MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: August 20**, 2026**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

SUBJECT: Review and Possible Action Concerning Approval of SAM Mid-Year Budget Amendment and Authorization to Release Additional Budgeted MWSD Funds to SAM

As discussed during the April 2, 2026, June 4, 2026, and other Sewer Authority Mid-Coastside (SAM) and MWSD budget related meetings a SAM mid-year budget amendment for the completion of the Intertie Pipeline system repair was expected this FY as soon as contract costs become available.

SAM staff has provided the District with a Mid-Year budget adjustment for FY 26-27 to encompass the progressive design build of the Force Main in Montara based on work provided by SAM's engineers and approved contractors, McGuire & Hester. The total budget adjustment for FY 26-27 is $8,500,000, of which, MWSD's share is 20.61% or $1,751,850, bringing total SAM O&M assessments for MWSD up to $4,106,251 from the original adopted SAM budget of $2,354,401.

The original SAM infrastructure budget was set at $4,250,000, of which $3,650,000 was associated with the progressive design build. At the time of adoption, SAM staff made it clear that the $4.25M budget was likely not sufficient for the expected cost but wanted to wait until the quote was available in July in order to provide a more accurate assessment to the member agencies and to expect a mid-year budget adjustment.

The MWSD Board adopted budget for FY 26-27 includes funds for the expected SAM mid-year budget adjustment. The amount currently being requested by SAM is within the amount originally adopted by the MWSD Board.

A description of the mid-year budget adjustment was provided by SAM staff and included below for additional context and details along with calculations as to the increase in monthly Infrastructure assessments:

Mid-Year Budget Adjustment Detail:

The total project cost for the Sewer Force Main in Montara is estimated at $16,486,938. $3,650,000 has been approved in the current FY2026-2027 budget.

MONTARA WATER AND SANITARY DISTRICT AGENDA

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Thus the remaining Project Balance is $12,836,938 ($16,486,938 - $3,650,000). In consideration of what is required to cover the current fiscal period requirement, it is proposed to request a Mid-Year Budget Adjustment of $8,500,000 for this fiscal year FY2026-2027. The remaining balance of $4,336,938 will be included in the next fiscal year FY2027-2028 budget.

In summary, this year's total budget for the Sewer Force Main project will be a total of $12,150,000 ($8,500,000 + $3,650,000).
The analysis above is based on the following billing information from the FM contractor; Total Billing – $10.7M:

1. *Invoicing until end December 2026 – $4.1M*
   Required for buyout of long lead items like HDPE Pipes, valves, ARV's blowoffs and precast vaults. Procure trench plates, k rail and road crossing sleeves. Install bypass vaults, install road crossing sleeves for bypass piping and start laying out bypass piping in preparation for first bypass.

2. *Invoicing until end June 2027 – $6.6M*
   Weather permitting, construction activity will continue and expected invoicing will be $1.1M per month. The balance of $12.15M - $10.7M = $1.45M is required for other services/consultants including Mitigation Monitoring, Construction Testing, Construction Inspection, Engineering Support and Public Outreach.

Summary:

Total Project Cost: $16,486,938
FY2026-2027 Budget including Mid-Year Budget Adjustment for FM: $12,150,000
FY2027-2028 Proposed Budget for FM: $4,336,938

RECOMMENDATION:

Adopt Resolution No.____, "Resolution of the Montara Water and Sanitary District Consenting to Approval by Sewer Authority Mid-Coastside of an Amendment to its General Budget for Fiscal Year 2026-2027", and authorize the General Manager to release an additional $1,751,850 SAM.

RESOLUTION NO. ______

RESOLUTION OF THE MONTARA WATER AND SANITARY DISTRICT CONSENTING TO APPROVAL BY SEWER AUTHORITY MID-COASTSIDE OF AN AMENDMENT TO ITS GENERAL BUDGET FOR FISCAL YEAR 2026-2027

WHEREAS, Sewer Authority Mid-Coastside (SAM) has, pursuant to Article III, Section (F)(3) of the Joint Exercise of Powers Agreement dated February 3, 1976, as amended, establishing said Authority, submitted an amendment to its General Budget for fiscal year July 1, 2026 – June 30, 2027 ("Amendment to General Budget") for the consent of this District; and

WHEREAS, this Board has reviewed the aforesaid Amendment to General Budget and desires to signify its approval thereof.

NOW THEREFORE, be it resolved by the Board of the Montara Water and Sanitary District, a public agency in the County of San Mateo, California, as follows:

1. Consent is hereby given to the approval by Sewer Authority Mid-Coastside of its Amendment to General Budget for fiscal year 2026-2027 entitled, "General Budget – Fiscal Year 2026/27," a copy of which is on file in the District's Administrative Offices to which reference is hereby made for the particulars thereof.

2. The District Secretary is hereby authorized and directed to transmit a certified copy of this resolution to Sewer Authority Mid-Coastside, the Granada Community Services District and the City of Half Moon Bay.

