

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
FEBRUARY 11, 2010**

**SCOTTS VALLEY COMMUNITY CENTER
360 KINGS VILLAGE ROAD
SCOTTS VALLEY, CALIFORNIA**

1. CONVENE MEETING

Item 1.1 President Perri called the meeting to order at 7:00 p.m.

ROLL CALL

Present: Directors Kassis, Miller, Hodgin, Perri

Absent: Director Kannegaard (arrived 7:05 p.m.)

President Perri advised that Director Kannegaard would be coming, but he would go ahead and start the meeting.

Item 1.2 Pledge of Allegiance and Invocation

Director Kassis led the Pledge of Allegiance and Invocation.

Item 1.3 Closed Session Report:

Attorney Bosso reported that the Board, in closed session, gave direction to District negotiator regarding the Lehigh Hanson Quarry matter.

Item 1.4 Approval of Minutes from the Regular Board Meeting of January 14, 2010.

Director Hodgin moved, seconded by Director Kassis, to approve minutes of the Regular Board Meeting of January 14, 2010, as presented. Motion carried unanimously, with Director Kannegaard being absent.

ADDITIONS/DELETIONS TO THE REGULAR AGENDA: None

PUBLIC COMMENTS ON ITEMS ON THE AGENDA: None

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA: None

2. PUBLIC HEARINGS AND PRESENTATIONS:

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- Item 2.1 Conduct Public Hearing, Tally Protest Votes, and Consider Approval of Draft Ordinance No. 151-10 to Implement Water Rate Changes Effective February 2010, December 2010, and December 2011

President Perri opened the public hearing, reading the title of the proposed ordinance. Director Kannegaard arrived at the Board meeting at 7:05 p.m.

General Manager McNiesh gave a presentation providing background information before public comments were taken; power point presentation included: District revenue objectives, proposed rate changes, customer impacts, District fiscal considerations, comparison with other district water rates, summary of customer response comments received to date, especially regarding proposed “commercial” flat rate; he recommended changing terminology from “commercial” to “non single family residential” to clarify the range of customers who could potentially qualify for this rate; compared fiscal impacts to District of several possible non single family residential rate options; reviewed water conservation measures customers could employ to offset rate impacts.

Dennis McFarlane, representing Willow Pond Association and several commercial properties within the District, addressed the Board regarding the proposed commercial rate; expressed concern that the conservation measures needed to qualify for the commercial rate were not explicitly identified; asked about the requirement for a separate landscape meter to qualify for the commercial rate (would fees be charged for the new landscape meter?); distributed a packet including his calculations comparing Scotts Valley water rates with other district rates and including copies of Willow Pond Association’s potable and recycled water bills; advocated expanding the District’s recycled water program.

General Manager McNiesh advised that water districts set their rates based strictly on their costs; each district or other water purveyor has its own unique set of circumstances and water supplies; therefore it’s hard to compare.

William Henderson, representing Bay Tree Apartments, addressed the Board stating that 80% of their water bill is charged at the highest tier, because they are apartments and therefore have many customers on one bill.

General Manager McNiesh said the District had received a letter from Mr. Craig Rowell, representing Acorn Court Apartments and raising essentially the same issue; there are 26 units at Acorn, billed on a single master meter and therefore subject to high tier rates; if customers were billed separately, they would be in the lowest tier group; however, the negative rate tiering impact is offset by the fact there is only one bimonthly meter service charge shared among all 26 units; in Acorn’s case, the numbers work out so, overall, the tenants enjoy relatively low

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total water bills; the numbers may or may not work out the same way at Bay Tree; a specific analysis would be needed to determine this.

Dwight Wilson, 424 Southwood Drive, addressed the Board advising that stay-at-home people and gardeners should not be held to average District-wide water consumption figures; stated he conserves, but unlike those work go to work daily, all of his water use occurs at home; his water use is also high because he has a large organic garden and believes it is important to eat fresh organic food; argued the District's tiered rate structure penalizes organic food gardeners; recommended adopting an equalized water rate for all.

Mark Vanderhoof, owner of the laundromat at Kings Village Shopping Center, requested and received clarification regarding the proposed commercial flat rate; asked what conservation measures would be required in order to qualify for the commercial rate; stated he already uses high efficiency washing machines in his laundromat.

President Perri closed the public hearing.

Director Miller said he did not know the flat rate commodity charge was going to be extended beyond commercial and industrial customers, so he can't vote for the ordinance tonight; he considers this is a major change.

