



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for Meeting of Board of Directors

July 13, 2017

A. ROLL CALL

President Woo called the meeting to order at 9:00 am. Director Hecathorn conducted the roll call. Directors Fuller, Hecathorn, Latt and Woo were present. Director Rupp was absent. General Manager John Friedenbach, Superintendent Dale Davidsen, Business Manager Chris Harris, and Board Secretary Sherrie Sobol were also present. Pat Kaspari and John Winzler were present for a portion of the meeting.

B. FLAG SALUTE

President Woo lead the flag salute.

C. ACCEPT AGENDA

On motion by Director Hecathorn, seconded by Director Latt, the Board voted 4-0 to accept the agenda.

D. MINUTES

Director Latt requested an addition to the minutes of June 8, 2017 (Section D page 5) to reflect his comment requesting additional slides in future presentations that don't support staff recommendations in the interest of receiving all information necessary to make an informed decision.

On motion by Director Hecathorn, seconded by Director Fuller, the Board voted 4-0 to approve the minutes of June 8, 2017 as amended and the minutes of June 23, 2017.

E. PUBLIC COMMENT

No public comment was received.

F. CONSENT AGENDA

Director Latt stated he was surprised by the article regarding the North Coast Railroad. On motion by Director Latt, seconded by Director Hecathorn, the Board voted 4-0 to approve the Consent Agenda.

G. CORRESPONDENCE

Mad River Steelhead Population Survey

The Mad River Alliance is fundraising for their annual Steelhead population survey. The goal is to raise \$3,000. Mr. Friedenbach stated that as of today, \$2,000 has been raised. He inquired if the Board would like to contribute. Director Fuller stated she is on the board of the Mad River Alliance. She added that this is a voluntary position, however to avoid any perceived conflict she recused herself and left the room. President Woo stated that knowing the Steelhead population helps with the District's Long-Term Streambed Alteration Agreement. After a brief discussion, on motion by Director Hecathorn, seconded by Director Latt, the Board voted 3-0 to contribute \$500 from the budget staff deems appropriate. When Director Fuller returned, Mr. Friedenbach took the opportunity to discuss recusals. He shared that a Director can recuse themselves, step down into the audience to make comments to the Board as a citizen if they choose too, then leave the room.



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District letters to agencies re: necessary river work to maintain Station 6

Mr. Friedenbach discussed the letters sent to regulatory agencies notifying them of planned routine maintenance activity in the river needed to maintain Station 6. The District held a pre-construction meeting and no staff from regulatory agencies showed up. The work was planned for a Wednesday, however, on Tuesday, staff received a call from California Department of Fish and Wildlife (DFW) and the work was postponed. Mr. Davidsen shared some details of the conversation and stated he will work with NMFS and DFW to schedule a new date. Director Latt stated that Mr. Davidsen handled the situation well.

Letter to customers re: Blue Lake /Fieldbrook Crossing work

Mr. Friedenbach shared the letters sent to customers notifying them of the planned work and potential traffic impacts due to construction. Informational meetings are being held on the Blue Lake side and the Arcata side of the project. Director Woo stated she would be able to attend the meetings.

Letter to LAFCo re: Peninsula CSD formation

At the LAFCo meeting in May, they passed Resolution 17-06 regarding the proposed Peninsula Community Services District (PCSD). The resolution discussed transfer of assets and included the Samoa Pacific Group, however did not include the District. Mr. Friedenbach shared the letter he sent regarding this and requesting they amend the resolution. The letter stated the District will retain all infrastructure ownership and water rights associated with the Industrial System and the domestic water system transmission lines that traverse through the boundaries of the proposed PCSD. The District is willing to negotiate the transfer of ownership of the domestic water infrastructure distribution grid within the boundaries of the proposed PCSD.

H. CONTINUING BUSINESS

1. Water Resource Planning

Mr. Friedenbach stated there has been no significant activity in local sales or transport. In regards to instream flow, the committee continues to advance the process for an instream flow permit dedication. Staff met with Sharon Kramer of H.T. Harvey & Associates to discuss application for a Wildlife Conservation Board Grant for Instream Flow which is due at the end of August. The committee and staff recommend the District pursue a grant and request Board authorization to proceed using the services of H. T. Harvey, GHD and Stillwater Sciences to complete the grant application. On motion by Director Latt, seconded by Director Fuller, the Board voted 4-0 to authorize staff to move forward with the grant process.

