

**VALLEY OF THE MOON WATER DISTRICT**  
**REGULAR MEETING MINUTES**  
February 7, 2006

A regular meeting of the Board of Directors of the Valley of the Moon Water District was held on Tuesday, February 7, 2006, 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 Sanford Smith** called the meeting to order at 6:30 P.M. and led the Pledge of Allegiance.

Roll Call by **Deputy Secretary Walk** noted the following present:

Directors Present:	Mark Bramfitt Ron Prushko Sanford Smith
Directors Excused:	Ed Kenny and Michael Woods
District Personnel:	Shari Walk, Office Supervisor Paul Gradolph, Operations and Maintenance Supervisor
General Manager:	Krishna Kumar
Public Present:	Ken Borba, Sherri Lewis, Ed Nelson, Diane Rawez, Iris Priestaf, Philip Sales, Martin Steinpress, Dave Willer, and Sandi Hansen, Sonoma Index-Tribune

**2. PUBLIC COMMENTS**

There were no comments from the public.

**3. CONSENT CALENDAR**

- A.** Receive and Approve Minutes of Regular Meeting of January 3, 2006
- B.** Declare Surplus Equipment
- C.** Annual Statistical Report
- D.** Salmonid Conservation Strategy – Preliminary Memorandum of Understanding Signed by the Sonoma County Water Agency

Motion by **Director Bramfitt**, seconded by **Director Prushko** and carried unanimously by a voice vote to adopt the Consent Calendar, as shown.

#### 4. PUBLIC PRESENTATION

THE VALLEY OF THE MOON WATER DISTRICT CONDUCTED A WORKSHOP, FACILITATED BY MARTIN STEINPRESS, BROWN AND CALDWELL, AND IRIS PRIESTAF, TODD ENGINEERS, TO SEEK PUBLIC AND BOARD INPUT REGARDING:

- A. Well Siting Study completed by the District's Consultants for the proposed Well No. 5 including the ranking of the ten sites studied.
- B. Proposed exploratory test well at the No. 1 ranked site (Verano Avenue Well Replacement site) to confirm the potential yield and water quality after completing necessary preparatory work, including environmental analysis, permitting, preparation of the Work Plan, bid specifications, and obtaining drilling contractor bids for the Board's consideration.

**Iris Priestaf**, Todd Engineers recapped the initial scoping for the project from the November 2005 meeting and explained why another well was needed given that the Sonoma County Water Agency (Water Agency) water supply was constrained. Those constraints were described as follows: that the water supply was vulnerable to interruption, subject to a state of impairment, the water rights on the Russian River were uncertain, the aqueduct itself was limited hydraulically, and a second aqueduct was years away from development. She added that the existing groundwater supply was limited, existing VOMWD wells were limited in that they were clustered in the Springs communities, were located on small lots, were relatively old, were relatively limited in yield, and were also subject to interruption.

**Ms. Priestaf** stated that the VOMWD was actively promoting water conservation, studying water recycling, cooperating in a United States Geological Services (USGS) Groundwater Basin Study and working with the Water Agency to improve imported water supply reliability.

With respect to the benefits of a new well, **Ms. Priestaf** stated that a new well would provide supply to meet water needs during the summer, ensure water supply during a drought, and enhance the overall reliability of the water supply.

As to where a new well would be located, **Ms. Priestaf** stated that since November she and Martin Steinpress of Brown and Caldwell had applied a systemic evaluation to identify a number of sites, establish criteria to evaluate one well against another and apply that criteria to come up with a valid choice. She identified ten sites that had been evaluated, at Arnold/Dunbar/Highway 12, Bolli Tank site, Chestnut Tank Site, Corporation Yard, Ernie Smith Park, Felder Road, Larson Park, Temelec Tank Site, Verano Well Replacement, and Valley of the Moon Fire Station 1. Of those ten sites, the top three were identified as 1) Verano Avenue near Arnold Drive (Verano Well Replacement site), 2) Larson Park, and 3) Ernie Smith Park.

**Ms. Priestaf** explained how the sites had been evaluated using established criteria to identify water quantity (yield), water quality, environmental impacts, logistical engineering factors, and cost. Through a sum of the scores, a ranking for each site was established. The scoring system had identified the three primary candidates for a well site. Through that scoring system the Verano Well Replacement site was considered to be the top choice.

