

December 19, 2012
Regular Meeting
6:00 p.m.

The Board of Directors of the San Benito County Water District convened in regular session on Wednesday, December 19, 2012 at 6:00 p.m. at the San Benito County Water District office at 30 Mansfield Road, Hollister, California. Members present were: President Sonny Flores, Vice President John Tobias and Directors Frank Bettencourt, Joe Tonascia and Joe Torquato. Also present were District Manager/Engineer Jeff Cattaneo, District Counsel David E. Pipal, Assistant Manager Sara Singleton, Deputy District Engineer Dale Rosskamp, Supervising Accountant Natalie Sullivan, Water Conservation Program Manager Shawn Novack, Consultant Harry Blohm and Office Specialist III Barbara Mauro.

CALL TO ORDER

President Flores called the meeting to order at 6:00 p.m.

- a. **Pledge of Allegiance to the Flag**
President Flores led the Pledge of Allegiance.
- b. **Approval of Agenda**
With a motion by Director Tonascia and a second by Director Bettencourt, 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 28, 2012 Regular Meeting**
2. **Allowance of Claims**
3. **Acknowledgement of Paid Claim prior to the December Board Meeting**
4. **Recognizing Leo Vasquez for 5 Years of Service, Certificate Issued**
There were no questions from the Board regarding the Consent Agenda. With a motion by Director Bettencourt and a second by Director Torquato, the Consent Agenda was unanimously approved.

REGULAR AGENDA:

5. **FY 11-12 Comprehensive Annual Financial Report and Audit**
Mrs. Singleton stated the District annually has an external audit, which was done this year by McGilloway, Ray, Brown and Kaufman. Mrs. Singleton reviewed for the Board the process that the District accounting staff goes through in preparation for the audit. The financial statements are provided by the District staff. New this year, per Mrs. Singleton, is the statistical section, which is needed for the new report, the Comprehensive Annual Financial Report (CAFR). Mrs. Singleton introduced Ms. Kaufman to review the report and audit.

a. Presentation by McGilloway, Ray, Brown & Kaufman

Ms. Kaufman stated the District again received an unqualified opinion, which is the best any agency can receive. Ms. Kaufman stated this report is quite an accomplishment for the District finance department and this year, the District will submit the report to the Government Finance Officers Association (GFOA). While the District may not be given the excellence award, Ms. Kaufman stated the invaluable feedback from GFOA is worth submitting the report. Ms. Kaufman added agencies such as bond underwriter look for these types of reports (CAFR), so this would be helpful for the District in the future.

Ms. Kaufman stated the report is fairly presented and is free of errors. Ms. Kaufman then reviewed the individual sections of the report. In discussing the retirees' unfunded liability, Ms. Kaufman stated this amount will appear on future reports. President Flores asked if this is the same as the unfunded liability that we just paid. Ms. Kaufman stated no, this is different. CalPers, in 2014, will require each member of the pool to report it. Director Torquato asked if there will be a fee from CalPers to do the required actuarial report and Ms. Kaufman stated it could be \$3000-\$5000, but no one is certain yet.

Vice President Tobias asked if that number changes from year to year. Ms. Kaufman stated it's hard to say.

Regarding the audit, Ms. Kaufman stated the District was very well organized and forthcoming. There were no material weaknesses found and all the processes in place are good. The controls in place are good and they support the financials. This year, Ms. Kaufman said her company changed audit managers, so a new set of eyes reviewed everything. All went well and on schedule.

Mrs. Singleton added the Finance Committee asked staff to point out its annual obligation for the USBR Amendatory Contract. It is shown on page 31, note 12 and makes it clearer for those viewing the report to see the schedule of the annual obligation.

b. Consider Acceptance and Authorize Distribution

With no further questions, a motion was made by Director Tonascia and seconded by Vice President Tobias; the Board of Directors unanimously accepted the FY 11-12 Comprehensive Annual Financial Report and Audit and Authorized Distribution.

6. Consider Resolution Setting a Public Hearing Date for the Purpose of Fixing the Standby or Availability Charge for the 2012-2013 Water Year

Mr. Cattaneo stated this is a routine annual action taken by the Board. In previous years, the Board has approved this annually, but staff is proposing to modify the resolution to expire February 28, 2016. Noting the change in the date, a motion was made by Director Tonascia and seconded by Director Torquato, Resolution #2012-16, *A Resolution of the Board of Directors of the San Benito County Water District Setting a Public Hearing Date for the Purpose of Fixing the Standby or Availability Charge for the 2013-2014,*

2014-2015 and 2015-2016 Water Years was unanimously approved. Mr. Pipal added the standby or availability charge is not subject to Prop 218.

