

**SOQUEL CREEK WATER DISTRICT
MEETING MINUTES
September 16, 2014**

1. ROLL CALL

President LaHue called the meeting to order at 7:00 p.m. at Community Foundation, 7807 Soquel Drive, Aptos.

Board Members Present:

Dr. Thomas LaHue, President
Bruce Daniels, Vice President
Dr. Don Hoernschemeyer
Dr. Bruce Jaffe
Rick Meyer

Board Members Absent:

None

Staff Members Present:

Kim Adamson, General Manager
Taj Dufour, Engineering Manager/Chief Engineer
Ron Duncan, Conservation & Customer Service Field (CCSF) Manager
Christine Mead, Operations & Maintenance Manager
Traci Hart, Human Resources Manager
Leslie Strohm, Supervising Accountant
Teresa Rein, District Counsel
Karen Reese, Executive Assistant/Board Clerk

Others Present:

25 Members of the public

2. PUBLIC HEARING – None

3. CONSENT AGENDA

Director Hoernschemeyer requested that Item 3.11 be pulled from the consent agenda.

Director Daniels requested that Items 3.4, 3.5 and 3.6 be pulled from the consent agenda.

MOTION: Director Daniels; Second; Director Meyer: To approve consent agenda Items 3.1, 3.2, 3.3, 3.7, 3.8, 3.9, and 3.10. Motion passed unanimously.
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- 3.1 Approve Previous Minutes
 - 3.1.1 August 12, 2014 Regular Meeting
 - 3.1.2 August 26, 2014 Special Meeting

Action: Approved

- 3.2 Conditional Will Serve Letters – None

- 3.3 Report of Expenditures over \$25,000

Action: Approved

- 3.4 June/July, July/August Credit Card Analysis and August Warrants

Action: Removed from Consent; Discussed

Director Daniels asked about a charge for the Santa Cruz Chamber of Commerce leadership visit to Santa Barbara (Page 148 of 286). Ms. Adamson noted it was a local leadership field trip to discuss various ideas including a water track. Mr. Duncan attended and will report during staff reports.

MOTION: President LaHue; Second; Director Daniels: To approve the August Warrants. Motion passed unanimously.

- 3.5 Income and Investment Report for July 2014 and August 2014

Action: Removed from Consent; Discussed; Informational Only

Director Daniels commented that in the July report, single family use is 20% under budget, multi-family residential is 11% under budget, and the non-domestic use was 7% over budget. This is a segment that needs to be addressed. The residential segment is achieving the most savings. Director Daniels noted that 504 Tier 4 user accounts showed 4,041 units used or about 3.4% of total accounts. Those accounts, on average, are using 23 units or 17,000 gallons per month.

- 3.6 District Quarterly What's on Tap Newsletter for October – December 2014

Action: Removed from Consent; Discussed; Direction Given to Staff

Director Daniels felt the article on the first page needs to be simplified and not have all the detail about what happened in the distant past but concentrate more about current issues and to correctly state the mission of the District.

President LaHue would like the article on Chrome 6 to clearly state that the District's goal is to treat to a lower level than required by the State.

Director Meyer asked that jargon not be used but to use language that everyone can easily understand.

- 3.7 McGregor Drive Pump Station, Bid Award

Action: Approved

- 3.8 Aptos Pump Station, CWO 09-103, Adopt Plans & Specifications and Call for Bids

Action: Approved

- 3.9 Production Graphs

Informational Only

- 3.10 Approve Engineering Bid and Construction Support Service for McGregor Pump Station Project, CWO 08-004

Action: Approved

3.11 Quarterly Monitoring Reports

Action: Removed from Consent; Discussed; Informational Only

Director Hoernschemeyer asked why no testing was done for the Purisima wells between May and July (Page 214 of 286). Ms. Mead replied that most wells have data collected semi-annually. For Aromas the data is collected quarterly.

Director Hoernschemeyer noted the report shows groundwater levels declining over the past 2-3 years in SC-1A, 3A and 5A. SC-A3A and SC-A4A also show declining groundwater levels over the last year and are below protective elevations. He stated this is not a good omen and needs to be watched.

Director Hoernschemeyer asked about HydroMetrics recommendation to order a new drop tube for SC-A3B to sample the bottom screen of the well. Ms. Mead stated this has already been done.

