

a. Presentation by McGilloway, Ray, Brown & Kaufman

Ms. Kaufmann, using a PowerPoint presentation, reviewed the FY 2015-16 Comprehensive Annual Financial Report and Audit for the Board. She began with stating the District received an unmodified opinion. The District also received the Certificate of Excellence from the Government Finance Officers Association (GFOA). Ms. Kaufman stated the report is fairly stated, easily interpreted (which is important for a public agency), is accurate and clear. She reviewed the highlights in the report and the Governmental Accounting Standards Board (GASB) pronouncements. Ms. Kaufman further reported their staff had no difficulties conducting the audit and all data was provided as required. There were no disagreements with management, no material weaknesses and no management letter.

b. Consider Acceptance and Authorize Distribution

With no questions from the Board, a motion was made by Director Flores and seconded by Director Bettencourt; the Board unanimously accepted the FY 15-16 Comprehensive Annual Financial Report and Audit and authorized distribution.

6. Public Hearing regarding Water Years 2017-18 and 2018-19 Zone 6 Groundwater Charges

a. Proof of Mailing and Proof of Publication submitted for Notice of Public Hearing

Mrs. Mauro verified both the Proof of Mailing and the Proof of Publication.

b. Presentation of Water Years 2017-18 and 2018-19 Zone 6 Groundwater Charges

Mr. Cattaneo stated last year, due to the uncertainty of the Sustainability Groundwater Management Act (SGMA), the District only approved 1 year of groundwater charges. Now that we are more familiar with the proposed process, staff is recommending approving 2 years of groundwater rates, to coincide with the San Felipe rate cycle which has 2 years remaining. The proposed rates will recover approximately 85-90% of the cost and the recommended increase is \$1.50 per acre foot (only for Ag) for each of the next two years. Mr. Cattaneo stated the District Act states the Ag rate cannot be more than 1/3 of the M & I rate.

Director Huenemann stated he reviewed approximately 100 special districts' acts and found our district to be the only one with that provision. Mr. Cattaneo replied that could be true but this was all decided in 1953 when the District was formed. The District Board could go to the State if they chose to change the District Act.

c. Open Public Hearing

President Tobias opened the Public Hearing. A member of the audience stated every year the water goes up just like all costs are rising.

d. Close Public Hearing or continue to later date

With no further questions or comments, President Tobias closed the Public Hearing.

e. **Consider Adoption of Water Years 2017-18 and 2018-19
Zone 6 Groundwater Charges**

i. **Consider Resolution Establishing Groundwater Charges in
Zone 6 for the 2017-18 and 2018-19 Water Years**

With a motion by Director Bettencourt and a second by Director Flores, Resolution #2017-01, *A Resolution of the Board of Directors of the San Benito County Water District Establishing Groundwater Charges in Zone 6 for the 2017-18 and 2018-19 Water Years* was unanimously approved.

7. **Discuss and Consider the Design and Installation of Equipment and Pipeline connecting the City of Hollister Wells #4 and #5 to the West Hills Water Treatment Plant and Authorize the District Manager to execute all documents necessary in an amount NTE \$2,000,000 which will include a Change Order for Auburn Constructors, Inc. for the Installation of the Equipment and Pipeline, Amendment #10 to HDR Engineering, Inc. for the Design of the Pipeline and Engineering Services during Construction and an Amendment to Harry Blohm's Agreement for Program Management**

Mr. Cattaneo stated this is a slight departure from how the Board normally approves agenda items but due to the complexity of this item and the timing issue involved, staff is asking the Board to approve an expenditure of up to \$2 million and authorize the District Manager to execute all of the necessary documents.

Mr. Blohm gave a brief history of the West Hills Water Treatment Plant (WHWTP) project. Auburn Constructors, Inc., was awarded the WHWTP project, chosen from 5 bidders. This project began in mid-2015 and is anticipated to be completed by July 2017. Mr. Blohm stated there was always going to be a need for treated water to be delivered to the City's water system and be connected at 1-2 points. However, when the hexavalent chromium issue came up (all of the City's wells were above 10 parts per billion), it changed how the connections would be handled. For Auburn Constructors, Inc., Mr. Blohm stated they had removed the original connection to the City's well #5 from their contract for this change pending resolution of a solution. For HDR, Mr. Blohm stated the design work they have done showed the least expensive solution to the hexavalent chromium issue would be delivering water to wells #4 and #5 from the WHWTP, installing a pipeline and making the necessary upgrades to the two wells.

