

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

April 18, 2006

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

Also present were Ed Schmidt, General Manager; Anthony Condotti, Legal Counsel; Jim Teter, District Engineer; Joe Guistino, 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) **PUBLIC ANNOUNCEMENTS**

Charise McHugh - President/CEO for the Half Moon Bay Coastsides Chamber of Commerce discussed the Highway One Median Project explaining that all project approvals are in the process of being granted and that a schedule was being developed. She explained that many volunteers have pledged their support, and donations were being received from local nurseries and contractors. She requested that the CCWD Board consider providing or selling a priority water service connection to serve this project. She advised that the City of Half Moon Bay had agreed to pay for the electrical service and the annual maintenance as well.

President Ascher stated that Coastsides County Water District was in support of the project and would cooperate with the Chamber of Commerce in every possible way, consistent with the District's policies and procedures.

4) **CONSENT CALENDAR**

- A. **Requesting the Board to review disbursements for the month ending March 31, 2006 – Claims: \$410,194.25; Payroll: \$61,029.66 for a total of \$471,122.91**
- B. **Acceptance of Financial Reports**
- C. **Minutes of the March 14, 2006 Board of Directors Meeting**
- D. **Monthly Water Transfer Report**
- E. **General Manager Activities Report**
- F. **Water Service Connections Installed, Priority and Non-Priority Report**
- G. **Total CCWD Production Report**
- H. **CCWD Water Use by Category Report**
- I. **March 2006 Leak Report**
- J. **Rainfall Reports**
- K. **San Francisco Public Utility Commission Hydrological Conditions Report for February 2006**
- L. **Update on AB 1234 Mandatory Ethics Training Workshop – Wednesday, May 24, 2006**

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

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

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

5) **WATER CONSERVATION COORDINATOR'S REPORT**

A. **Water Conservation Report**

Ms. Cox referenced her staff report and provided a few brief details on the activities that she has been involved in during the past month, including the landscape irrigation survey at Moonridge Housing Development, the identification of some local water efficient gardens, attendance at the City of Half Moon Bay's Town Hall Expo and the kick-off campaign for Water Awareness Month.

B. Water Awareness Month Resolution

Ms. Cox referenced the staff report and Resolution pledging the District's continuing support for water conservation.

ON MOTION by Director Coverdell and seconded by Director Larimer, the Board voted unanimously by roll call vote to adopt Resolution 2006-08 proclaiming the month of May as Water Awareness Month.

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

6) SUPERINTENDENT OF OPERATIONS REPORT

A. Superintendent of Operations Monthly Report

Mr. Joe Guistino reported on the benefits of the Nunes WTP Influent Control Valve, the preventive maintenance work recently performed on pump number 3 at the Crystal Springs Pump Station, a chlorine handling and response workshop and a positive and informative meeting with the HMB Fire Protection District.

Director Larimer then reported on the recent inspections of the water treatment plants that he and Director Coverdell, as part of the Facilities Committee, had performed. He stated that the conditions of the water treatment plants are absolutely spectacular and pristine. Director Larimer said that the field staff should be commended for their efforts in this remarkable transformation. Director Coverdell agreed and also thanked the field staff members. Mr. Guistino reported that he is very proud of the crew, that they are very goal oriented and work well as a team.

Director Coverdell noted the tremendous improvements to the plants since his previous inspection last August and pointed out that the personal pride in each of the staff members was very apparent. He also reported that recently the field crew had replaced a major valve, using existing stock, designing, engineering and installing the valve themselves, realizing a substantial cost

savings to the District, which he felt was a real tribute to the District and the CCWD field staff.

Director Larimer reported that the savings related to this in-house repair amounted to several thousand dollars. He requested that District staff draft an employee incentive policy for Board review. This policy should acknowledge the development of a project, procedure, policy, etc. by an employee(s) that provides a substantial savings to the District with a bonus awarded to the employee(s). President Ascher stated that this item would be placed on the next Agenda. He also stated that he felt that Mr. Guistino had inspired the field staff to take ownership of the water treatment plants and their pride is every apparent.

