

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

**BOARD OF DIRECTORS MEETING
March 25, 2015**

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: Manny Cappello, Mike Kotowski, Ken Yeager and Steven Leonardis, Chairperson.

Absent: Marshall Anstandig.

Staff: Jon Newby, District Manager and Engineer; Edward H. Oyama, Director of Engineering and Operations; Sarah Quiter, 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 March 11, 2015.

Motion by/Second by: Cappello/Kotowski to approve the minutes of the previous meeting.
Motion passed unanimously.

Oral Communications

3. None.

Written Communications

4. None.

Reports (Items to be taken in one motion)

5. Investment of District Funds: Report on Commingled Funds Invested by the County of Santa Clara for West Valley Sanitation District, as of February 28, 2015.
6. Consolidated Income and Expense Statement of West Valley Sanitation District for the period ended February 28, 2015. All Board's questions and concerns were answered by staff.

Motion by/Second by: Cappello/Yeager to approve the Reports, items 5-6. Motion passed unanimously.

Unfinished Business

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7. None.

Consent Calendar

8. Fiscal Year 2014-2015 Sewer Contract Repairs budget. Approve additional \$775,000 appropriation for a total budget amount of \$1,727,000 to the current fiscal year (FY 2014-2015) Sewer Contract Repairs budget line item for sanitary sewer repairs. All questions and concerns were answered by Board and staff.

Motion by/Second by: Yeager/Kotowski to approve Fiscal Year 2014-2015 Sewer Contract Repairs budget. Motion passed unanimously.

New Business

9. Proposed financing strategy for the San Jose/Santa Clara Water Pollution Control Plant Master Plan. Approve Bartle Wells Associates' Scenario 3: Self-Funding – Phased Bond Issuances Strategy and direct staff and Bartle Wells Associates to proceed with the next steps identified in the attached report, 2015 RWF Funding Analysis. District Manager reported that in March 2013, the Board adopted a 5-year rate strategy, which included future rate increases by 10% for the first 3 years beginning in FY 2013-2014 followed by a 9.5% rate increase in FY 2016-2017 and a 9% rate increase in FY 2017-2018. These rate increases are based on District's allocations of City of San Jose's (City) 10-year Capital Improvement Program (CIP) forecasted to cost the District about \$75M. This approach afforded the District with sufficient revenues to support flexibility of either having the City finance the program or have the District issue the debt directly. In February 2015, the City provided an update information and financing plans on the 10-year CIP.

The District has retained Bartel Wells Associates to analyze the City's financing plan and the updated CIP to determine the best approach for the District. Mr. Doug Dove from Bartel Wells Associates is in attendance to present the analysis and answer questions. Mr. Dove's presentation included four financing strategy scenarios:

- (1) Pay As You Go – A fully cash funded option that requires rates to increase 10% in FY 2015-2016, 34% in FY 2016-2017, and 19% in FY 2017-2018. Total outstanding District debt principal in 2025 would be \$2.4 million.
- (2) CWFA Funding – Phased Bond Issuance. This scenario assumed participation in the City's CWFA bond issuance plan and projected to require the issuance of commercial paper in the amounts of \$1.6 million and \$7.1 million in FY 2015-2016 and FY 2016-2017 respectively and bond financing beginning in FY 2017-2018. Total outstanding District debt principal in 2025 would be \$60.3 million.
- (3) WVSD Self-Funding – District Phased Bond Issuance. The District would capitalize in low bond interest rates by three bond issuances in FY 2015-2016, FY 2020-2021, and FY

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2022-2023, totaling \$40 million. Total outstanding District debt principal in 2025 would amount to \$37.2 million. This scenario is recommended because the District would capitalize on historically low bond interest rate, remain flexible to spend the bond proceeds on District capital projects, and save money by eliminating the costs of the commercial paper program and reducing the amount of debt issue over the ten-year period.

- (4) WVSD Self-Funding – Upfront Bond Issue. A single debt issuance by the District in FY 2015-2016 of \$40.9 million. Total outstanding principal in 2025 would be \$35.2 million.

The Manager reported that the District would need to issue bond next year. All questions and concerns were answered by Mr. Dove and staff.

Motion by/Second by: Yeager/Cappello to approve Bartle Wells Associates’ Scenario 3 and direct staff and Bartle Wells Associates to proceed with the next steps identified in the 2015 RWF Funding Analysis Report. Motion passed unanimously.

Closed Session

10. None.

Director’s Items

11. There are no Director’s reports, announcements, or questions.
12. There are no District Manager’s reports.

Adjournment

13. There being no further items of business, the meeting was adjourned at 7:11 p.m. The next board meeting is scheduled for April 8, 2015.

Signature on File

STEVEN LEONARDIS, CHAIRPERSON

Attest:

Signature on File

Secretary