.

The definition of one EDU is proposed to be adjusted based on the observed new trends in flows over the past five years. The service charges for multi-family and commercial customers are proposed to be adjusted to reflect the new EDU definition of 45,448 gallons per year, down from the current EDU definition of 47,574 gallons per year.

4.2 Rate Smoothing Plan

A rate smoothing plan was developed to phase in the proposed changes in EDUs, see Table 13. The adjustment in single family and multi-family residential flows (and corresponding EDU count) is phased-in over five years.

**Table 13: Rate Smoothing Plan
Stege Sanitary District
Sewer Rate Study**

Rate Smoothing Plan	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Single Family Gallons/Year	47,574	47,149	46,724	46,299	45,873	45,448
EDUs	11,384	11,384	11,384	11,384	11,384	11,384
Multi-Family Gallons/Year	32,924	32,842	32,760	32,678	32,596	32,514
EDUs	3,349	3,372	3,394	3,417	3,439	3,461
Commercial Gallons/Year	133,160,280	133,160,280	133,160,280	133,160,280	133,160,280	133,160,280
EDUs	2,799	2,824	2,850	2,876	2,903	2,930
Total EDUs – Existing Customers [1]	17,532	17,580	17,628	17,676	17,725	17,775

1 - Does not include growth

4.3 Recommended Rates

The proposed rate adjustments are provided in Table 14. The rate adjustments are designed to keep up with inflationary cost increases. Based on the evaluation of sewer flows described in this report, single family residential customers contribute lower flows than previously assumed and the multi-family and commercial customer classes make up a higher relative amount of total District flows.

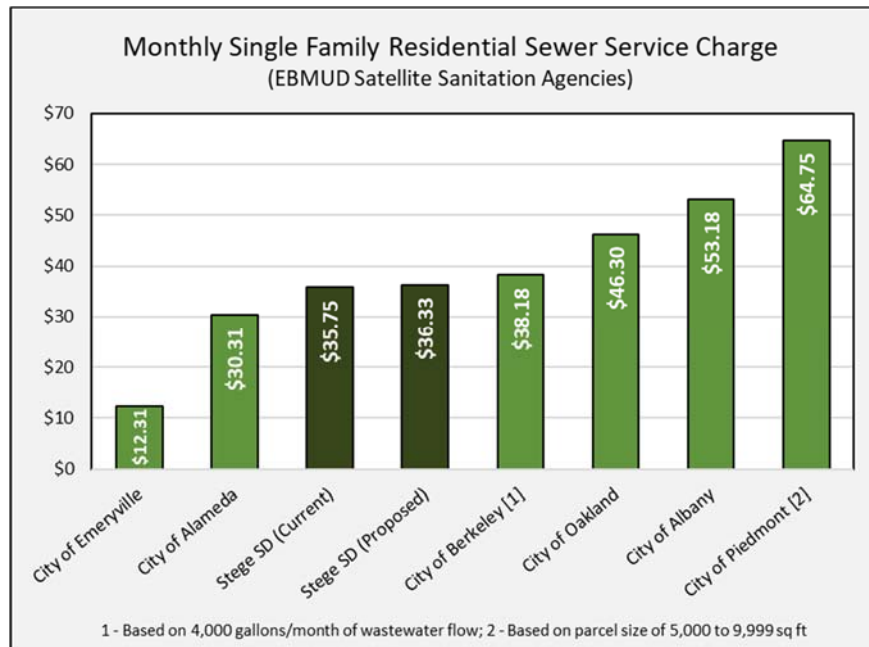
Table 14: Proposed Service Charges
Stege Sanitary District
Sewer Rate Study

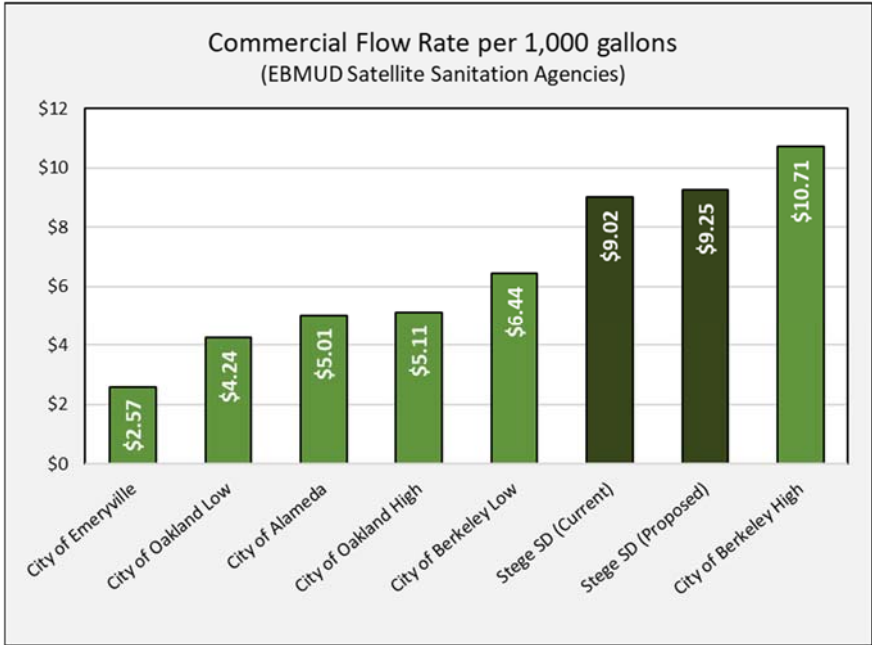
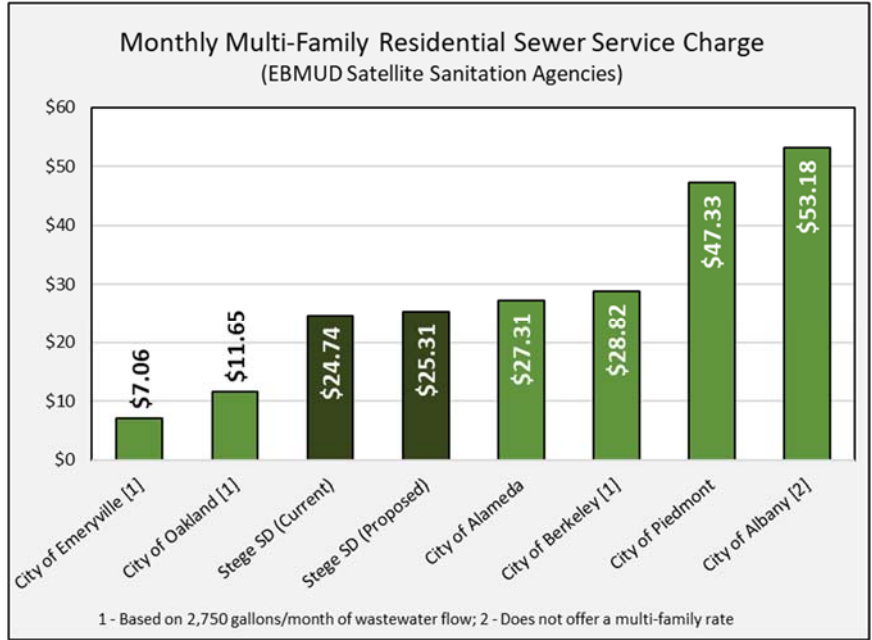
SINGLE FAMILY			
Fiscal Year	\$/dwelling/yr	\$/dwelling/month	% Change
2024	\$429	\$35.75	
2025	\$436	\$36.33	1.6%
2026	\$443	\$36.92	1.6%
2027	\$450	\$37.50	1.6%
2028	\$457	\$38.08	1.6%
2029	\$464	\$38.67	1.5%
MULTI-FAMILY			
Fiscal Year	\$/dwelling/yr	\$/dwelling/month	% Change
2024	\$297	\$24.74	
2025	\$304	\$25.31	2.3%
2026	\$311	\$25.88	2.3%
2027	\$318	\$26.47	2.3%
2028	\$325	\$27.06	2.2%
2029	\$332	\$27.66	2.2%
COMMERCIAL			
Fiscal Year	\$/1,000 gallons		% Change
2024	\$9.02		
2025	\$9.25		2.5%
2026	\$9.48		2.5%
2027	\$9.72		2.5%
2028	\$9.96		2.5%
2029	\$10.21		2.5%

4.4 Bill Impacts

A rate survey was conducted to compare Stege SD's current and FY 2025 proposed rates with the rates of other local agencies. The typical single family bill will remain competitive with the other EBMUD satellite sanitation agencies. The only satellite agencies with lower single family residential bills than Stege SD are the City of Emeryville and the City of Alameda. Stege SD's current and proposed multi-family bill is also in the lower half of bills for the surveyed agencies. All other agencies besides the City of Albany offer a multi-family rate that is less than the single family rate.

Stege SD's current and proposed commercial rates are in the upper range of surveyed agencies but less than the City of Berkeley's high strength commercial rate. However, the bill survey provided here shows the equivalent flow rate per 1,000 gallons and does not necessarily reflect the minimum charges of the agencies. For example, the City of Emeryville's minimum commercial charge is \$12.31 per month which reflects about 4,800 gallons per month. Use over 4,800 gallons per month is charged a rate of \$2.57 (rounded) per 1,000 gallons. Lower flow customers would pay a higher average rate per 1,000 gallons than indicated.







Stege Sanitary District Capacity Charge and SPASPA Impact Fee Study

Draft Report
March 11, 2024



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LIST OF ACRONYMS

BART – Bay Area Rapid Transit
 DU – dwelling unit
 EDU – equivalent dwelling unit
 FU – plumbing fixture unit
 LF – linear feet
 RCNLD – replacement cost new less depreciation
 SF – single family
 SPASPA – San Pablo Ave Specific Plan Area
 Stege SD – Stege Sanitary District

SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Background

The purpose of this report is to update the sewer capacity fee and impact fee charged by the Stege Sanitary District (Stege SD or District) to new development connecting to the sewer system. Capacity or impact fees are one-time hookup fees intended to recover the capital cost of facilities needed to serve new development. Capacity and impact fees do not collect revenues to cover the costs of maintenance, operations, or repairs. Instead, these on-going costs are recovered through District rates and charges billed annually to customers on the property tax roll. Stege SD currently has two capital facilities fees: a Districtwide capacity fee and an impact fee for new development in the San Pablo Avenue Specific Plan Area (SPASPA).

1.1.1 SPASPA Impact Fee

The San Pablo Avenue Specific Plan Area (SPASPA) is a development area within the City of El Cerrito along San Pablo Avenue spanning from the El Cerrito Plaza BART (Bay Area Rapid Transit) station to just north of the Del Norte BART station. The City of El Cerrito adopted the San Pablo Avenue Specific Plan in September 2014 and development is projected to include about 3,400 dwelling units, 162,000 square feet of commercial space, and 260 hotel rooms. Existing sewer pipelines located in the SPASPA and pipelines downstream of the SPASPA are insufficiently sized to serve the projected development and must be upsized. The cost of these localized improvements is recovered in the SPASPA impact fee. The impact fee is only charged to new development in the SPASPA. New development outside of the SPASPA is not charged the impact fee.

1.1.2 Districtwide Capacity Fee

All new development within Stege SD's service area pays the Districtwide capacity fee. The capacity fee is charged to both SPASPA and non-SPASPA development. The current Districtwide capacity fee recovers new development's proportional share of general District facilities (such as lift stations, the Administrative Building, cleaning equipment and vehicles, etc.). The pipelines in or downstream of the SPASPA that are scheduled to be upsized are excluded from the Districtwide capacity fee calculation.

1.2 Legal Requirements

California Government Code Sections 66013, 66016, and 66022 describe the legal requirements pertaining to establishing capacity fees and impact fees. Absent a 2/3 vote, fees must be proportional to the cost of providing facilities to serve new development. This Study is intended to provide support for the Stege Board of Directors to make the following findings set forth in the Mitigation Fee Act: (i) that there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed and (ii) that there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.

1.3 Current and Proposed Fees

The current and proposed fees are provided in Table 1 and Table 2. Stege SD calculates its development fees on a fixture unit basis. The cost per fixture unit is proposed to decrease for both the SPASPA fee and the Districtwide fee. It is proposed that the updated Districtwide fee provide cost recovery for pipeline and manhole assets and exclude other assets such as the Administration Building and vehicles.

Stege SD’s current policy for the Districtwide fee is to charge each new single family residential dwelling for 26 fixture units and each multi-family dwelling unit for 17 fixture units. It is proposed that Stege SD charge each multi-family dwelling unit for 16 fixture units. The Districtwide single family fee will decrease from \$3,354 to \$2,446 and the multi-family fee will decrease from \$2,193 to \$1,505.

**Table 1: Proposed Districtwide Capacity Fee
Stege Sanitary District
Capacity Charge and SPASPA Impact Fee Study**

	Current		Proposed	
COST PER FIXTURE UNIT				
Districtwide Fee	\$129.01		\$94.07	
SINGLE FAMILY DWELLING UNIT				
Districtwide Fee	\$3,354	26 FU	\$2,446	26 FU
MULTI-FAMILY DWELLING UNIT				
Districtwide Fee	\$2,193	17 FU	\$1,505	16 FU

FU – plumbing fixture units

Table 2 shows the total fees for new development in the SPASPA. New development outside of the SPASPA will pay the fees shown in Table 1 in addition to SPASPA impact fees. SPASPA residential fees are not based on a pre-set number of plumbing fixtures. Instead, the number of fixtures and SPASPA impact fees are calculated on the particulars of each new development.

**Table 2: Proposed Combined Districtwide Capacity Fee and SPASPA Impact Fee
Stege Sanitary District
Capacity Charge and SPASPA Impact Fee Study**

	Current		Proposed	
COST PER FIXTURE UNIT				
Districtwide Fee	\$129.01		\$94.07	
SPASPA Fee	<u>\$271.19</u>		<u>\$256.41</u>	
Total	\$400.20		\$350.48	
SINGLE FAMILY DWELLING UNIT				
Districtwide Fee	\$3,354	26 FU	\$2,446	26 FU
SPASPA Fee	<u>\$7,051</u>	26 FU [1]	<u>\$6,667</u>	26 FU [1]
Total (unrounded)	\$10,405		\$9,112	
MULTI-FAMILY DWELLING UNIT				
Districtwide Fee	\$2,193	17 FU	\$1,505	16 FU
SPASPA Fee	<u>\$4,610</u>	17 FU [1]	<u>\$4,103</u>	16 FU [1]
Total	\$6,803		\$5,608	

1 – Example fixture counts shown. Actual fees and fixture counts will be determined based on the permit conditions of each new development

SECTION 2: METHODOLOGY

2.1 Overview

This Study seeks to allocate to each new development project the costs attributable to the increased demand for sewer collection facilities that is reasonably related to the development project. This allocation does not include costs attributable to existing deficiencies in public facilities but includes the costs attributable to the increased demand for public facilities reasonably related to the development project in order to (1) refurbish existing facilities to maintain the existing level of service or (2) achieve an adopted level of service that is consistent with buildout projections.

