

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

September 13, 2005

- 1) **ROLL CALL:** President Mickelsen called the meeting to order at 7:00 p.m. Present at roll call were Directors Jim Larimer, Everett Ascher, Ken Coverdell and John Muller.

Also present were Ed Schmidt, General Manager; Anthony Condotti, Legal Counsel; Jim Teter, District Engineer; Joe Guistino, Superintendent of Operations; Amanda Cox, Water Conservation Coordinator; JoAnne Whelen, Administrative Assistant/Recording Secretary, and Gina Brazil, Office Manager. The District's CPA, John Parsons, was also present.

- 2) **PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.
- 3) **PUBLIC ANNOUNCEMENTS:** President Mickelsen welcomed Mr. Guistino, CCWD's new Superintendent of Operations. He then requested that Ed Schmidt, General Manager introduce Mr. Guistino to the Board. Mr. Schmidt provided the introduction, including a brief summary of Mr. Guistino's experience and background. President Mickelsen also acknowledged Mr. Guistino's Grade 5 Water Treatment Operator Certification.

President Mickelsen then recognized Mr. John Hernandez, a member of the public, who requested to address the Board.

John Hernandez, 2912 Pullman Avenue, Half Moon Bay addressed the Board, explaining a concern dating back almost a year, to the time of the Roosevelt Pipeline Replacement Project. He distributed a letter to the Board, including two photos of the site, depicting a temporary repair performed by the City of Half Moon Bay Public Works Department. Mr. Hernandez said he thought the District's contractor, Stoloski & Gonzalez, damaged/removed some sand bags.

The General Manager, Mr. Schmidt, responded by informing the Board that he first learned of this situation two days previously, and had discussed the matter with the contractor, Mark Stoloski, who said his company did not disturb the sandbags.

Mr. Condotti, CCWD Legal Counsel, reminded the Board that this issue was presented during the Public Announcement portion of the meeting agenda and that the Board was not able to take any action on the matter, but that he was sure that staff would investigate and follow up on the reported incident.

John Hernandez, 2912 Pullman Avenue, Half Moon Bay addressed the Board on the matter of a billing overcharge. Mr. Hernandez explained the series of events, which included a letter from him and a response from Mr. Schmidt. Mr. Hernandez then read his original letter to the Board and further reported that the water meter had been removed to be tested for accuracy, and that Amanda Cox, Water Conservation Coordinator had visited the site to check for leaks, with none identified. Mr. Hernandez stated that regardless of the testing results, he did not want to have to pay for the water that was unaccounted for and requested that the Board grant an adjustment and provide a credit for this excessive bill.

Mr. Schmidt reported that the water meter was scheduled to be tested on approximately September 20, 2005 and that the results would be reported, and if the meter proved to be inaccurate, the bill could be adjusted accordingly. Mr. Schmidt also reminded the Board that in the past, the Board has enforced the policy that customers are responsible for all of the water that goes through their meters.

President Mickelsen stated that the matter could be further discussed once the meter testing results were received, and that Mr. Hernandez was welcome to bring the matter to the Board again.

James Marsh, Half Moon Bay – addressed the Board, announcing that he is launching his campaign for the CCWD Board of Directors position. Mr. Marsh proceeded to read his campaign comments and stated that he was looking forward to the election and hoped to have the community's support.

4) **CONSENT CALENDAR**

- A. (1) ending July 31, 2005 - Claims: \$804,149.25, Payroll: \$73,186.16, for a total of \$877,335.41
(2) ending August 31, 2005 - Claims: \$950,439.91, Payroll: \$56,536.52 for a total of \$1,006,976.43
- B. Acceptance of Financial Reports
 - (1) July 2005
 - (2) August 2005
- C. Minutes of the August 2, 2005 Board of Directors Meeting
- D. Minutes of the August 23, 2005 Special Board Meeting
- E. Minutes of the August 24, 2005 Special Board Meeting
- F. Monthly Water Transfer Report

ON MOTION by Director Coverdell and seconded by Director Ascher, the Board voted unanimously to accept the Consent Calendar in its entirety:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

At this time, Mr. Schmidt pointed out that it was not yet 7:30 p.m., and requested that one or two other agenda items be discussed until the public hearing could be opened at 7:30 p.m.

