

VALLEY OF THE MOON WATER DISTRICT
REGULAR MEETING AGENDA
April 1, 2003

A regular meeting of the Board of Directors of the Valley of the Moon Water District was held on Tuesday, April 1, 2003, in the Board Chambers of the District Office at 19039 Bay Street, El Verano, California.

1. CALL TO ORDER - PLEDGE OF ALLEGIANCE - ROLL CALL

President Ron Prushko called the meeting to order at 6:30 P.M. Roll Call by **Deputy Secretary Shari Walk** noted the following present:

Directors Present:	Mark Bramfitt Ed Kenny Sanford Smith Michael Woods Ron Prushko
Directors Absent:	None
District Personnel:	Shari Walk, Office Supervisor
General Manager:	Lee Harry
Board Secretary:	Shari Walk
Public Present:	Sandi Hansen, Sonoma Index-Tribune, Mickey Cooke, Steve Perry, Win Smith, Gerrett Snedeker and two other unidentified members of the public

2. PUBLIC COMMENTS

There were no public comments.

3. CONSENT CALENDAR

- A.** Receive and Approve Minutes of March 4, 2003 [REMOVED FOR DISCUSSION]
- B.** Adopt Resolution No. 030401, Main Extension Agreement with David Busby
- C.** Notice to Bidders, Sobre Vista Water Main Replacement Project No. 2863
- D.** Resolution No. 030402, Accepting Easement Grant Deed from J. Wynne Herron
- E.** Cancel May 6, 2003 Regular Board Meeting
- F.** Schedule Special Board Meeting for May 13, 2003
- G.** Retention Requirements for Board Meeting Tapes [REMOVED FOR DISCUSSION]

Director Smith pulled Item G for discussion and **President Prushko** pulled Item A for discussion.

Motion by **Director Bramfitt**, seconded by **Director Smith** and carried unanimously by a voice vote to adopt the Consent Calendar with the removal of Items A and G.

A. Receive and Approve Minutes of March 4, 2003

President Prushko corrected the fourth sentence in the fourth paragraph on Page 2, as follows:

He [General Manager Harry] noted that the usual errors with meters were generally in favor of the customer since the meters were older and slowed down. Sometimes there could be errors in reading which were caught up on subsequent readings, although that had not occurred in this case.

Motion by **Director Bramfitt**, seconded by **Director Woods** and carried unanimously by a voice vote to approve the minutes of the March 4, 2003 meeting, as amended.

G. Retention Requirements for Board Meeting Tapes

Director Smith expressed his discomfort with a 30-day retention period for tapes of District Board meetings and recommended a 90- or 120-day retention process.

General Manager Lee Harry noted that the maintenance/housekeeping item had been submitted for Board consideration given the number of tapes from meetings of years ago that had been taking up a great deal of space in the District Office. He supported a 90-day retention process.

Director Woods concurred and commented that he was personally interested in the policy given that he had tapes in storage from closed sessions dating back to 1995. He agreed with the need to retain the tapes for a reasonable period of time but he did not see a need to retain the tapes for an excessive period of time.

Mr. Harry stated that he would verify with District Counsel the VOMWD's ability to retain the tapes for a longer period of time.

Motion by **Director Smith**, seconded by **Director Kenny** and carried unanimously by a voice vote to direct staff to destroy the tapes of past District Board meetings and to retain the tapes of future Board meetings for 90 days.

4. **PUBLIC PRESENTATION**

A. Rate Study Presentation - District Consultant CH2MHILL

General Manager Harry introduced Allan Highstreet, Vice President and Senior Economist of the firm of CH2MHill, and Greg Clumpner, Principal Economist with the firm of Foresight Consulting Services, who had jointly prepared a study to examine the VOMWD's existing rate structure and to compare it with alternatives based on the Board's direction to staff in the last year.

Allan Highstreet presented a slide to identify the scope of the rate study, the methodology, revenue requirements, water use and four alternative rate structures. He briefly defined the purpose of the rate study to develop rates to generate revenues to cover system costs, allocate costs equitably among users, and to review alternative rate structures, including rates by zone. He noted that all alternatives were revenue neutral.

Mr. Highstreet advised that the intent of the presentation was to review the results of the draft report and to solicit direction from the Board regarding possible revisions to rate alternatives, a preferred rate alternative and guidance on how to implement the rates.

