



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

June 08, 2017

A. ROLL CALL

President Woo called the meeting to order at 9:00 am. Director Rupp conducted the roll call. Directors Fuller, Hecathorn, Latt, Rupp and Woo were present. Director Fuller left the meeting at noon. General Manager John Friedenbach, Superintendent Dale Davidsen, Business Manager Chris Harris and Board Secretary Sherrie Sobol were also present. Mario Palmero, Operations Supervisors was present for a portion of the meeting. Pat Kaspari and John Winzler of GHD were present for a portion of the meeting.

B. FLAG SALUTE

President Woo lead the flag salute.

C. ACCEPT AGENDA

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

D. MINUTES

President Woo requested a change in the minutes to more accurately reflect the sentiment on page five of the May 4, 2017 minutes. On motion by Director Rupp, seconded by Director Latt, the Board voted 5-0 to approve the minutes of May 4, 2017 Regular Meeting as amended and the May 24, 2017 Special Meeting.

E. PUBLIC COMMENT

There was no public comment.

F. CONSENT AGENDA

Director Latt pulled Item 1. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to approve the Consent Agenda less Item 1.

Letter from Eureka Chamber of Commerce re: closing of the Visitor's Center

Director Latt inquired if the District was a member of the Eureka Chamber. Staff confirmed the District was a member and Director Latt stated he was concerned since the Eureka Chamber takes political positions. He understands that ACWA takes political positions, however, ACWA focuses on water issues and we have the option to endorse their stance or not. He stated he feels it is not proper to be a member of an organization that takes political stances on items not directly related to water. He recommends not renewing membership. The Board discussed the topic and Director Rupp stated the Chamber helps promote business and business development and in general, has the best interests for the community. He stated the District should remain as a member and if the Board disagrees with a position the Chamber is taking, then submit a letter stating such. Since the item was not listed for action, staff will bring the item back next month for further discussion and possible action. On motion by Director Latt, seconded by Director Fuller, the Board voted 5-0 to approve Item 1.



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G. CORRESPONDENCE

Joint letter from HBMWD and Ruth Lake CSD inviting Ruth-area parties to joint Board meeting and draft meeting agenda

Mr. Friedenbach shared the letter from the District and Ruth Lake CSD regarding the joint Board meeting and EAP Face to Face meeting. He also shared the agenda for the Joint Board meeting and inquired if there were any changes. No changes were requested.

Letter to Wiyot Cultural Director re: CEQA Notification

Mr. Friedenbach discussed the letter to the Wiyot Tribe providing formal CEQA notice as required by law. The letter listed four projects: Blue Lake/Fieldbrook Glendale Pipeline Mad River Crossing; Surge Tower Replacement Project; 12kV Switchgear Replacement Project; and the Main TRF Supply Pipeline Replacement Project.

Letter from LAFCo re: Peninsula CSD formation public hearing

Mr. Friedenbach discussed the letter and noted that there is no mention of HBMWD assets nor that we own the industrial system despite communications with Samoa Fire District/Peninsula CSD. Mr. Friedenbach stated staff will attend the June 28th Public Hearing on the matter.

H. CONTINUING BUSINESS

Water Resource Planning

Mr. Friedenbach stated there is nothing new to report on transport or local sales. The instream flow committee met to discuss grants and the 1707 dedication form. The consultants will put together a scope of work for the 1707 form and agreed to complete the application for the Wildlife Conservation Board grant with final payment contingent on a successful application.

PG&E ReMat

Mr. Friedenbach stated the new contract with PG&E went into effect May 15th. The 16 days in May under the new contract provided revenue greater than that for the entire month of April. A separate reserve account at the County was set up for these funds.

Illegal Cannabis Grows

The Board discussed the letter the District sent to the County regarding the Cannabis EIR: Proposed Amendments to the Humboldt County Code Regulating Cannabis Activities. The Board stated the letter was well written and especially liked the last, impactful statement which read: "The Mad River is a crucial resource for so many Humboldt County residents, it should be a priority for enforcement to protect our water quality, quantity, and safety and health of the environment."

Director Latt suggested staff reach out to the California Department of Fish and Wildlife as well as the County for enforcement issues. He believes these entities will be more responsive than the Regional Water Quality Control Board.



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I. NEW BUSINESS

1. Revised Ordinance 16 Contracts

The Board previously approved revisions to Ordinance 16. Wholesale Municipal Water Contracts are tied to Ordinance 16 and therefore new contracts were required for each of the Municipal Customers. The only customer that has not approved the contract is the City of Blue Lake. They plan to approve it at their next meeting. Staff recommends the Board approved the revised contracts for six Municipal Customers: City of Arcata, City of Eureka, Fieldbrook-Glendale CSD, Humboldt CSD, Manila CSD and McKinleyville CSD. On motion by Director Rupp, seconded by Director Latt, the Board voted 4-0 to approve the revised contracts for the six Municipal Customers.

