

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE SPECIAL CLOSED SESSION

Tuesday, July 10, 2007

1) CLOSED SESSION

A. Public Employment

Public Employment Pursuant to Government Code
Section 54957
Title: General Manager

B. Conference with Labor Negotiators

Agency Designated Representatives: Acting GM, Legal Counsel
Unrepresented Employees: Operations Staff

2) RECONVENE TO OPEN SESSION

The Closed Session convened at 6:00 p.m. with President Larimer and Directors Ascher, Coverdell and Feldman and Legal Counsel, Anthony Condotti. Director Mickelsen was absent. The meeting reconvened to open session at approximately 7:11p.m.

President Larimer announced that no reportable action had been taken.

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

July 10, 2007

- 3) ROLL CALL:** President Larimer called the meeting to order at 7:11 p.m. Present at roll call were Directors Ken Coverdell, Bob Feldman, and Everett Ascher. Director Mickelsen was absent.

Also present were; Anthony Condotti, Legal Counsel; Joe Guistino, Acting General Manager/Superintendent of Operations; Cathleen Brennan, Public Outreach/Program Development /Water Resources Analyst; JoAnne Whelen, Administrative Assistant /Recording Secretary, and Gina Brazil, Office Manager.

4) **PLEDGE OF ALLEGIANCE** – Everyone stood for the Pledge of Allegiance.

5) **PUBLIC ANNOUNCEMENTS**

Prior to opening the Public Announcements portion of the meeting, President Larimer stated that this was not the regular monthly meeting of the Board of Directors, but rather a Public Hearing with the primary purpose being a discussion and the opportunity for public input in regards to the District's proposed rate increase.

Sofia Freer, Half Moon Bay – Proceeded to read her comments: "What is the District doing to promote water conservation and to maximize the future availability of water? Though we can increase capacity, we have little direct control over supply, which ultimately depends on the depth and duration of the snow-pack in the Sierra Mountains. I have heard several of the Directors speak publicly of the need for long-term planning to justify the installation of 20-inch diameter water pipes, but my question is how we are going to fill those large capacity pipes, if the snow-pack is compromised. Research indicates that slowing and ultimately reducing global warming will help us preserve the snow-pack, however, this is not a certainty. Since it has currently been found that in the twelfth century, the western United States endured a sixty-year drought. Nevertheless, reducing the production of greenhouse gasses is still our best bet in working towards future water availability. According to the California Energy Commission, moving, treating, consuming, and heating water consumes ninety percent of the State's electricity and thirty percent of its natural gas. So, as we use less water, we also use less energy, reduce greenhouse emissions, slow the process of global warming and help to preserve our snow-pack. I can think of two ways the District can reduce water consumption, one is to actively promote Xeriscape via an educational outreach to all coastside residents. On that note, you have some interesting and very good literature out front, which I picked up, and that should be accessible widely throughout the coastside, I believe,

and should be spoken to. The other might be to replace your current rate structure with a linear rate structure, such as suggested by Lee McKusick, on Coastsider.com. A linear rate structure would eliminate the current flat fee portion of the water bill and enable users to see a direct correlation between how much water they use and how much they pay. This is a win-win proposition, provides financial incentive to conserve water, and helps maintain sustainable levels of fresh water for future generations.”

President Larimer stated that he wished to correct Ms. Freer’s comment regarding increasing a 20-inch line because the District was trying to provide more capacity, which was not accurate. He explained that the reason for replacing the line to a 16-inch line for the El Granada Pipeline Replacement Project was primarily to maintain water pressure for fire-fighting purposes. He explained that it was a safety and an engineering consideration that related to friction loss in the pipeline. He proceeded to explain the concept and process and Ms. Freer requested to reply to his comments.

