

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

December 9, 2003 - 7:30 p.m.

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

Also present were Ed Schmidt, General Manager; Anthony Condotti, Legal Counsel; Jim Teter, District Engineer; Elias Borba, Field Supervisor; Gina Brazil, Office Manager; and JoAnne Whelen, Administrative Assistant and Acting Recording Secretary.

- 2) **PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.
- 3) **PUBLIC ANNOUNCEMENTS:** President Muller recognized Mr. Bob Ptacek, a member of the audience who requested to address the Board.

Bob Ptacek, Montara addressed the Board and offered his regrets, apology, and to clarify what he thought was CCWD's misinterpretation of the conditions that the Montara Water and Sanitary District had recently requested of the CCC. He stated that the conditions on the El Granada pipeline were intended to be beneficial to the Montara Water and Sanitary District and to also be beneficial on a regional basis to both districts. He expressed the desire to keep an open dialogue between the districts to facilitate better communication.

- 4) **SPECIAL ORDER OF BUSINESS: ADMINISTRATION OF OATH OF OFFICE TO NEWLY ELECTED DIRECTORS: JOHN MULLER, JIM LARIMER, KEN COVERDELL AND EVERETT ASCHER**

President Muller introduced The Honorable Gene Mullins, Assemblyman, and The Honorable Rich Gordon, Representative of the Board of Supervisors, both of whom would be administering oaths of office to newly elected CCWD Board Directors.

Assemblyman Mullins addressed the Board, expressing his appreciation for being asked to participate in the oath ceremonies. He spoke briefly about water issues currently under consideration in Sacramento. He then administered the oath of office to President John Muller and to Director James Larimer.

Supervisor Gordon then administered the oath of office to Director Ken Coverdell and to Director Everett Ascher.

President Muller addressed the Board and all in attendance in the audience, thanking his family and friends for their support during recent election activities and expressing his appreciation for the opportunity to continue to serve on the CCWD Board of Directors.

Director Coverdell expressed his appreciation to everyone involved in his election to the Board and stated his strong commitment to community spirit.

Director Larimer expressed his appreciation to all who voted for him as well as any other candidate, encouraging those who did not vote to participate in future elections.

Director Ascher spoke of his immense appreciation for his friends and family's support and sacrifice to aid his election campaign, and expressed appreciation to all CCWD co-Board members and staff. He stated that he would work very hard in his role of CCWD Director to support the Board's mandate of community service.

President Muller then asked that Agenda Item 7A, Consideration of Election of Coastside County Water District Officers be moved to this point in the meeting agenda.

ON MOTION by Director Ascher, and seconded by Director Larimer, the Board voted unanimously to address Item 7A of the Board Meeting Agenda at this time.

Director Mickelsen addressed the Board Members and all in attendance in the audience, expressing his appreciation to the San Mateo County Board of Supervisors for their past appointment of President Muller to his current position of president of the CCWD Board.

ON MOTION by Director Mickelsen, and seconded by Director Coverdell, President John Muller's name was placed in nomination to continue his

position as President of the CCWD Board of Directors. The Board voted unanimously to approve the Motion.

ON MOTION by Director Coverdell and seconded by Director Ascher, Director Chris Mickelsen's name was placed in nomination to continue his position as Vice-President of the CCWD Board of Directors. The Board voted unanimously to approve the Motion.

5) SPECIAL ORDER OF BUSINESS: ANNOUNCEMENT OF LOCAL WINNERS OF THE BAY AREA WATER USERS ASSOCIATION WATER AWARENESS POSTER CONTEST

The General Manager introduced the two winners of the contest. First Place was awarded to Rose Zilber , a third grader at Farallone Elementary School in Montara. Second Place was awarded to Anthony Brazil, a fourth grader at Hatch Elementary School. Both received a cash prize and other small gifts. President Muller then recognized the teachers of the contest winners and presented them with several small gifts in appreciation for their service to the community.

President Muller then briefly adjourned the meeting at 8:03 p.m. for a celebratory reception and refreshments for all in attendance. The meeting was reconvened at 8:20 p.m.

