

MINUTES
BOARD OF DIRECTORS
SUNNYSLOPE COUNTY WATER DISTRICT
Special Board Meeting
April 6, 2011

A. CALL TO ORDER: The meeting was called to order at 5:30 p.m. by President Meraz at the Sunnyslope County Water District office, 3570 Airline Highway, Hollister, California.

B. ROLL CALL: Directors Present: President Dave Meraz, Vice-President Doug Keck, Dave Clapham, and Danny Villalon. **Absent:** Dawn Anderson. **Others Present:** Secretary/General Manager Bryan Yamaoka, and Attorney Lloyd Lowrey.

Others present for Open Session: District Engineer Ken Girouard, Finance & Human Resource Manager Cathy Buck, Water Superintendent Jim Filice, Executive Assistant Carol Porteur, Harry Blohm Program Manager for Hollister Urban Area Water/Wastewater Master Plan, Bob Ellis from HDR, and Marc Nakamoto from RMC Water and Environment.

C. EXECUTIVE SESSION: President Meraz moved the meeting to closed session.

1. Conference with Real Property Negotiators. Property: Purchase of lands adjacent to proposed Groundwater Treatment Plant & Evaporation Ponds:

Property Identification: APN 020-280-022

SSCWD Negotiator: Yamaoka, Girouard

Property Owners: Campisi

Under negotiation: Price and terms of payment.

RECONVENE TO OPEN SESSION and REPORT ANY ACTIONS TAKEN IN EXECUTIVE SESSION: President Meraz reconvened the meeting to open session at 5:30 p.m. He reported staff was given direction on the property negotiations.

D. PUBLIC COMMENTS and AUDIENCE INTRODUCTIONS: There were no public comments or introductions for *non-agendized* items.

The following members of the public asked to be heard during **Agenda Item E** below:

Jan Grist

Jerry Gabe

Marty Richman

Eric Boyd

Tarasa Bettencourt

Alex Kehriotis

Jerry Muenzer

Mark Davis

E. RECEIVE and DISCUSS THE COST COMPARISON OF THE RIDGEMARK WASTEWATER TREATMENT AND RECYCLED WATER IMPROVEMENTS PROJECT vs. THE CITY OF HOLLISTER WASTEWATER HOOKUP ALTERNATIVE, AND CONSIDER WHETHER TO RESCIND OR AMEND THE PREVIOUS DECISION TO PROCEED WITH THE RIDGEMARK WASTEWATER TREATMENT AND RECYCLED WATER IMPROVEMENTS PROJECT: Engineer Girouard explained that a presentation would be given by HDR, the Governance Committee consultant, as well as Sunnyslope's consultants, RMC Water and Environment, to update the Board of Directors on the cost comparison of the project alternatives under consideration. Mr. Girouard also stated that the Board would need to consider whether to rescind or amend the previous decision of the Board to proceed with the Ridgemark Wastewater Treatment and Recycled Water Improvements Project.

Mr. Girouard explained the three alternatives to be discussed as follows: The first alternative is the original Ridgemark Alternative approved by the Board on January 10, 2008, the Ridgemark Wastewater Treatment and Recycled Water Improvements Project, where

Sunnyslope would build the proposed upgraded Ridgemark Wastewater Treatment Plant with recycled water in three phases consistent with the EIR certified for project. The second alternative is to connect to the City of Hollister's Wastewater facility and would include recycled water returned to Ridgemark from the City's Plant. This alternative would require Sunnyslope to build the proposed wastewater pump stations and pipelines to connect to the City's wastewater plant. The third alternative is the option to be presented by HDR, which is for the City Connection Alternative with a substitution of enhanced Central Valley supply for the Ridgemark Golf Course instead of recycled water from the City. This alternative would also require Sunnyslope to build the proposed wastewater pump stations and pipelines to connect to the City's wastewater plant as discussed in the EIR certified for this project. No recycled water would be brought back from the City's wastewater plant to the Ridgemark area and additional environmental review would need to be done on the additional elements of this project.

