

**BIG BEAR AREA REGIONAL WASTEWATER AGENCY
SPECIAL MEETING**

November 16, 2006

at

5:00 p.m.

at

**121 Palomino Drive
Big Bear City, California
and**

***TELECONFERENCE at
85 Charity Place
Valencia, Pennsylvania***

1. Call to Order

2. Pledge of Allegiance

3. Old Business

A. Rate Study – Informational

B. Financing of the Cannibal System and/or a Natural Gas Generator – Approve

C. Final Cannibal Project and CEQA Document – Approve

4. Public Forum

5. New Business – None

6. Closed Session

A. Conference with Labor Negotiator Pursuant to Government Code Section 54957.6

Negotiating Parties:

Title of Agency Negotiator: General Manager

Title of Employee(s): All Agency Employees

7. Adjournment

In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if you need special assistance to participate in an agency meeting or other services offered by the agency, please contact Steven C. Schindler, the General Manager at (909) 584-4018. Notification at least 48 hours prior to the meeting or time when services are needed will assist the agency staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

Copies of staff reports or other written documentation relating to each item of business referred to on this agenda are on file in the office of the Big Bear Area Regional Wastewater Agency and are available for public inspection. If you have questions regarding any agenda item, contact Steven C. Schindler at (909) 584-4018.

Next Governing Board meeting is a Special Meeting on December 13, 2006 at 4:30 p.m.

The Regular Governing Board meeting on November 22, 2006 has been adjourned

The Regular Governing Board meeting on December 27, 2006 has been adjourned



Big Bear Area Regional Wastewater Agency

*Liz Harris, Ed.D - Chair
Dr. Don Eads - Vice-Chair
John Day - Secretary
Ken Dally - Director
Rick Ollila - Director*

AGENDA ITEM: 3.A

Date: November 8, 2006

Subject: Rate Study

Recommendation: No formal recommendation is required by the Board. This Rate Study is preliminary and is scheduled to be completed during the month of January 2007 once final Strategic Planning recommendations are incorporated; therefore this is only information at this time.

Background: During the October 25, 2006 regular meeting, the Governing Board gave direction for staff to engage the services of Bartle Wells and Associates to prepare a preliminary Rate Study and the impacts of the current rates if no action is taken and if the financing of the Cannibal System and the Natural Gas Generator projects are approved. It is hoped that these preliminary results will aid in the final direction and approval of the proposed project(s).

The preliminary results are as follows:

- No action on the projects will result in a possible increase in the current rates of 3% for Fiscal Year Ending June 30, 2012. This will result in stable Capital and Replacement Fund with no additional funding and not meeting the goals set forth in the current policy.
- Financing of the Cannibal System and the Natural Gas Generator will result in a possible increase in the current rates of 3% for Fiscal Year Ending June 30, 2013. The projected lower operation and maintenance costs will aid in additional funding in the Capital and Replacement Fund, which will aid in obtaining the goals set forth in the current policy.

Doug Dove of Bartle Wells Associates will be presenting the impacts on the current rates if no action is taken and if financing of the Cannibal System and the Natural Gas Generator projects are approved.

The final Rate Study is scheduled to be completed and presented to the Board for approval during the January 2007 Board meeting. The Rate Study will incorporate any recommendations that may be available from the Strategic Planning that is currently in progress. The approval of the final Rate Study will set the rates for the upcoming Fiscal Year Ending June 30, 2008 budget.

Financial Impact: No financial impact on the current budget as this Rate Study is preliminary at this time.

Reviewed By: Steven C. Schindler, General Manager

Responsible Staff: Nancy A. Laughlin, Finance Manager

Moved: _____ Second: _____ In Favor: _____ Opposed: _____ Abstained _____

Approved Date: _____ Witnessed: _____

Secretary of the Governing Board



Big Bear Area Regional Wastewater Agency

*Liz Harris, Ed.D - Chair
Dr. Don Eads - Vice-Chair
John Day - Secretary
Ken Dally - Director
Rick Ollila - Director*

AGENDA ITEM: 3.B

Date: November 7, 2006

Subject: Financing of the Cannibal System and/or the Natural Gas Generator

Recommendation: Staff recommends that the Governing Board consider the approval of the financing of the Cannibal System and the Natural Gas Generator for a term of 20 years at an interest rate of 4.45%; for an issue size of not to exceed \$5,139,500, with an estimated average annual payment of \$390,741. Staff is recommending the approval of the attached resolution not to exceed \$5,139,500 for both projects and the approval of a Rainy Day Fund transfer not to exceed \$390,741.

