

**SCOTTS VALLEY WATER DISTRICT  
MINUTES OF THE  
REGULAR BOARD MEETING  
JULY 16, 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, and Perri

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: None

Item 1.4 Approval of Minutes from the Special Board Meeting Workshop of May 1, 2009, Revised Minutes from the Regular Board Meeting of May 14, 2009, and Minutes from the Regular Board Meeting of June 11, 2009.

Director Hodgkin moved, seconded by Director Kassis, to approve minutes from the Special Board Meeting Workshop of May 1, 2009, as presented. Motion carried unanimously, with Director Kannegaard being absent.

General Manager McNiesh explained the need for approving revised minutes of May 14, 2009, because the draft minutes were in the agenda packet, not the final minutes.

Director Kassis moved, seconded by Director Miller, to approve revised minutes of the Regular Board Meeting of May 14, 2009, as amended. Motion carried unanimously, with Director Kannegaard being absent.

Director Miller moved, seconded by Director Kassis, to approve minutes from the Regular Board Meeting of June 11, 2009, as presented. Motion carried unanimously, with Director Kannegaard being absent.

**ADDITIONS/DELETIONS TO THE REGULAR AGENDA**

General Manager McNiesh advised that Item 3.6 should not be on the agenda and requested it to be deleted.

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA: None

2. PUBLIC HEARING AND PRESENTATIONS:

- Item 2.1 Public Hearing and Possible Adoption: Draft Ordinance No. 149-09 Revising Policy for Temporary Service from Hydrants by Amending Section 3.25 of Ordinance No. 119-96, as Amended

President Perri opened and closed the public hearing with no one from the public to address the Board.

General Manager McNiesh said staff suggested making one change to the ordinance, on page 2.1-5, first paragraph, sentence that begins with “A temporary tank . . .” change to “A temporary tank with appropriate back flow, as determined by the District, shall be used for all applications.” Staff recommends approval of ordinance as revised in that one sentence.

Attorney Bosso advised to leave the words “or truck” in the sentence they are changing in the ordinance.

Director Hodgin moved, seconded by Director Kassis, to adopt Ordinance No. 149-09 with the changes recommended by staff and Attorney Bosso. Motion carried unanimously, with Director Kannegaard being absent.

- Item 2.2 Presentation and Possible Adoption of 2009-10 Operating and Maintenance Budget and 2009-14 Capital Facilities Plan Budget

General Manager McNiesh gave a presentation summarizing the budget, covering budget assumptions; summary of all revenues at \$6,044,790; customer water sales at \$3,800,219; cash expenses at \$6,334,161; breakdown of O & M cash expenses by category; and labor costs at \$1,781,800. General Manager McNiesh recommends approval of budget tonight with one typographical correction: Section 4-A, page 1, second paragraph, 3<sup>rd</sup> sentence, change “2009-10” to “2010-11”.

Director Hodgin advised that the Business Administration Committee consensus was to approve the budget, stating that future rate changes may affect this budget, as well as potential loss of property tax revenue.

Director Hodgin moved, seconded by Director Perri, to approve 2009-10 Operating and Maintenance Budget and 2009-14 Capital Facilities Plan Budget, with corrections as recommended. Motion carried unanimously, with Director Kannegaard being absent.

3. CONSENT AGENDA:

- Item 3.1 Award Construction Contract of \$355,465 to Low Bidder McGuire and Hester for Recycled Water Distribution System Extension Projects: Victor Square, Bean Creek & Hacienda Drive

- Item 3.2 Accept Proposal from C2G/Civil Consultants Group, Inc. for Construction Observation Services for Cost Not to Exceed \$21,600
- Item 3.3 Approve Three Year Agreement with Berger/Lewis Accountancy Corporation for Audit and Related Services for a Fee of \$61,500
- Item 3.4 Accept Proposal from SyCal Engineering, Inc., for SCADA Radio Upgrade at Hardware Cost of \$23,895 and Estimated Labor Cost of \$15,400
- Item 3.5 Approve Resolution No. 15-09 Placing in Nomination David T. Hodgkin to Serve as Association of California Water Agencies Region 5 Chair or Vice Chair
- Item 3.6 Approve No-Cost Amendment to District's 457 Plan Document with Nationwide

General Manager McNiesh explained that Item 3.6 was deleted because it is not ready for the agenda.

Director Miller moved, seconded by Director Perri, to approve the Consent Agenda, as amended. Motion carried, with Director Hodgkin abstaining on Item 3.5.

4. ITEMS REMOVED FROM CONSENT AGENDA:

5. DIRECTOR'S AGENDA ITEMS

Item 5.1 Individual Director Reports:

Director Hodgkin said he was late to the meeting tonight because of the water fountain on Mount Hermon Road, with traffic being rerouted through Bean Creek Road.

Assistant General Manager/Operations Manager O'Brien reported that a traffic accident had just happened; a District hydrant was damaged, sending a jet of water into the overhanging power lines; staff was on site almost immediately, but needed to delay shutting the water line down until PG&E verified that power was off and Fire Protection District staff okayed the shut down.

