

**SCOTT'S VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
MAY 17, 2007**

**SCOTT'S VALLEY WATER DISTRICT
BOARD ROOM, 2 CIVIC CENTER DRIVE
SCOTT'S 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, Perri, Kannegaard, Hober and Hodgkin
Absent: None

Item 1.3 Pledge of Allegiance and Invocation

Director Kassis led the Pledge of Allegiance and Invocation.

Item 1.4 Approval of Minutes of the Regular Board Meeting of April 12, 2007.

Director Hober moved, seconded by Director Kannegaard, to approve minutes of the Regular Board Meeting of April 12, 2007 as presented. Motion carried unanimously.

ADDITIONS/DELETIONS TO THE REGULAR AGENDA: None

PUBLIC COMMENTS ON ITEMS ON THE AGENDA: None

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA:

Joe Miller addressed the Board regarding the proposed Stonegate project, stating that he has talked to Director Hodgkin and General Manager McNiesh about it; does not think the project has been before the whole Board; thinks the facility the developer is proposing will be a liability for the District.

General Manager McNiesh said there are still a lot of unanswered questions about the project; this is a unique site in District with recharge capability; District does not have means to acquire the property for a dedicated recharge project; District is exploring opportunity to incorporate a recharge component at developer's expense; as proposed, project may not be cost effective or feasible; while there is not a

satisfactory proposal yet, this is a potential project of mutual benefit; the project is approved conceptually contingent upon resolving issues.

Assistant General Manager O'Brien concurred there a lot of unknowns, but noted the developer is working closely with the City and the District.

2. PUBLIC HEARING: None

3. CONSENT AGENDA:

Item 3.1 Approve Resolution No. 01-07, Rescinding Resolution No. 21-03, Entitled "A Resolution Adopting District Guidelines" and Rescinding Resolution No. 14-04 Entitled "A Resolution Adopting Policy for Providing Directors' Insurance".

Item 3.2 Approve Resolution No. 02-07, Adopting Guidelines for Members of the Board of Directors.

Item 3.3 Approve Resolution No. 06-07, Calling for Ten Percent Voluntary Water Conservation Savings in 2007.

Item 3.4 Approve Resolution No. 07-07, Nominating David T. Hodgkin for the Association of California Water Agencies (ACWA) Region 5 Board of Directors.

Items 3.1 and 3.2 were removed from the Consent Agenda. General Manager McNiesh advised that there is a typographical error on page 3.3-1 in Resolution No. 6-07; two words transposed "of year" should be "year of".

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

4. ITEMS REMOVED FROM CONSENT AGENDA:

Item 3.1 In response to a question from Director Kassis, President Hodgkin advised that Resolution No. 21-03 would be rescinded because the information in it is being incorporated into another document.

Director Hober moved, seconded by Director Perri, to approve Item 3.1, adopting Resolution No. 01-07, motion carried with Director Kassis abstaining.

Item 3.2 General Manager McNiesh reported that the proposed guidelines set procedures as to how Board members shall conduct themselves; summarized some minor changes from the previous draft version of the guidelines reviewed by the Board; these changes were to Section 8 and 14, as described in Board packet, and further changes starting at page 3, as recommended by District Counsel. General Manager also noted non-substantive formatting problems in the printed version of the document

in the packet; proposed to remove word “monthly” on page 14, because Directors’ compensation is not paid monthly, rather is paid on the basis of meeting attendance.

Director Hober said she thinks the present document is a fine document, but she will abstain because she does not approve of the provisions regarding Directors’ health insurance benefits.

Director Kannegaard moved to approve Item 3.2, with Director Kassis seconding the motion. Motion carried with Director Hober abstaining.

5. DIRECTOR’S AGENDA ITEMS

Item 5.1 Individual Director Reports:

Director Hober reported on the just-completed ACWA Conference in Sacramento; she attended a risk liability seminar where former District General Manager Jill Duerig was the speaker; she also attended a seminar about accounting for post retirement benefits; both very interesting; heard lively debate about proposed SB 59, which made her less sure about supporting the legislation.

Director Kannegaard attended Tuesday seminars at ACWA Conference; had to return to work Wednesday so was unable to attend any other seminars.

