



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

August 10, 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 Latt left the meeting at 2:30 pm. General Manager John Friedenbach, Superintendent Dale Davidsen, Business Manager Chris Harris and Board Secretary Sherrie Sobol were also present. Doug Dove of Bartle Wells, and Nathan Stevens and John Winzler of GHD were also present for a portion of the meeting.

B. FLAG SALUTE

President Woo led the flag salute.

C. ACCEPT AGENDA

Mr. Friedenbach stated there is a possible addition to the agenda. Staff received a request yesterday for a letter of support for Brent Hastey for the nomination of President of ACWA. The letter of support is due no later than August 30. Since this is a time-sensitive matter, it can be added to the agenda (Item K3e) as long as two-thirds of the members present (or all members if less than two-thirds are present) determine there is a need for immediate action and the need to take action came to our attention subsequent to the agenda being posted. On motion by Director Rupp seconded by Director Hecathorn, the Board voted 5-0 to accept the agenda as amended to include Item K3e.

D. MINUTES

After a brief discussion, on motion by Director Hecathorn, seconded by Director Fuller, the Board voted 5-0 to approve the minutes of July 13, 2017.

E. PUBLIC COMMENT

No public comment was received.

F. CONSENT AGENDA

Director Fuller requested Item 3, the two articles regarding the Manila CSD rates be pulled.

On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 approve the Consent Agenda, less Item 3.

Director Fuller noted both articles listed several factors for the rate increase including an increase in charges from Humboldt Bay Municipal Water District. She questioned the validity of the statement since their wholesale charges this year actually decreased compared to last year. Mr. Friedenbach confirmed a decrease in wholesale charges this year, however there will be increases going forward so it is valid in that regard. He took the opportunity to acknowledge his appreciation for the District Board and all the work they put in to ensure the District runs well.

On motion by Director Fuller, seconded by Director Hecathorn, the Board voted 5-0 to approve Item 3.



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G. CORRESPONDENCE

1. District letter to Municipal Customers re: Wholesale Charges and Price Factor 2 Reconciliation
Mr. Friedenbach shared the annual letter to the wholesale customers which includes the Price Factor 2 reconciliation and estimated wholesale water charges for each customer. Overall, there is an 8.5% decrease in charges. Director Latt inquired how the numbers are arrived at. Mr. Friedenbach explained the different factors used to determine each Municipal Customers portion. Director Rupp added this all ties into the contract terms the Municipal Customers agreed to in their individual contract.

Mr. Friedenbach stated he received correspondence from Mr. Drop, general manager of Manila CSD regarding the wholesale costs. Earlier this year, he and then General Manager Mr. Helliker provided an estimated five-year projection. Mr. Drop noticed a difference in charges between that projection and the recent letter that went out. Mr. Drop had submitted a written request that their Peak Rate be reduced due to the loss of Sierra Pacific. This communication not communicated during the General Manager transition and therefore, not accounted for in the budget model. Staff has since remedied the Peak Rate and adjusted the allocations. These changes will be shared at the upcoming Muni Meeting. All wholesale customers still have a decrease in our costs to them compared to last year.

2. Letter from DWR re: R. W. Matthews Dam and new regulations
The Division of Safety of Dams (DSOD) has updated the hazard classification for all dams under State jurisdiction. This classification is based solely on downstream hazard considerations, not the actual condition of the dam or its critical appurtenant structures. R.W. Matthews dam is classified as high hazard dam. Effective July 1, 2017 newly enacted state law requires dam owners to prepare an emergency action plan (EAP). Mr. Friedenbach stated this is part of Governor Brown's Four-Point Plan to Bolster Dam Safety and Flood Protection, which is a result of the Oroville Dam event. The District already has an EAP under the FERC regulations for a dam with a hydro plant. The FERC EAP is updated every five years and staff conducts a plan exercise as well with multiple agencies involved. Staff will provide the current EAP inundation maps to DWR.
3. Letter from DSOD re: Spillway Re-Evaluation Program
Mr. Friedenbach stated the District participates in a program with the DSOD where they will notify us of their media releases, including a description of the information released and who requested it. The first media release was for a list of dam owners that received the Spillway Re-Evaluation Program letter. As one of the owners on the list of ninety-three dams, we received the notification.

