

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

February 11, 2003 - 7:30 p.m.

- 1) **ROLL CALL:** President John Muller called the meeting to order at 7:30 p.m. Present at roll call were Directors Jim Larimer and Chris Mickelsen. Director Eleanor Wittrup was absent. Also present were Ed Schmidt, General Manager; Anthony Condotti, Legal Counsel; Jim Teter, Engineer; Sean Donovan, Field Supervisor; Board Appointee, Everett Ascher; John Parsons, CCWD Accountant; Gina Brazil, Office Manager, JoAnne Whelen, Administrative Assistant; Sherry Hartwig, Recording Secretary; Iris Priestaf, Todd Engineers; Rudi Metzner, Water Resource Associates; and Ric Lohman, private citizen. There were an additional three members of the public in the audience, including former Director James Marsh who operated the video camera for the meeting.
- 2) **PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.
- 3) **INTRODUCTIONS:** President Muller offered congratulations on behalf of the Board to General Manager Ed Schmidt and his wife who recently became the parents of a baby girl. He then extended a welcome on behalf of the Board of Directors to Board Appointee Everett Ascher, Toni Taylor, Councilperson from the City of Half Moon Bay, and Ric Lohman.
- 4) **PUBLIC ANNOUNCEMENTS:** President Muller read a letter of resignation to the Board from Director Eleanor Wittrup. He thanked her, in her absence, for her support of him, the CCWD Board and for the community of Half Moon Bay. Mr. Condotti explained that the issue of Director Wittrup's resignation will be brought to the Board on the agenda for the next Board meeting in March and that they will once again need to decide either to appoint a new Director or hold an election. Ric Lohman then read a letter he had written to the Board regarding items that he would like to see placed on future Board meeting agendas. Discussion between the Board members and Mr. Lohman ensued.

5) SPECIAL ORDER OF BUSINESS: ADMINISTRATION OF OATH OF OFFICE TO NEWLY APPOINTED DIRECTOR - EVERETT ASCHER

The oath of office was administered to Mr. Ascher by Toni Taylor, Half Moon Bay City Council representative. He thanked the Board for their confidence in him and promised to fulfill his obligation to the Board by doing the best job possible for community ratepayers. He also stated that none of his decisions would be politically motivated and will always be made with the community's best interest in mind.

6) APPROVAL OF THE AGENDA: Director Larimer requested that the letter from Dennis Coleman, the Mayor of the City of Half Moon Bay be removed from closed session (Item 15B) to be discussed in open session under the Attorney's report as Item 10B.

ON MOTION by Director Larimer, and seconded by Director Mickelsen, the Board voted unanimously to move discussion of the letter from closed session to open session under the Attorney's report.

7) CONSENT CALENDAR

- A. Requesting the Board to review payment of claims for the month ending January 31, 2003 in the amount of \$301,568.22
- B. Acceptance of Financial Reports
- C. Minutes of the January 14, 2003 Board of Directors Meeting
- D. Monthly Water Transfer Approval Report

President Muller questioned the need for a board member to review the financial statements each and every month. Director Mickelsen stated that he had never found anything to be out of order. President Muller indicated his satisfaction with the work of the General Manager in this area and indicated that the Board needed to review this policy further at some point in the future.

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

8) REPORT OF THE GENERAL MANAGER

- A. Mid-year progress report of Coastside County Water District's implementation of financial audit recommendations

The General Manager reviewed the annual financial audit recently performed by Maze and Associates, stating that the District is now in compliance with nearly all of the recommendations for audit controls that were recommended. Additionally, CCWD staff will be scheduled to attend GASB34 training to be provided by Maze and Associates. President Muller indicated his approval for how this is currently being handled.

B. Mid-year Financial Review

The General Manager presented a mid-year financial review he had conducted, covering cash flow, a review of expenditures, a review of investment reports, and a review of emergency operating reserves. The Board undertook some discussion about current market problems and how they relate to the District's financial standing. The General Manager then continued his overview of the General Ledger analysis, revenues, and a review of wage variance due to a long-standing employee's retirement. Director Ascher pointed out a duplicate account number (5300 and 5318 on page 1 of the General Ledger), which will be changed by staff. Overall, the General Manger's report indicates that the District currently has sufficient cash reserves to meet the remaining projected cash flow for the current fiscal year. President Muller complimented all staff for their efforts to effectively manage costs for the District, stating that most businesses would be pleased to be in the financial standing of this District.