2. Illegal Cannabis Grows

Director Hecathorn commented that based on recent news stories, it appears that enforcement agencies are looking more at stream impact effects versus just "cannabis". Director Latt stated this has been going on for a while now. Mr. Friedenbach added that the news outlets are just beginning to report on this aspect.



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3. Community Choice Energy (CCE)

The Board authorized the District to participate in the CCE program to support RCEA and achieve lower rates with more renewable power, thereby benefiting the ratepayers. Mr. Friedenbach shared the letter received from the RCEA regarding the CCE program. With PG&E, the District participated in a Peak Day Pricing program. This is a demand response program that provides discount rates in May through October in return for a higher rate between 2-6 pm up to 15 "Peak Days" per year. This results in a net discount if energy is reduced during the Peak Days. The District has been participating in this program since 2001. RCEA does not currently offer an equivalent Peak Day Pricing program, however they plan to incorporate a rate pricing structure similar to that in 2018. In the meantime, RCEA is proposing a one-time bill credit to offset the potential loss for non-residential customers who choose to participate in the CCE. The credit will be calculated after the Peak Day Pricing season ends in fall 2017 based on the summer 2017 energy usage and applied to the November bill. If the calculation indicates that Peak Day Pricing did not result in a net savings relative to RCEA rates, no credit will be applied. Staff recommends staying with the CCE as the risk is low, the one-time credit will make up any difference in savings loss and they will have an equivalent plan next year. On motion by Director Latt, seconded by Director Hecathorn, the Board voted 4-0 to remain with the CCE contingent upon the proposed credit. Director Hecathorn stated she participates in the CCE as an individual and found the new billing hard to understand. President Woo stated that several people have commented on this and RCEA is planning a workshop specifically to address how to read the bill.

4. California Public Records Request Act

At the April Board meeting, staff shared a recent ruling made by the California Supreme Court against the City of San Jose that dealt with the issue of public records requests for cell phone communications. As a result of the ruling, staff updated the District's Public Records Request Procedure. Mr. Friedenbach shared the updated policy and frequently asked questions guidelines. Director Hecathorn stated it is a straightforward policy. On motion by Director Fuller, seconded by Director Hecathorn, the Board voted 4-0 to approve the policy.

5. Eureka Chamber of Commerce Membership

Last month, the Board requested staff research the political positions the Eureka Chamber of Commerce has taken. Mr. Friedenbach shared the results of the research with the Board including two letters of support for the District from the Eureka Chamber of Commerce. Director Latt acknowledged the support letters, however, believes the Eureka Chamber may have sent them whether or not the District was a member. He feels the Eureka Chamber is advocating for their active members and not necessarily the community. He would like to make a motion following discussion to not renew membership as it does not reflect nor is compatible with District interests. Director Hecathorn stated the Eureka Chamber does support business and if the District withdraws from the Eureka Chamber, they should do so from other similar organizations. Director Fuller stated she is troubled by District funds going towards political issues. She is supportive of all or nothing policy. Member of the public, John Winzler provided comment. He stated the District would not have been formed had it not been for the Eureka Chamber of Commerce. The Eureka Chamber allowed the District to use their offices for a while and they funded the District's first year of operation. Mr. Friedenbach stated the Eureka Chamber is not on the agenda for action, but rather discussion. He will bring the item back for action at the next meeting. President Woo added that she would like Director Rupp to be present for the decision.



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I. NEW BUSINESS

1. Surplus various equipment

Staff provided a list of items to be declared surplus. The items are: DATALINC Equipment (Old Communications Equipment): 5 - 900 MHz Ethernet radio modem, 4 - Power adaptor 12vdc @ 1.5A, 3 - RG-58U Coax connectors, 3 - CXA-100 100 Ft Coax cable, 3- DSXL-MA Poly Phaser surge protector, 5 - 900 MHz radio modem w/Power supply, 1 - DIAG, 900 MHz radio with Power supply; Westinghouse Numa-Logic Controller (Old PLC Equipment / Parts): 13 - A to D converter module, 4-20ma, 8 ch, 8 bit; 11-PC 100 CPU types PC1100-1022, -1024, -1033, -1042; 11 - ML-1003 Input-output rail, 8 slot; 22 - NL-1003 Input 12-48 VDC, 8 Point; 12 - NL-1263 24VDC Output, 8 Point and an HP 1525 printer. On motion by Director Hecathorn, seconded by Director Latt, the Board voted 4-0 to declare the items surplus.

