



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

May 11, 2010

A. **ROLL CALL**

Director Sopoci-Belknap called the meeting to order at 9:04 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 also present. Business Manager John Palmquist was present for a portion of the meeting. Mr. Strawn and Mr. Bartholomew of the County Treasurer-Tax Collector's Office were also present for a portion of the meeting. Several members of the Water Resource Planning Advisory Committee were present for a portion of the meeting as well.

B. **FLAG SALUTE**

Director Sopoci-Belknap led the flag salute.

C. **MINUTES**

Director Laird requested a correction on page two of the minutes. Director Prucha requested the addition of a comment to the minutes in the financial section. On motion by Director Laird, 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 E1 be pulled as well as the article "Beyond the Myth" from E3.

PG&E Statement of Electric Energy Produced and related summaries

Director Laird inquired if the District produced more energy than consumed and noted that in March, the revenue received from PG&E was greater than the expenses paid out. Mr. Van Sickle stated that the District does produce more energy than consumed at Ruth but emphasized that does not necessarily hold true for Essex. Ms. Rische also pointed out that energy produced and revenue are two separate items. Mr. Van Sickle added that the price PG&E pays the District is not equivalent to the rate the District pays to PG&E for energy used.

Moving Beyond the Myth

Director Laird stated the article had incorrect information and pointed out the number used in Figure 2 for the North Coast (200 gpcd) is not correct. The correct number should be 165 gpcd.

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

F. **CORRESPONDENCE**

Letters regarding in-stream flows and from DFG re: Section 1601 & 1602 (Streambed Alteration Agreement) relative to diversion of water

Ms. Rische stated that although the proposed changes to instream flow and water diversion currently do not directly affect the District, she included the letters to reflect the changing landscape. The proposed changes are an example of what we've been hearing from water law attorneys as the District works on water rights issues. She summarized the information from State Water Resources Control Board regarding the proposed policy for maintaining in-stream flows in Northern California. She



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noted the Mad River was not included in the geographic scope of the policy and therefore it does not extend to our District. She also shared the ACWA letter expressing concerns regarding the proposed policy changes.

Another change affecting the Scott and Shasta River Watershed (not currently affecting the District) comes from DFG. Ms. Rische then discussed the letter from CA DFG re: Section 1601 and 1602 (Streambed Alteration Agreement) relative to diversion of water. She drew attention to the second paragraph which requires notification to DFG. "If an entity's only activity affecting a river, stream or lake is the substantial diversion of water, that entity must still notify the Department pursuant to Code Section 1602(a)". She stressed that "notification" is actually a lengthy application and not a simple notification via phone or mail.

This topic was brought up during a meeting with DFG in regards to the District's draft application for renewal of its Streambed Alteration Agreement for the Mad River activities. The application now requires substantial information regarding water rights permits and diversions. DFG staff informed Ms. Rische that additional studies (such as an in-stream flow study) may be required as part of the 1601 process now. Ms. Rische stated no action is needed at this time, she brought up the issue to raise awareness of the situation.

G. CONTINUING BUSINESS

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

Ms. Rische stated she sent Mr. Simpson of FTC a letter confirming the Board's unanimously approved "Framework for new Industrial Water Supply with Freshwater Tissue Company" which documents the key provisions and conditions for a new industrial water supply. She also noted the North Coast Regional Water Quality Control Board's Notice of Application and Public Hearing for Freshwater Tissue Company which is scheduled for the Regional Board's June 10th meeting. Director Prucha stated several people have asked her if water rates will decrease if the mill starts up again. She inquired as to how she should respond. Director Rupp stated he would respond factually and let the person know that the District is a wholesaler and does not have control over the cities/municipalities rates. It is anticipated that the District's costs will be reduced if the mill should come back on line.

