

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

August 2, 2005

- 1) **ROLL CALL:** President Mickelsen called the meeting to order at 7:32 p.m. Present at roll call were Directors Jim Larimer, Everett Ascher, Ken Coverdell and John Muller.

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. The District's CPA, John Parsons, was also present.

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

- 3) **PUBLIC ANNOUNCEMENTS:** There were no public announcements.

- 4) **CONSENT CALENDAR**

- A. Minutes of the July 12, 2005 Board of Directors Meeting
- B. Minutes of the July 20, 2005 Special Board of Directors Meeting
- C. Acceptance of the Casa Del Mar Pipeline Replacement Project
- D. Acceptance of the Carter Hill East Emergency Pipeline Project
- E. Acceptance of the Nunes Water Treatment Plant Perimeter Fencing Project

ON MOTION by Director Larimer and seconded by Director Coverdell, 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**

- A. **Water Conservation Report -** Ms. Cox addressed the Board and briefly recapped the activities outlined in the Water Conservation Staff Report.

The General Manager announced that Ms. Cox had agreed to take on a new project, after she has finished with the Urban Water Management Plan. It includes a recruitment, consisting of an active eligibility list of interested applicants for most of the CCWD employment positions.

6) **REPORT OF THE GENERAL MANAGER**

- A. **Update on the progression of the professional services agreement with Camp Dresser McKee, Inc. (CDM) for financial related services**

The General Manager introduced this item and referenced the details provided in his staff report, including reviewing the various tasks. Mr. Jake Boomhouwer proceeded with a presentation of the progress to date on the water rate study and reviewed several rate increase options.

The General Manager reported that a lot of assumptions had been made to get to this point and wanted to emphasize that the water rate increase amounts estimated by the San Francisco Public Utilities Commission are built into these models, as well as the return of the lost property tax revenue next year.

Members of the Finance Committee, Directors Coverdell and Ascher then provided their comments. Director Coverdell stated that he felt it was important to implement a regular rate increase each year and appreciated the five year plans presented, which allows the community the opportunity to plan and budget. Director Ascher commented that the services provided by CDM were of a very high caliber and he appreciated their professional analysis, which will assist the Board in making informed, sensible and righteous decisions.

- B. **Update on direction to staff to schedule a Public Hearing for a possible 19% Rate Increase on September 13, 2005 (45 days from mailing of public notices)**

The General Manager reported on the progress to date on this item, including the mailing to all customers and property owners regarding the public hearing for the proposed rate increase. Mr. Schmidt also reviewed a revised Investment Report with the Board, indicating that all reserve funds are committed to existing or future projects, except for \$1,000,000. in operating reserves.

C. Discussion and possible direction to staff regarding a proposal for staff support services – Interim Water Superintendent

The General Manager announced that work on the background check on the Superintendent candidate was almost complete and that he had contacted four references for the candidate. All references said very positive comments about the candidate. He further reported that the candidate would be available to start work at CCWD on September 1, 2005, leaving only a two week gap without a full time in-house Superintendent. Mr. Schmidt explained that he felt there would be a benefit to having professional assistance during this interim period.

Director Coverdell stated that in the recent past, current staff members including Jim Teter, John Davis and JoAnne Whelen have stepped up and handled these type of duties and he did not see the benefit of utilizing further services from CDM at a cost of \$6,000 per week. He reported that he felt that the present staff was competent and could manage these responsibilities in the interim.

Mr. Schmidt explained that he wanted assurance that the daily water quality tests and reporting would be completed.

Director Larimer also stated that he was not interested in expending that sum of money for these services, when present staff has demonstrated their ability to operate the water treatment plant facilities and the associated duties in the past.

Mr. Schmidt stated that he felt since the CDM representative would already be on site, performing other contract services, and since the District has experienced water quality and Department of Health Services problems, because staff has previously failed to pick up enough samples, he felt retaining CDM's services would be an extra guarantee.

Director Muller stated that he felt the District was in a fragile state, and although this was a large sum of money, an error in any of these areas could prove to be much more expensive, and felt that the expertise was worth having on site.

The Board then requested that the District Engineer, Jim Teter, work with present staff to perform these services during this period of time.

Mr. Teter responded that he has performed these tasks in the past, and if he is provided with a list of the tasks that need to be accomplished and the deadlines, he would be willing to take on these responsibilities.

Director Coverdell stated that due to the turnover in this position, he felt it was important to “go back to basics” and utilize the services of the employees who have demonstrated loyalty and longevity, and stressed the importance of providing experience and training to them now, which will provide dividends, should there be additional turnover in this area. He further stated that he felt a transition team is an important asset.