2.2 Measurement of Level of Service

The Districtwide fee is for collection system facilities that are delivered on a systemwide basis for connections throughout the City of El Cerrito, the Richmond Annex, and the Kensington community. For example, continued renewal and reinvestment in a segment of pipeline provides upstream and downstream benefits as the system can operate more efficiently. For the Districtwide fee and SPASPA fees, this Study identifies the planned level of service for the type of facilities funded by the fee. The planned level of service is generally calculated by dividing:

(i) the value of existing facilities that are intended to provide the service throughout the study period (Districtwide fee) or (ii) the cost of new facilities (SPASPA)

by

The estimated number of plumbing fixture units through buildout.

Throughout this report, the “level of service” is measured as a cost (in dollars) per unit of capacity (i.e. per plumbing fixture unit).

2.3 Existing Facilities

The value of existing pipeline and manhole facilities was evaluated for the calculation of the Districtwide fee. Stege SD’s fixed asset list was reviewed and edited to remove donated facilities and assets that are scheduled to be replaced in the capital improvement plan. To calculate the value of existing facilities using the Replacement Cost New Less Depreciation (RCNLD) method, the book cost of facilities less depreciation was escalated to present worth using the Engineering News Record’s Construction Cost Index for San Francisco for December 2023.

2.4 Planned Facilities

The cost of new facilities in the SPASPA was determined using capital improvements described in the Sewer Capacity Charge for the San Pablo Avenue Specific Plan Area Memorandum (October 19, 2017) (CIP). The memorandum is a planning tool that identifies major capital projects and associated costs needed to serve the SPASPA area.

SECTION 3: CAPACITY THROUGH BUILDOUT

3.1 Fixture Unit Basis

The District currently assesses capacity and impact fees on a fixture unit basis. For the Districtwide fee, it is assumed that the typical new single family dwelling unit is a two bathroom home and has 26 plumbing fixture units as shown below.

**Table 3: Fixture Units Per Typical 2 Bathroom House
Stege Sanitary District
Capacity Charge and SPASPA Impact Fee Study**

Fixture Type	Equivalent Fixture Count		Typical Residence # of Fixtures	=	# of Equivalent Fixture Units per Typical Dwelling
Bathtub or Bath/Shower	2	x	2	=	4
Bidet	2				
Clothes Washer, Domestic	3	x	1	=	3
Dishwasher, Domestic	2	x	1	=	2
Drinking Fountain (per head)	0.5				
Floor Drain	2				
Floor Sink	3				
Food waste grinder, Commercial	3				
Lavatory in sets of two or three	2				
Lavatory, single	1				
Shower multi-head each additional	1				
Shower single-head trap	2				
Sink	3	x	3	=	9
Sink, Mop	3				
Toilet	4	x	2	=	8
Urinal	2				
Water Closet	4				
Watercooler (per head)	0.5				
Other	1				
Total Equivalent Fixture Units					26

Per the District's Sewer Rate Study (March 2024), the average annual single family residential flow is 45,448 gallons or about 125 gallons per day. Divided by 26 fixture units, the average flow per fixture unit is about 5 gallons per day.

The majority of new dwelling units in the SPASPA are expected to be multi-family apartments, condominiums, and/or townhomes and will likely have one bathroom per dwelling unit. It is projected that the typical multi-family dwelling unit will have 16 plumbing fixtures based on the average number of fixture units for multi-family dwelling units that have been constructed in the SPASPA since 2018.

3.2 Capacity Through Buildout

The capacity through buildout is calculated in Table 4. The number of existing customers is taken from the Sewer Rate Study (March 2024). Each single family dwelling unit and commercial equivalent dwelling unit (EDU) represents 26 fixture units (i.e. the number of plumbing fixture units in a single family home). Each multi-family dwelling unit is assumed to have 16 fixture units. The SPASPA impact fee will be charged based on the permit of each new development such that not every multi-family dwelling will be charged for exactly 16 fixture units. However, for planning purposes, 16 fixture units and 26 fixture units are assumed per multi-family and single family dwelling unit, respectively.

The future development estimate shown in Table 4 is taken from the Sewer Capacity Charge for the San Pablo Avenue Specific Plan Area Memorandum (October 19, 2017) plus additional connections that were not originally envisioned in the 2017 memo. It is estimated that new SPASPA connections will make up 11% of the District's total connections at buildout.

**Table 4: Fixture Unit Count Through Buildout
Stege Sanitary District
Capacity Charge and SPASPA Impact Fee Study**

Customers	Count		Fixture Units per du/ 1,000 sq ft/ room	Total Equivalent Fixture Units	% of Build-out
Existing Customers					
SF Residential	11,384	Dwelling Units	26.0	295,972	
Multi-Family Residential	4,838	Dwelling Units	16.0	77,411	
Commercial	2,930	EDUs	26.0	<u>76,180</u>	
Total Existing in 2024				449,563	89%
SPA Customers					
Multi-Family Residential	3,371	Dwelling Units	16.0	53,936	
Commercial [1]	162,364	sq ft	NA	3,247	
Hotel [2]	260	rooms	10	2,600	
Net of SPA fixture units added since inception				<u>(4,595)</u>	
Total Future SPA Customers estimated left to connect from 2024 to Buildout				55,188	11%
Total Buildout				504,751	100%

SF – Single Family

1 - based on 100 gallons per day per 1,000 sq ft used by the Central Contra Costa Sanitary District; one FU = 5 gallons per day of flow

2 - based on one bath/shower, one sink, one toilet, plus 10% margin for other hotel facilities, rounded up

SECTION 4: COST OF CAPACITY

This section calculates the cost of capacity for the Districtwide facilities and SPASPA facilities. The value of the sewer infrastructure for the two fees is divided by the buildout capacity to calculate unit costs expressed as \$/fixture unit. The cost per fixture unit is then multiplied by the number of fixture units per new connection to calculate the total capacity fee or impact fee.

4.1 Background

The Stege Sanitary District provides the collection, transmission, and conveyance of sewage from homes, businesses, and other customer laterals to the trunklines of the East Bay Municipal Utility District (EBMUD). Stege SD also provides sewer pipeline cleaning and spill response for its customers. The current Districtwide capacity fee is \$129.01 per fixture unit based on the level of service needed for the collection and conveyance per 5 gallons of flow. The current SPASPA impact fee is \$271.19 per fixture unit based on the level of service needed to convey 5 gallons of flow through SPASPA area pipelines before connecting with Districtwide facilities.

4.2 SPASPA Planned Facilities Component

The San Pablo Avenue Specific Plan Area Memorandum (October 19, 2017) developed a construction cost estimate for the SPASPA improvements. The current pipelines in the SPASPA and downstream of the SPASPA are insufficient to convey the flow of the proposed development. \$14.9 million in retrofits are needed to upsize 22,592 linear feet (LF) of existing lines. Stege SD staff reviewed construction pricing trends and determined that this cost estimate is reasonable based on current conditions.

Since 2017, another development has connected in the SPASPA that was not originally anticipated in the SPASPA memo. In addition to the 22,592 LF identified in 2017, the 11795 San Pablo Ave, Wall Ave Multi-family Development will require the upsizing of 570 LF at a cost of about \$339,000. Deducted from these costs is about \$1.1 million in impact fees already paid. The total cost of SPASPA capacity is \$14.15 million and is divided by the fixture unit count from Table 4 net of fixture units already paid. The proposed cost per fixture unit is about \$256.

Table 5: SPASPA Impact Fee Calculation
Stege Sanitary District
Capacity Charge and SPASPA Impact Fee Study

Asset	Cost
SPASPA Improvement Cost [1]	\$14,900,000
11795 San Pablo Ave, Wall Ave Multi-family Development	\$339,264
Net of SPASPA fees already paid	<u>(\$1,088,534)</u>
Total Cost	\$14,150,730
SPASPA Fixture Units	59,783
Less SPASPA Fixture Units Already Paid	<u>(4,595)</u>
Total Fixture Units	55,188
Cost per Fixture Unit	\$256.41
Cost per Single Family Unit (26 Fixture Units)	\$6,667
Cost per Multi-Family Unit (16 Fixture Units)	\$4,103
Current Cost per Fixture Unit	\$271.19

1 - Based on 22,595 LF of pipeline at \$425/LF

4.3 Districtwide Existing Facilities Component

The Stege SD Districtwide fee is proposed to be updated to reflect the status of existing facilities and up-to-date costs to provide service to new connections. Capacity fee funds will be used to upgrade and improve pipelines and manholes to ensure that wastewater discharge is collected and conveyed to EBMUD in a manner compliant with environmental regulations. As described above, the SPASPA fee recovers the cost of upsizing existing District pipelines serving the SPASPA. Because the cost of these pipelines is accounted for in the SPASPA fee, they must be deducted from the Districtwide fee to avoid double charging for the same facilities. It is estimated that the SPASPA pipelines make up about 3% of the District total, see Table 6.

**Table 6: Adjustment % for Pipelines
Stege Sanitary District
Capacity Charge and SPASPA Impact Fee Study**

Category	Linear Feet	
Districtwide Pipelines [1]	775,191	A
Less Planned SPASPA Improvements [2]	<u>(23,162)</u>	
Net pipelines	752,029	B
Net pipelines as % of total existing	97.0%	B/A

1 - Sewer model inventory file

2 - Deduction for pipelines that are included in the SPASPA impact fee

Table 7 calculates the Districtwide capacity fee. As described, the Districtwide fee is based on the value of existing facilities at their current value. Current facilities are described in Stege SD’s fixed asset list. The original cost of assets less accumulated depreciation (i.e. book value) was escalated to current dollars based on the Engineering News Record’s Construction Cost Index for San Francisco. The value of pipelines was reduced by 3% to account for the SPASPA lines being replaced. The value of existing Districtwide pipeline and manhole facilities is about \$48.6 million. This amount divided by the buildout fixture units calculated in Table 4 results in a fee of about \$96 per fixture unit.

Table 7: Districtwide Capacity Charge Calculation
Stege Sanitary District
Capacity Charge and SPASPA Impact Fee Study

Asset	Replacement Cost New Less Depreciation
Pipelines	\$11,218,593
Standard Pipeline Replacements & Rehab	<u>\$37,305,763</u>
Total	\$48,524,356
Adjustment	97.0%
Adjusted Value	\$47,074,493
Adjusted Pipelines	\$47,074,493
Manholes	\$362,099
Pump Stations	<u>\$46,202</u>
Total Existing Facilities Component	\$47,482,795
Buildout Fixture Units	504,751
Cost per Fixture Unit	\$94.07
Cost per Single Family Unit (26 Fixture Units)	\$2,446
Cost per Multi-Family Unit (16 Fixture Units)	\$1,505
Current Cost per Fixture Unit	\$129.01

SECTION 5: FEE COMPARISON

5.1 Proposed Fees

Table 8 and Table 9 compare the Districtwide and SPASPA current and proposed fees. The cost per fixture unit is proposed to decrease for both the SPASPA and the Districtwide fee. The prior study assumed that each single family residential dwelling unit would have an average of 26 fixture units and each multi-family dwelling unit would have an average of 17 fixture units. This study assumes each multi-family dwelling unit will have 16 fixture units per dwelling. For SPASPA dwelling units, the actual SPASPA fee charged to each connection will be determined based on the fixture unit count of each development. 16 fixture units per multi-family dwelling was used for planning purposes to estimate the District’s buildout capacity.

Most new connections are expected to be multi-family dwelling units located in the SPASPA. Both the SPASPA and the Districtwide portions of the total fee for multi-family dwellings are proposed to decrease reflecting the downward adjustment to the fixture unit costs and the reduction in multi-family fixture units from 17 to 16. Unlike the SPASPA fee, the Districtwide fee is not assessed individually for each new connection. Instead, each new single family connection is proposed to be charged for 26 fixture units and each new multi-family connection is proposed to be charged for 16 fixture units.¹

**Table 8: Proposed Districtwide Capacity Fee
Stege Sanitary District
Capacity Charge and SPASPA Impact Fee Study**

	Current		Proposed	
COST PER FIXTURE UNIT				
Districtwide Fee	\$129.01		\$94.07	
SINGLE FAMILY DWELLING UNIT				
Districtwide Fee	\$3,354	26 FU	\$2,446	26 FU
MULTI-FAMILY DWELLING UNIT				
Districtwide Fee	\$2,193	17 FU	\$1,505	16 FU

¹ The number of single family dwelling fixture units was based on home sales data since 2013. The number of multi-family dwelling fixture units was based on the average number of fixture units per dwelling for construction in the SPASPA since 2018.

**Table 9: Proposed Combined Districtwide Capacity Fee and SPASPA Impact Fee
Stege Sanitary District
Capacity Charge and SPASPA Impact Fee Study**

	Current		Proposed	
COST PER FIXTURE UNIT				
Districtwide Fee	\$129.01		\$94.07	
SPASPA Fee	<u>\$271.19</u>		<u>\$256.41</u>	
Total	\$400.20		\$350.48	
SINGLE FAMILY DWELLING UNIT				
Districtwide Fee	\$3,354	26 FU	\$2,446	26 FU
SPASPA Fee	<u>\$7,051</u>	26 FU [1]	<u>\$6,667</u>	26 FU [1]
Total	\$10,405		\$9,112	
MULTI-FAMILY DWELLING UNIT				
Districtwide Fee	\$2,193	17 FU	\$1,505	16 FU
SPASPA Fee	<u>\$4,610</u>	17 FU [1]	<u>\$4,103</u>	16 FU [1]
Total	\$6,803		\$5,608	

1 - Example fixture counts shown. Actual fees and fixture counts will be determined based on the permit conditions of each new development

5.2 Annual Review

It is recommended that the Districtwide fee be reviewed annually and potentially be updated based on the change in the Engineering News Record’s Construction Cost Index over the prior year. Suggested language for implementing this policy is:

Each year, commencing on (m/d/y) and continuing thereafter on each (m/d) , the capacity fee shall be adjusted by an increment based on the change in the Engineering News Record Construction Cost Index for San Francisco over the prior year.

However, the Board of Directors may at its option determine, by resolution adopted prior thereto, that such adjustment shall not be effective for the next succeeding year, or may determine other amounts as appropriate.

The capacity fee should also be reviewed in detail when updated information, such as a revised master plan or capital improvement program, is obtained, but not less than every five years.

STEGE SANITARY DISTRICT

Sewer Rate and Capacity Fee Study



Board Meeting
March 21, 2024



LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

Alison Lechowicz
Project Manager

Rate Design





Residential Customer Definitions

	Current (gallons)	Proposed (gallons)	% Change	
Single Family Flow	47,574	45,448	-4.5%	Same as January presentation
Multi-Family Flow	32,924	30,303	-8.0%	January presentation
Revised Multi-Family	32,924	32,514	-1.2%	Revised – normalized to account for growth in dwelling units each year

3



Proposed EDUs

	Current	Proposed	Units	% Change
Single Family Flow	47,574	45,448	gallons per year	-4.5%
Multi-Family Flow	32,924	32,514	gallons per year	-1.2%
% MF Flow to SF Flow	69.2%	71.5%		
<hr/>				
Single Family	11,384	11,384	EDUs	0.0%
Multi-Family	3,349	3,461	EDUs	3.3%
Commercial	<u>2,799</u>	<u>2,930</u>	EDUs	<u>4.7%</u>
Total	17,532	17,775		1.4%

4



Proposed Rate Plan

- Phases-in change in EDU definition over 5 years
- \$7/EDU increase each year to keep up with inflationary cost increases
- If approved via Prop 218, this is the maximum legal rate. The Board can implement a lower rate without another Prop 218 outreach process.

