

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
AUGUST 2, 2007**

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

1. CONVENE MEETING

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

Item 1.2 ROLL CALL

Present: Directors Kassis, Ferri, Kannegaard, Hober and Hodgin

Absent:

Item 1.3 Pledge of Allegiance and Invocation

Director Kassis led the Pledge of Allegiance and Invocation.

Item 1.4 Closed Session Report from Regular Board Meeting of July 12, 2007

General Manager McNiesh reported that the Board met at last month's meeting in closed session regarding District employee matters; staff was directed to prepare Resolutions Nos. 10-07 and 11-07, which appear on the Consent Agenda.

Item 1.5 Approval of Minutes of the Regular Board Meeting of July 12, 2007, and Santa Margarita Groundwater Basin Advisory Committee Meeting/Special Board Meeting of May 24, 2007.

General Manager McNiesh advised that Santa Margarita Groundwater Basin Advisory Committee Meeting minutes are not ready for approval yet.

Director Kassis moved, seconded by Director Hober, to approve minutes of the Regular Board Meeting of July 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: None

2. PUBLIC HEARING: None

3. CONSENT AGENDA:

Item 3.1 Approve Resolution No. 09-07, Authorizing Execution of Water Main Extension Agreement with Dene Bustichi Construction, Inc., to Serve Tree Circus Retail Development Project.

Item 3.2 Approve Resolution No. 10-07, Creating the Associate Engineering Position and Authorizing Execution of Memorandum of Understanding with Appointee to Fill this Position.

Item 3.3 Approve Resolution No. 11-07, Authorizing Merit Salary Increase for District Electrician.

General Manager McNiesh said Dene Bustichi, who was present as a member of the public, had requested removal of Item 3.1 from Consent Agenda.

Director Perri moved, seconded by Director Kassis, to approve the Consent Agenda, as amended, with Item 3.1 removed. Motion carried unanimously.

4. ITEMS REMOVED FROM CONSENT AGENDA:

Item 3.1 General Manager McNiesh advised the proposed resolution would approve a water main extension agreement to provide water service for Mr. Bustichi's Tree Circus project, which is located across Scotts Valley Drive from the SVWD office; Mr. Bustichi would like to discuss the fee related to this project; General Manager McNiesh provided staff's proposed revision of the draft main extension agreement presented in the Board packet. General Manager explained that the purpose of the fee is to defray District costs related to the development project; prior main extension agreements referenced a fee of 10% of estimated project capital value for small projects and 1% for large projects, without clearly specifying what differentiates a small from a large project; in this case, 10% (\$4,400) seems too high while 1% (\$440) seems too low; therefore, staff proposes 1% to cover general administrative costs plus the District's actual inspection costs.

Mr. Bustichi addressed the Board, stating that it appears in previous agreements 1% has been the norm; absent of clearly established rules, it appears they are being created today; asked General Manager McNiesh to clarify language in draft main extension agreement regarding reimbursement schedule and consumptive vs. non-consumptive services.

General Manager McNiesh explained that fire service fees are considered non-consumptive, whereas the potable and recycled services would be consumptive; reimbursement was shown in the draft agreement as "N/A" because staff thought Bustichi owned the adjacent property; as such, there would be no reimbursement potential related to the

development of that adjacent property. Mr. Bustichi informed the District that he does not own the adjacent parcel and requested the draft agreement be modified to allow for potential future reimbursement of a fair share of his main extension installation costs.

Director Perri moved, seconded by Director Kannegaard, to adopt Resolution 09-07 and approve main extension agreement, as amended, charging 1% of estimated project capital value as in the past, and modifying paragraph 7 to provide that reimbursement will apply with costs to be proportioned accurately between the current project and any future projects on adjacent property served by the new main. Motion carried with Director Kassis abstaining and Director Hober voting no.

General Manager McNiesh suggested that it would be useful to talk to Kennedy/Jenks, with Board's approval, about adding a small task to develop a comprehensive, well thought out policy regarding main extension agreements and, more generally, development project review; recommended the Board discuss this issue further under Item 6.2.1.

Director Kassis said he would like to be involved when staff meets with Kennedy/Jenks.