2. Memorandum of Understanding with USDA Forest Service

Mr. Friedenbach stated Forest Service staff contacted him to request permission to access the Mad River via District property. They will be conducting a field study of the Sacramento Sucker fish species. The study will take place July through December and the data from the study may add value to the instream flow dedication. Staff drafted a Memorandum of Understanding (MOU) that requires them to share any interim data and final report with the District. He noted the MOU is similar in structure to an existing MOU with the California Department of Fish and Wildlife. Staff recommends the Board authorize the General Manager to sign the MOU with the USDA Forest Service for access to the Mad River via District property. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to approve the recommendation.

J. REPORTS (from Staff)

1. Engineering

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

The final pay request from Layne was received in the amount of \$40,480.90 less retainage of \$2,024.05 for a total of \$38,456.85. The payment has been approved and being processed. Once the Notice of Completion is filed with the County, the retainage amount of \$98,656.45 will be paid.

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

Mr. Kaspari he is still waiting for Fish and Wildlife to process the permit. There are no issues regarding the permit, rather it is a staffing issue. Once the permit is received, bedrock drilling can occur and based on results, the design can be finalized. The CEQA document will be an Initial Study Mitigated Negative Declaration and will be brought to the Board next month. Mr. Friedenbach stated staff has identified the neighbors that may see some traffic impacts from the project and will be scheduling informational meetings, one for the West End side neighbors and one for the Glendale side.

1MG Industrial Reservoir Structural Inspection

Mr. Kaspari stated this inspection was triggered by findings in 1 MG Domestic Tank. He has since found documentation stating the rafters were replaced on the industrial tank, but not the



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domestic tank. As a result, the industrial tank is in better condition. He recommends just painting it or at least conducting annual checks. He added that the District could apply for grants to upgrade the tanks to seismic standards.

12kV HMG/PDM

Mr. Kaspari shared the letter responding to FEMA's questions regarding the NEPA process. Tetra Tech is contracted with FEMA to do the work and their staff has been here the last few days. He expects their report to be completed in about six months.

Surge Tower HMG/PDM

Mr. Kaspari stated the District received Phase One grant funding to conduct the biological, cultural and lead sampling studies. The biological work is done and the other two are moving along.

1MG Reservoir Roof Replacement /Painting

Mr. Kaspari stated he has yet to receive the update schedule. The contract contains a liquidated damages clause and he has reminded the contractor of that. President Woo inquired how long the reservoir tank would be out of commission. Mr. Kaspari stated approximately two months.

New Hazard Mitigation Notice of Intent (NOI)

Mr. Kaspari stated an NOI was submitted for the Single Line Failure Redundancy Pipeline. This is estimated to be a \$3,000,000 project which means a District match of approximately \$750,000.

2. Financial

a) Limit for Appropriations from Taxes

Ms. Harris stated the California Constitution Article XIII(b) requires the adoption of an annual resolution limiting the amount of appropriations from taxes to a certain base level, plus annual increases, based on per capital income and population increases. Staff recommends the Board adopt Resolution 2017-07 to establish the required appropriations limit for the 2017/2018 fiscal year. Director Rupp read the resolution and the Board voted 4-0 by roll call vote to adopt Resolution 2017-07. Director Fuller was absent.

b) FY 2016/17 Project Budget

Each year, staff conducts a mid-year project budget analysis for projects that are charged to the Municipal Customers. Mr. Friedenbach shared the process by which the budget reallocation is determined. Mr. Friedenbach shared the budget reallocation spreadsheet and identified projects that have money left over or cannot be completed during the current fiscal year. The amount available from these projects this year is \$1,470,845. Staff recommends the Board consider modifying the 2016/17 year project budget to include an additional budget line item for an ergonomic desk in the amount of \$1,345 with the remainder of the reallocation to advance charges for five specific authorized projects under Ordinance 16 for: 1) the Blue Lake/FGCSD Pipeline Crossing; 2) Surge Tower 3) 1 MG DW Reservoir Roof; 4) Ruth Bunkhouse and 5) SCADA System upgrade. The net change to the budget is zero with no impact on total Municipal Customer costs.



