

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

February 21, 2006

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

Also present were Ed Schmidt, General Manager; Anthony Condotti, Legal Counsel; Jim Teter, District Engineer; Joe Guistino, Superintendent of Operations; Amanda Cox, Water Conservation Coordinator, JoAnne Whelen, Administrative Assistant/Recording Secretary, Gina Brazil, Office Manager, and John Parsons, CPA.

- 2) **PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.

- 3) **PUBLIC ANNOUNCEMENTS**

There were no public announcements.

- 4) **SPECIAL ORDER OF BUSINESS**

Resolution 2006-02 - A Resolution of the Board of Directors of the Coastside County Water District expressing its gratitude to Chris Mickelsen for his leadership and dedicated service to the community in his capacity as President of the Board of Directors

President Ascher expressed his gratitude to Chris Mickelsen for his accomplishments and leadership as CCWD Board President for the past year. He then presented Mr. Mickelsen with certificates of recognition from Senator Jackie Speier, Assembly member Rich Gordon, U.S. Representative Anna Eshoo, and Gene Mullin and all of the San Mateo County Board of Supervisors. President Ascher then presented an engraved plaque with

attached gavel to Mr. Mickelsen, recognizing his leadership and dedication to the goals and mission of the District during his term as President from January 2005 through January 2006.

Director Mickelsen expressed his gratitude for the recognition from the District and all others and thanked his colleagues and the community for allowing him to serve a second term as a Director.

ON MOTION by Director Muller and seconded by Director Larimer, the Board voted unanimously to approve Resolution 2006-02 - A Resolution of the Board of Directors of the Coastside County Water District expressing its gratitude to Chris Mickelsen for his leadership and dedicated service to the community in his capacity as President of the Board of Directors:

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

5) **CONSENT CALENDAR**

- A. **Requesting the Board to review disbursements for the month Ending January 31, 2006 - Claims: \$507,055.30; Payroll: \$56,573.75 for a total of \$563,629.05**
- B. **Acceptance of Financial Reports**
- C. **Minutes of the January 10, 2006 Board of Directors Meeting**
- D. **Monthly Water Transfer Report**

Director Larimer reported that he had reviewed the monthly claims and found all to be in order.

ON MOTION by Director Mickelsen and seconded by Director Larimer, the Board voted unanimously to accept the Consent Calendar in its entirety:

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

6) **WATER CONSERVATION COORDINATOR'S REPORT**

Ms. Cox addressed the Board and stated that in light of the full agenda, she would just reference her written staff report of recent activities and would be happy to answer any questions.

President Ascher directed the Board's attention to the draft public outreach campaign billing insert, explaining that this would be an on-going program to familiarize the community with the District's current activities and staff members.

7) **REPORT OF THE GENERAL MANAGER**

Mr. Schmidt took this opportunity to introduce the District's newest employee, Steven Twitchell, who has just been hired as the Water Treatment Plant Supervisor. Mr. Schmidt then provided a brief outline of Mr. Twitchell's background and experience.

The Board welcomed Mr. Twitchell to the District.

Mr. Schmidt then stated that he would be proceeding with item 7B of his report and would discuss the financial audit, item 7A, later in the evening, once the auditor and accountant had arrived.

B. **Presentation of analysis of Section 6, "Stand-by-Charges" by Camp Dresser McKee, Inc. and possible adoption of Resolution 2006- to implement stand-by-charges**

Mr. Schmidt announced that Mr. Jake Boomhouwer of Camp Dresser McKee, Inc. was available to make a brief presentation of his analysis of the stand-by charges.

Director Larimer commented that this was a very complex issue and he requested that discussion of the Resolution be tabled, due to the fact that new information on this matter was not received from the attorney until late in the afternoon.

Mr. Boomhouwer then proceeded with his presentation of the analysis of what it costs the District to serve customers that are not yet connected to the system. He explained that the adopted fiscal

year budget for 2005/2006 was reviewed and two items of cost, maintenance and depreciation were identified. He proceeded to report that approximately \$1,019,000. that were maintenance related costs, out of the budget of approximately \$4.2 million. He further reported that approximately \$890,000 was for depreciation on the physical part of the water system. Mr. Boomhouwer then stated that the combined figures totaled approximately \$1.9 million of total annual costs that the District incurs in serving both customers connected to the system and customers who are not currently connected.

Mr. Boomhouwer further explained that when the total number of customers both connected and not currently connected to the system was divided into the \$1.9 million, they came up with a monthly cost of \$21.83. He then offered to answer any questions from the Board.

Director Larimer reiterated his request to table discussion of this matter until the March 14, 2006 Board meeting. The Board was in consensus.

