

VALLEY OF THE MOON WATER DISTRICT
REGULAR MEETING MINUTES
January 2, 2008

A regular meeting of the Board of Directors of the Valley of the Moon Water District was held on Wednesday, January 2, 2008, 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 Ed Kenny called the meeting to order at 6:30 P.M. and led the Pledge of Allegiance, which had been done concurrently with the Valley of the Moon Water District Financing Corporation.

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

Directors Present:	Ed Kenny Ron Prushko Sanford Smith Russell Townsend Mark Bramfitt
District Personnel:	Shari Walk, Office Supervisor Paul Gradolph, Operations and Maintenance Supervisor
General Manager:	Krishna Kumar
Public Present:	None

Soon to be elected **President Bramfitt** chaired the Board of Directors meeting at this time.

2. PUBLIC COMMENTS

There were no public comments.

3. CONSENT CALENDAR

- A. Minutes of the December 4, 2007 Board of Directors Meeting
- B. ACWA Joint Powers Insurance Authority, President's Special Recognition Awards
- C. Resolution No. 080101, Approving Adoption of California Public Employees' Deferred Compensation Plan [REMOVED FOR DISCUSSION]

President Bramfitt took the opportunity to thank **Director Kenny** for his tenure and service over the past year as the President of the VOMWD Board of Directors.

Directors Kenny and Townsend requested the removal of Consent Calendar Item C for discussion.

Motion by **Director Smith**, seconded by **Director Kenny** and carried unanimously by a voice vote to adopt the Consent Calendar with the removal of Item C.

The following item was removed from the Consent Calendar for discussion.

- C. Resolution No. 080101, Approving Adoption of California Public Employees' Deferred Compensation Plan

In response to **Director Prushko** as to whether or not it would cost the VOMWD to be part of the California Public Employees' Deferred Compensation Plan, **General Manager Krishna Kumar** advised that there would be no cost to the VOMWD. The Plan was an additional vehicle for employees' deferred compensation plan if the employee so chose, to invest monies into the funds offered by CalPERS as opposed to the existing plan. The plan was not a retirement fund but a deferred compensation fund. He offered an example and explained that the plan would be made available to the employee if he/she chose to use it. It would not be a mandate, but an optional deferred compensation plan at no cost to the VOMWD.

Director Kenny advised that he had spoken with **Mr. Kumar** prior to the meeting and had clarified that the union contract had nothing to do with the optional deferred compensation plan. While he personally did not agree with this option, he stated it was acceptable.

Motion by **Director Smith**, seconded by **Director Prushko** and carried unanimously by a voice vote to adopt Resolution No. 080101, approving adoption of the California Public Employees' Deferred Compensation Plan.

4. PUBLIC HEARING - NONE

5. OPERATIONAL & COMMITTEE REPORTS

- A. Monthly Financial Reports & Disbursements

Director Kenny clarified with **Operations and Maintenance Supervisor Paul Gradolph** that the amount paid for gas detection calibration was for the detection of atmosphere in confined spaces and that the device must be calibrated twice a year.

As to the Invoice paid to Faustino for oil change, lube, safety inspection costs and the like, **Mr. Gradolph** explained that the services expended had been for commercial vehicles. One of the vehicles had required a safety inspection and other work including the replacement of a speedometer.

Motion by **Director Prushko**, seconded by **Director Smith** and carried unanimously by a roll call vote to approve the monthly Financial Reports & Disbursements for the month of November 2007 in the amount of \$245,238.06.

- B. 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 December 2007, as follows:

- **Project #2902 – Production Well No. 5:** Bids were opened on December 19, with six bids received. The low bid was \$771,240 by Arnold Construction Company. The Board to consider the award of a contract at the current meeting.
- **Project #2912 – Agua Caliente, Trinity Oaks, El Verano Water Mains:** Design of project 100 percent complete. To be advertised for bids in the spring.

In response to **Director Smith**, as to why the bids had been higher than the Engineer’s Estimate, **Mr. Gradolph** stated he was unaware of any particular reason the bids were a bit higher.

C. Water Source Report

Director Kenny clarified with **Mr. Gradolph** that one of the wells had been shut down for a two week period to allow recharge.

<p>6. RECEIVE & FILE PRESIDENT’S AND DIRECTOR’S REPORTS OR COMMENTS</p>
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Director Smith reported that he had received a letter from the Association of California Water Agencies (ACWA) Insurance and Personnel Committee, which had confirmed his reappointment as a representative for Region 1 for the next two years.

