

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

The regular meeting of the Board of Directors of the San Lorenzo Valley Water District was called to order by Dir. Vierra on Thursday, December 15, 2005 in the District's Operations Building, 13057 Highway 9, Boulder Creek, California at 7:30 p.m.

ACTION BY PRESENT BOARD:

- a. Convene Meeting/Roll Call

Roll call showed Dirs. Nelson, Prather, Rapoza, Ross and Vierra present. District Manager Mueller, Legal Counsel Hynes and Director of Operations Rogers were also present.

- b. Minutes of the Regular Meeting of December 1, 2005

Motion was made by Dir. Prather to approve the Minutes of the Regular Meeting of December 1, 2005, as presented.

ROLL CALL:

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

ACTIONS TO ESTABLISH NEW BOARD:

- a. Election of Officers

Motion was made by Dir. Rapoza to appoint Dir. Nelson as President of the Board and Dir. Prather as Vice President of the Board.

ROLL CALL:

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

Dir. Nelson thanked Dir. Vierra for his service as President of the Board over the last year.

ADDITIONS AND DELETIONS TO THE AGENDA: None

ORAL COMMUNICATIONS:

Connie Barr, Felton was present to address the Board. Ms. Barr thanked the Board for their diligence and serious work. In addition, Ms. Barr stated that FLOW has a responsibility to the rate payers and appreciates the relationship with the Board. Ms. Barr would like to see the relationship get even better.

WRITTEN COMMUNICATIONS:

- a. November 28, 2005 Correspondence from County of Santa Cruz Regarding Special District Representation on the Treasury Oversight Commission

Dir. Rapoza stated that the Committee meets quarterly with the County Treasurer. Dir. Nelson directed staff to draft a letter for the President's signature to Pat McCormick, Facilitator for the Committee, requesting a mail ballot for the Special District Representation on the Treasury Oversight Commission.

CONSENT AGENDA:

- a. Personnel System Rules and Regulations, 2006

Motion was made by Dir. Rapoza to ratify the Personnel System Rules and Regulations for 2006.

ROLL CALL:

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

- b. Board of Director's Meeting Dates, 2006

Motion was made by Dir. Rapoza to approve Resolution No. 16 (05-06) Board of Director's Meeting Dates for 2006.

ROLL CALL:

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

- c. Investment Policy, 2006

Motion was made by Dir. Rapoza to approve Resolution No. 17 (05-06) Investment Policy for 2006.

ROLL CALL:

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

d. Board of Director's Policy Manual, 2006

Motion was made by Dir. Rapoza to approve Resolution No. 18 (05-06) Board of Director's Policy Manual for 2006.

ROLL CALL:

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

e. Sexual Harassment Policy

Motion was made by Dir. Rapoza to approve Resolution No. 19 (05-06) Board of Director's Policy Manual for 2006.

ROLL CALL:

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

UNFINISHED BUSINESS: None

NEW BUSINESS:

a. Special Acquisition Legal Counsel Services

Manager Mueller stated that on September 7, 2005 District staff distributed a Request for Proposals for Special Legal Services to nine (9) law firms relative to the potential acquisition of Cal-Am. The deadline for the submittal of proposals was September 30, 2005. The District received six (6) proposals. A seven (7) member selection panel which included the Ad-Hoc Special Legal Counsel Committee was assembled for the selection process. The selection panel conducted oral interviews with the final four (4) firms during the period November 3-10, 2005. The selection panel selected Rutan & Tucker, LLP as the most highly qualified firm. The primary attorney for Rutan & Tucker, LLP is Jeffery M. Oderman.

Dir. Ross stated that Mr. Oderman was competent, bright, effective; strong sense for setting limits; answered questions in a clear strong manner; trustworthy with a great deal of experience in court and at negotiating table. In addition, Dir. Ross stated that the Committee met with FLOW before the Board meeting to confirm the recommendation. Mr. Oderman responded to FLOW with a cheerful, firm and clear confidence. Dir. Ross stated that he is strongly confident with the selection.

Dir. Rapoza reiterated that the District is in charge of making the decisions; however, it is the Board's intent to be a team player and advise all team players of

processes and decisions. Dir. Rapoza stated that Mr. Oderman answered questions in layman's terms that were understandable. In addition, Mr. Rapoza felt that Mr. Oderman has exceptional communication skills and felt a level of comfort with his answers.

Legal Counsel Hynes stated that Mr. Oderman knew what he knew. Mr. Hynes felt that Mr. Oderman was capable and was representing a very reputable law firm with experience. Mr. Hynes stated that he was comfortable with the selection.

Mr. Oderman stated that the Committee gave a very thorough interview and was very prepared. In addition, Mr. Oderman stated that his expertise was not only with eminent domain, but with other issues such as CEQA. Mr. Oderman felt that some issues were more sensitive than others and that some issues should be held "close to the vest". Lastly, Mr. Oderman stated that he will be personally representing the District.

Larry Ford, Felton was present to address the Board. Mr. Ford stated that the Board needs to develop a structure for communication with FLOW to facilitate a strong working relationship. Mr. Ford understands that the Board has a strong commitment.

Jim Mosher, Felton was present to address the Board. Mr. Mosher thanked the Board and reiterated the need for communication. Mr. Mosher stated that there are political aspects beyond the legal issues and felt that this acquisition is in the best interest of the entire valley.

Tod Landis, Boulder Creek was present to address the Board. Mr. Landis stated that the action tonight was good.

Dir. Vierra assured the public that the District is trying to move along as quickly as possible and will try to implement a mechanism to keep communications open.

Motion was made by Dir. Vierra to approve Resolution No. 20 (05-06) Special Acquisition Legal Counsel Services.

