

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
AUGUST 20, 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 7:10 p.m.

ROLL CALL

Present: Directors Perri, Kassis, Hodgin, and Hober

Absent: Directors Kannegaard

President Hober advised that Director Kannegaard had made it known that he would be unable to attend tonight's meeting.

Item 1.2 Pledge of Allegiance and Invocation

Director Kassis led the Pledge of Allegiance and Invocation.

Item 1.3 Closed Session Report:

Attorney Bosso advised that the Board met in closed session and agreed to present a proposal to the Employees Organization.

Item 1.4 Approval of Minutes from the Regular and Special Board Meetings of July 16, 2008.

Director Hodgin moved, seconded by Director Kassis, to approve minutes of the Regular and Special Board Meetings of July 16, 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:

President Hober welcomed Dale Kassler, a member of the public, who stated that he had spoken with General Manager McNiesh and just wanted to attend a meeting and may address the Board at a future meeting.

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA: None

2. STAFF PRESENTATION: DRAFT BUDGET FOR FISCAL YEAR 2008-2009

General Manager McNiesh said the draft budget was prepared and was to be reviewed at the Business Administration Committee meeting yesterday, but the committee did not meet; objectives today are to provide summary information and receive direction on preparation of final budget; Business Administration Committee members previously received copies of draft budget and tonight other Board members have been given copies. General Manager presented slides showing draft budget highlights, budget assumptions, impact on District reserve funds; recommended revising the Capital Facilities Plan (CFP) component of the draft budget to lower expenses and maintain adequate reserves; proposed postponing construction of a second new well previously planned for the current five-year CFP cycle; advised that with this change or similar change District could maintain adequate reserves and keep future rate increases at approximately the rate of inflation; staff will prepare revised draft CFP budget for Facilities Engineering Committee's review and overall budget for Business Administration Committee's review.

3. CONSENT AGENDA:

- Item 3.1 Approve Expenditure of up to \$10,000.00 for Water Rights Special Counsel Services Provided by Scott Shapiro of Downey Brand Attorneys LLP

General Manager McNiesh reported regarding status of Pasatiempo Water Conservation Initiative project; advised that resolving City of Santa Cruz water rights issue was key to moving forward on the project; reported that he and Director Perri had met for discussion with City staff; the purposes of hiring this attorney are to serve as a catalyst to help move the City process along and also to provide objective feedback to the District about the process.

Attorney Bob Bosso advised that water rights law is a highly specialized field; Downey Brand is a prominent, respected firm; he has worked previously with Mr. Shapiro and recommends him.

Director Hodgin moved, seconded by Director Perri, to approve Consent Agenda, as presented. Motion carried unanimously, with Director Kannegaard being absent.

4. ITEMS REMOVED FROM CONSENT AGENDA: None

5. DIRECTOR'S AGENDA ITEMS

- Item 5.1 Individual Director Reports:

Director Hodgin reported that July 24-25 he attended ACWA Board meeting in Sacramento to review ACWA's draft strategic plan for the

next 5 years; he and others had prevailed in getting agreement to reduce charges for smaller water agencies substantially; last Monday he spent a day in the forest hills around Scotts Valley as part of Focus Agriculture program, visited upper reaches of Soquel Creek and observed logging practices used to protect water quality; on September 18-19 he will attend the ACWA Region 5 meeting in Half Moon Bay; observed that this looks like an interesting session and urged other Board members to attend.

Item 5.2 ACWA Update: None

Item 5.3 Anticipated Directors' Expenses: None

Item 5.4 Board Priority List

President Hober said she would like at the Board's next meeting to have committees report back to the Board on their progress regarding the Board Priority List.

6. COMMITTEE REPORTS:

Item 6.1 Business Administration Committee

6.1.1 Audit Process Update

Accounting Manager Catalano reported that the District's outside auditor, Berger/Lewis, concluded field work today; no major issues were identified.

6.1.2 Investment of Cash Reserves

General Manager McNiesh advised that the District's \$4.3 million reserves are currently invested roughly half with the Local Agency Investment Fund (LAIF) and half in a collateralized account at Wells Fargo Bank; recently the interest rate has been significantly higher at Wells Fargo than at LAIF; District's investment policy is to limit the Wells Fargo balance to no more than 50% of total reserves; the question is does the Board want to modify this policy to take advantage of the difference in interest rates.

Director Hodgkin suggested looking at this question more broadly; recommended looking at fixed term and other investment options with higher yield; proposed further review at the Business Administration Committee level.

Item 6.2 Water Resources Committee

No discussion, as the committee has not met since the last Board meeting.

Item 6.3 Facilities Engineering Committee

No discussion, as the committee has not met since the last Board meeting.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

There were no questions by Board members regarding the materials presented in the Board packet.

Item 7.2 Operational Reports

Assistant General Manager/Operations Manager O'Brien reported regarding the annual employee recognition event in December; employee preference is Peachwood's, where event was held last two years. There was discussion by the Board regarding the best date; the preferred date was tentatively set as December 19th.

Item 7.3 General Manager's Report

General Manager McNiesh reported the District's application for a 2008 Urban Drought Assistance grant had been recommended by the California Department of Water Resources (DWR) for funding; application process timeline was very short; District had only three weeks to respond; Kennedy/Jenks assisted District staff with the submittal. Formal awards still need to be made, but District ranked high on DWR's list of recommendations; grant amount of \$123,926 would be used for a leak analysis of the District's delivery system, testing production meters for accuracy, landscape water conservation incentives, and purchasing software to manage required reporting to California Urban Water Conservation Council (CUWCC); no district funds will be needed to match grant amounts; grant contract expected to be in place by end of year with two years for implementation; commended staff for hard work to get grant.

Item 7.4 Attorney's Report:

Attorney Bosso reported regarding a new Crown Castle easement agreement; Crown Castle agreed to pay \$8,000 per year for first 5 years; upon renewal after each five years, the lease amount is to be adjusted based on Consumer Price Index; the new terms are substantially more favorable than previous terms. He informed the Board he will be attending the ACWA legal conference September 10th-11th; will therefore miss the September Board meeting; will arrange for substitute counsel.

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

President Hober suggested scheduling future committee meetings. The following meetings were scheduled: Facilities Engineering Committee, August 27th at 4:00 p.m.; Business Administration Committee, September 3rd at 4:00 p.m.; Water Resources Committee, September 2nd at 4:00 p.m.

9. MISCELLANEOUS CORRESPONDENCE: None

10. CLOSED SESSION:

The Board went in to Closed Session at 8:20 p.m. with General Manager McNiesh and Attorney Bosso in attendance.

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. CLOSED SESSION REPORT: None

12. ADJOURNMENT

Upon Board's returned from Closed Session, Director Hodgins moved to adjourn, seconded by Director Kassis. President Hober adjourned the meeting at 8:45 p.m.

Respectfully submitted,

Deborah L. Hazen, District Secretary

Approved: _____