

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

March 3, 2005

The regular meeting of the Board of Directors of the San Lorenzo Valley Water District was called to order by Dir. Vierra on Thursday, March 3, 2005 at the Boulder Creek Fire Department, 13230 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, Director of Operations Rogers and Counsel Hynes were also present.

MINUTES:

- a. Minutes of the Regular Meeting of February 17, 2005

Motion was made by Dir. Rapoza to approve the Minutes of the Regular Meeting of February 17, 2005, as presented.

ROLL CALL:

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

ADDITIONS AND DELETIONS TO THE AGENDA: None

ORAL COMMUNICATIONS:

Paul Storm, Brookdale was present to address the Board. Mr. Storm read a letter addressed to the Board regarding agenda packets and submitted to Dir. Vierra. Dir. Vierra directed staff to place this item on a future agenda.

WRITTEN COMMUNICATIONS: None

CONSENT AGENDA:

- a. Amendment to District Ordinance No. 101 for the Provision of Water Bill Adjustments

Manager Mueller stated that staff is recommending a minor editing modification to Ordinance No. 101 which provides additional clarification regarding billing

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adjustment procedures. It is recommended that “bi-monthly” be inserted at three (3) locations in the phrase “annual average usage”.

Motion was made by Dir. Rapoza to approve District Ordinance No. 102 for the Provision of Water Bill Adjustments.

ROLL CALL:

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

Dir. Vierra changed the order of the agenda to hear agenda item 8-a, Joint Community Facilities Agreement by and between County of Santa Cruz and San Lorenzo Valley Water District, at the beginning of the agenda due to the amount of interested citizens present.

UNFINISHED BUSINESS:

a. San Lorenzo Valley Water District Education Grant Program

Manager Mueller stated that staff noticed the Availability of Grant Funding by direct mail to interested citizens, community groups and local schools, on the District’s website and through published display ads in local newspapers. The deadline for the submittal of Grant Proposal Applications for the funding cycle was December 17, 2004. In response to the Notice of Available Grant Funding, the District received fourteen (14) Grant Proposal Applications.

At the February 5, 2005 Education Program Advisory Commission meeting, the Commission reviewed and discussed the aggregate scores and ranking order of the Grant Proposal Applications relative to the December 17, 2004 funding cycle. At said Commission meeting, the Commission recommended the funding and allocation of San Lorenzo Valley Water District Education Program Grants to seven (7) applicants in the amount of \$15,329.66.

The Commission would like the Board to consider exceeding the District’s approved budget by the sum of \$329.66. In addition, the Commission would like to request that the Board consider the feasibility of establishing a separate, less onerous grant application process, and future budget allocation in the sum of approximately \$1,000.00-\$1,500.00 directed specifically to solicit Science Fair Project applications.

At the February 17, 2005 Board of Directors meeting, the Board directed staff to reagendaize this item for a future meeting.

Dir. Prather requested that proposal number seven (7), One-Day Educational Watershed Conference-“Health Rivers-Happy Fish”, be considered separately as

there may be a perceived conflict. Dir. Prather stated that he intends to recuse himself from voting on this item.

Dir. Nelson stated that up until a couple of hours ago he was going to contest the recommendations from the Commission, but now would like to accept the recommendations. Dir. Nelson stated that he would like the grant funds to stay within budget.

Dir. Vierra would like to proceed with voting on the first six (6) proposals then revisit proposal number seven (7) so that Dir. Prather can recuse himself.

Paul Storm stated that reprioritization of the agenda was inappropriate and that the grant awards should have been decided at the last meeting. Mr. Storm stated that he will renew objections to the current grants and felt that the Board should oppose the grants on a matter of principal. Mr. Storm stated that the District cannot afford the luxury of grant funds and urged the Board not to continue with the awards if educational grants. In addition, Mr. Storm stated that when a Director recuses himself from a vote, for the purpose of a conflict, that the Director should vacate the room.

Dir. Ross seconded Dir. Nelson's feelings and deferred to recommendations of the Commission and stay within budget.

Dir. Rapoza stated that the awards need to stay within budget. In addition, Dir. Rapoza stated that the grant money does not come out of the General Fund. It is a direct benefit from the sale of Waterman Gap.

Counsel Hynes stated that it was perfectly ok for Dir. Prather to recuse himself from voting on proposal number seven (7) and is not required to vacate from the room or step down from the Dais. Counsel Hynes stated that Mr. Storm was referring to the Fair Political Practices Act regarding legal matters.

Motion was made by Dir. Ross to approve funding in the amount of \$2,500.00 for "An Introduction to Riparian Hydrology and Vegetation Sampling in the Rare and Unique Plant Communities of the San Lorenzo Valley Watershed: A Conservation Approach" Grant Application.

