

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

May 6, 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, May 6, 2004 in the District's Operations Building, 13057 Highway 9, Boulder Creek, California at 7:30 p.m.

CONVENE MEETING/ROLL CALL:

Roll call showed Dirs. Nelson, Prather, Rapoza, Ross and Vierra present. District Manager Mueller was also present. Counsel Baird arrived at 7:40 p.m.

MINUTES:

- a. Minutes of the Regular Meeting of April 15, 2004

Paul Storm stated that Mello-Roose was misspelled again in the minutes of April 15, 2004. Mr. Storm stated that the correct spelling should be Mello-Roos.

Motion was made by Dir. Rapoza to approve the Minutes of the Regular Meeting of April 15, 2004, as amended.

ROLL CALL:

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

ADDITIONS AND DELETIONS TO THE AGENDA: None

ORAL COMMUNICATIONS:

Paul Townsley, President for Cal-Am Water was present to address the Board. Mr. Townsley reported on the most recent California Public Utilities Commission (CPUC) hearing relative to the Felton rate case. Mr. Townsley stated that the ruling by the Commission would allow the rates in Felton to remain the same. The hearing was a victory with a win, win situation. The ruling supported a consolidation with Monterey. Mr. Townsley is hoping that the Santa Cruz Board of Supervisors will support CPUC's decision. This consolidation will allow the Felton customers to be shielded from rate increases and be able to take advantage of the monetary programs.

Susan Renison, representing FLOW was present to address the Board. Ms. Renison stated that she was in attendance at the CPUC hearing and felt that Mr. Townsley's interpretation was very different from the ruling that was actually announced. Ms. Renison stated that the ruling gave Cal-Am three (3) months to return to the CPUC with a formal proposal for consolidation. Until then, there will be no rate increase.

Connie Barr, representing FLOW was present to address the Board. Ms. Barr had the same impression as Ms. Renison. Ms. Barr stated that the increase will be arbitrarily set when and if the consolidation is approved and the rate payers will be responsible.

Paul Storm, Brookdale was present to address the Board. Mr. Storm provided the Board with correspondence requesting copies of each Education Program Grant Application. In addition, Mr. Storm provided the Board with correspondence of clarification on a previous public records request. Mr. Storm indicated concern of wording for agenda item 11b. Mr. Storm stated that it is impossible for the public to tell the intent.

Frank Adamson, Felton was present to address the Board. Mr. Adamson stated that his wife received a call at their residence at approximately 2:00 p.m. on the same day of the CPUC hearing stating that the CPUC did not approve a rate increase for the Felton ratepayers. Mr. Adamson believed the purpose of the call was so the customers of Felton would back off from buying the Felton water facility.

Fred McPherson, Boulder Creek was present to address the Board. Mr. McPherson provided the Board with VHS and DVD copies of Basins of Relations (a program about watersheds that aired on community television).

WRITTEN COMMUNICATIONS: None

CONSENT AGENDA: None

UNFINISHED BUSINESS: None

NEW BUSINESS:

- a. Request from Friends of Locally Owned Water (FLOW) Regarding Acquisition of California-American Water Company, Felton

Manager Mueller stated that FLOW was present at the last Board of Directors meeting to request that this Board discuss and consider a request from FLOW relative to the acquisition of Cal-Am, Felton.

Dir. Ross stated that this item talks only about acquisition of Cal-Am. No one should make any implications other than a negotiated acquisition with a willing buyer.

Paul Townsley, President for Cal-Am stated that consideration of FLOW's requests would bring with it serious legal obligations and is inconsistent with previous decisions made by this Board. Mr. Townsley stated that the County has the local jurisdiction and that San Lorenzo Valley Water District has already given over \$129,000.00 in this acquisition. Mr. Townsley stated that items 1, 3 and 4 are inconsistent with the District's Mission Statement and respectfully requests that the Board reject all 3 clauses.

Susan Renison, FLOW could not understand why Cal-Am finds it necessary to instruct San Lorenzo Valley Water District how to go about acquiring the Felton facility. Felton can benefit from the acquisition in several ways.

Skip Matthes, Boulder Creek echoed Mr. Townsley's sentiment and de-echoed Ms. Renison's sentiment. Felton customers are being disingenuous asking this District to buy their water district. There is no need for empire building and this should not even be discussed.

Connie Barr, Felton stated that this is not about monetary issues, but having local control of the water. Felton customers cannot afford not to do this. Felton is a bead on the chain of San Lorenzo Valley Water District and all the beads extract from the same aquifer. Cal-Am would like more water than what they are allowed and exporting water would be within their reach. Costs will be disseminated in one way or another.

Larry Ford, Felton stated that the San Lorenzo Valley Water District has a long history of acquiring other water districts over the years. Mr. Ford appealed to the Board for help. It is in the best interest of Felton customers to help the San Lorenzo Valley Water District with the acquisition.

Frank Adamson, Felton wanted to make it clear that they are not asking this District to buy the Felton facility. Felton will buy their own facility, they are just hoping for negotiating in a business like manner to have control of their own District.

Paul Storm, Brookdale stated that he is of the mind that no requests are in the interest of this District. Felton has not provided this District with anything. Felton customers need to come up with matching funds.

Fred McPherson, Boulder Creek supported the Board's consideration of the proposals. This should be looked at as a valley wide problem. We need to keep local control over our resources.

