

COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

June 10, 2003 – 7:30 p.m.

- 1) **ROLL CALL:** President Muller called the meeting to order at 7:30 pm. Present at roll call were Directors Jim Larimer, Everett Ascher, Ken Coverdell and Chris Mickelsen.
- 2) **PLEDGE OF ALLEGIANCE:** Everyone stood for the Pledge of Allegiance.
- 3) **INTRODUCTIONS:** There were none.
- 4) **PUBLIC ANNOUNCEMENTS:** President Muller made remarks regarding recent emails received by the CCWD that have contained a number of allegations and remarks, including accusing the District of conducting secret meetings. He emphatically denied any truth to this and stated that polite disagreement is always acceptable in public forum but that personal attacks are unwarranted. He then spoke to a recent accusation aimed at him regarding a potential conflict of interest and asked Mr. Condotti to address the issue. Mr. Condotti explained that he had been asked to review an email sent out by Mr. Larry Kay to a Mid-Coast email list stating that President Muller's service as Chair on the Regional Water Quality Control Board is a conflict of interest with his duties as President of the CCWD. He went on to explain that, after a careful review of President Muller's responsibilities to the different entities and how those different entities generally do not interact with each other, he and the Attorney General for the Regional Water Quality Control Board both came to the conclusion that there was no conflict of interest in President Muller serving on both Boards. He stated that allegations of illegal or secret meetings are taken very seriously and it is his job to thoroughly investigate such statements. He explained that Mr. Kay's allegation of secret meetings seemed to stem from his complaint that he did not personally receive an emailed agenda for the recent meeting of the CCWD Finance Committee meetings. However, Mr. Condotti determined, after careful review of how meetings agendas are posted and publicly advertised in several ways, that Mr. Kay's allegations were incorrect and had no legal foundation.

Oscar Braun, Executive Director of the Coastside Fire Safe Council, Half Moon Bay, wanted to let the Board know about an upcoming meeting of the Council. Recent cutbacks throughout the County have eliminated many of the fire safety work crews and the meeting will address this important issue.

5) APPROVAL OF THE AGENDA:

ON MOTION by Director Larimer and seconded by Director Coverdell, the Board voted unanimously to approve the Agenda as presented.

6) CONSENT CALENDAR:

- A. Requesting the Board to review payment of claims for the month ending May 31, 2003 in the amount of \$261,556.24
- B. Acceptance of Financial Reports
- C. Minutes of the May 13, 2003 Board of Directors Meeting
- D. Monthly Water Transfer Approval Report

ON MOTION by Director Mickelsen and seconded by Director Coverdell, the Board voted unanimously to accept the Consent Calendar as presented.

7) PUBLIC HEARING - PROPOSED RATE INCREASE

- A. Discussion and possible direction to staff to amend the Rate and Fee Schedule to increase water rates by 9.55% by adoption of the attached Resolution, preceded by discussion and possible approval of the Coastside County Water District Fiscal Year 2003/2004 Operation and Maintenance (O & M) Budget and Five (5) Year Capital Improvement Program (CIP) Budget

President Muller opened the Public Hearing at 7:42 pm. Ed Schmidt, General Manager, introduced the matter to the Board and explained that, along with a significant water rate increase from the San Francisco Public Utilities (SFPUC) Commission, District revenues are expected to decrease due to a possible reduction in property taxes and reductions in interest income, miscellaneous revenue and service connections. Director Coverdell remarked that he believes the budget, as presented, to be fair and well thought out with appropriate due diligence having been applied to its’ preparation over many hours of work. Director Ascher stated his commitment to keeping the Coastside rate increase down as much as possible, related to the increase implemented by the SFPUC and the cost of living.

Director Larimer asked specifically for information about where the increase is coming from. Director Ascher stated that approximately two-thirds of the increase was directly related to the SFPUC increase. Director Larimer then explained that he had looked at the base rate structure based on the size of each individual connection and determined if it is based upon area only then large

volume customers are paying a higher base rate. He questioned the fairness of this situation and whether or not larger volume customers are being over-charged and stated that he would like to see this issue addressed by staff. The General Manager suggested that the Finance Committee review this issue within the next couple of months.

President Muller asked the General Manager to review his recently implemented activities related to outreach to larger volume customers. Mr. Schmidt stated that he had contacted six agencies and their finance managers and found them to be appreciative of the District’s willingness to communicate with them and generally accepting of the idea of pursuing ways of developing local supplies as a significant benefit to them.

