



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

August 11, 2016

A. **ROLL CALL**

President Hecathorn called the meeting to order at 9:00 am. Director Rupp conducted the roll call. Directors Hecathorn, Laird, Latt, Rupp and Woo were present. General Manager Paul Helliker, Superintendent Dale Davidsen, Business Manager John Friedenbach and Board Secretary Sherric Sobol were present. John Winzler and Pat Kaspari of GHD were present for a portion of the meeting. Mark Henwood and Todd Thorner of JTN Energy participated via phone for a portion of the meeting.

B. **FLAG SALUTE**

President Hecathorn led the flag salute.

C. **ACCEPT AGENDA**

On motion by Director Rupp, seconded by Director Latt, the Board voted 5-0 to accept the agenda.

D. **MINUTES**

On motion by Director Rupp, seconded by Director Woo, the Board voted 5-0 to approve the minutes of the July 13, 2016 Regular Meeting and the July 22, 2016 Joint Meeting with Ruth Lake CSD.

E. **PUBLIC COMMENT**

No public comment was received.

F. **CONSENT AGENDA**

On motion by Director Rupp, seconded by Director Woo, the Board voted 5-0 to approve the Consent Agenda.

G. **CORRESPONDENCE**

There was no correspondence this month.

H. **CONTINUING BUSINESS**

1. **Water Conservation Regulations**

Mr. Helliker stated he is awaiting results for agencies "stress tests" on the State Water Resources Control Board (SWRCB) website. As reported last month, the District and its Municipal Customers have a conservation level of zero. This doesn't mean the District and its retail customers are not conserving however. Mr. Helliker also shared the press release issued by the SWRCB sharing June conservation data. The statewide water savings for June is 21.5%. The SWRCB and DWR will hold a series of public meetings to discuss items such as SBx7-7 and proposed legislation that will include input from an "Urban Advisory Group". Mr. Helliker is part of the Urban Advisory Group. He shared the group composition and agenda for their August 15th meeting. The Board inquired if the Governor's Executive Order regarding conservation can be permanent. Mr. Helliker responded the order currently ends when the drought ends. Elements of the Executive Order can only become permanent if it goes through legislation. He also pointed out the Executive Order only focuses on residential use that accounts for only 5% of the water usage. It does not include industrial and agricultural use.

2. **Water Resource Planning**

Mr. Helliker provided updates on the three top-tier water use options. Staff has had conversations with the Division of Drinking Water regarding the pipeline grant proposal. They requested some clarification of the problem statement and outreach/partnership component. They also noted that



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projects in the planning phase do not always get implemented whether or not there is funding from the state. The District is currently awaiting an update. Director Latt inquired if Mr. Helliker knew what types of projects are likely to get funding. Mr. Helliker noted some of the projects that will likely get funding are disadvantaged or small communities with water quality problems, such as arsenic contamination, or communities who are facing water supply shortages, such as East Porterville, where residents' wells have completely dried up and they need to connect to the municipal water system.

There is nothing new in regards to Transport.

The instream flow committee reported out on their August 9 meeting. They discussed different flow release scenarios and possible revenue for water right dedications under Proposition 1. Some of the scenarios included augmenting flows after the first couple of storms as opposed to keeping it in the reservoir; and discuss with NMFS and CDFW the possibility of receiving credit for instream flow enhancements in the Mad River. Director Rupp inquired if this would still allow enough for transport and they confirmed yes, there is enough for transport. They noted that they actually feel optimistic about the progress.

Mr. Helliker stated the next Advisory Committee (AC) meeting is on September 20, 2016. The committee last met on February 3, 2016 and he shared that agenda with the Board. The upcoming meeting will provide an opportunity to update the members on all the work accomplished so far with the three top-tier options and will include a discussion on expanding the areas to consider a pipeline for transport. Director Laird stated he did not want to move forward on transport without the AC buy-in. Director Rupp reaffirmed the Board would not proceed without the support of the AC.

Mr. Helliker provided an update on costs to video segments of the WRP process. The price ranged from \$3,000 to \$20,000 for shorter video's of less than a minute in studio to longer videos (3 minutes plus) shot at multiple locations.