7. Consider Authorizing the District Manager to Execute an Agreement with 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 (\$78,500)

Mr. Cattaneo stated in May, the Board approved the original contract for Data Instincts. The initial contract was for \$30,000, which was mostly for data collection and then a purchase order for \$5,000 was given for planned development. Mr. Novack added staff has divided up the tasks in the new contract and some can be done in-house. Data Instincts will be used for their guidance and they will invoice by task. The As-Needed amount will be approved before being used. Mr. Blohm reported this is a task based contract and the District will receive reports on-going.

Director Bettencourt asked about the timeframe. Mr. Cattaneo stated this would cover current through July 2013, to coincide with the Prop 218 processes.

Vice President Tobias asked Mr. Blohm about the delay at the West Hills site. Mr. Blohm reported an endangered species (tiger salamander) was found near the West Hills Water Treatment Plant site. ESA, our environmental consultant, stated the tiger salamander was found within 1.3 miles of the site. A consultation with Fish and Wildlife could take anywhere from 6 to 24 months. This will not affect the Lessalt upgrades, per Mr. Blohm. Mr. Blohm recommended getting Data Instincts started. Mr. Cattaneo added this expense is shared by the three agencies (the District, City of Hollister (COH) and Sunnyslope County Water District (SSCWD)).

Director Torquato asked if an accounting of the investment the District has made thus far in the projects has been done. Mr. Cattaneo stated yes, staff has been keeping good track of all expenses.

With no further questions, a motion was made by Vice President Tobias and a second by Director Tonascia; the Board of Directors unanimously Authorized the District Manager to Execute an Agreement with 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 (\$78,500).

8. Consider Approval of the following for Groundwater Extraction

Mr. Cattaneo stated San Benito County Ordinances 778 and 779 were established for well permits and the operation of wells. Ordinance 778 prohibits groundwater extraction. It also states the radius of influence cannot extend beyond the property line. The District would need a process in place for a property owner to apply to the District if they wished to use their well for a specific purpose such as extracting groundwater. The application would pose questions about what the applicant wished to do with their well.

Mr. Roskamp, who has been working on this issue, stated he modeled the application after San Benito County Planning Department as well as another water district. The District would be the agent.

Mr. Cattaneo stated an initial deposit of \$800 would be required to review the application. The review will be necessary to determine what would be needed, such as the hiring an outside consultant. A preliminary budget and schedule will be developed and then a \$5000 security deposit plus an estimated three months of expected expenditures would be required. A monthly statement will be done, so the District can maintain the three month budget amount, per Mr. Cattaneo.

Vice President Tobias stated the County Ordinance has flaws. Mr. Cattaneo agreed and discussed one such flaw, the radius of influence. The committee recommended approval of this agenda item with the stipulation that staff and district counsel would present the flaws to the County and ask the ordinance be revised. Vice President Tobias stated Ordinance 778 was approved in 2004; would that open up property owners to legal action. Director Torquato added perhaps it would be better to clear up the issues with the County first before going forward with this item.

Discussion ensued about getting clarification from the County. Mr. Cattaneo's concern is if we don't move forward, a property owner could make a case against the District for holding up a project. Director Torquato stated there could be more of a liability for the District knowing the ordinance is flawed. Director Torquato asked this item be tabled and returned back to the committee. Vice President Tobias added the Administration Committee approved this item with the condition staff and district counsel go back and work with the County. Mr. Cattaneo stated submitting documentation to the County and having them review it may take some time. Mr. Cattaneo stated the District has the authority for well permits in the county. Mr. Pipal added an applicant should be advised in writing that they would be subject to an ordinance being in place at time of approval.

Mr. Roskamp asked how he should reply to the property owner who was referred to the District by the County for groundwater extraction. Mr. Cattaneo stated this item may be reported on at next month's board meeting.

The Board of Directors agreed to table this item and refer it back to the Administration Committee, staff and District Counsel.

- a. **Groundwater Extraction Permit Application Form**
- b. **Reimbursement Agreement Form for Groundwater Extraction Permit Application Environmental Review**
- c. **Ordinance Application Fee for the Groundwater Extraction Permit**

9. Mid Pacific Water Users Conference, January 23 through 25, 2013 in Reno, Nevada

a. Consider District Manager and Director Attendance

Directors Tonascia and Torquato expressed interest in attending.

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

Mr. Blohm provided the Board with an updated schedule. The negotiations for the Institutional Agreements have gone well. The Water Supply and Treatment Agreement is essentially complete and waiting for legal review. Currently the negotiation group (Jeff

Cattaneo, Clint Quilter, Don Ridenhour, Sara Singleton and Harry Blohm) are actively discussing the financing options.

Mr. Cattaneo reported the delay in the West Hills plant has been an issue for the financing. Mr. Cattaneo stated the managers are meeting on December 24th and January 2nd on the financing, as this information is imperative to get to the rate consultants the COH and SSCWD have hired.