6) CONSENT CALENDAR

- A. Requesting the Board to review disbursements for the month ending November 30, 2003 Claims: \$256,550.31 Payroll: \$45,734.43 for a total of \$302,284.74**
- B. Acceptance of Financial Reports**
- C. Minutes of the Special Meeting of November 10, 2003 of the Board of Directors**
- D. Minutes of the Special Meeting of November 18, 2003 of the Board of Directors**
- E. Monthly Water Transfer Approval Report**

There was no discussion undertaken regarding any of the items on the Consent Calendar,

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

7) **REPORT OF THE GENERAL MANAGER**

A. **Consideration of Election of Coastside County Water District Officers**

This item was addressed immediately following the administration of the oaths of office earlier in the meeting and required no further action at this time.

B. **Crystal Springs Project Reassessment District, Series 1998 – 2003-2004 Annual Report- Presentation by NBS Government Finance Group**

Mr. Greg Davidson and Ms. Shirley Smith of the NBS Government Finance Group addressed the Board and explained that their group is a private consulting firm. Their work is in the areas of special administration and formation of special district financing and they are currently working with 150 agencies in 42 counties, including CCWD with whom they have been working since 1999.

Mr. Davidson addressed several issues of importance as follows:

- The status of the reserve fund and his recommendation to continue to accumulate interest in the fund;
- An update on the redemption fund, an account that holds annual levy collections until they are to be used for debt service payments;
- Arbitrage rebates and his comment that the District does not currently owe any money to the IRS;
- Delinquencies in the District, which are currently historically low at less than 1%;
- The Debt Variance Report, which compares the amount due from property owners to the remaining amount due to bond holders;
- The overall financial status of the CCWD, which he stated is excellent.

Director Ascher asked Mr. Davidson for his comparison of CCWD's financial operations to other districts of similar size. Mr. Davidson answered that he did not see anything that could be handled any better by the District than is currently being performed. He specifically acknowledged Glenna Lombardi and Ed Schmidt for their cooperation and responsiveness.

ON MOTION by Director Ascher, and seconded by Director Mickelsen, the Board voted by roll call vote as follows to implement the two recommendations from the NBS:

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

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 handed out the following new pieces of correspondence that had only recently arrived at the CCWD offices. (1) a letter from the California Coastal Commission (CCC) to Big Wave, LLC, dated December 9, 2003, regarding CDP's A-1-HMB-99-20 and A-2-SMC-99-63; (2) a letter from Montara Water & Sanitary District to CCWD dated December 4, 2003 regarding consolidated El Granada Transmission Pipeline; and (3) an Addendum to Staff Recommendations from the CCC for Permit Applications Nos A-1-HMB-99-20 and A-2-SMC-99-63. The General Manager then explained that he and Glenna Lombardi had compiled an updated report for Chris Kern of the CCC regarding current water connections remaining in the Crystal Springs project.

James Marsh, Half Moon Bay, addressed the Board and read a portion of a letter he had recently sent to the Board regarding his view that the pump station at Frenchman's Creek should not be de-commissioned. Several Board members commented on the fact that the pumping station in Frenchman's Creek was not planned for de-commission until the entire El Granada pipeline project has been completed.

John Burke explained to the Board that Big Wave LLC, whom he is representing at this meeting, has been informed by the Montara Water & Sanitary District that the Big Wave project will not be receiving water from them for the foreseeable future. He asked that, because Big Wave is within the sphere of influence of the CCWD, the District be receptive to the idea of putting landholders within the sphere of influence of the District on the same footing as those already recognized as part of the CCWD. Mr. Condotti explained that the

District has two choices regarding the pipeline permit: 1) to agree to the conditions or 2) not to accept the permit, and then stated that the permit would not be effective unless the District agrees to the conditions for approval.

Jeff Peck, a partner in Big Wave, LLC, addressed the Board and asked that they give much consideration to the project conditions and stated that he does not believe the conditions are in any way related to construction permits and as presented, would deny Big Wave a priority water connection. He asked the Board to "do what's right".

Director Larimer asked about the potential for any financial impact to the CCWD by having District boundaries expanded by the annexation of the Big Wave LLC project. Mr. Condotti answered that it was unlikely because the Crystal Springs Assessment District and the financing for that project were for the building of that specific infrastructure. Director Larimer then said that his understanding is that the annexation of the Big Wave LLC project would have a neutral effect on the District, at which point several Board members briefly remarked on the likelihood of the political nature of the issue. Mr. Condotti stated that the basic questions are 1) whether or not there could be a negative impact caused by the Big Wave project, and 2) would the District derive some benefit from this project that would necessitate limiting its' boundaries in any way. He stated that the answer is not clear to him and that he does not understand the rationale of the CCC condition on this issue.