Director Hoernschemeyer asked when the groundwater level logger data would be available. The report notes the software did not transfer the data as planned. Mr. Dufour replied the samples are done every 15 minute for all the wells and the data sent to HydroMetrics. The software provided by the logger manufacturer is not able to help with that much data. Director Hoernschemeyer asked if data every 15 minutes is needed. HydroMetrics will be asked to reevaluate the time table.

4. **ORAL COMMUNICATIONS** (items not on the Agenda)

Dan Kriege, former Board member, referenced an email from Director Meyer to a customer encouraging her to sue the District and requesting the recipient not share his email with the public. Mr. Kriege stated that the email suggested it may cause another Board member to change their vote on a possible moratorium. Mr. Kriege noted the email was obtained through a Public Records Request. He also noted that Director Meyer spoke at an Aptos Chamber of Commerce meeting last week where he announced that he had voted for additional water supply for the Twin Lakes Church project when in fact he had voted against it. Mr. Kriege encouraged Director Meyer to resign from the Board.

Don Heichel asked that there be more detail in his oral comments made regarding desalination in the minutes from the August 12, 2014 meeting. President LaHue explained that the minutes were brief because there is a complete transcript of the meeting which includes all of his comments attached to the minutes. Mr. Heichel would like the minutes to reflect that he spoke negatively regarding desalination. He also commented on the Conservation Plus mission statement (Page 20 of 286). Mr. Heichel stated this is a regional problem with four users of the aquifers in the Soquel/Aptos area and there needs to be a regional solution. Lastly, he noted that Steven DeCinzo, Santa Cruz Sentinel, does not understand the WDO process noting that Bruce Van Allen has called for Santa Cruz Water Department to institute the program that SqCWD uses to save water.

MOTION: Director Daniels; Second; Director Jaffe: To amend the August 12, 2014 minutes to read “*Don Heichel spoke negatively regarding desalination*”. Motion passed unanimously.

Chris Mann commented on a notice received comparing his water use to his neighbors. He doesn't care what his neighbors are using because they have different size houses or a different number of people living in the home. He would like to see a “units used” metric instead to compare his usage from year to year rather than comparing his use with neighbors.

Director Jaffe agreed and asked Mr. Duncan if it is possible to have something more meaningful where similar house size or number of people per home are compared.

Mr. Duncan stated he will be presenting survey results from a year ago and current data at the next Board meeting. He noted the reports compare houses of similar lot size and number of bedrooms.

Maria Marsilio, who is running for a seat on the Board, wanted it noted that she did not bring the email with Director Meyer mentioned earlier to anyone's attention. She did not know how it got out.

John Prentice asked about Consent Agenda Item 3.5, June income and investment report. He noted the Board adopted a water district investment policy on July 9, 2013, and it appears to him that in December the District will be in violation of that policy because the investment cash flow will be down \$20 million dollars in the next six months to \$7,942,700. He asked how a budget can be adopted if it violates an existing policy.

President LaHue asked Ms. Strohm to respond. Ms. Strohm noted the report to which Mr. Prentice is referring is the *Statement of Cash Flow* which is a proforma statement. It's a report that staff is obligated to bring to the Board on a monthly basis. It tells the Board that between unrestricted liquid investments at LAIF and operating cash there is enough in cash flow to sustain budgeted District operations for a minimum of six months. The only number not directly from the budget is the amount available to pay to contractors. This number shows what could be made available for capital projects while still maintaining an ending cash balance of \$7.9 million, which is consistent with the target reserves that were identified in the budget. Ms. Strohm noted this is not the actual cash situation; it's a projection of whether the District can sustain operations for six months.

Mr. Prentice responded by saying the District would pull from reserves to be in line with the policy.

Ms. Strohm replied staff has established in the budget that a minimum operating reserve be maintained of \$7.9 million. The report is saying that the District has the resources over the next six months to achieve that if the District were to spend as the

document indicates. That doesn't necessarily mean that that will be the cash going out. Ms. Strohm will review this further and contact Mr. Prentice.