Director Kassis said he attended many seminars at ACWA Conference and learned a lot; key thing is learning how to manage water for future; his purpose for attending is to find out about serious water concerns in California.

Director Perri attended ethics training at ACWA Conference; training stressed ethics is mostly common sense, but important to ask for guidance if not sure; he also said he learned that the Board is not supposed to send out mass letters from them as it is seen as campaigning; since this was his first ACWA Conference, he learned many interesting things; attended informative legal seminar about water suppliers and land use policy.

Director Hodgins reported that he had attended ACWA Region 5 Board meeting on April 16th in Dublin, which included a tour to the nearby recycled water treatment facility in Pleasanton; also attended JPIA meeting in Sacramento on Monday prior to ACWA Conference, as well as ACWA Conference on Tuesday and Wednesday, where he obtained information about liability coverage for Directors; heard governor’s interesting speech on Wednesday; he then went to San Luis Obispo for Regional Water Quality Control Board (RWQCB) meetings Thursday and Friday; where RWQCB staff presented a status report on Scotts Valley Drycleaners site.

General Manager McNiesh said the governor's speech was one of the most dynamic he has heard at an ACWA Conference; he and other Central Coast water managers met with John Laird, where they discussed proposed SB 59 and strategies to see that an equitable share of state grant funding is awarded to the Central Coast.

Item 5.2 ACWA Update:

5.1.1. ACWA Region 5 Event, April 15-16, 2007

5.2.1 ACWA Spring Conference May 8-11, 2007

5.2.2 "The Time is Now" Campaign

General Manager McNiesh reported that ACWA is initiating "The Time is Now" campaign to support additional state investment in water infrastructure and water conservation; recommended that District continue to be involved and supportive, but take opportunity to make sure District has fair access to grant funds; noted that District would be eligible to compete for only \$700,000 of the total \$4 billion grant funds that would be available from SB 59, as that bill is currently written.

Director Hodgins said that District tries to be supportive of ACWA and hopefully in the future ACWA will be supportive of District's needs.

Item 5.3 Anticipated Directors' Expenses: None

6. COMMITTEE REPORTS:

Item 6.1 Business Administration Committee:

General Manager McNiesh reported that the committee met Monday, May 14th, to discuss next year's budget; Accounting Manager Catalano has been on the job only two months, so budget will be a big challenge; new budget will likely include some conceptual improvements; next committee meeting will be May 31st; the intent is to have budget for consideration at July Board meeting. General Manager noted that he and the Employee Organization representative will meet jointly with a financial advisor later in the month on the social security issue.

Item 6.2 Facilities Engineering Committee

General Manager McNiesh advised that the committee met April 19th; discussed Pasatiempo golf course project with Todd Creamer and Gene Scothorn of C2G Engineers; they are again looking at original concept of using existing outfall main on Graham Hill Road for delivery to the golf course. He and Assistant General Manager O'Brien met with Department of Health Services (DHS); were advised that DHS would be receptive to reasonable proposal on how to deal with occasions when tertiary treated water fails to meet State standards. Next step will be to

contact Santa Cruz City Water Department; City currently provides water to Pasatiempo; proposal is an exchange of water, tertiary water from the District to the golf course in exchange for potable water to the District from Santa Cruz; all parties benefit, City because District could take exchange water during winter, wet years, or other times when most advantageous for the City.

Assistant General Manager O'Brien described one option for delivering exchange water from Santa Cruz; there is an existing Santa Cruz potable water main coming up Graham Hill Road, terminating about one mile short of the San Lorenzo Valley Water District (SLVWD) system; there would need to be a main extension connecting the City and SLVWD systems, and also an upgrade of the existing District/SLVWD inter-tie on Lockwood Lane; delivery would then be provided from the City to the District through the SLVWD system.

There was discussion by the Board regarding potential salinity impacts of using recycled water at the Pasatiempo golf course. General Manager McNiesh reported that the golf course owners are currently planning to continue using Santa Cruz potable water for greens and tees; recycled water would be used on fairways and elsewhere on the course; approximately 2/3 of the total use would be recycled water. The Board also discussed customer use of water softeners, concurring to encourage use of water softeners that function without the addition of harmful salts.