2. Department of Water Resources (DWR) Letter

Mr. Friedenbach shared the letter from the DWR regarding R. W. Matthews Dam. The second paragraph states that DWR completed a reconnaissance-level assessment of the spillway and have “noted that the structure may have potential geologic, structural, or performance issues that could jeopardize its ability to safely pass a flood event.” They are requesting a comprehensive condition assessment of the spillway as soon as possible and work plan by September 1, 2017 for their approval. Mr. Friedenbach stated that clearly, they are not aware of the 1964 flood and how well the dam and spillway did. He stated he did speak with DWR staff who stated that the letter is a form letter that was sent to all large spillway and/or hazardous dams. Mr. Friedenbach shared with the Board that the spillway was inspected in June of this year. Next week, the Federal Energy Regulatory Commission (FERC) will be conducting their annual inspection of the dam. He also shared components of the FERC Dam Safety Surveillance and Monitoring Report which include daily observations and tasks, annual, bi-annual and five-year reports to ensure the safety of the dam and spillway. Mr. Friedenbach stated staff will submit a work plan as requested by DWR by September 1, 2017. President Woo inquired what the work plan will show. Mr. Friedenbach replied it will show all the inspections, maintenance etc. that we currently do and what we are in the process of doing or plan to do complete with timelines. Since the Oroville incident DWR is following up on dams. Mr. Kaspari stated the spillway is not in danger of failing.

3. FEMA RFQ for Engineering Services at Sheriff’s Cove

As a result of the January and February storms this year, the District incurred damages in several areas around Ruth Lake. Damage included sediment infiltration downstream of the plunge pool and in the tailrace of the hydro plant, sedimentation encroachment into the lake at the entrance to Sheriff’s Cove and loss of a culvert at Ruth Headquarters. The District’s Procurement Policy for Federally-Funded Projects requires in part that the engineering services be obtained through a request for qualifications (RFQ) process. The emergency and time sensitive project of dredging the river course below the plunge pool and the hydro plant tailrace were completed in May. These are covered activities in the District’s Habitat Conservation Plan and Long-Term Streambed Alteration Agreement. Due to the emergency operations needed for these activities, the procurement policy provides an exception from the qualification based selection process for engineering services. The less time sensitive projects of replacing the culvert and dredging at Sheriff’s Cove allow for the normal engineering procurement process. Mr. Friedenbach shared



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the RFQ sent out to sixteen firms. The Statement of Qualifications are due back by 4 pm today, July 13, 2017. Normally staff would complete the review and selection process and bring it back to the Board for approval. In this case, delaying the selection approval until August will unnecessarily delay the projects such that staff is concerned the projects may not be completed prior to the beginning of the fall rainy season. Staff recommends the Board authorize the General Manager to negotiate and enter into a contract with the engineering firm selected through the procurement policy qualification process. Staff anticipates the costs to be under the General Manager's procurement threshold of \$30,000. On motion by Director Hecathorn, seconded by Director Latt, the Board voted 4-0 to authorize the General Manager to enter into a contract with most qualified respondent.

4. Drone Policy

Mr. Friedenbach stated the fiscal year 17/18 project budget includes the acquisition of an unmanned aerial system (UAS). These are multi-rotor or quad copters, commonly referred to as drones. He reviewed the proposed Drone Use Policy and Procedures and requested input from the Board. Director Fuller stated she read the Policy and Procedures and does not have any input. Director Hecathorn stated it is very all encompassing. President Woo inquired what the goals are with the quad copter. Mr. Davidsen replied it will be used for aerial views of the spillway, rights-of-way inspections for encroachment, observation of dead, dying and diseased trees, and inspections of the bridge, tanks, collectors and TRF to name a few of the maintenance applications. On motion by Director Fuller, seconded by Director Hecathorn, the Board voted 4-0 to approve the Drone Use Policy and Procedures.