6) **WATER CONSERVATION COORDINATOR'S REPORT**

- A. Water Conservation Report - Ms. Cox addressed the Board and briefly recapped the activities outlined in the Water Conservation Staff Report, briefly explaining the finalized 2005 Lead and Copper Program, the Pre-Rinse Spray Valve Program, the visits with the District's top five customers, and a potential new school education program. She concluded her presentation by reporting that the District's Urban Water Management Plan would be presented to the Board at the October 11, 2005 Board meeting.

7) **REPORT OF THE GENERAL MANAGER**

B. **Magellan Avenue Pipeline Extension - Water Service Agreement for Stebbins-Gehrels Development, LLC.**

Mr. Schmidt introduced discussion of this water service agreement between CCWD and the applicant for the construction of a pipeline extension to serve real property on Magellan Avenue.

President Mickelsen then acknowledged Barbara Mauz, a member of the audience who wished to address the Board.

Barbara Mauz, P.O. Box 1284, El Granada, CA – Ms. Mauz stated that an appeal had been filed with San Mateo County on the Coastal Development Permit, including water and sewer infrastructure for this project. Ms. Mauz further stated that this project affects a stream bank, vacant land, steep hillsides, tree greenbelt, open space entities, and a one hundred year old paper subdivision, unusual circumstances, and many other cumulative impacts. She explained that she felt that CCWD, by law, needed to make a CEQA determination, and due to the fact that a CDP had not been issued, because of the appeal files, that CCWD could not take any action until the appeal was resolved.

President Mickelsen asked the District's Legal Counsel, Mr. Tony Condotti to respond to the speaker's statements.

Mr. Condotti responded that the water service agreement with the District requires that the applicant must provide evidence to CCWD before the project commences, that all necessary permits and approvals, including a CDP have been obtained. He further explained that the construction of a utility line to serve a development that is approved by a CDP, is not a categorical exemption from CEQA. Mr. Condotti informed the Board that they have a couple of options, including deferring any action until the permit is actually approved, or the Board could approve the water service agreement, due to the fact that the agreement prohibits commencement of the construction of the project until all permits have been obtained and submitted to CCWD for review. Mr. Condotti also reported that the agreement requires that the applicant indemnify CCWD from any liability that may arise in connection with the agreement.

ON MOTION by Director Muller and seconded by Director Larimer, the Board voted as follows to approve the water service agreement between CCWD and Stebbins Gehrels Development, LLC for construction of a pipeline extension to serve real property on Magellan Avenue:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

5) PUBLIC HEARING - PROPOSED RATE INCREASE

- **Status Report on Rate and Fee Study by Camp Dresser McKee, Inc. (CDM)**
- **Public Hearing to consider proposed amendment of Rate and Fee Schedule to increase water rates up to 19%**
- **Consider Resolution 2005-__ - A Resolution of the Board of Directors of the Coastside County Water District Amending the Rate and Fee Schedule to Increase Water Rates**

President Mickelsen opened the Public Hearing at 7:38 p.m. Ed Schmidt, General Manager, suggested that Mr. Jake Boomhouwer of CDM be allowed to complete his presentation prior to addressing any questions in regards to the proposed rate increase.

Mr. Boomhouwer began his power-point presentation, summarizing the Water Rate Study, beginning with the study objectives, followed by a detailed presentation of three alternatives. Mr. Boomhouwer also relayed the results of CDM's Cost of Service Analysis, suggesting no changes to the District's current structure.

The Board then proceeded to ask questions of Mr. Boomhouwer and discussion of various aspects of the three alternatives ensued.

President Mickelsen then announced that the Board would hear public comments.

