

*COASTSIDE COUNTY WATER DISTRICT*

*766 MAIN STREET*

*HALF MOON BAY, CA 94019*

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS**

**June 8, 2004**

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

Also present were Ed Schmidt, General Manager; Anthony Condotti, Legal Counsel; Jim Teter, District Engineer; John Davis Field Supervisor, JoAnne Whelen, Administrative Assistant/Recording Secretary, Gina Brazil, Office Manager, and Bridget Burns, Office Specialist. John Parsons, CPA for the district, and Nicole Sandkulla from the Bay Area Water Supply and Conservation Agency were also in attendance.

- 2) **PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.
- 3) **PUBLIC ANNOUNCEMENTS:** President Muller requested a brief moment of silence to acknowledge the passing of former president, Ronald Reagan.

President Muller then stated that this was a memorable day at the Coastside County Water District, announcing that a pipeline replacement project was started today. He expressed his pride and appreciation to everyone involved in the process over the years and was pleased to be able to make this announcement and indicated that detailed reports would be provided later in the meeting. There were no announcements made by the public at this time.

- 4) **CONSENT CALENDAR**
  - A. **Requesting the Board to review disbursements for the month ending May 31, 2004 - Claims: \$276,851.33; Payroll: \$41,510.04 for a total of \$318,361.37**
  - B. **Acceptance of Financial Reports**

C. Minutes of the Meeting of May 11, 2004 of the Board of Directors

ON MOTION by Director Coverdell and seconded by Director Ascher, the Board voted to accept the Consent Calendar in it's entirety by roll call vote as follows:

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

5) PUBLIC HEARING - PROPOSED RATE INCREASE

A. Discussion and possible direction to staff to amend the Rate and Fee Schedule to increase water rates by 3.9% by adoption of the attached Resolution, preceded by discussion and possible approval of the Coastside County Water District fiscal year 2004-2005 Operation and Maintenance (O & M) and Capital Improvement Program (CIP) Budget

President Muller opened the Public Hearing at 7:37 p.m. Ed Schmidt, General Manager began his presentation by thanking the members of the Finance Committee, Directors Ascher and Coverdell for their participation in four public meetings where the existing budget for this fiscal year and the proposed budget for the 2004-2005 fiscal year were discussed. The General Manager presented the proposed budget and announced the proposed rate increase of 3.9% and proceeded to highlight the numerous costs related to the budget increases, which included health benefit costs of insurance and retirement, fuel and utility increases, a water rate increase from the San Francisco Public Utilities Commission, water conservation efforts and community outreach. He further explained that this proposed budget allows for depreciation to be fully funded. Additional budget increases reported are due to several significant capital improvement projects scheduled over the next couple of years, new staff positions, including an in-house engineer and a full time water conservation coordinator. Additionally the General Manager reported that in his recent meetings with the five largest commercial water consumers, that representatives from all of the organizations expressed a strong interest and desire to meet with the district's new water conservation coordinator when that person begins employment with the district.

The General Manager then directed the board's attention to a table listing each of the BAWSCA member agencies and their average monthly residential water bills, noting that CCWD ranks 9 out of the 28 agencies, with an average monthly bill of \$35.65.

Comments were invited from the public at this time in the discussion, however there were no members of the public in the audience.

The General Manager then further reviewed the individual operations and maintenance budget items in detail and addressed a few questions and comments from the Board. Discussion ensued on the following accounts: (#5130) Water Purchased, Administrative Salaries (#5610) and Salaries - Field (#5411), Certification pay, and Benefit Costs - Insurance (# 5630).

Director Larimer expressed his concern with the district's health insurance costs and stressed that this is a non-trivial problem and indicated that if health care costs continue to increase, options need to be explored that would be both fair to the employees, and equitable to the ratepayers served. Director Ascher expressed his belief that one of the reasons that the district operates so well and efficiently is due to the fact that the employees are paid well and well protected. However, in the near future the actual costs of employment will have to be evaluated, including salary, employment taxes, health benefits, retirement benefits, etc. Additionally, Director Ascher pointed out that as the staff grows, the obligations that the district will accrue over time would increase vastly. He suggested that care needs to be taken in looking at future hires in determining how many employees are actually needed and how the district can best manage the staffing needs and costs.

Director Larimer inquired, for the record, if the cost-of-living (COLA) increase to the employees, takes into account the other benefits provided by the district and where the COLA figures are generated. Gina Brazil, Office Manager, assisted the General Manager in responding that the COLA figures are provided by the Bureau of Labor Statistics and the figure of .5% was the figure provided for the month of May by the Bureau.

