

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

December 12, 2006

- 1) **ROLL CALL:** President Ascher called the meeting to order at 7:03 p.m. Present at roll call were Directors Ken Coverdell, Jim Larimer, Chris Mickelsen, and Bob Feldman.

Also present were Ed Schmidt, General Manager; Anthony Condotti, Legal Counsel; Jim Teter, District Engineer; Joe Guistino, Superintendent of Operations; JoAnne Whelen, Administrative Assistant/Recording Secretary and Gina Brazil, Office Manager. TRC Essex consultants, Steve Stielstra and Kevin Janik were also present.

- 2) **PLEDGE OF ALLEGIANCE**

- 3) **PUBLIC ANNOUNCEMENTS**

There were no public announcements.

- 4) **SPECIAL ORDER OF BUSINESS**

- A. **Recognition of Coastside County Water District Field Supervisor, Elias Borba, in appreciation of his 24 years of commitment to the success of the Coastside County Water District - Resolution 2006-24.**

President Ascher introduced this item, and proceeded to read the Resolution recognizing Elias Borba for his 24 years of valuable, loyal, and dedicated service to the District.

THE BOARD voted as follows, by roll call vote, to adopt Resolution 2006-24 Recognizing Elias Borba upon his retirement after twenty-four years of dedicated service to the Coastside County Water District:

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

President Ascher then presented Mr. Borba with an engraved clock and each of the Directors and staff members presented Mr. Borba with applause and a handshake. Mr. Borba shared a few words, thanking the Board, staff, and his many co-workers, many of whom were in the audience, both members of the field crew and the office staff, for a rewarding and memorable career at the Coastside County Water District. President Ascher then also acknowledged Mr. Borba's wife, Connie and presented her with a bouquet of flowers.

President Ascher announced that the Agenda would be re-ordered at this time and that item 8A would be discussed next, in order to accommodate members of the public who were in the audience.

8) **GENERAL MANAGER'S REPORT**

A. **Discussion of the Draft Initial Report Findings from TRC Essex on the Denniston Restoration Project**

Mr. Schmidt introduced this item and reported that copies of the Denniston Reservoir Restoration Project Draft Initial Findings Report, prepared by TRC Essex were available. He also provided a brief background, including the many aspects of the report findings. Mr. Schmidt highlighted his recommendations, including providing direction to TRC Essex to obtain a contract price estimate for a qualified hydrologist to prepare a water budget for the Denniston Watershed, and to direct staff, attorney, and TRC Essex to meet with Peninsula Open Space Trust (POST) officials and concur on a "letter of intent" that would provide a foundation for a future Memorandum of Understanding (MOU), that might include an agreement(s) on initial project parameters, stream flow alteration, conservation easement strategy, titleholder designation, and future management of the watershed. He also advised that the "letter of intent", followed later by the MOU, would be forwarded to senior management staff at the U.S. Fish & Wildlife Service, California Department of Fish & Game, and NOAA Fisheries. Mr. Schmidt then introduced Mr. Kevin Janik, Project Manager, with TRC Essex.

Mr. Janik provided a brief report, referencing the earlier presentation of the draft initial project findings, which included an outline of the physical parameters that exist in the watershed, as well as details regarding species and hydrological issues. He explained that the report also provided suggestions on future permitting options and strategies. Mr. Janik also stated that the draft report contained suggestions of how the water quality in the watershed could be improved, and offered recommendations of how to potentially proceed, and depending on those results, noted that a good foundation could exist to move forward with the project. He then offered to address any questions.

Director Coverdell inquired about the project timelines, which Mr. Janik responded that the figures were based on compliance of the California Environmental Quality Act (CEQA) and the National Environmental Quality Act (NEPA) requirements.

Director Larimer verified that TRC Essex was making two recommendations, (1) that the District needs to proceed with the hydrology and determine what the safe yield, re-charge and draw-down rates would be and (2) the District needs to proceed with a Memorandum of Understanding with POST. He stated that after reading TRC Essex's draft report, a third topic comes to mind, that this project is very broad, involves many interest groups, and a lot of potential sources of revenue exist to pay for remedies associated with some of the suggested actions, including funds for potential restoration of stream projects. Mr. Janik addressed several questions from Director Larimer in regards to plans to pursue potential funding, and project timelines, explaining that everything is in a preliminary stage and open to discussion at this point, with concrete plans and schedules difficult to pursue at this time, until an actual project description is developed.

Director Mickelsen inquired about the timeline anticipated for the water budget, which Mr. Janik explained that the time a hydrologist would need to develop a water budget would be determined upon the amount and quality of sources of data that can be produced, making it difficult to estimate at this point.