James Marsh, Half Moon Bay – questioned the Board about the need for charging a base charge on the bi-monthly billings and asked about the history of the establishment of the base charge fees. He also referenced the June 2005 investment report, noting that it shows an

approximate million dollars in under-funding of the Crystal Springs project. Mr. Marsh concluded his comments by stating that he advocates the proposed 19% rate increase.

Director Coverdell reported that after participating in the recent Finance Committee, he strongly supported at least a 12% rate increase, pointing out that many improvements are required at the two water treatment plants, in addition to the new, more stringent state and federal drinking water regulations, soon to be in effect.

Director Muller stated the importance of replacing the District's aging infrastructure. He also asked Mr. Boomhouwer to explain the alternative involving the bonds, in more detail.

President Mickelsen reported that he too attended the Finance Committee meeting and after touring one of the water treatment plants, sees the need for the plant improvements, especially the requirements necessary in order to be in compliance with the upcoming drinking water regulations. President Mickelsen agreed that he felt that at least a 12% rate increase was necessary.

John Muller then requested that the Board hear comments from Mr. Parsons, CPA, on the subject. Mr. Parsons echoed Director Coverdell's comments, that each of the alternatives have at least a 12% increase, and recommended that the Board institute a rate increase at this time, and once CDM has completed the remainder of their financial studies, the issue be reviewed again, especially a closer look at Alternative 3, involving the bonds, at that time.

Director Larimer pointed out that with all of the alternatives, there is \$700,000. allocated as an emergency reserve. He also stated that this was a good time to consider bonds, as the interest rates are very low, and he was in favor of the idea of spreading the cost over future generations. Director Larimer also stated that these rate increase discussions include mainly the replacement of aging infrastructure and complying with new mandates, but has not taken into consideration the cost of purchasing water from the San Francisco Public Utilities Commission, and the potential rate increases associated with purchasing approximately fifty percent of our water from that agency. Director Larimer stressed the importance of developing local water sources, including water reclamation, and suggested that money could be borrowed at that time to fund the development of those projects.

Director Ascher stated that he was impressed with the level of discussion on this issue, agreed with a rate increase of at least 12%, but expressed reservations in choosing an alternative now with subsequent annual rate increases, until CDM's studies are completed and reviewed.

ON MOTION by Director Ascher and seconded by President Mickelsen, the Board proposed to adopt the Resolution of the Board of Directors of the Coastside County Water District Amending the Rate and Fee Schedule to increase the water rates by 12% effective immediately, defer any action on further rate increases or bond or COP funding, subject to the completion of CDM's report and a full and thorough evaluation by the Board and District Consultants as to the scope of the Capital Improvement Projects going forward. An amendment was made by Director Larimer to increase the amount of the water rate increase from 12% to 15%. Director Ascher declined to accept the amendment.

Director Muller referenced a letter from a member of the public, Mr. Kevin Lansing, that had been submitted at the beginning of the meeting and asked the District Counsel to comment on the matter. Mr. Condotti asked the Board to recall the meeting in January 2005, where recent case law regarding Proposition 218, and the noticing requirements were discussed. He reminded the Board that under Prop. 218, water rates have not been considered to be property related fees or charges, and therefore the noticing requirements under this proposition do not apply. However, the Board had previously expressed the commitment to ensure that it's business is conducted openly and has pursued an active out-reach program, especially in regards to rate increase matters. Mr. Condotti also stated that after those discussions in January 2005, that the Board determined that the noticing for this rate increase hearing, would be conducted in accordance with Proposition 218, and in his opinion, far exceeded the public notice requirements that are set forth by law. Mr. Condotti declared that, in his opinion, the noticing provided by the District, was above and beyond what is likely legally required.

Director Muller stated that he hoped that Mr. Lansing realizes that the CCWD Board would never do anything that was beneath the law. Director Muller then expressed his opinion on the rate increase and reported that he was in favor of a 15% rate increase.