J. REPORTS (from Staff)

1. Engineering

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

Mr. Kaspari stated the Initial CEQA study is complete and there is a draft mitigated negative declaration (MND). The MND is not yet circulated pending input from the Board. He shared the next steps and will bring the item back in September for a public hearing and possible project approval by the Board. Since no additional input was received, Mr. Kaspari stated he will send the document to the State Clearinghouse the next day.

IMG Reservoir Roof Replacement /Painting

Mr. Kaspari stated the finally received the schedule from the contractor. The tank will be drained on July 21st. There will be minimal customer impact. They may see a slight pressure drop. The project is scheduled for completion on September 22 which will require a change order signed by the GM to extend the time frame.

Surge Tower Replacement

Mr. Kaspari stated the Cultural Resources study should be completed this week. All environmental reports are due to FEMA by mid-August and we are on schedule to meet that deadline.



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12kV HMG/PDM

Mr. Kaspari stated site visits are scheduled for October or September. The team will also be visiting the Surge Tower.

Samoa Townsite Water Flow Estimates

The Samoa Pacific Group has plans to improve the water and sewer system for the Town of Samoa. Mr. Kaspari shared information on the planning scenario for domestic water use for the Town of Samoa. Based on the information provided, the District can meet the expected water demands with the existing 15-inch water line.

2. **Financial**

FY 2017/18 Budget

Ms. Harris presented the final proposed total budget and revenue estimates. There are no additional changes to the Service and Supply Budget. The total Service and Supply Budget including power is \$1,482,65.00. This is a 3.5 % increase compared to last year.

The Salary and Employee Benefits (SEB) Budget was decreased by \$32,300.00. This reduction is due to updated information received medical, dental and vision rates. The total revised SEB is \$3,742,276.00. This is a 4.1% increase compared to last year.

The Revenue Budget has no changes. The Revenue budget is \$7,723,138. This is a 6.3% decrease compared to last year.

The Project Budget is \$7,563,490.00. She discussed the additions/changes since the June presentation which amounted to a \$200 increase. She acknowledged the great job Mr. Davidsen and Mr. Chairez did with the project budget and keeping costs down. This is an increase over last year of 41.4% however, many of the projects are grant funded or have advance charges.

The total budget overall is \$11,059,817 which is a 21.1% increase over last year.

The good news is that as noted, several of the larger projects have been advanced charged and some have grant funding. This results in a decrease of charges to the Municipal Customers. The Municipal Customers will see an overall decrease of 8%.

President Woo thanked the Ms. Harris and staff for the hard work on the budget. On motion by Director Hecathorn, seconded by Director Fuller, the Board voted 4-0 to approve the FY 17/18 Budget.

District Asset Capitalization Policy

Ms. Harris provided background on what a fixed asset is and why a capitalization threshold is set. Although there is not necessarily a right or wrong amount in determining the capitalization threshold, the amount should be based on materiality and practicality. She shared the thresholds of some of the Municipal Customers and recommended the District threshold be increased from \$1,000.00 to \$5,000.00 effective July 1, 2017. This will allow the District to more accurately reflect the value of true assets without needlessly over burdening the depreciation schedule with low dollar items. On motion by Director Hecathorn, seconded by Director Fuller, the Board voted 4-0 to increase the fixed asset threshold to \$5,000.00 effective July 1, 2017.



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GASB 68 Preparation

Mr. Friedenbach stated that although it is within the General Manager's authority to sign the contract with Price Paige & Company for the GASB 68 preparation, he wanted to share with and apprise the Board of this contract. This is specialized accounting service work that is required by GASB and is necessary for accurately reporting and disclosures within the District's audited financial statement. This is the same accounting firm used last year and they agreed to keep the price the same at \$2,750.00. Mr. Friedenbach recommended approval of the contract. On motion by Director Hecathorn, seconded by Director Fuller, the Board voted 4-0 to approve the contract with Price Paige & Company.

