

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE SPECIAL CLOSED SESSION

Tuesday, May 8, 2007

1) CLOSED SESSION

A. Public Employment

Public Employment Pursuant to Government Code Section 54957

Title: General Manager

The Closed Session convened at 6:00 p.m. with President Larimer and Directors Ascher, Mickelsen, Coverdell and Feldman, and Legal Counsel Condotti, and reconvened to open session at approximately 7:00 p.m.

2) RECONVENE TO OPEN SESSION

President Larimer announced that no reportable action had been taken.

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

May 8, 2007

- 1) **ROLL CALL:** President Larimer called the meeting to order at 7:08 p.m. Present at roll call were Directors Ken Coverdell, Chris Mickelsen, Everett Ascher and Bob Feldman.

Also present were; Anthony Condotti, Legal Counsel; Jim Teter, District Engineer; Joe Guistino, Superintendent of Operations; JoAnne Whelen, Administrative Assistant/Recording Secretary, and Gina Brazil, Office Manager.

- 2) **PLEDGE OF ALLEGIANCE**

- 3) **PUBLIC ANNOUNCEMENTS**

President Larimer announced that Director Ascher had recently learned of an issue that warrants Board action and requested that the agenda be amended to accommodate discussion of this new proposed initiative.

Director Ascher informed the Board that on May 14, 2007, the State Assembly would be voting on AB 1260, which is related to rate increases associated with Special Districts. Director Ascher reviewed the advantages of AB 1260, including providing clarification of noticing requirements for proposed rate increases, the suggested methods for counting written protests, and the anticipated financial savings to water districts and their customers. He also advised that AB 1260 would provide water agencies with increased protection from future litigation associated with rate increases. Director Ascher informed the Board that the Association of California Water Agencies is requesting that members contact their local assembly in support of the passing of AB 1260, and stated that discussion of this item would be required at this Board meeting in order to meet the time constraints associated with the voting on this bill.

ON MOTION by Director Ascher and seconded by Director Coverdell, the Board voted as follows, to add discussion of the proposed AB 1260 to this agenda:

Director Coverdell	Aye
Director Mickelsen	Aye
Director Ascher	Aye
Director Feldman	Aye
President Larimer	Aye

President Larimer suggested that the Board take action on this item immediately on the agenda.

ON MOTION by Director Ascher and seconded by Director Coverdell, the Board voted as follows, by roll call vote, to pass a Resolution in support of the passage of Assembly Bill 1260 and that a copy of the Resolution be provided to State Assembly member Gene Mullin:

Director Coverdell	Aye
Director Mickelsen	Aye
Director Ascher	Aye
Director Feldman	Aye
President Larimer	Aye

President Larimer directed staff to prepare the Resolution and immediately forward it to the appropriate governmental agencies.

4) CONSENT CALENDAR

- A.** Requesting the Board to review disbursements for the month ending April 30, 2007 - Claims: \$786,186.98; Payroll: \$63,859.81 for a total of \$850,046.79
- B.** Acceptance of Financial Reports
- C.** Minutes of the April 10, 2007 Board of Directors Meeting
- D.** Report of the April 18, 2007 Special Closed Session
- E.** Monthly Water Transfer Report
- F.** Installed Water Connection Capacity and Water Meters Report
- G.** Total CCWD Production Report
- H.** CCWD Monthly Sales by Category Report
- I.** April 2007 Leak Report
- J.** Rainfall Reports

- K. San Francisco Public Utilities Commission Hydrological Conditions Report for April 2007
- L. Engineering Projects Received for Review during March 2007

Director Ascher requested that item 4B - Acceptance of the Financial Reports, be pulled from the Agenda, with further discussion of this item to take place under item 9B - Discussion and possible direction to staff regarding the draft proposed fiscal year 2007/2008 budget.

ON MOTION by Director Ascher and seconded by Director Mickelsen the Board voted as follows, by roll call vote, to accept the Consent Calendar as submitted, with the exception of item 4B:

Director Coverdell	Aye
Director Mickelsen	Aye
Director Ascher	Aye
Director Feldman	Aye
President Larimer	Aye

5) MEETINGS ATTENDED/SCHEDULED - BOARD OF DIRECTORS INCLUDING COMMITTEES, CUSTOMERS, OTHER AGENCIES, ETC.

- A. The following three Committee meetings were held in April 2007. Note: Some Committee reports to be provided in further detail for agenda items contained under the General Business Section of this agenda:

- District Facilities Committee - April 20, 2007 - Report - Item 9B
- Water Quality Compliance Committee - April 26, 2007
- Finance Committee - April 30, 2007 - Report - Item 9B & 9C

President Larimer explained that two of the Committee reports would be provided in detail by committee members later in the meeting, during the General Business portion of the agenda.