With respect to methodology, **Mr. Highstreet** emphasized the need to determine revenue requirements with fixed versus variable costs, and to analyze user characteristics to then allocate the revenue requirements to the various user classes to be able to determine the rate structure and to develop rates. He identified the need to generate up to \$3.3 million in revenue the next fiscal year. He noted that just under \$3.1 million had been raised last year. The water use characteristics of the VOMWD's primarily single family residential customers were described. He commented that 10 percent of the accounts used 30 percent of the water.

After analyzing the VOMWD's water use, **Mr. Highstreet** presented the four rate alternatives that had been compared; the existing rate structure, tiered rates, including minimum water use in a flat rate, and zone rates.

Simply updating the current services for the 5/8" meter would increase the rate from \$4.75 to \$5.00 and the water rate for 1,000 gallons of water from \$2.75 to \$2.83. With a 3 tiered rate structure, the service charge would be the same, although for single family a Tier 1 charge for a 9,000 gallon maximum would decrease from \$2.75 to \$2.35, Tier 2 for 9,000 to 20,000 gallons would increase from \$2.75 to \$3.53 and Tier 3 for over 20,000 gallons would increase from \$2.75 to \$5.30. A non-single family use would increase from \$2.75 to \$2.83.

Mr. Highstreet explained that the tiered rate had been calculated on single family only in that the VOMWD had an insufficient number of customers in the other cases to warrant tiered rates.

Mr. Highstreet explained that with 4,000 gallons in the service charge, the service charge would increase from \$4.75 to \$14.14, and with the same tiered criteria with the 4,000 adjustment, Tier 1 would go from \$2.75 to \$1.88, Tier 2 from \$2.75 to \$2.81, Tier 3 from \$2.75 to \$4.22 and non-single family from \$2.75 to \$2.12. With respect to zone rates, the service charge would change from \$4.75 to \$5.00, and all users in Zone 1 would change from \$2.75 to \$2.80, Zone 2 from \$2.75 to \$3.81 and Zone 3 from \$2.75 to \$4.74. He compared the rate alternatives and offered examples of typical single family customer bills with the various alternatives.

Mr. Highstreet recommended that the VOMWD consider conservation rates to avoid developing additional supply. He suggested that zone rates would not generate enough revenue in Zones 2 and 3 to warrant the higher rates. He also commented that including the minimum water use in the service charge would penalize low volume users and discourage conservation.

General Manager Harry noted his extensive experience in the area of rate equity. He explained that the VOMWD was required to perform the study as part of the Temporary Impairment Memorandum of Understanding (MOU), although the VOMWD was not required to change its rate structure. The VOMWD could retain its existing uniform commodity rate structure, which he characterized as moderately conservation oriented. Further, he described a myriad of complexities involved with zone rates.

On the discussion, **Mr. Highstreet** explained that the trend was for tiered rates given that the cost for additional water was so expensive. While he suggested that tiered rates moved away from costs of service, he explained that it was an effective way to generate water savings and allow the existing water supply to serve more people.

When asked what public process would be required if changing to a tiered rate in response to Director

Woods, **Mr. Harry** advised that a public hearing would be required to consider a change to the adopted rate structure, which change in rate structure would have to be incorporated in the budget when another public hearing process would be pursued after which the Board would vote on any change in rate structure.

Mr. Highstreet further explained when asked whether or not a change to a higher tiered rate would impose the requirements of Proposition 218, that since the rate would be based on water consumption and not on the property size there should be no problem with respect to Proposition 218.

Mr. Harry advised that a second meeting had been scheduled for April to solicit guidance from the Board for the preference of alternatives or the retention of the VOMWD's existing rate structure, at which point a proposal would be incorporated into the Budget for Fiscal Year 2003-04, to be presented to the Board at its May meeting.

The Board thanked Mr. Highstreet for the presentation.

5. OPERATIONAL & COMMITTEE REPORTS

A. Approve Current Financial Reports for February 2003

Motion by **Director Bramfitt**, seconded by **Director Kenny** and carried unanimously by a roll call vote to approve the monthly Financial Reports & Disbursements for the month of February 2003 in the amount of \$298,367.89.

