

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES of the SPECIAL MEETING OF THE BOARD OF DIRECTORS

November 18, 2003 - 7:30 p.m.

- 1) **ROLL CALL:** President Muller called the meeting to order at 7:30p.m. Present at roll call were Directors James Larimer, Everett Ascher and Ken Coverdell. Director Chris Mickelsen was absent.

Also present were Ed Schmidt, General Manager; Anthony Condotti, Legal Counsel; Ed Teter, District Engineer; John Davis, Field Supervisor; Gina Brazil, Office Manager; and JoAnne Whelen, Administrative Assistant.

- 2) **PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.
- 3) **PUBLIC ANNOUNCEMENTS:** There were no public announcements.
- 4) **CONSENT CALENDAR:**

- A. Requesting the Board to review disbursements for the month ending October 31, 2003 Claims: \$275,296.67, Payroll: \$47,218.44 for a total of \$322,515.11
- B. Acceptance of Financial Reports
- C. Minutes of the October 14, 2003 Board of Directors Meeting
- D. Monthly Water Transfer Approval Report

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

- 5) **REPORT OF THE GENERAL MANAGER**

- A. Discussion and possible direction to staff to implement synoptic streamflow measurements and development of a production test well - Presentation by Dr. Iris Priestaf of Todd Engineers

Dr. Iris Priestaf briefly remarked on the initial study that Todd Engineers began in July, 2003, which concluded that a Lower Pilarcitos groundwater project would be technically and economically feasible. She described the

study she is presenting to the Board at this meeting as "an extension" of that original study and stated that it demonstrates the benefits to be derived from performing synoptic stream flow measurements and developing a production test well to assess the characteristics of the aquifer. Her written report concluded with cost estimates for construction, testing and management of a pilot production well and an 8-hour aquifer test.

There was extensive discussion undertaken by the Board, beginning with Director Larimer's questioning the expected goal in bringing this issue before the Board at this meeting. President Muller and the General Manager jointly explained that the best time to do the recommended pilot test well project is during summer months and that in order to be prepared to begin the study at that time, the permit process needs to be implemented in the very near future. President Muller also remarked that he prefers the idea of a private engineering firm handling this project due to CCWD engineering staff time constraints. The General Manager reminded the Board that the funds for the project are available and that the Board is able to direct staff to begin the initial phase of the study as recommended by Todd Engineers.

Director Larimer expressed his preference for Request For Proposals to be obtained by multiple firms who would want to bid for the project, stating that, due to the high anticipated cost of the project as well as what has already been spent on the initial study, he believes that a competitive bidding process would help to keep project costs down. The General Manager explained that Todd Engineers would be responsible for acquiring bids for the drilling phase of the project and that their management of the project would ensure appropriate communication would be maintained with CCWD.

Director Coverdell and Director Ascher directed questions to Dr. Priestaf about the methods that Todd Engineers would use to manage the project. They asked who would be responsible for various parts of the project, how data collection would be handled and how funds would be spent. Dr. Priestaf explained that Todd Engineers would be managing the engineering services, running the testing and doing the creek survey, although she explained that the survey portion of the project could be split between different sources and bids could be obtained for CCWD. The General Manager expressed his view that Todd Engineers is the best option to manage the project because they already have significant understanding of the District's needs.

Director Ascher and Director Larimer discussed their differing views and understanding of how the project would move forward with Todd Engineers managing parts of it while accepting bids on other parts. Dr. Priestaf addressed additional questions from Director Larimer regarding well draw, yield, permeability, and storage capacity. Director Larimer then stated that, as he continues to have numerous technical questions about the project, he felt that this was not appropriate discussion for the Board to undertake at this meeting and that it was more suited for sub-committee review and evaluation.

ON MOTION by Director Larimer, and seconded by Director Coverdell, to establish a sub-committee to review, evaluate and make recommendations about the best way to proceed with the wellfield proposal by Todd Engineers, the Board continued discussion regarding the wellfield construction and survey proposal.

The Board continued their discussion regarding well drilling issues, addressing their understanding of the reasons for having Todd Engineers complete this most recent study. The General Manager suggested that a conference call be arranged between Todd Engineers and the Board members in order to have their questions addressed in a venue separate from the Board meeting. Director Larimer once again expressed his main concern as being the potential costs to ratepayers, and further discussion ensued among Board members regarding Director Larimer's earlier Motion to establish a sub-committee to review the Todd proposal.

Regarding the Motion by Director Larimer that a sub-committee be established to review the study proposal by Todd Engineers, the Board voted by roll call vote as follows:

Director Larimer	Aye
Director Ascher	No
Director Coverdell	Aye
Director Mickelsen	Absent
President Muller	No

Due to a deadlocked vote, no action was taken by the Board on this issue at this time.

