

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
SEPTEMBER 10, 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 August 13, 2009

President Perri advised that there are revised minutes for the Board's consideration. General Manager McNiesh described that the proposed changes were to accurately identify public members who had spoken and to clarify the outcome of roll call votes, as requested by Director Miller.

Director Miller moved, seconded by Director Hodgin, to approve revised minutes from the Regular Board Meeting of August 13, 2009, as presented. Motion carried unanimously.

ADDITIONS/DELETIONS TO THE REGULAR AGENDA: None

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA:

Ran Bendori addressed the Board regarding his request that the District approve his toilet retrofit device for eligibility for District water conservation rebates; referred to and disputed information on similar devices distributed by the California Urban Water Conservation Council (CUWCC); expressed his view that the CUWCC is not objective in its testing and approval of devices; and acknowledged Michael Eggleston, General Manager of Lompico County Water District, who was also

present in the audience and had installed the device in his home with excellent results.

General Manager McNiesh recapped the District's response to Mr. Bendori's earlier request on this subject, noting that District staff had been directed to assist getting the device independently tested and, if such testing was not possible, then the Board might reconsider the matter under those circumstances; District staff was informed that the CUWCC was just now initiating a test of similar toilet retrofit devices; Mr. Bendori was advised of the opportunity to participate in this independent testing and apparently elected not to do so; staff recommends no change in the District's position, i.e. the device should not be made eligible for rebates until it receives approval based on CUWCC or other similar independent testing.

After discussion by the Board, President Perri advised this item is not on the agenda for detailed consideration or action. The Board decided to refer this item to the Facilities Engineering Committee and put it on a future Board agenda for further discussion.

2. PUBLIC HEARING AND PRESENTATIONS:

Item 2.1 Public Hearing: Consider Adoption of Ordinance No. 150-09 Establishing Penalties for Violation of Water Conservation Restrictions and Revising Certain Charges for Water Meter Service Calls

President Perri opened the public hearing and asked if anyone was present to address the Board on this item.

Susan Olsen identified herself and asked a question about the proposed fines. President Perri advised that the reason for establishing fines was to encourage conservation and not to be punitive.

President Perri then closed the public hearing.

General Manager McNiesh advised that the District received an email from Eric Erickson, and read the email. He also said the District received one phone call from Katherine O'Kelly saying she can't come to the public hearing but gave her comments; the District received an anonymous call from a shopping center owner asking who would get the fine if there was a tenant and landlord.

Director Kassis suggested putting an article in the newspaper several times to inform the public about the importance of water conservation and protecting the aquifer.

Director Hodgkin moved, seconded by Director Perri, to adopt Ordinance No. 150-09 Establishing Penalties for Violation of Water Conservation Restrictions and Revising Certain Charges for Water Meter Service Calls. Motion carried by roll call vote with Directors Kassis, Miller, Hodgkin, Kannegaard, and Perri voting "aye".

- Item 2.2 Presentation: Receive Overview Presentation on ACWA/JPIA from Chief Financial and Operations Officer Andy Sells.

Andy Sells gave a power point presentation regarding “What is the ACWA/JPIA?”; explained that ACWA/JPIA is a partnership of water agencies formed to provide mutual insurance coverage, governed by a Board of Directors. He went over the services of JPIA, including that JPIA costs less than commercially available insurance, provides broader coverage, and is member controlled. He answered questions of the Board and staff. The Board thanked him for his presentation.

3. CONSENT AGENDA:

- Item 3.1 Approve Progress Payment No. 1 in Amount of \$143,195 to McGuire and Hester for Partial Construction of Recycled Water Distribution System Extension Projects

- Item 3.2 Receive Fiscal Year 2008-2009 Disclosure Statement of Employee Reimbursement Expenses

Director Miller moved, seconded by Director Kassis, 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

Director Hodgkin said he will be attending an ACWA board meeting, a three day event, the 23rd, 24th, and 25th later this month. He also advised that there will be an ACWA Region 5 meeting October 1st and 2nd in Walnut Creek; main topic will be Delta water issues.

Director Kassis requested to be notified of meetings; General Manager McNiesh said he would give him a call.