Director Prushko inquired whether or not there was policy direction created by that Committee, to which **Director Smith** explained that the Insurance and Personnel Committee worked with a broker for ACWA to allow as many choices as possible in the areas of insurance for ACWA. As to the personnel portion of the committee, he had not heard of anything being done in that area.

Director Smith commented that the committee had made recommendations which were forwarded to a second committee of ACWA for its approval. He could not recall any decision made by the committee that had been overruled by the subsequent committee. He noted that the largest impact was in the medical insurance area, although the committee did not set policies. The committee could indicate a desire to have an option made available, such as a situation with employee medical insurance plans where an employee could pay directly into a special account and which was something the Federal Government had tried to push to reduce the costs of medical insurance for public agencies. That had been discussed by the committee. While an option for employers, it did not appear to be attractive to employees.

<p>7. GENERAL MANAGER’S AND DISTRICT COUNSEL’S REPORTS</p>

A. General Manager’s Report

General Manager Kumar thanked **Director Kenny** for his Presidency during the past year and for his guidance during that time. He otherwise reported that the VOMWD and the City of Sonoma and the Sonoma County Economic Development Board planned to host an Open House/Seminar on March 13, 2008 at the Sonoma Community Center from 9:00 A.M. to 12:00 Noon for both residential and commercial property managers in the Sonoma Valley. The purpose of the seminar was to provide valuable information to property managers on current conservation programs being offered. The Sonoma County Green Business Program, PG&E and the Sonoma County Integrated Waste Management Department would be invited to attend and distribute information.

8. OLD/NEW BUSINESS

A. Election of Officers:

Director Kenny nominated Mark Bramfitt as the **President** of the VOMWD. There were no other nominations. The nominations were closed.

Motion by **Director Kenny**, seconded by **Director Smith**, and carried unanimously by a voice vote to elect **Mark Bramfitt** as the President of the VOMWD.

Director Bramfitt nominated Ronald Prushko as the **Vice-President** of the VOMWD. There were no other nominations. The nominations were closed.

Motion by **Director Bramfitt**, seconded by **Director Smith**, and carried unanimously by a voice vote to elect **Ronald Prushko** as the Vice-President of the VOMWD.

Director Bramfitt nominated General Manager Krishna Kumar as the **Secretary** of the VOMWD Board. There were no other nominations. The nominations were closed.

Motion by **Director Bramfitt**, seconded by **Director Smith**, and carried unanimously by a voice vote to elect **Krishna Kumar** as the Secretary of the VOMWD Board.

Director Bramfitt nominated Office Supervisor Shari Walk as the **Deputy Secretary** of the VOMWD Board. There were no other nominations. The nominations were closed.

Motion by **Director Bramfitt**, seconded by **Director Smith**, and carried unanimously by a voice vote to elect **Shari Walk** as the Deputy Secretary of the VOMWD Board.

B. Board Representatives for 2008.

The Board confirmed the slate of Board Representatives for 2008.

C. Well No. 5 Replacement Project

Mr. Kumar reported that the VOMWD had advertised for bids for the Well No. 5 Replacement Project and had received six bids ranging from \$771,000 to \$1,182,000. The lowest bid received had been from Arnold Construction Company, Fulton, California. He noted that the bid spread had been 35 percent between the lowest and highest bidders, reflective of the state of the market.

Mr. Kumar recommended that the VOMWD Board award the contract to Arnold Construction in the amount of \$771,240 for the Well No. 5 Replacement Project and authorize the General Manager to approve change orders up to 5 percent of the original contract amount.

Mr. Kumar added that there was a pending loan application with the I-Bank. He understood that the application had cleared the preliminary application stage and the VOMWD would be invited to formally apply. He clarified in response to **Vice-President Prushko** that the funds were coming from the California Infrastructure Bank and that the rates were two thirds of the tax exempt municipal rates which were quite low, currently around 3.6 percent.

Vice-President Prushko questioned whether or not staff had conducted a credit report or had contacted the

State Contractor's Board regarding Arnold Construction

Mr. Kumar advised that inquiries with references were made. Staff could contact the State Contractor's Board, although Winzler & Kelly had conducted a thorough check for the VOMWD and had checked with Winzler & Kelly's Construction Manager who was pleased with the firm's past performance.

Director Townsend understood that the Board was being asked for more discretion in terms of change orders. He questioned what kind of change orders were anticipated for the project.

Mr. Gradolph clarified that the test well had been drilled and the casing was in the ground. The General Manager currently had the authority to approve change orders in the amount of \$5,000. For a project such as the replacement of Well No. 5 with a filtration plant and a chlorination system, \$5,000 could be spent very quickly with a change order. He noted that there could be a month's delay to have a change order potentially approved by the Board. He did not anticipate any major problems. The casing was complete and the VOMWD had already paid for those costs. The matter at hand involved the equipment, power source, pump, tanks, filtration system and chlorination.

