



**BOARD OF DIRECTORS
SAN LORENZO VALLEY WATER
DISTRICT
REVISED MINUTES
March 4, 2021**

MISSION STATEMENT: Our Mission is to provide our customers and future generations with reliable, safe and high quality water at an equitable price; to create and maintain outstanding service and community relations; to manage and protect the environmental health of the aquifers and watersheds; and to ensure the fiscal vitality of the San Lorenzo Valley Water District.

Thursday, March 4, 2021, at 6:30 p.m., via videoconference and teleconference.

1. Convene Meeting 6:30 p.m.

Roll Call: Pres. Mahood, Vice Pres. Henry, Directors Fultz, Smolley, and To were present.

Staff: R. Rogers-Dist. Manager, G. Nicholls-Dist. Counsel, S.Hill-Dir. Finance & Business,

2. Additions and Deletions:

Dir. Smolley stated that the City of Santa Cruz recently submitted a petition to the State Water Resources Control Board to change their water rights permits as they apply to withdrawing water from the San Lorenzo River. He knows that R. Rogers and staff are aware of this and are reviewing how it might affect the District. He would like to make sure that the Board and public are made aware of the situation.

Pres. Mahood said that we cannot discuss this in detail because it hasn't been agendized. She said that our Dist. Counsel is an expert in water rights and perhaps she can give a brief description of this situation.

G. Nicholls said that staff has been reviewing the City of Santa Cruz's petitions. We have been meeting with experts to determine whether to file a response to the notice from the State Water Board. Dist. Counsel suggested that after the initial response is made to the Water Board we could agendize this item.

Pres. Mahood agreed.

3. Oral Communications:

J. Mosher said that he was glad to hear Dir. Smolley bring the water rights situation to the Board. He urged the Board and staff to look closely at this.

L. Ford said that he is surprised by this issue and the potential impact to the District.

B. Fultz would like to schedule a special meeting for next week to talk about this.

G. Mahood said that she and R. Rogers will discuss the possibility of a special meeting.

4. Unfinished Business:

a. LOAN ANALYSIS

S. Hill presented this item to the Board. This is being presented to the Board for approval of the \$15,000,000 loan through CoBank for 20 years at 2.4% interest rate. Covering approx. \$9,000,000 for the CZU Fire and \$6,000,000 on pipelines and a tank project. Bond counsel is on the phone to answer specific questions.

M. Smolley questioned the loan conditions in section 3.10 and also requirements for financial statements and audits.

S. Hill explained that the District has the projects to fund. An account has been set up with the County for these funds for us to draw down on. This loan requires more quarterly reporting but it is not a problem to add to the current quarterly reports.

M. Smolley questioned the maintenance required by the loan in section 4.6 and all of our other properties.

R. Rogers we do have a computerized, maintenance management schedule. We have not funded all of the maintenance over the years. Districtwide it's hit and miss at this time.

Discussion by the Board and staff regarding a maintenance schedule.

B. Fultz questioned the definition of revenues, are these total revenues including property taxes.

M. Shah responded that it is just water system revenues.

B. Fultz **requested** the new forecasted debt covenant ratio.

S Hill said that the ratio is still very healthy. We could have taken out a loan for double this loan amount.

B. Fultz noted a typo in section 6.2, prepayment premium should be 6.3. He **asked about** our prepayment **options**.

S. Hill said that we secured the lower rate with a yield maintenance provision. We can pay off the loan at any time if the rate is higher.

B. Fultz asked where the non-fire recovery starts on the table that is included.

R. Rogers explained that the projects for water main replacement on Orman Rd., Fernwood, Juanita Woods, Zayante Dr., and the Blue Ridge tank are non-fire recovery.

Discussion by the Board and staff regarding the priority of the projects.

S. Hill introduced Mrunal Shah from BBK Law that has been our Bond Counsel. She created the document we are working from.

R. Rogers said that we are working on the list of projects for the next loan.

There were no comments from the public.

G. Mahood made a motion to approve Resolution No. 16 (20-21) of the San Lorenzo Valley Water District Approving an Installment Purchase Agreement, with respect to Financing Improvements to the Water System in an Amount not to exceed \$15,000,000 And Other Matters Pertaining Thereto. The motion was seconded.

B. Fultz **read a statement**. He said that due to the CZU Fire the District is facing **uncertain** replacement costs, even with the FEMA reimbursement. This is why, in his opinion, we need more than the originally discussed \$5 million.

Pres. Mahood, Vice President Henry, Directors Fultz, Smolley, and To voted in favor of the motion. Motion passed.

b. EXPLORATION OF POSSIBLE CONSOLIDATION OF SAN LORENZO VALLEY WATER DISTRICT WITH SCOTTS VALLEY WATER DISTRICT

R. Rogers introduced this item and read the memo.

L. Henry said that her first reaction was “no” to this consolidation but after consideration she would like a feasibility study to make an informed decision.

