



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

June 10, 2010

A. ROLL CALL

Director Sopoci-Belknap called the meeting to order at 9:05 am. Directors Hecathorn, Laird, Prucha, Rupp and Sopoci-Belknap were present. General Manager Carol Rische, Superintendent Barry VanSickle and Accounting and Human Resources Specialist Becky Moyle were also present. Business Manager John Palmquist, Program and Regulatory Analyst Thavisak Syphanthong and District Engineer Pat Kaspari were present for a portion of the Board meeting.

B. FLAG SALUTE

Director Sopoci-Belknap led the flag salute.

C. MINUTES

Director Laird requested a correction on page 4 of the minutes. On motion by Director Hecathorn, seconded by Director Prucha, the Board voted 5-0 to approve the minutes as amended.

D. PUBLIC COMMENT

No comments were received.

E. CONSENT AGENDA

Director Laird requested that an article "Water, water everywhere at environmental law conference" be pulled.

"Water, water everywhere at environmental law conference"

Director Laird commented that the article contained several errors and inaccurately reported what was presented at the conference. Director Rupp and Ms. Rische concurred with Director Laird's assessment.

On motion of Director Laird, seconded by Director Hecathorn, the Board voted 5-0 to approve the Consent Agenda.

F. CORRESPONDENCE

Letter to CA Dept of Fish and Game re: renewal of existing Streambed Alteration Agreement

Ms. Rische stated that this letter was to transmit the final Notification of Lake and Streambed Alteration and supplemental materials as requested in the application. This submission is for renewal of the District's Streambed Alteration Agreement (SAA R1-00-0048), which expires December 31, 2010 and had previously been submitted in draft form in April.



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Ms. Rische explained that as a result of that April submission and a subsequent meeting with Jane Arnold and Scott Bauer on May 4, 2010, Mr. Bauer was also provided a copy of the Habitat Conservation Plan, per his request.

Ms. Rische reported that she and Mr. VanSickle had attended a meeting, June 8th with Scott Bauer and Jane Arnold. Ms. Rische informed the Board that she is working with new DFG staff and that the meetings have been to educate and inform DFG staff about the District and its operations. Ms. Rische stated that she is optimistic that the District can obtain a new permit with a term greater than 5 years. She also noted that the 1601 process (this gives DFG with the authority to execute the Streambed Alteration program) now addresses water rights and related storage and diversions. Ms. Arnold had a number of questions regarding the District's diversions and indicated an instream flow study may be required. This study could be very expensive and take several years to complete. In addition, DFG could require changes in pumping operations if they were to determine fish were in danger.

Director Laird related his experiences assisting the Turlock Utility District in their 1602 permit application. Director Laird expressed his concern with the process and offered his assistance.

Director Prucha asked for clarification about the District's current pumping operations. Mr. VanSickle explained that the current pumping operation is coordinated with the municipalities to avoid the most expensive power cost periods. Mr. VanSickle reported that maximum or near maximum pumping rates do occur periodically when the municipalities are filling their reservoirs. This could result in instantaneous peaks for up to one hour duration. Mr. VanSickle stated that additional municipal storage could moderate the pumping peaks. In addition, Mr. VanSickle explained that the District's Capital Improvement Plan (CIP) has identified Collector maintenance projects and new lateral installations as additional ways to increase capacity which would also moderate the pumping peaks.

G. CONTINUING BUSINESS

1. Wholesale Water Service for Industrial Customer (Freshwater Tissue)

Ms. Rische stated that Freshwater Tissue Company was scheduled for the North Coast Regional Water Quality Control Board's June 10, 2010 meeting. However, Freshwater Tissue requested the item be pulled from the agenda due to some additional work with the Federal EPA on the discharge requirements. She indicated Freshwater Tissue expected to be placed on the agenda for the July 15, 2010 meeting after the customary public notice. She added that the District is in a "holding pattern" in regards to a contract with FTC. As previously discussed,



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contract work will not begin until FTC receives the necessary approvals from the Water Quality Control Board. Director Rupp inquired if the District had received a response regarding the letter the District sent to FTC on May 4, 2010 transmitting contract information. Ms. Rische responded no.

