



# HUMBOLDT BAY MUNICIPAL WATER DISTRICT

828 7<sup>th</sup> Street, Eureka



## Minutes for Meeting of Board of Directors

December 10, 2009

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### A. ROLL CALL

Director Sopoci-Belknap called the meeting to order at 9:01 am. Directors Hecathorn, Laird, Prucha, Rupp and Sopoci-Belknap were present. General Manager Carol Rische, Superintendent Barry Van Sickle and Board Secretary Sherrie Sobol were present. John Winzler and Pat Kaspari of Winzler and Kelly, David Martinek of Dun and Martinek, Carol Mayes and Jim Hunter of Hunter, Hunter and Hunt, Mary Gelinis of Gelinis-James and various member of the Water Resource Planning Advisory Committee were present for a portion of the meeting. Business Manager John Palmquist, Program Analyst Thavisak Syphanthong and Accounting and Human Resources Specialist Becky Moyle were also present for a portion of the meeting.

### B. FLAG SALUTE

Director Sopoci-Belknap led the flag salute.

### C. MINUTES

Director Prucha requested the last sentence of the first paragraph under Water Resource Planning be stricken from the October 8, 2009 minutes. On motion by Director Prucha, seconded by Director Rupp, the Board voted 5-0 to approve the minutes as amended.

On motion by Director Hecathorn, seconded by Director Rupp, the Board voted 5-0 to approve the November 12, 2009 minutes.

### D. PUBLIC COMMENT

Mr. Ken Skaggs stated the District has lots of important issues to deal with and Carol Rische is a great general manager both outside and within the District. The Board concurred.

### E. CONSENT AGENDA

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

### F. CONTINUING BUSINESS

#### 1. Retail Water Rate Study

Ms. Rische stated that on November 12, 2009 the Board conducted a Public Hearing and adopted Resolution 2009-5 changing the District's rates and service charges for retail water service. Prior to this, a lot of work was done developing the a retail rate study with its numerous components. This was the first time the rate study was done in house. Not only did the District save money by doing it in house, but now it can be used as a tool going forward for other rate studies. It was a great team effort in getting the information together and then Mr. Syphanthong wrote the report in its entirety. She thanked staff for all their hard work. Director Hecathorn stated the report was very well written and the Board concurred and thanked staff as well.



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2. Water Resource Planning (WRP)

a. Framework for Evaluation Criteria

President Sopoci-Belknap stated the Framework for Evaluation Criteria has now been completed. This is the last part of Phase I of the Water Resource Planning Process. The framework is being presented to the Board for their consideration and approval. Several members of the WRP Advisory Committee (AC) shared in the presentation. They explained how and why the criteria were developed. Jacqueline Debets of the AC introduced the Thresholds which must be met: Local Control and Legally Viable. If the option presented does not meet the threshold, then it will not be considered. Other AC members summarized the five remaining criteria which are: Environmental, Access, Economic Development, District Cost Recovery and Community Quality of Life. Director Prucha questioned whether the criteria were truly reflective of public input. She expressed concern about the questions to the right side of the broad categories and suggested that issues such as sustainability and climate change be included. The Advisory Committee members emphasized that the product is completely based on input received from the Citizens' Study Group, the three public meetings held in October, as well as input from the municipal customer group and that it is a true reflection of the input received at these meetings. Director Laird asked the committee members what is the intent of the evaluation criteria? He asked if they are for the Advisory Committee or the Board, and if the Board, he expressed concern about being bound by them as a Board member. They responded that they are intended to be a guide. In developing the criteria, they envisioned it being used as a tool based on public input to assist in decision making of options that will be generated. Several AC members noted the second page of the criteria "Guidance for Applying Framework", which explains how they are intended to be used. After a lengthy discussion, the Board agreed the Framework for Evaluation Criteria was a valuable tool to assist in decision making and requested two minor wording additions to the document. On motion by Director Laird, seconded by Director Rupp, the Board unanimously approved (5-0) the Framework for Evaluation Criteria as amended. All of the Board members thanked the AC for their time and dedication.