ROLL CALL:

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

Motion was made by Dir. Ross to approve funding in the amount of \$2,256.00 for "Monitoring the Sewage Pond at San Lorenzo Valley High School" Grant Application.

ROLL CALL:

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

Motion was made by Dir. Ross to approve funding in the amount of \$2,493.00 for “Educational Labels for Plants in the Watershed Environment” Grant Application.

ROLL CALL:

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

Motion was made by Dir. Ross to approve funding in the amount of \$788.00 for “O’Neill Sea Odyssey Watershed Model” Grant Application.

ROLL CALL:

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

Motion was made by Dir. Ross to approve funding in the amount of \$2,310.00 for “River of Words and Pictures” Grant Application.

ROLL CALL:

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

Motion was made by Dir. Ross to approve funding in the amount of \$2,475.66 for “San Lorenzo River Watershed Invasives Education and Eradication Implementation” Grant Application.

ROLL CALL:

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

Dir. Prather recused himself from voting on proposal number seven (7), One-Day Educational Watershed Conference-“Health Rivers-Happy Fish”, as there may be a perceived conflict.

Motion was made by Dir. Vierra to approve funding in the amount of \$2,177.34 for “One-Day Educational Watershed Conference-Health Rivers-Happy Fish” Grant Application.

ROLL CALL:

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

Absent: None

Commissioner Focha-Smart was present to address the Board. Commissioner Focha-Smart requested making a simpler Application Form for Science Fair participants. The Board directed the Commission to come up with a new format for Science Fair participants and bring back to the Board for review.

NEW BUSINESS:

- a. Joint Community Facilities Agreement by and between County of Santa Cruz and San Lorenzo Valley Water District

Manager Mueller stated that Santa Cruz County Board of Supervisors is the conducting authority for all proceedings relative to the formation of the proposed Community Facilities District (CFD). The specific purpose of the CFD is to provide citizens of Felton with a means to finance the potential acquisition of California-American Water Company. The Mello Roos Community Facilities Act of 1982 provides that a CFD may finance facilities to be owned by an entity other than the agency that created the district. Pursuant to Government Code, the San Lorenzo Valley Water District would be the owner of the potentially acquired facility. In summary, the Joint Facilities Agreement (JFA) will provide provisions between the San Lorenzo Valley Water District and the County of Santa Cruz. The County will be responsible for all activities of any special tax levies or bonds created by the CFD. Manager Mueller provided the Board with an assessment of impact with the worst case scenario being a \$45,000.00 shortfall which would be equivalent to an increase of approximately \$.53 per customer per month. If the shortfall is realized, it would be approximately \$6.00 per customer per year. Manager Mueller presented the benefits of the potential acquisition to the Board. Manager Mueller stated that the District is in receipt of correspondence from Myers Nave Professional Law Corporation citing legal errors in the JFA.

Dir. Ross thanked the District Manager for the report. Dir. Ross stated that the current Agreement provides difficulty for him. The question is not to impose any economic burden upon current customers as the result of the acquisition. Dir. Ross stated that he strongly supports the analysis and it may be a modest burden. Dir. Ross stated that he is uncomfortable and hesitant with the Agreement as it stands. In addition, Dir. Ross stated that the Agreement states that the District would not raise rates for the Felton customers unless the income from the acquisition is not enough to cover the expenses for that portion of the District.

Dir. Prather stated that he has no reservation with the terms of the Agreement and is willing to take a minimal risk. Dir. Prather believes that the shortfall is something that can be absorbed through economy of scale. The numbers from the California Public Utilities Commission relative to salaries would be enough for a

buffer. In addition, the assets values are also a sufficient buffer for the District. Dir. Prather also believes that any shortfall can be retrieved from sale of property and this Agreement is absolutely the right thing to do. If this District acquires the facility it would facilitate the north-south intertie.

Dir. Rapoza stated that \$.53 per month is the worst case scenario. The assets accrued in the entire valley far out weigh the \$.53 per month. This agreement is only a process to allow the Felton community to vote on their water resource.

Dir. Nelson thanked staff for the report and the process. Dir. Nelson stated that the San Lorenzo Valley Water District is not fueling this acquisition. This District is responding to the community with a request to make a possible attempt to obtain control of their water system. Dir. Nelson stated that this is just one step to make the attempt possible.

Dir. Vierra stated that this is a very complicated process and he has some concerns with the JFA. Dir. Vierra believes that this process will take away staff time and he would like to see the County move forward with the acquisition. Dir. Vierra stated that he is troubled by expenses and revenue for capital improvements. In addition, Dir. Vierra is troubled that the District would not be able to recoup the cost of the rate case.

