

**BOARD OF DIRECTOR'S MINUTES
SAN LORENZO VALLEY WATER DISTRICT
BOULDER CREEK, CALIFORNIA**

April 15, 2004

The regular meeting of the Board of Directors of the San Lorenzo Valley Water District was called to order by Dir. Vierra on Thursday, April 15, 2004 in the District's Operations Building, 13057 Highway 9, Boulder Creek, California at 7:31 p.m.

CONVENE MEETING/ROLL CALL:

Roll call showed Dirs. Nelson, Rapoza and Vierra present. Dir. Prather arrived at 7:49 p.m. and Dir. Ross was absent. District Manager Mueller and Counsel Hynes were also present.

MINUTES:

- a. Minutes of the Regular Meeting of April 1, 2004

Paul Storm reported two (2) corrections to the Minutes under "Oral Communications".

Motion was made by Dir. Rapoza to approve the Minutes of the Regular Meeting of April 1, 2004, as amended.

ROLL CALL:

Ayes:	Rapoza, Nelson, Vierra
Noes:	None
Absent:	Prather, Ross

ADDITIONS AND DELETIONS TO THE AGENDA: None

ORAL COMMUNICATIONS:

Connie Barr, Felton representing FLOW was present to address the Board. Ms. Barr requested that at the following items be agendized for discussion at the next regularly scheduled Board of Directors meeting for inclusion into a resolution: 1) The San Lorenzo Valley Water District agrees to be the lead agency to negotiate an acquisition of Cal-Am if and when a bond is passed to pay for the acquisition and related costs; 2) Allow the customers of Cal-Am Water to join San Lorenzo Valley Water District after passing the bond; 3) The San Lorenzo Valley Water District agrees that Felton residents will pay the same rate as all other ratepayers in the San Lorenzo Valley Water District; and, 4) The San Lorenzo Valley Water District agrees not to increase rates for San Lorenzo Valley Water District customers due to the acquisition of Cal-Am customers joining the District. Ms. Barr thanked the Board for their support and consideration of this request.

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Larry Ford, Felton was present to address the Board. Mr. Ford thanked the Board for their consideration in acquiring the Felton water system. Mr. Ford encouraged support for the resolution and assured the Board that he has strong support for the efforts.

Fran Alverson, Felton was present to address the Board. Ms. Alverson stated that this valley is all one (1) economic unit. If Cal-Am is to proceed with the rate increase there is going to be a huge sucking sound economically. Ms. Alverson believes that the customers of Cal-Am Water and this District would share a mutual benefit from the acquisition.

Ken Meschi, Felton representing FLOW was present to address the Board. Mr. Meschi appealed to the Board to help FLOW rectify the water situation.

John Posolus, Felton representing FLOW was present to address the Board. Mr. Posolus thanked the Board for the support and stated that it has helped encourage FLOW to proceed with getting a bond measure on ballot. Mr. Posolus stated that we need the water here as a community and we need to support each other and take care of our resources. In addition, Mr. Posolus stated that we need to ensure this valley can grow and support people into the future.

Paul Storm, Brookdale was present to address the Board. Mr. Storm provided the Board with a written request for copies of phone and attorney bills that were approved at the January 15, 2004 Board of Directors meeting. In addition, Mr. Storm submitted correspondence to the Board regarding the Board of Directors Policy Manual. Mr. Storm stated that the Board has violated its own policy. Lastly, Mr. Storm stated that the June 19, 2003 Board of Directors minutes reflect an incorrect spelling for Mello-Roos.

Camara O'Kelly, Felton was present to address the Board. Ms. O'Kelly stated that she was in support of FLOW and appreciated all of their work. A lot of people are involved at the community level educating neighbors and talking to people with a public relations campaign. Ms. O'Kelly stated that FLOW has six (6) events scheduled and would appreciate the Board's support.

Kevin Tilden with Cal-Am Water stated that Cal-Am Water will not export water and never had any plans to do so.

Dir. Rapoza directed staff to place this item on the Agenda for the May 6, 2004 Board of Directors meeting.

WRITTEN COMMUNICATIONS:

- a. April 7, 2004 Correspondence from Pacific Coast Youth Homes, Inc. Regarding Discount for Monthly Water Usage Charges

The Board received the April 7, 2004 Correspondence from Pacific Coast Youth Homes, Inc. Regarding Discount for Monthly Water Usage Charges.

