



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

January 11, 2018

A. **ROLL CALL**

President Woo called the meeting to order at 9:00 a.m. Director Rupp conducted the roll call. Directors Fuller, Hecathorn, Rupp and Woo were present. Director Latt was absent. General Manager John Friedenbach, Superintendent Dale Davidsen, Business Manager Chris Harris and Board Secretary Sherrie Sobol were also present. Operations Supervisor Mario Palmero and Maintenance Mechanic Russell Roberts were present for a portion of the meeting. Pat Kaspari and John Winzler of GHD were present for a portion of the meeting. Mitch Barker of PARS was also present for a portion of the meeting.

B. **FLAG SALUTE**

President Woo led the flag salute.

C. **ACCEPT AGENDA**

President Woo stated the Operations Supervisor Presentation is time set for 10:30 a.m. On motion by Director Rupp, seconded by Director Fuller, the Board voted 4-0 to accept the agenda.

D. **MINUTES**

On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to approve the minutes of December 14, 2017.

E. **PUBLIC COMMENT**

No public comment was received.

F. **CONSENT AGENDA**

Director Rupp pulled the article “Unfiltered Fervor: The Rush to Get Off the Water Grid”. He found it interesting that people are taking water direct from the air and streams and that it is being marketed. Director Hecathorn noted that in the past people were encouraged not to drink direct from streams and now it’s being promoted. Director Fuller was amused by the comment that it’s a benefit when the water turns green. On motion by Director Hecathorn, seconded by Director Fuller, the Board voted 4-0 to approve the Consent Agenda.

G. **CORRESPONDENCE**

CPUC ReMAT

Mr. Friedenbach shared the ACWA Notice and the email from JTN Energy regarding the California Public Utilities Commission (CPUC) ruling on implementing the Renewable Market Adjusting Tariff (ReMAT). In response to a December 6, 2017 Federal District Court decision, the CPUC declared that investor owned utilities must not execute any new ReMAT contracts, hold any new ReMAT program periods, or accept any new ReMAT applications. Per the CPUC letter dated December 15, 2017 “The court’s order does not affect the validity of already-executed Re-MAT contracts, and existing Re-MAT contracts must continue with their full force and effect.” Mr. Friedenbach commented the District signed up just in time. Both ACWA and JTN Energy will keep us apprised of the situation.

Planning Commission – Mercer Fraser Project

Mr. Friedenbach discussed the Mercer Fraser project item on the Humboldt County Planning Commission agenda. The Commission is scheduled to decide upon a zone reclassification to change the Mercer Fraser APN 504-161-001, from Agriculture General to Heavy Industrial with a Qualified combining zone. Additionally, they will consider a Special Permit to develop and operate a cannabis



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products manufacturing facility of approximately 5,000 square feet in size. According to the Planning Commission agenda, the proposed facility will produce medical cannabis products using both nonvolatile and volatile solvents. The facility may operate 24 hours a day during peak season. Mr. Friedenbach stated the District does not have an issue with the current non-conforming use by Mercer-Fraser. The District is adamantly opposed to heavy industrial development adjacent to our source water intake infrastructure on the Mad River. He clarified that the District is opposed to the zoning change. He shared the letter he sent to the Planning Commission opposing the change. The District's interest involves the health and safety needs to protect and preserve the high-quality water source that serves 88,000 customers. The Board discussed the importance of this and stated they too would attend the Planning Commission Hearing. Mr. Friedenbach shared some of the support letters from the Municipal Customers and thanked the Board for their support on this important issue. Director Fuller suggested Mr. Friedenbach contact the Blue Lake Rancheria on this issue as well. Mr. John Winzler commented as a member of the public. He advocated for the District to take an aggressive opposition stance on the issue. He stated the District tried to acquire the property many decades ago in an effort to protect their resources, however, Mercer Fraser did not want to sell the property. He added that there is an excess of unused industrial zoned property in Humboldt County. The Board thanked him for his input.

H. CONTINUING BUSINESS

Water Resource Planning

Mr. Friedenbach stated there are no updates. The District is still waiting to hear back from the Wildlife Conservation Board regarding the instream flow grant application.

