

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF DIRECTORS

Tuesday, May 8, 2012

- 1) **ROLL CALL** - The Closed Session convened at 6:15 p.m. Present at roll call: President Jerry Donovan, Directors Ken Coverdell, Bryan Hannegan, and Chris Mickelsen. David Dickson, General Manager and Patrick Miyaki, Legal Counsel were also present. Vice-President Glenn Reynolds was absent.
- 2) **PUBLIC COMMENT** - There were no public comments.
- 3) **CLOSED SESSION**
 - A. **Conference with Legal Counsel - Anticipated Litigation**
Initiation of Litigation Pursuant to California Government
Code Section §54956.9(c)
One Potential Case
- 4) **RECONVENE TO OPEN SESSION** - The Closed Session concluded at 6:56 p.m., at which time Mr. Miyaki announced that no reportable action had been taken during the Closed Session.
- 5) **ADJOURNMENT** - The special meeting was adjourned at 6:56 p.m.

Respectfully submitted,

David R. Dickson, General Manager
Secretary of the Board

Glenn Reynolds, Vice President
Board of Directors

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MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

Tuesday, May 8, 2012

- 1) **ROLL CALL:** President Jerry Donovan called the meeting to order at 7:00 p.m. Present at roll call: Directors Ken Coverdell, Bryan Hannegan, and Chris Mickelsen. Vice-President Glenn Reynolds was absent.

Also present were: David Dickson, General Manager; Patrick Miyaki, Legal Counsel; Joe Guistino, Superintendent of Operations; Cathleen Brennan, Water Resources Analyst; JoAnne Whelen, Administrative Assistant/Recording Secretary; and Gina Brazil, Office Manager. There were several people in the audience.

- 2) **PLEDGE OF ALLEGIANCE**

- 3) **PUBLIC COMMENTS:** There were no public comments.

- 4) **CONSENT CALENDAR**

- A. Approval of disbursements for the month ending April 30, 2012:
Claims: \$786,948.39; Payroll: \$ 73,343.90; for a total of \$860,292.29
- B. Acceptance of Financial Reports
- C. Monthly Water Transfer Report
- D. Approval of Minutes of April 10, 2012 Board of Directors Meeting
- E. Approval of Minutes of April 30, 2012 Special Board of Directors Meeting
- F. Installed Water Connection Capacity and Water Meters Report and Non-Priority Lottery Recipients Status Update Report
- G. Total CCWD Production Report
- H. CCWD Monthly Sales by Category Report
- I. April 2012 Leak Report
- J. Rainfall Reports

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

ON MOTION BY Director Hannegan and seconded by Director Mickelsen, the Board voted as follows, by roll call vote, to accept and approve the Consent Calendar in its entirety:

Director Coverdell	Aye
Vice-President Reynolds	Absent
Director Hannegan	Aye
Director Mickelsen	Aye
President Donovan	Aye

5) MEETINGS ATTENDED / DIRECTOR COMMENTS

There was no report of any Director's meetings attended.

At this point in the meeting, President Donovan announced that he would like to re-order the agenda and move item 6B forward, to be the first item of discussion. Vice-President Reynolds arrived at 7:05 p.m.

6) GENERAL BUSINESS

B. Amendment to Water Service Agreement for Ailanto Properties' Pacific Ridge Subdivision

Mr. Dickson reviewed the background of this item, including the fact that the water service agreement for Ailanto Properties' Pacific Ridge Subdivision, approved by the Board on September 8, 2009, requires that Ailanto begin construction of the Subdivision Utility System for the project by September 8, 2012. He explained that construction has been delayed due to the recession and the housing market and that Ailanto has requested that the agreement be amended to extend the September 2012 deadline. Mr. Dickson reviewed the terms of the amendment and also explained the phasing plan submitted for constructing the subdivision, which staff has reviewed and approved. Mr. Dickson then answered a few questions from the Board.

ON MOTION BY Director Coverdell and seconded by Director Mickelsen, the Board voted as follows, by roll call vote, to approve the Amendment to Water Service Agreement for Ailanto Properties' Pacific Ridge Subdivision:

Director Coverdell	Aye
Vice-President Reynolds	Aye
Director Hannegan	Aye
Director Mickelsen	Aye
President Donovan	Aye

Albert Fong, 321 Saint James Dr., Piedmont, CA - Thanked the Board and Staff for approving the extension and the phasing plan and explained that the project is tied to a settlement agreement and also to a subdivision improvement agreement signed with the City of Half Moon Bay, which binds them to begin construction in 2014.

A. Budget and Financing Plan Workshop – Proposed Fiscal year 2012-2013 Budget, Fiscal year 2012/2013 Capital Improvement Program, and Fiscal year 2012/2013 to 2021/2022 Financing Plan

Mr. Dickson stated that during this workshop he planned to answer some of the questions asked by the Board at the April 10, 2012 presentation of the Proposed Budget, Capital Improvement Program, and Financing Plan. He proceeded with a presentation that included a review of the alternatives to potentially lower the fiscal year rate increase, and a summary of the District's community outreach and efforts to be transparent and advertise the budget process.

Next, Mr. Dickson reviewed some key components of the District's financing model. He also explained how the proposed rate increase is determined by projecting the following: water demand, water production sources, water purchases, SFPUC rates and CCWD's discount, operating revenue, non-operating revenue, operating expenses, inflation - expense and capital, rate increases, borrowing, and reserve balances over the next ten year period.

