

**July 25, 2007**  
**Regular Meeting**  
**7:31 p.m.**

The Board of Directors of the San Benito County Water District convened in regular session on Wednesday, July 25, 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, Ken Perry and Sonny Flores. Also present were District Manager/Engineer John S. Gregg, John O'Brien was present as District Counsel in Dave Pipal's absence, Administration and Finance Manager Shelley Giancola, Accountant Natalie Sullivan, Operations and Maintenance Manager Dave Meraz, Irrigation Engineer Mica Nitschke, Consultant Sara Singleton, Consultant Harry Blohm, Water Programmer II Anne Stull, 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**  
President Swanson requested item number 11 (a) regarding the Harmony Hills Water System be moved up to the first item under the regular agenda. With that notation, a motion was made by Director Flores and seconded by Director Perry, the Agenda was unanimously approved.
- 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: June 20, 2007 – Special Meeting  
June 27, 2007 – Regular Meeting  
July 11, 2007 – Special Meeting**
- 2. Allowance of Claims**
- 3. Acceptance of Quarterly Investment Report for Period Ending June 30, 2007**  
Upon a motion made by Director Flores and seconded by Director Tobias, the Consent Agenda was unanimously approved.

**REGULAR AGENDA:**

- 11. a. Harmony Hills Water System**  
Mr. Gregg gave a brief review of the situation of the Harmony Hills water system. Mr. Gregg stated there continues to be a water shortage at Harmony Hills, which is a rural water system. Mr. Gregg stated this item came to the District because it was in non-compliance with DHS and DHS considered putting the system into receivership. Mr. Gregg stated the system is on a continuous boil order. The system is old and has a

reduced flow due to its pipeline and Mr. Gregg stated Dave Meraz, the District Operations and Maintenance Manager, will give a report on its current status.

Mr. Meraz stated a combination of a couple dry years and mechanical problems have lead to the current situation. Regarding mechanical problems, the District performed some work on the Park Well in June 2007. 2-3 weeks ago, some tampering/vandalism occurred which affected the system, per Mr. Meraz. In order to maintain the water level, the District began hauling in water. Mr. Meraz also reported that on July 9<sup>th</sup>, all the meters were installed at Harmony Hills. These meters will give the District the ability to gather data. Due to the ongoing water shortage, Mr. Meraz stated the Board passed Ordinance 44 giving the District the tools to enforce rationing, etc. Mr. Meraz stated the District will be working with DHS going forward.

Director Perry asked how many supply tanks there are and Mr. Meraz stated there are several plastic 5000 gallon tanks. Director Perry asked if any additional meters are needed and Mr. Meraz stated only one at the bottom of the spring. Director Perry asked how many occurrences of vandalism there has been and Mr. Meraz stated there has been two. President Swanson asked if each homeowner had a 5000 gallon tank and Mr. Meraz stated only 4-5 homeowners have these tanks. President Swanson asked if they should have water floats and Mr. Meraz stated the District intends to do a water audit and give the homeowners a schedule for filling their tanks. President Swanson stated this item is not agendized but is part of the Manager's report and can only be discussed with the Manager and not directly with the Board.

Mr. Gregg stated there are two paths for this item: 1. Administration of the Emergency Ordinance which would include the storage tanks and landscape/irrigation plan and 2. System Losses. Currently the budget shows a loss of \$3,000 which does not include recent expenses. Mr. Gregg stated the existing rates have not changed in the last two years and with the installation meters, at a cost of \$8,000, we are operating this system at an \$11,000 loss. Mr. Gregg stated there was a homeowner's meeting last week, which Director Perry attended. Mr. Perry is requesting a Rural Water Committee Meeting. Following this meeting, Director Perry has requested a meeting with the homeowners. Mr. Gregg stated the District's intention of scheduling regular homeowner meetings.

