

**PINOLE / HERCULES  
Wastewater Subcommittee**

**Draft Minutes prepared by: Anita Tucci-Smith  
November 21, 2013  
8:30 A.M.**

The meeting was hosted by the City of Pinole in the City Council Chambers of City Hall.

**Debbie Long, Mayor of Pinole, called the meeting to order at 8:40 A.M.**

**1. CALL TO ORDER**

**Subcommittee Members Present:**

Debbie Long, Mayor, City of Pinole  
Tim Banuelos, Councilmember, City of Pinole  
Sherry McCoy, Councilmember, City of Hercules  
Dan Romero, Councilmember, City of Hercules

**Subcommittee Members Absent:**

None

**Staff Present:**

Belinda Espinosa, City Manager, Pinole  
Hector de la Rosa, Assistant City Manager, Pinole  
Dean Allison, Public Works Director/City Engineer, Pinole  
Ron Tobey, Plant Manager, Pinole  
Steve Duran, City Manager, Hercules  
John McGuire, Municipal Services Director, Hercules

**Member(s) of the Public:**

Chris Davenport, The Covello Group  
Brian Danley, Harris & Associates  
William Silva, Bay Area Construction Manager  
James Tillman, Pinole Resident

**2. FLAG SALUTE**

**Hercules Councilmember Romero** led the Pledge of Allegiance.

**3. INTRODUCTION OF PARTICIPANTS**

**4. PUBLIC COMMENTS**

**Jim Tillman, Pinole**, stated he would not be present for the entire meeting and wanted to speak to some of the agenda items to allow for a response at the next meeting of the Wastewater Subcommittee.

**Mr. Tillman** requested that the approval of the minutes of the October 17, 2013 meeting be continued to the next meeting since they had not been included in the packets; the status of the City's application to the State for the Wastewater Treatment Plant; the status of the City of Hercules' financial process; a report to be made available to the ratepayers of both cities showing the status for each city; the financial process to ensure finances were in place before the expenditure of large amounts; status of the project agreement or a report for ratepayers to better understand the project which was to be prepared by the City Attorneys for Hercules and Pinole; whether both cities had a financial plan in place to show the money to be spent with a timeline and milestones of the issues to be identified relative to the 2001 Operational Maintenance Agreement; status of the Agreement's history, development, and intent; and author and who had reviewed the report as to form and legal adequacy. He asked that his questions be answered at the next meeting of the Wastewater Subcommittee or at the respective city council meetings.

**Belinda Espinosa, City Manager, Pinole**, expressed the willingness to prepare a response to Mr. Tillman and to the Wastewater Subcommittee.

**5. APPROVAL OF THE OCTOBER 17, 2013 MINUTES**

The minutes of the October 17, 2013 Wastewater Subcommittee meeting were continued to the next meeting of the Wastewater Subcommittee scheduled for January 16, 2014.

**6. STATUS REPORT ON SCADA UPGRADES**

**Ron Tobey, Plant Manager, Pinole**, reported that the 2013/14 budget included funding for an upgrade to the Wastewater Treatment Plant's Supervisory Control and Data Acquisition (SCADA) system, with the installation of the hardware and software having been completed, and with a representative from the company on-site to provide training to staff. After the completion of the training, it would take staff a few weeks to complete the transfer of historical information.

**7. PEER REVIEW AND VALUE ENGINEERING REVIEW OF PLANT UPGRADES**

**Chris Davenport, The Covello Group**, presented a PowerPoint Presentation on the Peer Review and Value Engineering Review of Plant Upgrades for the Pinole-Hercules Water Pollution Control Plant Upgrade Project, Project Cash Flow, and identified the purpose of the peer review to provide program and project management support of the design to City staff, and a peer review of the current pre-design report. Given that the project was one of the largest major capital undertaking in the cities' histories, he explained that The Covello Group had been asked to provide a third party review of the plant upgrades.

The Covello Group had reviewed the pre-data design to determine its feasibility and whether there were any fatal flaws, and to consider whether there were any issues that HDR Engineering Inc. could look at in a different way, which would save money for capital expenses during construction and during the 25-year life cycle cost of the plant. He identified the industry experts who had been brought in to review the pre-data design, identified their various experiences and backgrounds, and identified the process of review, including a walking tour of the site. The outcome of the review found no pre-design fatal flaws, with solid assumptions, and good recommendations.