Attorney Bosso advised, pursuant to Proposition 218, the Board may revise the draft ordinance so as to reduce proposed fees but may not do so to increase proposed fees; the suggestion here would result in a fee reduction.

General Manager McNiesh acknowledged the term "commercial" is unclear in this context; that is why staff recommends substituting the term "non single family residential"; the analysis in the earlier power point presentation was based on an assumption that "commercial" has a broad meaning and includes the full range of the District's commercial, industrial, institutional and multi-family customers.

Director Hodgkin observed some matters need further clarification; one is whether a separate landscape meter would be subject to additional charges; acknowledged the organic gardening issue was a new one that should be addressed in the future; stated he thinks the Board should proceed to adopt the ordinance tonight; improvements can be made in the future.

Referencing the non single family residential rate options listed in staff's power point presentation, Director Perri said he would choose the option to freeze the rate at \$7.69, the 2010 4th tier rate, over the three-year rate period.

Director Hodgkin made a motion to approve Ordinance No. 151-10, with changes to Section 4.27(c)(2) as follows: reference shall be to "non single family" customers not "commercial" customers and applicable flat

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rate commodity charge shall be \$7.69. Director Kannegaard seconded the motion. Motion carried with Directors Hodgin, Kannegaard, Kassis, and Perri voting “aye” and Director Miller voting “no”.

- Item 2.2 Conduct Public Hearing – First Reading of Draft Ordinance No. 152-10 to Modify Water Fixture Retrofit Credit Amounts Effective July 2010.

President Perri opened the public hearing. Seeing no one appearing to address the Board, President Perri closed the public hearing.

General Manager McNiesh said the District’s \$200 rebate for converting to a high efficiency toilet has been in place for several years; City matches SVWD rebates; the total rebate of up to \$400 per toilet is the most generous of all rebates in the region and exceeds the purchase cost of many excellent toilet models; looking for cost savings to the District, staff suggests lowering the rebate amount back to the previous \$100; this change would not be effective until July 2010, giving customers several months more of opportunity to get the higher rebate amount; City match would continue, with the new \$200 total rebate still relatively generous; Water Resources Committee has reviewed the concept; both staff and committee members agree, if change is made, it will be important to mount a public information campaign to advise customers there is still an opportunity to get the higher rebate.

General Manager McNiesh advised that this ordinance would be on next month’s agenda for final approval.

3. CONSENT AGENDA:

- Item 3.1 Approve Resolution No. 01-10 Approving California Environmental Quality Act (CEQA) Categorical Exemption for Bluebonnet Lane Recycled Main Extension Project

- Item 3.2 Approve Resolution No. 02-10, Approving California Environmental Quality Act (CEQA) Categorical Exemption for Summerhill Drive Potable Main Extension Project

Director Kannegaard moved, seconded by Director Kassis, to approve the Consent Agenda, as presented. Motion carried unanimously.

4. ITEMS REMOVED FROM CONSENT AGENDA: None

5. DIRECTOR’S AGENDA ITEMS

- Item 5.1 Individual Director Reports:

Director Hodgin said Regional Water Quality Control Board (RWQCB) will be meeting in Watsonville on March 18th; this would be opportune time to attend one of these meetings; ACWA will hold its 2010 Legislative Symposium on March 17th in Sacramento; ACWA Executive Officer and both the current and the past president are coming February 27th to

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Santa Cruz County for a round of golf at Pasatiempo Golf Course and discussion of water issues.

Item 5.2 ACWA and JPIA Update:

5.2.1 Recognition of ACWA's 100 Year Anniversary

Director Hodgins provided staff with a packet of ACWA anniversary materials and suggested the Board adopt a resolution honoring ACWA on its 100-year anniversary.

General Manager McNiesh said he would include a resolution on next month's consent agenda.

Item 5.3 Anticipated Directors' Expenses: None

Item 5.4 Board Priority List

President Perri said the Board workshop previously scheduled for February 6th had been canceled and needed rescheduling. The Board rescheduled for March 6th at 10 a.m.

6. COMMITTEE REPORTS:

Item 6.1 Business Administration Committee

6.1.1 District Investment Policy

General Manager McNiesh advised that a draft policy, prepared by Accounting Manager Catalano, had been reviewed by the committee and was in the Board packet for discussion.

Accounting Manager Catalano observed that there had been discussion regarding the terms "passive" vs. "active" investment; he read definitions for each term.

Attorney Bosso advised that government entities must be very conservative in their investment strategy; in effect, they are limited to passive approaches.

General Manager McNiesh said the Business Administration Committee would take this matter up again at its next meeting.