Leonard Woren, El Granada, remarked that any increase in the number of Coastside homes also increases the need for water supplies purchased from San Francisco. He explained that the cost of water acquired from San Francisco is more expensive due to the cost of getting it to the Coastside, which directly impacts how much every resident pays. He then stated that he agrees with larger volume customers paying a higher base rate since their larger volume connections draw more water at any given time and place a higher demand on the system.

There was no additional public comment at this time. Director Coverdell then referred the Board members to a prepared handout of a five-year rate increase analysis done by the Finance Committee. President Muller expressed appreciation for the hard work that has been accomplished by the Committee.

Director Coverdell also commented on the only challenge regarding the budget was the COLA and stated that it was very realistic. Our community is getting more expensive to line in and we would like to attract quality people. He also stated that he would like to commend staff for all their hard work that went into preparing the budget.

President Muller closed the public hearing at 8:07 pm. He then asked for direction from Board members regarding follow up on the issue at hand.

Director Coverdell remarked that he did not want to isolate discussion about the Capital Improvement portion of the budget and motioned to accept the budget as presented. Director Mickelsen offered a second to the motion but President Muller chose to accept comments from the District Accountant, John Parsons. He explained that it would be necessary to first approve the rate increase, which would impact the budget, and then approve the budget. Director Coverdell then withdrew his first motion, stating he would like to amend his first motion to include approve of the 9.55% rate increase and the budget as presented. Director Mickelsen again offered a second to the motion. The General Manager then

asked if Resolution 2003-07 needed to be in the motion and Mr. Condotti explained that the recommended action would be for the Board to approve the Resolution amending the water rate and then the budget as presented. Director Coverdell then offered an additional amended motion as follows:

ON MOTION by Director Coverdell to accept Resolution 2003-07 to amend the Rate and Fee Schedule to increase water rates by 9.55%, effective in July 2003, and seconded by Director Mickelsen, a roll call vote was taken as follows:

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

Director Larimer then asked that the information about the rate increase be distributed to the public as soon as possible. The General Manager said that the information would be posted on the website prior to bills being mailed and that he would also direct staff to provide customer notification of the rate increase with an initial letter and a notice of same on the next two cycles of billing statements as well.

District Accountant John Parsons then stated that, due to the just-passed resolution that implements the rate increase, the budget amount for water sales will increase which will create changes in the budget and the amended budget will need to be passed in a new motion. President Muller agreed that this would be done.

At that point, the General Manager began his discussion of Agenda Item 8a but the Board agreed that there had been confusion regarding passing the budget and returned to the issue of a separate motion to pass the amended budget.

ON MOTION by Director Coverdell, seconded by Director Mickelsen, to approve the Fiscal Year 2003/2004 Operating and Maintenance (as amended to include the approved 9.55% rate increase) and 5 Year Capital Improvement Budgets, the Board voted by roll call vote as follows:

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

8) REPORT OF THE GENERAL MANAGER:

A. Discussion of the Fiscal Impact Analysis of the Proposed Annexation of the San Mateo County Coastsides by the Midpeninsula Regional Open Space District

The General Manager referred to a letter he had received in early June from Mr. Craig Britton, General Manager of the Mid-Peninsula Regional Open Space District (MROSD) and then introduced Kathy Woodberry, Planning Manager for MROSD, attending on behalf of Mr. Britton. She made a brief presentation to the Board, reviewing the proposed annexation of the San Mateo County Coastsides, the purpose of such an annexation and the area it would cover. She assured the Board that there would be no fiscal impact to the CCWD.

Oscar Braun, Half Moon Bay, Executive Director of the Half Moon Bay Coastsides Foundation (dba The California Watershed Posse), addressed the Board and explained that the Coastsides Foundation reviews all Environmental Impact Reviews (EIR) done for CEQUA and NEPA projects. They have been reviewing the MROSD’s annexation proposal since it was first introduced in 1997 and have found their EIR to be seriously flawed in all areas. He particularly cited the potential for significant fiscal impact to the Coastsides in spite of the MROSD reporting the opposite to be true. The Coastsides Foundation has begun litigation that will cause the EIR to undergo judicial review and, in addition, they also filed a complaint to the EPA and the Regional Water Board in October of 2001 and there will likely be federal prosecution before the end of 2003.

Terry Gossett, Moss Beach, explained that, in the final MROSD EIR, there were fifty pages of petitions against the annexation. He addressed the issue of significant fiscal impact to the Coastsides reported by the San Mateo County Controller and stated that he would like to ensure there is no misrepresentation of the potential serious impact to the Coastsides.