Director Feldman inquired about the possibility of partnering with others to possibly pursue a recovery action, which Mr. Janik confirmed was a viable option.

President Ascher requested that Mr. Janik explain the differences between the traditional permitting and a federal recovery project. Mr. Janik responded that a lot of it was yet to be determined, but the project could quite possibly be exempt from the National Environmental Policy Act, and explained that specifics are yet to be determined because recovery projects are a somewhat new scenario with many unanswered questions. He suggested that, depending on specifics, the permitting could vary in a lot of different ways. He reiterated that this is a somewhat new process that we will have to continue working with other agencies, and it would be a learning process for all.

Mr. Janik elaborated on the water budget process, including some of the combination of approaches a hydrologist may use to develop a water budget, which would be the first part of the process. The installation of permanent gauging stations would follow, allowing monitoring on a regular basis, so the amount of water flowing through the creek could be monitored for years to come. He explained that obtaining this information is a very necessary first step.

President Ascher stated that he felt this was a two-part quest, the first part is to open discussions with representatives from Peninsula Open Space Trust, and suggested that the Board direct the General Manager to commence those discussions as soon as practical.

ON MOTION by Director Larimer and seconded by Director Coverdell, the Board directed staff to open discussions with Peninsula Open Space Trust Representatives in connection with the Denniston Reservoir Restoration Project.

Discussion ensued among the Board and Director Larimer commented that the Board should establish a board subcommittee to participate in the process and to establish a procedure to move forward. He also stated that the Board wants to encourage other stakeholders to join us in these meetings, and that the desire is to move forward in this way and that regular contact with the Board was important because this is not simply a technical issue and there are many aspects to this problem that have to be dealt with. He concluded by stating that he is proposing that a special subcommittee be formed to move forward on this immediately. Director Larimer stated that this is to be an amendment to the original motion, which was accepted by Director Coverdell.

ON MOTION by Director Larimer and seconded by Director Coverdell, the Board

voted as follows to direct the General Manager to start discussion with POST and that the Board would establish a subcommittee to assist the General Manager with these discussions:

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

President Ascher stated that further direction included having the General Manager establish a scope of work and a budget for that work and bring that information back to the Board. Staff was also directed to locate and have available the Denniston historical stream-flow monitoring records. The Board also extended an invitation to POST and Mr. David Lea to participate in even the initial steps of this project's process. President Ascher thanked the staff from TRC Essex for the work performed to date on the project.

At this point in the meeting, President Ascher announced that item 4B – Election of CCWD President and Vice-President would be the next agenda Item.

4) SPECIAL ORDER OF BUSINESS

B. Election of CCWD President and Vice-President

President Ascher opened the discussion by nominating Director Larimer to serve as President. Director Mickelsen seconded the motion and closed nominations.

ON MOTION by President Ascher and seconded by Director Mickelsen, the Board voted as follows to appoint Director Larimer as CCWD Board President:

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

ON MOTION by Director Ascher and seconded by Director Coverdell, the Board voted as follows to appoint Director Mickelsen as CCWD Board Vice-President:

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

It was agreed that Director Ascher would continue to act in the capacity of Board President, throughout the duration of this meeting.

John Muller, Councilmember, City of Half Moon Bay – stated that he felt it was appropriate to acknowledge and congratulate Elias Borba on his retirement from the District. He also thanked President Ascher for his leadership, both to the District and the community over the past year. He congratulated Mr. Ascher and wished the new Board officers, Directors Larimer and Mickelsen, continued success in their leadership positions.

5) CONSENT CALENDAR

- A. Requesting the Board to review disbursements for the month ending November 30, 2006 – Claims: \$343,036.18; Payroll: \$64,534.11 for a total of \$407,570.29
- B. Acceptance of Financial Reports
- C. Minutes of the November 14, 2006 Board of Directors Meeting
- D. Monthly Water Transfer Report
- E. Installed Water Connection Capacity and Water Meters Report
- F. Total CCWD Production Report
- G. CCWD Monthly Sales By Category Report
- H. November 2006 Leak Report
- I. Rainfall Reports
- J. San Francisco Public Utilities Commission Hydrological Conditions
- K. Engineering Projects Received for Review during the month of November, 2006
- L. Acceptance of 190 Escalona Avenue – Non-Complex Pipeline Extension
- M. General Manager Activity Report

ON MOTION by Director Feldman and seconded by Director Coverdell, the Board voted as follows to accept the Consent Calendar in its entirety:

Director Coverdell	Aye
---------------------------	------------

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

6) **SUPERINTENDENT OF OPERATIONS REPORT**

Mr. Guistino referenced his written staff report, highlighting a few important events, including the hiring of a new temporary worker, the completion of the Nunes influent control valve installation, and the rotation of Jack Whelen and Jon Bruce into the water treatment plant operations. There was a brief discussion on the unaccounted for water figures, meter replacement programs and automatic meter reading systems.

