

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

APRIL 12, 2005

- 1) **ROLL CALL:** President Mickelsen called the meeting to order at 7:31 p.m. Present at roll call were Directors Everett Ascher, Ken Coverdell and John Muller. Director Larimer arrived at 7:33 p.m.

Also present were Ed Schmidt, General Manager; Anthony Condotti, Legal Counsel; Jim Teter, District Engineer; Judy Nosecchi, Superintendent of Operations; Amanda Cox, Water Conservation Coordinator; JoAnne Whelen, Administrative Assistant/Recording Secretary, Gina Brazil, Office Manager; and Bridget Burns, Office Specialist.

- 2) **PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.
- 3) **PUBLIC ANNOUNCEMENTS:** There were no public announcements made at this time.
- 4) **CONSENT CALENDAR**
- A. **Requesting the Board to review disbursements for the month ending March 31, 2005 - Claims: \$601,730.04, Payroll: \$50,074.63 for a total of \$651,804.67**
 - B. **Acceptance of Financial Reports**
 - C. **Minutes of the March 8, 2005 Board of Directors Meeting**
 - D. **Monthly Water Transfer Report**

Director Larimer reported that he had reviewed the financial reports and proceeded to inquire about further detail concerning two of the monthly claim payments, which were addressed by the General Manager. Director Ascher also expressed a few brief questions regarding the Financial Reports, which were also answered by the General Manager.

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

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

5) WATER CONSERVATION COORDINATOR'S REPORT

Ms. Cox addressed the Board and reviewed the planned events for the April 24, 2005 Dream Machine Event. She further reported on the scheduled workshops for May 14th and 15th to commemorate Earth Day and Water Awareness Month. Director Muller volunteered to donate packages of seeds to distribute at the workshop and also announced that the Farmer's Market would be held that weekend as well and the workshop participants may be interested in visiting with some of the local growers and farmers before or after the workshop.

6) REPORT OF THE GENERAL MANAGER

A. Discussion and direction to staff regarding a request from Beth McLennan Alvarez for additional water service connections for Account No. 0399 (Frenchman's Creek Road)

The General Manager introduced this item and explained that the Board needed to address two separate issues, one included a decision regarding selling additional non-priority water connections to the party at this time and two, the possibility of providing water service to each of the parcels that are not presently being served by separate connections. Mr. Schmidt referenced his staff report and proceeded to review the details of the situation with the Board.

Ms. K.C. Kelley appeared before the Board, thanked the Board and staff for hearing the matter and introduced Ms. Rachel Rezatti, a representative of the McLellan family. Ms. Kelley then reviewed

the current property situation, explained her plans for the property and requested guidance and advice from the Board.

Mr. Schmidt explained that one of the first steps in the process would be to pay a deposit to start the review, analysis, and design of a non-complex pipeline extension by the District's Engineer.

The Board discussed several aspects of the project with Ms. Kelley, with the district's legal counsel and engineer sharing their comments as well. Director Muller brought the discussion to a close by summarizing that the parties need to complete an application for a non-complex pipeline extension and reiterated that the district has no non-priority water service connections available until after June 1, 2005, and that the applicant has expressed her understanding that connections are available for sale on the open-market and that there is a process in place that she can pursue.

Mr. Condotti added that the only assurances that the Board can make to Ms. Kelly is that the District's transfer policy permits the transfer of connections from one property to another within the City of Half Moon Bay. He also reminded the Board that the City of Half Moon Bay has taken the position that the transfer of connections, under certain circumstances, constitutes development as defined in the Coastal Act and would require a Coastal Development Permit. Mr. Condotti stressed the importance that Ms. Kelley realize that there may be several and various permits and regulatory approvals that may be required, in addition to the process that the District has for granting pipeline extensions. Mr. Condotti also stated that the comments made by the Board this evening could not be construed as an unequivocal commitment to provide water service to the property.

B. Update and possible direction to staff regarding an Initial Study and Negative Declaration - Montara Water & Sanitary District Proposed Annexation of Service Boundaries, San Mateo County

Mr. Schmidt explained that Martha Poyatos, Executive Officer of the Local Agency Formation Commission (LAFCo) was unable to attend the Board meeting, but that she had provided some additional handout materials, including a letter and a map indicating CCWD's boundaries as contained in the LAFCo Handbook, in addition to a map showing CCWD's service area boundaries

pursuant to the San Francisco Public Utilities Commission Water Supply Agreement. Mr. Schmidt also reported that, as was the case last month, he had contacted Mr. George Irving, Manager of the Montara Water & Sanitary District and advised him of this agenda item.

Mr. Schmidt then reviewed several points contained in the staff report, followed by an examination of the additional maps provided by LAFCo. He then suggested that this item continue to be agendized, especially due to the fact that this is just part of the CEQA process, not the actual annexation application.