2. Ruth Lake Aquatic Invasive Species Prevention Program

Ms. Rische thanked the Board for authorizing and supporting the media effort in getting the word out this year in regards to the Prevention Plan and watercraft inspections at Ruth Lake. Ads regarding the inspection process/locations have run in the papers already and letters have been sent to Ruth Lake property owners and leaseholders.

A Memorandum of Understanding (MOU) has been signed with the Department of Fish and Game (DFG) regarding enforcement services at Ruth Lake as it relates to the Prevention Plan. A meeting with DFG is scheduled for next week to discuss enforcement. Tom Felt, General Manager of Ruth Lake CSD, and Ruth Lake Leaseholder Association representatives have been invited to the meeting.

Ms. Rische discussed the letter from Tom Felt regarding additional enforcement at Ruth Lake. Mr. Felt contacted Ms. Rische and indicated that the Trinity County Sheriff's Deputy who had been providing weekend law enforcement services recently retired and would be able available to provide an hour or two of extra support for the Prevention Plan (Quagga) enforcement. The



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RLCSD has an agreement in place with Trinity County for law enforcement services, and any additional hours the District would like dedicated to Quagga enforcement could be added at District's expense. If the District were interested in additional enforcement, one hour of enforcement, five days a week for six months would cost \$2,640 and twice that (\$5,280) for 2 hours per day during the same time frame. Director Sopoci-Belknap noted that the District explored enforcement services from Trinity County last year but nothing materialized and the offer came very late from Ruth Lake CSD. She believes additional enforcement services are not necessary at this time given the current agreement with DFG. Director Laird suggested if a Sheriff is needed as back up support on a case-by-case basis, then the District could reimburse RLCSD for the additional cost. Directors Rupp and Hecathorn concurred. Director Hecathorn added that there were no enforcement issues last year and this year there is additional DFG support, therefore she sees no need to include additional enforcement hours. Director Prucha stated that if additional money is spent at Ruth, she would like to see it applied towards the inspection process and not enforcement. Ms. Rische and Director Sopoci-Belknap responded that the inspections are the responsibility of Ruth Lake CSD per the MOU that implemented the Prevention Plan. Mr. Van Sickle stated a good barometer in regards to the inspection process is feedback from people who have gone through the process. He has heard from several people who have had their watercraft inspected and what they went through was consistent with the requirements of the plan. He also noted that since DFG will be on site, perhaps they could play a role in providing feedback on the process. Ms. Rische asked the Board if they were amenable to Director Laird's idea regarding the Sheriff as backup on a case-by-case basis as needed. The Board concurred and expressed the need for clarification of circumstances with RLCSD.

3. Water rights for hydro-electric production at Ruth Lake - consideration of permit extension or licensing of existing water rights permit

Ms. Rische provided an overview of her conference call with Jeff Meith, David Steffenson, and Paula Whealen regarding water rights and noted that they are leaning towards licensing and not a permit extension. After a brief discussion, Ms. Rische stated staff is working on this and will make a recommendation to the Board in June. She noted that the Board can make a decision at that point if comfortable or they can wait.

4. Property/Right-of-Way

Ms. Rische reported that last month, she and Mr. Kaspari discussed easements and encroachments. The District successfully secured easements where it was previously identified that the District had no rights. Encroachments on District right-of-way is the next issue to be addressed. Director Rupp questioned whether there are time limitations to address encroachments (as it relates to prescriptive rights). Ms. Rische consulted with Mr. Martinek, legal counsel, and inquired if there was a time limit in which to notify the land owner and/or take action to maintain the District's rights. Mr. Martinek stated that public entities are not subject to prescriptive rights, therefore there are no concerns regarding time limitations.