Director Coverdell then shared a historical standpoint concerning how the district and Board had handled this matter in the past, approximately six or more years ago. He remarked that at that

time, the district was very active in obtaining salary and benefit comparability studies, benchmarking with other similar agencies. Often times, he reported, the results indicated that CCWD employees were being paid below those of other agencies. However, due to the fact that the district's benefit package was substantial, it was viewed as being a fair compensation package. He suggested that at some point and some level, the district should get involved in another comparability study. He also pointed out that the compensation/benefit package offered, may be the reason for the longevity of employment, with many employees giving twenty and twenty five years of service to the district, and felt that that level of dedication and commitment should be rewarded.

President Muller summarized the discussion by saying that he felt the matter warranted a "yellow flag", and that reviewing the benefit package closely, and visiting with the employees over the situation would be beneficial. He suggested that no sudden changes be implemented, but relayed that he felt it was the board's responsibility that this matter be considered in the future, in order to be fair to all of the employees and the ratepayers as well.

The General Manager explained that two district employees, John Davis, (field staff) and Gina Brazil, (office staff) participated in the budget meetings.

The General Manager then concluded his presentation on the budget by explaining the impact of the Governor's proposed local government finance reform package to the district, and reviewed several options for handling the reduction in funds available from property tax revenue, including a temporary rate increase for the two year period, postponement of capital improvement projects, or moving funds from operations or capital reserves, or a combination of all three options. Discussion ensued about the proposal and potential impact and options in handling the reduction in funds provided to the district.

Director Ascher then explained the philosophy of the finance committee on the 2004-2005 budget, which included keeping the rate increase low, without jeopardizing the operations of the district, employee moral or the capital improvement program. He pointed out that he believes they were successful in accomplishing this, as well as maintaining a well-funded reserve, to allow for flexibility in the years ahead. He commented that he was proud that this Board would be left with the

legacy of providing substantial reserves, which will be flexible and available to meet any future needs of the district.

John Parsons, the district's accountant, was invited to comment on the district's proposed budget. He remarked that he felt it was a good practice to do salary and total package comparability studies, including retirement benefits with similar agencies and felt that it would be beneficial to do one in the near future. He complimented the finance committee for their work on the budget. John Muller reiterated his appreciation for the hard work and dedication of the finance committee and district staff.

President Muller then closed the public hearing at 8:22 p.m. and requested a motion to adopt the budget and rate increase.

**ON MOTION by Director Ascher and seconded by Director Larimer, the Board voted by roll call vote as follows, to approve the Fiscal Year 2004-2005 Operation and Maintenance and Capital Improvement Program Budgets and adopt the resolution to amend the rate and fee schedule to increase water rates:**

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

President Muller summarized that the cost to deliver water to the district's customers and to ensure adequate water for the future, the district's fiscal year 2004-2005 budget is \$4,919,496.00.

6) A. Discussion of San Francisco Public Utilities Commission (SFPUC) Wholesale Customer Water Conservation Program Evaluation - Presentation by Nicole Sandkulla of the Bay Area Water Supply and Conservation Agency (BAWSCA)

The General Manager introduced Nicole Sandkulla from the Bay Area Water Supply and Conservation Agency (BAWSCA) and provided a brief introduction to this agenda item. Ms. Sandkulla explained the nature of the evaluation; followed by a presentation of the background, demand projections, conservation analysis and the next steps involved in the project. She discussed the Regional Water System Capital Improvement Program (CIP) including the \$2.9

billion budget and the key CIP goals. She further explained the Environmental Impact Report (EIR) required for the project and the role of the BAWSCA agencies' water supply planning estimates to be used in the EIR and the importance of these water demand projections. Ms. Sandkulla emphasized that each BAWSCA member agency will need to finalize their total demand projections and conservation analysis. BAWSCA will need to determine how much water will come from San Francisco in the future. This information will be used by SFPUC as a basis for the programmatic EIR. The answer to this question will need to be addressed by the end of summer 2004. The General Manager confirmed with Ms. Sandkulla that the Board reviewed the ABAG growth scenario at the district's Board Retreat and approved. The General Manager and water conservation staff, Glenna Lombardi, reviewed and concurred with the water conservation scenarios presented by BAWSCA.

Further discussion included a review of the revised results of Coastside County Water District's conservation measure evaluation, the 1.3% per year projected population increase over the next thirty years and the projected 0.8% per year water demand increase over the next thirty years. Ms. Sandkulla emphasized BAWSCA's role, as a regional board, and their lead to coordinate with San Francisco and other regional entities.

Director Mickelsen, a member of the BAWSCA Board, shared his comments on the current CIP project, including the permitting, and engineering issues involved and the anticipation of a meeting with SFPUC representatives and possibly the mayor of San Francisco to determine their level of commitment to the project and meet the timetables that have been set forth after the legislation.