President Mickelsen then acknowledged Jeff Peck, a member of the audience who wished to address the Board.

Jeff Peck, a CCWD customer, explained that he, along with a partner, own some land in Princeton, in what they believe to be within CCWD's sphere of influence. Mr. Peck complimented the CCWD Board and Staff for keeping focused on taking care of their customers, in providing adequate qualities of high quality water, and in caring about the community. He expressed confusion and disbelief that the Montara Water & Sanitary District would be attempting to expand their territory, when they are not able to serve water to their existing customers.

Mr. Peck proceeded to describe the project that he and his partner are trying to develop, which includes a live and work area for developmentally delayed individuals on a five-acre parcel, and the adjacent fifteen acre parcel, which would be developed as a business park, with no residential units. He expressed, that when the time comes, he hoped that CCWD would agree that this property is within CCWD's sphere of influence of their project, and view it as an important contribution to the community.

Mr. Schmidt reported that Ms. Poyatos had confirmed to him, on several occasions, that this particular project is within CCWD's sphere of influence. Mr. Muller stated that he has the highest respect for the LAFCo process and that the agency has a reputation of being held in high esteem in regards to boundaries and spheres of influence and that he thought their contribution was very valuable.

Director Coverdell reported that CCWD currently has 422 priority water connections available for appropriate projects and felt that it was important for the community to know that CCWD has the ability to serve these types of projects and also expressed the value of LAFCo's role in this process.

Directors Larimer and Ascher also expressed their support of the proposed project and stated that they hoped the situation would be resolved in favor of the project.

The District's Legal Counsel, Mr. Condotti then stated that although general expressions of support by the Board were appropriate, LAFCo is not requesting that the District take any action at this time. President Mickelsen reiterated that this matter should be a continuing CCWD Board agenda item.

C. Update of Coastside County Water District's assistance in the planning of a "Water Summit" to be held on April 28, 2005 in Half Moon Bay and possible adoption of Resolution 2005-06

Mr. Schmidt provided an update on the Water Summit and advised the Board that direction was needed regarding CCWD's interest in providing a donation to the Summit, and also if the Board was interested in adopting the proposed Resolution.

Tim Frahm then provided a brief summary of the proposed agenda for the Summit and acknowledged the participating agencies.

President Mickelsen and Director Muller expressed the importance of the District's participating in and supporting this event

ON MOTION by Director Muller and seconded by Director Ascher, the Board voted by roll call vote to adopt Resolution 2005-06 and provide a contribution of \$3,000 to support the 2005 Water Summit:

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

D. Half Moon Bay Local Coastal Program - General Plan Update

Mr. Schmidt reported that he has recently spoken with City Manager, Debra Ryan, who had promised that CCWD would be receive a written response in the near future, that would address the questions and concerns regarding the City of Half Moon Bay's proposed LCP update, expressed in the District's letter to the City of March 22, 2005.

Mr. Schmidt also advised that the District would be properly noticing the future City of Half Moon Bay LCP public hearings as District Special Meetings, in case a quorum of directors attended. He took this opportunity to explain that the District agendizes possible attendance by CCWD directors at the meetings of other agencies, but that even if the meetings are agendized or not, all directors have the ability to attend the public meetings.

Mr. Condotti, the District's Legal Counsel added that the agendizing of the City of Half Moon Bay Public Hearings was at his suggestion, in order to allow the Board the flexibility to deal with a potential situation, should it become necessary to make a decision or to take action on an item. He further reported that although a number of those meetings had been noticed as a CCWD Special Meeting, to his knowledge a meeting had not actually been convened at any of these sessions. This was confirmed by Mr. Schmidt, who reported that although several directors had attended the subject meetings, there had been no occasion where the directors had met separately from sitting in the audience, listening to the presentations.

Mr. Condotti further reported that a number of the District's concerns regarding the City's policy issues, have not been addressed and continue to remain concerns. Discussion ensued and the Board agreed that it was very important to continue to monitor very closely, the LCP changes being proposed by the Half Moon Bay City Council and the Planning Commission.

E. Continued discussion and possible direction to staff regarding the San Mateo County Midcoast LCP Update Project

The General Manager reviewed the contents of the staff report and supporting documents and explained that he expected a representative from San Mateo County to attend the Board's May meeting. The Board also briefly discussed the letter dated March 28, 2005 from the California Coastal Commission to San Mateo County regarding the Midcoast LCP Update.

F. **Update on status of San Mateo County investigation of nitrate levels in drinking water wells in the Miramar area and subsequent plans for San Mateo County and the City of Half Moon Bay to share priority water service connections**

The General Manager opened the discussion by referencing his staff report and advised the Board that the City of Half Moon Bay had recently passed two resolutions, one which converts priority water service to non-priority use to replace four (4) failed wells in Half Moon Bay, and the other one which outlines an agreement between the City and County of San Mateo regarding conversion of priority water necessary to address the four (4) failed wells. The Board briefly discussed this new development.

