

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA, 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

July 13, 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; Sean Donovan, Water Treatment Plant Operator; JoAnne Whelen, Administrative Assistant/Recording Secretary; Gina Brazil, Office Manager and Bridget Burns, Office Specialist. Maintenance Workers Don Patterson, Matt Damrosch, Jon Bruce and Jack Whelen were in attendance. Dave Irvine with ICS and Eric Gotfrid of Coastside Net were also in attendance, as well as Amanda Cox, recently hired as the district's water conservation coordinator.

- 2) **PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.
- 3) **PUBLIC ANNOUNCEMENTS:** There were no announcements made by the public at this time. The General Manager took this opportunity to introduce a new employee, Amanda Cox, who will fill the vacant position as the district's water conservation coordinator. He provided a brief report of her education and background, followed by a few comments by Ms. Cox.

President Muller forwarded a copy of the water conservation and recycling annual report from East Bay Municipal Utility District for Ms. Cox to review. He congratulated her and welcomed her to the district.

Next the General Manager acknowledged the recent certifications obtained by the following district employees: Matt Damrosch – Grade 3 Water Distribution Operator, Don Patterson – Grade 2 Water Distribution Operator and also recognized that Don will be assisting the district with it's cross connection program administration, John Bruce – Grade 1 Water Distribution Operator, Jack Whelen – Grade 1 Water Distribution Operator and JoAnne Whelen – Grade 1 Water Distribution Operator. President Muller offered his congratulations and expressed his appreciation to the employees for their dedication to the district and ratepayers.

4) **CONSENT CALENDAR**

- A. **Requesting the Board to review disbursements for the month ending June 30, 2004 – Claims: \$442,370.72; Payroll: \$44,003.15 for a total of \$486,373.87**
- B. **Acceptance of Financial Reports**
- C. **Minutes of the Meeting of June 8, 2004, of the Board of Directors**
- D. **Monthly Water Transfer Report**

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

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

At this time the directors each took an opportunity to express a few comments:

Director Ascher informed the Board that he had reviewed the expenditures for the last month and found all to be in order. He stated that he found the annual financial condition of the district to be quite impressive, reporting year-end results of a 1.2% budget surplus of the district's approximately 5 million dollar budget, consisting of a surplus of \$54,000. He stated that he believes this demonstrates how well the district is being managed, and felt that in many ways the Coastside County Water District could be a "model for other special districts within the state. He expressed his appreciation to the General Manager, the Office Manager and staff, however, cautioned that next year would be a difficult challenge, considering the possible revisions to the district's tax revenue, and the number of crucial infrastructure improvements underway and felt that it was vital that staff be very cautious in managing the fiscal responsibilities to remain within budget amounts during the next year.

Director Larimer remarked that he had also reviewed the district's end of the fiscal year financial condition and had counted the number of accounts that were over-budget, as well as the number of accounts that were under-budget. He stated that although he concurred with Director Ascher's conclusions, he felt that some results were troubling and will need to be managed very carefully in the future, particularly the accounts that were over-budget, and consideration should be taken into account for increasing water rates, energy costs, and the future loss in tax revenue.

Director Coverdell commented that he felt there had been a number of unexpected expenditures encountered over the year, as well as a number of repairs and based on that, he felt the district should be proud of their financial condition.

President Muller concluded the discussion by explaining the importance of balancing everything, including the district's water and infrastructure, and the needs of the customers, community and district, much like the importance of balancing the budget. He then referenced two articles related to water conservation and coastside water issues that were published in the Sunday July 11, 2004 edition of the San Francisco Chronicle.

5) **REPORT OF THE GENERAL MANAGER**

A. **Emergency preparedness exercise and security measures at the Nunes Water Treatment Plant**

The General Manager explained that several times each year, the district participates in emergency preparedness exercises, usually conducted at the Half Moon Bay Fire Protection District and provided a brief description of the latest exercise scenario, which involved a major earthquake centered in northern San Mateo County, which focused on a number of areas where additional preparations would be necessary for the Emergency Operations Center and local coastside agencies. The General Manager also expressed his appreciation to Fire Chief Jim Asche, for his efforts in coordinating the events and activities.

The General Manager then summarized the latest security measures being put into operation at the Nunes Water Treatment Plant, which includes fencing and four surveillance cameras. He then introduced Dave Irvine from Irvine Consulting Services (ICS) and invited him to make a brief presentation. Mr. Irvine explained the location and placement of the motion-activated cameras and accompanying software and described Eric Gotfrid with Coastside Net's involvement in the project, and at that point addressed a few specific questions from the Board members.