7) GENERAL MANAGER'S REPORT

- A. (1) Discussion and possible direction to staff regarding draft proposed FY 2006/2007 Operating and Maintenance (O & M) Budget and Capital Improvement Program Budget - Crystal Springs and Non-Crystal Springs Projects
2) Consideration of Resolution No. 2006-09 A Resolution of the Coastside County Water District Authorizing the Execution and Delivery of an Installment Purchase Agreement, A Bond Purchase Agreement, an Official Statement and a Continuing Disclosure Certificate and Authorizing Certain Related matters

Mr. Schmidt introduced this item and explained the idea behind breaking this discussion into two sections, the budget, and the proposed financing. He then reported his recommendation, including a 7% rate increase and provided the background of the budget process.

Director Coverdell shared a few comments based on his participation on the Finance Committee during this budget process, and agreed with the recommendation. President Ascher explained the roles of the Finance Committee and the Facilities Committee.

Mr. Jake Boomhouwer then provided a brief presentation on two proposed scenarios - cash financing and bond financing and answered questions from Board members.

Director Coverdell explained the different options and scenarios that the Finance Committee has been exploring and stated that he felt a lot of valuable work had been accomplished and that Jake Boomhouwer's and John Parson's assistance and input was very much appreciated and valued.

Mr. Schmidt then recommended that the Board vote on the Budget this evening, so that the 45-day public noticing could begin for the Public Hearing, as well as the scheduling of visits from the General Manager with some of the local commercial accounts.

President Ascher introduced Mimi Henderson of Henderson Capital, underwriter on the program since 1998. Ms. Henderson explained the details of the program, interest rates, potential investors, and answered questions from the Board. She also introduced Sean Tierney, Bond Counsel, who explained an overview of the associated documents.

President Ascher announced that the Board had discussed this issue and had received presentations from all of the experts and that it was time for the Board to vote.

ON MOTION By Director Larimer and seconded by Director Muller, the Board voted by roll call vote as follows, to adopt Resolution 2006-09 of the Coastside County Water District Authorizing the Execution and Delivery of an Installment Purchase Agreement, A Bond Purchase Agreement, An Official Statement and A Continuing Disclosure Certificate and Authorizing Certain Related Matters:

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

ON MOTION By Director Muller and seconded by Director Mickelsen, the Board voted by roll call vote as follows, to accept the recommendation of the Finance Committee and adopt this draft budget as presented, including a recommended 7% rate increase with a public hearing scheduled for June 13, 2006.

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

B. Annual Report to Coastal Commission Required by Condition No. 3 of El Granada Pipeline Coastal Development Permit Nos. A-2-SMC-99-63; A-1-HMB-99-20

Mr. Schmidt introduced this item, summarizing the items that are included within this annual report submitted to the California Coastal Commission.

Director Larimer stated that he was unsure of the purpose and value of this report and also that only some agencies are required to submit these types of reports. He suggested that the District pursue the matter with the California Coastal Commission.

Mr. Schmidt addressed several questions from the Board members and the Board briefly discussed this original condition, required for approval of the pipeline replacement project. Mr. Condotti explained that this particular condition was based on the manner in which the Crystal Springs project was financed, which was somewhat unique. Board discussion ensued, with Mr. Schmidt advising the Board that this particular report takes approximately eight hours of staff time to complete, and was not a major hardship. President Ascher concluded the discussion by stating that the District originally agreed to this condition and he felt there was no benefit in disputing it at this time.

C. Discussion and possible direction to staff regarding a draft computer network and Internet usage policy and agreement

Mr. Schmidt referenced his staff report on this item, explaining that the draft policy presented to the Board had been prepared by District's legal counsel and is based on a model policy developed by the League of California Cities and adopted policies of a number of other public agencies.

Director Larimer commented that he felt that the following two sentences of Section 2.h stating, " A user who unintentionally

accesses such information will immediately disclose the access to their immediate supervisor or Manager. This will protect the user against an allegation that they have intentionally violated this policy” were unnecessary and requested that these two sentences be omitted. The Board briefly discussed this and Mr. Condotti agreed that Director Larimer’s suggestion was reasonable and created no problems from a legal standpoint.