Bill Thorington, member of the Advisory Committee stated that Mary Gelinas and her staff deserve a lot of credit for capturing the all the details from the meetings. The Advisory Committee could not have done all of this without her and thanked the Board for hiring Mary Gelinas.

b. Workshop

Ms. Rische provided an overview of the proposed agenda. The workshop will include: 1) a brief introduction, 2) detailed presentation regarding water rights as it relates to the District situation, 3) presentations on the broad categories available to the District regarding water use and 4) public input regarding the categories and options. She noted that the agenda is still a work in progress and times may be adjusted. Director Rupp stated it was important for the guest speakers to have enough time to make their presentations. Ms. Rische said that



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she does not have a detailed cost estimate for the workshop and inquired if the Board needed that. The Board agreed that a detailed budget was not necessary.

Ms. Rische also provided an update on funding for the workshop. The lunch provided at the workshop is being sponsored by Dun & Martinek, Downey Brand, and Winzler and Kelly. An application for funding is being submitted next week to the Headwaters Fund and Ms. Rische noted that Director Prucha drafted a letter requesting funds in the amount of \$650 from a trust and she thanked her for doing so.

c. Letter from Humboldt CSD expressing concerns

Ms. Rische discussed the letter received from Humboldt Community Services District (HCSD) in regards to the Water Resources Planning Process. She noted that Director Hecathorn and Mr. Van Sickle attended the HCSD Board meeting and that the letter is very reflective of the HCSD Board input. Ms. Rische stated that the HCSD is supportive of the District's efforts overall, however, they have concerns about parts of the process and budget, in particular the facilitator. The Board discussed the points raised in the letter. Director Sopoci-Belknap suggested District write HCSD a letter thanking them for the feedback and letting them know that there is a budget for the Water Resource Planning Process and it is being monitored. The Board concurred.

d. Miscellaneous updates, discussion and next steps

Ms. Rische stated that attorney David Aladjem and Paula Whealen will be available the day after the workshop to meet with the Advisory Committee and the Board. She distributed a "Discussion Document" she developed to receive input as to what the AC and Board would like to discuss. She suggested the Directors email input regarding the topics for discussion.

Director Prucha inquired if the WRP Advisory Committee will open their meetings to the public. Director Sopoci-Belknap stated they have not addressed this topic again after they originally did so. She suggested it be included on the agenda for the next Advisory Committee meeting.

3. Water Rights Permit for Hydropower

Ms. Rische provided background information and an update on the District's water rights permit for hydropower which expires in December 2010. Last year, work was initiated on the hydro water rights permit but was then "put on the back burner" given higher priority work (due to loss of the mill). At that time, the Board agreed to not pursue trying to retain water rights for Phase II which would entail rights for a significant and costly expansion of the hydro-electric plant. Ms. Rische and Director Sopoci-Belknap asked the Board if they are still in agreement with this and the Board stated they were.

Ms. Rische said she will be meeting with state officials in late January. In regards to the Phase I development (the current plant as built), the question is does the District go for licensing or pursue a permit extension? Staff is pursuing the analytical portion of this and doing additional research. Based on previous work by Paula Whealen and Jeff Meith, and the fact that the District is currently maximizing diversion, the team is leaning



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towards licensing. Also, the amount of work and associated costs to obtain a permit extension would be much greater than that which would be required for licensing.

4. Drink Local Water

Director Laird stated he would like the Board to consider forming a Drink Local water t a committee with a representative from HBMWD and each of the municipalities, and perhaps Humboldt State University (HSU) and Humboldt County. He has been working with the City of Arcata and HSU students and feels that now is the time to make it a regional effort. Director Prucha suggested it be a DLW *and* water conservation campaign effort. Director Laird said he preferred that it be focused on DLW, noting that conservation is different. He suggested the group meet every other month to market “drink local water”. Director Rupp asked about the purpose and whether it would be “ad hoc” or not. He also suggested another agency coordinate/schedule the meetings so District staff is not over burdened. Ms. Rische suggested the next step to advance this would be drafting a committee charter and letter to the Water Task Force. Director Sopoci-Belknap asked Director Laird to draft the committee charter and bring it back to the Board. The Board concurred that Director Laird should be the District representative on the committee and Director Prucha would be the alternate.