B. **Discussion and direction to staff regarding late payment accounts billing notice options, adoption of late payment fees and the increase of returned check charges and modification of service fees**

The General Manager briefly explained the recommendation in the staff report, including the current billing procedure and the proposed revisions to the process, pointing out the savings in staff time, supplies and expenses such as postage, and the ability to collect district revenue much sooner. The General Manager and Office Manager answered a few brief questions from Directors Larimer and Ascher and discussion ensued among the Board and

staff regarding late payment fees, returned check charges and re-connect fees. Director Ascher emphasized the importance in establishing a policy that ensures that the actual district costs for re-connecting services are fully covered in the customer charged fees. Mr. Condotti advised that the practice that is being recommended is already consistent with existing district policy, so this recommended action could be implemented without further Board direction.

Director Mickelsen referenced the results of the benchmarking study, stressing that Coastside County Water District fees were significantly lower than most of the other districts used in the comparison and felt that the district's fees were very fair. He also stated that he would like to see an end to the habitual offenders who are continuously delinquent on their accounts, causing staff to be dispatched to shut off and lock meters on a regular basis and would like that message sent clearly to the habitual offenders.

The General Manager thanked the Board, Gina, Bridget and Deborah for their input and work in the recommended revisions to the billing process and fee structure.

The Office Manager also took this opportunity to announce that effective September 1, 2004, the district would be set up to accept direct debit payments from customers, announcing that forms were available at the district office and on the website.

C. Resolution 2004-11 Amending Code of Conduct to authorize Board member compensation for attendance at noticed and standing committee meetings

The General Manager explained that this was an administrative follow-up action from direction received at the June Board meeting.

ON MOTION by Director Coverdell and seconded by Director Ascher, it was proposed that the Board adopt Resolution 2004-11 Amending Code of Conduct to authorize Board member compensation for attendance at noticed and standing committee meetings

President Muller opened the discussion of this item. Director Ascher emphasized the significant amount of time expended by the Board members on district business and felt that it was important to establish compensation for these meetings, in order to avoid potential hardships to someone possibly serving on the district's board in the future. He further stated that he will attend all committee meetings to which his is assigned without accepting remuneration, stating that this was a personal decision and he did not want

the board to reject the concept of compensation or reimbursed for time spend on district business.

Director Mickelsen agreed that it was important that the compensation be established in order to avoid any potential deterrents and/or economic hardships to future potential board members.

Director Larimer addressed the Board, stating that the issue of compensation of this sort has been an issue in American politics since the constitutional convention and indicated, that although he expected to lose, would be voting opposed to this issue and pointed out that he would be in "good company", as Benjamin Franklin once voted against compensation for being an elected official at the constitutional convention. He felt it was important to point out that when the individual board members ran for the position that they knew that this was a privilege to be elected and to serve the community and to have the responsibility of managing this district.

President Muller then reported that he has discussed this issue with many commissioners throughout the state and pointed out that there are many boards that do compensate for committee meeting attendance, and a few that do not. He felt that the compensation may encourage people to be involved in the future, and believed that the compensation was deserved but stated that he would also oppose the issue. At this point, President Muller called for a roll call vote.

The Board then voted by roll call vote, on the earlier Motion made by Director Coverdell and seconded by Director Ascher, as follows:

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

President Muller stated that he would like to review this issue again in a year.

D. Status Report on major Capital Improvement Projects and request for authorization to purchase valves for the El Granada Transmission Pipeline Replacement Project

The General Manager referred to his staff report, containing the status update of the district's current projects and requested authorization from the Board to purchase the eleven 16" valves that are required for the remaining

portion of the permitted pieces of the El Granada Transmission pipeline, explaining that time is of the essence in ordering the valves, and by the district ordering and purchasing the materials directly, would prevent a delay in starting work on the project. Jim Teter, addressing questions from Director Larimer, providing further explanation on the district's standard procedures for ordering and storing pipeline materials.

The General Manager then reported on the recent progress on the Filbert – Metzgar Pipeline Replacement Project, stating the City of Half Moon Bay Planning Commission recently granted approval of a CDP for this project with some conditions that included good environmental stewardship and some close communications with the local Sewer Authority Mid-Coastside.

President Muller expressed his appreciation to Director Mickelsen, Mr. Condotti and the General Manager for attending the City of Half Moon Bay Planning Commission meeting with him.

