

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

June 19, 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, June 19, 2003 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. Rapoza, Nelson and Vierra present. Dirs. Prather and Ross were absent. District Manager Mueller and Counsel Hynes were also present.

MINUTES:

- a. Minutes of the Regular Meeting of June 5, 2003

Motion was made by Dir. Vierra to approve the Minutes of the Regular Meeting of June 5, 2003, as amended.

ROLL CALL:

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

ADDITIONS AND DELETIONS TO THE AGENDA:

Manager Mueller added two (2) items to the agenda, as they arose subsequent to posting of the agenda. Agenda item 7a Agreement with County of Santa Cruz for Payment of Legal and Consulting Costs and Closed Session agenda item Conference with Real Property Negotiator-Property: California-American Water Company; Felton District Negotiating Parties: James Mueller, District Manager and California American Water Company, Under Negotiation: Price and Payment Terms.

Motion was made by Dir. Vierra to add agenda item 7a Agreement with County of Santa Cruz for Payment of Legal and Consulting Costs and Closed Session agenda item Conference with Real Property Negotiator-Property: California-American Water Company; Felton District, Negotiating Parties: James Mueller, District Manager and California American Water Company, Under Negotiation: Price and Payment Terms, as they arose subsequent to posting of the agenda.

ROLL CALL:

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

ORAL COMMUNICATIONS: None

WRITTEN COMMUNICATIONS:

- a. Correspondence from California Special District Association (CSDA) Regarding Board of Directors-Call for Nomination

The Board received Correspondence from California Special District Association (CSDA) Regarding Board of Directors-Call for Nomination.

- b. May 29, 2003 Correspondence from Special District Risk Management Authority (SDRMA) Regarding Proposed Bylaw Amendments

The Board received May 29, 2003 Correspondence from Special District Risk Management Authority (SDRMA) Regarding Proposed Bylaw Amendments.

- c. June 5, 2003 Correspondence from Lisa Rudnick Regarding Proposed Environmental Education Program

The Board received June 5, 2003 Correspondence from Lisa Rudnick Regarding Proposed Environmental Education Program.

- d. June 6, 2003 Correspondence from Julie Hendriks Regarding Santa Clara Valley Water District's Grant Program and Meeting Standards for the San Lorenzo Valley Water District

Dir. Rapoza agreed with Ms. Hendriks correspondence regarding the conduct displayed at the June 5, 2003 Board of Directors meeting. Dir. Rapoza apologized to the Board for letting the meeting get out of control and assured them that this behavior would not be tolerated at future Board meetings.

CONSENT AGENDA: None

UNFINISHED BUSINESS:

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

Manager Mueller provided the Board with two (2) summary sheets prepared by County Counsel regarding costs associated with the California American Water Company Rate Case. Manager Mueller indicated that the consultant overspent the allocated funds. County Counsel has been in contact with the consultant regarding reduction of fees for costs that were incurred but not authorized. The consultant has offered a 20% write off (approximately \$20,000.00). In addition, the Consultant has offered deferred payment until the beginning of 2004. Supervisor Almquist is preparing to go to the County Board of Supervisors on Tuesday, June 24, 2003 to support the package that was presented by the consultant.

Supervisor Almquist stated that Mr. O'Neil's work has been invaluable and felt that the proposal is fair. In addition, Supervisor Almquist felt that it was critically important to get the fees in order to settle the case. Supervisor Almquist stated that there is still an important piece of work in the settlement strategy and that piece of work is probably the most valuable. Supervisor Almquist stated that there is a lot more certainty now and is convinced that Mr. O'Neil did a good job on the case and would like to continue. Supervisor Almquist believes that this Board must agree to front the money to convince his Board to move forward with the case.

Dir. Rapoza stated that the allocation needs to be increased by approximately \$75,000.00 and that this would be the last trip to the well. In the event more money is needed, it will have to come from somewhere else.

Dir. Vierra feels very nervous about the Felton citizens not ponying up the funds for this case. Dir. Vierra stated that he will probably support the motion but does not want to get hung out appending ratepayer's money.

Motion was made by Dir. Rapoza to increase the level of commitment for the California American Water Company Rate Case by \$78,500.00 based on the same agreement terms the District currently has with the County of Santa Cruz.

ROLL CALL:

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

Dir. Nelson asked for clarification on imminent domain proceedings if the sale does not occur. Supervisor Almquist stated that imminent domain would be in excess. In addition, after a Mello Rose is formed a bond would be done to make it affordable for the citizens of Felton.

Supervisor Almquist stated that there are two (2) parts to the Mello Rose process. The first is to do a ballot to see if citizens want to form a Community Facilities District. The second would be to go through some financial planning.

Dir. Vierra felt the District needed to do a poll with the San Lorenzo Valley Water District ratepayers. Dir. Vierra felt that this is an issue that needs to go to the people.