Skip Matthes, Boulder Creek was present to address the Board. Mr. Matthes stated that he previously asked the Board if they would move forward with the purchase if it will put a financial burden on the San Lorenzo Valley Water District customers. At that time, the Board stated that they would not support a proposal for a rate increase. Mr. Matthes stated that he can no longer believe the Board and has lost faith in the District. This is now a personal issue for him.

Evan Jacobs, Community Relations Manager with Cal-Am Water was present to address the Board. Mr. Jacobs assured the Board that he is not Cal-Am's greatest liability. Mr. Jacobs voiced concern for the current employees of Cal-Am if the acquisition was to be finalized. Mr. Jacobs referred to a letter sent to the District from Meyers Nave Professional Law Corporation. In addition, Mr. Jacobs stated that the Felton facility is not for sale and it would be very costly for rate payers and the two (2) Districts.

Todd Landis, Felton was present to address the Board. Mr. Landis stated that Mr. Jacobs is raising issues that are not on the agenda and it is confusing. A lot of comments coming from Cal-Am are propaganda. Mr. Landis stated that he feels strongly about the proposal and the benefits are clearly stated. The Felton facility is consolidated with Monterey and the manager works in Monterey. In addition, customer service is located in Illinois. It is important to have local staff. Mr.

Landis made one final point to remind folks that the priorities of Cal-Am water and the San Lorenzo Valley Water District are very different.

Paul Macklas, Ben Lomond was present to address the Board. Mr. Macklas supported approval of the Agreement. The benefits to us are great and the financial impacts are minimal. Taking this step will be an ideal opportunity.

Matt Macuda, Boulder Creek was present to address the Board. Mr. Macuda stated that he would like the San Lorenzo Valley Water District to merge with the Felton District and would be willing to accept the rate increase.

Roberta McPherson, Boulder Creek was present to address the Board. Ms. McPherson stated that she is in support of the measure. Lack of integrity to make profit of water at the expense of a human being has to stop here.

Gordon Stuart, Boulder Creek was present to address the Board. Mr. Stuart stated that property is paramount. Mr. Mueller's analysis was very good but there will be loss of local control because the County will run the show. Globalization of water is real. If the District sells the land who is it going to go to? The state government and the federal government own most of the land in Santa Cruz County. Utilize control of the Felton facility. Do not give to the County and do not enter into an Agreement with County. This District is dealing with the devil.

Bob Locatelli, Boulder Creek was present to address the Board. Mr. Locatelli stated that he is a customer of Cal-Am and San Lorenzo Valley Water District. Mr. Vierra is exercising due diligence in making his position clear. This is a step the District needs to continue and would like the District to move forward.

John Fassolas, Felton was present to address the Board. Mr. Fassolas stated that he is a supporter of FLOW. Cal-Am is not a good neighbor and the community needs to stand on its own two feet. Without a doubt, the San Lorenzo Valley Water District needs to move forward and support the measure.

Janelle, Felton was present to address the Board. Janelle is in support of moving forward with the acquisition. This is an important move and would like the District to give Felton a chance.

Chuck Bernard, Felton was present to address the Board. Mr. Bernard stated that Felton is trying to create what the District did over 50 years ago and it was a huge mistake then. None of San Lorenzo Valley Water District customers should have to pay more. Let the Felton customers pay for the shortfall.

Mary Hammer, Boulder Creek was present to address the Board. Mrs. Hammer stated that this is one of the most positive steps the Board can take. This is not the

way we wanted to go, especially when someone is taking our water. Resolve issues and concerns and get us joined with Felton so we can protect our water resource component.

Fred McPhearson, Boulder Creek was present to address the Board. Mr. McPhearson thanked staff for a great analysis. In a drought year there is not going to be enough water and there will have to be restrictions. Urge the water District to get consensus on how much water will be available in a drought year. Need an economic outlook, especially if diversified. Need to become diversified then look at the water issues.

Janet Laidlaw, Boulder Creek was present to address the Board. Ms. Laidlaw stated that she loves this Valley and wants Felton to own their own water system. There are concerns about the way this is being done. The financial burden has crippled the District. By rights, the San Lorenzo Valley Water District needs to give this decision to the voters. The figures are very loose and we need to zero in a little better so that we know exactly what it's going to cost.

Jim Mosher, Felton FLOW Legal Committee was present to address the Board. Mr. Mosher thanked staff and the Board for considering the Agreement. Mr. Mosher stated that he is passionate about the issue. Think globally, act locally is a statement of importance of water being controlled democratically. This is just a step in the process. First pass the Agreement then a Bond Measure. Mr. Mosher thanked District staff for the work they have put into the process.