____
President, Montara Water and Sanitary District

COUNTERSIGNED:

____
Secretary, Montara Water and Sanitary District

* * * *

I HEREBY CERTIFY that the foregoing Resolution No.____ was duly and regularly passed and adopted by the Board of the Montara Water and Sanitary

RESOLUTION NO. ______

RESOLUTION OF THE MONTARA WATER AND SANITARY DISTRICT CONSENTING TO APPROVAL BY SEWER AUTHORITY MID-COASTSIDE OF AN AMENDMENT TO ITS GENERAL BUDGET FOR FISCAL YEAR 2026-2027

District, County of San Mateo, California, at a Regular Meeting thereof held on the 20th day of August 2026, by the following vote:

AYES, Directors:

NOES, Directors:

ABSENT, Directors:

____
Secretary, Montara Water and Sanitary District

MWSD

Montara Water & Sanitary District FY 2026-27 Infrastructure Annual Assessment **As Originally Approved**	Originally Approved Monthly Assessment	Montara Water & Sanitary District FY 2026-27 Infrastructure Annual Assessment **As Amended**
$ 875,925	**$ 72,994**	**$ 2,627,775**

Proposed Billing Arrangement for Remainder of FY 2026-27

$ 72,994	Original Monthly Assessment as Adopted
2	Months of Assessments Billed (July & August 2026)
145,988	Total Infrastructure Assessments Billed ($72,994 x 2 Months)
2,627,775	Amended Infrastructure Assessment (as Approved)
2,481,788	Difference Between Amended Total and Infrastructure Assessments Billed to Date
10	Months Remaining in FY 2026-27
$ 248,179	Updated Infrastructure Billing Assessment for Remainder of FY (September 2026 - June 2027)
$ (72,994)	As originally adopted monthly Infrastructure assessment
$ 175,185	Monthly increase of Infrastructure assessment

Change	**Original Monthly Assessments**	**Check Calculation**	
	72,994	72,994	July 2026
	72,994	72,994	August 2026
175,185	72,994	248,179	September 2026
175,185	72,994	248,179	October 2026
175,185	72,994	248,179	November 2026
175,185	72,994	248,179	December 2026
175,185	72,994	248,179	January 2027
175,185	72,994	248,179	February 2027
175,185	72,994	248,179	March 2027
175,185	72,994	248,179	April 2027
175,185	72,994	248,179	May 2027
175,185	72,994	248,179	June 2027
1,751,850	**875,925**	**2,627,775**	

OVERALL OPERATIONS BUDGET SUMMARY
(Includes: Administrative Services, Treatment, Environmental Compliance, and Infrastructure)

	FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26 Over/(Under)	
EXPENDITURES						
Personnel						
1 Wages	1,770,658	1,786,300	1,799,105	1,906,100	119,800	7%
2 Premium Pay	166,455	144,100	142,859	172,000	27,900	19%
3 Health Benefits	306,074	354,596	334,360	400,750	46,154	13%
4 Retirement Cont.	762,068	541,000	544,707	591,400	50,400	9%
5 Retiree Med/OPEB	36,364	44,960	42,713	62,850	17,890	40%
6 Misc. Benefits	103,703	110,856	102,986	112,050	1,194	1%
7 Subtotal	3,145,322	2,981,812	2,966,729	3,245,150	263,338	9%
Non-Personnel						
8 Legal Services	237,120	235,000	173,818	200,000	(35,000)	(15%)
9 Engineering Services	254,378	150,243	155,347	160,800	10,557	7%
10 Professional Services	863,526	909,600	1,065,516	965,625	56,025	6%
11 Prof. Memberships	88,269	60,001	75,269	76,200	16,199	27%
12 Insurance Premiums	236,925	249,982	255,390	265,000	15,018	6%
13 Misc. Expenses	117,100	86,566	122,960	120,800	34,234	40%
14 Utilities	750,671	806,297	816,601	839,300	33,003	4%
15 Travel & Training	51,386	57,011	57,396	64,400	7,389	13%
16 Equipment Rental	25,756	27,875	22,674	29,300	1,425	5%
17 Bldg & Maint Services	166,137	148,100	132,108	176,000	27,900	19%
18 Chemicals	403,961	445,863	338,720	470,000	24,137	5%
19 Permits & Licenses	60,014	55,997	59,283	62,100	6,103	11%
20 Supplies	96,304	120,178	124,058	128,450	8,272	7%
21 Equipment	12,587	12,741	15,487	417,000	404,259	3173%
22 Infrastructure (***)	3,389,937	3,645,000	4,024,505	12,750,000	9,105,000	250%
23 Claims/Penalties (**)	-	80,000	70,000	85,000	5,000	6%
25 Subtotal	6,754,068	7,090,454	7,509,133	16,809,975	9,719,521	137%
26 TOTAL	9,899,390	10,072,266	10,475,862	20,055,125	9,982,859	99%
REVENUE						
By Type:						
27 JPA Assessments	9,276,973	9,942,231	9,942,231	19,923,588	9,981,357	100%
28 NDWSCP Fees	61,609	60,035	50,639	53,037	(6,998)	(12%)
31 Interest Earnings	81,566	70,000	83,210	78,500	8,500	12%
32 Misc. Revenue	387,448	-	59,745	-	-	-
34 REVENUE TOTAL	9,807,596	10,072,266	10,135,825	20,055,125	9,982,859	99%
By Agency:						
35 Half Moon Bay	5,642,255	5,989,200	5,989,200	12,189,251	6,200,051	104%
36 Granada CSD	1,766,336	1,873,116	1,873,116	3,628,085	1,754,969	94%
37 Montara WSD	1,868,383	2,079,915	2,079,915	4,106,251	2,026,336	97%
38 TOTAL	9,276,974	9,942,231	9,942,231	19,923,588	9,981,357	100%