Ms. Sandkulla then addressed a number of questions related to the project from the Board and President Muller and the Board expressed their appreciation for her presentation.

President Muller then briefly adjourned the meeting at 9:00 p.m., which reconvened at 9:10 p.m.

- B. Request to transfer installed capacity from property at 780 Main Street (Owner Robert Williamson); Discussion of current prohibition on transferring installed capacity**

The General Manager introduced this item and referred the discussion to Tony Condotti, the district's legal counsel. Mr. Condotti provided a brief history of the request and present situation of the owner and summarized some of the previous district transfer policies.

Discussion of the request and the particular details of the property ensued among the board members, with several questions and points of clarification being addressed by Mr. Condotti. Director Larimer suggested that a thorough review of the transfer policy be agendized for a future meeting.

**ON MOTION by Director Larimer and seconded by Director Mickelsen, to approve the request to transfer installed capacity from property at 780 Main Street (Owner: Robert Williamson)**

The Board continued their discussion on this item, including whether the approval should include any special conditions. Mr. Condotti explained that the Board is only being asked to approve this transfer in principle only, and if approved, the transfer application would be subject to the standard processing policy requirements. President Muller emphasized that the owner, in his letter of request, indicated that the purpose of the transfer was to provide service to an existing residence, currently being served by a well. Director Coverdell agreed that the specific exception is on the basis of utilizing the connection at an existing residence, currently being served by a well. Director Ascher concurred with this view.

Director Larimer agreed to amend his motion to specify that the extra connection would be transferred to an existing home currently being served by a well.

**ON MOTION by Director Larimer and seconded by Director Mickelsen, the Board voted by roll call vote as follows, to approve the request to transfer installed capacity from property at 780 Main Street (Owner: Robert Williamson) to an existing home currently being served by a well:**

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

**C. Request for Board to Authorize the General Manager to write off bad debts for fiscal year 2003-2004**

The General Manager explained that of the \$5,428.40 total in bad debts for fiscal year 2003-2004, that approximately \$1,900. is attributed to two accounts. He provided a brief explanation of the procedure and answered several questions from the Board about the process. Director Ascher had a series of questions regarding the billing process in general and the Office Manager provided a brief description of the billing procedures, including the series of billing notice that are distributed to customers. Director Ascher recommended that the billing process be thoroughly reviewed with more stringent policies put into affect, including possibly charging interest on past due accounts. Direction was given to staff to review the procedures and provide a report to the Board at the July meeting, including their findings and recommendations to reduce the amount of delinquencies. Director Coverdell suggested that the amount of the security deposits be reviewed as well, possibly revising the policy by increasing the amount of the deposit collected by the district. The Office Manager also suggested increasing the non-sufficient fees as part of the overall policy change.

**D. Update on the status of the Casa Del Mar Pipeline Replacement Project and Phase 2 of the El Granada Transmission Pipeline Replacement Project**

**E. Status Report on current permitting activities for critical Non-Crystal Springs Capital Improvement Projects**

The General Manager announced that a portion of the El Granada Pipeline Replacement project was started this morning, on Tuesday, June 8, 2004, and that the encroachment permit had arrived from CalTrans, stating that now everything is complete and in place to start the balance of the El Granada Pipeline Replacement Project. President Muller thanked the neighbors and customers for their cooperation and patience during construction of this project. The General Manager reported that as soon as the contractor, Stoloski & Gonzalez, Inc. completed this portion of the pipeline replacement, that work would commence on the remaining projects, including the Roosevelt, Ave. Avenue Balboa, and Filbert/Metzgar pipeline replacement projects, as well as the water sampling stations installation.



**F. Discussion and possible direction to staff to modify district policy and procedures manual to pay Board members for committee meeting attendance**

The General Manager reviewed the updated district advisory committee and representative's list and the status of the committees, considered to be standing or ad hoc. President Muller reiterated that, as a rule, ACWA and other agencies and districts do pay for committee meeting attendance for a limited number of meetings each month and felt that CCWD should institute it on a trial basis for a year. Director Coverdell felt that it was a reasonable consideration. Director Larimer expressed his opinion that although he would not be strongly opposed to this change in policy, he would be more in favor of a more generous willingness on the district's part to offset the directors for their expenses. He felt that serving on the board and its committees was considered part of public service, and that all of the directors had chosen to run for office. Director Mickelsen said that perhaps the compensation incentive would be a factor to someone considering a position on the board in the future, and felt that should be a consideration. District staff was directed to bring the modification to the district policy and procedures manual to compensate Board members for committee meeting attendance in the form of a resolution at the July Board meeting. Director Coverdell recommended the period for the amended policy, to commence on August 1, 2004 and would apply to all noticed public meetings in the scheduled interviews.