Water Quality Compliance Committee Report - April 26, 2007

Director Feldman reported that water quality data and statistics are scheduled for review by the committee members on a quarterly basis. He reported that the review was satisfactory, and that

everything is in order and in good standing with the California Department of Health Services (DHS). Director Mickelsen agreed and commended staff members on their excellent testing and reporting skills, with all aspects currently in compliance with present regulations. He added that staff had come a long way in meeting and exceeding DHS standards and expectations and was very pleased with the results that staff has accomplished.

Mr. Guistino, Superintendent of Operations, stated that the District will be facing new and updated regulations in the future, and felt that the committee meetings would be beneficial in this regard, in terms of keeping the Board and staff informed of all new regulations and requirements.

B. Meetings Attended

Director Ascher reported on his recent attendance at the Association of California Water Agencies (ACWA) conference in Sacramento, CA, as a representative of the District. He informed the Board that he learned that from an insurance compliance standpoint, that CCWD is in very good shape. He also stated that he would be sharing some of ACWA's recommendations with staff committee members.

Director Mickelsen reported that he and Director Feldman, along with Joe Guistino and Cathleen Brennan, had attended a recent tour and very productive meeting at the Pilarcitos Watershed, hosted by the San Francisco Public Utilities Commission. Director Feldman stated that he was very impressed with the pristine quality of the area's surroundings and enjoyed the tour and the information shared.

6) PUBLIC OUTREACH/PROGRAM DEVELOPMENT/WATER RESOURCES ANALYST'S REPORT

Ms. Brennan referenced her written report, reviewed some of the recent conservation activities, and directed the Board's attention to the recent advertisement in regards to the requested 10% water consumption reduction from customers, and reported that region-wide, there has been a lot of advertising from many different agencies about the importance of water consumption reduction. Ms. Brennan also reviewed the special message on CCWD billing statements and the updated water waste door

hangers in preparation for the District's efforts to achieve the voluntary reduction in consumption.

Ms. Brennan then reported on her attendance at a recent San Francisco Public Utilities Commission (SFPUC) and Bay Area Water Supply and Conservation Agency (BAWSCA) meeting, which focused on the importance of this new request for a ten-percent water consumption reduction. Ms. Brennan referenced her staff report, also distributed at the meeting, which recommends that the District implement the Water Shortage and Drought Contingency Plan, specifically the Advisory Stage, especially since the request from SFPUC for a 10% reduction and the current hydrological conditions are consistent with this stage of the plan. She advised the Board that the implementation of this plan will have a significant impact on staff and on the District's budget, and reviewed the fifteen steps of action that will be required with implementation of the Advisory Stage of the Plan.

The Board discussed placing an emphasis on public awareness, which included development of charts and information in a simple, and easy-to-understand format, submission of articles in local newspapers, and notification to elected officials, with President Larimer possibly attending a City of Half Moon Bay Council meeting to share information.

Mr. Guistino stated that the District was very fortunate that Ms. Brennan had joined the CCWD team at this time, as she has a great deal of experience and expertise in this field, which will be very beneficial in instituting these District programs and public outreach. President Larimer commented that this was a great start on a very important topic and stressed the importance of developing a strong plan, getting the message out, and act accordingly, and requested that monthly updates be provided to the Board. Director Coverdell suggested that staff contact local schools and inquire about CCWD participating in classroom arts and science events, which would be helpful with the students sharing water conservation information with their families.

7) SUPERINTENDENT OF OPERATION'S REPORT

A. Superintendent of Operations Monthly Report

Mr. Guistino referenced his written staff report and provided updates on the status of the telemetry equipment at Crystal

Springs, and the Denniston Well Rehabilitation Project. He also recognized and commended Steve Twitchell and Sean Donovan on their modification of the filter effluent sample station at the Denniston Water Treatment Plant, which eliminated the wide variation in chlorine residual and PH readings that were being recorded. Their modification allows for better clarity as to the CT calculations for monthly reports submitted to the Department of Health Services.

Mr. Guistino also reported on the recent investigation and plans for maintenance of the Denniston intake valve, and reviewed the recent correspondence with the Department of Health Services.

B. American Water Works Association (AWWA) / Cal Nev Section Spring Conference - April 2007

Mr. Guistino provided highlights of his attendance at the conference and informed the Board that he will be acting as the Chair for the Water Quality Division for the AWWA Cal/Nev Section and that their purpose would be to provide literature, educational materials and technical programs for future conferences.

