

**SCOTTS VALLEY WATER DISTRICT  
MINUTES OF THE  
REGULAR BOARD MEETING  
AUGUST 13, 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, Hodgin, Kannegaard and Perri

Absent: Directors None

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 Regular Board Meeting of July 16, 2009.

Director Kassis moved, seconded by Director Hodgin, to approve minutes from the Regular Board Meeting of July 16, 2009, as presented. Motion carried unanimously.

ADDITIONS/DELETIONS TO THE REGULAR AGENDA: None

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA: None

2. PUBLIC HEARING AND PRESENTATIONS:

Item 2.1 Public Hearing: First Reading of Draft Ordinance No. 150-09 Establishing Penalties for Violating Water Conservation Restrictions

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

General Manager McNiesh advised that there are public in attendance in regard to Item 6.3.1 and 6.3.2, Facilities Engineering Committee issues. The Board decided to take those items first.

Director Hodgin advised that he would not be participating in the discussion or vote of these two items, due to conflict of interest, as he lives in Montevalle.

Item 6.3.1 Consider Adoption of Resolution No. 17-09, Approving Addendum to the Existing Categorical Exemption for “Recycled Water Extension” Project for Construction Activities in and Along Hacienda Drive, Victor Square, and Bean Creek Road in Scotts Valley

General Manager McNiesh advised that the proposed action is to approve an addendum to a CEQA Categorical Exemption that the Board approved earlier this year. The addendum would allow for additional construction in Bean Creek Road from the current recycled water main construction termination point to Montevalle.

David Guzman, managing agent of Hidden Oaks HOA, addressed the Board stating that he just became aware of this potential project yesterday. On behalf of the HOA, he expressed great interest in converting the Hidden Oaks landscape to recycled water and encouraged the Board to extend the Bean Creek main as proposed, which would allow for future service to Hidden Oaks.

Charles Johnson, Chairman of Parks Services Committee, Montevalle, addressed the Board in support of constructing a Bean Creek recycled water extension and urged approval of the CEQA addendum.

Jen Isola, Chair of the Hidden Oaks HOA Landscape Committee, informed the Board her committee supports using recycled water and seeks to reduce overall water use as well.

Director Miller moved, seconded by Director Kassis, to adopt Resolution No. 17-09 Approving Addendum to Existing Categorical Exemption for “Recycled Water Extension” Project for Construction Activities in and Along Hacienda Drive, Victor Square, and Bean Creek Road in Scotts Valley. Motion carried by roll call vote: Ayes Directors Kannegaard, Kassis, Miller and Perri; Abstain Director Hodgin.

Item 6.3.2 Consider Approval of Change Orders to McGuire and Hester Construction Contract to Extend New Bean Creek Recycled Main Beyond Current Termination Point

General Manager McNiesh advised that bid price from the contractor was substantially lower than the engineer’s estimate, presumably due to the overall economic climate; relatively low current construction costs suggest continuing work further down Bean Creek Road is worth considering while the contractor remains mobilized on the current job; one potential question is if there are interested potential customers that would be served; tonight’s meeting turnout shows that there are; he distributed cost sheet to Board members and explained options to construct to intersection with Bluebonnet Lane or go further to Montevalle; said District has worked with and has had good experience with contractor; the previously approved construction at

\$355,000 will be grant funded; can't guarantee the new work would also be grant funded, but did receive a preliminary "yes" this afternoon from the state grant funding agency; he went over the pros and cons, including backflow issues.

Assistant General Manager/Operations Manager O'Brien addressed the Board with other pros to the project and summarized potential cost savings.

Charles Johnson addressed the Board thanking the District for its quick response to the recent earth slide emergency at Monteville; he supports extending the recycled main to Monteville; advised that Monteville can't make a definite commitment until the budget process is complete; Monteville has its own well; owners don't want to use potable water for irrigation; he estimates they pump approximately two million gallons per year.

Dane Rasmussen, Hidden Oaks HOA President, addressed the Board asking about the cost for reclaimed water from SVWD. Board members and staff answered this question and other questions of the audience.