Director Miller said this situation emphasizes again how much Scotts Valley needs secondary access roads.

Director Hodgkin reported on an ACWA/JPIA human resources training event at Soquel Creek Water District on July 28<sup>th</sup>; reported that ACWA Region 5 is holding a combined program with Region 8 July 23<sup>rd</sup>-24<sup>th</sup> including lecture, dinner, and field tour of pilot groundwater softening program; also mentioned newspaper article saying there is a new sewer main going in on Graham Hill Road.

General Manager McNiesh and Assistant General Manager/Operations Manager O'Brien said they did see the article and had looked into it; pending construction is a very short distance and therefore would not warrant District considering parallel construction to save future road repaving costs.

Director Perri said he went to a landscape workshop at Central Home Supply, and brought in samples of artificial turf for demonstration.

Item 5.2 ACWA Update

Director Hodgins said there is a State ACWA Board meeting July 31<sup>st</sup>, which he plans on attending.

Item 5.3 Anticipated Directors' Expenses: None

Item 5.4 Board Priority List

Director Perri said that many items on the Board Priority List are either being done or are done.

6. COMMITTEE REPORTS:

Item 6.1 Business Administration Committee

6.1.1 Plan of Finance Study

General Manager McNiesh reported that consultant Ken Dieker and other prior bond finance team members met with the committee to discuss Mr. Dieker's report and recommendations; purpose of study was to review District's current indebtedness and explore options for restructuring; report is included in agenda packet and more details are on SVWD website; committee does not recommend going forward to issue additional debt at this time or to undertake other debt restructuring.

6.1.2 Water Resources Impact Fee Study

General Manager McNiesh said nothing of substance to report; District has a consultant working on this project; expects to have results from analysis for committee within a month and for Board meeting by September.

6.1.3 Billing Corrections

General Manager McNiesh reported that during review of billing records staff found a number of accounts that have meter reading errors; staff is performing additional field checking on 11 of these accounts; 3-5 appear to have been under-read over a length of time, in one case back to 2001; problem is related to loss of a digit in the meter read.

Assistant General Manager/Operations Manager O'Brien explained that the problem has not yet been fully diagnosed; the error could occur at any one

of several steps between interrogation of the meter and production of the water bill through the District's billing program.

General Manager McNiesh advised that the District is thoroughly auditing all accounts and will be looking at a long-term change like automated meter reading; District will also need to inform customers of under billing.

Attorney Bosso advised that the District is limited to a four-year statute of limitations.

General Manager McNiesh advised he had already met the Scottsborough HOA Board, whose landscape account is the one with the error back to 2001; the HOA Board stated an interest in the District's recycled water program.

After discussion by the Board and staff regarding how to best resolve this situation, Director Hodgins moved, seconded by Director Miller, to direct General Manager McNiesh to write a letter to all affected customers, stating that the District has discovered a computer programming error; to invoice these customers for the correct amount owed, less amount paid, for the last four years; to offer a no-interest payment plan, if immediate payment creates a problem; and to perform a complete study of billing errors. Motion carried unanimously, with Director Kannegaard absent.

## Item 6.2 Water Resources Committee

### 6.2.1 Enforcement of Drought Response Measures

General Manager McNiesh reported that District adopted drought measures in April anticipating strong customer cooperation; for most part, this has been true; however, not entirely; Board previously agreed to reevaluate if enforcement measures prove necessary; recommendation now is to implement penalty plan similar to the one Santa Cruz City uses, District's proposal is for 1<sup>st</sup> offense, send a letter of explanation and information; 2<sup>nd</sup> offense, send a written notice of violation but no monetary penalty; 3<sup>rd</sup> offense, \$100 penalty; 4<sup>th</sup> offense, \$250 penalty; 5<sup>th</sup> offense, \$500 penalty and District would install a flow restrictor device at customer's expense. Approving this plan would require an ordinance.

Board members concurred that staff should prepare a draft ordinance for initial consideration at the next Board meeting.

Water Conservation Intern Albert said he met with other water conservation coordinators of other districts; they are all using different varying forms of conservation enforcement.

### 6.2.2 Customer Water Conservation Award Program

General Manager McNiesh reported that there is a flyer in the Board's agenda packet to go out with customers' August bills.

Director Hodgins suggested asking landscape stores within the District if they would be willing to match the water District and have them co-sponsor for the awards. Another suggestion was to honor winners at the Smart Garden Faire.

Staff was directed to contact landscape stores to see if they want to participate in co-sponsoring and then proceed with the award program.

#### 6.2.3 ACWA "Save Our Water" Conservation Program

General Manager McNiesh said staff's recommendation is to participate at the in-kind level. Director Hodgins concurred that the District should not need to feel duty bound to participate with a contribution with a monetary contribution.