Mr. Friedenbach shared the letter sent to dam owners that stated a comprehensive assessment of the spillway is required. He informed the Board that a concrete evaluation of the dam and spillway will occur later this month using equipment that allows for non-destructive testing. He will share the testing results with the Board.

4. Letter from USFS re: Access to River for Sacramento Sucker Fish Study
Mr. Friedenbach shared the thank you note from the US Forest Service regarding access to the Mad River via District property for studies of the Sacramento Sucker Fish. Mr. Friedenbach



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stated the US Forest Service will share the results of the study and this may be beneficial to instream flow studies.

5. Email from Ruth Lake CSD General Manager re: Resignation

Mr. Friedenbach shared an email he received from Ruth Lake CSD that includes the notice of resignation from current General Manager Donny Stewart. Mr. Stewart stated that all of the HBMWD staff are professional and courteous and that Brian Newell does an exceptional job at Ruth. He stated that Mr. Newell “represents HBMWD and you well above the call of duty”.

The District applied for and received a 16/17 Quagga grant for \$63,500 to assist with quagga mussel prevention. Mr. Friedenbach stated that Mr. Stewart was in the process of putting together a bid packet for converting Old Ruth to a public launch site. He is not sure what the status is now with Mr. Stewart’s departure and will have to look into it.

6. Letter from District to CDFW & Regulatory Agencies re: River Work

Work is planned for after August 21 to install pumps and motors in Ranney Collectors 1 and 2 as part of the routine maintenance operations. Mr. Friedenbach shared the letters sent to regulatory agencies regarding the planned Collector work. The notifications are requirements of the District’s Habitat Conservation Plan and the Long-Term Streambed Alteration Agreement. The District has not received any responses yet, however, the project was previewed on site with California Department of Fish and Wildlife.

H. CONTINUING BUSINESS

1. Water Resource Planning - status report and discussion re: water-use options under consideration (local sales, transport, and in-stream flow dedication)

Local Sales

Mr. Friedenbach shared that staff has been receiving calls from Fieldbrook water customers requesting “will serve” letters for cannabis cultivation. Staff did some research and learned that as part of the cannabis permit approval process, the County of Humboldt is requiring applicants to get a “will serve” letter from the applicant’s water supplier if they are on a public water system. According to County staff, some public water agencies have declined to provide water for anything beyond domestic use. Mr. Friedenbach stated the District has not received requests for “will serve” letters however, retail staff would like to be prepared to respond when they do receive a request. He believes that in accordance with the Water Code staff would have to provide a “will serve” letter for cannabis cultivation as we would be required to sell water under retail billing provided that the applicant is within the District boundaries and will use the water within the District boundaries. The account holder would be required to complete the normal application process as a commercial account holder, pay any associated connection fees and billed accordingly per Ordinance 13: Establishing Rates, Rules and Regulations for Retail Water Service by the Humboldt Bay Municipal Water District. Mr. Friedenbach requested input from the Board. Director Hecathorn inquired how would they be affected in the event of another drought. Mr. Friedenbach stated they would have to comply with rules just like any other account holder. After a brief discussion, the Board concurred with Mr. Friedenbach that the District would provide a “will serve” letter if requested contingent upon the applicant’s place of use being within the District boundaries.



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Transport

Mr. Friedenbach stated no significant activity transpired on this topic during the past month. Director Rupp noted this seems to be a regular statement.