(**) It is unknown at this time the potential penalites the Authority will be responsible for the sanitary sewer overflows which occurered during the 2023 Winter Storms.

(***) FY 2024/25 Actual column contains capitalized infrastructure expenditures as noted in the FY 2024/25 audit.

ADMINISTRATIVE SERVICES
By Category

EXPENDITURES

	FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26 Over/(Under)	
Personnel						
1 Wages	666,317	629,300	634,063	661,100	31,800	5%
2 Premium Pay ①	18,903	11,000	13,432	16,000	5,000	45%
3 Health Benefits	87,403	88,985	71,871	79,500	(9,485)	(11%)
4 Retirement Cont.	340,271	93,000	54,354	57,700	(35,300)	(38%)
5 Retiree Med/OPEB	28,400	13,500	17,509	28,100	14,600	108%
6 Misc. Benefits	29,693	28,800	20,948	18,800	(10,000)	(35%)
7 Subtotal	1,170,987	864,585	812,177	861,200	(3,385)	(0%)
Non-Personnel						
8 Legal Services	237,120	235,000	173,818	200,000	(35,000)	(15%)
9 Engineering Services	20,698	-	-	-	-	-
10 Professional Services	220,751	226,164	283,075	252,025	25,861	11%
11 Prof. Memberships	77,201	46,515	61,210	62,000	15,485	33%
12 Insurance Premiums	236,925	249,982	255,390	265,000	15,018	6%
13 Misc. Expenses	95,965	64,590	86,090	92,700	28,110	44%
14 Utilities	27,621	34,250	21,653	22,300	(11,950)	(35%)
15 Travel & Training	8,586	5,335	7,403	6,600	1,265	24%
16 Equipment Rental	8,294	7,875	8,101	8,300	425	5%
17 Bldg & Maint Services	33,150	34,131	46,200	47,000	12,869	38%
18 Chemicals	-	-	-	-	-	-
19 Permits & Licenses	-	-	-	-	-	-
20 Supplies ②	10,738	12,844	16,936	13,600	756	6%
21 Equipment	-	2,637	5,087	6,000	3,363	128%
22 Infrastructure	-	-	-	-	-	-
23 Claims/Penalties	-	10,000	10,000	10,000	-	0%
25 Subtotal	977,048	929,322	974,963	985,525	56,203	6%
26 TOTAL	2,148,035	1,793,907	1,787,140	1,846,725	52,818	3%

REVENUE

	FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
By Type:						
27 JPA Assessments	1,839,212	1,723,907	1,723,907	1,768,225	44,318	3%
28 Other Revenue	5,537	-	-	-	-	-
31 Interest Earnings	81,566	70,000	83,210	78,500	8,500	12%
32 Misc. Revenue - Grant	387,448	-	59,745	-	-	-
34 REVENUE TOTAL	2,313,762	1,793,907	1,866,862	1,846,725	52,818	3%
By Agency:						
35 Half Moon Bay	1,118,609	1,038,482	1,038,482	1,081,800	43,318	4%
36 Granada CSD	350,186	324,784	324,784	321,994	(2,790)	(1%)
37 Montara WSD	370,417	360,641	360,641	364,431	3,790	1%
38 TOTAL	1,839,212	1,723,907	1,723,907	1,768,225	44,318	3%

① Budget line item contains $10,000 related to Bonus, Awards, Certification pay related to gift cards for employees.

② Budget line items contains $2,500 related to SAM branded clothing as well as $3,200 for food.

