

**MINUTES
BOARD OF DIRECTORS
SUNNYSLOPE COUNTY WATER DISTRICT
Special Board Meeting
March 23, 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, Dawn Anderson, Dave Clapham, and Danny Villalon. **Others Present:** Attorney Lloyd Lowrey. **Absent:** District Manager/Secretary Bryan Yamaoka
- Others present for Open Session:** District Engineer Ken Girouard, Finance & Human Resource Manager Cathy Buck, Water Superintendent Jim Filice, Executive Assistant Carol Porteur, and Marc Nakamoto and Dennis Gellerman 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: Girouard
Property Owners: Campisi
Under negotiation: Price and terms of payment.
- D. RECONVENE TO OPEN SESSION AND REPORT ANY ACTIONS TAKEN IN EXECUTIVE SESSION:** President Meraz reconvened the meeting to open session at 6:00 p.m. He reported staff was given direction on the property negotiation and no actions were taken.
- E. 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 F below:

Valerie Filice	Tarasa Bettencourt
David Tomlinson	Mark Davis
Eric Boyd	Stephen Rosati
Alex Kehriotis	

- F. RECEIVE AND DISCUSS PRESENTATION BY RMC WATER AND ENVIRONMENT TO UPDATE THE BOARD OF DIRECTORS ON THE COST COMPARISON OF THE RIDGEMARK WASTEWATER TREATMENT AND RECYCLED WATER IMPROVEMENTS PROJECT VS. THE CITY OF HOLLISTER WASTEWATER HOOKUP ALTERNATIVE AND GET FEEDBACK/DIRECTION FROM BOARD REGARDING ALTERNATIVE PROJECTS:** Engineer Girouard explained that Marc Nakamoto from RMC Water and Environment will be going over and explaining the Cost Comparison Summary for the Ridgemark Recycled Water vs. the Hollister Connection Alternative. Mr. Girouard stated that the City Manager, City staff, HDR, and the Governance Committee staff were included in the discussions for the analysis for the cost comparison. He also commented that the project could consist of initially, constructing Phase 1 of the project to be in compliance with Regional Water Quality Board, and subsequently adding Phase 2 and 3 at a later point in time. He also stating that Phase 1 would not develop recycled water for the Ridgemark area, and that Phases 1, 2, and 3 are needed to provide recycled water to the Ridgemark area. He then turned the floor over to Marc.

Marc Nakamoto outlined the purpose of the presentation, which is to review the previous alternative comparison presented in December 2007; discuss alternative cost updates as of today; review the updated comparison line-by-line; and discuss the next steps.

He reviewed the previous Ridgemark Alternative (RA) vs. Hollister Connection Alternative (HCA) Comparison, performed in December 2007, which showed the total project capital cost for the RA to be \$13,660,000 and the HCA \$16,867,000.

The updates for the current Alternative costs, which would be reviewed now, include the actual bid for the Ridgemark wastewater project, of \$9.3 million, which was higher than previously projected costs. Some of the reasons for higher construction costs were: dual reliability improvements were added including dual pipelines from the Main lift station up the hill, the size of the operations and maintenance facility was made larger, the local seismic conditions required more robust concrete

structures, solar panels were added on the operations building, additional sewer collection system improvements were added as these were required to transfer the increased wastewater flow from RM II to RM I, and utility improvements for the Hilden property were added to relocated to remove Hilden's existing utilities from proposed District easements. The Hollister Alternative cost update was based on City staff input. The Hollister Connection Alternative was updated today by City staff and RMC, and has not been reviewed or approved by the City Council. Major updates to the Hollister Connection Alternative include the following major changes: there would not be a buy-in cost for the collection system and Sunnyslope would continue operating its own sewer collection system, there would be no sewer treatment buy-in cost for each existing customer of Sunnyslope, future Sunnyslope wastewater customers would not pay a City buy-in cost for the City's sewer collection systems, future Sunnyslope wastewater customers would pay a future City buy-in cost for treatment, existing Sunnyslope wastewater customers would pay a prorated share of the City's debt service paid up until the time that these customers connected to the City. Existing and future Sunnyslope wastewater customers would pay a prorated share of the City's debt service, operations and maintenance of the City's new wastewater plant, and the City's overhead costs for the operation and treatment of the City's wastewater plant. City staff has estimated prorated share of the debt, including a defeasance of the City's existing debt, through June 2011. If Sunnyslope connected to the City after June of 2011, Sunnyslope would pay more upfront to the City but would pay less in future years. Sunnyslope has received a State Revolving Fund Loan commitment for 2.6%. The City's existing debt service is approximately 4.5%. These different interest rates were used to finance the corresponding costs of both alternatives. The sunk costs which Sunnyslope incurred to bring the project to this point in time were excluded from this analysis.