Instream Flow

Last month the Board authorized staff to proceed with the application for an instream flow grant from the Wildlife Conservation Board. On August 8th, the Instream Flow committee met with regulatory agencies to solicit feedback and support for the application to the Wildlife Conservation Board to further advance an instream flow permit dedication. President Woo stated the agency turnout was good and most were supportive of the grant. NMFS is not requiring an estuary study however, we still need to show no harm is caused by instream flows. Mr. Friedenbach concurred and added that transport was brought up and most agency reps were anti-transport however, acknowledged the value of water for transport. Director Fuller stated this meeting was very different than the previous one she attended in that this was much more cohesive. Mr. Friedenbach will prepare a letter of support template for the agencies. The grant is due August 31st.

2. Cannabis Grows

Mr. Friedenbach stated there are no additional updates other than what was reported in Water Resource Planning. Director Latt inquired if there are any additional pumps in Ruth Lake. Mr. Friedenbach replied he is not aware of any. He stated that US Forest Service biologists are conducting a fish survey just below the dam and will notify the District of any illegal diversions they come across.

Director Latt stated he is working on a civil action cannabis related case and has been in touch with the multi-agency Wetlands Enforcement Team (WET). During conversations, he brought up the issue of water trucks illegally drawing water in and around Ruth Lake. He learned that there is a checklist of requirements for water trucks to withdraw water, however not much is being done regarding enforcement. He did learn that the District Attorney's office has a deputy assigned to enforcement of environmental violations. He will be meeting with WET team members to come up with an action plan to address violations.

3. Eureka Chamber of Commerce Membership

Last month, the Board discussed whether or not to continue membership with the Eureka Chamber of Commerce. No decisions were made since the item was not on the agenda for action and the full Board was not present. Mr. Friedenbach recapped the highlights of the previous discussion including the Chambers political stance, list of members and annual dues. He also shared Mr. Winzler's comments regarding the historical importance of the Chamber in ensuring the future of the District. Director Rupp stated he appreciated the information and research provided. He inquired if the District belonged to any other organizations locally and Mr. Friedenbach replied no. Director Rupp acknowledged that sometimes the scope of the Eureka Chamber is broader and clearly this bothers some of the Directors. He is surprised we are not members of Arcata Chamber and feels there would be value in the membership and costs are minimal. He stated it is important to look at the overall benefit to the District and not base membership solely on political views. Director Fuller stated she would be in favor of adding other Chamber Memberships such as Arcata and McKinleyville. Director Hecathorn stated the Chamber does support businesses and we are a business. They also provide information about what other business are doing so we are kept informed about the business community. She added



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the District is a member of ACWA and we do not always agree with the stance they take on issues. President Woo disagreed with the statement that the District is a business. She stated we are an agency and therefore do not belong in the Chamber. On motion by Director Latt, seconded by Director Fuller, the Board voted 3-2 to not renew membership in November with the Eureka Chamber of Commerce. President Woo stated she voted to not renew membership because we are not a business. Directors Hecathorn and Rupp voted against the motion.

I. NEW BUSINESS

1. Yellow-Legged Frog

Mr. Friedenbach stated the District received a letter from CDFW regarding take of Foothill Yellow-Legged Frog since we have a Long-Term Streambed Alteration Agreement. Prior to the recent river work, staff under the direct supervision of CDFW staff and Dennis Halligan of Stillwater Science assisted with the temporary holding of yellow-legged frog tadpoles and western toads to remove them from the area of river work. Once work was completed, the amphibians were released back into the Mad River. Mr. Friedenbach stated he learned from local CDFW staff and Dennis Halligan that the Mad River is actually a good healthy environment for Yellow-Legged Frogs. He proposes speaking with CDFW staff about excluding the Mad River watershed from the area listing the Yellow Legged Frog as endangered. Director Rupp supported this and none were opposed.

2. Statewide Mercury Control Program for Reservoirs Questionnaire

Mr. Friedenbach provided background on a 2010 report titled "Contaminants in Fish from California Lakes and Reservoirs". This report was based on studies conducted in 2007-2008. Ruth Lake was identified as one of many lakes where fish were found to have mercury. As a result of the report, the District received a letter from the State Water Resources Control Board requesting technical information on reservoir management practices. One of the questions asked if we would be willing to contribute money towards additional studies or testing. He stated the District would not be willing to contribute money as this should come from a public health fund since it is a public health issue.

