

**SCOTT'S VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
FEBRUARY 15, 2007**

**SCOTT'S VALLEY SENIOR CENTER
370 KINGS VILLAGE ROAD
SCOTT'S VALLEY, CALIFORNIA**

1. CONVENE MEETING

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

President Hodgkin announced that the public hearing would be opened at 7:30 p.m. since there was one notice that announced it at that time.

Item 1.2 ROLL CALL

Present: Directors Kassis, Perri, Kannegaard, Hober, and Hodgkin
Absent: None

Item 1.3 Pledge of Allegiance and Invocation

Director Kassis led the Invocation.
Director Perri led the Pledge of Allegiance.

Item 1.4 Approval of Minutes from the Special Board Meeting of January 3, 2007 and the Regular Board Meeting of January 9, 2007.

Director Hober made a motion, seconded by Director Perri, to approve the minutes of the Special Board Meeting of January 3, 2007, and the Regular Board Meeting of January 9, 2007. 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: None

The Board went through the rest of the agenda before the public hearing and then took a three-minute recess so the public hearing could start at precisely 7:30 p.m.

2. PUBLIC HEARING: Ordinance No. 143-07, Amending Section 4.27 of Ordinance No. 119-96, as Amended, to Implement Increases in Water District Water Rates Effective February 2007, December 2007, and December 2008.

Item 2.1 Presentation of Ordinance No. 143-07 and background information.

President Hodgkin opened the public hearing at 7:30 p.m. He introduced members of the Board, General Manager McNiesh, Assistant General Manager Bill O'Brien, and Attorney Haight, who is serving tonight as the Rate Protest Officer; advised that District staff has prepared a presentation; advised how to address the Board if they so choose.

Attorney Haight, the Rate Protest Officer, advised that if anyone has not filed a written protest and wishes to do so they must submit it to him before the President closes the public hearing tonight; after that time it will be too late to include any written protests in the count for consideration.

General Manager McNiesh gave a power point presentation including charts and graphs on: changes in District water rates since 1996, changes in District meter services charges since 1996, current fiscal year revenues and cash expenses, potable and recycled water production since 1996, operating and non-operating budgets since 1996, developer contributions since 1996, net gain/loss since 1996, 5-year revenue and expenditure assumptions, projected revenues and expenses through 2010, impacts of the proposed rate increase and two alternative rate scenarios on capital program funding and debt coverage ratio, comparison of District rates with other water agency rates.

Item 2.2 Public Comments

President Hodgkin opened the public hearing for public comments; the following people addressed the Board: Dr. Max Rossi, President of Bethany University, thanked Board for service to City, introduced Vice-Presidents of Bethany and Provost Flowers, commented that a 9.5% increase is substantial to Bethany, one of the District's largest customers, requested rate increase to be more gradual, so it won't impact their budget immediately; Rick Wright gave copies to the Board of figures he put together comparing SVWD to Monterey and San Jose, asked Board to come up with a more creative solution to increase revenues; Gerald Beazie asked if more than 50% of customers sent in protest letters, if not the meeting is a waste of time; Mark Vanderhoof, owner of Kings Village Wash & Dry, said that his business is a big water user and his rates went up about 33% a couple years ago, he can't use recycled water, asked Board to consider giving large water users a break; Sara Rigler, resident, teacher, and single parent, said a gradual increase would be more reasonable; Mike Keogh, encouraged Board to sell more recycled water, expressed concern about operating expense increases in this year's District budget, asked about protest requirements.

Attorney Haight explained that the purpose of the public hearing is so the public can be heard and the Board can consider suggestions of the public.

Fred Tomlinson, resident of the Vineyards, said he is trying to get his homeowners association to go to recycled water; only notice he saw was in Press/Banner 8 days ago; encouraged the Board to reduce pace of increase and look at other districts to see what they're doing to keep costs down.

Attorney Haight advised that there was a 45-day written notice given.