2.a. Ruth Lake Aquatic Invasive Species Prevention Program

Ms. Rische stated that she had contacted Tom Felt at Ruth Lake CSD (RLCSD) for the report of results of Prevention Plan implementation which was due April 30, 2010 under the Memorandum of Understanding between HBMWD and RLCSD. Mr. Felt indicated the report would be received prior to the Joint HBMWD and RLCSD Board meeting scheduled for June 17, 2010 at Ruth Lake. Per Ms. Rische's suggestion RLCSD is requesting an amendment to the Memorandum of Understanding for a change in reporting due dates from April 30 to December 15 beginning in 2011. On motion of Director Laird, seconded by Director Prucha the Memorandum of Understanding between HBMWD and RLCSD Section 10 Reports and Records Item C was approved to read "Starting in 2011, this report shall be due by December 15 of each year and will be discussed at the annual joint meeting of the Boards the subsequent year." The Board voted 5-0 to approve this change.

2.b. Annual joint meeting with Ruth Lake CSD Board and other Ruth-area guests

Ms. Rische shared the schedule of events for travel to Ruth Lake for the annual joint meeting between HBMWD and RLCSD. Ms. Rische explained that one item on the agenda "Overview of new requirements re: reporting water diversions to SWRCB and possible implications for leaseholders" is related to a newspaper article provided in the Consent Agenda titled "Big fines for unreported water use: State Water Board requires regular filing for stream diversions". Ms. Rische explained that leasees are allowed to take water from the lake per a permit process administered by RLCSD and HBMWD. These lake water users may not be subject to the requirements of SWRCB but she added she needs to learn more about the new requirements to confirm this. However, those leasees or other property owners that divert water out of a stream or the Mad River would be subject to the SWRCB requirements. Director Laird asked if state and county reporting and permitting requirements are adequately addressed in the leaseholder agreements. Ms. Rische indicated that would be reviewed. In addition, the District's water source for Headquarters and the Bunkhouse is obtained from a spring that originates on a third party's property. Ms. Rische has asked legal counsel to review the agreement and SWRCB requirements to evaluate the District's obligations.

Another item that will be discussed at the joint meeting between HBMWD and RLCSD is related to RLCSD's plan to close Boy Scout Cove due to Trinity County's new requirements for Specific Unit Development. Ruth Hydro Operator



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and Ruth Area Representative Brian Newell is concerned about this as Boy Scout Cove typically attracts a more rowdy crowd. In addition, RLCSD has used Boy Scout Cove as an overflow campground during periods when attendance at the other campgrounds is especially high.

Ms. Rische stated that Mr. Felt had previously suggested that the joint boards tour a lease site that has requested a deck lease improvement outside the policies allowed by the RLCSD and HBMWD. However, Mr. Felt has pulled this item from the agenda.

Director Laird stated he would be unable to attend the joint meeting. All other Directors have indicated that they will be attending.

2. Water Resources Planning

Ms. Rische reported that the final round of public meetings is in process. The meeting in McKinleyville on June 1, 2010 was not as well attended as hoped. However, the meeting in Arcata on June 3, 2010 was very well attended. The final public meeting is scheduled in Eureka next week on June 15, 2010. Director Sopoci-Belknap reported that several stakeholder group presentations have also been completed. These meetings have been well received and feedback was complementary of the District's public process. Directors Sopoci-Belknap and Laird each reported that they have been approached and complemented on the District's extensive efforts to include the public in this process.

Ms. Rische stated that following the public meetings the Advisory committee will complete and present their report to the board. Director Laird asked that the report include a clear sense of what the public thinks about out of area water transfers.