Item 6.3 Water Resources Committee

General Manager McNiesh reported that the proposed Request for Proposal (RFP) for groundwater management program services is nearly completed; recommends obtaining consultant services for both 2007 and 2008 water years, to avoid duplicating complicated RFP process again next year; intends to issue RFP on May 29th, with proposals due June 29th and Board selection of a consultant at July 12th meeting; proposed scope of work includes recycled water master plan update, with potential to get grant funding to offset a portion of costs; proposed scope also includes assistance in siting a Butano formation well in the north part of the District and help with water augmentation activities, contamination site review, grant funding opportunities; and capital facilities planning.

Director Kassis described his experience with prior groundwater management program consultants.

President Hodgkin suggested referring further discussion to the Water Resources Committee and authorizing the committee to approve the final RFP to be issued.

Director Hober moved, seconded by Director Kassis, to refer this item to the Water Resources Committee and authorize the committee to approve the Request for Proposal for this project. Motion carried unanimously.

Committee meeting was set for next Wednesday, May 23rd, at 5:00 p.m.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

Accounting Manager Catalano reported that general ledger has been closed through February and updated through April; upcoming focus will be on budget, so next few monthly reports to Board may not be completely current.

Item 7.2 Operational Reports

Assistant General Manager O'Brien reported on progress at new well 10A; only real problem during drilling was that drilling shaft snapped in two; driller successfully retrieved broken shaft and continued; completed drilling down to 475 feet; material not promising past 450 feet; casing now in place with screens from 280-380 and 400-450 feet; gravel pack in place; driller to start tomorrow air with scouring and brushing to clean well up. Assistant General Manager also reported that leak is being repaired in main on Scotts Valley Drive near District office; this is small leak in terms of water loss, but will be expensive to repair given its location.

Director Hober inquired whether the District had been reimbursed from the Scotts Valley Drycleaners site owners for the District's expenses in installing the granular activated carbon (GAC) filter at the Well 10 Water Treatment Plant. General Manager McNiesh and Assistant General Manager O'Brien explained that there had been an initial discussion regarding reimbursement, at which time District costs had been presented, but no invoice had been submitted yet. The Board directed staff to give priority to this issue and suggested getting advice from attorney on how best to proceed.

Item 7.3 General Manager's Report

General Manager McNiesh advised that he will be on vacation August 7th through September 4th. He reported that consultant for Scotts Valley Drycleaners site will conduct pilot remediation test tomorrow, having previously tried several other remediation strategies; this one will involve injecting potassium permanganate as an oxidant to break down the contaminant tetrachloroethylene (PCE); consultant will monitor results over next six months to see if effective. District staff has had several discussions with Vineyards homeowners association regarding recycled water service; also discussed with DHS possible approval in July; could have required backflow devices installed and be providing recycled water before end of irrigation season if all goes well. Smart Gardening Faire is June 23rd at Skypark; SVWD and SLVWD each helped sponsor last year, but did not coordinate sponsorship; this year SVWD and SLVWD will sponsor and man a joint booth; each District will also

contribute \$2,500 in sponsorship funding. Support letter was submitted for AB 1260, sponsored by ACWA to clarify uncertainties in complying with Proposition 218. General Manager also recapped other legislation of potential interest to District: AB 503 regarding overtime notice, major provisions already consistent with District policy; SB 1029 regarding state review and approval of federal drinking water standards; and three water-related bills authored by Assembly Member Laird, AB 1420 regarding water conservation requirements for grant funding, AB 1404 regarding establishment of a statewide water use database, and AB 715 regarding new low flush toilet standards. There was related Board discussion, with direction to General Manager McNiesh to provide additional information on SB 1029.

Item 7.4 Attorney's Report: None

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

9. MISCELLANEOUS CORRESPONDENCE:

Item 9.1 District letter dated April 23, 2007, to Senate Natural Resources and Water Committee Supporting SB 59 (Cogdill)

Item 9.2 District letter dated April 24, 2007, to Assembly Local Government Committee Supporting AB 1260 (Caballero)

10. CLOSED SESSION: None

11. REPORT AND ACTION ON CLOSED SESSION ITEMS:

12. ADJOURNMENT

Director Kassis moved, seconded by Director Hober, to adjourn meeting at 9:25 p.m.

Respectfully submitted,

Deborah L. Hazen, District Secretary

Approved: _____