Motion by **Director Smith**, seconded by **Director Kenny**, and carried unanimously by a roll call vote, to award a contract to Arnold Construction Company in the amount of \$771,240 for the Well No. 5 Filtration Project, and authorize the General Manager to approve change orders up to 5 percent of the original contract amount.

D. Preliminary Wholesale Water Rates for FY 2008-09

Mr. Kumar reported that he had been meeting with the Sonoma County Water Agency (Water Agency) staff on the original proposal ranging between a 15 to 40 percent rate increase. Part of the rate increase was on account of the reduced deliveries from the Russian River this year due to the State mandate. Mr. Kumar advised that contractually the Water Agency may use the lower of either the actual average for the past 36 months, or 12 months, whichever was lower for calculating the next year's water rate. The Water Agency was using the 12 month average as it is the lower amount.

Vice-President Prushko understood that the Water Agency had brought on the two million gallon a day well and that the rate that was being charged was the river rate. He understood that water was less expensive to pump out of the ground than the water coming out of the river.

Mr. Kumar explained that the two million gallon well had been turned on by the City of Santa Rosa and was not a Water Agency well. He added that the increase in wholesale water rates charges was on account of a new \$16 million bond issue that the Water Agency was planning in FY 2008-09 to fund a number of capital improvement projects. He advised that he would be meeting the next day with Water Agency staff to further review the matter. Additionally, he advised that in order for the VOMWD to be able to build the Sonoma Aqueduct Parallel Pipeline they would have to issue a fairly large amount of bonds and VOMWD rates would have to be increased at that time, although it had the option to slowly introduce that component in a way the rate impact would be minimal. Depending on the negotiations for all of the other items, he may or may not recommend that component.

Mr. Kumar went on to explain that if the VOMWD was forced to pass on the proposed increase in wholesale water rates to its ratepayers that would result in roughly a 4.5 percent increase for the next year. He advised that the City of Santa Rosa had recently approved a 9 percent increase for the next year and another 9 percent increase for the following year. The City of Sonoma had approved a 5 percent rate

increase for the next year.

President Bramfitt commented that there were items in the \$16 million proposed bond issue that did not appear to be capital expenditures, such as the Water Project Environmental Impact Report (EIR), Spring Lake Ground Water Study, and the Flow EIR. As to the money that the VOMWD may or may not put away in anticipation of the new line for the Sonoma Parallel Aqueduct, he suggested it could be better named, such as a Water Recharge Ground Water Banking Project, rather than a second line. He suggested that could be renamed as a future water supply fund rather than with the second aqueduct fund since there could be consideration of other options beyond building a second pipeline if it was more financially beneficial.

Mr. Kumar explained that the funds collected from the Sonoma Aqueduct Capital Charge could be used for any capital project benefiting customers taking water deliveries off of the Sonoma Aqueduct.

President Bramfitt commented that since the VOMWD had used some creative financing, he would like that option to be considered by the Water Agency as well. He otherwise commented that the VOMWD had managed to keep rate increases at no more than three or four percent. He would like to remain in that realm. He noted that if there was a wholesale increase of 8.8 percent that would put the VOMWD under pressure in its own operations to be at zero with no increase on either side, which was difficult to do. He was not confident they would be able to keep the rates under control. While the VOMWD kept track of its own expenditures, he suggested that the Water Agency's expenditures be reviewed as well to ensure that it was doing what it could to keep things under control. He commended staff for its continued effort in that area.

Director Smith questioned whether or not the Water Agency had considered taking steps to reduce its own O & M budget given the reduced take from the system over the next year.

Mr. Kumar reported that issue would be discussed at the next meeting of the Water Agency. He would be asking those same questions and he would report back to the VOMWD Board.

9. CLOSED SESSION – NONE

10. REQUEST FOR FUTURE AGENDA ITEMS
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Director Townsend spoke to a December 2007 Closed Session item on the negotiation of property located at 2020 Hill Heaven Road. Until such time as that matter was resolved, he asked that there be an ongoing Closed Session Item agendized on the matter. If there was nothing further to report, the Board could be so advised.

11. ADJOURNMENT

Motion by **Director Smith**, seconded by **Director Kenny**, and carried unanimously by a voice vote to adjourn the meeting at 7:32 P.M. The next scheduled meeting is a regular meeting on February 5, 2008.

Shari Walk, Deputy Board Secretary

Mark Bramfitt, Board President