Sofia Freer, stated that she is aware of the process related to friction that President Larimer was speaking about, but that the problem is if there is not enough water to fill wider diameter pipe. She also stated that sometimes there is not enough distinction when using the terms capacity and supply and that often times the terms are used interchangeably and this leads to a problem in the general understanding. She proceeded to provide definitions for capacity and supply and stated that she has a scientific background and is aware of the issues related to friction, but that perhaps she has mis-read and mis-heard, that one of the concerns is to increase the capacity. She also said that she would like to see the District focus on what the District can do and apologized for possibly presenting any problems or discussion that would take away from the general concept that it is within all of our best interests to conserve water and to ensure that we will have adequate supplies for the future, which she stated, is her main point here.

President Larimer advised that CCWD is one of the first districts in Northern California to step forward and hire a specialist in water conservation, Ms. Cathleen Brennan. He further stated that the District is very serious about water conservation and that the Board packets contain monthly reports on the District’s conservation activities. He also welcomed any suggestions where the District could further develop conservation measures and programs.

Sofia Freer, responded that she felt the District could work with the City of Half Moon Bay and the County of San Mateo in promoting Xeriscape procedures in landscaping because she is not seeing that being implemented and the possibility of the District implementing a linear rate structure, which would provide financial incentive.

Director Asher added that the District has taken very affirmative steps in conservation and gave an example of the recent bill stuffer offering the District's current rebate programs. He also advised that CCWD is providing many water saving devices, including low-flow aerators and showerheads and water-saving garden hose nozzles, free of charge. He also suggested that Ms. Freer refer to previous water conservation monthly reports which have been provided by Ms. Brennan and the former water conservation specialist, Ms. Amanda Cox as well, in order to obtain a better understanding of the District's water conservation efforts, practices, and programs.

Sofia Freer, had one additional comment, announcing that an Eco-Expo Energy Fair is scheduled to take place on September 15, 2007 at the Half Moon Bay High School facility and CCWD may be interested in participating in the event.

Additionally, Joe Guistino, Acting General Manager/Superintendent of Operations invited Ms. Freer to come to the District office and talk to Cathleen Brennan directly about the District's present conservation programs.

6) PUBLIC HEARING - PROPOSED RATE INCREASE

- Public Hearing to consider proposed amendment of Rate and Fee Schedule to increase water rates up to 6.6%
- Consideration of Resolution 2007-10 - A Resolution of the Board of Directors of the Coastside County Water District Amending the Rate and Fee Schedule to Increase Water Rates.

President Larimer opened the Public Hearing at 7:25 p.m. and announced that he had one speaker slip with a request to address the Board with comments. A letter dated July 10, 2007, sent via e-mail to District staff from Kevin J. Lansing, of 359 Filbert Street, Half Moon Bay, was also distributed to the Board members.

Lee McKusick, El Granada – Distributed information he had prepared, including a proposal that the District migrate the rate structure for residential water service to a strictly linear rate with no fixed monthly charge component, along with an accompanying spread sheet. He addressed the Board, explaining his proposal in further detail, emphasizing the water conservation rewards of the proposed plan. He also stated that the business question that he felt this Board should be exploring is “How do we get people to invest their money in reducing their water bill”. He concluded his comments by saying that he felt the District needed to release its rate structure so that water usage can drift downward for ordinary, rational, and economic advantages, that ratepayers are perfectly capable of receiving.

With no other public comments, President Larimer closed the Public Hearing portion of the meeting at 7:35 p.m.

Director Coverdell commented that the District recently received good news from San Mateo County regarding the additional property tax funds of approximately \$40,000 to be received by CCWD, which is more than originally anticipated, and is another reason that he feels comfortable and confident in reducing the proposed rate increase. He further stated that it does not appear that the District necessarily needs the seven percent increase as predicted earlier. He also noted that he was surprised that there were not more public comments, and said that he was proud of the District’s hard work in establishing the budget and in proposing a rate increase of less than the seven percent originally projected.