At this point in the meeting, slides photographed at the recent Columbus portion of the replacement project were presented, with Sean Donovan, Water Treatment Operator, explaining the progress of the project. District Engineer, Jim Teter also answered questions and described some of the design concepts involved in the pipeline project and the General Manager reported on the outstanding quality of the work performed by the contractor, Stoloski & Gonzalez, Inc.

Director Coverdell announced that he thought that it would be appropriate to schedule some type celebration in the future to commemorate the installation of pipeline replacement projects and acknowledge and thank the district engineer for his contributions. President Muller agreed that a dedication ceremony to thank Mr. Teter for his years of service and dedication to the pipeline would be a good idea. Director Mickelsen suggested that portions of both the old and the new pipeline replacement pieces, which will provide water service for generations to come, should be on display. President Muller asked that the staff and crew keep these ideas in mind and try to determine an appropriate location for the event.

ON MOTION by Director Larimer and seconded by Director Ascher, the Board voted by roll call vote as follows to authorize the purchase the valves for the El Granada Transmission Pipeline Replacement Project:

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

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

The General Manager referred to his introduction to the new Water Conservation Coordinator, earlier in the meeting and reported that he recently interviewed six candidates for the Superintendent of Operations position, along with Director Larimer and President Muller, and with the assistance of Lonnie Hayhurst with L.B. Hayhurst & Associates. He announced that the position had been offered to Ms. Judy Nosecchi and reported that both he, and Mr. Hayhurst had received very positive comments and favorable results on Ms. Nosecchi's background check, as well as a verification of her licenses and certifications. He further explained that the district was now awaiting results of a physical examination and a DMV records review and that the district was looking forward to Ms. Nosecchi starting her employment in approximately five weeks.

The General Manager also relayed the results of the two recent interviews for the Superintendent of Engineering position, reporting that no offers of employment were extended. He reviewed some possible options, which included searching the list of candidates further, starting another recruitment, or possibly submitting a Request for Proposal to a list of engineering firms. President Muller indicated that further discussions on the Superintendent of Engineering position could be discussed later in the closed session portion of the meeting, but at this point from his prospective, he was not comfortable with hiring an in-house engineer at this time.

Director Larimer expressed a few comments on the due diligence process that occurs after likely candidates has been identified. He expressed concern that the process be very thorough, rigorous and the results documented to some degree and stressed that careful background searches were imperative and felt that it was important that the recruiter provide written documentation of the results.

Director Coverdell expressed his interest and support in continuing to utilize the services provided by L.B. Hayhurst until a viable candidate for this in-house position is identified, pointing out that district funds have been expended for this process, and have not yet accomplished the results in locating a candidate.

At this point in the meeting the General Manager distributed some informational materials on L.B. Hayhurst, including a resume and list of credentials, a company profile and an extensive client list.

F. Korea Water and Wastewater Works Association visit and tour of district facilities

The General Manager summarized the details of the recent visit and tour of district facilities by the Korea Water and Wastewater Works Association and expressed his appreciation to JoAnne Whelen, Administrative Assistant and Sean Donovan, Water Treatment Plant Operator for their assistance with this event.

G. General Manager Activities

The General Manager referenced his staff report containing a listing of his recent activities, meetings attended and meeting scheduled. There were no questions or comments on this agenda item.

H. Correspondence (1) San Francisco Public Utilities Commission – 2003 Water Quality Report (2) Letter dated June 28, 2004 from Assembly member Gene Mullin of the State Legislature in response to CCWD’s letter dated June 7, 2004, regarding support of the Governor’s Local Government Finance Reform Package

No specific review or discussion was undertaken on the referenced correspondence.

President Muller then briefly adjourned the meeting at 9:01 p.m., which reconvened at 9:09 p.m.

6) ATTORNEY’S REPORT

A. Amendment of Conflict of Interest Code to Designate Secretary of District as Filing Officer

The District’s attorney, Anthony Condotti, provided a brief narrative of the recent change of the Conflict of Interest Code regarding the designated filing officer and presented his recommendation to adopt the resolution amending the Conflict of Interest Code.

ON MOTION by Director Coverdell and seconded by Director Ascher, the Board voted by roll call vote as follows to adopt Resolution 2004-12 amending the Conflict of Interest Code to Designate District Secretary as Filing Officer:

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

7) **ENGINEER'S REPORT**

A. **Engineering Projects Received in June 2004**

Mr. Teter addressed the Board and reported that he received one new project during the month of June 2004, which was an application for a non-complex pipeline extension project at 190 Escalona Avenue for a fire protection service connection for a residence being served by a well. Mr. Teter stated that the project is currently being designed for the applicant.