G. **Discussion and possible direction to staff regarding pricing of priority water connections - This item placed on the Agenda at the request of Director Larimer**

Director Larimer provided a brief history of the Crystal Springs Project and the schedule of when the services were to be utilized, which he pointed out was wrong, as the District has approximately 2,000 connections yet to be installed. Director Larimer stated that the financing of that project was based on assumptions about the cost to deliver and maintain the service, and that the plans for upgrades to the Crystal Springs project included new infrastructure that would be paid for by new customers, as well as upgrades to existing infrastructure. He further explained that for those projects, the cost was divided between the new services and the existing services twenty years ago, and that costs were estimated at the time, with projections about when those projects would be in put into use. Director Larimer stated that now that it is twenty years later, and fifteen years after the connections went on sale, we can determine that the projections were off. He believes they should be adjusted. He concluded that the District does not have a basis today to adjust

the pricing on the existing un-sold services in the facility, because the costs have actually changed over the years, and the District has a right to make an adjustment to acquire those costs. He also pointed out that the District has not been able to collect depreciation fees on those services, both the unsold, and the sold connections that are not yet in service.

At this point, Director Larimer distributed an excerpt from the California Water Code, which he stated that he believes gives the District the right to reassess the fees, which he requested that Mr. Condotti review. He also suggested that the District perform a cost study by a consultant (an engineering firm that specializes in this type of cost modeling), and perform an assessment of the value of these services and what our documented costs would be to provide those services.

Mr. Condotti indicated that he was not prepared to provide an opinion on the points presented by Director Larimer and that he would need time to research and analyze the legalities.

Director Coverdell shared that the Finance Committee had also discussed possibly instituting some type of stand-by charge, which could be viewed as what it costs each person to have the system ready to serve his or her connection. He further suggested that if a consultant was retained to analyze the value of the water connection, perhaps it could also be determined what it costs of have the water connections ready to be engaged.

Director Ascher reported that the Finance Committee is also looking at the issues proposed by Director Larimer. He also suggested that he felt it was important that the District revisit the policy on performing a thorough rate review and rate structure study in order to ensure that the District's rates are structured to be fair, meet the needs of the community and also provide for the District to move forward.

It was decided that the Finance Committee would review and discuss a possible rate structure study, as well as the pricing of Priority water connections and standby fees for uninstalled water rights and provide recommendations and a possible proposal from consulting firms at a future Board meeting. Mr. Condotti added that the issue for charging fees for uninstalled connections would have to be researched.

President Mickelsen then briefly adjourned the meeting for a break at 9:30 p.m., and the meeting reconvened at 9:40 p.m.

H. Discussion and possible direction to staff to provide retroactive Cross Connection Program Specialist (backflow) incentive pay to CCWD employee Don Patterson

The General Manager announced that this item was being removed from the Agenda.

I. Second Annual Report to Special Condition No. 3 of Permit Application Nos. A-2-SMC-99 and A-1-HMB-99-20 - El Granada Pipeline

Mr. Schmidt presented a copy of the submittal to the Board, and explained that due to the volume of the package, he did not provide a copy for each Director, but advised the Board that an electronic version was available if the Board was interested. He also thanked JoAnne Whelen, Administrative Assistant, who coordinated the project and Glenna Lombardi and Amanda Cox, and all of the participating staff members for their time and hard work in contributing to the annual report to the Coastal Commission.

J. Discussion and possible direction to staff to respond to Senator Deborah Ortiz Senate Bill 393 - Special District Governance

Mr. Schmidt pointed out some key points proposed in Senate Bill 393.

ON MOTION by Director Ascher and seconded by Director Muller, the Board voted by roll call vote to send a letter to Senator Deborah Ortiz in opposition of proposed SB 393

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

K. Discussion, review, and possible acceptance of Water Supply Evaluation Report for calendar year 2004

Mr. Schmidt commended Amanda Cox, Water Conservation Coordinator and Jim Teter, District Engineer for their coordinated efforts in helping produce this year's annual report. He reviewed the section on the Capability of Supply Sources to Meet Annual Demands, including a discussion of drought yield (safe yield) and normal yield. There was also a brief discussion regarding storage capacity and the benchmarking survey on page 6 of the report, which places CCWD in the top thirty percent in terms of storage capacity. Coastside County Water District's annual water demands were also briefly discussed.

Director Muller expressed his appreciation and gratitude to the staff, under the General Manager's leadership for their hard work in the production of all of the recent reports, including the Water Supply Evaluation Report and the Second Annual Report to Special Condition No. 3 of Permit Application for the El Granada Pipeline. President Mickelsen agreed and also commended the General Manager and staff.