I. REPORTS from Staff and Board

Engineering

a) Ruth project (hydraulic line replacement for slide gate)

Mr. Van Sickle reported the project is 95% complete and the dive service contract came in roughly \$6,000 below cost. Mr. Kaspari reiterated that it was an impressive project the District accomplished.

b) Survey Results

Mr. Kaspari reported out on the biennial survey results at Matthews Dam (part of ongoing dam safety program). He stated this is done to monitor potential movement due to the landslide at the West abutment of Matthews Dam as well as potential vertical movement of the top of the Dam. Results this year appeared to show a greater variance. Upon further investigation it was determined that 2007 survey held baseline Point 91 on the west side as opposed to Point 92 on the east as it has been historically done. The 2009 data is very consistent with that of 2003 and 2005. A note has been added to the 2007 data in order to note the discrepancy in the processing of the data. Director Rupp asked if all was okay and Mr. Kaspari stated yes, there has been no significant movement of the dam or landslide monitoring points. Mr. Kaspari recommended sending a letter to FERC with this notification and stated it should not be an issue since there are no practical implications in regards to the control points.

c) General updates

Mr. Kaspari stated that Local Groundwater Assistance Grants guidelines are now out and applications are due in April. He stated that he and Ms. Rische will be looking at the guidelines and considering whether to apply for another grant. The Board expressed support if the District chooses to apply.



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Legal

a) Wholesale Water Service (Industrial)

Ms. Rische stated she had received a letter from Charles Benbow, Vice President of Freshwater Tissue Company (FTC) proposing an option for a water supply agreement to re-open the mill next year. The letter is dated November 25<sup>th</sup>, however, it was not received until December 1<sup>st</sup> when Mr. Benbow hand delivered it the office. At that time, Mr. Benbow indicated the matter was time sensitive and the Board must take action on the proposal at the December 10<sup>th</sup> meeting due to a deadline FTC was facing on December 11 regarding disposition of the mill's assets.

Mr. Benbow was present at the meeting and read a statement. FTC has received two offers. One is liquidation of assets and the other is a conditional loan to re-open the mill. Part of the conditional loan states that FTC must have a fixed price water supply agreement with the District. FTC is proposing a 10 year agreement to purchase 15 million gallons of water per day at a fixed price of \$80,000 per month. Any required maintenance needed on the industrial system would be the responsibility of the District.

Ms. Rische gave a presentation and stated that the District has always been willing to work with the mill to do what is fair and equitable. She noted that the mill provides numerous benefits to the District, its ratepayers and the community in general. The District would like to enter into another water supply agreement; however, the District has a negotiating committee to work out agreement details which should not be done in the Board room. The Board members stated they too would like to see the mill back in business. Ms. Rische recommended approval of an option for a ten year water supply agreement for 15 million gallons per day (MGD) starting on July 1, 2010. She added that she could not recommend a ten year fixed price agreement for water supply at 15 MGD. On motion by Director Laird, seconded by Director Hecathorn, the Board voted 5-0 to enter into a ten year option to sell water to the FTC at 15 MGD commencing on July 1, 2010.