ROLL CALL:

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

b. Committee Appointments, 2006

Manager Mueller reported that at the November 18, 2002 Board of Directors meeting the Board created an Ad-Hoc Cal-Am Acquisition Committee (Dirs. Rapoza and Ross) for the purpose of meeting with Santa Cruz County

representatives and other groups relative to the development of a process for the potential acquisition of California-American Water Company. Manager Mueller stated that the Ad-Hoc Cal-Am Acquisition Committee has completed their work and the Committee should be deemed expired.

Manager Mueller reported that at the September 1, 2005 Board of Directors meeting the Board created an Ad-Hoc Special Counsel Advisory Committee (Drs. Rapoza, Ross) for the purpose of producing a recommendation to the Board of Directors relative to the procurement of the services of a law firm to serve a Special Acquisition Legal Counsel to the District relative to the potential acquisition of Cal-Am. Manager Mueller stated that the Ad-Hoc Special Counsel Advisory Committee has completed their work and the Committee should be deemed expired.

In addition, Manager Mueller is recommending that the Board create a new Ad-Hoc Advisory Committee comprised of two (2) Board members for the purpose of liaison and communications between the District and Friends of Locally Owned Water, Felton (FLOW) relative to the potential acquisition of Cal-Am.

Manager Mueller recommended that the Board take the following actions:

- 1) Review appointments to the three (3) Standing Committees and the Santa Margarita Groundwater Basin Advisory Committee and make any changes and/or appointments deemed appropriate for calendar year 2006.
- 2) Abolish the Ad-Hoc Cal-Am Acquisition Committee and the Ad-Hoc Special Counsel Advisory Committee.
- 3) Establish the Ad-Hoc FLOW Advisory Committee and make appointments.

Motion was made by Dir. Rapoza that the Environmental Committee, Facilities and Planning Committee, Finance Committee and the Santa Margarita Groundwater Basin Advisory Committee will remain the same. Further, abolish the Ad-Hoc Cal-Am Acquisition Committee and the Ad-Hoc Special Counsel Advisory Committee and establish an Ad-Hoc FLOW Advisory Committee and appoint Drs. Nelson and Prather to the Committee.

ROLL CALL:

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

c. Switzer Foundation Leadership Grant

Manager Mueller reported that the District received correspondence from the Robert and Patricia Switzer Foundation dated November 28, 2005 that approving a grant for \$40,000.00 for the Switzer Foundation Leadership Grant project. The

collaborative project between Switzer Fellowship Alumni, Betsy Herbert and the District is entitled "Felton Water System Public Acquisition Project". The grant is for a period of one (1) year, January 1, 2006 through December 31, 2006.

Dir. Nelson stated that Administration staff has worked very hard on many issues relative to this project and it will be nice to bring Ms. Herbert on board.

Manager Muller stated that there has been discussion on a loose concept of tasks that Ms. Herbert will be handling.

Ms. Herbert stated that she is excited about the project and with what FLOW is doing. Ms. Herbert stated that she will be dedicated to outreach and intends to see a lot of people over the next year.

Dir. Prather stated that he would like to see Ms. Herbert get involved with the sediment issues.

Motion was made by Dir. Nelson to approve Resolution No. 21 (05-06) Switzer Foundation Leadership Grant.

ROLL CALL:

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

GENERAL MANAGER'S REPORTS:

a. Manager

(1) Bill List Period Ending December 15, 2005

Motion was made by Dir. Vierra to approve the Bill List Period Ending December 1, 2005 in the amount of \$279,244.20, as presented.

ROLL CALL:

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

(2) Cash Flow Report Period Ending November 30, 2005

The Board received the Cash Flow Report Period Ending November 30, 2005.

(3) Department Status Reports

(i) Administration

The Board received the Administration Department Status Report.

(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):

Dir. Prather reported on the December 13, 2005 Environmental Committee Meeting relative to sediment monitoring. Dir. Prather stated that Barry Hecht, City of Santa Cruz has a concern that the sediment monitoring program does not have a scientific baseline. John Ricker, County of Santa Cruz stated that it would be effective to have imbeddedness sampling at various sites for a more complete picture. Dir. Prather would like staff to refine the proposal and look for partners to offset the cost.

Dir. Rapoza stated that it would be a good idea to get local schools involved.

INFORMATIONAL MATERIAL:

a. Newspaper Articles

The Board received the Newspaper Articles.

ADJOURNMENT TO CLOSED SESSION:

Dir. Nelson adjourned the meeting to closed session at 8:35 p.m. to approve Minutes of the Closed Session Meeting of December 1, 2005 and confer with Real Property Negotiator Pursuant to California Government Code 54956.8, Property: APN 081-361-02 generally located in the vicinity of 11530 Empire Grade Road, Santa Cruz, CA. Agency Negotiator: James Mueller, District Manager, Negotiating Parties: Ikey T. Little, Little Trust, 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 December 1, 2005

Motion was made by Dir. Nelson to approve the Minutes of the Closed Session Meeting of December 1, 2005, as presented.

ROLL CALL:

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

b. CONFERENCE WITH REAL PROPERTY NEGOTIATOR

Pursuant to California Government Code 54956.8

Property: APN 081-361-02 generally located in the vicinity of 11530 Empire Grade Road, Santa Cruz, CA.

Agency Negotiator: James Mueller, District Manager

Negotiating Parties: Ikey T. Little, Little Trust

Under Negotiation: Price and Payment Terms

No reportable action.

ADJOURNMENT:

The meeting was adjourned at 9:40 p.m.

Kelly Stephens
District Secretary