Director Huenemann asked what happened to the City's well #2. Mr. Blohm stated that well will be addressed by the crosstown pipeline, which the City and Sunnyslope County Water District (SSCWD) are currently negotiating.

Director Flores asked how far the high quality water will go from well #4. Mr. Blohm stated it will serve the west side of Hollister. Mr. Cattaneo added wells #4 and #5 provide water to the west side of Hollister by way of the Park Hill tanks.

Mrs. Singleton added, this portion of the project is 100% funded by the City. President Tobias stated it is essentially a pass-through. Mr. Cattaneo further added, on the directors' desks is a letter from the City Manager stating the funding is the City's

responsibility. The major reason the Board has to take this action, is the District is the lead agency on the contracts. Mr. Blohm stated the City Council approved the \$2 million appropriation at a recent council meeting.

With no further questions, a motion was made by Vice President Tonascia and seconded by Director Bettencourt; the Board of Directors unanimously approved the Design and Installation of Equipment and Pipeline connecting the City of Hollister Wells #4 and #5 to the West Hills Water Treatment Plant and Authorized the District Manager to execute all documents necessary in an amount NTE \$2,000,000 which will include a Change Order for Auburn Constructors, Inc. for the Installation of the Equipment and Pipeline, Amendment #10 to HDR Engineering, Inc. for the Design of the Pipeline and Engineering Services during Construction and an Amendment to Harry Blohm's Agreement for Program Management.

8. Discuss and Consider Authorizing District Manager execute Amendment #11 to HDR Engineering, Inc. for additional Engineering Services during Construction for the West Hills Water Treatment Plant (\$ 139,540)

Mr. Blohm stated HDR is the designer of record for the WHWTP, and has been providing engineering services during construction. During the course of the construction, 3 items have increased their budget. These items are: unforeseen soil conditions; unforeseen corrosive materials; and double the submittals of requests for clarifications, than budgeted for.

Director Huenemann asked if the corrosive soil is naturally occurring. Mr. Blohm stated it is.

With no further questions, a motion was made by Director Huenemann and seconded by Vice President Tonascia; the Board of Directors unanimously Authorized the District Manager to execute Amendment #11 to HDR Engineering, Inc. for additional Engineering Services during Construction for the West Hills Water Treatment Plant (\$ 139,540).

9. Discuss and Consider Resolution Adopting Procurement Policy

Mrs. Singleton stated our auditors recommend periodically reviewing policies and the current procurement policy is from 1999. While the District has strong internal controls in place due to the processes in the current policy, staff is recommending updating the amounts. The three major changes are: 1) Increasing the minimum staff purchase order amount from \$100 to \$500; 2) Increasing the minimum requirement for 3 competitive quotes from \$500 to \$5,000; and 3) Increasing the District Manager's approval authority on all contracts from \$10,000 to \$30,000. Mrs. Singleton added District Counsel has reviewed the draft policy and recommended the board approve the policy with a resolution, so it is incorporated into our code book.

Director Flores asked how the \$30,000 amount was determined. Mr. Cattaneo stated that it is the break point for a bid for a public works project. Mr. Pipal added it is also the California Contract Code amount set for this District.

With no further questions, a motion was made by Director Flores and seconded by Vice President Tonascia, Resolution #2017-02, *A Resolution of the Board of Directors of the San Benito County Water District Adopting a Procurement Policy* was unanimously approved.

10. Discuss and Consider Authorizing District Manager to sign Agreement with Lighthouse Electrical, Inc. for SCADA Wireless Communications Equipment Upgrade (\$ 48,017.28)

Mr. Haertel stated the San Felipe Distribution communication system is aging. It was originally hard wired and has been cut, severed and damaged over time and has failed. Mr. Haertel reported a contractor performed some testing on the system and made a proposal on the equipment that would be needed; District staff would install it. Mr. Haertel prepared a request for proposal, based on the plans, and it was sent to 8 suppliers. For the Board's approval, is the proposal from Lighthouse Electrical, Inc.

Director Bettencourt asked if this would be for all of the turnouts. Mr. Cattaneo clarified it would be for all of the individual subsystems and not the turnouts. Mr. Cattaneo added we will be replacing all but 2 subsystem communications. The last 2 will be done when the WHWTP has been completed, by putting repeaters on that site.

A member of the audience asked if the District is replacing the wireless at the District. Mr. Haertel stated the purpose of this is for the main distribution to report back to computer at the District so staff can view the whole system.