Director Larimer then asked to summarize the issue by stating that because there appears to be no negative financial issue related to the annexation and that the decision seems to be arbitrary in nature, what would be the benefit to the community to doing or not doing this? He reasoned that because Big Wave LLC intends to put the property to commercial use in an area of the District that is delegated for commercial use, and because the Montara Sanitary District could be as much as a decade away from being able to support the Big Wave project. CCWD would be able to support it immediately due to the pipeline project. It would seem that the Big Wave project would be good for the community as a whole. Mr. Condotti stated that because the new pipeline will increase water transmission to the northern

end of the District, the CCC views the annexation of new property, combined with increased water availability, as creating the potential to be growth-inducing. He explained that a coastal development permit would likely be required in order for the Big Wave annexation to take place and that the CCC condition would have to be re-written so as to be consistent with LCP policies.

Glenna Lombardi, at the request of the General Manager, addressed the Board and verified that 441 priority hook-ups are still available for purchase. Several Board members then made comments related to the positive nature of bringing commercial enterprise to the District.

President Muller reminded everyone that the meeting with the CCC scheduled for tomorrow, Wednesday, December 10th, necessitates the Board's agreement to accept the CCC document as presented, including numerous pipeline project conditions required for the CDP to be approved. Director Larimer commented that he believes that the CCC is "out of control" and stated that he sees a significant need to stand for principle on the issue. The Board undertook a lengthy discussion about the need to express the District's reaction and disagreement with some of the conditions as written by the CCC.

Director Ascher asked Mr. Condotti to verify that if the Board accepts the CDP as written, Big Wave LLC would not be locked out of eventually becoming part of the District. Mr. Condotti answered that they would not be locked out. Big Wave still needs to apply for their own CDP for their project, as well as annexation, both of which will take some time. This would allow for service by the CCWD to be addressed in the future. Director Ascher stated that he believes that the Board needs to move forward with approving the CDP as written, as this would provide the "greatest good for the greatest number of people", and then open up the Big Wave issue in the future when the pipeline project could not be jeopardized by the CCC.

President Muller disagreed with Board members who want to speak out against some of the conditions in the CCC document. President Muller stated that he believes that this could open the door for the CCC staff to create further delay for the project, possibly well into 2004. Director Mickelsen stated his belief that expressing disagreement with any portion of the CDP as it is

written would be a "guaranteed postponement" for the pipeline project. Mr. Condotti remarked that, at the meeting tomorrow with the CCC, the Board would need to express any issues that it might possibly challenge in the future and that acceptance of the CDP as written without comment would indicate that the District had no complaints with any portion of the document. He stated that he believes that the Board could make a presentation to the CCC that would be respectful, that may or may not accept all of the conditions, but would identify concerns with some of the factual information in the reports without creating a hindrance in CCC progress to approve the CDP.

President Muller briefly summarized the Board's desire to 1) draft language with CCWD staff recommendations regarding the CDP conditions; 2) to put brief testimony together; and 3) decide who would make the presentation to the CCC at tomorrow's meeting. The Board agreed unanimously that the General Manager and possibly some Board members should make the presentation.

D. General Manager Activities

There was no discussion on this item.

E. Correspondence: Letter to James Teter, District Engineer dated December 4, 2003

The General Manager referred to a letter he had written to Mr. Teter, thanking him for his outstanding and dedicated service to the El Granada Pipeline project. He was commended on the original calculations and predictions he had performed sixteen years earlier for the El Granada Pipeline, which have proven correct many times over the years.

The Board then briefly reviewed the agenda for the November Employee Meeting and complimented Elias Borba for completing a 'Spanish as a Second Language' course with commensurate pay incentive.

8) ATTORNEY'S REPORT

A. 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 briefly reviewed the issue, stating that it is a policy question for the District because it is a request for a variance from standard District practice for water service connections.

James Rhead, Half Moon Bay, addressed the Board to tell them that he and his wife are now the sole applicants and owners of the property in question. They have the engineering complete for a 6" main line extension, the building and planning permits are completed and they have applied for a Coastal Development Permit.

Leonard Woren, El Granada, spoke to the Board, reiterating the same stand he took at last month's Board meeting when he expressed his belief that "this is a bad idea". He said that he had offered to write a letter to San Mateo County to ask for the expedited of the CDP for a 6" main. His main concern is about possible fire sprinkler service problems with a 1" lateral if the 6" main line is not approved.

