

**June 27, 2007**  
**Regular Meeting**  
**7:31 p.m.**

The Board of Directors of the San Benito County Water District convened in regular session on Wednesday, June 27, 2007 at 7:31 p.m. at the San Benito County Water District office at 30 Mansfield Road, Hollister, California. Members present were: President Robert Swanson, Vice President Frank Bettencourt, Directors John Tobias and Sonny Flores. Director Perry was absent but Director Tobias stated he would arrive later. Also present were District Manager/Engineer John S. Gregg, District Counsel David E. Pipal, Administration and Finance Manager Shelley Giancola, Operations and Maintenance Manager Dave Meraz, Consultant Sara Singleton, Water Programmer II Anne Stull, Office Specialist II Kathy Hill and Office Specialist II Barbara L. Mauro.

**CALL TO ORDER**

President Swanson called the meeting to order at 7:31 p.m.

**a. Pledge of Allegiance to the Flag**

President Swanson led the Pledge of Allegiance to the Flag.

**b. Approval of Agenda**

Prior to entertaining a motion, Mr. Gregg stated Item #8, regarding the lease agreement for 10 Mansfield Road, needed to be removed from tonight's agenda. With that item removed, a motion was made by Vice President Bettencourt and seconded by Director Tobias and the Agenda was unanimously.

**c. Public Input: Members of the Public are Invited to Speak on any Matter not on the Agenda**

There was no public input.

**CONSENT AGENDA:**

**1. Approval of Minutes for: May 30, 2007 – Regular Meeting**

**2. Allowance of Claims**

Vice President Bettencourt asked what the item for SBC Administration was and Mr. Gregg stated it was the District's portion of the GIS System, as per the MOU approved by the Board.

With no further questions, a motion was made by Director Tobias and seconded by Director Flores and the Consent Agenda was unanimously approved.

**REGULAR AGENDA:**

**3. Reiter Berry Farms Request for Additional San Felipe Water**

Mr. Daniel Balbas attended the meeting representing Reiter Berry Farms. Mr. Balbas stated Reiter Berry Farms has been in the San Juan Valley for approximately three years, leasing two properties to grow raspberries. Mr. Balbas

also introduced Sebastian Guillen, who runs their San Juan operations. Mr. Balbas stated one of these properties does not have a well and they are going to run out of water. Mr. Balbas stated they employ approximately 150 employees for eight months a year. Mr. Balbas reported they were able to purchase additional water last year, but is concerned this will not be available for them this year. In their letter, Mr. Balbas stated they asked for 170 acre feet of additional water, but they have done further calculations and he feels they can revise this amount to 150 acre feet.

Mr. Gregg stated Mica Nitschke has worked with Reiter Berry and they run an efficient operation with careful attention to detail. Mr. Gregg also stated the District limits transfers into the San Juan Valley, due to the high groundwater. Mr. Gregg stated there are two issues: 1) Do we have the water and 2) Will this be the only company who will be short or will there be others. Mr. Gregg stated the Board may consider appointing a committee to review this issue, as the District is already 1000 acre feet over committed. Also, Mr. Gregg stated some options are to purchase additional water from outside sources, consider drawing down San Justo or change the balance of storage between Ag and M & I at San Justo. Mr. Gregg stated we need to determine a fair and uniform way to handle these shortages.

President Swanson asked if the Bureau is offering any extra measures for these shortages and Mr. Gregg stated not at this time. President Swanson stated he will appoint an Ad Hoc Committee and if anyone is interested in attending these committee meetings, they should leave their information with the District to be notified. Mr. Gregg stated a meeting could be held possibly the end of the second week of July. Also, Mr. Balbas stated they are looking to drill a well, however; they are not the property owners so they are trying to work out the details. President Swanson did state the last time the District allotted "hardship" water, requests were turned in and they were given water by crop/need, as staff blanked-out the names so it was done anonymously.

**4. Request of Willoughby Farms, Inc. to Transfer Water into District Service Area**

Mr. Fred Willoughby of Willoughby Farms stated he has been farming for fifteen years in the San Juan Valley. Mr. Willoughby stated they would like permission to purchase water from an outside source so they do not have to use groundwater. President Swanson stated this item will need to go to committee, like item #3. President Swanson asked how much water they would need and Mr. Willoughby stated they will need the 85% allocation plus may need additional water. President Swanson asked Mr. Willoughby to also leave his name to be contacted for the committee meeting.