TREATMENT
By Category

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
						Over/(Under)	
	EXPENDITURES						
	Personnel						
1	Wages	1,061,123	1,114,500	1,121,792	1,200,000	85,500	8%
2	Premium Pay	145,533	131,000	127,357	153,000	22,000	17%
3	Health Benefits	211,797	257,600	255,723	312,800	55,200	21%
4	Retirement Cont.	396,008	424,000	460,673	501,200	77,200	18%
5	Retiree Med/OPEB	7,897	30,785	24,543	34,000	3,215	10%
6	Misc. Benefits	71,597	78,641	79,357	89,800	11,159	14%
7	Subtotal	1,893,954	2,036,526	2,069,445	2,290,800	254,274	12%
	Non-Personnel						
8	Legal Services	-	-	-	-	-	-
9	Engineering Services	233,680	150,243	155,347	160,800	10,557	7%
10	Professional Services	555,548	579,127	667,594	601,600	22,473	4%
11	Prof. Memberships	11,068	13,486	14,059	14,200	714	5%
12	Insurance Premiums	-	-	-	-	-	-
13	Misc. Expenses	21,069	21,976	36,713	28,100	6,124	28%
14	Utilities	723,050	772,047	794,948	817,000	44,953	6%
15	Travel & Training	42,510	51,171	49,743	57,200	6,029	12%
16	Equipment Rental	17,462	20,000	14,574	21,000	1,000	5%
17	Bldg & Maint Services	132,987	113,969	85,908	129,000	15,031	13%
18	Chemicals	400,476	442,363	334,158	465,000	22,637	5%
19	Permits & Licenses	60,014	55,997	59,283	62,100	6,103	11%
20	Supplies	67,189	84,336	84,352	89,850	5,514	7%
21	Equipment	10,361	10,104	10,400	411,000	400,896	3968%
22	Infrastructure	1,311	-	860,238	-	-	-
23	Claims/Penalties	-	70,000	60,000	75,000	5,000	7%
25	Subtotal	2,276,725	2,384,819	3,227,318	2,931,850	547,031	23%
26	**TOTAL**	**4,170,680**	**4,421,345**	**5,296,763**	**5,222,650**	**801,305**	**18%**

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	REVENUE						
	By Type:						
27	JPA Assessments	4,185,865	4,361,311	4,361,311	5,169,613	808,302	19%
28	NDWSCP Fees	56,072	60,035	50,639	53,037	(6,998)	(12%)
31	Interest Earnings	-	-	-	-	-	-
32	Misc. Revenue	-	-	-	-	-	-
34	**REVENUE TOTAL**	**4,241,937**	**4,421,346**	**4,411,950**	**5,222,650**	**801,304**	**18%**
	By Agency:						
35	Half Moon Bay	2,545,843	2,627,254	2,627,254	3,162,769	535,515	20%
36	Granada CSD	796,989	821,671	821,671	941,387	119,716	15%
37	Montara WSD	843,033	912,386	912,386	1,065,457	153,071	17%
38	**TOTAL**	**4,185,865**	**4,361,311**	**4,361,311**	**5,169,613**	**808,302**	**19%**

ENVIRONMENTAL COMPLIANCE
By Category

EXPENDITURES

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26 Over/(Under)	
	Personnel						
1	Wages	43,219	42,500	43,250	45,000	2,500	6%
2	Premium Pay	2,019	2,100	2,070	3,000	900	43%
3	Health Benefits	6,875	8,011	6,766	8,450	439	5%
4	Retirement Cont.	25,789	24,000	29,680	32,500	8,500	35%
5	Retiree Med/OPEB	67	675	661	750	75	11%
6	Misc. Benefits	2,413	3,415	2,680	3,450	35	1%
7	Subtotal	80,380	80,701	85,107	93,150	12,449	15%
	Non-Personnel						
8	Legal Services	-	-	-	-	-	-
9	Engineering Services	-	-	-	-	-	-
10	Professional Services	87,226	104,309	114,847	112,000	7,691	7%
11	Prof. Memberships	-	-	-	-	-	-
12	Insurance Premiums	-	-	-	-	-	-
13	Misc. Expenses	66	-	157	-	-	-
14	Utilities	-	-	-	-	-	-
15	Travel & Training	290	505	250	600	95	19%
16	Equipment Rental	-	-	-	-	-	-
17	Bldg & Maint Services	-	-	-	-	-	-
18	Chemicals	3,486	3,500	4,562	5,000	1,500	43%
19	Permits & Licenses	-	-	-	-	-	-
20	Supplies	18,376	22,998	22,770	25,000	2,002	9%
21	Equipment	2,226	-	-	-	-	-
22	Infrastructure	-	-	-	-	-	-
23	Claims/Penalties	-	-	-	-	-	-
25	Subtotal	111,670	131,312	142,586	142,600	11,288	9%
26	TOTAL	192,050	212,013	227,693	235,750	23,737	11%

REVENUE

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	By Type:						
27	JPA Assessments	251,896	212,013	212,013	235,750	23,737	11%
28	NDWSCP Fees	-	-	-	-	-	-
31	Interest Earnings	-	-	-	-	-	-
32	Misc. Revenue	-	-	-	-	-	-
34	REVENUE TOTAL	251,896	212,013	212,013	235,750	23,737	11%
	By Agency:						
35	Half Moon Bay	153,203	127,717	127,717	144,232	16,515	13%
36	Granada CSD	47,961	39,943	39,943	42,930	2,987	7%
37	Montara WSD	50,732	44,353	44,353	48,588	4,235	10%
38	TOTAL	251,896	212,013	212,013	235,750	23,737	11%