A Harmony Hills Homeowner (did not give her name) asked exactly what was being vandalized and Mr. Gregg stated he did not wish to answer that question. Dean Machado asked if the District plans to hold regular meetings and Mr. Medland stated the first meeting was cancelled. Director Perry stated a letter to all homeowners will be going out asking for two homeowners to meet with the committee and report back to the other homeowners. Mr. Medland stated he felt there had been an agreement to have a meeting on August 1<sup>st</sup> and wanted to know why it was cancelled. Mr. Gregg stated the original plan was to make a presentation to the homeowners, the financial conditions, problems, etc. and this was altered by the homeowners inviting one of the Board Members to their meeting. The report on Tuesday will be options, status of loan/grant applications and interim actions for improvements, stated Mr. Gregg. Mr. Medland asked why the committee meeting was never held and Mr. Machado asked for clarification of the

meeting for next week, as he feels all of the homeowners should be included. Mr. Gregg stated the committee requested a review and will direct staff on how to proceed. Director Perry stated two representatives from the homeowners will be requested to attend the upcoming committee meeting. President Swanson stated the Rural Water System Committee Meeting will be July 31<sup>st</sup>, 4:00 p.m., it will be the two committee members (Swanson/Perry), staff and two homeowners representing Harmony Hills. President Swanson stated it will be determined at this meeting, when a meeting will be held for all homeowners.

#### **4. FY 05-06 Audited Basic Financial Statements**

##### **a. Presentation by Brown, Kaufman and Associates**

Patricia Kaufman attended the meeting representing Brown, Kaufman and Associates. The Audited Financial Statement is for June 30, 2006 and in Ms. Kaufman's opinion the District has a clean opinion and an accurate representation. Ms. Kaufman stated the last three pages of the Financial Statement are represented by Zone. Ms. Kaufman stated a selection of items were audited and regarding internal controls, there are no significant deficiencies. Ms. Kaufman commended the efforts of the Audit and Budget Committee as well as the accounting staff. Vice President Bettencourt stated there is a good break down in the draft. Mr. Gregg thanked Ms. Kaufman for her work with staff and for her patience with the District.

##### **b. Consider Acceptance and Authorize Distribution**

With no further questions, a motion was made by Vice President Bettencourt and seconded by Director Flores, the FY 05-06 Audited Basic Financial Statements were unanimously accepted and the Board of Directors authorized distribution.

#### **5. Consider Approval of FY 07-08 District Budget**

Mr. Gregg stated the Budget was developed with the Audit and Budget Committee and District staff. Mr. Gregg reported that both the staff and Committee recommend the budget. Mr. Gregg stated some important items in this budget are: Development of an Action Plan for San Justo Reservoir and Continuing Hydrogeologic Studies. Mr. Gregg stated as District Manager/Engineer, he recommends the Board should view San Justo as a high priority item. Mrs. Singleton continued with review of the change in Cash Position. Mrs. Singleton pointed out the two components which are the Statement of Activities and the Capital Budget. Mrs. Singleton also referred to the Rural Water System and the deficit at which it is operating at. As Mr. Gregg had referred to earlier, Mrs. Singleton stated the District may do an assessment review which would require a Proposition 218 process to change the rates. Mrs. Singleton stated the Change in Cash, in this budget, shows an increase of \$1.5 million. Transfer fund designation would be for replacement of equipment and a new billing system. Transfers to restrictions will be for Reach 1 reserves called for by the Board policy. Transfers from restrictions are for repayment of the interest for the Amendatory USBR Contract and the Reach 1 obligations. Mrs. Singleton stated the net impact of Cash would be \$427,000. Mrs.

Singleton referred to the graph showing Restricted, Designated and Undesignated Funds and how they relate to this budget. Mr. Gregg asked if the Board wished to proceed with the Budget page by page or staff can respond to questions. As per the Board, staff can respond to questions. Director Tobias asked about the Line of Credit from the State of California, and Mrs. Singleton stated it needs to appear as an expense because it is a source of funds. With no further questions, a motion was made by Director Flores and seconded by Vice President; the Board of Directors of the San Benito County Water District unanimously approved the FY 07-08 Budget.

**6. Consider Approval of Resolution Establishing a Policy for Inter-District Water Transfers for the 2007-2008 Water Contract Year**

With no questions from the Board, a motion was made by Director Perry and seconded by Director Tobias, Resolution No. 2007-12 *A Resolution of the San Benito County Water District Board of Directors* was unanimously approved Establishing a Policy for Inter-District Water Transfers for the 2007-2008 Water Contract Year.