M. Smolley questioned R. Rogers’ recommendation.

R. Rogers said that his recommendation is to form a committee to prepare an RFP for a Feasibility Study.

Discussion by the Board and staff regarding timing of this proposal, assets, outreach, and cost sharing for feasibility study with Scotts Valley Water District.

B. Fultz said he would like to hear from the public before he makes any comment.

L. Sanders said that he recommends tabling this discussion until Mr. Rogers replacement is firmly in power.

E. Fresco is confused about how you choose members for an Ad Hoc committee and how they do the research.

R. Rogers explained that the Ad Hoc committee is chosen by the Board. The committee and staff will then prepare an RFP for a feasibility study.

J. Maxwell noted the growth in Scotts Valley and questioned why it is a benefit to the San Lorenzo Valley Water District.

B. Thomas is concerned about the timing of this issue.

A. Layng said that our watershed is a connected ecosystem, it doesn't understand our District boundaries, there's a benefit to managing a larger part of the watershed. She supports an exploration of the merger.

B. Hollenbeck asked that the Board be sensitive to the people that have lived in the valley for a long time and not consider the merger at this time. Does LAFCO and Fish & Game have to be involved in the exploration?

R. Rogers said the feasibility study would show if there would be considerable savings with a merger. He isn't sold on the consolidation, he would like to see an engineering report and a feasibility report. LAFCO will have to be involved in the discussion. Fish & Wildlife will most likely be involved also.

G. Mahood asked if the feasibility study would involve LAFCO.

R. Rogers and G. Nicholls agreed that LADCO doesn't have to be involved in the feasibility study.

G. Mahood said that she understands the feasibility study is the pre-first step in the process to decide if we want to go forward with the merger. We're not voting to go ahead, we're voting to get some information.

R. Rogers said that the feasibility study is to gather more information.

J. Mosher urged the Board to table this proposal.

P. Norton said he would like to have the managers provide a list of benefits. He doesn't understand why now, wait.

Jokenny this would be bringing more people than we have now, Scotts Valley is twice as big as the San Lorenzo Valley. You're going to need way more people because you're serving another 50%.

G. Mahood pointed out that there are half as many connections in Scotts Valley as there are here.

Shar said that she's not a fan. She would like to know about Scotts Valley's deficit, their staff is larger than ours.

L. Ford said now is not the time to do this but it is interesting. He would like to hear about other options. He's most worried about the next fire season.

L. Palmer said that Rick has mentioned a back of the envelope calculation, and upcoming retirements, can you please publish them to the community. How will you tell Scotts Valley no to building more houses? This is a very, very bad time for this proposal.

J. Serrano concurred that LAFCO doesn't have to be involved in a feasibility study. LAFCO can be a resource for help. When disasters or trying times occur is when neighboring agencies band together. Consolidation is being considered across the State. The feasibility study could highlight other options for working together besides consolidation.

Libby & Tom his initial reaction was skepticism toward a merger between the two water districts. He's okay with a feasibility study but it is important that it be impartial.

R. Moran said that the District is already working with Scotts Valley on the Santa Margarita Groundwater Agency. He thinks this should wait.

B. Dyer it is wise to consider a feasibility study in this matter, however she thinks the costs could be different than the Fire Districts. She agreed that the timing is poor.

C. Dzendzel said that a consultant will only going to come up with information that staff gives them. Scotts Valley says that we are in financial difficulty. Both places want to limit development.

K. Sandel is concerned that this process is not transparent. More outreach is needed.

G. Mahood asked Rick to state the number of homes in the SLVWD that were lost in the CZU Fire.

R. Rogers responded that it was approximately 120 connections.

M. Smolley asked why do this now?

R. Rogers said that Scotts Valley knocked at our door. It wasn't my decision, I thought it was a Board decision.

M. Smolley asked what the benefits are. He asked if the managers from both water districts can join together and provide us with a list of pros and cons for this item.

R. Rogers said that yes, they could do that. One admin building would be a considerable savings, for example. Why don't we just sell them our Lock Lomond allotment?

B. Fultz **read a statement**. He said that nothing he heard tonight changed his mind. He is deeply skeptical about the cost proposals he has heard so far. He is puzzled by this push for consolidation with the forecasts he's heard for water usage. He would be happy to research the sale of surplus water to Scotts Valley. We are a no growth area and Scotts Valley is a fast growth area. At this point he agrees to more analysis but he doesn't agree to this recommendation. We have too much to do here now.

L. Henry said that she sees a big problem with Scotts Valley and Santa Cruz merging. The SMGWB is Scotts Valley and San Lorenzo Valley and part of the County that oversees well owners. If they merged we would lose control of our aquifer. All I want to hear are facts, not from the managers. I want neutral information.

G. Mahood said she has very ambivalent ideas and has gone back and forth. SLVWD is a product of many mergers and annexations with smaller districts. Regionalization is inevitable. She doesn't support this plan at this time.

Discussion by the Board and staff regarding a listing of pros and cons from the managers of both districts.