3. Cannabis activities

Mr. Helliker stated Assemblymember Wood's bill AB 2243, the Medical Cannabis Tax Law, is currently in suspense at the Senate Appropriations Committee. There is no significant opposition and it's likely to pass next week. Staff is working with SWRCB to identify locations to investigate for illegal diversions from the main stem of the Mad River. Director Rupp inquired about the status of the landowner illegally drawing water out of Ruth Lake. Mr. Helliker stated staff was able to obtain the name and address of the property owner and will be sending a cease and desist notice. If the property owner fails to do so, the next step will be contacting the Trinity County Sheriff. Director Latt suggested the District's attorney send a conversion notice. A conversion notice is a civil action for theft. The Board concurred this was a good idea and directed staff to move forward with the conversion notice.



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4. ReMAT

Mr. Henwood and Mr. Thorner participated in the discussion via phone. Mr. Helliker provided a quick background. In March 2016, the Board approved the Small Generator Interconnection Agreement with PG&E. In May, the District submitted the Program Participation Request to initiate the process of securing a ReMAT contract. PG&E provided a draft of the ReMAT contract. Mr. Helliker shared the draft contract with key information filled into the pro forma document. PG&E agreed to terms and numbers the District provided. He noted that in the Delivery Term section of the contract, staff is recommending a twenty-year term. The price offered is \$0.08923/kWh and is higher than the \$0.04/kWh currently received and will likely be above market prices for many years into the future. Mr. Henwood added they predicted the price range out ten years. He explained the current predicted market and stated from a risk management and profitability standpoint, the contract is a good deal. Director Latt inquired if Mr. Thorner and Henwood looked at inflation and cost of living increases in the twenty year forecast. Mr. Henwood stated they did account for inflation and used a 1 ½% per year escalation factor. This still shows approximately a twenty percent profit margin at twenty years and includes maintenance of facilities. Once the District receives the final contract it will need to be approved within ten days. Given the quick turnaround time, Mr. Helliker shared two options for the Board. The Board could approve the contract today, contingent upon no changes to the final version, or hold a Special Meeting to approve the contract once the final is received. On motion by Director Rupp, seconded by Director Woo, the Board voted 5-0 to approve the contract as presented and authorize staff to sign the final contract provided there are no changes.

The District will be required to install a new California Independent System Operator (CAISO) compliant meter at the hydro plant to sell power under the ReMAT contract or to a Community Choice Aggregation program in Humboldt County. JTN Energy prepared a Request for Proposals for the meter installation and CAISO compliance services. Bids were solicited from two firms with significant experience in this line of work- Trimark and Pacific Power Engineers. Staff reviewed the results with Mr. Henwood and Thorner and recommend issuing a contract to Trimark. On motion by Director Laird, seconded by Director Latt, the Board voted 5-0 to issue a contract to Trimark for the installation of a CAISO compliant meter at the hydroplant.

I. NEW BUSINESS

1. District Mission Statement

The Board approved the District Mission and Goal Statements on April 13, 2007. In October of 2014, management staff held a strategic planning meeting and suggested updates to the documents. The current Board requested these be brought back for review and possible changes.

Mr. Helliker shared the document showing the suggested updates from staff at the 2014 strategic meeting. The Board reviewed the District's Mission Statement. Changes were suggested for the last section of the Mission Statement. On motion by Director Rupp, seconded by Director Latt, the Board voted 5-0 to amend the last portion of the Mission Statement to read: protect the environment of the Mad River watershed to preserve water rights, water supply and water quality interests of the District.

The Board also discussed the District Goals. Several suggestions were made and the Board requested Mr. Helliker bring back a revised Goals and Objectives for the Board to review.



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2. Dental and Vision Coverage for Board members

Last month, the Board requested staff research the possibility of dental and vision coverage for the Directors. Mr. Friedenbach checked with the JPIA, the District's insurance provider, and learned the Directors may participate in the dental and/or vision plans. The plans require that all eligible members within a class must participate in the benefit. This means 100% of the Directors must participate. The monthly cost to cover the Directors and their dependants for 2016 would be \$469.16 and \$478.54 per month for 2017. If the Board chooses to elect dental and/or vision coverage, the JPIA requires sixty days notice. Director Laird stated this would be a good benefit to help recruit and retain Board members. The Directors had several questions regarding coverage and requested additional information. They were not ready to make a decision so the item will be on the agenda next month.