Mr. Schmidt indicated that he, the District Engineer and staff would proceed in this manner, and felt comfortable with having the services of CDM being available if a problem should develop, and would be within his spending authority. Director Muller requested that the General Manager remind staff that this is a critical period, with a shortage of employees and that staff needed to be extra diligent and aware in carrying out these responsibilities, during this transitional phase.

Director Coverdell concluded the discussion by recommending that, due to the fact that the interim Superintendent services were within the General Manager’s authority, that the General Manager proceed as he feels necessary to best accomplish these tasks during this approximate two-week period of time.

D. Discussion and direction to staff regarding establishment of a procedure for selling the District’s ten non-priority water connections

The General Manager introduced this item, reviewing the conditions previously established by the Board regarding these ten connections. He then reviewed several possible methods to sell these connections.

The District’s Legal Counsel, Mr. Condotti said that the concern falls within the District’s ability to establish a price for these connections, by

the cost of the project for which the connections were originally created. He explained that originally the cost of the connections was determined by an engineering study that was based upon the estimated project cost, spread out amongst all of the capacity that was created by the project, which was sold in the form of 5/8" connections. He further explained that the marketplace that has been created for these connections is a little unique to California law. Mr. Condotti stressed the importance in whatever method the Board chose to dispense with the connections, that an agreement be utilized, whereby the purchaser assumes the risk if this mechanism is challenged. This would prevent the District from having to defend the decision to establish the price. Mr. Condotti then referenced the attorney-client privileged correspondence he provided prior to the Board meeting, and offered to answer any questions.

The General Manager reported that the Finance Committee had recommended postponing a decision on this item, until CDM has completed their connection charge analysis in September.

The Board then decided to review some of the methods for dispensing of the connections, and agreed to make a decision about the pricing issue at a later date, once the procedure was established.

Discussion ensued with Board consensus established on the following conditions for the ten connections: (1) That payment be made by cashiers checks or money orders; and (2) elimination of the condition that CCWD would review fixture unit count to verify connection size. Further discussion included a motion regarding the transferability of these ten connections:

ON MOTION by Director Ascher and seconded by Director Muller, it was proposed that a condition be placed on these ten connections that would make the connections not transferable; an amendment was proposed by Director Coverdell and accepted by Directors Ascher and Muller, requiring that the connections be non-transferable and must be installed and utilized within five years of purchase or sold back to Coastside County Water District at the original sales price:

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

Discussion then continued on the remaining previously established conditions:

ON MOTION by Director Coverdell and seconded by Director Mickelsen, it was further proposed that a condition be placed on these ten connections, that would not allow multiple purchases, only one connection per person and that the sales be accomplished by purchase agreement that includes appropriate hold-harmless and indemnity language:

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

Legal counsel, Mr. Condotti informed the Board that he would prepare and present a draft agreement for Board review and approval at the September 13, 2005 Board meeting, at which time the pricing can be further discussed and decided.

President Mickelsen then briefly adjourned the meeting for a break at 9:10 p.m. The meeting was reconvened at 9:18 p.m.

President Mickelsen then announced that the Board would continue discussion on this item, until a method for dispensing of the ten connections could be established.

ON MOTION by Director Coverdell it was proposed that these connections be sold on a sealed bid process, using the base price as established by the CDM connection pricing analysis. Director Larimer seconded the motion, with an amendment that the Board ultimately establish the price, after reviewing and taking into evidence and consideration, CDM's connection pricing analysis.

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

E. City of Half Moon Bay Local Coastal Program – General Plan Update

President Mickelsen began discussion on this item by stating that there has been much confusion in regards to the City of Half Moon Bay's responses to public comments dated July 12, 2005. He further stated that it had appeared that the responses were from the City Council, but in fact, Mr. Ferreira, City Council Member, had made a recent comment stating that the response was from City of Half Moon Bay Staff, and the City Council had not yet provided a response to the comments.

The General Manager then stated that the recommendation was to schedule the Tuesday, August 23, 2005 Half Moon Bay City Council meeting, as a potential Special CCWD Board meeting.

F. Discussion and possible nomination of a CCWD Board member to the National Water Resources Association

The General Manager introduced this item, referencing the staff report.