Carin Machado suggested having a public forum to find ways to reduce water rates, low income citizens will be greatly impacted by this increase, should offer sliding scale to seniors and low income, work together to come up with ideas; Patty Cramer, spoke on behalf of senior citizens as she is one, asked Board to reconsider if anything else can be done, it's too much too soon, appreciates that the District provides a reliable water supply and appreciates the opportunity to speak to the Board; Phil Keefer asked if it is legal to drill a well in the District, suggested that everyone should drill a private well; Scott Mitchell expressed concern that public doesn't get data until arrival at meetings, would like to have it mailed out in advance, asked what caused costs to exceed revenues; Kurt Christensen said quality of water is not good, it's overpriced, asked if rate increase would improve quality of water.

General Manager advised that water quality capital improvements are one place where the budget has been cut, but water quality is much better today than years ago.

An unidentified lady from the public asked if sewer bills would also go up; President Hodgkin advised that the City provides sewer service and sewer rates are up to the City. President Hodgkin also advised that the Board hired an outside financial consulting firm and has been working on rate increase study for a couple of years.

Assistant GM Bill O'Brien said the District would like to improve water quality, but capital improvements have been postponed so as not to go over budget.

General Manager McNiesh responded to questions that had been asked during the public comments, advising that the District's primary mission is to protect the aquifer, which has gone down over the years, but now appears to have stabilized, partly due to conservation; protecting the aquifer is why the District invested in recycled water project; each new home is required to pay an impact fee to invest back into recycled distribution system so net impact on aquifer will be zero; conservation and recycled water use, while protecting the aquifer, cause revenue to go down; advised that debt will look better in the future after more years of recycled water use serving more customers. General Manager explained that comparing water district rates is not always fair comparison; districts get water from different sources, have different treatment costs depending on these sources, have different terrain which affects power costs, other operations and maintenance costs; even among groundwater districts there are substantial differences in well yield and pumping lift,

both of which affect costs, so it's hard to compare rates with other areas. District's operating budget has increased, but not by amount asserted by Mr. Keough; not clear what Mr. Keough's assumptions were. The purpose of the District's tiered rate structure is to create a savings for customers using lower volumes of water; tiered rates are common in the Santa Cruz County area and throughout the state.

President Hodgkin asked if anyone else wanted to speak, seeing no one, he closed the public hearing.

Item 2.3 Report of the Rate Protest Officer

Attorney Haight advised that there are 3,800 metered parcels in the District; 84 letters of protest were received, including those delivered this evening, and a petition signed by 60 Montevelle residents, for a total of 144 objections out of 3,800 possible, equaling 3.78% written protests; protests include senior citizens and people on limited income, suggestions regarding conservation measures, consolidation with city, limiting rate increase to consumer price index.

Item 2.4 Board consideration to adopt Ordinance No. 143-07

Director Hober thanked all the people who came to the meeting, saying their comments are important to the Board; Director Kannegaard expressed concern about customers on fixed incomes, and said this was a good opportunity to hear what constituents think; Director Perri thanked audience for input, and advised SVWD meetings are once a month and open to the public; he asked about the impact of spreading the increase over 4 years with first 2 years at 4.75%; General Manager advised that the Board could take a more moderated approach, but analysis showed District's proposed rates would draw down reserves as far as they could prudently go assuming a fully funded capital program; therefore more moderated rates would mean deferring some capital projects that the Board has previously determined should be done. There was discussion by the Board. Director Kassis said if this is voted on tonight he will vote against it. Director Hodgkin advised that in the past 3 years the auditor report shows that the District has been losing money, even while under-funding the capital program.

Director Kannegaard asked if the District could reduce the rates in the future if the financial picture improves. Attorney Haight said yes, but then if the District wants to increase the rates again, it will have to go through this process again.

Director Hober made a motion, seconded by Director Perri, to adopt Ordinance No. 143-07, as presented. Motion carried with Director Kassis voting No.

The Board recessed for 5 minutes.

3. CONSENT AGENDA:

- Item 3.1 Appointment of Robert E. Bosso to serve as District Counsel and approval of related District Counsel Contract between Scotts Valley Water District and Bosso Williams.

Director Kassis asked if the agreement with Mr. Bosso provided for the attorney to be at every Board meeting. General Manager McNiesh said no, it would be the same arrangement as with Mr. Haight.