5. DIRECTOR'S AGENDA ITEMS

Item 5.1 Individual Director Reports

President Hodgkin congratulated Colin Smith on achieving state certification as a civil engineer and Luke Gelin for obtaining his Water Treatment Operator T1 certification; advised that August 28th is the 46th anniversary of SVWD; asked Assistant General Manager O'Brien to discuss during his report the increasing number of system leaks.

Item 5.2 ACWA Update

5.2.1 ACWA 2007 Fall Conference November 27-30, Indian Wells

Directors Hodgkin, Hober, Perri, and Kassis indicated their plans to attend.

5.2.2 Nominations for Next ACWA President and Vice-President

None.

5.2.3 Nominations for ACWA Representative to Serve on National Water Resources Association Board of Directors

Director Kassis said he would like to see the application and then decide if he would like to be considered for nomination. President Hodgkin said the Board could authorize preparation of a resolution. General Manager McNiesh noted the deadline for nominations would be before the next meeting, so a decision would be required today. After discussion by the

Board, it was decided not to move forward with a nomination at this time.

5.2.4 “The Time Is Now” Campaign to Support Comprehensive Package of Water Investments

General Manager McNiesh said page 5.2-9 of agenda packet explains steps of “The Time is Now” campaign; step 1 was taken in May, when the Board passed a resolution supporting the campaign; this resolution included reference to coastal needs, where ACWA-proposed resolution focuses on Delta and statewide water systems; Board agreed on importance of continuing to emphasize coastal issues; concurred to continue with list of steps suggested by ACWA.

Item 5.3 Anticipated Directors’ Expenses

Director Hodgins said he would attend Regional Water Quality Control Board meeting at no expense to the District August 23rd; also ACWA Region 5 reception and meeting in Cambria, September 16 & 17th.

6. COMMITTEE REPORTS

Item 6.1 Business Administration Committee

6.1.1. Discuss Draft Fiscal Year 2007-2008 Operating and Maintenance Expense Budget

General Manager McNiesh advised there was a committee meeting Monday, July 30th, where the budget was discussed conceptually; another committee meeting is scheduled for September 5th to discuss revenue and expense portions of the budget; at the Board meeting of September 13th there will be a copy of complete budget but not financial model; Accounting Manager Catalano will work on financial model the following week; meanwhile the audit process will be taking place; final budget is to be presented at November 8th Board meeting.

6.1.2 Receive and Discuss Social Security Project Findings

General Manager McNiesh reported consultant Randy Reynolds has completed first round of interpretations; no easy answer to problem; some employees will be negatively affected if District goes off Social Security; some employees will benefit; next steps will be to determine the range of individual employee impacts and move forward with best possible solution for all.

President Hodgins suggested General Manager McNiesh contact ACWA to see if there is someone familiar with this issue, such as an attorney that the General Manager could call for advice on this issue.

Item 6.2 Water Resources Committee

6.2.1 Consider Approval of Groundwater Program Consultant Scope of Work and Budget

General Manager McNiesh reported regarding Kennedy/Jenks scope of work and budget; staff and the consultant had agreed on a revised scope of work budgeted at \$298,000 plus \$25,000 in contingency funding; Board had previously authorized staff to move forward if a budget within \$300,000 could be negotiated; staff recommended providing the contingency funding, but acknowledged that the Board could stay within the original authorization by eliminating it.

Board agreed to approve without the \$25,000 contingency; Kennedy Jenks would have to come back for an additional approval after reaching \$298,000, if necessary.

Following up on the discussion at Item 3.1, General Manager McNiesh said he would like the Board to consider approving an additional task to the Kennedy/Jenks scope of work that would increase the budget above \$300,000; new task would be to help District implement a standardized process for reviewing and approving development project proposals, for improving coordination with the City Planning Department, and for fully recovering related District costs; Board concurred that General Manager may consult with Kennedy/Jenks to obtain a cost estimate for this task and bring this matter to the Board at its next meeting for consideration.