- Item 5.2 ACWA Update:

- 5.2.1 Region 5 Election for 2010-2011 Term

General Manager McNiesh reported that officers have two-year terms and an election is coming up; Director Hodgkin has been recommended to serve as the Region 5 Chair; September 30 is the deadline to vote; each Region 5 member agency has one vote.

Director Miller moved, seconded by Director Perri, to cast the District’s vote for the Region 5 recommended slate, including David Hodgkin as Chair. Motion carried with Director Hodgkin abstaining.

5.2.2 Committee Appointment Nominees for 2010-2011 Term

General Manager McNiesh said Director Kassis has served on ACWA's Water Resources Committee for a few years, and Directors Hober, Hodgins, and he have previously served on committees; he advised that there is opportunity for other Board members to serve on one of the ACWA committees if they are interested in doing so. Director Kassis said he would like to continue to serve on the Water Resources Committee.

5.2.3 Candidates for ACWA Vice President for 2010-2011 Term

General Manager McNiesh said District does not have to vote yet; voting will probably take place in November. Director Hodgins said both candidates seem to be highly qualified and knowledgeable.

5.2.4 National Water Resources Association Election for 2010-2011 Term

No discussion.

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 Consider Approval of Adjustment in General Counsel's Monthly Retainer Fee

General Manager McNiesh reported that the committee discussed and was supportive of this change; explained that the proposed change in retainer amount reflects Attorney Bosso's actual time spent working on District issues; advised that staff recommends approval. Director Hodgins concurred that the committee reviewed and recommended the change.

Director Hodgins moved, seconded by Director Kannegaard, to approve adjustment in General Counsel's monthly retainer fee. Motion carried unanimously.

6.1.2 Possible Water Rate Adjustments

General Manager McNiesh reported what the budget shows for rate increases for next three years; committee discussed adopting a three-year rate increase; even if first year is 0%, as recommended, District still has to go through the Prop 218 process; Prop 1A borrowing will change this year's budget; customer billing corrections result in a 4% annual revenue increase; committee expressed interest in keeping rate increases low for low water users, lessening the amount of water used to get to the next tier in the higher tiers, and considering different rates for commercial v. residential users.

Director Hodgin said not all commercial customers would automatically get a special rate, as they would have to apply for it.

Staff was directed to come back to the next meeting with ideas for a new ordinance, with the goal to get to 6% increase over three years and restructure tiers as discussed.

6.1.3 Water Replenishment Impact Fee Study

General Manager McNiesh explained that the project consultant, Bartle Wells Associates, had completed its initial analysis to set the District's water replenishment impact fee and connection fee amounts based on actual District expenditures and projected future expenditures; showed overhead slides summarizing the consultant's data; requested Board input on whether the consultant's assumptions seemed reasonable.

Director Miller asked a number of questions, to which General Manager McNiesh responded. The Board directed staff to have the consultant proceed with preparing proposed final recommendations for Facility Engineering Committee review and subsequent Board consideration.

6.1.4 Customer Billing Corrections

General Manager McNiesh said total amount under-billed for past four years amounts to about \$565,000; which amounts to about a 4% revenue increase or \$160,000 per year; water difference amounts to about 17 million gallons per year, a difference of 3.5%; there are 39 customer accounts identified that have some type of error; all 39 customers have been informed of the issue, with letters enclosing a "Notice of Billing Error." General Manager McNiesh advised that there was more than one type of error found; for example, staff found 8 accounts with an unexplained code introduced into the billing system, all starting in February 2008.

Director Hodgin said invoices for full amount due should be sent to each individual, so they have an actual bill to look at; and after finding out the customer's response, the District should work with them to come up with a plan for repayment.

Director Perri said he thinks the District should take responsibility since it is from their error and should work with customers, not just expect them to pay immediately.

Attorney Bosso advised that the Board does not have to decide bottom line tonight.

General Manager McNiesh encouraged the Board to focus on the fact that future District revenue will be stronger now that the error has been found and corrected; next month he will inform the Board of who has paid and who has a proposal of how to pay.

The Board stated its position that at least for the time being the General Manager has the authority to approve no-interest, no-penalty payment plans of up to one year; any other repayment proposals should be brought to the Board for further consideration.

