



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

March 08, 2018

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. General Manager John Friedenbach, Superintendent Dale Davidsen, Business Manager Chris Harris and Acting Board Secretary Dee Dee Simpson-Glenn were also present. John Winzler and Pat Kaspari were present for a portion of the meeting.

B. FLAG SALUTE

President Woo led the flag salute.

C. ACCEPT AGENDA

On motion by Director Hecathorn, seconded by Director Rupp, the Board voted 5-0 to accept the agenda.

D. MINUTES

President Woo requested some minor changes to correct the minutes. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to approve the Minutes of the February 8, 2018 Regular Board Meeting as amended.

E. PUBLIC COMMENT

Members of the public are invited to address the Board on items not listed on the agenda that are within the scope and jurisdiction of the District. No public comment was received.

F. CONSENT AGENDA

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

G. CORRESPONDENCE

Letters from District opposing Proposed Drinking Water Tax: Budget Trailer Bill and SB 623-
Mr. Friedenbach stated that SB623, the proposed drinking water tax, has been added as a budget trailer bill. He shared the opposition letters sent to the budget and finance committee opposing this unless amended. Director Rupp stated ACWA is proposing an alternative funding package and not just opposing the tax.

Call for Nominations: Special District Appointment to Countywide Redevelopment Agency (RDA) Oversight Board

Director Rupp currently serves on the Eureka RDA Oversight Board and stated he would like the opportunity to continue with the Countywide RDA Oversight Board if elected. On motion by Director Latt, seconded by Director Hecathorn, the Board voted 5-0 to submit the nomination of Director Rupp to the Countywide RDA Oversight Board.

Letter from District supporting Fieldbrook Glendale CSD Annexation

Mr. Friedenbach stated the District is supportive of the annexation of the Sundberg property to the Fieldbrook Glendale CSD. He shared the letter sent to LAFCo expressing this support.

Letter from Division of Boating and Waterways Notice of Executed Agreement for 2017/18 grant

Mr. Friedenbach shared the letter from the Division of Boating and Waterways providing an executed agreement for the 2017/18 Quagga and Zebra Mussel Infestation Prevention Grant. This is the third successful grant received from the Division of Boating and Waterways. Director Rupp inquired if the



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District or Ruth Lake CSD was managing the grant funding. Mr. Friedenbach stated the District is and he explained the process. The District applied for the grant and manages the grant. Ruth Lake CSD is responsible for getting the work done and providing the bills to us after they have paid them. The District then submits the claims and when the funding is received, reimburses Ruth Lake CSD for those authorized expenses. Director Rupp thanked him for the information.

Letters from District to Ruth Lake CSD

Mr. Friedenbach discussed the letters to Ruth Lake CSD. In a January 5, 2018 letter to the Ruth Lake CSD board president, Mr. Friedenbach noted that \$16,980 in operating costs are being reimbursed through the Quagga and Zebra Mussel Infestation Prevention Grant Program. He suggested that given the savings, the Ruth Lake CSD board may want to consider sending their general manager and board secretary to training offered through the CSDA since these Ruth Lake CSD employees are both fairly new and these trainings are very informative. When reading the minutes from the Ruth Lake CSD January board meeting Item 10 New Matters for Board Consideration, Mr. Friedenbach noted the minutes stated “A letter from John Friedenbach requested Mike Francesconi attend a Service District Conference, paid with grant funds from the Humboldt Bay Water District.” As this was not the case and grant funds cannot be spent on this, another letter was sent to Ruth Lake CSD on March 1, 2018 clarifying this. This letter also addressed another issue—the lack of Lease Lot requests for improvements forwarded to our office in the past several months. Mr. Friedenbach stated he has not yet received any response to the letter. The Board discussed the possibility of having more than one joint board meeting with Ruth Lake CSD if this would be helpful during the transition with the new staff.

