

**SCOTTS VALLEY WATER DISTRICT
MINUTES OF THE
REGULAR BOARD MEETING
OCTOBER 12, 2006**

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

1. CONVENE MEETING

Item 1.1 President Hodgin called the meeting to order at 7:03 p.m.

Item 1.2 ROLL CALL

Present: Directors Kassis, Kern, and Hodgin

Absent: Directors Watkins and Hober

President Hodgin welcomed guest Mr. Kennegaard, candidate for SVWD Director.

Item 1.3 Pledge of Allegiance and Invocation

Director Kassis led the Pledge of Allegiance and Invocation.

Item 1.4 Approval of Minutes from the Regular Board Meeting of September 14, 2006.

Director Kern made a motion, seconded by Director Kassis, to approve the minutes of the Regular Board Meeting of September 14, 2006, as presented. Motion carried unanimously, with Directors Watkins and Hober being absent.

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 2.1 Approve Resolution No 10-06 Approving Amendment No. 1 to Memorandum of Understanding Re: Position of District General Manager

Item 2.2 Approve Resolution No. 11-06 Authorizing Bank Account Signing Authority to Specified Board and Staff Members

Director Kassis moved, seconded by Director Kern, to approve Consent Agenda as presented. Motion carried unanimously, with Directors Watkins and Hober being absent.

4. ITEMS REMOVED FROM CONSENT AGENDA: None

5. DIRECTOR'S AGENDA ITEMS

Item 4.1 Individual Director Reports: None

Item 4.2 ACWA Update:

4.2.1 Fall Conference, December 4-8, 2006, at Disneyland

General Manager McNiesh advised that the Board has hotel reservations for the conference; staff will check to make sure everyone is registered.

Director Kassis advised that he will be going to the JPIA meeting this Thursday.

Item 4.3 Discuss Anticipated Directors' Expenses:

Director Hodgins advised that he will be going to the Region 5 meeting on the 23rd, in Sacramento.

6. COMMITTEE REPORTS:

Item 6.1 Water Resources Committee

6.1.1 District's Water Conservation Program

General Manager McNiesh reported that staff learned the District has until December 1, 2008, to submit its first California Urban Water Conservation Council report on implementing water conservation Best Management Practices; previously staff had been working toward a December 1, 2006, deadline. GM noted that committee discussed having a water conservation person on staff part time; recommends waiting to see how other staffing works out first.

6.1.2 Mitigation requirement to offset water supply impacts of new development projects

General Manager McNiesh reported that committee discussed groundwater recharge issues related to the proposed development project at the Mandarino site; reviewed developer Standard Pacific's plans to construct an infiltration gallery to attempt to increase native recharge; discussed District participation in a percolation test being performed for Standard Pacific by Todd Engineers; agreed on need for

discussions with City on requirements for mitigating development project water impacts.

Item 6.2 Business Administration Committee

6.2.1 District Investments Policy

General Manager McNiesh reported that staff reviewed a sample policy from another district, and will do some customizing of that model; the purpose of an investment policy would be to set up guidelines so staff could manage funds without Board approval of every transaction; desirability of having a District treasurer was discussed.

6.2.2 Status of current projects

General Manager McNiesh reported that the audit is scheduled to come before the Board in November for approval; committee meeting with auditors is to be scheduled; rate increase issue, because of *Bighorn* court decision, is complicated; SVWD will go through Prop 218 process; discussions taking place with other local water districts to share information on handling the process and strategize how to proceed, with the goal to try to implement new practices as consistently as possible throughout the county.

Attorney Haight encouraged the Board to cooperate with other districts to implement the new process.

6.2.3 Committee priority issues

No discussion.

Item 6.3 Facilities Engineering Committee

Operations Manager Bill O'Brien reported regarding Well 10 problem; showed the Board gravel pack and formation sand that had been pumped into the Water Treatment Plant facilities; no conclusive results to report; well professionals have been called in; worst-case scenario would be to have to drill a new well; this is a 24 year old well.