Cost comparison discussion:

The cost comparison is broken down into three Phases: Phase 1 is the Wastewater Treatment Plant improvements; Phase 2 is the Wastewater Pond Decommissioning; and Phase 3 is the Recycled Water project. Now that we have a bid price from a contractor of \$9.3 million, the RA costs are more accurate. The total Phase 1 capital costs are estimated to be \$10.9 million for the RA and \$5.0 million for the HCA. The RA would be financed over a 20 year term with a State Revolving Fund loan at a 2.6% interest rate, where the HCA was constructed with a combination of the City's Municipal Bond rate with of 4.5% interest, with the State Revolving interest rate where appropriate. The differences in financing the project with 2.6% or a combination of 2.6% and 4.5% financing were discussed. The difference in monthly operations and maintenance costs for the City's larger plant were discussed. After taking the financing differences into consideration, the Phase 1 cost comparison of expenditures for a 30-year period at \$32.1 million for the RA and \$38.6 million for the HCA. There was further discussion on the costs for the two alternatives on a monthly basis for the average single family residential customer during the first years of the project up to year 20, and the monthly costs of the project after year 20.

The Phase 2 decommissioning costs of sludge removal would take place no matter which alternative is chosen, and the 30-year expenditure comparison is the same \$1.5 million for both alternatives.

The Phase 3 recycled water portion of the project would occur in the future, after Phase 1 was constructed, and would cost \$10.0 million under the RA and \$9.5 million under the HCA for the 30-year expenditure comparison.

Future customer connection fees are also considered in the comparison. In the Ridgemark alternative, a larger percentage of the future connection fees can be used to pay for the Ridgemark Alternative project. If future connection fees were assigned to the City, these fees would be utilized by the City as the City determined. Taking into consideration the estimated annual operations and maintenance costs for future customers, and the salvage value of the decommissioned Ridgemark Wastewater Treatment Ponds land estimated at \$1.1 million, the overall 30-year project expenditures are \$40.3 million under the Ridgemark Wastewater Alternative and \$53.2 million under the Hollister Connection Alternative. Sunnyslope staff is currently updating the appraisal value of the Ridgemark ponds.

The Board asked several questions about how some of the numbers were determined and whether input was solicited from the City, HDR (the consultant hired by the Governance Committee), and the staff of the Governance Committee. Engineer Girouard responded that Brett Miller with the City of Hollister had provided actual City of Hollister budget numbers for operating costs, and had also provided debt refinancing costs based upon the City's upcoming defeasance of the City's existing debt service. Clint Quilter, the City Manager, had provided guidance on the use of prorated costs for operation and maintenance of the City's wastewater plant, the use of prorated debt (before and after connection to the City's wastewater plant), the collection and treatment connection fees for existing customers, and the collection and treatment connection fees for future customers. HDR and Harry Blohm reviewed the cost comparison and also offered ideas and options including the exclusion of sunk costs from the analysis and the lowering of Sunnyslope's prorated share of the City's costs with time as more customers connected to the City's wastewater plant.

Non-Economic Criteria was discussed. The discussion included the following topics:

- Representation – the Sunnyslope wastewater customers currently vote for the Sunnyslope Board, vs. no voting power with the City Council with the HCA.
- Regulatory Issues – there have been no fines to date based on the progress being made by Sunnyslope to meet permit requirements, vs. a potential regulatory action if the Regional Water Quality Control Board's perceived further delay in meeting the permit requirements as something which would require additional regulatory action.
- Recycled Water – with the RA, the Ridgemark area is guaranteed a recycled water supply vs. an unknown commitment from the City to supply recycled water to the Ridgemark area under the HCA.
- Operational Complexity – under the RA, Sunnyslope would be responsible for managing wastewater treatment systems, pump stations, and collections systems, whereas with the HCA, Sunnyslope would only manage the pump stations and collection system.
- Future Improvements – when dealing regionally with two treatment plants, future improvements would be more difficult than with two wastewater treatment plants vs. one wastewater treatment plant.
- Wastewater System Management – under the RA, SSCWD would manage wastewater treatment, and under the HCA, the City of Hollister would manage wastewater treatment.
- Salinity Management – the RA would need to reduce/eliminate water softener use by the end of 2012 in conjunction with the potable water improvements; but with the HCA, Sunnyslope would need to comply with the City's Long Term Salinity Management Plan to reduce/eliminate water softener use.

Marc Nakamoto explained that the next step could be for the Board to hold a Public Hearing. Should the Board choose to pursue the HCA, it should request further discussion and a commitment from the City. If the Board should choose to construct the RA, the Board would eventually need to vote to award the construction contract to the low bidder, preferably by April 28th, which would allow RMC time to prepare paperwork required to meet the bid award deadline of May 12th.