C. Discussion and mid-point progress report on the Groundwater Basin Geotechnical and Economic Feasibility Study, Lower Pilarcitos Creek Groundwater Project - Presentation by Iris Priestaf, Project Manager, Todd Engineers

Iris Priestaf, Project Manager for the current feasibility study, presented a progress report from Todd Engineers. Her slide presentation covered numerous aspects of the study, including a review of project objectives and the approach to be taken by Todd Engineers, a water balance analysis of inflow and outflow, how precipitation on the Coastside affects groundwater, an evaluation of test wells, locations of test borings, and the preliminary findings of the test well evaluation. There was discussion between Ms. Priestaf and several Board members regarding the possibility of potential saltwater intrusion. She then continued her presentation with a proposed schedule for the study to

proceed and told the Board that a draft report would be presented to the District in mid-April with the final report expected to be available in June. President Muller indicated his pleasure with the way Todd Engineers have been conducting this study and thanked them for their good work.

D. Discussion and possible acceptance of re-configured “Evaluation of Future Scenarios of the Water Distribution System” – (a.k.a. the Hydraulic Model). Presentation by Rudi Metzner and possible direction to staff to forward report to the California Coastal Commission

Mr. Rudi Metzner of Water Resource Associates presented his revised report regarding the evaluation of future scenarios for the District’s water distribution system. The report had undergone revision due to the use of erroneous water demand data. President Muller expressed his appreciation to Mr. Metzner for his efforts to re-configure and complete the report.

James Marsh, Half Moon Bay, former Director on the CCWD Board and former member of the Hydraulic Model committee, presented his understanding of the system as divided into two areas that are not connected and asked Mr. Metzner to explain how the hydraulic model would work in relation to that concept.

Mr. Metzner replied by explaining how he had assessed that issue in his report, that it really didn’t make any difference in his recommendation for pipeline sizing. The Board agreed with his findings. Director Larimer discussed the issue of fire flows being a primary concern for having this report, indicating his appreciation for Mr. Metzner’s report as addressing issues of significant importance to the community. Following further discussion between Mr. Metzner, the Board and the General Manager, the Board agreed that the revised report should be sent to the California Coastal Commission.

E. Report on the status of recruitment of Coastside County Water District Superintendent/Engineer position

The General Manager briefly reviewed the status of the recruitment effort being done by L.B. Hayhurst and Associates. Five candidates

have been identified and interviewed. Background checks are currently being conducted, after which the interview committee will review those findings. The General Manager anticipates that the selection process will remain on track to be completed by the end of March.

F. General Manager Activities

The General Manager reviewed his activities during the past month, which included an “all employees” meeting, numerous meetings with a wide variety of individuals representing companies and agencies involved in projects for the District, and meetings attended and scheduled.

- G. Correspondence: (1) Statement from Arthur Jensen, General Manager of San Francisco Bay Area Water Users Association dated January 21, 2003 regarding Bay Area Water Users Association Supports Chloramination to Protect Health and Safety (2) Letter from San Francisco Public Utilities Commission dated January 23, 2003 regarding SF Regional Water Systems CIP Supporting Environmental Technical Studies: Water Demand Projections (3) Letter from Michel Bergh, dated January 28, 2003 regarding acquisition of CalAm water distribution business (4) Memorandum from John Ummel, Staff Analyst – San Francisco Bay Area Water Users Association dated February 4, 2003 regarding Preliminary Wholesale Water Rates for FY 2003-2004 and beyond (5) Letter from Gareth S. Harris, Division Chief/Fire Marshal – Half Moon Bay Fire Protection District dated January 29, 2003 (6) Proposal from Coastside Net for wireless network access