General Manager McNiesh reported the 5-year CIP budget includes funds for two replacement wells; preference had been to locate these wells in Butano aquifer; realistically, with Well 10 problem, immediate need is to site first of these two wells in south Scotts Valley area because of shorter timeline to construction; first priority to have enough water to meet customers needs; still working on Request For Proposal for second of the two replacement wells, which would seek to tap into the Butano.

Director Kassis moved, seconded by Director Kern, to authorize Facilities Engineering Committee to review and approve a Request for Proposal for consulting services to assist in siting and construction of new

replacement wells. Motion carried unanimously, with Directors Watkins and Hober being absent.

6.3.2 Proposed update of Recycled Water Project Master Plan

General Manager McNiesh reported that the purpose of the proposed master plan update is to evaluate cost of extending the recycled water project to new customers; assist in obtaining grants; look at improving operations; look at possibility of using recycled water not sold to customers for groundwater recharge; review District's recycled rules and regulations to make sure they are up to date with current state requirements; prepare recycled water rate recommendations. He would like to prepare a Request for Proposal for Board approval at next meeting; funding would be through the CIP budget for the recycled water project.

Director Kassis recommended better contact and communication between the General Manager and the state in regard to grants.

General Manager McNiesh said SVWD does but could do more toward applying for grants and making contacts.

7. STAFF REPORTS

Item 7.1 Accounting/Customer Service Reports

General Manager McNiesh introduced Katherine Partida, interim accountant; advised that she prepared financial reports in the packet. Interim Accountant Partida discussed budget variance report, explained adjustments will be posted in next month's report, and answered questions of the Board.

Item 7.2 Operational Reports

Operations Manager Bill O'Brien reported that the District had hired Luke Gelin as a Maintenance I worker to fill the vacant field position. Mr. Gelin will start October 1st, and is 2nd generation working for SVWD.

Item 7.3 General Manager's Report

General Manager McNiesh reported that there is nothing new on site contamination issues, beyond what was included in the written report; he received Smart Gardening Faire financial report in mail today and provided Board members with copies.

Item 7.4 Attorney's Report

Attorney Haight distributed a letter of resignation to the Board, dated October 12, 2006, notice effective January 1, 2007. He has served the Scotts Valley Water District as General Counsel since June 11, 1969.

General Manager McNiesh commended Attorney Haight for his long and dedicated record of service.

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

Director Kassis asked when the District is going to meet with San Lorenzo Valley Water District. General Manager McNiesh said he had discussed the matter with the SLVWD manager, but they are still working on a date.

9. MISCELLANEOUS CORRESPONDENCE: None

10. CLOSED SESSION:

The Board went into closed session at 8:30 p.m. with General Manager McNiesh, Assistant General Manager O'Brien, and Attorney Haight in attendance to consider the following items:

Item 10.1 Public Employment Pursuant to Government Code Section 54957:
Accountant/Office Supervisor Position

Item 10.2 Conference with Legal Counsel – Anticipated Litigation
Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9: two (2) cases.

The Board returned to open session at 8:45 p.m.

11. ACTION ON CLOSED SESSION ITEMS:

Item 11.1 Counsel's Report on Any Reportable Actions Taken in Closed Session

Attorney Haight reported that there was no action taken with respect to Item 10.1. Under Item 10.2, in one matter, the Board directed General Manager McNiesh to contact ETIC Engineering for affirmation that the firm stands behind its work products delivered to the District. In the second matter under Item 10.2, the Board discussed the need for outside expert legal services to assist with implementation of a new water rate ordinance consistent with Proposition 218 requirements.

Item 11.2 Board Action in Open session on any Matter Considered in Closed Session

Director Kern moved, seconded by Director Kassis, to authorize expenditure of up to \$10,000 for outside expert legal services to assist with rate ordinance implementation consistent with Proposition 218 requirements, subject to review and approval by the Business Administration Committee. Motion carried unanimously.

11. ADJOURNMENT

Director Kassis moved, seconded by Director Kern, to adjourn at 8:50 p.m. Motion carried unanimously.