At this point in the meeting, John Parsons, CPA reminded the Board that this rate increase will be effective now, not at the beginning of the fiscal year, and that the 19% over the annual, is actually only 14.8% and that a 15% increase over the whole fiscal year, would be 11.7% and that 12% would equate to 9.3% over the year.

Director Ascher commented that he was ready to accept the amendment to his motion to increase the water rates by 15%. The motion is restated as follows:

ON MOTION by Director Ascher and seconded by President Mickelsen, the Board voted as follows, to adopt the Resolution of the Board of Directors of the Coastside County Water District Amending the Rate and Fee Schedule to increase the water rates by 15% effective immediately, defer any action on further rate increases or bond or COP funding, subject to the completion of CDM's report and a full and thorough evaluation by the Board and District Consultants, as to the scope of the Capital Improvement Projects going forward.

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

President Mickelsen then briefly adjourned the meeting for a break at 8:53 p.m. The meeting was reconvened at 9:00 p.m.

7) **REPORT OF THE GENERAL MANAGER (Continued)**

A. **Discussion and possible direction to staff to approve a District office furniture purchase**

The General Manager introduced this item, reporting that \$70,000 was budgeted for this project and that he was requesting that the Board approve an expenditure of \$56,393.69 for the office furniture purchase.

The Board briefly discussed the item, including the advantages, timing, coordination, etc.

ON MOTION by Director Muller and seconded by Director Ascher, the Board voted as follows to approve the office furniture update request and authorize \$56,393.69 for the project:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

C. Resolution 2005-__ Ordering Judicial Foreclosure of Delinquent Assessment Installments Pursuant to the Improvement Bond Act of 1915 and Ordering that the Tax Collector be Credited with those Installments

The General Manager briefly explained this item; there were no questions or comments from the Board.

ON MOTION by Director Coverdell and seconded by Director Larimer, the Board voted as follows to approve Resolution 2005-__; Ordering Judicial Foreclosure of Delinquent Assessment Installments Pursuant to the Improvement Bond Act of 1915 and Ordering that the Tax Collector be Credited with those Installments:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

D. City of Half Moon Bay Local Coastal Program - General Plan Update

The General Manager introduced this item and reported to the Board that he had just recently learned that this item would be on the agenda of the HMB City Council on approximately September 20, 2005 and advised that he would keep the Board informed of meeting dates and materials.

E. Status Report on Major Capital Improvement Projects

Mr. Schmidt directed the Board's attention to the recap at the end of this report, indicating that recent District completed projects total \$2,219,239, and projects totaling \$7,220,595 are currently in progress.

Director Larimer briefly summarized the District's recent projects, including some of the unexpected pipeline replacement projects that have been completed over the past four years.

The General Manager then provided an update on the Highway 92 / Main Street project and reported that the City of Half Moon Bay has paid Mark Thomas & Company, 1.5 million dollars for their services to date.

He further reported that he has recently requested that the City of Half Moon Bay keep CCWD informed of when the District's CDP application will be on their agenda, and advised that he would keep the Board informed.

Director Muller complimented everyone who was involved in the Carter Hill West pipeline replacement and paving, including the new bike path. The General Manager complimented the Half Moon Bay Public Works Director / City Engineer, Paul Nagengast for his efforts in the process. Mr. Schmidt also acknowledged and complimented John Davis, Field Supervisor, for his contributions and involvement in the project.

F. General Manager Activities

There were no comments or questions on this item.

G. Correspondence (1) Letter dated August 30, 2005 from CCWD to the Grand Jury of the County of San Mateo responding to the 2004-2005 Grand Jury Report – Review of Special Districts (2) San Mateo County Public Health and Environmental Protection Division letter dated August 23, 2005 regarding Extension of the Risk Management Plan for Denniston and Nunes Water Treatment Plants

Under this correspondence item, Director Muller requested that staff follow up and provide a response to the correspondence received from the three customers in connection with CCWD's proposed rate increase, and report back to the Board at the next Board meeting.

