

**Special Meeting
May 30, 2006
12:33 p.m.**

The Board of Directors of the San Benito County Water District convened in special session at 12:33 p.m. at 30 Mansfield Road, Hollister, CA. Board Members present were President John Tobias, Vice-President Bob Swanson, Directors Ken Perry, Sonny Flores and Frank Bettencourt. Also present District Manager/Engineer John S. Gregg, Deputy District Engineer Jeff Cattaneo, District Counsel David E. Pipal, and Barbara L. Mauro, Office Specialist II.

CALL TO ORDER

The meeting was called to order by President John Tobias at 12:33 p.m.

a. Pledge of Allegiance to the Flag.

President Tobias led the Pledge of Allegiance to the Flag.

1. Review and Approve the District response to the San Benito County Civil Grand Jury Report for the City of San Juan Bautista Water System Funding Issue/Investigation, dated February 28, 2006.

President Tobias asked the Board Members to review the information on their desks pertaining to this issue prior to discussion. President Tobias asked Mr. Pipal to speak on this subject. Mr. Pipal began by explaining that this is the draft for the mandatory response to the Civil Grand Jury, after comments from the Board, it will be put in final form and in today's mail, as today is the deadline.

Regarding item 1, the City of San Juan Bautista's claim they have an allocation of San Felipe Water, as per Mr. Gregg they do not have a contract and we are unable to find a commitment to an entitlement of water for them. Mr. Gregg continues that the District has an M& I Allocation Policy in the water user's handbook that would provide up to 1.2 acre feet for an M& I customer and they (City of San Juan Bautista) are not and he recommends stating that currently the City does not have an allocation of San Felipe Water. Mr. Gregg also suggests adding a sentence that listed upgrades do not include street improvements which are a major part of the grant and source of funding for the City. Mr. Gregg stated that the City lists \$750,000 is coming from the State of California Transportation Improvement Fund but he reminds the Board that these funds are earmarked for street improvements only and wishes to have that obligation of the City be on the record.

Regarding item 2, Mr. Pipal states the District's position is of fiscal responsibility and remains our primary concern. Mr. Pipal states that the District does not want to expend funds from the District's rate payers and taxpayers without knowing our money is secured and that the project will be completed. The City has been asked to give assurances regarding the funds, that they are able to secure matching funds, as well as the feasibility to their ratepayers, which Mr. Pipal states we have not received a response on any of these issues. Mr. Pipal finds the charge made by the Grand Jury regarding non-disclosure unfair, as the District has always been open on this subject. Also, Mr. Pipal reported that the Grand Jury only spoke to President Tobias rather than members of the negotiating committee or staff who were involved.

Mr. Pipal then addressed the Grand Jury's recommendations. Mr. Pipal states that the direction of the Grant has changed and the City has a new proposal now where the District would give the City \$2,000,000.00 and be removed from the Grant, therefore we will not be implementing their recommendations.

President Tobias asked for comments and Vice President Swanson stated that he would like to remove the first sentence of the final paragraph because he doesn't like how this situation has been handled by the Grand Jury. Mr. Pipal did state that the Grand Jury put in a lot of time and effort. Director Bettencourt stated the District has put many years into this project and has tried to negotiate for some time with the City. Mr. Pipal states that the wording of the response is up to the Board. Vice President Swanson stated that Mr. Pipal, Mr. Gregg and everyone else involved, did a good job in responding, but he just didn't like the way the Grand Jury handled it. Mr. Pipal states that in addition to the written response, we should attach the pertinent data, including all correspondence and it should be directed to the Judge rather than the foreman of the Grand Jury as directed by law.

With a motion duly made by Director Perry and Seconded by Director Bettencourt, The Board of Directors of the San Benito County Water District move to approve the Response to the Civil Grand Jury Report for the City of San Juan Bautista Water System Funding Issue/Investigation, dated February 28, 2006, with the removal of the first sentence, last paragraph and the changes suggested by Mr. Gregg and it was unanimously approved.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:47 p.m.

Minutes were approved June 28, 2006 at the Regular Board Meeting and signed by the presiding board member.

/s/John Tobias
John Tobias, President

/s/Barbara Mauro
Barbara Mauro, Secretary