**G. Update on the status of the three (3) vacant positions at the district - Superintendent, Engineer and Water Conservation Coordinator**

The General Manager provided a status update on the scheduled interviews for the three vacant positions and requested Board member participation.

**H. General Manager Activities**

There were no questions or comments on this agenda item.

**I. Correspondence**

The Board discussed the Governor's local government budget agreement and the letter of support for the Governor's local government finance reform package recommended by the Association of California Water Agencies (ACWA). The General Manager presented, for the Board's review, the letter of support that had been

prepared. The Board agreed that President Muller should sign the letter addressed to Senator Bryon Sher and Assemblyman Gene Mullin with a copy to be provided to Governor Schwarzenegger.

7) A. **Resolution 2004- Regarding Department of Appropriation Limit for Fiscal Year 2004-2005**

The District's attorney, Anthony Condotti, reviewed the difference between last year's appropriations limit and this year's figure of \$137,842 and explained that the increase will not have any effect upon the District's budget this year.

**ON MOTION by Director Ascher and seconded by Director Mickelsen, the Board voted by roll call vote as follows, to adopt the resolution establishing appropriations limit applicable to the district during fiscal year 2004-2005**

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

8) A. **Engineering Projects Received in May, 2004**

Mr. Teter addressed the Board and reported that there had been no new projects received during the month of May, 2004.

B. **District Engineer Work Status Report**

Mr. Teter reported that the plans and specifications were now complete for the Casa Del Mar Pipeline Replacement Project and Phase 2 of the El Granada Transmission Pipeline Replacement Project and that the notice to contractors would be published next week, with the bid opening scheduled for July 1, 2004 and possibly the contract awarded at the July 13, 2004 Board meeting.

Mr. Teter also reported that all other projects were progressing on schedule.

- 9) 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 April 2003**

Field Supervisor John Davis reported that the emergency pump and generator is in place on the highway, ready to be put into service when necessary, and explained the process underway to have temporary, portable, power utilities installed, which would be a savings in diesel costs, as well as being a cleaner and quieter form of operation of the generator.

Mr. Davis then presented some photographs of the "ground-breaking" of the portion of the El Granada pipeline replacement project, located on Columbus Avenue.

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

President Muller reported that Pat Martel, former General Manager of the San Francisco Public Utilities Commission, expressed her appreciation for the district's support over the years and for the letter sent by the district in May 2004.

President Muller then reported on his attendance at the recent U.S. Environmental Protection Agency meeting in Kansas City, attended by 25 elected officials throughout the country. He stated that the emphasis of the conference was asset management of infrastructure. Another meeting is scheduled for September and President Muller indicated that he would keep the district informed of the progress.

President Muller then informed the Board that he had received a letter from the Local Agency Formation Commission (LAFCO), seeking nominations for a special district member's position, and an alternate. He explained that each LAFCO member agency can submit a nomination. President Muller inquired if any directors were interested in submitting their name for nomination. No interest was expressed, so President Muller volunteered to submit his name for nomination. At that time, Director Ascher nominated Director Coverdell to be nominated as an alternate, however Director Coverdell declined, citing that he does not have sufficient time to serve on that Board. Director Ascher and Coverdell both expressed their support of President Muller's nomination and staff was directed to submit President Muller's name to LAFCO for nomination.

Director Ascher reported that he is scheduled to attend a Special District Conference in Southern California at the end of June, indicating that the focus is on the enterprise districts, how they are managed and the issues that they confront. He stated that he would be bringing a report of the meeting to the board at the July 2004 Board meeting.

11) **AGENDA ITEMS AND DIRECTOR COMMENTS**

There was no discussion or comments on this agenda item.

12) **CLOSED SESSION**

A. **CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION**  
(Cal. Government Code Section 54956.9) Amesport Landing  
Condominium v. Coastside County Water District  
SMSC Case No. CIV 435451

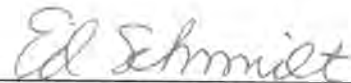
B. **PUBLIC EMPLOYEE PERFORMANCE EVALUATION -  
POSITION: General Manager**

The Board moved into Closed Session at 10:25 p.m.

13) **ADJOURN**

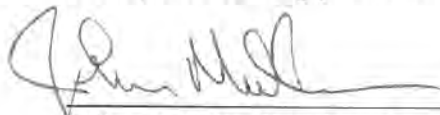
The Recording Secretary was not present for formal adjournment of the meeting, which took place following the Closed Session. The next meeting of the Board of Directors will take place on Tuesday, July 13, 2004 at 7:30 p.m.

Respectfully submitted,



Ed Schmidt, General Manager

Accepted and Approved:

  
John Muller, President