

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

July 15, 2004

The regular meeting of the Board of Directors of the San Lorenzo Valley Water District was called to order by Dir. Ross on Thursday, July 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. Rapoza, Vierra and Ross present. Dir. Nelson arrived at 7:34 p.m. and Dir. Prather arrived at 7:58 p.m. District Manager Mueller and Counsel Hynes were also present.

MINUTES:

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

Motion was made by Dir. Ross to approve the Minutes of the Regular Meeting of July 1, 2004, as presented.

ROLL CALL:

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

ADDITIONS AND DELETIONS TO THE AGENDA: None

ORAL COMMUNICATIONS:

John Fasolas-Felton was present to address the Board. Mr. Fasolas stated that he read a memo that came out of New York which involves the World Trade Organization (WTO). The memo stated that the WTO has earmarked funds to take over water companies in the United States. Mr. Fasolas stated that RWE gobbled up American Water Works, Inc. by raising rates and declining services and has plans to take over more water companies. Mr. Fasolas wonders if this group has plans to take over San Lorenzo Valley Water District?

Lisa Meyer-Felton was present to address the Board. Ms. Meyer stated that FLOW received 1,300 signatures on a petition from Felton residents to acquire the Felton Waterworks facility. Ms. Meyer stated that the signatures were submitted to the County today.

07/15/04

Paul Storm-Brookdale was present to address the Board. Mr. Storm commented on the article on the front page of the Valley Press this week. Mr. Storm stated that the survey revealed opposition to the Felton Waterworks takeover.

Alexis-Felton was present to address the Board. Alexis stated that the survey Mr. Storm is referring to was paid for by Cal-Am and was slanted.

Tod Landis-Ben Lomond was present to address the Board. Mr. Landis stated that the questions on the survey Mr. Storm is referring to were voted depending on who they were calling.

WRITTEN COMMUNICATIONS: None

CONSENT AGENDA: None

UNFINISHED BUSINESS: None

NEW BUSINESS:

Dir. Ross moved agenda item 8-b to the beginning of “New Business” as Mr. David Ames was present to comment on this item.

- a. Presentation from California-American Water Company’s Consultant, Economists.com Regarding Potential Acquisition of Felton Waterworks

Manager Mueller stated that Economists.com, a consultant to California-American Water Company was present to present a comparative analysis of rate structures relative to potential acquisition of the Felton Waterworks facility.

Evan Jacobs introduced Denise Huginnie and Dan Jackson with Economists.com. Ms. Huginnie stated that Mr. Jackson has 20 years experience specializing in complex matters. Mr. Jackson brings experience in providing expert witness testimony on utility cost of service and rate design.

Dir. Ross asked Mr. Jackson why the Public Utilities Commission’s (PUC) approved rate increases were not mentioned in the analysis. Dir. Ross stated that FLOW was very clear in giving information that at a certain point the acquisition would be more economic for the Felton customers. Why did Economists.com not bother to include any of this information?

Mr. Jackson stated that the PUC rate increase is not currently effective and the proposed regionalization of rates and may be a very different rate

structure. Mr. Jackson didn't think that this was particularly important for this presentation. Mr. Jackson stated that historical rate increases are not rational.

Dir. Ross stated that the analysis is superficial, at best and all numbers used were provided by Cal-Am.

Dir. Prather conferred with Dir. Ross's line of reasoning.

Dir. Vierra stated that he was disappointed with the presentation.

Dir. Rapoza reported that the District had an intertie with Felton Waterworks at one time that seemed to work just fine. Dir. Rapoza stated that the annual debt service is an issue for Felton customers to decide. Dir. Rapoza felt that the consultants should have shown the range of costs rather than the end result.

Dir. Ross stated that there is no question that the Felton ratepayers will pay for the acquisition. Dir. Ross felt that the presentation was worthless, yet expensive.

Barbara Sprenger-Felton stated that FLOW never mentioned a \$10-\$20 million dollar cost for the acquisition of Felton Waterworks. Ms. Sprenger felt that the information in presentation was very misleading. In addition, Ms. Sprenger stated that FLOW has done their homework.

Glen Lyons-FLOW stated that capitalism is ok at times. However, when there is no competition, the profit motive becomes a vice. Mr. Lyons blames Cal-Am for a shoddy presentation. In addition, the PUC is guaranteeing Cal-Am an 11% profit.

Tod Landis-Ben Lomond stated that the key is a water monopoly and there is no limit to the amount that Cal-Am can charge consumers.