The General Manager briefly reviewed a variety of correspondence that had been sent to the CCWD. He spent several minutes reviewing item number 4, stating that the SFPUC anticipates that the cost of water to our District for the year 2003-2004 will increase by approximately 22% and expects that the ensuing cost per community ratepayer would be approximately \$1.75 per month. He also discussed item number 5, explaining that he and Jim Teter would be reviewing the District’s metering standard in regards to the HMB Fire District’s

interest in eliminating second water meters designated as fire lines for automatic sprinklers. Per item number 6, Eric Godfrid, Director of Operations of Coastside Net Inc., made a brief presentation regarding the potential for the implementation of a wireless Internet connection service for the District offices. The General Manager also briefly reviewed the possible need for improved security systems for the CCWD water production and treatment facilities. The Board took a ten-minute break before proceeding to Agenda Item 9.

9) AGENDA ITEMS REQUESTED BY BOARD MEMBERS

- A. Discussion and possible modification to existing District committee assignments – This item has been placed on the Agenda by President Muller

President Muller proposed that changes be made to several of the Board's Advisory Committee representatives due to the addition of Director Everett Ascher and the resignation of Director Eleanor Wittrup. Assignments were reviewed and the following changes were made as appropriate due to the current Board members' interest, availability and expertise: ACWA/JPIA representative Wittrup was replaced by President Muller, with Director Ascher as an alternate; Director Wittrup's position on the Human Resource Committee was filled by Director Ascher; and Director Wittrup's position on the Transfer Policy Sub-committee was filled by Director Ascher.

10) ATTORNEY'S REPORT

- A. City and County of San Francisco – Notice of Election To Become a Party and Response to Demand for Arbitration

Mr. Condotti summarized two current issues in dispute. One issue relates to a demand for arbitration between the SFPUC and their suburban water purchasers related to assessment charges in 1999-2000. The second issue reviewed by Mr. Condotti related to a letter from Half Moon Bay Mayor Dennis Coleman received by the Board. Although this item is scheduled to be part of the Closed Session following this meeting, Mr. Condotti stated that the Board could undertake discussion on this matter in open session. Discussion among Board members and Mr. Condotti ensued, and President Muller expressed his hope that litigation related to this issue would never be necessary. Director

Ascher expressed his disappointment in the Mayor for addressing his letter to the General Manager instead of the Board and President Muller reiterated his hope that this issue would find resolution without legal action.

11) ENGINEER’S REPORT

A. Engineering Projects Received in January, 2003

No projects in Engineering in January, 2003.

B. District Engineer Work Status Report

Mr. Teter briefly reviewed the report and then asked for questions from the Board. Director Mickelsen asked for a status on the Alves project and Mr. Teter presented a brief update on CDP issues. There were no other questions from the Board on the other four items on the Status Report.

12) OPERATIONS REPORT

The General Manager introduced Sean Donovan, Field Supervisor, to the Board, offering a review of Sean’s credentials, and then expressed appreciation for the excellent work Sean and the other field supervisors have performed for the District. Sean then offered a brief overview of the departments’ reports in the Agenda packet. President Muller expressed interest in the purchase of new equipment for the District, which the General Manager reviewed in detail, and there was some additional discussion related to a leak report on Carter Hill and the need to include funds in the next year’s budget for replacement.

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

B. Capital Improvement Program Progress

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

13) MEETINGS ATTENDED/SCHEDULED - BOARD OF DIRECTORS:

None are scheduled at this time.

- 14) AGENDA ITEMS AND DIRECTOR COMMENTS:**
No additional items were discussed at this time and President Muller requested that the Board go into Closed Session.
- 15) CLOSED SESSION**
The Board went into Closed Session with legal counsel at approximately 9:50p.m.
- A. CONFERENCE WITH LEGAL COUNSEL**
EXISTING LITIGATION (Cal. Government Code Section 54956.9)
Beuth v. Coastside County Water District - SMSC Case No. 407917
- B. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED**
LITIGATION -- Initiation of Litigation Pursuant to subdivision (c)
of Section 54956.9 - One case to be discussed
- 16) ADJOURN:** The Recording Secretary was not present for adjournment, which occurred following the closed session. The next meeting of the Board of Directors will be on March 11 at 7:30 p.m.

Respectfully submitted,

Ed Schmidt, General Manager

APPROVED:

John Muller, President