**Martin Steinpress**, Brown and Caldwell, explained why the Verano site had been chosen. The site was located in mid-valley offering hydrogeologic benefits, it was located within a large watershed and recharge

area, the location was distant from the majority of the VOMWD's existing wells, and a deep, productive aquifer had already been indicated by a previous test hole. He also noted that local groundwater levels were stable and deep and shallow aquifers were indicated. Further, the Verano site was a safe distance from perennial creeks, including Sonoma Creek, with nearby wells and unlikely to be affected by a deep well.

**Mr. Steinpress** also reported with respect to the Verano site that potential contamination sources were not significant although there was a potential for elevated concentrations of natural arsenic, iron and manganese. That potential could be minimized through well design and development. He stated that the property was owned by the VOMWD and previously had a well on the site. It had been abandoned some years ago. He suggested that the site was feasible and cost effective, that monitoring wells already existed at the site, there was ready accessibility for drilling, and there was a close proximity to VOMWD facilities.

As to next steps, **Mr. Steinpress** stated that a preliminary biological reconnaissance and cultural survey had already been conducted of the site as part of the initial California Environmental Quality Act (CEQA) process. When asked by Director Prushko, he described the particulars of the biological reconnaissance.

**Mr. Steinpress** added that there had been preliminary discussions with the Department of Health Services (DHS) regarding the site, permitting discussions had occurred with Sonoma County and a work plan/bid package will be prepared for the VOMWD to solicit bids, with a recommendation to the Board of drilling contractor selection for well exploration.

**Director Prushko** asked about the site consideration and noted with respect to the Arnold Drive at Dunbar site his understanding that there was a lot of groundwater in that area, as well as power. He was advised by Mr. Steinpress that area had been evaluated and it was difficult to predict what the yield and water quality would be, particularly given a USGS survey in the proximity that had indicated some uncertainty in that area.

**President Smith** asked of the location of the east side and west side earthquake faults in relation to the proposed Verano Replacement site. Mr. Steinpress pointed out the known locations of earthquake faults on the east and west side of the valley. He suggested that the faults defined the boundaries of the main part of the valley.

**Operations and Maintenance Supervisor Paul Gradolph** explained, when asked by President Smith, that the existing Verano well had been abandoned in 2002 but had not been used in the system since the late 1960's. He added that while the well had a good yield, the way that wells had been screened at that time allowed sand to close up that well. The new well would be deeper than the previous well.

**David Willer** stated that as a prior member of the VOMWD Board of Directors, he was aware that a well had been previously tested in that area and significant arsenic had been found. It was his understanding that it would have cost \$500 to \$600 an acre foot at that time to remove the arsenic and iron from the water. He asked about the current status of the area.

**Mr. Steinpress** stated that the old data had been evaluated. He noted that while the natural concentrations tended not to change much over time, he explained that the monitoring wells were two inch wells and hence the samples had a high turbidity and were unfiltered. He expressed the hope that with a larger diameter developed well and with samples of low turbidity, the concentrations might be lower than anticipated. He added that a deep well anywhere in the valley would likely identify elevated iron, arsenic and manganese. He expected to be able to reduce the downsides of the well.

In response to Director Prushko, **Mr. Steinpress** stated that the new well would be drilled, at least to the 500 to 700 foot range, and preferably deeper to 1,000 feet.

**Philip Sales**, 1355 Felder Road, Sonoma, requested clarification on the definition of the arsenic levels based on the information presented to the Board. Mr. Steinpress described the concentration of arsenic in the groundwater and noted that the maximum containment level had been 50 micro grams per liter (MGL) but had since been lowered to 10 MGL by the U.S. Environmental Protection Agency in January.

**Ed Nelson**, Verano, asked if the VOMWD's wells exceeded that new level. He was advised by Mr. Gradolph that the VOMWD's wells were at a level of 3 MGL and lower.