ON MOTION By Director Muller and seconded by Director Larimer, the Board voted by roll call vote as follows, to adopt Resolution 2006-10 Adopting a Policy for Use of District Computers, Network Systems and the Internet:

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

D. Discussion and possible direction to staff regarding an inter-governmental infrastructure summit

Mr. Schmidt reported that this item was placed on the agenda at the request of Director Larimer and President Ascher and that he thought it was a good idea. The Board reviewed the proposed list of participating agencies, which included the City of Half Moon Bay, the Sewer Authority Mid-Coastside, Granada Sanitary District and the Cabrillo Unified School District, and directed staff to also include the Half Moon Bay Fire Protection District, the Montara Water & Sanitary District and the San Mateo County Harbor District. The Board also discussed the benefits of holding this summit sometime during the third quarter of the year, after all agencies have passed their budgets.

E. Status Report on Capital Improvement Projects

Mr. Schmidt referenced his written staff report, pointing out that he had updated the report to reflect the status of the current ongoing capital improvement projects. He also provided an update on the City and County portions of the El Granada Pipeline Replacement Project. Mr. Teter pointed out on the map, the proposed rerouting of a portion of the pipeline currently being discussed. He reported that he would be performing an on-site investigation and that he could see no significant impact with the relocation.

- F. **Correspondence: (1) Letter from Pilarcitos Creek Advisory Committee dated March 12, 2006; (2) Letter from the California Coastal Commission dated April 10, 2006 regarding Big Wave LLC; (3) Invitation to a Community Celebration from Sewer Authority Mid-Coastside on Wednesday, May 10, 2006.**

Mr. Schmidt reviewed each of the pieces of correspondence.

8) **ATTORNEY'S REPORT**

- A. **Update on sale of twenty partial non-priority water service connections**

Mr. Condotti provided a brief history of this agenda item and directed the Board's attention to the newly developed Frequently Asked Question sheet. The Board directed staff to proceed with the ad placement and circulation of information packets, adhering to the schedule provided in the staff report.

At this time, President Ascher suggested that the agenda be re-ordered so that the Engineer's Report could be discussed, followed by a discussion of item 8B from the Attorney's Report.

9) **ENGINEER'S REPORT**

- A. **Engineering Projects received in March 2006**

Mr. Teter reported that no new projects had been received for review in March 2006

- B. **District Engineer Work Status Report**

Mr. Teter referenced his staff report detailing the work performed since the last Board meeting and reported that all projects are on schedule.

- C. **Award of contract for the Nunes Water Treatment Plant Influent Control Valve Replacement Project**

Mr. Teter reported that three bids were received for this project, with the low-bidder being Anderson Pacific Engineering Construction Inc. and recommended that the contract be awarded to them.

ON MOTION By Director Coverdell and seconded by Director Mickelsen, the Board voted by roll call vote as follows, to adopt award a contract for construction of the Nunes Water Treatment Plant Influent Control Valve Replacement Project to Anderson Pacific Engineering Construction, Inc.

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

President Ascher then briefly adjourned the meeting for a break at 9:23 p.m. The meeting was reconvened at 9:34 p.m.

8) B. **Further consideration of establishing a standby charge to recover costs associated with sold but uninstalled water service connections**

Ann Carey – stated that she respectfully disagrees that the District should impose a stand-by charge for sold but installed connections. She referenced item 3 of the proposed Resolution, which states that for several reasons, the sold and leased but un-installed connections represent an additional and unusual burden upon the existing ratepayers of the Coastside County Water District. She explained that she felt that the burden is not caused by the sold but un-installed connections, because there are many owners of the sold but un-installed connections that are ready and willing to build, but rather the burden was due to growth controls, the policies of other agencies and the difficulties in obtaining Coastal Development Permits. She pointed out that the owners had paid for these connections by cash or through an assessment and that although many are willing and able to build and become existing users, they are not allowed to do so and that it seemed unfair to impose a surcharge for the connections that they desire to use, but are prevented from using from reasons beyond their control.

Director Larimer proposed the question that if the CCWD offered the choice of the District buying the connections back from the owners, would that mitigate the owner's concerns?

Mr. Condotti provided the background of this item as detailed in his staff report and referenced the analysis prepared by Jake Boomhower of CDM and explained that the proposed Resolution had been drafted to conform with Proposition 218. He further explained the process that would follow if the proposed Resolution were adopted.