INFRASTRUCTURE
By Category

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	EXPENDITURES					Over/(Under)	
	Personnel						
1	Wages	-	-	-	-	-	-
2	Premium Pay	-	-	-	-	-	-
3	Health Benefits	-	-	-	-	-	-
4	Retirement Cont.	-	-	-	-	-	-
5	Retiree Med/OPEB	-	-	-	-	-	-
6	Misc. Benefits	-	-	-	-	-	-
7	Subtotal	-	-	-	-	-	-
	Non-Personnel	-	-	-	-		
8	Legal Services	-	-	-	-	-	-
9	Engineering Services	-	-	-	-	-	-
10	Professional Services	-	-	-	-	-	-
11	Prof. Memberships	-	-	-	-	-	-
12	Insurance Premiums	-	-	-	-	-	-
13	Misc. Expenses	-	-	-	-	-	-
14	Utilities	-	-	-	-	-	-
15	Travel & Training	-	-	-	-	-	-
16	Equipment Rental	-	-	-	-	-	-
17	Bldg & Maint Services	-	-	-	-	-	-
18	Chemicals	-	-	-	-	-	-
19	Permits & Licenses	-	-	-	-	-	-
20	Supplies	-	-	-	-	-	-
21	Equipment	-	-	-	-	-	-
22	Infrastructure (A)	3,388,625	3,645,000	3,164,267	12,750,000	9,105,000	250%
23	Claims/Penalties	-	-	-	-	-	-
25	Subtotal	3,388,625	3,645,000	3,164,267	12,750,000	9,105,000	250%
26	**TOTAL**	**3,388,625**	**3,645,000**	**3,164,267**	**12,750,000**	**9,105,000**	**250%**

		FY 2024/25 ACTUAL	FY 2025/26 ADOPTED	FY 2025/26 PROJECTED	FY 26/27 PROPOSED	VARIANCE FY26/27 versus FY25/26	
	REVENUE						
	By Type:						
27	JPA Assessments	3,000,000	3,645,000	3,645,000	12,750,000	9,105,000	250%
28	NDWSCP Fees	-	-	-	-	-	-
31	Interest Earnings	-	-	-	-	-	-
32	Misc. Revenue	-	-	-	-	-	-
34	**REVENUE TOTAL**	**3,000,000**	**3,645,000**	**3,645,000**	**12,750,000**	**9,105,000**	**250%**
	By Agency:						
35	Half Moon Bay	1,824,600	2,195,748	2,195,748	7,800,450	5,604,702	255%
36	Granada CSD	571,200	686,718	686,718	2,321,775	1,635,057	238%
37	Montara WSD	604,200	762,534	762,534	2,627,775	1,865,241	245%
38	**TOTAL**	**3,000,000**	**3,645,000**	**3,645,000**	**12,750,000**	**9,105,000**	**250%**

(A) Breakdown is as follows:

$3,650,000 Sewer Force Main in Montara; $450,000 Effluent Pumps; $100,000 Montara Pump Station, Pump #1; $50,000 Portola Pump Station, Pump #1; $8,500,000 Mid-Year Budget Adjustment for Sewer Force Main in Montara.

SEWER AUTHORITY MID-COASTSIDE

Staff Report

TO: Honorable Board of Directors

FROM: Kishen Prathivadi, General Manager

SUBJECT: **Authorize the General Manager to Enter into a Contract with McGuire & Hester, the Progressive Design Build Contractor, for the Construction of the SAM Force Main in Montara**

Executive Summary

The purpose of this report is to review the attached Guaranteed Maximum Price (GMP) for the SAM Force Main in Montara Replacement Project (FMM) and authorize the General Manager to enter into a contract with McGuire and Hester, the Progressive Design Build Contractor.

Fiscal Impact

The fiscal impact is $14,564,000 including the least expensive option for construction of $13,228,000 plus contingencies of $1,336,000. This will require a mid-year budget adjustment which will be adopted by the Board later. A draft proposed mid-year budget is attached.