President Muller addressed the Board and the audience, reminding all that the Board is here to protect our District. Staff was directed to keep an open dialogue with the associated agencies and to continue to monitor the issue.

B. Consideration of An Amendment to Section 2.06 "Overtime" of Coastsides County Water District Personnel Manual Concerning Compensating Time Off in Lieu of Overtime

The General Manager explained that some District employees would like to have the option of taking time off in lieu of being paid for overtime hours worked, which could be of some financial benefit to the District. Approval for time off

would be granted by the appropriate supervisor and according to the individual employee’s workload. The General Manager and Mr. Condotti provided clarification of compensation amounts that are paid for overtime hours and assured the Board that the State Labor Code provides for employer protection from unreasonable work interruptions related to employee time off.

ON MOTION by Director Coverdell, and approved by Director Mickelsen, to approve Resolution No. 2003-10, amending Section 2.06 of the CCWD Personnel Manual regarding overtime, the Board voted unanimously to approve the Amendment with the addition of a statement to the Resolution concerning supervisory approval of the comp-time requests. The roll call vote was as follows:

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

Mr. Condotti was directed to revise the Resolution to provide for staff signatures and processing. In addition, all copies of the Personnel and Policy/Procedure Manuals should be updated to include the Amendment by Resolution.

C. Request for Board to Authorize General Manager to Write Off Bad Debts for Fiscal year 2002-2003

Paul Perkovic, Montara, asked if delinquent amounts could be recovered by filing a lien, levy or tax against the owner’s property. The General Manager explained that bad accounts are turned over to a collection agency for recovery.

ON MOTION by Director Ascher, and seconded by Director Coverdell, the Board voted unanimously to authorize the General Manager to write off bad debts for Fiscal Year 2002-2003.

D. Update on recent activities regarding the El Granada Pipeline Project Appeals and possible direction to staff regarding the California Coastal Commission Hearing for Appeal Nos. A-2-SMC-99-65 and A-1-HMB-99-20

A hearing has been scheduled in July in Petaluma and the Board agreed to hold a Special Meeting on Monday, June 30th, 2003 at 7:30 pm to discuss the upcoming California Coastal Commission hearing for the pipeline appeals. Staff will distribute packet materials by Thursday, June 26th, 2003.

E. Review of Resolution No. 831 Initial Submittal Process

ON MOTION by Director Ascher, and seconded by Director Mickelsen, the Board voted unanimously to accept Resolution No. 2003-11 amending Resolution 831, the Initial Submittal Process. A roll call vote was taken as follows:

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

Staff was directed to obtain necessary signatures and include this update in all Policy and Procedure Manuals.

F. Discussion of Midcoast Local Coastal Plan (LCP) Update status regarding water discussions and possible direction to staff

Director Coverdell made remarks regarding data that indicates the need for the larger pipeline.

Leonard Woren, El Granada, stated that per capital water usage is statistically down.

The General Manager will continue to monitor this issue.

G. Discussion and possible direction to staff regarding the performance of District staff and water system in response to the May 21, 2003 Cunha County Store Fire

President Muller made remarks regarding the excellent performance of District personnel in response to the Cunha Store fire, and that the Fire Department has expressed their appreciation to the CCWD Board and District staff for their help on the evening of the fire.

Director Larimer addressed the fact that the amount of water that was being pumped during the fire was considerably larger than had been expected. He also expressed his concern about maintaining proper water pressure and the possibility of the influx of groundwater into the system being potentially dangerous to the community. A meeting of the Hydraulic Model Committee will take place for the purpose of utilizing the hydraulic model to analyze the fire scenario.

Director Ascher asked the Board to pass a resolution to thank staff for the manner in which they reacted to the tragedy and President Muller stated that he and the General Manager had decided that letters will be placed in personnel files

expressing appreciation. Mr. Condotti will draft a resolution that will express the Board’s appreciation for the manner in which District personnel conducted themselves the night of the fire and present it at the next Board meeting.

H. General Manager Activities

Following remarks by the General Manager about his recent activities, President Muller reviewed a meeting with the Mayor and City Manager for Half Moon Bay that he and Mr. Schmidt had attended. He suggested that, because she serves on a special committee, Half Moon Bay Council member Debra Ruddock should be notified of the July Board meeting at which time Iris Priestaf will be making a presentation on the Lower Pilarcitos Groundwater Project – Final Study. He also stated that Keith Mangold would be part of a summit that would be making a future presentation to the Board.