Cynthia Dzendzel-Felton stated that the continuity of employee's value with Cal-Am has diminished. Cal-Am makes a profit of around \$200,000.00 a year. Cal-Am has no goodwill in this community so there is no value there. Ms. Dzendzel encouraged FLOW not to pass a bond for more than the District is worth. Ms. Dzendzel stated that she appreciates the support of the San Lorenzo Valley Water District and would like the Board to continue their support of the acquisition.

Larry Ford-Felton stated that he is in support of the acquisition. Mr. Ford assumes that Economists.com representatives are professionals. Mr. Ford

stated that the presentation was biased, missed a number of elements, certain assumptions were wrong and careful investigation was not conducted. Mr. Ford stated that the presentation ignored the PUC rate increases, expected corporate goals, corporate trading and simple expenditures. Mr. Ford urged the District not to sell or contract out the water district to RWE.

Hugh Dalton-Felton stated that he came to the meeting to be educated and was very disappointed with the presentation.

Skip Matthes-Boulder Creek stated that this Board of Directors represents him. Mr. Matthes was hoping that the Board would absorb the data presented and not be critical. Mr. Matthes asked the Board to separate themselves and try and represent the people of the valley.

Paul Storm-Brookdale welcomed all the people from Felton to the meeting. Mr. Storm stated that the integrity of the companies should be recognized. Mr. Storm stated that the company that hires the company is biased but the company doing the analysis has to present their opinion as professionals. Mr. Storm stated that more information is better than less.

Frank Adamson-Felton stated that he believes in capitalism and competition. Mr. Adamson feels that San Lorenzo Valley Water District offers a competitive water district. Mr. Adamson is amazed at the great deal of exaggeration and lies and feels that the letter from the Property Owner's Association is of political affiliation. Mr. Adamson resents that Cal-Am is paying for this. Mr. Adamson thanked the Board for their wisdom and support for the Felton acquisition.

Evan Jacobs-Cal-Am representative stated that Cal-Am does not have an appraisal of the Felton Waterworks but he would estimate it at \$20-\$30 million dollars.

Dan Jackson-Economists.com stated that what will happen in the future is determined by what the future holds for itself.

The Board thanked Economists.com for the presentation.

Dir. Ross adjourned the meeting at 9:30 p.m. for a short break. The meeting was reopened at 9:34 p.m.

b. Agreement for Water Service; APN 76-013-02

Manager Mueller reported that on January 8, 2004, Mr. David Ames applied for water service to APN 76-013-02, generally located off Rebecca Drive at 350 Santa Cruz Street, Boulder Creek. Staff review indicates that the District has no water distribution facilities at this location and recommends that water service be provided by a long service line agreement.

Dir. Rapoza explained to Mr. Ames that it is his responsibility to install a cross-connection device.

Motion was made by Dir. Rapoza to adopt Resolution No. 3 (04-05) Agreement for Water Service; APN 76-013-02

ROLL CALL:

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

GENERAL MANAGER'S REPORTS:

a. Manager

(1) Bill List Period Ending July 15, 2004

Motion was made by Dir. Rapoza to approve the Bill List Period Ending July 15, 2004 in the amount of \$165,752.16.

ROLL CALL:

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

(2) One Time Leak Adjustment Status Report
April 1, 2004 – June 30, 2004

The Board received the One-Time Leak Adjustment Status Report April 1, 2004 – June 30, 2004.

(3) Water Conservation Credit Programs Status Report
April 1, 2004 – June 30, 2004

The Board received the Water Conservation Credit Programs Status Report April 1, 2004 – June 30, 2004.

(4) 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-None

b. Committee/Director Reports (Oral):

Manager Mueller reported that a Finance Committee meeting will be scheduled for the first of August.

INFORMATIONAL MATERIAL:

a. Newspaper Articles

The Board received the Newspaper Articles.

ADJOURNMENT TO CLOSED SESSION:

Dir. Ross adjourned the meeting to closed session at 9:38 p.m. to approve Minutes of the Closed Session Meeting of July 1, 2004 and to Confer with Legal Counsel - Anticipated Litigation, Initiation of Litigation Pursuant to Subdivision (c) of Government Code Section 54956.9-One (1) Potential Case and for Public Employee Performance Evaluation as provided in California Government Code Section 54957, District Manager.

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

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

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

ROLL CALL:

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

- b. CONFERENCE WITH LEGAL COUNSEL -
ANTICIPATED LITIGATION
Initiation of Litigation Pursuant to Subdivision (c) of Government Code
Section 54956.9:
One (1) Potential Case

No reportable action.

- c. PUBLIC EMPLOYEE PERFORMANCE EVALUATION as provided in
California Government Code Section 54957
District Manager

No reportable action.

ADJOURNMENT:

The meeting was adjourned at 9:56 p.m.

Kelly Stephens
District Secretary