

August 28, 2013
Regular Meeting
6:00 p.m.

The Board of Directors of the San Benito County Water District convened in regular session on Wednesday, August 28, 2013 at 6:00 p.m. at the San Benito County Water District office at 30 Mansfield Road, Hollister, California. Members present were: President John Tobias, Vice President Joe Tonascia and Directors Frank Bettencourt, Sonny Flores and Joe Torquato. Also present were District Manager/Engineer Jeff Cattaneo, Assistant Manager Sara Singleton, Supervising Accountant Natalie Sullivan and Office Specialist III Barbara Mauro. District Counsel David E. Pipal was absent.

CALL TO ORDER

- a. **Pledge of Allegiance to the Flag**
President Tobias called the meeting to order at 6:00 p.m.
- b. **Approval of Agenda**
With a motion by Director Flores and a second by Vice President Tonascia, the Agenda was unanimously approved.
- c. **Public Input: Members of the Public are Invited to Speak on any Matter not on the Agenda**
There were no public comments.

CONSENT AGENDA:

1. **Approval of Minutes for:**

Special Meeting	July 18, 2013
Regular Meeting	July 31, 2013
2. **Allowance of Claims**

There were no questions on the Consent Agenda. With a motion by Director Bettencourt and a second by Director Flores, the Consent Agenda was unanimously approved.

REGULAR AGENDA:

3. **Consider Resolution Stating the Pre-conditions of the Water Supply and Treatment Agreement, Approval of an Operation and Maintenance Agreement and Approval of Rate Increases by the City of Hollister and Sunnyslope County Water District have been met, and also the Appointment of the District Manager as the District's Representative to the Advisory Committee and as the Negotiator for any Changes to Scope or Fees for the Operation and Maintenance Agreement**
Mr. Cattaneo reported one of the purposes of this resolution, is to show the Water Supply and Treatment Agreement (WSTA) is complete and the pre-conditions of the agreement have been met. Mr. Cattaneo added the \$30 million the District is putting up for financing the Hollister Urban Area Water Projects (HUAWP) will be divided into two tranches. The first tranche will be for \$13 million and will cover the Lessalt Upgrade and the pipeline as well as the environmental work and design for the West Hills Water

Treatment Plant (WHWTP). The second tranche will be for \$17 million and it will cover the construction of the WHWTP. Mr. Cattaneo reviewed the preconditions of the WSTA, which included the approval of an operations and maintenance agreement with Sunnyslope County Water District (SSCWD), which was approved by the District in July and by SSCWD in August, 2013. Also a pre-condition, was the approval of rate increases by the City of Hollister (COH) and SSCWD, which were both approved in August 2013.

President Tobias asked what happened to the reserve of \$1 million in the JPA (Lessalt WTP equally owned by the COH and SSCWD) to contribute to the costs at Lessalt. Mr. Cattaneo stated \$659,000 of the \$1 million, was advanced to pay Kennedy/Jenks (K/J) to move the design of the Lessalt plant upgrades forward. Once the project is moving forward, SBCWD will be reimbursing the two agencies (COH & SSCWD) for the money advanced to K/J's. Any JPA funds that are left will be split equally between the COH and SSCWD.

Director Torquato asked if any deferred maintenance was held back at Lessalt; Mr. Cattaneo stated the JPA paid \$413,000 for membrane replacement, so the answer would be no.

Mr. Cattaneo added the other actions for this resolution are appointing the District Manager as the District's representative on the Advisory Committee for the WSTA and as the District's negotiator for the O & M Agreement for any changes to fees or scope. Any negotiations for changes would only be done with Board approval, per Mr. Cattaneo.

Director Torquato asked who the Advisory Committee would report to. Mr. Cattaneo stated significant items would be reported back to the Board. Mrs. Singleton suggested perhaps the Board may form a new committee at the District and Mr. Cattaneo stated maybe a new committee would be needed. Mr. Cattaneo added communication with the Board will definitely be done. Also, there is a statement in the WSTA that states the agreement does not become fully effective until all statues of limitations for legal challenges to the rate structure that the COH and SSCWD have put in place. Mr. Pipal asked Mr. Cattaneo to bring it to the Board's attention, that this was not the District's intention. Mr. Pipal wanted the Board to know that the two agencies, COH and SSCWD, had gone through the legal process (Prop 218) of holding a hearing and allowing their customers to have the opportunity to approve the rate increases and that was the intention in the agreement.

President Tobias asked Mr. Cattaneo to review for the Board, how the \$10 million contribution, (which is not reimbursable and is separate from the amount being financed) will be distributed to the two retailers. Mr. Cattaneo stated the first \$4 million (\$2 million to each) will be given to the two retailers (COH & SSCWD) in the 1st tranche. Each agency was given the opportunity to use these funds for either capital buy down or rate stabilization. The only condition, per Mr. Cattaneo, is they must use it the same way in the second tranche. The COH has elected to use the funds for capital buy down and SSCWD has elected to use the funds for rate stabilization. The final \$6 million (\$3 million to each) will be given in the 2nd tranche.