**Mr. Davenport** identified the alternative processes The Covello Group had considered and noted that the existing site was too confined to introduce new processes without drastically affecting the ability to treat during the upgrades. The work would therefore have to remain within the existing footprint and HDR's proposed approach had been found to be reasonable. As to cost savings ideas, currently HDR had proposed two pipes coming out of the headworks, with The Covello Group recommending the combination of the two making it into one saving money although the biggest challenge would be building the project while the plant remained in operation.

**Mr. Davenport** added that HDR had also recommended three new larger pumps which would handle the high flows which occurred three percent of the time each year although they would be inefficient the remainder of the year. The Covello Group recommended the provision of smaller heavy-duty pumps to run daily for most of the year, which could result in potentially \$100,000 in savings each year in electricity costs. The solids handling system must also be optimized and had the ability to constant feed day and night, with a recommendation to find ways for a more consistent around-the-clock opportunity to feed the digesters and allow plant staff more time to balance the methane produced. He suggested between now and subsequent reviews that alternate sequencing of how the different structures would be built should be considered. If different ways to build could be achieved, it would result in shorter durations and lessen impacts to plant staff to treat daily loads, and if new facilities were on line earlier, it would allow greater capacity for treatment and less liability.

**Mr. Davenport** stated that the next steps for The Covello Group included finalizing the report, providing a formal report to HDR to analyze, and incorporating the recommendations where and if possible, with a recommendation that HDR move into the 65 percent design stage.

**Hercules Councilmember McCoy** affirmed with Mr. Davenport that the report was preliminary, had been provided to HDR and Pinole city staff in a draft form, and no comments had been received as yet, although any comments would be incorporated into a final report.

In response to questions, **Mr. Davenport** clarified The Covello Group's recommendation for two sets of pumps, with three 200-horsepower pumps currently in the plant, that HDR had recommended three 400-horsepower pumps sized to handle two heavy duty pumps full weather flow with backup, and with The Covello Group recommending two smaller pumps and a combination of the three pumps which may cut a bit into the redundancy but be more efficient for the majority of the time. Alternatively, a fourth 400-horsepower pump had also been recommended which would increase the capital cost of installation but would reduce long-term energy costs. A cost analysis would be identified in the final report. As to the digesters, he reiterated his recommendation for HDR to consider in its design the feasibility of a 24-hour system within the budget constraints of the project. He explained that the recommendation for pumps would involve a similar lead time whether 200- or 400-horsepower, with lower wear and tear on the smaller pumps since they would be operating consistently rather than starting and stopping. He added that the maintenance of the pumps regardless of size would not represent an appreciable difference.

As to whether there would be an increase in wages for someone to monitor the pumps, **Mr. Davenport** stated the plant was not operated in the evening and in the event the pumps shut down, all pumps could be turned off from the primary and secondary through a computer system. His recommendation would not require a call-out. He reiterated that the recommendations from The Covello Group would be reviewed by HDR and plant staff to ensure a collaborative process that would be refined.

**Mr. Tobey** identified one Plant Operator designated to be on-call for a two-week period, and any time the plant was not manned the on-call individual would have a plant cell phone and the SCADA system would identify any problems at the plant. The SCADA system also allowed for remote access on laptops. There would be no additional costs.

**Dean Allison, City Engineer, Pinole**, added that staff would be meeting with Mr. Davenport and HDR after the Wastewater Subcommittee meeting to begin discussions on the issues in an attempt to resolve any issues that may prevent HDR from moving forward with a final design. He emphasized that throughout the process, The Covello Group and HDR had applied sound engineering principles and it was better to spend money on the capital effort and less in the long term, with full life cycle costs considered as part of any upgrades.

In response to Pinole Mayor Long as to the recommendation for solids for a 24-hour cycle, **Mr. Davenport** suggested this was the right time to consider the recommendation since the final design had yet to be prepared, and the recommendations included concepts which the final design could address and HDR could refine without reworking anything HDR had done thus far. Many of the recommendations from the Covello Group would involve reprogramming but not add additional facilities since the basin infrastructure was already in place.