*(Director Perry arrived at 7:50 p.m.)*

**5. Request District Consent of the Proposal from Tres Pinos County Water District Regarding an Emergency Interconnection between Tres Pinos County Water District and CSA 31 (Stonegate)**

Ms. Pamela Alvarado, who is the manager of the Tres Pinos Water District, addressed the committee on this item. Ms. Alvarado stated there is a misunderstanding regarding their letter. This item is for emergency use ONLY, but not an emergency situation. Ms. Alvarado stated the two situations would be: 1) If the Blue Valve fails, they would need a back-up connection and 2) Fire Protection. President Swanson asked Ms. Alvarado if they have made contact with the SBC Board of Supervisors and she stated they have not. Ms. Alvarado stated letters have gone to Jan Swaggert of DHS, John Gregg of SBCWD and the Fire Department. President Swanson stated he will form a committee to review this item and suggested anyone interested should leave their information so they can be advised of the meeting date(s). Also, President Swanson stated he felt the County holds jurisdiction at Stonegate and Mr. Gregg stated operationally, the county is responsible for Stonegate and the County holds the permit. A former board member, Bobby Frusetta, agreed that something should have been done a long time ago. Director Tobias asked before the District gets too far into this item, that Stonegate advises the District of their position in all of this. Director Swanson stated he felt a representative from Stonegate as well as the City would be important at the committee meetings.

**6. Authorize Notice of Intent to Apply for Proposition 50 Grant Funding for Harmony Hills Water System**

Mr. Gregg reported that on behalf of the Harmony Hills Water System, the District has applied for state revolving fund loan for water system improvements and recently the District received an invitation to apply for Prop 50 Grant money. Basically, Mr. Gregg stated it is the difference between a loan and a grant. The Grants Committee, as reported by Mr. Gregg, has recommended filing the Notice of Intent for the Prop 50 Grant funds. Both Vice President Bettencourt and Director Perry recommend going forward and Director Perry stated the cost to proceed should be under \$1000. Upon a motion made by Director Perry and seconded by Vice President Bettencourt, the San Benito County Board of Directors unanimously authorized Mr. Gregg to sign the Notice of Intent to Apply for Proposition 50 Grant Funding for Harmony Hills Water System.

**7. Consider Approval of the Purchase of the Modular Building from the Home Church of Hollister for \$10,000**

Mr. Gregg stated an Ad Hoc Committee was formed with Directors Tobias and Perry for this item. The Home Church has offered to sell the modular building to the District. Director Perry stated the Church wanted more and the committee negotiated the price to \$10,000. Also, Director Tobias added if the District can rent this building along with the office space, it would be worthwhile. Upon a motion made by Director Tobias and seconded by Director Perry, the San Benito

County Board of Directors unanimously approved the Purchase of the Modular Building from the Home Church of Hollister for \$10,000.

**8. Authorize District Manager to Execute Lease Agreement for 10 Mansfield Road with Liberty Christian Church**

This item was removed from the agenda, as per Mr. Gregg.

**9. Consider Resolution Confirming District Policies Regarding Restriction and Designation of District Net Assets/Cash**

Mr. Gregg gave an overview. Mr. Gregg stated he would be referring to items in Exhibit A from the Resolution before the Board. The first change, as per Mr. Gregg, is a change in the language to provide an exception that Cash may be separated or combined, as per the Board's wishes. Additionally, Mr. Gregg reported a change in the Reserves regarding the operation of Zone 3; the revenue is no longer restricted. The next item, relates to the new water contracts for the District. Mr. Gregg stated previously the District had two funds for future payments of repayment obligations, one for Irrigation and one for M & I. Going forward, Mr. Gregg stated there will be a fixed repayment obligation which allows more flexibility and establishes a single fund which will be restricted and be called Reserve USBR Capital Repayment and Rate Management Reserve. Interest from this fund, Mr. Gregg stated would be allocated first to paying the interest due twice a year and any remainder would be returned to the fund. Subsequently, when the repayment amount exceeds the interest amount, the District would draw the additional amount from the fund. Mr. Gregg stated the documentation given to the Board gave background on this issue, particularly the \$1.8 million the District receives yearly in land taxes. The next change is the designation of funds for USBR Renewal Charges and Mr. Gregg stated in 1997, the District entered into negotiations for a new contract. If the District failed to negotiate or execute a new contract, the District would be charged 1 ½ times the environmental delivery charges of either Ag or M & I Water delivered. Mr. Gregg stated at that time, the Board set aside that amount of money for that purpose. Mr. Gregg stated the committee and staff recommend these funds move to Reach 1 with SCVWD, as an initial down payment for maintenance and repair, specifically the replacement of the adjustable speed drives which have an anticipated cost of \$2 million. Mr. Gregg stated a "purpose" section has been added relating to the District's Net Assets. President Swanson asked about the movement of money to Reserve regarding Reach 1, these funds do not go to Santa Clara and Mr. Gregg stated these monies are under the sole management of the District, not Santa Clara. President Swanson asked if this item could wait until July and Mr. Gregg stated the District's fiscal year ends on June 30, 2007 so he would have to ask the auditor if it could be retroactive. Vice President Bettencourt stated he doesn't see a problem moving the funds and is comfortable with it. Director Tobias added the Investment Committee has also reviewed this item and is satisfied with it. With no further discussion, a motion was made by Director Flores and seconded by Vice President Bettencourt to approve Resolution #2001-11, *A Resolution of the San Benito County Water District*

*Board of Directors Confirming District Policies Regarding Restriction and Designation of District Net Assets/Cash* was unanimously approved.

