

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
APRIL 9, 2009**

**SCOTTS VALLEY WATER DISTRICT
BOARD ROOM, 2 CIVIC CENTER DRIVE
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, Hodgkin, Kannegaard and Perri

Absent: Director

Item 1.2 Pledge of Allegiance and Invocation

Director Kassis led the Pledge of Allegiance and Invocation.

Item 1.3 Closed Session Report: None

Item 1.4 Approval of Minutes from Regular Board Meeting of March 12, 2009

Director Hodgkin moved, seconded by Director Kannegaard, to approve minutes of the Regular Board Meeting of March 12, 2009, as submitted. Motion carried unanimously, with Director Miller abstaining.

ADDITIONS/DELETIONS TO THE REGULAR AGENDA:

President Perri advised that a matter came to the District's attention on April 8th, after the agenda was posted; this item is an opportunity for economic stimulus grant funding through the U.S. Bureau of Reclamation that needs immediate consideration. The item is to consider expenditure of up to \$30,000 to Kennedy/Jenks to assist District in preparing the grant application.

General Manager McNiesh recommended that the District consider using this grant money opportunity for the inter-tie between SVWD and Santa Cruz City; he explained that the "Challenge Grant Program: Recovery Act of 2009" is for water use efficiency and water transfers.

Director Hodgkin moved to add item to agenda, Director Miller seconded. Motion carried unanimously.

Attorney Bosso advised that this requires a 4/5 vote under the Brown Act, since it was added after the agenda was posted.

President Perri said this item will be considered under Item 6.3, Facilities Engineering Committee.

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA: None

2. PUBLIC HEARINGS AND PRESENTATIONS: POSSIBLE 2009 DROUGHT RESPONSE MEASURES

Item 2.1 Presentation of Staff Report

General Manager McNiesh presented overhead slides: Record of annual rainfall at El Pueblo Water Treatment Plant shows last three years having below average rainfall; District annual pumping 1983 to present shows water use has been declining for several years, in part due to strong conservation measures; advised that the governor issued a water conservation proclamation in February calling for 20% conservation savings across the state; reviewed lists of proposed mandatory measures and possible mandatory measures included in the Board packet; one question for public hearing is what should be the water conservation target for SVWD this year; other question is what, if any, mandatory measures be implemented.

Item 2.2. Public Hearing

President Perri opened the public hearing.

Paul Locatelli with Save Some Water addressed the Board, showing a Flush Smart dual-flush toilet insert that he and his associate Ran Bendori are marketing locally; explained the potential for water savings at a low cost; said they have discussed trial testing with the City of Scotts Valley and other water districts; City has said it would need SVWD approval before it participated in a testing program; Save Some Water's request is that SVWD approve testing of the unit.

General Manager McNiesh said the Flush Smart device had been discussed by the Water Resources Committee, but District has no basis to approve the product since it is not recommended by the California Urban Water Conservation Council (CUWCC); all of the devices currently approved by District for rebates are on the CUWCC list. Mr. Bendori disputed the CUWCC's objectivity and presented other product certification information.

Director Kannegaard said he would potentially support a study of the Flush Smart unit. Director Miller suggested Save Some Water advertise and offer to put their system in for a trial three-month period of time. Director Hodgins said he would be willing to approve putting in a limited number and monitoring them. Attorney Bosso said there would be no liability to the District as long as the District did not endorse the product.

President Perri advised the question before the Board right now is if they would approve the City sponsoring a study of the unit.

Linda Alsbury, longtime Scotts Valley resident, addressed the Board; applauded District efforts to improve water quality and promote water conservation; she said her household are already using conservation efforts; 20% conservation target seems high for those who have already been conserving; she is concerned if there are penalties for those who are not able to reach 20% savings.

President Perri closed the public hearing.

Item 2.3 Consider approval of 2009 Drought Response Measures

General Manager McNiesh explained that the 20% mark would only be a target for voluntary savings; no one would be penalized for not meeting the target.

Director Hodgkin moved approval of Items 1-6 on the list of proposed mandatory measures included in the Board packet. Director Miller seconded the motion. Motion carried unanimously.

President Perri said he would support the City testing the Flush Smart unit. After discussion by the Board, President Perri moved, seconded by Director Miller, that the Board approve and support Flush Smart testing by the City of Scotts Valley. Motion carried, with Director Kassis abstaining.

