

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

July 17, 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, July 17, 2003 in the District's Operations Building, 13057 Highway 9, Boulder Creek, California at 7:35 p.m.

CONVENE MEETING/ROLL CALL:

Roll call showed Dirs. Rapoza, Nelson, Prather, Ross and Vierra present. District Manager Mueller and Counsel Hynes were also present.

MINUTES:

- a. Minutes of the Regular Meeting of July 3, 2003

Motion was made by Dir. Ross to approve the Minutes of the Regular Meeting of July 3, 2003, as presented.

ROLL CALL:

| | |
|----------|-----------------------|
| Ayes: | Ross, Prather, Rapoza |
| Noes: | None |
| Abstain: | Nelson, Vierra |

ADDITIONS AND DELETIONS TO THE AGENDA: None

ORAL COMMUNICATIONS:

Lisa Rudnick stated that the meeting started five (5) minutes late this evening. She would like the Board to make a decision on whether to be prompt or not. Ms. Rudnick stated that this same time a month ago the Board snuck an item on the agenda. Ms. Rudnick was present to tell the Board that she is not crazy and taking over a private water company is wrong.

Paul Storm from Boulder Creek stated the LAFCO sphere of influence amendment for the Cal-Am acquisition is coming up. Mr. Storm felt that a Conflict of Interest existed for the LAFCO member that is on the San Lorenzo Valley Water District Board of Directors and that this member has a personnel interest in the decision being made. Mr. Storm would like Dir. Rapoza to excuse himself from the LAFCO meeting for the sphere of influence amendment. Mr. Storm informed the Board that uncontrolled socialism does not work and would like the Board to think seriously about their citizenship that allows them to succeed.

07/17/03

Pat Dugan from Felton stated that the Notice of Vacancies for the Education Commission that was published in the paper is disingenuous. Mr. Dugan stated that it appeared there were vacancies from a prior Commission.

WRITTEN COMMUNICATIONS: None

CONSENT AGENDA: None

UNFINISHED BUSINESS: None

NEW BUSINESS:

- a. Agreement with County of Santa Cruz for Payment of Legal and Consulting Costs

Manager Mueller stated that the Board of Directors gave staff authorization to move forward with the sphere of influence amendment through LAFCO with regard to the Cal-Am Felton facility. On February 20, 2003 the District entered into an agreement with the County of Santa Cruz providing for payment of legal and consulting costs with a total scope of services not to exceed \$32,000. On March 20, 2003 the scope of work was amended to add \$5,000 to provide for additional services deemed necessary. On June 5, 2003 the Board authorized an addition to the regular agenda regarding the subject agreement, which came to the attention of the District subsequent to posting of the agenda. The Board authorized a second amendment to the original agreement which increased the total authorized scope of services by \$21,000. At the June 19, 2003 Board of Directors meeting the Board again authorized an addition to the regular agenda regarding the subject agreement, which came to the attention of the District subsequent to posting of the agenda. The Board authorized a third amendment to the original agreement which increased the total authorized scope of services by \$71,579.35. Manager Mueller stated that concerns raised by citizens and the law firm of Steefel, Levitt & Weiss representing Cal-Am, prompted the Board to reauthorize the actions taken at the June 5th and June 19th, 2003 Board of Directors meeting. Manager Mueller stated that any action taken should supercede the previous actions and remedy the Brown Act Violation.

Scott Millar was present in lieu of Supervisor Almquist. Mr. Millar thanked the Board for standing with fellow citizens in Felton and offered his aide and assistance.

Connie Bar from Felton was present and stated that this situation is not socialism but helping out the neighbors of Felton and thanked the Board for listening to the citizens of Felton.

Kevin Tilden from Cal-Am was present with Attorney Lenard Weiss. Mr. Tilden stated that the last rate increase was in 1997 and urged the Board to support a rate increase of 13.5% every 5 years. Mr. Tilden stated that Cal-Am has a commitment to the community, employees and residents of Felton. In addition, Mr. Tilden stated that the rate increase does have a regionalization proposal and would like the Board to support the regionalization proposal. Mr. Tilden thanked the Board for rehearing this item again. Mr. Tilden felt that there was no guarantee that the District would ever be reimbursed for the legal and consulting costs for the rate case. Once again, Mr. Tilden stated that Cal-Am is committed to serving their customers in Felton.

Lenard Weiss, Attorney for Cal-Am Water Company was present. Mr. Weiss stated that he has represented Cal-Am for 30 years. Mr. Weiss reported that Cal-Am Water Company is in the business of owning and operating water and wastewater systems. Cal-Am has every intention of proceeding with maintaining the Felton facility. Mr. Weiss stated that if the District pursues condemnation it would not be successful.

Gene Martin, property owner in Felton and Ben Lomond was present to thank the Board for the work they have done and would like the Board to continue with the process. Mr. Martin assured the Board they would get the majority of Felton customer's support.

Denise Matthes from Boulder Creek was present and stated that the process of Eminent Domain was socialism. Ms. Matthes felt that this process was wrong and that the District should take care of their own business.

Pat Dugan was present and stated that the Board approved \$75,000.00 dollars in October 2002 for the Cal-Am acquisition. Mr. Dugan felt that this was a violation of private property rights and misappropriation of funds of this District.

Skip Matthes from Boulder Creek was present and agreed with Mr. Dugan's comments. Mr. Matthes felt that the District should not mess around in other peoples business. This situation is going to cost Cal-Am money and this District money.