7) **DISTRICT ENGINEER’S WORK STATUS REPORT**

Mr. Teter referenced his written report and advised the Board that work is progressing on the Short-Term Water Treatment Plant Improvements and Phase 3 of the El Granada Pipeline Replacement Project.

8) **GENERAL MANAGER’S REPORT**

B. Discussion and review of the Annual independent Financial Audit and Management Discussion and Analysis (MDA) letter for the fiscal year ending June 30, 2006 - Presentation by Vikki Rodriguez of Maze & Associates

Mr. Schmidt introduced Ms. Vikki Rodriguez of Maze & Associates, who informed the Board that the audit for the fiscal year ending June 30, 2006 had been completed and reported that Maze & Associates had issued an “unqualified opinion” for the District, which is a “clean opinion”. She congratulated the District and then briefly discussed the results of the internal control review, and reported that they found no material weaknesses and no issues with compliance. She then reviewed their two recommendations for the District, which included formalizing the District’s existing

purchase order practice into a written policy and to perform an annual or bi-annual inventory of the capital assets (possibly

utilizing a bar-code system). She also reported that District staff had been very prepared for this audit and that the process went very smoothly.

Director Coverdell thanked Ms. Rodriguez and stated that he was very pleased with the audit results.

Director Larimer referenced the General Manager's staff report, reporting that the District had received the highest, most positive opinion possible, and stated that he would appreciate the audit report being more direct and state the audit results in similar terms. He acknowledged that Maze & Associates may have liability issues, but the report results were very favorable, and he would like to see this stated more clearly and concisely in the report.

Ms. Rodriguez stated that she understood, and that they often hear these concerns expressed from their clients, but that basically their wording is limited by audit standards and that they mainly use "boiler plate" language. Director Larimer also requested clarification on Note 6 – Pension Plan, on pages 24 and 25 of the audit report. Ms. Rodriguez explained that these numbers were based on the CalPERS investments and the market fluctuation.

Mr. Schmidt stated that he would schedule a meeting with John Parsons, CPA, and Ms. Rodriguez to prepare a report providing further information on this issue, which will be presented to the Board.

President Ascher provided some background on the CalPERS terms and some of the history of the "market" over the past several years, explaining that the District has no control over these figures. President Ascher then referenced the audit report, and read the following statements: "In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the Coastside County Water District at June 30, 2006 and 2005 and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America". He then read from the fiscal year audit report for IBM Corporation, which consisted of almost the exact wording that appeared in the District's audit report.

Director Larimer commended staff in the handling of the District's financial matters, stating that his questions regarding the finances are consistently answered promptly and proficiently. He also

complimented staff in the way in which they report the District's business, referencing that the agenda and entire contents of the Board packet are now accessible on the District's website. Director Coverdell agreed with Director Larimer's comments and emphasized that he feels that the District is being well managed by the General Manager, Mr. Schmidt, and his staff and also complimented Jim Teter, District Engineer, and John Parsons, CPA.

President Ascher stated the he feels the Board would echo these comments. On behalf of the staff, Mr. Schmidt thanked the Board.

ON MOTION by Director Larimer and seconded by Director Feldman, the Board voted as follows to accept the results of the Financial Audit and Management Discussion and Analysis letter for the fiscal year ending June 30, 2006:

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

C. Discussion and possible direction to staff regarding Section 3.02 of the CCWD Personnel Manual regarding Holiday Pay Schedule

Mr. Schmidt distributed an updated retirement benefit analysis and provided a review of the results. He then reviewed the background of the item and referenced his staff report, which outlined the results of his research and report and stated his recommendation that employees who work on District holidays, would be paid double time for all hours worked, with their eight hours of holiday time off to be banked as comp-time. The Board briefly discussed and Mr. Schmidt and Mr. Guistino answered a few questions from the Board about the new proposed policy and how it may potentially affect staffing, and clarified a few issues and details concerning the new proposed policy.

Mr. Condotti suggested that he could bring back this proposed change in the personnel manual in the form of a Resolution at the January Board Meeting.

ON MOTION by Director Mickelsen and seconded by Director Coverdell, the Board voted by roll call vote, to approve a Resolution implementing the proposed policy, changing Section 3.02 of the CCWD Personnel Manual regarding the Holiday Pay Schedule:

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

D. Update on recruitment for Public Outreach/Program Development/Water Resource Management position

Mr. Schmidt provided an update on the recruitment of this position, reporting that he has five strong candidates scheduled for interviews and he was looking forward to a couple of Board members to participate in the process.

