

**BOARD OF DIRECTORS
SAN LORENZO VALLEY WATER DISTRICT
BOULDER CREEK, CALIFORNIA**

February 6, 2003

The regular meeting of the Board of Directors of the San Lorenzo Valley Water District was called to order by Dir. Rapoza on Thursday, February 6, 2003 in the District's Operations Building, 13057 Highway 9, Boulder Creek, California at 7:30 p.m.

ROLL CALL:

Roll call showed Dirs. Rapoza, Prather, Ross and Vierra present. Dir. Nelson arrived at 7:32 p.m. District Manager Mueller, Watershed Resources Coordinator Haynes and Counsel Hynes were also present.

MINUTES:

- a. Minutes of the Regular Meeting of January 16, 2003

Motion was made by Dir. Ross to approve the Minutes of the Regular Meeting of January 16, 2003.

ROLL CALL:

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

Minutes of the Public Education Forum of January 9, 2003

Motion was made by Dir. Ross to approve the Minutes of the Public Education Forum of January 9, 2003.

ROLL CALL:

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

CHANGE IN AGENDA: None

APPEARANCE OF INTERESTED CITIZENS:

02/06/03

Bill Ferguson was present to report on a watermain break that flooded his basement in August. Mr. Ferguson would like the District to consider completing the Bear Creek Road Project before spending money on other programs. Mr. Ferguson indicated that this project is well over a year old and if there is excess funds the project needs to be completed. Manager Mueller stated that this project was projected over a three-year period and the balance of the project is in the budget for next fiscal year. Manager Mueller indicated that a new 8-inch water mainline was installed; however, the old 4-inch water mainline has not been abandoned. The District is in the process of converting over all services to the 8-inch water mainline. The Board directed staff to bring this item back to the February 20, 2003 Board meeting with current project information and a proposed resolution.

CORRESPONDENCE: None

CONSENT AGENDA: None

UNFINISHED BUSINESS:

- a. Potential Acquisition of California-American Water Company's Felton Facility

Manager Mueller reported that Supervisor Almquist was present to address the Board regarding the District's financial participation in obtaining legal counsel for the Pending Rate Increase Application of California American Water Company before the Public Utilities Commission of the State of California.

Supervisor Almquist reported that over 100 people gave testimony at the Rate Increase Hearing indicating they were opposed to the German takeover and the proposed rate increase. Mr. Almquist requested this Board consider a proposal for participation in obtaining legal counsel for the pending rate increase application. Supervisor Almquist requested that the Board approve paying the cost for Reed Schmidt to purchase the services of Attorney Edward W. O'Neill (approximately \$32,000.00) to use as legal counsel for the pending Rate Increase Hearings. Supervisor Almquist stated that if the District does not acquire the Cal-Am Felton Facility for any reason, the County would pay 50% (\$16,000.00) of the cost for legal counsel services of Edward W. O'Neill.

Dir. Vierra reported that Mr. O'Neill's efforts have been positive for Montara Sanitary District and recommended that Mr. O'Neill be brought on board. Dir. Nelson felt that this was high priority and supported procuring the services of Mr. O'Neill. Dir. Ross reported that the main concern is not the rate increase or economic benefit, but the management of our community resources.

Susan Kipping, a Felton resident, was present to express her gratitude to the Board for moving forward with the acquisition of the Felton Cal-Am Facility. Ms. Kipping has never been so energized to fix such a huge project. Ms. Kipping offered her fellowship, honesty, and communication.

Steve Leonard, Cal-Am Manager in Monterey and Charlie Kemp, Cal-Am Manager in Felton were present and stated that Mr. Almquist was horribly informed regarding German ownership of Cal-Am. In addition, both Managers wanted to make themselves available to the Board for discussion and open up the lines of communication. Mr. Kemp stated that Cal-Am has been here for only a year and has not had the opportunity to improve the water system. In addition, Mr. Kemp stated that Cal-Am is not in the business to sell water, but to purchase water companies.

Motion was made by Dir. Prather and stated by District Legal Counsel Hynes to approve in concept an Agreement with the County of Santa Cruz to retain the services of Attorney Edward W. O'Neill, for an amount not to exceed \$32,000.00 in total, with the District paying \$16,000.00, to represent the County of Santa Cruz in the pending rate increase application of California-American Water Company before the Public Utilities Commission of the State of California. Said Agreement will be submitted for the Board of Director's approval at the February 20, 2003 meeting.

ROLL CALL:

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

Watershed Resources Coordinator reported that California American Water Company has requested a ten (10) year extension of time to perfect Water Rights Permit 20123 (Permit to divert 1.7 cfs year round). In the past these extensions were routinely granted, but given the current federal and state listing of coho salmon and steelhead under the respective Endangered Species Acts, extensions are carefully reviewed under the California Environmental Quality Act (CEQA) and Cal-Am faces an extensive and

potentially expensive study before the SWRCB will consider the requested ten (10) year extension.

Mr. Leonard stated that Cal-Am has to do some things to correct the system including major capital investments. What was anticipated by obtaining the permit was to have the ability of reevaluating levels consistent with the usage. This permit would allow a potential source of surplus water. Dir. Nelson stated that the desire to increase the licensing is the desire for projected growth. Dir. Rapoza did not understand why Cal-Am needed the additional water. Mr. Leonard stated that Cal-Am is trying to clean up paperwork of other decisions from 15 years ago and they are not asking for additional water or additional money.

NEW BUSINESS:

- a. Authorization to Bid for Inventory Materials for a Six-Month Period

Motion was made by Dir. Ross to Authorize Bids for Inventory Materials for a Six-Month Period.

ROLL CALL:

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

REPORTS:

- a. Manager

- (1) Bill List through February 6, 2003

Motion was made by Dir. Vierra to approve the Bill List in the amount of \$143,570.49.

ROLL CALL:

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

- (2) Department Status Reports

The Board received the Department Status Reports.

- (3) Committee/Director Reports (Oral)

Manager Mueller reported on the Conservation Committee Meeting held on January 29, 2003. The Committee discussed rebate programs. The Committee directed staff to bring this item to the full Board on February 20, 2003 for additional consideration at Board level.

INFORMATIONAL MATERIAL:

- a. CRWQCB-MTBE Report - January 2003

The Board received the CRWQCB-MTBE Report - January 2003.

- b. Newspaper Articles

The Board received the Newspaper Articles.

ADJOURNMENT TO CLOSED SESSION:

Dir. Rapoza adjourned the meeting to closed session at 8:39 p.m. to approve the Minutes of the Closed Session Meeting of January 16, 2003 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, Property: APN 81-361-02, Negotiating Parties: James Mueller, District Manager and Ikey Little, Under Negotiation: Price and Payment Terms.

RECONVENE TO OPEN SESSION TO REPORT ACTIONS TAKEN:

- a. Minutes of the Closed Session Meeting of January 16, 2003

Motion was made by Dir. Rapoza to approve the Minutes of the Closed Session Meeting of January 16, 2003.

ROLL CALL:

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

- 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
Property: APN 81-361-02
Negotiating Parties: James Mueller, District Manager and Ikey Little
Under Negotiation: Price and Payment Terms

No reportable action.

ADJOURNMENT:

The meeting was adjourned at 9:42 p.m.

Kelly Stephens
District Secretary