Director Feldman, a member of the District’s Finance Committee, stated that he was happy and felt positive that the initial rate increase of 6.6% is now being considered to be reduced by 2%, to a 4.6% increase. He also commented that the District did a good job and was very responsible in keeping within the budget and also in funding the District’s reserves.

Director Ascher explained that the Finance Committee members had deliberated over a period of approximately three months in reviewing the District’s operating and capital improvement program budgets. He also advised that the District’s Facilities Committee had been very committed and involved in the budget related meetings and in projecting the necessary funds for the programs and to maintain the integrity of the District’s infrastructure. He also thanked Ms. Freer and Mr. McKusick for

sharing their comments and expressing their viewpoints and informed Mr. McKusick that the District's Rates and Fees Committee would meet in the near future to review his proposal and would be in contact with him in approximately sixty days or so. He concluded his comments by stating that in considering the District's requirements and obligations, that he felt the proposed rate increase of 4.6% is reasonable and proper with regard for the overall health of the District.

President Larimer proceeded to provide a review of the District over the past couple of years, explaining that they had retained the services of an engineering consultant, Camp, Dresser, McKee (CDM) to review the District's rate structure and future costs. Their report provided a recommendation of proposed rate increases for the future, which can be reviewed in the District's records, available on the CCWD website.

President Larimer also explained that there are three factors that are driving the District's rates into the future, all of which were analyzed in the report prepared by CDM. One of those is ordinary, everyday inflation. The construction price index has greatly increased over the last several years. He also stated that the District has no plans to expand our water supply, but are currently only trying to satisfy the demands to maintain the system. Another driver is the increase in regulatory requirements, including newer, higher, standards of water quality and these changing standards require major renovations, upgrades, and improvements to our treatment facilities. The third factor that is driving the District's costs, is the fact that the San Francisco Public Utilities Commission is increasing their rates due to the upgrades of the Hetch Hetchy water system and facilities. He also stated that 75% of the District's water is delivered from the Hetch Hetchy system, and the District has no choice but to pass these rate increases on to our customers.

President Larimer additionally stated that if the District could increase the amount of local water production, then water rates could possibly be reduced and that the District is exploring this, but it needs to be done in a cost effective way. He also responded to Mr. McKusick's proposed linear rate structure, explaining that the District's Rates and Fees Committee have conducted several publicly noticed meetings, where the present rate structure has been reviewed and other rate structure options explored and invited Mr. McKusick to participate in future meetings of this committee.

ON MOTION by Director Coverdell and seconded by Director Ascher, the Board voted as follows, by roll call vote, to approve and adopt Resolution 2007-10 - A Resolution of the Coastside County Water District Board of Directors Amending the Rate and Fee Schedule to Increase Water Rates by 4.6%:

Director Coverdell	Aye
Director Mickelsen	Absent
Director Ascher	Aye
Director Feldman	Aye
President Larimer	Aye

7) AGENDA ITEMS AND DIRECTOR'S COMMENTS

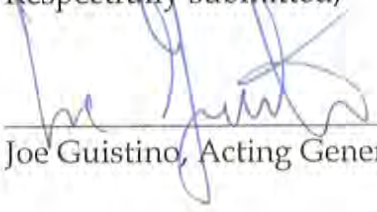
- A. Rescheduling of Regular July Board of Directors meeting to Friday, July 20, 2007 at 3:00 p.m.

President Larimer announced that the regular July monthly meeting of the Board of Directors would be conducted on Friday, July 20, 2007 at 3:00 p.m. and that the Board may also want to consider rescheduling the regular August Board meeting by one week, from August 14th to Tuesday, August 21st, to begin at 7:00 p.m, which was agreed upon by the Board.

8) ADJOURNMENT

The meeting was adjourned at 8:02 p.m. The next meeting of the Coastside County Water District's Board of Directors is scheduled for Friday, July 20, 2007 at 3:00 p.m.

Respectfully submitted,



Joe Guistino, Acting General Manager



Jim Larimer, Board President