Strategic Plan Compliance

The recommendation complies with the SAM Strategic Plan Goal 5.3: *"Infrastructure, Operations, and Maintenance,"- "Develop a longest term reasonable perspective in concrete spending terms of potential alternative approaches to managing the system with the objective of decreasing long term costs and environmental impacts and increasing safety."*

Background and Discussion/Report

The Force Main in Montara (FMM) sewer replacement project will replace 13,395 feet of Ductile Iron pipe (DIP) with 13,654 feet of High-Density Polyethylene (HDPE) pipe, install air release valves and air vacuum release valves (18), and install four bypass stations. In addition, the project includes installation of 390 lineal feet of 10-inch HDPE pipe and tiein to the Princeton force main system. Most of the pipeline installation will be completed by open cut methods, but to limit impacts to environmentally sensitive sites and Highway 1/local traffic, there will be at least five locations utilizing Horizontal Direction Drilling (HDD) and two road crossings utilizing auger bore methods. The FMM is a portion of the Sewer Authority Mid-Coastside Intertie Pipeline System and due to multiple sewer spills from the FMM, the pipeline is required to be replaced by June 30, 2027, as part of a binding legal Consent Decree with Ecological Rights Foundation (ERF).

On November 25, 2024, the SAM Board of Directors authorized the General Manager to enter into a Phase I Progressive Design Build Contract with McGuire & Hester and BKF Engineers (Formerly MNS). Since that time, SAM Staff, SRT Consultants, McGuire and Hester and BKF have been moving forward with designing a project alignment and completing environmental reports needed to obtain the permits required for this project. In accordance with the California Environmental Quality Act (CEQA), an initial study was adopted, and the project was approved by the SAM Board on April 27, 2026. A Coastal Permit Exemption was approved and issued by the San Mateo County Planning Department on May 19, 2026, with the support of the California Coastal Commission.

Permitting agency requirements have been received and incorporated into the 100% Project Plans and Specifications. Unfortunately, the additional requirements of these agencies, particularly the California Transportation Commission (Caltrans), have significantly increased the cost of construction. In addition, the Authority experienced a 3-month delay in the project schedule due to the slow review process of the permitting agencies. It is anticipated that all the permits will be issued within a week of this Board meeting.

The Board of Directors of the Authority reviewed the GMP on July 13, 2026, and requested staff meet with member agency engineers and general managers to address questions that the Board had regarding the cost, timing, and design considerations that led to the 60% design and the GMP.

On July 27, 2026, the Design-Build team of McGuire & Hester and BKF Engineers, SRT Engineers, and SAM staff met with representatives of the member agencies to discuss project design and cost questions. Representatives from the City of Half Moon Bay, Granada Sanitary District and Montara Water and Sanitary District attended the meeting. Discussions included specific design questions, measures that were incorporated into the design to provide the most cost-effective design, cost of delays to the project, and reasons for the exceptions that were listed in the GMP proposal.

Mc Guire and Hester have submitted a revised GMP to SAM that updates the deadlines for the pipe material and jack and bore quotes to be valid through August 31, 2026. In addition, Mc Guire and Hester have revised the list of exclusions to better reflect the reason for each item.

Potential Super El Niño Impacts to Project

It is forecasted that a "Super El Niño" will hit the Central Coast of California this year bringing heavy rains and flooding to the area. Should this occur, adverse weather will make it difficult and costly for McGuire and Hester to complete the project by June 30, 2027. Given this anticipated weather, McGuire & Hester have included additional estimated costs to construct a pipeline during a wet winter including installing significant dewatering wells, constructing stronger trench shoring, the need for multiple mobilization costs and lost workdays during heavy rainfall. Much of the construction will occur adjacent to sensitive habitats that could also be negatively impacted by wet-weather construction activities.

On July 13, 2026, the Board directed the Authority's attorney to initiate negotiations with the Ecological Rights Foundation (ERF) to extend the construction deadline to June 30, 2028.

Guaranteed Maximum Price (GMP) for Construction

Mc Guire and Hester have provided staff with a Guaranteed Maximum Price (GMP) that includes the additional measures needed for safe construction during a rainy winter (Option 1). Option 2 is the GMP to complete the work with a time extension to June 30, 2028, requiring no additional dewatering of trenches or work during inclement weather. A summary of the costs for the options, including going to a competitive bid are provided in the following table.

Guaranteed Maximum Price		
Option 1 - June 2027 Project Completion	Option 2 - June 2028 Project Completion	Project Contingencies to Include in Budget
$17,328,100	$13,228,000	$1,336,000

Option 1 GMP is $17,328,100 with the requirement to work through an El Niño winter to complete construction by 6/30/2027.

Option 2 GMP is $13,228,000 with the ability to work with a time extension to complete the project during better weather conditions by 6/30/28. This will require ERF approval of the time extension.

Option 3 is the cost of a decision to have the engineer complete final plans and specifications for bidding purposes. The Off-Ramp cost in the Phase I agreement is $128,454 to finalize the plans and specifications for the purpose of bidding. This option will delay award of the contract until at least February 2027, which will risk increasing the cost of materials and labor by a minimum of $100,000 per month based on current trends.