Background: During the September 27, 2006 regular meeting, the Governing Board gave direction for staff to pursue the options available for the financing; the direction given was to forward two options and they are as follows:

- Cannibal System
 - Private Placement - Municipal Finance Corporation
 - Issue Size - not to exceed \$4,599,500
 - Average Annual Payment - not to exceed \$349,686
 - Term - 20 years
 - Interest Rate - 4.45%

- Cannibal System and Natural Gas Generator
 - Private Placement - Municipal Finance Corporation
 - Issue Size - not to exceed \$5,139,500
 - Average Annual Payment - not to exceed \$390,741
 - Term - 20 years
 - Interest Rate - 4.45%

The entire Board was not present to discuss the two options, therefore during this meeting the options will be discussed for direction and possible approval.

Doug Dove of Bartle Wells Associates will be presenting the financing options available during the November 16, 2006 Board meeting and answer any questions you may have. Murnal Shah of Best Best and Krieger will be available to answer any questions you may have regarding

the draft loan agreement and Andy Morris of Best Best and Krieger will be available to answer any questions you may have regarding the draft warranty and Design Build contract information.

The loan agreement, amortization schedule, warranty and contract information had previously been forwarded to the Governing Board. The proposed financing has been secured by Municipal Finance Corporation for a term of 20 years at an interest rate of 4.45%. Staff and Doug Dove have concurred that private placement of the debt was a more favorable option than actual bond financing. The private placement costs of issuance were substantially less, have more flexibility for early payoff and the average annual payment is less than the estimated bond average annual payment.

Based on previous presentations, the implementation of the Cannibal System and the Natural Gas Generator cost savings will absorb the estimated average annual payment once the systems are in place. Based on the projected cost savings the implementation of the two projects will aid in the stabilization of rates and ensure financial prudence for the Agency in upcoming years.

The Governing Board will need to approve (by a 4/5 vote) the attached resolution to commence with the financing of the approved project(s). The attached resolution includes costs associated with financing for the Cannibal System not to exceed \$4,599,500 or an annual average payment of \$349,686 and financing for the Cannibal System and the Natural Gas Generator not to exceed \$5,139,500 or an annual average payment of \$390,741 (Exhibit A attached for each project costs); the final resolution will reflect the Governing Boards direction for approval. Staff is also seeking approval from the Governing Board for a Rainy Day Transfer in the amount not to exceed the estimated annual payment of \$390,741, as this debt obligation had not previously been approved in the June 30, 2007 budget.

Financial Impact: This debt obligation had not been previously approved in the current budget and will require a transfer from the Rainy Day Fund. The estimated annual payment for the first year's payment will not exceed the amount of \$390,741.

Reviewed By: Steven C. Schindler, General Manager

Responsible Staff: Nancy A. Laughlin, Finance Manager

Moved: _____ Second: _____ In Favor: _____ Opposed: _____ Abstained _____

Approved Date: _____ Witnessed: _____

Secretary of the Governing Board

RESOLUTION NO. R.09-2006

**RESOLUTION OF THE GOVERNING BOARD
OF THE BIG BEAR AREA REGIONAL WASTEWATER AGENCY
AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT,
AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS IN CONNECTION
WITH THE FINANCING OF WASTEWATER SYSTEM IMPROVEMENTS**

WHEREAS, the Big Bear Area Regional Wastewater Agency (the "Agency") is a joint exercise of powers agency duly organized and existing under and pursuant to the laws of the State of California; and

WHEREAS, the Agency has previously pledged its net wastewater revenues to secure certain obligations under a Master Indenture (the "Master Indenture") dated as of January 1, 1998, by and between the Agency and First Trust of California National Association and an Installment Purchase Agreement dated as of December 1, 1998, by and between the Agency and the Association of Bay Area Governments (the "1998 Installment Purchase Agreement"); and

WHEREAS, the Agency desires to provide for financing in the aggregate principal amount to be determined at this meeting as set forth on Exhibit A hereto for the financing of various wastewater system improvements also to be determined at this meeting as set forth on Exhibit A hereto (the "Project") to be secured by a pledge of net wastewater revenues on a parity with the Master Indenture and the 1998 Installment Purchase Agreement; and