President Muller then asked for Legal Counsel's advice. Mr. Condotti explained that the Board could direct the General Manager to address several specific questions to clarify Todd's proposal and also move

forward to acquire bids for the drilling portion of the project. He explained further that direction to staff could be given in order to answer questions posed by Director Larimer and to evaluate the next steps that CCWD could take to begin the wellfield test project. Director Larimer explained that he would like to have: 1) additional project specifics and costs; 2) a more detailed project strategy; 3) a more thorough understanding about existing wells and why they aren't sufficient for the project; and 4) whether or not the test wells could be used in the future, given the significant cost of the project.

ON MOTION by Director Ascher and seconded by Director Coverdell, the Board voted unanimously to have all Board member questions about the proposed test well project and related studies submitted to CCWD staff for review, with the expectation of having staff recommendations brought to the Board at the December meeting for Board approval of plans or specifications and award of the contract.

B. Discussion and possible direction concerning the format of monthly financial reports presented to the Board

The General Manager briefly reviewed the proposed new financial graphs, explaining to the Board that changes in format would require some expense for time spent on the project by John Parsons, CCWD accountant. Director Coverdell and Director Larimer discussed the sample financial reports and requested that percentages be incorporated into the report format as an additional column and, in addition, reviewed the expectations they have about what the reports would demonstrate. CCWD Office Manager Gina Brazil was directed to work with John Parsons on this task and proceed with posting these reports on the website each month.

C. Update on recent activities regarding the El Granada Pipeline Project Appeals and possible direction to staff regarding the California Coastal Commission Hearing for Appeal Nos. A-2-SMC-99-65 and A-1-HMB-99-20

The General Manager remarked on the three recent meetings he attended: 1) on October 29th at the California Coastal Commission (CCC) offices; 2) on November 10th, which was a special meeting of the CCWD Board of Directors; and 3) on November 12th, which was held

at the CCWD offices and attended by CCC staff, San Mateo County, the City of Half Moon Bay, the Montara Water and Sanitary District and Rudi Metzner of Water Resource Associates. He explained that the purpose of the meeting on November 12th was for the various agency representatives to meet with CCWD modeler Rudi Metzner so that he could answer additional questions regarding the El Granada Pipeline Project. Mr. Metzner explained that the 16 inch pipeline was the minimum size required for the community's needs. Mr. Schmidt reviewed the topics covered, related correspondence between several agencies involved in the appeals process, assessment and evaluation information from Rudi Metzner, and referred to several information documents included in the Director's agenda packet.

President Muller asked for Board member comments and input, as he had not been able to attend the November 12th meeting with the agency representatives and Rudi Metzner. Director Coverdell remarked on the excellent graphs produced by Rudi Metzner, and also complimented Mr. Teter, CCWD Engineer, on his long-standing service to the District and his past engineering advice to the Board, as it has been proven to be correct and appropriate. Director Larimer remarked on the comparisons of the different pipeline sizes at different locations on the Coastside and expressed his disappointment at the CCC's surprising lack of understanding of the pipeline project, given the significant amount of time spent on it and communication about it over the past four years.

Terry Gossett, Moss Beach, addressed the Board and stated that he had attended all three recent meetings that the General Manager had attended. He expressed his appreciation for the CCWD Board of Directors and the hard work and efforts to get the pipeline project approved and completed.

President Muller stated that the CCWD Board would continue to wait for the CCC decision on the pipeline project and hope for a positive outcome.

D. **Discussion and possible direction to staff regarding San Mateo Local Agency Formation Commission (LAFCO) - File No. 03-10 - Proposed Sphere of Influence Amendment of Midpeninsula Regional Open Space District and Annexation of the San Mateo County Coastal Area (144,000 Acres)**

The General Manager introduced this agenda item by directing the Board members to a report prepared by Economic Research Associates

in May of 2003, as part of the Environmental Impact Report (EIR) for the Midpeninsula Regional Open Space District, which concluded that the annexation of 144,000 acres of San Mateo County coastal lands would have no fiscal impact on the community areas under the influence of the Coastside County Water District. However, the General Manager stated that he has recently received additional financial information from a representative at the Farm Bureau which shows that, in fact, there is potential for lost revenue in the MROSD annexation process.

Cathy Woodbury, Planning Manager for the MROSD, addressed the Board and discussed the acreage currently maintained by the MROSD, the activities and facilities located on MROSD properties, and the proposed annexation plans covering a fifteen year period. She then answered questions from Board members regarding welfare exemptions, eminent domain issues, easements, land use and the potential for the annexation process to impact the El Granada Pipeline issue (she stated that she was unaware of the pipeline project and so could not address that question).

