

**WEST VALLEY SANITATION DISTRICT
OF SANTA CLARA COUNTY, CALIFORNIA**

BOARD OF DIRECTORS MEETING

March 12, 2014

The Board of Directors of West Valley Sanitation District of Santa Clara County, California, convenes this day in regular session at 6:00 p.m. at the district office, 100 East Sunnyoaks Avenue, Campbell, California.

Roll Call

1. Present: Directors: Walter Huff, alternate for Marshall Anstandig, Steven Leonardis, Chuck Page, Ken Yeager, and Evan Low, Chairperson.

Absent: None.

Staff: Jon Newby, District Manager and Engineer; Edward H. Oyama, Director of Engineering and Operations; Sarah Olinger, Deputy District Counsel; and Lesha Luu, Secretary.

Approval of Minutes of Previous Meeting

2. Approve the minutes of the Regular Meeting of the Board of Directors of February 12, 2014.

Mover/Seconder: Leonardis/Page – to approve the minutes of the previous meeting. Motion passed unanimously. Director Huff abstained.

Oral Communications

3. None.

Written Communications

4. Receipt of letter from the Local Agency Formation Commission of Santa Clara County (LAFCO) on Implementation of the Recommendations of LAFCO's Special Districts Service Review: Phase 2 and Sphere of Influence Updates; and Response to LAFCO on the Recommendations. Manager gave brief description of letter received from LAFCO. There were no questions or comments.

Reports (Items to be taken in one motion)

5. Investment of District Funds: Report on Comingled Funds Invested by the County of Santa Clara for West Valley Sanitation District, as of January 31, 2014; and Report from Controller as of December 31, 2013.
6. Consolidated Income and Expense Statement of West Valley Sanitation District for the period ended January 31, 2014.

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7. Report on District Finances.

Mover/Seconder: Page/Yeager to accept the Reports, items 5-7. Motion passed unanimously.

Unfinished Business

8. None.

Consent Calendar (Items to be taken in one motion)

9. Approval of payment of invoices, February 13, 2014 – March 12, 2014.

10. Resolution to set time and place of public hearing for District's Proposed Operations Budget for Fiscal Year 2014-2015. Adopt Resolution No. 14.03.07, RESOLUTION OF THE BOARD OF DIRECTORS OF WEST VALLEY SANITATION DISTRICT OF SANTA CLARA COUNTY SETTING A TIME AND PLACE OF PUBLIC HEARING TO CONSIDER THE ADOPTION OF THE DISTRICT'S PROPOSED OPERATIONS BUDGET FOR FISCAL YEAR 2014-2015. The first hearing is scheduled for April 9, 2014; second hearing and adoption are scheduled for May 14, 2014.

11. Resolution to set a time and place of public hearing for the continuation of the Hillside Sewer Maintenance Zone Fee for Fiscal Year 2014-2015. Adopt Resolution No. 14.03.08, RESOLUTION OF THE BOARD OF DIRECTORS OF WEST VALLEY SANITATION DISTRICT OF SANTA CLARA COUNTY SETTING A TIME AND PLACE OF PUBLIC HEARING TO CONSIDER THE CONTINUATION OF THE HILLSIDE SEWER MAINTENANCE ZONE FEE FOR FISCAL YEAR 2014-2015. There is no change proposed in the hillside fee of \$50.00 per year for each connected property in the hillside zone. The hearing date is scheduled for April 9, 2014.

12. Resolution to set a time and place of public hearing for the continuation of the Storm Drain Management Fee for Fiscal Year 2014-2015. Adopt Resolution No. 14.03.09, RESOLUTION OF THE BOARD OF DIRECTORS OF WEST VALLEY SANITATION DISTRICT OF SANTA CLARA COUNTY SETTING A TIME AND PLACE OF PUBLIC HEARING TO CONSIDER THE CONTINUATION OF THE STORM DRAIN MANAGEMENT FEE FOR FISCAL YEAR 2014-2015. There is no change proposed in the storm drain program fees. The hearing date is scheduled for May 14, 2014.

13. California Association of Sanitation Agencies Public Policy Forum. Authorize Board and executive staff to attend the California Association of Sanitation Agencies Public Policy Forum, April 28-29, 2014, in Sacramento, California.

14. Quito Basin 5 & 7 Area 2 Sanitary Sewer Rehabilitation Project – Task Order Amendment and Project Status. Authorize District Manager and Engineer to issue Amendment No. 1 to Task Order 13-01 for a total not-to-exceed amount of \$32,500 to Engeo, Inc., for soils testing services.

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15. Authorize Acceptance of Easements and Quitclaim Deed for Sewer Work Located at 18600 Twin Creeks Road, Saratoga, CA 95070. (A) Adopt Resolution No. 14.03.10, RESOLUTION ACCEPTING DEED OF EASEMENT FROM GILBEAU FAMILY TRUST, 18600 TWIN CREEKS ROAD, SARATOGA, CA, 95070, APN 410-37-017. (B) Adopt Resolution No. 14.03.11, RESOLUTION AUTHORIZING THE EXECUTION OF QUITCLAIM DEED TO GILBEAU FAMILY TRUST, 18600 TWIN CREEKS ROAD, SARATOGA, CA, APN 410-37-017.

Mover/Seconder: Page/Yeager to approve the Consent Calendar items 9-15. Motion passed unanimously.

New Business

16. None.

Closed Session

17. None.

Directors' Items

18. There are no Directors' reports, announcements, and questions to come before the Board.

19. District Manager's Reports.

Manager reported that last year the District adopted a rate increase strategy to increase the rates over the next five years with three increases of 10% followed by 9.5% and 9.0%. The rate increases were based on a financing strategy that maximized the District's flexibility while maintaining stable rate increases to fund the major San Jose/Santa Clara Regional Wastewater Facility (Plant) capital improvements. This strategy included the issuance of approximately \$23.4M in debt beginning in FY 2014-2015. Staff has retained Bartle Wells Associates to update the District's rate model to include the City's most recent proposed CIP. The most significant changes to the CIP included the deferral of the bond issuance to FY 2015-2016, decreasing the District's allocation in FY 2014-2015 by \$9.0M and increasing the overall 5-year CIP to \$9.3M. Bartle Wells' update of the financial model determined the rate increases adopted in 2013 are still adequate to meet all of the District's needs. If the District participates in the Plant financing, the reserves are projected to drop below reserve target, yet will maintain levels of at least \$18.0M. Reserve targets could be met through a larger District issuing debt. For the next fiscal year, the District will cash fund its capital obligation for the Plant and still meet its reserve policy. During the next fiscal year, the City will refine the financing plan and clarify the District's obligations. With this information, the District will complete a staff report for options available to meet the funding requirements for the Board's consideration in the fall.

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Manager reported that San Jose provided a preliminary Operating Budget for the Plant. The draft budget shows a year over year increase of 9.2%, or approximately \$640,000. While this is a draft and may change, it represents a significant increase above the assumptions used in the District's financial model of 3.5% increase annually. The District has reminded the City of the difficulty in managing these significant increases well beyond inflation. While the District has prepared a flexible strategy for meeting the capital obligations of the Plant, the exposure to the rapidly increasing operating cost could potentially derail the District's adopted rate strategy and require an accelerated rate increase.

Mr. Doug Dove from Bartle Wells Associates was present to address Board's questions. All questions and concerns were answered to Board's satisfaction.

Adjournment

20. There being no further items of business, the meeting was adjourned at 6:22 p.m.

Signature on File

EVAN LOW, CHAIRPERSON

Attest:

Signature on File

Secretary