Director Mickelsen complimented Mr. Schmidt and staff for handling this recruitment in-house, saving the District a considerable amount of money in out-sourcing recruitment fees, possibly as much as \$15,000.00 in savings.

E. Status Report of Capital Improvement Projects

Mr. Schmidt reported that he had received a letter from the Army Corp of Engineers stating that they have no jurisdiction of the wetlands crossed by the project alignment, which had been forwarded to U.S. Fish & Wildlife, the California Coastal Commission, and the planners from the City of Half Moon Bay and San Mateo County, which completes this stage of the process. He also provided a brief update on George Burswasser's progress on the variety of his assignments, including the archeology study, erosion control plan, etc.

Director Larimer commented that even though the District has been "playing by the rules" from the beginning of the project, a member of

the City of Half Moon Bay Planning Commission, Kevin Lansing, had taken it upon himself to write letters to the Federal Fish & Wildlife, involving them in this process before they would have normally become involved in the procedure and now it has been determined that there was not a need for it. He stated that he found

this very troubling and that this little sojourn was very expensive, involving additional costs in extra, unnecessary studies, answering questions that were raised in anticipation of a nexus, which we now know never existed. He pointed out that this type of activity does not serve the public, when public officials behave this way, generating expenses that everyone in this community has to pay, for no good purpose.

In regards to the Main Street / Highway 92 Project, Mr. Schmidt also recognized and complimented Jon Bruce, Maintenance Worker, for his role in the construction management of this project, which involves a lot work during the nighttime hours. He stated that Mr. Bruce has been performing an excellent job in this area, working well with the contractor and providing daily project reports to District staff. Mr. Guistino, Superintendent of Operations agreed that Mr. Bruce's work in this area has been outstanding.

F. Correspondence: Bay Area Water Supply and Conservation Agency - Technical Advisory Committee Meeting Agenda / Reports - December 7, 2006

Mr. Schmidt shared his notes and comments from this meeting with the Board.

9) ATTORNEY'S REPORT

A. Analysis of Proposition 84, the "Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006

Mr. Condotti referenced his staff report on this item, providing an overview of Proposition 84 Bond Act of 2006, explaining that his proposition authorizes the state to sell 5.4 billion dollars in general obligation bonds for a variety of water and resources related grant programs. He also reported briefly on the categories of funding and the available funds assigned to each of the categories. Mr. Condotti

concluded his report by stating that it may be worthwhile to follow this program, possibly taking advantage of some of the project funding opportunities.

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

Director Mickelsen provided a brief report on the recent Bay Area Water Supply and Conservation Agency (BAWSCA) meeting and advised that he would be attending another contract negotiating meeting in regards to the renewal of the San Francisco Public Utilities Commission contract.

President Ascher reported that he had attended the recent Association of California Water Agencies (ACWA) meeting in Anaheim and has already shared a lot of the valuable information he acquired at the conference with Mr. Schmidt.

11) AGENDA ITEMS AND DIRECTOR COMMENTS

President Ascher thanked all District staff for their responsiveness and assistance to him over the past year as the Board President. He also thanked the Board for their hard work and dedication, which resulted in a very successful year for the District. He highlighted a few of the Boards accomplishments over the past year which included, the progress on the El Granada Pipeline Replacement Project, Phase 3, and the kick-off the Denniston Reservoir Restoration Project.

President Ascher shared some recommendations to the Board and staff for the District's future, with included a suggestion for the Board to develop a long-range, strategic plan; to increase the District's participation in the various agencies, including the Association of California Water Agencies, the Bay Area Water Supply and Conservation Agency, and others, which allow opportunities for valuable networking. He also suggested that the District continue to strengthen its relationships with fellow special districts and our neighboring agencies.

President Ascher concluded the meeting by stating that he had been fortunate to serve on the Board under the previous leadership of Directors John Muller and Chris Mickelsen and he had learned a lot from both of them. He commented that he felt CCWD had a great Board, a great staff, a

positive momentum and an excellent standing in the community, known to other agencies as the "can-do" organization, with a Board that knows how to govern. He also stated that he was convinced that under President Larimer's leadership, all of these attributes will continue. Director Ascher then congratulated President Larimer, turned the gavel over to him and adjourned the meeting.

- 12)** The meeting was adjourned at 9:27 p.m. The next meeting of the Coastside County Water District Board of Directors is scheduled for Tuesday, January 9, 2007 at 7:00 p.m.

Respectfully submitted

Ed Schmidt, General Manager

Jim Larimer, President