Bruce Oneto, Boulder Creek commented that FLOW was seeking assurance that there would be no rate increases for the rest of the District due to the possible acquisition of the Felton facility. Cal-Am is not going to negotiate this acquisition. Mr. Oneto stated that the Board should stay away from imminent domain proceedings. Mr. Oneto felt that the Board should hire honest appraisers and the jury will buy honest testimony (go to trial). Mr. Oneto wishes the District well and would like this Board to keep up the good work.

Julie Hendricks, Boulder Creek stated that she would find it heartless to turn our backs on helping the Felton customers. Frankly, this let them pay attitude is counter productive for the community.

Dir. Rapoza commented on the requests from FLOW. Dir. Rapoza stated that No. 1-clearly states that this Board be the lead agency to negotiate. No. 2-this District has never denied the addition of any mutual water company in over 20 years and having Felton adjoin our District does make sense. No. 3-it would be inconsistent for this District to charge ratepayers different rates. No. 4-this District has not increased rates in the past due to acquisition of other water companies and will not in the future. Dir. Rapoza cannot imagine the cost being transferred to this District. It is difficult to anticipate all the future needs.

Dir. Vierra agreed with Dir. Rapoza's comments. However, Dir. Vierra is not willing to make a commitment to bind this District to anything. Dir. Vierra stated that he will keep an open mind.

Dir. Prather agreed with Dir. Rapoza's and Dir. Vierra's comments. Dir. Prather asked Legal Counsel to comment on concerns as it relates to the proposed language.

Counsel Baird stated that a resolution would not commit the Board to make any acquisition. The District is only looking at options and there is no commitment to acquire.

Dir. Nelson thanked Dir. Rapoza for clarifying the history of the District and is open to exploring a resolution.

Legal Counsel Baird stated that a resolution is more appropriate, as it would carry more weight than a motion.

Dir. Ross will work with staff and District Counsel to draft a resolution within the next two (2) weeks.

b. Budget Amendment for Water Conservation Credit Programs

Manager Mueller reported that On July 3, 2003 this Board adopted Resolution No. 1 (03-04) Annual Budget for Fiscal Year 2003/2004. The 2003/2004 Fiscal Year Budget allocated \$15,000.00 for Water Conservation Credit Programs. To date, the District has processed a total of 146 rebate credits in the amount of \$14,532.91 for Fiscal Year 2003/2004. In addition, eight (8) Credit Applications have been issued that are still outstanding.

Motion was made by Dir. Vierra to approve Resolution No. 30 (03-04) Budget Amendment for Water Conservation Credit Programs.

ROLL CALL:

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

c. Loss Control Committee Minutes for April 20, 2004

Motion was made by Dir. Vierra to approve the Loss Control Committee Minutes for April 20, 2004.

ROLL CALL:

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

d. Agreement for Water Service; APN 76-024-04

Manager Mueller reported that on March 29, 2004, Mr. Zach Schwarzbach applied for water service to APN 76-024-04 (to be combined with APN 76-025-03 and -06 to form a single parcel) generally located off Rebecca Drive along Santa Clara Street and Alder Way in Boulder Creek. Staff review indicated that the District has no water distribution facilities at this location and recommends that water service be provided by a long service line agreement. The water meter would be located on Rebecca Drive.

Motion was made by Dir. Rapoza to approve Resolution No. 31 (03-04) Agreement for Water Service; APN 76-024-04

ROLL CALL:

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

GENERAL MANAGER'S REPORTS:

a. Manager

(1) Bill List Period Ending May 6, 2004

Motion was made by Dir. Ross to approve the Bill List Period Ending May 6, 2004 in the amount of \$188,094.67.

ROLL CALL:

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

(2) Investment Report Period Ending March 31, 2004

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

(3) Department Status Reports

(i) Administration

Dir. Prather inquired on the status of the neighborhood meeting with Bear Creek Estates. Manager Mueller stated that a letter will go out to the Bear Creek Estates customers on May 14, 2004 and a meeting is scheduled for May 27, 2004.

(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.

- b. California Regional Water Quality Control Board, Central Coast Region; April 15, 2004 MTBE Priority Site Report

The Board received the California Regional Water Quality Control Board, Central Coast Region; April 15, 2004 MTBE Priority Site Report.

Paul Storm, Boulder Creek stated that he is concerned with agenda items 11c and 11d. Mr. Storm stated that there has been no discussion in any open session. If the District is pursuing a plan of action he would like the opportunity to discuss the possibility.

ADJOURNMENT TO CLOSED SESSION:

Dir. Ross adjourned the meeting to closed session at 9:55 p.m. to approve the Minutes of the Closed Session Meeting of April 15, 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 and to confer with Real Property Negotiator (California Government Code 54956.8), Property: APN 81-204-04 and -06, generally located at 12804 Highway 9, Boulder Creek, CA. Agency Negotiator: James Mueller, District Manager, Negotiating Parties: Jean Processor, Under Negotiation: Price and Payment Terms and to confer with Real Property Negotiator.

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

- a. Minutes of the Closed Session Meeting of April 15, 2004

Motion was made by Dir. Ross to approve the Minutes of the Closed Session Meeting of April 15, 2004, as presented.

ROLL CALL:

Ayes:	Ross, Nelson, Prather, Rapoza, 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
(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.

- d. CONFERENCE WITH REAL PROPERTY NEGOTIATOR
(California Government Code 54956.8)
Property: APN 81-204-04 and -06, generally located at 12804 Highway 9,
Boulder Creek, CA.
Agency Negotiator: James Mueller, District Manager
Negotiating Parties: Jean Prosser
Under Negotiation: Price and Payment Terms

No reportable action.

ADJOURNMENT:

The meeting was adjourned at 10:26 p.m.

Kelly Stephens
District Secretary