Mr. Girouard noted that each agency represents their customers. San Benito County Water District represents the interest of the imported water suppliers in its service area as well as the urban area of the City and the farmers. The City of Hollister has interests in water and wastewater in its service area and could potentially have a savings of \$5 - \$10 a month if Sunnyslope hooked up with them. Director Keck questioned the \$5- \$10 savings and Mr. Girouard replied that the potential savings would be for the average City wastewater customer. He also stated that the County of San Benito represents everyone's interests. Engineer Girouard explained that the costs for all three options were very close and it was a matter of whether the Board wants the recycled water back to Ridgemark or not.

Engineer Girouard introduced Harry Blohm, Program Manager for the Hollister Urban Area Water and Wastewater Master Plan. Mr. Blohm explained that Bryan Yamaoka, General Manager for Sunnyslope County Water District, requested that the committee do an independent analysis on the two plans as they have done for other elements of the master plan.

Mr. Blohm introduced Bob Ellis from HDR, serving as the lead for the consultant for the Governance Committee, to present their analysis of the Ridgemark Alternative vs. City of Hollister Connection. Mr. Ellis explained that their methodology is consistent with other analysis used for decision making as part of the Master Plan. He explained that the economic analysis looks at the capital costs, the treatment operation and maintenance (O&M) costs, the 30-year cash flow, and the estimated costs per connection. The combined capital investment for the Sunnyslope County Water District (SSCWD) and the City of Hollister to build both wastewater plants for the Ridgemark Alternative would be \$133.70 million. Of this amount, the subtotal for the Ridgemark Alternative, with the 3 phases, would be \$16.34 million and an additional \$117.36 million for the City's Water Reclamation Facility. For the City Option without recycled water, there would be a total capital investment of \$122.34 capital investment for the City Alternative. Of this amount \$1.12 million, would be spent on a wastewater pump station and pipeline to connect to the City's sewer system. The annual O&M treatment cost for SSCWD Phase 1 and Phase 3 would be \$547,000 and the City of Hollister (COH) cost for the Water Reclamation Facility and Pump Station/Pipeline would be \$396,000. The cash flow comparison shows the SSCWD Ridgemark Alternative option with a 30-year cash flow total debt service and O&M estimated at \$37.57 million. The COH option cash flow reflects the initial Buy-in, pump station/pipeline, annual payment, O&M, Phase 2 Decommissioning, Ridgemark Golf Course Supply and a credit of \$1.10 million for Ridgemark WWTP Land Salvage would net at \$36.55 million. The estimated costs per connection for the SSCWD option is \$100.02 monthly and for the COH option is \$97.68 monthly.

Mr. Ellis stated that in HDR's analysis, they did not find the recycled water portion of the plan to be cost effective, so they considered another alternative, which is to have the Central Valley Pipeline provide water in lieu of the recycled water for an additional cost of \$6

million dollars to the COH option. Mr. Ellis also explained that HDR concludes that for the cost basis, both alternatives are about the same. Mr. Jerry Gabe inquired about the quality of the recycled water and Engineer Girouard explained there is another project that all of the agencies are working on to improve the drinking water which in turn would improve the quality of the wastewater.

Mr. Ellis went on to explain the second part of the evaluation, which looks at the non-economic criteria, shows that both SSCWD and COH meet or exceed the criterion for principles and objectives of the Memorandum of Understanding (MOU) and that both options are consistent with the Groundwater Management Plan. In terms of reducing the regulatory requirements, the SSCWD option does not meet this criterion, where the City option does. The evaluation for minimizing operational complexity, the SSCWD option does not meet this criterion, but the City option does. The option which has the best ability to provide recycled water to Ridgemark and maximizes local control is the SSCWD option, where the City option does not meet this criterion. And lastly, the ability to providing a regional wastewater solution and minimize environmental impacts, is best met by the City option, the SSCWD option does not meet this criterion.