**General Manager Krishna Kumar** thanked the consultants for their work.

**President Smith** took Item 8.A out of agenda order at this time.

## **8. OLD/NEW BUSINESS**

- A. Accept/Authorize:** Accept the well siting study for the proposed Well No. 5 and Authorize District staff and consultants to proceed with preparations for the proposed exploratory test well at the Verano Avenue well replacement site to confirm the potential yield and water quality after completing necessary preparatory work, including environmental analysis, permitting, preparation of the Work Plan, bid specifications, and obtaining drilling contractor bids for the Board's consideration

**Mr. Kumar** requested that the Board consider the staff recommendation.

**Director Bramfitt** acknowledged the financial commitment being made by the VOMWD. He supported the proposal.

Motion by **Director Bramfitt**, seconded by **Director Prushko** and carried unanimously by a voice vote to accept the well siting study for the proposed Well No. 5 and authorized District staff and consultants to proceed with preparations for the proposed exploratory test well at the Verano Avenue well replacement site to confirm the potential yield and water quality after completing necessary preparatory work, including environmental analysis, permitting, preparation of the Work Plan, bid specifications, and obtaining drilling contractor bids for the Board's consideration.

## **5. OPERATIONAL & COMMITTEE REPORTS**

- A. Approve Current Financial Reports for December 2005**
1. Mid-Year Budget Review

Motion by **Director Prushko**, seconded by **Director Bramfitt** and carried unanimously by a roll call vote to approve the monthly Financial Reports & Disbursements for the month of December 2005 in the amount of \$292,292.93.

With respect to the Mid-Year budget review, **Office Supervisor Shari Walk** explained that the information

in the Board packets showed the first six month expenses for the fiscal year and the projections for the remainder of the fiscal year, with revenues more than \$82,000 over the budgeted amount and expenditures \$11,000 less than budgeted, resulting in an estimated surplus of \$93,000 for the budget year.

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

**Operations and Maintenance Supervisor Paul Gradolph** presented the summary review of current District projects and significant operations and maintenance issues for January 2006, as follows:

- **Project #2855 - Glen Ellen Storage Tank:** The color coat of the tank was being applied this date. The interior was complete and the exterior would be completed on February 8. In a week the tank could be filled and sampled two weeks after that. The tank should be on line within the next 30 to 45 days. Electrical and landscape work would start as soon as the painting contractor demobilizes. Landscaping to commence on March 5 and be completed by March 14. The project was anticipated to be completed by the end of March 2006.
- **Project #2892 – Agua Caliente Booster Station:** Staff and Winzler & Kelly are currently reviewing material submittals from the contractor. Once submittals had been reviewed and approved, construction would commence, weather permitting. The project was expected to be completed prior to commencement of the 2006 peak demand period.
- **Project #2899 – Boyes Springs Water Mains:**
- **Project #2900 – El Verano Area Water Mains:** Staff comments on the 50 percent drawings for both projects had been returned to the designing engineer for incorporation into the 90 percent drawings.
- **Project #2901 – Glen Ellen Area Water Mains:** Ninety percent complete plans had been returned to the designing engineer with comments. A bid package was expected to be complete and ready for approval at the March 7 Board meeting.

**Mr. Gradolph** added that the Water Agency had taken the lead in conducting an Emergency Response Drill.

**C. Water Source Report**

**Director Prushko** questioned the water yield expected from a new Verano Avenue well. **Mr. Kumar** reported that it could be potentially 2 percent of the VOMWD's water needs.

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

**Director Bramfitt** stated that he and the General Manager had attended the State of the Valley Breakfast Forum sponsored by the Sonoma Valley Chamber of Commerce. It had been reported at that time that more work needed to be done with respect to water issues in the valley. Other comments related to the recent flooding and the fact that a meeting had been held on the recent flooding in the valley and issues with Sonoma Creek, with some eight agencies having jurisdiction over Sonoma Creek participating. Another water summit was planned in March by Supervisor Brown who would be forming a Water Advisory Panel comprised of community volunteers to review ground water management in the valley.

**President Smith** stated that he had addressed the luncheon for Sons in Retirement Society (SIRS) last week

where there had been a lively question and answer period. He had also attended a negotiation session with the Water Advisory Committee (WAC) where there had been a presentation on the recent flooding, which had been described as some of the worst on record. Suggestions had been made during those discussions on ways to alleviate future flooding.

