

**MINUTES FOR THE SPECIAL
JOINT SAND CITY COUNCIL AND REDEVELOPMENT AGENCY
MEETING**

September 27, 2007
6:00 P.M. CITY COUNCIL CHAMBERS

Mayor Pendergrass opened the meeting at 6:05 p.m.

The pledge of allegiance was led by Sergeant Graziano

Present: Council Member Blackwelder
Council Member Carbone
Council Member Hubler (arrived 6:15 p.m.)
Council Member Morris
Mayor Pendergrass

Staff: Kelly Morgan, City Administrator
Jim Heisinger, City Attorney
Vito Graziano, Police Sergeant
Steve Matarazzo, Community Development Director
Richard Simonitch, City Engineer
Linda Scholink, Director of Administrative Services

AGENDA ITEM 4, COMMUNICATIONS

- A. Written communications distributed to the City Council tonight was a financial schedule prepared by Rod Smith for the lease payments on the Cal Am/Sand City Water supply project.
- B. Oral communications - the floor was opened ^{and} at closed at 6:06 p.m. There were no comments from the public.

AGENDA ITEM 5, OLD BUSINESS

- A. Richard Simonitch, City Engineer, reported on the bid opening that occurred on September 26th for the Pipelines and Wells for the desalination project. The Engineer's estimate was \$1,223,408. There were seven bids received and the lowest bid was MGE Underground, Inc. in the amount of \$1,508,359. Martin Feeney will review the list of subcontractors. There is an additional specialty portion of the contract (for the horizontal discharge line) that will go out to bid separately.
- B. The City Administrator and the City Attorney briefed the Council on the draft lease agreement with Cal-Am. They reported on their discussion the day before with Cal-Am where they had worked out quite a few of the outstanding issues. There are still some additional items that need to be finalized, and the hope is that by Monday they will have something prepared and ready for the October 2nd Council meeting. Mr. Morgan distributed an Annual Lease Payment Schedule

that had been prepared by Rod Smith. It showed the total project cost of 9 million, over a 15 year lease term at a 5.75% rate.

Tom Bunosky, (Cal AM Representative)- apologized that Kent Turner could not attend the meeting tonight. Mr Turner is on the East Coast, meeting with one of the Board Members and Senior Executives of American Water. Mr. Bunosky explained what a capital lease verses an operational lease is and the importance of following the guidelines required for a operational lease. If it were to become a capital lease, then the ownership would transfer to Cal-Am, which is not what the City wants. The net present value must be kept below 90%. Cal-Am can make an annual payment of \$765,000 to the City.

The City Administrator stated that staff will be reviewing this proposal along with Rod Smith and include this in the negotiations that are currently being considered. Mr. Bunosky explained that the interest rate is the current cost of borrowing right now, and has been tested by their auditors.

- C. The City Administrator reported to the Council that Ken Turner had spoken with CDM Constructors, Inc. and they had agreed to keep their contract price for another week.

Council Member Blackwelder made a motion to continue the City **Resolution** a Lease Agreement with California-American Water (CAW) to Operate and Maintain the Sand City Water Supply Project Desalination Facility and Related Infrastructure and, the City **Resolution** awarding the Design/Build Contract for the Sand City Desalination Plant Facilities to CDM Constructors, Inc to the next regularly scheduled meeting on October 2nd, 2007. Council Member Carbone seconded the motion. AYES: Council Members Blackwelder, Carbone, Hubler, Morris and Pendergrass. NOES: None. ABSENT: None. ABSTAINED: None. Motion Carried

AGENDA ITEM 6, ADJOURNMENT

The meeting was adjourned at 6:45 p.m. by unanimous consensus.

Linda K. Scholink

Linda K. Scholink, City Clerk