

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
SEPTEMBER 13, 2007**

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

1. CONVENE MEETING

Item 1.1 President Hodgkin called the meeting to order at 7:00 p.m.

Item 1.2 ROLL CALL

Present: Directors Kassis, Kannegaard, Hober and Hodgkin

Absent: Director Ferri

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 August 2, 2007

General Manager McNiesh reported that closed session had been agendized for August 2nd, but no closed session had been held.

Item 1.5 Approval of Minutes of the Regular Board Meeting of August 2, 2007, and Santa Margarita Groundwater Basin Advisory Committee Meeting/Special Board Meeting of May 24, 2007.

Director Hodgkin requested correction of the misspelling of his name in one location in the draft Santa Margarita Groundwater Basin Advisory Committee Meeting minutes.

Director Hober moved, seconded by Director Kassis, to approve minutes of the Regular Board Meeting of August 2, 2007, as presented. Motion carried unanimously.

Director Kannegaard moved, seconded by Director Kassis, to approve minutes of the Santa Margarita Groundwater Basin Advisory Committee Meeting/Special Board Meeting of May 24, 2007, as amended. Motion carried, with Director Hober abstaining since she had not attended the meeting.

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 Accept and File Emergency Expense Report for Work to Repair Water Main Leak on Scotts Valley Drive.

In response to a question from Director Hodgkin, Assistant General Manager O'Brien commented briefly on the main leak and the repair, confirming that the repair cost was unusually high due to the particular circumstances encountered.

Director Hober moved, seconded by Director Kassis, to approve the Consent Agenda. Motion carried unanimously.

4. ITEMS REMOVED FROM CONSENT AGENDA: None

5. DIRECTOR'S AGENDA ITEMS

Item 5.1 Individual Director Reports: None

Item 5.2 ACWA Update

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

Directors Hodgkin, Hober, Perri, and Kassis confirmed plans to attend, and each requested registration for the full conference package. Directors Hodgkin and Kassis also requested registration for their spouses. All Directors said they plan to make their own transportation arrangements.

General Manager McNiesh stated that there are several other ACWA matters to consider at tonight's meeting. First, the deadline for nominations to serve on ACWA committees in 2008 is September 28th; Director Kassis has expressed an interest in continuing to serve on the Water Management Committee; Attorney Bosso seeks to continue serving on the Legal Affairs Committee and would welcome the District's nomination, seconding the nomination to be provided by Soquel Creek Water District; and General Manager McNiesh would like to serve on the Groundwater Committee.

Director Hober moved, seconded by Director Kannegaard, to approve nomination of Director Kassis for Water Management Committee, Attorney Bosso for Legal Affairs Committee, and General Manager McNiesh for Groundwater Committee. Motion carried unanimously.

After a short discussion on the value of ACWA committee service, Director Hober moved, seconded by Director Kassis, to approve the nomination of any other Board member who later, but before September 28th, determines an interest in serving on the ACWA committee of his or her choice. Motion carried unanimously.

General Manager McNiesh advised of a September 30th deadline for submitting the District's ballot for ACWA Region 5 Directors; noted that a vote for the Region 5 Nominating Committee's recommended slate would include a vote for Director Hodgkin as the Region 5 Vice Chair. Director Hober moved, seconded by Director Kassis, to approve casting the District's vote for the Nominating Committee's recommended slate. Motion carried, with Director Hodgkin abstaining.

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, whereas 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 Hodgkin said he would attend Regional Water Quality Control Board meeting on August 23rd at no expense to the District; also would attend 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 that the Business Administration Committee met on September 10th; copies of the draft Operating and Maintenance Expense Budget were distributed for committee member review; next week the consultant Hilton Farnkopf is scheduled to begin working with Accounting Manager Catalano to update the financial model with new budget numbers; presentation of the final budget is targeted for the Board's November 8th meeting.

6.1.2 Discuss Preparation of Fiscal Year 2006-2007 Financial Statements

General Manager McNiesh advised that Accounting Manager Catalano is in the process this week of completing pre-audit work with support from

Hayashi & Wayland; audit field work with Berger/Lewis will begin the following week; Berger/Lewis will be presenting its audit report to the Business Administration Committee on October 25th and to the full Board on November 8th.