H. CONTINUING BUSINESS

Water Resource Planning

Local Sales

Mr. Friedenbach stated there has been no significant activity. The office periodically receives requests for “Will Serve” letters for new cannabis enterprises.

Transport

Again, there is no significant activity in the past month. He discussed the article regarding the funding and building of Sites Reservoir. If the Sites Reservoir comes to fruition, this could be a viable location for the District’s Transport Option. Mr. Friedenbach stated he received an additional inquiry from Mr. Tavares regarding ocean transport. Mr. Friedenbach then met with Mr. Oetker, Executive Director of the Humboldt Bay Harbor Commission to discuss the condition of the existing water delivery infrastructure at the former LP Pulp Mill site. The Board stated they would like to hear Mr. Tavares proposal via phone, if the project progresses.

Instream Flow

The District is still waiting to hear back from the Wildlife Conservation Board (WCB) regarding the Instream Flow grant application. The WCB will hold a special meeting on March 22 to consider the proposals and an agenda will be available March 9, 2018.

Cannabis Grows

Mr. Friedenbach reported that he met with Sheriff Honsal to discuss the parameters and possibility of funding a deputy position for the Mad River watershed. The cost, including deputy and vehicle would be \$162,000 per year. This could happen next year if the District is willing to fund it. Mr. Friedenbach also had the conversation with Scott Bauer of DFW. Mr. Bauer is also a supervisor of the



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joint Wildlife Enforcement Team. Mr. Bauer suggested funding overtime rather than a new position. Ms. Harris asked the Board from a budgeting perspective, does the Board want to include this as a line item. The Board stated yes, but not before asking several questions, including if Mr. Friedenbach discussed the topic of financial support for law enforcement with the Municipal Customers. Mr. Friedenbach stated he did discuss this with the Municipal Customers and they were onboard.

Planning Commission Appeal

Mr. Friedenbach provided a staff report prior to public comment. He outlined letters from various agencies, My Word, letters to the editor, etc., all supportive of the District position. He inquired how the District could encourage the Board of Supervisors to hear the appeal sooner rather than later. Director Latt recused himself, removed his District jacket and addressed the Board as a member of the public. He is opposed to the zoning change and has concerns for the water quality should the zoning change go through. He then left the room and returned after the consideration of this item by the Board had concluded. Other speakers in support of the District’s position were Larry Glass of North Coast Environmental Center, John Winzler who stated he read the entire Mercer Fraser operations plan and hopes this Board takes aggressive action, and Justin Ly of NOAA Fisheries who stated the Board has the full support of NOAA and they will be sending a letter of support. Joyce King from McKinleyville spoke and stated she attended the McKinleyville CSD meeting and expressed disappointment in the weak letter of support from them. She would like to see all the letters, emails, etc. posted on our website. Ms. Elaine Weinreb asked about rumors that were circulating on why we haven’t gotten a decision on our appeal yet and another speaker also echoed her disappointment on the McKinleyville CSD letter. Since there were no additional comments, President Woo closed the Public Comment at 9:40 am. Director Rupp asked what happens next if Mercer Fraser withdraws their request or agrees to the AE zoning. Mr. Friedenbach replied the District will still need to deal with the Board of Supervisors regarding the zoning change. President Woo stated she’s been told the General Plan Update is a “living document” but now understands that John Ford, the County Planning Director, stated the zoning is required to be changed. Based on the District’s legal advice, she questions the requirement for a zoning change. She stated she does not believe this and based on legal advice, this is not true. From the beginning, the issue is about the rezoning, not cannabis.

CLOSED SESSION- to discuss potential litigation-pursuant to Section 54956.9 (c) of the Brown Act)
 The Board entered into Closed session at 10:00 am.

The Board returned to Open Session at 10:51 am. There was no reportable action.

