

# CUPERTINO SANITARY DISTRICT

SANTA CLARA COUNTY

SANITARY BOARD MEETING  
WEDNESDAY MARCH 24, 2010

## SPECIAL MEETING

The Sanitary Board of the Cupertino Sanitary District convened on this date at 7:30 p.m. in the Stevens Creek Office Center, Suite 104, and 20833 Stevens Creek Boulevard, Cupertino, California.

President Kerr called the meeting to order and the following proceedings were had to wit: Roll call was taken, with the following members in attendance:

Directors: Wendell H. Kerr, Jr., Christopher C. Lee, Steve C. Andrews, John M. Gatto, and William A. Bosworth

Staff present: Manager Richard K. Tanaka, Staff Member Steven J. Machida, Staff Member Nichol Bowersox and Counsel Harold S. Toppel.

Guests Present: John Stufflebean, Mollie Dent, Dale Ihrke, Mansour Nasser, Bhavani Yerrapotu and Eric Rosenblum

President Kerr welcomed the City of San Jose guests. Director Gatto thanked Staff and the City of San Jose Staff for attending tonight's meeting.

Introductions of the San Jose Staff were made.

Mr. Dale Ihrke briefed the Board on the Master Plan Update with the following presentation: Efforts to update the San Jose/Santa Clara Treatment Plant Master Plan (MP) has been on-going for the past two years. In 2007, the SJ/SC WPCP contracted with CH2M Hill to prepare an infrastructure analysis report for the treatment plant. This study recommended key treatment plant improvements necessary to correct plant deficiencies at an estimated cost of \$1B. With the understanding that a Master Plan Update could take several years to develop, CH2M Hill identified \$250M of short-term treatment plant improvements necessary to maintain plant operations while the Master Plan update is in development. Master Plan update hopes to address the impact of Wet Weather, Demographics, and Emerging Contaminants on the overall cost of the plant improvements. Implementation of the Master Plan is anticipated to extend over a 30 year period concluding around 2040.

Director Andrews inquired about the flow cap of 120 MGD as well as minimum flow discharge to the Bay. Mr. Ihrke responded that the Regional Water Quality Control Board established 120 MGD per the Treatment Plant NPDES permit as the upper limit but minimum flow discharge has not been established by Regional Board at this time.

Mr. Ihrke stated that the Treatment Plant footprint currently covers approximately 180 acres with a sphere that extends over 2600 acres of land. Master Plan Update will include land use alternatives.

Director Gatto asked at what point does TPAC/TAC have the opportunity to comment on land use or projects within the plant. Mr. Ihrke responded that discussions regarding CIP projects as well as the Land Use alternatives are ongoing with TPAC/TAC. The CIP project list is developed by the Treatment Plant Steering Committee of which Staff member Steve Machida sits on. Staff member Machida indicated that

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he is not a member of the MP Steering Committee. Mr. Ihrke stated that Staff member Machida is welcome to sit on the CIP steering committee. Land Use alternative discussions are held during the Community Advisory Group (CAG) meetings and there is currently a City of Cupertino representative.

Director Gatto inquired as to who has been selected as the Cupertino CAG representative. Mr. John Stufflebean indicated that a CAG representative was recommended by the Cupertino City Council. He stated that perhaps CuSD should have been approached for recommendations to CAG instead of Cupertino City Council. Director Gatto agreed since representation to CAG is a sewer related issue separate from City operations.

Director Gatto suggested that TPAC would benefit from status updates regarding Treatment Plant Master Plan. Mr. Ihrke stated that Treatment Plant staff has offered to provide TPAC the Mp updates but the TPAC members decline. Mr. Stufflebean stated that Treatment Plant Staff is willing to provide the CuSD Board with the same quarterly update on the Master Plan as presented to the City of San Jose Transportation and Environmental Committee.

Mr. Ihrke's presentation continued with a discussion of the Technical Advisory Group (TAG). TAG is composed of paid Engineers and Professors who specialize in wastewater treatment. The group meets periodically to review the technical reports, assess the overall progress and provide comments and suggestions on the Master Plan update. One of the suggestions by TAG is to consider implementing new technology and processes that may be operationally and financially beneficial to the plant. President Kerr inquired as to how TAG formulates solutions and suggestions. Mr. Ihrke stated that although the TAG group only meets once a year, information is provided to TAG as soon as available and they in turn provide comments or suggestions. TAG has also suggested that the Treatment Plant consider pilot projects to determine if certain solutions are feasible for full-scale implementation. Director Gatto inquired to the past Treatment Plant Master Plan experience by members of TAG. Mr. Ihrke assured the Board that the members on TAG are well-respected leaders in the industry and have worked on several projects that involve implementation of new technology and systems.

Mr. Ihrke concluded his presentation with the estimated cost allocations associated with the plant processes as follows:

Personnel	50%
Energy	15%
Chemicals	10%
Biosolids	5%
Misc.	20%

Based on the 50% cost allocation for Personnel, Mr. Ihrke stated the Treatment Plant is considering advancing capital projects over the next five years that would allow increased automation of Treatment Plant controls and processes. The Treatment Plant is also considering the rehabilitation of four digesters for use in on-site energy production. This process will be a step towards energy self-sufficiency for the Treatment Plant.