Item 6.2 Water Resources Committee

6.2.1 Irrigation Controller Customer Survey

General Manager McNiesh reported that based on the 525 people who responded 50% have an irrigation controller; clearly this is not a random sample, but it is a good indication that the technology is gaining some favor.

Item 6.3 Facilities Engineering Committee

6.3.1 Consider Approval of C2G/Civil Consultants Group Proposal at Cost Not-to-Exceed \$26,900 for Additional Engineering and Related Services Necessary to Complete Recycled Water Distribution System Extension Projects.

General Manager McNiesh advised that this expense is for additional engineering work related to extension of the Bean Creek Road recycled water main all the way to Bluebonnet Lane.

Director Hodgins moved, seconded by Director Kannegaard, to approve staff recommendation. Motion carried unanimously.

6.3.2 Consider Approval of Erler & Kalinowski, Inc. Proposal to Assist with Recycled Water Permitting to Dual-Plumb Facilities for Cost Not-to-Exceed \$15,000.00

General Manager McNiesh advised that this item is to hire a consultant to assist the District with recycled water dual plumbing permit process and develop a streamlined process for moving through future dual plumb approvals.

Director Miller moved, seconded by Director Hodgins, to approve staff recommendation. Motion carried unanimously.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

General Manager McNiesh advised that Accounting Manager Catalano is sick, so therefore not present tonight; reported the District is getting through the audit and everything appears to be going well so far.

Item 7.2 Operational Reports

Assistant General Manager/Operations Manager O'Brien updated the Board regarding the recycled main extensions project; Hacienda and Bean Creek extensions are essentially complete; now contractor is working on Victor Square; he reported on mis-marking of underground utilities problems they ran into, resulting in extra costs and one potentially hazardous situation.

Item 7.3 General Manager's Report

General Manager McNiesh advised that he has nothing to add to his report.

Item 7.4 Attorney's Report:

Attorney Bosso said he had nothing to report.

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

Director Miller addressed the Board regarding the Facilities Engineering Committee; distributed a spreadsheet he created from the Recycled Water Facilities Planning report and other data; requested in the future that agendas for committees be included in Board agenda packet; discussed his conclusions regarding providing water to Pasatiempo Golf Club.

Director Hodgkin asked about Directors writing letters on District letterhead, referring to Miscellaneous Correspondence. Attorney Bosso advised that Director's correspondence, coming from District, should be at the direction of the Board.

9. MISCELLANEOUS CORRESPONDENCE:

Item 9.1 Letter Dated August 24, 2009, from SC County Auditor-Controller Regarding Property Tax Borrowing Under Proposition 1A

Item 9.2 Memorandum Dated August 26, 2009, from Santa Cruz County LAFCO Executive Officer Regarding Proposed LAFCO Response to Grand Jury's 2008-2009 Final Report

Item 9.3 Letter Dated August 28, 2009 from Director Kannegaard to Senator Abel Maldonado Expressing Appreciation for Meeting with Santa Cruz County Group in Sacramento

Item 9.4 Letter Dated August 31, 2009 from Director Kannegaard to Annette Porini, Chief of Staff for Senator Joe Simitian, Expressing Appreciation for Meeting with Santa Cruz County Group in Sacramento

10. CLOSED SESSION:

The Board went into Closed Session at 10:25 p.m. with General Manager McNiesh, Assistant General Manager and Attorney Bosso in attendance.

Item 10.1 Pursuant to Government Code Section 54956.8 Conference with Real Property Negotiator

Property: Portion of Lehigh Hanson Quarry (APN 067-021-21)

Agency Negotiator: General Manager

Negotiating Parties: SVWD, Lehigh Hanson

Under Negotiation: Price and Terms of Payment

11. CLOSED SESSION REPORT AND ACTIONS ON MATTER(S) CONSIDERED IN CLOSED SESSION

The Board reconvened in Open Session at 10:44 p.m. Attorney Bosso reported that direction had been given to staff regarding submittal of an offer to purchase the subject property.

12. ADJOURNMENT

Director Kassis moved, seconded by Director Perri, to adjourn at 10:45 pm. Motion carried unanimously.

Approved: October 8, 2009