Item 6.2.2 Discuss Proposed Ordinance Revising Current Water Conservation Rebates

General Manager McNiesh reported: Cliff Barrett from City Council also attended committee meeting; committee discussed revising and updating current District credits for low water use fixtures; information for discussion was developed by Jessica Perak, UCSC intern assisting the District with its website and water conservation programs; existing ordinance gives \$100 credit for 1.6 gallons per flush (gpf) low flow toilets, which are now standard, with no extra credit for going to a high efficiency toilet (HET) using 1.3 gpf or less; recommend \$200 credit for replacing old water toilet with HET, \$100 credit for going from 1.6 gpf model to HET; recommend \$100 credit for going to high efficiency urinal using 0.6 gpf or less, \$200 credit for going to waterless urinal; recommend no change in current \$100 high efficiency washing machine credit; recommend 25% cost of replacement for broken sprinkler heads, maximum \$5 per sprinkler head and \$50 total; to qualify for conservation credits an application must be completed and provide receipt for materials only, no labor costs reimbursed; staff would like to move forward with an ordinance, scheduled for consideration in October; City Council will consider a parallel ordinance about the same time which would require high efficiency toilets and urinals in new construction, retrofitting with these fixtures at resale of property, and requiring dual plumbing in new residential for gray water and new commercial for recycled water.

The Board suggested adding “up to” before the amount of the credit; the person has to show a receipt and is only reimbursed the amount of receipt up to the credit amount; delete provision regarding credit for replacing sprinkler heads.

General Manager McNiesh said this will be reviewed at the September meeting with possible public hearing and adoption in October.

General Manager McNiesh added staff would like to send out insert on water saving tips with next water bill. An insert promoting the new credits would be distributed with the following water bill.

Item 6.3 Facilities Engineering Committee

6.3.1 Discuss Draft Fiscal Years 2007-2012 Capital Facilities Plan Budget

General Manager McNiesh reported intention to have Capital Facilities Plan Budget at September meeting; both committees’ budget items will come together at September meeting.

6.3.2 Discuss Recycled Water Project Expansion Opportunities

General Manager McNiesh reported on the proposed Pasatiempo Golf Course project; Santa Cruz City Council agenda for September 11th will include this issue; City staff is recommending working with SVWD to explore project feasibility; Pasatiempo representatives continue to express interest; also reported that Director Hodgkin met with Valley Gardens owner about potential recycled water use at that site.

Director Hodgkin reported on this meeting; the owner states no objection to using recycled water, but is reluctant to make commitment because of uncertainty regarding potential property development; it was a positive meeting.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

Accounting Manager Catalano said the Board would have the rest of the financials for FY 2006-07 next month; could not include July information because of rescheduling of August meeting earlier in the month; answered questions of the Board.

Item 7.2 Operational Reports

Assistant General Manager O’Brien reported District experienced a high number of system leaks last month; provided detail on repair on Mt. Hermon Road near PG&E facility; staff will be tracking system leaks more closely to look toward main replacements for the future; would also like to use hydraulic model to identify needed pressure-regulating stations to maintain better control of pressure to create less stress on pipes; inter-tie

with San Lorenzo Valley Water District was used to deliver water to SLVWD for emergency use; Department of Health Services personnel made site visit at Well 10A on July 19th; District got verbal approval to begin using the new well; written approval still needed.

Item 7.3 General Manager's Report

General Manager McNiesh reviewed background related to Miscellaneous Correspondence Item 9.3; advised that there is no need for the Board to go into closed session at Item 10.

Item 7.4 Attorney's Report: None

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

9. MISCELLANEOUS CORRESPONDENCE:

Item 9.1 California Urban Water Conservation Council (CUWCC) Letter
Dated June 29, 2007, Re: CUWCC Membership

Item 9.2 ACWA Letters Dated July 1, 2007 and July 11, 2008, re: Phase II of
the "California's Water" PBS Series

Item 9.3 USGS Letter to County Water Advisory Commission Dated July 24,
2007, re: Funding of Bean Creek and Carbonera Creek Stream gages

10. CLOSED SESSION: None.

- a. Closed Session Pursuant to Government Code Section 54957.6 Conference with
Labor Negotiator
Agency Designated Representative: General Manager
Employee Organization: SVWD Employee Organization

11. REPORT AND ACTION ON CLOSED SESSION ITEMS: None.

12. ADJOURNMENT

Director Kassis moved, seconded by Director Perri, to adjourn the meeting at 9:39
p.m. Motion carried unanimously.

Respectfully submitted,

Deborah L. Hazen, District Secretary

Approved: _____