Director Jaffe referred to an article from the September 11th Santa Cruz Sentinel regarding the Esplanade Park in Capitola which included a list of the 10 largest customers in the District. At Capitola Shores Condominiums there are 280 condos that used 28,835 units of water at a cost of \$193,000 in 2011-2012. Director Jaffe converted units to gallons which showed a total of 214 gallons per day per condo. He would like to get a report on the largest users and information on whether usage has changed from the last report in 2011-2012.

Director Jaffe would like to ask Sue Holt to prepare a report on other types of users similar to the one she presented on single-family users. He found it useful because it looks at the entire distribution of users and indicates that there are users who are using many hundreds of gallons per household. He would like to see the results in gallons rather than units.

Director Jaffe commented on energy use for the different supply alternatives. He cited a report from the Inland Empire Utilities Agency dated 8/2009 that compared energy costs for desal and recycling. They found desal uses over 10 times more energy. Director Jaffe would like energy use estimates to be an integral part of the exploration of recycling as a supplemental supply.

Director Daniels reported that he went to the recent Groundwater Stakeholders Meeting where the new groundwater law, which was signed today, was discussed. He handed out a chart (**Attached as Exhibit A**) showing the current four basins as defined by the Department of Water Resources (DWR). What SqCWD considers their basin is in part of the other basins. He pointed out that basin boundaries would need to be redefined otherwise part of our basin would be managed by different organizations.

5. INFORMATION ITEMS

5.1 Work Plan Status Report

Director Hoernschemeyer discussed the Work Plan noting the County of Santa Cruz accepted the invitation to participate in the Basin Implementation Group (BIG) and asked if the City of Santa Cruz (City) has accepted the invitation (*page 235 of 286*).

Ms. Adamson noted that the City is not ready to accept membership at this time. The BIG will need to be restructured to meet the new groundwater laws. The City wants to have more of an idea of what the new BIG would look like before they take the invitation to the City Council. There was a staff level meeting this week to discuss ideas of how to structure the BIG moving forward.

Director Daniels commented on a statement made with regard to the groundwater emergency declaration and comments from County Supervisors about expanding the WDO program to private well owners within the District

service area (*page 234 of 286, item b*). Since the District has no control over private well owners how can they be required to be part of the WDO program?

Mr. Dufour responded this was a suggestion for voluntarily offering to extend the retrofits to private wells throughout the county.

Director Daniels commented regarding the BIG and the assumption that the current AB3030 program with Central Water District be expanded to become the sustainable water agency (*page 235 of 286, item d*). He felt that may be the best approach but doesn't feel they should move forward assuming it's the best approach. It might be better to form a completely new organization.

Director Daniels commented on State Legislation on Groundwater where it states the act will require registration of wells (*page 236 of 286, item f*). He wondered if that is true. An additional question on the same item, the ability to impose regulatory fees, was asked. Would a Prop 218 process be required and what would determine who could vote.

Ms. Adamson replied she believes that wells are required to be registered and monitored with the exception of de minimus wells, residential wells pumping less than 2 acre-feet per year. With regard to regulatory fees, that is a continuing conversation.

President LaHue asked about the date that agencies need to comply with the new laws. Ms. Adamson replied the dates have been extended.

Director Meyer asked about rule making and regulatory procedures for the new legislation and how the act will be interpreted.

Ms. Adamson noted the roll out and implementation will require a rule making process and that some of DWR's changes have already started.

Director Meyer referenced a motion passed by the Board at the last meeting to do a peer review of supplemental supply options and noted the work plan suggests a peer review of the financing. He wanted that to be clarified.

Director Daniels stated he made that motion and that was not his intent. The intent was to do peer review on the entire plan, not just the finances.

Ms. Adamson will review the recording of the meeting to clarify. If the motion is not clear, Director Daniels would like the item re-agendized to make the proper motion.

6. ADMINISTRATIVE BUSINESS

- 6.1 Resolution Amending the District's Conflict of Interest Code Embodied in Resolution No. 08-35
No discuss was held.

MOTION: Director Daniels: Second; Director Jaffe: To adopt Resolution No. 14-30 amending the District's Conflict of Interest Code to include the position of Human Resources Manager and amending Resolution No. 78-14 and direct staff to forward the amended Code to the County Board of Supervisors for final approval. Motion passed unanimously.

6.2 Direction to Staff - Proposition 218 Process for Conservation Plus

Ms. Adamson reviewed the options for ending the Prop 218 process. If the Board wants to completely terminate the 218 process a public hearing does not need to be held.