Terry Gossett, Moss Beach, addressed the Board regarding his opposition to the MROSD annexation plan and handed out a letter he prepared for the Board for this meeting, which stated the potential impact of loss of tax revenues if the MROSD annexation project goes forward.

Paul Perkovic, Montara, suggested that the Board should look at the assessed property valuation prior to the land being purchased, as he believes that would show a much smaller loss of tax revenue.

Leonard Woren, El Granada, suggested that unless the Board can show reasons for speaking out regarding the proposed annexation, he would personally like to see the Board take no stand on this issue, as he believes that it is widely supported by coastal residents.

President Muller stated that he believes that the Board should speak up if they see any negative economic impact. Director Coverdell stated that he does not see any well-defined fiscal impact at this time. The General Manager stated his concern about the estimated lost revenue amount of \$9,039 stated in the Farm Bureau report and said he doesn't know who prepared the report. Director Larimer stated that he is "not persuaded" by the findings in the ERA report that show no fiscal impact to CCWD. He referred to the MROSD as an entity that is able to levy taxes and anticipates a strong possibility for future taxes with

resulting cost increases to the CCWD ratepayers. Director Ascher expressed his agreement with Director Larimer's opinion and stated that he believes it is impossible to see the MROSD fifteen-year plan as real.

President Muller expressed his belief that the Board needs to respond to LAFCO regarding the potential fiscal impact to CCWD as being very unclear and stated that he wants to be more certain of the numbers in order to take responsible action on behalf of CCWD ratepayers. Mr. Condotti suggested that the Board could direct staff to research the \$9,039 figure in the Farm Bureau report.

ON MOTION by Director Coverdell, and seconded by Director Larimer, the Board voted unanimously to respond to LAFCO, expressing the District's concerns about any fiscal impact, indicating that the District is not clear as to what they may be, but want the District's concerns registered about a potential fiscal impact. The roll call vote was as follows:

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

Staff was directed to further investigate the potential fiscal impacts of this item. The District's response should include a statement, for the record, that the District is not taking a position on this issue but does have definite concerns about any potential for lost revenue.

E. Discussion and adoption of the Coastside County Water District's Statement of Financial Investment Policy Resolution 2003-18

The General Manager proposed to continue the District's policy of preservation of principal with a secondary emphasis on liquidity.

ON MOTION by Director Coverdell, and seconded by Director Ascher, to approve the adoption of the CCWD Statement of Financial Investment Policy Resolution 2003- 18 .

Discussion ensued immediately following the Motion by Director Coverdell and prior to a vote being taken on the Motion. Director Larimer asked about Item #4 regarding the 12-month limit on Certificates of Deposit. The Board discussed having this item reviewed

by the Finance Committee and the General Manager, and Mr. Condotti commented on Government standards for agency investing and possible investment options that could be considered for the future.

A roll call vote on the Motion to approve the Resolution was then taken as follows:

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

The Resolution was approved and staff was directed to process the documentation, including updating the District Policies and Procedures Manual.

F. General Manager Activities

The General Manager briefly remarked about his activities of the past month. President Muller commented on the recent and very positive assessment by the District's worker's compensation insurance provider and complimented Supervisor John Davis on a well-done job of implementing improvements to the District's work safety program.

G. Correspondence: Letter from United States Department of Commerce, National Oceanic & Atmospheric Administration, Marine Fisheries Service to City and County of San Francisco dated September 8, 2003.

The General Manager reviewed a letter the District received in early September, 2003, from the National Oceanic and Atmospheric Administration (NOAA) regarding the diversion and removal of Old Stone Dam and the resulting impact to the annual Steelhead migration. The Board discussed the potential impact that the removal of the dam would have on the upcoming test well drilling and construction project.

6) ATTORNEY'S REPORT

A. Consideration of Resolution 2003-19- Amending and Restating Transfer Policy to Clarify Transfer Criteria

Mr. Condotti discussed the background of the proposed amendment to the District Transfer Policy. He reviewed issues of ambiguity in the current

transfer policy criteria and the requirement to document property development potential.

ON MOTION by Director Ascher, and seconded by Director Coverdell the Board voted unanimously by roll call vote as follows to accept Resolution 2003-19 to amend and restate the District's Transfer Policy:

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

B. Consideration of Request To Extend a 1" Lateral Approximately 200' From End Of Existing 6" Main To Property At 566 Miramar Drive, Miramar (Applicant: Judy Taylor, representing Tom Stevenson, James and Kristin Rhead)

Mr. Condotti reviewed an exemption request proposed by Judy Taylor to extend a 1" lateral to a piece of property that is in the process of being purchased by James and Kristin Rhead, and stated that he does not believe that this is a good solution to the problem of getting water to the property, as he has concerns about allowing an exemption to the District's established practices. Staff concerns about the requested exemption include potential adequate fire flow, water pressure, operational problems, and establishing an undesirable procedural precedent.