Director Miller moved, seconded by Director Kassis, to approve the McGuire and Hester change order to extend the Bean Creek Road recycled main to Monteville. Motion carried by roll call vote: Ayes Directors Kannegaard, Kassis, Miller and Perri; Abstain Director Hodgin.

Item 2.1 The Board continued discussion on Draft Ordinance No. 150-09 Establishing Penalties for Violating Water Conservation Restrictions

General Manager McNiesh distributed a revised draft ordinance and advised what the changes are between the two versions; main change is an addition; revised draft ordinance includes proposed increases in fees for reconnecting a meter service after a lock-off for non-payment and for performing a customer-requested meter test; the proposed new fees reflect current labor rates; he said there have been a few more lock-offs recently because of people not paying their bill; District has to send someone out to reconnect; currently the District charges \$20 for reconnection, that would change to \$50, which covers one hour labor during business hours; the fee would be raised from \$35 to \$200 for after hours, which covers a minimum of 2 hours overtime; he advised this item was discussed last month, has been discussed multiple times at Water Resources Committee, is now on the agenda for a first reading tonight, with possible adoption at the September Board meeting.

Director Hodgin suggested adding in paragraph under "Section 9.4" the word "calendar" before "year".

There was discussion by the Board regarding the flow restrictor and conditions of fifth offense. The Board agreed to delete the part in the ordinance about the flow restrictor and add to "Fifth offense" "or subsequent", with the result that the fifth and each subsequent offense would be subject to a \$500 fine.

Director Miller moved to amend and publish the revised draft Ordinance No. 150-09, with Section 9.4 incorporating “in a given calendar year”, changing “Fifth offense” to “Fifth and subsequent offenses”, and removing “and installation of a flow restrictor at customer’s expense”. Director Hodgin seconded the motion. Motion carried with Director Kassis abstaining.

Director Kassis said that before the Board takes action, the District should notify the public that it is considering an ordinance; notification should be more than just the legal notice in the newspaper.

Jen Isola from Hidden Oaks HOA encouraged the Board to include a notice in the water bill, not just in the newspaper, as not all customers might read the paper.

3. CONSENT AGENDA:

Item 3.1 Authorize and Direct General Manager to Execute Two-Year Extension of Groundwater Management Program Service Agreement with Kennedy/Jenks Consultants for Cost Not to Exceed \$180,000 Based on Task Order Dated July 8, 2009

Item 3.2 Approve Letter to Santa Cruz County LAFCO Providing District Comments on “Who Is Watching Our Special Districts?” Section of 2008-2009 Santa Cruz County Grand Jury Final Report

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

4. ITEMS REMOVED FROM CONSENT AGENDA: None

5. DIRECTOR’S AGENDA ITEMS

Item 5.1 Individual Director Reports

5.1.1 Director Hodgin Letter Regarding Groundwater Softening Demonstration Project

Director Hodgin addressed the Board stating that he had visited interesting water softening project at ACWA Region 5 event; had brought back some samples of the softening media and given them to General Manager McNiesh and Assistant General Manager/Operations Manager O’Brien; he observed how much he personally spends on water softening; recommends the District consider such a project for improving local water quality.

Item 5.2 ACWA Update: None

Item 5.3 Anticipated Directors’ Expenses: None

Item 5.4 Board Priority List: None

6. COMMITTEE REPORTS:

Item 6.1 Business Administration Committee

6.1.1 State Proposition 1A Borrowing of Property Tax Revenue

General Manager McNiesh reported fairly good outcome compared to potential alternatives; State may borrow up to 8% of District's property tax revenue, and possibly up to 10% if certain circumstances play out; District is currently budgeting \$657,000 for property tax revenue; in comparison, the current year budget for potable water sales revenues is approximately \$3.8 million.

6.1.2 Possible Water Rate Adjustments

General Manager McNiesh advised that this is important to look at since the District's three-year rate ordinance is coming to an end; District's adopted budget provides for limited future rate increases, approximately at rate of inflation.

6.1.3 Water Replenishment Impact Fee Study

General Manager McNiesh said that the consultant Bartle Wells is making progress on this project. A draft report is expected in August or September.