**10. Committee/Agency Representative Reports:**

- a. San Luis Delta Mendota Water Authority (Perry/Tobias)**  
As per Director Perry, there is nothing to report.
- b. Pajaro River Watershed Flood Prevention Authority (Flores/Bettencourt)**  
As per Director Flores, there wasn't a meeting this month.
- c. Audit/Budget Committee (Bettencourt/Flores)**  
As per Director Flores, there is nothing further to report.
- d. Grants Committee (Bettencourt/Perry)**  
As per Director Perry, there is nothing to report.
- e. Wastewater Treatment and Reuse Committee (Tobias/Perry)**  
As per Director Perry, there is nothing to report.
- f. Personnel Committee (Swanson/Perry)**  
President Swanson directed this item to Shelley Giancola. Ms. Giancola stated the District hired a Water Programmer I, Diane Wilks, who began employment on June 25<sup>th</sup> and she will be working with Anne Stull, in the water office.

**11. District Manager's Report**

- a. CVP and San Felipe Distribution System Water Supply**  
Mr. Gregg stated we began the year by assuming some risk by the initial allocation given, which resulted in the District operating at a 1000/acre feet deficit. Mr. Gregg stated there are two ways to recover that: 1) Draw down San Justo or 2) Portion of storage at San Justo of allocation is M & I and the District could increase that allocation to cover the deficit with the offset. Mr. Gregg reported either of these can affect next year's water as well as cause a cost impact for the District. Mr. Gregg stated recently there were voluntary shut-downs based on the Delta Smelt working group. Discussion was had regarding rationing of the delivery allocation by 30%. Mr. Gregg stated this was followed by the filing of a temporary restraining order which was not granted, thus the pumps are working at/near capacity at this moment. Mr. Gregg discussed the San Luis low point; the current forecast is 300,000 to 200,000 acre feet by September 2007. Mr. Gregg stated the issue for the District would be problems with algae and sediment as well as taste and odor issues. Mr. Gregg stated staff proposes to have a Water Users Meeting in the late afternoon of July 12<sup>th</sup> to discuss these issues with our customers. Also, Mr. Gregg stated representatives from San Luis Delta Mendota Water Authority will be attendance at the meeting.

**b. SBCWD FY 2007-2008 Budget**

Mr. Gregg stated the remaining budget issues should be addressed with the committee in early July, hoping to have committee recommendation to the Board at the July Board Meeting.

**c. SBCWD FY 2006-2007 Audit**

Mr. Gregg stated staff anticipates completing the work with the auditor by the second week of July and it will be an issue of timing, if all can be resolved in time for the July Board Meeting.

**d. San Felipe Division Reach 1 Condition Assessment**

Mr. Gregg stated the District's concern is that the right things are being done at the right time. Mr. Gregg reported this was an important part of the Bi-Lateral Agreement with Santa Clara. Mr. Gregg stated there will be an outage of approximately 1 month in late November, early December to review conditions of the facilities and conclusions will be drawn from these. Mr. Gregg stated the maintenance plan that emerges from these inspections will be very important to the District. Mr. Gregg gave an overview of pipeline and how it is placed in the ground. Mr. Gregg stated damage/deterioration of the pipeline is extremely important as the nature of the pipeline is that it doesn't leak they blow up. President Swanson asked if Mr. Gregg was referring to inspections inside the tunnel and Mr. Gregg stated inside the tunnel and inside the pipeline. President Swanson asked if the pipeline would be checked to bifurcation and Mr. Gregg stated yes.

Mr. Gregg reported he spent the day at SCVWD interviewing independent consultant teams for this assessment. Director Tobias asked to go back to item 11 (a) if the District has pursued additional water supplies and Mr. Gregg stated no we have not aggressively looked at that but he has initiated contact with Santa Clara on this subject. Director Tobias also asked if we can use any additional capacity storage on San Justo this summer and Mr. Gregg stated he did not feel the Bureau would allow it at this time.

**12. Adjournment**

There being no further business, the meeting was adjourned at 8:31 p.m.

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*Minutes were approved at the July 25, 2007, Regular Board meeting and signed by the presiding board member.*

/s/Robert M. Swanson  
Robert M. Swanson, President

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