

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 15-0150

WHEREAS, The City and County of San Francisco ("City") owns certain real property under the jurisdiction of its Public Utilities Commission ("SFPUC") commonly known as SFPUC Parcels 62 and 65 located in Sunol, California; and

WHEREAS, City and Mission Valley Rock Co, a California corporation ("Tenant") entered into that certain lease agreement dated January 10, 1978 (the "First MVR Lease"), as amended, for Tenant's use of approximately 30 acres of SFPUC Parcel 62 and approximately 18.33 acres of SFPUC Parcel 65 (together, the "First MVR Lease Premises") as a quarry; and

WHEREAS, Extraction of sand and gravel in the First MVR Lease Premises ceased prior to the expiration of the First MVR Lease on January 9, 1998. The First MVR Lease is in holdover status. While in holdover status, Tenant has continued to use the First MVR Lease Premises to use and recycle water for aggregate processing at its nearby plant, and for placement of overburden and fines generated by its nearby quarry operations; and

WHEREAS, City and Tenant are parties to that certain lease agreement dated June 20, 1985 (the "Second MVR Lease") for Tenant's use of approximately 135 acres of SFPUC Parcel 65 for its mining operations (the "Second MVR Lease Premises"). Extraction of sand and gravel on the Second MVR Lease Premises was completed in July of 2006; and

WHEREAS, The Second MVR Lease expired on October 31, 2012 and is in holdover status. Tenant has continued to manage three ponds (respectively, Pond F2, Pond F3 West, and Pond F3 East) located on the Second MVR Lease Premises. Tenant uses Pond F2 and Pond F3 West for purposes of providing water supplies for process water in dry years, irrigation and dust control in connection with its quarry operations under Alameda County Surface Mining Permit No. 32 ("SMP 32"); and

WHEREAS, City and Tenant entered into that certain Water Management Agreement dated August 23, 2013, pursuant to which Tenant manages the water elevation in Pond F3 East on the Second MVR Lease Premises for the benefit of the SFPUC in relation to the operation of the San Antonio Backup Pipeline; and

WHEREAS, Mining and related operation on the First and Second MVR Lease Premises are subject to the terms and conditions of the existing Surface Mining Permit 24 ("SMP 24"), issued to Tenant by the Alameda County Community Development Agency pursuant to the Alameda County Surface Mining Ordinance; and

WHEREAS, Tenant and City are also parties to a lease dated September 26, 2000 (the "Third MVR Lease") for Tenant's use of approximately 242 acres of land adjacent to the Second MVR Lease Premises, pursuant to which Tenant extracts sand and gravel under the terms of SMP 32; and

WHEREAS, Tenant has continued to operate its conveyor system on another portion of SFPUC Parcel 65 (the "Conveyor Site") under a license provided in the Third MVR Lease, to move aggregate material from its Third MVR Lease Premises to Tenant's processing plant located on property owned by MVR. The Third MVR Lease will expire on October 31, 2040; and

WHEREAS, MVR requires continued access to water in Pond F2 and Pond F3 West, especially in dry years, on the Second MRV Lease Premises to facilitate its Third MVR Lease Premises quarry operations, and if the proposed new lease is not approved, the SFPUC risks losing approximately \$1.1 million in annual revenue if MVR ceases operations on the Third MVR Lease Premises; and

WHEREAS, City desires to enter into a new lease with Tenant in substantially the form on file with the Commission Secretary (the "2015 Lease") to allow Tenant to continue its use of the First MVR Lease Premises and the Second MVR Lease Premises for water use and recycling, water management, overburden and fines placement on the First MVR Lease Premises only, final site reclamation, and the Conveyor Site for moving aggregate material to Tenant's property, for an annual rental rate of \$60,000, with four percent annual rent increases; now, therefore, be it

RESOLVED, As a Responsible Agency, SFPUC finds that 1) SFPUC has reviewed the actions to be carried out under the lease and has determined that the indirect effects of SFPUC's issuance of the lease are within the scope of the County's 2002 MND approval and subsequent periodic reviews. The issuance of the lease would not alter the previously-approved operations, nor would it extend the life of the quarry operation beyond the term of SMP-24. SFPUC finds that the County's 2002 MND and Resolution are adequate for SFPUC's use in approving the lease. The 2002 MND and the County's approval resolution and other materials that are part of the record of this approval are available for public review at the SFPUC offices, Real Estate Services Division, 525 Golden Gate Avenue, 8th Floor, San Francisco, CA, which is the custodian of records for the Lease approval; 2) Since the County certified the 2002 MND and approved the SMP 24 amendment, there have been no substantial changes in operations under SMP 24 or changes in circumstances that would result in new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the MND and subsequent reviews conducted by County of Alameda; 3) The County's 2002 MND identified significant impacts from the amended SMP 24 operation and adopted mitigation measures, the implementation of which, in each case, reduces the impact to a less-than-significant level. These measures were adopted as conditions of approval for the SMP 24 amendment in the County's Resolution 02-19 and have been monitored through the County's periodic reviews; and be it

FURTHER RESOLVED, That SFPUC has no direct authority or responsibility with respect to the implementation of these measures or conditions of approval, which are wholly within the responsibility and jurisdiction of the County of Alameda, other than the SFPUC authorization, at the Project Sponsor's request, to approve the ground lease to enable the Project Sponsor to conduct mining operations on the leased land as permitted under the terms of Alameda County's Surface Mining Permit Number 24; and be it

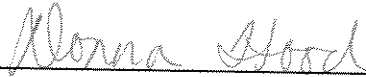
FURTHER RESOLVED, That this Commission hereby ratifies, approves and authorizes all actions heretofore taken by any City official in connection with the 2015 Lease; and, be it

FURTHER RESOLVED, That this Commission hereby approves the terms and conditions of the 2015 Lease; and be it

FURTHER RESOLVED, That this Commission hereby authorizes and directs the SFPUC General Manager to negotiate and execute the 2015 Lease; and be it

FURTHER RESOLVED, That this Commission hereby authorizes the SFPUC General Manager to enter into any amendments or modifications to the 2015 Lease, including without limitation, the exhibits, that the General Manager determines, in consultation with the City Attorney, are in the best interest of the City; do not materially increase the obligations or liabilities of the City; are necessary or advisable to effectuate the purposes and intent of the 2015 Lease or this resolution; and are in compliance with all applicable laws, including the City Charter.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of June 23, 2015.



Secretary, Public Utilities Commission