SINGLE FAMILY			
Fiscal Year	\$/dwelling/yr	\$/dwelling/month	% Change
2024	\$429	\$35.75	
2025	\$436	\$36.33	1.6%
2026	\$443	\$36.92	1.6%
2027	\$450	\$37.50	1.6%
2028	\$457	\$38.08	1.6%
2029	\$464	\$38.67	1.5%

5



Proposed Rate Plan

MULTI-FAMILY				
Fiscal Year	\$/dwelling/yr	\$/dwelling/month	% Change	% of SF Charge (% of SF Flow)
2024	\$297	\$24.74		69.2%
2025	\$304	\$25.31	2.3%	69.7%
2026	\$311	\$25.88	2.3%	70.1%
2027	\$318	\$26.47	2.3%	70.6%
2028	\$325	\$27.06	2.2%	71.1%
2029	\$332	\$27.66	2.2%	71.5%

COMMERCIAL		
Fiscal Year	\$/1,000 gallons	% Change
2024	\$9.02	
2025	\$9.25	2.5%
2026	\$9.48	2.5%
2027	\$9.72	2.5%
2028	\$9.96	2.5%
2029	\$10.21	2.5%

6



Pre-funding Pension Liabilities

- Current balance is \$2.4M

Year	Current Schedule (20 year)	15 Year Schedule	10 Year Schedule
FY2025	194,110	252,404	328,425
FY2026	210,795	252,404	328,425
FY2027	224,397	252,404	328,425
FY2028	255,403	252,404	328,425
FY2029	260,222	252,404	328,425
5-Year Total	\$1,144,927	\$1,262,020	\$1,642,125
Total Cost Increase		\$117,093	\$497,198
Average Annual Cost Increase		\$23,419	\$99,440
Rate Impact based on 17,775 EDUs		\$1.32	\$5.59

7

Capacity Fees



8



Change in Buildout EDUs since 2019

- # of fixture units per multifamily dwelling unit reduced from 17 to 16
- Count of multifamily connections revised from EDUs to dwelling units
- Flows of current commercial customers decreased

	2019	2024
Annual Flow (gallons)	166,300,000	133,160,000
Existing Customer EDUs	3,597	2,930

9



2024 Proposed Buildout

Customers	Count		Fixture Units per du/ 1,000 sq ft/ room	Total Equivalent Fixture Units
Existing Customers (actuals from the property tax roll)				
SF Residential	11,384	Dwelling Units	26.0	295,972
Multi-Family Residential	4,838	Dwelling Units	16.0	77,411
Commercial	2,930	EDUs	26.0	<u>76,180</u>
Total Existing in 2024				449,563
SPA Customers				
Multi-Family Residential	3,371	Dwelling Units	16.0	53,936
Commercial	162,364	sq ft	NA	3,247
Hotel	260	rooms	10	2,600
Net of SPA fixture units added since inception				<u>(4,595)</u>
Total Future SPA Customers Estimated Left to Connect from 2024 to Buildout				55,188
Total Buildout Fixture Units				<u>504,751</u>

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2019 Buildout Estimate

Customers	Count		Fixture Units per du/ 1,000 sq ft/ room	Total Equivalent Fixture Units
2019 Existing Customers				
SF Residential	11,321	Dwelling Units	26.0	294,350
Multi-Family Residential	2,977	EDUs	17.0	50,601
Commercial	3,597	EDUs	26.0	<u>93,522</u>
Total Existing in 2024				438,473
SPA Customers				
Multi-Family Residential	3,371	Dwelling Units	17.0	57,307
Commercial	162,364	sq ft	NA	3,247
Hotel	260	rooms	10	2,600
Net of SPA fixture units added since inception				<u>NA</u>
Total Future SPA Customers Estimated Left to Connect from 2019 to Buildout				63,154
Total Buildout Fixture Units				501,627

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Districtwide Fee

- Value is the original cost net of depreciation and escalated to current dollars

	2019	2024
Pipelines less SPASPA pipe	\$51,520,291	\$47,074,493
Manholes	\$419,289	\$362,099
Pump Stations	\$37,901	\$46,202
Admin Building & Office Equip	\$2,588,350	NA
Vehicles	<u>\$502,273</u>	<u>NA</u>
Total Existing Facilities	\$55,068,105	\$47,482,795
Build-out Fixture Units	501,627	504,751
Cost per Fixture Unit	\$109.78	\$94.07

12



SPASPA Capacity Fee

San Pablo Ave SPA Improvement Cost	\$14,900,000
11795 San Pablo Ave, Wall Ave	\$339,264
Net of SPASPA fees already paid	<u>(\$1,088,534)</u>
Total Cost	\$14,150,730
SPASPA Fixture Units	59,783
Less SPASPA Fixture Units Already Paid	<u>(4,595)</u>
Total Fixture Units	55,188
Cost per Fixture Unit	\$256.41

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Total Proposed Capacity Fee

	Current		Proposed	
Cost per fixture unit				
Districtwide Fee	\$129.01		\$94.07	
SPASPA Fee	<u>\$271.19</u>		<u>\$256.41</u>	
Total	\$400.20		\$350.48	
Multi-Family Dwelling Unit				
Districtwide Fee	\$2,193	17 FU	\$1,505	16 FU
SPASPA Fee	<u>\$4,339</u>	16 FU	<u>\$4,103</u>	16 FU
Total	\$6,532		\$5,608	
Single Family Dwelling Unit				
Districtwide Fee	\$3,354	26 FU	\$2,446	26 FU
SPASPA Fee	<u>\$7,051</u>	26 FU	<u>\$6,667</u>	26 FU
Total	\$10,405		\$9,112	

14



Discussion



RESOLUTION NO. 2235-0324 AUTHORIZING INVESTMENT OF STEGE SANITARY DISTRICT MONIES IN ACCOUNTS WITH FIVE STAR BANK

ISSUE:

The Board will consider a resolution to open a checking account with Five Star Bank for the purpose of writing checks.

FISCAL IMPACT:

The District will earn higher interest rates and save with lower cost bank service fees (see proposal attached).

STRATEGIC PLAN:

GOAL 3: Ensure Financial Stability and Efficiency

BACKGROUND:

Five Star Bank is very active within the special district community and a partner with the California Special Districts Association (CSDA). By utilizing Five Star Bank, the District will earn higher interest rates and save with lower cost bank service fees (see proposal attached) while receiving a higher level of customer service and reliability than our current bank.

Staff has prepared a resolution to open an account with Five Star Bank which is ready for approval.

RECOMMENDATION:

Approve the resolution.

ALTERNATIVES:

1. Amend the resolution and approve, as amended.
2. Take no action and remain with the current bank.

ATTACHMENTS:

- Resolution No. 2235-0324
- Five Star Bank Proposal

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RESOLUTION NO. 2235-0324

RESOLUTION AUTHORIZING INVESTMENT OF STEGE SANITARY DISTRICT
MONIES IN ACCOUNTS WITH FIVE STAR BANK

The Directors of the Stege Sanitary District (District) find and determine as follows:

- A. The District has determined that the deposit and withdrawal of money in the local Agency Investment Fund (LAIF) in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein is in the best interests of the Stege Sanitary District (District) and should continue.
- B. The District has determined that an interest-bearing business, or merchant, checking account with Five Star Bank for the purpose of writing checks is also in the best interests of the District.
- C. Gov. Code Section 53635.2 permits the District to deposit funds in certain financial institutions as long as certain requirements are met.
- D. The District has determined that Five Star Bank meets the statutory requirements of Gov. Code 53635.2

In consideration of the foregoing findings and determinations, it is resolved:

1. The Board of Directors does hereby authorize the District Manager to open a business, or merchant, checking account for the Stege Sanitary District with Five Star Bank.
2. Two authorized signatures shall be required on all checks drawn against the District's account. The District Manager is authorized to sign checks and the other signature shall be that of the Board President or, in the absence of the President, another member of the Board as his/her designee.
3. The District Manager and Administrative Supervisor shall be the authorized agents for the purpose of making transfers between the District's LAIF and Five Star Bank checking accounts.

STATE OF CALIFORNIA)
COUNTY OF CONTRA COSTA)

I HEREBY CERTIFY that the foregoing Resolution was duly and regularly adopted by the Directors of the Stege Sanitary District, at a regular meeting thereof, held on the 21st day of March 2024 by a X-X vote as follows:

AYES: BOARD MEMBERS:
NOES: BOARD MEMBERS:
ABSENT: BOARD MEMBERS:
ABSTAIN: BOARD MEMBERS:

PAUL GILBERT-SNYDER, President
Stege Sanitary District
Contra Costa County, California

ATTEST:

REX DELIZO, Secretary
Stege Sanitary District



PROPOSAL FOR BANKING SERVICES

Prepared for



February 13, 2024

Contact for Information

Michelle Monaco, CTP
SVP – Managing Director
3100 Zinfandel Drive Suite 650
Rancho Cordova, CA 95670
O: 916.660.5668
C: 925.768.3318
mmonaco@fivestarkbank.com



This proposal, including all attachments and exhibits, is confidential. The information provided is intended only for the use of the entity to which it is addressed and may not be shared with third parties without explicit permission from Five Star Bank.



February 13, 2024

Stege Sanitary District
Kary Richardson
7500 Schmidt Lane
El Cerrito, CA 94530

Dear Kary,

Thank you for providing Five Star Bank with the opportunity to present Stege Sanitary District with this proposal for banking services.

We believe you deserve nothing less than outstanding customer service, reliability, competitive pricing, efficient means of managing your accounts electronically, and direct access to a team of qualified banking professionals who are knowledgeable and experienced.

Five Star Bank truly is the perfect partner for the Stege Sanitary District. We will provide you with service enhancements and tools to help improve efficiency and cash flow, lower your costs, and increase your income. We are a great community partner and a client advocate.

We are happy to review the proposed service enhancements with you in greater detail to ensure they are tailored to meet your unique needs and discuss nextsteps to seamlessly transition your banking relationship to Five Star Bank.

We are committed to providing Stege Sanitary District with the absolute best customer service experience and look forward to building a long and sustainable relationship together.

Sincerely,

A handwritten signature in black ink that reads "Michelle Monaco".

Michelle Monaco
SVP Government Banking Manager
mmonaco@fivestarb.com
O: 916-660-5668
C: 925-768-3318

ABOUT US

Five Star Bank is a California State Chartered Commercial Bank that was founded in 1999 by a group of local entrepreneurs who wanted to create the kind of personalized banking services they desired themselves – services inspired by partnership and defined by shared vision and goals. Over the years, our area of expertise has expanded to provide financial services to several specialized industries including Government Banking.

As we celebrate 25 years in business, Five Star Bank continues to be guided by purpose-driven banking, community stewardship, regional and industry expertise, a speed to serve and a commitment to economic development. The Bank currently has seven (7) full-service branch offices located in Redding, Chico, Yuba City, Roseville, Rancho Cordova, Elk Grove and Sacramento, and two (2) loan production offices, located in Downtown Sacramento and San Francisco. The Bank is also in the process of developing a full-service branch location in San Francisco that is expected to open 3Q 2024.

Our expertise in serving public agency clients reaches across the entire state of California. We serve special districts, cities, and counties throughout the state. What sets Five Star Bank apart from other financial institutions is our speed of service and certainty of execution. Furthermore, we have the technical expertise within our Government Banking Group to meet Stege Sanitary District’s banking needs as evidenced by over \$800 million in public funds on deposit with Five Star Bank as of December 31st, 2023.

With nearly \$3.6 billion in total assets (as of 12/31/23), Five Star Bank has been acknowledged as a top performing bank. It has received national recognition for its performance within its class and regularly earns the highest ratings and rankings based on various financial metrics from bank rating agencies and industry associations, some of which include:

National Recognition

- 2022 S&P Global Market Intelligence – Ranked #1 in 2022’s Best Performing Community Banks in the nation with assets between \$3 billion and \$10 billion.
- 2022 Raymond James Community Bankers Cup – Placed in the top 10% of all exchange-traded domestic banks in the nation with assets between \$500 million and \$10 billion as of 12/31/22.
- 2023 Piper Sandler’s Sm-All Stars – Recognized for outperformance on growth, profitability, asset capital and capital.

Ratings & Rankings

- Bauer Financial - Superior Rating (5 out of 5 stars as of 9/30/23)
- IDC - Superior Rating (280 out of 300 as of 9/30/23)
- The Findley Reports - Super Premier Performing Bank Designation based on 2022 financials.
- Sacramento Business Journal
 - Best Places to Work in 2023
 - Fastest Growing Companies 2023

Five Star Bank delivers expedient decision-making by professionals with regional expertise. Our Board of Directors and Executive Team are active participants with numerous local economic development organizations, non-profits, educational institutions, professional associations, and more. The commitment to community runs from the top down at Five Star Bank. Our Board of Directors is heavily involved in a variety of philanthropic endeavors throughout our region.

Five Star Bancorp is a registered bank holding company for its wholly owned subsidiary Five Star Bank, a business bank headquartered in Roseville, California. In 2021, Five Star Bank became a public company and is traded on NASDAQ under the ticker FSBC.

EXECUTIVE SUMMARY

As you read our proposal, you will see Five Star Bank truly is the perfect partner for Stege Sanitary District. We offer high-tech solutions with a community bank high-touch relationship focused approach along with competitive rates and fees.

Your District will have a dedicated Government Banking Relationship team of bankers available to assist you. Given our staff's experience working with special districts, cities, and counties, we believe Five Star Bank is best equipped to handle your needs.

Five Star Bank is offering you the following:

- **Analyzed Public Checking account(s) with a 2.00%¹ Earning Credit Rate, along with very competitive analysis checking account fees and charges. We take pride in not “nickel and diming” our clients! Based on the information provided in your December 2023 Statement, Stege Sanitary District is not expected to pay any bank service fees if you maintain at least \$75,000 in your analysis account(s).**
- **An extensive suite of treasury services to help you efficiently manage your cash, including Online Banking with enhanced reporting, ACH Origination, Wire Transfers, Positive Pay w/ Payee Validation, ACH Positive Pay, Account Reconciliation, and Remote Deposit Capture (RDC).**
- **Complementary RDC check scanner and initial banking supplies (checks, deposit slips, etc.).**
- **A fully collateralized variable rate liquid Public Money Market Account with an above market rate that matches the published LAIF PMIA average monthly effective yields (current rate 4.012%)¹ providing easy access to reserve funds.**
- **Dedicated resources during the planning and implementation phase of your new accounts and services to ensure a smooth transition to Five Star Bank, along with an experienced Government Banking Relationship Team for ongoing support.**

Additional services such as Corporate Credit Cards, Cash Vault and Smart Safes, Lockbox, Integrated Payables, Integrated Receivables, and Merchant Services are also available.