J. REPORTS (from Staff)

1. Engineering

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

Mr. Friedenbach stated Nathan Stevens is filling in for Pat Kaspari as District Engineer this month and is familiar with our projects. Mr. Stevens provided the engineering report. In accordance with the California Environmental Quality Act (CEQA), the District prepared a mitigated negative declaration (MND) for the water transmission line project. The MND is in circulation and sent to the State Clearinghouse. Comments are due no later than August 16. Mr. Stevens stated they will respond to comments and bring the MND back for adoption at the September Board meeting. Next week crews will start drilling Geotech borings. The results will provide a better idea of the bedrock location and this will help with finalizing design plans.



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Mr. Friedenbach added that two public outreach meetings were held, one the Arcata side of the of the project and the other on the Blue Lake side. Staff shared visuals of the project site and answered questions. He noted that President Woo, Mr. Davidsen, Mr. Kaspari and Mr. Stevens and he attended both meetings. Director Latt inquired about the questions and comments received. Mr. Friedenbach replied that on the Arcata side there was concern about the impact of traffic on the road and the roots of old growth trees. Mr. Davidsen noted the bigger trucks will be traveling on the Blue Lake side so there should be minimal impact on tree roots.

b) 1MG Reservoir Roof Replacement /Painting

Mr. Stevens stated construction is underway and most of the existing roof is removed. Installation of the new roof will take place next week. There were two change orders he shared with the Board. Change Order 1 does not have any monetary changes. It is for an extension of the project completion date. This is needed since staff requested the contractor conduct additional seismic calculations to determine if additional design not in the original scope was needed. It was determined that the contractor would proceed with the original design, however the additional work caused a delay in the project progress. Change Order 2 in the amount of \$3,965.00 is for removal of existing sample lines near the ladder and replacement with two new additional lines to be installed.

c) Surge Tower Replacement-status report

The deadline for Phase I submissions is August 17. The Cultural Resources Report and Lead Assessment report have already been sent to FEMA. The Plan and Specs will be sent out prior to the deadline.

d) Collector Mainline Hazard Mitigation Grant

Mr. Stevens stated staff received notification from Cal OES that the NOI for the project is eligible. Staff will proceed with the full application for grant funding due on November 1st. Mr. Friedenbach shared the project visuals that shows the various options for pipeline redundancy. Director Rupp noted one of the options has the redundant pipeline very close to the current one. He questioned how this improves reliability in a catastrophic event. Mr. Stevens stated the pipeline will be constructed of newer materials that are much more durable than the current pipeline.

e) Sheriff's Cove Dredging

Mr. Friedenbach stated this project is 75% funded by a FEMA Disaster Grant. Since the project is federally funded, the District followed its procurement process for federally funded projects. A panel reviewed the request for proposals received and selected GHD. After negotiation, GHD agreed to do the work for approximately \$34,000. Director Woo inquired what happens the sediment removed from Sheriff's Cove. Mr. Friedenbach stated it is moved to a flat area above Sheriff's Cove and is used for gravel sales.

2. Financial

a) Financial Report

Ms. Harris presented the July 2017 financial report. She highlighted the ReMAT and General Fund Reserve accounts. Director Fuller reviewed the bills and did not have any questions.