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

### A. Water Advisory Committee Meeting of February 6, 2006

**General Manager Kumar** reported that there was all round consensus that the revised language dealing with the Potter Valley Project, particularly the need for affirmative vote of at least six representatives of the water contractors, is acceptable to all the contractors. A copy of the revised language had been provided to the Board. Amendment No. 1 to the Restructured Agreement would be submitted to the Board after the approval of the Restructured Agreement has been considered by the remaining water contractors to ensure their concurrence with the suggested language.

### B. Temporary Impairment Memorandum of Understanding (MOU)

With respect to the extension of the Temporary Impairment MOU, **Mr. Kumar** stated that the eight prime water contractors as well as the City of Windsor have approved the extension for another 5 years. The 10<sup>th</sup> signatory, Marin Municipal Water District (MMWD), indicated that its staff won't recommend such an extension as they believe that currently there is no rationale for extending the Impairment MOU. Randy Poole had informed the WAC that he would like to remove MMWD from the Impairment MOU and proceed with the remaining nine water contractors. The General Manager of the North Marin Water District requested that he be given another chance to talk with the representatives of MMWD to see if any resolution could be worked out.

### C. SB 1166

**Mr. Kumar** summarized the legislation and submitted to the Board copies of letters written by the MMWD and East Bay MUD opposing certain provisions in the bill, notably the imposition of a surcharge on the customers of water districts to support programs that should be paid for by those who benefit directly. An agenda item would be submitted to the Board at its next meeting.

### D. Status of Urban Water Management Plan

**Mr. Kumar** advised that the Sonoma County Water Agency had indicated that it would need another four to six months to complete the plan. The District had received its draft plan which staff was currently reviewing. He noted that there could be potential delays in securing grant funds without an adopted Urban Water Management Plan.

### E. Presentation by the Water Agency Re 2006/07 Water Budget

**Mr. Kumar** advised that the item would be addressed under agenda Item 8 c.

### F. Arbitrator's Final Report.

**Mr. Kumar** reported that based on the Arbitrator's Final Award, the VOMWD had paid \$150,000 for the Hill Road tank property and an additional \$6,298 for accrued interest and court costs. The VOMWD was

not paying the attorney's fees to the property owner of the Hill Road property. There was an option for the property owner to appeal for payment of those fees.

G. Landscape Workshop

**Mr. Kumar** reported that the Landscape Professionals Workshop, sponsored by the VOMWD and the City of Sonoma, had been attended by 18 landscape professionals during the 9:00 A.M. to 3:00 P.M. session.

H. Presidential Disaster Proclamation

**Mr. Kumar** stated that a presidential disaster proclamation has included the County of Sonoma, freeing up Federal Emergency Management Agency funds for the cleanup/repair operation of storm damaged facilities. District was planning to apply for federal and state aid toward the approximately \$32,000 that was spent on emergency pipeline repair work.

**8. OLD/NEW BUSINESS**

**B. Discuss/Accept:** Fiscal Year 2004-2005 Annual Audit – Moss, Levy & Hartzheim, Certified Public Accountants

**Mr. Kumar** reported that the firm of Moss, Levy & Hartzheim, CPAs had completed the District's annual audit for 2004-05. He stated that the auditor had issued an unqualified opinion of the VOMWD's finances, with no audit findings or a Management Letter – the best opinion possible. He noted that in past years the audit had included Management's Discussion and Analysis, an easy to understand summary of the audit. He stated that the total increase in net assets for 2004/05 amounted to \$713,000, a net income of \$123,000, with another \$590,000 in developer projects.

Give that this was the first year with the new auditor, **Director Bramfitt** verified with staff that no difficulties had occurred in the process.

Motion by **Director Bramfitt**, seconded by **Director Prushko** and carried unanimously by a voice vote to accept the District's Annual Audit Report from Moss, Levy & Hartzheim, Certified Public Accountants, for Fiscal Year 2004-2005.

**C. Discuss/Direct:** District's Representatives to Take Appropriate Action Regarding The Water Agency's Preliminary Budget and the Proposed Wholesale Water Rates for Fiscal Year 2006-07 at the WAC Meeting of March 6, 2006

**Mr. Kumar** explained that the Water Agency planned to present their proposed wholesale water rates and charges for fiscal year 2006-07 and also their 2006-07 preliminary budget to the WAC on February 6, 2006. The proposals would also be discussed at the WAC meeting of March 6, 2006 and the WAC would be asked for its recommendation for approval of the Water Agency's preliminary budget and proposed water rates by the Water Agency's Board of Directors in April.

