

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA, 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

December 14, 2004

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

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; and Gina Brazil, Office Manager.

- 2) **PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.
- 3) **SPECIAL ORDER OF BUSINESS: Election of President and Vice-President**

President Muller expressed his appreciation for the opportunity to serve as Coastside County Water District's Board President over the past two and a half years. He then reviewed some of this Board's accomplishments during this period, including successful financial audits, resolved some field operations matters with the Department of Health Services, fully depreciated infrastructure every year, and successful coordination of approximately fifteen different consultants with ten agencies over the past three years to obtain the CDP in order to put the El Granada Pipeline in the ground.

He also reported that the district is investing over one million dollars per year in replacing infrastructure in the community and that it will take much more hard work, vigilance and dedication to ensure that the future of the Coastside County Water District will be even stronger. At this time, President Muller thanked his wife, Eda Muller, fellow Board members and their special contributions, the General Manager, Ed Schmidt, the district's legal counsel, Tony Condotti and the district's engineer, James Teter. He also thanked JoAnne Whelen, Amanda Cox and Gina Brazil, and the entire CCWD staff for their hard work and dedication.

He concluded his comments by reminding every person who may someday hold the president's position that what they say and do will reflect on the entire Board. He also stated that for those who have not always agreed with the direction that this Board has taken, he was sure that history shows that Board members of this

community chose to lead, and did, and he thanked everyone for allowing him to be the district's leader.

At this point in the meeting the other directors had an opportunity to share their thoughts and comments:

Director Coverdell thanked President Muller for his presidential style, and expressed his appreciation to the San Mateo County Board of Supervisors for their wisdom in appointing Mr. Muller to the position. He also thanked President Muller for his role in unifying the Board and the community.

Director Mickelsen thanked President Muller for his leadership qualities and also expressed his appreciation to the San Mateo County Board of Supervisors for their appointment of John Muller, who, in his opinion, has led one of the finest CCWD Boards in history.

Director Ascher expressed his appreciation to John Muller and stated that serving on the Board with him has been exciting and inspirational and shared that John has shown the temperament and skills of a leader and the knowledge and understanding of what leadership means and felt that his leadership is responsible for this Board's many accomplishments and stated that it has been an honor and a privilege to serve on the Board with President Muller.

Director Ascher then presented John Muller's wife, Eda, with a bouquet of flowers, acknowledging her full and complete and loving support of John during his term as President of the CCWD Board.

Director Larimer spoke next, sharing that he felt they were all lucky to have an opportunity to serve together and was proud of the Board's accomplishments and improvements to the community and concurred with the other directors that John has been a wonderful moderating influence and an outstanding leader.

The General Manager, Ed Schmidt, then presented President Muller with several certificates acknowledging his contribution as the CCWD Board President, including recognition from Congresswoman Anna Eshoo, San Mateo County Board of Supervisors, and an engraved clock from the CCWD Board and staff.

ON MOTION by Director Coverdell and seconded by Director Ascher, the Board voted unanimously to elect Chris Mickelsen as President of the Board of Directors effective January 11, 2005:

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

Director Coverdell asked to say a few words regarding his nomination of Chris Mickelsen as Board President, citing that the reason he recommended Mr. Mickelsen is that he felt he has been instrumental in getting this Board and the water district back on track. He added that he had worked very hard during a difficult campaign and has been a careful watchman at the helm of this water district and had allowed the district to come through some stormy waters in a very positive direction and that he has shown signs of true leadership.

Director Mickelsen thanked Director Coverdell and the Board for their support and said that he could not have done it without the Board being behind and beside him and acknowledged the hard work of the entire Board.

ON MOTION by Director Coverdell and seconded by Director Mickelsen, Director Larimer was nominated to serve as Vice-President.

Director Larimer declined the nomination.

ON MOTION by Director Coverdell and seconded by Director Mickelsen, the Board voted unanimously to elect Everett Ascher to serve as Vice President of the Board effective January 11, 2005:

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

At this point, the meeting was adjourned for refreshments and a celebration acknowledging President Muller and the newly elected officers.

4) **PUBLIC ANNOUNCEMENTS:** There were no public announcements made at this time.

5) **CONSENT CALENDAR**

A. **Requesting the Board to review disbursements for the month ending November 30, 2004 – Claims: \$591,388.51; Payroll: \$50,135.31 for a total of \$641,523.82**

- B. Acceptance of Financial Reports**
- C. Minutes of the November 16, 2004 Meeting of the Board of Directors**
- D. Notice of Completion – Water Sampling Stations Installation Project**
- E. Monthly Water Transfer Report**

ON MOTION by Director Ascher and seconded by Director Larimer, the Board voted unanimously to accept the Consent Calendar in it's entirety:

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

6) WATER CONSERVATION COORDINATOR'S REPORT

Amanda Cox, Coastside County Water District's Water Conservation Coordinator presented the directors with kitchen and bathroom aerators for their use. She then directed the Board's attention to her written staff report contained in the Board packet, containing rebate, fixture and program and activity updates and reported briefly on the status of each of the items, including the draft Fall/Winter 2004 edition of the district's newsletter.