We do not currently utilize customer service virtual assistants, automated telephone answering systems, or phone trees to get lost in when you call us for assistance. The District can contact a member of its Government Banking Relationship Team directly, as their direct phone numbers and email addresses are provided to the District's staff for support. We also have an e-Banking Team available for technical assistance and service support. Our team of dedicated banking professionals are available to assist you with all your customer service questions and needs. We are here as a resource to help you. Five Star Bank prides itself on providing exemplary customer service and consistently being able to service the needs of our clients.

Five Star Bank is very active within the special district community. One of the notable associations we partner with is the California Special Districts Association (CSDA). We help sponsor their Annual Conference and their General Manager Summit. Furthermore, we have sponsored scholarships to their GM Summit since 2018. These scholarships provide funding for those in need to attend the GM Summit to receive important training on policies, procedures, and best practices. Being a good community bank means supporting your community.

Please let us know if you have any questions or need clarification on anything in this proposal.

¹ Variable deposit rates and ECR are subject to change based on the current market conditions and the Fed Funds rate.

OUR BANKING PROPOSAL

The banking relationship for the Stege Sanitary District is not complex and we are confident we can meet all your banking needs. Based on the information you provided, Five Star Bank is pleased to offer you the following accounts and services.

Proposed Deposit Accounts

All public funds deposited with Five Star Bank are fully collateralized in accordance with the Government Code of the State of California Title 5, Division 2, Part 1, Chapter 4, Article 2 Deposit of Funds (commencing with Section 53630). Alternatively, the District may elect to deposit funds more than the FDIC insured amount into an Intrafi® Cash Services (ICS®) insured cash sweep account through Five Star Bank. ICS® is an optional deposit account product that will provide Stege Sanitary District peace of mind knowing their deposits are 100% FDIC insured in compliance with the Government Code.

Analyzed Checking Account – Our Analyzed Checking Account offers an above market Earnings Credit Rate (ECR) and a competitive fee structure, making it a win-win for the District. Our current ECR is 2%¹, providing you with ample earnings credits to offset your service fees. Our goal is to help you greatly reduce if not entirely offset the costs associated with the District’s banking relationship.

Based on the attached Pro Forma Analysis Statement reflecting your checking account balances, transaction activity and treasury services as of December 2023, you would not have been assessed a service fee at Five Star Bank for the same period. The estimated average daily balance required to offset your service fees in December was approximately \$75,000. Although we recommended you maintain sufficient balances in your operating account to handle your day-to-day cash needs, this may provide you with an opportunity to transfer excess reserve funds to a High Yield Commercial Money Market Account to increase your interest earning assets.

High Yield Public Money Market Reserve Account – Make your money work for you! In keeping with the three priorities for public funds – Safety, Liquidity, and Yield – we are offering the District a Public Money Market Account with an attractive interest rate (currently at 4.012%¹). The base variable rate on the fully collateralized liquid Public Money Market Account is tied to the published LAIF PMIA monthly average yield for the preceding calendar month. Our Public Money Market account will provide Stege Sanitary District with easier access to their funds (24 hours a day, 7 days a week), later availability than LAIF for outgoing wires (2:30 pm vs. 10 am), and more frequent compounding of interest (daily vs. quarterly) and interest payment frequency (monthly vs. quarterly).

Proposed Treasury Services

- **Secure Online Banking** – Includes User Administration, Enhanced Balance and Information Reporting (available in .pdf, .csv, and BAI formats), Customizable Alerts, Secure Messaging, Fund Transfers, and more.
- **Mobile Banking with Mobile Deposit** – Conveniently access your accounts and treasury services from a mobile device.
- **ACH Origination** – Initiate one time or recurring electronic fund transfers for vendor payments, payroll, tax payments, collections of funds, and/or cash concentration. Items can be processed in single or batch payment files.
- **Online Wire Origination** – Securely send immediate non-revokable Fedwire transfers.
- **Remote Deposit Capture** – Conveniently submit scanned check deposits electronically from your office. Our RDC Service includes a complimentary check scanner.
- **Positive Pay with Payee Validation, Account Reconciliation and ACH Positive Pay** – Manage and reconcile of your account activity in an efficient and timely manner while preventing check and ACH fraud losses.
- **FTP** – Securely send and/or receive transaction files and custom reports.
- **Purchasing Card²** – A convenient and robust payment option for business expenditures, including travel and entertainment expenses, affording you with advanced control of routine business purchases. Card benefits include:
 - *Robust Online Portal* – Real-time online card management based on defined User rights include card issuance/cancellation, limit changes, Merchant Category Code restrictions, balance and transaction reporting, and online statements.
 - *Multiple Card Options* - Card in hand, virtual cards, and ghost cards are available for total control, streamlined A/P invoice settlement and enhanced security benefits.
 - *Complimentary Online Expense Management Application* – Available for card transactions, employee personal expenses, and mileage reimbursements. GL mapping and configurable AP files are available to automate the posting of transactions to your financial accounting system.
 - *Alerts and Control Notifications* – Receive real-time card balance and transaction alerts via text and/or email.
 - *No Annual Fee* – No annual fee is assessed on any of our card types.
 - *Interest* – Interest will not be charged on purchases if you pay your entire statement balance by the due date each month.
 - *Mastercard Benefits* – Includes comprehensive travel benefits and MasterCoverage[®] liability protection program.
 - *Local Underwriting* – All credit limits and limit changes are underwritten and approved in-house by Five Star Bank.

Additional Treasury Services Available

- **Automated Sweeps** – For automated fund transfers to/from zero balance accounts (ZBA), target balance accounts, and overdraft accounts.
- **Bill Pay and Zelle® for Business** – An easy way to send funds to vendors and/or individuals. Bill payments can be set up with dual authorization requirements to ensure adequate control.
- **Integrated Payables** – Send payments efficiently and receive additional revenue during the process with PayClearly®. Gain complete AP automation from invoice receipt to payment disbursement. Hundreds of ERP & accounting software integrations are available to streamline the processes.
- **Integrated Receivables/Remittance Management** – With Remit Plus®, you can easily capture, process and report on paper and electronic remittance payments within a centralized portal.
- **Merchant Services** – Conveniently accept and process payments through a card terminal or online portal to help grow your business. Innovative platforms are available with next-day funding to your Five Star Bank checking account.
- **Lockbox** – Expedite the collection and processing of paper-based and electronic bill payment items for deposit to your account. Receive timely payment information and posting files to update your accounts receivable system.
- **Cash Services** – Cash Vault and Smart Safe services are available to manage your cash deposit and ordering needs timely, efficiently, and securely.

Lending Solutions

- **Term Loans & Lines of Credit²** – We offer specialized business financing products structured to meet your unique working capital and infrastructure improvement needs.

¹ Variable deposit rates and ECR may change based on the market conditions and Federal Reserve rate.

² requires credit approval.

Attachments

- Five Star Bank Company Fact Sheet
- Pro Forma Analysis Statement Comparing Five Star Bank to Mechanics Bank as of December 2023
- Commercial Analyzed Checking Account Fee Schedule
- IDC Financial Publishing Inc Bank Rating Report as of September 30, 2023
- Bauer Financial Bank Rating Report as of September 30, 2023



Five Star Bank Facts

Asset Size:
\$3.5 Billion

Website:
www.fivestarbanc.com

NASDAQ Ticker:
FSBC

National Recognition

S&P Global Market Intelligence
#1 Best Performing Community Bank
2022
with assets between \$3B and \$10B

Raymond James Community Bankers Cup Winner
2022
Ranked in top 10% of community banks in the nation

Piper Sandler's Sm-All Stars
2023
Recognized for outperformance on growth, profitability, asset capital and capital

Ratings & Rankings

Bauer Financial

5 Stars (out of 5)

Findley Report

Super Premier Performing Bank

IDC

Superior Rating

Sacramento Business Journal

Best Places to Work 2023
Fastest Growing Companies 2023

About Five Star Bank

Five Star Bank was founded in 1999 by a group of entrepreneurs who wanted to create the kind of personalized banking services they desired themselves - services inspired by partnership and defined by shared vision and goals. Today, Five Star Bank is guided by purpose-driven banking, community stewardship, regional and industry expertise, a speed to serve and a commitment to economic development. As a premier business bank, we provide our clients with the highest level of service and trust.

Exceptional Products & Services

Specialized Lending

- Equipment Financing
- Business Lending & Lines of Credit
- Commercial Real Estate
- Government
- Construction
- Small Business Administration (SBA)
- Manufacturing & Distribution
- Healthcare
- Manufactured Housing, RV & Self Storage
- Nonprofit
- Agriculture, Ag-Tech & Wineries
- Practice Finance
- Venture Banking, Technology & Start-Up
- Professional Services

Treasury Management Solutions

- Online Banking
- Positive Pay (Payee Validation, ACH Positive Pay and Account Recon)
- Automated Clearing House (ACH)
- Wire Transfers
- Bill Pay
- Integrated Payables
- Corporate Purchasing Cards
- Lockbox
- Integrated Receivables and Remittance (Remit Plus Express)
- Remote Deposit Capture and Mobile Deposit
- Merchant Services
- Cash Vault and Smart Safe Services
- Zero Balance Account
- Credit Sweep
- FDIC Insured Cash Sweep (ICS)
- Certificate of Deposit Registry Services (CDARS)

Government Banking Group

Michelle Monaco

Senior Vice President / Managing Director
mmonaco@fivestarbanc.com | 916.660.5668

Reagan Ballo

Vice President / Government Banking Officer
rballo@fivestarbanc.com | 916.660.5752



Pro Forma Analysis Statement Summary

Stege Saniary District
7500 Schmidt Lane
El Cerrito CA 94530-2401

Statement Period: December-23
 Relationship Officer: OFFICER NAME

	Mechanics Bank	Five Star Bank
Earnings Credit Rate	0.20%	2.00%
Average Daily Collected Balance	\$ 2,264,042.96	\$ 2,264,042.96
Less Required Reserves (10%)	\$ 226,404.30	\$ -
Net Investible Balance	\$ 2,037,638.66	\$ 2,264,042.96
Current Period Earnings Credit	\$ 346.12	\$ 3,845.77
Less Total Analysis Activity Charges	\$ 376.11	\$ 297.31
Net Analysis Position	\$ (29.99)	\$ 3,548.46
Net Difference		\$ 3,578.45

This Pro Forma Analysis Statement is intended for the recipient only, is considered confidential, and may not be shared with third parties without our express permission. Fees outlined in this Statement are estimates based on the information provided and are subject to change.



**Pro Forma Analysis Statement
Detail**

Stege Saniary District

Analysis Statement Month: December-23

Average Daily Ledger Balance	\$2,264,042.96
Less Average Daily Float	\$0.00
Average Daily Collected Balance	\$2,264,042.96
Less Required Reserves	\$0.00
Net Investible Balance	\$2,264,042.96

Mechanics Bank			
EARNINGS CREDIT:			
	<i>Days</i>	<i>ECR</i>	<i>Amount</i>
Current Period Earnings Credit	31	0.20%	\$ 346.12
SERVICE CHARGE DETAIL:			
	<i>Activity</i>	<i>Unit Price</i>	<i>Activity Charge</i>
Account Maintenance Fee	1	\$ 20.00	\$ 20.00
Deposit Coverage (per \$1,000)	2,264	\$ 0.0679	\$ 153.83
Deposit	1	\$ -	\$ -
RDC Deposit		\$ 1.25	\$ -
Mobile Deposit		\$ 1.25	\$ -
On-Us Checks Deposited		\$ 0.15	\$ -
Transit Checks Deposited	1	\$ 0.12	\$ 0.12
Cash Deposited (per \$1,000)		\$ 1.20	\$ -
Cash Paid-Out		\$ 1.20	\$ -
Checks Paid	19	\$ 0.20	\$ 3.80
ACH Debits and Credits	3	\$ 0.20	\$ 0.60
Wire Transfer Monthly Fee		\$ -	\$ -
Incoming Wire Fee		\$ 10.00	\$ -
Outgoing Online Wire Fee	3	\$ 15.00	\$ 45.00
Online banking	1	\$ 25.00	\$ 25.00
RDC Monthly Fee		\$ 40.00	\$ -
ACH Origination Monthly Fee		\$ 125.00	\$ -
ACH Batch Originated		\$ 5.00	\$ -
ACH Originated Item Fee		\$ 0.15	\$ -
ACH Returned Item Fee		\$ 4.00	\$ -
ACH Block		\$ 20.00	\$ -
Check Positive Pay Set Up Fee	1	\$ 50.00	\$ 50.00
Payee Positive Pay	1	\$ 75.00	\$ 75.00
Positive Pay Per Item Fee	22	\$ 0.08	\$ 1.76
Positive Pay Exception Item Fee	2	\$ 0.50	\$ 1.00
		\$ -	\$ -
		\$ -	\$ -
Total Activity Charges			\$ 376.11
(Fees debited) or net positive position			(\$29.99)

Five Star Bank			
EARNINGS CREDIT:			
	<i>Days</i>	<i>ECR</i>	<i>Amount</i>
Current Period Earnings Credit	31	2.00%	\$ 3,845.77
SERVICE CHARGE DETAIL:			
	<i>Activity</i>	<i>Unit Price</i>	<i>Activity Charge</i>
Account Maintenance Fee	1	\$ 15.00	\$ 15.00
Bank Administration Fee		\$ 0.0010	\$ 192.29
Branch Deposit		\$ 1.25	\$ -
RDC Deposit	1	\$ 1.00	\$ 1.00
Mobile Deposit		\$ -	\$ -
On-Us Checks Deposited		\$ 0.15	\$ -
Transit Checks Deposited	1	\$ 0.15	\$ 0.15
Cash Deposited		\$ 0.0012	\$ -
Cash Paid-Out		\$ -	\$ -
Checks Paid	19	\$ 0.18	\$ 3.42
ACH Debits Debits and Credits	3	\$ 0.15	\$ 0.45
Wire Transfer Monthly Fee		\$ -	\$ -
Incoming Wire Fee		\$ 10.00	\$ -
Outgoing Online Wire Fee	3	\$ 15.00	\$ 45.00
Cash Management	1	\$ 25.00	\$ 25.00
RDC Monthly Fee		\$ 25.00	\$ -
ACH Origination Monthly Fee		\$ -	\$ -
ACH Batch Originated		\$ 2.50	\$ -
ACH Originated Item Fee		\$ -	\$ -
ACH Returned Item Fee		\$ -	\$ -
ACH Block		\$ 10.00	\$ -
Check Positive Pay Set Up Fee		\$ -	\$ -
Positive Pay (payee PP, ACH PP & Recon)	1	\$ 15.00	\$ 15.00
Positive Pay Per Item Fee	22	\$ -	\$ -
Positive Pay Exception Item Fee	2	\$ -	\$ -
		\$ -	\$ -
		\$ -	\$ -
Total Activity Charges			\$ 297.31
(Fees debited) or net positive position			\$3,548.46