ON MOTION by Director Ascher and seconded by President Mickelsen, the Board voted as follows to nominate and submit Director John Muller's name for a board position with the National Water Resources Association:

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

G. Status Report on major Capital Improvement Projects

The General Manager directed the Board's attention to page three of this report, to the Carter Hill East Emergency Repair project, reporting that on Saturday, July 30, 2005, five separate leaks occurred on this particular pipeline, approximately seventy five or one hundred feet from where the 250' of pipeline was recently replaced. He further reported that \$80,000 is available in this fiscal year's budget for permitting, biological reports, etc., and that \$700,000. is available in next year's Capital Improvement Project budget for the construction of the pipeline replacement.

Mr. Schmidt also advised the Board that he and the Superintendent were in the process of obtaining at least two bids for soil control work to stabilize the ground before moving equipment to the site to make some of the necessary repairs.

President Mickelsen stated that obtaining cooperation from the City of Half Moon Bay is very important, as there is a potential impact to the entire community if Highway 92 is shut down due to this problem pipeline area.

The District Engineer, Jim Teter, reported that all necessary permits have been obtained from the City of Half Moon Bay and San Mateo County. He further reported that design is about two weeks from completion and the project could be declared an emergency, in which case a few bids could immediately be obtained from local contractors, with the contract awarded by the Board at the September 13, 2005 Board meeting. The Board agreed and directed the Engineer and General Manager to proceed in this manner.

H. General Manager Activities

There were no comments or questions on this item.

I. Correspondence: Letter from CCWD dated July 29, 2005 to San Mateo County Environmental Health Services Division requesting Extension/Exclusion for Risk Management Plans for Chlorine at Two Water Treatment Plants

There was no Board discussion on this item.

7) ENGINEER'S REPORT

A. Engineering Projects Received in July, 2005

The Engineer reported that one project had been received for review, consisting of the construction of forty-five feet of eight-inch pipeline to provide water service for a single-family residence in Miramar. 2005, and that he anticipated having a water service agreement for the project, presented at the September Board meeting.

B. District Engineer Work Status Report

The Engineer reported that all projects are on schedule.

C. Proposal from Mark Thomas & Associates for Engineering Design Services for the Main Street/Highway 92 Pipeline Replacement Project

The Engineer provided his recommendation that the Board approve the proposal and direct legal counsel to prepare a professional services agreement for this project. He also provided a detailed description of the nature and scope of the project.

The Board requested that the General Manager obtain the costs from the City of Half Moon Bay, that has been paid to Mark Thomas & Company, Inc. for the project work for the City to date.

ON MOTION by Director Larimer and seconded by Director Ascher, the Board voted as follows, to approve the proposal and directed legal counsel to prepare a professional services agreement for the project, with the City of Half Moon Bay's portion of the project design costs to be obtained by staff and presented to the Board at the September 13th 2005 Board meeting:

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

8) OPERATIONS REPORT

A. Superintendent of Operations Monthly Operational Report

B. San Francisco Public Utilities Commission Hydrological Conditions Report for June 2005

Ms. Nosecchi greeted the Board, and referred to the operations report. Additionally, she reported that she had recently met with two soils consultants regarding the Carter Hill East project, and expected to receive proposals within a few days.

At this time in the meeting, Director Muller thanked Judy Nosecchi for her term of duty and services and wished her good luck in her future.

President Mickelsen expressed his appreciation for her expertise, impressive certifications and credentials, and for moving Coastside County Water District into the next century, and expressed his appreciation for her time with the District.

9) MEETINGS ATTENDED/SCHEDULED - BOARD OF DIRECTORS

There were no reports on this agenda item.

10) AGENDA ITEMS AND DIRECTOR COMMENTS

Director Ascher commented that there would be a great deal of discussion planned in regards to the rate increase at the Public Hearing at the September 13, 2005 Board meeting.

Director Muller suggested that the time be changed from 7:30 p.m. to 7:00 p.m. for the September meeting and that the agenda items be carefully reviewed by the General Manager and adjusted accordingly to allow for ample time for the Public Hearing for discussion of the proposed rate increase.

Director Larimer requested the General Manager personally contact all of the large accounts, advise them of the proposed rate increase, and extend an invitation to them to attend the Public Hearing.

The Board also briefly discussed that the scheduling of a special meeting may be necessary, to agendaize discussion of the language possibly adopted by the Half Moon Bay City Council at their August 2, 2005 meeting, in connection with City Policies on the Use of Tertiary Water, should the adopted language be problematic or institute any restrictions with service or financial implications for Coastside County Water District and its customers.

11) ADJOURNMENT

The meeting was adjourned at 10:15 p.m. The next regular meeting of the Coastside County Water District Board of Directors is scheduled for Tuesday, September 13, 2005, beginning at 7:00 p.m.

Respectfully submitted,

Ed Schmidt, General Manager

Chris Mickelsen, President