ON MOTION by Director Ascher and seconded by Director Larimer, the Board voted by roll call vote to accept the Water Supply Evaluation Report for calendar year 2004:

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

L. Status Report on major Capital Improvement Projects

The General Manager reported that he and the District Engineer have had some positive communications with the Cabrillo Unified School District in regards to the Carter Hill West Pipeline Replacement Project and anticipated that the project would start near the end of June and would be completed over the summer.

The District Engineer was acknowledged and thanked for his planning and foresight with the Crystal Springs Project, and it was noted that the District has the required sum of money in the bank to complete the project.

M. General Manager Activities

There were no questions or comments on the General Manager's Activity Report.

L. Correspondence

(1) April 5, 2005 e-mail correspondence from Jim Marsh.

President Mickelsen announced that the three questions presented in Mr. Marsh's e-mail correspondence had already been addressed by the Board at a previous meeting. Director Larimer encouraged Mr. Marsh and any other member of the public who has questions concerning Board action to view the video and/or audiotapes available of the Board Meetings.

Mr. Condotti also pointed out that the approved Board Meeting Minutes are available on the District's website.

7) ATTORNEY'S REPORT

A. Reply to letter from Coastal Commission Staff regarding Half Moon Bay well failures

Mr. Condotti introduced this item and provided a brief background of the issue, reporting that he had received no additional comments from the Board to be included in the original draft letter.

Director Larimer reported that he had written the original letter, which included some revisions provided by the District's attorney. He also emphasized that the intent of the letter to the California Coastal Commission was to provide an accurate accounting of the history of this issue and correct any misunderstanding on their part and discussion ensued among the Board regarding the letter contents.

ON MOTION by Director Larimer and seconded by Director Coverdell, the Board voted by roll call vote to finalize the draft letter presented and send it to the California Coastal Commission:

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

8) ENGINEER'S REPORT

A. Engineering Projects Received in March 2005

The Engineer reported that he had received no new projects in March.

B. District Engineer Work Status Report

The Engineer reported that the drawings for El Granada Phase 3A, a major portion of the pipeline replacement project, are completed enough to begin the application process for a Coastal Development Permit. He also reported that the bike lane issue in connection with the Carter Hill West Pipeline Replacement Project had been resolved and that he would now resume design work on El Granada Phase 3B.

C. Award of Contract for the Nunes Water Treatment Perimeter Fencing Project

Mr. Teter reported that bids had been submitted for this project and that the low bid had been received from Crusader Fence Company and it was his recommendation that the contract be awarded to them. Director Muller requested that the General Manager look into obtaining some grant funding for this project.

ON MOTION by Director Coverdell and seconded by Director Ascher, the Board voted by roll call vote to award the contract for the Nunes Water Treatment Fencing Project to Crusader Fence Company for \$74,400.00.

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

9) **OPERATIONS REPORT**

- A. **Superintendent of Operations Monthly Report**
- B. **Water Service Connections Installed, Priority and Non-Priority**
- C. **Capital Improvement Program Progress**
- D. **Total CCWD Production, Sales by Category, Monthly Leak Report, Rainfall Reports**
- E. **San Francisco Public Utilities Commission Hydrological Conditions Report for February 2005**

Ms. Nosecchi greeted the Board, referenced her Operational Reports and directed the Board's attention to the March 21, 2005 letter from the State of California Department of Health Services (DHS) regarding their annual inspection findings. Ms. Nosecchi advised the Board that DHS had provided a response date from the District of April 25, 2005 to address the issues, with the exception of the CT compliance spreadsheet, which had a response date deadline of April 8, 2005. She further explained that the District had retained the services of Camp, Dresser & McKee (CDM) in order to comply with DHS within the required time frame. She also reported that there would be additional work and necessary equipment, which would be addressed in the budget with the Finance Committee.

Director Muller expressed his appreciation to Ms. Nosecchi for her professionalism in securing the Confined Space Rescue Team that was standing by in the process of the Influent Tunnel Cleaning/Inspection at the Crystal Springs Pump Station. President Mickelsen also thanked Ms. Nosecchi for her prompt response to DHS within the time constraints.

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

Director Muller reported that he had recently attended an Executive Briefing from the Water Education Foundation in Sacramento. He also announced that he had received an invitation from the White House to attend a conference on collaboration and conservation scheduled for this summer.

Director Ascher stated that he would be attending the San Mateo County Progress Seminar this weekend.

11) AGENDA ITEMS AND DIRECTOR COMMENTS

12) ADJOURN

The meeting was adjourned at 10:35 p.m. The next meeting of the Coastside County Water District is scheduled for Tuesday, May 10, 2005.

Respectfully submitted,

Ed Schmidt, General Manager

Chris Mickelsen, President