

RESOLUTION NO. 2016-3

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SCOTIA COMMUNITY SERVICES DISTRICT
TO ADOPT A LETTER OF INTENT TO ACCEPT ALL DEDICATED FACILITIES
AND PROPERTIES FROM THE TOWN OF SCOTIA AND PROVIDE UTILITY AND
OTHER SERVICES

WHEREAS, the Humboldt Local Agency Formation Commission (“LAFCo”) in Resolution 10-09 approved the formation of the Scotia Community Services District on October 13, 2010; and

WHEREAS, the Scotia Community Services District (“SCSD”) is organized and operates pursuant to the California Government Code Section 61000, *et seq.*; and

WHEREAS, the Scotia Community Services District Board (the Board) was created in 2014; and

WHEREAS, the SCSD has taken on contract staff to provide support; and

WHEREAS, in September, 2015, the Board adopted its first annual budget for FY 2015/16 as required by California Government Code Section 61110(a); and

WHEREAS, the Board has adopted required board policies including Board Policies, Purchasing and Procurement, Injury Illness and Prevention Program and Public Records Policy Manual. The Personnel Policy and Conflict of Interest Policy are scheduled for adoption at the January board meeting; and

WHEREAS, the Board has adopted comprehensive water and wastewater ordinances; and

WHEREAS, the SCSD staff is prepared to begin the Proposition 218 process to set utility rates and fees; and

WHEREAS, in the Covenant and Agreement, signed on February 5, 2014 by Frank Shaw Bacik, President of the Town of Scotia, LLC, the TOS agreed to convey title to the dedicated property (“Dedicated Properties”) to the SCSD; and

WHEREAS, the staff and Board of the SCSD have diligently and efficiently analyzed the condition of the Dedicated Properties.

WHEREAS, the Town of Scotia (TOS) desires an "Intent to Serve" letter (Exhibit A) and accompanying resolution to provide assurance to TOS that it will be dealt with in a timely manner, fairly and in accordance with law and procedure.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Scotia Community Services District as follows:

Section 1: The Recitals, and Attachments and Exhibits set forth are incorporated herein and made a part of this Resolution.

Section 2: The SCSD intends to complete its obligations under the LAFCo Plan as described in the Covenant and Agreement dated February 5, 2014 ("C & A", or also known as Plan A) and execute the District Indemnification Obligation clause as negotiated.

Section 3: The SCSD intends to work with SHN Engineers to complete the Rate Study in a timely and responsive manner, determine an appropriate rate and debt obligation structure with revenue sufficient to operate in a balanced budget.

Section 4: On or Upon accepting the Rate Study, the SCSD intends to conduct the Proposition 218 rate protest approval process in accordance with the schedule, on or before July 2016, and costs shown in the Planwest Partners Inc.'s document (Exhibit B).

Section 5: The SCSD does not require the TOS to make any water or sewer treatment plant upgrades or repairs, but only provide necessary expenses to keep the plants operational and in compliance with State permits until transferred to the SCSD.

Section 6: On or upon the approved rates, the SCSD is prepared to begin providing water and wastewater service to the Scotia community, and intends to accept all dedicated properties as described in the C & A, and all referenced exhibits. The SCSD would then own, operate, repair and be responsible for the facilities transferred and be responsible for compliance with its State permit. TOS shall transfer the treatment plants in operational order and in compliance with State permits. Upon initial property transfer, the TOS shall transfer to the SCSD the \$20,000 office equipment, \$135,000 contingency and \$766,000 Fire Department contributions.

Section 7: The SCSD intends to negotiate and enter into an agreement with TOS, whereby TOS would provide cash support for operations not to exceed an interim initial 6 month period; reimbursement to TOS could be either credited to TOS utility bills or reimbursed at a future date, such that this initial / interim transitional support is at "no-cost" to TOS as negotiated.

Section 8: The District intends, if acceptable to both parties, to enter into a "Transition Agreement. An "Escrow" account, and/or Transition Agreement, would be an acceptable method for the transfer of contributions, property conveyances, etc. The SCSD anticipates that the escrow account will reference the existing or mutually modified C & A, which lists the assets to be transferred and close on or before July, 2016.

Section 9: The SCSD intends to coordinate and cooperate with TOS during the phased project development. The TOS shall make available phased project documentation as may be required for subsequent SCSD approvals and acceptance. The TOS shall dedicate all fee title or easements as may be required for facility transfer. The phased improvements shall comply with SCSD rules and regulations, applicable industry and regulatory standards. The SCSD Board intends to deliver an "Intent to Serve" acknowledgement, or other formal compliance notice as may be required by relevant State or Local government agency requiring such notice or information. The SCSD

intends to authorize linear infrastructure improvements with the dedication of each phase. The SCSD intends to make such determinations regarding the linear infrastructure as Administrative or Authorized Staff actions, as allowed by State and Local law. TOS will be treated fairly and in equity with the ratepayers and landowners which may be served by SCSD.

Section 10: The SCSD intends to purchase from TOS the "Day Care" or Post Office building, to be used as the SCSD office. As part of this property purchase, TOS shall negotiate with the SCSD, the "right of first refusal" and shall not accept any other purchase offer during this refusal period. The TOS shall allow the SCSD to use the existing board office for an interim period of six (6) months, at no cost.

Section 11: The SCSD intends to construct a new wastewater treatment plant at a location above the 100-year flood elevation, as may be required by regulatory agencies. The TOS shall cooperate and make all available attempt to assist the SCSD in obtaining a suitable TOS property location.

Section 12: The TOS will cooperate and provide requested documentation on the treatment plants necessary for the SCSD to apply any revenue application, design requirements, or insurance applications.

Section 13: During this transition period, the SCSD and TOS will cooperate with each other in good faith; will be timely, fairly, and in accord with law and procedure; will conduct open and honest negotiations; and work towards a successful transition. The SCSD and TOS will cooperate on future documentation and required permits including, but not limited to, a mutually workable Operations and Maintenance Plan, Transition Agreement, SWRCB TMF review, State Operating Permits, Water Rights License and easements, etc. The SCSD will cooperate with TOS for the retail commercial or residential buyers' or lenders requirements. The TOS will cooperate with SCSD in providing necessary utility easements (drainage, etc) over private property where required.

Section 14: This resolution shall be effective upon adoption.

Dated: January 21, 2016

APPROVED:



Rick Walsh, Board President, Scotia CSD

CLERK'S CERTIFICATE


I hereby certify that the foregoing is a true and correct copy of Resolution No. 2016-03, passed and adopted at a regular meeting of the Board of Directors of the Scotia Community Services District, County of Humboldt, State of California, held on the 21st day of January, 2016, by the following vote:

AYES: Bristol, Broadstock, McKnight, Pryor, Walsh

NOES: Ø

ABSENT: Ø

ABSTENTIONS: Ø


Clerk of the Board, Scotia CSD