3. Water Right Permit for hydro-electric production at Ruth Lake

- a. Results of analysis and opinion from Counsel re: permit extension vs. license options, and;**
- b. Possible approval to request a license from SWRCB, or direction to staff if alternative suggested**

Ms. Rische initiated conference call with attorney David Steffenson of Minasian, Spruance, Meith, Soares & Sexton and engineer Paula Whealen of Wagner & Bonsignore. Ms. Rische explained that Mr. Steffenson and Ms. Whealen have been assisting the District with analysis to determine whether to go for a license or seek a permit extension of the hydro power water rights permit No. 18347. The hydro power water rights permit expires on December 31, 2010. Ms. Rische explained that if the Board desired to seek a permit extension that process would need to be started immediately to complete the



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process prior to the permit expiration. Mr. Steffenson acknowledged and referred to Thavisak Syphanthong's analysis and results and then summarized his June 4, 2010 letter published in the Board's June 2010 Blue Book. He discussed each of the attributes that would be included in a license (season of use, amount of water allowed, etc.) and summarized outcomes given our analysis. Given the favorable results, coupled with the costs associated with a request for permit extension, staff recommended the District request a license. The Board members had several questions related to implications of licensing vs. a permit extension which Mr. Steffenson and Ms. Whealen answered. Following much discussion the Board indicated that it was favoring the licensing option. The discussion will be continued at the next Board of Directors meeting. President Sopoci-Belknap requested that Board members provide their specific questions to Ms. Rische for submission to Mr. Steffenson and Ms. Whealen.

I. REPORTS from Staff and Board

Engineering

- a) Techite Pipeline Replacement Project – status report re: Hazard Mitigation Grant for this project, and discussion re: anticipated schedule if grant received
Mr. Kaspari provided a brief status report. Mr. Kaspari stated that the CalEMA review has been completed and the application has been sent on to FEMA for their review. This review may take some time and, unfortunately, is impossible to estimate. However, Mr. Kaspari has been working on updating bid documents. The construction schedule is expected to begin in October/November 2011. Mr. Kaspari additionally reported that the endangered plant survey has been completed and he is in the process of reviewing that report.

- b) Capital Improvement Plan – status report re: completion of plan, and input from Board re: scope of cost estimates or “focused engineering studies” to be done in FY 2010/11
Mr. Kaspari reported that Ms. Rische, Mr. VanSickle and he had recently met to discuss which Capital Improvement projects needed focused engineering studies. The results of that meeting are noted in his letter dated June 1, 2010 Re: Capital Improvement Plan Status Update. Staff requested the Board's input on Industrial Projects and Additional Capacity projects of the CIP. The costs associated with the Industrial System have become more extensive and direction will be needed on whether effort should be expended to develop costs for the items. He also added that direction was needed as well in regards to Focused Engineering Studies related to increasing system capacity.



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Following Board discussion it was determined that projects related to the Industrial system should be tabled until sometime after the mill resumes operation.

The two projects related to increased system capacity: 1) Peninsula 15-inch Domestic Water Line Replacement and 2) Additional Reservoir capacity at the TRF will be considered when development indicates the need.

Mr. Van Sickle suggested that the project related to Increased Hydro Production be considered within the next year or two due to the age of the hydro plant, which will soon be 30 years old. Mr. VanSickle further explained that this project could identify new technologies that could increase the hydro plant production. Director Hecathorn questioned how this might relate to the hydro water rights permit. Additionally, Director Hecathorn asked if the District could more directly benefit from the hydro production at Ruth. Ms. Rische indicated that these issues could be included in the study on this item. President Sopoci-Belknap recommended that none of these projects be included for the CIP project in the proposed FY2010/11 project budget. The Board concurred.

c) Status report re: other engineering work in progress

Not reported due to time constraints, will be addressed at next meeting.

Financial

a) Letter from County Treasurer (Steve Strawn) sharing his perspective on the CDARS program as a means to extend use of government guarantees for CD investments

Ms. Rische reported that she, John Palmquist, and Becky Moyle met with Mr. Strawn and John Bartholomew following the May Board meeting to discuss the CDARS program. Mr. Strawn additionally provided the written memo included in the Board's BlueBook. Ms. Rische inquired if additional work on the security of investments would be required.