7) REPORT OF THE GENERAL MANAGER

- A. Discussion and review of the Annual Independent Financial Audit and Management Discussion and Analysis (MDA) letter for the fiscal year ending June 30, 2004 – Presentation by Scott Maze of Maze & Associates**

The General Manager introduced Scott Maze of Maze & Associates and reported that this year, as in past years, the district had received a "clean" audit. Mr. Maze addressed the Board, briefly explaining the audit and the new aspect, the Management Discussion and Analysis (MDA) letter. Mr. Maze further reported that he felt the district had adequate reserves and acknowledged the challenge faced by the district and all California special districts by the new reductions in county apportionments. In summarizing the audit, Mr. Maze stated that, in his opinion, the Coastside County Water District had adequate, but not excessive reserve funds, that management and staff are performing the responsibilities expected by the community, and that the overall management of the district was fiscally and financially sound.

Directors Ascher and Coverdell expressed their thanks and appreciation to Mr. Maze for his work on the audit and his presence, knowledge, and expertise in attending the meetings of the Finance Committee. Director Ascher advised that the audit documents would be available at the district office and on their website to anyone interested in obtaining a copy of the report. Director Muller concluded the discussion by reporting that the message presented at the latest Association of California Water Agencies conference was that if a district is receiving satisfactory results from their auditors it is important to continue doing business with them, as opposed to changing auditors on a frequent basis.

B. Update on status of San Mateo County investigation of nitrate levels in drinking water wells in the Miramar area

The General Manager introduced this item and referenced his staff report and the attached letters from the San Mateo County Department of Health Services.

Director Larimer stated that this is a financial issue and at some point in the future, there may not be any water services available by any means and individuals may find themselves in need of water at that point in time and if CCWD doesn't do something to expand the availability of water in this community, that day will arrive. He indicated that right now that is not the case and there are a thousand connections that have been sold but are not in service and the owners of those connections may want to sell those connections. He further stated that CCWD should not take any action to undermine the value of those connections that are for sale in an open market by making connections available, which the district has a responsibility to maintain for the future.

Director Coverdell expressed two concerns (1) he believes in "love-thy-neighbor" and these people need to be helped out and provided with water. And (2) he is not involved in land-use planning events. He felt the situation warranted Rich Gordon getting in contact with the San Mateo County Board of Supervisors and obtain a directive from them stating that this is an emergency situation and that an un-committed hook-up needed to be released from a pool of identified hook-ups. He further stated that he does not have much confidence in wells and knows how many homes on the coast are connected to wells and he is concerned, as he doesn't know if we have a pool large enough to satisfy that many failed wells. He stressed the importance of seeing some type of directive issued from San Mateo County or some type of a "horse-traded" hook-up by the City of Half Moon Bay. He was looking for a letter of commitment that would be issued from the planning agencies showing that they are involved in the decision making process, which would limit CCWD's risk.

President Mickelsen stated that he thought it was important to stress that the final say would rest with the California Coastal Commission (CCC) and that they had already indicated that they were not happy about connections coming from San Mateo County into the City of Half Moon Bay and as much as CCWD would like to come up with the capacity, the CCC is going to have to come to the table and offer a solution. He also expressed that a dialogue needed to be started, including the involvement of SAM to join in a sincere discussion on water recycling, which could free up some connections to get residences off of wells.

Tony Condotti, the district's legal counsel commented that the issue for CCWD at this point is very limited. A pool of non-priority connections exists which sells for \$6970, and other connections selling on the marketplace for considerably more. The policy decision is whether this particular situation warrants special determination that some of these 10 non-priority connections should be used for this purpose. The Board has expressed their reservations about dedicating these connections for that purpose and that he agreed that at some point the debate about transferring connections between the City and County has to be addressed.

Director Larimer then stressed that he would like to see the other political entities in the community, including the City of Half Moon Bay, and the County of San Mateo, who are involved in this, to step up to the plate and acknowledge that they agree with CCWD, that in the future we will need more water, and then some action taken to obtain more water. The problem does not just involve people on wells, but includes the need for a new school to be built for the community's children and the businesses that may need water in the future.

Director Muller stated that the County is asking the district to provide these failed well properties with water connections.

Director Coverdell then expressed that he would like to take a "wait and see" approach, and receive the results of the City Council meeting prior to the district taking any action.

Director Muller noted that there seemed to be consensus among the Board to wait for the results of the Half Moon Bay City Council meeting on Dec. 21st, 2004 and felt that CCWD should have a representative(s) at the meeting.

Director Larimer stated that he did not see this as an emergency situation and that water connections are available for sale and that it is the district's responsibility to manage the resources that we have, to best serve this community.

Director Muller then concluded the discussion and stated that the CCWD Board would wait for the results of the Dec. 21st City Council meeting and would have representation at the meeting.