Donna Lind, City Councilmember, addressed the Board regarding an email on Senate Bill 211 she sent to President Perri.

6.1.4 Customer Billing Corrections

General Manager McNiesh presented a chart labeled "Billing Errors Summary"; explained that there are several more meters involved; Scotts Valley Hilton actually has two affected meters; Scotts Valley Best Western has a new owner, which complicates the matter; he also presented fiscal implications of limiting recovery to various time periods as compared against the legal maximum of four years.

There was discussion by the Board and questions asked of the General Manager.

General Manager McNiesh suggested starting with just communicating with the customers, giving the information to them, not necessarily in a bill form requesting payment; he has discussed it with some of the customers; he urged not to prematurely put it in the form of a bill.

President Perri said that personal contact is important and that information in writing be hand-delivered.

General Manager McNiesh said that he either has or will have a discussion with all people on the list before they receive their corrected bill.

Assistant General Manager/Operations Manager O'Brien said staff is scrutinizing bills for customers with problem meters, and double-checking that the amount is correct.

Director Hodgins said he hopes that as people are being contacted they are being told that they will be receiving a bill in the future. Director Miller said he would like to see the amount of water being sold versus the amount being pumped balance. Assistant General Manager/Operations Manager O'Brien said he has to send water loss reports periodically to Department of Public Health.

Item 6.2 Water Resources Committee

President Perri handed the gavel over to Vice President Kannegaard, due to conflict of interest in this item.

Attorney Bosso explained that Director Perri could not take part in Board discussion on this item, but could address the Board on his own behalf as a private citizen.

6.2.1 Consider Adoption of Resolution No. 16-09 Approving Main Extension Agreement for the Meadow at Falcon Ridge Project

General Manager McNiesh explained that this agreement is between SVWD and Chris Perri; the resolution would authorize the attached main extension agreement, which still needs a few technical details to be filled in.

Chris Perri said he has done these agreements with SVWD in the past and this is a more professional agreement.

Director Hodgins suggested at the bottom of the first page of the agreement, instead of the last phrase being "and four (4) fire hydrants", to start a new sentence so the last sentence on first page is "Project shall require four fire hydrants."

General Manager McNiesh advised that Section 5 on fees is consistent with the District's current ordinance. He advised that the proposed action is to adopt Resolution No. 16-09 authorizing execution of the proposed main extension agreement.

Director Hodgins moved, seconded by Director Miller, to adopt Resolution No. 16-09. Motion carried by roll call vote: Ayes Directors Hodgins, Kannegaard, Kassis and Miller; Absent Director Perri.

Vice President Kannegaard turned the gavel back over to President Perri who returned to the podium.

Item 6.3 Facilities Engineering Committee

Items 6.3.1 and 6.3.2 were considered earlier in the agenda.

6.3.3 Consider Authorizing Kennedy/Jenks Consultants to Prepare Engineering Feasibility Report for Pasatiempo Recycled Water Exchange Project for Cost Not to Exceed \$50,000, with Half of Report Cost to be Reimbursed by Pasatiempo Golf Club

General Manager McNiesh encouraged the Board to go forward with this project, stating that the necessary information required of Pasatiempo has been received, and the golf course is willing to share the cost 50/50. General Manager McNiesh advised that the motion should include two items; one item is approval of Kennedy/Jenks (K/J) agreement not to exceed \$50,000; second is written agreement with Pasatiempo that they are willing to split the cost 50/50.

Director Miller said the K/J proposal is written to SVWD; he thinks the agreement should be between City of Santa Cruz, SVWD and Pasatiempo, so he will vote against it.

Director Hodgkin moved to approve the K/J agreement at a not-to-exceed amount of \$50,000, with a \$25,000 limit of investment by SVWD and a written agreement with Pasatiempo that they will pay 50% of costs up to \$25,000.

Motion carried by roll call vote, with Director Kassis voting “aye”, Director Miller “no” reading a statement as to why, and Directors Hodgkin, Kannegaard, and Perri voting “aye”.

