

# **MINUTES FOR THE JOINT SAND CITY COUNCIL AND REDEVELOPMENT AGENCY**

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**SPECIAL MEETING** – October 9, 2007  
6:00 P.M. CITY COUNCIL CHAMBERS  
Sand City Hall, One Sylvan Park, Sand City, CA 93955

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Mayor Pendergrass opened the meeting at 6:03 p.m.

The pledge of allegiance was led by Police Chief Klein

Present: Council Member Blackwelder  
Council Member Carbone  
Council Member Hubler  
Council Member Morris  
Mayor Pendergrass

Staff: Kelly Morgan, City Administrator  
Jim Heisinger, City Attorney  
J. Michael Klein, Police Chief  
Steve Matarazzo, Community Development Director  
Richard Simonitch, City Engineer (arrived at 6:25 p.m.)  
Linda Scholink, Director of Administrative Services

## **AGENDA ITEM 4, COMMUNICATIONS**

- A. Written communications handed out this evening included the operating lease between Sand City and Cal-Am Water (CAW) with schedules A & B attached, and a National Geographic article about water problems around the world.
- B. Oral- the floor was opened and closed at 6:15 p.m.

There were no oral comments.

## **AGENDA ITEM 5, PUBLIC HEARING**

- A. The City Administrator explained that this Ordinance Eliminating the Existing Time Limit on Incurring Debt for the Redevelopment Agency was necessary for the Redevelopment Agency to issue any new debt. When this process first began, the Agency was looking at tax exempt bonds; it now may be \$2.5 million taxable for the water project and \$3 million non taxable.

Elena Zaretsky, Assistant Vice President for Wedbush Morgan Securities,

explained that the City water project was of great importance, and the City needs sufficient funds to see the project through completion. With Cal-Am; a private company, managing the operations of the project, it becomes a taxable bond issue. The balance of money is non-taxable. Interest rates are usually a little higher on the taxable side.

6:15 p.m. The floor was opened and closed to public comment

There were no public comments

Motion was made to approve the First Reading of the **Ordinance of the City of Sand City Eliminating the Existing Time Limit on Incurring Debt with Respect to the Sand City Redevelopment Plan** by Council Member Blackwelder, seconded by Council Member Carbone. Roll Call Vote Taken. AYES: Council Members Blackwelder, Carbone, Hubler, Morris and Pendergrass. NOES: None. ABSENT: None. ABSTAIN: None. Motion carried

The Ordinance second reading will be on the agenda for the October 16, 2007 Council meeting.

## **AGENDA ITEM 6, OLD BUSINESS**

- A. There were no progress reports.
- B. The City Attorney led the discussion on the California-American Water (CAW) lease agreement. He said staff had been in several meetings with CAW, and felt that they had worked through the lease and reached an agreement. The lease is a 15 year lease of the facility, with rent payable on an annual basis. There is an option to continue the lease for another 15 years. If the cost of the construction of the plant goes over 10 million dollars, then CAW would not be responsible for that cost overrun. The City promises to deliver a completed plant by March 31, 2009. Potable water produced from the desalination facility may be used only to: (1) offset production from Lessee's existing sources of supply for its Monterey County water distribution system; or (2) to serve connections for new and expanded water uses within Sand City. The Lessor may allocate up to 300 acre feet per year of production from the desalination facility for new and expanded water uses within Sand City. This lease does not affect the water permitting process, which is done by the Water Management District; they will still issue water permits.

There was a question of whether the plant would be covered by earthquake insurance, and the City Attorney answered not during construction, (once the plant is completed CAW has insurance). The Council's attention was called to Schedule B of the Lease Agreement which outlined the "Basic Rent" that CAW would be required to pay depending on the capital cost of the project (from \$9-10 million).

**Kent Turner** (CAW President) stated that he felt this was an occasion to celebrate. He has worked closely with the City Staff and the CAW Attorney, and they have come to an understanding. The lease is now with the finance

team for their review. He told his Board that we have a deal, and that the City would be executing the lease tonight. As far as CAW is concerned, we have a deal. This is something we have to do. The lease is for 15 years; with a water wheeling agreement after that. CAW can't stop servicing the water after that day, they will need some way of continuing to provide the water. By Monday night we should have a letter of intent. He said the March 31, 2009 date was needed as a completion date, but if there are things that happen that are beyond everyone's control, then we will work together to get this done as soon as possible. We need the water.

The City Attorney said that he would put a Memorandum of Understanding on the wheeling agreement together tomorrow and Kent can sign it then. He also said that there was a very important Water District meeting next Monday night at 7:00 p.m.

The resolution was changed slightly in number 1 under "Therefore" to read: Authorizes and directs the City Administrator to enter into a lease agreement with California-American Water *in substantially the same form as the attached Exhibit A* and to execute a memorandum of the attached lease in a form acceptable to the City Attorney; and

This contract has been reviewed and discussed at previous meetings. The contract award had been delayed until the CAW Lease Agreement (previous item) had been worked out and approved. There were no further questions at this meeting.

6:50 p.m. The Floor was Opened and Closed to Public Comment.

Motion was made to approve the **City RESOLUTION as amended, Authorizing the City Administrator to enter into a Lease Agreement for a Term of 15 Years with California-American Water (CAW) to Operate and Maintain the Sand City Water Supply Project Desalination Facility and Related Infrastructure** by Mayor Pendergrass, seconded by Council Member Morris. AYES: Council Members Blackwelder, Carbone, Hubler, Morris and Pendergrass. NOES: None. ABSENT: None. ABSTAIN: None. Motion Carried.

- C. Richard Simonitch, City Engineer recommended to the City Council that they award the Design/Build Contract for the Desalination Plant Facilities with CDM Constructors Inc. In the amount of \$4,543,547.00; authorize issuance of the Notice to Proceed after the Design/Build contract is signed along with all other legal requirements; and provide a contingency amount of (25%) for possible change orders.

6:56 p.m. The Floor was Opened and Closed to Public Comment

Motion was made to approve City **RESOLUTION Awarding the**

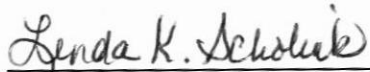
**Design/Build Contract for Desalination Plant Facilities in Sand City, California to CDM Contractors, Inc.** by Council Member Hubler, seconded by Council Member Blackwelder. AYES: Council Members Blackwelder, Carbone, Hubler, Morris and Pendergrass. NOES: None. ABSENT: None. ABSTAIN: None. Motion Carried.

**AGENDA ITEM 7, NEW BUSINESS**

- A. The City Clerk asked for responses on the Chamber event

**AGENDA ITEM 8, ADJOURNMENT**

Motion to adjourn the meeting was made by Council Member Blackwelder, seconded by Council Member Morris to the next regularly scheduled Council meeting on November 6, 2007. There was unanimous consensus of the City Council to adjourn the meeting at 7:00 p.m.

  
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Linda K. Scholink, City Clerk