WHEREAS, Municipal Finance Corporation (the "Corporation") has proposed a cost-effective twenty year loan financing arrangement at a 4.45% interest rate;

NOW, THEREFORE, it is resolved by the Board of Directors of the Big Bear Area Regional Wastewater Agency as follows:

SECTION 1. Loan Agreement. The form of agreement entitled "Loan Agreement" to be entered into by and between the Agency and the Corporation that authorizes the Agency to borrow the amount to be determined at this meeting as set forth in Exhibit A hereto at an interest rate of 4.45% is approved, and the Chair or Vice Chair are and each of them is, authorized to execute, acknowledge and deliver said agreement on behalf of the Agency with such changes thereto as the officer executing the same may approve upon the advice of counsel.

SECTION 2. Attestations. The Secretary or other appropriate Agency officer are hereby authorized and directed to attest the signature of the Chair of the Board of Directors or of such other person or persons as may have been designated by the Chair of the Board of Directors, and to affix and attest the seal of the Agency, as may be required or appropriate in connection with the execution and delivery of the Loan.

SECTION 3. Other Actions. The Chair of the Board of Directors and other officers of the Agency are each hereby authorized and directed, jointly and severally, to take any and all actions and to execute and delivery any and all documents, agreements and certificates which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms of this Resolution and the Loan Agreement. Such actions are hereby ratified, confirmed and approved.

SECTION 4. Qualified Tax-Exempt Obligations. The Loan is hereby designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Agency, together with all subordinate entities of the Agency, do not reasonably expect to issue during the calendar year in which the Loan is issued more than \$10,000,000 of obligations which it could designate as “qualified tax-exempt obligations” under Section 265(b) of the Code.

SECTION 5. Reimbursement of Prior Expenditures. The Agency declares its official intent to be reimbursed from the proceeds of the Loan approved hereby for a maximum principal amount as determined by reference to Exhibit A of Project expenditures occurring no earlier than sixty days prior to the adoption of this Resolution. All reimbursed expenditures will be capital expenditures as defined in Section 1.150-1(b) of the Federal Income Tax Regulations.

SECTION 6. Effect. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 16th day of November, 2006.

Elizabeth Harris, Chair of the Governing Board
of the Big Bear Area Regional Wastewater Agency

ATTEST:

John Day, Secretary of the Governing Board
of the Big Bear Area Regional Wastewater Agency

EXHIBIT A
DESCRIPTION OF PROJECT AND
PRINCIPAL AMOUNT OF LOAN

<u>Project Description:</u>	<u>Cost:</u>
1. Cannibal Process Unit	\$4,200,000
Reserve Requirement	350,000
Issuance Costs	<u>49,500</u>
<i>Total Cannibal Process Unit</i>	<i>\$4,599,500</i>
2. Cannibal Process Unit and Natural Gas Generator	\$4,700,000
Reserve Requirement	390,000
Issuance Costs	<u>49,500</u>
<i>Total Cannibal Process Unit and</i>	
<i>Natural Gas Generator</i>	<i>\$5,139,500</i>

Governing Board Total Amount of Loan Authorized: \$_____



Big Bear Area Regional Wastewater Agency

*Liz Harris, Ed.D - Chair
Dr. Don Eads - Vice-Chair
John Day - Secretary
Ken Dally - Director
Rick Ollila - Director*

AGENDA ITEM: 3.C

- Date:*** November 8, 2006
- Subject:*** Final Cannibal Project and CEQA Document
- Recommendation:*** Final Approval of the Cannibal Process and CEQA Documents
- Background:*** During the May 24, 2006 Governing Board meeting a detailed presentation was given regarding the various systems that were evaluated for the solids process, the need to reduce or stabilize the costs for sludge disposal, the benefits of the Cannibal Process and the estimated savings. The Governing Board approved by a 5-0 vote to continue investigating the Cannibal Process by obtaining a firm construction quote from W.M. Lyles, providing a copy of the warranty for the Cannibal Process and a copy of the proposed contract to the Governing Board. Based on the presentation it was strongly recommended that staff consider a 20-year finance option for the Cannibal project.
- On June 13, 2006 the U.S. Filter (Siemens) warranty for the Cannibal Process was forwarded to the Governing Board and on June 21, 2006 the Design Build contract was forwarded to the Governing Board. The warranty document and the Design Build contract have been thoroughly reviewed by BBARWA legal counsel, BBARWA staff, Siemens representatives and W.M. Lyles representatives; the warranty and contract documents remain unchanged from the version the Governing Board received in June. On June 27, 2006 the updated proposal for the construction and installation of the Cannibal Process in the amount of \$3,982,769 was forwarded to the Governing Board.
- Based on the Governing Board's decision during the May 24, 2006 Governing Board meeting to move forward with the project, staff engaged the services of Tom Dodson and Associates to prepare the necessary environmental documents for CEQA compliance for the Cannibal Process. On July 12, 2006 Tom Dodson completed a