C. **Discussion and possible direction to staff regarding the draft grant request to the Department of Water Resources for the development of a Pilarcitos Creek local Integrated Watershed Management Plan**

Mr. Schmidt introduced this item and referenced the staff report, the grant application and the grant application overview. He then introduced Tim Ramirez, Manager of the Land and Natural Resources Division for the San Francisco Public Utilities Commission (SFPUC) and Molly Petrick, Water Resources Analysis in the Grants and Policy Division of the SFPUC.

Mr. Ramirez proceeded to provide a brief presentation and reviewed the background of the grant. He then addressed a few questions from the Board.

Director Mickelsen stated that he was looking forward to the District working with SFPUC on this project. He also thanked Michael Carlin and Josh Milstein with SFPUC, and reported that he and Director Muller had met several years ago with them, along Pilarcitos Creek, near the well field and first started brain-storming together about this project.

ON MOTION by Director Mickelsen and seconded by Director Muller the Board voted unanimously to approve the District’s participation with the San Francisco Public Utilities Commission in the application of an Integrated Watershed Management Plan (IWMP) for Pilarcitos Creek:

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

D. Discussion and possible adoption of Resolution 2006-03 of the Coastside County Water District regarding its intention to issue tax-exempt water and/or wastewater obligations

Mr. Schmidt provided a brief background of this item and explained that the Finance Committee had recently met and discussed the possibility of CCWD using tax-exempt bonds to finance certain capital facilities construction costs. He referenced the projects listed in Exhibit A of the proposed resolution, which would be eligible for reimbursement if the District proceeded with the selling of bonds.

Director Coverdell reported that the Finance Committee had discussed this in depth and felt that it was a wise decision to pursue the potential of bonding option.

ON MOTION by Director Larimer and seconded by Director Coverdell the Board voted unanimously by roll call vote to adopt Resolution 2006-03 of the Coastside County Water District regarding its intention to possibly issue tax-exempt water and/or wastewater obligations:

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

E. Consideration of Resolution 2006-04 Approving, Authorizing and Directing Execution of an Amended and Restated Joint Exercise of Powers Agreement Relating to the California Statewide Communities Development Authority

Mr. Schmidt explained that the adoption of this Resolution would allow the District to become members of this joint powers authority, in case the District wants to sell bonds in the future.

Mr. Condotti further explained that the bonds would be issued as part of the California Statewide Communities Development Authority (CSCDA) Pooled Financing Program and that approval of the resolution does not commit the District to use bond financing under this program. Mr. Condotti then addressed several related questions from Director Larimer. Members of the Finance Committee, President Ascher and Director Coverdell also provided responses to the questions proposed and discussion ensued among the Board.

ON MOTION by Director Mickelsen and seconded by Director Coverdell, the Board voted by roll call vote as follows to adopt Resolution 2006-04 Approving, Authorizing and Directing Execution of an Amended and Restated Joint Exercise of Powers Agreement Relating to the California Statewide Communities Development Authority

Director Larimer	Aye
Director Micelsen	Aye
Director Coverdell	Aye
Director Muller	Aye
President Ascher	Aye

F. Discussion and possible direction to staff regarding Proposed Comcast Franchise Renewal and Support for Reallocation of Funding for Mid-Coast Television's Public Educational and Governmental Programming

President Ascher reported that he had a speaker slip for this item and invited Mr. Pat Burns to address the Board on this item.

Pat Burns – Mr. Burns identified himself as a member of the Board of Directors of Mid-Coast Community Television (MCTV) and proceeded to explain the background and MCTV's position on the issue of Comcast franchise renewal.

Mr. Burns answered a few questions from the Board and Director Mickelsen expressed his appreciation to MCTV for the services they have provided to the District and the coastside community.

ON MOTION by Director Muller and seconded by Director Mickelsen, the Board voted by unanimously to send the drafted letter of support for Mid-Coast Television to the San Mateo County Board of Supervisors

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

G. Discussion and possible direction to staff on the Policies and Procedures for Awarding Contracts

Mr. Schmidt provided the background of this item and added that the proposed resolution would add subparagraph B.6. to the District's Policies and Procedures for Awarding Contracts. This new provision would require all construction project bid specifications to contain a provision requiring prospective bidders to conduct a pre-bid site inspection and investigation of the physical conditions of the proposed project site.

Director Larimer stated that the only concern he has about the current policies and procedures has to do with the definition of an emergency project. He stressed the importance of adhering to the competitive bidding process. He further stated that he felt that the District should have a policy that delineates what consists of an emergency project in dollars, not just in urgency.

Director Coverdell agreed that limits are important but stated that in the District's recent emergency repair work, all communication indicated that if the situation was not repaired immediately, that the condition of Highway 92 was in possible jeopardy. He also recommended that this matter could be referred to a committee for further analysis.

President Mickelsen also agreed that he felt strongly that the recent condition on Carter Hill, with potential impact to Highway 92, warranted emergency repair measures and supported the manner in which it was handled.

