

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
SEPTEMBER 11, 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, Kannegaard, Hodgkin, and Hober

Absent: None

Item 1.2 Pledge of Allegiance and Invocation

Director Kassis led the Pledge of Allegiance and Invocation.

General Manager McNiesh advised that Attorney Scott Shapiro was present and has been hired to help with water rights questions regarding Pasatiempo project; they met that afternoon with Bill Kocher of the City of Santa Cruz.

Mr. Shapiro introduced himself, saying that he met with the Facilities Engineering Committee; and told a little about his firm; he said the City appears to agree that this is a good project; he explained general strategy and will start exploring this opportunity; he would like to report back to the Board in 2-3 months after having researched the question and met with State Water Control Resources Board personnel.

Item 1.3 Closed Session Report:

General Manager McNiesh reported on Closed Session since Attorney Bosso was not present; direction was given to Board's negotiating committee related to Employee Organization MOU proposal.

Item 1.4 Approval of Minutes from the Regular Board Meeting of August 20, 2008, and Special Board Meeting of August 7, 2008.

Director Hodgkin moved, seconded by Director Perri, to approve minutes of the Special Board Meeting of August 7, 2008, and the Regular Board Meeting of August 20, 2008, 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:

Joe Miller addressed the Board regarding Town Center project and related storm water and recycled water issues; Town Center project will be largest development in the City; he would like to require recycled water use for toilets in apartments as well as commercial buildings.

General Manager McNiesh said the Board will discuss the Town Center project later on tonight's agenda; staff will be meeting with the project environmental consultants later in the month.

Assistant General Manager O'Brien said the District is concerned and looking at collecting storm runoff from parking lots.

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

General Manager McNiesh presented summary information from Draft Budget; changes from the August Draft Budget were: postpone construction of proposed 2nd new well, decrease future interest earnings from 3.5 to 3%, increase labor costs reflecting expected MOU agreement, add \$10,000 litigation contingency expense, correct depreciation expense per preliminary audit results, and reduce future rate increases from 4 to 3.5% per year. He went over budget assumptions, advising that either the District has to cut back on spending plan or consider annual rate increases to keep from using up reserves.

Director Hober said Business Administration Committee went over the budget assumptions and determined they are reasonable.

Director Hodgins moved, seconded by Director Kannegaard, to approve the proposed 2008-09 budget, as presented. Motion carried with Director Kassis voting "No."

Director Kassis advised that he voted against approving the budget because he does not understand or approve.

3. CONSENT AGENDA:

Item 3.1 Approve 2008-09 Operating and Maintenance Expense Budget and 2008-13 Capital Facilities Plan Budget

Item 3.2 Approve and Direct General Manager to Submit District's Conflict Of Interest Code Biennial Notice to County Elections

General Manager McNiesh explained that the proposed notice would state District's intention to modify its current conflict of interest code regarding filing of Form 700; requirement is to review the code every two years; Business Administration Committee recommends that

Directors, General Manager, Assistant General Manager, Accounting Manager, and General Counsel should file Form 700; this is District's current practice; District's current code is consistent with current practice, except that it does not require Accounting Manager to file; the intent would be to amend the existing code to add the Accounting Manager to the list of those required to file; staff would come back to the Board later with an ordinance to make this code change.

Director Hodgkin moved, seconded by Director Ferri, to approve Consent Agenda Item 3.2, as presented. Motion carried unanimously. Item 3.1 was approved previously under Item 2.

4. ITEMS REMOVED FROM CONSENT AGENDA: None

5. DIRECTOR'S AGENDA ITEMS:

Item 5.1 Individual Director Reports:

Director Hodgkin advised that ACWA Region 5 meeting is next week at Half Moon Bay; gave copy of Department of Water Resources report "Urban Drought Guidebook, 2008 Updated Edition" to General Manager McNiesh so other Directors can look at it. General Manager McNiesh will also be attending Region 5 meeting.