C. Discussion and possible direction to staff regarding an automated meter-reading program

Mr. Guistino reviewed the benefits of instituting an automated meter-reading system and advised that he was in the process of obtaining information and prices from approximately five (5) vendors to institute a pilot program for the sixty-seven (67) meters located on the Highway 92 route. He informed the Board of the system features that he is considering and evaluating and that it appears that the costs will be approximately \$30,000 to \$40,000. He reported that he anticipates making a decision by the end of May, with a specific recommendation to be presented to the Board for review and approval at the June Board meeting.

8) DISTRICT ENGINEER'S WORK STATUS REPORT

A. District Engineer's Work Status Report

Mr. Teter explained that he had provided the status of Phase 3 of

the El Granada Pipeline Replacement Project in a separate report. He reviewed the progress on the short term improvements for the Denniston and Nunes Water Treatment Plants.

B. El Granada Phase 3 Pipeline Replacement Project Status Report

Mr. Teter referenced his written report and the remaining tasks to be completed before field construction work can begin.

He also reviewed the schedule he developed, which had been categorized by work to be completed prior to advertising for bids, work to be completed prior to opening bids, and items to be completed prior to beginning of field construction. Mr. Teter addressed several questions from the Board.

9) GENERAL BUSINESS

A. Requests to Abandon and Decommission Test Well Facilities in Lower Pilarcitos Area (APN 056-143-330 - George Auld; APN 056-042-110 - Carl Hoffman)

Mr. Condotti provided a brief background of this project and reported that the District had recently received requests from two of the landowners, requesting abandonment and decommissioning of the CCWD test wells on their property, and explained the process.

George Auld - 353 St. Andrews Lane - reiterated the project's background and informed the Board that he would like his property restored so that he can take further steps to utilize the property.

ON MOTION by Director Ascher and seconded by Director Mickelsen the Board voted as follows, by roll call vote, to authorize and direct staff to decommission the test wells located on APN's 056-143-330 and 056-042-110. Director Coverdell requested that the motion be amended to include the decommissioning of the remaining three test wells, contingent upon requests from the parcel owners. Directors Ascher and Mickelsen accepted the motion amendment.

Director Coverdell	Aye
Director Mickelsen	Aye
Director Ascher	Aye
Director Feldman	Aye
President Larimer	Aye

B. Discussion and possible direction to staff regarding draft proposed FY 2007/2008 Operating and Maintenance (O&M) Budget and Capital Improvement Program Budget for Crystal Springs and Non-Crystal Spring Projects

President Larimer requested that the District's Facilities Committee report on this item.

Director Coverdell reported on the recent committee meetings, and explained the Ten-Year Planned Capital Projects Report for Fiscal Years 2006/2007 through June 2016/2017, in further detail, including the process for prioritization of the projects and the importance listed in the "have to, ought to, want to" column, and recommended approval of the proposed budget. He also stated that the staff, including Joe Guistino, Gina Brazil, Steve Twitchell, John Davis, and others, had performed an excellent and thorough proposed budget for the committee's review, and approval, and thanked staff for their outstanding work.

Mr. Guistino noted that the District's Engineer, Jim Teter, had also been instrumental and helpful in the development of the proposed budget.

President Larimer commented that he believed that the District had developed an excellent program for maintaining the existing infrastructure, including a ten-year program and an action plan and process that is being executed every year. He stressed the importance that CCWD begin making some long-range plans for future water needs for the community.

Director Ascher provided a report on behalf of the Finance Committee, recapping their last two meetings. He thanked Gina Brazil for her contributions in the budget and stated that he had requested that item 4B be pulled from the Consent Calendar portion of the agenda for further discussion under this item. He pointed out that currently CCWD has approximately \$680,000 more in the bank than was anticipated and without the current expense of a General Manager's salary and related costs to pay, it appeared to him that there is presently a surplus, which he assumed would be carried forward into the District's reserve account. Ms. Brazil stated that she would confirm this with the

District's accountant and auditors. He stated that with this surplus, a proposed rate increase of 6.6% may not be necessary.