C. Discussion and possible direction to staff regarding an \$852,000. reduction in property tax revenues to Coastside County Water District over a two-year period

The General Manager summarized his staff report and re-distributed a copy of the letter that CCWD had received from the San Mateo County Controller's office dated October 18, 2004, regarding the property tax shift. He reviewed with the Board, some of the calculations he had prepared in connection with this property tax revenue shift and reported on recent telephone conversations with the San Mateo County Controller's office, the Association of California Water Agencies, the California Department of Finance and the CCWD Finance Committee. He then reviewed the number of options contained in his staff report and discussion ensued among the Board regarding the property tax shift situation in general and further details regarding the options presented.

President Mickelsen advised the Board that they should also take under consideration the anticipated drastic increase in the cost of water provided from the San Francisco Public Utilities Commission, most likely to be in affect in approximately 2008 or 2009.

At this point in the meeting Director Ascher elaborated and explained the thoughts behind some of the recommended options provided by the Finance Committee, including the importance of establishing a reasonable long-term solution without creating a sudden difficult financial burden on the district's ratepayers.

The Board continued to discuss this issue, with Director Larimer proposing several additional options for discussion and consideration. Director Coverdell also took this opportunity to explain to the Board, the Finance Committee's ideas and thought process behind the options suggested.

John Parson's, CPA, then addressed the Board and shared his thoughts on the subject of the timing of the decision, pointing out that options could be discussed and decided further during the budget process. He also suggested that a one-time fee of approximately \$67.00, could possibly be a financial hardship to some of the lower consumption ratepayers.

Director Larimer proposed more alternatives and John Parsons agreed that there is a wide spectrum of options that could be explored. Director Ascher stated that he is not in support of an immediate rate-increase to compensate for this situation, followed by another rate-increase after reviewing the full-budget process, stressing that this would be unreasonable burden on the ratepayers. He further suggested that the Board deal with this process slowly, thoroughly and carefully and cautioned against a rush in judgment.

Director Coverdell expressed his appreciation to John Parsons for his forecasting abilities, as well as his financial expertise and experience. He further stated that he considered all of the options presented to be viable, safe, conservative and a reasonable solution to the situation.

Director Muller made a motion to support Option 3, a 5.00% rate increase beginning in July 1, 2005 to fund the property tax shift proposed for fiscal year 2006 to fiscal year 2013. The motion was seconded by Director Ascher and the Board proceeded with discussion on the topic.

Director Coverdell's comments provided background information regarding the Finance Committee's recommendation for Option 3. Director Larimer stressed the importance of holding a public meeting to allow the ratepayers to express their concerns and opinions regarding the proposed rate increase. Director Ascher agreed that public awareness and understanding of the issue was important and lengthy discussion took place regarding the scheduling of such a special meeting. Director Coverdell proposed that this item be brought back to the board at the regular January 2005 Board meeting, scheduled for January 11, 2005, where the discussion of a proposed rate increase could be announced and if attendance at this meeting by the ratepayers is overwhelming, then another special meeting could be scheduled.

Director Muller then rescinded his motion to support Option 3, which was agreed upon by Director Ascher and the Board requested that the Finance Committee meet again to develop additional options to be presented to the Board at the January meeting, and that a public workshop/informational meeting would be scheduled at a date thereafter in January.

D. Status Report on Major Capital Improvement Projects

The General Manager referred to his staff report providing an update on the district's completed and current status of projects in progress and offered to address any questions from the Board. Director Larimer inquired if the district was making sure that the contractors were complying with OSHA requirements, which was confirmed by the General Manager.

E. General Manager Activities

There were no questions or comments on this agenda item.

8) ENGINEER'S REPORT

A. Engineering Projects Received in October 2004

Mr. Teter reported that there had been no new projects received during the month of November, 2004.

B. District Engineer Work Status Report

Mr. Teter reported continued progress on the on-going projects.

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 October 2004

Judy Nosecchi, Superintendent of Operations referred the Board to the Operations reports contained in the board packet and offered to answer any questions. There were no questions from the Board. Director Larimer expressed his appreciation to Ms. Nosecchi, for the thorough, informative and impressive reports that she had prepared and presented.

10) MEETINGS ATTENDED/SCHEDULED – BOARD OF DIRECTORS

Director Muller reported that he and General Manager Ed Schmidt would be meeting with Tim Frahm on Wednesday, December 15, 2004 to discuss a variety of water issues.

11) AGENDA ITEMS AND DIRECTOR COMMENTS

No discussion was undertaken on this item.

**12) CLOSED SESSION – CONFERENCE WITH LABOR NEGOTIATORS/
PERFORMANCE EVALUATION (Pursuant to Government Code Section
54957,54957.6) Agency Designated Representative: General Counsel – Position:
General Manager**

13) ADJOURN

The Recording Secretary was not present for formal adjournment of the meeting, which took place following the Closed Session. The next meeting of the Board of Directors is scheduled to take place on Tuesday, January 11, 2005 at 7:30 p.m.

Respectfully submitted,

Ed Schmidt, General Manager

Chris Mickelsen, President