



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

February 11, 2010
9:00 a.m.

A. **ROLL CALL**

Director Sopoci-Belknap called the meeting to order at 9:02 am. Directors Hecathorn, Prucha, Rupp and Sopoci-Belknap were present. Director Laird was absent. General Manager Carol Rische, Superintendent Barry Van Sickle and Board Secretary Sherrie Sobol were present. John Winzler and Pat Kaspari of Winzler and Kelly were present for a portion of the meeting. Business Manager John Palmquist was also present for a portion of the meeting.

B. **FLAG SALUTE**

Director Sopoci-Belknap led the flag salute.

C. **MINUTES**

Director Prucha requested a change in the last paragraph under Water Resource Planning of the January 14, 2010 minutes. On motion by Director Hecathorn, seconded by Director Prucha, the Board voted 4-0 to approve the minutes as amended.

On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to approve the minutes from the January 20, 2010 Special Meeting.

D. **PUBLIC COMMENT**

No comments were received.

E. **CONSENT AGENDA**

Director Prucha requested an article from Item 7 be pulled. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to approve the Consent Agenda less Item 7.

Director Prucha pulled the newspaper article titled "Elsebusch unhappy with MCSD management" which was written by David Elsebusch. She said she feels the McKinleyville CSD General Manager is doing a good job and she disagrees with Mr. Elsebusch's view on how McKinleyville CSD is being run. On motion by Director Prucha, seconded by Director Hecathorn, the Board voted 4-0 to approve Consent Item 7.

F. **NEW BUSINESS**

1. **Safety**

Mr. Van Sickle provided an overview of the District's safety program. He noted that safety requires a lot of work and it's not done by accident. The District has done very well in the safety arena and this is reflected in the accolades received from ACWA-JPIA. Recognition is given to employees who experienced no on-the-job reportable injuries in the prior year. Those employees have their names placed in a drawing and this year's winner is Brian Newell. This was Mr. Newell's first time winning and he was very appreciative. Mr. Van Sickle thanked the Board for their continued support of the safety program.



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828 7th Street, Eureka



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February 11, 2010
9:00 a.m.

G. CORRESPONDENCE

1. Letter from National Marine Fisheries Service

Ms. Rische provided a recap of the status of the Army Corp of Engineers permit renewal process. As noted last month, the Biological Opinion (BO) done by National Marine Fisheries Service (NMFS) did not address critical habitat for Chinook and Steelhead since the Critical Habitat Designation, a requirement of the ESA, was not done at the time. The District has since received a letter from NMFS acknowledging the Biological Opinion associated with District's Habitat Conservation Plan needs to updated and indicated they hope to have the task completed by the end of February.

2. Letter from District Counsel re: authorities in CA water code to set rates

Ms. Rische stated that preceding the Water Resource Planning Workshop in January, a question was asked by one of the presenters regarding the authority of the Water District to set rates for water delivery. Mr. Martinek, District counsel, prepared a Memorandum regarding water rates that addresses this. She stated that the key point of the Memorandum is that the District has latitude to set prices and charges. Director Rupp added that the District can set rates for different classes, but the rates must be uniform and cannot be set below our cost of service. Mr. Skaggs, a member of the public, added that cost of service should include additions to reserves. He also added that with a class, there can be two types of water use-treated and untreated water.

3. Letter from ACWA-JPIA re: RPA Stabilization Fund Report

The District has its liability, property and workers' comp insurance through ACWA-JPIA and Ms. Rische briefly discussed the Stabilization Fund Report. The Stabilization Fund was established to help stabilize the fluctuating cycle of refunds and billings for prior policy years. The District received a refund check in the amount of \$51,506.08. Director Rupp noted that of this, \$36,730.46 is directly attributed to workers' comp, which goes to show that safety is important. Director Hecathorn said she believes this is one of the largest checks dispersed and Ms. Rische agreed. Director Hecathorn also added that as the JPIA representative, she has been to several meetings and there are some agencies that receive no refunds.

4. Letter from CA Dept. of Toxic Substance Control (DTSC)

The District previously sent the DTSC a letter supporting continued monitoring of the site, suggesting an additional monitoring well be added, and encouraging clean up of the site. Ms. Rische stated the District has received a letter in draft form from DTSC regarding assessment and remediation to address contamination at the former McNamara & Peepe/Blue Lake Forest Products site in Glendale. The DTSC acknowledged the District's request for an additional monitoring well and reiterated that there is no contamination of drinking water. Director Hecathorn inquired if the monitoring costs would be covered by the state and Mr. Rische stated they were.



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

February 11, 2010
9:00 a.m.