Mr. Condotti also stated that he has been discussing with Director Larimer, the concept of applying the charge not only to the owners of the sold but un-installed connections, but also to the owners of installed connections, spreading the charge among all water connection owners. He reported that the term "stand-by" charge is not defined in Proposition 218 and has also not been defined well in case law that has interpreted Proposition 218, thus posing a question about whether a charge of that nature would be considered a "stand-by" charge so that the procedural requirements of Proposition 218 apply. He stated that he has not thought completely through that issue to a logical conclusion yet. He stated that if the Board is interested in pursuing that concept, it could be considered. Mr. Condotti said that he would weigh the merits of holding a public vote, versus simply incorporating and adopting this new concept into the District's rate structure.

Mr. Condotti also pointed out that it would have to be determined how to collect the charge, since the remedy for non-payment of water service charges is typically to cut off the service. He stated that the Board would have to assure that the policy consisted of a legally defensible charge but also one, that as a practical matter, could be collected.

Director Muller stated he is not in favor of this concept and has some concerns and reservations and felt that the subject required much more discussion.

Director Coverdell commented that if the District financially impacted the un-installed connections, that it would generate approximately \$350,000.00, which would allow the District to continue to pay cash for improvements rather than have to get involved with bond financing, which he found appealing. He also stated that although he can sympathize with the pain of trying to develop property on the coastside, the District cannot impact this, as it is not a planning agency, but that it was important that the District protect the integrity of its water system. He also explained that he felt that the impact on the District's system over the past ten or twenty years was significant and

that he felt it was reasonable to ask the connection owners to do something and that he was in favor of offering to purchase the connections back from the owners.

Director Larimer agreed that this issue was about fairness and stated that the current ratepayers are having to bear all of the costs and that the owners who have un-installed connections are not paying their fair share for the system. He also stated that the costs should be distributed fairly to all customers who are connected, and to those who have a right to connect, and will benefit from the system as well.

Director Mickelsen stated that he agrees with Directors Coverdell and Larimer that the District is burdened with having to maintain the system and when the owners of the uninstalled connections eventually connect to the system, that they will benefit from all of the new standards and improvements to the system and that it was fair to distribute the costs to all connection owners.

Mr. Condotti then explained the process that would be required under Proposition 218, including the preparation and distribution of a ballot, which would include an explanation and summary of the information on how the charge is based. He also reiterated that Proposition 218 includes some gray areas with regards to the definition of stand-by charges and that some potential risks exist and that this had the potential to be legally challenged. Mr. Condotti also commented that he was not sure how the role of the City of Half Moon Bay and the County of San Mateo would play into the District's rate setting, but that he believed that the local land use agencies might possibly be involved in this issue, as well as the California Coastal Commission. He also stated that he was not sure how the District could effectively prevent these other agencies from becoming involved, and felt it was a concern and a challenge.

President Ascher concluded the discussion by stating that he did not feel that the Board was ready to vote on the proposed Resolution, as the concept has evolved and the District's Legal Counsel needs time to review issues further and staff needs to assemble more information, including: what are the costs that could be fairly distributed among installed and un-installed connections, what the rate structure would look like, etc. President Ascher announced that this item would be tabled and would be continued until at least until the May Board meeting.

President Ascher appointed that an ad hoc committee be established to further research this topic. Directors Larimer and Muller agreed to participate on the committee.

10) MEETINGS ATTENDED / SCHEDULED - BOARD OF DIRECTORS

There was no discussion on this item.

11) AGENDA ITEMS AND DIRECTOR COMMENTS

There was no discussion on this item.

**12) CLOSED SESSION - CONFERENCE WITH LEGAL CONSEL
ANTICIPATED LITIGATION**

Significant exposure to litigation pursuant to Government Code Section 54956.9(b) One (1) potential case

The Board of Directors considered the item referenced above in closed session at the conclusion of the open portion of the regular meeting of April 18, 2006. All five Directors were in attendance, along with the General Manager and Legal Counsel. The Board reconvened to open session at approximately 11:00 p.m. No members of the public were present. There was no action to report.

13) ADJOURNMENT

The meeting was adjourned at 10:30 p.m. for the Closed Door Session. The next meeting of the Coastside County Water District Board of Directors is scheduled for Tuesday, May 9, 2006, beginning at 7:30 p.m.

Respectfully submitted,

Ed Schmidt, General Manager

Everett Ascher, President