James Rhead, Half Moon Bay, explained to the Board that he thought that the property map showed a pipeline already installed to the property, and indicated that a delay in their project would create many negative impacts, including a financial hardship.

Leonard Woren, El Granada, stated that he has no objections to building projects that are certain to be completed, but expressed his belief that there is no certainty that the required Coastal Development Permit (CDP) will be approved. He questioned the issues of adequate fire flow and maintenance of the 1" line, and urged the Board not to put the District system at risk by making this kind of exemption.

Paul Perkovic, Montara, expressed his opinion that this issue could become a "slippery slope" for the District and asked the Board to consider where they would stop making exemptions once they had approved a first one.

Judy Taylor, Half Moon Bay Realtor, addressed the Board about her perception of a lack of correct map information which led to the current problem for the Rhead's. She stated that in her discussions with the City Planner, there did not appear to be any reason that the Rhead's CDP would be denied, and urged the Board to approve the 1" lateral in order to support the Rhead's.

Extensive discussion and review of numerous possible options ensued by the Board members with every member indicating empathy and support for the Rhead's difficult position but concern about setting a problematic precedent for the District as a whole. The General Manager, when asked his opinion by Director Ascher, stated that he could not support the Rhead's request, as he believes that there are currently too many unknowns about building plans with main issues being the potential for water pressure and leak problems with the 1" lateral and possible setting a precedent for requests from others. Directors Coverdell and Larimer discussed the possibility of having to recuse themselves from a vote on this issue since they own neighboring property to the one in question in this issue. President Muller, despite his compassion and strong support for the Rhead's, expressed his reluctance to vote to approve because of "gray areas" surrounding this issue. He believes that the Board needs to make a decision based on precedent and law.

ON MOTION by Director Ascher and seconded by Director Coverdell, the Board voted unanimously to table this item until the December Board meeting, allowing the parties the opportunity to come back when further along in the permit process, and also allowing the Board to have some time to think this issue through. The roll call vote was as follows:

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

C. Water Service Agreement - Beachwood Subdivision (Applicant: Joyce Yamigawa, Trustee)

The applicant had requested that this item be tabled prior to the meeting and moved to a future Board meeting agenda. Mr. Condotti briefly reviewed the issue for the Board members, explaining that Item #15 on Page 10 of the Water Service Agreement for the Beachwood Subdivision could potentially create problems for the developers.

7) **ENGINEER'S REPORT**

A. **Engineering Projects Received in October 2003**

Mr. Teter informed the Board that he had received one project in October, which was the project just previously reviewed in Item 6C of the Board agenda for this meeting. He expressed his frustration with a lack of cooperation from the developers, stating that incorrect and incomplete information he received from them had forced a weekend of overtime for him.

B. **District Engineer Work Status Report**

This was an informational report only with no comments or discussion.

8) **OPERATIONS REPORT**

A. **Water Service Connections Installed, Priority and Non-Priority**

B. **Capital Improvement Program Progress**

C. **Water Sample Report, Local Production, Water Purchases, Leaks, etc.**

D. **San Francisco Public Utilities Commission Hydrological Conditions Report for September 2003**

John Davis, Field Supervisor, presented the monthly operations reports to the Board. He discussed upcoming CPR training that he will be taking and presented pictures of various leaks that had been repaired in the past month. The Board discussed locations where water gets shut off when the District staff are doing repairs.

9) **MEETINGS ATTENDED/SCHEDULED - BOARD OF DIRECTORS**

No discussion was undertaken on this item.

10) **AGENDA ITEMS AND DIRECTOR COMMENTS**

No discussion was undertaken on this item.

Condominium Association v. Coastside County Water District SMSC
Case No. CIV 435451

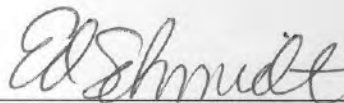
B. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED
LITIGATION (Initiation of litigation pursuant to subdivision (c) of
Section 54956.9: 1 case to discuss

The Board went into Closed Session at 10:52 p.m.

12) **ADJOURN**

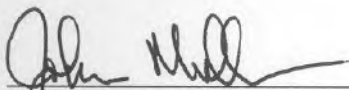
The Recording Secretary was not present for formal adjournment of the meeting. The next Meeting of the Board of Directors will take place on Tuesday, December 9th, 2003 at 7:30 p.m.

Respectfully submitted,



Ed Schmidt, General Manager

Approved:



John Muller, President