Cannabis Grows

Mr. Friedenbach shared the article "Legal or not, cannabis takes a toll on Northern California watersheds". He stated the District has worked with Bryan McFadin, referenced in the article. The article also notes that the water board's enforcement unit is understaffed. Director Rupp stated perhaps it's time the Board consider the option of funding enhanced enforcement on the Mad River. Director Fuller inquired what the benefit of this would be for the District. Director Rupp replied it would reduce illegal grows that impact the quality of water and the illegal withdrawal of water from Mad River watershed. He thought it would be worthwhile to discuss the option with the Municipal Customers. President Woo agreed and requested staff look into enforcement options available.

Bartle Wells Associates – MSRB Rule G-10 Notification

Mr. Friedenbach stated the letter from Bartle Wells is a required annual notification regarding the Municipal Securities Rulemaking Board (MSRB) that went into effect in October 2017.

I. NEW BUSINESS

Officer and Committee Assignments

The Board reviewed the current Officer and Committee Assignments list. No changes were made to officer roles. They discussed the current vacancy on the ACWA Region 1 Board. Director Fuller inquired if the Board felt it were valuable to have a representative on the Region 1 Board. Director Rupp stated the advantage is that we would have a voice in regards to regional issues and ACWA knows that we are actively involved. Director Hecathorn concurred and feels it is important to have a presence on the Board. After a brief discussion and with support from the Board, Director Rupp stated he would apply for the Region 1 Board vacancy. He added that if and when Director Fuller would like to serve on the Board, he would be willing to step down. The Board appointed Director Hecathorn and President Woo to the Education and Outreach



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Committee. The Board also appointed Director Fuller to replace former Director Laird on the currently inactive Joint Agency Aquatic Invasive Species Committee.

Presentation of District Jacket to Russell Roberts

Mr. Davidsen introduced Russell Roberts, the District's newest maintenance mechanic. Mr. Davidsen stated that Mr. Roberts is an excellent fit to the team and with a D2 T2 and crane certification as well a Class A license. The Board welcomed Mr. Roberts and presented him with a District jacket. Mr. Roberts thanked the Board and stated he was happy to part of the District.

CLOSED SESSION

The Board went into closed session at 3:35 p.m. to discuss the Public Employee Performance Evaluation for the General Manager (pursuant to Section 54957(b)(1)).

Open Session

The Board returned to Open Session at 4:10 p.m. There was no reportable action.

J. REPORTS (from Staff)

1. Engineering

1MG Reservoir Roof Replacement /Painting

Mr. Kaspari stated the Notice of Completion has been filed. The final payment to Paso Robles Tank will be made later this month.

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

Mr. Kaspari stated the Geotech report is done. Staff will review it then bring the bid packet to the Board for approval at the February meeting. The goal is to approve a contract at the March meeting. Once a contractor is approved, the District will host another public outreach meeting.

Surge Tower Replacement/12kV Replacement/Collector Mainline Redundancy Hazard Mitigation Grants

Mr. Kaspari stated that NEPA for the Surge Tower was scheduled to be completed in January. He is awaiting confirmation of the project timeline.

Staff was asked to do an underground service alert for the 12kV Project. The Cultural Resources report is just beginning and will be several months before NEPA is done.

Cal OES received the grant application for the Collector Mainline Redundancy Hazard Mitigation Grant. Mr. Kaspari shared the email from CalOES stating project determinations will be made in mid-to-late January with notification in February.

Matthews Dam Spillway Workplan

Mr. Kaspari stated the Comprehensive Spillway Condition Assessment Status Update for the R.W. Matthews Dam was submitted to FERC. The document is considered a status update since additional information is still needed. Staff requested an extension to April 30, 2018 but have not heard back. The Comprehensive Spillway Condition Assessment is now required since the Oroville Dam incident. GHD hosted a webinar presentation of the forensic analysis



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of the Oroville Dam failure and several District staff attended as well. Mr. Kaspari stated he doesn't believe that what happened at Oroville can happen to the District spillway. The District spillway is thicker and has water stops. It also has competent bedrock and good rebar as well. Director Hecathorn added the District uses the spillway every year and Oroville did not. Director Rupp added he is impressed with the diligence on maintenance and repairs of the spillway.

Status report re: other engineering work in progress

Mr. Kaspari stated a new round of Hazard Mitigation Grants is coming up. The District plans to submit a Notice of Interest for the seismic retrofit of the 1 MG and 2 MG tanks for \$3.5 million total. If awarded, the District's portion would be \$875,000. Director Rupp inquired if this was discussed with the Municipal Customers. Mr. Friedenbach confirmed it was.