Item 6.2 Water Resources Committee

General Manager advised that the committee discussed the 2nd annual print ad contest, for which there were more than 40 entries; winners have been selected and notified; a formal award presentation will be scheduled for the next Board meeting; committee members discussed options for recognizing the many excellent entries; one suggestion was to create a calendar.

Assistant General Manager/Operations Manager O'Brien advised that the City earlier proposed to prohibit charitable organization car washes; because people protested, the City is now considering a central car wash area for charitable organizations, to be located on Mt Hermon Road; a bioswale would be constructed to capture and infiltrate runoff from wash area; the District has been asked to participate by putting in a water meter; staff recommends assisting with this effort and making use of the opportunity to promote use of hose shut-off nozzles and other conservation themes.

General Manager McNiesh summarized other committee discussion items: committee agreed current leak adjustment policy should be modified to clarify that no adjustment will be made if a 3rd party is responsible for the leak; committee considered issues related to providing recycled water for indoor uses at Jack in the Box and Holiday Inn Express projects; discussion on environmental compliance sites was skipped due to time constraint.

Item 6.3 Facilities Engineering Committee

General Manager McNiesh reported that the committee reviewed the recently received draft O&M cost section of the Pasatiempo Engineering Feasibility Report being prepared by Kennedy/Jenks Consultants (K/J); the committee's comments had been forwarded to K/J.

General Manager McNiesh reported that the committee also discussed Monte Fiore annexation request.

Director Perri suggested offering a reduced annexation fee, but only if there were an agreed upon mechanism to recoup what SVWD is not getting in property taxes.

General Manager McNiesh stated he had spoken with former District Counsel Bob Haight about possible financing mechanisms; Mr. Haight had advised a community facilities district might be the appropriate mechanism in this case.

President Perri referred this item to the Business Administration Committee; reminded the Board of previous legal advice that amending the existing ordinance would start a new statute of limitations period and create exposure to litigation that doesn't now exist; said he would like the Board to find a resolution that would not modify the ordinance but would make allowances where the ordinance is flexible.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

Accounting Manager Catalano advised the Board that all monthly reports are up to date and on schedule.

Director Miller said he is interested in finding out how much water is saved by customers switching to water saving devices and performing plumbing retrofits that are eligible for District rebates.

General Manager McNiesh said he would work with Water Conservation Coordinator Perak to assemble such data; staff would review District customer information and also refer to statewide documentation.

Item 7.2 Operational Reports

Assistant General Manager/Operations Manager O'Brien reported: Orchard Run Water Treatment Plant (WTP) recoating project is complete, disinfection after recoating is occurring right now; hopes to be back online before end of next week; then El Pueblo WTP will be down for pump replacement and annual inspection and maintenance; within the last week, staff observed entrained air in Well 11B raw water; the cause needs to be diagnosed and addressed.

Director Hodgin asked staff to report back on how much potable water is actually included in the report for recycled water and sold as recycled water at the lower rate.

Item 7.3 General Manager's Report

General Manager McNiesh said he had nothing to add to the written report.

Item 7.4 Attorney's Report: None

Attorney Bosso said he had nothing to report.

8. DIRECTOR'S COMMENTS ON ITEMS NOT ON THE AGENDA:

Director Perri asked Director Miller to clarify why he voted no on the rate increase. Director Miller said he is not against the rate increase; he is just against new information being presented at the time of decision that was not included previously.

9. MISCELLANEOUS CORRESPONDENCE: None

10. CLOSED SESSION:

Item 10.1 Pursuant to Government Code Section 54956.8
Conference with Real Property Negotiator
Property: Portion of Lehigh Hanson Quarry (APN 067-021-21)
District Negotiator: General Manager
Negotiating Parties: SVWD, Kaiser Sand & Gravel Company
Under Negotiation: Price and Terms of Payment

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The Board went in to Closed Session at 9:09 p.m. with General Manager McNiesh, Assistant General Manager/Operations Manager O'Brien and Attorney Bosso in attendance. The Board reconvened in Open Session at 9:15 p.m.

11. CLOSED SESSION REPORT AND ACTIONS ON MATTER(S) CONSIDERED IN
CLOSED SESSION

Attorney Bosso reported that direction was given to the District's negotiator.

12. ADJOURNMENT

Upon motion of Director Kassis, seconded by Director Miller, President Perri adjourned the meeting at 9:16 p.m. Motion carried unanimously.

Respectfully submitted,

/s/Deborah L. Hazen
Deborah L. Hazen, District Secretary

Approved: March 11, 2010