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She did note there was a charge for paint for the Eureka office. Mr. Friedenbach stated the office is being rearranged and the newest staff member will be located in the front office. The copier and other equipment are being moved to the back room. The back room was painted prior to equipment move and the only costs were paint and supplies since Ms. Harris and Mr. Friedenbach volunteered their time on a weekend to paint the room. On motion by Director Rupp, seconded by Director Latt, the Board voted 5-0 to approve the July 2017 financial statement and vendor detail report in the amount of \$263,947.46.

b) Ordinance 16 Price Factor

Ms. Harris explained Ordinance 16 Price Factors and their impact on the Wholesale Water Customer charge. Price Factors are the term the District uses to allocate expenses, cost and revenues in the fairest and most equitable manner for its wholesale customers. Price Factor 1 is the TRF and Generator debt service. Price Factor 2 is operations/maintenance/capital costs and revenue. Price Factor 3 is pumping power and Price Factor 4 is additions to reserves. There are two calculation terms that are critical when calculating the Price Factors: Moving Five-Year Average and Peak Rate Allocation. The Municipalities are always consulted during the process and nothing comes as a surprise to them when the budget is done. Director Hecathorn thanked Ms. Harris for an excellent job in explaining the process. She stated it clarified the process. The Board concurred.

c) CIP- Financial Plan update by Bartle Wells

Mr. Friedenbach stated staff has been updating the District's Capital Improvement Plan (CIP) for the past year. The CIP was originally prepared and adopted on November 10, 2011. Staff prepared a twenty-year look forward for our capital projects including maintenance repairs annual recurring items. This was presented to the Board in January and February. Today's presentation is focused on the financial component of the CIP. Bartle Wells prepared the original financial plan and we have used their services again to prepare the update. After receiving feedback from the Board, staff will finalize the CIP and present the entire document for consideration and adoption. He then introduced Mr. Doug Dove of Bartle Wells who provided a presentation on the ten-year financial update. Mr. Dove reviewed four CIP scenarios. Scenario 1, the full CIP has a total escalated cost of \$47.9 million over ten years. Scenario 2 excludes the Peninsula 15" domestic water line for \$39.1 million, Scenario 3 excludes Pump Station 6 for \$43.3 million and Scenario 4 excludes the Peninsula 15" domestic line and Pump Station 6 for \$34.6 million. The objective of the financial plan is for predictable, even increases. The mechanisms used to achieve this are advanced capital charges, additions to general reserves and issuance of debt. The estimated average annual increase over the ten years is 4%. The next six years will be a pay as you go with grant funding and revenues with possible debt issuance in 2023/24. Mr. Friedenbach stated the District's current debt will be paid off about that time as well. Director Rupp stated that overall, the plan looks good and should probably be reviewed in five years. He did however question the projected salary increase of 2%. He stated this year the Board approved a 2.5% increase and felt this was conservative. He inquired what the average projected increase is. Mr. Dove stated 3% is the norm and he wasn't sure why the 2% was used instead. He did state that 5% increase on benefits is reasonable given healthcare increases. He will revise the calculations using 3% for salary increases. Mr. Friedenbach stated he sees this document as a long-term planning document. Projects can be off-boarded if needed at a future point. When the final CIP presentation is made, it will have the full project list.



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Mr. Friedenbach believes the CIP discussion will be at least two hours. He suggested a special meeting for CIP discussion or setting aside time at a regular meeting dedicated to discussing the CIP. The CIP will likely be ready for the October meeting. After discussion, the Board decided to time set the discussion for the morning and requested the October meeting be “lighter” to accommodate the CIP discussion.

3. Operations

Mr. Davidsen provided the July Operational Report. He met with the contractor for the SCADA project for the 60% design review meeting. The project had a setback when the wrong software arrived, however the correct software is on the way. The maintenance department completed 90-day BIT inspections on larger fleet vehicles. They also completed quarterly crane inspections. Both of these are regulatory requirements. Respirator maintenance and fit testing were discussed at the safety meeting and the SB198 Employee safety committee met. Ruth Dam and the hydroplant were inspected by FERC and we are waiting for the report to come in. The Fieldbrook communications upgrade project is now complete.

4. Management

General

Mr. Friedenbach stated he and Ms. Harris attended a regional JPIA Human Resource meeting in Anderson. The topic was “Onboarding” - bringing on new employees to your staff. It was a four-hour course and they found it very beneficial.