With no further questions from the board, a motion was made by Vice President Tonascia, who noted District Counsel comments that the Prop 218 process that both the City of Hollister and Sunnyslope County Water District went through is sufficient for the terms of the agreement, for approval of Resolution #2013-17. The motion was seconded by Director Torquato, Resolution #2013-17, *A Resolution by the Board of Directors of the San Benito County Water District Stating the Pre-conditions of the Water Supply and Treatment Agreement, Approval of an Operation and Maintenance Agreement and Approval of Rate Increases by the City of Hollister and Sunnyslope County Water District have been met, and also the Appointment of the District Manager as the District's Representative to the Advisory Committee and as the Negotiator for any Changes to Scope or Fees for the Operation and Maintenance Agreement* was unanimously approved.

4. Consider Release of Phase 2 of Amendment #4, to HDR for Services in connection with the HUAW&WW MP Implementation

Mr. Cattaneo stated the Board approved the contract amendment #4 in November 2012 for approximately \$2 million. The agencies were in the design phase for the WHWTP but the WSTA was not complete. There were critical items for the two WTP's that needed to move forward. It was decided to proceed in two phases with Amendment #4, reported Mr. Cattaneo. The first phase would be to release sufficient funds to proceed with items on the critical path. The second phase, which is what is being discussed at this meeting, would be releasing the funds needed for the WHWTP design work. Mr. Cattaneo stated the second phase was only to be released after the WSTA was effective, which has now been approved by all agencies.

Mr. Cattaneo stated there are some minor changes since the approval in November 2012. The construction management for the Lessalt WTP upgrades was originally to be done by HDR and will now be done by Dahl Consultants. Also, additional costs for CEQA will be needed regarding the endangered species issues near the site for the WHWTP. Mr. Cattaneo added he will continue to report on a monthly basis about the Hollister Urban Area Water Projects.

With no questions from the Board, a motion was made by Vice President Tonascia and seconded by Director Bettencourt; the Board of Directors unanimously approved the release of Phase 2 of Amendment #4, to HDR for Services in connection with the HUAW&WW MP Implementation.

5. Staff Report on 4th Quarter Financial Reporting

As per Mrs. Singleton, this item will be postponed until the September Board Meeting.

6. Staff Report on the Hollister Urban Area Water and Wastewater Master Plan Update

Mr. Cattaneo stated most of this was covered in item #4. The only other item is the bid deadline for the Lessalt WTP upgrades is Thursday, September 5th at 2:00 p.m., with the bid opening at 2:30 p.m.

7. Committee/Agency Representative Reports:

a) San Luis Delta Mendota Water Authority (Tobias/Tonascia)

As per President Tobias, this will be covered under the manager's report.

b) Administration Committee (Tobias/Flores)

As per President Tobias and Director Flores, this has been covered.

c) Finance Committee (Bettencourt/Torquato)

As per Director Torquato, the committee discussed the 4th quarter reporting and also an RFP for auditing services.

d) Zone 6 Water Supply Committee (Tobias/Flores)

As per Mr. Cattaneo, payments for customers were discussed. President Tobias added a growers meeting was held and was well attended.

e) City of Hollister RDA Advisory (Tobias)

As per President Tobias, there was nothing to report at this time.

8. District Manager/Engineer's Report:

a) Reach 1 Operations

Mr. Cattaneo reported the 3rd quarter meeting was held. Review of costs for last year caused concern by the District on capital program costs. For example, the Adjustable Speed Drive Project was approximately \$4 million and the construction management and engineering work was 36% of the project. Mr. Cattaneo reported the District's goal is to try to hold costs down, especially for the capital projects.

Mr. Cattaneo reported the District transferred 10,000 AF to Santa Clara Valley Water District 2 years ago. Due to the current conditions, we have requested 5,000 AF back which will come with next water year's water allocation.

b) Zone 3 Operations

Mr. Cattaneo reported there are still additional canal repairs needed. The Paicines Canal is still leaking, but in a different section downstream from where the earlier repairs were done. Mr. Cattaneo reported a different process will be used to be a more permanent fix, as the rodent problem is on-going.

c) Zone 6 Operations

Mr. Cattaneo reported the District has reduced San Justo Reservoir's elevation down to 485', with the goal to reduce it to 480'. Mr. Cattaneo stated Reach 1 facilities will be out of service for three months, likely during the November-January timeframe. The District will need to fill San Justo to 485' before the shutdown so we can take our water by March 1st, the District may have 7000 AF of water storage in San Luis Reservoir due to rescheduled water. The goal would be to have San Justo Reservoir back up to the 500'

elevation by March 1, 2014. President Tobias asked if the shutdown will be a full three months; Mr. Cattaneo added he made it clear that 90 days is the maximum.

d) San Luis Delta Mendota Authority Activities

Mr. Cattaneo stated there is little to report.

Director Bettencourt asked the status of the outreach program. Director Tonascia stated the group is still working on it. Mr. Cattaneo reported most of the discussion was concerning next year's water outlook.

EXECUTIVE SESSION

9. Public Employee Performance Evaluation

Title: District Manager/Engineer

Authority: California Government Code Section 54957

a. Reconvene in Open Session

Take action if any (Government Code 54957.1)

President Tobias brought the meeting back to order and stated Jeff Cattaneo had received a satisfactory performance review and that activates the performance clause of his contract, retroactive to July 1, 2013.

10. Adjournment

With no further business to discuss, the meeting was adjourned at 7:07 p.m.

Minutes were approved at the September 25, 2013 Board Meeting and signed by the presiding board member.

/s/John Tobias

John Tobias, President

/s/Barbara L. Mauro

Barbara L. Mauro, Recording Secretary