H. CONTINUING BUSINESS

1. Water Resource Planning

a) Status report and feedback from Workshop and recent public meetings

Ms. Rische stated that given the poor weather conditions and the earthquake, the turnout for the January 19th Workshop was good. The two public meetings on February 1 were unfortunately, not well attended. Director Prucha said she thought it was great that Access Humboldt is airing the Workshop. Director Sopoci-Belknap discussed the February 4th memo from the Advisory Committee to the Board. The Advisory Committee recommended additional public meetings not be held during the Generate Options phase. They were concerned that adding additional meetings at this point could delay the process or worse, allow for less opportunity for public input in the Evaluate Criteria phase. Director Prucha added she was pleased that the memo to the Board from the Advisory Committee assured the Board that the final phase of the public participation process will not only allow the public to offer new ideas but will be explicit that opportunity for new ideas are welcome and available.

b) Next steps

Director Sopoci-Belknap discussed the process and involvement plan. The Advisory Committee will begin meeting twice a month beginning in March and the Citizens' Study Group will meet prior to public meetings taking place.

c) Inquiry re: water availability for transport, and approval of proposed response given status of planning effort

Ms. Rische stated it's been a few years since Ric Davidge approached the District regarding water export. She recently received an email from him inquiring if the District was considering water export and indicated he has new markets. Given that the WRP process is ongoing, she recommended the Board respond with a letter similar to the one sent to Mr. Spragg. After a brief discussion, the Board concurred that a letter should be sent under signature of the Board President, informing him that the Board is not considering any new proposals, including water transport, until the WRP process is complete.

2. Wholesale Water Service for Industrial Customer (Freshwater Tissue-FTC)

Director Rupp provided a status report from the negotiating committee. Negotiations are in progress and additional meetings will be necessary. The committee has informed FTC that an interim agreement can be done if they need limited water for testing purposes prior to startup of the mill for production. He state the position of the District has not changed - we are still willing to enter into a fixed-term agreement with pass thru for power costs, but added that the cost-of-service is being updated. Director Sopoci-Belknap clarified the memo of February 4 in regards to the second paragraph. The memo states FTC needs a fixed price contract for water as a condition to obtain financing to purchase the mill. This should say financing for start up of the mill since the mill has already been purchased. Ms. Rische stated she met with the Muni's and a number of them are concerned about risk and all felt that FTC needs to pay some share of the "common" capital improvement and maintenance costs of the regional system. Director Rupp



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

February 11, 2010
9:00 a.m.

indicated that is part of the ongoing discussions. He added that the District will not be the party that holds up start up of the mill.

I. **REPORTS from Staff and Board**

Engineering

a) **Hazard Mitigation Grant Program**

Mr. Kaspari provided an update on the status of the District's grant application for replacement of Techite pipeline on the Samoa peninsula. The District received a positive response for the 2008 PDM application submitted; however, FEMA did not have enough funds to include the District's project. CalEMA has additional grant funds that just became available from a different hazard mitigation program (which had been allocated to another project and the project fell through). They initially identified \$1.6 million dollars but Mr. Kaspari reported that they recently called and found an additional \$400,000. They offered this funding to the District for the Techite line replacement project. To obtain the funds, the District needs to match 25% of the total project cost and would need to submit yet another application to CalEMA specific to the project. Mr. Kaspari indicated the application could easily be prepared given the prior application. In the meantime, the District's 2009 application for PDM 2010 grant cycle was approved by CalEMA and is being evaluated by FEMA for funding. The District should know by April or May if FEMA will fund the project. If the District decides to pursue the Cal EMA funding and FEMA approves the 2010 grant application, CalEMA will work with the District to fund the full project from PDM grant funds and thus the District will not risk losing the full grant amount if awarded under the PDM 2010 application. Director Rupp commented that he understands the opportunity but expressed concern regarding the timing, given the budget, and would like further discussion. Ms. Rische acknowledged the challenges and stated a presentation would be provided to the Board at the next meeting regarding pros/cons and further discussion could ensue at that time.

Financial

a) **Financial Report**

Director Hecathorn provided the January 2010 financial report. Director Rupp reviewed the bills and stated all was fine. On motion by Director Hecathorn, seconded by Director Rupp, the Board voted 4-0 to approve the January financial report and the vendor statements in the amount of \$112,474.93.

b) **FY 2009/10 Mid-Year Budget Review**

Mr. Palmquist stated that there are several projects in the current 09/10 budget that either will not be performed or have money left over after completion. This amount totals to approximately \$60,000. Mr. Van Sickle noted that some of the "surplus" money is due to several projects being done in house such as the roof repair at Essex and the Ruth Hydraulic Slide Gate which resulted in lower costs and ratepayer savings. Mr. Palmquist said the District needs to replace two vehicles: the dump truck (Unit 10) and the electrical maintenance truck (Unit 12). It is proposed that this be



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

February 11, 2010
9:00 a.m.