Barbara Sprenger, Felton FLOW was present to address the Board. Ms. Sprenger thanked the Board for considering the Agreement. FLOW is not asking other people to pick up their cost. We are looking at about \$.53 per month. A fail safe mechanism would be to have the ability to charge the differential rate. The land, the treatment plant and the infrastructure goes for the benefit of everyone.

Frank Adamson, Felton was present to address the Board. Mr. Adamson stated that he has been a guest at the San Lorenzo Valley Water District Board meetings for the last two (2) years and has appreciated the observation. He has seen the Board pay attention to details and feels that the Board has given this a lot of thought. The rate increase will be done in a very democratic way.

Paul Storm, Brookdale was present to address the Board. Mr. Storm stated that he is concerned that the Board is only allowing 1-2 minutes of speaking time per person with an item of such great importance. This is an insult. The Board must pass a resolution stating that this would be beneficial to the residents of this entity. There is no rush to make this decision. The Board needs to exercise due diligence and encourages to do so. Request the Board to embrace the democratic process.

Casey Stewman, Boulder Creek was present to address the Board. Mr. Stewman stated that Montara Sanitary District dealt with this same issue and was successful. There should be no more deliberation.

Casey Sprenger, Boulder Creek was present to address the Board. Ms. Sprenger stated that the merger would be worth the \$.53 per month to her.

Ron Wilkerson, Felton was present to address the Board. Mr. Wilkerson stated that he appreciates the Board's efforts. We know what the issues and benefits are and there is no more discussion needed. The bottom line is the fox is in the hen house and we must dispose of the fox.

Patrick Dugan, Felton was present to address the Board. Mr. Dugan stated that he is a rate payer in both Districts. This is a very serious issue and the Mello Roos will go through as an eminent domain process. This Board has no idea on what's going on with capital improvements. The Board does not even know what capital improvements are in our own District. This ain't no free lunch and the project will be low-balled. If the Board is going to sign Agreement, let the battle begin.

Glen Lyons, Felton FLOW Legal Committee was present to address the Board. Mr. Lyons stated that Cal-Am's land is worth about \$2.5 million.

Dir. Ross stated that he is in favor of the acquisition. Dir. Ross stated that he believes the risk of San Lorenzo Valley Water District customers having to assume burden is modest and is prepared to vote for the Agreement.

Dir. Rapoza stated that this is part of the process. Dir. Rapoza is in support of a vote for protection of this District and to and to give Felton the right to vote.

Dir. Prather stated that this is a step in an ongoing process which will enable the people of Felton to take a vote and provide funds to finance the acquisition. This is a necessary step and will support the Agreement.

Dir. Vierra stated that this District is always willing to support the other mutual water companies in the area. FLOW is very committed. Approving the agreement will let FLOW do what they need to do. Dir. Vierra stated that he will support Agreement.

Dir. Nelson thanked the audience and let them know how important their roll is in making these types of decisions.

Motion was made by Dir. Rapoza to approve Resolution No. 21 (04-05) Approval of Joint Community Facilities Agreement by and between County of Santa Cruz and San Lorenzo Valley Water District.

ROLL CALL:

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

Dir. Vierra adjourned the meeting at 9:25 p.m. for a short break and reconvened at 9:39 p.m.

GENERAL MANAGER'S REPORTS:

a. Manager

(1) Bill List Period Ending March 3, 2005

Motion was made by Dir. Ross to approve the Bill List Period Ending March 3, 2005 in the amount of \$153,079.43.

ROLL CALL:

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

(2) 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): None

INFORMATIONAL MATERIAL:

a. Newspaper Article

The Board received the Newspaper Article.

ADJOURNMENT TO CLOSED SESSION:

Dir. Vierra adjourned the meeting to closed session at 9:55 p.m. to approve Minutes of the Closed Session Meeting of February 17, 2005 and to confer with Labor Negotiator pursuant to California Government Code Section 54957.6, Agency Negotiator: James Mueller, District Manager, Employee Organizations: Classified Employees Unit; and, Management, Supervisory and Confidential Employees Unit.

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

- a. Minutes of the Closed Session Meeting of February 17, 2005

Motion was made by Dir. Vierra to approve the Minutes of the Closed Session Meeting of February 17, 2005, as presented.

ROLL CALL:

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

- b. CONFERENCE WITH LABOR NEGOTIATOR
Pursuant to California Government Code Section 54957.6
Agency Negotiator: James Mueller, District Manager
Employee Organizations: Classified Employees Unit; and, Management, Supervisory and Confidential Employees Unit

No reportable action.

ADJOURNMENT:

The meeting was adjourned at 10:15 p.m.

Kelly Stephens
District Secretary