Item 5.2 ACWA Update: None

Item 5.3 Anticipated Directors' Expenses: None

Item 5.4 Board Priority List

President Hober noted Board's progress in reviewing the priority list. General Manager McNiesh said all three major standing committees had reviewed the priority list and would continue monitoring progress.

6. COMMITTEE REPORTS:

Item 6.1 Business Administration Committee

6.1.1 Audit Process Update

Director Hober advised that auditor Berger/Lewis would present its Audit Committee report to Director Hodgkin and herself on September 29th; presentation of the final audit to Board was scheduled for the October 9th meeting.

Item 6.2 Water Resources Committee

6.2.1 Draft Ordinance Authorizing Landscape Water Conservation Pilot Program

General Manager McNiesh advised that the proposed draft ordinance and a companion draft resolution are in the agenda packet; recommends moving forward to schedule public hearing and adoption of both documents at next Board meeting; research has been done on what rebates should be; rebate costs for two-year pilot period would be covered by Urban Drought Grant Assistance award; draft ordinance as written is modeled like leak adjustment ordinance in that it provides general authorization only; companion Board resolution would provide more specific guidelines. Board concurred on bringing the proposed ordinance and resolution to the next Board meeting for possible adoption.

General Manager McNiesh reported on other water conservation program elements: staff is continuing to work with high school to have graphic arts students design water conservation adds; suggests offering \$500 scholarship to 1st place winners, \$250 to 2nd and 3rd place winners; an interactive lawn watering guide has been added to District website.

Item 6.3 Facilities Engineering Committee

6.3.1 Pasatiempo Water Conservation Initiative

General Manager McNiesh reported that the main topic for discussion is Pasatiempo water rights issue; which was reported on earlier in the meeting by Mr. Shapiro; both Santa Cruz City and golf course seem to support moving forward with the project; the next big issue will be how the District is going to provide for financing.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

There was discussion regarding audit and monthly reports.

Item 7.2 Operational Reports

Operations Manager Bill O'Brien answered questions of the Board.

Item 7.3 General Manager's Report

General Manager McNiesh reported the last word in his report should be September not October; noted the deadline for comments on Town Center Specific Plan EIR is October 3rd; summarized key issues from staff's perspective; asked the Board to what level does the Board want to be involved in commenting. Board agreed on importance of issue; scheduled a special meeting for September 24th at 5:30 p.m.; General Manager is to provide a draft comment letter for Board review prior to the special meeting.

General Manager reported that Scotts Valley Drycleaners site responsible parties had proposed a plan for full-scale remediation based on the pilot

remediation plan implemented last year; State Water Resources Control Board is now reviewing this proposal.

Item 7.4 Attorney's Report

John Gallagher, substituting for Attorney Bosso, had no report.

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

President Hober asked if any committee meetings need to be scheduled. General Manager McNiesh said Kennedy/Jenks Consultants was nearing completion of the Recycled Water Master Plan Update report; it may be necessary to schedule a Facilities Engineering Committee meeting after the September 24th closed session.

9. MISCELLANEOUS CORRESPONDENCE: None

10. CLOSED SESSION:

The Board went in to closed session with General Manager McNiesh at 8:30 p.m. to discuss Item 10.1 and 10.2.

Item 10.1 Pursuant to Government Code Section 54957.6
Conference with Labor Negotiator
Agency Designated Representative: Charles McNiesh
Employee Organization: SVWD Employee Organization

Item 10.2 Pursuant to Government Code Section 54957.6
Conference with Labor Negotiator
Agency Designated Representative: Charles McNiesh
Unrepresented Employees: Associate Engineer, Accounting Manager

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

The Board returned to open session at 10:40 p.m. General Manager McNiesh reported that at Item 10.1 Board gave direction to negotiating committee regarding ongoing negotiations with Employee Organization representatives; also reported that discussion related to Item 10.2 was deferred due to late hour. President Hober added these same two closed session items to the September 24th special meeting agenda.

12. ADJOURNMENT

President Hober adjourned the meeting at 10:45 p.m.

Respectfully submitted,

Deborah L. Hazen, District Secretary

Approved: _____