

November 13, 2007
Special Meeting
7:32 p.m.

The Board of Directors of the San Benito County Water District convened in special session on Tuesday, November 13, 2007 at 7:32 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 Ken Perry was absent. Also present were District Manager/Engineer Lance W. Johnson, District Counsel David E Pipal, Administration and Finance Manager Shelley Giancola, Operations and Maintenance Manager Dave Meraz, Accountant Natalie Sullivan and Office Specialist II Barbara L. Mauro.

CALL TO ORDER

The meeting was called to order by President Swanson at 7:32 p.m.

PLEDGE OF ALLEGIANCE

President Swanson led the Pledge of Allegiance to the Flag.

President Swanson asked Mrs. Mauro for the proof of mailing; she stated the notification was mailed on September 24, 2007. Mr. Pipal stated, for the record, the law requires notification at least 45 days prior to the hearing and the District has met that requirement.

President Swanson stated Agenda Item 2(b) will need to follow the closing of the public hearing, so it will need to be 3(a) instead. Mr. Pipal added the District must open and close the public hearing prior to consider and validate protest from owners of the affected parcels.

AGENDA ITEMS:

1. History and Background of San Benito County Water District's Involvement with Harmony Hills Water System (Lance Johnson and Jan Sweigert)

Mr. Johnson gave the history and background of the Harmony Hills Water System, utilizing a PowerPoint presentation. Mr. Johnson's presentation included the Resolutions and Ordinances that pertained to Zone 103.

Mr. Johnson stated to date, the District has received 14 letters of protest of which 13 have been validated regarding the proposed rate increase.

Mr. Johnson gave background in regard to surface water regulations. In 1986, the Federal Safe Drinking Water Act was established. In 1990, the Surface Water Treatment Rule was expanded which included small water systems, such as Harmony Hills.

Jan Sweigert, the District Engineer of the Monterey office of the Drinking Water Program (part of the Department of Health Services), cited two significant events as examples as to why there are strict monitoring and testing for public health reasons relating to drinking water. The first event was in 2001 in Canada, which hospitalized 100

people, several people died and this water system was not sufficiently treated or monitored. The contaminant in this case was e coli. The second was in Milwaukee in 2003, which made about 4000 people ill and about 100 people died. The contaminant in this case was Cryptosporidium. This was a large system, which was affected by a pathogen. Ms. Sweigert stated these are examples of why the regulations, testing and monitoring are so vital.

a. Operation History (Dave Meraz)

i. System maintenance, repairs and metering

ii. Monitoring: frequency and cost

iii. Trucking water

Mr. Meraz gave a brief operation history of Harmony Hills, also utilizing a PowerPoint presentation. Mr. Meraz did review the requirements that DHS asks of the District.

b. Financials (Natalie Sullivan)

i. Review of 6/30/07 financial status as presented at the annual meeting on 8/28/07

ii. 7/1/07 through 11/1/07

Mrs. Sullivan gave a review of the financial status as reported at the annual meeting on August 28, 2007 as well an update from July 1, 2007 through November 1, 2007. Mrs. Sullivan also explained the Proposed Rate Charges that are contained in the notice sent to the homeowners. Vice President Bettencourt asked if the billing will be done by hand and Mrs. Sullivan stated yes for now.

c. Grant Application Process

i. Original, overview, results

ii. Revised, status, issues

iii. Low interest loans

Mr. Meraz, again utilizing PowerPoint, gave an overview of where the District stands on Grants, including what the District would use Grant funding for.

Vice President Bettencourt asked Ms. Sweigert if the District has had any violations and she stated there have been no enforcement actions that she is aware of.

2. Open Public Hearing

President Swanson opened the Public Hearing.

a. Receive public comment

1. Gerry Medland—440 Hillside Road

Mr. Medland felt the situation is the consequence of the Board's failure to live up to the commitment to the Harmony Hills customers. DHS presented SBCWD as a candidate and the homeowners felt the District was the expert. The District stated a complete system, including hydrants, for a fee of \$210-\$220/month would be provided. Also, ongoing meetings were to be held and were not. Mr. Medland was most disturbed by a statement made by the District in the last year that it had deliberately decided not to spend money for maintenance. Monthly fees as well as tax assessments were paid and the District did not look after the homeowners and made poor choices, per Mr.

Medland. Mr. Medland also questioned some items in the new rate increase table.