3. Ordinance 16 and Contract Changes

As previously discussed, staff is in the process of updating the Capital Improvement Plan (CIP), including an updated financial section. In order to implement debt financing, we will need longer-term contracts with our Municipal Customers. Mr. Helliker stated there are also elements of Ordinance 16 that should be modified to allow us to address CIP projects as needed and to address Manila CSD's request to update its water sales volume to reflect the closure of Sierra Pacific Industries. Staff would like to negotiate a contract period of ten years or longer, amend the Capital Expenditure Limit, and review and possibly revise the Prorata Cost Allocation. The next scheduled review of the Prorata Cost Allocation is scheduled for 2019 but would like to consider moving this up given the closure of Sierra Pacific. The topics were broached with the Municipal Customers and they are willing to revise Ordinance 16. They requested a proposal for any changes we suggest. As part of the process, Mr. Helliker suggested he provide a presentation to the Municipal Customers board/council then convene the Water Task Force as needed to apprise them of negotiations. The Board requested staff schedule the meetings and begin the negotiation process.

4. Policy regarding houseboats on Ruth Lake

Mr. Friedenbach stated the District and Ruth Lake CSD have had a longstanding unwritten policy of no houseboats on Ruth Lake. Staff believes it is prudent to have this policy in writing. Ruth Lake CSD is supportive of the policy. Director Rupp read Resolution 2016-09 Establishing a Prohibition of Houseboats on Ruth Lake. The Board voted 5-0 by roll call vote to approve Resolution 2016-09.

5. Trinity County Hazard Mitigation Plan

The Trinity County Hazard Mitigation Plan was discussed last month at the joint Board meeting with Ruth Lake CSD. In order to be eligible for Hazard Mitigation grant opportunities that are available in Trinity County, our District needs to be included in the Trinity County Hazard Mitigation Plan and Trinity County must formally adopt their plan with our annex. Mr. Friedenbach shared the Table of Contents, the Executive Summary and our Annex of the Trinity County Plan. He noted the full version of the Trinity County Hazard Mitigation Plan with our annex is posted on our District website. Director Rupp read Resolution 2016-07 Authorizing the Adoption of the Trinity County Mitigation Plan. The Board voted 5-0 to roll call vote to adopt Resolution 2016-07.

6. Upper California rail study

Mr. Helliker attended the Humboldt Bay Harbor Working Group presentation of "Upstate California RailConnect Feasibility Study". He shared the presentation and noted the estimated



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cost of the study is \$345,000 with \$276,000 being grant funded. The non-profit Land Bridge Alliance is providing the \$69,000 local match. The project manager and grant recipient is the Trinity County Transportation Committee. Mr. Helliker noted that environmental and permitting issues will be a large portion of the feasibility analysis. The Humboldt Bay Harbor Working Group plans to start the project early next year.

7. Drinking water regulatory program fees

Mr. Friedenbach stated the State Water Resources Control Board (SWRCB) published a notice of revision for the public water system annual operating fee. The current system is a fee for service and entities pay for the time of use. The SWRCB is proposing a minimum base fee plus a volume of use fee. The proposed Wholesaler fee is \$6,000 plus \$1.38 per each MG. For our District this would be \$6,000 plus a volume fee of \$4,500 for a total fee of \$10,500. The District's fee last fiscal year was \$3,781. The larger water systems are affected the most. The City of Santa Rosa will see an increase of 963% and the City of San Diego will see a 1,086% increase. If the District were to sell (transport) 40 MGD this would result in an additional \$20,000 fee. ACWA is proposing a more equitable fee keeping the hours of SWRCB staff time in the fee formula. ACWA shared their approach in a nine page document to the SWRCB.

8. Proposition 53 "Cortopassi Initiative"

Mr. Helliker provided information on Proposition 53 known as the "Cortopassi Initiative". This will be on the November ballot and if approved by voters would amend the California Constitution to require statewide voter approval of infrastructure projects financed through revenue bonds over \$2 billion. ACWA and staff recommend opposing Proposition 53. Mr. Helliker shared the ACWA Communications Toolkit for Proposition 53 and District Resolution 2016-08 Opposing Proposition 53. Director Latt inquired how Proposition 53 would affect the District. Mr. Helliker stated it will not likely affect the District given the high dollar value, however it could impact other water agencies. Director Latt stated since it does not impact the District, he could not vote yes on the Resolution. Director Rupp stated he views this as a local control issue and for that reason, will support the Resolution. Director Rupp read Resolution 2016-08. The Board voted 4-1 by roll call vote to approve Resolution 2016-08. Director Latt voted against it.