Areas of concern with the proposal include the fixed rate for 10 years and the fact that the system is over 50 years old and capital improvement costs will need to be addressed. If the cost of power for pumping (which the District does not control) increases dramatically, the District will not be able to cover the increased costs the way the proposal is written. Director Hecathorn suggested a ten year agreement with a five year term review. Director Laird expressed frustration at the short time frame in which the Board is required to make a decision. Director Sopoci-Belknap stated that FTC is asking the Board, as public officials, to take a big risk by entering into a fixed price agreement, adding that public ratepayers cannot subsidize private business. Director Sopoci-Belknap opened up the topic for Public Comment. Numerous members of the public spoke up and all shared the same sentiment requesting the District work with the mill to get it back up and running again. Richard Marks and David Hull both representatives of the Harbor District spoke and stated the Harbor District has been working diligently with FTC to get the mill running again. It is important for the Harbor District redevelopment as well as the economic development of the area. He also added that the water district has been very



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supportive and the Harbor District will help out in any way. Director Rupp asked if FTC has requested fixed pricing from the Harbor District. Mr. Hull replied that they have not yet had the discussion. Dennis Mayo asked if perhaps FTC would consider Director Hecathorn's suggestion of a 10 year agreement with an option to renegotiate at five years. Mr. Benbow stated he did not have the authority to authorize any changes. The proposal is as stated in the letter. After receiving a phone call, Mr. Benbow stated FTC would consider a fixed price agreement with power costs included for the first five years, but the second five years of the pricing arrangement could include "pass through for power" (the power required to pump water is a variable cost and would be a "pass through" of actual charges) and a CPI type adjustment for labor costs. Ms. Rische stated that she would propose an option for a ten year water supply agreement with the first five years at a fixed price of \$80,000 per month with the exception of power for pumping industrial water, which would capture actual charges incurred. For the second five years of the agreement, all pricing terms are open and subject to renegotiation. She added that there is still some risk inherent with this but it is much less than with a ten year fixed price agreement. She added that important details will need to be addressed in the agreement. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to send a letter to FTC indicating the Board was willing to enter into a 10 year water supply agreement with the following conditions: The first 5 years of the agreement, FTC would pay the District \$80,000/mo with power for pumping costs based on actual charges for 15 mgd of water. The second 5 years, all pricing terms would be reopened for negotiations. Also, a negotiating committee would work with FTC to arrive at a mutually agreeable water supply agreement.

**Financial**

a) FY 2008/09 Audited Financial Statements and Report

Mr. Palmquist introduced Carol Mayes and Jim Hunter of the accounting firm Hunter, Hunter and Hunt. He stated that Ms. Mayes was here to present the FY 08/09 Audited Financial Statements and Report. Ms. Mayes provided background on why an audit is done and what they look for. She stressed that they are independent of the Board and Management and the report provided is their opinion. She noted that the audited financial statement will look a bit different from what they are used to seeing. This is because it is accrual based and the monthly reports are cash based. She also noted that the mill closure was a significant event and the Balance Sheet shows a decrease in cash compared to last year. Also, the Profit and Loss Statement now shows for the first time a bad debt for the industrial customer. She stated that the audit found no evidence of material mis-statements and just like last year, no problems with internal controls. Director Prucha asked Ms. Mayes why she did not recommend CDARS again as she did last year. Ms. Mayes responded she didn't feel it was significant to add it again. Ms. Rische added that US Bank is considered low risk and CDARS research is still in progress. Ms. Mayes concurred.

Mr. Palmquist stated the audit committee has been great in their role with the audit and he acknowledged Ms. Moyle for efforts not only with the audit but year round. Director Sopoci-Belknap agreed and stated the audit committee and the auditors have stated what a great job Ms. Moyle is and has been doing. Ms. Rische echoed the



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sentiment. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to accept the audited financial statement and report.

b) Letter from County Treasurer

Mr. Palmquist reviewed the report showing the County Treasurers interest earned on funds invested in County Treasury. He noted that this was for the time period of April through June 2009.

c) Financial Report

Director Hecathorn provided the November financial report. Director Sopoci-Belknap reviewed the vendor details and stated there were no concerns. On motion by Director Hecathorn, seconded by Director Rupp, the Board voted 5-0 to approve the November financial report and the vendor statements in the amount of \$112,409.45.

