

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
JANUARY 9, 2007**

**SCOTTS VALLEY WATER DISTRICT
BOARD ROOM, 2 CIVIC CENTER DRIVE
SCOTTS VALLEY, CALIFORNIA**

1. CONVENE MEETING

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

Item 1.2 ROLL CALL

Present: Directors Kassis, Kannegaard, Hober, and Hodgkin

Absent: Directors None

Item 1.3 Pledge of Allegiance and Invocation

Director Kassis led the Pledge of Allegiance and Invocation.

Item 1.4 Appointment to Fill Vacant Board Seat

1.4.1 Board Appointment

Director Kannegaard moved, seconded by Director Hober, to appoint Chris Perri to fill vacant Board seat. Motion carried unanimously.

1.4.2 Administration of Oath of Office and Seating of Appointee

President Hodgkin announced that the Board was pleased to have Judge Marigonda, previous Scotts Valley City Council member and Mayor, present to administer the Oath of Office to new Director Perri and to the three Directors elected in November 2006.

Judge Marigonda said this would be his first official act as Superior Court Judge. He administered the Oath of Office to Chris Perri.

The Board welcomed Director Perri, and he took his place on the dais with the other Board members.

Judge Marigonda then called Directors Hodgkin, Kassis, and Kannegaard forward and ceremonially swore them in as Directors, repeating the Oath of Office that had been administered on December 11, 2006.

President Hodgkin called for a short recess.

Item 1.5 Reorganization of the Board

General Manager McNiesh distributed copies to Board members of committee assignments proposed by President Hodgin. President Hodgin said he had talked to Board members individually about potential assignments. The Board concurred with the assignments as proposed.

President Hodgin noted that Director Hober, as a member of the Business Administration Committee, will be primary second signatory on District checks over \$3,000. President Hodgin explained that other Board members might be called to sign checks from time to time, but the District's independent auditor had recommended one Board member be designated with oversight authority.

Item 1.6 Approval of Minutes from the Adjourned Board Meeting of December 11, 2006 and Regular Board Meeting of December 14, 2006, and the Santa Margarita Groundwater Basin Advisory Committee Meeting of October 26, 2006.

Director Hober moved, seconded by Director Kassis, to approve the minutes of the Adjourned Board Meeting of December 11, 2006, the Regular Board Meeting of December 14, 2006, and the Santa Margarita Groundwater Basin Advisory Committee Meeting of October 26, 2006. Motion carried unanimously.

ADDITIONS/DELETIONS TO THE REGULAR AGENDA: None

PUBLIC COMMENTS ON ITEMS ON THE AGENDA: None

President Hodgin asked for public comments. Mike Keogh said he would address the rate increase item when it comes up.

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA: None

2. PUBLIC HEARING: None

3. CONSENT AGENDA: None

4. ITEMS REMOVED FROM CONSENT AGENDA: None

5. DIRECTOR'S AGENDA ITEMS

Item 5.1 Individual Director Reports: None

Item 5.2 ACWA Update:

President Hodgin asked each Director to advise the General Manager if he or she expects to attend the next conference May 9-11; Director Perri said he would like to attend; Directors Kassis, Hober, and Hodgin all said they will be attending.

Director Hober asked about the ACWA Town Hall meeting scheduled for March in Concord. General Manager McNiesh said the list of possible attendees as previously discussed by the Board had been submitted; he had contacted other water agencies in the County about a joint list; none appeared to have an interest; he will inform Directors when he hears back from ACWA.

Item 5.3 Anticipated Directors' Expenses:

Director Kannegaard said there were some training workshops coming up that he would like to attend. President Hodgin said he had provided training information to Director Perri for his consideration.

6. COMMITTEE REPORTS:

Item 6.1 Business Administration Committee

6.1.1 Discuss Draft Ordinance to Increase Water Rates and Related Issues

General Manager McNiesh reported about notices that went out in December to property owners and customers; advised that revised water rate increase protest procedures are available in the Board packet for review and comment; noted there are two ordinances proposed for adoption, one to amend rates, the other to set a time limit for bringing claims against the District; and reviewed a schedule of required actions leading up to the February 15, 2007, public hearing.

Director Kannegaard asked for information on the last several District rate increases. General Manager McNiesh said he would provide this information to Board members.

Director Hober advised that the District, prior to its last rate increase, hired an outside financial consultant to develop and implement a financial model for projections and rate-setting; the District has used this model to establish the current rate proposal; recycled water project costs and loss of tax revenue have affected District revenue needs.

There was discussion by the Board and staff regarding cost factors out of the District's control, water quality and quantity issues, impacts of conservation on District revenues, and the advisability of approving or not approving new water connections.

Attorney Haight advised that it is the District's job to supply water; the District cannot declare a moratorium on new connections unless there is an emergency and the District proves it will be unable to supply water, as in a drought situation.

Mike Keogh addressed the Board; stated opposition to the proposed rate increase; objected to the District's current budgeted expenditures as significantly greater than those of the previous year; asked the Board to

look at commercial fire rates which were increased significantly last year; and stated his opinion that recycled water is not selling more because of its high cost to customers.