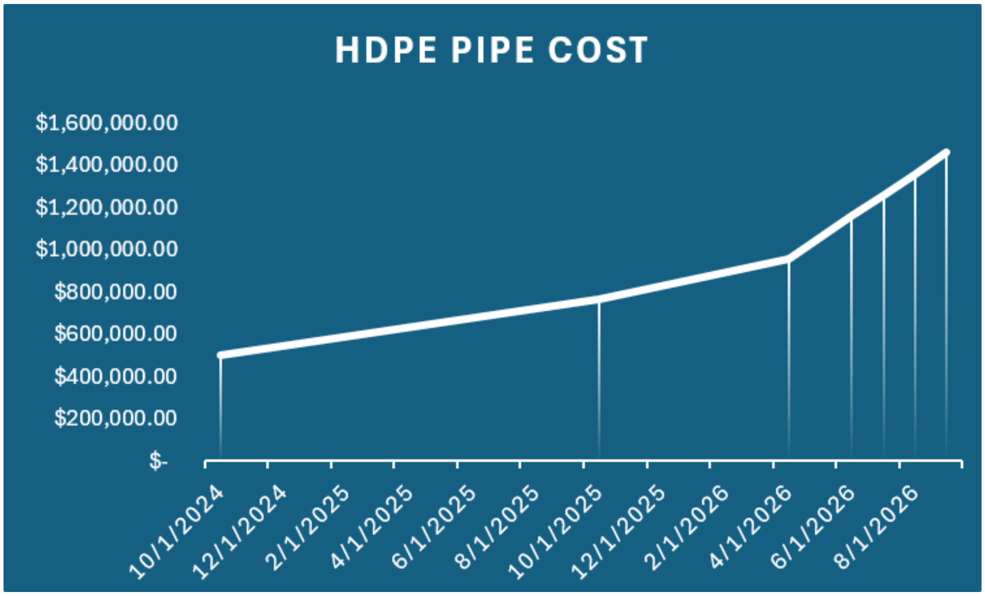
Evaluation of Construction Cost

SAM Staff and SRT Consultants reviewed Mc Guire and Hester's detailed price estimate that led to their GMP and compared it with the 2024 Capital Improvement Program (CIP) estimate of $10,161,000. The combined costs of High-Density Polyethylene (HDPE) pipe materials and changes in agency requirements have added about $2.4 million to the construction costs estimated in 2024 CIP for the project. The remaining increase compared to the 2024 total can be attributed to cost escalation of other materials, increased cost of labor and the cost of design details that were not available for the 2024 CIP cost estimate.

The requirements to fill abandoned pipeline assets with low strength concrete rather than abandoning the pipes in place and to use concrete instead of native soil and gravel to backfill the new pipeline trenches within the California State Transportation Agency (Caltrans) right of way has increased the cost of construction. Caltrans and the County of San Mateo have required increased lengths of horizontal directional drilling pipeline to protect road improvements. Lastly, the costs associated with the final design of bypass vaults increased. The combined additional cost for these items is $1,608,059.

The cost of pipeline materials needed for the project, especially High-Density Polyethylene (HDPE) pipe has steadily increased since October 2025, with this trend expected to continue into the fall of 2026. The pipeline cost estimate for the project in 2024 was $500,000. The following table shows the increase in costs based on actual bids received for the project pipe material since October 2025.

Based on staff's evaluation of the costs included in the GMP, it is our opinion that the GMP Option 2 is a fair and competitive price for the construction of the Force Main in Montara.



Risk Assessment and Contingencies
A Risk Register was developed by Staheli Trenchless to determine the risks associated with the project, the probability of the risk and the monetary impact of the risk. Staheli Trenchless is a subcontractor for the design consultant BKF (formally MNS). SAM Staff, SRT, Staheli Trenchless, McGuire and Hester and BKF were all involved in developing the list of risks, which party owns the risk, and what risks have a high enough impact to be either mitigated or included in the contingencies.

To reduce the risk of encountering granitic rock, a geophysical survey was conducted that determined the risk was low for the Horizontal Directional Drilling (HDD) location of HDD #2. This reduced the cost of purchasing additional drilling equipment and the estimated number of working days required to complete the horizontal directional drilling at that location. The budget for the HDD work was reduced by $1,200,000 for that item.

The risk of utility conflicts was reduced by designing around utilities based on the results of potholing prior to completion of the final plans. Completing potholing resulted in design changes that reduced delays, improved public safety and allowed shallower HDD alignments that will save money and construction time.

Other risks, such as supply chain cost increases and weather-related delays, could not be mitigated and are included in the contingency of $1,306,000. The cost of a risk that is accounted for in the risk register will be available in the amount that was agreed by all parties to be available if that risk is encountered. Any cost above that amount is the responsibility of the owner of that risk. The attached contract includes a description of the contingencies per the Risk Register, who owns the risk and the monetary value that was assigned to that risk. Any use of contingencies will require prior approval by SAM.

The total project contingency is the sum of all anticipated risks with an additional $500,000 for unanticipated risks. The total of all contingencies is 10% of the construction cost. Typically, a contingency of 15% is added to the project construction bid and the risk value is not negotiated prior to commencement of construction. The following table identifies the contingency amount attributable to the contractor and to SAM based on the Risk Register.