I. Correspondence:

- 1) Letter from Philip Angelides, Treasurer, State of California dated May 7, 2003 to all Local Agency Investment Fund Participants (LAIF)
- 2) Letter from Terry Burnes, Planning Administrator for San Mateo County dated May 12, 2003 regarding the Pending Appeal of CCWD's El Granada Pipeline Project
- 3) Letter from Bay Area Water Users Association dated June 5, 2003 regarding First Meeting of the Bay Area Water Supply and Conservation Agency

No specific review was done at this time.

9) **ATTORNEY'S REPORT**

A. November 2003 Election

Four Board of Director seats will be up for election in November, 2003 and the fiscal impact to the District is expected to be approximately \$20,000. He reviewed the options for payment of candidate statements by either the private candidates or the District.

Leonard Woren, El Granada, asked the Board to consider increasing the word limit for candidate statements from the current limit of two hundred words to four hundred, citing the limitations of making an effective statement in two hundred words.

Following discussion among Board members regarding cost effective measures appropriate to the election process, President Muller called for the continuation of the two hundred word limit in a candidate’s statement and the passing of Resolution No. 2003-08 for a Special Election on November 4, 2003.

ON MOTION by Director Larimer, and seconded by Director Mickelsen, the Board voted unanimously to pass Resolution No. 2003 - 08 calling for a Special Election in November, 2003. The roll call vote was as follows:

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

B. Master Water Sales Contract with City and County of San Francisco

Mr. Condotti explained that, out of twenty-nine Bay Area water agencies, the CCWD is the only one that must treat the water it receives from San Francisco, which creates higher rates for the Coastsides, in spite of the fact that the Bay Area Water Users Association base rate is supposed to include the cost of purification.

He suggested that the CCWD could petition the San Francisco Water Department for a special rate structure, citing the Master Agreement which allows San Francisco to change a rate if the request is not unreasonable. President Muller and Director Mickelsen both suggested that this could open the proverbial “can of worms” and agreed that this would not be a good time to go against San Francisco, given that current relations with them are all very positive. President Muller urged the Board to stay their current course.

C. Resolution regarding Determination of Appropriation Limit for Fiscal Year 2003-2004

Mr. Condotti explained that this appropriation is reviewed yearly as a follow-up to Proposition 13 and the Gann Amendment, which limited the amount of property tax, assessed to homeowners. He stated that CCWD receives much less than the appropriations limit set forth in this resolution.

ON MOTION by Director Coverdell, and seconded by Director Larimer, the Board voted unanimously to pass Resolution No. 2003 - 09 for establishing the appropriations limit for Fiscal Year 2003-2004. The roll call vote was as follows:

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

10) ENGINEER'S REPORT:

A. Engineering Projects Received in May, 2003

Mr. Teter, District Engineer, stated that there was one short pipeline extension project, which was sent back for revision and has not been returned as yet.

B. District Engineer Work Status Report

Mr. Teter stated that work is reasonably complete at this time. Mr. Lambing, Superintendent of Operations and Engineering, indicated that some of the missing information on the project completion dates would be filled in by the July board meeting.

11) OPERATIONS REPORT:

A. Water Service Connections Installed, Priority and Non-Priority

B. Capital Improvement Program Progress

C. Water Sample Report, Local Production, Water Purchases, Leaks, etc.

D. Power Point Presentation - Crystal Springs Pump Station Tunnel Inspection and Main Line Repair

Item 11D is to be carried over to the July Board meeting and will be placed on the July Agenda.

12) MEETINGS ATTENDED/SCHEDULED – BOARD OF DIRECTORS:

Director Mickelsen will be attending the first meeting of the Bay Area Water Supply and Conservation Agency (BAWSCA) on June 19th and will be sworn in at that time. President Muller reminded everyone of the Special Meeting of the CCWD Board of Directors on June 30th, 2003 at 7:30 pm.

13) AGENDA ITEMS AND DIRECTOR COMMENTS: There were none.

14) CLOSED SESSION - PUBLIC EMPLOYEE PERFORMANCE EVALUATION/CONFERENCE WITH LABOR NEGOTIATORS

Position Being Considered: General Manager

Agency Designated Representative: District Counsel

The Board went into Closed Session at 9:24 pm.

- 15) **ADJOURN:** The Recording Secretary was not present for Adjournment. The next meeting of the Board of Directors will be a Special Meeting on June 30th, 2003 at 7:30 pm.

Respectfully submitted,

Ed Schmidt, General Manager

APPROVED:

John Muller, President