**Operations**

Mr. Van Sickle provided the December Operational report. He noted the Turbidity Reduction Facility ran for 30 days in November. Also, two tours for Humboldt State University classes were provided by Steve Marshall. Steve also attended a Respirator Fit Tester course and will now be able to conduct these tests for the District since it was a "train the trainer" type course.

**Management**

a) Ms. Rische stated that she and Mr. Van Sickle are once again hosting a holiday party for staff on December 17 at Essex and invited the Directors to attend.

Ms. Rische also requested to speak on behalf of the District at an upcoming Eureka rates increase meeting on the topic of the District and it's rate increases as a result of the mill closing. The Board stated they were okay with it.

b) Employee Handbook

Mr. Palmquist reviewed updates to the Employee Handbook. A cell phone safety policy was added to the Workplace Illness and Injury Prevention Program in addition to general updates. Also, a new form was developed for the education assistance section of the handbook to provide prior approval and reimbursement following completion of authorized education. The Board concurred with the changes.

c) Discussion with McKinleyville CSD re: groundwater development

Ms. Rische and Mr. Van Sickle met with Norman Shopay (General Manager) and Greg Orsini of McKinleyville CSD (MCSD) regarding groundwater. Mr. Shopay indicated they were looking into groundwater from an emergency supply aspect. Ms. Rische and Van Sickle shared the District's concerns regarding groundwater development and how it can undermine the other municipalities. They discussed some of the issues the City of Arcata dealt with when they considered groundwater and its impact on the other municipalities. They also shared concerns regarding location of the wells and if they are too close to the river, they could be tapping into



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the aquifers the District uses. Ms. Rische recommended sending a letter to MCSO if they decide to actively pursue groundwater. The Board concurred.

Ms. Rische also discussed the article in the December 9<sup>th</sup> edition of the McKinleyville Press titled "State stonewalling on safety of local drinking water". She stated she was concerned with Mr. Shopay's statement to the press that he is concerned about the safety of the drinking water that comes from the Mad River, in particular, that the water has pentachlorophenol (PCP). Ms. Rische stated the drinking water is safe and added that the District has tested the water for PCP and the results were negative. She stated she will be speaking with Mr. Shopay about the article.

#### Directors

Director Laird stated that as reported previously, he was invited to speak at Humboldt Watershed Council. The presentation from that meeting is now available on line. Also, he had received a couple of emails from different folks that surprised him a bit. One was from someone at National Marine Fisheries who was going to publish an article stating that Matthews Dam blocks thirty percent of steelhead. The second email was in regards to the Turbidity Reduction Facility (TRF). The person said the TRF was built due to excess turbidity in the groundwater. He responded by stating that it was not true, the TRF was built due to regulatory changes by the State.

#### ACWA

a) ACWA Board of Directors meeting and ACWA Fall Conference

Director Laird reported out on the ACWA Board of Directors meeting and provided a four page report out on the ACWA Conference.

He also stated the District will be hosting the Regional ACWA tour at Ruth Lake on June 8-9, 2010. Mr. Wheatley asked if the League of Cities could team up with this and have a 2 hour town hall meeting in Arcata.

b) Announcement re: upcoming Washington DC meeting

Ms. Rische inquired if any of the Directors were interested in attending the DC meeting. Director Laird stated he did not feel the trip was needed since the District did not have any large agenda items to try to push through at the federal level.

#### RREDC

Director Rupp reported that he was not able to attend the last meeting, however, things are going well at RREDC.

#### RCEA

Director Hecathorn reported that RCEA is hiring an auditor and things are going well. Kirk Girard made a presentation regarding solar incentives project and asked RCEA to manage it since they are a Joint Powers Authority.



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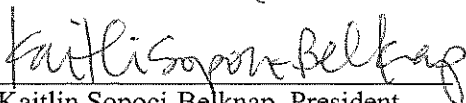
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**ADJOURNMENT**

The meeting adjourned at 5:45 pm.

Attest:

  
Kaitlin Sopoci-Belknap, President

  
Barbara Hecathorn, Secretary/Treasurer