**Ms. Espinosa** explained that there was space in the footprint being developed now and if a deepwater parallel outline had to be run it could be done without having to require a major renovation.

**Mr. Davenport** understood that in 2009, one of the options had been to build another pipeline, and although there was technically room to do that there would be an impact. He affirmed there was room to move around the site without having to shut down operations. In response to comments, he suggested a small structure could be built without having to shut down the plant, with an easy connection in the future without having to excavate on the site.

**Jim Tillman, Pinole**, thanked The Covello Group for its peer review, agreed with the recommendations that had been identified for smaller pumps, and expressed his hope the electrical costs would be reduced as a result. He liked the concept of looking to the future and the eventual placement of an out water flow pipeline from Pinole to the Bay, to be implemented and staged to allow for easy adaptation and less cost now. He otherwise suggested a study on medical waste be considered as done by other agencies in response to a lawsuit, asked of the cost to implement such a study now in the design stage, and if reasonable urged consideration now since it would likely be required in the future.

**Mr. Tobey** advised that the issue of medical waste was being evaluated through other agencies, although the wastewater treatment plant did not do a lot of testing of what came through the plant. There were medical recycling drop off/pick-up points available, although medical waste passed through the human body was not being evaluated or required of the treatment plant at this time.

**Hercules Councilmember Romero** requested clarification of the out water flow pipeline from Pinole which he understood would go to Rodeo and not to the Bay at this time. He was informed that the discussion was about a parallel line.

## **8. ANTICIPATED CASH FLOW FOR CONSTRUCTION OF UPGRADES**

**Mr. Davenport** reported on the preliminary cash flow for the project with the expected demand on funds over 30 plus months. Given the fact it may take the state two to three months to reimburse costs, a line of credit would be needed to balance finances. He identified an initial model based on current facts with the unknown being the construction costs and intended to provide a monthly update of the cash flow model which would be more refined as the project was refined. The estimates had been based on the pre-design report, on the current contracts in place, and with the current projected schedule. He noted that there were three stages of construction and the middle stage was when the most facilities were being constructed and when there would be the highest demand on cash.

In response to comments, **Mr. Davenport** clarified the chart had shown a guesstimate that each city should have a minimum of \$3 million cash flow or gap funding before reimbursement was provided by the state.

**Mr. Allison** added that the \$3 million figure depended on how rapidly the state provided reimbursement. If the state delayed repayment, that figure would increase.

**Mr. Davenport** emphasized the importance of getting the two- to three-month leg out now, particularly given the recent federal government shut down and prior state funding issues and furloughs affecting reimbursement times, and since it was good practice to have some reserves in place just in case. He also clarified that the model included project contingencies, and commented on his experience with the state's time for reimbursement with a best-case scenario of one month to the worst-case scenario of three months for reimbursement.

**Ms. Espinosa** stated that an overall Project Manager and team had already been identified and staff already had discussions with those individuals on this effort.

## **9. STANDING ITEM: FUNDING STRATEGIES FOR PLANT UPGRADES**

**Ms. Espinosa** reported that during the prior Wastewater Subcommittee meeting, Hercules Councilmember McCoy requested information on alternative financing for the plant upgrades. She advised that there would be continued efforts with the State Revolving Loan Fund, and if that was unsuccessful and due to the size of the financing, they would have to consider traditional bonds or go back to the Regional Water Quality Control Board (RWQCB) and request an extension on the project. Staff continued to speak with the project financial advisor to consider other methods such as letters of credit for the cash flow or escrow funds with a focus on a third-party escrow account where each city would deposit \$3 million in order to create the cash flow since Pinole must pay the upfront costs of invoices and then seek reimbursement.

**Ms. Espinosa** explained, when asked, that it may take six to nine months for the City to secure its financing and the sooner the applications were in the sooner they could proceed with the rest of the lengthy review process. The environmental work was under review at this time, although she noted that the application process and format had recently been changed and it was possible that Hercules may receive a request for revisions to meet the new format. Once the environmental work was done, the rest of the process would go through the Senior Engineering Department, Financial Analyst, and lawyers and could be a six- to nine-month process, unless there were questions. It was important to simultaneously and parallel track the process to start talking with the financial advisors about the ability to issue debt and what it would cost.