Since the Treatment Plant Master Plan is still being developed, Ms. Bhavani Yerrapotu stated that there is no financing plan for the proposed improvements at this time.

Mr. Mansour Nasser began his presentation on the South Bay Reclaimed Water Program with the history of the Recycle Water Program as well as the financing history for Phase 1 (\$140M) and Phase 2 (\$100M).

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Director Gatto asked how the Master Agreement amendments were developed to address the Recycle Water Program. Director Gatto stated that in 1995, the Second Amendment to the Master Agreement included Phase 1 cost of \$140 M and percentage distribution to all First Parties with Phase 2 to be determined at a later date. Phase 2 was initiated in 1998 without an amendment. The Third Amendment to the Master Agreement, signed in August 2009, included an exhibit depicting Phase 2 cost of \$100 M and percentage distribution of all First Parties.

Ms. Mollie Dent stated that the Master Agreements was written to address the O&M and Capital Improvements of the plant. The percentage allocation for O&M is based on actual flow while the Capital cost allocation is based on the flow allocation due to the 132 MGD discharge, the Regional Board required that the Treatment Plant develop the South Bay Action Plan to reduce the flows to the Bay in order to comply with the requirement of the NPDES permit issued to the plant. Treatment Plant initiated recycling program to reduce flow and to be in compliance with the NPDES permit. Therefore, Phase 2 work was considered to be covered under the Master Agreement and not as developing water supply source.

President Kerr stated that the District obtained a copy of a City Council Resolution authorizing the City Manager in 1998 to negotiate the cost allocations and percentages for the First Parties for the Phase 2 projects. Based on District records, it appears that no negotiations occurred. The cost and percentages for the Phase 2 projects were included as an exhibit in the Third Amendment as part of the excess capacity sale to the City of Milpitas in August 2009.

Ms. Dent stated that she could not respond for the City Manager's office however, the costs and percentages for Phase 2 work were presented to TPAC. Ms. Dent stated that the Master Agreements for all of the First Parties covers the participation in all capital projects.

Director Gatto asked how much revenue the Recycle Water Program generates. Mr. Nasser stated that the program generates \$2.6M in revenue from existing customers. The program has a \$4.7M O&M cost and currently there is \$13.1M in debt service.

Counsel Toppel suggested that there needs to be an organizational change to provide more advance notice on the projects and funding to enable the Tributary Dischargers to ask questions and prepare our budgets and funding strategies.

Mr. Ihrke suggested that the Treatment Plant staff schedule a regular agenda item on the CuSD agenda to provide status reports on the Treatment Plant Master Plan Update and Capital Projects.

Mr. Stufflebean stated that Treatment Plant Staff is preparing next year's budget. He suggests that Treatment Plant Staff makes a budget presentation at the April 21, 2010 Board meeting.

Director Lee asked about the costs and allocations in the Master Agreements. He is concerned that the percentages are not consistent and so that the CuSD may be paying more than our share.

Ms. Dent indicated that she believes that the costs and percentages on the Third Amendment to the Master Agreement are correct but she welcomes CuSD to review the tables and the City would be happy to address questions or discrepancies.

Mr. Nasser concluded his presentation with a discussion regarding the Advance Water Treatment (AWT) contract with the Santa Clara Valley Water District (SCVWD). Director Gatto asked what benefit the SCVWD receives from this contract. Mr. Ihrke stated that the SCVWD is considering micro filtration and

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ozone disinfection. The Recycle Water Program would receive better quality water that would make it more marketable to potential customers. SCVWD will operate the AWT plant and provide \$1M each year for the next three years to the Recycle Water Program. The first parties will still subsidize the \$2 M shortfall between cost and revenue (difference between the \$2.6M revenue collect and the \$4.7M in O&M cost). Director Andrews inquired if the plant is in compliance with the flow cap and the NPDES permit, why can't the Recycle Water Project be shutdown then the \$2M subsidy could be eliminated. Mr. Nasser stated that the Recycle Water Program can not be shutdown because the existing recycle water users have contracts that require the City to deliver an agreed amount of water. Mr. Nasser cited as an example the Bailey Power Plant is not eligible to use potable water in their towers so recycle water is their only available water source, therefore, the City can not shutdown recycled water.

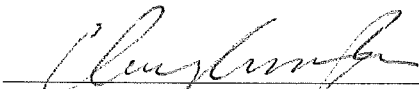
President Kerr stated that the Recycle Water Program and the water produced by the AWT plant will be in competition with the water from the Central Valley Project.

The CuSD Board thanked the City of San Jose Staff for attending this meeting and they look forward to hearing the presentation on April 21, 2010.

On motion properly made and seconded, at 10:43 p.m. it was unanimously ordered that the meeting be adjourned.



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President of the Sanitary Board

  
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Secretary of the Said Board