**7. Review of Contract with the State of California for Irrigation Equipment Improvement Program (Low Interest Lease/Loan Program) Contract # 06-434-550-0 (\$3 million)**

Mica Nitschke explained a recent development regarding this program. Mrs. Nitschke stated there is an issue with the interest rate, whether it is 2.4% or 2.6%. Mrs. Nitschke reported she was unable to confirm this prior to tonight's meeting. Going forward, the Board could accept the change, knowing the interest may be 2.6%, Mrs. Nitschke stated. Mrs. Nitschke reviewed the program and where the District is at this point. Mrs. Nitschke reported there are 26 farmers on the waiting list so far. Mrs. Nitschke stated each participant will be required to fill out a memorandum of lease. Regarding security, the blue valve customers could have their water shut off for non-payment and non-blue valve customers will have to provide a deed of trust to the District and a security deposit as well. Mrs. Nitschke stated, once approved, advertisements will begin in the local newspapers as well as in newsletters. Additionally, a committee will need to be assigned to oversee this program. Mrs. Nitschke stated the action for the Board tonight would be to accept this contract between the State of California and the District and assign it to a committee. Vice President Bettencourt asked to clarify the farmers have a five year obligation and the District has a 15 year obligation and Mrs. Nitschke stated we hope to use this program as a revolving fund, essentially the District could loan the funds out three times. President Swanson asked what action is required of the Board tonight and Mrs. Nitschke stated the Board has already authorized the District Manager to sign this document, but the Board would need to accept the contract. Director Tobias, a member of the Investment Committee, stated the Investment Committee wasn't passing on this item, the Committee felt the Board should discuss it. President Swanson assigned this item to the Investment Committee and asked for motion for the contract. Upon a motion made by Director Tobias and seconded Director Flores, the San Benito County Board of Directors unanimously approved the Contract with the State of California for Irrigation Equipment Improvement Program (Low Interest Lease/Loan Program) Contract #06-0434-550-0 (\$3 million). Mr. Gregg concluded by explaining the process for contracts going through the State are often long and complicated.

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

Mr. Gregg stated the Ad Hoc Committee (Tobias/Perry) reviewed the lease and recommend it for Board approval. As per Mr. Gregg, this lease has been reviewed and approved by District Counsel. Upon a motion made by Director Tobias and seconded by Director Perry, the Board of Directors of the San Benito County Water District unanimously Authorize District Manager to Execute Lease Agreement for 10 Mansfield Road with Liberty Christian Church.

**9. Consider Approval of District Manager Employment Contract and Employee Appointment for Lance Johnson**

President Swanson stated the District has an employment contract for Lance Johnson as a replacement for John Gregg's position, as Mr. Gregg intends to retire on August 10, 2007. The Contract has been reviewed by District Counsel, as per President Swanson. With no further questions or comments a motion was made by Director Perry and seconded by Vice President Bettencourt, the Board of Directors of the San Benito County Water District unanimously Approved the District Manager Employment Contract and Employee Appointment for Lance Johnson.

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

**a. San Luis Delta Mendota Water Authority (Perry/Tobias)**

As per Director Perry, there was nothing to report.

**b. Pajaro River Watershed Flood Prevention Authority (Flores/Bettencourt)**

As per Director Flores, there was no meeting.

**c. Audit/Budget Committee (Bettencourt/Flores)**

As per Directors Bettencourt and Flores, there was nothing further to report.

**d. Grants Committee (Bettencourt/Perry)**

As per Director Perry, there was nothing to report.

**e. Investment Committee (Flores/Tobias)**

As per Director Tobias, there was nothing to report.

**f. San Benito River Committee (Swanson/Perry)**

As per Director Perry, there was nothing to report.

**g. Wastewater Treatment and Reuse Committee (Tobias/Perry)**

As per Director Tobias, there was a meeting today with the City of Hollister which gave the District some updates and will require future meetings. As per Mr. Gregg, the District has provided comments to the County regarding Earthbound Farms; the District will have to approve any Title 22 water on their property.

**h. Personnel Committee (Swanson/Perry)**

As per Director Perry, there is nothing further to report.