added as a project this year. The dump truck is a 1970 model and approaching 200,000 miles. This has been in the project budget for the past several years but has been deferred due to lack of funds each year. The electrical maintenance truck is a 1999 model nearing 140,000 miles (scheduled replacement is suggested at 100,000 miles). Staff recommends the unused 09/10 project budget funds be used to begin to fund a new project in this year's budget to replace the dump truck and electrical truck and asks the Board to consider and approve reallocation of several projects in Project Budget. On motion by Director Hecathorn, seconded by Director Rupp, the Board voted 4-0 to amend the budget for the project as recommend by staff and approve a new project for the purchase of two vehicles and approve advance charging for this project, using the available funds for this year's project budget to reduce the amount needed next year.

c) FY 2010/11 Budget

Mr. Palmquist reviewed the proposed budget development schedule and requested input from Directors for any special projects or areas which need funding. He noted that typically, the Board has the Special Meeting to discuss the project budget at Essex followed by a barbeque. He proposed the project budget meeting be in April this year with the barbeque at Essex in May. Director Sopoci-Belknap stated she preferred the budget meeting in April and the Board concurred. The Special Board Meeting was scheduled for April 15, 2010. Mr. Palmquist also suggested dates in June for the Joint Board Meeting with Ruth Lake CSD with June 17th being the preferred date. Mr. Palmquist agreed to check with Ruth Lake and see if the date works for their Board. Director Prucha asked if a strategic planning was going to be held since she did not see one listed on the proposed Budget Development Schedule for FY 2010/11. Director Rupp suggested Strategic Planning be done after January in case there are new Board members or go by the Fiscal year and have the meeting in July. No decision was made.

d) Annual Audit

Mr. Palmquist reviewed the proposal received from Hunter, Hunter and Hunt and noted the increased costs are due to a number of items, one of which is the 2010 audit including additional costs for GASB 45. The proposal includes maximum amounts and if audit fees are less than estimated amounts, they will adjust their fees accordingly. He recommended approval of audit services engagement with Hunter, Hunter and Hunt for three years, starting FY 2009/10. Director Hecathorn concurred and stated they have done a good job and knows the District. On motion by Director Hecathorn, seconded by Director Rupp, the Board voted 4-0 approve audit services engagement for three years with Hunter, Hunter and Hunt, beginning with FY 09/10.

Operations

Barry Van Sickle provided the January operational report. On January 21, the Essex staff received training on Self Contained Breathing Apparatus. This training is done on a quarterly basis as part of the chlorine and confined spaces training. Employees are asking for additional practice time. A key part of the training is putting away the equipment properly so everything is in the right place when it needs to be accessed. After the earthquake last month, facilities and distribution system were checked and only minor



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damage was found. As mentioned at the last meeting, it may take time for issues to manifest such as leaks. Since then, it was determined that there was a large leak occurring. The leak was located and determined to be on Sierra Pacific property and not on the District side. Sierra Pacific was notified and has made arrangements to repair the leak.

Directors

- a) General comments from Directors
Director Sopoci-Belknap asked if any Quagga monitoring at Ruth Lake had been done recently and Ms. Rishe stated she'd check on it.
- b) Humboldt Bay Initiative/Pacific Coast Joint Venture – report from Director Prucha
Director Prucha reported out on a joint meeting with Humboldt Bay Initiative and Pacific Coast Joint Venture. The USFWS is introducing a nation-wide program entitled "Landscape Conservation Cooperatives (LCCs)". She referenced material provided in the blue book and suggested the LCC could be a source of funding for estuary studies. She stated she would like to discuss the idea with Director Laird and perhaps come back next month with an action item. Director Rupp said he supported the discussion however; he sees it as a proposal of water use and feels the Board should hold off until the WRP process is complete. He suggested no action be taken at this time.

RREDC

Director Rupp reported that RREDC had their first meeting of the year and they are in good financial condition. He also made a presentation to the RREDC Board regarding WRP.

RCEA

Director Hecathorn reported that RCEA has started the audit process and has budgeted for this. PG&E has been very supportive and the meeting went very well.

I. Closed Session

On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to adjourn to closed session for Consultation with General Manager and Superintendent, who are the District's responsible security operations managers, to discuss FERC Dam Safety Program security matters (in accordance with Section 54957 of the Brown Act)

J. Open Session

No reportable action.



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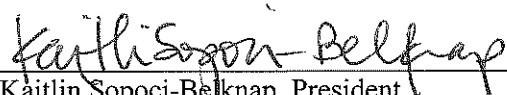
Agenda for Meeting of Board of Directors

February 11, 2010
9:00 a.m.

ADJOURNMENT

The meeting adjourned at 3:22 pm.

Attest:


Kaitlin Sopoci-Belknap, President


Barbara Hecathorn, Secretary/Treasurer