CONSENT AGENDA: None

UNFINISHED BUSINESS: None

NEW BUSINESS:

- a. Ordering an Election, Requesting County Elections to Conduct the Election and Requesting Consolidation of Such Election

Manager Mueller reported that the term of two (2) San Lorenzo Valley Water District Board of Directors positions will be up for election on November 2, 2004. These positions are currently held by James Nelson (elected official) and David Ross (elected official). Prior to election, state law requires special Districts to file a Notice of Election with the County Clerk verifying which offices are up for election as well as other pertinent information

Motion was made by Dir. Rapoza to approve Resolution No. 26 (03-04) Ordering an Election, Requesting County Elections to Conduct the Election and Requesting Consolidation of Such Election.

ROLL CALL:

Ayes:	Rapoza, Nelson, Prather, Vierra
Noes:	None
Absent:	Ross

- b. National Drinking Water Week, May 2-8, 2004

Manager Mueller reported that the purpose of drinking water week is to enhance public awareness of the value of water and to encourage the public to continue using water wisely. Dir. Nelson read the resolution aloud.

Motion was made by Dir. Nelson to approve Resolution No. 27 (03-04) National Drinking Water Week Proclamation, May 2-8, 2004.

ROLL CALL:

Ayes:	Nelson, Prather, Rapoza, Vierra
Noes:	None
Absent:	Ross

- c. County of Santa Cruz Mutual Aid and Cooperation Agreement, California American Water Company; Felton

Manager Mueller stated that the County of Santa Cruz has prepared a draft agreement regarding mutual aid and cooperation between Santa Cruz County and the San Lorenzo Valley Water District relative to the possible public acquisition of

the water system in Felton operated by California-American Water Company (Cal-Am). The subject agreement would provide for a joint and cooperative investigation, review and analysis relative to the possible public acquisition of Cal-Am Felton.

Dir. Prather pointed out a typo in the Agreement.

Counsel Hynes stated that the key is for the Board to retain discretion.

Kevin Tilden with Cal-Am Water stated that this will be very long and expensive for both parties. Mr. Tilden would like an opportunity to sit down with District staff and Board members to discuss operations to better serve the community and try to avoid costs.

Patrick Dugan, Felton stated that the Board cannot accept this document without putting a value to it. Mr. Dugan stated that the Board cannot expect citizens to believe that there is no dollar amount associated with the agreement. Mr. Dugan felt that this Water District has taken command of the issue.

Dir. Nelson stated that the agreement is related to information and fact gathering. Dir. Nelson would like to pursue cooperative involvement with Cal-Am Water regarding the health of the river, fish population, etc. Mr. Nelson stated that he would like to explore mutual concerns regardless of what is going on with the political aspect.

Larry Ford, Felton stated that he has no gripes with local staff of Cal-Am Water and is only interested in the larger issues. Mr. Ford stated that the San Lorenzo Valley Water District is here to do a public service.

John Polosus, Felton stated that he is committed to raising funds for the bond measure and to purchase the Felton Water Company fairly and equitably and that the Felton community is prepared to pay back the Water District.

Paul Storm, Brookdale stated that the Felton customers are free to obtain the Felton Water District at their own expense. Mr. Storm felt that this District should look at their District and look at Felton secondarily. The proper approach should be for Felton residents to incur upon their selves. Mr. Storm firmly resents continuing to spend this Districts money on what is not their concern.

Dir. Vierra stated that he does not want to turn a deaf ear to the Felton customers.

Mr. Tilden recommended putting a cap on the expenditures.

Motion was made by Dir. Prather to approve Resolution No. 28 (03-04) County of Santa Cruz Mutual Aid and Cooperation Agreement, California American Water Company; Felton.

ROLL CALL:

Ayes: Prather, Nelson, Rapoza, Vierra
Noes: None
Absent: Ross

- d. County of Santa Cruz Second Agreement for Payment of Legal and Consulting Costs, California American Water Company; Felton

Manager Mueller reported that the District received a proposed County of Santa Cruz Second Agreement for Payment of Legal and Consulting Costs. The Second Agreement would increase the scope of work and total budget for professional services relative to the CPUC rate case application by an additional \$51,235.00. The proposed Second Agreement would increase the total budget for professional services from \$129,579.35 to \$180,814.35. The terms and conditions of the proposed Second Agreement are different than the first agreement. The County of Santa Cruz would be obligated to pay the initial cost of all services performed relative to the Second Agreement. Santa Cruz County will bear the initial cost of all additional professional services relative to the subject agreement (\$51,235.00). In the event San Lorenzo Valley Water District acquires the Cal-Am Felton District, the District is obligated to reimburse Santa Cruz County for all costs for professional services performed relative to the second agreement. In addition, to the extent of the law, the District may obtain the reimbursement of all costs pursuant to the subject agreement upon the actual acquisition of Cal-Am Felton.