Mr. Blohm stated the Prop 218 will be in June or July and is on schedule. In order to meet this deadline, the financing information has to be timely. In regards to CEQA (California Environmental Quality Act), the upgrades to the Lessalt Treatment Plant have no issues and the West Hills Treatment Plant has a draft EIR (Environmental Impact Report) that is being reviewed. How the tiger salamander will affect the schedule is still unknown.

Director Bettencourt asked what the District's obligation is if the Prop 218 is unsuccessful. Mr. Cattaneo stated the combined total would be approximately \$3 million. Mr. Blohm added the COH and SSCWD have no choice about upgrading the Lessalt Plant. The group expects the Prop 218 to be successful, but it is a timing issue.

Mr. Cattaneo stated the agencies need to get to a certain point and then explain the benefits of the projects directly to the public.

Vice President Tobias added it is good the managers of the three agencies (District, COH and SSCWD) are working together on the projects.

Mr. Blohm stated the Lessalt upgrade work with Kennedy-Jenks is on schedule and that the 95% design work will be complete in January 2013.

11. Committee/Agency Representative Reports:

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

Mr. Cattaneo will cover this subject under his manager's report.

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

As per President Flores and Vice President Tobias, this has been covered.

c) Association of California Water Agencies—Joint Powers Insurance Authority (Bettencourt)

Director Bettencourt attended the fall Board of Directors meeting. The group reviewed their audit and loss records. JPIA has established a hot line to answer Workers Compensation questions. Director Bettencourt stated rates should stay the same and some rebates will be distributed but that information wasn't readily available.

d) Administration Committee (Tobias/Flores)

President Flores reported the committee discussed the groundwater extraction and the Data Instincts contract.

- e) **Finance Committee (Bettencourt/Torquato)**
Directors Bettencourt and Torquato reported the committee reviewed the audit and the Prop 218 notification.
- f) **City of Hollister, RDA Advisory (Tobias)**
Vice President Tobias reported the District received a check from RDA funds for \$136,000. Also, the advisory board continues to work with the state.

12. District Manager/Engineer's Report:

- a) **Reach 1 Operations**
Mr. Cattaneo stated he had nothing to report at this time.
- b) **Zone 3 Operations**
Mr. Cattaneo reported the work the District staff is doing at the Paicines Canal is nearly done. Staff expects to complete the work by this Friday.
- c) **Zone 6 Operations**
Mr. Cattaneo stated the District has begun the refill of San Justo Reservoir, as of last Thursday. Carry-over water left in San Luis Reservoir is approximately 3200 to 3500 acre feet (AF). Mr. Cattaneo stated he will need to verify with the water office how much contract water is left. There will be approximately 4000 AF of Ag water and 1000 AF of M & I water to carry into next year. So far, Mr. Cattaneo stated there are no restrictions for the carry over water. Due to the Delta Smelt, Mr. Cattaneo stated the pumps were shut off yesterday. The full shut-off period should be about 14 days, which will cause a deficit of approximate 150,000 AF, which would equate to about 3,000 AF to the District.
- d) **San Luis Delta Mendota Authority Activities**
Mr. Cattaneo distributed copies of two handouts from SLDMWA. One project is the study for the enlargement of Shasta Lake, which he discussed with the Board. The other, is the San Luis Transmission Project. The contract with P G & E is ending in 2016 and alternatives to P G & E are being reviewed.

Regarding the Delta Habitat Conservation and Conveyance Program (DHCCP), originally the group participating in the program was paying interest only for the first five years (total cost was \$50 million). The end of the five year period expires December 2014. The next phase of the project has been estimated to be \$1 billion and the participants may be different from those who participated in phase 1. The obligation to the project may not be optional, as it will be a part of our water cost, but the District does have some time to make a decision.

Vice President Tobias, who is a board member at SLDMWA, stated it is hard to get answers. Mr. Cattaneo added it is also hard to get financial commitments.

Regarding the public outreach SLDMWA has been working on; Mr. Cattaneo doubts this will go forward. SLDMWA is drafting an activity agreement, but is considering polling districts to see who will endorse this program. Mr. Cattaneo

suggested to Mr. Nelson that he should pursue other participants, not just the SLDMWA members. Vice President Tobias added there is a big section of non-participating users.

Mr. Cattaneo stated the District may have a couple of special meetings in January.

13. BOARD ORGANIZATION

a. Election of Officers

President Flores opened the nominations for President. Director Bettencourt nominated John Tobias and the nomination was seconded by Director Torquato. With no other nominations, President Flores closed the nominations. The Board of Directors unanimously voted John Tobias as President.

President Flores opened the nominations for Vice President. Vice President Tobias nominated Joe Tonascia and Director Torquato seconded the nomination. With no other nominations, President Flores closed the nominations. The Board of Directors unanimously voted Joe Tonascia as Vice President.

14. Adjournment

With no further business, the meeting was adjourned at 7:56 p.m.

The minutes were approved at the January 30, 2013 Board Meeting and signed by the presiding board member.

/s/John Tobias
John Tobias, President

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