

December 18, 2013
Regular Meeting
6:01 p.m.

The Board of Directors of the San Benito County Water District convened in regular session on Wednesday, December 18, 2013 at 6:01 p.m. at the San Benito County Water District office at 30 Mansfield Road, Hollister, California. Members present were: President John Tobias, Vice President Joe Tonascia and Directors Frank Bettencourt, Sonny Flores and Joe Torquato. Also present were District Manager/Engineer Jeff Cattaneo, District Counsel David E. Pipal, Assistant Manager Sara Singleton, Deputy District Engineer Dale Roskamp, Supervising Accountant Natalie Sullivan, and Office Specialist III Barbara Mauro.

CALL TO ORDER

President Tobias called the meeting to order at 6:01 p.m.

- a. **Pledge of Allegiance to the Flag**
President Tobias led the Pledge of Allegiance.
- b. **Approval of Agenda**
With a motion by Director Flores and a second by Director Torquato, the Agenda was unanimously approved.
- c. **Public Input: Members of the Public are Invited to Speak on any Matter not on the Agenda**
There were no public comments.

CONSENT AGENDA:

1. **Approval of Minutes for: November 20, 2013 Regular Meeting**
2. **Allowance of Claims**
3. **Acknowledgement of Paid Claims prior to the December Board Meeting**

Director Bettencourt asked why the payment to Cambridge Brass and Brigantino's were so high. Mr. Cattaneo stated they were supplies needed for repairs.

With no further questions, a motion was made by Director Torquato and seconded by Director Bettencourt; the Consent Agenda was unanimously approved.

REGULAR AGENDA:

4. **FY 12-13 Comprehensive Annual Financial Report and Audit**

Mr. Cattaneo thanked District staff, especially Mrs. Sullivan, for having the audit completed on-time. The process is more complex which equates to more work.

Mrs. Singleton stated the report comes to the Board with the recommendation from the Finance Committee. Mrs. Singleton mentioned that at the committee meeting, Director Torquato asked what standards the auditor applied when auditing the District, they are: AICPA (American Institute of CPA'S), GAAP (Generally Accepted Accounting Principles), State Controllers Accounting Standards for Special Districts, GASB (Governmental Accounting Standards Board) and the GFOA (Government Finance Officers Association).

a. Presentation by McGilloway, Ray, Brown & Kaufman

Patricia Kaufman, of McGilloway, Ray, Brown & Kaufman, made her presentation via PowerPoint. Ms. Kaufman gave an overview of the audit process. She stated the District received an unqualified opinion, which is the best that can be received. Also, Ms. Kaufman added the District received the Certificate of Excellence from the GFOA for last year's audit and the District will be applying again this year.

Ms. Kaufman stated it is the auditor's responsibility to review internal controls and no material weaknesses were found. No new accounting policies were implemented during the year, per Ms. Kaufman. Estimates are given to items such as allowances for doubtful accounts, the useful life of capital assets and post-employment benefit liabilities.

Ms. Kaufman pointed out several footnotes of interest. Footnote #6, made reference to the dissolution of Harmony Hills Water System, for which the District absorbed the \$89,000 deficit. Footnote #15 pertained to the Hollister Urban Water Projects with the Water Supply and Treatment Agreement and the Operations and Maintenance. Footnote #9 pertained to the change in the reserve for the Bureau contracts.

During the audit, Ms. Kaufman stated her firm found no corrected/uncorrected misstatements. There were no difficulties during the audit reported Ms. Kaufman. Ms. Kaufman concluded with a review of GASB 63, 65 and 68.

b. Consider Acceptance and Authorize Distribution

With no questions from the Board, a motion was made by Director Bettencourt and seconded by Director Torquato; the Board of Directors unanimously accepted the FY 2012-13 Comprehensive Annual Financial Report and Audit and authorized distribution.

5. Zone 104, Fairview Road Water System

a. Consider the FWS letter/petition to terminate the Acquisition Contract, terminate the District's operation of the system, and return the system to the homeowners

Mr. Cattaneo stated the District has been operating Zone 104, Fairview Road Water System, for 10-11 years. Several times during this period of time, the District has had to raise the rates due to increases in costs. Mr. Cattaneo stated in discussions with the landowners this year, there are some costly repairs that are needed, totally approximately \$30,000. The District staff offered several scenarios with funding options to the landowners but they have decided to take the system back. The landowners signed a petition, which was signed by 3 of the 4 landowners.

