



HUMBOLDT BAY MUNICIPAL WATER DISTRICT
828 7th Street, Eureka



Minutes for the Meeting of Board of Directors

December 10, 2015

A. **ROLL CALL**

President Hecathorn called the meeting to order at 9:00 a.m. Director Rupp conducted the roll call. Directors Hecathorn, Laird, Rupp, Sopoci-Belknap and Woo were present. General Manager Paul Helliker and Board Secretary Sherrie Sobol were present. Superintendent Dale Davidsen arrived later and Business Manager John Friedenbach was absent. Rebecca Crow, Pat Kaspari and John Winzler of GHD were present for a portion of the meeting.

B. **FLAG SALUTE**

Director Hecathorn led the flag salute.

C. **ACCEPT AGENDA**

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

D. **MINUTES**

Director Laird requested a wording change on page 4 of the minutes to clarify the management policy he was suggesting. On motion by Director Rupp, seconded by Director Sopoci-Belknap, the Board voted 5-0 to approve the minutes as amended.

E. **PUBLIC COMMENT**

No public comment was received.

F. **CONSENT AGENDA**

On motion by Director Sopoci-Belknap, seconded by Director Woo, the Board voted 5-0 to approve the Consent Agenda.

G. **CONTINUING BUSINESS**

1. **Retail rate adjustment**

Mr. Helliker introduced the retail rate analysis and provided background on why a rate adjustment is necessary to cover cost-of-service. The District last conducted a retail rate study in 2009. For the current study, in order to determine the retail system's revenue requirement, the District's retail customer usage data, retail revenue, retail specific expenses and a portion of wholesale costs were analyzed. The results show a current shortfall of \$93,600. He introduced Ms. Crow of GHD who provided a detailed Power Point presentation on the retail rate study.

Ms. Crow stated a retail rate study is necessary to ensure that revenues cover costs. Typically, a rate study is done every five years. Components of the rate study include developing a cost-of-service, evaluating rate design options to fully recover the cost-of-service, Consumer Price Index annual adjustment and a wholesale cost pass through annual adjustment. She noted that capital costs for the current rate study are based on current dollar replacement costs of the distribution grid for the Fairhaven area. For the 2009 rate study, historical costs from the 1970's were the basis for the capital cost



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calculations.

The customer accounts were separated out into four groups: non-Fairhaven (domestic), Fairhaven (Business and Domestic), Fire and Large Business in order to better evaluate the rate impacts. The capital improvement plan analysis for the Fairhaven distribution grid and meters resulted in an annual capital replacement cost increase of \$31.15/connection/ month. Director Rupp inquired if a new rate study would be required if a Samoa Peninsula Community Service District is formed. Ms. Crow stated no, it is not an issue given that the customer groups are separated out.

Ms. Crow discussed the two components of water rates: Base and Consumption and stated multiple alternatives were analyzed and considered. She shared the top six rate alternatives with staff recommendation of option 2C to address the high increases. Option 2C will phase in capital replacement costs over five years. Other Board considerations are: incorporating a wholesale pass thought into the retail rate ordinance; a provision to increase rates on July 1st by the change in the annual consumer price index; and if a conservation rate charge should be implemented. Mr. Helliker stated staff will be updating its Urban Water Management Plan next year and recommended not adding the conservation charge at this time.

The Board discussed the options and on motion by Director Rupp, seconded by Director Sopoci-Belknap, the Board voted 5-0 to select rate structure 2C, continue with the CPI rate adjustment and incorporate the wholesale pass through and directed staff to proceed with implementation of retail rate increase.

Next steps include deciding on final rates to adopt, conducting a Prop 218 rate change process and outreach, and holding a Prop 218 hearing to adopt the rates at the March meeting with the new rates going into effect April 1, 2016.

2. Water Conservation Regulations

Mr. Helliker stated last August, the State Water Resources Control Board (SWRCB) began meeting with a select number of water agencies to discuss possible extension of the water conservation regulations and possible changes to it should the drought continue into 2016. In November, Governor Brown issued another executive order directing the SWRCB to extend the conservation regulations, with potential modifications to reflect local conditions, should the drought persist through January. On December 7th, the SWRCB held a workshop that he attended. He shared with them a letter from the District and its seven Municipal Customers providing comments and requesting an exemption from an any conservation regulations given that even with conservative assumptions, our current demand would never exceed supply. The letter also recommended the SWRCB delay their final decision on conservation regulations until after the DWR completes its analysis of the 2015-2016 hydrologic conditions in mid-April. He noted that other agencies are also advocating the SWRCB recognize local supply and demand situations. The SWRCB is likely to have more hearings on the topic. Mr. Helliker added that since the rains began, 10.2 inches have fallen at Ruth and the Lake should be full by mid-January.