Director Ascher also reviewed the background of the District's bonds, which allowed the District to establish a reasonable rate structure, providing for an approximately 7% rate increase over the next ten years, completely amortizing the bonds, and constructing the District's much-needed infrastructure projects. He further explained that the proposed rate increase of approximately 6.6%, is mainly due to the proposed increase in the San Francisco Public Utilities Commission's projected costs. He noted that the other factors included an increase in necessary maintenance expenses and in a substantial increase in health care premiums. He also reported that in general, workers compensation claims were on the decrease, which may provide for a refund to the District from the Association of California Water Agencies, Joint Powers Insurance. He concluded his comments by stating that the fiscal year 2007/2008 proposed budget is very much within the parameters of previous budgets, that further details supporting the budget are available, and that it appears that a 6.6% rate increase is justified and serves the best interests of the Coastside County Water District and its rate payers. He recommended that the Board approve the proposed Budget as presented, that the District move forward with the required noticing to the District's ratepayers for a potential 6.6% rate increase, with a public hearing to be scheduled for the July Board meeting, and a rate increase to be effective thereafter. Board discussion ensued, including a review and clarification of several of the budget items and expense accounts.

ON MOTION by Director Coverdell and seconded by Director Mickelsen the Board voted as follows, by roll call vote, to adopt the Draft Operations and Maintenance Budget and Capital Improvement Budget for Fiscal Year 2007/2008, including up to a 6.6% rate increase, establishing the date of July 10, 2007 for consideration of a Public Hearing to adopt the rate increase, and provided direction to staff to proceed with notification in accordance with State Law Requirements for rate increases:

Director Coverdell	Aye
Director Mickelsen	Aye
Director Ascher	Aye
Director Feldman	Aye
President Larimer	Aye

C. Discussion and possible direction to staff on Coastside County Water District Purchase Order Policy

Director Ascher explained the background of this item, advising the Board that the District had developed a purchasing policy that delegates authority for purchase, or specifies when a purchase order is required, as follow-up to a recommendation provided by the District's auditor, Maze & Associates. He also reported that the Finance Committee had reviewed and approved adoption of the policy.

ON MOTION by Director Ascher and seconded by Director Feldman the Board voted as follows, by roll call vote, to adopt Resolution 2007-03 - adopting the Coastside County Water District Purchase Order Policy:

Director Coverdell	Aye
Director Mickelsen	Absent
Director Ascher	Aye
Director Feldman	Aye
President Larimer	Aye

D. Resolution No. 2007-04 Appointing Joe Guistino as District Secretary

Mr. Condotti stated that according to State law, the Board is required to appoint a Secretary to attest to signatures on contracts and Resolutions.

Director Ascher advised that a Board Secretary Training workshop is scheduled later in the month, and suggested that Mr. Guistino attend the session.

President Larimer stated that in the absence of a General Manager, during the interim of filling the vacant position over the next several months, the Board is managing the District by relying on the depth of experience and expertise of senior staff members, Joe Guistino, JoAnne Whelen and Gina Brazil.

ON MOTION by Director Ascher and seconded by Director Coverdell the Board voted as follows, by roll call vote, to adopt Resolution 2007-04 - Appointing Joe Guistino as Secretary of the Coastside County Water District:

Director Coverdell	Aye
Director Mickelsen	Absent
Director Ascher	Aye
Director Feldman	Aye
President Larimer	Aye

E. Further Consideration of Proposal from Avery & Associates for General Manager Recruitment

Mr. Condotti stated that the Board had previously accepted the agreement with Avery Associates, including the scope of work contained in Option # 1. The proposed scope of work contained in the Board packet was modified from the original scope that was presented to the Board in April. He also advised that no formal action is required on this item.

President Larimer reported that the Board has been meeting on a regular basis in both open and closed sessions, in regards to the ongoing process of the General Manager recruitment, and explained some of the aspects and responsibilities of the recruiter.

F. Discussion of Coastside County Water District's Organizational Structure

President Larimer advised that with the vacancy in the General Manager position, that this could possibly be an opportunity to consider reorganization of the District. Mr. Condotti pointed out that the organizational chart should be revised to reflect that the District's legal counsel's relationship is with the Board of Directors and reports directly to the Board. It was suggested that staff further refine the alternative organization chart for District use, with an additional revision of including a dotted line to represent the relationship between the General Manager and the Attorney.

Director Ascher also suggested that a long-range planning committee be established to consider strategic issues that may transpire over the next five to ten years, including new regulations, a possible development of an integrated watershed management plan, political issues, etc. President Larimer concurred with the recommendation and emphasized the importance of long-range planning.

G. Status Report on the Current Major Capital Improvement Projects

Mr. Guistino reviewed the status of the District's current capital improvement projects.

10) AGENDA ITEMS AND DIRECTOR COMMENTS

11) ADJOURNMENT

The meeting was adjourned at 9:37 p.m. The next meeting of the Coastside County Water District Board of Directors is scheduled for Tuesday, June 12, 2007.

Respectfully submitted:

Joe Guistino, Acting General Manager

Jim Larimer, President