The General Manager then directed the Board's attention to the District's response to the Grand Jury's Findings, and thanked Mr. Condotti for this thorough reply.

Mr. Schmidt then referenced the August 23, 2005 letter from the San Mateo County Health Department, granting an 18-month extension to CCWD for the Risk Management Plan submittal deadline for the Denniston and Nunes Water Treatment Plants.

Mr. Condotti took an opportunity to provide an explanation regarding the letter from the San Mateo County Grand Jury, reporting that a response was required by law, and that the initial report had not targeted CCWD, but was an investigation of many Special Districts, and that the majority of the issues investigated, did not apply to CCWD.

8) ATTORNEY'S REPORT

A. Resolution Number 2005-__ - A Resolution Authorizing Access to State and Federal Summary Criminal History Information for Employment

Mr. Condotti stated that with the heightened awareness of issues related to the security of public facilities, the issue of appropriate background screening for prospective employees is important and explained that with the adoption of the Resolution, the District would be authorized to obtain summary criminal history information from the State and Federal departments of Justice by way of fingerprint.

Mr. Condotti answered a few brief questions from the Board regarding the procedure and liability issues.

ON MOTION by Director Coverdell and seconded by Director Muller, the Board voted as follows to approve Resolution 2005-__; Authorizing Access to State and Federal Summary Criminal History Information for Employment:

Director Larimer	Aye
Director Ascher	Aye
Director Coverdell	Aye
Director Muller	Aye
President Mickelsen	Aye

9) ENGINEER'S REPORT

A. Engineering Projects Received in August, 2005

The Engineer reported that no new projects had been received in August.

B. District Engineer Work Status Report

The Engineer reported that all projects are on schedule. Mr. Teter also provided a brief update on the Carter Hill East Pipeline Emergency Repair Project. He also addressed questions from the Board on the El Granada Transmission Pipeline Replacement Project Phases IIIA and IIIB, reporting that he had completed the design work and that the next step in the project was to begin the CDP application process.

10) OPERATIONS REPORT

- A. Superintendent of Operations Monthly Operational Report**
- B. Water Service Connections Installed, priority and Non-Priority**
- C. Capital Improvement Program Progress - July and August Reports**
- D. Total CCWD Production, Sales by Category, Monthly Leak Report, Rainfall Reports**
- E. San Francisco Public Utilities Commission Hydrological Conditions Report for July 2005**

The new superintendent, Mr. Joe Guistino, referenced the Operations Reports contained in the Board packet, reporting that the highlight to him was the Denniston Filter Media Replacement Project.

Director Coverdell referred to the standard monthly Operations Reports, and asked that some additional reports be provided, containing specific information on the District's facilities, including: items requiring attention, improvements made, future needs, activities and employee recognition.

Mr. Guistino took this opportunity to recognize the staff for their dedication and efforts in the recent improvements made at the Nunes Water Treatment Plant. Director Coverdell expressed his appreciation to the staff in making this water treatment plant look like a state-of-the-art facility.

Mr. Guistino stated that he felt that educating the staff would make a difference in their incentive and commitment to improvements to the facilities and work areas and reported that he hoped to continue the program that his predecessor, Judy Nosecchi, had successfully started.

Director Larimer requested that the Superintendent's Report be moved earlier on in the agenda, stating that this report was important, representing the operations of this District, and thought that it should be celebrated earlier on in the meeting.

11) MEETINGS ATTENDED/SCHEDULED - BOARD OF DIRECTORS

President Muller briefly reported on his attendance at the White House Conference on Cooperative Conservation.

12) AGENDA ITEMS AND DIRECTOR COMMENTS

13) ADJOURNMENT

The meeting was adjourned at 9:45 p.m. The next regular meeting of the Coastside County Water District Board of Directors is scheduled for Tuesday, October 11, 2005, beginning at 7:30 p.m.

Respectfully submitted,

Ed Schmidt, General Manager

Chris Mickelsen, President