M. Smolley made a motion to request that our District Manager contact the District Manager at Scotts Valley Water District to prepare a brief summary of pros and cons, to include a rudimentary budget analysis and to come back to the Board with that information at the first meeting in May. The motion was seconded.

L. Henry asked if we can ask P. Harmon to do this.

R. Rogers said he has no doubt that P. Harmon will be willing to participate.

J. Mosher said that this is continuing for no reason. Just table this.

B. Smallman said that he is against this merger.

A. Layng said that she is disappointed that the Board doesn't want to move forward.

C. Dzendzel said that she is happy with the outcome of the discussion and the decision to look further into this.

Tom said to add something about the time issue into the pros and cons.

C. Moran said that she thinks this is a bad time for this.

L. Sanders asked if the District Managers can be recorded and the transcribed for the public.

G. Nicholls said that is up to the chair.

L. Palmer asked that the manager's report include per capita usage.

K. Sandel agreed that the subject should be tabled.

B. Hollenbeck said that L. Palmer is a very intelligent speaker. Look at the last 100 years.

L. Henry said that we aren't giving up our water rights, we are gaining Scotts Valley water.

All present voted in favor of the motion. Motion passed.

Director To was excused at 8:48 p.m.

c. GRAND JURY RESPONSE

G. Nicholls introduced this item for the second time. This is related to the 2017/18 Grand Jury report and response. Staff listened to the input from the last meeting and incorporated it into this revised response.

B. Fultz said that the letter did not go far enough. He said that he appreciates the improvements to the second draft of the response. He doesn't want the remaining projects to be forgotten. Since he joined the Board he says he has asked for the Lompico projects to be done asap.

L. Henry said that she thinks the District is working to do the work in Lompico. She noted that the District receives property tax money from Lompico.

M. Smolley questioned the LADOC Annual Report and possible bi-annual report.

L. Henry explained that the fire and evacuations have slowed the progress of the report but the information is now available and the committee is scheduled to meet and start working on it.

Discussion by the Board and staff regarding the items that are completed, and missing enclosures g & h.

M. Lee said that he thought the response was clear.

T. Norton said that she has been on the LADOC since its inception. She sent the memo regarding the LADOC Annual Reports and the progress in Lompico. Lompico would love for the projects to be completed. Everyone is happy with the tanks. She said that the LADOC thinks that the charter is complete and that the response to the Grand Jury looks great and should be approved.

G. Mahood made a motion to approve the draft response to the Grand Jury with minor edits suggested by Director Smolley and authorize the Board President to sign the response letter on behalf of the Board and direct staff to proceed with submission. The motion was seconded.

Pres. Mahood, V. P. Henry, and Director Smolley voted in favor of the motion. Dir. Fultz voted no. Dir. To was absent. Motion passed.

d. BOARD OF DIRECTORS SPECIAL MINUTES 2.2.21

G. Mahood this item arose because Director Fultz took it off of the Consent Agenda to check the recording of the meeting to see if it was captured in the summary. The Board President and counsel discussed this and decided that it was a mistake to allow that happen because the minutes are supposed to reflect what happened in the meeting not what is written outside of the meeting. If anyone wants to make changes they should come to the Board meeting prepared to discuss those changes at the meeting. His statement will be appended to the minutes.

L. Henry said that minutes are supposed to be summary minutes according to the Board Policy Manual. What he is proposing is not summary minutes and she has an issue with that.

G. Mahood said that these are summary minutes and in the future directors will have to state the changes they want to the minutes.

G. Mahood made a motion to adopt the minutes with the appended page by Dir. Fultz. The motion was seconded.

Pres. Mahood, Directors Fultz and Smolley voted in favor of the motion. Vice Pres. Henry voted no. Dir. To was absent. Motion passed.

H. Hossack asked if the written statements should be added to the minutes.

G. Mahood asked if the Board can discuss the question regarding written statements. She feels that it isn't appropriate for things to be appended this way.

Discussion by the Board regarding this item. This will be discussed as part of the Board Policy Manual.

5. New Business:

- a. LOMPICO ASSESSMENT DISTRICT OVERSIGHT COMMITTEE
APPOINTMENTS & BOARD MEMBER COMMITTEE CHANGES
R. Rogers introduced this item and read from the memo.

G. Mahood asked for discussion by the Board and the public regarding the appointments to the LADOC. None was heard.

G. Mahood made a motion to appoint T. Norton, M. LoBalbo, N. Hagen, and J. Newton as public members to the LADOC for 2021. The motion was seconded.

All present voted in favor of the motion. Motion passed.

G. Mahood said that she is asking for a switch on the 2 committees that they are on.

B. Fultz asked to have this brought back to the March 18th agenda. He needs time to think about this.

L. Henry asked why put this off.

G. Mahood said she said she would just take this off of the agenda.

B. Fultz doesn't understand the burning urgency.

M. Smolley concurs with taking this to the March 18th agenda.

6. Consent Agenda:

- a. BOARD OF DIRECTORS MEETING MINUTES 2.4.21

Nothing was pulled from the Consent Agenda.

7. Adjournment 9:38 p.m.