5. Water Resource Planning

a. Presentation to Humboldt County Board of Supervisors re: WRP process and potential water use options

The Board took a short break and attended the Humboldt County Board of Supervisors meeting where Directors Sopoci-Belknap and Rupp provided an update on the Water Resource Planning Process which included a presentation on preliminary water use options generated by the Advisory Committee based on public input. The public will



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have an opportunity to hear about and provide input as well at the upcoming June public meetings scheduled for McKinleyville, Arcata, and Eureka. The Board of Supervisors asked several questions and provided input. Several members of the Board of Supervisors requested that they be provided another opportunity to hear about the potential water use options and how or when they could provide input.

b. Overview of Advisory Committee's next steps and discussion of potential water use options and input regarding final report

Several members of the Advisory Committee were in attendance. Director Sopoci-Belknap provided a brief overview of the history of the WRP. In September of 2008, the District began providing presentations to stakeholder groups and requested nominations for the Advisory Committee (AC). In June of 2009, the first AC meeting was held. Currently, several stakeholder meetings have been held or are scheduled to update the stakeholders on where we are now. Public meetings are scheduled for June 1st in McKinleyville, June 3rd in Arcata and June 15th in Eureka. This is an opportunity for the public to hear about the options generated so far and to provide input.

The purpose of this meeting with AC is for the Board to understand the work in progress by the AC and to have an opportunity to ask questions and better understand the AC's thinking and process.

Members of the AC discussed the 11 water use options generate so far which fall into three categories: Use within the District boundaries, Use outside the District boundaries, and In-stream flows. The evaluation criteria was recapped and it was noted that the options have met the thresholds and criteria and are now being further evaluated to: Potential Benefits/Concerns and Critical Success Factors.

The AC is planning on submitting a final report to the Board in August. The report will include: Executive Summary; List of Committee Members; District overview/challenges; Description of the WRP process; Overview of each recommended option along with a detailed look at the options and items critical to its success; Next steps, Lessons learned and a complete appendices.

Director Prucha requested the AC provide estimated costs and revenues for the options to the Board at the June meeting. Director Sopoci-Belknap responded that it is not feasible. There is not enough time and/or resources to have the information by June. An AC member added that the goal of many of the options is that if "they" want water, "they" will pay for it. Director Laird added he did not see cost analysis as the role of the AC but rather the Board once options have been narrowed down.

Director Laird suggested two additional options be added: Recreational use of water at Ruth Lake and; Additional hydro-power generated at Ruth Lake. The AC members present responded they would bring this back to the committee. Director Prucha expressed her concern about the public's ability to provide input on water use options. She added they were asked questions about use in three pre-defined categories (vs. in a more open ended fashion). She said she did not understand where the categories came from. Director Sopoci-Belknap responded and stated they came from David Aladjem



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(water law attorney) to comply with California water law. AC members present indicated a “blank slate” would be included in the upcoming public meetings.

6. Water Task Force

Ms. Rische provided an overview of the agenda for the May 12th meeting. Key topics include the status of Freshwater Tissue’s efforts to resume operations of the pulp mill and the Framework for new Industrial Water Supply Agreement and its implications for the Munis; Water Resource Planning to share preliminary water use recommendations and solicit their input; and the District’s financial outlook including two CIP projects proposed to be done within the next few years. Director Prucha asked Ms. Rische to explain the difference between Muni meetings and Water Task Force meetings. Ms. Rische responded that Muni meetings are monthly staff- level meetings. The Water Task Force is comprised of an elected and a staff level member. Director Prucha asked if another McKinleyville CSD Board member (who is not the Water Task Force member) could attend the Water Task Force meeting and Ms. Rische responded yes, as a guest.

7. Ruth Lake Community Services District

Ms. Rische requested input regarding the agenda for the June 17th joint Board meeting with Ruth Lake CSD. She suggested topics include: Status report on compliance with dock policy, and the Prevention Plan. She also discussed some topics that may potentially arise at the joint meeting with RLCSD. Director Rupp inquired what the status was with lease site inspections and Director Laird inquired on the status of the diving platform built by Essex staff. Ms. Rische thanked the Board for their input and stated a draft of the June 17th agenda would be in the June board packet for discussion.