Unfunded Pension Liability-Agreement for Administrative Services

Last month, Ms. Harris shared the draft agreement for the Board’s review and they requested the agreement come back this month after they had the opportunity to discuss options with an investment advisor. On a motion by Director Rupp, seconded by Director Latt, the Board voted 5-0 to approve the PARS Agreement for Administrative Services and the Adoption Agreement for Post-Employment IRS Section 115 Trust.

I. NEW BUSINESS

Request from Mad River Alliance for grant support letter to Rose Foundation

Mr. Friedenbach shared the request from Mad River Alliance (MRA) for a grant support letter to the Rose Foundation. The MRA is requesting grant funding to help support their Water Quality Monitoring Project on the Mad River. Mr. Friedenbach shared a section from their grant application



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that states “water quality monitoring is critical for assessing watershed health and detecting ecological changes, presence of contaminants, etc. Water quality data can give insight to current and future land uses, vegetation regime changes, climate change, and overall health and function of the Mad River watershed, and whether or not that health and function is changing over time.” This statement directly correlates to the component of our District’s Mission Statement which is: “...protect the environment of the Mad River watershed to preserve water rights, water supply and water quality interests of the District.” Their grant application further states: “Within the lower 14 miles of the Mad River Watershed there are over 50 businesses discharging surface storm water into the Mad River. All these businesses are required to have a storm water discharge plan filed with the North Coast Regional Water Quality Control Board (NCRWQCB). However, NCRWQCB does not have funding or the staff to physically monitor these discharges. Given this, businesses are largely self-regulated; therefore, it is critical to have a third party to perform objective water quality analysis on a quarterly basis. Regular monitoring will help to ensure the health and quality of the source of drinking water of two-thirds of Humboldt County Residents.” Mr. Friedenbach stated that monitoring the impact of these businesses on our source drinking water is a primary concern for our District. Staff recommends the Board authorize staff to prepare a letter of support for the MRA’s grant application. Director Fuller noted the MRA does have a water quality monitoring plan and suggested staff ask Mr. Feral for additional or specific monitoring. Director Hecathorn stated she would be interested in the MRA’s financials as well. On motion by Director Rupp, seconded by Director Fuller, the Board voted 5-0 to authorize staff to prepare a letter of support for the MRA’s grant application to the Rose Foundation.

J. **REPORTS (from Staff)**

1. **Engineering:**

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

Director Latt recused himself. Mr. Kaspari stated the bids for the project were due at 3 pm yesterday. There were three bidders and he handed out the bid tabulations. Mercer Fraser had the lowest bid at \$1,045,400. GR Sundberg’s bid was \$1,109,000 and Wahlund Construction’s bid was \$1,684,000. The bulk of the work will be done by a drilling sub-contractor, J-C General Engineering, Inc. Mr. Kaspari called the listed references for the driller and all had glowing recommendations. He also reviewed the responsiveness of Mercer Fraser’s bid and it appears complete.

On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-0 to award the bid to Mercer Fraser.

Surge Tower Replacement/12kV Replacement

Mr. Kaspari reported out on the CalOES site visit on March 7th. He stated he met with staff and they left with a positive impression.

Collector Mainline Redundancy Hazard Mitigation Grant

Nothing to report. Mr. Kaspari hopes to have information for the next meeting.

Reservoir Structural Retrofit Hazard Mitigation Grant Application

As previously noted, the District was invited to submit the full application for the Reservoir Structural Retrofit. The application is due by July 1st and he doesn’t anticipate any problems. He did have an opportunity discuss the project with CalOES staff who indicated it is a great project since it fits the grant parameters.



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Single Line Industrial Slough Crossing Hazard Mitigation Grant Notice of Intent

Mr. Kaspari stated this year's NOI is new submittal process and the District is planning on submitting the single line industrial slough crossing. Director Latt inquired if there was another project that might be a better candidate. Mr. Kaspari stated that staff has reviewed various potential HMG eligible projects for the District and this is the one staff recommends.

Status report re: other engineering work in progress

Mr. Kaspari stated there is nothing to report. Mr. Friedenbach informed the Board that GHD is supporting the District on the Mercer Fraser issue from the standpoint of potential hydrological impacts.