The Water Agency's wholesale water rate for the VOMWD was \$447.51 per acre foot representing an increase of \$22.98, or approximately 5.4 percent. The Operation and Maintenance Charge would be decreased by \$6.58, or 1.9 percent. The increase for the total rate was a result of a new Reserve Restoration Surcharge of \$15.000 per acre foot, a 3.5 percent increase to increase the ending reserve in the Water

Agency's operation and maintenance fund from the projected \$2.4 million to \$3.4 million, with the charge to be imposed for the next few years to increase the reserve to the minimum recommended by the WAC.

There was also an increased Debt Service Charge of \$14.56 per acre foot with the Water Agency planning to issue a new series of water revenue bonds near the end of the fiscal year to provide funds for the remaining construction and start up costs for Collector No. 6, the portion of the Kawana Tank No. 2 that could not be covered by the last series of revenue bonds, and acquisition of capacity in the Oakmont pipeline.

**Mr. Kumar** stated that the 5.4% rate increase, if passed on to the ratepayers, would represent a 1.8 percent increase to the District's retail rates. He recommended that the Board direct the District's representatives to take appropriate action at next WAC meeting on March 6, 2006.

**Director Bramfitt** commented that by identifying a separate charge, the Water Agency appeared to be more inclined to use the reserve fund more than it had in the past. As a member of the Board he noted that the rate increases in the VOMWD had been kept to the low single digits. He wanted to see the Water Agency take the same stance.

**Director Prushko** concurred and commented that he was somewhat concerned with the \$15 acre foot charge. He suggested that the proposed \$6.5 million in reserves to be garnered by the increase could be accumulated over a longer period of time to ease the impacts to the ratepayers. He wanted the \$15 per acre foot charge reduced to \$5 per acre foot, and to accumulate the requested total at a lower pace.

**President Smith** expressed his understanding that the reserve had at one time been at \$6.5 million. As such, he believed that those reserves had been used. Mr. Kumar reported that at one time there had been a \$20 million reserve with transfers into capital projects to allow capital improvements.

**Director Bramfitt** expressed concern with the use of the reserves and objected to a lack of transparent accounting. He did not feel that the proposal would do what it was reported to do, particularly since capital projects should be on a 'pay as you go' basis without having separate line items for the use of reserves.

**Director Prushko** did not want to accept the proposal. While he had no concern with the Water Agency's desire to increase its reserve to \$6.5 million, he did not want that to be done in a way that would negatively impact the ratepayer given poor planning on the Water Agency's part. He supported a lesser amount over a longer period of time.

**Director Bramfitt** objected to the addition of a new category charge, Reserve Restoration Surcharge, since that charge was not typical. Mr. Kumar described the WAC's discussion in that regard and explained that it would be part of the operations and maintenance charge for the specific purpose of increasing the reserve balance in the O & M fund.

**Director Bramfitt** suggested that a 4 percent annual charge as opposed to an annual 5 percent charge would be more acceptable. He did not object to rates raised to cover legitimate costs. He suggested that the VOMWD's message might need to be presented to the Water Agency Board of Directors and not to the staff of the Water Agency. He also sought a history of the Water Agency's rate increases.

**Director Prushko** suggested that a letter of objection to the budget proposal and increase in wholesale water rights might need to be submitted to the Sonoma County Board of Supervisors.

**Mr. Kumar** expressed a willingness to continue to work with Water Agency staff to encourage a revision to the proposed rate increase.



- D. Discuss/Authorize:** Amendment to Task Order No. 05-2855-01 to Winzler & Kelly to Increase the Not-to-exceed Amount by \$20,000 to Provide Construction Observation and Inspection Services for the Remaining Portions of the Glen Ellen Storage Tank Project

**Mr. Kumar** stated that the \$20,000 was required because of the diesel spill. The VOMWD would work with North Bay Construction to obtain reimbursement of the \$20,000 cost. He added, when asked, that North Bay Construction had been informed of the intent to seek reimbursement in this case.