Paul Storm stated that there was a typo in the date on the memorandum to the Board. Also, the dollar amounts in the third paragraph do not reconcile. Mr. Storm felt that the document has several flaws and was an inappropriate and illegal document. The agreement is wrong and subject to litigation. Mr. Storm would like the District to rectify the fatal flaws in the agreement.

Kevin Tilden provided the Board with two (2) pieces of written correspondence from Cal-Am Water. Mr. Tilden felt that it was appropriate to do an informal poll.

Dir. Rapoza asked Counsel Hynes to report on the agreement. Counsel Hynes stated that he did not agree with Mr. Storm’s comments. The agreement is in order and it is up to the Board’s discretion. This agreement does not put the District in the position of embezzlement of funds.

Motion was made by Dir. Prather to approve Resolution No. 29 (03-04) County of Santa Cruz Second Agreement for Payment of Legal and Consulting Costs, California American Water Company; Felton, as amended (if necessary).

ROLL CALL:

Ayes: Prather, Nelson, Rapoza, Vierra,
Noes: None
Absent: Ross

GENERAL MANAGER'S REPORTS:

a. Manager

(1) Bill List Period Ending April 15, 2004

Motion was made by Dir. Rapoza to approve the Bill List Period Ending April 15, 2004 in the amount of \$246,241.77.

ROLL CALL:

Ayes: Rapoza, Nelson, Prather, Vierra
Noes: None
Absent: Ross

(2) Cash Flow Report Period Ending March 31, 2004

The Board received the Cash Flow Report Period Ending March 31, 2004.

(3) One Time Leak Adjustment Status Report-January 1, 2004 through March 31, 2004

The Board received the One Time Leak Adjustment Status Report-January 1, 2004 through March 31, 2004.

(4) Water Conservation Credit Programs Status Report- January 1, 2004 through March 31, 2004

The Board received the Water Conservation Credit Programs Status Report-January 1, 2004 through March 31, 2004.

(5) Department Status Reports

(i) Administration

The Board received the Administration Department Status Report.

Dir. Vierra asked staff the status of the Bear Creek Estates project. Manager Mueller stated that staff cannot complete the White Paper task without representatives from Bear Creek Estates. Dir. Prather would like staff to craft some language before the May 6, 2004

meeting. Manager Mueller stated that May 27, 2004 would be a good time to proceed with another neighborhood meeting.

(ii) Operations

The Board received the Operations Department Status Report.

(iii) Engineering

The Board received the Engineering Department Status Report.

b. Committee/Director Reports (Oral): None

INFORMATIONAL MATERIAL:

a. Newspaper Articles

The Board received the Newspaper Articles.

ADJOURNMENT TO CLOSED SESSION:

Dir. Vierra adjourned the meeting to closed session at 8:55 p.m. to approve the Minutes of the Closed Session Meeting of April 1, 2004 and to confer with Legal Counsel - Anticipated Litigation, Significant Exposure to Litigation Pursuant to Subdivision (c) of Government Code Section 54956.9-One (1) Potential Case and to confer with Real Property Negotiator (California Government Code 54956.8), Property: APN 81-084-05, generally located at 13250 Highway 236, Boulder Creek, CA. Agency Negotiator: James Mueller, District Manager, Negotiating Parties: Christopher and Nancy Currier, Under Negotiation: Price and Payment Terms.

RECONVENE TO OPEN SESSION TO REPORT ACTIONS TAKEN IN CLOSED SESSION:

a. Minutes of the Closed Session Meeting of April 1, 2004

Motion was made by Dir. Vierra to approve the Minutes of the Closed Session Meeting of April 1, 2004, as presented.

ROLL CALL:

Ayes:	Vierra, Nelson, Prather, Rapoza
Noes:	None
Absent:	Ross

b. CONFERENCE WITH LEGAL COUNSEL -
ANTICIPATED LITIGATION

Significant Exposure to Litigation Pursuant to Subdivision (c) of Government Code Section 54956.9:
One (1) Potential Case

No reportable action.

- c. CONFERENCE WITH REAL PROPERTY NEGOTIATOR
(California Government Code 54956.8)
Property: APN 81-084-05, generally located at 13250 Highway 236,
Boulder Creek, CA.
Agency Negotiator: James Mueller, District Manager
Negotiating Parties: Christopher and Nancy Currier
Under Negotiation: Price and Payment Terms

No reportable action.

ADJOURNMENT:

The meeting was adjourned at 9:16 p.m.

Kelly Stephens
District Secretary