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3. Watershed Issues: Letter to Boards of Supervisors on cannabis regulations, ACWA Headwaters workgroup and Mountains and Rivers proposal

Cannabis Regulations

The Humboldt County Planning Commission recommended changes to the county's draft medical marijuana commercial cultivation ordinance. One major change is that the County's original draft required grows more than 2,000 square feet to obtain and conditional use permit. The Planning Commission raised the threshold to allow grows between 100 square feet and 20,000 square feet to only require a special permit from the county Planning and Building Department.

Mr. Helliker shared the letters he wrote to Humboldt and Trinity Board of Supervisors regarding a Medical Marijuana Land Use Ordinance. The letters encouraged the County to incorporate requirements into its regulations that mandate that County land use permits issued require the cultivators to comply with environmental protection regulations.

Mr. Helliker also shared that he spoke with Dave Feral who is working on putting a workshop together for cannabis growers. Mr. Feral will provide a budget for the Board's consideration.

ACWA Headwaters Workgroup

Mr. Helliker shared the ACWA Headwaters framework. The framework focuses on issues of catastrophic wildfires and their impact on water resources, and the need for fuel reduction and changes to forest management practices to protect the watershed. He noted the framework focuses on upstream practices and water quality. He also noted that good practices are already taking place locally. Humboldt State University and Green Diamond are working together on thinning trees and use of the product.

Mountains and Rivers Proposal

Mr. Helliker stated the Wilderness Society is working with Congressman Huffman to develop legislation to address forest management practices, and to propose the additional designation of wilderness and wild and scenic rivers in Northwestern California. The Wilderness Society is asking for letters of support for their concept. Mr. Helliker inquired if the Board would like staff to prepare a letter. Director Rupp stated RREDC discussed this also and they plan to send a letter of support to Congressman Huffman subject to review of the legislation. RREDC supports the concept in general, not particular legislation. The Board concurred they need more information about the legislation. No action was taken regarding a letter of support.

4. Appointing New Director

The Board previously stated they would like to have a new Director ready to start at the April 2016 Board meeting since March is the last meeting for outgoing Director Sopoci-Belknap. Mr. Helliker stated the vacancy notice must be posted in January and interviews held in February and March in order to make this happen. The Board requested an announcement be available at their January meeting for approval and agreed to have a Special Meeting for interviews on February 29, 2016. They plan to



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appoint the new Director at the March 10, 2016 meeting. Director Sopoci-Belknap will recuse herself from the appointment process.

5. Water Resource Planning (WRP) re: water-use options under consideration (local sales, transport, and in-stream flow dedication)

Mr. Helliker provided a memo summarizing WRP activities since 2011. Also included were the chart from the Implementation Plan describing short, mid and long-term actions, and the summary of planning work prepared by Director Woo in 2013. He noted that a great deal of work has gone into the process. Director Rupp stated the District's mission is to provide the best quality drinking water at the lowest possible cost. The WRP is a way to do this.

Mr. Helliker stated not much is going on in regards to local sales. On the transport front, the average price per acre foot of water is \$600. It has been as high as \$800 during the drought. Our numbers are 2-3 times higher since potential buyers do not need water year round but during the transfer window or as needed. Director Laird noted it seems we are only competitive with desalination costs. In regards to instream flow, this might still be a viable option. The District could do a 1707 enhanced summer flow and receive compensation under Proposition 1. The District could support instream flow up to 45,000 acre feet. The Board had several questions regarding compensation. Mr. Helliker stated he will summarize it all in writing and bring it back in January. Mr. Helliker suggested it might be time to get the Advisory Committee together and provide an update. The Board requested a meeting be scheduled in February.

H. 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 received report confirming that bedrock in the area is shallow and solid. It is also on the edge of a fault zone and this will impact directional drilling. He forwarded the report to a trenchless drilling company for review. If it turns out the best option is for an overhead crossing, it is important to note that maintenance costs will be higher. Mr. Kaspari stated all aspects will be reviewed and a feasibility report provided.

Director Laird stated if the overhead crossing is the best option, he would like it to include the possibility of a pedestrian trail. Mr. Kaspari stated changes will have to be made to the design to include decking, railing, etc if it will be open to the public. Director Rupp confirmed that we are currently in the feasibility phase. Once a decision is made regarding an over or under crossing, then we can decide if a pedestrian trail is an option. If yes, then we can ask an interested group to pay the extra costs to accommodate the pedestrian trail. Mr. Winzler inquired if a pedestrian trail was also be adding a security problem. Mr. Helliker responded yes, it would as well as liability issues. Mr. Kaspari stated he would include this in the feasibility



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study and note that it is not precluding a pedestrian trail option.