2. **Financial**

Financial Report

Ms. Harris provided the February 2018 financial statement & vendor detail report. President Woo reviewed the bills and all was in order. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to approve the financial statement and vendor detail report in the amount of \$272,887.29.

ACWA/JPIA RSF Fund-Presentation of Refund

The District purchases insurance for Liability, Property and Workers' Compensation through the ACWA/JPIA. The JPIA is providing refunds from the Rate Stabilization Fund. These funds are returned to members when they exceed -50% of the current year's Liability Basic Premium. The JPIA's programs are pooled programs and any excess amounts are returned to members. This is different from an insurance broker who keeps any profit. Director Rupp was pleased to present the District with a refund check in the amount of \$45,846.

Audit Report

Audit Committee Report Out

The Audit Committee met and the District auditor Michael O'Connor participated via phone. The meeting went well and there were no issues of concern that arose. Director Rupp commended Mr. O'Connor for his level of work and staff for their responsiveness and high-quality work.

Audit Report

The District's auditor, Michael O'Connor of R.J. Ricciardi, Inc. participated in the meeting via phone. He provided the audited financial report for the year ending June 30, 2017. He stated everything is in compliance. The District's net position was \$23,056,105, an increase of \$2,506,424 compared to June 30, 2016. He also stated there were no internal control issues and there are no recommendations for improvement. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to approve the audit.

HighMark Capital Management

Previously, the Board approved establishing an irrevocable trust fund administered by PARS for the purpose of restricting and dedicating District funds to pre-fund the CalPERS Unfunded Pension Liability. PARS manages the "trust" itself, HighMark Capital Management manages the trust fund portfolio and US Bank will hold the actual trust funds. The Board participated in a conference call with Mr. Drew Brown, CFA of HighMark Capital Management. He provided a brief overview of the company and what they do. He discussed investment strategy



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options and potential risk and gains of the five diversified portfolio plans: Conservative, Moderately Conservative, Moderate, Balance and Capital Appreciation. The Board asked several questions and thanked Mr. Brown for his time. Mr. Friedenbach encouraged the Board to take a long-term approach in investment. Ms. Harris added that the Board must make a decision they are comfortable with and stated the unfunded liability will never go away. After additional discussion, on motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to direct HighMark to manage the District portfolio using the moderate investment risk option.

Initial funding of PARS Trust

Ms. Harris stated the diversified investment portfolio for the PARS CalPERS Unfunded Pension Liability Trust has been determined. The next step is to determine the amount of the initial contribution to fund the Trust, and any additional annual contributions to the Trust and potential distributions out of the Trust. She shared and explained a multitude of graphs and staff recommendations for the various scenarios. This was followed by a discussion on funding general reserves. At the end of the discussion, the Board made several decisions.

On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to authorize an initial investment in PARS in the amount of \$600,000 from General Reserves.

On motion by Director Hecathorn, seconded by Director Fuller, the Board voted 5-0 to use the Trust to fund the difference in required annual unfunded liability payments that exceed \$200,000, currently scheduled to begin in fiscal year 2021, with the assumption that Trust funds are available.

On motion by Director Latt, seconded by Director Hecathorn, the Board approved 5-0 to conduct an annual review of CalPERS Actuarial Valuation in conjunction with a review of the PARS Trust performance as a component of the District's annual budget process.

On motion by Director Hecathorn, seconded by Director Fuller, the Board voted 5-0 to approve funding additions to the General Reserves at \$300,000 for the four years following the initial contribution into the PARS Trust. This is the additions to reserves assumed in the Bartle Wells Financial Plan included in the CIP update.

Revised Budget Authorization for FERC required spillway engineering-

Last month the Board authorized a budget for the FERC required spillway engineering assessment. It is back as a revised budget needing authorization due to an error in the cost of one of the items. On motion by Director Hecathorn, seconded by Director Rupp, the Board voted 5-0 to revise the budget for the FERC required focused Spillway PFMA from \$7,000 to \$19,200.