Cathy Buck raised the question of whether SSCWD currently not being in compliance with the Regional Water Quality Control Board should be considered in comparing the time frames needed to achieve each option and become in compliance. Mr. Ellis stated that was not specifically addressed and he could not speak on their behalf, and he also concluded that HDR had no interest in the decision of the projects. Bryan Yamaoka asked who had jurisdiction over the recycled water and Harry Blohm explained for both inside of the city limits and outside of the city limits that San Benito County Water District had jurisdiction. Mark Davis commented on the MOU, which discusses the water that is sent to the COH and which San Benito County Water has jurisdiction over, if SBCWD has a contract for reclaimed water for agriculture then there is no motivation to get the water back up to Ridgemark. Mr. Davis' understanding is that if Sunnyslope produces recycled water that SSCWD would be able to keep recycled water for SSCWD customers.

President Meraz expressed concern regarding the rate impact the Ridgemark Alternative could have on the Quail Hollow and Oak Creek Subdivisions without the benefit of the recycled water, whereas the Ridgemark Golf & Country Club would receive all of the benefit. Cathy Buck pointed out that the Golf Course would be purchasing the recycled water from SSCWD which could possibly lower the rates for the two subdivisions. Marc Nakamoto of RMC Water and Environment stated that recycled water projects around the state have multiple beneficiaries.

Marc Nakamoto's presentation was basically to re-summarize his previous presentation to the Board. The additional presentation by HDR for the enhanced CVP supply, instead of recycled water for the Ridgemark golf course, did not prove to be substantially different than the original proposed project comparisons. The overall 30-year expenditures for the Ridgemark Alternative is estimated to be \$40.3 million, compared to the overall 30-year expenditures for the City of Hollister Connection with Recycled Water returned to Ridgemark, which is estimated to be \$53.2 million

President Meraz asked for any public comments:

Jan Grist, who is the Treasurer for the Ridgemark Bluffs Homeowners Association, expressed her objection to SSCWD joining with the City of Hollister. Her main objection was that anyone living outside of the City limits would have no representation on any decisions made by the City Council. She also explained that SSCWD has a fiduciary responsibility to spend the \$2.5 million that they have collected to go forward with the Ridgemark Alternative. Ms. Grist also explained that she is concerned with the turmoil that is going on with the Central Valley Water System and does not want to put her home or the

golf course at risk of not receiving water from them.

Marty Richman said he is a Hollister wastewater customer as well as a Sunnyslope water customer. He voted on the City of Hollister's project in the past but feels that SSCWD should remain independent, take care of their customers, and recycle their own water. In his opinion, SSCWD should look to the future, 30-years down the road, to what SSCWD wants to have available for customers.

Tarasa Bettencourt offered that she is a 34-year resident of Ridgemark Estates, a 40 year customer of SSCWD, and is currently representing, as the President, the Ridgemark Homes Association. Ms. Bettencourt stated that she thought the agenda for this meeting was to affirm the previous Board's decision of the Water/Wastewater Recycled Water Improvement Project. She noted that the agenda has been expanded to Receive and Discuss the Cost Comparison of the Ridgemark Wastewater Treatment and Recycled Water Improvements vs. the City of Hollister Wastewater Hookup Alternative. Ms. Bettencourt explained that people are talking, and she is wondering if this Board is attempting to abandon the January 2008 decision of the Board. She raised the question, "Has there been a preliminary vote going into this meeting, and if so, would that be a violation of the Brown Act?" Ms. Bettencourt stated that in January of 2007 SSCWD held a public meeting at the Ridgemark Tennis Center to present the Ridgemark Alternative (RA) vs. Hollister Connection Alternative. Aside from the fact that the RA was a lower cost, 95% of the room expressed their concern for the representation if SSCWD decided to connect with the City and even at a reasonably higher cost, the residents wanted representation. She also stated that on January 10, 2008, Director Meraz made a motion which was ratified, "to maintain independent sewer treatment and not buy into the City of Hollister's future wastewater treatment and disposal operations." She explained that the Ridgemark residents have graciously accepted the increased sewer rates with the expectation that SSCWD would fulfill its commitment to provide independent sewer treatment including recycled water. Ms. Bettencourt stated her opinion was that the numbers and support are not in favor of any alternative other than fulfilling the prior commitment of the Ridgemark Alternative. She feels the SSCWD Board's responsibility is to be concerned with what is their customers' best interest. She concluded with a question: "Please explain to us why this Board continues to stall the previously committed project and why we must continue to defend the effort of the investment to date?"