**11. District Manager's Report**

**a. Harmony Hills Water System (See first item, Regular Agenda)**

- b. Bi-Lateral Agreement with Santa Clara Valley Water District**  
Mr. Gregg reported the Bi-Lateral Agreement included Reserve Accounts for maintenance and capital on Reach 1 and rate management reserves. In the District Policy, the Board has addressed designation of funds for this agreement. Mr. Gregg stated this agreement calls for a joint review and a meeting was held for that purpose this past week. Additionally, regarding the condition assessment that is required, RANC Consultants has been secured for this purpose. Mr. Gregg stated the outage for Reach 1 is planned to begin on Thanksgiving weekend and proceed for one month. Mr. Gregg stated they will be visually inspecting the pipeline and tunnel. During the September low point, Mr. Gregg stated there may be a need to ration water due to maintenance issues. Mr. Gregg stated this shows that Santa Clara is behind in the maintenance of Reach 1. President Swanson asked if we had input on the selection of the consultant and Mr. Gregg stated we had. Also, President Swanson asked if the assessment will start at turbine 1 and go to the Bifurcation and Mr. Gregg stated it will actually go further and it will be a very thorough inspection. Mr. Gregg also reported on the Santa Clara Valley Water District Drainage Settlement. The negotiations would include the transfer of ownership, including the reservoir to San Luis Unit's Districts and a JPA has been formed to oversee this. Mr. Gregg recommended the Board form a committee to oversee this important item. Westlands Water District and San Luis Contractors are putting significant pressure on government officials and Mr. Gregg feels these two groups may not have the best interests of the San Felipe division in mind.
- c. Water Users Meeting**  
Mr. Gregg asked Mrs. Nitschke to address this item for the Board. Mrs. Nitschke stated this meeting was held on July 12<sup>th</sup> and was well attended. Mrs. Nitschke stated we had more than 40 of the local growers as well as Director Bettencourt in attendance. Mrs. Nitschke reviewed for the Board the items staff presented at this meeting. Mrs. Nitschke stated one item she presented was the date, August 21<sup>st</sup>, for the next hearing regarding the Delta Smelt issue. In addition to District staff, Tom Boardman of the SLDMWA was in attendance. Mr. Boardman discussed issues relating to San Luis and offered his projections. Mrs. Nitschke stated the final component of the meeting was a question and answer session which went well.
- d. Hernandez Dam**  
Mr. Gregg stated there is necessary maintenance needed on the spillway; one of the river outlet valves does not close completely. Mr. Gregg stated URS has been hired by the District to inspect the dam and they will be making a visit tomorrow. URS, per Mr. Gregg, will recommend methods and materials to accomplish the necessary repairs. Additionally, URS will inspect the site for crew safety and support and Mr. Gregg explained the safety measures that will be necessary for these repairs. President Swanson asked if the repairs will be accomplished using District crews and Mr. Gregg stated yes. President Swanson asked Mr. Gregg to speculate on the cause of the problem with the pump and Mr. Gregg stated he is

unable to speculate on the cause. Mr. Gregg stated a goal will be to refill Paicines Reservoir to approximately 1000 acre feet. President Swanson asked about the seepage problem brought to the attention of the Board recently and Mr. Gregg stated the problem has gone away but may return when we return flow to that area.

**e. San Justo Dam & Reservoir**

Mr. Gregg reminded the Board of his opinion on the importance of the District having an Action Plan for San Justo with the Bureau. Mr. Gregg stated the Investment Committee has considered perhaps the acquisition of San Justo at a reduced amount as damaged goods but that would mean assuming responsibility and dealing with DSOD instead of the Bureau. Mr. Gregg stated URS has completed a draft work plan last year and they are currently updating this work plan and it will be ready to present to the Board in August or September.

President Swanson expressed the Board's appreciation for all Mr. Gregg has done for the District and San Benito County. President Swanson stated what has been done during Mr. Gregg's time with the District has been in the best interest of both the District as well as San Benito County.

Mr. Gregg stated when he arrived the budget was only 1 page and now staff has brought the District into conformance with standard practices as they should be. Also, Mr. Gregg stated the District used to use local companies to perform repairs and now our crews are much more capable and perform the majority of the repairs themselves. Mr. Gregg stated the District has come a long way and it was a privilege to be a part of it.

President Swanson thanked Mr. Gregg for his time at the District.

**12. Adjournment**

There being no further business, the meeting was adjourned at 9:05 p.m.

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Minutes were approved at the August 29, 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