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On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to approve the budget reallocation with no impact on total Municipal costs as proposed by staff for the 2016/17 fiscal year.

c) FY 2017/18 Project Budget

At the previous project budget meeting, the Board requested a broader look at the Single Line Slough crossing project to assess what the options are for the crossing. The new scope would include an assessment and recommendations for options including: 1) do nothing; 2) repair the structure; or 3) demolish the structure. The Board discussed the Industrial system and grappled with what to do with the Industrial System in general as they have been discussing components of it. Director Rupp stated the system is deteriorating and may be needed in ten years if a customer comes along. Is it worth preserving for possible future use? Should money be spent on assessing it? Director Latt stated whatever the decision is, we should have justification in writing to back it up. Also, staff should meet with the Harbor District and the Samoa Peninsula Fire Department as they both use water from the industrial system. Director Rupp concurred with the idea of meeting with the entities, however, do so after analysis has been done. After additional discussion, the Board stated they were good with moving forward with the limited scope project for \$24,000 regarding the single line slough crossing.

d) FY 2017/18 Budget

Ms. Harris presented the proposed total budget and revenue estimates and recapped the May meeting. She reviewed items with proposed changes from the current year budget in Service & Supply and explained the increases in comparison with prior year's budget. New items included the safety apparel allowance and GM Training. These costs were offset by the reduction in accounting and travel expenses. The Service and Supply Budget with power is \$1,482,365. The cost of power is expected to increase by \$27,465. Another area with a large increase is \$7,000 in maintenance and supplies for the TRF. This is directly related to the cost of extra chemicals needed due to the severity of storms and longer rainy season in 2017. Overall the budget is a 3.5% increase over FY 16/17.

The Salary and Employee Benefits also has new items including a proposed modification to longevity pay, management leave and cellphone stipend. Staff is proposing a 3% Cost of Living Allowance as health Benefit costs are expected to increase by ten to twelve percent depending on the health plan, and dental care by two percent. These changes bring the total Salary & Employee Benefit budget to \$3.7 million. This is 5% greater than the FY 16/17. The Board discussed the proposed changes. After some discussion, several Directors shared their thoughts on why COLA is important and the majority of the Board stated they were comfortable with a 2.5% COLA. The majority of the Board also supported management leave. Staff will use the 2.5 percent COLA for the final budget presentation and approval. Director Latt reiterated that in future presentations, he would like staff to provide slides that don't support their recommendations in the interest of receiving all information necessary to make an informed decision.



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In regards to the Project Budget, carryover items will not be finalized until the close of June's accounting. This will be the only substantial item that will be revised for next month. The finalized budget will be presented for consideration and adoption at the July 13, 2017 Board meeting.

Ms. Harris noted that with the new ReMAT Power agreement, revenues from power are increasing. This results in a total projected revenue increase of \$2,492.144 or a 22.4% increase.

The customer charges to the Municipal Customer, with the projected budget, results in a total wholesale charge of \$6,201,988 which is a decrease over last year of \$542,372 or 8% lower. Mr. Paul Rodrigues of Humboldt CSD was present and stated he appreciates the District management and their willingness to work with the Municipal Customers to help keep the costs down. He was very pleased with the charges coming in an overall decrease of 8%.

e) Financial Report

Director Rupp stated he met with Ms. Harris regarding the financial report. She loves numbers and they will take a dual approach in presenting the financials going forward, however today, Ms. Harris will present the financials. She provided the May financial report (includes April) and stated that Director Woo reviewed the April bills and Director Rupp reviewed the May bills. There were no areas of concern. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to approve the April/May 2017 financial statement & April vendor detail report in the amount of \$119,832.63 and May vendor detail report in the amount of \$375,349.06. Ms. Harris stated in the financials, the Employee Assistance Plan is currently a separate line item and inquired if the Board was okay with including it in the payroll line item. The Board concurred. Ms. Harris then inquired if there were other topics the Board would like addressed in regards to the financials and Directors indicated they would like more information on Price Factors 1 - 4 with an explanation of the offsets in Price Factor 2 next time.

f) Inventory Policy

Mr. Friedenbach stated there is currently no Inventory Policy. He shared the proposed Inventory Policy and stated if approved, this will become part of the Accounting Policy and Procedures Manual. The Board did not have any questions regarding the policy. On motion by Director Hecathorn, seconded by Director Latt, the Board voted 4-0 to approve the Inventory Policy.

g) Letter from County Treasurer

Ms. Harris shared the Interest Apportionment Rate letter and summarized the interest earned report. Rate are going up although they are still low overall.

