

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
SPECIAL BOARD MEETING WORKSHOP
MAY 1, 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 2:00 p.m.

Item 1.2 ROLL CALL

Present: Directors Kassis, Miller, Hodgin, Kannegaard, Perri

Absent: Directors None

Item 1.3 Pledge of Allegiance and Invocation

Director Kassis led the Pledge of Allegiance and Invocation.

ADDITIONS/DELETIONS TO THE AGENDA: None

PUBLIC COMMENTS ON ITEMS ON THE AGENDA: None

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA:

President Perri asked if the Board wanted to change the order of the agenda; also asked Director Kannegaard, since he has to leave early, if there is a particular item he wants to discuss before he leaves. The Board decided to take Priorities List item first.

2. DISCUSSION ITEMS

Item 2.4 District Priorities List

General Manager McNiesh distributed copies of a draft priorities list.

Director Miller raised concerns about how impact fees have been collected in the past and how they have been spent compared to the original impact fee study. General Manager McNiesh said Board has adopts an annual report each year stating the District has spent \$8 million on recycled water projects which exceeds impact fees collected. Attorney Bosso advised regarding statute of limitations issues; further advised that adoption of a new ordinance would start a fresh statute.

General Manager McNiesh reported first on Business Administration Committee issues; recapped the upcoming budget and audit schedules; advised that the Board should decide on a possible rate increase by August and then, if needed, adopt a new ordinance by December; advised of staff priority to improve central filing system and get record retention policy in place; noted that, regarding new accounting software, staff recognizes a need to replace the current chart of accounts, which is complex and creates inefficiencies.

Accounting Manager Catalano reviewed software options and explained that staff would be determining which software package would be compatible with future needs.

Continuing with items on the Business Administration Committee list, General Manager McNiesh noted GASB 45 reporting requirements; advised of a need to update Ordinance No. 119-96, the District's compilation of Rates, Rules and Regulation; also noted Director Hodgin has provided a separate list of Business Administration items for consideration.

General Manager McNiesh then advised of an Executive Committee item regarding coordination with the City of Scotts Valley on the recycled water program cost-share agreement that expires in May 2009.

General Manager McNiesh next discussed items under the Facilities Engineering Committee; reviewed ongoing recycled water projects; identified new recycled customers coming on this year; reviewed new well site options; advised that completing a new well project is a several step process, including site selection, site acquisition, environmental review, design, and finally installation; noted the need to seek a change in the District's recycled water distribution permit to allow indoor uses; advised of the previously agreed upon need to improve capital facilities planning.

Director Miller said he wanted to discuss all capital facilities plan items; wondered, since these items all seem money-oriented, whether they should be under Business Administration Committee instead.

General Manager McNiesh said it is up to the Board which committee discusses each item; admittedly there is some overlap with committees; with respect to the capital facilities plan, the Facilities Engineering Committee decides what the District needs, then Business Administration Committee decides if the District can afford it; this is an iterative process to get to the final capital facilities plan budget.

General Manager McNiesh next advised regarding the District's water meter replacement program. Assistant General Manager/Operations Manager O'Brien said the District completed first phase of radio read conversion; staff needs to do more research on options because this is a big expense and meter reading technology is changing rapidly; staff will

research automated meter reading technology and report back with recommendations.

General Manager McNiesh reported regarding other Facilities Engineering Committee issues, including emergency action plan, need for updated technical standards; also noted important future projects with no dates attached to them, including Pasatiempo, Hanson Quarry, and water treatment plant upgrades.

Director Perri said District is waiting for a Pasatiempo decision regarding Kennedy/Jenks (K/J) proposal to perform an evaluation of treatment options, including reverse osmosis at a satellite facility on or near the golf course.

General Manager McNiesh next discussed Water Resources Committee items, including annual groundwater report, customer conservation recognition, climate change planning and implementation; requirement for update of urban water management; recommended keeping drought rationing policies on the list as an ongoing item.

Director Kannegaard left the meeting at 2:50 p.m.