Director Muller stated that he felt it was important that the General Manager and Superintendent have the flexibility to make such decisions in emergency situations and was in agreement with the current policy as it stands.

President Ascher also agreed with the language in the current policy.

ON MOTION by Director Coverdell and seconded by Director Mickelsen, the Board voted as follows to adopt Resolution 2006-05 Amending the Policies and Procedures for awarding of contracts to require site visits:

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

H. Discussion and possible adoption of Resolution 2006-05 Appointing the Vice-President to serve as an alternate to the Board President on the Local Agency Formation Commission Independent Special District Selection Committee

The Board indicated that further discussion of this item was not necessary.

ON MOTION by Director Muller and seconded by Director Mickelsen, the Board voted unanimously by roll call vote to adopt Resolution 2006-06 Appointing the Vice-President to serve as an alternate to the Board President on the Local Agency Formation Commission Independent Special District Selection Committee:

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

I. Discussion Item: Cooperation between CCWD and other public agencies on shared goals and issues of concern

Mr. Schmidt explained that the purpose of this discussion and possible motion of this item is to state the spirit of cooperation between CCWD and other local agencies in shared goals and concerns.

Director Muller expressed his support and Director Coverdell welcomed Bob Ptacek, Director from the Montara Water & Sanitary District.

ON MOTION by Director Muller and seconded by Director Coverdell, the Board voted unanimously to pledge the District's cooperation with other local agencies on the Coastside on shared goals and issues of mutual concern:

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

J. Status Report on major Capital Improvement Projects

Mr. Schmidt referenced the staff report on this item and proceeded to provide the following project updates: all of the signs have been installed at the Nunes Water Treatment Plant Fencing project, six out of forty-four water service connections remain to be installed on the Avenue Balboa project and that the change order for additional flow meters at the Denniston Water Treatment Plant is expected to be completed by March 1, 2006, with the flow meters to be installed by April 3, 2006.

Director Coverdell inquired whether the Board would continue to receive regular updates on the General Manager's inspections of the water treatment plants and Mr. Schmidt informed the Board that those written reports of the directives appear under the Superintendent of Operation's reports, and that the inspections would continue on a regularly scheduled basis.

President Ascher then briefly adjourned the meeting for a break at 9:07 p.m. The meeting was reconvened at 9:12 p.m.

A. Discussion and review of the Annual Independent Financial Audit and Management Discussion and Analysis (MDA) letter for the fiscal year ending June 30, 2005

President Ascher announced that the auditor was unavailable and that John Parsons, the District's CPA would be presenting the audit.

Mr. Parsons stated that the District received a “clean report”, which means that no issues or problems were present. Mr. Parson’s reviewed in detail, a few pages within the audit, including page 7 consisting of Capital Assets and page 10 - Comparative Statements of Revenues and Expenses.

Director Coverdell commended the General Manager, John Parsons, and staff for the favorable audit report. He also stated that he felt this was an excellent time for the District to pursue bonds.

Director Muller also commented that credit needed to be given to the Finance Committee for their dedication and commitment and thanked Board members Coverdell and Ascher for their service to the committee.

President Ascher announced that the complete audit is available to the public at the District office or on their website.

ON MOTION by Director Coverdell and seconded by Director Mickelsen, the Board voted as unanimously to accept the results of the Financial Audit and Management Discussion and Analysis for the fiscal year ending June 30, 2005:

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

K. General Manager Activities

There were no comments or questions on this item.

- L. Correspondence: (1) Letter dated January 19, 2006 from Montara Water & Sanitary District (MWSD) regarding accusation; (2) Response letter dated January 27, 2006 from CCWD to MWSD; (3) Letter dated January 5, 2006 from the California Coastal Commission (CCC) regarding proposed changes to service area; (4) Letter dated January 27, 2006 from CCWD to the CCC; (5) Letter dated January 31, 2006 from the San Mateo Local Agency Formation Commission (LAFCO) regarding Big Wave Project; (6) Letter from McCracken, Byers & Haesloop LLP to California Coastal Commission dated February 8, 2006 re: Big Wave project; (7) E-mail from Susan**

Danielson dated February 3, 2006 regarding Pilarcitos Creek Advisory Committee Event – February 26, 2006

Mr. Schmidt reminded the Board that the items contained under the correspondence section each month in the agenda consists of significant letters in which he feels the Board would have an interest.

President Ascher directed the Board's attention to the flyer regarding the Pilarcitos Creek Advisory Committee Event on February 26, 2006.

Director Muller announced that he has requested a briefing with the Regional Water Quality Board staff and a number of other agencies regarding the potential Devils Slide Tunnel Project and dewatering, which would be held on Thursday February 23, 2006 at the District office.

