

**MINUTES
BOARD OF DIRECTORS MEETING
JUNE 15, 2006
SAN LORENZO VALLEY WATER DISTRICT
BOULDER CREEK, CALIFORNIA**

The regular meeting of the Board of Directors of the San Lorenzo Valley Water District was called to order by Pres. Nelson on Thursday, June 15, 2006, at the Operations Building, 13057 Highway 9, Boulder Creek, California, at 7:31 p.m.

CONVENE MEETING/ROLL CALL

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

MINUTES

- a. Regular Meeting of June 1, 2006
Motion was made by Dir. Rapoza to approve the Minutes of the Regular Meeting of June 1, 2006.

ROLL CALL:

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

ADDITIONS AND DELETIONS TO AGENDA: None.

ORAL COMMUNICATIONS: None.

WRITTEN COMMUNICATIONS: None.

CONSENT AGENDA: None.

UNFINISHED BUSINESS: None.

NEW BUSINESS:

- a. REVIEW OF INVESTMENT PORTFOLIO
District Manager Mueller reported that Jim Bargetto, Investment Consultant from Morgan Stanley was presented to review and update the Board on the District's Investment Portfolio. Mr. Bargetto gave the Board a presentation and overview of the District's Investment Portfolio. Mr. Bargetto stated that the average rate in the portfolio was 3.74%. The Board received the presentation from the District's Investment Consultant.

b. ORDERING AN ELECTION, REQUESTING COUNTY ELECTIONS TO CONDUCT THE ELECTION AND REQUESTING CONSOLIDATION OF SUCH ELECTION.

District Manager Mueller reported that the terms of four District Board of Directors will be up for election on November 7, 2006. The Directors up for election are Prather, Rapoza and Vierra four year terms and McPherson two year term. Manager Mueller stated state law requires the District to file a Notice of Election with the Santa Cruz County Clerk.

Motion was made by Dir. Rapoza to adopt Resolution No. 36, Ordering an election, requesting County Elections conduct the election and requesting consolidation of such election, and Resolution No. 37, Resolution Directing the District Secretary to submit a notice to the Santa Cruz County Clerk of elected offices to be filled and transmittal of map and boundaries for San Lorenzo Valley Water District.

ROLL CALL:

Ayes: Rapoza, Nelson, McPherson
Noes: None.
Absent: Prather, Vierra.

c. BOULDER CREEK BUSINESS ASSOCIATION REQUEST TO USE DISTRICT PROPERTY AT 12788 HIGHWAY 9, BOULDER CREEK ON JULY 4, 2006.

The Board of Directors reviewed a letter dated June 5, 2006 from the Boulder Creek Business Association for the use of District property.

Motion was made by Dir. Nelson to approve the request from Boulder Creek Business Association to use District Property at 12788 Highway 9 on July 4, 2006 for staging of the annual July 4th Parade.

ROLL CALL:

Ayes: Nelson, Rapoza, McPherson
Noes: None.
Absent: Prather, Vierra.

- d. LOAN AGREEMENT FOR PROPERTY PURCHASE; APN 081-241-08 AND APN 081-361-01, -03, -04, -05, -06, -07, and -08 GENERALLY KNOWN AS MALOSKY CREEK.

District Manager Mueller presented a report to the Board in reference to the Malosky Creek purchase outlining a proposed loan agreement with Municipal Finance Corporation.

The Municipal Finance Corporation has proposed to loan the District \$1,750,000.00 at an interest rate of 4.75% for a term of fifteen (15) years. The proposed loan would reimburse Waterman Gap funds used to close escrow on the purchase of the Malosky Creek property from Simpervirens Fund.

Motion was made by Dir. Rapoza to adopt Resolution No. 38, Loan agreement relative to the purchase of APN 081-241-08 AND APN 081-361-01, -03, -04, -05, -06, -07, and -08 generally known as Malosky Creek.

ROLL CALL:

Ayes: Rapoza, Nelson, McPherson
Noes: None.
Absent: Prather, Vierra.

- e. WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS FISCAL YEAR 2005/2006.
District Manager Mueller reported to the Board on uncollected accounts for Fiscal Year 2005/2006.

Motion was made by Dir. Nelson to adopt Resolution No. 39, Write-off of uncollectible accounts for Fiscal Year 2005/2006.

ROLL CALL:

Ayes: Nelson, Rapoza, McPherson
Noes: None.
Absent: Prather, Vierra.

- f. VACANCIES IN APPOINTED OFFICE; EDUCATION PROGRAM ADVISORY COMMISSION.

District Manager Mueller informed the Board that there are two vacancies on the Education Program Advisory Commission, one (1) due to resignation of Mark Millonas and one (1) due to the resignation of Dir. Ross.

Board directed staff to Notice two vacancies in the appointed office of Commissioner San Lorenzo Valley Water District Education Program Advisory Commission.

- g. COMMITTEE APPOINTMENTS

The Board reviewed current committee appointments.

Dir. Nelson appointed Dir. McPherson to the Environmental Committee. Dir. McPherson would also like to attend the Santa Margarita Groundwater Committee Meetings.

h. REQUEST FOR PROPOSALS; AUDIT SERVICES

District Manager Mueller presented the proposals from 2 accounting firms to provide audit services for the next three fiscal years.

Dir. Rapoza motioned to adopt Resolution No. 40, Request for Proposals Audit Services.

ROLL CALL:

Ayes: Rapoza, Nelson, McPherson

Noes: None.

Absent: Prather, Vierra.

GENERAL MANAGER REPORTS:

a. Manager

(1) Bill List Period Ending June 15, 2006

Motion was made by Dir Nelson to approve the bill list in the amount of \$135,701.19.

ROLL CALL:

Ayes: Nelson, Rapoza, McPherson

Noes: None.

Abstain: Prather, Vierra.

(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.

INFORMATIONAL MATERIAL:

a. Newspaper Articles. The Board received the newspaper articles.

ADJOURNMENT TO CLOSED SESSION

Dir. Nelson adjourned the meeting to closed session at 8:22 p.m. to approve Minutes of the Closed Session Meeting of June 1, 2006 and to conference with Legal Counsel Anticipated Litigation, one (1) potential case pursuant to California Government Code 54956.9(c).

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

Dir. Nelson reconvened the regular meeting at 9:10 p.m. and reported out that:

- a. Minutes of Closed Session Meeting of May 18, 2006.
Motion was made by Dir. Nelson to approve the Minutes of the Closed Session Meetings on May 18, 2006 as presented.

ROLL CALL:

Ayes: Rapoza, McPherson, Nelson

Noes: None.

Abstain: None.

Absent: Prather, Vierra

- b. CONFERENCE WITH LEGAL COUNSEL;
ANTICIPATED LITIGATION
Initiation of litigation pursuant to subdivision (b) of California Government Code Section 54956.9.
One potential case.

Discussed, no reportable action taken.

- c. CONFERENCE WITH LEGAL COUNSEL;
ANTICIPATED LITIGATION
Initiation of litigation pursuant to subdivision (c) of California Government Code Section 54956.9.
One (1) potential case.

Discussed, no reportable action taken.

ADJOURNMENT

Dir. Nelson adjourned the meeting at 9:10 p.m.

Brandon Barchi
District Secretary
San Lorenzo Valley Water District