Mr. Pipal stated the contract between the District and the homeowners regarding Zone 104, from 2003-04, provided an out for the landowners to take the system

back. It called for a 50% +1, which they have with 3 of 4 landowners asking for it. The Board action would be to consider a resolution setting a public hearing and a second resolution to dissolve the zone.

Director Torquato asked if there is any recourse for the one homeowner who didn't sign the petition. Mr. Pipal stated all landowners agreed to the contract, which contained the out clause.

Mr. Cattaneo stated a meeting was held, at the request of the Department of Public Health (DPH), with District staff, DPH and the landowners. The landowners will need to apply for a permit from DPH and none of the landowners wished to rescind their petition, requesting the return of the system to them.

Director Torquato asked what the timing of this would be. Mr. Cattaneo stated a Public Hearing would be held on January 29, 2014 with final action to return the system occurring on January 31, 2014. Director Torquato asked if the system would be out of compliance and Mr. Cattaneo stated yes. Mr. Cattaneo added the landowners have not formed a mutual water company. According to DPH, Mr. Cattaneo reported it is not an issue for the compliance order, as the landowners have an operator lined up, and DPH will allow time to acquire a permit. The landowners' biggest hurdle, per Mr. Cattaneo, will be on-going operation and maintenance. DPH would prefer the District continue operating the system and are concerned that the well is in bad shape.

b. Consider adoption of a Resolution to:

- i) Terminate the agreement with FWS by mutual agreement of the parties, return the system and its assets to the FWS owners and terminate M&I effective on January 31, 2014,**
- ii) Quitclaim the 2005 Contract For Acquisition etc. to the homeowners**
- iii.) Quitclaim the 1977 Grant of Well, Well Lot, and Pumping Plant Agreement to homeowners**

With a motion by Director Tonascia and a second by Director Flores, Resolution #2013-20, *A Resolution of the Board of Directors of the San Benito County Water District to Terminate a Project in Zone 104, to wit, the District's Ownership, Operation and Maintenance of the Fairview Road Water System and to return the water system to the Property Owners in Zone 104* was unanimously approved.

c. Consider FWS Letter Requesting Dissolution of Zone 104:

- i. Consider adoption of a Resolution of Intention to Dissolve Zone 104 and setting a time for a Public Hearing per Gov't Code 6066**

With a motion by Director Bettencourt and a second by Director Flores, Resolution #2013-21, *A Resolution of the Board of Directors of the San Benito County Water District to dissolve Zone 104* was unanimously approved.

6. Approve Payment of Encroachment Permit Fee to San Benito County Public Works for the Fairview Road Transmission Pipeline Portion of the Overall Lessalt Upgrade Project (\$44,213.25)

Mr. Rosskamp stated the encroachment permit is needed to complete the pipeline, which is part of the Lessalt WTP upgrades and San Benito County will revoke the permit without payment.

Director Torquato asked Mr. Rosskamp to confirm, the amount has been reduced from the original amount, which was \$66,000. Mr. Cattaneo reported yes, the amount has been reduced as the standards have been reviewed. Director Torquato asked if this amount due is part of the budget and Mr. Cattaneo stated it is. President Tobias asked if it is part of the project cost and Mr. Cattaneo stated it is.

With no further questions, a motion was made by Director Torquato and seconded by Vice President Tonascia; the Board of Directors unanimously approved Payment of Encroachment Permit Fee to San Benito County Public Works for the Fairview Road Transmission Pipeline Portion of the Overall Lessalt Upgrade Project (\$44,213.25)

7. Consider Approval of the following for Groundwater Extraction Permit Application Process:

a. Groundwater Extraction Permit Application Form

b. Reimbursement Agreement Form for Groundwater Extraction Permit Application Environmental Review

Mr. Cattaneo stated this process began about a year ago. The District found some inconsistencies in the County's Ordinances and the Board directed staff to go back to the County to clarify these issues. Mr. Rosskamp stated the documents have been revised from last year and all have been reviewed, both by District Counsel and the Administration Committee.

Director Torquato asked if the County asked the District to do oversee well drilling. Mr. Cattaneo replied approximately 10 years ago, the County felt the District was the best agency to oversee well drilling. The County has two ordinances pertaining to well drilling.

Mr. Cattaneo reviewed the process of how the groundwater extraction permit process would work. The District Manager would be the administrator, the engineering staff would estimate cost and the reimbursement agreement lays out the financing.

Mr. Pipal stated the District needs to have a public notice for the ordinance and once that is done, the ordinance could be considered at the next board meeting.