Public Comments:

Valerie Filice: Ms. Filice was concerned that the Ridgemark areas have recycled water in the future. She related a situation she experienced in Gilroy when they attempted to construct a recycled water line for two miles in an area that required easements be obtained from seven property owners, of which she was one. The recycled water line wasn't constructed due to various problems. If Sunnyslope goes with the HCA, they may never be able to bring recycled water back to the Ridgemark area, even if they wanted to.

David Tomlinson: He represents the Ridgemark Bluffs homeowner association as President representing 154 homeowners. He wants to stay with the RA because the Ridgemark residents want to have a voice with their elected representatives. He is concerned that if we connect with the City, the residents of Ridgemark will pay fees but will not have a vote in the City's management of the City's wastewater plant.

Eric Boyd: He is the Golf Course Superintendant for the Ridgemark Golf Course and wants to have recycled water in the mix of sources of water as recycled water can be relied on, especially during a drought.

Alex Kehriotis: He is president/owner of the Ridgemark Golf Course and wants to have recycled water. He emphasized the issue of having recycled water during a drought was pointed out in the staff report, and that recycled water is a valuable commodity, especially during a drought. During a drought, the grass in Ridgemark is degraded as more well water is used and becomes brown. Without water during a drought, the Ridgemark Golf Course could suffer financially. Ridgemark provides approximately 80 jobs in the area. Additionally, the golf course could suffer aesthetically, which could affect aesthetic of the Ridgemark neighborhood, and possibly lower the homeowner's property values. Mr. Kehriotis also added that if the recycled water is not developed for the existing Ridgemark area with this project, that it is possible that they may never receive recycled water in the future.

Tarasa (Penny) Bettencourt: She represents the Ridgemark Homes Association and 663 homeowners.

She emphasized that Sunnyslope obtained a 2.6% loan approved to finance the project, also wants to have recycled water available for the golf course, and wants to have a voice with local representation.

Mark Davis: Mr. Davis commented on the history leading to the original Board decision in December 2007 to pursue the Ridgemark alternative. Mr. Davis commented about all of the work that had been done on the Ridgemark Wastewater Project. He discussed the debt the City incurred build its project. In closing he added that if the Board was considering connecting with the HCA, that it should hold a public hearing. He believes that, if the Board chose the HCA, not holding a Public Hearing, in his opinion that would be a very big mistake.

Steve Rosati: He supports completing all three phases outlined to obtain recycled water, and stressed the importance of the non-economic considerations regarding representation and recycled water. He reminded the Board about the previous moratoriums imposed on the City, by the Regional Board. One of these moratoriums helped Ridgemark development. He warned that this could easily happen again if Sunnyslope was part of only one regional wastewater plant. As far as he is concerned, the facts and figures presented tonight put the ball back in Sunnyslope's court to build the Ridgemark alternative.

The Board and members of the public discussed the need to have a Public Hearing if the Board elected to connect to the City of Hollister. The Board and members of the public discussed the lack of a need to hold a Public Hearing if the Board elected to build the Ridgemark Alternative, and if the Board elected to build the Ridgemark Alternative, the Board should reaffirm the previous decision by the previous Board to build the Ridgemark Alternative, award the construction contract, and not hold a Public Hearing.

Jim Filice asked the Board if they had more questions or needed additional information in order to proceed. Director Meraz asked if HDR and Harry Blohm had seen the final version of the cost comparison that was discussed tonight. Mr. Nakamoto responded that they had not seen the final version. Director Meraz said that he wants them to see the final cost comparison and report to the Board if they concur.

The Board discussed whether to hold a Special Meeting or to hold a Public Hearing. The Board discussed holding a Special Meeting and awarding the construction contract, and all other related agenda items at the Special Meeting, or having a Public Hearing to further discuss the option of connecting to the City of Hollister. The Board members discussed both the option of holding a Special Meeting or a Public Hearing. Director Anderson made a motion to hold a Special Meeting on Wednesday, April 6, 2011 at 5 p.m. for the purpose of affirming the Ridgemark Alternative or the Hollister Connection Alternative, and if the Ridgemark Alternative is affirmed, to vote on awarding the construction contract to the lowest bidder. Upon a second by Director Villalon, the board unanimously approved the motion (5-0).

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

G. ADJOURN: Upon motion made by Director Keck, seconded by Director Clapham, and unanimously carried 5-0, the meeting was adjourned at 8:10 p.m.

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

RESPECTFULLY SUBMITTED: s/Cathy L. Buck
Cathy L. Buck, Secretary Pro Tem