Ranney Collector 1 Lateral Replacement Project (partially funded by Prop 84 NCIRWMP grant)

Mr. Kaspari stated Layne Christensen submitted the only bid for the project. The bid is over budget by half a million dollars. He contacted Layne Christensen and inquired about some of the costs. They stated costs were higher since they lost money on the Collector 3 project and Collector /1A requires more work. Mr. Kaspari stated the District has three options: accept the bid; renegotiate the scope and cost with Layne Christensen; or reject the bid and re-bid in six months to a year. He noted that Mr. Friedenbach believed the project was doable financially, but needed more time to finalize the numbers. Director Rupp inquired what other projects are at risk if money is found to do Collector 1/1A? If the project is scaled back to just 1A, then there is no concern of other projects not being done. After a brief discussion, the Board requested Mr. Kaspari go back to Layne Christensen and see what costs could be lowered or renegotiated if the District were to take on some of the work.

Surge Tower Demo

Mr. Kaspari stated plans should be finalized by February and he will bring them to the Board when completed.

Facilities Plan

This is still a work in progress. There is nothing to report at this time.

1 MG Reservoir

Mr. Kaspari stated now that a stable platform is available in the tank, an engineer will go in and determine if the roof can be repainted or if it needs to be replaced.

2. Financial

Financial Report

Director Rupp provided the Financial Report. Director Woo reviewed the bills and stated all was good. Director Laird temporarily left the room. On motion by Director Rupp, seconded by Director Woo, the Board voted 4-0 to approve the November 2015 financial statement and the vendor detail report in the amount of \$169,721.62.

Director Rupp stated this year's audit will be late due to a change in auditing personnel. He noted there are no issues it is just a matter of personnel changes.

3. Operations

Mr. Davidsen stated given the recent rains, Ruth Lake is starting to fill which is good news. Staff conducted the annual Ruth EAP drill exercise. They made phone and radio calls to other agencies they would contact in the event of a dam failure to verify operability and that all contacts are current. Topics covered at the November Safety meeting included personal protective equipment, MSDS/SDS and Harassment. Mr.



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Davidson also stated that staff started the prep and de-watered Collector 2 to install new valves and check the valves on the manifold. During this process, they discovered the manifold was under stress and had actually moved. Upon startup, one motor failed. Staff replaced the motor with a spare used motor from Collector 3 and it is running again.

Director Laird inquired about the status of the Ruth Lake bunkhouse. Mr. Davidson stated since no bids were received, nothing has happened yet. He plans on getting an asbestos report then putting the project back out for bid. President Hecathorn asked about the projected timeframe for completion of the project. Mr. Davidson stated he expects two to three months, however, it will vary depending on the size of the crew.

4. Management

Mr. Helliker reported out on his attendance at the JPIA/ACWA Conference. Felicia Marcus, chair of SWRCB was one of the guest speakers at a session on water conservation. He attended many other interesting sessions, including the Region 1 meeting.

I. DIRECTOR REPORTS & DISCUSSION

1. ACWA-JPIA

Director Rupp reported out on his attendance at the JPIA/ACWA Conference. He attended the Finance Committee, Employee Benefits Committee and Board meeting. The good news from the Finance Committee meeting is that they are doing well financially and are on the positive side. They also asked him to be the Vice-Chair of the committee and he accepted. At the Employee Benefits committee, Castlight was the main topic. For those with PPO or HSA plans, this program allows users to do a cost comparison and read reviews, etc for different providers. The JPIA Executive Committee dealt with similar items. They also lined up several vendors to help with El Nino remediation and clean up. This was a good, proactive step to help members. Other sessions attended included water rights, smart grid utilities and El Nino. He also attended the Region 1 meeting and stated he is very supportive of Director Woo or Mr. Helliker getting more involved with Region 1 and serving on that Board.

2. Organizations on which HBMWD Serves: RCEA, RREDC, LAFCo

RCEA

Director Woo attended the meeting. The discussed the Community Choice Aggregate (CCA) and most of the municipal customers signed on. The City of Blue Lake did not. The Board working with the Executive Director on performance improvement.

RREDC

Director Rupp shared that Mr. Marshall from RCEA was a guest speaker and provided a presentation on the CCA.



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ADJOURNMENT

The meeting adjourned at 3:02 pm

Attest:


Barbara Hecathorn, President


J. Bruce Rupp, Secretary/Treasurer