With no further questions, a motion was made by Director Flores and seconded by Director Bettencourt; the Board of Directors unanimously approved Groundwater Extraction Permit Application Process which includes the Groundwater Extraction Permit Application Form and the Reimbursement Agreement Form for Groundwater Extraction Permit Application Environmental Review.

8. Discuss and Consider Authorizing District Manager to Execute an Agreement with HDR to Prepare a North County Groundwater Bank Facilities Plan (\$249,945)

Mr. Cattaneo stated the agencies have begun the implementation process for the HUAWP, as part of the water supply, it was been agreed there will be a need for banking facilities. In the past, the District has used out of the area banking, but this proposal would be for an in basin banking project. Mr. Cattaneo stated the intention is to operate bank at approximately 2000 AF/year in the first phase and eventually increase it to 4000 AF/year. The facilities design report and plan could take approximately 8-9 months and once complete, the CEQA/NEPA (California Environmental Quality Act/National Environmental Protection Act) work can be done. Mr. Cattaneo stated the timing of the project is important, as the West Hills WTP will come on line around 2016 and in the fall of 2014, there will be more Prop 84 grant funds being offered. To qualify for the grant funds, the project has to be ready to go. Water supply reliability, per Mr. Cattaneo, makes a project such as this attractive in the grant process.

The cost of this project would be approximately \$1 million for design and \$3 million for construction. The actual cost of water, delivered, from this project would be approximately \$330-\$400 per acre foot (this would include the capital repayment and the O & M costs).

Director Bettencourt asked about the sites. Mr. Cattaneo stated multiple sites are being considered; it will be important to keep the facilities close to the Hollister Conduit.

With no further questions, a motion was made by Vice President Tonascia and seconded by Director Torquato; the Board of Directors unanimously authorized the District Manager to Execute an Agreement with HDR to prepare a North County Groundwater Bank Facilities Plan (\$249,945).

9. Discuss and Consider Amendment to Professional Services Contract for Data Instincts for Public Outreach Services Relating to the Hollister Urban Area Water and Wastewater Master Plan Implementation and Coordinated Water Supply and Treatment Plan (\$23,750)

Mr. Cattaneo stated the original contract with Data Instincts was to assist the agencies with public outreach during the Prop 218 process. The City of Hollister (COH) and Sunnyslope County Water District (SSCWD) would like to continue the outreach through the construction of the West Hills WTP, using the remaining funds in the original budget.

Director Torquato stated now the Prop 218 process is finished perhaps it would be prudent to reserve these funds. Mr. Cattaneo replied the COH and SSCWD would like the message to continue to the public.

Vice President Tonascia expressed concern that while we are under budget, there could be increased costs in other areas of this project, so he also felt saving these funds was a good idea.

Discussion ensued about taking this issue back to COH and SSCWD. President Tobias stated the District's board has to vote on this amendment. He added Shawn Novack, from the District, did a great job for the outreach. Mr. Cattaneo stated Mr. Novack

received guidance, during the outreach, from Data Instincts. Vice President Tonascia asked that the Board's concerns be communicated to the COH and SSCWD.

With no further questions, a motion was made by Director Flores and seconded by Director Bettencourt, the Board of Directors approved the Amendment to the Professional Services Contract for Data Instincts for Public Outreach Services Relating to the Hollister Urban Area Water and Wastewater Master Plan Implementation and Coordinated Water Supply and Treatment Plan (\$23,750) by 3 affirmative votes (Tobias, Bettencourt and Flores). Directors Tonascia and Torquato voted against.

10. Mid Pacific Water Users Conference, January 22 through 24, 2014 in Reno, Nevada

a. Consider District Manager (or his Designee) and Director Attendance

Mr. Cattaneo stated he is unable to attend this year, but it might be a good opportunity for Mrs. Singleton to attend. Directors that are interested should let Mrs. Mauro know so arrangements can be made.

11. Staff Report on the Hollister Urban Area Water and Wastewater Master Plan Update and Lessalt Water Treatment Plant Update

Mr. Cattaneo reported that Mr. Rosskamp will give the recap on the environmental issues at the West Hills WTP.

Mr. Cattaneo gave the status of the work at the Lessalt WTP. The work on Fairview Road will start in early January and he discussed the traffic concerns.

The design work on the West Hills WTP is going forward, reported Mr. Cattaneo.

Mr. Cattaneo gave a report on the Tranche #1, for the period 9/1/13 through 11/30/13. Mrs. Singleton added this reporting will be done on a monthly basis.