B. **District Engineer Work Status Report**

Mr. Teter reported that a considerable number of projects are now out of the engineering stage and into the construction phase, and that some of the projects are still in the permitting process.

C. **Award of Contract for Casa Del Mar Pipeline Replacement Project and Phase 2 of the El Granada Transmission Pipeline Replacement Project**

Mr. Teter stated that the bids received on July 1, 2004 were very favorable and that the recommendation of the District Engineer was to award the contract to the low bidder, Stoloski & Gonzalez, Inc., indicating that their bid was over one hundred thousand dollars under the engineer's estimate.

President Muller expressed his appreciation to the local contractors who had participated in the bidding process in connection with the district's recent projects.

ON MOTION by Director Mickelsen and seconded by Director Ascher, the Board voted by roll call vote as follows to award the contract for Casa Del Mar Pipeline Replacement Project and Phase 2 of the El Granada Transmission Pipeline Replacement Project:

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

Director Coverdell announced that the successful local contractor, awarded the contract for this project, and who is involved in a number of other district pipeline projects is Stoloski & Gonzalez, Inc.

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 May 2004**

Water Treatment Plant Operator, Sean Donovan reviewed the new installed water service connections and invited questions from the Board members in regards to any of the information contained in the operations report.

Director Coverdell had a few questions on the status of some of the projects including the Shop Building, the Granada III Hydro-pneumatic Tank and the Paving and Drainage at the Alves Tank Site, which were addressed by the General Manager and District Engineer.

Mr. Donovan then recapped the remainder of the operations reports. At this point, Director Coverdell complimented the field crew for their repair operation of the recent pipeline break located at Alto and Highway 1, acknowledging the safe, clean, and professional manner that the late-night repair was handled by the district's field crew.

Director Coverdell also referenced the San Francisco Public Utilities Commission Hydrological Conditions Report for May 2004, reporting on the percent of maximum storage figures for several reservoirs within the Hetch Hetchy System with a capacity of "full".

9) MEETINGS ATTENDED/SCHEDULED – BOARD OF DIRECTORS

Director Ascher reported on his recent attendance at the end of June, of the Special District Institute seminar on strategic planning and effective leadership. He informed the Board and staff that some of the featured seminar topics and workshops including Board of Director responsibilities and issues, effective board packages and meetings, and the roles the Board plays in negotiations, and hiring and keeping great employees. He stated that the program was very interesting and educational and he felt that this district and board was doing things right and were very effective. Director Ascher requested that the General Manager look into establishing a computerized search system by scanning and computerizing District records and transactions, including digitalizing maps and having them accessible, allowing for very specific information to be searched for, located and obtained on the site.

10) AGENDA ITEMS AND DIRECTOR COMMENTS

Director Mickelsen then announced that he had recently been contacted by the chair of the Bay Area Water Supply and Conservation Agency Board, Mr. Ruskin, and advised that he had been selected to serve on the contract subcommittee for BAWSCA, which responsibilities include the negotiations with SFPUC for a contract for water purchases for the next twenty-five years. He expressed his pride that Coastside County Water District would be represented at the negotiations with SFPUC for the future water needs of our district's customers.

President Muller also announced that he is a candidate under consideration for the Local Agency Formation Commission Board and would keep the district informed of the status.

Director Ascher expressed his satisfaction and amazement concerning the amount of progress that had been accomplished on the district's pipeline projects since receiving approval from the California Coastal Commission in December of 2003. He acknowledged the hard work and dedication from the District Engineer, staff, and the Board in accomplishing so much, including obtaining permits, putting contracts into place, and the actual installation of pipeline in the ground. He congratulated the entire staff for this accomplishment.

11) CLOSED SESSION –PUBLIC EMPLOYEE PERFORMANCE EVALUATION – POSITION: District Engineer

The Board moved into Closed Session at 9:38 p.m.

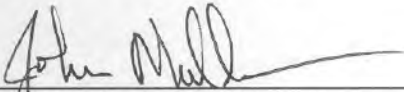
12) ADJOURN

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, August 10, 2004 at 7:30 p.m.

Respectfully submitted,


Ed Schmidt, General Manager

Accepted and Approved:


John Muller, President