J. REPORTS (from Staff)

1. Engineering

Ranney Collector 1 Lateral Replacement Project (partially funded by Prop 84 NCIRWMP grant)

Mr. Kaspari stated the general contractor Layne Christensen began mobilizing last week. They provided a schedule that he shared with the Board. Mr. Kaspari noted the site foreman believes they can be ahead of schedule which is good since the District's streambed agreement with the Department of Fish and Wildlife (DFW) requires the District to be off the river by October 15. As a precaution, the District requested an extension from DFW in the event that they are not able to complete work in the river by 15th.

As previously discussed, vandals cut the orange construction safety fence around the perc pond. The Board agreed there was a need for a more secure fence to keep the public out of the pond area. Change Order #3, in the amount of \$4,809 is for a six foot high chain link fence around the pond. On motion by Director Laird, seconded by Director Woo, the Board voted 5-0 to approve Change Order #3.



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Blue Lake-FG CSD Water Line Replacement over Mad River (funded by Prop 84 NCIRWMP grant and FEMA Hazard Mitigation Grant)

Mr. Kaspari stated there is nothing new to report. They responded to the letter from CalOES last month and have not yet heard back from them.

Coonrod development

There is no new information regarding the development.

Hog Island Development

Mr. Kaspari shared the designs provided by Manhard Consulting for the meter and backflow preventer as well as the water service connection. Staff requested, but has not yet received the cut out sheets.

1MG Reservoir Roof Replacement

Mr. Kaspari stated the plans and specs are close to completion. The project should be ready to go out for bid in October 2016 with the work commencing in the spring of 2017.

Trolley Car Cable Inspection

A structural engineer from GHD reviewed and inspected all the trolley cars. All looks good including cables and the engineer recommends a five-year inspection cycle. Mr. Davidsen stated his crew conducts regular maintenance on the trolley cars and cables and was glad to hear they are in good shape.

Axel Properties Development

Mr. Kaspari stated Axel Properties is proposing a new development along West End Road, at the former Wayne Bare Trucking site. The District has a pipeline running through the property and has a 30- foot right-of-way along the east side of the property. The owner would like to record a "Notice of Location" for the existing right-of-way versus having a floating easement. Mr. Kaspari stated in this case, the District's right-of-way gives us broad authority and there is no need to add anything. Staff recommends the owner prepare a Notice of Survey and submit it to the District for approval. If approved, the owner can file a Notice of Location at his expense. On motion by Director Rupp, seconded by Director Woo, the Board voted 5-0 to authorize the Notice of Survey and if approved, the Notice of Location at the property owner's expense.

Techite Coastal Development Permit Closeout Inspection

Mr. Kaspari shared that most of the vegetation is coming back nicely. It's hard to tell where the construction work was done. There is one area where the California native blackberries are not doing well due to invasive species taking over. He and some others went and weeded out the invasive species. They are hoping this will help the blackberry take hold. Mr. Kaspari said they feel their work is complete and submitted the Final Post Construction Environmental Monitoring Observations report to the California Coastal Commission.

2. Financial

CalPERS Unfunded Liability Payment

Mr. Helliker provided background on the CalPERS Unfunded Liability. Up until the year 2000, employers paid a base rate to CalPERS. CalPERS then said they were superfunded and there was no need to pay. The "Dot Com" boom declined rapidly and by 2008, CalPERS was only 80% funded. The loss in 2008 is called the Unfunded Liability. The District's current contribution is 23%; 16% is the base rate and 7% goes toward the unfunded liability.



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Mr. Friedenbach discussed the CalPERS Unfunded Liability Payment. The District had the option of making monthly payments that totaled to \$145,000 or a lump sum payment of \$140,000. Mr. Friedenbach stated the District selected the lump sum payment and saved \$5,000. He noted this is in the financial report but wanted to call it out.