Mr. Rosskamp reported that to build the West Hills WTP, the agencies will need both CEQA and NEPA work done. On the federal side, Mr. Rosskamp state the District will need to obtain an encroachment from the USBR to tap into the Hollister Conduit. Also needed with be a biological assessment (BA), to be done by ESA, to give to both the USBR and the U S Department of Fish and Wildlife, so a Biological Opinion can be done. Mr. Rosskamp gave the next steps which include a public review period for the CEQA Environmental Impact Report (EIR) for a Notice of Determination (45 days) and also a 180 day review for the federal and state endangered species act. Mr. Rosskamp reported a draft BA and the EIR for CEQA have been drafted. The three endangered species are: the California tiger salamander, the red legged frog and the San Joaquin kit fox.

Mr. Rosskamp reviewed five options for the endangered species issues (handout). Director Torquato asked if option 3 would forego setting aside land near the site for the West Hills WTP; Mr. Rosskamp stated yes. Option 4 is a hybrid and Option 5 is a letter of credit for 18 months. Mr. Rosskamp stated Fish and Wildlife seem more open to an out of county mitigation bank now.

12. Committee/Agency Representative Reports:

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

Mrs. Singleton attended the monthly meeting. She stated the water outlook is gloomy. The graph, distributed at the meeting, showed the current year as the lowest level since 1921. Shasta and Folsom Dams are near their lowest level, similar to 1977. The authority went to Washington D.C. asking for relief and had good contact with Senator Feinstein, Boxer and 15 Congressmen. Senator Feinstein has asked three of her staff to meet weekly with SLDMWA.

Mr. Cattaneo added the District signed a letter with other members of the authority, addressed to Feinstein, asking for her help.

b) Hollister Urban Area Water and Wastewater Master Plan Governance Committee (Tobias/Flores)

As per President Tobias, this has already been covered.

c) Administration Committee (Tobias/Flores)

As per Mr. Cattaneo, the committee discussed groundwater extraction, the north area water banking with HDR and the amendment to the Data Instincts contract.

d) Finance Committee (Bettencourt/Torquato)

As per Mr. Cattaneo, the committee reviewed the audit and the groundwater rates.

13. District Manager/Engineer's Report:

a) Reach 1 Operations

Mr. Cattaneo reported Reach 1 will be back on line today or tomorrow. Mr. Roskamp reported he attended the pipe inspection and described different stages/quality of concrete in the tunnel; no mussels were discovered.

b) Zone 3 Operations

Mr. Cattaneo reported District staff completed an inspection of the outlet at Hernandez and it was noted repair work is needed. The last estimate was done by John Gregg around 2000. Steve Verigan, of GEI (formerly Chief of Dam Safety), will be here on Friday to do a more thorough inspection with District staff.

c) Zone 6 Operations

Mr. Cattaneo reported the District is normally moving water into San Justo Reservoir at this time, but he recommends not doing it this year. The likelihood of San Luis Reservoir filling is nearly 0, so Mr. Cattaneo feels the District should wait. Also, with a limited water supply, San Justo Reservoir has issues with both seepage and evaporation. He discussed how the storage was increased in San Justo Reservoir last year.

d) San Luis Delta Mendota Authority Activities

Mr. Cattaneo reported members had their first look at the budget, which is \$1 million more overall from last year. The public outreach is estimated at \$1 million, which Mr. Cattaneo reported he had discussed with Ara, from the authority. The budget will be considered at the February board meeting and Mr. Cattaneo stressed the importance of board member attendance.

14. BOARD ORGANIZATION

a. Election of Officers

President Tobias opened the nominations for President.

Director Bettencourt nominated John Tobias and it was seconded by Director Flores.

Director Torquato nominated Joe Tonascia; this nomination was not seconded.

With no other nominations, the nominations for President were closed.
The vote was unanimous for John Tobias to be President for the 2014 year.

President Tobias opened the nominations for Vice President.

Director Bettencourt nominated Joe Tonascia and it was seconded by Director Flores.
With no other nominations, the nominations for Vice President were closed. The vote was unanimous for Joe Tonascia to be Vice President for the 2014 year.

15. Adjournment

With no further business, the meeting was adjourned at 7:47 p.m.

Minutes were approved at the January 13, 2014 Special Board Meeting and signed by the presiding board member.

/s/ John Tobias
John Tobias, President

/s/ Barbara L. Mauro
Barbara L. Mauro, Recording Secretary