Utilizing the financing plan model, Mr. Dickson then demonstrated the effects using a series of alternative rate increase scenarios and showed the potential impacts on typical customer water bills. Following the presentation, each of the Board members shared their comments about the proposed rate increase options and the impacts on the budget and on the District's customers. Following the Board's comments, Mr. Dickson reiterated that the June 12, 2012 Board meeting will include a public hearing regarding the proposed rate increase of up to 12% and consideration of approval of the District's Fiscal Year 2012-2013 Operations and Maintenance Budget and Fiscal Year 2012/13 to 2021/22 Capital Improvement Program.

C. **Approval of Contract with JMB Construction for Repair of El Granada Pipeline**

Mr. Dickson summarized the recent events regarding the discovery of a leak on the El Granada Pipeline in January 2012. He explained staff's investigations, including solicitation of proposals from two engineering firms to assist in evaluating the leak and preparing plans for the repair. He then outlined the factors involved in staff's recommendation to enter into a contract with JMB Construction, the original contractor, to repair the pipeline leak, at a cost not to exceed \$69,500.00:

ON MOTION BY Vice-President Reynolds and seconded by Director Mickelsen, the Board voted as follows, by roll call vote, to authorize staff to execute a contract with JMB Construction, Inc., for repair of the El Granada Pipeline leak, at a cost not to exceed \$69,500:

Director Coverdell	Aye
Vice-President Reynolds	Aye
Director Hannegan	Aye
Director Mickelsen	Aye
President Donovan	Aye

D. **Resolution Amending Policy for Sale and Purchase of Non-Priority Water Service Connections and Rules and Regulations for Sale and Purchase of Non-Priority Water Service Connections**

Mr. Dickson introduced this item and reviewed the background of Resolution 2010-06, which offered 40 non-priority connections for sale to owners of developed residential properties served by wells. He explained the program, which resulted in the sale of 32.5 connections and left a remainder of 7.5 connections of the authorized number unsold. He advised that subsequent to the 2010 sale, staff has received a number of inquiries from interested well owners who did not own their eligible properties at time of the sale or did not participate in the initial program. He suggested that selling the remaining connections would serve the District's continuing goal of getting developed residential properties onto the District's water system and outlined details of the proposed program contained in the Resolution. Several questions were proposed from Board members, at which time it was decided that the matter would be deferred for further discussion at a future Board meeting.

7) **GENERAL MANAGER'S REPORT**

1. **SFPUC Rate Increase** – Mr. Dickson briefed the Board on SFPUC’s proposed new rate structure, which included a mechanism for a potential mid-year reset based on water rates. He commented that BAWSCA was effective in recommending alternatives to this plan and SFPUC ultimately agreed with their suggestion for a fixed rate that would be based on a wholesale water sales projection of 137 MGD. He advised the Board that the rate proposal also includes an untreated water rate discount factor of \$0.24/ccf for CCWD and that the SFPUC will consider adoption of the Fiscal Year 2012-2013 rate proposal at their May 8, 2012 meeting, with new rates becoming effective July 1, 2012.

A. Operations Report

Mr. Dickson then showed a series of photographs displaying progress on a number of the District’s current projects, including the Denniston Water Treatment Plant Improvements, featuring the pouring of the clarifier cone slab, backfilling around the clarifiers and forming and placing the walls. He also showed progress on the wash water tank foundation, as well as work recently completed inside the water treatment plant.

Mr. Guistino then explained photos of the current activity at the Crystal Springs Pump Station Intake Valve Removal Project, including all of the safety measures necessary for the work in the tunnel with the removal of the failed actuator. Next he recapped photos of recent District improvements, specifically the Nunes Filter Display, which was constructed by Sean Donovan and Steve Twitchell to illustrate how the filters in the plant actually work.

Mr. Guistino then highlighted other on-going District projects, including the positive results achieved from the testing performed on the booster station at the Denniston Water Treatment Plant. He also reported on the investigation of the two recent main line breaks located at Miramontes Point Road and damage caused by the significant thunderstorms during the month of April and the subsequent plans for repairs and preventive maintenance.

B. Water Resources Report

Ms. Brennan referenced her staff report, which featured a report from the SFPUC announcing that due to carryover storage from last year, current snowpack, forecasted reservoir inflow and reduced demand, full deliveries are expected to be provided to all customers this year.

8) DIRECTOR AGENDA ITEMS - REQUESTS FOR FUTURE BOARD MEETINGS

At this time, Vice-President Reynolds stated that he had recently participated in a regional meeting of California Special Districts Association and reported that in an effort to encourage involvement in the meetings and activities, the agency had suggested the possibility of having the member districts take turns in hosting future meetings over the next four years.

9) ADJOURNMENT

ON MOTION BY Director Mickelsen and seconded by Vice-President Reynolds, the Board voted as follows, to adjourn the May 8, 2012 meeting of the Coastside County Water District's Board of Directors:

Director Coverdell	Aye
Vice-President Reynolds	Aye
Director Hannegan	Aye
Director Mickelsen	Aye
President Donovan	Aye

The meeting was adjourned at 8:51 p.m. The next regular meeting of the Coastside County Water District is scheduled for Tuesday, June 12, 2012.

Respectfully submitted,

David R. Dickson, General Manager
Secretary of the Board

Glenn Reynolds, Vice President
Board of Directors