James Marsh, Half Moon Bay, stated that his main concern is whether or not a 6" main line is large enough for the system that runs through the property location and urged the Board to make the right decision for the system as a whole.

The General Manager remarked that he sees the closing of the property as now making it easier to reach an agreement with the District. He referred to an e-mail from Director Larimer that had a number of appropriate conditions. The General Manager suggested several additional conditions.

Mr. Teter remarked that a 6" main line is sufficient for the area and that the engineering has been done. Mr. Condotti then stated that if the Board wants to move forward, CCWD staff could prepare an agreement with the Rheads that would address all of the Board's concerns.

After further discussion among Board members about how an agreement between the Rheads and CCWD could be worded to cover all the issues related to installing a 200 foot, 1" lateral pipeline extension to their property, it was unanimously agreed that Mr. Condotti would prepare an agreement, to be reviewed and approved by the General Manager, that addresses all of the concerns expressed by the Board and staff.

ON MOTION by Director Ascher, and seconded by Director Mickelsen, the Board voted unanimously by roll call vote to direct the District Attorney and District Staff to prepare and execute an agreement between Mr. and Mrs. Rhead and the CCWD regarding their request for a 1" lateral extension, as follows:

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

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

Following Mr. Condotti's brief review of this Water Service Agreement, the Board agreed to approve it.

ON MOTION by Director Larimer to approve the Water Service Agreement between the Coastside County Water District and Joyce Yamigawa, and seconded by Director Ascher, the Board voted by roll call vote as follows:

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

9) ENGINEER'S REPORT

A. Lower Pilarcitos Creek Groundwater Basin Study - continued discussion from previous CCWD Board meeting of November 18, 2003 and possible direction to staff

The Board agreed to continue this item, to be presented at a future Board meeting.

B. Engineering Projects Received in November 2003

None were received and there was no discussion on this item.

C. District Engineer Work Status Report

The Board undertook a brief discussion regarding Mr. Teter's proposed schedule for the El Granada Pipeline Replacement Project and Carter Hill West Pipeline Replacement Project, with all in agreement that it would be desirable to be able to adhere to his proposed schedule as closely as possible.

10) 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 October 2003

The Board expressed appreciation to Mr. Borba for filling in at this meeting in John Davis's absence. There was no further discussion on this item.

11) MEETINGS ATTENDED/SCHEDULED - BOARD OF DIRECTORS

President Muller briefly spoke about his attendance at the recent ACWA conference in San Diego, commenting on the election process, trade booths he visited, and his meeting with Pat Martel of the San Francisco Public Utilities Commission. He indicated that he may elaborate on his report of the meeting at a future Board meeting.

12) AGENDA ITEMS AND DIRECTOR COMMENTS

Director Coverdell requested that a Board Retreat be scheduled for January or February, 2004, to look at the Board's vision, revisit the District Mission Statement, plan for the next four years, and unify and establish priorities as a Board. He suggested scheduling the event for half a day, over-night and then the next day to allow for plenty of time to work together and that the services of a facilitator should be considered.

13) CLOSED SESSION

- A. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION (Cal. Government Code Section 54956.9)
El Granada Transmission Pipeline (California Coastal Commission Consolidated Appeal Nos. A-1-HMB-99-20, A-2-SMC-99-63) Note: California Government Code Section 54956.9 defines "litigation" to

include any adjudicatory proceeding before an administrative body exercising its adjudicatory authority.

Leonard Woren, El Granada, expressed his strong objection to the Board meeting in closed session to discuss strategy related to this agenda item.

Mr. Condotti, at President Muller's request, verified that, related to the Brown Act, it is entirely legal for the Board to withdraw into Closed Session for discussion on this issue. There was no further discussion undertaken on this item.

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

The Board went into Closed Session at 10:18 p.m.

14) ADJOURN

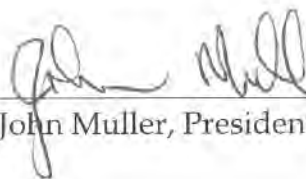
The Recording Secretary was not present for formal adjournment of the meeting which occurred following the Closed Session. The next meeting of the Board of Directors will take place on January 13th, 2004.

Respectfully submitted.



Ed Schmidt, General Manager

APPROVED:



John Muller, President