General Manager McNiesh advised that he will review Mr. Keogh's comments, and encouraged him to come to the District office for more information.

6.1.2 Discuss Employee, Director, and Retiree Benefits

President Hodgkin suggested that this item and the following two items be postponed.

Director Hober moved, seconded by Director Kannegaard, to postpone Items 6.1.2, 6.1.3, and 6.1.4. Motion carried unanimously.

6.1.3 Consider Approval of Resolution No. 01-07, Rescinding Resolution No. 21-03 Entitled "Adopting District Guidelines" and Rescinding Resolution No. 14-04 Entitled "A Resolution Adopting Policy for Providing Director's Insurance"

6.1.4 Consider Approval of Resolution No. 02-07, Adopting the Scotts Valley Water District Guidelines for Members of the Board of Directors

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

General Manager McNiesh distributed copies of a revised budget comparison; he explained that the version in the Board packet included an incorrect projection of expected customer water sales revenue to date.

Director Perri asked if staff could prepare a synopsis of financial situation for the public for the rate increase public hearing; other Board members concurred; General Manager McNiesh stated he will work on this and schedule a Business Administration Committee meeting to review draft presentation materials.

Item 7.2 Operational Reports

Operations Manager Bill O'Brien reported on progress with construction of replacement well 10A; reported on planned El Pueblo tank rehabilitation, stating reluctance to move forward with this work until replacement well 10A is on-line; and answered questions of the Board.

There was discussion regarding provision of recycled water to the Vineyards subdivision. General Manager McNiesh stated all is ready to go except backflow devices at each residence; staff intends to re-start discussions, which had stalled in the wake of disagreement over a leak adjustment claim.

Director Perri suggested a representative from the District attend a Vineyards homeowners meeting to further this discussion.

Item 7.3 General Manager's Report

General Manager McNiesh reported regarding following items: Director's Handbook, to be updated periodically and provided to new Directors; recent meetings with local partner agencies to plan Integrated Regional Water Management (IRWM) grant funding strategies.

Director Kassis expressed an interest in meeting with San Lorenzo Valley Water District (SLVWD), stating that the District has not met with SLVWD in a while and used to meet with them regularly; stated his concern about having an adequate system inter-tie with SLVWD.

General Manager McNiesh advised that he has been in contact with SLVWD; attempts to set up an informal Board to Board meeting last fall had been unsuccessful; District and SLVWD staff will be working together to re-submit prior, unsuccessful grant application for inter-tie funding. There was discussion regarding the existing inter-tie, costs and technical details of an up-sizing, and funding options.

Director Hober suggested that Director Kassis and the Water Resources Committee be designated to continue working on the inter-tie situation. Board members concurred.

Item 7.4 Attorney's Report: None

8. DIRECTOR'S COMMENTS ON ITEMS NOT ON THE AGENDA: None

9. MISCELLANEOUS CORRESPONDENCE: None

President Hodgin noted the General Manager's report included a letter of commendation from ACWA/JPIA for low paid claims in the property program.

10. CLOSED SESSION:

The Board went into closed session at 9:15 p.m. with General Manager McNiesh, Assistant General Manager O'Brien, and Attorney Haight in attendance to consider the following items:

Item 10.1 Conference with Real Property Negotiator pursuant to Government Code 54956.8:
Properties: Portions of APN's 021-221-02, 021-221-05
Negotiating Parties: Valley Gardens Golf Course, The Pratt Company
District Negotiator: General Manager'
Under Negotiation: Price, Terms of Payment

Item 10.2 Conference with Labor Negotiator pursuant to Government Code 54957.6:

District Negotiator: General Manager
Employee Organization: SVWD Employees Organization

Item 10.3 Public Employment Pursuant to Government Code Section 54957:
Accountant/Office Supervisor Position

Item 10.4 Public Employment Pursuant to Government Code Section 54957:
General Counsel Position

11. REPORT AND ACTION ON CLOSED SESSION ITEMS:

The Board returned to open session at 9:25 p.m. President Hodgkin presented a framed copy of Resolution 13-06 to Attorney Haight and thanked him on behalf of the Board for his many years of service. The Board then returned to closed session at 9:26 p.m.

The Board returned to open session at 10:13 p.m. Attorney Haight reported that the Board had considered Item 10.1 in closed session and directed the General Manager to prepare an offer letter to Valley Gardens Golf Course for acquisition of property for siting replacement well 10A. Attorney Haight departed the meeting at 10:15 p.m., at which time the Board returned to closed session.

The Board returned to open session again at 11:54 p.m. General Manager McNiesh stated that no reportable action had been taken in closed session in regard to Items 10.2 and 10.3. In regard to Item 10.4, General Manager reported that he had been instructed by the Board to negotiate terms of a contract with Robert Bosso of Bosso Williams for District Counsel services.

12. ADJOURNMENT

Director Kassis moved, seconded by Director Hober, to adjourn at 11:55 p.m. Motion carried unanimously.