With no further questions, a motion was made by Vice President Tonascia and seconded by Director Huenemann; the Board of Directors unanimously approved the Agreement with Lighthouse Electrical, Inc. for SCADA Wireless Communications Equipment Upgrade (\$48,017.28).

11. Discuss and Consider Disposition of Remaining Note Proceeds from the Delta Habitat Conservation and Conveyance Program (\$ 110,449)

Mr. Cattaneo stated approximately 6 years ago, the District contributed about \$1 million to the Delta Habitat Conservation and Conveyance Program (DHCCP). There is a left over amount from the bond and members of the authority have the option of either contributing it to the Department of Water Resources (DWR) or having it refunded to their districts. Mr. Cattaneo stated he knows of no other district contributing it to DWR. Staff is recommending authorizing the refund back to the District. Mr. Cattaneo added, the DHCCP will continue but there is not sufficient assurance that any agencies will get water from this project.

With a motion from Vice President Tonascia and a second by Director Flores; the Board of Directors unanimously chose Option 2, which is to refund the Remaining Note Proceeds from the Delta Habitat Conservation and Conveyance Program to the District (\$110,449),

12. Staff Report on the Hollister Urban Area Water and Wastewater Master Plan

Mr. Blohm stated his only item would be the Master Plan Update. When approved in 2010, the Master Plan was intended to be updated in 6-7 years. The items in the update are primarily water demand and water quality. Mr. Blohm reported the delay was mainly

due to the crosstown pipeline, which the City and SSCWD have completed their alignment and we are now back on track. Mr. Blohm reported HDR has prepared an outline and the new goal for completion is mid-April 2017. Discussion ensued about a new well near the airport.

13. Committee/Agency Representative Reports:

a) San Luis Delta Mendota Water Authority (Tobias/Tonascia)

As per Director Tonascia, he did not attend the meeting.

b) Mid Pacific Water Users Conference in Reno, Nevada, January 18-20, 2017

As per Director Tonascia, the overabundance of snow was discussed. Klamath, Reno and Northern California will all be receiving 100% of their allocation but the South of Delta allocation was not discussed. Other topics covered, per Director Tonascia, were SGMA and the Endangered Species Act.

c) Finance Committee (Bettencourt/Tonascia)

As per Directors Bettencourt and Tonascia, their topics were covered.

d) Investment Committee (Tobias/Flores)

As per Directors Tobias and Flores, the quarterly report was reviewed.

14. District Manager/Engineer's Report:

a) Reach 1 Operations

Mr. Cattaneo reported the only item is the planned shutdown in November 2017.

b) Zone 3 Operations

Mr. Cattaneo reported Hernandez Reservoir is at approximately 7500 acre feet. The San Benito River has been flowing and between Hernandez and Willow Creek was moving at 1000 cfs (cubic feet per second) but now it's at 100 cfs. Mr. Cattaneo reported staff intends to move water into Paicines but currently, Paicines Reservoir is at -0-.

c) Zone 6 Operations

Mr. Cattaneo reported he met with Congressman Panetta today. The congressman's main topic of interest was the eradication of the zebra mussels in San Justo Reservoir. Mr. Cattaneo discussed the zebra mussels with the congressman but relayed that the District's need for more water was a larger issue. The meeting lasted nearly 2 hours and Mr. Cattaneo invited the congressman to come back and discuss water supply issues for Ag and urban users.

d) San Luis Delta Mendota Authority Activities

Mr. Cattaneo reported the primary topic discussed was the uncertainty of the water allocation. Currently, the San Joaquin River is flowing and all the pumps are running at full capacity. Should San Luis Reservoir fill, ½ of it would be Federal water that is owed from last year. Mr. Cattaneo added the hope is for a 20% Ag allocation.

Next year's budget will be on the agenda at the next board meeting. The draft budget shows an increase of \$6 million because all 5 of the pumps at the Tracy Pumping Plant need to be rebuilt. This cost is only for 1 pump to be rebuilt. Mr. Cattaneo explained these pumps are 10,000 horsepower and were not designed to be turned off and on, as they have been the last few years. Also in the draft budget, there is not funding for Public Outreach; this funding has been shifted to Science/Technical.

e) **Recycled Water**

As per Mr. Cattaneo, he had nothing to report.

15. Adjournment

With no further business to discuss, the meeting was adjourned at 7:35 p.m.

The minutes were approved at the February 22, 2017 Board Meeting and signed by the presiding board member.

/s/John Tobias
John Tobias, President

Barbara L. Mauro
Barbara L. Mauro, Board Clerk