

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
MAY 15, 2008**

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

1. CONVENE MEETING

Item 1.1 President Hober called the meeting to order at 7:05 p.m.

ROLL CALL

Present: Directors Perri, Kassis, Hodgkin, and Hober

Absent: Director Kannegaard

Item 1.2 Pledge of Allegiance and Invocation

Director Kassis led the Pledge of Allegiance and Invocation.

Item 1.3 Closed Session Report:

General Manager McNiesh reported that the Board had closed sessions regarding labor negotiations on April 10th and 24th; there were no reportable actions taken.

Item 1.4 Approval of Minutes from the Regular Board Meeting of April 10, 2008, and Special Board Meeting of April 24, 2008.

Director Hodgkin moved, seconded by Director Perri , to approve minutes of the Regular Board Meeting of April 10, 2008, as amended, adding March 11, 2008, under Item 1.4, as the date of the closed session; and Special Board Meeting of April 24, 2008, 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. WATER AWARENESS MONTH PRESENTATIONS

Item 2.1 Presentation of Awards to Student Water Conservation Poster Contest Winners

President Hober welcomed families and introduced Jessica Perak, SVWD Water Conservation Coordinator, to present contest winner awards.

Ms. Perak said this year “Know Your Flow” was the contest theme. She presented U.S. savings bond certificates and SVWD award certificates to the winners: Nicholas Osorio, 1st place, 4th grade; Sonoma Bridem, 5th grade, 3rd place; Lola Starbuck, 2nd place, 5th grade; Darwin Garrett, 5th grade, 1st place. She thanked everyone for participating in the contest.

The Board took a short break while Assistant Engineer Colin Smith took pictures of the winners with their certificates.

Item 2.2 City of Scotts Valley Draft Water Mitigation Ordinance, Presentation by Susan Westman on Behalf of City of Scotts Valley

General Manager McNiesh introduced Ms. Westman and explained that she was prepared to give background on the draft ordinance and discuss what lies ahead.

Ms. Westman addressed the Board regarding City of Scotts Valley draft ordinance that would require retrofitting homes upon resale with high efficiency water fixtures; City was working together with SVWD and SLVWD on details; draft ordinance was modeled on similar ordinances in place in Soquel Creek Water District and City of Santa Cruz; a second City ordinance would require new construction to install high efficiency fixtures; if ordinance is adopted, City of Scotts Valley will send letters to Scotts Valley realtors informing them about the ordinance; to close escrow a certificate showing the retrofit has been completed will be required; draft ordinance will go to Planning Commission before adoption by City Council. Ms. Westman also discussed the City’s rebate program for retrofitting to high efficiency toilets; the District’s credit will apply first, then City will rebate up to \$200 to cover the total cost of the retrofit.

Item 2.3 District Water Conservation Activities, Presentation by Water Conservation Coordinator Jessica Perak

Ms. Perak showed a power point presentation summarizing the District’s main water conservation activities – credits for retrofitting to high efficiency toilets and washing machines, educational outreach, community outreach, and implementation of other California Urban Water Conservation Council (CUWCC) best management practices (BMP’s).

Board and staff thanked her for her presentation.

3. CONSENT AGENDA:

- Item 3.1 Approve Resolution No. 04-08, Ordering an Election, Requesting the Santa Cruz County Elections Department to Conduct the Election, and Requesting Consolidation of the Election
- Item 3.2 Authorize and Direct Staff to Submit Notice of Election to Santa Cruz County Elections Department
- Item 3.3 Approve Resolution No. 05-08, Declaring District's Official Intent to Reimburse Certain Expenditures from Proceeds of Indebtedness
- Item 3.4 Approve Amendment No. 2 to Groundwater Management Program Consulting Services Agreement with Kennedy/Jenks Consultants, Authorizing Additional Expenditures of Up to \$65,300 for Grant-Reimbursable Recycled Water Planning Costs
- Item 3.5 Accept and File "2007 Annual Report, Scotts Valley Water District, Groundwater Management Program", Prepared by Kennedy/Jenks Consultants

President Hober asked to remove Items 3.2, 3.3, 3.4 and 3.5 from the Consent Agenda for discussion.