President Meraz responded to Ms. Bettencourt's question by stating, "In January 2008 I was on the board for one month, heard what everybody said, I recall the meeting, and thought it was a no brainer. In the past 3 ½ years I've had information from staff which was good and again, was a no brainer. But as I do work in the County and ask other people, no doubt there is a question mark in my mind if we are making the right decision." Mr. Meraz also commented on what is the best interest for the District, and he stated that he called Cecile at the Regional Water Quality Control Board and asked her opinion on whether SSCWD should stay on its own or connect with the City of Hollister. Mr. Meraz said that she asked him why SSCWD would want to deal with the headaches by going on their own. Mr. Meraz brought up the question as to whether 30-years from now the RA would be the best decision. Ms. Bettencourt asked Mr. Meraz if he lacked confidence in this body and the staff, and Mr. Meraz responded "I'm going to take the fifth on that one".

Director Clapham commented that the Board has a responsibility to ask questions and gather information to make this decision. He pointed out that there are a couple of new Board members that need to be informed and they need to ask the questions to best serve their customers. Mr. Clapham also stated "If someone from this staff at Sunnyslope Water takes a \$5,000 raise to go to San Luis Obispo and they are gone, I'm going to be here with the people of this District, so we take a little different approach from what seat we are sitting in". Mr. Clapham explained that just because money has already been spent on the project thus far, doesn't mean that you have to go forward with it and he feels that they are somewhat being pushed.

Jerry Muenzer is on the Board of Supervisors and represents the constituents of the District. Mr. Muenzer has also recently become a member of the Governance Committee. Mr. Muenzer reported that he has heard from several residents that the Governance Committee has formed an opinion on how SSCWD should proceed, so he wanted to come to the meeting to find out for himself. Mr. Muenzer did express to the Board that if they had any doubt about what their constituents would need, that they may be subjecting them to taxation without representation.

Eric Boyd, Golf Course Superintendent for Ridgemark Golf & Country Club and representing JMK Golf, expressed his concern on not receiving the recycled water if SSCWD joined the COH. He pointed out that at this point the golf course uses well water and blue value water for the irrigation of the golf course. He explained that the blue valve water received from San Benito County Water District is sometimes jeopardized for 2 or more days when there are broken water lines or for repairs which prevents them from filling their ponds prior to the night time watering. In turn, that means less watering and browner grass.

Alex Kehriotis, President and owner of Ridgemark Golf & Country Club, explained that keeping the wastewater treatment plant at Ridgemark as planned and delivering recycled water to the golf course in the future is vital to survival of Ridgemark. He explained that the water from San Benito County Water District is expensive and that the third option introduced, City Connection with enhanced CVP, would double the cost.

Mark Davis stated he was involved in the beginning of this proposed project and had many conversations with the Vice Mayor of the City of Hollister and Cecile DeMartini from the Regional Water Quality Control Board and no one was opposed to the Ridgemark project. He also stated the Vice Mayor said to him that it made no difference if SSCWD participated in their treatment facility as their costs were fixed. Mr. Davis stated that the Board is two weeks away from making a commitment before losing the construction bid and the favorable state financing and customers would be left at the mercy of an entity that they could not control if they connect with the City of Hollister. His opinion of all three options presented is there would be no benefit to the District or the rate payers to going with either of the City options.

After hearing public comments, President Meraz asked Directors Villalon and Keck if they had anything they wanted to say as they had not made any comments. Director Keck said he felt that nothing had changed and that SSCWD needed to get on with building their treatment plant. Director Villalon stated that he felt the same way. Attorney Lowrey stated that if the board was to leave the decision as originally voted back in 2008, nothing needed to be done. President Meraz asked if there was a motion to rescind or amend the previous decision. With no response, this item died for lack of a motion and remained as the previously voted.