MEMORANDUM

July 12, 2006

From: Tom Dodson

To: Joe Hanford, Big Bear Area Regional Wastewater Agency

Subj: Categorical exemption package for the Cannibal Solids Reduction Process

At your request, Tom Dodson & Associates has reviewed the possibility of adopting a Categorical Exemption (CE) as the appropriate environmental determination by the Big Bear Area Regional Wastewater Agency (BBARWA) to comply with the California Environmental Quality Act (CEQA) for the Cannibal Solids Reduction Process Project. The project being considered is the installation of a treatment system to reduce the volume of sludge that must be managed for disposal from operating the Agency's Wastewater Treatment Plant (WWTP). These new pieces of equipment will be located on the existing site of the BBARWA WWTP and will occupy less than 1/10 of the area encompassed by this facility (about 10,000 square feet). This project includes the installation of a solids separation module, interchange tanks (that remove volatile organic compounds); an anoxic selector tank and a control system. The whole facility will occupy about two acres of the existing WWTP site.

Standard construction equipment will be used to install the facilities identified above and they will be integrated into the existing WWTP operations and management system, particularly the sludge handling facility. A structural slab will be installed to house and support the equipment. Figure 1 to this memorandum shows the project site location and layout of the facilities.

Categorical exemptions are identified in Section 15300 of the State CEQA Guidelines as "a list of classes of projects which have been determined not to have a significant effect on the environment and which shall, therefore, be exempt from the provision of CEQA." To determine whether a project is categorically exempt from CEQA, certain findings must be made for a project to verify that it qualifies for an exemption class and that it can appropriately be exempted from the requirement for the preparation of an environmental document. My analysis of these requirements follows.

The first step in this exemption process is to determine whether a specific project conforms with the criteria outlined in one or more of the exemption classes. After careful review of the various classes, I have concluded and recommend to the BBARWA that the proposed Cannibal Solids Reduction Process Project meets the criteria for a Class I exemption, Existing Facilities, outlined under Section 15301 of the State CEQA Guidelines. Section 15301 specifically references publicly owned utilities as being suited for possible exemptions under this class. The operative text states: *Class 1 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment....involving negligible or no expansion of the site beyond that existing at the time of the lead agency's determination. (b) Existing facilities of both investor or publicly-owned utilities used to provide electric power, natural gas, sewerage, or other public utility services.* The project will not expand the capacity of the existing WWTP; it will reduce the volume of sludge generated from the WWTP; it will utilize an additional two acres of a more than 40 acre site; and it will become an integrated part of the WWTP operations. These facilities will allow sludge, including trash and volatile organic compounds to be reduced relative to the existing treatment operation. The key criteria that are met by this project include:

1. The proposed project does not substantially expand treatment capacity.
2. The implementation of this project will not expand operations onto a site that is environmentally sensitive (see below).

Further, proceeding with this analysis under the assumption that the Cannibal Solids Reduction Process Project qualifies for a Class I exemption, the next, and final, set of criteria to be evaluated are those exceptions (Section 15300.2) which may be considered for this exemption. The exceptions are cited in this section and consist of locational, cumulative impact, significant effect, scenic highway, hazardous waste sites and historical resource limitations on the use of categorical exemptions. These issues are addressed in the order presented above.