**Ms. Espinosa** suggested being a year away from having a solid handle as to how to finance the project. She commented that from the state's perspective, the City had been informed that the state paid 90 percent of the time within 30 days, planned to reach a goal of 100 percent, although any problems would delay payment. She explained that the state would review the applications and financials from Pinole and Hercules separately.

**Hector de la Rosa, Assistant City Manager, Pinole**, reported that the state had requested that the City of Pinole provide more information and Pinole was considering a small contract with the environmental consultants to provide that information to the City and thereafter to the state, with the City of Hercules to benefit from the same information. Staff anticipated the environmental review could take 30 to 45 days, another 30 to 45 days to get that information from the consultant, and another period of time before state review and the ability to move on to the next section. He affirmed in response to Hercules Councilmember McCoy that the environmental review for each application would be the same and it was his understanding that Hercules had submitted its application.

**John McGuire, Municipal Services Director, Hercules**, reported that the City of Hercules had not yet heard from the state. He understood there was a two-week time period for Hercules to receive a response.

**Mr. de la Rosa** understood that the same business representative for Pinole would be used for Hercules. He recommended the City of Hercules follow-up and meet with that individual, advised that he had met with state representatives on two occasions, and had numerous e-mail exchanges with the state on requested information along with meetings at a staff level as to how to provide that information to the state.

**Steve Duran, City Manager, Hercules** commented that in the event of a glitch with furloughs and the like in the course of the project there could be long delays in reimbursement costing time and money and although the interest rate would be higher on a bond than a state loan, it made sense to review that option with the financial advisors. He suggested that bonds would be a means to finance the entire project or a small bond to cover the cash flow issues.

**Ms. Espinosa** reiterated that bonds were an option, not the preferred option, although it would be evaluated as a potential alternative. She reiterated that traditional bonds would cost more money and it would take four to five months for the issuance of bonds. She suggested that the city would be able to tell where the financing feasibility was heading based on the questions from the state. She added that while grant opportunities could be considered someone would have to write the grant application. The State Revolving Loan Fund consisted of federal monies from federal agencies to the states to loan the money out. She was not confident grants were a viable option.

**Mr. de la Rosa** added that Pinole staff had preliminary discussions with a capital financing company which had expressed an interest in entertaining financing for Pinole's \$24 million and possibly a line of credit financing.

#### **10. STANDING ITEM: FUNDING STRATEGIES FOR PLANT UPGRADES**

**Ms. Espinosa** reported that Pinole staff had been brainstorming internally, had not yet been able to discuss those conversations with the Hercules City Manager, but were considering rather than a Project Management Agreement entering into a Fiscal Agent Agreement with a third party escrow account at Mechanics Bank, to deposit \$3 million in cash into the escrow account to be used for the cash flow for the project and to make invoice payments. Once an outline had been refined, she would meet with Pinole and Hercules management staff to discuss the deal points. Two separate applications for Pinole and Hercules would be needed along with a request for reimbursement to be filled out and submitted at the same time in order to ensure no delay in payments. Staff would like to see models that would make that process less bureaucratic and timely. While the state had provided a template it was not feasible for use by the cities.

**Hercules Councilmember Romero** recommended discussions between Hercules and Pinole staff before the matter was discussed by the Wastewater Subcommittee.

**Pinole Mayor Long** recommended that the City Managers and City Attorneys be the lead on this matter.

#### **11. FOLLOW-UP ITEMS**

Boardmembers acknowledged the spreadsheet of items the Wastewater Subcommittee had requested from staff.

**Mr. Allison** provided a status report on the Rodeo Engineering study, a peer review for a portion of the land outfall which interacted with the Rodeo Sanitary District, and reported that a meeting with HDR, staff, and Carollo Engineers had been scheduled for the second week in December.

#### **12. COMMENTS FROM BOARDMEMBERS**

Given the lack of time sensitive material, the Wastewater Subcommittee canceled the meeting of December 19, 2013 and would meet again on January 16, 2014 in the City of Hercules.

#### **13. ADJOURNMENT**

The meeting was adjourned at 10:07 A.M. to a regular meeting on January 16, 2014 at 8:30 A.M. in the City of Hercules.