### Item 6.3 Facilities Engineering Committee

#### 6.3.1 Use of Recycled Water for Toilets

General Manager McNiesh said he previously thought District would have to change its distribution permit, granted by the Regional Water Quality Control Board, if moving forward with indoor recycled water use; however, consultant EKI has concluded District's current permit does cover indoor uses; individual dual-plumb site approvals will still need to be obtained through the Department of Public Health. General Manager asked the Board to consider pros and cons of indoor use in toilets at a policy level; staff recommends costs and risks outweigh potential benefits. Board consensus was to continue to pursue all legal and technically feasible recycled water uses.

#### 6.3.2 Draft Task Order and Budget Submitted by Kennedy/Jenks Consultants for Groundwater Management Program Services for Water Years 2009 and 2010.

General Manager McNiesh said District is at end of two-year groundwater management services agreement with Kennedy/Jenks Consultants; he would like to bring scope of work and budget back for Board approval for another two years of similar services. There was discussion by the Board regarding the necessity of an annual groundwater report, or if the District should have a report every other year; further discussion was referred to the committee.

#### 6.3.3 Possible New Well Sites

Assistant General Manager/Operations Manager O'Brien distributed copies of an aerial view of Hanson Quarry site property and answered questions of the Board.

#### 6.3.4 Pasatiempo Recycled Water Exchange Project

Director Miller requested that the following statement be read into the minutes:

“It is the stated goal of this Board that we will serve Pasatiempo Golf Course with their Irrigation needs as a high priority.

That plan excludes 60 potential local customers in favor of a commercial enterprise outside of our district. These excluded SVWD customers would consume almost 100,000 gpd (average day max month) of water according to the “Final Facilities Planning Report” that has been before the Board for the past two months.

While the project has many advantages, such as being a model water trade by optimizing conjunctive use, it also has issues that raise some concerns in my mind.

- The success of this project, for both Pasatiempo and Santa Cruz, is entirely dependent on continued drought. If water once again becomes plentiful in the San Lorenzo Valley it will be advantageous for Santa Cruz to supply water to the golf course. Then it could become a competition in water rates, which we would no doubt lose.
- It is not clear that we would be able to control the flow of effluent into the scalping plant versus the outfall line. Without this control point we lose all ability to manage the project.
- Many of our customers would consume potable water instead of the recycled water. This will continue the drain on the aquifer instead of reducing it. While we may use potable water from Santa Cruz in winter, the irrigation load in summer will higher. There has not been a discussion of this balance before the Board.
- Using our own recycled water reduces pumping at its peak. Trading water by seasons could work splendidly, but has not been tested so the results cannot be known. Certainly NOT pumping at Well#9 has not caused recovery. Recharge of any type is only effective if the water can be recovered.

I believe that we should encourage the exchange but with the condition that Scotts Valley customers are the first priority for recycled water and the effluent used for Pasatiempo. I respectfully ask the Board to consider this policy.”

General Manager McNiesh set future committee meeting dates.

## 7. STAFF REPORTS

### Item 7.1 Accounting/Customer Service Reports

Accounting Manager Catalano advised that the Board packet provides May financials along with select June reports; June close is in process and on schedule; answered Board questions.

### Item 7.2 Operational Reports

Assistant General Manager/Operations Manager O'Brien reported on events that happened this afternoon; a fire hydrant was hit and staff estimated 500,000 gallons lost; District could not shut down until after PG&E shut down electricity; related power problems were experienced at El Pueblo Water Treatment Plant and Well 10A; will get a police report and will pursue driver's insurance company for water losses and damage.

Item 7.3 General Manager's Report

General Manager McNiesh reported that the District's ad hoc negotiating committee, consisting of Directors Hodgkin and Perri, has met with City Council regarding recycled water cost-share agreement; General Manager McNiesh and City Manager also met subsequently on same issue.

General Manager McNiesh mentioned Grand Jury report regarding LAFCO and special districts; he will prepare District comment letter for Board's review.

General Manager McNiesh brought up the Aviza situation; superfund site treatment operations underway for many years; site consultant ARCADIS is proposing site closure; he will prepare District comment letter to EPA for Board's review.

Item 7.4 Attorney's Report:

Attorney Bosso advised that Grand Jury report's recommendations regarding bylaws and mission statements may apply to some districts, but not to county water districts such SVWD which operate under specified water code provisions.

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

9. MISCELLANEOUS CORRESPONDENCE:

Item 9.1 Letter Dated June 10, 2009, from State Water Resources Control Board Approving District's Facility Planning Report

Item 9.2 Memorandum Dated June 12, 2009 from Santa Cruz County LAFCO Conveying Election Results

Item 9.3 Letter Received June 19, 2009, from A. W. Beam Regarding District sBilling Schedule

General Manager McNiesh explained that this customer would like two meters; staff will write a letter to him and explain that his request is contrary to District policy.

10. CLOSED SESSION: None

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

12. ADJOURNMENT

Director Kassis moved, seconded by Director Miller, to adjourn at 10:10 pm.  
Motion carried unanimously.

Approved: August 13, 2009