Financial Report

Ms. Harris presented the June 2017 financial report. She noted the projected revenue is being exceeded. This is because the District philosophy is to take a conservative approach and prefer to credit the Municipal Customers back with the Price Factor 2 reconciliation rather than require an additional charge at the end of the year. She also shared a preferred format change in the way the finances are reported. She explained this is more of a time issue and inquired if the Board was ok with the new format which they were. Director Hecathorn reviewed the bills and all was in order. She did comment on the high costs of the PG&E and Engineering bills. Director Latt inquired why the bills were high. Mr. Friedenbach replied the PG&E bill includes several accounts, not just one. In regards to engineering, he requested all outstanding invoices be provided to the District by the end of June so they could be paid prior to the end of our fiscal year. Since the District operates on cash basis accounting June expenses typically run higher because we are closing out projects and have to pay our vendors under the current budget before it expires. On motion by Director Latt, seconded by Director Hecathorn, the Board voted 4-0 to approve the June 2017 financial statement & vendor detail report in the amount of \$489,227.35.

3. Operations

Mr. Davidsen provided the June Operational Report. Ruth hydropower had good production with no shut downs or loss of power. Several staff participated in Crane operator certification class. This was a two-day course and everyone passed the certification tests. Various staff attended other training on Rigging and Signal person training, and Rockwell Training for the SCADA project. The SCADA training was full week of training attended by the electricians. The Essex Safety Meeting included forklift safety class and practical exam. Interviews were held for the Maintenance Worker position and they hired Seth Stone. Mr. Stone has experience working for a water district and has his T3 certification. Director Latt inquired if the lake was filling faster this year compared to last year, given the increased rainfall and influx from creeks, streams and snowpack. Mr. Davidsen stated no, and this surprised him. Perhaps water is being diverted before it gets to our reservoir.

4. Management

GM Leadership Summit

Mr. Friedenbach reported out his attendance at the CSDA General Manager Leadership Summit. He shared the agenda and discussed the key note speakers. He provided a recap of the breakout sessions he attended. He stated the summit was very educational and thanked the Board for the opportunity to attend.



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California Special Districts Association (CSDA)

Mr. Friedenbach stated he will make the CSDA a standing item under management. He will report out on it so the Board can determine the value of the membership.

K. DIRECTOR REPORTS & DISCUSSION

1. General

No comments were received.

2. ACWA – JPIA

No report out since Director Rupp was absent.

3. ACWA

Call for Candidates

Mr. Friedenbach shared the memo from the ACWA Nominating Committee regarding their call for candidates. Director Rupp is a member of the Nominating Committee.

Outreach Advisories

The Outreach Advisory was in regards to the Little Hoover Commission hearing on Special Districts. ACWA provided a fact sheet “Public Water Agencies At Your Service” outlining the critical role water agencies play in building local infrastructure, planning for future water resources and managing budgets in a transparent, accountable manner. They encouraged ACWA member agencies to use the fact sheet to help tell the agency’s story. Another advisory stated the PPIC Report Validates Local Drought Planning and Storage Investments. Mr. Friedenbach stated it is helpful that another entity besides water districts are making this statement. President Woo cautioned that this is ACWA’s interpretation of the PPIC report.

Outreach Alert- AB 1667 Opposition letter

Mr. Friedenbach shared the ACWA Alert and the District’s letter opposing the July 3 amendments to the AB 1667 Water Management Planning. The Board previously authorized the letter. The District also was signer on the letter submitted by ACWA which included a majority of its member agencies.

4. Organizations on which HBMWD Serves: RCEA, RREDC, NCRP *

RCEA

President Woo stated there was opposition for supporting and contracting with biomass providers as part of the CCE renewable energy portfolio. They will be discussing a potential contract with a biomass provider at the next meeting.

RREDC

Director Latt reported out on the meeting. The program was a housing update by the Humboldt County Economic Development Division. At the meeting, Dennis Mayo stated the sale of water out of the County should be made priority. Director Latt stated the Board needs to educate the public on the reality of situation. He was also approached by a representative of Rio Dell regarding water. He shared that without Fortuna being involved, it is not cost effective. It is similar to Trinidad’s desire for water, but without Westhaven, it does not make economic sense.



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ADJOURNMENT

The meeting adjourned at 2:24 p.m.

Attest:



Sheri Woo, President



J. Bruce Rupp, Secretary/Treasurer