Net Difference \$3,578.45



**Pro Forma Analysis Statement
Detail**

Stege Saniary District

Analysis Statement Month: Dec 2023 - Lower Bal

Average Daily Ledger Balance	\$50,000.00
Less Average Daily Float	\$0.00
Average Daily Collected Balance	\$50,000.00
Less Required Reserves	\$0.00
Net Investible Balance	\$50,000.00

Mechanics Bank			
EARNINGS CREDIT:			
	<i>Days</i>	<i>ECR</i>	<i>Amount</i>
Current Period Earnings Credit	31	0.20%	\$ 7.64
SERVICE CHARGE DETAIL:			
	<i>Activity</i>	<i>Unit Price</i>	<i>Activity Charge</i>
Account Maintenance Fee	1	\$ 20.00	\$ 20.00
Deposit Coverage (per \$1,000)	50	\$ 0.0679	\$ 3.40
Deposit	1	\$ -	\$ -
RDC Deposit		\$ 1.25	\$ -
Mobile Deposit		\$ 1.25	\$ -
On-Us Checks Deposited		\$ 0.15	\$ -
Transit Checks Deposited	1	\$ 0.12	\$ 0.12
Cash Deposited (per \$1,000)		\$ 1.20	\$ -
Cash Paid-Out		\$ 1.20	\$ -
Checks Paid	19	\$ 0.20	\$ 3.80
ACH Debits and Credits	3	\$ 0.20	\$ 0.60
Wire Transfer Monthly Fee		\$ -	\$ -
Incoming Wire Fee		\$ 10.00	\$ -
Outgoing Online Wire Fee	3	\$ 15.00	\$ 45.00
Online banking	1	\$ 25.00	\$ 25.00
RDC Monthly Fee		\$ 40.00	\$ -
ACH Origination Monthly Fee		\$ 125.00	\$ -
ACH Batch Originated		\$ 5.00	\$ -
ACH Originated Item Fee		\$ 0.15	\$ -
ACH Returned Item Fee		\$ 4.00	\$ -
ACH Block		\$ 20.00	\$ -
Check Positive Pay Set Up Fee	1	\$ 50.00	\$ 50.00
Payee Positive Pay	1	\$ 75.00	\$ 75.00
Positive Pay Per Item Fee	22	\$ 0.08	\$ 1.76
Positive Pay Exception Item Fee	2	\$ 0.50	\$ 1.00
		\$ -	\$ -
		\$ -	\$ -
Total Activity Charges			\$ 225.68
<i>(Fees debited) or net positive position</i>			(\$218.03)

Five Star Bank			
EARNINGS CREDIT:			
	<i>Days</i>	<i>ECR</i>	<i>Amount</i>
Current Period Earnings Credit	31	2.00%	\$ 84.93
SERVICE CHARGE DETAIL:			
	<i>Activity</i>	<i>Unit Price</i>	<i>Activity Charge</i>
Account Maintenance Fee	1	\$ 15.00	\$ 15.00
Bank Administration Fee		\$ 0.0010	\$ 4.25
Branch Deposit		\$ 1.25	\$ -
RDC Deposit	1	\$ 1.00	\$ 1.00
Mobile Deposit		\$ -	\$ -
On-Us Checks Deposited		\$ 0.15	\$ -
Transit Checks Deposited	1	\$ 0.15	\$ 0.15
Cash Deposited		\$ 0.0012	\$ -
Cash Paid-Out		\$ -	\$ -
Checks Paid	19	\$ 0.18	\$ 3.42
ACH Debits Debits and Credits	3	\$ 0.15	\$ 0.45
Wire Transfer Monthly Fee		\$ -	\$ -
Incoming Wire Fee		\$ 10.00	\$ -
Outgoing Online Wire Fee	3	\$ 15.00	\$ 45.00
Cash Management	1	\$ 25.00	\$ 25.00
RDC Monthly Fee		\$ 25.00	\$ -
ACH Origination Monthly Fee		\$ -	\$ -
ACH Batch Originated		\$ 2.50	\$ -
ACH Originated Item Fee		\$ -	\$ -
ACH Returned Item Fee		\$ -	\$ -
ACH Block		\$ 10.00	\$ -
Check Positive Pay Set Up Fee		\$ -	\$ -
Positive Pay (payee PP, ACH PP & Recon)	1	\$ 15.00	\$ 15.00
Positive Pay Per Item Fee	22	\$ -	\$ -
Positive Pay Exception Item Fee	2	\$ -	\$ -
		\$ -	\$ -
		\$ -	\$ -
Total Activity Charges			\$ 109.27
<i>(Fees debited) or net positive position</i>			(\$24.34)

Net Difference **\$193.70**



Proposed Products and Services

Deposit Accounts:

- 1 Analyzed Checking Account
- Public MMA (Tied to LAIF PMIA Avg Mo. Yields)

Treasury Products & Services:

- Online Banking
- Remote Deposit (w/ complimentary check scanner)
- Wire Origination
- ACH Origination
- Payee Positive Pay
- ACH Positive Pay
- Account Reconciliation
- Bill Pay

Other:

- Credit Cards
- Merchant Services



**Commercial Checking Account Standard
Analysis Fee Schedule**

Service Type	Fee per Month	Service Type	Fee per Item
Bank Administration Fee Annual Rate	.0010*	On-Us Checks Deposited	\$0.15
Account Maintenance	\$15.00	Transit Checks Deposited	\$0.15
ACH Filter	\$10.00	Branch Deposit	\$1.25
Cash Management	\$25.00	RDC Deposit	\$1.00
RDC Monthly Fee	\$25.00	Cash Deposit (per \$100)	\$.12
Positive Pay	\$15.00	Mobile Deposit	No Fee
Bill Pay	\$5.00	Cash Paid-Out	No Fee
Integrated Payables	TBD**	Checks Paid	\$0.18
Lock Box Services	TBD**	ACH Debit(s)	\$0.15
Armored Car Services	TBD**	ACH Credit(s)	\$0.15
Mission Courier Services	TBD**	ACH Batch Originated	\$2.50
Five Star Bank Courier Services	TBD**	Returned Deposited Items	\$10.00
		Stop Payments	\$20.00
		Incoming Wire	\$10.00
		Outgoing Domestic Wire	\$15.00
		Outgoing International Wire	\$20.00
		Official Check	\$5.00

* Fee is calculated on the average daily ledger balance during the statement cycle.

**Fees are assessed/negotiated by third party provider.





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 jlegg@fivestarbank.com

IDC Rank of Financial Ratios 2022-Q3:

300
 Superior (200 - 300)

CAMEL Analysis

Capital Ratios - A Foundation for Safety and Soundness

Tier 1 Capital % Tier 1 Assets	10.8%
Risk Based Capital % Risk Based Assets	12.5%
Tier I Capital % Risk Based Assets	11.5%
Well Capitalized	

Adequacy of Capital and Loan Loss Reserve to Cover Loan Delinquency

Loan Loss Reserve % Tier I Capital	8.8%
Loans 90 Days Delinquent % Tier I Capital	0.0%
Loans Nonaccrual + REO % Tier I Capital	0.1%
More than Adequate Capital and Loan Loss Reserve to Cover Loan Delinquency	

Margins Measure Management

Common Shareholder's Net Operating Profit After Tax % Tangible Equity Capital, NOPAT ROE (1yr)	18.5%
Cost of Equity COE (1yr)	6.7%
ROE Adds Substantial Value	
Net Interest % Earning Assets (1yr)	3.83%
Noninterest Income % Earning Assets (1yr)	0.24%
Noninterest Expense % Earning Assets (1yr)	1.42%
Operating Profit Margin OPM (1yr)	65.2%
Wide OPM	
OPM Risk Standard Deviation	1.3%
Low OPM Risk	

Earnings Return on Equity Equals the Operating Return Plus the Financial Return

Return of Net Operating Profit From Operations After Tax % Earning Assets (ROEA)	2.17%
High Operating Return	
Return on Financial Leverage (ROFL) = Spread X Leverage	16.30%
High Financial Return	

ROEA less COF AT = Leverage Spread

2.00%

Wide Spread

Leverage Multiplier

8.15

Above Average Multiplier

Liquidity Determines the Ability to Grow

Balance Sheet Cash Flow % Tier I Equity

29.2%

Percent Annual Growth in Equity Capital

12.6%

Nonperforming Assets % Total Loans

0.0%

Illiquid Loans % Stable Deposits and Borrowings Plus Excess Liquidity

82.9%

Interest-Bearing Liabilities % Earning Assets

56.2%

Liquidity Ample to Support Growth

FIVE STAR BANK

(FIVE STAR BK)

LOCATION: ROSEVILLE, CA

TYPE: BANK

TOTAL ASSETS: \$3,073MM

Supplemental Ratios

Investment Yield

1.1%

Loan Yield

4.7%

Cost of Adjusted Debt - After Tax

0.2%

Net Income % Avg Assets

1.7%

Reports

Resources

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Ranks are designed to provide IDC Financial Publishing, Inc.'s opinion as to the relative value of financial ratios, and are subject to limitations in their use. The ranks have no value in forecasting the direction of future trends of financial ratios. While in our opinion the selected ratios provide an ample financial picture for evaluating a financial institution, the quality of individual financial institutions can also be influenced by factors not taken into account in this analysis.

The quality of a financial institution is not fixed over time, but tends to undergo change. For this reason, changes in ranks occur, reflecting changes in the individual financial ratios. The data utilized for calculations, ranks, and other information was obtained from sources believed to be reliable and accurate; however, neither the publisher nor its employees assume responsibility for the correctness or accuracy of data, calculations, or liability for their use.

Bank LLAMAS Report Bundle

Includes:
Summary Report
&
Analytical Report



BauerFinancial.com

Bank Summary Report

Five Star Bank
Roseville, CA
(FDIC Cert.#35361)

Rated 5-Stars as of 3/5/2024 based on
financial data as of 12/31/2023



BauerFinancial.com

BauerFinancial Inc.
P.O. Box 143520
Coral Gables, Florida 33114-3520
800.388.6686 * FAX 800.230.9569
customerservice@bauerfinancial.com

This Summary Report was compiled from financial data as reported to federal regulators. Although the financial data obtained from these sources is consistently reliable, the accuracy and completeness of the data cannot be guaranteed by BauerFinancial Inc.

Definitions:

Stars	BauerFinancial's proprietary rating. (See below.)
Total Assets	Anything of value owned by the bank.
Average Tangible Assets	Total average assets less intangible assets.
Tier 1 Capital	Per regulators, primarily stock + retained earnings - intangible assets
Leverage Capital Ratio	Tier 1 Capital divided by tangible assets. (Minimum regulatory requirement is 4%.)
CET 1 Ratio	Common Equity Tier 1 Capital divided by risk-weighted assets. (Minimum regulatory requirement is 4.5% - not reported by all banks effective 2020.)
Total Risk-based Ratio	Total net worth divided by risk-weighted assets. (Minimum regulatory requirement is 8%; not reported by all banks effective 2020.)
Profit (Loss)	Profit or loss for the period noted.
Return on Assets (ROA)	Annualized net income as a percent of average assets.
Return on Equity (ROE)	Annualized net income as a percent of average equity.
Delinquent Loans	Loans past due 90 days or more plus nonaccrual loans.
Other Real Estate Owned (Repos)	Real estate owned but not being used by the bank. Usually acquired via foreclosure.
Nonperforming Assets % Tangible Assets	Delinquent loans and other real estate owned as a percent of tangible assets.
Nonperforming Assets % Tier 1 Capital	Delinquent loans and other real estate owned as a percent of Tier 1 Capital.

Star Ratings:

BauerFinancial star ratings classify each institution based upon a complex formula factoring in current and historical data. The first level of evaluation is the capital level of the institution followed by other relevant data including, but not limited to: profitability, historical trends, loan delinquencies, repossessed assets, reserves, regulatory compliance, proposed regulations and asset quality. Negative trends are projected forward to compensate for the lag time in the data. BauerFinancial employs conservative measures when assigning these ratings and consequently our analysis may be lower than those supplied by other analysts or the institutions themselves. More than thirty years of experience has shown this to be a prudent course of action. As a general guideline, however, the following groupings were used:

5-Stars	Superior. These institutions are recommended by Bauer .
4-Stars	Excellent. These institutions are recommended by Bauer .
3½-Stars	Good.
3-Stars	Adequate.
2-Stars	Problematic.
1-Star	Troubled.
Zero-Stars	Our lowest rating.
FDIC	Institution has failed or is operating under FDIC conservatorship.

BauerFinancial.com

BauerFinancial, Inc.
Bank Summary Report
Five Star Bank - Roseville, CA (FDIC Cert.#35361)
(916) 626-5000
www.fivestarbanc.com

Five Star Bank was established in 1999 and has 7 branch(es).

CRA Rating: Satisfactory

Data as of:	12/31/2023	09/30/2023	06/30/2023	03/31/2023	12/31/2022
Bauer's Star Rating:	5-Stars	5-Stars	5-Stars	5-Stars	5-Stars

Recommended for 45 consecutive quarters.

Number of Employees	189	195	195	184	181
Total Assets:	\$3,587.717	\$3,500.285	\$3,398.486	\$3,393.628	\$3,224.069
Average Tangible Assets:	\$3,418.917	\$3,387.032	\$3,265.203	\$3,205.241	\$3,067.622
Tier 1 Capital:	\$359.783	\$351.284	\$345.327	\$337.960	\$327.787
Leverage Capital Ratio:	10.52%	10.37%	10.58%	10.54%	10.69%
CET 1 Ratio:	10.95%	10.96%	11.05%	11.15%	11.17%
Total Risk-based Capital Ratio:	11.93%	11.97%	12.08%	12.21%	12.14%
Current Quarter's Profit (Loss):	\$11.870	\$12.347	\$14.015	\$14.404	\$14.876
Year-to-date Profit (Loss):	\$52.636	\$40.766	\$28.419	\$14.404	\$49.283
Profit (Loss) Previous Calendar Year:	\$49.283				
Profit (Loss) 2 Calendar Years Ago:	\$46.960				
Return on Assets (annualized): (Tax equivalent for Sub S corporations.)	1.59%	1.66%	1.76%	1.80%	1.73%
Return on Equity (annualized): (Tax equivalent for Sub S corporations.)	15.91%	16.63%	17.53%	17.96%	17.78%
Delinquent Loans:	\$1.965	\$2.002	\$0.287	\$0.418	\$0.404
Other Real Estate Owned:	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Nonperforming Assets % of Tangible Assets:	0.06%	0.06%	0.01%	0.01%	0.01%
Nonperforming Assets % of Tier 1 Capital:	0.55%	0.57%	0.08%	0.12%	0.12%

Bank and Credit Union data compiled from financial data for the period noted, as reported to federal regulators. The financial data obtained from these sources is consistently reliable, although; the accuracy and completeness of the data cannot be guaranteed by BauerFinancial, Inc. BauerFinancial relies upon this data in its judgment and in rendering its opinion (e.g. determination of star ratings) as well as supplying the data fields incorporated herein. BauerFinancial, Inc. is not a financial advisor; it is an independent bank research firm. BauerFinancial is a registered trademark. Any unauthorized use of its content, logos, name, and/or Star-ratings is forbidden.