President Sopoci-Belknap expressed her appreciation of the memo from Mr. Strawn and indicated that she now has greater confidence in the way the District is handling the SRF Reserve Funds in the form of a Certificate of Deposit (CD) and no additional work is required. The Board concurred.

Ms. Rische acknowledged that there is an outstanding request from several Board members to explore local banking options. Ms. Rische reminded the Board that Mr. Palmquist had previously suggested that local bankers from Coast Central Credit Union, Redwood Capital and the District's current banking institution, U.S. Bank, be invited to address the Board. Director Laird expressed his concern regarding continuing bank failures.



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President Sopoci-Belknap acknowledged the relationship Mr. Strawn as Treasurer/Tax Collector has had with the District and suggested continuing that relationship with the new Treasurer/Tax Collector John Bartholomew.

b) Financial Report

Director Hecathorn provided the May 2010 financial report. Director Prucha reported that she reviewed the vendor statements and stated she had no questions, but commented that she is still surprised by the amount spent on power costs and the cost this month for the annual dam fees. On motion by Director Rupp, seconded by Director Prucha, the Board voted 5-0 to approve the May financial report and the vendor statements in the amount of \$146,323.09.

c) Resolution limiting appropriations from taxes – adopt Resolution 2010-1
Mr. Palmquist presented the background for the resolution. The District is required by government code to set an annual limit on the amount of tax revenues. Director Hecathorn read Resolution 2010-1. On motion by Director Laird, seconded by Director Rupp, the Board voted 5-0 to adopt Resolution 2010-1.

d) FY 2010/11 Budget – presentation and discussion of proposed budget and resulting estimate of wholesale customer charges

Business Manager Mr. Palmquist reviewed the proposed Salary and Employee Benefits (S&EB) budget and the Service and Supply (S&S) budget. Mr. Palmquist reported that Health Insurance Benefits have been extremely difficult to estimate this year due to the new health care legislation. He suggested a contingency amount of \$27,500 be included in the S&EB. Once rates are known later in the year, staff will come back to the Board for discussion on how the contingency will be used. Mr. Palmquist explained that the (S&EB) also includes the elimination of furlough and increasing part time by \$10,000, standby by \$10,000 and overtime by \$4,000 for a total increase of \$24,000. Mr. Palmquist confirmed that the Directors desired to continue the 5% reduction in Director compensation implemented in FY09/10. The total S&EB is proposed to be \$2,660,000 which is 9.8% more than the FY09/10 budget. The total proposal for the S&S budget is \$1,205,800 which is 4.2% higher than last year.



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Operations

Not reported due to time constraints, will be addressed at next meeting.

Management

Not reported due to time constraints, will be addressed at next meeting.

Directors

Director Laird thanked staff for assisting with planning of ACWA Region 1 meeting and tour scheduled for later today and continuing tomorrow. Director Laird additionally thanked Carol Rische for all her efforts to pull this event together.

Additional items will be addressed at next meeting due to time constraints.

ACWA (and ACWA/JPIA)

Not reported due to time constraints, will be addressed at next meeting.

RREDC

Not reported due to time constraints, will be addressed at next meeting.

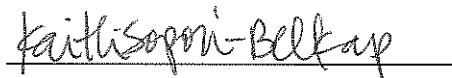
RCEA

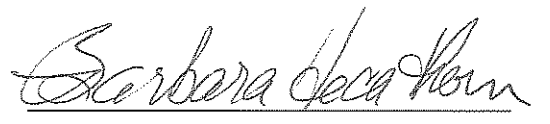
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ADJOURNMENT

The meeting was adjourned at 4:03 p.m.

Attest:


Kaitlin Sopoci-Belknap, President


Barbara Hecathorn, Secretary/Treasurer