Financial Report

Director Rupp provided the July 2016 financial report. He also reviewed the bills and stated all was good as usual. On motion by Director Rupp, seconded by Director Laird, the Board voted 5-0 to approve the July 2016 financial statement & vendor detail report.

3. Operations

Mr. Davidsen provided the August operational report. James Carl Painting finished painting the hydro plant and shop roofs at Ruth. The maintenance crew finished removing the pumps from Collector 1 in prep for the Collector 1 lateral project. The SB198 quarterly safety meeting was held and staff conducted the respirator training and fit testing safety meeting. Mr. Davidsen and supervisors are conducting interviews for the Maintenance Worker position. He stated they received numerous applications and there is a good candidate pool for selection. He was also pleased to report that yesterday was an inspection of the public drinking water system. This inspection is like the “report card” for the District. The State Water Resources Control Board, Division of Drinking Water conducts the inspections. Craig Bunas (former inspector) introduced Scott Gilbreath (new inspector) and showed him the inspection process. Mr. Bunas and Gilbreath were impressed with the professionalism of the staff, the maintenance and how the system is run. There were no issues and hope to have the report next month. The Board congratulated Mr. Davidsen and his staff on a job well done.

K. DIRECTOR REPORTS & DISCUSSION

1. General

Nothing to report.

2. ACWA – JPIA

Director Rupp stated the next JPIA meeting is scheduled at the end of the month.

3. ACWA

a) ACWA Activities

Director Rupp stated he and Mr. Helliker attended the Region 1 meeting and tour. It was a very interesting meeting and took place in the Lake Mendocino/ Dry Creek area. He learned about Coho restoration in the Dry Creek Hatchery and stated the presentations were well done.

Director Rupp reported out on the Budget Committee meeting he attended. The Budget Committee is a subcommittee of the Finance Committee. They discussed raising dues since they are projecting a budget deficit. They also discussed the fact that they can’t keep raising dues.

b) Region 1 Board Vacancy

ACWA sent out a memorandum regarding the need to fill a vacancy in the Region 1 Board for the remainder of the 2016-17 term. Mr. Helliker stated staff prepared a sample Resolution to go along with nomination form however, the name of the nominee is blank.



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Director Woo stated she has not yet notified ACWA Region 1 however, she is not able to continue to serve on the Board due to work commitments. Director Rupp stated he believes someone from our District needs to be on the Board to represent our interests on the North Coast. Since no Directors volunteered, Director Rupp suggested Mr. Helliker consider serving on the Board provided he can take on the extra work and time commitment. The Board concurred the District would be well represented by Mr. Helliker if he has time for an ACWA commitment. Mr. Helliker stated he already attends some of the meetings and is involved in other committees. He would be happy to be on the Board again (he previously served on the Board as Chair and Vice Chair). Director Rupp read Resolution 2016-10 Placing in Nomination Paul Helliker as a Board Member of the Association of California Water Agencies Region 1 Board. The Board voted 5-0 by roll call vote to approve Resolution 2016-10 nominating Mr. Helliker to the ACWA Region 1 Board.

4. Organizations on which HBMWD Serves: RCEA, RREDC, NCRP

a) RCEA

Director Woo stated RCEA has been very busy with the Community Choice Aggregation (CCA). They sent out an online survey about the CCA, unfortunately the survey was not well planned. It was a long survey and 74% of people that opened the survey did not complete it. They are revamping the survey and it should be out soon. The next workshop will focus on forms of energy such as wave, solar, wind etc. The next RCEA meeting will include a closed session for the evaluation of the Executive Director.

b) RREDC

President Hecathorn attended the RREDC meeting and reported out since Director Rupp was not available. Marcella Clem, Executive Director of Humboldt County Association of Governments was the guest speaker. Ms. Clem provided a presentation on the funding crisis for transportation and roads. She discussed the Transportation Sales Tax Ballot measure that requires a two-thirds vote to pass. Director Rupp elaborated and noted if it doesn't pass, it will likely come back as a general fund item. Other topics included staff goals, selection of Auditor and Dennis Mayo announced that he is the ACWA Region 1 Board Chair.

ADJOURNMENT

The meeting adjourned at 2:36 p.m.

Attest:

Barbara Hecathorn, President

J. Bruce Rupp, Secretary/Treasurer