I. REPORTS from Staff and Board

Financial

a) Statement from County Treasurer

Mr. Palmquist reported out on interest earned on fund balances invested in the County Treasury. He noted that the County has done better than LAIF in the last few years. He thanked Mr. Strawn and Mr. Bartholomew and their staff for all their work.

b) Letter to Stephen Strawn, County Treasurer

On behalf of the Board, Director Hecathorn read and then presented to Mr. Strawn a letter from the District acknowledging and thanking him for 37 years of dedicated service to HBMWD and other public agencies. Also in recognition of dedicated years of service, he was surprised with a cake, complete with an upward trend graph.

c) County Treasury

Mr. Palmquist noted that Mr. Strawn has always taken the time to come and speak with the Board and answer questions one to two times a year. This opportunity is the last since he will be retiring. Mr. Strawn asked if there were any questions he could answer and Director Prucha asked a question regarding security of investments and the CDARS program. Mr. Strawn provided his thoughts on CDARS. He noted that CDARS is a method devised to “extend” the use of government guarantees when investing in Certificates of Deposits. He cautioned that this should elicit some considerations and explained his reasons. He added that there are many safer and reliable investment options available. The Humboldt County Treasurer’s office does not invest in CDARS. He also pointed out that only surplus funds can be invested in CDARS, which means the funds must be declared as surplus. He suggested if



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the District was considering investing the funds required by the TRF loan, to contact his office and see what investments could be made with the County.

d) Monthly Financial Report

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

e) FY 2009/10 Budget

Mr. Palmquist presented the 09/10 proposed budget reallocation. The Collector 3 Valve Replacement was completed under budget. The amount available from the project is approximately \$40,000. In February, the Board approved a project budget to replace two District vehicles (which had been previously deferred due to closure/problems with the mill) for a total project cost of \$206,000. The Board also approved advance charging for the project in the amount of \$60,000. Staff is proposing to increase the advance charge by the \$40,000 saved from the Collector 3 project for a total of \$100,000. This would leave a balance of \$106,000 to fund in the 2010/11 budget. On motion by Director Laird, seconded by Director Hecathorn, the Board voted 5-0 to reallocate the \$40,000 from Collector 3 to be used for vehicle replacement project and to advance charge it.

f) FY 2010/11 Budget

Mr. Palmquist provided a presentation and discussed two budget categories: Salary & Employee Benefit (S&EB), and Service & Supply (S&S). He noted that last year was a transition year given the loss of the mill. This year is another transition year in which the District will continue to take the long term view while providing monetary relief to Municipal Customers while moving back towards full service. Employees are consulted with each year and based on their feedback and other considerations, this year's proposal in the S&EB includes changes such as eliminating furloughs, and restoring part-time, stand-by and overtime budgets. Given the economic environment and CPI indices, most of which are negative, staff is not recommending a COLA this year. Staff does not recommend any changes in retirement benefits despite employees having indicated that retirement is an important issue for them for the past three years. Staff and management recognize and emphasized this continues to be an important issue in the context of the District's attraction and retention goals. Mr. Palmquist stated this matter may come back as a possible proposal for future consideration. Due to health care legislation changes in progress, ACWA is unwilling to estimate the health insurance premiums at this time and it will most likely be late in the year before we find out. Given the unknown premiums and the current environment, staff is not recommending any changes in the District contribution at this time. However, staff is requesting a contingency amount of \$27,500 (equal to 7.5% of last year's medical premiums) be included in the Budget. This will be revisited with the Board when the health care costs become clearer. If it is not used, the money will be credited back to the Municipal Customers. The total proposed S&EB budget is \$2,591,000. This is an increase of 7% compared to the 09/10 budget.

The proposed S&S budget is \$1,222,000 which is a 5.6% increase over last year's S&S budget.

Operations

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



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Management

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

Directors

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

ACWA

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

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

ADJOURNMENT

The meeting adjourned at 5:00 pm.

Attest:


Kaitlin Sopoci-Belknap, President


Barbara Hecathorn, Secretary/Treasurer