Paul Storm from Boulder Creek stated that this Board has sympathy for ratepayers in Felton. This is inverting the purpose of this Board. Mr.

Storm would like the Board to reverse the current course and put the customers of this District first.

Lisa Rudnick was present and stated that this is the wrong way to go about doing business. Ms. Rudnick stated that the Sierra Club is the bully and this is socialism. The Sierra Club has for years been shutting down fishing, mining, etc. Ms. Rudnick urged the Board to research Agenda 21.

Dir. Ross stated that he has significant political differences between the interested citizens and himself. Dir. Ross assured the audience that the ultimate cost would be on the citizens of Felton. In addition, Dir. Ross thanked Mr. Weiss for a heads up on the fight. This Board will not recklessly put our constituents in jeopardy.

Dir. Vierra stated that the development is the process and is scared to death regarding the soaring costs.

Dir. Nelson stated that the citizens of Felton approached this Board. This District is not taking the lead on an Eminent Domain case. The work is preliminary exploration to determine if it is beneficial to proceed.

Dir. Prather stated that he was Acting Chairman of the Board when the matter first came up. He was present at the meeting at the fire hall where the citizens of Felton were very upset about rate case and asked the District for support. This District has a moral obligation as a government agency to weigh in on these issues. Dir. Prather conceptually supports allocation of funds to support the effort.

Dir. Rapoza supports the effort to manage the Felton facility or to merge with the District. Dir. Rapoza appreciates Cal-Am attending every Board meeting. Dir. Rapoza stated that he is not going to stop his duty as a LAFCO Officer. This District has cooperated with Citizens Utilities in the past to help out in various situations. In addition, Dir. Rapoza defined "Conjunctive Use" for Ms. Rudnick. Conjunctive Use is using surface sources and groundwater sources. Dir. Rapoza stated that the District has put up a prudent amount of money for the Cal-Am rate case and will not put up any more.

Motion was made by Dir. Ross to supercede the previous actions taken by the Board with respect to the subject agreement at the June 5th and June 19th, 2003 Board of Directors meeting and authorized a scope of work for the subject agreement in the amount of \$129,574.35 based on the same agreement terms the District currently has with the County of Santa Cruz.

ROLL CALL:

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

- b. Architectural Feasibility Report for the San Lorenzo Valley Water District Administration Building, April 30, 2003

Manager Mueller stated that the District retained the architectural consultant services of Daniel Matthew Silvernail for activities relative to renovation of the District's existing Administrative Building. Mr. Silvernail's Architectural Feasibility Report provides three (3) possible scenarios for improving the facility-1) Interior Improvements, 2) Partial Replacement, 3)-Complete Rebuild.

Mr. Silvernail presented the three (3) scenarios. The first scenario consists of a relative modest program of alterations which is the least disruptive. The second scenario envisions the partial demolition and replacement of approximately half of the building which would be relatively moderate in intensity and disruption. The third program projects the complete removal and replacement of the present building which would be high intensity and very disruptive.

Manager Mueller recommended accepting the Architectural Feasibility Report for the San Lorenzo Valley Water District Administration Building, April 30, 2003 and refer to the Facilities and Planning Committee to discuss further.

Motion was made by Dir. Prather to accept the Architectural Feasibility Report for the San Lorenzo Valley Water District Administration Building, April 30, 2003 and refer to the Facilities and Planning Committee.

ROLL CALL:

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

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

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

ROLL CALL:

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

d. Proposed Changes to the California Special District's Association Bylaws

Motion was made by Dir. Vierra to authorize the President of the Board to approve the proposed changes in the California Special Districts Association Bylaws.

ROLL CALL:

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

GENERAL MANAGER'S REPORTS:

a. Manager

(1) Bill List through July 17, 2003

Motion was made by Dir. Vierra to approve the Bill List in the amount of \$127,523.68.

ROLL CALL:

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

(2) Investment Report Period Ending June 30, 2003

The Board received the Investment Report Period Ending June 30, 2003.

(3) One Time Leak Adjustment Status Report April 1, 2003-June 30, 2003

The Board received the One Time Leak Adjustment Status Report April 1, 2003-June 30, 2003

(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

The Board received the Engineering Department Status Report.

b. Committee/Director Reports (Oral): None

INFORMATIONAL MATERIAL:

a. CRWQCB Enforcement Report Period Ending May 31, 2003

The Board received the CRWQCB Enforcement Report Period Ending May 31, 2003.

ADJOURNMENT TO CLOSED SESSION:

Dir. Rapoza adjourned the meeting to closed session at 9:37 p.m. to approve the Minutes of the Closed Session Meeting of July 3, 2003 and to confer with Legal Counsel - Anticipated Litigation, Significant Exposure to Litigation Pursuant to Subdivision (b) of Government Code Section 54956.9-One (1) Potential Case and 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 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 3, 2003

Motion was made by Dir. Rapoza to approve the Minutes of the Closed Session Meeting of July 3, 2003, as presented.

ROLL CALL:

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

b. CONFERENCE WITH LEGAL COUNSEL -
ANTICIPATED LITIGATION

Significant Exposure to Litigation Pursuant to Subdivision (b) of Government Code Section 54956.9:
One (1) Potential Case

Motion was made by Dir. Ross to reject in full the Damage Claim of Peter Van Orden.

ROLL CALL:

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

- c. 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.

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

No reportable action.

ADJOURNMENT:

The meeting was adjourned at 10:14 p.m.

Kelly Stephens
District Secretary