Manager Mueller stated that various methodologies could be used to poll the San Lorenzo Valley Water District ratepayers. Hiring a consultant to perform a telephone survey, placing an advisory issue on an upcoming ballot or performing a direct mailing to customers with an opinion poll. Manager Mueller stated that there would be costs associated with all of these methods.

Dir. Vierra would like this issue placed in the Agenda for July 17, 2003 and published in the paper.

NEW BUSINESS:

- a. Multiple User Variance Renewal for Fiscal Year 2003/2004

Manager Mueller stated that District Ordinances 43 & 47 provides for a variance from multiple user status if the dwelling is used less than 41 days a year.

Motion was made by Dir. Vierra to approve Resolution No. 37 (02-03) Multiple User Variance Renewal for Fiscal Year 2003/2004.

ROLL CALL:

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

- b. Write off of Uncollectable Accounts for Fiscal Year 2002/2003

Motion was made by Dir. Nelson to approve the Write off of Uncollectable Accounts for Fiscal Year 2002/2003.

ROLL CALL:

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

c. Budget Fiscal Year 2003/2004

Manager Mueller provided the Board with a Draft Budget for Fiscal Year 2003/2004. Manager Mueller stated that the budget needs to be increased approximately \$7,500.00 in personnel to account for anticipated increases in CalPERS medical insurance that will become effective January 1, 2004. In addition, the budget includes the cost of living increases and staffing of one additional full time employee in the Operations Department. Without restricted funds, the budget is out of balance by approximately \$250,000.00.

Manager Mueller addressed Capitol Outlay in the various departments. Manager Mueller recommended adoption of the proposed budget, but to revisit in the near future. In addition, Manager Mueller recommended using some of the interest earnings from Waterman Gap to fund the budget and use the upcoming year to direct the expenditure of Waterman Gap funds.

Dir. Rapoza asked staff if the District could continue to afford an in-house Engineer. Manager Mueller stated that outsourcing engineering services might have some impact. There are tasks that are done a daily basis that would not be able to be outsourced. Also, the level of activity for the Engineering Department increases when capitol projects are in process.

Dir. Rapoza would like to see a projected end of year balance on the monthly cash flow revenues and expenditures and an estimate at year-end.

Manager Mueller reported that the Administration Building Remodel is scheduled for presentation by the consultant on July 17, 2003. Any of the three (3) proposed remodel options would have significant lead time from beginning to end and will be approximately 18 months to 2 years. There is currently no budget item for the Administration Building Remodel.

Manager Mueller reported that staff is moving forward with remedial repair on the Nina Terrace Tank.

Dir. Vierra stated that the District needs to start spending Waterman Gap money on additional capitol improvement projects; however, the rates still need to be a factor.

GENERAL MANAGER'S REPORTS:

a. Manager

(1) Bill List through June 19, 2003

Motion was made by Dir. Vierra to approve the Bill List in the amount of \$99,994.64.

ROLL CALL:

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

(2) Cash Flow Period Ending May 31, 2003

The Board received Cash Flow Period Ending May 31, 2003.

(3) Investment Report Period Ending May 31, 2003

The Board received Investment Report Period Ending May 31, 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. April 22, 2003 California Energy Commission-Notice of Availability of Low Interest Loans for Energy Efficiency Projects

The Board received April 22, 2003 California Energy Commission-Notice of Availability of Low Interest Loans for Energy Efficiency Projects.

- b. Newspaper Articles

The Board received Newspaper Articles.

ADJOURNMENT TO CLOSED SESSION:

Dir. Rapoza adjourned the meeting to closed session at 9:45 p.m. to approve the Minutes of the Closed Session Meeting of June 5, 2003 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 for Public Employee Performance Evaluation as provided in California Government Code Section 54957-District Manager and to Confer with Real Property Negotiator- Property: California-American Water Company; Felton District, Negotiating Parties: James Mueller, District Manager and California American Water Company, Under Negotiation: Price and Payment Terms.

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

- a. Minutes of the Closed Session Meeting of June 5, 2003

Motion was made by Dir. Rapoza to approve the Minutes of the Closed Session Meeting of June 5, 2003, as presented.

ROLL CALL:

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

- 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

Motion was made by Dir. Rapoza to authorize District Counsel to sign a
Confidentiality Agreement for the purpose of reviewing selected portions
of a Settlement and Release Agreement by and between Manana Woods
Mutual Water Company and certain oil companies.

ROLL CALL:

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

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

No reportable action.

- d. CONFERENCE WITH REAL PROPERTY NEGOTIATOR -
Property: California-American Water Company; Felton District
Negotiating Parties: James Mueller, District Manager and California-
American Water Company
Under Negotiation: Price and Payment Terms

No reportable action.

ADJOURNMENT:

The meeting was adjourned at 11:22 p.m.

Kelly Stephens
District Secretary