B. Review/Comment on Current District Projects and Significant O & M Issues

Mr. Harry reported that Operations and Maintenance Supervisor Paul Gradolph was on vacation. He was prepared to respond to any questions related to the written report included in the Board packets providing the summary review of current district projects and significant operations and maintenance issues for March 2003 related to the following:

- **Project #2855** - Glen Ellen Storage Tank;
- **Project #2862** – Sobre Vista Tank Replacement;
- **Project #2863** – Sobre Vista Water Main Replacement;
- **Project #2864** - Telemetry System Phase Three;
- **Project #2865** – Future Production Well at Arnold Drive and Felder Road;
- **Project #2866** – Storage Reservoir Painting Phase 1;
- **Project #2869** - Highway 12 Main Relocation; and
- **Project #2872** – State Developmental Center Emergency Intertie.

C. Water Source Report

There were no comments on the Water Source Report.

6. RECEIVE & FILE PRESIDENT'S AND DIRECTOR'S REPORTS OR COMMENTS

Director Bramfitt reported that he had attended a conference with the General Manager last week and he would prepare a report and submit that report to the Board. He added that he would not be able to attend the next meeting on April 15 in that he would be out of the country at that time.

Director Woods advised that he and the General Manager had attended the water bond meetings in Sacramento on March 25, at which time many representatives of the 200 different agencies that made up the coalition were in attendance, particularly given the likelihood that some Prop 50 funds would be used by the State to backfill existing programs. He described the lobbying efforts to retain the use of the funds for the initially stated purpose.

7. GENERAL MANAGER'S AND DISTRICT COUNSEL'S REPORTS

A. Report on WAC Negotiation Meeting

General Manager Harry summarized the discussions at the last Water Advisory Committee (WAC) Negotiation Meeting when governance issues and issues related to Windsor and Marin Municipal becoming prime contractors had been discussed. He suggested that the negotiating process would be long and tedious.

B. Meeting Between President Prushko, Vice President Woods and Supervisor Valerie Brown

Mr. Harry explained that the meeting with President Prushko, Vice President Woods and Supervisor Valerie Brown and members of the Sonoma County Water Agency (SCWA) staff had been informative and had covered a number of issues, including the situation with respect to the sanitation district.

Director Woods reported that there had been some receptivity for more discussion as to how the VOMWD might participate with the sanitation district on governance issues and projects, particularly with respect to recycled water projects that could encompass the City, the VOMWD, the SCWA and the sanitation district. He added that there was receptivity to address other areas of concern as well.

President Prushko concurred that the VOMWD's concerns, particularly the error related to the VOMWD's annual 1,000-acre feet of water shortfall, had been well received. He verified with Mr. Harry that the VOMWD was up to its annual allotment and had made up for the shortfall by its renovated wells in the volcanics, although the long-term reliability of those wells was questionable.

C. Information Regarding Out of Service Agreements

Mr. Harry described a situation where a VOMWD customer who lived off of Warm Springs Road was unhappy given a need for water service for a subdivided parcel that could not be accommodated through an out of service agreement given a 2000 amendment to existing Government Code Section 56133. That section provided that a water agency could expand its water service outside its sphere of boundaries but only within its sphere of influence (SOI) on an out of service agreement with the intent of eventually annexing that area to the District. If outside the district boundaries and outside the SOI, water could only be supplied by an out of service agreement if there was a public safety or health issue involved. Prior to that understanding, the owner had been promised an out of service agreement. A letter had since clarified that situation and the property owner had been upset with that determination.

Mr. Harry explained that in two to three months the Sonoma County Local Agency Formation Commission (LAFCO) would be required to update the VOMWD's SOI and its material services agreement when the situation could be better defined.

Gerrett Snedeker, the Real Estate Broker for the party in question, Mike Cornwall, further described the 1998 lot split where the County Permit Resources Management Department (PRMD) had required the availability of water from a public district, which had been provided.

The property in question was now in escrow and the 2000 amendment to the Government Code had been applied. Mr. Cornwall had requested that the matter be agendaized for discussion at the next VOMWD Board of Directors meeting.

Mr. Harry explained that without a clarification from LAFCO, no action could be taken. He also noted that in checking with District Counsel the incorrect information provided to the PRMD at the time of the lot split did not represent a will serve letter, which would not be issued until the building permit phase. He suggested that the only remedy in this case appeared to be with LAFCO and direction from the Board would have to be sought to allow that to occur.