- A. Location: This exception does not specifically apply to Class I exemptions. However, it is appropriate to note that no sensitive environmental resources exist on the WWTP property. Surveys of the WWTP site and specifically the area where the new structure and facilities will be located indicates that it does not contain any sensitive biological or cultural resources. Based on this analysis, there are no sensitive location-related resources.
- B. Cumulative Impact: The purpose of the modification is to allow the reduction in volume of WWTP generated sludge (biosolids) to reduce overall costs of disposal and management. Therefore, installation and operation of the proposed facilities has no potential to

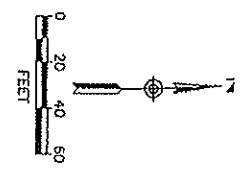
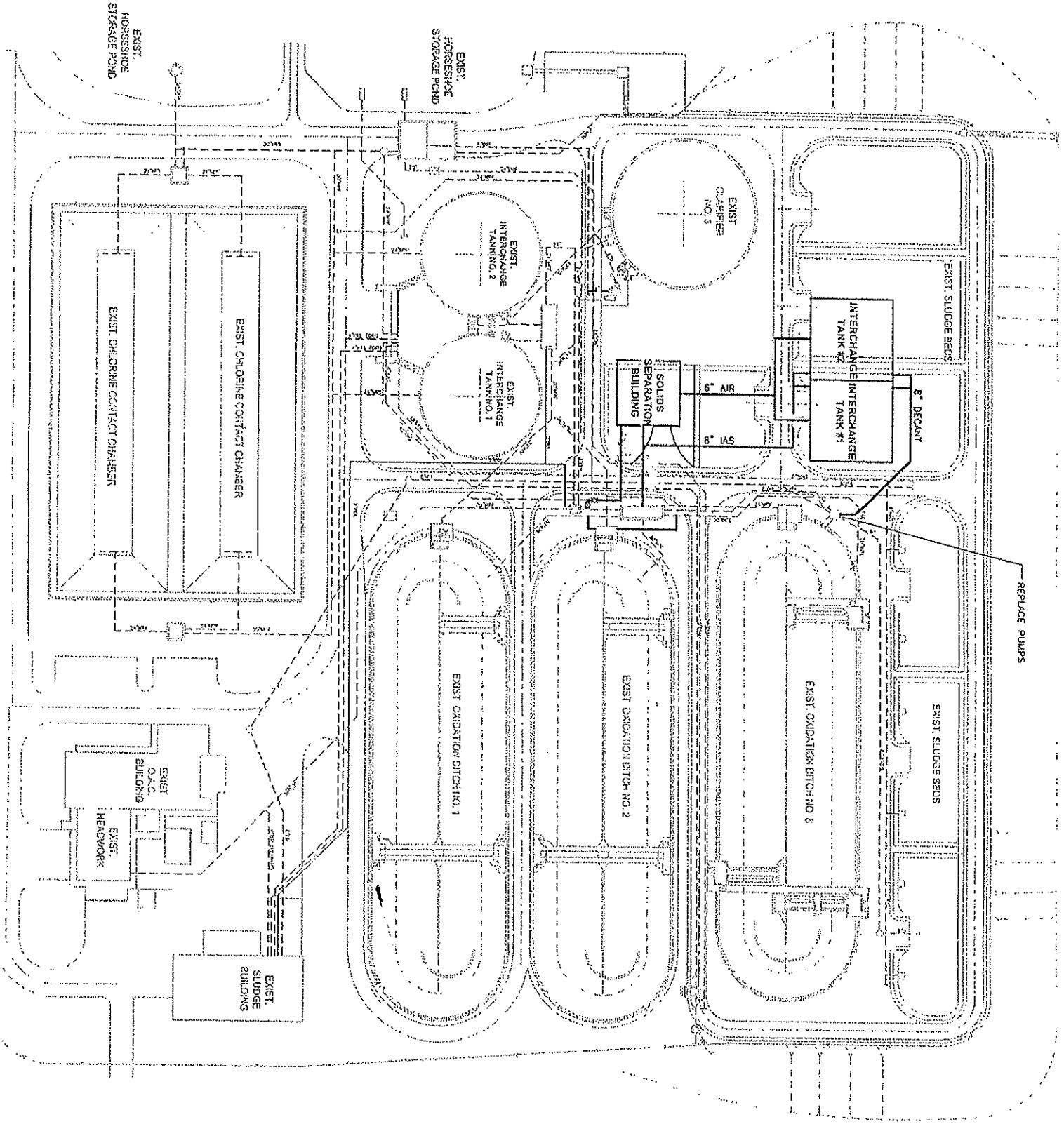
contribute to any cumulative adverse impacts related to sludge management, and should result in a beneficial effect for the Agency's WWTP operations.