California Special Districts Association (CSDA)

Mr. Friedenbach stated that Greg Orsini is the Vice-President of CSDA statewide and is trying to establish a local chapter. Currently there are fifty-two CSDA members in Humboldt County. Mr. Friedenbach will bring back more information as it evolves.

DIRECTOR REPORTS & DISCUSSION

1. General

Director Latt commented on an email the Directors received from Mr. Friedenbach regarding fire agencies taking water from Ruth Lake to combat the fires in the Ruth area. He expressed concern regarding the District’s liability since we gave consent for fire agencies to scoop water from Ruth Lake. He recommended the District’s legal counsel draft an MOU that holds harmless and indemnifies the District. Having said, that he agreed that giving access to the lake was the right thing to do. Director Rupp added that with JPIA insurance, we are covered unless an item is specifically excluded.

Director Rupp recommended staff contact the JPIA to have one of their staff speak to District employees regarding the Consumer Driven Health Plan. Mr. Friedenbach stated he will arrange this for September since October begins the open enrollment period for health care plans.

2. ACWA – JPIA

Article from JPIA Perspectives: Leadership Program Proves Successful Far Beyond Expectations

The article is from the JPIA Perspectives newsletter and featured alumni from the first Leadership



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Program with Mr. Friedenbach being one of them. Director Hecathorn stated she likes the title of the article- Beyond Expectations! Mr. Friedenbach stated the program is very well done and he plans on sending two Operations Supervisors to the next session then two Maintenance Supervisors to the following one.

3. ACWA

Outreach Alert re: SB63 Opposition Letter request and District letter

ACWA sent an Outreach Alert requesting agencies submit a letter opposing a likely amendment to SB623. SB623 is legislation aimed at funding safe drinking water solutions for disadvantaged communities. While the intent of the bill is good, the proposed amendment is not. The amendment being proposed is a "ratepayer assessment" to establish a special fund to assist those who do not have access to safe drinking water. This equates to a tax on drinking water. The District provided a letter opposing the amended version of SB623 with the water tax. Director Rupp suggested staff send a letter to the Board of Supervisors and let them know the District Board supports opposing SB 623 as amended with the water tax.

Fall Conference

The Fall conference preliminary agenda is out and registration is open. Mr. Friedenbach stated at the Spring conference, he won free lodging and conference registration for the fall. On motion by Director Rupp, seconded by Director Hecathorn the Board voted 4-0 to approve the Board and appropriate staff to attend. Directors Woo and Rupp stated they plan to attend as did Mr. Friedenbach.

Outreach Advisory- Region Board Election Ballots

Mr. Friedenbach shared the advisory regarding region board election ballots. The deadline to vote is September 29th.

Letter of Support for Brent Hastey

The Board discussed the letter received from Brent Hastey of Yuba County Water Agency requesting support of his nomination to succeed Kathy Tiegs as the President of ACWA. Director Rupp stated he has worked with him and feels he is a capable individual who would do a good job leading ACWA over the next two years. On motion by Director Hecathorn, seconded by Director Fuller, the Board voted 4-0 to support the nomination of Brent Hastey for President.

Meet the President

Mr. Friedenbach stated he is working with ACWA staff to schedule a meet and greet with current ACWA President Kathleen Tiegs. It will be on September 21 at the District office. ACWA staff is handling the member attendees being invited.

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

President Woo reported out on the RCEA meeting. She stated the CCE program is steadily moving forward. She added that there seems to be a misconception by the public that RCEA suddenly has a large influx of cash. This is not true, the funds coming in just pass through and cover expenses.

The July RREDC meeting was cancelled and there is nothing to report.



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ADJOURNMENT

The meeting adjourned at 3:00 p.m.

Attest:

Handwritten signature of Sheri Woo in blue ink.

Sheri Woo, President

Handwritten signature of Barbara Hecathorn in blue ink.

Barbara Hecathorn, Assistant Secretary/Treasurer