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BauerFinancial.com

BauerFinancial, Inc.
Bank Summary Report

Five Star Bank - Roseville, CA (FDIC Cert.#35361)

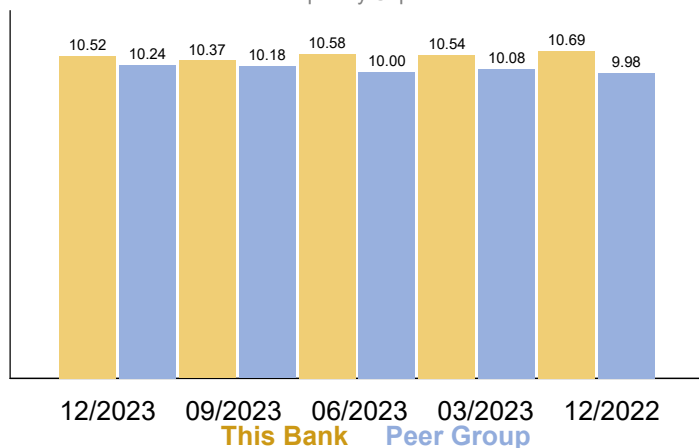
(916) 626-5000

www.fivestarbanc.com

Five Star Bank was established in 1999 and has 7 branch(es).

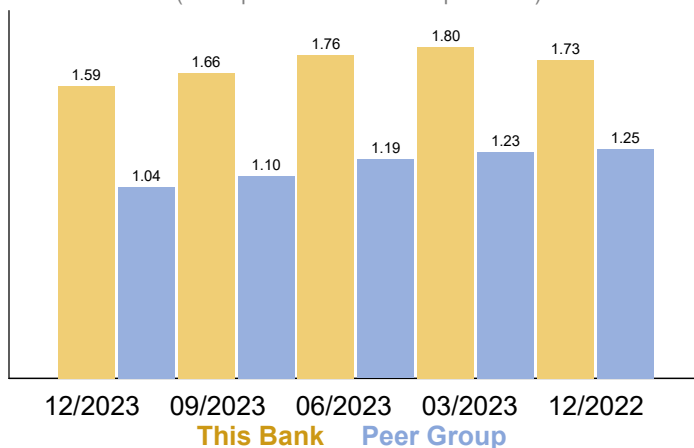
Leverage Capital Ratio

Min. for Adequately Capitalized is 4%



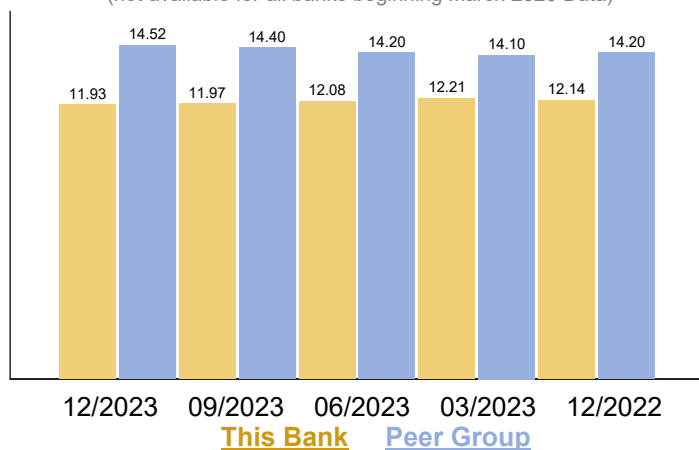
Return on Assets (annualized)

(Tax equivalent for Sub S corporations.)

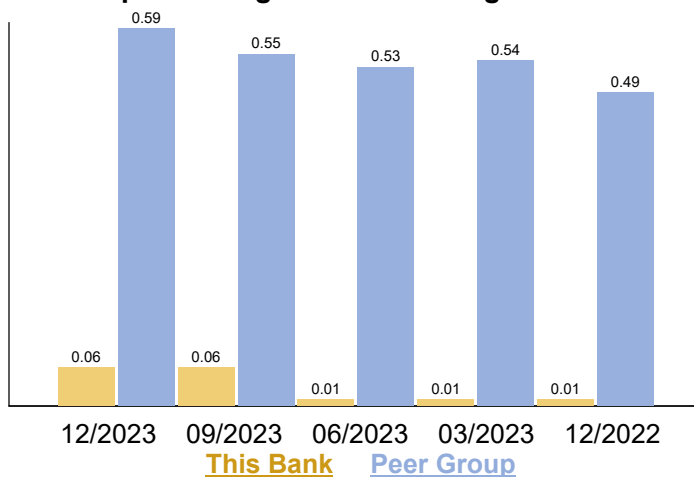


Risk-based Capital Ratio

(not available for all banks beginning March 2020 Data)



Nonperforming Asset % of Tangible Assets



Dollar amounts are in millions. For example, \$12,345.678 represents \$12 billion, 345 million, 678 thousand.

Peer Groups:

- Group 1 Banks with: foreign and domestic offices; assets >=\$100 bill; and/or adv. approach banks
- Group 2 Assets >= \$3 billion
- Group 3 Assets >= \$1 billion and < \$3 billion
- Group 4 Assets >= \$300 million and < \$1 billion
- Group 5 Assets >= \$100 million and < \$300 million
- Group 6 Assets < \$100 million

Bank and Credit Union data compiled from financial data for the period noted, as reported to federal regulators. The financial data obtained from these sources is consistently reliable, although; the accuracy and completeness of the data cannot be guaranteed by BauerFinancial, Inc. BauerFinancial relies upon this data in its judgment and in rendering its opinion (e.g. determination of star ratings) as well as supplying the data fields incorporated herein. BauerFinancial, Inc. is not a financial advisor; it is an independent bank research firm. BauerFinancial is a registered trademark. Any unauthorized use of its content, logos, name, and/or Star-ratings is forbidden.

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Bank Analytical Report

Five Star Bank
Roseville, CA
(FDIC Cert.#35361)

Rated 5-Stars as of 3/5/2024 based on
financial data as of 12/31/2023



BauerFinancial.com

Introduction

The financial data used to prepare this report, unless otherwise noted, was compiled from data reported to Federal Regulators. Although the information obtained from these sources is consistently reliable, the accuracy and completeness of this data cannot be guaranteed by BauerFinancial. In fact, an astute investor would agree, and experience has shown, that marginally performing institutions sometimes give themselves the benefit of the doubt when filing their reports. Our historical data helps us detect these variances.

STAR RATING SYSTEM

BauerFinancial's star ratings classify each institution based upon a complex formula factoring in current and historical data. The first step of evaluation is the capital level of the institution followed by other relevant data including, but not limited to: profitability, historical trends, loan delinquencies, repossessed assets, reserves, regulatory compliance, current and proposed regulations and asset quality. Negative trends are projected forward to compensate for the lag time in the data. BauerFinancial employs conservative measures when assigning these ratings and consequently our analysis may be lower than those supplied by other analysts or the institutions themselves. Four decades of experience has shown this to be a prudent course of action. As a general guideline, however, the following groupings were used:

5-Stars	Superior. These institutions are recommended by Bauer .
4-Stars	Excellent. These institutions are recommended by Bauer .
3½-Stars	Good.
3-Stars	Adequate.
2-Stars	Problematic.
1-Star	Troubled.
Zero-Stars	Our lowest rating.
FDIC	Institution has failed or is operating under FDIC conservatorship.

Peer Groups:

Group 1	Banks with: foreign and domestic offices; assets >=\$100 bill; and/or adv. approach banks
Group 2	Assets >= \$3 billion
Group 3	Assets >= \$1 billion and < \$3 billion
Group 4	Assets >= \$300 million and < \$1 billion
Group 5	Assets >= \$100 million and < \$300 million
Group 6	Assets < \$100 million

Bank and Credit Union data compiled from financial data for the period noted, as reported to federal regulators. The financial data obtained from these sources is consistently reliable, although; the accuracy and completeness of the data cannot be guaranteed by BauerFinancial, Inc. BauerFinancial relies upon this data in its judgment and in rendering its opinion (e.g. determination of star ratings) as well as supplying the data fields incorporated herein. BauerFinancial, Inc. is not a financial advisor; it is an independent bank research firm. BauerFinancial is a registered trademark. Any unauthorized use of its content, logos, name, and/or Star-ratings is forbidden.

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BauerFinancial, Inc.
Bank Analytical Report
Five Star Bank - Roseville, CA

Rated 5-Stars based on financial data as of 12/31/2023

A. Financial Statements as of 12/31/2023

Balance Sheet: (\$ millions)

Assets:

Cash & Due From Banks	\$ 327.434
Securities & Fed Funds Sold	\$ 111.160
Loans (net)	\$ 3,058.752
Other Real Estate Owned	\$ 0.000
Premises & Fixed Assets	\$ 6.907
Investments in Subsidiaries	\$ 0.000
Intangible Assets	\$ 2.161
Other Assets	\$ 81.303

Total Assets:	<u>\$ 3,587.717</u>
---------------	---------------------

Liabilities & Owner's Equity:

Non-Interest Bearing Deposits	\$ 840.243
Interest Bearing Deposits	\$ 2,195.795
Fed Funds Purchased & Securities Sold w/ Repurchase Agreements	\$ 0.000
Subordinated Debt	\$ 0.000
Other Borrowed Money	\$ 170.000
Other Liabilities	\$ 34.870

Total Liabilities:	<u>\$ 3,240.908</u>
--------------------	---------------------

Owner's Equity:

Preferred Stock	\$ 0.000
Common Stock & Surplus	\$ 249.126
Retained Earnings	\$ 109.450
Other Equity (Includes net unrealized gains/losses on AFS securities)	\$ (11.767)

Total Equity	<u>\$ 346.809</u>
--------------	-------------------

Total Liabilities and Equity:	<u>\$ 3,587.717</u>
-------------------------------	---------------------

Year-to-Date Income Statement (\$ millions)

Interest Income:	\$ 176.110
Interest Expense:	\$ 58.856

Net Interest Income:	<u>\$ 117.254</u>
----------------------	-------------------

(plus) Non-Interest Income	\$ 5.951
(plus) Gains (losses) Securities Transactions	\$ (0.167)
(minus) Non-Interest Expense	\$ 45.276
(minus) Provisions	\$ 4.000
(minus) Income Taxes	\$ 21.126
(plus) Other Income (Expense)	\$ 0.000

Net Year-to-date Income:	<u>\$ 52.636</u>
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Bank and Credit Union data compiled from financial data for the period noted, as reported to federal regulators. The financial data obtained from these sources is consistently reliable, although; the accuracy and completeness of the data cannot be guaranteed by BauerFinancial, Inc. BauerFinancial relies upon this data in its judgment and in rendering its opinion (e.g. determination of star ratings) as well as supplying the data fields incorporated herein. BauerFinancial, Inc. is not a financial advisor; it is an independent bank research firm. BauerFinancial is a registered trademark. Any unauthorized use of its content, logos, name, and/or Star-ratings is forbidden.

BauerFinancial, Inc.
Bank Analytical Report
Five Star Bank - Roseville, CA

Rated 5-Stars based on financial data as of 12/31/2023

Year Established: 1999
 Number of Branches: 7

Telephone Number: (916) 626-5000
 WebSite: www.fivestarbanc.com

B. CAPITAL ADEQUACY. In order to be classified as at least adequately capitalized, current regulatory capital requirements include a leverage capital ratio $\geq 4\%$, a Common Equity Tier 1 (CET1) Ratio $\geq 4.5\%$, a Tier 1 Risk-based Capital Ratio $\geq 6\%$ AND a Total Risk-based Capital Ratio $\geq 8\%$. (Note: Certain well-capitalized banks are not required to report the data for the CET1 Ratio and Risk-based ratios; display as N.A.)

	This Bank	Peer Group
Leverage Capital Ratio:	10.52%	10.24%
CET1 Ratio:	10.95%	13.63%
Tier 1 Risk-based Capital Ratio:	10.95%	13.70%
Total Risk-based Capital Ratio:	11.93%	14.52%
Regulatory Capital Classification:	Well-Capitalized	

C. REGULATORY STATUS. The Community Reinvestment Act (CRA) is intended to ensure institutions help meet the credit needs of the communities in which they operate. If available, the institution's CRA Rating is noted below. Similarly, if the institution's primary regulator has made public any current enforcement actions that could impact the safety and soundness of the institution, the regulator will be noted. If applicable, you may read the action by visiting the regulator's website (link below). (Disclaimer: Enforcement Action data is maintained by BauerFinancial based on media releases issued by the agencies; the accuracy and completeness cannot be guaranteed by BauerFinancial, Inc.)
 Search Regulatory Enforcement Actions via these links: [OCC](#) [FDIC](#) [FEDERAL RESERVE](#)

CRA Rating: Satisfactory

Supervisory Agreement: None

D. ASSET QUALITY. The quality of an institution's assets is determined by two factors: what specifically is the asset and how does it relate to the entire portfolio. Asset quality can be the difference between survival and insolvency during periods of economic uncertainty.