- C. Significant Effect: Construction and operation of the sludge reduction facilities has no known potential significant adverse environmental effects associated with its implementation. Because it will reduce volatile organic compounds, it should contribute to the reduction of any negative odors produced from the sludge.
- D. Scenic Highway: None of the adjacent roads are identified by the San Bernardino County or the State as scenic highways. State Highway 18 is a scenic route, but the proposed facility is well over 300 feet (actually more than 2,000 feet from the Highway). Further, it will be integrated into the existing structures and facilities encompassed by the WWTP. Therefore, no potential to adversely effect such highways can occur from implementing the proposed new sludge reduction project.
- E. Hazardous Waste Sites: The WWTP has no known hazardous waste sites within its boundaries.
- F. Historical Resources: The project site is disturbed from past WWTP operations and site development. CRM TECH examined the site and concluded that no surface cultural resources were observed on this site. The remainder of the site is graded and disturbed and can no longer support historical resources with any contextual value.

Based on the evaluation presented above, it is my recommendation that the proposed Cannibal Solids Reduction Process Project qualifies for a Categorical Exemption, Class I (Section 15301(b)). Therefore, when the Agency is ready to approve this project for implementation (construction contract or budget), I recommend noticing it as Categorically Exempt from CEQA for the reasons outlined above and have the BBARWA Board adopt and file the attached Notice of Exemption with the San Bernardino County Clerk of the Board when it makes a decision of the project. This will initiate a 35-day statute of limitations for anyone seeking to challenge the project in Court. If you have any questions, please do not hesitate to give me a call.



Tom Dodson
Attachment



NOTICE OF EXEMPTION

To: Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento, CA 95814
and
San Bernardino County
Clerk of the Board
385 North Arrowhead Avenue
San Bernardino, CA 92415

From: Big Bear Area Regional Wastewater Agency
122 Palomino
Big Bear City, CA 92314

Project Title: Cannibal Solids Reduction Process Project

Project Location: The project site is a proposed facility upgrade to the BBARWA WWTP which is located at 122 Palomino in the community of Big Bear City, on the south side of Baldwin Lake in San Bernardino County.

Project Location - City: N/A, a portion of Big Bear City

Project Location - County: San Bernardino

Description of Nature, Purpose,

and Beneficiaries of the Project: The project in question is the installation of a treatment system to reduce the volume of sludge that must be managed for disposal from operating the Agency's Wastewater Treatment Plant (WWTP). This project includes the installation of a solids separation module, interchange tanks (that remove volatile organic compounds); an anoxic selector tank and a control system. The whole facility will occupy about 10,000 square feet of the existing WWTP site.

Name of Public Agency Approving Project: Big Bear Area Regional Wastewater Agency

Name of Person or Agency Carrying Out Project: Big Bear Area Regional Wastewater Agency

Exempt Status: (Check One)

- Ministerial (Section 21080(b)(1); 15268);
 Declared Emergency (Section 21080(b)(3); 15269(a));
 Emergency Project (Section 21080(b)(4); 15269(b)(c));
 Categorical Exemption (Section 21083; 15301(b))