2. Colleen Gibson—6471 San Juan Canyon Road

Mrs. Gibson stated she had issues with the spreadsheet given in tonight's presentation. Mrs. Gibson questioned the cost of trucking in the water, which Mrs. Sullivan stated was the cost of the water as well as wages and other District costs. Mrs. Gibson asked if the tank needed sealing in 2004, why wasn't it done at that time and Mr. Meraz stated the District had hoped to replace the system rather than put money into the old system. Mrs. Gibson expressed frustration as a homeowner that the Board/District made the decision not to improve/maintain the water system.

President Swanson stated the Rates Committee is satisfied with the rate increase proposal.

Director Tobias and Mr. Medland had discussion regarding past issues regarding responsibility on both sides and Mr. Pipal stated tonight's meeting was only to deal with the proposed rate increase.

Mrs. Gibson asked where the 400 gallon/day figure came from and Mr. Johnson stated it was based on production, daily use, and daily demand on a yearly basis. Mrs. Gibson also asked if, in the future, we have a new well, fix the tank, etc., will the District be willing to up the daily limit and is there a state standard for daily amount. Ms. Sweigert reported the state does not have a state standard for minimum water consumption. Mrs. Gibson asked about emergency funding and Ms. Sweigert stated there might be funding regarding connection to the Pearce Well but it would need to include a legal agreement.

3. John Graham—6841 San Juan Canyon

Mr. Graham felt the administrative costs seem high as do the wages. Mrs. Sullivan stated wages are based on time spent on operation and maintenance and water sampling. The administrative costs are the water system's shared costs of office staff, insurance, etc. and are billed strictly on actual costs.

4. Sandra Davidson—6425 San Juan Canyon Road

Mrs. Davidson stated since the District declared the water supply emergency, she doesn't feel this rate increase is fair to those who are conserving.

5. Peter Lottermoser—600 Hillside Road

Mr. Lottermoser suggested the District read the meter and charge by usage. He read his meter himself and saw he used only 1200 gallons in a month.

6. Mary Medland—440 Hillside Road

Mrs. Medland stated she is concerned that the District did not continue with the grants, due to the deficit; we are at a stand still.

3. **Close Public Hearing**

With no further public comments, President Swanson closed the Public Hearing.

a. **Consider and validate protests from owners of affected parcels**

Mr. Johnson stated we have received fourteen letters of protests; thirteen have been validated and this represents more than 50% of the total connections to the system.

Mr. Pipal asked the actual letters be admitted into the public record for tonight's hearing and Mrs. Mauro stated the original letters are in her possession for the record.

4. **Board Action:**

a. **If a majority protest is validated, the proposed increased charge will not be imposed. Ordinance # 41 to continue in effect.**

Upon a motion made by Vice President Bettencourt and seconded by Director Flores to continue with Ordinance #41. Prior to voting, President Swanson asked for discussion.

Vice President Bettencourt asked the item be returned to the committee to review the rate issue with the homeowners so they can better understand the District's position.

With no further discussion, with a motion and second in place a vote was taken; the Board of Directors of the San Benito County Water District unanimously agreed to continue with Ordinance #41, in light of the protest to the rate increase.

b. **If a majority protest is not validated, Board to consider adoption of Ordinance No. __ . *No action needed on this agenda item.***

c. **Board to agendize an item for its next Board meeting to discuss the future of Zone 103 and the District's involvement with the Harmony Hills Water System** President Swanson stated all committee meetings are public meetings, for the record. Director Tobias stated this item should go back to the Rural Water Committee and include Mr. Pipal.

Mr. Pipal stated there are several options for the District to consider:

1. Continue on, but work within the budget under the current rates
2. Work with DHS, Dissolution of Zone 103, seeking options
3. Go to the County and operate the system through them

President Swanson stated in the original resolution, which formed Zone 103, 50% + 1 of the Harmony Hills Homeowners can terminate their relationship with the District.

Discussion was had that all Harmony Hills homeowners will be sent notification on upcoming committee meetings, they will be scheduled in the evening and intend to meet somewhere between the beginning to middle of December.

Ms. Sweigert stated if there is Dissolution of Zone 103, DHS will have concerns going forward.

5. Adjournment

There being no further business, the meeting was adjourned at 9:03 p.m.

Minutes were approved at the November 28, 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