2. **Financial**

Presentation by Mitch Barker re: CalPERS Retirement & related unfunded liability

Ms. Harris provided a staff report regarding the CalPERS unfunded liability. She shared a comparison of potential earnings between two different investment mechanisms, the County and a possible new trust fund. She then introduced Mr. Mitch Barker from Public Agency Retirement Services (PARS) who provided an educational presentation regarding the District's CalPERS unfunded liability. Mr. Barker discussed the proposal for PARS Pension Rate Stabilization. The PARS Trust Team consists of PARS, US Bank and High Mark Capital Management. Mr. Barker shared several reasons why the District should prefund the pension obligations via the PARS IRS-approved 115 trust fund. The top five reasons include: 1) addresses the rising pension contribution rates and unfunded liabilities; 2) potential for greater return than leaving in the general fund; 3) "rainy day" access if needed for emergency purpose; 4) rating agencies look favorably at prefunding-improved balance sheet; and 5) District has complete local control over assets. Mr. Barker discussed the program fees and noted there is no set up fee. He provided their client list of other Special District's and noted that Humboldt County is a client as well as Sonoma County. If the District is interested, he will arrange for Andrew Brown, Senior Portfolio Manager to meet with the Board so they are comfortable selecting a rate of return level. Mr. Barker reiterated several times that there is no guarantee on investments. Director Rupp thanked him for a great presentation and inquired if PARS was an ACWA Preferred Vendor. Mr. Barker stated he believed they were. The Board discussed the investment options and on motion by Director Rupp, seconded by Director Hecathorn, voted 4-0 to participate in the PARS 115 Trust Fund to "pre-fund" the CalPERS pension liability, using a portion of the funds currently residing in the County Investment Funds. Contributions to this fund will be considered a component of the annual District budget beginning with the FY 18/19 budget. Staff will bring a revised Investment Policy to the Board next month along with the appropriate trust fund agreements. Director Fuller thanked Ms. Harris for her staff reports. She stated the reports are well laid out and easy to understand.

Capital Improvement Plan (CIP) 2018

In 2011 the Board approved the first comprehensive long-term CIP. The CIP is a multi-year planning document intended to identify projects that will ensure the regional water system reliably meets the communities' water supply needs in a cost-effective manner. The CIP is intended to guide and support future District budgets, and assist the District's Municipal Customers with their financial planning and rate studies. Mr. Friedenbach requested the Board's input on how to best review the updates. The Board suggested providing an overview with



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details as needed. Mr. Friedenbach provided the project costs and sequences for fiscal years 2016/17 to 2035/36. He and staff answered questions from the Board on various projects. The Board expressed appreciation for the time and effort put into updating the CIP and commended staff for a job well done. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to accept and approve the updated 2018 CIP.

Financial Report

Director Rupp and Ms. Harris provided the December 2017 financial report. Director Rupp discussed the project financials and Ms. Harris discussed the operational financials. Director Fuller reviewed the bills and stated all was in order. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to approve the December financial statement & vendor detail report in the amount of \$414,029.33.

Casselle Software Contract

Last month the Board voted to upgrade the current utility billing and finance software to Casselle Software. Ms. Harris worked with a representative from Casselle Software to develop a contract that includes terms acceptable to the District staff. She highlighted key sections of the contract and recommended approval of the contract. She stated a portion of the one-time implementation fee and ongoing maintenance fees will be allocated to the Fieldbrook-Glendale CSD for the billing services the District provides for them. The general manager of Fieldbrook-Glendale CSD has been informed of this and is agreeable to the cost share. On motion by Director Hecathorn, seconded by Director Fuller, the Board voted 4-0 to approve the contract with Casselle Software (including training and first year maintenance fees) for the District portion \$52,959.

Humboldt County Interest Apportionment

Ms. Harris shared the Quarterly report for July through September 2017. The funds earned an annualized interest rate of 1.28%.

3. Operations

Mr. Davidsen provided the December Operational Report. Work is continuing on the SCADA upgrade with additional training later this month. The Safety Meeting topic was SCBA: Donning and Doffing. Three people from the maintenance staff attended Confined Space and Trenching and Shoring classes put on by United Rentals. Mr. Davidsen stated United Rentals does good job and he appreciates them providing training opportunities. Mr. Davidsen attended the Arcata Flood Planning exercise. The exercise was based on the failure of R.W. Matthews Dam, as the worst possible flood event that could affect Arcata. He stated Arcata is doing a good job with their emergency preparedness planning efforts.