Motion by **Director Prushko**, seconded by **Director Bramfitt** and carried unanimously by a roll call vote to amend Task Order No. 05-2855-01 to Winzler & Kelly to increase the not-to-exceed amount by \$20,000 to provide construction observation and inspection services for the remaining portions of the Glen Ellen Storage Tank Project.

- E. Discuss/Adopt:** Resolution No. 060201 to Add Section 2-4 to the District Code to Reflect Revised District Procedures Consistent with the Legal Requirement for Providing Water Service to New Housing Developments that Include Affordable Housing Units on a Priority Basis

**Mr. Kumar** reported that SB 1087 had been signed into law on October 7, 2005 and would make certain changes to the Government Code and Water Code relating to the provision of water services to new housing developments. He stated that there was always a priority for affordable housing. What had changed with the new law was that a specific policy and procedure would have to reflect priority treatment to developers who provided affordable housing. He noted that there were three reasons why water supply could be denied: if a district did not have sufficient water supply as defined in paragraph (2) of subdivision (a) of Section 66473.7 of the Government Code; if a district was subject to a compliance order issued by the State Department of Health Services that prohibited new water connections; and if an applicant had failed to agree to reasonable terms and conditions relating to the provisions of service generally applicable to development projects seeking service from a district, including but not limited to the requirements of local, state or federal laws and regulations or payment of a fee or charge imposed pursuant to Section 66013.

**Director Bramfitt** clarified the definition of affordable housing, which he noted was based on household size and a percentage of the average current income, and which changed annually.

Motion by **Director Bramfitt**, seconded by **Director Prushko** and carried unanimously by a voice vote to adopt Resolution No. 060201 to add Section 2-4 to the District Code to reflect revised District procedures consistent with the legal requirement for providing water service to new housing developments that include affordable housing units on a priority basis.

- F. Receive/File:** Status of GASB 45 Actuarial Assessment Regarding Post-Employment Healthcare and Other Post-Employment Benefits

**Mr. Kumar** advised that in 2004 the Government Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pensions, which required public agencies including special districts to report their costs and obligations for post-employment healthcare and other post-employment benefits. GASB 45 required the VOMWD to identify and disclose the Post-Employment Healthcare and Other Post-Employment Benefits as an expense

and liability on its financial statements by 2009-10. The District may benefit to find the obligation in advance rather than wait till 2009-10. Failure to have adequate plans to fund this obligation could impact future borrowing costs, credit ratings, and the overall financial health of the VOMWD.

In response to **Director Prushko**, Mr. Kumar stated that four retired employees were currently being carried by the VOMWD.

No action was required on the item.

- G. Discuss/Adopt:** Resolution No. 060202 Approving a Policy to Capitalize All Assets with a Purchase Price Greater than \$5,000 and a Normal Useful Life of More Than One Year, Effective July 1, 2006

**Mr. Kumar** noted that the VOMWD's current capitalization threshold was \$1,000. The County of Sonoma had changed its threshold to \$5,000 a number of years ago, as did the State and the federal government. He recommended that the capitalization threshold of assets be raised to \$5,000.

**Mr. Kumar** recommended that the Board adopt Resolution No. 060202 approving a policy to capitalize all assets with a purchase price greater than \$5,000 and a normal useful life of more than one year, effective July 1, 2006.

Motion by **Director Prushko**, seconded by **Director Bramfitt** and carried unanimously by a voice vote to adopt Resolution No. 060202 approving a policy to capitalize all assets with a purchase price greater than \$5,000 and a normal useful life of more than one year, effective July 1, 2006.

**9. CLOSED SESSION**

There was no Closed Session.

**10. RECONVENE INTO OPEN SESSION**

There was no Closed Session.

**11. REQUEST FOR FUTURE AGENDA ITEMS**

There was no request for future agenda items.

**12. ADJOURNMENT**

Motion by **Director Bramfitt**, seconded by **Director Prushko** and carried unanimously to adjourn the meeting at 8:22 P.M. The next scheduled meeting is a regular meeting on March 7, 2006 at 6:30 P.M.

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Shari Walk, Deputy Board Secretary