9) **ATTORNEY'S REPORT**

A. **Discussion and direction to staff regarding sale of 10 non-priority water service connections**

Mr. Condotti introduced this item by providing a brief background and recap of the historic events that have transpired resulting in these ten non-priority water service connections, followed by a review of the criteria for selling these connections that was established by the Board at the August 2, 2005 meeting.

Mr. Condotti then referred the Board's attention to a draft water service connection purchase agreement that satisfies the criteria, in addition to some recommendations on handling the sealed bid process.

Lengthy discussion ensued among the Board, concerning the criteria and bid process, including details regarding the number and capacity size of the connections.

Upon Director Muller's suggestion, President Ascher invited any members of the public to address the Board with their comments:

Dennis Dougherty – Advised the Board that their idea of possibly selling the connections in 1/8 connection increments sounds very confusing. He also suggested that the Board may want to consider implementing

requirements that potential purchasers of the connections either have developed property, perhaps being served by a well or a project already submitted within the City of Half Moon Bay or San Mateo County planning process. Meeting this criteria would also allow the potential purchaser to know in advance, the size of the water service connection needed.

The Board continued discussion on various options regarding the unit of measurement for the connections sales.

ON MOTION by Director Larimer and seconded by Director Mickelsen, the Board voted unanimously to sell these specific ten water service connections in increments of one-half connections:

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

The Board then proceeded to discuss the possibility of limiting the number of connections available per bid / person.

ON MOTION BY Director Muller and seconded by Director Mickelsen the Board voted as follows to allow a maximum of three (3) one-half connections per bid, per individual:

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

Discussion proceeded among the Board on these details of the sale of the ten connections. Mr. Condotti suggested, that to limit the possibility of a legal challenge, it is important that the awarded bids should not be based on any type of subjective analysis or any type of policy decision to be made by the Board. The bid process was further discussed by the Board, including a minimum amount, one bid per envelope, and the procedure for which the bids are to be submitted and received, including stamped with the date and time received.

Mr. Condotti stressed the importance of maintaining the integrity in receiving and handling of the bids.

ON MOTION by Director Larimer and seconded by Director Mickelsen, the Board voted unanimously that the following criteria be applicable to the sale of these ten non-priority connections: all bids submitted will be sealed, all bids will be time-stamped upon receipt, all bids to be opened at an announced time, a minimum bid price will be established, and the dollar value will be optimized:

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

President Ascher then reminded the Board that based on a Resolution passed by the Board in 2001, that an affirmative vote of at least three Directors was required in order for the meeting to continue past 10:30 p.m. The Board was in consensus that the meeting should continue.

The Board then proceeded to discuss an established minimum bid price for each one-half connection.

ON MOTION by Director Coverdell and seconded by Director Muller, a minimum bid price was proposed at \$15,000.00 for each one-half water service connection. Director Larimer proposed amending the motion to set the minimum bid price at \$17,500.00. The amendment was not accepted by Director Coverdell:

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

Mr. Schmidt was directed to work with the attorney and the Board President to further refine the details of the bid process, and establish the dates and time lines, with the results to be provided to the Board at the March 14, 2006 Board meeting.

B. Discussion of District's jurisdictional and service area boundaries and agencies with authority over boundary modifications

Mr. Condotti introduced this item by providing a brief background and referenced his staff report, providing clarification of the law governing the District's (and other agencies) service boundaries.

Mr. Schmidt then announced, that in the interest of time and due to the late hour, that he would like to move the agenda forward to item 10C of the Engineer's Report.

10) ENGINEER'S REPORT

C. Discussion and possible direction to staff regarding Camp Dresser McKee Inc.'s design cost estimates for the District's short-term water treatment plant improvements

Mr. Schmidt stated that he had delegated the recommendation of this item to the District Engineer. He further reported that he just recently learned that Mr. Teter is in Mexico on vacation. Mr. Schmidt then referred to an e-mail from Mr. Teter with his concern that the cost of over \$500,000 seems very excessive and the Draft Summary Scope of Work and budget should not be approved until CDM presents additional explanatory information.

Mr. Schmidt reported that Mr. Teter's questions deserve answers from CDM and further stated that the design needs to start immediately on these projects. Mr. Teter's e-mail states that if he performed the design on the short-term improvements that he would not have the time to complete other projects already assigned to him, some of which are partially completed.

The Board proposed that the scope of work be provided in the form of a proposal and schedule, including a commitment from CDM, to be presented at the March 14, 2006 Board meeting, after review by the Facilities Committee.

13) ADJOURNMENT

The meeting was adjourned at 11:00 p.m. The next regular meeting of the Coastside County Water District Board of Directors is scheduled for Tuesday, March 14, 2006 beginning at 7:30 p.m.

Respectfully submitted,

Ed Schmidt, General Manager

Everett Ascher, President