	This Bank	Peer Group
Reposessed Assets/Net Worth:	0.00%	0.17%
Nonaccrual Loans & Other Loans Past Due 90 Days or More/Net Worth:	0.57%	5.26%
Nonperforming Assets/Net Worth + Reserves (a/k/a Texas Ratio):	0.52%	4.48%

The following five ratios refer to the nonperforming assets and reserves in the bank's portfolio:

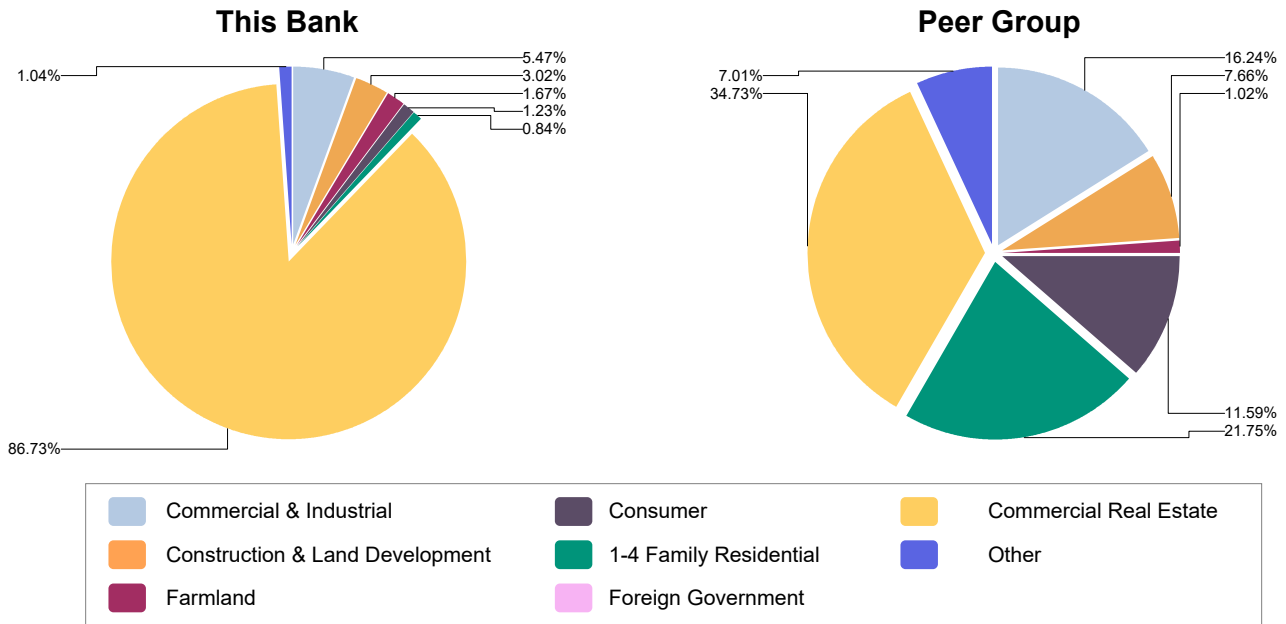
	This Bank	Peer Group
Nonperforming Assets/Total Assets:	0.05%	0.59%
Delinquent Loans/Total Loans:	0.06%	0.83%
Reposessed Assets/Total Assets:	0.00%	0.02%
Net Year-to-Date Chargeoffs/Total Loans:	0.10%	0.47%
Loan Loss Reserve/Total Loans:	1.11%	1.75%

Bank and Credit Union data compiled from financial data for the period noted, as reported to federal regulators. The financial data obtained from these sources is consistently reliable, although; the accuracy and completeness of the data cannot be guaranteed by BauerFinancial, Inc. BauerFinancial relies upon this data in its judgment and in rendering its opinion (e.g. determination of star ratings) as well as supplying the data fields incorporated herein. BauerFinancial, Inc. is not a financial advisor; it is an independent bank research firm. BauerFinancial is a registered trademark. Any unauthorized use of its content, logos, name, and/or Star-ratings is forbidden.

BauerFinancial, Inc.
Bank Analytical Report
Five Star Bank - Roseville, CA

Rated 5-Stars based on financial data as of 12/31/2023

D. ASSET QUALITY, Continued. Generally speaking, the more risky loans in a bank's portfolio are construction, commercial real estate, and foreign loans. Local economic conditions cause regional variances. Individuals or businesses interested in obtaining a loan or line of credit should check that the bank is actively engaged in that type of lending. Undercapitalized banks may be required to limit their lending activity due to an effort to shrink their asset size (thus increasing their capital ratios).



Loans to executive officers, principal shareholders and their related parties (with or without collateral) are not unusual in the banking industry. However, excessive lending to insiders can cause problems if the loans are not subject to the same arm's length underwriting standards as similar loans to other customers (as is required).

	This Bank	Peer Group
Loans to Insiders/Total Loans:	0.18%	0.44%
Loans to Insiders/Total Net Worth:	1.57%	2.77%

Intangible assets are acquired by various transactions in which the purchase price exceeds the book value. For example, a bank may buy a branch of another bank for more than its book value; the premium paid would be an intangible asset to the purchaser known as "goodwill". The leverage capital ratio on page 4 excludes most intangible assets.

	This Bank	Peer Group
Intangible Assets/Net Worth:	0.62%	18.87%

Investments in unconsolidated subsidiaries and related companies can be a drain on a bank's net worth. If the book value of the subsidiary declines, so does that of the bank.

	This Bank	Peer Group
Investments in Subsidiaries/Net Worth:	0.00%	0.00%

Bank and Credit Union data compiled from financial data for the period noted, as reported to federal regulators. The financial data obtained from these sources is consistently reliable, although; the accuracy and completeness of the data cannot be guaranteed by BauerFinancial, Inc. BauerFinancial relies upon this data in its judgment and in rendering its opinion (e.g. determination of star ratings) as well as supplying the data fields incorporated herein. BauerFinancial, Inc. is not a financial advisor; it is an independent bank research firm. BauerFinancial is a registered trademark. Any unauthorized use of its content, logos, name, and/or Star-ratings is forbidden.

BauerFinancial, Inc.
Bank Analytical Report
Five Star Bank - Roseville, CA

Rated 5-Stars based on financial data as of 12/31/2023

E. LIQUIDITY. Liquidity ratios measure the relationship between current assets and current liabilities; they are indicators of an institution's ability to meet current obligations. Higher ratios reflect a reliance on funding sources that may not be available in times of financial stress or adverse changes in market conditions.

	<u>This Bank</u>	<u>Peer Group</u>
Loans to Deposits:	101.88%	85.50%
Non-core Funding Dependence:	9.90%	13.36%
Brokered Deposits/Total Deposits:	3.30%	8.82%
Deposits Acquired from use of Listing Services/Total Deposits:	0.00%	0.71%

F. GROWTH. As a general rule, growth in a bank is considered normal and desirable. If the growth accelerates to a point where it becomes unmanageable, however, it can lead to a situation of capital inadequacy and/or unprofitability. Asset shrinkage could indicate a cutback in lending and equity shrinkage could portend negative trends.

	<u>This Bank</u>	<u>Peer Group</u>
% Change in Assets (year):	11.28%	5.27%
% Change in Equity (year):	9.54%	10.06%
% Change in Deposits (year):	8.79%	4.41%
% Change in Loans (year):	10.44%	7.02%

G. PROFITABILITY. Standard measures of profitability are Return on Assets and Return on Equity which reflect the percentage of each that has been earned during the current period. The ratios facilitate comparisons between institutions and time periods, as the same dollar figure of net income may be good or bad, depending on the balance sheet of the institution.

Current quarter's profit:	\$11.870	million
Year-to-date profit:	\$52.636	million
Profit for Previous Calendar Year:	\$49.283	million
Profit for Calendar Year 2 Years Ago	\$46.960	million

	<u>This Bank</u>	<u>Peer Group</u>
Annualized Return on Assets:	1.59%	1.04%
Annualized Return on Equity:	15.91%	9.51%

Bank and Credit Union data compiled from financial data for the period noted, as reported to federal regulators. The financial data obtained from these sources is consistently reliable, although; the accuracy and completeness of the data cannot be guaranteed by BauerFinancial, Inc. BauerFinancial relies upon this data in its judgment and in rendering its opinion (e.g. determination of star ratings) as well as supplying the data fields incorporated herein. BauerFinancial, Inc. is not a financial advisor; it is an independent bank research firm. BauerFinancial is a registered trademark. Any unauthorized use of its content, logos, name, and/or Star-ratings is forbidden.

**RESOLUTION NO. 2236-0324 RESOLUTION APPROVING THE LEGAL SERVICES
AGREEMENT WITH REDWOOD PUBLIC LAW AND AUTHORIZING THE
PRESIDENT OF THE BOARD TO EXECUTE THE AGREEMENT**

ISSUE:

The Board will consider a resolution approving the legal services agreement with Redwood Public Law.

FISCAL IMPACT:

There little to no fiscal impact as there are no changes proposed to the legal service fees.

STRATEGIC PLAN:

GOAL 3: Ensure Financial Stability and Efficiency

BACKGROUND:

Since 2017, Kristopher Kokotaylo (Kokotaylo), through the law firm Meyers Nave, a Professional Corporation (Meyers Nave), served as District Counsel for the District. As of the March 14, 2024, Kokotaylo has left Meyers Nave, to join Redwood Public Law.

The District would like to continue to have Kokotaylo, through his new law firm Redwood Public Law, serve as District Counsel for the District, and have Meyers Nave transfer all legal matters to the new law firm.

RECOMMENDATION:

Approve the resolution.

ALTERNATIVES:

1. Amend the resolution and approve, as amended.
2. Take no action and remain with Meyers Nave.

ATTACHMENTS:

- Resolution No. 2235-0324
- Five Star Bank Proposal

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RESOLUTION NO. 2236-0324

RESOLUTION APPROVING THE LEGAL SERVICES AGREEMENT WITH
REDWOOD PUBLIC LAW AND AUTHORIZING THE PRESIDENT OF THE
BOARD TO EXECUTE THE AGREEMENT

The Directors of the Stege Sanitary District find and determine as follows:

- A. The Stege Sanitary District (District) is a public agency and sanitary district organized and existing under and pursuant to the Sanitary District Act of 1923 (California Health and Safety Code § 6400 *et seq.*).
- B. Since 2017, Kristopher Kokotaylo (Kokotaylo), through the law firm Meyers Nave, a Professional Corporation (Meyers Nave), served as District Counsel for the District.
- C. As of the March 14, 2024, Kokotaylo has left Meyers Nave, to join Redwood Public Law.
- D. The District agrees to have Kokotaylo, through his law firm Redwood Public Law, serve as District Counsel for the District, and have Meyers Nave transfer all legal matters to the new law firm.

In consideration of the foregoing findings and determinations, it is resolved:

- 1. The foregoing recitals are true and correct and are hereby incorporated by reference.
- 2. The Board of Directors declare that the Board President, acting on behalf of the District, is authorized to execute the legal services agreement attached hereto as Exhibit A, between the Stege Sanitary District and the Redwood Public Law effective March 21, 2024.
- 3. The District Manager is hereby authorized and directed, on behalf of the District, to make all approvals and take all actions necessary and appropriate to carry out and implement the terms of this Resolution.

STATE OF CALIFORNIA)
COUNTY OF CONTRA COSTA)

I HEREBY CERTIFY that the foregoing Resolution was duly and regularly adopted by the Directors of the Stege Sanitary District, at a regular meeting thereof, held on the 21st day of March 2024 by a X-X vote as follows:

AYES: BOARD MEMBERS:
NOES: BOARD MEMBERS:
ABSENT: BOARD MEMBERS:
ABSTAIN: BOARD MEMBERS:

PAUL GILBERT-SNYDER, President
Stege Sanitary District
Contra Costa County, California

ATTEST:

REX DELIZO, Secretary
Stege Sanitary District

AGREEMENT FOR LEGAL SERVICES

This Agreement for Legal Services ("Agreement"), made and entered into as of March 21, 2024, by and between the STEGE SANITARY DISTRICT, acting by and through its Board of Directors, hereinafter referred to as "STEGE" and REDWOOD PUBLIC LAW LLP, hereinafter referred to as "REDWOOD".

RECITALS

1. Appointment of District Counsel.

STEGE hereby continues the appointment of Kristopher J. Kokotaylo, a partner in the firm of REDWOOD and hereinafter referred to as "ATTORNEY", to continue serving as District Counsel for STEGE and REDWOOD agrees to faithfully represent the legal interests of STEGE during the term of this Agreement.

2. Attorney's Services.

REDWOOD shall provide, through the services of Kristopher J. Kokotaylo and those of such other attorneys of REDWOOD, as ATTORNEY shall determine and direct, all legal services usually and normally provided by District Counsel. Such services shall include, but not be limited to:

- a. Attendance at District Board meetings, unless excused by STEGE;
- b. Preparation of ordinances, resolutions, leases, contracts or other legal documents;
- c. Preparation of all findings, decisions or other documents pertaining to legislative or quasi-judicial actions or decisions made by the District Board;
- d. Rendering legal advice (both oral and written) to the District Board, and to the District Manager/Engineer, with respect to STEGE matters;
- e. Negotiating and/or rendering advice with respect to negotiations pertaining to STEGE's contracts, leases and memoranda of understanding;
- f. Representing STEGE in litigation and/or arbitration or other judicial, administrative or quasi-judicial proceedings;
- g. All other legal services customarily associated with a general counsel or special counsel.

ATTORNEY shall work with the District Manager as appropriate to insure that legal assignments are necessary, accomplished in a cost-effective manner, and completed in a reasonable and timely manner.

All Attorney work product shall be made available to STEGE in the proper electronic format and with compatible word processing software.

3. Independent Contractor.

REDWOOD shall provide legal services to STEGE as an independent contractor, with control over its offices, hours, support staff and other matters except as provided herein.

4. Compensation.

STEGE shall compensate REDWOOD in accordance with the terms and conditions of the Agreement in the following amounts:

a. Meeting Retainer. A retainer of Two Thousand Eighty Dollars (\$2,080) per month for performance of services directly related to one regular Board meeting each month, specifically including: preparation for the meeting, review of agenda materials for the meeting; drafting of resolutions; consulting with the District Manager regarding agenda materials; attendance at the meeting; and any follow-up consultations or minor work resulting directly from the meeting.

b. Special Counsel Service and Cost Recovery Rates. For non-routine special counsel services and for all legal work chargeable to third party applicants of STEGE, the work shall be billed at the non-retainer specialty rates maintained by REDWOOD, which range from \$275 to \$556 per hour. Before any special counsel services are provided, the District Counsel shall consult with the District Manager and the President of the Board of Directors or the Board.

c. Annual Review of Rates. District Counsel may request an annual review of the rates at the beginning of the District's fiscal year and seek adjustments. All rate adjustments shall be approved by the Board of Directors.

5. No Assignment.

This Agreement is entered into by STEGE and REDWOOD and, except as set forth herein, the rights and obligations of ATTORNEY may not be assigned or delegated to any other attorney of REDWOOD without express written consent of the District Board. This Agreement is not assignable.

6. Termination of Services.

STEGE may terminate services of REDWOOD at any time upon 30 days' written notice. After receiving such notice and within the thirty-day period, REDWOOD will cease providing services in a manner which protects STEGE's interest to the greatest degree possible. REDWOOD will cooperate with STEGE in the orderly transfer of all related files and records to STEGE's new counsel.

REDWOOD may terminate services at any time with STEGE's consent or for good cause. Good cause exists if (a) any statement is not paid within 60 days of its date; (b) STEGE fails to meet any other obligation under this Agreement and continues in that failure for 15 days after REDWOOD sends written notice to STEGE; (c) STEGE has misrepresented or failed to disclose material facts to REDWOOD, refused to cooperate with REDWOOD on a material matter, refused to follow advice of REDWOOD on a material matter; OR (d) any other circumstance exists in which ethical rules of the legal profession mandate or permit termination, including situations where a conflict of interest arises. If REDWOOD terminates its services, STEGE agrees to execute a substitution of attorneys promptly and otherwise cooperate in effecting that termination.

Termination of REDWOOD services, whether by STEGE or by REDWOOD, will not relieve the obligation to pay for services rendered and costs incurred before REDWOOD services formally ceased.