On an unrelated matter, **Mr. Harry** reported that the Heaven Hill Road property had closed escrow this date representing \$100,000 in revenue to the VOMWD. There remained only one surplus parcel on Alberca Road to close escrow.

8. OLD/NEW BUSINESS

- A. Discuss/Receive/File:** Results of Water Demand Forecast Report by Weber Analytical and its Potential Influence on Future SCWA Entitlements

Mr. Harry explained that the agenda was incorrect in that action was being sought from the Board to allow him to send a letter to the SCWA per the provisions of the Eleventh Amended Agreement requesting an additional 1,000 acre feet of annual entitlement shortfall. He advised that the details had been included in the staff report. He had drafted a letter to be presented to the County to address the shortfall. He noted his understanding that the error had been made in the Environmental Impact Report (EIR) that had been prepared as part of the current General Plan. He stated that the VOMWD would need to work with SCWA staff, with the PRMD and with LAFCO to ensure that the growth projections presented in the report were consistent with the VOMWD's water needs projected for the next 20 years.

Director Woods concurred that the data included in the report needed to be folded into the environmental analysis in the General Plan EIR. The General Plan would need to be consistent with the projections and then be a part of the MOU. He emphasized that several steps were needed to correct the error that had been made several years ago.

Director Woods suggested that the General Manager had the authority to send the letter to the SCWA without a motion from the Board. He concurred with the draft letter as consistent with the Board's position.

In response to Director Woods, **Mr. Harry** clarified that the projections were based on historical growth patterns, infill development and at the suggestion of the SCWA identified projected projects not previously considered in the growth projection. That additional projection represented something in the area of 1,000-acre feet of additional demand.

Mr. Harry stated that he would be submitting the letter to the SCWA and the County staff involved in the EIR. A copy of the letter would be given to the Board at the next meeting.

- B. Discuss/Award** Contract in the Amount of \$47,611 to Ashlin Pacific for the Water Pipeline Relocation Project at the Highway 12 Creek Crossing

Mr. Harry advised that the VOMWD had been notified in 2002 of a Caltrans culvert replacement project on Sonoma Highway between Fetters Avenue and Balsam Avenue that would require the relocation of approximately sixty feet of VOMWD 12-inch water main currently in the Highway. The VOMWD had just received the final plans, which had allowed insufficient time for a formal bid process. Three informal bids had been received and a reasonable bid from a company the VOMWD had previously worked was recommended for approval.

Motion by **Director Bramfitt**, seconded by **Director Woods** and carried unanimously by a roll call vote to award contract to Ashlin Pacific Construction in the amount of \$47,611 to relocate 60 feet of 12 inch water main on Highway 12 between Fetters and Balsam Avenues, and authorize the General Manager to execute a contract.

President Prushko declared a recess at 7:50 P.M. prior to adjourning to Closed Session at 8:05 P.M.

9. CLOSED SESSION

- A.** Conference with Real Property Negotiators Pursuant to Government Code Section 54956.8; Negotiate Price and Terms of Payment. Agency Negotiator: Lee J. Harry; Negotiating Parties: N/A. Proposed Tank Site 1475 Hill Road and District Declared Surplus Properties: APN 056-583-017, Alberca Road, and Proposed Well Site at Arnold Drive and Felder Road.
- B.** Public Employee Performance Evaluation Pursuant to Government Code Section 54957 - General Manager

10. RECONVENE IN OPEN SESSION

President Prushko returned to open session at 8:40 P.M. and reported the following action:

Motion by **Director Woods**, seconded by **Director Kenny** and carried unanimously by a roll call vote to authorize District Counsel to defend the District in existing litigation pursuant to Government Code Section 54957.1(2) - Mickey Cooke, et al. vs. Valley of the Moon Water District (California Environmental Quality Act (CEQA) challenge to Glen Ellen Storage Tank Project Mitigated Negative Declaration).

11. REQUEST FOR FUTURE AGENDA ITEMS

There was no request for future agenda items.

12. ADJOURNMENT

Motion by **Director Smith**, seconded by **Director Kenny** and carried unanimously to adjourn the meeting at 8:43 P.M. The next regular meeting is scheduled for April 15, 2003 at 6:30 P.M.

Shari Walk, Deputy Board Secretary