Item 2.1 Cost Share Agreement with City Regarding Recycled Water Program

General Manager McNiesh reported that the original agreement with the City goes back to 1996; how costs are shared is complex; the 1996 agreement was replaced by 5-year amendment signed May 19, 2004, which expires May 19, 2009; the 2004 amendment says City will pay 25% of operation and maintenance (O&M) costs at the tertiary treatment plant and 10% of potable rates for recycled water consumption; previously the District could not make comparisons for lack of history; now the District can compare past three years; City paid \$10,962 for consumption and \$29,456 O&M for a total of \$40,418/year; if they had paid full recycled water prices, they would have paid \$87,696/year.

There was discussion by the Board regarding Committee negotiations with the City. Director Kassis recommended inviting the City to SVWD Board meeting for discussion.

Director Perri said he thinks the District should be involved in maintenance of the plant since it is City owned, but paid for by the District; any new agreement should provide for District involvement in plant O&M decisions.

General Manager McNiesh advised that he met with City Manager Steve Ando and discussed recycled water program costs and the need to review cost-share terms. General Manager McNiesh said he favors keeping a split formula whereby the City pays some for recycled water consumption, giving an incentive to conserve, and some for O&M costs, giving an incentive to control costs; however, amount paid by the City is too little; he also advised that SVWD pays full rates for sewer charges to the City.

There was discussion by the Board regarding the negotiations process and whether or not to extend the agreement; one consideration was to have the City Council and Board of Directors meet together to hear the facts, have sub-committees meet for negotiations, and then have full Council and Board back together for final decisions. There was discussion by the Board regarding inviting Council members to come to the May 14th Board meeting.

General Manager McNiesh advised that there is only one more Board meeting before the agreement expires; if there are not negotiations before the expiration date, this agreement needs to be extended or it will revert to the original agreement.

President Perri directed General Manager McNiesh to relay message to City Manager Steve Ando that the SVWD Board desires to have both bodies meet together.

The Board agreed to continue this item to the May 14th meeting to decide what steps to take regarding extension of the recycled water agreement with the City.

Item 2.2 Economic Stimulus Grant Funding Opportunities

General Manager McNiesh advised of a new U.S. Bureau of Reclamation grant opportunity with \$40 million available; distributed synopsis showing grant scoring criteria; reported he has discussed this with K/J; neither think SVWD chances very promising and he does not think this is worth SVWD putting energy into; recommends that District concentrate on state grant and loan opportunities instead; project to replace Mt Hermon recycled main may be eligible for low-interest loan funding; K/J is going to look into what the District's chances are.

Director Hodgkin asked if any projects the District is working on would be held up by the State's financial difficulties. There was discussion by the Board regarding how this is going to affect SVWD. Attorney Bosso discussed state financial difficulties and explained consequences if propositions 1A – 1E fail.

Item 2.3 District Newsletter

General Manager McNiesh said this is an item Director Miller brought up several months ago.

Director Miller suggested that in the months following each election SVWD should send out a letter about goals and objectives of the Board; a more frequent newsletter would be fine; customers deserve information including what the priorities of the Board are, and what the Board did the previous year.

General Manager McNiesh said the concept would be to make customers aware of whom Board members are so they can contact them.

There was discussion by the Board regarding information to go into the one page newsletter that could be included with the water bill.

Item 2.4 District Priorities List

The Board came back to this item at the end of the meeting. General Manager McNiesh asked if Board wanted to add to or change the list.

Director Hodgins said he thinks the Board should start off each year with this kind of a workshop, as it would help the budget process; he would like to do more to lower District costs and gave suggestions to run District more efficiently, like looking at energy use, managing income and investments more closely, and working to improve taste of District water.

Director Miller explained his concerns about depleting the aquifer and the need to do something to restore it by providing and investigating ways of recharge to Santa Margarita aquifer.

President Perri asked how to incorporate all the good discussion and ideas the Board discussed today. Director Hodgins suggested referring ideas to individuals or appropriate committees for consideration.

General Manager McNiesh encouraged Board and staff, especially when talking to the public, not to characterize SVWD as doing nothing to protect our system; the District is doing several important things: groundwater management program, recycled water program, water conservation, recharge studies with Santa Cruz County, working with development projects to help recharge the aquifer.

3. ADJOURNMENT

President Perri adjourned the meeting at 4:52 p.m.