7. Insurance.

During the term of this engagement, REDWOOD shall take out and maintain general liability and property damage insurance in the amount of \$1,000,000; professional errors and omissions insurance, in an amount of \$1,000,000 per occurrence; and \$2,000,000 aggregate, which insurance may not be canceled or reduced in required limits of liability unless the insurance becomes commercially unavailable. In this case REDWOOD shall give STEGE at least thirty (30) days advance written notice.

8. No Guarantee of Outcome.

Any comments made by REDWOOD about the potential outcome of any matter are expressions of opinion only and are not guarantees or promises about any outcome or results. REDWOOD shall exercise the standard of care commensurate with its profession and shall comply with all applicable federal, state and local laws, codes and regulations.

9. Entire Agreement; Full Understanding; Modifications in Writing.

This Agreement contains the entire agreement about REDWOOD representation. Any modifications or additions to this Agreement must be made in writing.

10. Joint Representation.

REDWOOD maintains of counsel agreements with certain legal specialists. Because these individuals are deemed independent contractors under the applicable provisions of the tax laws and not employees of the firm, it is necessary that STEGE consent to dual representation by REDWOOD and the specialist in the event the matter which STEGE has engaged REDWOOD to handle requires the use of that specialist. This arrangement has no effect whatsoever on the cost of STEGE's legal services, rather it is an ethical requirement that REDWOOD disclose this fact and that STEGE consent to REDWOOD's practice of occasional use of of counsel specialists. STEGE is consenting by signing this Agreement.

11. Effective Date.

This Agreement shall be effective as of March 21, 2024.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year set forth below.

STEGE SANITARY DISTRICT

Dated: _____

ATTEST:

Rex Delizo, District Manager

REDWOOD PUBLIC LAW LLP

Dated: _____

Kristopher J. Kokotaylo

STEGE SANITARY DISTRICT

Operating Statement

03/18/2024

February 2024

63.93% of Fiscal year Completed

	July - February 2024	Annual Budget	% of Annual Budget
Income			
31 - OPERATING REVENUE			
31010 - Sewer Service Charges	2,068,342	3,443,000	60%
31020 - Permit & Insp. Fees	19,733	12,000	164%
31030 - Connection Fees	24,078	50,000	48%
31040 - San Pablo Impact Fee	-	50,000	0%
31080 - Contracted Services	-	33,000	0%
31010a - Capital Service Charges	2,068,342	4,290,000	48%
Total 31 - OPERATING REVENUE	4,180,497	7,878,000	53%
32 - NON-OPERATING REVENUE			
32050 - Interest - 3418	140,087	15,000	934%
32052 - Interest - 3423	22,100	5,000	442%
32057 - TVI Interest	33,846	-	#DIV/0!
32080 - Property Taxes	361,242	500,000	72%
32085 - Insurance Dividend	-	-	0%
32090 - Miscellaneous	250	21,000	1%
Total 32 - NON-OPERATING REVENUE	557,524	541,000	103%
Transfer (to)/from Reserves	-	764,961	0%
Total Income	4,738,021	9,183,961	52%
Expense			
OPERATING EXPENSES			
Administration/General			
45-010 - Salaries & Wages	173,878	265,600	65%
45-020 - Employee Benefits	100,470	144,566	69%
45-029 - Retiree Health	7,564	13,600	56%
45-030 - Directors Expenses	13,410	45,478	29%
45-070 - Insurance	246,990	305,000	81%
Administration - Other	141,889	283,500	50%
Total Administration	684,201	1,057,744	65%
Maintenance/Engineering			
41-010 - Salaries & Wages	831,730	1,308,560	64%
41-020 - Employee Benefits	340,840	543,924	63%
41-029 - Retiree Health	7,415	13,356	56%
41-100 - Operating Supplies	9,696	40,000	24%
41-110 - Contractual Services	70,684	102,300	69%
41-207 - Contracted Repairs	27,000	72,000	38%
Maintenance- Other	144,406	332,777	43%
Total Maintenance/Engineering	1,431,772	2,372,897	60%
Pump Stations	13,010	40,020	33%
Total OPERATING EXPENSES	2,128,982	3,470,661	61%
CAPITAL			
41-650 - Debt Repayment (SRF Loans)	43,939	43,900	100%
Construction Projects	492,788	4,884,400	10%
Outlay(Maintenance/Engineering)	103,271	785,000	13%
Total CAPITAL	639,997	5,713,300	11%
Total Expense	2,768,980	9,183,961	30%
Net	1,969,041	0	

STEGE SANITARY DISTRICT
Investment, Cash & Receivables Report
As of February 29, 2024

11:40:21 AM
03/18/2024

	<u>February 29, 2024</u>	<u>January 31, 2024</u>	<u>\$ Change</u>	<u>Deposits</u>	<u>Checks</u>	<u>Transfers</u>
ASSETS						
Current Assets						
Checking/Savings						
TVI & LAIF Investment Accts						
11012 · Sewer Operations- 3418	9,195,789	10,062,789	-867,000	0	0	-867,000
11014 · System Rehab- 3423	1,061,876	1,061,876	0	0	0	0
11020 · TVI Investments	2,033,846	1,527,085	506,761	6,761	0	0
Total TVI & LAIF Investment Accts	<u>12,291,511</u>	<u>12,651,750</u>	<u>-360,239</u>	<u>6,761</u>	<u>0</u>	<u>-867,000</u>
Checking Accts						
100 · Mechanics Bank	67,059	136,689	-69,630	4,476	-941,106	867,000
100 · County Cash Acct #3418	-9,420	-9,420	0 *	0 *	0	0
Total Checking Accts	<u>57,639</u>	<u>127,269</u>	<u>-69,630</u>	<u>4,476</u>	<u>-941,106</u>	<u>867,000</u>
11021 · Petty Cash	250	250	0	0	0	0
Total Checking/Savings	<u>12,349,401</u>	<u>12,779,270</u>	<u>-429,869</u>	<u>11,237</u>	<u>-941,106</u>	<u>0</u>
301 · Ca Employer's Retiree Benefit Trust	294,176	294,176	0	0	0	0
Total CA Employer's Retiree Benefit Trust	<u>294,176</u>	<u>294,176</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Accounts Receivable						
11072 · Accounts Receivable/Notes Payable	220,638	220,638	0			
Total Accounts Receivable	<u>220,638</u>	<u>220,638</u>	<u>0</u>			

Note: * Reduction or Increase is based on property tax estimate.

I hereby certify that the invested funds of the Stege Sanitary District are in compliance with the investment policies of the Stege Sanitary District and provide sufficient liquidity to meet budgeted expenses for the next six month period.

Rex Delizo, District Manager

Date

11:01 AM	STEGE SANITARY DISTRICT			
03/18/2024	Check Report			
Accrual Basis	March 21, 2024			
	Name	Memo	Amount	Num
Mar 21, 24				
	Aramark Uniform Services	Uniform Services	-441.73	28578
	Bay Area News Group - East Bay	Ordinance	-133.86	28579
	Best Equipment Co.	Extinguishers Inspection	-228.97	28580
	COIT	Carpet Cleaning	-325.00	28581
	County Clerk	23202 Canon Pump Station	-50.00	28582
	CSRMA	Worker's Comp Payroll Audit	-466.00	28583
	DEK Electric	Canon Pumpstation	-3,280.00	28584
	Deluxe	Bank Stamp	-97.56	28585
	Direct Line	Phones 1/1-2/29/24	-264.46	28586
	East Bay Sanitary Co., Inc.	Garbage Mar-Apr	-906.36	28587
	EBMUD 12374900001	Office/Shop	-177.91	28588
	EBMUD 39830388387	Hydrant Meter	-767.28	28589
	EBMUD 57132800001	Office/Shop	-716.84	28590
	EBMUD 92526846174	Hydrant Meter	-991.92	28591
	Exxonmobil	Gas	-131.86	28592
	Lechowicz & Tseng Municpal Consultants	Sewer Rate & Connection Charge Study	-3,315.00	28593
	Nakano Landscape	Landscaping Feb 2024	-290.00	28594
	Olivero Plumbing	RP Valve testing	-200.00	28595
	Pastime Hardware	Maintenance Supplies	-26.42	28596
	Peninsula Truck Repair, Inc.	Vactor Repair	-1,014.72	28597
	PG&E- #0103467151-9	Burlingame Pump Station	-379.47	28598
	PG&E- #0607499583-5	Canon Pump Station	-230.06	28599
	PG&E- #6675831511-4	Office/Shop	-2,622.84	28600
	ServiceMaster Restoration Services	Cleaning 8515 Betty Lane	-907.97	28601
	Single Cylinder Repair, Inc	Chain Saw	-328.08	28602
	Streamline	Website 3/1-4/1/24	-249.00	28603
	TelePacific Communications	Office Phones	-1,266.62	28604

	Name	Memo	Amount	Num
	Total Compensation Systems, Inc.	GASB 75 Roll Forward Valuation	-1,650.00	28605
	Universal Building Services	Janitorial Service Feb	-469.00	28606
	WECO Industries, Inc.	Vaccon Repair	-5,717.24	28607
	Xerox Financial Services	Copier Lease Payment 2/03-3/02	-224.54	28608
Mar 21, 24			-27,870.71	

STEGE SANITARY DISTRICT 2024 BOARD OF DIRECTORS MEETING AGENDA CALENDAR

JANUARY	FEBUARY	MARCH	APRIL	MAY	JUNE
1/1 & 1/15 HOLIDAY CASA Winter Conf. Jan 24-26, Palm Springs	2/19 HOLIDAY CASA Policy Forum Feb 26-27, Wash, DC			5/27 HOLIDAY	6/19 HOLIDAY
1/18/2024 – 7:00 P.M.	2/1/2024 – 7:00 P.M.	3/2/2024 – 9:00 A.M.	4/18/2024 – 7:00 P.M.	5/2/2024 – 7:00 P.M.	6/6/2024 – 7:00 P.M.
<ul style="list-style-type: none"> • Board Governance Manual Review • Service Rate Discussion • Long Range Planning Workshop Agenda • Director’s Contact Info • Board Training Summ. • CASA/CSDA Conf. • Quarterly Financial Statements • SPASPA Status Report • CLOSED SESSION – Quarterly Claims Rpt. – Manager Perf. Eval. 	<ul style="list-style-type: none"> • (none) 	<p><u>9AM MEETING TIME</u></p> <ul style="list-style-type: none"> • Long Range Planning Workshop – Past 5 yrs. Expenditures Review – Self-Assessment of Governance – Strategic Plan Review 	<ul style="list-style-type: none"> • Draft Budget • Employee Benefit Package Review • Service Rate Discussion/Approval • July 4th Fair Discussion • Board Training Summ. • Quarterly Financial Statements • SPASPA Status Report • Appoint Labor Negot. • CLOSED SESSION – Quarterly Claims Rpt. – Conf. Labor Negot. 	<ul style="list-style-type: none"> • (none) 	<ul style="list-style-type: none"> • Draft Budget • Review Directors’ Meeting Compensation • District Working Capital and Reserve Policy • Approve Project Plans and Specs (+CEQA) • July 4th Fair Discussion • CASA/CSDA Conf.
	2/15/2024 – 7:00 P.M.	3/21/2024 – 7:00 P.M.		5/16/2024 – 7:00 P.M.	6/20/2024 – 7:00 P.M.
	<ul style="list-style-type: none"> • Board Governance Manual Approval • Actuarial Analysis of Retiree Health Benefits Report (even years) • Performance Report • District of Distinction (every 3 years) • Service Rate Discussion • Long Range Planning Workshop Agenda • Board Training Summ. • CASA/CSDA Conf. • CASA Conference Attendee Reports • Form 700 	<ul style="list-style-type: none"> • Auditor – RFP • California Employer’s Retiree Benefit Trust (CERBT) • Service Rate Discussion • Action Plan • Board Training Summ. • Consent Decree Quarterly Report • CASA Conference Attendee Reports • Form 700 		<ul style="list-style-type: none"> • Resolution Ordering Board Election (even years) • Draft Budget • Board Training Summ. • July 4th Fair Discussion • Review of Comparable Agencies • Service Rate Discussion/Approval • CLOSED SESSION – Manager Perf. Eval. – Conf. Labor Negot. 	<ul style="list-style-type: none"> • Resolution Salary of District Manager • Resolution Employee Salary Ranges • Resolution Approve/Adopt Budget • Review and Approve Incentive Award • Adopt Incentive Award Goals & Objectives • July 4th Fair Discussion • CD Quarterly Report • CASA/CSDA Conf. • CLOSED SESSION – Counsel Perf. Eval.

STEGE SANITARY DISTRICT 2024 BOARD OF DIRECTORS MEETING AGENDA CALENDAR

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
7/4 HOLIDAY 4 th of July Fair Booth CASA Annual Conf. Jul 31- Aug 2, Monterey		9/2 HOLIDAY CSDA Annual Conf. Sep 9-12, Indian Wells Board Training AB 1234 (even years) AB 1661 (odd years)		11/28-29 HOLIDAY	12/12 HOLIDAY LUNCHEON 12/25 HOLIDAY
7/18/2024 – 7:00 P.M.	8/8/2024 – 7:00 P.M.	9/5/2024 – 7:00 P.M.	10/3/2024 – 7:00 P.M.	11/7/2024 – 7:00 P.M.	12/12/2024 – 2:00 P.M.
<ul style="list-style-type: none"> • Hearing +Res./Ord. – Establish and Collect Sewer Service Charges – Director Meeting Compensation • Resolution Filing Notice of Completion • District Investment Policy • Reimb. Report per Gov. Code 53065.5 • Candidate filing period (even years) • CASA/CSDA Conf. • Form 470 • July 4th Fair Debrief • Quarterly Financial Statements • SPASPA Status Report • CLOSED SESSION – Quarterly Claims Rpt. 	<ul style="list-style-type: none"> • (none) 	<ul style="list-style-type: none"> • (none) 	<ul style="list-style-type: none"> • (none) 	<ul style="list-style-type: none"> • Proposed Meeting Calendar • Board Officer Succession Plan • CASA/CSDA Conf. 	<u>2PM MEETING TIME</u> <ul style="list-style-type: none"> • Fiscal Year Financial Audit • Resolution Certifying Election Results (even years) • Connection Charge Review • Emergency Contact Update • Meeting Calendar • Consent Decree Quarterly Report • CASA/CSDA Conf. • Pension + OPEB UAL Reports • Nomination & Election of Officers
	8/22/2024 – 7:00 P.M. <ul style="list-style-type: none"> • Select Actuary for Analysis of Retiree Health Benefits (odd years) • Quarterly (FY End) Financial Statements • Conn. Charge Report per Gov. Code 66013 • CSDA Annual Conf. • CASA Conf. Attendee Reports 	9/19/2024 – 7:00 P.M. <ul style="list-style-type: none"> • Health Care Benefits Review • Consent Decree Quarterly Report • CSDA Conf. Attendee Reports 	10/17/2024 – 7:00 P.M. <ul style="list-style-type: none"> • Regional PSL Program Update • Regional FOG Program Update • Quarterly Financial Statements • SPASPA Status Report • CLOSED SESSION – Quarterly Claims Rpt. – Manager Perf. Eval. 		