Director Hodgin moved, seconded by Director Perri, to approve Consent Agenda, as amended, which only includes Item 3.1. Motion carried unanimously, with Director Kannegaard being absent.

4. ITEMS REMOVED FROM CONSENT AGENDA:

- Item 3.2 Director Hober asked about the costs of candidate statements and whether the District has traditionally paid the costs of such statements; Board concurred on paying costs for 200-word statements.

Director Hodgin moved, seconded by Director Kassis, to approve Item 3.2. Motion carried unanimously, with Director Kannegaard absent.

- Item 3.3 General Manager McNiesh reported the proposed resolution would allow the District to reimburse itself from later bond proceeds for feasibility, engineering, environmental review and other soft costs incurred in implementing the Pasatiempo Water Conservation Initiative; the resolution creates no commitment either to the project or to bond financing, just creates an opportunity; Board packet contains explanatory material provided by former District General Counsel Robert Haight. General Manager McNiesh said District could defer for a month for further clarification; adoption not urgent. Board members concurred to defer for one month to hear from General Counsel Bosso, who was absent and instead represented by substitute counsel John Gallagher.
- Item 3.4 General Manager McNiesh said SVWD has a two-year, \$311,000 agreement with Kennedy/Jenks Consultants (K/J) for annual groundwater reporting and a range of other water resources management support tasks; one task is to apply for a state Recycled

Water Planning Grant; this was done, and District was awarded requested \$75,000; the proposed contract amendment would authorize K/J to conduct an additional \$65,300 of new work; the grant funds would pay for the new work plus \$9,700 of the already authorized work; thus, the overall fiscal effect would be to reduce the District's net obligation to K/J to \$301,300.

Director Perri moved, seconded by Director Hodgkin, to approve Item 3.4. Motion carried unanimously, with Director Kannegaard being absent.

- Item 3.5 General Manager McNiesh responded to Board questions regarding two comment letters on the draft annual report; reported District letters were sent to both parties stating staff's recommendation that draft report be accepted as-is but acknowledging questions raised and proposing further evaluation in next year's annual report.

Director Hodgkin moved, seconded by Director Perri, to accept and file "2007 Annual Report, Scotts Valley Water District, Groundwater Management Program." Motion carried unanimously, with Director Kannegaard being absent.

5. DIRECTOR'S AGENDA ITEMS

- Item 5.1 Individual Director Reports:

Director Hodgkin reported that he went to ACWA/JPIA session the week of the ACWA conference and brought back executive committee report, risk management report, and board of directors manual; organization is having financial success; investments up; has authorized premium rebates and created reserves; workers compensation rates have been going down. He also reported on ACWA/JPIA safety award program; recommended nominating SVWD employees for safety ideas; ACWA/JPIA has a lending library with 600 videos available to District without charge; other programs of potential usefulness to District.

- Item 5.2 ACWA Update:

5.2.1 ACWA Spring Conference, May 6-9, 2008

Director Hober said she and Directors Kassis and Hodgkin attended conference. She attended opening breakfast on climate change; Region 5 forum on conjunctive use, at which General Manager McNiesh made a presentation on the Pasatiempo Water Conservation Initiative; interesting sessions on making green work for bottom line, changing workforce, and groundwater salinity challenges.

Director Hodgkin said he went to some of the attorneys programs and found them interesting; reported ACWA positions on the June eminent domain propositions – "oppose" Proposition 98 and "no position" on Proposition 99.

Item 5.3 Anticipated Directors' Expenses:

Directors Hober, Hodgin and Kassis have expenses from the ACWA Conference.

Item 5.4 Board Priority List

Director Hober said Business Administration Committee has not had opportunity to review recently; Director Perri said committees he is on go over priority list most meetings.

6. COMMITTEE REPORTS:

Item 6.1 Business Administration Committee

6.1.1 Legislative Analyst's Office Proposed Property Tax Shift

General Manager McNiesh said the committee talked briefly today regarding proposed property tax shift; original proposal from Legislative Analyst's Office (LAO) not likely to be adopted; however, information he's received from ACWA and other sources indicates there still a risk of some attempt at a property tax shift to help fill the state budget shortfall.