6.1.3 Discuss Social Security Project Findings

General Manager McNiesh distributed copies of a letter report from consultant Randy Reynolds summarizing Mr. Reynold's findings; noted that there would be an opportunity to discuss possible Board actions in response to the report during closed session at Item 10.

Item 6.2 Water Resources Committee

6.2.1 Consider Proposed Ordinance Revising Current Water Conservation Rebates

General Manager McNiesh distributed copies of a proposed draft ordinance regarding rebates for retrofitting toilets, urinals, and washing machines based on the criteria established by the Board at its August 2nd meeting; recommended scheduling a public hearing and action to adopt the proposed ordinance at the October 11th meeting; noted this schedule would be consistent with Scotts Valley City Council's proposed action on October 17th to require high efficiency toilets and urinals for all new construction. Board concurred to schedule public hearing and possible adoption of the proposed ordinance on October 11th.

Item 6.2.2 Discuss Amending Contract Scope of Work and Budget with Kennedy/Jenks Consultants to Include Task Related to Development Project Review

General Manager reported that he has been unable to meet with Kennedy/Jenks representatives to discuss this task; recommended deferring discussion on this topic to a later date. Board concurred to defer discussion.

Item 6.3 Facilities Engineering Committee

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

General Manager McNiesh reported that, because of other topics, committee had not had time at its prior meeting to discuss draft Capital Facilities Plan Budget; he and Assistant General Manager O'Brien are still working on a few items in this budget; target date for budget approval is November 8th, as discussed in the Business Administration Committee report.

6.3.2 Discuss Recycled Water Project Expansion Opportunities

General Manager McNiesh reported that Vineyards HOA has voted to approve recycled water use; next step will be to get Department of Public Health approval of the new CC&R's and District's engineering

documents; also reported that the Santa Cruz City Council, meeting on September 11th, responded favorably to the Pasatiempo Golf Course project proposal presented jointly by City and District staff; next step will be to take the project concept to the City's Water Commission for more detailed evaluation.

Assistant General Manager O'Brien reported on the recycled water conversion underway at Scotts Valley Plaza and another possible recycled water conversion project at Granite Creek Business Center.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

Accounting Manager Catalano offered to respond to Board questions. Director Hober commended Accounting Manager for completing month-end statements through June. Director Hodgins concurred in this commendation.

Item 7.2 Operational Reports

Assistant General Manager O'Brien advised of continuing excellent production and water quality at Well 10A, but noted a recent drop off in production at Well 11A; District would initiate well maintenance procedures at Well 11A to attempt to restore production capacity.

Assistant General Manager O'Brien reminded the Board of the need to schedule the annual employee recognition dinner. Board members expressed a preference for Friday, December 14th.

Item 7.3 General Manager's Report

General Manager McNiesh reported that Department of Public Health would re-rank the District's recently amended water security grant application in Spring 2008 for possible funding; noted District has received official notice from State Water Resources Control Board regarding cancellation of water rights application held jointly with Soquel Creek Water District; cancellation notice appears to allow re-filing of the application, which was the outcome sought; noted District has received official notice from Department of Water Resources of acceptance of District's 2005 Urban Water Management Plan; advised that he will participate as a speaker at League of Women Voters forum of water issues to be held on September 25th.

Director Hober noted the District's policy that checks over \$3,000 are to be signed by a designated Board member, whenever possible; having the designated member is an internal control measure; Accounting Manager Catalano acknowledged he was not yet aware of that policy; henceforth, he would attempt to contact Director Hober first whenever check signing is required.

Director Kassis commented that he would like to see the Board get together with the San Lorenzo Valley Water District Board.

Item 7.4 Attorney's Report: None

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

9. MISCELLANEOUS CORRESPONDENCE: None

10. CLOSED SESSION:

The Board went into closed session at 8:37 p.m. to consider the following item. The Board remained in closed session until 9:27 p.m.

- 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:

After a brief discussion, it was agreed that formal reporting on closed session items should occur at one time only – at the beginning of the following meeting, and not at the end of the meeting after closed session, when typically no members of the public are present to hear the report.

12. ADJOURNMENT

Director Kassis moved, seconded by Director Perri, to adjourn the meeting at 9:28 p.m. Motion carried unanimously.