Director Kannegaard moved, seconded by Director Perri, 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:

President Hodgkin reminded the Board of the "California's Water" Town Hall Meeting sponsored by ACWA Region 5 on March 29 from 6:30 to 8:30 p.m. in Concord.

- Item 5.2 ACWA Update: No discussion.

- Item 5.3 Anticipated Directors' Expenses: No discussion.

6. COMMITTEE REPORTS:

- Item 6.1 Business Administration Committee: Meetings of January 31, 2007 and February 12, 2007.

General Manager McNiesh advised that the Business Administration Committee meeting of February 12, 2007, was cancelled so the full Board could meet to discuss and plan for tonight's meeting.

- Item 6.2 Water Resources Committee: Meeting of January 18, 2007.

General Manager McNiesh reported that the committee had discussed the District's water conservation program and the existing inter-tie with San Lorenzo Valley Water District; also discussed grant fund issues including North Santa Cruz County's Integrated Regional Water Management grant application, which would help fund expansion of the District's recycled water system. General Manager added State staff initially recommended not funding the North Santa Cruz County proposal, but is now recommending 50% funding; State Water Resources Control Board will meet next week to consider the 50% funding recommendation.

Director Kassis asked how much it would cost and how long a line would be necessary to get a recycled water line to Bethany University.

Assistant General Manager Bill O'Brien said he would provide information at the Board's next meeting.

Item 6.3 Facilities Engineering Committee: Meeting of January 25, 2007.

General Manager McNiesh reported on Well 10A project. Assistant General Manager O'Brien added that it's very critical to have new Well 10A drilled and in operation before next high demand season hits; it makes up 25% of District production; new Well 10A will be located within 100 feet from Well 10.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

Director Hober commented that other than some timing issues, the reports look acceptable.

Item 7.2 Operational Reports

Item 7.3 General Manager's Report

General Manager McNiesh reported on contamination sites in the area; there is information in the agenda packet regarding efforts being made by the responsible parties for these sites to correct problems but nothing currently jeopardizing District water sources; advised that Director Hodgins was recently appointed by the Governor to serve as a member of the Regional Water Quality Control Board (RWQCB).

Director Hodgins reported on his first RWQCB meeting, which was last week; advised that General Manager McNiesh was also at that meeting; added that he thought a Bethany student might be a good candidate to help with the District website.

Item 7.4 Attorney's Report:

Attorney Haight discussed the mail he received as the District's Rate Protest Officer.

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

9. MISCELLANEOUS CORRESPONDENCE:

Item 9.1 Letter dated January 9, 2007 from ACWA/JPIA providing 2007 Executive Committee Election Notice

Item 9.2 Letter dated January 31, 2007, from the Community Foundation of Santa Cruz County to DWR/SWRCB regarding proposed integrated Regional Water Management Plan grant funding awards

Item 9.3 Letter dated February 5, 2007 from LAFCO calling for nominations

SVWD Minutes of Regular Board Meeting

February 15, 2007, 7:00 p.m.

for the LAFCO special district position whose term expires May 6, 2007.

- Item 9.4 Letter dated February 6, 2007, from ACWA regarding Clair A. Hill Awards

10. CLOSED SESSION:

The Board went into closed session at 10:15 p.m. with General Manager McNiesh and Assistant General Manager O'Brien in attendance to consider the following items:

- Item 10.1 Conference with Real Property Negotiator pursuant to Government Code 54956.8:
Properties: Portions of APN's 021-221-02, 021-221-05
Negotiating Parties: Valley Gardens Golf Course, The Pratt Company
District Negotiator: General Manager
Under Negotiation: Price, Terms of Payment

- Item 10.2 Public Employment Appointment Pursuant to Government Code Section 54957: Accountant/Office Supervisor Position

The Board returned to open session at 10:19 p.m.

11. REPORT AND ACTION ON CLOSED SESSION ITEMS:

General Manager McNiesh announced that there was no reportable action taken in closed session.

12. ADJOURNMENT

President Hodgin adjourned the meeting at 10:20 p.m.