Discuss and possibly authorize purchase of new pump for Collector 1

Mr. Davidsen stated the Collector 1 pump is slated to be replaced as part of the Collector 1 rehabilitation project this year. Once ordered, it will be approximately 18 weeks before it arrives. Mr. Davidsen requested authorization to order the pump within the next few months so it can be installed by early fall, before October 15th. The pump will be budgeted for next fiscal year 18/19 and received after July 1, 2018. Payment will be due upon receipt and therefor be in the FY 18/19 budget. The estimated cost of the pump is \$162,000 plus freight. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to authorize ordering the pump for Collector 1.



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Discuss and possibly authorize purchase of new transformer for Collector 2

Mr. Davidsen stated last October, the Collector 2 transformer failed. Collector 2 is currently being operated with a rented transformer. The rental cost is \$1,500 per month plus shipping costs from and to Bakersfield. Again, a new transformer is likely to be 12-16 weeks out from order date to being shipped to the District. Staff is requesting authorization to purchase the transformer out of reserves to either be paid back from a warranty claim, insurance, or out of next year's budget. Staff is still deciding on which transformer would best suit the District needs and therefore do not have a cost. It will be somewhere between \$50,000 and \$100,000. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to order a new transformer not to exceed \$100,000 paid in FY 18/19.

Operations Supervisor Presentation – Turbidity Reduction Facility (TRF) start up process

Last June, Operations Supervisor Mario Palmero provided a presentation on the TRF shut-down process. Today's presentation was about the TRF start-up process. He discussed the regulations, steps prior to start up, steps of start-up and what occurs once the TRF is online. He stated there are over 170 steps to make the process happen. He shared that he and staff are working on a programming code for SCADA for chemical loading. They have the data and need to integrate in the SCADA system. This will provide greater detail on overall filter performance. The Board asked several questions and thanked him for a great presentation.

K. MANAGEMENT

CSDA – January 2018 Brief

Mr. Friedenbach shared the CSDA January 2018 Action Brief. One of the items listed under the legislation section is SB 606 (Skinner) that requires an urban retail water supplier, including special districts, to: 1) calculate an urban water use objective and 2) actual urban water use, no later than July 1, 2022 and by July 1 each year thereafter. The CSDA is opposed to this unless amended. Staff will follow this as well.

L. DIRECTOR REPORTS & DISCUSSION

1. General

General comments or reports from Directors

Director Fuller stated she will be attending the Watershed Educational Day on February 3rd, part of the Steelhead Days. She inquired if the District would be interested in having a table at the event. The other Directors and staff requested she email them additional information.

2. ACWA – JPIA

Director Rupp stated there are no JPIA meetings to report out on.

3. ACWA

Mr. Friedenbach shared the article in ACWA news about "Filmmaker Thebaut Chronicles 'A World Without Water'" Mr. Thebaut was the speaker at the opening breakfast at the 2017 ACWA Fall Conference and previewed a segment of his film at the breakfast. Mr. Friedenbach stated he would contact Humboldt State University to see if they might be interested in sponsoring a screening of 'A World Without Water'.

Mr. Friedenbach shared the ACWA list of committee members. He noted that Director Rupp is the Vice-Chair of the Finance Committee.



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On January 9th, ACWA hosted a webinar on the new state law regarding school lead testing. Operations Supervisor Mario Palmero and Assistant Operations Supervisor Larry Raschein attended.

Mr. Friedenbach shared the article regarding a below-average December snowpack. The article stated it is still too early to draw conclusions regarding the type of season ahead. It also noted that end of year water storage is at the highest since December 2012.

Director Rupp stated he would be willing to serve on the ACWA Region 1 Board as noted in the Officer and Committee Assignments section.


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

RREDC did not have a December meeting. President Woo reported out on RCEA. She stated offshore wind production is going to be a big topic. She stated she is willing to and has committed to remaining on the RCEA Board as president for an additional year. She questioned the Districts nexus to RCEA. The Board discussed this and Director Hecathorn stated she sees the District participation in RCEA similar to that of RREDC. Director Rupp added the District is part of the Humboldt County economic infrastructure. Given this, it makes sense that we are asked to participate with RCEA and RREDC. Director Rupp commended President Woo for her efforts.

ADJOURNMENT

The meeting adjourned at 4:11 p.m.

Attest:



Sheri Woo, President



J. Bruce Rupp, Secretary/Treasurer