3. Operations

Mr. Davidsen provided the February Operational report. He and the supervisors are working on the FY 18/19 project budget development. The final invoice for the SCADA upgrade project was received and he shared it with the Board. Several employees participated in various trainings including Rockwell training, and leadership training. Mr. Davidsen discussed the failure of the standby generator at the TRF and provided details on the extensive work required by staff to



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remedy the situation. Operations supervisors met with Peninsula School and Fieldbrook School officials to come up with a lead sampling plan per AB 746 requirements.

Water Quality Monitoring Program

A Board member previously inquired about the District's water sampling regimen. Mr. Friedenbach shared the memo from Mr. Palmero which detailed the District's sampling regimen. The requirements are separated into two categories: permit sampling and constituent sampling. He reviewed the charts for constituent sampling and the 2018 constituent sampling by month. Mr. Friedenbach also shared the Consumer Confidence Report (CCR) for calendar year 2016. This is an annual report that summarizes the sampling results and is provided to the District's retail customers and is posted on the District website. Ms. Ryan is currently working on the CCR for the 2017 year. The CCR must be distributed by July 1.

K. MANAGEMENT

1. CSDA Board of Directors Call for Nominations

Mr. Friedenbach shared the CSDA Board of Directors Call for Nomination for the 2019-2021 term. He noted the time commitment required and there was no interest.

2. ADA Notices

Mr. Friedenbach stated he has been receiving emails from Alan Moody concerning ADA issues. The Board discussed their support for ADA compliance.

Other Items

Staff was asked to follow up on the billing process used by GHD. Mr. Friedenbach clarified the billing process. Director Latt and President Woo stated they were good with it and appreciated him asking for preferred customer discount.

L. DIRECTOR REPORTS & DISCUSSION

1. General

Director Rupp reminded President Woo that they need to provide a copy to Mr. Friedenbach of his annual review. Director Rupp indicated he would write up the review if Ms. Woo provided the notes. Director Rupp also requested Mr. Friedenbach provide a list of goals for the next year.

2. ACWA – JPIA

Director Rupp reported out on the Strategic Planning meeting. Topics discussed included JPIA Core Values, program rate charges for coverage, and future services.

3. ACWA

Request for contribution to fund coalition against SB623 and the budget trailer bill related to a tax on drinking water discuss and possible approval

ACWA is urging member agencies to join ACWA's coalition against SB 623- the Water Tax bill and the budget trailer bill related to a tax on drinking water. They are also launching a fund-raising effort to secure an outside public affairs firm to help develop a more strategic external affairs campaign and assist with the coalition building outside of the water industry. The goal is to secure enough funding to sustain a campaign through the summer. ACWA is requesting a \$5,000 contribution based on the size of our District. Director Hecathorn thought this was reasonable investment spent on the community and noted that if the bill were to pass, we would be spending time and money in collecting the water tax. Director Latt felt that ACWA has plenty of money and he appreciated the purpose of it but did not want to be using ratepayer dollars to



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support this. Additional discussion ensued and on motion by Director Rupp, seconded by Director Hecathorn, the Board voted 4-1 to approve a \$5,000 contribution to ACWA for the purpose of funding campaign against the proposed water tax. Director Latt voted no.

4. Organizations on which HBMWD Serves: RCEA, RREDC

RCEA

President Woo reported out on the RCEA meeting. They approved the FY 15/16 Audit Report, adopted a resolution setting the CCA rates for 2018 which is 3% lower than PG&E and approved the establishment of the Pilot Public Agency Solar Program.


RREDC

Director Latt was not able to attend the meeting.

ADJOURNMENT

The meeting adjourned at 4:40 pm.

Attest:



Sheri Woo, President



J. Bruce Rupp, Secretary/Treasurer