Public comment:

Diane Eidi expressed concern that the Prop 218 notices that went out may have been ignored by customers because of the discussions of the Board to rework the conservation program. This would be unfair to those who may have wanted to vote but have heard the program, as presented, is not going forward. She feels it is deceptive to customers to go forward with a Prop 218 vote at this time.

After discussion and input from legal counsel the Board agreed to cancel the Prop 218 process.

MOTION: Director Jaffe; Second; Director Meyer: To direct staff to cancel the public hearing and the Proposition 218 process. Motion passed unanimously.

Notification of termination of the Prop 218 process and public hearing will be published in the Santa Cruz Sentinel as well as on the District website.

7. **STATUS REPORTS**

7.1 Conservation Customer Service Field – Oral

Mr. Duncan reported on the following:

- He attended a field trip to Santa Barbara with the Santa Cruz/Aptos Chamber of Commerce.
- Staff has been busy meeting with developers with projects moving forward.
- Staff is working with the County to refine their data base search for remodels.
- Staff is working with WaterFluence on landscape water budgets.
- 125 violation notices for water waste have been issued.
- Turf rebates are 5 times higher than past years.
- Retrofits on resale - 40 non-compliance letters have been issued.
- Outreach is going strong with 400,000 gallons of conservation commitment from the County Fair.
- Staff has 13 outreach events over the next two months.

7.2 Engineering

Mr. Dufour reported the following:

- McGregor Drive pump station is moving forward.
- The Aptos pump station will be going out to bid.
- The Aptos Jr. High well is complete. There is a delay in getting the pumps. They should be installed early next year.
- The O'Neill iron and manganese treatment plant is moving forward. The vertical wall will be screened with vegetation when finished.
- The permit amendment from the State for Chrome 6 treatment has been received. Later this month the first water will be treated. Mr. Dufour invited the Board and the public to contact him if they would like a tour. This is the first permit issued in the State.

Director Meyer asked if the treatment level of 2 parts per billion (2 ppb) can be achieved.

Mr. Dufour responded that it is source-water quality specific from each well's raw water. The Bonita well and Seascape well will begin pilot testing. The goal is to achieve treatment to the stated level.

7.3 Operations & Maintenance

Ms. Mead reported the following:

- The Main Street well pump was ordered last month but won't ship until December. The interior coating of the filter vessels and the reaction tanks is degraded and will be recoated before the pump arrives. The filter media will also be replaced at that time.

7.4 Finance - None

7.5 Human Resources – Oral

Ms. Hart reported the following:

- Open enrollment for health benefits begins this week.
- The second quarterly labor management meeting with SEIU is scheduled.
- Recruitment is underway for a construction/maintenance worker to fill a vacancy.
- New job descriptions are being developed for positions not related to Conservation plus. The two positions, which are included in this year's budget, are for public outreach agency-wide and water quality well monitoring.

7.6 District Counsel – Oral

Ms. Rein reported the following:

- Michael Boyd's lawsuit has been moved to the appropriate court. In approximately 60 days there will be a briefing process. Mr. Boyd will have to file the first brief.

7.7 General Manager – Oral

Ms. Adamson reported the following:

- Groundwater legislation was signed today as reported earlier by Director Daniels. Staff is looking at what this means for the District, evaluating basin management planning, and the implications of creating a countywide agency.
- The USGS will be presenting a proposal for determining a seawater interface at the BIG meeting next week. Stanford will be moving forward with their project in October. If approved by the BIG, it will come back to the Board for approval. This project will be cost shared with the City of Santa Cruz.

8. **WRITTEN COMMUNICATIONS AND CORRESPONDENCE**

8.1 Email from Elena Laborde regarding water restrictions

Director Daniels commented on Ms. Laborde’s letter. He would like to see a breakdown of the \$1500-\$2000 costs as quoted for landscape meter installation.

Mr. Dufour will bring the information back to a future meeting.

9. **CLOSED SESSION** – None

10. **ADJOURNMENT**

President LaHue adjourned the meeting at 8:12 p.m. to the next scheduled Special Meeting on Tuesday, September 30, 2014.

SUBMITTED BY:

APPROVED BY:

Karen Reese, Board Clerk

Thomas R. LaHue, President