3. Operations

a) Monthly report on projects and operations

Mr. Davidsen provided the May Operational report. Emergency dredging in the river channel below the hydro plant was required. The water in the channel was too high to be able to de-



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water the tailrace and enter the penstock for inspection and maintenance. Annual maintenance was conducted May 8-12th. Mr. Davidsen stated interviews with in-house candidates were conducted for the Customer Service position at Essex. Jasson Klingonsmith was the successful candidate. This created an opening for an O&M Tech which was filled by the other applicant Tim Farrell. The District will soon be advertising for a maintenance worker position which was vacated by Mr. Farrell. On May 31st, Mr. Lowe of DWR/DSOD inspected the dam. The inspection went well and there were no issues with operation or maintenance of the dam. Mr. Lowe stated it is one of the best operated and maintained dams he has inspected. The Board congratulated Mr. Davidsen and his staff for the high praise received.

b) PG&E Statement of Electric Energy Purchased and hydro related summaries

Mr. Davidsen the PG&E data is for the April time frame. Next month, there will be an increase in revenue since REMAT went into effect May 15th.

c) Surplus Items

Mr. Davidsen shared the list of surplus items and stated these are items that are obsolete, no longer needed or have been replaced. The Board reviewed the surplus item list. On motion by Director Hecathorn, seconded by Director Rupp, the Board voted 4-0 to surplus the following items: 12 High-bay, high pressure sodium lights; water buffalo trailer and tank; Ingersoll Rand air compressor, 18" Smith Blair coupling (short); 18" Smith Blair coupling (30"); 18" Smith Blair coupling (20"); 18" Romac SS-3 17.10 x 18.30 x 16; 18" Romac 18-19.2; 1747-ASB Remote I/O Adapter; 1771-P4S Power Supply; 1771-ASB Remote I/O Adapter; 1785-BCM Com Module; 1785-L40E Controller; LTQ3100 ProSoft LV Controller; Phoenix Digital – OLC-DPR-13DST; Lancast Twist Com Converter; 12 used and 1 new HACH 1720D Turbidimeters.

d) TRF Presentation- Process to shut down TRF

Mr. Friedenbach stated he believed it would be useful for the District's Operations Supervisor and the Maintenance Supervisor to provide quarterly informational updates to the Board on particular aspects of the District's operations and maintenance. The first topic is the process to shut down the Turbidity Reduction Facility (TRF) and will be done by Mario Palmero, Operations Supervisor.

Mr. Palmero provided a power point presentation on the process to shut down the TRF. He stated there are over 150 sequential steps that occur in the process followed by cleaning of the system. He provided an overview of the process and answered questions from the Directors. He noted that all the water used in the backwash process is reclaimed and not wasted. The Board thanked him for the presentation and stated it was informative and helped them better understand the detailed process involved.

Mr. Friedenbach inquired if the Board found value in the presentation and would like to continue. Director Hecathorn stated it was a very good presentation and wonderful idea to help the Board learn more about District operations. The Board concurred.



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K. DIRECTOR REPORTS & DISCUSSION

ACWA

ACWA Outreach and District letter re: SB623 and Public Goods charge

Mr. Friedenbach shared the ACWA Outreach Alert stating that a public goods charge language is likely to be added to SB 623. ACWA is requesting opposition letters be sent regarding the tax on water. Staff prepared a draft letter which was also shared with the Board. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 3-0 to authorize the General Manager to submit an opposition letter regarding the water tax. Director Rupp had stepped out the meeting.

Report on ACWA /JPIA Activities including Spring Conference

Director Rupp and Mr. Friedenbach reported out on their attendance at the ACWA/JPIA Spring Conference. Director Rupp attended several meetings including Health Benefits Committee, Risk Management Committee and Finance Committee. He provided a brief synopsis of the meetings. Mr. Friedenbach stated that David Drake was not able to attend the conference and Director Rupp gave the nominating speech for David Drake for Executive Committee. The speech was very well done and Mr. Drake won over several other candidates. Director Rupp also made a presentation on the JPIA Budget at the Region 1 meeting. Director Rupp and Mr. Friedenbach both attended many of the same conference sessions and both stated it was very informative.

Director Rupp stated he is on the ACWA nominating committee. President Woo inquired if Region 1 still had a vacancy and noted the District has traditionally been represented on the Region 1 Board. The Region 1 Board does not have a current vacancy.

Organizations on which HBMWD Serves: RCEA, RREDC, NCRP

Director Latt attended the RREDC meeting. The program speaker was from Inyo Networks and the topic was the Digital 299 Broadband Project. Director Latt found it interesting that the speaker never discussed the proposed data center at Samoa.

President Woo stated the CCE is still the big topic for RCEA. The service will be launching soon and most of the feedback has been good.

ADJOURNMENT

The meeting adjourned at 3:46 pm.

Attest:

Sheri Woo, President

Barbara Hecathorn, Assistant Secretary/Treasurer