Director Miller said that he is voting no because “1. Nothing in the proposal requires payment from Pasatiempo. 2. SVWD is operating in a neighboring water district. Without specific agreements this may violate State law. 3. There is no “buy-in” from Pasatiempo’s water purveyor even though the study will recommend mixing recycled and potable water from SCWD. 4. The ultimate responsibility for the technical operation of the plant appears to rest with SVWD, even though we have little experience in this area. 5. We are supplying data for this study without a firm knowledge of its accuracy.”

President Perri stated that, with all due respect to Director Miller, he thought many of Director Miller’s stated reasons for voting “no” were addressed and answered in the discussion leading up to the vote, especially regarding cost sharing, possible violation of state law in serving Pasatiempo, and whether the District would take responsibility of operation of the plant.

Director Hodgkin said that on page 6.3.3 of approved Resolution No. 17-09, there is a minor change, in the 4th whereas, 3<sup>rd</sup> line, change “be with the one mile” to “be within the one mile”.

Item 6.4 Executive Committee

6.4.1 Consider Approval of Salary and Benefit Changes for Employees Not Represented by Employees Organization

General Manager McNiesh reported that Executive Committee Meeting had discussed this matter; four employees are under contract – General Manager McNiesh, Assistant General Manager/Operations Manager O'Brien, Accounting Manager Catalano, and Associate Engineer Smith; anniversary dates for latter are Sept. 15<sup>th</sup> and August 3<sup>rd</sup>, respectively; both employees recognize this is not best year to seek a salary increase; therefore do not seek any salary adjustment this year, but do seek additional management leave. General Manager McNiesh recommends this request is reasonable; both work extra hours frequently and are not eligible for overtime; more specifically recommends each get additional three days of management leave; this would increase Associate Engineer's management leave from zero to three days, Accounting Manager's from three to six days. General Manager McNiesh also recommends salary increases for two at-will employees, Water Conservation Coordinator from \$20 to \$24 and Water Conservation Intern from \$9 to \$14; Water Conservation Intern would also work more hours and begin to learn the recycled water program; all recommendations were well received by the Executive Committee.

Director Kannegaard moved, seconded by Director Miller, to accept proposal by General Manager McNiesh and increase management leave days for Accounting Manger and Associate Engineer by 3 days each and increase salary of Water Conservation Coordinator from \$20 to \$24 per hour and Water Conservation Intern from \$9 to 14 dollars per hour. Motion carried unanimously.

## 7. STAFF REPORTS

### Item 7.1 Accounting/Customer Service Reports

Accounting Manager Catalano advised that work on year-end audit is progressing on schedule; monthly close statements will be included once the year-end audit is complete; other financial reports are in the agenda packet.

### Item 7.2 Operational Reports

Assistant General Manager/Operations Manager O'Brien reported that the first phase of the recycled main construction project in Bean Creek Road is just about complete; last pipe will be delivered tomorrow.

### Item 7.3 General Manager's Report

General Manager McNiesh reported regarding status of the grant application submitted to US Bureau of Reclamation along with Santa Cruz County, Santa Cruz City, San Lorenzo Valley Water District and Soquel Creek Water District to plan for system inter-ties; unfortunately, the grant application was not successful.

### Item 7.4 Attorney's Report:

Attorney Bosso advised that there is no litigation to report; he is researching baseline water requirements with CEQA attorney in Sacramento in regard to well users who are concerned that converting to recycled water may impair their later ability to subdivide and develop their property; will report back on this topic at the Board's next meeting.

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

Director Hodgins advised that he went to ACWA conference and brought back T-shirts, fans, and other gifts and distributed them to staff.

9. MISCELLANEOUS CORRESPONDENCE:

Item 9.1 Letter Dated July 14, 2009, from SC County Treasurer Regarding Vacancy on the County Treasury Oversight Commission

10. CLOSED SESSION: None

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

12. ADJOURNMENT

Director Kassis moved, seconded by Director Kannegaard, to adjourn at 9:55 pm. Motion carried unanimously.

Approved: September 10, 2009