Director Kassis said SVWD should contact the City before making a decision, and if the City chooses to test this device, SVWD could be supportive of the testing, but the District should not commit to supporting one company.

Director Hodgkin pointed out that the City also gives rebates, but they don't approve what the rebates are for; they go by the list the District has.

Associate Engineer Smith addressed the Board stating that, in his opinion, as a public agency SVWD should not be helping a private company to run tests on their devices.

General Manager McNiesh noted that the rebate for the Flush Smart would be less costly to the District than the current rebate, so this is not a cost issue.

Discussion moved back to the list of possible mandatory measures included in the Board packet. General Manager McNiesh advised that the District does not currently have the capacity to implement all of the listed measures without additional resources. The Board decided to keep these in mind for possible future use.

There was discussion by the Board regarding whether or not to approve a penalty for failure to comply with the approved mandatory measures. Director Miller suggested using same warning as is in place for existing prohibitions. General Manager McNiesh said staff would report back to the Board if people refuse to comply with mandatory measures and the matter can be dealt with at that time if necessary.

There was discussion regarding requesting a 20% goal for voluntary conservation, with staff including a notice in water bills and asking customers to monitor their own water use and strive to reduce it.

Director Hodgkin moved, seconded by Director Kannegaard, to ask customers for a 10% voluntary reduction in consumption of water. Motion carried unanimously.

3. CONSENT AGENDA:

- Item 3.1 Approve Resolution No. 13-09 Adopting Identify Theft Prevention Program
- Item 3.2 Approve Plan of Finance Proposal Submitted by Del Rio Advisors, LLC, for Cost Not to Exceed \$5,000
- Item 3.3 Designate Accounting Manager as District's Election Office for CalPERS Board of Administration Election

Director Miller moved, seconded by Director Kannegaard, to approve 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 Hodgkin distributed pre-production copies of ACWA's Water Conservation and Water Use Efficiency Policy Principles; advised that he attended ACWA Region 5 meeting last week where conservation and mandatory water reductions were discussed; announced that on May 20th at ACWA Conference in Sacramento there will be a water rally at the capitol building.

Director Miller said he has been out of commission for about a month and would like to publicly thank Directors and staff for their concern for him.

- Item 5.2 ACWA Update: None
- Item 5.3 Anticipated Directors' Expenses: None
- Item 5.4 Board Priority List: No discussion

6. COMMITTEE REPORTS:

Item 6.1 Business Administration Committee

6.1.1 Budget, Audit, and Rate Ordinance Schedules

General Manager McNiesh advised that this is an information item; objective is to get budget completed earlier this year with final budget approved at July board meeting; then Accounting Manager can work on audit process beginning in July; SVWD is in the last year of the current rate ordinance so the Board should look at setting rates this fall.

6.1.2 GASB 45 Implementation

General Manager McNiesh reported this item is for informational purposes as well; no action necessary.

Item 6.2 Water Resources Committee

6.2.1 Correspondence to Board Regarding Leak Adjustment Policy

General Manager McNiesh reported that this was discussed at committee; a leak adjustment is not warranted in this case in staff's determination; a second letter has been sent to Board by customer; staff needs to make sure that cross-connection has not been re-established by customer.

Director Hodgkin suggested since individual involved is a long-time customer and is requesting his one-time leak adjustment, the Board approve it.

General Manager McNiesh said the policy of the District for a leak adjustment is the customers are supposed to be using good conservation practices. Assistant General Manager/Operations Manager O'Brien said the leak would not have happened if there were not an illegal cross-connection.

President Perri said this was discussed at committee, and this customer is not eligible for a leak adjustment.

Attorney Bosso advised that this is a matter between the customer and his neighbor, who cut the line and caused the leak; no reason for the District to be involved.

Director Miller moved, seconded by President Perri, to deny leak adjustment. Motion carried, with Director Hodgkin voting no.

6.2.2 ACWA Blueprint Document on Water Conservation and Water Use Efficiency Policy Principles

General Manager McNiesh reported that he has been in communication with ACWA legislative committee regarding getting new recycled water customers on when customers have a well on their property and are reluctant to let go off well use; ACWA has asked SVWD to serve as case study; individuals would not be named, but it could help lead to a solution for any district that faces that same situation; General Manager asked if the Board is supportive of ACWA using SVWD for a case study.

President Perri said he would be supportive of ACWA using SVWD cases as long as names are not given and every person's privacy is protected.