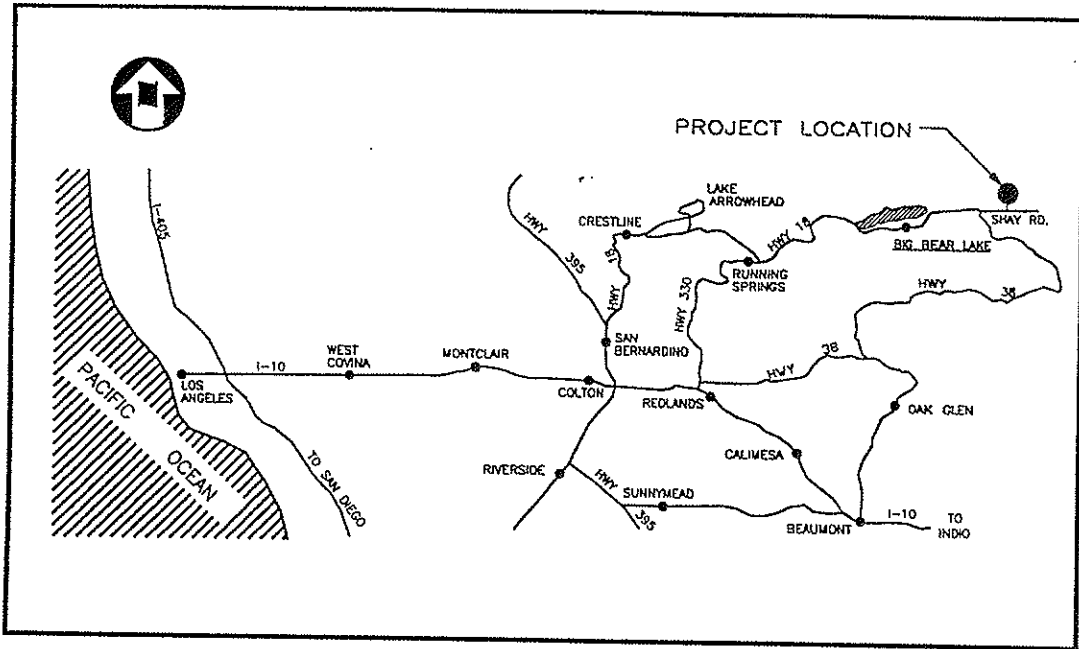
Reasons why project is exempt: The State CEQA Guidelines provide a list of categorical exemptions for projects that have been deemed to have minimal impacts on the environment. The proposed installation of the sludge reduction facilities fits the criteria for a Section 15301(b) categorical exemption. Section 15301 specifically references publicly owned utilities as being suited for possible exemptions under this class, i.e., existing facilities. The operative text states: "Class 1 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment...involving negligible or no expansion of the use beyond that existing at the time of the lead agency's determination. (b) Existing facilities of both investor or publicly-owned utilities used to provide electric power, natural gas, sewerage, or other public utility services." Based on the specific components of this project, it is not considered to have the potential to cause a significant adverse effect on the environment. Therefore, this proposed action is not forecast to cause any potential for adverse significant environmental impacts and qualifies with the requirements for a Class 1 categorical exemption.

Lead Agency

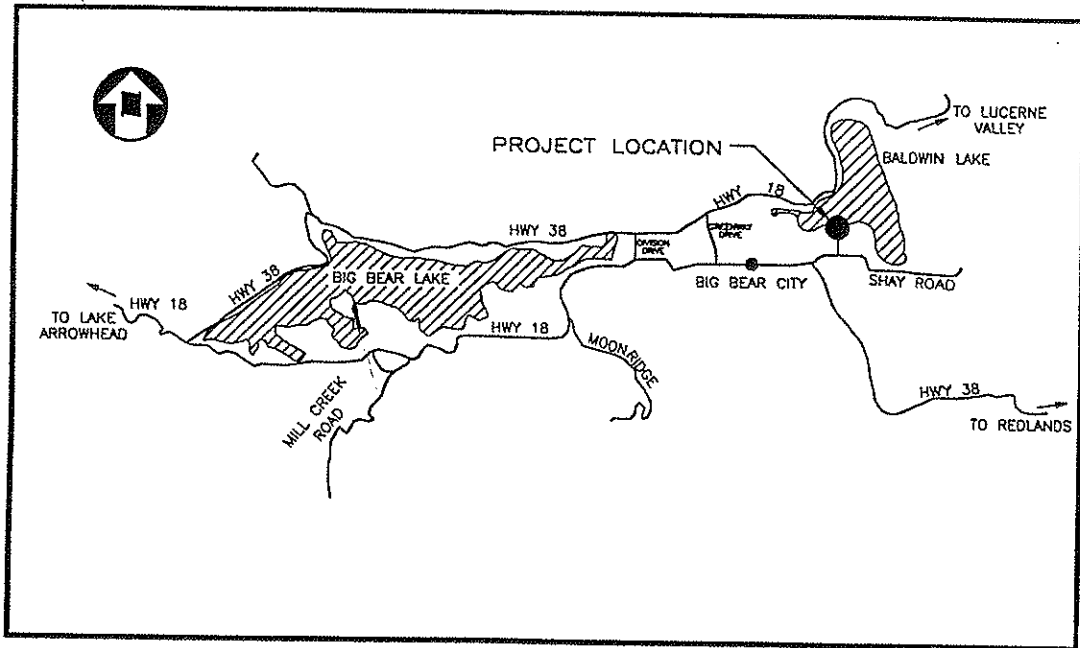
Contact Person: Steve Schindler

Telephone: (909) 585-5578

Signature: _____ Date: _____ Title: General Manager



VICINITY MAP



LOCATION MAP