CONTRACTOR RISK CONTINGENCY	$480,000
SAM RISK CONTINGENCY	$326,000
ADDITIONAL CONTINGENCY FOR SAM RISK	$500,000
TOTAL	$1,306,000

<u>Exceptions/Clarifications to GMP</u>
At the July 13, 2026, meeting, the Board was concerned about the costs associated with the exceptions/clarifications that were listed in the GMP Proposal by McGuire and Hester. These exceptions are clarifications of what was included and was not included in the GMP Proposal. Several contingency items were discussed further with McGuire and Hester and subsequently removed from the proposal. An updated GMP was provided to SAM on July 31, 2026, to better understand the exceptions and clarifications.

Exceptions provided in the updated proposal are either items that were due to design conflicts or determined to no longer be needed, or items that are included in the Contingencies, if the need arises during construction.

Review of Proposed Contract

SAM provided a preliminary draft agreement to the member agencies after the July 13, 2026 Board meeting for review. A Microsoft Word version of the contract was provided to and comments received from the attorney for the City of Half Moon Bay, Burke, Williams & Sorensen, LLP. These comments have been incorporated into the contract documents.

Anticipated Total Construction Budget

In addition to the construction contract, there is a need for inspection, testing, project engineering and surveying, public outreach, and environmental monitoring services. Proposals for each of the "Other Construction Costs" have been received by the Authority and if the GMP Contract is approved by the Board, staff will return at the next meeting with the additional contracts to be approved by the Board.

The following table provides a summary of all the anticipated costs associated with the construction of the Force Main in Montara Replacement Project. BAGG Engineering's bid has replaced the estimate provided in the previous staff report.

TOTAL FORCE MAIN CONSTRUCTION COSTS		
	Option 1-June 2027 Project Completion	Option 2-June 2028 Project Completion
Guaranteed Maximum Price	$ 17,328,100.00	$ 13,228,000.00
Contingencies	$ 1,306,000.00	$ 1,306,000.00
Total Construction Contract	**$ 18,634,100.00**	**$ 14,534,000.00**
SAM Engineering Support - SRT	$ 500,000.00	$ 500,000.00
Public Outreach Communications-KSC	$ 75,000.00	$ 75,000.00
Mitigation Monitoring Consultants-BKF	$ 426,938.00	$ 426,938.00
Construction Testing Services -BAGG	$ 151,000.00	$ 151,000.00
Construction Inspection Services -MCM	$ 800,000.00	$ 800,000.00
Other Construction Costs	**$ 1,952,938.00**	**$ 1,952,938.00**
Grand Total Cost	$ 20,587,038.00	$ 16,486,938.00

Analysis of Options

As previously discussed, Option 1 with a June 30, 2027, completion date is too expensive, risks damaging the environment due to completing construction during a Super El Niño winter and is not likely to be completed by June 30, 2027. Option 3 would put SAM into the situation of being at the mercy of obtaining a low bid, which due to inflation would likely be more expensive than Option 2 and open to multiple change orders which will need a higher project contingency. Both Option 2 and Option 3 require SAM to request ERF to agree to an extension of the project completion date to June 30, 2028.

Option 2 has the lowest GMP and a risk register that summarizes the cost for change orders that could be encountered. The cost of a risk that is encountered is covered by the amount in the risk register and anything above that amount is the responsibility of the owner of that risk. Approval of Option 2 will allow SAM to purchase the pipe materials now to manage the risk of price inflation for those products and save money.

If the Board approves Option 2 and the Phase II Design Build Contract with McGuire and Hester today, it is anticipated that a Notice to Proceed (NTP) will be issued before August 28, 2026, allowing the contractor to issue a purchase order for materials by August 31, 2026.This is contingent on ERF's approval of an extension of the project completion date to June 30, 2028.

Mid-Year Budget Adjustment : A proposed draft mid-year budget adjustment is attached which the General Manager would like to send out to Member agencies. If the Board chooses the lower cost option 2, of the total project cost of $16,486,938 it is proposed to budget a total of $12,150,000 for the fiscal year 26-27 and the balance will be included in the budget for fiscal year 27-28.

Recommendation:

It is recommended by staff that the Board authorize the General Manager to enter into a Progressive Design Build Phase 2 Contract with McGuire & Hester for Option 2 - Not to Exceed Amount of $13,228,000, contingent upon obtaining a time extension from ERF to complete the project by June 30, 2028 and send the attached Draft Mid-Year budget adjustment to Member Agencies for approval.

Attachments:

Attachment A: McGuire and Hester Guaranteed Maximum Price Proposal-rev.1 dated 7/31/26.
Attachment B: Progressive Design Build Contract for the Project with Attachments.
Attachment C: Proposed draft mid-year budget adjustment for fiscal year 26-27