- F. RECEIVE, DISCUSS, and TAKE APPROPRIATE ACTION ON AWARDING THE RIDGEMARK WASTEWATER TREATMENT AND RECYCLED WATER IMPROVEMENTS PROJECT, PHASE 1 CONSTRUCTION CONTRACT TO THE LOWEST BIDDER, ANDERSON PACIFIC, FOR \$9,521,946, WHICH INCLUDES \$199,000 IN ADDITIONAL WORK TO IMPORT 4000 CUBIC YARDS OF FILL, PLACE & COMPACT 4000 CUBIC YARDS OF FILL, AND BUILD SOLIDS DRYING BED #4:** Engineer Girouard explained that Sunnyslope staff and RMC Water & Environment issued a Request for Proposals on the Ridgemark Wastewater and Recycled Water Improvements Project, Phase 1 Construction as two possible bids. The first bid is to make the plant a functioning plant, which would be \$9,322,946 from the lowest bidder, Anderson Pacific. The second bid includes an additional amount of work needed to fill a remaining hole of 4000 cubic yards and pave over it at a total cost of \$9,521,946, which includes \$199,000 for this additional work. If the second phase is included with the first phase, then the District can take advantage of the 2.6% financing on that portion of the

project as well. Mr. Girouard also stated that if SSCWD waits to do the second phase, there is potential for a price increase in the future as well as having to spend more money on the erosion control and the possibility of more environmental review required on the erosion control.

Mr. Girouard recommended that if the Board awards the contract, that the Board should authorize the District Manager to sign the attached Notice and to sign the contract for either the first or second bid amount, whichever is decided upon, to get the project moving. Director Meraz then asked Attorney Lowrey, "What if the Board does not accept this bid?" Attorney Lowrey explained the process of requesting bids has an inherent expectation that SSCWD would accept the lowest bid, and if you didn't accept it, you would need to send it out to bid again. Mr. Richman expressed his opinion that if SSCWD did not accept this bid, there could possibly be a lawsuit from the contractor because it was sent out to the lowest bidder and now that contractor has revealed his price and having the job rebid, that contractor could lose out. Attorney Lowrey confirmed that would be his impression of the law.

Upon motion made by Director Clapham, seconded by Director Keck, the Board approved awarding the Ridgemark Wastewater and Recycled Water Improvements Project, in the amount of \$9,521,946 (Alternative A), to Anderson Pacific, with a vote of 3-0 with 1 abstained. Director Anderson – absent, and Director Meraz – abstained).

G. RECEIVE, DISCUSS, and TAKE APPROPRIATE ACTION ON A REQUEST BY SUNNYSLOPE STAFF TO ENTER INTO A CONTRACT FOR PROFESSIONAL SERVICES TO OBTAIN A LINE OF CREDIT FOR CONSTRUCTION FINANCING FOR THE RIDGEMARK WASTEWATER TREATMENT AND RECYCLED WATER IMPROVEMENTS PROJECT AT A COST NOT TO EXCEED \$10,000:

Engineer Girouard explained the District would like to establish a line of credit with a financial institution to give the District cash flow during the Ridgemark Wastewater Treatment and Recycled Water Improvements Project in case of time delays before receiving reimbursement from the State Revolving Fund. Mr. Girouard has contacted our current Financial Advisor, Bartle Wells and Associates, and they can obtain bids from banks for the line of credit, for a fee not to exceed \$10,000. Although the Board prefers to obtain several bids for services rendered, Mr. Girouard explained that time is an issue for obtaining the line of credit. Director Keck asked if the line of credit was to cover any expenses due prior to receiving the funding from the State Revolving Fund and Engineer Girouard explained that is correct and this would be cash available to use during the construction period.

Upon motion made by Director Keck, seconded by Director Villalon and unanimously carried, (4-0 Director Anderson – absent) the Board approved hiring Bartle Wells & Associates as the Financial Advisor to obtain a line of credit for the District.

The next regular meeting of the Board is scheduled for Thursday, April 14, 2011.

H. ADJORN: Upon motion made by Director Villalon, seconded by Director Keck, and unanimously carried 4-0 (Director Anderson – absent), the meeting was adjourned at 8:05 p.m.

APPROVED BY THE BOARD: s/Dave Meraz
Dave Meraz, President

RESPECTFULLY SUBMITTED: s/Bryan M. Yamaoka
Bryan M. Yamaoka, Secretary