Mr. Gallagher reported General Counsel Bosso said the LAO property tax shift proposal had been discussed by the ACWA Legal Affairs Committee; LAO proposal probably would not sustain legal challenge, if implemented and tested.

General Manager McNiesh said he, Director Hober, and representatives of SLWVD and Lompico County WD would be meeting with John Laird tomorrow to convey their opposition to the LAO proposal or any other similar property tax shift.

6.1.2 Process for Reviewing Development Project Proposals

General Manager McNiesh reported on staff efforts to streamline development project review and develop mechanisms to ensure developers pay the District's costs of project review.

6.1.3 FY 2008-2009 Budget Preparations

General Manager McNiesh said staff is working on budget and confident it will be ready earlier this year than last.

Item 6.2 Water Resources Committee

6.2.1 Local Climate Change Forum

General Manager McNiesh said most committee time was spent talking about conservation; General Manager McNiesh and Kassis attended Climate Change Forum.

Director Kassis said forum was good but too fast; little time for questions to be answered.

Item 6.3 Facilities Engineering Committee

6.3.1 Recycled Water Project Expansion

Assistant General Manager O'Brien reported on Vineyards project; cross-connection control specialist has been hired to assist staff with the required pre-project testing; first recycled water deliveries scheduled for first part of June.

General Manager McNiesh distributed copies of a draft Memorandum of Agreement (MOA) with Pasatiempo Golf Club; reported on a productive discussion he and Director Perri had with Golf Club representatives; would like to send the Golf Club a clean copy of MOA for their consideration; Golf Club Board likely to approve within next month and their representatives attend next SVWD Board meeting; Board concurred on acceptability of current draft MOA.

6.3.2 New Well Options

General Manager McNiesh reported committee had discussed new well options; committee concurred with strategy set forth in the annual groundwater report.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

There was discussion regarding charts on pages 7.1-5 and 7.1-6 of the Board packet. Accounting Manager Catalano explained that the current Debt Service Coverage Ratio appears low because of the way District billing revenue is received in bimonthly increments; by year end, this ratio will be well above the required minimum.

Item 7.2 Operational Reports

Assistant General Manager O'Brien reported on recent main replacement work, next year's scheduled rehabilitation of El Pueblo tank, and Orchard Run Water Treatment Plant (WTP) capital expenses.

Director Hober asked about the length of time to repair the reported leak at Bethany University. Assistant General Manager O'Brien said there was no way to shut the line down for the repair; it was a small leak that had been going on for a while, but was repaired within a few days after discovered; leak happened when staff was fully occupied with the Orchard Run WTP work.

Item 7.3 General Manager's Report

General Manager McNiesh reported on the Watkins Johnson superfund site currently owned by AVIZA; Environmental Protection Agency (EPA) staff had visited the site recently; the District had received a letter from EPA wanting to see more from the site consultant ARCADIS before approving site shutdown.

Item 7.4 Attorney's Report:

Mr. Gallagher read General Counsel Bosso's report that at ACWA conference he attended Proposition 218 session; discussion regarding whether inclining block rates to encourage conservation could be successfully challenged under Proposition 218.

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

Director Hodgkin thanked General Manager McNiesh for providing list of known development projects; suggested this list be included on future agendas. Director Kassis asked General Manager McNiesh for a copy of the list. General Manager McNiesh said he would do so.

9. MISCELLANEOUS CORRESPONDENCE: None

10. CLOSED SESSION:

President Hober called the Board into closed session at 9:12 p.m. All Directors except Directors Kannegaard were in attendance, along with General Manager McNiesh. Mr. Kreisberg did not participate.

Item 10.1 Closed Session Pursuant to Government Code Section 54957.6
Conference with Labor Negotiators
Agency Designated Representative: Edward L. Kreisberg (Via Teleconferencing), Charles McNiesh
Employee Organization: SVWD Employee Organization

11. ADJOURNMENT

The meeting was adjourned at 9:50 p.m.