The Board concurred that they are supportive of participating in this case study with ACWA with the limitation specified by President Perri.

Item 6.3 Facilities Engineering Committee

6.3.1 Cost Share Agreement with City Regarding Recycled Water Program

General Manager McNiesh reported that the original recycled water agreement with City of Scotts Valley dates back to 1996; now operating on 2004 amendment to agreement for five-year period that terminates in May; City pays 25% tertiary treatment plant operation and maintenance costs, but gets a rate reduction to 10% of potable rates. He has met with City Manager Ando; recommends an ad-hoc committee to meet with two City Council members to negotiate a new agreement. President Perri said he would like to be on the ad-hoc committee and asked Director Hodgins to be on it.

6.3.2 Cost Share Agreement with City Regarding Phase Two Glenwood Open Space Management Plan

General Manager McNiesh reported Scotts Valley City Council approved going forward to seek proposals for preparation of a Phase 2 management plan; City would like to cost share with the District and Santa Cruz Land Trust, which would manage the property; benefit to District would be potential siting of a Butano well and associated treatment plant in a corner of the open space; new management plan will require CEQA approval; District's share would be 1/3 of total cost or about \$20-30,000; suggests newly designated ad-hoc committee could meet with City for negotiations.

6.3.3 District Review of Development Projects

General Manager McNiesh said a process was implemented to get deposits from developers for reviewing their project; this was an improvement, but process is still not perfect.

President Perri said he thinks District should review projects before they go through tentative map stage; Todd Kramer, C2G, is putting together a

checklist for the District to review projects before the will serve letter is given.

6.3.4 Recycled Water Pipeline Extensions Project

General Manager McNiesh advised that 50% design meeting with Todd Creamer, C2G, was held last week; plan is to go to bid in May, award bid in June, and finish work in October; will need to make decision whether to proceed since the State grant funding freeze still has not been lifted; SVWD may not receive anticipated grant reimbursement in a timely manner.

6.3.5 Pasatiempo Recycled Water Project

General Manager McNiesh said this item was included at request of Director Miller. President Perri noted there was going to be a Facilities Engineering Committee meeting soon, and these questions could be addressed at that time. Director Miller concurred that this would be acceptable.

6.3.6 Added item: Consider approval of expenditure of up to \$30,000 to Kennedy/Jenks Consultants to assist the District in preparing a grant application in response the recent "Challenge Grant Program: Recovery Act of 2009" announcement

General Manager McNiesh reported that the funding for this program would come through the U.S. Bureau of Reclamation; program funds construction projects; limits are one million dollar minimum and five million dollar maximum; the project SVWD would be looking at is the inter-tie with Santa Cruz; deadline for filing is May 22 and will cost about \$30,000 to file application, perhaps more; District may be able to split that cost with other entities if a joint application appears promising; approval needed at this meeting, otherwise there will not be enough time to prepare an application; no application will be submitted if additional investigation shows application not likely to succeed.

President Perri moved, seconded by Director Miller, to authorize up to \$30,000 to Kennedy/Jenks for preparing grant application for funding. Motion carried unanimously.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

Accounting Manager Catalano said general ledger is up to date with February close; nothing out of the ordinary to report. Staff answered questions of the Board.

Item 7.2 Operational Reports

Assistant General Manager/Operations Manager O'Brien reported El Pueblo tank project has been completed; staff has filled tank with water, will have results on VOC sampling tomorrow; tank is clean, healthy and ready to go; will be ready to go back online immediately if VOC samples come back clean.

Item 7.3 General Manager's Report

General Manager McNiesh referred a question regarding page 7.3.2 chart illustrating water quality sample results to Associate Engineer Smith.

Item 7.4 Attorney's Report:

Attorney Bosso said he had nothing more to report.

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

Director Miller asked if there was anything he needed to know about ACWA conference; advised that he is going and asked General Manager McNiesh to make the arrangements.

9. MISCELLANEOUS CORRESPONDENCE:

Item 9.1 Letter from Congresswoman Eschoo Dated March 12, 2009
Regarding Potential American Recovery and Reinvestment Act Funding.

10. CLOSED SESSION: None

11. CLOSED SESSION REPORT AND ACTIONS ON MATTERS RELATED TO CLOSED
SESSION

12. ADJOURNMENT

Director Kassis moved, seconded by Director Kannegaard, to adjourn at 9:30 p.m. Motion carried unanimously.